

INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for June 2009

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

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PMI SIGNALS POSSIBLE RECOVERY BOTH IN MANUFACTURING AND THE LOCAL ECONOMY

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 (51.8) has registered above the 50% mark for the second month in a row. One more month of a PMI above 50 will signal a turnaround in the manufacturing sector. Moreover, since this now is the fourth consecutive month that the PMI has remained above 41.1% figure last month's observation that the local economy is once again in growth mode is reinforced. Of course, there still remains a great deal of uncertainty regarding the sustainability of the recovery, with the state of California's economy being the centerpiece of concern."

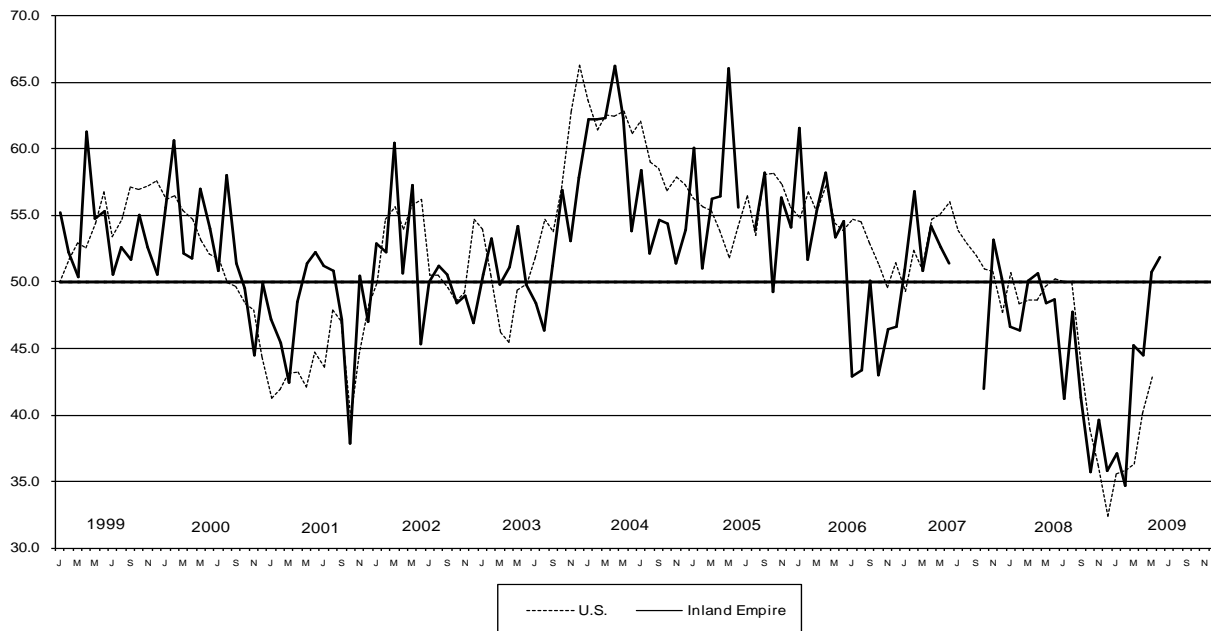
"When the PMI is broken down into its component parts, we see more good news. The Production Index (one of the major components) increased from 54.2 to 55.6 and New Orders (the single most important component) increased from 54.2 to 56.9. These two components are important in that they show that companies are gearing up for future increases in consumer purchases. Even the Employment index (47.2) is somewhat encouraging in that it remained exactly the same as last month rather than declining further below 50. Of course, one would expect that companies would be reluctant to hire until the economy shows signs of sustained growth -- that seems to be the case as expressed by this month's Employment Index. Inflationary pressures continue to be a non-issue within the Inland Empire, with the Commodity Prices Index registering below 50% again this month (45.8). Interestingly enough, however, there is more uncertainty among Purchasing Managers regarding the state of the local economy for the coming quarter which is reflected by a decrease in the number of people who believe that the economy will remain "the same."

Following are some highlights from this month's report:

June 2009 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	50.7	51.8	Growing	Faster
Commodity Prices	36.1	45.8	Decreasing	Slower
Production	54.2	55.6	Growing	Faster
New Orders	54.2	56.9	Growing	Faster
Inventory	45.8	43.1	Decreasing	Faster
Employment	47.2	47.2	Decreasing	Unchanged
Supplier Deliveries	45.8	47.1	Slowing	Slower
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	14%	18%		
% Same	53%	43%		
% Weaker	33%	39%		

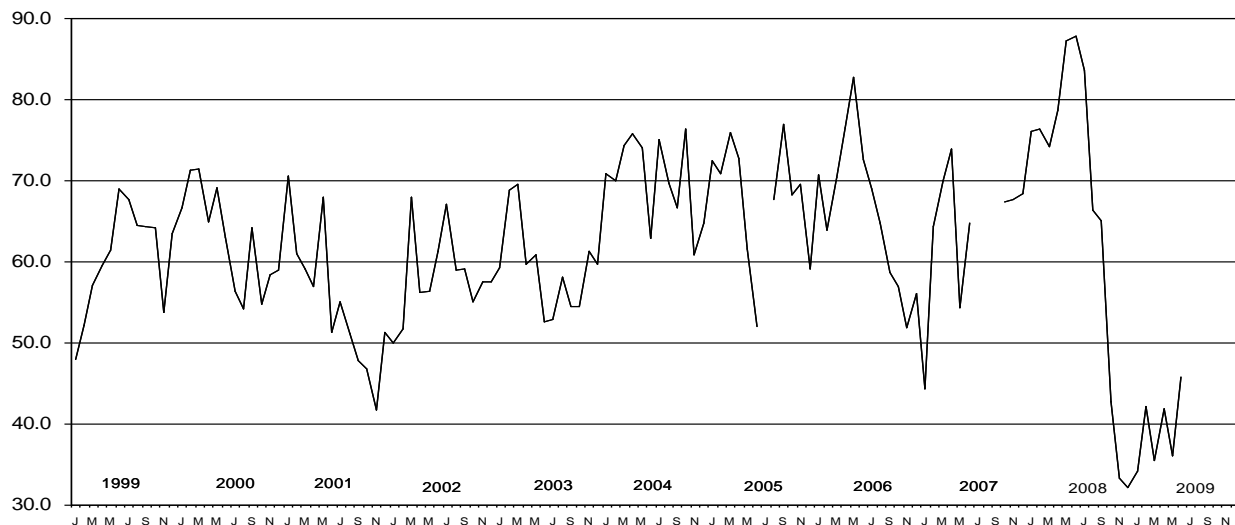
NOTE: In all cases except Supplier Deliveries, the "Direction" refers to whether the index is above 50% (growing) or below 50% decreasing.

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 confidence about the state of the local economy remains low; with only eighteen percent of the purchasing managers predict that the local economy will become stronger in the upcoming months. But it is significant that this figure is the highest it has been since April 2007. Forty-three percent of the purchasing managers believe the local economy will remain unchanged. Meanwhile, the remaining thirty-nine percent believe the local economy will become weaker by the next quarter.

STATE OF THE ECONOMY: DATA FROM 6/2008 THROUGH 6/2009

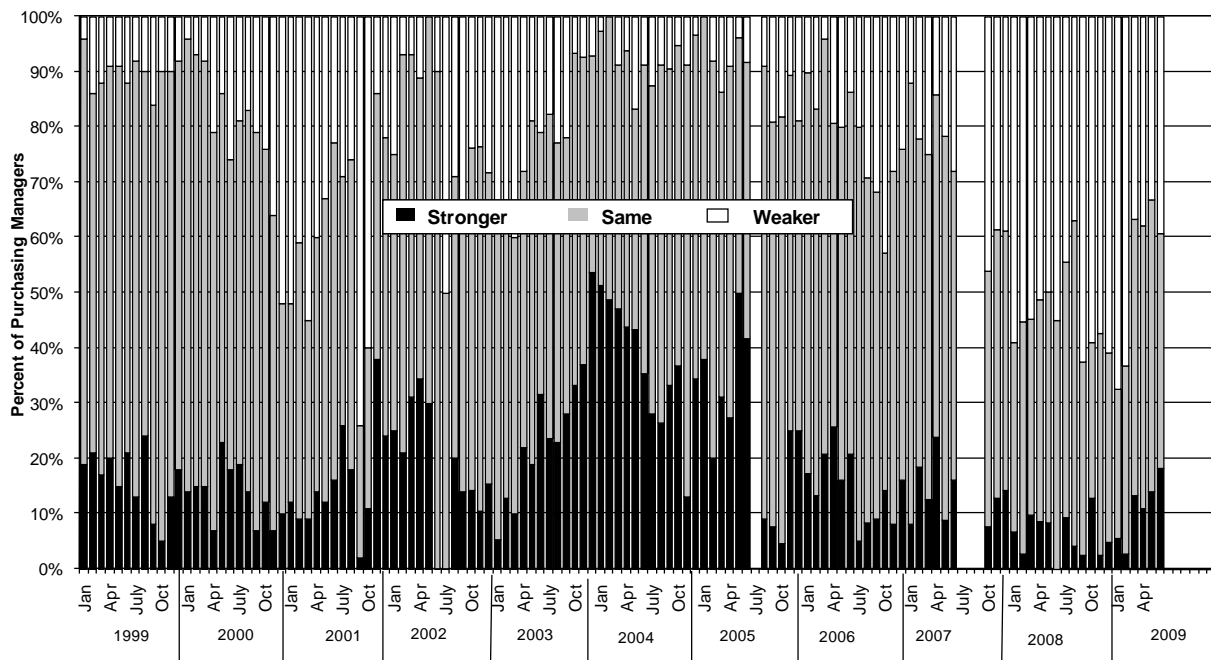
	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Weaker	55	44	37	62	59	58	61	68	63	37	38	33	39
Same	46	46	59	35	28	40	34	27	34	50	51	53	43
Stronger	0	9	4	3	13	3	5	5	3	13	11	14	18

When Purchasing Managers were asked if they had any overall remarks to offer, positive comments included: "We have continued to see significant growth in our operations nationally. Excellent outlook continued," "Slight increase in business," and "Slightly improved conditions but still well below normal."

A few more Purchasing Managers expressed concerns about their business: "Still very slow," "Still concerned with lack of strength in the financial communities and their ability to support the agribusinesses," "We are busy thru the end of the 3rd quarter, but the 4th

looks bleak at best," "Summer months are slower for us. Lower production, orders, etc. are due to seasonal slow down," "Overall the economy appears the same as last month. Commodity prices seem to be rising as we saw an increase in polypropylene, our primary raw material. Orders, production, inventory, and employment is up not due to the economy, but since we are entering our busy season we have begun to run additional production in our facilities," "Import steel is up. Domestic steel still going down or bottomed out in some cases," "Very slow," "Recession slowdown," "About the same as last month EXCEPT the price of steel is starting to climb," and "Sales slowing down."

State of the Local Economy



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FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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