<u>INLAND EMPIRE REPORT ON BUSINESS</u>

Prepared by: The Institute of Applied Research

at California State University, San Bernardino

Report for November 2009

Sponsors: Riverside County Economic Development Agency

San Bernardino County Economic Development Agency

Supporter: College of Business and Public Administration, CSUSB

Economy shows growth but the manufacturing sector is at a standstill, with employment extremely weak

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 (50.3) registered a sharp decline from last month's PMI (55.2), suggesting that the local manufacturing sector and the local economy are still in growth mode but just at a slower pace."

"We noted in last month's report that it takes three consecutive months of consistent findings regarding direction of the PMI to establish a new trend. In this context, this month's PMI is the second month above 50. It is too early to tell if this indicator of growth in the Inland Empire's manufacturing sector can be sustained for one more month so that a new trend can be established. A PMI above 41.1% over a period of three consecutive months generally indicates that the economy is in growth mode."

"The Employment index continues to be the most worrisome of the five indices contributing to the PMI. Last month the index registered above 50 (55.3) for the first time since May, 2007, providing a glimmer of hope that employment in the manufacturing sector might be improving. This month's index (43.2) dipped below 50 once again, thus in retrospect last month's figure may have been an aberration. The Production Index decreased slightly to 55.4 from 57.9, and New Orders declined from 59.5 to 54.1."

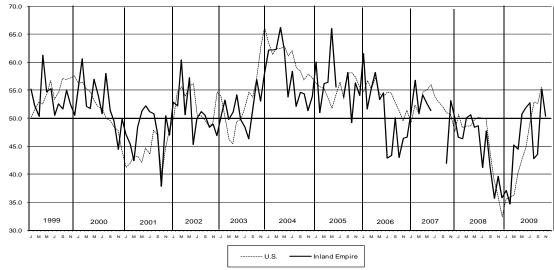
"Commodity prices remain high (55.4, up from 52.7 last month), showing that inflationary pressures are still present especially regarding higher prices of raw materials such as plastic, polypropylene, soybean oil, all metals, strapping, bearings, gears, liners, etc."

Following are some highlights from this month's report:

November 2009 Business Survey at a Glance										
	Series	Index	Direction	Rate of Change from Last Index						
	Last Month	This Month	from 50*							
Local PMI	55.2	50.3	Growing	Slower						
Commodity Prices	52.7	55.4	Increasing	Faster						
Production	57.9	55.4	Growing	Slower						
New Orders	59.5	54.1	Growing	Slower						
Inventory	47.4	44.6	Decreasing	Faster						
Employment	55.3	43.2	Decreasing	From Increasing						
Supplier Deliveries	47.4	47.3	Slowing	Faster						
Purchasing	Managers' Con	fidence in the S	State of the Loc	cal Economy						
% Stronger	16%	20%								
% Same	76%	60%								
% Weaker	10%	20%								

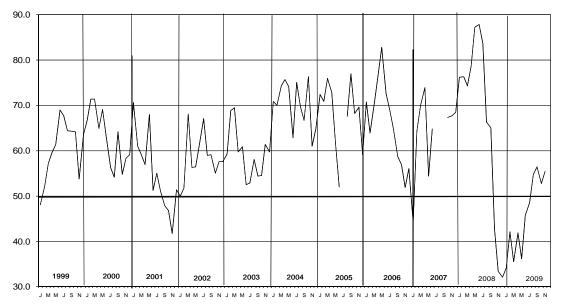
NOTE: In all cases except Supplier Deliveries, the "Direction" refers to whether the index is above 50% (growing) or below 50% decreasing.

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.





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Purchasing Managers are less optimistic about the state of the local economy with nineteen percent, more than double than last month the economy will be weaker. Although only nineteen percent of purchasing managers predict that the local economy will be stronger in the upcoming months, it is noteworthy that fifty-seven percent predicted that the local economy will be unchanged.

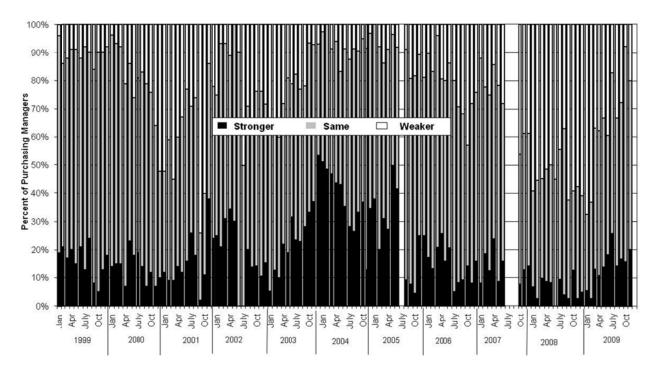
STATE OF THE ECONOMY: DATA FROM 11/2008 THROUGH 11/2009

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Weaker	58	61	68	63	37	38	33	39	17	33	28	8	20
Same	40	34	27	34	50	51	53	43	57	52	55	76	60
Stronger	3	5	5	3	13	11	14	18	26	14	17	16	20

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included: "Not much change from last month," "Business remains generally strong although sales trends are peak and valley week to week," "Stable, expect to slow down during December & pickup in January," "Business is very-very good beyond our expectations."

Some Purchasing Managers had negative comments about general business conditions: "Back down to 3 day work week and EDD work share program," "I am not as optimistic that the recession is under control as our government is," "This California manufacturing facility will be closing in the next 4 to 8 months," "The weaker dollar continues to put pressure on commodity prices, especially imported components," "We will be laying off 10 more drivers 12/1/09, hope to see improvement third quarter 2010."

State of the Local Economy



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In conclusion, this report clearly indicates that the local economy continues to be quite fragile. An extremely weak manufacturing sector and continued declines in employment are the major concerns.

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

Simone McFarland Economic Development Director, San Bernardino County EDA (909) 387-9839

Sarah Mundy

Deputy Director of Economic Development and Marketing, Riverside Co. EDA (951) 955-8916