



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

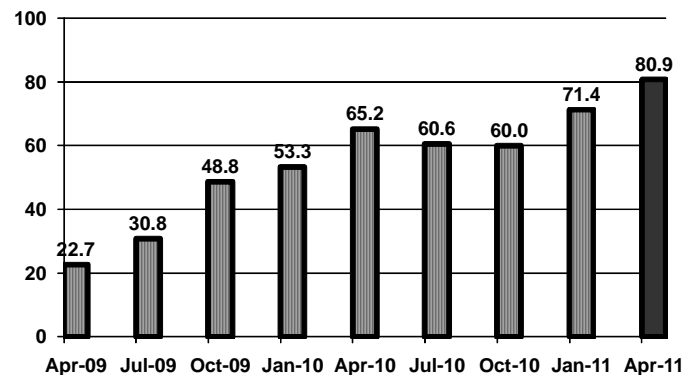
Orange County Business Expectations Survey, OCBX

This survey of OC business executives was conducted during March 17-22, 2011. 80 executives responded for a response rate of approximately 14%.

Orange County Business Expectations: OCBX Index

reached its highest level in three years, since the beginning of 2007. Its value of 80.9 is another big jump from 71.4 in the 1st quarter of 2011. OCBX index is a measure of 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. This represents a significant improvement in business sentiment going into 2011.

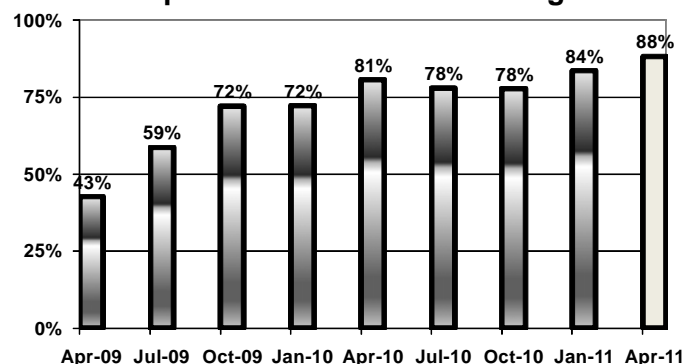
Orange County Business Expectations: OCBX Index



Overall Business Activity

The proportion of owners, CEOs, and managers that expect overall business activity to improve or stay the same increased to 88% for the 2nd quarter of 2011 from 84% for the 1st quarter 2011. This variable measures responses to questions about Orange County executives' own industry as well as their outlook for the regional economy. This value is also the highest since early 2007. It indicates that the business perceptions have continue to improve for the local economy.

Overall Business Activity: Expect Increase or No Change



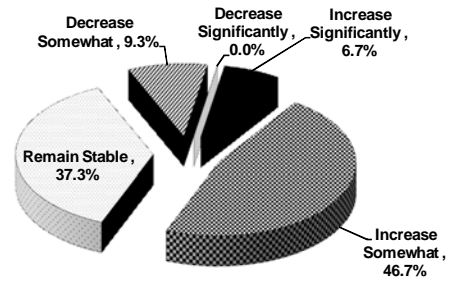
**Orange County Business Expectations Survey, OCBX
2nd Quarter 2011**

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Own Industry Activity Survey Results

53.4% (38.7% in the previous quarter) of the executives expect significant or some growth in their own industry. 9.3% of businesses predict some decreases in their industry (compared to 18.7% previously). A 37.3% (42.9% previously) of Orange County firms believe that their own industry will remain stable. The upward trend in OC leaders' optimism about the local economy is continuing to improve.

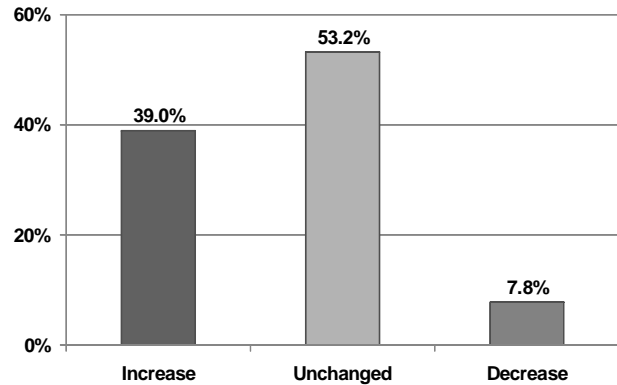
Expected Local Industry Activity Over the Next Three Months



Employment

The employment prospects have made important changes. 53.2% of firms surveyed intend to make no change in their labor force (compared to 59.3% last quarter), 39% intend to hire more (compared to 29.4% last quarter) and 7.8%, expect to cut jobs (compared to 14.3% last quarter). In other words, employers are beginning to move towards greater hiring in the coming quarter.

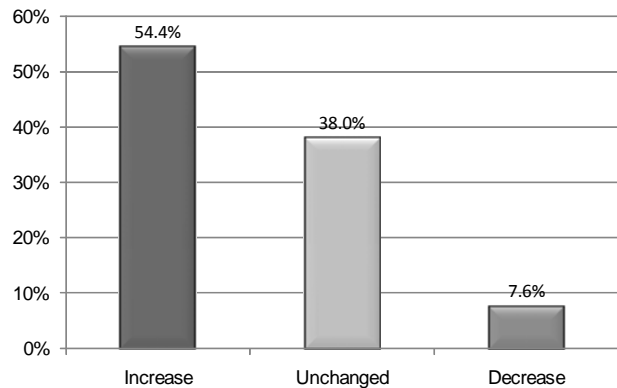
Expected Employment



Sales/Revenues

54.4% of the firms surveyed expect their sales to increase this quarter (compared to 48.4% in the 1st quarter of 2010), 38% expect little change (compared to 34.1% the last quarter) and a 7.6% expect to have lower sales (compared to 17.6% in the last quarter). Executives by a sizeable number are expecting sales environment to improve in this quarter.

Expected Gross Sales/Revenue



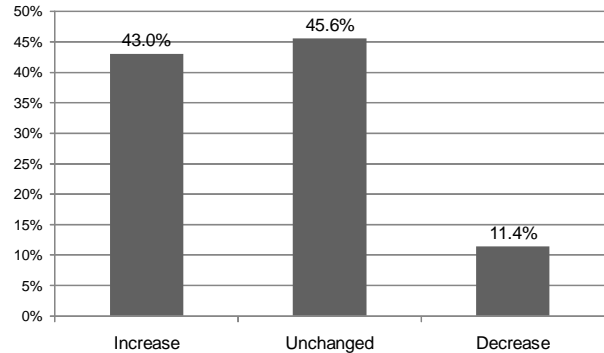
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Operating Profits

43% of the firms surveyed expect to have higher profits in the next three months (compared to 28.3% last quarter), 45.6% expect no change (compared to 53.3% from last quarter) while 11.4% expect lower profits (compared to 18.5% last quarter). Profit expectations of OC firms have improved over the previous quarter along with expectations of improvement in sales and general economic conditions..

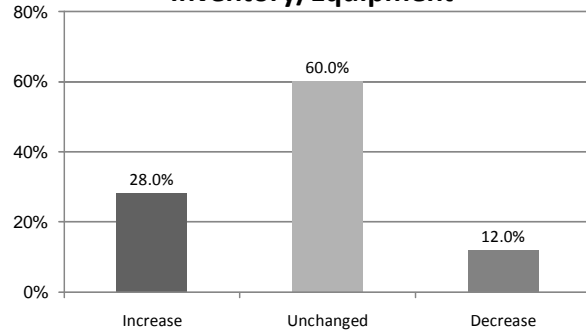
Expected Operating Profits



Inventory/Equipment Investment

The percentage of those who said that they intend to increase inventories was 28% compared to 20% for the last quarter. The share of those intending to leave the inventories unchanged increased to 60% from 70% and those who are going to reduce inventories decreased to 12% from 10%. There appears to be a small overall change in the business inventory expectations.

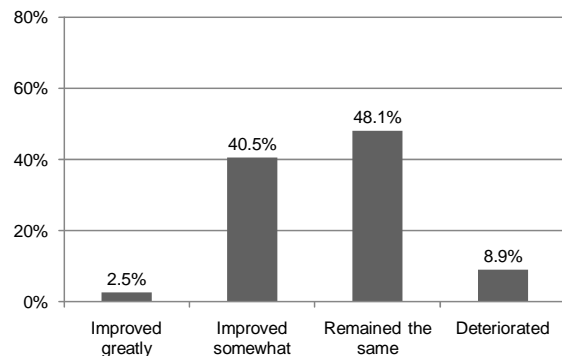
Expected Invest. in Inventory/Equipment



Credit Conditions in the Last Three Months [SPECIAL QUESTION]

When asked how the credit conditions in their businesses have changed, 43% said that there has been some improvement (compared to 33.3% in the last quarter). 48.1% indicated no change (compared to 56.7% in the last quarter) while 8.9% (compared to 10% in the last quarter) indicated further deterioration. It appears that the credit conditions in the county are continuing to improve.

Credit Conditions over the Last Three Months



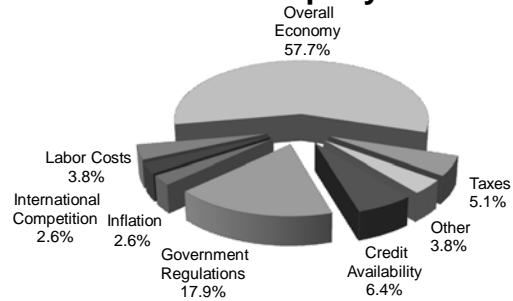
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Most Significant Factors

The concern over the state of the overall economy remains the most important issue at 57.7% (compared to 70.3% last quarter). Government regulation was the second major concern with 17.9% (compared to 16.5% last quarter) and the credit availability concern declined to 6.4% (compared to only 3.3% last quarter). Other issues, especially higher taxes, are becoming more important.

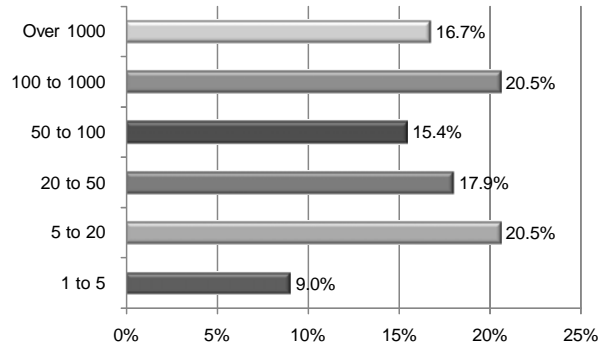
Most Significant Factor Impacting Your Company



Sample Firm Size

Over 37.2% of the firms who responded to the survey employ more than 100 workers, (compared to 39.1% in the last quarter), while 29.5% had fewer than 20 employees (compared to 28.3% last quarter). The rest, 33.3% (32.6% in the previous quarter), hire between 20 and 100 employees.

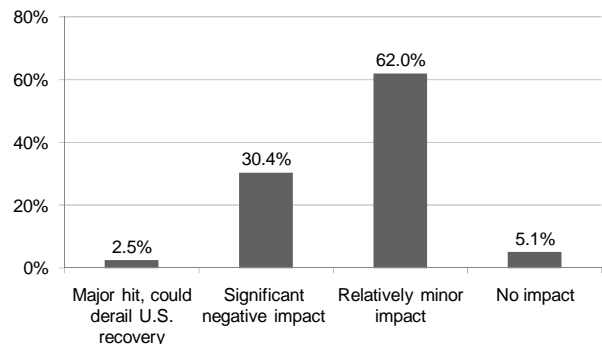
**Size of Firms included in OCBX
Index: Employment Levels**



The impact of the Japan Earthquake on the U.S. [SPECIAL QUESTION]

In the special question for this quarter's survey, while a majority, over 67% businesses expect relatively minor impact from the Japan earthquake on the U.S. economy, a significant number, almost a third, expect significant negative consequences..

The impact of the Japan earthquake on the U.S.



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**Expected Interest Rate Increase
[SPECIAL QUESTION]**

When asked when they expect the Fed to start raising interest rates, 22.8% expect that to happen within the next six months, 36.7% expect it by the end of 2011 while over 40% think it will in 2012 or later. It appears like a normal distribution centered at the end of the year or slightly afterwards.

When will the Fed begin to raise interest rates?

