

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

housed in CSUSB's ***College of Business and Public Administration***

Report for February 2012

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

PMI ABOVE 50 FOR THE SECOND MONTH IN A ROW, BUT COMMODITY PRICES RISE SHARPLY

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) is virtually unchanged from last month's figure (53.6), and is the second month it has remained above the 50% benchmark which indicates a growing manufacturing sector. Moreover, the Employment Index (an especially critical measure) jumped from 51.6 last month to 53.7 this month."

"Another bright spot for the economy is the Production Index which registered 53.8 (only slightly down from last month's 56.5). On the other hand, New Orders dropped from 53.2 last month down to 50.0, and Commodity Prices rose sharply to 71.2 from 66.1, reflecting a continuation of inflationary pressures."

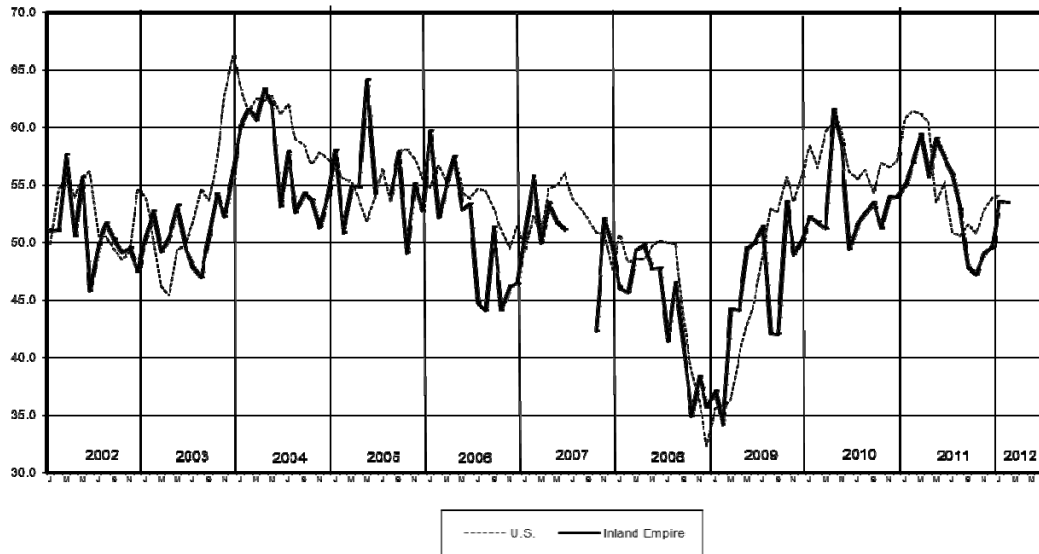
"Purchasing Managers continue to be cautious about the state of the local economy. In contrast to last month when 25% of Purchasing Managers predicted that the economy would be weaker in the coming quarter, this month 40% registered that prediction. Forty-four percent (44%) of purchasing managers believe the local economy will remain unchanged, and the remaining 16% believe the local economy will become stronger by next quarter."

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

February 2012 Business Survey at a Glance

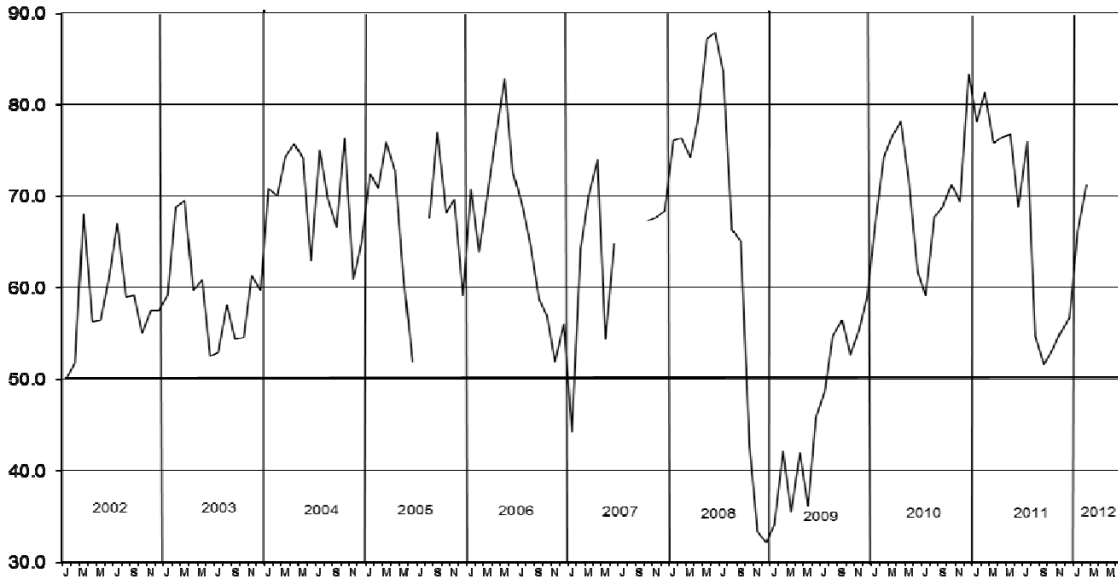
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	53.6	53.5	Growing	Slower
Commodity Prices	66.1	71.2	Increasing	Faster
Production	56.5	53.8	Growing	Slower
New Orders	53.2	50.0	Unchanged	From Increasing
Inventory	55.0	54.0	Increasing	Slower
Employment	51.6	53.7	Increasing	Faster
Supplier Deliveries	51.6	55.8	Slowing	Faster
Imports	50.0	60.0	Increasing	From unchanged
Exports	54.2	50.0	Unchanged	From Increasing
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	18%	16%		
% Same	57%	44%		
% Weaker	25%	40%		

Purchasing Managers' Index



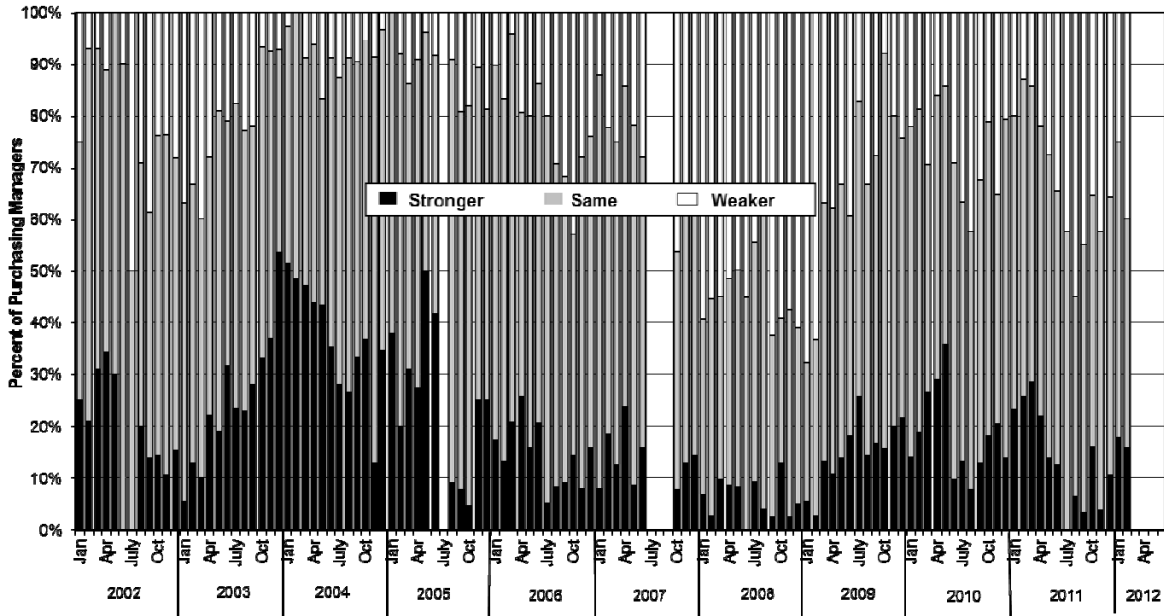
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 2/2011 THROUGH 2/2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Weaker	20	13	14	22	28	34	42	55	45	36	42	36	25	40
Same	57	61	57	56	59	53	58	39	52	48	54	53	57	44
Stronger	23	26	29	22	14	13	0	6	3	16	4	11	18	16

Very few comments were made by Purchasing Managers this month. One remarked positively: "Orders on the upswing, biggest January in our history," and "We service many OEM (original equipment manufacturers) of various businesses and the overall business conditions seem strong."

Some Purchasing Managers had negative comments: "Slow part of the year for us," "Been slower than normal for the past three months not sure why," "Seems things are slowing down," "Raw materials for plastic are rising," "Beef gelatin is still hard to get, there is a shortage of this product," "Business remains slow," and "Increasing fuel costs along with higher commodity prices may have a slowing effect on the economy."

In summary, this month's increase in Production and Employment are encouraging, however on the other side of the coin, the decline in New Orders could be worrisome if it continues. An additional issue of concern is that this month's increase in the Commodity Price index probably reflects the recent increase in gas and oil prices which typically rise even further during the summer months. Thus we are encouraged by the PMI figure, however the overall picture of the economic health of the region is still mixed.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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