

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 August 2025

Key Summary of the Report:

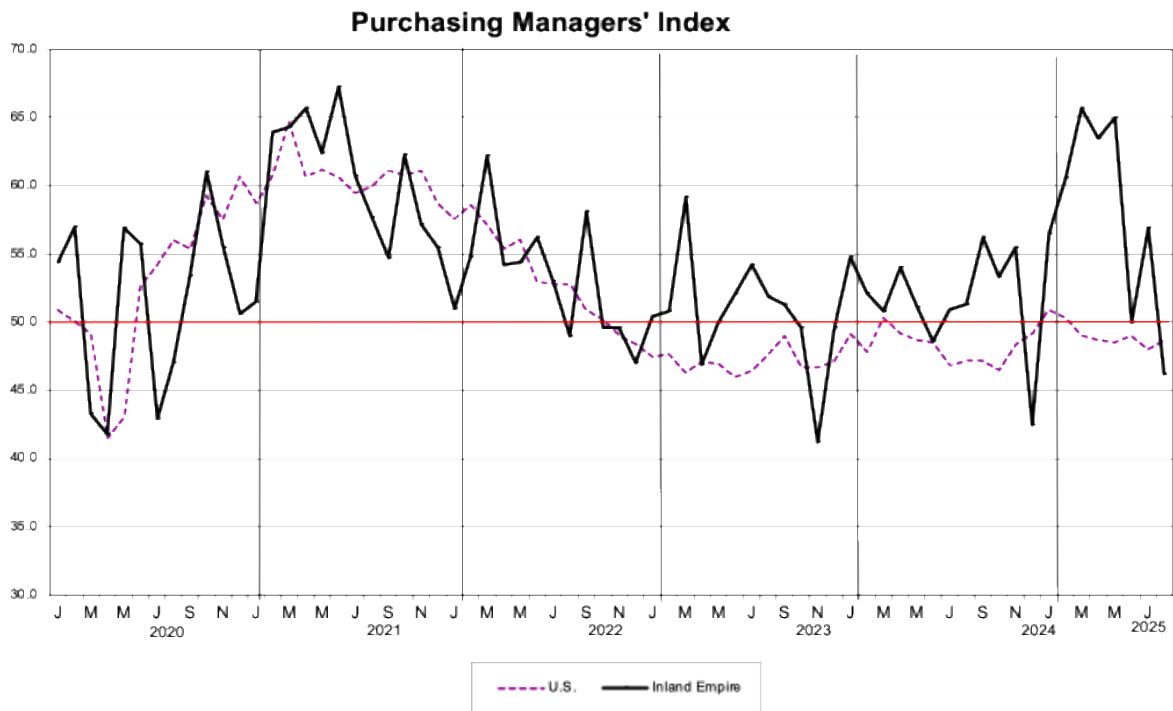
The August 2025 report reflects a shifting trend in the Inland Empire manufacturing sector. Sharp declines in new orders and the production index drove the PMI into contraction territory for the first time since January, highlighting heightened volatility and potential slowdown.

- **PMI Decline:** The PMI fell to 46.2, the first reading below 50 this year and lower than the national figure.
 - **New Orders & Production:** Both indicators dropped sharply, with new orders plunging over 40% to 35.7, production index fell to 45.2, both reach the lowest level since January.
 - **Employment:** The Employment Index fell to 42.9, extending a downward trend that has persisted since March.
 - **Commodity Prices:** The Commodity Price Index rose to 69.1, indicating accelerating input cost pressures.
 - **Economic Sentiment:** Panelists expressed a more pessimistic outlook, with fewer than 10% reporting a positive view.
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PMI

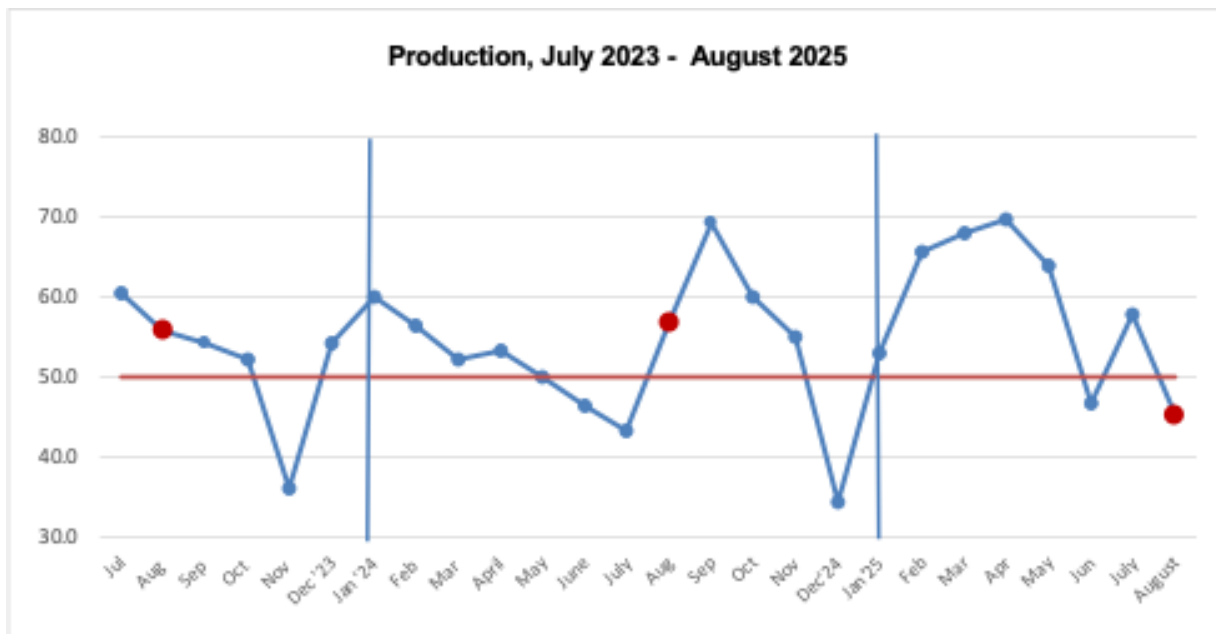
According to Dr. Anna Long and Dr. Peiyi Jia of the Institute of Applied Research (IAR), the Inland Empire **Purchasing Managers' Index (PMI)** declined to 46.2 in August 2025, down 10.7 points, about 18.8% from 56.9 in July. The index fell below the 50-point expansion threshold in August for the first time since January 2025.

These sharp month-to-month swings around the threshold underscore elevated volatility in regional manufacturing activity. While the Inland Empire outpaced the U.S. PMI from January through July, the August reading slipped slightly below the national figure for the first time this year. The IAR will continue close monitoring in the months ahead.



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

The **Production Index** for August 2025 declined sharply to **45.2** from 57.7 in July, marking both the lowest reading since January and the first below-50 level since then, which indicates contracting production activity in August.

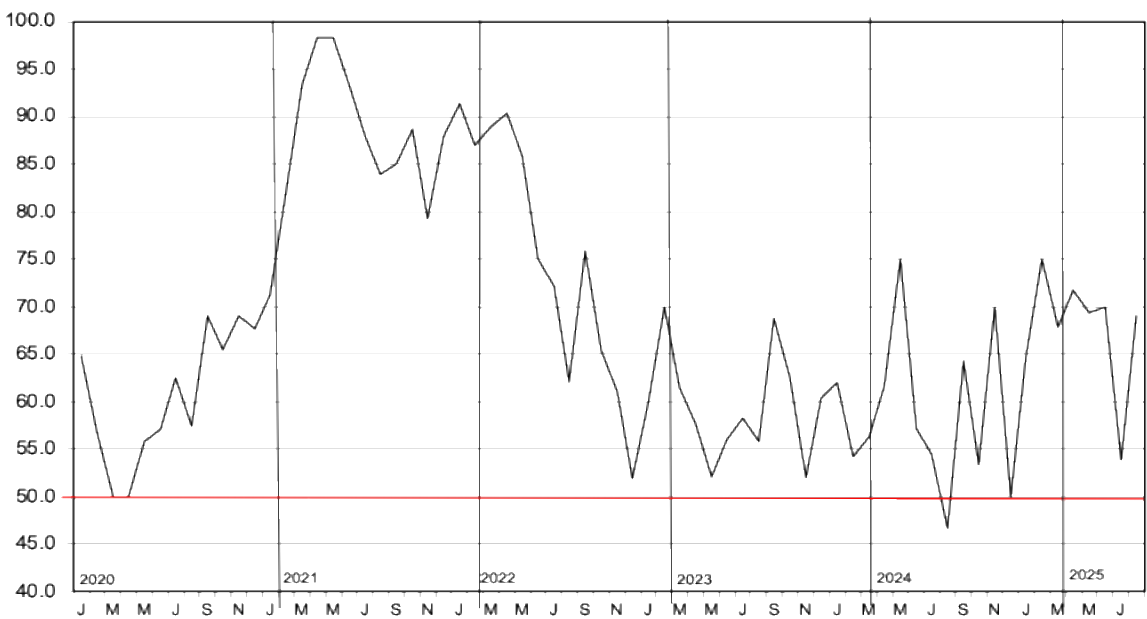


The **New Orders Index** for August 2025 dropped 45% to **35.7** from 65.4 in July —the lowest reading since January 2025. This sharp decline, together with the fall in the Production Index, drove the overall decrease in the PMI.



The **Commodity Price Index** for July 2025 rise significantly to **69.1** from 53.8 in July. The reading remains above the 50 thresholds for the 12 consecutive months, suggesting ongoing price increases.

Commodity Prices

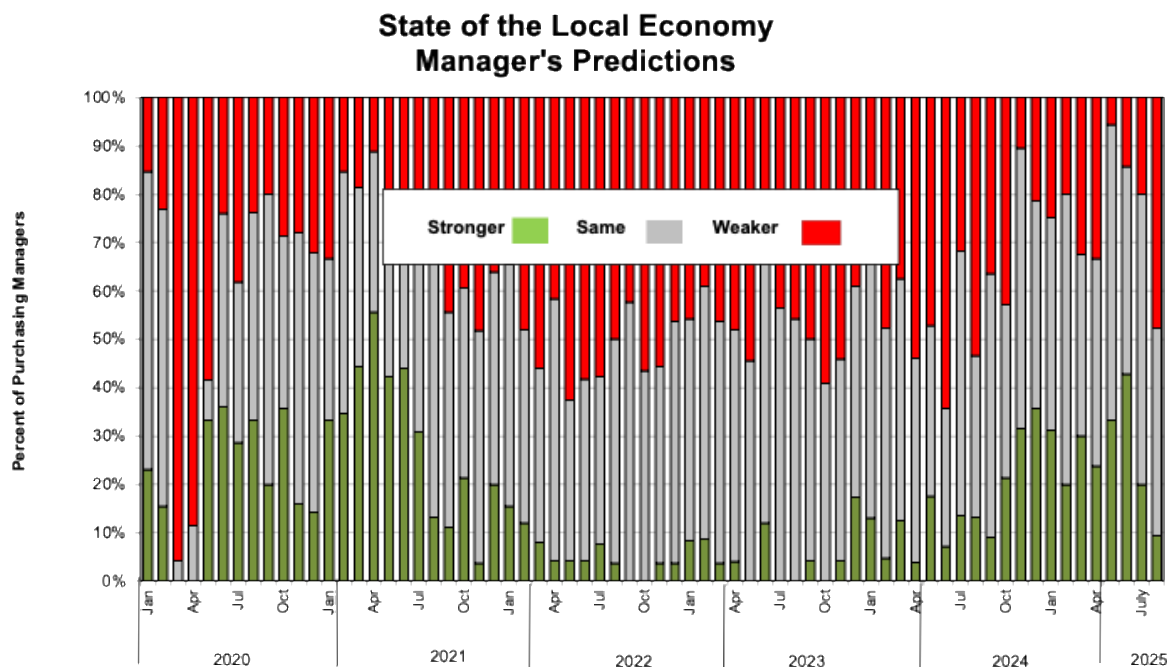


In August 2025, the **Employment Index** dropped 26% from 57.7 in July to **42.9**, marking its first reading below the 50-point expansion threshold after 13 consecutive months above 50. The employment is typically a lagging indicator and therefore less volatile than production and new orders, and it has been trending downward since March.

The **Supplier Deliveries Index** for August 2025 increased to **59.5**, up from 50.0 in July. A reading above 50 indicates slower deliveries. This reading suggests that supply chain conditions has slowed compared to last month.

The **Overall inventory** level for August 2025 declined to **47.6** from 53.8 in July. Indicating that the overall inventory level is decreasing compared to last month. Manufacturers may be strategically adjusting stock levels in line with new-order trends and potential tariff impacts.

Panelists were asked to forecast the state of the local economy over the next three months. **42.9%** of the panelists believe the economy will remain unchanged. Meanwhile, only **9.5%** expect it to strengthen, while another **47.6%** anticipate a weaker economy. Compared with prior months, views have converged toward the middle, suggesting a more neutral/guarded outlook.



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

August 2025 Business Survey at a Glance					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend Months
	Last Month	This Month			
Local PMI	56.9	46.2	Contracting	From Growing	1
Commodity Prices	53.8	69.1	Increasing	Faster	12
Production	57.7	45.2	Contracting	From Growing	1
New Orders	65.4	35.7	Contracting	From Growing	1
Inventory	53.8	47.6	Decreasing	From Increasing	1
Employment	57.7	42.9	Contracting	From Growing	1
Supplier Deliveries	50.0	59.5	Slowing	From unchanged	3
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	20.00%	9.50%			
% Same	60.00%	42.90%			
% Weaker	20.00%	47.60%			

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 or concerns.

Some expresses stability and optimistic outlook for the future

- “Better than a month ago: Remember that it was summer, when our business always slows down, so take it with a grain of salt.”
- “Business demand remains steady, slight indications of Q4 slower pace”
- “General activity in terms of both orders and shipments is up from July.”
- “We are very busy looking to hire qualified Machinists”

Many expressed concerns.

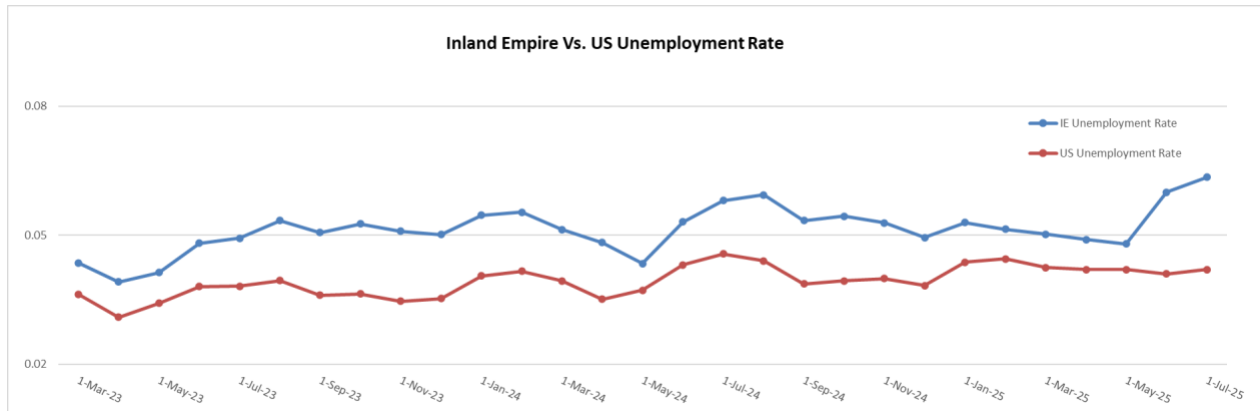
- “Sales orders continue to slow down. Inquiries and quote request have dropped off and I am not very optimistic for sales orders through this month.”
- “Slow”
- “The import tariffs we pay have wiped out 95% of our profit.”

- “The last few months have been slower than those in the first half of the year but still 10-15% above July/Aug from 2024. It feels many customers front end loaded their inventory to beat some of the tariffs, even though we are only domestic supply. The slowdown in business has allowed us to be a little more conservative with our inventory levels but we have not cut back too much.”
- “The uncertainties over tariffs continue to have local, regional and national impact on the economy. In our case we have one major customer who relies on imported materials for their products, which we produce here at our company. Given the uncertainties, we strategically decided with the customer to have them bring in a large quantity of this material to be held as their inventory in our facility as a hedge against this uncertainty. I expect that others may be using the same strategy.”
- “Things slowed a little bit in late August for new orders.”
- “We are continuing to see a slowdown in orders.”
- “We have been extremely slow since July”

Economic Context: Unemployment Rate

In the most recent few months, the Inland Empire unemployment rate has shown a noticeable uptick, rising sharply in June and July 2025 after a period of relative stability earlier in the year. In contrast, the national unemployment rate has remained much flatter, hovering around 4%–4.2% with only slight fluctuations.

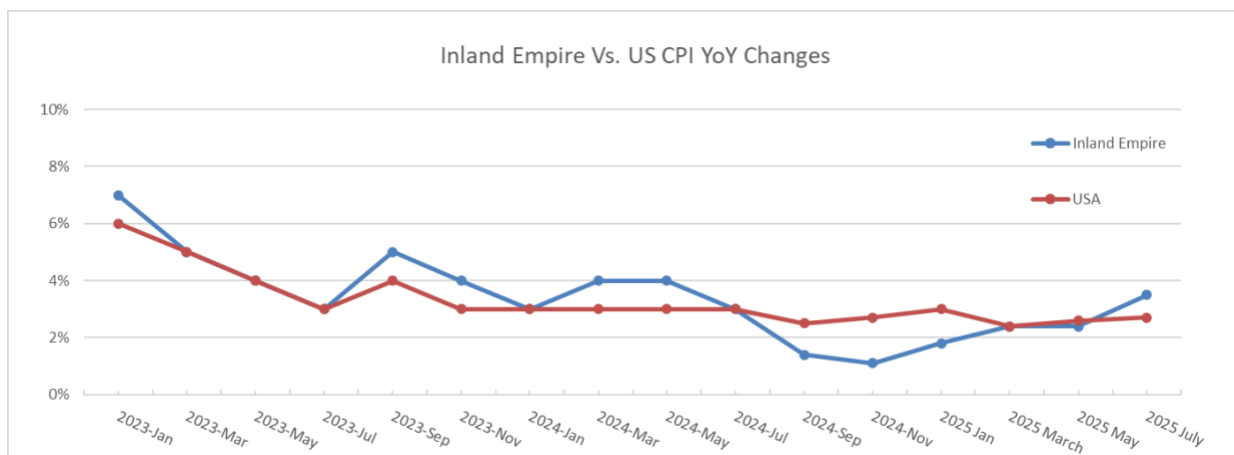
This widening gap highlights how the IE labor market is experiencing more volatility compared to the national average. While U.S. unemployment has stayed fairly steady, the IE has seen more pronounced swings—indicating greater regional sensitivity to economic shifts, possibly tied to local industries like logistics, construction, and hospitality that are more vulnerable to cyclical downturns.



Economic Context: CPI – Inflation

In the past few months, both the Inland Empire (IE) and the U.S. have experienced a modest uptick in inflation after a long period of steady decline. Nationally, CPI has inched upward from around 2.5% in early 2025 to 2.7% in July 2025, showing a relatively stable and gradual trend. The Inland Empire, however, has seen a sharper rebound—rising from a low near 1.0% in late 2024 to about 3.5% in July 2025.

This pattern suggests that while national inflation pressures remain moderate, the IE region is facing more pronounced local price increases, likely tied to housing, energy, and service sector costs. The widening gap highlights how regional factors can amplify inflation beyond the national baseline.



National and Regional PMI Comparison

In the most recent month, manufacturing activity is contracting across both the Inland Empire and the U.S., but the IE is showing sharper weakness across nearly all

components. Both Manufacturing PMI and Production are in contraction regionally and nationally, while Employment also continues to decline in both.

The main point of divergence is New Orders: the Inland Empire is still contracting, indicating weaker demand locally, while the national level shows growth, suggesting a modest rebound in U.S. demand. Meanwhile, Inventory is decreasing regionally compared to a broader national contraction, and Supplier Deliveries are slowing at both levels. Overall, the Inland Empire is underperforming the national manufacturing trend, with weaker demand and more pervasive contraction than the U.S. average.

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

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