

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for March 2007

Supporter: CSUSB College of Business and Public Administration

MANUFACTURING SECTOR IN GROWTH MODE FOR THE FIRST TIME SINCE MID-2006

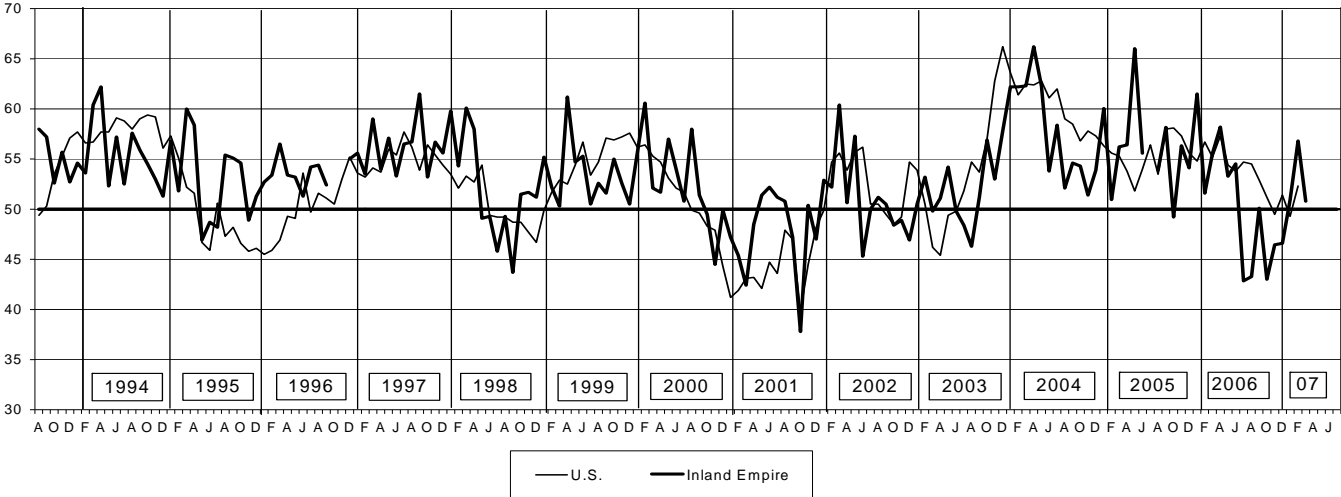
According to Shel Bockman, Barbara Sirotnik, Christen Ruiz, (Co-Directors of the Institute of Applied Research) and Nirav Patel (Project Coordinator), "This month's PMI (50.8) registered decrease from last month's PMI (56.8) but remained above the 50 mark, suggesting that the local manufacturing sector and the local economy remained in growth mode (although at a slower pace than last month). This marks the third month in a row the index has remained above 50, thus indicating a change in direction from a manufacturing sector that is contract to one that is growing. On the other hand, the PMI has shown a great deal of volatility since July, 2006, and in that sense it is difficult to have a sense of whether this change of direction is real."

Following are some highlights from this month's report:*

March 2007 Business Survey at a Glance				
	Series Index		Direction*	Rate of Change
	Last Month	This Month	From 50	From last index
Local PMI	56.8	50.8	Growing	Slower
Commodity Prices	64.3	70.0	Increasing	Faster
Production	57.1	54.0	Growing	Slower
New Orders	62.5	52.0	Growing	Slower
Inventory	55.4	46.0	Contracting	From Growing
Employment	53.6	48.0	Decreasing	From Increasing
Supplier Deliveries	50.0	50.0	Unchanged	Unchanged

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

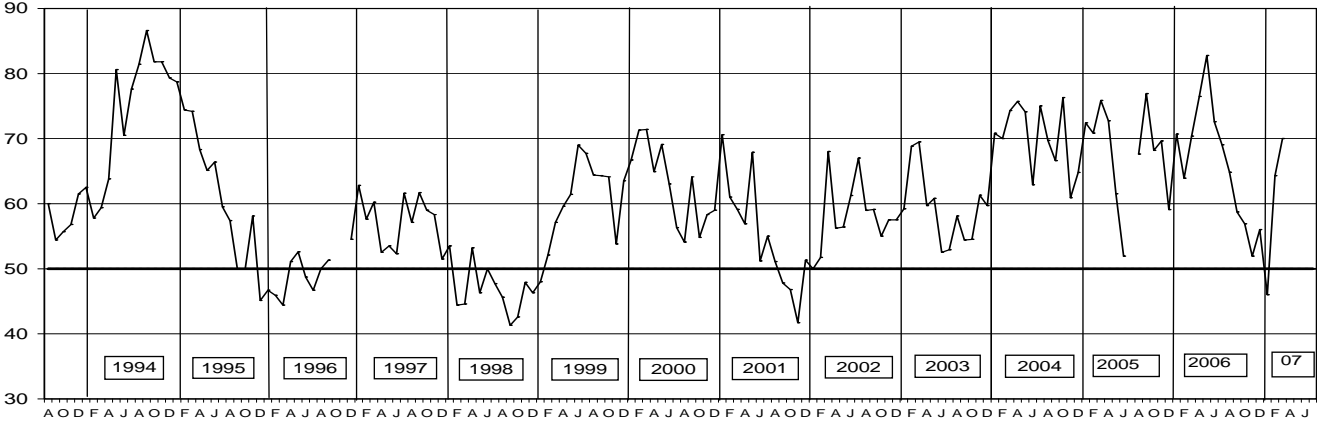
Purchasing Managers' Index



** NOTE: Inland Empire data were not collected for the months of October and November 1996, and July 2005.

March's Commodity Price Index of 70.0 increased from last month's figure of 64.3, showing that inflationary pressures in the Riverside and San Bernardino County areas remain ever-present.

Commodity Prices



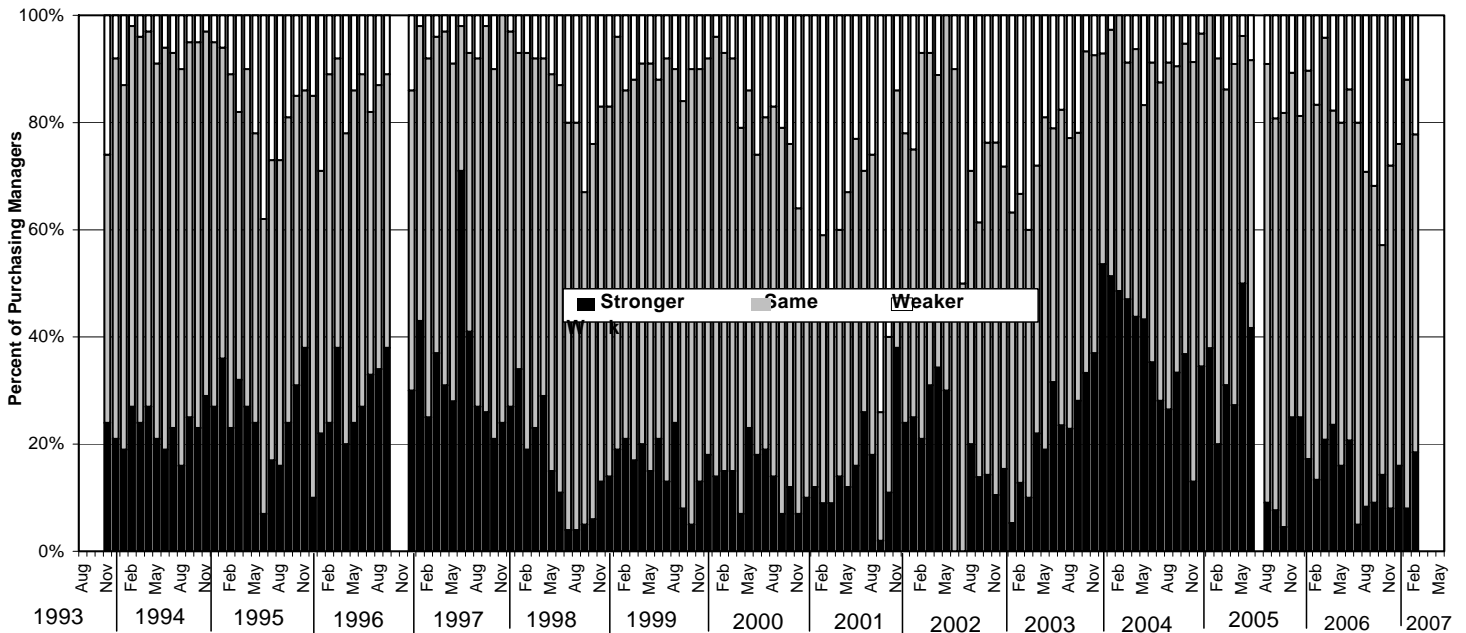
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Purchasing Managers continue to be less than enthusiastic about the state of the local economy. Twelve percent of purchasing manager predict that the local economy will become stronger in the upcoming months. Sixty-three percent of purchasing managers believe the local economy will remain unchanged. Meanwhile, the remaining twenty-five percent believe the local economy will become weaker by next quarter.

STATE OF THE ECONOMY: DATA FROM 03/2006 THROUGH 03/2007

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Weaker	4	19	20	14	20	29	32	43	29	24	12	22	25
Same	75	56	64	65	75	63	59	43	63	60	80	59	63
Stronger	21	25	16	21	5	8	9	14	8	16	8	19	12

State of the Local Economy



*** NOTE: Inland Empire data were not collected for the months of October and November, 1996 and July 2005.

When Purchasing managers were asked to make comments on the general business conditions that affected their company, only one remarked positively: "Slightly better." Meanwhile, negative comments included: "too much offshore competition," "Mediocre to poor business climate."

In conclusion, the big news in this report is reflected in the headline, which draws attention to the fact that this is the first time since mid-2006 that the manufacturing sector has been in growth mode. In this sense, then, this report must be viewed as a very positive one.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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