

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for December 2011

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

LOCAL MANUFACTURING SECTOR CONTINUES TO SHOW WEAKNESS, BUT THE LOCAL ECONOMY CONTINUES TO GROW

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 (49.4) is basically unchanged from last month's figure (49.3), remaining below 50 for the fourth month in a row. As we reported last month, technically it takes three months to establish a change in direction of the index (i.e. a new trend), but we indicated that the index was so close to the 50% baseline that we were not willing to "call" it. At this point the data suggest that the local manufacturing sector is no longer growing, but rather in a "holding" mode which is neither growing nor contracting since the figure remains at approximately 50. On the other hand, since the PMI continues to remain well above the 42.5 figure, the local economy is still growing."

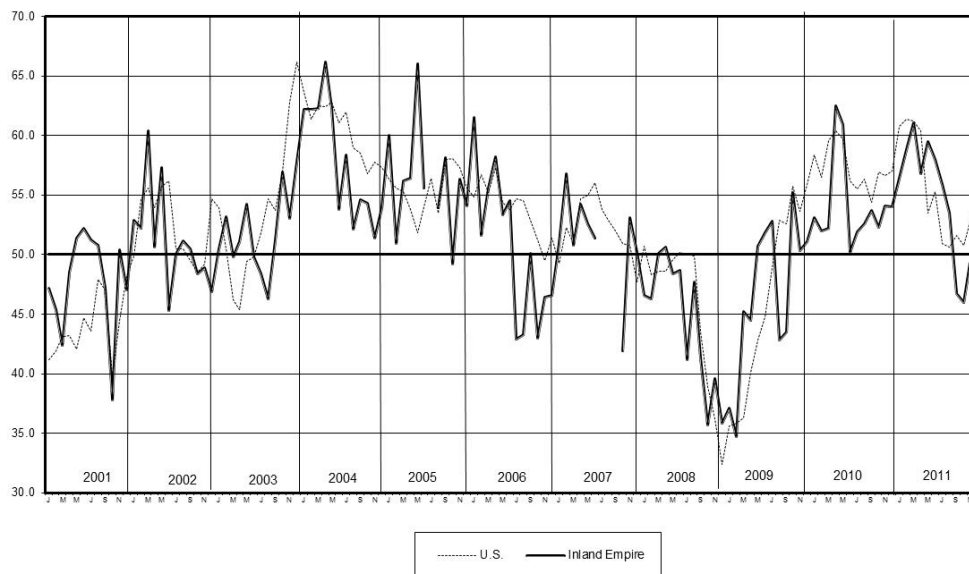
"Production and New Orders (two of the key indicators in the PMI) dropped slightly below the 50% mark (registering at 48.3). The Employment Index (46.6) showed a slight improvement over last month's 44.8, but still reflects a weak job market in the manufacturing sector. Commodity Prices (56.7) registered a slight increase over last month's 55.2.

"Purchasing Managers are less optimistic than last month in their projections about the state of the local economy for the coming quarter. This month, thirty-six percent predicted that the economy will be weaker in the coming quarter down from last month's forty-two percent. Fifty-three percent of purchasing managers believe the local economy will remain unchanged, and the remaining 11% believe the local economy will become stronger by next quarter."

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

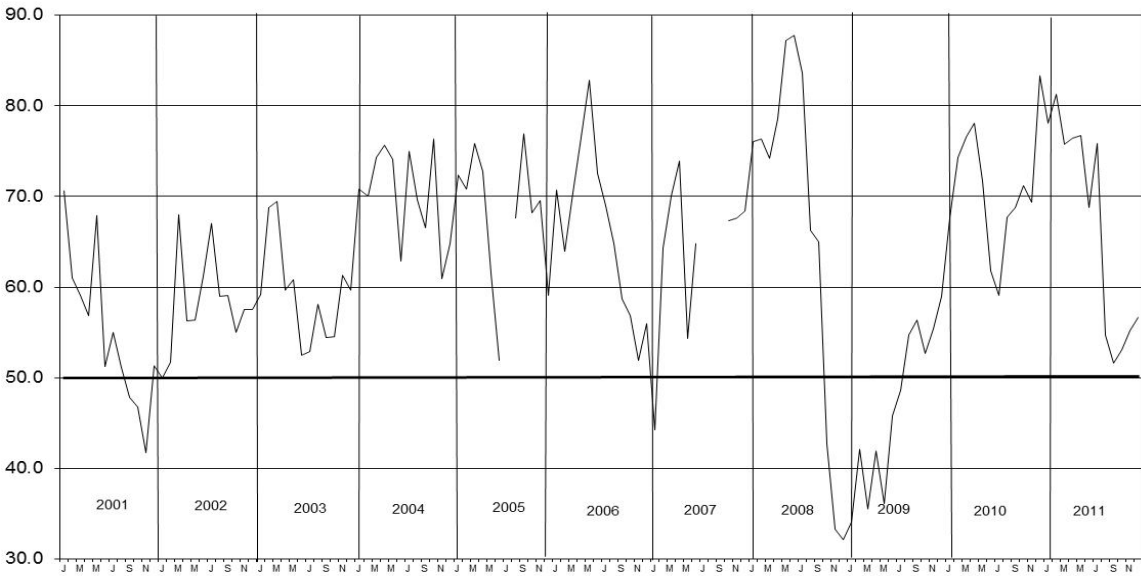
December 2011 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	49.3	49.4	Contracting	Slower
Commodity Prices	55.2	56.7	Increasing	Faster
Production	50.0	48.3	Contracting	From Unchanged
New Orders	50.0	48.3	Contracting	From Unchanged
Inventory	43.1	44.8	Decreasing	Slower
Employment	44.8	46.6	Decreasing	Slower
Supplier Deliveries	57.1	60.0	Slowing	Faster
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	4%	11%		
% Same	54%	53%		
% Weaker	42%	36%		

Purchasing Managers' Index



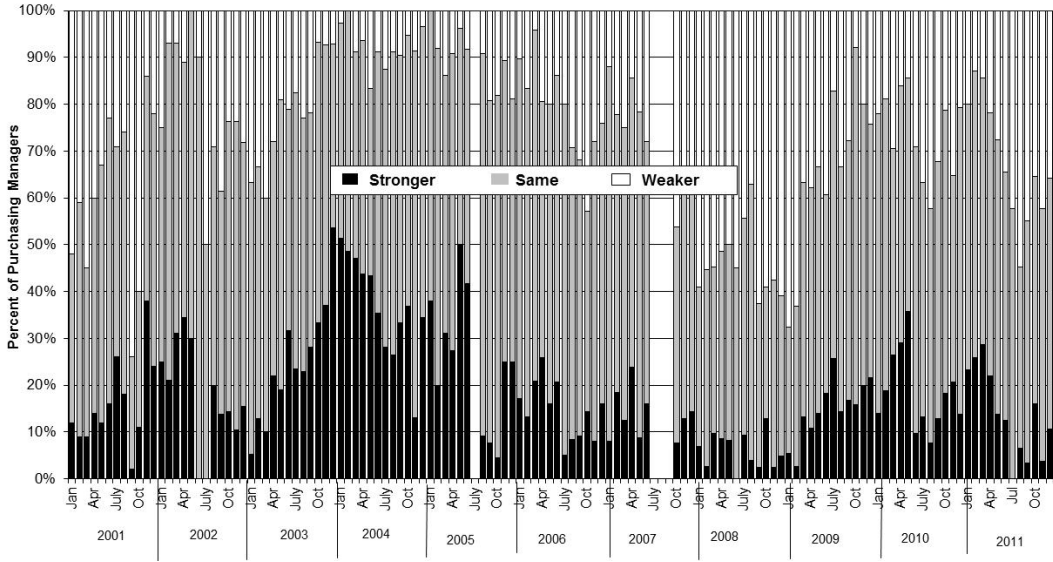
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 12/2010 THROUGH 12/2011

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Weaker	21	20	13	14	22	28	34	42	55	45	36	42	36
Same	64	57	61	57	56	59	53	58	39	52	48	54	53
Stronger	14	23	26	29	22	14	13	0	6	3	16	4	11

When Purchasing Manager were asked to comment on the general business conditions that affected their company positive remarks included: "Increase in activity in the 4th quarter," "Local business good," and "Business remains good, first quarter orders and projections excellent."

But other Purchasing Managers had negative comments: "National situation-muddy," "Beef gelatin is still short throughout the industry," and "Slow month due to the holidays."

In summary, some may read this report with skepticism since it flies in the face of some recent national indices (including the national version of this report) which indicate that the national manufacturing sector is growing and the economy is showing signs of recovery. Yet as we have noted more than once, the Inland Empire is not in lock-step with the nation as a whole. At this point, the data show that the local Inland Empire economy continues to grow but the manufacturing sector remains weak, at best.

Beginning in next month's report, we will include data for imports and exports which we recently began collecting since increasingly Inland Empire firms are doing business globally.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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