

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

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

at California State University, San Bernardino

***Report for March 2011***

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

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## **Local economy shows a strong surge of growth, but some respondents note “uncertainty” due to high commodity prices**

According to Shel Bockman, Barbara Sirotnik, and Christen Ruiz (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), “This month’s PMI (61.1) registered an increase over last month’s figure (58.8) and remained above the baseline 50% mark for the seventeenth consecutive month.”

“As noted in previous reports, the Production Index and New Orders Index are the two key components of the PMI. This month the Production Index registered an increase from last month’s figure 65.6 to 69.4, whereas the New Orders Index increased slightly from 60.9 to 61.3. The fact that these two key components of the PMI remain solidly above 50 indicate that manufacturing companies anticipate increasing purchases from consumers. Although the Employment Index rose above the 50% benchmark for the second month from 57.8 to 58.2 (a positive sign), it must be noted that this index has been extremely volatile over the last year and a half, thus caution must be used interpreting the index until we have another month above 50. Of those companies who are hiring, half stated they have hired temporary staff and the other half stated they filled permanent positions. Inflationary pressures within the Inland Empire Commodity Prices Index continued to be felt, with the Index registering 75.8 this month (down from 81.3).

Purchasing Managers expressed the highest degree of optimism since last May about the state of the economy in the coming quarter. Twenty-nine percent (29%) of purchasing managers predicted that the local economy will become stronger in the upcoming months (up from last month’s 26%). Fifty-seven percent of purchasing managers believe the local economy will remain unchanged, and the remaining 14% believe the local economy will become weaker over the next quarter.

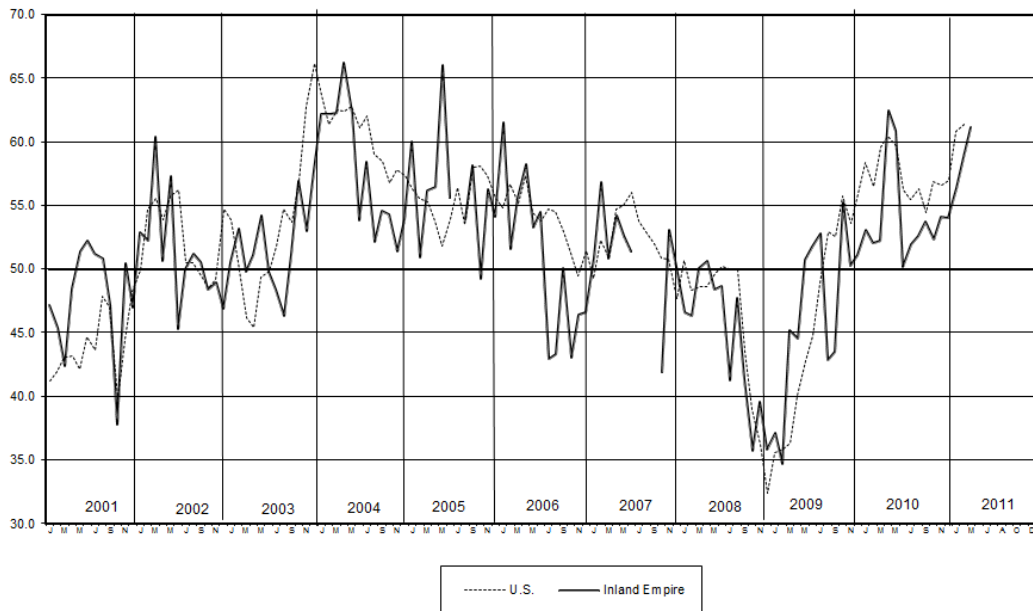
Following are some highlights from this month’s report:

## March 2011 Business Survey at a Glance

	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	58.8	<b>61.1</b>	Growing	Faster
Commodity Prices	81.3	<b>75.8</b>	Increasing	Slower
Production	65.6	<b>69.4</b>	Growing	Faster
New Orders	60.9	<b>61.3</b>	Growing	Faster
Inventory	48.4	<b>50.0</b>	Unchanged	From Decreasing
Employment	57.8	<b>58.3</b>	Increasing	Faster
Supplier Deliveries	51.6	<b>58.1</b>	Slowing	Faster
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	26%	29%		
% Same	61%	57%		
% Weaker	13%	14%		

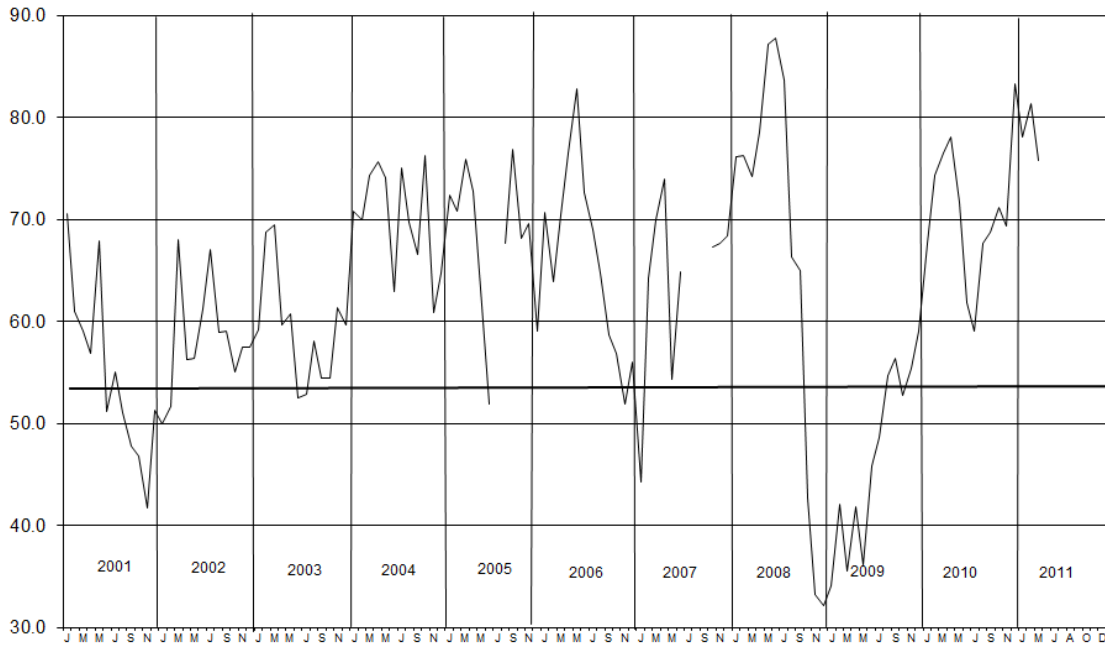
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



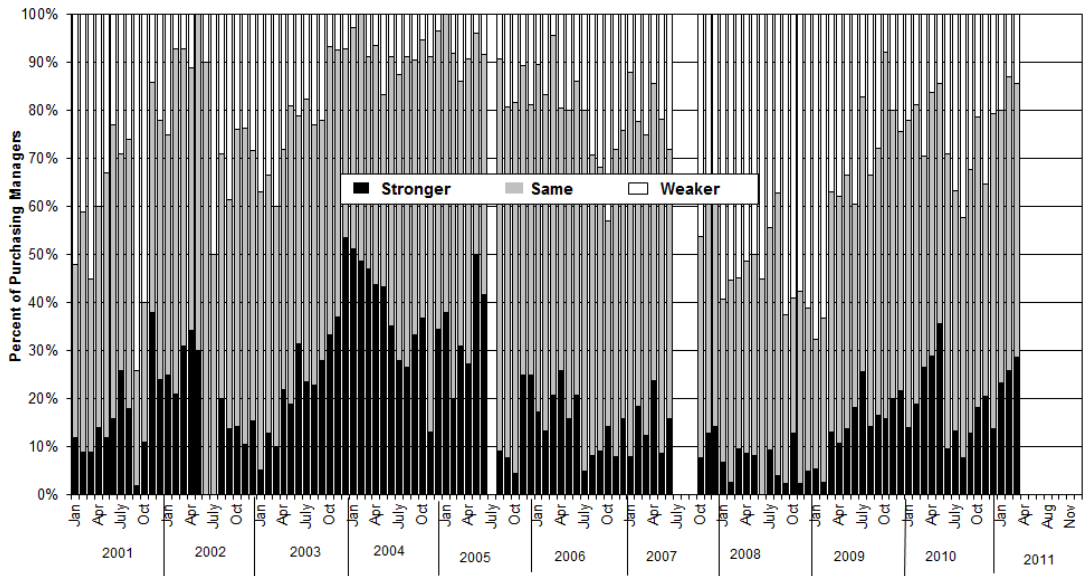
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## Commodity Prices



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## State of the Local Economy



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**STATE OF THE ECONOMY: DATA FROM 03/2010 THROUGH 03/2011**

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>Weaker</b>	27	16	14	29	37	42	32	21	35	21	20	13	14
<b>Same</b>	44	55	50	61	50	50	55	61	44	64	57	61	57
<b>Stronger</b>	29	29	36	10	13	8	13	18	21	14	23	26	29

Positive remarks from Purchasing Managers included: "Business is strong," "On local level, we're hoping to see gradual improvement in infrastructure spending so we can increase production capacity," and "Increased sales activity."

Some Purchasing Managers had negative comments: "Lots of uncertainty," "Commodity pricing continues to escalate which will have an ultimate negative impact on retail," "Clearly the recent series of disasters to befall Japan have significant economic repercussions," and "Price increases on raw materials and fuel are not good."

In summary, this report is one of the most optimistic of the last several years, an optimism that mirrors some of the national indicators. Of course, recent events in the Middle East and Japan may have a significant negative impact on the local economy as commodity prices (in particular oil) soar.

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

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