INLAND EMPIRE
BUSINESS ACTIVITY INDEX

Quarter 2 | 2017

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 accelerated in the second quarter, increasing at a 2.4% annual rate over the first quarter of the year, 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 first quarter business activity was 1.7% over the fourth quarter of 2016.

The rate of growth in the region’s business activity is essentially on par with U.S. gross domestic product growth, which came in at 2.6% in the second quarter, according to U.S. Bureau of Economic Analysis. On a year-over-year basis, Inland Empire business activity grew by 2.3% from the second quarter of 2016 to the second quarter of this year, slightly faster than in the nation as a whole, where year-over-year growth stands at 2.1%.

For the first half of 2017, total nonfarm employment in the Inland Empire increased by 3.0%, an impressive rate of growth compared to the state as a whole where employment rose by 1.8%, but down from the region’s 3.7% growth in 2016. The slowdown may primarily be attributed to both the region and state effectively reaching full employment. Going forward, slow growth in the supply of labor will limit job gains and increases in economic activity overall. A lack of housing is a major driver of these dynamics as escalating rents and high home prices are pricing many workers out of the major job centers in the state.

One of the major drivers of growth in business activity in the Inland Empire in the second quarter came from the Construction industry. Employment in this sector surged in the second quarter, reflecting very strong permitting activity during the first half of 2017. Construction employment in the Inland Empire stood at 107,400 in July on a seasonally adjusted basis, a 16.5% increase over the same time one year prior. Permitting activity during the first half of 2017 grew by double digits across the board as single family, multifamily, and nonresidential permitting have approached or are surpassing post-recession highs.

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