

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for June 2011

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

Local economy continues to grow, but Purchasing Managers seem less than optimistic about the next quarter

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 (58.0) registered only a slight decrease from last month's figure (59.5) and remained above the baseline 50% as it has since October 2009."

"Production decreased from 61.7 last month to 57.8 this month, and New Orders dropped slightly from 61.7 to 60.9. 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 fifth month in a row (increasing from last month's 55.0 to 56.3 this month). Considering that employment has been one of the missing ingredients in the economic recovery, this finding is especially encouraging. The Commodity Price Index decreased from 76.7 last month to 68.8 this month, but based on Purchasing Manager's comments, Commodity Prices are still a major concern."

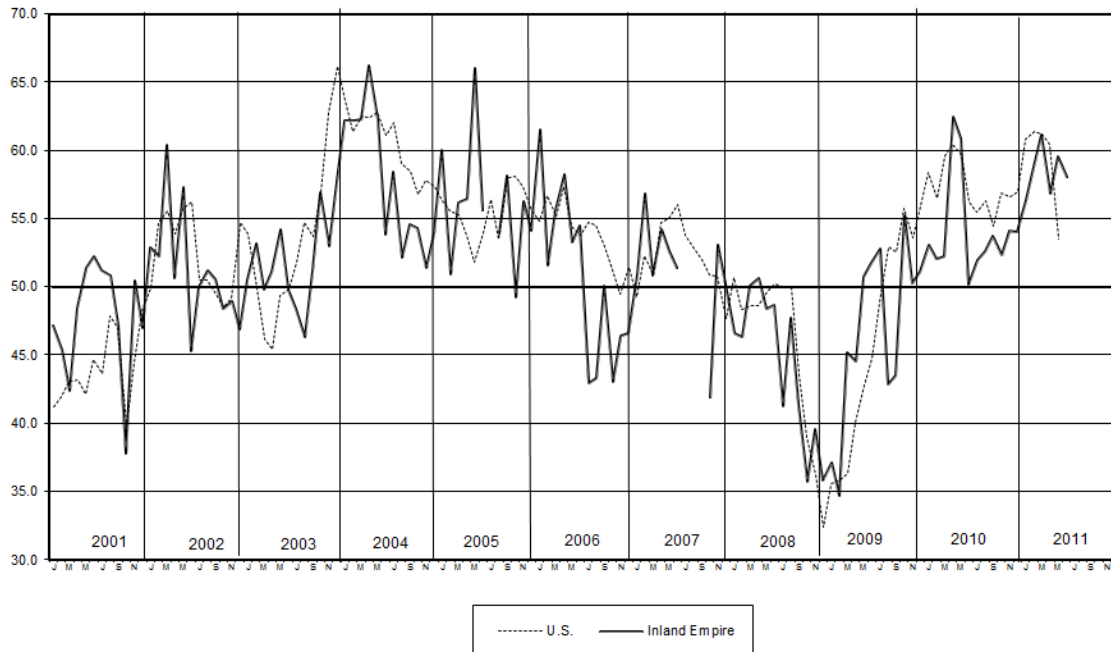
"Purchasing Managers are less than enthusiastic about the state of the local economy, with 34% of purchasing managers (up from 28% last month) predicting a weaker local economy in the upcoming three months. Fifty-three percent of purchasing managers believe the local economy will remain unchanged, and the remaining 13% believe the local economy will become stronger by next quarter."

Following are some highlights from this month's report:

June 2011 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	59.5	58.0	Growing	Slower
Commodity Prices	76.7	68.8	Increasing	Slower
Production	61.7	57.8	Growing	Slower
New Orders	61.7	60.9	Growing	Slower
Inventory	58.3	53.1	Increasing	Slower
Employment	55.0	56.3	Increasing	Faster
Supplier Deliveries	58.3	58.1	Slowing	Slower
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	14%	13%		
% Same	59%	53%		
% Weaker	28%	34%		

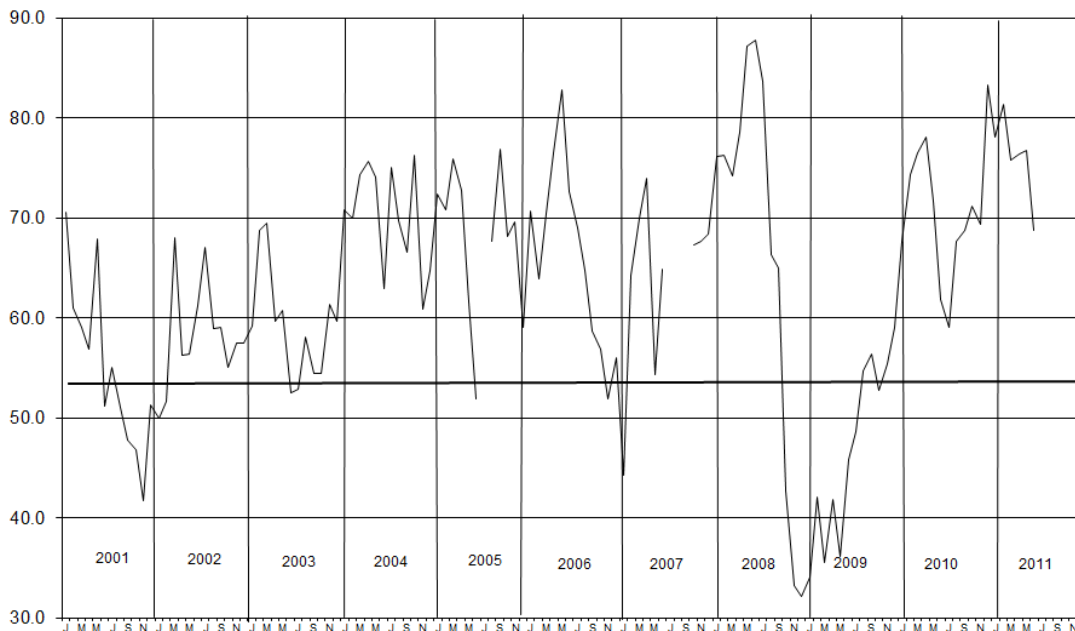
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



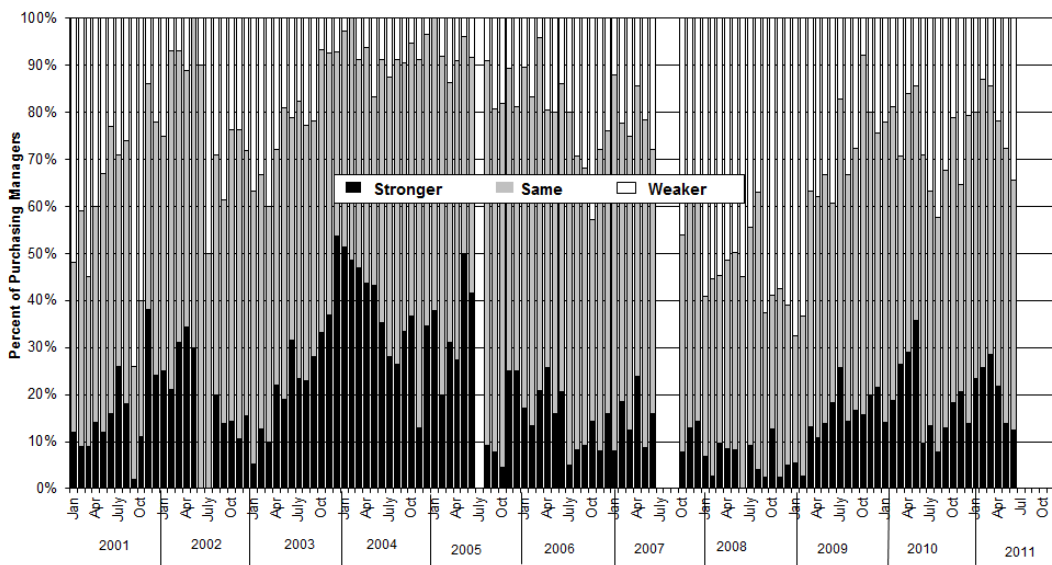
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Commodity Prices



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State of the Local Economy



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All signs point to continued strength and growth in the economy, yet Purchasing Managers appear to be concerned that the growth may not continue. Indeed, only 13 percent of Purchasing Managers believe that the economy will be stronger in the coming months, while 34% (up from 28%) believe it will be weaker.

STATE OF THE ECONOMY: DATA FROM 06/2010 THROUGH 06/2011

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Weaker	29	37	42	32	21	35	21	20	13	14	22	28	34
Same	61	50	50	55	61	44	64	57	61	57	56	59	53
Stronger	10	13	8	13	18	21	14	23	26	29	22	14	13

When Purchasing Managers were asked to make comments on the general business conditions that affected their company, positive remarks included: “A little relief on natural gas costs,” “Business is good,” “Orders picking up,” and “We are at our peak season.”

But many Purchasing Managers offered negative comments, particularly related to commodity prices: “Raw materials are still high,” “Commodity markets continue to be strong causing food cost escalation,” “Continued pressure on increased commodity pricing primarily chemical/steel,” “Sales flat,” “Prices are increasing rapidly,” and “Seems slower.”

In summary, all key indicators continue to be positive, suggesting that the growth we have noted in the Inland Empire economy since October 2009 continues to be weak but continuous. We are especially encouraged by the employment figures these past 5 months, but commodity prices continue to be a concern. Further, as we have commented in previous reports, a double-dip recession is not out of the realm of possibility given the contentious national debate over the debt level, coupled with a host of still unresolved international issues (e.g. Greece).

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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