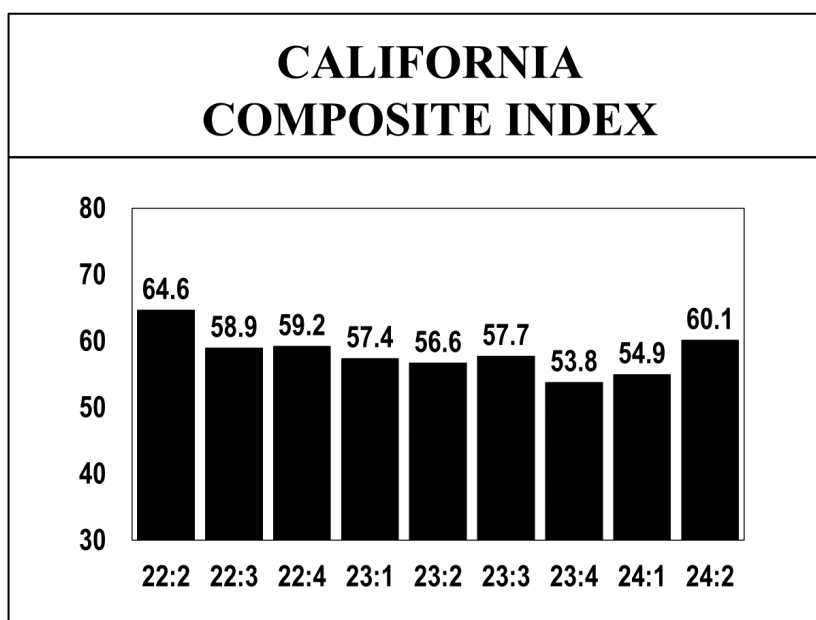


PRESS RELEASE

GROWTH IN THE CALIFORNIA MANUFACTURING SECTOR ACCELERATES

ORANGE, CA — Based on a survey of purchasing managers, the California Composite Index, measuring overall manufacturing activity in the state, increased from 54.9 in the first quarter to 60.1 in the second quarter, indicating that the manufacturing sector is expected to grow at a higher rate in the first quarter of 2024. “Purchasing managers are concerned about the new \$20 per hour minimum wage in the fast-food industry. They continue to struggle to hire qualified employees. The supply chain has improved for many but not for all manufacturing industries. High interest rates which affect business borrowing costs are mentioned by several managers. Excessive state government regulations and increased compliance issues are adding substantially to costs overall,” said Dr. Raymond Sfeir, director of the purchasing managers’ survey. Production, new orders, inventories of purchased materials, and employment are expected to grow at a higher rate in the second quarter. Commodity prices are expected to rise at a higher rate, the highest rate since the second quarter of 2023. The non-durable goods industries, the high-tech, and the durable goods industries other than high-tech are all expected to grow at a higher rate in the second quarter.



California Manufacturing at a Glance

Composite Index	60.1	Increasing at a higher rate
Production	66.4	Increasing at the higher rate
Inventories of purchased materials	56.5	Increasing
Commodity prices	70.3	Rising at a higher rate
Supplier deliveries	47.3	Faster
New orders	63.9	Increasing at a higher rate
Employment	57.0	Increasing at a higher rate

Performance by Industry Group

The index for the **non-durable goods industries** increased from 51.9 in the first quarter to 56.5 in the second quarter, indicating that these industries are expanding at a higher rate. Production, prices, new orders and employment are expected to grow at a higher rate. The index for inventories of purchased materials increased from 45.9 to 51.8, showing growth in inventories. Supplier deliveries will be a little slower.

The **high-tech industries** include the following: Computer & Electronic Products, and Aerospace Products & Parts. The high-tech industries currently employ about 378,200 employees, amounting to 28.62% of total manufacturing employment in the state. The index for the high-tech industries increased from 56.7 in the first quarter to 63.3 in the second quarter, indicating a higher growth rate in the second quarter. Production, prices, new orders and employment are expected to grow at a higher rate. The index for inventories of purchased materials leaped from 48.5 to 62.2, showing growth in inventories. Supplier deliveries will be faster as the index went from 49.9 to 42.4.

The index for the **durable goods industries other than high-tech** increased from 56.7 in the first quarter to 61.1 in the second quarter, indicating that these industries will grow at a higher rate in the second quarter. Production, commodity prices, new orders and employment are expected to grow at a higher rate in the second quarter. Supplier deliveries are expected to be faster.

Comments by the Purchasing Managers

Minimum wage increases in fast food and health care effective 04/01 is very concerning. Concerned this will cause overall wage inflation and may result in a reduction of headcount. (Food)

We have a seasonal Outdoor business of replacement Cushions and Pillows. We have a year-round Indoor pillow business. My answers reflect the end of the Outdoor season in May. Business on the Indoor side is good. Indoor is always slow in Spring / Summer and is stronger in the Fall. (Textile Mill Products)

Global freight continues to encounter disruptions resulting in extended lead times and increased costs. In addition, the apparel industry is asked to provide more product handling (VAS) every year resulting in margin erosion. Fortunately, better labor seems to be more available than in the past few seasons. (Apparel)

Prices are still rising, but slower than they were a few quarters ago. (Wood Products)

Hopeful but uncertain about an increase in business in the coming months. (Paper)

Paper mills have announced a 6% to 8% price increase in the 2nd Quarter. Inventory levels are higher to beat this increase. (Printing & Related Support Activities)

Seasonality business should increase significantly. Road Construction and Maintenance will be required after a wet year. (Petroleum & Coal Products)

Business appears to be improving. Customers are starting to get concerned about all of the risks associated with sourcing from China and are moving projects back to the US. (Chemicals)

Things are looking up! More PO's coming in and the raw materials pricing and availability are stable. Yea!!! (Plastics & Rubber Products)

High interest rates have severely affected the stone industry and reduced remodeling and new builds. Demand has not fully returned to this sector. Demand is high for abrasives in the industrial sector due to large projects like infrastructure construction. (Nonmetallic Mineral Products)

With the demand for hard alloy aluminum, it has caused many extrusion mills to have extended lead time or to have to turn away work. It is taking a toll on us not to be able to find workers that would like to learn this trade. With labor shortages right now, we are running behind on completing orders for our customers. (Primary Metals)

We are seeing an overall slowdown in business conditions with our customers still in an over inventory position. High interest rates and overall costs are affecting activity and stifling growth. The continued Boeing struggles are affecting the Aerospace business. (Fabricated Metal Products)

We are starting to see a slowdown. Not sure if it is the election year, or after a couple of years of good growth, it is starting to soften. Collections are getting tougher as well. (Machinery)

The semiconductor industry is still very challenging in terms of ordering. Suppliers are having a hard time with scheduling and delivering on time (both too soon and too late). We continue to see wide swings in pricing that make forecasting and cost management very difficult. (Computer & Electronic Products)

The upcoming election and political climate are weighing heavily on the construction market and lending capabilities. It will most probably be 2025 before we see a leveling off. (Electrical Equipment, Appliance & Components)

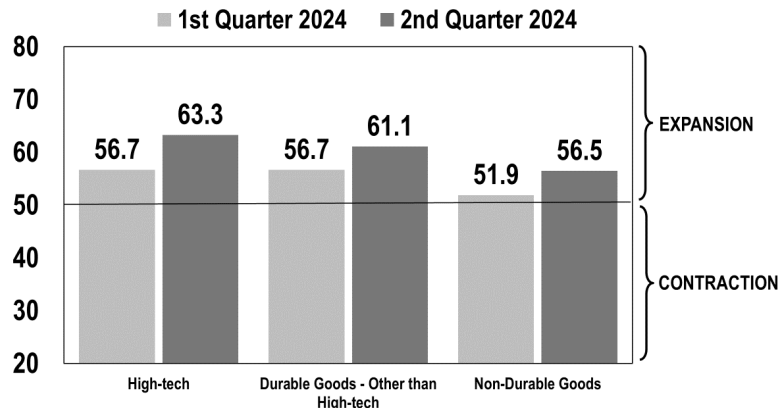
We have noticed an up-tick in certain commodity type manufacturers having price changes ranging from 2.5% to 5% hitting from January 2024 through April 2024. Yet, most are referencing labor as a key component of their increase and some material costs, as reasons for increases. (Transportation Equipment)

I still feel business is "good" and I see nothing in the future that says anything different. (Furniture & Related Products)

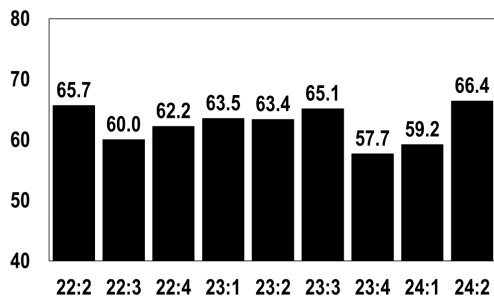
Lead times have stabilized for commodities. However, employment is an issue. Wages are expected to be higher than last year. Utilities and energy expenses are almost 50% higher than last year. Inflation will affect production and hiring processes. (Miscellaneous)

Long-standing orders from large customers are being pushed back significantly or put on hold. New large orders are making up some of the difference. (Aerospace Products & Parts)

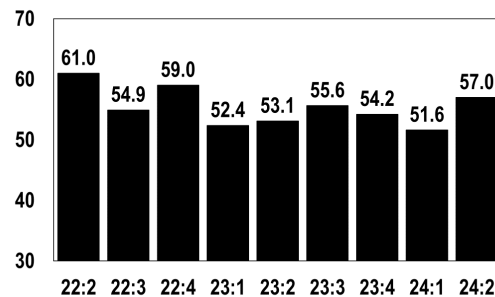
INDICES FOR INDUSTRY GROUPS



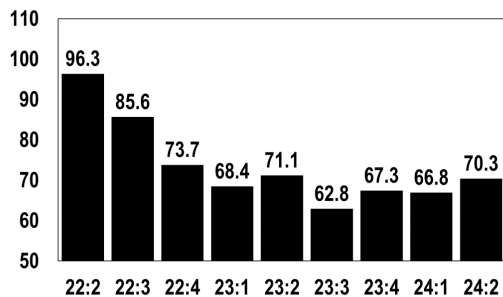
PRODUCTION INDEX



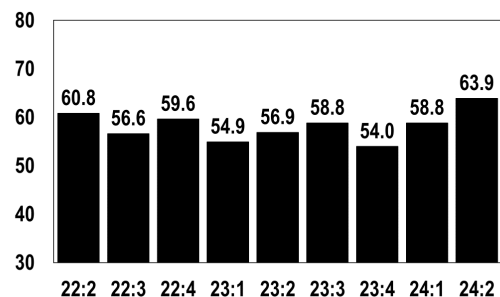
EMPLOYMENT INDEX



COMMODITY PRICE INDEX



NEW ORDERS INDEX



Background and Methodology

The Institute for Supply Management (ISM) conducts a monthly national survey of purchasing managers and publishes the survey results in its *Report on Business*. Such a survey is not available for the state of California. Given the size of our state, and the major role its manufacturing sector plays in the national economy, the A. Gary Anderson Center for Economic Research at Chapman University launched a quarterly survey of California purchasing managers starting in the third quarter of 2002. Similar to the ISM survey, our survey tracks changes in production, employment, new orders, inventories of purchased materials, commodity prices and supplier deliveries. A seasonally adjusted index is computed for each variable except for commodity prices for which no seasonal adjustment is made. Unlike the national survey that tracks the performance of the manufacturing sector in the previous month, the Anderson Center's survey asks the participants to evaluate the expected performance in the coming quarter.

In order to have one single indicator for the performance of the state manufacturing sector, the Anderson Center has developed a Composite Index that is a weighted average of the underlying indices. A value of 50 for the Composite Index shows a general expansion of the manufacturing economy of the state and a value below 50 shows a decline. The industries are classified according to the North American Industry Classification System (NAICS).

Detailed Results of the Survey of California Purchasing Managers' Expectations for the Second Quarter of 2024

In its attempt to present you with a better delivery of the survey results, the A. Gary Anderson Center for Economic Research has calculated an index for every variable in the survey. The "% Better," is added to half of the "% Same," after which a seasonal factor is used to get a seasonally adjusted index for each variable (except commodity prices). A value over 50 for an index indicates growth and a value below 50 indicates a decline. If, for example, the index increases from 55 to 59, we say that the growth rate is higher than the previous quarter because 59 is bigger than 55. If the index remains at 55, we say that the growth rate remains the same as the previous quarter. If the index decreases from 55 to 52, we say that we still have growth but that the growth rate is lower than the previous quarter because 52 is smaller than 55. Each industry in the manufacturing sector is represented in the survey based on its employment share of total manufacturing employment in the state.

Production: The seasonally adjusted index for production is expected to increase from 59.2 in the first quarter to 66.4 in the second quarter, indicating that production is expected to increase at a higher rate in the second quarter. This is the sixteenth consecutive quarter that the production index has been above 50. Production is expected to increase most rapidly in the following industries: Food; Textile Mill Products; Chemicals; Plastics & Rubber Products; Wood Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Aerospace Products & Parts; and Miscellaneous. No industry reported an expected decrease in production.

Production	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2024	50.2	40.0	9.8	40.4	66.4
1 st Quarter of 2024	38.4	39.3	22.3	16.1	59.2
4 th Quarter of 2023	32.3	43.8	23.9	8.3	57.7
3 rd Quarter of 2023	46.3	41.0	12.6	33.7	65.1

Inventories of Purchased Materials: The seasonally adjusted index for inventories of purchased materials is expected to increase from 48.3 in the first quarter to 56.5 in the second quarter, indicating that inventories are expected to increase in the second quarter. Inventories of purchased materials are expected to increase most rapidly in the following industries: Chemicals; Plastics & Rubber Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Aerospace Products & Parts; and Miscellaneous. Inventories of purchased materials are expected to decrease most rapidly in the following industries: Apparel; Paper; and Printing & Related Support Activities.

Inventories of Purchased Materials	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2024	35.6	46.3	18.1	17.4	56.5
1 st Quarter of 2024	25.3	45.4	29.4	-4.1	48.3
4 th Quarter of 2023	25.4	46.7	27.9	-2.5	51.8
3 rd Quarter of 2023	31.5	45.0	23.5	8.0	52.4

Commodity Prices: The seasonally unadjusted index for commodity prices is expected to increase from 66.8 in the first quarter to 70.3 in the first quarter, indicating that commodity prices are expected to rise at a higher rate in the second quarter. Commodity prices are expected to increase most rapidly in the following industries: Food; Leather & Allied Products; Paper; Printing & Related Support Activities; Petroleum & Coal Products; Chemicals; Plastics & Rubber Products; Wood Products; Nonmetallic Mineral Products; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Transportation Equipment (other than Aerospace Products & Parts); Furniture & Related Products; and Miscellaneous. No industry reported an expected decrease in commodity prices.

Commodity Prices	% Higher	% Same	% Lower	Net	Index
2 nd Quarter of 2024	46.5	47.6	5.9	40.6	70.3
1 st Quarter of 2024	44.5	44.7	10.8	33.7	66.8
4 th Quarter of 2023	44.7	45.2	10.1	34.7	67.3
3 rd Quarter of 2023	37.4	50.9	11.7	25.6	62.8

Supplier Deliveries: For this variable, an index value over 50 indicates slower deliveries, and an index value under 50 indicates faster deliveries. The seasonally adjusted index for supplier deliveries is expected to decrease from 49.2 in the first quarter to 47.3 in the second quarter, indicating that supplier deliveries are expected to be faster in the second quarter. Supplier deliveries are expected to be slowest in the following industries: Food; and Nonmetallic Mineral Products. Supplier deliveries are expected to be fastest in the following industries: Beverage & Tobacco; Petroleum & Coal Products; Fabricated Metal Products; and Computer & Electronic Products.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Seasonally Adjusted Index
2 nd Quarter of 2024	12.0	71.4	16.6	-4.7	47.3
1 st Quarter of 2024	14.6	68.3	17.1	-2.5	49.2
4 th Quarter of 2023	13.9	72.0	14.1	-0.2	49.5
3 rd Quarter of 2023	14.7	66.6	18.7	-3.9	48.3

New Orders: The seasonally adjusted index for new orders is expected to increase from 58.8 in the first quarter to 63.9 in the second quarter, indicating that new orders are expected to increase at a higher rate in the second quarter. New orders are expected to increase most rapidly in the following industries: Food; Leather & Allied Products; Printing & Related Support Activities; Petroleum & Coal Products; Chemicals; Plastics & Rubber Products; Wood Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Transportation Equipment (other than Aerospace Products & Parts); and Miscellaneous. The Paper industry reported an expected decrease in new orders.

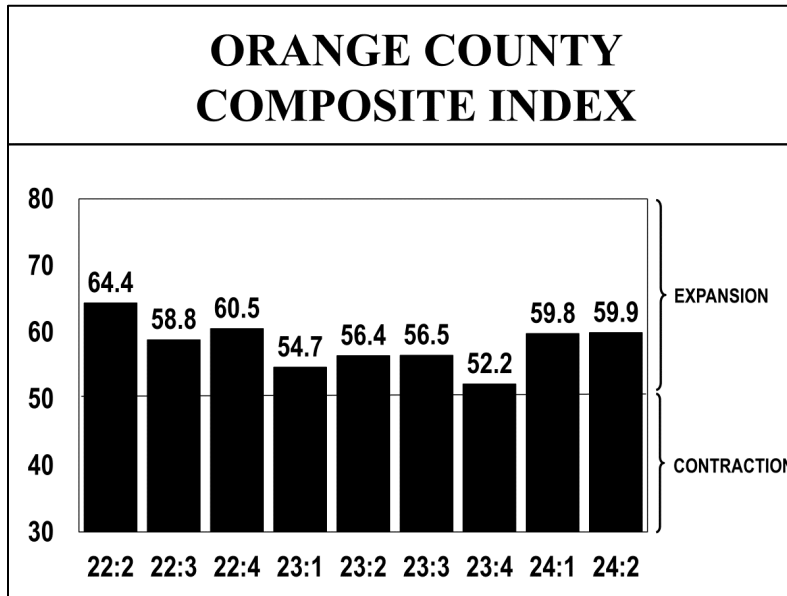
New Orders	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2024	49.6	35.3	15.1	34.6	63.9
1 st Quarter of 2024	38.0	40.8	21.2	16.8	58.8
4 th Quarter of 2023	29.6	42.3	28.1	1.4	54.0
3 rd Quarter of 2023	39.3	41.1	19.6	19.7	58.8

Employment: The seasonally adjusted index for employment is expected to increase from 51.6 in the first quarter to 57.0 in the second quarter, indicating that employment in manufacturing is expected to increase at a higher rate in the second quarter. Employment is expected to increase most rapidly in the following industries: Plastics & Rubber Products; Wood Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Transportation Equipment (other than Aerospace Products & Parts); and Aerospace Products & Parts. No industry reported an expected decrease in employment.

Employment	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2024	26.1	63.7	10.2	15.9	57.0
1 st Quarter of 2024	19.2	63.5	17.2	2.0	51.6
4 th Quarter of 2023	19.5	66.2	14.3	5.3	54.2
3 rd Quarter of 2023	25.7	62.8	11.6	14.1	55.6

Orange County's Manufacturing Survey

The Orange County manufacturing sector's Composite Index barely increased from 59.8 in the first quarter to 59.9 in the second quarter, indicating that the county's manufacturing economy is expected to grow in the second quarter at the same rate as in the first quarter.



The seasonally adjusted index for production decreased from 64.8 in the first quarter to 63.8 in the second quarter, indicating that production is expected to increase at a lower rate in the second quarter. The seasonally adjusted index for inventories of purchased materials increased substantially from 51.8 to 61.2 indicating that inventories are expected to increase at a higher rate. The new orders index increased from 60.8 to 64.5 indicating that new orders are expected to increase at a higher rate. The employment index decreased indicating a lower growth rate.

The index for the **non-durable goods industries** increased from 56.3 in the first quarter to 59.4 in the second quarter, indicating that these industries are expected to expand at a higher rate in the second quarter. The index for inventories of purchased materials increased substantially from 47.5 to 64.4 indicating that inventories of purchased materials are expected to increase in the second quarter. The index for the **high-tech industries** decreased from 67.8 to 65.1, indicating that these industries are expected to expand at a lower rate. The indices for production, inventories of purchased materials and new orders decreased indicating that growth will be at a lower rate. The index for the **durable goods industries other than high-tech** increased from 58.2 to 65.1, indicating that the durable goods industries other than high-tech are expected to grow at a higher rate. Production, new orders, inventories of purchased materials, and commodity prices are all expected to grow at a higher rate.

ABOUT THE ANDERSON CENTER FOR ECONOMIC RESEARCH

The A. Gary Anderson Center for Economic Research (ACER) was established in 1979 to provide data, facilities and support in order to encourage the faculty and students at Chapman University to engage in economic and business research of high quality, and to disseminate the results of this research to the community.

ANNUAL SCHEDULE OF CONFERENCES AND PRESS RELEASES

JANUARY

- › Economic Forecast Conferences for the Inland Empire
- › California Purchasing Managers Survey

APRIL

- › California Purchasing Managers Survey

JUNE

- › Economic Forecast Update Conference for the U.S, California and Orange County

JULY

- › California Purchasing Managers Survey

OCTOBER

- › California Purchasing Managers Survey

DECEMBER

- › Economic Forecast Conference for the U.S., California and Orange County