

# **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 July 2012***

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

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## **PMI IS INCREASING AND EMPLOYMENT IS UP**

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 (53.1) represents an increase from last month's figure (49.7). In general, a figure above 50 indicates that the manufacturing sector is growing, whereas a figure below indicates contraction in that sector. Typically it takes three months to establish a trend of growth or contraction, and we were slightly concerned last month that the 49.7 was the start of a new trend. That did not come to pass. When we review this month's figure in context of the last seven months, the picture emerges of slow and continual growth in the Inland Empire's manufacturing sector."

"This finding is reinforced by the fact that the Employment Index jumped to (62.1) this month from (56.7) last month, and has remained above 50 since December 2012. Approximately half of the companies who are hiring are bringing in temporary employees, while the other half are hiring permanent staff. Further good news is that this month the Production Index registered a jump from 46.7 to 58.6.

"But before we pop the cork on the champagne bottle, we must note that there is a significant caveat to this good news. Specifically, the New Orders Index registered below 50 for the second month in a row. Of course, it did increase from 40.0 last month to 48.3 this month. But it is possible that the growth we are noting in production and employment is driven by past new orders which may be drying up. Hopefully this will not be the case."

"Inflationary pressures within the Inland Empire Commodity Prices Index jumped to 55.4 this month (up from last month's 36.7). Imports increased from 46.0 to 47.1 and exports declined from 62.5 to 50.0."

"Purchasing Managers continue to be less than enthusiastic in their predictions about the future state of the local economy, with seven percent of purchasing managers predicting that

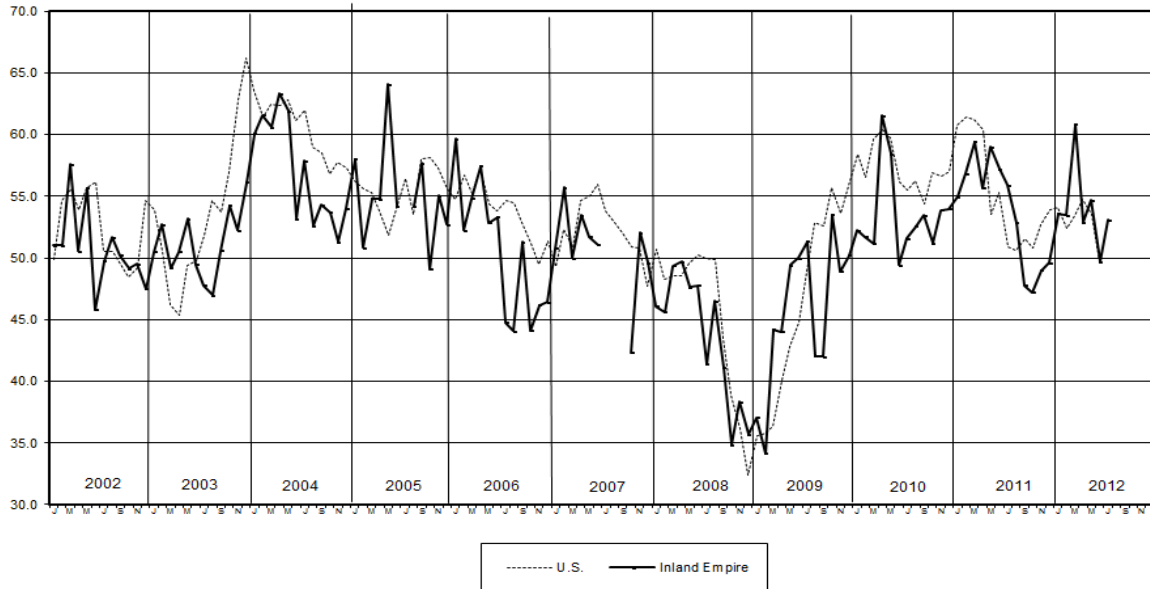
the local economy will become stronger in the upcoming months (down from last month's 10%). Sixty-two percent of the purchasing managers believe the local economy will remain unchanged, and the remaining 31% believe the local economy will become weaker over the next quarter."

In commenting on the report, Dr. Lawrence Rose (Dean of the College of Business and Public Administration, CSUSB) said: "It is encouraging to see that the PMI and employment figures are up, but it is too early to declare victory for the Inland Empire economy. We're not out of the woods yet."

Following are some highlights from this month's report:

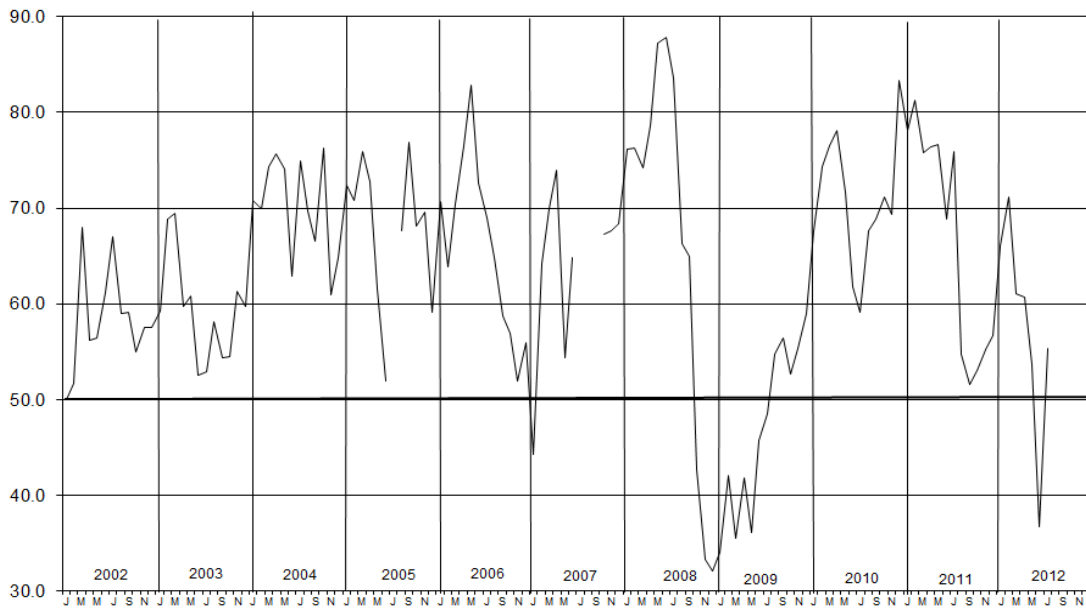
<b>July 2012 Business Survey at a Glance</b>				
	<b>Series Index</b>		<b>Direction from 50</b>	<b>Rate of Change from Last Index</b>
	<b>Last Month</b>	<b>This Month</b>		
Local PMI	49.7	<b>53.1</b>	Growing	From Contracting
Commodity Prices	36.7	<b>55.4</b>	Increasing	From Decreasing
Production	46.7	<b>58.6</b>	Growing	From Contracting
New Orders	40.0	<b>48.3</b>	Contracting	Slower
Inventory	53.3	<b>46.3</b>	Decreasing	From Increasing
Employment	56.7	<b>62.1</b>	Increasing	Faster
Supplier Deliveries	51.7	<b>50.0</b>	Unchanged	Slower
Imports	46.0	<b>47.1</b>	Contracting	Slower
Exports	62.5	<b>50.0</b>	Unchanged	From Increasing
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	10%	7%		
% Same	66%	62%		
% Weaker	24%	31%		

## Purchasing Managers' Index



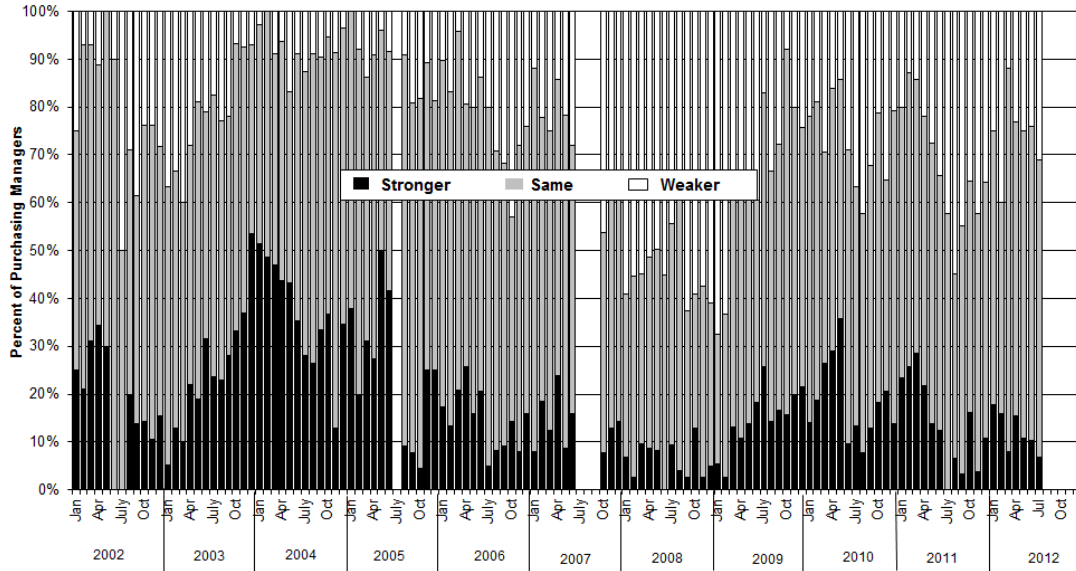
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Commodity Prices



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# State of the Local Economy



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## STATE OF THE ECONOMY: DATA FROM 7/2011 THROUGH 7/2012

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
<b>Weaker</b>	42	55	45	36	42	36	25	40	12	23	25	24	31
<b>Same</b>	58	39	52	48	54	53	57	44	80	62	64	66	62
<b>Stronger</b>	0	6	3	16	4	11	18	16	8	15	11	10	7

Positive remarks from Purchasing Managers included: “Business same,” “Business has been good these past couple of years. Our manufacturing orders typically rise the first half of the year and taper off during the summer months. Orders should pick up the last quarter. We have hired new employees (something we have not been able to do for the last 4 years). The aerospace industry is stable and should be this way for at least the next couple of years,” “Not much difference from last month,” “While I had expected the month of July to be steady, it is actually a growth month. This was a surprise and I had to adjust plans to meet the needs,” “Pretty flat compared to last year, but we might have reached bottom,” and “Housing sales have increased as investors purchase foreclosed and distressed properties.”

Meanwhile, negative comments included: “Orders slowing,” “Business slower than last month,” and “Concerned about the depth of civic bankruptcies.”

In summary, there are some extremely positive signs in this report, however some areas of concern as well. Employment, a nationwide concern, is up and the PMI has increased again. But as noted earlier, the fact that new orders are decreasing is worrisome. Stay tuned!

**FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:**

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