INLAND EMPIRE REPORT ON BUSINESS

Prepared by: The Institute of Applied Research

at California State University, San Bernardino

Report for February 2010

Sponsors: Riverside County Economic Development Agency
San Bernardino County Economic Development Agency

Supporter: College of Business and Public Administration, CSUSB

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Regional Economy Continues To Be Stable But Fragile

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 (52.0) registered a slight decrease over last month’s figure (53.1) but
continued to stay above the baseline 50% mark for the fifth consecutive month. This
indicates that the manufacturing sector is still growing, but at a slightly slower pace.
Further, this month’s PMI remained above the 44.5% mark suggesting that the local
economy is continuing its pattern of growth.”

“New Orders, one of the key indicators, registered a decrease this month from 56.9 to
52.9. But this decrease is not particularly worrisome, especially in light of the fact that
the other key indicator, Production, showed a slight increase from 52.8 to 54.4.
However this month’s Employment Index dipped back below the 50% baseline for the
second month, registering a disappointing 47.1 from last month’s 48.6. And inflationary
pressures within the Inland Empire may be on the rise since the Commodity Prices
Index increased to 75.0 from last month’s figure of 67.6.”

“Purchasing Managers’ confidence in the economy for the coming quarter has remained
relatively stable over the past four months. The majority (62.5%) believe that the
coming quarter’s economy will not change significantly. The rest are equally split as to
whether the economy will become stronger or weaker.”

Following are some highlights from this month’s report:
## February 2010 Business Survey at a Glance

<table>
<thead>
<tr>
<th>Series Index</th>
<th>Last Month</th>
<th>This Month</th>
<th>Direction from 50*</th>
<th>Rate of Change from Last Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local PMI</td>
<td>53.1</td>
<td>52.0</td>
<td>Growing</td>
<td>Slower</td>
</tr>
<tr>
<td>Commodity Prices</td>
<td>67.6</td>
<td>74.3</td>
<td>Increasing</td>
<td>Faster</td>
</tr>
<tr>
<td>Production</td>
<td>52.8</td>
<td>54.4</td>
<td>Growing</td>
<td>Faster</td>
</tr>
<tr>
<td>New Orders</td>
<td>56.9</td>
<td>52.9</td>
<td>Growing</td>
<td>Slower</td>
</tr>
<tr>
<td>Inventory</td>
<td>47.1</td>
<td>50.0</td>
<td>Unchanged</td>
<td>From Decreasing</td>
</tr>
<tr>
<td>Employment</td>
<td>48.6</td>
<td>47.1</td>
<td>Decreasing</td>
<td>Slower</td>
</tr>
<tr>
<td>Supplier Deliveries</td>
<td>55.7</td>
<td>54.3</td>
<td>Slowing</td>
<td>Slower</td>
</tr>
</tbody>
</table>

### Purchasing Managers' Confidence in the State of the Local Economy

<table>
<thead>
<tr>
<th></th>
<th>% Stronger</th>
<th>% Same</th>
<th>% Weaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Stronger</td>
<td>14%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>% Same</td>
<td>64%</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>% Weaker</td>
<td>22%</td>
<td>19%</td>
<td></td>
</tr>
</tbody>
</table>

## 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.
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<table>
<thead>
<tr>
<th></th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weaker</td>
<td>63</td>
<td>37</td>
<td>38</td>
<td>33</td>
<td>39</td>
<td>17</td>
<td>33</td>
<td>28</td>
<td>8</td>
<td>20</td>
<td>24</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>Same</td>
<td>34</td>
<td>50</td>
<td>51</td>
<td>53</td>
<td>43</td>
<td>57</td>
<td>52</td>
<td>55</td>
<td>76</td>
<td>60</td>
<td>54</td>
<td>64</td>
<td>63</td>
</tr>
<tr>
<td>Stronger</td>
<td>3</td>
<td>13</td>
<td>11</td>
<td>14</td>
<td>18</td>
<td>26</td>
<td>14</td>
<td>17</td>
<td>16</td>
<td>20</td>
<td>22</td>
<td>14</td>
<td>19</td>
</tr>
</tbody>
</table>

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included: "Business is brisk, largest backlog in orders in over a year," "A little better, but will it last?" "Business is stable. Larger orders are starting to come in, but it's still too early in the year to determine long term activity," "We are building inventory for the busy season."

Some Purchasing Managers had negative comments about the cost of raw materials. Further, one Purchasing Manager was especially negative about the state of the future economy, not only in the Inland Empire but in the nation as a whole. He said "Weak consumer demand continues to restrain price growth in most segments of the economy and it is unlikely that the rampant consumerism seen over the past decade will return." Moreover he commented that "California will be the epicenter of the employment disaster."
In conclusion, this report continues to show the positive figures noted over the past four months, and hopefully suggests that the Inland Empire economy recovery is finding some measure of sustainability. But this recovery will not continue unless the employment picture improves dramatically over the next few months.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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