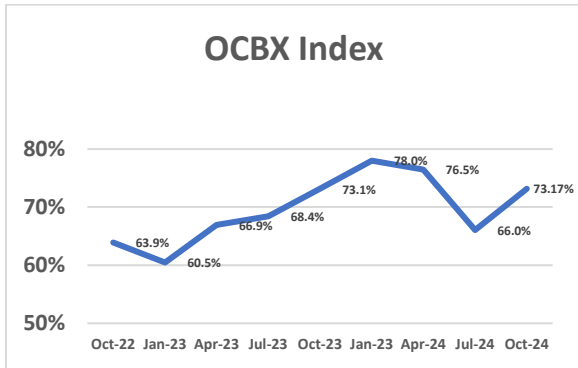


# Orange County Business Expectations Survey, OCBX 4th Quarter 2024

Project Director: Anil K. Puri, Ph.D. ([apuri@fullerton.edu](mailto:apuri@fullerton.edu))

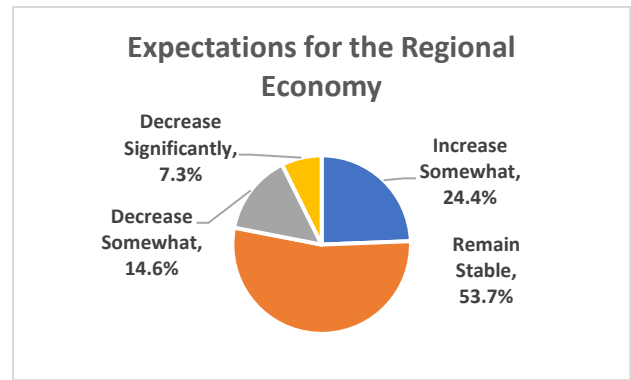
## Orange County Business Expectations: OCBX Index

The overall index, OCBX, for the 4<sup>th</sup> quarter of 2024 increased to 73.1 from 65.7 in the 3<sup>rd</sup> quarter of 2024, reversing the declines of the last two quarters. It indicates improved business sentiment for the 4<sup>th</sup> quarter 2024. 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.



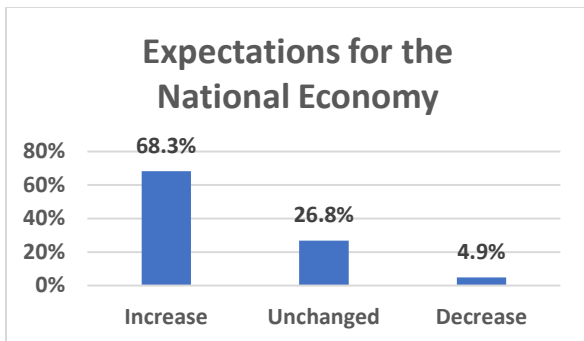
## Own Industry Activity

None of the executives surveyed expect their own industry activity to increase significantly in the coming quarter but 24.4% expect some growth in their own industry (compared to 32% in the last quarter). 53.7% (compared to 32.1% last quarter) of Orange County firms believe that their own industry will remain stable. 21.9% (compared to 32.1% in the previous quarter) predict decreases in their industry. More of the business leaders are expecting stable growth in their own industry in the coming quarter compared to the previous quarter.



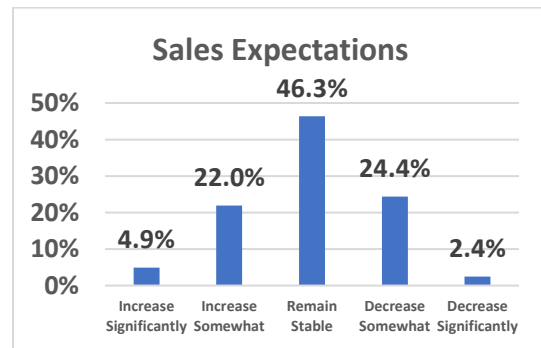
## Overall U.S. Business Activity

The proportion of owners, CEOs, and managers that expect overall national business activity to improve increased to 68.3% for the 4<sup>th</sup> quarter of 2024 from 25% in the 3<sup>rd</sup> quarter of 2024. Those believing the situation will remain unchanged the percentage decreased to 26.8% from 42.3%, and those expecting the economy to slow down decreased to 4.9% from 32.7%. This is a sharp, positive reversal of sentiment from the last quarter.



## Sales and Revenue

26.9% of the firms surveyed expect their sales to increase this quarter (compared to 35.9% in the last quarter), 46.4% expect little change (compared to 43.4% the last quarter) and 26.8% expect to have lower sales (compared to 20.8% in the last quarter). It seems that more firms are expecting softer sales in the coming quarter.



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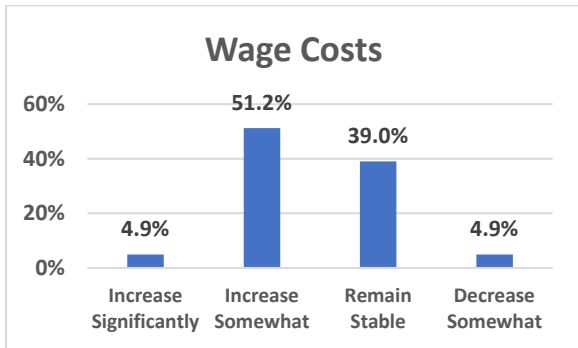
## Employment

17% of firms surveyed intend to increase their labor force (compared to 22.6% in the last quarter), 61% intend to make no change (compared to 67.9% last quarter), and 21.9% expect to cut jobs (9.4% in the last quarter). It appears that the firms are more likely to reduce their payrolls this quarter.



## Labor Costs

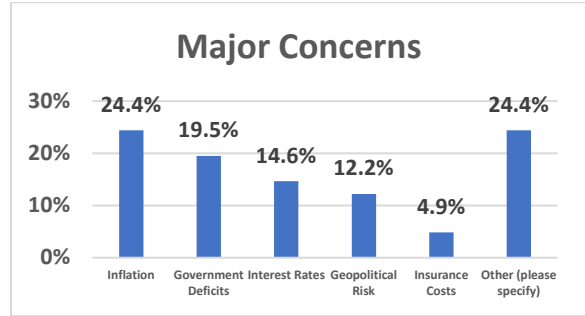
56.1% of executives surveyed (compared to 60.3% last quarter) expect wages to increase in the coming quarter, and 39% (compared to 37.7% last quarter) expect them to remain unchanged. Very few, 4.9%, executives expect wages to decrease in Q4:2024.



## Biggest Concerns

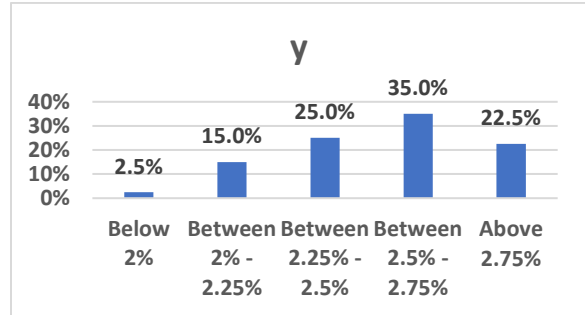
Inflation beat the Interest rate concerns (last quarter) as the most common concern, with 24.4%. Government deficits was the next significant concern at 19.5% followed by interest rates at 14.6%. While geopolitical risks have increased recently, they came in at 12.2%, behind the domestic issues. Other

concerns mentioned were insurance costs, labor costs and availability and election related concerns.



## Inflation Expectations

We asked respondents to share their forecasts of inflation for December 2024. It appears that inflation expectations have come down considerably compared to the last quarter. Over 42% (compared to 26.4% last quarter) of the respondents expect the rate fall to 2.5% by the end of the year. A sizeable number, 35%, expect it to be between 2.5% and 2.75%, and 22.5% expect it to stay above 2.75% (compared to over 45% last quarter).

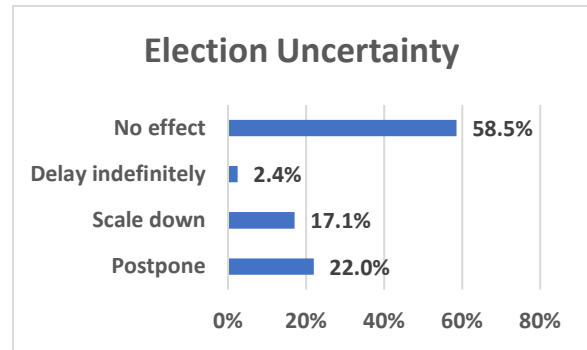
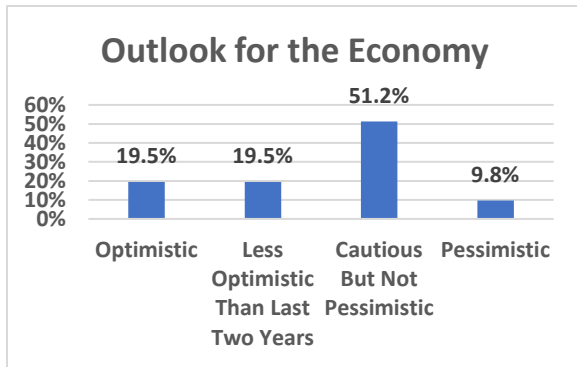


## Outlook for Next 12 Months

Given the continuing uncertainty about the US economy, we asked for their expectations for the general outlook on the economy over the next 12 months. 19.5% said they were hopeful, optimistic (23% last quarter) while 9.8% (11.5% last quarter) said they were pessimistic about the near-term outlook. 51.2% (last quarter 44.2% were cautious about the next 12 months while the optimism level was lower for another 19.5% (21.2% last quarter) compared to the last quarter. It appears that more people have moderated their outlook for the economy.

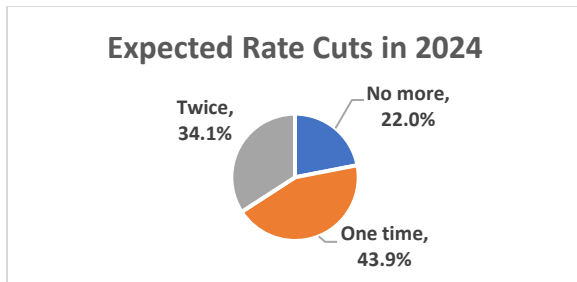
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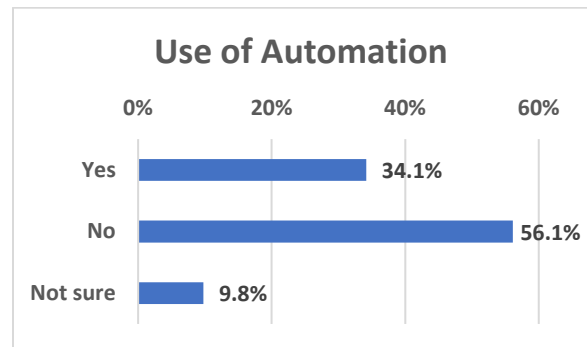
### How Many Cuts in 2024?

In answer to this question asked after the September rate cut, 35.8% expect no additional cuts in 2024 (compared to 22% last quarter), almost 43.9% expected one rate cut (53% last quarter) and 34.1% expected two cuts (compared to 9.4% before).



### Technology Adoption: Over the past 12 months, has your firm implemented software/equipment and other technologies for automation?

A majority of the business, 56.1%, have not recently used any technologies to automate their businesses (66% last quarter) while over a third, 34.1%, have (30.2% last quarter). About 10% were uncertain (3.2% last quarter). In spite of the current buzz about technology, it appears that most OC businesses are not rushing into adopting the latest technological developments.



### Election Uncertainty: Has the uncertainty about the US election led you to do any of the following with respect to your hiring/investments/expansion plans?

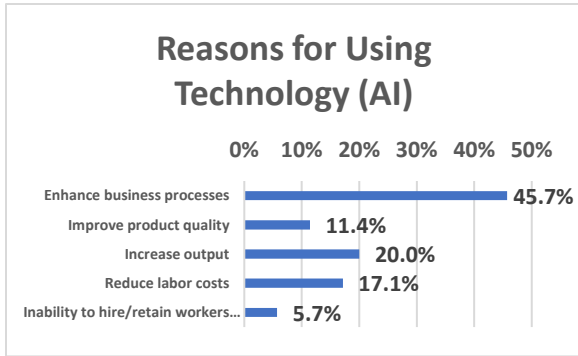
In answer to this question, a majority, 58.5%, indicated that their business has not been affected by the uncertainty surrounding the November elections. But 22% had postponed some plans and 17.1% indicated that they had scaled back on their expansions. A small number, 2.4%, have delayed their plans indefinitely.

### Reasons for Using Technology/AI: If you have taken actions to, or intend to, automate tasks, what would be the most important reason for you to do that?

It appears that the most important motivation for OC businesses to adopt new technologies, including AI, would be to improve their business processes (45.7%), increasing output (20%) and reducing labor costs (17.1%). Improving productivity and shortage of qualified labor were given as lesser reasons for adoption of technology.

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### Industry Categories

The graph below shows industry category of those who responded to the survey. In addition to the those shown in the graph below, these categories were also mentioned: Property owner association, Aviation, Technology, Entertainment, Entertainment, Nonprofit, Media/Publishing, Printing, Education, Technology, Civil Engineering Services and Consulting.

**Outlook for Employment:** The Bureau of Labor Statistics recently revised 2023-24 employment data which shows that the labor market was not as robust as previously thought. The job gains over the past few months have also slowed, an average of 116,000 jobs per month. What's your outlook for the labor market?

Labor market has become the main concern of the fed. OC executives mostly believe that the labor market will not deteriorate. 45% think it will soften but there will be no job losses while 17.5% expect job growth to continue. But over a third, 37.5%, expect that job losses will occur in the near future.

