



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

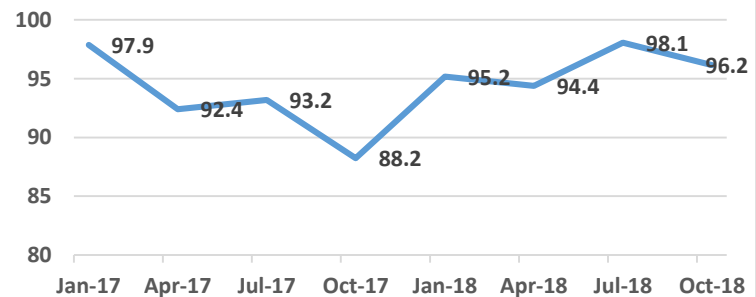
Orange County Business Expectations Survey, OCBX

This survey of OC business executives was conducted from September 17-25th 2018. 53 executives responded for a response rate of approximately 7%.

Orange County Business Expectations: OCBX Index

The overall index, OCBX, for the 4th quarter 2018 decreased to 96.2 from 98.1 in the 3rd quarter 2018. Though lower than the last quarter, this reading is still the second highest in the last two years. 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.

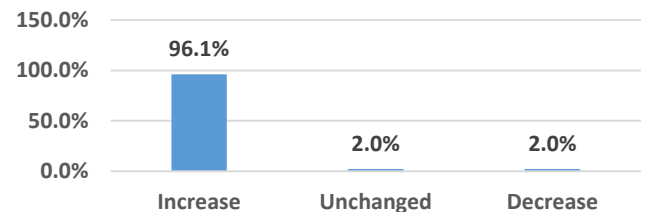
Orange County Business Expectations: OCBX Index



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 4th quarter 2018, roughly the same as the 3rd 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 growth remain intact.**

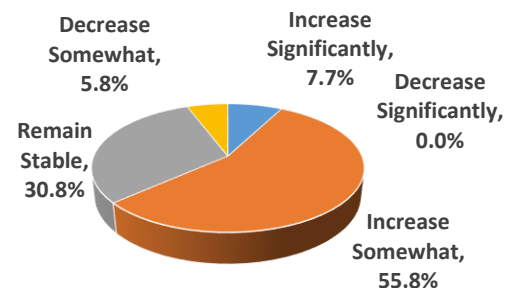
Overall Regional Business Activity



Own Industry Activity Survey Results

63.5% of the executives expect significant or some growth (compared to 71.2% in the last quarter) in their own industry. 30.8% (compared to 25% last quarter) of Orange County firms believe that their own industry will remain stable. 5.8% of businesses (compared to 3.3% in the previous quarter) predict some decreases in their industry. **A majority of business leaders continue to expect at least some growth in their industry in the short term though this overall expectation has moderated a bit for the last quarter of the year.**

Expected Own Industry Activity

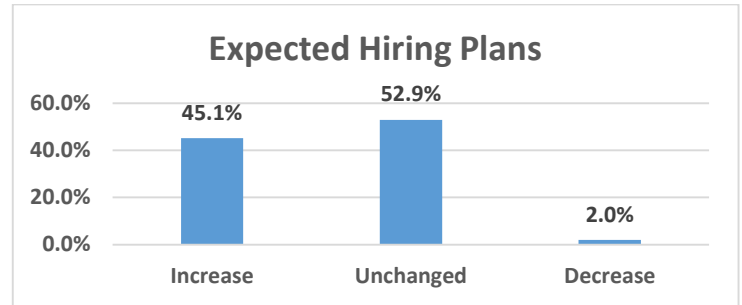


**Orange County Business Expectations Survey, OCBX
4th Quarter 2018**

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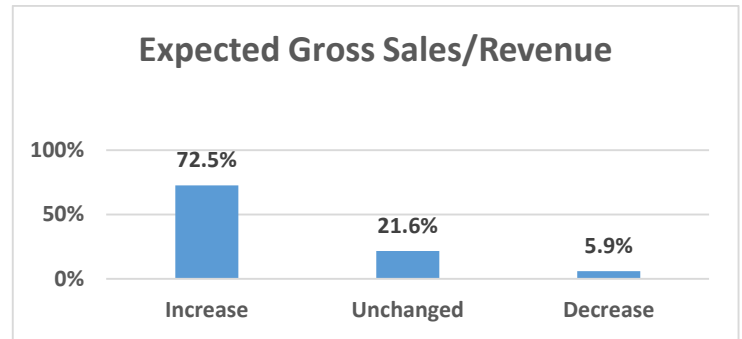
Employment

45.1% of firms surveyed intend to increase their labor force (compared to 47.2% in the last quarter), 52.9% intend to make no change (compared to 49% last quarter), and 2% expect to cut jobs (3.9% in the last quarter). **Firms appear likely to maintain their current employment level with only a slight reduction in new hiring.**



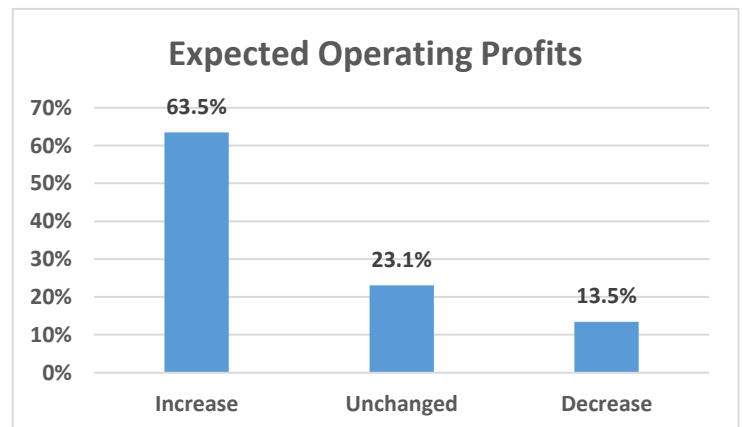
Sales/Revenues

72.5% of the firms surveyed expect their sales to increase this quarter (compared to 73.1% in the last quarter), 21.6% expect little change (compared to 25% the last quarter) and 5.9% expect to have lower sales (compared to 1.9% in the last quarter). **Sales expectations have worsened slightly for the upcoming quarter.**



Operating Profits

63.5% of the firms surveyed expect to have higher profits in the next three months (compared to 65.4% last quarter), 23.1% expect no change (compared to 30.8% from last quarter) while 13.5% expect lower profits (compared to 3.8% last quarter). **Profit expectations for the coming quarter have worsened for a small number of firms over the previous quarter but overall outlook remains positive.**

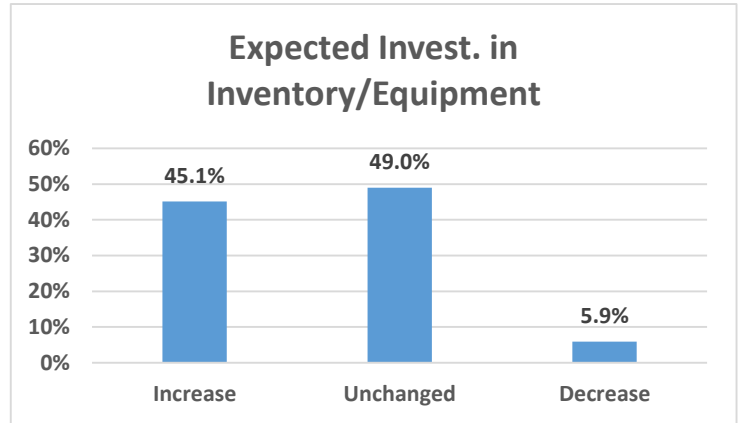


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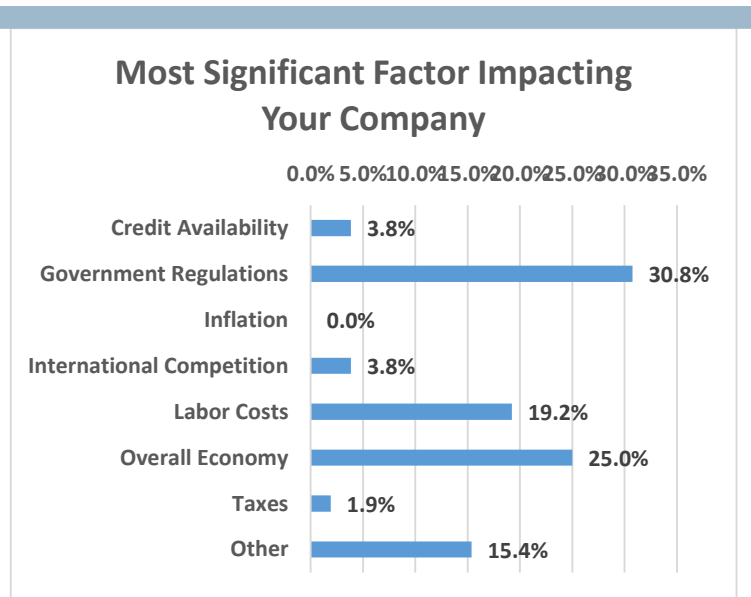
Inventory/Equipment Investment

45.1% of respondents said that they expect to increase investment compared to 34% in the last quarter. The share of those expecting investment to remain unchanged decreased to 49% from 62.3% and those who were expecting reduced investment increased to 5.9% from 3.8%. **In a mixed picture, more business leaders expect to increase inventory in the coming quarter, while many others will be holding steady.**



Most Significant Factors

Concern over the state of the overall economy was again in the second place (from 23.1% last quarter to 25% this quarter) while Government Regulation remained the most significant factor at 30.8% of respondents (compared to 32% last quarter). Labor costs concerns increased to 19.2% compared to 15.4% last quarter. **A majority of business leaders surveyed continue to be more concerned about the increasing government regulation as compared to the state of the economy and labor costs are a growing concern.**

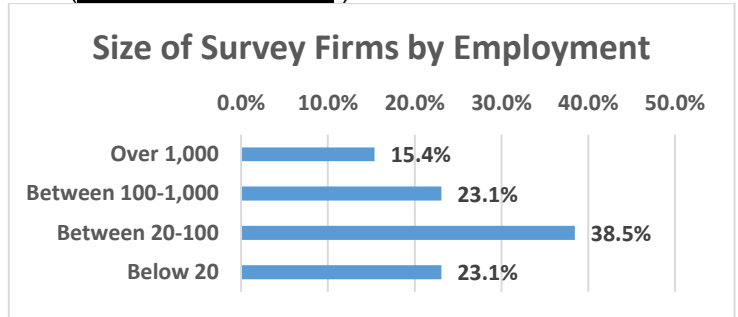


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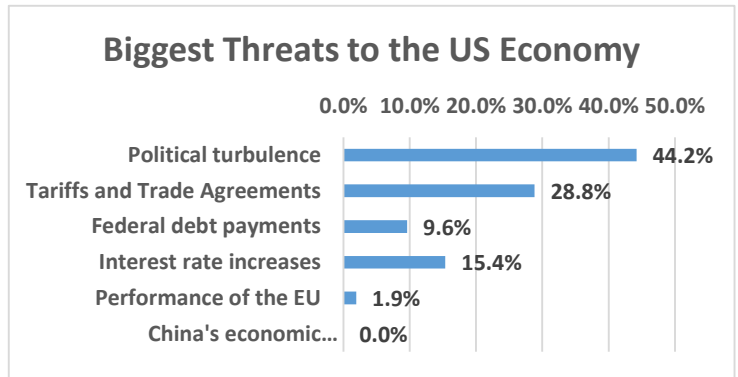
Sample Firm Size

38.5% of the firms who responded to the survey employ more than 100 workers, while 23.1% had fewer than 20 employees and the rest, 38.5%, 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. Politics became the number one concern (44.2%) followed by tariffs and trade negotiations (28.8%). **Federal Reserve interest rate increases fell to #3 (15.4%) followed by the federal debt payments.** 9.6%). Economic performance of the European Union became a much lower concern and there was little worry about the economic situation in China.



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What do you believe is the biggest hindrance to growth in Orange County?

In this special question, we asked executives their opinion about major impediments to growth in Orange County.

Over 44% of the respondents believe that high housing costs are deterring growth of business in Orange County, followed by a 34.6% who believe that limited availability of appropriately qualified workforce is the major barrier.

Local regulations was given as the third major cause by 17.3% while 3.8% thought that congestion was a roadblock keeping the County from growing faster.

