

# **Economic Outlook**

## **U.S. and Orange County**

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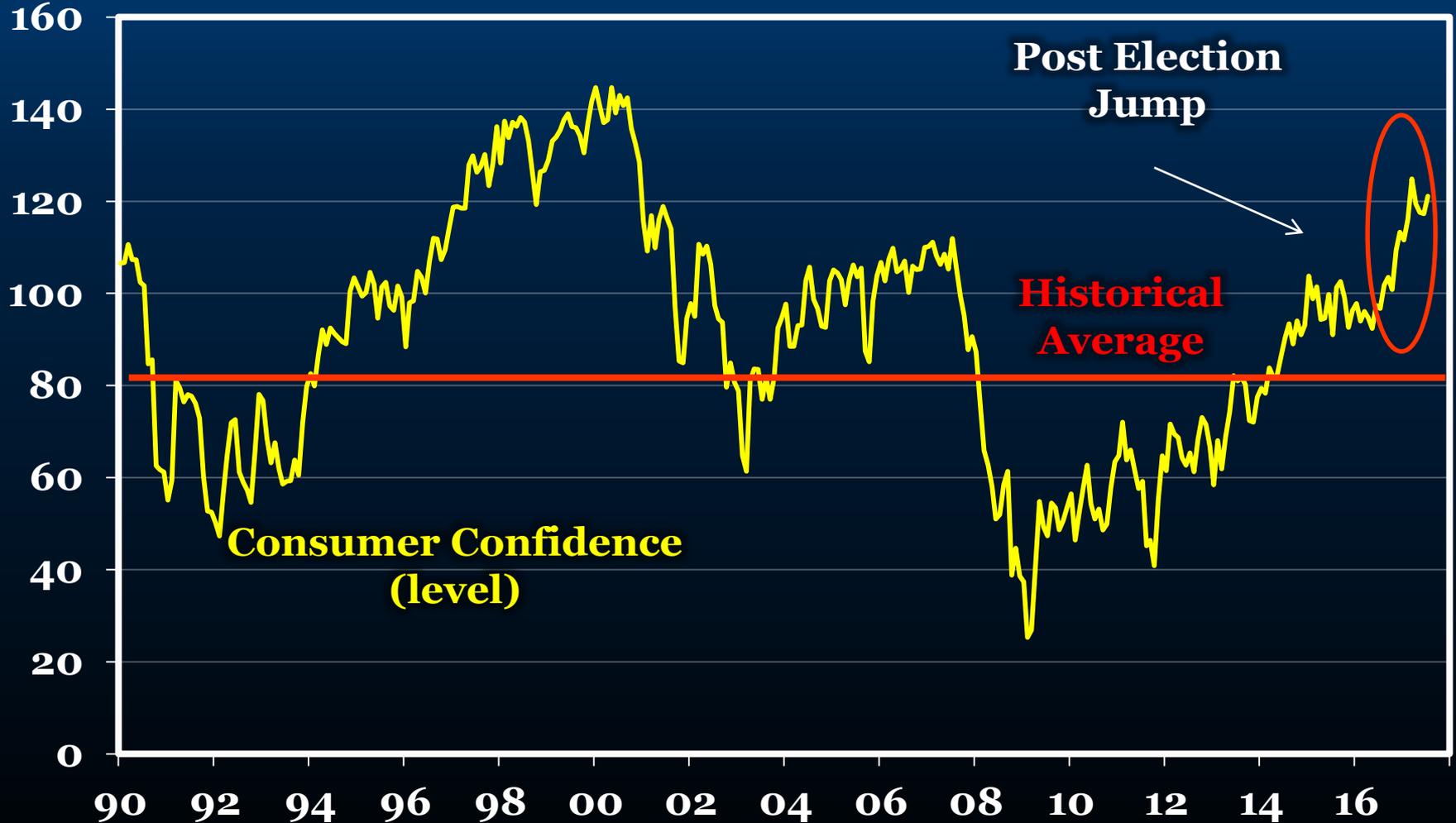
**OCTA**

**August 23, 2017**

# Consumer Confidence: Off the Charts

Confidence Highest since 2000

(Conference Board, Index Level)



# Market Euphoria

S&P500 Has Set Record Highs; Volatility is Low

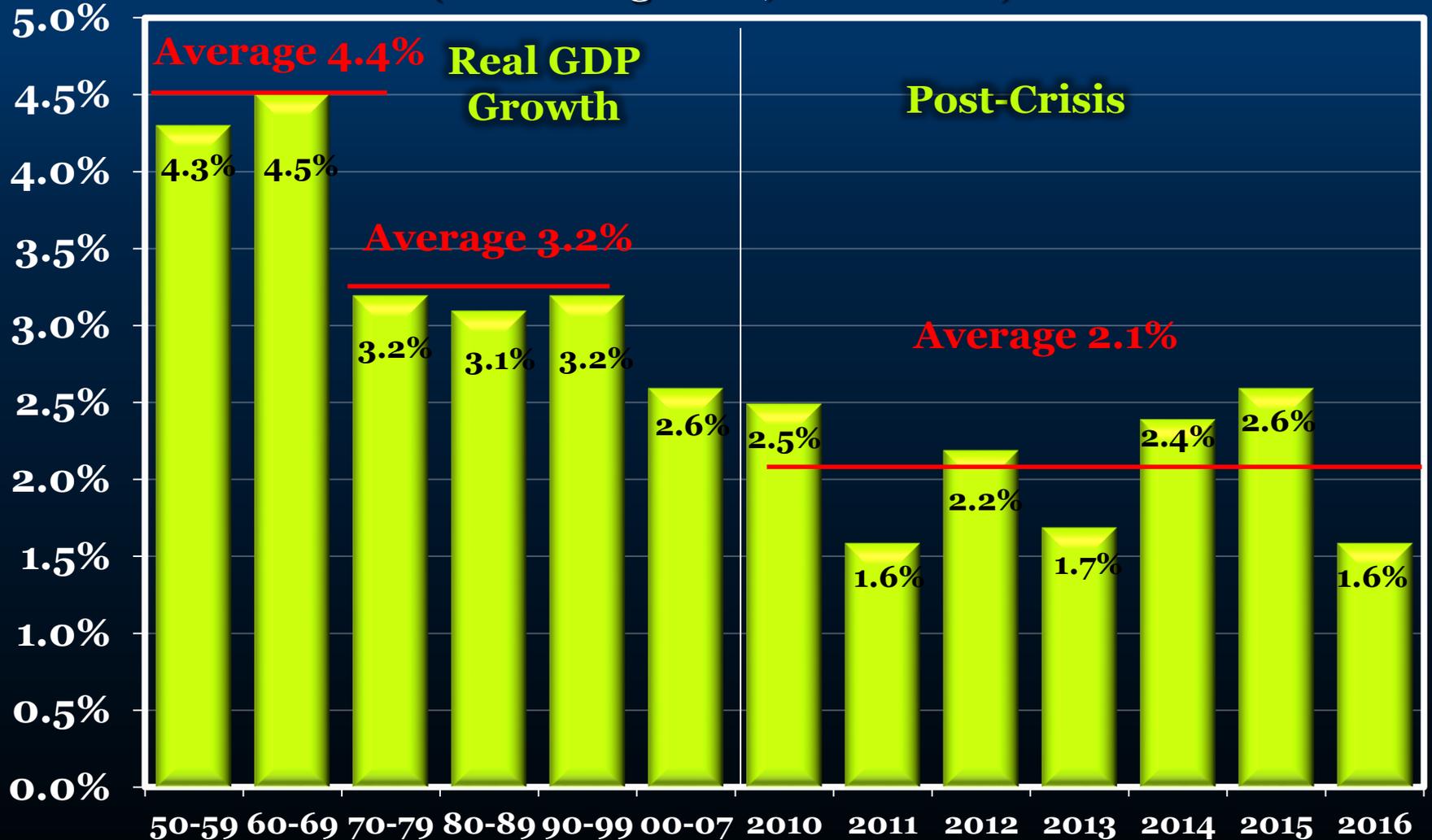
(S&P500 Index, VIX Index, level)



# Recovery: Subdued but Continued Growth

Growth Has Averaged 2.1%

(real GDP growth, annual rate)



# Benign Economic Conditions

## Improvement in Fundamentals

### Consumers

- Continued Employment Growth
- Wage Acceleration
- Rising Asset Values
- Healthy Balance Sheets
- Tax Cuts in 2018

### Businesses

- Rebound in Profits
- Energy and Manufacturing Picking Up
- Corporate Tax Cuts
- Improving Regulatory Environment

### Supportive Policy

- Tax cuts
- Modest Fiscal package
- Measured interest rate hikes

# Healthy Job Growth Continues

Though at a More Moderate Pace as Expansion is More Mature

(millions of employees)

**Jobs Lost in Recession = -8.8 million**

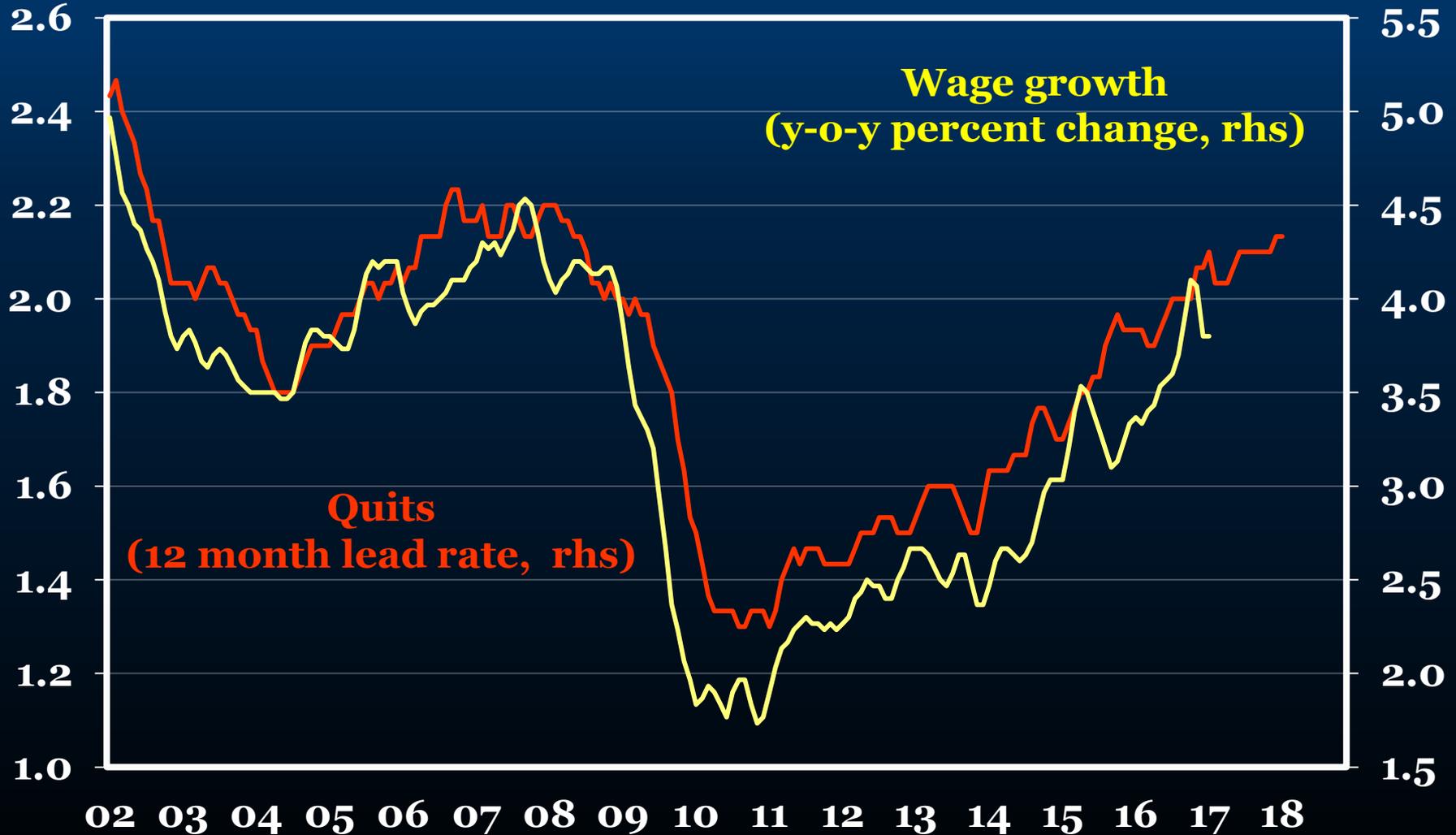
**Jobs Gained in Recovery = 16 million**



# Wage Growth will Continue to Firm Up

As the Labor Market Continues to Tighten

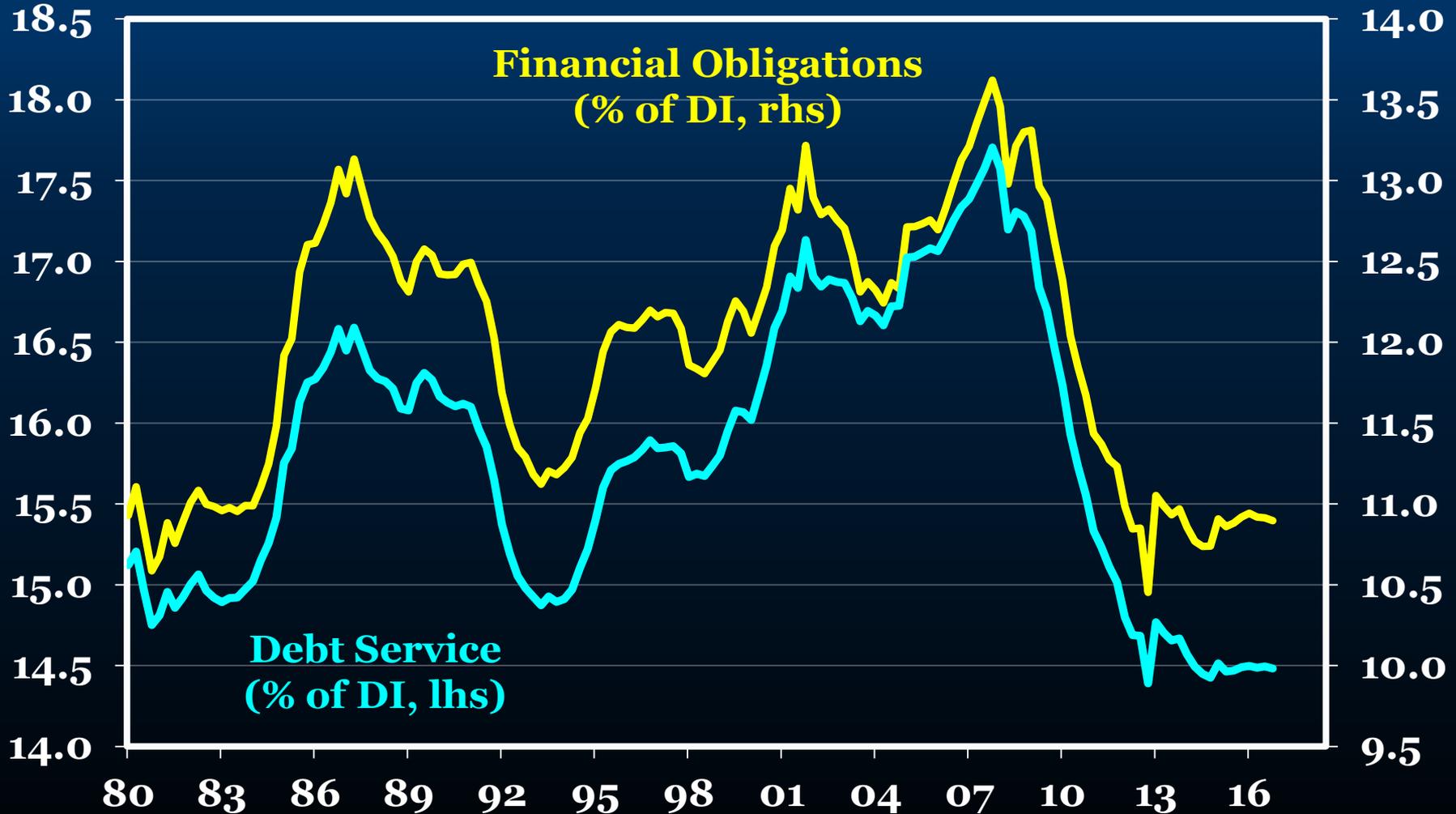
(Wage Tracker, Atlanta Fed, y – o – y percent change, Quits rate, percent)



# Household Balance Sheets are in Pristine Shape

## Household Debt Payments at Historical Lows

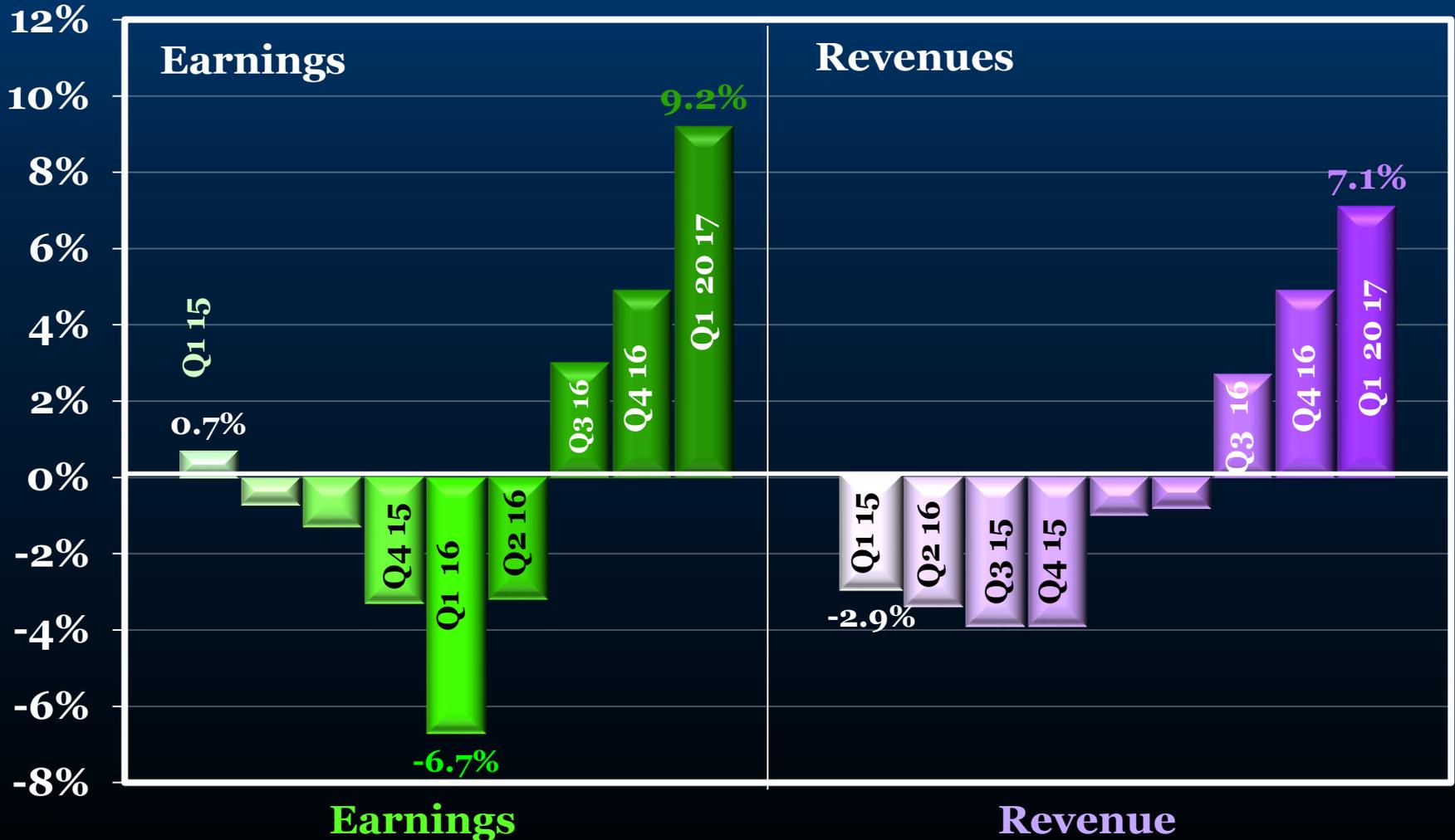
(financial obligations and debt service, percent of disposable income)



# Strong Rebound in Corporate Profits

Corporate Earnings and Revenues: Highest Growth Since 2011

(S&P 500 earnings and revenues, annualized growth rates)



# A Long and Arduous 'To Do' List

## Congress...Hard at Work ???

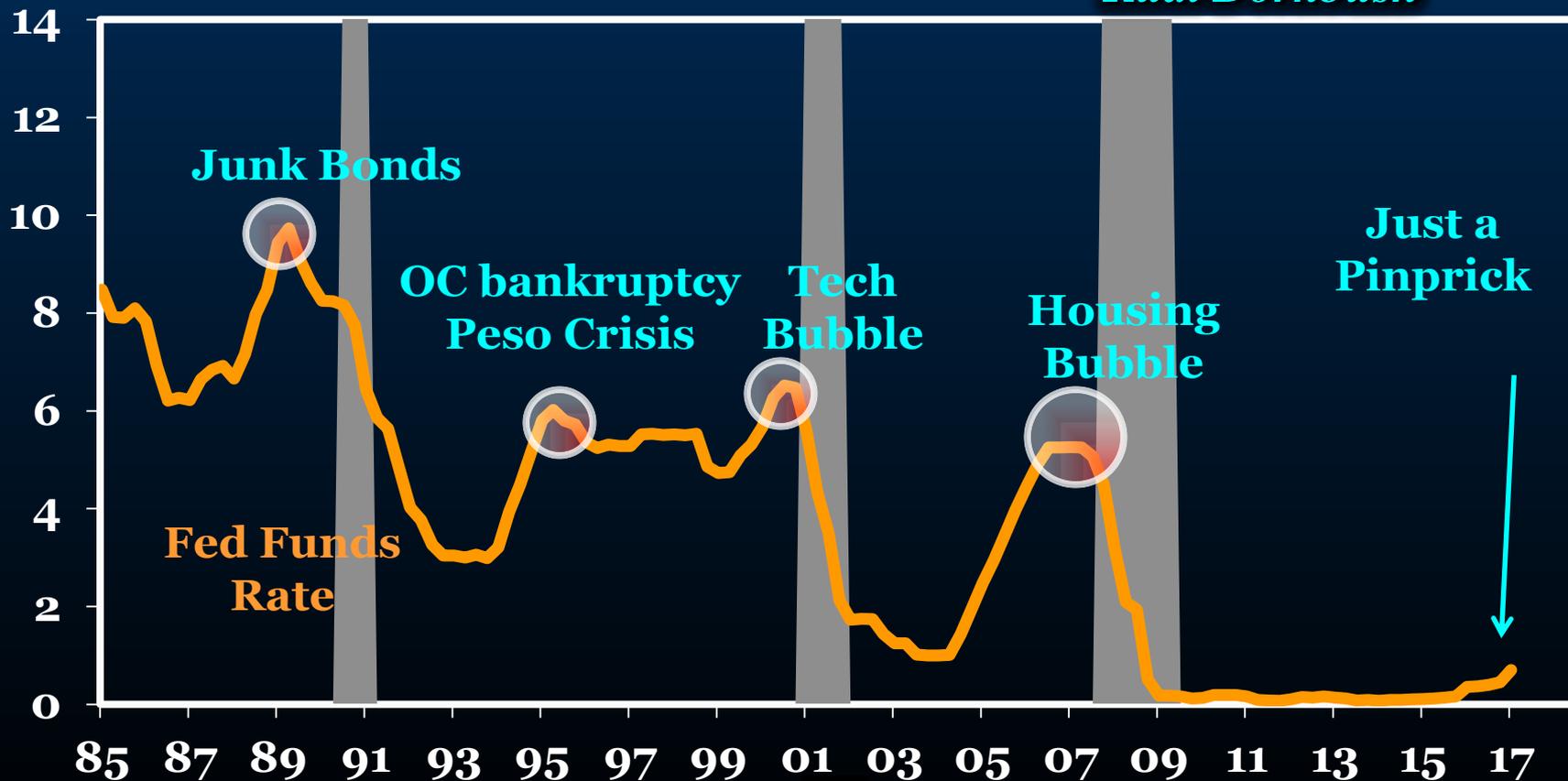
- **Pass a Budget Resolution**
  - No budget for 2017 or 2018 yet
- **Raise the Federal Debt Ceiling**
  - Suspended in Nov. 2015
  - 'Extraordinary measures' should be able to extend it to September
- **Corporate/individual tax reform**
- **Regulatory Reform**
- **Infrastructure Spending**
- **Immigration Reform**
- **Trade Policy Reconfiguration**

# Will The Fed Kill The Expansion?

Fed Hiking has Tipped the Economy in a Recession in the Past

**Post-war expansions didn't die in their beds; they were murdered by the Federal Reserve."**

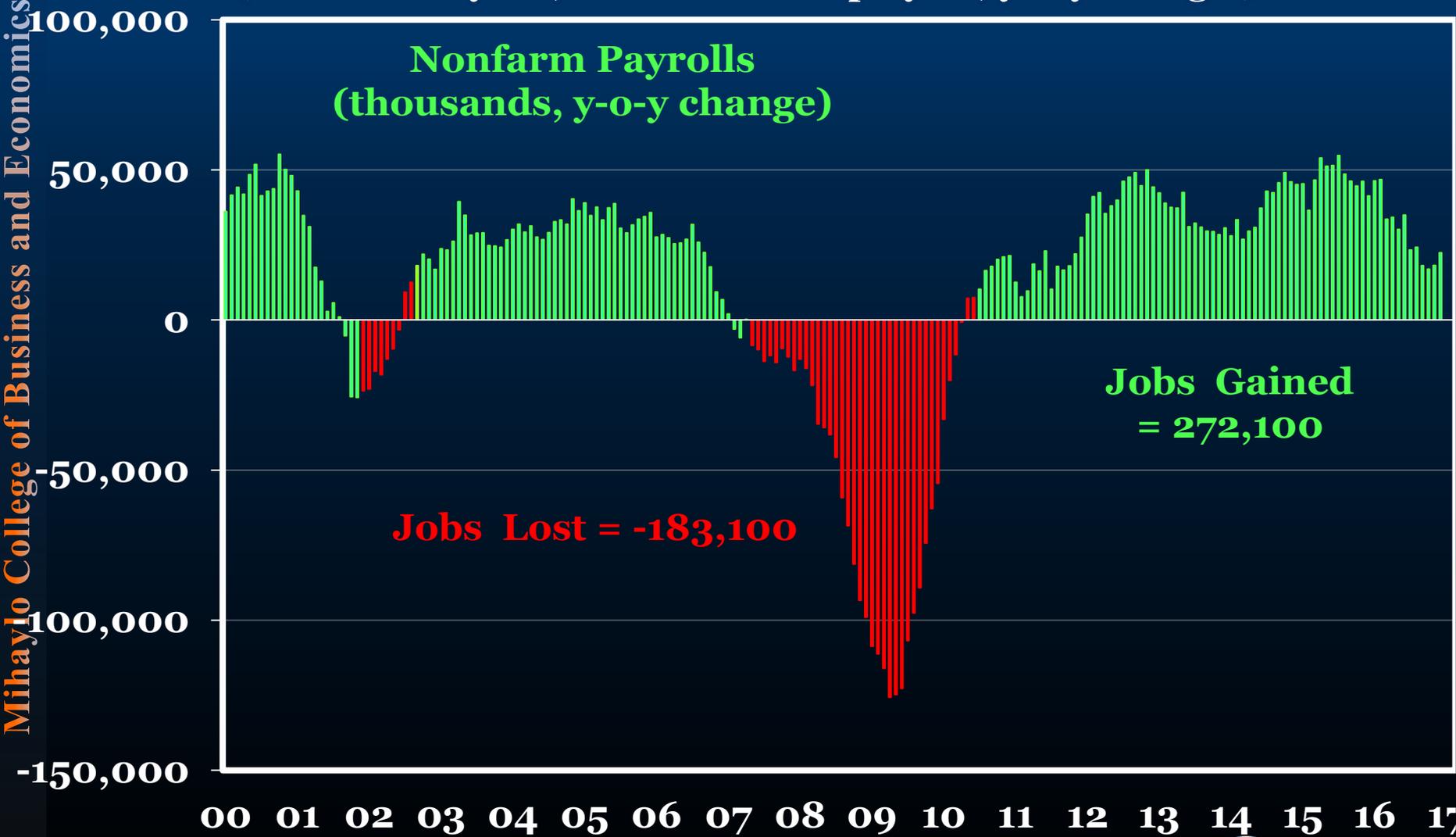
*Rudi Dornbush*



# Pace of Job Formation Has Edged Down a Bit

But it's Still Quite Robust

(Nonfarm Payroll, thousand of employees, y-o-y changes)

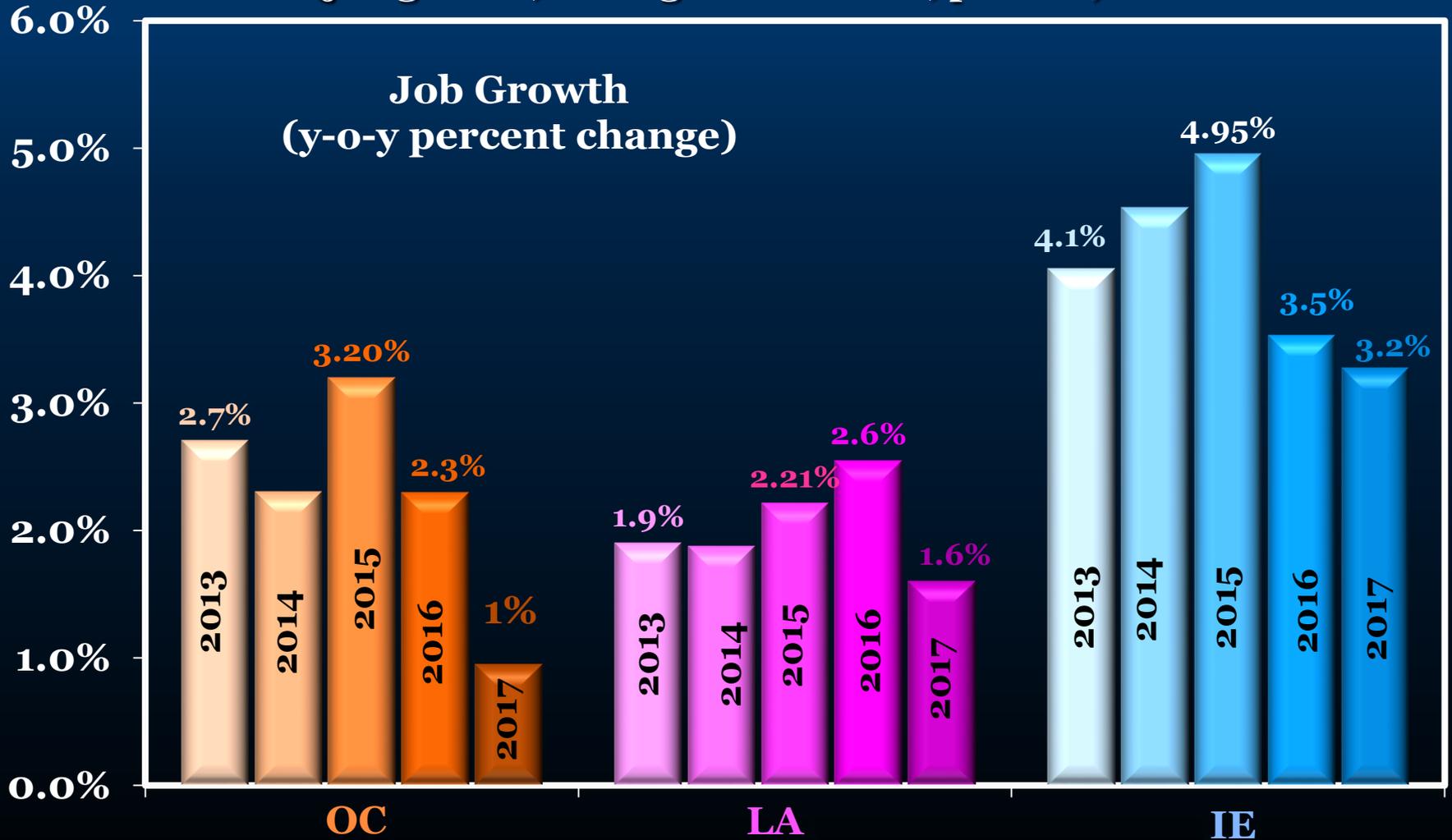


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# Moderation in Job Growth Throughout SoCal

Reflecting the Mature Stage of the Business Cycle

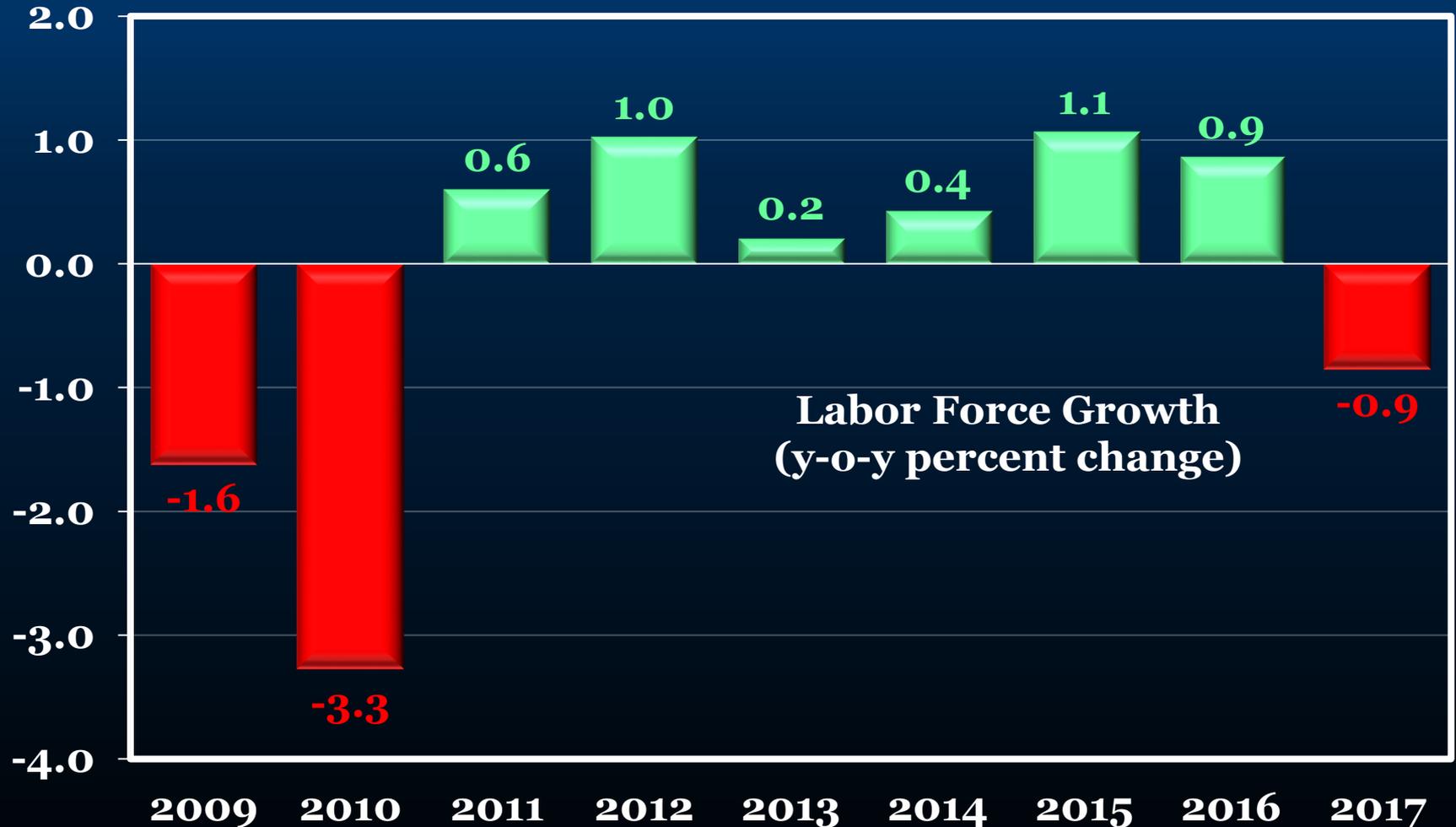
(job growth, average annual rate, percent)



# OC Labor Force has Shrunk This Year

## After Growing in the Previous Five Years

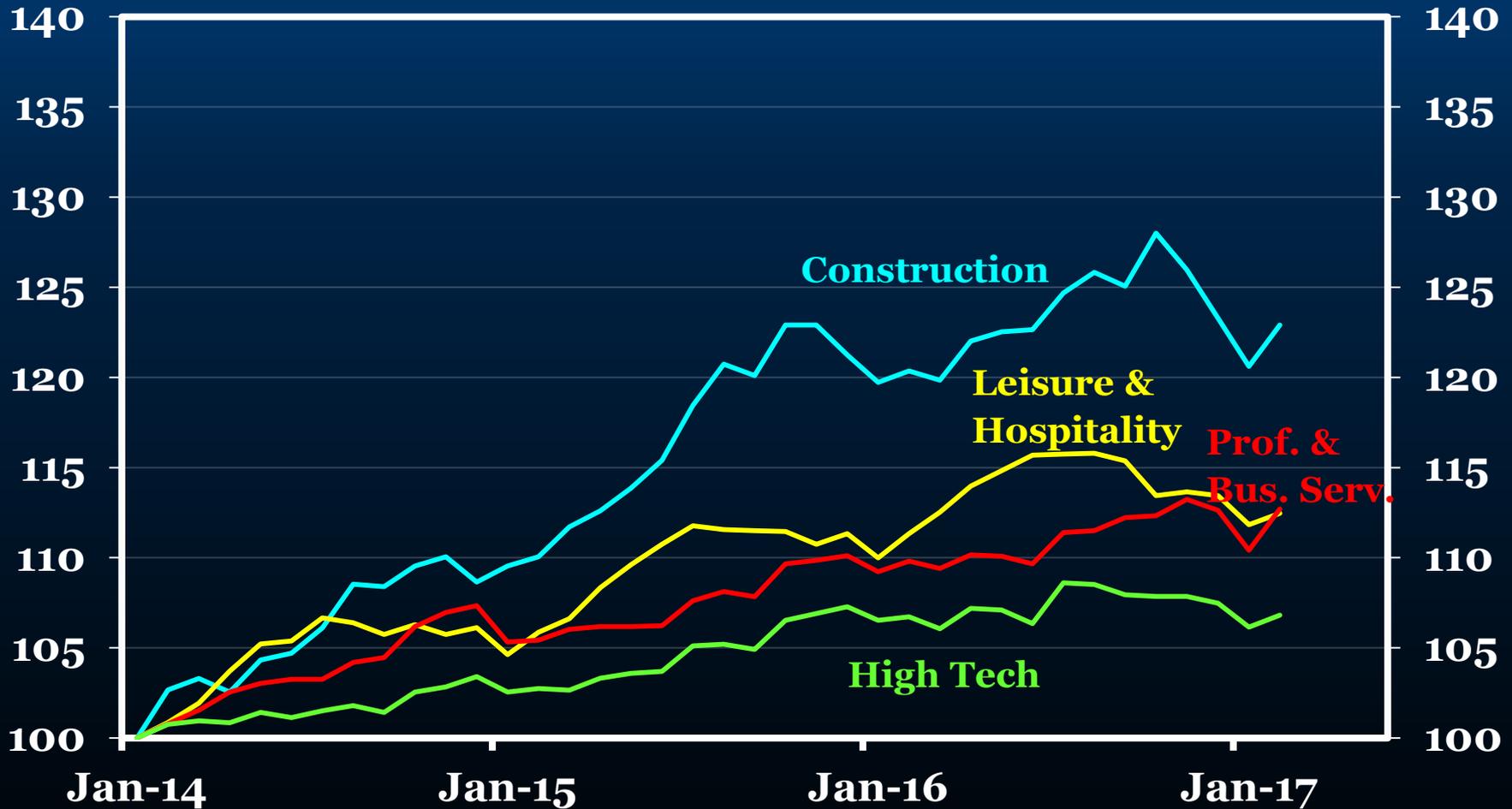
(labor force, average annualized growth rate, percent)



# Diversity of OC Economy is Key Factor

## Construction Employment Has Moderated since Mid-2016

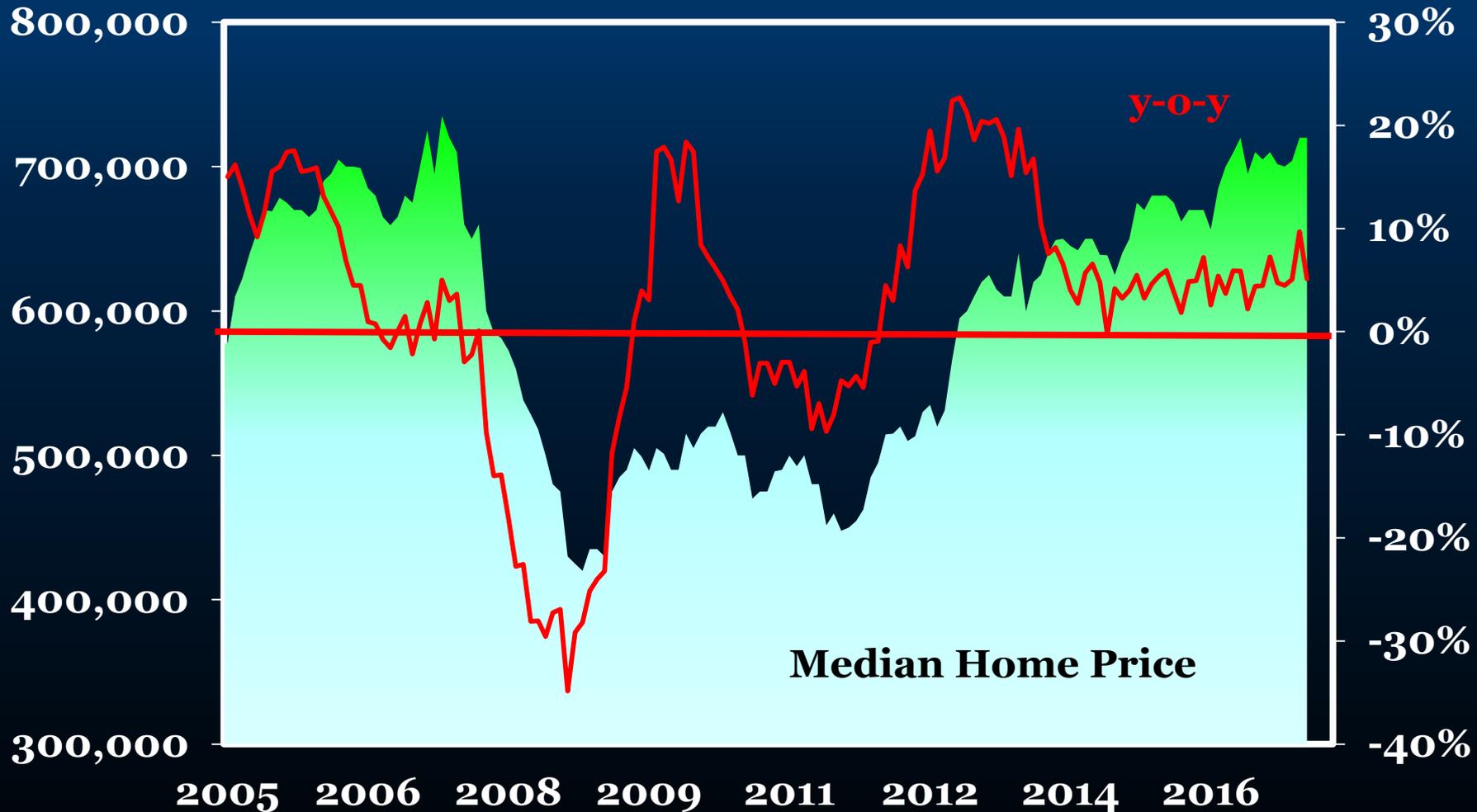
(employment levels, Jan 2014=100)



# Home Values: Back At Their Peak

Home Price Appreciation has Remained Robust

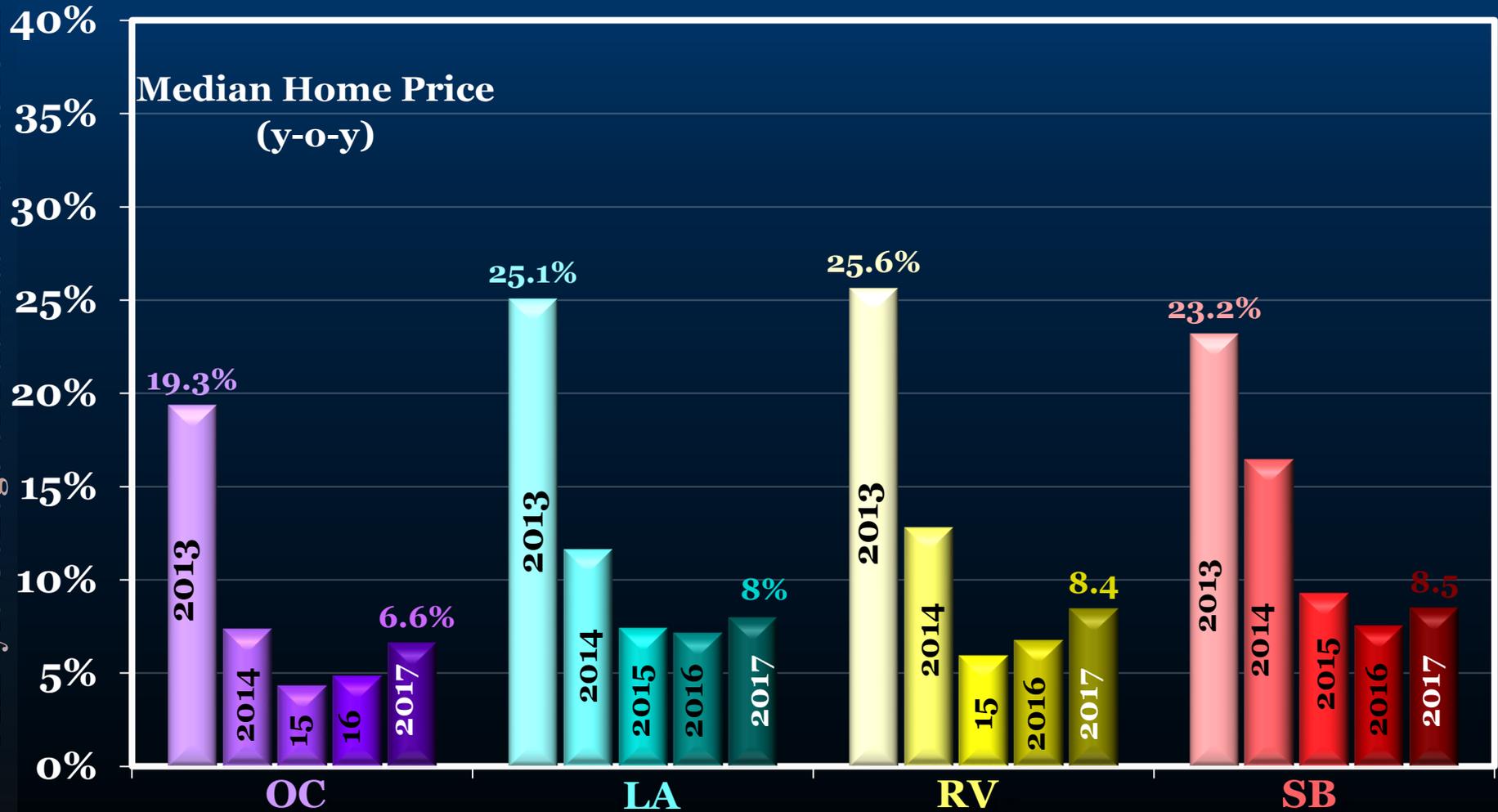
(Corelogic median home price, level and y-o-y percent change)



# Home Price Appreciation has Held Steady

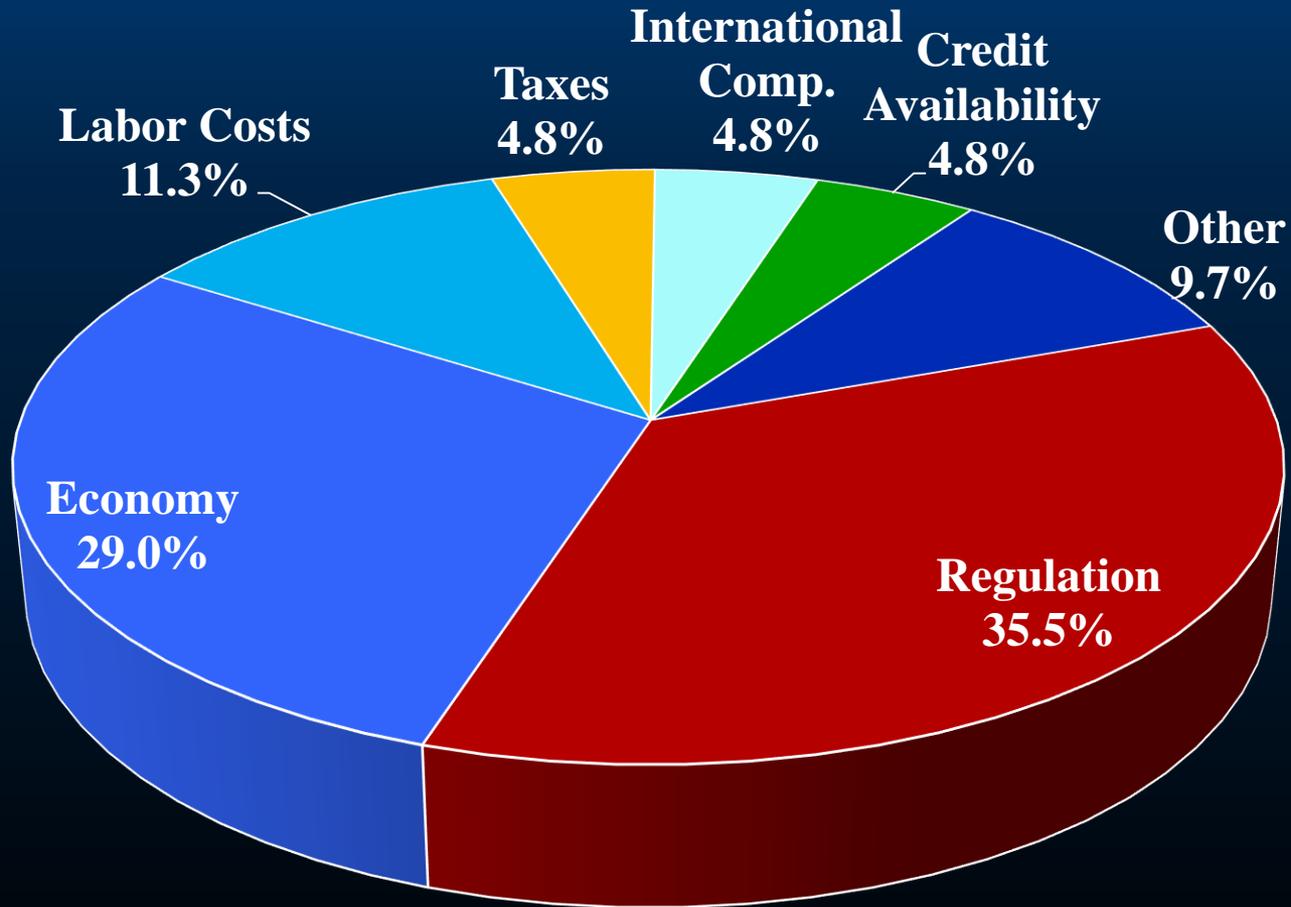
(Corelogic, annualized average growth in median prices, percent)

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# Most Significant Concerns Continue to be Economy and Regulation

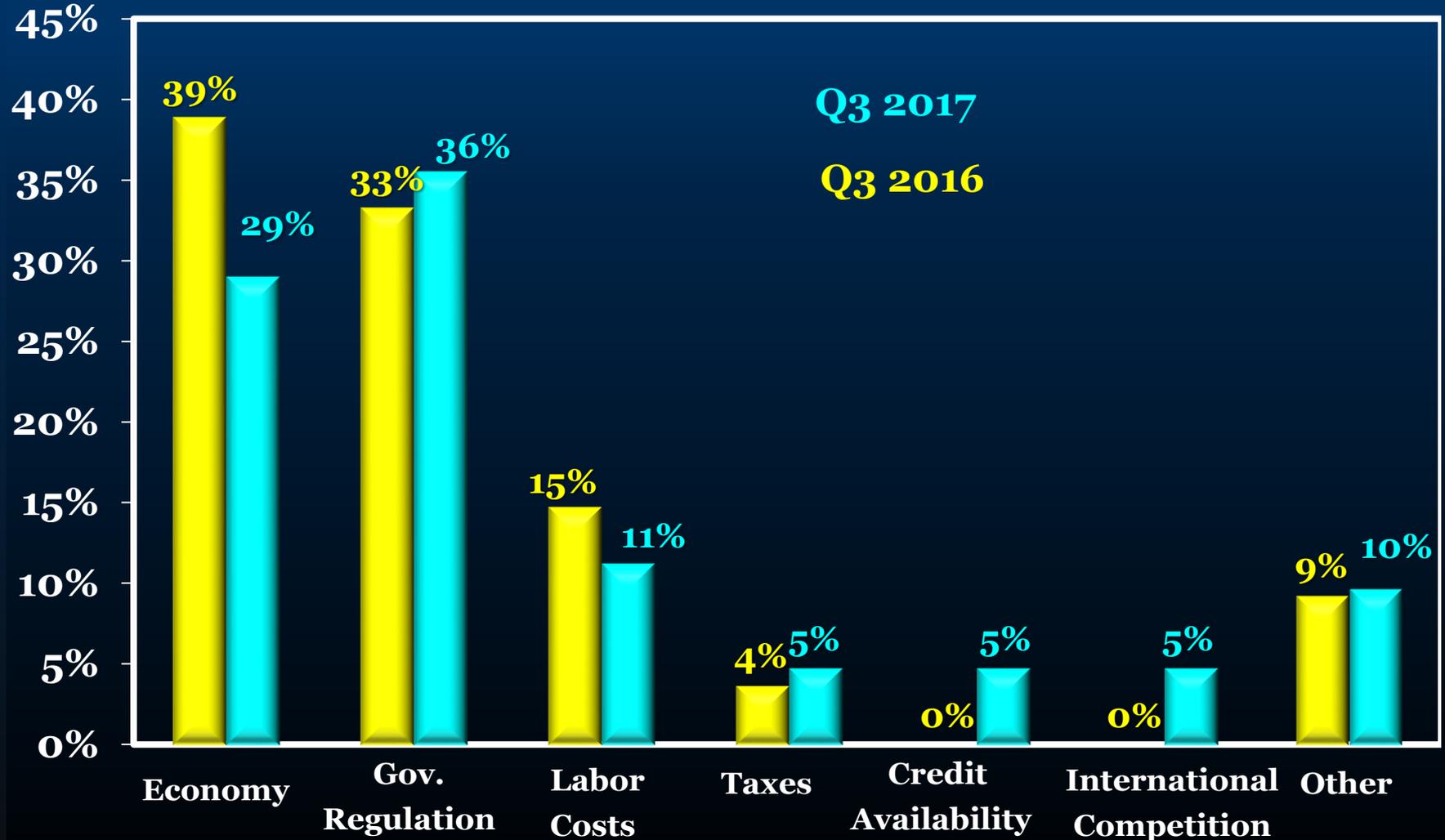
(WCEAF Orange County Business Executives Survey, Q3 2017)



# Concerns on the Economy and Regulations

Have Edged Down a Bit Compared to Last Year

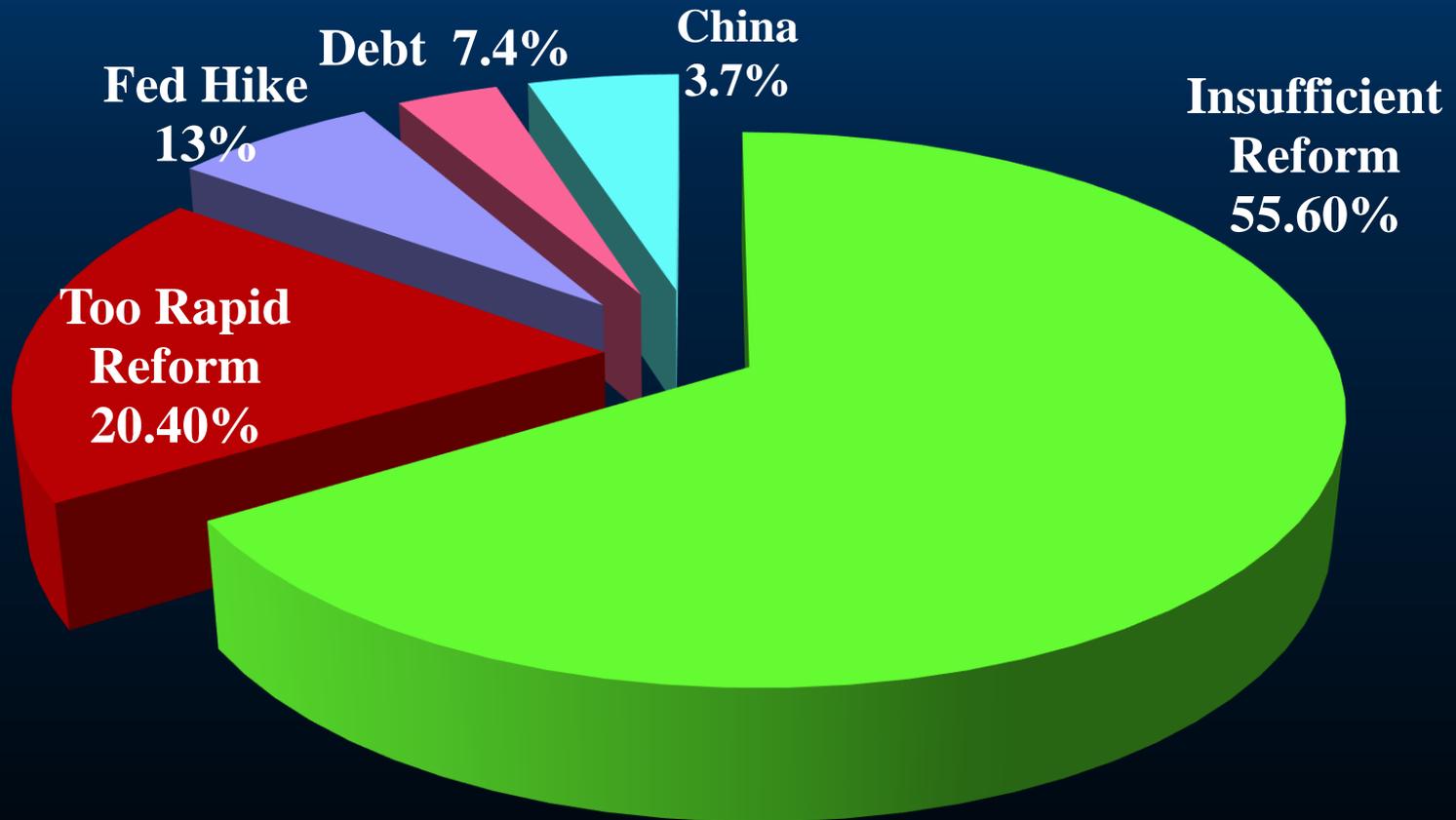
(WCEAF Orange County Business Executives Survey, percent of respondents)



# Biggest Threat to the US Economy

## Insufficient and Too Rapid Reform

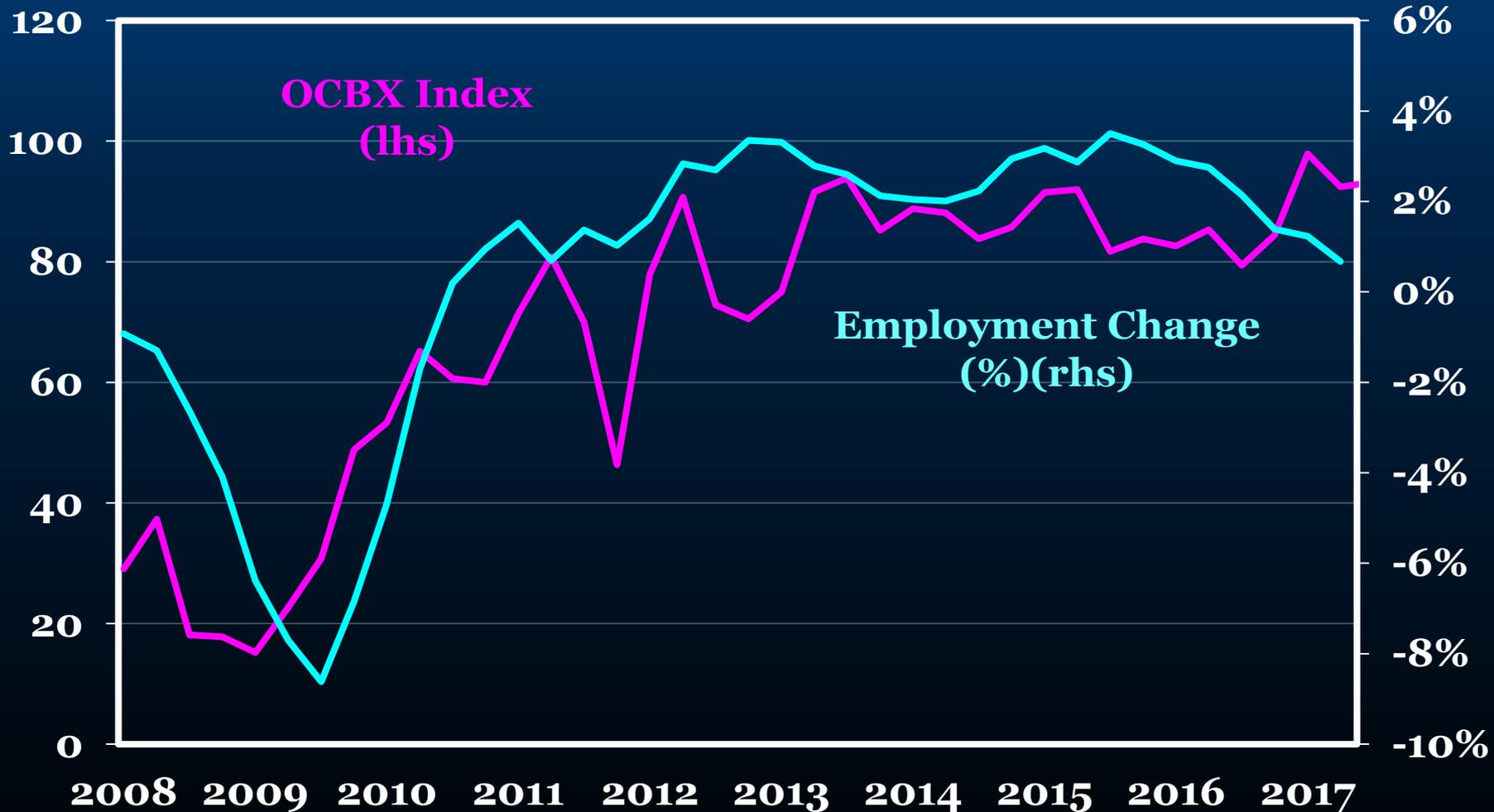
(WCEAF, Orange County Business Executives Survey, Q3 2017)



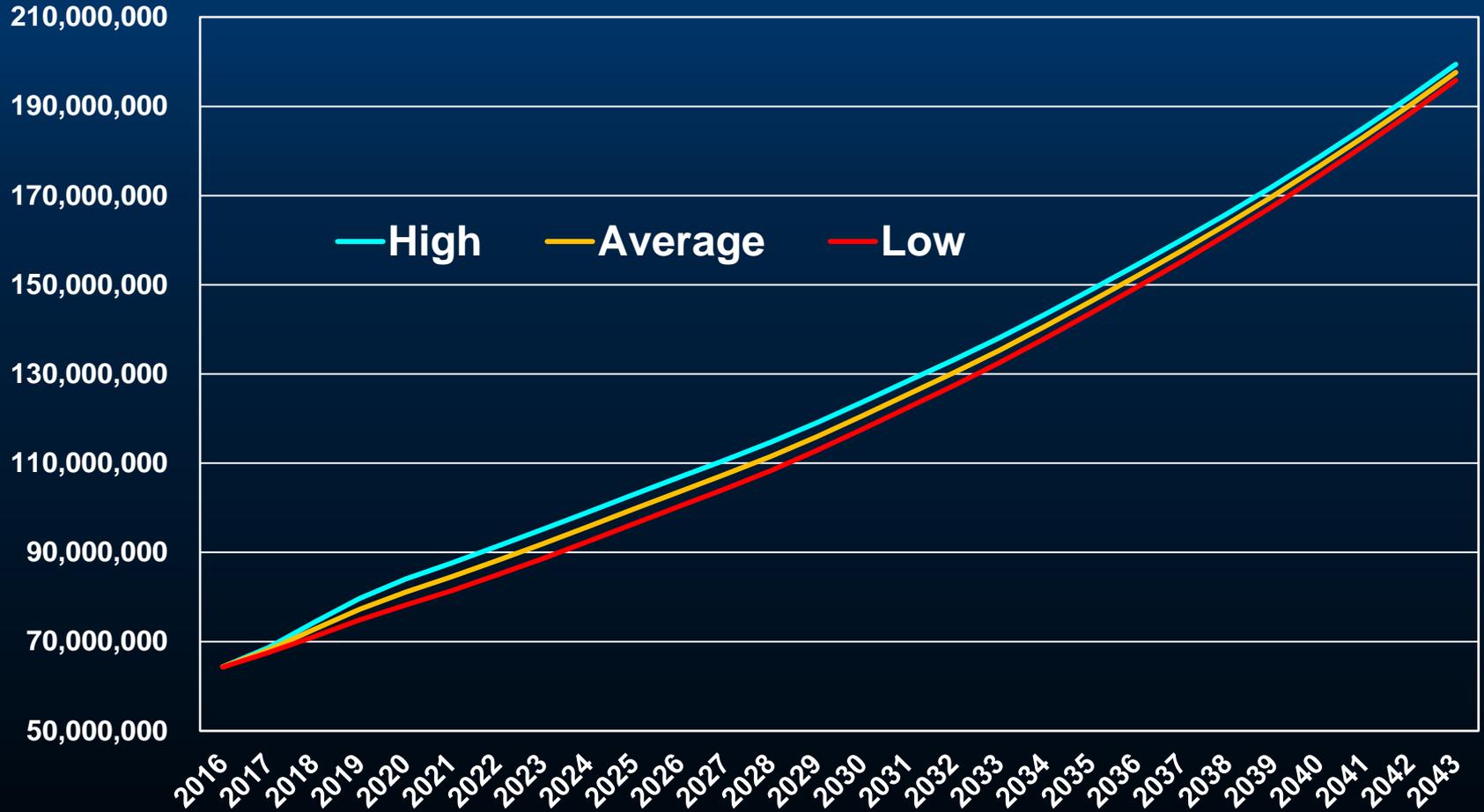
# OC Business Expectations Index

Has Reversed a Tad in Latest Surveys

(WCEAF OCBX Index, level)



# OC Taxable Sales





# Thank You!

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