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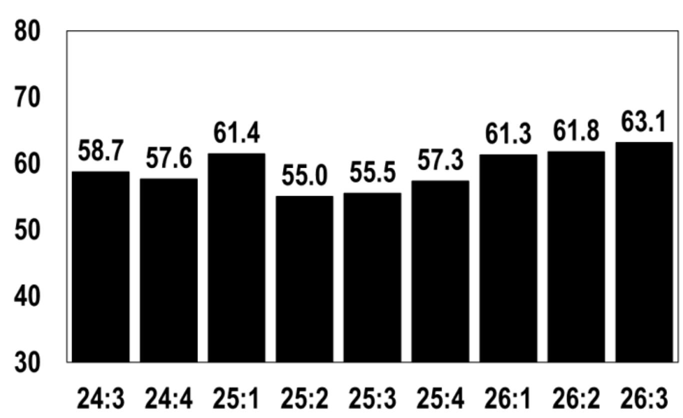
PRESS RELEASE

THE CALIFORNIA COMPOSITE INDEX REACHES ITS HIGHEST LEVEL SINCE THE SECOND QUARTER OF 2022

ORANGE, CA — Based on a survey of purchasing managers, the California Composite Index, measuring overall manufacturing activity in the state, increased from 61.8 in the second quarter to 63.1 in the third quarter, indicating that the manufacturing sector is expected to grow at a higher rate in the third quarter. This Index level is the highest since the second quarter of 2022. "Fuel cost is the main concern of purchasing managers. The higher cost has impacted freight cost, plastic containers prices and petroleum-based resin prices which many industries have to face. Steel prices as well as other materials prices continue to go up. Purchasing managers are hoping that an agreement between the U.S. and Iran will push petroleum prices further down and lead to lower freight cost and materials cost. Finding employees is still an issue, even those who do lower skills work. Customers are still buying with caution as the cease fire in the Middle East is not holding. The managers still believe that the negative consequences of the war will be with us long after the end of the war," said Dr. Raymond Sfeir, director of the purchasing managers' survey. Inventories of purchased materials, new orders and employment are expected to grow at a higher rate in the third quarter. Commodity prices are expected to rise at a lower rate compared to the second quarter, mostly due to lower petroleum prices.

CALIFORNIA COMPOSITE INDEX



California Manufacturing at a Glance

Composite Index	63.1	Increasing at a higher rate
Production	67.7	Increasing at a lower rate
Inventories of purchased materials	64.1	Increasing at a higher rate
Commodity prices	81.9	Rising at a lower rate
Supplier deliveries	58.3	Slowing at a higher rate
New orders	63.8	Increasing at a higher rate
Employment	58.6	Increasing at a higher rate

Performance by Industry Group

The index for the **non-durable goods industries** increased in the third quarter, indicating an expected higher growth rate. The new orders index increased from 61.6 to 68.0, indicating that new orders will increase at a higher rate. The employment index increased from 56.9 to 59.5, indicating that employment is expected to increase at a higher rate in the third quarter.

The **high-tech industries** include the following: Computer & Electronic Products, and Aerospace Products & Parts. The high-tech industries currently employ about 320,200 employees, amounting to 26.6% 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 increased from 62.3 in the second quarter to 66.4 in the third quarter, indicating a higher growth rate in the third quarter. Production, inventories of purchased materials, new orders and employment are expected to grow at a higher rate in the third quarter. Commodity prices are expected to rise at a higher rate, and supplier deliveries are expected to slow at a higher rate as well.

The index for the **durable goods industries other than high-tech** remained unchanged compared to the second quarter, indicating that this sector will grow at the same rate as in the second quarter. Production, inventories of purchased materials and employment are expected to grow at a higher rate, while new orders are expected to grow at a lower rate. The commodity price index dropped substantially from 90.1 to 81.6, indicating that commodity prices will rise at a lower rate in the third quarter.

Comments by the Purchasing Managers

With signs that the U.S.-Iran conflict may be nearing a resolution, we're hopeful that petroleum-based resin prices will begin to ease. Our food packaging costs have been heavily impacted over the past several months, as pricing for plastic containers has risen substantially. (Food)

Packaged ice business. Q1<Q2<Q3>Q4>Q1. Every year the same. (Beverage & Tobacco)

Business is OK. Not great, but also not bad. Our filings for IEEPA tariff refunds are being processed. We have not received any actual refunds yet (fingers crossed). Raw Material prices: Hoping that the war is really over so that the flow of oil resumes to China and we can see a gradual reduction in prices. (Textile Mill Products)

We see no effect on purchasing or operations. (Leather & Allied Products)

China and Vietnam are back buying logs and veneer and aren't bashful about spending money on premium items. Hardwood veneer is in tighter supply but competition is keeping a lid on price increases for the time being. If fuel prices become steady, freight rates will soften and that will offset any possible demand price increases. (Wood Products)

Lower fuel costs will affect raw material pricing. Currently, costs have risen over 15% for raw materials from around the states. (Paper)

Q3 and Q4 are our busy time of year. We are in the health care printing field printing insurance coverage information. We have seen a decline in printing volume in the last couple of years and more and more people prefer to access information digitally. (Printing & Related Support Activities)

Stabilizing energy costs should keep our biggest expense (carbon steel) to hold or decrease in price in Q3. This will continue to drive higher sales. (Petroleum & Coal Products)

Supply chain constraints and inflation are likely to persist well into 2027. Additionally, labor shortages and rising freight costs will continue to provide headwinds to growth. Nonetheless, 2026 will likely be a growth year. (Plastics & Rubber Products)

Mill orders for structural shapes have seen time added for rolling, resulting in higher prices for immediate needs and depletion of some items. Prices continue to rise as energy costs and heavy demand throughout the nation continue. Steel mills are operating at high capacity in attempts to meet demand. (Primary Metals)

Our production of tank heads and components for pressure vessels has been significantly impacted by the demand for cooling tanks for data centers. Our backlog is up over 50% since the start of the year and our lead-times are out 12 weeks instead of the usual 5 - 6 weeks. (Fabricated Metal Products)

Economic uncertainty, supply chain disruptions, labor availability, transportation costs, and tariff concerns continue to impact purchasing operations. We remain focused on supplier partnerships, inventory optimization, and cost control measures to support business continuity and customer service. (Machinery)

Very lumpy business picture in the aerospace & defense sector. Geo-political landscape and erratic decision-making in Washington add uncertainty across the supply chain and with our key customers (and their sponsors). (Computer & Electronic Products)

Business has been slowly improving over the last quarter. We expect this trend to continue over the next two quarters. (Electrical Equipment, Appliance & Components)

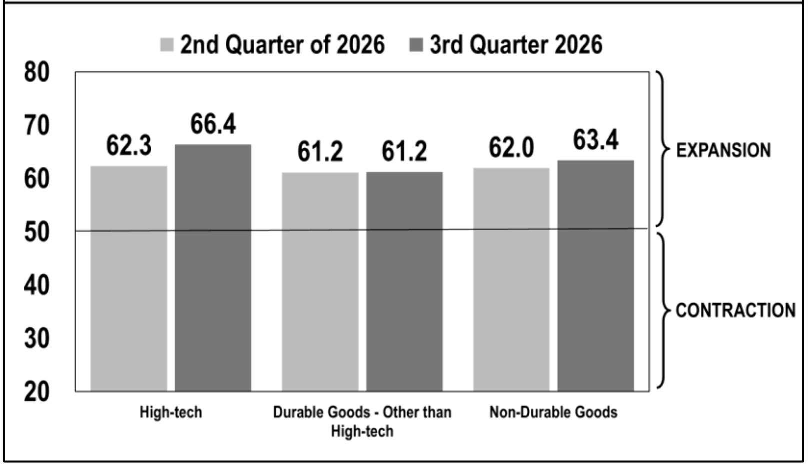
Being we are in the manufacturing of motorcycle aftermarket performance sector, and this is a "want" not a "need", the political side of things tends to affect us more highly than the past decades. With gas prices up - usually our product would be in high demand - but we don't even see that spike much anymore. (Transportation Equipment)

Many of the projects quoted were pushed back to Q3 an Q4 of this year and signs point to those project quotes turning into orders. We are optimistic for the 2nd half of 2026. (Furniture & Related Products)

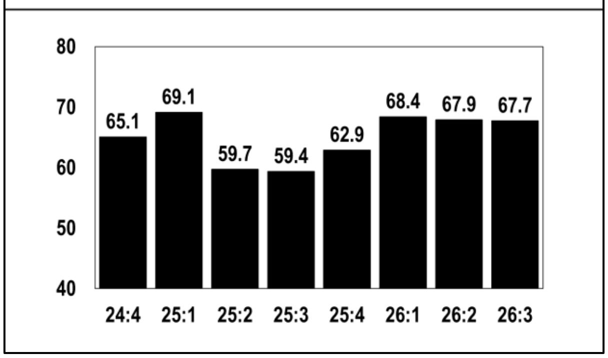
We're seeing price increases beginning to come in from many US vendors. Most of which seem to be around 4.5%. Some we imagine are due the tariffs imposed, some due to inflation pressures. This coupled with the tariffs we still experience is bringing margins down, even though we recently raised prices. Fuel cost increases for our trucks and the fuel surcharges we are seeing are one factor for the decreased margins. Wages will be rising July 1st as well due to L.A. City minimum wage laws. This will cut into the margins going forward. (Miscellaneous)

Although we sell almost nothing directly to Boeing, one of our biggest macro challenges has been the decline of Boing's build rate for commercial jets. This is starting to ease, but it could take months to come back robustly. (Aerospace Products & Parts)

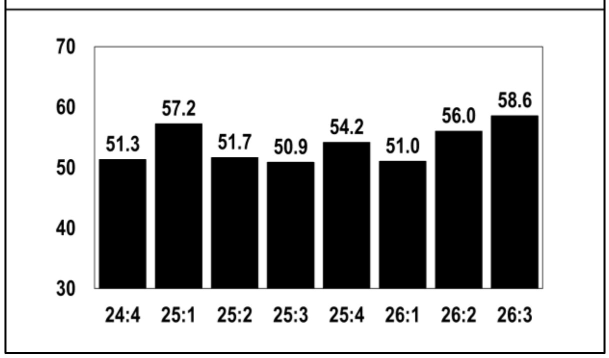
INDICES FOR INDUSTRY GROUPS



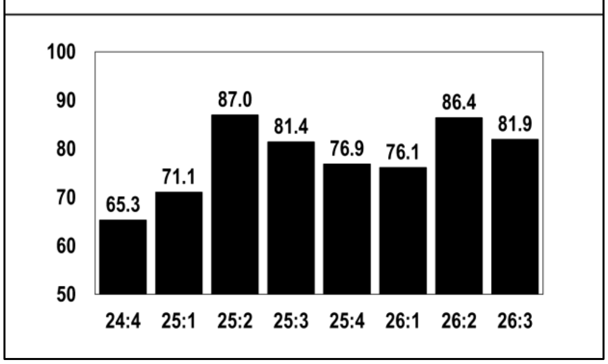
PRODUCTION INDEX



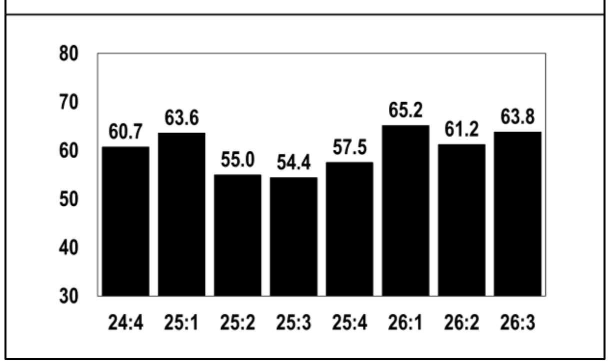
EMPLOYMENT INDEX



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 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 barely decrease from 67.9 in the second quarter to 67.7 in the third quarter, indicating that production is expected to increase at a minimally lower rate in the third quarter. This is the twenty fifth 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; Aerospace Products & Parts; Furniture & Related Products; and Miscellaneous. No industry reported an expected decrease in production.

Production	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3rd Quarter of 2026	51.2	36.4	12.4	38.8	67.7
2nd Quarter of 2026	55.6	32.5	11.9	43.7	67.9
1st Quarter of 2026	48.5	37.7	13.8	34.6	68.4
4th Quarter of 2025	38.7	40.4	20.8	17.9	62.9

Inventories of Purchased Materials: The seasonally adjusted index for inventories of purchased materials is expected to increase from 62.8 in the second quarter to 64.1 in the third quarter, indicating that these inventories are expected to increase at a higher rate in the third quarter. Inventories of purchased materials are expected to increase most rapidly in the following industries: Food; Beverage & Tobacco; Apparel; 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; and Miscellaneous. No industry has reported an expected decrease in inventories of purchased materials.

Inventories of Purchased Materials	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3rd Quarter of 2026	46.3	39.4	14.3	32.0	64.1
2nd Quarter of 2026	44.0	43.0	13.1	30.9	62.8
1st Quarter of 2026	38.1	42.9	19.1	19.0	60.0
4th Quarter of 2025	27.5	50.1	22.5	5.0	55.9

Commodity Prices: The seasonally unadjusted index for commodity prices is expected to decrease from 86.4 in the second quarter to 81.9 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; 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 2026	67.7	28.4	3.8	63.9	81.9
2nd Quarter of 2026	75.4	22.1	2.6	72.8	86.4
1st Quarter of 2026	56.4	39.4	4.2	52.3	76.1
4th Quarter of 2025	58.3	37.2	4.5	53.7	76.9

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 57.7 in the second quarter to 58.3 in the third quarter, indicating that supplier deliveries are expected to be slowing at a higher rate in the third quarter. Supplier deliveries are expected to be slowest in the following industries: Food; Textile Mill Products; Printing & Related Support Activities; Chemicals; Plastics & Rubber Products; Primary Metals; Fabricated Metal Products; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Aerospace Products & Parts; and Miscellaneous. No industry reported an expectation of faster supplier deliveries.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Seasonally Adjusted Index
3rd Quarter of 2026	24.8	66.9	8.4	16.4	58.3
2nd Quarter of 2026	25.6	64.6	9.8	15.8	57.7
1st Quarter of 2026	19.5	72.9	7.6	11.8	56.5
4th Quarter of 2025	20.4	70.5	9.1	11.3	55.2

New Orders: The seasonally adjusted index for new orders is expected to increase from 61.2 in the second quarter to 63.8 in the third quarter, indicating that new orders are expected to increase at a higher rate in the third quarter. New orders are expected to increase most rapidly in the following industries: Food; Beverage & Tobacco; Leather & Allied Products; 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; and Miscellaneous. No industry reported an expected decrease in new orders.

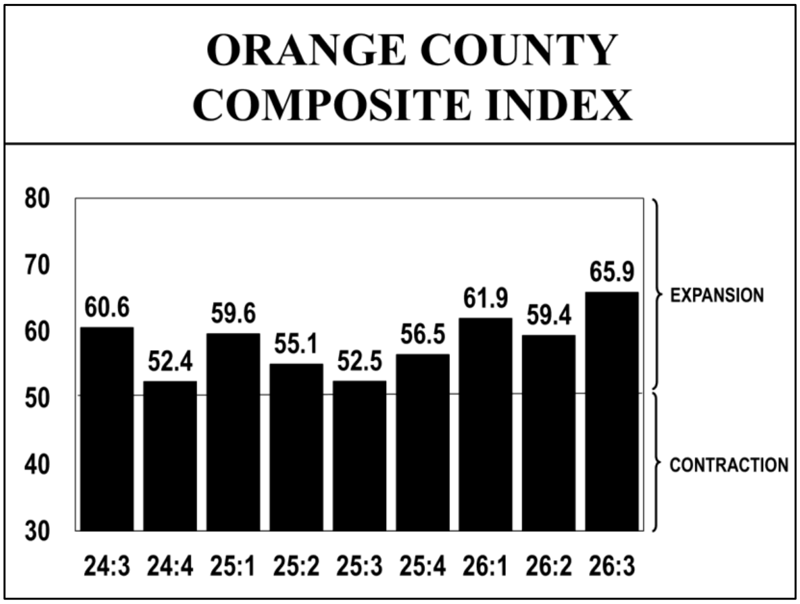
New Orders	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3rd Quarter of 2026	42.4	44.6	12.9	29.5	63.8
2nd Quarter of 2026	42.4	44.3	13.3	29.1	61.2
1st Quarter of 2026	46.9	36.0	17.0	29.9	65.2
4th Quarter of 2025	31.9	44.0	24.1	7.8	57.5

Employment: The seasonally adjusted index for employment is expected to increase from 56.0 in the second quarter to 58.6 in the third quarter, indicating that employment in manufacturing is expected to grow at a higher rate in the third quarter. Employment is expected to increase most rapidly in the following industries: Food; Beverage & Tobacco; Paper; Petroleum & Coal Products; Chemicals; Plastics & Rubber Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; and Aerospace Products & Parts. The Textile Mill Products and the Miscellaneous industries reported an expected decrease in employment.

Employment	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
3rd Quarter of 2026	29.2	61.5	9.2	20.0	58.6
2nd Quarter of 2026	26.2	61.7	12.0	14.2	56.0
1st Quarter of 2026	17.7	65.7	16.7	1.0	51.0
4th Quarter of 2025	23.4	58.1	18.5	4.9	54.2

Orange County's Manufacturing Survey

The Orange County manufacturing sector's Composite Index increased from 59.4 in the second quarter to 65.9 in the third quarter, indicating that the county's manufacturing economy is expected to grow at a higher rate in the third quarter.



The seasonally adjusted index for production leaped from 61.0 in the second quarter to 73.8 in the third quarter, indicating that production is expected to increase at a higher rate in the third quarter. The index for new orders also increased from 59.7 in the second quarter to 68.9 in the third quarter indicating a higher growth rate in the third quarter. The index for employment increased in the third quarter, indicating more employment growth. Commodity prices are expected to rise at a lower rate.

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

The index for the **high-tech industries** increased from 62.0 to 70.4, indicating that these industries are expected to expand at a higher rate. The index for production leaped from 62.9 to 81.4 and the index for new orders increased from 60.2 to 72.6, indicating that production and new orders are expected to grow at a higher rate. The growth of commodity prices is expected to moderate.

The index for the **durable goods industries other than high-tech** increased from 59.3 to 65.6, indicating that these industries are expected to grow at a higher rate in the third quarter. Production, inventories of purchased materials and new orders are expected to grow at a higher rate. Commodity prices are expected to rise 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