

INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for March 2009

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

Supporter: College of Business and Public Administration, CSUSB

PERHAPS THE SKY IS NOT FALLING

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 45.2 registered a substantial gain from last month's PMI 34.7, suggesting that the Inland Empire may be at the start of a welcome rebound. ***But two more months of data will be necessary to determine whether this month's figure is an anomaly or the beginning of a new trend.*** A PMI above 41.1% over a period of three consecutive months generally indicates that the economy is in growth mode. This month's PMI, the first month over the 41.1% since last September, is encouraging at this point in time.

"It is noteworthy that the Production Index increased to 44.7 from 36.8, and New Orders also increased from 35.5 to 50.0. The fact that these two key components of the PMI increased indicate that some of the manufacturing companies anticipate increasing purchases from consumers. The Employment index (39.5) showed sharp improvement when compared with last month's figure (27.6), but still remains below the 50% baseline (as it has for over a year). Inflationary pressures within the Inland Empire appear to have eased, with the Commodity Prices Index registering at 35.5 (a decrease from 42.1 last month).

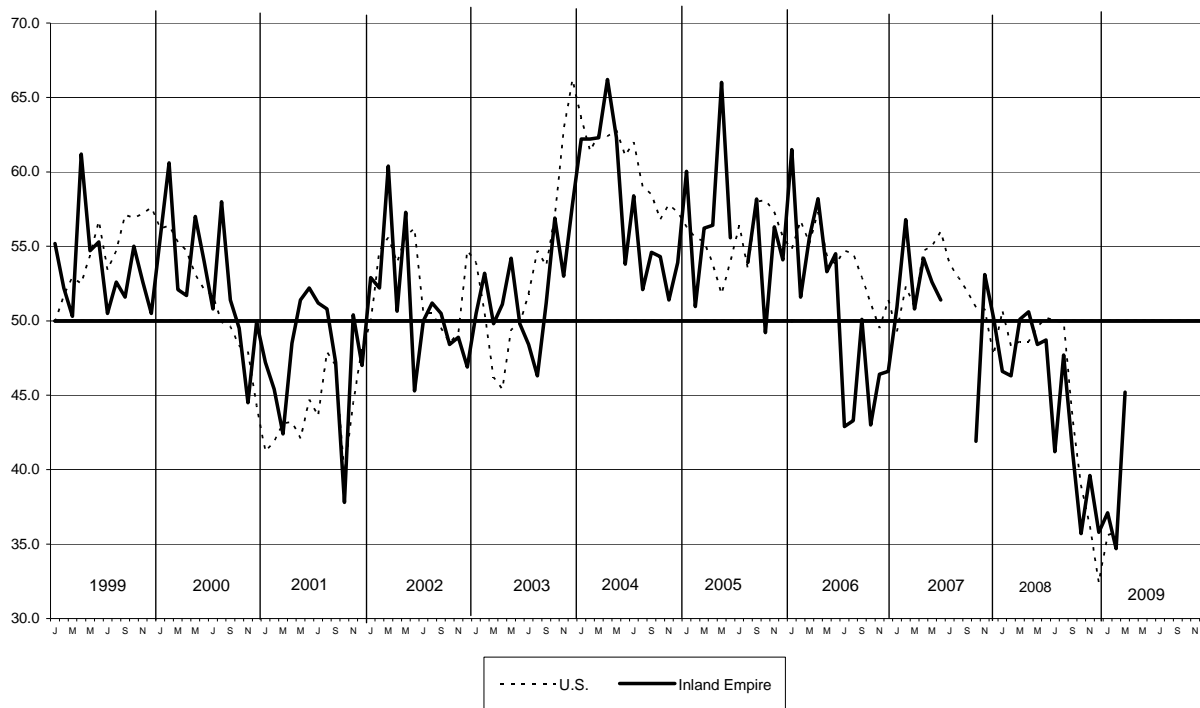
Following are some highlights from this month's report:

March 2009 Business Survey at a Glance				
	Series Index		from 50*	from Last Index
	Last Month	This Month		
Local PMI	34.7	45.2	Contracting	Slower
Commodity Prices	42.1	35.5	Decreasing	Faster
Production	36.8	44.7	Contracting	Slower
New Orders	35.5	50.0	Unchanged	From Contracting
Inventory	27.6	38.2	Decreasing	Slower
Employment	28.9	39.5	Decreasing	Slower
Supplier Deliveries	42.1	48.7	Slowing	Slower

Purchasing Managers' Confidence in the State of the Local Economy			
% Stronger	3%	13%	
% Same	34%	50%	
% Weaker	63%	37%	

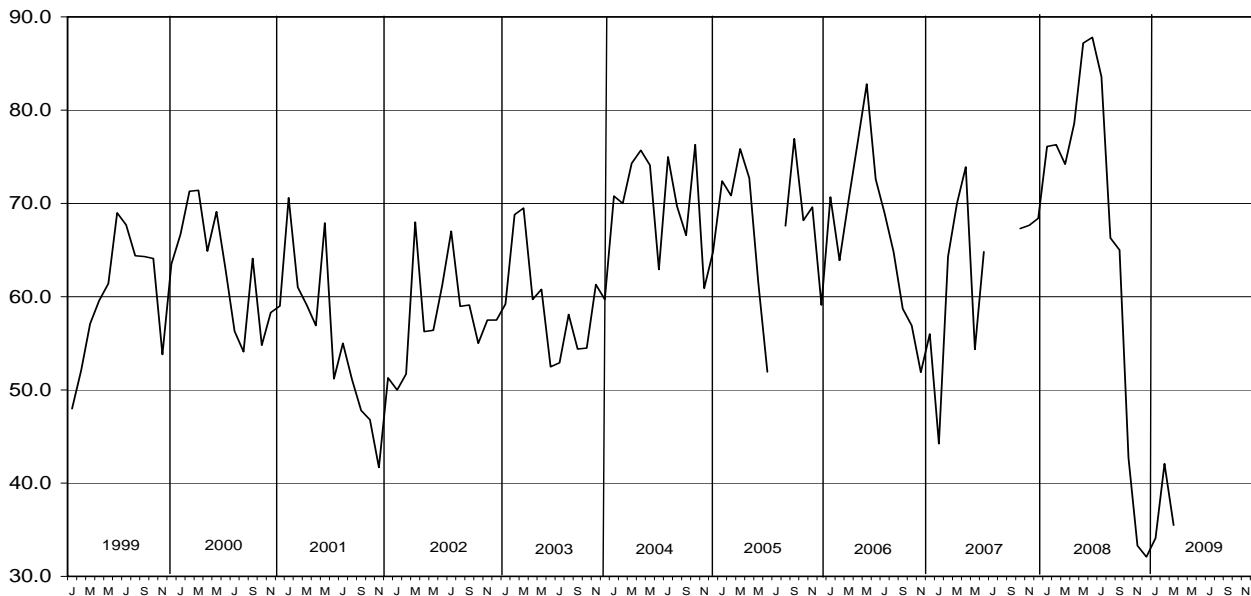
- NOTE: In all cases except Supplier Deliveries, the "Direction" refers to whether the index is above 50% (growing) or below 50% decreasing.

Purchasing Managers' Index



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

Commodity Prices



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Purchasing Managers continue to be extremely cautious about the state of the local economy. Thirteen percent of the purchasing managers predict that the local economy will become stronger in the upcoming months (a significant increase from last month's 3%). Although that appears encouraging, the reader should note that fifty percent of purchasing managers believe the local economy will remain unchanged (where "unchanged" refers to a weak economy). Meanwhile, the remaining thirty-seven percent believe the local economy will become weaker by next quarter.

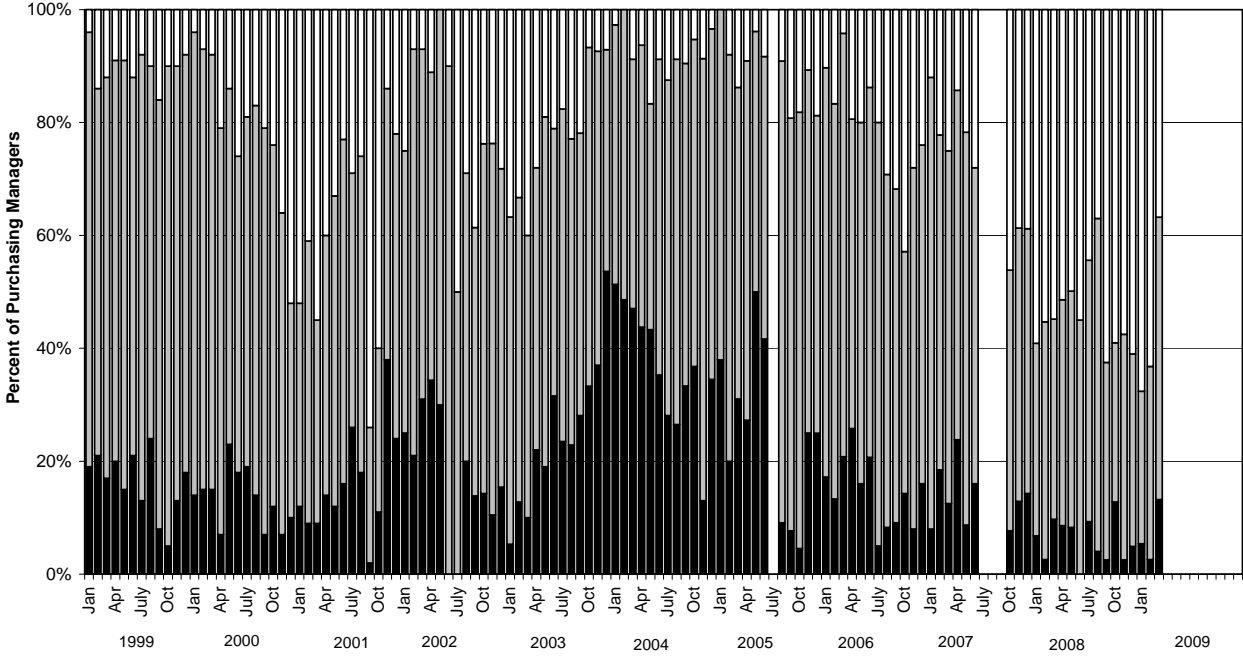
STATE OF THE ECONOMY: DATA FROM 3/2008 THROUGH 3/2009

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Weaker	55	51	50	55	44	37	62	59	58	61	68	63	37
Same	35	40	42	46	46	59	35	28	40	34	27	34	50
Stronger	10	9	8	0	9	4	3	13	3	5	5	3	13

When Purchasing managers were asked if they had any overall remarks to offer, a few had positive comments: "Starting to improve," "Many opportunities to do business with various branches of government opening up," "Business remains strong for us in spite of economy," "Our back log is growing, but at a much lower selling price," "Business is good. We manufacture security products including gun safes. Probably reflective of the uncertainty of the economy," and "Shipments are looking better."

Several Purchasing Managers expressed concerns about their business: "The plant has been put into survival mode. There are not any new orders being introduced into the production stream at this time." "The economy is bad and getting worse by the minute," "Nothing moving or selling this month," "Entering our normal busy season, expecting our normal 30% increase to be around 20%," "Steel prices continue to be unpredictable, there is no sign that the "stimulus" package will do anything in the short term," "Oil appears to be on a rising trend, which will result in a higher cost of our primary raw material. We enjoyed low stable pricing for a couple of weeks, but it looks like we will hear about price increases in the next coming months," "Quality of raw material inventory received has continued to decline as a result of the business climate. More suppliers are trying to cut costs and are actually hurting their future business prospects as a result," "Still very slow," "Consumer product manufacturers moving operations to Mexico or overseas is reducing the need for packaging products made in United States," "I would have to go back 10 years in our history to have monthly sales this slow. Now closed Fridays," and "Company being sold."

State of the Local Economy



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FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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