This survey of 700+ OC business executives was conducted during December 11-24, 2020 with a response rate of approximately 15%.

This survey is an important and timely indicator of the business sentiment of Orange County executives. There have been significant changes in the attitudes as we go through different phases of the epidemic and its impact on the economy as discussed below. For further information, please check the Woods Center website: https://business.fullerton.edu/engagement/economicanalysisandforecasting

**Orange County Business Expectations: OCBX Index**

The overall index, OCBX, for the 1st quarter 2021 fell to 71.6 from 80.9 in the 4th quarter 2020. The index is below the levels reached in the last several years but it has declined for the first time since the beginning of the pandemic. The OCBX index is a measure of the overall view of the economy, and it is constructed from other variables in the survey. A reading of above 50 indicates future growth in the economy.

**Overall Business Activity**

The proportion of owners, CEOs, and managers that expect overall business activity to improve or stay the same declined to 39.4% for the 1st quarter 2021 from 63.8% in the 4th quarter 2020. For those believing the situation has remained unchanged the percentage increased from 17 to 22.1% for the coming quarter, and those expecting the regional economy to slow down changed from 19.1% to 38.5% for the 1st quarter 2021. This measure asks for responses to questions about Orange County executives’ outlook for the regional economy. Expectations for the region’s economy have moderated for the coming quarter.
Own Industry Activity Survey Results
55.8% of the executives expect significant or some growth (compared to 61.7% in the last quarter) in their own industry. 26.0% (compared to 19.1% last quarter) of Orange County firms believe that their own industry will remain stable. 18.2% of businesses (compared to 19.1% in the previous quarter) predict some decreases in their industry. Business leaders have mixed expectations with regard to their expectations for growth of their own businesses for the coming quarter.

Employment
20.2% of firms surveyed intend to increase their labor force (compared to 19.6% in the last quarter), 67.3% intend to make no change (compared to 69.6% last quarter), and 12.5% expect to cut jobs (10.9% in the last quarter). Hiring picture is relatively stable with large portion of businesses not planning to change their employment levels in the coming quarter.
Sales/Revenues
34.6% of the firms surveyed expect their sales to increase this quarter (compared to 45.7% in the last quarter), 42.3% expect little change (compared to 22.9% the last quarter) and 23.1% expect to have lower sales (compared to 31.4% in the last quarter). Sales expectations are also mixed among the business executives for the coming quarter.

Operating Profits
27.2% of the firms surveyed expect to have higher profits in the next three months (compared to 43.5% last quarter), 44.7% expect no change (compared to 26.1% from last quarter) while 28.2% expect lower profits (compared to 30.4% last quarter). Profit expectations for the coming quarter are also mixed for the coming quarter in line with expectations for sales.

Inventory/Equipment Investment
21.6% of respondents said that they expect to increase inventory compared to 20% in the last quarter. The share of those expecting inventory to remain unchanged changed to 60.8% from 57.8% and those who expect to have reduced inventory moved to 17.6% from 22.2%. Businesses in general expect to hold their inventories steady in the coming quarter.
When do you expect your business to recover to pre-pandemic level at the beginning of 2020? [SPECIAL QUESTION]

In this special question, we wanted to know their expectations of how long it will take for their businesses to get back to the level before the pandemic hit. 9.6% of the business expect to get there over the next 6 months by mid-2021 while another 19.2% expect to do so by the end of 2021 (for a total of 28.8%). A cumulative 79.8% believe that they will reach that level by the end of 2022. But a 20.2% think it will be in 2023 or later, more than two years from now. So, there is wide dispersion on how quickly the businesses expect to regain their original strength.

What do you believe is the biggest threat to the economy?

In this special question, we asked executives about their biggest fear for the overall economy.

A majority, 50% (compared to 78.3% last quarter), think that the political and social conditions pose the biggest threat to the economy and business. The reduction in this number is due to elections being held and some possibility of better governance.

Insufficient fiscal stimulus has emerged as the second major concern. Monetary issues are not of concern at this time. Emergence of sufficient fiscal support is receiving more attention this quarter.