

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 2013

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

PMI above 50% for the fifth month – a good sign

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 (57.9) registered an increase from last month's figure (54.2), and is now the fifth month that the PMI has registered above the 50% benchmark indicating growth."

"Production increased from 57.1 last month to 61.1 this month, and New Orders (48.6) registered a jump to (58.1). Both of these key indices continue to be well above the 50% baseline, reflecting the anticipation that consumer purchases will increase in the coming months. The Employment Index also showed strong growth, increasing from 56.9 last month to 60.8 this month (the highest figure since last July which registered a 62.1). The Commodity Prices Index decreased slightly from 61.1 last month to 58.1."

"Imports increased from 47.2 to 58.7 and the Export Index increased from 41.2 to 53.6. As one Purchasing Manager commented: 'We are just opening new relationships with new applications, we we're very optimistic about our ability to address the export markets.'"

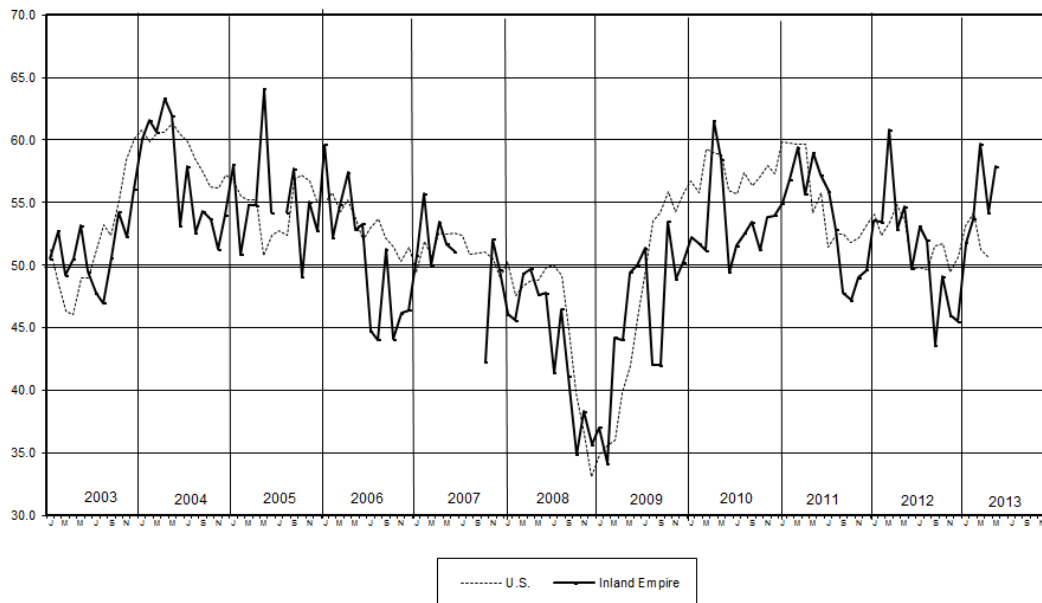
"Purchasing Managers are somewhat more optimistic than last month but still very cautious in their projections about the state of the local economy in the coming quarter. This month, 35% forecasted that the economy would be stronger, up from 25% last month. In contrast, 21% predicted that the economy will be weaker, down from 25% last month, and the remaining 44% predicted that the economy will remain unchanged."

Following are some highlights from this month's report:

May 2013 Business Survey at a Glance

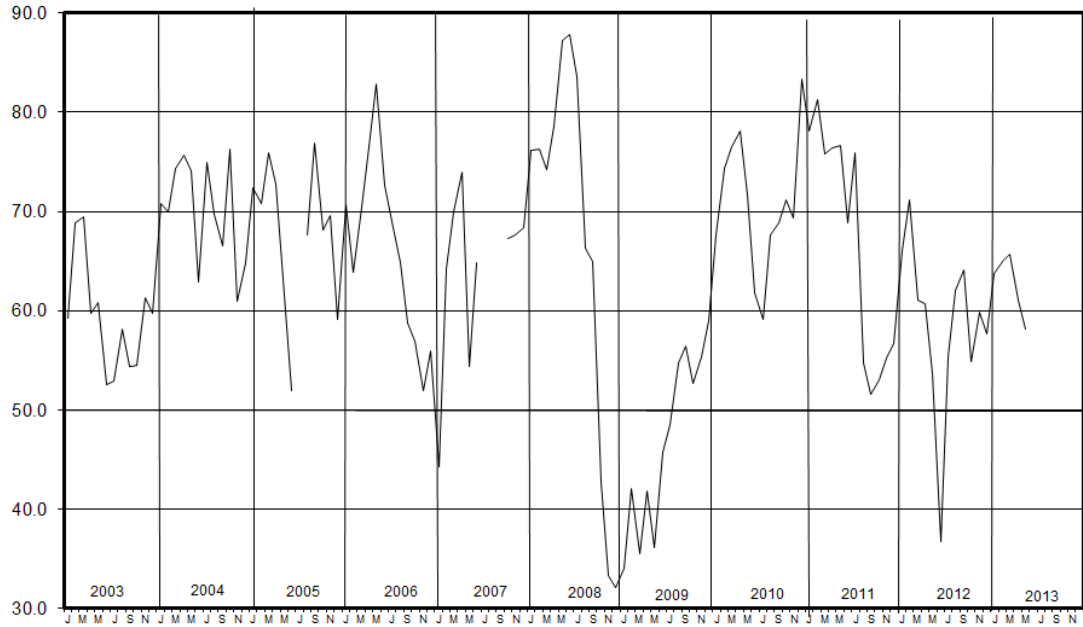
	Series Index		Direction from 50	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	54.2	57.9	Growing	Faster
Commodity Prices	61.1	58.1	Increasing	Slower
Production	57.1	61.1	Growing	Faster
New Orders	48.6	58.1	Growing	From Contracting
Inventory	54.2	56.8	Increasing	Faster
Employment	56.9	60.8	Increasing	Faster
Supplier Deliveries	54.2	52.8	Slowing	Slower
Imports	47.2	58.7	Growing	From Contracting
Exports	41.2	53.6	Growing	From Contracting
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	25%	35%		
% Same	50%	44%		
% Weaker	25%	21%		

Purchasing Managers' Index



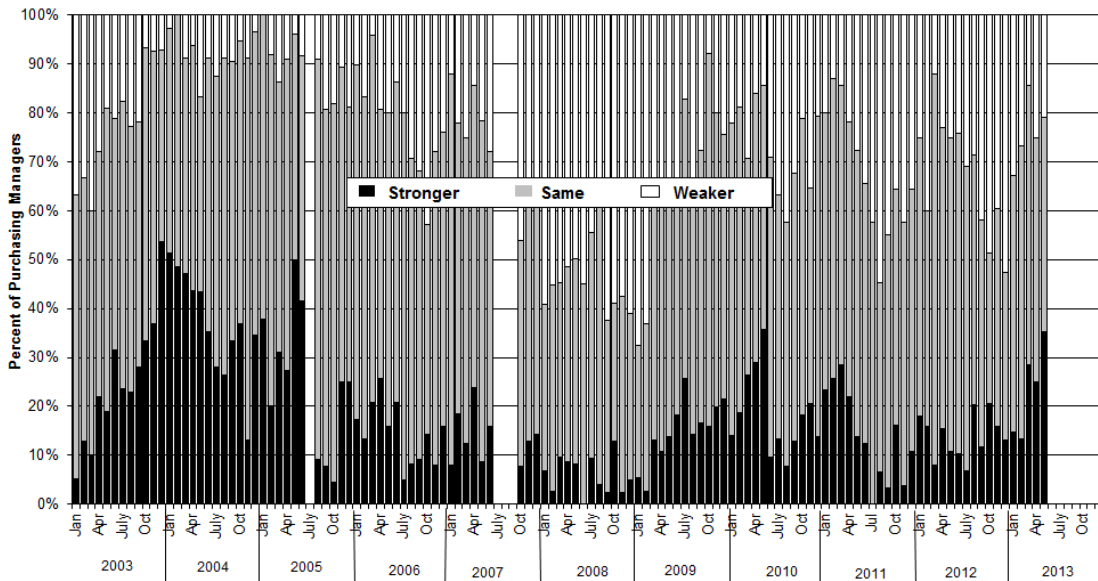
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 5/2012 THROUGH 5/2013

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Weaker	25	24	31	29	42	49	39	53	32	27	14	25	21
Same	64	66	62	51	47	31	45	34	53	60	57	50	44
Stronger	11	10	7	20	12	21	16	13	15	13	29	25	35

Positive remarks made by the Purchasing Managers included: “Looking better,” “Business remains strong at pre 2008/2009 levels. All answers are ‘same’ which, in my case, means VERY STRONG like the last two months,” “Construction looks good – we are selling brick,” “Our domestic business is way up and strong,” “Business has been very good,” “Resin is stabilizing,” and “With the trend up, we see much more potential in both our industrial and architectural markets.”

There were very few negative remarks from Purchasing Managers, including: “Business is slow,” “Economic conditions remain sluggish with cautious optimism,” and “If the trend of increasing workers’ comp insurance continues, my business will not survive.”

In summary, the strengthening of the local economy seems to be mirroring improvements on the national scene. It is encouraging to note that Production, New Orders, and Employment (key parts of the PMI) are high this month which signifies continuing and strengthening growth in the Inland Empire economy. Moreover the percentage of Purchasing Managers indicating that the economy will strengthen in the coming quarter hasn’t been this high since 2010. We will continue to track the situation in the months to come.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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