

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

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

**Housed in CSUSB's *College of Business and Public Administration***

***Report for May 2012***

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

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## **EMPLOYMENT INDEX DROPS SHARPLY BUT PMI STILL 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), "This month's PMI (54.7) registered an increase from last month's PMI (52.9), suggesting that the local manufacturing sector is still growing, and at a slightly faster rate than last month."

"As noted in previous reports, the Production Index and New Orders Index are two key components of the PMI. This month the Production Index registered a jump from 55.4 to 60.7, and the New Orders Index increased slightly from 50.0 to 51.8. The fact that these indices remained above the 50 indicate that manufacturing companies anticipate increasing purchases from consumers. But the closely watched Employment Index dropped sharply from 57.4 last month to 50.0. Inflationary pressures have eased somewhat, with the Commodity Prices Index dropping from 60.7 to 53.7."

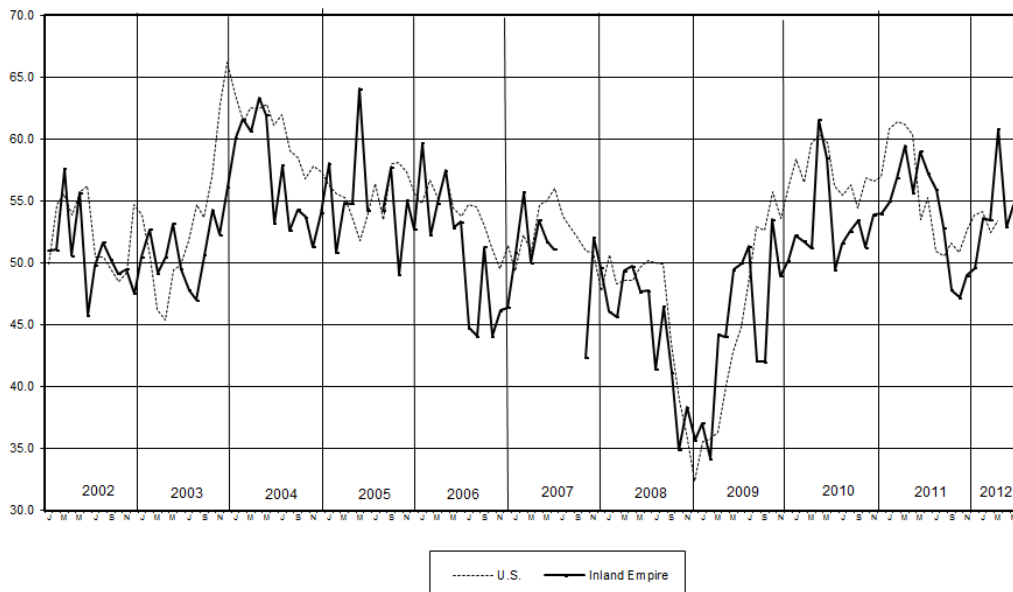
"Purchasing Managers continue to be less than enthusiastic about the state of the local economy. Only eleven percent of purchasing managers predict that the local economy will become stronger in the upcoming months while twenty-five percent believe the local economy will become weaker by next quarter. The remaining sixty-four percent of purchasing managers believe the local economy will stay the same."

Following (next page) are some highlights from this month's report:

## May 2012 Business Survey at a Glance

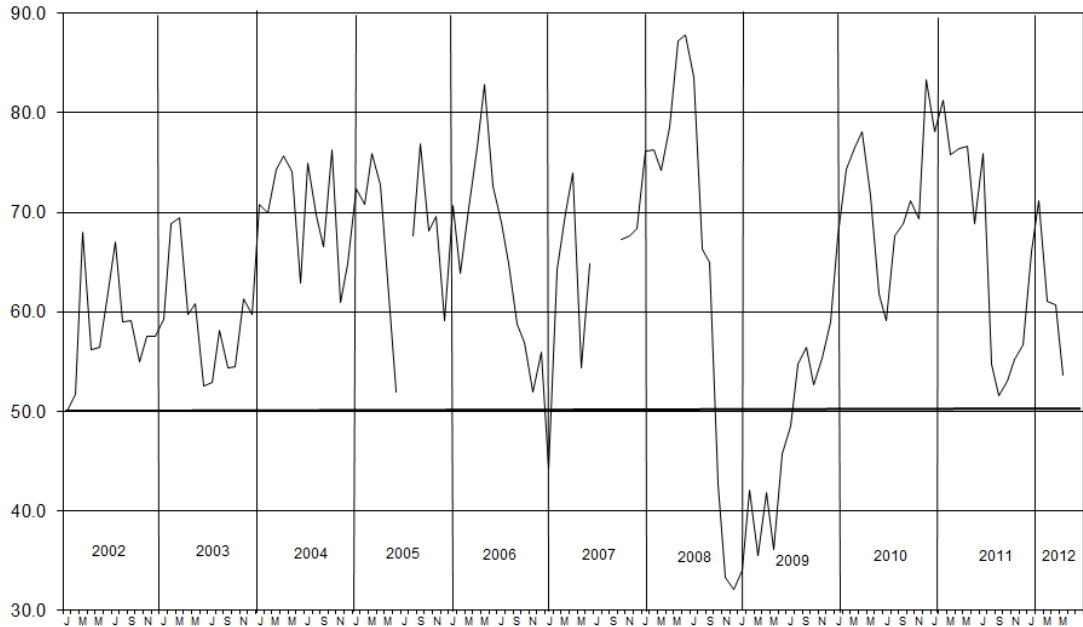
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	52.9	<b>54.7</b>	Growing	Faster
Commodity Prices	60.7	<b>53.7</b>	Increasing	Slower
Production	55.4	<b>60.7</b>	Growing	Faster
New Orders	50.0	<b>51.8</b>	Growing	From Unchanged
Inventory	42.6	<b>55.4</b>	Increasing	From Decreasing
Employment	57.4	<b>50.0</b>	Unchanged	From Increasing
Supplier Deliveries	58.9	<b>55.6</b>	Slowing	Slower
Imports	55.6	<b>60.5</b>	Growing	Faster
Exports	42.3	<b>50.0</b>	Unchanged	From Slower
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	15%	11%		
% Same	62%	64%		
% Weaker	23%	25%		

## Purchasing Managers' Index



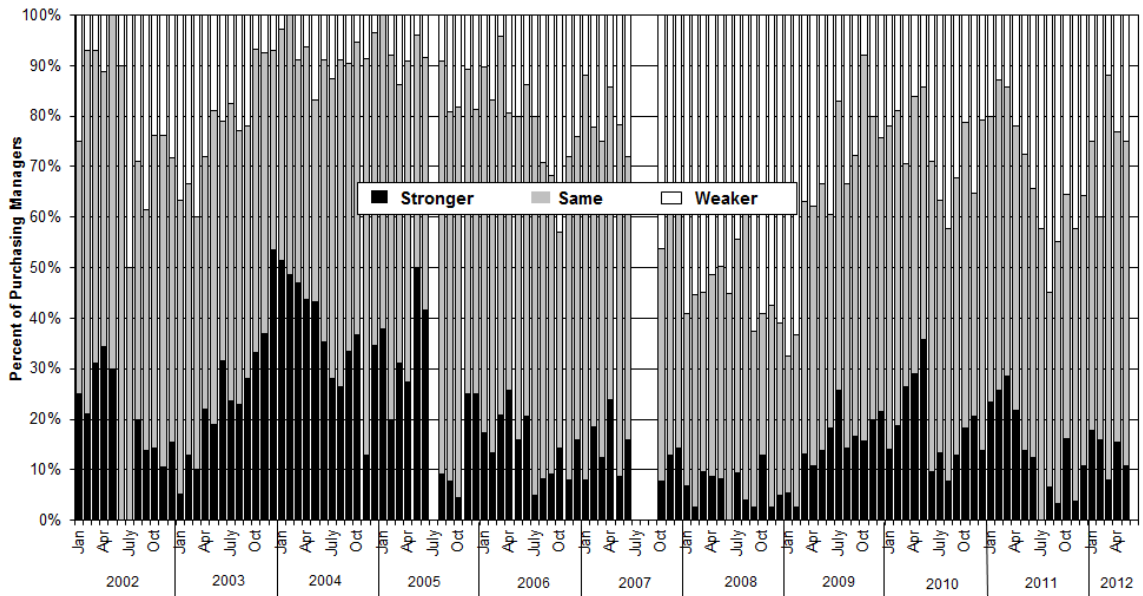
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Commodity Prices



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## State of the Local Economy



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### STATE OF THE ECONOMY: DATA FROM 5/2011 THROUGH 5/2012

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>Weaker</b>	28	34	42	55	45	36	42	36	25	40	12	23	25
<b>Same</b>	59	53	58	39	52	48	54	53	57	44	80	62	64
<b>Stronger</b>	14	13	0	6	3	16	4	11	18	16	8	15	11

When Purchasing Managers were asked to make comments on the general business conditions that affected their company, most remarked positively: "Local retail businesses are improving in an environment of high unemployment," "Price of polypropylene (our main raw material) is coming down," "More orders for the items are coming in," "Business has shown a slight decline in April and May...things are good but not great," and "May will be the second biggest month in our history."

Meanwhile, negative comments included: "Slowed down, still unpredictable market."

In summary, the local economy continues to manifest an uneven and tentative recovery which will remain fragile and turbulent until there is a marked increase in job creation not only locally but nationally as well.

### FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

Dr. Shel Bockman  
Co-Director, Institute of Applied Research  
(909) 537-5733

Dr. Barbara Sirotnik  
Co-Director, Institute of Applied Research  
(909) 537-5729

Mary Jane Olhasso  
Administrator, San Bernardino County Economic Development Agency  
(909) 387-9802

Rob Moran  
Economic Development Manager, Riverside County Economic Development Agency  
(951) 955-6673

Dr. Lawrence Rose  
Dean, College of Business and Public Administration, CSUSB  
(909) 537- 3703