

CSUF Orange County Business Expectations Survey

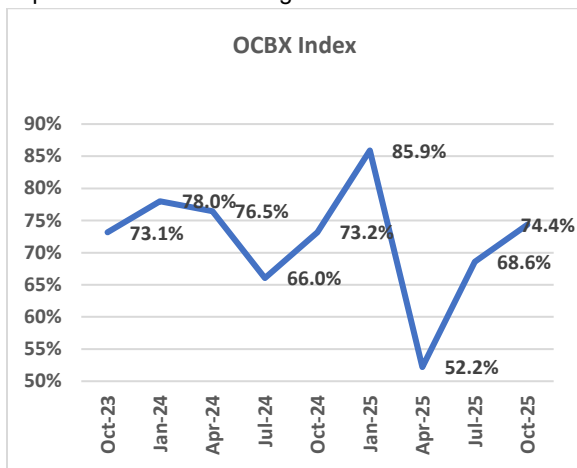
In Partnership with Orange County Business Council

4th Quarter 2025

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

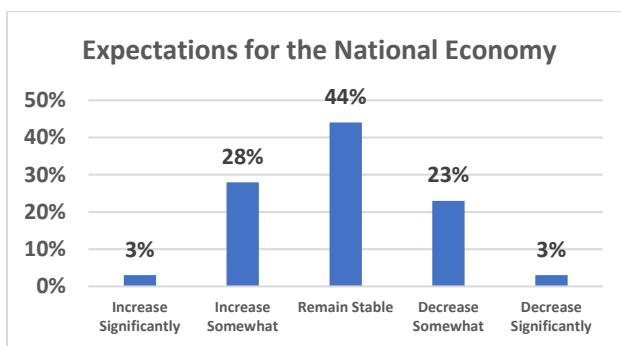
Orange County Business Expectations: OCBX Index

The overall index, OCBX, for the 4th quarter of 2025 improved to 74.4% from 68.6% in the 3rd quarter of 2025, reaching a level close to the beginning of 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 above 50 indicates future growth in the economy. Responses below provide explanations for this change in the index.



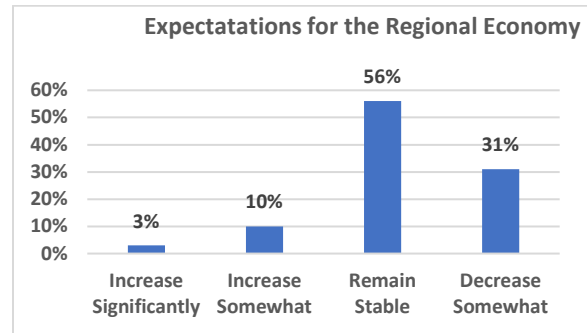
Overall U.S. Business Activity

The proportion of owners, CEOs, and managers that expect national business activity to improve increased to 31% for the 4th quarter of 2025 from 30% in the 3rd quarter 2025. Those believing the situation will remain unchanged, the percentage rose to 44% from 37%, and those expecting the economy to slow down fell to 26% from 32%. The represents a consistent improvement in the expectations for a better national economy.



Own/Regional Industry Activity

13% of the executives surveyed expect the regional industry activity to increase somewhat or significantly in Q4:2025 compared with 33% last quarter. 56% (compared to 37% last quarter) of Orange County firms believe that their own industry will remain stable. 31% (compared to 30% in the previous quarter) predict decreases in their industry. Business expectations for their own growth have moderated this quarter compared to three months ago. Majority of the businesses don't expect much change in the near term.



Sales and Revenue

28% of the firms surveyed expect their sales to increase this quarter (compared to 38% in the last quarter), 51% expect little change (compared to 42% in the last quarter) and 20% expect to have lower sales (compared to 21% in the last quarter). More firms have moderated their expectations for sales in the coming quarter, continuing the trend from the last quarter.



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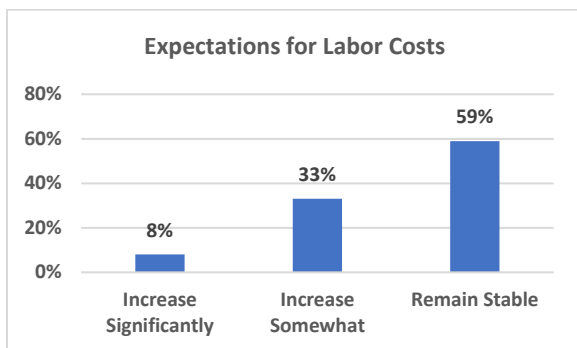
Employment

18% of firms surveyed intend to increase their labor force (compared to 30% in the last quarter), 67% intend to make no change (compared to 58% last quarter), and 16% expect to cut jobs (11% in the last quarter). Firms have cut back on hiring plans. Fewer plan on more hiring and 2/3rd will hold on to their current size.



Labor Costs

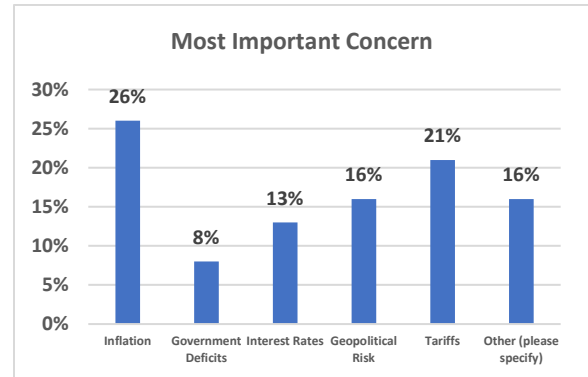
41% of executives surveyed (compared to 44% last quarter) expect wages to increase in the coming quarter, and 59% (compared to 56% last quarter) expect them to remain unchanged. None of the executives expect wages to decrease in the next quarter, same as in the last quarter.



Biggest Concerns

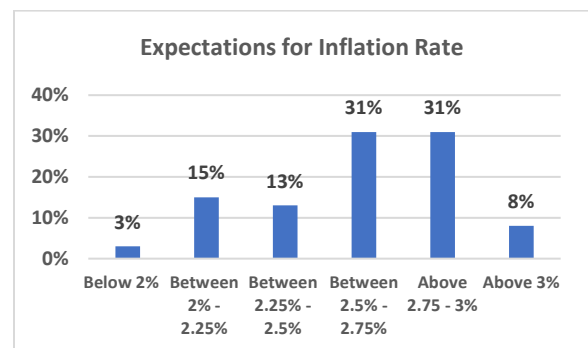
Inflation jumped back to the top concern this quarter, presumably because of the recent lowering of the

federal funds rate interest rate worries subsided. Tariffs and geopolitical risks were third and fourth position followed by government deficits. Others mentioned were uncertainty and instability at the federal level and uncertainty, lack of repeat orders, government cutbacks California taxes and talent acquisition



Inflation Expectations

We asked respondents to share their forecasts of inflation for December 2025 (after giving them the recent history). 40% of respondents expect the inflation rate to be between 2.5% and 2.75% and the same percentage expect it to be between 2.75% and 3%. Only 8% expect it to go over 3%. However, 31% expect inflation to be below the current level. It appears that inflation expectations are roughly evenly split around the three camps of below 2.5%, between 2.5% and 2.75% and between 2.75% and 3%.



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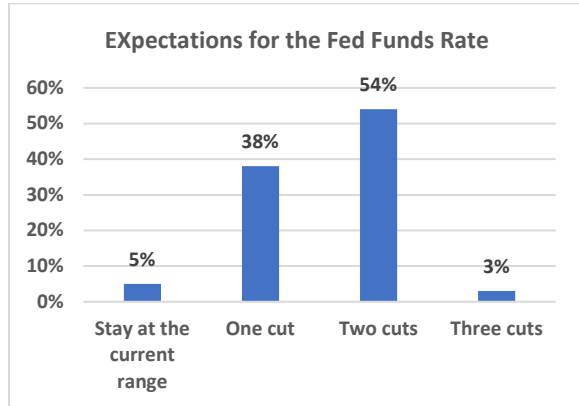
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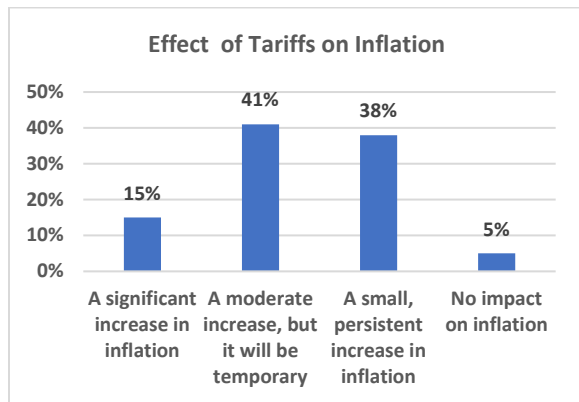
Expectations for the Federal Funds Rate in 2025

After the fed funds rate was lowered by 25 basis point to 4%-4.25%, 38% expect one more cut of .25% by year-end. 54% expect two cuts and 3% expect three cuts.



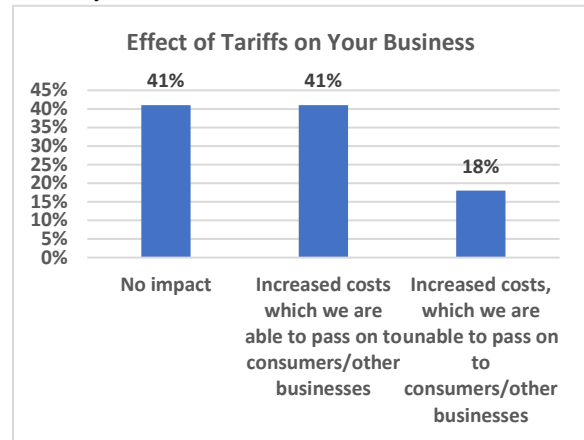
Impact of Tariffs on Inflation

We asked what impact you think the proposed tariffs of President-elect Trump will have on the rate of inflation. 15% of the respondents this quarter (compared to 17% last quarter) think the tariffs will lead to a significant increase in the rate of inflation while only 5% (same as last quarter) think they will have no impact. 38% (39% last quarter) believe the tariffs will increase inflation somewhat but the effect would be temporary. 38% (34% last quarter) expect a persistently negative but small impact on inflation. There has been little change in how business executives think tariffs will affect the rate of inflation.



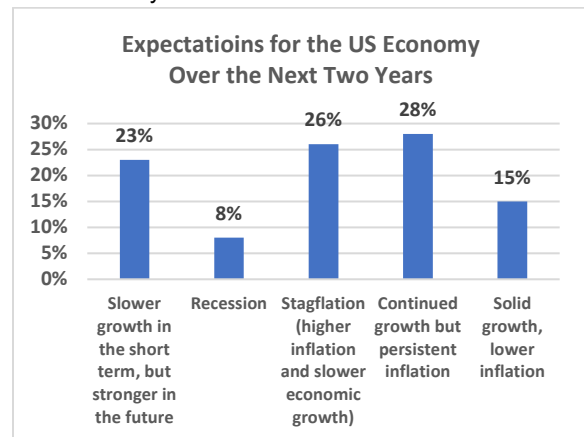
Effect of Tariffs on Own Business

In a new question, we asked about the effect tariffs are or will be having on their own companies. 41% indicated that they don't expect any negative impact. An equal number expect some cost increases but expect to pass these on to their customers or suppliers. Only 18% expect tariffs to raise their costs that they are unable to shift.



Expectations for the Next Two Years

In a new question, we asked, given the policy changes under President Trump, what their expectations were for the economy over the next two years. The responses are quite split. 15% expect solid growth with lower inflation, 28% expect continued growth but persistent inflation and 26% see stagflation on the horizon (slow growth and higher inflation). In addition, 23% expect slower growth in the near term but stronger afterwards and 8% expect a recession in the next two years.



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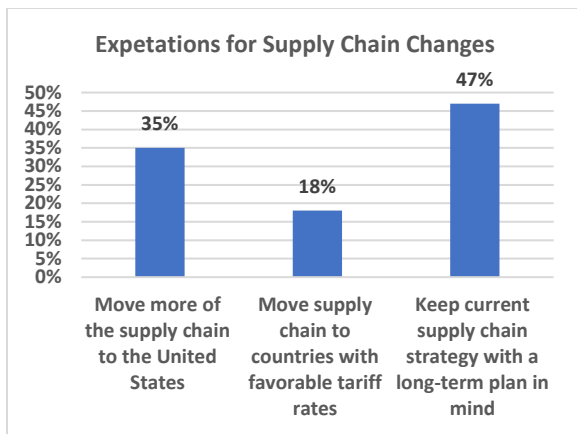
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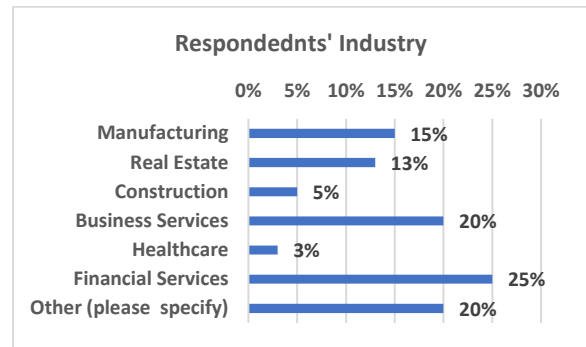
Expected in Supply Chains:

47% (compared to 59% last quarter) would stick with their current strategy with a long-term plan in mind. 18% (compared to 26% last quarter) expect to move their supply sources to countries with more favorable tariff rates while 35% (compared to 15% before) would move their supply chains to the US. A much larger number of firms are contemplating moving their supply sources to the U.S.



Industry Categories

The graph below shows the industry category of those who responded to the survey. In addition to those shown in the graph below, these categories were also mentioned: Technology, Chamber of Commerce, Consulting Engineering, Education, Distribution, Nonprofit, Entertainment, Consultant



Likely Impact of Deportations

The current administration has stepped up deportation efforts for undocumented immigrants. When asked about how this will affect their business, 59% (compared to 60% last quarter) said it would have no impact. 36% (compared to 17%) last quarter expect negative impacts and 5% (compared to 7% previously) expect deportations to have a positive impact on their businesses.

