This survey of 900+ OC business executives was conducted during September 20-28-22, 2021 with a response rate of approximately 10%.

This survey is an important and timely indicator of the business sentiment of Orange County executives. These surveys play a role in our economic forecasts. Our next economic forecast will be on October 20, 2021. 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 4th quarter 2021 decreased to 89.6 from 96.4 in the 2nd quarter 2021. 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 decreased to 68.8% for the 4th quarter 2021 from 84.9% in the 3rd quarter 2021. For those believing the situation will remain unchanged the percentage increased to 19.8% from 12.2% for the coming quarter, and those expecting the regional economy to slow down changed to 11.5% from 3.7%. This measure asks for responses to questions about Orange County executives’ outlook for the regional economy. Expectations for the region’s economy have lowered for the coming quarter.
Own Industry Activity Survey Results
65.6% of the executives expect significant or some growth (compared to 78.1% in the last quarter) in their own industry. 25% (compared to 18.3% last quarter) of Orange County firms believe that their own industry will remain stable. 9.4% of businesses (compared to 3.6% in the previous quarter) predict some decreases in their industry. Business leaders are somewhat less optimistic compared to the previous quarter with regard to growth of their own businesses.

Employment
50.5% of firms surveyed intend to increase their labor force (compared to 52.4% in the last quarter), 42.3% intend to make no change (compared to 39.3% last quarter), and 7.2% expect to cut jobs (8.3% in the last quarter). Hiring picture is stable with a vast majority of businesses expecting to add or hold on to their workers in the coming quarter.

Sales/Revenues
60.8% of the firms surveyed expect their sales to increase this quarter (compared to 73.8% in the last quarter), 30.9% expect little change (compared to 25% the last quarter) and 8.2% expect to have lower sales (compared to 1.2% in the last quarter). Sales expectations have become somewhat subdued compared to the last quarter.
Operating Profits
52.6% of the firms surveyed expect to have higher profits in the next three months (compared to 57.1% last quarter), 34% expect no change (compared to 34.5% from last quarter) while 13.4% expect lower profits (compared to 8.3% last quarter). Profit expectations for the coming quarter have downshifted for the coming quarter in line with lower expectations for sales.

Inventory/Equipment Investment
30.2% of respondents said that they expect to have higher inventories compared to 34.9% in the last quarter. The share of those expecting inventory levels to remain unchanged moved to 60.4% from 54.2% and those who expect to have reduced inventories moved to 9.4% from 10.8%.
SPECIAL QUESTIONS FOR Q4 2021

What are your most important concerns at this time?

In a special question for this quarter, we enquired about executives’ major concerns. Labor shortages is the leading concern with 49% compared to 22% during the last quarter. Inflation turned out to be the second most significant concern with 24% compared to 50% last quarter. Possible tax increases were in the third place with 18.8% compared to 17.1% last quarter. Deficits became the fourth important concern with 5.2% compared to 7.3% last quarter while the competitive threats from China were in the fifth place with 3.1% (3.7% the last quarter)

When do you expect the Federal Reserve Bank to start raising short term interest rates?

In this special question, we asked executives about their expectations as to when the Federal Reserve Bank will start increasing short-term interest rates.

One in five executives thinks that the Fed will start raising rates before the end of 2021. 34.7% believe it will be by the end of the first quarter 2022, 21.1% it will be the end of the second quarter and 10.5% think it will be in the third quarter of 2022. Only 13.7% think the Fed will wait until 2023 to raise rates.
Inflation Expectations
In another special questions we asked the respondents to share their forecasts of inflation for the next year, 2022. [We told them that the Consumer Price Index (CPI-U) inflation was 2.5% in 2018, 1.8% in 2019 and 1.2% in 2020.]

13.5% of the respondents think that inflation in 2022 will be between 1% and 2% compared to 5% in the last quarter. 55.2% believe that inflation will come in between 2% and 4% during 2022 compared to 61.3% last quarter. 25.1% think it will be between 4% and 6% compared to 28.8% last quarter. 6.3% this quarter think that inflation will be over 6% compared to 5% last quarter.