The Inland Empire Business Activity Index tracks performance of the Inland Empire regional economy on a quarterly basis and is adjusted for seasonal variations. The composite indicator is estimated using a wide range of economic data including employment, economic output, income, real estate, and other indicators at the national, state, and metropolitan level.
Business activity in the Inland Empire maintained its upward trajectory in the third quarter of 2017, increasing at a 2.8% annualized rate over the second quarter, according to the Inland Empire Business Activity Index produced by the UC Riverside School of Business Center for Economic Forecasting and Development. The Center’s estimate for business activity in the second quarter was 2.4% over the first quarter of 2017.

The growth rate in the region’s business activity is essentially on par with national growth. U.S. gross domestic product (GDP) came in at 3.0% in the third quarter, according to the U.S. Bureau of Economic Analysis. On an annual basis, business activity in the Inland Empire grew by 2.5% from the third quarter of 2016 to the third quarter of 2017, a slightly faster rate of growth than in the nation as a whole, where year-over-year GDP growth stands at 2.3%.

Employment in the region, a key driver of local business activity, continues to advance at an impressive clip despite slowing from the red hot pace of very recent years. On an annual basis, as of October 2017, total nonfarm employment in the Inland Empire increased 3.0%, compared to 1.5% in the state as a whole. Moreover, the Inland Empire economy continues to expand at a faster rate than neighboring coastal communities where high housing costs and a dwindling supply of available labor are having a more profound slowing effect.

In particular, locally serving industries, such as Health Care and Leisure and Hospitality, continue to experience notable employment gains. The Inland Empire’s Construction industry is also clearly driving a great deal of momentum in the region’s overall numbers – largely due to a surge in residential real estate building activity. Construction employment levels increased 17.5% in September 2017, accounting for roughly 42% of the total jobs added in the Inland Empire over the course of the previous twelve months.

When looking at industry output, the Inland Empire continues to move towards service-providing industries – similar to trends occurring in both the California and U.S. economies. In fact, the total share of output from local service-providing industries has gradually increased from 59.3% of real output in 2001, to 65.5% of real output in 2016 (the latest data available).

The Center’s outlook for the Inland Empire economy remains positive, but labor shortages and a limited supply of housing will continue to have an impact on overall growth in the longer term. Absent of a surge in productivity, regional output will be constrained by slowing labor force growth. In the final quarter of 2017, the Center expects business activity in the Inland Empire to expand in the 2% to 2.5% range.