

IAR'S INLAND EMPIRE REPORT ON BUSINESS
Prepared by: The Institute of Applied Research

Housed in CSUSB's Jack H. Brown
College of Business and Public Administration

Report for August 2024

Key Summary of the Report:

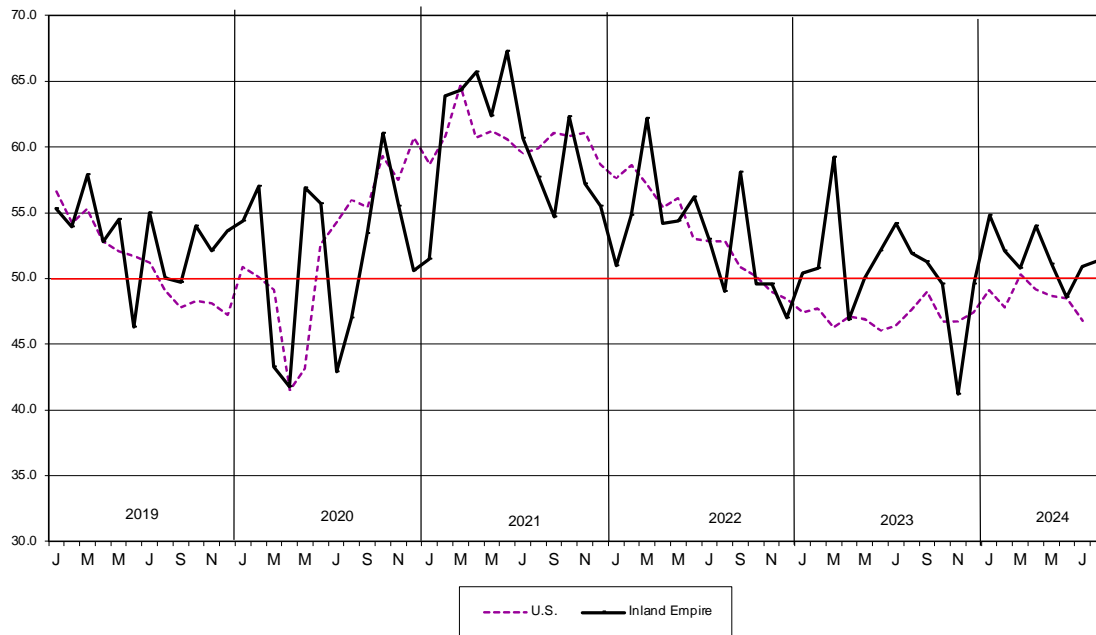
This month's PMI report reveals a complex economic landscape for the Inland Empire, marked by modest growth but underscored by significant pressures in employment

- **Slight Increase in PMI:** The Inland Empire PMI rose to 51.3, up from 50.9 in the previous month, indicating modest growth and marking the second consecutive month above 50.
 - **Significant Drop in Commodity Prices:** The Commodity Price Index fell sharply to 46.7, ending a 61-month streak above 50, signaling a decrease in production costs.
 - **Continued Job Market Contraction:** The Employment Index decreased to 46.7 from 47.7, reflecting ongoing challenges in the local job market and continued contraction in employment.
 - **Improvement in Supplier Deliveries:** The Supplier Deliveries Index declined to 53.3 from 61.3, suggesting that delivery are still slow but are improving.
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PMI

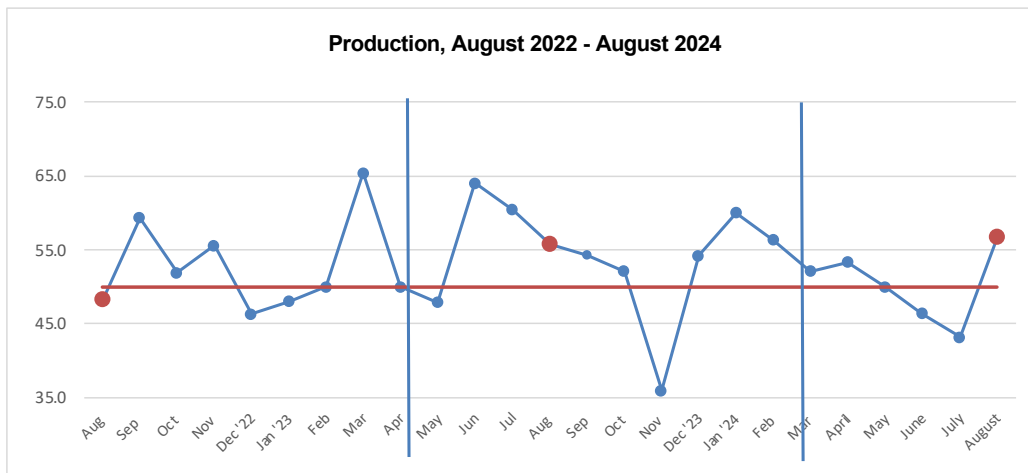
According to Dr. Anna Long and Dr. Peiyi Jia from the Institute of Applied Research, the Inland Empire **Purchasing Managers' Index (PMI)** for **August** is **51.3**, reflecting a slight increase from the previous month's figure of 50.9. This marks the second consecutive month with a PMI above 50, suggesting the emergence of a growth trend.

Purchasing Managers' Index

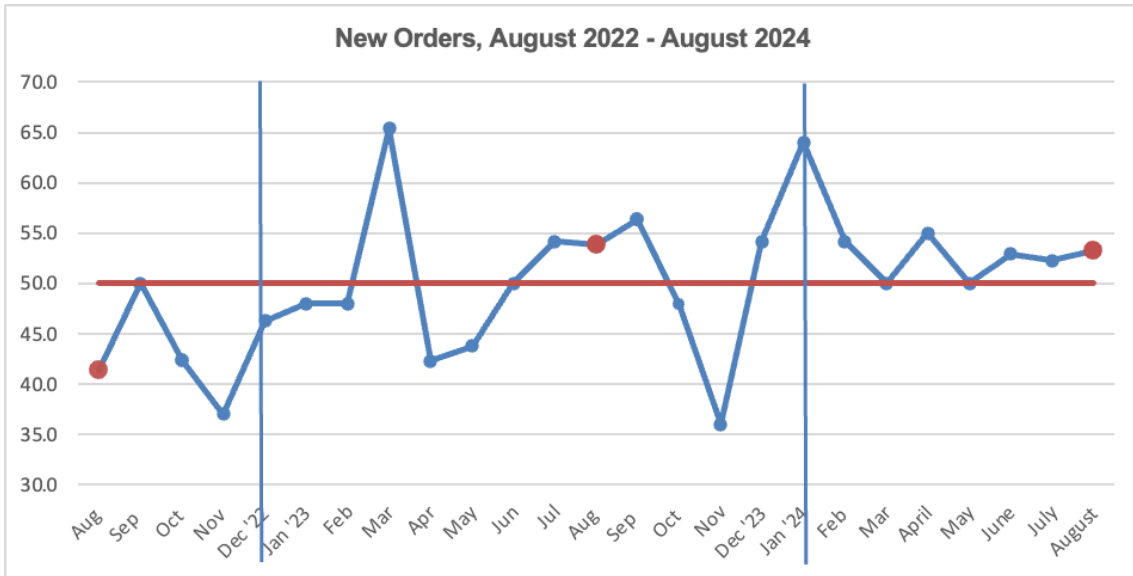


Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** for August 2024 is recorded at **56.7**, a significant increase from the previous month's figure of 43.2. This jump brings the index back above the critical 50-mark and indicates a strong recovery in production activity.



The **New Orders Index** (the other key component of the PMI) remained stable, recording **53.3** in August compared to 52.3 in the previous month. This month marks the ninth consecutive occurrence of the index registering at or above 50, indicating that new orders have stabilized and the pace of growth has remained consistent.



In August 2024, the **Employment Index** was recorded at **46.7**, a slight decrease from the previous month's 47.7. This decline suggests a continued contraction in employment within the Inland Empire.

In August 2024, the **Commodity Price Index** for the Inland Empire dropped to 46.7 from the previous month's 54.5. This significant decline ended a 61-month streak of the index remaining above 50, indicating falling commodity prices, which may suggest declining production costs or weakening demand—potentially signaling broader challenges for the local economy. The Institute of Applied Research will continue to monitor this index closely.

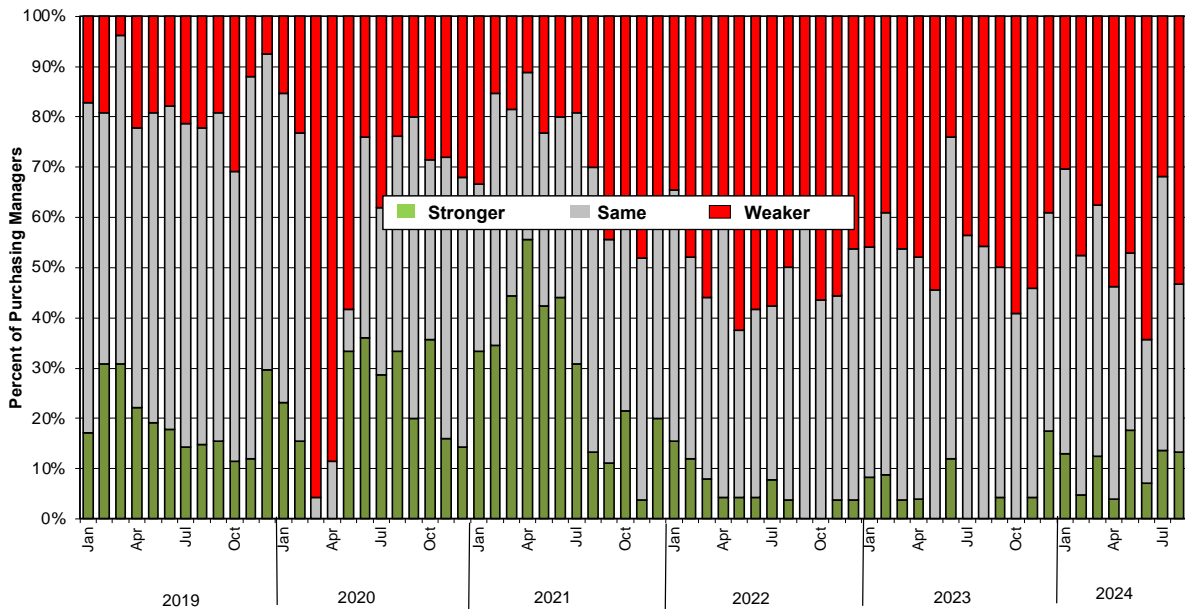


The **Supplier Deliveries Index**, which measures the speed of supplier deliveries, registered at **53.3** this month, down from the previous month's 61.3. While the index remains above 50, indicating slower deliveries, the decline suggests that delivery times are improving.

The **overall Inventory level** (units, not dollars) including raw, MRO (Maintenance, Repair, Operating), intermediates, etc. registered **46.7** this month indicating a decrease in inventory levels compared to the previous month.

Panelists were asked to forecast the state of the local economy over the next three months. The majority, **53.3%**, believe the local economy will worsen, while **33.4%** expect it to remain unchanged. Only **13.3%** of panelists anticipate that the local economy will improve in the coming quarter.

State of the Local Economy Manager's Predictions



Following is a summary of the figures shown in this month's report:

August 2024 Business Survey at a Glance					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend Months
	Last Month	This Month			
Local PMI	50.9	51.3	Growing	Faster	2
Commodity Prices	54.5	46.7	Decreasing	From Increasing	1
Production	43.2	56.7	Growing	From Contracting	1
New Orders	52.3	53.3	Growing	Faster	9
Inventory	50.0	46.7	Decreasing	From unchanged	2
Employment	47.7	46.7	Contracting	Faster	2
Supplier Deliveries	61.3	53.3	Slowing	Slower	8
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	31.8%	13.3%			
% Same	54.5%	33.4%			
% Weaker	13.6%	53.3%			

Finally, our survey always includes an overall question asking the panelists to offer general remarks regarding any business condition (local, national, or international) that affects the purchasing operation or the outlook of their company or industry. From this section, we gathered various insights, Starting with several comments that reflect optimistic perspectives:

- *"August sales continued to proceed along the typical summer before a presidential election cycle, very soft! What I can say, is that even though sales were soft, the quality of the orders that we are receiving are very good. High profit orders and to those industries that always continue to shine for us (medical, oil & gas and semiconductors). I would be very pessimistic on the next few months if not for the strong, profitable orders that we are seeing. We did not lose money this month, so that makes me positive towards the future."*
- *"Ordering has been up a little bit, but things still seem to be slower than in past summers. We did need to bring on a new part timer."*
- *"Orders have picked up a little."*
- *"Sales orders are up slightly compared to a month ago and the trend looks like it will continue into the next couple of months."*
- *"We are still bidding work and getting work in the Public Works Industry. With some new information from people we do business with, it looks like the work in the Schools will continue."*

However, a number of panelists expressed concerns about a slowdown in the economy, highlighting several challenges:

- *"Economy is slowing down."*
- *"I have commented in past surveys that I think liquidity in the marketplace has kept inflation from falling as there was enough to allow suppliers and vendors to maintain pricing; that liquidity seems to finally be falling, and although too late in my opinion, the FED seems to have realized that even though we have not reached their benchmark 2%, they will finally be taking action. We will have to see how much damage their inaction will have caused."*

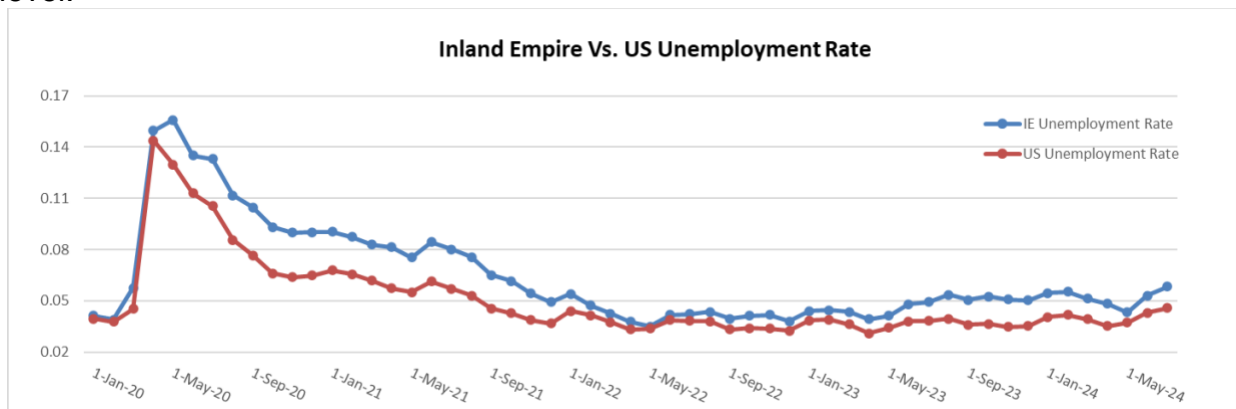
- "Sales slowing, customers slower in paying and materials harder to get due to vendors reducing inventory. One supplier closed down and one outside processor no longer able to plate our parts due to California restrictions!"
- "Slow."
- "It was a slower month and this can happen seasonally."

Looking forward...

Beginning this month, the Report on Business Survey will also feature key economic indicators, including the Unemployment Rate and Consumer Price Index, to provide a clearer picture of the region and better equip our business leaders to anticipate future opportunities and challenges.

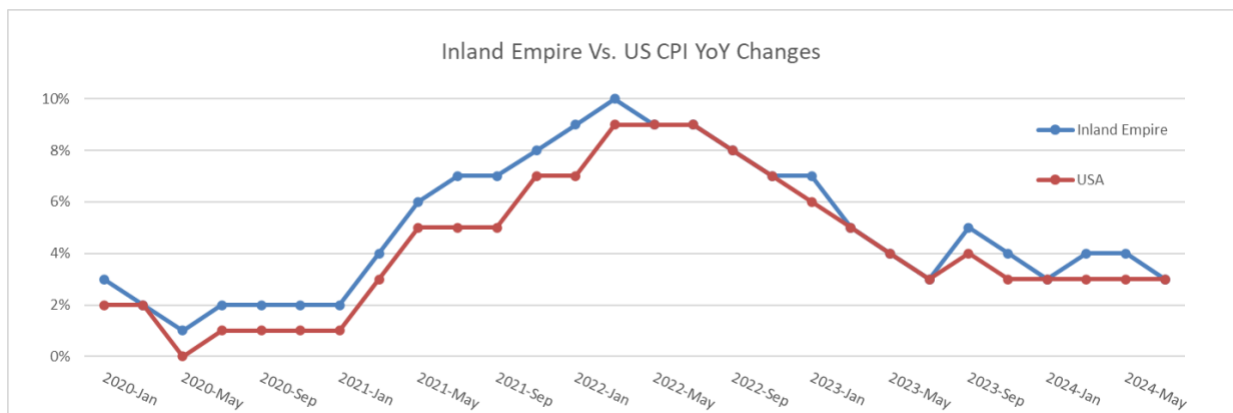
Economic Context: Unemployment Rate

The unemployment rate serves as an early indicator of the economic future. Historically, the Inland Empire region has experienced higher unemployment rates compared to the national average. Since May 2024, we have observed an upward trend, indicating that the unemployment rate in the region is increasing more rapidly than at the national level.



Economic Context: CPI – Inflation

The Inland Empire region generally saw prices increase at a faster rate compared to the national average. This difference was especially noticeable from mid-2021 to mid-2022, where the Inland Empire's inflation rate peaked at nearly 10%, while the national rate was slightly lower at around 8%. After hitting these peaks, both regions experienced a decline in the rate of price increases. The good news is, by early 2023, the gap between the Inland Empire and the national average began to narrow, with both regions stabilizing around a 4% to 5% annual increase in prices by May 2024. However, the Inland Empire's prices have been more volatile, indicating that our region has faced more intense inflationary pressures over the past few years compared to the national average.



In summary, the August 2024 economic indicators for the Inland Empire present a mixed outlook. In the context of the unemployment rate remains higher than usual, and the Consumer Price Index (CPI) has stabilized around 3%, on the positive side, the Purchasing Managers' Index (PMI) edged up slightly to 51.3, signaling modest growth. However, the Employment Index fell to 46.7, indicating continued contraction in the job market. Notably, the Commodity Price Index dropped to 46.7, ending a 61-month streak above 50, which could suggest either reduced production costs or weakening demand. While improvements in supplier delivery times were noted, panelists voiced concerns about a slowing economy, citing challenges in sales, payments, and supply chains. Despite these issues, there remains cautious optimism among some panelists.

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