

# **IAR'S INLAND EMPIRE REPORT ON BUSINESS**

**Prepared by: *The Institute of Applied Research***

at California State University, San Bernardino

***Report for October 2011***

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

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## **MANUFACTURING SECTOR SHOWS DECLINE FOR THE SECOND MONTH IN A ROW**

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 (46.0) registered a slight decrease from last month's figure (46.7). We have been commenting for the past two years that the Inland Empire manufacturing sector and economy have been exhibiting growth (albeit weak growth), as evidenced by the fact that the PMI has remained above 50% since September 2009. Last month the PMI dipped below the 50% mark and this month's figure continues to remain below that baseline figure. If next month's figure remains below 50%, a new trend will have been established (in this case, a downward trend representing a contracting manufacturing sector). On the other hand, the reader should note that it takes a figure of 42.5 or below to signify a contracting local economy."

"The decline in the PMI is made manifest when looking at the individual components. Production increased from 45.3 last month to 48.4 this month meaning that the rate of decline has slowed, however production is still down since it remains below 50. New Orders stayed the same at 40.6. Especially disappointing is that the Employment Index dropped to 42.2, dipping below the 50% mark for the first time since January of this year. The Inland Empire Commodity Price Index registered 53.1 this month (up from 51.6 last month) indicating that prices for raw materials (especially gas) have not increased significantly."

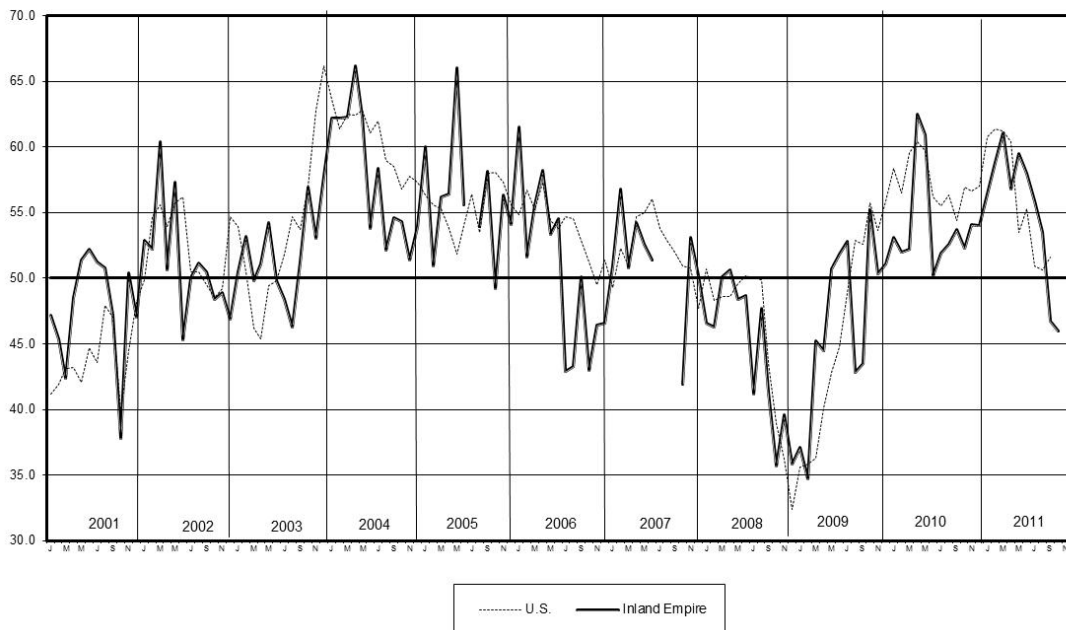
One slightly encouraging note is that Purchasing Managers are slightly less pessimistic than they were last month about the state of the economy in the coming quarter. Sixteen percent (16%) of purchasing managers predicted that the local economy will become stronger in the upcoming months (up from last month's 3%). Forty-eight percent of purchasing managers believe the local economy will remain unchanged, and the remaining 36% believe the local economy will become weaker over the next quarter (down from 46% last month).

Following are some highlights from this month's report:

<b>October 2011 Business Survey at a Glance</b>				
	<b>Series Index</b>		<b>Direction from 50*</b>	<b>Rate of Change from Last Index</b>
	<b>Last Month</b>	<b>This Month</b>		
Local PMI	46.7	<b>46.0</b>	Contracting	Faster
Commodity Prices	51.6	<b>53.1</b>	Increasing	Faster
Production	45.3	<b>48.4</b>	Contracting	Slower
New Orders	40.6	<b>40.6</b>	Contracting	Unchanged
Inventory	45.0	<b>50.0</b>	Unchanged	From Decreasing
Employment	50.0	<b>42.2</b>	Decreasing	From unchanged
Supplier Deliveries	58.1	<b>54.8</b>	Slowing	Slower
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	4%	16%		
% Same	50%	48%		
% Weaker	46%	36%		

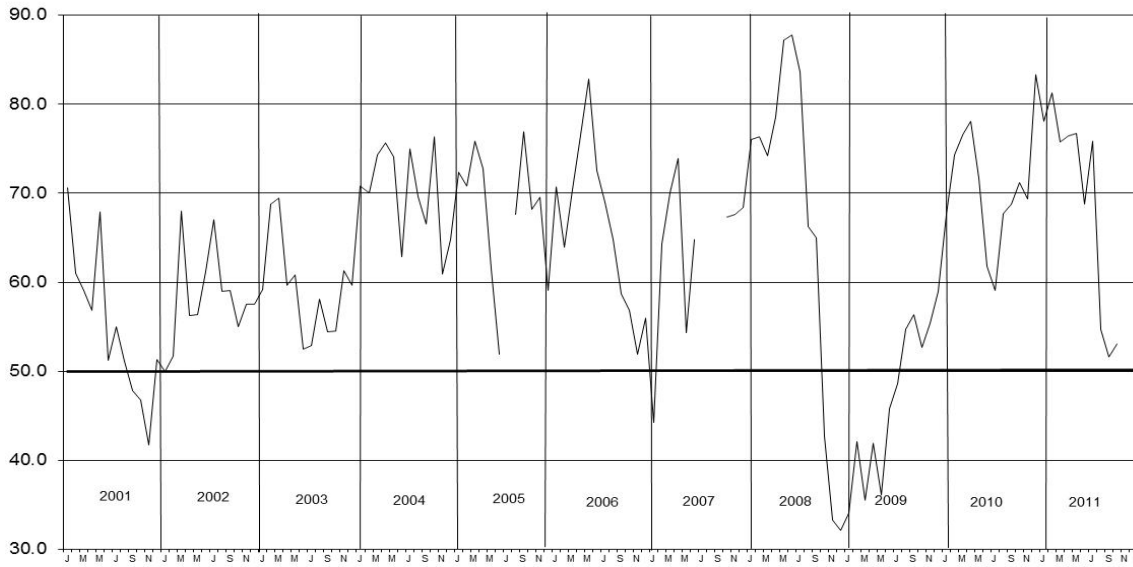
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



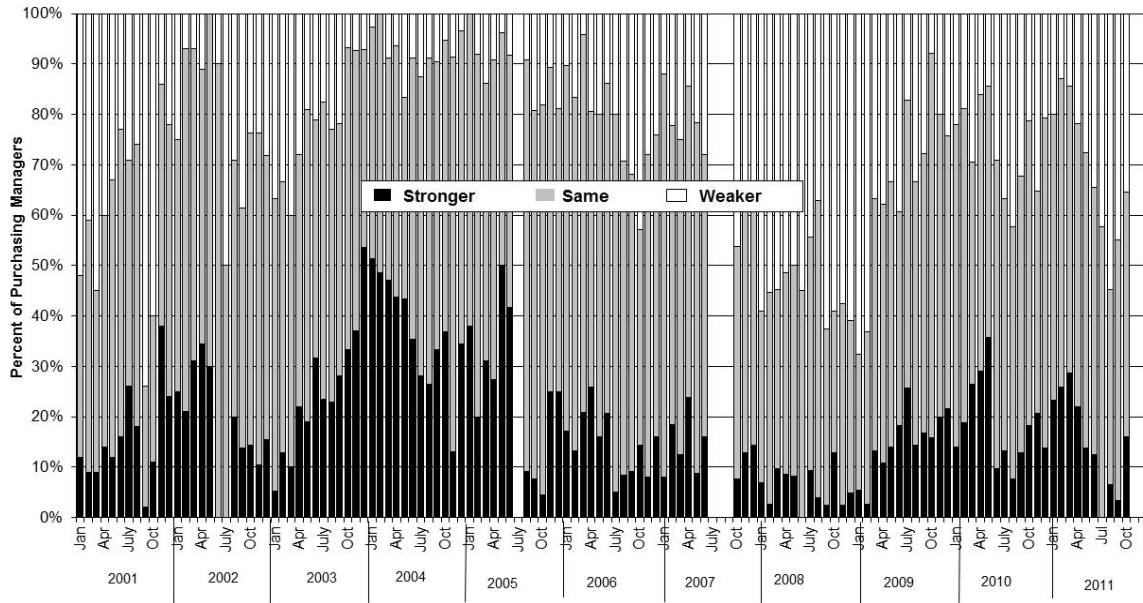
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## Commodity Prices



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## State of the Local Economy



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**STATE OF THE ECONOMY: DATA FROM 10/2010 THROUGH 10/2011**

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
<b>Weaker</b>	21	35	21	20	13	14	22	28	34	42	55	45	36
<b>Same</b>	61	44	64	57	61	57	56	59	53	58	39	52	48
<b>Stronger</b>	18	21	14	23	26	29	22	14	13	0	6	3	16

Very few Purchasing Managers made comments on the general business conditions that affected their company. One person remarked positively: “Business remains good, although a little lighter on low margin products. High margin has actually increased and we are adding two new production lines to support.”

But four Purchasing Managers offered negative comments: “Slow time of the year, slow buying,” “Business slowing (usual for this time of year),” “Slower this month,” and “Business weaker.”

In summary, this is the second month in a row we’ve reported some “bleak findings,” and if next month’s figures are equally low, it will signal that the local manufacturing sector is in decline. But that doesn’t mean that the local economy is contracting...that would take figures much lower than we are seeing at this time. This report is not a “doomsday” report; however it certainly is not an encouraging one.

**FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:**

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