This survey coming at the end of March, and at the beginning of the Coronavirus induced loss in economic activity, is an important and timely indicator of the business sentiments of Orange County executives. There has been unprecedented drop in confidence among Orange County business executives in the 20-year history of the survey. This is similar to the Great Recession but at a lightning speed. We will continue to monitor business expectations as we go through what is likely to be a longer process than anyone expected.

**Orange County Business Expectations: OCBX Index**

The overall index, OCBX, for the 2nd quarter 2020 collapsed to 22.7 from 92.9 in the 1st quarter 2020. This is the most significant decline in the index since the great recession of 2008-9. At that time the index fell for eight consecutive quarters from January 2007 (83.1) to January 2009 (15.2). 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.

**Overall Business Activity**

The proportion of owners, CEOs, and managers that expect overall business activity to improve or stay the same fell to 9.1% for the 2nd quarter 2020 from 93.9% in the 1st quarter 2020. This index measures responses to questions about Orange County executives’ own industry as well as their outlook for the regional economy. Expectations for the region’s economy have dramatically gotten worse for the coming quarter.
Own Industry Activity Survey Results
20% of the executives expect significant or some growth (compared to 58% in the last quarter) in their own industry. 16.4% (compared to 34% last quarter) of Orange County firms believe that their own industry will remain stable. 63.7% of businesses (compared to 8% in the previous quarter) predict some decreases in their industry. Significant number of the business leaders expect substantial reduction in growth for their industry.

Employment
3.8% of firms surveyed intend to increase their labor force (compared to 42% in the last quarter), 46.2% intend to make no change (compared to 48% last quarter), and 50% expect to cut jobs (10% in the last quarter). Hiring picture has darkened significantly with half the firms planning job cuts. the number holding steady employment levels has declined and few firms intend to increase hiring.

Sales/Revenues
14.8% of the firms surveyed expect their sales to increase this quarter (compared to 68% in the last quarter), 13% expect little change (compared to 24% the last quarter) and 72.2% expect to have lower sales (compared to 8% in the last quarter). Sales expectations have drastically fallen for the 2nd quarter.
Operating Profits
9.3% of the firms surveyed expect to have higher profits in the next three months (compared to 60% last quarter), 13% expect no change (compared to 32% from last quarter) while 77.8% expect lower profits (compared to 8% last quarter). Profit expectations for the coming quarter have plummeted for the coming quarter.

Inventory/Equipment Investment
7.5% of respondents said that they expect to increase inventory compared to 26.5% in the last quarter. The share of those expecting inventory to remain unchanged increased to 43.4% from 67.3% and those who expect to have reduced inventory moved to 49.1% from 6.1%. In line with other variables, the inventory levels are expected to be significantly lowered in the coming quarter.

Most Significant Factors
Business executives selected Other category for the most significant factor (44.4%) and we interpret that to be coronavirus. Concern over the state of the overall economy remained a major concern (increasing to 42.6% from 34.7% from the last quarter) while Government Regulation stayed as the next important factor at 11.1% (compared to 26.5% last quarter). All other factors fell by the way side given the severity of the virus.
Sample Firm Size
36.3% of the firms who responded to the survey employ more than 100 workers, while 32.7% had fewer than 20 employees and the rest, 30.9%, had between 20 and 100 employees.

Given the current situation with coronavirus, what is the estimated reduction in your total business/sales for the current quarter? [SPECIAL QUESTION]
In this special question, we wanted to know the impact through March 2020 of the coronavirus. 36.4% of the businesses expect it to lower their 1st quarter 2020 output by 10% or less. 20% expect to have a reduction between 10% and 20%, 20% expect it to be between 20% and 30%, 9.1% expect the loss to be between 30% and 40% and 1.8% expect it to be between 40% and 50%. 12.7% expect a reduction of 50% or more.

What do you believe is likelihood of a recession before the end of 2020?
In this special question, we asked executives their opinion about a national recession in 2020.

Over 31% of the respondents believe that there is 20% or less chance of a recession by the end of 2020 (compared to 76% last quarter) while 41.8% believe that there is more than even chance or over 50% (compared to 2% last quarter). 27.3% believe it is between 20 and 50 percent (compared to 22% last quarter). Coronavirus led decline in economic activity has bolstered the case for a recession in the near term.