

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

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

at California State University, San Bernardino

***Report for February 2011***

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

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## **Local economy continues to grow, but inflationary pressures are increasing in the two-county area**

According to Shel Bockman, Barbara Sirotnik, and Christen Ruiz (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (58.8) registered an increase over last month's figure (56.4) and remained above the baseline 50% mark for the seventeenth consecutive month."

"As noted in previous reports, the Production Index and New Orders Index are the two key components of the PMI. This month the Production Index registered no change from last month's figure (65.6), whereas the New Orders Index increased slightly from 57.8 to 60.9. The fact that these two key components of the PMI remain solidly above 50 indicate that manufacturing companies anticipate increasing purchases from consumers. Although the Employment Index rose above the 50% benchmark to 57.8 (a positive sign), it must be noted that this index has been extremely volatile over the last year and a half, thus caution must be used interpreting the index until we see 3 consecutive months of figures above 50. Inflationary pressures within the Inland Empire Commodity Prices Index continued to be felt, with the Index registering 81.3 this month (up from last month's 78.1).

Purchasing Managers continue to be less than enthusiastic in their predictions about the future state of the local economy, with 26% of purchasing managers predicting that the local economy will become stronger in the upcoming months (up from last month's 23%). Sixty-one percent of purchasing managers believe the local economy will remain unchanged, and the remaining 13% believe the local economy will become weaker over the next quarter.

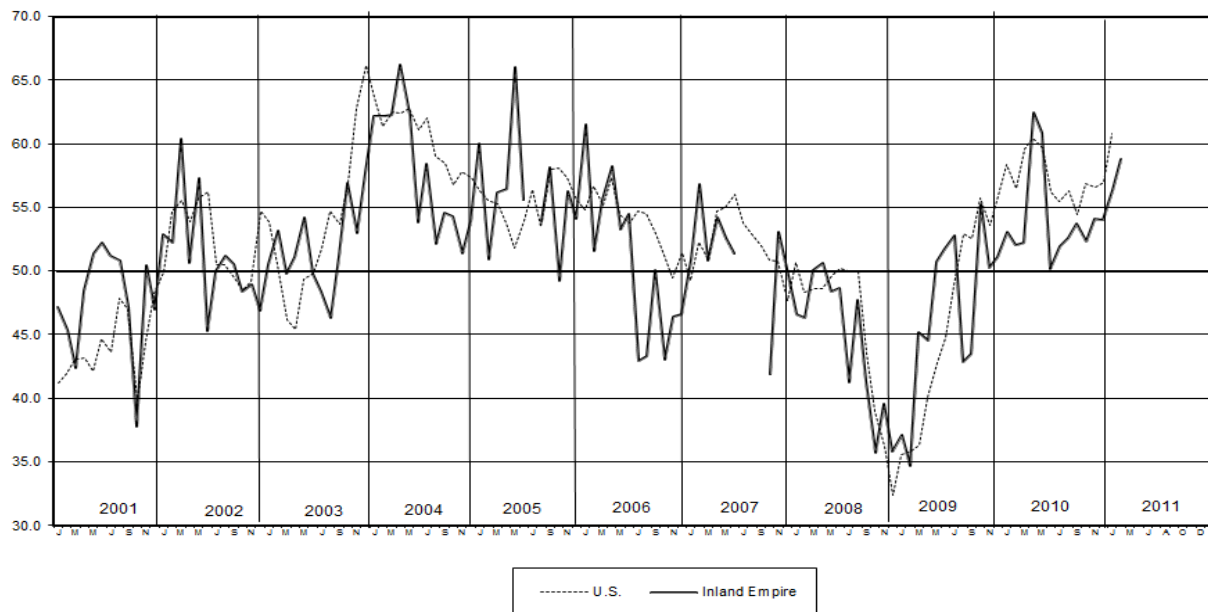
Following are some highlights from this month's report:

## February 2011 Business Survey at a Glance

	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	56.4	<b>58.8</b>	Growing	Faster
Commodity Prices	78.1	<b>81.3</b>	Increasing	Faster
Production	65.6	<b>65.6</b>	Growing	Unchanged
New Orders	57.8	<b>60.9</b>	Growing	Faster
Inventory	50.0	<b>48.4</b>	Decreasing	From unchanged
Employment	48.4	<b>57.8</b>	Increasing	From Decreasing
Supplier Deliveries	53.1	<b>51.6</b>	Slowing	Slower
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	23%	26%		
% Same	57%	61%		
% Weaker	20%	13%		

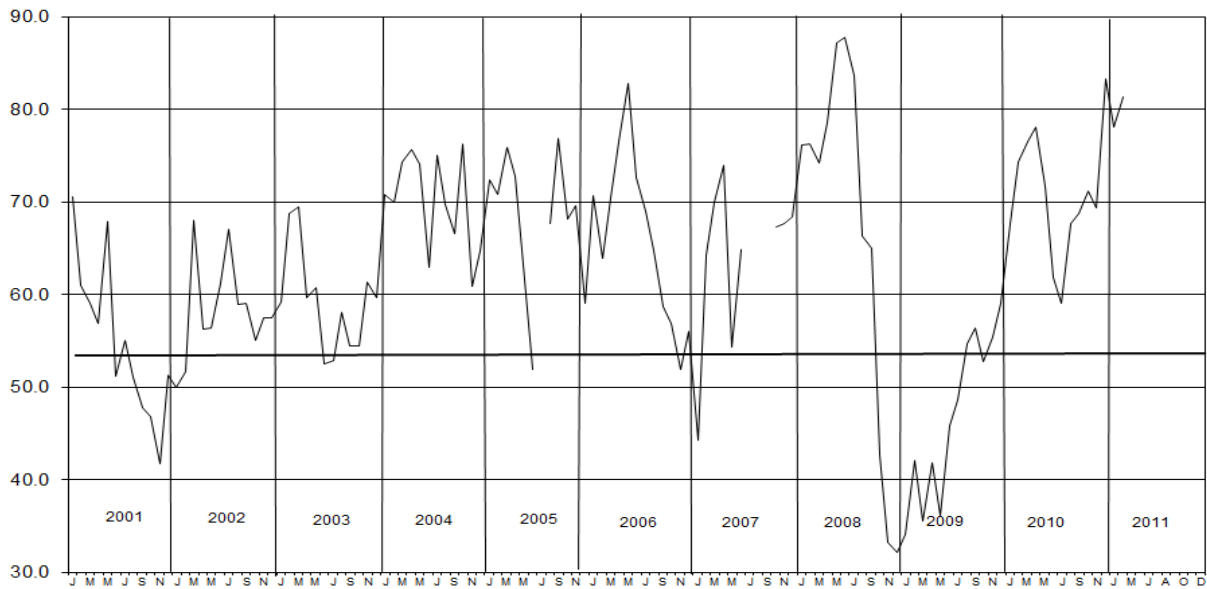
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



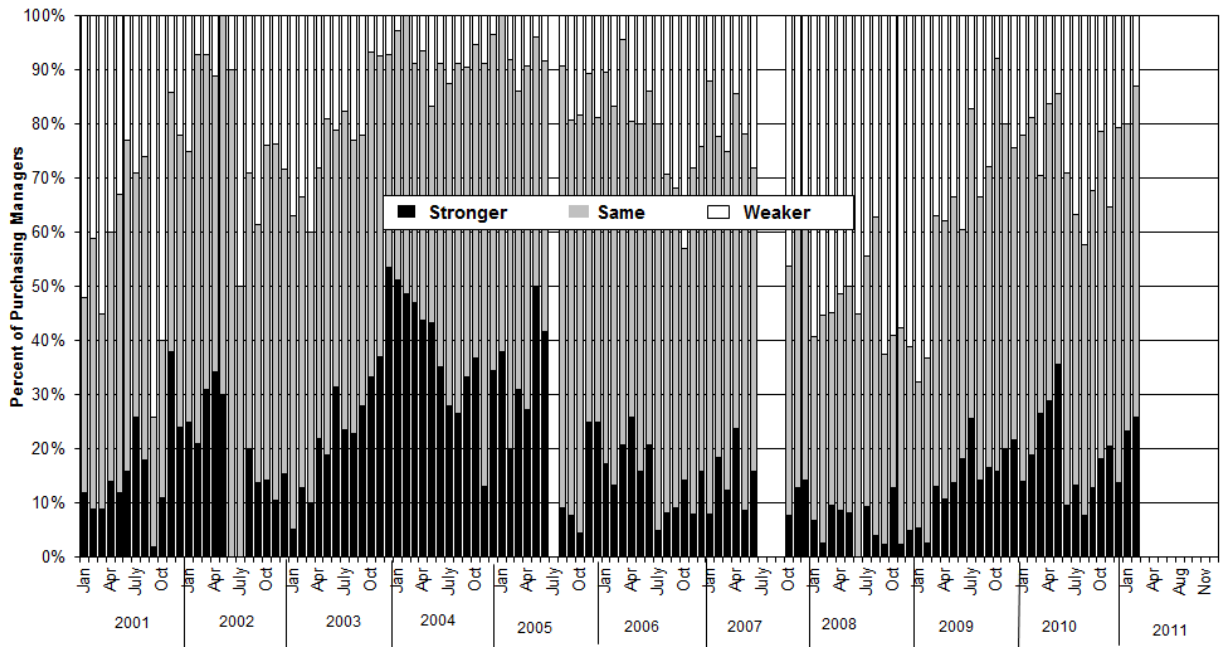
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## Commodity Prices



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## State of the Local Economy



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**STATE OF THE ECONOMY: DATA FROM 02/2010 THROUGH 02/2011**

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<b>Weaker</b>	19	27	16	14	29	37	42	32	21	35	21	20	13
<b>Same</b>	63	44	55	50	61	50	50	55	61	44	64	57	61
<b>Stronger</b>	19	29	29	36	10	13	8	13	18	21	14	23	26

Note: Two of the surveyed managers stated that they have no idea what to expect in the upcoming quarter.

Positive remarks from Purchasing Managers included: "We are a government contractor and have received some large contracts recently that will keep us busy for the next few months," "Large orders being placed. Life is good," "Business is strong, we have increased output with the addition of 3 new assembly lines, and headcount increase of 25 to support them."

Some Purchasing Managers had negative comments: "Raw material prices continue to increase," "Raw material prices continue to increase," "Same, slow," and "Our largest challenge continues to be increasing material costs."

In summary, this report reflects 17 months of sustained economic growth in the Inland Empire (although as we've noted in previous reports, that growth has at times been somewhat anemic). But the negative comments all deal with the rising cost of materials, and the political instability in the Middle East (and the resulting rise in the price of oil) will undoubtedly continue to have an impact on inflationary pressures.

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

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