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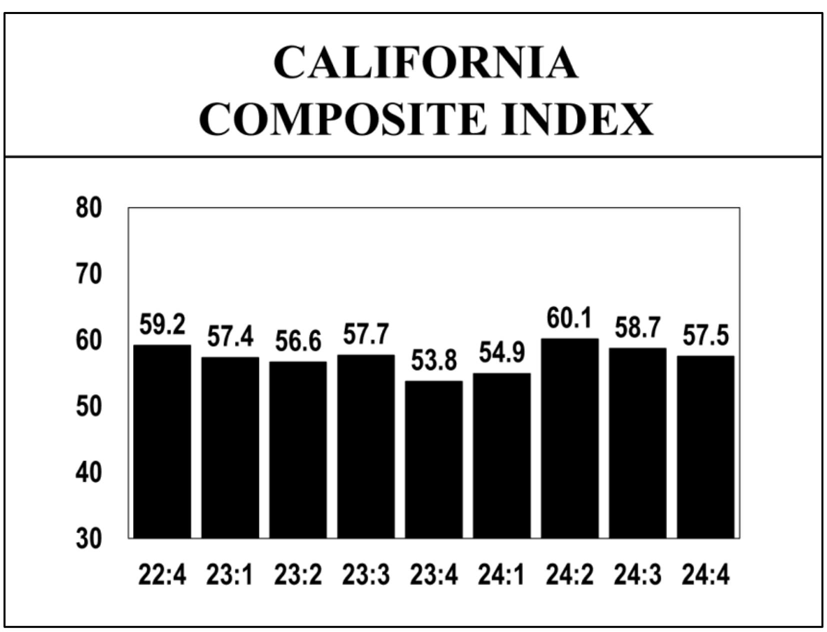
PRESS RELEASE

GROWTH IN THE CALIFORNIA MANUFACTURING SECTOR MODERATES FURTHER

ORANGE, CA — Based on a survey of purchasing managers, the California Composite Index, measuring overall manufacturing activity in the state, decreased from 58.7 in the third quarter to 57.5 in the fourth quarter, indicating that the manufacturing sector is expected to grow at a lower rate in the fourth quarter. "Purchasing managers are facing a holding pattern because of the election. Supply issues seem to be in the past as supply deliveries have normalized in most industries. Several managers have pointed to a slowdown in activity and uncertainty in the market. The word slowdown was the most used word in the comments. Industries that supply Boeing are concerned about the present situation at the company. There are high hopes for a recharge of the economy following the decrease in interest rates engineered by the Federal Reserve," said Dr. Raymond Sfeir, director of the purchasing managers' survey. Production's growth rate is barely above that of the third quarter. New orders, inventories of purchased materials and employment are expected to grow at a lower rate in the fourth quarter. Commodity prices are expected to rise at a lower rate as well. While the durable goods industries other than high-tech and the non-durable goods industries are expected to grow at a lower rate, the high-tech industries are expected to grow at a higher rate in the fourth quarter.



California Manufacturing at a Glance

Composite Index	57.5	Increasing at a lower rate
Production	64.9	Increasing at a higher rate
Inventories of purchased materials	54.2	Increasing at a lower rate
Commodity prices	65.3	Rising at a lower rate
Supplier deliveries	51.9	Slower
New orders	60.5	Increasing at a lower rate
Employment	51.2	Increasing at a lower rate

Performance by Industry Group

The index for the **non-durable goods industries** decreased from 59.8 in the third quarter to 57.2 in the fourth quarter, indicating that these industries are expected to expand at a lower rate. Production, inventories of purchased materials, new orders and employment are all expected to grow at a lower rate. Although the index for commodity prices showed a lower rise in prices, supplier deliveries slowed.

The **high-tech industries** include the following: Computer & Electronic Products, and Aerospace Products & Parts. The high-tech industries currently employ about 371,700 employees, amounting to 28.4% of total manufacturing employment in the state. The index for the high-tech industries increased from 61.1 in the third quarter to 63.6 in the fourth quarter, indicating a higher growth rate in the fourth quarter. Production, inventories of purchased materials, and new orders are expected to grow at a higher rate. The index for commodity prices decreased indicating lower price growth. The employment index also decreased showing lower employment growth.

The index for the **durable goods industries other than high-tech** decreased from 55.8 in the third quarter to 53.0 in the fourth quarter, indicating that these industries are expected to grow at a lower rate in the fourth quarter. Production, inventories of purchased materials, and new orders are expected to grow at a lower rate. Employment is not expected to grow in the fourth quarter. The supplier deliveries index increased, indicating that supplier deliveries are expected to be slower.

Comments by the Purchasing Managers

Our business is impacted by inflation as well as indirectly by governmental actions and subsidies. Our business historically has a lift in the 4th quarter of the year. (Food)

My answers take into account the Seasonality of our Outdoor Cushion business. We have a year-round Indoor Decorative Pillow business. We are currently starting to build inventory for the seasonal cushions and pillows that will ship starting in December. (Textile Mill Products)

Higher prices on material. (Apparel)

Supply issues are no longer an issue, supply delivery has normalized, cost have stabilized. Although housing supply is low on one hand the cost to purchase has/is keeping a large number of potential buyers on the sidelines, thus leaving the industry in neutral. (Wood Products)

We are in the height of our busy season. Comparatively Y/Y we are ahead of last year in every matrix we measure except for waste which is down. (Paper)

We have season manufacturing work related to healthcare open enrollment. (Printing & Related Support Activities)

Our primary business is oil, gas, and geothermal drilling. Our business outlook is entirely influenced by policies emanating from the Governor's office. The Governor's office has completely dominated the agency in charge of new well permits. This is a purposeful policy not based in science or environmental best interests. (Petroleum & Coal Products)

Currently headed into a slower season and we will be lowering our inventory levels slightly. We will start to ramp up inventory late December/ early January in order to prepare for the spring push and we will be hiring a few people in the next few months as we have promoted some key staff in the warehouse and need to replace them. (Chemicals)

There is a lot of uncertainty in the market right now. Our company is experiencing high employee turnover, and this also is impacting our production output and product quality. (Plastics & Rubber Products)

Window Manufacturing Industry: Sales activity and quoting are down across the board. So much so that initiatives are being implemented to reduce inventory and operational expenses and downsize our labor force. Hopefully, with an interest rate cut, we can see a bump in our numbers, but the overall outlook does not look promising. The election is affecting projections as well. (Nonmetallic Mineral Products)

Our business is heavily tied to the aerospace industry. The labor dispute at Boeing will negatively impact our business if prolonged. We are expecting a resolution by year end, but it will reduce orders for Q4. (Primary Metals)

Labor strike adds to the nightmare going on at Boeing, they can't seem to have any good news, with 10 years of planes waiting to be built. Election is making everyone uneasy, lead times on raw materials are still very long, economy needs an interest rate cut as well as inflation to remain under control. (Fabricated Metal Products)

We have seen a slowdown, that is literally scary. We have had some tough meetings, we are not replacing people as they leave. Our inventory is inflated so some buying of inventory has been paused. Suppliers are almost back to pre-covid normal. A lot of activity, not a lot of progress. But never let a crisis go to waste, we already have a couple of vendors announcing price adjustments. (Machinery)

Defense working is rising. We are experiencing significant demand for the first time since COVID. This especially true in the EW, Missile Drone and Space sectors. (Computer & Electronic Products)

VC investments in technology are changing from cryptocurrency and cybersecurity to AI and lack a clear understanding of the technology problems AI can address. (Computer & Electronic Products)

Business has been slower than expected in Q2 and into Q3 this year. Interest rates, employment and the election are all weighing on sentiment in the market - commercial real estate also continues to have high vacancy rates (low to no tenant improvement work being done). (Electrical Equipment, Appliance & Components)

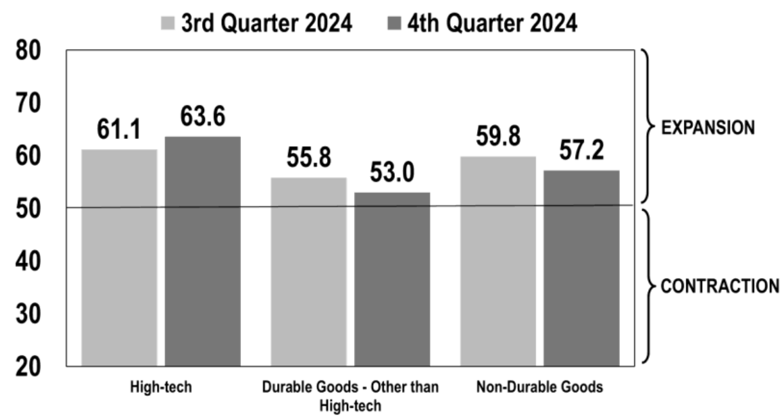
Price changes have slowed down during the current quarter, but we anticipate next quarter to show higher numbers of increases from our suppliers as we get closer to the end of the year. Also, costs related to incoming freight and shipping, we expect them to be increasing as well. (Transportation Equipment)

The home furnishings industry is seeing a small uptick... but we expect things to get busier as the elections come and go. (Furniture & Related Products)

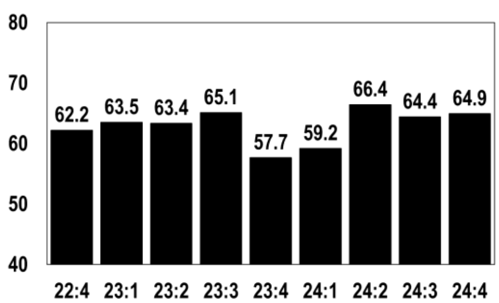
Raw material costs continue to be at higher levels. Reports of domestic retailers being cautious with stocking more inventory coming into the election season. Export customers being conservative with purchases and experiencing higher freight costs. (Miscellaneous)

Defense orders are down as customers want to see what new budget and administration will look like. (Aerospace Products & Parts)

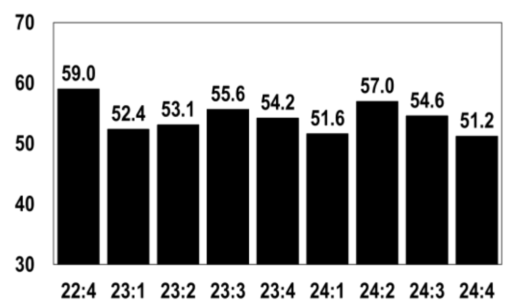
INDICES FOR INDUSTRY GROUPS



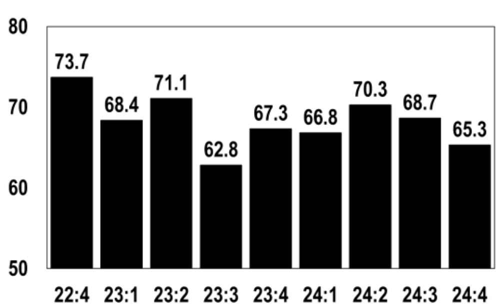
PRODUCTION INDEX



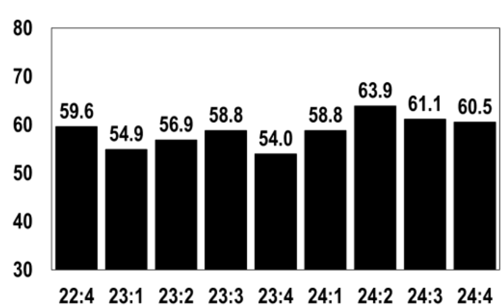
EMPLOYMENT INDEX



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 Fourth 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 64.4 in the third quarter to 64.9 in the fourth quarter, indicating that production is expected to increase at a higher rate in the fourth quarter. This is the eighteenth 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; Apparel; Paper; Printing & Related Support Activities; Wood Products; Primary Metals; Fabricated Metal Products; Computer & Electronic Products; Transportation Equipment (other than Aerospace Products & Parts); Aerospace Products & Parts; and Miscellaneous. Production is expected to decrease most rapidly in the following industries: Petroleum & Coal Products; Plastics & Rubber Products; and Nonmetallic Mineral Products.

Production	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4th Quarter of 2024	39.9	42.1	17.9	22.0	64.9
3rd Quarter of 2024	46.5	39.2	14.3	32.2	64.4
2nd Quarter of 2024	50.2	40.0	9.8	40.4	66.4
1st Quarter of 2024	38.4	39.3	22.3	16.1	59.2

Inventories of Purchased Materials: The seasonally adjusted index for inventories of purchased materials is expected to decrease marginally from 54.4 in the third quarter to 54.2 in the fourth quarter, indicating that inventories are expected to increase at practically the same rate as in the third quarter. Inventories of purchased materials are expected to increase most rapidly in the following industries: Food; Printing & Related Support Activities; Primary Metals; and Computer & Electronic Products. Inventories of Purchased Materials are expected to decrease most rapidly in the following industries: Beverage & Tobacco; Petroleum & Coal Products; Chemicals; Plastics & Rubber Products; Nonmetallic Mineral Products; Fabricated Metal Products; Machinery; and Miscellaneous.

Inventories of Purchased Materials	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4th Quarter of 2024	26.8	48.2	25.0	1.8	54.2
3rd Quarter of 2024	32.2	47.9	20.0	12.2	54.4
2nd Quarter of 2024	35.6	46.3	18.1	17.4	56.5
1st Quarter of 2024	25.3	45.4	29.4	-4.1	48.3

Commodity Prices: The seasonally unadjusted index for commodity prices is expected to decrease from 68.7 in the third quarter to 65.3 in the fourth quarter, indicating that commodity prices are expected to rise at a lower rate in the fourth quarter of this year. Commodity prices are expected to increase most rapidly in the following industries: Food; Textile Mill Products; Printing & Related Support Activities; Chemicals; Plastics & Rubber Products; Wood Products; Nonmetallic Mineral Products; Primary Metals; 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
4th Quarter of 2024	37.6	55.4	7.0	30.7	65.3
3rd Quarter of 2024	43.5	50.3	6.2	37.3	68.7
2nd Quarter of 2024	46.5	47.6	5.9	40.6	70.3
1st Quarter of 2024	44.5	44.7	10.8	33.7	66.8

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 increase from 51.5 in the third quarter to 51.9 in the fourth quarter, indicating that supplier deliveries are expected to be slower in the fourth quarter. Supplier deliveries are expected to be slowest in the following industries: Food; Textile Mill Products; Chemicals; Wood Products; Nonmetallic Mineral Products; Machinery; and Miscellaneous. No industry reported an expectation of faster supplier deliveries.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Seasonally Adjusted Index
4th Quarter of 2024	17.7	69.2	13.1	4.7	51.9
3rd Quarter of 2024	14.9	72.7	12.3	2.6	51.5
2nd Quarter of 2024	12.0	71.4	16.6	-4.7	47.3
1st Quarter of 2024	14.6	68.3	17.1	-2.5	49.2

New Orders: The seasonally adjusted index for new orders is expected to decrease from 61.1 in the third quarter to 60.5 in the fourth quarter, indicating that new orders are expected to increase at a lower rate in the fourth quarter. New orders are expected to increase most rapidly in the following industries: Food; Paper; Printing & Related Support Activities; Chemicals; Fabricated Metal Products; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Transportation Equipment (other than Aerospace Products & Parts); and Aerospace Products & Parts. New orders are expected to decrease most rapidly in the following industries: Beverage & Tobacco; Petroleum & Coal Products; Machinery; and Miscellaneous.

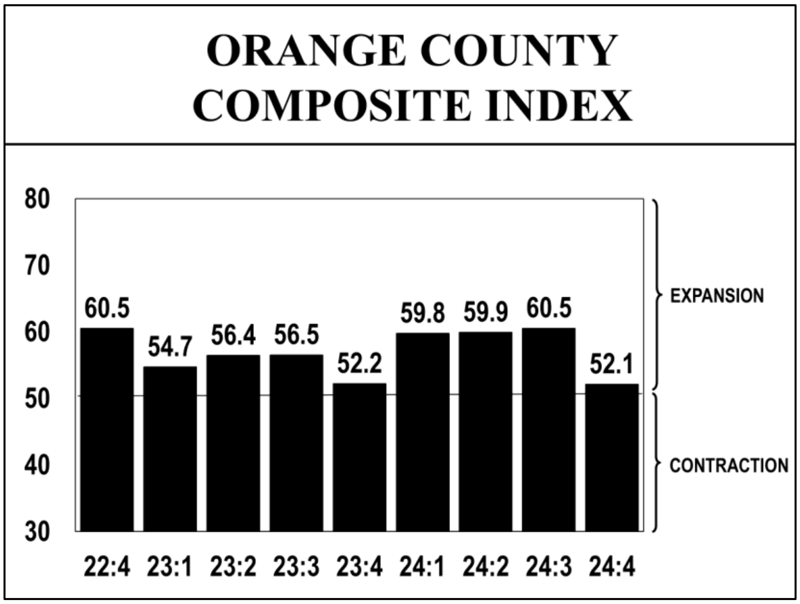
New Orders	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4th Quarter of 2024	36.8	40.3	23.0	13.8	60.5
3rd Quarter of 2024	44.1	36.1	19.7	24.4	61.1
2nd Quarter of 2024	49.6	35.3	15.1	34.6	63.9
1st Quarter of 2024	38.0	40.8	21.2	16.8	58.8

Employment: The seasonally adjusted index for employment is expected to decrease from 54.6 in the third quarter to 51.2 in the fourth quarter, indicating that employment in manufacturing is expected to grow at a lower rate in the fourth quarter. Employment is expected to increase most rapidly in the following industries: Food; Printing & Related Support Activities; and Primary Metals. Employment is expected to decrease most rapidly in the following industries: Beverage & Tobacco; Food; Textile Mill Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Fabricated Metal Products; and Machinery.

Employment	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4th Quarter of 2024	17.6	64.3	18.2	-0.6	51.2
3rd Quarter of 2024	26.7	58.5	14.8	11.9	54.6
2nd Quarter of 2024	26.1	63.7	10.2	15.9	57.0
1st Quarter of 2024	19.2	63.5	17.2	2.0	51.6

Orange County's Manufacturing Survey

The Orange County manufacturing sector's Composite Index decreased from 60.5 in the third quarter to 52.1 in the fourth quarter, indicating that the county's manufacturing economy is expected to grow at a lower rate in the fourth quarter. The decline in the index is more severe than California's.



The seasonally adjusted index for production decreased from 64.2 in the third quarter to 55.5 in the fourth quarter, indicating that production is expected to increase at a lower rate in the fourth quarter. The seasonally adjusted indices for inventories of purchased materials and employment also decreased, indicating that inventories and employment are expected to increase at a lower rate. The new orders index dipped below 50 indicating that new orders are expected to decrease in the fourth quarter. The supplier deliveries index decreased from 56.1 to 52.0 indicating that supplier deliveries are expected to be slower in the fourth quarter.

The index for the **non-durable goods industries** decreased from 58.9 in the third quarter to 52.4 in the fourth quarter, indicating that these industries are expected to expand at a lower rate in the fourth quarter. The indices for production and new orders decreased, indicating lower growth rates. The indices for inventories of purchased materials and employment dipped below 50 indicating a decrease in the fourth quarter. The index for the **high-tech industries** decreased from 60.0 to 59.6, indicating that these industries are expected to expand at a slightly lower rate. The indices for production and inventories of purchased materials increased indicating higher growth rate. The index for supplier deliveries dipped below 50 indicating faster deliveries. The index for the **durable goods industries other than high-tech** decreased from 61.5 to 47.4, indicating that the durable goods industries other than high-tech are expected to decline in the fourth quarter. Production, inventories of purchased materials, new orders, and employment are all expected to decline.

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