

The Economic Outlook and Orange County Taxable Sales

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UCLA Anderson Forecast

Trump Administration Economic Policy (Part 1)

❖ TARIFFS

❖ On who?

❖ Penalty & National Security Tariffs

- ❖ China
- ❖ EU

❖ Negotiating Tariffs

- ❖ Mexico
- ❖ Canada
- ❖ Denmark



❖ Price estimates of the 2018 tariffs & Smoot-Hawley Tariffs 1930

❖ Disruption estimates of negotiating tariffs

Trump Administration Economic Policy (Part 2)

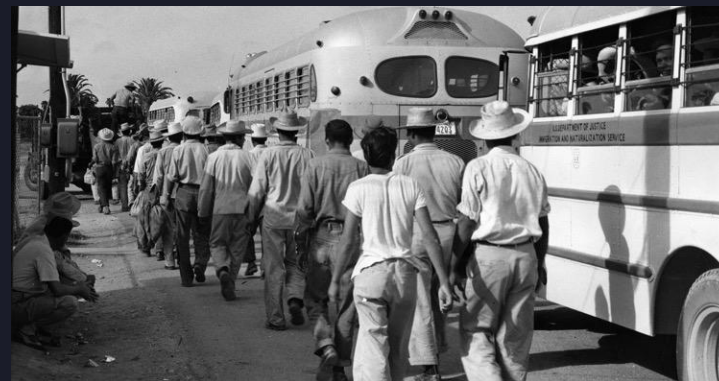
❖ IMMIGRATION

❖ How fast?

- ❖ Logistics
- ❖ Legal challenges
- ❖ Diminishing returns

❖ What sectors

- ❖ Agriculture
- ❖ Non-durable goods manufacturing
- ❖ Health care and social services
- ❖ Leisure and hospitality
- ❖ Construction



THE FED QUANDRY

WILL THE FED LOWER RATES IN 2025, 2026, 2027?

We assume “no” because the uncertainties are too large

- Downside risk now due to weakening economy
- Upside risk from higher inflation & unanchoring of expectations

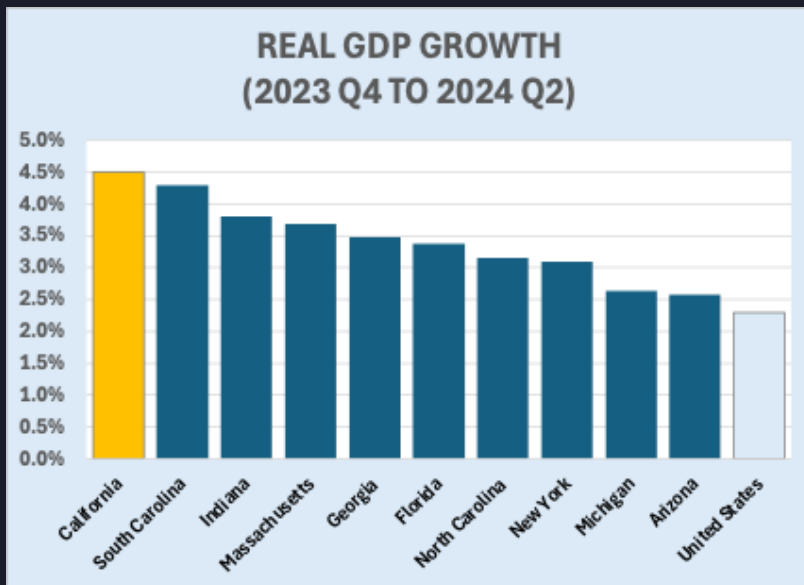


CALIFORNIA OUTLOOK

SOME WORRIESOME SIGNS



THE CALIFORNIA ECONOMY IS STILL GROWING BUT AT A SLOWER RATE

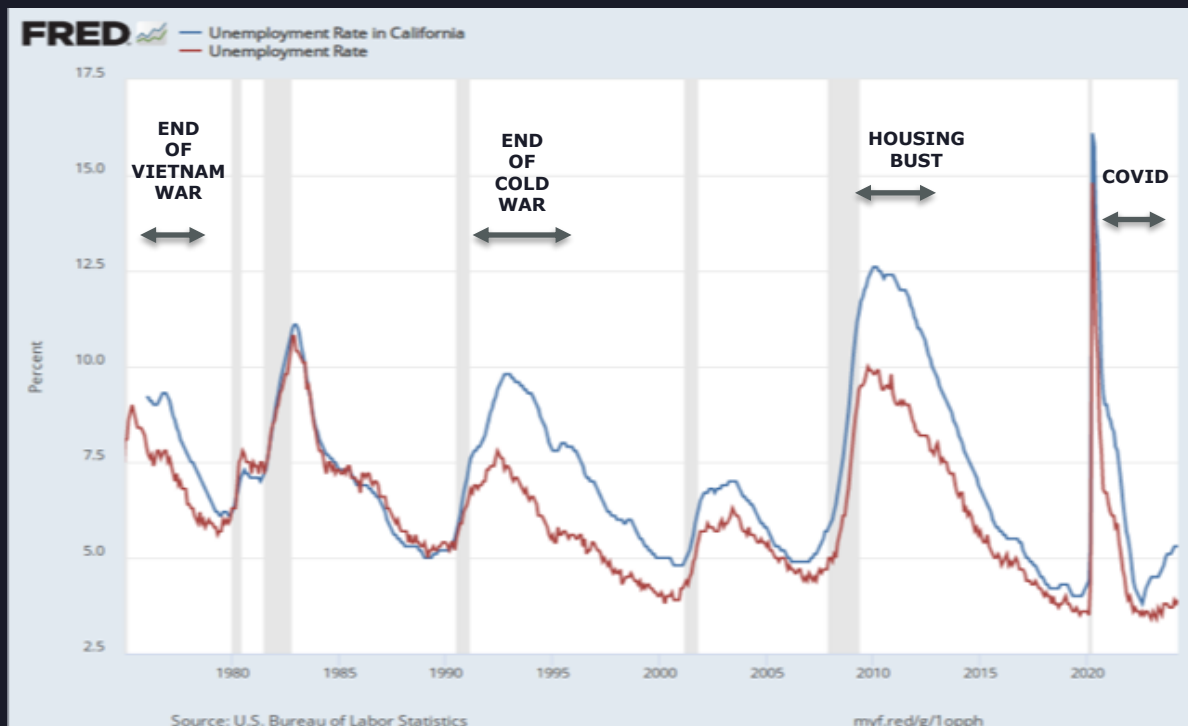


2024 Real GDP Growth

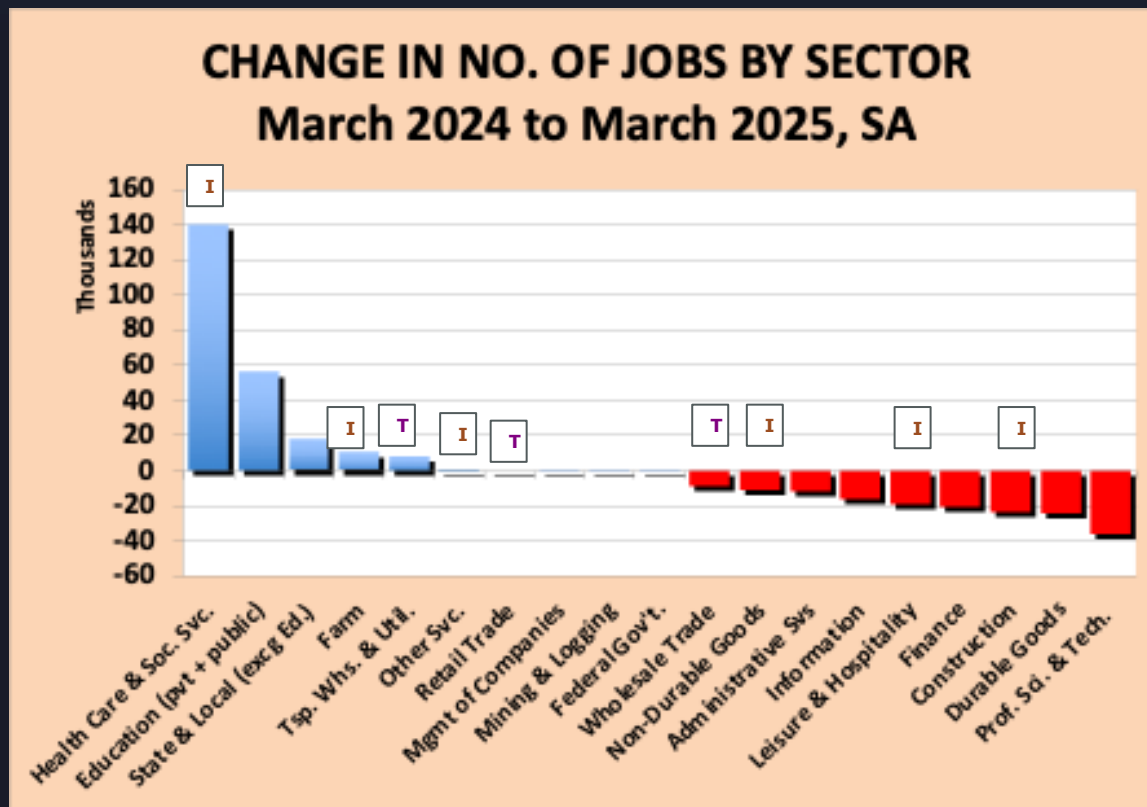
| | CA | U.S. |
|----|------|------|
| Q1 | 6.3% | 1.6% |
| Q2 | 2.8% | 3.0% |
| Q3 | 3.1% | 3.0% |
| Q4 | 1.4% | 2.4% |

April 2025 U-Rate
5.3% 4.2%

How unusual is the 1.1 differential?

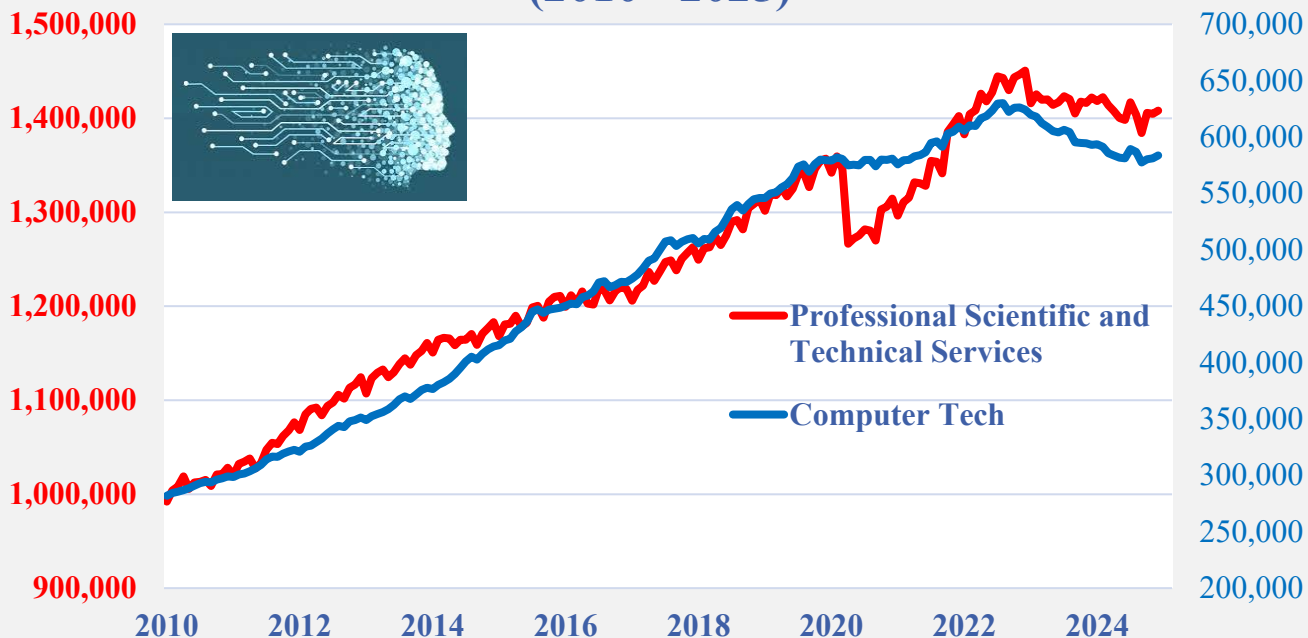


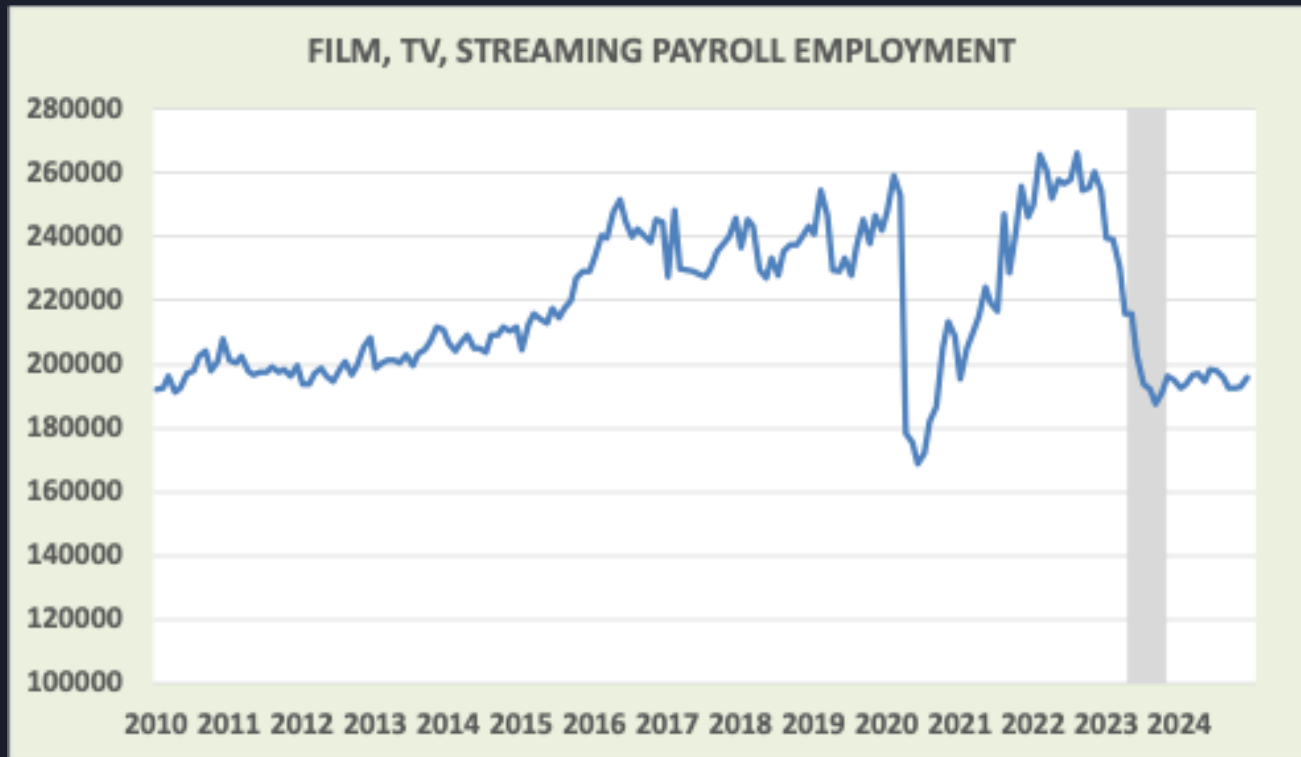
WHERE IS THE UNEMPLOYMENT? WHERE IS THE GROWTH?





TECHNOLOGY EMPLOYMENT IN CALIFORNIA (2010 - 2025)





Existing Single Family Home Sales
(Jan. 2016 to March 2025, SA)



**Limited inventory & high prices
should lead to a building boom**

California Housing Markets

CALIFORNIA MEDIAN SF HOME PRICE
(Jan. 2016 to March 2025, SA)

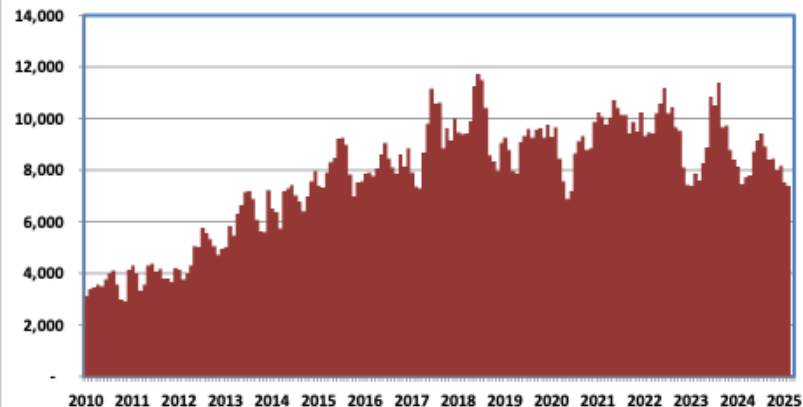


California Housing Markets: Labor Force Constraints

Residential Construction Payroll Jobs

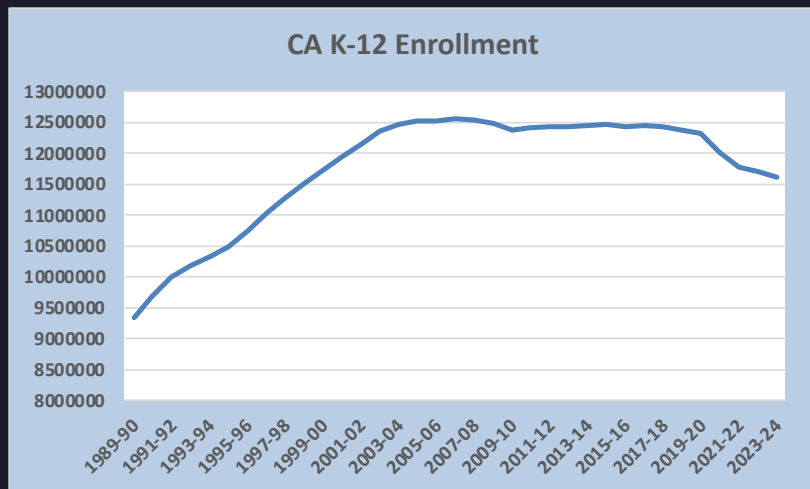


Monthly California New Residential Permits (3 Mo. Moving Average, No. of Units)



SECTORS OF CONCERN

EDUCATION



GIG WORK



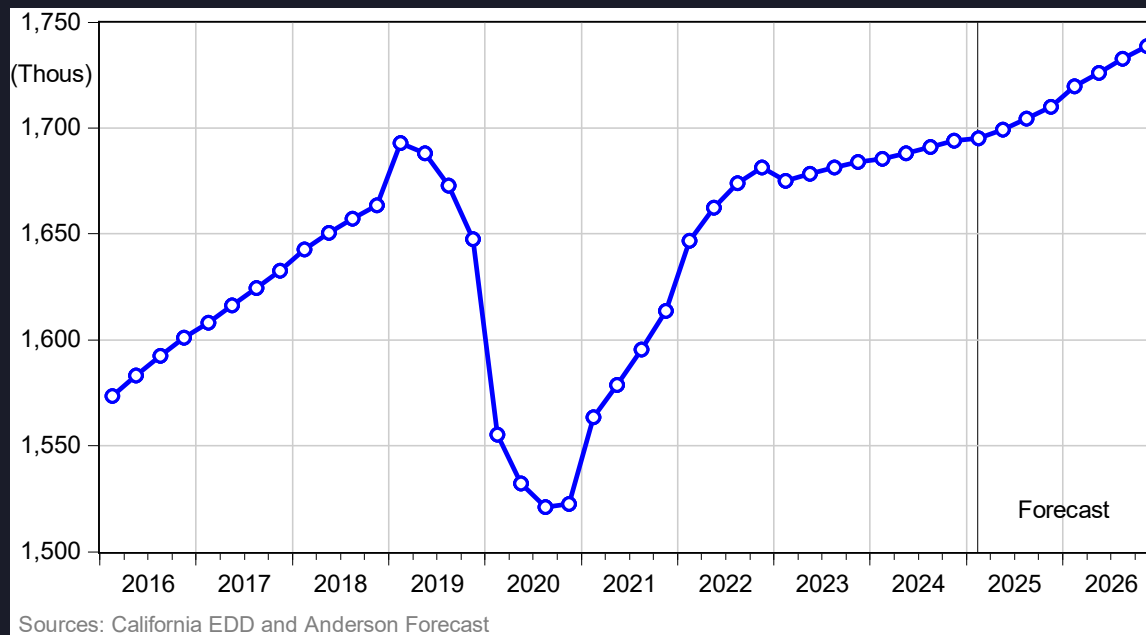
SUMMARY

- Manufacturing, Finance & Tech recovering in 2025/2026
- Agriculture & Construction ?
- Slower growth in 2025 & early 2026 accelerating thereafter

RISKS TO THE FORECAST

Size and Timing of Deportations
More Extensive Tariffs and Retaliation
Geopolitical
Disruption in the Federal Government

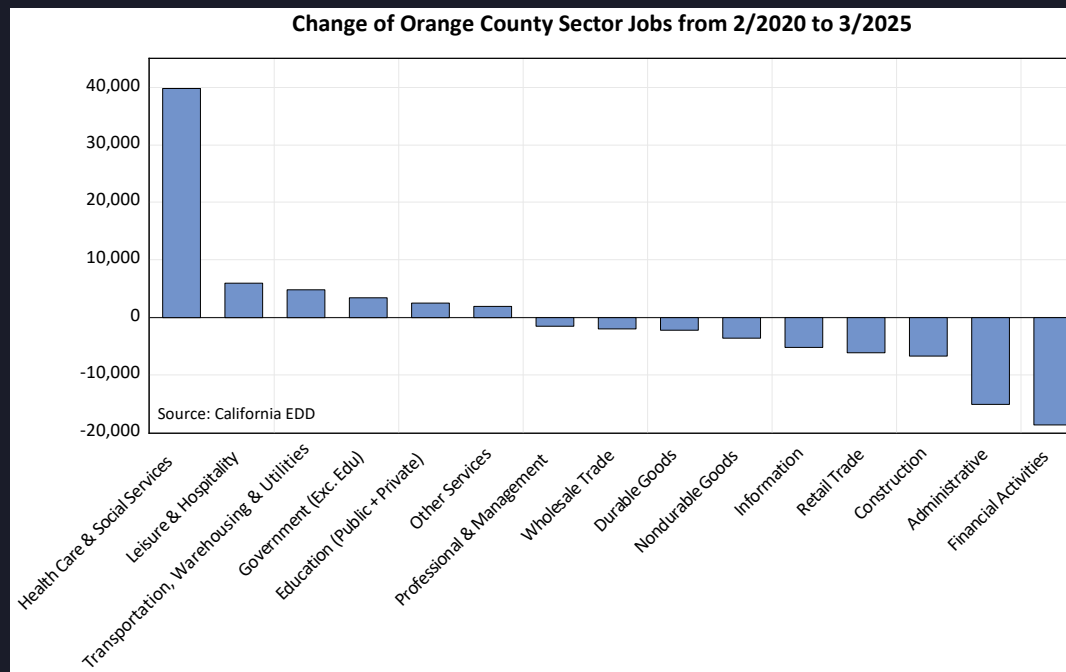
O.C. payroll job growth is forecast to slow in 2025 and accelerate in 2026



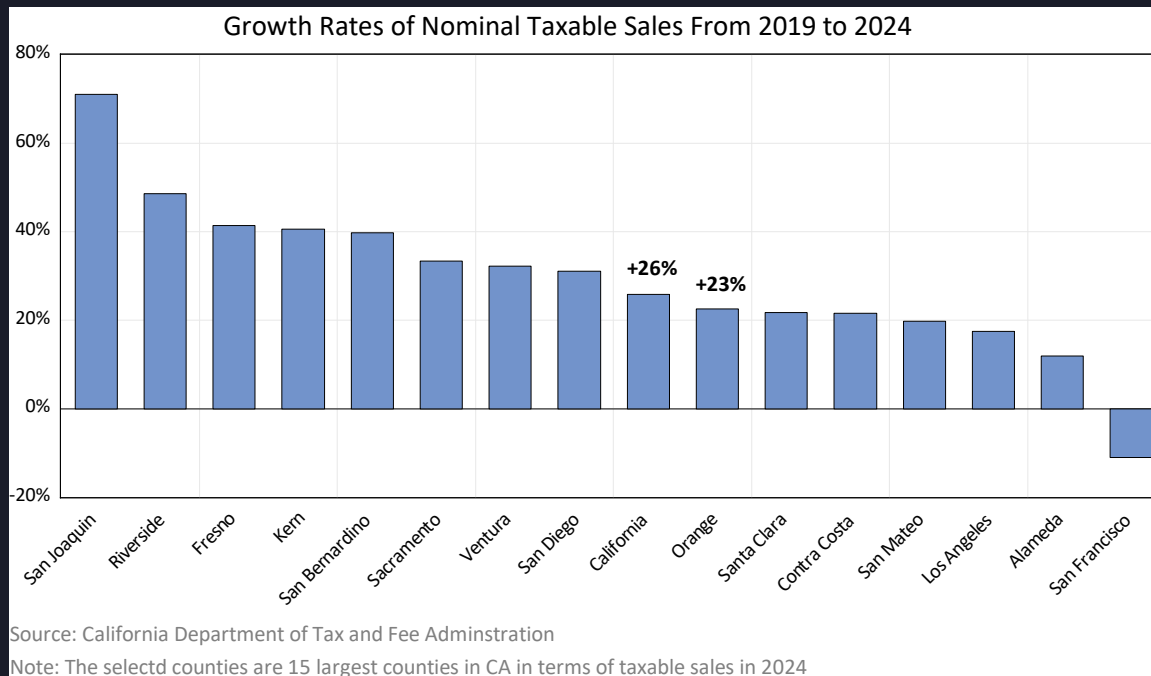
Payroll job growth:
2023: 0.8%
2024: 0.6%

Forecast:
2025: 0.7%
2026: 1.6%

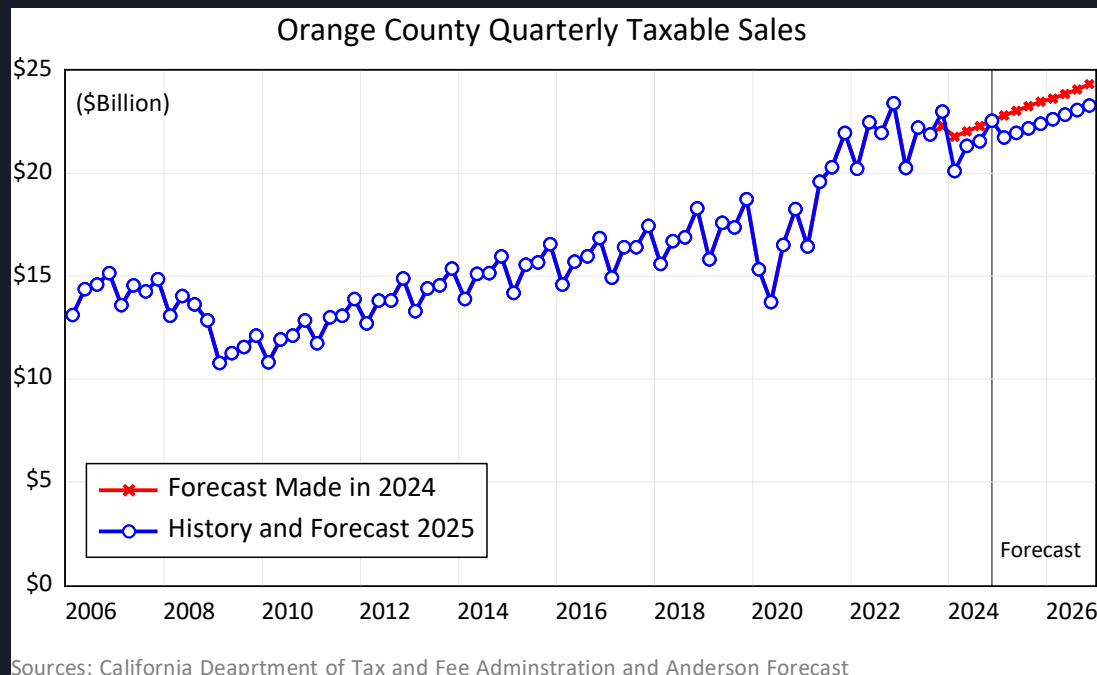
The job gains: health care, leisure & hospitality, transportation & warehousing
The job losses: construction, administrative services and financial activities



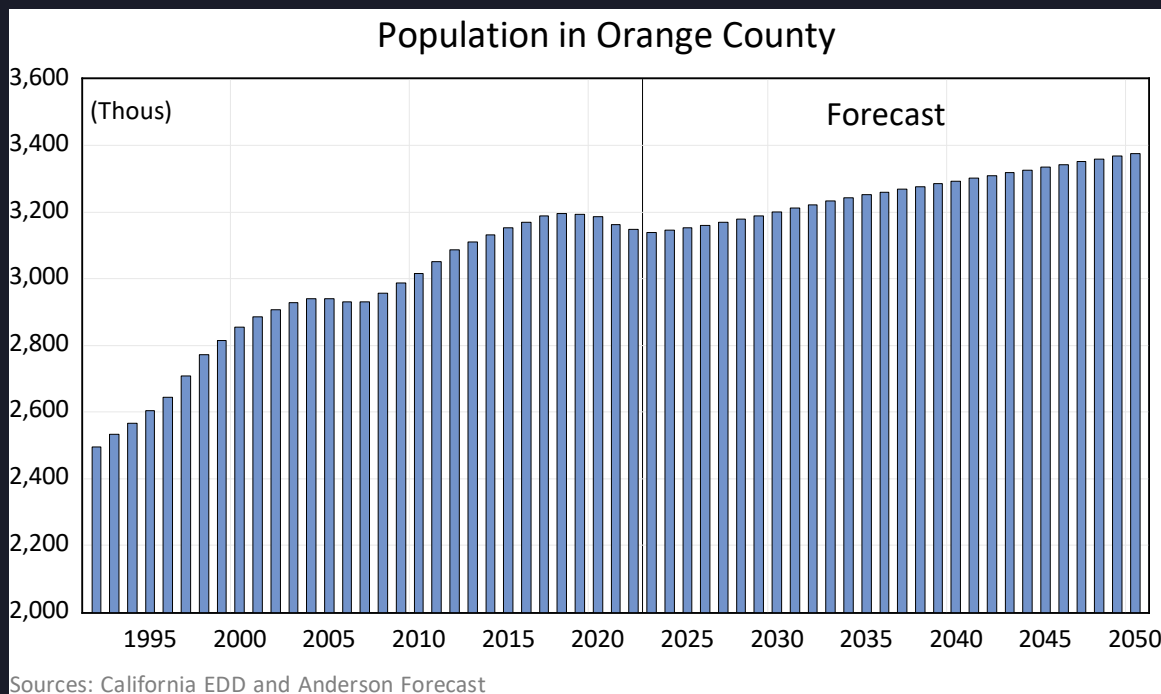
Inland counties had a higher growth of nominal taxable sales due to higher growths of jobs and population



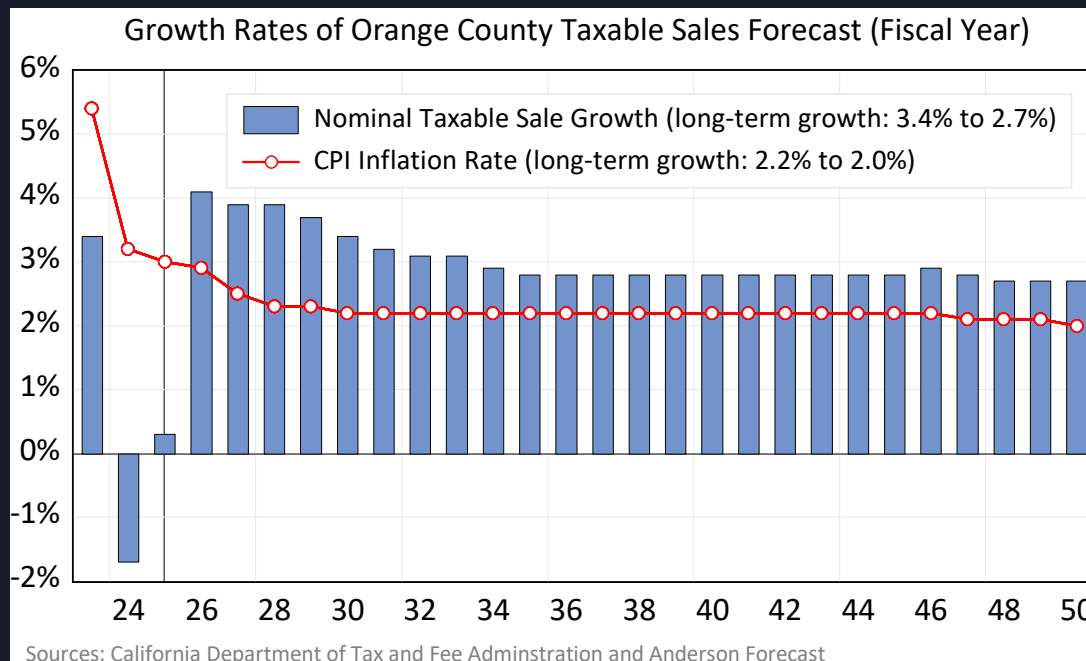
O.C. actual taxable sales in 2024 were lower than our forecast due to lower job growth and more out-migration



Population growth in O.C. is forecast to slow down to 0.15% in the next three decades



The long-term growth of O.C. taxable sales is forecast to slow to 2.8% in 2035 and to 2.7% by 2050



Orange County Summary

- Orange County's economy grew slightly slower than California's, reflecting weaker job and population growth.
- We forecast slower economic growth for Orange County in 2025 due to trade policy uncertainty, followed by a rebound in 2026.