County Business Expectations: OCBX Index

The overall index, OCBX, for the 2nd quarter 2017 decreased to 92.41 compared to a value of 97.9 in the 1st quarter 2017. The last quarter’s high value was likely due to euphoria over the election results that in the wake of failure of healthcare reform has been somewhat modified. The index is still the third highest reading since 2002, indicating expected robust regional economic growth. 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 was 94% in the 2nd quarter 2017 compared to 99% for the 1st quarter 2017. This variable measures responses to questions about Orange County executives’ own industry as well as their outlook for the regional economy. Expectations of strong general business growth remain.
Own Industry Activity Survey Results
68.6% of the executives expect significant or some growth (compared to 59.4% in the last quarter) in their own industry. 5.6% (compared to 0% in the previous quarter) of businesses predict some decreases in their industry. 25.9% (compared to 40.5% last quarter) of Orange County firms believe that their own industry will remain stable. A majority of business leaders expect at least some growth in their industry in the short term.

Employment
40.7% of firms surveyed intend to increase their labor force (compared to 35.1% in the last quarter), 50% intend to make no change (compared to 62.2% last quarter), and 9.3% expect to cut jobs (2.7% in the last quarter). The employment growth picture is positive.

Sales/Revenues
70.4% of the firms surveyed expect their sales to increase this quarter (compared to 64.9% in the last quarter), 25.9% expect little change (compared to 35.1% the last quarter) and 3.7% expect to have lower sales (compared to 0% in the last quarter). Sales expectations remain positive, similar to the previous quarter.
Operating Profits
55.6% of the firms surveyed expect to have higher profits in the next three months (compared to 58.3% last quarter), 40.7% expect no change (compared to 30.6% from last quarter) while 3.7% expect lower profits (compared to 11.1% last quarter). Profit expectations remain positive, similar to the previous quarter.

Inventory/Equipment Investment
The percentage of those who said that they expect to increase investment was 36.5% compared to 21.6% in the last quarter. The share of those expecting investment to remain unchanged increased to 63.5% from 66.7% and those who were expecting reduced investment decreased to 0% from 11.8%. No business leader surveyed expects to reduce investment in the next quarter.

Most Significant Factors
Concern over the state of the overall economy was the most significant concern of 29.6% of respondents (compared to 32.4% last quarter). Government regulation was the second most major concern with 27.8% (compared to 29.7% last quarter). Labor costs continue to be the main concern of 13% of executives (compared to same 16.2% last quarter). A majority of business leaders surveyed are most worried about regulations or the overall economy.
Samples Firm Size
38.9% of the firms who responded to the survey employ more than 100 workers, while 27.8% had fewer than 20 employees and the rest, 33.4% 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. The vast majority of executives are concerned about political and economic reform. 55.6% fear that potential political and economic reform will be insufficient. 20.4% believe that reform may be too rapid. The 76% of executives concerned about reform is a significant increase over the 30.6% who were concerned about Congressional (in)action in the previous quarter. Federal Reserve interest rate increases are now the 3rd most significant concern with 13% (compared to 33.3% last quarter), followed by federal debt payments at 7.4% (compared to 25% last quarter). Concern about the performance of the Chinese economy dropped to 3.7% (compared to 8.3% the previous quarter), and no executive surveyed thought that low oil prices were the biggest threat to the US economy. There is significant concern about potential economic and political reform, mainly that it may be insufficient.