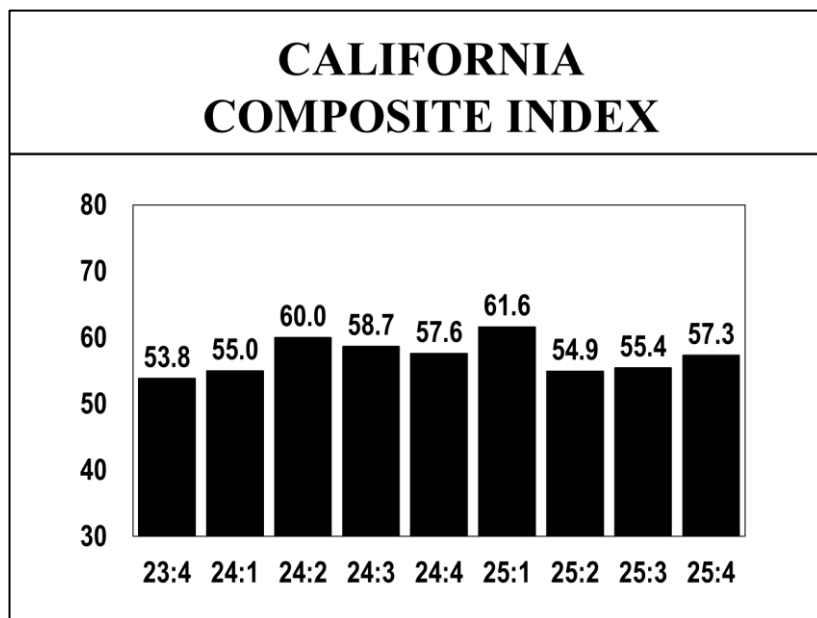




## PRESS RELEASE

### THE CALIFORNIA MANUFACTURING SECTOR EXPANDS FURTHER IN THE FOURTH QUARTER

ORANGE, CA — Based on a survey of purchasing managers, the California Composite Index, measuring overall manufacturing activity in the state, increased from 55.4 in the third quarter to 57.3 in the fourth quarter, indicating that the manufacturing sector is expected to grow at a higher rate in the fourth quarter. “Once again, the impact of tariffs on commodity and parts prices is a major concern of purchasing managers. While many managers expect higher growth in the fourth quarter, many lament the uncertainty that prevails in business today. Customers are delaying putting large orders due to that uncertainty and order cancellations are not uncommon. Steel and aluminum prices have surged due to tariffs and constrained supply chain. Skilled employees are difficult to find. Although a few managers wrote that they did not increase their prices, the majority have increased their prices due to higher costs,” 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 fourth quarter. Supplier deliveries are expected to slow at a lower rate, and commodity prices are expected to rise at a lower rate as the index decreased from 81.4 to 76.9. The high-tech industries are expected to grow at a higher rate in the fourth quarter.



## California Manufacturing at a Glance

Composite Index	57.3	Increasing at a higher rate
Production	62.9	Increasing at a higher rate
Inventories of purchased materials	55.8	Increasing at a higher rate
Commodity prices	76.9	Rising at a lower rate
Supplier deliveries	55.2	Slowing at a lower rate
New orders	57.5	Increasing at a higher rate
Employment	54.0	Increasing at a higher rate

### Performance by Industry Group

The index for the **non-durable goods industries** increased in the fourth quarter, indicating an expected higher growth rate. The production index rose from 59.2 to 69.5, indicating that production will increase at a substantially higher rate. New orders, inventories of purchased materials and employment are also expected to grow at a higher rate in the fourth quarter.

The **high-tech industries** include the following: Computer & Electronic Products, and Aerospace Products & Parts. The high-tech industries currently employ about 318,000 employees, amounting to 26.0% of total manufacturing employment in the state. Employment is still below what it was last year at the same time. The index for the high-tech industries increased from 55.4 in the third quarter to 58.8 in the fourth quarter, indicating a higher growth rate in the fourth quarter. Production, new orders, inventories of purchased materials and employment are also expected to grow at a higher rate in the fourth quarter. The supplier deliveries index decreased from 65.2 to 58.1, indicating that supplier deliveries will slow at a lower rate in the fourth quarter.

The index for the **durable goods industries other than high-tech** stayed at the same level, indicating that the growth rate in these industries will be the same as in the third quarter. Production and new orders are expected to grow at a slightly lower rate, while Inventories of purchased materials and employment are expected to grow at a higher rate. Commodity prices will rise at a lower rate and supplier deliveries will be slower.

### Comments by the Purchasing Managers

Frozen food processing: Staffing is already higher than last quarter and is expected to continue through the end of the year. 4th quarter sales look strong. Food prices are stable except for beef, which is at record highs. (Food)

The 50% tariff rate for India has us scratching our heads. We are delaying shipments waiting for the rate to drop (like it has for other countries). Fortunately, the rate for China has remained stable allowing us to move forward with the 30% higher rate. Just hoping the China rate does not change again... (Textile Mill Products)

Our business is heavily skewed towards Fall / Winter outdoor sports and recreation so we would always expect the coming quarter to be busier than the current quarter. That being said, we are raising our prices due to tariffs and have yet to see what impact, if any, this will have on orders from our customers. (Apparel)

We have witnessed a slight decrease in commodity goods; the primary driver is ocean freight costs are down significantly. Mortgage rates are slightly lower, with housing starts edging up, yet sales are down. Most markets continue to have a housing deficit. A combination of cost reductions and lower interest rates will have a positive effect, probably not realized until the end of Q1 beginning of Q2 2026. (Wood Products)

We are definitely seeing a bit of an uptick in business. We are seeing new business, and also seeing existing business beginning to increase in order volumes and frequency, so outlook for next quarter looks better than it has for a while. (Paper)

Our business has been significantly impacted by tariffs, which we unfortunately have no choice but to pass along to our clients. In addition to tariffs, overall product costs have risen across the board. Elevated gas prices continue to drive up transportation expenses, and production lead times have also lengthened. (Printing & Related Support Activities)

We have been slow. (Petroleum & Coal Products)

Employment is becoming an issue. Hard to fill open positions. Seriously considering automation. Hope Trump does not ask ICE to deport robots. (Chemicals)

Tariffs and reconfiguring supply chains are increasing our prices. We are also seeing a softening demand for our products, as customers opt for cheaper options and spend less. (Plastics & Rubber Products)

While tariffs have led to higher costs, they have not hindered our business growth. We are seeing increased consumer spending, and the demand for both residential and commercial projects is rising rapidly, more than we expected. A big turn-around this year for business. (Nonmetallic Mineral Products)

With the tariff in place now, we have to pass the cost to the customers. Orders have changed to make sure they are ordering what they need and not overage. Employees want higher wages. We are finding it harder to find quality workers. (Primary Metals)

Not much happening now in this current manufacturing environment. Slow for us in the sheet metal and machining work place. Hopefully it will pick up in 2026. (Fabricated Metal Products)

At present, we are closely monitoring market conditions that may influence our purchasing operations and industry outlook:

Global Supply Chain & Freight Costs: Overall stability has improved compared to previous years, freight rates and lead times remain subject to fluctuations, particularly on overseas shipments.

Raw Material Pricing: Certain commodities and components continue to experience price volatility, which may affect overall procurement costs.

Domestic Economic Climate: Inflationary pressures and shifts in consumer demand could impact purchasing patterns and inventory planning in the near term.

Regulatory & Trade Policies: Changes in tariffs or import regulations directly affecting sourcing strategies and cost structures.

While the market shows signs of steadiness, we are cautiously and proactively adapting to these conditions to ensure continuity and cost efficiency. (Machinery)

Aerospace and defense requirements very often take a back seat to mega deals / requirements driven by EV's and AI "server farms" if (when) there is scarcity of product. Electronics packaging and semiconductor components are usually where this shows up first. Specialty metals from offshore suppliers (God forbid if its China) are also in some distress because of tariffs and restrictions. (Computer & Electronic Products)

Tariffs are having a negative effect on our operating costs. (Electrical Equipment, Appliance & Components)

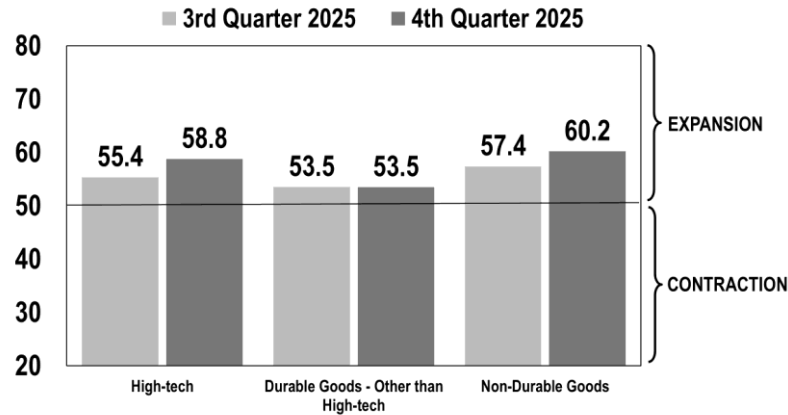
Because we are in the manufacturing area of the motorcycle industry, the common political and economic issues affect us greatly. We expected this year to be better than last, yet it is not, it's much lower sales and needs. It seems that customers are holding onto their money in the current uncertain economy as it is not considered a "need". (Transportation Equipment)

Due to the lingering unknown of tariffs coming on 11/30, it seems like everyone will need to rush parts to get in before the deadline. Talking with many of our suppliers overseas, they have seen orders drop and containers getting bumped or delayed since ships are not full enough to leave. Our customers in the contract office furniture industry are very hesitant to purchase without really knowing where prices are going. (Furniture & Related Products)

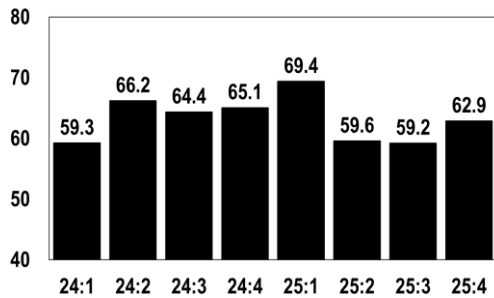
There is no rhyme or reason to what is happening in the economy. Customers and suppliers are confused and uncertain about the future with pricing and delivery. (Miscellaneous)

We are prepping a second round of layoffs. Major customers are pushing back large orders by several months or longer. Our finished goods inventory is full, but customers aren't taking delivery. If there's a silver lining, it is that commodity prices, mostly, have not shot up. (Aerospace Products & Parts)

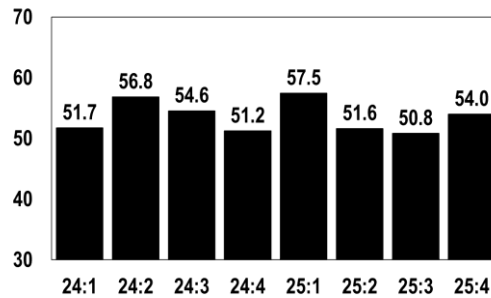
## INDICES FOR INDUSTRY GROUPS



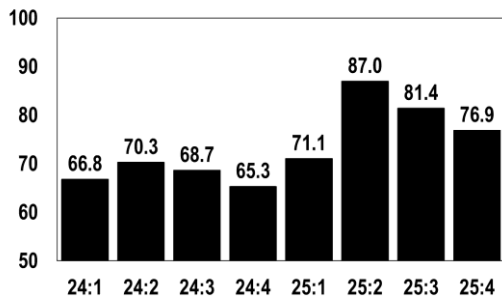
### PRODUCTION INDEX



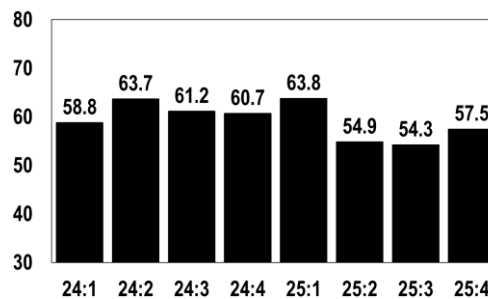
### EMPLOYMENT INDEX



### 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 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 increase from 59.2 in the third quarter to 62.9 in the fourth quarter, indicating that production is expected to increase at a higher rate in the fourth quarter. This is the twenty-second consecutive quarter that the production index has been above 50. Production is expected to increase most rapidly in the following industries: Food; Printing & Related Support Activities; Chemicals; Plastics & Rubber Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; and Furniture & Related Products. Production is expected to decrease most rapidly in the following industries: Apparel; Petroleum & Coal Products; and Wood Products.

Production	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4 <sup>th</sup> Quarter of 2025	38.7	40.4	20.8	17.9	62.9
3 <sup>rd</sup> Quarter of 2025	40.5	40.8	18.8	21.7	59.2
2 <sup>nd</sup> Quarter of 2025	44.0	38.4	17.6	26.4	59.6
1 <sup>st</sup> Quarter of 2025	50.5	35.1	14.4	36.1	69.4

**Inventories of Purchased Materials:** The seasonally adjusted index for inventories of purchased materials is expected to increase from 52.3 in the third quarter to 55.8 in the fourth quarter, indicating that inventories are expected to increase at a higher rate in the first quarter. Inventories of purchased materials are expected to increase most rapidly in the following industries: Food; Textile Mill Products; Printing & Related Support Activities; Nonmetallic Mineral Products; Fabricated Metal Products; Machinery; and Furniture & Related Products. Inventories of purchased materials are expected to decrease most rapidly in the following industries: Apparel; Paper; Petroleum & Coal Products; Wood Products; and Primary Metals.

<b>Inventories of Purchased Materials</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Seasonally Adjusted Index</b>
4 <sup>th</sup> Quarter of 2025	27.5	50.1	22.5	5.0	55.8
3 <sup>rd</sup> Quarter of 2025	28.1	51.7	20.2	7.9	52.3
2 <sup>nd</sup> Quarter of 2025	32.7	46.2	21.0	11.7	53.5
1 <sup>st</sup> Quarter of 2025	34.8	47.3	17.9	16.8	59.1

**Commodity Prices:** The seasonally unadjusted index for commodity prices is expected to decrease from 81.4 in the third quarter to 76.9 in the fourth quarter, indicating that commodity prices are expected to rise at a lower rate in the fourth quarter. Commodity prices are expected to increase most rapidly in the following industries: Food; Textile Mill Products; Paper; Printing & Related Support Activities; 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. The Petroleum & Coal Products industry reported an expected decrease in commodity prices.

<b>Commodity Prices</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
4 <sup>th</sup> Quarter of 2025	58.3	37.2	4.5	53.7	76.9
3 <sup>rd</sup> Quarter of 2025	65.6	31.6	2.8	62.9	81.4
2 <sup>nd</sup> Quarter of 2025	75.2	23.5	1.2	74.0	87.0
1 <sup>st</sup> Quarter of 2025	45.2	51.7	3.1	42.1	71.1

**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 58.6 in the third quarter to 55.2 in the fourth quarter, indicating that supplier deliveries are expected to slow at a slower rate in the fourth quarter. Supplier deliveries are expected to be slowest in the following industries: Paper; Printing & Related Support Activities; Primary Metals; Machinery; Computer & Electronic Products; Aerospace Products & Parts; Furniture & Related Products; and Miscellaneous. No industry reported an expectation of faster deliveries.

<b>Supplier Deliveries</b>	<b>% Slower</b>	<b>% Same</b>	<b>% Faster</b>	<b>Net</b>	<b>Seasonally Adjusted Index</b>
4 <sup>th</sup> Quarter of 2025	20.4	70.5	9.1	11.3	55.2
3 <sup>rd</sup> Quarter of 2025	25.7	65.3	8.9	16.8	58.6
2 <sup>nd</sup> Quarter of 2025	12.7	77.3	10.0	2.7	51.1
1 <sup>st</sup> Quarter of 2025	12.6	77.7	9.8	2.8	51.9



**New Orders:** The seasonally adjusted index for new orders is expected to increase from 54.3 in the third quarter to 57.5 in the fourth quarter, indicating that new orders are expected to increase at a higher rate in the fourth quarter. New orders are expected to increase most rapidly in the following industries: Food; Printing & Related Support Activities; Chemicals; Plastics & Rubber Products; Computer & Electronic Products; and Furniture & Related Products. New orders are expected to decrease most rapidly in the following industries: Beverage & Tobacco; Wood Products; Primary Metals; and Transportation Equipment (other than Aerospace Products & Parts).

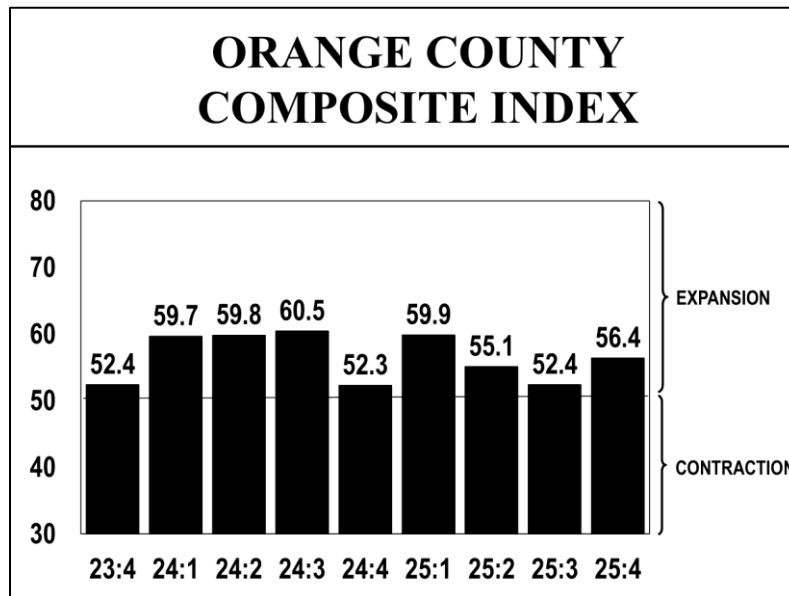
New Orders	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4 <sup>th</sup> Quarter of 2025	31.9	44.0	24.1	7.8	57.5
3 <sup>rd</sup> Quarter of 2025	34.5	41.3	24.1	10.4	54.3
2 <sup>nd</sup> Quarter of 2025	37.6	40.7	21.7	15.9	54.9
1 <sup>st</sup> Quarter of 2025	43.4	40.0	16.6	26.7	63.8

**Employment:** The seasonally adjusted index for employment is expected to increase from 50.8 in the third quarter to 54.0 in the fourth quarter, indicating that employment in manufacturing is expected to increase at a higher rate in the fourth quarter. Employment is expected to increase most rapidly in the following industries: Food; Chemicals; Nonmetallic Mineral Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; and Transportation Equipment (other than Aerospace Products & Parts). Employment is expected to decrease most rapidly in the following industries: Apparel; Paper; Primary Metals; and Furniture & Related Products.

Employment	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4 <sup>th</sup> Quarter of 2025	23.4	58.1	18.5	4.9	54.0
3 <sup>rd</sup> Quarter of 2025	21.0	62.1	16.8	4.2	50.8
2 <sup>nd</sup> Quarter of 2025	20.4	64.5	15.1	5.3	51.6
1 <sup>st</sup> Quarter of 2025	24.8	63.7	11.5	13.3	57.5

## Orange County's Manufacturing Survey

The Orange County manufacturing sector's Composite Index increased from 52.4 in the third quarter to 56.4 in the fourth quarter, indicating that the county's manufacturing economy is expected to grow at a higher rate in the fourth quarter.



The seasonally adjusted index for production decreased from 58.4 in the third quarter to 58.3 in the fourth quarter, indicating that production is expected to increase at practically the same rate in the fourth quarter as in the third quarter. The indices for new orders and employment moved from below 50 in the third quarter to above 50 in the fourth quarter, indicating that new orders and employment are expected to increase in the fourth quarter. Similar to California as a whole, the commodity price index decreased, indicating that commodity prices are expected to rise at a lower rate in the fourth quarter.

The index for the **non-durable goods industries** moved from below 50 in the third quarter to above 50 in the fourth quarter, indicating that these industries are expected to grow in the fourth quarter. The indices for production, new orders and employment also moved from below 50 to above 50, indicating that they will all increase in the fourth quarter.

The index for the **high-tech industries** decreased from 60.9 to 59.9, indicating that these industries are expected to expand at a lower rate. Production is expected to increase at a lower rate while new orders and employment are expected to grow at a higher rate.

The index for the **durable goods industries other than high-tech** remained under 50 indicating that these industries are expected to contract in the fourth quarter. Production, inventories of purchased materials and employment are also expected to decrease in the fourth 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