



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

Orange County Business Expectations Survey, OCBX

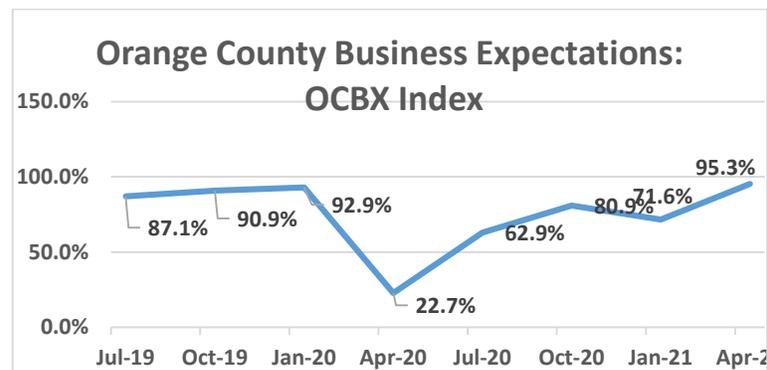
This survey of 700+ OC business executives was conducted during March 19-29, 2021 with a response rate of approximately 17%.

This survey is an important and timely indicator of the business sentiment of Orange County executives. There have been significant changes in the attitudes as we go through different phases of the epidemic and its impact on the economy as discussed below and in our upcoming forecast on April 21, 2021. For further information, please check the Woods Center website:

<https://business.fullerton.edu/engagement/economicanalysisandforecasting>

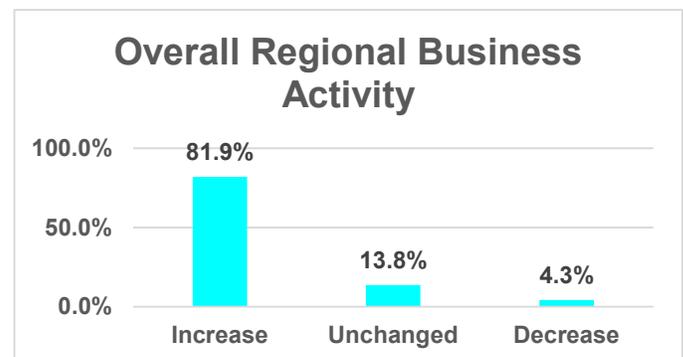
Orange County Business Expectations: OCBX Index

The overall index, OCBX, for the 2nd quarter 2021 jumped to 95.3 from 71.6 in the 1st quarter 2-21. This is the highest level of index since Q4 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.



Overall Business Activity

The proportion of owners, CEOs, and managers that expect overall business activity to improve increased to 81.9% for the 2nd quarter 2021 from 39.4% in the 1st quarter 2021. For those believing the situation will remain unchanged the percentage decreased to 13.8% from 22.1% for the coming quarter, and those expecting the regional economy to slow down changed to 4.3% from 38.5%. This measure asks for responses to questions about Orange County executives' outlook for the regional economy. Expectations for the region's economy have dramatically improved for the coming quarter.

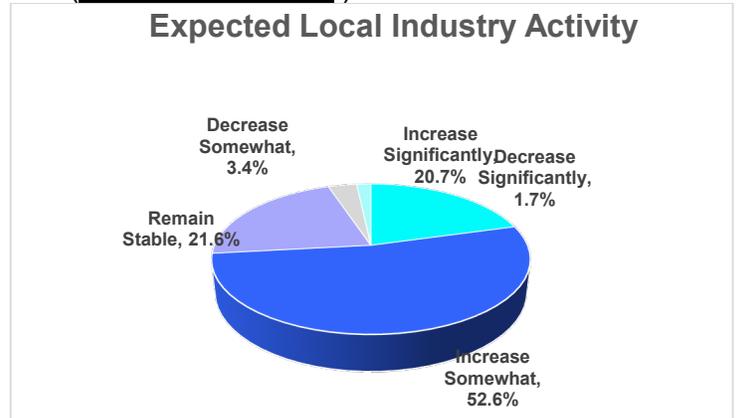


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2nd Quarter 2021**

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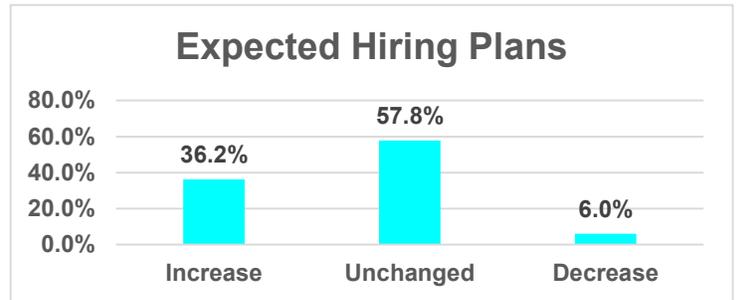
Own Industry Activity Survey Results

73.3% of the executives expect significant or some growth (compared to 55.8% in the last quarter) in their own industry. 21.6% (compared to 26% last quarter) of Orange County firms believe that their own industry will remain stable. 5.1% of businesses (compared to 18.2% in the previous quarter) predict some decreases in their industry. Business leaders have much more optimistic expectations with regard to growth of their own businesses for the coming quarter.



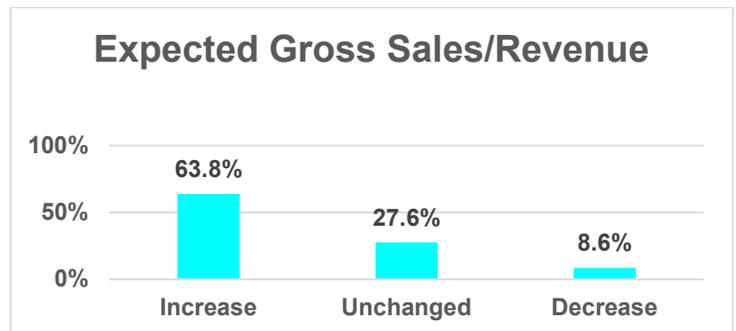
Employment

36.2% of firms surveyed intend to increase their labor force (compared to 20.2% in the last quarter), 57.8% intend to make no change (compared to 67.3% last quarter), and 6% expect to cut jobs (12.5% in the last quarter). Hiring picture is improving but a majority of businesses do not expect to add to their payroll in the coming quarter.



Sales/Revenues

63.8% of the firms surveyed expect their sales to increase this quarter (compared to 34.6% in the last quarter), 27.6% expect little change (compared to 42.3% the last quarter) and 8.6% expect to have lower sales (compared to 23.1% in the last quarter). Sales expectations are also greatly enhanced among the business executives for the coming quarter.

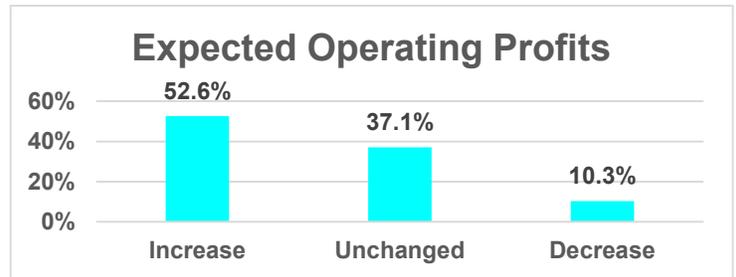


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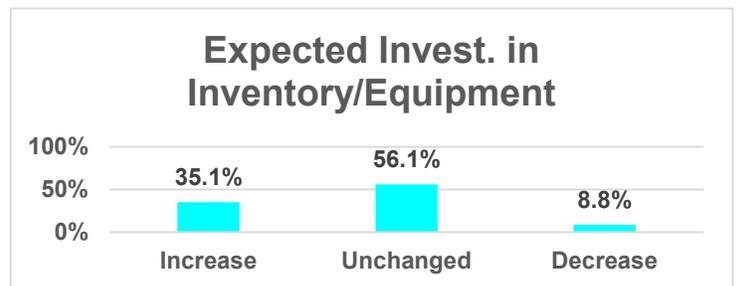
Operating Profits

52.6% of the firms surveyed expect to have higher profits in the next three months (compared to 27.2% last quarter), 37.1% expect no change (compared to 44.7% from last quarter) while 10.3% expect lower profits (compared to 28.2% last quarter). Profit expectations for the coming quarter are also much improved for the coming quarter in line with expectations for sales.



Inventory/Equipment Investment

35.1% of respondents said that they expect to increase inventory compared to 21.6% in the last quarter. The share of those expecting inventory to remain unchanged changed to 56.1% from 60.8% and those who expect to have reduced inventory moved to 8.8% from 17.6%. Businesses in general expect to add to their inventories in the coming quarter.

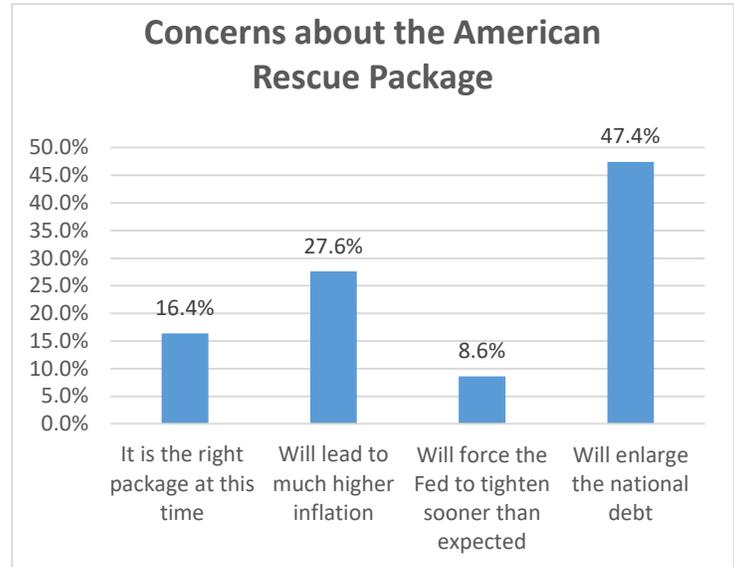


SPECIAL QUESTIONS FOR Q2 2021

Given the passage of the American Rescue Plan for \$1.9 trillion, what is your biggest concern about the bill?

In a special question for this quarter, we asked business executives their views on the recently passed stimulus package.

Almost half of the respondents are concerned about the expansion of the national debt. The second most important concern is price inflation followed by the group that believes that the package will not have any adverse impact. In the last place is the concern that it may force the Fed to raise interest rates sooner than expected. It seems that the longer term impact of higher national debt is more on their minds than the shorter term policy issues.

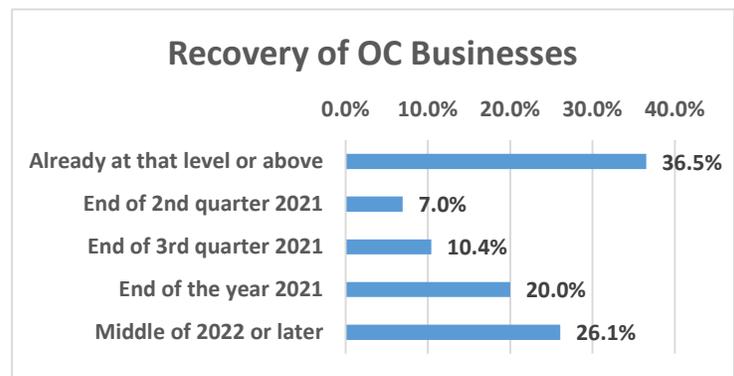


When do you expect your business to recover to the level at beginning of 2020?

In this special question, we wanted to know their expectations of how long it will take for their businesses to get back to the pre-pandemic level.

It appears that more than a third of the businesses are already operating at or above the pre-pandemic level. A total of almost 75% expect to be there before the end of 2021.

Only about a quarter expect to reach that level more than a year later. These responses are more optimistic than those for a similar question last quarter.



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Given what you pay your workforce today, how much will the \$15/hour minimum wage increase your labor costs?

In this special question, we asked executives about the impact of the proposed \$15 per hour minimum wage on their labor costs.

An overwhelming majority, 81.6%, expect to have less than 5% increase in their wage bill. 4.4% expect their labor costs to go up by more than 20%, 6.1% expect an increase between 10-20% and 7.9% expect an increase between 5-10%. Given that Orange County is an expensive area, this result is not that surprising.

