

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 December 2024

Key Summary of the Report:

The December 2024 report highlights a notable decline in the Inland Empire PMI, while panelist sentiment continues to show growing optimism for the region's economic outlook.

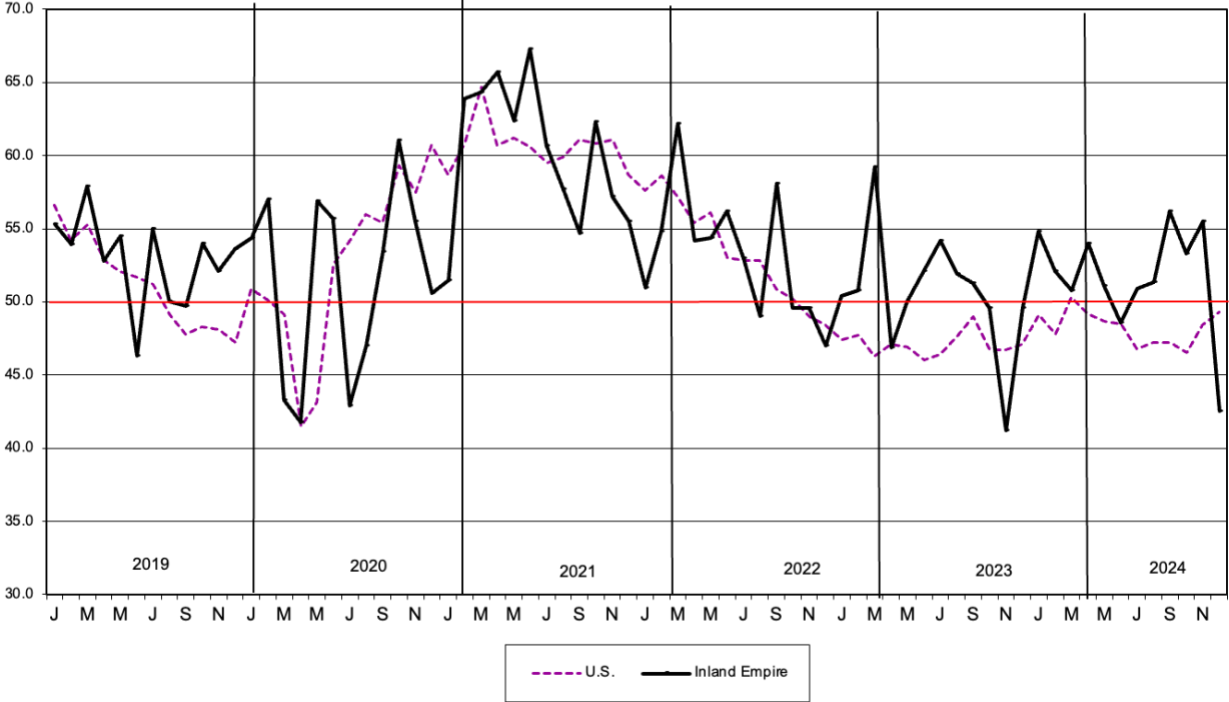
- **Notable Drop in PMI:** The Inland Empire PMI fell below the 50 threshold, marking a notable decline and dipping below the national level for the first time in months.
 - **Decline in New Orders:** The New Orders Index dropped significantly to 25.0, reflecting a severe contraction in order activity.
 - **Seasonal Slowdown in Production:** the Production Index fell to 34.4, reflecting a slowdown in manufacturing activity likely driven by the holiday season.
 - **Stabilizing Inventory Levels:** Inventory levels registered at 50.0, decreasing from last month but aligning with typical post-holiday trends as businesses adjusted stock levels following seasonal demand.
 - **Improved Supply Chain Conditions:** The Supplier Deliveries Index remained above 50, with a slight decrease indicating easing delays and gradual stabilization in supply chains.
 - **Growing Optimism Among Panelists:** The percentage of panelists expressing positive perspectives on the economy has continued to rise for three consecutive months, highlighting confidence in the region's economic resilience.
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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 December 2024 fell sharply to **42.5** from 55.5 in November. This marks the first time the figure has fallen below the national level since December of the previous year and the first reading below the 50-mark threshold since July 2024, signaling a potential reversal in the Inland Empire's manufacturing sector trajectory.

This significant decline suggests a possible contraction within the manufacturing sector, a stark contrast to the steady growth observed in recent months. The Institute of Applied Research will closely monitor this figure to assess whether this drop is a temporary fluctuation or indicative of more sustained challenges for the regional economy.

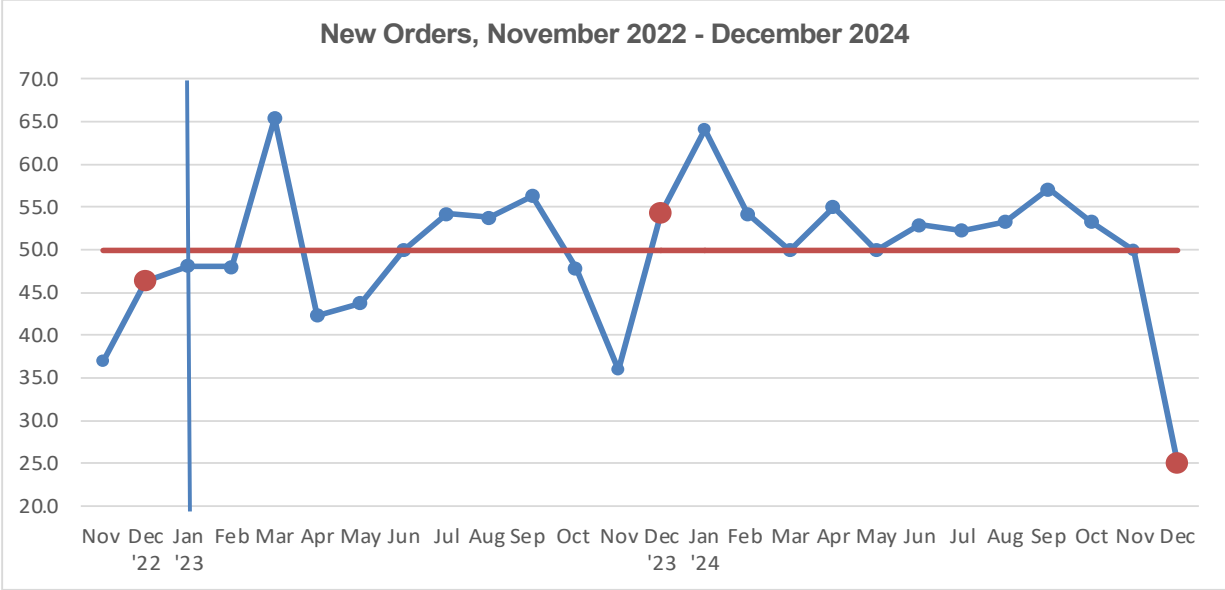
Purchasing Managers' Index



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

The **Production Index** for December 2024 fell sharply to **34.4**, a significant decline from the previous month's figure of 55. This marks the third consecutive month of decline and the first time the index has dropped below the 50 threshold since August 2024, signaling a contraction in production activities.

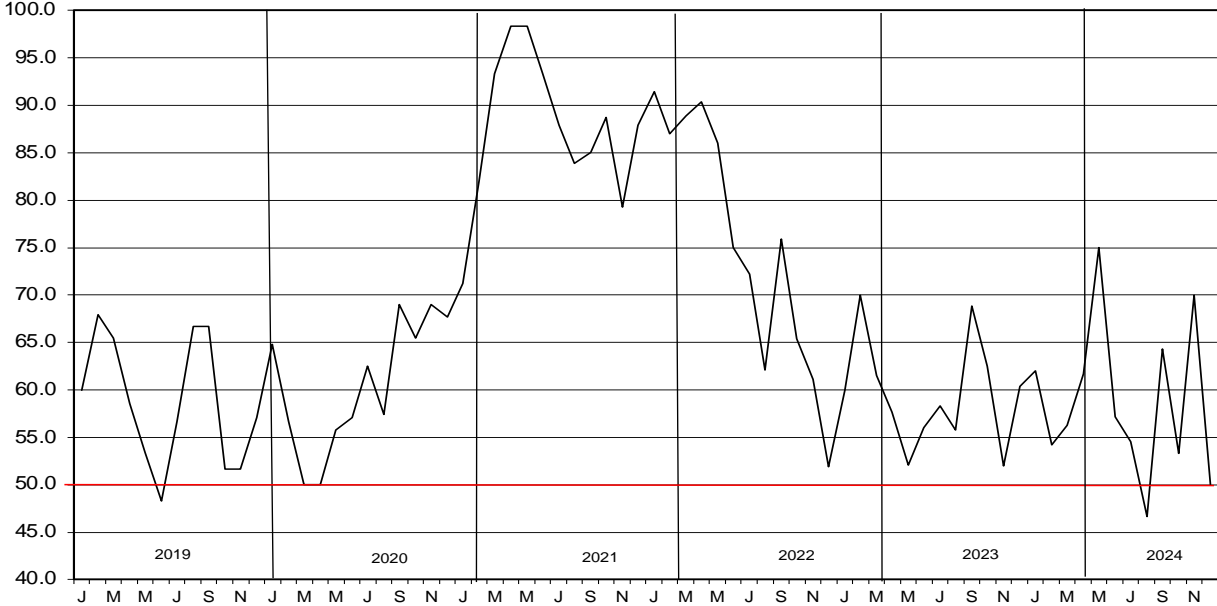
The **New Orders Index** for December 2024 experienced a significant drop to **25.0**, down sharply from 50.0 in the previous month. This substantial decline indicates a severe contraction in new order activity, reflecting weakening demand within the Inland Empire's manufacturing sector in December. This decline might be attributed to the holiday season and industry-specific factors, particularly in sectors like the automobile industry, which often experience seasonal slowdowns during this period.



In December 2024, the **Employment Index** remained steady at **50.0**, unchanged from the previous month. This marks the sixth consecutive month at or below the 50 threshold, reflecting ongoing challenges in stabilizing employment levels within the Inland Empire's manufacturing sector.

The **Commodity Price Index** for December 2024 declined sharply to **50**, down significantly from last month's figure of 70. This record of 50 indicates no change in commodity prices, suggesting a stabilization following a period of notable volatility.

Commodity Prices

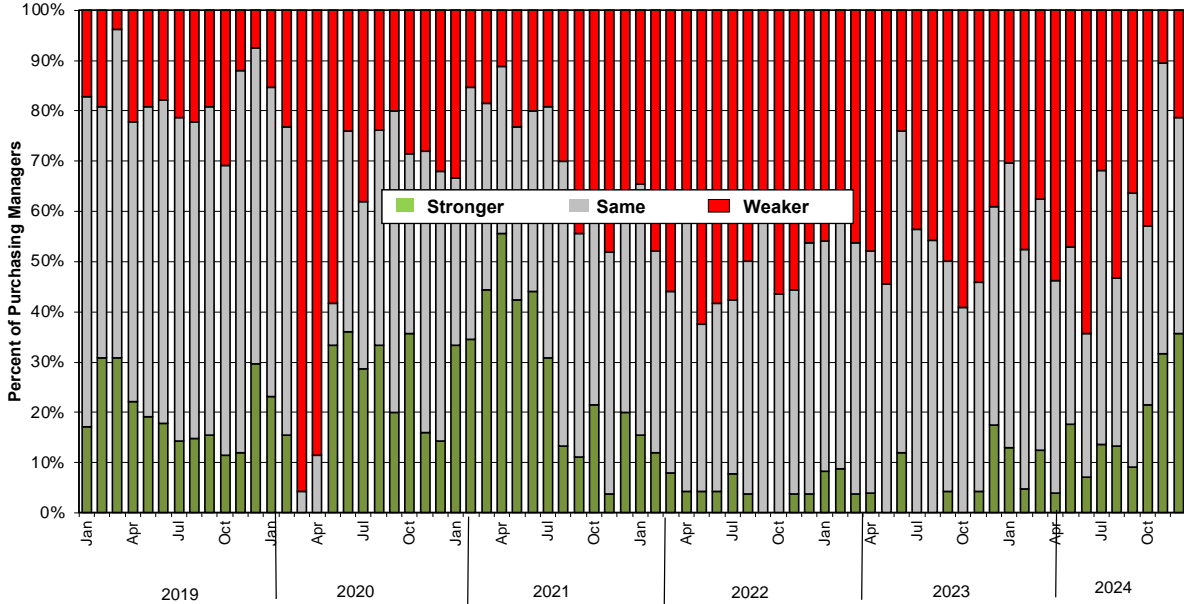


The **Supplier Deliveries Index** for December 2024, which measures the speed of supplier deliveries, registered at **53.1**, a slight decrease from 55.0 in the previous month. This marks the 12th consecutive month the index has remained above the 50 threshold, indicating continued slower delivery times. However, the decrease suggests that the rate of slowing has eased, signaling a potential improvement in supply chain conditions.

The **Overall Inventory Level** for December 2024 registered at **50.0**, a notable decrease from last month's 67.5. This decline reflects the cessation of stocking for the holiday season and aligns with typical post-holiday trends, showcasing adjustments in inventory levels following the seasonal demand surge.

Panelists were asked to forecast the state of the local economy over the next three months. A majority, 42.9%, believe the economy will remain unchanged, while 35.7% expect it to strengthen—an improvement from the previous month. Only 21.4% anticipate a weaker economy in the coming quarter, reflecting an overall positive shift in sentiment compared to prior months.

**State of the Local Economy
Manager's Predictions**



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

December 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	55.5	42.5	Contracting	From Growing	1
Commodity Prices	70.0	50.0	Unchanged	From Increasing	4
Production	55.0	34.4	Contracting	From Growing	1
New Orders	50.0	25.0	Contracting	From Unchanged	1
Inventory	67.5	50.0	Unchanged	From Increasing	2
Employment	50.0	50.0	Unchanged	From Unchanged	6
Supplier Deliveries	55.0	53.1	Slowing	Slower	12
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	31.60%	35.70%			
% Same	57.90%	42.90%			
% Weaker	10.00%	21.40%			

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

Starting with optimistic perspectives:

- “End of year sales remained steady with a good backlog ready for January production.”
- “Orders seem to be increasing over last year by about 5%.”
- “December was impacted by holidays and attendance (not unusual) so indicators are generally soft vs November. Expectation is January will rebound.”

Some panelists neutral or mixed perspectives:

- “December is always a slowdown for automotive due to holiday closure from 12/20–1/1/25.”
- “Everything seems to be going the same as the past couple of months. Still bidding lots of work. Public Works and some commercial.”
- “Mixed business with the Holidays.”
- “Really no changes from last month.”

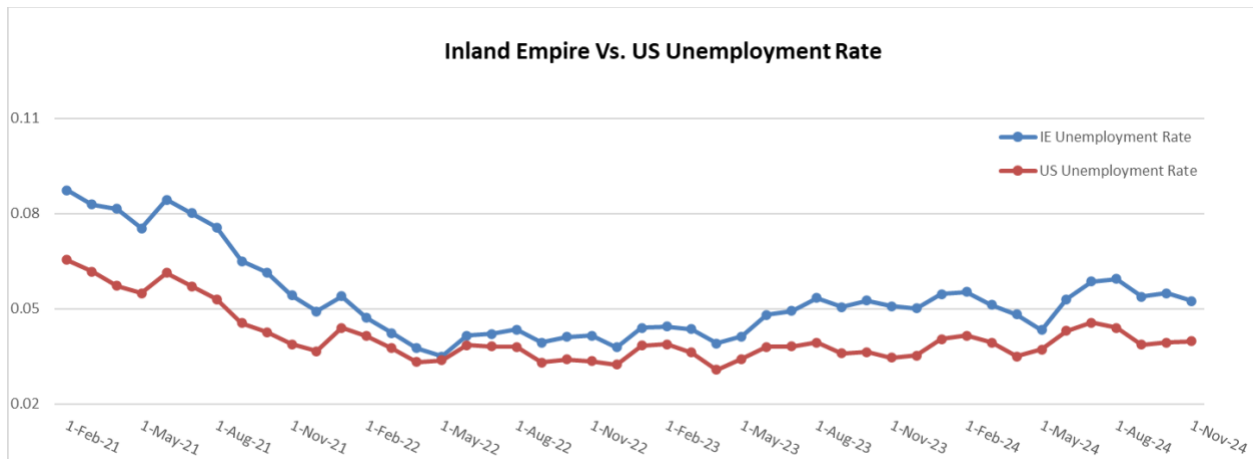
Others shared some concerns

- “Slow.”

- “With the emergence of 2025 and a new administration in Washington, many major issues that can potentially impact our business, as well as the business environment in general, remain in question. It becomes very difficult to predict the public policies that will impact business, so the most important posture for businesses will be to remain both agile and adaptable as the policies come into focus and actions and reactions related to them will be able to be made.”

Economic Context: Unemployment Rate

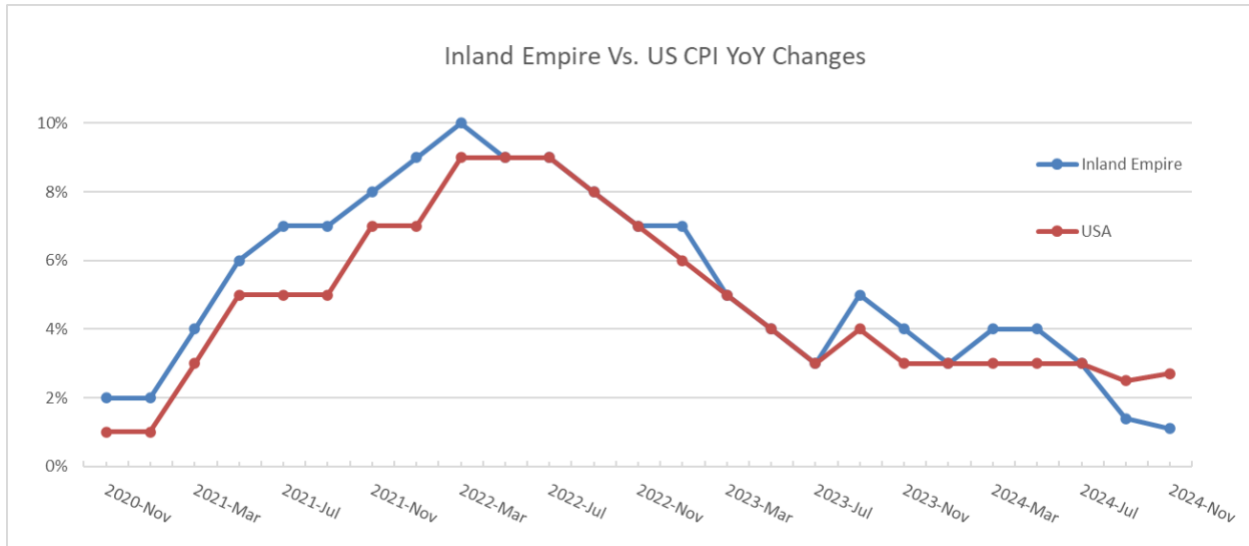
While we are still awaiting the December 2024 data, it is important to note that, based on our preliminary December data, concerns remain regarding the region's unemployment rate, which continues to exceed the national average. The recent decline in unemployment may indicate a regional economic cooldown, warranting close observation in the coming months.



Economic Context: CPI – Inflation

Aligned with our PMI data, the region's current Consumer Price Index (CPI) reflects a significant cooling of inflation, now falling below the national average and approaching pre-pandemic levels. This trend indicates effective local inflation control and suggests a

broader economic slowdown in the market.



National and Regional PMI Comparison

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

The December PMI data reveals a mixed economic performance in the Inland Empire, breaking the steady growth strike across all components. Core areas such as new orders, production, and employment continue to contract, indicating ongoing challenges in key industries. However, there are signs of resilience, with one sector showing growth despite broader slowdowns. Meanwhile, categories like inventories remain unchanged or are slowing, reflecting a more cautious approach from businesses as they navigate economic uncertainty. While the national economy shows signs of recovery and momentum in certain regions, the Inland Empire's performance appears more uneven, and more volatile.

Overall, in December 2024, the Purchasing Managers' Index (PMI) dropped significantly, driven by substantial declines in the New Orders and Production indices, potentially due to the holiday season and industry-specific characteristics, such as those in the automobile sector. Inventory levels also fell as the holiday season came to an

end. While the regional PMI experienced a sharp decline, the national PMI showed a slight increase. On a positive note, the percentage of panelists expressing optimistic perspectives on economic conditions has increased for three consecutive months. It will be important to monitor these changes closely to assess whether they represent a temporary fluctuation or a concerning reversal of the regional economic trend.

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