

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for January 2012

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

PMI ABOVE 50 FOR THE FIRST TIME SINCE AUGUST, 2011

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 (53.6) represents an increase from last month's figure (49.4), the first month above the 50% benchmark since August 2011 when it registered 53.5. Another positive sign for the economy is that the Employment Index jumped to (51.6) this month from (46.6) last month."

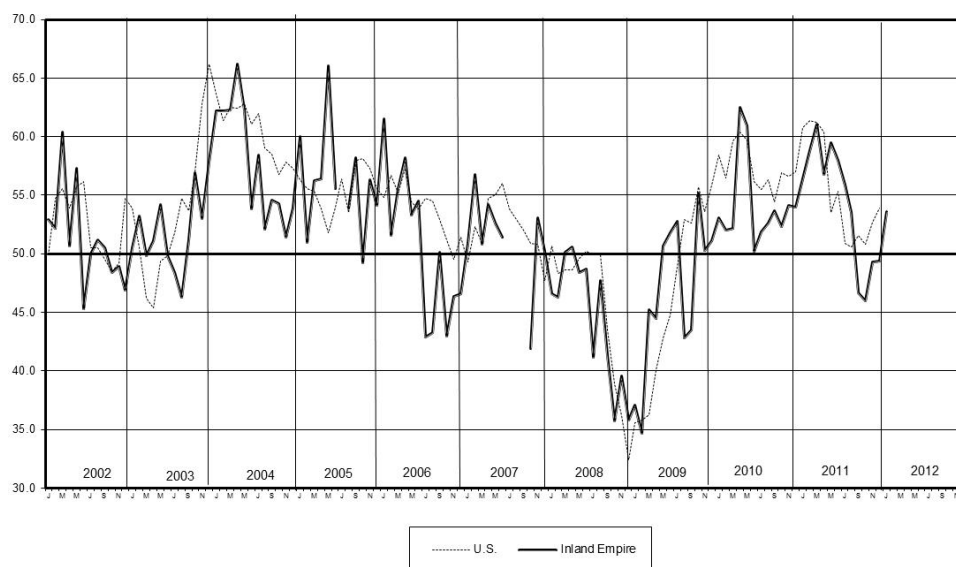
"Production and New Orders (two of the key indicators in the PMI) jumped above the 50% mark also (with Production registering at 56.5 and New Orders at 53.2). With that said, Commodity Prices (66.1) continued to reflect inflationary pressures, registering an increase over last month's 56.7."

"Purchasing Managers continue to be cautious about the state of the local economy. This month, twenty-five percent predicted that the economy will be weaker in the coming quarter (down from last month's thirty-six percent). Fifty-seven percent of purchasing managers believe the local economy will remain unchanged, and the remaining 18% believe the local economy will become stronger by next quarter."

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

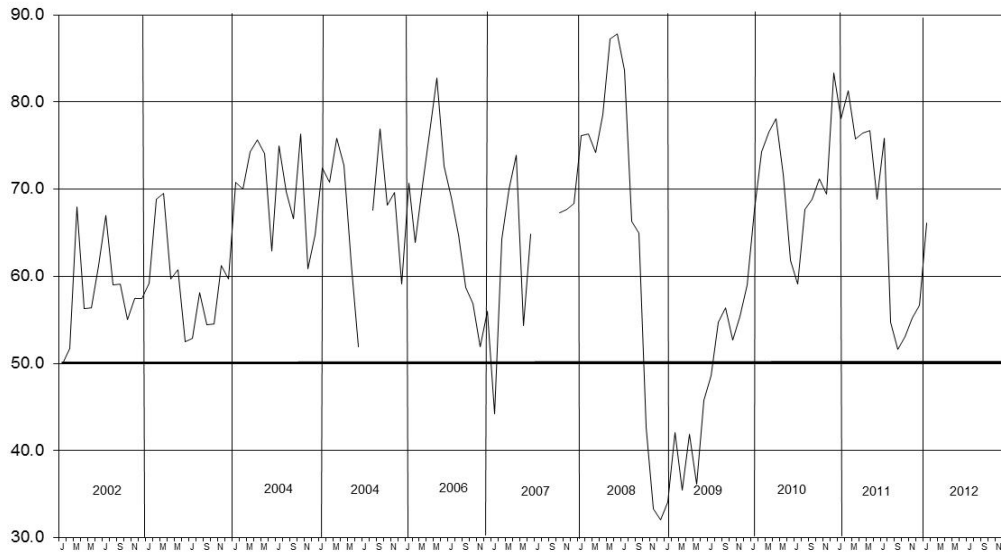
January 2012 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	49.4	53.6	Growing	From Contracting
Commodity Prices	56.7	66.1	Increasing	Faster
Production	48.3	56.5	Growing	From Contracting
New Orders	48.3	53.2	Growing	From Contracting
Inventory	44.8	55.0	Increasing	From Decreasing
Employment	46.6	51.6	Increasing	From Decreasing
Supplier Deliveries	60.0	51.6	Slowing	Slower
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	11%	18%		
% Same	54%	57%		
% Weaker	36%	25%		

Purchasing Managers' Index



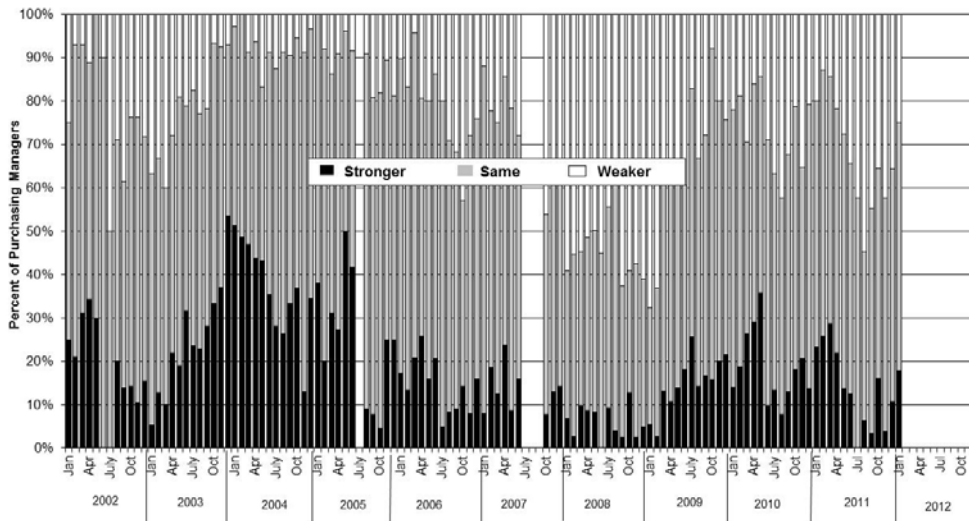
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Commodity Prices



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

State of the Local Economy



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

STATE OF THE ECONOMY: DATA FROM 1/2011 THROUGH 1/2012

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

Very few comments were made by Purchasing Managers this month. One remarked positively: "More than the usual amount of new orders." But other Purchasing Managers had negative comments: "Same, slow," "Not much change from last month," and "Slow start for 2012."

In summary, over the past few months we have been noting that the PMI was fluctuating so close to the 50% baseline mark that we were unable to determine if there had been a significant change in direction of the manufacturing sector. This month's PMI signals in a straightforward fashion that there is some indication of recovery (although we need two more "strong" months in order to be sure that this is indeed the case). Further, the increase in the percentage of Purchasing Managers predicting a stronger economy and the decrease in the predictions of a weaker economy are cause for optimism.

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

Mary Jane Olhasso
Administrator, San Bernardino County Economic Development Agency
(909) 387-9802

Rob Moran
Economic Development Manager, Riverside County Economic Development Agency
(951) 955-6673