

IAR INLAND EMPIRE REPORT ON BUSINESS

Report for February 2009
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Prepared by:



Sponsors:

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

Supporter:

College of Business and Public Administration, CSUSB

97% OF PURCHASING MANAGERS SEE VERY LITTLE CHANCE OF IMPROVEMENT IN THE LOCAL ECONOMY IN THE NEAR FUTURE

According to Shel Bockman and Barbara Sirotnik (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), “With the continuation of bad economic news (layoffs daily in the news and companies closing their doors) it is no surprise that the PMI remains low (34.7). A PMI below 41.1% over a period of three consecutive months generally indicates that the economy is in a decline. This is the fifth month in a row below the 41.1% benchmark.”

“The local Employment Index has been below the 50% baseline figure for over a year. The index now registers 28.9%, down from 32.9 in January and close to the all-time low of 27.4 registered in November, 2008. In order to “put a face on the figures,” a special question was included on this month’s survey regarding recent layoffs. Almost half of the Purchasing Managers indicated that there had been layoffs within the past six months, with numbers ranging from 1 employee up to 1500 (7 plants across 4 divisions). In lieu of layoffs, one Purchasing manager reported going to a 32 hour work week for all employees. And one manufacturing company closed its doors.”

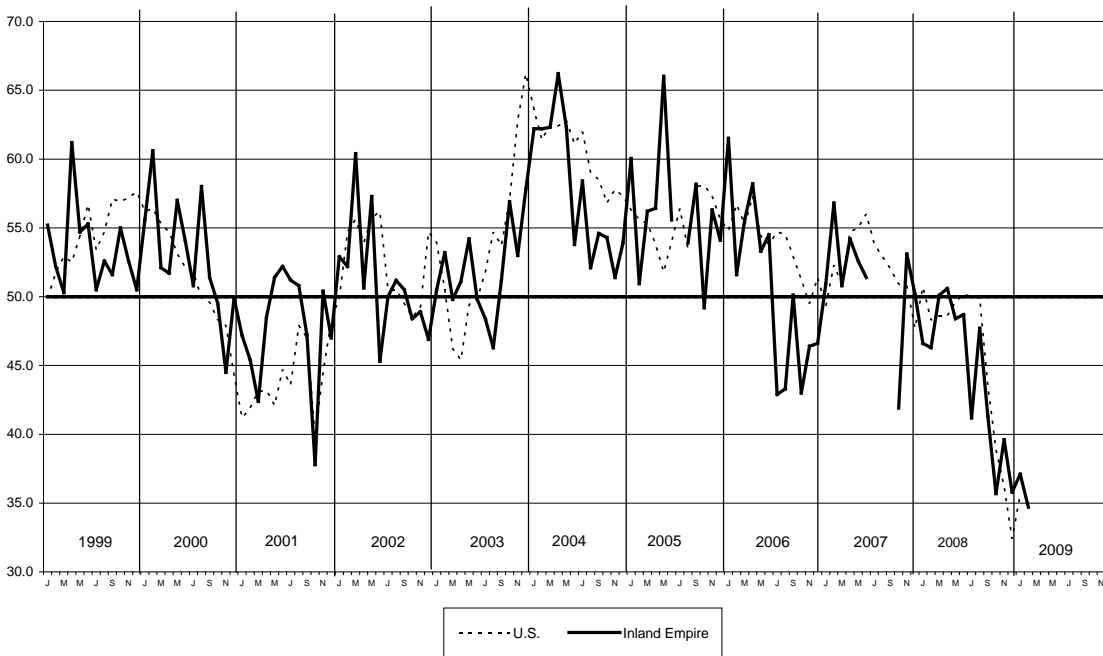
“Two of the key indicators in the PMI (the Production and New Orders indices) remained below the 50% mark for the sixth month. The Production Index is now only 36.8% and the New Order index dropped to 35.5%, indicating that the manufacturing firms are reflecting consumers’ cautious purchasing behavior. And the other three indices (Inventories, Employment, and Supplier Deliveries) continue to manifest weakness. Commodity Prices decreased overall last month; however the rate of decrease slowed, primarily due to price increases in oil and polypropylene.

Following are some highlights from this month’s report:

February 2009 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	37.1	34.7	Contracting	Faster
Commodity Prices	34.1	42.1	Decreasing	Slower
Production	32.9	36.8	Contracting	Slower
New Orders	39.0	35.5	Contracting	Faster
Inventory	30.5	27.6	Decreasing	Faster
Employment	32.9	28.9	Decreasing	Faster
Supplier Deliveries	50.0	42.1	Slowing	From unchanged
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	5%	3%		
% Same	27%	34%		
% Weaker	68%	63%		

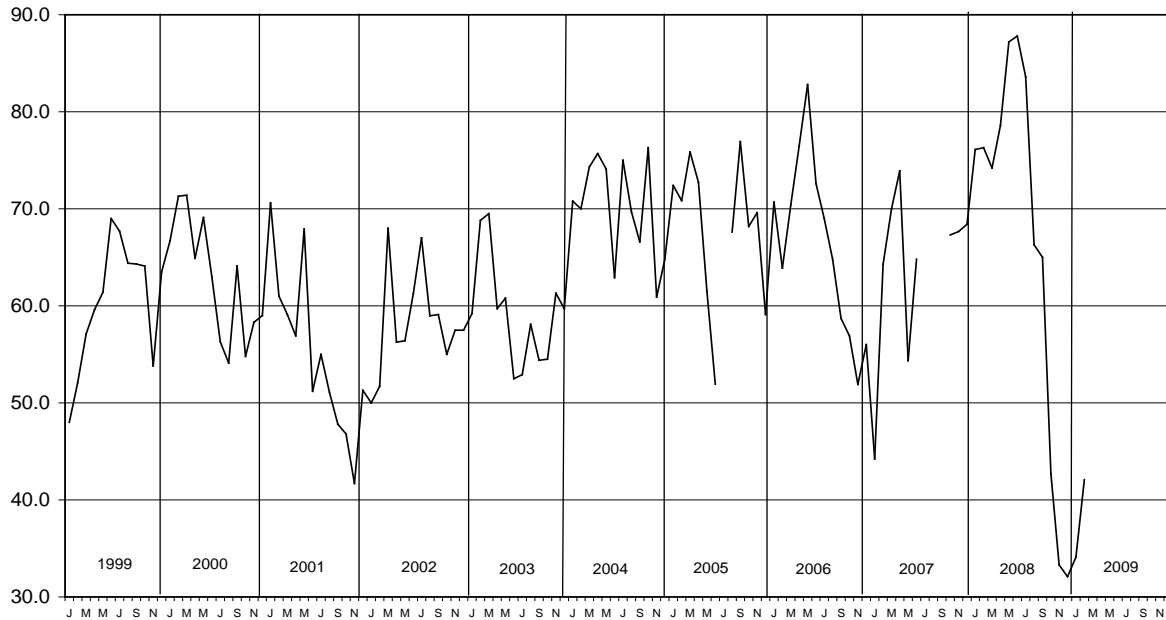
- NOTE: In all cases except Supplier Deliveries, the "Direction" refers to whether the index is above 50% (growing) or below 50% decreasing.

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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Purchasing Managers confidence about the state of the local economy remains low, with 97% of Purchasing Managers indicating that they see very little chance of improvement in the local economy for the next 3 months. Only three percent of the purchasing managers believe the local economy will become stronger in the upcoming months.

STATE OF THE ECONOMY: DATA FROM 2/2008 THROUGH 2/2009

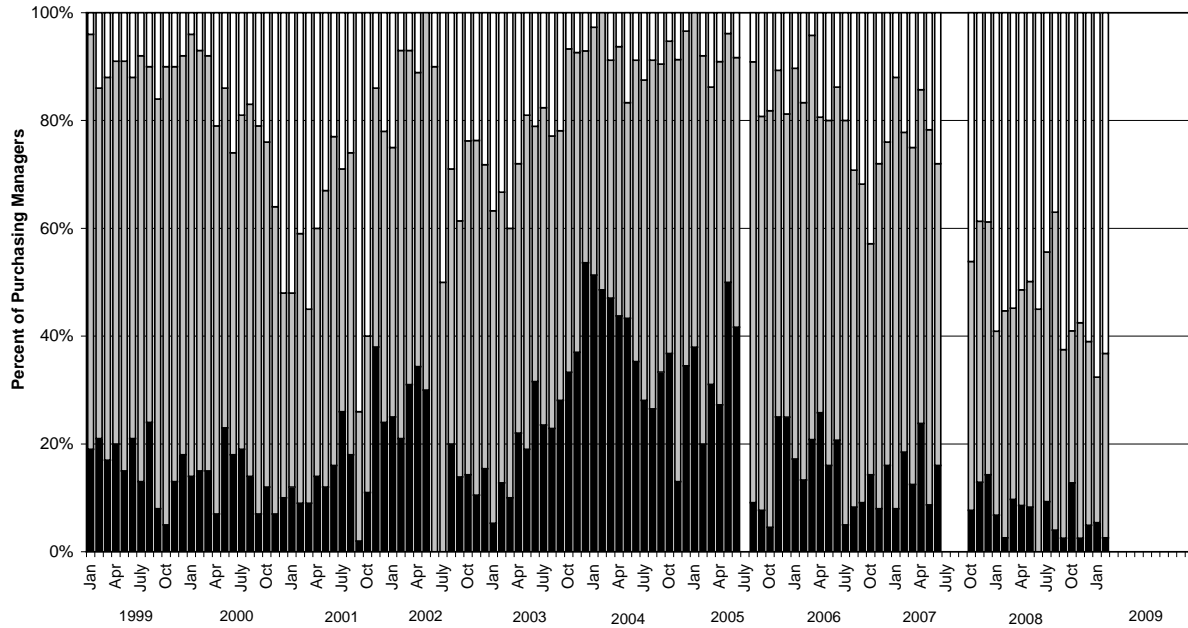
	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb
Weaker	55	55	51	50	55	44	37	62	59	58	61	68	63
Same	42	35	40	42	46	46	59	35	28	40	34	27	34
Stronger	3	10	9	8	0	9	4	3	13	3	5	5	3

When Purchasing managers were asked to make comments on the general business conditions that affected their company, a few remarked positively: "It is a little busier this month than last month," "Stable at this time," "Business remains steady."

But the majority of Purchasing Manager's comments were negative, describing employee layoffs and slow sales. Comments included: "'Rain makes it worse,'" "Slower than January," "Slow start to 2009," "We are slow, people are doing plant maintenance (painting, etc.) to stay busy," "Negative - but hoping for the best," "Very slow," "Economy, plus lower export," "The 'Stimulus Package' bill

will not provide any immediate stimulation to the economy in the near term. Cut taxes and leave the money in the pockets of individuals," "There is no doubt that things will get worse before they get better," "Minimal activity, very few orders, more layoffs imminent," "Very weak," "We are busy but prices are on the rise and my business model has had to change from last year," "Slight drop in production. As a result, we are expanding our product lines and strengthening our business with the government."

State of the Local Economy



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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 County EDA
(951) 955-8916