

Economic Outlook

Orange County Transportation Agency

June/July 2022

Anil Puri, Ph.D.

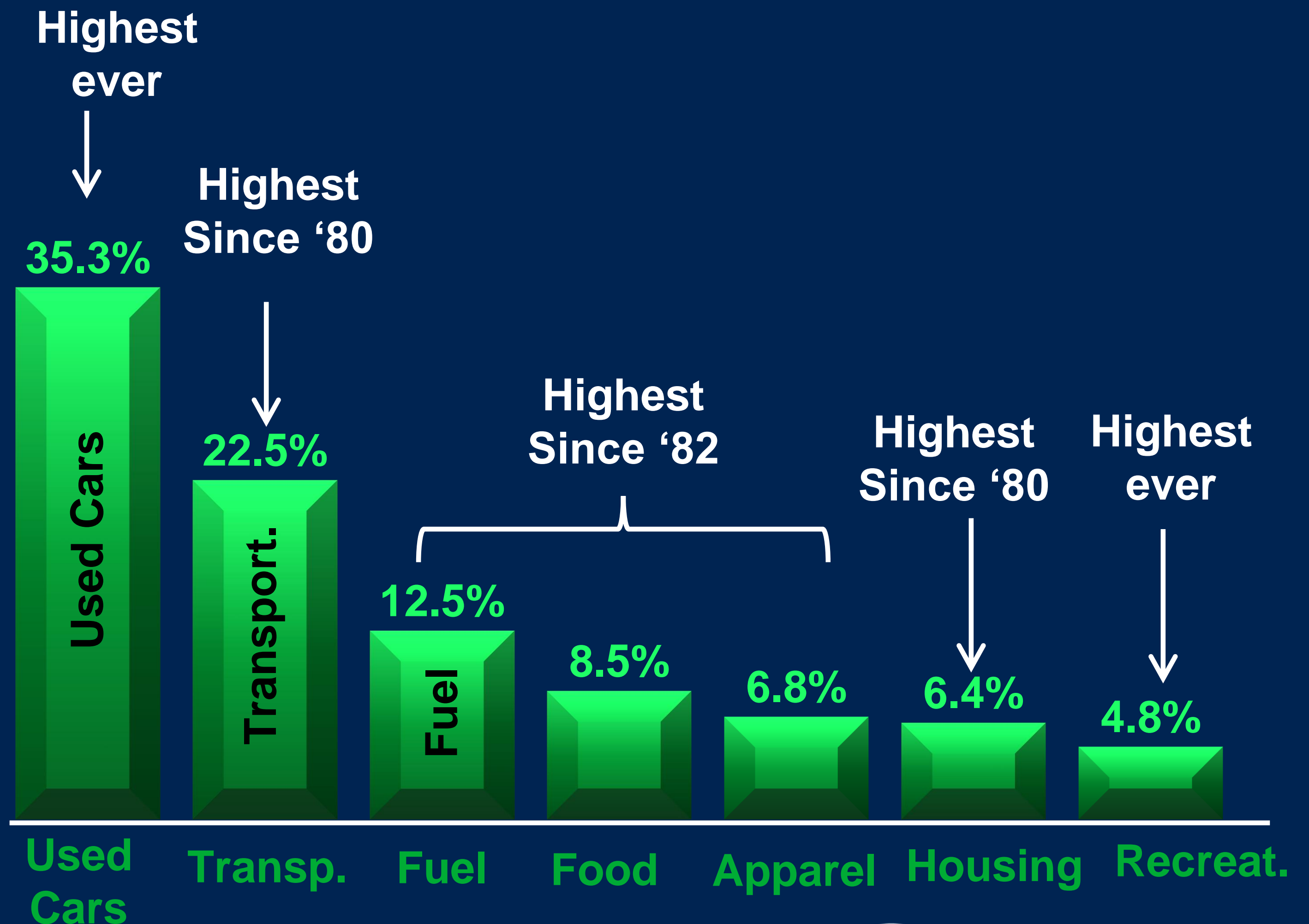
California State University, Fullerton

Inflation Nation

A Surge in Inflation...Everywhere

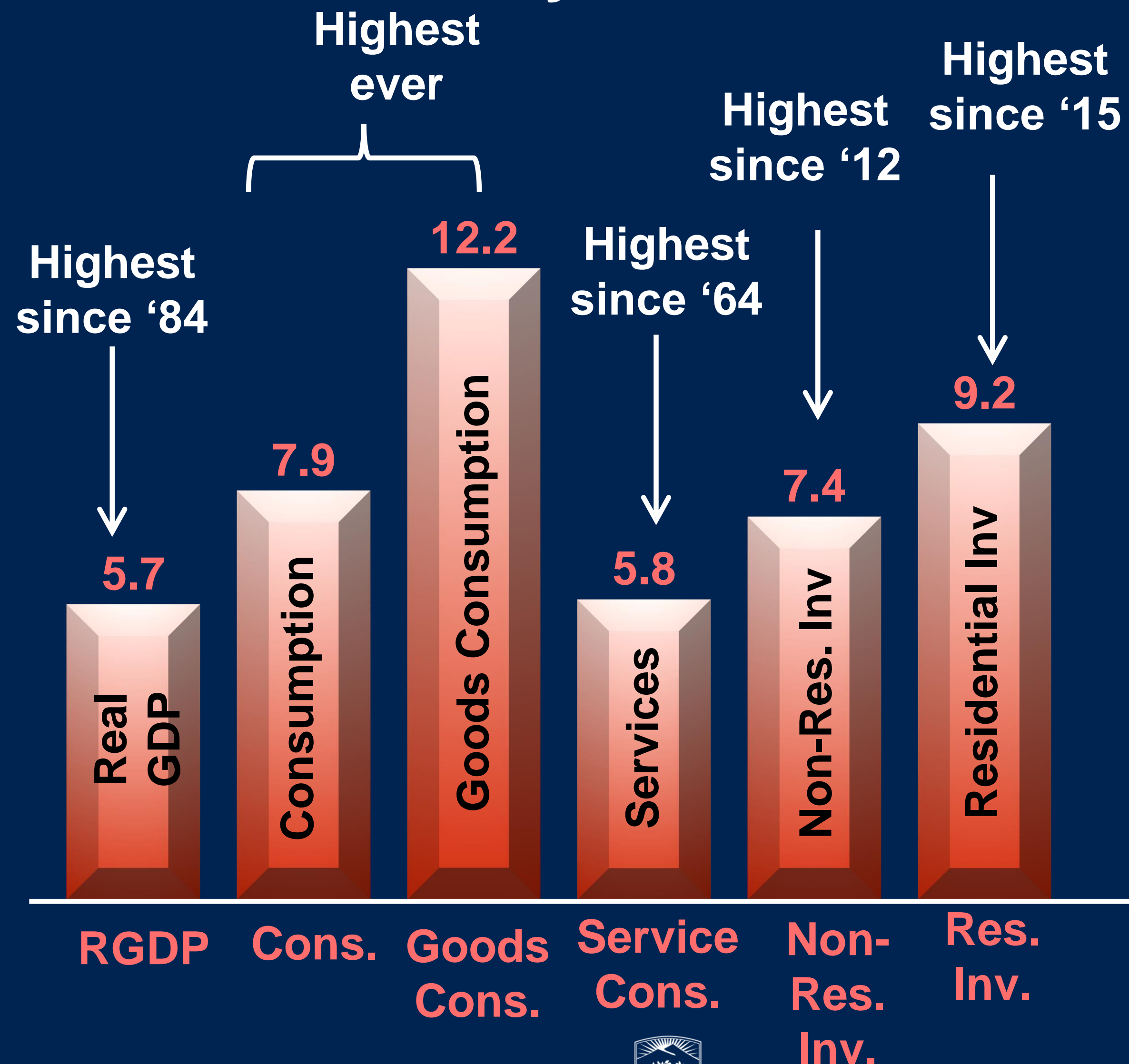
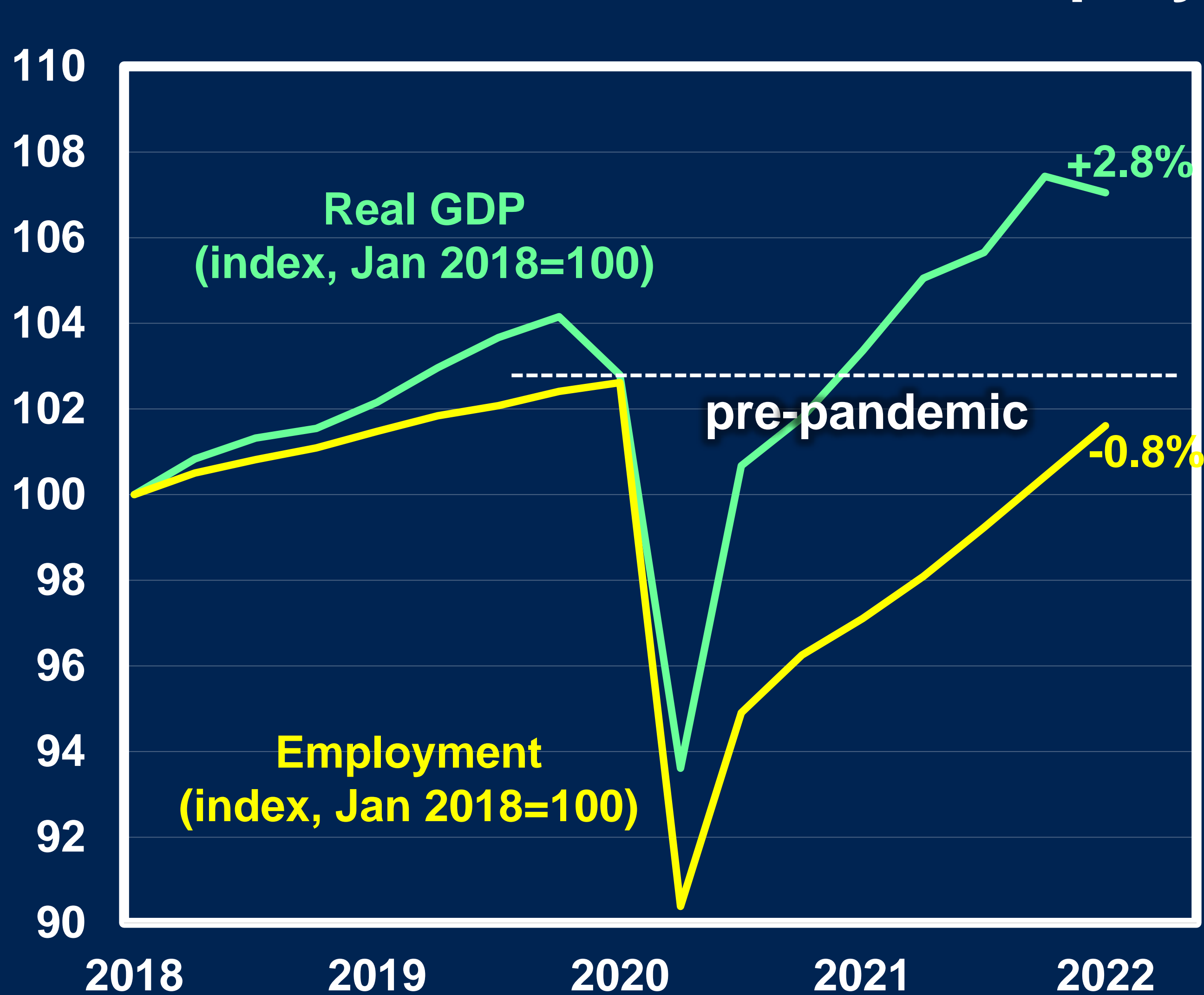
CPI	8.5%
PCE	6.4%
Core PCE	5.4%

PPI Intermediate Goods	21.8%
PPI Finished Goods	15.2%



A Solid Expansion

Stellar real GDP Growth; Employment Almost Fully Recovered

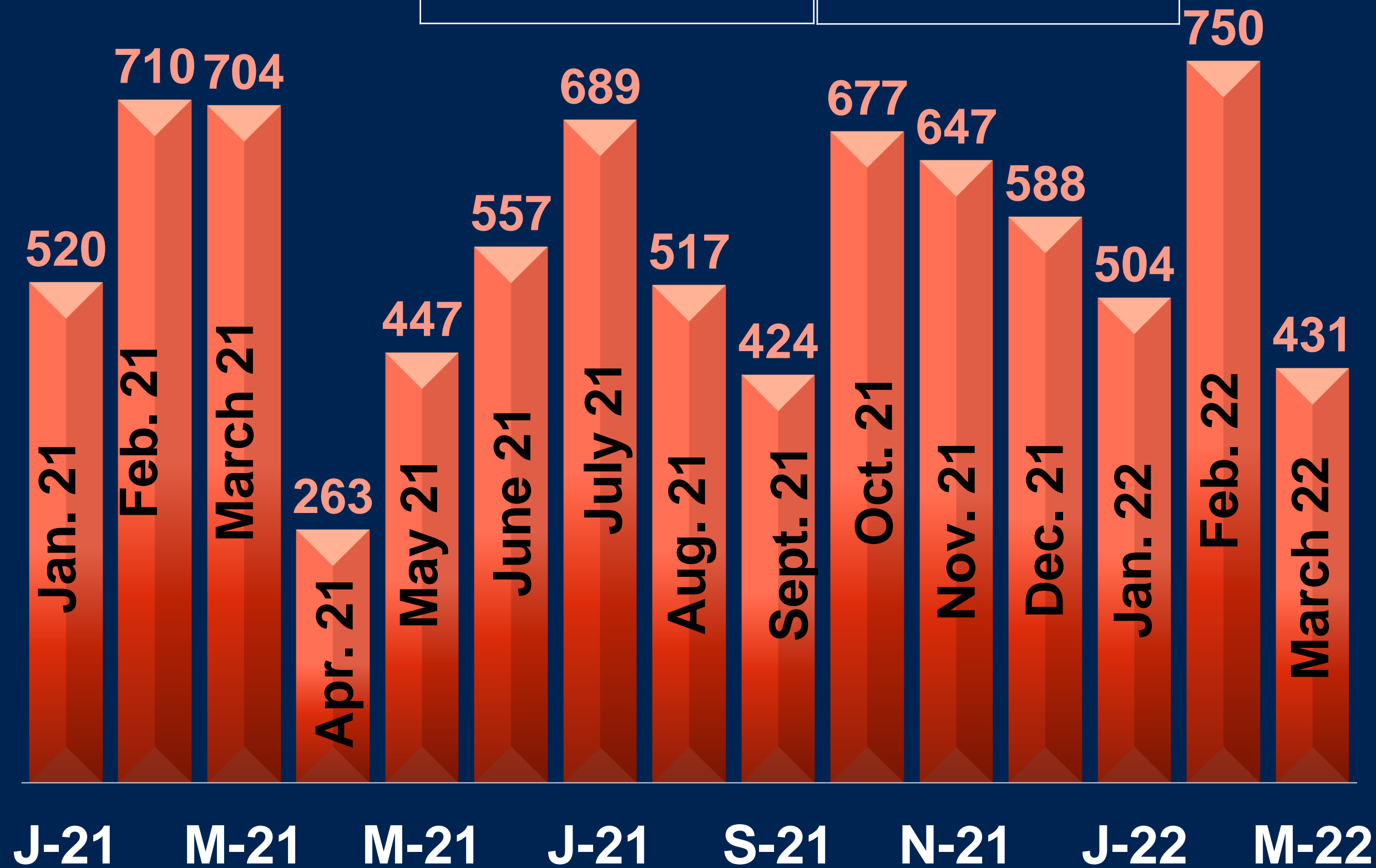


Labor Market Has Been Stellar

Employment Growth Booming; So Are Wages

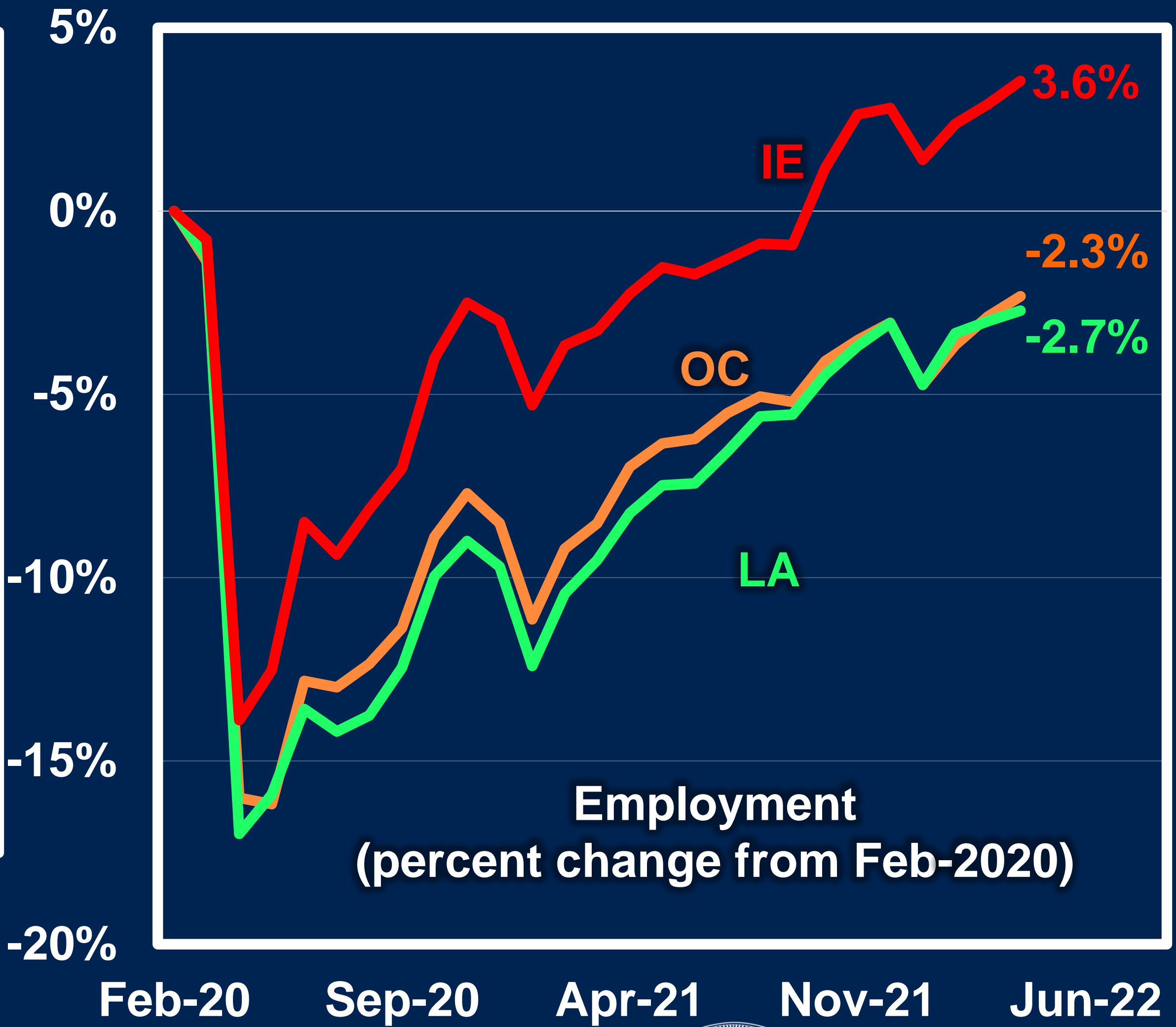
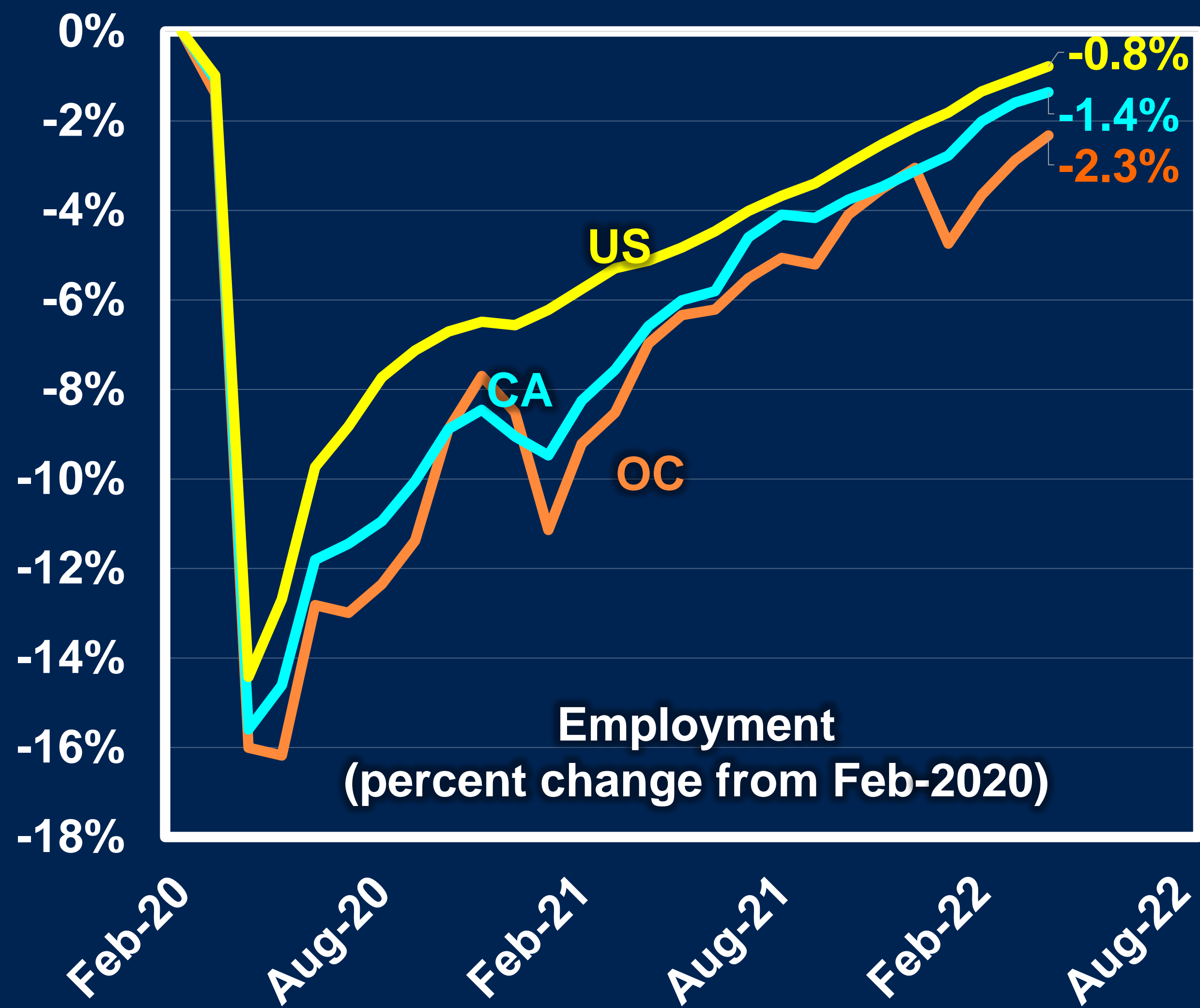
Employment
(thousands)

2021 Jobs	6.7 million
2022.. So far	1.7 million



Closing the Gap: Employment Picking Up Fast

But OC and LA Lag IE, the State and the Nation; IE Fully Recovered



OC Recovery Has Been Broad-Based

But Some Sectors Have Overperformed and Others Still Lagging

Percent change from Feb-2020

Best Sectors

Education	9%
Utilities	3.5%
Health Care	1.6%

Middle

Prof. and Bus. Services	-0.2%
Transportation	-1.7%
Government	-2.4%
Leisure and Hospitality	-2.7%
Construction	-2.9%

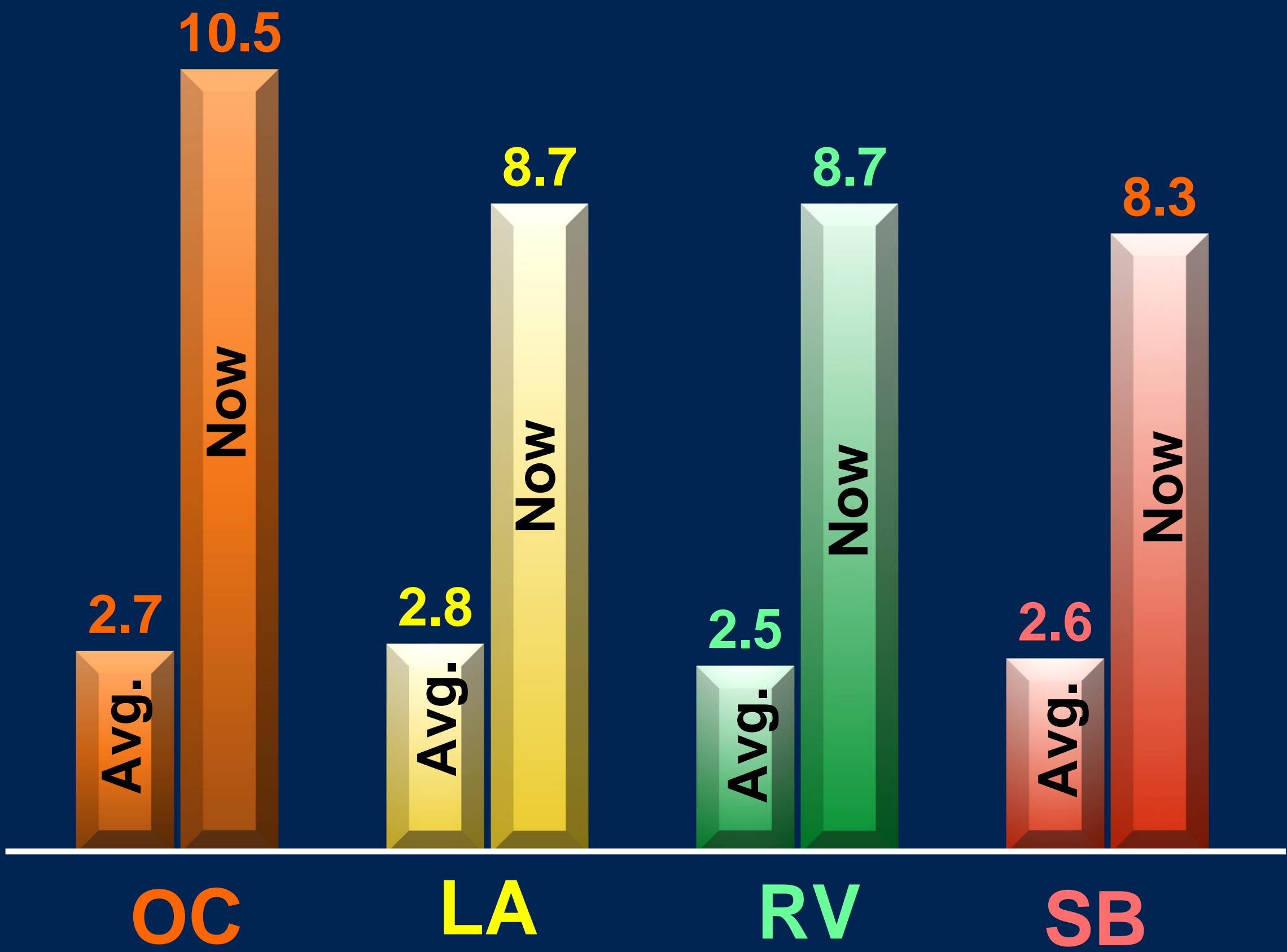
Worst Sectors

Manufacturing	-5.2%
Retail	-6.9%

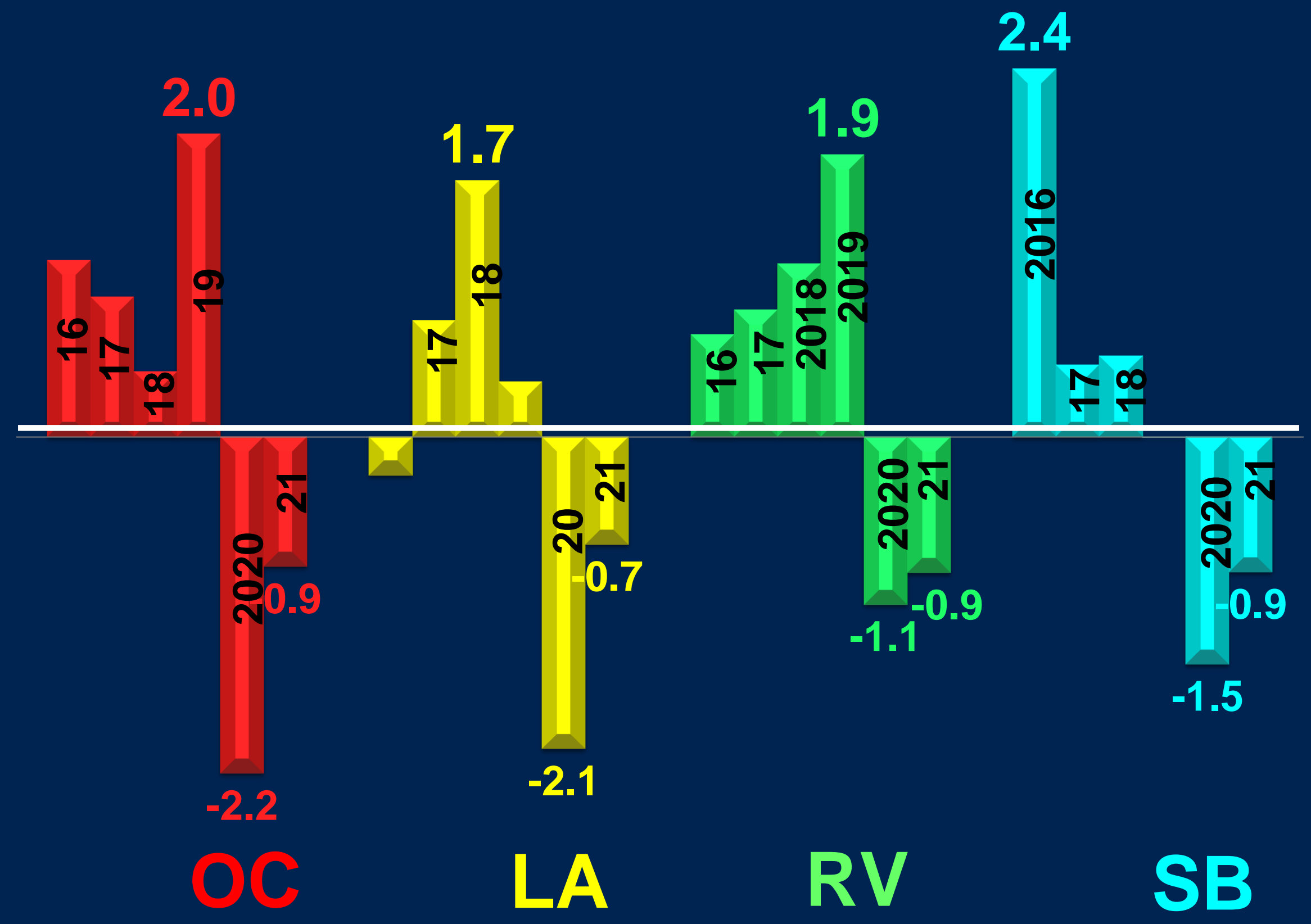
SoCal Households in Strong Position

Higher Wages and Lower Debt Levels During the Pandemic

Wage Growth in SoCal
(y-o-y percent change)

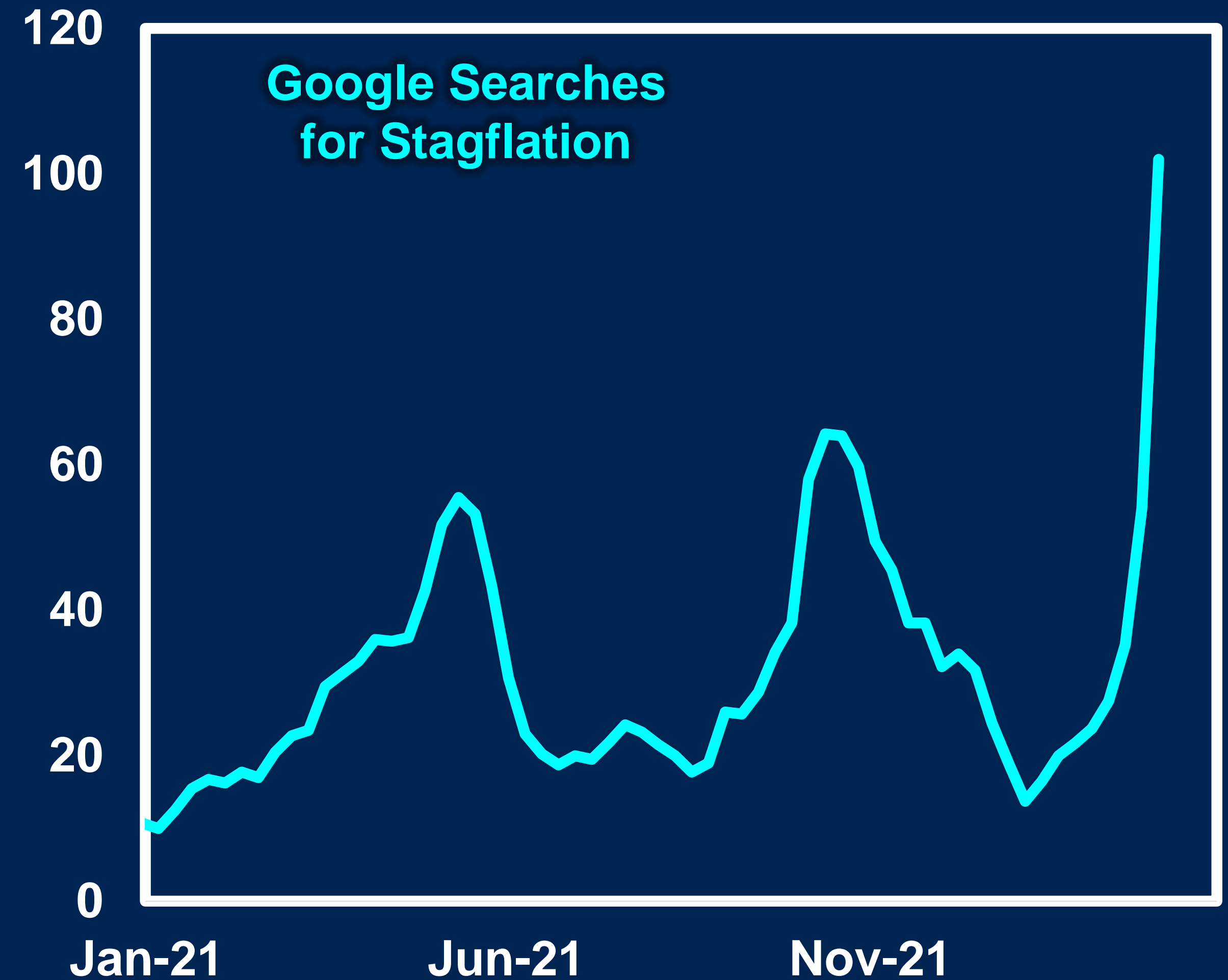
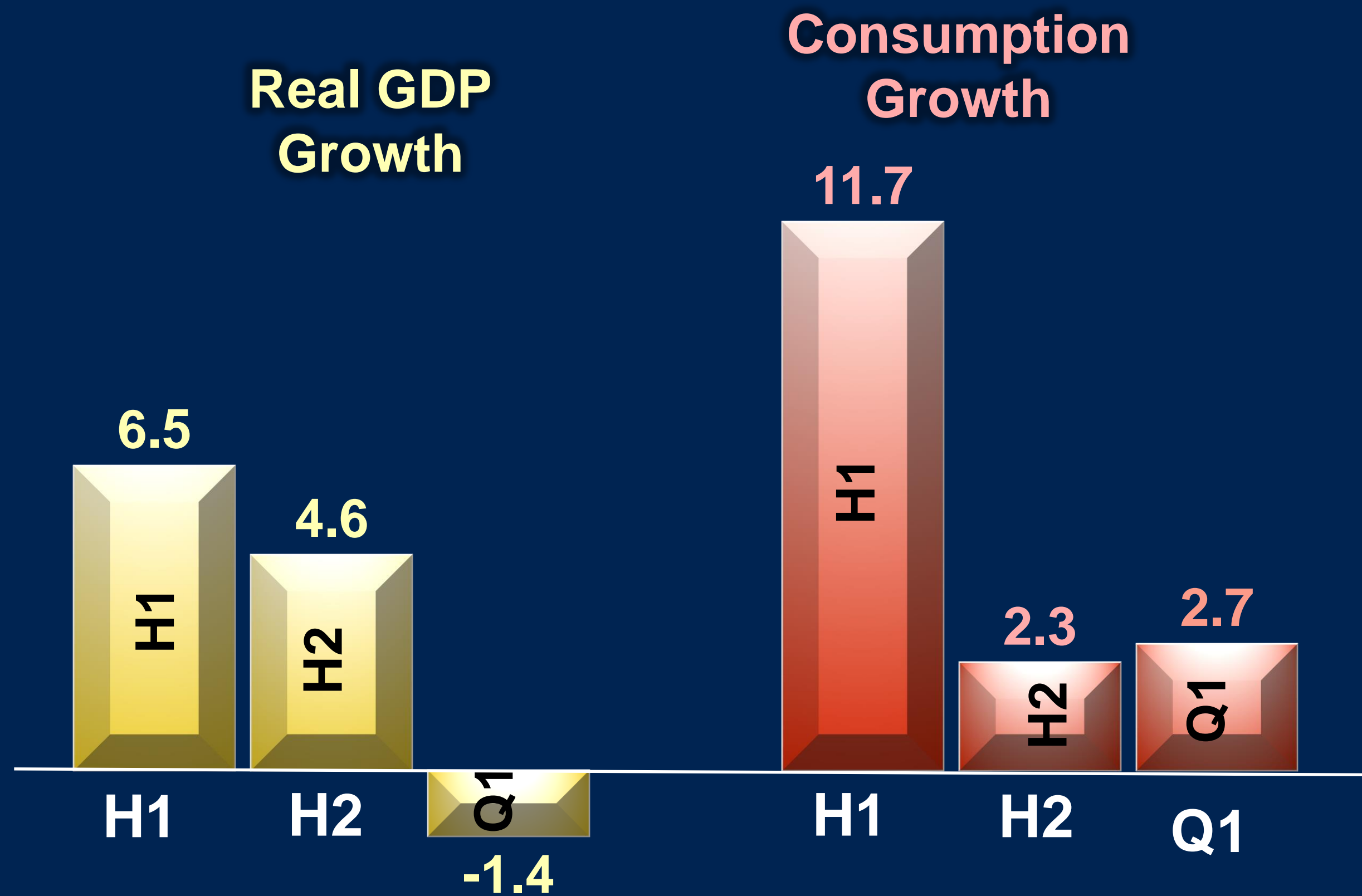


Average Debt Levels Percent Change
(excluding mortgages)



Now Growth is Slowing...

Slower Growth Was Expected but the Deceleration is Remarkable



Where are We Headed?

Stock Market Losing Steam...Lots of Headwinds Ahead



A Challenging Road Ahead

- Potential COVID-19 Flare-Ups
- Sky-High Inflation
- Supply Disruptions
- Labor Shortages
- Russia/Ukraine War
- Fed Tightening

It's Not That Inflation Is High; But Sticky

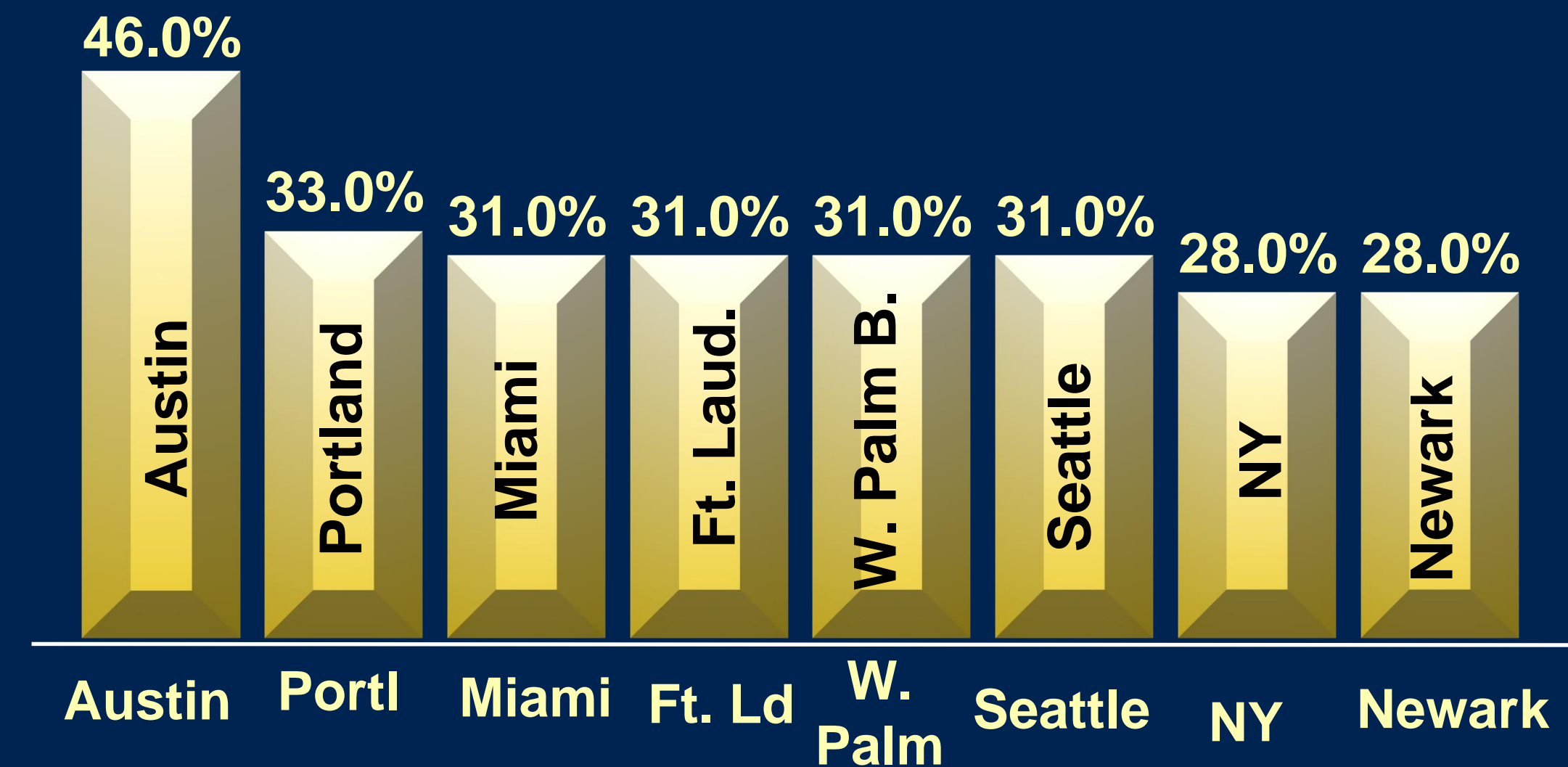
More Inflation on Tap: Some Inflationary Pressures Have Yet to Filter Through

Goods Inflation	14%
Service Inflation	5.4%

Soaring Rental Prices

National: +15.1% in April '22

Rent
(y-o-y percent change, April '22)



Wage Pressure Is Picking Up

	Average	Now
Leisure and Hosp	3.2%	15%
Accommodation	2.8%	18.8%

Anaheim	10.8%	LA	10.8%	RV	7.9%
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Supply Disruption Will Continue This Year

The System Was Never Meant to Handle so Much Demand

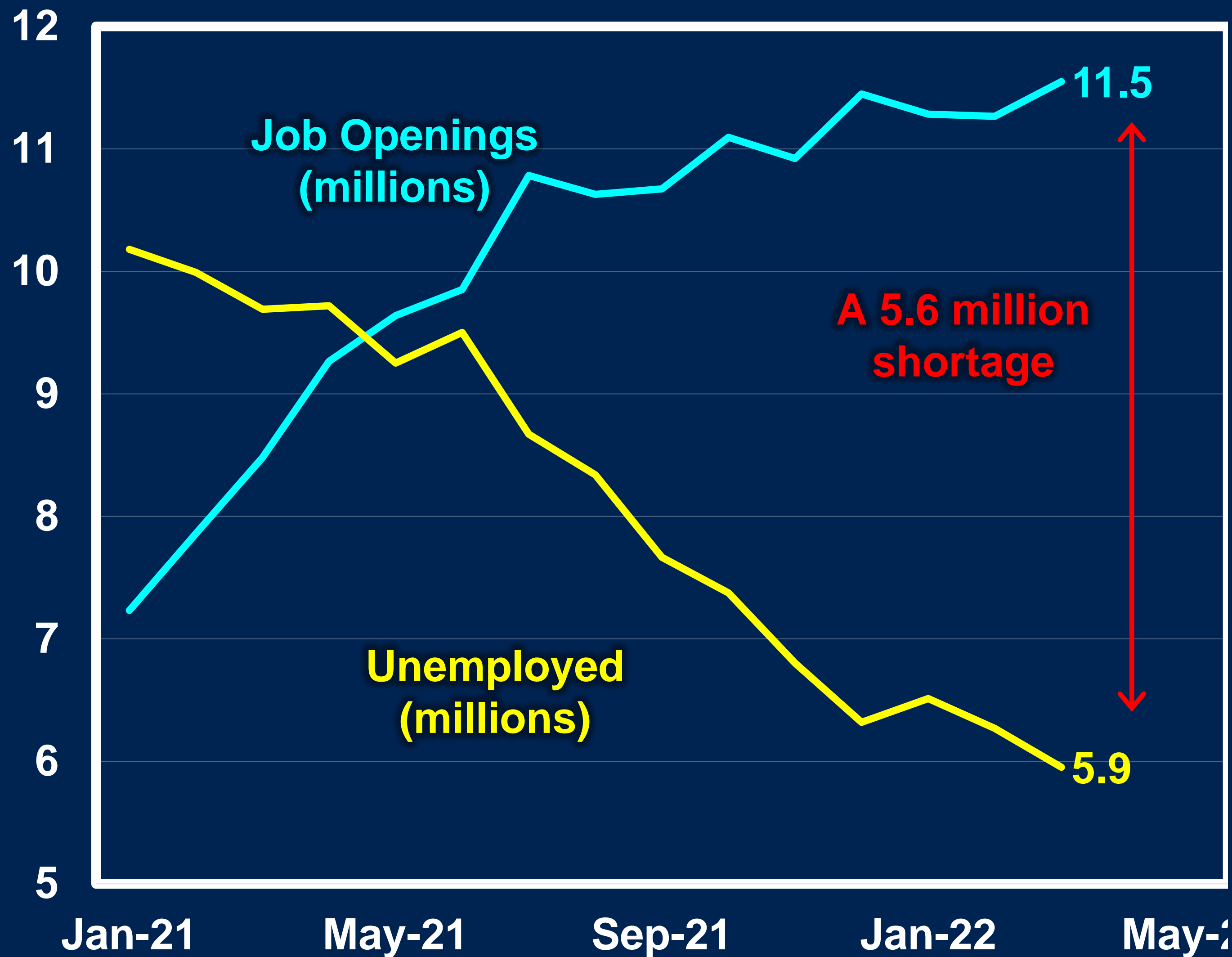
China's Zero-Covid Wreaking Havoc

- 500 Ships Waiting at Chinese Ports
- Ocean Timeliness from China:

	US	Europe
Pre-Covid	50 days	60 days
Now	114 days	108 days

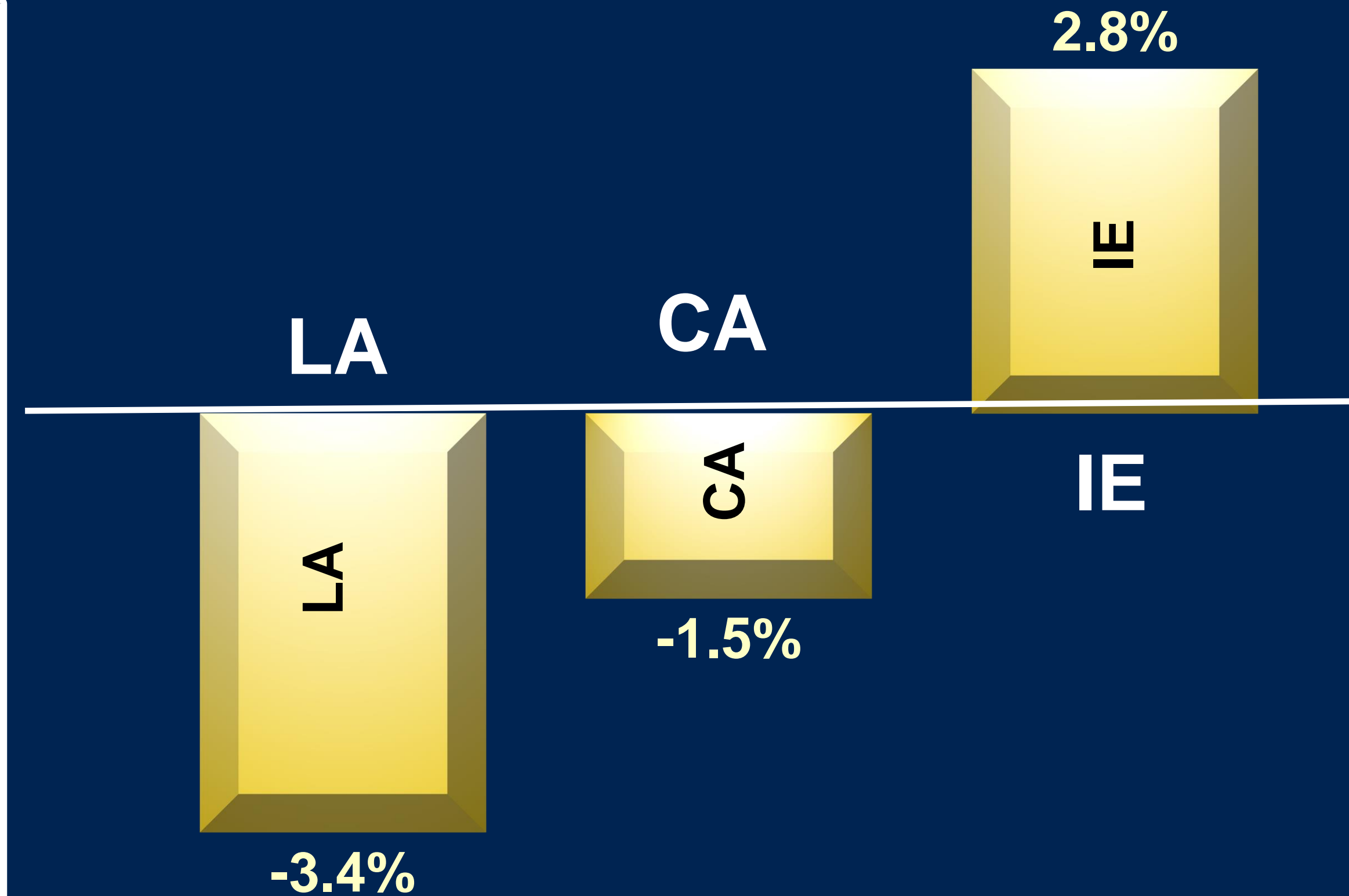
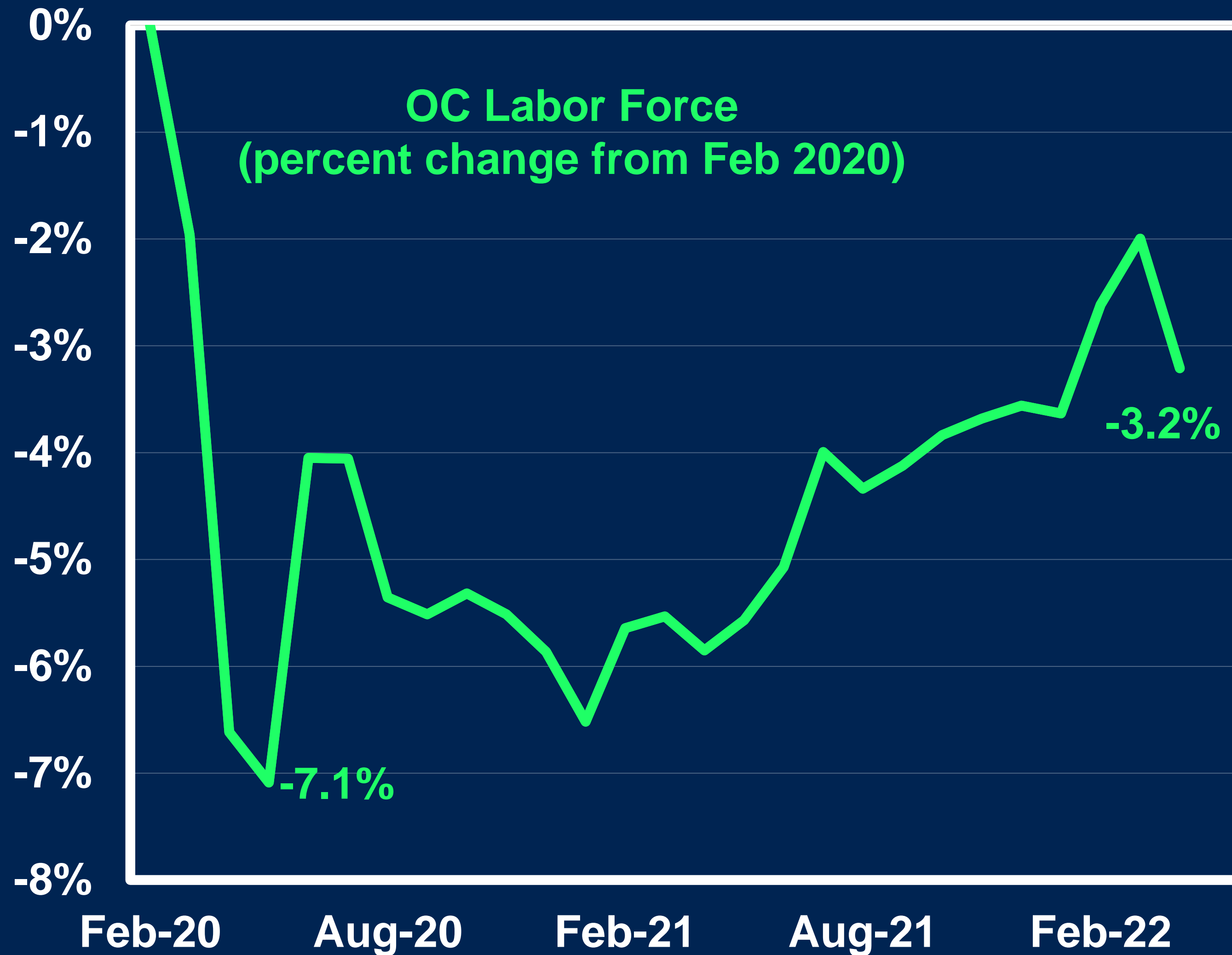
Plagued by Labor Shortages

Labor Shortages Have Gotten Worse as Unemployment Declines



Labor Shortages Persist in SoCal As Well

OC Labor Force Languishing and Full Recovery Not Imminent



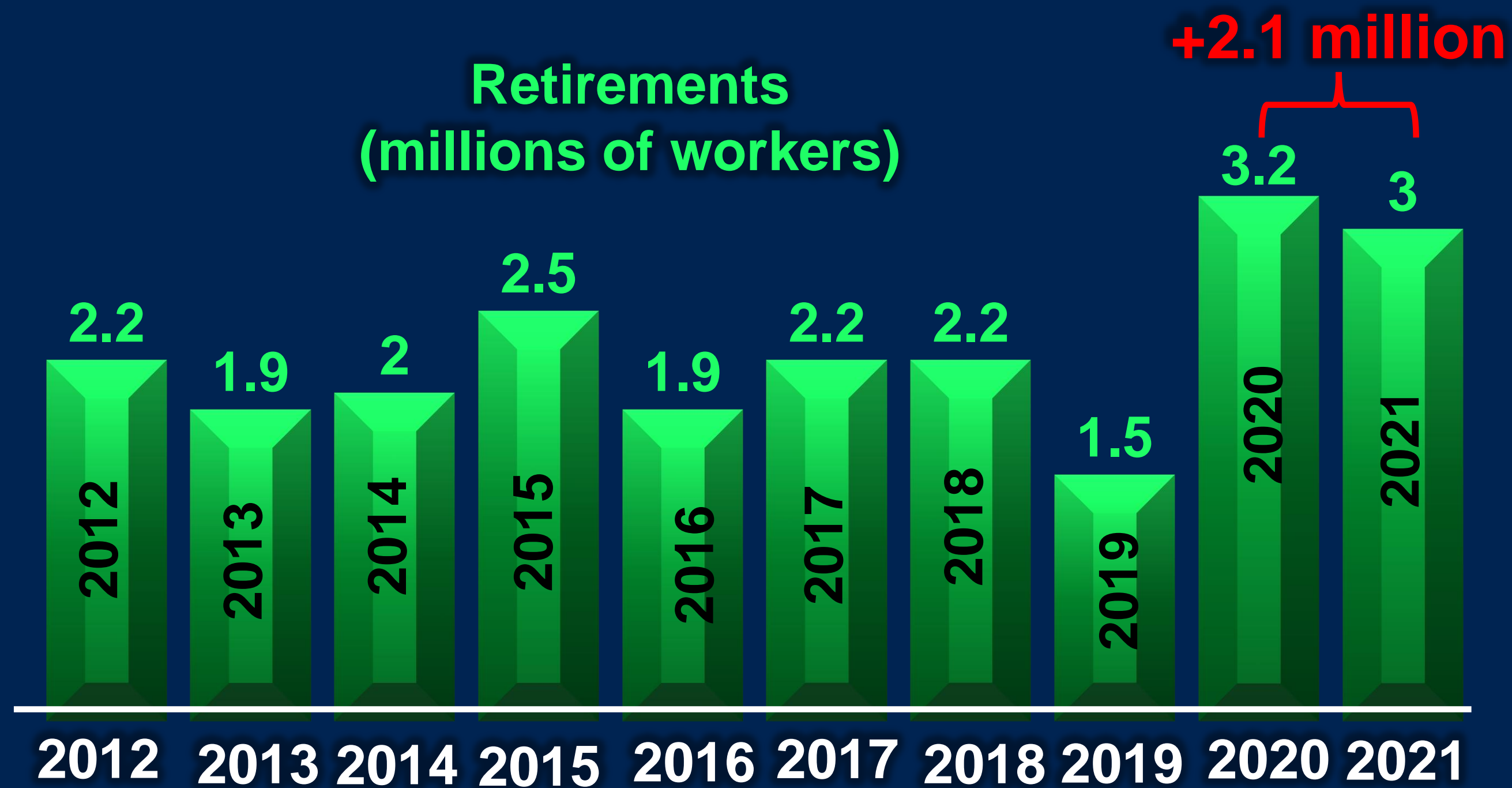
Some Gone for Good and Some Gone for a While

Nearly Two Million Retired Sooner than Expected

Labor Force Participation

Before Covid	63.4%
Now	62.4%

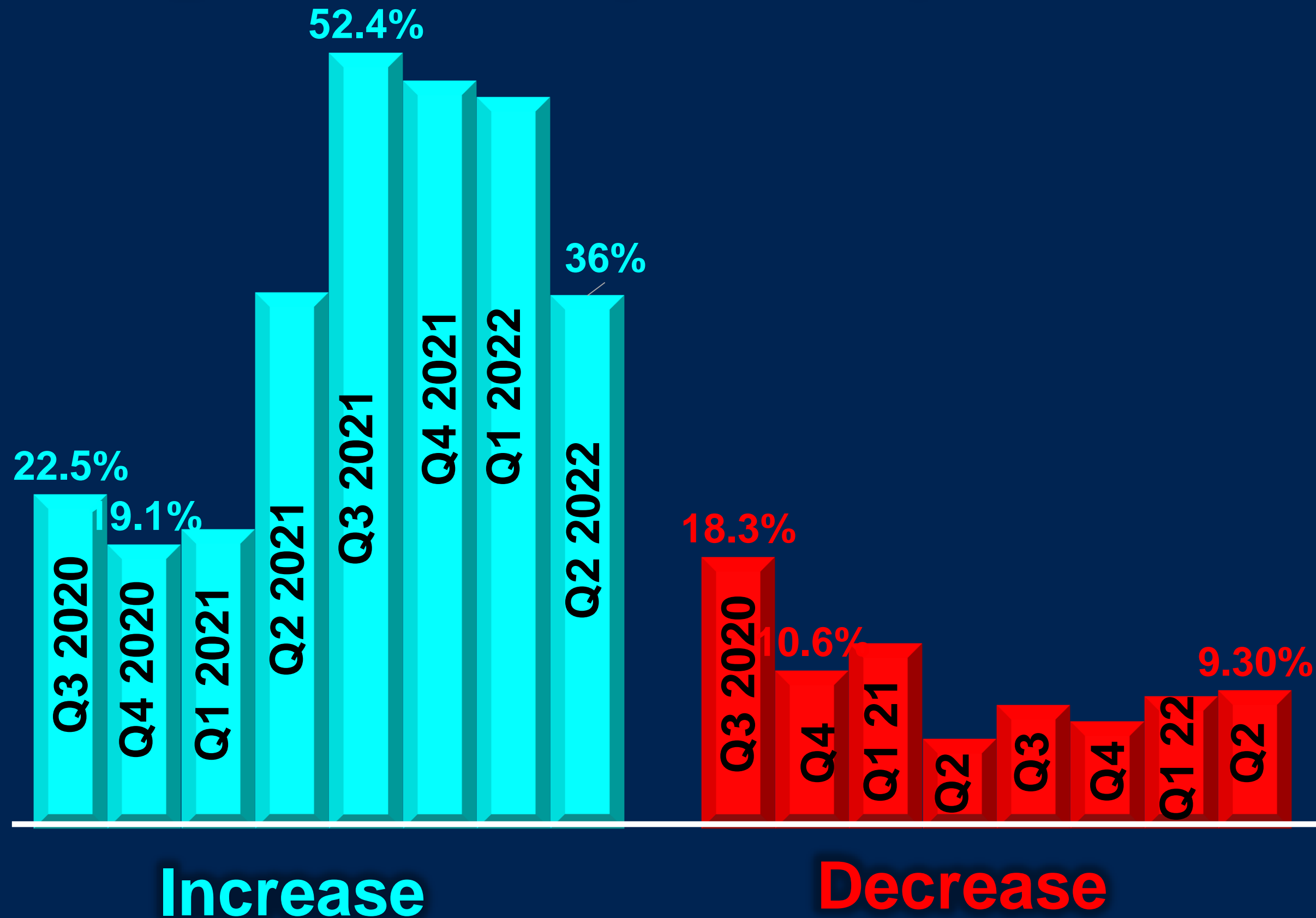
-2.6 million workers



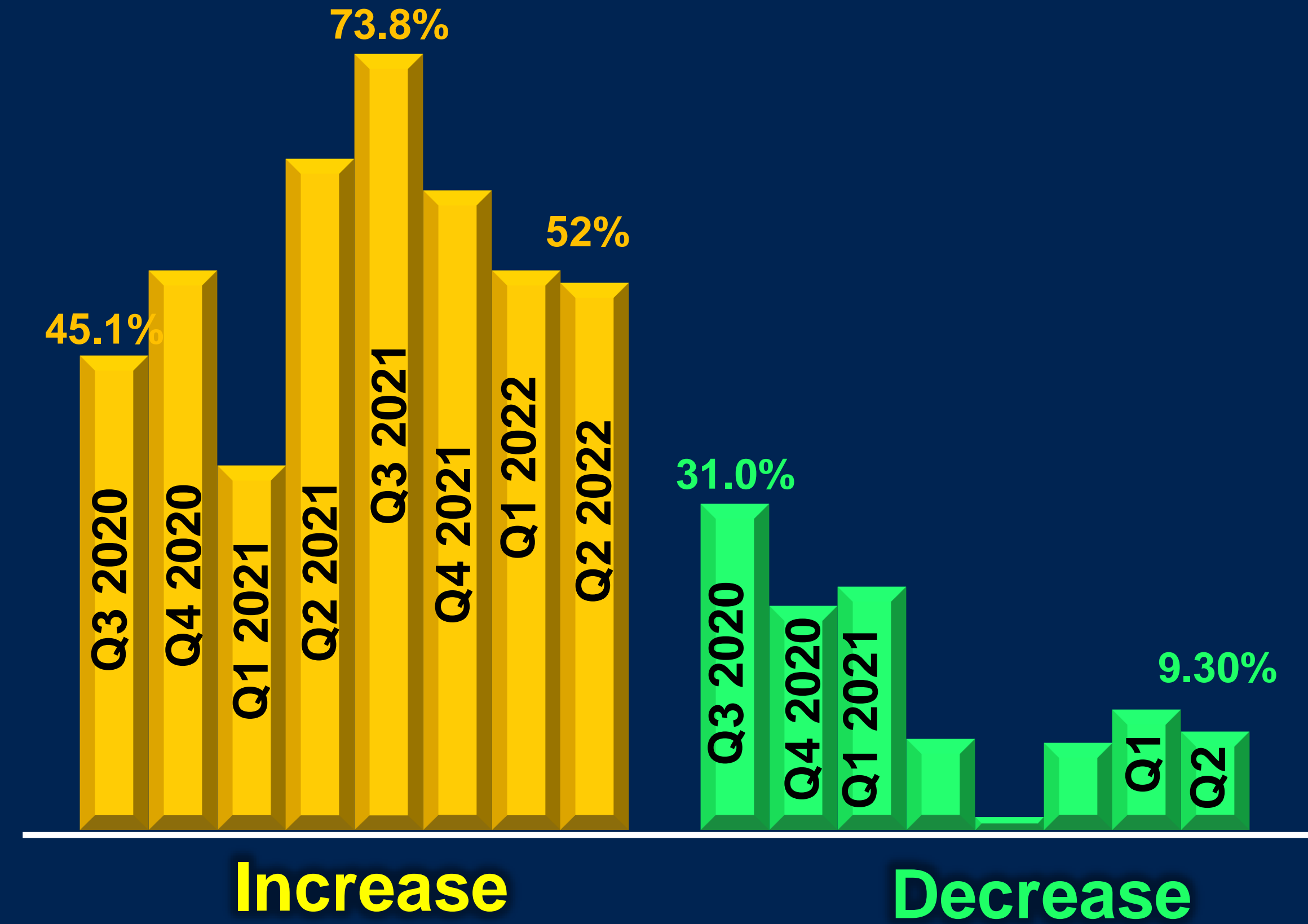
OC Hanging Tight

Outlook for Hiring and Sales is Less Optimistic than Before...But Still Holding

Outlook for Hiring (percent of respondents)



Outlook for Sales (percent of respondents)



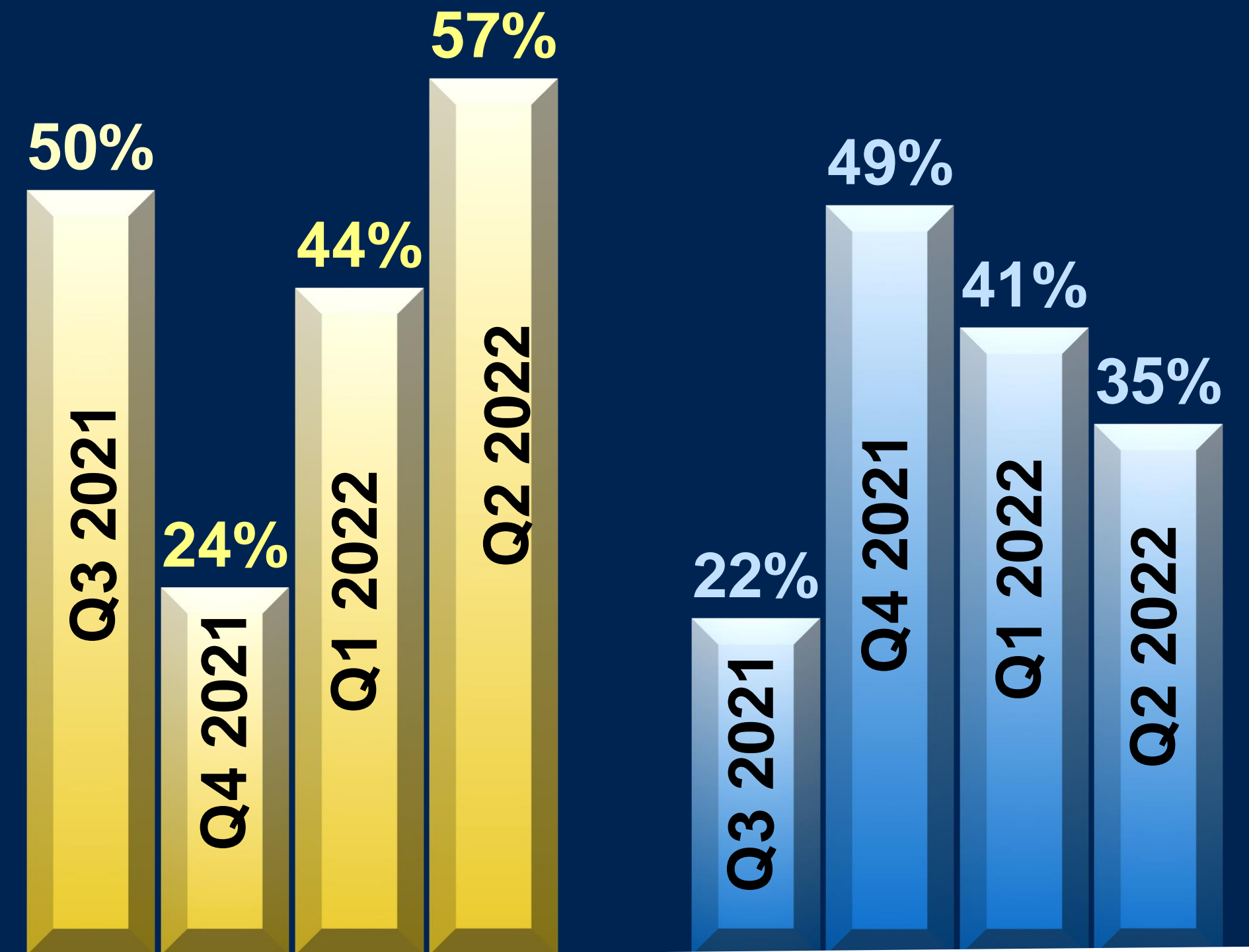
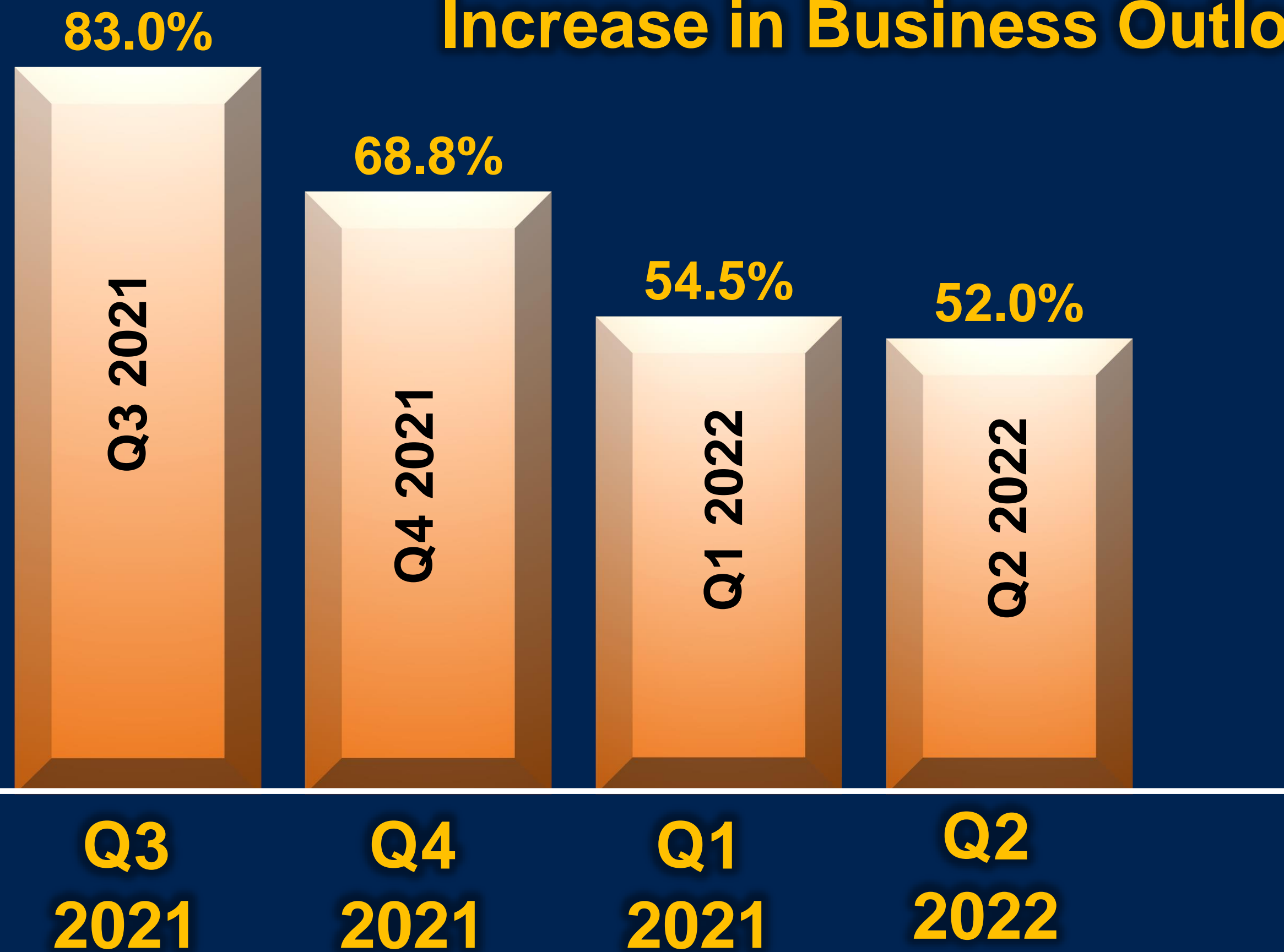
Optimism for Business Outlook Has Declined Somewhat

Inflation and Labor/Supply Shortages the Main Culprits

Business Sentiment More Depressed
(percent of respondents)

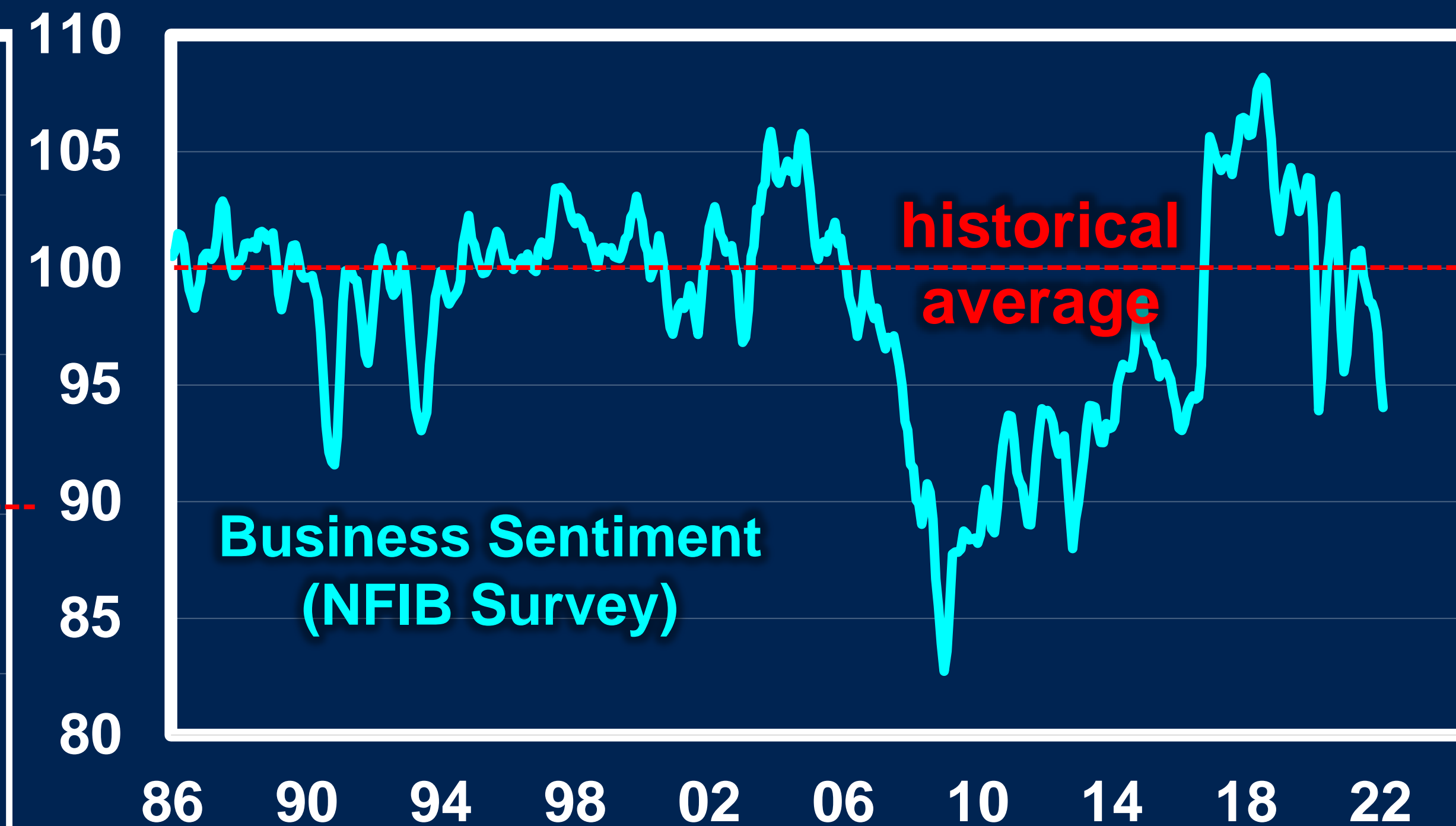
Biggest Concerns
(percent of respondents)

Increase in Business Outlook



Consumer Sentiment...Depressed

...Business Sentiment...A Bit Better...But Still Subdued



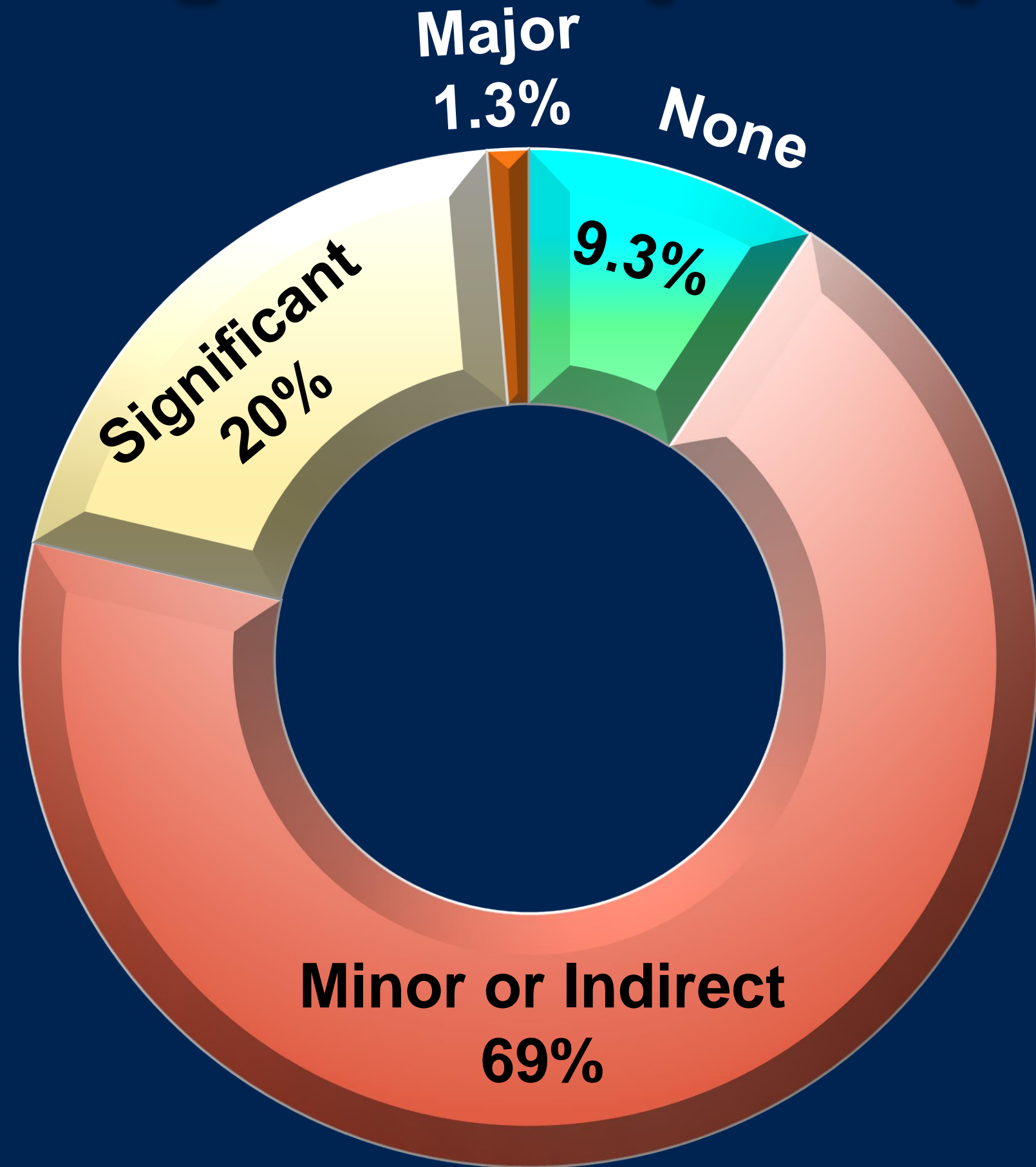
I'm disturbed, I'm depressed, I'm inadequate, I've got it all

George Costanza, Seinfeld

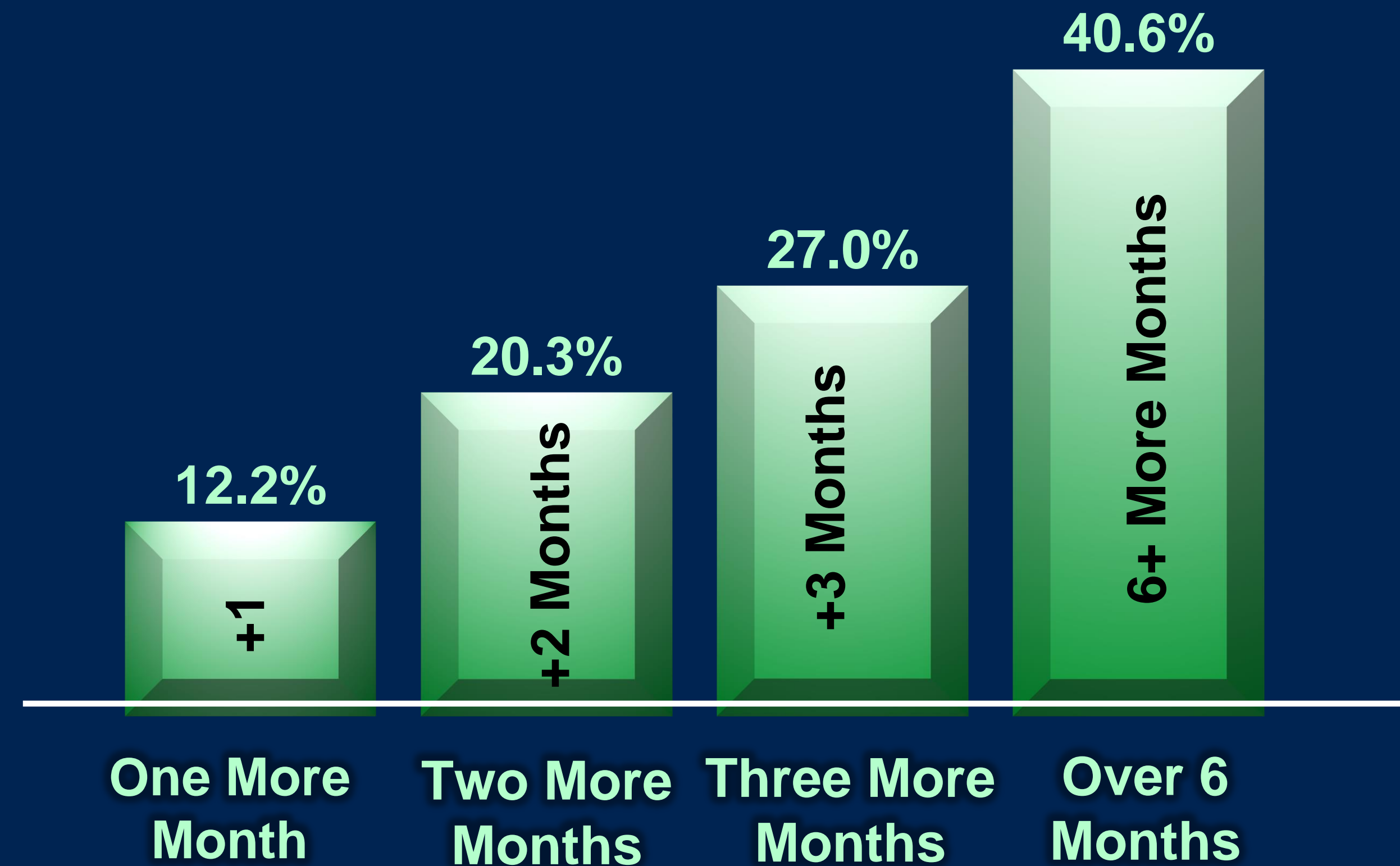
Russia-Ukraine War

Impact is Mostly Indirect Through Higher Gas and Commodity Prices

Negative Impact on Own Business
(percent of respondents)

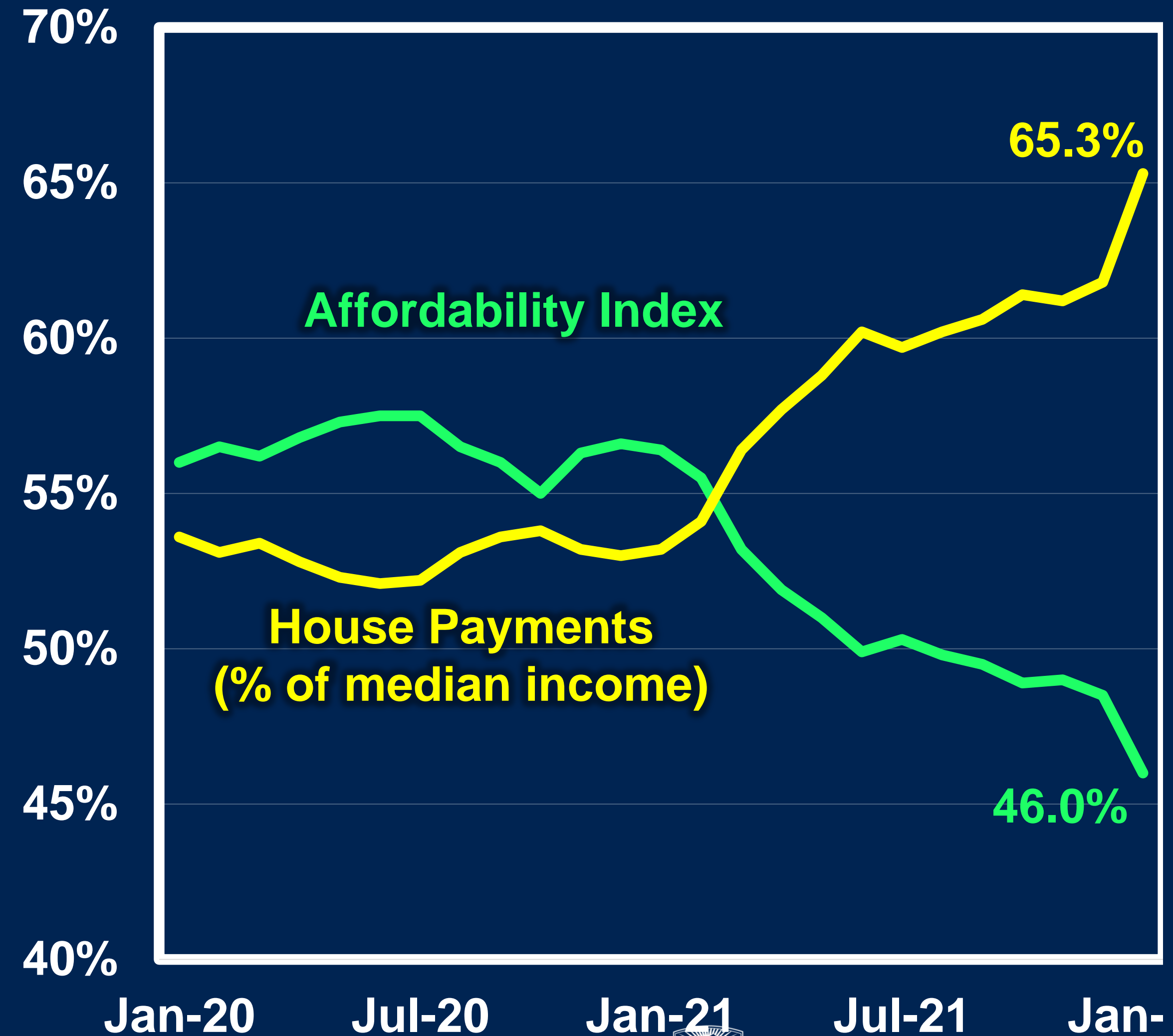
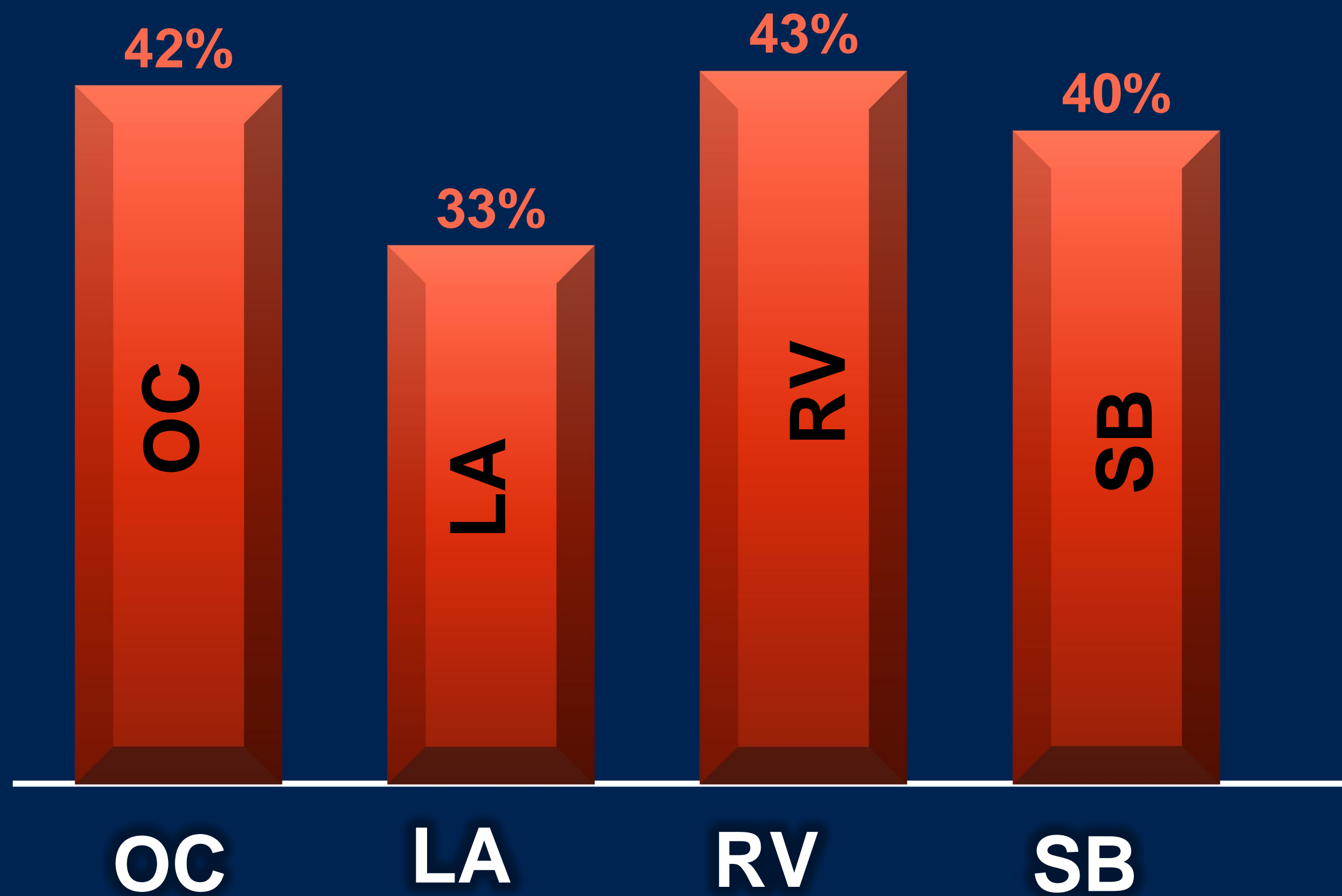


How Long Will the War Last?
(percent of respondents)



18 Months of Double-digit Housing Price Increase... Will Taper Down to Single Digit...3%-4% Appreciation

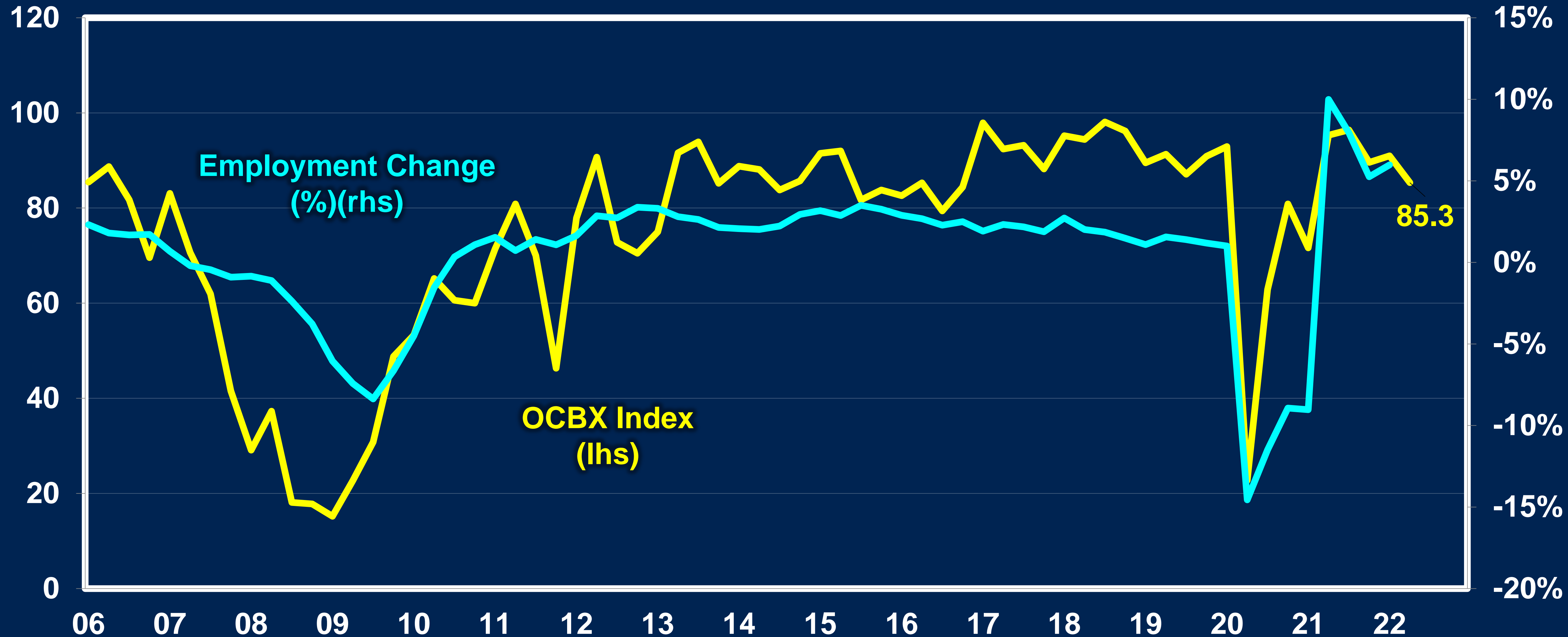
Home Prices
(percent change since Feb-2020)



A Less Exuberant OC Outlook Over Last Two Quarters

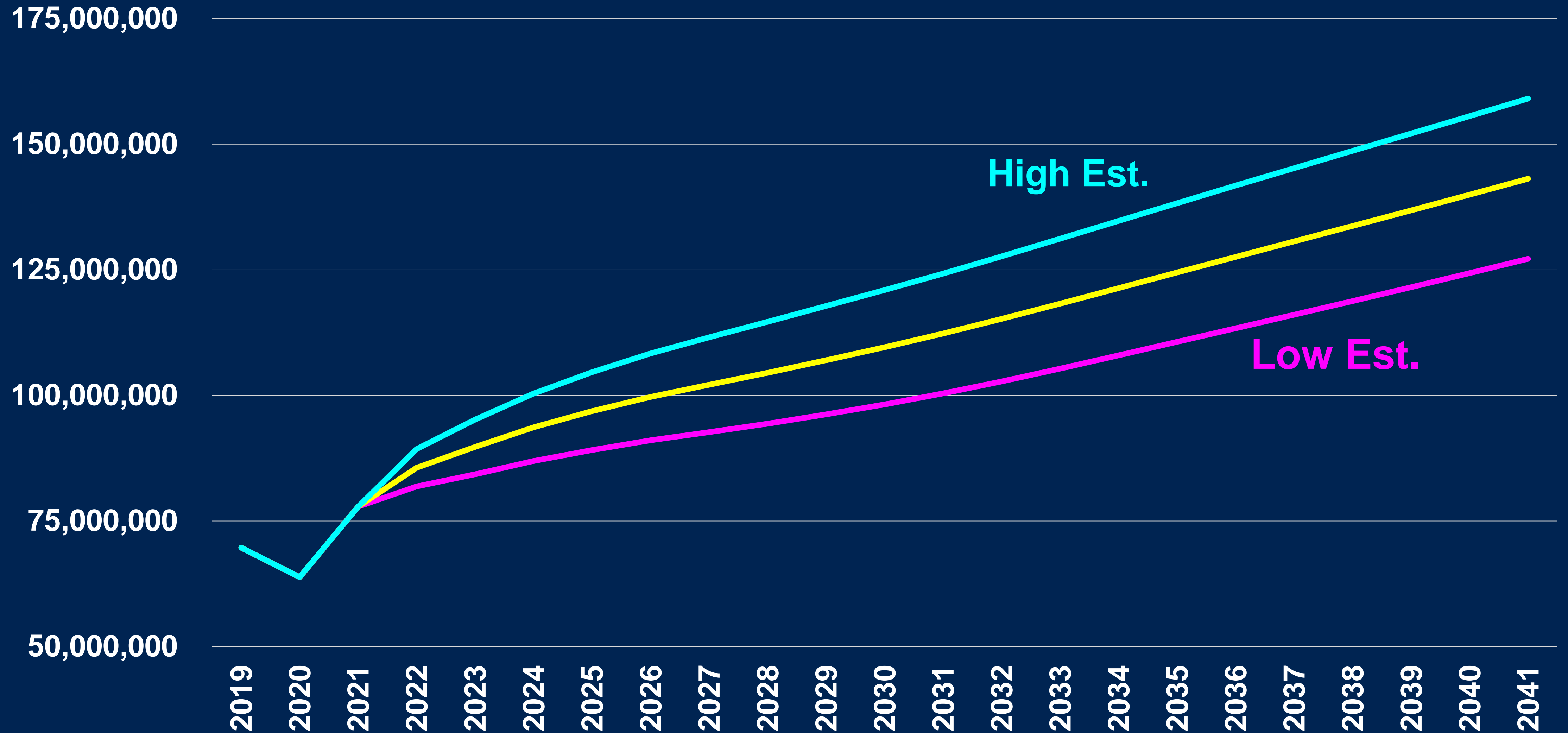
OC Businesses Optimism has Edged Down

(Woods Center OCBX Index, level)



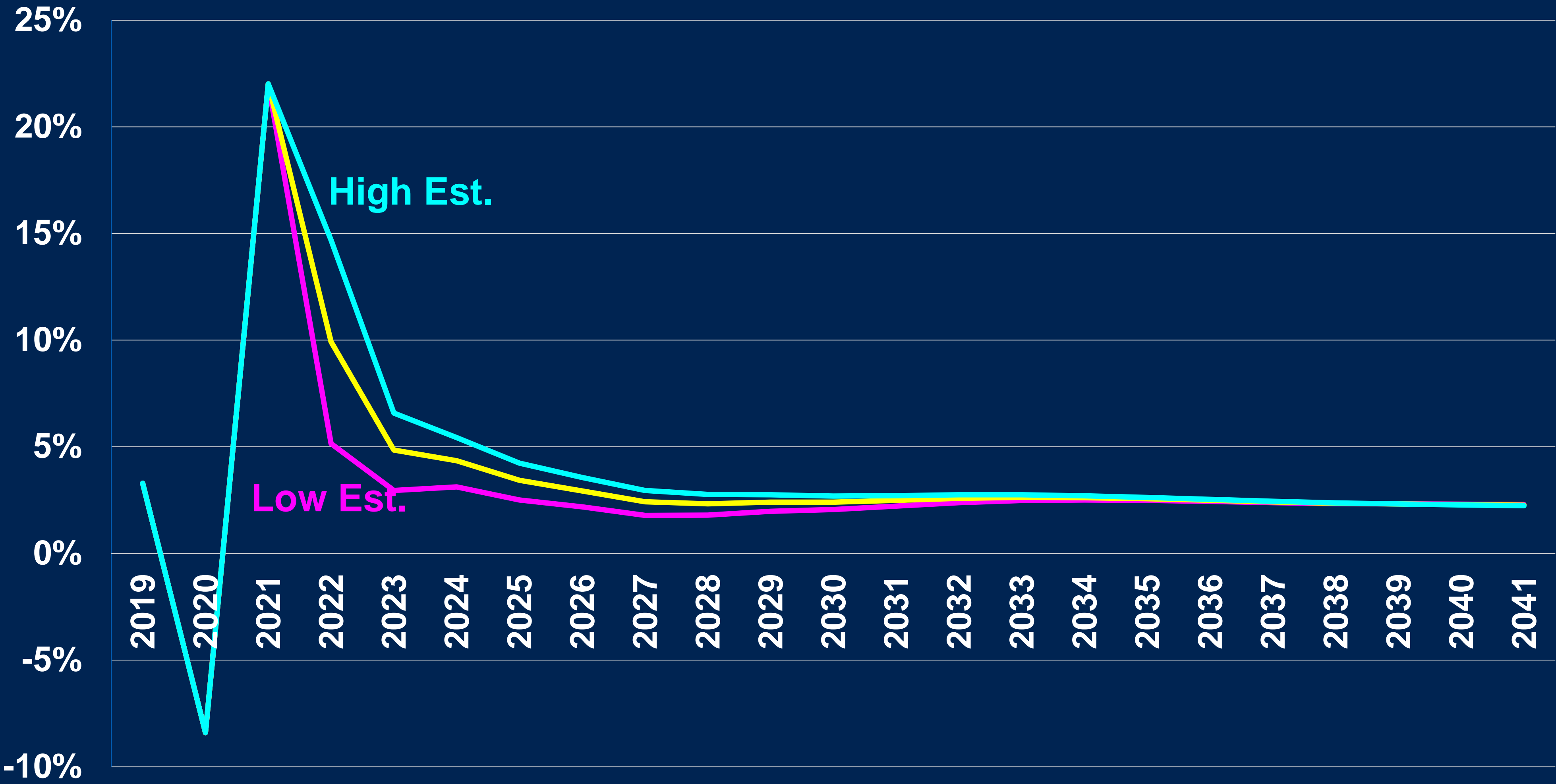
OC Taxable Sales

Fiscal Years (000 dollars)



OC Taxable Sales

Fiscal Years (percent change)



Thank you