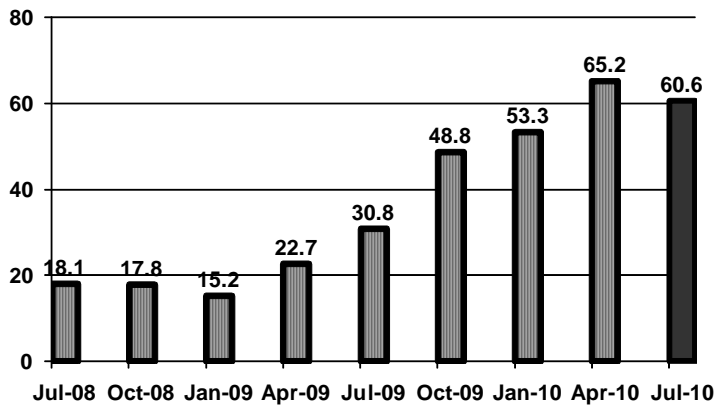


# Orange County Business Expectations Survey OCBX, 3<sup>rd</sup> Quarter 2010

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

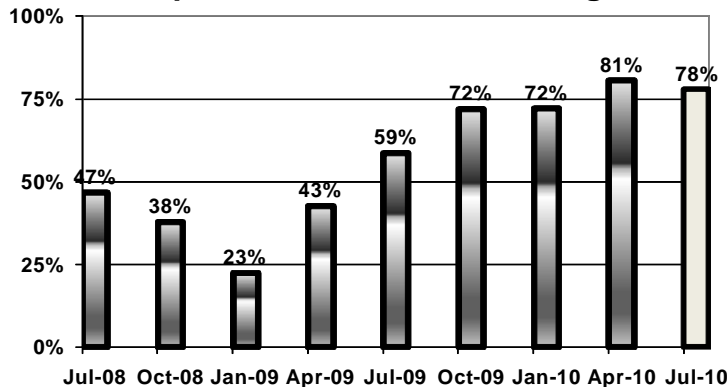
This survey of businesses was conducted during the weeks of June 21-28, 2010. 114 executives responded for a response rate of approximately 18.2%.

## Orange County Business Expectations: OCBX Index



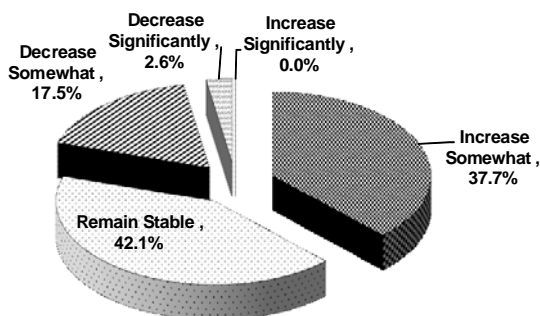
**Business expectations:** Orange County Business Expectations Index, OCBX, decreased to 60.6 for the 3<sup>rd</sup> quarter of 2010 from a value of 65.2 in the 2<sup>nd</sup> quarter of 2010. A reading of above 50 indicates future growth in the economy. This is the first decline after five consecutive increases in the index and reflects a setback in business sentiment. It is a significant turn of events and will need to be monitored closely.

## Overall Business Activity: Expect Increase or No Change



**Overall Business Activity:** The proportion of owners, CEOs, and managers that expect overall business activity to improve or stay the same decreased to 78% from 81% for the previous quarter. This variable measures responses to questions about Orange County executives' own industry as well as their outlook for the regional economy. It indicates that the business perceptions have turned back for the local economy.

## Expected Local Industry Activity Over the Next Three Months

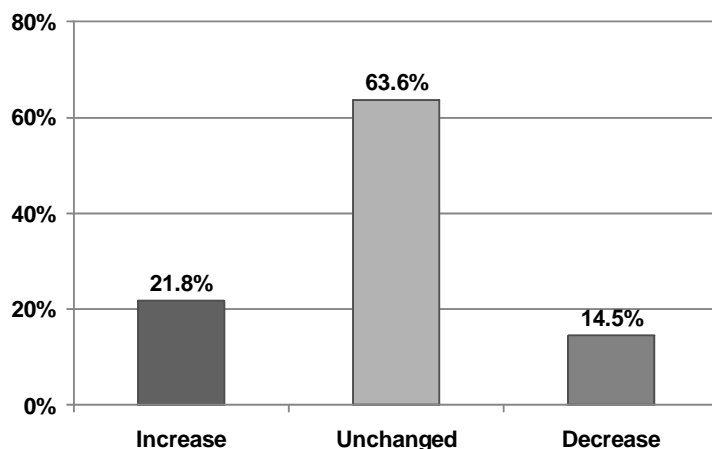


**Own Industry Activity Survey Results:** 38% (34.5% in the previous quarter) of the executives expect significant or some growth in their own industry. 20.1% of businesses predict some decreases in their industry (compared to 22.1% previously). A 42.1% (43.3% previously) of Orange County firms believe that their own industry will remain stable. While the overall expectations for the national economy have declined, this response shows that the OC leaders are relatively optimistic about the local economy.

# Orange County Business Expectations Survey OCBX, 3<sup>rd</sup> Quarter 2010

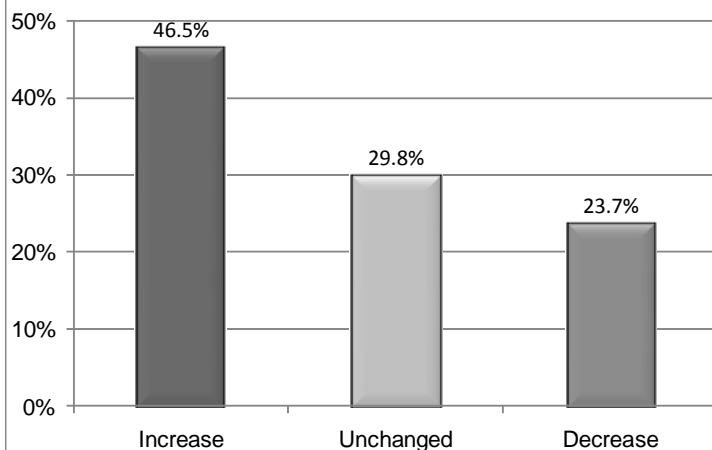
Project Director: Anil K. Puri, Ph.D.

## Expected Employment



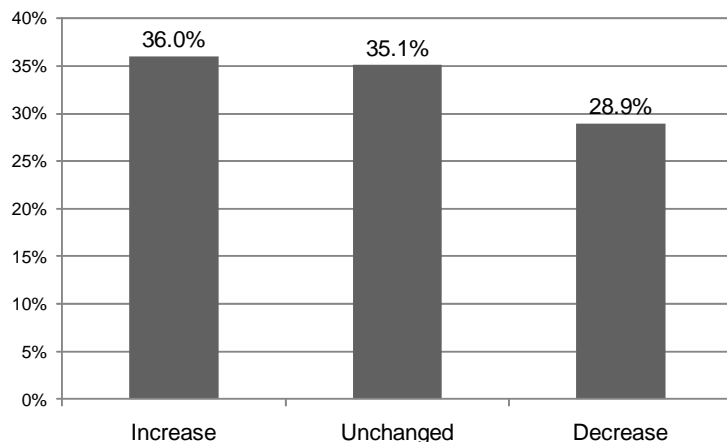
*Employment:* The employment prospects remain mixed for the local economy. 63.6% of firms surveyed intend to make no change in their labor force (compared to 61.2% last quarter), 21.8% intend to hire more (compared to 22.3% last quarter) and 14.5% expect to cut jobs (compared to 16.5% last quarter). In other words, employers are still planning on retaining and on making small increases in their labor pool. Significantly, fewer are planning further cuts.

## Expected Gross Sales/Revenue



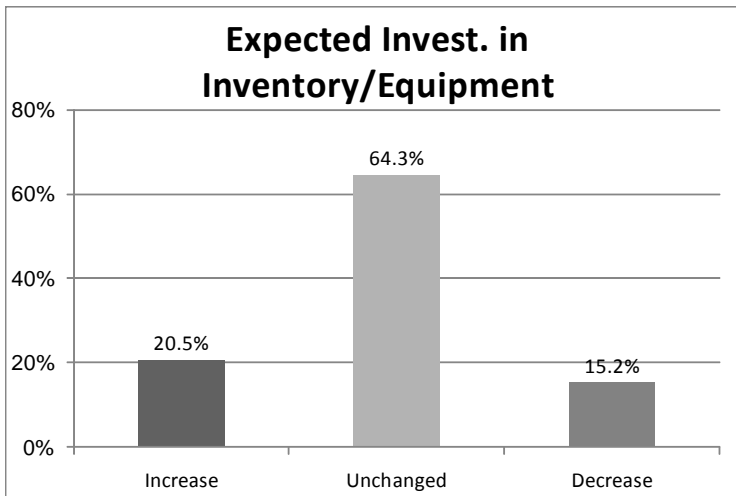
*Sales/Revenues:* 46.5% of the firms surveyed expect their sales to increase this quarter (compared to 41.3% in the 1<sup>st</sup> quarter of 2010), 29.8% expect little change (compared to 39.4% the last quarter) and a 23.7% expect to have lower sales (compared to 19.2% in the last quarter). There appears to be a sharper split among firms that expect sales to go up versus those who expect lower sales.

## Expected Operating Profits



*Operating Profits:* 36% of the firms surveyed expect to have higher profits in the next three months (compared to 38.5% last quarter), 35.1% expect no change (compared to 36.5% from last quarter) while 28.9% expect lower profits (compared to 25% last quarter). Profit expectations of OC firms have declined somewhat over the previous quarter.

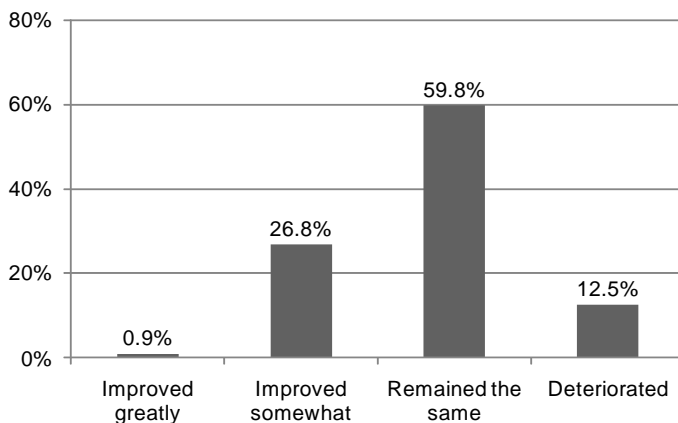
**Orange County Business Expectations Survey OCBX, 3<sup>rd</sup> Quarter 2010**  
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Inventory/Equipment Investment:

The percentage of those who said that they intend to increase inventories increased slightly to 20.5% compared to 19% for the last quarter. The share of those intending to leave the inventories unchanged changed to 64.3% from 65% and those who are going to reduce inventories decreased to 15.2% from 16%. There appears to be a little overall change in the business inventory expectations.

**Credit Conditions over the Last Three Months**

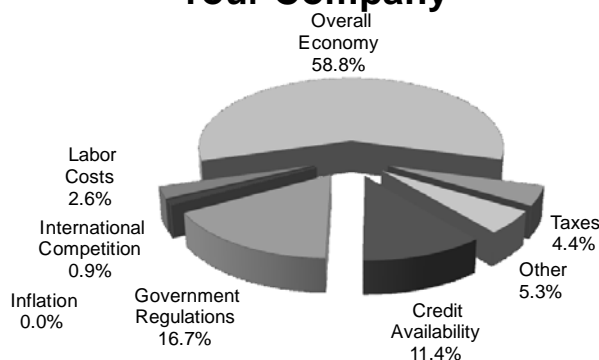


Credit Conditions in the Last Three Months:

[SPECIAL QUESTION]

When asked how the credit conditions in their businesses have changed, 27.9% said that there has been some improvement (compared to 18.3% in the last quarter). 59.8% indicated no change (compared to 61.5% in the last quarter) while 12.5% (compared to 20.2% in the last quarter) indicated further deterioration. This response combined with anecdotal evidence indicates that the credit conditions in the county are continuing to improve albeit at a slow rate.

**Most Significant Factor Impacting Your Company**



Most Significant Factors:

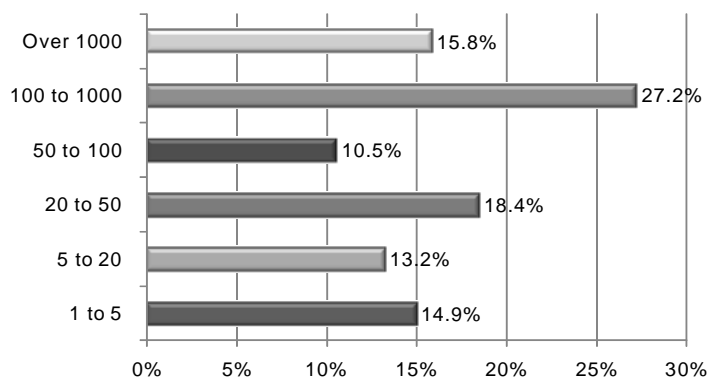
The concern over the state of the overall economy remains the most important issue at 58.7% (compared to 65.1% last quarter). Government regulation was the second major concern with 16.7% (compared to 18.5% last quarter) and the credit availability concern increased to 11.4% (compared to only 4.9% last quarter).

# Orange County Business Expectations Survey OCBX, 3<sup>rd</sup> Quarter 2010

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## Size of Firms included in OCBX

### Index: Employment Levels



*Sample Firm Size:* Over 43% of the firms who responded to the survey employ more than 100 workers, (compared to 42.3% in the last quarter), while 28.7% had fewer than 20 employees (compared to 33.7% last quarter). The rest, 28.9%, hire between 20 and 100 employees.