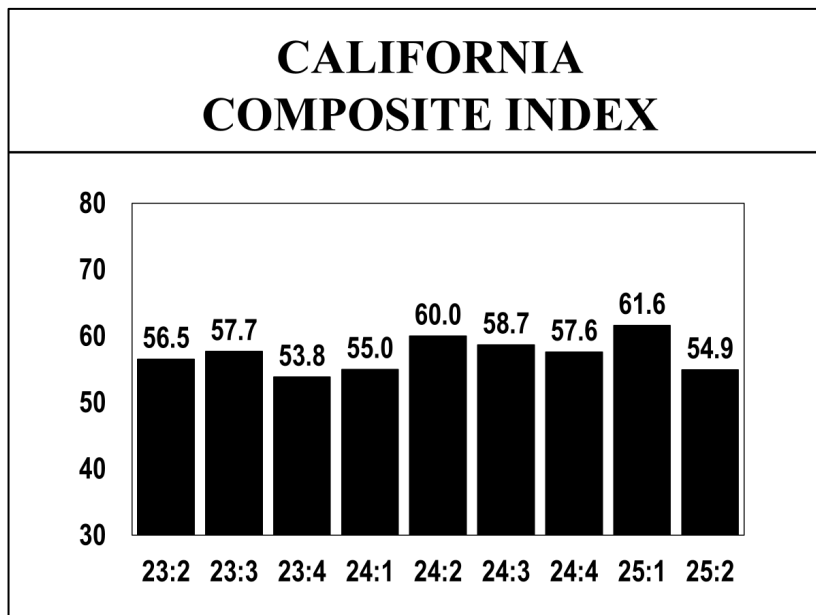


PRESS RELEASE

GROWTH IN THE CALIFORNIA MANUFACTURING SECTOR DIPS TO ITS LOWEST LEVEL SINCE 2023

ORANGE, CA — Based on a survey of purchasing managers, the California Composite Index, measuring overall manufacturing activity in the state, decreased from 61.6 in the first quarter of 2025 to 54.9 in the second quarter - the lowest index since the fourth quarter of 2023 - indicating that the manufacturing sector is expected to grow at a lower rate in the second quarter. “Tariffs, higher prices, and uncertainty were mentioned by the vast majority of purchasing managers. Tariffs have already led to higher prices for many raw materials, among them steel and aluminum. Businesses are having a hard time predicting the next moves by the Trump administration. Lower revenues, higher costs and lower profit margins are expected by the purchasing managers. Prices of commodities are changing more than once a week by the same suppliers. Purchasing managers are having difficulty in securing long-term agreements with suppliers,” 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 second quarter. Commodity prices are expected to rise at a substantially higher rate. The durable goods industries, including the high-tech industries, are expected to grow at a lower rate in the second quarter.



California Manufacturing at a Glance

Composite Index	54.9	Increasing at a lower rate
Production	59.6	Increasing at a lower rate
Inventories of purchased materials	53.5	Increasing at a lower rate
Commodity prices	87.0	Rising at a higher rate
Supplier deliveries	51.1	Slower
New orders	54.9	Increasing at a lower rate
Employment	51.6	Increasing at a lower rate

Performance by Industry Group

The index for the **non-durable goods industries** remained virtually unchanged. Hence these industries are expected to grow at the same rate as the first quarter. Production and inventories of purchased materials are expected to grow at a lower rate. New orders and employment are expected to grow at a higher rate. Commodity prices are expected to rise at a substantially higher rate. Supplier deliveries will be slower.

The **high-tech industries** include the following: Computer & Electronic Products, and Aerospace Products & Parts. The high-tech industries currently employ about 318,800 employees, amounting to 26.1% of total manufacturing employment in the state. The index for the high-tech industries decreased from 64.6 in the first quarter to 50.4 in the second quarter, indicating a substantially lower growth rate in the second quarter. Production, inventories of purchased materials, and employment are expected to grow at a lower rate. The index for commodity prices increased substantially, indicating a higher rise in prices. The supplier deliveries stood at 49.0, indicating that supplier deliveries will be faster in the second quarter.

The index for the **durable goods industries other than high-tech** decreased from 63.6 in the first quarter to 55.7 in the second quarter, indicating that these industries are expected to grow at a lower rate in the second quarter. Production, inventories of purchased materials, new orders and employment are all expected to grow at a lower rate. Supplier deliveries are expected to be slower. The commodity prices index increased substantially from 71.4 to 86.8 indicating a higher rise in commodity prices.

Comments by the Purchasing Managers

The changes in Washington represent a higher than normal level of uncertainty. That uncertainty expands beyond tariffs to include things like the farm bill and positions on renewable energy. (Food)

Inflation and tariffs are leaving a lot of uncertainty for the next quarter. I don't see sales bouncing back this year, regardless of weather. Beverage trends are also changing rapidly. (Beverage & Tobacco Products)

We have been importing textile made up goods from China for the past 40 years. Sourcing in Vietnam and Cambodia was not cost neutral. About a 15% price differential for the same

items to be sourced outside of China. But with 20% additional tariff that has changed. Business is soft and we expect that trend to continue due in part to the increased tariffs. (Textile Mill Products)

As a small business one of the rules we always follow is you make money when you buy not just when you sell. I woke up this morning and the container I intended to purchase today cost 34% more than yesterday. (Apparel)

Tariffs raising pricing on products. (Leather & Allied Products)

Tariffs are making everyone uncertain at the moment. Even on domestic goods that have no relation to importing/exporting, there is a sense that every market could be affected, directly or indirectly. (Paper)

The recession has affected our business. We are seeing less orders with companies spending less on print and fulfillment or going to cheaper options such as printing in black and white as compared to color. (Printing & Related Support Activities)

We are optimistic the second quarter is going to be much better than the first, as temperatures rise, and road construction increases. Hopefully oil prices remain range bound, and we do not see any large spikes due to regional issues. California needs to change its view on petroleum production and refining before it is too late. (Petroleum & Coal Products)

Significant financial impact due to tariff and import taxes out of China. The current administration's trade policy is difficult to predict and deal with. Because we have competitors globally, it may make us less competitive and cause us to lose business. (Chemicals)

While our business is seasonal and we're approaching our busy season, we are expecting increased revenue in the next few months than the current quarter, but compared to year over year, we are expecting a downturn in revenue. While tariffs will reduce our profit margins, the real decline in our industry will be from those talking of a recession. Instilling fear that fulfills the prophecy by reduction of spending. (Plastics & Rubber Products)

The looming "Tariff Cloud" has put an edge to forecasting future production, employment and material costs. Once this has been stabilized, a picture of the near future will be clearer. (Wood Products)

We sell products to the Stone Fabrication Industry, Cleaning and Restoration Industry, and Tile, Flooring, and Industrial Industry. Suppliers are increasing prices while we are not accepting those increases. This is leading to a stalemate in some cases and time for re-negotiation. The additional tariffs on Chinese products, tariffs on aluminum and steel, and on many electronic components are trickling down and will lead to higher prices all around. Moving manufacturing to another country is not always an option, so we need to find creative ways to manage these challenges. (Nonmetallic Mineral Products)

It will be interesting to see how the new tariffs will play a role in the aluminum industry. We believe that prices will be affected but we don't know if that will decrease business since no one will have any other options. (Primary Metals)

The steel industry is in full disruption with the unknown outcome of tariffs. With expected capacity issues due to lack of Canadian and Mexican imports of steel, customers are beginning to place "hoarding" orders to protect their position. (Fabricated Metal Products)

The tariffs (and threats of tariffs) have made a lot of change and uncertainty. We are getting frequent price changes, 2-3 a week from the same suppliers where we used to get 1-2 a year. (Machinery)

I have never seen sales drop so fast. Companies I deal with have are extremely pessimistic about the future. Corporations seem to be holding back on purchases. (Computer & Electronic Products)

Like everyone else, our industry is going to be heavily impacted by the current tariff situation. We are closely monitoring the daily changes and making strategic decisions to give us a competitive advantage in the market. The key is forming stronger strategic partnerships between organizations and consolidating material acquisitions. (Electrical Equipment, Appliance & Components)

Recently, suppliers have been attempting to levy price increases citing geopolitical instability with little additional empirical support. We are pushing back on these increases with some success. (Transportation Equipment)

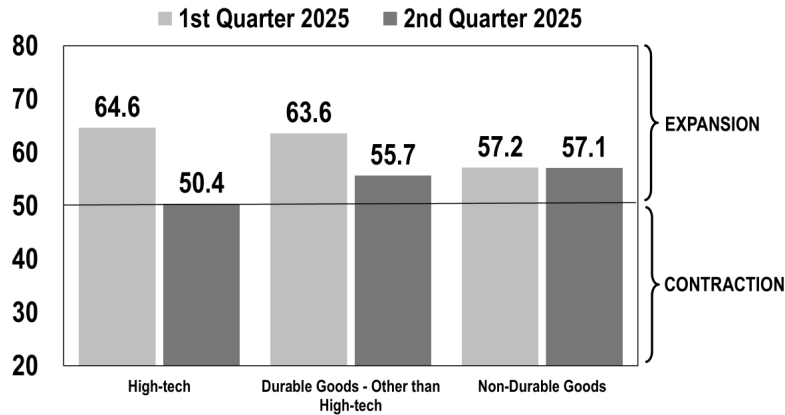
Tariffs...

We are receiving many notices of price increases from vendors... which, combined with the industry being a bit slow, does not look good for many companies out there. (Furniture & Related Products)

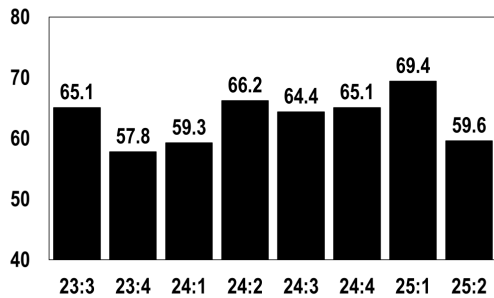
Tariffs are a big concern, with many contracts set for the year, these extra costs are going to affect the bottom line. They are hindering our ability to import a new product line that would be too costly to acquire the necessary equipment to manufacture here, but with tariffs we now would not be competitive enough to market this line. (Miscellaneous)

The tariff clouds are hanging overhead which lead to more uncertainty in business investment, expansion and operations. (Aerospace Products & Parts)

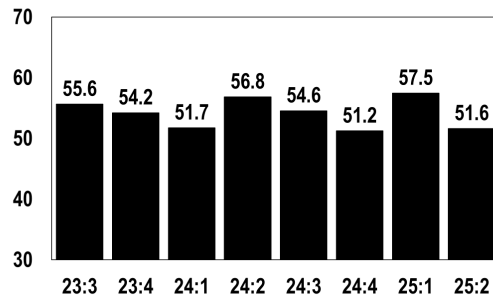
INDICES FOR INDUSTRY GROUPS



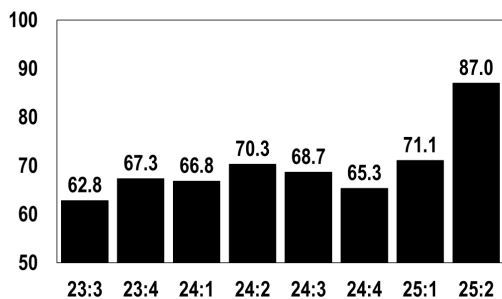
PRODUCTION INDEX



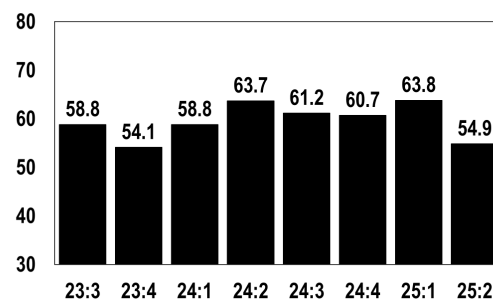
EMPLOYMENT INDEX



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 2025

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 69.4 in the first quarter to 59.6 in the second quarter, indicating that production is expected to increase at a lower rate in the second quarter. This is the twentieth consecutive quarter that the production index has been above 50. Production is expected to increase most rapidly in the following industries: Food; Petroleum & Coal Products; Chemicals; Plastics & Rubber Products; Wood Products; Primary Metals; Fabricated Metal Products; Machinery; Electrical Equipment, Appliance & Components; Aerospace Products & Parts; and Miscellaneous. The Furniture & Related Products industry reported an expected decrease in production.

Production	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2025	44.0	38.4	17.6	26.4	59.6
1 st Quarter of 2025	50.5	35.1	14.4	36.1	69.4
4 th Quarter of 2024	39.9	42.1	17.9	22.0	65.1
3 rd Quarter of 2024	46.5	39.2	14.3	32.2	64.4

Inventories of Purchased Materials: The seasonally adjusted index for inventories of purchased materials is expected to decrease from 59.1 in the first quarter to 53.5 in the second quarter, indicating that inventories are expected to increase at a lower rate in the second quarter. Inventories of purchased materials are expected to increase most rapidly in the following industries: Food; Chemicals; Wood Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Electrical Equipment, Appliance & Components; and Aerospace Products & Parts. Inventories of purchased materials are expected to decrease most rapidly in the following industries: Furniture & Related Products; and Miscellaneous.

Inventories of Purchased Materials	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2025	32.7	46.2	21.0	11.7	53.5
1 st Quarter of 2025	34.8	47.3	17.9	16.8	59.1
4 th Quarter of 2024	26.8	48.2	25.0	1.8	54.2
3 rd Quarter of 2024	32.2	47.9	20.0	12.2	54.4

Commodity Prices: The seasonally unadjusted index for commodity prices is expected to increase from 71.1 in the first quarter to 87.0 in the second quarter, indicating that commodity prices are expected to rise at a substantially higher rate in the second quarter. The difference between the percent of respondents who said that commodity prices will be higher and those who said that it will be lower stood at 71%, the highest difference since the second quarter of 2023. Commodity prices are expected to increase most rapidly in the following industries: Food; Beverage & Tobacco; Textile Mill Products; Apparel; Leather & Allied Products; Paper; 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
2 nd Quarter of 2025	75.2	23.5	1.2	74.0	87.0
1 st Quarter of 2025	45.2	51.7	3.1	42.1	71.1
4 th Quarter of 2024	37.6	55.4	7.0	30.7	65.3
3 rd Quarter of 2024	43.5	50.3	6.2	37.3	68.7

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 51.9 in the first quarter to 51.1 in the second quarter, indicating that supplier deliveries are expected to be slower in the second quarter. Supplier deliveries are expected to be slowest in the following industries: Textile Mill Products; Printing & Related Support Activities; Chemicals; Plastics & Rubber Products; Wood Products; Primary Metals; Electrical Equipment, Appliance & Components; Furniture & Related Products; and Miscellaneous. The Computer & Electronic Products industry reported an expectation of faster supplier deliveries.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Seasonally Adjusted Index
2 nd Quarter of 2025	12.7	77.3	10.0	2.7	51.1
1 st Quarter of 2025	12.6	77.7	9.8	2.8	51.9
4 th Quarter of 2024	17.7	69.2	13.1	4.7	51.9
3 rd Quarter of 2024	14.9	72.7	12.3	2.6	51.5

New Orders: The seasonally adjusted index for new orders is expected to decrease from 63.8 in the first quarter to 54.9 in the second quarter, indicating that new orders are expected to increase at a lower rate in the second quarter. New orders are expected to increase most rapidly in the following industries: Food; Petroleum & Coal Products; Chemicals; Wood Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; and Electrical Equipment, Appliance & Components. New orders are expected to decrease most rapidly in the following industries: Computer & Electronic Products; and Furniture & Related Products.

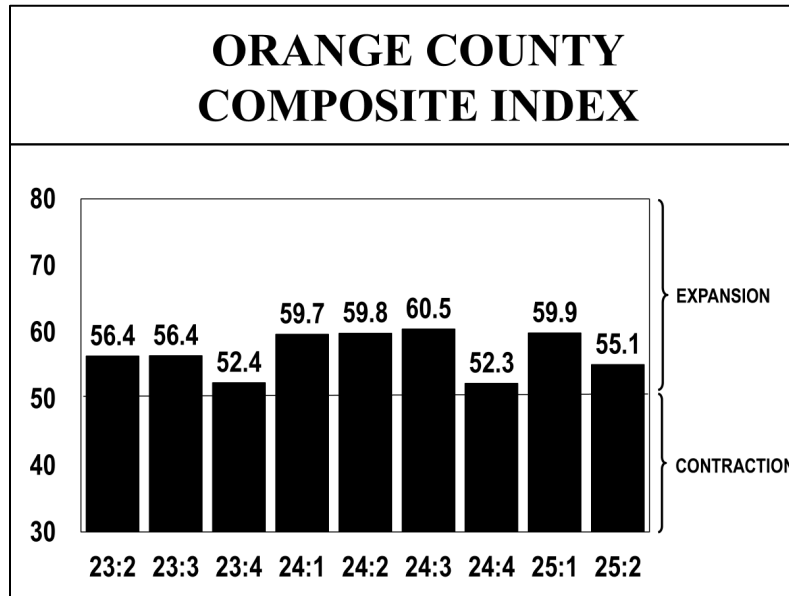
New Orders	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2025	37.6	40.7	21.7	15.9	54.9
1 st Quarter of 2025	43.4	40.0	16.6	26.7	63.8
4 th Quarter of 2024	36.8	40.3	23.0	13.8	60.7
3 rd Quarter of 2024	44.1	36.1	19.7	24.4	61.2

Employment: The seasonally adjusted index for employment is expected to decrease from 57.5 in the first quarter to 51.6 in the second quarter, indicating that employment in manufacturing is expected to barely improve in the second quarter. Employment is expected to increase most rapidly in the following industries: Food; Primary Metals; Fabricated Metal Products; Machinery; Electrical Equipment, Appliance & Components; and Aerospace Products & Parts. Employment is expected to decrease most rapidly in the following industries: Paper; Printing & Related Support Activities; Petroleum & Coal Products; Computer & Electronic Products; and Miscellaneous.

Employment	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2025	20.4	64.5	15.1	5.3	51.6
1 st Quarter of 2025	24.8	63.7	11.5	13.3	57.5
4 th Quarter of 2024	17.6	64.3	18.2	-0.6	51.2
3 rd Quarter of 2024	26.7	58.5	14.8	11.9	54.6

Orange County's Manufacturing Survey

The Orange County manufacturing sector's Composite Index decreased from 59.9 in the first quarter to 55.1 in the second quarter, indicating that the county's manufacturing economy is expected to grow at a lower rate in the second quarter of 2025.



The seasonally adjusted index for production decreased from 65.4 in the first quarter to 57.3 in the second quarter, indicating that production is expected to increase at a lower rate in the second quarter. The indices for inventories of purchased materials, new orders, and employment also decreased, indicating that they are all expected to increase at a lower rate. Supplier deliveries will not slow in the second quarter, but commodity prices will rise at a higher rate.

The index for the **non-durable goods industries** decreased from 64.5 in the first quarter to 60.3 in the second quarter, indicating that these industries are expected to expand at a lower rate in the second quarter. The indices for production and new orders increased, indicating a higher growth rate. The index for supplier deliveries sank from 61.8 to 39.7, indicating that supplier deliveries will be faster.

The index for the **high-tech industries** decreased from 60.5 to 57.7, indicating that these industries are expected to expand at a lower rate. The index for inventories of purchased materials jumped from 49.6 to 65.1, indicating that inventories of purchased materials will grow in the second quarter.

The index for the **durable goods industries other than high-tech** decreased from 57.0 to 50.8, indicating that the durable goods industries other than high-tech are expected to grow at a lower rate. The index for production stood at 48.7, indicating that production in these industries will decrease in the second quarter.

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

JULY

- California Purchasing Managers Survey

OCTOBER

- California Purchasing Managers Survey

DECEMBER

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