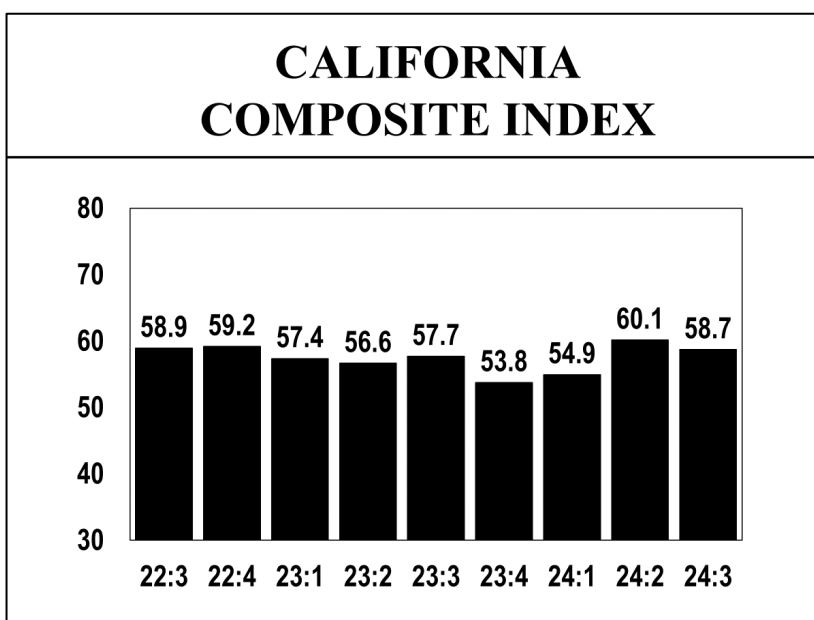


PRESS RELEASE

GROWTH IN THE CALIFORNIA MANUFACTURING SECTOR MODERATES

ORANGE, CA — Based on a survey of purchasing managers, the California Composite Index, measuring overall manufacturing activity in the state, decreased from 60.1 in the second quarter to 58.7 in the third quarter, indicating that the manufacturing sector is expected to grow at a lower rate in the third quarter. “Purchasing managers are facing higher ocean freight costs and surcharges (in some cases three times as high as a year ago) but not internally. Lead time is getting longer. Commodity prices are a mixed bag: some are facing lower commodity prices, others are facing higher commodity prices. More manufacturers are considering moving to another state (Texas) or overseas (Mexico),” 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 lower rate in the third quarter. Commodity prices are expected to rise at a lower rate as well. Supplier deliveries are expected to be slower for the first time in five quarters. The durable goods and the high-tech industries are expected to grow at a slower rate while the durable goods industries other than high-tech are all expected to grow at a higher rate in the third quarter.



California Manufacturing at a Glance

Composite Index	58.7	Increasing at a lower rate
Production	64.4	Increasing at the lower rate
Inventories of purchased materials	54.4	Increasing at the lower rate
Commodity prices	68.7	Rising at a lower rate
Supplier deliveries	51.5	Slower
New orders	61.1	Increasing at a lower rate
Employment	54.6	Increasing at a lower rate

Performance by Industry Group

The index for the **non-durable goods industries** increased from 56.5 in the second quarter to 59.8 in the third quarter, indicating that these industries are expanding at a higher rate. Production, inventories of purchased materials, and new orders are expected to grow at a higher rate. The index for employment decreased from 52.2 to 51.8, showing a lower growth rate. Commodity prices are expected to rise at a lower rate.

The **high-tech industries** include the following: Computer & Electronic Products, and Aerospace Products & Parts. The high-tech industries currently employ about 371,200 employees, amounting to 28.4% of total manufacturing employment in the state. The index for the high-tech industries decreased from 63.3 in the second quarter to 61.1 in the third quarter, indicating a lower growth rate in the third quarter. Production, inventories of purchased materials, new orders and employment are expected to grow at a lower rate. The index for commodity prices increased indicating higher prices. The supplier deliveries index increased from 42.4 to 54.3 indicating the supplier deliveries will be slower.

The index for the **durable goods industries other than high-tech** decreased from 61.1 in the second quarter to 55.8 in the third quarter, indicating that these industries will grow at a lower rate in the third quarter. Production, inventories of purchased materials, commodity prices, new orders and employment are expected to grow at a lower rate in the third quarter. The supplier deliveries index is expected to remain below 50, indicating that supplier deliveries will be faster.

Comments by the Purchasing Managers

We have observed a steady, upward trend that benefits the supply chain as a whole. There are no worries with this pattern because there aren't any spikes that cause a lot of congestion and uncertainty to flood the market. (Food)

We have a hard time securing ocean containers from all of our manufacturing partners in Asia. Our lead time for the new inventories is three to four weeks longer. While margins are still good, we may have to pass the additional shipping costs to our consumers. (Textile Mill Products)

Slow time. (Apparel)

Things seem to be turning around. Hopefully the trend continues. (Paper)

Employment is proportional to new orders. Fuel surcharges on raw materials is now a variable expense. (Printing & Related Support Activities)

Demand for petroleum products will hit a peak this upcoming quarter. (Petroleum and Coal Products)

The Biotechnology Market is steering towards a future where innovation meets sustainability, addressing the complex challenges of the global industry. The market is requiring efficiency, transparency, and sustainability. These trends collectively chart a course towards a system that is not only technologically advanced but also mindful of health, environmental impact, and ethical considerations. These requirements are driving innovation and costs to meet demands of customers without having an upside for cost increases. Also, vendors need to make adjustments to meet these requirements. (Chemicals)

The overall economic conditions remain sluggish. Costs continue to rise, but customers refuse to take increases. I am hopeful that even a small rate cut by the fed will breed enough optimism to jumpstart the lackluster economy. (Plastics & Rubber Products)

The aerospace industry continues to struggle to get back to normal build rates resulting in a slowdown in our business. (Primary Metals)

We are a security door & gate manufacturer, vehicle and pedestrian access systems. We concentrate on high-tech & high security concerns, providing integrated systems for prisons, police stations, Facebook, Google, Apple etc. type of companies. We are expecting these businesses to increase their needs for the products we manufacture in the coming months. (Fabricated Metal Products)

I Notice incoming orders slowing down. Working on reducing inventory (reducing the amount of purchasing in 3Q24. Switched from 8hr 5-day work week to 10hr 4-day work week. Employees seem happier having a 3-day weekend. Production rate is a little higher with a 4-day work week. I Notice some costs of items made in USA continue to rise, but at a slower rate. (Machinery)

China shipping and tariff fees are forcing our OEM (Original Equipment Manufacturer) business to consider other options (Mexico)? (Computer & Electronic Products)

The increasing China tariff situation, as well as the increasing rate of shipping coming out of China to USA is going to greatly affect our purchasing decisions going into the next quarter. (Electrical Equipment, Appliance & Components)

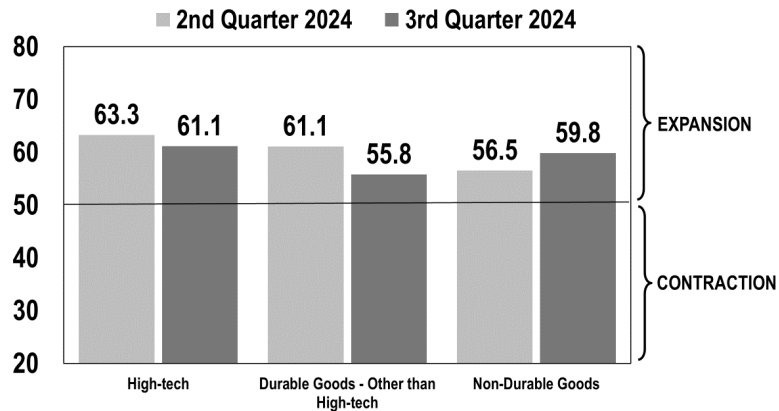
We ship nationwide and business demand is off 35%. We manufacture aftermarket suspension parts for classic cars and have been in business for 50 years. (Transportation Equipment)

The home furnishings industry is stagnant. With interest rates where they are, there are fewer people buying new homes and/or remodeling. We keep hearing that this lull is due to the nearing presidential election... but we see it more tied to interest rates. For the first time since 2008, we are seeing an influx of applicants coming in to apply, because they have been laid off. (Furniture & Related Products)

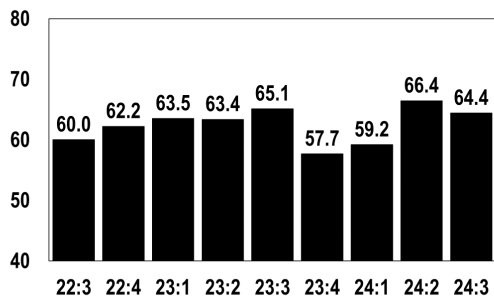
Material prices continue to rise slightly. Adhesives are the biggest problem-price and quality. We are seeing inconsistency in product quality of raw materials that we are receiving, and in some situations seeking new suppliers. While we are raising our prices, our customers are accepting it as it is the way things are. We are actively pursuing stronger partnerships with our best customers and paying attention to those that the competition is ignoring. (Miscellaneous)

Since last quarter things are settling. One customer, facing financial difficulty, withdrew significant orders. A different customer placed new large orders. We proceed apace. (Aerospace Products & Parts)

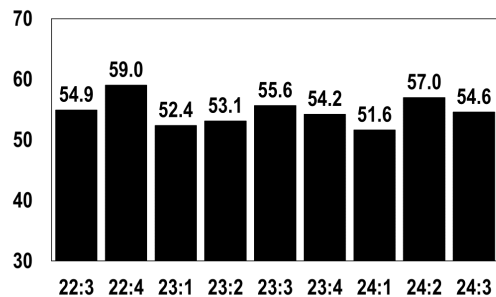
INDICES FOR INDUSTRY GROUPS



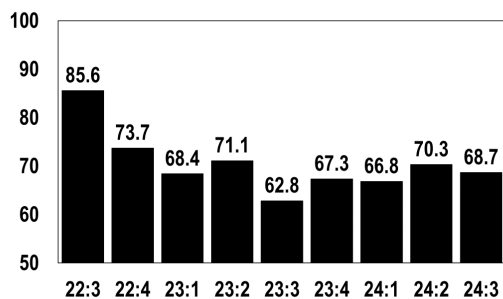
PRODUCTION INDEX



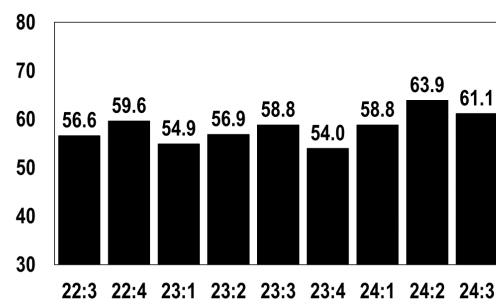
EMPLOYMENT INDEX



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 Thid 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 decrease from 66.4 in the second quarter to 64.4 in the third quarter, indicating that production is expected to increase at a lower rate in the third quarter. This is the seventeenth consecutive quarter that the production index has been above 50. Production is expected to increase most rapidly in the following industries: Food; Beverage & Tobacco; Textile Mill Products; Leather & Allied Products; Paper; Printing & Related Support Activities; Chemicals; Plastics & Rubber Products; Wood Products; Fabricated Metal Products; Machinery; Computer & Electronic Products; Transportation Equipment (other than Aerospace Products & Parts); Aerospace Products & Parts; Furniture & Related Products; and Miscellaneous. No industry reported an expected decrease in production.

Production	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3 rd Quarter of 2024	46.5	39.2	14.3	32.2	64.4
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

Inventories of Purchased Materials: The seasonally adjusted index for inventories of purchased materials is expected to decrease from 56.5 in the second quarter to 54.4 in the third quarter, indicating that inventories are expected to increase at a lower rate in the third quarter. Inventories of purchased materials are expected to increase most rapidly in the following industries: Food; Chemicals; Plastics & Rubber Products; Fabricated Metal Products; Computer & Electronic Products; and Aerospace Products & Parts. Inventories of purchased materials are expected to decrease most rapidly in the following industries: Paper; Petroleum & Coal Products; and Primary Metals.

Inventories of Purchased Materials	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3 rd Quarter of 2024	32.2	47.9	20.0	12.2	54.4
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

Commodity Prices: The seasonally unadjusted index for commodity prices is expected to decrease from 70.3 in the second quarter to 68.7 in the third quarter, indicating that commodity prices are expected to rise at a lower rate in the third quarter. Commodity prices are expected to rise most rapidly in the following industries: Food; Textile Mill Products; 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); Aerospace Products & Parts; Furniture & Related Products; and Miscellaneous. No industry reported an expected decrease in commodity prices.

Commodity Prices	% Higher	% Same	% Lower	Net	Index
3 rd Quarter of 2024	43.5	50.3	6.2	37.3	68.7
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

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 increase from 47.3 in the second quarter to 51.5 in the third quarter, indicating that supplier deliveries are expected to be slower in the third quarter. Supplier deliveries are expected to be slowest in the following industries: Chemicals; Wood Products; Computer & Electronic Products; and Miscellaneous. Supplier deliveries are expected to be fastest in the following industries: Food; Paper; Printing & Related Support Activities; Petroleum & Coal Products; Primary Metals; and Fabricated Metal Products.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Seasonally Adjusted Index
3 rd Quarter of 2024	14.9	72.7	12.3	2.6	51.5
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

New Orders: The seasonally adjusted index for new orders is expected to decrease from 63.9 in the second quarter to 61.1 in the third quarter, indicating that new orders are expected to increase at a lower rate in the third quarter. New orders are expected to increase most rapidly in the following industries: Food; Paper; Printing & Related Support Activities; Chemicals; Plastics & Rubber Products; Wood Products; Computer & Electronic Products; Aerospace Products & Parts; and Miscellaneous. New orders are expected to decrease most rapidly in the following industries: Primary Metals; and Fabricated Metal Products.

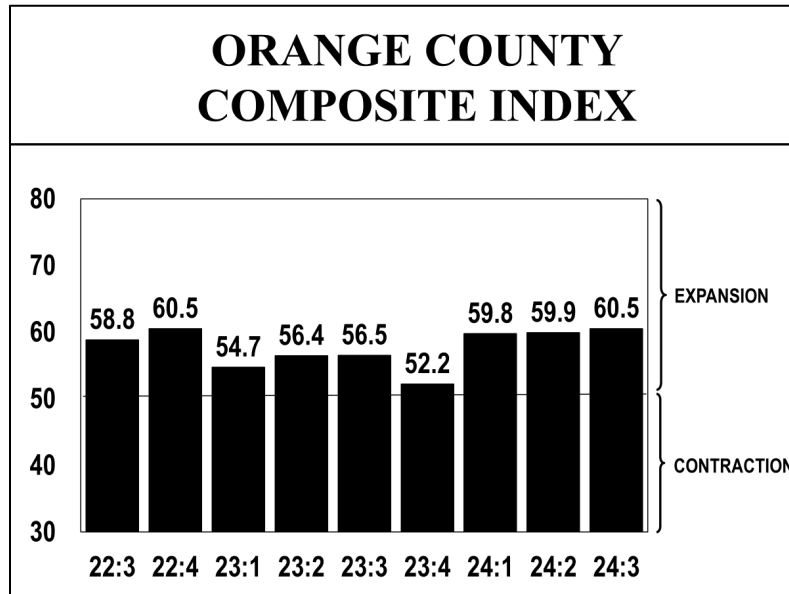
New Orders	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3 rd Quarter of 2024	44.1	36.1	19.7	24.4	61.1
2 nd Quarter of 2024	49.6	35.3	15.1	34.6	63.9
1 st Quarter of 2024	38.0	40.8	21.2	16.8	58.8
4 th Quarter of 2023	29.6	42.3	28.1	1.4	54.0

Employment: The seasonally adjusted index for employment is expected to decrease from 57.0 in the second quarter to 54.6 in the third quarter, indicating that employment in manufacturing is expected to increase at a lower rate in the third quarter. Employment is expected to increase most rapidly in the following industries: Food; Printing & Related Support Activities; Fabricated Metal Products; Machinery; Computer & Electronic Products; Transportation Equipment (other than Aerospace Products & Parts); Aerospace Products & Parts; and Miscellaneous. Employment is expected to decrease most rapidly in the following industries: Textile Mill Products; Apparel; Nonmetallic Mineral Products; Electrical Equipment, Appliance & Components; and Furniture & Related Products.

Employment	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3 rd Quarter of 2024	26.7	58.5	14.8	11.9	54.6
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

Orange County's Manufacturing Survey

The Orange County manufacturing sector's Composite Index increased from 59.9 in the second quarter to 60.5 in the third quarter, indicating that the county's manufacturing economy is expected to grow at a higher rate in the third quarter.



The seasonally adjusted index for production increased from 63.8 in the second quarter to 64.2 in the third quarter, indicating that production is expected to increase at a higher rate in the third quarter. The seasonally adjusted indices for inventories of purchased materials and new orders decreased, indicating that inventories and new orders are expected to increase at a lower rate. The supplier deliveries index increased from 47.8 to 56.1 indicating that supplier deliveries are expected to be slower in the third quarter. The employment index increased marginally, indicating a higher growth rate.

The index for the **non-durable goods industries** decreased from 59.4 in the second quarter to 58.9 in the third quarter, indicating that these industries are expected to expand at a lower rate in the third quarter. The indices for production, inventories of purchased materials and employment decreased, indicating lower growth rates. The index for the **high-tech industries** decreased from 65.1 to 60.0, 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** decreased from 65.1 to 61.5, indicating that the durable goods industries other than high-tech are expected to grow at a lower rate. Production, new orders, and employment are all expected to grow at a lower 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