

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

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

at California State University, San Bernardino

**Report for March 2006**

**Sponsor: *CSUSB College of Business and Public Administration***

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## **LOCAL ECONOMY CONTINUES TO GROW, WITH ALL KEY INDICATORS ON THE "UP SIDE"**

According to Shel Bockman and Barbara Sirotnik (Co-Directors of the Institute of Applied Research) and Candice Tsegga (Project Coordinator): "This month's PMI (55.2) continues to remain above the 50% mark, thus pointing towards sustained growth in the local manufacturing sector and economy in general. Further it remains above the 44.5% mark which is the benchmark for the growth in the local economy. All key indicators register growth, with employment showing marked improvement over the previous month (53.8, up from 45.8). Commodity Prices continue to remain relatively high, indicating that purchasing managers perceive inflationary pressures in the local area. Purchasing Managers' optimism about the coming quarter's economy remains strong."

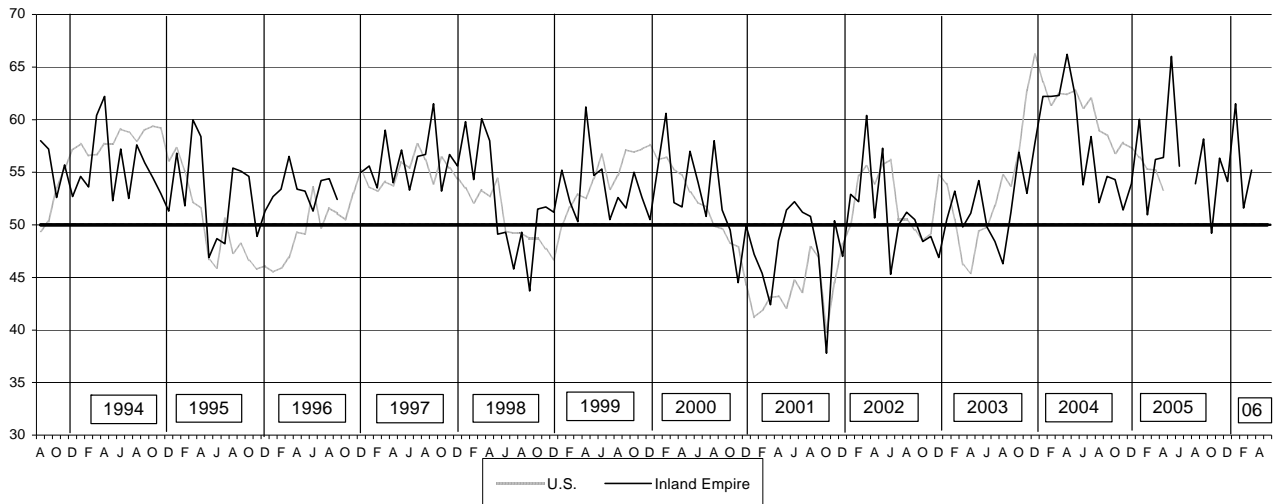
Following are some highlights from this month's report:

<b>March 2006 Business Survey at a Glance</b>				
	<b>Series Index</b>		<b>Direction*</b>	<b>Rate of Change</b>
	<b>Last Month</b>	<b>This Month</b>	<b>From 50</b>	<b>From last index</b>
Local PMI	51.6	55.2	Growing	Faster
Commodity Prices	63.9	69.2	Increasing	Faster
Production	50.0	55.8	Growing	Faster
New Orders	51.4	57.7	Growing	Faster
Inventory	51.4	53.8	Growing	Faster
Employment	45.8	53.8	Increasing	From Contracting
Supplier Deliveries	62.5	51.9	Slowing	Slower

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

March's PMI (55.2) has increased from last month's figure (51.6), and continues to remain the 44.5 mark. This is the 52<sup>nd</sup> consecutive month that the PMI has registered above the 44.5% mark, indicating that the local economy as a whole has experienced sustained growth for over four years.

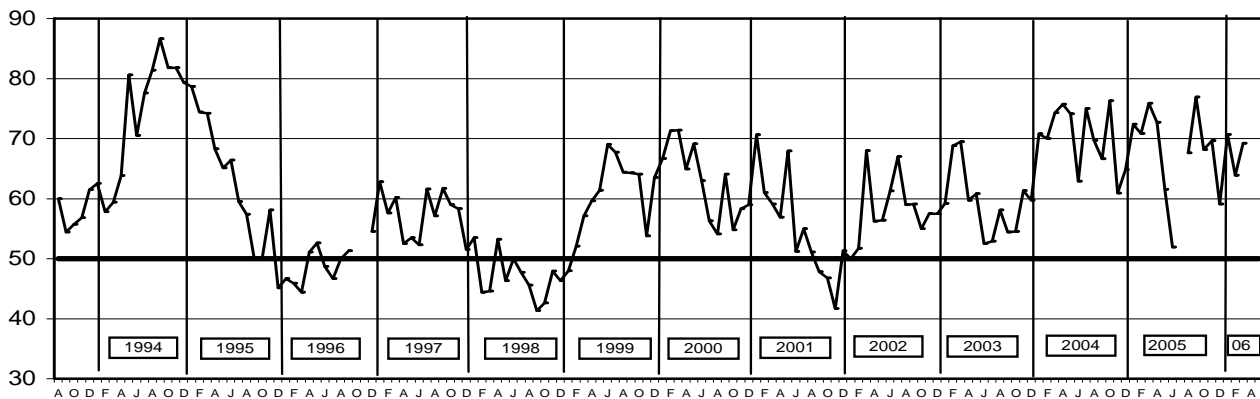
## Purchasing Managers' Index



\*\*\* NOTE: Inland Empire data were not collected for the months of October and November 1996, and July 2005.

March's Commodity Price Index of 69.2 increased from last month's figure of 63.9, showing that inflationary pressures are strong in the Riverside and San Bernardino County areas.

## Commodity Prices



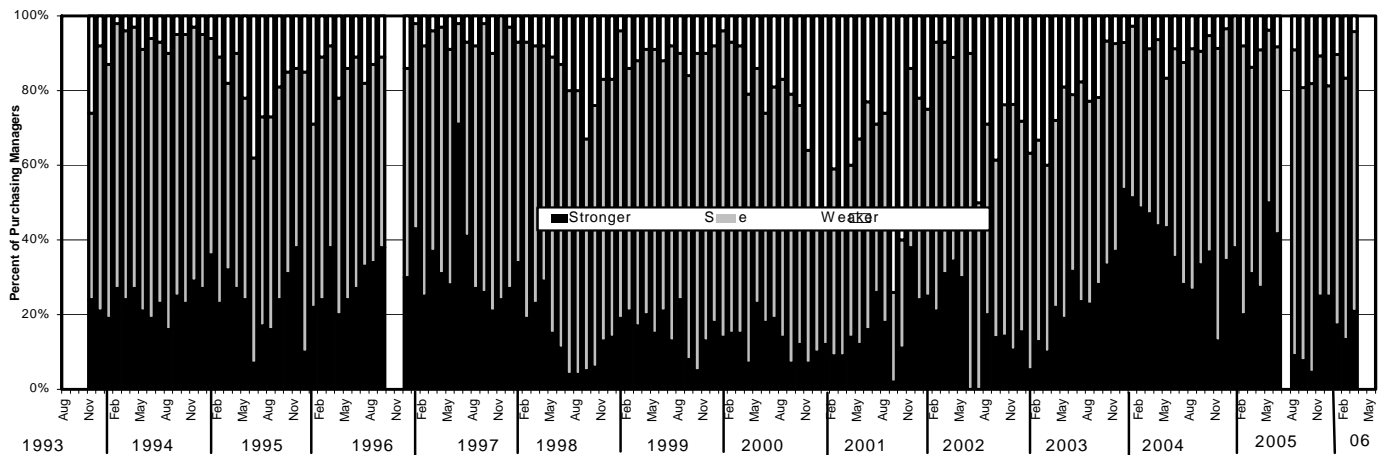
In March the Employment Index increased from 45.8 to 53.8, Production increased from 50.0 to 55.8, Inventories increased from 51.4 to 53.8, Supplier Deliveries decreased from 62.5 to 51.9, and New Orders increased from 51.4 to 57.7.

Purchasing Managers remain optimistic about the state of the local economy, with twenty one percent of purchasing managers predicting the local economy will become stronger in the next quarter. Seventy five percent of Purchasing Managers believe the local economy will remain the same and only four percent believe the local economy will be weaker in the coming months. This low percentage of people thinking that the economy will become weaker is the smallest figure since May of last year.

**STATE OF THE ECONOMY: DATA FROM 3/2005 THROUGH 3/2006**

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>Weaker</b>	14	9	4	8	10	9	1	18	11	19	10	17	4
<b>Same</b>	55	64	46	50	80	8	7	77	64	56	73	70	75
<b>Stronger</b>	31	27	50	42	10	9	8	5	25	25	17	13	21

## State of the Local Economy



\*\*\* NOTE: Inland Empire data were not collected for the months of October and November, 1996 and July 2005.

When Purchasing managers were asked to make comments on the general business conditions that affected their company, they remarked positively: " Business is going very strong at this time," " First quarter is better than first quarter 2004," " Business up, orders up," " Business continues to be strong," " Seems to be picking up," " Business is strong," and " Everything good." Negative comments include: " [A] little soft," " Loss of

two high volume accounts has caused reductions throughout our plant," and " Sales of our product remain flat, and are off by approx. 40% compared to the same period last year."

In summary, IAR views this report as one of the strongest in recent months, with all key indicators reflecting growth in the local manufacturing sector and the economy as a whole, and confidence.

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

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