

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

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."

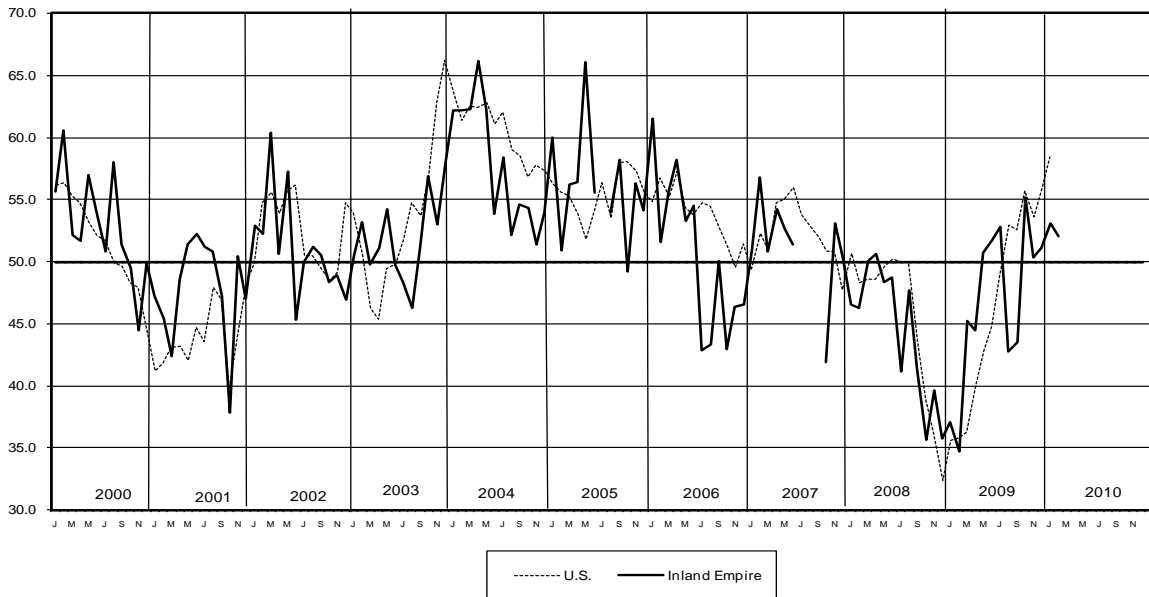
"Purchasing Managers' confidence in the economy for the coming quarter has remained relatively stable over the past four months. The majority (62.5%) believe that the coming quarter's economy will not change significantly. The rest are equally split as to whether the economy will become stronger or weaker."

Following are some highlights from this month's report:

February 2010 Business Survey at a Glance

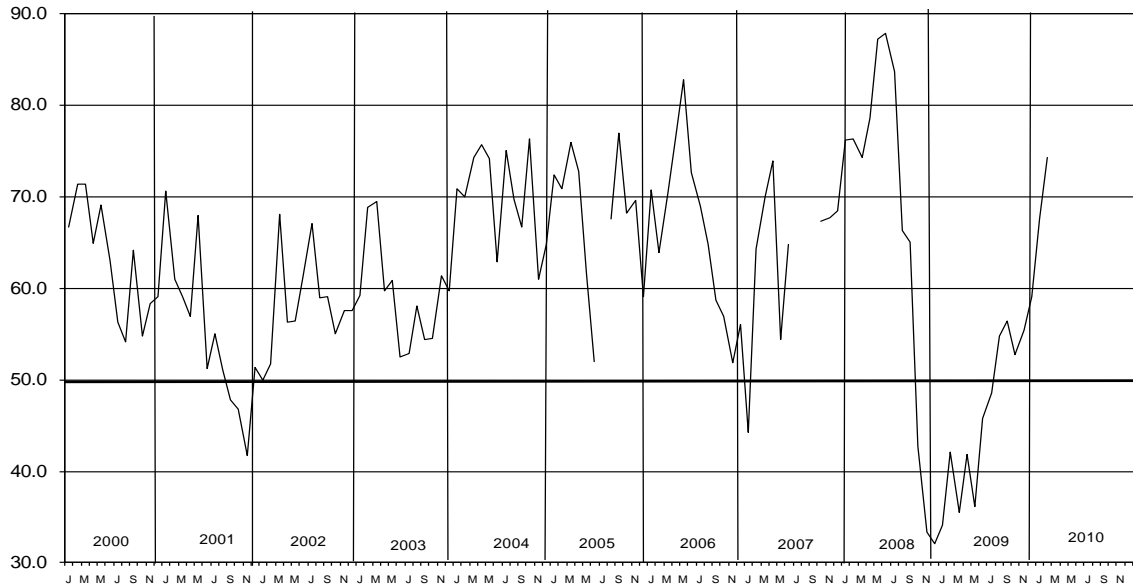
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	53.1	52.0	Growing	Slower
Commodity Prices	67.6	74.3	Increasing	Faster
Production	52.8	54.4	Growing	Faster
New Orders	56.9	52.9	Growing	Slower
Inventory	47.1	50.0	Unchanged	From Decreasing
Employment	48.6	47.1	Decreasing	Slower
Supplier Deliveries	55.7	54.3	Slowing	Slower
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	14%	19%		
% Same	64%	62%		
% Weaker	22%	19%		

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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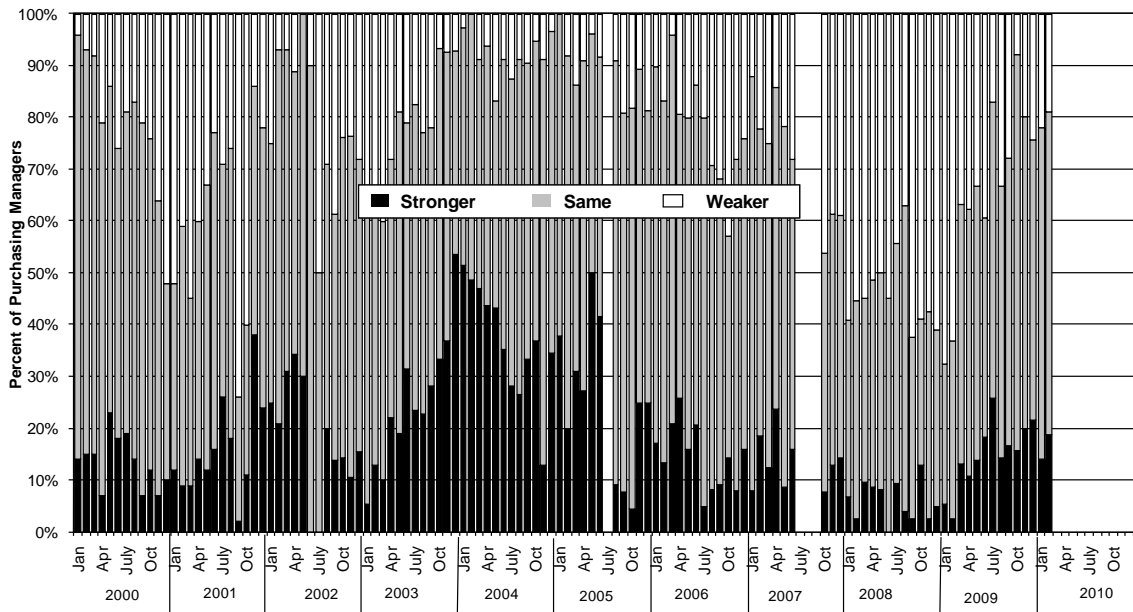
STATE OF THE ECONOMY: DATA FROM 2/2009 THROUGH 2/2010

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

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."

State of the Local Economy



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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:

Shel Bockman, Co-Director, Institute of Applied Research
(909) 537-5733

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

Simone McFarland
Economic Development Director, San Bernardino County EDA
(909) 387-9839

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