

**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**

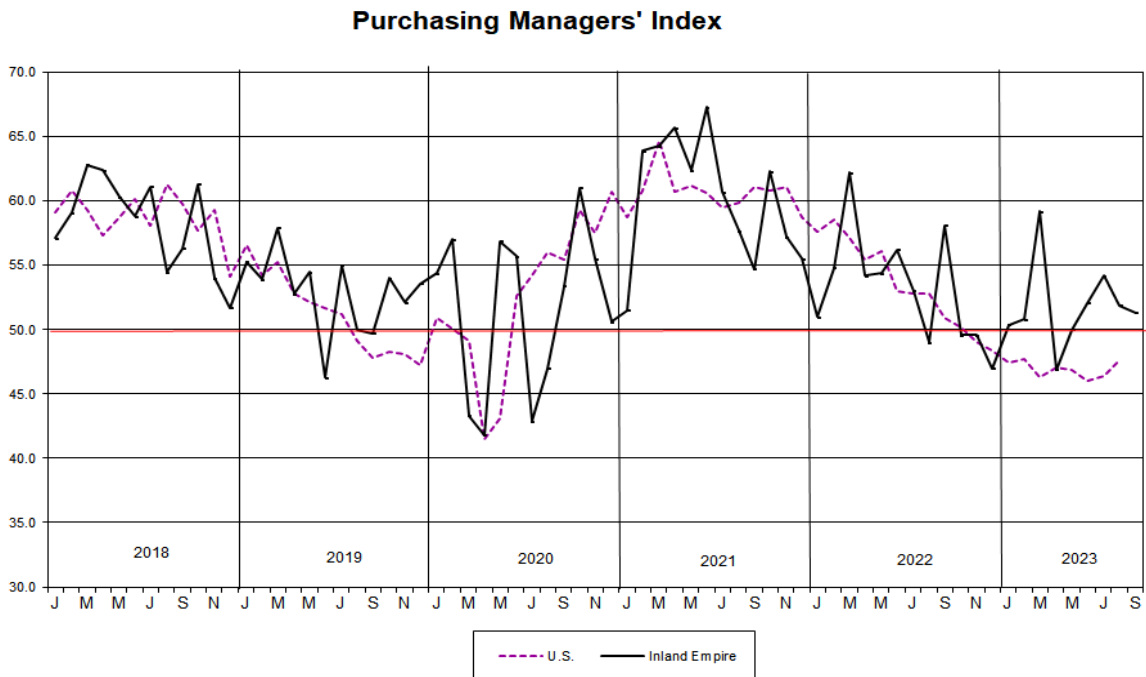
**Report for September 2023**

**Sponsors: San Bernardino County Economic Development Agency**  
**Riverside County Office of Economic Development**

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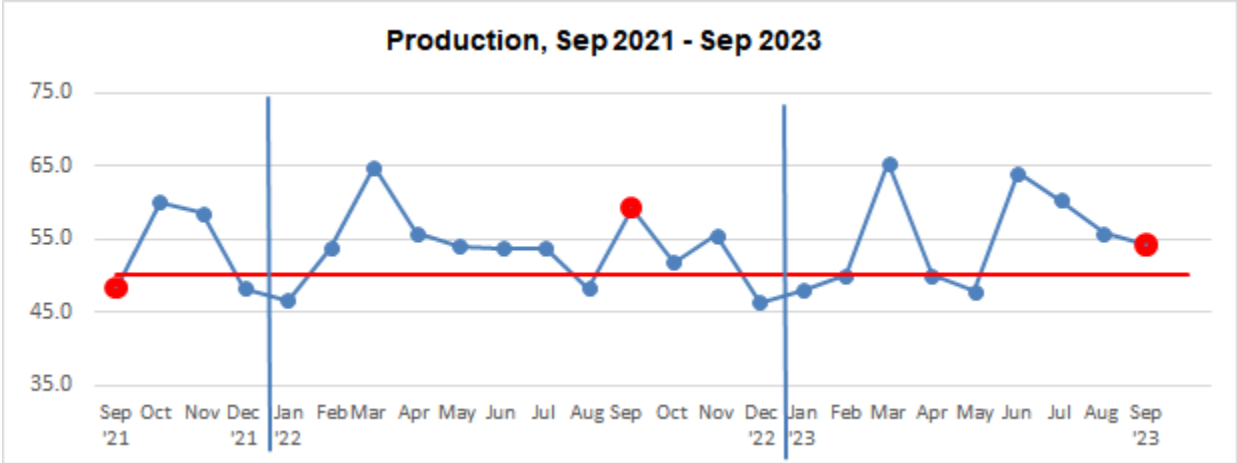
**PMI IN GROWTH MODE FOR FIVE MONTHS**

According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Specialist, Institute of Applied Research), "This month's Inland Empire **Purchasing Managers' Index (PMI)** registered **51.3**, virtually unchanged from last month's 51.9. This is the fifth month in a row that the index has remained above the baseline 50% mark, and it indicates that the Inland Empire manufacturing sector and overall economy remain in growth mode."

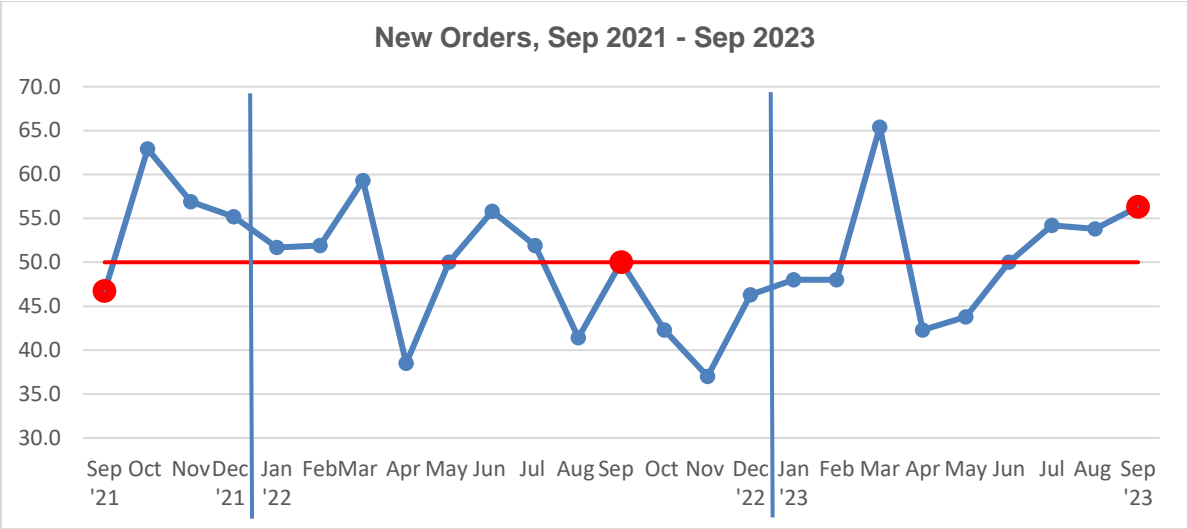


Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** (one of the two key components of the PMI) registered a slight decrease from last month's 55.8 to **54.2** this month, indicating that although production is still growing, the *rate* of growth is slowing. As the graph shows, there typically tends to be a slowdown in production at year end going into a new year.



The **New Orders Index** (the other key component of the PMI) registered **56.3** (an increase from last month's 53.8). This indicates that new orders are growing at a faster pace than last month. We note that these two key components of the PMI (Production and New Orders) have remained at or above 50% mark for more than four consecutive months, indicating a trend of growth.

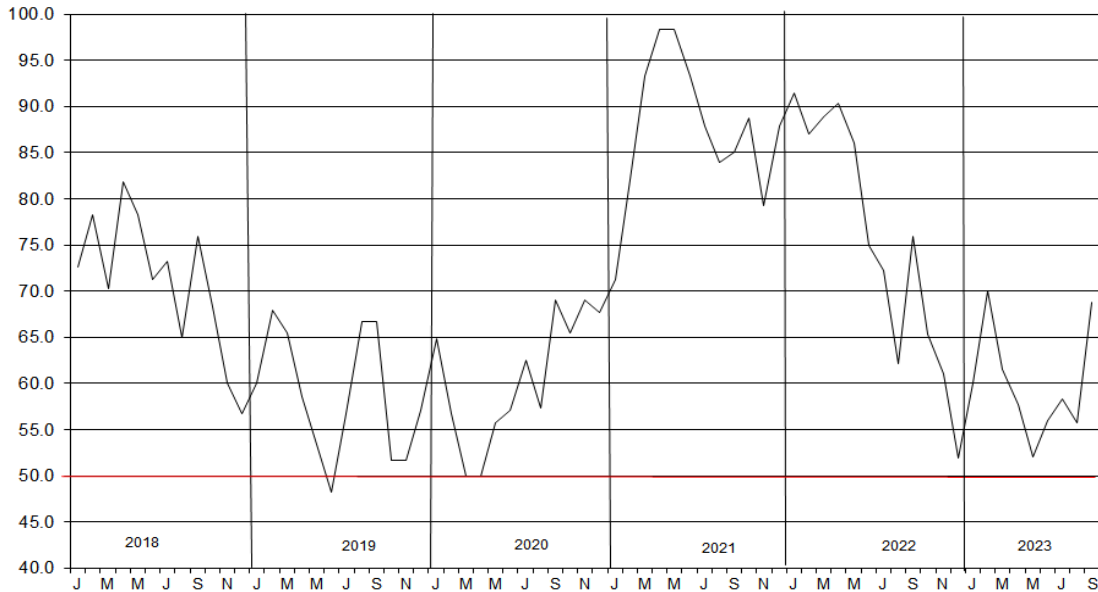


The volatile **Employment Index** returned to the baseline of **50.0** after two consecutive months of figures below 50. A few panelists commented that they hired more staff in the month of September.

The **Commodity Price Index** for the Inland Empire increased again from last month's

55.8 to **68.8** this month, reflecting an increase in inflationary pressures. We note, however, that the figure is nowhere near the highs seen in early 2021. Inflation has dominated the national economic news, and California is not immune to that trend. One of the concerns for California’s businesses as well as residents is the especially high gas prices. The AAA California average is \$6.063 as of 10/1/23, whereas the national average is \$3.815) (<https://gasprices.aaa.com?state=CA>). But gas is not the only price that continues to rise. Indeed, energy and food costs have continued to skyrocket too.

**Commodity Prices**



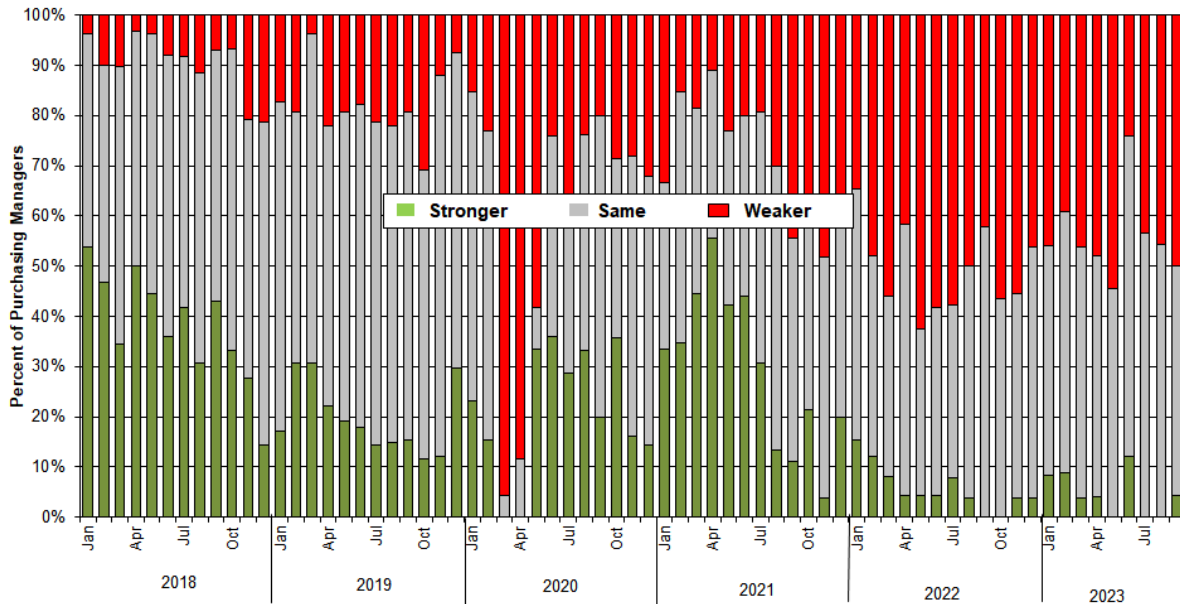
The **Supplier Deliveries Index** is a measure of the speed of supplier deliveries, with numbers below 50 indicating *faster* deliveries. The index decreased from 51.9 last month to **47.9** this month, indicating that supply deliveries have begun to get faster. This is not good news. Typically deliveries get faster if customer demand drops and suppliers are not as busy as they used to be.

The **overall Inventory level** (units, not dollars) including raw, MRO (Maintenance, Repair, Operating), intermediates, etc. registered **47.9** this month, a drop from last month’s 50.0. Over half of the panelists (**62.5%** -- up from 57.7% last month) said that their **inventory level of finished goods** was the same as last month, meaning that production of finished goods is “staying even” with their sales. Another **20.8%** said that their inventory of finished goods had declined (meaning more people were buying than expected), and the remaining **16.7%** said inventory had increased.

Panelists were also asked to make a prediction regarding the “future” state of the local economy over the coming three months. As has been the case since 2021, there is not a lot of optimism about the state of the economy. Only **4.2%** of panelists voiced a belief that the next quarter would see a stronger Inland Empire economy. Half (**50.0%** --

up from 45.8% last month) believe that the economy will be weaker over the coming quarter, and **45.8%** predict it will remain the same (down from last month's 54.2%). Considering that our data were collected over the last week when there were serious talks of government shutdown, this continued level of pessimism is perhaps not surprising.

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



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

<b>September 2023 Business Survey at a Glance</b>					
	<b>Series Index</b>		<b>Direction from 50</b>	<b>Rate of Change from Last Index</b>	<b>Trend Months</b>
	<b>Last Month</b>	<b>This Month</b>			
Local PMI	51.9	51.3	Growing	Slower	5
Commodity Prices	55.8	68.8	Increasing	Faster	51
Production	55.8	54.2	Growing	Slower	4
New Orders	53.8	56.3	Growing	Faster	4
Inventory	50.0	47.9	Decreasing	From unchanged	1
Employment	48.1	50.0	Unchanged	From Contracting	1
Supplier Deliveries	51.9	47.9	Getting Faster	From Decreasing	1
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	0.0%	4.2%			
% Same	54.2%	45.8%			
% Weaker	45.8%	50.0%			

Finally, our survey always includes an overall question asking the panelists to give general remarks regarding any business condition (local, national, or international) that affects the purchasing operation or the outlook of their company or industry. There were only a few completely positive comments:

Following are the positive/mixed comments:

- *"Excellent market conditions."*
- *"Imports up to supplement production."*
- *"Sales are up and material prices are going down. Availability may be an issue in the near future."*
- *"Still busy and getting through the orders we received earlier in the summer."*
- *"We seem to be doing well. We have lots of work and have already started putting work on the books for next year and into 2025."*

Other comments were negative or had a negative/mixed slant:

- *"Business has slowed in the last 30 days, and we have caught up on any backlog we had."*
- *"Business in September (traditionally one of our better months) continued to be at the lowest levels of the past few years. We did see a small pick-up in orders during the last half of the month. We will see if that carries over to October. Sentiment from customers is mixed but I'd say that there are still more positive attitudes out there than negative."*
- *"Had a little slow down from Labor Day and people probably finishing up their summer vacations."*
- *"Orders are down."*
- *"Really need some better leadership to reduce this inflation and generate some fossil fuel to reduce the cost."*
- *"Still slow."*
- *"The busy season is ending and we are behind – things are slowing down."*
- *"The Governor of California needs to stay out of business. Forcing employers to pay a certain amount to their employees affects all businesses. We are now scouting areas outside of California for possible relocation."*

**In summary**, this month is the fifth consecutive month of "positive" PMI figures indicating that the Inland Empire manufacturing sector is back in growth mode. The overall IE economy is also in growth mode based on those PMI figures.

But our panelists have not been showing overwhelming optimism about the short-term future of the Inland Empire economy. Nationally, consumer confidence dropped to a four-month low in September, and California's consumer confidence also dipped. Pandemic funding is now coming due for businesses and residents, thus causing economic hardship. And the global economic environment is not thriving. Consider this comment made by one of our long-time panelists:

- *"I see three major challenges that are either imminent or on the horizon: First, there is pressure on increasing wages to ensure a stable work force in*

*manufacturing as seen with union activity that will reverberate throughout the economy. Second, the risks being created by the unstable political environment that would not just shut down government activities and spending, but would also impact the economy at all levels, and would require some high impact action and conciliation that does not seem likely to occur. And third, the impact of the declining Chinese economic situation which will potentially affect further supply chain challenges, as so many suppliers depend on various levels of those supplies for their parts."*

IAR will continue to track the opinions of our business leaders over the coming months.

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

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