



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Taxable Sales Forecast – Chapman University – Raymond
Sfeir, PhD, Professor of Economics**

PowerPoint

The Chapman University Economic Forecast



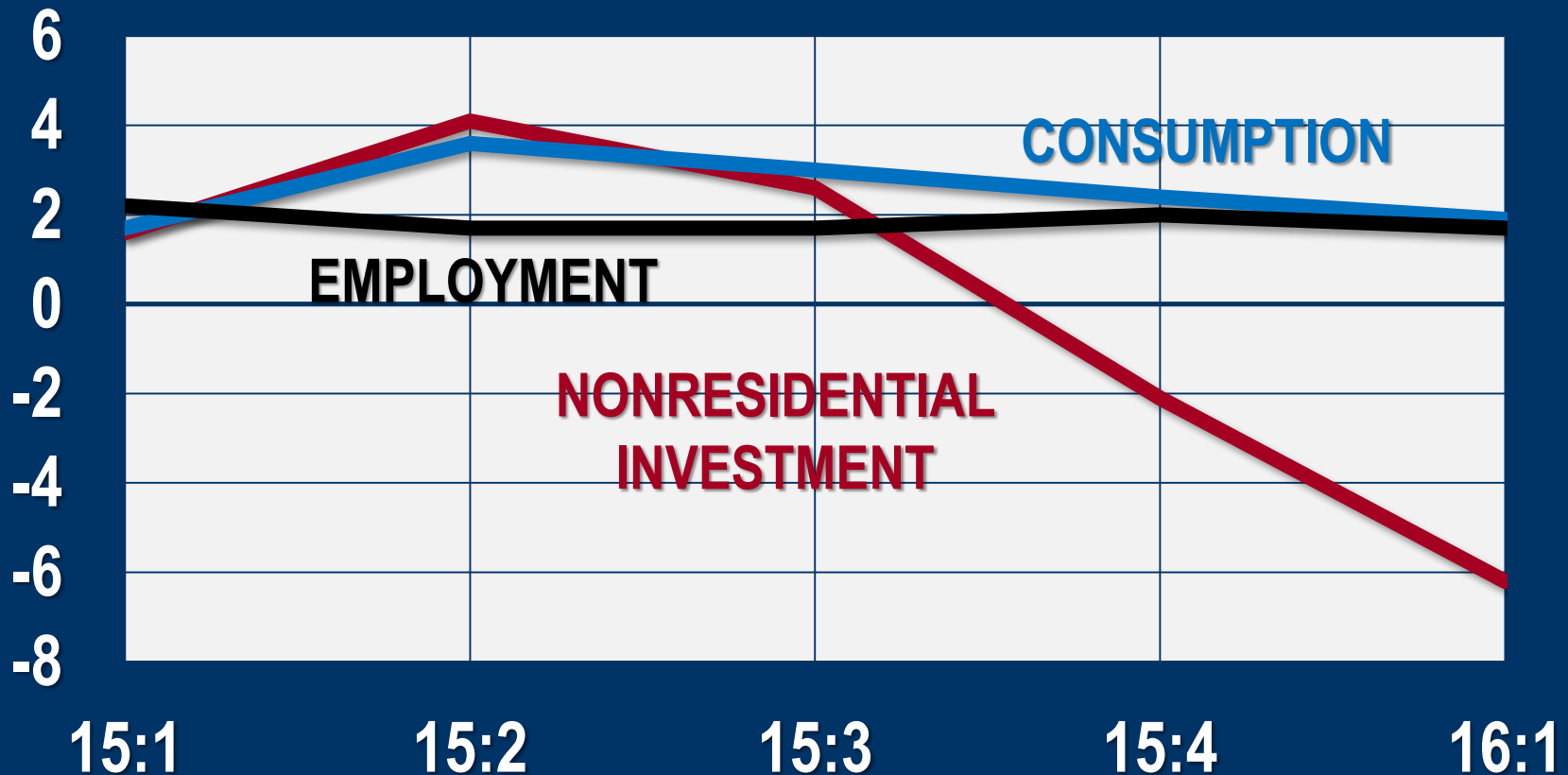
**A. GARY ANDERSON CENTER FOR ECONOMIC RESEARCH
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Real GDP Growth

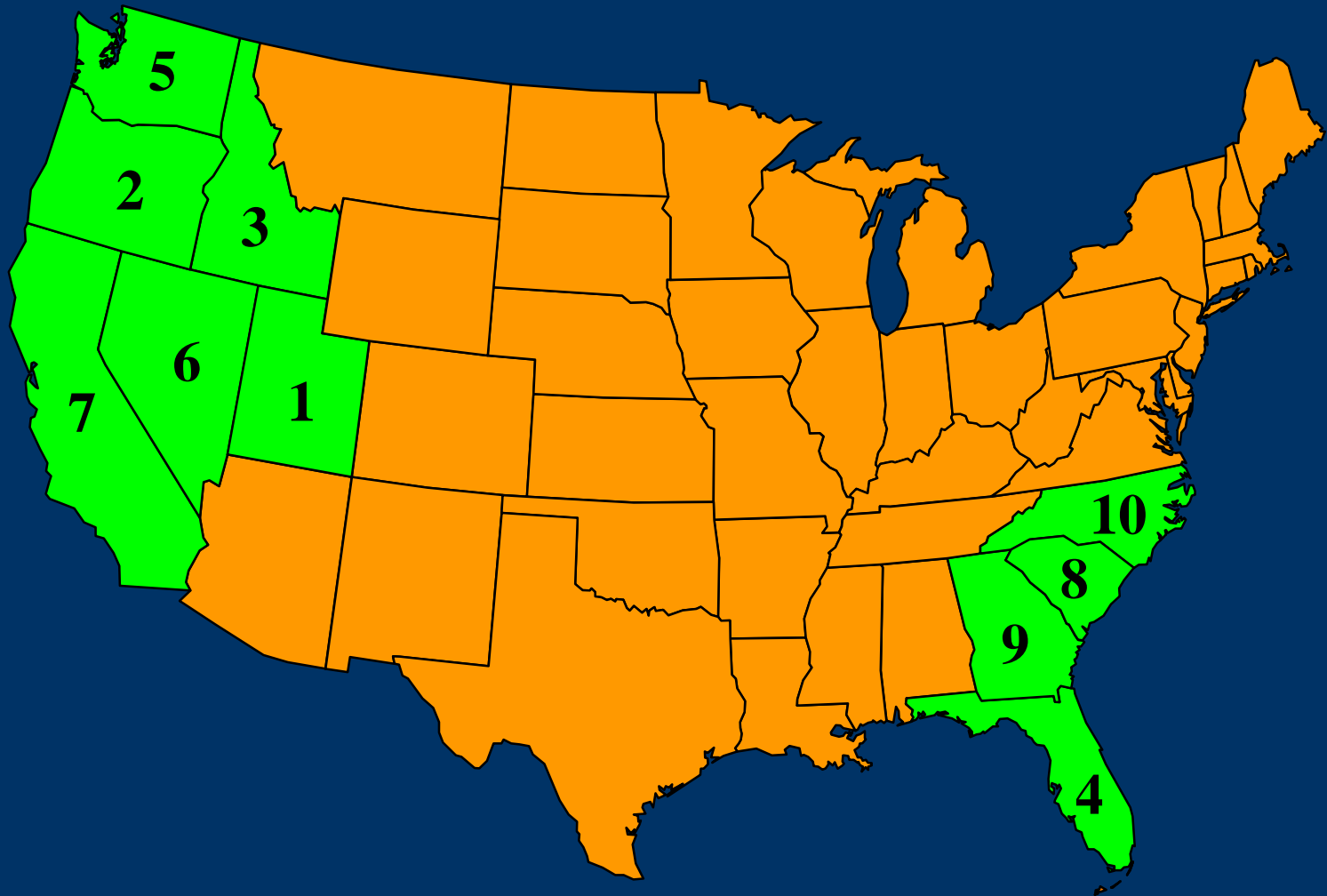
	Annual % Change		Impact on Real GDP
	2015	2016f	
Real Consumption	3.1%	2.6%	↓
Real Investment	4.9%	1.7%	↓
Real Government Purchases	0.7%	1.4%	↑
Real Net Exports	-22.8%	-10.9%	↑
Real GDP	2.4%	2.1%	↓

U.S. Trends in Recessionary Indicators

Qtr/Qtr % Change



Top 10 Job Growth States 2015



Factors Influencing Job Growth in California

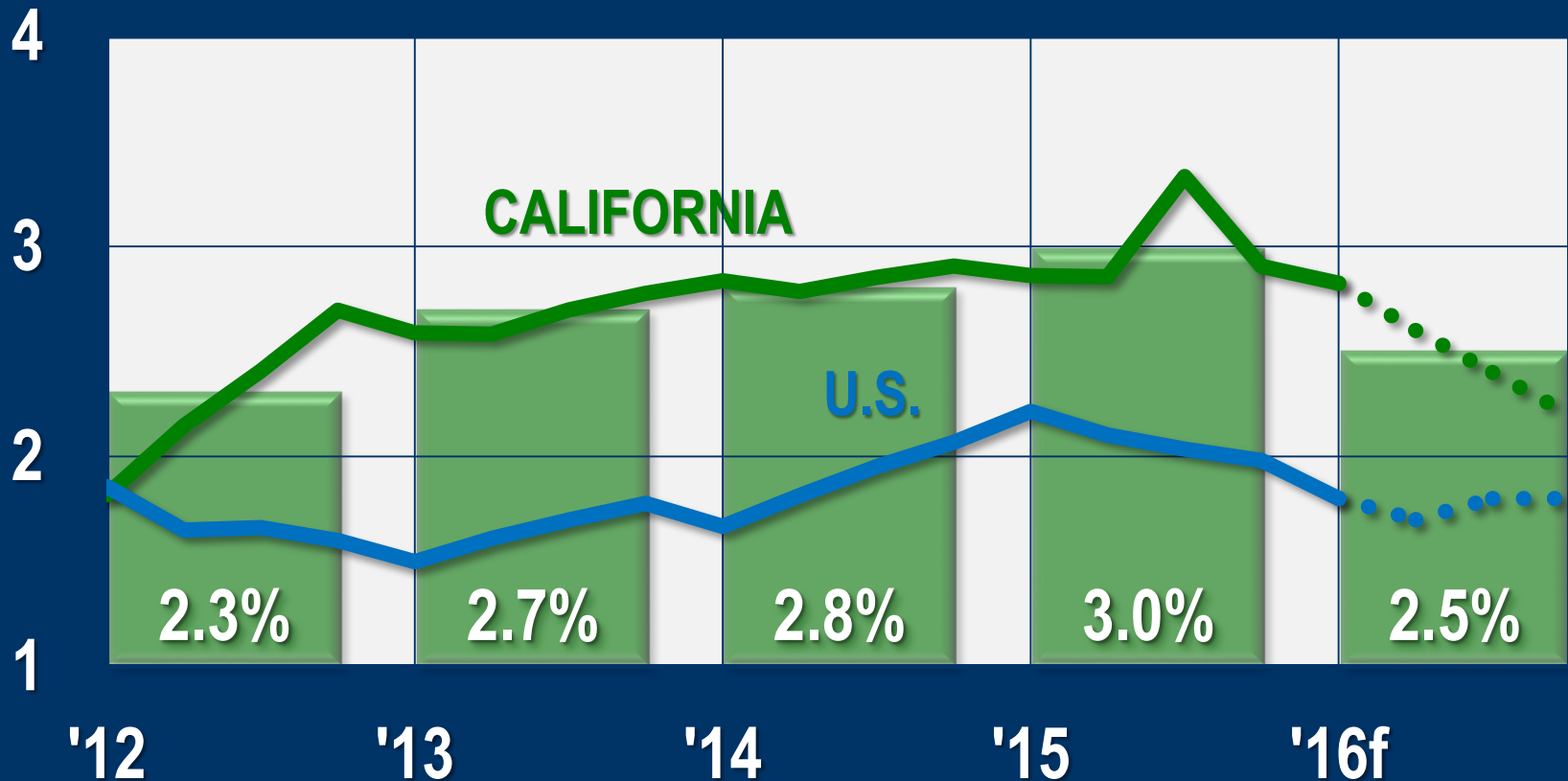
- **Real GDP**
- **Real Exports**
- **Construction Spending**

Factors Influencing Job Growth in California

	Annual % Change		Impact on CA Job Growth
	2015	2016f	
Real GDP	2.4%	2.1%	↓
Real Exports	1.1%	-1.0%	↓
Construction Spending (CA)	10.4%	6.5%	↓

Payroll Employment

Quarterly % Change



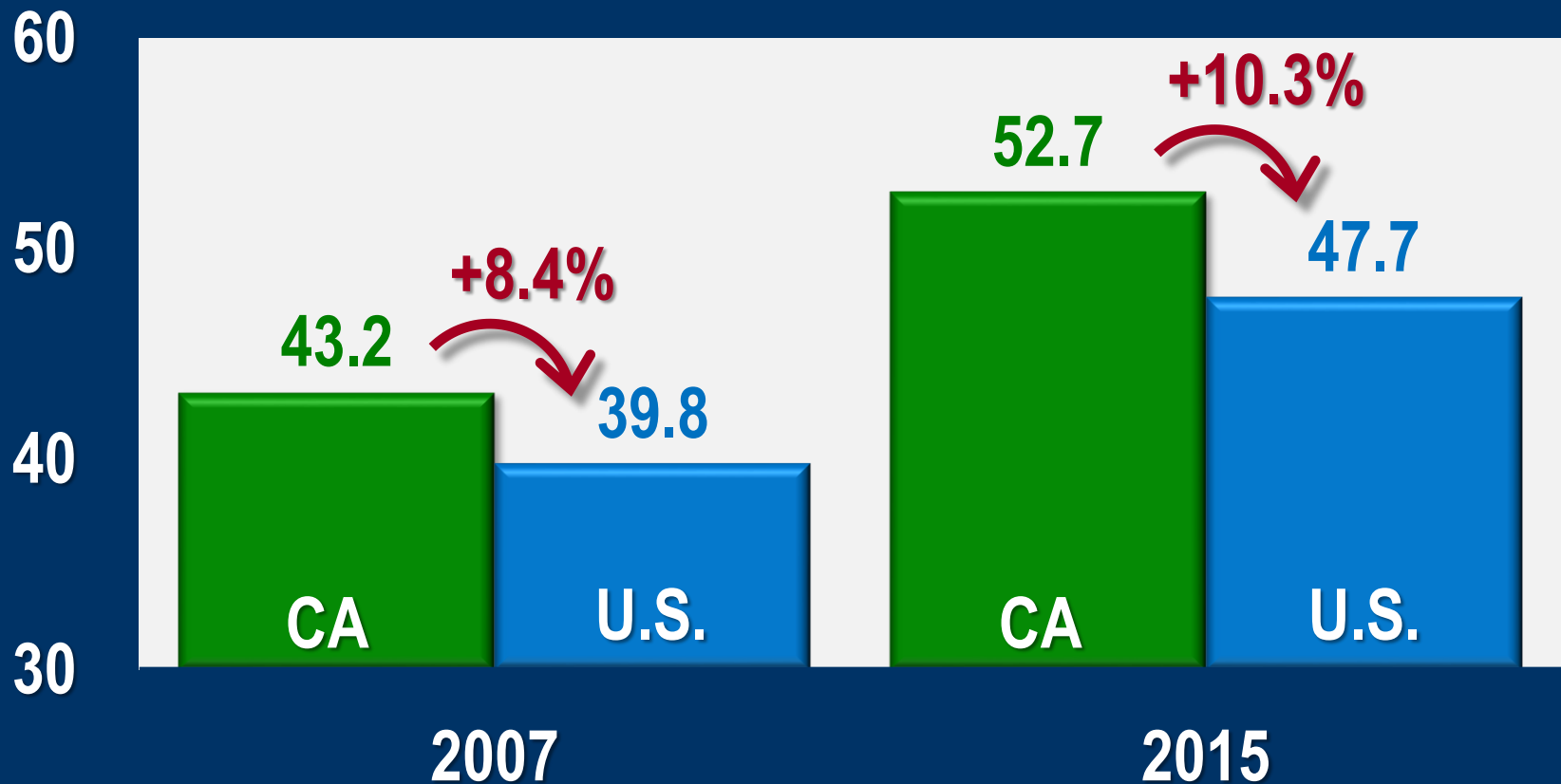
Payroll Employment

Yr/Yr % Change



Per Capita Personal Income

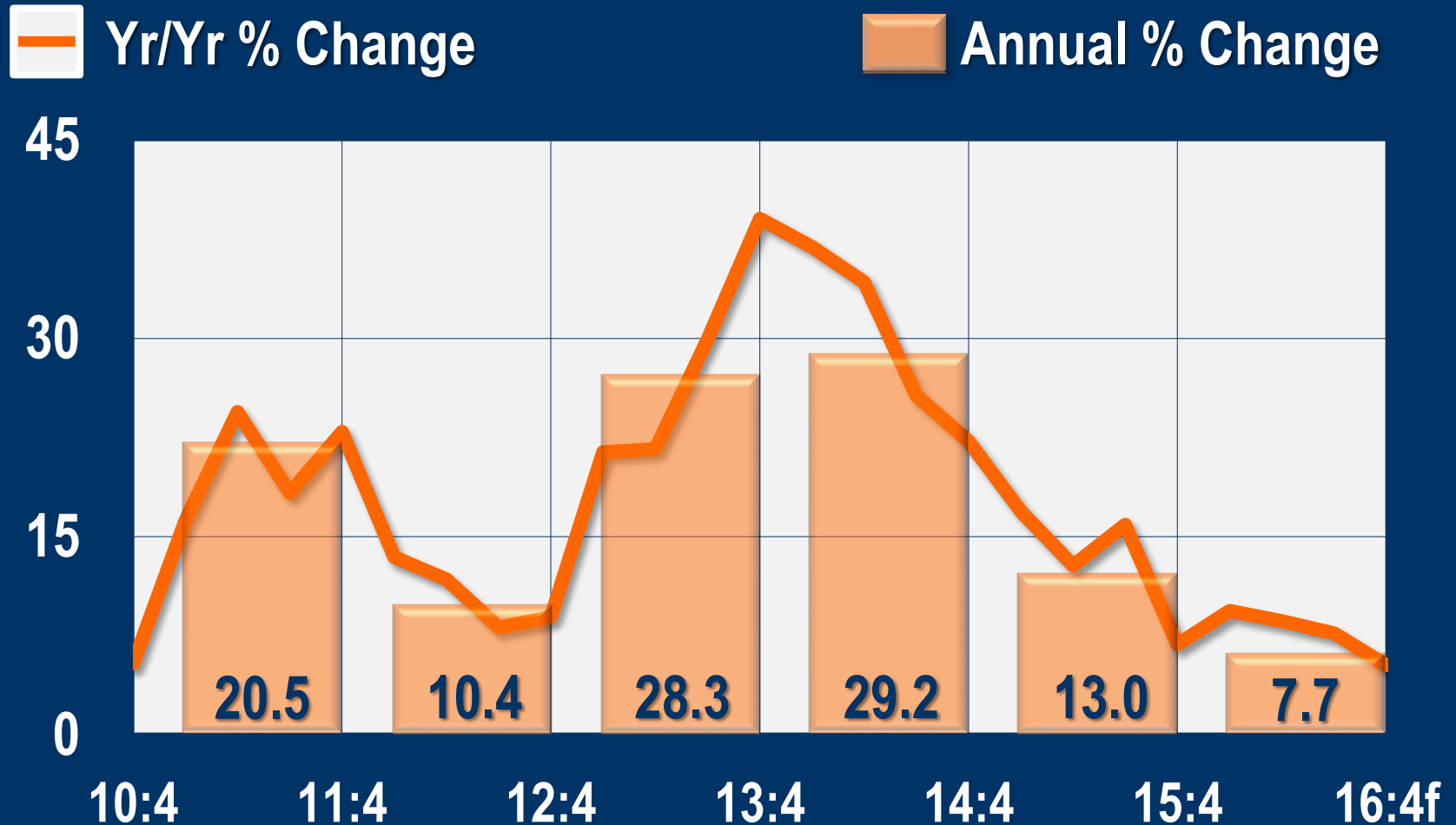
Thousands of \$



Factors Influencing Job Growth in Orange County

- **Real GDP**
- **Construction Spending**
- **OC Purchasing Managers Index**

Construction Spending Orange County



Purchasing Managers Index

Orange County

Index

70

60

50

40

30

'08

'09

'10

11

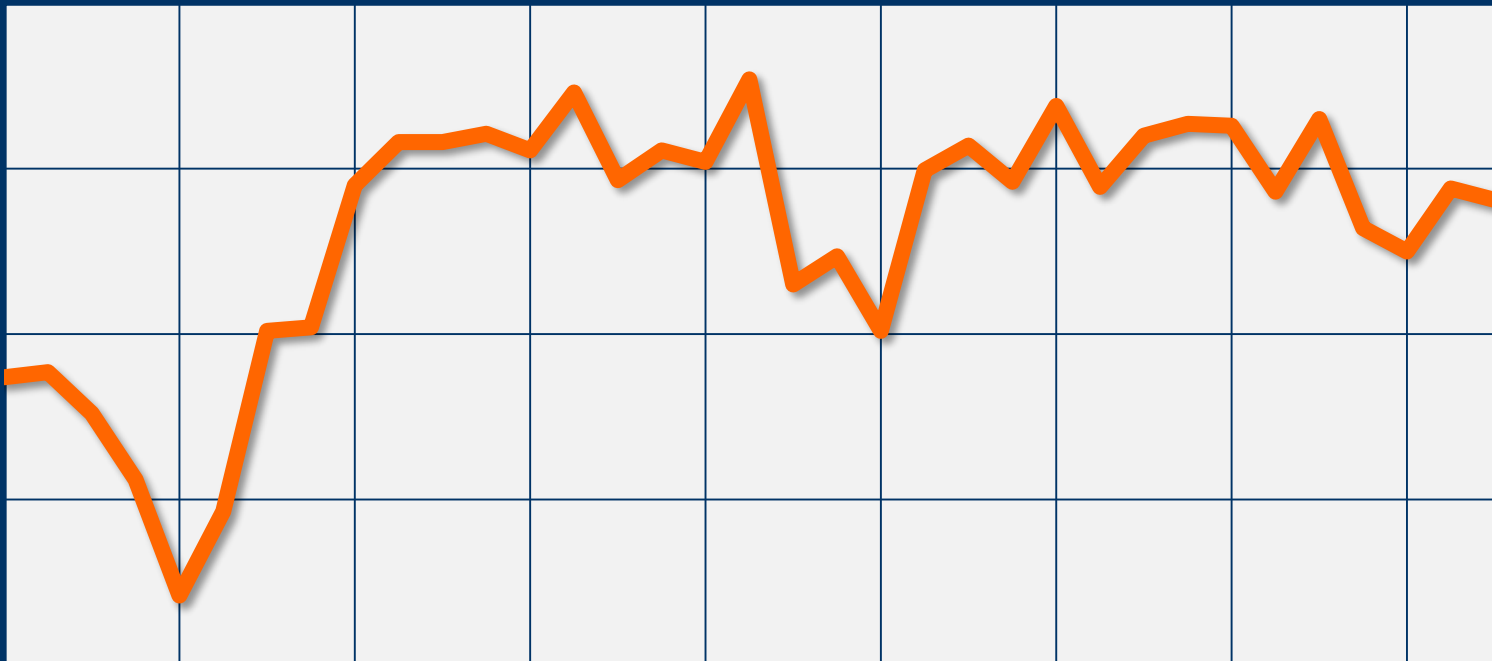
'12

'13

'14

'15

'16

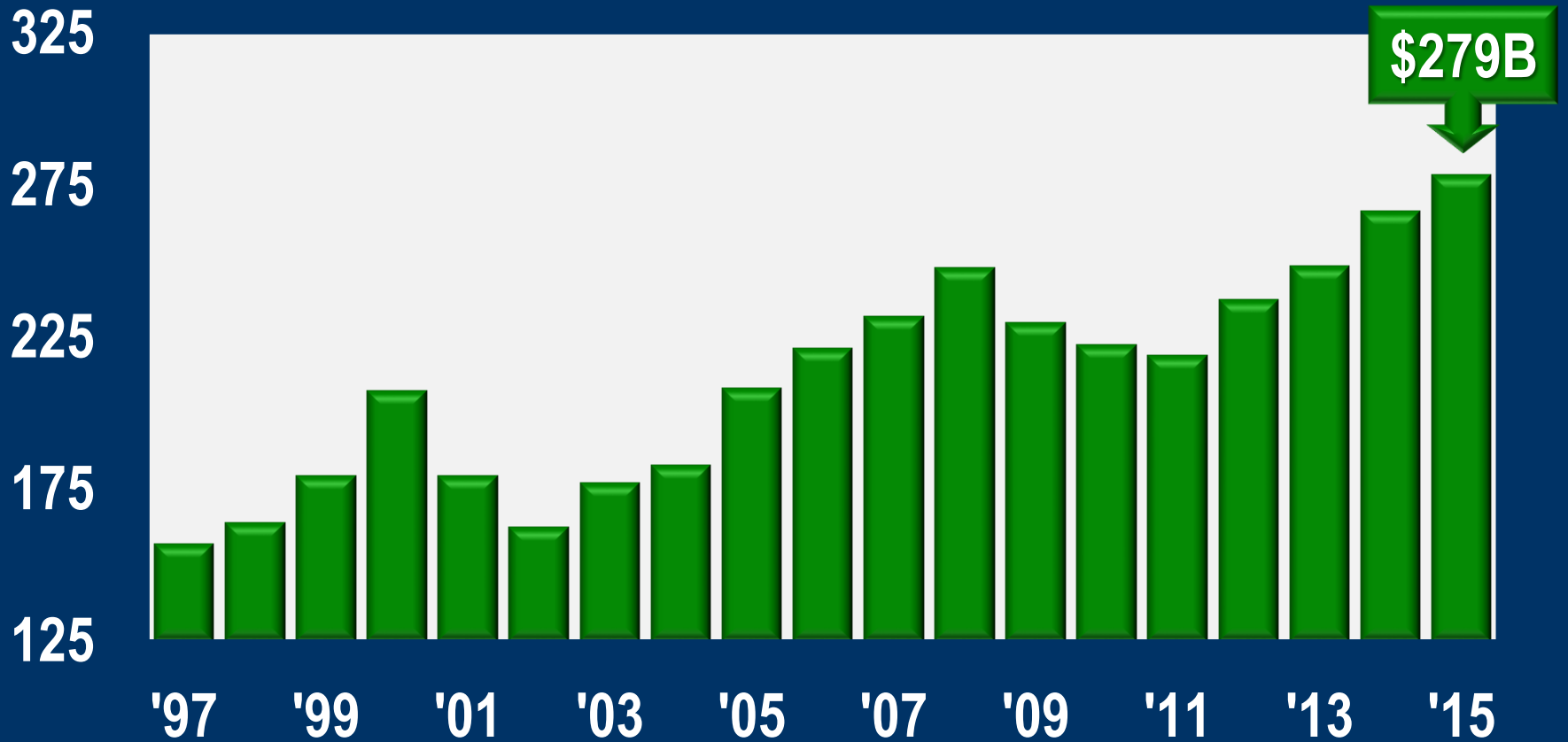


Manufacturing Jobs

	Total % Change 2007 to 2015		
	U.S.	California	Orange County
Manufacturing Jobs	-10.6%	-11.3%	-12.4%

GDP in Manufacturing California

Billions of \$

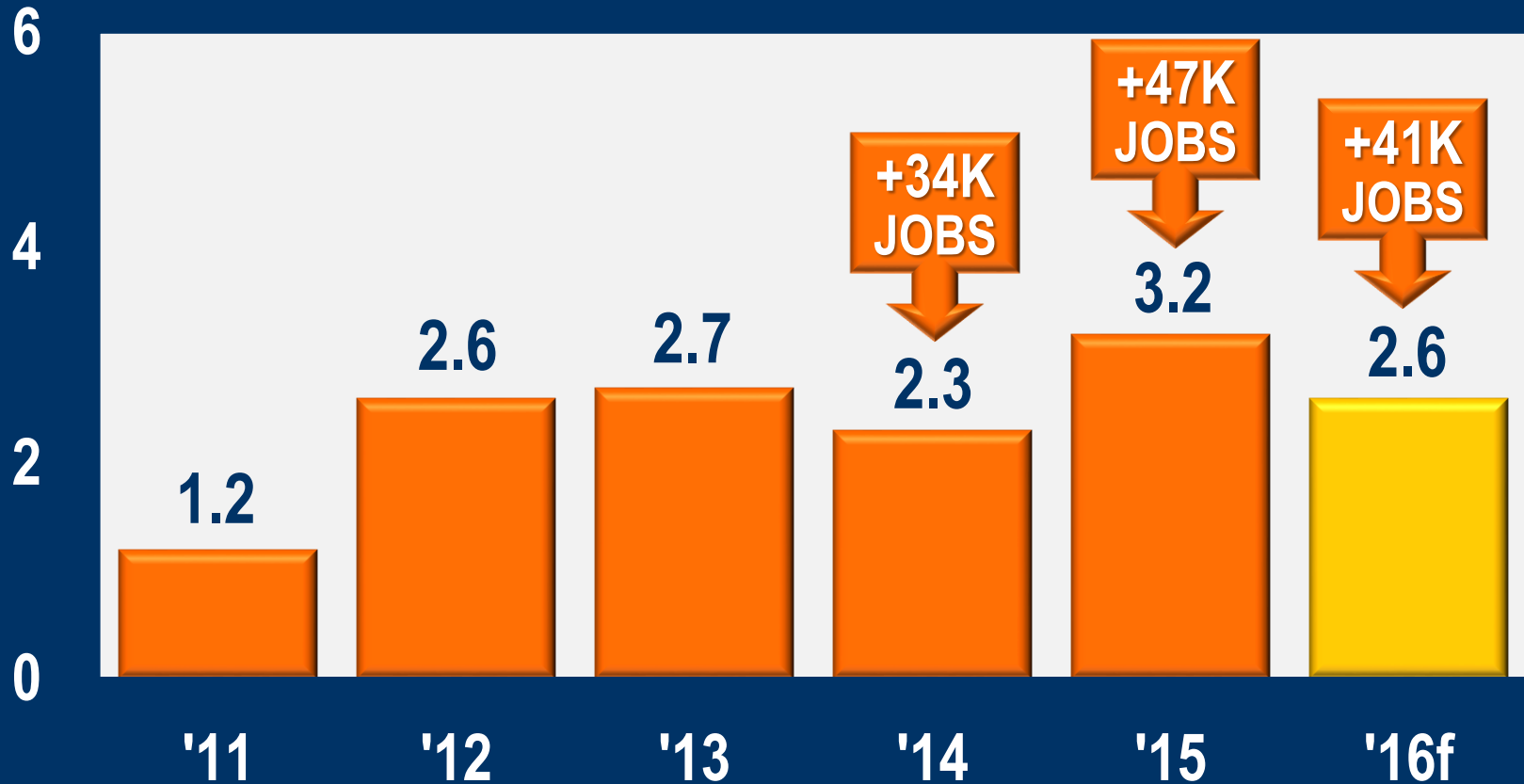


Factors Influencing Job Growth in Orange County

	Annual % Change		Impact on CA Job Growth
	2015	2016f	
Real GDP	2.4%	2.1%	↓
Construction Spending	13.0%	7.7%	↓
OC Purchasing Managers Index	59.9	58.1	↓

Job Growth Orange County

Annual % Change



Jobs in Low-Paying Categories

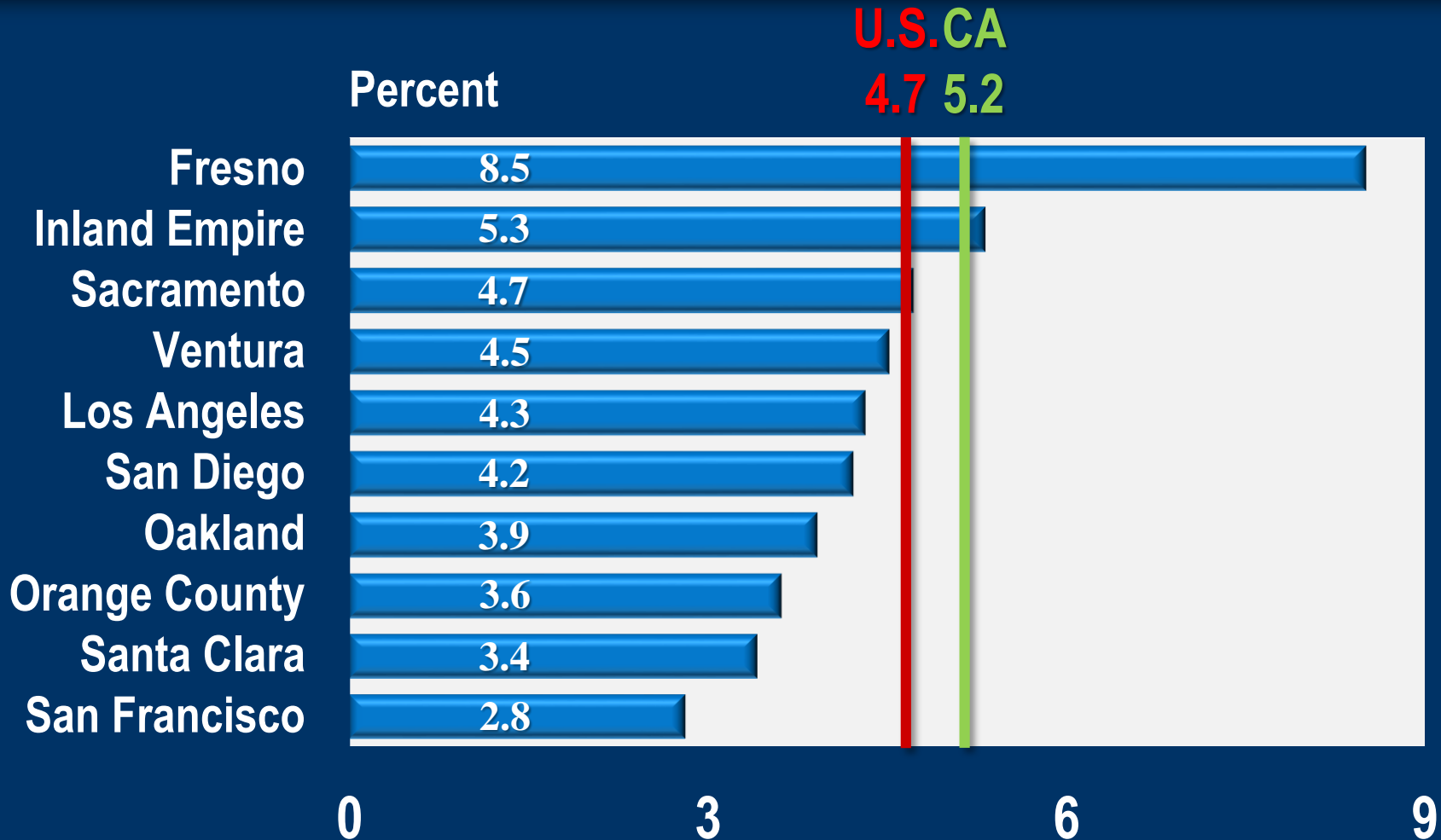
	Orange County		California	
	Annual Wages 2015	Change in Number of Jobs 2007-15	Annual Wages 2015	Change in Number of Jobs 2007-15
Education & Health	\$47,164	+31.3%	\$50,596	+25.2%
Leisure & Hospitality	\$24,336	+19.1%	\$27,040	+18.3%
Total Nonfarm	\$55,224	+2.8%	\$57,928	+4.9%

Jobs in High-Paying Categories

	Orange County			California		
	Annual Wages 2015	Change in Number of Jobs 2007-15	Share 2015	Annual Wages 2015	Change in Number of Jobs 2007-15	Share 2015
Manufacturing	\$68,692	-12.4%	9.9%	\$79,664	-11.3%	7.8%
Professional & Business Services	\$66,768	+4.8%	18.4%	\$68,536	+11.1%	15.6%
Total Nonfarm	\$55,224	+2.8%		\$57,928	+4.9%	

Unemployment Rates

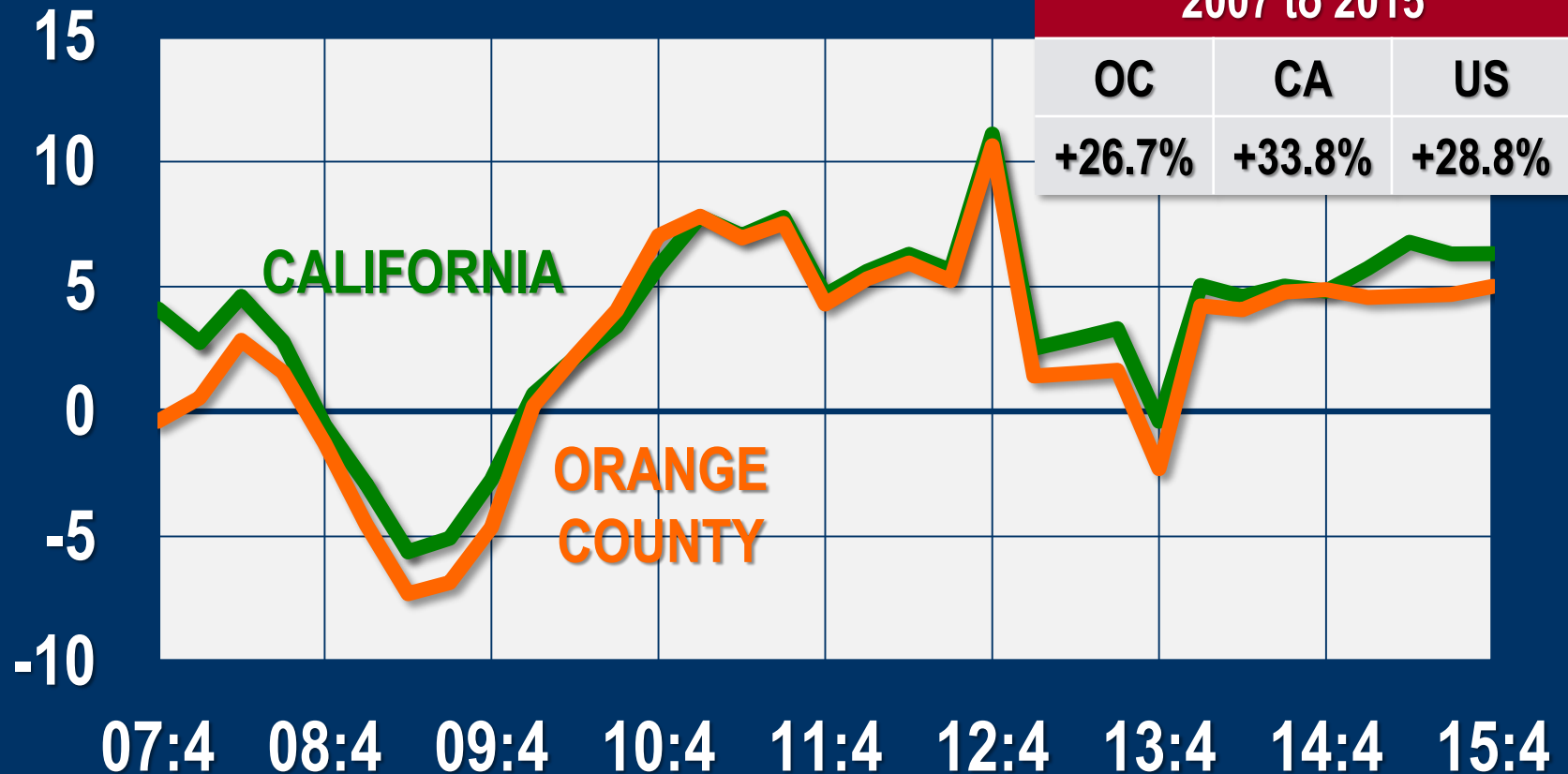
May 2016



Source: EDD

Personal Income

Yr/Yr % Change



The Housing Market

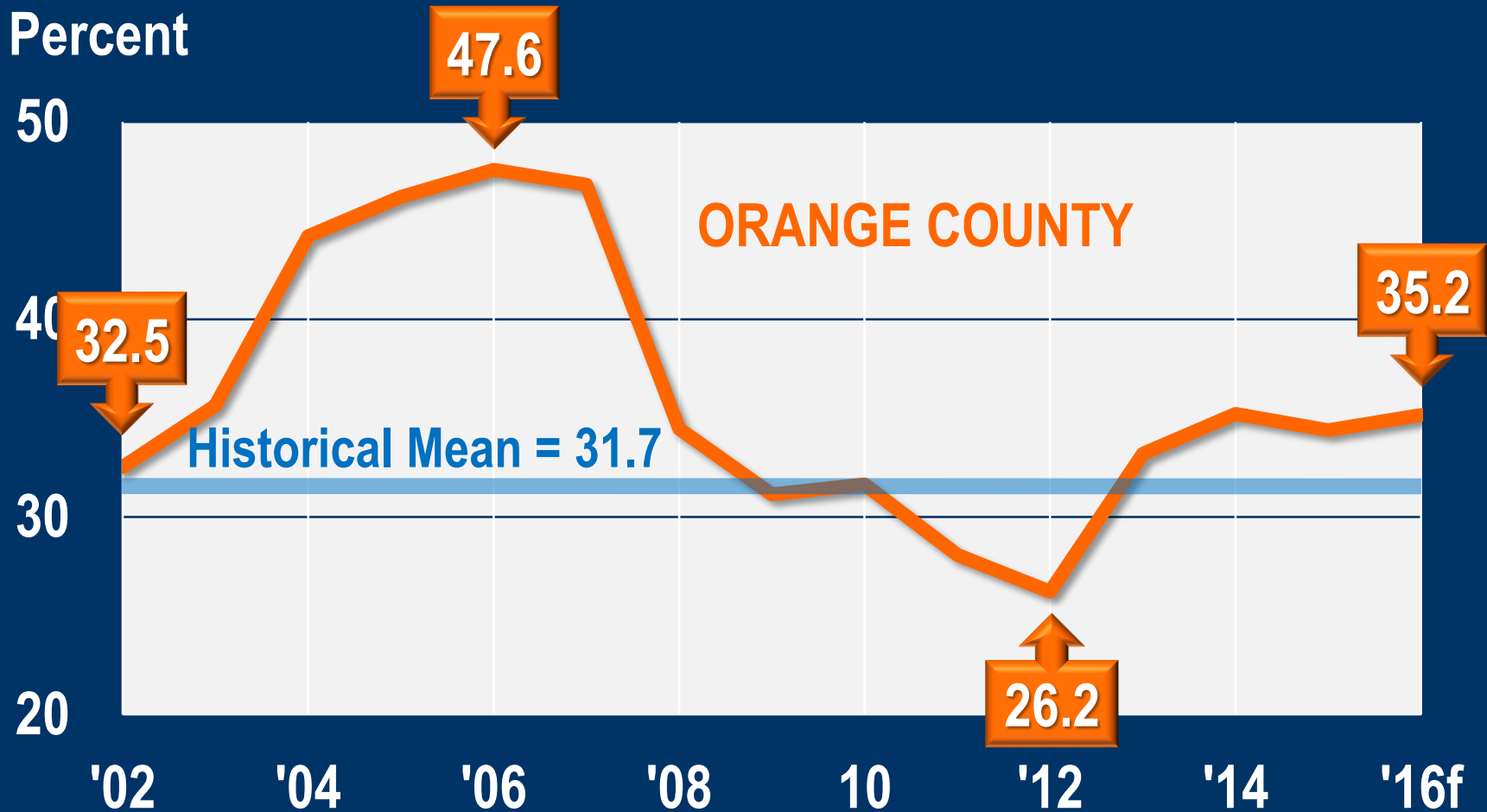


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Factors Affecting Home Prices

	Very Unfavorable	Unfavorable	Neutral	Favorable	Very Favorable
DEMAND:					
Jobs/ Unemployment					
Housing Affordability					
SUPPLY:					
Permits					
Unsold inventory					

Percent of Median Family Income Needed for Mortgage Payment on Median-Priced Home



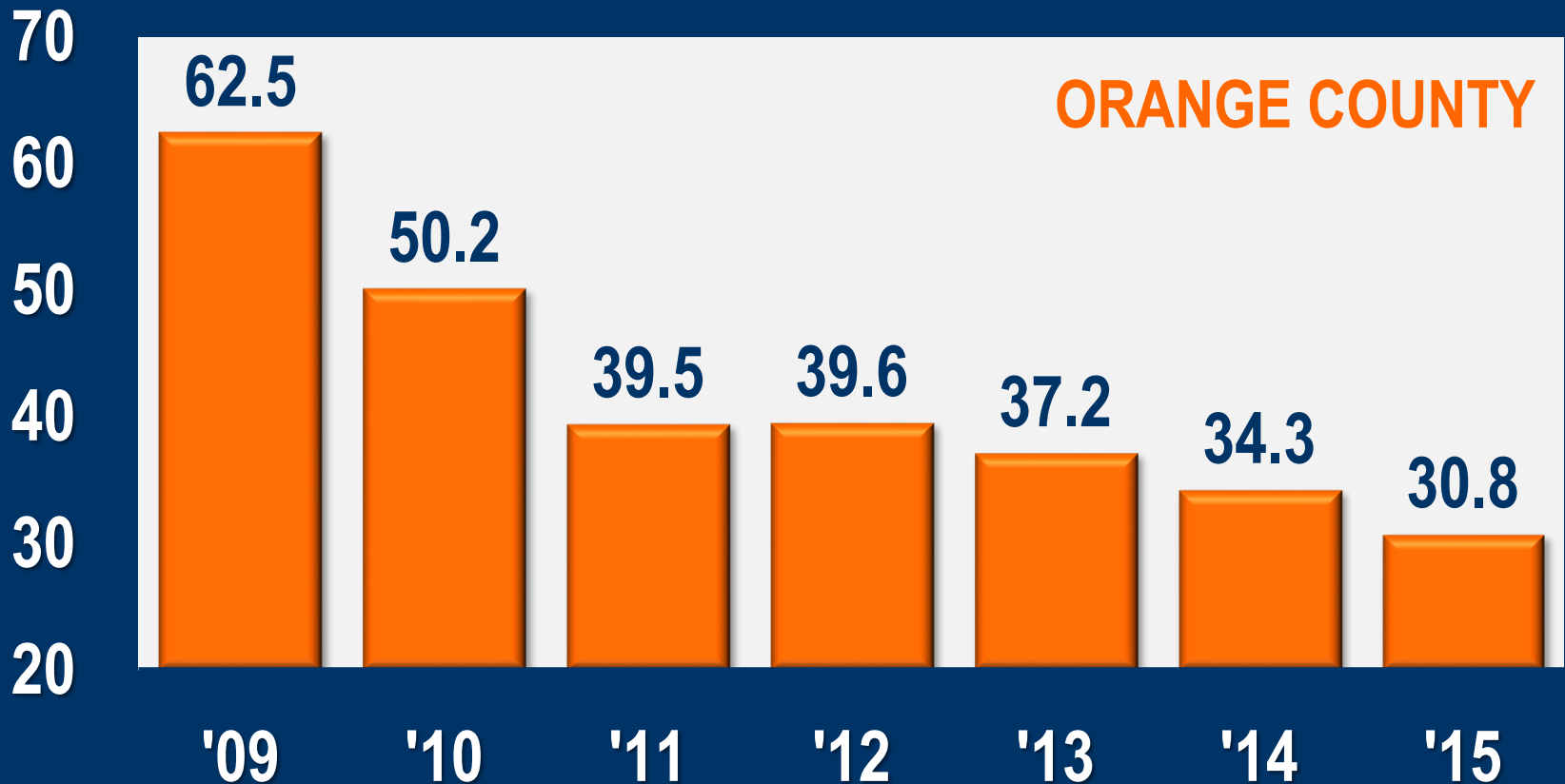
Residential Building Permits Orange County

Thousands of Units



Single Family Homes As a Percentage of Total Housing Unit Permits

Percent



Supply of Unsold Homes Orange County

Months

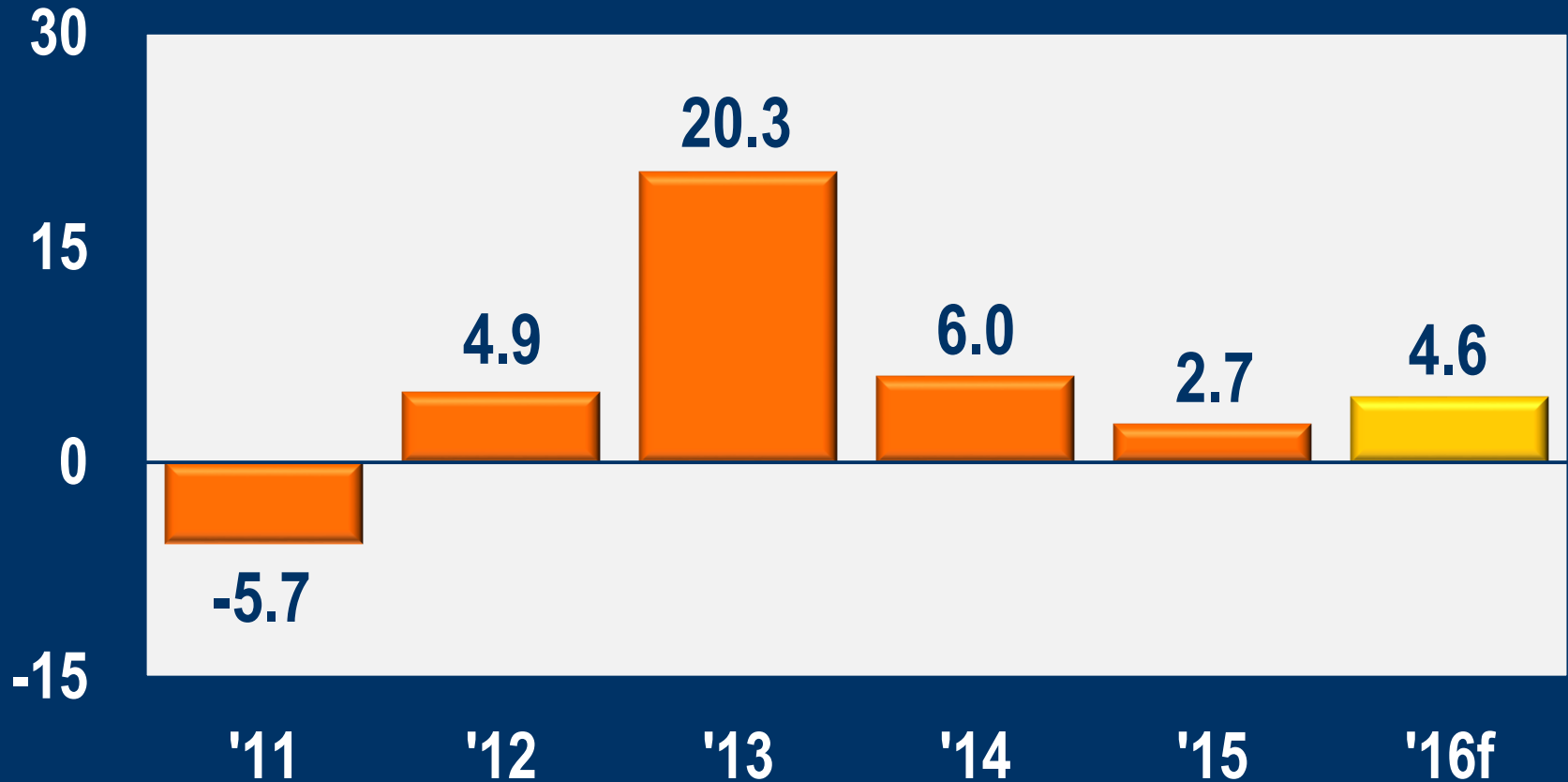


Factors Affecting Home Prices

	Very Unfavorable	Unfavorable	Neutral	Favorable	Very Favorable
DEMAND:					
Jobs/ Unemployment			✓		
Housing Affordability		✓			
SUPPLY:					
Permits				✓	
Unsold inventory				✓	

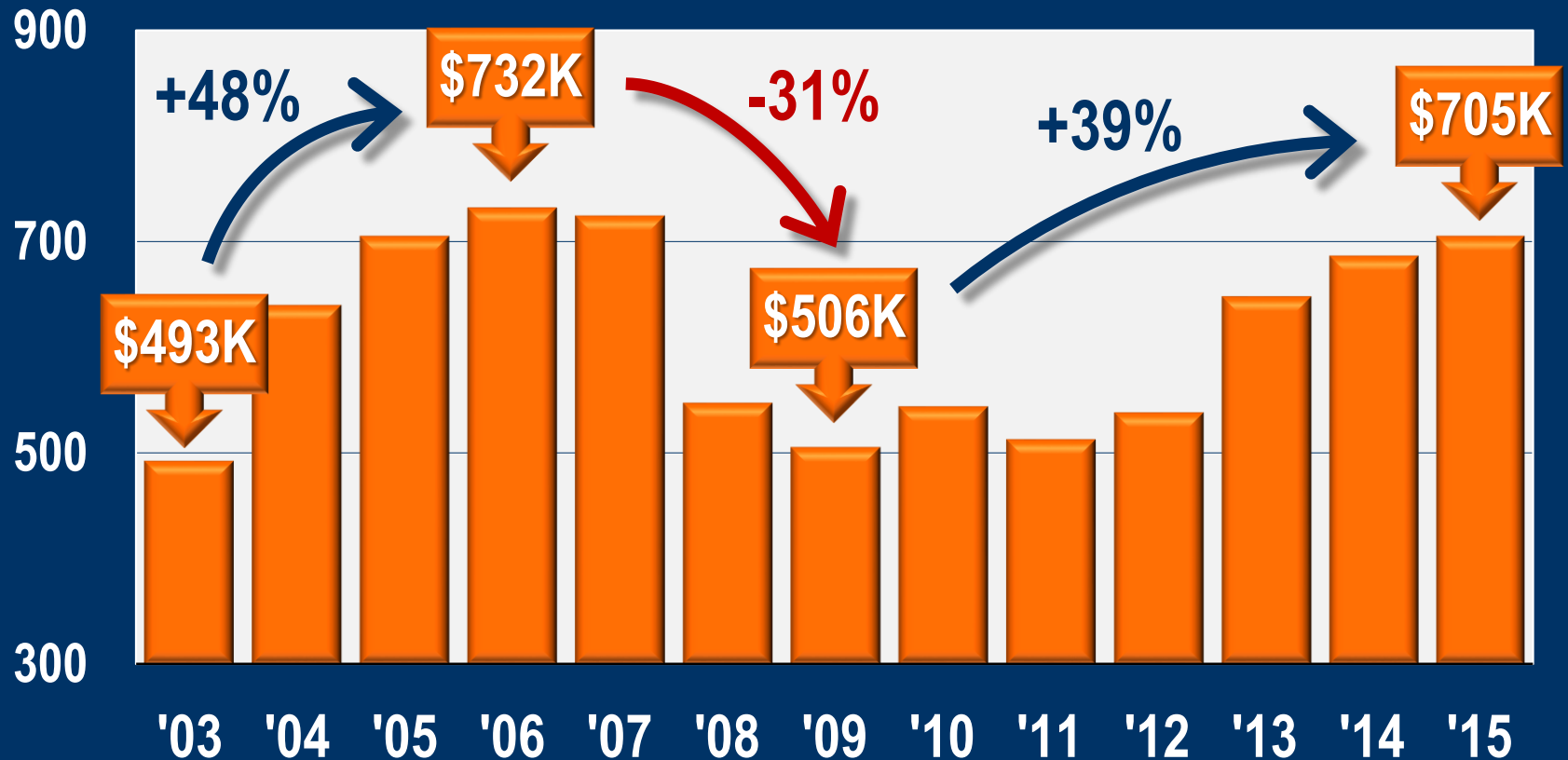
Resale Single-Family Housing Prices Orange County

Annual % Change



Median Single-Family Home Prices Orange County

Thousands of \$



Consumer Sentiment



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Consumer Sentiment California

Composite Index



Factors Affecting Consumer Spending

- **Anemic wage growth**
 - **Moderate level of employment**
 - **Higher home prices**
 - **Stalled equity market**
- } **Positive wealth effect**

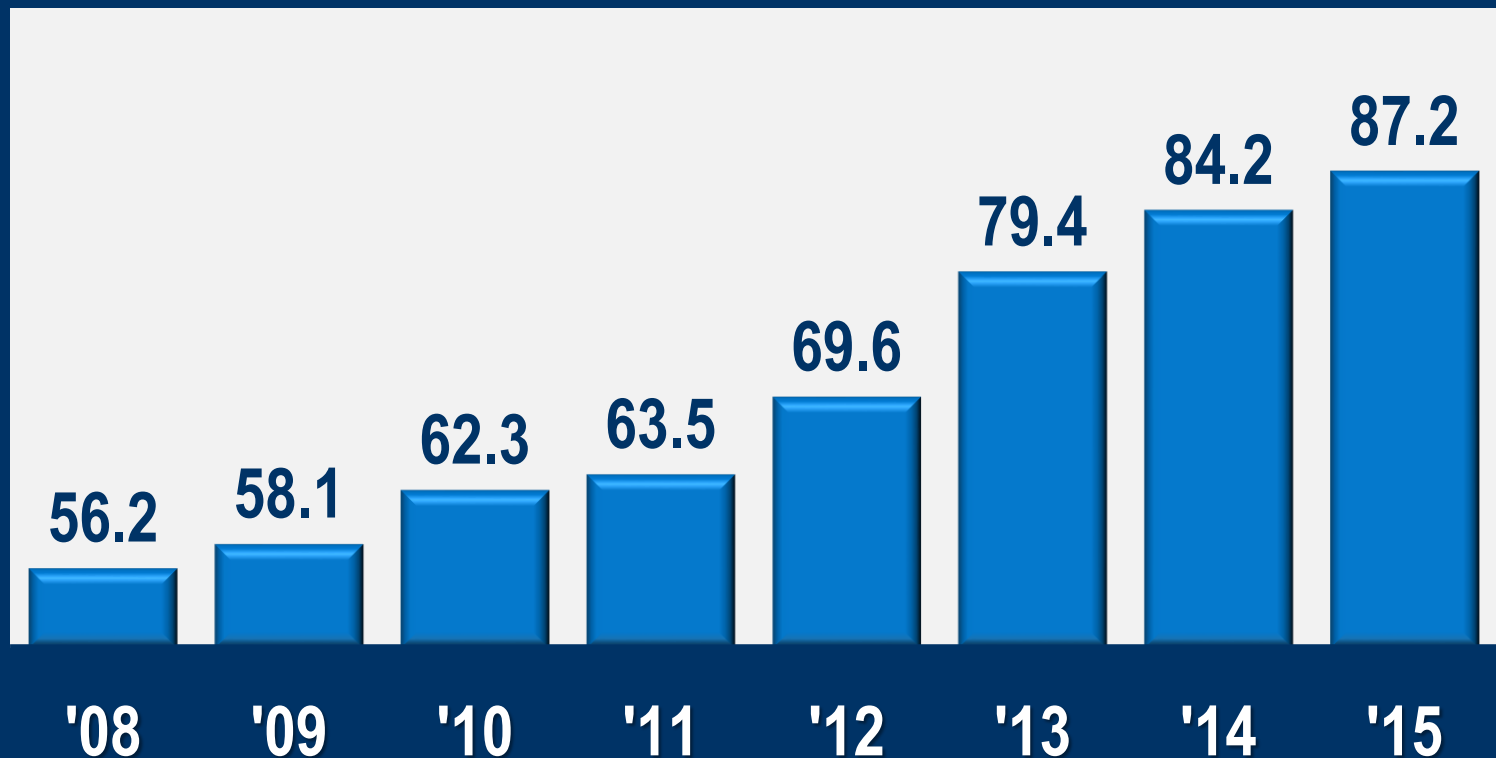
U.S. Household Net Worth

Trillions of \$

100

75

50



Source: The Federal Reserve Board

Factors Affecting Consumer Spending

- **Anemic wage growth**
 - **Moderate level of employment**
 - **Higher home prices**
 - **Stalled equity market**
 - **Lower debt service**
- } **Positive wealth effect**

U.S. Household Debt Service Payments As a Percentage of Disposable Income

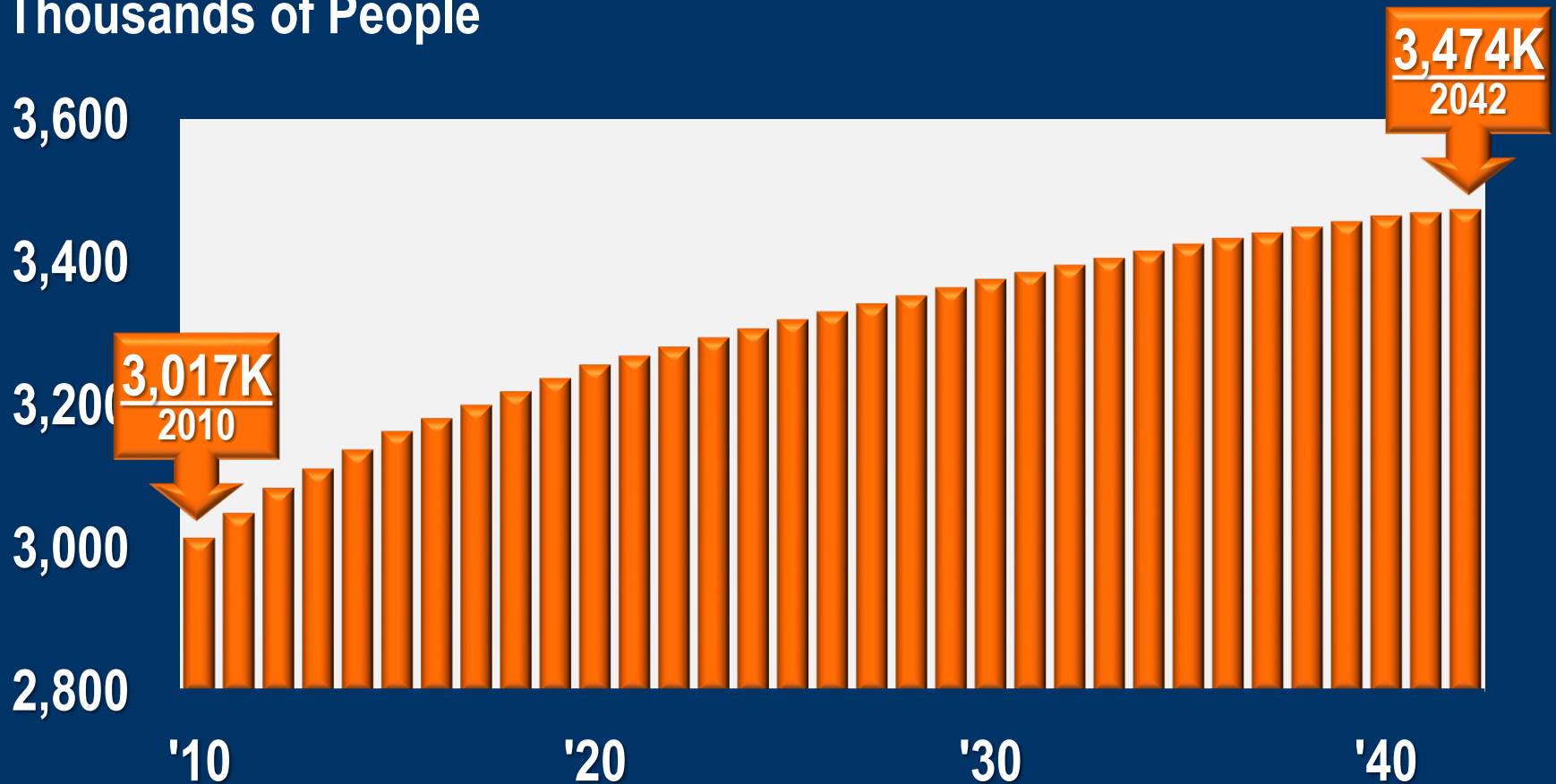


Factors Affecting Consumer Spending

- **Anemic wage growth**
 - **Moderate level of employment**
 - **Higher home prices**
 - **Stalled equity market**
 - **Lower debt service**
 - **Stable gasoline prices**
- } **Positive wealth effect**

Total Population Orange County

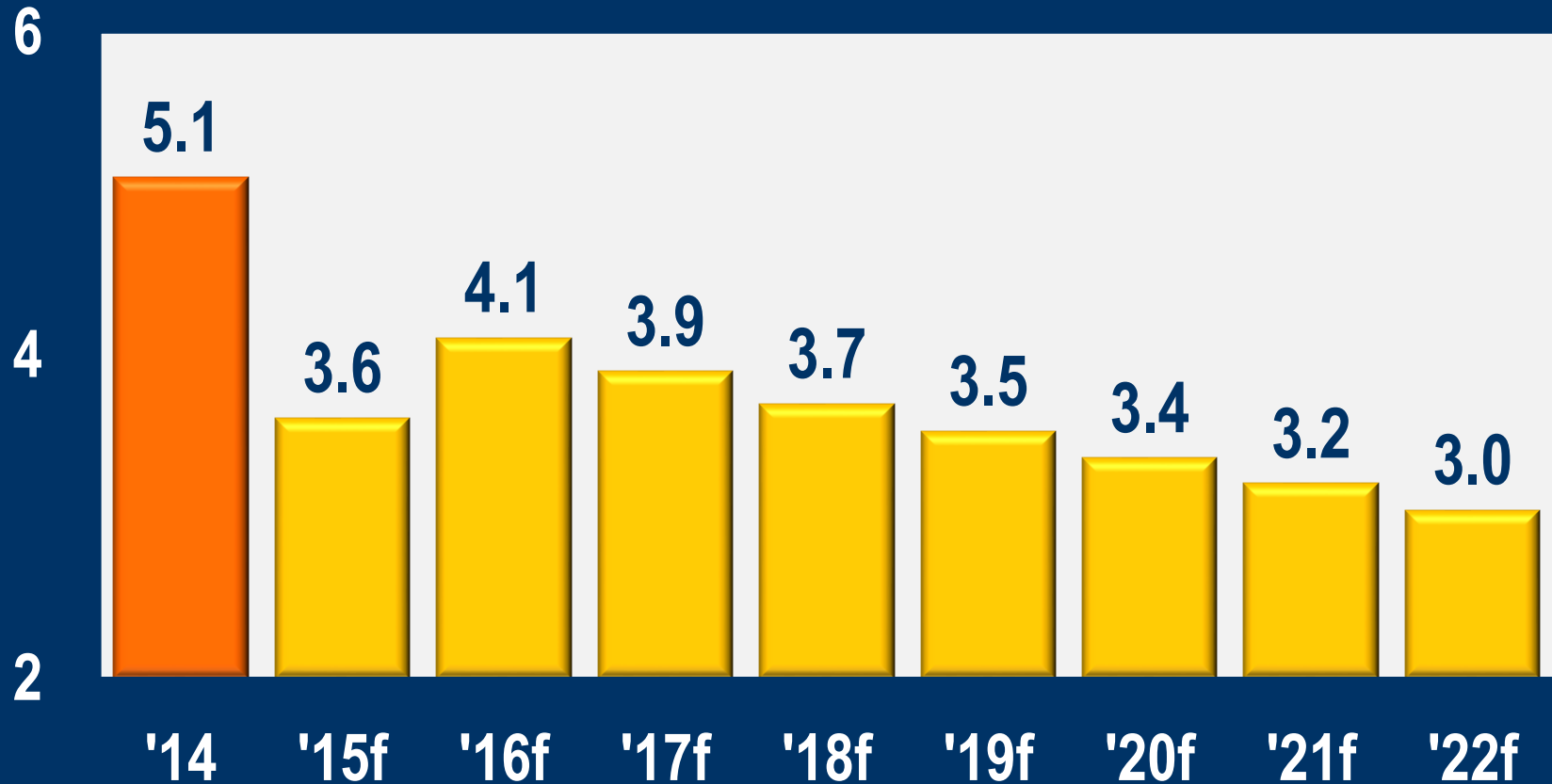
Thousands of People



Source: California Department of Finance

Taxable Sales Orange County

Annual % Change



BOTTOM LINE...

- **Steady job growth**
- **Mild gain in real income**
- **Mild improvement in consumer spending**
- **Faster home price appreciation in 2016**
- **Solid growth in the construction sector**

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