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 has advanced at a solid pace, increasing by an annualized rate of 3.2% in the third quarter of 2018, according to the Inland Empire Business Activity Index produced by the UC Riverside School of Business Center for Economic Forecasting and Development. This is slightly below the growth rate of U.S. Gross Domestic Product (GDP), which advanced by 3.5% during the same period. In year-over-year terms, business activity in the Inland Empire outstripped the nation, growing by 3.2% from the third quarter of 2017 to the third quarter of 2018, compared to a 3.0% growth rate for U.S. real GDP.

Through the first three quarters of 2018, total nonfarm employment in the Inland Empire increased by 3.3%, an impressive rate of growth compared to the state as a whole where nonfarm jobs expanded by 2.0%. Moreover, residents of the Inland Empire continue to find work and the unemployment rate in the region fell to 4.1% in the third quarter of 2018, a record low dating back to 1990 when the U.S. Bureau of Labor Statistics first began tracking unemployment at the MSA level.

The region’s Logistics sector (comprised of Transportation and Warehousing employment) continues to expand nicely, adding 8,600 jobs through the first three quarters of 2018. While still trending below peak levels, Construction employment is also advancing at a solid clip, increasing 6.2% year-to-date in 2018. This activity is further evidenced by construction activity in the Inland Empire, with the total value of building permits increasing 20.5% percent through the first three quarters of 2018.
IN FOCUS: CONSTRUCTION

Building permits for industrial projects, which includes manufacturing plants, distribution centers, and affiliated buildings, have been a bright spot in the Inland Empire. The total value of industrial permits increased 24.0% during the first three quarters of this year. And this is in addition to a 51.1% increase in industrial permits during the same period in 2017. Spending on alterations made up a larger part of the post-recessionary recovery in the Inland Empire, but in the last two years that has been outweighed by industrial and retail.

Building permits for new residential units were up 3.9% compared to the prior year, with single-family units accounting for 79% of all new units permitted. And while residential construction remains steady, the region's housing market has cooled.

Activity in the housing market has been weakening in recent quarters, as sales for existing single-family homes fell 5.3% through the first three quarters of 2018. However, at the same time, the median home price increased by 7.7%. By comparison, the new home market was more active with sales increasing 7.4% and the median price of a new home increasing by 4.0%. It should be noted, however, that new homes make up a small share of overall transactions, accounting for 13.1% so far this year, compared to 12% over the past 5 years (total does not include condos).

THE OUTLOOK

Despite mixed performance in the real estate market, the Center for Forecasting expects business activity in the Inland Empire to expand swiftly in the remaining quarter of 2018 and into next year. To date, trade tariffs levied against China have not stymied the region’s Logistics sector, which is an important conduit for goods movement via Southern California’s ports. Chinese President Xi Jinping and Donald Trump are expected to resume trade talks at the end of the month. The Center for Forecasting will continue to monitor the situation and adjust its outlook accordingly.