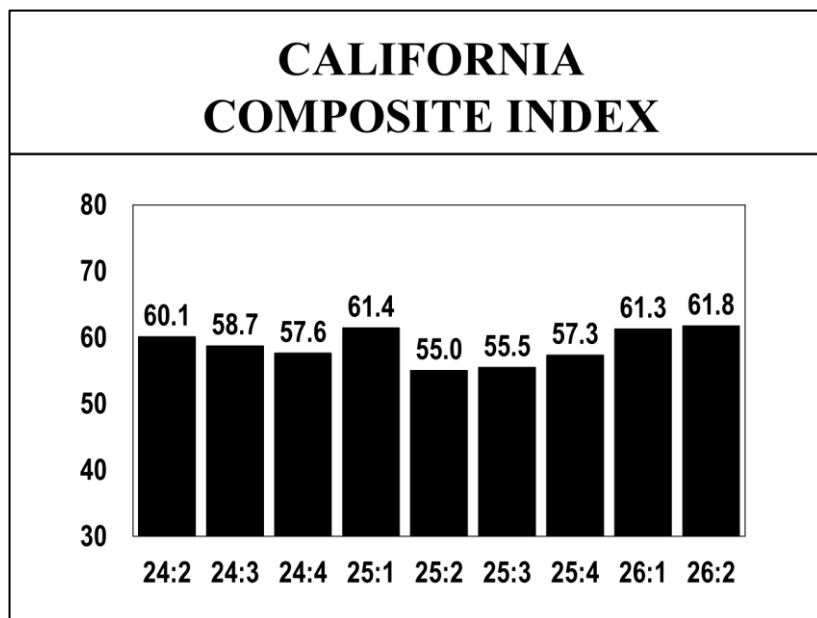

PRESS RELEASE**CALIFORNIA MANUFACTURING SECTOR EXTENDS ITS
GROWTH STREAK IN THE SECOND QUARTER OF 2026**

ORANGE, CA — Based on a survey of purchasing managers, the California Composite Index, measuring overall manufacturing activity in the state, increased from 61.3 in the first quarter to 61.8 in the second quarter, indicating that the manufacturing sector is expected to grow at a higher rate in the second quarter. “Although tariffs are still mentioned by a few purchasing managers, the concerns now have shifted to petroleum, the Strait of Hormuz, and higher raw materials prices. More so than last quarter, the defense industry is benefitting from increased orders from the Department of Defense and this is expected to continue into 2027. Fertilizer, aluminum, and resin used in plastics were mentioned by several managers as having increased substantially in price as a consequence of the increase in petroleum prices. The uncertainty about how long the U.S./Israel/Iran war will last has resulted in companies holding off on placing orders until the picture on the war becomes clearer. The managers believe that the shockwave from the war will continue to impact prices well after the end of the war. Skilled employees are still difficult to find,” said Dr. Raymond Sfeir, director of the purchasing managers’ survey. Inventories of purchased materials and employment are expected to grow at a higher rate in the second quarter. Commodity prices are expected to rise at the highest rate since the second quarter of 2025.



California Manufacturing at a Glance

Composite Index	61.8	Increasing at a higher rate
Production	67.9	Increasing at a lower rate
Inventories of purchased materials	62.8	Increasing at a higher rate
Commodity prices	86.4	Rising at a higher rate
Supplier deliveries	57.7	Slowing at a higher rate
New orders	61.2	Increasing at a lower rate
Employment	56.0	Increasing at a higher rate

Performance by Industry Group

The index for the **non-durable goods industries** increased in the second quarter, indicating an expected higher growth rate. The production index increased from 65.5 to 69.1, indicating that production will increase at a higher rate. The employment index increased from 45.3 to 56.9, indicating that employment is expected to increase in the second quarter.

The **high-tech industries** include the following: Computer & Electronic Products, and Aerospace Products & Parts. The high-tech industries currently employ about 318,600 employees, amounting to 26.5% of total manufacturing employment in the state. Employment is still well below what it was last year at the same time. The index for the high-tech industries decreased from 67.1 in the first quarter to 62.3 in the second quarter, indicating a lower growth rate in the second quarter. Production, new orders and employment are expected to grow at a lower rate in the second quarter. Inventories of purchased materials are expected to grow at a higher rate. The supplier deliveries index decreased from 62.3 to 59.7, indicating that supplier deliveries will be slower at a lower rate. Commodity prices will rise at a higher rate.

The index for the **durable goods industries other than high-tech** increased from 60.1 in the first quarter to 61.2 in the second quarter, indicating that the growth rate in these industries will be higher in the second quarter. Inventories of purchased materials, new orders and employment are expected to grow at a higher rate. The commodity price index reached a level of 90.1, the highest level since the second quarter of 2022.

Comments by the Purchasing Managers

With the shortage of cattle, it is difficult to think that we will start doing better. With oil prices going up, the cost of poly will also go up and then freight charges will also increase. (Food)

We are already getting hit with price increases for raw materials based on the surge in oil prices. Hopefully, that will be short term... (Textile Mill Products)

As a fabric manufacturer, we are particularly sensitive to current government policies, global geopolitical developments, and economic indicators. Based on these factors, we anticipate that this year's sales performance will be significantly lower than expected. Furthermore, major U.S. retailers are currently holding off on placing orders, and due to recent tariff agreements, even the limited orders that existed are now being shifted to Vietnam. (Apparel)

The current economy will slow down the business lead times due to resources, but it shouldn't impact us too much if this is only something temporary. If we see the war exceeding 3 months, this then could have a major impact, in either direction as we do support military contracts. (Leather & Allied Products)

With the conflict in the Middle East, we expect poly items to increase in price. We plan to buy-up at the current prices. (Paper)

Finding skilled candidates to replace retiring employees has been a challenge. (Printing & Related Support Activities)

With the current conflict in Iran, it has created tight supply of resins needed in plastics such as polyethylene and polypropylene. This has driven up some plastics prices significantly. Currently absorbing costs, but this will need to be reevaluated if the conflict extends for a long period. (Chemicals)

Geopolitical developments, particularly in the Middle East, are creating volatility in our marketplace, not seen since COVID. Rapid-fire price increases are becoming the norm again and I am concerned some raw materials may go on allocation again. Even if the War in the Middle East ends in the next few weeks, the tailwinds will be felt through the balance of the year. (Plastics & Rubber Products)

With global issues dominating all news cycles and the cost of goods domestically, the building industry is hoping for a flat year at best, some predicting a further decline. There is still optimism for late Q4 and 2027. (Wood Products)

The conflict in the Middle East is disrupting supply chains that may delay deliveries and potentially cause shutdowns of key materials. (Primary Metals)

Need employees but there is a definite shortage of properly documented, willing to work people looking for work. Anticipate a military build up to replace equipment so hopefully the last part of the year will be better. (Fabricated Metal Products)

Continue to see increasing prices in all raw materials. Aluminum, stainless steel, and copper. Also continue to experience increasing prices in our perishable tooling items. 15-30% increase over the last 18 months. (Machinery)

In the electronic component market, price and lead time are now being impacted by the surge in AI equipment. In some cases, the price has gone up 2x or 3x and the lead time on some items has been quoted at 52 to 80 weeks. (Computer & Electronic Products)

Tungsten material APT price has increased 3x compared to September 2025 on the world market. Tantalum price has doubled. Rare earth material prices have increased significantly and are changing on a monthly basis. (Electrical Equipment, Appliance & Components)

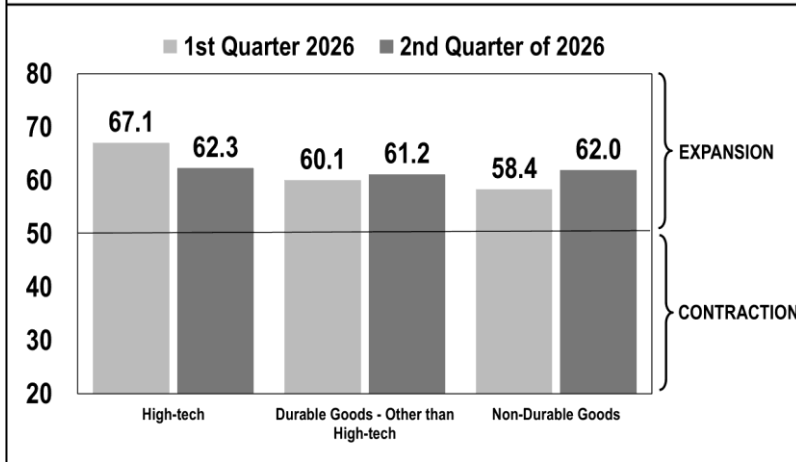
The recent wave of aluminum plant shutdowns has triggered significant ripples across global markets, affecting everything from automotive production to national security and consumer prices. (Transportation Equipment)

The war in Iran is going to impact our inbound freight due to fuel costs. The cost of aluminum will also keep going up. We also had cancellations from Middle East customers due to shipping being uncertain. (Furniture & Related Products)

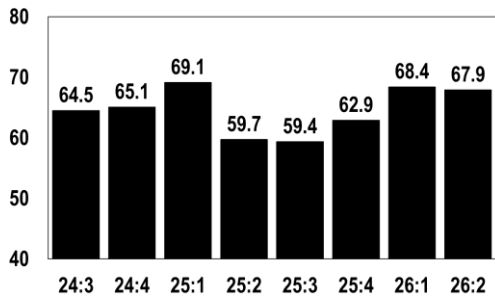
Consumer confidence will be a big factor. Unfortunately, with AI and political tension, there is no telling as to what consumer confidence will be. New AI technologies with messaging are either going to stimulate or turn off the consumers. We are working on ways to better connect with consumers on a more personal level and to grow the value of our customer base, with better and more loyal customers, rather than quantity. (Miscellaneous)

War in the middle East and other worldwide conflicts really hurting global commerce and trade and most importantly, the Global Supply Chain. (Aerospace Products & Parts)

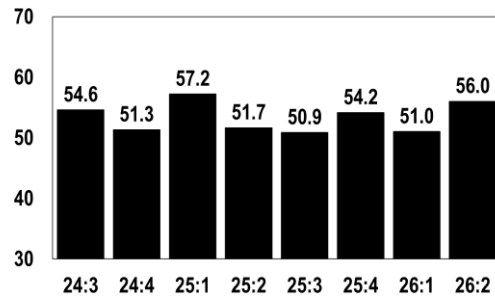
INDICES FOR INDUSTRY GROUPS



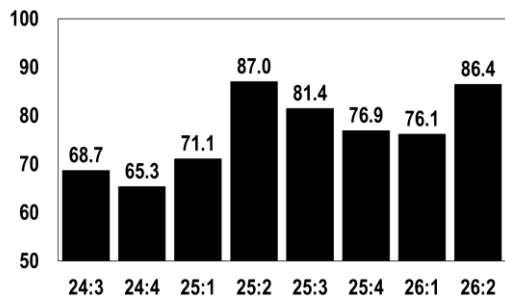
PRODUCTION INDEX



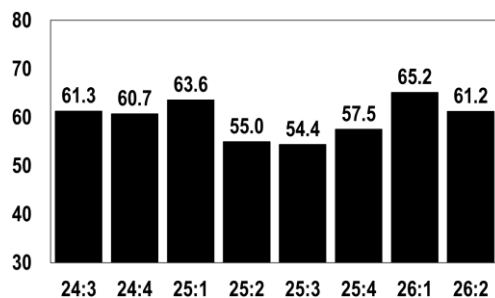
EMPLOYMENT INDEX



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 2026**

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 in 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 68.4 in the first quarter to 67.9 in the second quarter, indicating that production is expected to increase at a lower rate in the second quarter. This is the twenty fourth consecutive quarter that the production index has been above 50. Production is expected to increase most rapidly in the following industries: Food; Beverage & Tobacco; Leather & Allied Products; 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); and Aerospace Products & Parts. The Printing & Related Support Activities industry reported an expected decrease in production.

Production	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2026	55.6	32.5	11.9	43.7	67.9
1 st Quarter of 2026	48.5	37.7	13.8	34.6	68.4
4 th Quarter of 2025	38.7	40.4	20.8	17.9	62.9
3 rd Quarter of 2025	40.5	40.8	18.8	21.7	59.4

Inventories of Purchased Materials: The seasonally adjusted index for inventories of purchased materials is expected to increase from 60.0 in the first quarter to 62.8 in the second quarter, indicating that inventories are expected to increase at a higher rate in the second quarter. Inventories of purchased materials are expected to increase most rapidly in the following industries: Food; Beverage & Tobacco; 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); and Miscellaneous. The Textile Mill Products and the Printing & Related Support Activities industries have reported an expected decrease in inventories of purchased materials

Inventories of Purchased Materials	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2026	44.0	43.0	13.1	30.9	62.8
1 st Quarter of 2026	38.1	42.9	19.1	19.0	60.0
4 th Quarter of 2025	27.5	50.1	22.5	5.0	55.9
3 rd Quarter of 2025	28.1	51.7	20.2	7.9	52.4

Commodity Prices: The seasonally unadjusted index for commodity prices is expected to sharply increase from 76.1 in the first quarter to 86.4 in the second quarter, indicating that commodity prices are expected to rise at a higher rate in the second quarter. 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; 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
2 nd Quarter of 2026	75.4	22.1	2.6	72.8	86.4
1 st Quarter of 2026	56.4	39.4	4.2	52.3	76.1
4 th Quarter of 2025	58.3	37.2	4.5	53.7	76.9
3 rd Quarter of 2025	65.6	31.6	2.8	62.9	81.4

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 56.5 in the first quarter to 57.7 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: Food; Printing & Related Support Activities; Chemicals; Plastics & Rubber Products; Wood Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Aerospace Products & Parts; Furniture & Related Products; and Miscellaneous. The Electrical Equipment, Appliance & Components industry reported an expectation of faster supplier deliveries.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Seasonally Adjusted Index
2 nd Quarter of 2026	25.6	64.6	9.8	15.8	57.7
1 st Quarter of 2026	19.5	72.9	7.6	11.8	56.5
4 th Quarter of 2025	20.4	70.5	9.1	11.3	55.2
3 rd Quarter of 2025	25.7	65.3	8.9	16.8	58.5

New Orders: The seasonally adjusted index for new orders is expected to decrease from 65.2 in the first quarter to 61.2 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; Beverage & Tobacco; Leather & Allied Products; 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); and Miscellaneous. The Printing & Related Support Activities and the Furniture & Related Products industries reported an expected decrease in new orders.

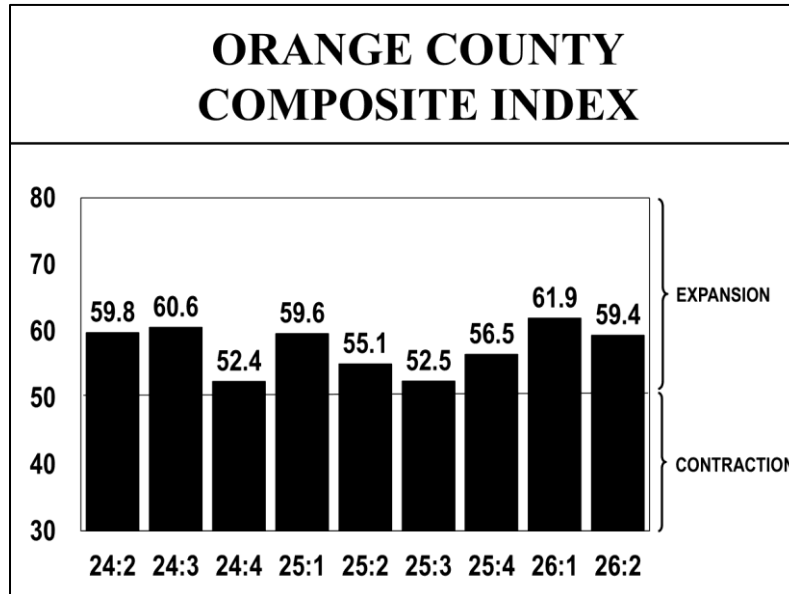
New Orders	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2026	42.4	44.3	13.3	29.1	61.2
1 st Quarter of 2026	46.9	36.0	17.0	29.9	65.2
4 th Quarter of 2025	31.9	44.0	24.1	7.8	57.5
3 rd Quarter of 2025	34.5	41.3	24.1	10.4	54.4

Employment: The seasonally adjusted index for employment is expected to increase from 51.0 in the first quarter to 56.0 in the second quarter, indicating that employment in manufacturing is expected to improve in the second quarter. Employment is expected to increase most rapidly in the following industries: Food; Petroleum & Coal Products; Chemicals; Plastics & Rubber Products; Wood Products; Nonmetallic Mineral Products; Fabricated Metal Products; Machinery; Computer & Electronic Products; and Miscellaneous. The Textile Mill Products industry reported an expected decrease in employment.

Employment	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
2 nd Quarter of 2026	26.2	61.7	12.0	14.2	56.0
1 st Quarter of 2026	17.7	65.7	16.7	1.0	51.0
4 th Quarter of 2025	23.4	58.1	18.5	4.9	54.2
3 rd Quarter of 2025	21.0	62.1	16.8	4.2	50.9

Orange County's Manufacturing Survey

The Orange County manufacturing sector's Composite Index decreased from 61.9 in the first quarter to 59.4 in the second quarter, indicating that the county's manufacturing economy is expected to grow at a lower rate in the second quarter of this year.



The seasonally adjusted index for production decreased from 69.3 in the first quarter to 61.0 in the second quarter, indicating that production is expected to increase at a lower rate in the second quarter. The index for new orders also decreased, indicating that new orders are expected to grow at a lower rate. The index of employment increased in the second quarter, indicating more employment growth. Commodity prices are expected to rise faster, matched by slower supplier deliveries.

The index for the **non-durable goods industries** decreased, indicating that these industries are expected to grow at a lower rate in the second quarter. The indices for production, inventories of purchased materials, and new orders decreased, indicating that they will all grow at a lower rate in the second quarter.

The index for the **high-tech industries** decreased from 70.2 to 62.0, indicating that these industries are expected to expand at a lower rate. The index for production decreased substantially from 81.0 to 62.9, and the index for new orders also decreased substantially from 77.4 to 60.2, indicating that production and new orders are expected to grow at a lower rate in the second quarter.

The index for the **durable goods industries other than high-tech** increased from 57.8 to 59.3, indicating that these industries are expected to grow at a higher rate in the second quarter. Production and new orders are expected to grow at a slower rate, but inventories of purchased materials are expected to grow at a higher 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

- JULY**
 - California Purchasing Managers Survey

- OCTOBER**
 - California Purchasing Managers Survey

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