

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for November 2006

Sponsor: *CSUSB College of Business and Public Administration*

MANUFACTURING SECTOR IS ANEMIC, BUT THE LOCAL ECONOMY SHOWS SIGNS OF WEAK GROWTH

According to Shel Bockman, Barbara Sirotnik, and Christen Ruiz (Co-Directors of the Institute of Applied Research) and Nick Patel (Assistant Project Coordinator), "This month's PMI (46.3) registered a gain from last month's PMI (43.0), but remains beneath the 50% mark. On the other hand, the PMI has returned to a level above the 44.5% mark, thus showing that the local economy as a whole is growing (although slowly). In addition, the major indices, although registering a slight gain, still show weakness."

Following are some highlights from this month's report:

November 2006 Business Survey at a Glance

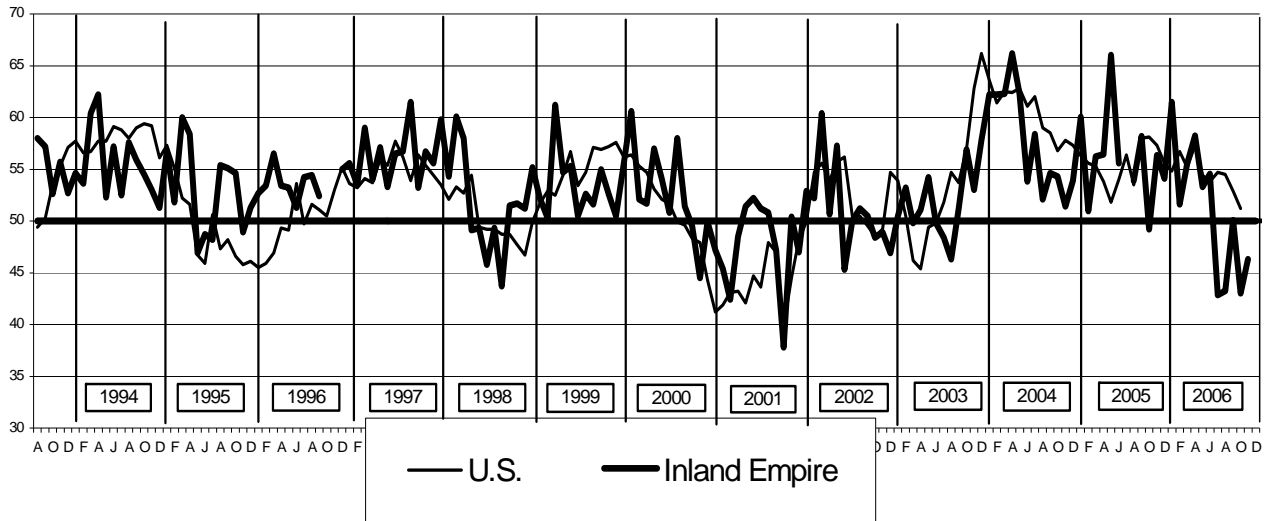
	Series Index		Direction*	Rate of Change
	Last Month	This Month	From 50	From last index
Local PMI	43.0	46.3	Contracting	Slower
Commodity Prices	56.9	52.0	Increasing	Slower
Production	41.1	48.0	Contracting	Slower
New Orders	36.2	44.0	Contracting	Slower
Inventory	39.7	38.0	Contracting	Faster
Employment	48.3	46.0	Decreasing	Faster
Supplier Deliveries	55.2	54.0	Slowing	Slower

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

November's PMI (46.3) has increased from last month's figure (43.0). At this stage of the game the data have not yet met the stipulated three consecutive months necessary to indicate a change of direction. On the other hand, if December's figure registers below 50 again, this will reflect a change of direction within the manufacturing sector. It

is worth noting that the PMI still registers above 44.5% thus indicating that the local economy is still growing (albeit at an anemic pace).

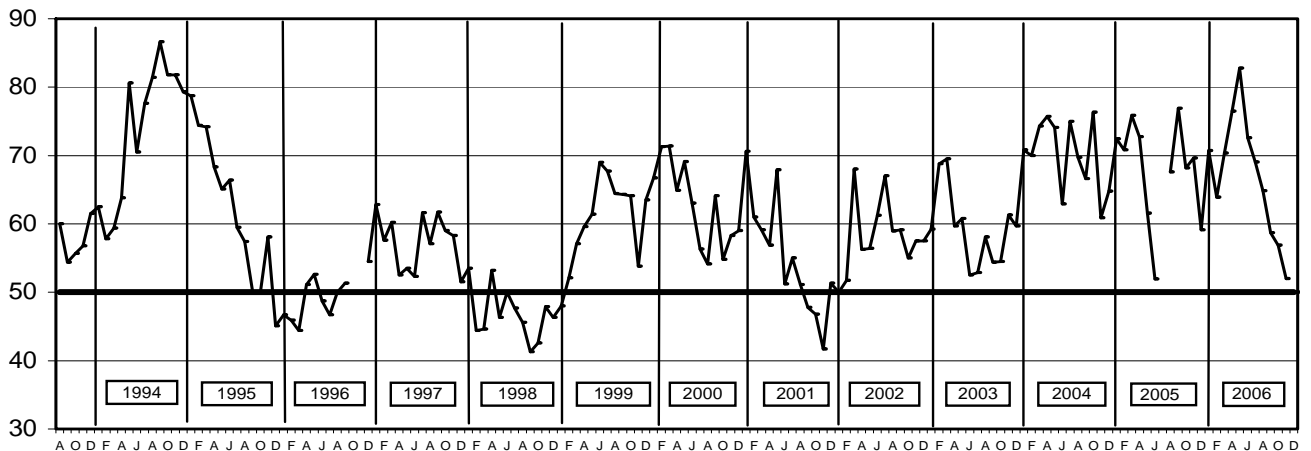
Purchasing Managers' Index



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

November's Commodity Price Index of 52.0 decreased from last month's figure of 56.9, showing that inflationary pressures (although still present in the Riverside and San Bernardino County areas) have continued to subside.

Commodity Prices



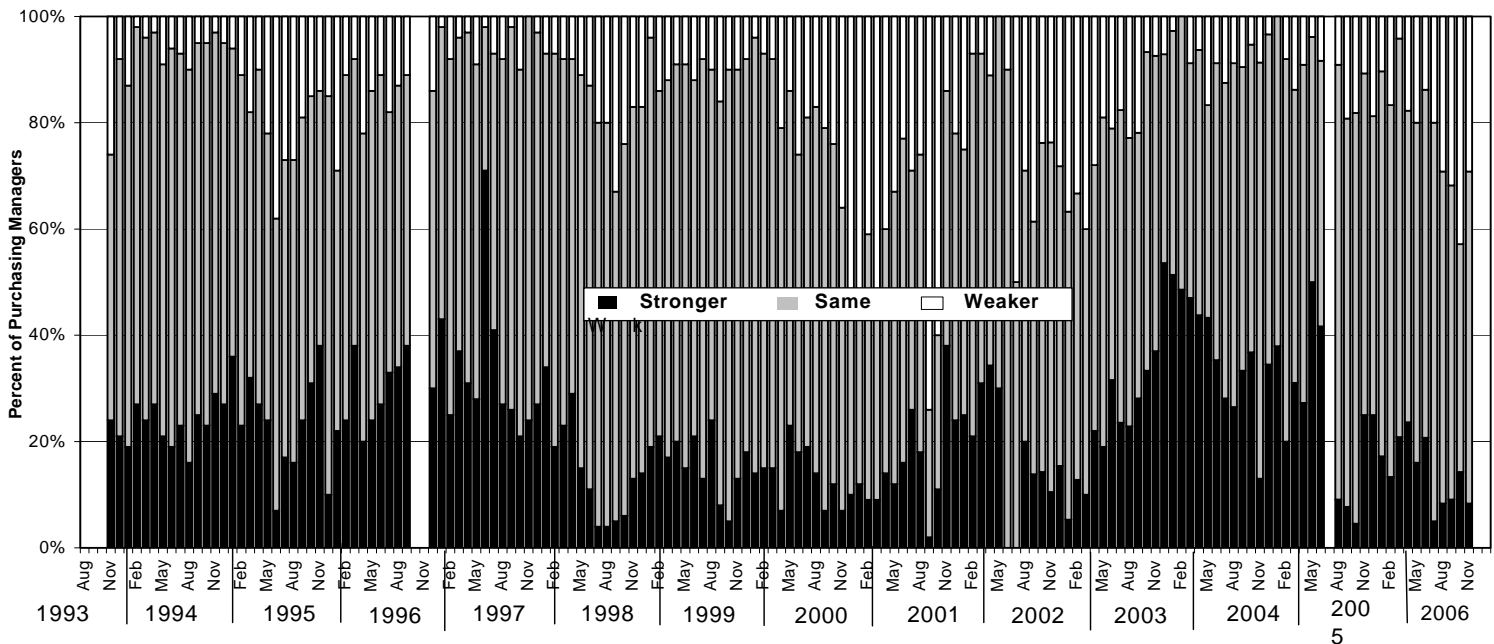
** NOTE: Inland Empire data were not collected for the months of October and November 1996, and July 2005.

Purchasing Managers continue to be less than enthusiastic about the state of the local economy. Only eight percent of Purchasing Managers predict that the local economy will become stronger in the upcoming quarter. Sixty-three percent of purchasing managers believe the local economy will remain unchanged. Meanwhile, the remaining twenty-nine percent believe the local economy will become weaker by next quarter. These figures are almost the opposite of the state from November, 2005.

STATE OF THE ECONOMY: DATA FROM 11/2005 THROUGH 11/2006

	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov
Weaker	11	19	10	17	4	19	20	14	20	29	32	43	29
Same	64	56	73	70	75	56	64	65	75	63	59	43	63
Stronger	25	25	17	13	21	25	16	21	5	8	9	14	8

State of the Local Economy



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

When Purchasing managers were asked to make comments on the general business conditions that affected their company, some remarked positively: "Business is picking up slowly." "Negative comments included: " Winter slow months," " New construction has stopped," " Steel industry is heading into a down period."

In conclusion, IAR does not find this to be an overly optimistic report about the Inland Empire manufacturing sector or local economy. All the major components of the PMI show weakness and the local PMI has registered below 50% for the second month in a row. This is worrisome since another month of such decline might signal an end to the long period of sustained growth. On the other hand, hopefully December's figures will show significant improvement.

OUR NEXT REPORT WILL NOT APPEAR UNTIL JANUARY 5 DUE TO HOLIDAY CLOSURES.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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

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

Christen Ruiz, Co-Director, Institute of Applied Research
(909) 537-5776