



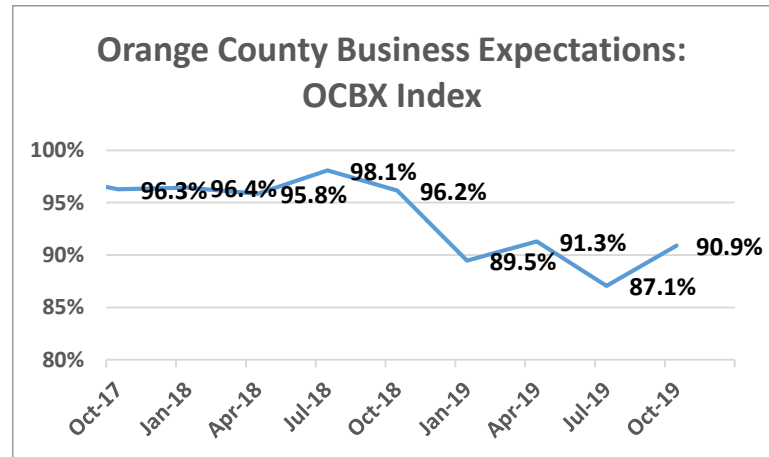
Project Director: Anil K. Puri, Ph.D.

Orange County Business Expectations Survey, OCBX

This survey of OC business executives was conducted from September 15th –September 24th, 2019. 55 executives responded for a response rate of approximately 8%.

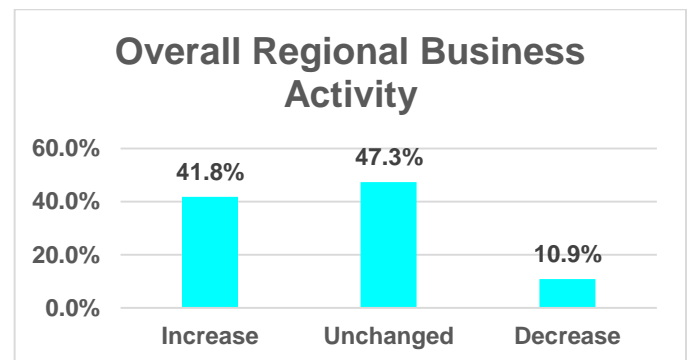
Orange County Business Expectations: OCBX Index

The overall index, OCBX, for the 4th quarter 2019 fell to 90.9 from 87.1 in the 3rd quarter 2019. This follows the trend since the 4th quarter 2018 except for a small uptick in the last quarter. The value of the index is well below the levels of the last two years and has been fluctuating for the last four quarters reflecting the uncertainty of the late business cycle and of the political scene. The OCBX index is a measure of the overall view of the economy, and it is constructed from other variables in the survey. A reading of above 50 indicates future growth in the economy.



Overall Business Activity

The proportion of owners, CEOs, and managers that expect overall business activity to improve or stay the same decreased slightly to 90.5% for the 4th quarter 2019 from 91.3% in the 3rd quarter 2019. This variable measures responses to questions about Orange County executives' own industry as well as their outlook for the regional economy. Expectations for the region's economy have slightly moderated for the coming quarter.

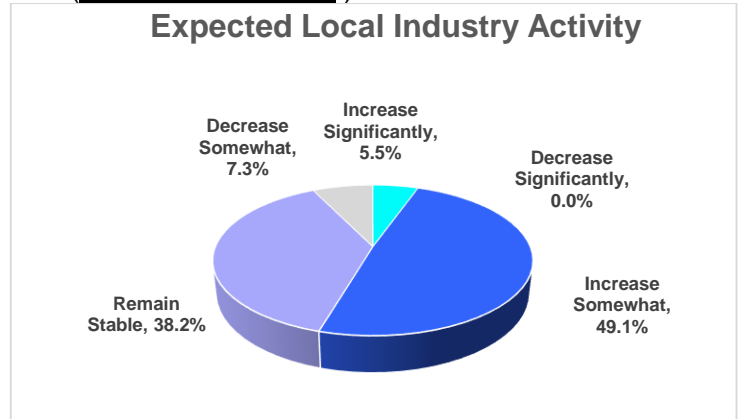


Orange County Business Expectations Survey, OCBX
4th Quarter 2019

Project Director: Anil K. Puri, Ph.D. (apuri@fullerton.edu)

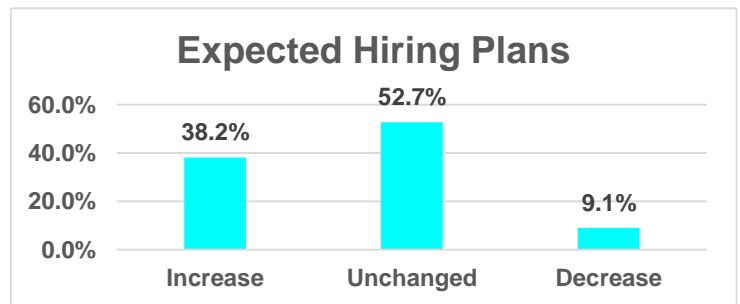
Own Industry Activity Survey Results

54.6% of the executives expect significant or some growth (compared to 48.8% in the last quarter) in their own industry. 38.2% (compared to 34.9% last quarter) of Orange County firms believe that their own industry will remain stable. 7.3% of businesses (compared to 16.3% in the previous quarter) predict some decreases in their industry. Significant number of the business leaders expect higher growth in their industry in the short term, and the overall expectations have improved for the coming quarter.



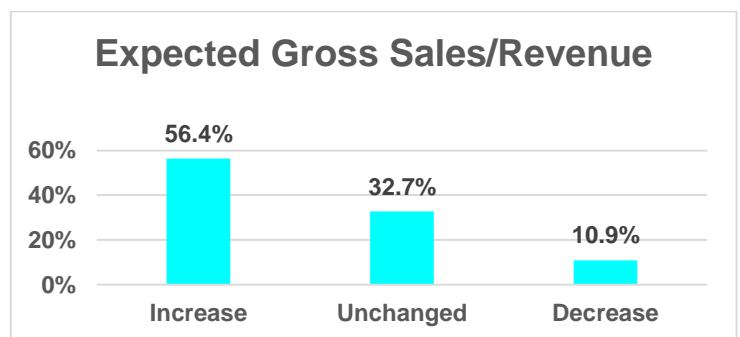
Employment

38.2% of firms surveyed intend to increase their labor force (compared to 37.8% in the last quarter), 52.7% intend to make no change (compared to 57.8% last quarter), and 9.1% expect to cut jobs (4.4% in the last quarter). Hiring picture is mixed, with more firms planning job cuts as well as increased hiring; the number holding steady employment levels has declined.



Sales/Revenues

56.4% of the firms surveyed expect their sales to increase this quarter (compared to 41.9% in the last quarter), 32.7% expect little change (compared to 41.9% the last quarter) and 10.9% expect to have lower sales (compared to 16.3% in the last quarter). Sales expectations are much improved for the coming quarter.

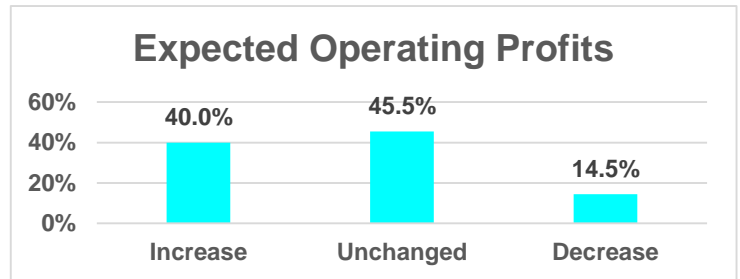


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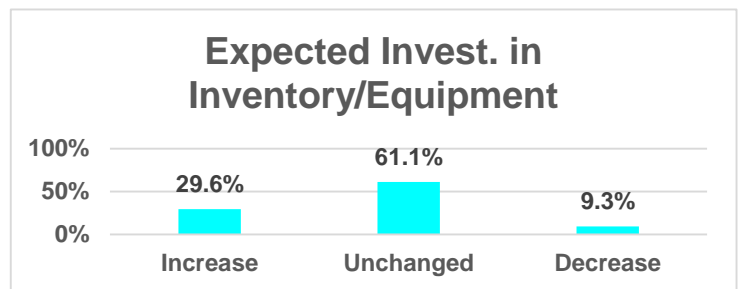
Operating Profits

40% of the firms surveyed expect to have higher profits in the next three months (compared to 34.9% last quarter), 45.5% expect no change (compared to 41.9% from last quarter) while 14.5% expect lower profits (compared to 23.3% last quarter). Profit expectations for the coming quarter have improved significantly over the previous quarter.



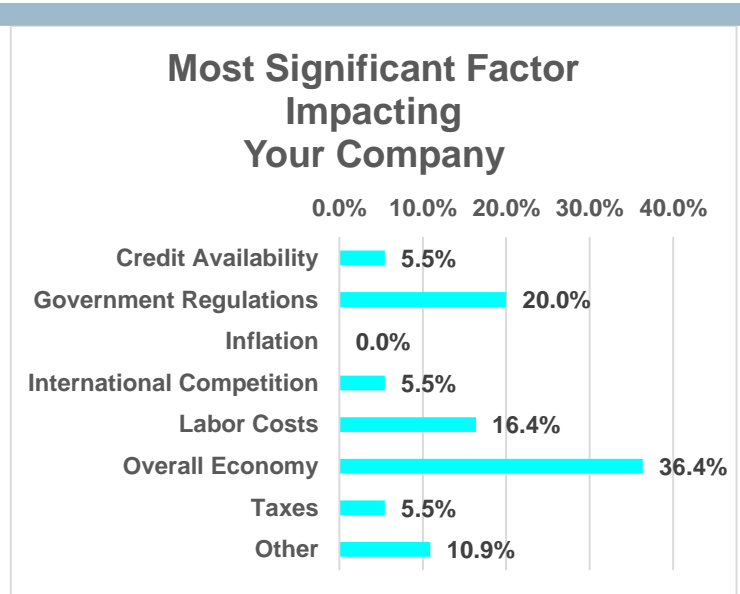
Inventory/Equipment Investment

29.6% of respondents said that they expect to increase inventory compared to 33.3% in the last quarter. The share of those expecting inventory to remain unchanged decreased to 61.1% from 61.9% and those who expect to have reduced inventory moved to 9.3% from 4.8%. In a mixed picture, more business leaders expect to lower level of inventory in the coming quarter.



Most Significant Factors

Concern over the state of the overall economy remained the primary concern (though fell to 36.4% from 40.5% from the last quarter) while Government Regulation stayed at the second level for being most significant factor at 20% of respondents (compared to 21.4% last quarter). Labor costs concerns were 16.4% compared to 19% last quarter. A majority of business leaders surveyed continue to remain concerned about the state of the economy and of the government.

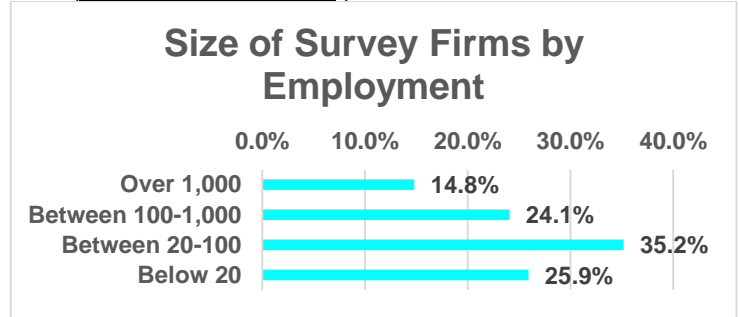


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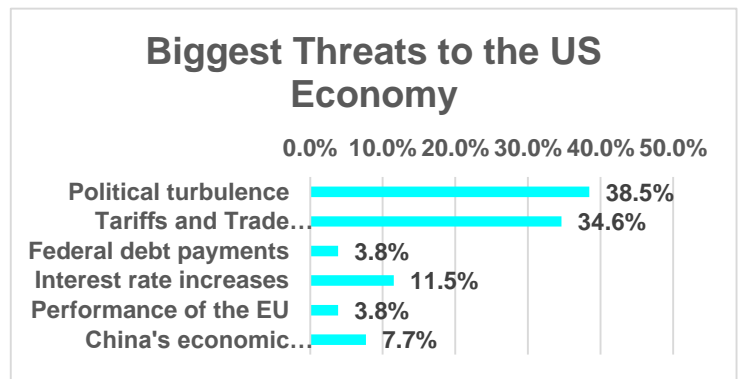
Sample Firm Size

38.9% of the firms who responded to the survey employ more than 100 workers, while 25.9% had fewer than 20 employees and the rest, 35.2%, had between 20 and 100 employees.



What is the biggest threat to the US economy? [SPECIAL QUESTION]

In this special question, we asked executives about their opinion about the biggest threat to the US economy of six choices. Politics remained the number one concern (38.5% compared to 41.9% previously) and tariffs and trade negotiations remained at second place (34.6% compared to 41.9%). Federal Reserve interest rate policy became a bigger concern (11.5% compared to 9.3% previously), followed by China's economic performance at 7.7% and by the federal debt payments at 3.8%.



What do you believe is likelihood of a recession before the end of 2020?

In this special question, we asked executives their opinion about a national recession in 2020.

Over 60% of the respondents believe that there is 20% or less chance of a recession by the end of 2020 while 9.1% believe that there is more than even chance (over 50%). 30.9% believe it is between 20 and 50 percent.

