

Economic Outlook

Orange County Transportation Agency

August 2026

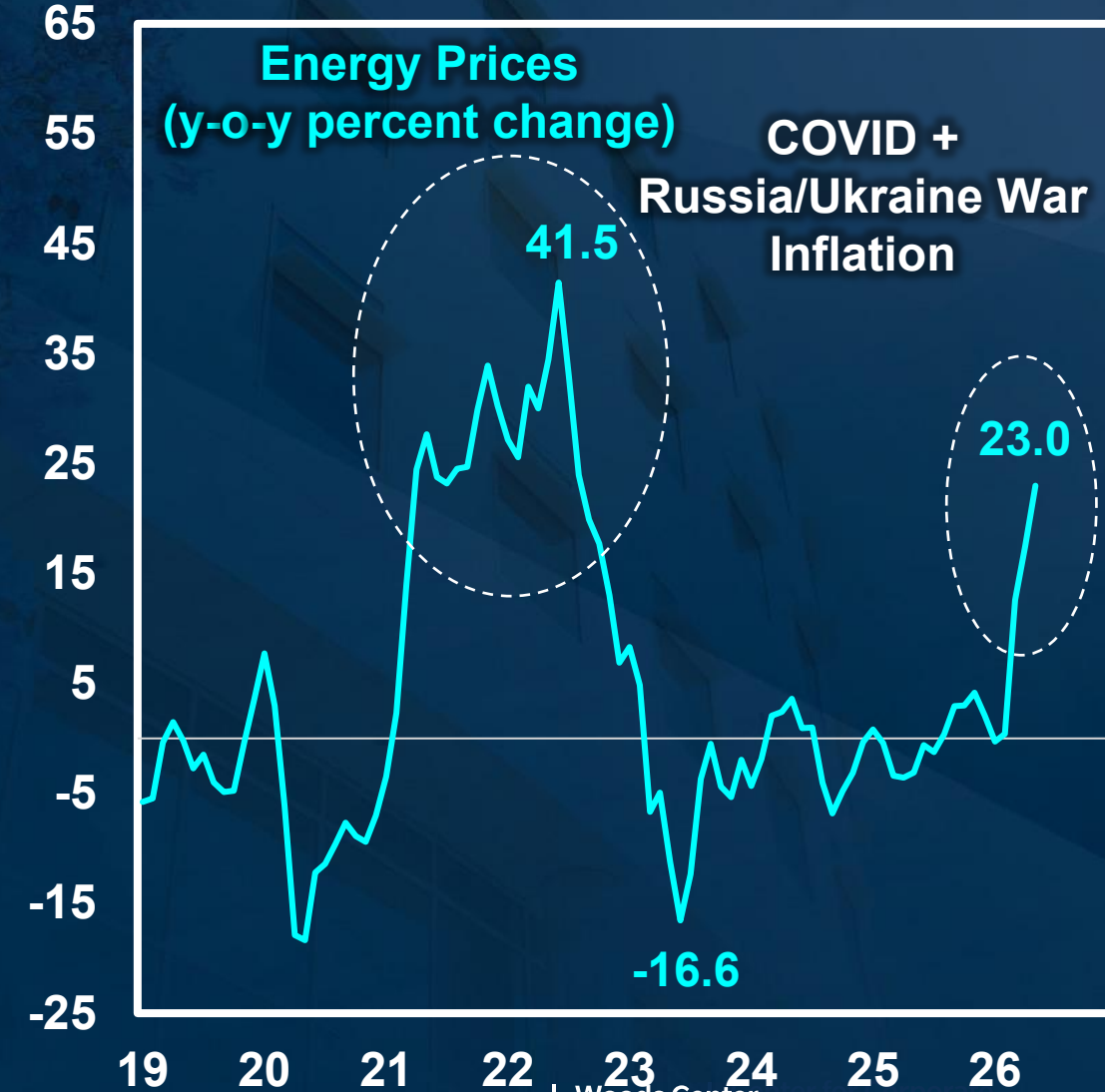
Anil Puri, Ph.D.

California State University, Fullerton

War, What is it Good For?

Inflation is Heating Up...Due Mostly to Energy Shock

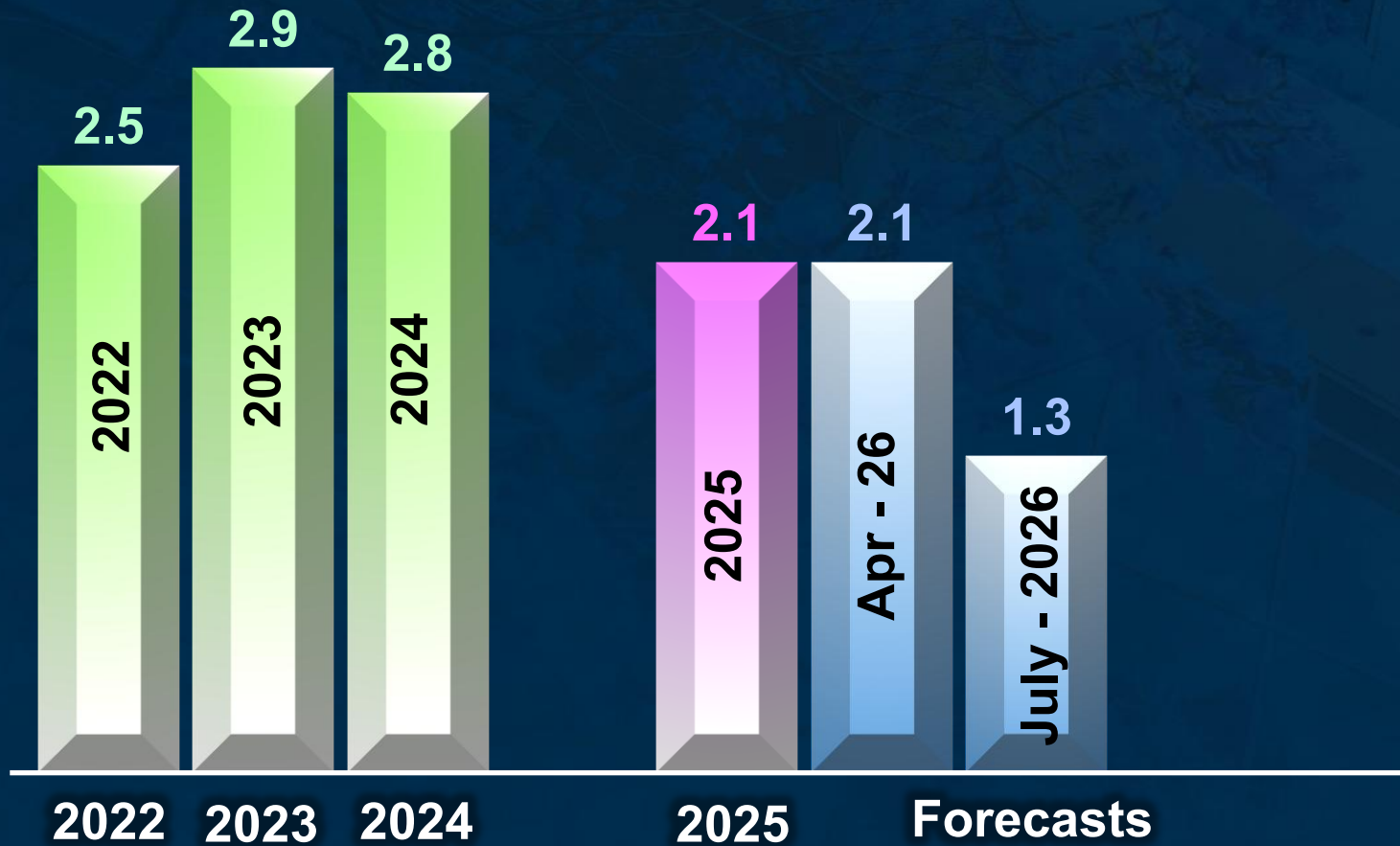
Inflation
(y-o-y percent change)



A Bullet-Proof Economy?

Real GDP Has Defied Gloomy Expectations...But Lots of Volatility

Real GDP
(annualized percent change)



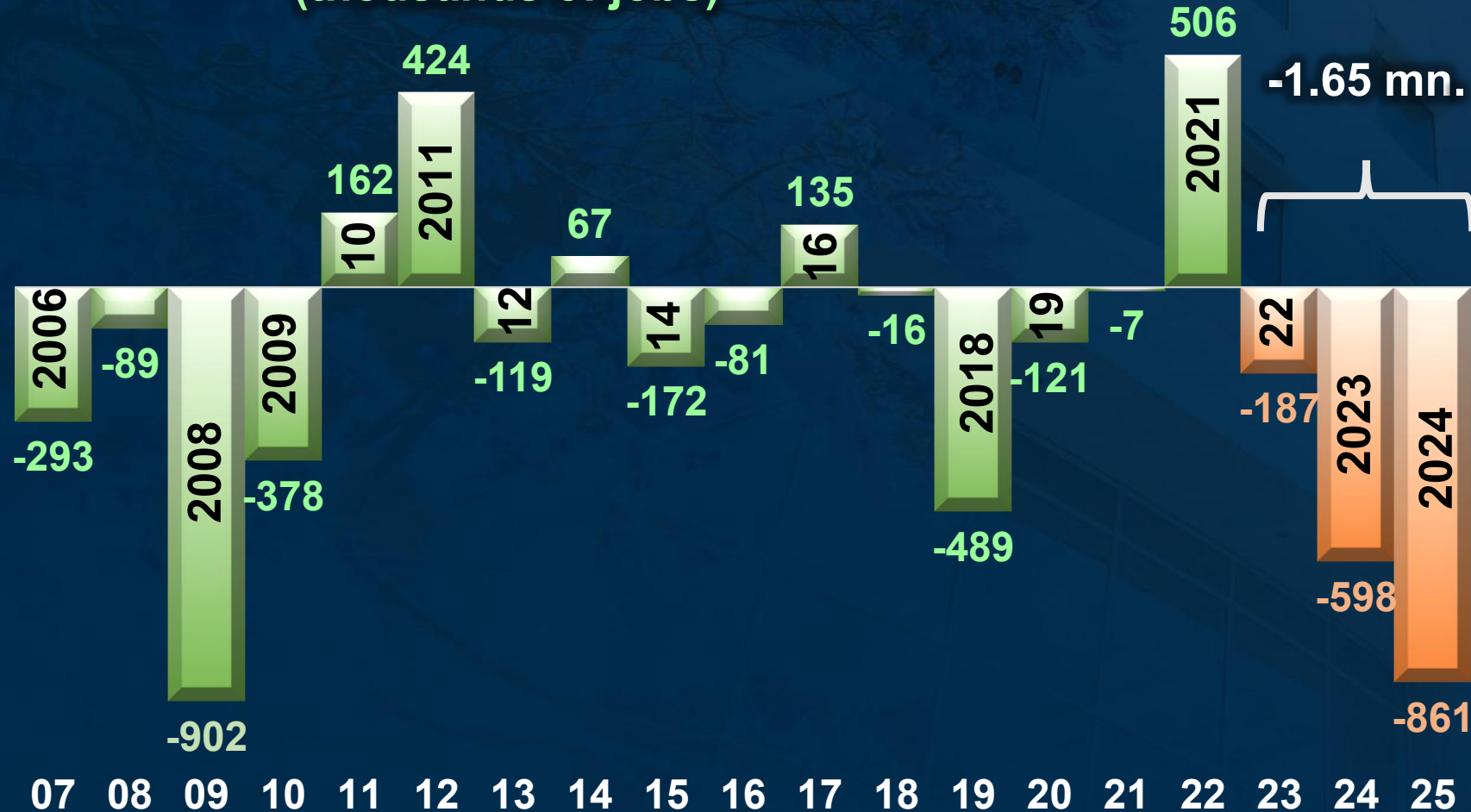
You're in pretty good shape for the shape that you're in.

Dr. Seuss

Labor Market Woes

Job Growth: Weaker than Previously Estimated... for a Few Years

BLS Benchmark Employment Revisions
(thousands of jobs)



Labor Market in a Bit of a Slump

A One Trick Pony: Health Care Is the Engine of Job Growth

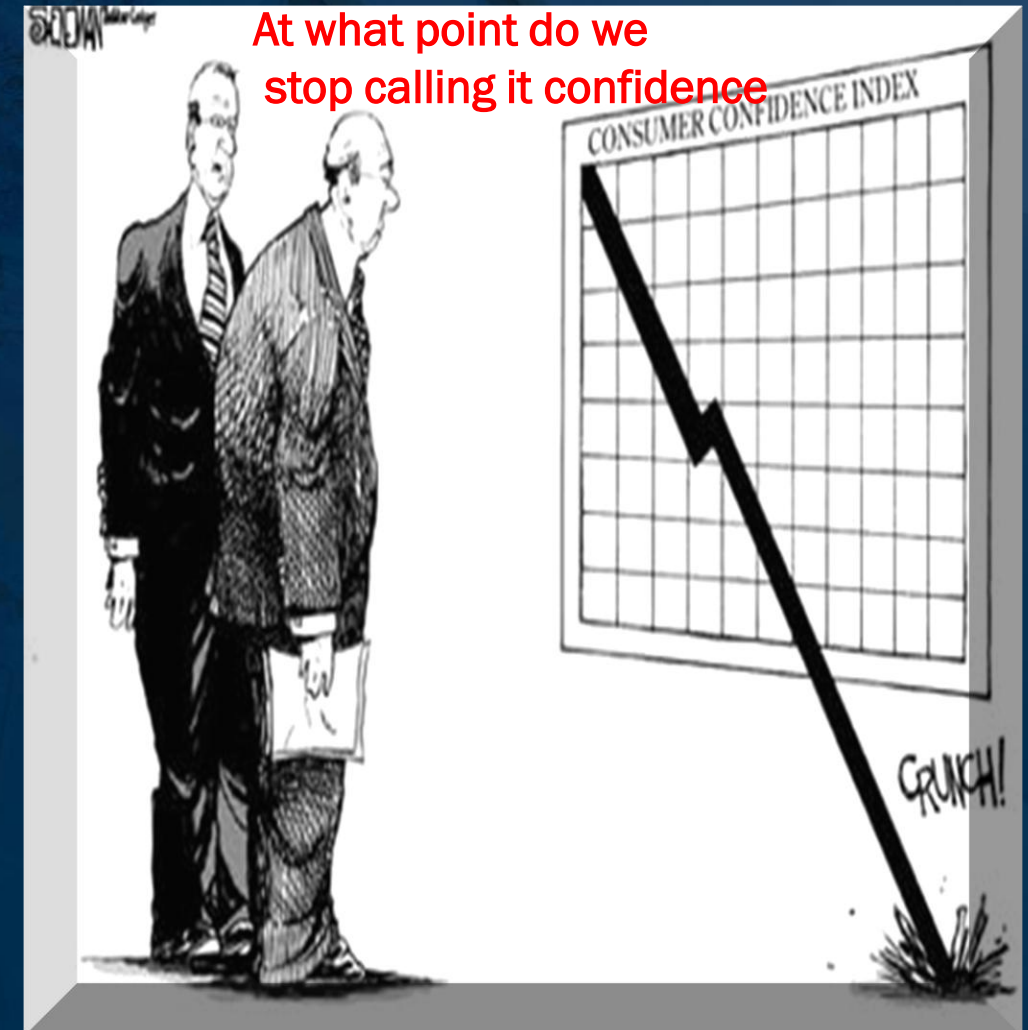
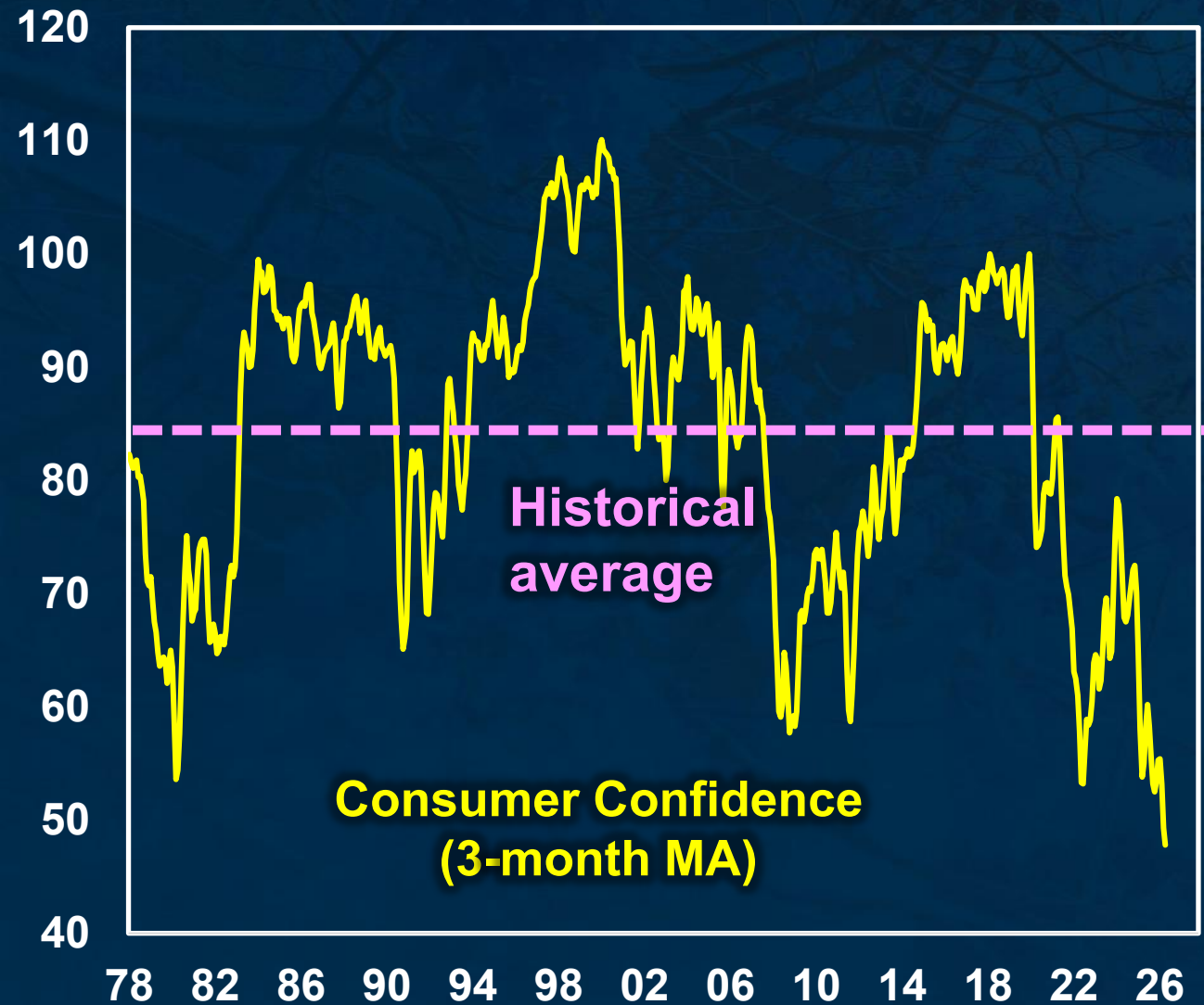


**Slump? I ain't in
no slump. I just
ain't hitting.**

Yogi Berra

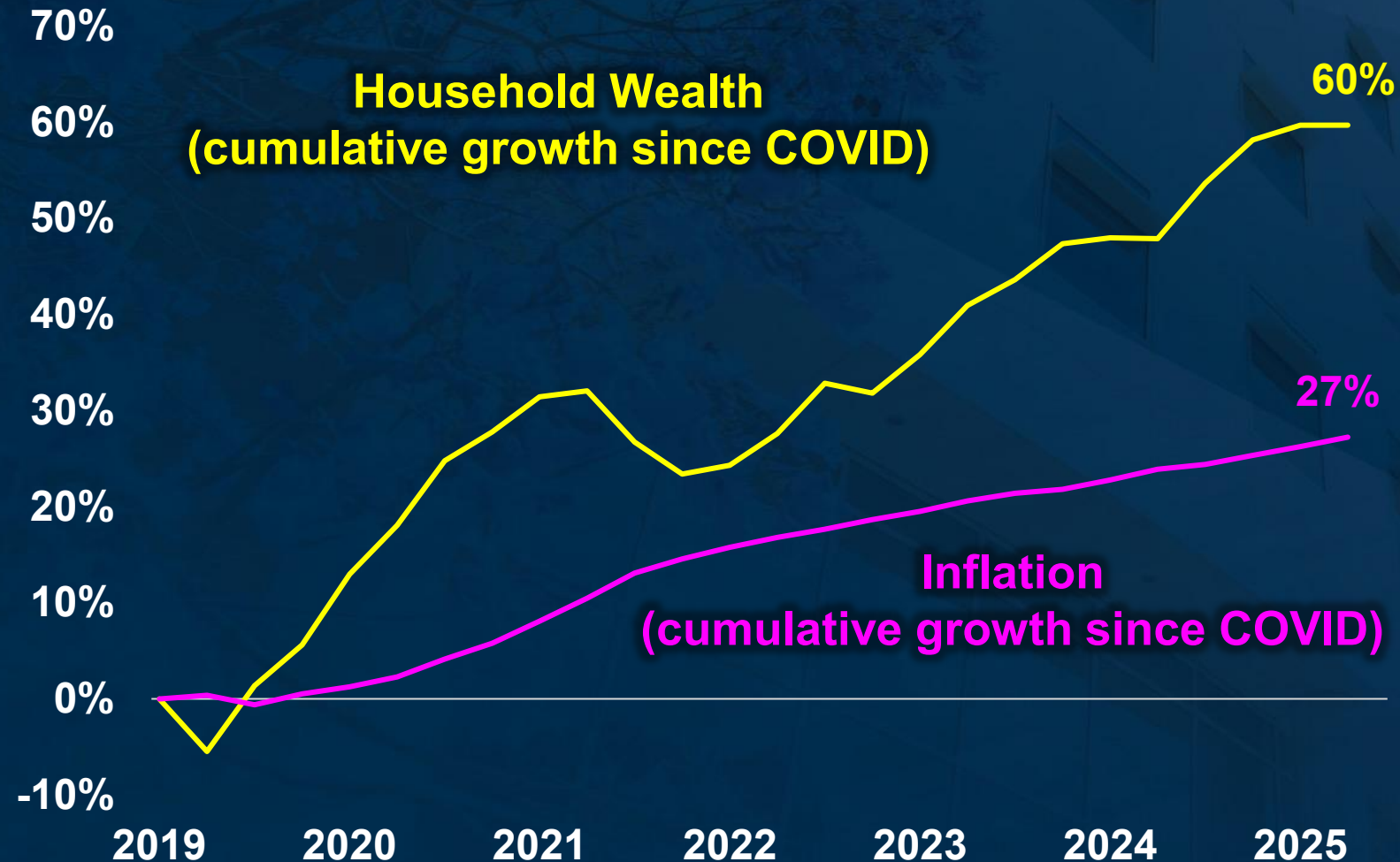
Everyone is Depressed...

Consumer Sentiment Hit Record Low!



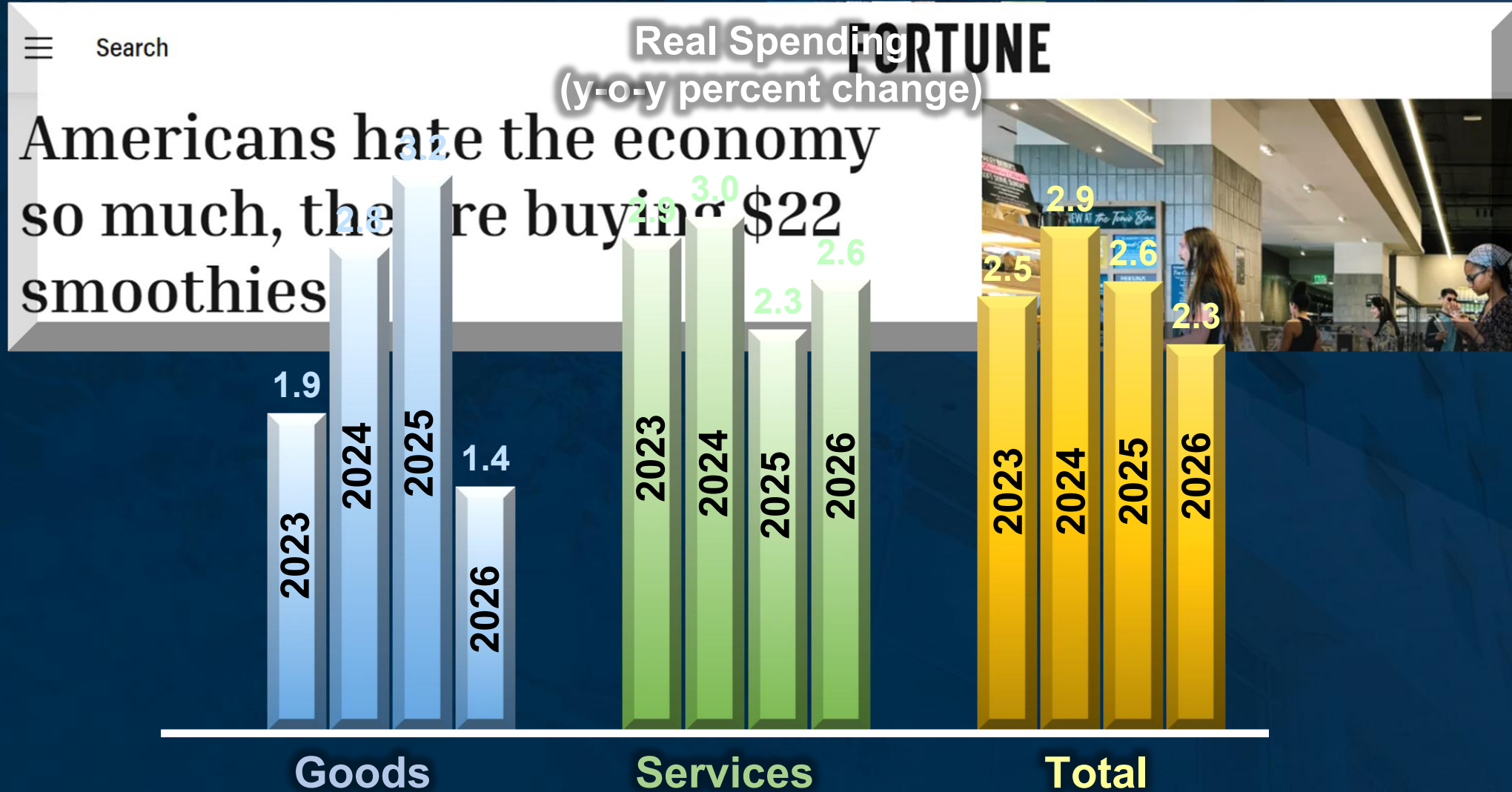
Consumers are in Decent Shape

Household Wealth at Record Highs



Retail Therapy: United in Unhappiness

U.S. Consumers are Depressed but Still Spending



AI: The Driver of This Economy?

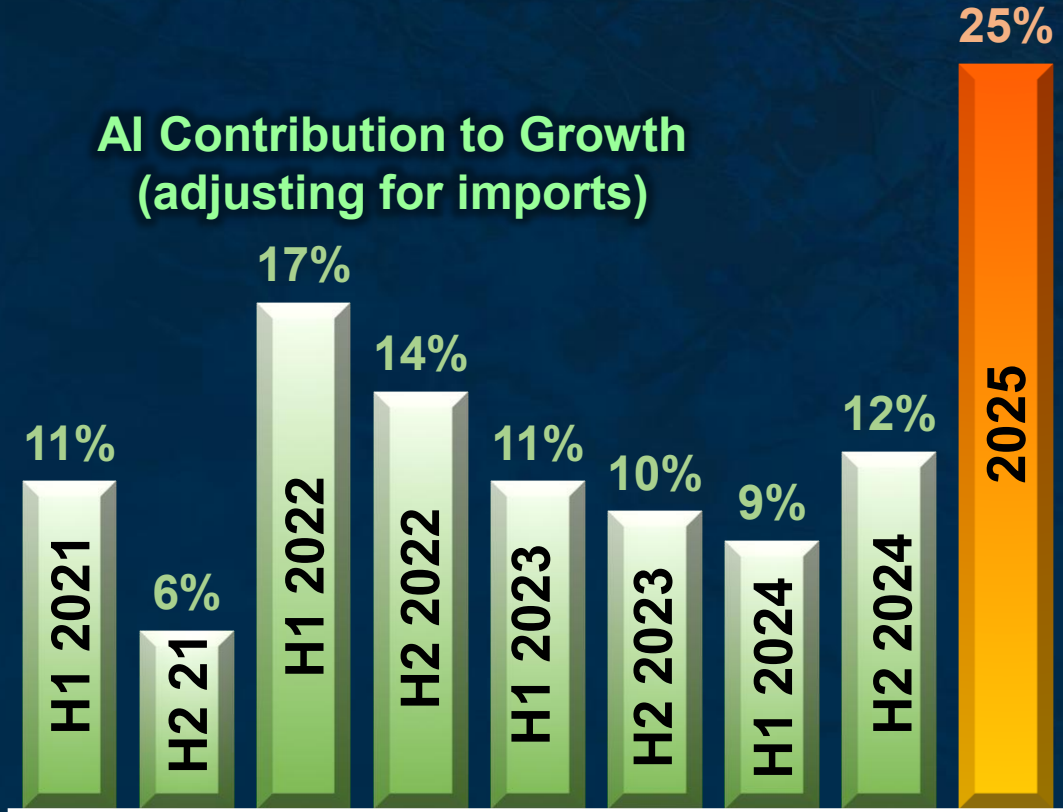
A Real Boost...But Not the Sole Driver

AI Contribution to
Growth in 2025

~~80%~~

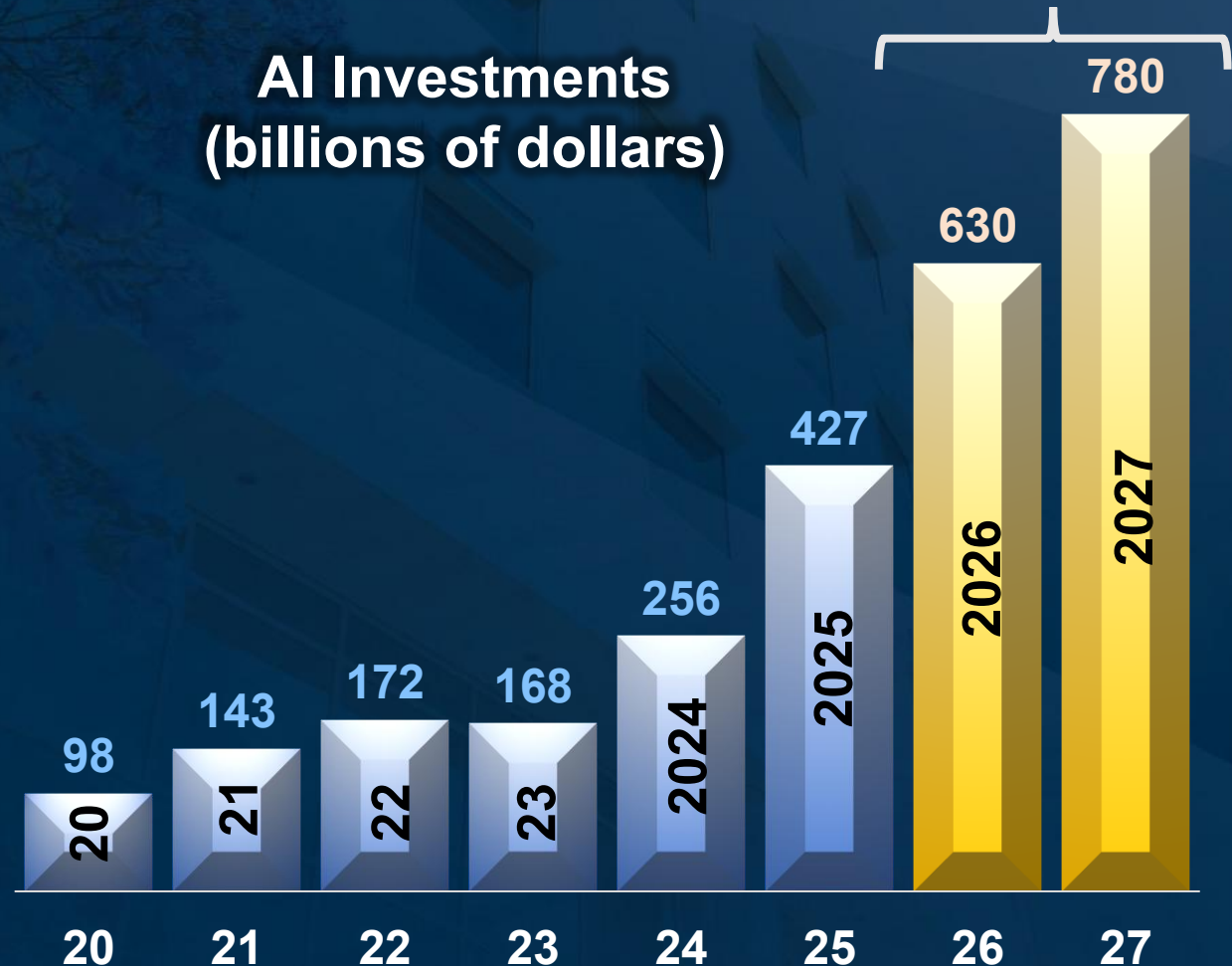
AI Contribution to Growth
(adjusting for imports)

25%



AI Investments
(billions of dollars)

Projections



Outlook?

Battered but Not Broken

No Recession

No Stagflation

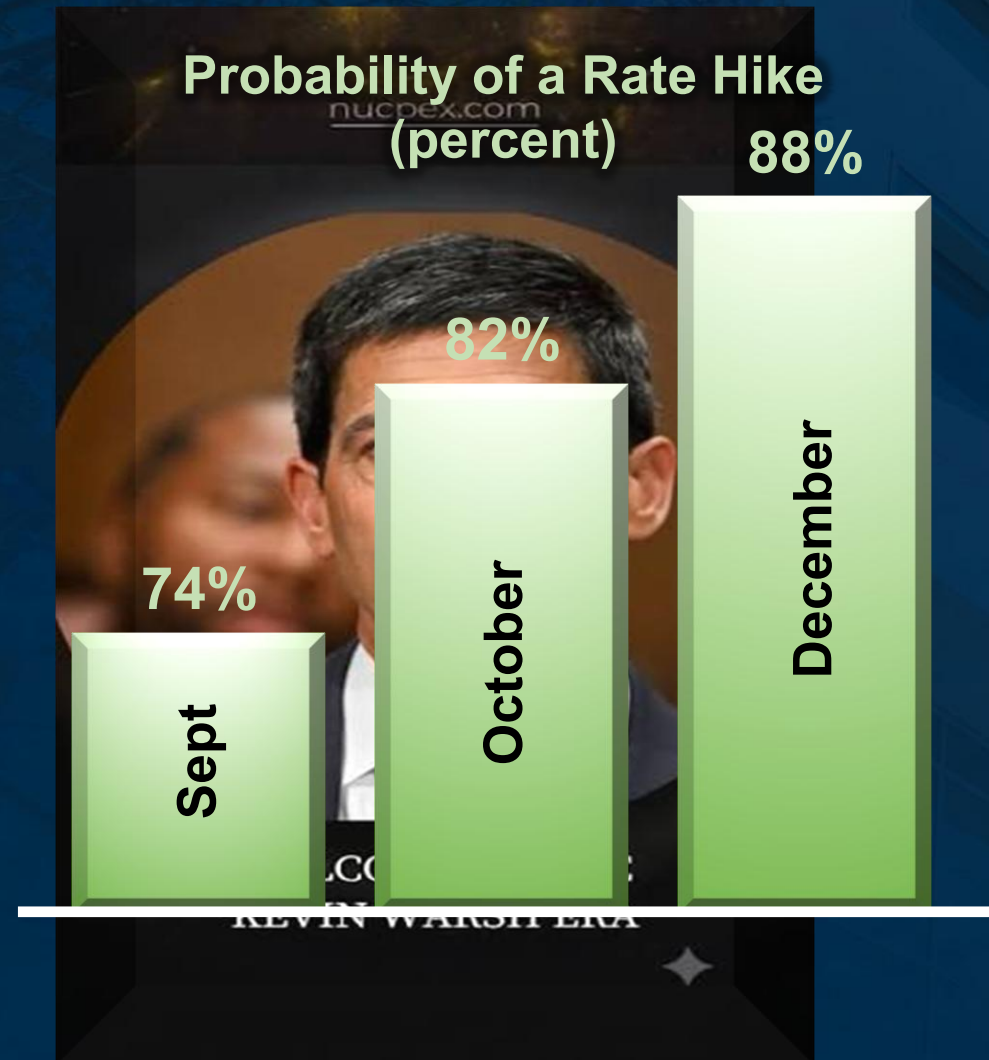
Good News: Economy Will be OK

Bad News: Inflation: High 3s
Economy Will be Just OK

Unemployment: Mid 4s
Also... a Very Bumpy Ride

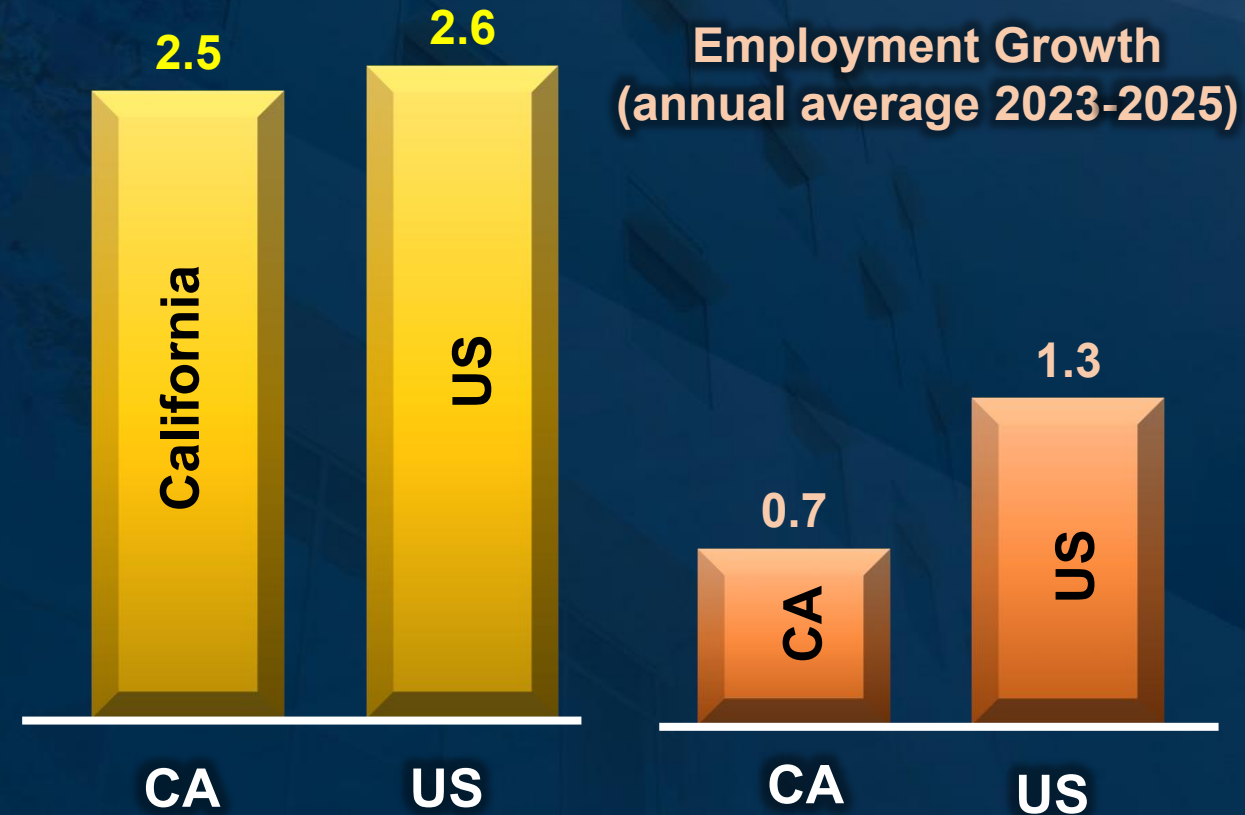
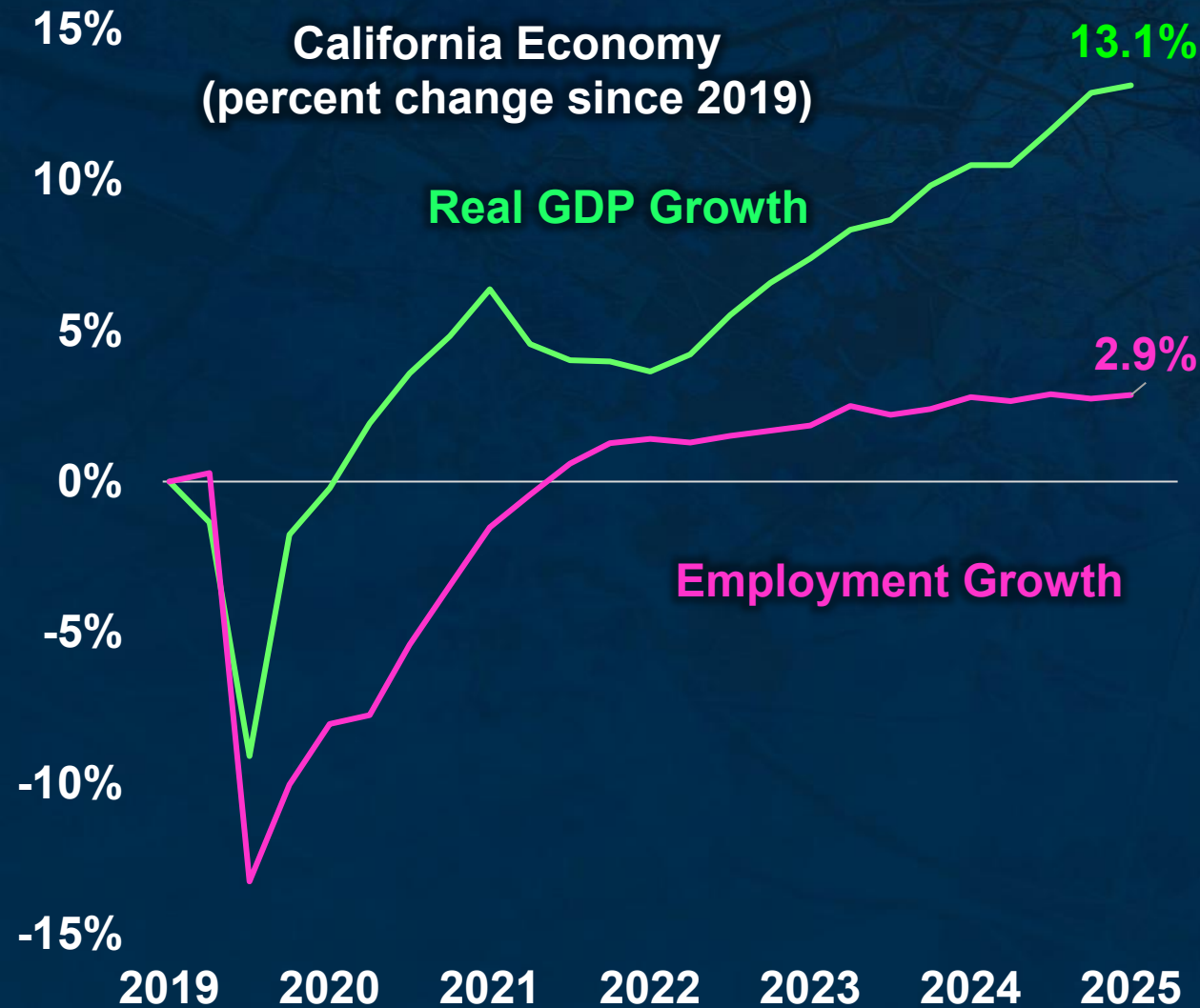
A New Boss at the Fed

Hawkish or Dovish?



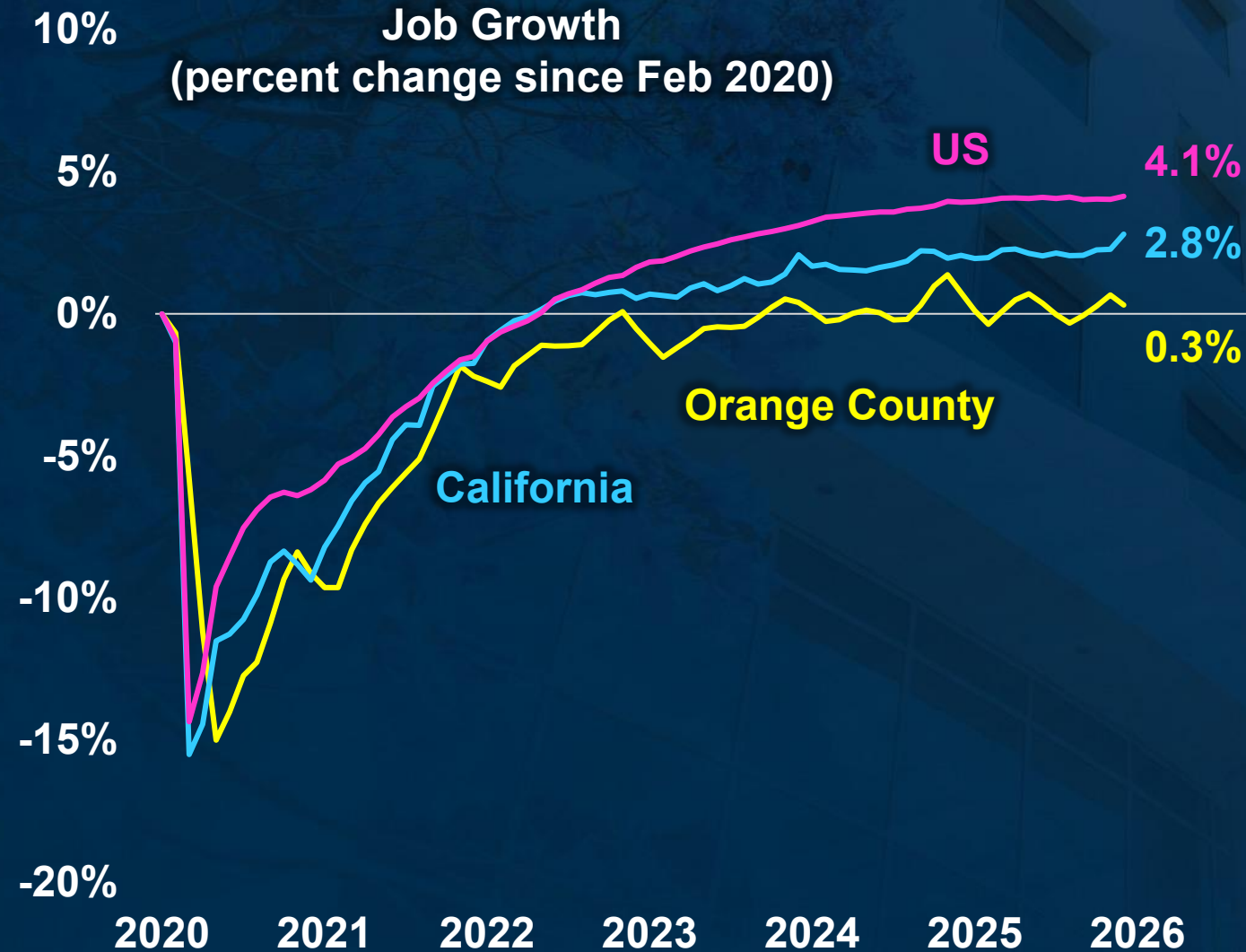
A Jobless (and Joyless?) Boom

CA GDP Growth Has Held Up Well...Labor Market Not so Much



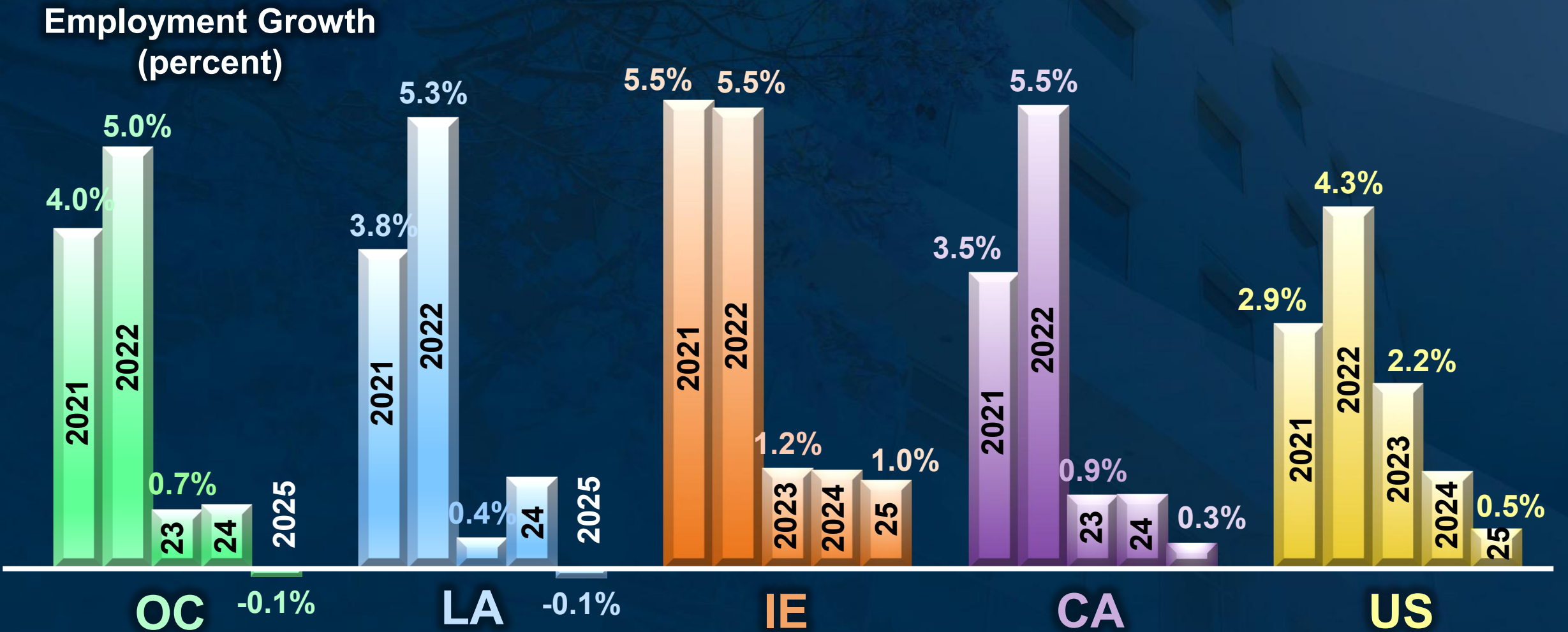
OC Has Fallen Behind...

Job Growth is Slower than in the State and Nation



Job Growth Has Stalled in Local Economies

But this Began Three Years Ago



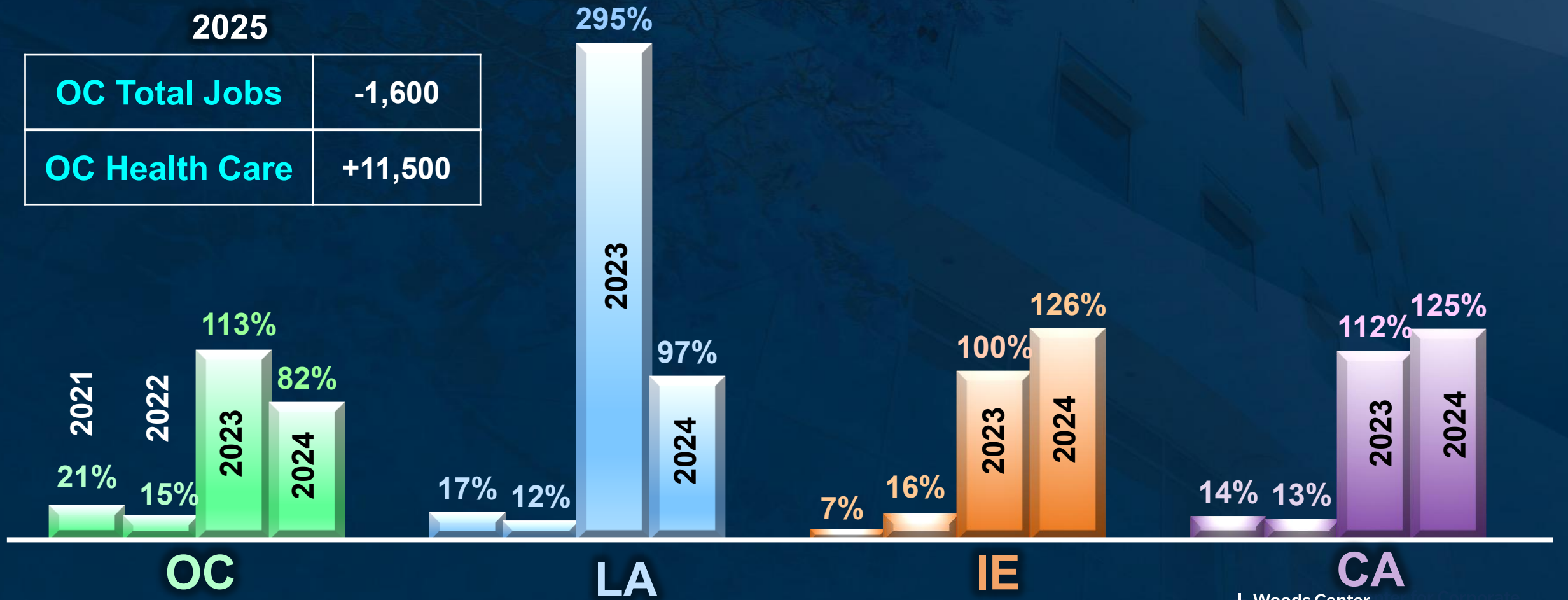
The Main Engine of Growth: Health Care

Job Market Would Be Even More Dismal Without Health Care

Health Care Jobs
(percent of total)

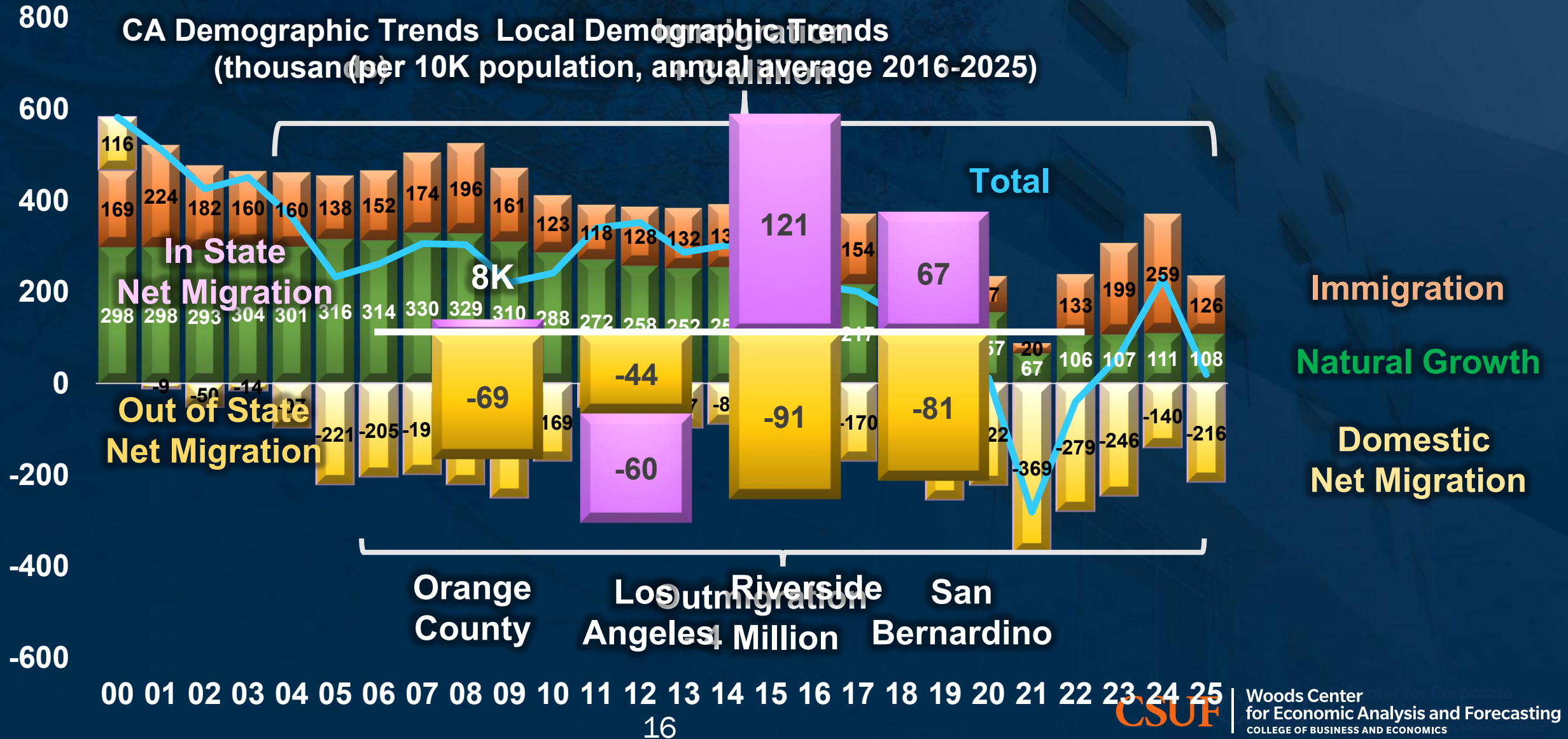
2025

OC Total Jobs	-1,600
OC Health Care	+11,500



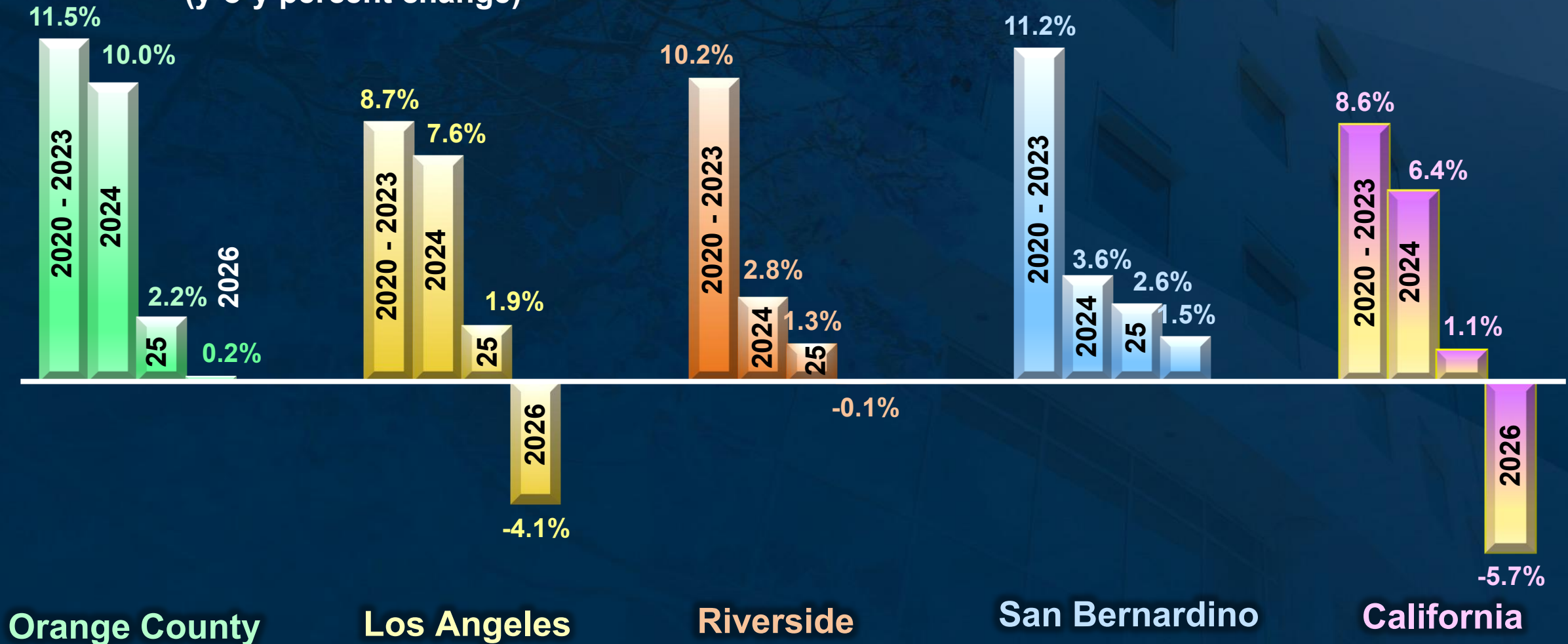
I Left My Heart in...CA

Outmigration Continues to Weigh on Population Growth



Home Price Appreciation Has Slowed ...And Even Reversed in Some Areas

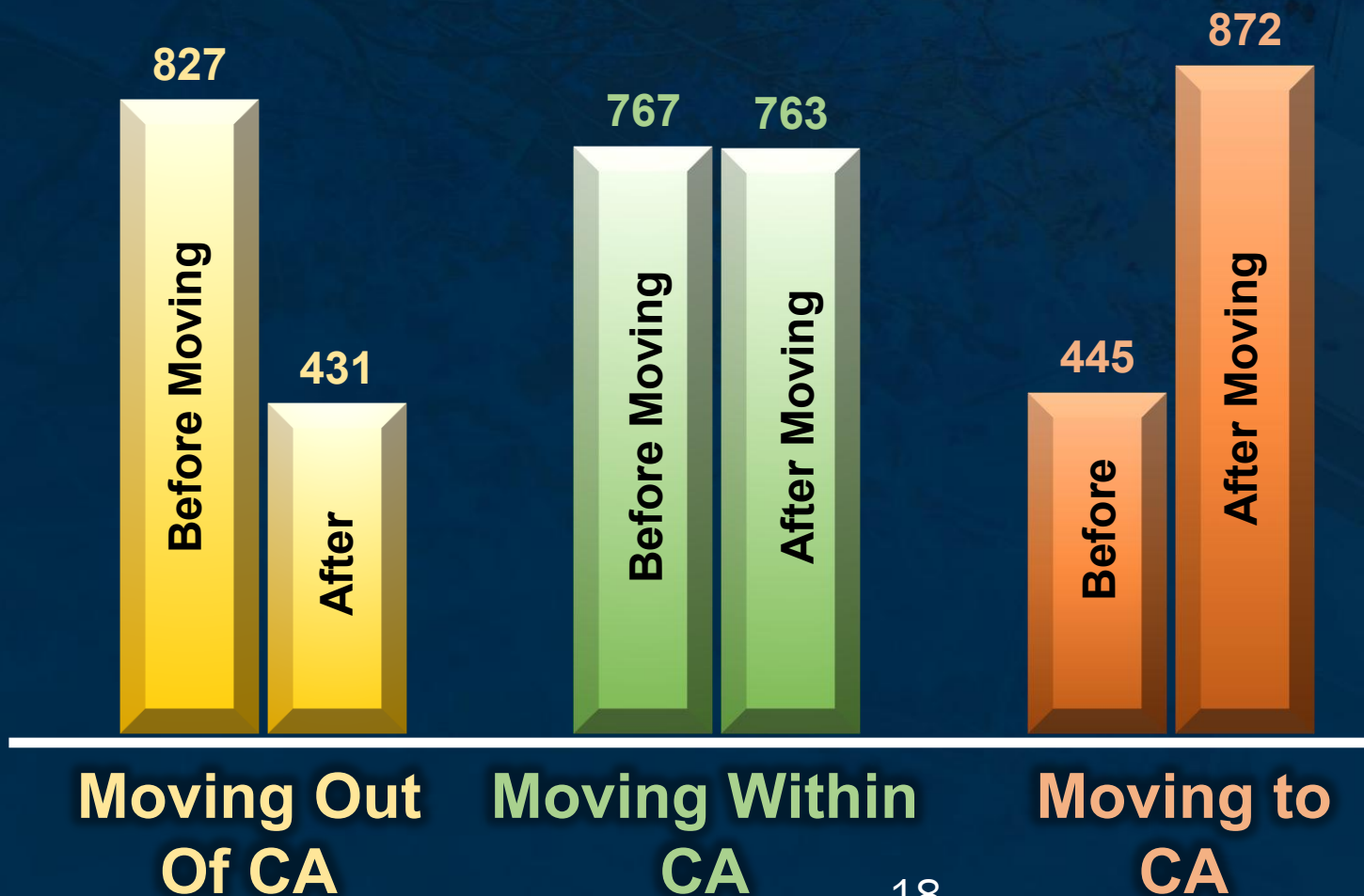
Home Prices
(y-o-y percent change)



Adios CA!

Home Prices Paid Fall by Nearly Half if Relocating Outside CA

Housing Prices
(thousands of dollars)

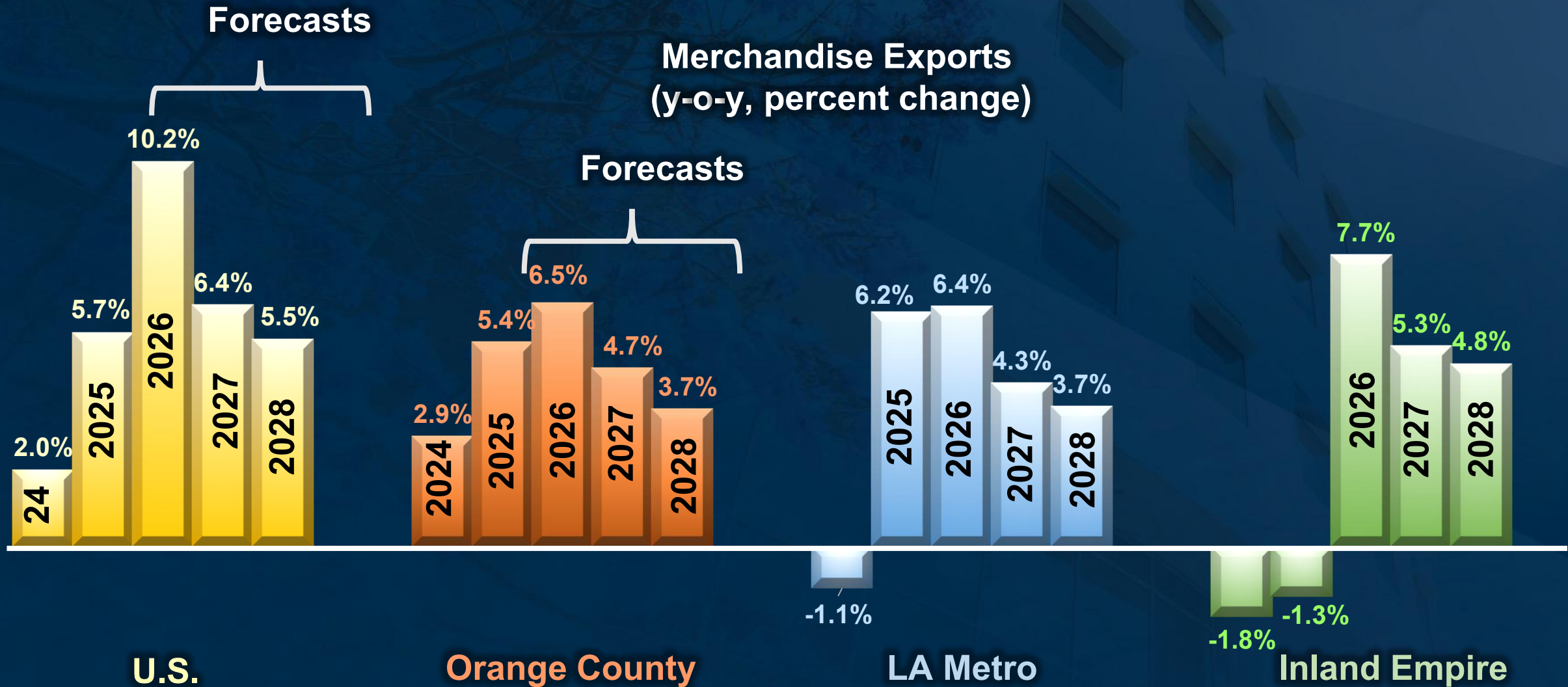


Average Reduction
in Monthly
Housing Costs if
Relocating

-\$672

Trade Held Up Pretty Well Last Year...

And Is Expected to Grow Robustly This Year

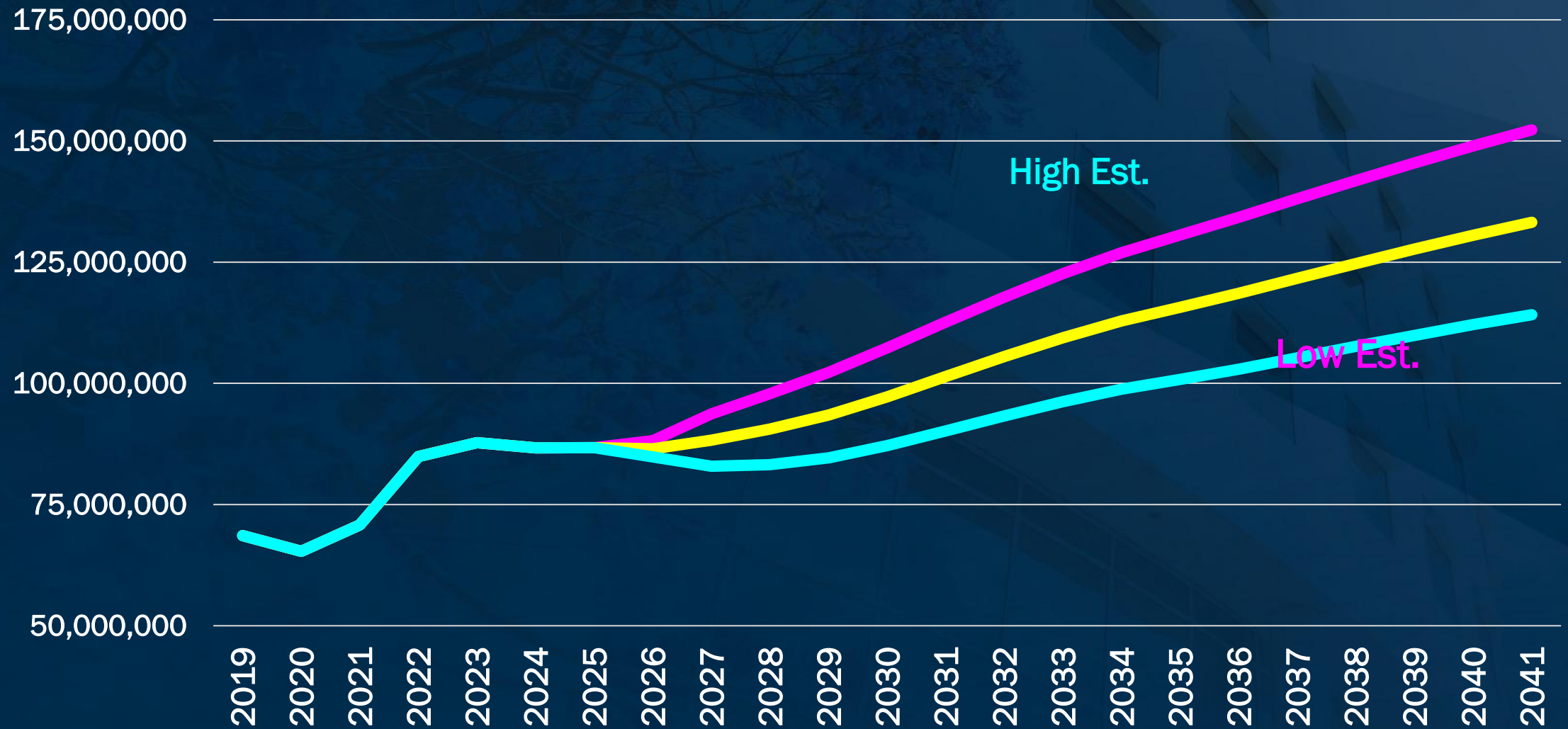


OC Business Sentiment - Improved Has Turned Up...a Bit... Despite the War



OC Taxable Sales

Fiscal Years (000 dollars)



OC Taxable Sales

Fiscal Years (percent change)

