

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

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

at California State University, San Bernardino

***Report for May 2010***

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

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## **Employment Index soars and PMI remains above 50%**

According to Shel Bockman and Barbara Sirotnik (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "Although this month's PMI (60.9%) decreased slightly from last month's figure (62.5%), it continues to stay well-above the baseline 50% mark for the seventh consecutive month. This indicates growth for both the local economy in general and for the manufacturing sector in particular."

"The Employment index (60.0%) increased this month from last month's 50.0%. This increase in the level of employment is especially important in that it has been the missing ingredient for a sustained and general recovery in the local economy. Production (61.7%) and New Orders (66.7)% -- two of the key components of the PMI -- registered a slight decrease from last months' figures, but continue to be well-above the 50% baseline, indicating that Purchasing Managers anticipate that consumer purchases will increase in the coming months. This is the eighth month that those two indicators have been above the 50% baseline. The Commodity Price Index decreased from last month's 78.1 but still remains high (71.7).

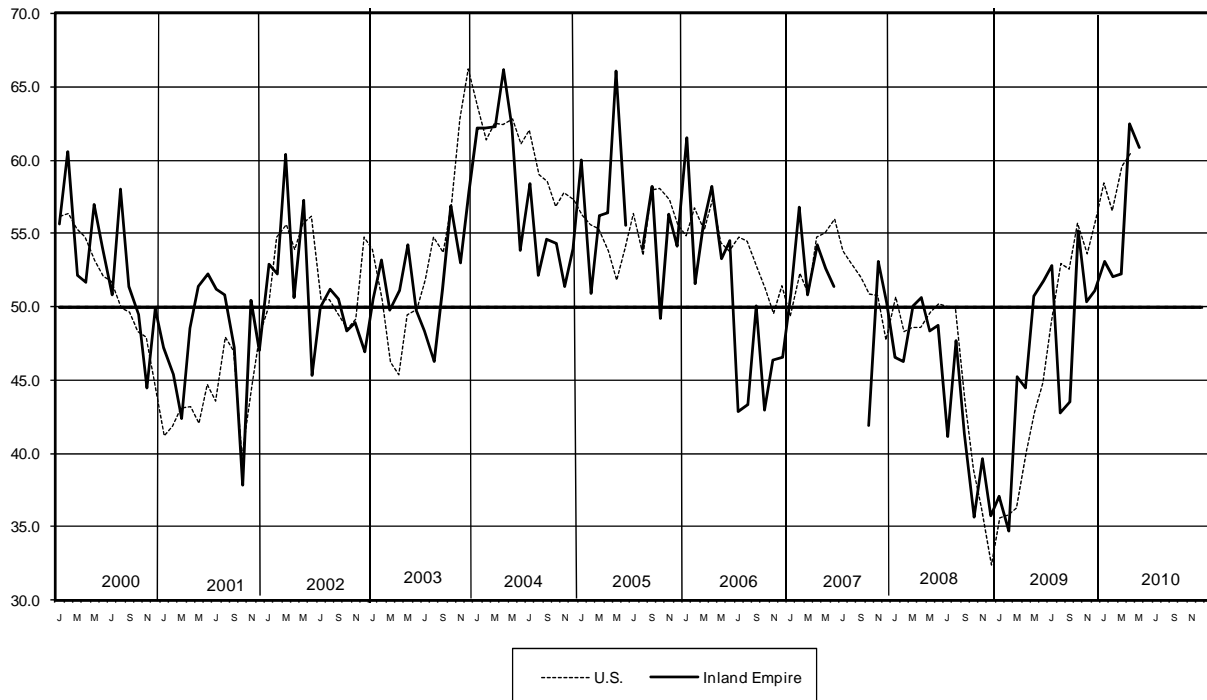
Purchasing Manager's confidence in the future state of the local economy continues to grow, with over a third (36%) now projecting that the local economy will be stronger in the coming quarter (up from last month's 36%). This figure is at its highest level since August 2009. But 14% of the Purchasing Managers still believe that the economy will be weaker in the coming quarter, and 50% believe that it will remain the same (not exactly a ringing endorsement since the economy has been in decline).

Following are some highlights from this month's report:

<b>May 2010 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	62.5	<b>60.9</b>	Growing	Slower
Commodity Prices	78.1	<b>71.7</b>	Increasing	Slower
Production	70.3	<b>61.7</b>	Growing	Slower
New Orders	65.6	<b>66.7</b>	Growing	Faster
Inventory	60.9	<b>41.7</b>	Decreasing	From Increasing
Employment	50.0	<b>60.0</b>	Increasing	From unchanged
Supplier Deliveries	60.9	<b>62.1</b>	Slowing	Faster
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	29%	36%		
% Same	55%	50%		
% Weaker	16%	14%		

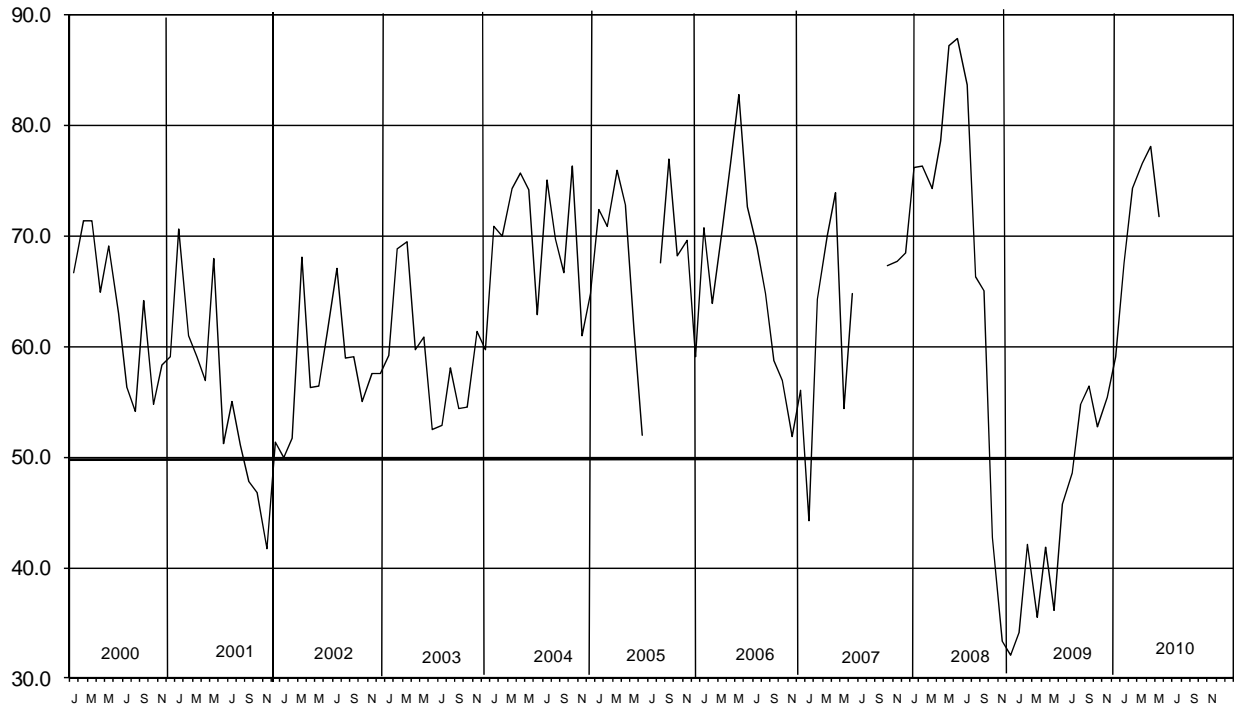
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



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## Commodity Prices



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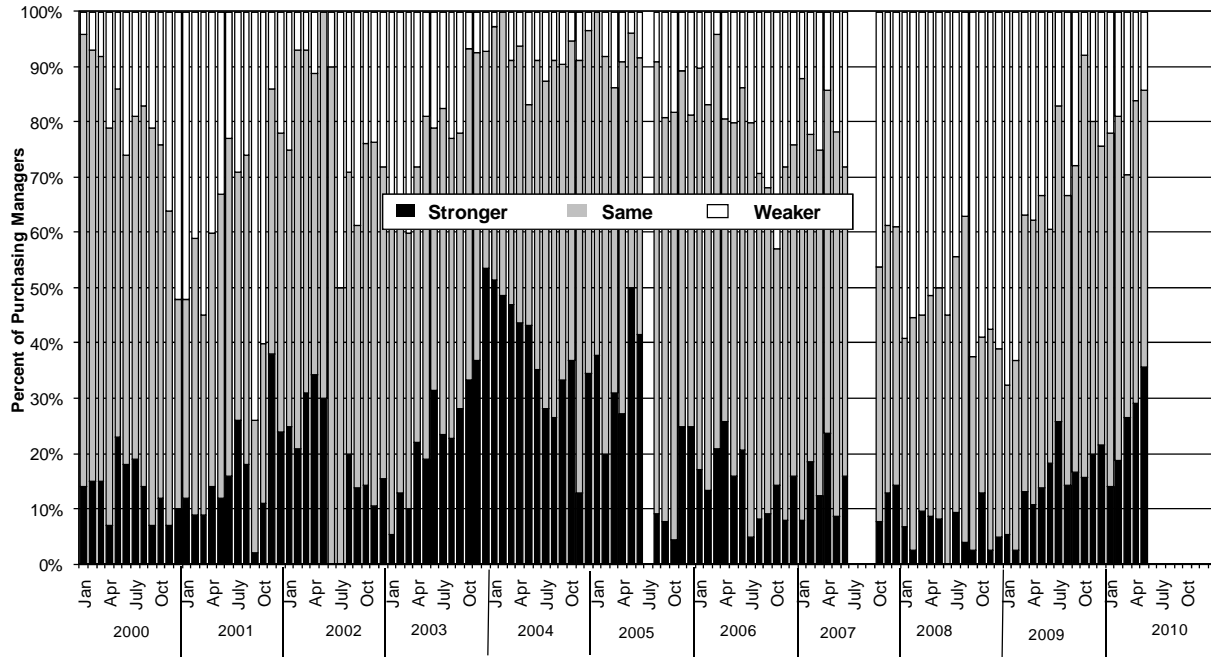
### STATE OF THE ECONOMY: DATA FROM 5/2009 THROUGH 5/2010

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Weaker	33	39	17	33	28	8	20	24	22	19	27	16	14
Same	53	43	57	52	55	76	60	54	64	63	44	55	50
Stronger	14	18	26	14	17	16	20	22	14	19	29	29	36

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included: "Business is strong, Supply Chain issues are occurring as a result of higher sales throughout our domestic operations," "Better than last month...but will it last?," "We continue to be in a growth mode. Just completed a large contract and are preparing for production on the next large contract which requires extra-ordinary materials and labor," "It is looking a little better," "International market still growing," "Things are going good for us in 2010."

Some Purchasing Managers had negative comments: "Money is tight and we are purchasing very little," "Financial markets are playing a major role. Issues in Greece, along with a strengthening dollar, are having impacts on commodity prices." "Our sales are down this month, but we are slightly *up* from last year at this time."

# State of the Local Economy



In conclusion, this month's report continues to suggest a general recovery in the local economy, with the substantial growth in local employment being especially noteworthy. But as reflected in recent news headlines, there still remain a host of problems overseas as well as here at home that may have a negative impact on our local economy in the near future.

## FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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