

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 2025

Key Summary of the Report:

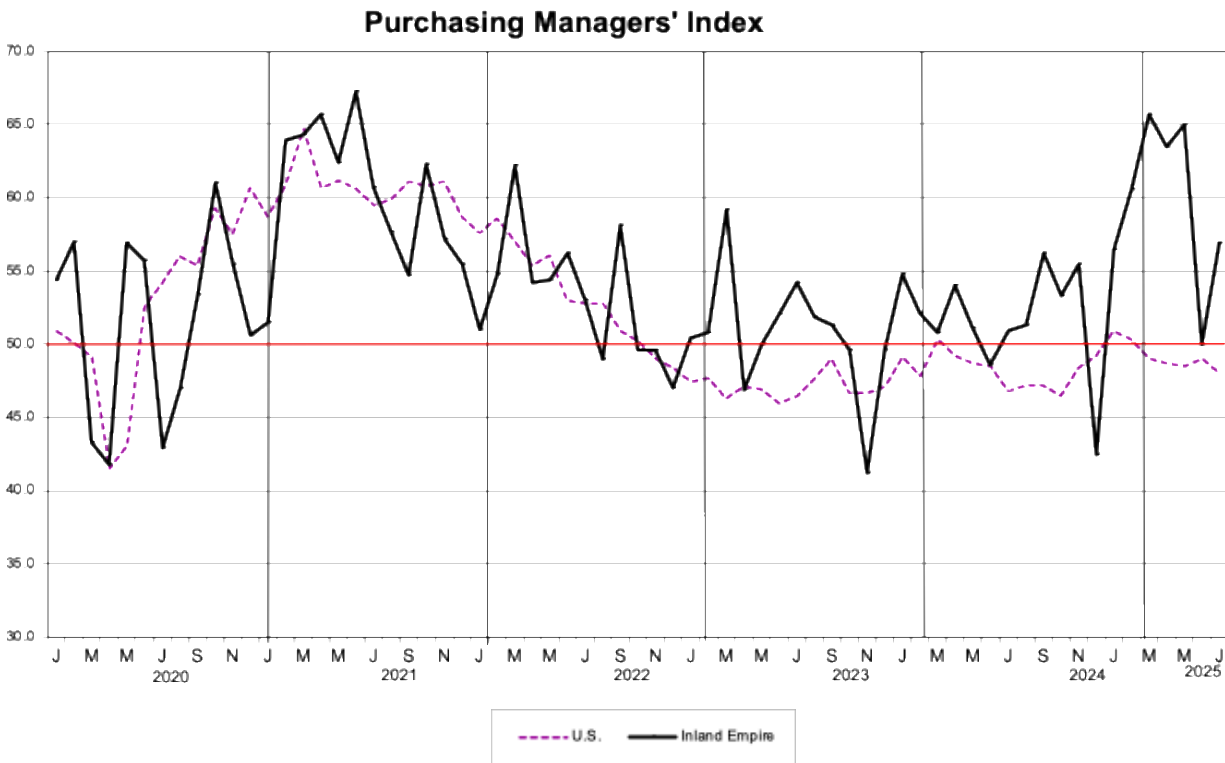
The July 2025 report reflects a noticeable rebound in the Inland Empire manufacturing sector, suggesting June's weakness was temporary rather than the start of a contraction.

- **PMI Rebounds:** The PMI rose to 56.9, the seventh month this year at or above 50, confirming a sustained growth trend.
- **Production & New Orders:** Both returned to expansionary territory, New Orders jumped 40% to 65.4 from 46.7 in June, reversing last month's dip.
- **Employment Remains Stable:** The Employment Index increased to 57.7, showing little impact from June's PMI softness.
- **Input Prices Rise Slowed:** The Commodity Price Index fell to 53.8, signaling moderating—though still rising—input prices.
- **Rising Uncertainty in Economic Sentiment:** Panelists express concerns about uncertainty, adopting a neutral near-term stance on the economy.

PMI

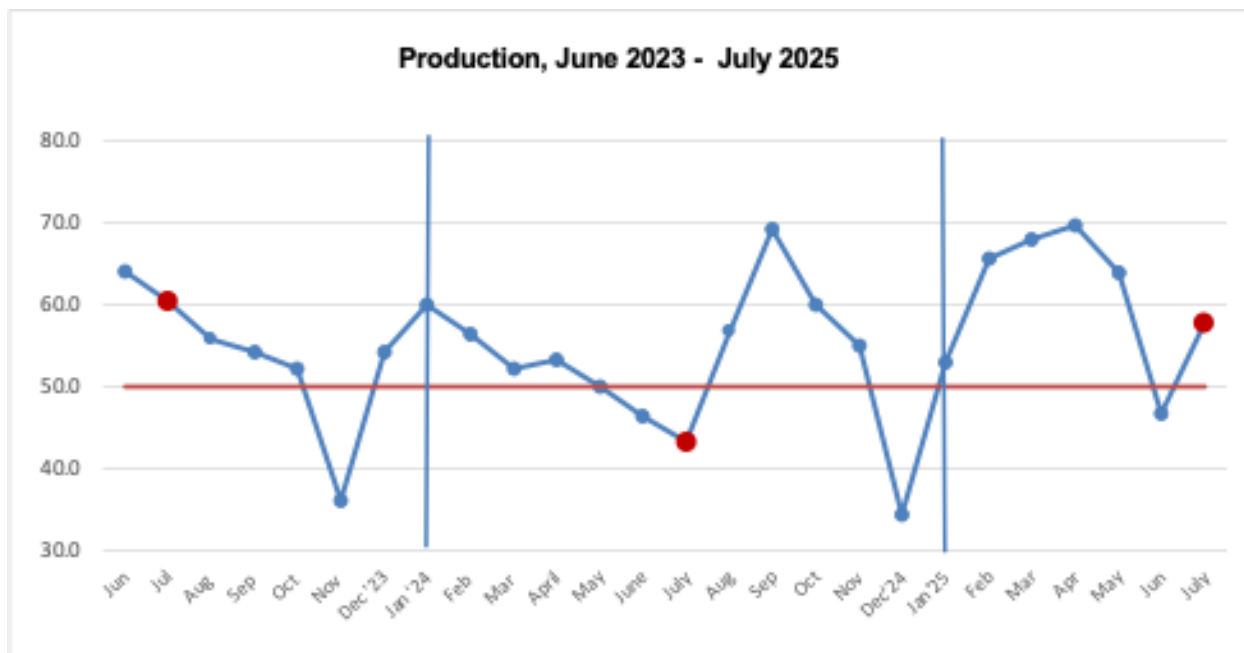
According to Dr. Anna Long and Dr. Peiyi Jia of the Institute of Applied Research (IAR), the Inland Empire **Purchasing Managers' Index (PMI)** rebounded to 56.9 in July 2025, recovering from 50 in June. This rebound, following last month's decline, reinforces the persistence of the region's growth trend. In contrast, the national PMI declined slightly to 48.0, down from 49 the previous month.

Despite the sharp decline in June, the regional PMI remained at the critical 50-point threshold. The July rebound indicates that the June weakness was a temporary fluctuation and that the Inland Empire's manufacturing expansion remains intact. While more volatile than the national index, the region has consistently outperformed the U.S. average since January 2025.



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

The **Production Index** for July 2025 surged to 57.7 from 46.7 in June, reversing the prior month's decline and restoring expansionary conditions (greater than 50 threshold). The swing points to temporary volatility, rather than a change in the underlying trend.



The New Orders Index for July 2025 surge to 65.4 from 46.7 in June, undoing June's decline and exceeding its May reading. Coupled with the significant increase in the Production Index, this improvement supported the PMI's overall rebound.

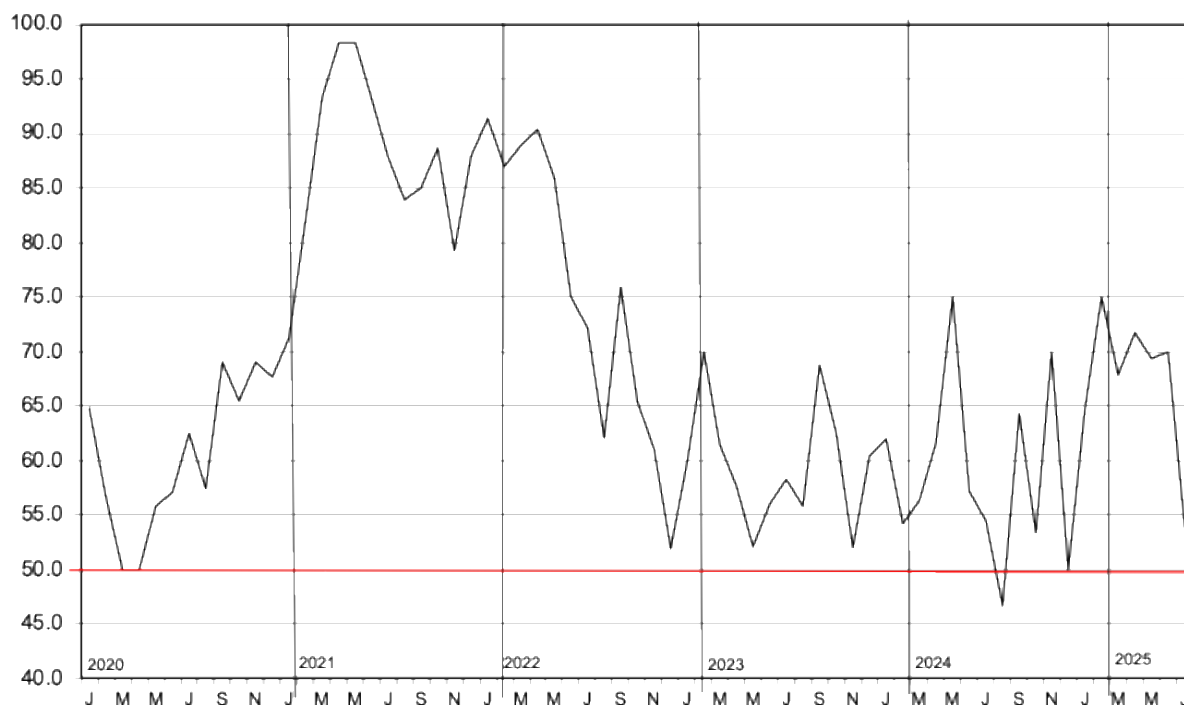


In July 2025, the **Employment Index** increase slightly to 57.7, up from 53.3 in June. This marks the 13th consecutive month the index has remained at or above the 50-point threshold, This index appears not materially affected by June's dip in production and

new orders, and the reading of this month signals ongoing stability in the regional manufacturing labor market. Paired with July's rebound in production and new orders index components, the sustained strength in employment supports the overall PMI recovery.

The **Commodity Price Index** for July 2025 dropped significantly to **53.8** from 70 in June, pointing to moderating input inflation. The reading remains above the 50 thresholds, suggesting ongoing—but notably slower—price increases.

Commodity Prices

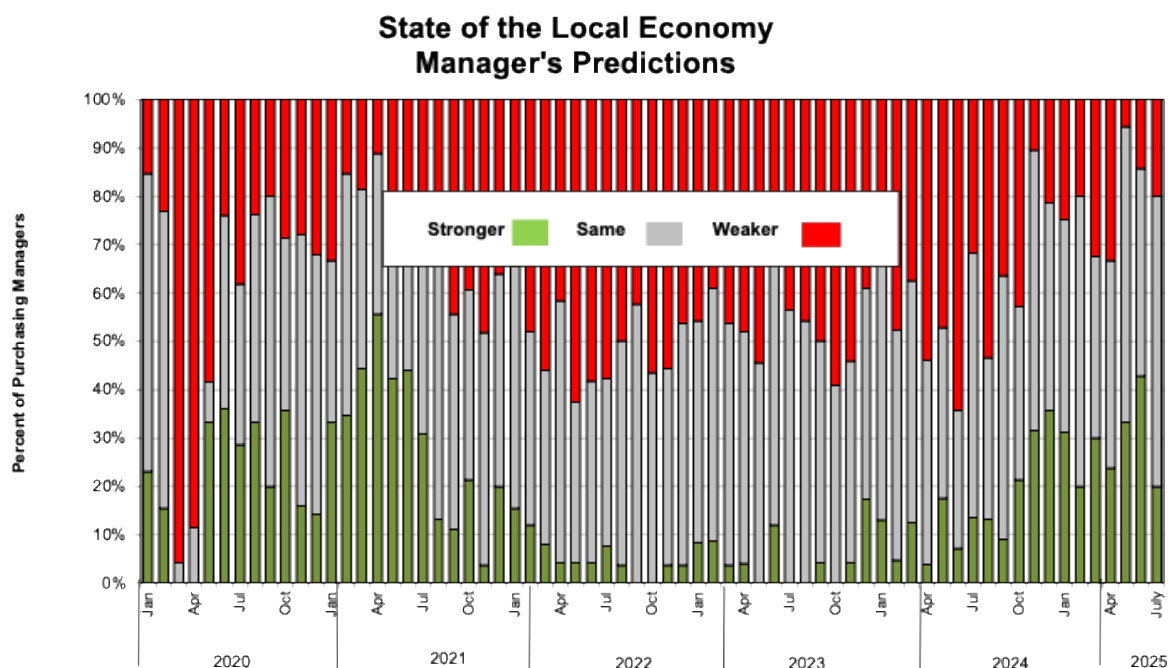


The **Supplier Deliveries Index** for July 2025 increased to **50.0**, down from 46.7 in June. A reading above 50 indicates slower deliveries. This reading suggests that supply chain conditions has remained the same as last month.

The **Overall inventory** level for July 2025 declined to **53.8** from 56.7 in June. Remaining well above the 50-point threshold, the figure signals a continued buildup in inventory levels. The decline suggests that the pace of inventory accumulation has slowed compared to the previous month.

Panelists were asked to forecast the state of the local economy over the next three months. **60.0%** of the panelists believe the economy will remain unchanged. Meanwhile, **20.0%** expect it to strengthen, while another **20.0%** 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:

July 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	50.0	56.9	Growing	From Unchanged	7
Commodity Prices	70.0	53.8	Increasing	Slower	11
Production	46.7	57.7	Growing	From Contracting	1
New Orders	46.7	65.4	Growing	From Contracting	1
Inventory	56.7	53.8	Increasing	Slower	7
Employment	53.3	57.7	Growing	Faster	13
Supplier Deliveries	46.7	50.0	Unchanged	From Faster	2
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	42.90%	20.00%			
% Same	42.90%	60.00%			
% Weaker	14.30%	20.00%			

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.

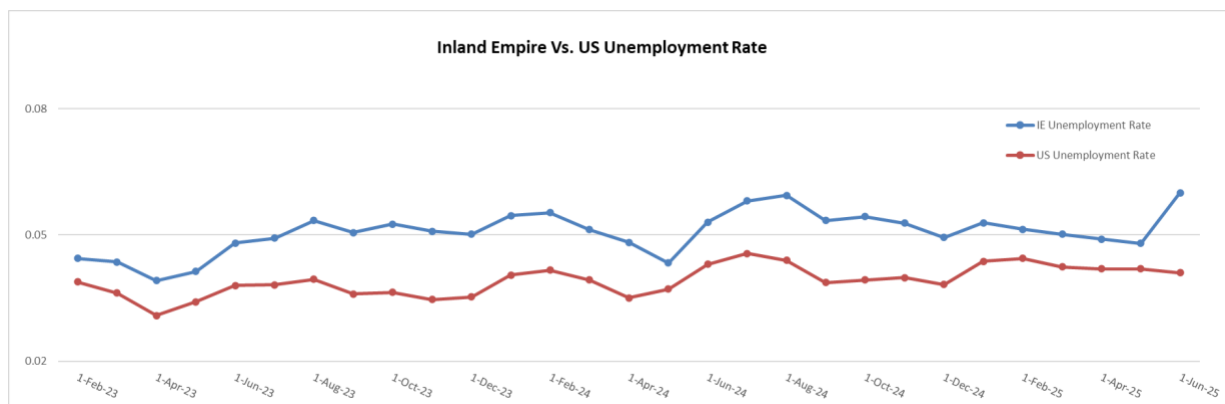
Some expresses stability and optimistic outlook for the future

- “July has been the best month of the year for closed projects and final payments. So cash flow has been good, and customer orders have picked up since the 4th of July. Still taking some customers more time than normal to make their buying decisions, but we are busy with new signs and sign installation/removal projects.”
- “We are having a great year at our company. We will see record sales domestically and internationally.”

Many expressed concerns about the uncertainty.

- “Some slow down in certain energy sectors - EV and charging due to ending of rebates.”
- “Tariffs are not helping due to the uncertainty if or when to be in effect.”
- “While we do not depend on imports, nor do we export, the on again off again actions on tariffs impact the general economy, and with the uncertainties this situation has created we are experiencing reluctance on many of our customers to commit to contracts. Hopefully there will be greater stability in the future.”
- “Sales orders have slowed significantly this month. The good news is this slowdown has allowed us to get our lead times down to a more acceptable level.”
- “Sales continue to be slower than last year.”

Economic Context: Unemployment Rate



Over May and June, we saw a sharp divergence between local and national labor market trends. The Inland Empire unemployment rate jumped from about 4.8–5.0 percent in May to roughly 6.5–6.7 percent in June, while the U.S. rate held steady near 3.6 percent. This one-month spike broke the region’s earlier stable pattern and widened the local–national gap to around three percentage points, the largest in the period shown. This shift aligns with June’s PMI results, which dropped from 65.0 in May to 50.0 in June, with both Production and New Orders falling into contraction territory at 46.7. Since unemployment data tends to lag by about a month, these PMI readings point to a cooling manufacturing sector and growing uncertainty in the local economy.

National and Regional PMI Comparison

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

This month’s PMI comparison points to a solid rebound for the Inland Empire manufacturing sector following last month’s slowdown. Most major components are back in growth mode, with Manufacturing PMI, Production, New Orders, and Employment all expanding, Inventories ticking up, and Supplier Deliveries holding steady. In contrast, the national picture shows more broad-based weakness—Manufacturing PMI, New Orders, Inventories, and Employment are all contracting, with Production being one of the few areas still growing. At the federal level, Supplier Deliveries are moving faster, a sign of easing demand pressure. Overall, the Inland

Empire is clearly outperforming the national manufacturing sector, sustaining expansion while the broader U.S. continues to face headwinds.

FOR QUESTIONS OR FURTHER INFORMATION, CONTACT:

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