

**Taxable Sales Forecast -
University of California at
Los Angeles
Anderson Forecast -
Jerry Nickelsburg,
PhD, Senior Economist
and
William Yu, PhD,
Economist**

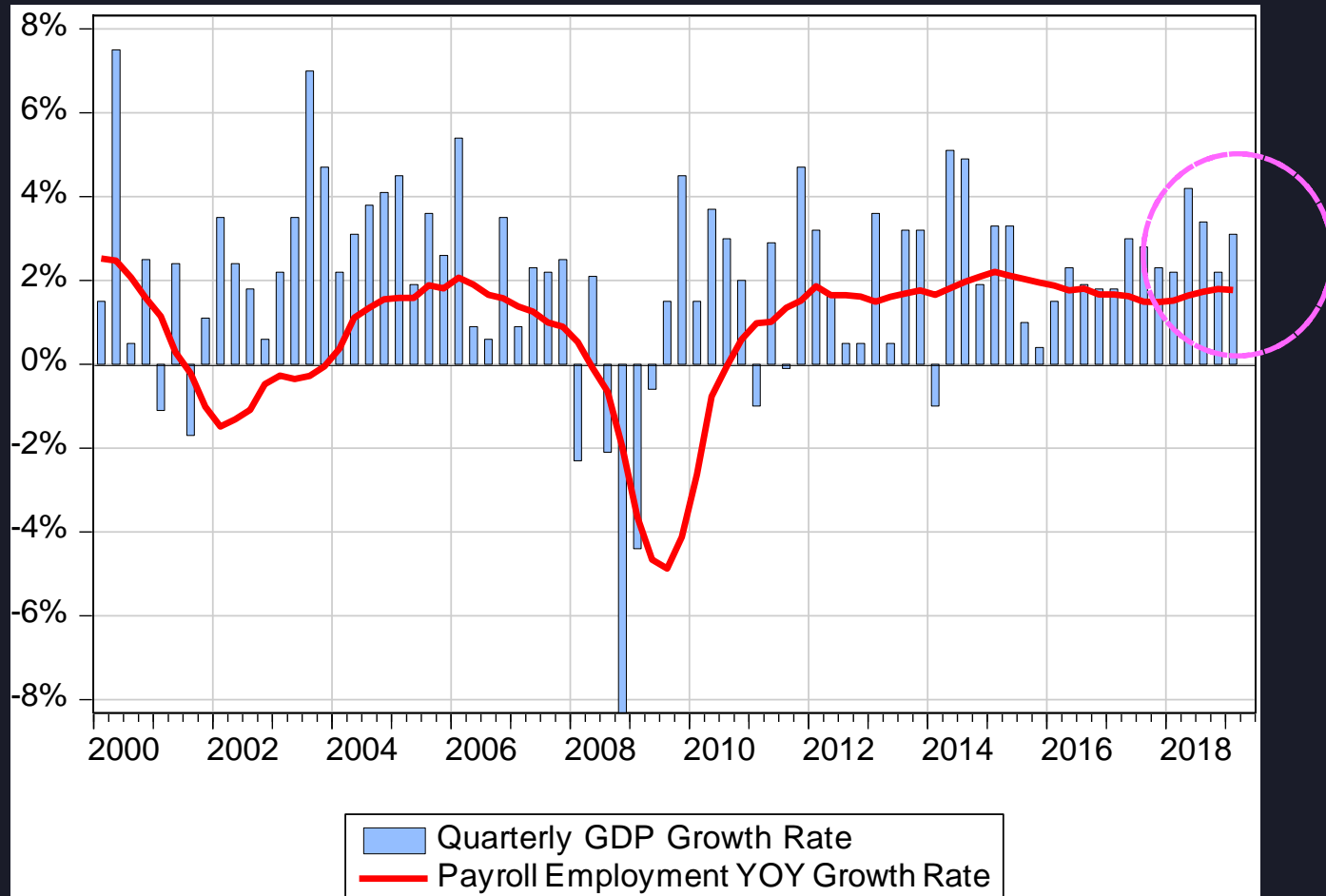
The Economic Outlook and Orange County Taxable Sales Forecast

OCTA Briefing, June 26, 2019

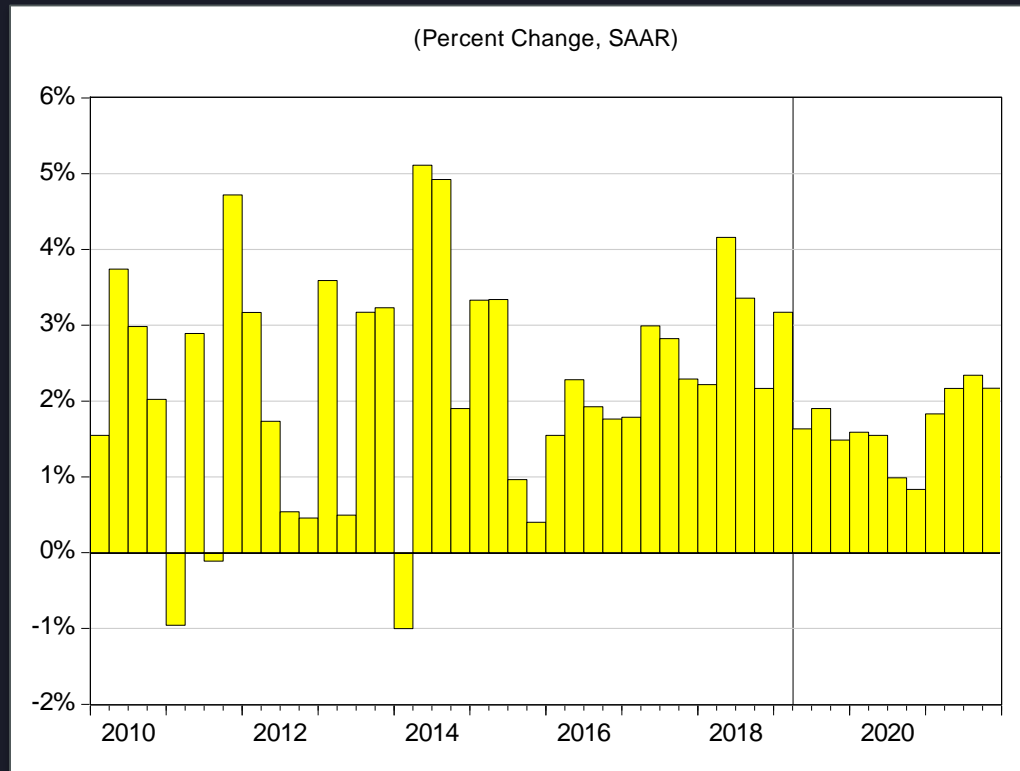
Jerry Nickelsburg, Director
William Yu, Economist

UCLA Anderson Forecast

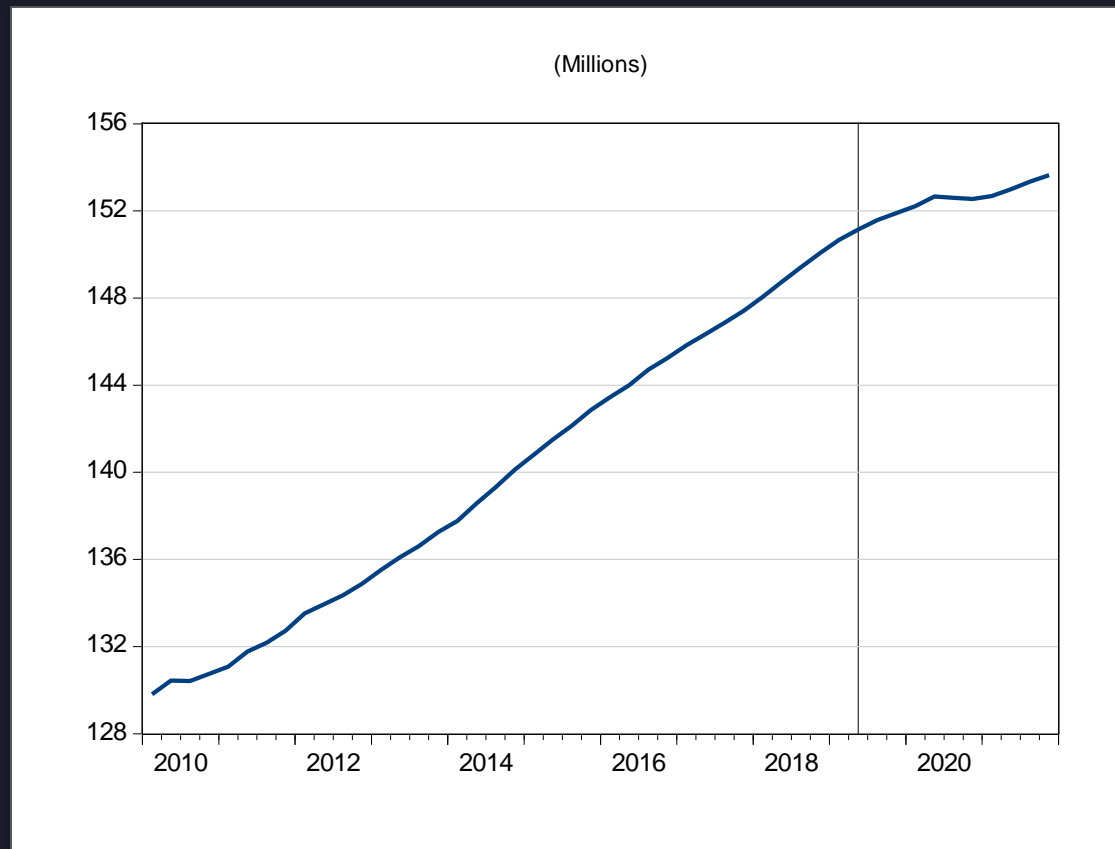
U.S. economy is growing at 3%



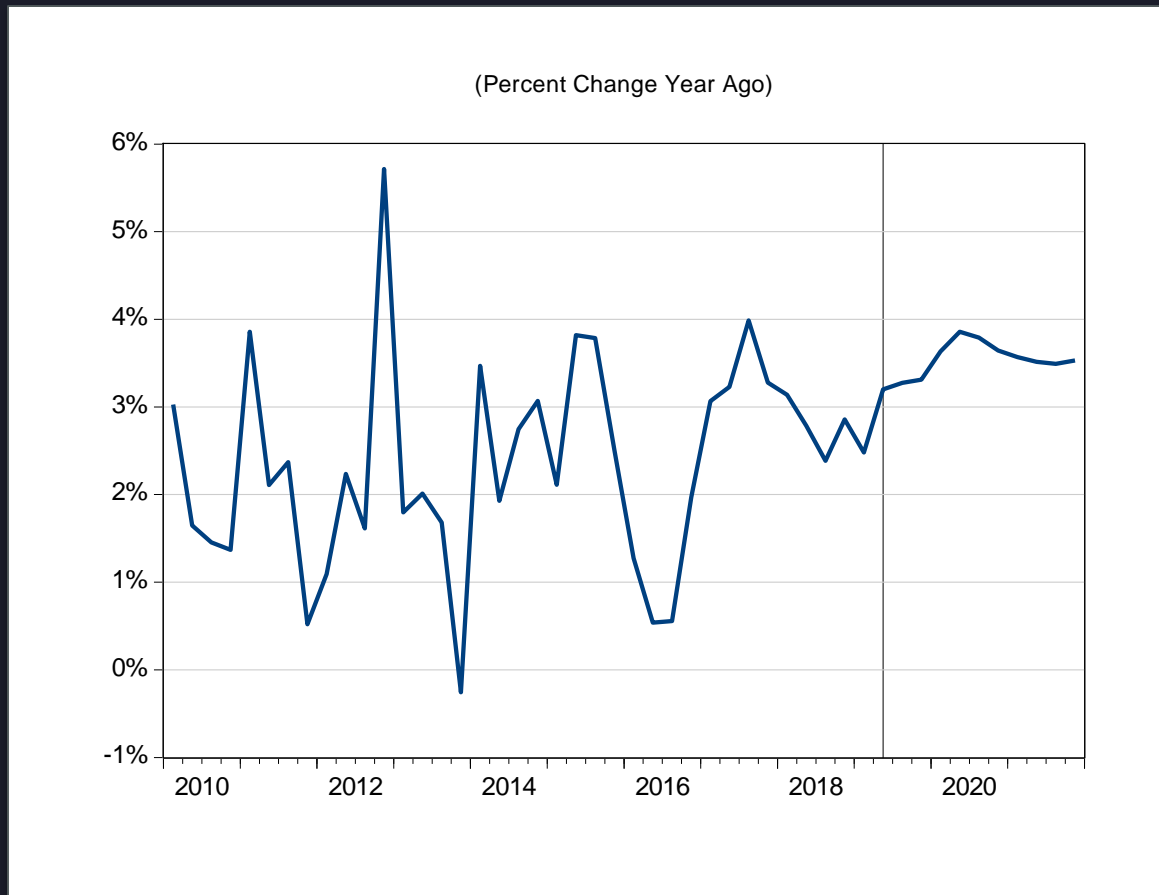
Real GDP growth slowing – Recession risk in late 2020



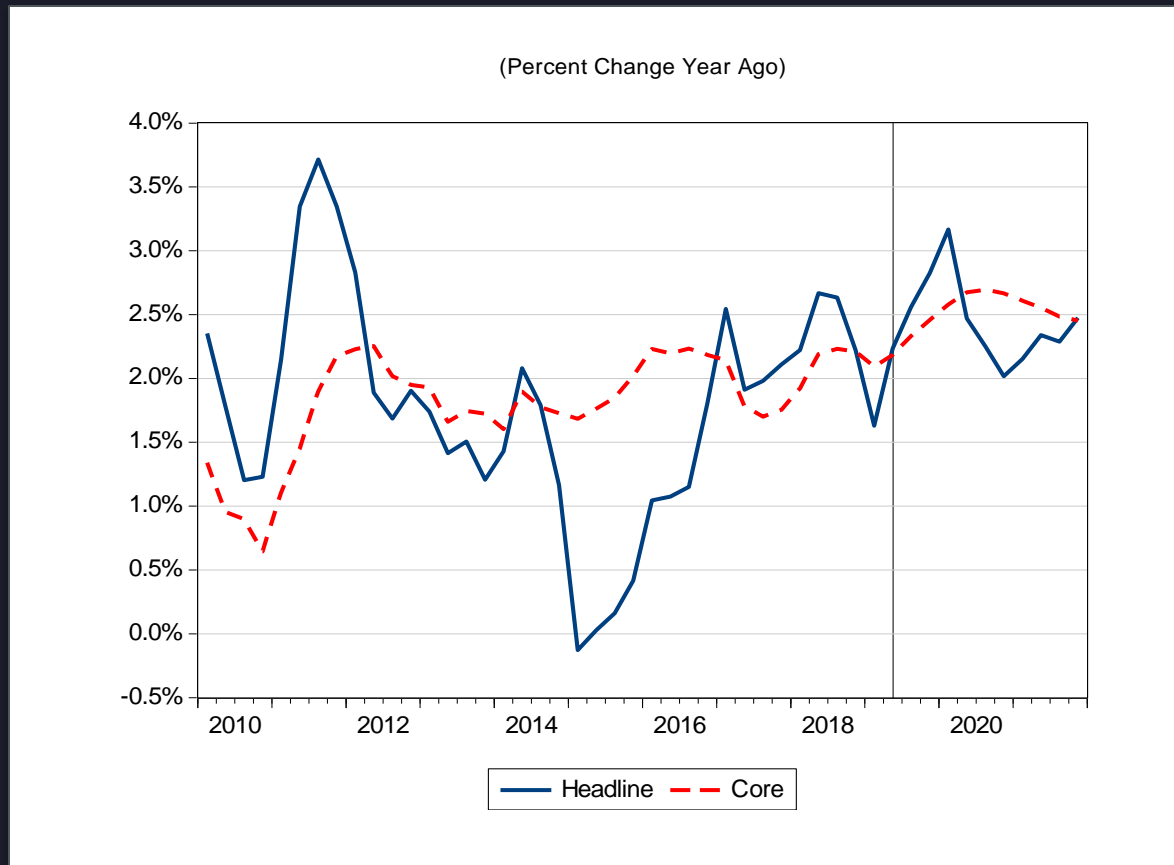
Payroll employment growth leveling off



As compensation growth approaches 4%

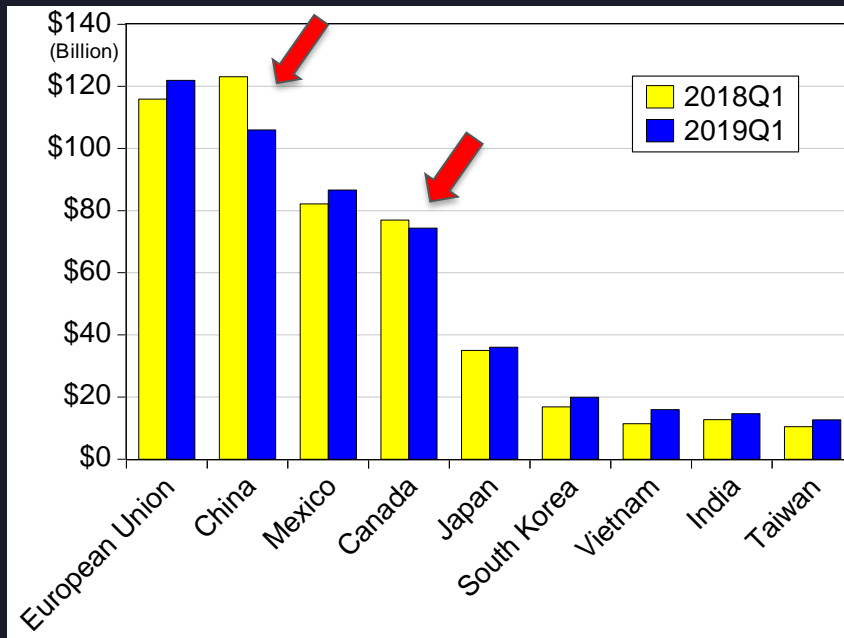


Inflation runs modestly above 2%

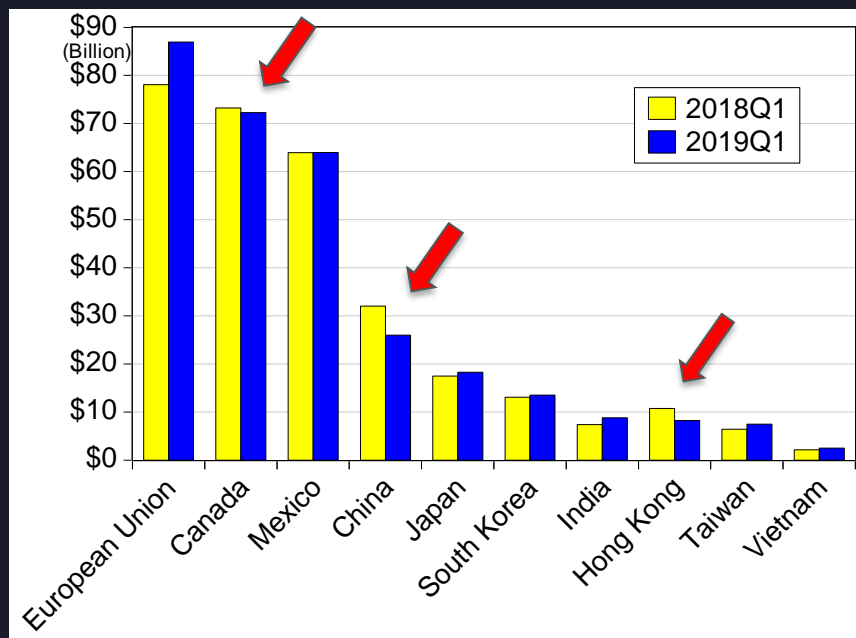


How do trade tensions impact our imports and exports?

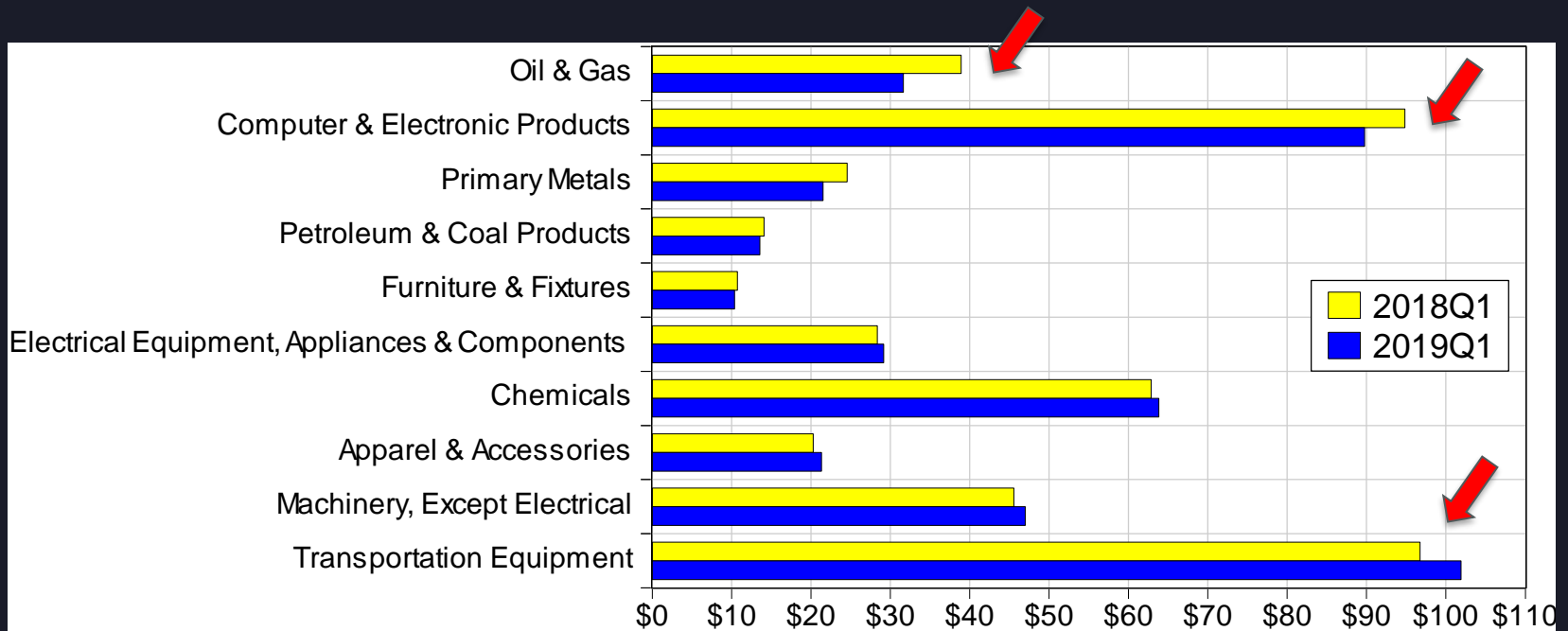
U.S. goods imports



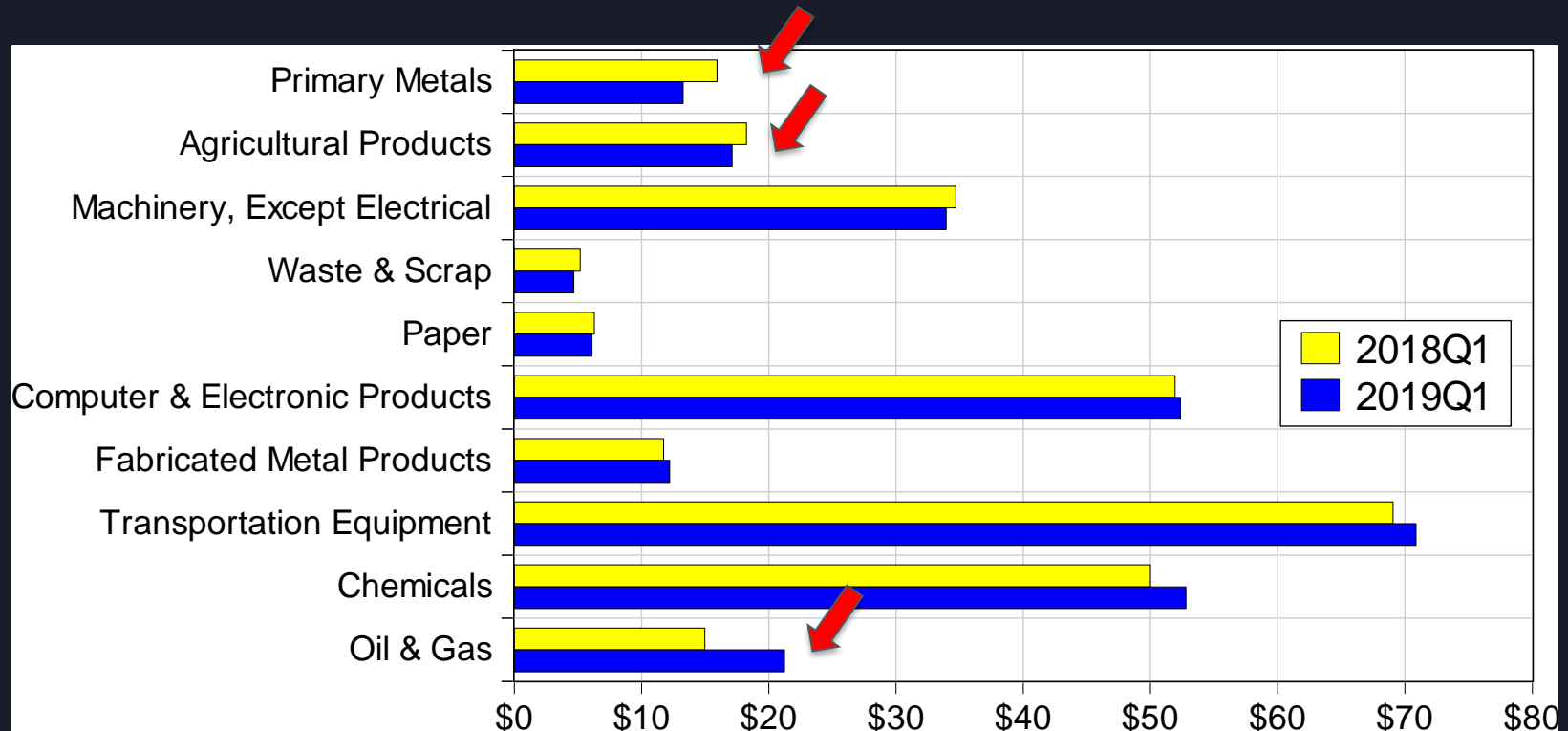
U.S. goods exports



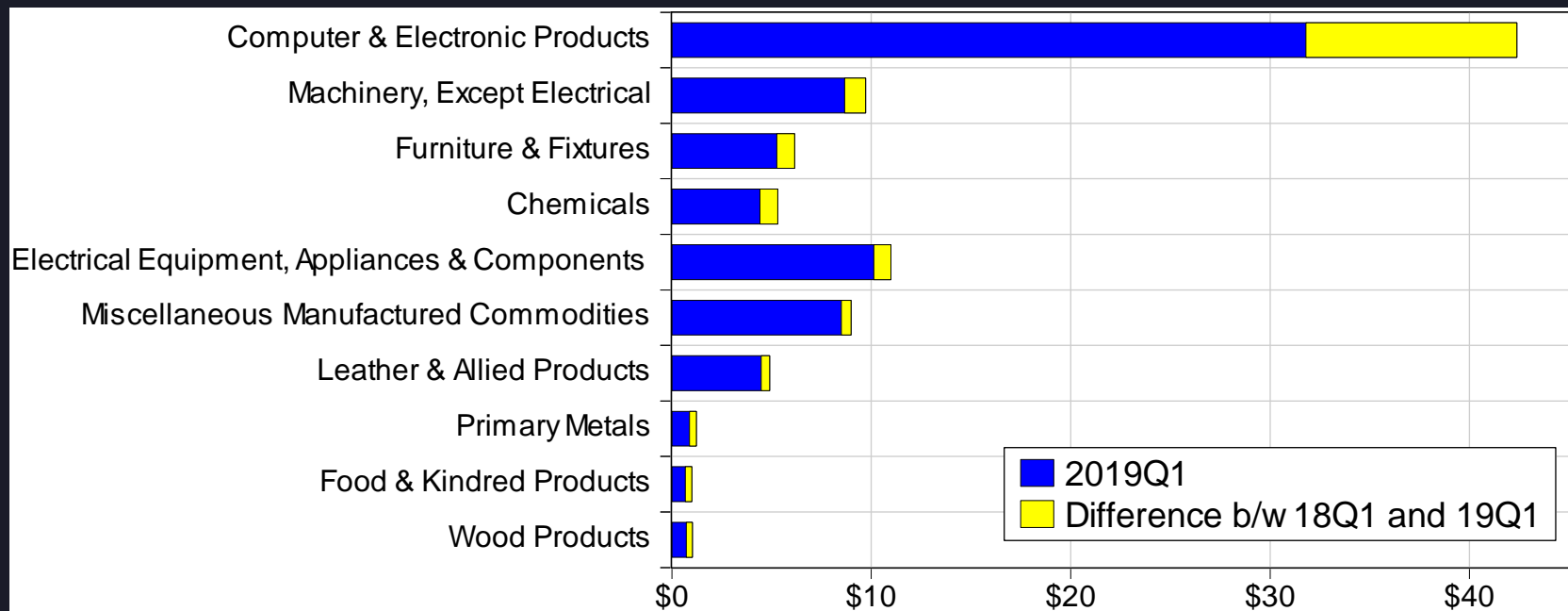
U.S. imports: declined the most – oil & gas and computer & electronic products
 U.S. imports: increased the most – transportation equipment



U.S. exports: declined the most – metals & agricultural products
U.S. exports: increased the most – oil & gas

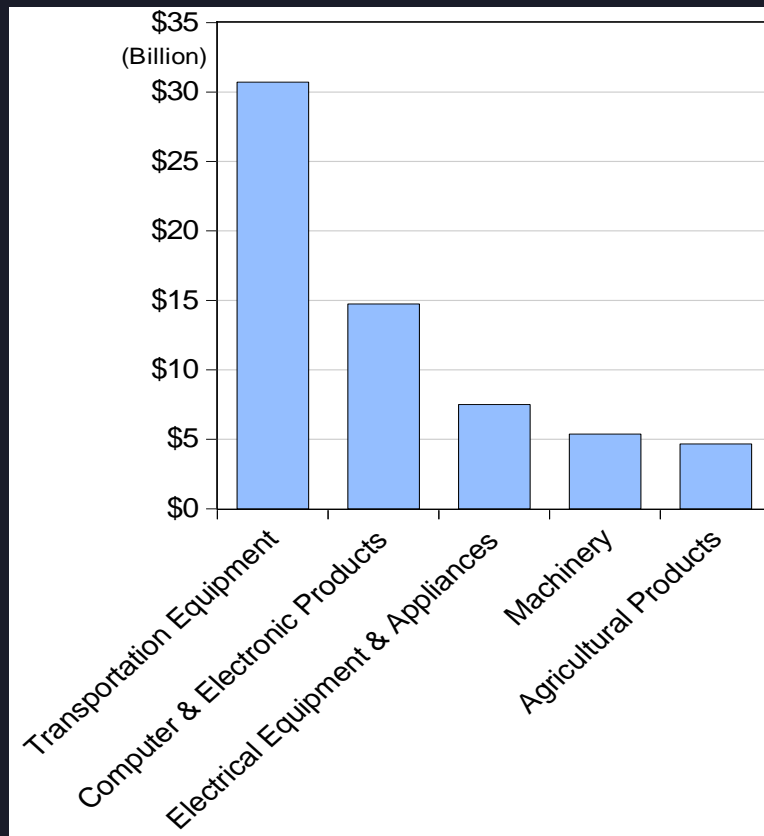


Top 10 imports from China in decline

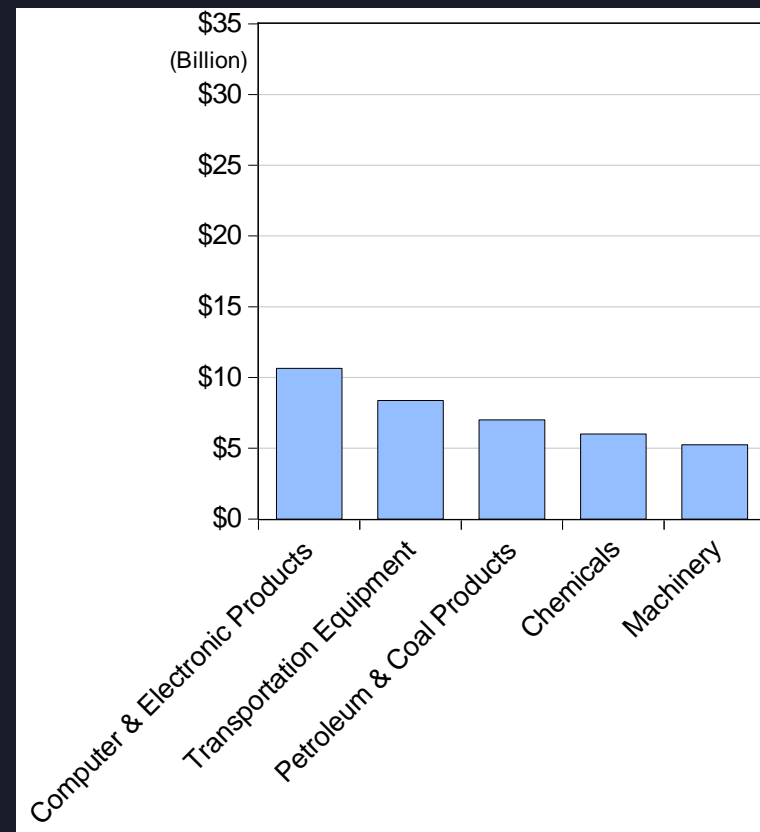


The impact of new tariffs on Mexico

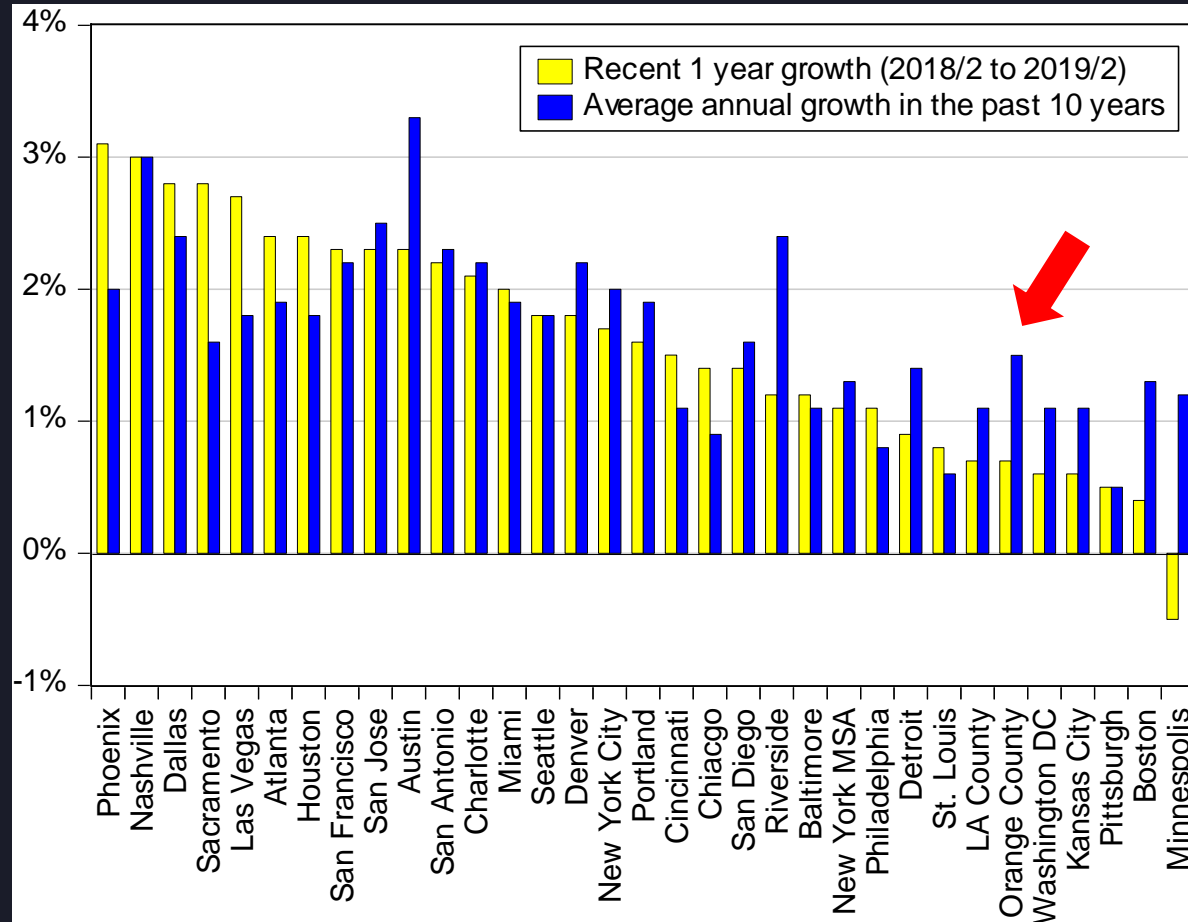
U.S. imports from Mexico, 19Q1



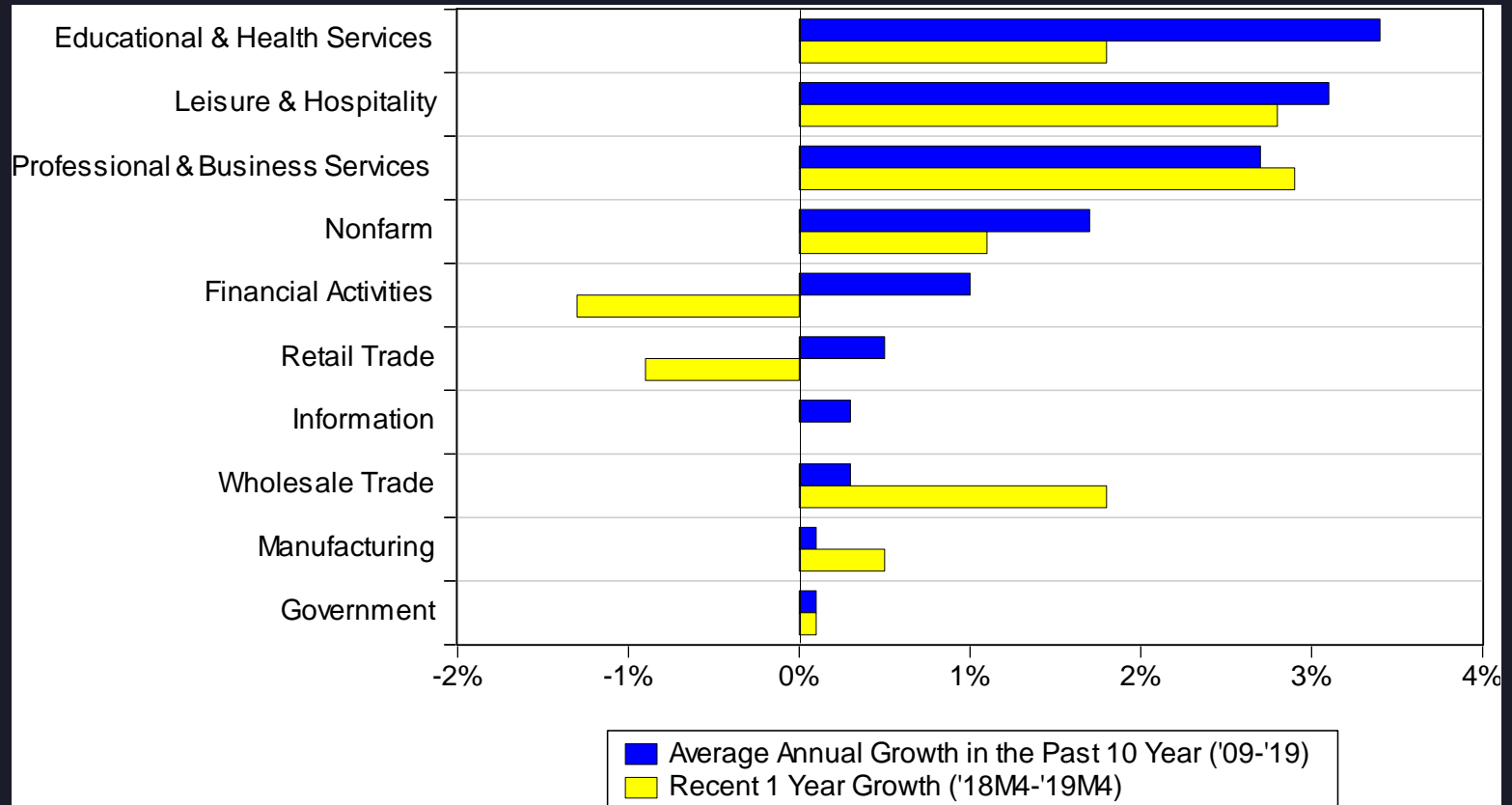
U.S. exports to Mexico, 19Q1



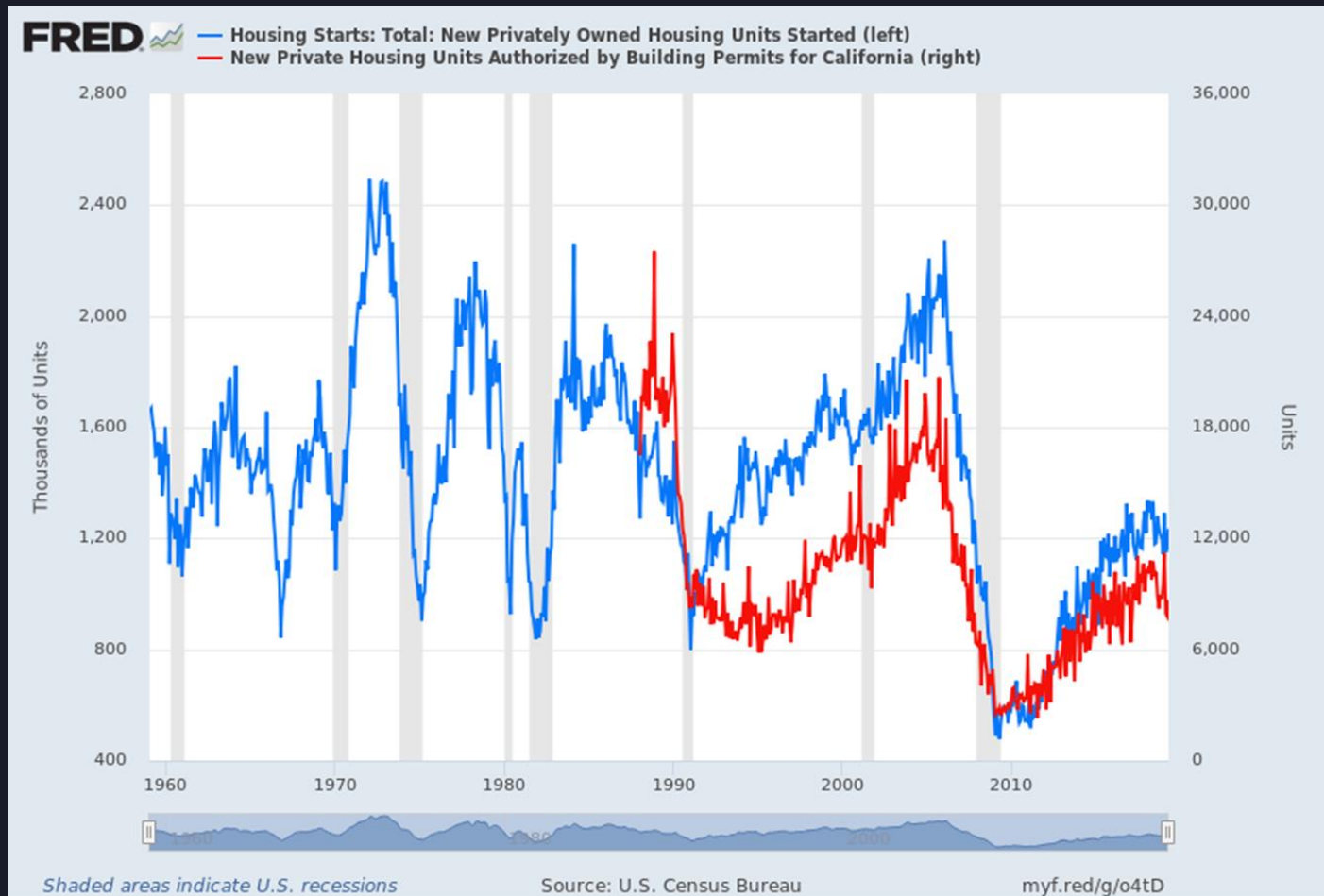
U.S. metro payroll job growth



Orange County sector payroll job growth



Where are we in the housing cycle?

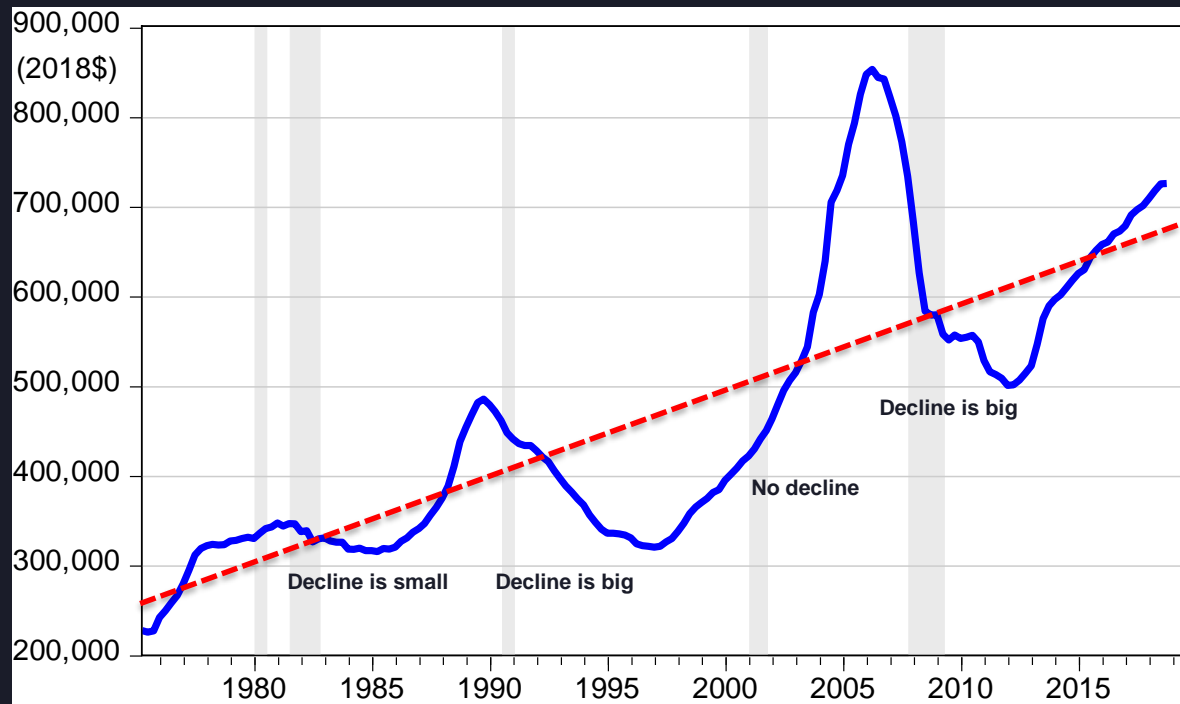


Real housing price in Orange County and U.S. business cycle

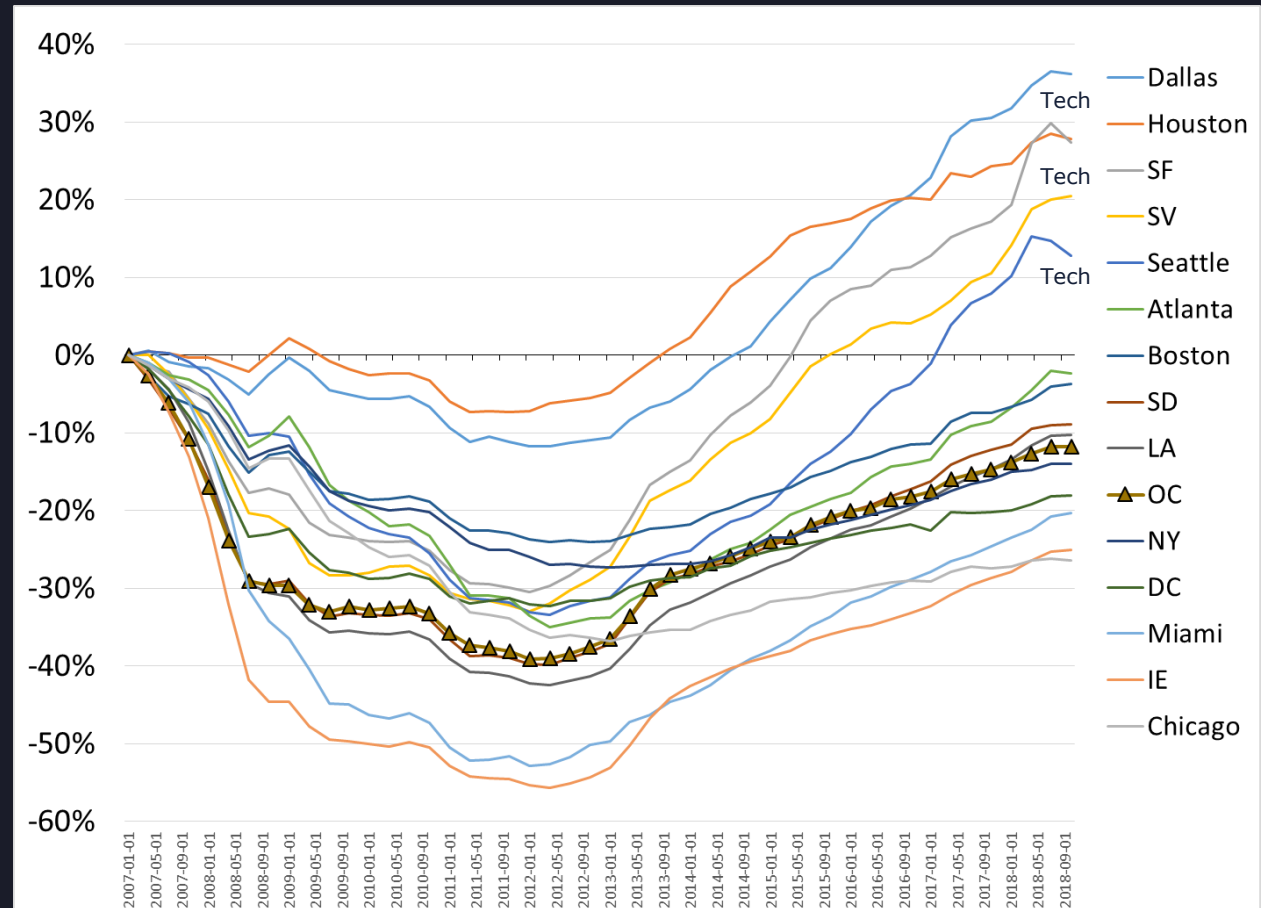
FHFA Housing Price Index, adjusted for U.S. CPI.

Use Zillow median home price in 2018Q4

Shaded area is U.S. recession

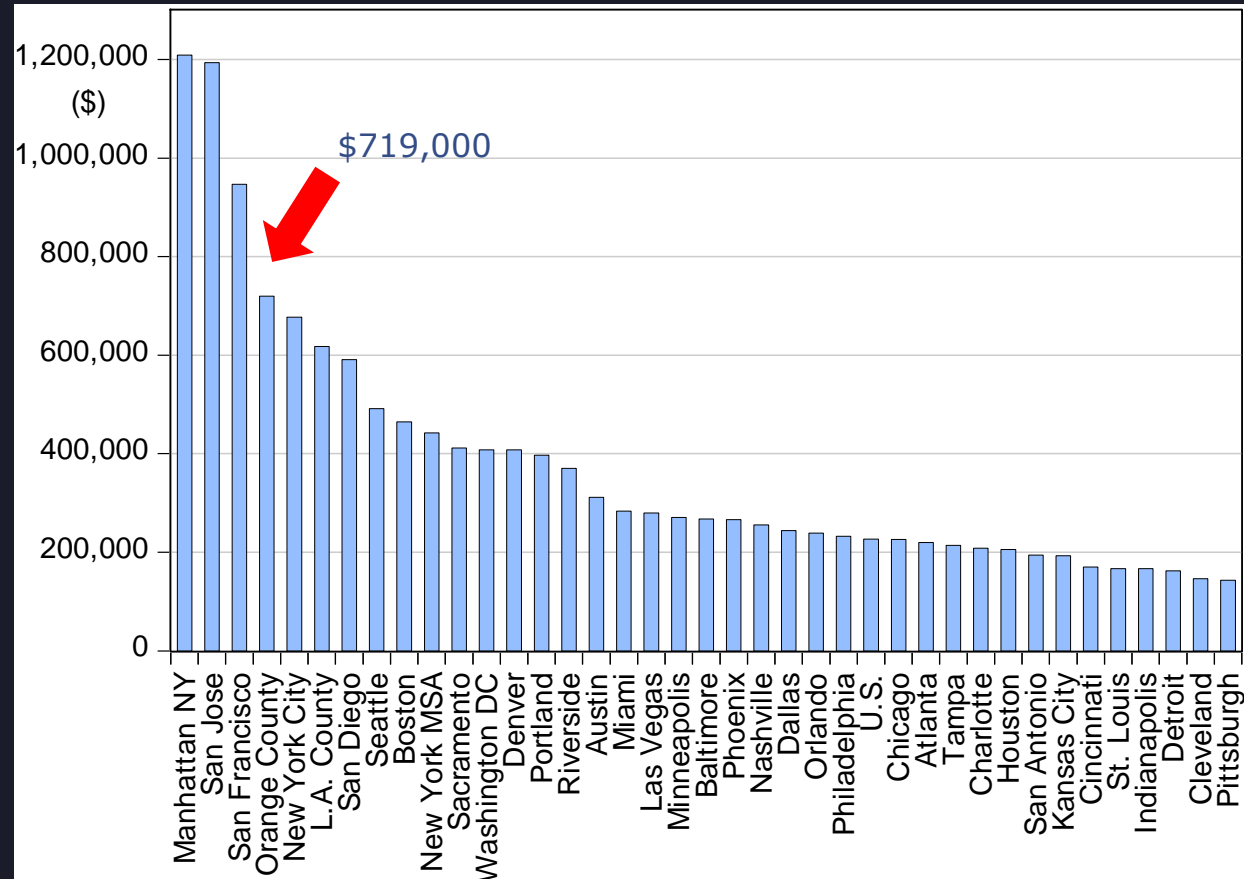


Real home prices are declining in some cities

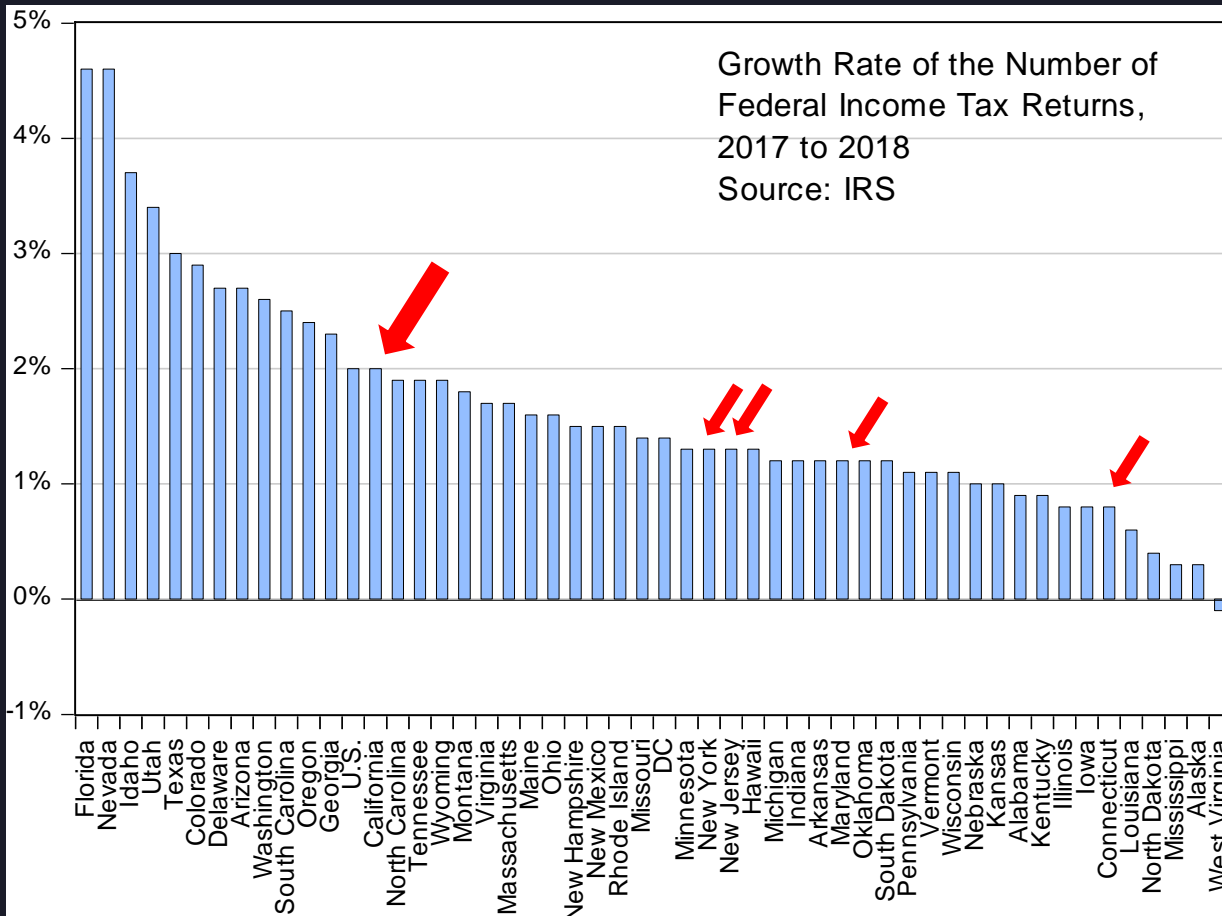


Zillow's median home value index

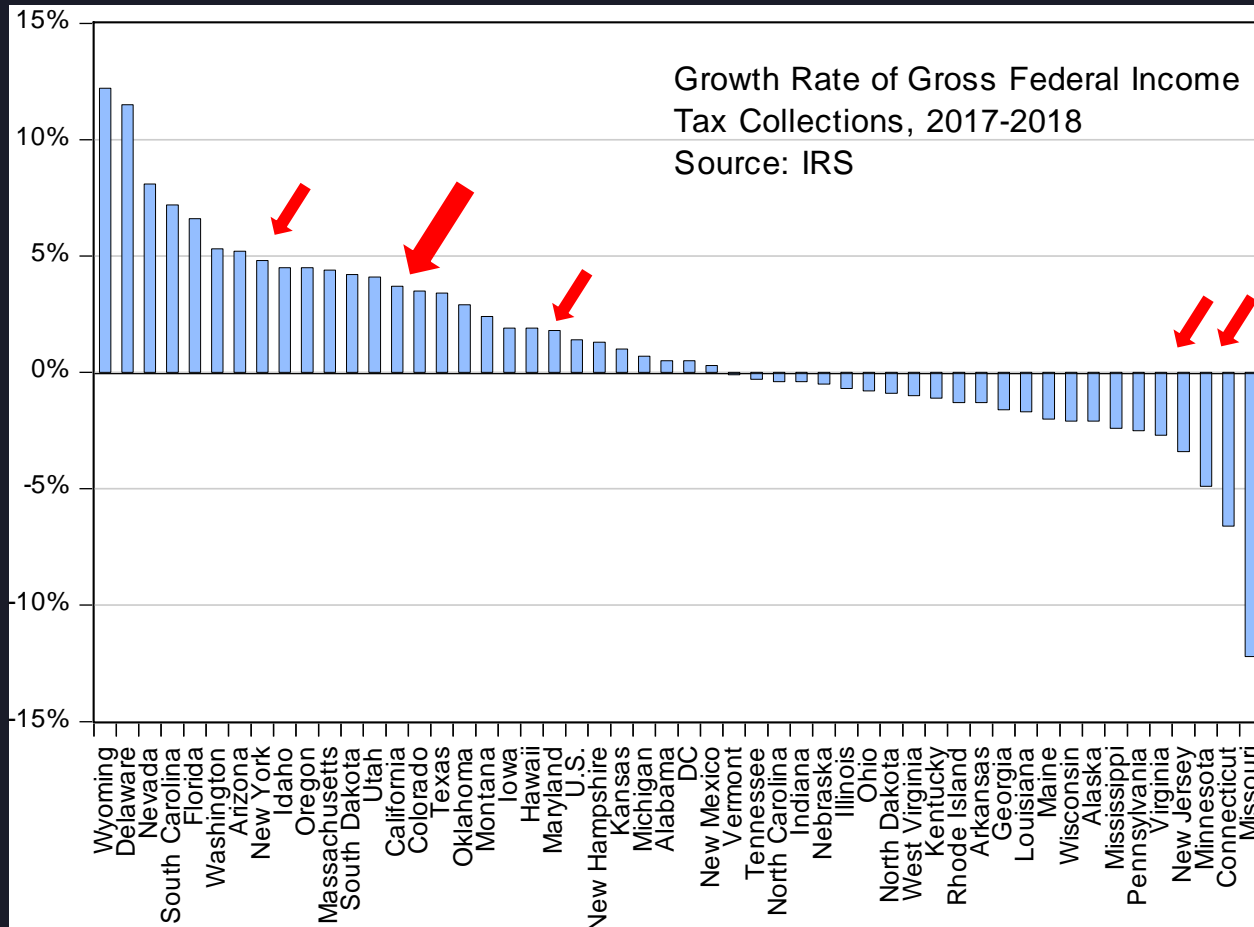
in April 2019



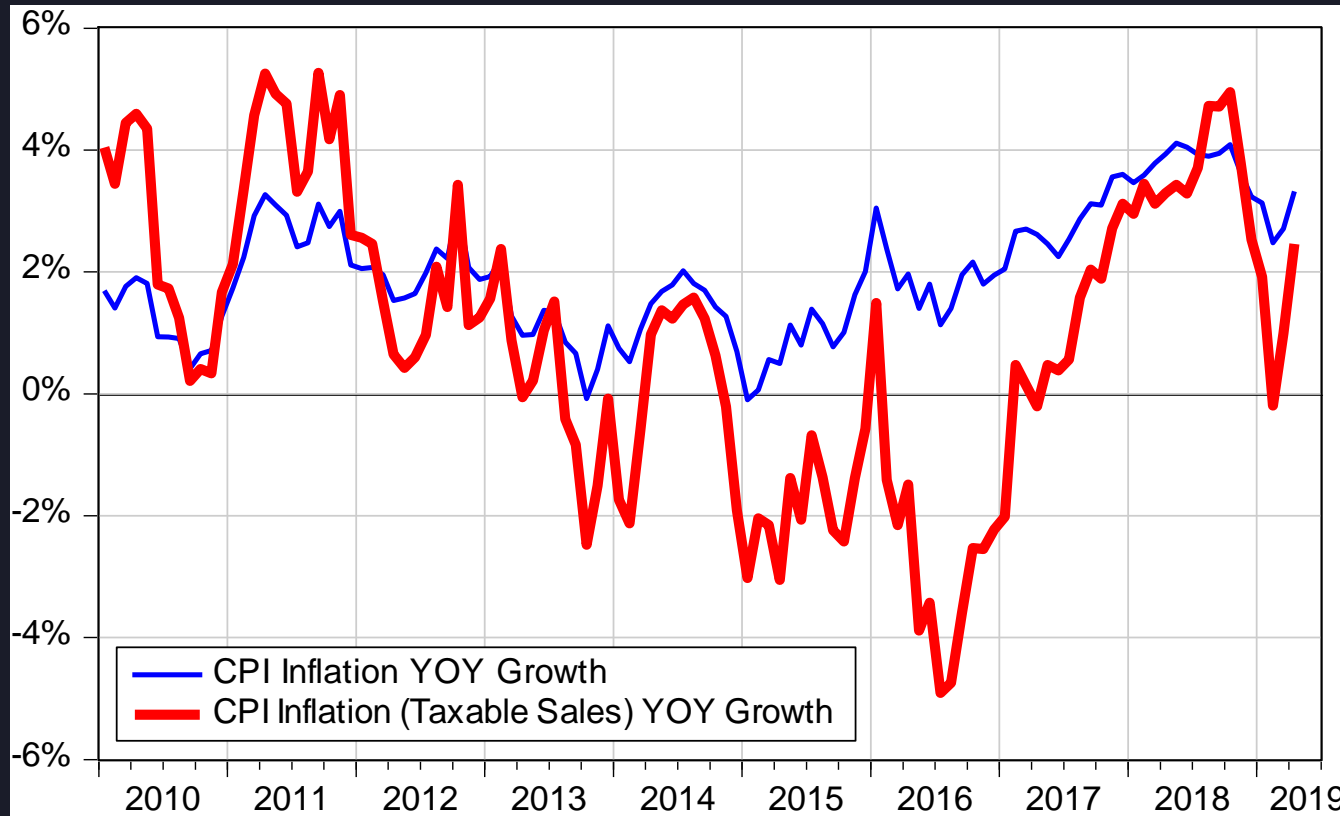
CA's federal income tax gross receipts increased by 3.7% in 2018



CA's number of federal income tax returns increased by 2% in 2018



Inflation on housing and medical care is higher than that of most taxable sales goods

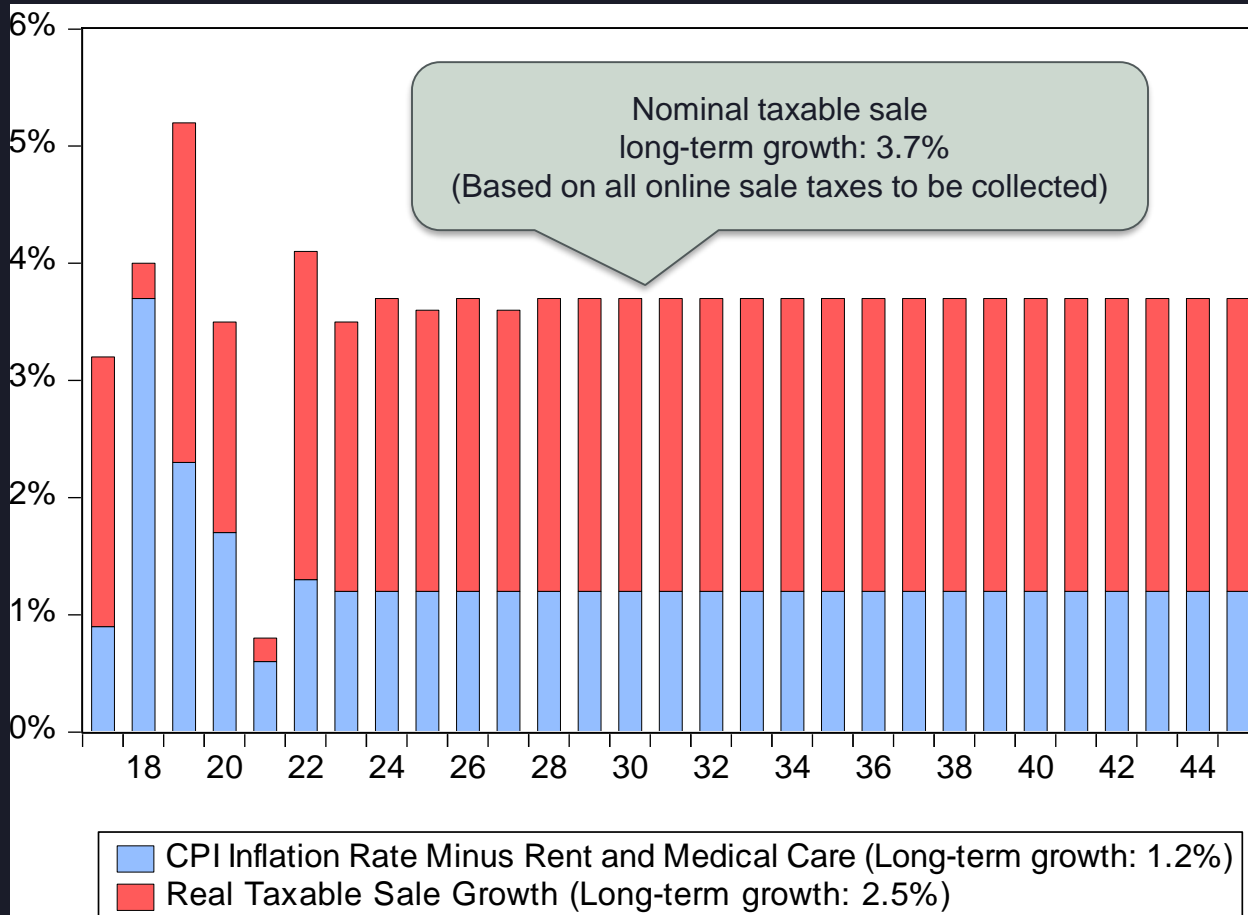


Consumer Price Index Year-over-year Inflation Rate

California Forecast

	2019	2020	2021
Payroll employment	1.4%	0.8%	0.6%
Unemployment rate	4.3%	4.3%	4.4%
Real personal income	2.9%	1.9%	2.1%

Orange County Nominal Taxable Sales Growth Forecast



Conclusions

- U.S. economic growth is slowing down.
- Housing sector is weak.
- Recession risk is rising due to trade tensions.
- With less imbalance/excess in the current expansion, the next recession should be less severe compared to Great Recession.
- U.S.- China relationship has shifted from strategic engagement to competition. China's FDI to California declined significantly.