

The Economic Outlook and Orange County Taxable Sales Forecast

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UCLA Anderson Forecast

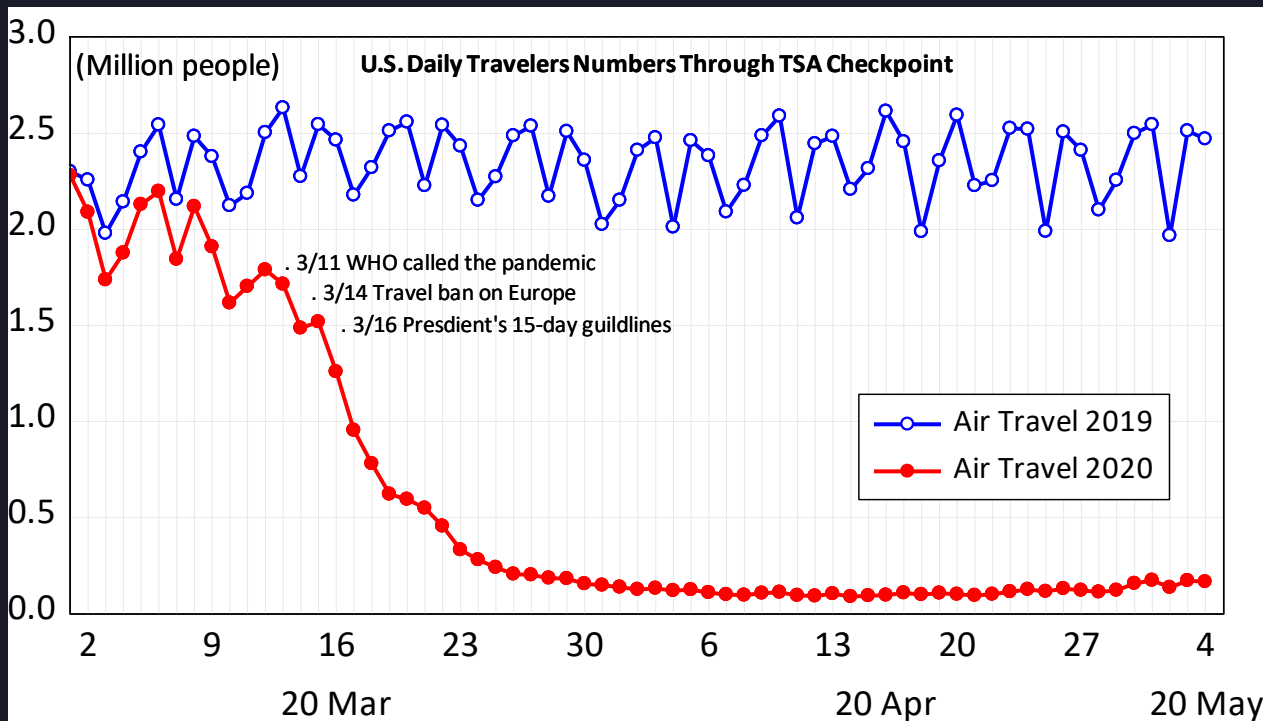
The global pandemic leads to the global recession

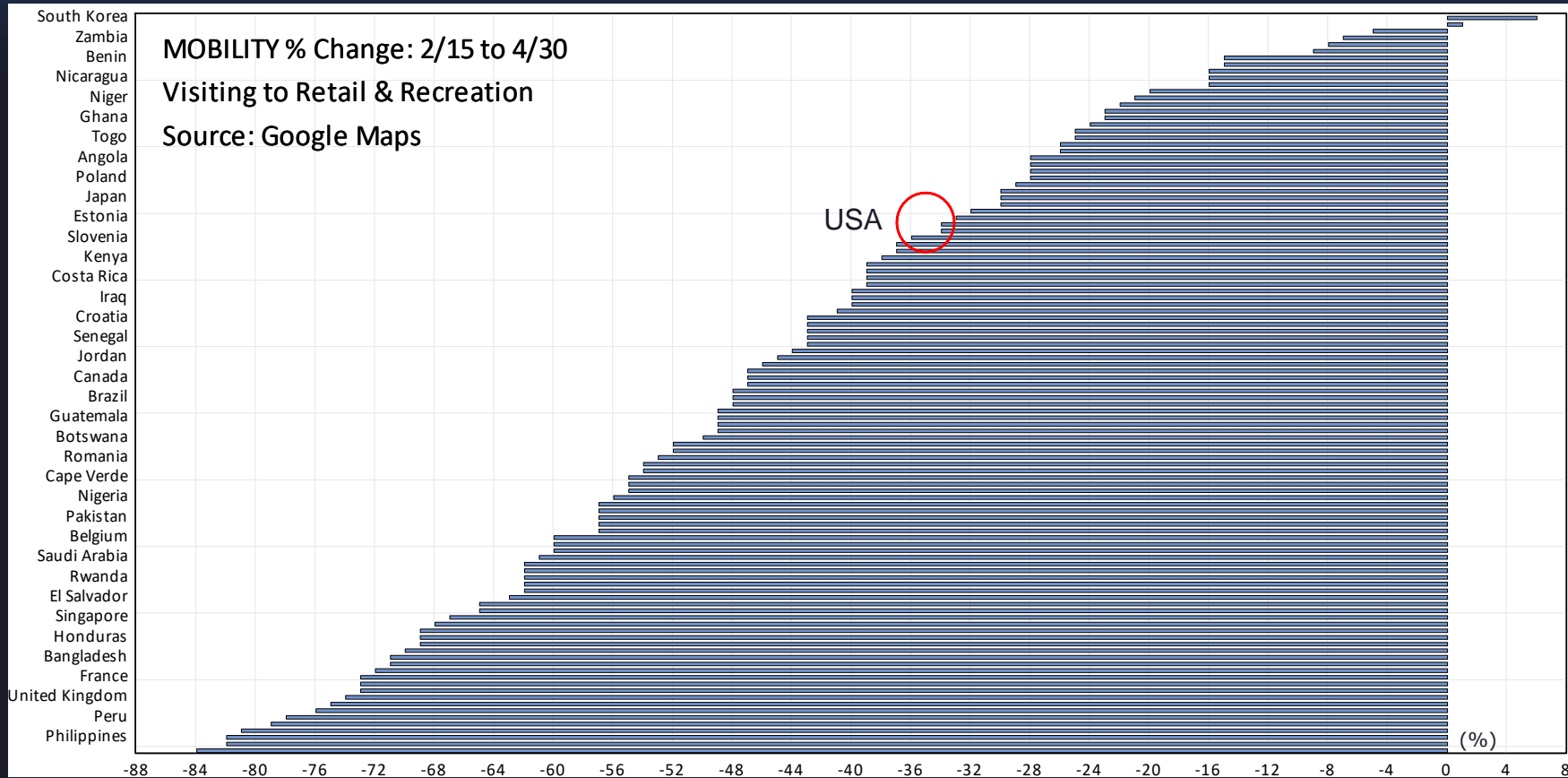


Global economic impact:

\$9.2 Trillion
(10% of global GDP)
From 3% to -7%

The pandemic devastates the economy due to mitigation policies: e.g. travel bans, stay-at-home, social distancing

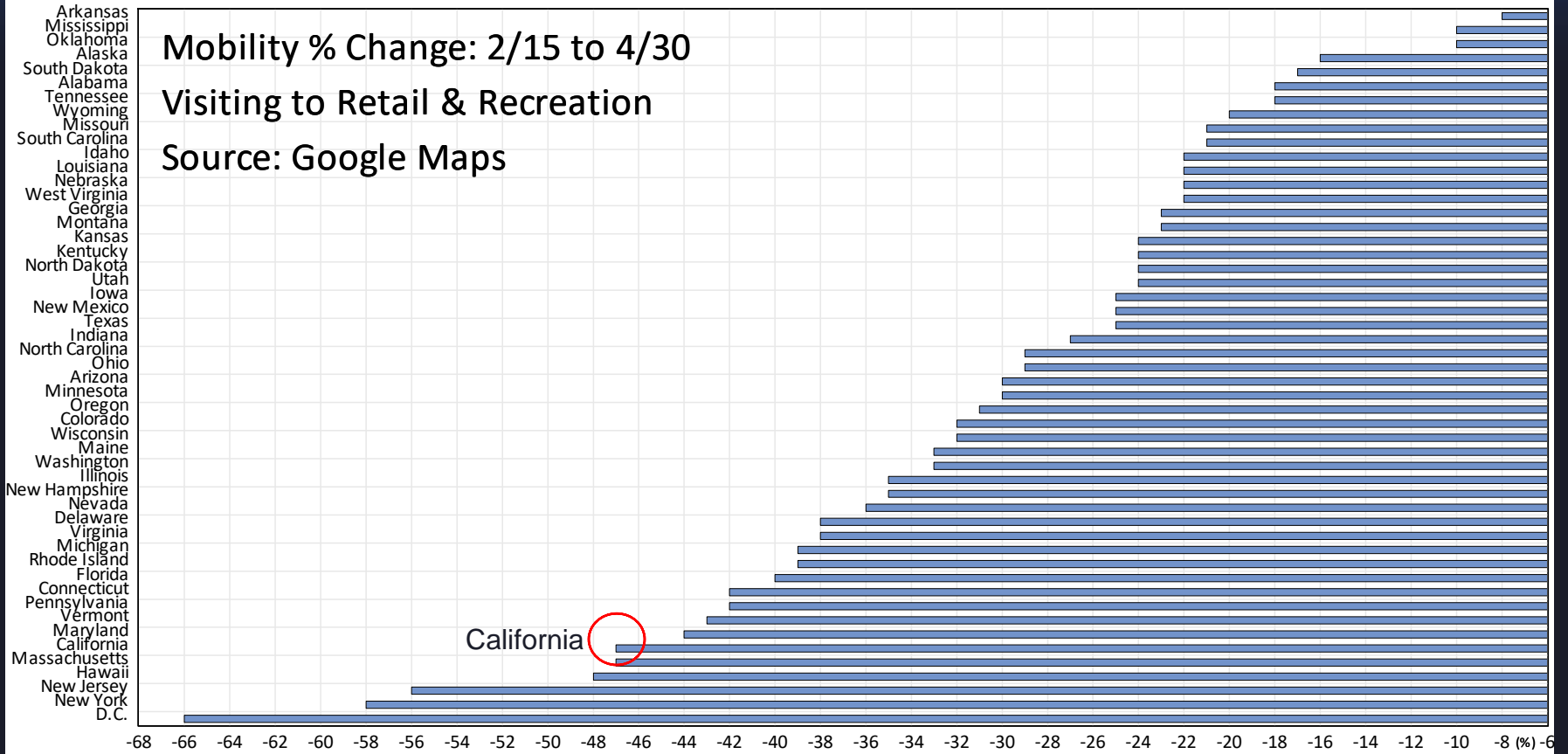




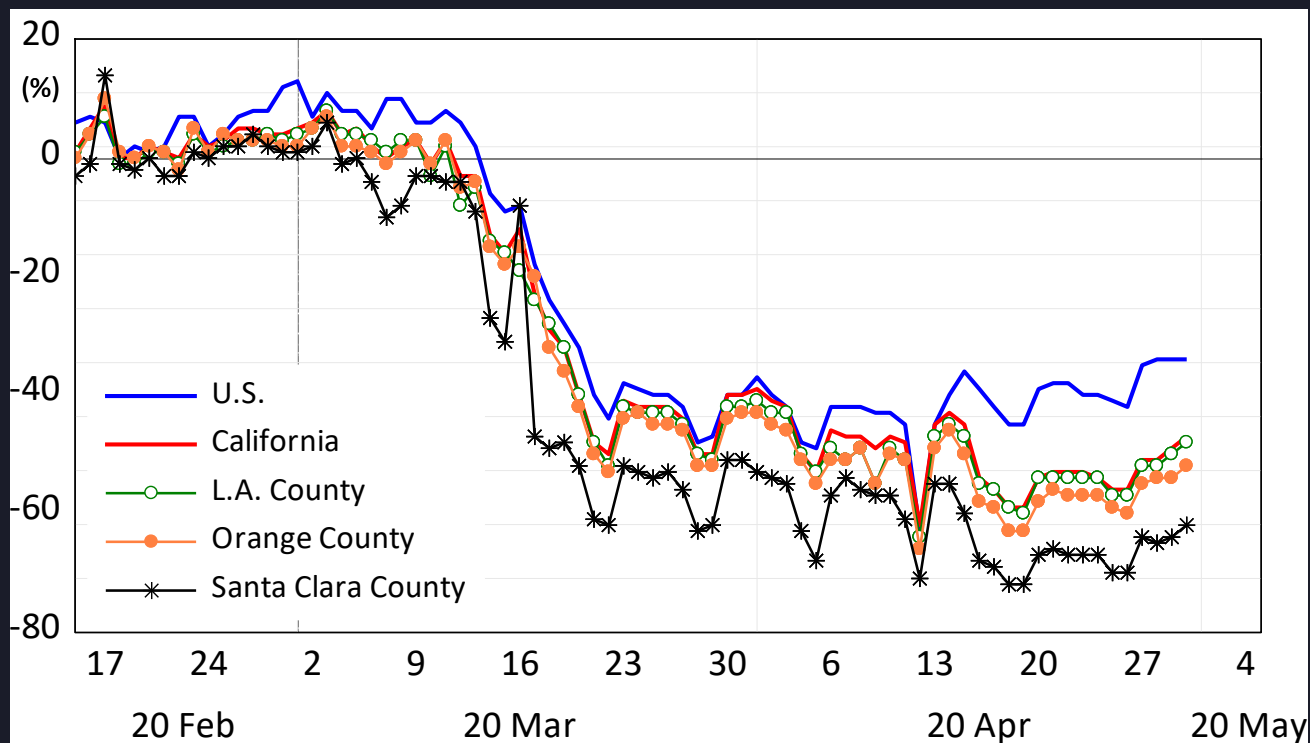
Mobility % Change: 2/15 to 4/30

Visiting to Retail & Recreation

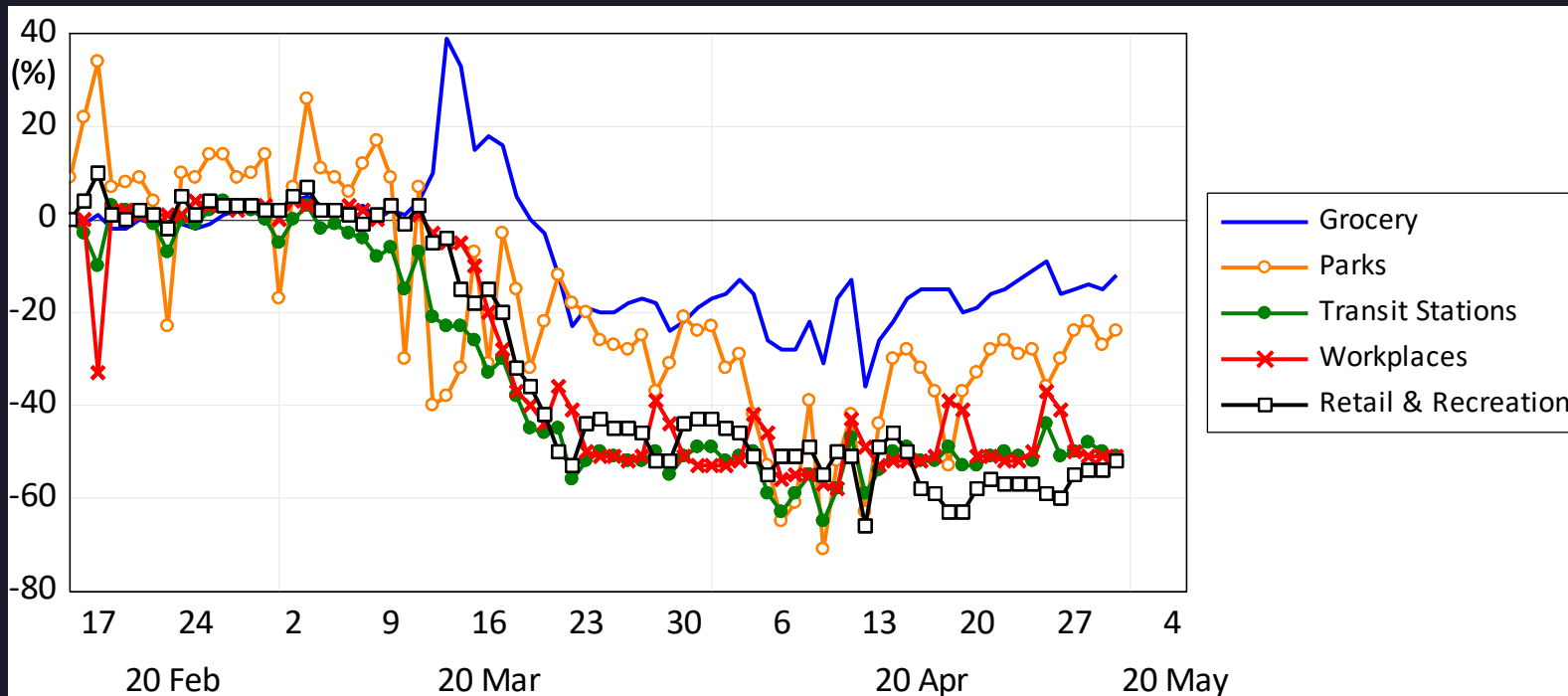
Source: Google Maps



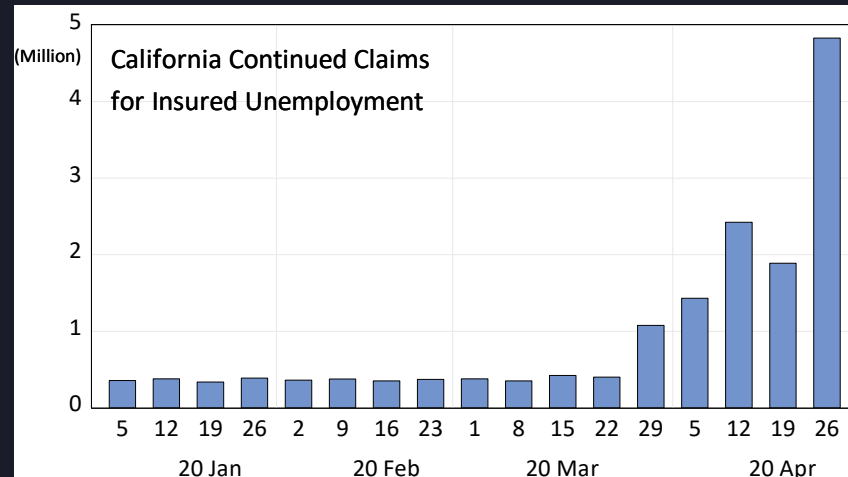
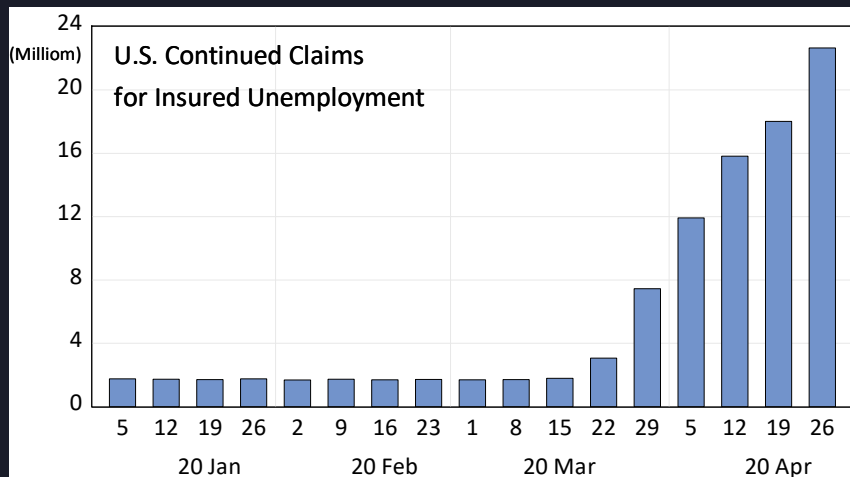
Traffic to retail and recreation declined by 55% in April in Orange County



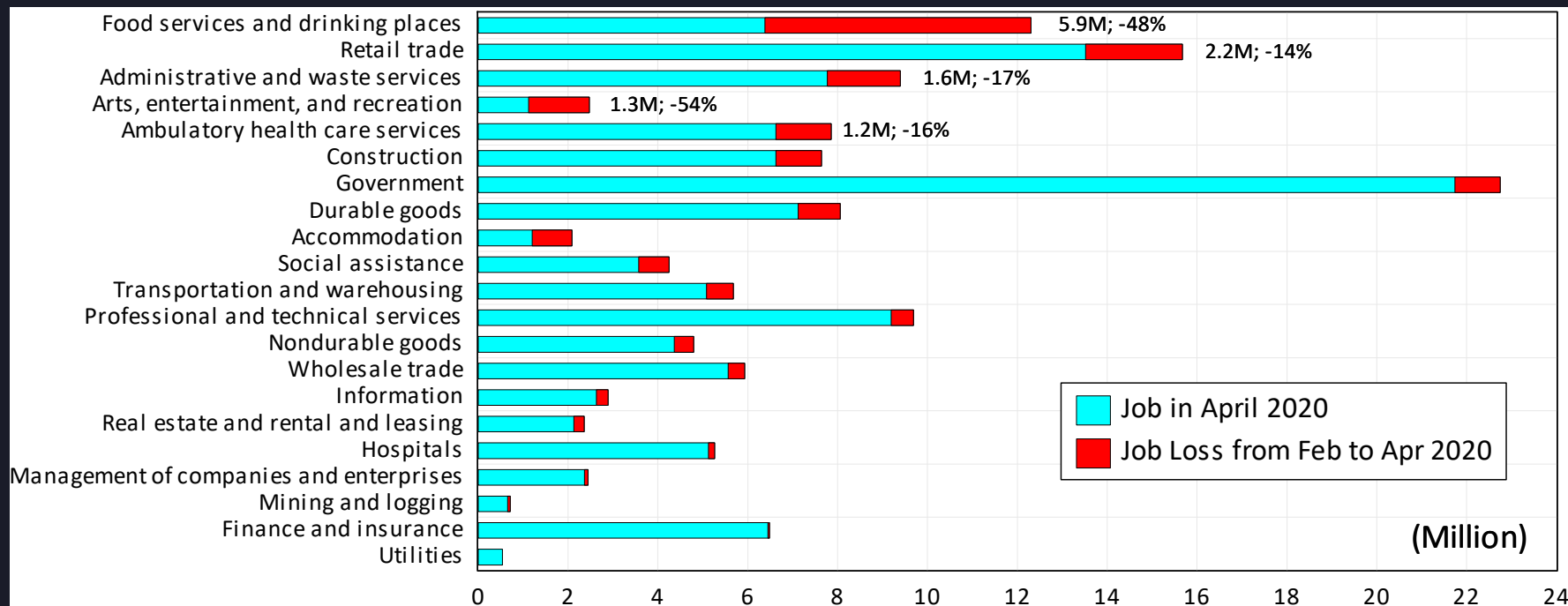
Traffic to transit stations and workplaces declined by the same degree



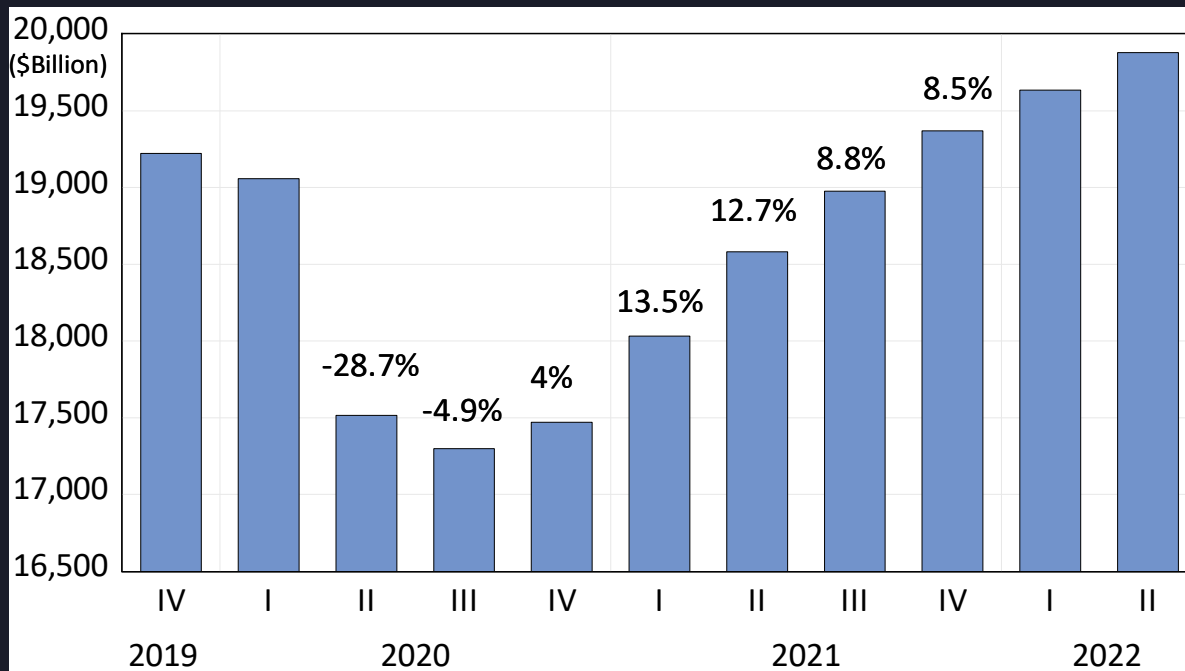
Unemployment shot up in April in the U.S. and California



U.S. lost 2.1 million payroll jobs in April. Restaurant and retail sectors lost 8 million jobs. Unemployment rate escalated to 14.7%.

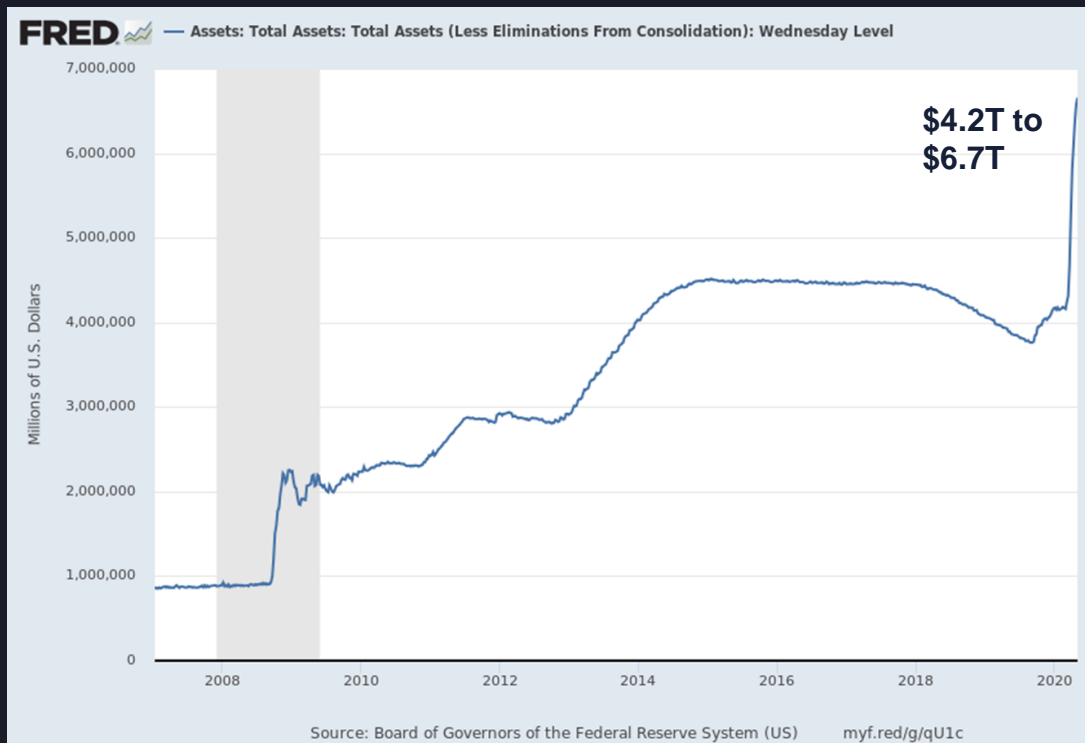


The economy is estimated to recover rapidly in 2021 once the virus is gone. The \$2 Trillion CARES Act prevents further ripple effect.



1-year recovery (2020-21) vs 4-year recovery (2007-11)

Federal reserve provides massive liquidity to the markets. An era of low but not negative interest rates.

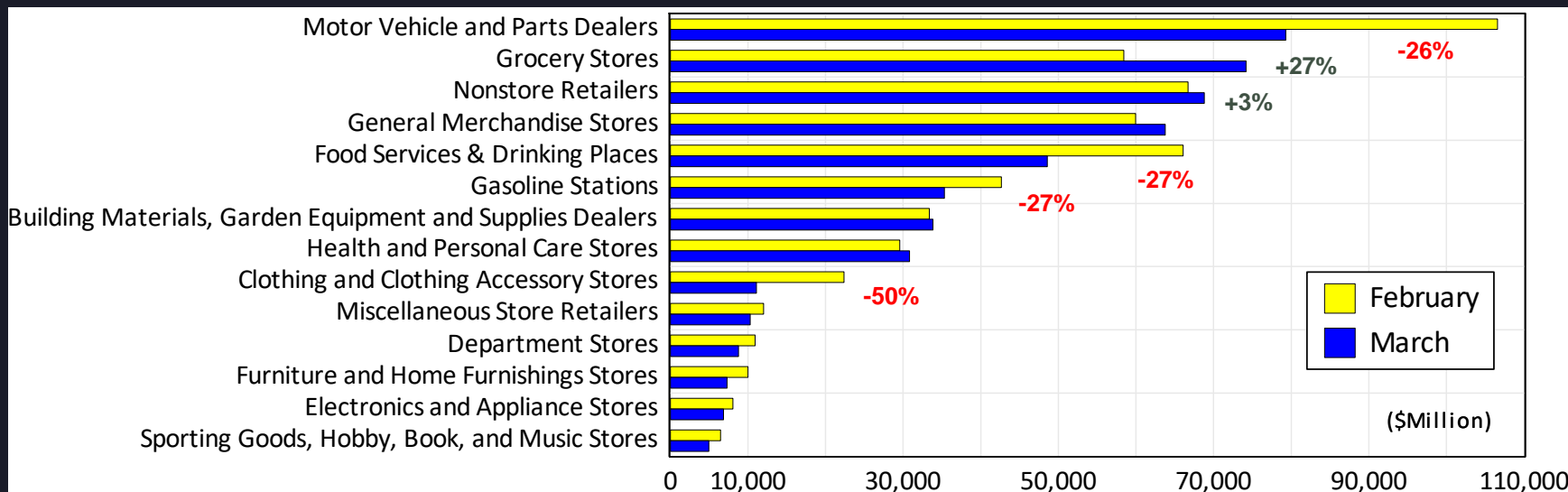


Globalization and global supply chains face serious challenges in the era of the coronavirus pandemic

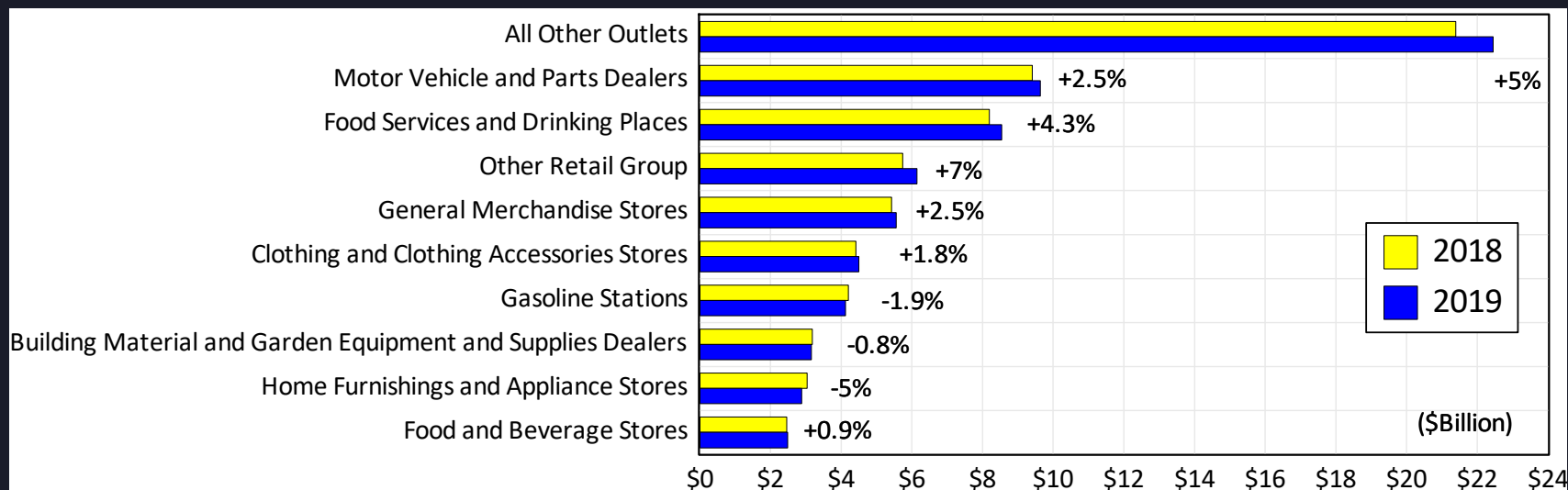
- In February, when China shut down, multinational companies panicked about China's supply chains disruption.
- In March/April, U.S. and Europe are desperate to source their medical and pharmaceutical equipment and supplies, such as masks, when many countries are imposing export bans.
- Reallocation: the decline of China manufacturing and the rise of the U.S. manufacturing.



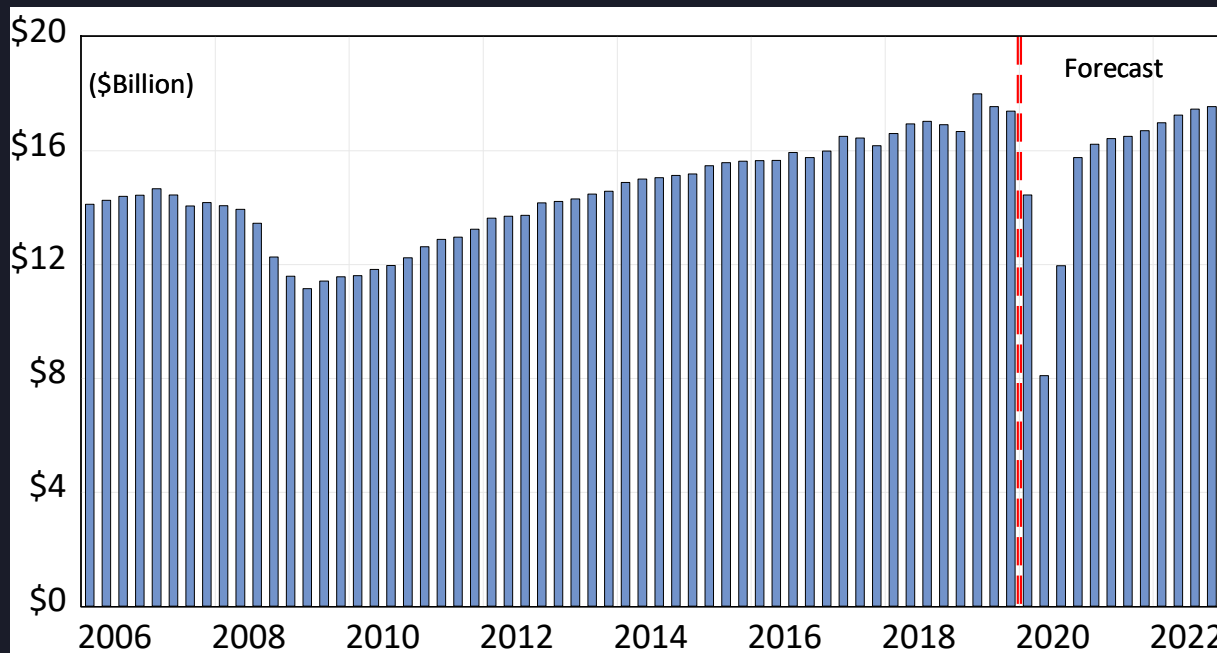
U.S. advanced retail sales declined by 8.7% in March. Some sectors have increased sales (but not taxable).



O.C. taxable sales had a 7% increase in e-commerce in 2019

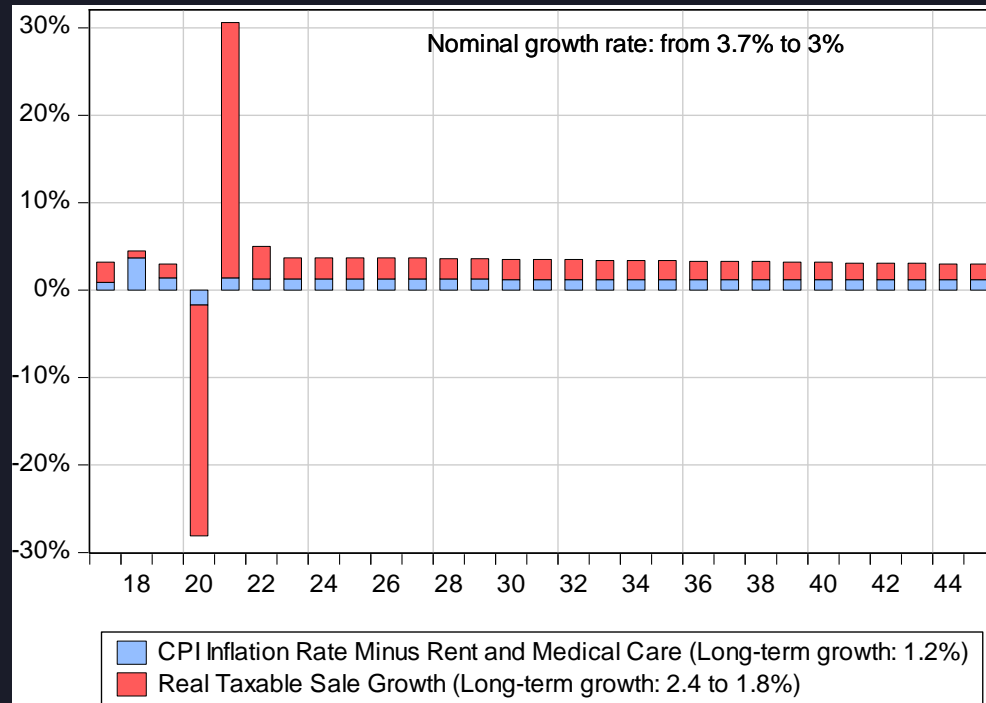


O.C. taxable sales is expected to plunge by 50% in CY 2020Q2 and rebound as the economy gradually reopens



- **Forecast Assumptions**
- Considered CARES Act
- Economy reopens gradually since 2020/5
- No serious resurgence; no other shutdown in the fall 2020/2021
- Tests are more available
- Social distancing practices remain
- Vaccine ready in 2021

The long-term growth of O.C. taxable sales will convert to 3.7% in the 2020s and slow down to 3% in 2045



Conclusions

- The length of the recession will depend on the length/severity of the pandemic.
- There is high uncertainty on our forecast.
- We expect a relatively rapid recovery in terms of U.S. GDP.
- California had more reduction of economic activities compared to other states. So California and Orange County will take more of an economic hit.
- Unbridled globalization is killed by this global pandemic. Diversified and local supply chains will rise.
- The U.S.-China relationship will face serious challenges.