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Woods Center
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COLLEGE OF BUSINESS AND ECONOMICS



ORANGE COUNTY
BUSINESS COUNCIL

2ND
QUARTER
2026

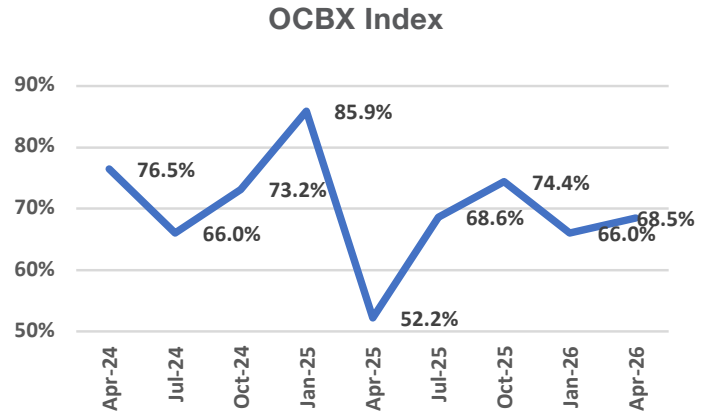
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CSUF ORANGE COUNTY BUSINESS EXPECTATIONS SURVEY

In Partnership with Orange County Business Council

Orange County Business Expectations: OCBX Index

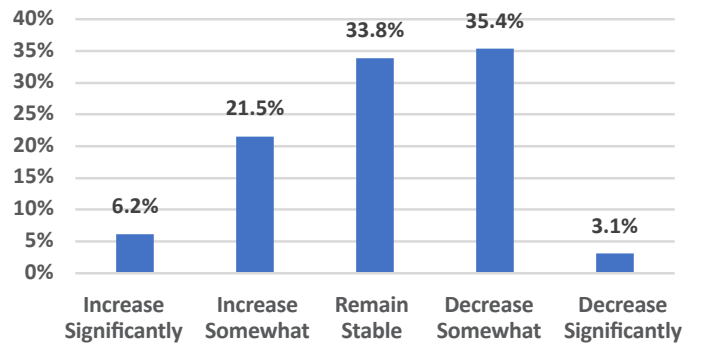
The Orange County Business Expectations Index (OCBX) for the second quarter of 2026 has shown a modest improvement, rising to 68.5% from 66% in the first quarter of 2026. This brings the index back to the same level observed in the third quarter of 2024. The OCBX index serves as a measurement of the overall outlook for the local economy and is calculated based on several variables collected in the survey. A score above 50 on the OCBX indicates an expectation of future economic growth for Orange County. The following sections provide further details and context for the recent changes in the index.



Overall U.S. Business Activity

For the second quarter of 2026, expectations regarding national business activity among owners, CEOs, and managers have moderated compared to the previous quarter. The percentage of respondents anticipating an improvement in overall U.S. business activity has declined to 27.7%, down from 38% in the first quarter of 2026. Conversely, the proportion who expect national conditions to remain unchanged has increased to 33.8% from 26%. Those predicting a slowdown in the economy fell slightly to 38.5% from 40%. This shift indicates that while optimism about national economic growth has lessened, there is also a slight decrease in pessimism, resulting in more respondents adopting a neutral outlook. Overall, there continues to be a divergence of opinion on the trajectory of the national economy, but with fewer respondents at the extremes and more holding a moderate view than in the previous quarter.

Expectations for the National Economy



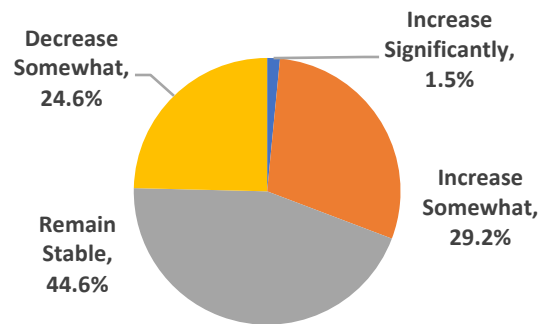
Own and Regional Industry Activity

For the second quarter of 2026, business leaders in Orange County are expressing more optimism regarding activity within their own industries and the regional economy. According to the survey, 30.7% of executives expect regional industry activity to increase, a notable rise from just 13% in the previous quarter. This indicates a growing confidence in local economic conditions.

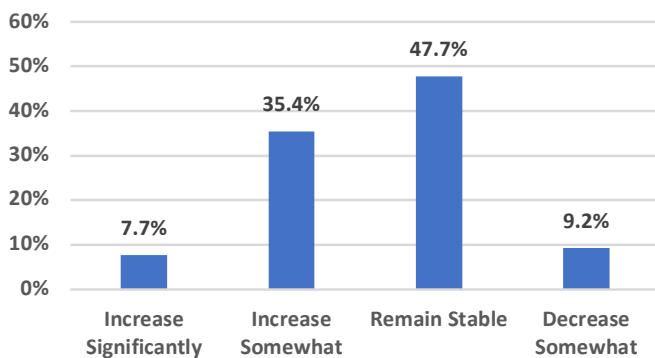
Meanwhile, 44.6% of firms anticipate that their specific industry will remain stable, compared to 56% who felt this way last quarter. This slight decrease suggests that more businesses are shifting their outlook from stability to growth. Additionally, the proportion of respondents expecting a downturn in their industry has dropped to 24.6%, down from 31% in the prior quarter.

Overall, business expectations for individual firm growth have improved compared to three months ago. A greater number of businesses now foresee increased activity, while fewer expect slower growth in the second quarter of 2026. These changes in outlook help to explain the modest rise in the Orange County Business Expectations Index (OCBX), which increased to 68.5% in Q2:2026 from 66% in the previous quarter.

Expectations for the Regional Economy



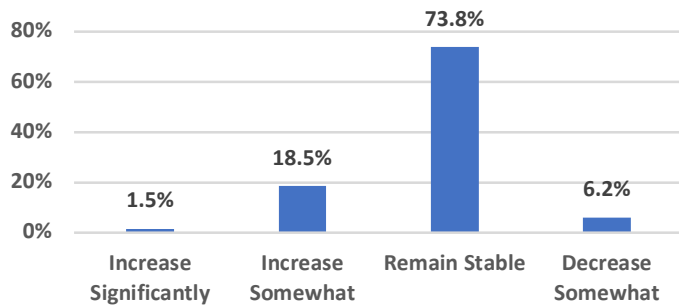
Expectations for Sales



Sales and Revenue

During the second quarter of 2026, Orange County firms report steady expectations for sales and revenue. According to survey results, 43.1% of businesses anticipate an increase in sales, which reflects a slight decline from the previous quarter's figure of 46%. Meanwhile, 47.7% of respondents expect sales to remain unchanged, up from 39% last quarter, indicating that more businesses are forecasting stability. Only 9.2% of firms predict a decrease in sales, down from 15% previously. These figures show that the majority of companies foresee either growth or stable sales levels, with fewer expecting a downturn. Overall, expectations for sales in the coming quarter remain largely consistent with those from the last quarter, suggesting continued confidence in revenue performance among Orange County businesses.

Expectations for Hiring



Employment Outlook

Survey results for the second quarter of 2026 indicate that 20% of Orange County firms plan to increase their workforce, which is a slight decrease from the 22% reported in the previous quarter. Meanwhile,

the percentage of businesses expecting no change in their employment levels has risen to 73.8%, up from 68% last quarter. Only 6.2% of firms anticipate reducing jobs, a notable decrease from the 10% seen in the prior quarter.

These figures suggest that companies are approaching hiring with some caution, as fewer are planning to expand their labor force. However, the reduction in the proportion of businesses expecting job cuts indicates a more stable employment environment overall. In summary, hiring activity remains steady in Orange County, with most firms opting to maintain current staffing levels while a smaller number intend to make adjustments.

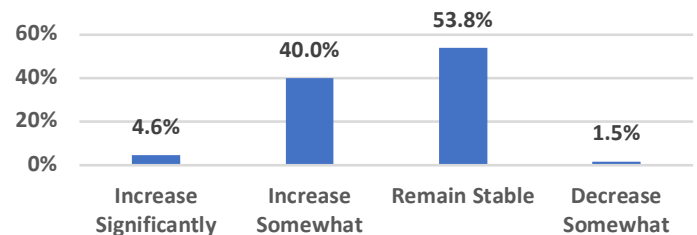
Labor Costs

Expectations regarding labor costs for the second quarter of 2026 remain largely consistent with those from the previous quarter. Survey data indicates that 44.6% of executives anticipate an increase in wages during the upcoming quarter, which is a slight rise compared to 43% in the last quarter.

At the same time, 53.6% of respondents expect wages to remain unchanged, down slightly from 56% in the previous quarter. This suggests that the majority of firms continue to forecast either stable or growing wage levels.

Only a small proportion, 1.5% of executives, foresee a decrease in wages in the next quarter. Overall, these figures demonstrate minimal change in labor cost expectations compared to the previous semester.

Expectations for Labor Costs



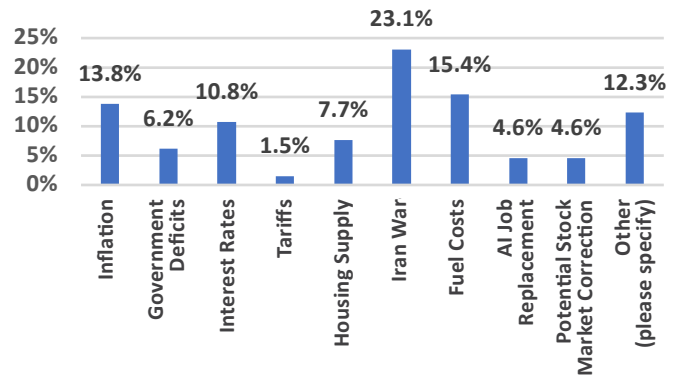
Biggest Concerns

At the start of the second quarter of 2026, several key issues emerged as the primary concerns for Orange County businesses. The ongoing war with Iran, rising fuel costs, persistent inflation, and interest rates are identified as the most pressing challenges facing local firms. These factors are causing uncertainty and are likely to have significant impacts on businesses.

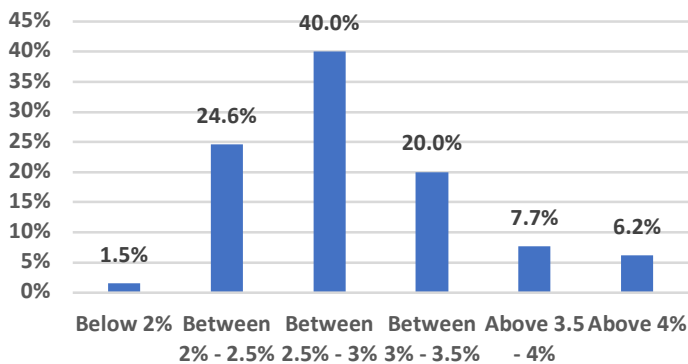
Other concerns, while still relevant, are considered of lower importance. These include the housing supply, government deficits, advances in artificial intelligence, and volatility in the stock market. Additionally, tariffs—which had previously been a major issue—are now becoming less significant for businesses in the region.

Respondents also mentioned further challenges such as the regulatory environment, taxes, political uncertainty, ICE activities, state government mismanagement and broader geopolitical turmoil.

Most Important Concern



Inflation Expectations



Specifically, 26.1% of respondents believe the inflation rate will be below 2.5%, while a further 40% anticipate it will be between 2.5% and 3%. Additionally, 20% expect inflation to fall within the 3% to 3.5% range. Only 7.7% predict inflation will range from 3.5% to 4%, and a small minority of 6.2% think it will exceed 4%.

In summary, more than three-quarters of respondents expect the inflation rate in December 2026 to be below 3%. This anticipated rate is notably higher than the February 2026 figure of 2.4%, highlighting expectations of a slight increase in inflation as the year progresses.

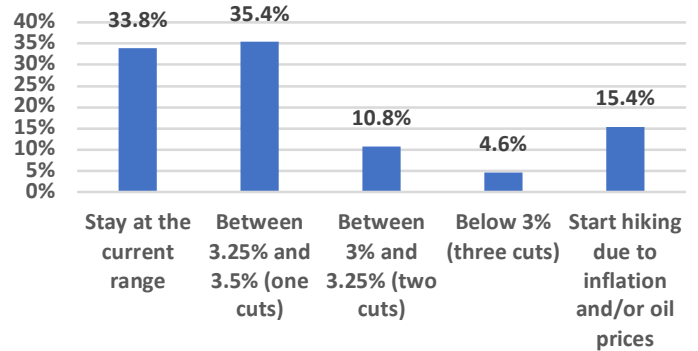
Inflation Expectations

Survey participants were asked to provide their forecasts for the inflation rate in December 2026, following a review of recent inflation trends. The responses reveal a wide range of expectation.

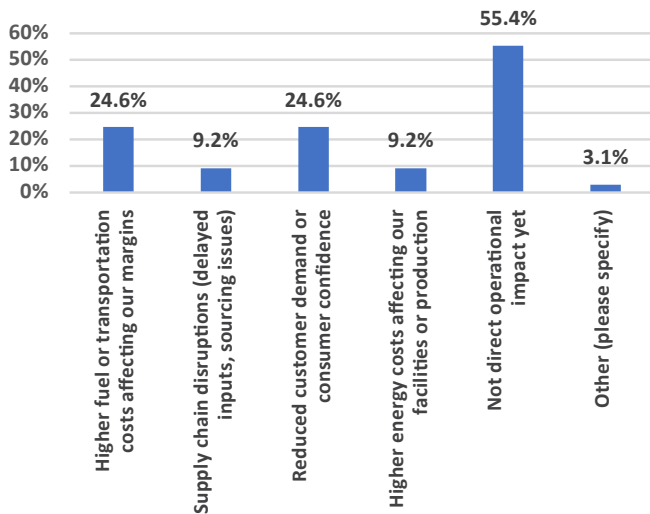
Expectations for the Federal Funds Rate in 2026

The current federal funds rate stands in the 3.5% to 3.75% range. When asked about expectations for the remainder of 2026, survey responses revealed a diverse set of views. About one-third of respondents anticipate that the rate will remain at its present level through the end of the year. Another third expect the Federal Reserve to implement a single quarter-point reduction. Approximately 15% of those surveyed believe that two or three rate cuts are likely before the year's end. Conversely, a notable portion—15.4%—anticipate that the Fed may begin raising rates before the end of the year. Overall, these results show a marked decrease in expectations for federal funds rate cuts among respondents, reflecting shifting perspectives on monetary policy for the coming months.

Expected Federal Funds Rate



Effects of the Iran War



Effects of the Iran War

Survey respondents were asked to assess the impact of the ongoing war with Iran on their businesses. The results indicate that a majority, 55.4%, reported experiencing no direct effects from the conflict. However, the remaining respondents identified several areas of concern. Approximately one quarter indicated that the war had influenced the demand for their products, while another quarter cited higher transportation costs as a consequence of rising gas prices. Additionally, 9.2% of executives stated that their supply chains were disrupted, and an equal proportion noted that their operations were affected by increased energy costs.

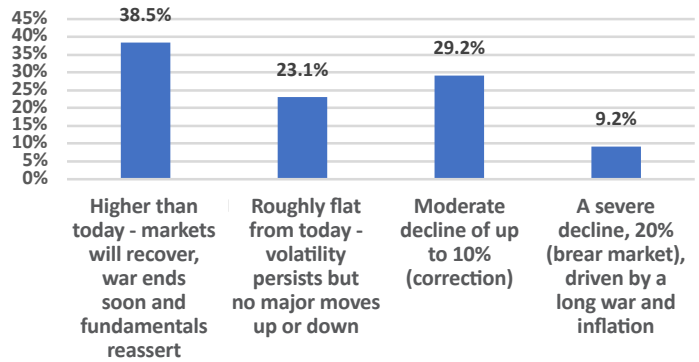
Expectations for the Stock Market

Since the onset of the war in Iran, the stock markets have experienced pronounced volatility. In the recent survey, business executives were asked for their outlook on the S&P 500 by the end of 2026. The responses reflected a range of expectations regarding market performance and stability.

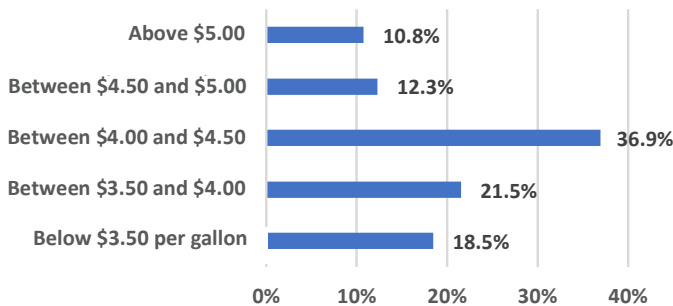
More than one third—38.5% of respondents, an increase from 32% in the previous quarter—anticipate the S&P 500 will be higher at the close of 2026. Meanwhile, 23.1% expect the market to exhibit greater volatility but ultimately little change in its overall value. Nearly 29.2% forecast a market correction, predicting a decline of 10%, while 9.2% foresee a significant

downturn of 20% or more. Notably, the proportion of respondents expecting a major decline has remained relatively stable compared to the previous quarter, with 10% previously holding this view.

Expectations for the Stock Market



Expectations for Gas Prices



Expectations for Gas Prices

The ongoing conflict in Iran has contributed to rising gas prices across the nation. According to the survey, the national average price for gasoline was \$3.70 per gallon at the time the responses were collected.

Survey participants were asked to predict the national average gas price by the end of the second quarter, June 2026. The opinions were divided, reflecting uncertainty about the trajectory of prices in the coming months.

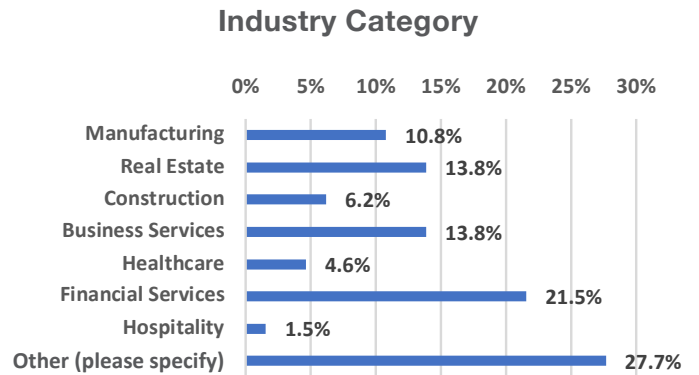
More than a third of respondents—36.9%—expect gas prices to reach between \$4.00 and \$4.50 per gallon. Meanwhile, 12.3% predict that prices will rise further, landing between \$4.50 and \$5.00 per gallon, and 10.8% believe the price will exceed \$5.00 per gallon. In contrast, about 20% of those surveyed think prices will remain relatively stable, staying within the \$3.50 to \$4.00 range. Finally, 18.5% anticipate that gas prices will drop below current levels, provided the conflict in Iran subsides.

These projections highlight the variability in expectations among respondents, underscoring the significant influence of geopolitical events on energy markets.

Industry Categories of Survey Respondents

The survey captured responses from a broad array of industry sectors. The distribution of respondents by industry is presented in the accompanying graph, highlighting the diversity within the survey sample.

In addition to the primary industries shown in the graph, several other categories were represented among respondents. These included Banking, Technology, Transportation, Telecommunications, Sports and tourism, Nonprofit, Workforce Development, Logistics, Hi-tech, Retail, Distribution, Consulting, and Engineering. This wide range of industry participation underscores the varied perspectives reflected in the survey results.



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