

The Economic Outlook and Orange County Taxable Sales Forecast

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UCLA Anderson Forecast



**ORANGE COUNTY
OUTLOOK**

**TAXABLE SALES
FORECAST**

**CALIFORNIA
OUTLOOK**

US OUTLOOK

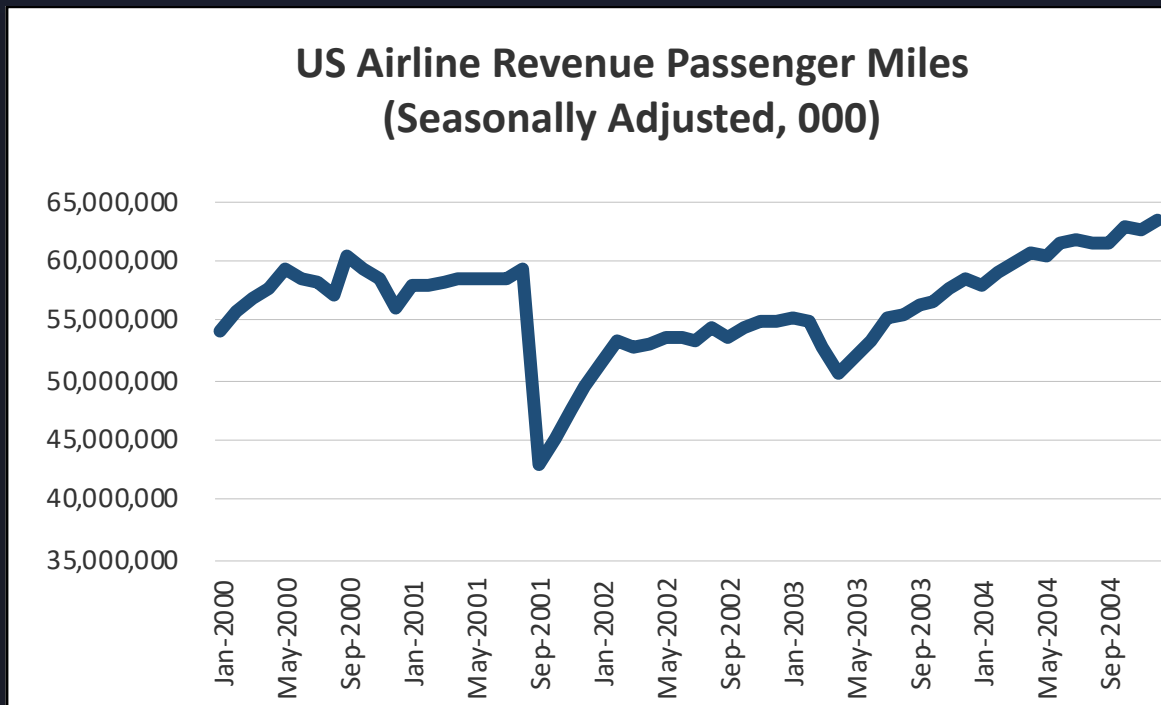
Critical Question

A recession like no other
since 1918/19 and 1920/21



***Pandemic and the vaccine: when
will this end?***

2000—2004 Monthly Domestic Airline Traffic



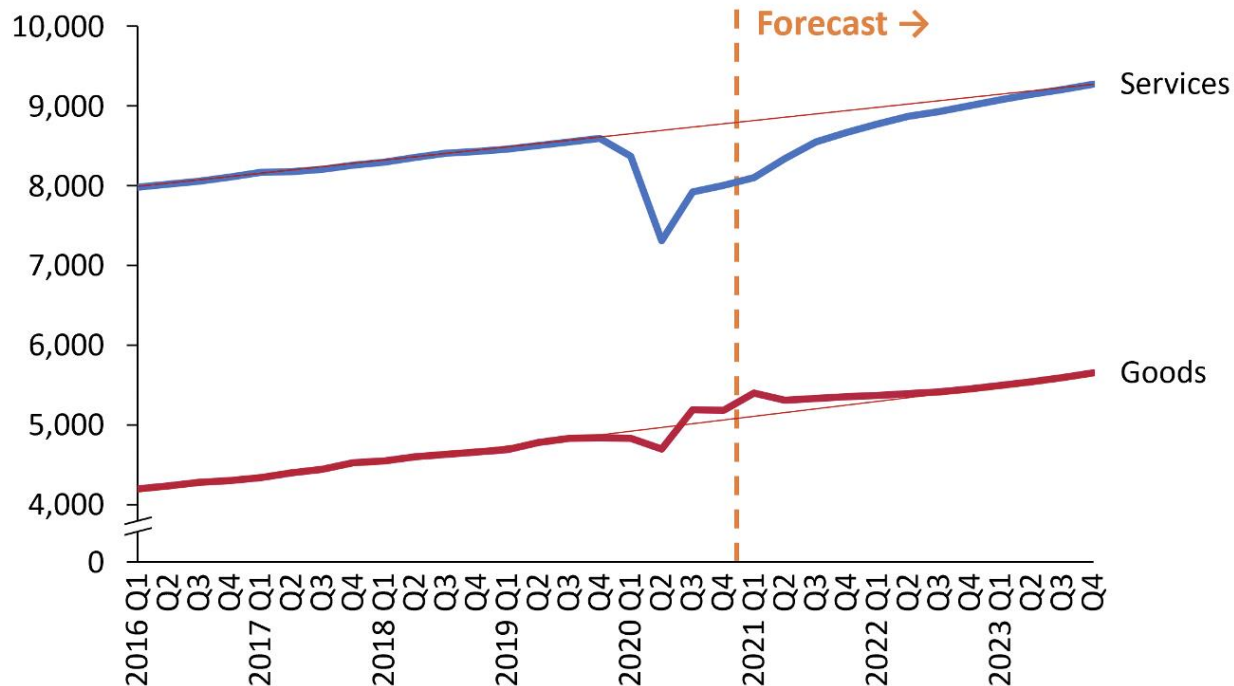
Regulatory Shutdown of Airline Flights

Followed by

Fear of Flying

SOURCE: US DEPARTMENT OF TRANSPORTATION

Consumption of Goods and Services, Seasonally Adjusted Annual Rates (\$ Billions, Real)

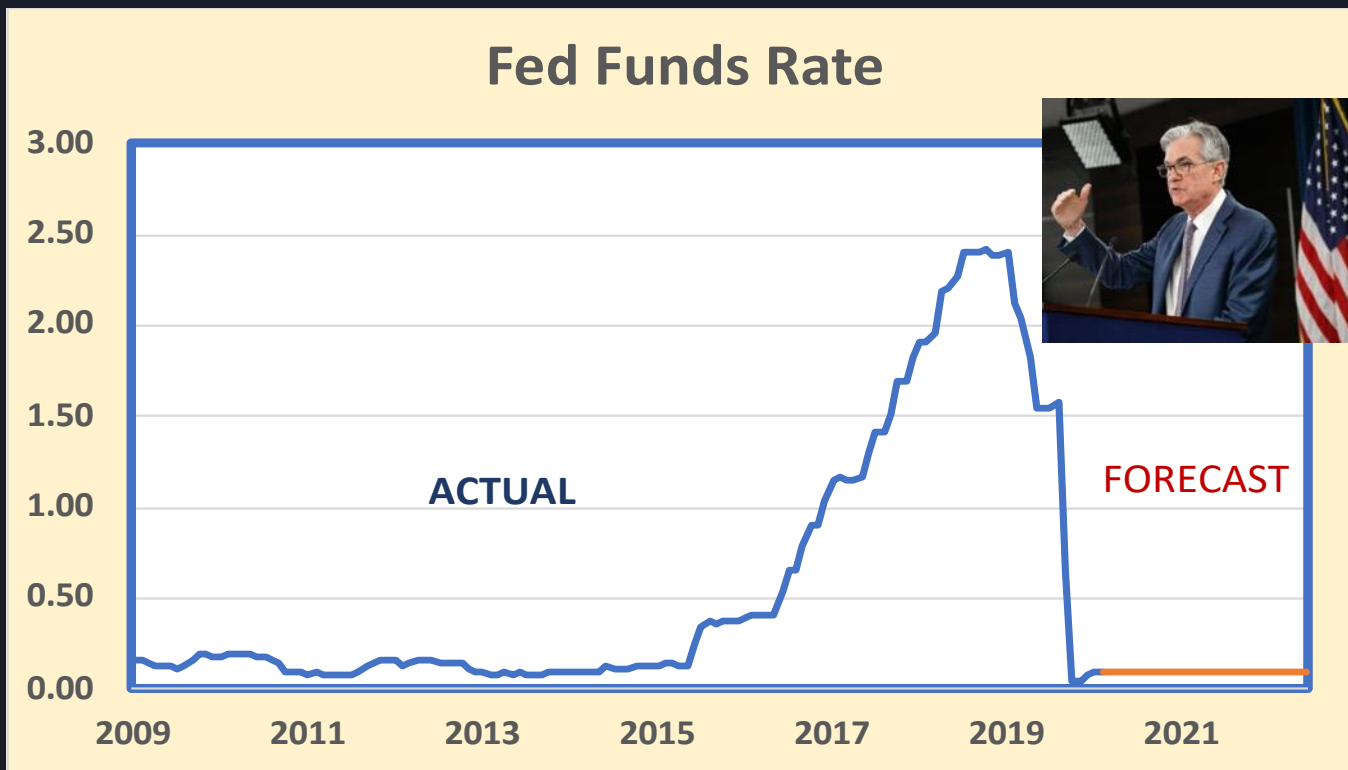


Source: Bureau of Economic Analysis and UCLA Anderson Forecast
 Notes: Pre-pandemic trend lines shown in light red.



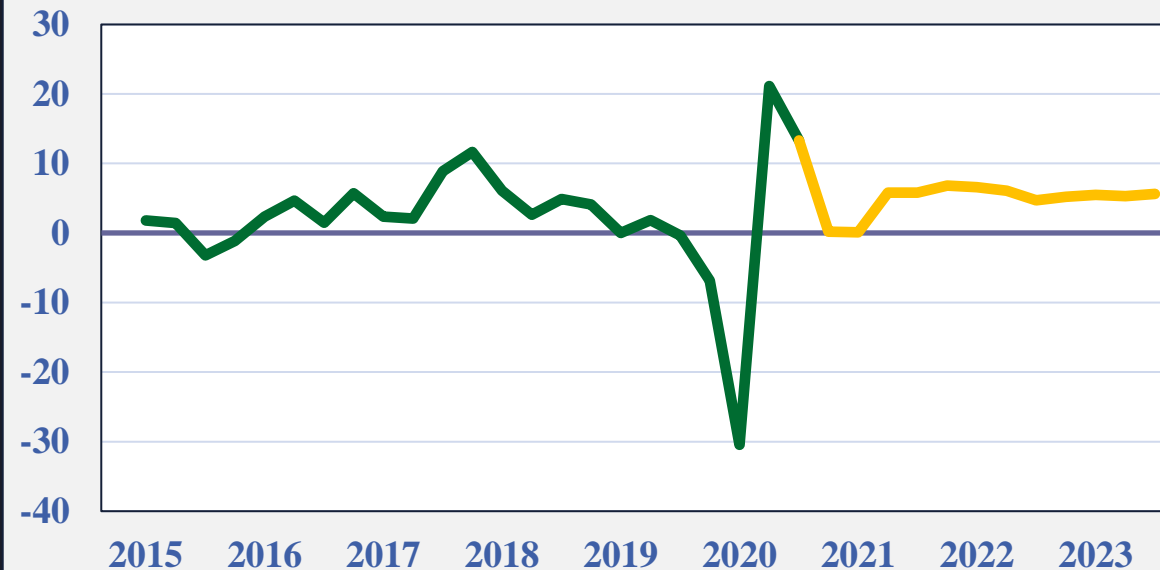
SOURCE: S&P GLOBAL

The Fed's New Zero Interest Rate Policy



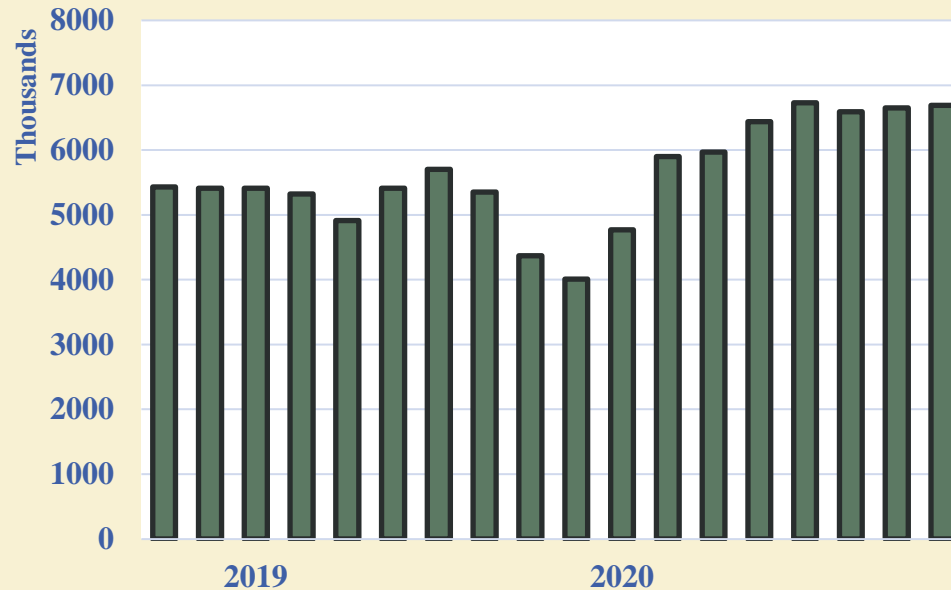
Business Fixed Investment

Real Non-Residential Fixed Investment (2015-2023, Quarterly % Annual Change)



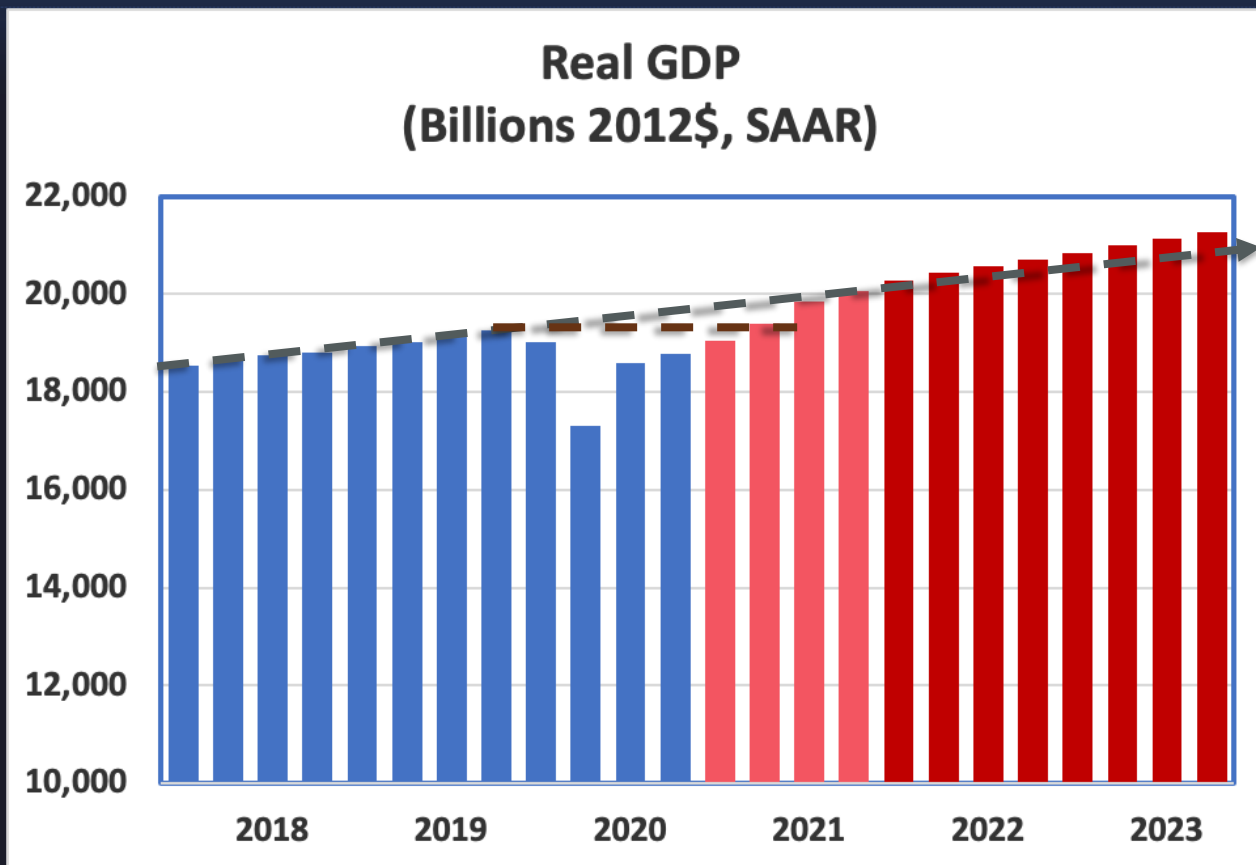
Home Sales Soar

Existing Home Sales (SAAR, Aug. 2019 to Jan. 2021)

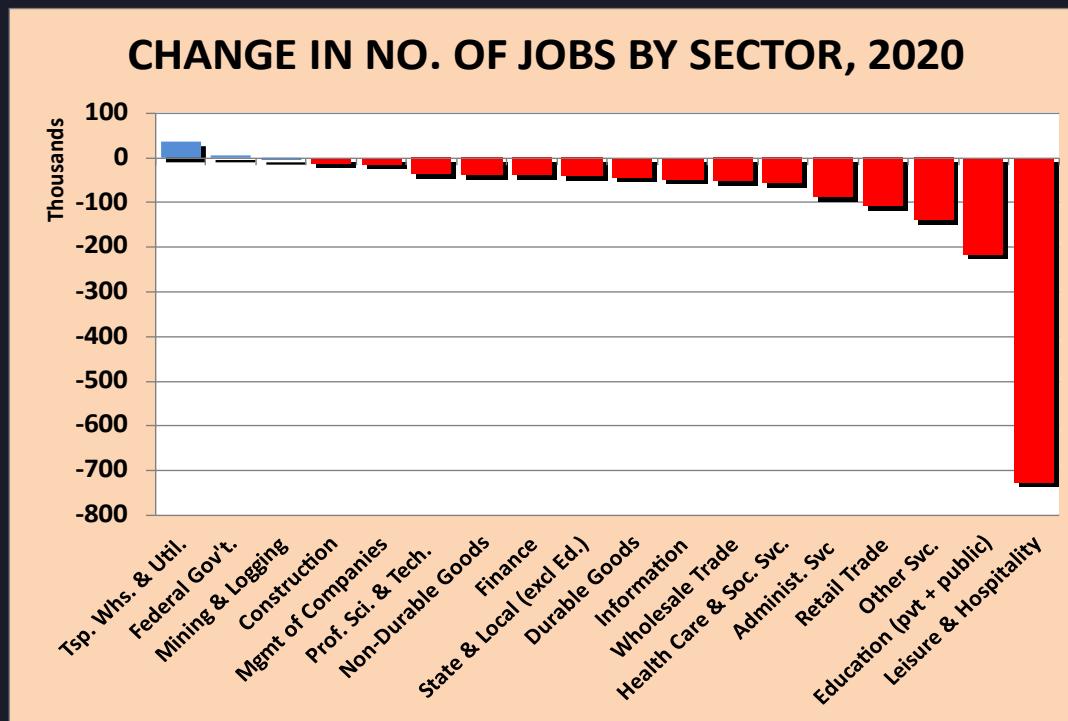


Source: National Association of Realtors

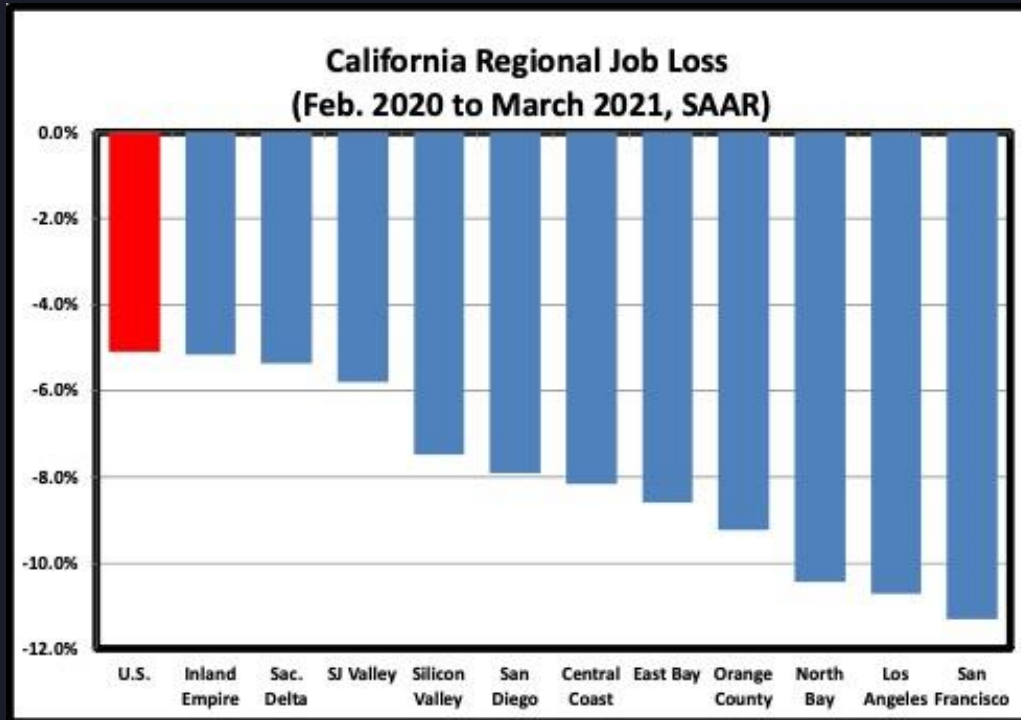
GDP OVRSHOOTS 2.4% TREND



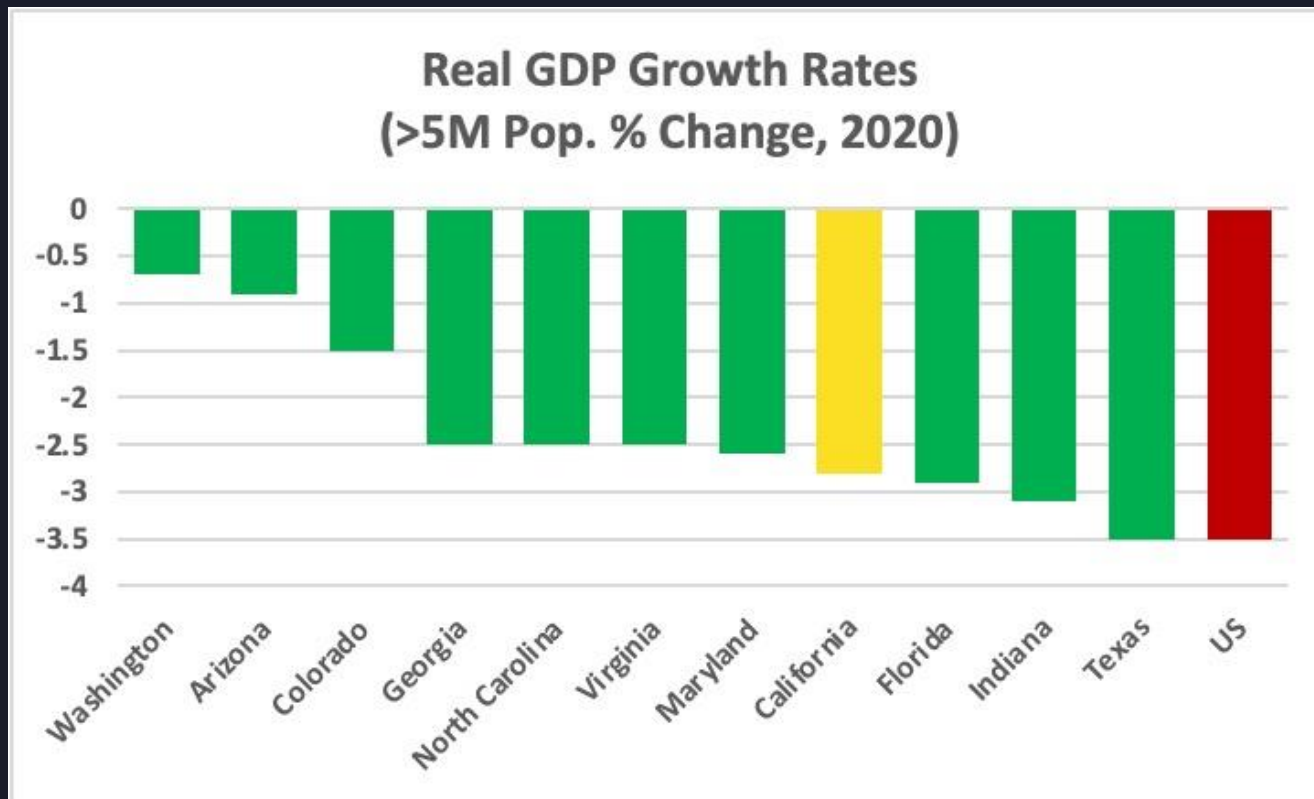
High Personal Contact Sectors in CA Hit Hardest in 2020



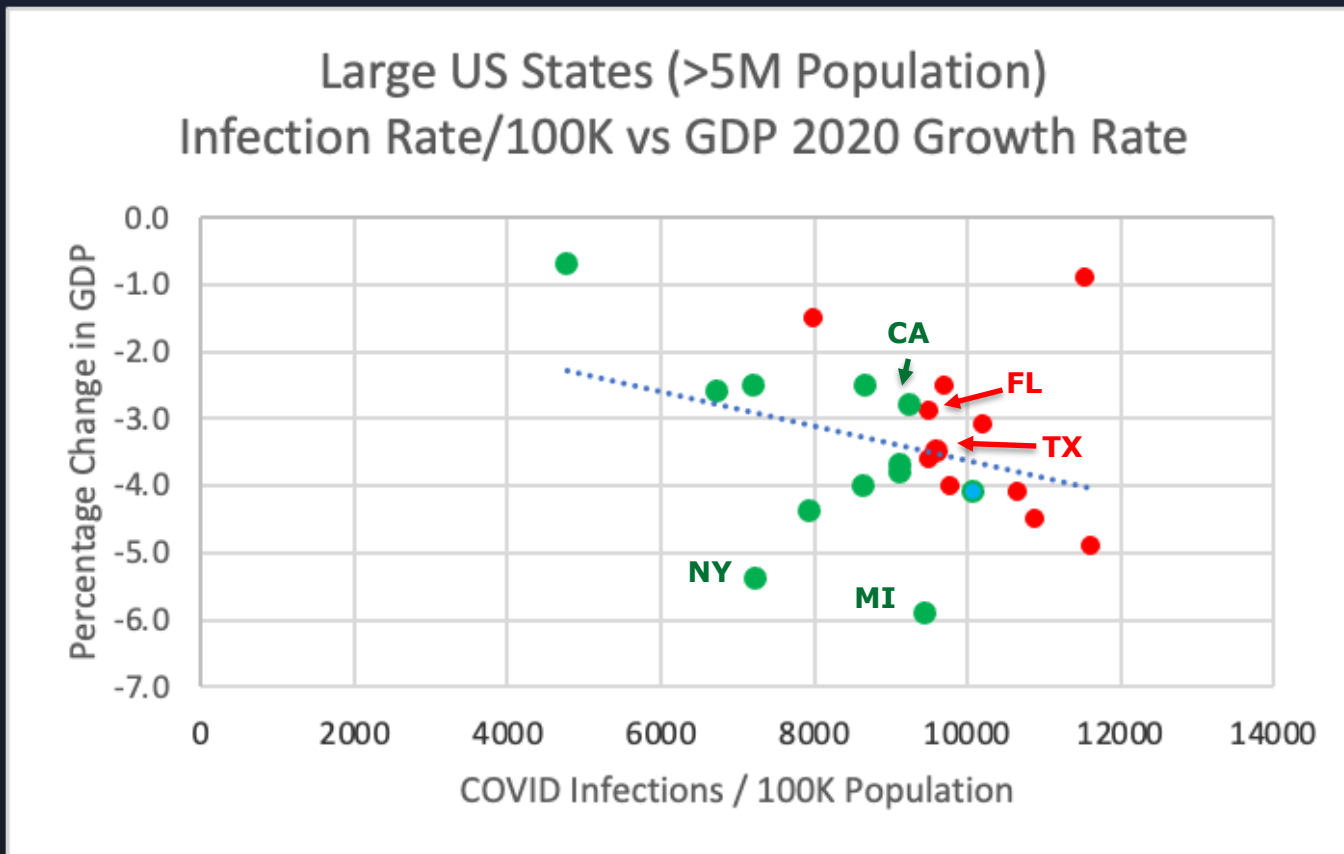
Tourism Oriented Counties Did Worse



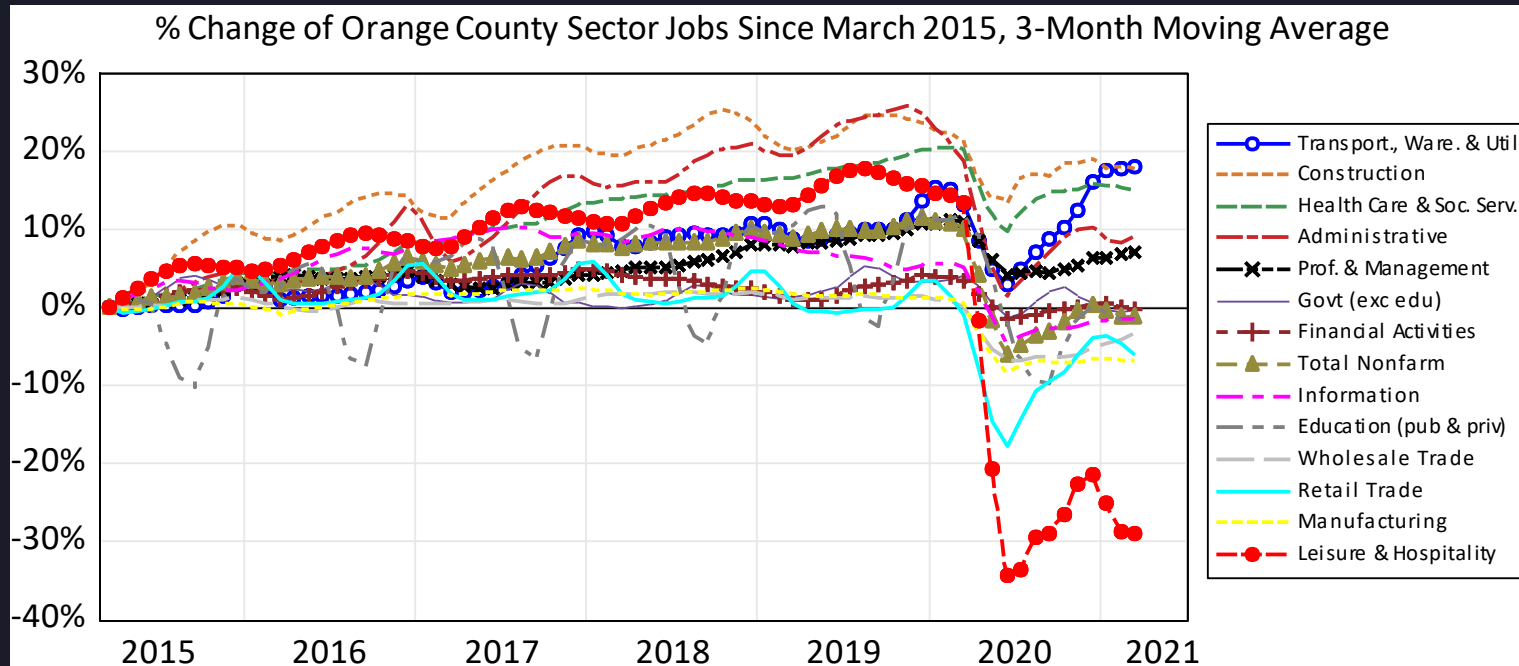
State GDP Performance -- 2020



Non-Pharmaceutical Interventions & Outcomes

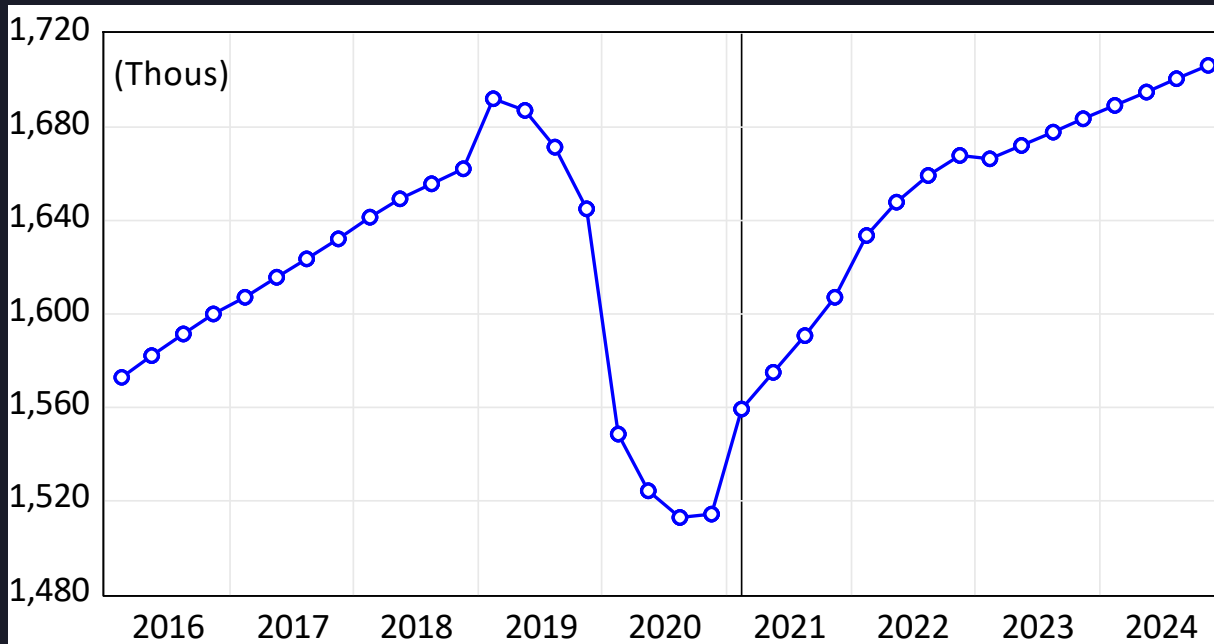


Orange County Job Loss Mirrors California



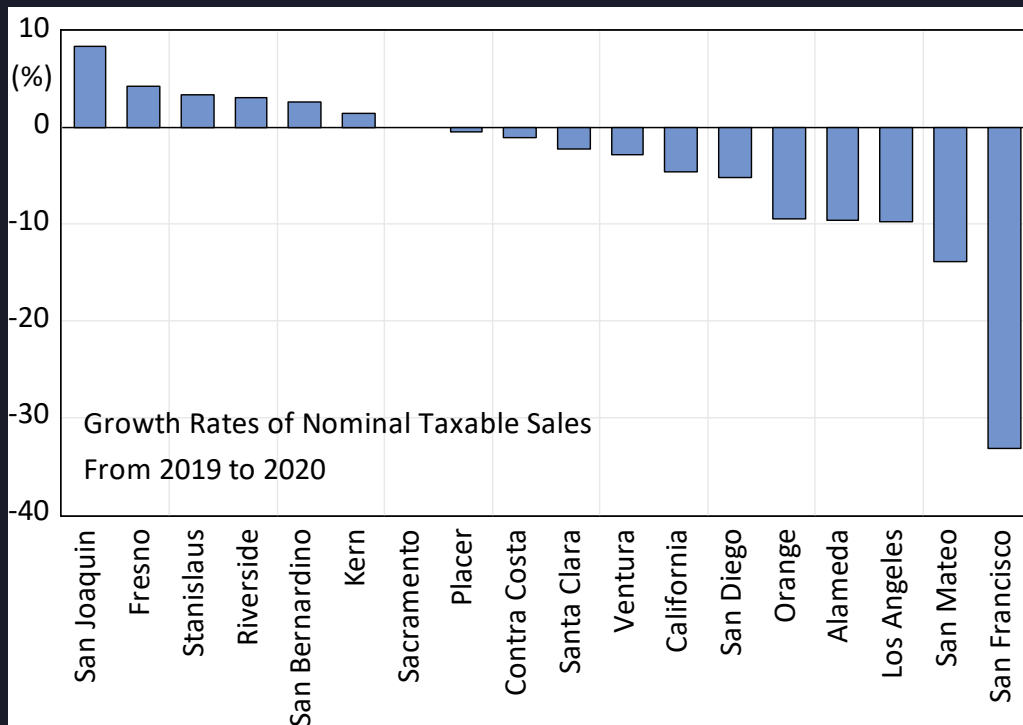
Source: California EDD

OC payroll jobs are forecast to recover to its pre-pandemic level at the end of 2023



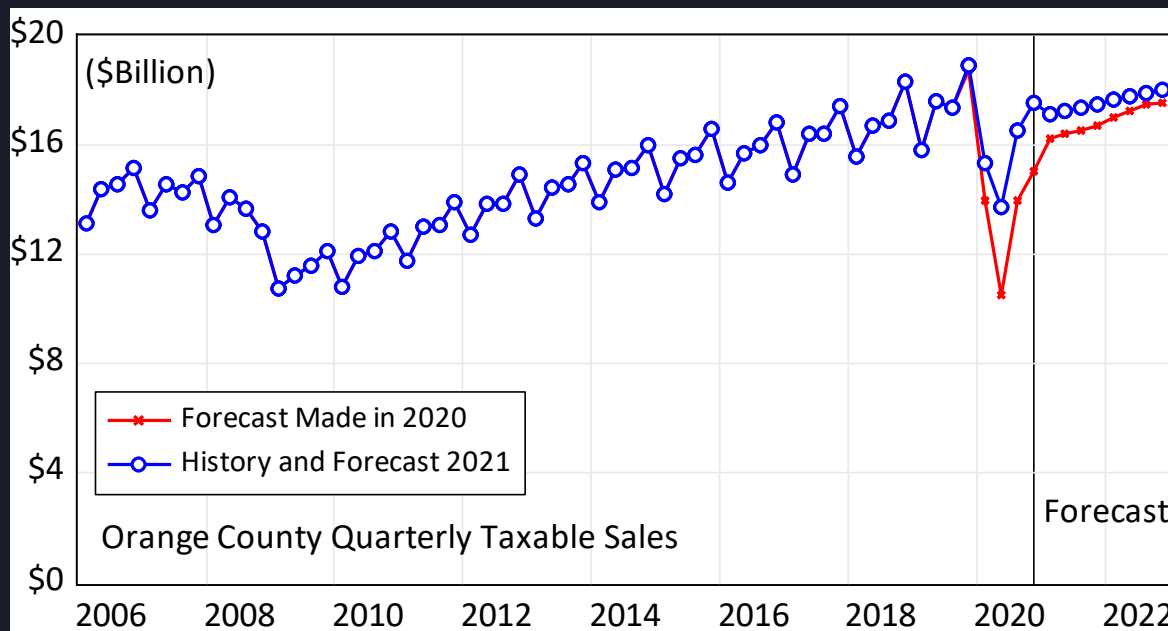
Sources: California EDD and Anderson Forecast

OC taxable sales declined by 9.5% in 2020. (California average - 4.6%).



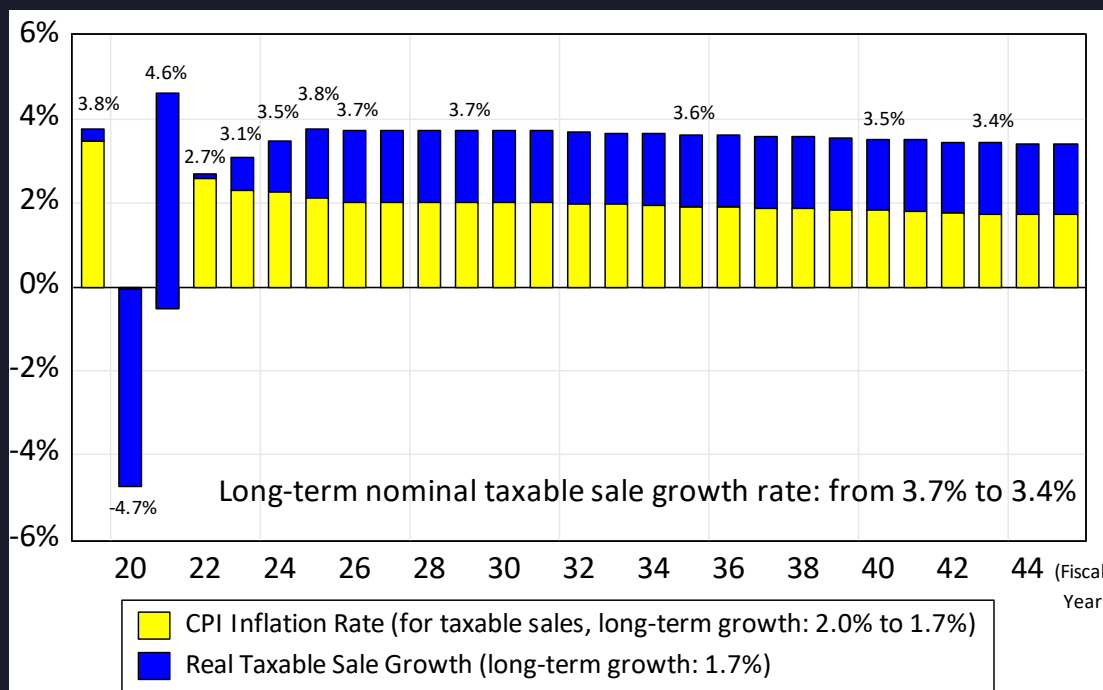
Source: California Department of Tax and Fee Administration
 Note: The selected counties are 18 largest counties in CA in terms of taxable sales in 2020

O.C. actual taxable sales in 2020 were better than our forecast due to stimulus support & shift to goods purchases



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

The long-term growth of O.C. taxable sales will convert to 3.7% in the 2020s and slow down to 3.4% in 2045



Summary

- Robust economic recovery in the U.S. in 2021 and 2022.
- Orange County's economy declined more than the California and national average partly due to its higher exposure on tourism.
- Total Orange County jobs will recover to its pre-pandemic level by the end of 2023.
- Orange County's taxable sales will recover rapidly with strong growth in 2021.
- Risks to the forecast: (1) COVID-19's Xth wave (2) Contractionary government policy.