

IAR'S INLAND EMPIRE REPORT ON BUSINESS

Prepared by: *The Institute of Applied Research*

at California State University, San Bernardino

Report for May 2006

Sponsor: *CSUSB College of Business and Public Administration*

MANUFACTURING SECTOR AND LOCAL ECONOMY REMAINS STRONG, BUT COMMODITY PRICE INDEX HITS HIGHEST LEVEL SINCE 1994

According to Shel Bockman and Barbara Sirotnik (Co-Directors of the Institute of Applied Research) and Candice Tsegga (Project Coordinator): "This month's PMI (53.3) continues to remain above the 50% mark, thus pointing towards sustained growth in the local manufacturing sector and economy as a whole. However, Commodity Prices have continued to increase indicating that inflationary pressures are strong in the local area.

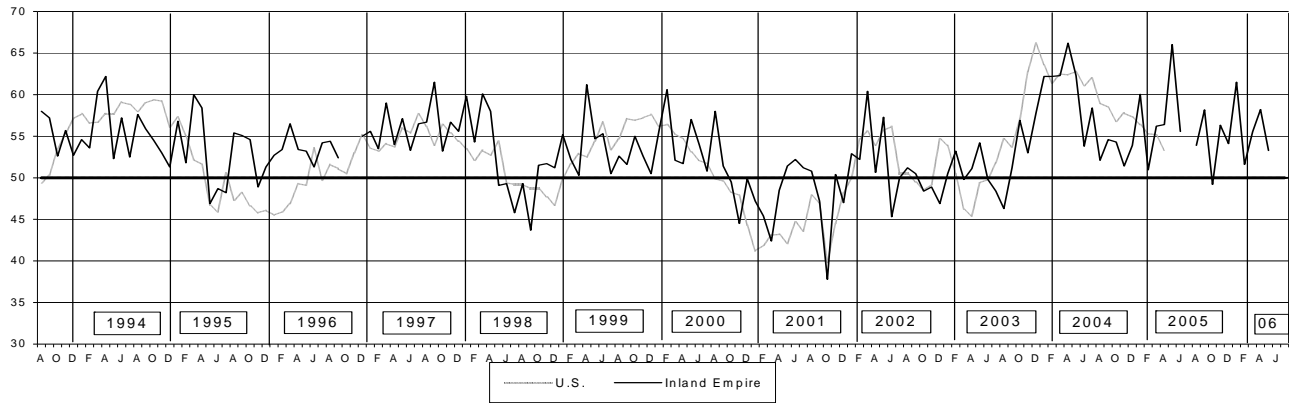
Following are some highlights from this month's report:

May 2006 Business Survey at a Glance				
	Series Index		Direction*	Rate of Change
	Last Month	This Month	From 50	From last index
Local PMI	58.2	53.3	Growing	Slower
Commodity Prices	76.5	82.8	Increasing	Faster
Production	58.6	55.2	Growing	Slower
New Orders	62.9	55.4	Growing	Slower
Inventory	54.3	50.0	Unchanged	Slower
Employment	51.4	46.6	Decreasing	From Growing
Supplier Deliveries	60.0	57.1	Slowing	Slower

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

May's PMI (53.3) has decreased from last month's figure (58.2), but continues to remain the 44.5 mark. This is the 54th 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.

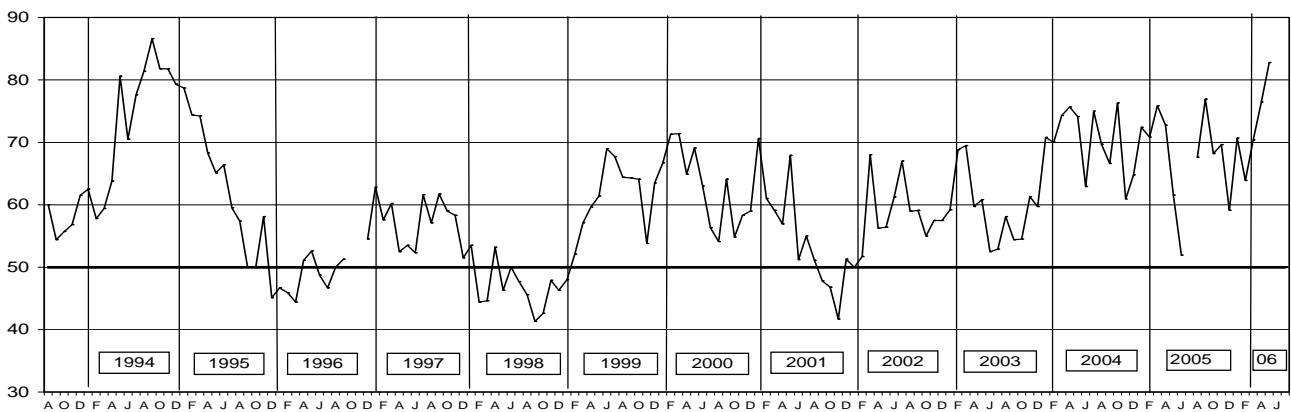
Purchasing Managers' Index



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

May's Commodity Price Index of 82.8 increased from last month's figure of 76.5, showing that inflationary pressures still remain strong in the Riverside and San Bernardino County areas. This month's figure is the highest since 1994.

Commodity Prices



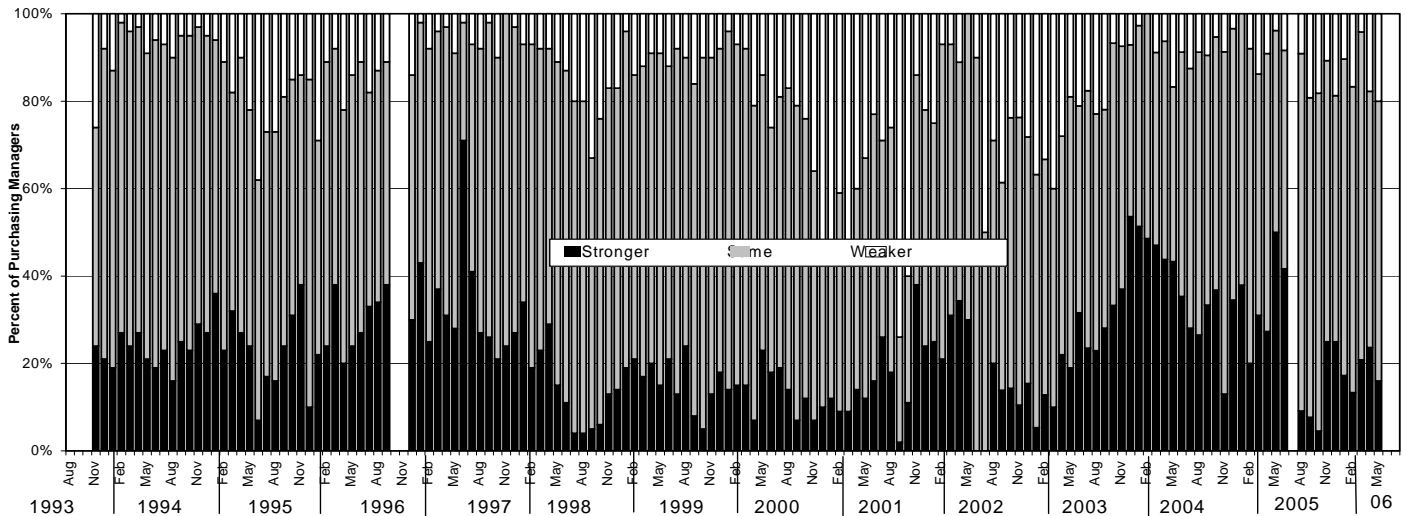
In May the Employment Index decreased from 51.4 to 46.6, Production decreased from 58.6 to 55.2, Inventories decreased from 54.3 to 50.0, Supplier Deliveries decreased from 60.0 to 57.1, and New Orders decreased from 62.9 to 55.4.

Purchasing Managers are confident about the state of the local economy, with sixteen percent of purchasing managers predicting the local economy will become stronger in the next quarter. Sixty four percent of Purchasing Managers believe the local economy will remain the same and twenty percent believe the local economy will be weaker in the coming months.

STATE OF THE ECONOMY: DATA FROM 5/2005 THROUGH 5/2006

	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Weaker	4	8	10	9	19	18	11	19	10	17	4	19	20
Same	46	50	80	8	73	77	64	56	73	70	75	56	64
Stronger	50	42	10	9	8	5	25	25	17	13	21	25	16

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: " Backlog of jobs is best in 5 years," " Business is continuing to be strong," " Business has been very good in all departments," "Market up, sales good." Negative comments include: "

Honey prices are rising worldwide. Mostly due to short crops," "Cost of fuel negative factor," " Economy slow."

In summary, this report continues to reflect sustained growth in the local manufacturing sector and the economy as a whole. But it is noteworthy that the commodity price index registered at nearly record high levels, indicating that the Inland Empire is registering the same kind of inflationary pressures now experienced throughout the nation.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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