

# **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 June 2012***

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

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## **New Orders and Production Indices drop, but Employment is on the rise and Commodity Prices are down**

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 (49.7) registered a drop from last month's PMI (54.7), dropping below 50 for the first time in 5 months. Yet since the PMI is only slightly below 50, we are not concerned at this time."

"Production and New Orders (two of the key indicators in the PMI) plummeted below the 50% benchmark also (with Production registering at 46.7 and New Orders at 40.0). But there were also positive signs as well. Commodity Prices dropped sharply to 36.7 from 53.7 mostly due to decreases in the price of oil and polyethylene. This is the first time since 2009 that the Commodity Price Index has registered a figure that low. But the most encouraging news in this month's report is that the Employment Index increased to 56.7 from 50.0. Imports declined from 60.5 down to 46.0 and exports grew from 50.0 to 62.5."

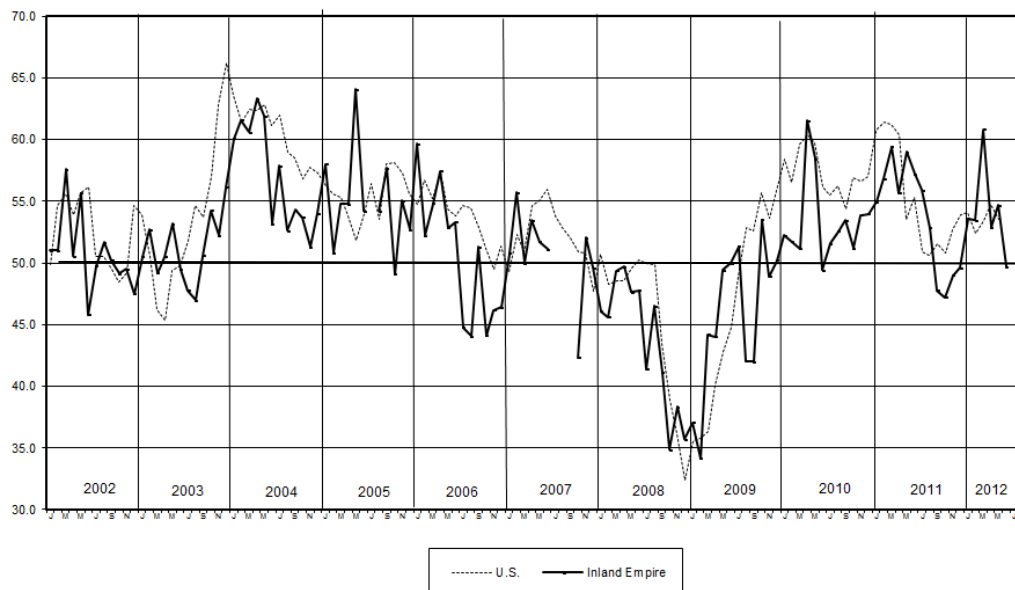
"Purchasing Managers' confidence in the economy for the coming quarter slightly improved, with 66% believing the economy will stay the same (up from last month's 64%). Twenty-four percent think that the local economy will be weaker in the coming quarter (virtually unchanged from 25%) and the remaining 10% believe that the coming quarter's economy will be stronger."

Following (next page) are some highlights from this month's report:

## June 2012 Business Survey at a Glance

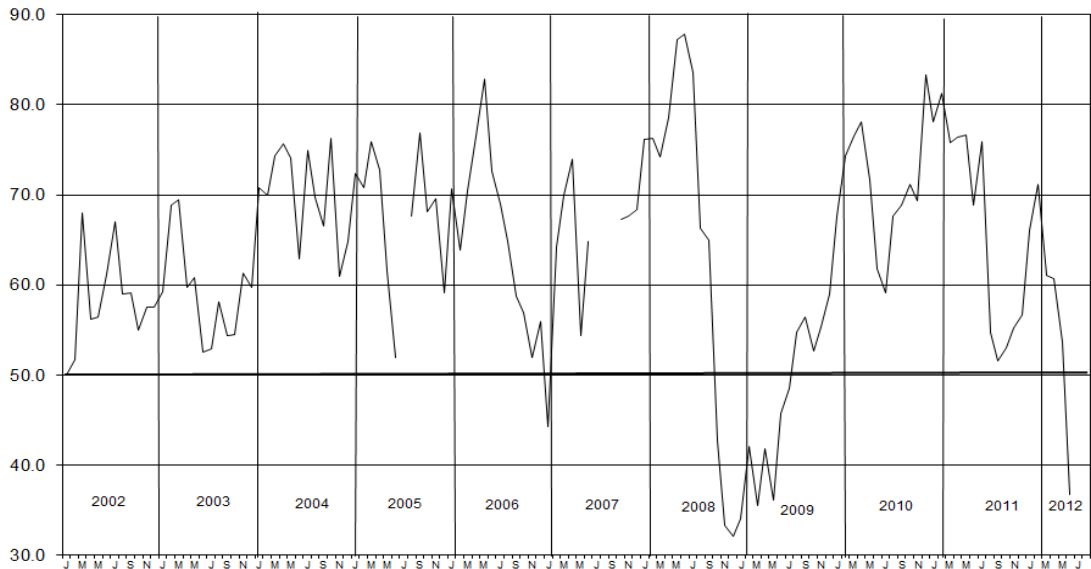
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	54.7	<b>49.7</b>	Contracting	From Increasing
Commodity Prices	53.7	<b>36.7</b>	Decreasing	From Increasing
Production	60.7	<b>46.7</b>	Contracting	From Increasing
New Orders	51.8	<b>40.0</b>	Contracting	From Increasing
Inventory	55.4	<b>53.3</b>	Increasing	Slower
Employment	50.0	<b>56.7</b>	Increasing	From unchanged
Supplier Deliveries	55.6	<b>51.7</b>	Slowing	Slower
Imports	60.5	<b>46.0</b>	Decreasing	From Increasing
Exports	50.0	<b>62.5</b>	Increasing	From Unchanged
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	11%	10%		
% Same	64%	66%		
% Weaker	25%	24%		

## Purchasing Managers' Index



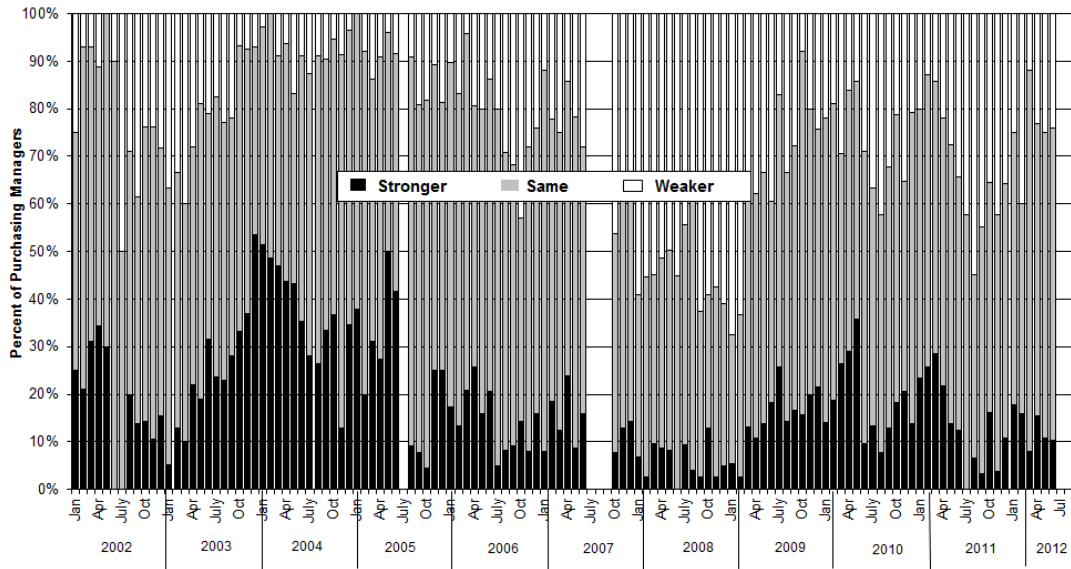
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Commodity Prices



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## State of the Local Economy



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### STATE OF THE ECONOMY: DATA FROM 6/2011 THROUGH 6/2012

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Weaker</b>	34	42	55	45	36	42	36	25	40	12	23	25	24
<b>Same</b>	53	58	39	52	48	54	53	57	44	80	62	64	66
<b>Stronger</b>	13	0	6	3	16	4	11	18	16	8	15	11	10

When Purchasing Managers were asked to make comments on the general business conditions that affected their company, most remarked positively: "The current business situation is excellent. Production orders and new production development contracts are strong," "Brought back people from layoff," and "Prices of polyethylene continue to fall."

Meanwhile, negative comments included: "What is hard to accept is the lack of orders placed into the future. Orders are for delivery within factory lead time and we do not have projected orders into the future. Shipping quantities now exceed the pre-recession levels and we are operating with 140 people vs. 220 pre-recession," "Some slowing in orders," "Business is slow and we are losing to big companies that have more capital. The days of family owned and operated business is going away to big corporations. It's sad," "Slowing," and "Same as last year...it looks like we hit bottom."

In summary, this report is filled with mixed signals. On the negative side is the significant drop in new orders, along with a drop in production below 50. On the positive side is the increase in employment and a drop in commodity prices. On balance, however, the major concern is that new orders are down which is the driving variable for growth in the sector. Simply put, if consumers don't feel confident enough in the economy to buy, employment and production in manufacturing firms will drop. So stay tuned!

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

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