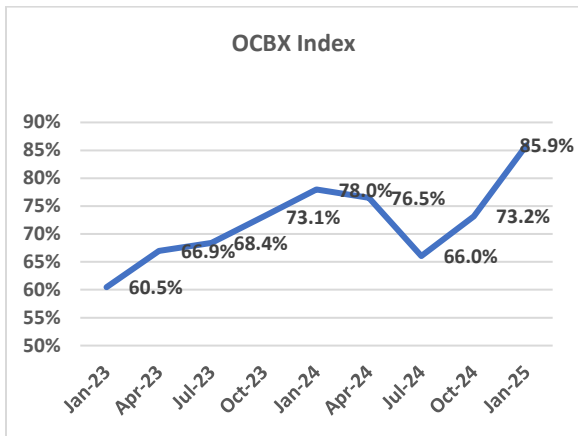


Orange County Business Expectations Survey, OCBX 1st Quarter 2025

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

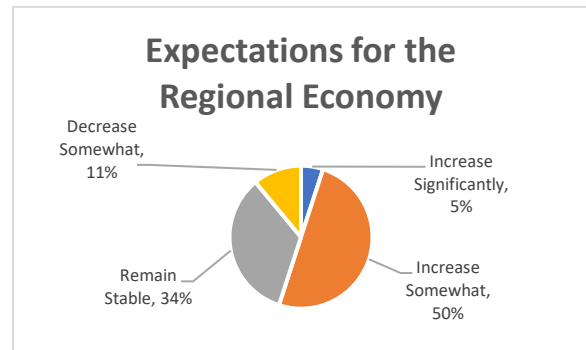
Orange County Business Expectations: OCBX Index

The overall index, OCBX, for the 1st quarter of 2025 increased to 85.9% from 73.1% in the 4th quarter of 2024, extending the gains from the last two quarters. It indicates significantly improved business sentiment for the 1st quarter 2025. This is the highest level in the last three years. 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.



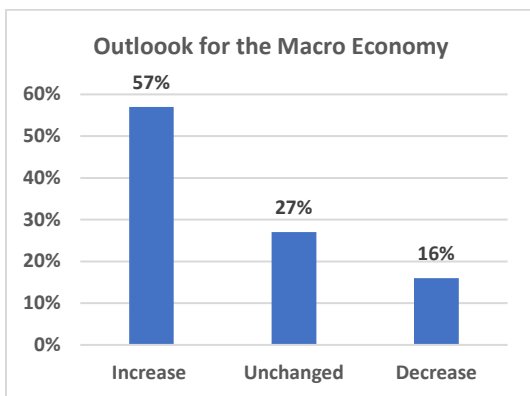
Own Industry Activity

Compared to none of the executives surveyed expecting the regional industry activity to increase significantly in Q4:2024, 5% expect some growth in their own industry for Q1:2025. Compared to 24% in the last quarter, 50% expect some growth and 34% (compared to 54% last quarter) of Orange County firms believe that their own industry will remain stable. 11% (compared to 22% in the previous quarter) predict decreases in their industry. More of the business leaders are expecting faster growth in their own industry in the coming quarter compared to the previous quarter.



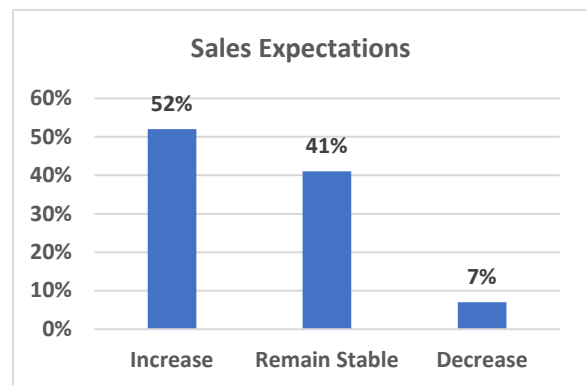
Overall U.S. Business Activity

The proportion of owners, CEOs, and managers that expect overall national business activity to improve decreased to 57% for the 1st quarter of 2025 from 68% in the 4th quarter of 2024. Those believing the situation will remain unchanged the percentage stayed at 27%, and those expecting the economy to slow down increased to 16% from 5%. It shows that the respondents' expectations for the national economy have worsened somewhat from Q4:2024.



Sales and Revenue

52% of the firms surveyed expect their sales to increase this quarter (compared to 27% in the last quarter), 41% expect little change (compared to 46% the last quarter) and 7% expect to have lower sales (compared to 27% in the last quarter). More firms have greater confidence that they will have higher sales in the coming quarter.

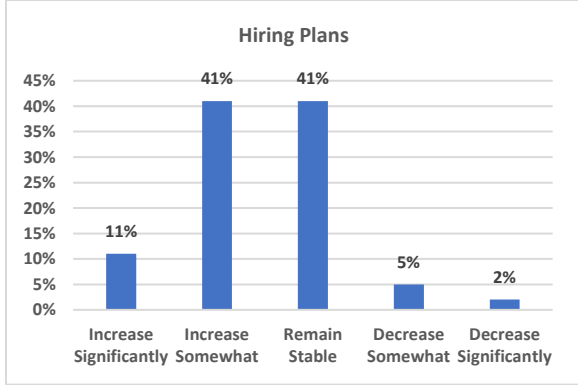


Orange County Business Expectations Survey, OCBX 1st Quarter 2025

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

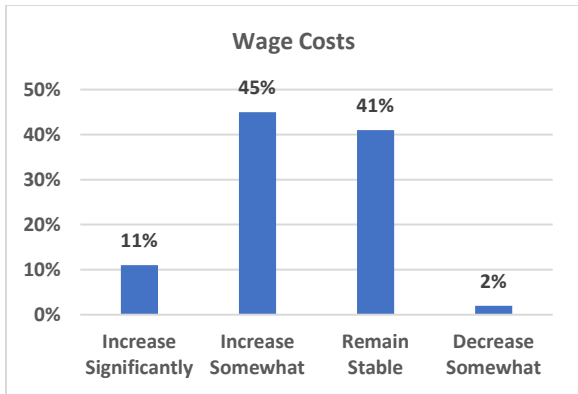
Employment

58% of firms surveyed intend to increase their labor force (compared to 17% in the last quarter), 41% intend to make no change (compared to 61% last quarter), and 7% expect to cut jobs (22% in the last quarter). Most firms are expected to increase or maintain their employee base in this quarter.



Labor Costs

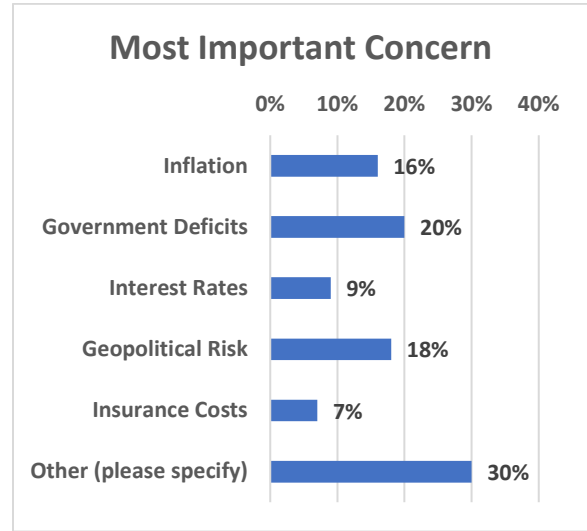
56% of executives surveyed (compared to 56% last quarter) expect wages to increase in the coming quarter, and 41% (compared to 39% last quarter) expect them to remain unchanged. Very few, 2% (compared to 4.9%), executives expect wages to decrease in Q1:2025.



Biggest Concerns

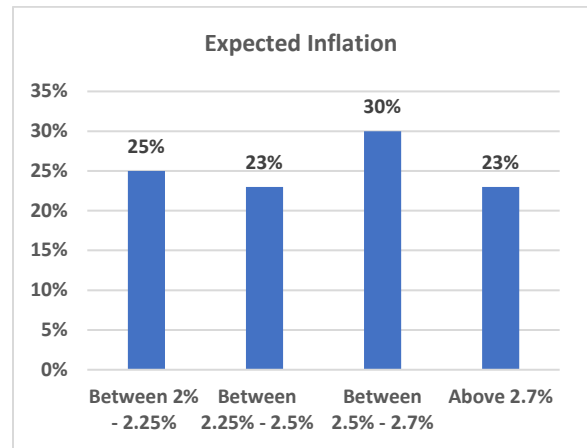
Government deficits took the spot for the biggest concern displacing geopolitical risk and inflation. The Interest rate dropped to the 4th place followed by insurance costs. But there were a number of other

issues on the executives' minds, such as California's increasing regulatory burdens, new presidential actions, wage inflation and available candidates, change in government leadership with the new president, labor costs/undue union work rules, affordability for customers, tariffs and deportations..



Inflation Expectations

We asked respondents to share their forecasts of inflation for December 2025 given the November 2024 rate of 2.7%. Only 23% expect the inflation to be higher at the end of the year compared to now and 25% expect it to fall between 2% and 2.25%.

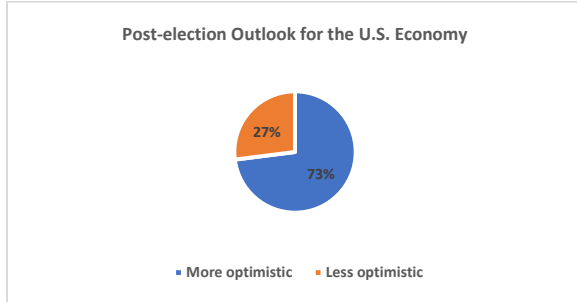


Orange County Business Expectations Survey, OCBX 1st Quarter 2025

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

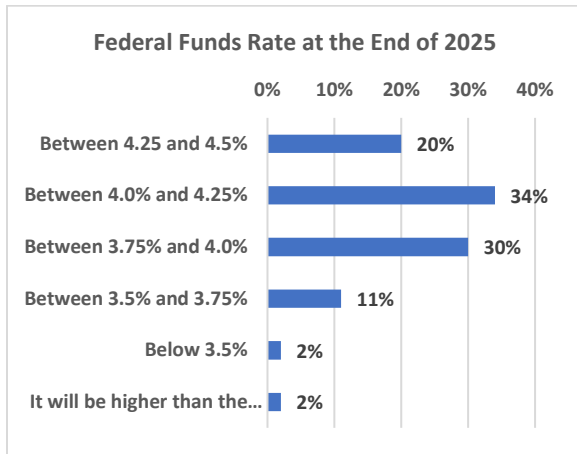
Post-election Outlook for the Economy

Post-election outlook for the economy is certainly cheery, with 73% being more hopeful.



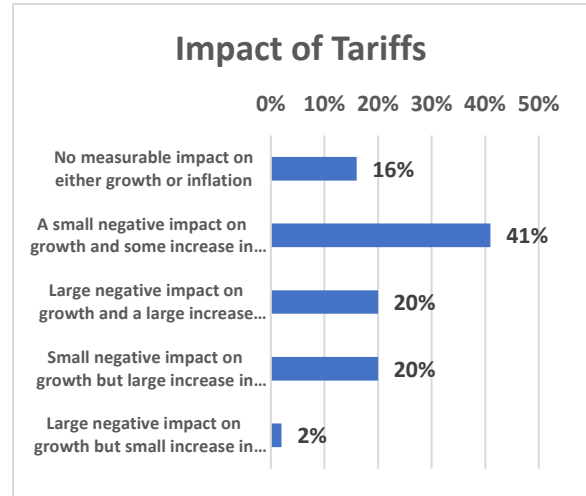
Expectations for the Federal Funds Rate in 2025

In answer to this question, given the current rate of 4.5%, a majority expect the rate to be 4% to 4.5%. 30% expect it to be between 3.75% and 3.5% while 11% expect it to be between 3.5% and 3.75%. A small percentage expect it to be above 4.5%.



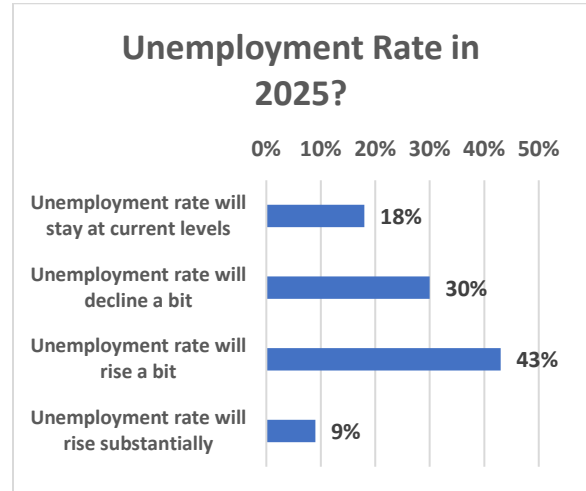
Impact of Tariffs.

We asked what impact do you think the proposed tariffs of President-elect Trump will have on the rate of inflation and growth. 41% expect small negative impact on growth and somewhat large negative impact on inflation. 20% expect large impacts on both inflation and growth and a similar percentage expect small impact on growth but large increase in inflation. There is no consensus on the impacts of the proposed tariffs.



2025 Outlook for Employment:

A majority expect that the unemployment rate by the end of 2025 will be higher than the current level. Another 18% expect no change in the level while 30% expect unemployment to be lower by the end of the year.



Effectiveness of DOGE

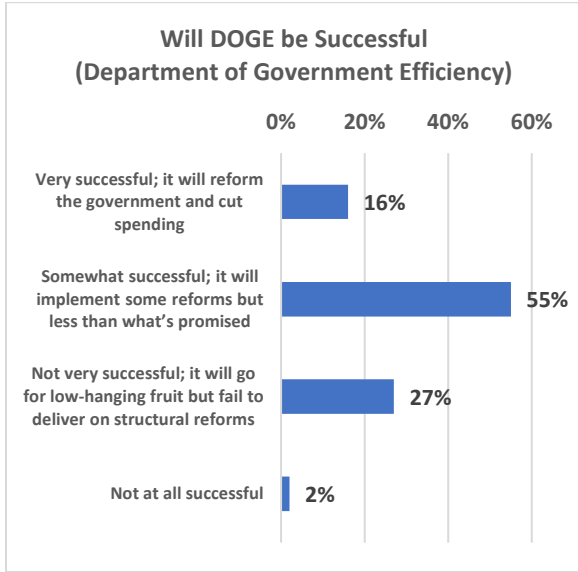
President Trump plans to commission an advisory board (the Department of Government Efficiency, or DOGE) to curtail excess government spending and regulation. How successful will this board be in its mission?

A majority, 55%, expect it to be somewhat successful but it will accomplish less than what is being promised. 27% expect the effort to yield few structural

Orange County Business Expectations Survey, OCBX 1st Quarter 2025

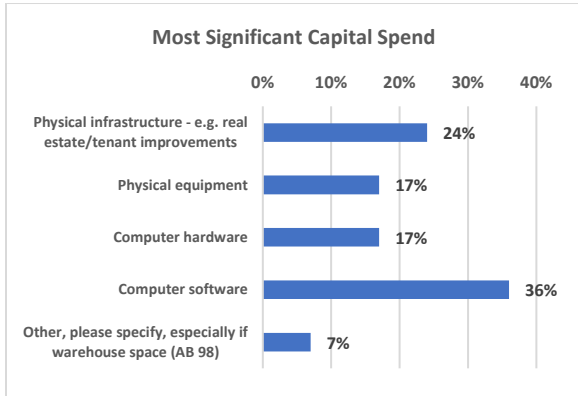
Project Director: Anil K. Puri, Ph.D. (apuri@fullerton.edu)

or major reforms and only the easy ones. 16% think it will be quite effective in cutting government spending.



The Most Significant Capital Spend?

Businesses expect much of their capital spending in 2025 to go for software followed by infrastructure needs.



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: Marketing, Entertainment, Education, Private education services, Education, Aerospace, Media, Hospitality, Government, Printing, Utilities and Engineering.

