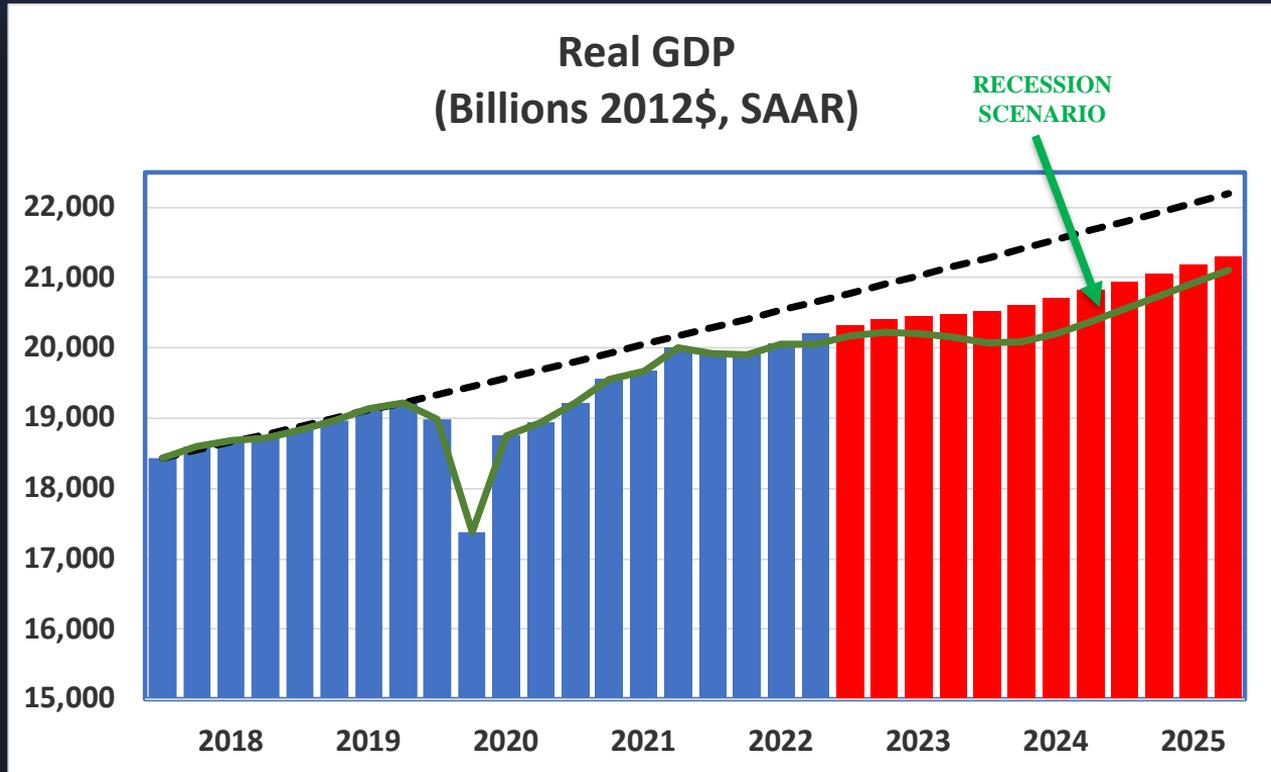


The Economic Outlook and Orange County Taxable Sales

OCTA Briefing, June 14, 2023

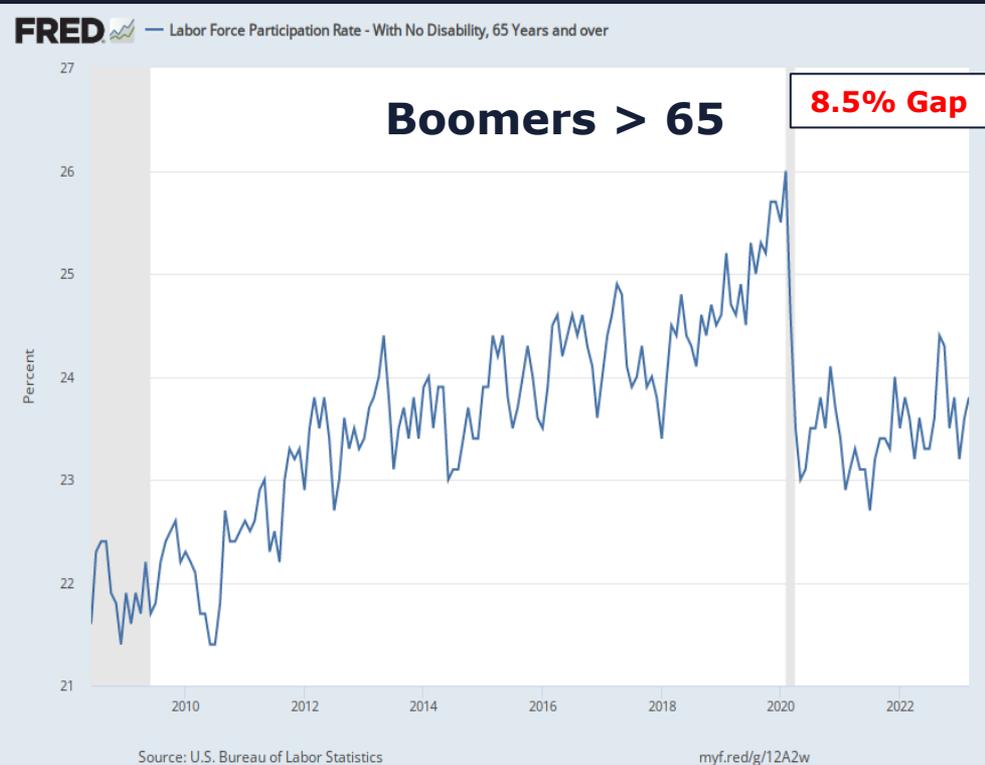
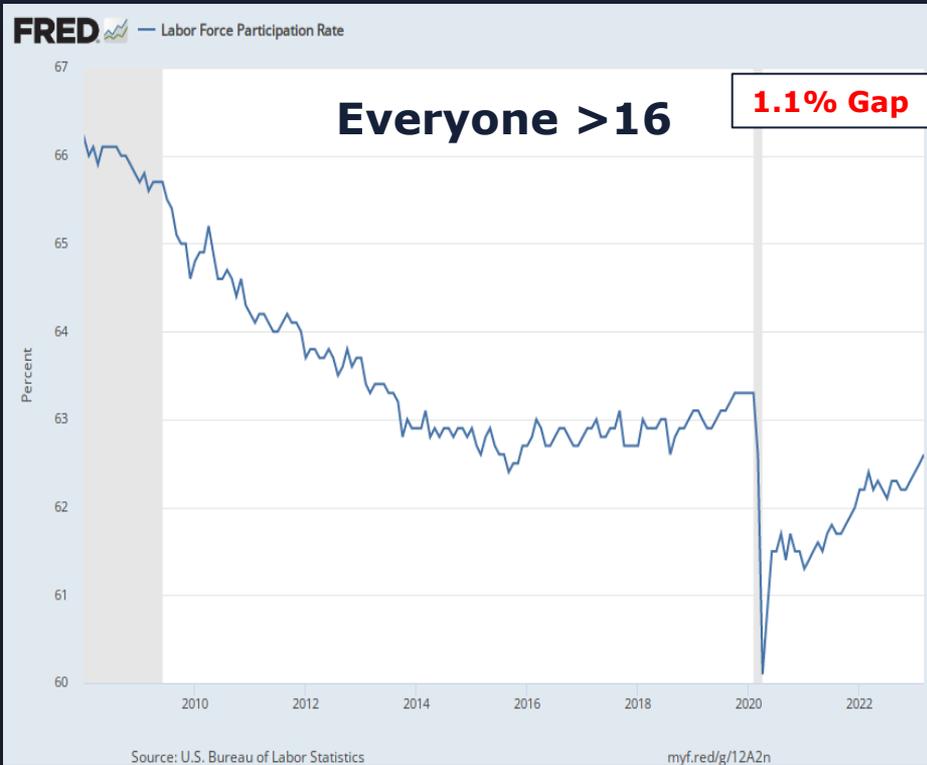
Jerry Nickelsburg, Director
William Yu, Economist

UCLA Anderson Forecast

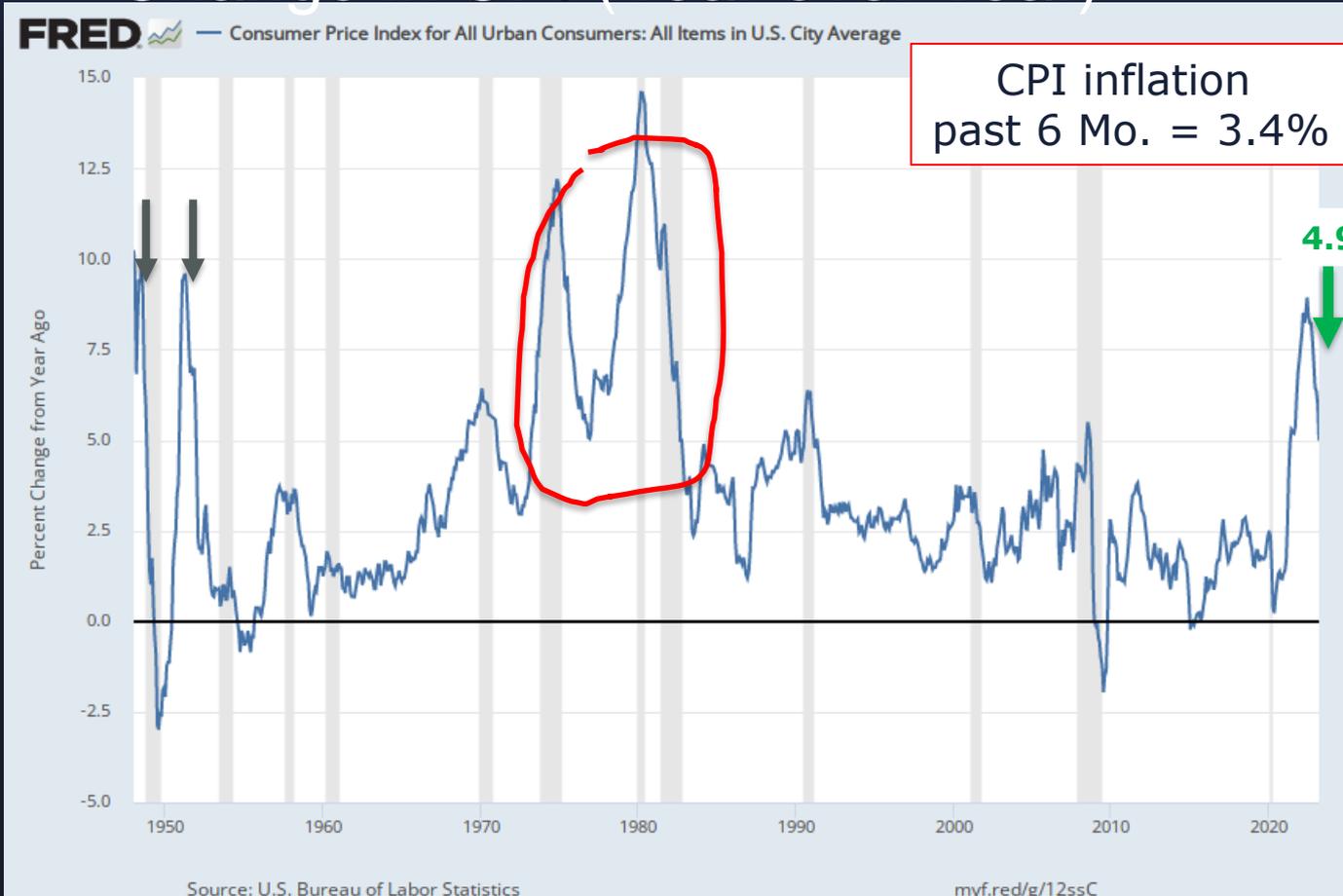


SAAR means Seasonally Adjusted Annual Rate

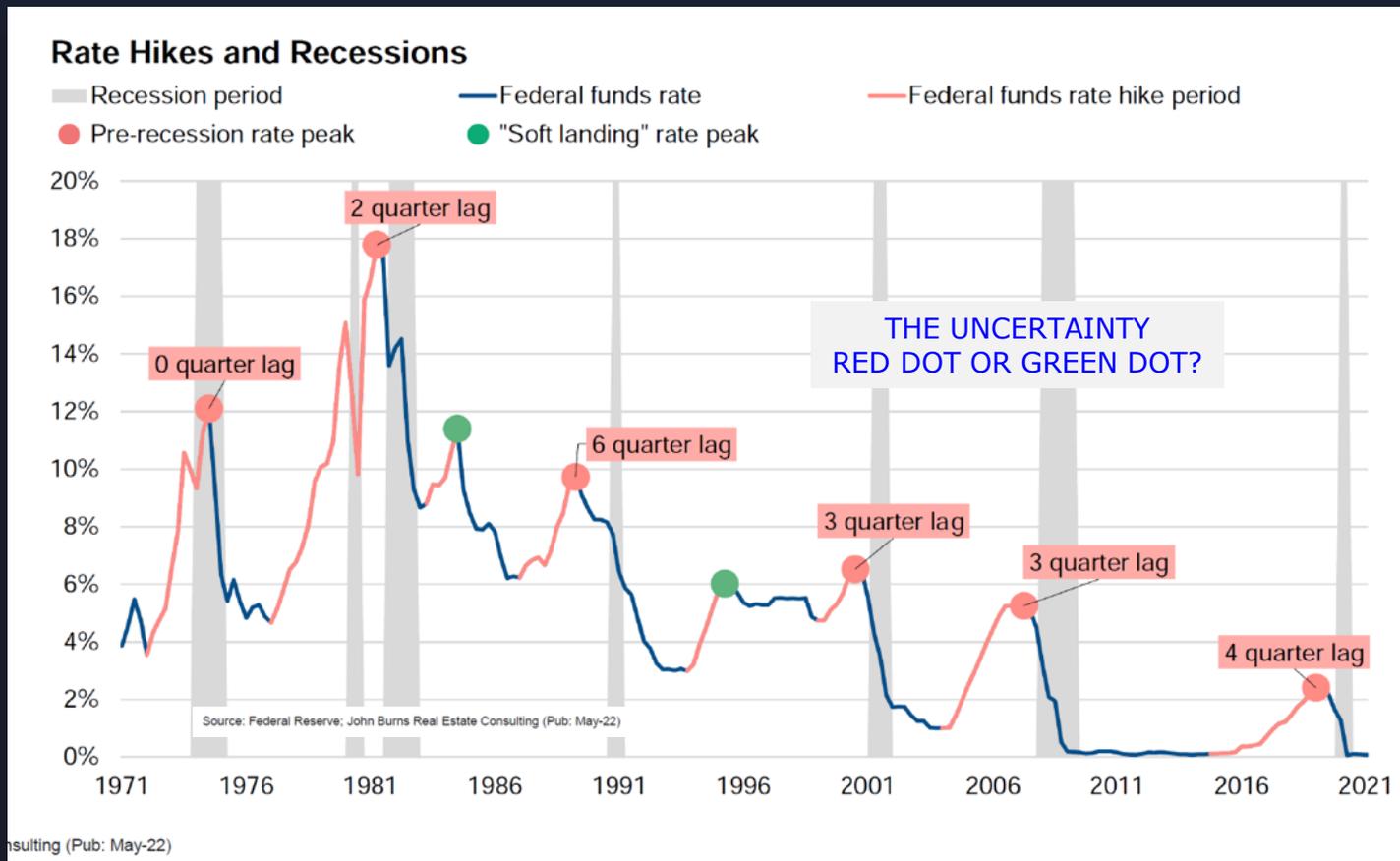
LABOR FORCE PARTICIPATION



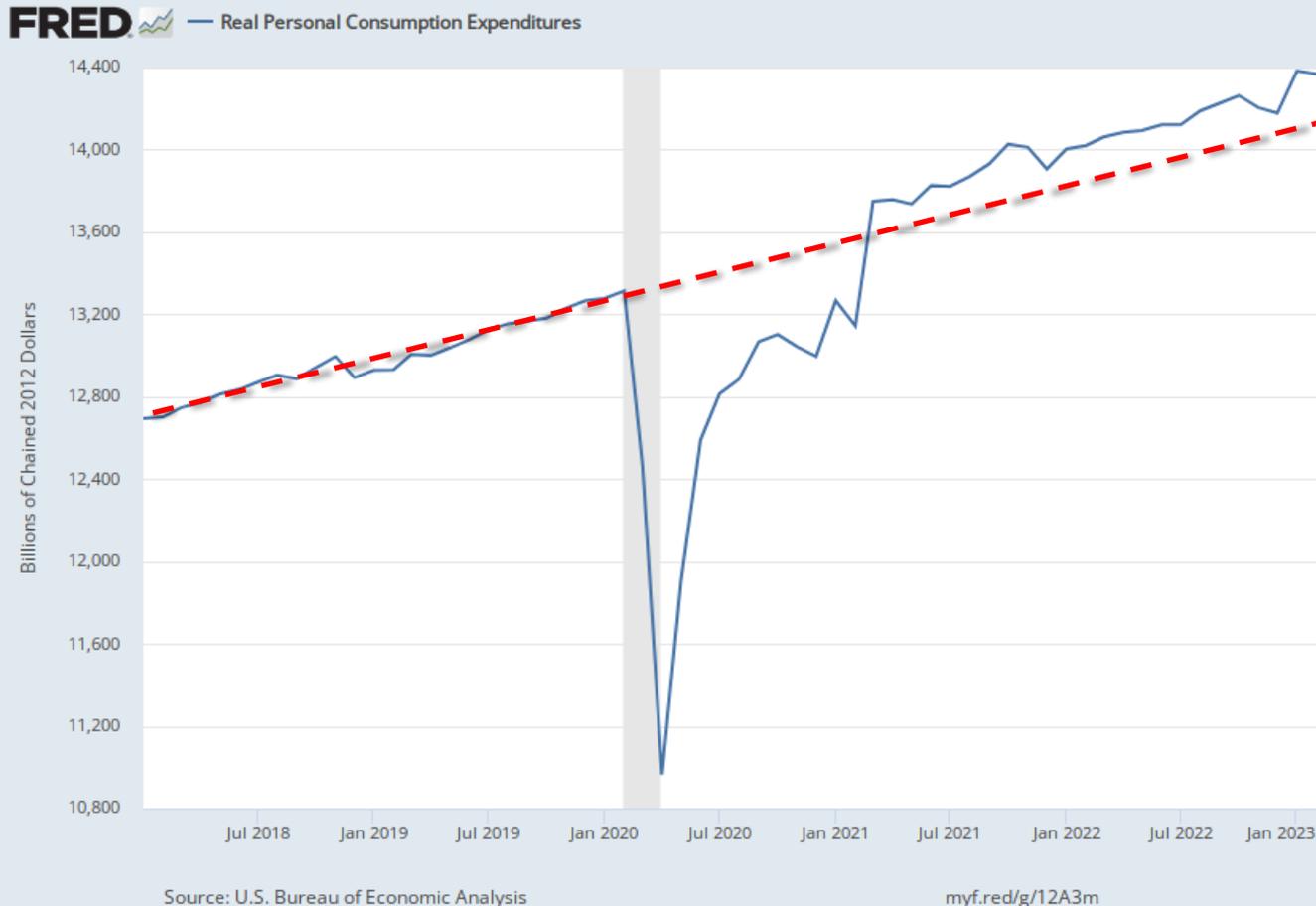
Change in CPI (Year over Year)



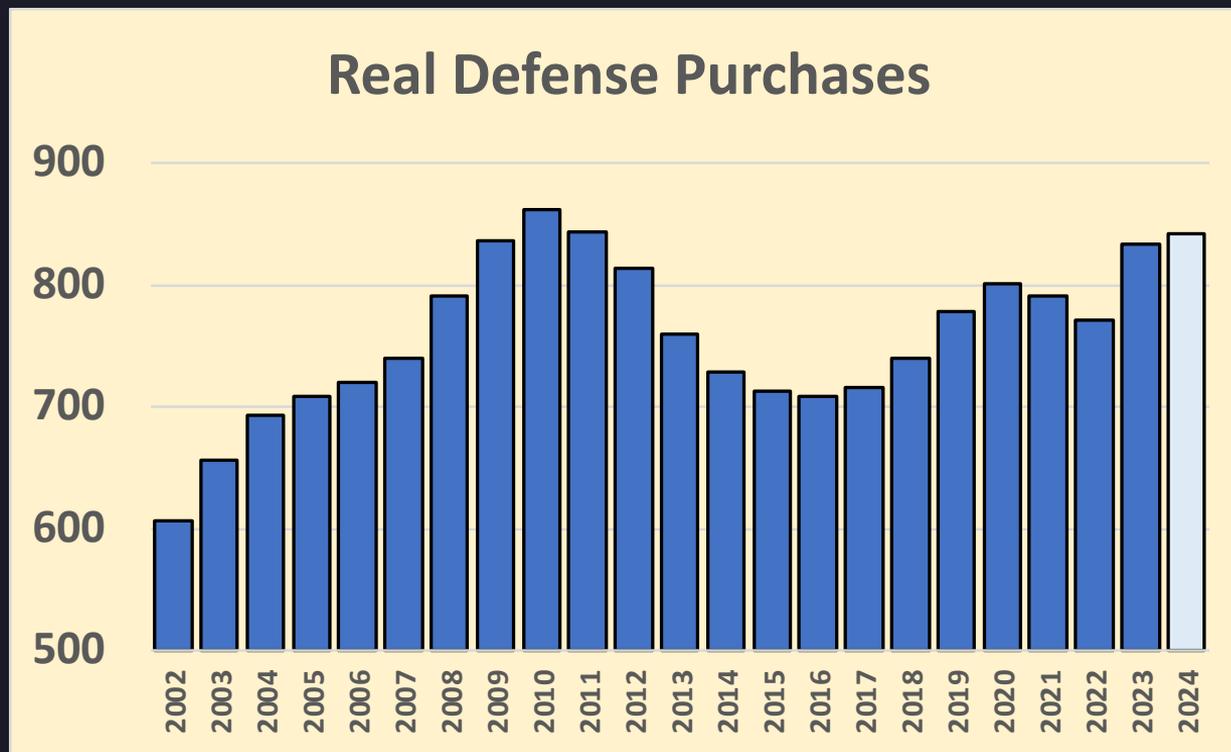
RATE HIKES AND RECESSIONS: THE EVIDENCE



Consumption Remains Strong



Into an already booming economy and tight labor market, add stimulus from more defense spending



Source: UCLA Anderson Forecast and U.S. Bureau of Economic Analysis. Notes: \$ Billions, chained 2012 prices

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April 19, 2021 \$5.99

SPECIAL ISSUE

NATIONAL REVIEW CALIFORNIA

Leaving

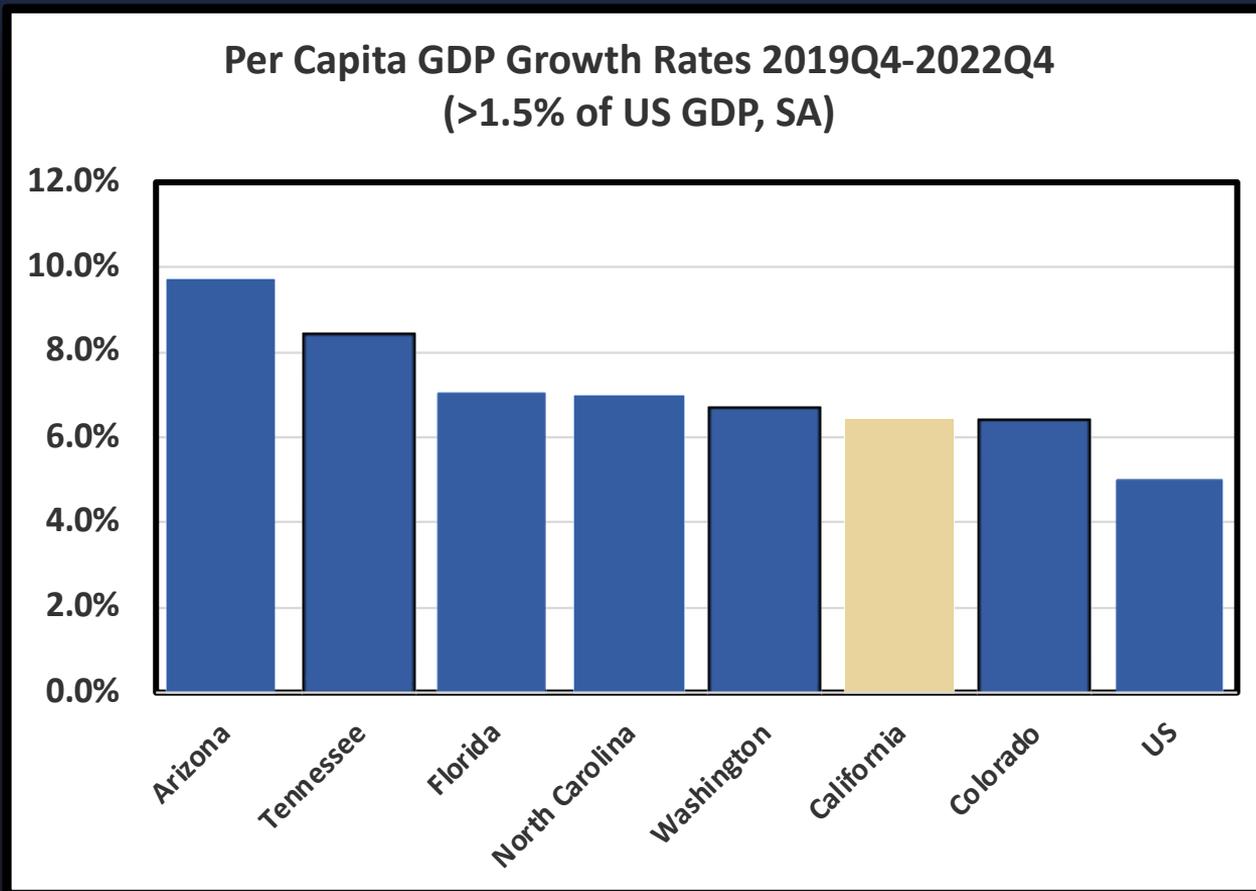
THE GOLDEN STATE
AND ITS SELF-INFLICTED
DISCONTENTS

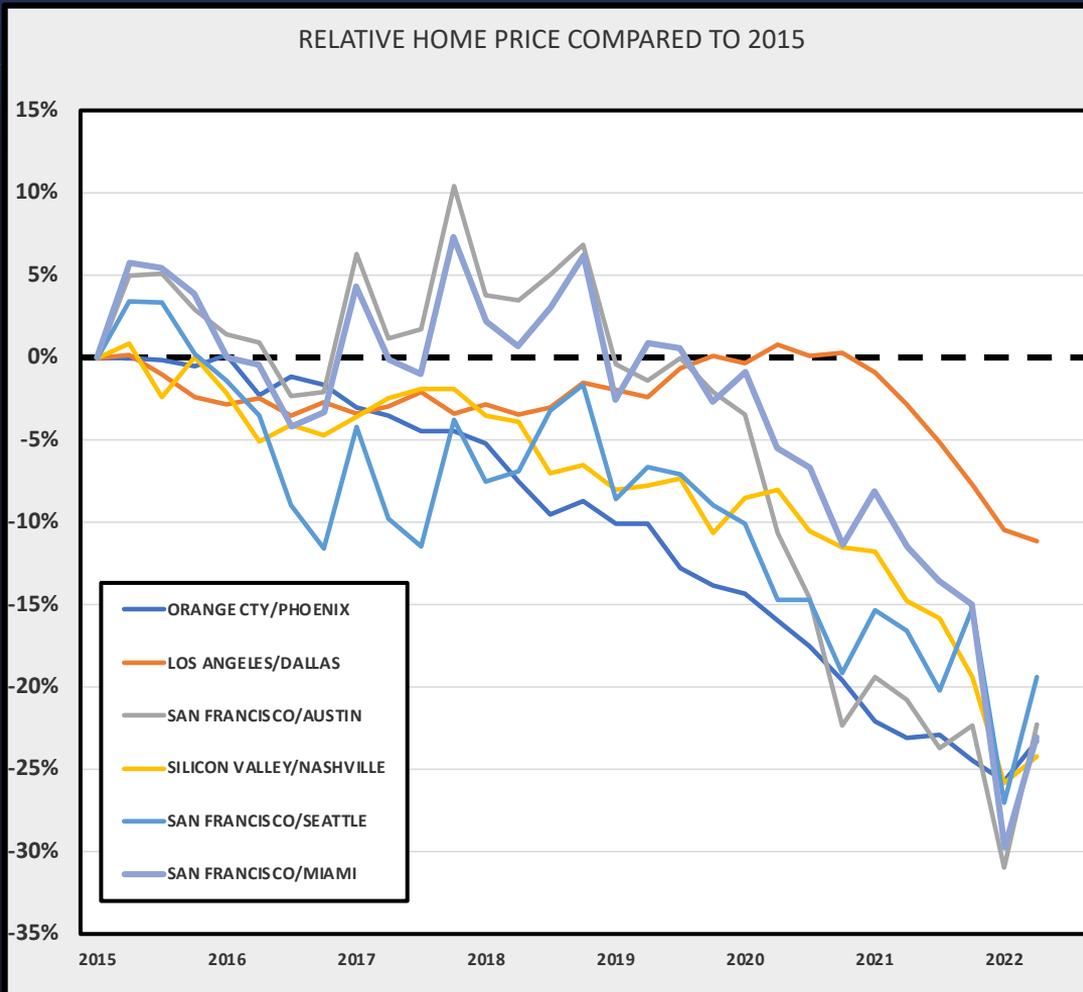
DAVID L. BAHNSEN
LINDSEY M. BURKE
JOHN FUND
MICHAEL GIBSON
STEVEN GREENHUT
MICHAEL HENDRIX
JÖEL KOTKIN
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MICHAEL TANNER
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KEVIN D. WILLIAMSON



Adjusting GDP Growth for Migration

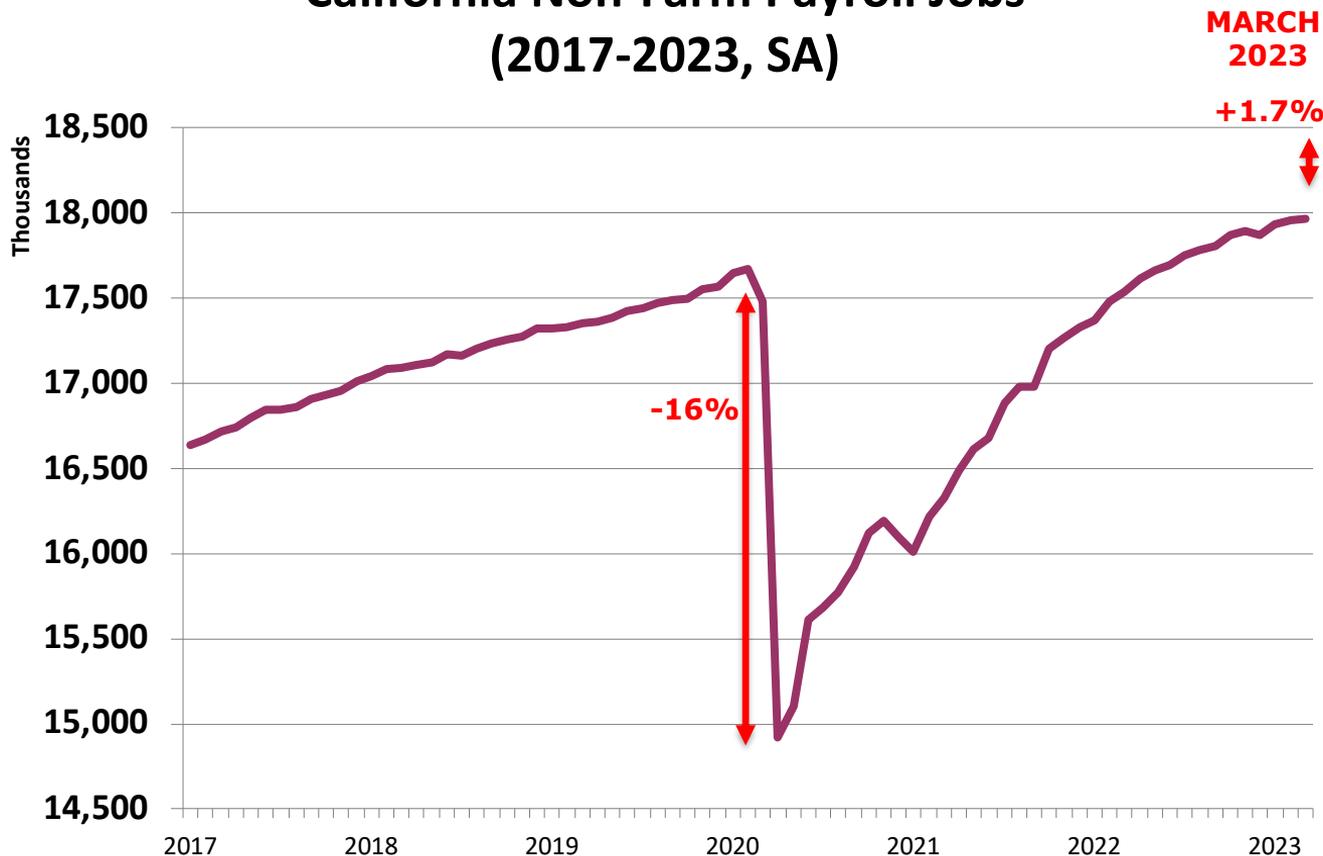




Migration for more affordable homes is easing

Aggregate jobs and recovery

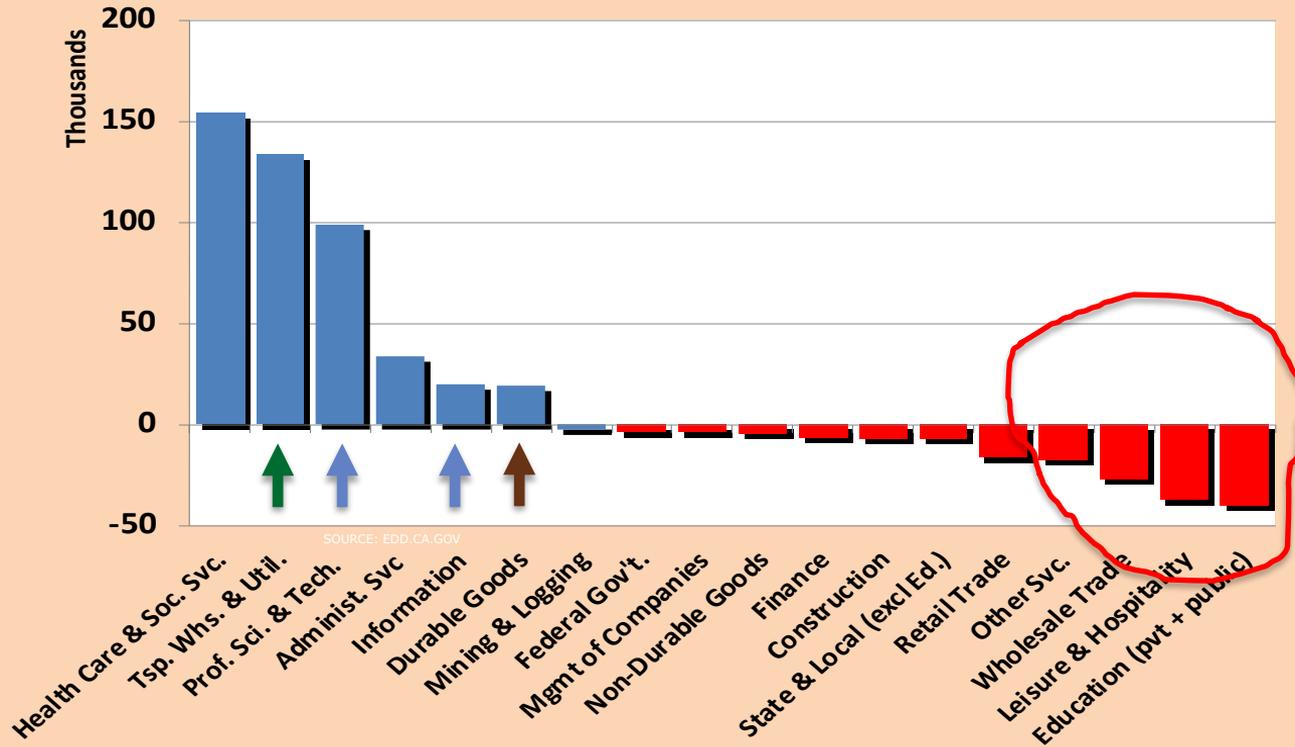
California Non-Farm Payroll Jobs (2017-2023, SA)



CA Non-Farm Payroll Job Change By Sector

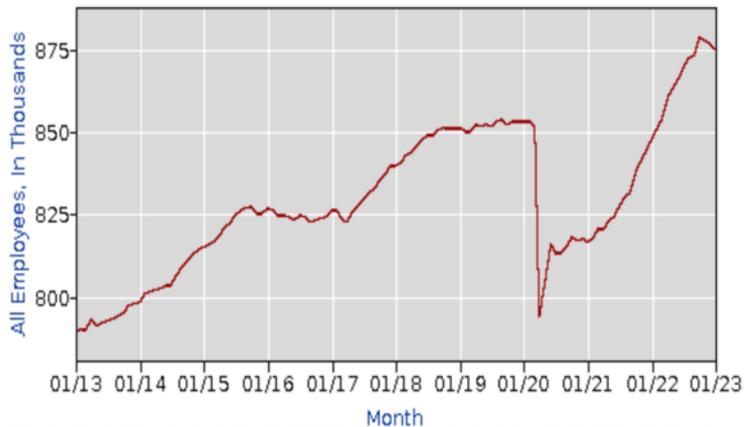
a little approach. critical answers. Accurate.

CHANGE IN NO. OF JOBS BY SECTOR (Feb. 2020 to March 2023)



Industry: Durable Goods

Data Type: All Employees, In Thousands

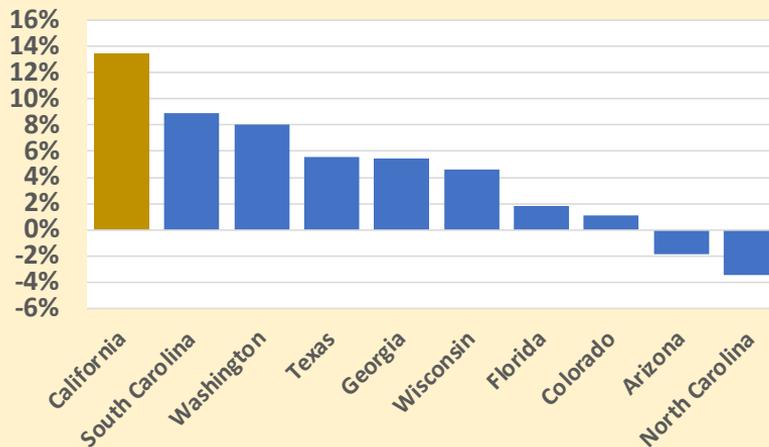


MFG EMPLOYMENT RECOVERED

Source: BLS.gov

WITH SUPERIOR
PRODUCTIVITY
GROWTH

DURABLE GOODS MANUFACTURING
CHANGE IN PRODUCTIVITY 2019-2022



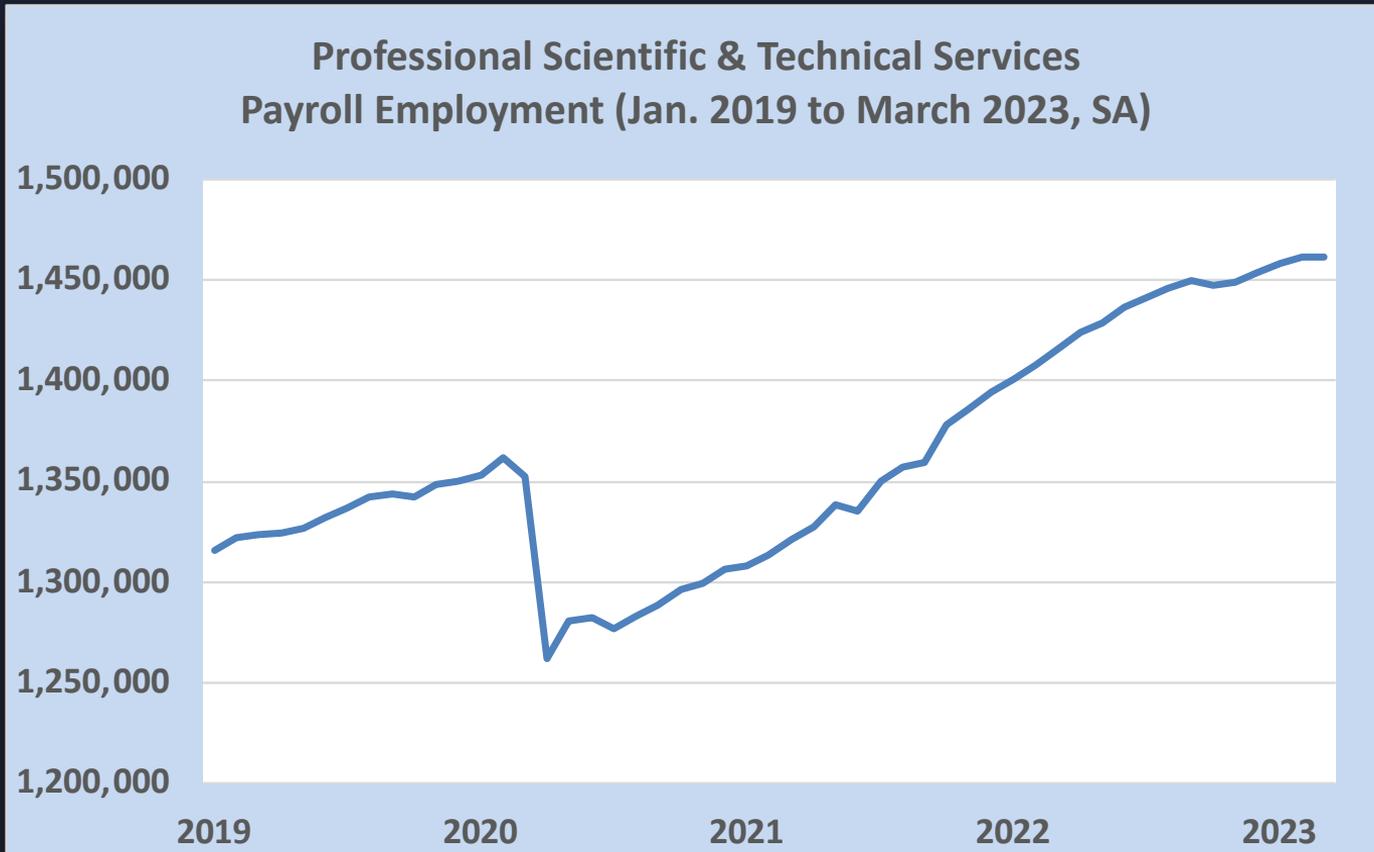
Defense stimulus will not be spread around

The top ten states for total Defense spending in Fiscal Year 2020 were:

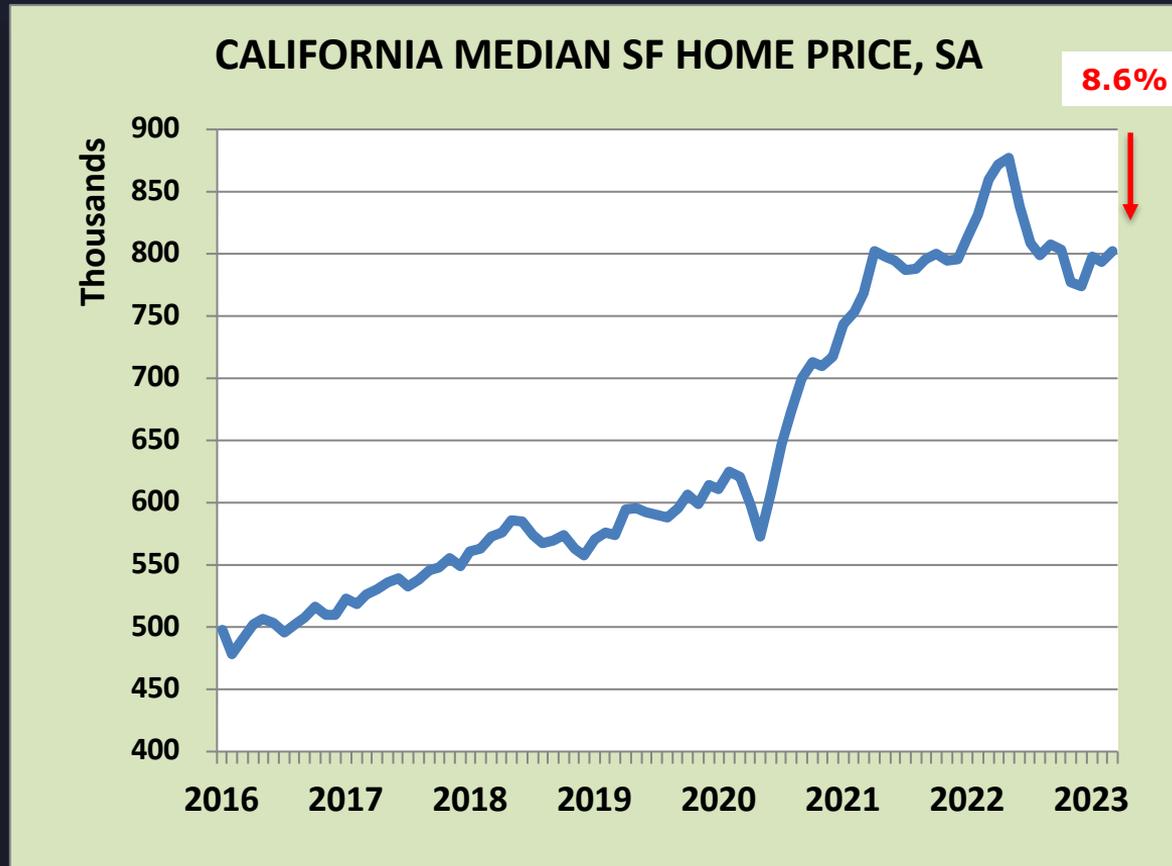
Rank	State	Defense Spending (billions)
1	Texas	\$83.0
2	Virginia	\$64.3
3	California	\$61.0
4	Maryland	\$30.4
5	Florida	\$29.1
6	Connecticut	\$23.6
7	Arizona	\$20.2
8	Massachusetts	\$18.6
9	Pennsylvania	\$17.8
10	Georgia	\$15.8

Source: US Department of Defense

Tech employment in CA is growing

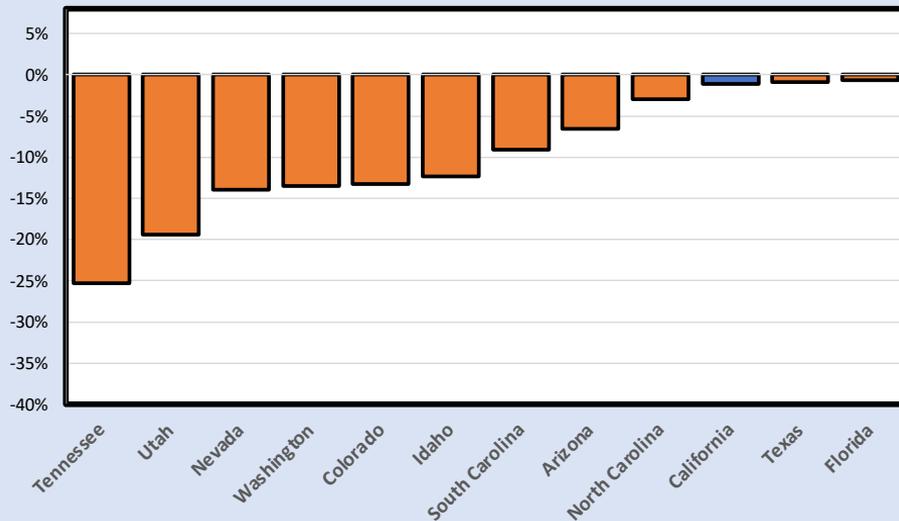


California Outlook – Housing Markets (Jan. 2016 TO March 2023)

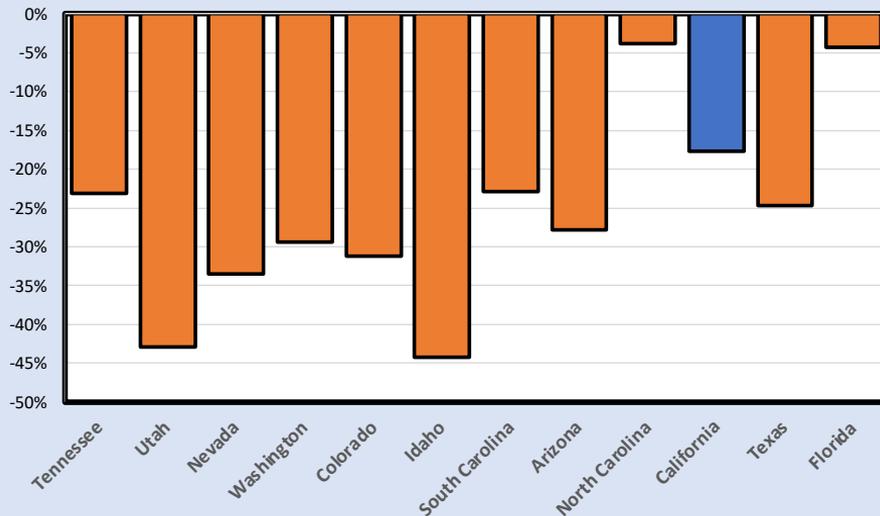


Home construction is slowing

Building Permit Growth (2021 to 2022, No. of Units)



Building Permit Growth (Jan2March '22 to Jan2March '23, No. of Units)

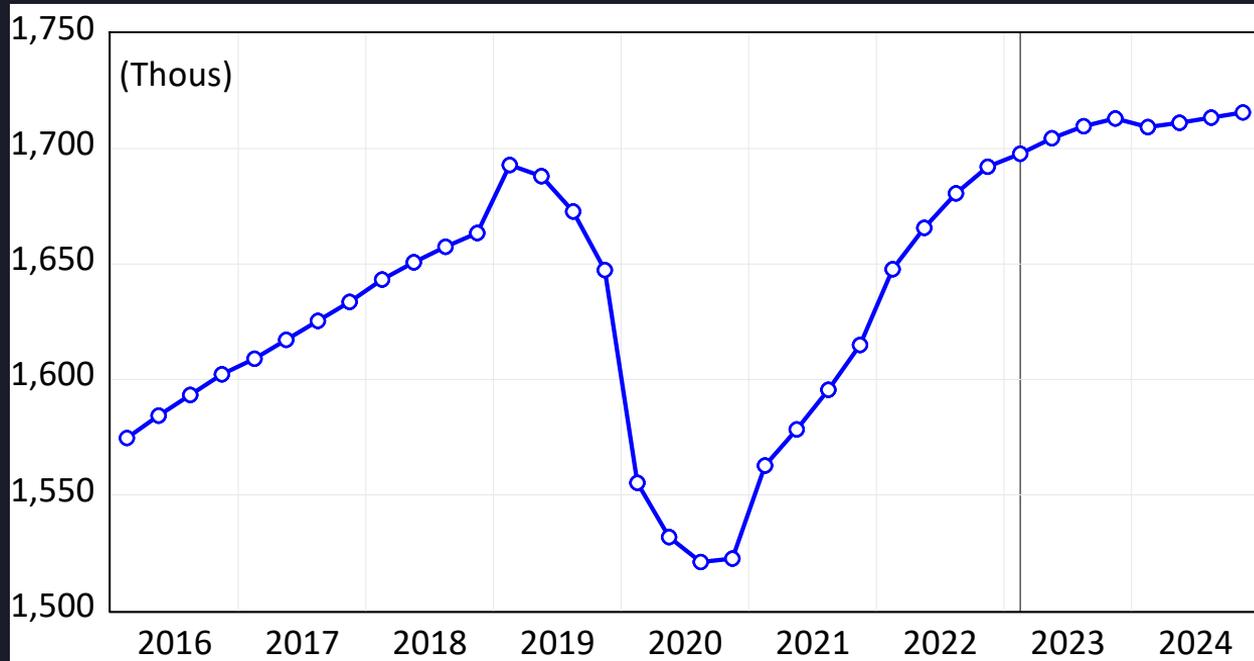


SUMMARY: WHAT MAKES THE CA FORECAST DIFFERENT

- L&H: AWAITING THE CHINESE
- MFG: HIGH TECH & DEFENSE & AEROSPACE
- TECH: OK FOR NOW BUT..
- CONSTRUCTION: NEW HOUSING LAWS & INDUSTRIAL
- GOV'T: BIG RAINY DAY FUND



O.C. payroll job growth is forecast to slow down in 2023 & 2024

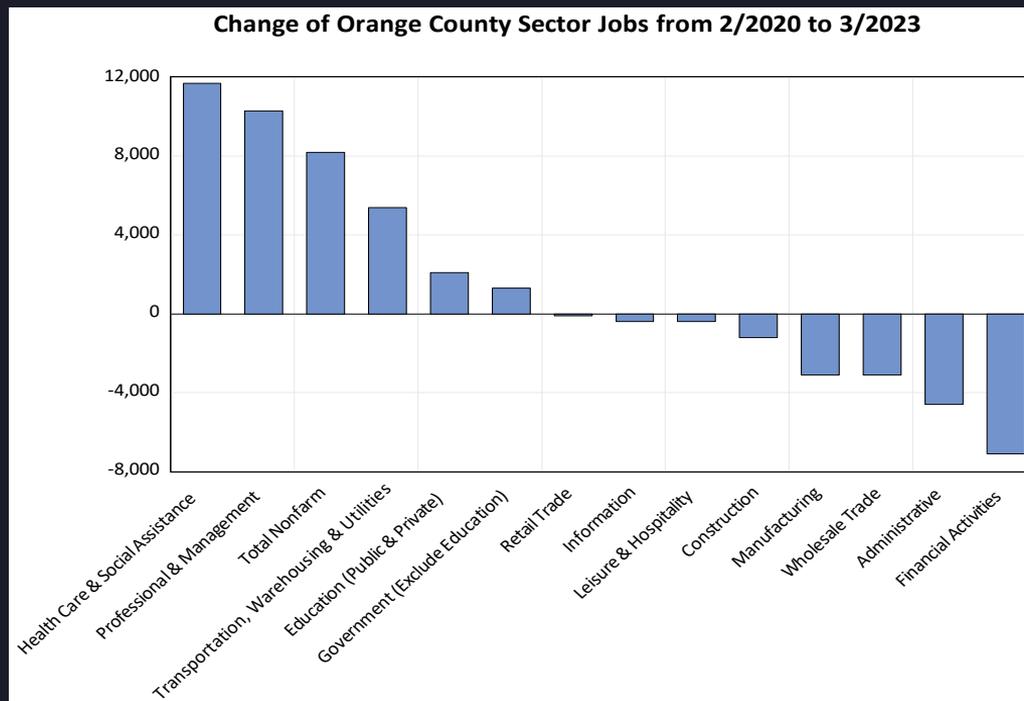


Payroll job growth:
 2021: 3.6%
 2022: 5.3%
 Forecast:
 2023: 2.1%
 2024: 0.4%

Sources: California EDD and Anderson Forecast. The year is calendar year.

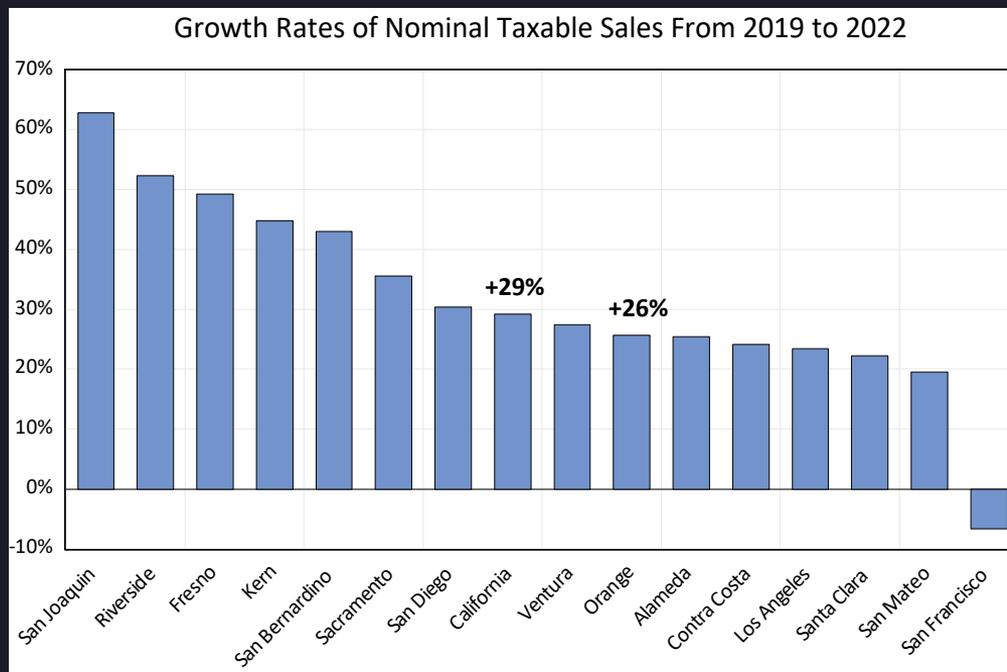
The job gains: health care, professional & management services, and transportation & warehousing.

The job losses: administrative services and financial activities



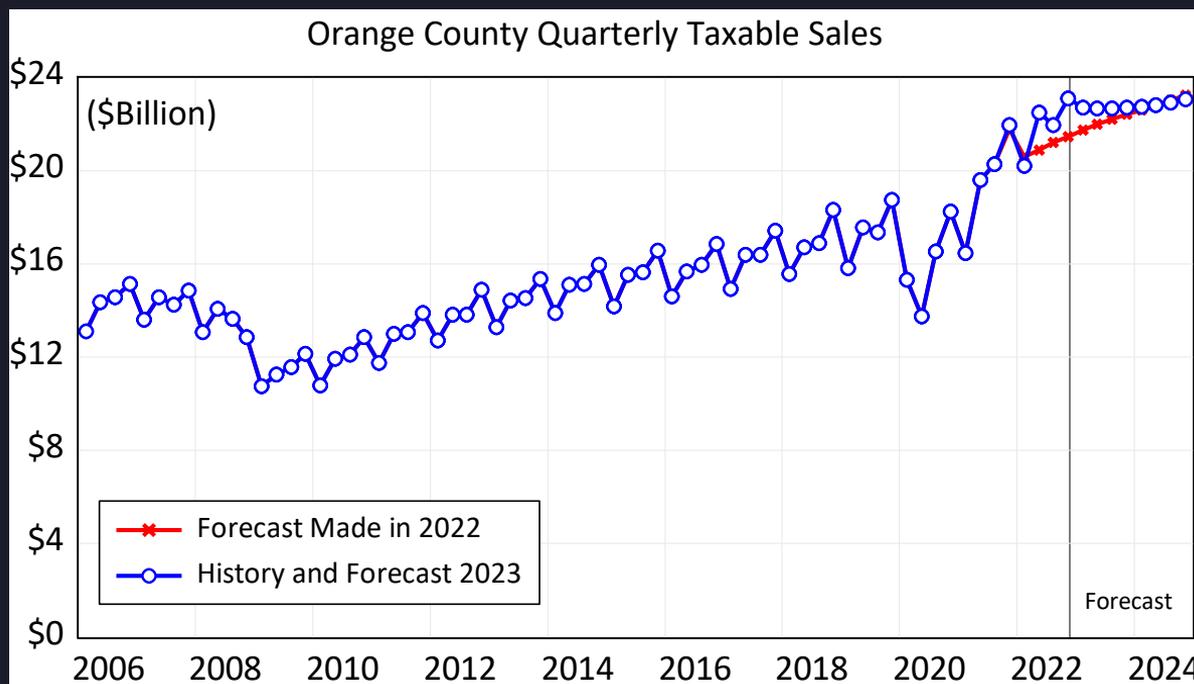
Source: California EDD

Inland counties had a higher growth of nominal taxable sales due to higher growths of jobs and population

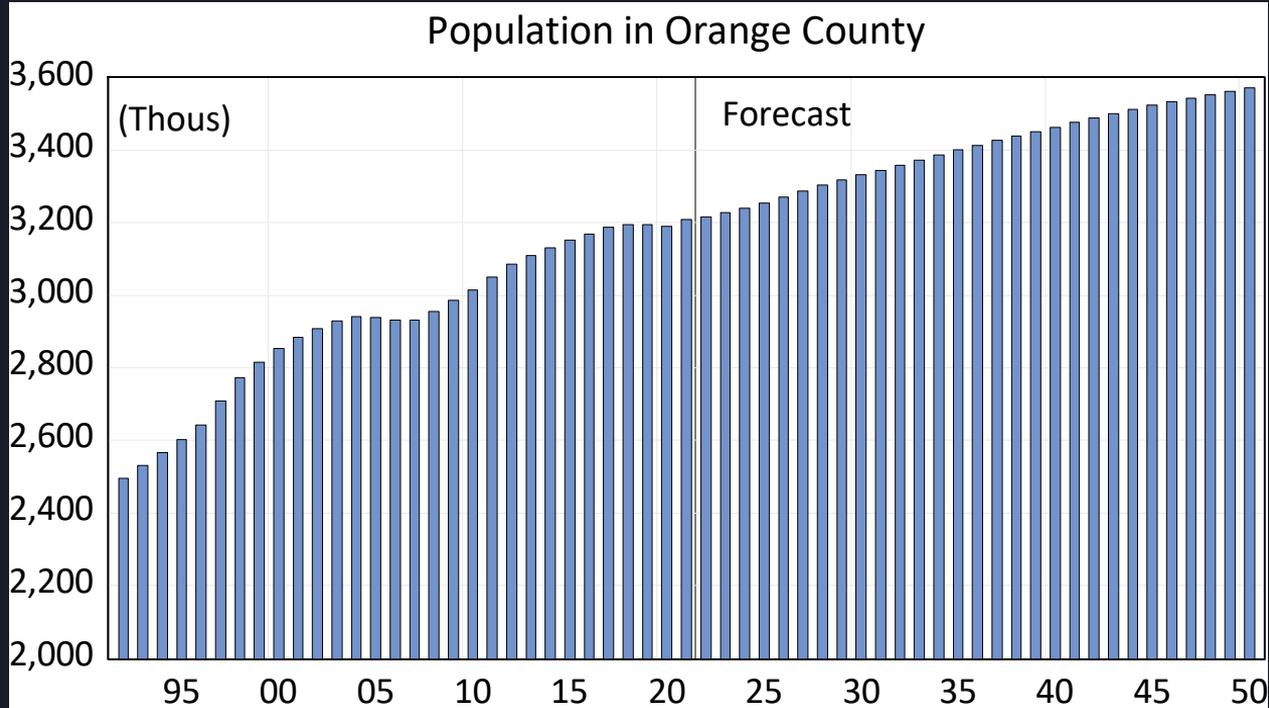


Source: California Department of Tax and Fee Administration
 Note: The selected counties are 15 largest counties in CA in terms of taxable sales in 2022

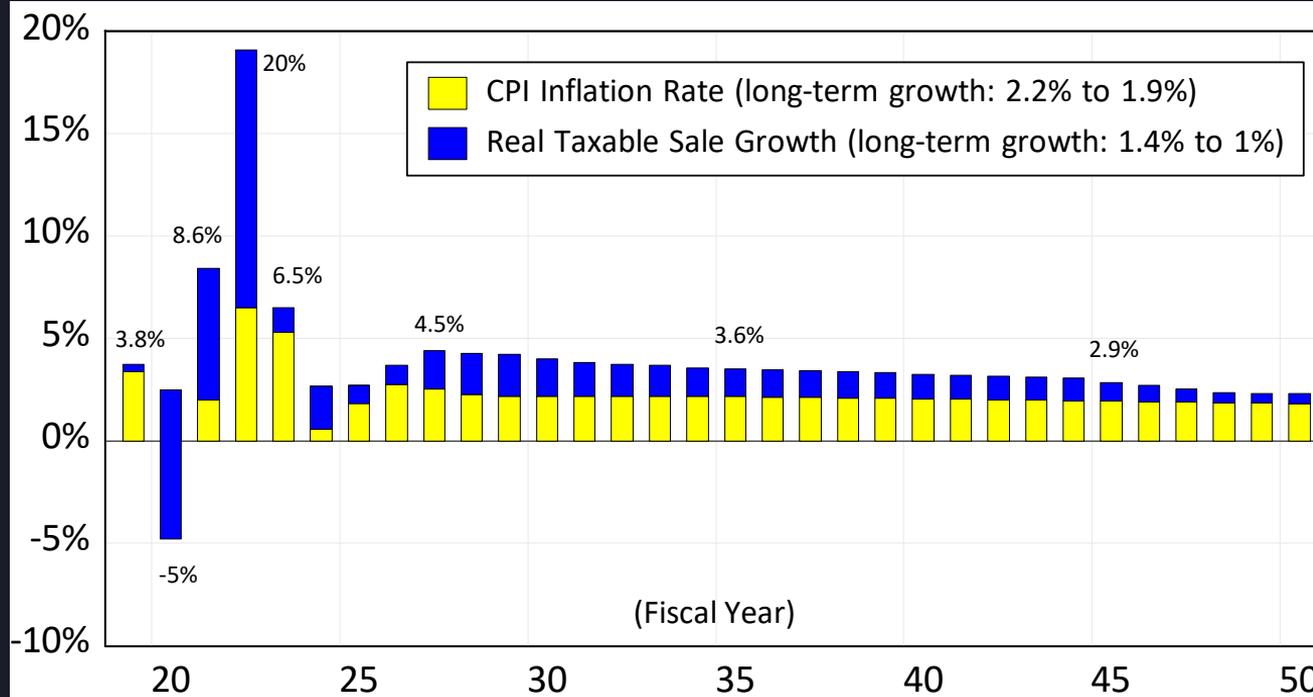
O.C. actual taxable sales in 2022 were better than our forecast mostly due to elevated inflation



Population growth in O.C. is forecast to slow down to 0.4% in the next three decades



The long-term growth of O.C. taxable sales will slow to 3.6% in 2035 and to 2.9% by 2045



Summary

- Orange County's economy grew slightly slower than California due to slower job and population growth.
- Orange County gained more jobs than all of the jobs lost during the pandemic and returned to pre-pandemic employment levels in early 2023.
- We predict Orange County's economic growth will slow in 2023 and 2024 along with California and the U.S.
- The rapid growth in taxable sales over the past two years will converge to trend with falling inflation.