

Taxable Sales Forecast 2023:

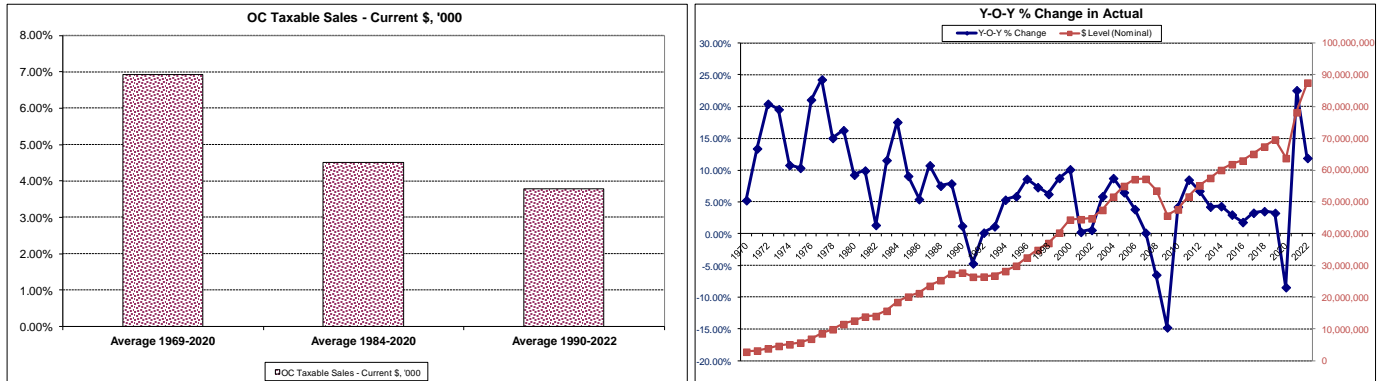
- California taxable sale data is obtained from the California Department of Tax and Fee Administration CDTFA (raw data pull from OpenBOE TaxSalesByCounty.xls):

<https://www.cdtfa.ca.gov/dataportal/>

Taxable Sales - By County (Taxable Table 2)

*note that CDTFA re-stated the 2021 taxable sales the by -368,909 (in 000's) relative to the figures published as of 4/2022.

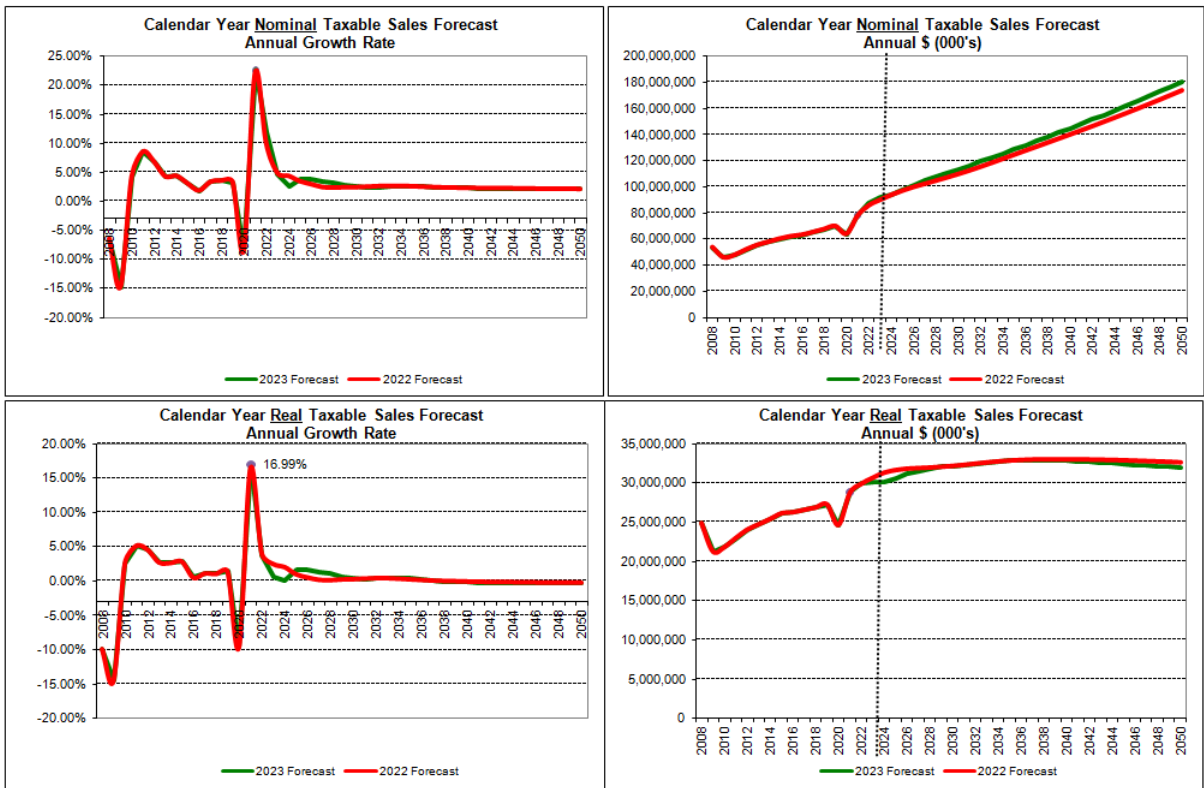
- OC Taxable sales increased by 11.9% during 2022 following the sharp increase of 22.6% in 2021. (see tab labeled "Taxable Sales History" in OCTA Final.xls).



- Forecast model prediction error (one year-ahead out of time assessment) for 2022 is shown below (see tab labeled "Taxable Sales-Baseline" in OCTA Final.xls).
 - Actual taxable sales for FY2022 came in \$1,587,564 (1.91%) higher/better than model expected

| Actual - Expected -CY2022 | | |
|---------------------------|-------------|-------------|
| | CY | FY |
| Raw Error | \$1,981,041 | \$1,587,564 |
| %Error | 2.31% | 1.91% |

- National real taxable sales is a leading indicator of Orange County taxable sales and one of the key variables in our model (real final sales to domestic purchasers, bea). The table below summarizes the change average national real taxable sales over the forecast window (2023-2050) from last year to this year. While the average change in National retail sales is minor over the period (roughly a 1% decrease in average annual growth), the forecast this year does incorporate current economic dynamics (lower Consumer confidence and weaker demand) which are likely to reduce the level of retail sales over the next few years.
- On average, the expectation for absolute \$ level of taxable sales is **roughly unchanged over the forecast window**; some near-term decrease is offset by a slightly higher growth rate in the long term portion of the forecast



Inflation Forecast 2023:

- Actual inflation during 2022 came in over 2 percentage points **higher** than model expected (actual of 7.99% vs. expected of 5.77% during 2022) (see tab labeled “Inflation” in OCTA Final.xls).
- Over the latest forecast horizon, we are projecting a slight increase in inflation relative to last year’s forecast (latest forecast reflects average inflation of 2.38% vs. 2.24% last year for the forecast period of 2023 to 2050). Some of the increase is magnified in the coming year and then again later in the longer term portion forecast period.

