

**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 July 2024**

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**Key Summary of the Report:**

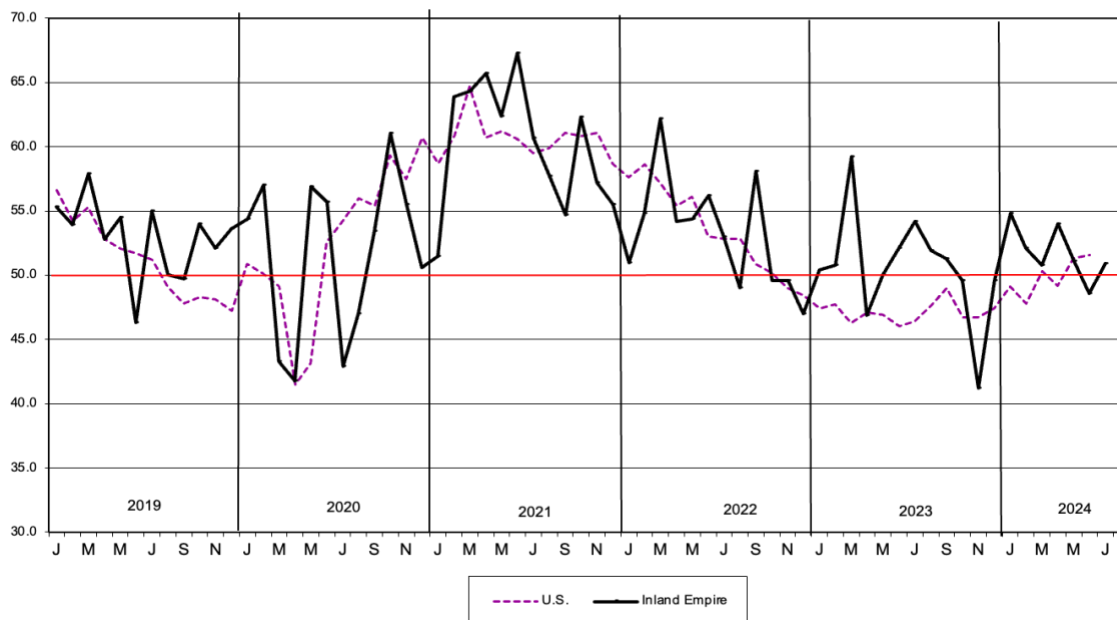
*This month's PMI report unveils a nuanced economic landscape for the Inland Empire's manufacturing sector, showing resilience amid challenges*

- **Notable Rebound in PMI:** The PMI for the Inland Empire notably climbed to 50.9 from the previous month's 48.6, marking a significant recovery and halting the earlier trend of contraction.
  - **Stable Growth in New Orders:** The New Orders Index marks the eighth consecutive month the index has registered at or above 50, underscoring a consistent pace of growth in new orders.
  - **Deceleration in Production Costs:** The Commodity Price Index decreased to 54.5, reflecting sustained deceleration in production costs and enhancing cost predictability.
  - **High variation in employment:** The employment index has decreased from 53.6 to 47.7, continuing the generally upward trend since November 2024, with significant month-to-month fluctuations. This indicates that the manufacturing labor market remains unstable, making it challenging for businesses to hire the right fit.
  - **Persistent Challenges:** The Production Index continues to record below 50, indicating ongoing contraction in production. Compounded by issues with delayed supplier deliveries and continued employment instability.
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**PMI**

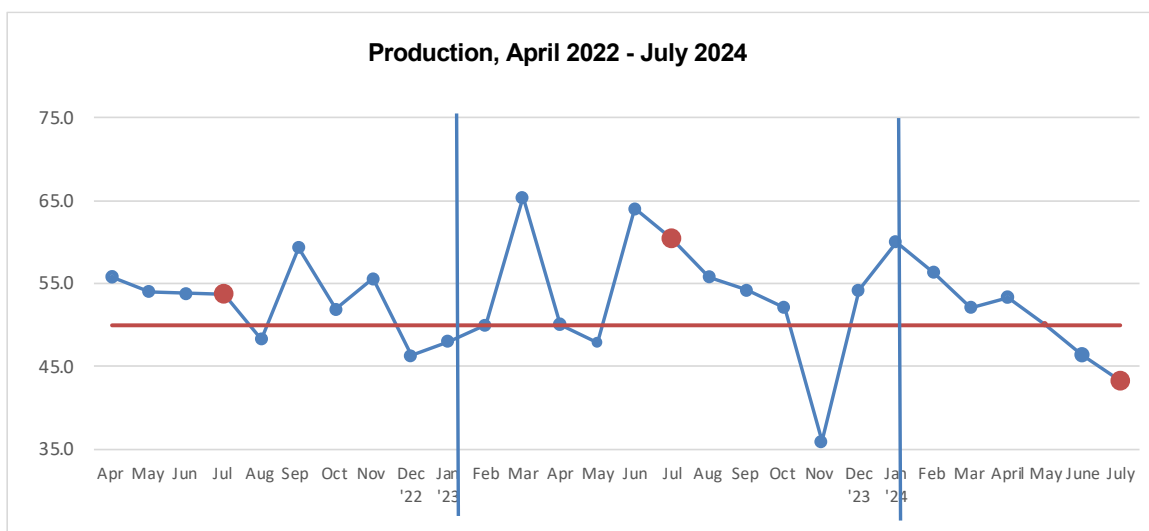
According to Dr. Anna Long and Dr. Peiyi Jia from the Institute of Applied Research, the Inland Empire **Purchasing Managers' Index (PMI)** for **July** has rebounded to **50.9**, up from the previous month's figure of 48.6. This improvement halts the previous trend of contraction and suggests that continued monitoring is advisable.

### Purchasing Managers' Index



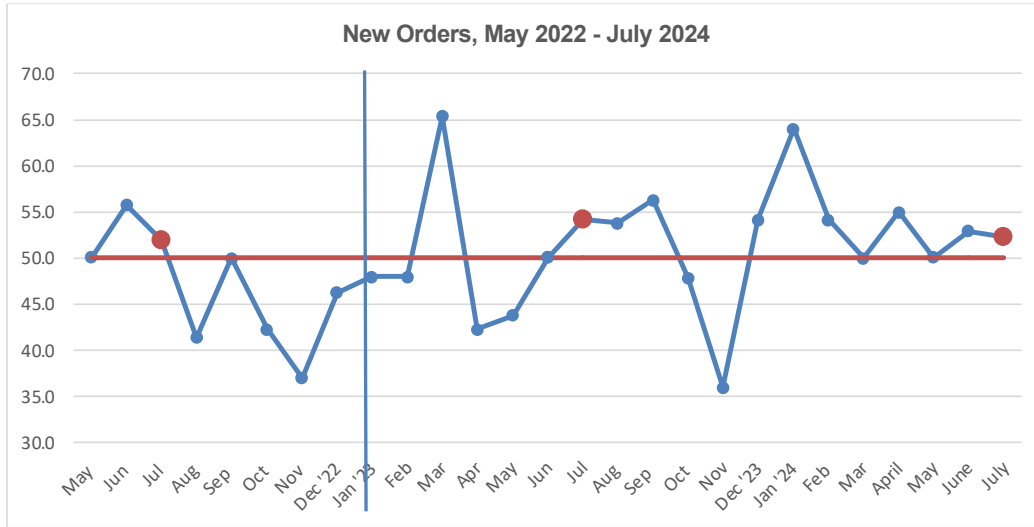
Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** is one of the two key components of the PMI. This figure has decreased to **43.2** this month, following its initial drop below 50 in June. This decline signifies a sustained contraction in production activities.



The **New Orders Index** (the other key component of the PMI) remained stable, recording **52.3** in July compared to 52.9 in the previous month. This month marks the eighth consecutive occurrence of the index registering at or above 50, indicating that

new orders have stabilized and the pace of growth has remained consistent with the previous month.



In July 2024, the **Employment Index** was recorded at **47.7**, a decrease from the previous month's 53.6. This decline indicates a lack of stability in employment levels in the Inland Empire.

In July 2024, the **Commodity Price Index** for the Inland Empire dropped to **54.5** from the previous month's 57.1. This decline suggests a slowdown in the rate of increase in production costs.

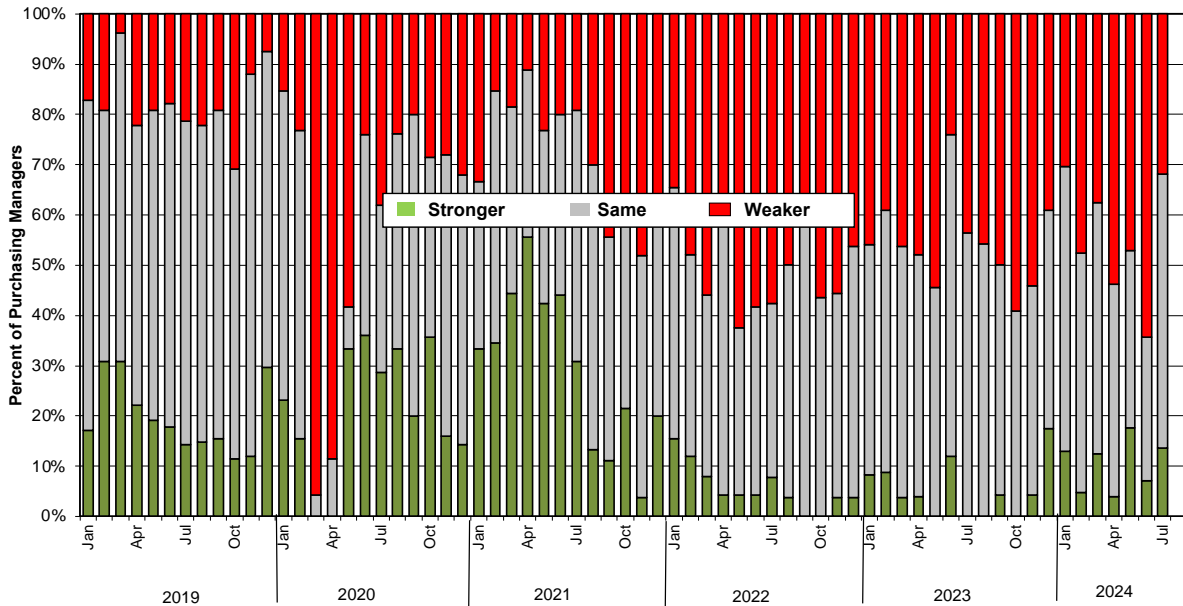


The **Supplier Deliveries Index** measures the speed of supplier deliveries. This index registered at **61.3** this month, with numbers above 50 indicating *slower* deliveries, this index suggests that supplier deliveries are continuing at a slower pace.

The **overall Inventory level** (units, not dollars) including raw, MRO (Maintenance, Repair, Operating), intermediates, etc. registered **50.0** this month indicating no change in inventory levels compared to the previous month.

Panelists were asked to forecast the state of the local economy over the next three months. A majority, **54.5%**, expect the Inland Empire economy to remain unchanged in the coming quarter. **13.6%** of panelists believe that the local economy will improve. Meanwhile, **31.8%** believes that the local economy will be worse.

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



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

| July 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   | 48.6         | 50.9       | Growing           | From Contracting               | 1            |
| Commodity Prices  | 57.1         | 54.5       | Increasing        | Slower                         | 61           |
| Production  | 46.4         | 43.2       | Contracting       | Faster                         | 2            |
| New Orders  | 52.9         | 52.3       | Growing           | Slower                         | 8            |
| Inventory   | 46.4         | 50.0       | Unchanged         | From Decreasing                | 1            |
| Employment  | 53.6         | 47.7       | Contracting       | From Growing                   | 1            |
| Supplier Deliveries   | 53.6         | 61.3       | Slowing           | Faster                         | 7            |
| Purchasing Managers' Confidence in the State of the Local Economy |              |            |                   |                                |              |
| % Stronger  | 7.1%         | 31.8%      |                   |                                |              |
| % Same  | 28.6%        | 54.5%      |                   |                                |              |
| % Weaker  | 64.3%        | 13.6%      |                   |                                |              |

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:

- *“Business has picked up after the 4th of July holiday. Still outsourcing more to keep employee counts lower than we usually have as cost savings.”*
- *“Orders remain strong domestic and international.”*
- *“With the dynamic growth we are experiencing, and with the requirements to be 100% quality-driven in providing our products and services in compliance with our ISO 9001 and AS 9100 international quality certifications, it is critical for us to bring new members on to our team that understand and share the same commitments. This is a challenge that we are meeting, but it is still a challenge.”*
- *"This summer is turning out like a textbook election year business cycle. Some decent orders from customers in various different industries but nothing all that substantial. It makes my purchasing pretty easy - just delay the majority of our orders until Q4 or Q1 2025. On a bright note, our cashflow is in very good shape thanks to letting our inventory dwindle down."*
- *"Other than the hot weather slowing down projects it's business as usual."*
- *"Same as last month"*

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

- *"Been a slow first half"*
- *"Business continues to be stagnant. Both inquiries and sales orders are slumping. Staying hopeful that as summer vacations end that business will improve."*
- *"Components/parts have continued to be a back-order problem from some Vendors. We have learned, from COVID times, to keep well-stocked, above our normal inventory."*
- *"For the past year, bidding and re-bidding has been very strong, but developers are slow to start projects and we are struggling to keep our employees. We get jobs that are supposed to start soon, but then there are delays. We feel August till the EOY will be okay."*
- *"FY2024 has been a bit flat versus prior year at this point. This is evident in domestic sales as well as international sales for our organization."*
- *"New orders leveling off, suppliers still not stocking a lot of material so we are experiencing a delay in getting orders out. Still having an issue filling positions"*

*with qualified people."*

- *"Our domestic, and international business is down. It started back in 2021, and it continues to go down."*
- *"Slower"*
- *"We are starting to see that the bidding in our industry is slowing just a bit."*
- *"We need more law enforcement regarding commercial and residential break-ins and robberies. Until that happens, we will not be able to expand our business and if the situation gets worse, we will have to go out of state. Taxes are very high compared to other states."*

**In summary**, the various indices of the Purchasing Managers' Index (PMI) for July 2024 provide a comprehensive snapshot of the manufacturing sector's current state. The PMI notably climbed to 50.9 from the previous month's 48.6, marking a significant rebound and halting the earlier trend of contraction. Despite this positive shift, challenges persist, as highlighted by ongoing contraction in production, delays in supplier deliveries, and instability in employment—issues that have also been underscored by comments from panelists. Nevertheless, the sector appears to be successfully employing strategies to stabilize operations, as evidenced by stability observed in new orders growth and inventory levels. In addition, Commodity Price Index indicates a continued deceleration in the rise of production costs. Overall, this month's index paints a picture of the Inland Empire manufacturing sector adapting to ongoing challenges while showing signs of resilience and gradual improvement.

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

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