IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for September 2010

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

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Inland Empire economy continues to show some signs of recovery

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 (53.7) registered a slight increase over last month's figure (52.6) and continued to stay above the baseline 50% mark for the twelfth consecutive month."

"All components of the PMI registered at or above 50 this month. It is especially noteworthy that New Orders increased from 51.6 to 57.8 this month, reflecting an increasing level of purchases from consumers. On the other hand, production is flat, with the Production Index registering at 50.0. And this month's Employment Index dropped from 54.8 last month to 51.6 this month. It must be noted that several of the new hires were in temporary positions rather than permanent."

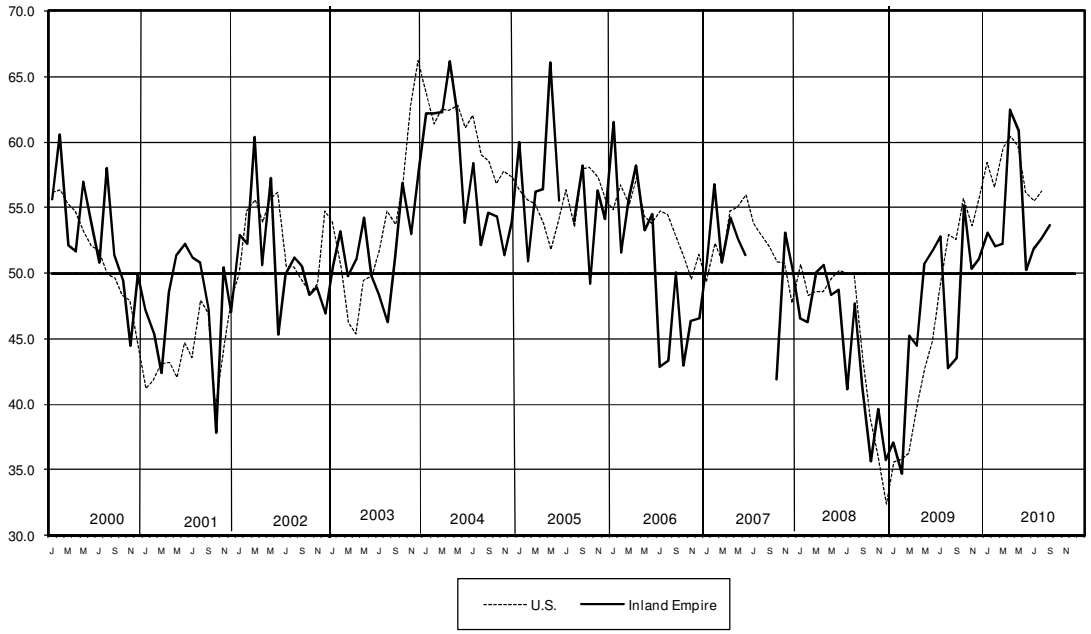
"Inventory increased from 50.0 last month to 53.1 this month, and Commodity Prices continued to reflect inflationary pressures, climbing from 67.7 last month to 68.8 this month. The Supplier Deliveries Index was virtually unchanged from last month, dropping to 54.7 from last month's 54.8."

Following are some highlights from this month's report:

September 2010 Business Survey at a Glance				
	Series Index			
	Last Month	This Month	Direction from 50*	Rate of Change from Last Index
Local PMI	52.6	**53.7**	Growing	Faster
Commodity Prices	67.7	**68.8**	Increasing	Faster
Production	51.6	**50.0**	Unchanged	From Growing
New Orders	51.6	**57.8**	Growing	Faster
Inventory	50.0	**53.1**	Increasing	From unchanged
Employment	54.8	**51.6**	Increasing	Slower
Supplier Deliveries	54.8	**54.7**	Slowing	Slower
Purchasing Managers' Confidence in the State of the Local Economy				
% Stronger	8%	13%		
% Same	50%	55%		
% Weaker	42%	32%		

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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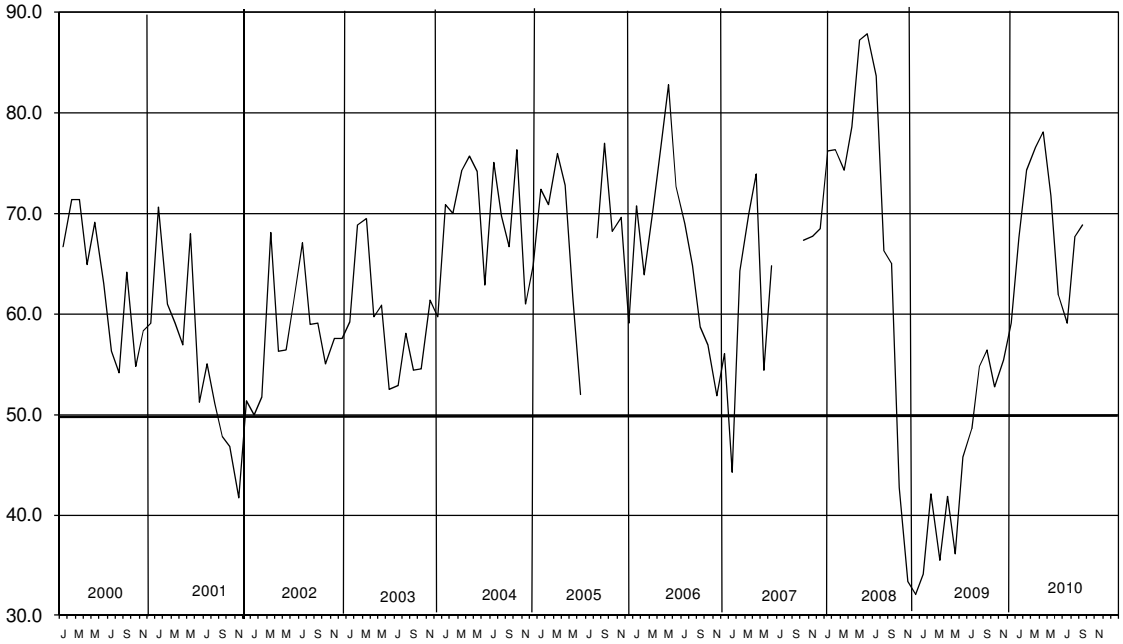
Commodity Prices



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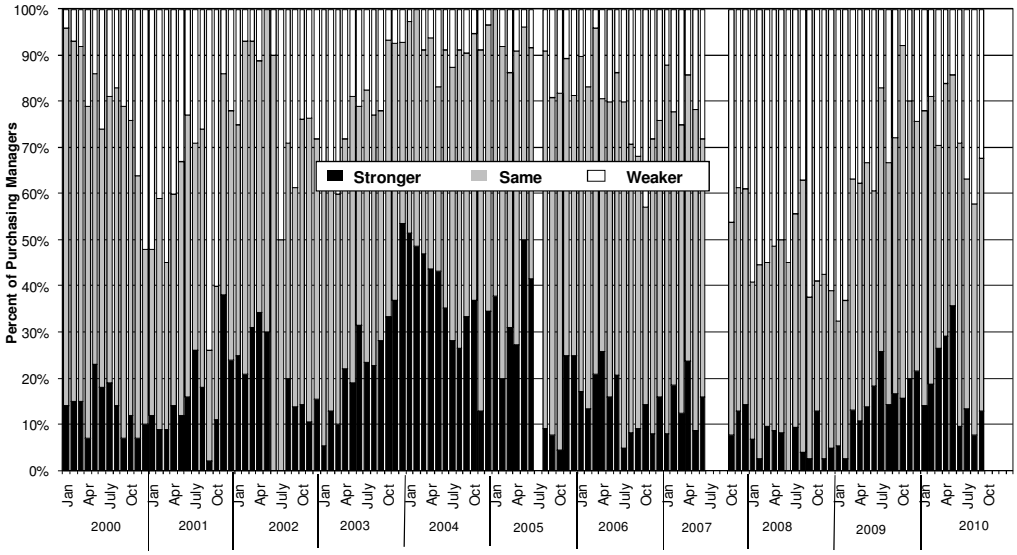
State of the Local Economy



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Purchasing Managers continue to be concerned about the state of the local economy. Only thirteen percent of the purchasing managers predict that the local economy will become stronger in the next three months (an increase from last month's eight percent). Fifty-five percent of the purchasing managers believe that the local economy will remain unchanged (where "unchanged" refers to a weak economy). Meanwhile, the remaining thirty-two percent believe the local economy will become weaker by next quarter.

STATE OF THE ECONOMY: DATA FROM 9/2009 THROUGH 9/2010

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Weaker	28	8	20	24	22	19	27	16	14	29	37	42	32
Same	55	76	60	54	64	63	44	55	50	61	50	50	55
Stronger	17	16	20	22	14	19	29	29	36	10	13	8	13

When Purchasing Managers were asked to comment on the general business conditions that affected their company, positive remarks included: "2010 has been steady at 20% ahead of 2009," "Our business backlog has improved. Do not know is a spike or if business is on the upswing," "Increase in sales, brass prices going up," "Business is stable, we did see soft August numbers but post Labor Day has been almost normal."

Some Purchasing Managers had negative comments: "Still soft," "State budget not getting signed," "Our busy season just ended so compared to last month it won't look nice," "California will be spending very little on projects that use rebar," "Commodity prices escalating due to funds investing in agriculture items."

In summary, this month's report is in many ways similar to previous reports portraying a mixed picture of the economy. On the positive side, new orders have increased, employment remains above 50, and the PMI has remained above 50 for the 12th consecutive month. On the other hand, companies which are hiring reported that they are not only hiring permanent positions, but rather have a mix of new temporary workers with the permanent. Of particular concern, about a third of the Purchasing Managers predict a worsening of the economy over the next quarter. In short, this month's report continues to portray an economy that shows signs of recovery but clearly remains fragile.

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

Mary Jane Olhasso
Administrator, San Bernardino County Economic Development Agency
(909) 387-9802

Rob Moran
Economic Development Manager
(951) 955-6673