Orange County Business Expectations: OCBX Index

The overall index, OCBX, for the 4th quarter 2017 decreased to 88.2 from 93.2 in the 3rd 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 remains high by historical standards, 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 4th quarter 2017 compared to 98% for the 3rd 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

73.5% of the executives expect significant or some growth (compared to 74.2% in the last quarter) in their own industry. 3.8% (compared to 3.2% in the previous quarter) of businesses predict some decreases in their industry. 22.6% (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
47.2% of firms surveyed intend to increase their labor force (compared to 42.6% in the last quarter), 47.2% intend to make no change (compared to 50.8% last quarter), and 5.7% expect to cut jobs (6.6% in the last quarter). Firms appear slightly more likely to hire in the next quarter.

Sales/Revenues
63.0% of the firms surveyed expect their sales to increase this quarter (compared to 67.7% in the last quarter), 29.6% expect little change (compared to 30.6% the last quarter) and 7.4% expect to have lower sales (compared to 1.6% in the last quarter). Sales expectations remain positive.

Operating Profits
44.4% of the firms surveyed expect to have higher profits in the next three months (compared to 63.3% last quarter), 48.1% expect no change (compared to 26.7% from last quarter) while 7.4% expect lower profits (compared to 10% last quarter). Profit expectations remain positive, but are slightly less positive than the previous quarter.
Inventory/Equipment Investment
The percentage of those who said that they expect to increase investment was 40.7% compared to 36.1% in the last quarter. The share of those expecting investment to remain unchanged decreased to 51.9% from 60.7% and those who were expecting reduced investment increased to 7.4% from 3.28%. Few business leaders expect to reduce investment in the strong business environment.

Most Significant Factors
Concern over the state of the overall economy was the most major concern with 37.0% (compared to 29.0% last quarter). Government regulation was the second most significant concern of 27.8% of respondents (compared to 35.5% last quarter). Labor costs are the main concern of 13% of executives (compared to 11.3% last quarter). A majority of business leaders surveyed are most worried about regulations or the overall economy.

Sample Firm Size
48.1% of the firms who responded to the survey employ more than 100 workers, while 19.2% had fewer than 20 employees and the rest, 29.7%, 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. The vast majority of executives (64.8%) are concerned that political and economic reform will be insufficient, which is similar to the previous quarter. Only 1.9% believe that reform may be too rapid, which is down from 18% in the previous quarter. Concern about North Korea debuted as the 2nd most significant concern with 14.8%. Federal Reserve interest rate increases remain the 3rd most significant concern with 13% (compared to 6.6% last quarter). There is continued concern about insufficient political and economic reform, but also growing fears about conflict with North Korea.