

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 January 2025

Key Summary of the Report:

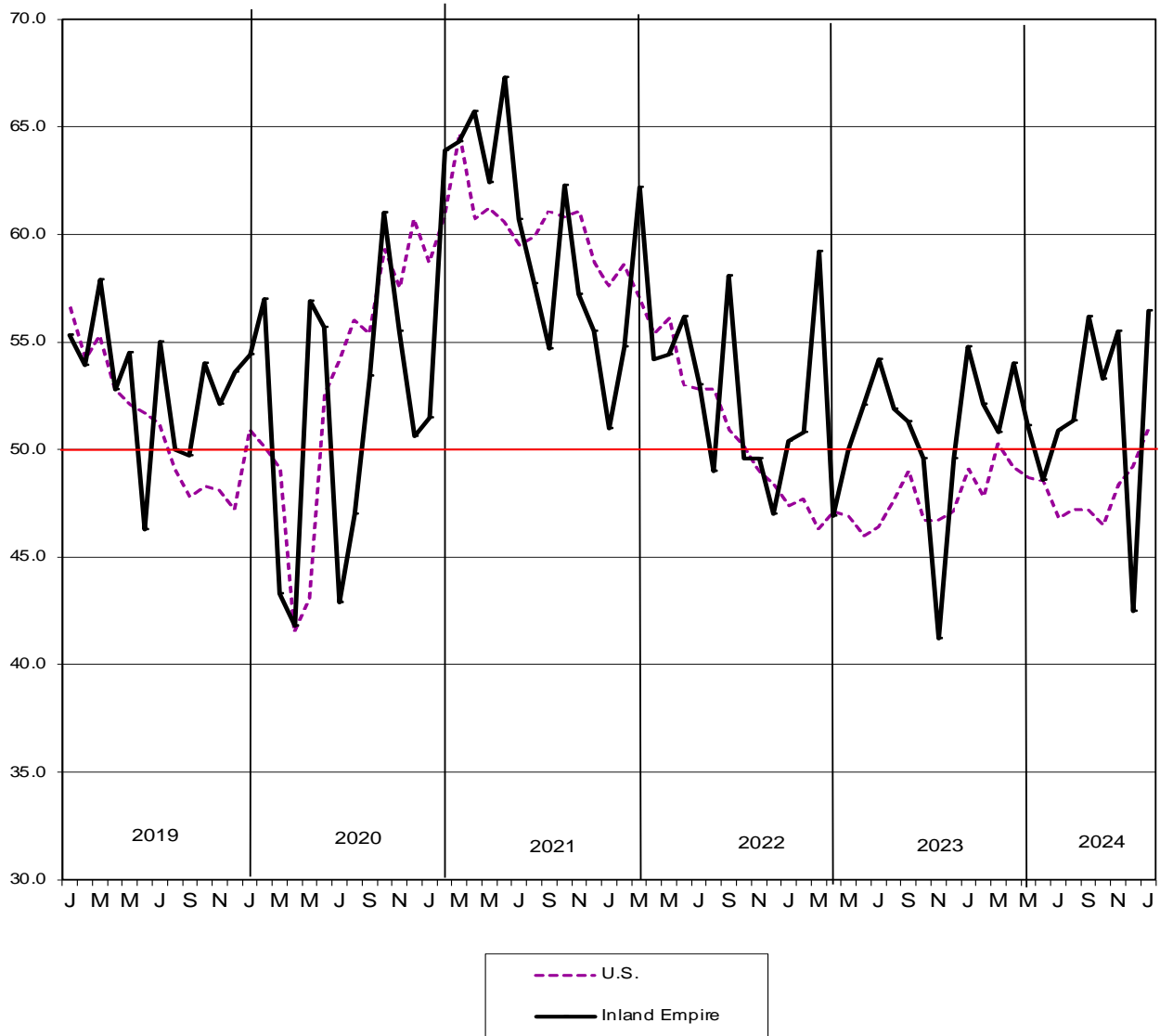
The January 2025 report highlights a notable rebound in the Inland Empire PMI, driven by substantial increases in the New Orders and Production indices,

- **Strong PMI Rebound:** The Inland Empire PMI surged to 56.5, returning above the 50 thresholds, signaling a recovery from last month's contraction.
 - **Sharp Increase in New Orders:** The New Orders Index jumped to 58.8, signaling a strong recovery in demand after the December slowdown.
 - **Production Expansion:** the Production Index rose to 52.9, returning to growth following last month's holiday-driven decline.
 - **Significant Inventory Growth:** Inventory levels climbed to 70.6, indicating businesses are replenishing stock in response to improved demand.
 - **Stable Employment Levels:** The Employment Index remained unchanged at 50.0, reflecting a relatively stable labor market.
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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 January 2025 rebounded to **56.5** from 42.5 in December 2024. This increase suggests that last month's decline was a temporary fluctuation driven by the holiday season and industry specific factors rather than a sign of significant economic challenges for the region. The overall PMI trend remains consistent with national levels, and this month's figure surpasses the national PMI, highlighting stronger regional performance and continued expansion in the Inland Empire's manufacturing sector.

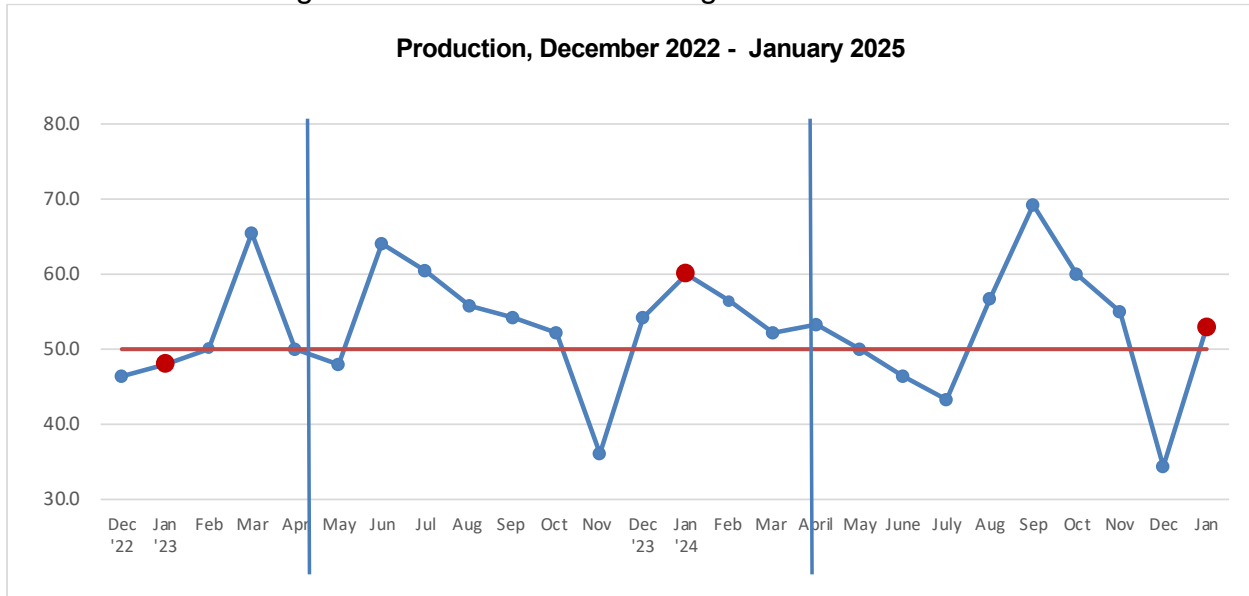
Purchasing Managers' Index



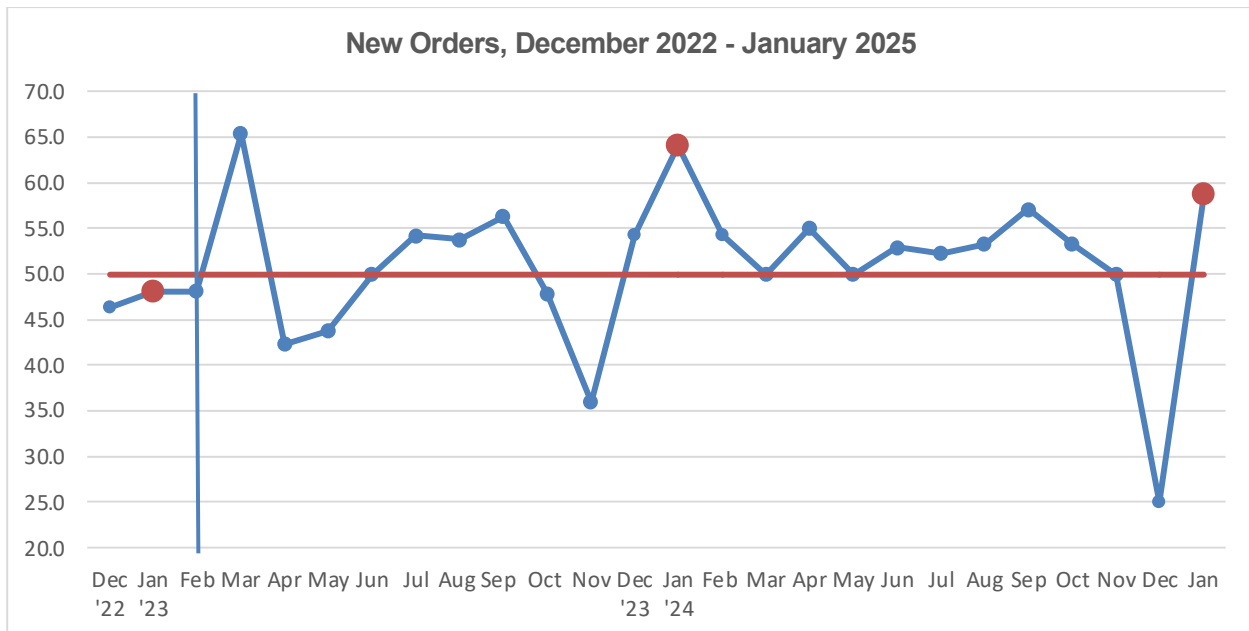
Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** for January 2025 rebounded to **52.9** after fell sharply to 34.4 last month. This rebound aligns with historical patterns of post-holiday recovery, indicating recovering in production activities in the region. Continued monitoring is essential to

assess whether this growth sustains in the coming months.



The New Orders Index for January 2025 experienced a strong rebound at recorded at **58.8**, surging above the 50-point threshold after a sharp decline in December 2024. This recovery indicates renewed demand and suggests that last month’s drop was a temporary fluctuation rather than a prolonged downturn. The January resurgence suggests a return to normal business operations, with firms resuming procurement and supply chains stabilizing after year-end disruptions.

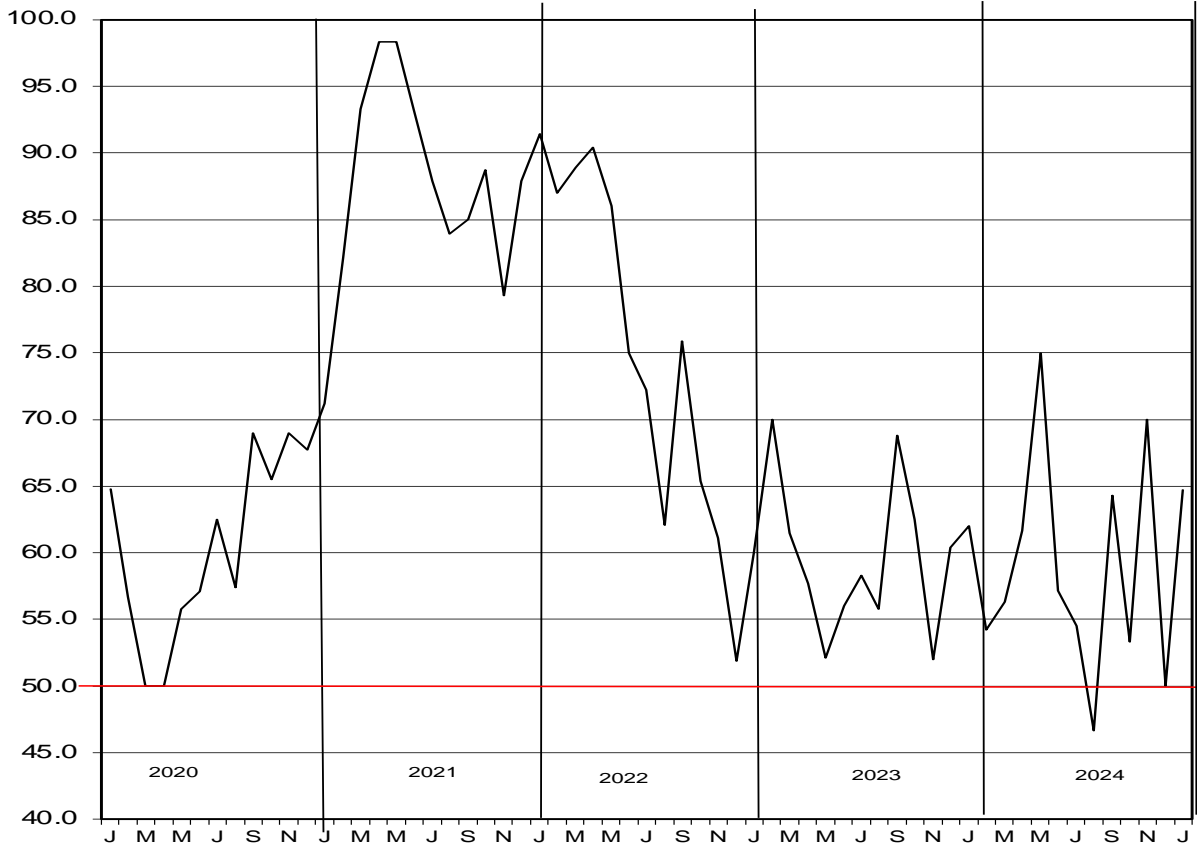


In January 2025, the **Employment Index** remained steady at **50.0**, unchanged from the

previous month. This marks the seventh consecutive month at or below the 50 threshold, reflecting a stagnant job market in the Inland Empire Manufacture sector.

The **Commodity Price Index** for January 2025 increased sharply to **64.7** from last month's figure of 50, indicating a rise in input cost for manufacturers.

Commodity Prices

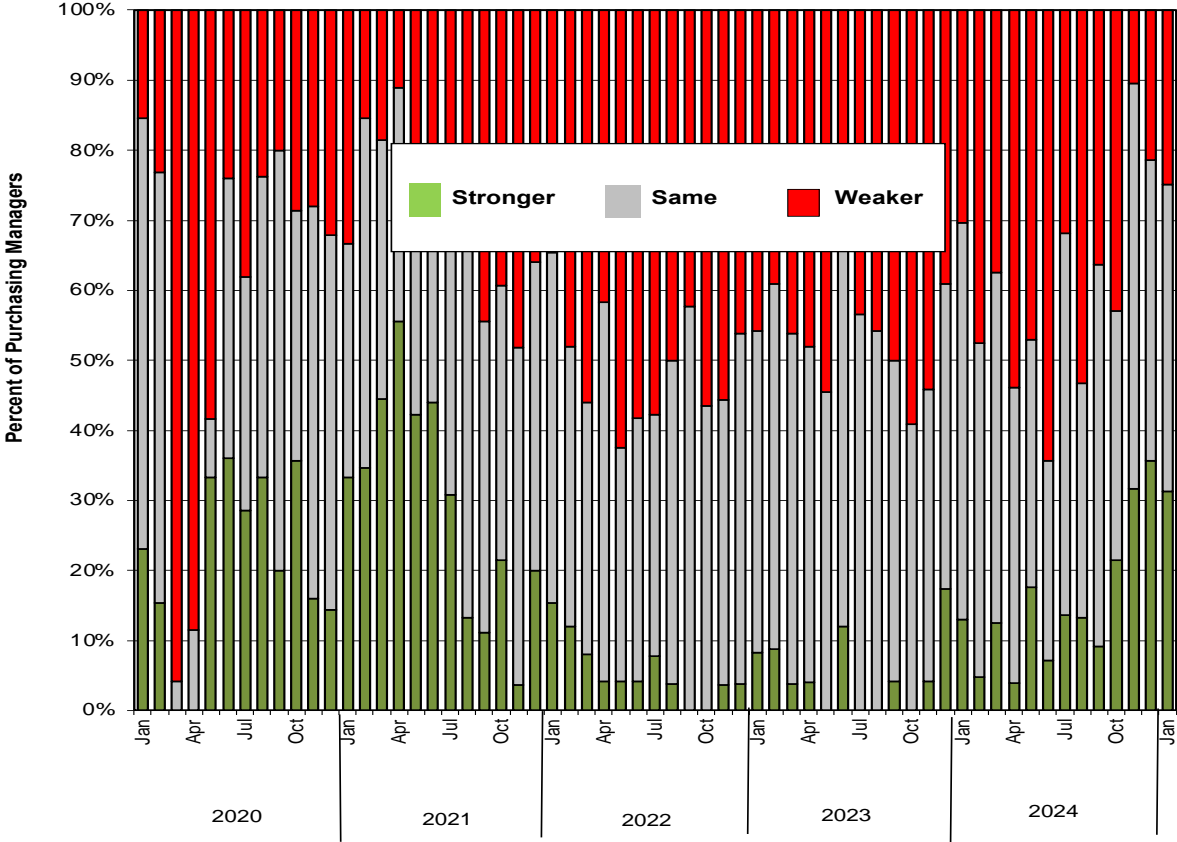


The **Supplier Deliveries Index** for January 2025, which measures the speed of supplier deliveries, registered at **50.0**, a slight decrease from 53.1 in the previous month. This marks the 13th consecutive month the index has remained above the 50 thresholds, indicating continued slower delivery times. However, the decrease suggests that the rate of slowing has eased, signaling a potential improvement in supply chain conditions.

The **Overall Inventory Level** for December 2024 registered at **70.6**, a notable increase from last month's 50.0. This sharp rise suggests that businesses are actively restocking, possibly in response to the strong rebound in new orders and production.

Panelists were asked to forecast the state of the local economy over the next three months. A majority, 43.8%, believe the economy will remain unchanged, while 31.3% expect it to strengthen—an improvement from the previous month. Only 24.9% anticipate a weaker economy in the coming quarter, reflecting an overall positive shift in sentiment compared to prior 6 months.

State of the Local Economy Manager's Predictions



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

January 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	42.5	56.5	Growing	From Contracting	1
Commodity Prices	50.0	64.7	Increasing	From unchanged	5
Production	34.4	52.9	Growing	From Contracting	1
New Orders	25.0	58.8	Growing	From Contracting	1
Inventory	50.0	70.6	Increasing	From unchanged	2
Employment	50.0	50.0	Unchanged	From Unchanged	7
Supplier Deliveries	53.1	50.0	Unchanged	From Decreasing	13
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	35.70%	31.30%			
% Same	42.90%	43.80%			
% Weaker	21.40%	24.90%			

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, concern, or a neutral stance.

Some expresses stability with an optimistic outlook for the future

- "This is our slow season, we are building inventory for the busy time.
- "We are basically the same as last year. Our forecast is to see a slight improvement over the next 12 months."

Some panelists neutral or mixed perspectives:

- "Not much has changed since December."
- "Sales orders are stable, no changes up or down this month."
- "The new national administration has come in and followed up on positions that were a part of what they had said they were going to do from "Day One", so there was the "security" of that consistency; however, what remains significantly unpredictable are the consequences of those actions. What this means for us in business is that we have to be assertively pursuing our goals in ways that we can insulate ourselves as much as possible from the potential consequences of these actions by being both proactive and adaptable."

Others shared some concerns

- "I do believe that interest rates have affected many areas of our economy. Many in construction, building products, mortgages, banking & infinite areas of

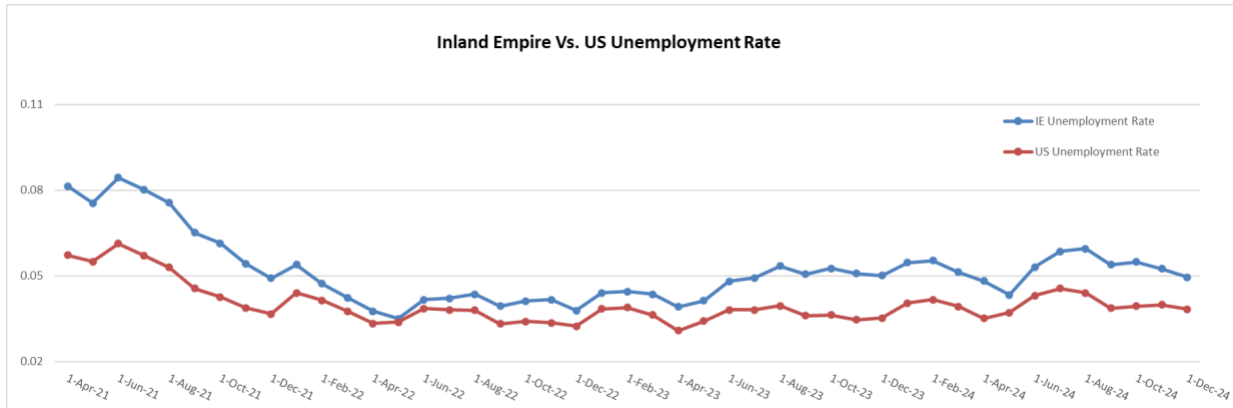
employment have affected the economy. This all trickles down to road improvements which are paid for with diminishing tax revenues & this affects our business as we supply traffic control products to the businesses who work on the roads. All of this decreases our purchasing of the raw materials needed to manufacture our safety products!!"

(Highlights economic challenges caused by high interest rates, particularly in construction and infrastructure-related industries.)

- "SLOW."
- "Business is slower at start of year, but volume is steady."

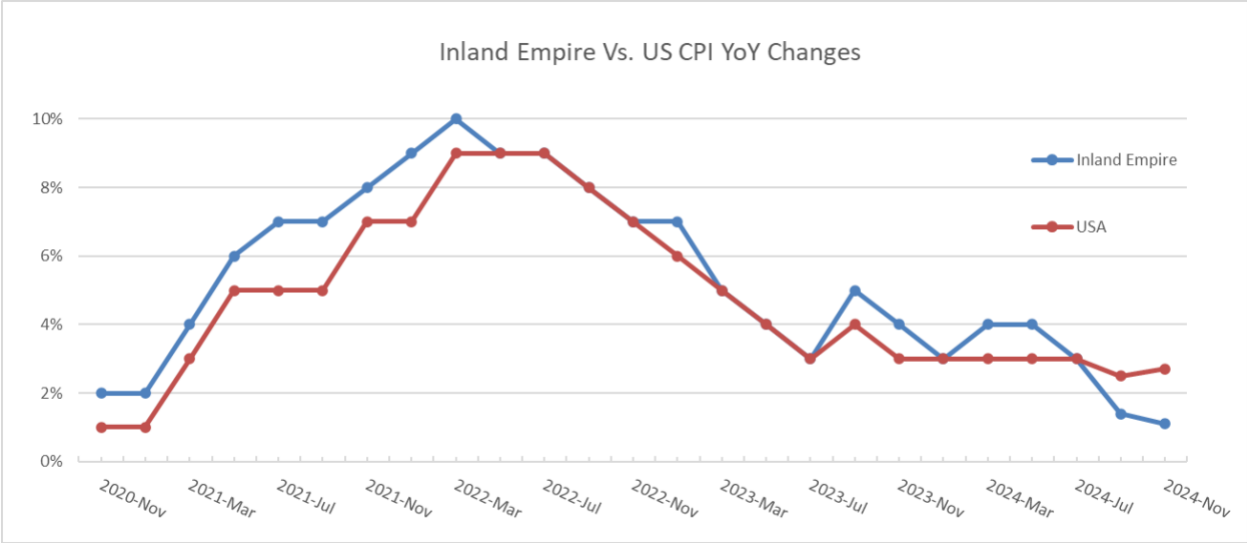
Economic Context: Unemployment Rate

In the past two months, the Inland Empire and the US both experienced declines in unemployment rates, with the Inland Empire showing a slightly sharper drop in December 2024. This recent decline contrasts with the upward trend observed from mid-2023 to mid-2024, where both regions saw modest increases in unemployment rates. Compared to the overall trend since 2021, the recent decline aligns more closely with the earlier pattern of decreasing unemployment observed from 2021 to early 2022, suggesting a potential return to a more stable economic trajectory after a period of fluctuations.



Economic Context: CPI – Inflation

While we are still awaiting the release of February's CPI data for the metropolitan area, the qualitative insights we have gathered indicate that inflation has significantly stabilized compared to pandemic levels. However, we have observed notable challenges faced by small business owners, including credit constraints and the impacts of recent disasters, such as power outages caused by the Los Angeles fire. These challenges suggest that the region’s business community may benefit from specialized support and educational resources to better prepare for and respond to disruptive events.



National and Regional PMI Comparison

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

In January 2025, the Manufacturing PMI shows that new orders, production, and employment are all growing in both the Inland Empire (IE) and nationally, indicating strong demand and active hiring. However, the IE faces increasing supplier delivery times, signaling localized supply chain delays, while nationally, delivery times are contracting, reflecting improved efficiency. Inventories remain unchanged in the IE, contrasting with growth at the national level, suggesting more conservative inventory management locally. Additionally, prices in the IE are stable, while nationally, price growth is slowing, indicating easing inflationary pressures.

This regional trend aligns with the broader national rebound, as the Purchasing Managers' Index (PMI) rose significantly from 42.5 to 56.5. This growth was primarily driven by substantial increases in the New Orders and Production indices, which had previously contracted in December due to seasonal slowdowns and industry-specific factors. Reflecting renewed business confidence, inventory levels surged from 50.0 to 70.6, suggesting that companies are replenishing stock in anticipation of future demand. Despite these positive indicators, employment remained unchanged at 50.0 for the

seventh consecutive month, highlighting ongoing caution in workforce expansion even amid broader economic growth.

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