

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 May 2024

Key Summary of the Report:

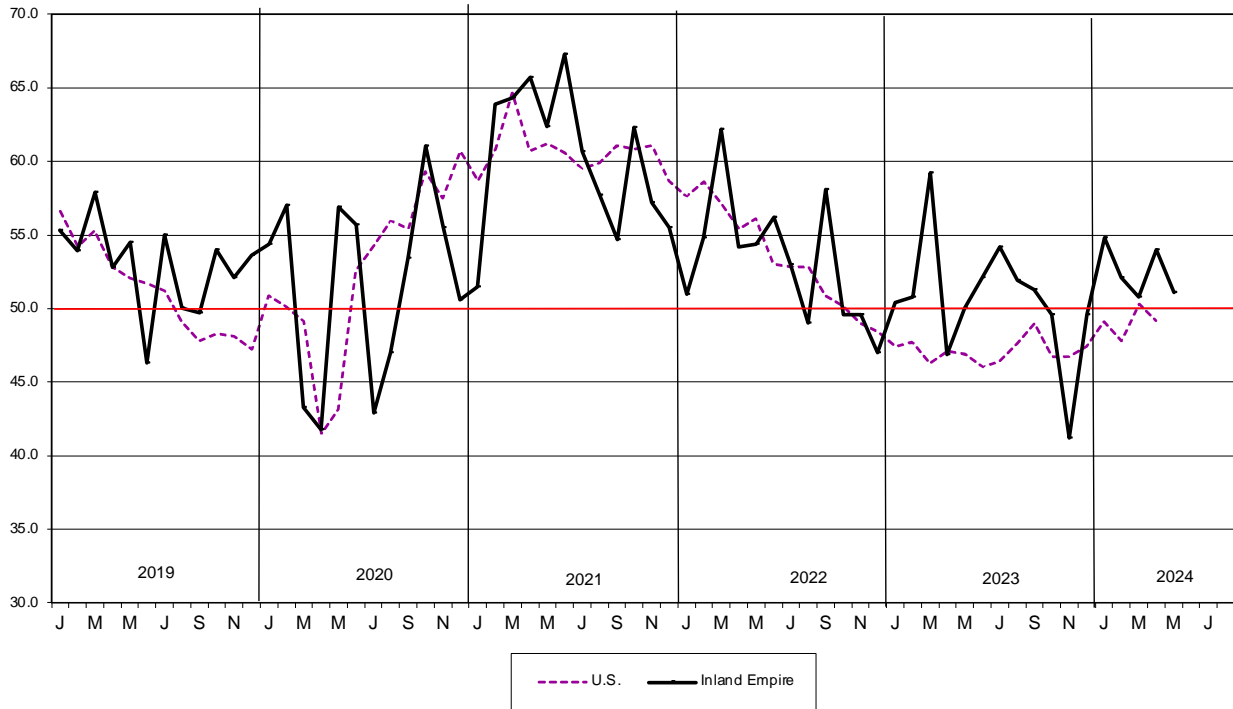
This month's report reveals a complex economic landscape in the Inland Empire, where growth and challenges coexist.

- **Ongoing Growth:** The Inland Empire's manufacturing sector recorded its fourth consecutive month of growth with a PMI of 51.1, indicating an overall expansion in economic activity.
 - **Stabilized Production and New Orders:** Both have stabilized, showing steady demand.
 - **Rising Inflation Concerns over Commodity Price:** Increased significantly, reflecting ongoing inflationary pressures.
 - **Contracting Employment Index:** Contracted sharply, raising concerns about the labor market.
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FOURTH CONSECUTIVE MONTH OF GROWTH

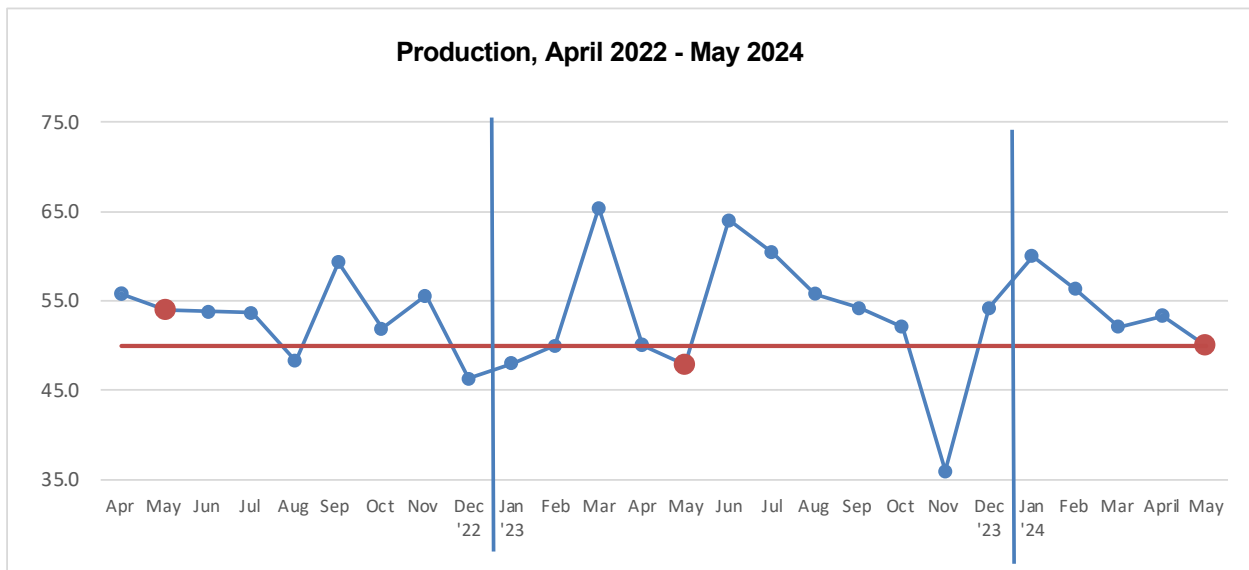
According to Dr. Anna Long and Dr. Peiyi Jia from the Institute of Applied Research, the Inland Empire **Purchasing Managers' Index (PMI)** for **May** registered **51.1**, a decrease from last month's 54.0. It has been five consecutive months of above-50 figures, thus we see that the Inland Empire manufacturing sector is growing at a slower pace.

Purchasing Managers' Index



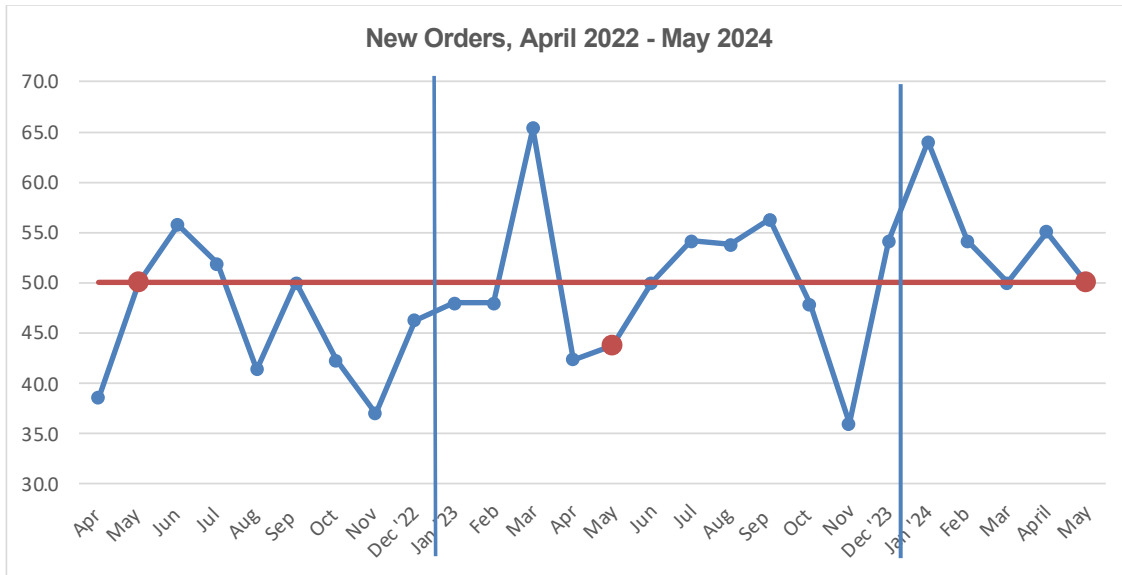
Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** is one of the two key components of the PMI. This month, the index recorded at **50.0**, indicating that production is stable and remained unchanged.



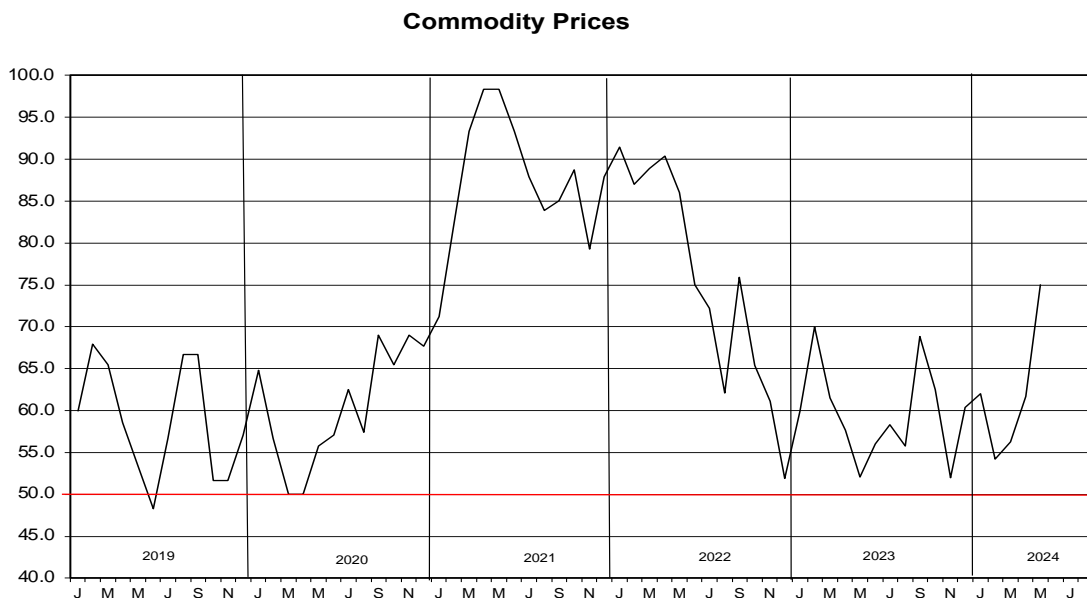
The **New Orders Index** (the other key component of the PMI) fell to **50.0** after a rebound to 55.0 in the previous month. However, this month marks the sixth

consecutive time the index has registered at or above 50, It indicates the new orders has stabilized and that the pace of growth is continuing at the same robust pace as before.



Since November 2023, the **Employment Index** recorded four months of below-50 figures followed by a brief recovery in March and April of this year. However, this month's figure dropped significantly to **41.7**, down from last month's 51.7, indicating a substantial decline and raising concerns about the stability of this recovery trend.

the **Commodity Price Index** for the Inland Empire Inland Empire continued its upward trend in May, rising to **75.0** from last month's 61.7. This increase indicates a potential rise in production costs, which could impact consumer prices.

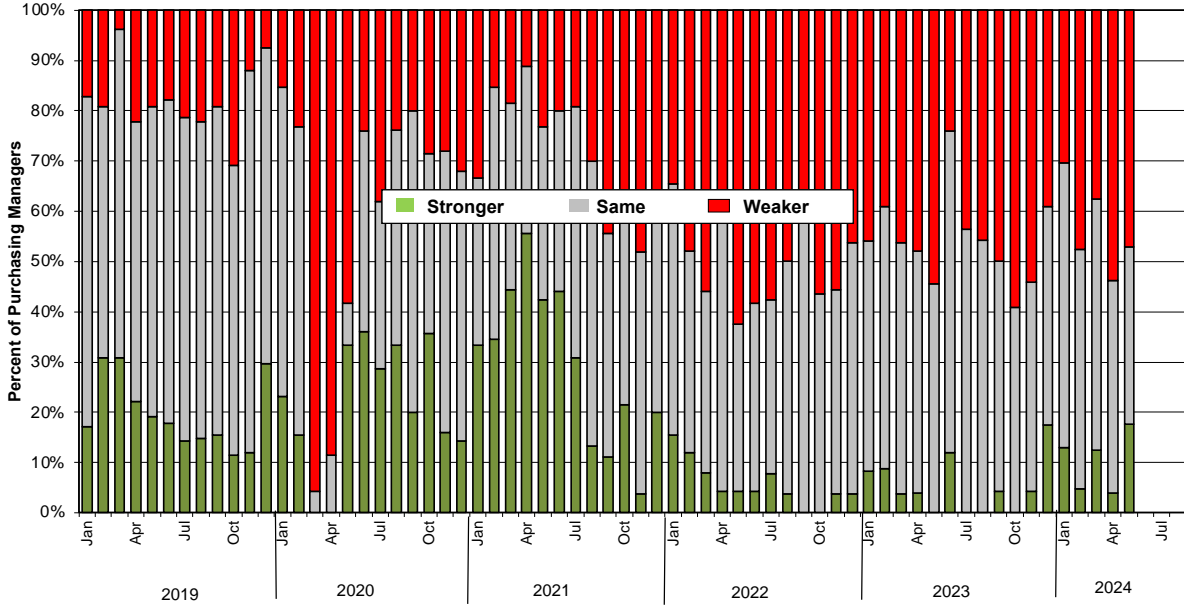


The **Supplier Deliveries Index** is a measure of the speed of supplier deliveries, with numbers above 50 indicating *slower* deliveries. This index registered at **52.8** this month, indicating that delivery speeds has slowed down from last month.

The **overall Inventory level** (units, not dollars) including raw, MRO (Maintenance, Repair, Operating), intermediates, etc. registered **61.1** this month, an increase from last month's 60.0. It is the fifth 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. The consistent increase in inventory levels aligns with the patterns observed in new orders and production index. This increase may reflect adaptive strategies in response to inflation-driven commodity price and a positive outlook on future market demands.

Panelists were asked to forecast the state of the local economy over the next three months. A majority, **47.1%**, anticipate a weaker economy. **17.6%** of panelists believe that the local economy will improve, a significant increase from the previous 3.8%. Meanwhile, **35.3%** 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:

May 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	54.0	51.1	Growing	Slower	5
Commodity Prices	61.7	75.0	Increasing	Faster	59
Production	53.3	50.0	Unchanged	From Growing	6
New Orders	55.0	50.0	Unchanged	From Growing	6
Inventory	60.0	61.1	Increasing	Faster	5
Employment	51.7	41.7	Contracting	From Growing	1
Supplier Deliveries	50.0	52.8	Slowing	From unchanged	5
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	3.8%	17.6%			
% Same	42.3%	35.3%			
% Weaker	53.8%	47.1%			

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.

- *“This is our busy season of the year and going as planned.”*
- *“As of right now, business is good and there is a lot of Public Works projects out for bid.”*
- *“Sales orders are steady. Just inching up from last month.”*

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.

- *“Still slow”*
- *“The continued increase in electrical rates needs to slow down or reverse. Policy's the State has regarding "green" power and electrification continue to put economic pressure on business.”*
- *“This year is shaping up to be the best in our company's history, as many of the pending projects that have been waiting for the decision makers and in some cases federal funding to come to fruition. Because of our limited dependence on outside funding, we have also been minimally impacted by the inordinately high interest rates. Our observation of those on the general economy is a concern, because we feel that the goal of waiting for inflation to reach 2% is unrealistic given the liquidity in the US economy, some of which is potentially related to holdover from PPP funding, but other reasons related to the increases in wages as well as the low unemployment rate.”*

To summarize, the May 2024 Business Survey indicates mixed economic signals in the Inland Empire. The PMI has remained above 50 for the last five months, indicating

ongoing growth, albeit at a slower pace. Production and new orders have stabilized, Inventory levels have risen, suggesting strategic responses to inflation and potential supply chain uncertainties. However, the employment index has contracted sharply, raising concerns about the labor market, which mirrors the cooling trend seen on a national level. Supply chain challenges persist, with slower delivery speeds noted. The IAR will continue to monitor these developments closely.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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