

# The Chapman University Economic Forecast



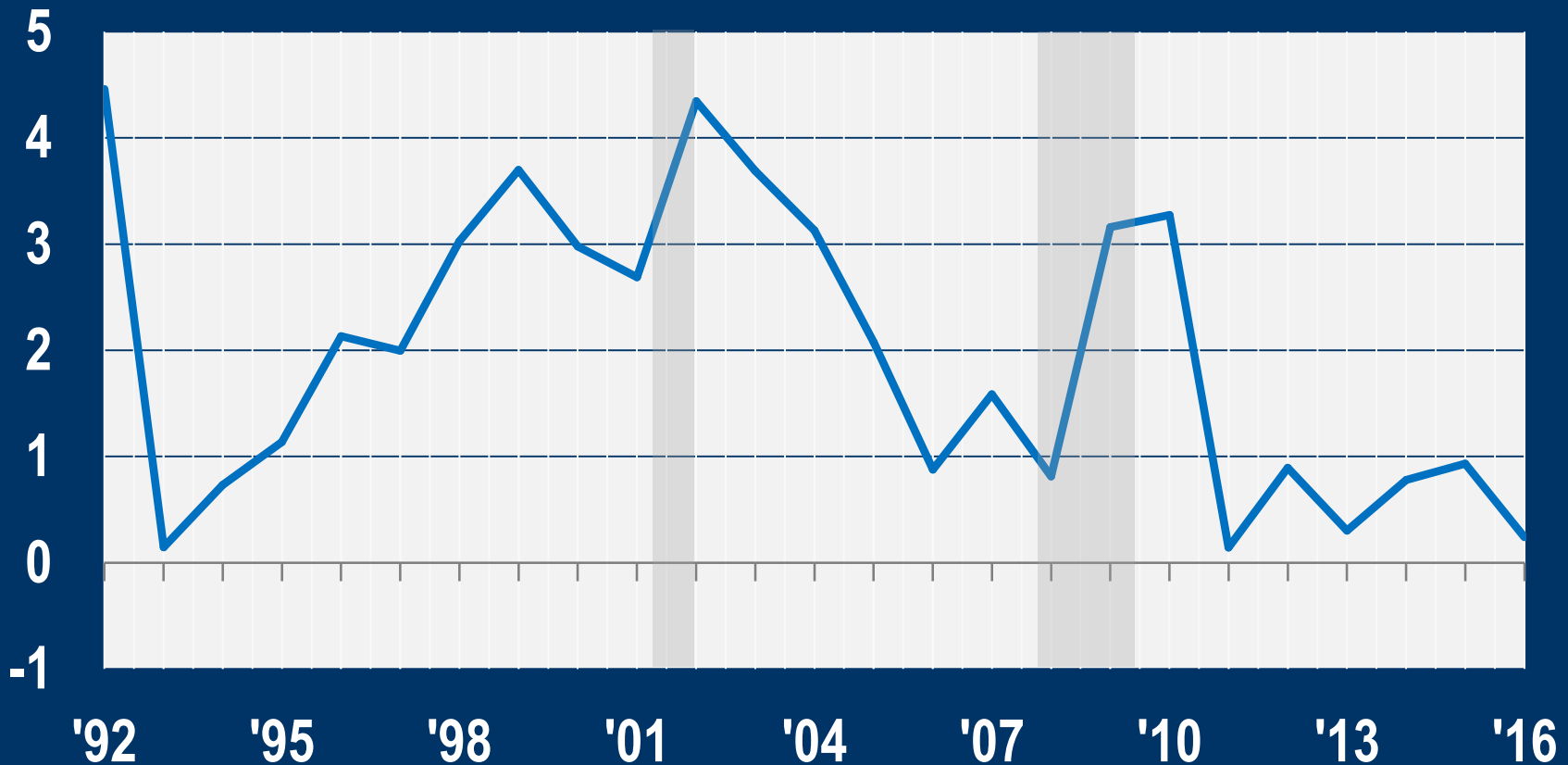
**A. GARY ANDERSON CENTER FOR ECONOMIC RESEARCH  
ARGYROS SCHOOL OF BUSINESS AND ECONOMICS**

# Real GDP Growth

	Weight	Annual % Change		Impact on Real GDP
		2016	2017f	
Real Consumption	0.69	2.7%	2.9%	↑
Real Investment	0.17	-1.6%	2.5%	↑
Real Government Purchases	0.17	0.8%	-0.6%	↓
Real Net Exports	-0.03	-4.3%	-6.6%	↓
Real GDP	1.00	1.6%	2.3%	

# Nonfarm Business Sector Labor Productivity

Yr/Yr % Change



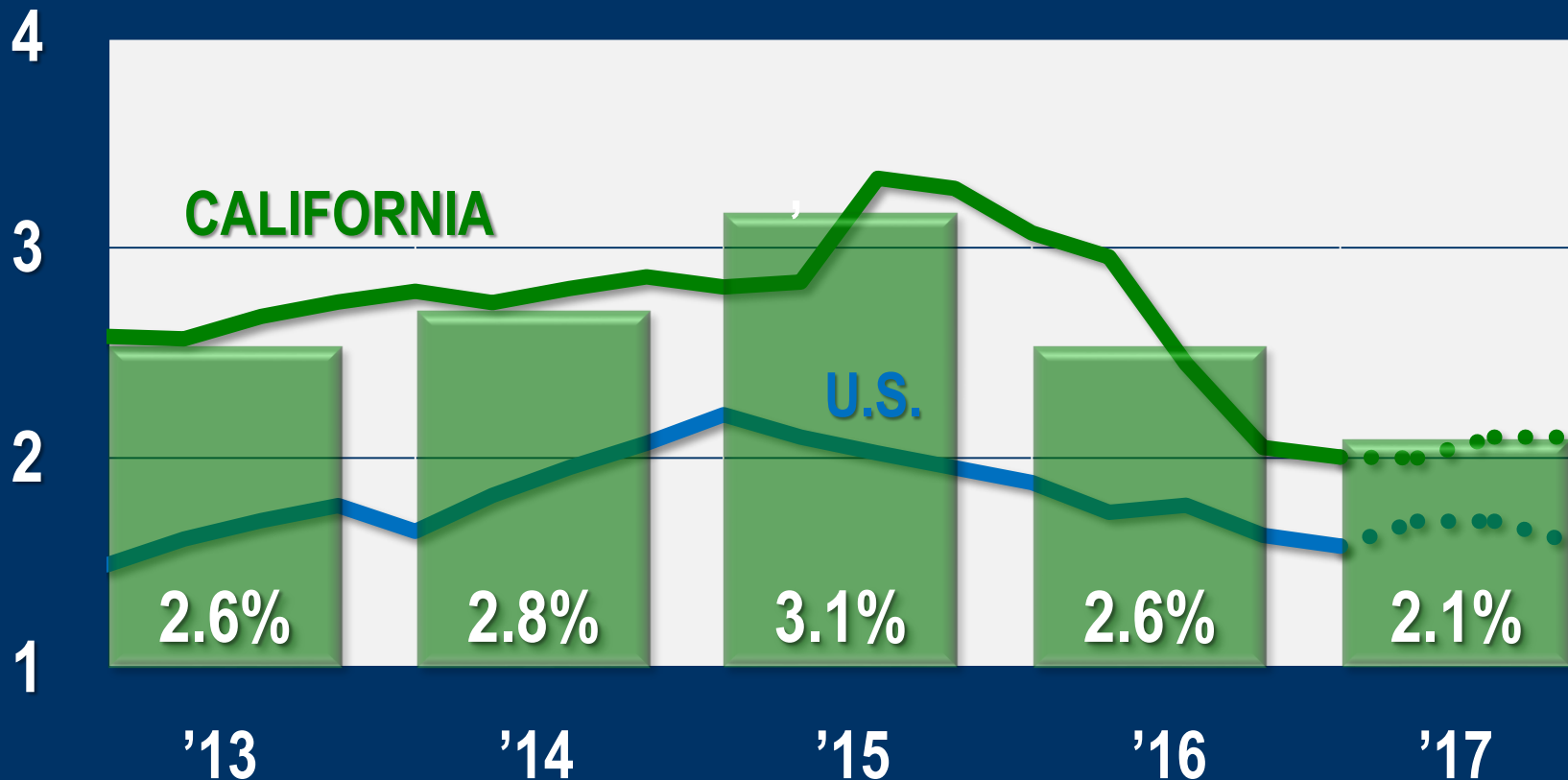
Source: Bureau of Labor and Statistics

# Factors Influencing Job Growth in California

	Annual % Change		Impact on CA Job Growth
	2016	2017f	
Real GDP	1.6%	2.3%	↑
Real Exports	0.4%	3.1%	↑
Real Imports	1.1%	3.9%	↑
Construction Spending (CA)	7.5%	0.8%	↓
Silicon Valley Employment	3.7% 2016Q1	2.6% 2017 Q1	↓

# Payroll Employment

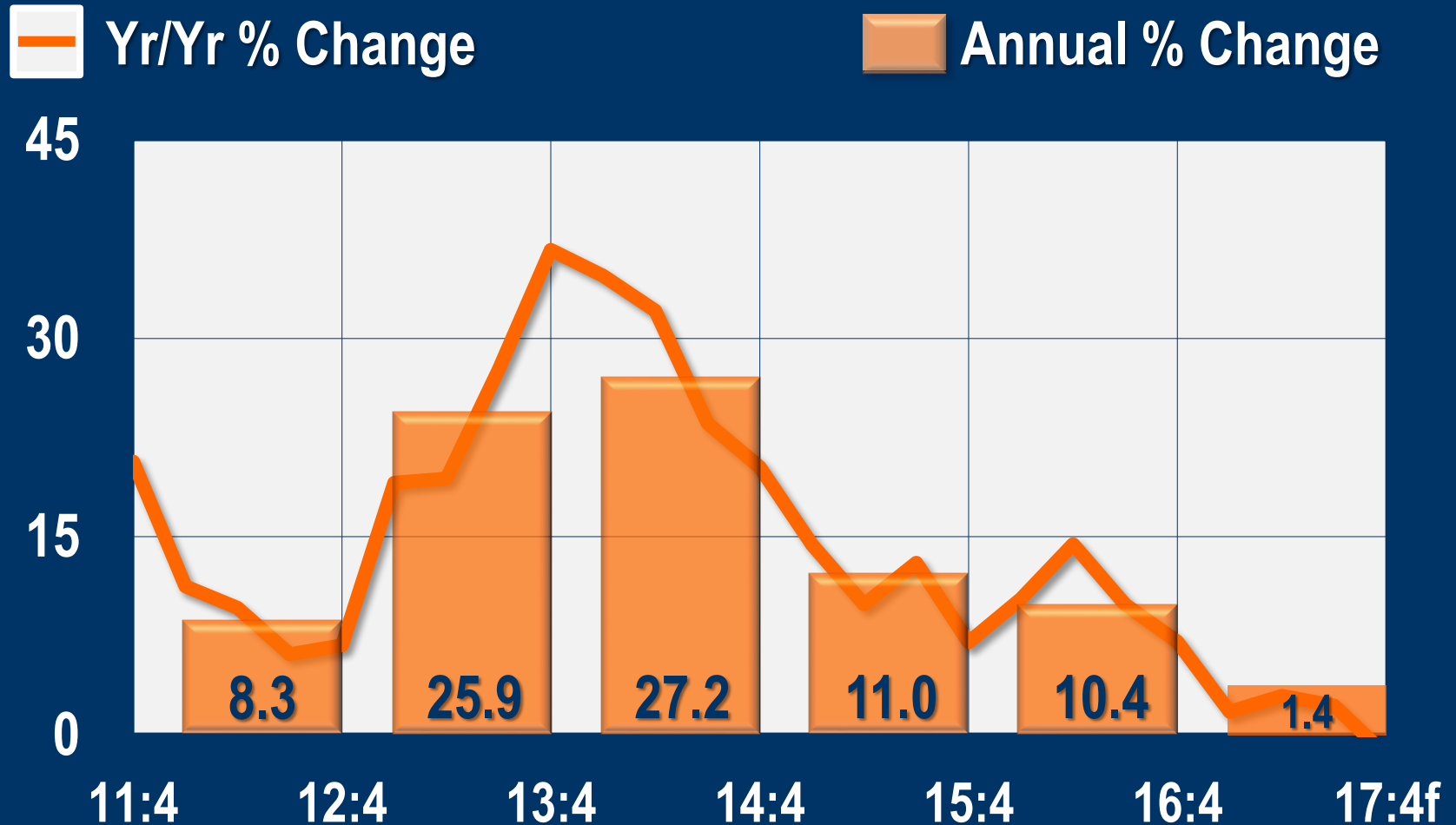
## Annual % Change



# Factors Influencing Job Growth in Orange County

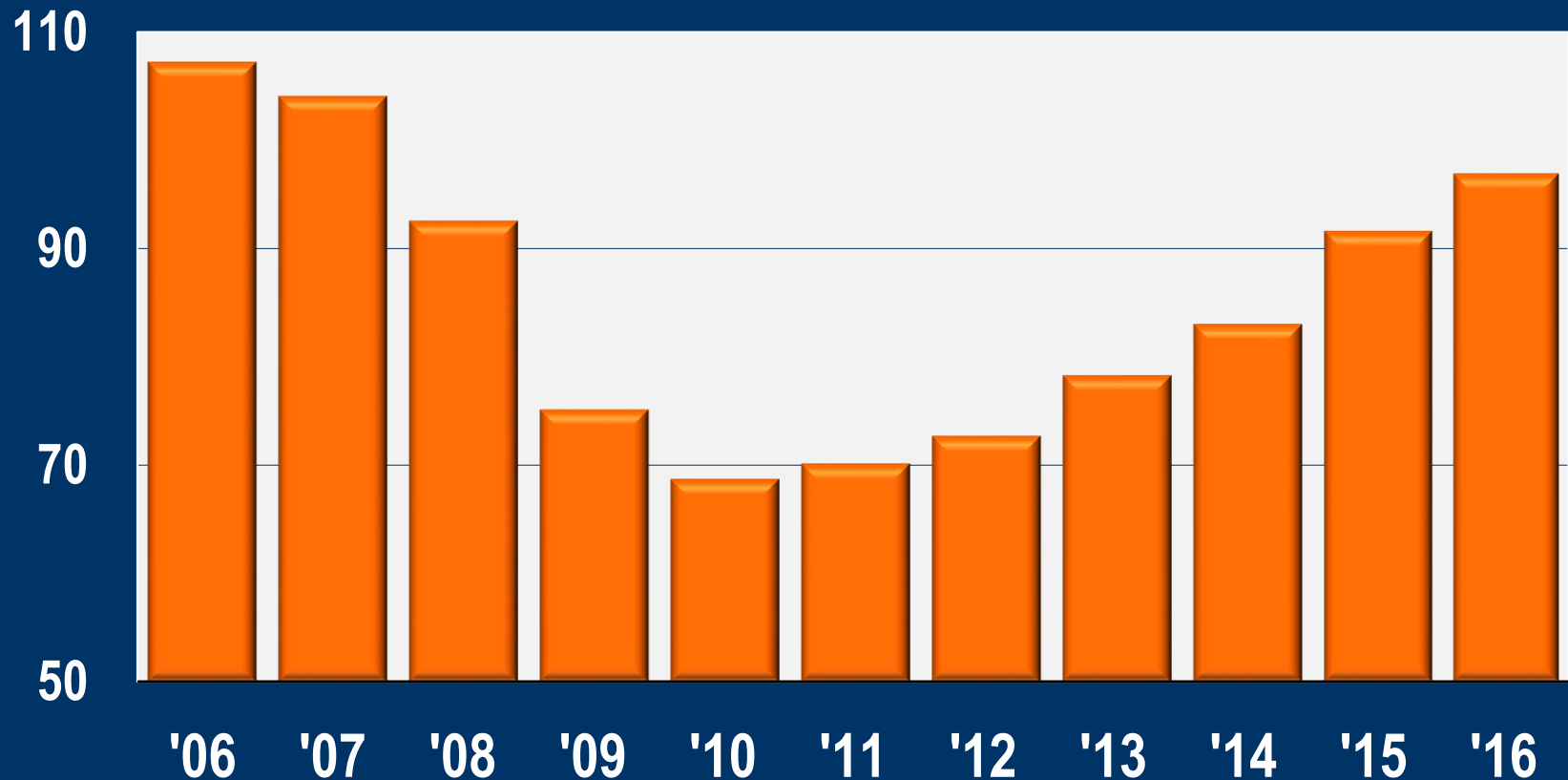
- **Real GDP**
- **Construction Spending**
- **Manufacturing**
- **Unemployment Rate**

# Construction Spending Orange County



# Construction Employment Orange County

In Thousands





# Purchasing Managers Index

## Orange County

Index

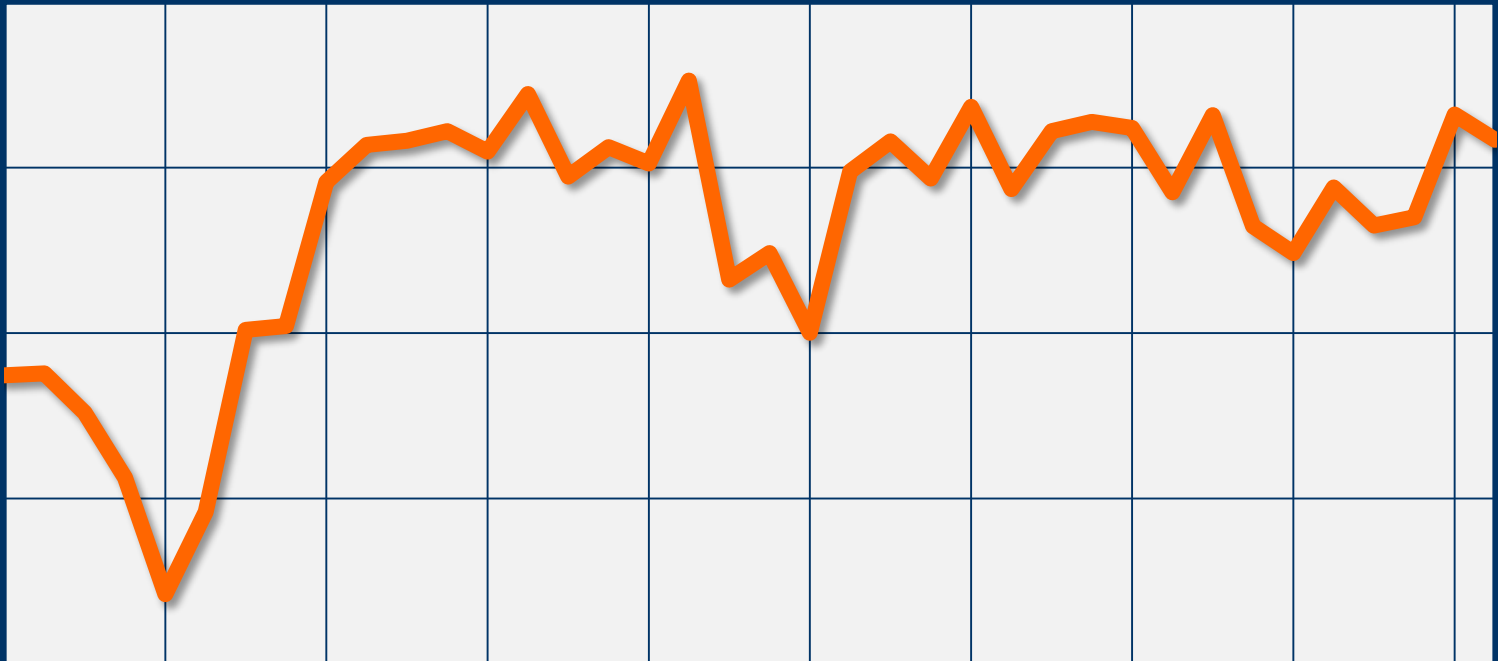
70

60

50

40

30



'08

'09

'10

'11

'12

'13

'14

'15

'16

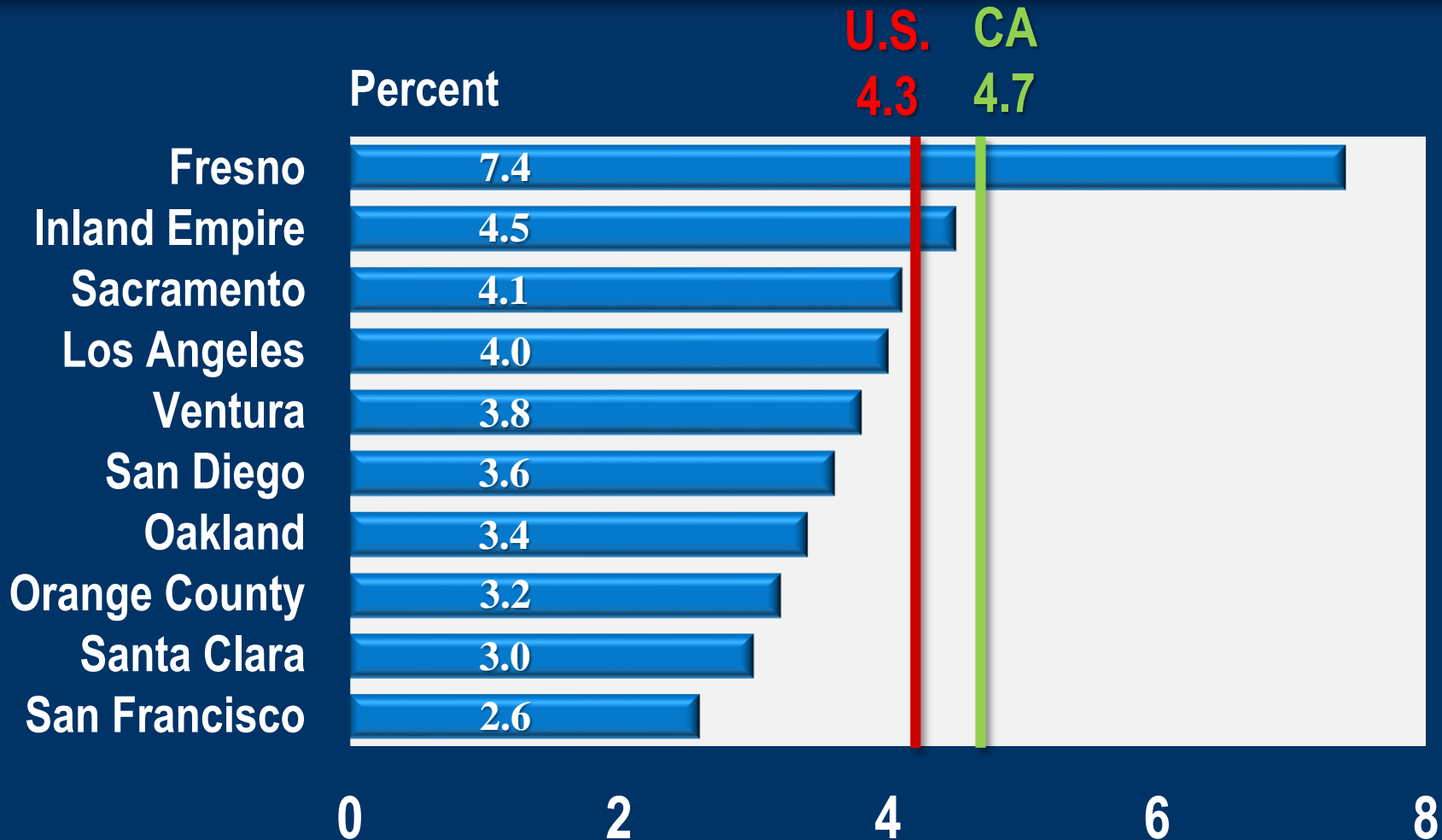
'17

# Manufacturing Jobs

	Total % Change 2007 to 2016		
	U.S.	California	Orange County
<b>Manufacturing Jobs</b>	<b>-11.0%</b>	<b>-11.1%</b>	<b>-13.3%</b>

# Unemployment Rates

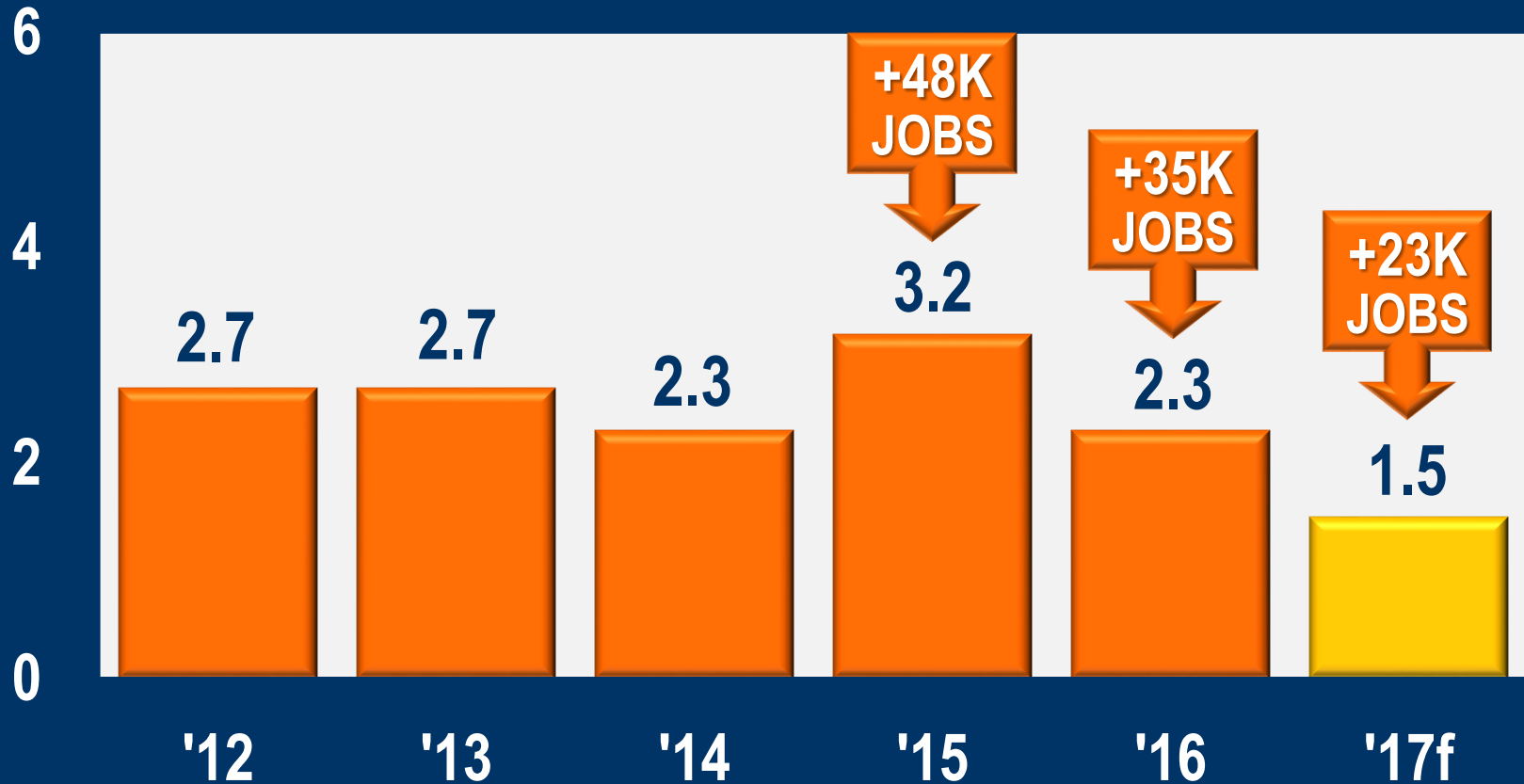
## May 2017



Source: EDD

# Job Growth Orange County

Annual % Change

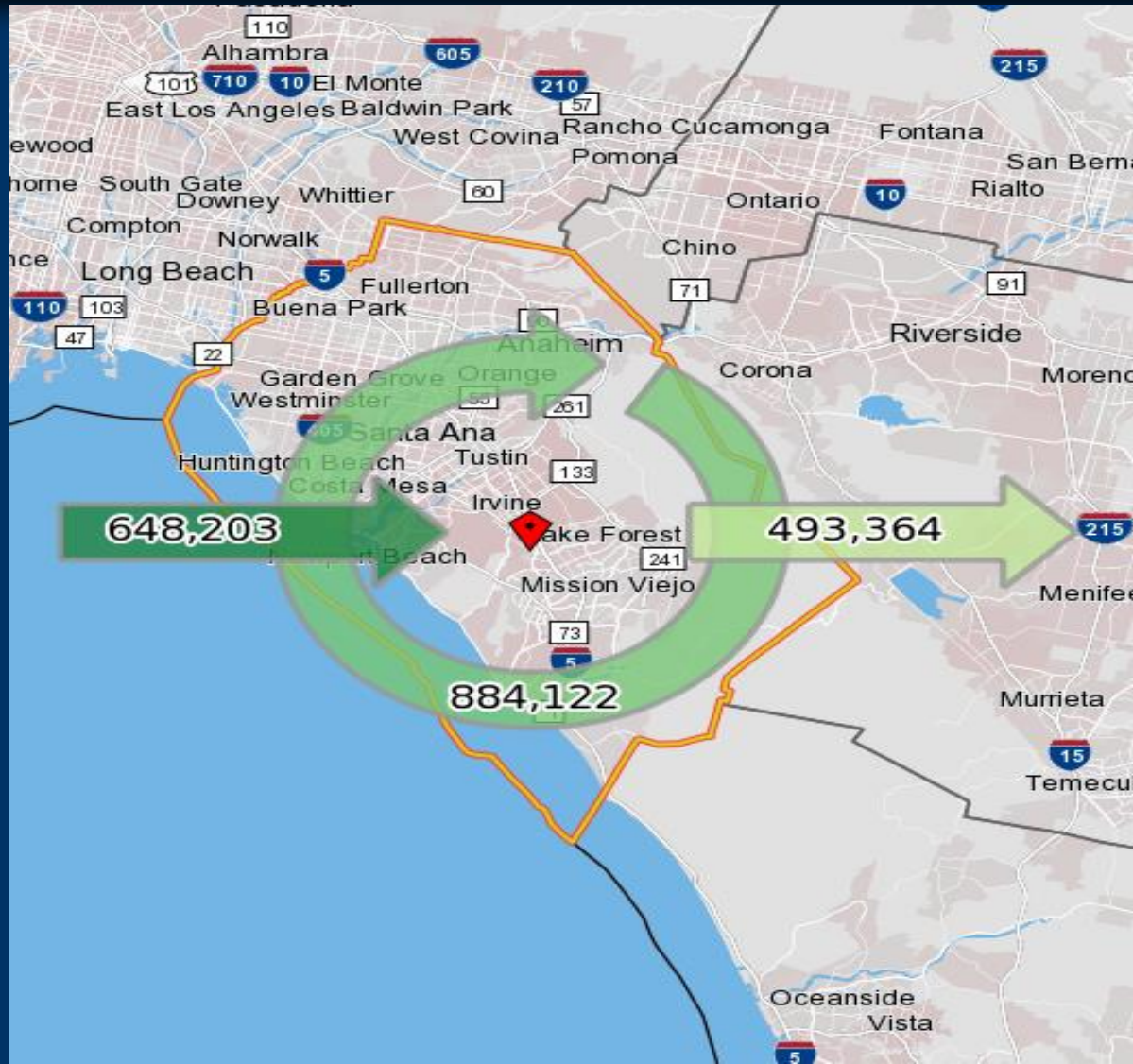


# Employment by Industry

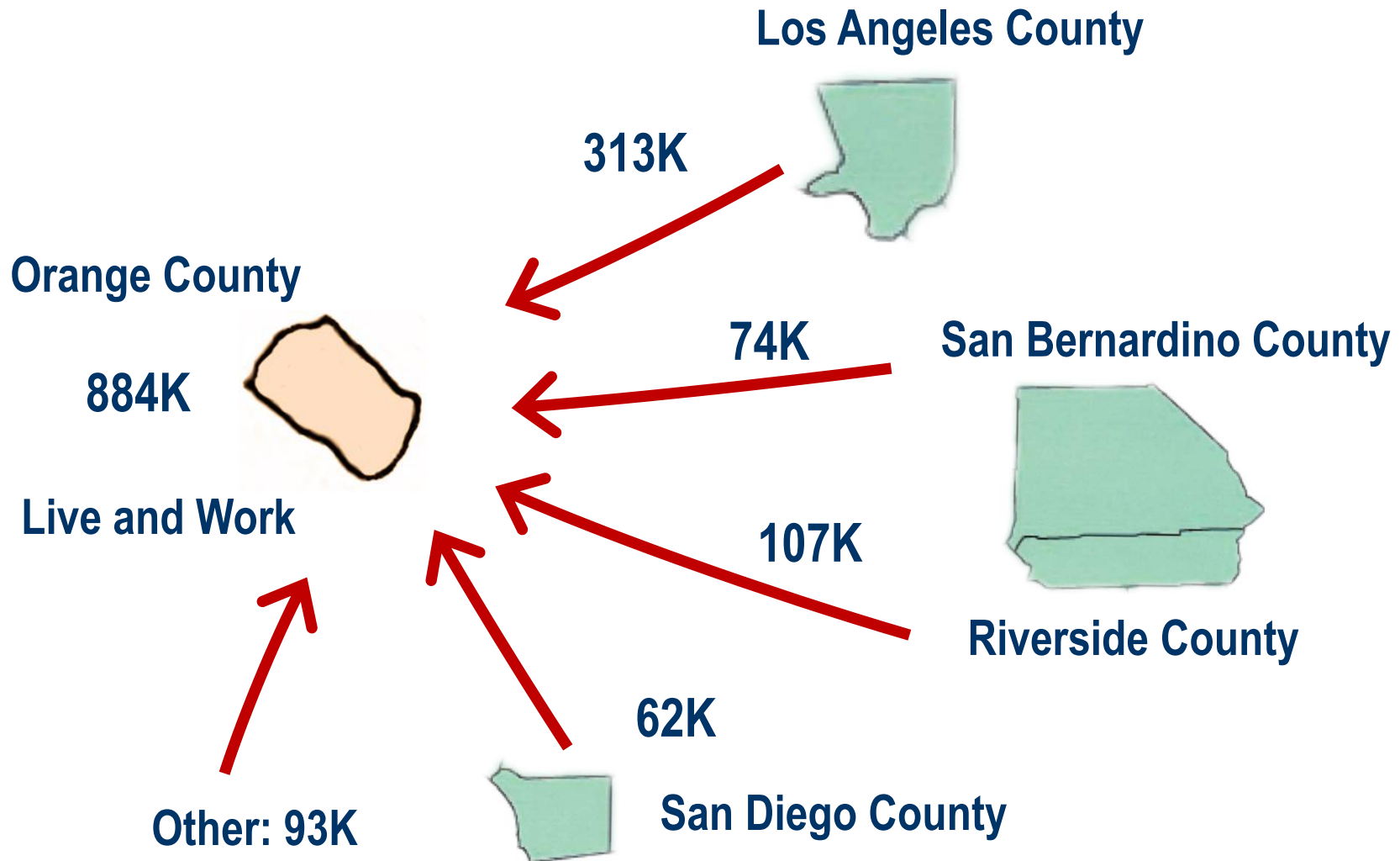
## Orange County

<b>Sector</b>	<b>2016 Employment</b>	<b>Employment % Share</b>	<b>2010 – 2016 % Change</b>	<b>2016Q3 Annual Wages (\$)</b>
Leisure & Hospitality	211,808	13.4	25.6	26,780
Education & Health Services	203,692	12.9	20.4	50,804
Trade, Transportation & Utilities	260,583	16.5	6.0	53,092
Construction	96,933	6.1	40.7	68,484
Professional & Business Services	296,175	18.7	20.9	70,928
Manufacturing	156,392	9.9	3.9	72,696
Financial Activities	117,375	7.4	13.3	92,456
Information	26,000	1.6	5.0	99,944

# Orange County Inflow/Outflow Job Counts - 2014



# Orange County Jobs Where workers live - 2014



# Payroll Jobs – Orange County

Where do workers live?		
Work in O.C.	2002	2014
% Live in LA County	21.6	20.4
% Live in Inland Empire	9.9	11.8
% Live Elsewhere	7.0	10.1
	38.5	42.3



# The Housing Market

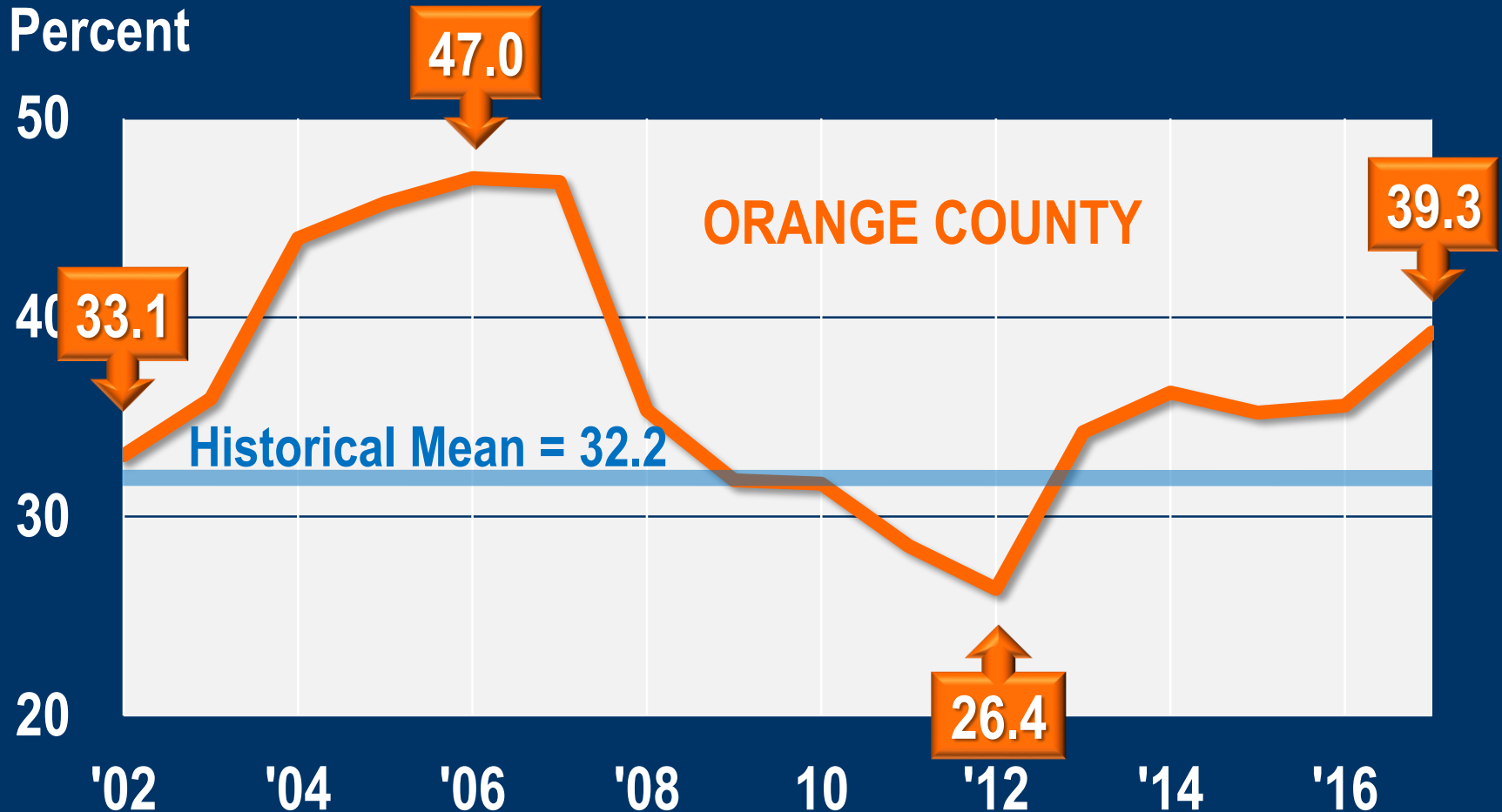


**A. GARY ANDERSON CENTER FOR ECONOMIC RESEARCH  
ARGYROS SCHOOL OF BUSINESS AND ECONOMICS**

# Factors Affecting Home Prices

	Very Unfavorable	Unfavorable	Neutral	Favorable	Very Favorable
<b>DEMAND:</b>					
Jobs/ Unemployment					
Housing Affordability					
<b>SUPPLY:</b>					
Permits					
Unsold inventory					

# Percent of Median Family Income Needed for Mortgage Payment on Median-Priced Home



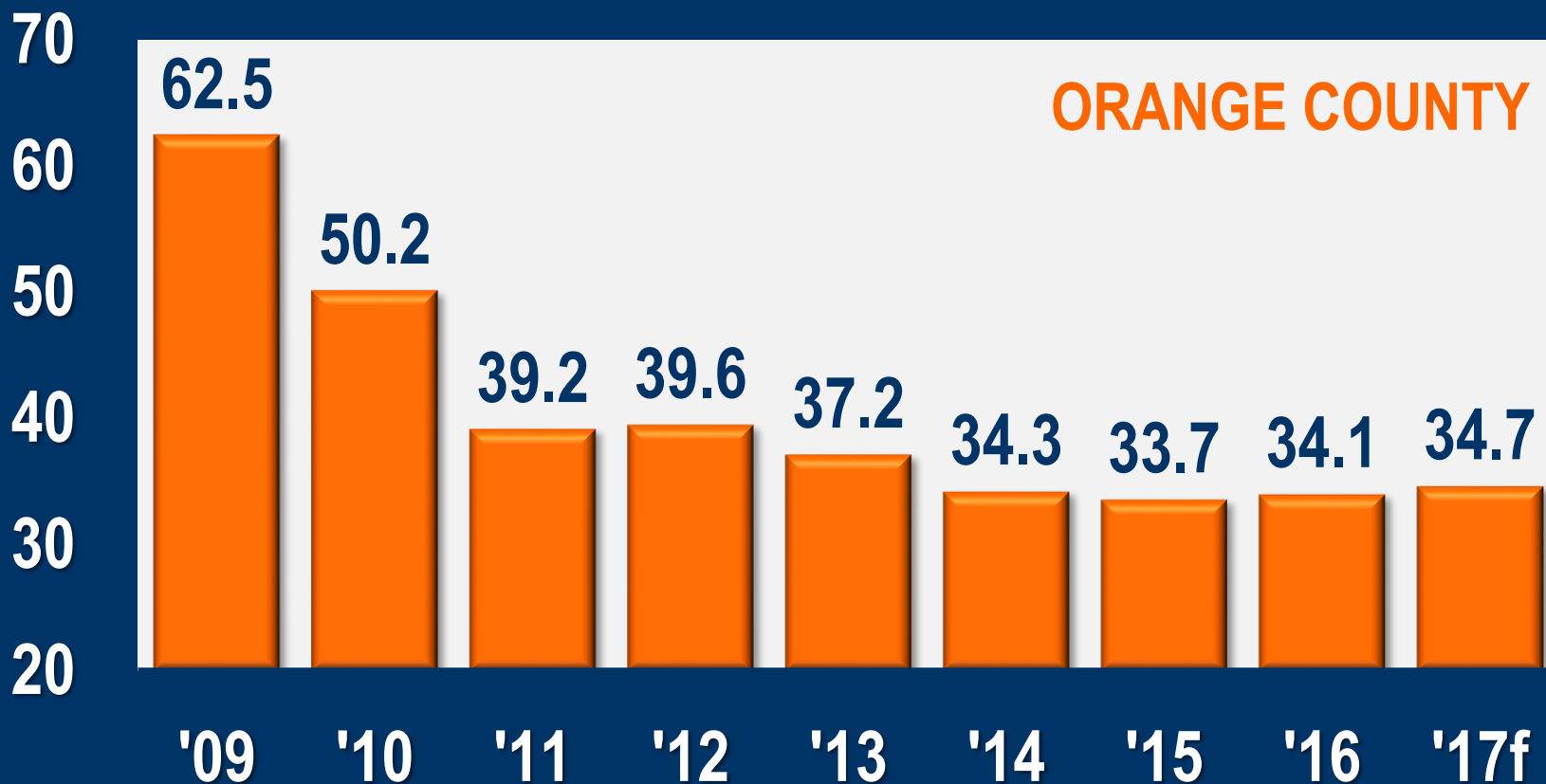
# Residential Building Permits Orange County

Thousands of Units



# Single Family Homes As a Percentage of Total Housing Unit Permits

Percent



# Supply of Unsold Homes Orange County

Months

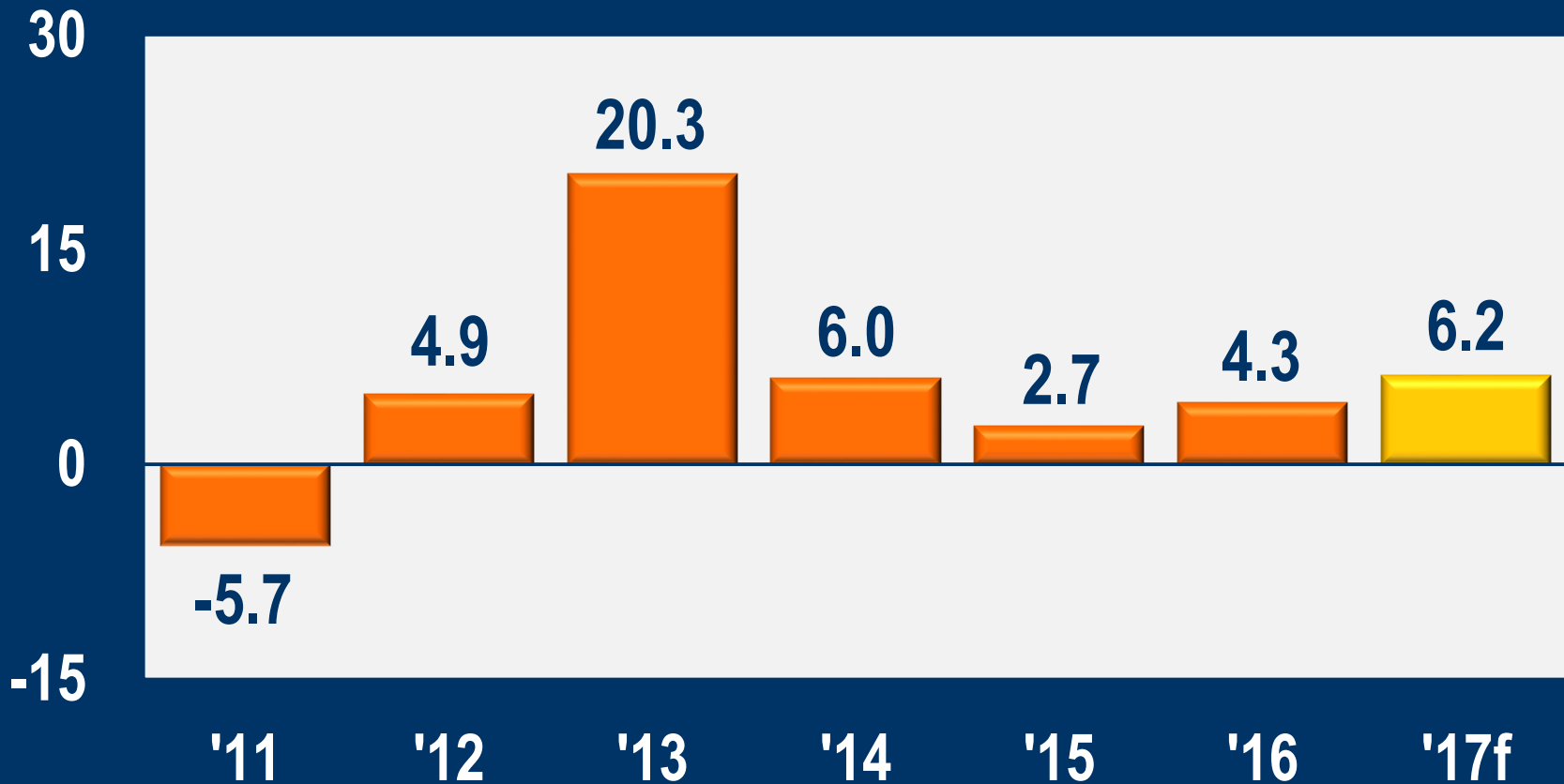


# Factors Affecting Home Prices

	Very Unfavorable	Unfavorable	Neutral	Favorable	Very Favorable
<b>DEMAND:</b>					
Jobs/ Unemployment				✓	
Housing Affordability		✓			
<b>SUPPLY:</b>					
Permits				✓	
Unsold inventory					✓

# Resale Single-Family Housing Prices Orange County

Annual % Change





# Median Single-Family Home Prices Orange County

Thousands of \$



# Factors Affecting Consumer Spending

- **Mild wage growth**
  - **Moderate level of employment growth**
  - **Higher home prices**
  - **Higher equity market**
- } **Positive  
wealth effect**

# Factors Affecting Consumer Spending

- **Mild wage growth**
  - **Moderate level of employment**
  - **Higher home prices**
  - **Higher equity market**
  - **Lower debt service**
- Positive wealth effect**

# Household Debt Service Payments As a Percentage of Disposable Income

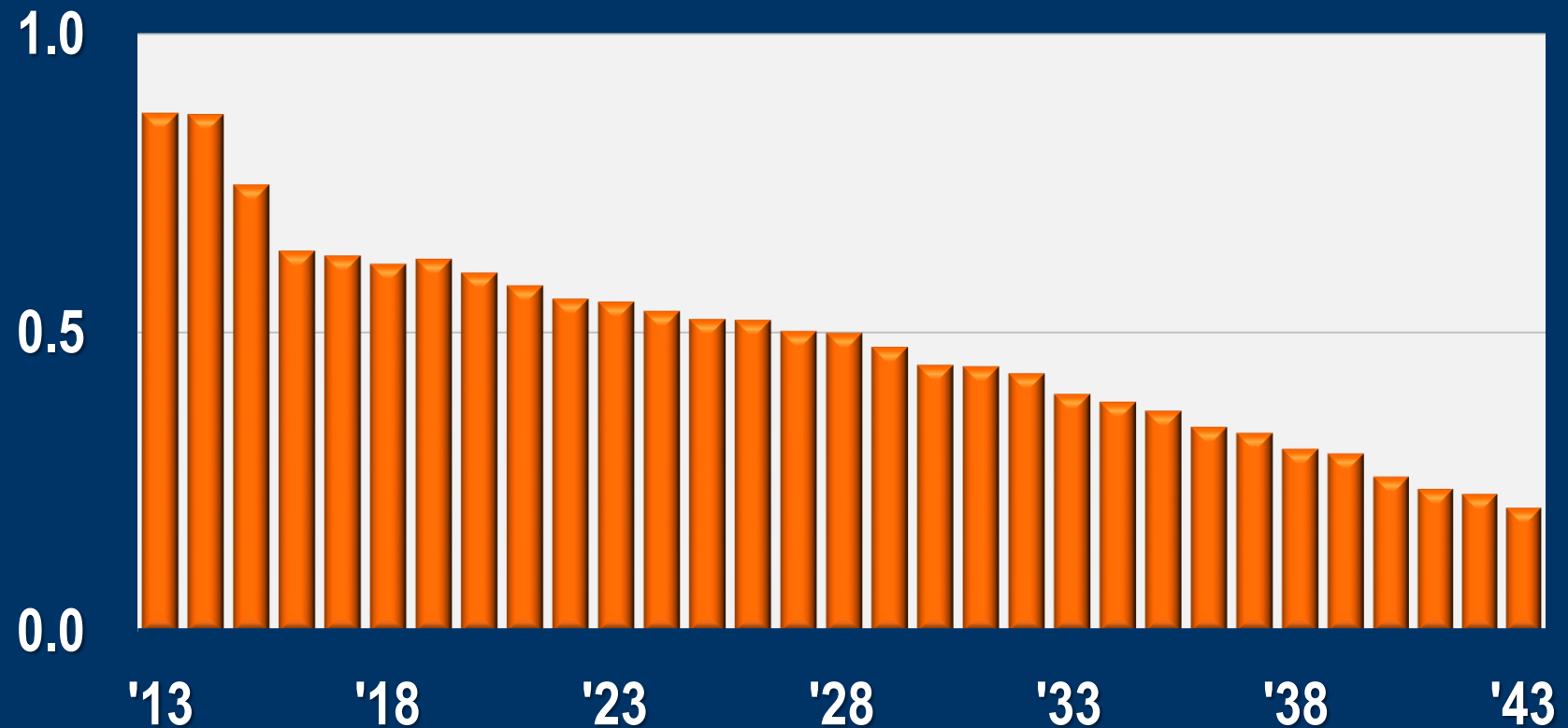


# Factors Affecting Consumer Spending

- **Mild wage growth**
  - **Moderate level of employment**
  - **Higher home prices**
  - **Higher equity market**
  - **Lower debt service**
  - **Stable gasoline prices**
- } **Positive wealth effect**

# Total Population Orange County

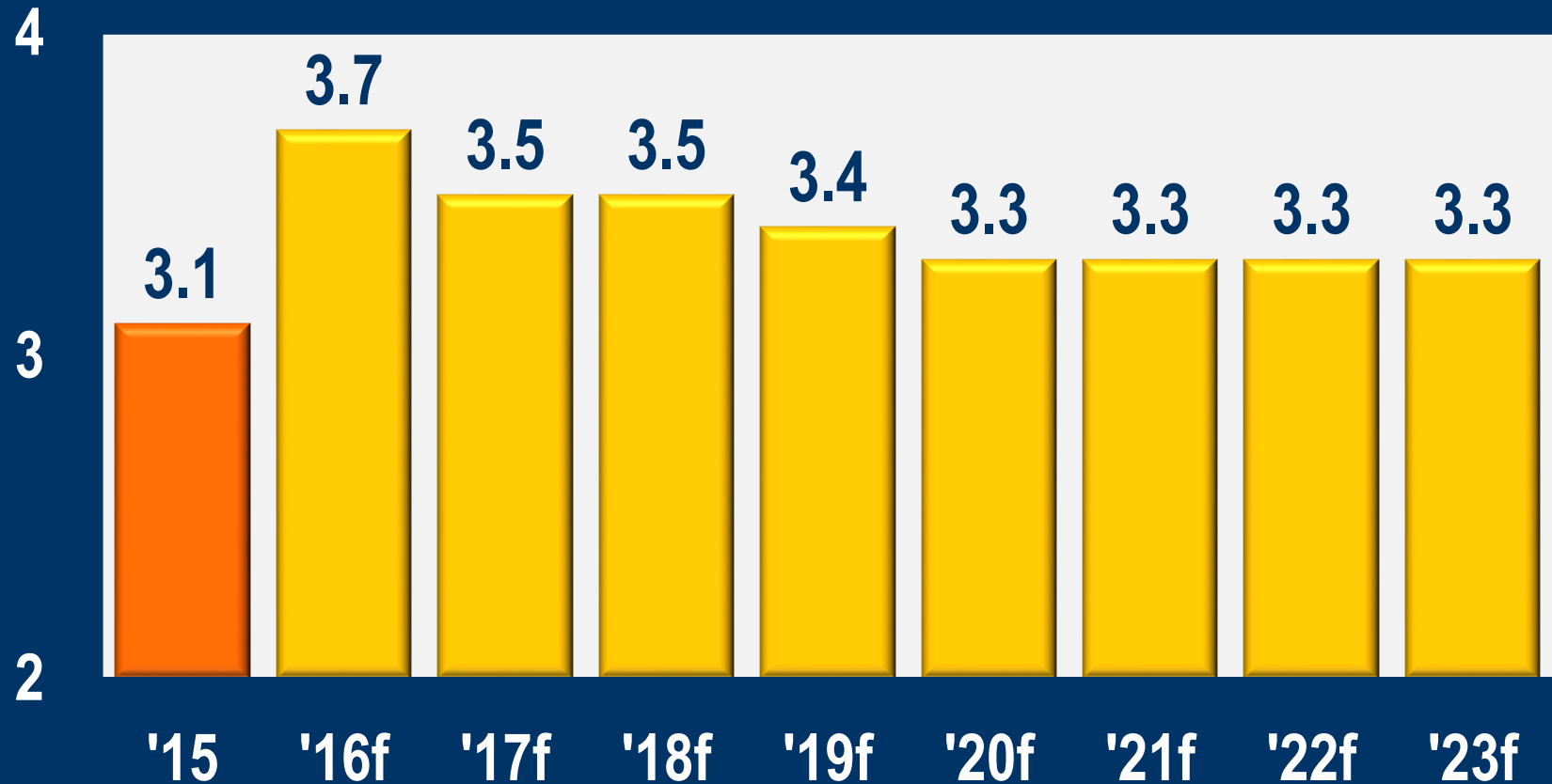
Yr/Yr % Change



Source: California Department of Finance

# Taxable Sales Orange County

Annual % Change



# BOTTOM LINE...

- **Mild job growth**
- **Mild gain in real income**
- **Mild improvement in consumer spending**
- **Faster home price appreciation in 2017**
- **Low growth in the construction sector**



# The Chapman University Economic Forecast



**A. GARY ANDERSON CENTER FOR ECONOMIC RESEARCH  
ARGYROS SCHOOL OF BUSINESS AND ECONOMICS**