

**Taxable Sales Forecast –
California State University
Fullerton – Anil Puri, Provost
Emeritus and Director of the
Woods Center for Economic
Analysis**

Economic Outlook and Forecasts

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Cal State Fullerton**

Orange County Transportation Authority
July 24, 2019



Long Cycle Expansion Woes

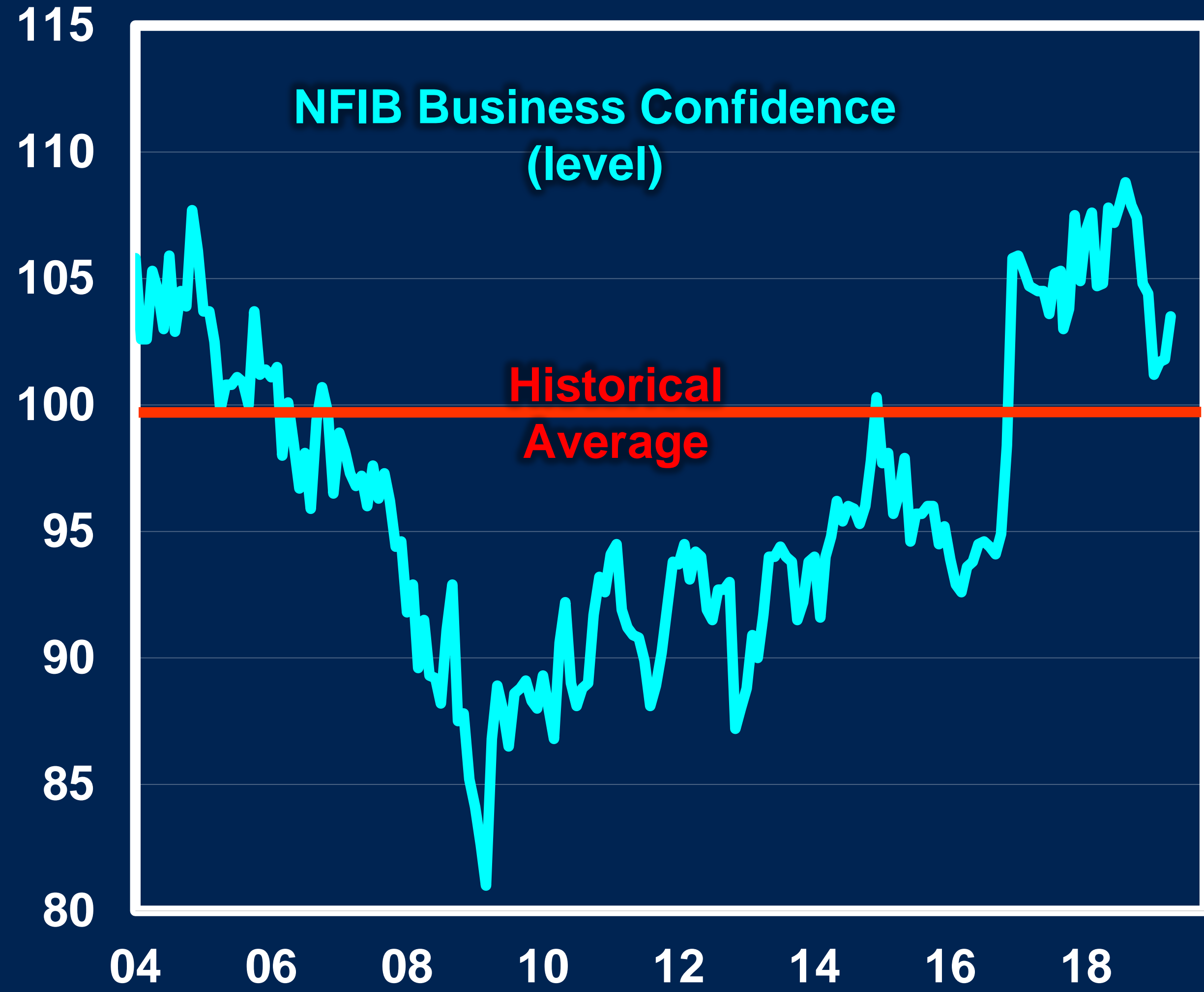
A Turbulent Equity Market: A Troubled Q4 Followed by best Q1 in 10 Years
(S&P500 Index, level)



Sentiment Still Generally Strong

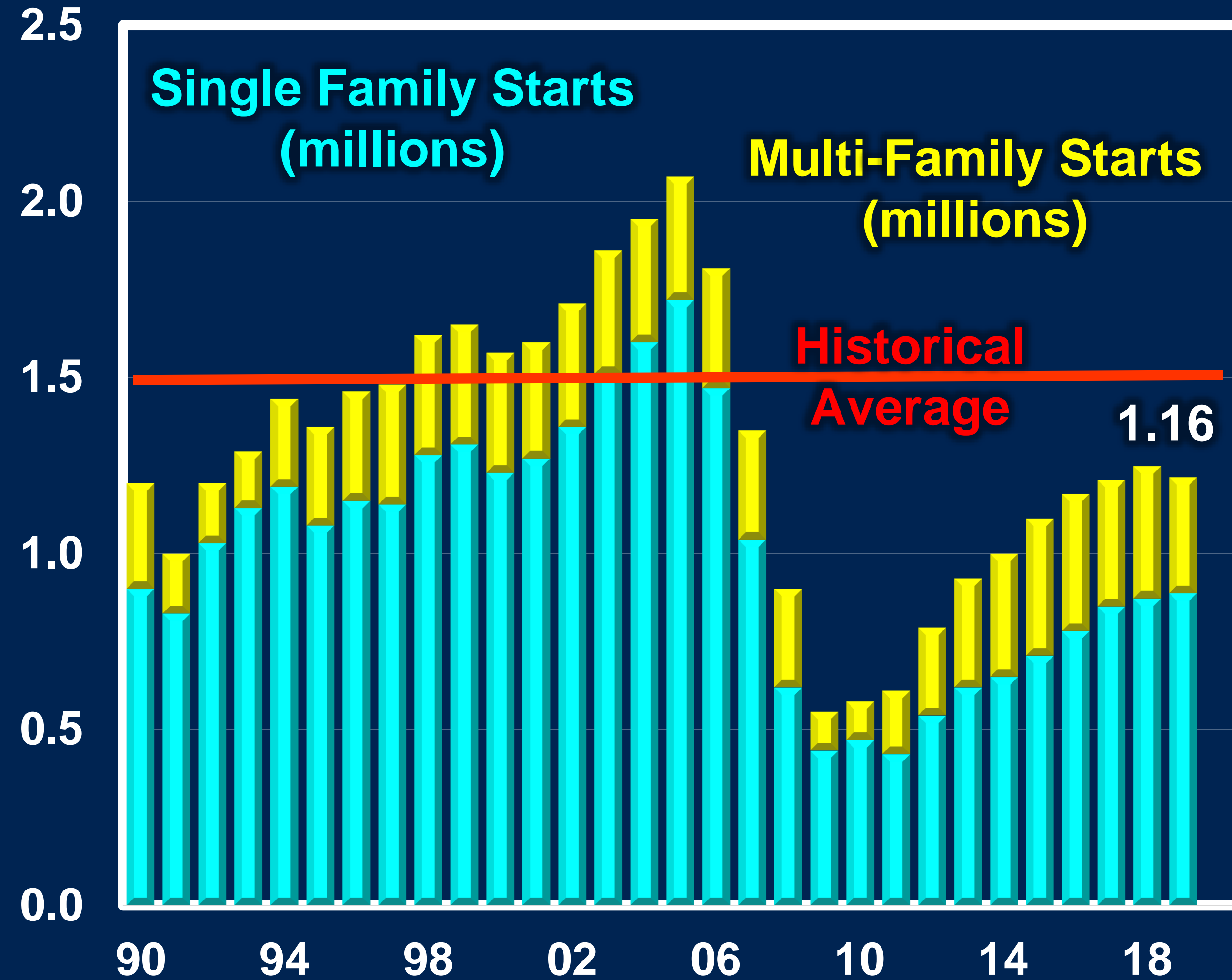
Particularly for Businesses (Large and Small); Less So for Consumers

(Conference Board, NFIB Survey, Index Level)



A Tough Year for Housing

Construction and Sales Languishing



Home Sales Suffered

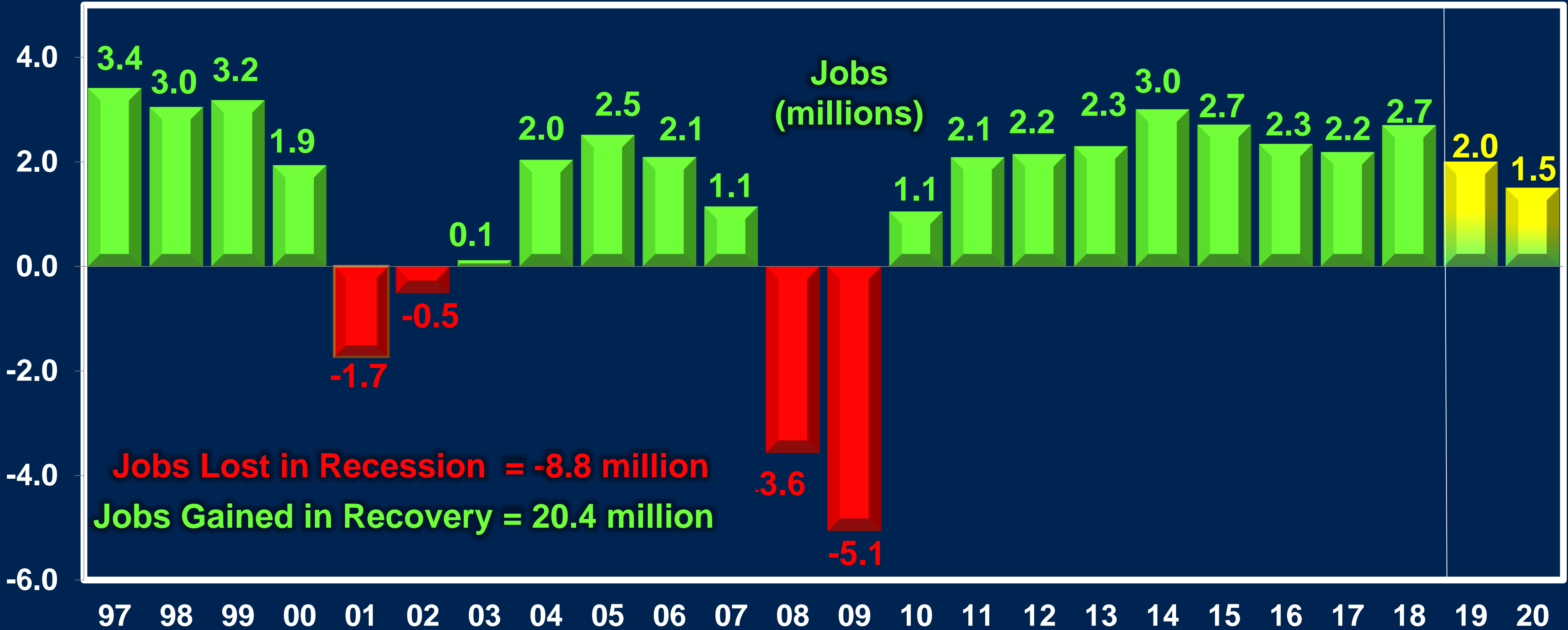
- Low Affordability
- Higher Mortgage Rates

Housing Construction in Slow Lane

- Shortage of Labor and Developed Lots
- Higher Building Costs

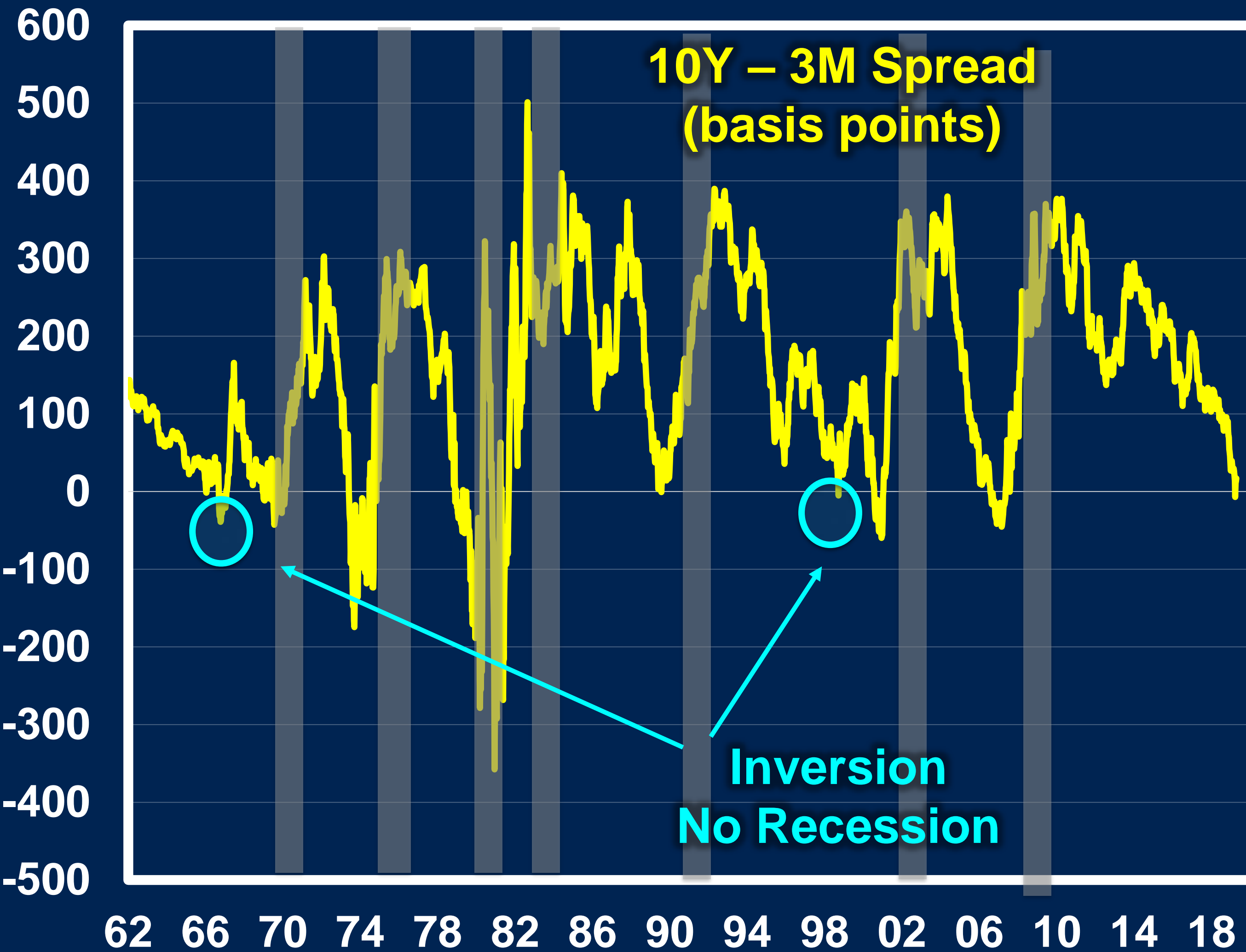
A Remarkable Labor Market

Job Growth in 2018 Surpassed the Last Two Years
(millions of employees)



Fear and Loathing of the Yield Curve

Yield Curve Inversions have Preceded All Post-War Recessions

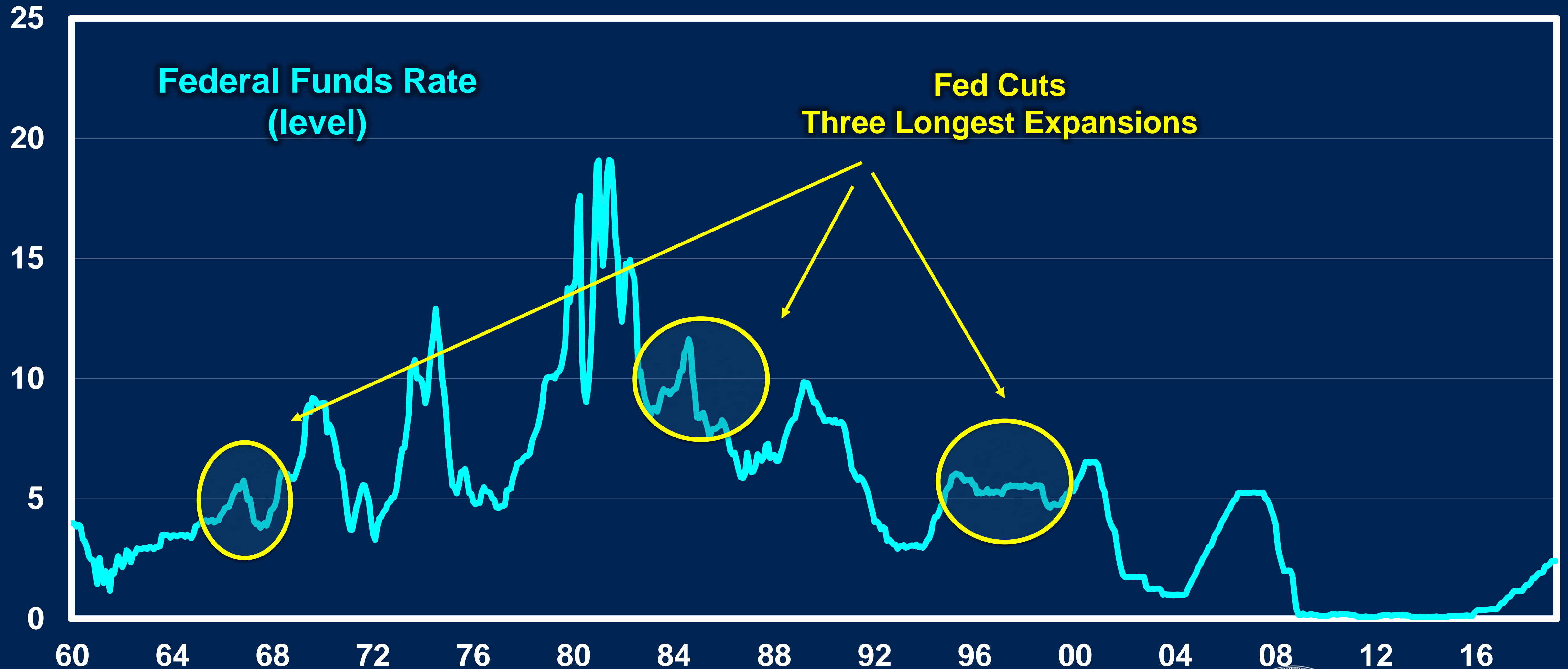


Don't Send the White Ravens...Yet

- Two False Signals (1967 and 1998)
- Worrisome if inversion long and deep
- Long Rates Depressed (from QE)

Bet on the Fed?

Uncertain How Nimble the Fed will Be if Outlook Clouds



Fiscal Boost Will Fizzle Past this Fiscal Year

A Mountain of Deadlines Loom

Deal or No Deal?

- ✓ Debt Ceiling: Reauthorization by August
- ✓ Spending Caps: Expire in October
- ✓ If no Agreement, Sequester bites
- ✓ Reduction by \$125 bn. (10%) from Current

Fiscal Policy Matters to Growth



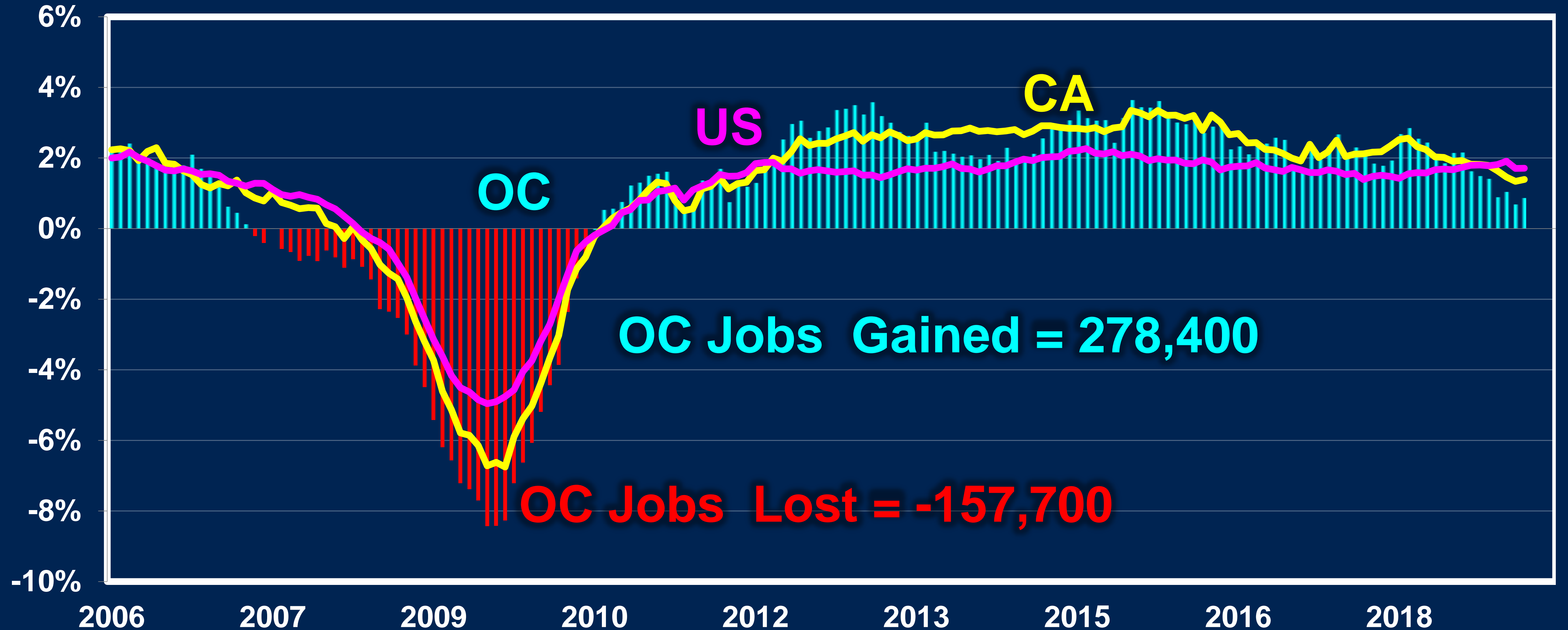
Orange County

Orange County



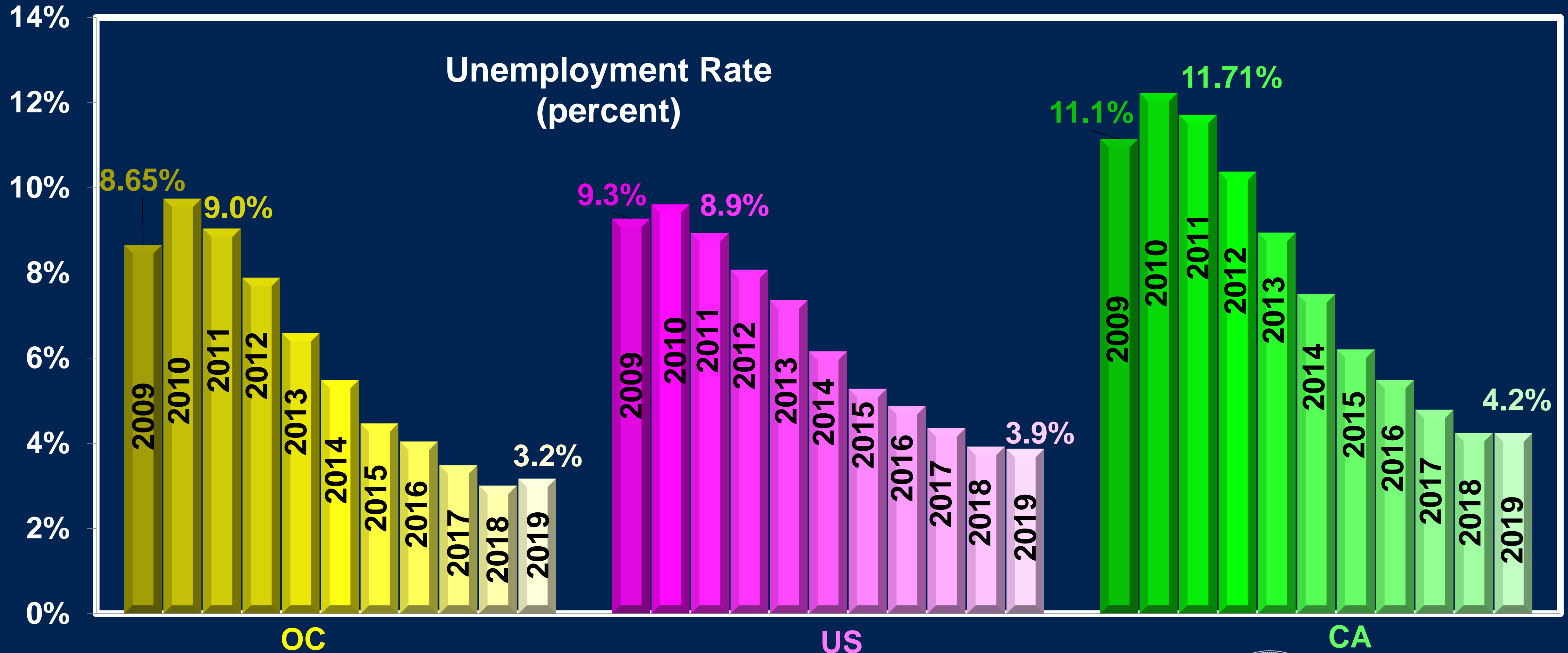
Growth has Slowed For US, CA and OC

...But More so for OC than the Nation and the State
(payroll employment, year-over-year percent change)



Unemployment Rates at Historical Lows

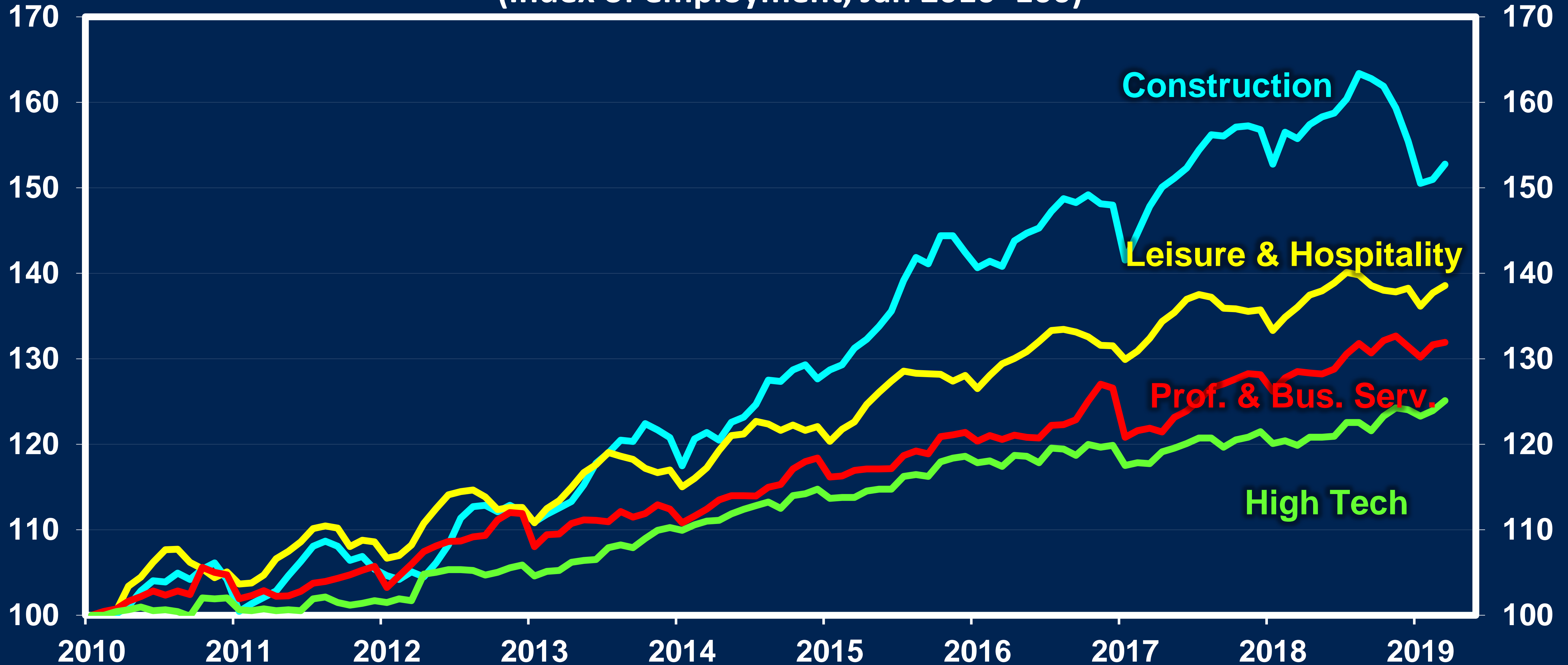
OC Unemployment is Lower than US and CA
(unemployment rates, percent)



Diversity of OC Economy is Key Factor

All Sectors Adding Jobs but Construction has Moderated since mid-2018

(Index of employment, Jan 2010=100)



Take it with a Grain of Salt

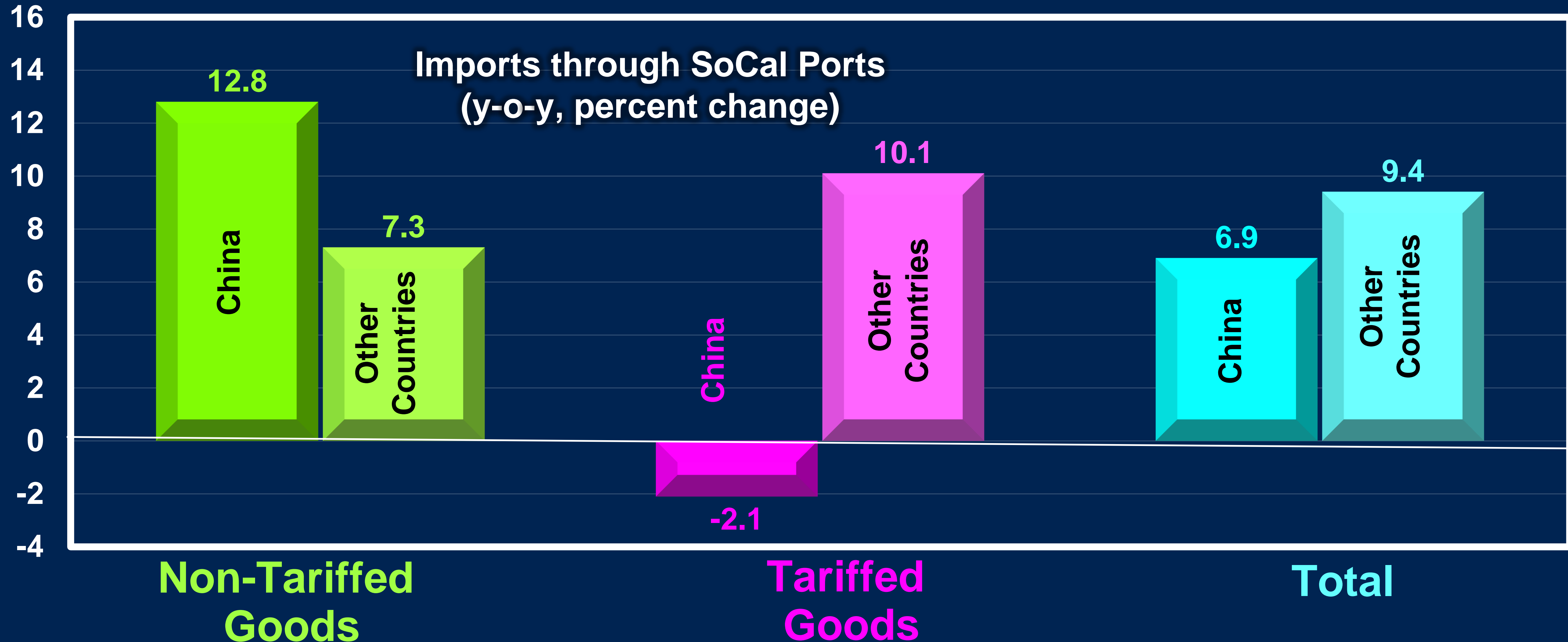
2019: Weaker Job Growth Throughout SoCal, but Data are Suspect
(job growth, average annual rate, percent)



China Tariffs are Starting to Bite

Import Growth has Shifted to non-Tariffed Countries

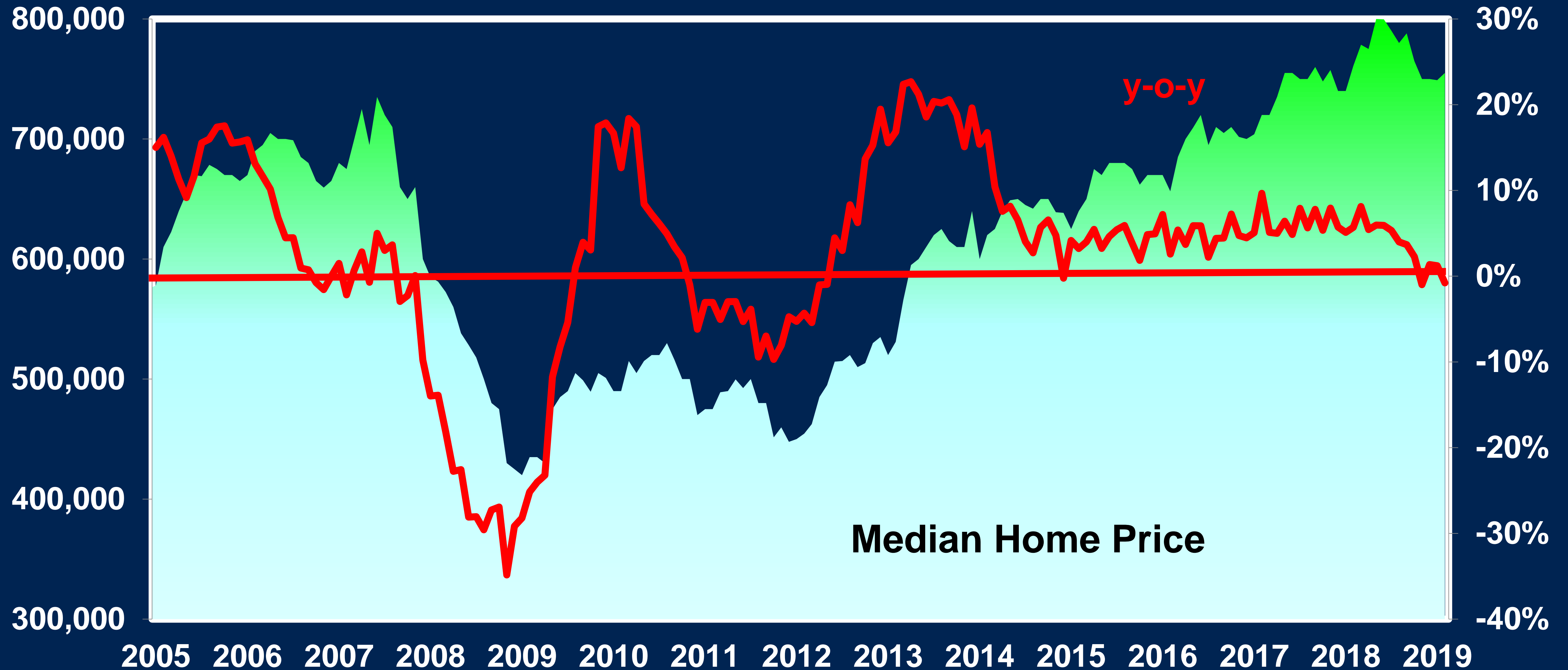
(y-o-y percent change in volume, Q4:2018 imports through Ports of LA and LB)





Home Price Growth Has Softened

(Corelogic median home price, level and y-o-y percent change)

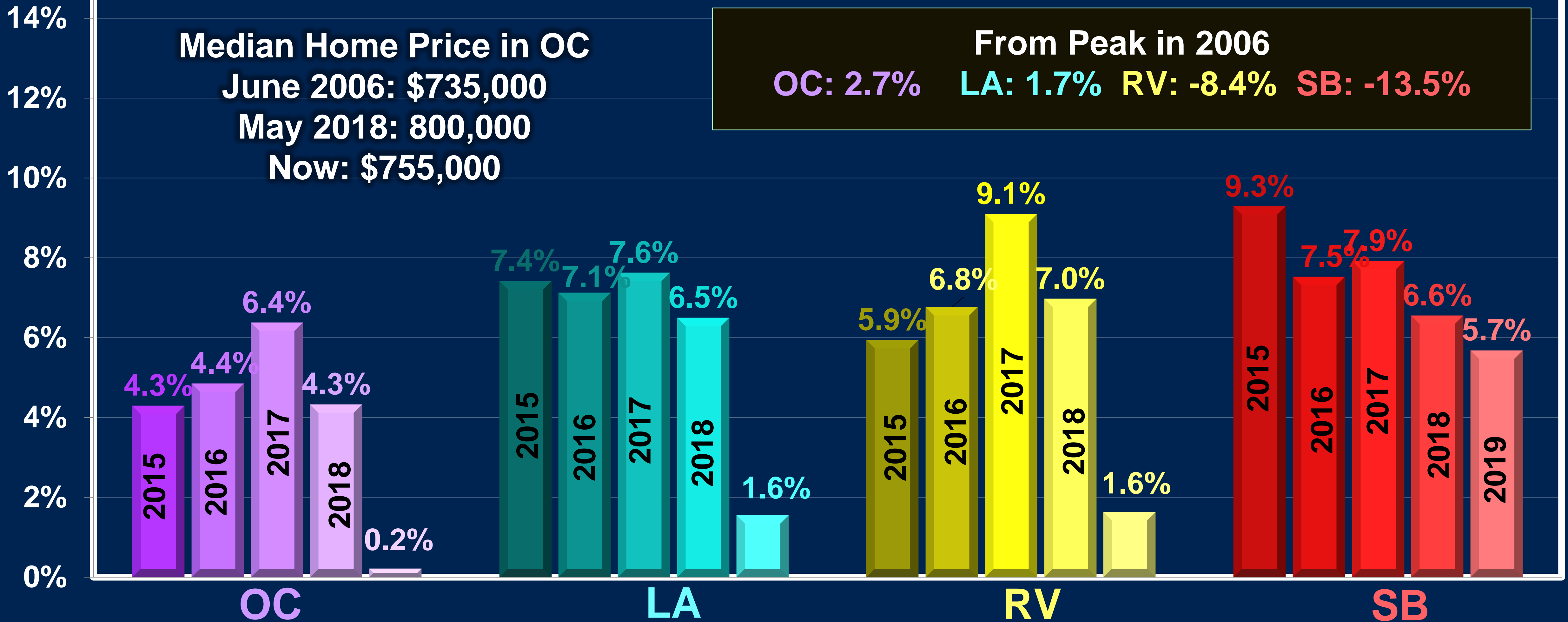


Moderating Price Growth Throughout SoCal

Home Prices are Above Pre-Recession Levels for LA and OC
 (Corelogic, annualized average growth in median prices, percent)

Median Home Price in OC
 June 2006: \$735,000
 May 2018: 800,000
 Now: \$755,000

From Peak in 2006
 OC: 2.7% LA: 1.7% RV: -8.4% SB: -13.5%



Local Business Outlook Has Moderated

Few Business are Planning Cuts

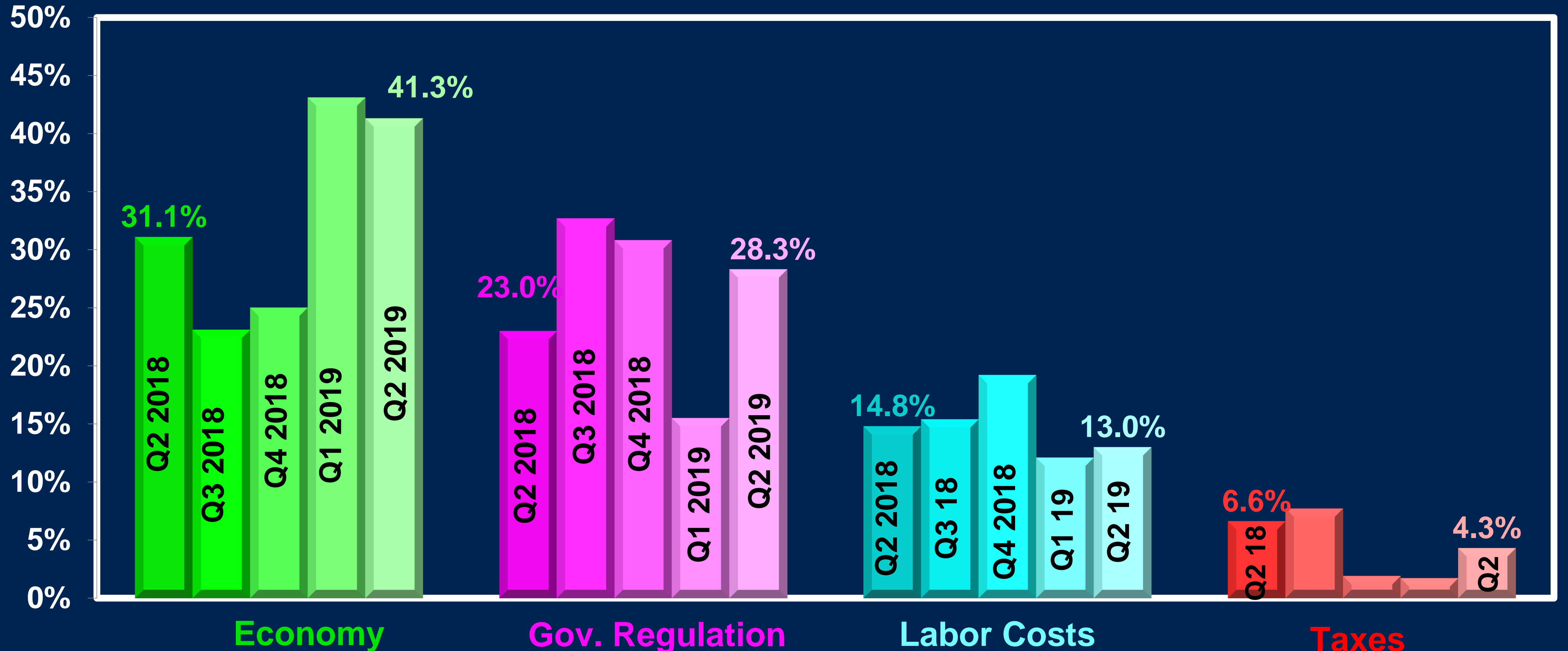
(Orange County Business Executives Survey, percent of respondents)



Biggest Concerns: Economy

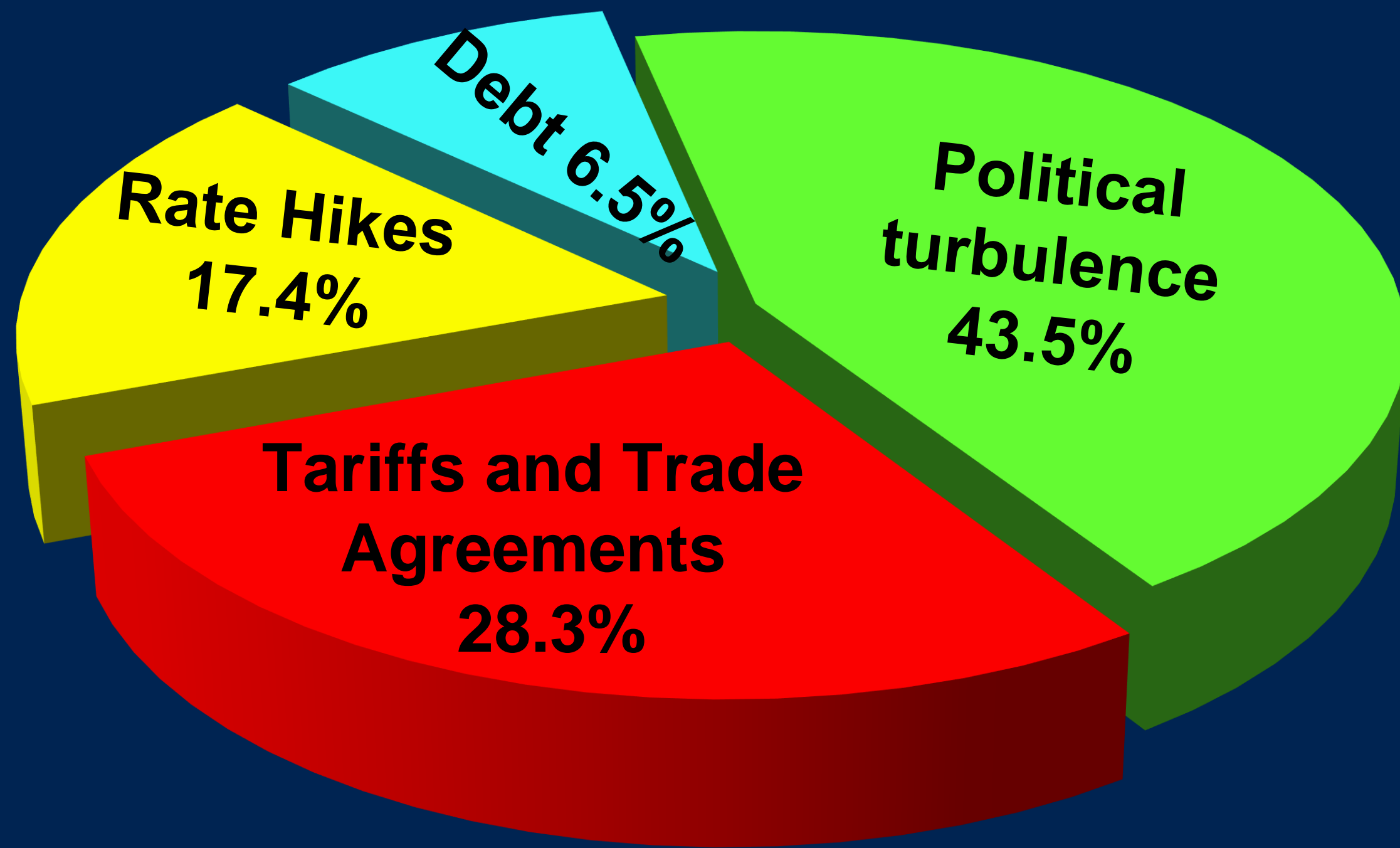
Regulations and Labor Costs are Next Biggest Concerns

(Orange County Business Executives Survey, percent of respondents)

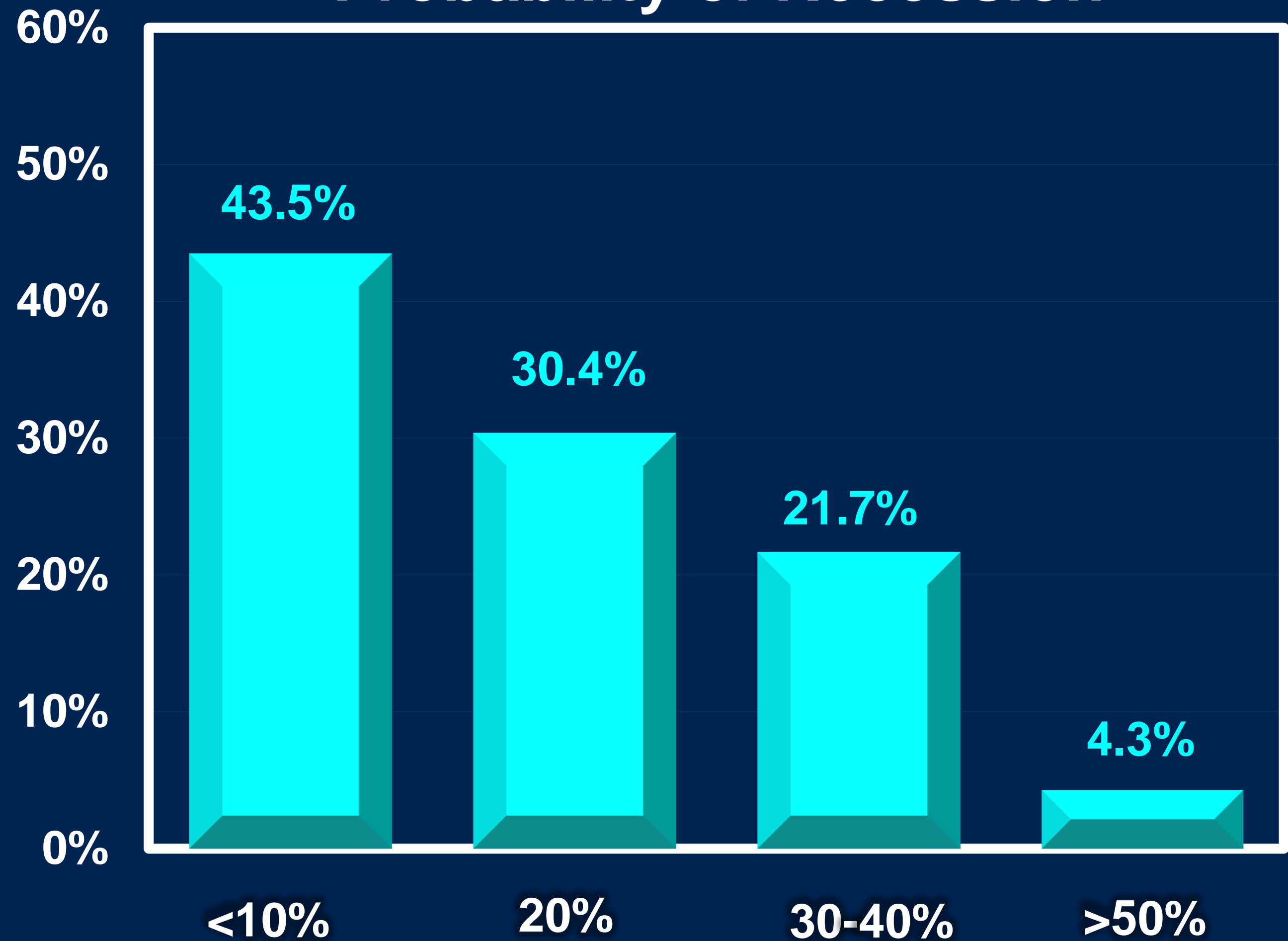


Biggest Threats and Probability of Recession

Biggest Threat to US Economy Political Uncertainty and Trade

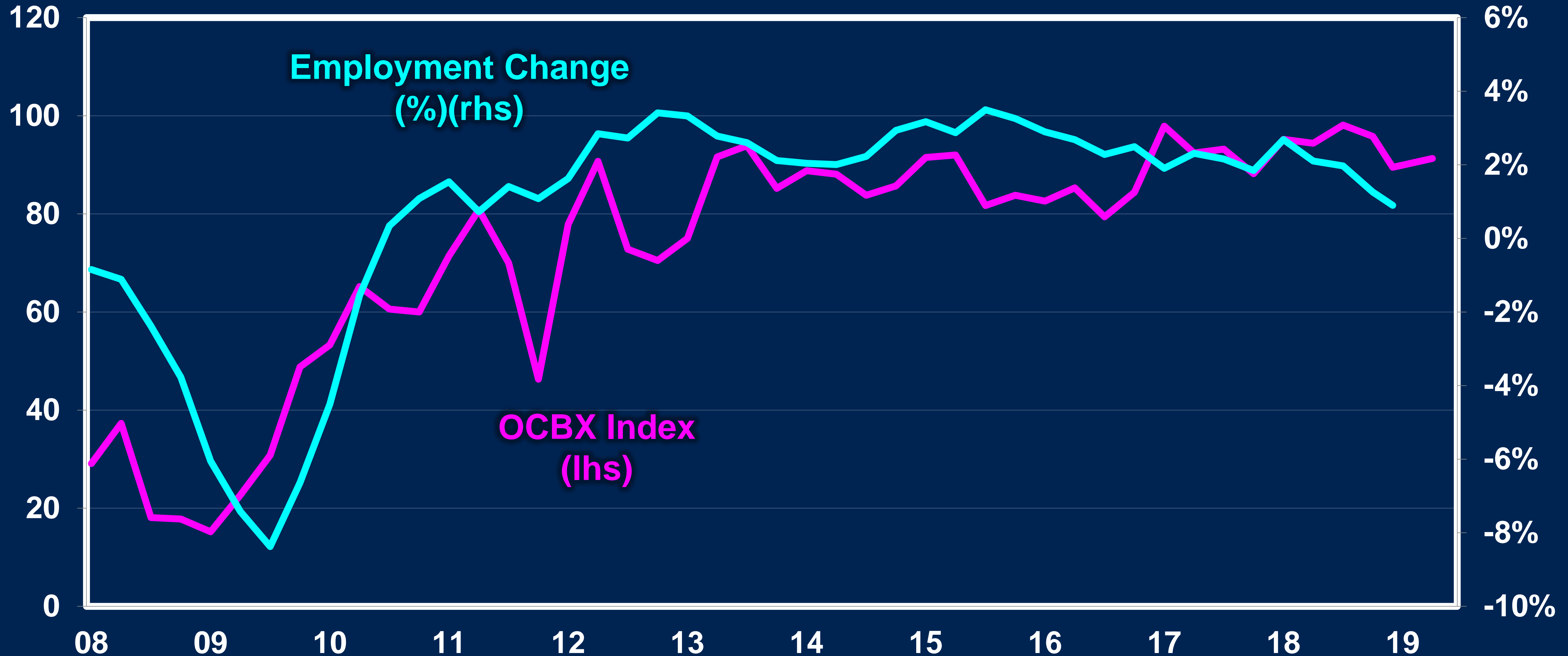


Probability of Recession



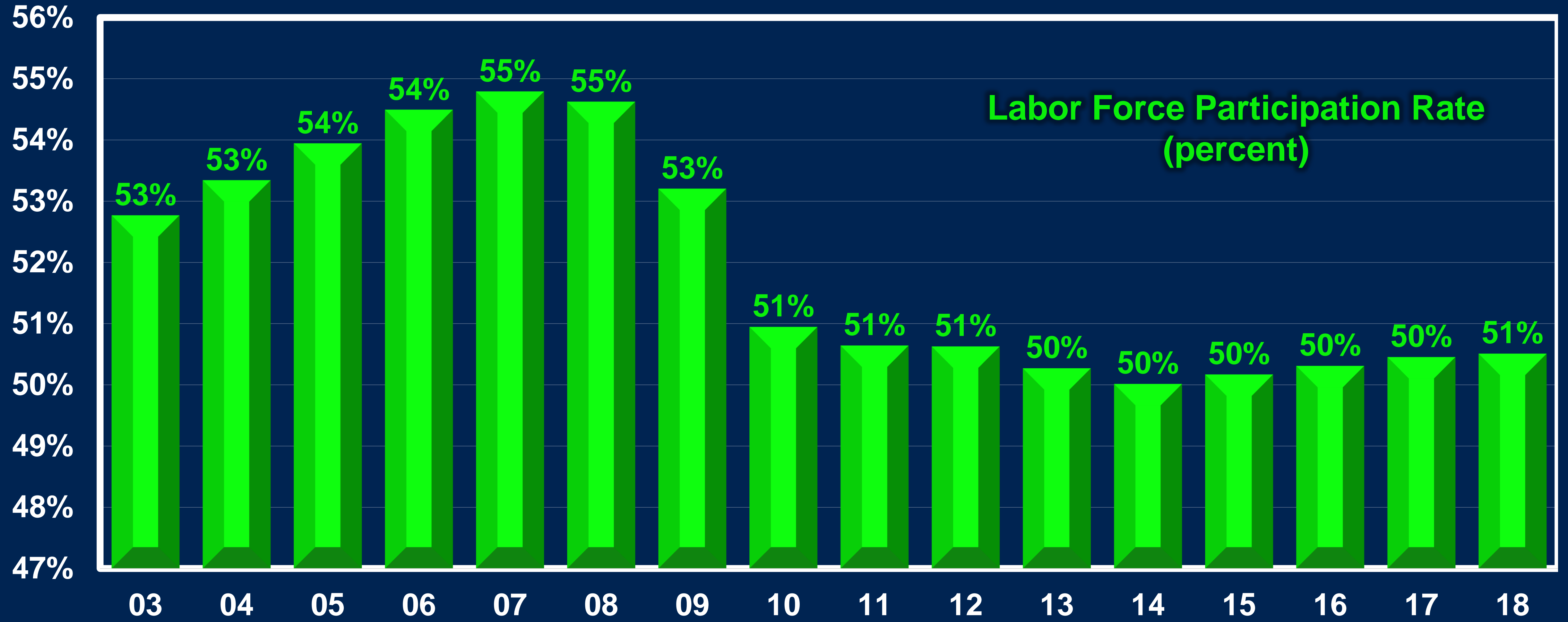
OCBX Index: Optimism Rebounded for Q2:2019

...Which Means Employment Will Be Revised Upward
(WCEAF OCBX Index, level)



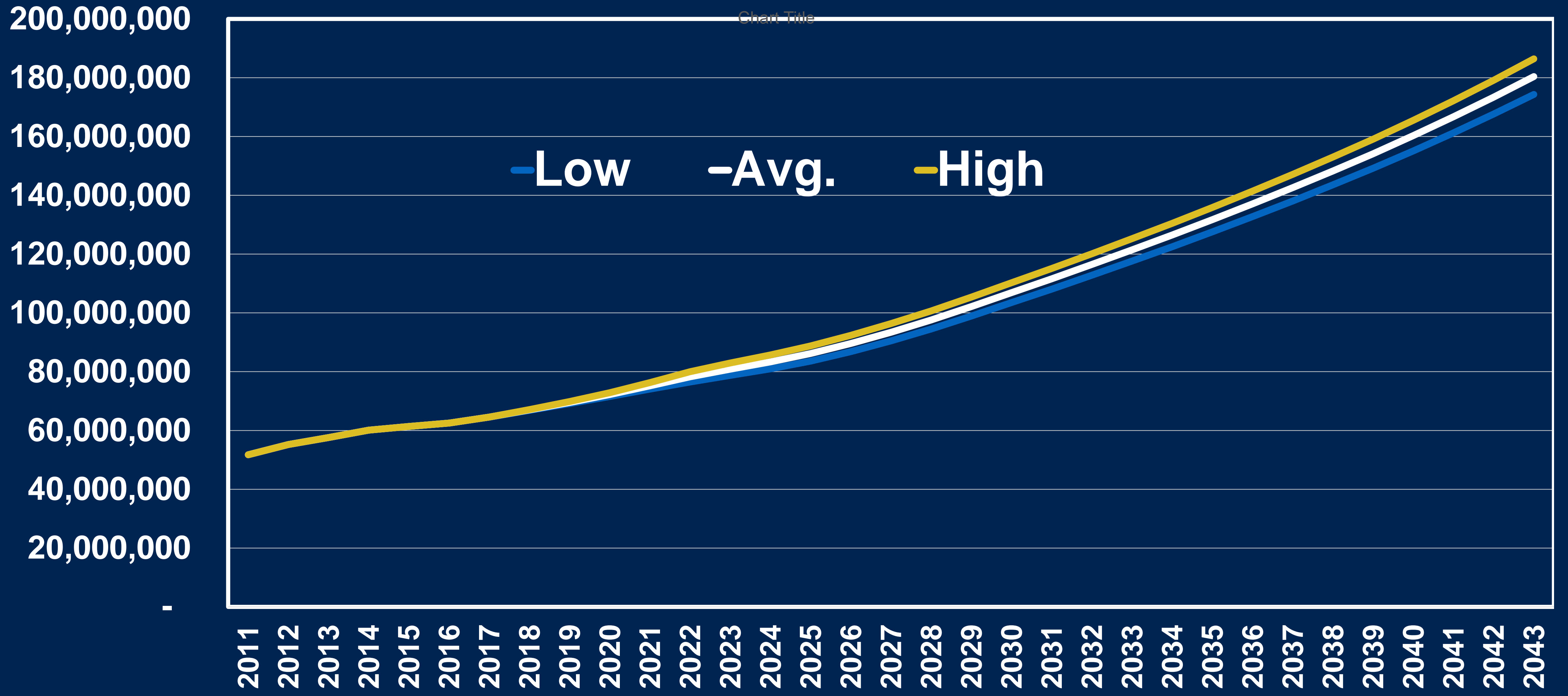
Room to Grow

OC Labor Force Participation Rate Has Edged Up but More Can Join
(labor force participation rate, percent)



Orange County Taxable Sales

(In thousands of dollars)



Thank You

