

TAXABLE SALES FORECAST

**CALIFORNIA STATE UNIVERSITY,
FULLERTON**

Current Economic Outlook

Anil Puri, Ph.D.

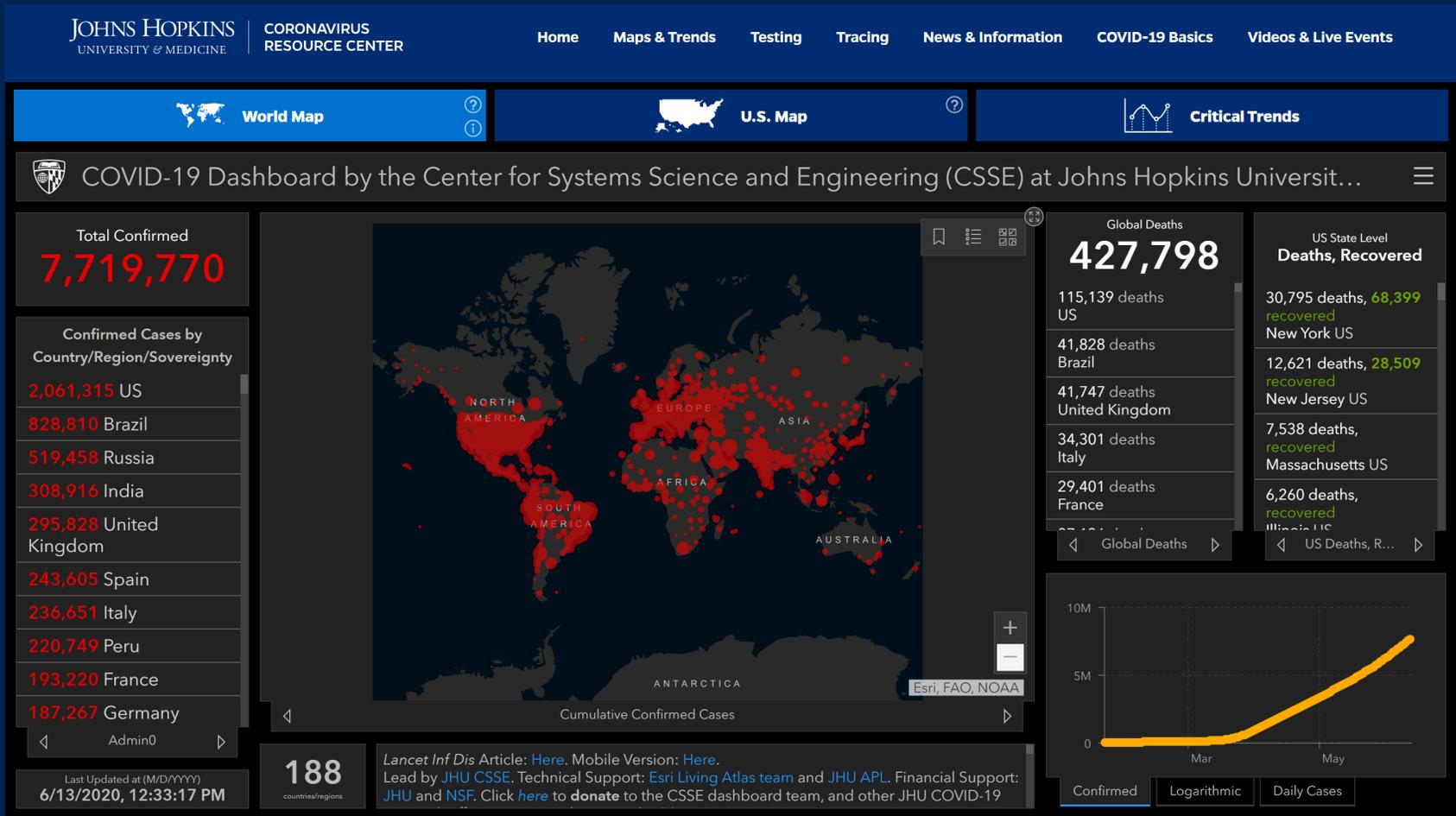
California State University, Fullerton

Orange County Transportation Authority

July 2020

A Ticking and Relentless Time Bomb

2



A Gulf of Separation: Stock Market vs. Economy

3

Stock Market Collapsed First But Has Recovered Some, Even As Economy Reels
(S&P500 Index, level)



The Fed Goes Nuclear

Whatever it Takes

4

Two Rate Cuts
50 bp and 100 bp

Discount Rate: cut to 0.25%
Reserve Requirements: cut to 0%

Quantitative Easing
Initially \$700 bn; now open ended

Forward Guidance
Zero rates until economy recovers

Main Street Lending
...up to \$600 bn.

Support SBA's PPP
...up to \$350 bn.

Support Corporate Bond Market
...up to \$750 bn.

Municipal Lending
...up to \$500 bn.

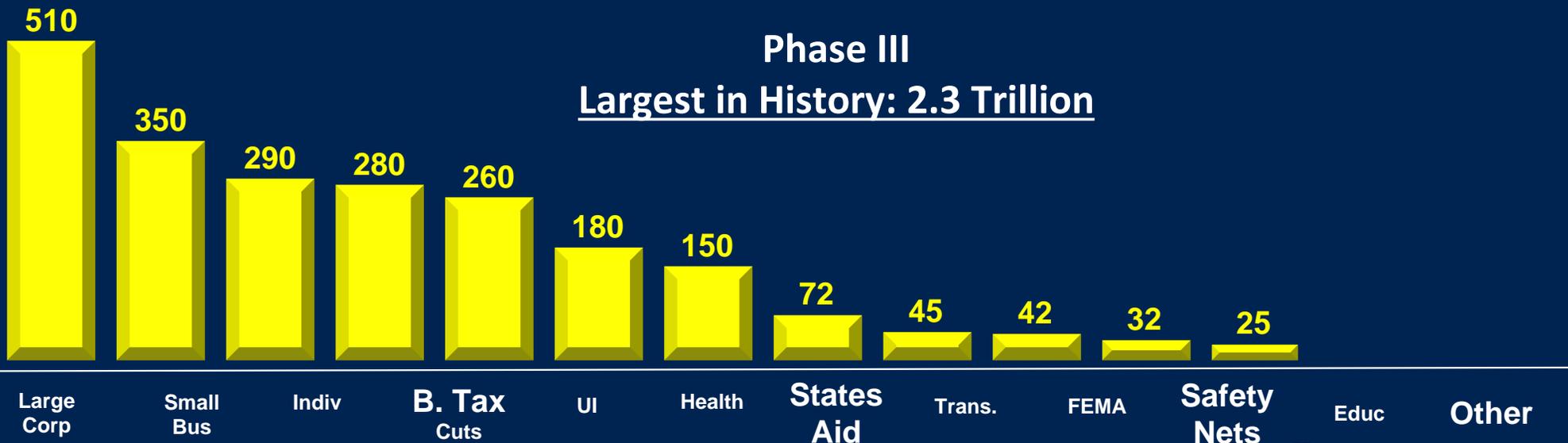
Unprecedented Policy Response Delivered in Phases...But Fast and Targeted

2008-2009	5.9% of GDP	Now	13.8% of GDP
-----------	-------------	-----	--------------

**Phase I:
\$8.3 billion**

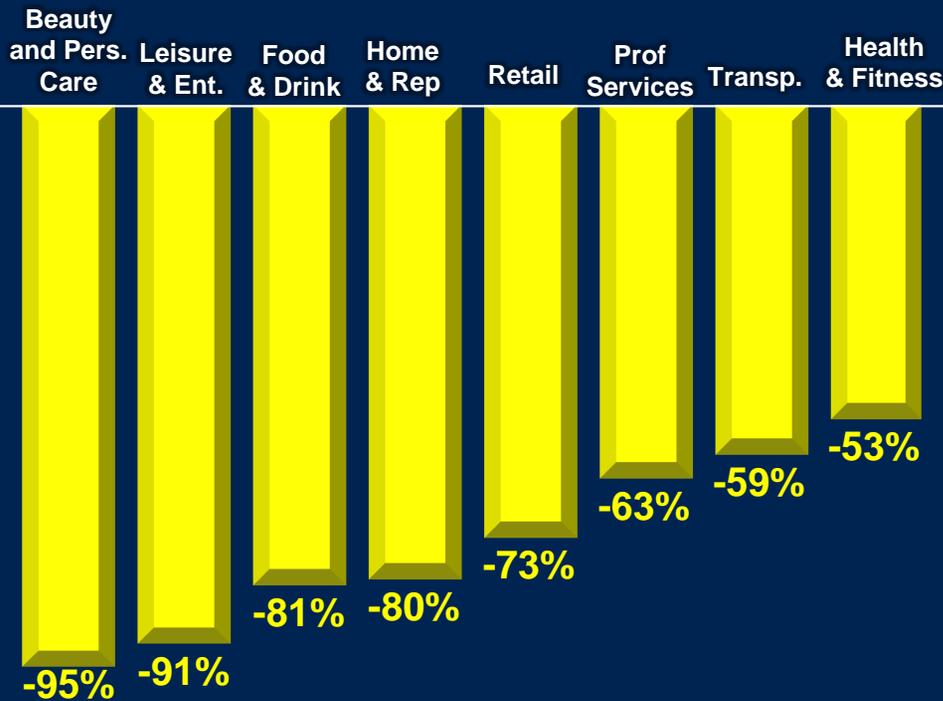
**Phase II:
\$172 billion**

**Phase III
Largest in History: 2.3 Trillion**

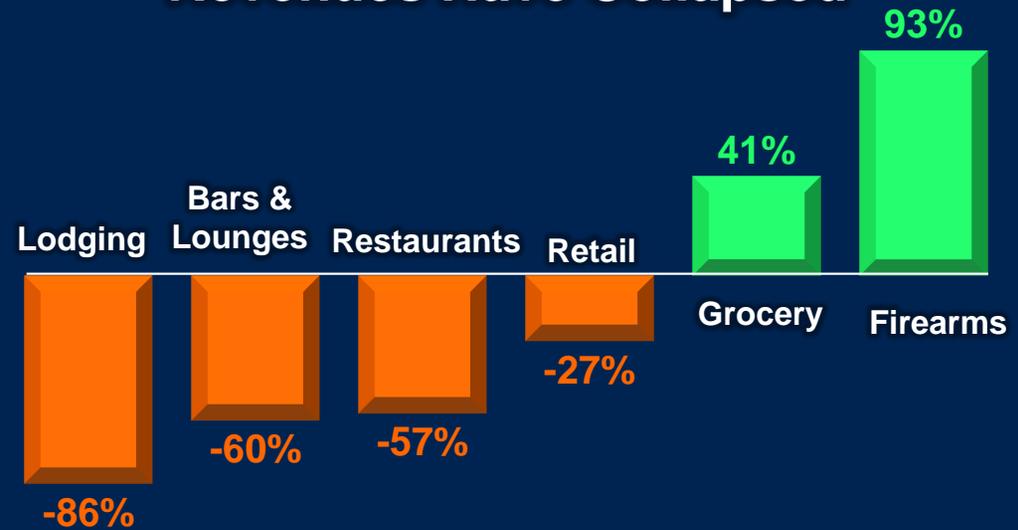


How Black is this Swan? Supply Shock: Deep and Broad

% of Small Business Closed



Revenues Have Collapsed



Share of GDP Lost	32%
Output Lost (per month)	\$580 bn.

When Will the Deep Freeze End?

8

Duration is Key



The Grand (Re)Opening

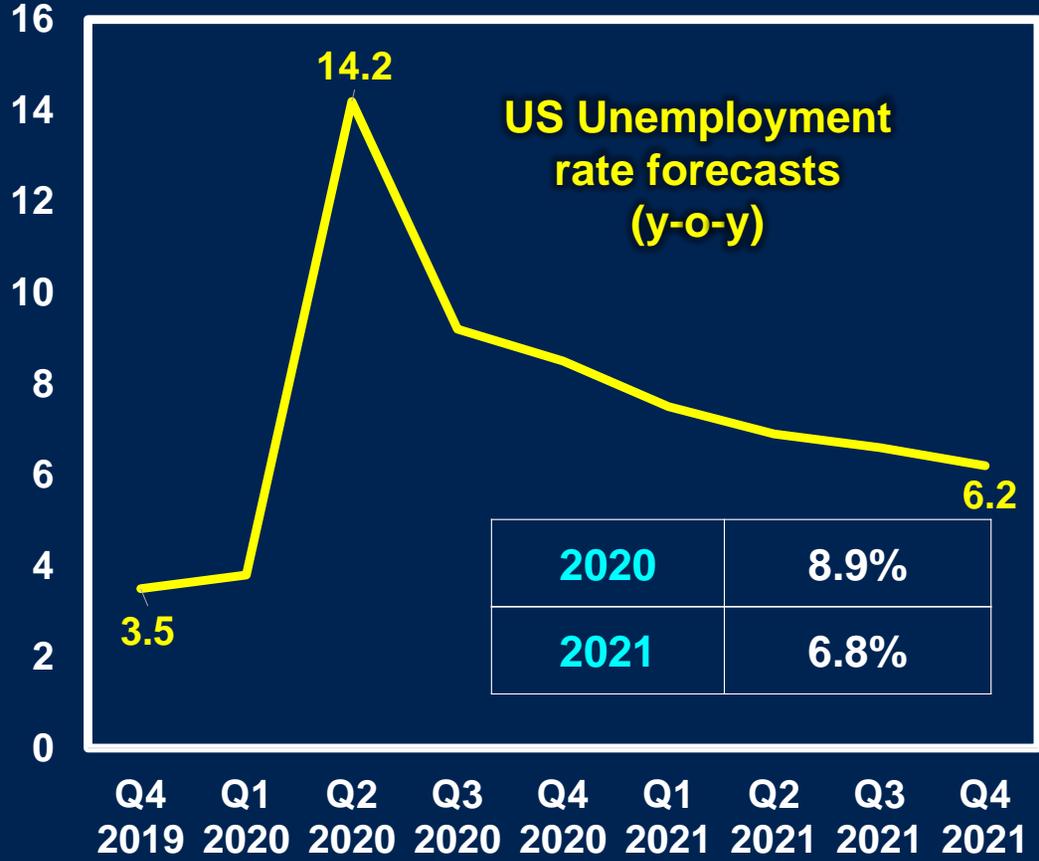
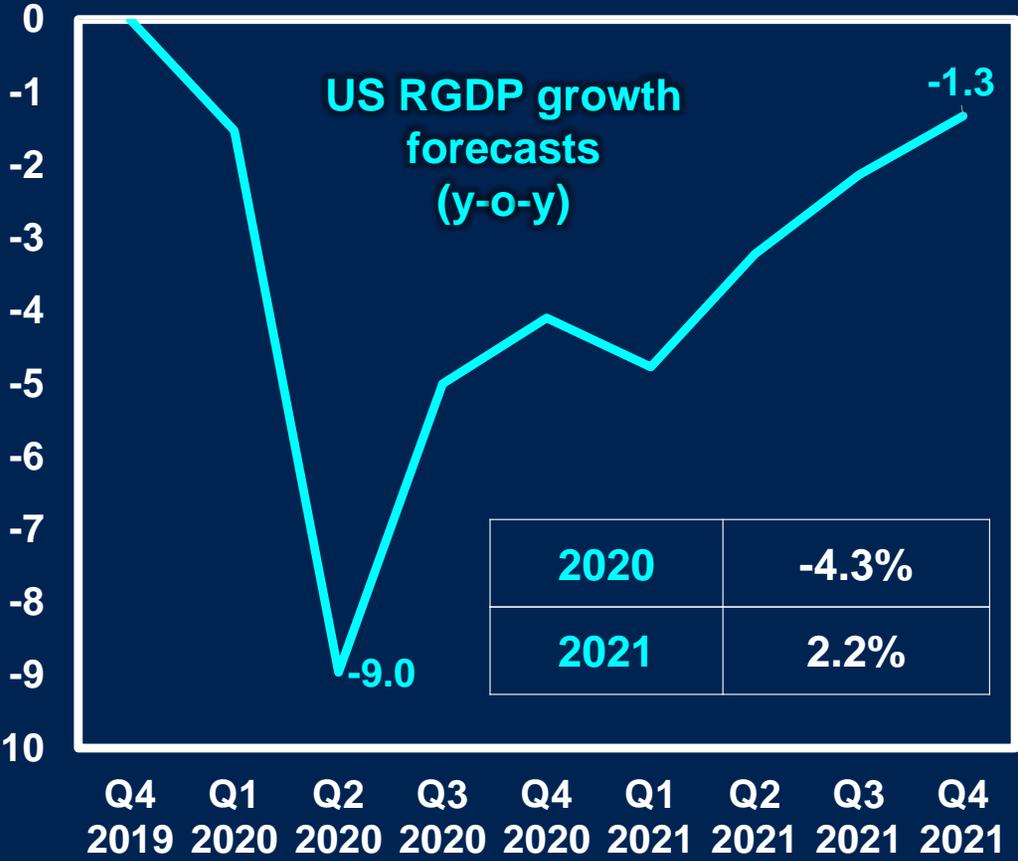
- Fitful, Partial, and Non-synchronous
- Partial Reopening: May-July
- More Testing, Social distancing
- Second wave in fall/winter
- Restrictions on large gatherings

The Virus Timeline

- Treatment drugs by late summer
- Targeted antibodies by Fall
- Vaccine by mid-2021
- Potential resurgence in Fall and Spring

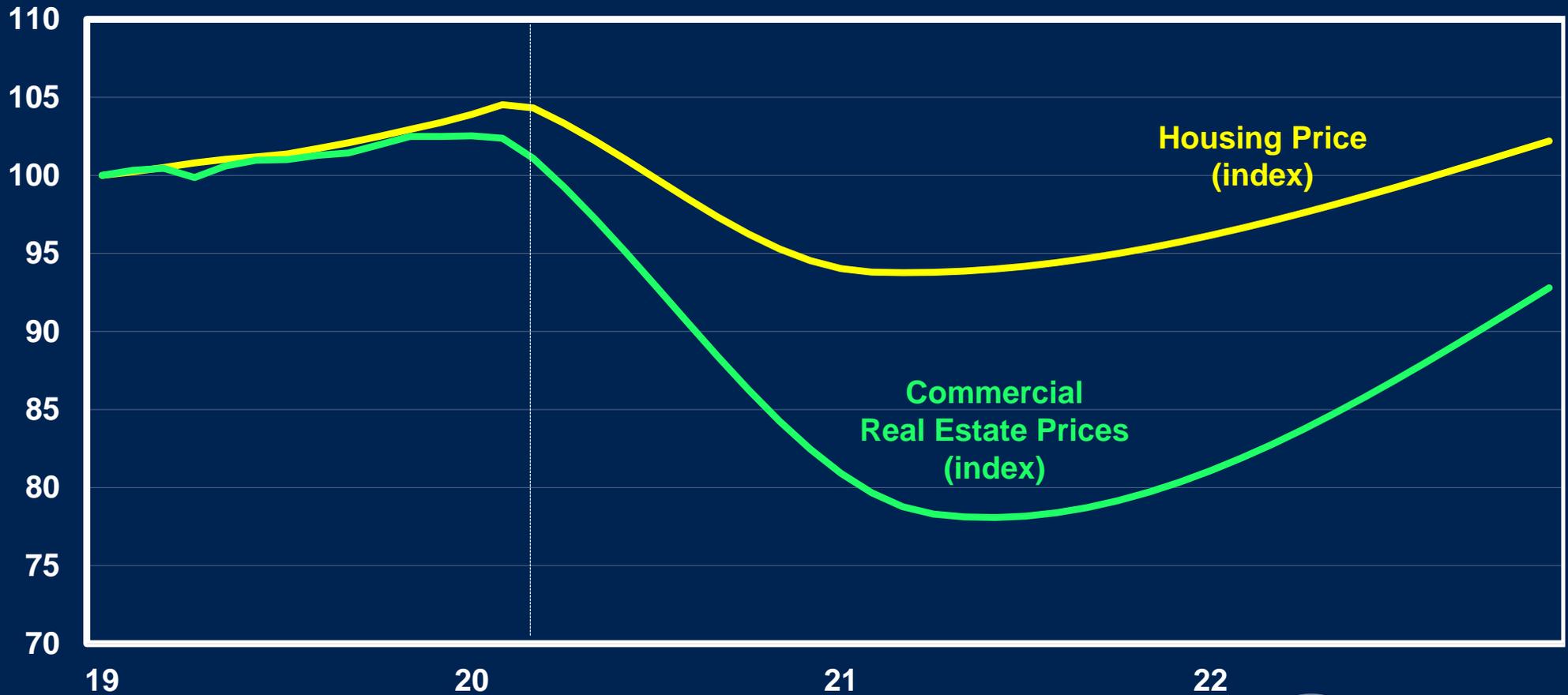
The Shape of Recovery: Picking the Letter W

The Recovery Will Resume in Fits and Starts and Take a While



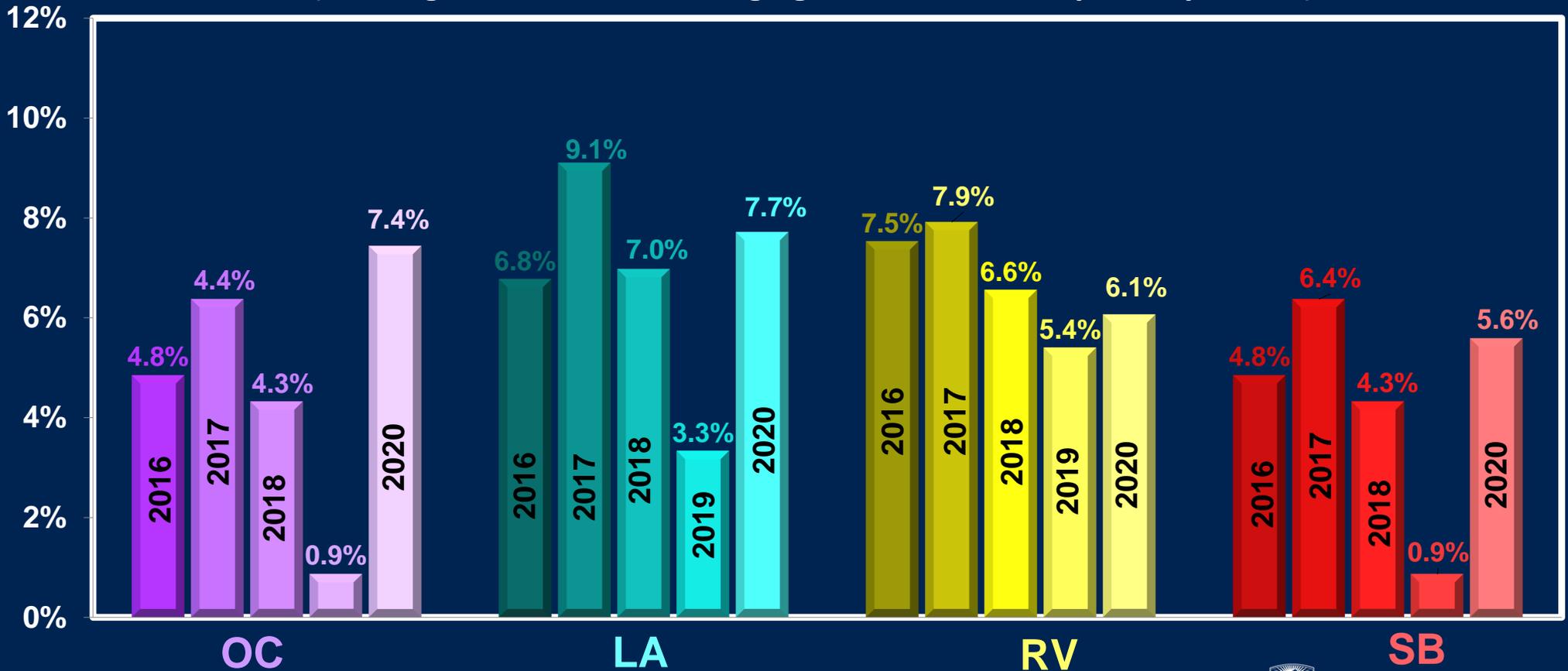
Tough Time For Real Estate Ahead

But Especially for Commercial Market



Home Prices Were Poised for a Pick Up This Year

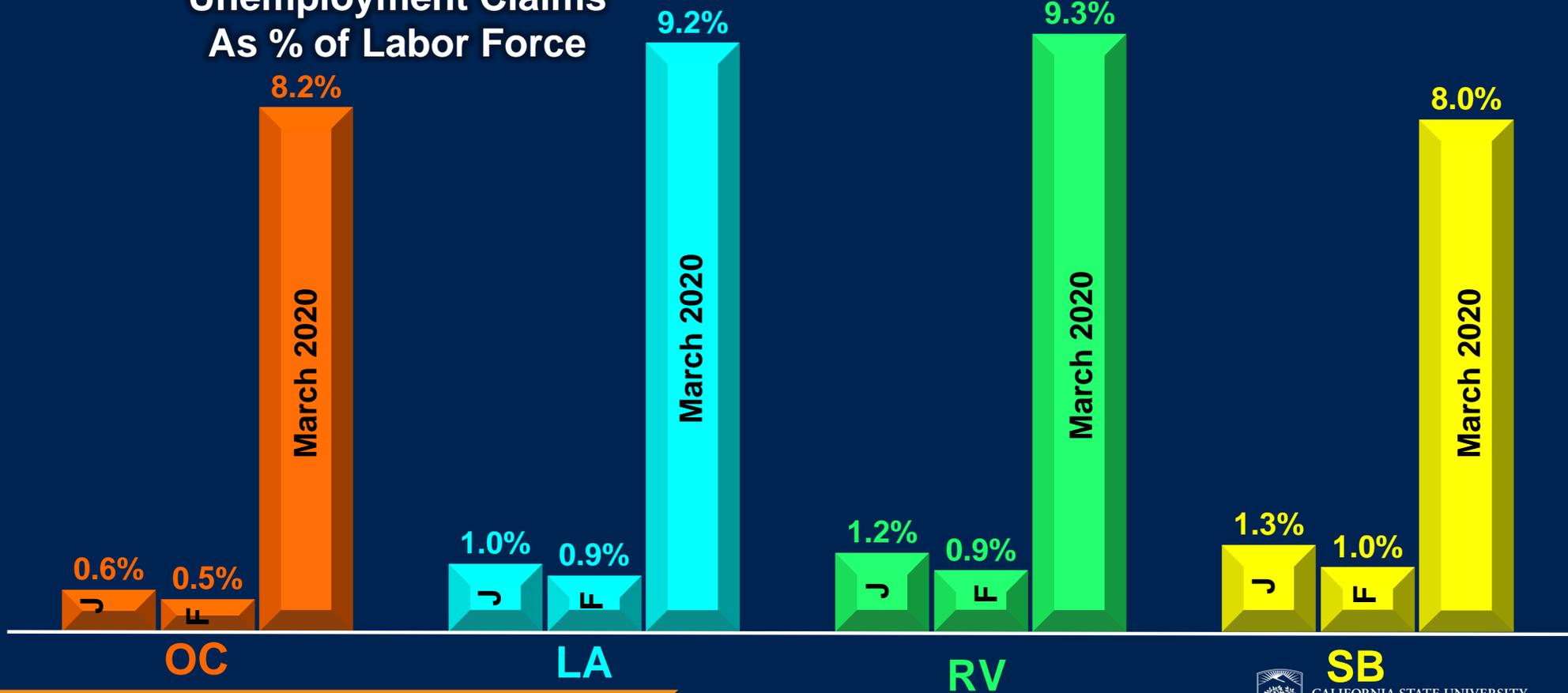
But the COVID-19 Outbreak Will Reverse These Gains
(Corelogic, annualized average growth in median prices, percent)



Unemployment Claims Have Skyrocketed

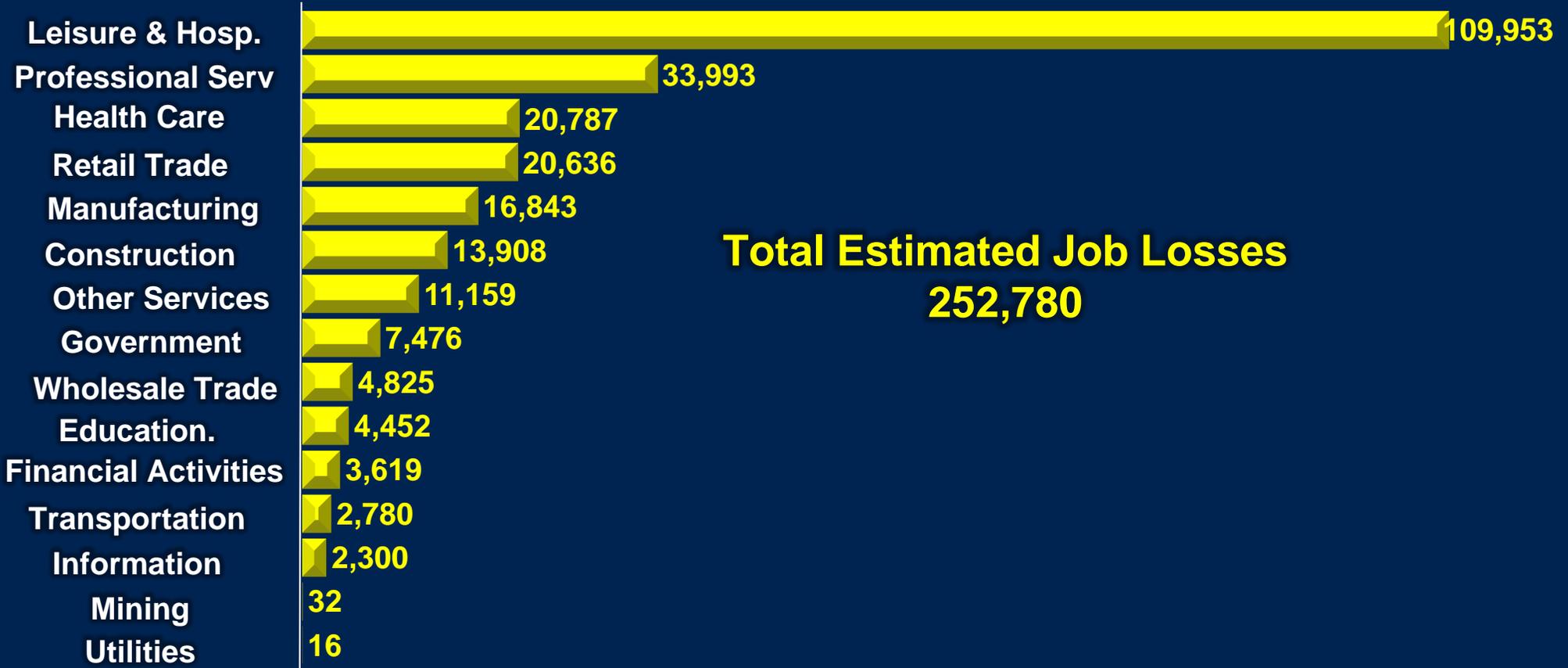
But the Data Does Not Fully Reflect All Jobs Lost

Unemployment Claims As % of Labor Force



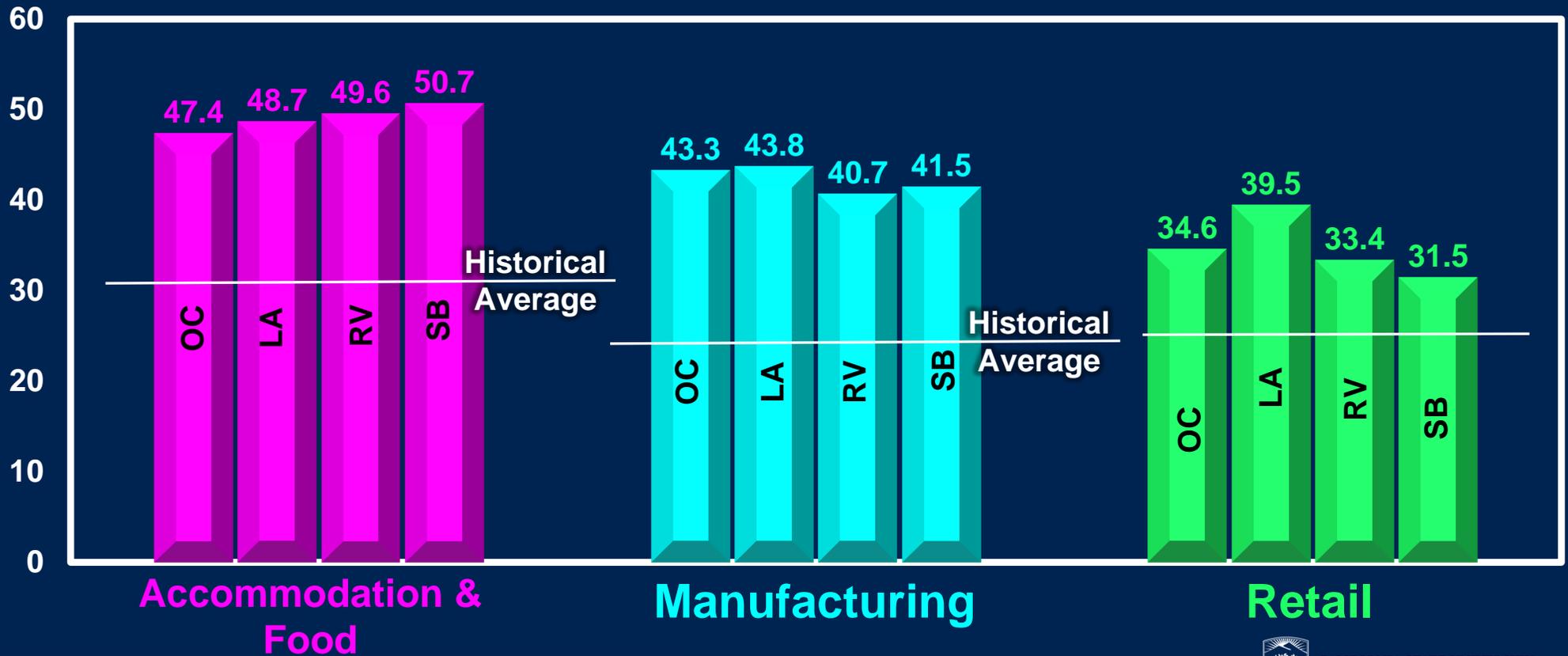
OC Estimated Job Losses By Sector

Leisure and Hospitality Leads the Way, Other Sectors are Also Vulnerable



Business Strains are Showing in Many Sectors

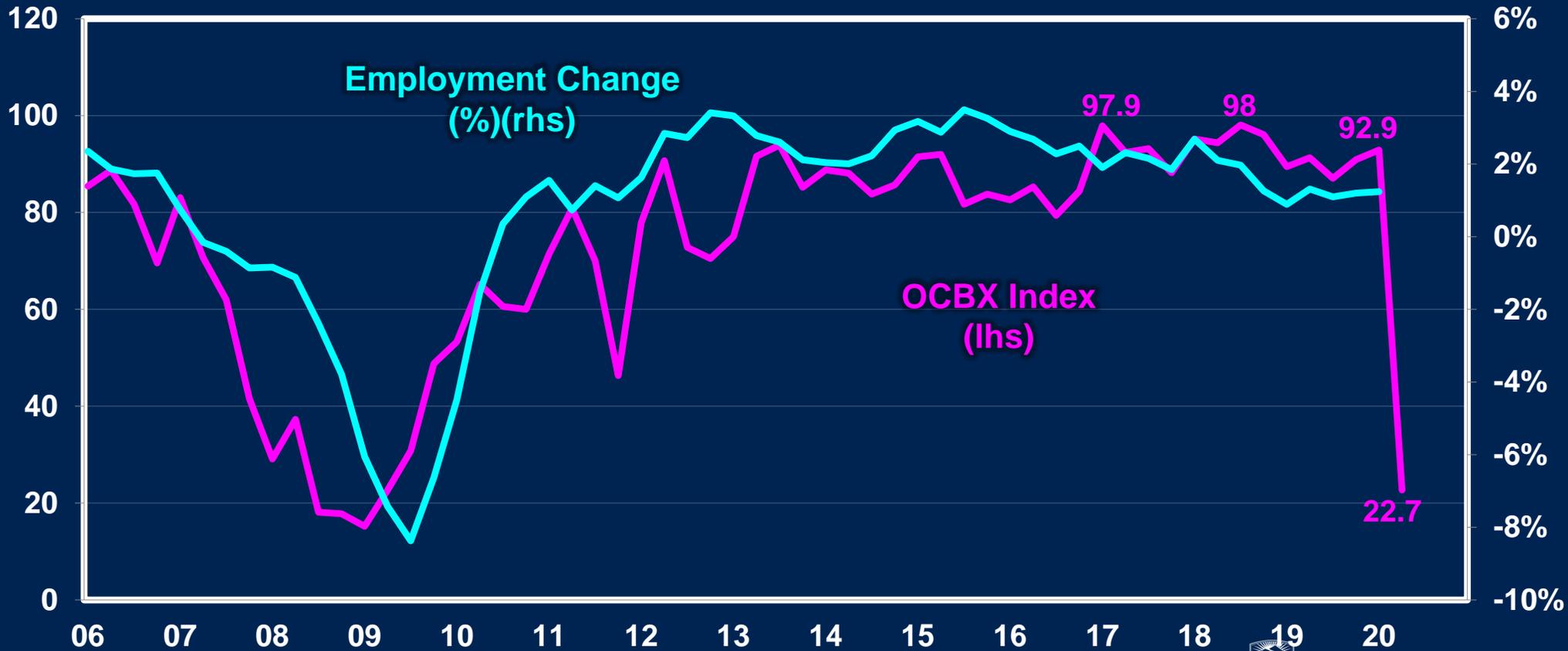
Late Payments Have Increased Substantially in April
(late balances, percent of total)



OCBX Sentiment Index Has Cratered

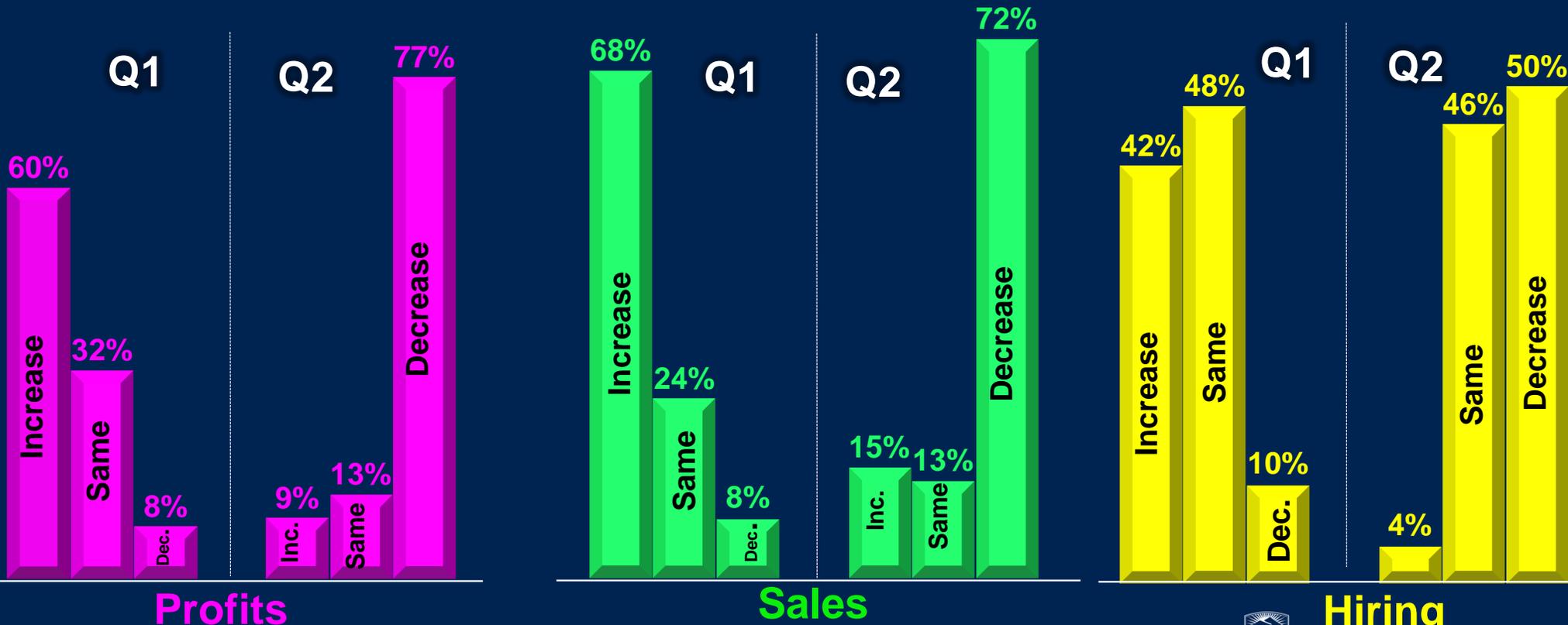
15

...Employment Will Follow
(WCEAF OCBX Index, level)



Tough Time Ahead for Local Economy

Outlook has Deteriorated Sharply Compared to Just One Quarter Ago
(Orange County Business Executives Survey, percent of respondents)



The Happiest Place on Earth...Has Gone Quiet

17

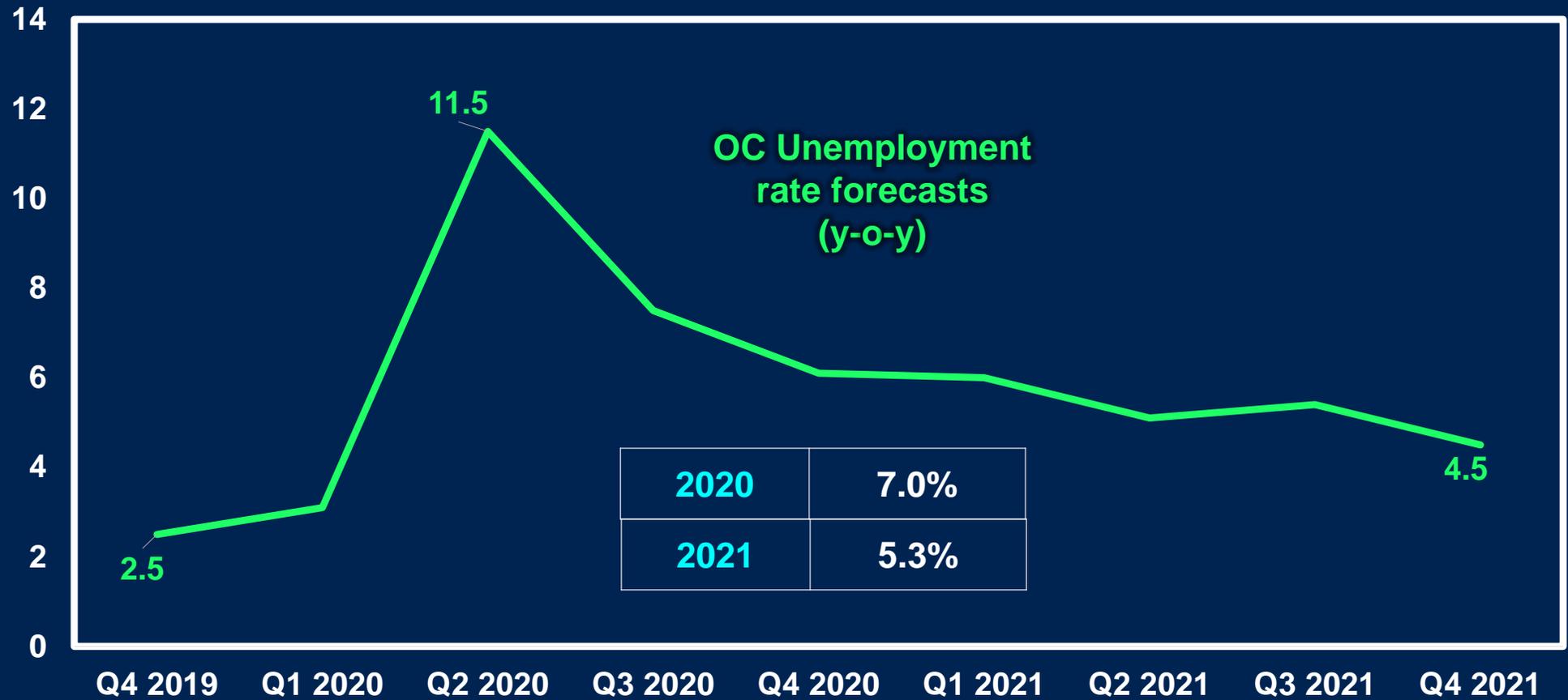


The Great Recession: an Appropriate Yardstick?

Labor Market Behavior under Great Recession Differs from Today

	US Unemployment Rate	US Unemployment	OC Unemployment Rate	OC Unemployment
Jan-2008	5%	7.6 mil.	4.4%	71k
Jan-2010	9.8%	15 mil.	10.1%	154k
Jan-2015	5.7%	8.8 mi.	5.0%	79k
Jan-2020	3.6%	5.9 mil.	3.3%	42k

Tough Times Ahead But... ...We Will Be Back!



OC Taxable Sales

