

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for August 2011

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

PMI POINTS TO CONTINUED GROWTH, BUT PURCHASING MANAGER CONFIDENCE REMAINS LOW

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 (53.5) registered a slight decrease from last month's figure (55.9) but remained above the baseline 50% as it has since October 2009."

"Production decreased from 58.6 last month to 57.8 this month, and New Orders dropped from 55.2 to 51.6. Both of these key indices continue to be above the 50% baseline, reflecting the anticipation that consumer purchases will increase. Further, the Employment Index remained is especially encouraging in that it has remained above the 50% mark for the seventh month in a row, with an increase from last month's 51.7 to 54.7 this month. The Commodity Price Index decreased sharply from 75.9 last month to 54.7 this month, possibly reflecting a decrease in gas/oil prices."

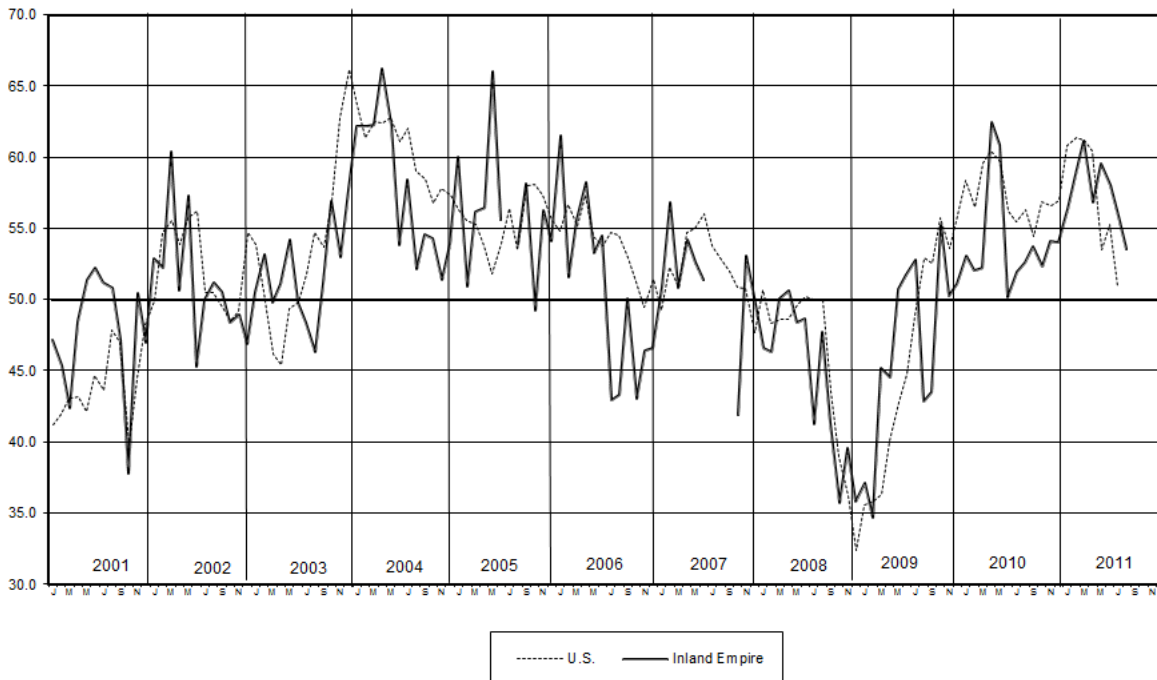
Purchasing Managers' optimism about the state of the local economy for the coming quarter remains low. Last month, 42% of Purchasing Managers expected the next quarter's economy to become weaker, and this month that figure rose to 55%. On the flip side, last month 0% expected the economy to become stronger, whereas this month that figure rose to 6%. On balance, then, in spite of the positive PMI figures, Purchasing Managers are generally pessimistic about the future state of the Inland Empire economy."

Following are some highlights from this month's report:

August 2011 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	55.9	53.5	Growing	Slower
Commodity Prices	75.9	54.7	Increasing	Slower
Production	58.6	57.8	Growing	Slower
New Orders	55.2	51.6	Growing	Slower
Inventory	55.2	46.9	Decreasing	From Increasing
Employment	51.7	54.7	Increasing	Faster
Supplier Deliveries	58.9	53.3	Slowing	Slower
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	0%	6%		
% Same	58%	39%		
% Weaker	42%	55%		

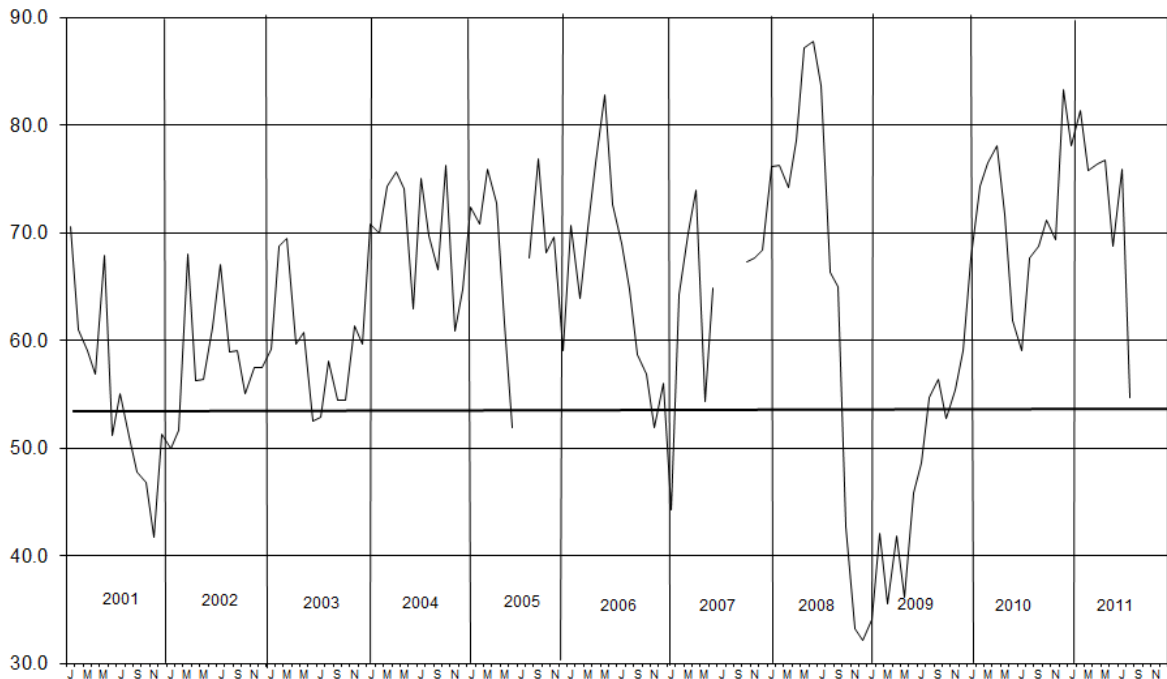
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



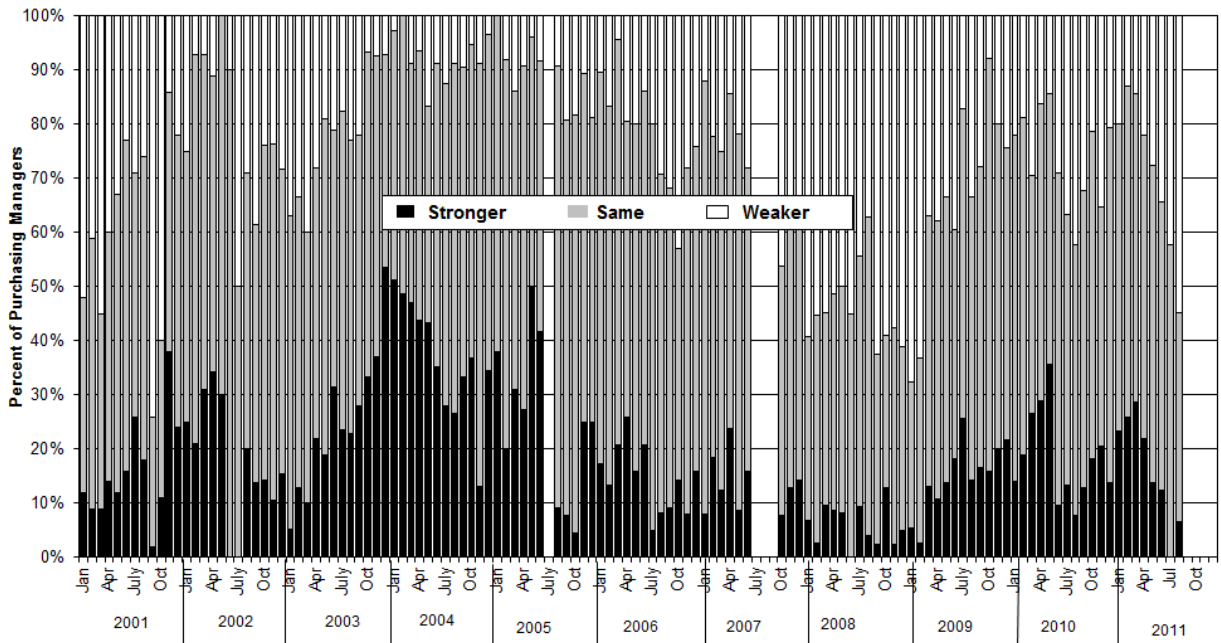
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 08/2010 THROUGH 08/2011

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Weaker	42	32	21	35	21	20	13	14	22	28	34	42	55
Same	50	55	61	44	64	57	61	57	56	59	53	58	39
Stronger	8	13	18	21	14	23	26	29	22	14	13	0	6

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included: "Sales brisk – largest backlog in our history," "Business remains solid," "Our business is up some," and "Natural gas is low – that's good for us."

But many Purchasing Managers offered negative comments: "Outlook is poor," "Business seems to be slowing even more," "Commodity price issues remain paramount," "Stock market: Disaster! Government: Don't ask," "It is getting worse," "Bookings down," "The Obama administration is bad, no new jobs, we are preparing for the worst," and "Construction and infrastructure spending still low."

In summary, this report is probably best interpreted by distinguishing between the PMI indices (which remain relatively strong) and Purchasing Managers' general concerns about the Inland Empire economy (which may reflect national politics, the extreme stock market volatility, and weakness in the global economy – particularly in Italy, Spain, and Greece).

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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