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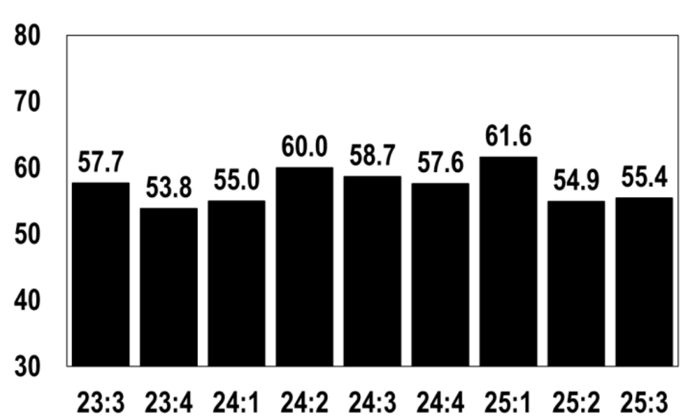
PRESS RELEASE

THE CALIFORNIA MANUFACTURING SECTOR EDGES UP IN THE THIRD QUARTER

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 second quarter to 55.4 in the third quarter, indicating that the manufacturing sector is expected to grow at a higher rate. “Tariffs, higher prices, and cautious consumers dominate the purchasing managers’ comments. ICE raids are having a negative effect on business. Tariffs are leading to constant revision of prices and disrupting supply chains. Order cancellations are increasing, and other orders are on hold due to continued uncertainty. Steel and aluminum prices are up. However, business is booming for defense-related industries due to the Russia - Ukraine war, the Israel - U.S.- Iran war and ICE raids. Businesses have difficulties forecasting future business activity. International supplier deliveries are expected to slow substantially. Nevertheless, many purchasing managers are optimistic about the next quarter,” 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. Supplier deliveries are expected to slow substantially as the index increased from 51.4 in the second quarter to 58.6 in the third quarter. The high-tech industries are expected to grow at a higher rate in the third quarter.

CALIFORNIA COMPOSITE INDEX



California Manufacturing at a Glance

Composite Index	55.4	Increasing at a higher rate
Production	59.2	Increasing at a lower rate
Inventories of purchased materials	52.3	Increasing at a lower rate
Commodity prices	81.4	Rising at a lower rate
Supplier deliveries	58.6	Slowing at a higher rate
New orders	54.3	Increasing at a lower rate
Employment	50.8	Increasing at a lower rate

Performance by Industry Group

The index for the **non-durable goods industries** increased in the third quarter indicating an expected slightly higher growth rate. Production and commodity prices are expected to grow at a lower rate. Inventories of purchased materials, new orders and employment are expected to grow at a 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 314,700 employees, amounting to 25.9% of total manufacturing employment in the state. Employment has dropped slightly compared to last year at the same time. The index for the high-tech industries increased from 50.4 in the second quarter to 55.4 in the third quarter, indicating a higher growth rate in the third quarter. Production is expected to grow at a higher rate. Inventories of purchased materials, new orders and employment are expected to grow at a lower rate. The supplier deliveries index jumped from 49.0 to 65.2, indicating that supplier deliveries will slow considerably in the third quarter.

The index for the **durable goods industries other than high-tech** decreased from 55.7 in the second quarter to 53.5 in the third quarter, indicating that these industries are expected to grow at a lower rate in the third quarter. Production, inventories of purchased materials, commodity prices, new orders and employment are all expected to grow at a lower rate. Employment is expected to decline, while supplier deliveries are expected to be slower.

Comments by the Purchasing Managers

Tariffs have been disruptive, costly and their uncertainty makes it difficult to manage and plan our needs. (Food)

The lack of guidance in regards to tariffs forces us to keep our production at minimum. The risk of choosing a wrong country as a supplier of inventories is too great. Our success or failure as a business will depend on choosing the right country as the base for our manufacturing. We have the manufacturing partners in several countries. Currently, we are in a minimum production pattern as it's impossible to predict the tariff breakdown by country in the next 150 days. The Fed's lack of direction on the future interest rate is only adding to our business uncertainties. (Textile Mill Products)

Very slow business. ICE round up killed the economy in Los Angeles on top of it. (Apparel)

We manufacture products for both Law Enforcement and Military. Due to the unrest we are seeing in both foreign and domestic arenas, our sales have increased dramatically this past several months. (Wood Products)

This is a tough one. These are very uncertain times and it seems like things can shift very radically in the blink of an eye. Uncertainty about tariffs, uncertainty about labor availability, and general uncertainty about the economy. Its hard on us as a producer, and its hard on our customers. This survey is my best guess, assuming things stay relatively as they are now, and no new policies radically shift how we need to operate... again. (Paper)

We had sudden cost spikes due to the recent governmental implementation of tariffs which basically acts like a tax on imported goods, making our raw materials, components, and finished products more expensive almost overnight. We must absorb the cost and pass it on to our clients, disrupting not only our budgets but profit margins. Forecasting becomes extremely difficult. Price quotes need constant revisions, and long-term contracts are harder to honor due to the pricing uncertainty. The tariff hikes have forced our manufacturers to seek new sources in tariff-free countries (not the U.S.) which is causing manufacturing delays, quality issues and reduces reliability. (Printing & Related Support Activities)

Much higher for new orders. (Petroleum & Coal products)

The tariff situation continues to be a mess and makes sourcing activities difficult. The U.S. market does not produce many of the items that we import, so buying domestic is not an option. (Chemicals)

Economic uncertainty remains the biggest headwind to our business. From global wars, to tariffs, interest rates, the lack of clarity is hampering growth. (Plastics & Rubber Products)

Tariffs have affected several raw materials (we source Chinese iron oxide pigments and some German made resins), however the majority of our raw materials and all labor is U.S. domestic, so the increases are marginal resulting in slightly higher sell prices to customers. Concurrently, we have seen an increase in sales, so tariffs have benefited the top and bottom line for us. (Nonmetallic Mineral Products)

High tariffs may impact manufacturing levels and disrupt supply chains slowing the economy. (Primary Metals)

ICE raids hurting the local economy greatly. Tariffs raising costs on all materials. (Fabricated Metal Products)

Seems to be a slowing in orders from customers. Although for us events of this past weekend could spur an increase in new orders for military related items we produce. (Machinery)

Tariffs are hurting our costs. Slower customer commitment to sales based on government volatility/trade wars. Government funding has been cut to some of our important environmental government customers. (Computer & Electronic Products)

12-30% rise in prices because of tariffs. (Electrical Equipment, Appliance & Components)

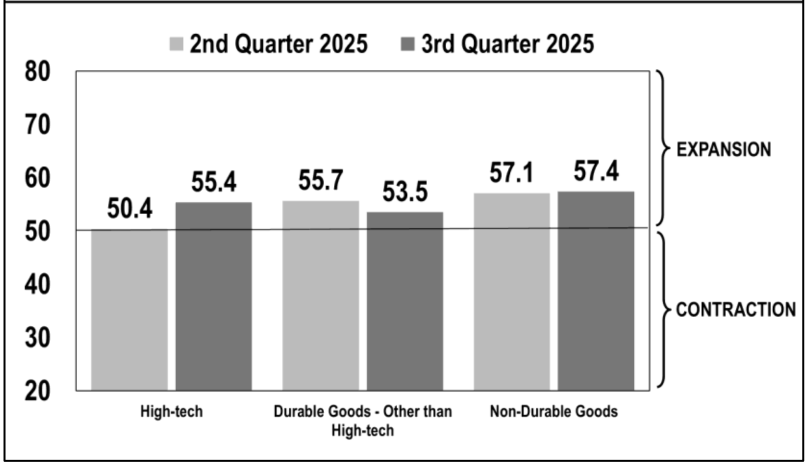
We continue to see uncertainty and calamity not just world wide but in local governments. As these events unfold we can only predict market trends and the fallout. Reports of LA harbor being slow, shipping vessels on stand by, will impact supplies and increase prices on fear and speculation. Purchasing trends are indicating another slow quarter filled with tariffs, shortages and uncertainty. These lower purchasing trends reflect a slow down in production and staffing. (Transportation Equipment)

Tariff surcharges have been applied from suppliers after confirmations have been received. These surcharges are difficult to measure and have added 5% to 15% increase in overall costs of materials that aren't put into effect until inventory is received. These added costs will slowly trend toward our sold commodity prices going up, but the change is in response to the surcharge, not a pre-emptive price increase. The unknown of whether or not the surcharge will be in place for the next order makes pricing our products difficult and affects our profits. (Furniture & Related Products)

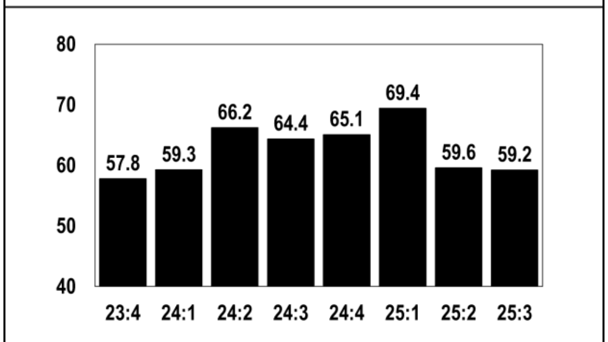
The primary issues with validation of tariff charges, since some vendors (non-regular) tend to cheat on the charges (30%) claiming there are tariffs when in fact their components were made in a country with lower tariffs than China. (Miscellaneous)

Nobody is planning long-range because there is too much uncertainty in any forecast - short one-off orders aren't enough to keep the lights on. (Aerospace Products & Parts)

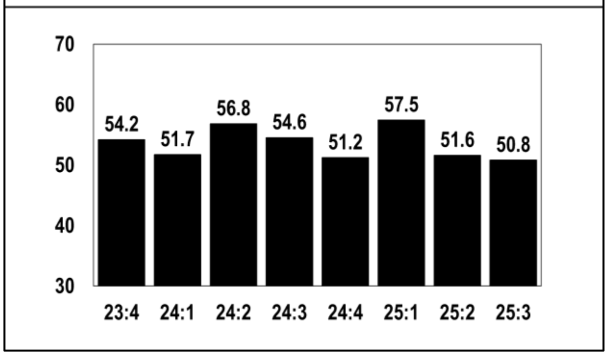
INDICES FOR INDUSTRY GROUPS



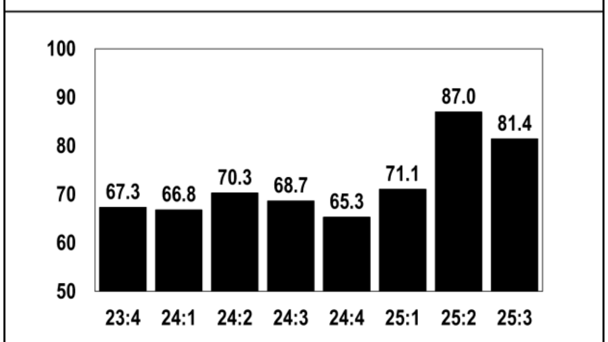
PRODUCTION INDEX



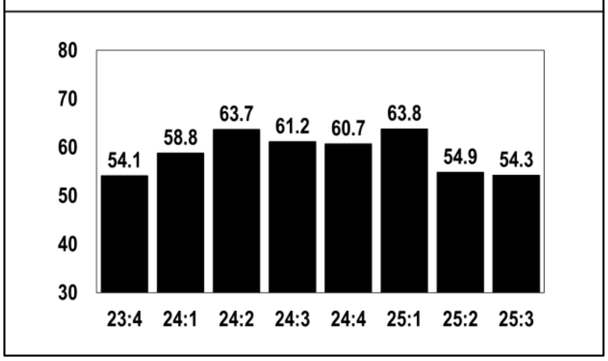
EMPLOYMENT INDEX



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 Third 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 59.6 in the second quarter to 59.2 in the third quarter, indicating that production is expected to increase at a lower rate in the third quarter. This is the twenty first consecutive quarter that the production index has been above 50. Production is expected to increase most rapidly in the following industries: Food; Beverage & Tobacco; Apparel; Paper; Chemicals; Plastics & Rubber Products; Wood Products; Nonmetallic Mineral Products; 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
3rd Quarter of 2025	40.5	40.8	18.8	21.7	59.2
2nd Quarter of 2025	44.0	38.4	17.6	26.4	59.6
1st Quarter of 2025	50.5	35.1	14.4	36.1	69.4
4th Quarter of 2024	39.9	42.1	17.9	22.0	65.1

Inventories of Purchased Materials: The seasonally adjusted index for inventories of purchased materials is expected to decrease from 53.5 in the second quarter to 52.3 in the third quarter, indicating that inventories of purchased materials 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; Beverage & Tobacco; Petroleum & Coal Products; Chemicals; Nonmetallic Mineral Products; Fabricated Metal Products; Machinery; Computer & Electronic Products; and Miscellaneous. Inventories of purchased materials are expected to decrease most rapidly in the following industries: Apparel; Paper; Printing & Related Support Activities; Plastics & Rubber Products; and Furniture & Related Products.

Inventories of Purchased Materials	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3rd Quarter of 2025	28.1	51.7	20.2	7.9	52.3
2nd Quarter of 2025	32.7	46.2	21.0	11.7	53.5
1st Quarter of 2025	34.8	47.3	17.9	16.8	59.1
4th Quarter of 2024	26.8	48.2	25.0	1.8	54.2

Commodity Prices: The seasonally unadjusted index for commodity prices is expected to decrease from 87.0 in the second quarter to 81.4 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 increase most rapidly in the following industries: Food; Beverage & Tobacco; Textile Mill Products; Apparel; Paper; Printing & Related Support Activities; Petroleum & Coal Products; 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
3rd Quarter of 2025	65.6	31.6	2.8	62.9	81.4
2nd Quarter of 2025	75.2	23.5	1.2	74.0	87.0
1st Quarter of 2025	45.2	51.7	3.1	42.1	71.1
4th Quarter of 2024	37.6	55.4	7.0	30.7	65.3

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 decrease from 51.1 in the second quarter to 58.6 in the third quarter, indicating that supplier deliveries are expected to slow at a higher rate in the third quarter. Supplier deliveries are expected to be slowest in the following industries: Food; Printing & Related Support Activities; Plastics & Rubber Products; Primary Metals; 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 expectation of faster supplier deliveries.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Seasonally Adjusted Index
3rd Quarter of 2025	25.7	65.3	8.9	16.8	58.6
2nd Quarter of 2025	12.7	77.3	10.0	2.7	51.1
1st Quarter of 2025	12.6	77.7	9.8	2.8	51.9
4th Quarter of 2024	17.7	69.2	13.1	4.7	51.9

New Orders: The seasonally adjusted index for new orders is expected to decrease from 54.9 in the second quarter to 54.3 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; Beverage & Tobacco; Textile Mill Products; Petroleum & Coal Products; Chemicals; Plastics & Rubber Products; Wood Products; Nonmetallic Mineral Products; Fabricated Metal Products; and Machinery. The Printing & Related Support Activity industry and the Furniture & Related Products industry reported an expected decrease in new orders.

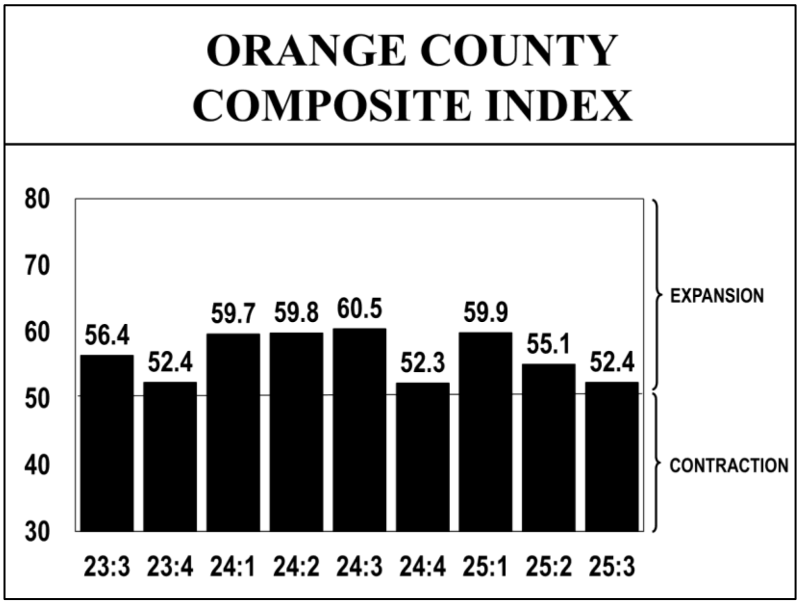
New Orders	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3rd Quarter of 2025	34.5	41.3	24.1	10.4	54.3
2nd Quarter of 2025	37.6	40.7	21.7	15.9	54.9
1st Quarter of 2025	43.4	40.0	16.6	26.7	63.8
4th Quarter of 2024	36.8	40.3	23.0	13.8	60.7

Employment: The seasonally adjusted index for employment is expected to decrease from 51.6 in the second quarter to 50.8 in the third quarter, indicating that employment in manufacturing is expected to barely grow in the third quarter. Employment is expected to increase most rapidly in the following industries: Food; Primary Metals; Fabricated Metal Products; and Machinery. The Computer & Electronic Products industry and the Furniture & Related Products industry reported an expected decrease in employment.

Employment	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3rd Quarter of 2025	21.0	62.1	16.8	4.2	50.8
2nd Quarter of 2025	20.4	64.5	15.1	5.3	51.6
1st Quarter of 2025	24.8	63.7	11.5	13.3	57.5
4th Quarter of 2024	17.6	64.3	18.2	-0.6	51.2

Orange County's Manufacturing Survey

The Orange County manufacturing sector's Composite Index decreased from 55.1 in the second quarter to 52.4 in the third quarter, indicating that the county's manufacturing economy is expected to grow at a lower rate in the third quarter.



The seasonally adjusted index for production increased from 57.3 in the second quarter to 58.4 in the third quarter, indicating that production is expected to increase at a higher rate in the third quarter. The indices for new orders and employment dipped below 50, indicating that new orders and employment will decline in the third quarter. Similar to California as a whole, the supplier deliveries index jumped from 50.2 to 58.9, indicating that deliveries will slow at a higher rate.

The index for the **non-durable goods industries** decreased from 60.3 in the second quarter to 49.7 in the third quarter, indicating that these industries are expected to contract in the third quarter. The indices for production, new orders and employment dipped below 50, indicating that production, new orders and employment will decline in the third quarter. The index for supplier deliveries leaped from 39.7 to 66.0, indicating that supplier deliveries will slow.

The index for the **high-tech industries** increased from 57.7 to 60.9, indicating that these industries are expected to expand at a higher rate. The indices for production and new orders increased, indicating that production and new orders will grow at a higher rate. The employment index decreased, indicating that employment will grow at a lower rate.

The index for the **durable goods industries other than high-tech** decreased from 50.8 to 47.9, indicating that the durable goods industries other than high-tech are expected to contract in the third quarter. Although production is expected to grow, new orders and employment are expected to decline in the third 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