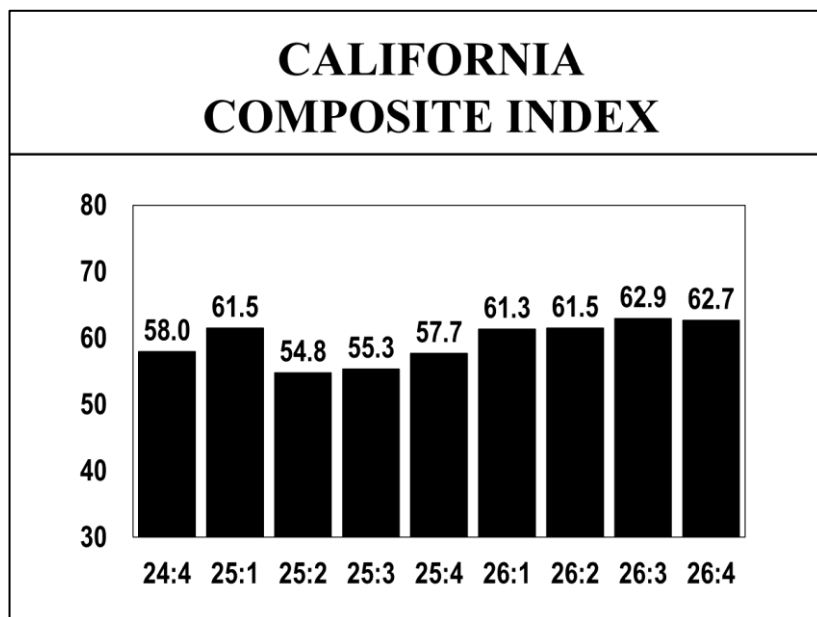




PRESS RELEASE

STEADY GROWTH IN THE CALIFORNIA MANUFACTURING SECTOR

ORANGE, CA — Based on a survey of purchasing managers, the California Composite Index, measuring overall manufacturing activity in the state, decreased marginally from 62.9 in the third quarter to 62.7 in the fourth quarter, indicating that the manufacturing sector is expected to grow at practically the same growth rate in the fourth quarter. “Fuel costs remains the main concern of purchasing managers. Many firms have absorbed these costs until now, but if prices stay high in the future, final products’ prices will have to be adjusted upward. Not only are costs higher, but freight for outbound finished products is adding significantly to total costs to the consumers. Memory chips are up in price and very difficult to procure as data centers of big companies are grabbing most of the output. Copper, aluminum, plastics and silver prices are up. Labor shortages persist, creating headaches for manufacturers,” said Dr. Raymond Sfeir, director of the purchasing managers’ survey. Production, inventories of purchased materials, commodity prices, and employment are expected to grow at a lower rate in the fourth quarter. Supplier deliveries are expected to slow at a higher rate, with the index reaching its highest level since the third quarter of 2022.



California Manufacturing at a Glance

Composite Index	62.7	Increasing at a lower rate
Production	67.2	Increasing at a lower rate
Inventories of purchased materials	63.0	Increasing at a lower rate
Commodity prices	85.6	Rising at a higher rate
Supplier deliveries	63.3	Slowing at a higher rate
New orders	62.6	Increasing at a lower rate
Employment	56.4	Increasing at a lower rate

Performance by Industry Group

The index for the **non-durable goods industries** decreased in the third quarter, indicating an expected lower growth rate. Production, inventories of purchased materials, new orders and employment are expected to decrease, indicating a lower growth rate. The indices for commodity prices and supplier deliveries are expected to increase indicating higher prices and slower deliveries.

The **high-tech industries** include the following: Computer & Electronic Products, and Aerospace Products & Parts. The high-tech industries currently employ about 323,700 employees, amounting to 26.7% 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 decreased from 66.2 in the third quarter to 65.8 in the fourth quarter, indicating a lower growth rate in the fourth quarter. Production, inventories of purchased materials, and employment are expected to grow at a lower rate in the fourth quarter. Supplier deliveries are expected to slow at a higher rate, and new orders are expected to grow at a higher rate.

The index for the **durable goods industries other than high-tech** increased from 61.1 to 62.4, indicating a higher growth rate in the fourth quarter. Production, inventories of purchased materials, commodity prices, and employment are expected to grow at a higher rate, while new orders are expected to grow at a lower rate. Supplier deliveries are expected to slow at a higher rate.

Comments by the Purchasing Managers

Diesel fuel costs are killing us: all transportation of inbound materials and outbound finished goods. (Food)

We have a seasonal outdoor replacement cushion business that is starting to kick back in. My answers reflect this. We source from India. The recent increase in ocean container rates and lack of space on vessels departing from Nhava Sheva are a real headache. I don't know how much longer we can absorb all of the cost increases resulting from the war with Iran. We will be forced to increase our prices soon if this continues. (Textile Mill Products)

Unhealthy business conditions. Uncertainty. Prices are going up and business is not keeping up. (Apparel)

Import tariffs continue to be the main reason our costs are higher than two years ago. Sure there are the standard annual increases, but I'm not seeing tariffs going lower, and I'm not seeing any break on tariffs for any parts that we need for production. (Leather and Allied Products)

Housing starts are down, mortgage rates are up, freight cost is fluctuating on the higher end, Canadian tariffs and duties on lumber are up +45%, none of these help the building supply industry, nor potential new homeowners. Looking at a weak Q4 and start of 2027. (Wood Products)

It feels impossible to say anything with confidence at the moment. On again off again war, changing tariff structures, massive recalls threatening major food packing business, ICE related staffing shortages, increased fuel/shipping costs, all hurdles we have had to navigate this year. While our business has thankfully remained fairly steady, it is hard to be confident that the next big thing won't be the one that finally takes its toll on us. We did see some major setbacks in other divisions of our corporate business group due to some of the food recall issues, and I'm sure their outlook for next quarter would be quite different than what mine is here. (Paper)

Fuel cost continues to be a source of financial pain. Just got a notification that one of my suppliers will now base their delivery fees on the price of diesel fuel. (Printing & Related Support Activities)

Business has been slow. (Petroleum & Coal Products)

The tariffs are really causing a lot of issues for us in manufacturing. Combine that with the shipping delays and increased costs due to our starting a war with Iran are really hurting our business. (Chemicals)

I would describe current business conditions as UNCERTAIN. There's a lot of fear out there: war (Gaza, Iran); trade war (tariffs, Canada); inflation (M2, inflation, bond prices) - BUT - business is booming. (Plastics & Rubber Products)

Fuel costs continue to be an issue with both inbound raw material and outbound finished goods freight adding significant expense to our customers. (Nonmetallic Mineral Products)

Steel orders from domestic mills are being extended into 2027 due to high demand. Prices are rising as a result. Limited beam sizes available in warehouses but specialty beams normally 2-3 months out are now 6-8 months out. (Primary Metals)

Our niche business forming the ends of metal pressure vessels and vessel components has seen the largest increase in demand ever experienced. This increase is largely due to data center needs. Our backlog has doubled and our lead-times have gone from 5-6 weeks to 14 - 15 weeks. Domestic steel is very tight and despite the tariffs, South Korea continues to supply us at competitive prices. (Fabricated Metal Products)

Ongoing geopolitical conflicts in Europe and the Middle East, combined with continued changes in U.S. tariff policies, are creating a more uncertain business environment. These conditions are affecting international trade, transportation costs, supplier lead times, and overall cost stability. (Machinery)

We are in the technology sector, specifically computers. With the AI boom, the tier one users (Open AI, Anthropics, Meta, Google, etc.) are taking in all the inventory with zero regards to cost. Thus, prices on memory and SSD components have increased nearly 10x over the last 8 months. The demand is clearly outpacing the supply, making it impossible to get many components. Some components have a 36-week lead time. Regular customers will not wait that long! System builders will continue to struggle and fight to get components in order to survive. (Computer & Electronic Products)

Lead times are out, hard to make predictions. (Electrical Equipment, Appliance & Components)

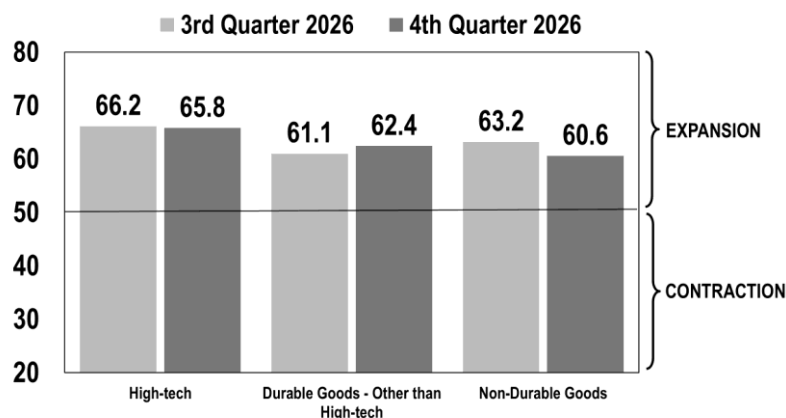
We continue to see demand in production, but it is not backed with strong confidence. This lack of confidence moves into suppliers not wanting to be overstocked. No one wants to be caught with the short end of the supply stick. (Transportation Equipment)

With costs of fuel and raw materials increasing over the past months, our vendors are translating those increases in costs to us. We've seen steady increases in finished aluminum pricing, plastic sheeting pricing, and melamine board pricing in the 3% - 12% increase on average. We're mitigating increasing our own pricing by bulking order volume to stave price increases, blanket POs to vendors to increase stocking levels, and exploring alternative vendor options at lower costs. (Furniture & Related Products)

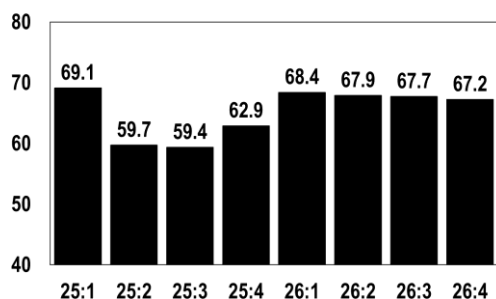
Finding qualified personnel and people willing to work 8 hours or more when required is difficult. Skilled labor is truly an issue because schools no longer have Wood & Metal Shop, thus widening the growing gap of badly needed skilled labor. (Miscellaneous)

The aerospace industry is in expedite mode. We are getting expedite requests every day from primes as well as our customers that support them. Capacity and material availability will be an issue in the next quarter. (Aerospace Products & Parts)

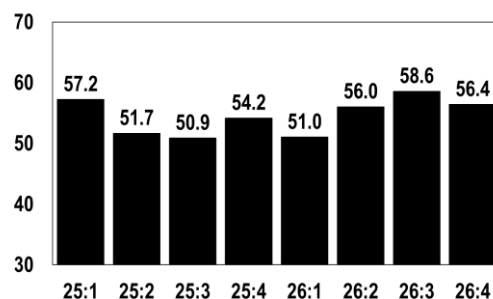
INDICES FOR INDUSTRY GROUPS



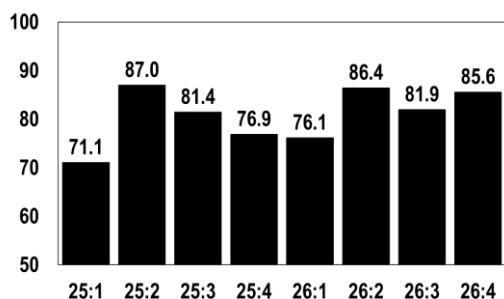
PRODUCTION INDEX



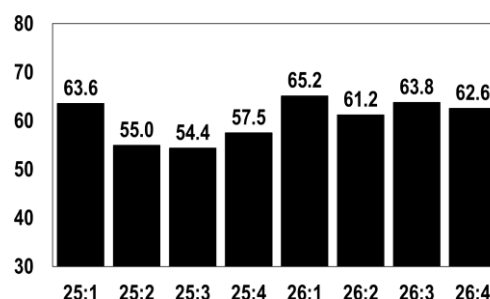
EMPLOYMENT INDEX



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 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 67.7 in the third quarter to 67.2 in the fourth quarter, indicating that production is expected to increase at a lower rate in the fourth quarter. This is the twenty sixth consecutive quarter that the production index has been above 50. Production is expected to increase most rapidly in the following industries: Food; Apparel; Leather & Allied 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 production.

Production	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4 th Quarter of 2026	41.7	42.6	15.7	26.0	67.2
3 rd Quarter of 2026	51.2	36.4	12.4	38.8	67.7
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

Inventories of Purchased Materials: The seasonally adjusted index for inventories of purchased materials is expected to decrease from 64.1 in the third quarter to 63.0 in the fourth quarter, indicating that inventories are expected to increase at a lower rate in the fourth quarter. Inventories of purchased materials are expected to increase most rapidly in the following industries: Food; Paper; Printing & Related Support Activities; Chemicals; Wood Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Transportation Equipment (other than Aerospace Products & Parts); Furniture & Related Products; and Miscellaneous. The Beverage & Tobacco industry and the Petroleum & Coal Products industry reported an expected decrease in inventories of purchased materials.

Inventories of Purchased Materials	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4 th Quarter of 2026	38.5	41.5	20.1	18.4	63.0
3 rd Quarter of 2026	46.3	39.4	14.3	32.0	64.1
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

Commodity Prices: The seasonally unadjusted index for commodity prices is expected to increase from 81.9 in the third quarter to 85.6 in the fourth quarter, indicating that commodity prices are expected to rise at a higher rate in the fourth 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
4 th Quarter of 2026	73.6	23.8	2.5	71.1	85.6
3 rd Quarter of 2026	67.7	28.4	3.8	63.9	81.9
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

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 58.3 in the third quarter to 63.3 in the fourth quarter, indicating that supplier deliveries are expected to be slowing at a higher rate in the fourth quarter. Supplier deliveries are expected to be slowest in the following industries: Food; Beverage & Tobacco; Textile Mill Products; Printing & Related Support Activities; Plastics & Rubber Products; Wood 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 expectation of faster supplier deliveries.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Seasonally Adjusted Index
4 th Quarter of 2026	33.8	60.2	6.0	27.8	63.3
3 rd Quarter of 2026	24.8	66.9	8.4	16.4	58.3
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

New Orders: The seasonally adjusted index for new orders is expected to decrease from 63.8 in the third quarter to 62.6 in the fourth quarter, indicating that new orders are expected to increase at a lower rate in the fourth quarter. New orders are expected to increase most rapidly in the following industries: Food; Apparel; Leather & Allied Products; Paper; Printing & Related Support Activities; Chemicals; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Aerospace Products & Parts; and Miscellaneous. The Beverage & Tobacco industry reported an expected decrease in new orders.

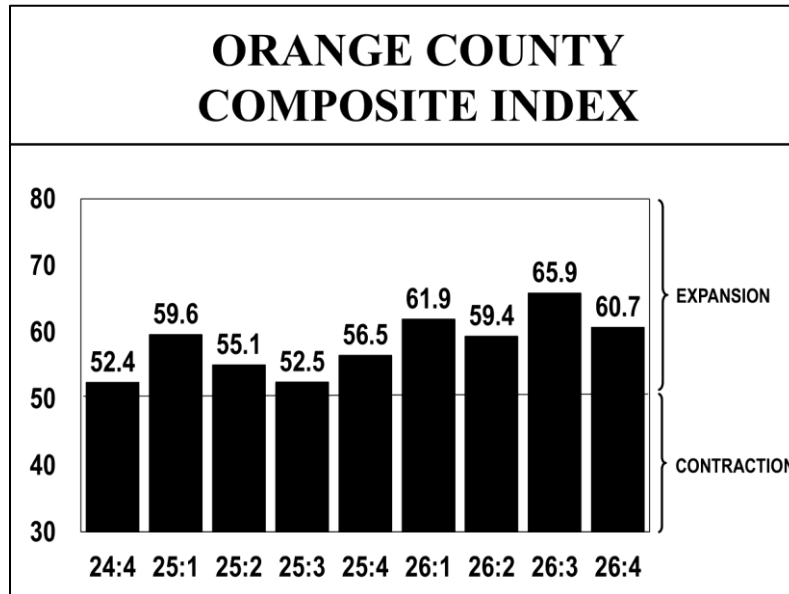
New Orders	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4 th Quarter of 2026	36.6	44.1	19.3	17.3	62.6
3 rd Quarter of 2026	42.4	44.6	12.9	29.5	63.8
2 nd Quarter of 2026	42.4	44.3	13.3	29.1	61.2
1 st Quarter of 2026	46.9	36.0	17.0	29.9	65.2

Employment: The seasonally adjusted index for employment is expected to decrease from 58.6 in the third quarter to 56.4 in the fourth quarter, indicating that employment in manufacturing is expected to improve in the fourth quarter. Employment is expected to increase most rapidly in the following industries: Food; Printing & Related Support Activities; Chemicals; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; and Electrical Equipment, Appliance & Components. The Beverage & Tobacco industry reported an expected decrease in employment.

Employment	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
4 th Quarter of 2026	22.8	63.7	13.5	9.3	56.4
3 rd Quarter of 2026	29.2	61.5	9.2	20.0	58.6
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

Orange County's Manufacturing Survey

The Orange County manufacturing sector's Composite Index decreased from 65.9 in the third quarter to 60.7 in the fourth quarter, indicating that the county's manufacturing economy is expected to grow at a lower rate in the fourth quarter.



The seasonally adjusted index for production decreased substantially from 73.8 in the third quarter to 58.5 in the fourth quarter, indicating that production is expected to increase at a lower rate in the fourth quarter. The index for new orders also decreased from 68.9 in the third quarter to 58.7 in the fourth quarter, indicating a lower growth rate. The commodity price index increased, and the supplier deliveries index also increased indicating that supplier deliveries are expected to slow at a higher rate.

The index for the **non-durable goods industries** increased, indicating that these industries are expected to grow at a higher rate in the fourth quarter. There were slight increases in the indices of production and new orders indicating higher growth rates. Supplier deliveries are expected to slow at a higher rate.

The index for the **high-tech industries** decreased from 70.4 to 62.8, indicating that these industries are expected to expand at a lower rate. There were substantial decreases in the indices of production and new orders indicating lower growth rates. The index for inventories of purchased materials decreased, indicating a lower growth rate.

The index for the **durable goods industries other than high-tech** decreased from 65.6 to 57.5, indicating that these industries are expected to grow at a lower rate in the fourth quarter. Production, inventories of purchased materials and new orders indices are expected to decrease, indicating a lower growth rate 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