

CSUF

Woods Center
for Economic Analysis and Forecasting
COLLEGE OF BUSINESS AND ECONOMICS



ORANGE COUNTY
BUSINESS COUNCIL

**4TH
QUARTER
2026**

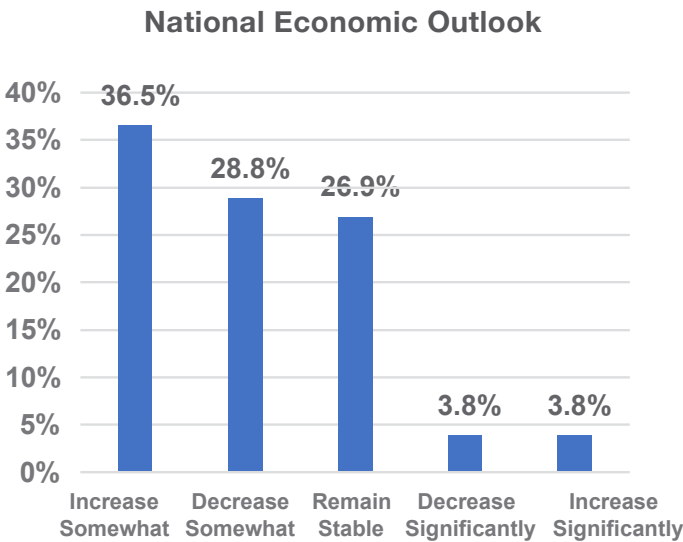
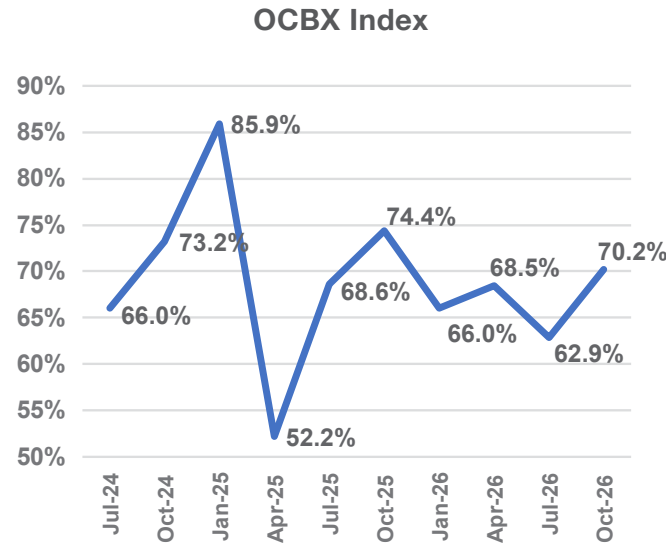
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CSUF ORANGE COUNTY BUSINESS EXPECTATIONS SURVEY

In Partnership with Orange County Business Council

Orange County Business Expectations: OCBX Index

The Orange County Business Expectations Index (OCBX) rose to 70.2% in the 4th quarter of 2026, up from 62.9% in the third quarter. Calculated from other survey variables, the OCBX measures the overall outlook for the local economy; a score above 50 signals expectations for future economic growth in Orange County. Orange County business executives are more upbeat about both the national and regional economies. The following sections provide further detail and context for the index’s recent rise.



Overall U.S. Business Activity

For the 4th quarter of 2026, owners, CEOs, and managers reported a more positive outlook for national business activity than in the prior quarter. The share expecting overall U.S. business activity to improve significantly or somewhat increased to 40.3%, from 32.1% in the previous quarter. Meanwhile, the proportion expecting conditions to remain unchanged fell to 26.9%, compared with 41.5% last quarter, while the share anticipating an economic slowdown rose to 32.6%, from 26.4%. Together, these shifts indicate a wider dispersion of sentiment: larger proportions expect either improvement or decline, and fewer anticipate that current conditions will persist.

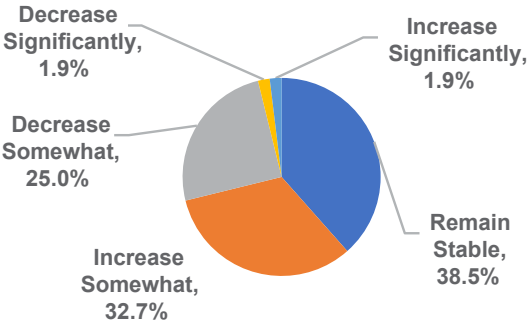
Own and Regional Industry Activity

For the last quarter of 2026, Orange County business leaders expressed greater optimism about activity in their own industries and across the regional economy. Survey results show that 34.6% of executives expect regional industry activity to increase, up from 25% in the previous quarter.

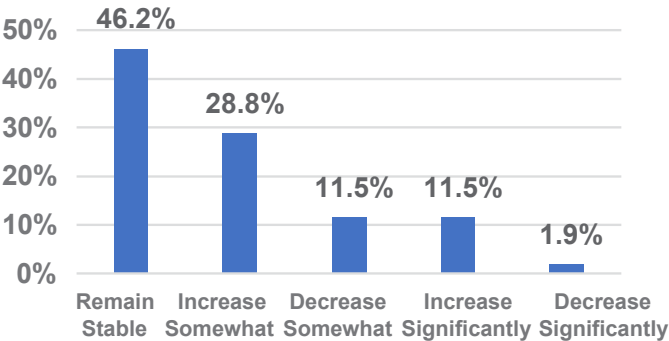
At the same time, 38.5% of firms expect activity in their specific industry to remain stable, compared with 46.2% last quarter. The share anticipating an industry downturn declined to 26.9%, from 28.8% in the prior quarter.

Overall, expectations for individual firm growth improved substantially from three months ago, with more businesses anticipating stronger growth in Q4:2026.

Regional Economy Outlook



Sales Outlook



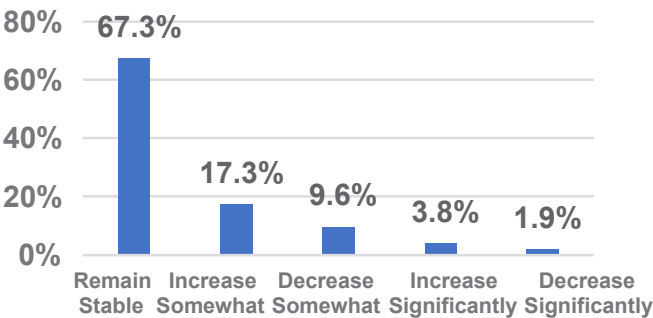
Sales and Revenue

In the 4th quarter of 2026, Orange County firms reported stronger expectations for sales and revenue. The share of businesses expecting sales to increase rose to 40.3%, from 35.9% in the previous quarter. Meanwhile, 46.2% of respondents expect sales to remain unchanged, down from 50% last quarter. The proportion anticipating a decrease edged up to 13.4%, compared with 13.2% previously. Overall, the sales outlook improved from the previous quarter.

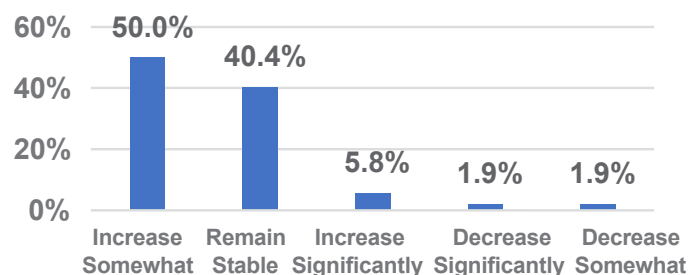
Employment Outlook

Survey results for the third quarter of 2026 show that 21.1% of Orange County firms plan to expand their workforce, up from 17% in the previous quarter. The share expecting no change in employment declined slightly to 67.3%, from 67.9% last quarter. At the same time, the proportion anticipating job reductions fell notably to 11.5%, from 15.1% in the prior quarter. Overall, business leaders are planning moderate workforce growth.

Staffing Outlook



Labor Costs Outlook



Labor Costs

Labor-cost expectations for the 4th quarter of 2026 increased from the previous quarter. Survey data show that 55.8% of executives expect wages to rise during the upcoming quarter, a substantial increase from 41.5% last quarter.

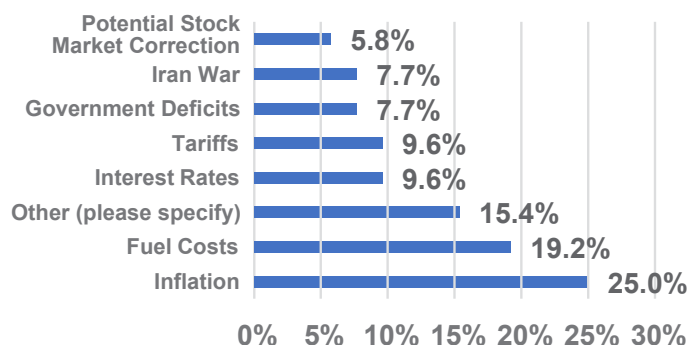
Meanwhile, 40.4% of respondents expect wages to remain unchanged, down from 58.5% in the previous quarter. A small share of executives, 3.8%, expect wages to decline in the next quarter. Overall, the results point to higher labor-cost expectations than in the previous quarter.

Biggest Concerns

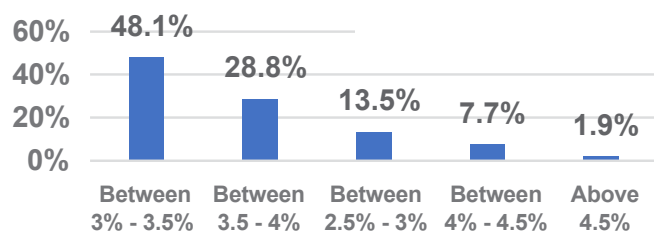
Inflation remains the leading concern for Orange County businesses, followed by fuel costs. Interest rates and tariffs tied for third place, followed by government deficits, the Iran war, and a potential stock market decline. These issues are contributing to uncertainty and are likely to continue shaping business decisions.

Other notable concerns included rising operating costs, uncertainty surrounding federal policies, and healthcare cuts.

Top Business Concerns



Inflation Forecast

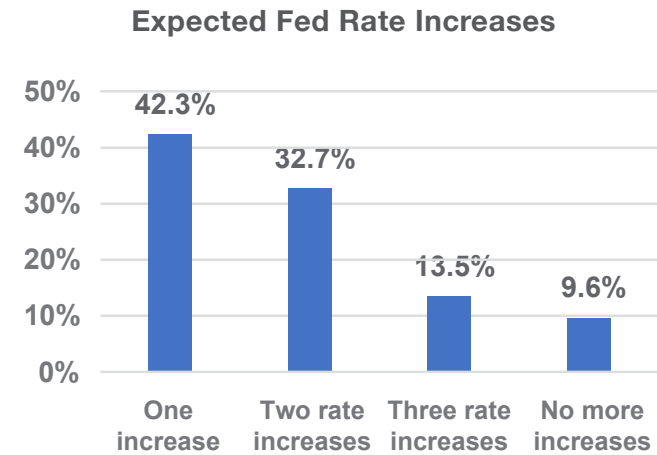
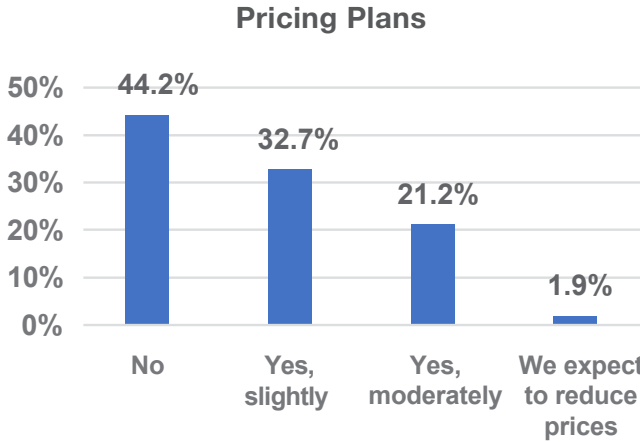


Inflation Expectations

After reviewing recent inflation trends, survey participants were asked to forecast the inflation rate for December 2026. A total of 48.1%, compared with 26.4% last quarter, expect inflation to fall between 3% and 3.5%. Another 28.8%, compared with 30.2% last quarter, forecast inflation between 3.5% and 4%. In addition, 13.5%, compared with 18.9% last quarter, expect inflation between 2.5% and 3%. The remaining 9.6% expect inflation to exceed 4%.

Expectations for Raising Prices

Given elevated inflation and cost pressures, businesses were asked whether they planned to raise the prices of their goods. More than half of respondents expect to do so: 32.7% plan slight increases, while 21.2% anticipate moderate increases. Meanwhile, 44.2% plan to keep prices unchanged, and 1.9% expect to *reduce* prices.



Expectations for the Federal Funds Rate

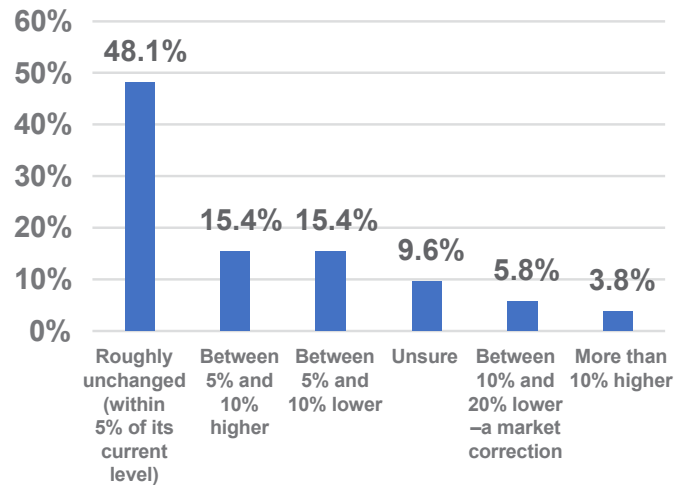
After the September increase, the federal funds rate stands in the 3.75% to 4% range. When asked about quarter-point increases through the end of 2027, 42.3% expect only one increase, 32.7% expect two, 13.5% expect three, and 9.6% expect no further increases in the federal funds rate. The market currently expects at least one more increase before the end of 2026.

Expectations for the Stock Market

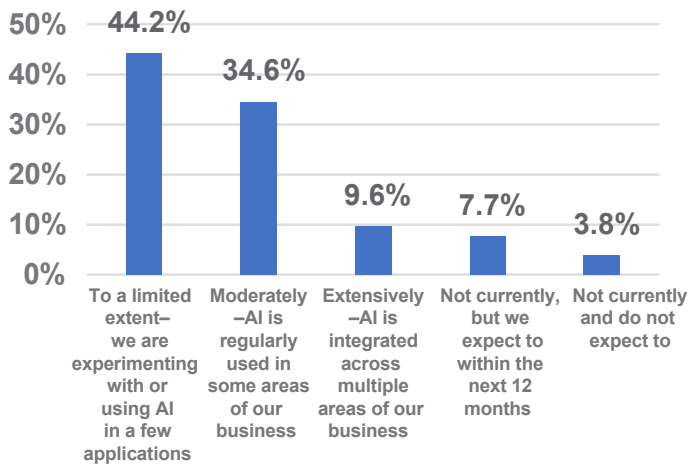
Stock markets have experienced pronounced volatility. In the survey, business executives were asked about their outlook for the S&P 500 over the next 12 months.

A total of 48.1% expect the market to remain roughly at its current level or within 5% of it, compared with 37.7% last quarter. Another 15.4% expect the market to rise by 5% to 10%, while the same percentage expect it to decline by that range. However, 5.8% anticipate a loss of between 10% and 20%, or a correction, compared with 26.4% last quarter. In addition, 3.8% expect the market to rise by more than 10%, while 9.6% are unsure or declined to estimate. Overall, executives are more confident about the stock market.

S&P 500 Outlook



AI Adoption

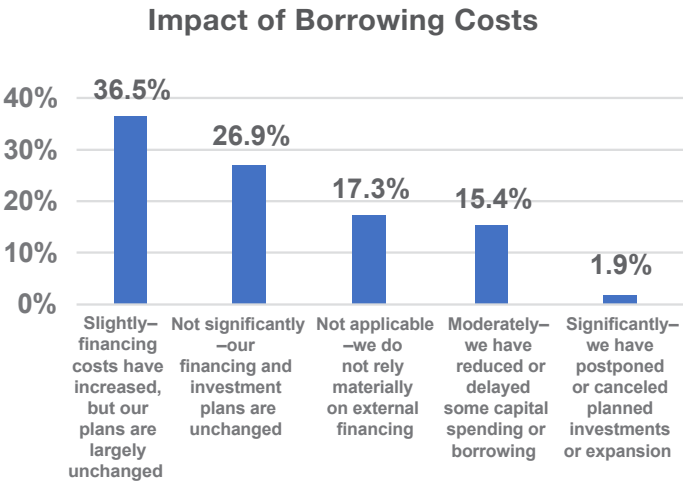
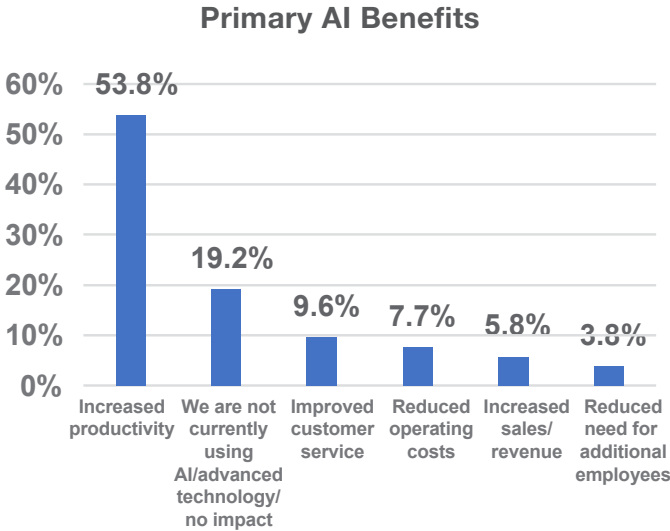


Adoption of AI

AI adoption varies widely among Orange County businesses. Only 9.6% of respondents said their companies use AI extensively across multiple areas. Another 51.9% are experimenting with AI, using it sparingly, or planning to deploy it over the next 12 months. Between these groups, 34.6% use AI regularly but only in selected areas of their businesses. The remaining 3.8% have no current plans to use it.

Impact of AI

Improved productivity has been the most significant benefit of AI adoption. A total of 53.8% of respondents identified increased productivity as the primary benefit of using AI, consistent with findings from other national studies. Other reported benefits included better customer service, lower operating costs, increased sales, and less need to add employees.

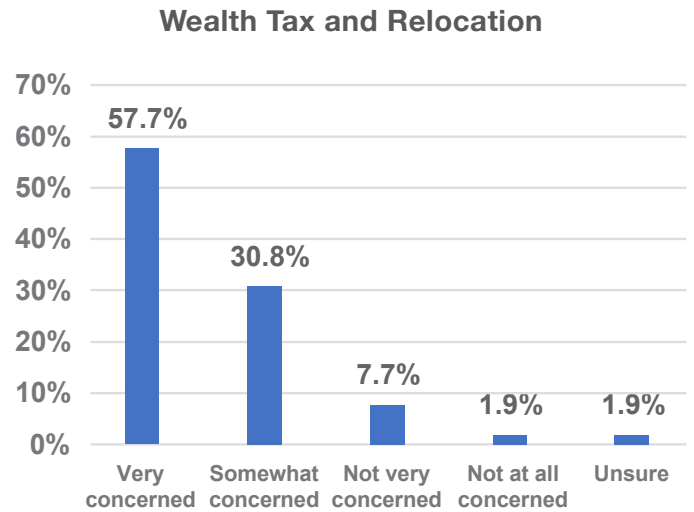


Impact of Higher Borrowing Costs

Long-term interest rates have risen appreciably, with the 30-year U.S. Treasury yield near its highest level in roughly two decades. Business executives were asked how higher long-term borrowing costs were affecting their companies' financing and investment decisions. So far, higher financing costs appear not to have negatively affected most businesses. While 17.3% do not rely on external funding, 63.4% said higher costs had not affected their business decisions. Another 15.4% reported reducing or delaying some capital spending, while a small minority, 1.9%, said they had canceled some investment projects.

Wealth Tax and Relocation

A proposed California measure on the Nov. 3rd election ballot would, if enacted, impose a new tax on the wealth of certain high-net-worth individuals. Business leaders were asked how concerned they were that the measure could prompt high-income individuals, entrepreneurs, or businesses to relocate investment or economic activity outside the state. A total of 57.7% of respondents are very concerned, and another 30.8% are somewhat concerned, that the tax would drive wealthy individuals out of the state. By contrast, 7.7% are not very concerned and 1.9% are not at all concerned. The remaining 1.9% said they were unsure of the tax's impact.



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