This survey of 500+ OC business executives was conducted during September 16-25, 2020 with a response rate of approximately 14%.

This survey is an important and timely indicator of the business sentiment of Orange County executives. There have been significant changes in the attitudes as we go through different phases of the epidemic and its impact on the economy as discussed below. We will be discussing the state of the OC business in our upcoming forecast on October 22, 2020. For information, please check the Woods Center website: https://business.fullerton.edu/engagement/economicanalysisandforecasting

Orange County Business Expectations: OCBX Index
The overall index, OCBX, for the 4th quarter 2020 improved to 80.9 from 62.9 in the 3rd quarter 2020. The index is still below the levels reached in the last several years but shows significant improvement from the last two quarters. The 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.

Overall Business Activity
The proportion of owners, CEOs, and managers that expect overall business activity to improve or stay the same improved to 63.8% for the 4th quarter 2020 from 42.9% in the 3rd quarter 2020. This measure asks for responses to questions about Orange County executives’ outlook for the regional economy. Expectations for the region’s economy have gotten better for the coming quarter.
Own Industry Activity Survey Results
61.7% of the executives expect significant or some growth (compared to 47.1% in the last quarter) in their own industry. 19.1% (compared to 20% last quarter) of Orange County firms believe that their own industry will remain stable. 19.1% of businesses (compared to 32.9% in the previous quarter) predict some decreases in their industry. Significantly larger number of the business leaders have increased their expectations for growth of their own businesses for the coming quarter for their industry.

Employment
19.6% of firms surveyed intend to increase their labor force (compared to 22.9% in the last quarter), 69.6% intend to make no change (compared to 58.6% last quarter), and 10.9% expect to cut jobs (18.6% in the last quarter). Hiring picture is relatively stable with large portion of businesses not planning to change their employment levels in the coming quarter.

Sales/Revenues
45.7% of the firms surveyed expect their sales to increase this quarter (compared to 14.8% in the last quarter), 22.9% expect little change (compared to 13% the last quarter) and 31.4% expect to have lower sales (compared to 72.2% in the last quarter). Sales expectations have turned up substantially for the coming quarter.
Operating Profits
43.5% of the firms surveyed expect to have higher profits in the next three months (compared to 41.4% last quarter), 26.1% expect no change (compared to 25.7% from last quarter) while 30.4% expect lower profits (compared to 32.9% last quarter). Profit expectations for the coming quarter have improved somewhat for the coming quarter in line with expectations for sales.

Inventory/Equipment Investment
20% of respondents said that they expect to increase inventory compared to 18.8% in the last quarter. The share of those expecting inventory to remain unchanged decreased to 57.8% from 65.2% and those who expect to have reduced inventory moved to 22.2% from 15.9%. Businesses in general expect to hold their inventories steady in the fourth quarter.

Most Significant Factors
Concern over the state of the overall economy remained the most important concern (moving to 51.1% from 63.8% from the last quarter) while Government Regulation stayed as the next important factor at 14.9% (compared to 17.4% last quarter). All other factors remained of lesser concern. Other concerns expressed were the epidemic, elections and job creation.
Sample Firm Size
38.3% of the firms who responded to the survey employ more than 100 workers, while 34% had fewer than 20 employees and the rest, 27.7%, had between 20 and 100 employees.

When do you expect your business to recover to the level of beginning of 2020? [SPECIAL QUESTION]
In this special question, we wanted to know their expectations of how long it will take for their businesses to get back to the level before the epidemic hit. 44.5% of the business expect to get there over the next 6 months (compared to 24.3% during the last survey). A cumulative 66.7% believe that they will reach that level by the end of 2021. But a 33.3%, (compared to 20% last quarter) think it will be after 2021, more than 15 months from now. So, there is wide dispersion on how quickly the businesses expect to regain their original strength.

What do you believe is the biggest threat to the economy?
In this special question, we asked executives about their biggest fear for the overall economy.

An overwhelming majority, 78.3% (compared to 71.8% last quarter), think that the political and social conditions currently gripping the country pose a major threat to the economy and business. Given the upcoming elections and deep polarization, it is not surprising to have that listed as a major concern.

Incidentally, there is less agreement on whether the current fiscal actions are sufficient or not to mitigate the impacts of the coronavirus. The same sentiment was expressed last quarter.