

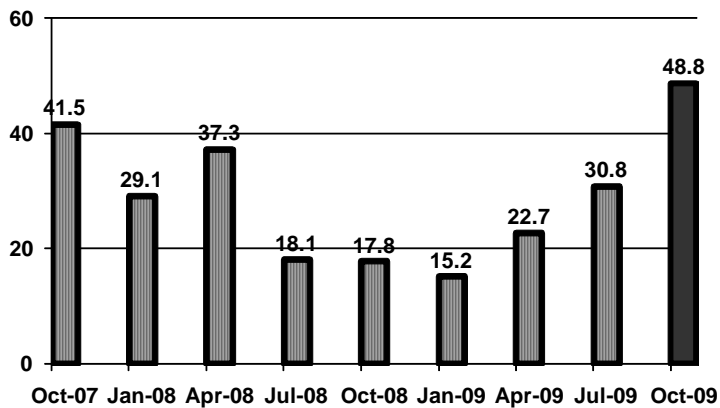
# Orange County Business Expectations Survey OCBX, 4<sup>th</sup> Quarter 2009

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

This survey of businesses was conducted during the week of September 14-22, 2009.

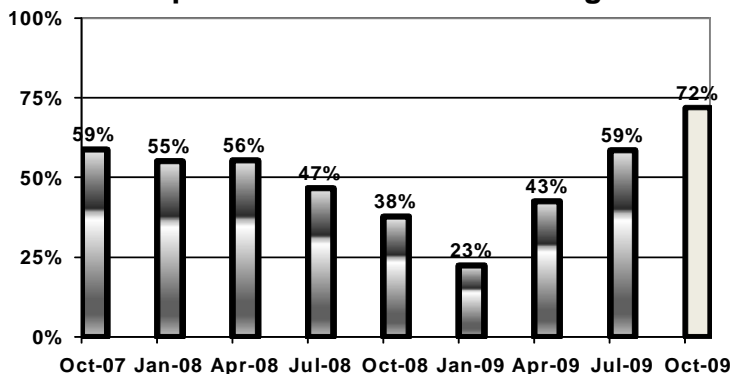
Of the 681 firms contacted, 112 responded for a response rate of 16.5%.

## Orange County Business Expectations: OCBX Index



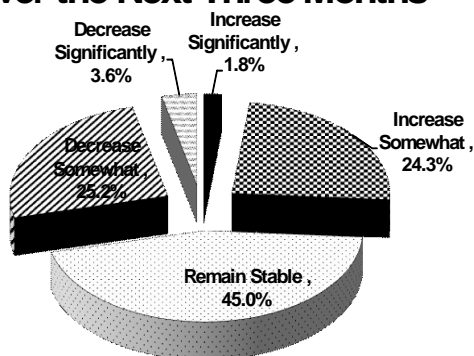
**Business expectations:** Orange County Business Expectations Index, OCBX, increased this quarter to 48.8. This increase is the third in a row in the last four quarters and it indicates a decidedly positive trend. Additionally, this value of the index in the highest obtained in the last two years. A reading of 50 indicates no change. The current index value is indicative of a strong positive turn in the business expectations in Orange County.

## 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 jumped to 73% this quarter from 59% in the 3<sup>rd</sup> quarter 2009. This number measures responses to questions about their own industry as well as their outlook for the regional economy. It indicates that the business perceptions have turned strongly positive for an improvement for the economy. This is the highest level in the last two years.

## Expected Local Industry Activity Over the Next Three Months



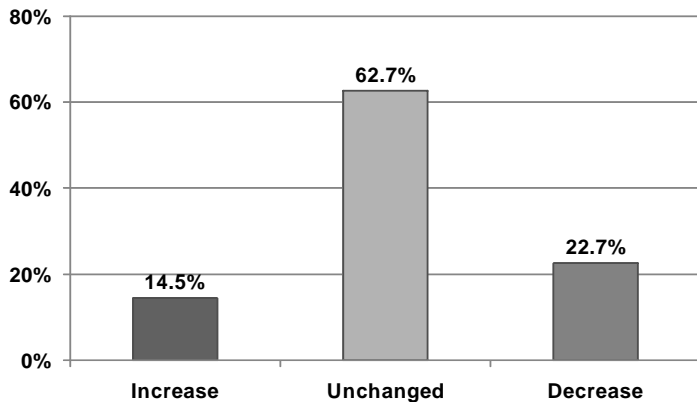
### Own Industry Activity Survey Results:

26.1% (20.7% the previous quarter) of the executives expect significant or some growth in their own industry. 28.8% (34.2% previously) of businesses predict some decreases in their industry. A 45% (45% previously), of Orange County firms believe that their own industry will remain stable. It appears that general business conditions are expected to stay the same or improve in the coming quarter for over 71% of the firms. A smaller number still expect these to worsen.

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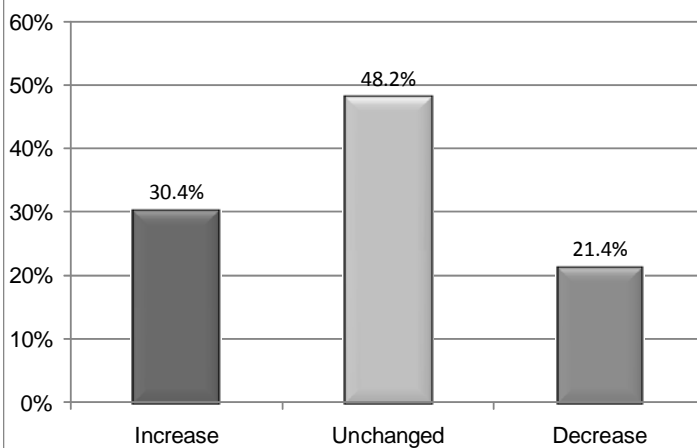
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## Expected Employment



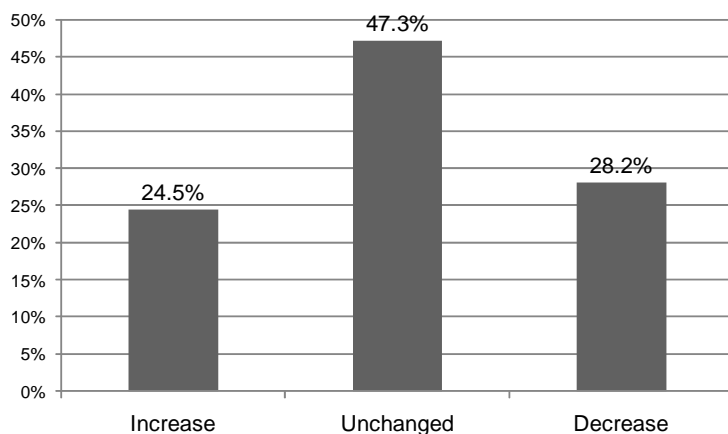
*Employment:* Reversing the trend from the last four quarters, employment prospects improved somewhat this quarter. 62.7% of firms surveyed intend to make no change in their labor force (compared to 61.3% last quarter), 14.5% intend to hire more (compared to 10.8% last quarter) but 22.7% expect to cut jobs (compared to 27.9% last quarter). In other words, employers are still being cautious in simply adding substantially to their workforce even though they expect general business conditions to improve in this quarter.

## Expected Gross Sales/Revenue



*Sales/Revenues:* 30.4% of the firms surveyed expect their sales to increase this quarter (compared to 30.1% in the 3<sup>rd</sup> quarter of 2009), 48.2% expect little change (compared to 31% the last quarter) and a 21.4% expect to have lower sales (compared to 38.9% in the last quarter). Overall, the expectations for sales have improved only slightly from the previous quarter.

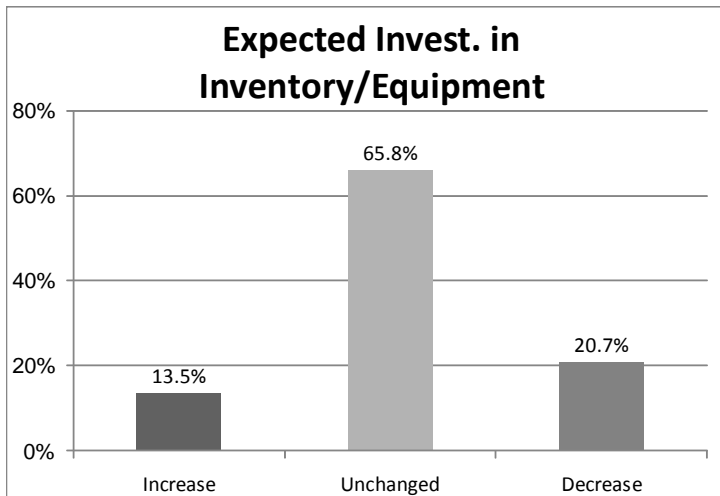
## Expected Operating Profits



*Operating Profits:* 24.5% of the firms surveyed expect to have higher profits in the next three months (compared to 24.8% last quarter), 47.3% expect no change (compared to 37.2% from last quarter) while 28.2% expect lower profits (compared to 38.1% last quarter). Profit expectations, as in sales, of OC firms seem to be improving albeit slowly.

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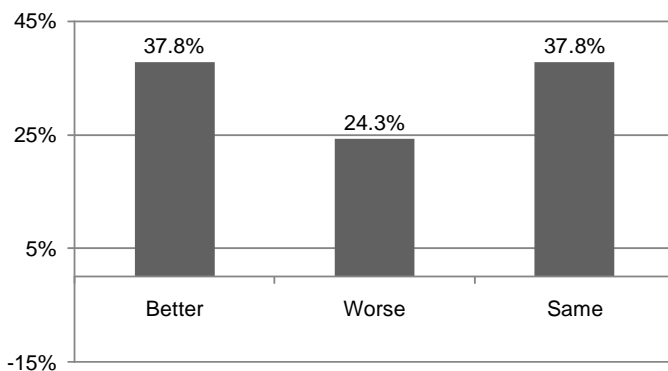
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### Inventory/Equipment Investment:

The percentage of those who said that they intend to increase inventories increases slightly to 13.5% compared to 15% for the last quarter. The share of those intending to leave the inventories unchanged increased to 65.8% from 64.5% and those who are going to reduce inventories decreased to 20.7% from 20.6%. Overall, there is little sentiment towards changing current inventory levels.

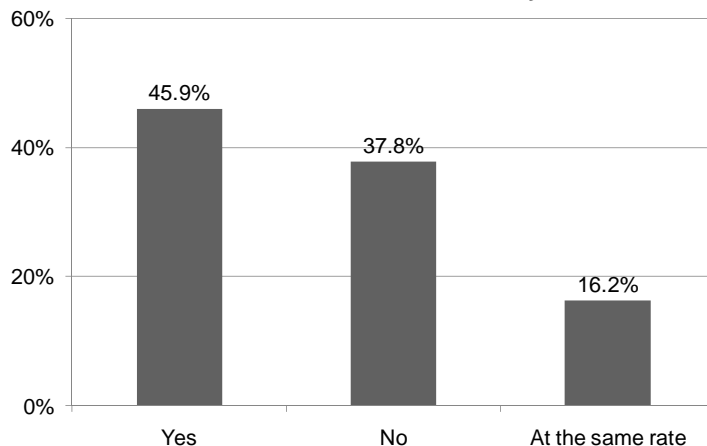
### **Perceived Condition of OC Economy Relative to National Economy**



### Performance of OC Economy: [SPECIAL QUESTION]

In a special question, when asked to rank the Orange County's current economic performance relative to the national economy, 37.8% (33% last quarter) said that they believe that the County's economy is doing better than the national economy. 24.3% (29.5% last quarter) thought it was doing worse while 37.8% (37.5% last quarter) felt the two are roughly at the same level. It appears that there is a slight improvement in the number of people who feel that we are doing as well or better than the national economy.

### **Perceived Rate of Recovery of OC Economy Relative to National Economy**

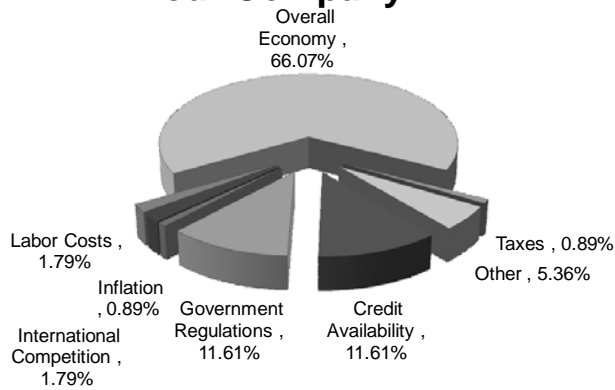


### Rate of Recovery of OC Economy: [SPECIAL QUESTION]

When asked to tell whether in their view the coming recovery in Orange County will be better than the national economy, 46% of the executives agreed that it will. 37.8% think the recovery here will be slower and 16.2% think that the OC economy will recover at the same speed as the national economy. Another way to say this is that over 62.2% of the executives think that the OC economy will recover at the same rate or faster than the national economy.

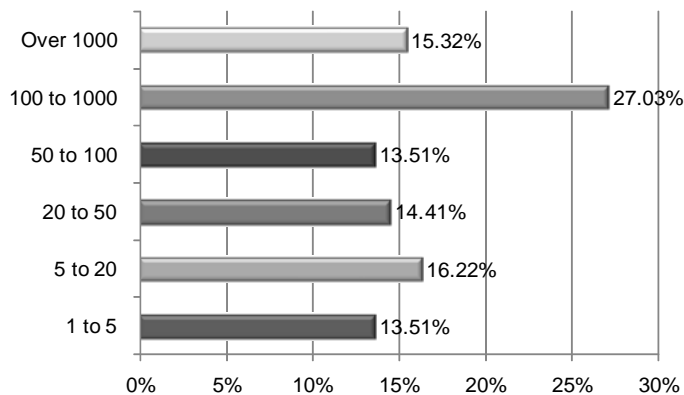
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**Most Significant Factor Impacting Your Company**



*Most Significant Factors:* The concern over the state of the overall economy remains the most important issue. In fact, the importance of that concern increased again to 66.1% (compared to 70.5% last quarter). Government regulation is again tied with credit availability as the next most important issues.

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



*Sample Firm Size:* Over 42.3% of the firms who responded to the survey employ more than 100 workers, (compared to 45.9% of the last quarter), while 29.7% had fewer than 20 employees (compared to 31.5% last quarter). The rest, 27.9%, hire between 20 and 100 employees.