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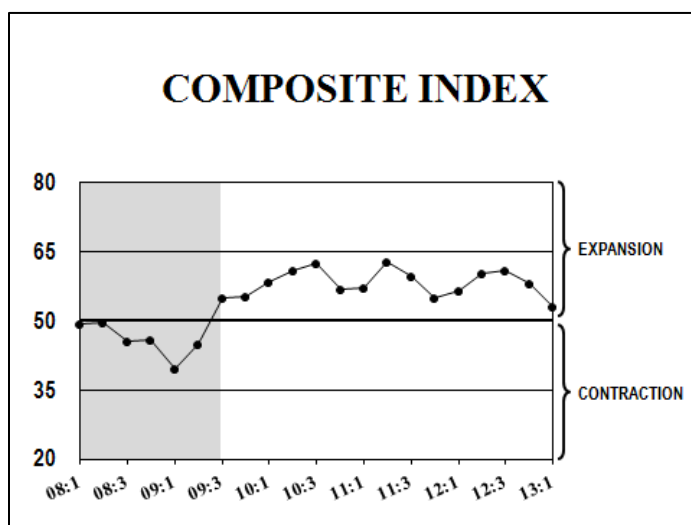
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GROWTH IN MANUFACTURING IS TAPERING OFF

ORANGE, CA — The latest California survey of manufacturing purchasing managers indicates that growth in the manufacturing sector is expected to slip further in the first quarter of 2013. The Composite Index, measuring overall manufacturing activity, decreased from 58.0 in the fourth quarter of 2012 to 53.1 in the first quarter of 2013. This is the second consecutive decrease in the manufacturing sector's growth rate. Both production and new orders are expected to grow at a slower pace in the first quarter of 2013. The largest decrease in growth is expected to take place in the high-tech industries where the index declined from 61.7 to 51.8. The durable goods industries other than high-tech and the non-durable goods industries will also show lower growth rates in the first quarter of 2013.

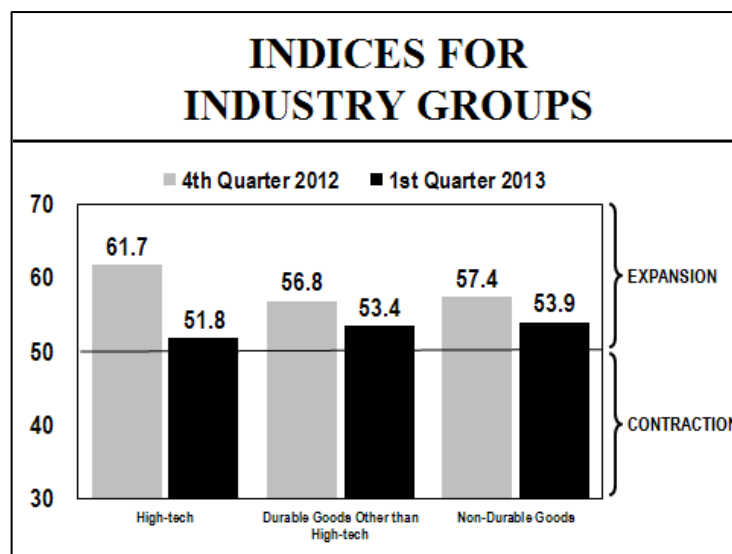


Performance by Industry Group

The index for the **high-tech industries** decreased from 61.7 in the fourth quarter of 2012 to 51.8 in the first quarter of 2013, indicating that the growth rate in the high-tech industries is expected to be much lower in the first quarter of this year. A low growth rate is expected in new orders as the index plummets from 66.5 in the fourth quarter of 2012 to 53.2 in the first quarter of 2013. And although no increase in employment is expected, production is expected to increase in the first quarter albeit at a slower rate compared to the fourth quarter of 2012.

The index for the **durable goods industries other than high-tech** decreased from 56.8 in the fourth quarter of 2012 to 53.4 in the first quarter of 2013, indicating a lower growth rate in the first quarter. Employment is not expected to increase in the first quarter, and supplier deliveries are expected to be faster. Production and new orders are still expected to continue growing but at a slower pace.

The index for the **non-durable goods industries** decreased from 57.4 in the fourth quarter of 2012 to 53.9 in the first quarter of 2013, indicating a slower growth rate in the first quarter. Similar to the other two industry groups, employment is not expected to expand in the first quarter of 2013. Production and new orders are expected to grow at a slower rate of growth in the first quarter, and supplier deliveries will be made at approximately the same speed as the fourth quarter of 2012.



Comments by the Purchasing Managers

“We have a seasonal element to our business so that plays heavily on our numbers from Q4 to Q1. Our food products are affected by the price of corn and soy and the upward pressure on those two commodities is continuing to drive up costs on our products.” (Food)

“Have received price increases not only in most raw materials but also on freight and delivery. Would like to give employees small wage increase but don't know what insurance cost increases to expect next year.” (Textile Mill Products)

“Have been experiencing a marked slowdown since just prior to the election. Seemed as if orders were on the upswing before. Reducing the production workforce by about 5 percent to accommodate the slowdown in demand since we don't predict any appreciable upswing in work for the next few months.” (Printing & Related Support Activities)

“Business continues to be steady, however the automation is becoming more and more necessary to compete with offshore businesses.” (Chemicals)

“If housing starts stay up, we will be in a great position.” (Nonmetallic Mineral Products)

“The steel industry in the West Coast Region typically/historically is in a downward cycle and the 1st qtr is the up cycle for production & sales and typically/historically this qtr is where most steel Mills (coast to coast) & MFG's make most of their profit. 4th qtr is the best time to buy steel due to its low cost, while historically steel cost ramp up month to month during the 1st qtr. However, this coming year we're seeing signs that prices have slightly increased going into Jan but may level off or start coming down sooner than expected. Our company's current plan through next year will focus on keeping inventories balanced or slightly lower due to slow to modest growth in commercial construction projects in 2013.” (Fabricated Metal Products)

“The unknown future with taxes, fiscal cliff, and Obamacare is creating a play it safe role with hiring. We will continue to push lead times.” (Machinery)

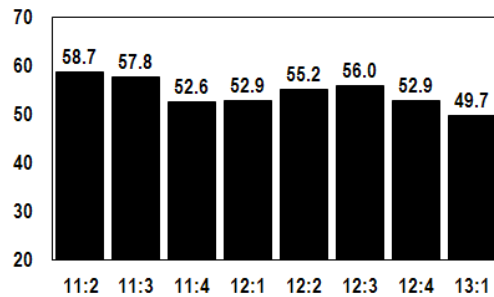
“Still a very slow market due to the OEMs all being scared stiff about possible sequestration issues and taxation.” (Computer & Electronic Products)

“We expect continued slow growth. Nothing in the near term to indicate that there will be a significant pick up in business.” (Furniture & Related Products)

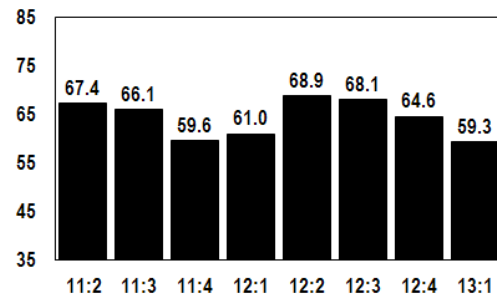
“As a manufacturer of wind tunnel aerospace hardware our business depends on government funding to our prime contractors. 2013 is expected to be a good year, but that depends on their budgets. We look forward to an increase of orders but the economy has a lot to do with that. (Aerospace Products & Parts)

“We are having to raise our prices to pay for upcoming tax increases due to Prop. 30, Obamacare & federal tax increases that are coming. These will be passed on down the line to the consumers. (Electrical Equipment, Appliance & Components)

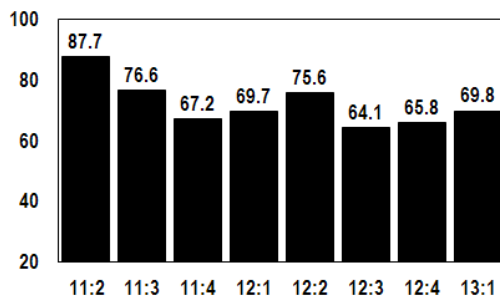
EMPLOYMENT INDEX



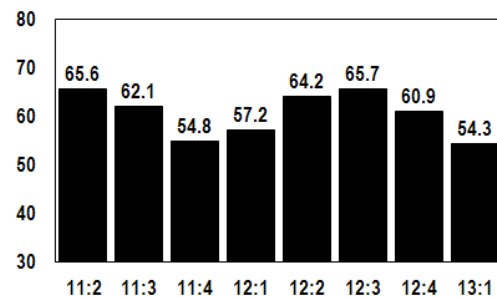
PRODUCTION INDEX



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. Except for commodity prices and inventories of purchased materials, a seasonally adjusted index is computed for each variable.

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 First Quarter of 2013

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. 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 64.6 in the fourth quarter of 2012 to 59.3 in the first quarter of 2013, indicating that production is expected to increase at a slower rate in the first quarter of this year. This is the fifteenth consecutive quarter that the production index has been above 50. Production is expected to increase most rapidly in the following industries: Computer & Electronic Products; Aerospace Products & Parts; Wood Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Electrical Equipment, Appliance & Components; Transportation Equipment; Miscellaneous; Textile Mill Products; Apparel; Paper; Chemicals; and Plastics & Rubber Products. The Leather & Allied Products industry reported an expected decrease in production.

Production	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
1 st Quarter of 2013	39.0	44.0	17.0	21.9	59.3
4 th Quarter of 2012	38.9	41.6	19.5	19.3	64.6
3 rd Quarter of 2012	46.5	40.0	13.5	33.1	68.1
2 nd Quarter of 2012	54.9	38.9	6.3	48.6	68.9

Inventories of Purchased Materials: The seasonally unadjusted index for inventories of purchased materials is expected to increase from 48.9 in the fourth quarter of 2012 to 50.1 in the first quarter of 2013, indicating that manufacturers are expected to be holding the same amount of inventories in the first quarter of 2013 as they did in the fourth quarter of 2012. Inventories of purchased materials are expected to increase most rapidly in the following industries: Aerospace Products & Parts; Wood Products; Primary Metals; Beverage & Tobacco; Apparel; Chemicals; and Plastics & Rubber Products. Inventories of purchased materials are expected to decrease most rapidly in the following industries: Fabricated Metal Products; Food; Leather & Allied Products; and Printing & Related Support Activities.

Inventories of Purchased Materials	% Higher	% Same	% Lower	Net	Index
1 st Quarter of 2013	25.8	48.6	25.6	0.2	50.1
4 th Quarter of 2012	25.4	46.9	27.7	-2.2	48.9
3 rd Quarter of 2012	33.8	47.4	18.8	14.9	57.5
2 nd Quarter of 2012	31.6	46.5	21.9	9.8	54.9

Commodity Prices: The seasonally unadjusted index for commodity prices is expected to increase from 65.8 in the fourth quarter of 2012 to 69.8 in the first quarter of 2013, indicating that commodity prices are expected to increase at a faster rate in the first quarter of this year. Commodity prices are expected to increase most rapidly in the following industries: Computer & Electronic Products; Aerospace Products & Parts; Wood Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Electrical Equipment, Appliance & Components; Transportation Equipment; Furniture & Related Products; Miscellaneous; Food; Apparel; Printing & Related Support Activities; Chemicals; and Plastics & Rubber Products. No industry reported an expected decrease in commodity prices.

Commodity Prices	% Higher	% Same	% Lower	Net	Index
1 st Quarter of 2013	45.8	48.0	6.2	39.6	69.8
4 th Quarter of 2012	39.3	53.1	7.6	31.7	65.8
3 rd Quarter of 2012	39.7	48.7	11.5	28.2	64.1
2 nd Quarter of 2012	56.0	39.2	4.9	51.1	75.6

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 53.8 in the fourth quarter of 2012 to 46.8 in the first quarter of 2013, indicating that supplier deliveries are expected to be faster in the first quarter of this year. Supplier deliveries are expected to be slowest in the following industries: Nonmetallic Mineral Products; Food; and Textile Mill Products. Supplier deliveries are expected to be fastest in the following industries: Computer & Electronic Products; Aerospace Products & Parts; Fabricated Metal Products; Furniture & Related Products; Miscellaneous; and Beverage & Tobacco.

Supplier Deliveries	% Slower	% Same	% Faster	Net	Seasonally Adjusted Index
1 st Quarter of 2013	7.8	77.4	14.7	-6.9	46.8
4 th Quarter of 2012	11.2	79.2	9.6	1.6	53.8
3 rd Quarter of 2012	12.8	76.4	10.8	2.0	49.6
2 nd Quarter of 2012	13.8	72.1	14.1	-0.2	48.4

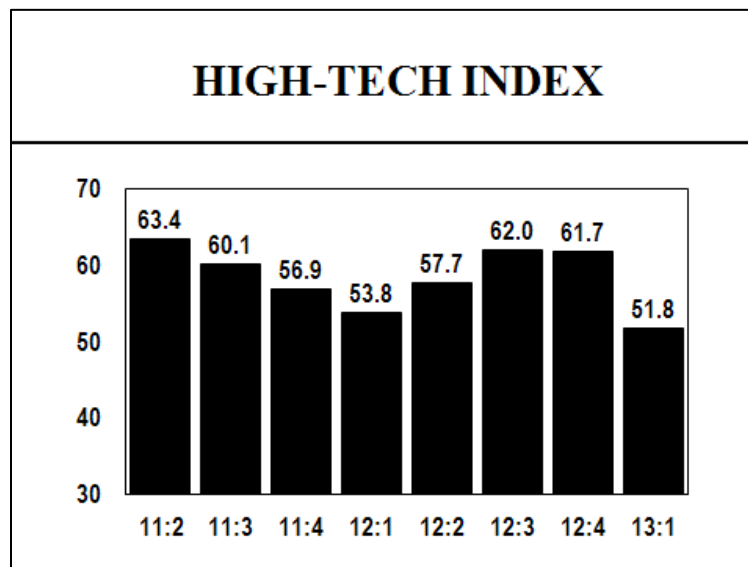
New Orders: The seasonally adjusted index for new orders is expected to decrease from 60.9 in the fourth quarter of 2012 to 54.3 in the first quarter of 2013, indicating that new orders are expected to increase at a slower pace in the first quarter. New orders are expected to increase most rapidly in the following industries: Computer & Electronic Products; Aerospace Products & Parts; Wood Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Electrical Equipment, Appliance & Components; Miscellaneous; Apparel; Chemicals; and Plastics & Rubber Products. The Fabricated Metal Products industry reported an expected decrease in new orders.

New Orders	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
1 st Quarter of 2013	38.2	39.1	22.7	15.5	54.3
4 th Quarter of 2012	37.1	37.4	25.6	11.5	60.9
3 rd Quarter of 2012	44.4	38.2	17.4	26.9	65.7
2 nd Quarter of 2012	47.8	41.2	11.0	36.9	64.2

Employment: The seasonally adjusted index for employment is expected to decrease from 52.9 in the fourth quarter of 2012 to 49.7 in the first quarter 2013, indicating that employment in manufacturing is not expected to improve in the first quarter of 2013. Employment is expected to increase most rapidly in the following industries: Aerospace Products & Parts; Nonmetallic Mineral Products; Primary Metals; Machinery; and Chemicals. Employment is expected to decrease most rapidly in the following industries: Fabricated Metal Products; Furniture & Related Products; Food; and Printing & Related Support Activities.

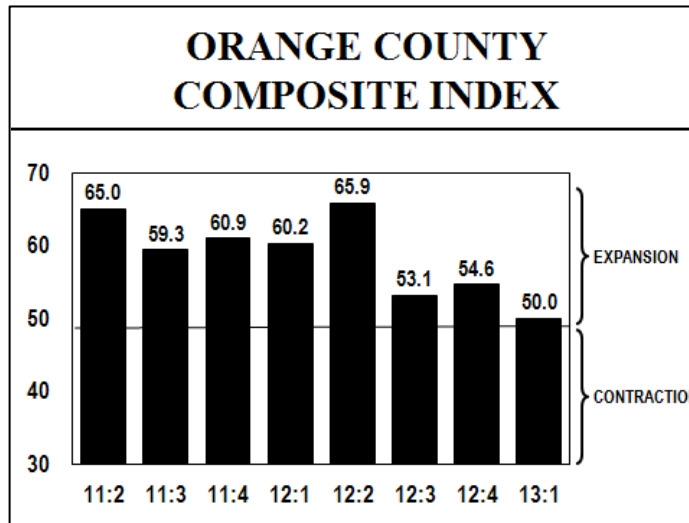
Employment	% Higher	% Same	% Lower	Net	Seasonally Adjusted Index
1 st Quarter of 2013	15.2	69.2	15.6	-0.4	49.7
4 th Quarter of 2012	18.8	64.6	16.6	2.2	52.9
3 rd Quarter of 2012	23.8	63.2	13.0	10.8	56.0
2 nd Quarter of 2012	23.4	68.3	8.4	15.0	55.2

High-Tech Industries: The high-tech industries include the following: Computer & Electronic Products, and Aerospace Products & Parts. The high-tech industries currently employ about 339,100 employees, amounting to 27.64% of total manufacturing employment in the state. The high-tech index decreased substantially from 61.7 in the fourth quarter of 2012 to 51.8 in the first quarter of 2013, indicating that the high-tech industries are expected to show barely any growth in the first quarter of this year. The production index decreased from 65.7 to 59.9 indicating continued growth in production. But the index for new orders stood at 53.2 indicating little growth in the first quarter. The supplier deliveries index decreased from 55.8 to 40.8 indicating faster deliveries (the index has reached its lowest value since the first quarter of 2003). The employment index declined from 59.7 to 49.6 indicating no growth in employment in the first quarter. The index for inventories of purchased materials decreased from 50.5 to 48.2 indicating a slight decrease in inventories for the first time since the fourth quarter of 2011.



Orange County's Manufacturing Survey

The Composite Index for Orange County decreased from 54.6 in the fourth quarter of 2012 to 50.0 in the first quarter of 2013, indicating that the county manufacturing economy is expected to show no growth in the first quarter of this year.



The seasonally adjusted index for production decreased from 56.5 in the fourth quarter of 2012 to 54.8 in the first quarter of 2013, indicating that production is expected to grow in the first quarter at a lower rate compared to the end of last year. This is the fifteenth consecutive quarter that the production index has been above 50. The seasonally adjusted index for new orders also decreased from 55.8 to 51.0 indicating that new orders will barely increase in the first quarter. The index for inventories of purchased materials decreased from 50.3 in the fourth quarter of 2012 to 43.3 in the first quarter of 2013 indicating that inventories will decrease in the first quarter. The supplier deliveries index decreased from 56.2 to 49.8 indicating that deliveries will not slow down in the first quarter. The employment index decreased from 51.3 to 45.9 indicating a potential decrease in employment in the first quarter compared to the fourth quarter of 2012.

The index for the **high-tech industries** decreased precipitously from 56.4 to 42.0 indicating a slowdown in the high-tech industries. On the other hand the indices for the **durable goods industries other than high-tech** and the **non-durable goods industries** decreased to 53.7 and 52.4 respectively indicating continued growth in these industries in the first quarter albeit at a slower pace compared to the fourth quarter of 2012.

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.

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MAY	▸ California Leading Employment Indicator
JUNE	▸ Economic Forecast Update Conference for the U.S., California and Orange County ▸ California Consumer Sentiment Survey
JULY	▸ California Purchasing Managers Survey
AUGUST	▸ California Leading Employment Indicator
SEPTEMBER	▸ California Consumer Sentiment Survey
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