

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 2025

Key Summary of the Report:

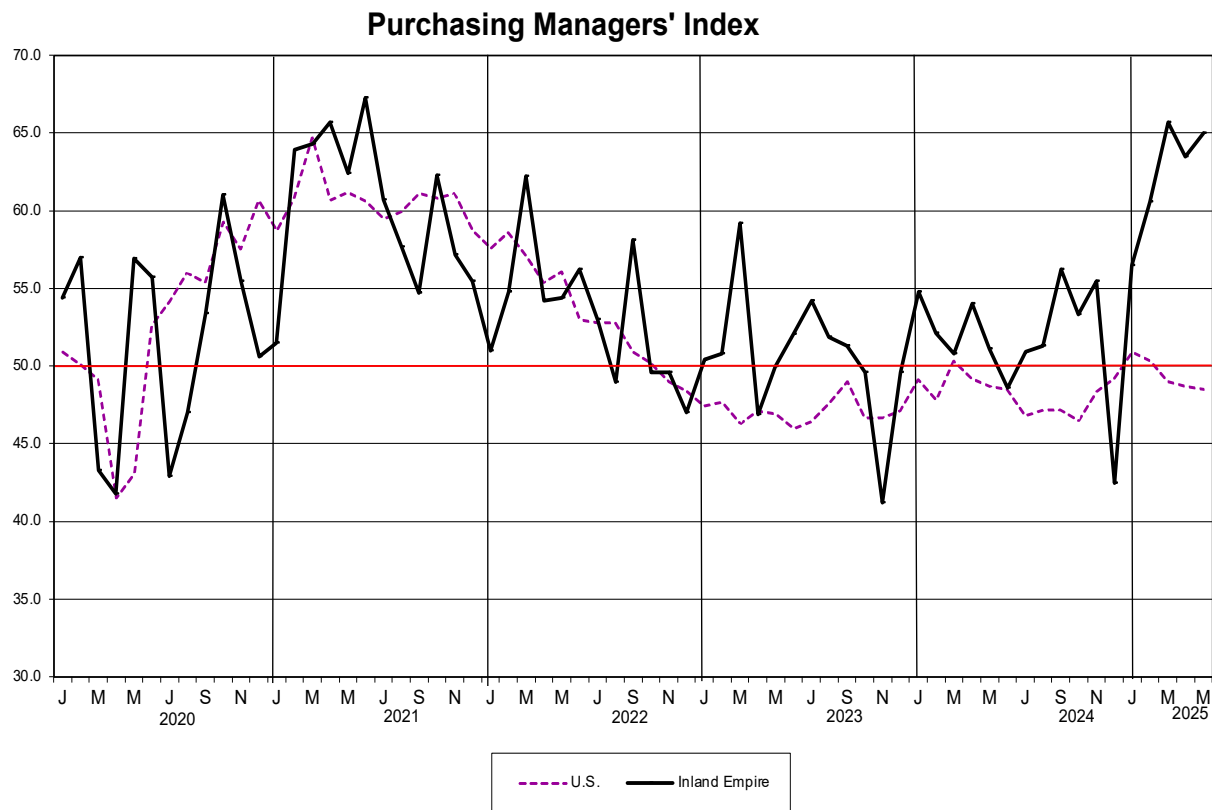
The May 2025 report indicates continued expansion in the Inland Empire manufacturing sector, with strong fundamentals despite some persistent challenges.

- **PMI Climbs, Regional Growth Outpaces Nation:** The PMI increased slightly and continues to outperform the national figure.
- **Production Moderates but Remains Solid:** The Production Index declined from the previous month but stayed firmly above 50, signaling sustained expansion in output.
- **Stable Employment Outlook:** The Employment Index dipped slightly yet marked the fifth consecutive month of expansion, indicating steady labor market recovery.
- **Supply Chain Delays:** The Supplier Deliveries Index increased, pointing to intensifying supply chain slowdowns.
- **Accelerated Inventory Build-Up:** The Inventory Index surged, suggesting businesses are stocking up more aggressively.
- **Improving Sentiment on Economic Outlook:** Fewer panelists expressed negative views on the broader economy.

PMI

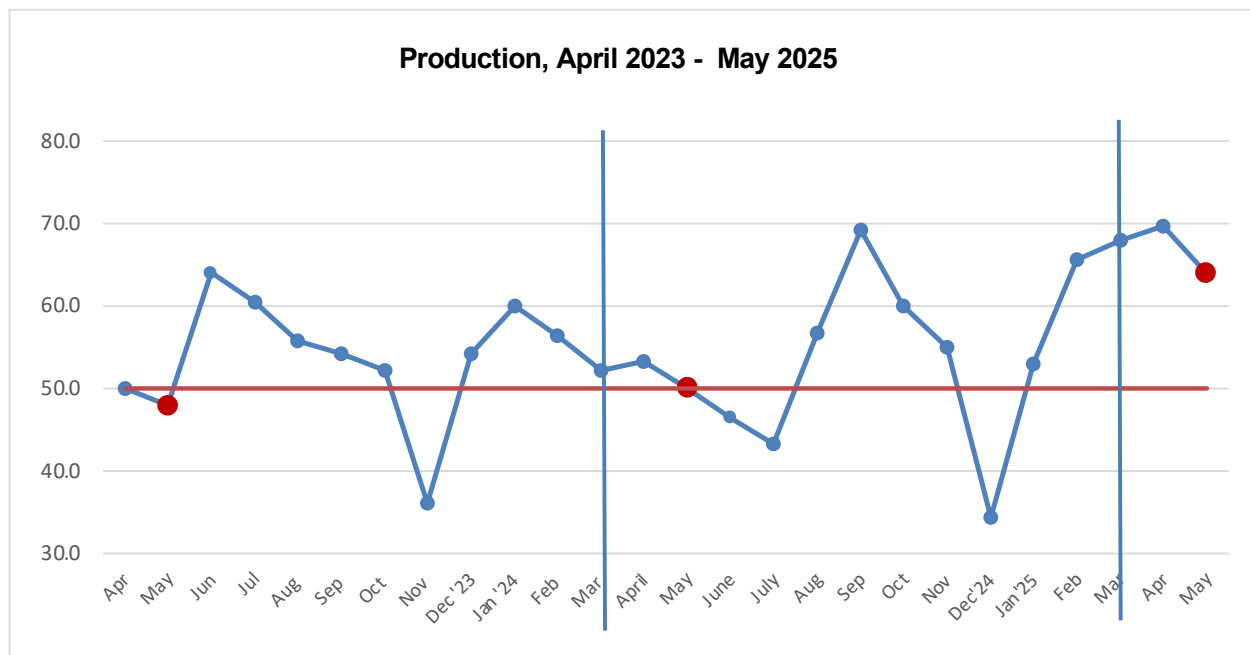
According to Dr. Anna Long and Dr. Peiyi Jia from the Institute of Applied Research the Inland Empire **Purchasing Managers' Index (PMI)** for May 2025 rose slightly to 65.0, up from 63.5 in April. In contrast, the national PMI held steady at 48.5, compared to 48.7 the previous month, highlighting the Inland Empire's relative strength in the manufacturing sector.

The local PMI remains well above the critical 50-point threshold, signaling continued expansion in manufacturing activity across the region.

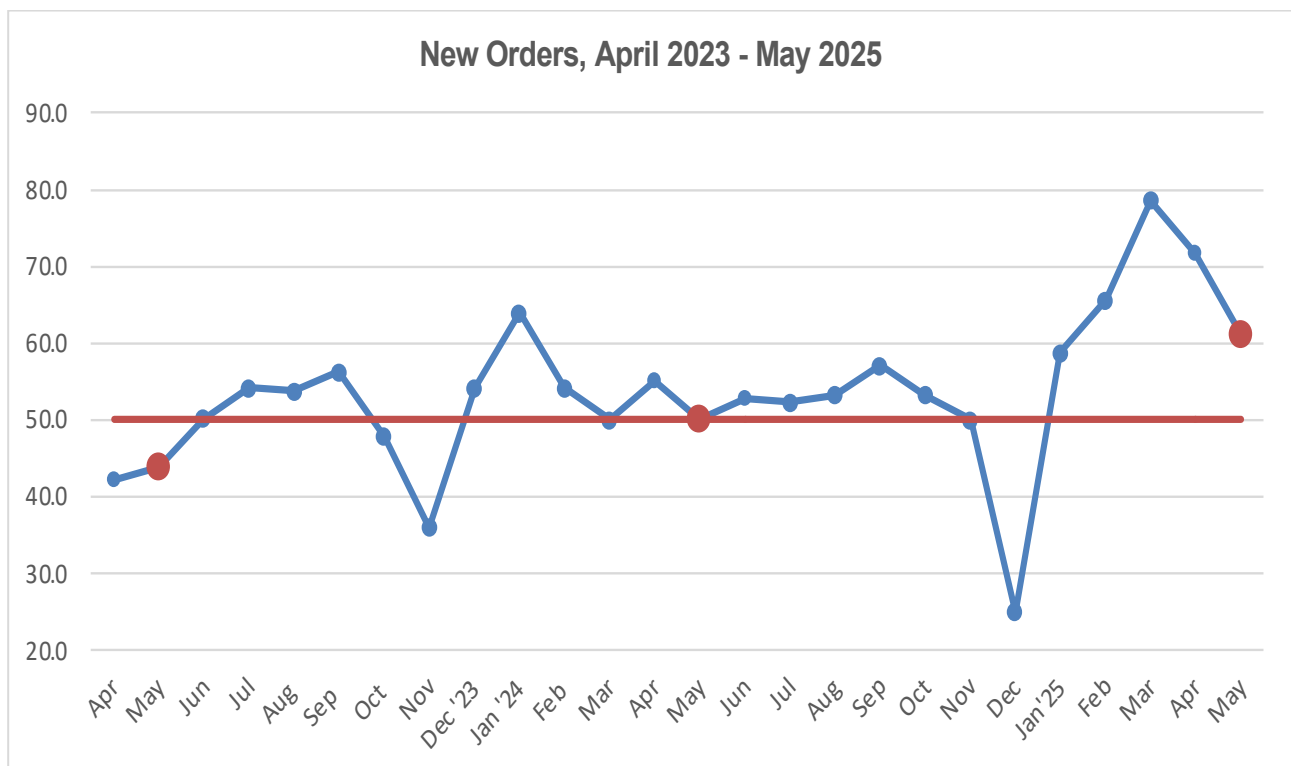


Source of U.S. PMI®: Institute for Supply Management®, Source of IE PMI®: Institute of Applied Research

The **Production Index** for May 2025 decrease to **63.9**, dropped from 69.6 in April. Despite the decline, this marks the fifth consecutive month above the 50-point threshold, indicating continued expansion in regional production activity.



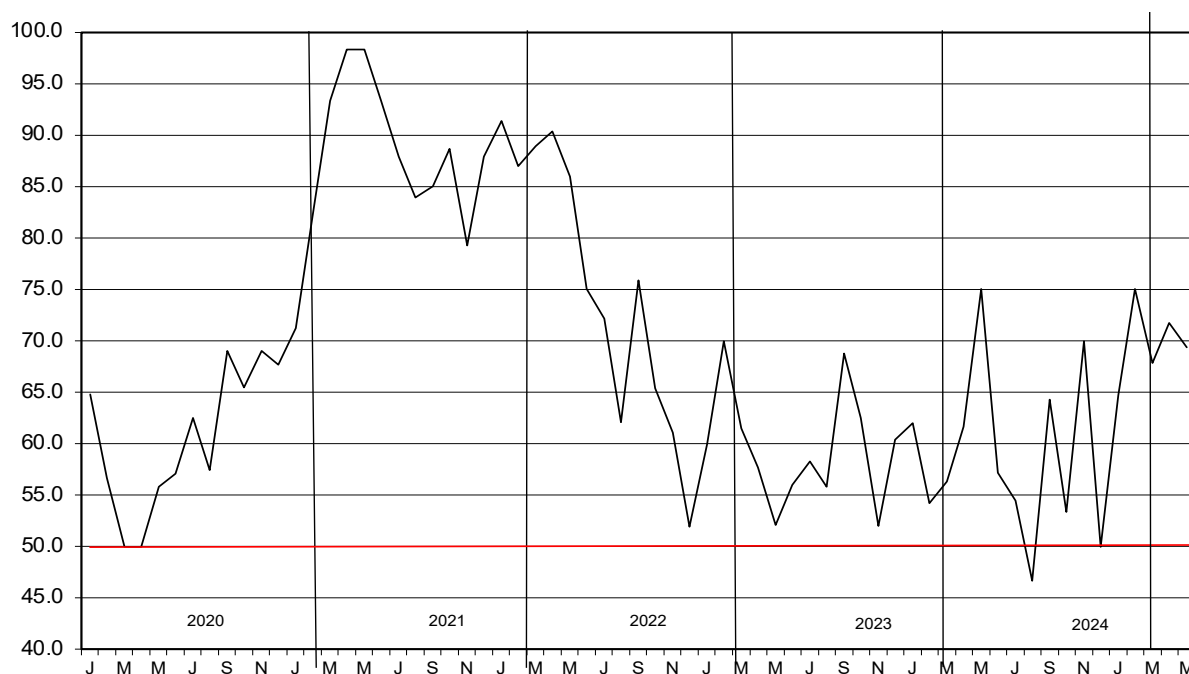
The New Orders Index for May 2025 declined to **61.1**, down from 71.7 in April. While this represents a noticeable dip, the index remains well above the 50-point benchmark, indicating continued growth in new orders, though at a moderated pace compared to the previous month.



In May 2025, the **Employment Index** declined slightly to **61.1** from 63.0 in April, it marks the fifth consecutive month that the figure has remained at or above the 50-point threshold. While the pace of hiring has moderated, the sustained strength suggests that the recovery in the regional labor market remains on track.

The **Commodity Price Index** for May 2025 decreased slightly to 69.4 from **71.7** in April, this decline suggests a slowing in the rise of input costs for manufacturers, indicating that inflationary pressures have eased.

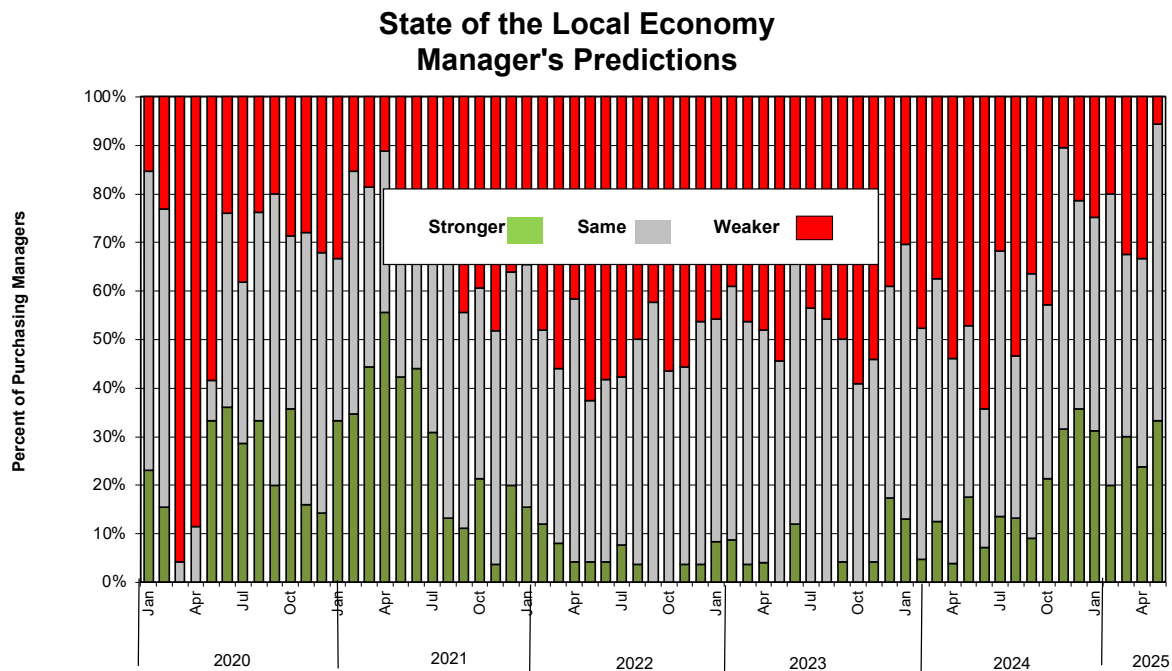
Commodity Prices



The **Supplier Deliveries Index** for May 2025 increased to **63.9**, up from 56.5 in April. A reading above 50 indicates slower deliveries, suggesting that supply chain delays continue, and the pace of those delays has intensified.

The **Overall inventory** level for May 2025 rose sharply to **75** from 56.5 in April. Remaining well above the 50-point threshold, the figure signals a continued buildup in inventory levels. The notable increase suggests that the pace of inventory accumulation has accelerated compared to the previous month, reflecting a proactive inventory strategy by companies in the region.

Panelists were asked to forecast the state of the local economy over the next three months. **61.1%** of the panelists believe the economy will remain unchanged, a significant decrease from last month 60%. Meanwhile, **33.3%** expect it to strengthen, while another **5.6%** anticipate a weaker economy.



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

May 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	63.5	65.0	Growing	Faster	5
Commodity Prices	71.7	69.4	Increasing	Slower	9
Production	69.6	63.9	Growing	Slower	5
New Orders	71.7	61.1	Growing	Slower	5
Inventory	56.5	75.0	Increasing	Faster	5
Employment	63.0	61.1	Growing	Slower	11
Supplier Deliveries	56.5	63.9	Slowing	Faster	17
Purchasing Managers' Confidence in the State of the Local Economy					
% Stronger	23.80%	33.30%			
% Same	42.90%	61.10%			
% Weaker	33.30%	5.60%			

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

- “Profitability has come back as inflation has slowed and pricing was brought up earlier in the year. Number of projects is still a little slower, but business is looking better. Looking forward to a summer rush that usually brings more business.”
- “As an American Manufacturer, due to the tariff’s, we have seen more interest in our products since they are Made in USA.”
- “We find that we are still very busy and still bidding a large amount of work in the Public Works Industry.”
- “We are busy we manufacture landing gear for defense.”
- “Better, will it last?”

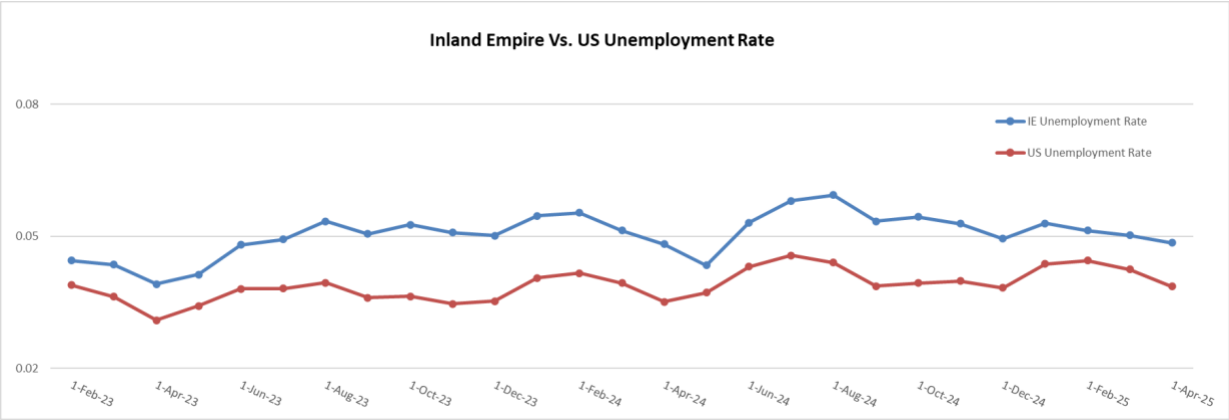
Others shared concerns or uncertain perspectives:

- “We have been experiencing a very uneven record of new orders, and we think it is due to the amount of uncertainty in the economy. Although we do not depend on imports, the on again off again tariff policies have caused existing and potential customers to be conservative in committing to contracts. An advantage for us has been the diversity of markets we are addressing with our products and services.”
- “We lost a major customer due to competition's pricing. Market is getting very tight.”
- “Orders are slowing, customers not stocking, ordering only what they need. Industry in flux. They obviously do not like the unknown.”
- Everything seems to be the same from last month.
- The economy for us, is doing well, however in my conversations with other businesses, they tell me that things are up/down.
- “Business remains steady. lingering uncertainty for tariffs - when / how much?”
- “Sales orders are down slightly from last month, but we still have a significant backlog to work through. In spite of all the news regarding tariffs, we have not experienced any major changes yet.”

Economic Context: Unemployment Rate

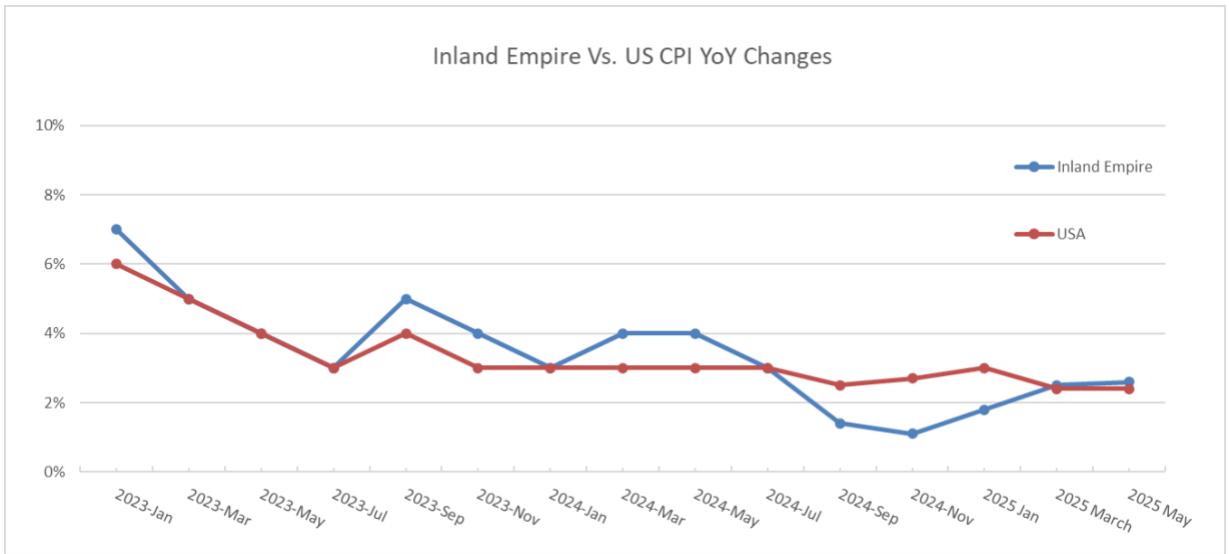
In the most recent two months of 2025, the Inland Empire (IE) unemployment rate exhibited a slight decline, indicating modest improvement in local economic conditions. Although the IE's rate remains higher than the national average, the gap has narrowed. Nationally, the U.S. unemployment rate also declined during this period, emphasizing a

broader positive employment trend. However, the IE still lags behind, highlighting ongoing regional economic vulnerabilities despite recent incremental progress.



Economic Context: CPI – Inflation

Over the most recent two months (March–May 2025), inflation in the Inland Empire slightly increased but remained moderate compared to earlier highs, aligning closely with the national inflation rate. The gap between IE and national inflation rates has narrowed significantly, indicating stabilization. However, the IE experienced a mild uptick in inflation driven by increases in food, education, communication, household furnishing and operations prices, suggesting localized price pressures compared to the steadier national trend.



National and Regional PMI Comparison

The Purchasing Managers' Index (PMI) comparison reveals a notable divergence between the Inland Empire (IE) and national economic trends. While the IE shows

consistent growth across manufacturing, production, new orders, employment, and inventory, indicating robust local economic momentum, the national trends for these same components are contracting, suggesting broader economic challenges. Both regionally and nationally, supplier deliveries are slowing, but overall, the IE demonstrates significant resilience in the manufacturing sector compared to the broader U.S. manufacturing space.

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

Summary

Overall, the Inland empire region experience expansion in regional manufacturing, with the PMI rising to 65.0 and significantly outperforming the national PMI. Despite moderated production and employment growth, local economic fundamentals remain strong, though supply chain delays persist. Inflation slightly increased due to localized pressures, aligning closely with national trends, and unemployment modestly improved. Overall, the Inland Empire continues to demonstrate robust economic resilience relative to broader national conditions.

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