Orange County Business Expectations: OCBX Index
The overall index, OCBX, for the 3rd quarter 2018 increased to 98.1 from 94.4 in the 2nd quarter 2018. 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 value is the second highest after the 1st quarter 2017 level 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 close to 96% in the 1st quarter 2018, roughly the same as the 1st quarter 2018. 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 intact. The slight change is again due to the national political scene and initial reaction to stock market volatility.
Own Industry Activity Survey Results
71.2% of the executives expect significant or some growth (compared to 71.7% in the last quarter) in their own industry. 3.8% of businesses (compared to 3.3% in the previous quarter) predict some decreases in their industry. 25.0% (compared to 25% last quarter) of Orange County firms believe that their own industry will remain stable. A majority of business leaders continue to expect at least some growth in their industry in the short term.

Employment
47.1% of firms surveyed intend to increase their labor force (compared to 49.2% in the last quarter), 49% intend to make no change (compared to 49.2% last quarter), and 3.9% expect to cut jobs (1.7% in the last quarter). Firms appear likely to maintain their current employment level with only a slight reduction in their recruitment plans.
Sales/Revenues
73.1% of the firms surveyed expect their sales to increase this quarter (compared to 67.2% in the last quarter), 25% expect little change (compared to 29.5% the last quarter) and 1.9% expect to have lower sales (compared to 3.3% in the last quarter). Sales expectations have improved slightly for the upcoming quarter.

Operating Profits
65.4% of the firms surveyed expect to have higher profits in the next three months (compared to 57.4% last quarter), 30.8% expect no change (compared to 37.7% from last quarter) while 3.8% expect lower profits (compared to 4.9% last quarter). Profit expectations for the coming quarter have improved over the previous quarter.
Inventory/Equipment Investment
The percentage of those who said that they expect to increase investment was 34% compared to 42.4% in the last quarter. The share of those expecting investment to remain unchanged increased to 62.3% from 54.2% and those who were expecting reduced investment decreased to 3.8% from 3.4%. Fewer business leaders expect to increase inventory in the coming quarter, most holding steady.

Most Significant Factors
Concern over the state of the overall economy was pushed to the second place (from 31.1% last quarter to 23.1% this quarter) while Government Regulation became the most significant factor at 32.7% of respondents (compared to 23% last quarter). Labor costs concerns increased to 15.4% compared to 14.8% last quarter. A majority of business leaders surveyed are now more concerned about the increasing government regulation as compared to the state of the economy and labor costs are a growing concern.
Sample Firm Size
39.3% of the firms who responded to the survey employ more than 100 workers, while 31.1% had fewer than 20 employees and the rest, 29.5%, 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. **Federal Reserve interest rate increases and fear of insufficient political and economic reform became equal concerns** at 34.6% each. 13.5% believe that reform may be too rapid (compared to 10% last quarter). Economic performance of the European Union seems to be of some concern but interestingly the rising federal debt payments were of smaller concern.

What do you believe will be the impact on the US economy of efforts to renegotiate the current trade agreements
What do you believe will be the impact on the US economy of efforts to renegotiate the current trade agreements?

In this special question, we asked executives their opinion about the impact of current efforts to renegotiate trade agreements. The question asked for short term impact, over the next year to two and long term impacts.

Over 40% of the respondents believe that the US will benefit in the long run from such efforts while about 6% believe it will not.

The opinion is more divided on the short term impacts wherein 21% believe that the country will gain in the next year to two while 33% believe that it will worsen the US position during the short run.

What do you believe will be the impact on the US economy of efforts to renegotiate the current trade agreements?