Orange County Business Expectations:
OCBX Index
The overall index, OCBX, for the 1st quarter 2018 increased to 95.2 from 88.2 in the 4th quarter 2017. 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. The index is near a record high, indicating expected robust regional economic growth.

Overall Business Activity
The proportion of owners, CEOs, and managers that expect overall business activity to improve or stay the same was 96% in the 1st quarter 2018, roughly the same as the 4th 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
71.4% of the executives expect significant or some growth (compared to 73.5% in the last quarter) in their own industry. 3.6% (compared to 3.8% in the previous quarter) of businesses predict some decreases in their industry. 25.0% (compared to 22.6% 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
42.1% of firms surveyed intend to increase their labor force (compared to 47.2% in the last quarter), 47.4% intend to make no change (compared to 47.2% last quarter), and 10.5% expect to cut jobs (5.7% in the last quarter). Firms appear slightly less likely to hire in the next quarter.

Sales/Revenues
70.2% of the firms surveyed expect their sales to increase this quarter (compared to 63% in the last quarter), 24.6% expect little change (compared to 29.6% the last quarter) and 5.3% expect to have lower sales (compared to 7.4% in the last quarter). Sales expectations remain positive.

Operating Profits
63.2% of the firms surveyed expect to have higher profits in the next three months (compared to 44.4% last quarter), 29.8% expect no change (compared to 48.1% from last quarter) while 7.0% expect lower profits (compared to 7.4% last quarter). Profit expectations are slightly more positive compared to the previous quarter.
Inventory/Equipment Investment
The percentage of those who said that they expect to increase investment was 41.8% compared to 40.7% in the last quarter. The share of those expecting investment to remain unchanged decreased to 50.9% from 51.9% and those who were expecting reduced investment decreased to 7.3% from 7.4%. Few business leaders expect to reduce investment in the strong business environment.

Most Significant Factors
Government regulation was the most major concern with 35.7% (compared to 27.8% last quarter). Concern over the state of the overall economy was the second most significant concern of 25% of respondents (compared to 37% last quarter). International competition is the main concern of 10.7% of executives (compared to 1.9% last quarter). A majority of business leaders surveyed are most worried about regulations or the overall economy, but international competition is a rising concern.

Sample Firm Size
36.3% of the firms who responded to the survey employ more than 100 workers, while 29.1% had fewer than 20 employees and the rest, 34.6%, 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. Nearly half of executives (49.1%) are concerned that political and economic reform will be insufficient, which is down from 64.8% in the previous quarter. By the time survey was conducted, the tax reform bill was on its way to passage but had not yet cleared both houses. 16.4% believe that reform may be too rapid, which is up from 1.9% last quarter. Concern about North Korea is the 2nd most significant concern with 18.2%, up slightly from 14.8% last quarter. Federal Reserve interest rate increases is the 4th most significant concern with 10.9% (compared to 13% last quarter). There is continued concern about insufficient political and economic reform, but also some fears about conflict with North Korea.