

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

# Economic Outlook and Forecasts

**Anil Puri**

**Woods Center for Economic Analysis and Forecasting  
Cal State Fullerton**

**Orange County Transportation Authority**  
**July 24, 2019**



# Long Cycle Expansion Woes

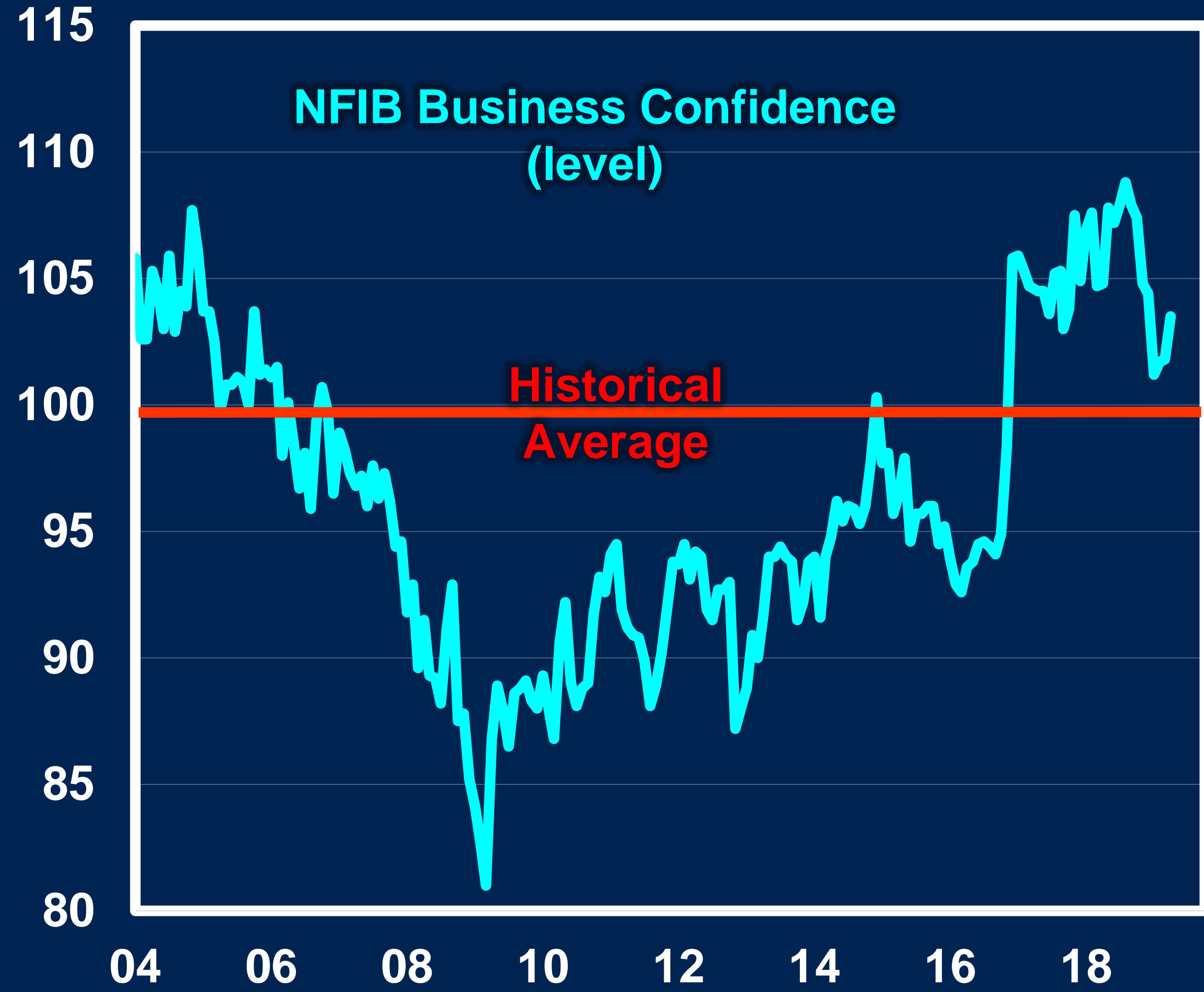
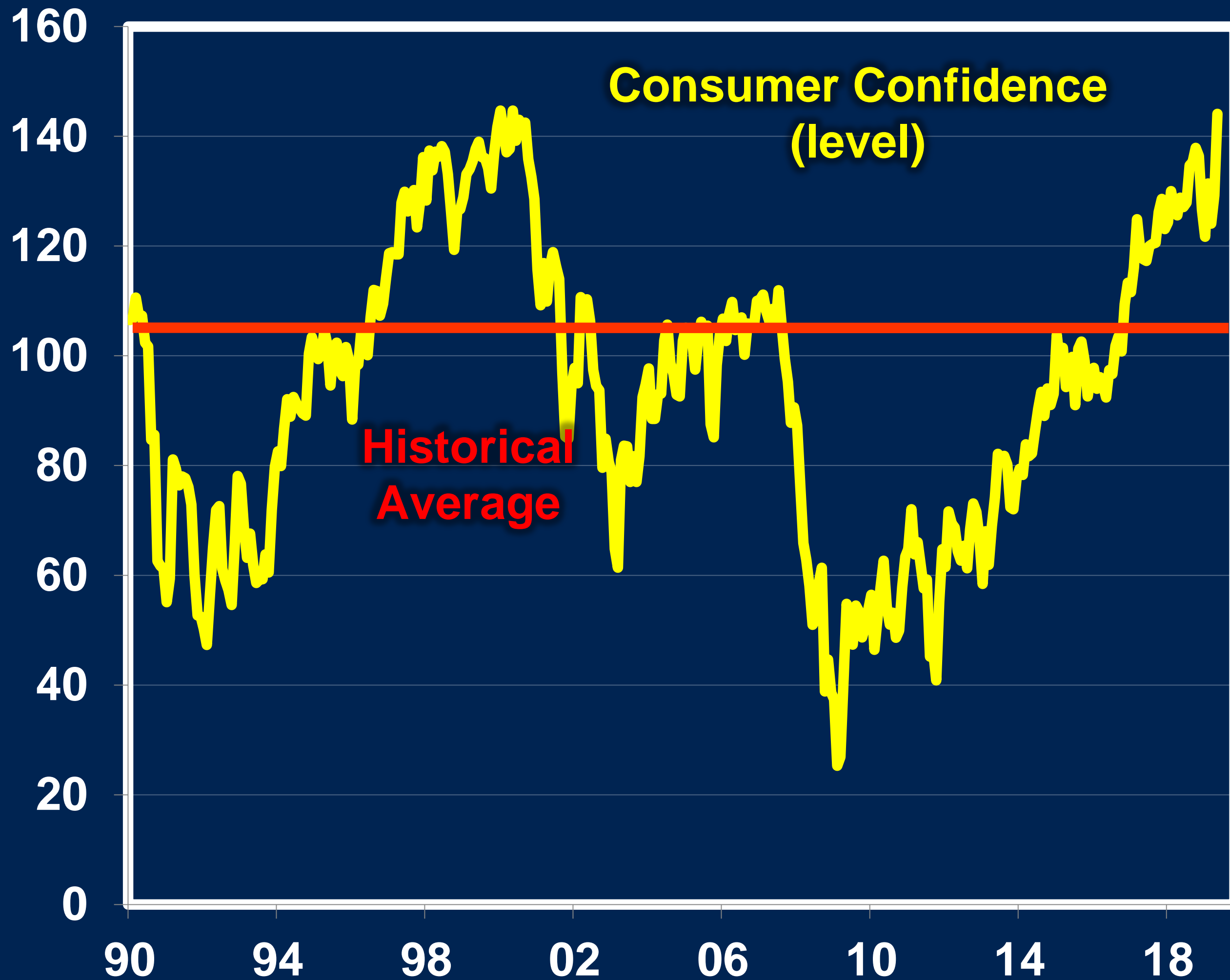
A Turbulent Equity Market: A Troubled Q4 Followed by best Q1 in 10 Years  
(S&P500 Index, level)



# Sentiment Still Generally Strong

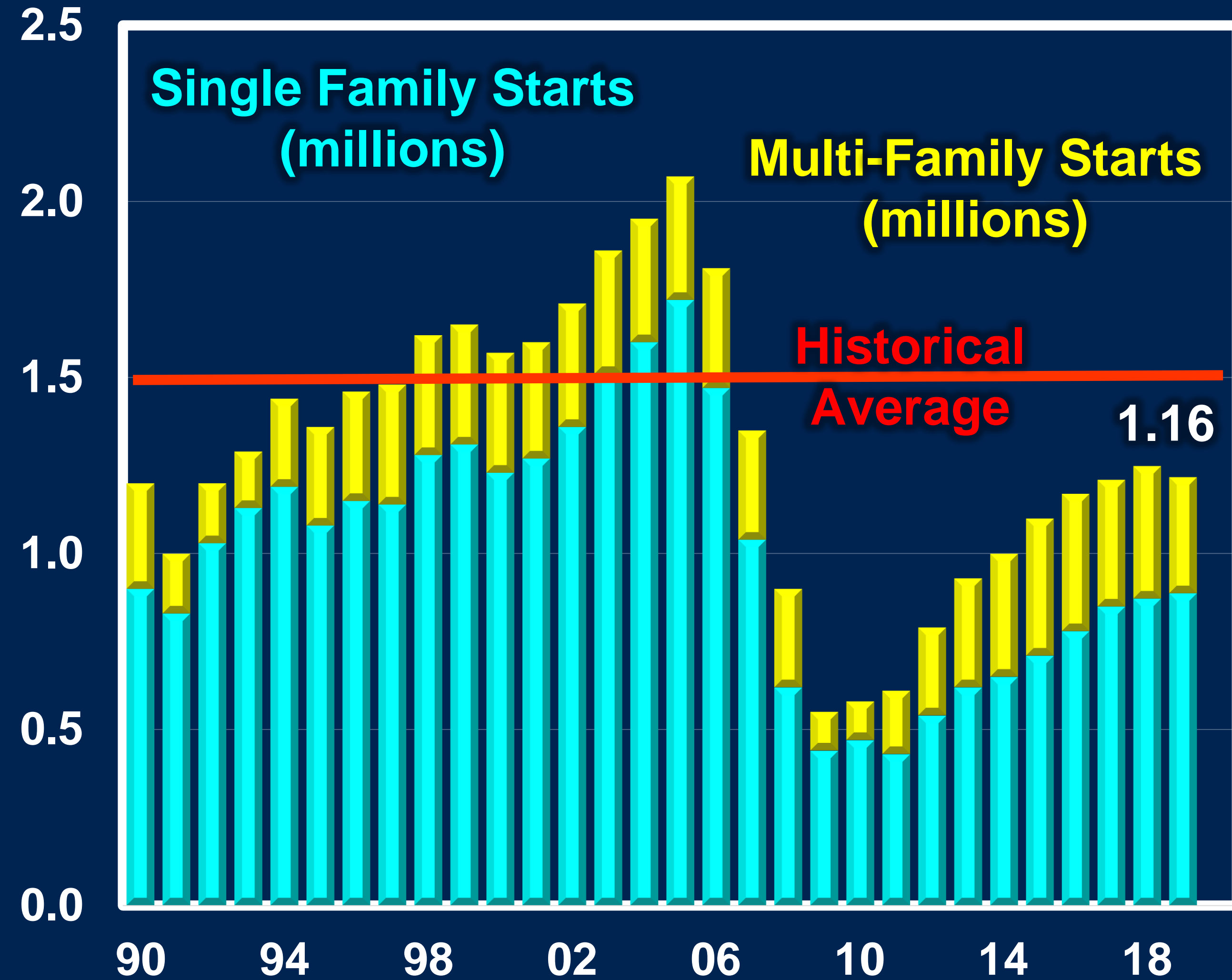
Particularly for Businesses (Large and Small); Less So for Consumers

(Conference Board, NFIB Survey, Index Level)



# A Tough Year for Housing

## Construction and Sales Languishing



### Home Sales Suffered

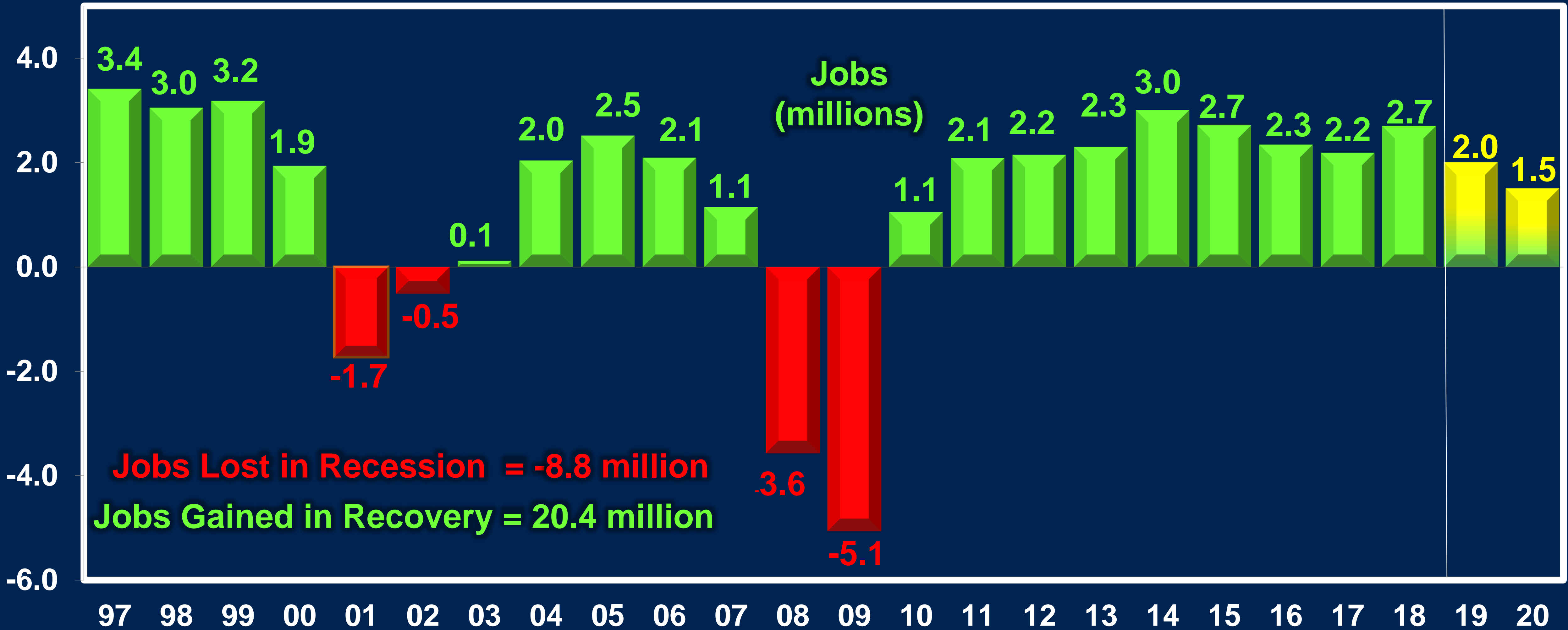
- Low Affordability
- Higher Mortgage Rates

### Housing Construction in Slow Lane

- Shortage of Labor and Developed Lots
- Higher Building Costs

# A Remarkable Labor Market

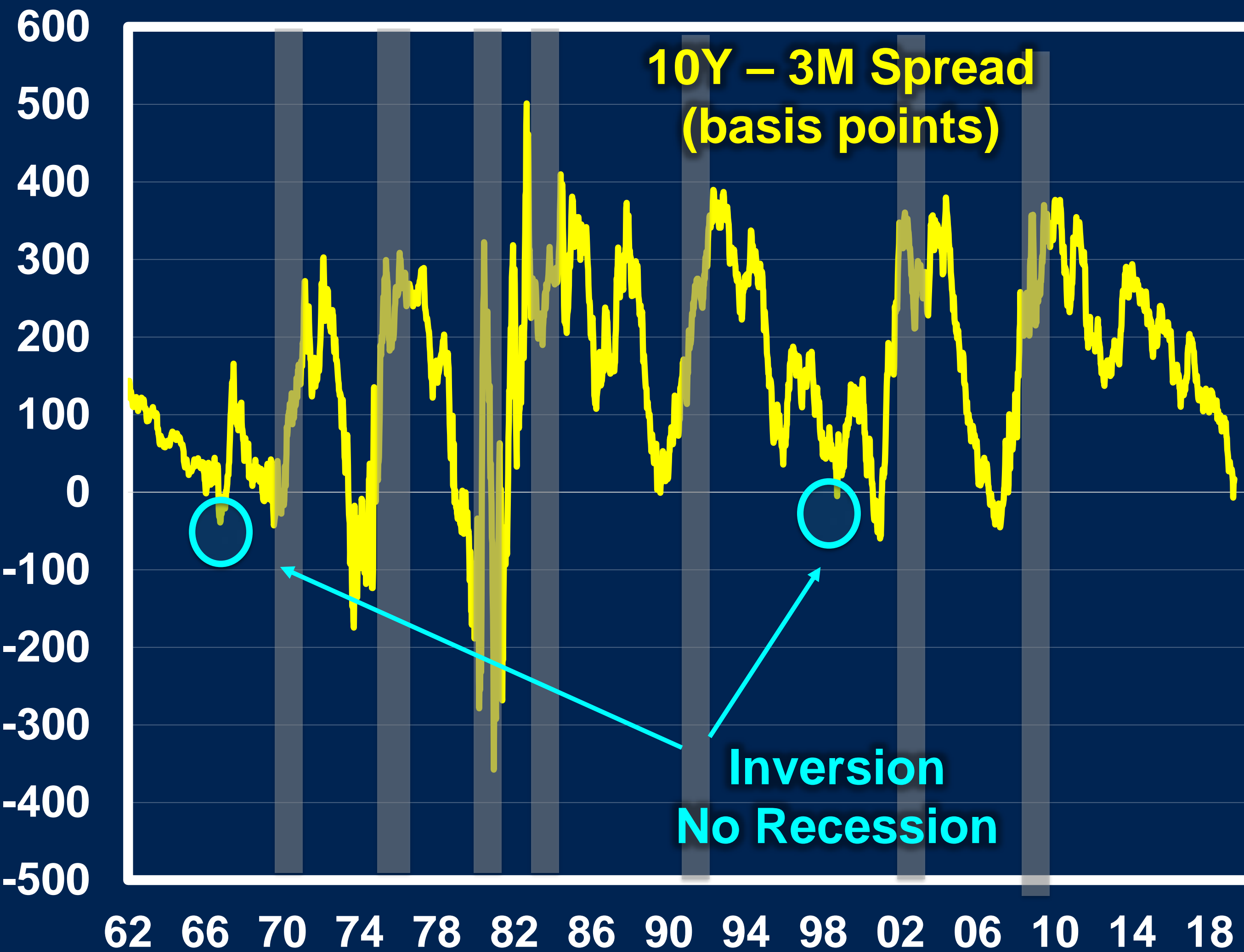
Job Growth in 2018 Surpassed the Last Two Years  
(millions of employees)





# Fear and Loathing of the Yield Curve

Yield Curve Inversions have Preceded All Post-War Recessions

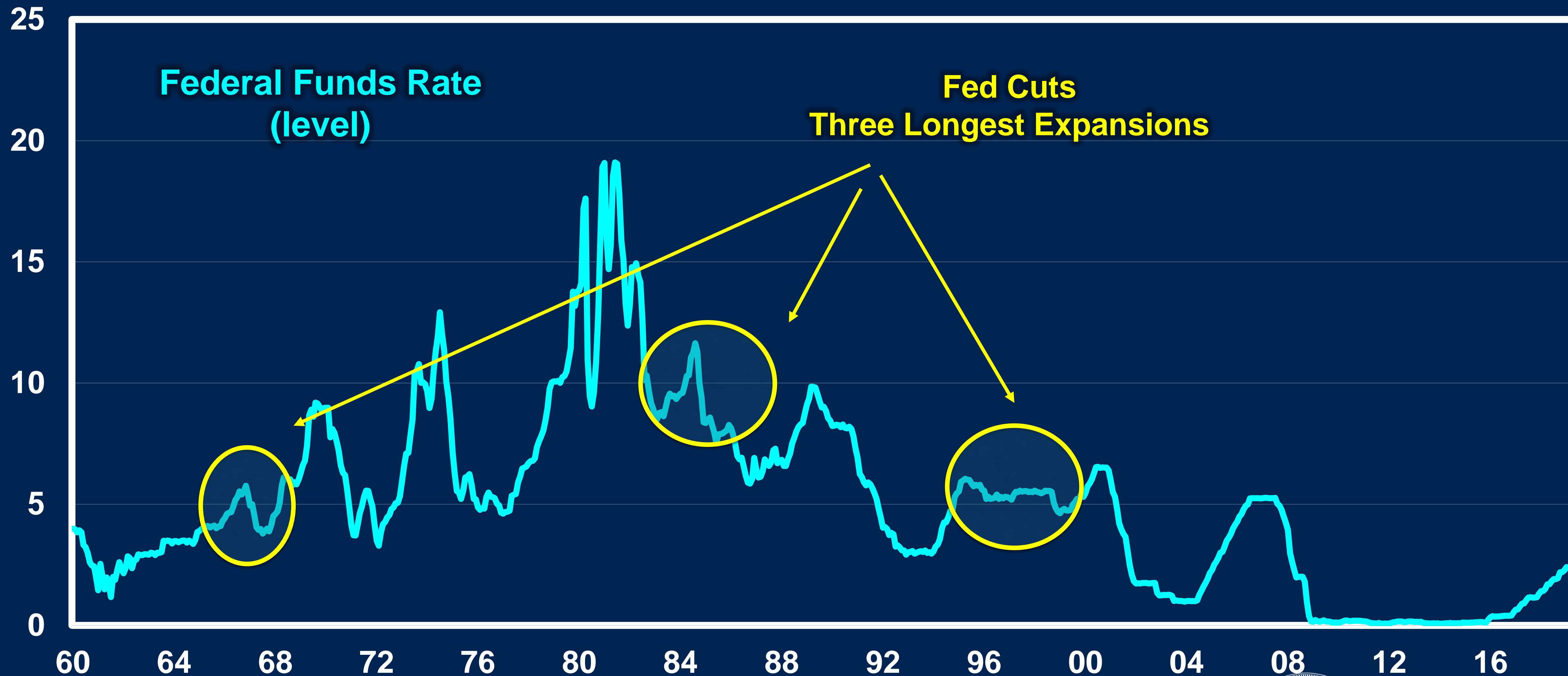


**Don't Send the White Ravens...Yet**

- 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



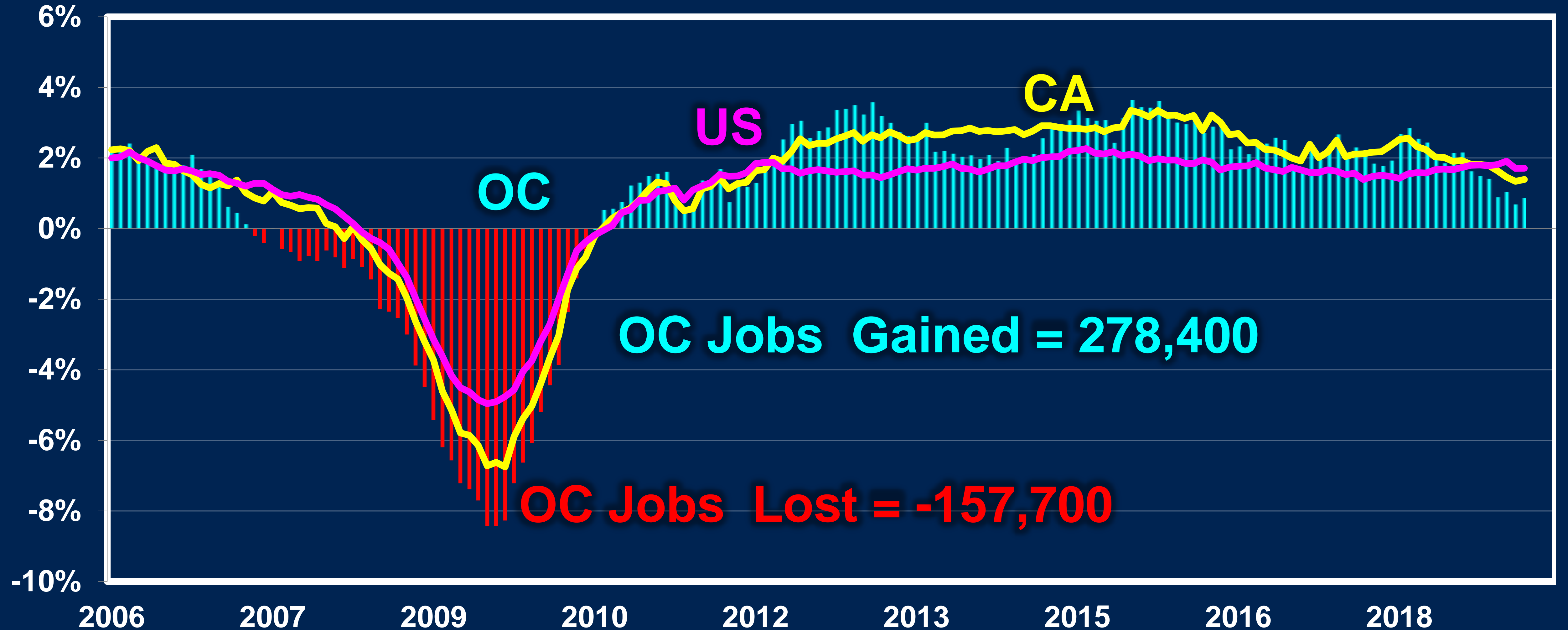
# Orange County

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)

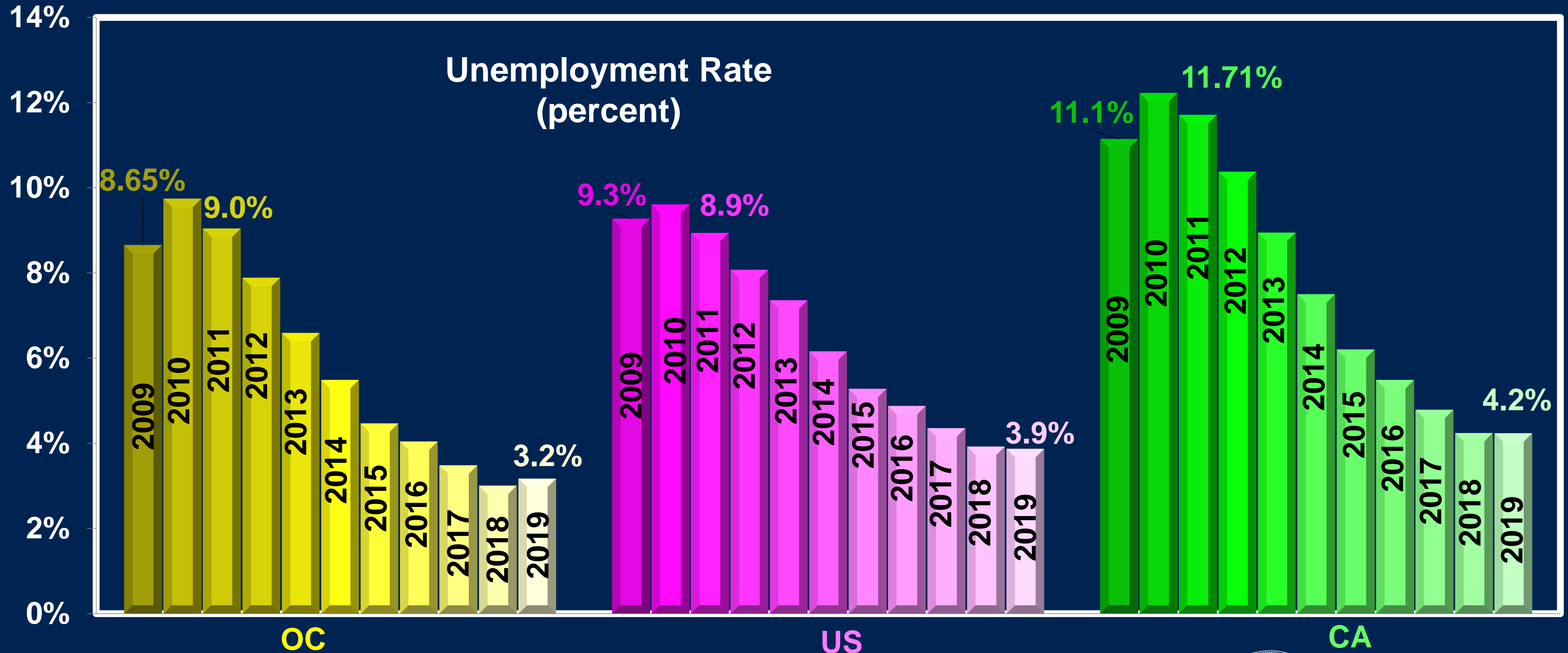


**OC Jobs Gained = 278,400**

**OC Jobs Lost = -157,700**

# Unemployment Rates at Historical Lows

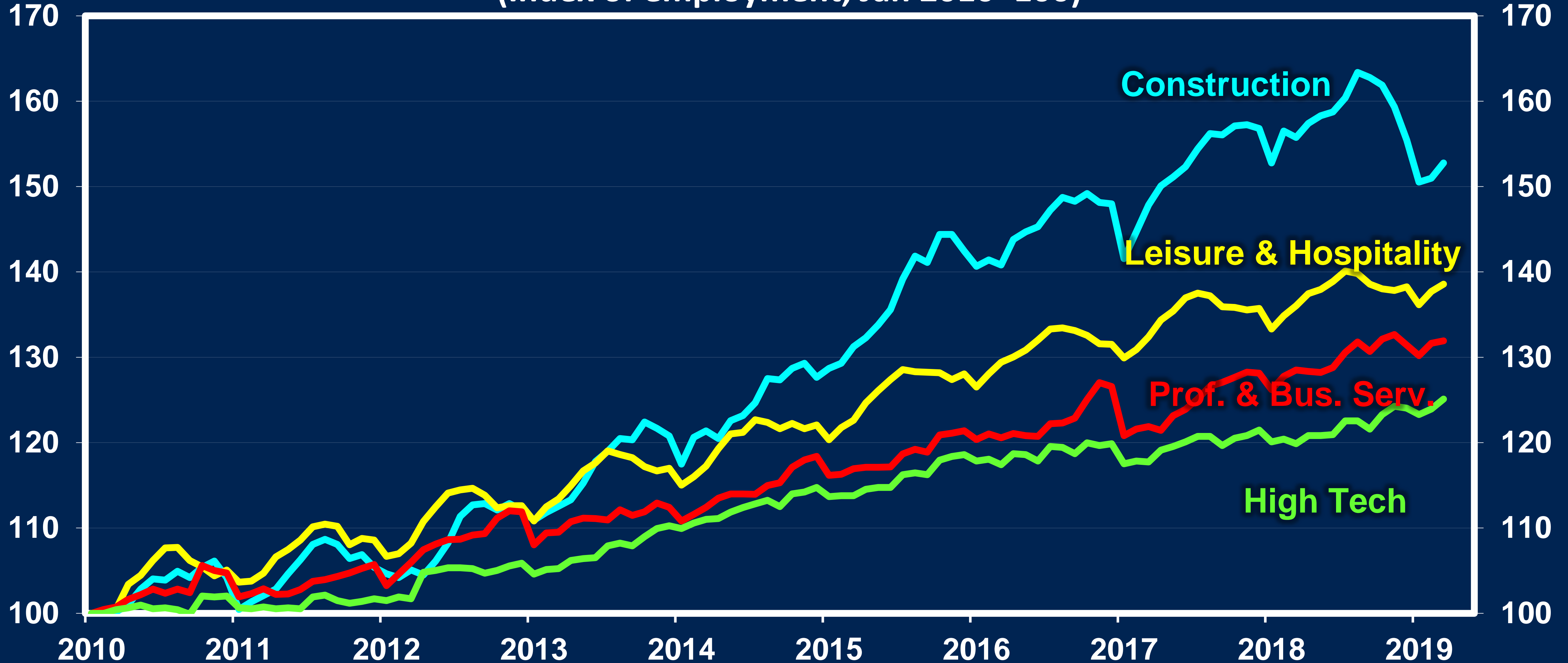
OC Unemployment is Lower than US and CA  
(unemployment rates, percent)



# 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)

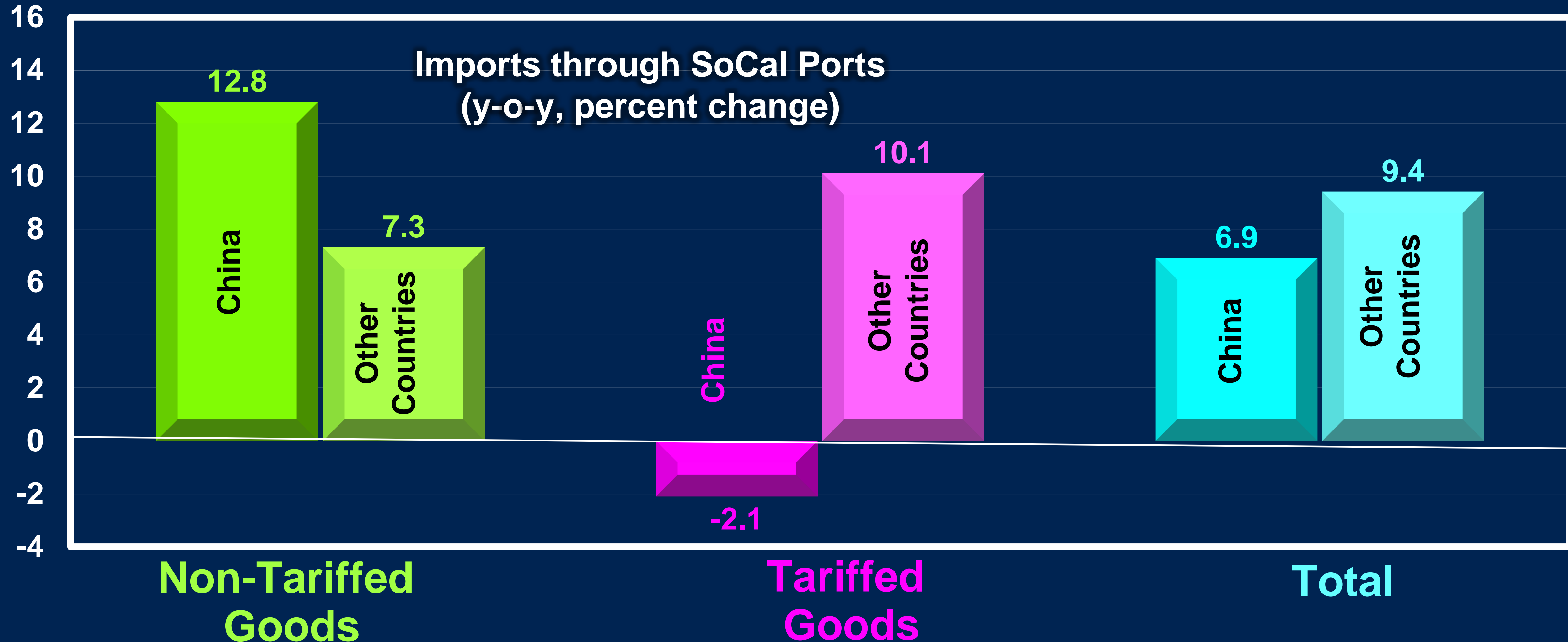




# China Tariffs are Starting to Bite

Import Growth has Shifted to non-Tariffed Countries

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



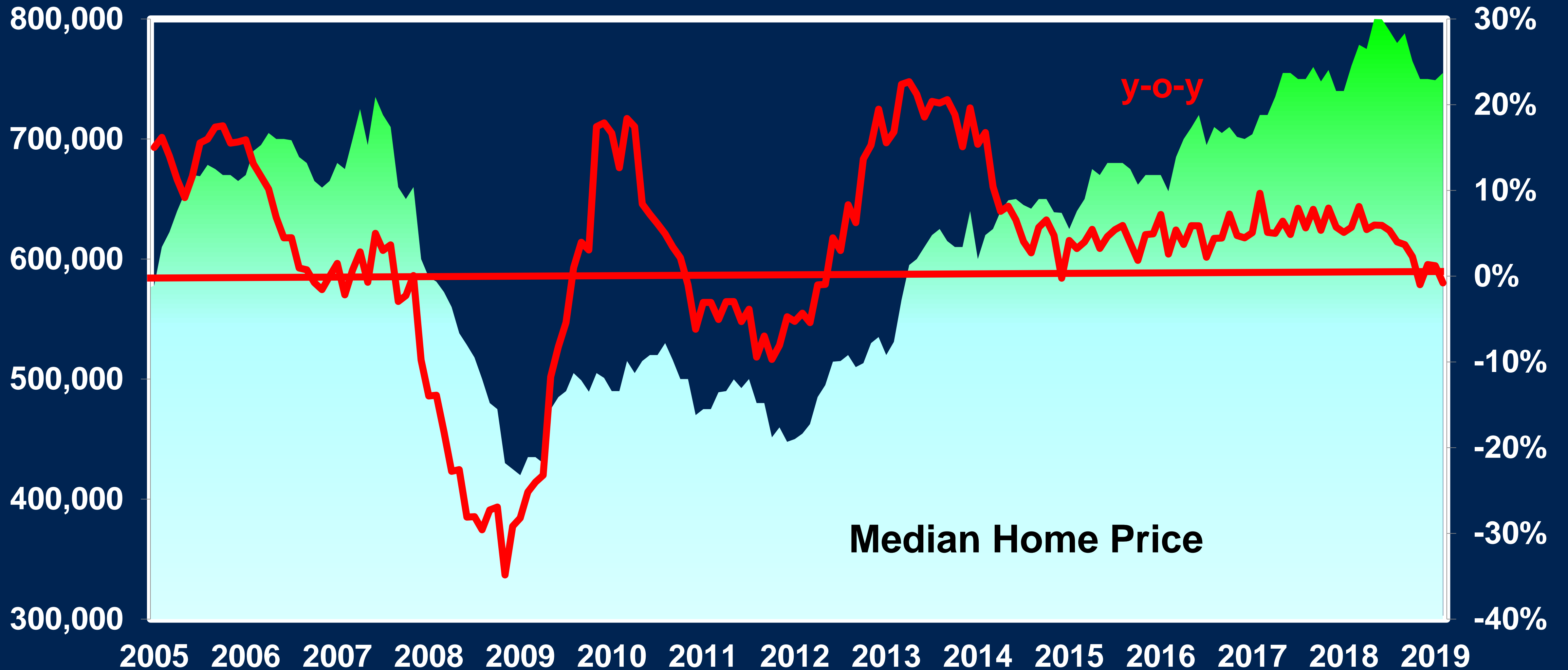






# Home Price Growth Has Softened

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

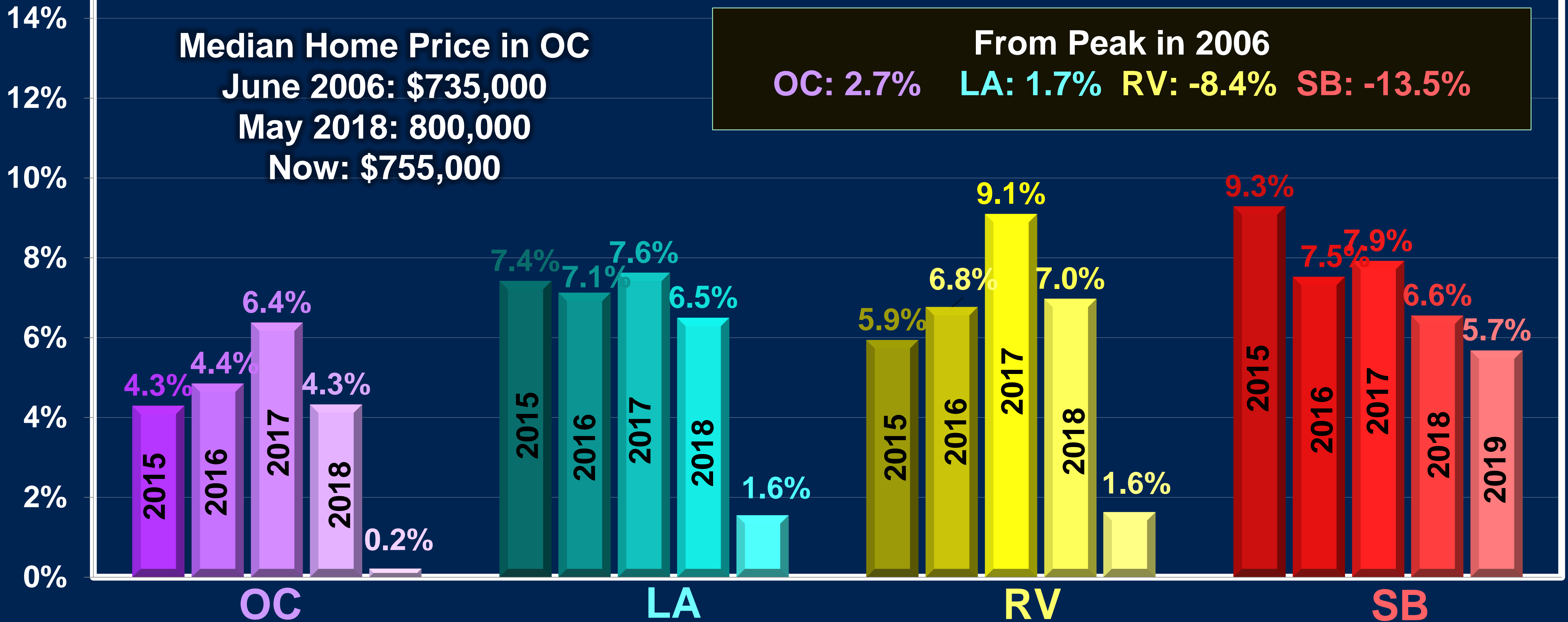


# Moderating Price Growth Throughout SoCal

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

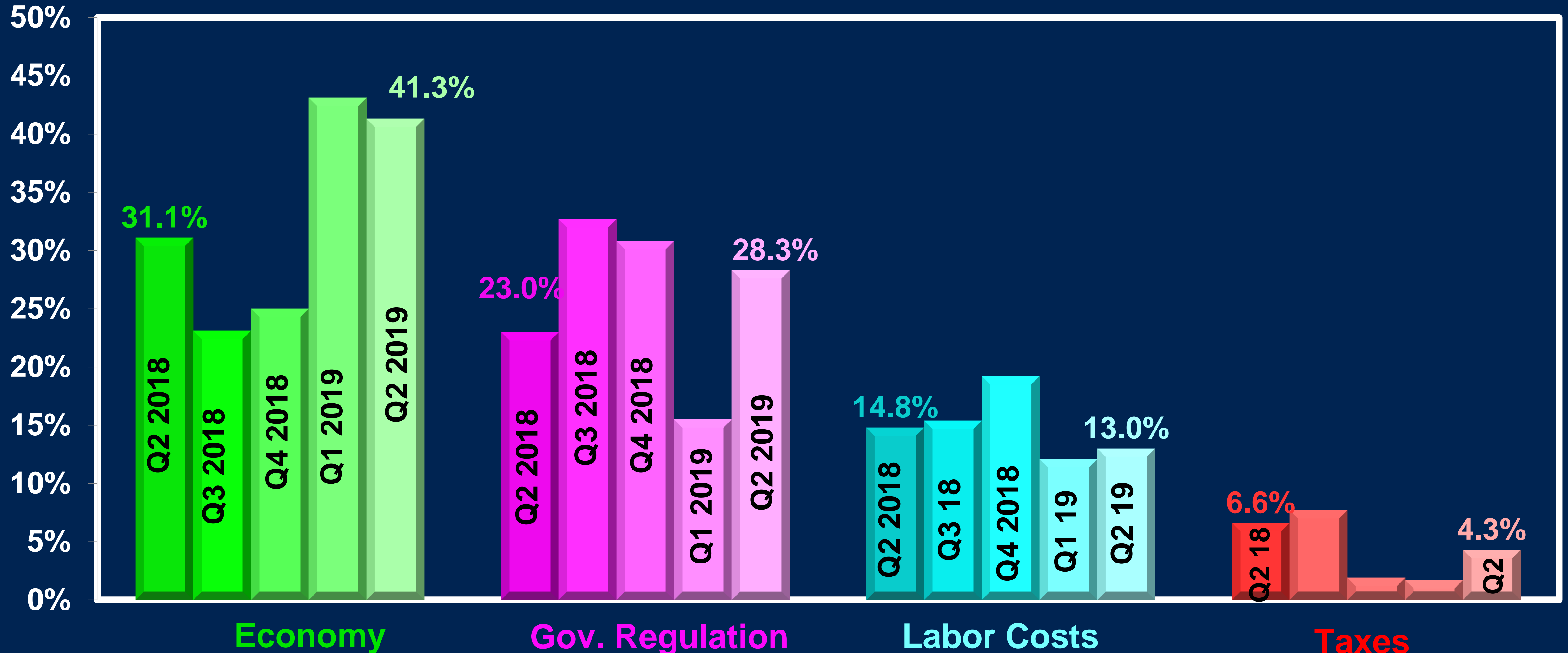
(Orange County Business Executives Survey, percent of respondents)



# Biggest Concerns: Economy

Regulations and Labor Costs are Next Biggest Concerns

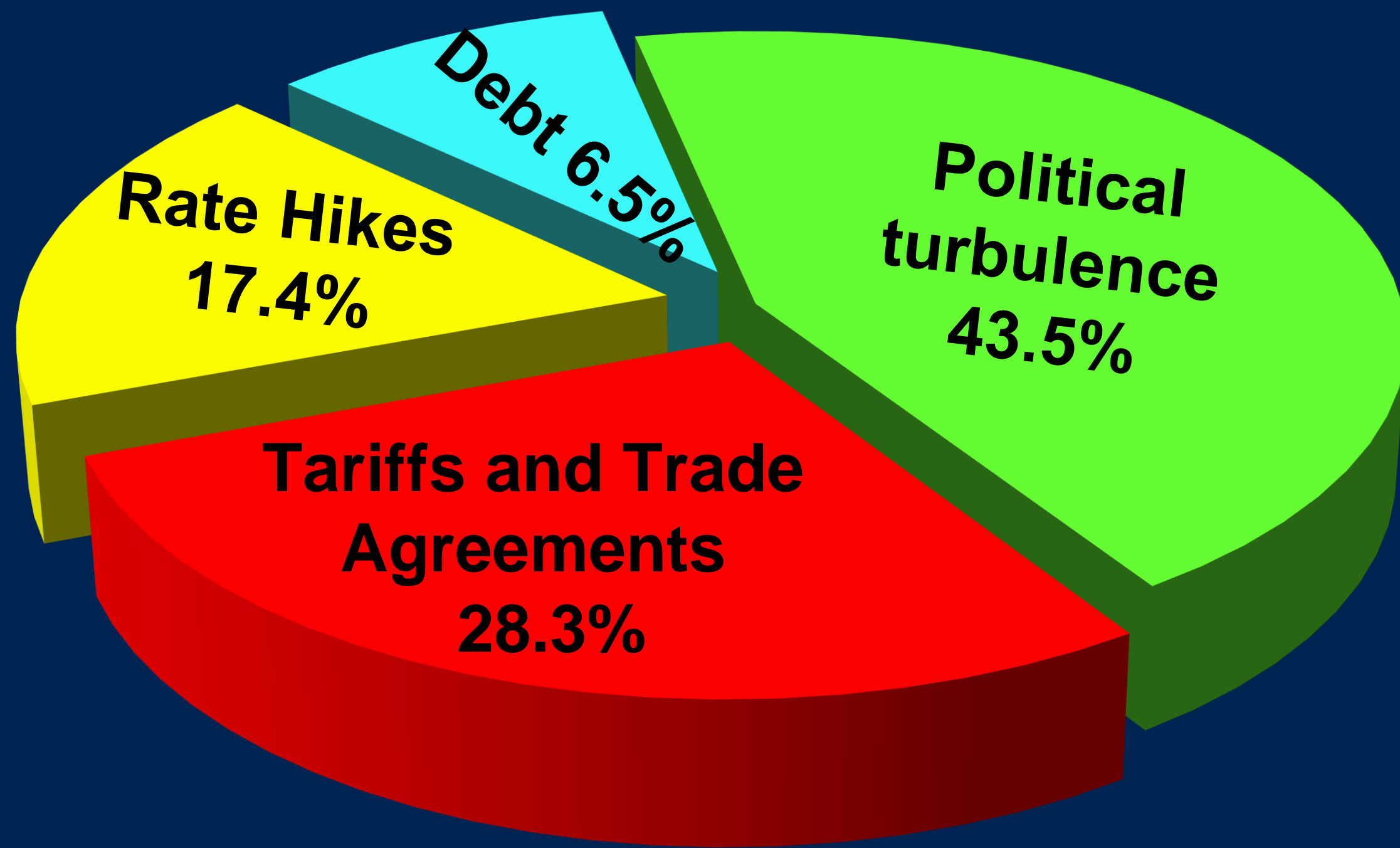
(Orange County Business Executives Survey, percent of respondents)



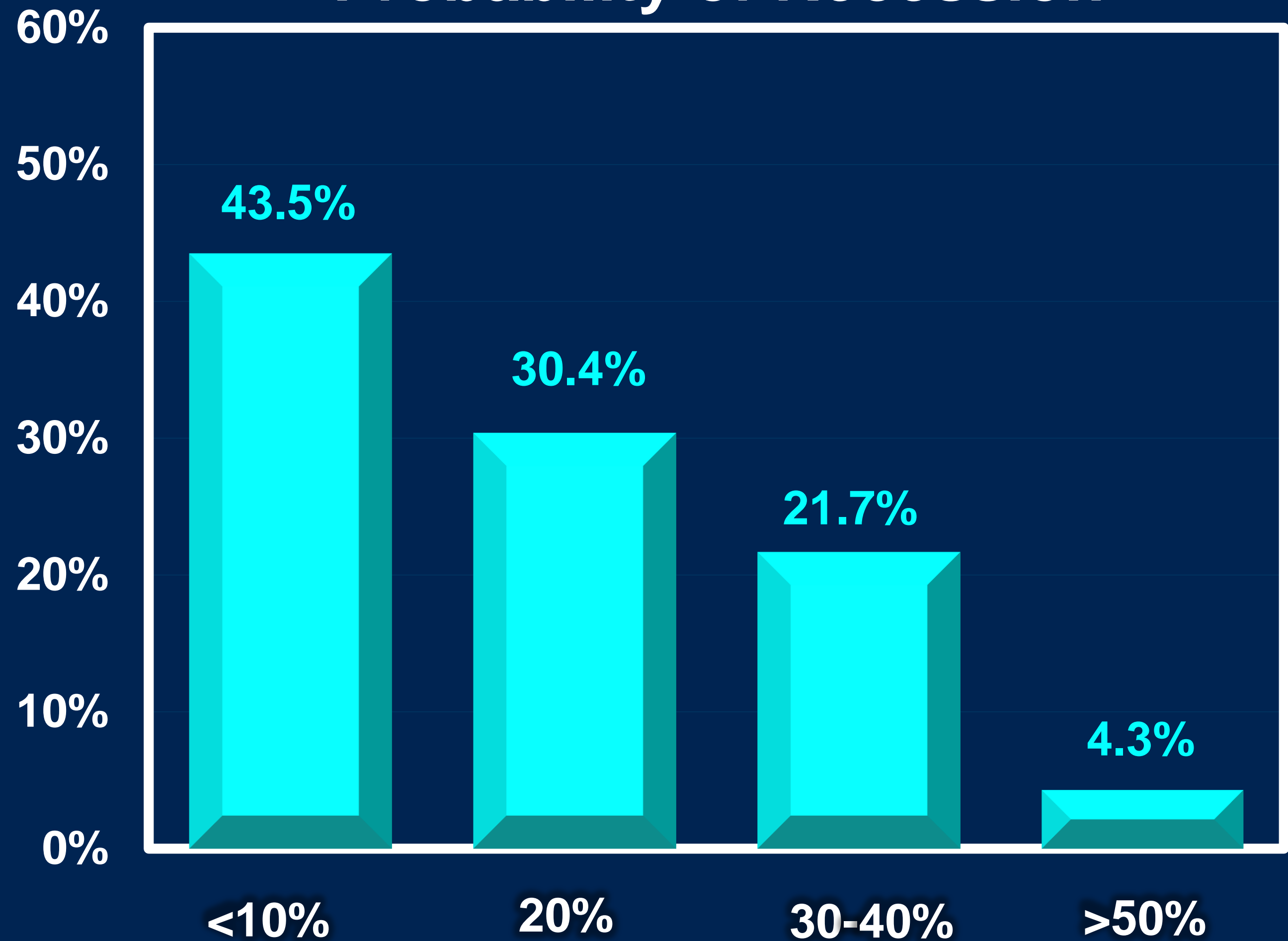


# Biggest Threats and Probability of Recession

## Biggest Threat to US Economy Political Uncertainty and Trade



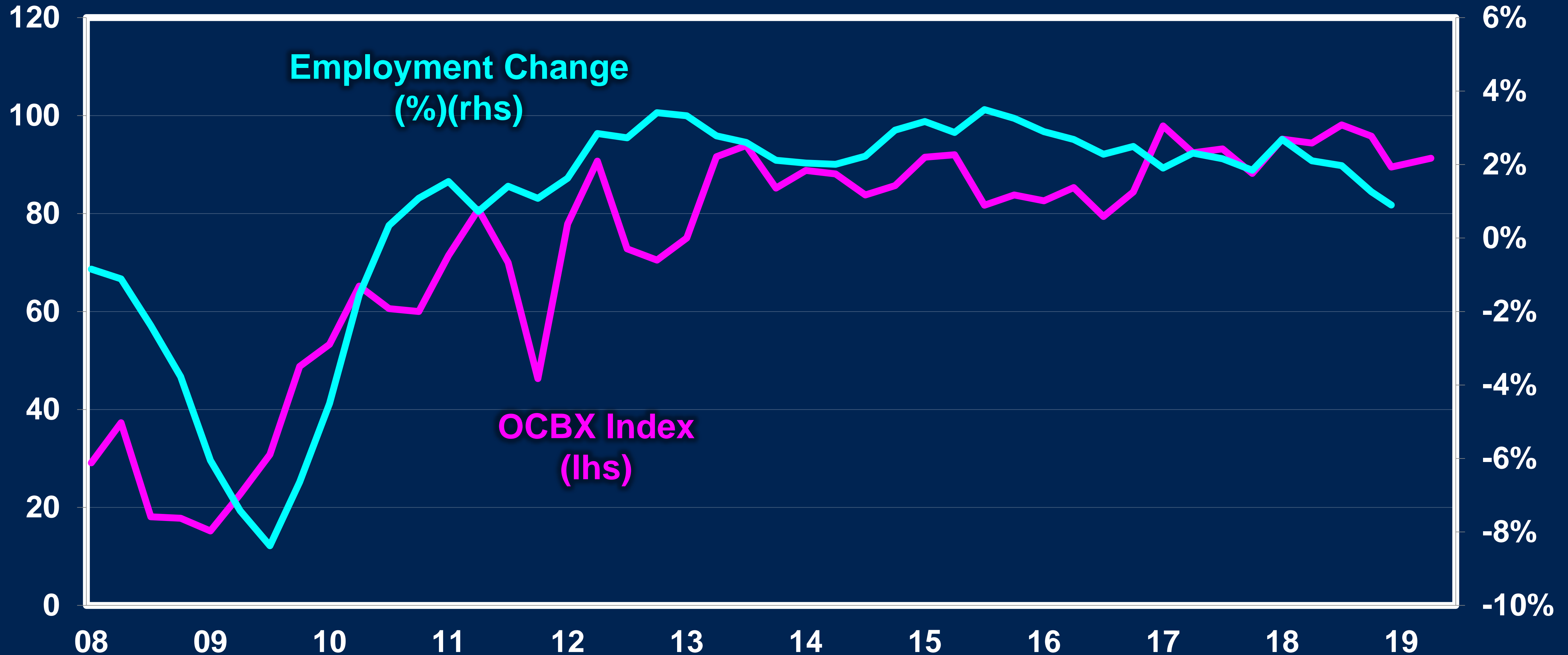
## Probability of Recession



# OCBX Index: Optimism Rebounded for Q2:2019

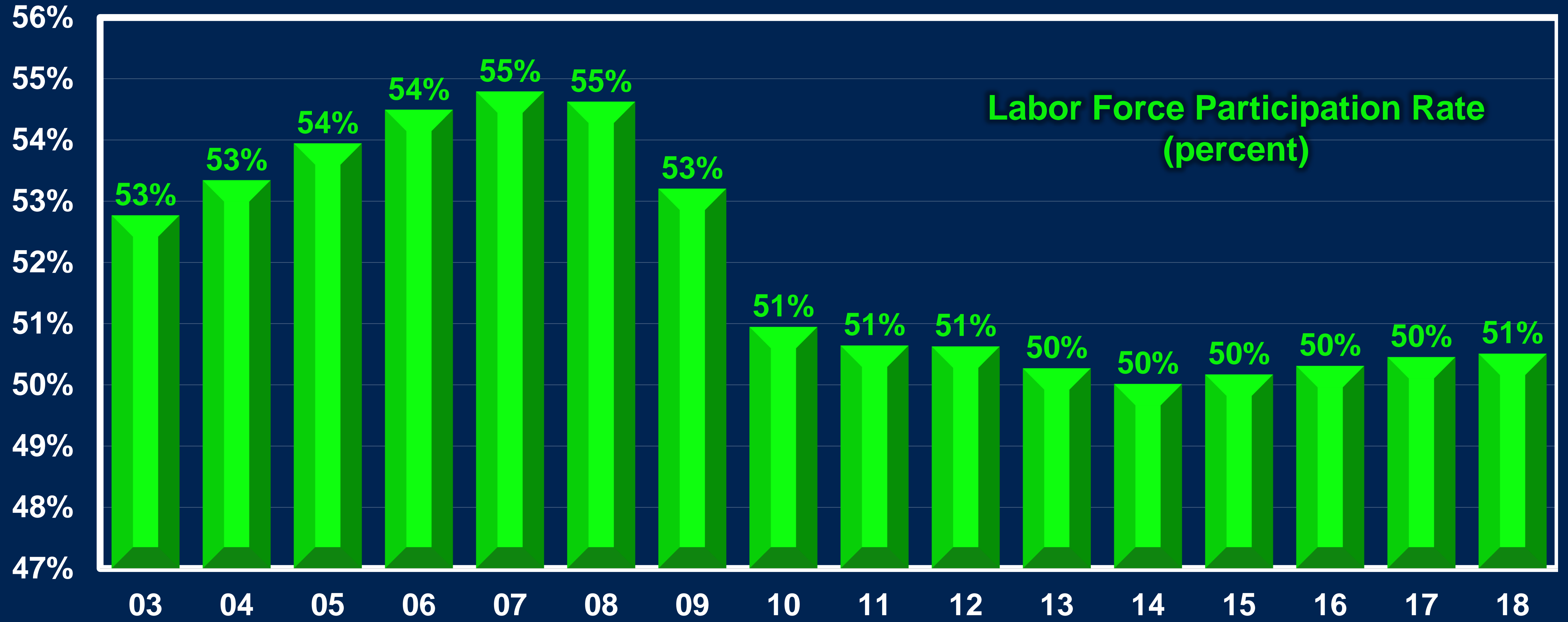
...Which Means Employment Will Be Revised Upward

(WCEAF OCBX Index, level)



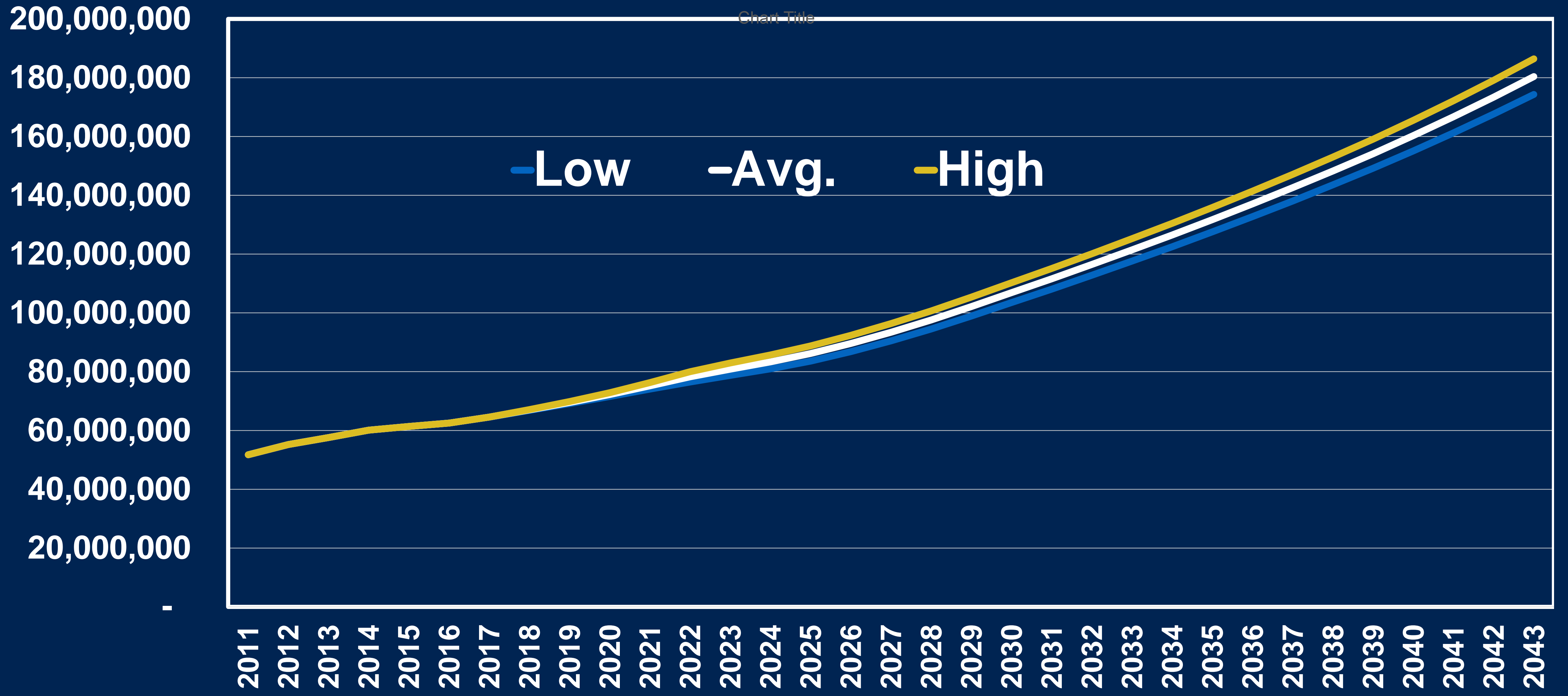
# Room to Grow

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

