

# Taxable Sales Forecast of the Orange County Economy

PROJECT AGREEMENT NO. C-3-2825

FOR THE ORANGE COUNTY TRANSPORTATION AUTHORITY

By The

UCLA ANDERSON FORECAST

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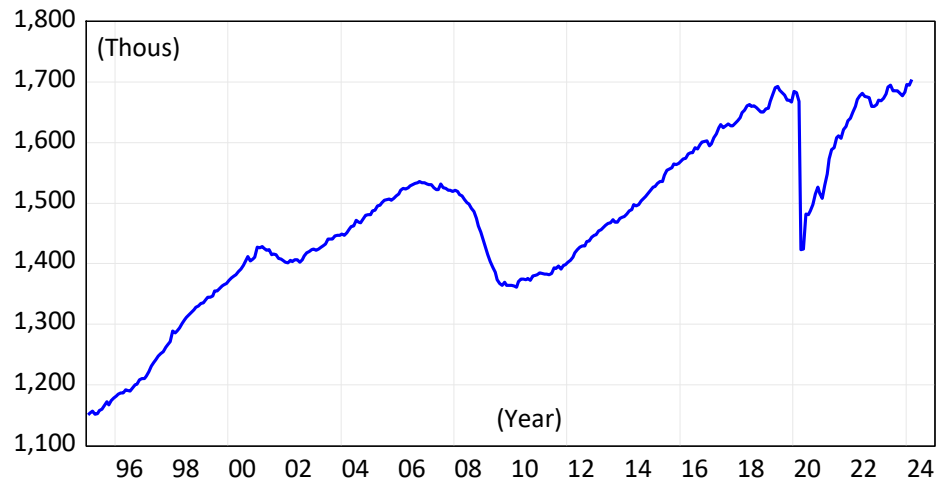
Pursuant to Agreement No. C-3-2825, the UCLA Anderson Forecast has prepared an update to the forecast for key Orange County economic variables for the Orange County Transportation Authority provided in May 2008. These Variables are Real Taxable Sales, Nominal Taxable Sales, Total Non-Farm Employment, Population and Cost of Living Index. The forecasts are prepared on a calendar year and on a fiscal year basis. These economic indicators are modeled from the proprietary UCLA Anderson Forecast of the United States, California, and Orange County Economies, specifically tailored to the needs of the Orange County Transportation Authority.

All economic variables are forecast through 2050. The Taxable Sales series contain actual data through the fourth quarter of calendar year 2023. The 2024 calendar year represent the beginning of the forecast. For the other two series, actual data through the first quarter of calendar year 2024 is included.

Highlights of the forecast are as follows:

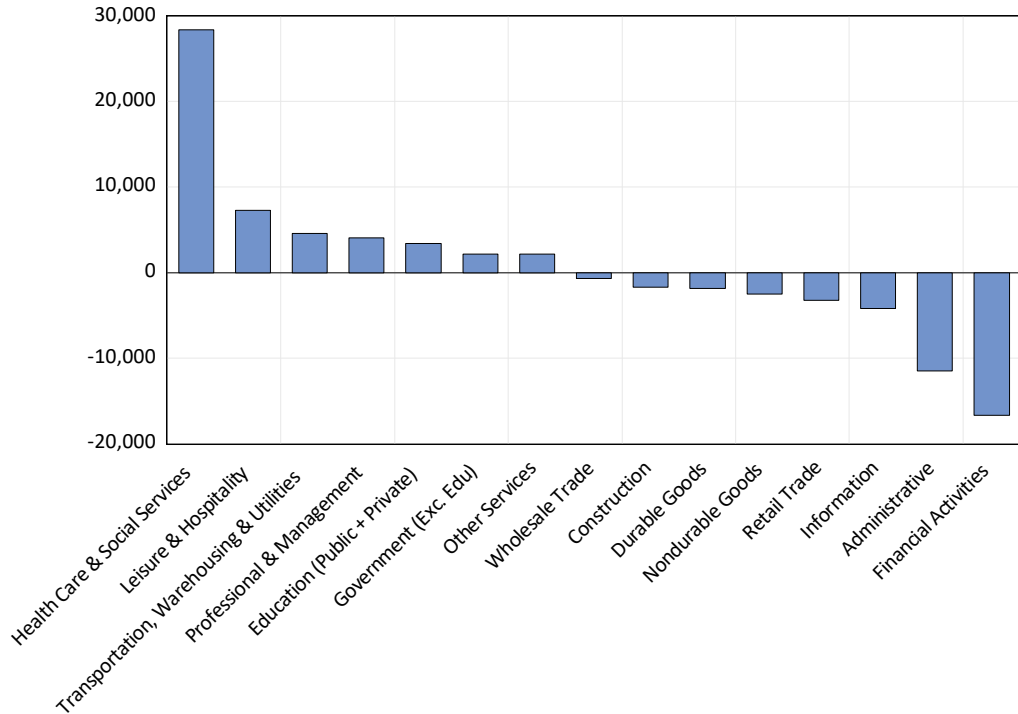
- The Anderson Forecast predicts steady growth for the U.S. economy in 2024 and 2025, highlighting two primary risks: elevated inflation and high interest rates. In recent months, the decline in inflation rates has stalled, with the CPI inflation in March 2024 remaining high at a headline rate of 3.5% and a core rate of 3.8%. In response, the Federal Reserve has maintained federal funds rates between 5.25% and 5.5%. These heightened rates adversely affect the commercial real estate sector, which is highly leveraged, and significantly increase costs for homebuyers due to elevated mortgage rates. Moreover, the prevailing high mortgage rates have decreased sales of existing homes, as current homeowners benefit from lower mortgage rates secured before. The U.S. GDP is projected to expand by 2.5% in both 2024 and 2025. Inflation is expected to increase by 2.9% in 2024 and then moderate to 2.6% in 2025.
- In 2023, payroll employment in Orange County grew by 0.9%, following a robust increase of 4.9% in 2022. As of March 2024, the number of payroll jobs in Orange County has slightly exceeded its pre-pandemic peak, reaching 1.7 million jobs (Figure 1). The projected job growth rate for Orange County in 2024 is 0.4%, with an anticipated increase to 1.2% in 2025. Figure 2 shows, over the past four years, sectors such as health care, leisure and hospitality, professional and management services, and transportation and warehousing have outperformed other industries in job creation. Conversely, the financial activities and administrative sectors have seen the most significant job losses since early 2020.
- Nominal taxable sales in Orange County experienced a rapid recovery, with a growth rate of 22.6% in 2021 and a strong 12.5% in 2022, increasing from \$63.8 billion in 2020 to \$88 billion in 2022. This surge was driven by heightened consumer spending on goods and rising inflation. In 2023, the growth rate of nominal taxable sales decreased to -1.6% as consumer spending normalized and returned to its trend, totaling \$86.6 billion. Looking ahead, nominal taxable sales are forecasted to reach \$88.6 billion in 2024, reflecting a growth rate of 2.4%, and are expected to climb to \$92.5 billion in 2025, with a growth rate of 4.4%.

**Figure 1. Nonfarm Payroll Jobs in Orange County**



Source: California EDD

**Figure 2. Change of Orange County Sector Jobs from 2/2020 to 3/2024**



Source: California EDD

# UCLAAnderson FORECAST

UCLA ANDERSON FORECAST -- ORANGE COUNTY, CA								
May, 2024								
Forecast For Orange County Transportation Authority								
Year	Consumer Price Index		Real Taxable Sales (2017 thousands \$)		Nominal Taxable Sales (thousands \$)		Total Non-Farm Employment (thousand)	
	Calendar	Fiscal	Calendar	Fiscal	Calendar	Fiscal	Calendar	Fiscal
1992	146.542		\$46,359,170		\$26,524,266		1,138	
1993	150.250	148.709	\$45,751,772	\$45,693,420	\$26,837,111	\$26,516,842	1,127	1,130
1994	152.308	151.325	\$47,556,905	\$46,382,843	\$28,276,259	\$27,394,349	1,136	1,129
1995	154.642	153.675	\$49,611,571	\$48,706,511	\$29,946,531	\$29,213,707	1,161	1,147
1996	157.475	155.733	\$52,914,847	\$51,189,298	\$32,533,206	\$31,116,091	1,194	1,176
1997	159.967	158.792	\$55,916,897	\$54,172,820	\$34,921,357	\$33,575,387	1,243	1,216
1998	162.267	161.042	\$58,574,408	\$57,399,220	\$37,108,350	\$36,081,307	1,308	1,276
1999	166.075	164.117	\$62,248,291	\$60,002,185	\$40,366,090	\$38,437,228	1,351	1,331
2000	171.550	168.458	\$66,372,300	\$64,715,307	\$44,462,460	\$42,553,609	1,394	1,373
2001	177.317	174.734	\$64,424,913	\$66,082,124	\$44,595,314	\$45,057,850	1,418	1,409
2002	182.233	179.650	\$63,057,709	\$63,060,596	\$44,869,156	\$44,207,950	1,409	1,414
2003	186.958	185.017	\$65,109,915	\$63,585,012	\$47,517,066	\$45,908,071	1,435	1,420
2004	193.200	189.358	\$68,498,671	\$67,324,654	\$51,682,059	\$49,756,671	1,464	1,449
2005	201.833	197.058	\$69,843,783	\$69,035,864	\$55,063,246	\$53,100,976	1,499	1,482
2006	210.442	206.892	\$69,618,706	\$69,852,762	\$57,202,747	\$56,395,573	1,528	1,516
2007	217.338	213.905	\$67,525,241	\$69,372,702	\$57,293,471	\$57,900,056	1,526	1,531
2008	225.008	221.397	\$61,025,536	\$65,105,676	\$53,606,830	\$56,233,641	1,495	1,517
2009	223.219	223.790	\$52,456,383	\$55,487,929	\$45,712,783	\$48,509,429	1,389	1,441
2010	225.894	224.993	\$54,054,144	\$52,863,475	\$47,667,180	\$46,424,421	1,373	1,373
2011	231.928	228.952	\$57,133,550	\$55,607,569	\$51,731,138	\$49,691,585	1,389	1,377
2012	236.648	234.029	\$59,780,292	\$58,574,164	\$55,230,611	\$53,502,932	1,426	1,406
2013	239.207	238.359	\$61,683,015	\$60,626,544	\$57,591,216	\$56,402,035	1,465	1,446
2014	242.434	240.654	\$63,505,840	\$62,702,844	\$60,097,128	\$58,894,487	1,499	1,481
2015	244.632	243.029	\$64,824,426	\$64,092,838	\$61,916,220	\$60,801,028	1,547	1,523
2016	249.246	247.130	\$64,804,471	\$64,787,851	\$63,058,761	\$62,485,860	1,588	1,568
2017	256.210	252.311	\$65,122,896	\$65,116,007	\$65,148,058	\$64,116,419	1,620	1,604
2018	265.962	261.088	\$64,967,703	\$64,873,672	\$67,468,616	\$66,092,524	1,653	1,638
2019	274.114	269.964	\$64,927,961	\$65,097,161	\$69,499,158	\$68,590,243	1,675	1,675
2020	278.567	276.667	\$58,683,341	\$60,354,244	\$63,833,515	\$65,165,370	1,533	1,602
2021	289.244	282.151	\$69,205,661	\$64,257,038	\$78,253,936	\$70,801,097	1,588	1,546
2022	310.782	300.599	\$72,532,041	\$72,358,642	\$88,027,071	\$84,900,011	1,666	1,629
2023	321.583	316.917	\$68,976,559	\$70,978,287	\$86,595,505	\$87,779,899	1,682	1,678
2024	331.561	326.580	\$68,493,723	\$69,059,817	\$88,640,994	\$87,969,322	1,688	1,685
2025	340.928	336.357	\$69,521,129	\$69,033,416	\$92,512,509	\$90,643,571	1,709	1,697
2026	349.110	345.081	\$70,340,608	\$69,910,188	\$95,849,470	\$94,160,728	1,745	1,726
2027	357.489	353.297	\$71,698,915	\$70,977,725	\$100,045,173	\$97,878,952	1,778	1,761
2028	365.711	361.612	\$73,190,975	\$72,440,455	\$104,476,045	\$102,246,123	1,808	1,793
2029	373.903	369.798	\$74,621,137	\$73,917,325	\$108,903,515	\$106,691,914	1,837	1,823
2030	382.279	378.068	\$75,932,889	\$75,289,590	\$113,300,230	\$111,102,797	1,862	1,850
2031	390.842	386.537	\$77,161,809	\$76,553,978	\$117,712,914	\$115,499,037	1,886	1,874
2032	399.597	395.195	\$78,367,495	\$77,769,893	\$122,230,199	\$119,962,103	1,909	1,897
2033	408.547	404.065	\$79,512,560	\$78,946,498	\$126,794,125	\$124,510,296	1,932	1,920
2034	417.413	412.966	\$80,614,722	\$80,067,418	\$131,341,251	\$129,059,463	1,953	1,943
2035	426.596	421.972	\$81,699,364	\$81,159,799	\$136,036,786	\$133,673,629	1,975	1,964
2036	435.981	431.263	\$82,757,435	\$82,228,558	\$140,830,136	\$138,415,668	1,997	1,986
2037	445.573	440.751	\$83,839,545	\$83,297,845	\$145,810,361	\$143,300,658	2,018	2,007
2038	455.375	450.447	\$84,907,933	\$84,376,221	\$150,917,165	\$148,349,170	2,039	2,029
2039	465.394	460.386	\$85,950,332	\$85,432,244	\$156,130,886	\$153,520,206	2,060	2,049
2040	475.167	470.298	\$86,968,928	\$86,460,950	\$161,298,795	\$158,713,224	2,080	2,070
2041	484.908	480.042	\$87,990,204	\$87,479,553	\$166,538,382	\$163,910,481	2,100	2,090
2042	494.606	489.748	\$89,009,019	\$88,500,015	\$171,836,020	\$169,174,983	2,121	2,111
2043	504.498	499.528	\$90,023,849	\$89,522,199	\$177,271,099	\$174,546,755	2,141	2,131
2044	514.588	509.518	\$90,950,436	\$90,502,966	\$182,677,609	\$179,988,175	2,162	2,151
2045	524.880	519.709	\$91,712,088	\$91,345,954	\$187,891,566	\$185,297,314	2,182	2,172
2046	535.377	530.138	\$92,403,595	\$92,074,388	\$193,094,429	\$190,524,255	2,203	2,192
2047	545.513	540.462	\$92,900,511	\$92,668,460	\$197,808,262	\$195,486,714	2,223	2,213
2048	555.735	550.613	\$93,329,504	\$93,119,286	\$202,445,240	\$200,127,519	2,242	2,232
2049	566.043	560.878	\$93,757,965	\$93,543,808	\$207,146,771	\$204,787,915	2,261	2,251
2050	576.437	571.229	\$94,185,791	\$93,971,958	\$211,913,202	\$209,521,874	2,280	2,271