

**IAR'S INLAND EMPIRE REPORT ON BUSINESS**  
**Prepared by: The Institute of Applied Research**

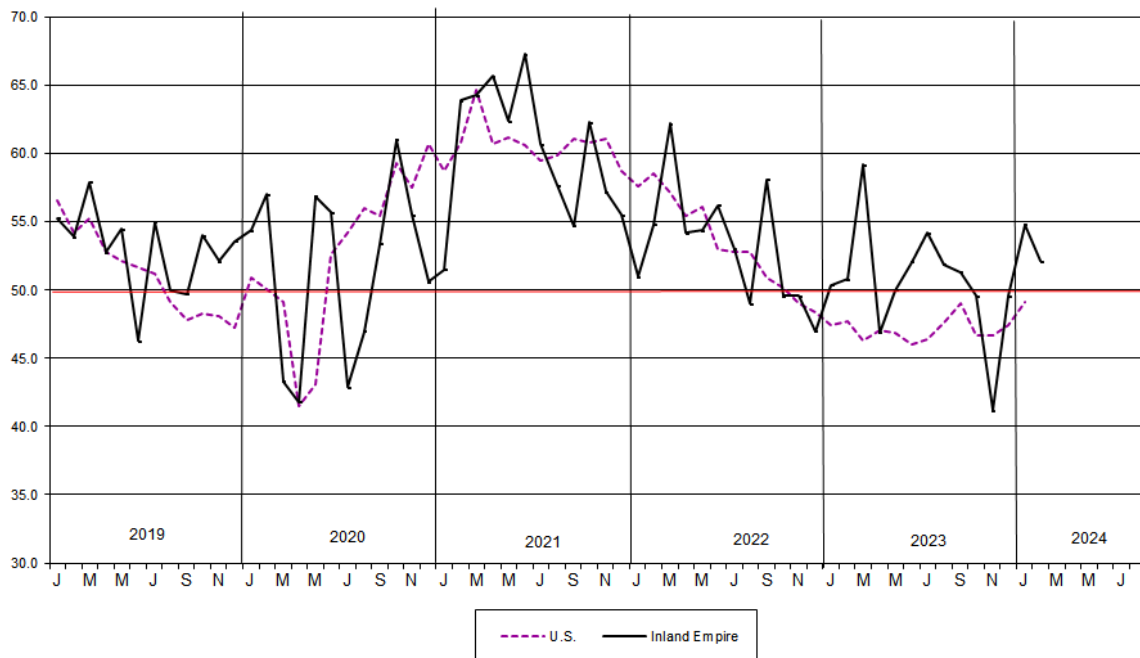
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**Report for February 2024**

**PMI ABOVE 50, SECOND MONTH SHOWING GROWTH**

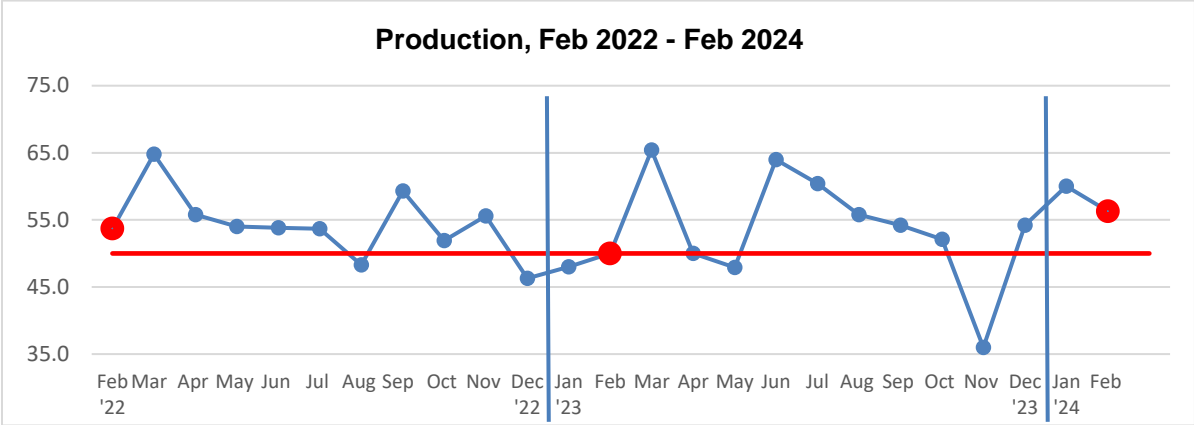
According to Dr. Barbara Sirotnik (Director, Institute of Applied Research) and Lori Aldana (Project Specialist, Institute of Applied Research), "February marks the second month of above-50 PMI values, reflecting growth in the Inland Empire Manufacturing Sector. The Inland Empire **Purchasing Managers' Index (PMI)** registered **52.1** (a decrease from last month's 54.8, indicating a lower rate of growth than was seen in January). It takes three consecutive months of figures above or below 50 in order to establish a new trend, so hopefully next month's figure will allow us to definitively state that the Inland Empire manufacturing sector (and the overall IE economy) is growing."

**Purchasing Managers' Index**



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

As noted in previous reports, the **Production Index** is one of the two key components of the PMI. This month's Index (**56.3**) decreased only slightly from last month's 60.0, thus production continues to grow. That is good news for the future, especially since March typically shows big jumps in production as companies prepare for increased consumer purchases.



The **New Orders Index** (the other key component of the PMI) also remained above 50 although it decreased from last month's 64.0 to **54.2** this month. An index of 50.0 and above indicates that new orders are still in growth mode, so this month's index continues to reflect growth – just at a slower pace than last month. This is the third consecutive month that New Orders Index has remained above 50.

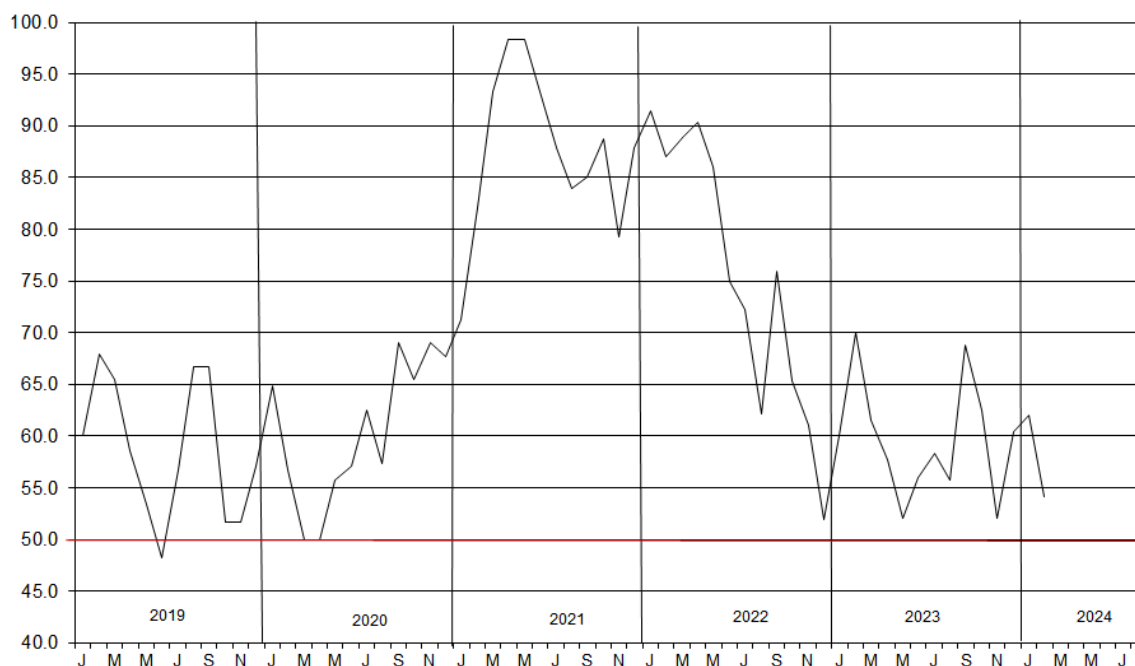


Amidst this positive news is the volatile and “stubborn” **Employment Index** which registered **45.8**, a slight drop from last month's 46.0. This is the fourth month the index has registered below 50, continuing the trend of slowdown in employment.

A consistent concern for US businesses and consumers over the past 3 years has been inflation. As shown in the graph below, the **Commodity Price Index** for the Inland

Empire soared from 2020 to 2021 but has been on a downward trend ever since. The February index was **54.2**, a decrease from last month's 62.0.

### Commodity Prices

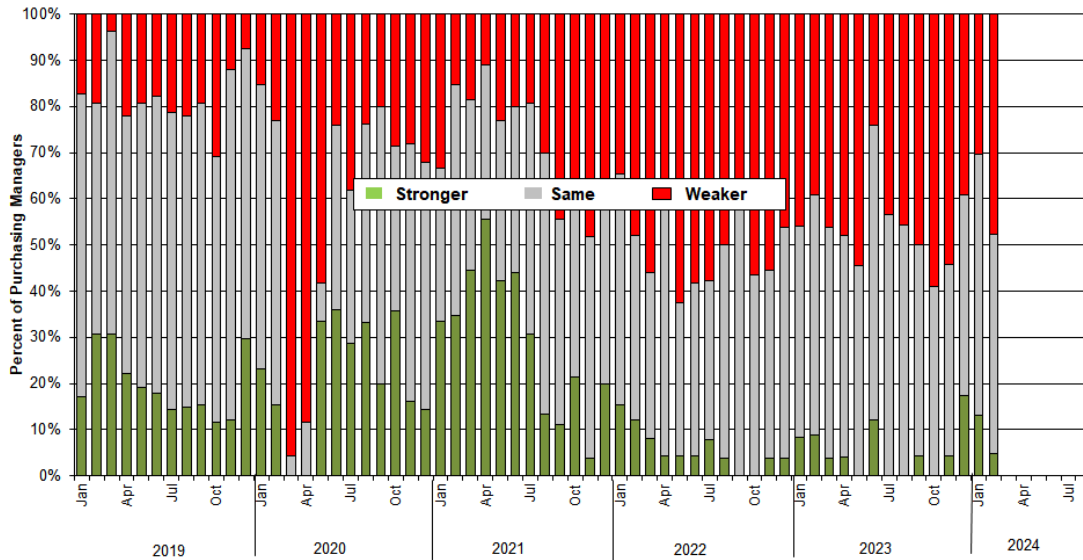


The **Supplier Deliveries Index** is a measure of the speed of supplier deliveries, with numbers below 50 indicating *faster* deliveries. The index registered **50.0** this month, showing that the speed of deliveries was unchanged from last month.

The **overall Inventory level** (units, not dollars) including raw, MRO (Maintenance, Repair, Operating), intermediates, etc. registered **54.2** this month, a slight increase from last month's 52.0. It is the second month above the 50% baseline, showing that companies are stocking up for future production. Further **37.5%** (up from 32.0%) of the panelists said that their **inventory level of finished goods** has increased, meaning that they are anticipating increased consumer purchases. Another **16.7%** (up from 12.0%) said that their inventory of finished goods had declined (meaning more people bought than expected). The remaining **45.8%** (down from 56.0%) of the panelists said that their inventory level of finished goods was the same as last month (meaning that production of finished goods is "staying even" with their sales).

Panelists were also asked to make a prediction regarding the state of the local economy for the coming three months. Panelists were relatively pessimistic about the future, with **45.5%** of panelists predicting the economy will be weaker in the coming three months (up from last month's 30.4%). Only **4.5%** of the panelists expressed the opinion that the local economy would improve in the next three months, a drop from last month's 13.0%, and the rest (**50.0%**) believe that the Inland Empire economy will be the same over the coming quarter.

### State of the Local Economy Manager's Predictions



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

<b>February 2024 Business Survey at a Glance</b>					
	Series Index		Direction from 50	Rate of Change from Last Index	Trend Months
	Last Month	This Month			
Local PMI	54.8	52.1	Growing	Slower	2
Commodity Prices	62.0	54.2	Increasing	Slower	56
Production	60.0	56.3	Growing	Slower	3
New Orders	64.0	54.2	Growing	Slower	3
Inventory	52.0	54.2	Increasing	Faster	2
Employment	46.0	45.8	Contracting	Faster	4
Supplier Deliveries	52.0	50.0	Unchanged	From Decreasing	2
<b>Purchasing Managers' Confidence in the State of the Local Economy</b>					
% Stronger	13.0%	4.5%			
% Same	56.5%	50.0%			
% Weaker	30.4%	45.5%			

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. The vast majority of panelists made comments that included both optimism AND a sense of caution for the future:

- *"Excellent conditions continue, but there is talk of a softening in the future from our customers."*
- *"February has been a continuation of January where we have seen slightly elevated sales levels from Q4 of 2023. However, we are still well below the levels of one year ago. We are hearing from several more customers than usual this past month who have not ordered in at least the last 12 months. Hopefully, this is showing that people are getting through the excess inventory that they ordered in 2022-23 and we will now get back to normal ordering patterns from our customers."*
- *"January was slightly better, but now business has fallen off in February."*
- *"We are seeing the economy not doing well, however we see that we are bidding on a lot of Public Works Projects and this might be a very good year for our specific business. We have already started getting work that will roll into next year. That's a good sign."*
- *"While still uneven and not as predictable as we would like, we are seeing and experiencing progress. The big hit for us is the high interest on our property loan, even though it is still less in our case compared to others in the economy who finance more than just their property. This has kept us from being able to make capital expenditures and add personnel that could have allowed us to grow even more than the modest growth we are showing at the beginning of this year."*

Two of the comments were singularly positive:

- *"Things have been busy and picking up in the area."*
- *"Sales increased from last month due to larger orders for our brass couplings for the Navy. Otherwise no change from January."*

And a few comments expressed only negativity/concerns:

- *"Slow start for the year due to rain and time of the year."*
- *"Though the "news" says the economy is doing well, my company has not an upswing in business, Sales are flat or below a year ago."*
- *"Year starting slow."*

**In summary**, much of the national economic news has predicted a "soft landing" as inflation cools. But news about California's budget deficit has been concerning, and comments from our Inland Empire panelists are far from rosy. For now we are forecasting continued slow growth in the Inland Empire manufacturing sector and overall economy, but that could change if inflation rises once again or if geopolitical tensions increase. And of course uncertainty about upcoming elections at the national and local level could cause concerns for businesses and consumers alike.

IAR will continue to track the opinions of our business leaders over the coming months.

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

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