



# Economic Update and Forecasts

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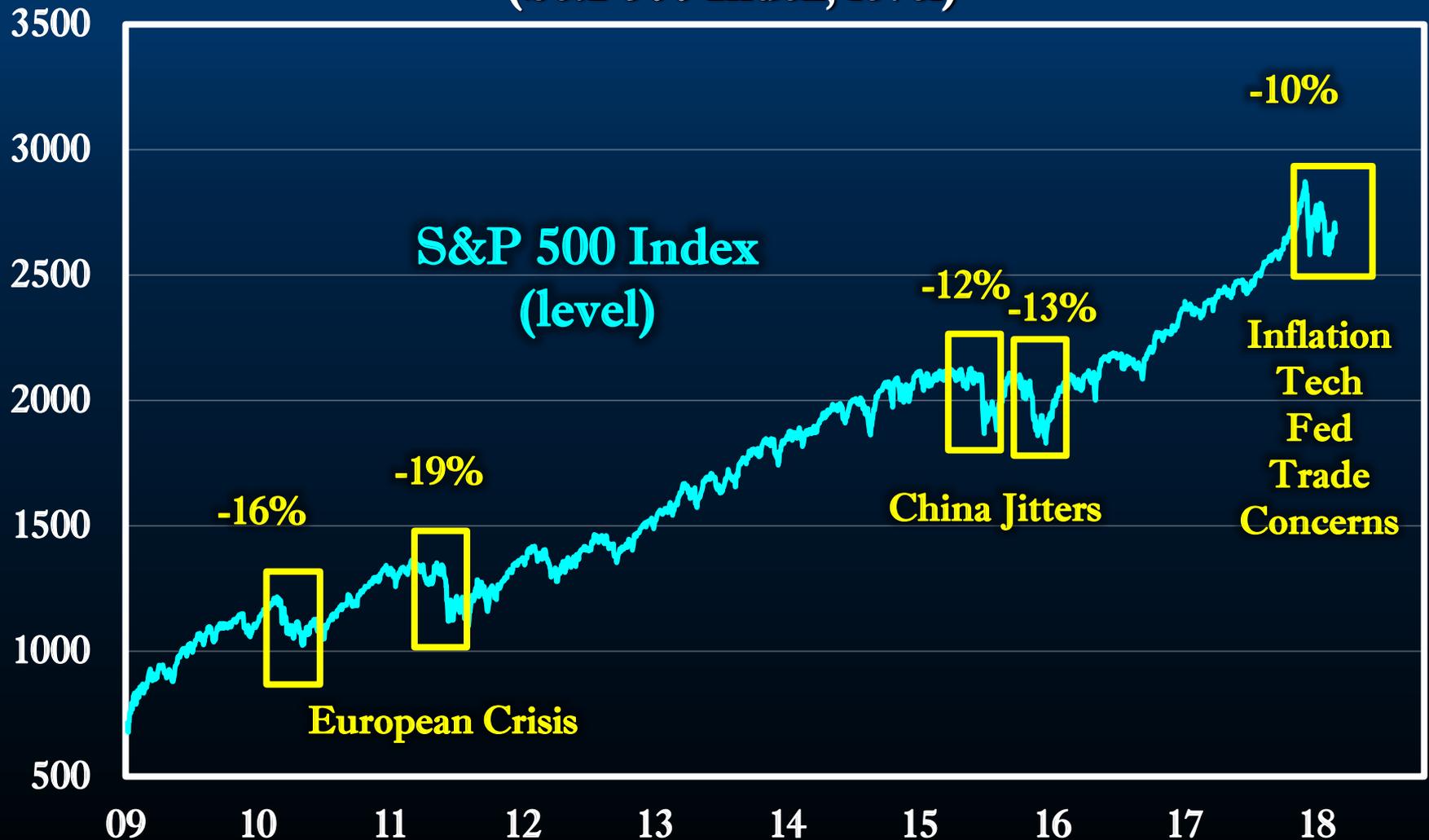
**Mihaylo College of Business and Economics  
California State University, Fullerton**

**OCTA  
July 11, 2018**

# 2018 Stock Market at its Highest But Jittery

## The Most Volatile Year for Stocks Since 2011

(S&P500 Index, level)



# Consumer Confidence: Off the Charts

Confidence Highest since 2000

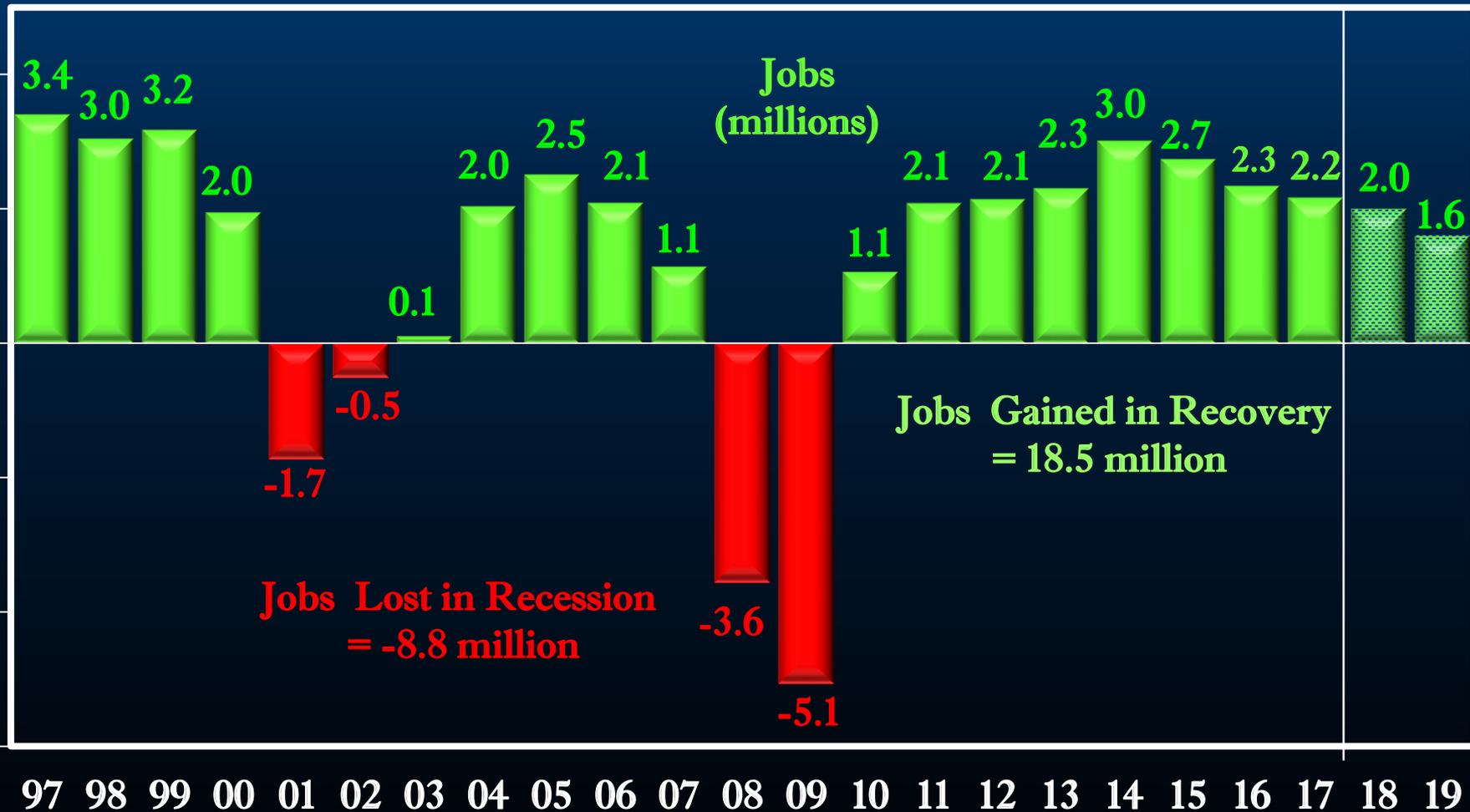
(Conference Board, Index Level)



# Solid Job Growth As Expansion Matures

## Job Growth at a Slightly Lower but Robust Pace

(millions of employees)



# Labor Market is Tightening Up

## Ratio of Unemployed to Job Openings at Historical Levels

(unemployed to job opening, ratio)



**Unemployed + Marginally Attached per Job Opening (ratio)**



# Outlook Juiced Up!

## Strong Fundamentals Amped Up by a Strong Dose of Fiscal Support

### Consumers

Job Growth

Higher Income

Higher Net Wealth

Healthy Balance Sheets

### Business

Sky-High Optimism

Investment Turnaround

Stronger Global Growth

Tax Cuts

### Policy

Tax Cuts

Fiscal Stimulus

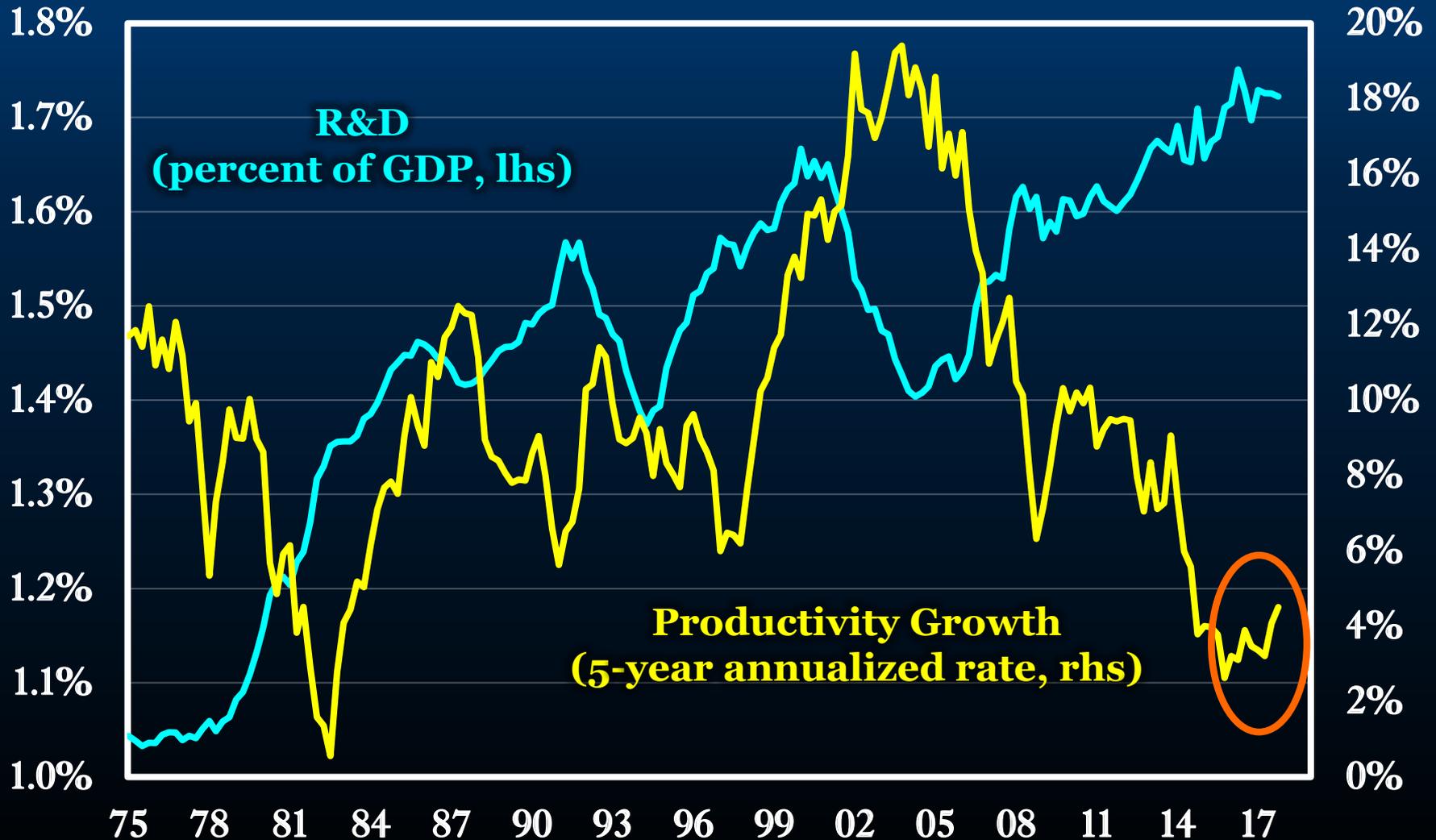
Lighter Regulations

**But Vulnerabilities and Risks Have Risen**

# Productivity Growth

## Key for the Longevity of Expansion

(R&D as percent of GDP, productivity growth, 5-year annualized rate)

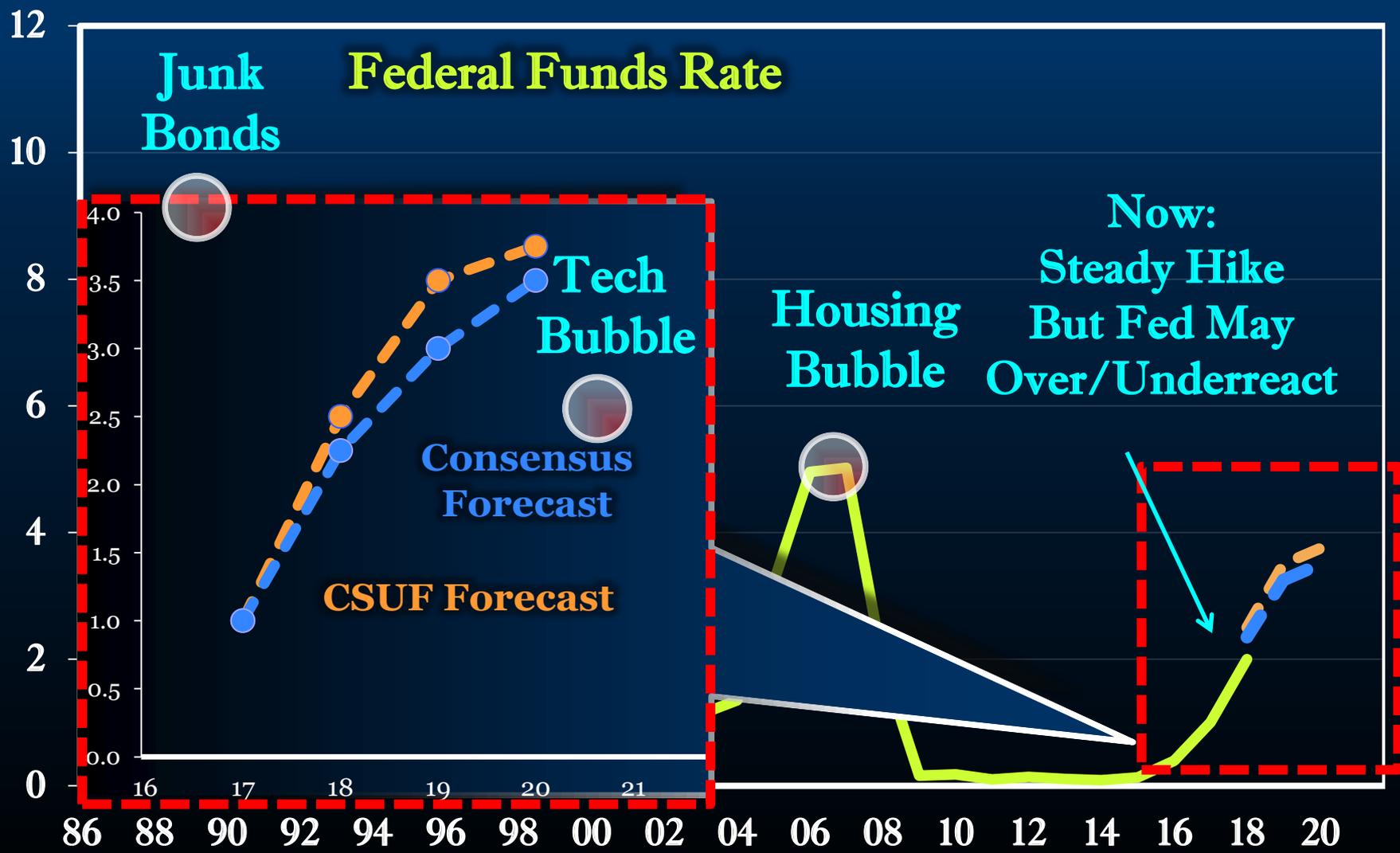


# Fed Policy

Fed Hiking has Tipped the Economy into Recession Before



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# Orange County

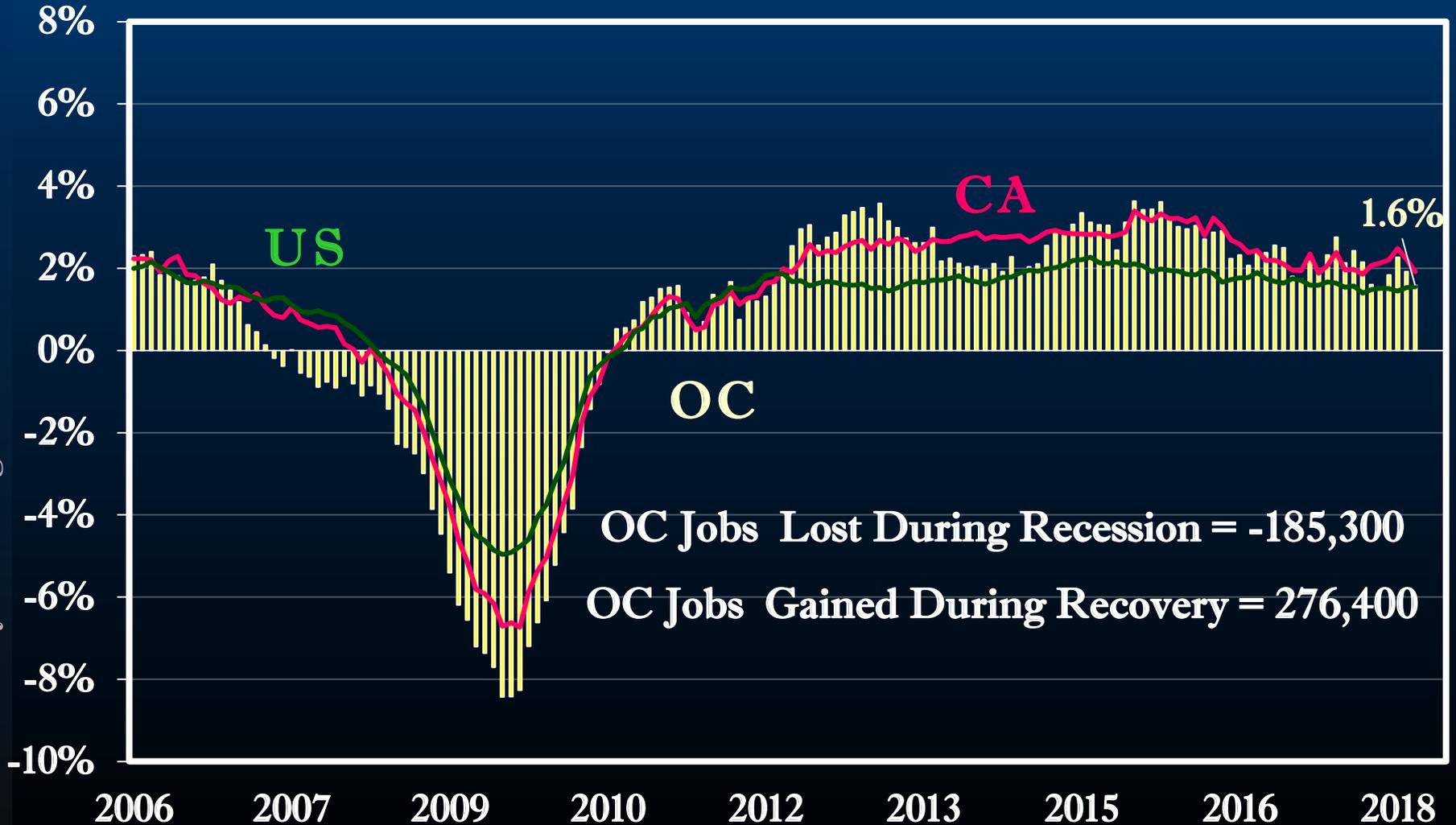
Orange County

# Employment Growth Has Edged Down a Bit

## OC Job at Pace with CA but above US

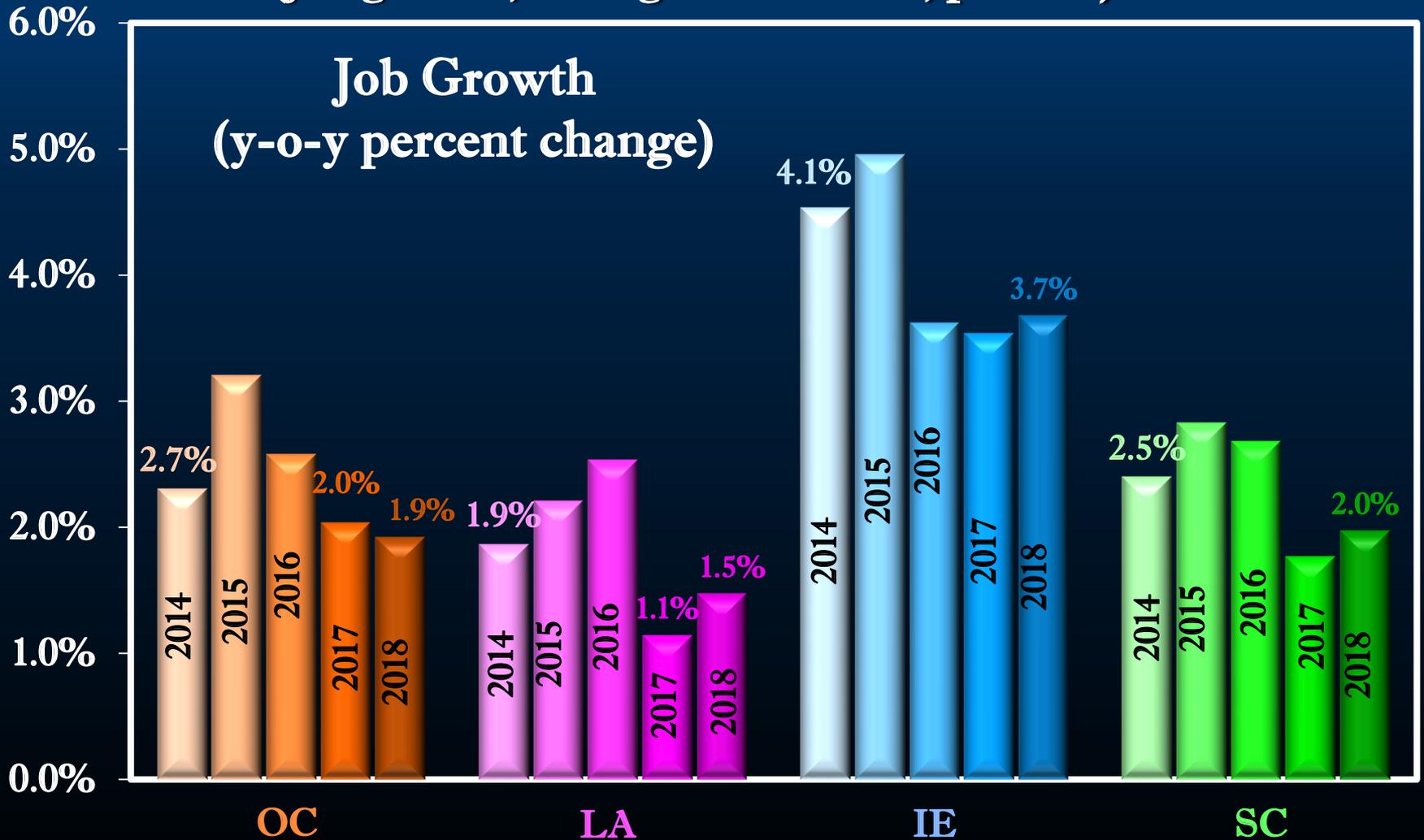
(payroll employment, year-over-year percent change)

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# Job Growth Has Held Steady Throughout SoCal

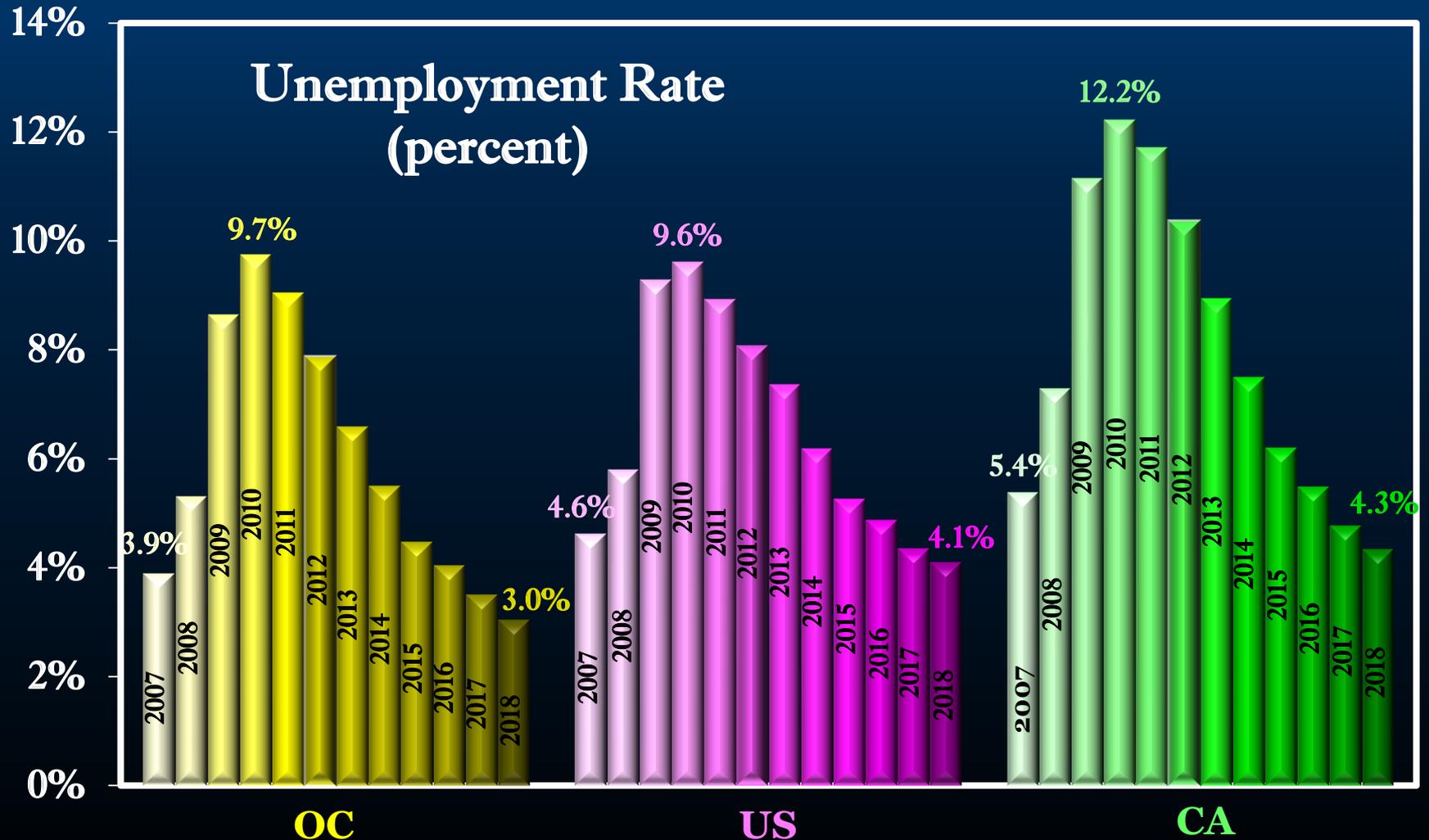
(job growth, average annual rate, percent)



# Tight Labor Market Will Get Even Tighter

OC Unemployment Rate at 2.8%; Lowest since 1999

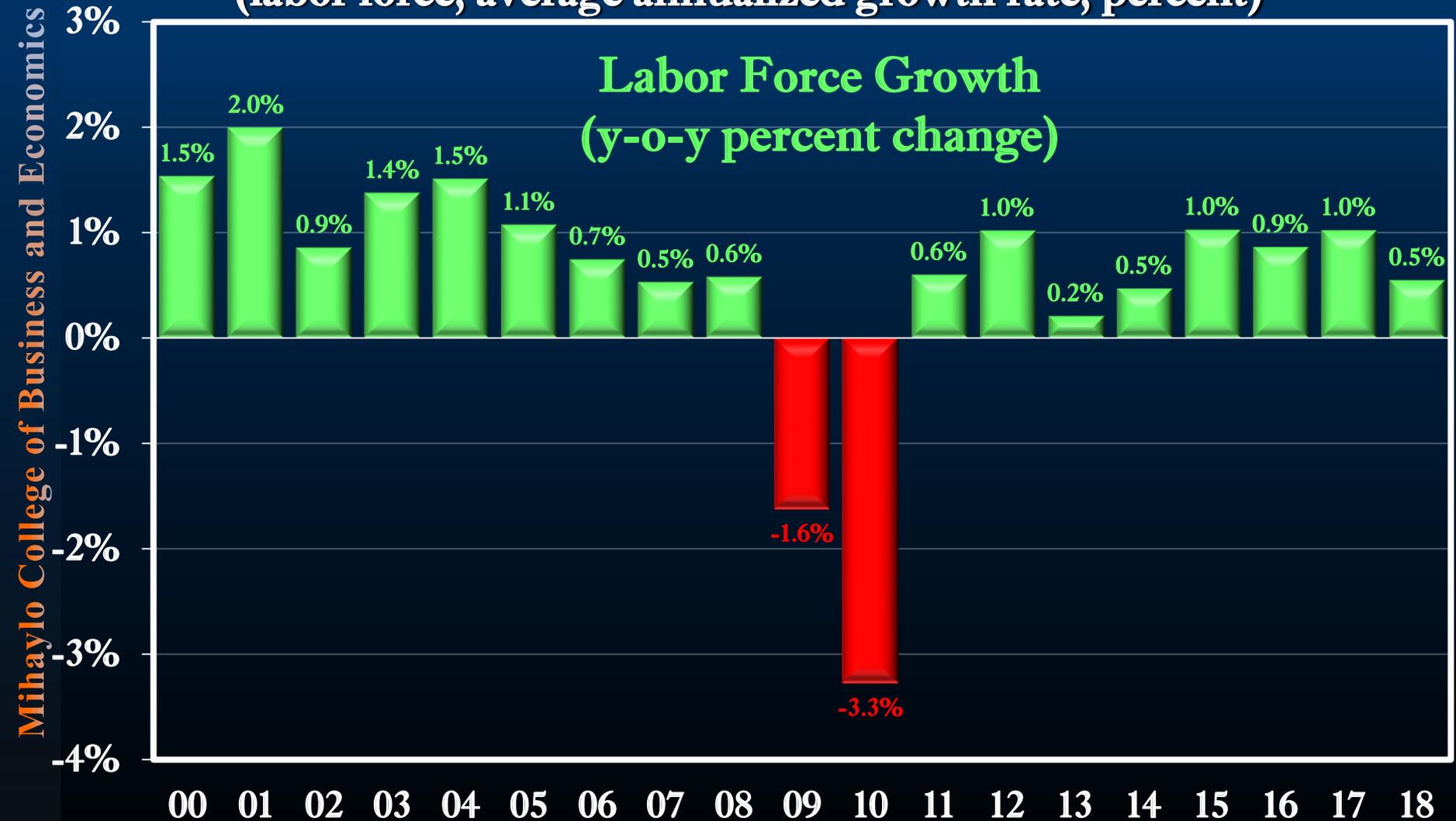
(unemployment rates, percent)



# Healthy Pace of Labor Force Expansion

## OC Labor Force Has Expanded for Seven Straight Years

(labor force, average annualized growth rate, percent)

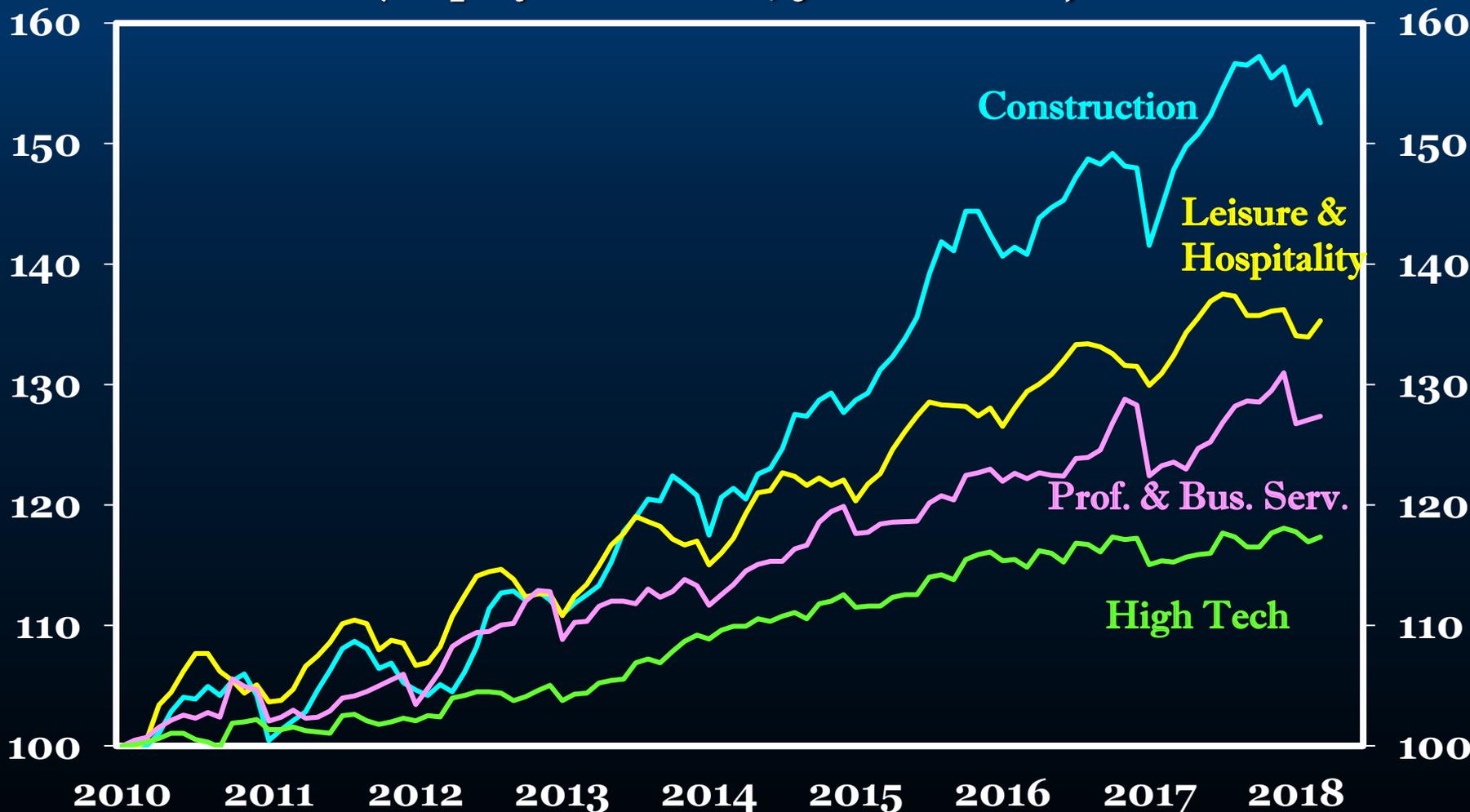


# OC Economy Strength: It's Diversity

Construction and Leisure & Hospitality are Fastest Growing Sectors

(employment levels, Jan 2010=100)

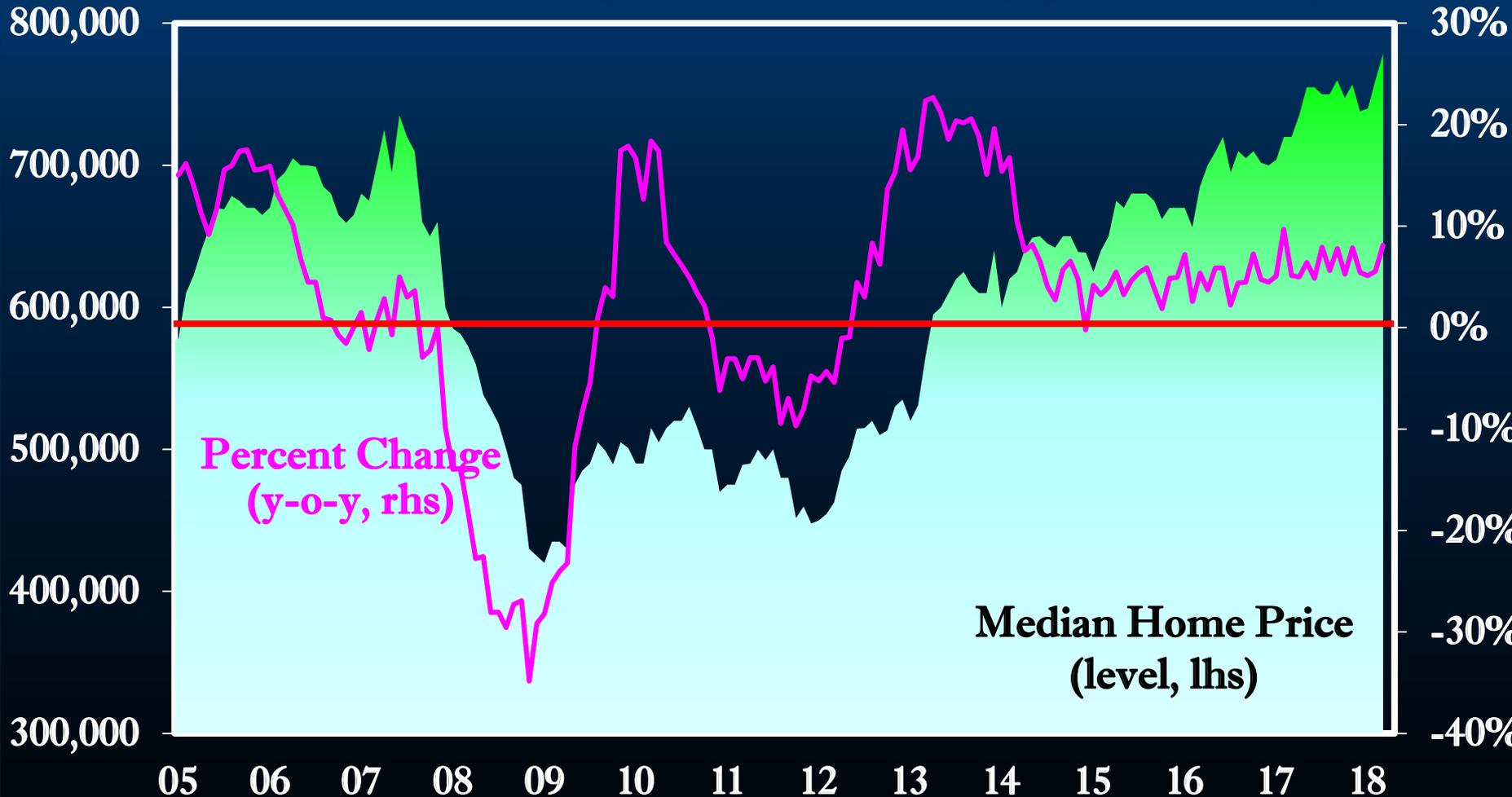
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# Home Values: Exceeding Their 2006 Peaks

## Home Price Appreciation has Remained Robust

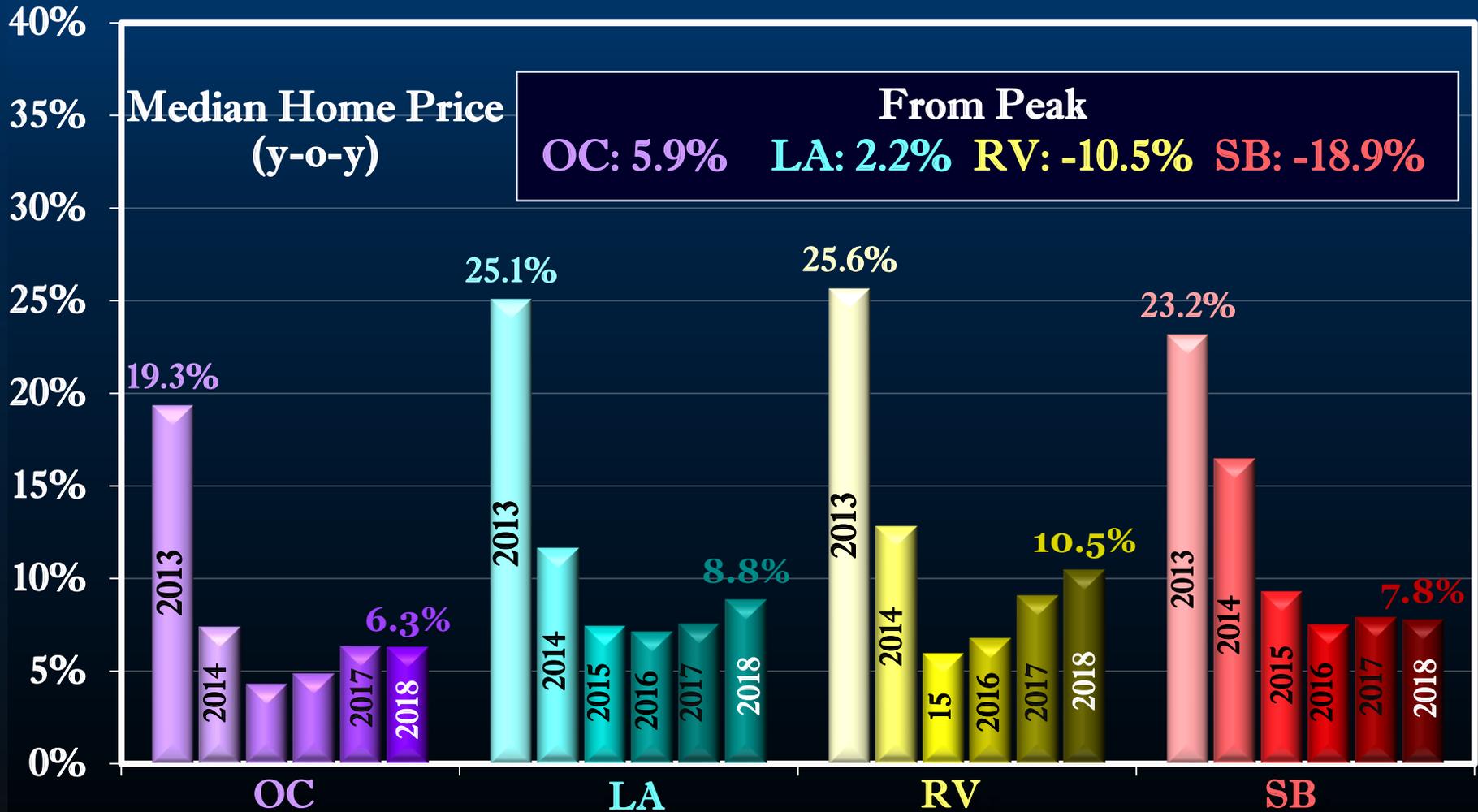
(Corelogic median home price, level and y-o-y percent change)



# Home Price Appreciation has Held Steady

## LA and OC Home Values Have Fully Recovered

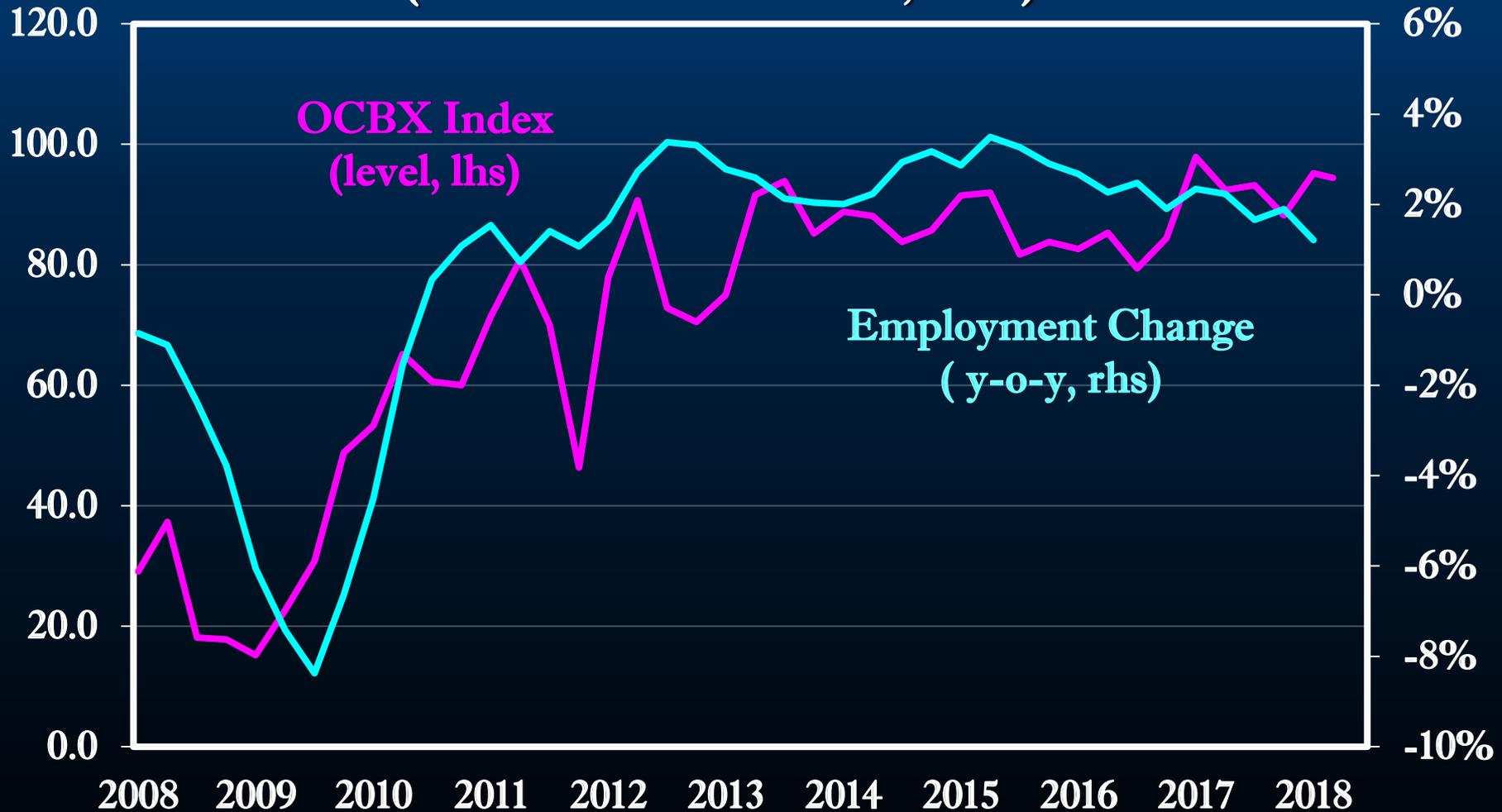
(Corelogic, annualized average growth in median prices, percent)



# Business Expectations: At Cycle Highs

## OC Businesses Continue to Remain Optimistic

(WCEAF OCBX Index, level)

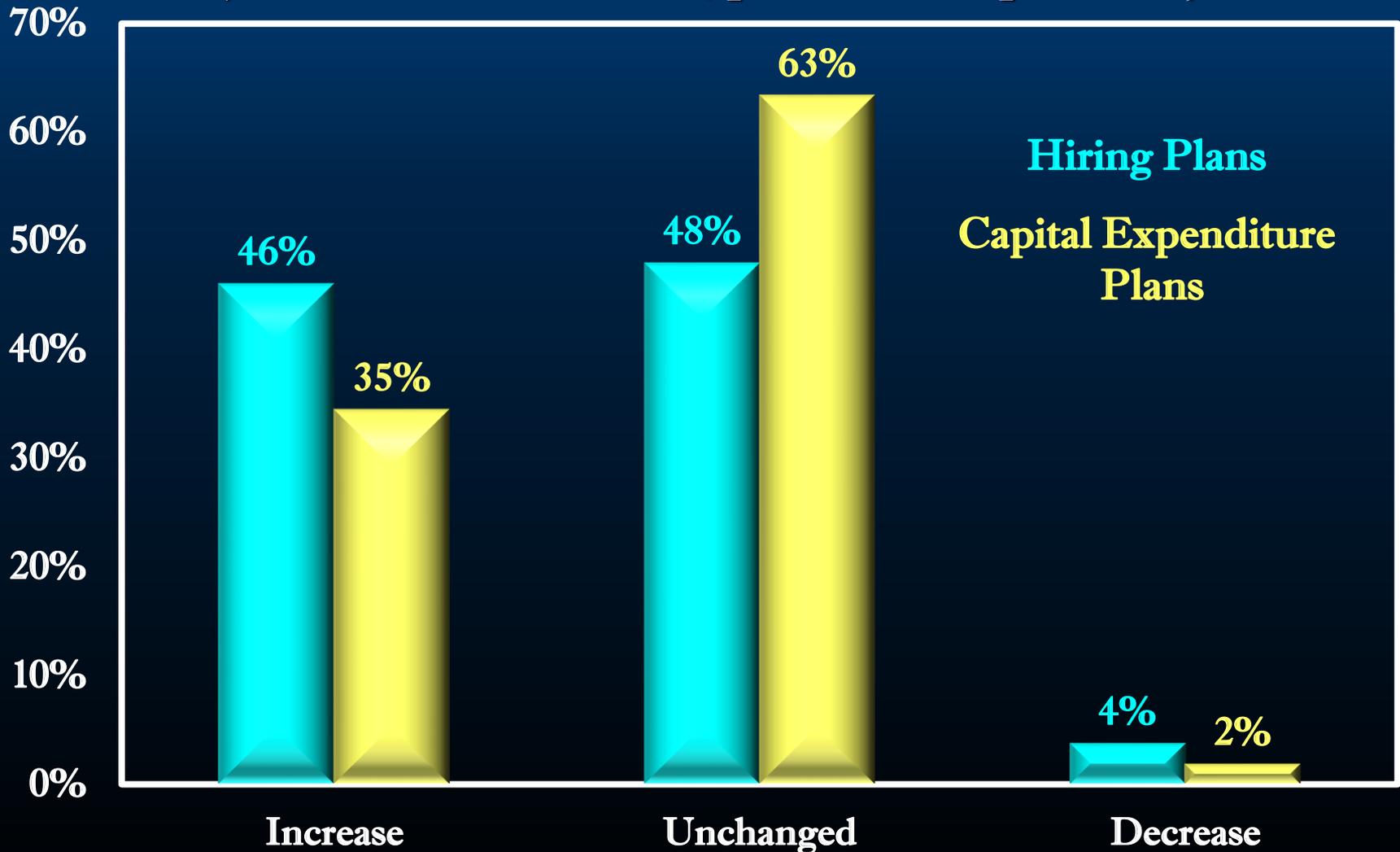


# Bright Outlook for the Local Economy

## More Hiring and More Capital Spending

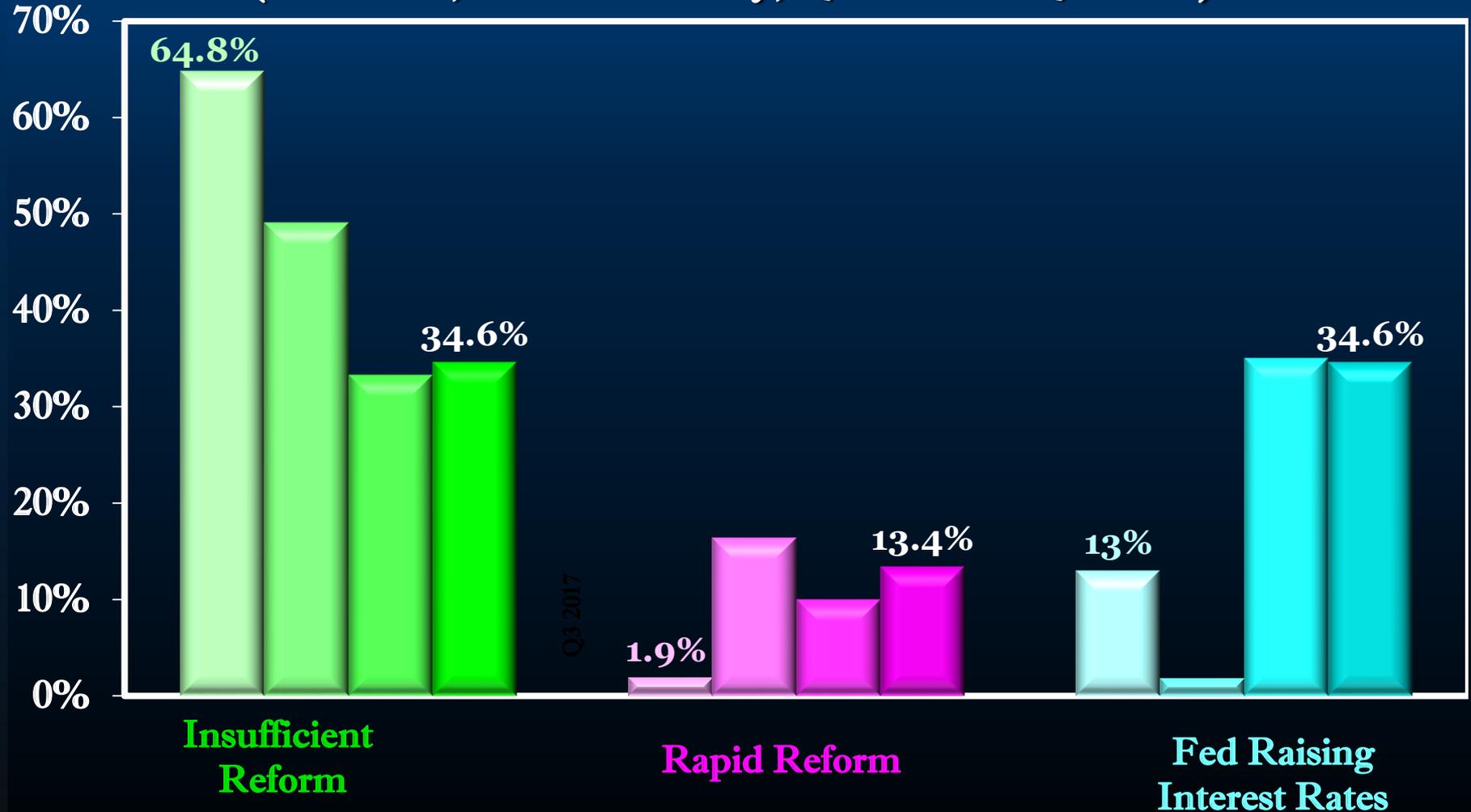
(WCEAF OCBX Index, percent of respondents)

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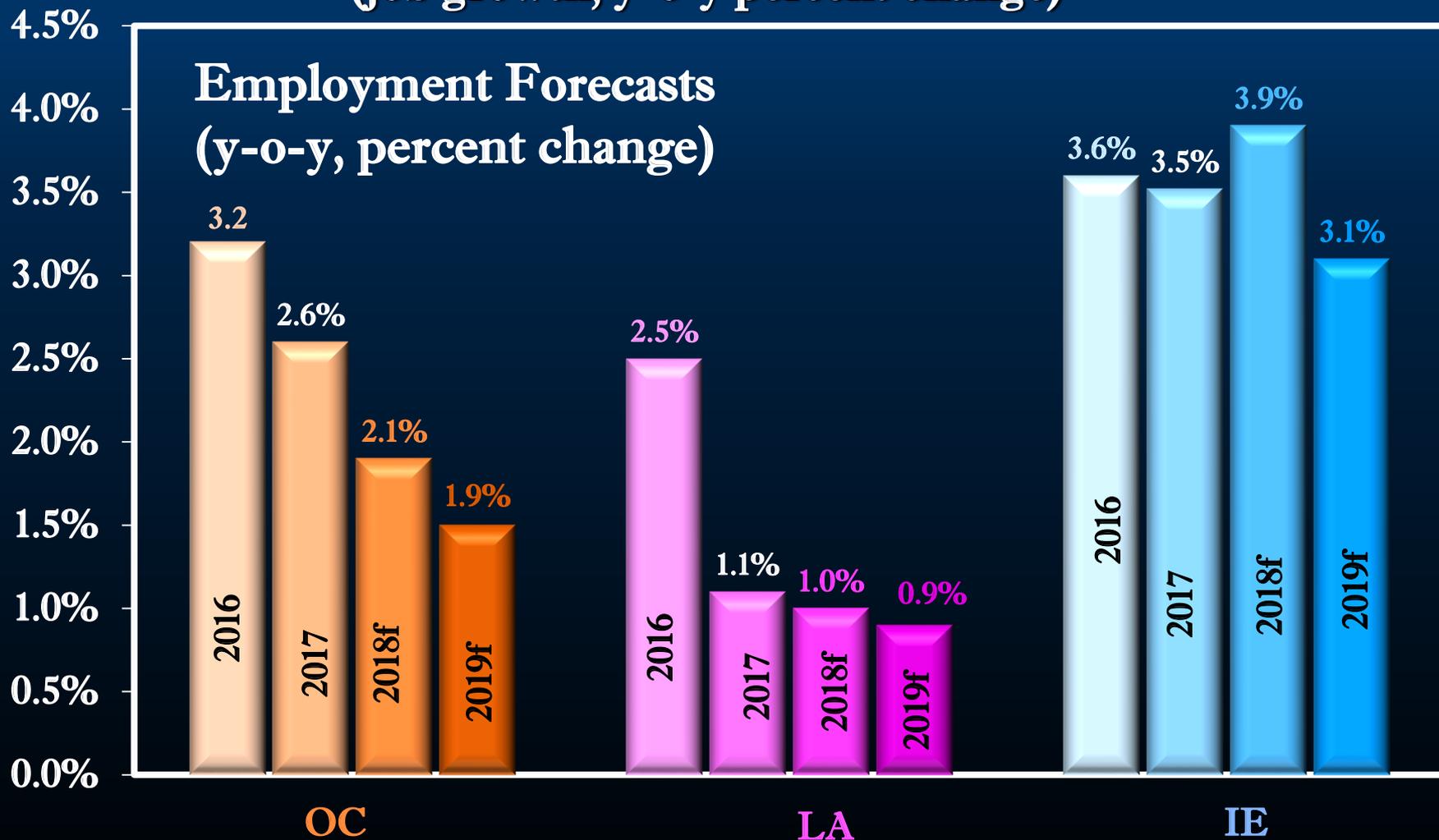
# Fed Policy: Biggest Threat to US Economy

(WCEAF, OCBX Survey, Q3 2017 to Q3 2018)

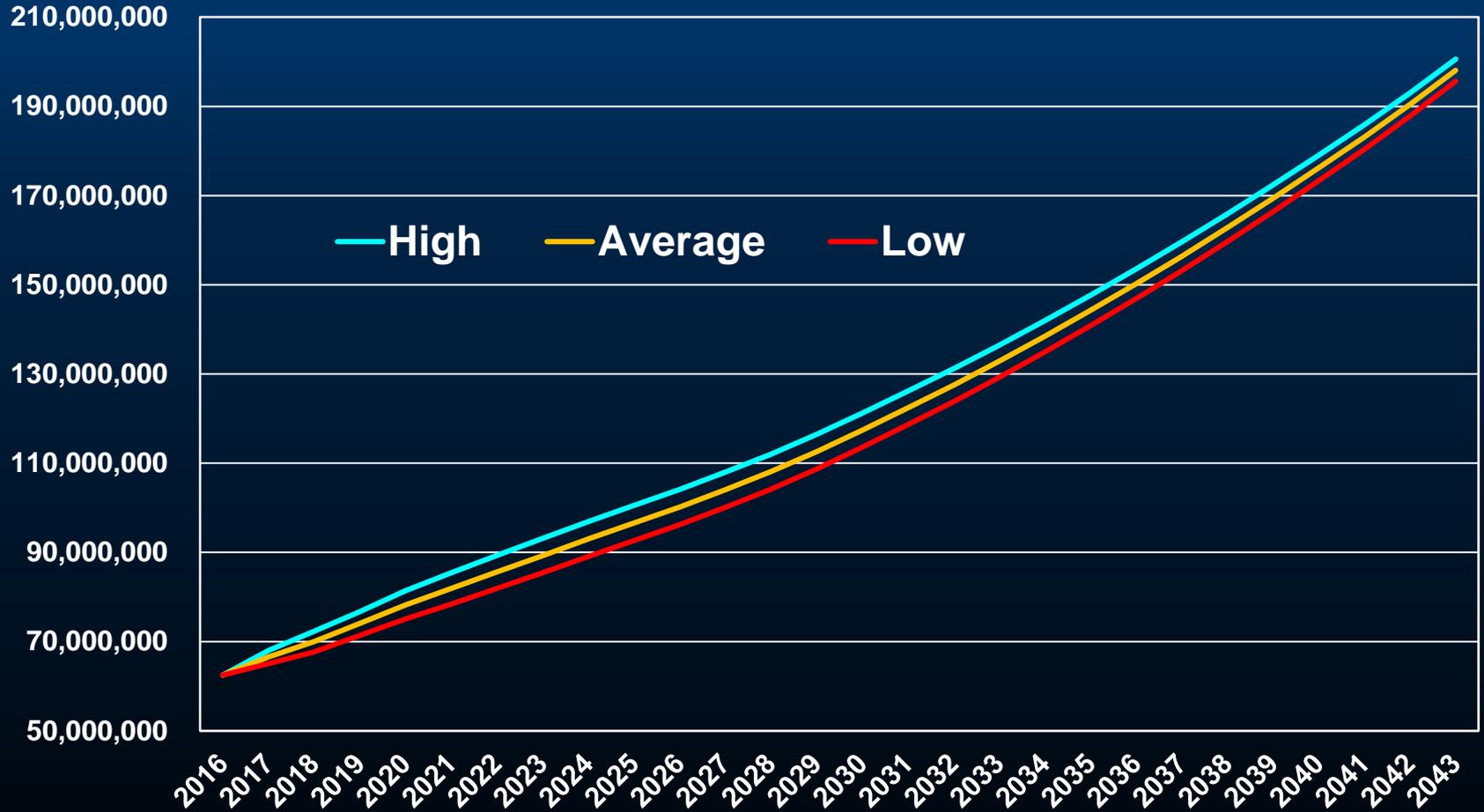


# Forecasts

## Continued Employment Growth, Though at Slower Clip (job growth, y-o-y percent change)



# OC Taxable Sales





# Q & A