

# **IAR'S INLAND EMPIRE REPORT ON BUSINESS**

**Prepared by: *The Institute of Applied Research***

at California State University, San Bernardino

***Report for April 2010***

**Sponsor: *San Bernardino County Economic Development Agency***

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## **Local economy shows strong gains amidst inflationary pressures**

According to Shel Bockman and Barbara Sirotnik (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (62.5) registered a significant increase over last month's figure (52.2) continuing to stay above the baseline 50% mark for the sixth consecutive month. This indicates strong growth for both the local economy in general and for the manufacturing sector in particular."

"New Orders, one of the key indicators, registered a sharp increase this month when compared to last month, growing from 54.4 to 65.6. Production also showed a major increase over last month, shifting from 55.9 last month to 70.3 this month. On the other hand, this good news comes at a cost: Inflationary pressures within the Inland Empire are on the rise, increasing from 76.5 last month to this month's figure of 78.1. Further, even though new orders and production are up, employment continues to lag. The Employment index is at the 50% baseline indicating no change from last month (which was not a good month for employment)."

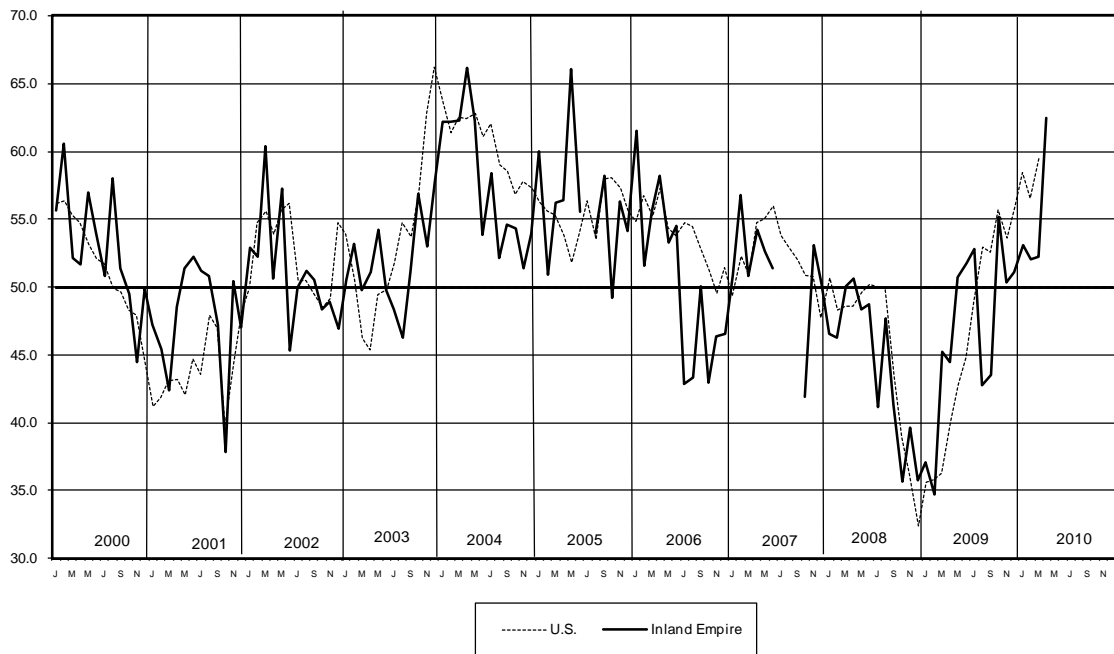
"The positive numbers relative to growth in the local economy are matched by a significant increase in Purchasing Manager "confidence." Indeed, twenty-nine percent of the Purchasing Managers predict that the economy will become stronger in the next few months...the highest figure since 2005. Sixteen percent still believe the local economy will be weaker in the coming months, and the majority (fifty-five percent of the Purchasing Managers) believe the local economy will remain the same (not necessarily a positive statement since the local economy has been in a recession)."

Following are some highlights from this month's report:

<b>April 2010 Business Survey at a Glance</b>				
	<b>Series Index</b>		<b>Direction from 50*</b>	<b>Rate of Change from Last Index</b>
	<b>Last Month</b>	<b>This Month</b>		
Local PMI	52.2	<b>62.5</b>	Growing	Faster
Commodity Prices	76.5	<b>78.1</b>	Increasing	Faster
Production	55.9	<b>70.3</b>	Growing	Faster
New Orders	54.4	<b>65.6</b>	Growing	Faster
Inventory	42.4	<b>60.9</b>	Increasing	From Decreasing
Employment	44.1	<b>50.0</b>	Unchanged	From Decreasing
Supplier Deliveries	59.1	<b>60.9</b>	Slowing	Faster
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	27%	29%		
% Same	44%	55%		
% Weaker	29%	16%		

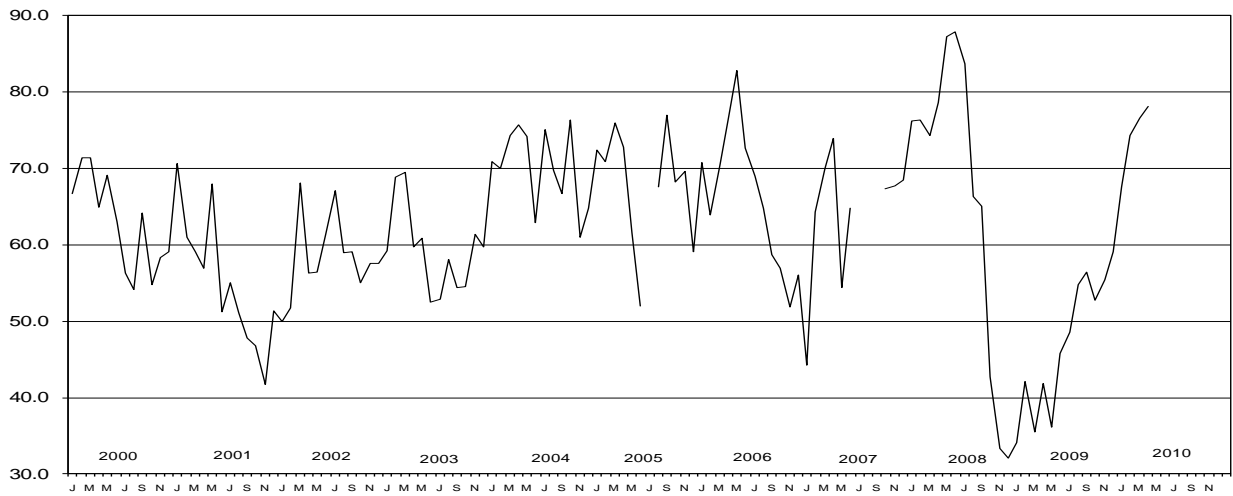
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



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### Commodity Prices



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### STATE OF THE ECONOMY: DATA FROM 4/2009 THROUGH 4/2010

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Weaker	38	33	39	17	33	28	8	20	24	22	19	27	16
Same	51	53	43	57	52	55	76	60	54	64	63	44	55
Stronger	11	14	18	26	14	17	16	20	22	14	19	29	29

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included: "Business remains strong. Finished goods inventory levels are at a record low in the last 5 years but commodity prices indicate an obvious inflation concern," "I think it is getting little better," "General outlook is positive. Small orders have kept us afloat. Larger orders coming in will give us the necessary boost to push us ahead and upward," "Sales up 45%, but not quite back to normal," and "We are looking a little better."

Some Purchasing Managers had negative comments, "CA Manufacturing will be shut down by mid-July. Each month more of our production lines are leaving California. I will be unemployed as of 11 May 2010. This will be my last report," "Resin is on the rise, but we are expecting a drop in plastic pricing," and "Due to the lack of cash flow we had to close the business."

"In conclusion, this month's report reflects some very positive signs for the local economy (i.e. increasing production and new orders), however employment and commodity prices remain a strong concern. Moreover, although some of the Purchasing Managers are optimistic, the strongly negative comments from a few people are worrisome. In short, we're not yet at the point of saying that "blue skies are here

again.” We’ll have to see whether the black clouds lurking on the horizon end up raining on the Inland Empire recovery.”

**FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:**

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