

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for April 2008

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

Supporter: *College of Business and Public Administration, CSUSB*

PRODUCTION AND NEW ORDERS IMPROVE, AND LOCAL ECONOMY CONTINUES ANEMIC GROWTH

According to Shel Bockman, Barbara Sirotnik, and Christen Ruiz (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (50.6) remained above the baseline 50% mark for the second month in a row, and is virtually unchanged from last month's PMI (50.1). The methodology underpinning the PMI requires three consecutive months either above or below 50% in order to determine that a change in direction has occurred in the local manufacturing sector. Therefore, if next month's figure continues above 50, a statement that the manufacturing sector is growing can be made, but it should also be noted that it shows only very slight growth. On the other hand, this month's PMI remained above the 44.5% mark, suggesting that the **local economy** is continuing its pattern of weak growth."

"It is encouraging that Production (52.9) and New Orders (54.3) – two of the key components of the PMI – increased last month and moved above the 50% baseline, indicating that manufacturing companies anticipate increasing purchases from consumers. The local employment picture in the Inland Empire, however, remains troublesome, with the Employment index (45.7) remaining below 50% for the 7th consecutive month. The Commodity Price figure (78.4, up from 74.2 last month) also remains of concern, with Purchasing Managers citing oil prices and the price increase of metals such as gold and copper as being responsible for the increase. These findings are corroborated in media articles indicating that the price that recyclers pay for a pound of copper has increased from .70 cents to \$3.50 per pound. Purchasing Managers remain generally pessimistic about the state of the local economy for the coming quarter: 9% percent of the Purchasing Managers commented that they expect the economy to be stronger in the next three months; yet 51% indicated that they expect it to be weaker, and the remaining 40% expect it to stay the same as it has been (i.e. weak growth)."

"When Purchasing managers were asked if they had any overall remarks to offer, a few had positive comments: "Entering our busy season, looking better", "We have entered

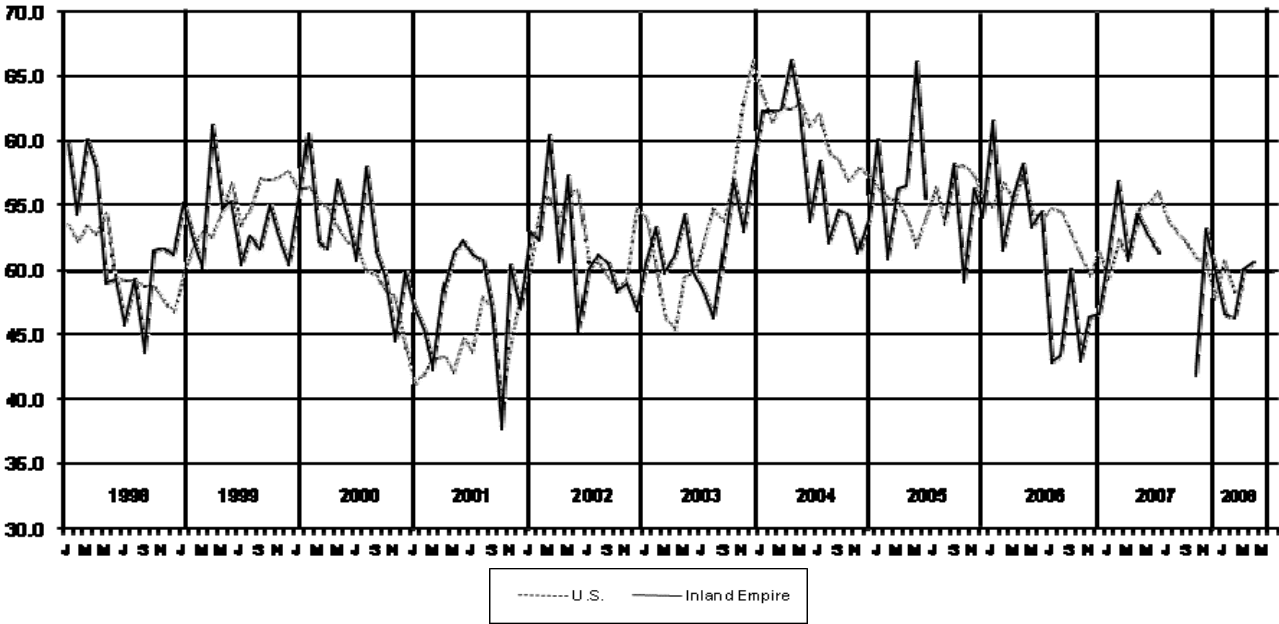
our busy period and our stats are up - but not where we expected them to be at or this period.", "2nd Quarter is starting good!", "Business still strong-Consolidating and merging two companies together", "Increased sales- Brass material still high", and "A little better." Several Purchasing Mangers expressed concerns about their business: "Our main raw material (Steel) is going out of sight on price", "Still very slow", "the Marine industry is continuing its slowdown", "Our market is getting slower", "Significant increase are occurring in all metals. Some as high as a 30%. Some material is being allocated and lead times are extending.", and "Revenues continue to decline from prior year as a result of housing slump."

Following are some highlights from this month's report:

April 2008 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	50.1	50.6	Growing	Faster
Commodity Prices	74.2	78.6	Increasing	Faster
Production	51.6	52.9	Growing	Faster
New Orders	53.2	54.3	Growing	Faster
Inventory	48.4	48.6	Decreasing	Slower
Employment	46.8	45.7	Decreasing	Faster
Supplier Deliveries	46.8	47.1	Slowing	Slower
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	10%	9%		
% Same	35%	40%		
% Weaker	55%	51%		

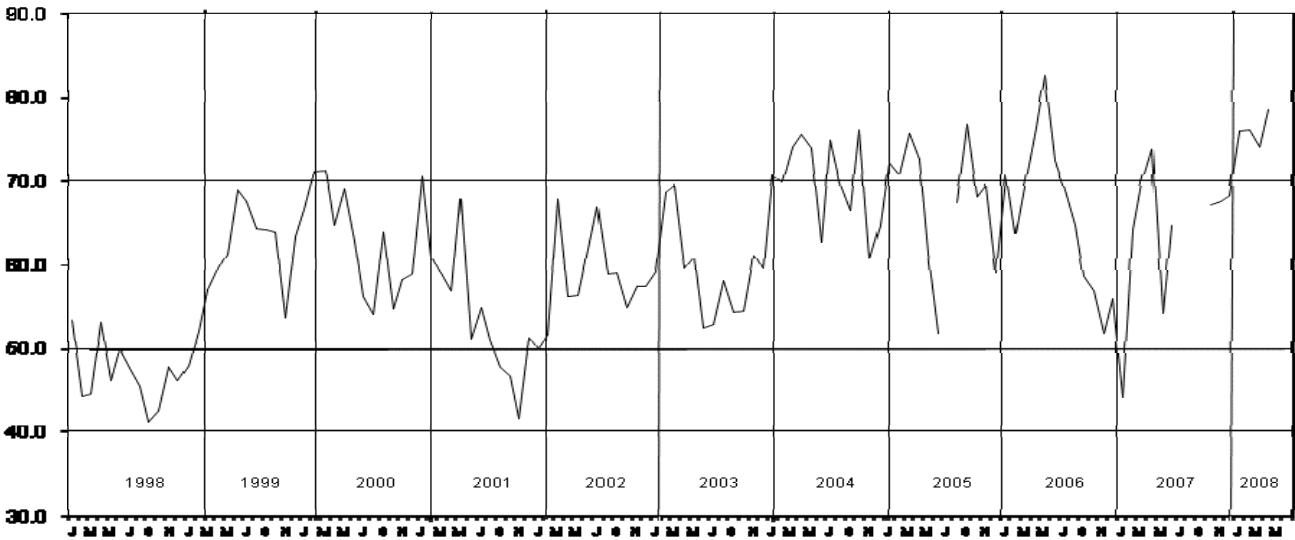
- NOTE: In all cases except Supplier Deliveries, the "Direction" refers to whether the index is above 50% (growing) or below 50% (decreasing).

Purchasing Managers' Index



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

Commodity Prices



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

April's Commodity Price Index (78.6) has increased from last month's figure (74.2) showing that inflationary pressures continue to exist in the Inland Empire. This figure of 78.6 is the second highest since the report's inception (the highest was in May, 2006). Purchasing Managers cite oil prices and the price increase of metals such as gold and copper as being responsible for the increase.

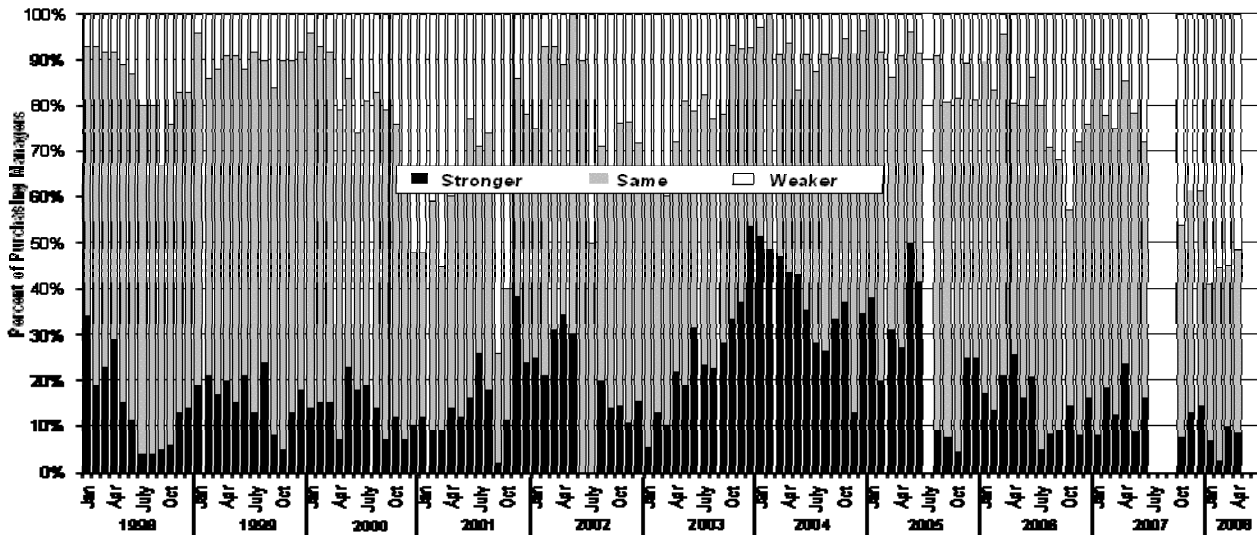
Purchasing Managers continue to be less than enthusiastic about the state of the local economy. Only nine percent of purchasing managers predict that the local economy will become stronger in the upcoming months. Fifty-one percent of purchasing managers believe the local economy will continue to be weak, and forty percent commented that they feel it will remain the same.

STATE OF THE ECONOMY: DATA FROM 3/2007 THROUGH 3/2008

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Weaker	14	22	28	-	-	-	46	39	38	59	55	55	51
Same	62	69	56	-	-	-	46	48	46	34	42	35	40
Stronger	24	9	16	-	-	-	8	13	16	7	3	10	9

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

State of the Local Economy



FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:
 Shel Bockman, Co-Director, Institute of Applied Research
 (909) 537-5733

Barbara Sirotnik, Co-Director, Institute of Applied Research
 (909) 537-5729

Christen Ruiz, Co-Director, Institute of Applied Research
(909) 537-5776

Kevin Palmer
Economic Development Director, San Bernardino County EDA
(909) 387-9812

Sarah Mundy
Deputy Director of Economic Development and Marketing, Riverside County
EDA
(951) 955-8916