

**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 February 2025**

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**Key Summary of the Report:**

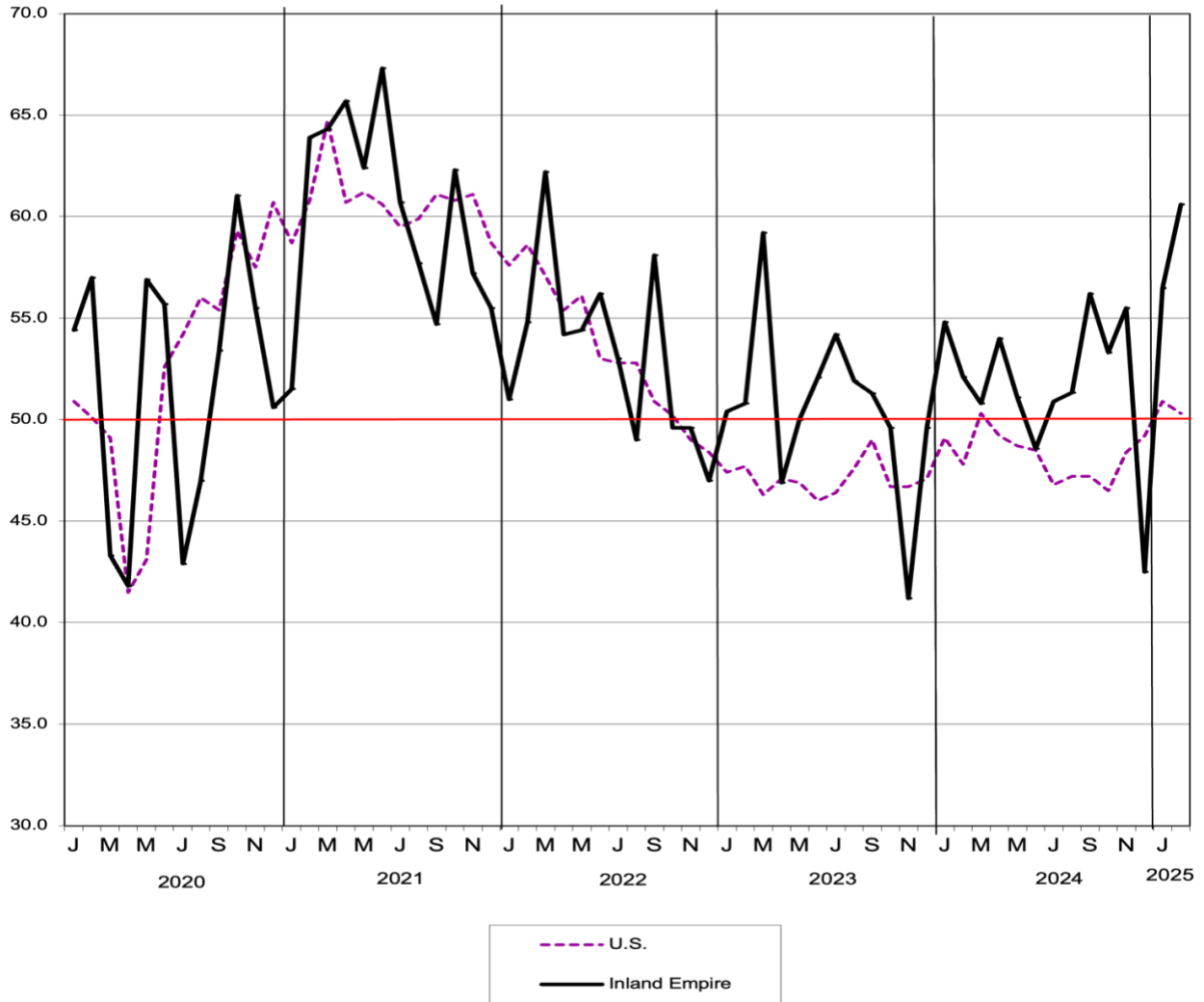
*The February 2025 report highlights a notable increase in the Inland Empire PMI, driven by increases in the New Orders, Production and employment indices.*

- **Growing PMI:** The PMI rose to 60.0, up from 56.5 in January, continuing to outperform the national figure.
  - **Production Index increase:** The Production Index jumped to 65.6 from 52.9, signaling a robust recovery in manufacturing activity.
  - **New Orders Growth:** The New Orders Index climbed to 65.6, maintaining its upward trend after a strong rebound last month.
  - **Recovering Job Market:** The Employment Index increased to 59.4 after remaining at 50.0 for the past three months, reflecting an improving labor market in the manufacturing sector.
  - **Commodity Price Surge:** The Commodity Price Index rose sharply to 75.0 from 64.7, indicating rising input costs for manufacturers.
  - **Policy Uncertainties:** While most panelists foresee a stable economic outlook, some express concerns over uncertainties related to policy changes.
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**PMI**

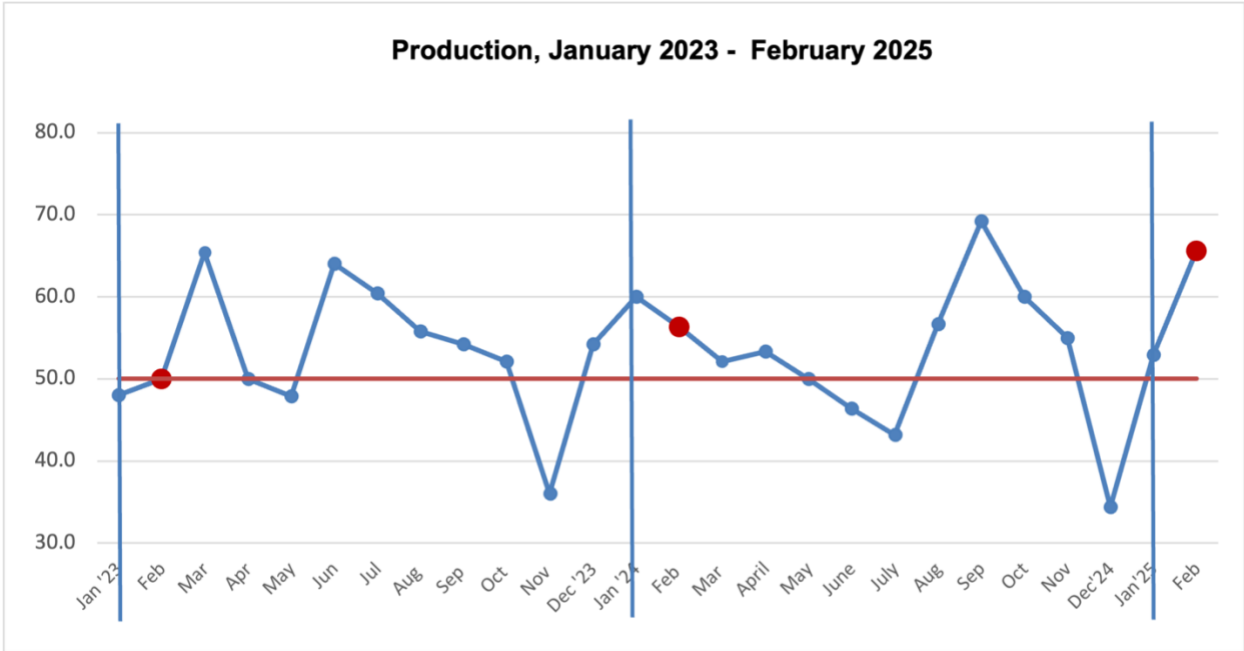
According to Dr. Anna Long and Dr. Peiyi Jia from the Institute of Applied Research the Inland Empire Purchasing Managers' Index (PMI) for February 2025 rose to **60.0**, up from 56.5 in January. This month's figure continues to exceed the national PMI, which declined slightly to 50.3 in February, highlighting the Inland Empire's stronger regional economic performance in the manufacturing sector.

## Purchasing Managers' Index

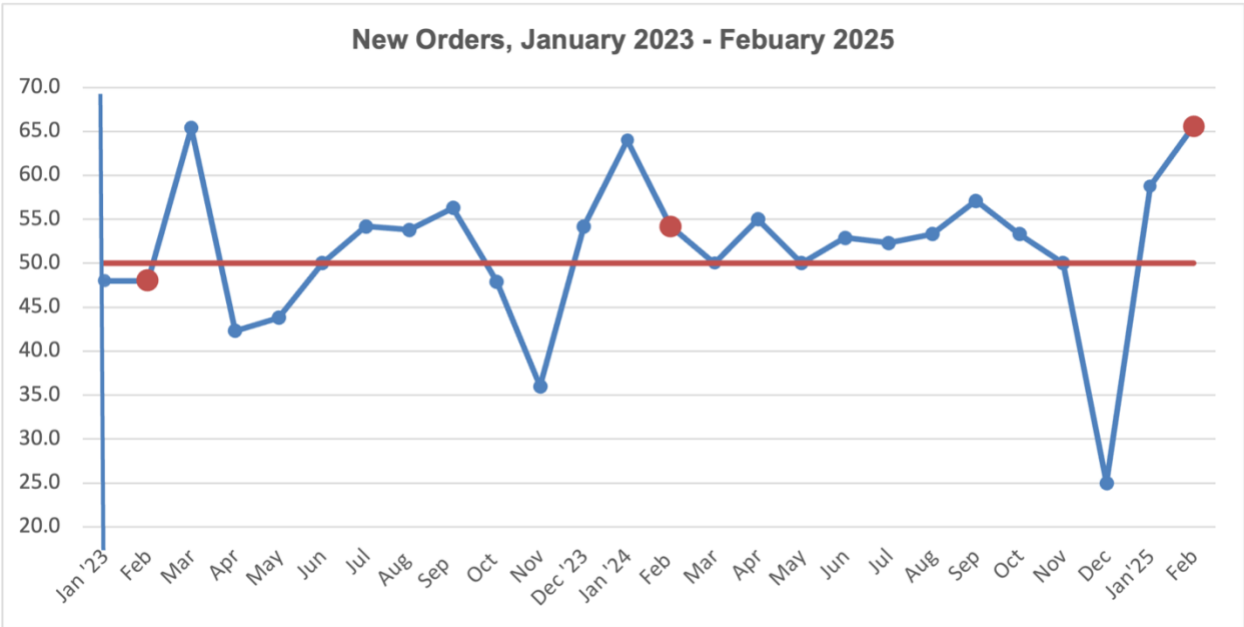


Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** for February 2025 surged significantly to **65.6**, up from 52.9 in January. This figure has continued to rise after rebounding above the 50-threshold last month, indicating a strong recovery in production activities in the region.



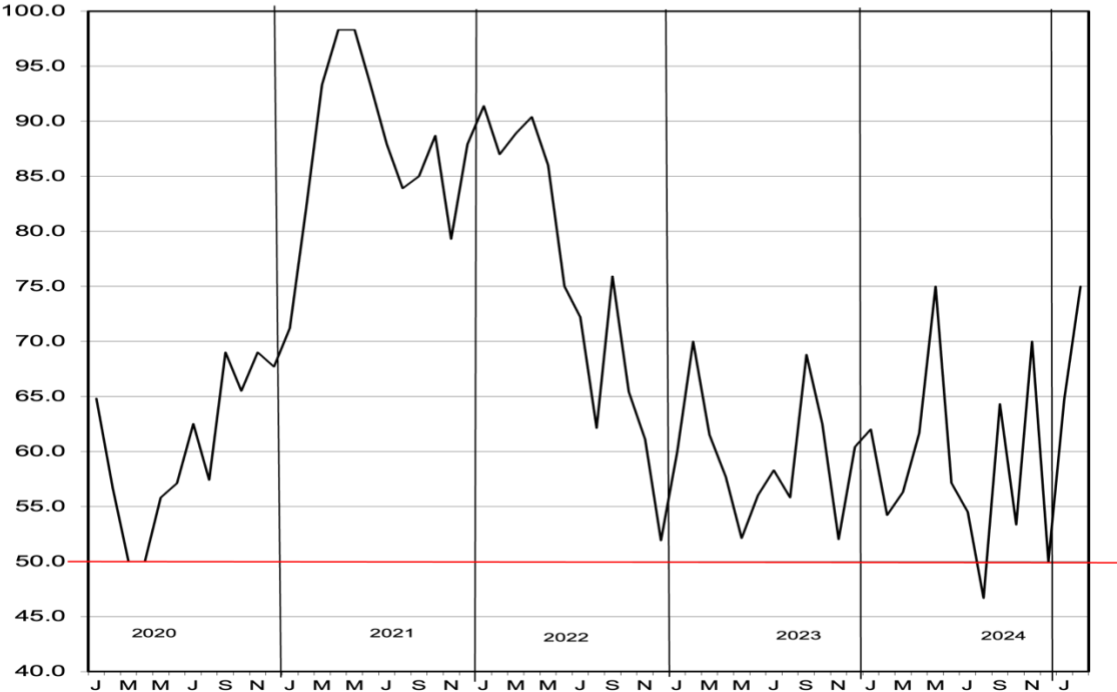
**The New Orders Index** for February 2025 continued increased to **65.6** after experienced a strong rebound last month, this recovery indicates renewed demand and suggests that December's decline was a temporary fluctuation rather than a prolonged downturn. Additionally, the February figure is significantly higher compared to the same month in previous years.



In February 2025, the **Employment Index** rose to **59.4**, after remaining unchanged at 50.0 for three consecutive months since last November. This increase above the 50 threshold reflects a recovering job market in the Inland Empire’s manufacturing sector.

The **Commodity Price Index** for February 2025 increased sharply to **75.0** from last month's figure of 64.7, indicating a rise in input cost for manufacturers.

**Commodity Prices**

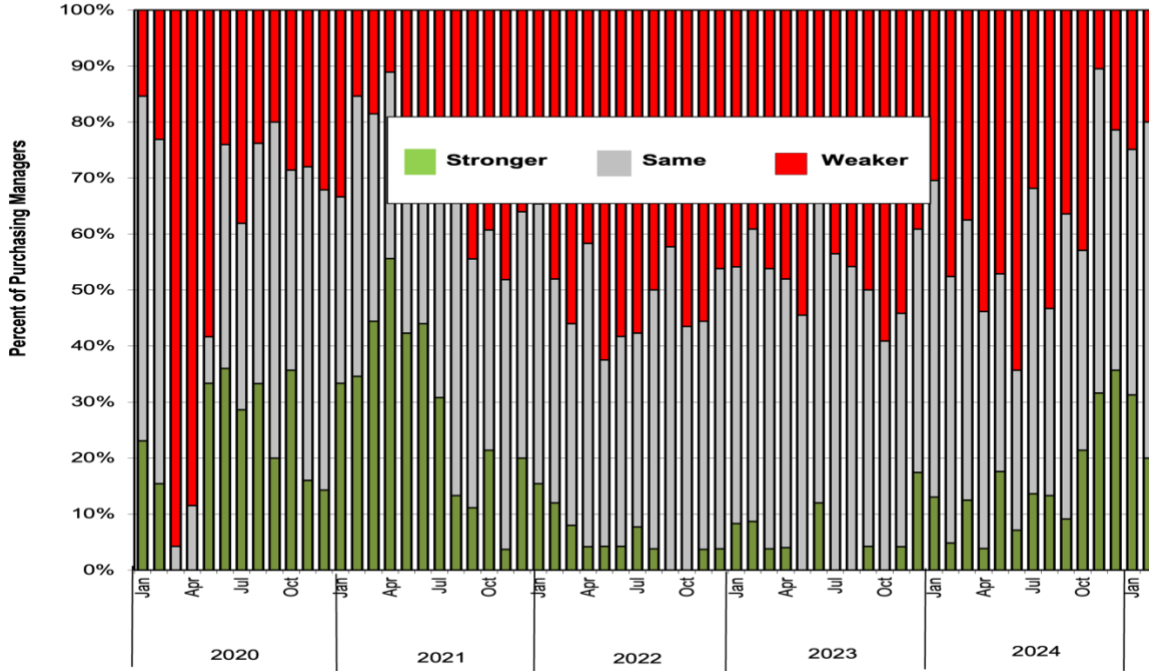


The **Supplier Deliveries Index** for February 2025, which measures the speed of supplier deliveries, remained at **50.0**, unchanged from the previous month, indicating stable supply chain conditions.

The **Overall inventory level** for February 2025 registered at **62.5**, a notable decrease from last month's 70.6. This indicates that inventory levels are still increasing but at a slower pace compared to the previous month.

Panelists were asked to forecast the state of the local economy over the next three months. A majority, 60%, believe the economy will remain unchanged, a significant increase from last month. Meanwhile, 20% expect it to strengthen, while another 20% anticipate a weaker economy, reflecting a stable overall outlook.

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



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

<b>February 2025 Business Survey at a Glance</b>					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend Months
	Last Month	This Month			
Local PMI	56.5	60.0	Growing	Faster	2
Commodity Prices	64.7	75.0	Increasing	Faster	6
Production	52.9	65.6	Growing	Faster	2
New Orders	58.8	65.6	Growing	Faster	2
Inventory	70.6	62.5	Increasing	Slower	2
Employment	50.0	59.4	Growing	From Unchanged	8
Supplier Deliveries	50.0	50.0	Unchanged	From unchanged	14
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	31.30%	20.00%			
% Same	43.80%	60.00%			
% Weaker	24.90%	20.00%			

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.

Some expresses stability and optimistic outlook for the future

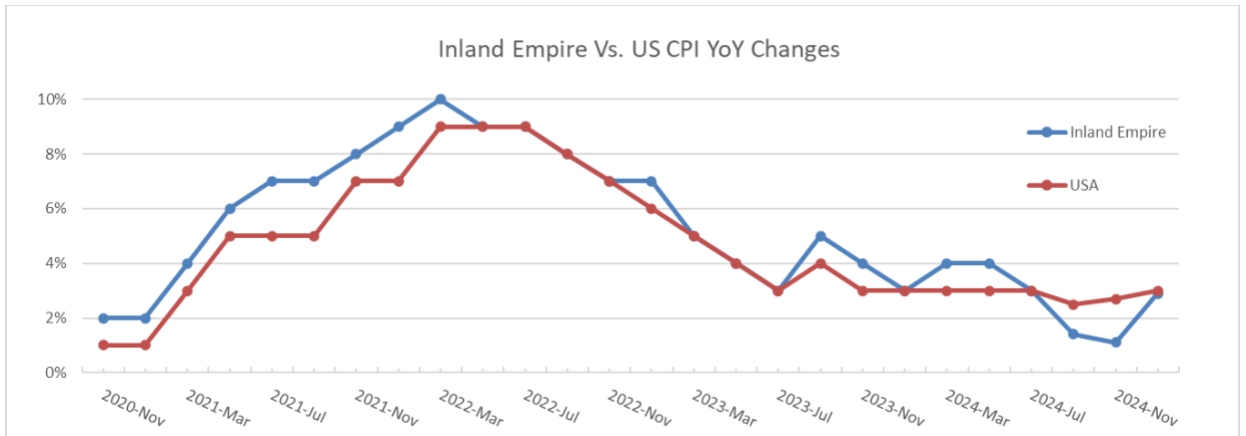
- "Work is steady and we are seeing an increase of invites to bid on future work."
- "Things have maintained with a good workflow and being busy with the reduced staff. Optimistic about survival and better cash flow, but with increased pricing for customers."
- "Orders are steady and in line with last year."
- "Orders steady and same as a year ago."

Some expressed the concerns

- "As far as Riverside County sales for us are weak. The Country's sales are good. We sell all over the Country but Temecula industrial business are really weak since the financial collapse 2007-2008."
- "Q1 2025 a little 'softer' than Q4 2024. Before the prospect of tariffs, business outlook was positive."
- "Slow start to the year."
- "Slower."
- "Tariff adds is making things uncertain."
- "As I stated last month, the new administration has come in and followed up on positions that were a part of what they had said they were going to do from 'Day One'... While our company will be minimally directly impacted by any of these policies, the general economy will, and it is still unpredictable how profoundly and in what ways, although there is consensus that prices will go up and there will be a scarcity of labor for many things on which the economy depends."

### **Economic Context: CPI – Inflation**

The latest data from January 2025 indicates that inflation in the Inland Empire is beginning to rise again after a period of stability, with local CPI increasing more sharply than the national trend. While the reasons for this rebound are still unfolding, potential factors include rising demand, higher production costs, and supply constraints. Additionally, recent policy shifts under the new administration, such as new tariffs on imports, energy initiatives favoring fossil fuel production, and efforts to roll back regulations, could influence economic conditions in the coming months. Though the immediate effects of these policies remain uncertain, businesses are already navigating existing challenges, including credit constraints, and persistent high interest rates.



### National and Regional PMI Comparison

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

In February 2025, the Inland Empire’s Manufacturing PMI shows continued growth in new orders, production, and employment, indicating strong local demand and hiring. However, supplier delivery times are increasing, highlighting ongoing supply chain delays in the region, while nationally, they are improving. Unlike the national trend of rising inventories, inventory levels in the Inland Empire remain unchanged, suggesting cautious stock management. Prices in the region are stable, whereas national price growth is slowing, indicating that inflation relief is more pronounced at the national level than locally.

In sum, the February 2025 Inland Empire Report on Business highlights a strong manufacturing sector, with PMI rising to 60.0, driven by significant growth in new orders, production, and employment. Despite this momentum, supplier delivery times remain unchanged, reflecting ongoing supply chain challenges, while commodity prices have surged, increasing costs for manufacturers. Inventory growth has slowed, indicating more cautious stock management. Economic sentiment is mixed—most expect stability, but some foresee growth or a slowdown due to policy uncertainties, including new tariffs and regulatory changes. Additionally, inflation in the region is rebounding more quickly

than nationally, driven by rising demand and production costs. While some businesses report steady orders and optimism, others cite a slower start to the year and concerns about future economic conditions.

***FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:***

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