

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 October 2024

Key Summary of the Report:

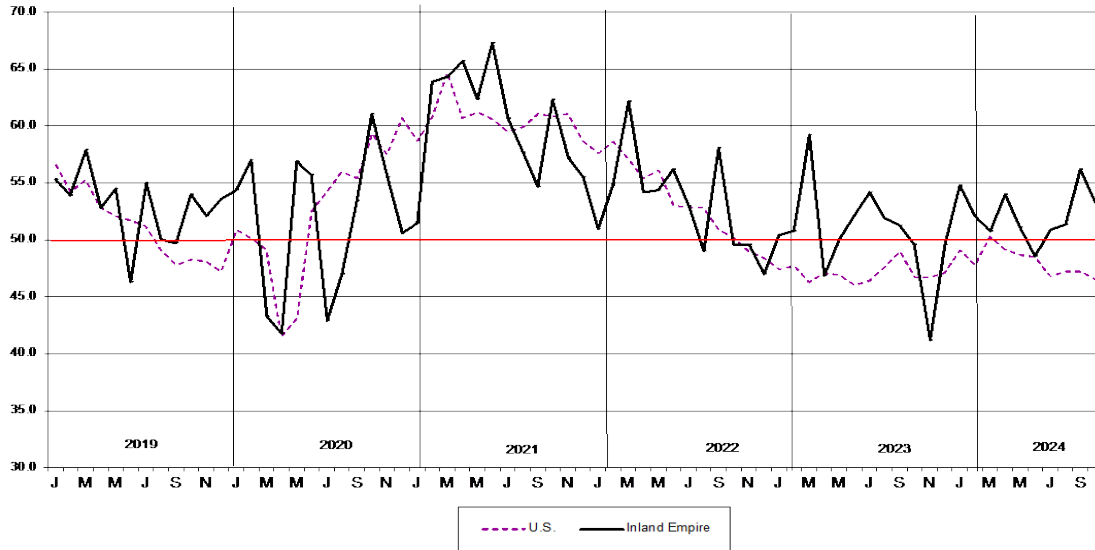
This month's PMI report for the Inland Empire highlights sustained growth in manufacturing sector. However, challenges persist due to recent supply chain disruptions and a contracting labor market.

- **Sustained Growth in PMI:** The Inland Empire PMI decreased to 53.3 but has held above the 50 mark for the fourth consecutive month, indicating continued expansion in the manufacturing sector overall.
 - **Robust Increase in Production:** The Production Index dropped to 60 but remains above 50, signifying sustained growth in production activities.
 - **Slowing Supplier Deliveries:** The recent East Coast port strike disrupted supply chains and slowed supplier deliveries. Potential future risks remain as the ripple effects continue.
 - **Easing Employment Challenges:** The Employment Index marked its fourth consecutive month below 50, signaling continued contraction in the labor market; however, the rate of contraction has slowed.
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PMI

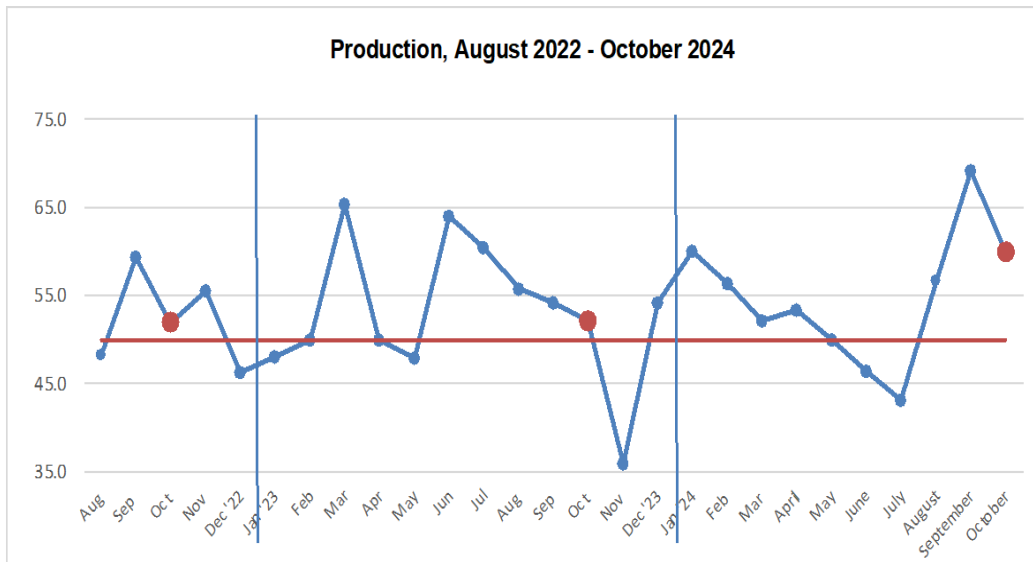
According to Dr. Anna Long and Dr. Peiyi Jia from the Institute of Applied Research, the Inland Empire **Purchasing Managers' Index (PMI)** for **October** is **53.3**, a slight decrease from the previous month's figure of 56.2. It reflects a slight decrease from the previous month's figure of 56.2. Despite this decline, the PMI remains above the national level, indicating stronger regional growth in comparison to national trends. This marks the fourth consecutive month with the PMI above 50, signifying sustained growth within the Inland Empire's manufacturing sector.

Purchasing Managers' Index

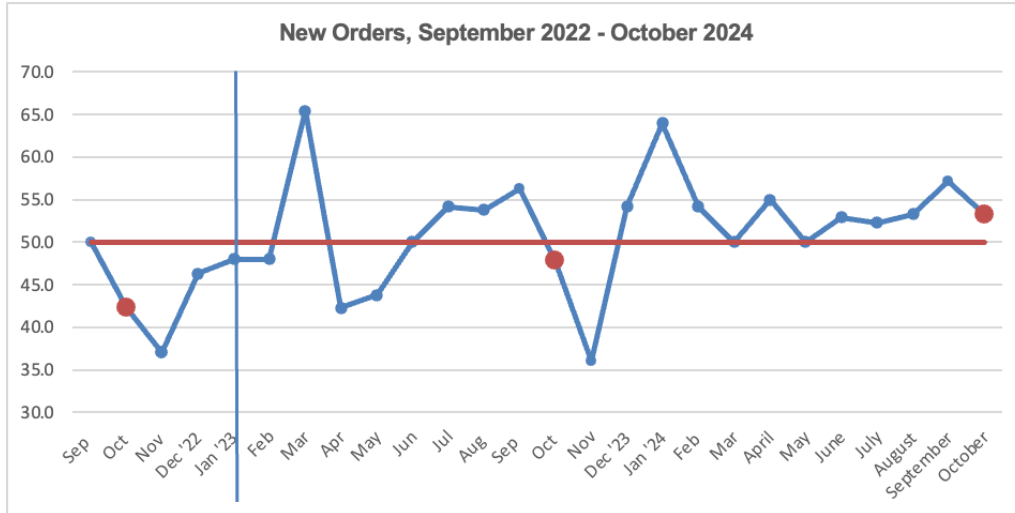


Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** for October 2024 is recorded at **60.0**, showing a decrease from the previous month's figure of 69.2. However, this level continues to be above the critical 50-mark. It signals a continued growth in production activity since August 2024.

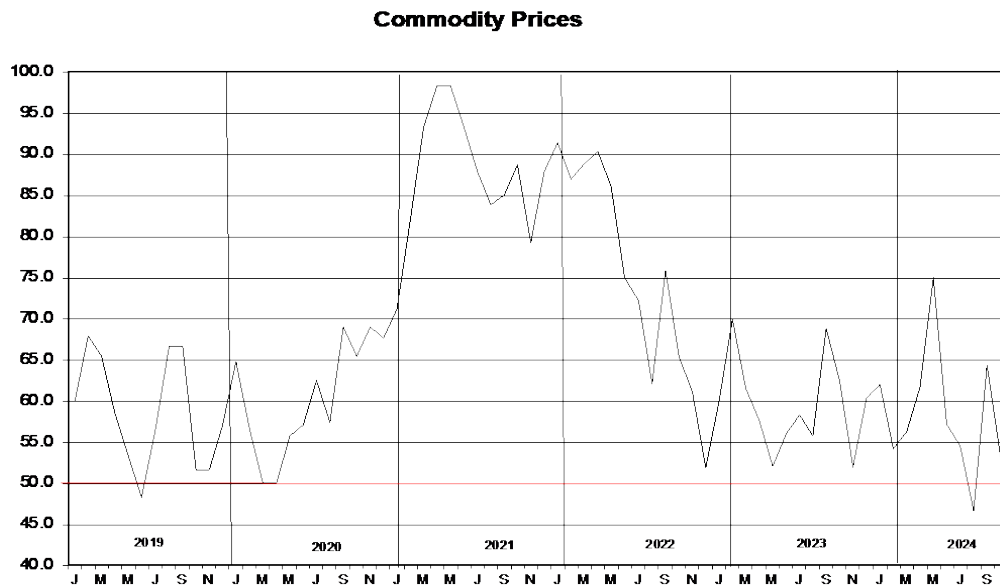


The **New Orders Index** remained stable in October, recording at **53.3** compared to 57.1 in the previous month. This marks the eleventh consecutive month with the index at or above 50, indicating steady growth of new orders in the Inland Empire region.



In October 2024, the **Employment** Index rose to **46.7**, rebounding from 39.3 in the previous month. Despite the increase, this figure remains below the 50 threshold for the fourth consecutive month. This indicates a trend of contraction in employment within the Inland Empire.

In October 2024, the **Commodity Price Index** for the Inland Empire declined to 53.3. This is the 2nd month since this figure rebounded to the above-50 threshold, indicating an ongoing upward movement in commodity prices.



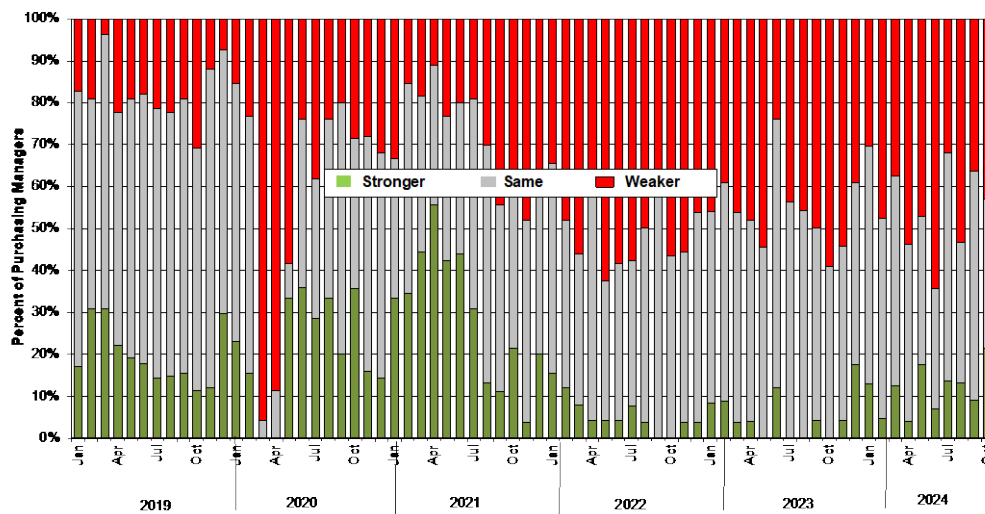
The **Supplier Deliveries Index**, which measures the speed of supplier deliveries, registered at **60.0** this month, a notable increase from the previous month's 53.6. This jump indicates that suppliers are delivering goods at a slower pace compared to last month. The recent east coast port strike, which began on October 1, 2024, and lasted three days, has created a ripple effect that caused delays in supplier deliveries in the

Inland Empire region. Businesses might need to proactively manage their supply chain to mitigate potential future risks.

The **overall Inventory level** registered at **46.7** this month, a significant drop from last month's 53.6. This figure has shown a volatility as it fluctuates around the critical 50 threshold over the past three months.

Panelists were asked to forecast the state of the local economy over the next three months. The majority, **42.9%**, believe the local economy will be weaker, while **35.7%** expect it to remain unchanged. **21.4%** 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:

October 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	56.2	53.3	Growing	Slower	4
Commodity Prices	64.3	53.3	Increasing	Slower	2
Production	69.2	60.0	Growing	Slower	3
New Orders	57.1	53.3	Growing	Slower	11
Inventory	53.6	46.7	Decreasing	From Increasing	1
Employment	39.3	46.7	Contracting	Slower	4
Supplier Deliveries	53.6	60.0	Slowing	Faster	10
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	9.10%	21.40%			
% Same	54.50%	35.70%			
% Weaker	36.40%	42.90%			

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. This section yielded diverse insights, with responses reflecting optimism, concern, or a neutral stance.

Starting with optimistic perspectives:

- “Sales orders are increasing.”
- “We have been slow for over a year, and as of last month, we are getting busier.”
- “We see slightly improved orders Domestic and International.”

Some panelists expressed concerns:

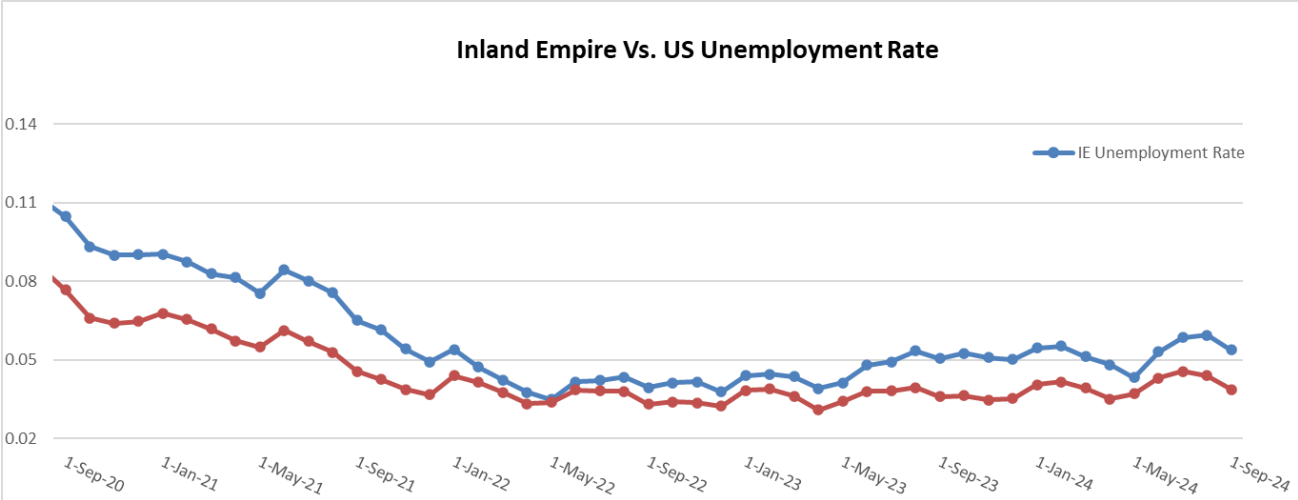
- “We are still at the reduced sales rate we have seen for about a year now with no signs of getting back to 2022 levels.”
- “We have increased pricing by 10% in the last month to try to keep up with growing expenses and lack of profit.”
- “Slower”

Others shared neutral or mixed perspectives:

- “For our business in particular, we are showing both accelerated sales and profitability for both this year and for projections next year. Although we do not depend on imports to a large extent, questions related to proposals for increased import duties and the slow pace of the Fed in reducing interest rates create questions for the general economy of the United States that could impact us and business in general. These questions equal increased risk, and increased risk is no friend to business.”
- “Everything seems to be business as usual. Some items taking longer to get from Suppliers but really nothing unusual”

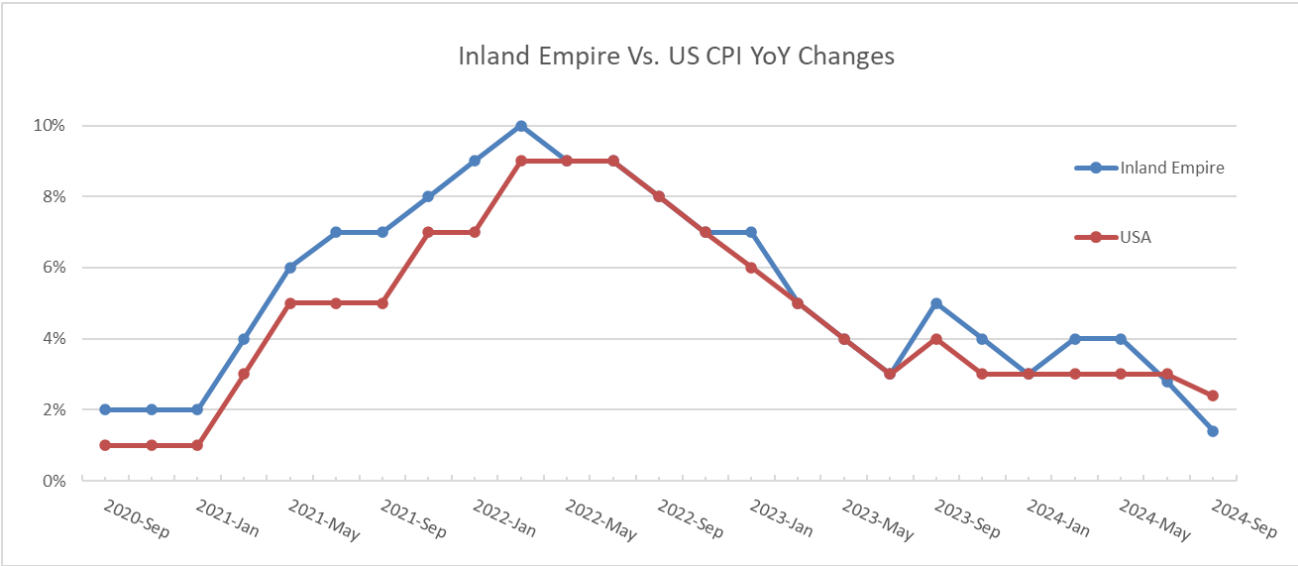
Economic Context: Unemployment Rate

The unemployment rate in the Inland Empire has slightly declined after a three-month upward trend, aligning with the national downward trend. However, the rate in the Inland Empire (5%) remains above the national rate (4%), signaling ongoing challenges for the region. Despite the stable difference between the two rates over time, the graph indicates a need for cautious observation as both local and national economic conditions continue to shift.



Economic Context: CPI – Inflation

Reflecting our PMI data, the region's current CPI level shows that inflation has cooled significantly, now dipping below the national average and nearing pre-pandemic levels. This suggests effective control over inflation locally and points to a broader market cooldown.



National and Regional PMI Comparison

PMI Components	Regional Trend	National Trend
Manufacturing PMI	Growing	Contracting
Production	Growing	Contracting
New Orders	Growing	Contracting
Inventory	Decreasing	Contracting
Employment	Contracting	Contracting
Supplier Deliveries	Slowing	Slowing

The national manufacturing sector has faced a persistent contraction trend, while the Inland Empire continues to show growth. This indicates a solid foundation within our regional manufacturing sector. Across the country, employment in manufacturing is still shrinking, and supplier deliveries present logistical challenges for manufacturers at both national and regional levels.

In summary, October 2024 saw a slight decrease in the Purchasing Managers' Index (PMI), though it remained above the 50-point threshold, signaling ongoing growth in the manufacturing sector. Both the PMI and unemployment rate indicators show an improvement in the employment index; however, challenges persist as the employment index remains below 50, indicating continued contraction. The recent East Coast port strike has caused a ripple effect, slowing supplier deliveries. Businesses are advised to strategically manage their supply chains to minimize potential risks in the future.

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