

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for November 2010

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

Economy still growing, but Purchasing Managers express increased concern about the Inland Empire economy for the coming quarter

According to Shel Bockman, Barbara Sirotnik, and Christen Ruiz (Co-Directors of the Institute of Applied Research), and Lori Aldana (Project Coordinator, Institute of Applied Research), "This month's PMI (54.1) registered a slight increase over last month's figure (52.3) and remained above the baseline 50% mark for the fourteenth consecutive month."

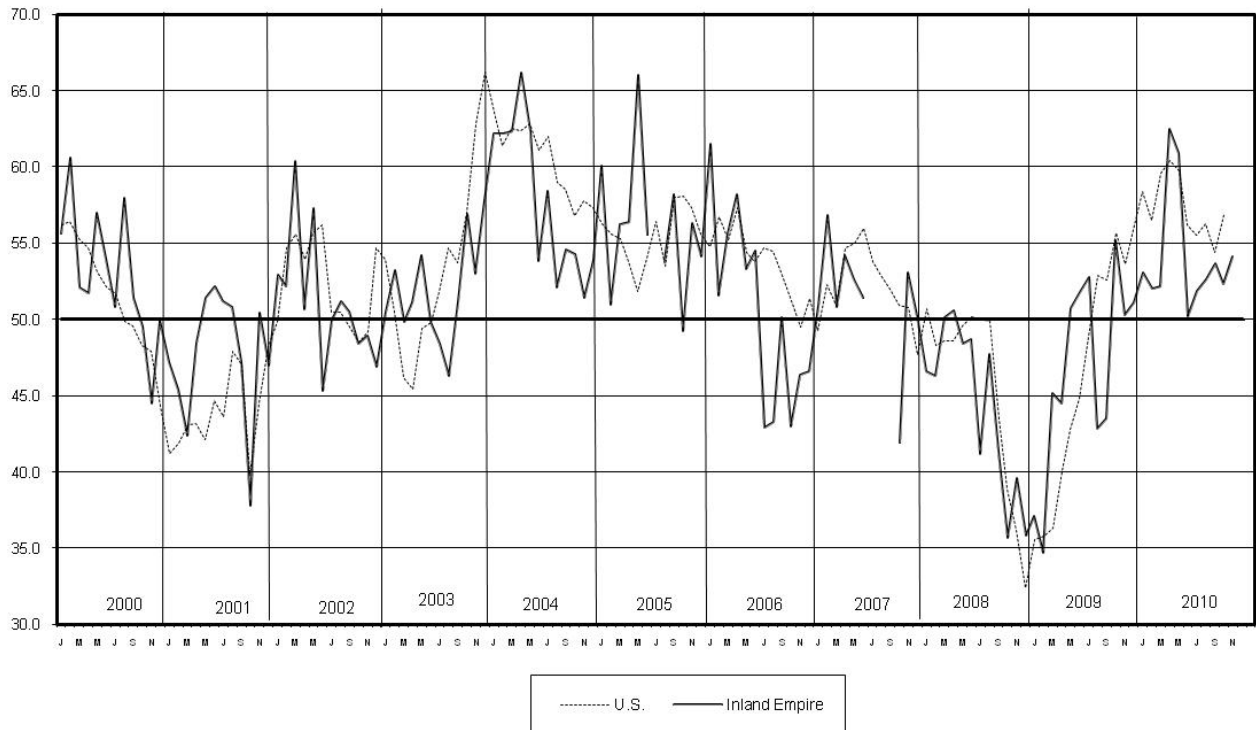
"Production increased from 56.1 last month to 58.3 this month, and New Orders (55.6) registered only a slight change from last month's figure (56.1). Both of these key indices continue to be well above the 50% baseline, reflecting the anticipation that consumer purchases will increase in the coming months. Balancing this optimism is the fact that the Employment Index registered below the 50% benchmark for the second month, decreasing from 43.9 last month to 45.8 this month. Moreover, Purchasing Managers' confidence in the economy waned, with 35% believing that the local economy will be weaker in the coming quarter (up from 21% last month). The Commodity Price Index decreased slightly this month (69.4) from last month (71.2), and still reflects inflationary pressures."

Following are some highlights from this month's report:

November 2010 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	52.3	54.1	Growing	Faster
Commodity Prices	71.2	69.4	Increasing	Slower
Production	56.1	58.3	Growing	Faster
New Orders	56.1	55.6	Growing	Slower
Inventory	45.5	55.6	Increasing	From Decreasing
Employment	43.9	45.8	Decreasing	Slower
Supplier Deliveries	54.5	54.2	Slowing	Slower
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	18%	21%		
% Same	61%	44%		
% Weaker	21%	35%		

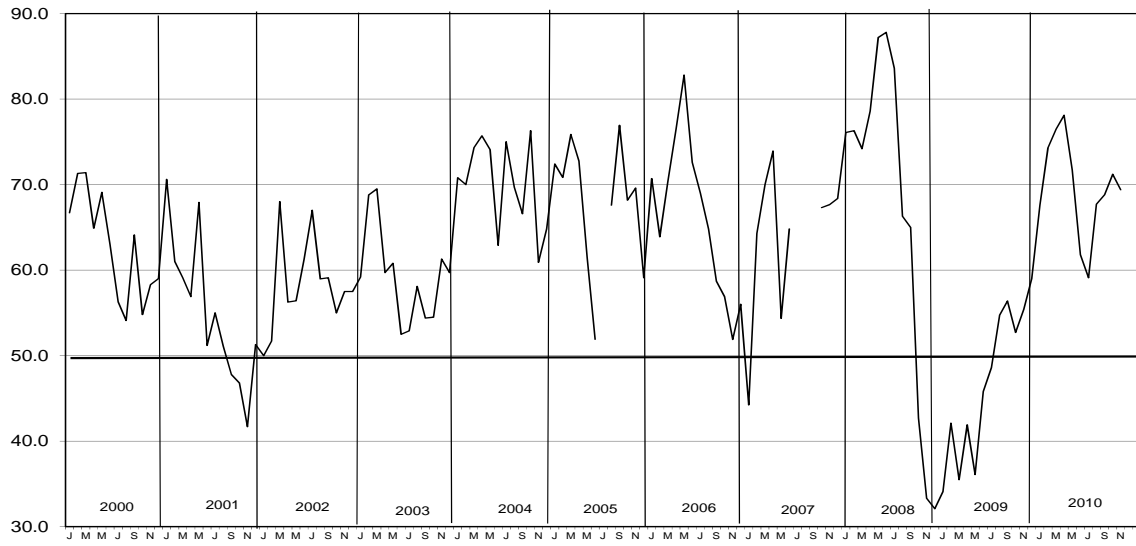
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



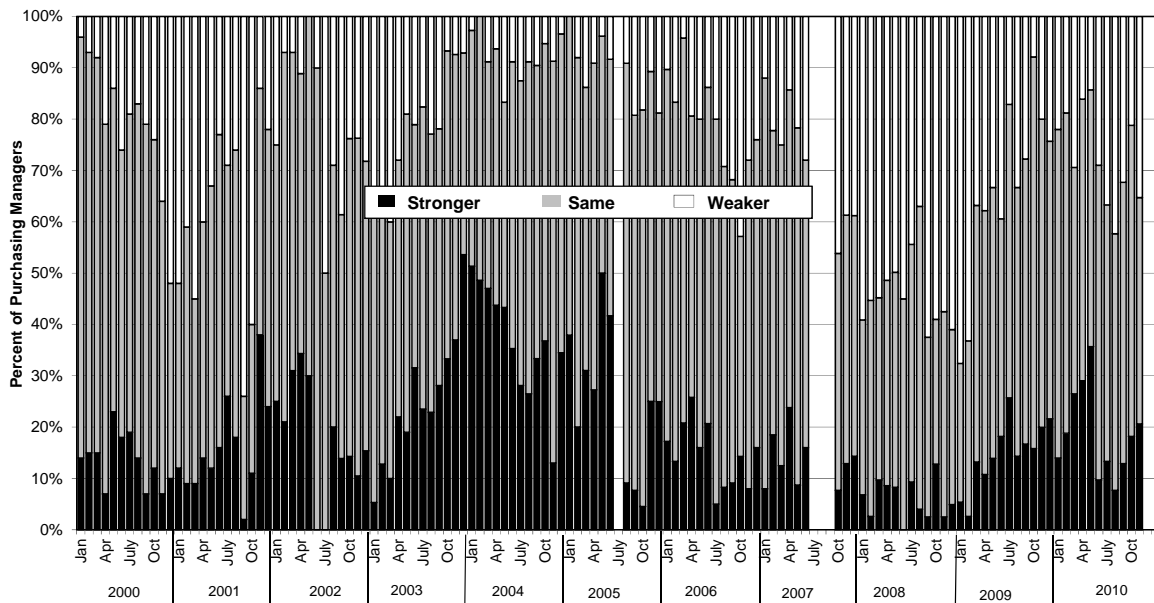
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 11/2009 THROUGH 11/2010

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Weaker	20	24	22	19	27	16	14	29	37	42	32	21	35
Same	60	54	64	63	44	55	50	61	50	50	55	61	44
Stronger	20	22	14	19	29	29	36	10	13	8	13	18	21

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included: "Ending year with the best production month that we have had all year. Starting the following year with another great month," "Not much has changed, but we are preparing to enter a busy season," "Business is solid. Election results are favorable excluding California," "Low availability of UCAR Latex and high lead time from Brazil they are busy," "Holiday season has helped to raise the sales volume."

Some Purchasing Managers had negative comments: "Still slow," "Commodity prices will continue to pressure sales," "Scrap steel costs moving higher."

In summary, IAR is tempted to repeat something we have said over the past few months, i.e. that the economy is slowly recovering but is still fragile. This month's report, however, is a bit worrisome in that over one-third of Purchasing Managers are pessimistic about the coming quarter's economy. This increased pessimism may be due to the fact that there has been increased concern about the European economy. In addition, Purchasing Managers may be expressing some disappointment that the federal stimulus did not produce more of an impact on the Inland Empire employment picture.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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