

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

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

at California State University, San Bernardino

***Report for January 2011***

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

\*\*\*\*\*

## **Local economy continues to rebound, with impressive gains in Production and New Orders**

**Special note:** Much of the data for this report was collected before the unrest in Egypt, and all of it was collected before Governor Brown's State of the State address. If the timing of data collection had been different, the outlook for the economy may have been moderated somewhat.

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 (56.4) registered a slight increase over last month's figure (54.0) and remained above the baseline 50% mark for the sixteenth consecutive month."

"Two of the most dramatic increases occurred in the Production Index which increased to 65.6 from 57.6, and the New Orders Index which increased from 51.5 to 57.8. The fact that these two key components of the PMI increased indicate that some of the manufacturing companies anticipate increasing purchases from consumers. The Employment Index continued its volatility, dropping once again below the 50% benchmark to 48.4. Inflationary pressures within the Inland Empire Commodity Prices Index continued to be felt, with the Index registering 78.1 this month (down slightly from last month's 83.3).

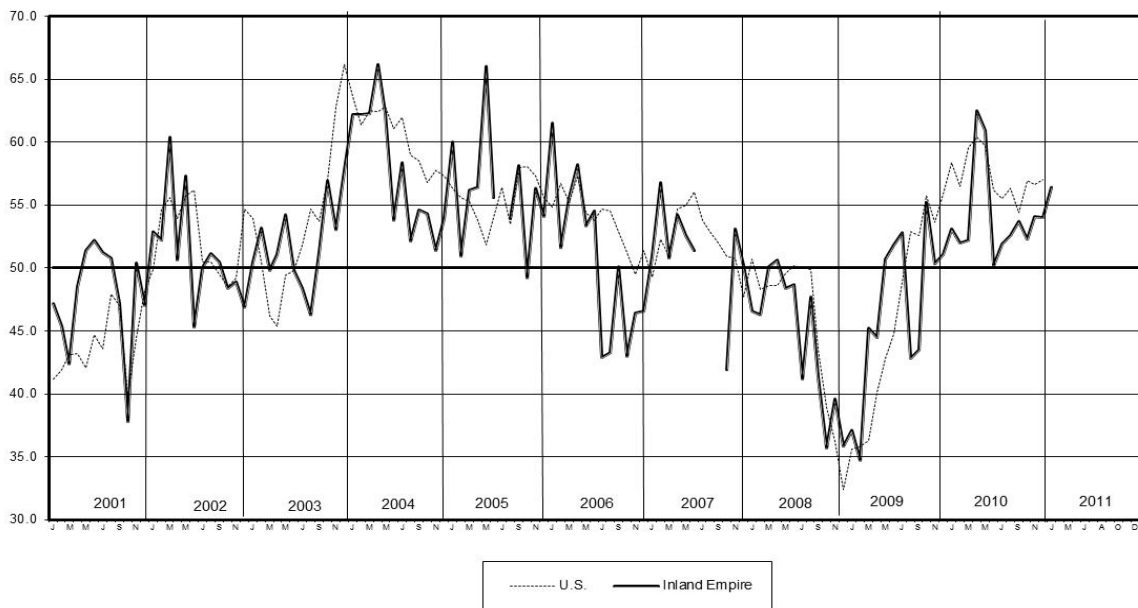
Purchasing Managers continue to be less than enthusiastic about the state of the local economy, with 23% of purchasing managers predicting that the local economy will become stronger in the upcoming months (up from last month's 14%). Fifty-seven percent of purchasing managers believe the local economy will remain unchanged, and the remaining 20% believe the local economy will become weaker by next quarter.

Following are some highlights from this month's report:

<b>January 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	54.0	<b>56.4</b>	Growing	Faster
Commodity Prices	83.3	<b>78.1</b>	Increasing	Slower
Production	57.6	<b>65.6</b>	Growing	Faster
New Orders	51.5	<b>57.8</b>	Growing	Faster
Inventory	51.5	<b>50.0</b>	Unchanged	From Increasing
Employment	51.5	<b>48.4</b>	Decreasing	From Increasing
Supplier Deliveries	57.8	<b>53.1</b>	Slowing	Slower
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>				
% Stronger	14%	23%		
% Same	66%	57%		
% Weaker	21%	20%		

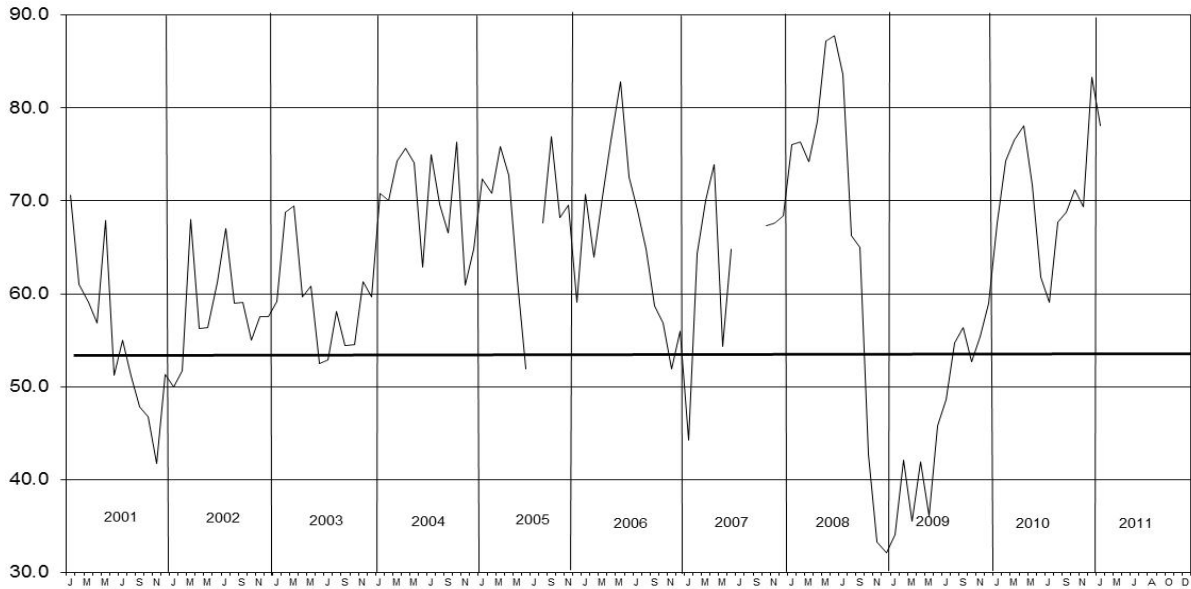
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Purchasing Managers' Index



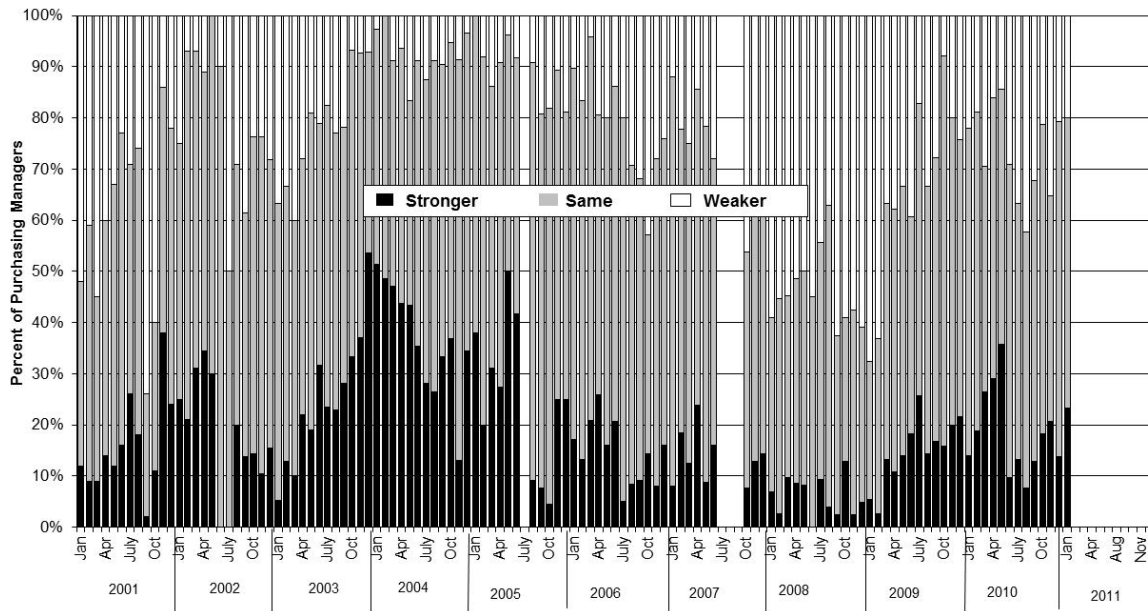
Note: Inland Empire data were not collected for the months of October and November 1996, and July 2005 and July through September 2007.

## Commodity Prices



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

## State of the Local Economy



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

### STATE OF THE ECONOMY: DATA FROM 01/2010 THROUGH 01/2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
<b>Weaker</b>	22	19	27	16	14	29	37	42	32	21	35	21	20
<b>Same</b>	64	63	44	55	50	61	50	50	55	61	44	64	57
<b>Stronger</b>	14	19	29	29	36	10	13	8	13	18	21	14	23

Note: Two of the surveyed managers stated that they have no idea what to expect in the upcoming quarter.

Positive remarks from Purchasing Managers included: "Unseasonable increase in sales," "Sales are remaining solid," " Many quotes are being converted to orders, so we expect a strong 1st quarter," "Same as before."

Some Purchasing Managers had negative comments: "Slight decrease in orders, production and employment (temporary)," "Order bookings are down significantly lower than usual," "Slow time of the year for us, so it is hard to gauge," "Cost of scrap steel has risen dramatically which impacts the entire global steel industry," and "Our raw material prices are rising FAST!"

In summary, this report would appear to confirm previous reports that suggested that the Inland Empire economy continues to be in recovery mode. It is especially encouraging that Production and New Orders are continuing to register impressive gains. On the other hand, as our initial special note/caveat suggests, much has happened in the Middle East that may have a profound impact on business in the Inland Empire and beyond. If the problems in Egypt were not enough, another significant event will occur in the evening of 1/31/11 (after this report was written) – the Governor's State of the State address, which will likely include sobering news about California's economy.

### 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, Riverside County Economic Development Agency  
(951) 955-6673