INLAND EMPIRE
BUSINESS ACTIVITY INDEX

Spring 2022
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 continued to advance at a steady clip, increasing at a 6.4% annualized rate during the fourth quarter of 2021. This is slower than the growth rate of U.S. gross domestic product (GDP), which advanced by 7.0% in the fourth quarter. In year-over-year terms, business activity in the Inland Empire grew by 6.1% from the fourth quarter of 2020 to the fourth quarter of 2021, faster than the rate of growth for U.S. GDP, where year-over-year growth now stands at 5.6%.
In Focus: A Year In Review

The Inland Empire officially transitioned from recovery to expansion to close out 2021. Growth has been impressive across a variety of indicators that are now trending above where they stood prior to the pandemic. The chart below illustrates how five key indicators that proxy different segments of the Inland Empire economy have performed since the beginning of the pandemic. The Center for Economic Forecasting uses the first quarter of 2020 as a base, marking the last quarter prior to the downturn, and compares the trajectory of change through the fourth quarter of 2021 (the latest data available as of this writing).
Tax receipts in the region have grown the most, increasing nearly 37% since the first quarter of 2020, compared to 20% at the state level. Taxable receipts have been bolstered by an uptick in the Business and Industry category, which includes fulfillment centers. Historically, Business and Industry has averaged 15% to 16% of taxable receipts in the Inland Empire, but in 2021 accounted for more than one-fifth of the region’s taxable receipts. Housing has also been a bright spot, with home sales up 16% from where they were prior to the pandemic. This is due in part to rising incomes, a shift in consumer preferences, and drop off in mortgages rates.

Construction activity has also gained some momentum but hasn’t shown the same level of growth as consumer and business spending. New residential building permit issuance increased 7.2% over the first quarter of 2020, however, this is roughly the same level of activity as at the state level (9.0%), while non-residential permit activity remained relatively flat.
This chart might give the impression that employment is the laggard amongst the indicators, because nonfarm employment is “only” up 0.9% over its pre-pandemic peak. However, a comparison shows that the Inland Empire has outperformed both local and national labor markets. Nonfarm employment in the region has surpassed its pre-recession peak, due largely to a surge in demand for ecommerce purchases (as opposed to traditional brick and mortar stores). That trend shows little signs of slowing and bodes well for the Inland Empire economy given its strength in Transportation and Warehousing, which has long been one of the region’s mainstay industries. The Inland Empire continues to play to those strengths as demonstrated by a steady decline in vacancy rates among warehouse properties and a surge in employment. As shown in the final chart below, the recovery in nonfarm payrolls is unique to the Inland Empire, whereas nationally, regionally, and in California overall, payrolls have yet to surpass their pre-pandemic peaks.
The Center’s short-term outlook for business activity in the Inland Empire remains positive, with gains to continue throughout 2022. During the year, business activity in the region is forecast to rise between 3.0% and 3.5%. While the Inland Empire can continue to count on years of growth in the Logistics sector and other key industries, the prospect of future labor shortages, caused in part by California’s high cost of living relative to other parts of the nation, will continue limit growth over the long run.