

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for June 2006

Sponsor: *CSUSB College of Business and Public Administration*

INLAND EMPIRE ECONOMY REMAINS ROBUST AS EMPLOYMENT SOARS

According to Shel Bockman and Barbara Sirotnik (Co-Directors of the Institute of Applied Research) and Candice Tsegga (Project Coordinator): "This month's PMI (54.5) continues to remain above the 50% mark, thus pointing towards sustained growth in the local manufacturing sector and economy as a whole. In addition, employment in the local area has experienced substantial growth.

Following are some highlights from this month's report:

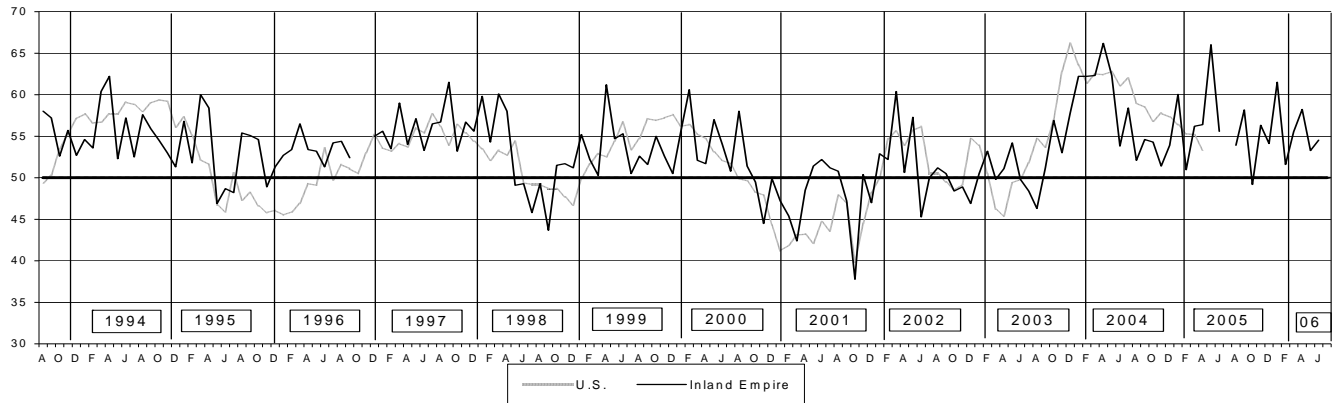
* NOTE: In all cases except Supplier Deliveries, the "Direction" refers to whether the index is above

June 2006 Business Survey at a Glance				
	Series Index		Direction*	Rate of Change
	Last Month	This Month	From 50	From last index
Local PMI	53.3	54.5	Growing	Faster
Commodity Prices	82.8	72.6	Increasing	Slower
Production	58.3	55.2	Growing	Slower
New Orders	55.4	53.2	Growing	Slower
Inventory	50.0	50.0	Unchanged	Slower
Employment	46.6	55.0	Increasing	From Contracting
Supplier Deliveries	57.1	53.2	Slowing	Slower

50% (growing) or below 50% (decreasing).

June's PMI (54.5) has increased from last month's figure (53.3), and continues to remain the 44.5 mark. This is the 55th consecutive month that the PMI has registered above the 44.5% mark, indicating that the local economy as a whole has experienced sustained growth for over four years.

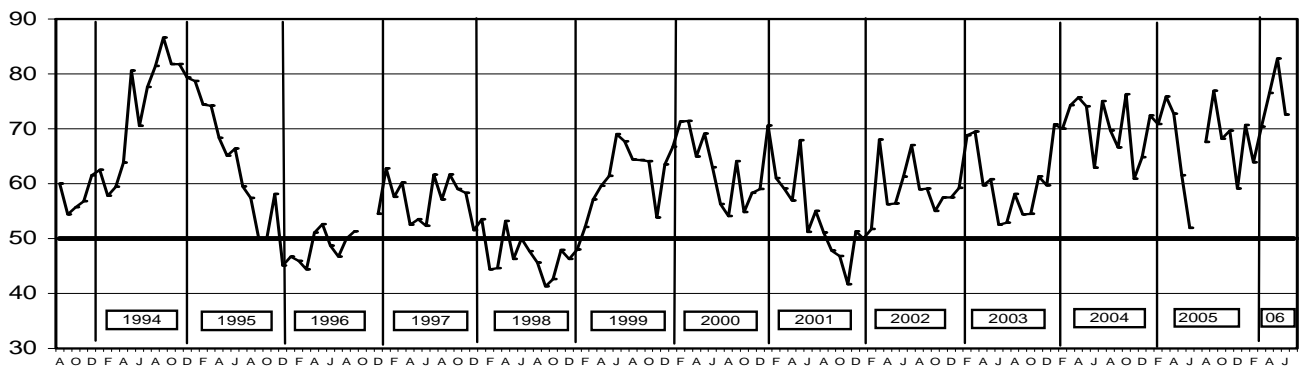
Purchasing Managers' Index



*** NOTE: Inland Empire data were not collected for the months of October and November 1996, and July 2005.

June's Commodity Price Index of 72.6 decreased from last month's figure of 82.8, showing that inflationary pressures are still present in the Riverside and San Bernardino County areas.

Commodity Prices



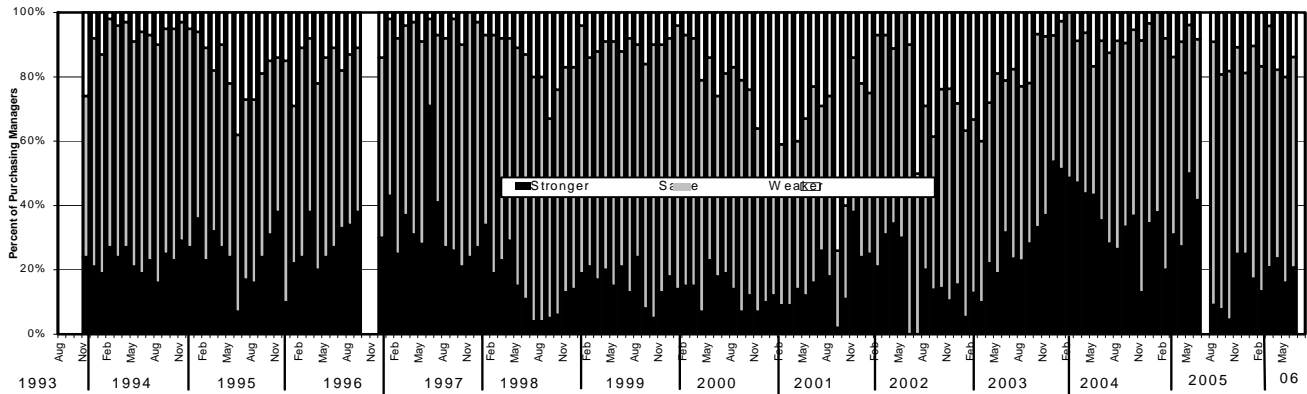
In June the Employment Index increased from 46.6 to 55.0, Production decreased from 58.3 to 55.2, Inventories remained unchanged at 50.0, Supplier Deliveries decreased from 57.1 to 53.2, and New Orders decreased from 55.4 to 53.2.

Purchasing Managers are optimistic about the state of the local economy, with twenty-one percent of purchasing managers predicting the local economy will become stronger in the next quarter. Sixty-five percent of Purchasing Managers believe the local economy will remain the same and fourteen percent believe the local economy will be weaker in the coming months.

STATE OF THE ECONOMY: DATA FROM 6/2005 THROUGH 6/2006

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Weaker	8	10	9	19	18	11	19	10	17	4	19	20	14
Same	50	80	8	73	77	64	56	73	70	75	56	64	65
Stronger	42	10	9	8	5	25	25	17	13	21	25	16	21

State of the Local Economy



*** NOTE: Inland Empire data were not collected for the months of October and November, 1996 and July 2005.

When Purchasing managers were asked to make comments on the general business conditions that affected their company, they remarked positively: " Construction market continues to be strong, keeping our inventory in line," and " Business is steady." Negative comments include: "Business is slowing maybe it's just summer," "Steel, transportation and cardboard are up," and "Increase in plastic raw materials due to oil price."

In summary, the good news in this report is that employment index registered a sharp increase. The bad news is that inflationary pressures continue. On balance, however, this report reflects a strong economy, with continued growth in the local manufacturing sector and the economy as a whole.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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