

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for July 2010

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

**Local economy displays weak growth as employment declines and
new orders remain flat**

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 (51.9) represents a slight increase over last month's figure (50.2) and is now in the tenth consecutive month above the 50% benchmark indicating growth in the manufacturing sector. Another positive sign for the economy is that Production (57.6) is up this month from 51.5 last month. With that said, the drop in the local Employment Index (down from 51.5 in June to 47.0 this month) and the fact that the New Orders index remained at the 50% mark for the second month in a row, represent a worrisome constellation of economic events. Moreover the number of Purchasing Managers who expect a weaker economy in the months ahead is now thirty-seven percent, a substantial increase from last month's twenty-nine percent. July's Commodity Price Index (59.1) is slightly down from last month's 61.8, indicating that prices of raw materials continue to rise (although at a slightly slower rate than last month)."

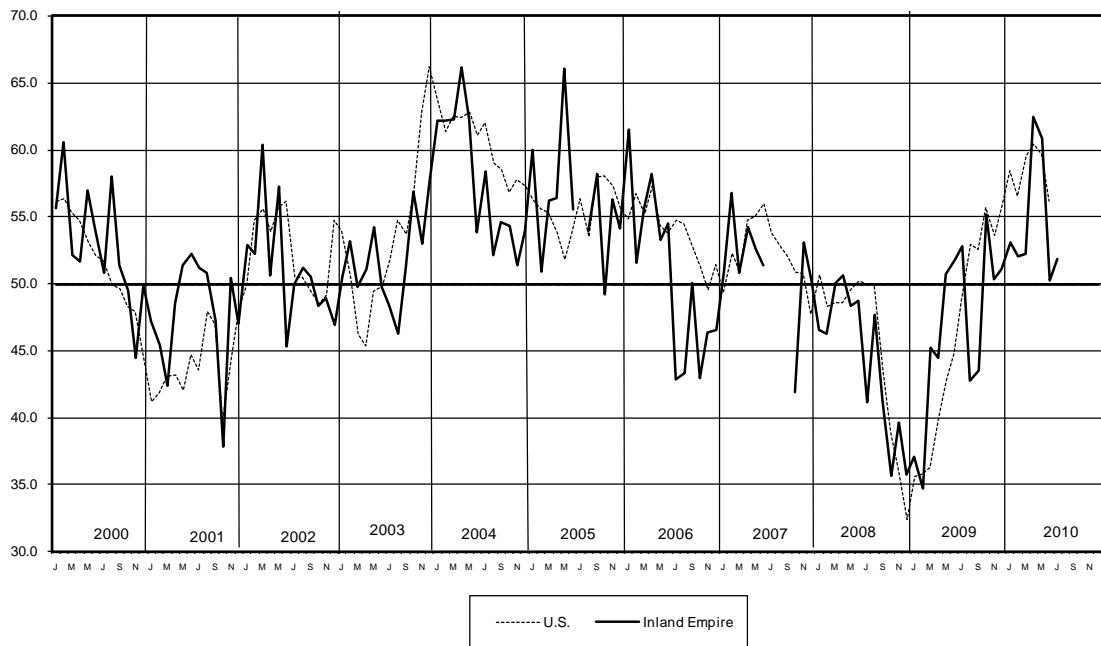
"When these key components of the monthly Purchasing Managers survey are placed in an analytical context, they suggest that the local economy's present growth is fragile and that the slight recovery that has been in place over the past few months could possibly be in jeopardy."

Following are some highlights from this month's report:

July 2010 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	50.2	51.9	Growing	Faster
Commodity Prices	61.8	59.1	Increasing	Slower
Production	51.5	57.6	Growing	Faster
New Orders	50.0	50.0	Unchanged	From Unchanged
Inventory	41.2	47.0	Decreasing	Slower
Employment	51.5	47.0	Decreasing	From Increasing
Supplier Deliveries	53.0	56.3	Slowing	Faster
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	10%	13%		
% Same	61%	50%		
% Weaker	29%	37%		

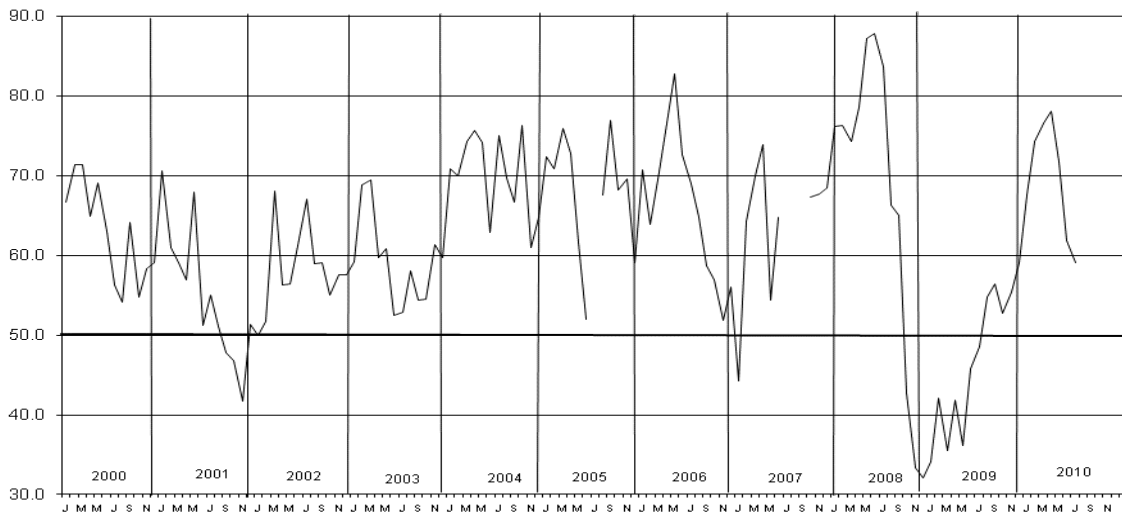
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



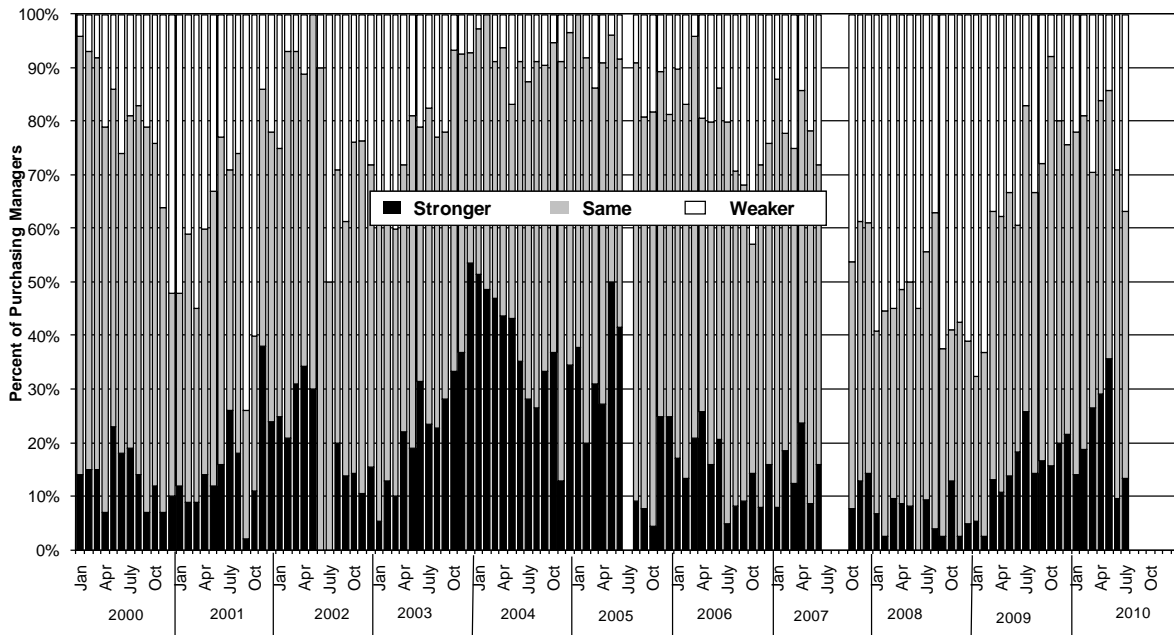
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 7/2009 THROUGH 7/2010

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Weaker	17	33	28	8	20	24	22	19	27	16	14	29	37
Same	57	52	55	76	60	54	64	63	44	55	50	61	50
Stronger	26	14	17	16	20	22	14	19	29	29	36	10	13

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included: "Increase in production expected during next few months. Slight drop in steel pricing. Delivery time stable," "Business good, normal slow season," "Things are good."

Some Purchasing Managers had negative comments: "Confusing -- sometimes business looks good then it drops off, so I have no idea what is going to happen," "Construction spending still low, business at 40% of capacity," "Things are slightly better, but I'm not comfortable that this will last."

In summary, this month's report suggests that the soft recovery seen over the past few months could possibly be in jeopardy. In other words, although there are a few positive signs in this month's report, the local economy is not yet "out of the economic woods."

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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