

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

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

at California State University, San Bernardino

***Report for May 2011***

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

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## **Economy continues to grow, but inflationary pressures remain a concern**

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 (59.5) registered an increase from last month's figure (56.8) and remained above the baseline 50% as it has since October 2009."

"Production increased from 55.6 last month to 61.7 this month, and New Orders increased from 59.7 to 61.7. Both of these key indices continue to be well-above the 50% baseline, reflecting the anticipation that consumer purchases are increasing. Further, the Employment Index once again remained above the 50% mark (although it dropped slightly from 58.3 last month to 55.0 this month). The Commodity Price Index was virtually unchanged this month, increasing only slightly 76.4 to 76.7. Based on Purchasing Manager's comments, this increase in prices is a major concern.

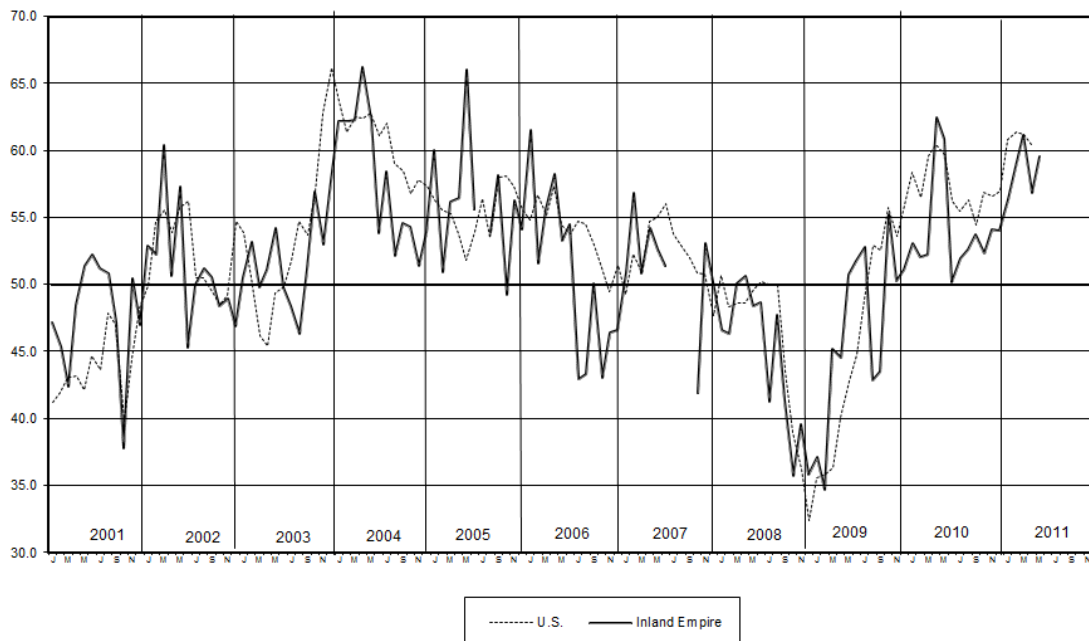
Purchasing Managers continue to be less than enthusiastic about the state of the economy, with 28% of purchasing managers predicting that the local economy will become weaker in the next upcoming months up from 22% last month. Fifty-nine percent of purchasing managers believe the local economy will remain unchanged, and the remaining 14% believe the local economy will become stronger by next quarter.

Following are some highlights from this month's report:

<b>May 2011 Business Survey at a Glance</b>				
	<b>Series Index</b>		<b>Direction from 50*</b>	<b>Rate of Change from Last Index</b>
	<b>Last Month</b>	<b>This Month</b>		
Local PMI	56.8	<b>59.5</b>	Growing	Faster
Commodity Prices	76.4	<b>76.7</b>	Increasing	Faster
Production	55.6	<b>61.7</b>	Growing	Faster
New Orders	59.7	<b>61.7</b>	Growing	Faster
Inventory	47.2	<b>58.3</b>	Increasing	From Decreasing
Employment	58.3	<b>55.0</b>	Increasing	Slower
Supplier Deliveries	57.6	<b>58.3</b>	Slowing	Faster
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	22%	14%		
% Same	56%	59%		
% Weaker	22%	28%		

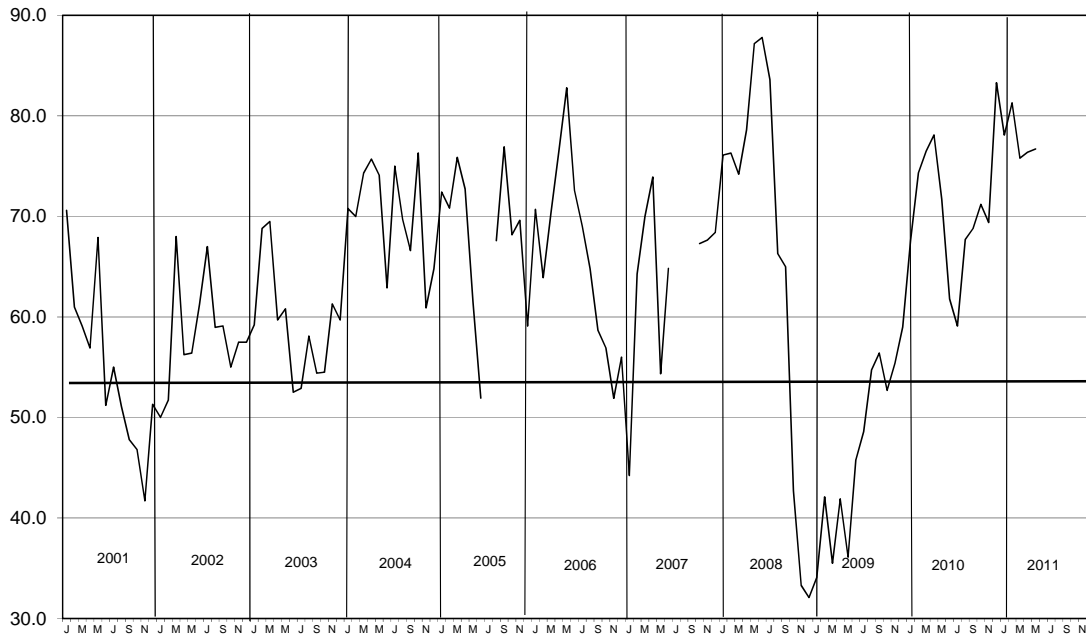
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



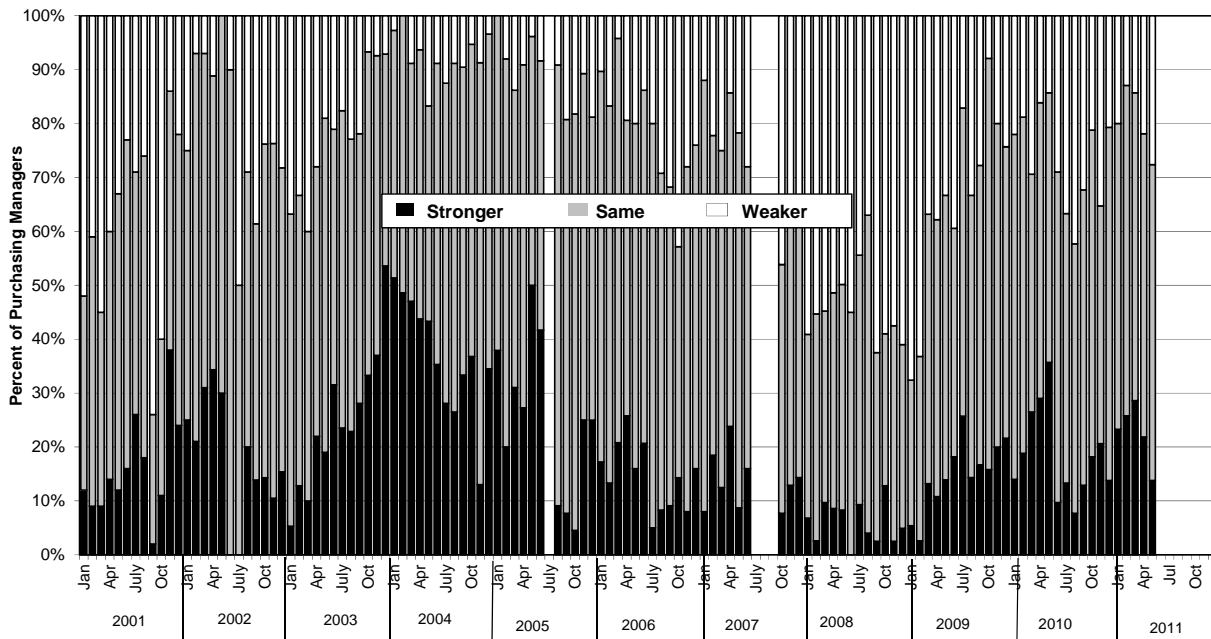
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## Commodity Prices



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## State of the Local Economy



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**STATE OF THE ECONOMY: DATA FROM 05/2010 THROUGH 05/2011**

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>Weaker</b>	14	29	37	42	32	21	35	21	20	13	14	22	28
<b>Same</b>	50	61	50	50	55	61	44	64	57	61	57	56	59
<b>Stronger</b>	36	10	13	8	13	18	21	14	23	26	29	22	14

One Purchasing Manager made the positive comment that "Business remains great."

Although the numerical indices showed a strengthening in the local manufacturing sector and economy, several Purchasing Managers expressed negative comments including: "Slow season," "Slow," "I am still guessing on the state of the economy," "Sales slowing," "Commodity pricing still is the largest concern," "Still the same, kind of slow," "Busy season under way still below last year, raw material going up in price," "The nature of our reported decreased production and (moderately) increased inventory is a decrease in our throughput, it is in no way representative of a softening of prevailing business conditions in our served industry".

In summary, this report continues to reflect a growing economy in the Inland Empire. This month's increased in New Orders, Production, and Employment are especially positive signs. The one negative factor in this report is that as economy heats up, so do inflationary pressures.

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

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