

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for November 2011

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

LOCAL MANUFACTURING SECTOR CONTINUES TO SHOW WEAKNESS

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 (49.3) registered an increase from last month's figure (46.0), but remained below 50 for the third month in a row. Under a "strict interpretation" of the methodology underpinning this report, it takes three months to establish a new trend which would mean, in this case, a downward trend after nearly two years remaining above 50. On the other hand, the 49.3 is so close to the "magic" 50 mark that we are reluctant to call a change in direction at this time. If next month's figure remains below 50 it will be clear that there has, indeed, been a change in the direction of the local *manufacturing sector*. We must reinforce the fact that the PMI still continues to remain well above the 42.5 figure which still signifies an expanding local *economy*."

"The above figures should also be placed in the context that the two major indicators in the PMI (Production and New Orders) were below 50 the last two months and have only rebounded to 50 this month, indicating that this month is no change from the previous weakness. The Employment index (44.8) showed only slight improvement when compared with last month's figure (42.2), but still remains below the 50% baseline indicating fewer jobs in manufacturing firms than last month. The Commodity Prices Index registered 55.2 this month (up from 53.1)."

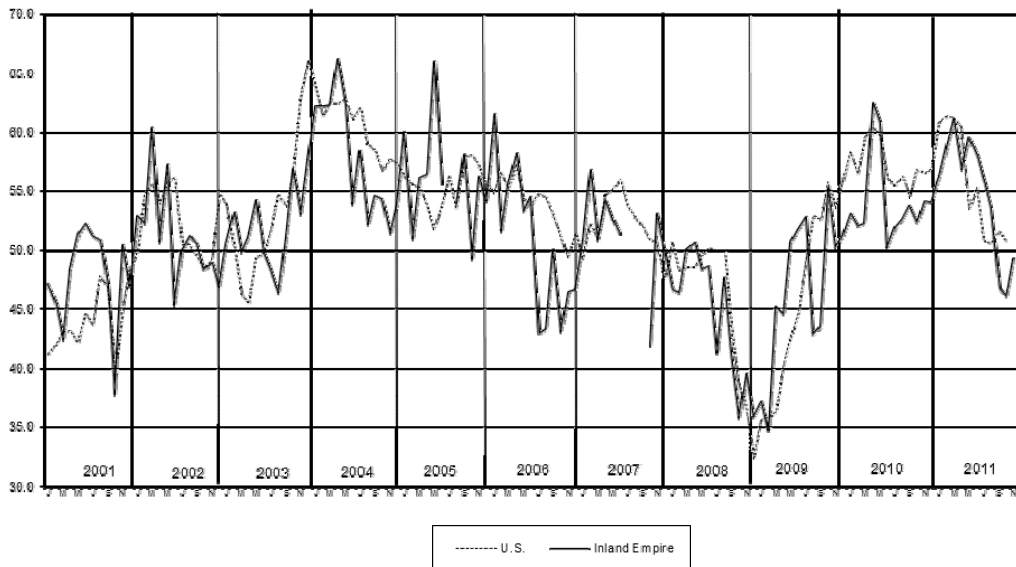
"Purchasing Managers are less optimistic than last month in their projections about the state of the local economy for the coming quarter. This month, forty-two percent predicted that the economy will be weaker in the coming quarter up from last month's thirty-six percent. Only four percent of purchasing managers predicted that the local economy will be stronger in the upcoming months (down from 16 percent last month), with fifty-four percent predicting that the local economy will be unchanged."

Following are some highlights from this month's report:

November 2011 Business Survey at a Glance				
	Series Index		Direction from 50*	Rate of Change from Last Index
	Last Month	This Month		
Local PMI	46.0	49.3	Contracting	Slower
Commodity Prices	53.1	55.2	Increasing	Faster
Production	48.4	50.0	Unchanged	From Contracting
New Orders	40.6	50.0	Unchanged	From Contracting
Inventory	50.0	43.1	Decreasing	From unchanged
Employment	42.2	44.8	Decreasing	Slower
Supplier Deliveries	54.8	57.1	Slowing	Faster
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	16%	4%		
% Same	48%	54%		
% Weaker	36%	42%		

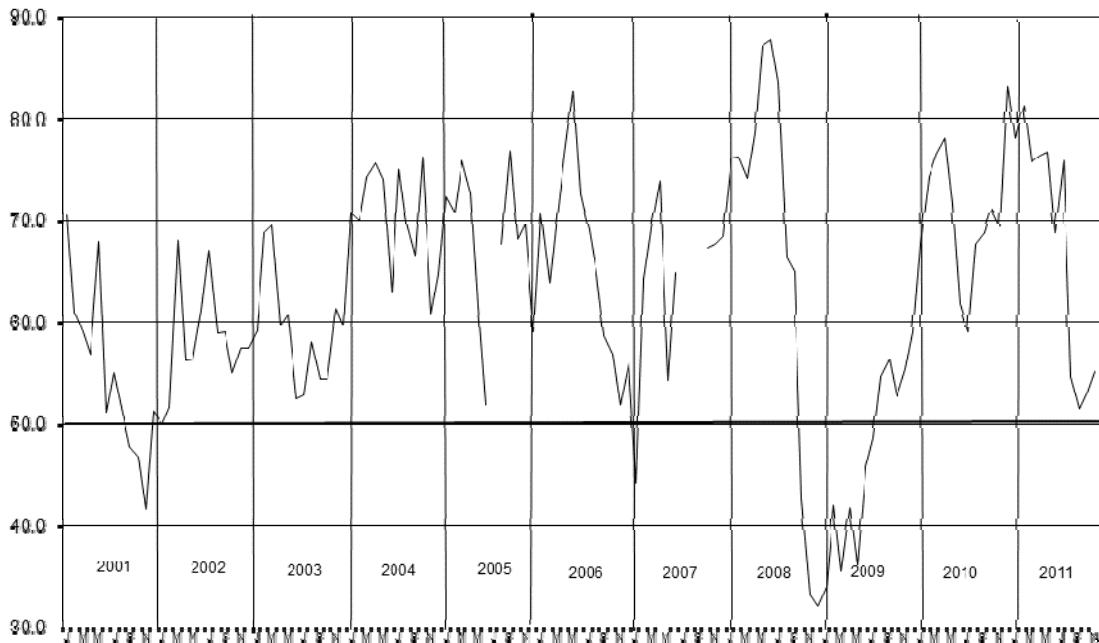
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

Purchasing Managers' Index



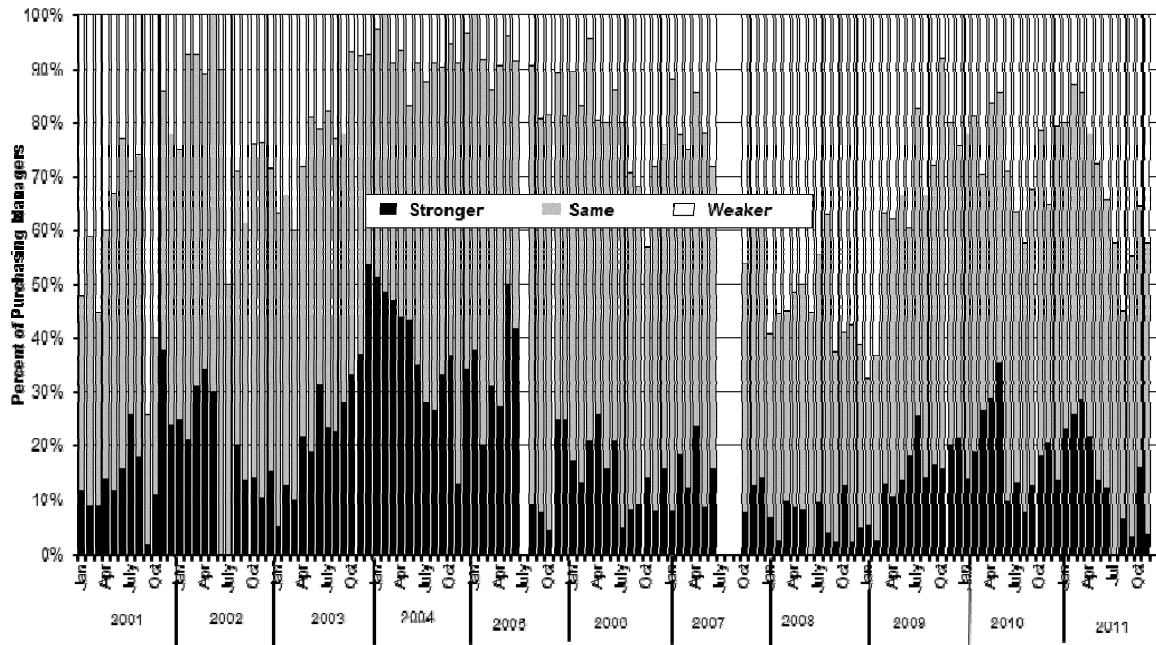
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Commodity Prices



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State of the Local Economy



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STATE OF THE ECONOMY: DATA FROM 11/2010 THROUGH 11/2011

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Weaker	35	21	20	13	14	22	28	34	42	55	45	36	42
Same	44	64	57	61	57	56	59	53	58	39	52	48	54
Stronger	21	14	23	26	29	22	14	13	0	6	3	16	4

Only one Purchasing Manager made a comment on the general business conditions that affected their company remarked positively: "Business remains strong. Unusual that our higher margin product sales are increasing at a rate higher than medium."

But four Purchasing Managers offered negative comments: "Still slow," "Commodity pricing continues to remain strong," "Seasonal slowing in sales. Difficult to project anything in this economy," and "Winter trucking from the east coast slows our purchasing operation. Plant production shut down the rest of the year."

In summary, all the numbers in this report point to a weakening of the manufacturing sector and would, under normal circumstances, indicate a change in direction toward a contracting manufacturing sector. On the other hand, since the PMI is so close to the 50% mark, the authors of this report will wait until next month's data before calling a change in direction.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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