

INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for July 2009

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

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Local economy improving, but unemployment remains a concern

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 (52.8) has registered above the 50% mark for the third month in a row, thus signaling a turnaround in the manufacturing sector. Moreover, this month's figure marks the fifth consecutive month that the PMI has remained above 41.1% figure, indicating that the local economy as a whole is experiencing growth. On the other hand, the local economy is still in a state of flux and is producing mixed signals about the sustainability of this recent growth trend. Heading the list of problems in the local economy is the continuing high Inland Empire unemployment rate, statewide budgetary problems which are rippling to the City and County levels, and recent reports that consumers remain hesitant to buy goods until they feel more relief from the recession. On the positive side, Purchasing Managers were the most optimistic about the state of the Inland Empire economy since April, 2006. Further, a recent report from the American Staffing Association indicates that Inland temp agencies are getting more calls. It is possible that businesses are not willing to hire permanent employees until they are certain about the recovery and are therefore bringing on temporary help."

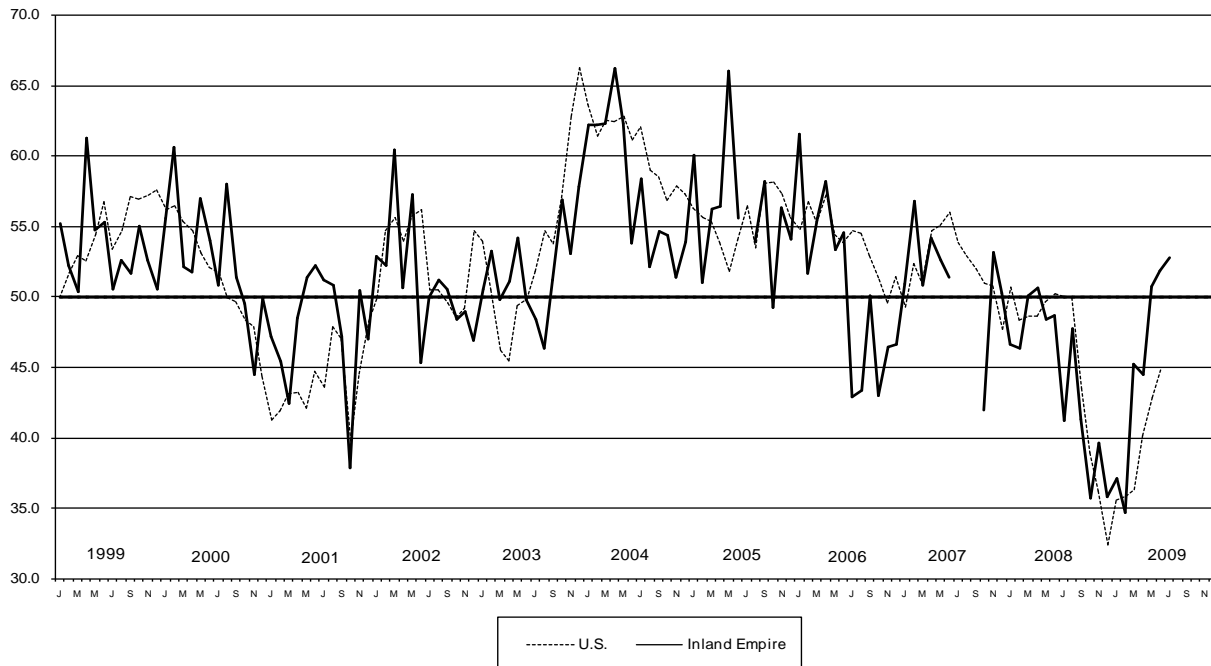
"Production and New Orders (two of the key indicators in the PMI) have remained above the 50% mark for the third consecutive month. Especially encouraging is that the Production Index is now at 59.5 -- the highest since May 2008 (59.0). In addition, new orders are still strong, virtually unchanged this month (56.8) from last month's figure (56.9). Of particular concern is the Employment index (44.6) which decreased this month from (47.2), and which has remained below the 50 benchmark since June 2007.

Following are some highlights from this month's report:

July 2009 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	51.8	52.8	Growing	Faster
Commodity Prices	45.8	48.6	Decreasing	Slower
Production	55.6	59.5	Growing	Faster
New Orders	56.9	56.8	Growing	Slower
Inventory	43.1	48.6	Decreasing	Slower
Employment	47.2	44.6	Decreasing	Faster
Supplier Deliveries	47.1	47.3	Slowing	Slower
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	18%	17%		
% Same	42%	57%		
% Weaker	39%	26%		

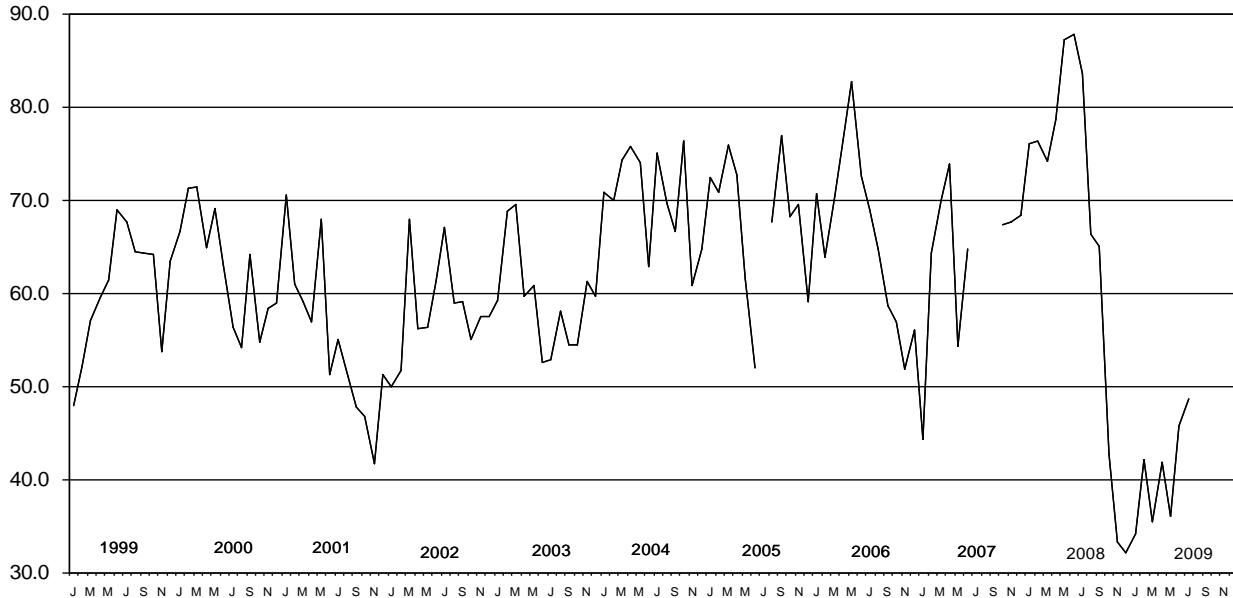
NOTE: In all cases except Supplier Deliveries, the "Direction" refers to whether the index is above 50% (growing) or below 50% decreasing.

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 continue to be less than enthusiastic about the state of the local economy. Twenty-six percent of purchasing managers predict that the local economy will be stronger in the upcoming months. The last time purchasing managers were that bullish on the economy was April, 2006. Fifty-seven percent of purchasing managers believe the local economy will remain unchanged. Meanwhile, the remaining seventeen percent believe the local economy will become weaker by next quarter.

STATE OF THE ECONOMY: DATA FROM 7/2008 THROUGH 7/2009

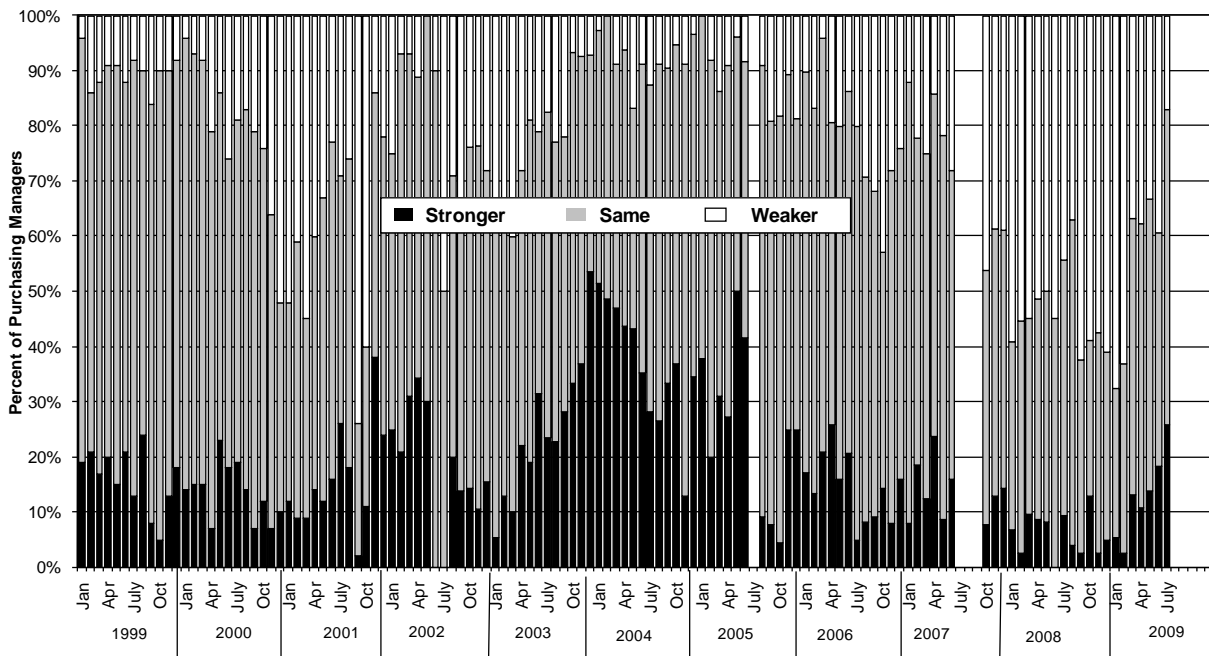
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Weaker	44	37	62	59	58	61	68	63	37	38	33	39	17
Same	46	59	35	28	40	34	27	34	50	51	53	43	57
Stronger	9	4	3	13	3	5	5	3	13	11	14	18	26

When Purchasing Managers were asked if they had any overall remarks to offer, positive comments included: "Projected sales for July up 25% from June. Increased orders and RFQ's," "Business remains strong both in our retail and manufacturing areas. Additional retail locations are slotted for opening this year," "Marginal improvement in local economy," "Not much change noticed from last month," "Generally

speaking, business has stabilized at a low end. There are indications of upward trend. Customers are starting to call/inquire. More projects to bid. Order entry has increased slightly," "Buy metal, spend money," "A slight improvement, January through June we were at a flat line in our sales," and "Picking up slowly."

A few Purchasing Managers expressed concerns about their business: "Business is not as strong as expected (hoped for)," "Still slow," "Not much change noticed from last month," "Sales are slowing down," and "Prices still going down as well as sales."

State of the Local Economy



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In conclusion, this report marks the 5th month that the PMI has remained above the “dividing line” which separates a declining local economy from a growing local economy. But as noted earlier it is too soon to discern whether this report represents a rebounding manufacturing sector or just another incidence of high volatility which has been documented in these reports over the past few months.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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