

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 September 2024

Key Summary of the Report:

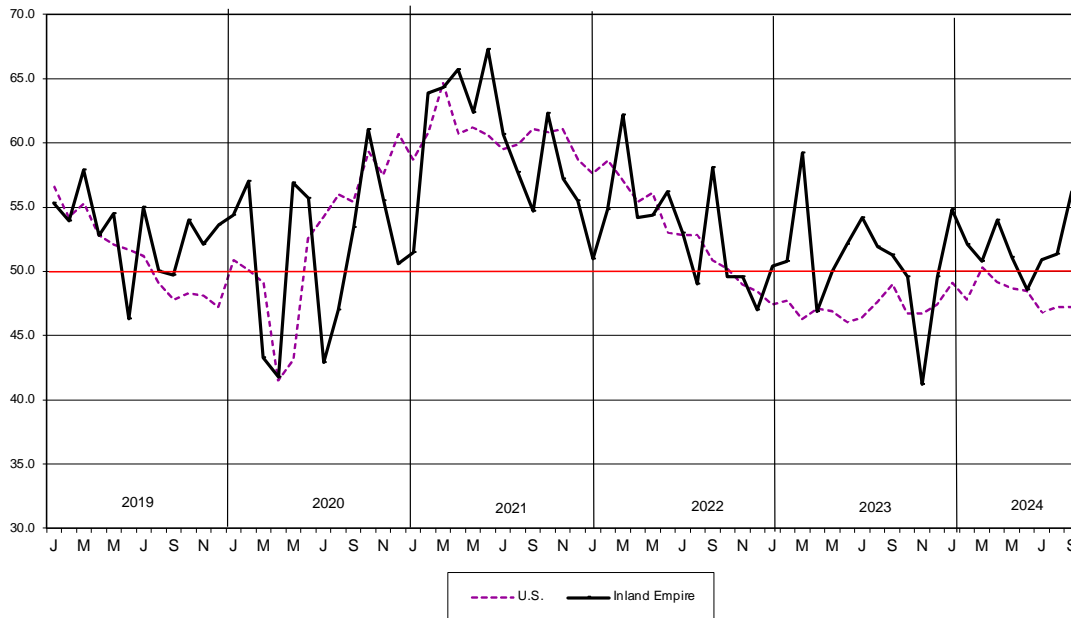
This month's PMI report for the Inland Empire highlights growth and rising commodity prices, contrasted by employment challenges and election-related uncertainties.

- **Sustained Growth in PMI:** The Inland Empire PMI rose to 56.2, up from 51.3 in the previous month, maintaining its position above the 50 mark for the third consecutive month and indicating continued economic expansion.
 - **Robust Increase in Production:** The Production Index significantly increased to 69.2 from 56.7, highlighting a strong rebound in production activities.
 - **Rising Commodity Prices:** The Commodity Price Index rebounded to 64.3, rising from a significant drop that ended a 61-month streak above 50, signaling a resurgence in commodity prices.
 - **Employment Challenges Persist:** The Employment Index fell to 39.3 from 46.7, marking the third consecutive month below 50 and indicating ongoing contraction in the job market.
 - **Resilient Regional Manufacturing Sector:** Despite the national PMI showing contraction in the broader manufacturing sector, the Inland Empire continues to experience growth.
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PMI

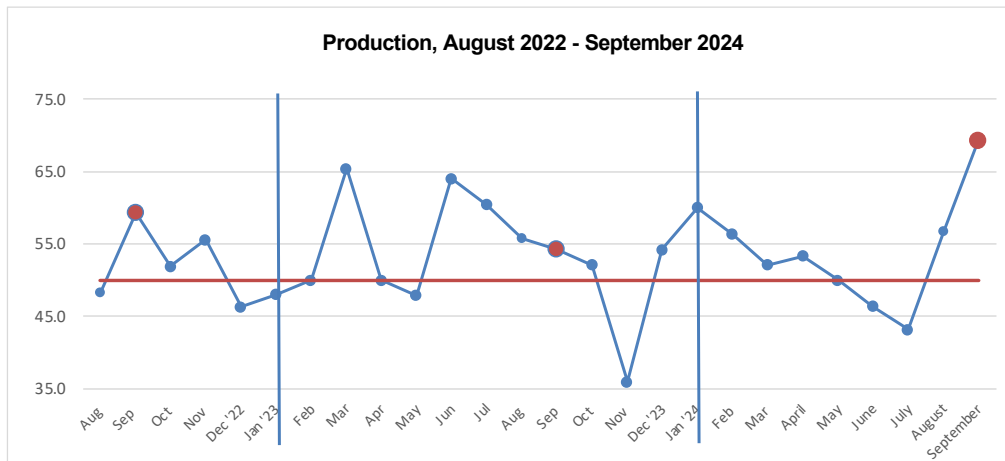
According to Dr. Anna Long and Dr. Peiyi Jia from the Institute of Applied Research, the Inland Empire **Purchasing Managers' Index (PMI)** for **September** is **56.2**, reflecting a continued rise from the previous month's figure of 51.3. This marks the third consecutive month with a PMI above 50, indicating a sustained growth.

Purchasing Managers' Index

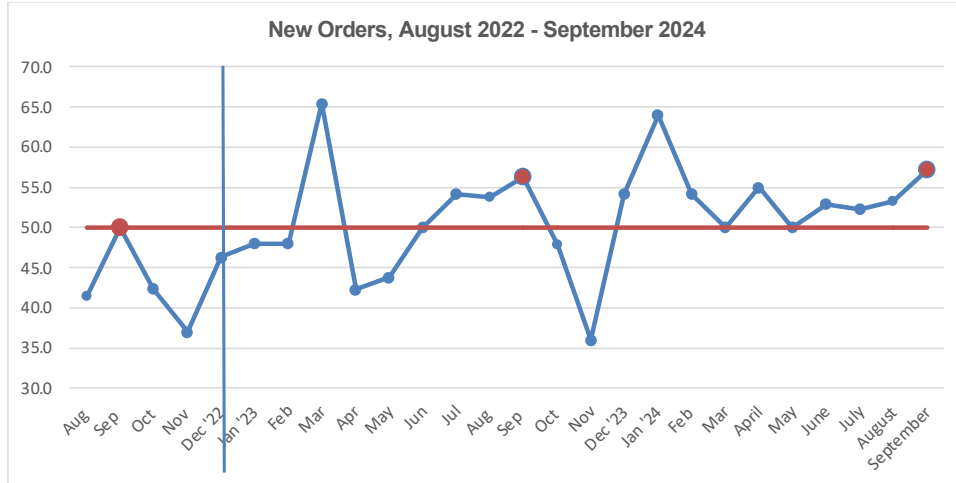


Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** for September 2024 is recorded at **69.2**, marking a significant increase from the previous month's figure of 56.7. This rise continues the upward trend, following the recovery above the critical 50-mark last month, and signals a robust rebound in production activity.



The **New Orders Index** (the other key component of the PMI) remained stable in September, recording **57.1** compared to 53.3 in the previous month. This marks the tenth consecutive month with the index at or above 50, indicating an accelerating pace of new order growth.



In September 2024, the **Employment Index** was recorded at **39.3**, a notable drop from the previous month's 46.7. This marks the third consecutive month with a figure below 50. This decline indicates a continued contraction in employment within the Inland Empire.

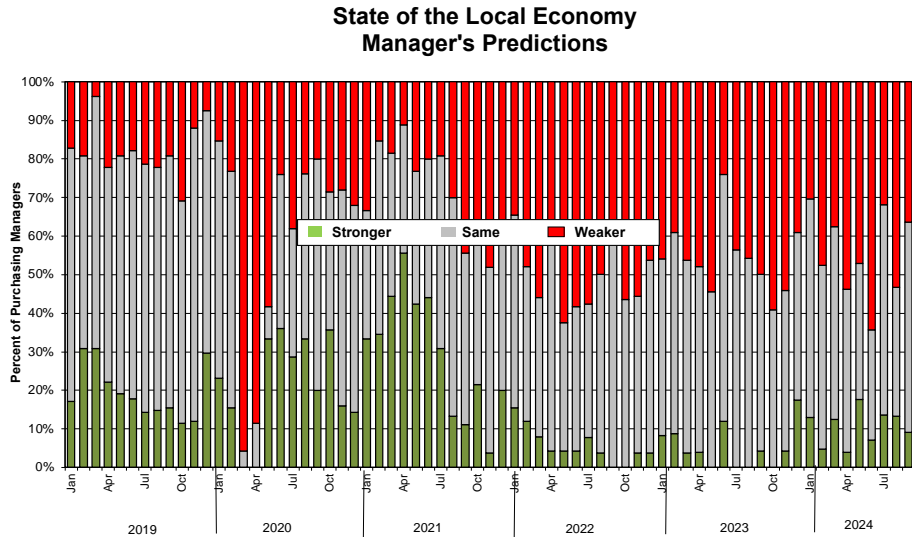
In September 2024, the **Commodity Price Index** for the Inland Empire rose to 64.3. This increase follows a significant decline last month that ended a 61-month streak of the index remaining above 50. The rebound above the critical 50-mark signals a recovery in commodity prices. The Institute of Applied Research will continue to monitor this index closely.



The **Supplier Deliveries Index**, which measures the speed of supplier deliveries, registered at **53.6** this month, a slight increase from the previous month's 53.3. This uptick indicates that suppliers are delivering goods at a slightly slower pace compared to last month.

The **overall Inventory level** registered at **53.6** this month, a significant increase from last month's 46.7. This rise above the critical 50-mark indicates that businesses are accumulating more stock.

Panelists were asked to forecast the state of the local economy over the next three months. The majority, **36.4%**, believe the local economy will worsen, while **54.5%** expect it to remain unchanged. Only **9.1%** of panelists anticipate that the local economy will improve in the coming quarter.



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

September 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	51.3	56.2	Growing	Faster	3
Commodity Prices	46.7	64.3	Increasing	From Decreasing	1
Production	56.7	69.2	Growing	Faster	2
New Orders	53.3	57.1	Growing	Faster	10
Inventory	46.7	53.6	Increasing	From Decreasing	1
Employment	46.7	39.3	Contracting	Faster	3
Supplier Deliveries	53.3	53.6	Slowing	Faster	9
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	13.3%	9.10%			
% Same	33.4%	54.50%			
% Weaker	53.3%	36.40%			

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:

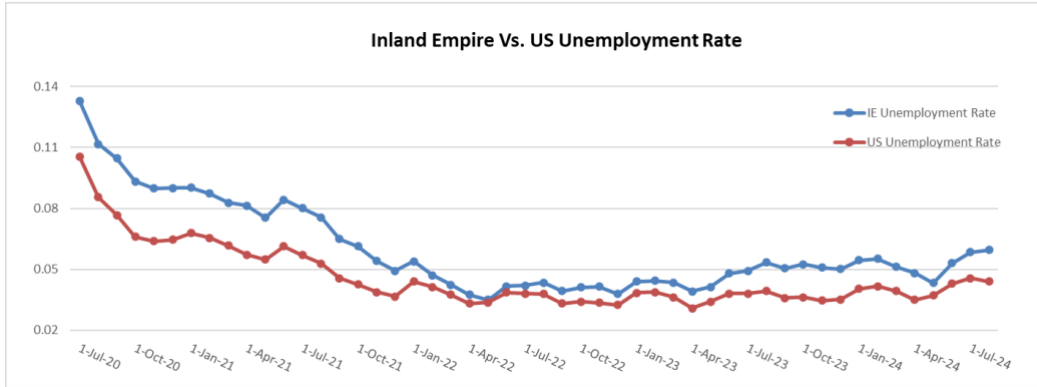
- *"Closed orders have been a little better this month and looking to have more new orders come in."*
- *"Commercial aviation is strong and growing stronger."*
- *"End of summer business slowed sooner than usual, but activity is picking up."*
- *"Sales orders continue to get slightly better each month. Ramping up production has been slower than anticipated, but it is improving each week."*
- *"With the liquidity that existed, and to some extent still exists, combined with the lower interest rates, I am optimistic, especially if we see a further reduction prior to the EOY."*

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

- *"Economy is still slow and energy prices continue to increase at a rate that is not sustainable for residential or business. Need leadership at State and National level to aid business for the long term and not just for the 'election cycle'."*
- *"Slow."*
- *"Two things of great importance to the economy and our purchasing: First, the election and policy differences between the candidates on sectors of the economy that impact our business create an unknown factor in our ability to plan for 2025. Second, the potential stimulation of the economy due to the lower Prime Rate has not yet had an impact, so it remains to be seen if the Fed acted too slowly or not."*
- *"Business is steady. 4th quarter looks to be slowing down slightly."*
- *"Energy costs are not right. Other states seem to be more attractive at this time. The poor quality of the work force."*

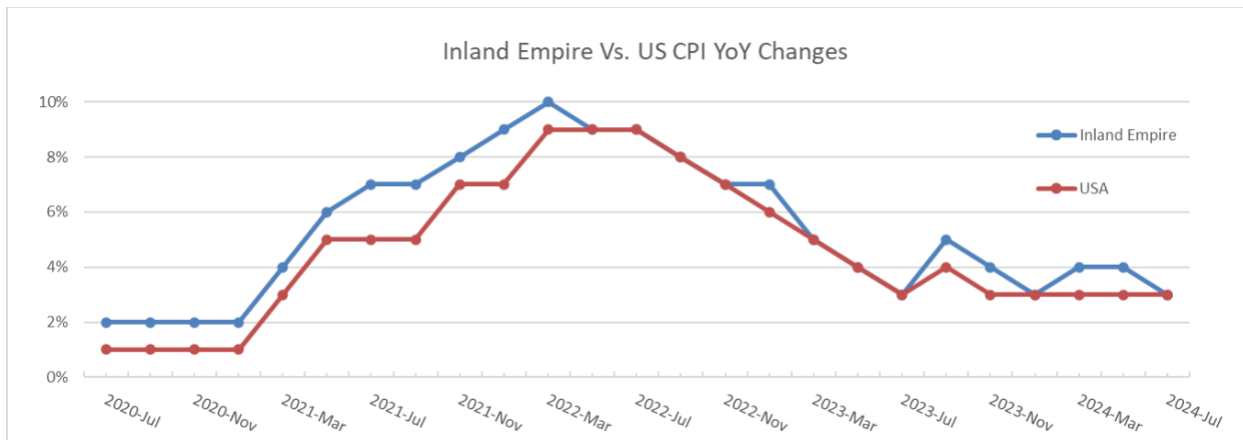
Economic Context: Unemployment Rate

The unemployment rate is a key economic indicator, and the Inland Empire's unemployment rate has been rising for the past four months. The rate of increase in the Inland Empire (around 6%) is outpacing the national level (approximately 4%), which is cause for concern. The acceleration of this upward trend indicates growing economic challenges in the region compared to the overall U.S.



Economic Context: CPI – Inflation

Aligned with our PMI data, the current CPI level in the region suggests that the inflation rate has aligned with the national average. Although it has not yet returned to pre-pandemic levels, this indicates that inflation has been effectively managed in the market, providing some relief for business owners.



National and Regional PMI Comparison

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

While the national manufacturing sector is facing a contracting trend, manufacturers in the Inland Empire are still experiencing growth, particularly in production and new orders. Nationwide, employment continues to contract, and supplier deliveries remain a logistical challenge for manufacturers at both the national and regional levels.

In summary, The economic indicators for the Inland Empire in September 2024 highlight a resilient regional economy, though there are cautionary signs with the rising regional unemployment rate. Despite the national challenges in the manufacturing sector, the regional Purchasing Managers' Index (PMI) rose to 56.2, marking the third consecutive month of growth above the 50 threshold. The Production Index showed notable improvement, climbing to 69.2, indicating a strong rebound in production activity. However, labor market challenges persist, as reflected in the Employment Index, which fell to 39.3, signaling continued contraction amid rising unemployment rates both regionally and nationally. The Commodity Price Index rebounded to 64.3, breaking a 61-month streak below 50. Despite these gains, uncertainty remains about future economic conditions, with most panelists expecting stability or decline rather than improvement. Concerns about the upcoming election and the policy differences between candidates are creating uncertainty, complicating strategic planning for 2025.

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