The Economic Outlook and Orange County Taxable Sales

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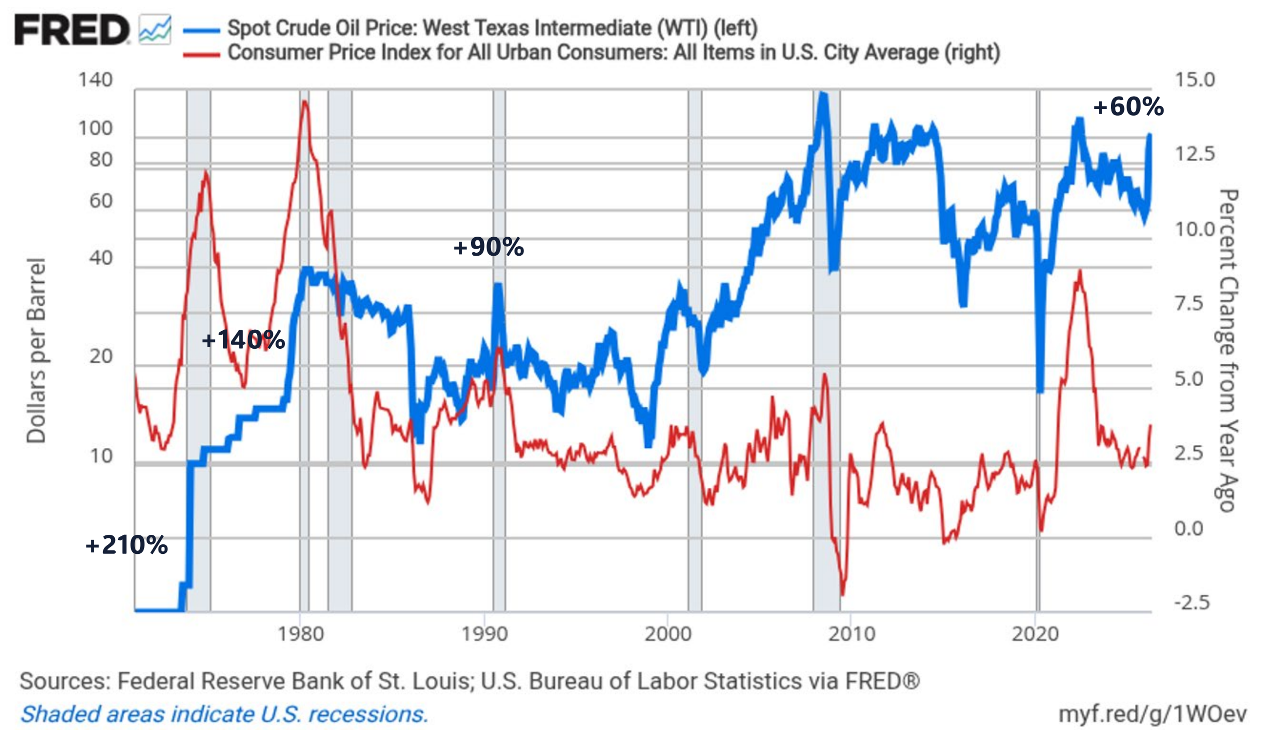
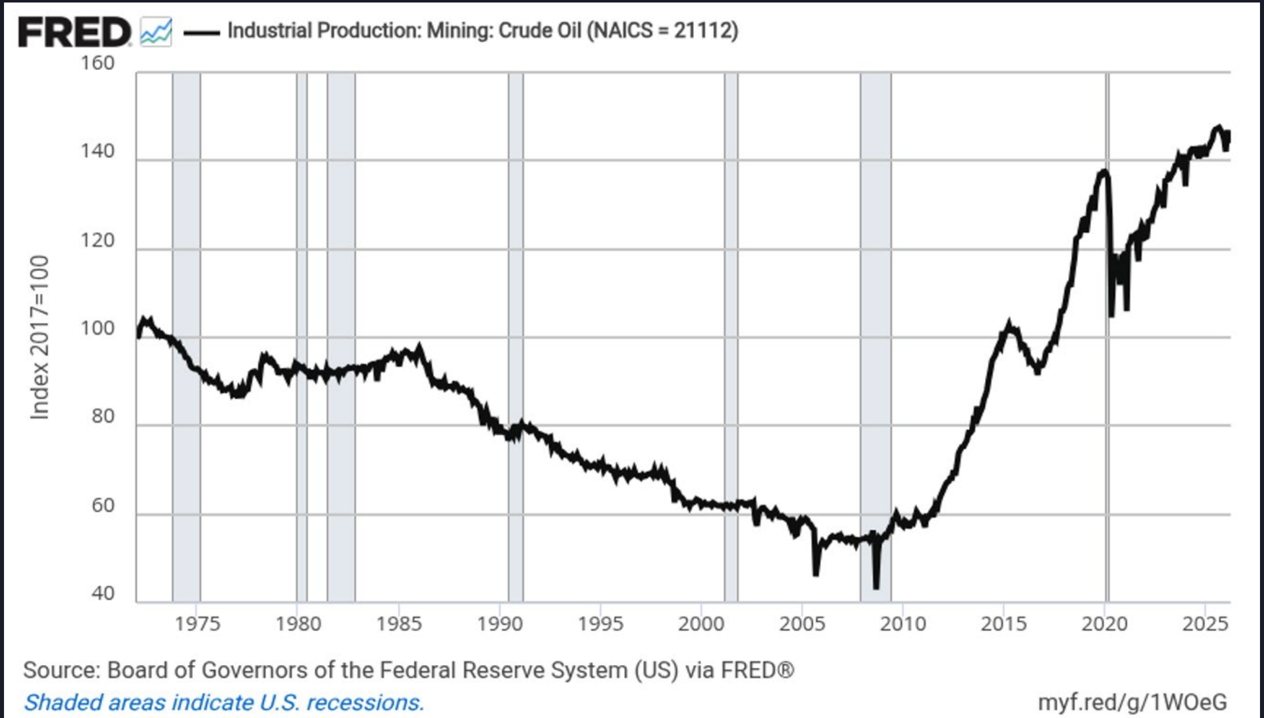
UCLA Anderson Forecast

The Current Iran conflict looks more like the 1990/91 Gulf War than the 1970s Middle East crises, so oil price shocks are likely temporary.

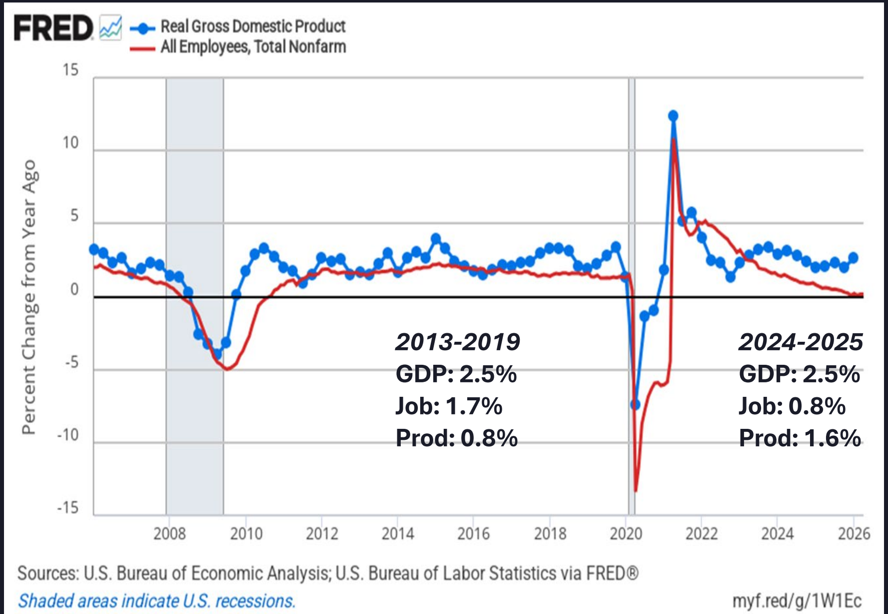


The U.S. shale revolution gives American oil producers greater influence on oil prices through flexible production.

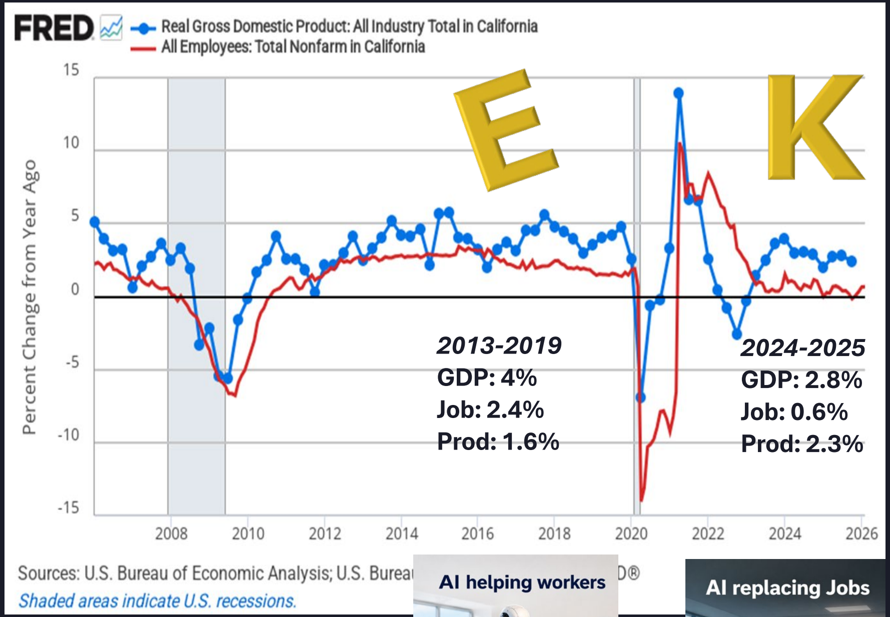


California's economy is doing well in terms of output growth but not job growth

U.S. real GDP and Job YoY growth

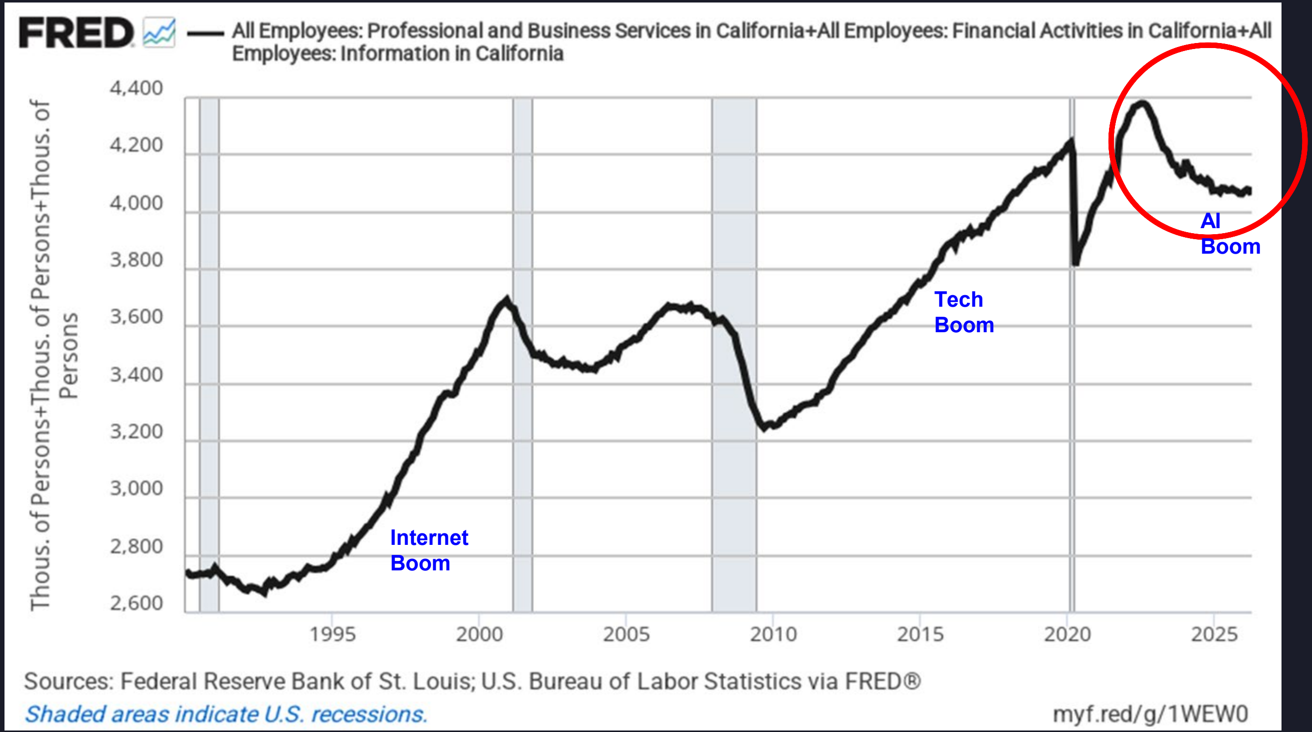


California real GDP and Job YoY growth

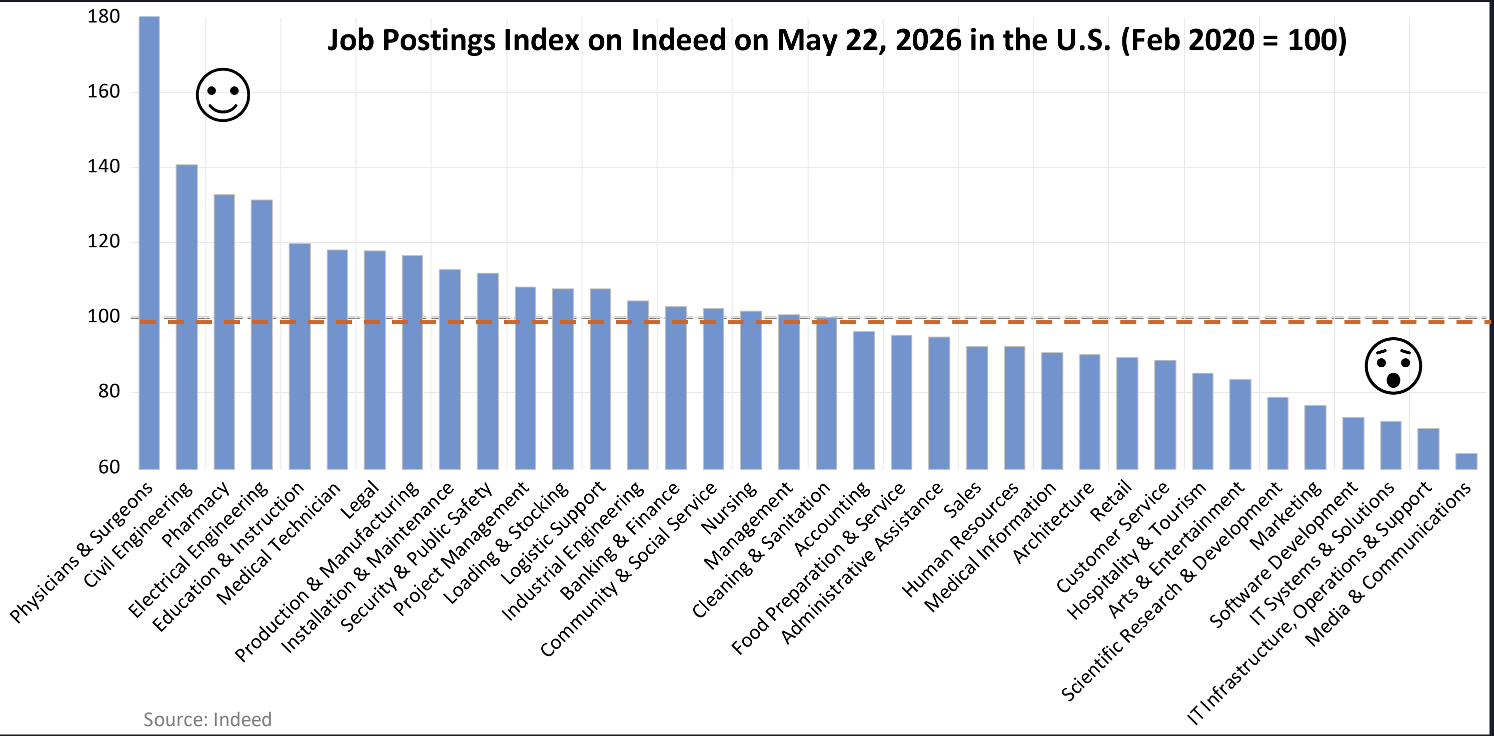


White-collar sectors experienced no job growth over the past 3 years

White-collar sectors in California have reduced employment

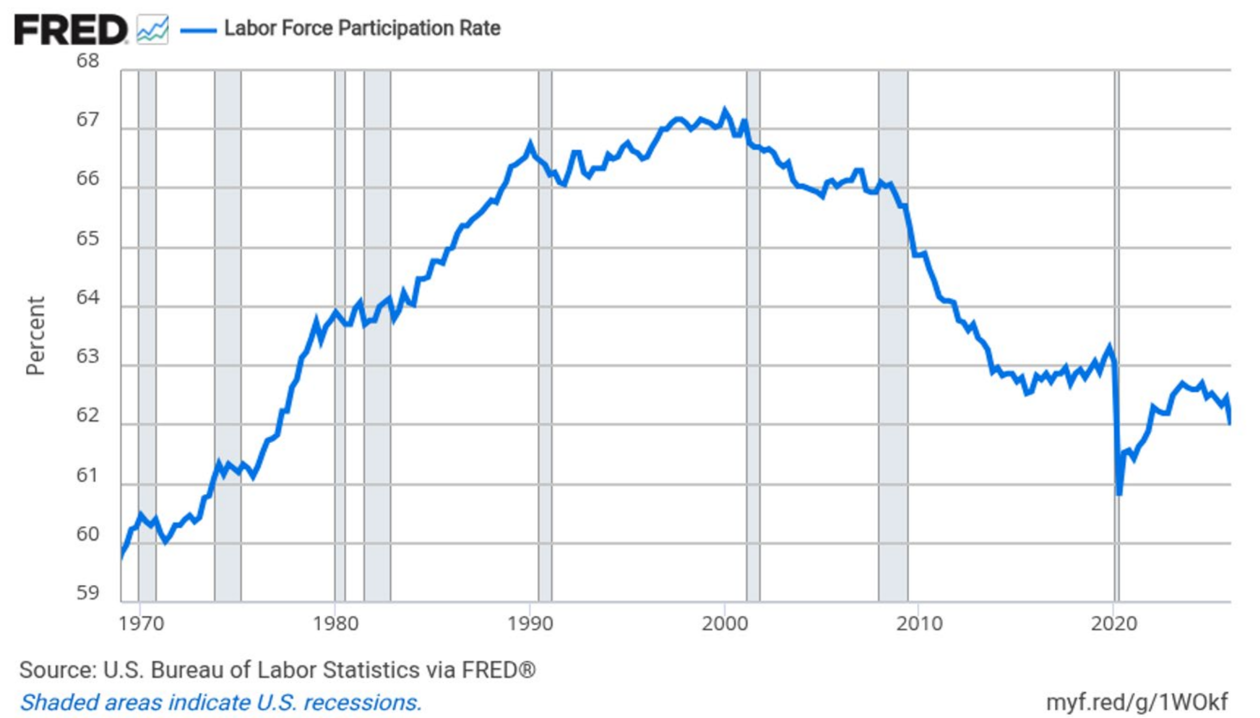


AI appears to be slowing job openings in software, IT, marketing, and media, while reindustrialization policies are boosting demand for civil and electrical engineers.

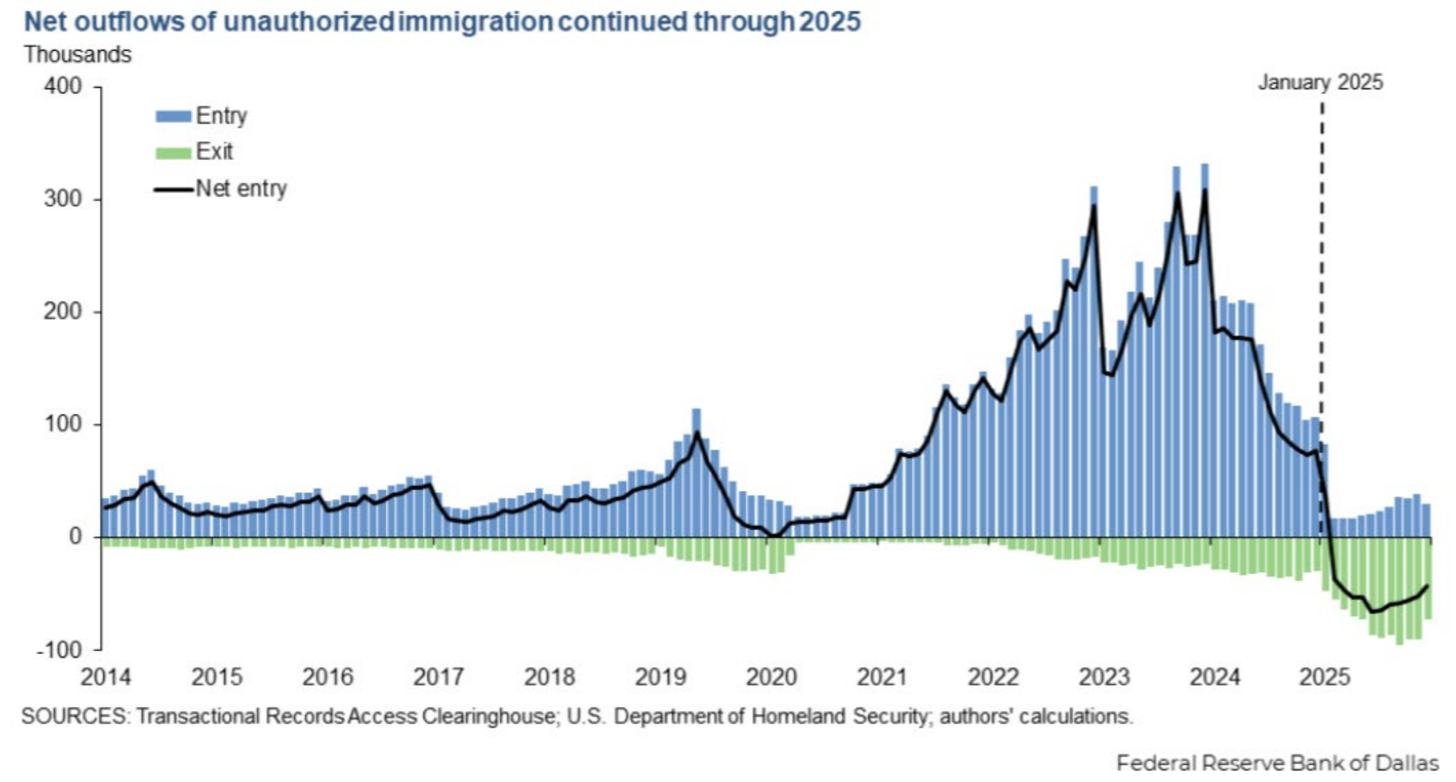


Source: Indeed

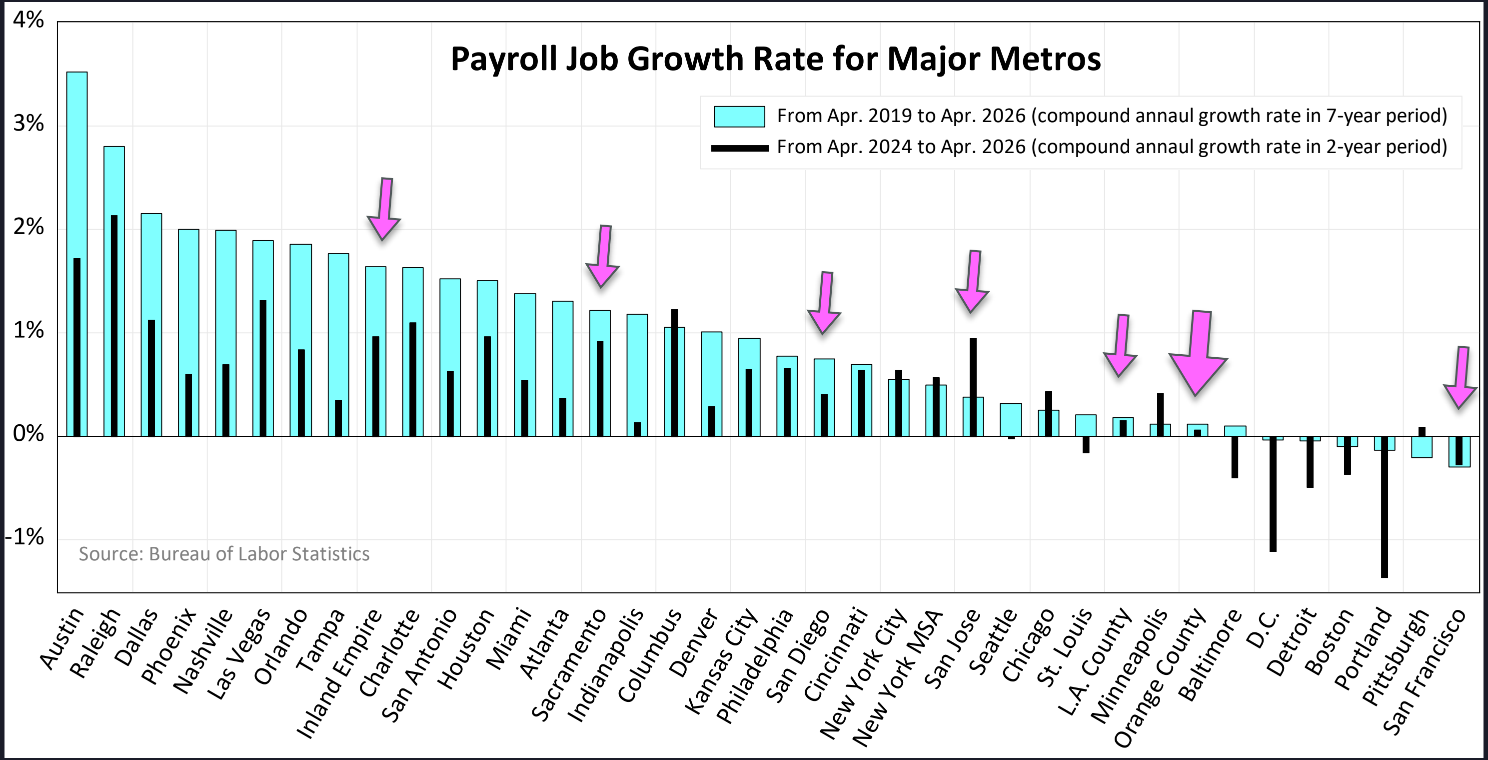
Labor force participation rate falls to 62% due to retiring boomers and lower participation in the age of 55 and older.



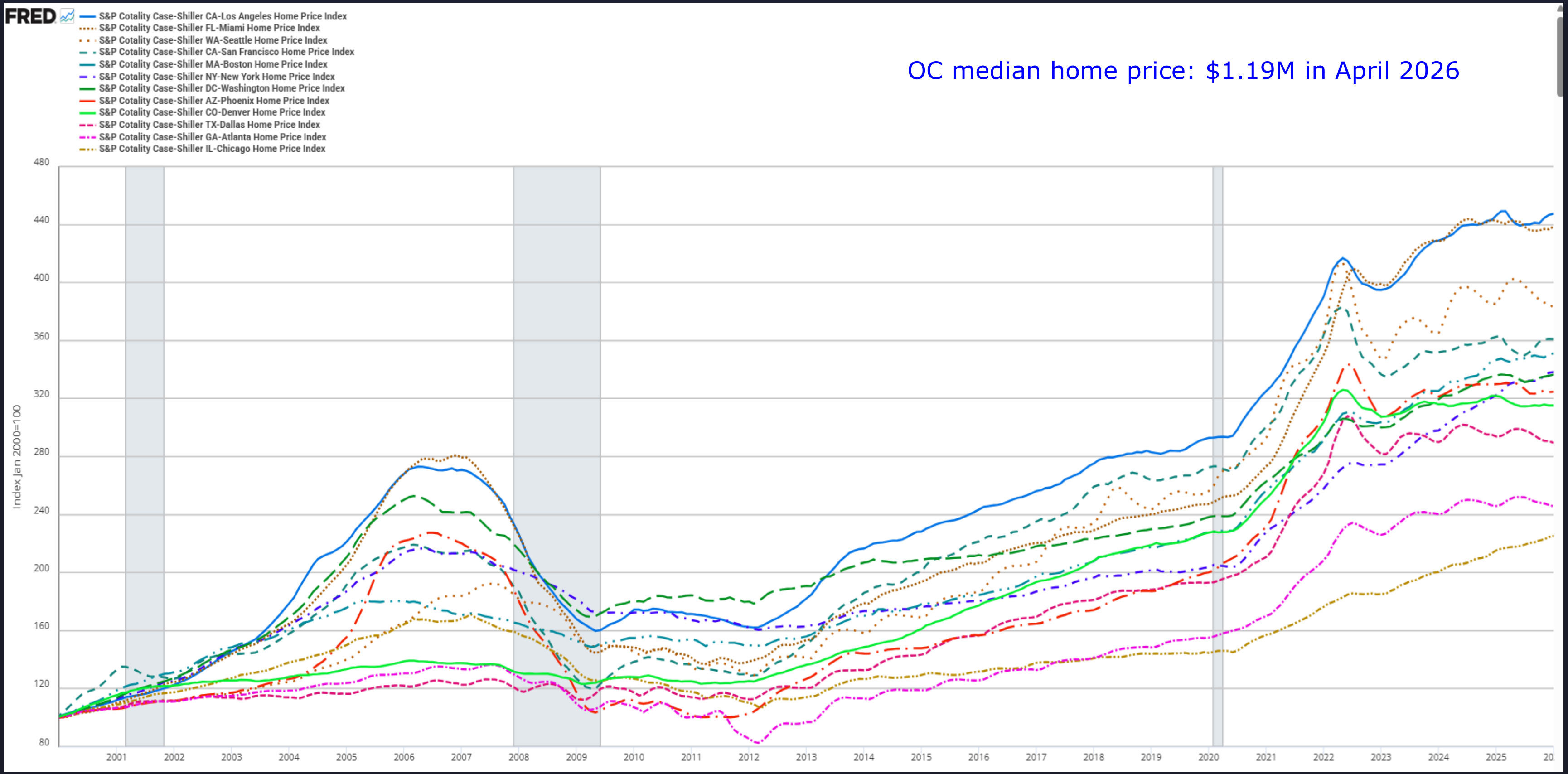
With stricter immigration policies, net unauthorized immigration has turned negative since February 2025, and the estimated break-even employment level is now zero.



Most bicoastal cities have seen weak payroll job growth.
In-land CA metros have a higher job growth than coastal CA metros.



U.S. nominal home price growth varies across major metros because of differences in demand and supply



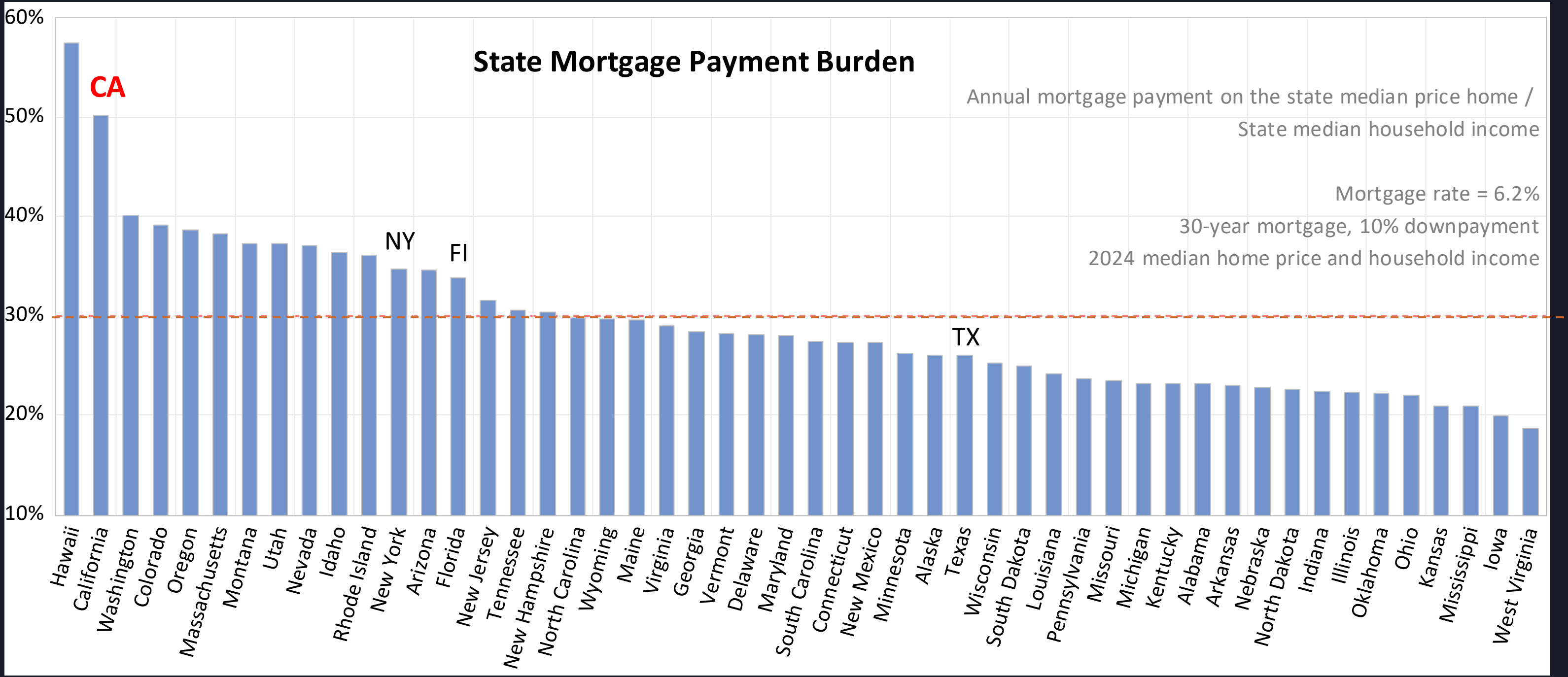
2000 to 2026

LA/OC SD: +347%

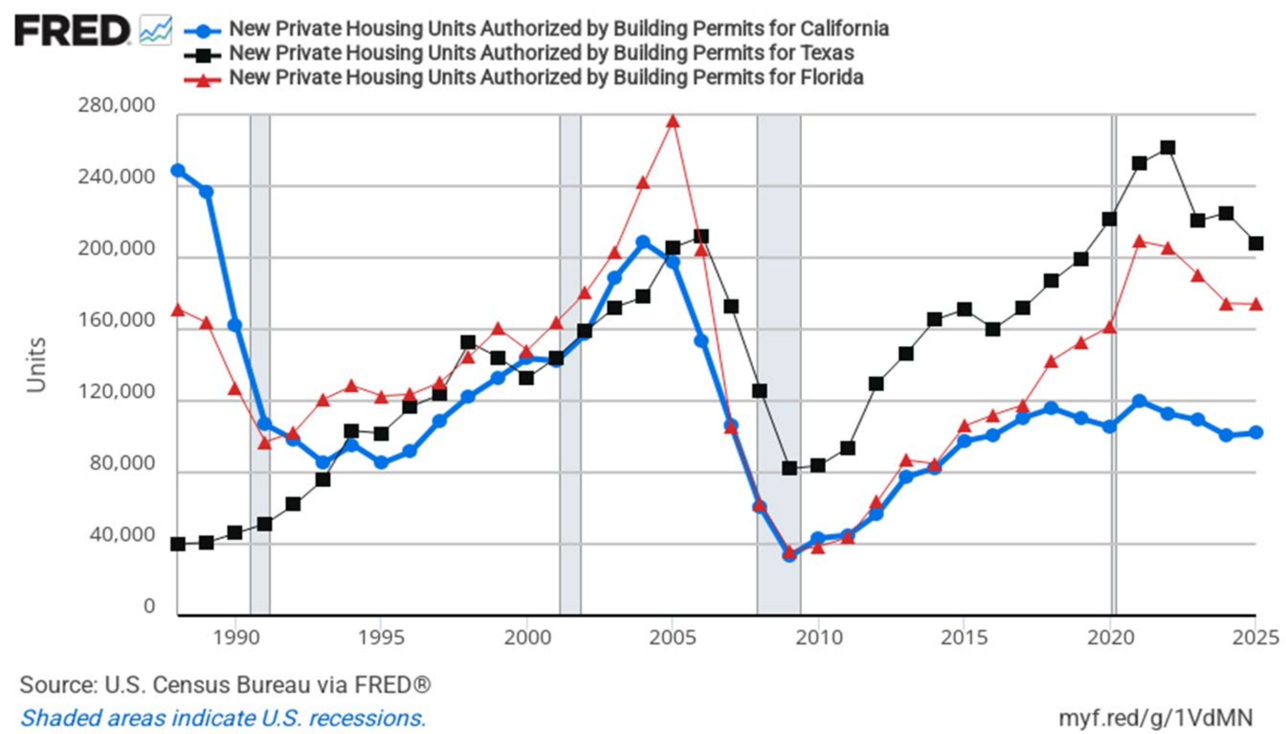
SF: +260%

Chicago +130%

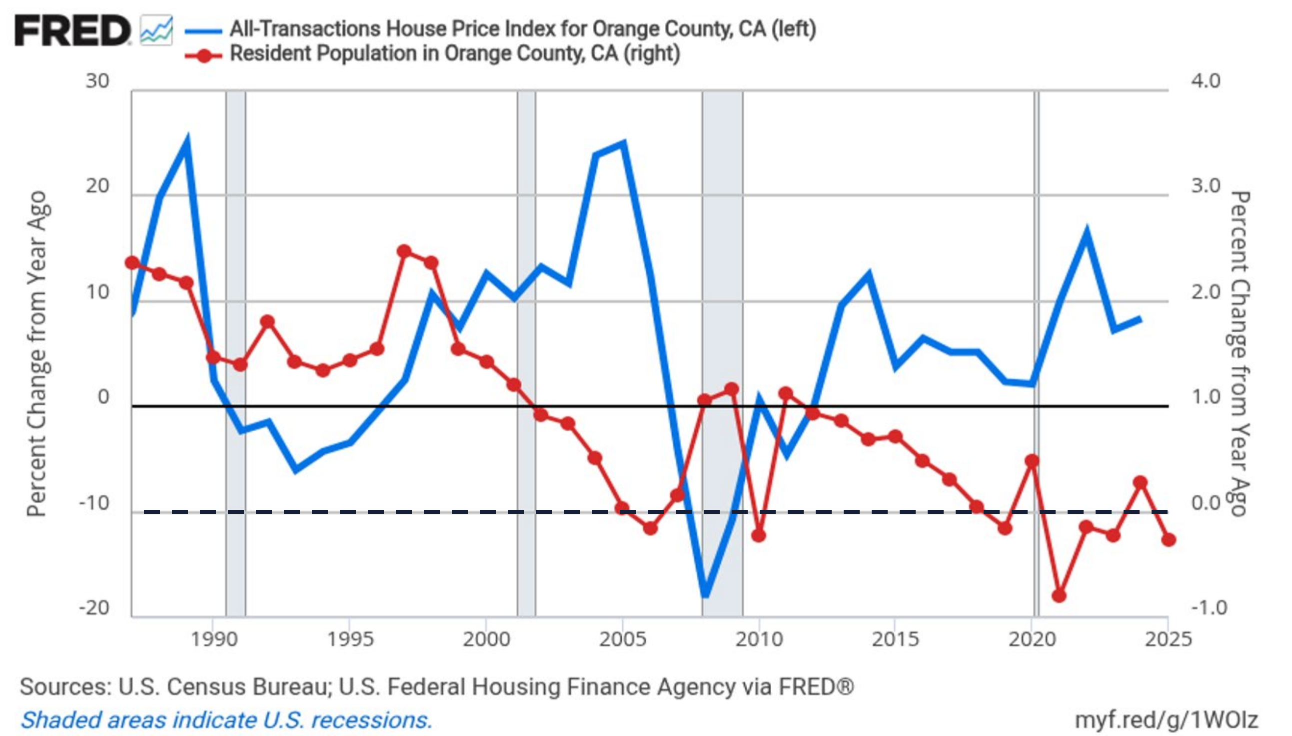
CA is the second least affordable state for first-time homebuyers



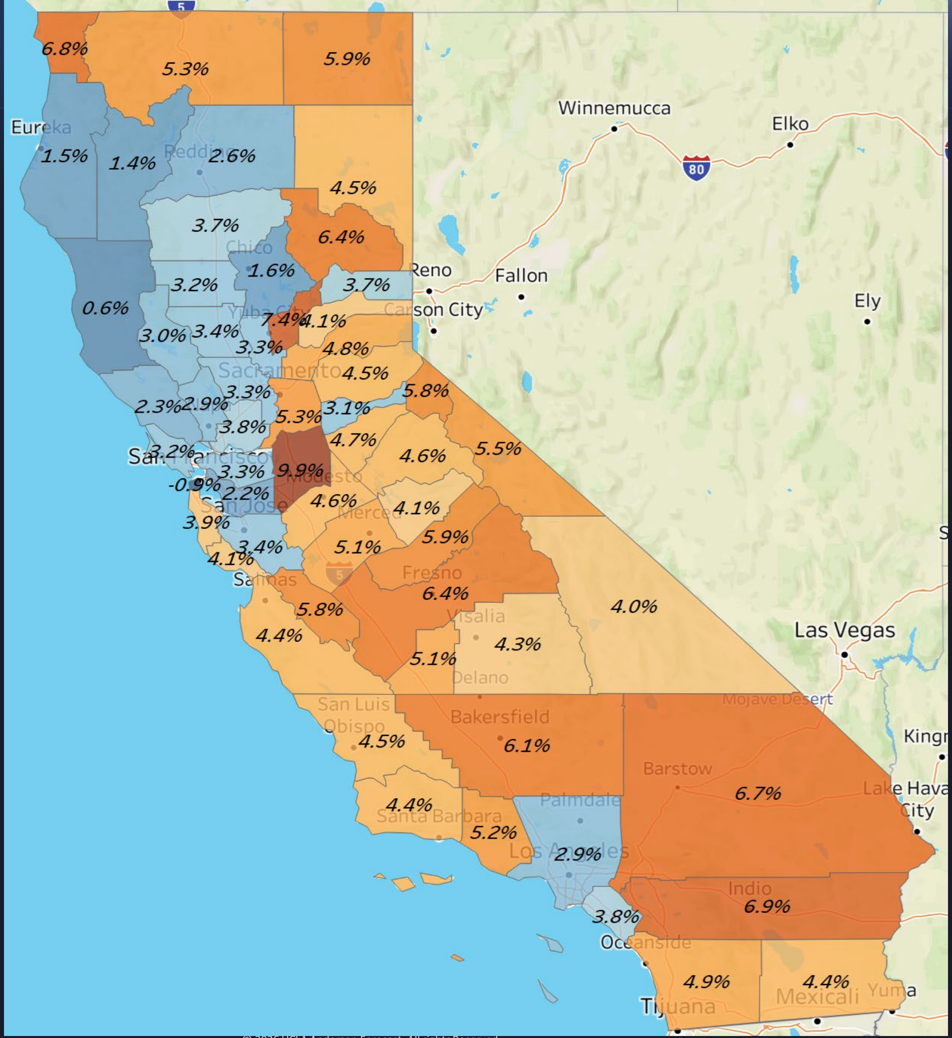
California's high home prices are partly driven by an insufficient housing supply



More housing supply could make housing in California and Orange County less unaffordable and help stabilize outmigration



Inland counties with a lower cost of living had stronger economic growth



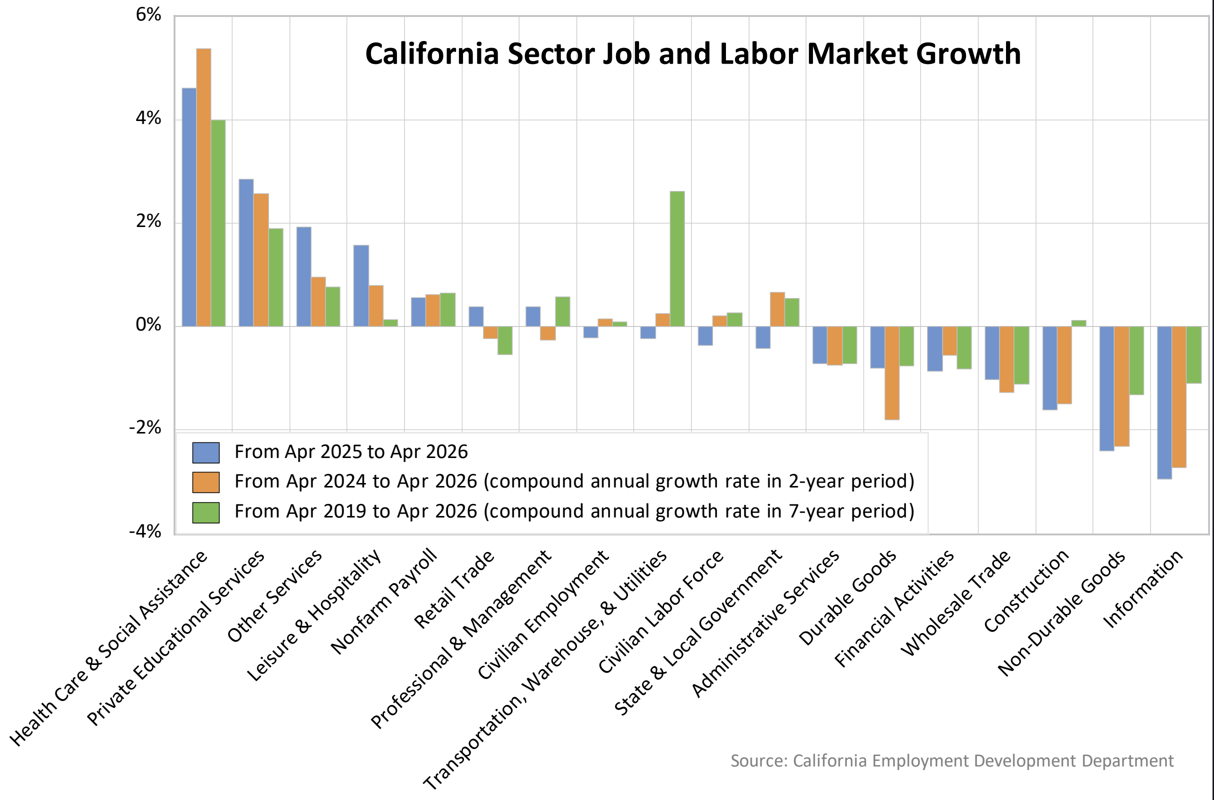
Compound annual growth rate of nominal taxable sales by county from 2019 to 2025

CPI inflation:
3.9% average from ‘19 to ‘25

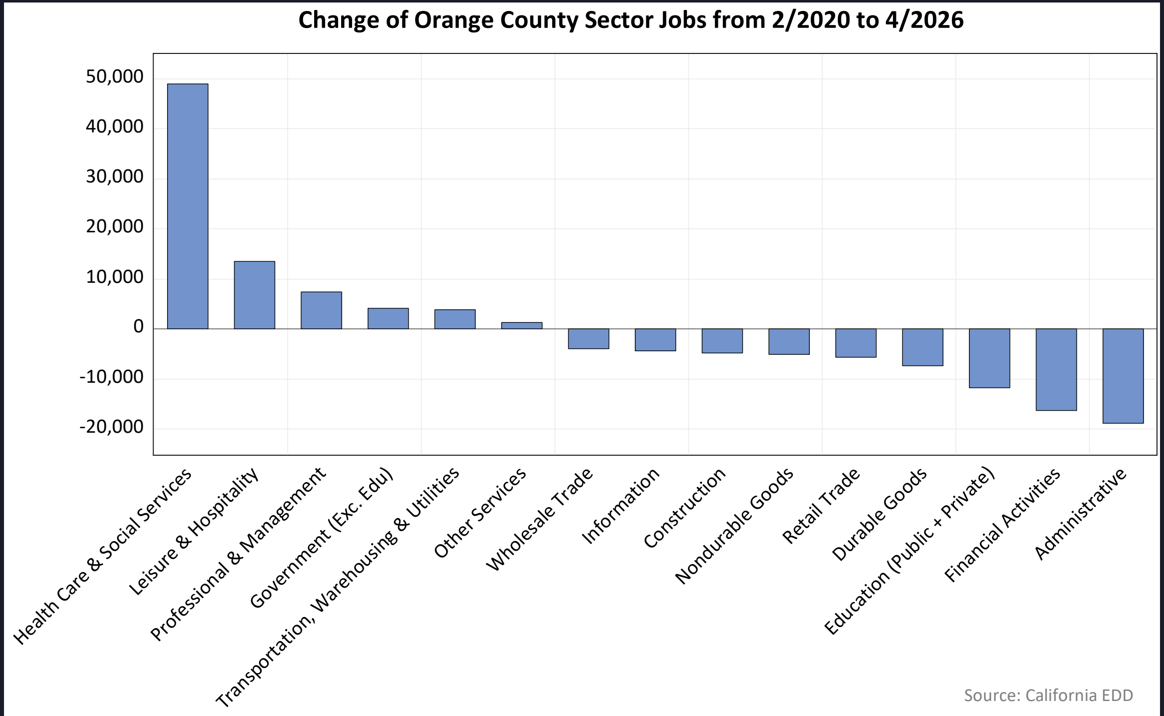
Growth rate:

- <3.9% Negative real growth
- >3.9% Positive real growth

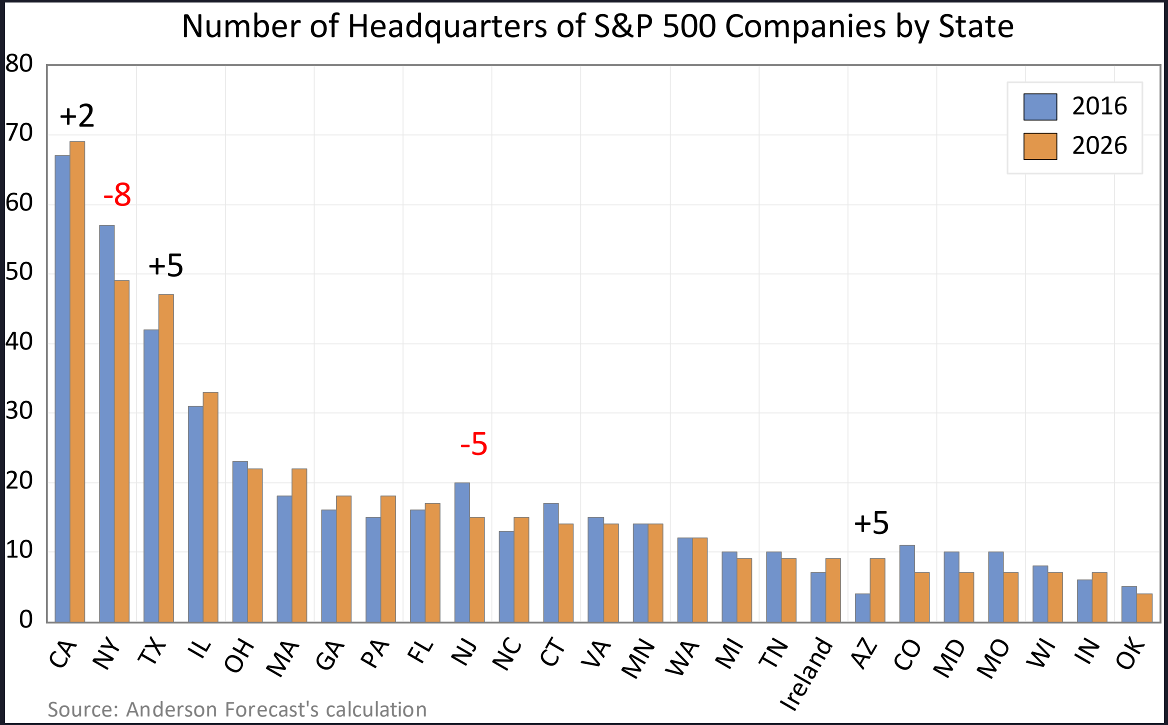
California's health care & social services sector has been gaining jobs, while the information & manufacturing sectors have been losing jobs.



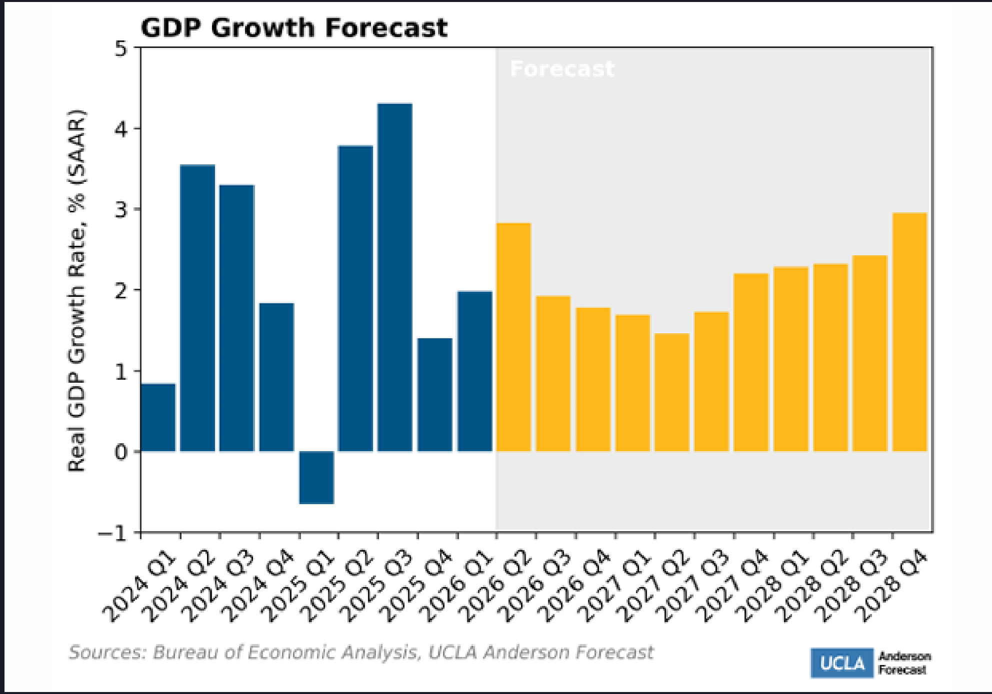
The OC job gains: health care, leisure & hospitality, professional
The OC job losses: education, financial activities & administrative services



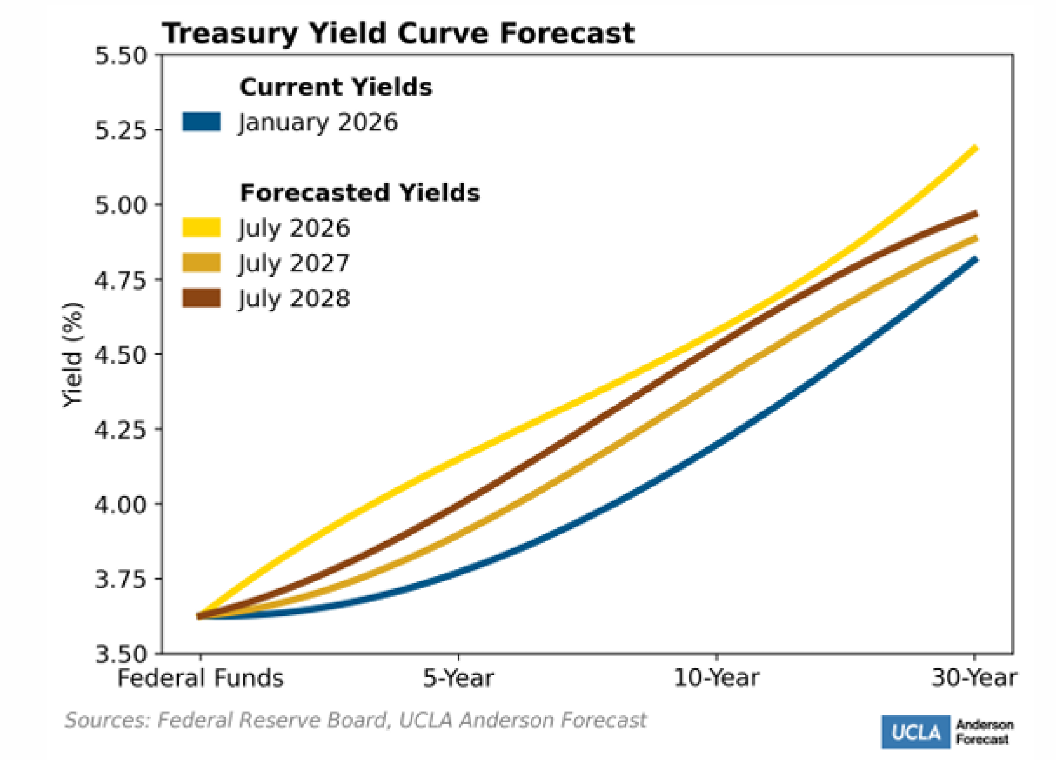
Despite the relocation of some established companies, California still has the largest number of S&P 500 headquarters.



U.S. Forecast: Decent GDP growth in 2026 despite Iran War

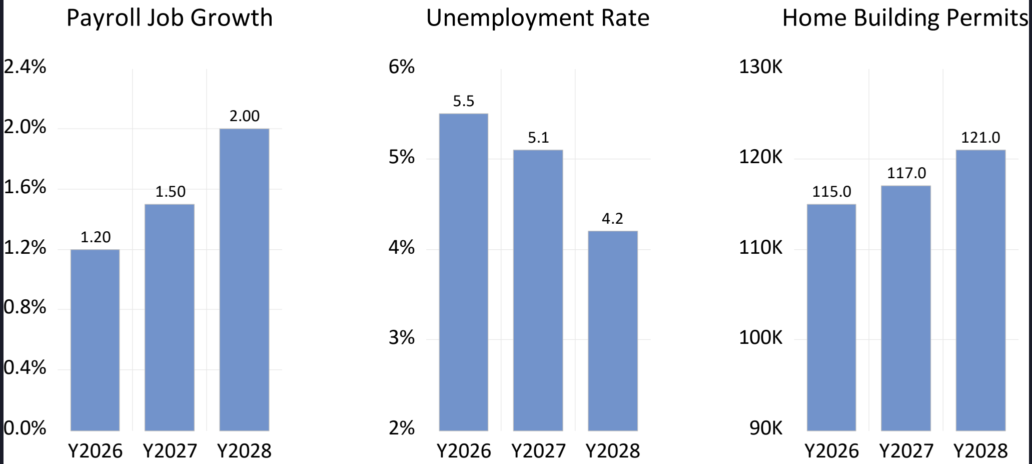


No change to Federal Reserve's interest rate policy in 2026

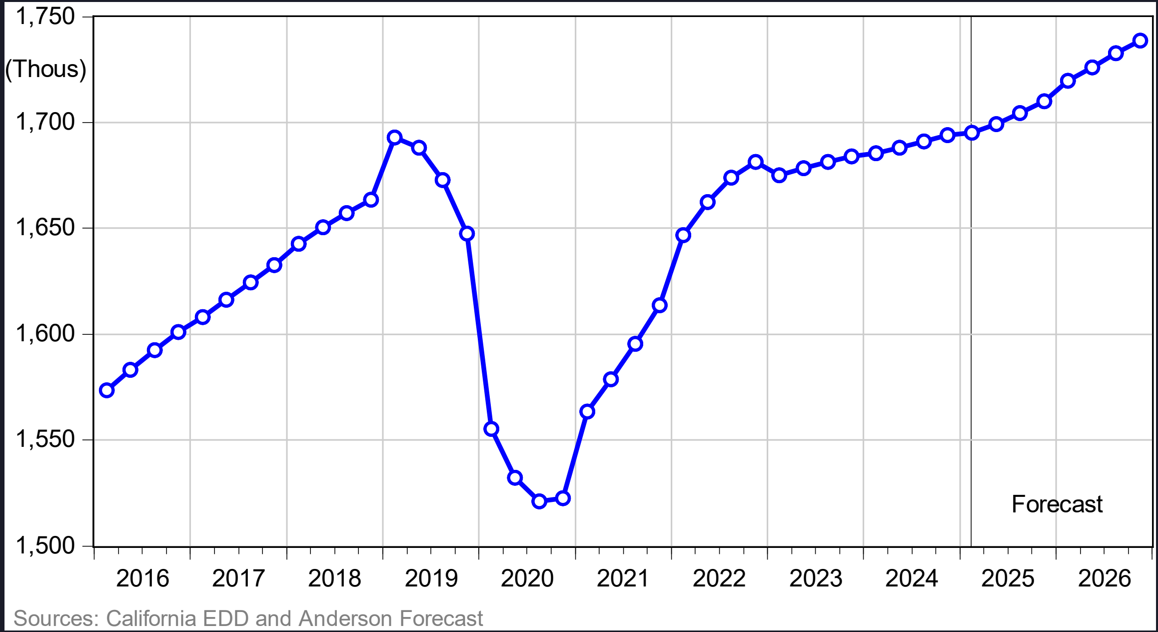


California Forecast

- California had stronger output growth but weaker job growth than the nation.
- Despite the AI boom, CA is growing more slowly than its 2010s tech boom. High cost of living and housing is a barrier to its growth.
- Immigration, war, and tariffs still weigh on employment growth in 2026. CA is forecast to return to strong growth from manufacturing, tech, construction, and tourism in 2027 and 2028.



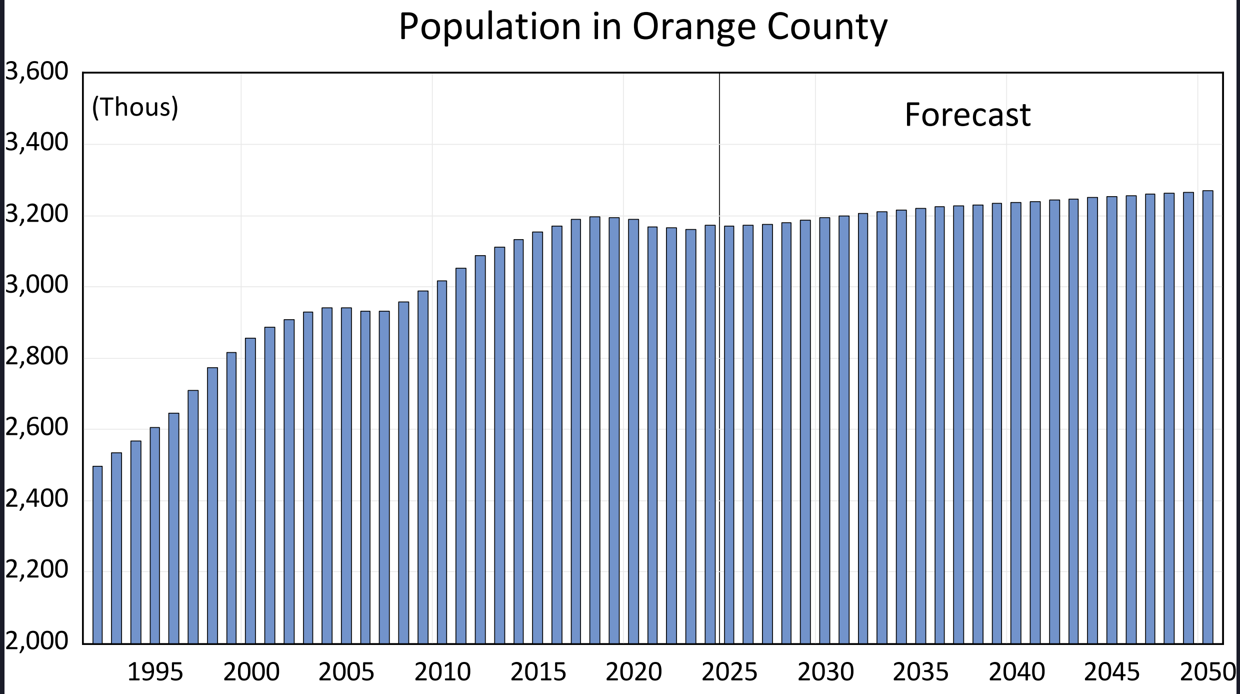
O.C. payroll job growth is forecast to grow steadily in 2026 and 2027



Payroll job
Growth forecast:

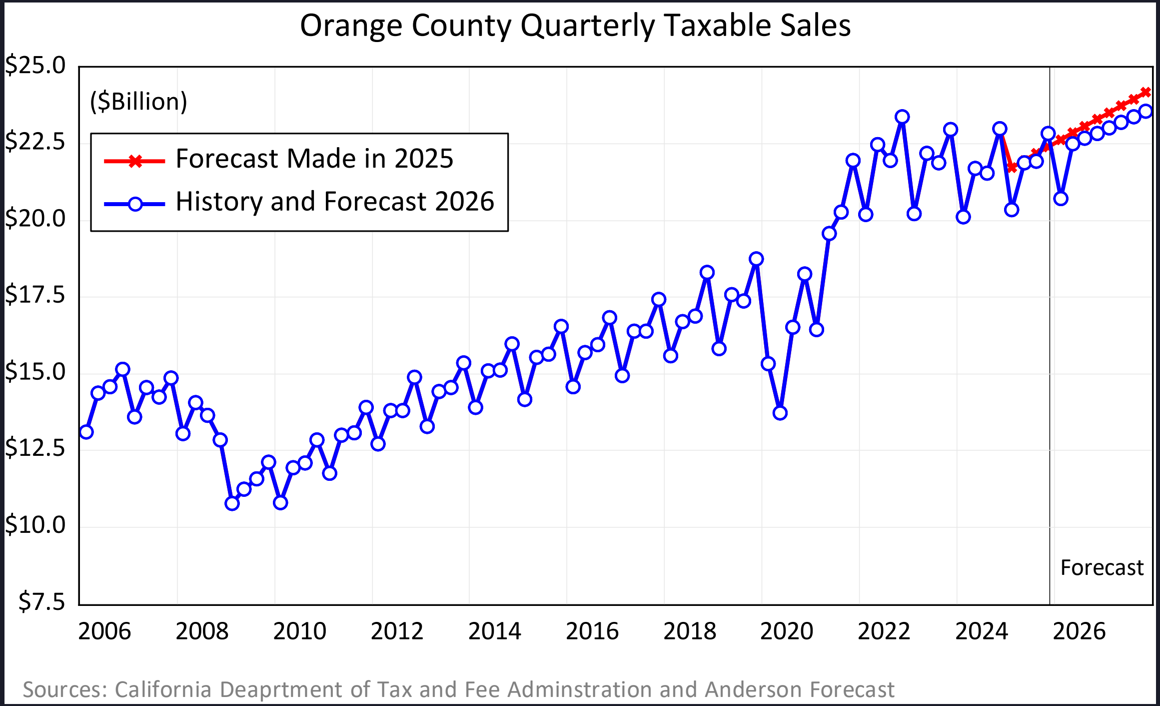
2026: 0.6%
2027: 0.9%

Population growth in O.C. is forecast to slow down to 0.1% in the next three decades

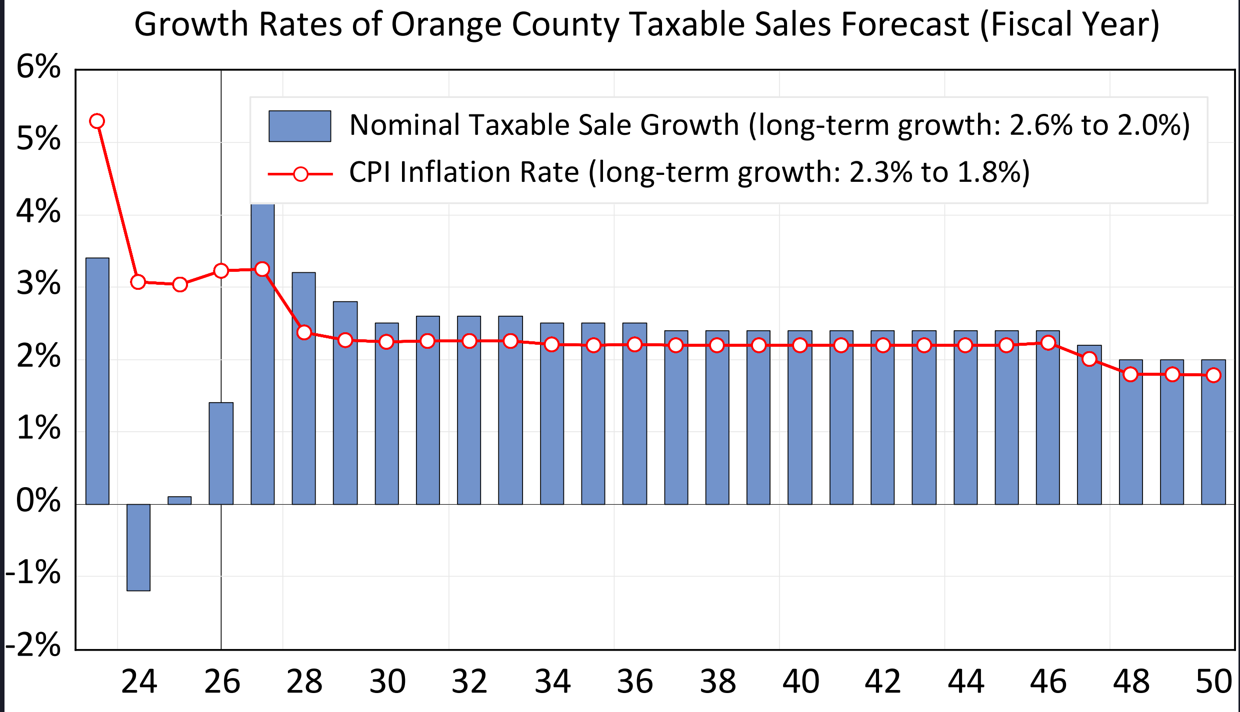


Sources: California EDD and Anderson Forecast

O.C. actual taxable sales in 2025 were slightly lower than our forecast due to lower job growth and more out-migration



The long-term growth of O.C. taxable sales is forecast to slow to 2.6% in 2035 and to 2.0% by 2050



Sources: California Department of Tax and Fee Adminstration and Anderson Forecast