

IAR'S INLAND EMPIRE REPORT ON BUSINESS
Prepared by: The Institute of Applied Research

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College of Business and Public Administration

Report for April 2024

Dr. Barbara Sirotnik and Ms. Lori Aldana would like to welcome Drs. Anna Long and Peiyi Jia who will be working on the monthly report in the future. Drs. Long and Jia are Assistant Professors of Entrepreneurship at CSUSB.

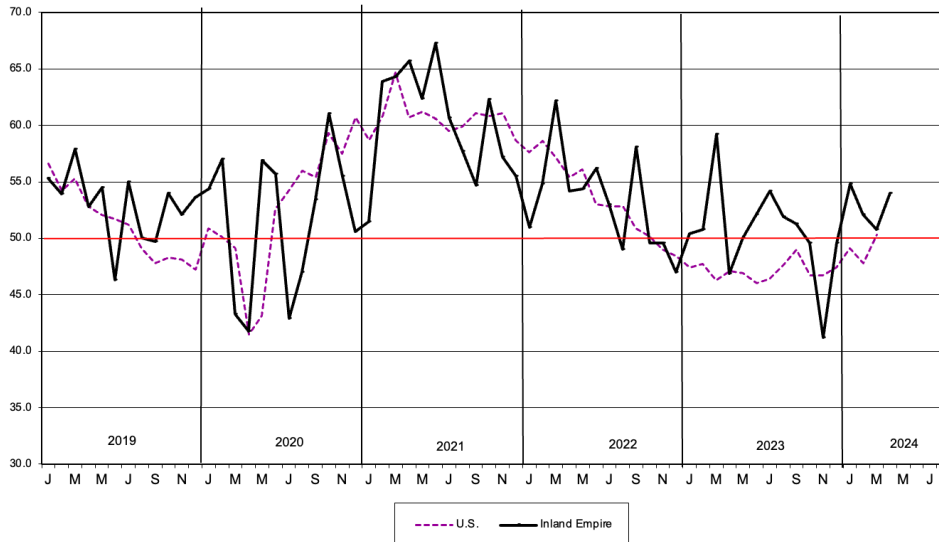
Key Summary of the Report:

- **Ongoing Growth:** The Inland Empire's manufacturing sector recorded its fourth consecutive month of growth with a PMI of 54.0, indicating an overall expansion in economic activity.
 - **Increases in Production and Orders:** Production and new orders indices both saw increases, indicating faster manufacturing output and rising demand for goods.
 - **Employment and Inventories Rise:** Employment is showing signs of recovery, and inventory levels have significantly increased, suggesting that companies are preparing for sustained production.
 - **Economic Outlook Concerns:** Despite positive growth indicators, over half of the business panelists expect the economy to weaken in the next three months, reflecting increased economic uncertainty.
 - **Mixed Business Sentiments:** Responses from businesses show a mix of optimism in some sectors like aerospace, alongside concerns about economic challenges and the impact of political events on market stability.
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FOURTH CONSECUTIVE MONTH OF GROWTH

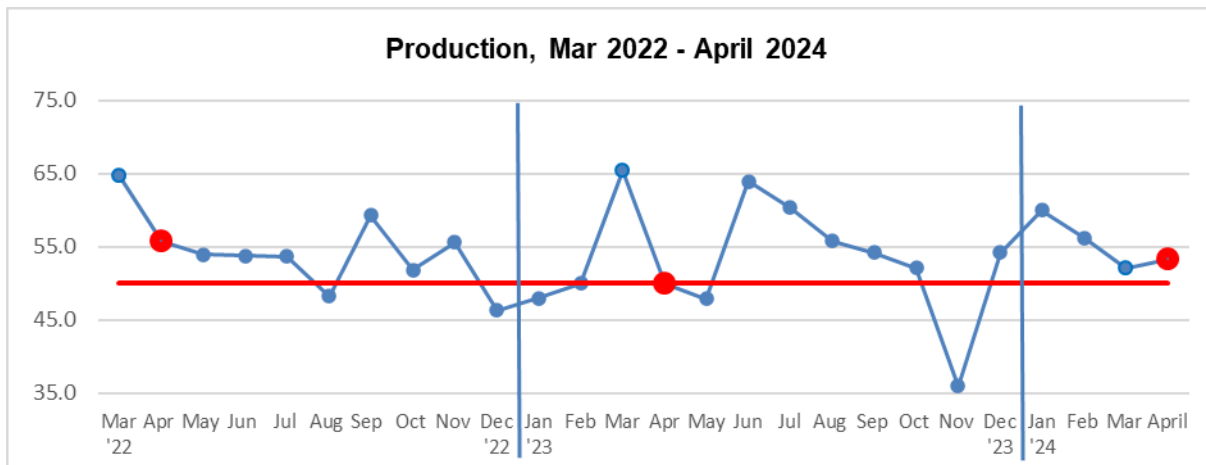
According to Dr. Anna Long, Dr. Peiyi Jia, Dr. Barbara Sirotnik, and Ms. Lori Aldana from the Institute of Applied Research, the Inland Empire **Purchasing Managers' Index (PMI)** for **April** registered **54.0**, an increase from last month's 50.8. It has been four consecutive months of above-50 figures, thus we see that the Inland Empire manufacturing sector is growing.

Purchasing Managers' Index



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

As noted in previous reports, the **Production Index** is one of the two key components of the PMI. This month, the index rose to **53.3** from last month's 52.1, indicating that production is growing at a faster pace compared to the previous month.



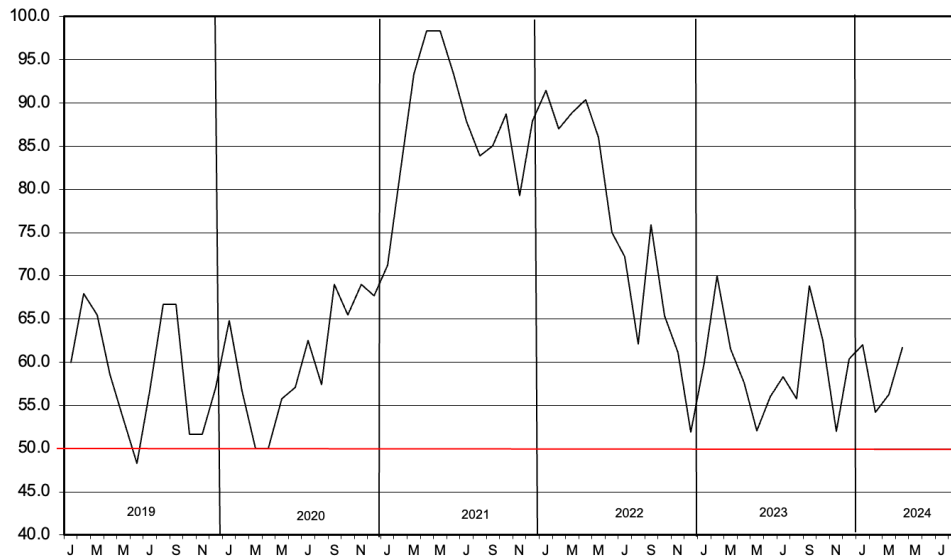
The **New Orders Index** (the other key component of the PMI) also remained above 50. After declining for three months since January 2024, it rebounded from last month's level of 50.0 to **55.0** this month. It indicates a faster increase in new orders. Moreover, this month marks the fifth consecutive time the index has registered at or above 50, demonstrating sustained growth in new orders.



Since November 2023, the **Employment Index** recorded four months of below-50 figures, indicating a decline in employment. This trend stopped last month when the index reached a figure of 50. This month the index has increased to **51.7**, suggesting that employment may be starting to recover in the Inland Empire region. However, we will need another month of data to confidently confirm that employment has rebounded.

Over the past three years, US businesses and consumers have faced significant inflationary pressures. As illustrated in the graph below, the **Commodity Price Index** for the Inland Empire surged from 2020 to 2021. However, it has been trending downward since then. The index showed a slight increase last month, this April it continued to rise, reaching **61.7** from the previous month's 56.3. Despite this increase, the index remains at a relatively low level.

Commodity Prices

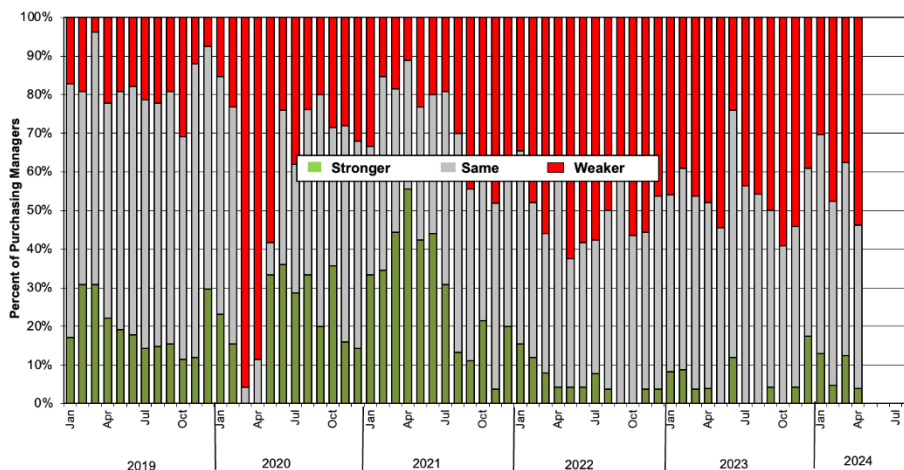


The **Supplier Deliveries Index** is a measure of the speed of supplier deliveries, with numbers above 50 indicating *slower* deliveries. This index registered at **50.0** this month, indicating that delivery speeds has not significantly changed from last month. It may reflect the resolution of delays caused by the bridge collapse at the Port of Baltimore. With the reopening of the port on April 26th, 2024, we anticipate smoother supply chain operations in the coming months.

The **overall Inventory level** (units, not dollars) including raw, MRO (Maintenance, Repair, Operating), intermediates, etc. registered **60.0** this month, an increase from last month's 50.0. This increase may reflect companies' strategic responses to the supply chain and commodity price issues due to inflation. It is the fourth consecutive month that the inventory level has reached or exceeded the 50% baseline, showing that companies are holding steady or stocking up for future production. Further **10.0%** (down from 25.0%) of the panelists said that their **inventory level of finished goods** has increased, whereas **16.7%** (down from 20.8%) said that their inventory of finished goods had declined. The majority, **63.3%** (up from 54.2%), stated that their inventory of finished goods remained the same as last month. Overall, the sustained increase in inventory levels aligns with the rising new orders.

Panelists were asked to forecast the state of the local economy over the next three months. A majority, **53.8%**, anticipate a weaker economy, showing an increase in pessimism from last month's 37.5%. Only **3.8%** of panelists believe that the local economy will improve, a significant decrease from the previous 12.5%. Meanwhile, 42.3% expect the Inland Empire economy to remain unchanged 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:

April 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	50.8	54.0	Growing	Faster	4
Commodity Prices	56.3	61.7	Increasing	Faster	58
Production	52.1	53.3	Growing	Faster	5
New Orders	50.0	55.0	Growing	From Unchanged	5
Inventory	50.0	60.0	Increasing	From unchanged	4
Employment	50.0	51.7	Growing	From Unchanged	2
Supplier Deliveries	52.1	50.0	Unchanged	From Decreasing	4
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	12.5%	3.8%			
% Same	50.0%	42.3%			
% Weaker	37.5%	53.8%			

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. Some of the responses indicated improvements in business performance and overall conditions.

- *Business is strong for our company, industry and economic changes have started to force out less competitive firms opening up opportunity for stronger firms to grow and expand.*
- *There is a lot of work in our industry right now. Prices on our "lumber" that we*

use to manufacture our cabinets has been coming down and is closer to what it was pre-covid.

- *Sales have improved and the quarter seems to be on the upswing.*
- *We are 28% ahead in sales over last year. Orders brisk. Customers slowing on payments.*

However, the vast majority of panelists made comments indicating a slowdown in the economy, along with concerns related to the minimum wage and the impact of political uncertainties such as the election.

- *April was a very similar month to March. It's hard to tell if the economy is starting to turn back up or if it is ready to give back the small gains that we have made this year, versus the last half of 2023. It certainly feels like a typical election year where companies are putting off purchases or only buying exactly what they need. If this is indeed the case, we can expect business to be flat into the election and then ramp up soon afterwards. This does make it easy to plan purchasing as I know that I can keep my inventory at lower than average levels until then.*
- *With new found collaboration at the national level, particularly with national decision making on the economy, the table feels more set for economic progress. In our Company's case, we are experiencing significant growth, mostly due to programs in the aerospace industry continuing to expand. The only "glitch" is what I consider to be the unrealistic goal to bring inflation to the 2% goal.*
- *After 45 years ASPT went out of business. We experienced a steep decline in orders at the end of 2023 and that continued into 2024 till we had to close the doors. This will be our final survey response.*
- *Finding quality help (new hires) is increasingly challenging with the new minimum wage.*
- *Nothing is adversely affecting our business other than obvious challenges of being in CA.*
- *Business is still slow. We were able to add a couple employees that we had trouble before finding.*
- *Slow.*
- *We are starting to see it slowdown.*
- *March was our best sales month in over a year, but April has dropped off. It is difficult to predict which direction sales will go for the balance of this quarter.*
- *No news now, everything going as usual. The cost of Natural Gas in CA hurts our product cost.*
- *While the first quarter was a record for the company, the second quarter has had a slow start. New indications of increasing prices in raw materials on the horizon.*
- *Business has slowed and spending is sluggish. We attribute it to the election year and economic uncertainty in the world.*
- *The law and the whole country's strategy towards duty, minimum wage affects every aspect of the business operation.*

To summarize, the PMI has consistently remained above 50 for the last four months, indicating ongoing growth. Notably, both production and new orders have been increasing, and employment, previously on a downturn, is now showing signs of recovery. Additionally, the supply chain disruptions caused by the March 2024 collapse of the Francis Scott Key Bridge in Baltimore have been alleviated following the reopening of the port on April 26, 2024. This development is expected to facilitate smoother supply chain operations in the coming months. However, despite the positive trend in objective measurements, some panelists have raised concerns about a potential slowdown in the Inland Empire Manufacturing sector and the broader local economic outlook. The IAR will keep a close watch on these developments.

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