

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

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

**Housed in CSUSB's *College of Business and Public Administration***

***Report for April 2012***

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

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## **PMI REMAINS ABOVE 50, BUT NEW ORDERS ARE FLAT**

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 (52.9) registered a sharp drop from last month's PMI (60.8), suggesting that the local manufacturing sector is still growing, although at a slower pace."

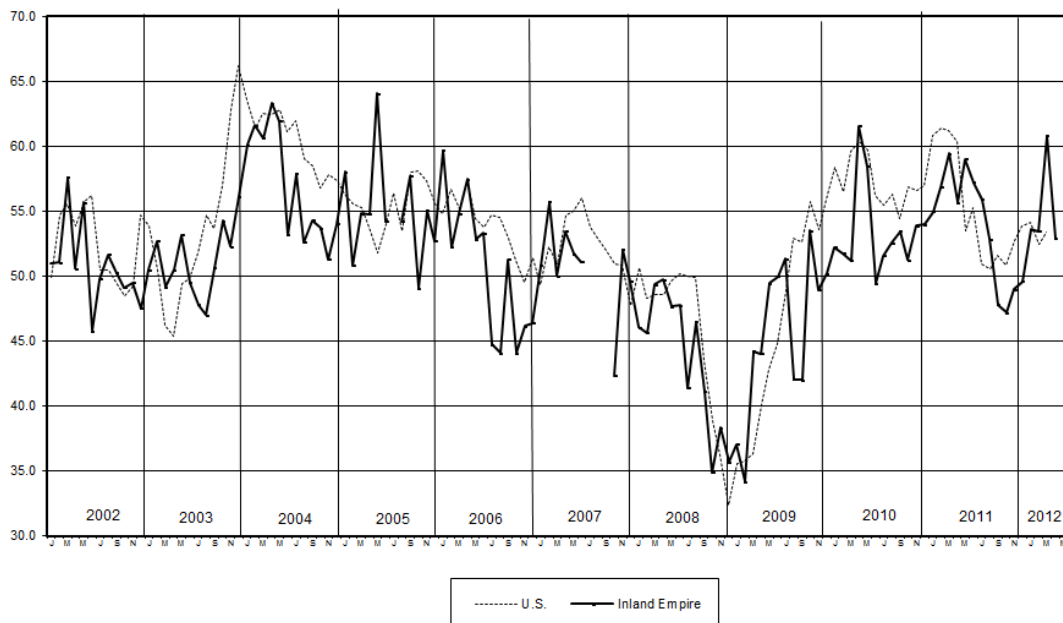
The good news is that although the closely watched Employment Index dropped from 63.0 to 57.4, it is still well above the 50% break-even point, indicating that employers are still in hiring mode. In addition, Production is 55.4 (down from 66.7 last month) – again, well above the 50% mark. On the flip side, the New Orders index dropped from 66.7 to 50.0 (a trend which, if it continues, would be a worrisome sign for the manufacturing sector). Further, the Commodity Prices Index continued to reflect inflationary pressures, although it dropped slightly from 61.1 last month to 60.7 this month.

Sixty-two percent of the Purchasing Managers projected that the state of the local economy will stay the same in the coming months. 23% of Purchasing Managers predicted that the economy would be weaker in the coming quarter (up from 12% last month), while the remaining 15% believed the local economy would become even stronger by next quarter (up from 8%).

Following (next page) are some highlights from this month's report:

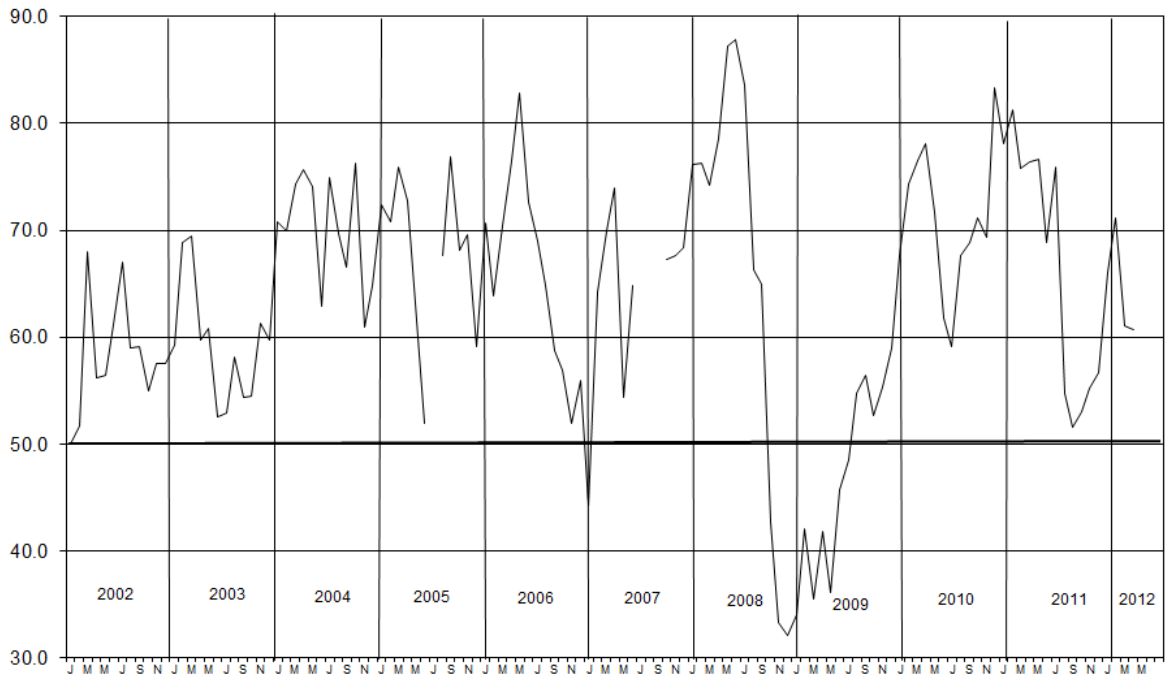
<b>April 2012 Business Survey at a Glance</b>				
	<b>Series Index</b>		<b>Direction from 50*</b>	<b>Rate of Change from Last Index</b>
	<b>Last Month</b>	<b>This Month</b>		
Local PMI	60.8	<b>52.9</b>	Growing	Slower
Commodity Prices	61.1	<b>60.7</b>	Increasing	Slower
Production	66.7	<b>55.4</b>	Growing	Slower
New Orders	66.7	<b>50.0</b>	Unchanged	From Increasing
Inventory	50.0	<b>42.6</b>	Decreasing	From Unchanged
Employment	63.0	<b>57.4</b>	Increasing	Slower
Supplier Deliveries	57.7	<b>58.9</b>	Slowing	Faster
Imports	55.9	<b>55.6</b>	Increasing	Slower
Exports	50.0	<b>42.3</b>	Decreasing	From Unchanged
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	8%	15%		
% Same	80%	62%		
% Weaker	12%	23%		

## Purchasing Managers' Index



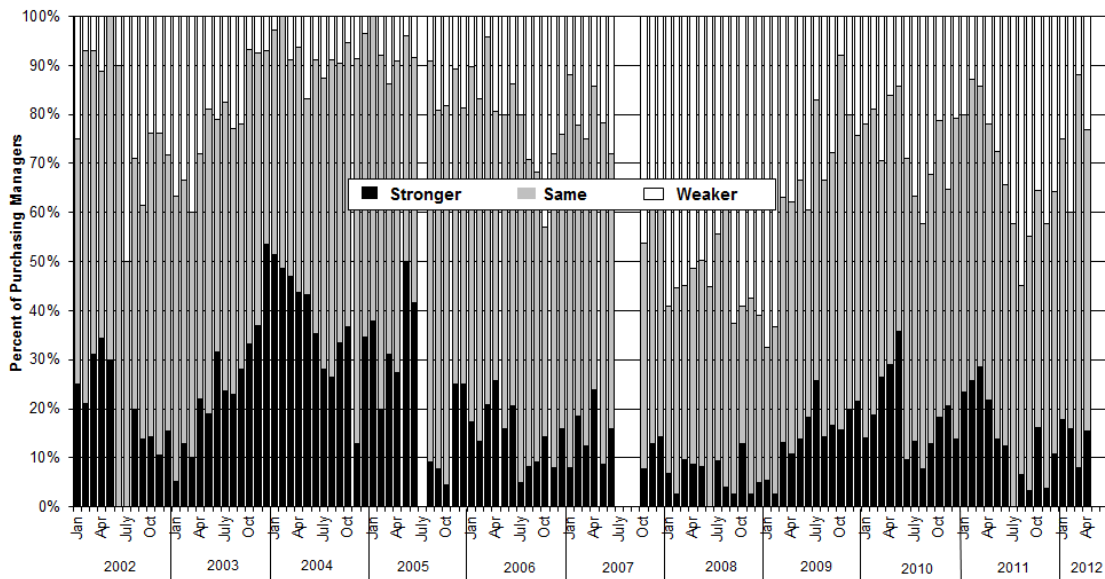
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Commodity Prices



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## State of the Local Economy



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### STATE OF THE ECONOMY: DATA FROM 4/2011 THROUGH 4/2012

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
<b>Weaker</b>	22	28	34	42	55	45	36	42	36	25	40	12	23
<b>Same</b>	56	59	53	58	39	52	48	54	53	57	44	80	62
<b>Stronger</b>	22	14	13	0	6	3	16	4	11	18	16	8	15

The mixed signals reflected in the key indices which comprise the PMI are also revealed in Purchasing Managers' comments. Remarks included: "Same as last month," "We are preparing to enter our busy season so numbers greater than last month only due to seasonality," "Some slowing of orders," "Beef gelatin is still very hard to come by and when you *are* able to get it, the price for it doubles," "Material is flat over last month," "Unpredictable market, we were doing well in March and then April tanked. We should be on an upswing."

In summary, unlike last month's report in which all data sources pointed towards growth in the local manufacturing sector and the local economy, this month's report includes some mixed signals. The less-than-optimal indicators could simply be an adjustment from last month's "high." Or they could reflect the fragility of the recovery, particularly in light of recent news reports which emphasize increasing concerns about the global economy in countries such as Greece, Spain, and Britain.

The bottom line: the local manufacturing sector and economy are still growing.

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

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