

**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 June 2025**

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**Key Summary of the Report:**

*The June 2025 report reflects a noticeable cooling in the Inland Empire manufacturing sector, as shifting indicators point to growing uncertainty about the region's near-term economic outlook.*

- **PMI Drops Sharply but Holds at Expansion Threshold:** The PMI declined significantly to 50.0. While still signaling non-contraction, this is the sharpest drop in recent months and may mark the beginning of a slowdown.
- **Production and New Orders Fall Below 50:** Both the Production and New Orders indices fell to 46.7, their first readings below 50 in 2025, indicating contraction in key manufacturing activity.
- **Employment Remains Stable:** The Employment Index stayed in expansion territory at 53.3, reflecting labor market resilience. However, as a lagging indicator, it may soften in future months if weakness in orders and production continues.
- **Faster Supplier Deliveries:** The Supplier Deliveries Index fell below 50, indicating faster delivery times and a resolution of previous supply chain delays.
- **Input Prices Continue to Rise:** The Commodity Price Index edged up, pointing to persistent inflationary pressure on manufacturers.
- **Rising Uncertainty in Economic Sentiment:** Panelist forecasts revealed a widening range of views, reflecting rising uncertainty and divergence in expectations.

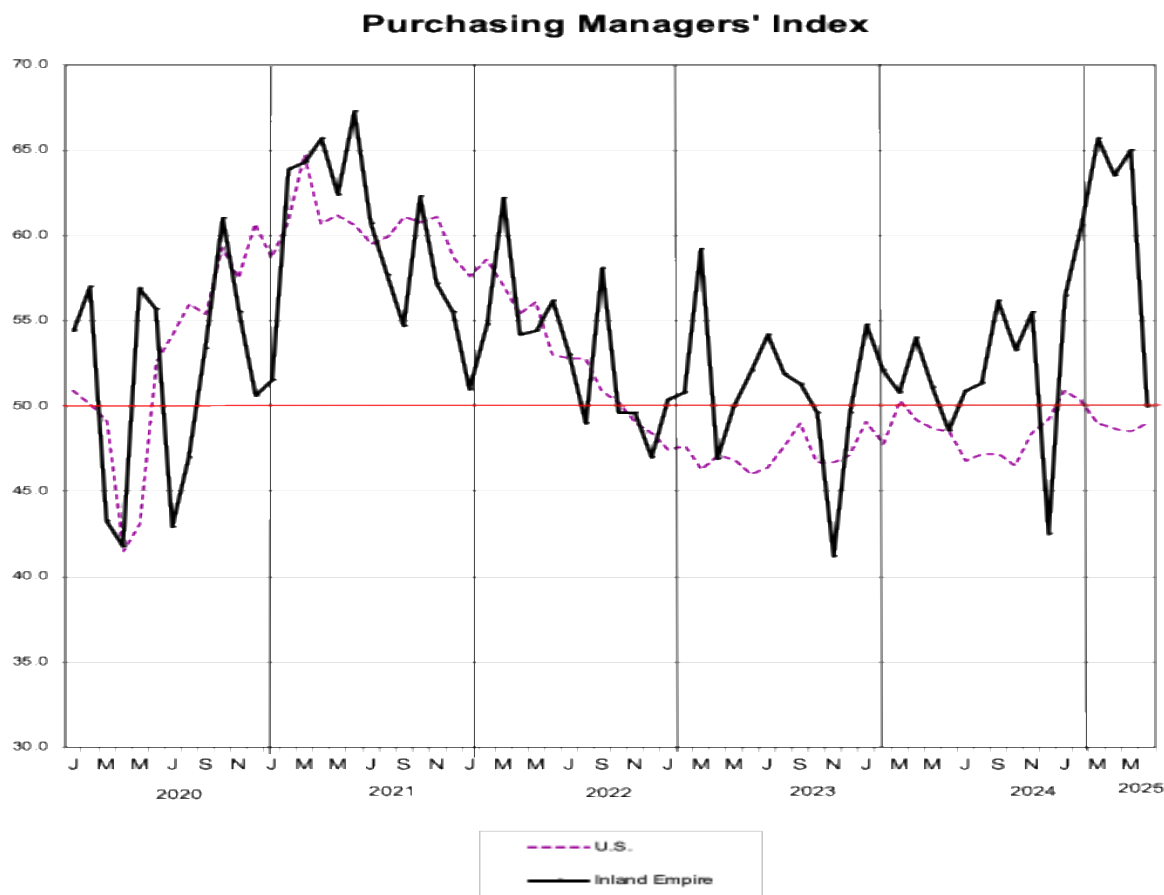
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**PMI**

According to Dr. Anna Long and Dr. Peiyi Jia of the Institute of Applied Research (IAR), the Inland Empire **Purchasing Managers' Index (PMI)** dropped significantly to 50.0 in June 2025, down from 65.0 in May. In contrast, the national PMI rose slightly to 49.0, up from 48.5 the previous month.

Despite the sharp decline, the regional PMI remains at the critical 50-point threshold, indicating that manufacturing sector in the Inland Empire region has not yet entered contraction.

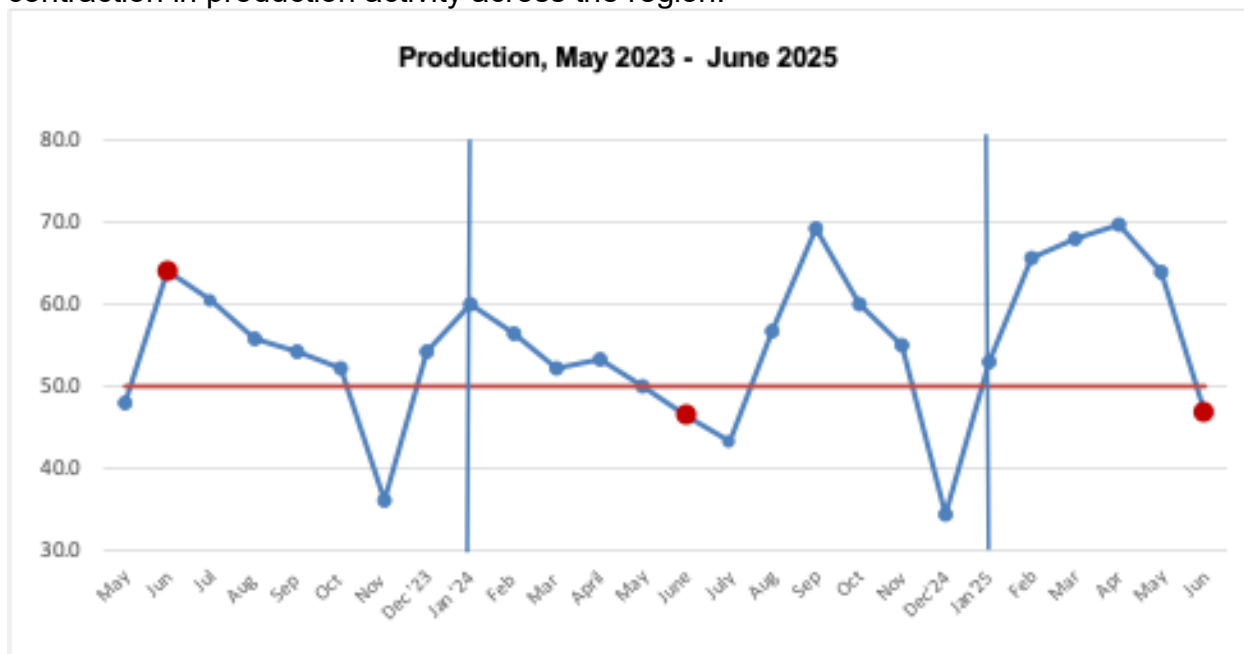
Compared to the same month in previous years, June’s PMI is noticeably lower. This, combined with the steep month-over-month decline, may signal a potential shift in the regional trend in the manufacturing sector. The Institute of Applied Research will continue to closely monitor future data to determine whether this drop represents a temporary fluctuation or the onset of a more sustained slowdown in manufacturing activity across the Inland Empire.



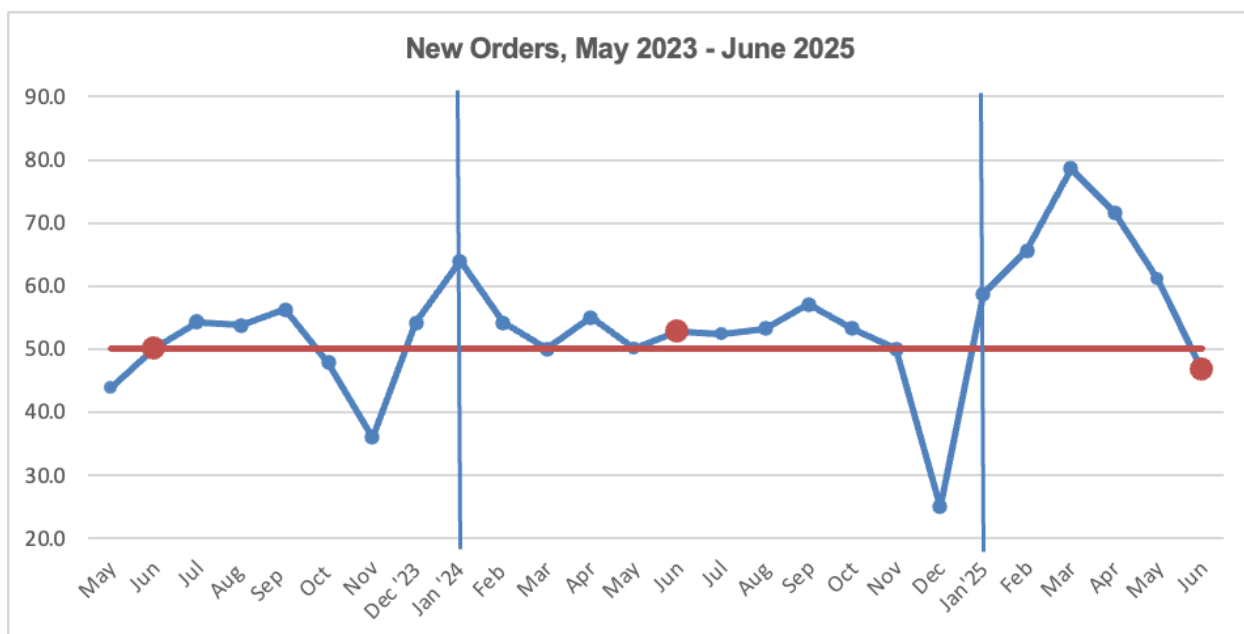
Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** for June 2025 declined sharply to 46.7, down from 63.9 in May. This decrease ends a five-month expansion trend in production activities and marks the

first time in 2025 that the index has fallen below the 50-point threshold—indicating a contraction in production activity across the region.



**The New Orders Index** for June 2025 fell to **46.7**, down from 61.1 in May—marking a significant decline and the first time the index has dropped below the 50-point benchmark since January. This downturn, coupled with the sharp decrease in the Production Index, contributed to the overall drop in the PMI. The data suggests that new order activity is weakening after five consecutive months of growth.

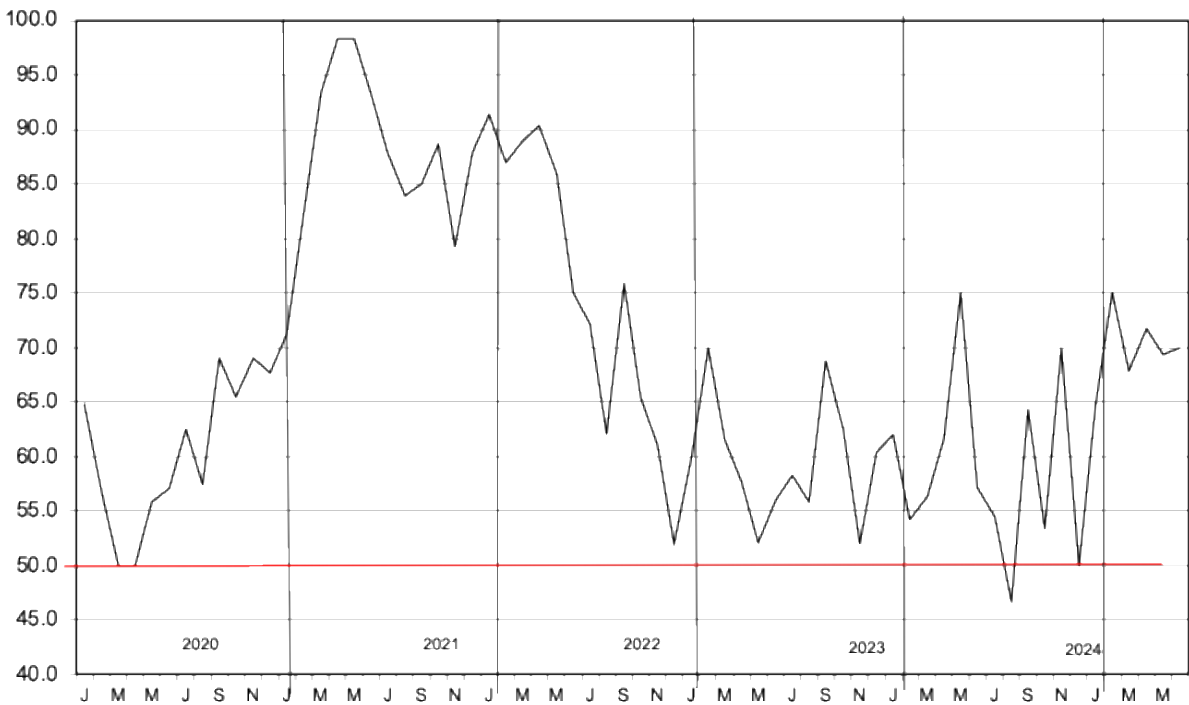


In June 2025, the **Employment Index** declined slightly to 53.3, down from 61.1 in May. This marks the sixth consecutive month the index has remained at or above the 50-point threshold, indicating continued stability in the regional labor market.

However, since the Employment Index typically lags behind the New Orders and Production indices—which both showed signs of contraction this month—there may be downward pressure on employment in the coming months if the weakening trend persists. The Institute of Applied Research will continue to monitor developments in the local employment situation closely.

The **Commodity Price Index** for June 2025 increased slightly to **70** from 69.4 in May. This modest uptick points to a gradual acceleration in input cost growth for manufacturers, indicating that overall inflationary pressures continue to persist in the region.

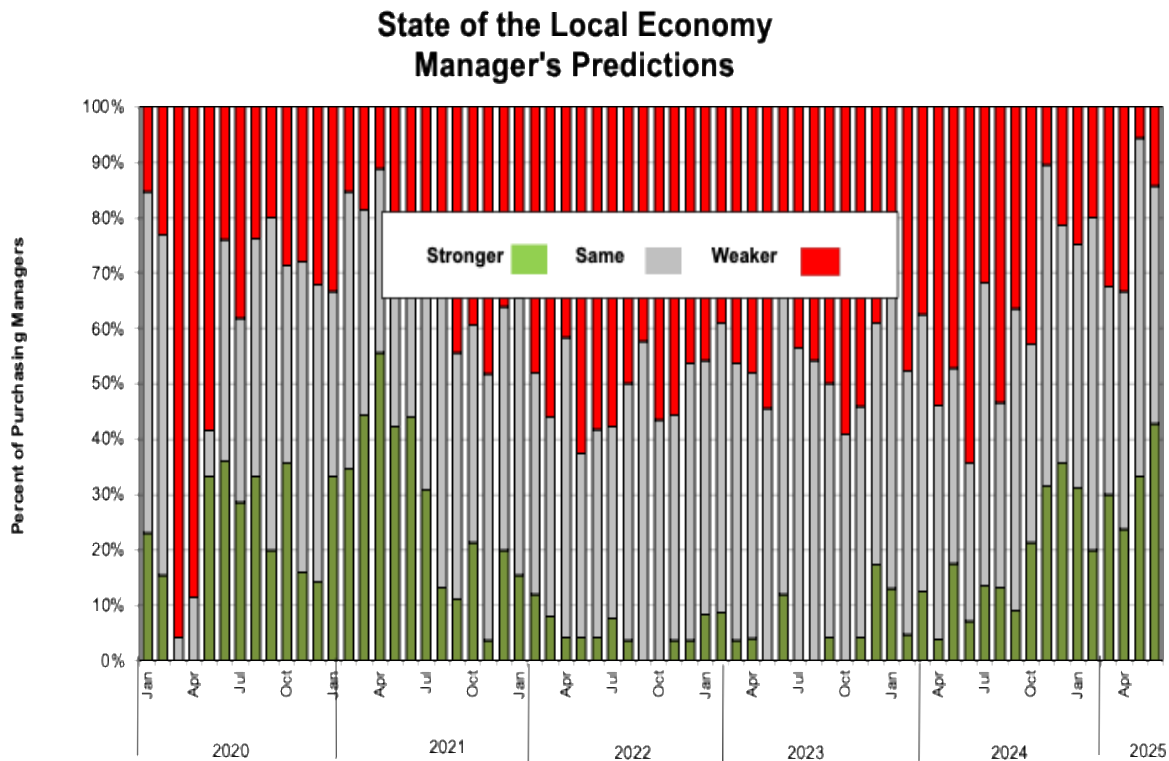
### Commodity Prices



The **Supplier Deliveries Index** for June 2025 increased to **46.7**, down from 63.9 in May. A reading below 50 indicates faster deliveries. This shift suggests that supply chain conditions have improved.

The **Overall inventory** level for June 2025 declined sharply to **56.7** from 70 in May. 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. **42.9%** of the panelists believe the economy will remain unchanged. Meanwhile, **42.9%** expect it to strengthen, while another **14.3%** anticipate a weaker economy. Compared to previous months, the share of respondents expecting both improvement and decline increased, while fewer now anticipate no change—suggesting growing uncertainty and a widening range of expectations among local manufacturers.



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

June 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	65.0	50.0	Unchanged	From Growing	6
Commodity Prices	69.4	70.0	Increasing	Faster	10
Production	63.9	46.7	Contracting	From Growing	1
New Orders	61.1	46.7	Contracting	From Growing	1
Inventory	75.0	56.7	Increasing	Slower	6
Employment	61.1	53.3	Growing	Slower	12
Supplier Deliveries	63.9	46.7	Getting Faster	From Decreasing	1
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	33.30%	42.90%			
% Same	61.10%	42.90%			
% Weaker	5.60%	14.30%			

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

- *“Set 70-year records for order bookings and shipments in the month of June, business is trending up overall for us. This is driven from our core markets of aerospace, defense, and subsea applications.”*
- *“The current federal administration policy changes have not had a negative impact on our business.”*
- *“Still seeing a lot of work to be bid out there. Both Public Works and Commercial.”*
- *“Slight slowdown with the national holiday. Still have a good backlog that will carry us through August. Anticipating a pick-up in sales orders by then.”*

Others uncertain perspectives:

- *“Anyone in business is well aware of the degree of uncertainty... we must believe in ourselves and the value we bring...”*
- *“Business has been steady and we have been putting out a lot of quotes. Customers seem to be very slow lately with moving forward with quotes. Pricing has been the top concern for new customers, but repeat customers are still pretty*

*strong. We usually see a bit of an increase in orders after 4th of July when people come back from vacations.”*

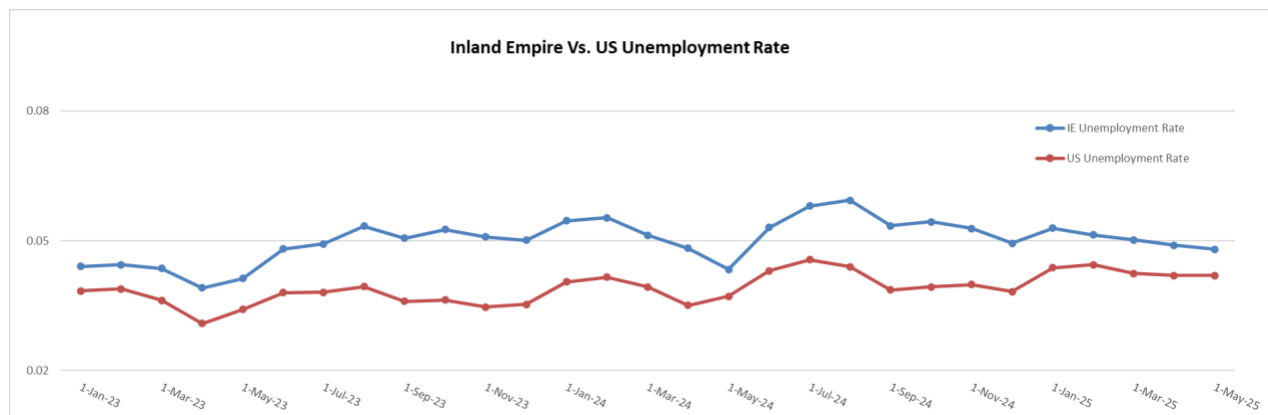
- *“Summer busy season is here, still unsure about tariffs.”*

Some shared concerns or negative outlook.

- *“Food service is down right now, it seems to be mostly in the Hispanic community. It is affecting some of the sales.”*
- *“General slow down in sales.”*
- *“Slow.”*
- *“We have seen an atypical slowdown for new orders. Sales department reports this is due to competitive pricing.”*

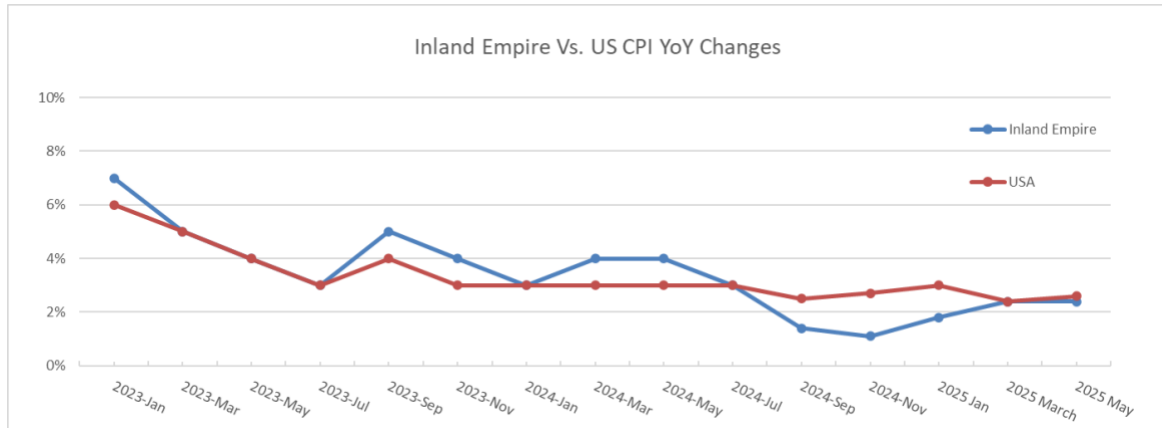
### **Economic Context: Unemployment Rate**

The unemployment rate trend for the Inland Empire (IE) over the recent months shows a slight decline, indicating modest improvements in local economic conditions. Although the IE unemployment rate continues to be higher than the national average, the gap between them has narrowed, signaling positive momentum. Nationally, the U.S. unemployment rate also declined, emphasizing a broader positive employment trend.



### **Economic Context: CPI – Inflation**

While we await the latest regional CPI figures, we anticipate that inflation could potentially trend lower in the coming months. This expectation is driven by recent political changes, along with significant layoffs in both government and major corporations, which typically reduce consumer spending power and ease inflationary pressures.



### National and Regional PMI Comparison

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

Compared to last month, the regional PMI trends show a clear shift: Production and New Orders moved from growth to contraction, likely driven by increasing economic uncertainty and softer local demand. Inventories sharply increased, suggesting businesses are preemptively stocking up due to concerns about future supply or price instability. Employment remains resilient, still growing steadily due to sustained regional business confidence. Meanwhile, Supplier Deliveries improved notably, indicating easing local supply-chain pressures as demand softened.

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

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