

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for July 2011

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

PMI up, but Purchasing Managers' optimism is at lowest point since June 2008

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 (55.9) registered a slight decrease from last month's figure (58.0) but remained above the baseline 50% as it has since October 2009."

"Production increased from 57.8 last month to 58.6 this month, and New Orders dropped from 60.9 to 55.2. Both of these key indices continue to be well above the 50% baseline, reflecting the anticipation that consumer purchases will increase. Further, the Employment Index remained above the 50% mark for the sixth month in a row (although it decreased from last month's 56.3 to 51.7 this month). The Commodity Price Index increased from 68.8 last month to 75.9 this month."

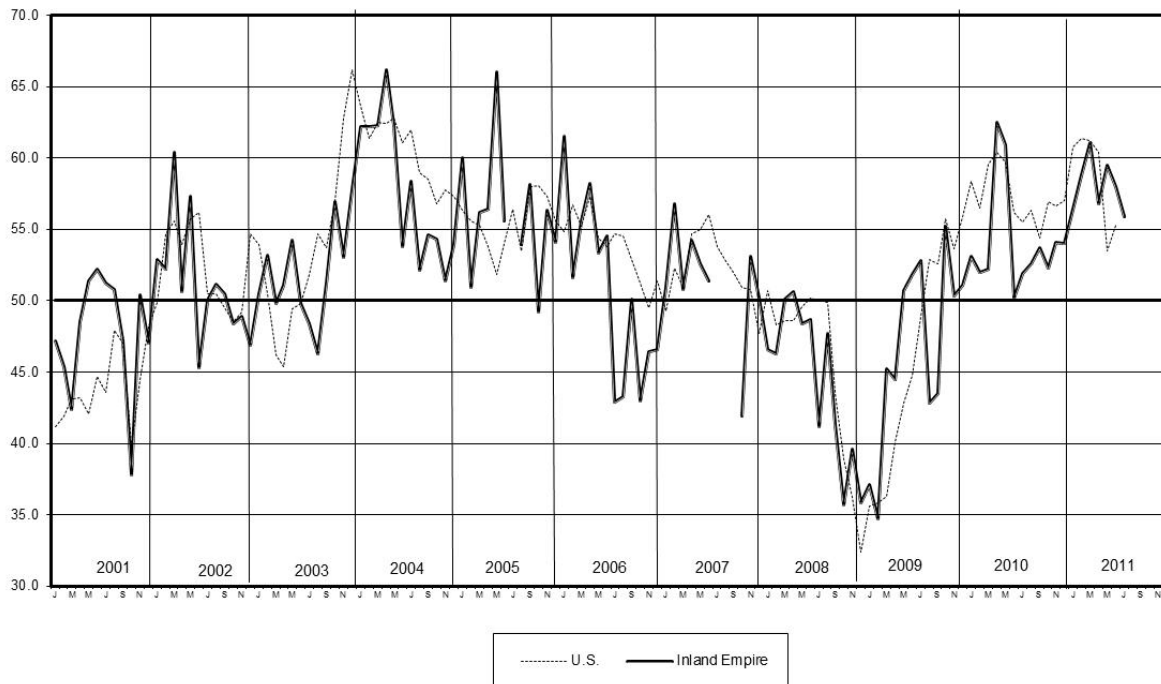
"But the relative optimism expressed in the statistics quoted above is not reflected in Purchasing Managers' forecasts regarding the future state of the local economy. Purchasing Managers are clearly less than enthusiastic about the local economy in the coming quarter. This is evident in that not a single Purchasing Manager foresaw a strengthening of the local economy, a situation which has only occurred four times since the inception of the report in 1993 (the last time in June 2008). Moreover, 42% of Purchasing Managers (up from 34% last month) predicted a weaker local economy in the upcoming three months, with the other 58% anticipating that the local economy will remain unchanged.

Following are some highlights from this month's report:

July 2011 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	58.0	55.9	Growing	Slower
Commodity Prices	68.8	75.9	Increasing	Faster
Production	57.8	58.6	Growing	Faster
New Orders	60.9	55.2	Growing	Slower
Inventory	53.1	55.2	Increasing	Faster
Employment	56.3	51.7	Increasing	Slower
Supplier Deliveries	58.1	58.9	Slowing	Faster
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	13%	0%		
% Same	53%	58%		
% Weaker	34%	42%		

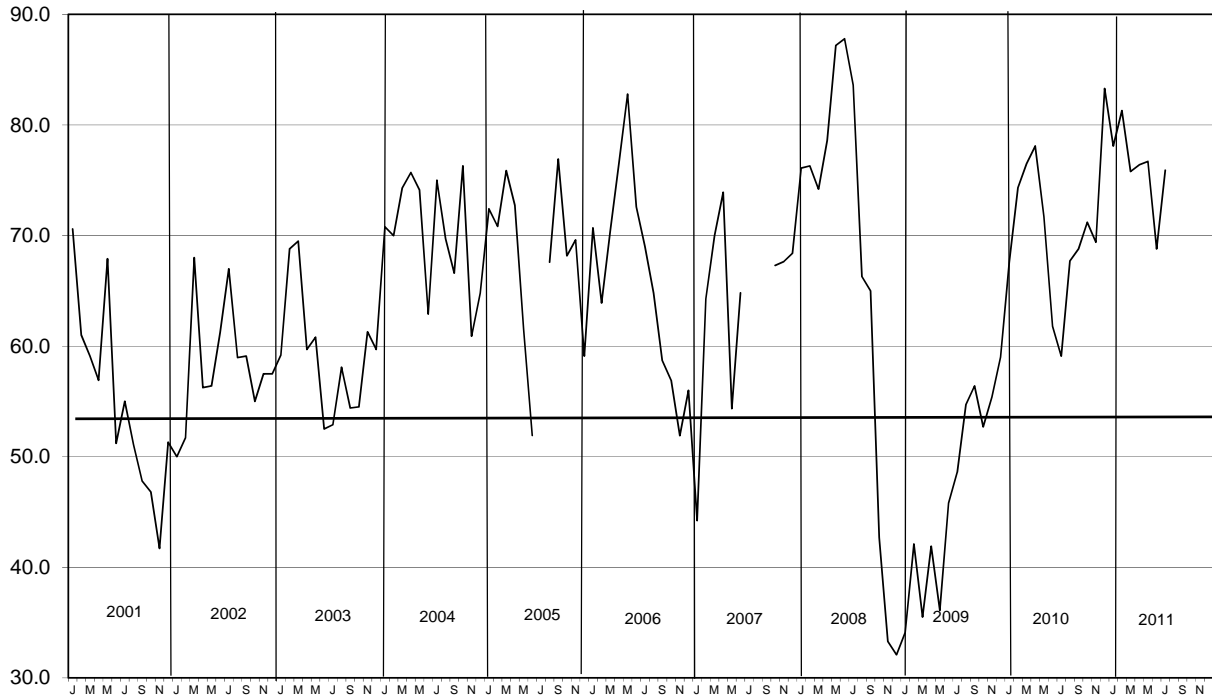
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



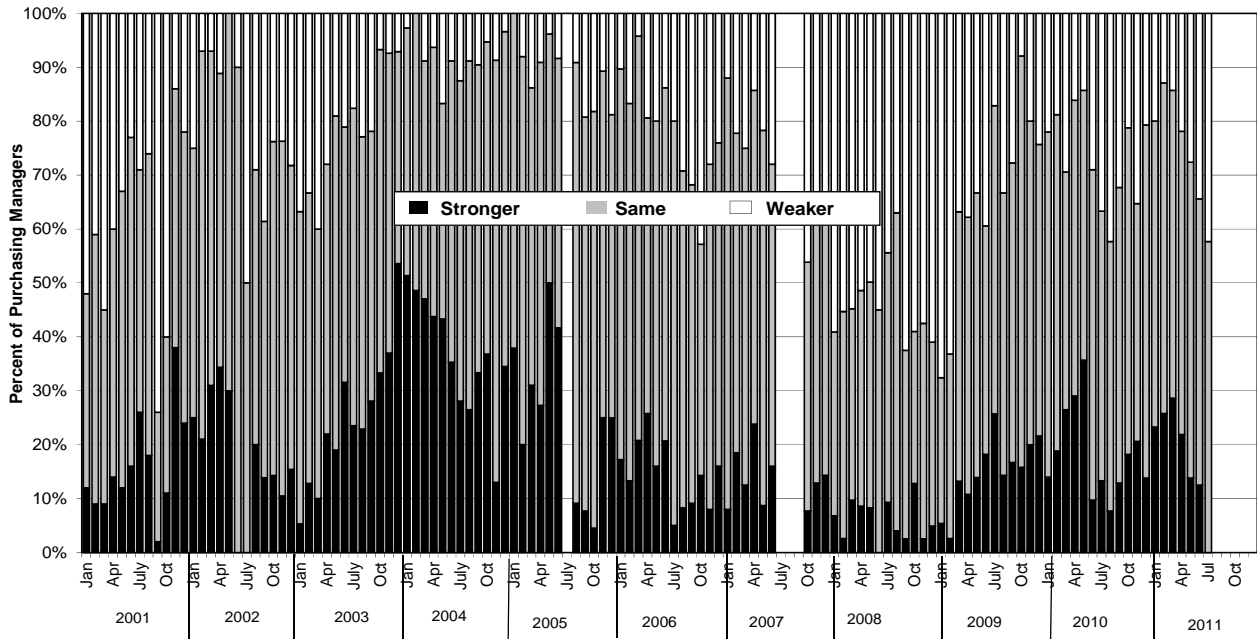
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 07/2010 THROUGH 07/2011

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Weaker	37	42	32	21	35	21	20	13	14	22	28	34	42
Same	50	50	55	61	44	64	57	61	57	56	59	53	58
Stronger	13	8	13	18	21	14	23	26	29	22	14	13	0

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included: "Month very similar to June," "Holding steady," "Increased sales," and "Business remains strong."

But many Purchasing Managers offered negative comments, particularly related to commodity prices: "Commodity pricing on chemicals is still a major concern," "Beef gelatin is getting harder to get at this time of year so it could cause a major issue on making of sour cream," "Slow," "We are slightly below last year's sales, not good," and "Yo-yo economy."

In summary, all components of the PMI are above 50 this month (although the PMI declined slightly from last month). But Purchasing Managers are pessimistic about the future state of the local economy which should not come as a surprise since the survey was conducted during a period of intense uncertainty as to whether the debt ceiling will be raised and amidst concerns about how a failure to raise the debt ceiling could impact this nation's (and the world's) economy.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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