

# **IAR'S INLAND EMPIRE REPORT ON BUSINESS**

**Prepared by: *The Institute of Applied Research***

at California State University, San Bernardino

***Report for June 2010***

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

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## **PMI drops to 50.2 from 60.9**

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 (50.2) represents a dramatic decrease over last month's figure (60.9). But the fact that it has remained above the baseline 50% mark for the ninth consecutive month softens this potentially "bad news" since any number above 50 indicates growth (however slow) in the local economy in general and for the manufacturing sector in particular. On the other hand, the decrease cannot be easily dismissed since the drop is also associated with a number of recent and worrisome events (e.g. continued unemployment, a turbulent global economy, and weakness in consumer confidence), which may have an impact on the national and local economy."

"When the key components of the PMI are reviewed, the weakness found in the PMI is clearly displayed. Of special concern are Production which has dropped from 61.7 last month to 51.5 this month, and New Orders which showed a drop as well from 66.7 to 50.0. The Employment index registered at 51.5 (a decrease from May's 60.0 but still showing slight growth). This suggests a slight improvement in the employment picture, however employment is still of particular concern since it is common knowledge that an improving economy must be accompanied by job creation and stable employment."

"The purchasing managers' confidence in the state of the economy for the coming quarter had been improving, but this month confidence has waned. Only 10% of purchasing managers feel that the economy will be stronger in the coming quarter (down from 36% last month), while 29% think it will be weaker and 61% think it will stay the same."

"Finally, June's Commodity Price Index (61.8) is down from last month's figure (71.7) showing that inflationary pressures have eased somewhat but continue to exist in the Inland Empire."

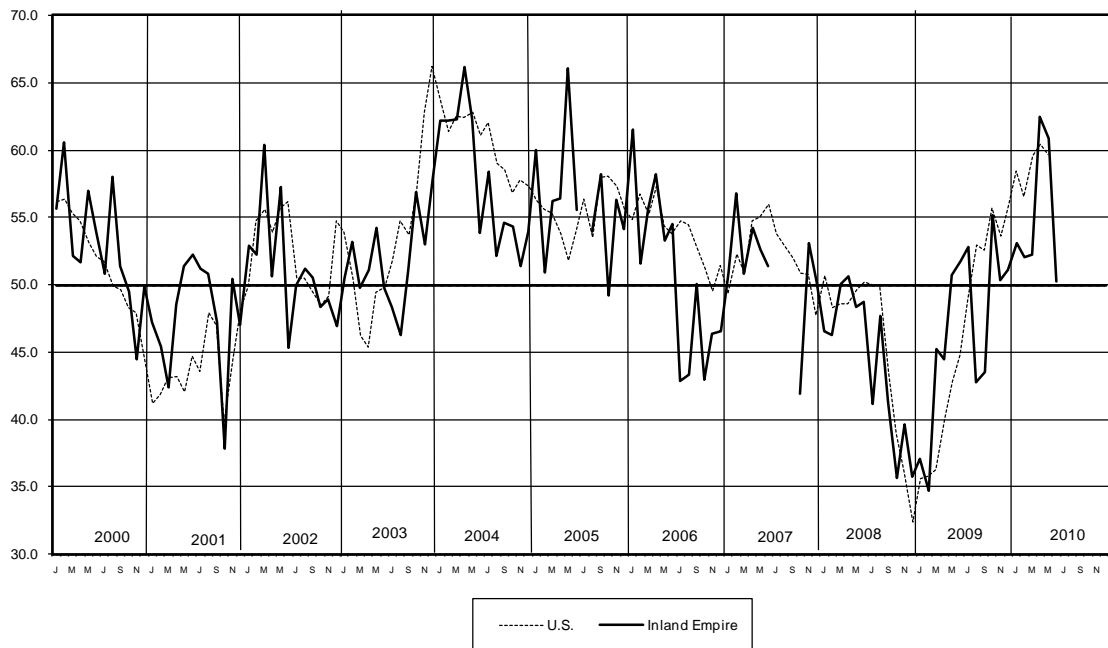
Following are some highlights from this month's report:

## June 2010 Business Survey at a Glance

	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	60.9	<b>50.2</b>	Growing	Slower
Commodity Prices	71.7	<b>61.8</b>	Increasing	Slower
Production	61.7	<b>51.5</b>	Growing	Slower
New Orders	66.7	<b>50.0</b>	Unchanged	From Increasing
Inventory	41.7	<b>41.2</b>	Decreasing	Faster
Employment	60.0	<b>51.5</b>	Increasing	Slower
Supplier Deliveries	62.1	<b>53.0</b>	Slowing	Slower
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	36%	10%		
% Same	50%	61%		
% Weaker	14%	29%		

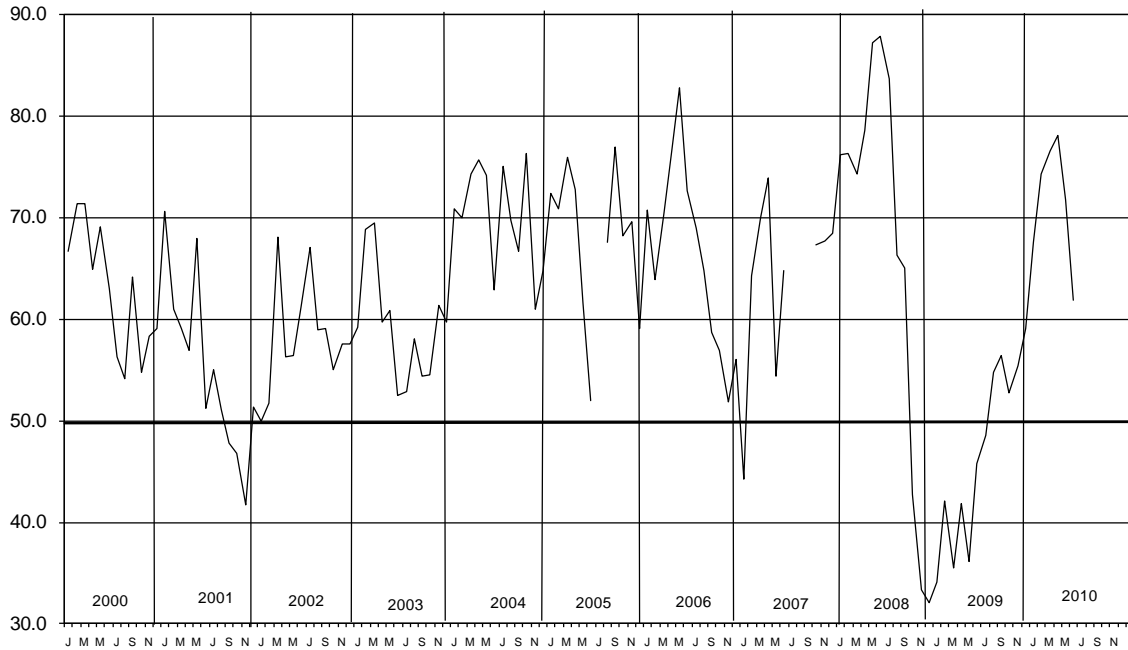
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



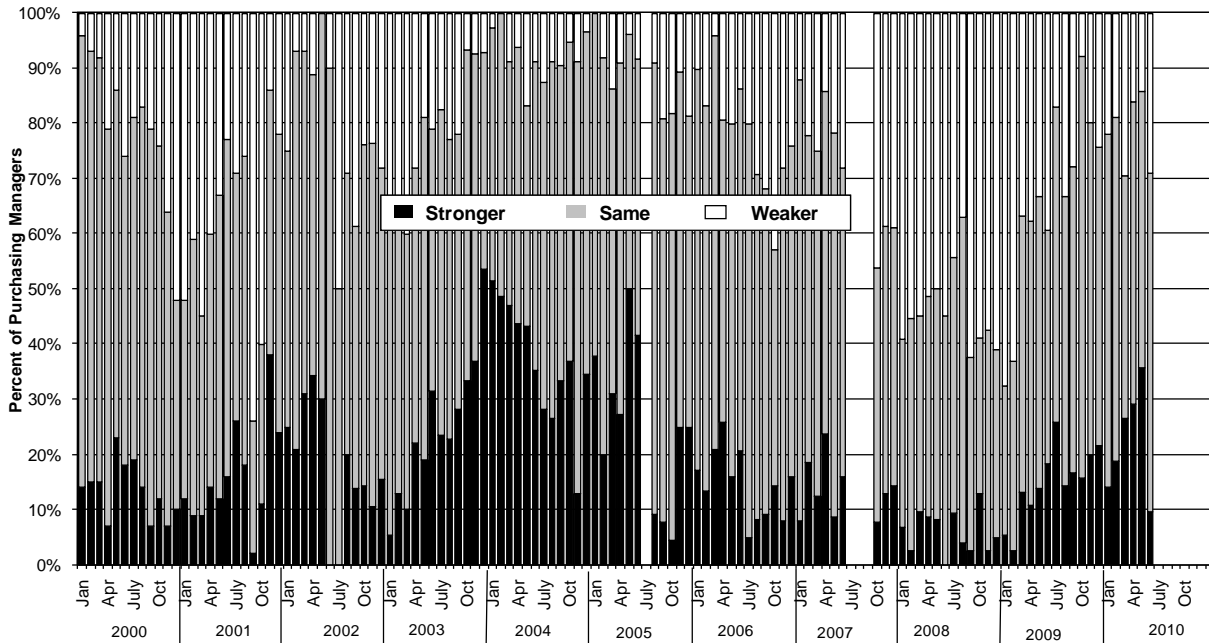
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## Commodity Prices



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## State of the Local Economy



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## STATE OF THE ECONOMY: DATA FROM 6/2009 THROUGH 6/2010

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Weaker	39	17	33	28	8	20	24	22	19	27	16	14	29
Same	43	57	52	55	76	60	54	64	63	44	55	50	61
Stronger	18	26	14	17	16	20	22	14	19	29	29	36	10

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included: "Inventory of finished goods is down, gives us more work," "Business is stable but taking it month to month, keep expenses down," "We are busy this month," "It has been a challenge collecting on our receivables, but we are starting to see the light at the end of the tunnel. Future looks good. Continue to receive orders from quotes done at beginning of the year."

Some Purchasing Managers had negative comments, "National economy is weak, as is the strength of the American dollar," "Summer is slower for us," "Business remains strong but our greatest concern is deflation at the retail level and inflation at the manufacturer level. We have concerns regarding the Inland Empire cap/trade and Free Choice Act which are a serious threat to any sustained economic improvements," "Not as good as May," and "Sales are down slightly from last month."

In summary, then, this month's data shows a sharp decline in the PMI, however it remains above the 50% baseline thus reflecting slight growth. Given the most positive reading, it suggests that the economy is having trouble sustaining even the slight recovery that was taking place over the past few months. A more negative reading is that we are seeing the beginning of a double-dip of the Inland Empire economy. Next month's report will be critical in determining whether the economic recovery is indeed a reality.

### FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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