

# Economic Outlook

**Anil Puri, Ph.D.**

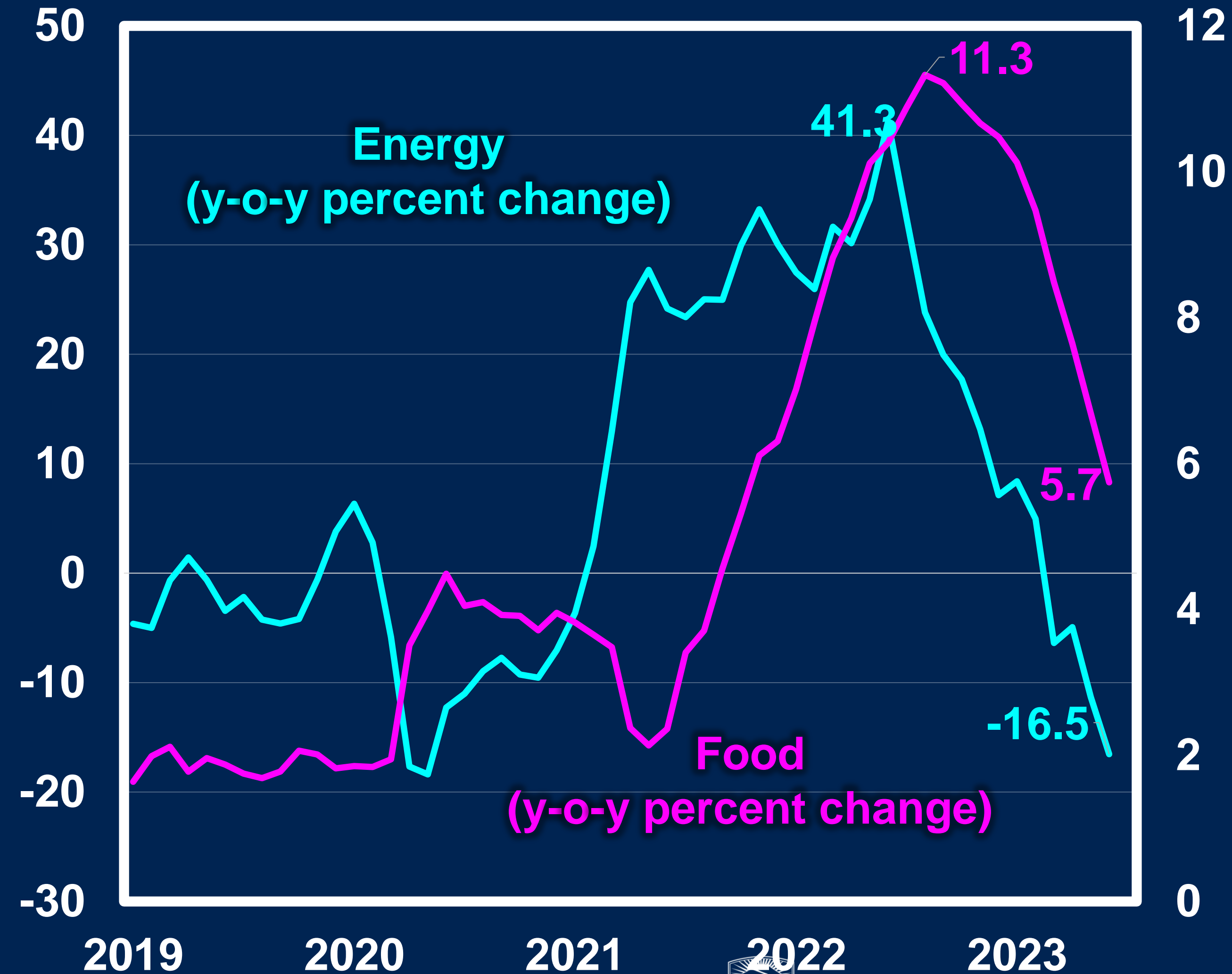
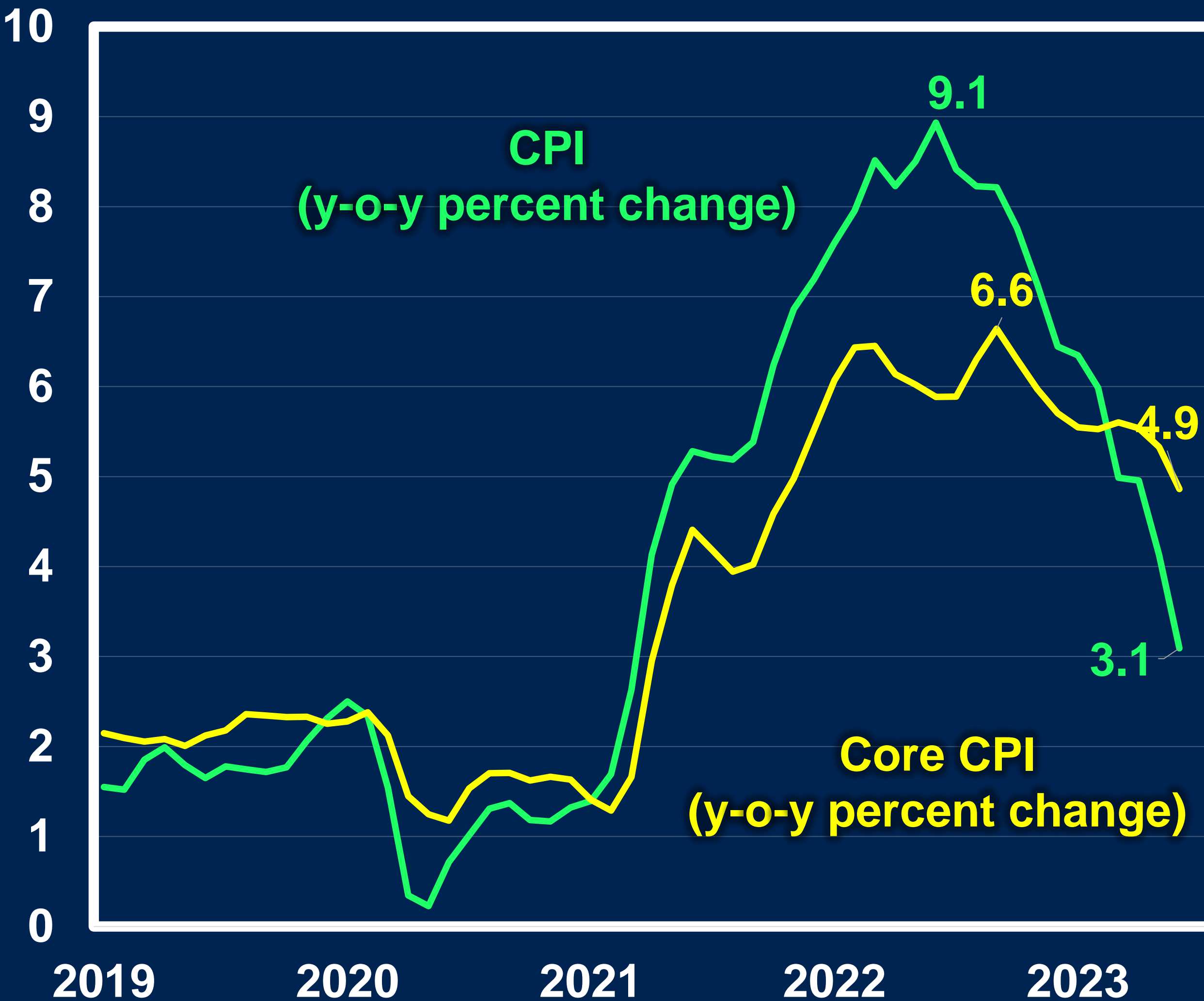
**Director, The Woods Center  
California State University, Fullerton**

**OCTA**

**August 23, 2023**

# Two Inflation Tales

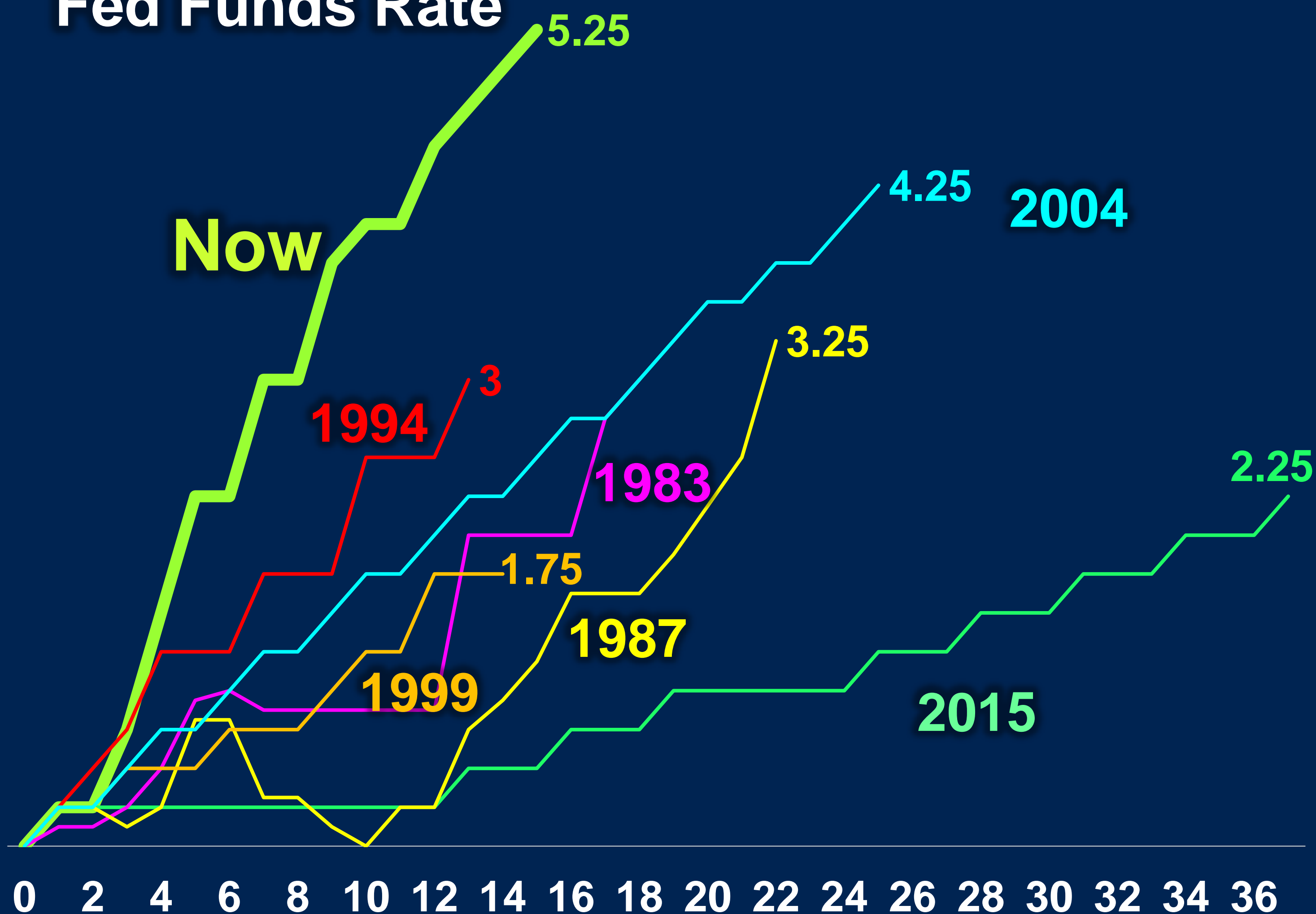
## Headline Inflation Has Receded...but Core Inflation is Still Up



# Highest Inflation in 40-years

...Has Prompted the Fastest Rate Hike in 40-years

## Fed Funds Rate

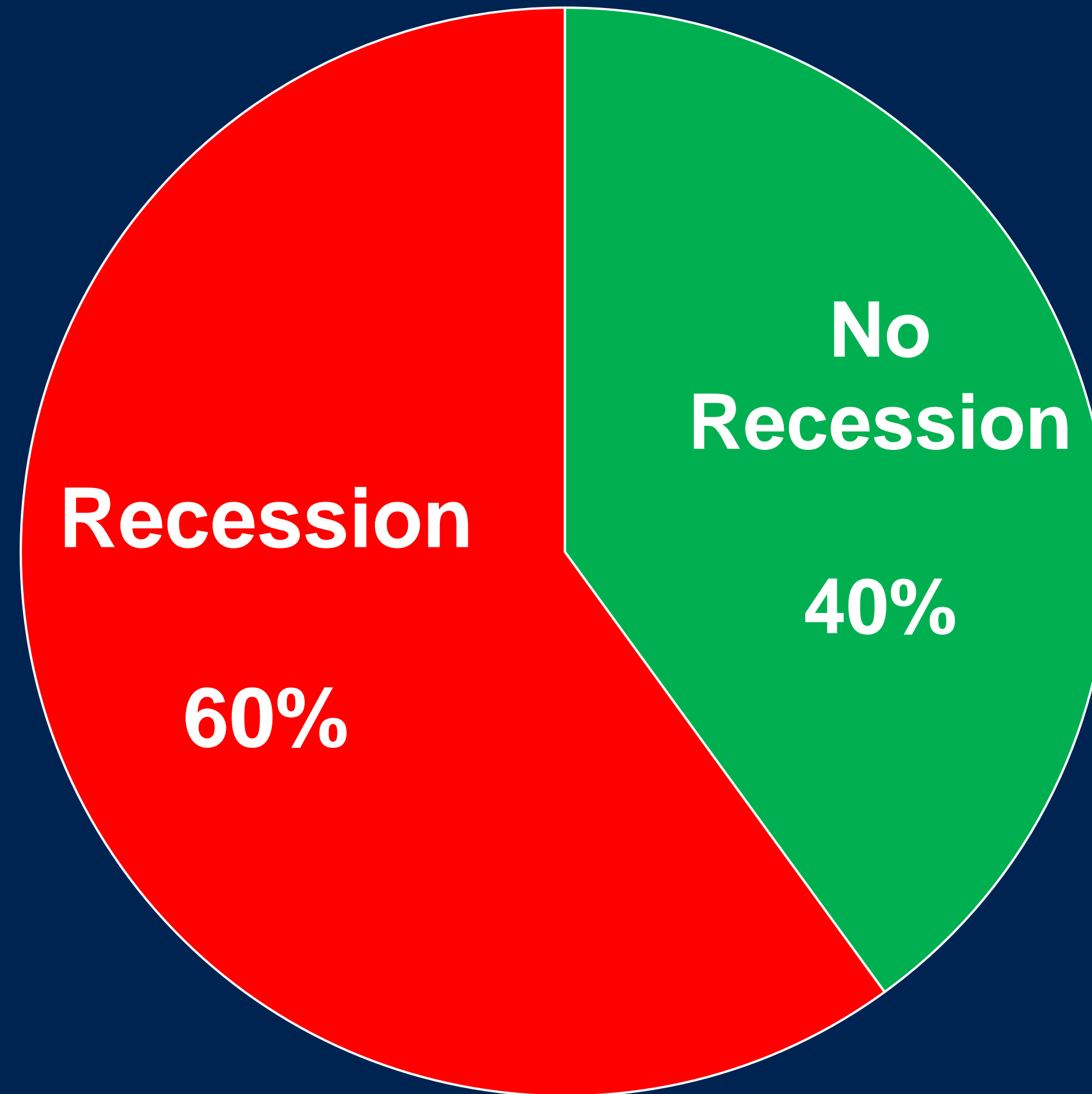


## 2022: Awful in Many Ways

- Russia/Ukraine War
- Energy/Commodity Shock
- Bear Markets (-20% drop)
- China Zero-COVID

# Recessions Following a Rate Increase

## 15 Post WW-II Recessions

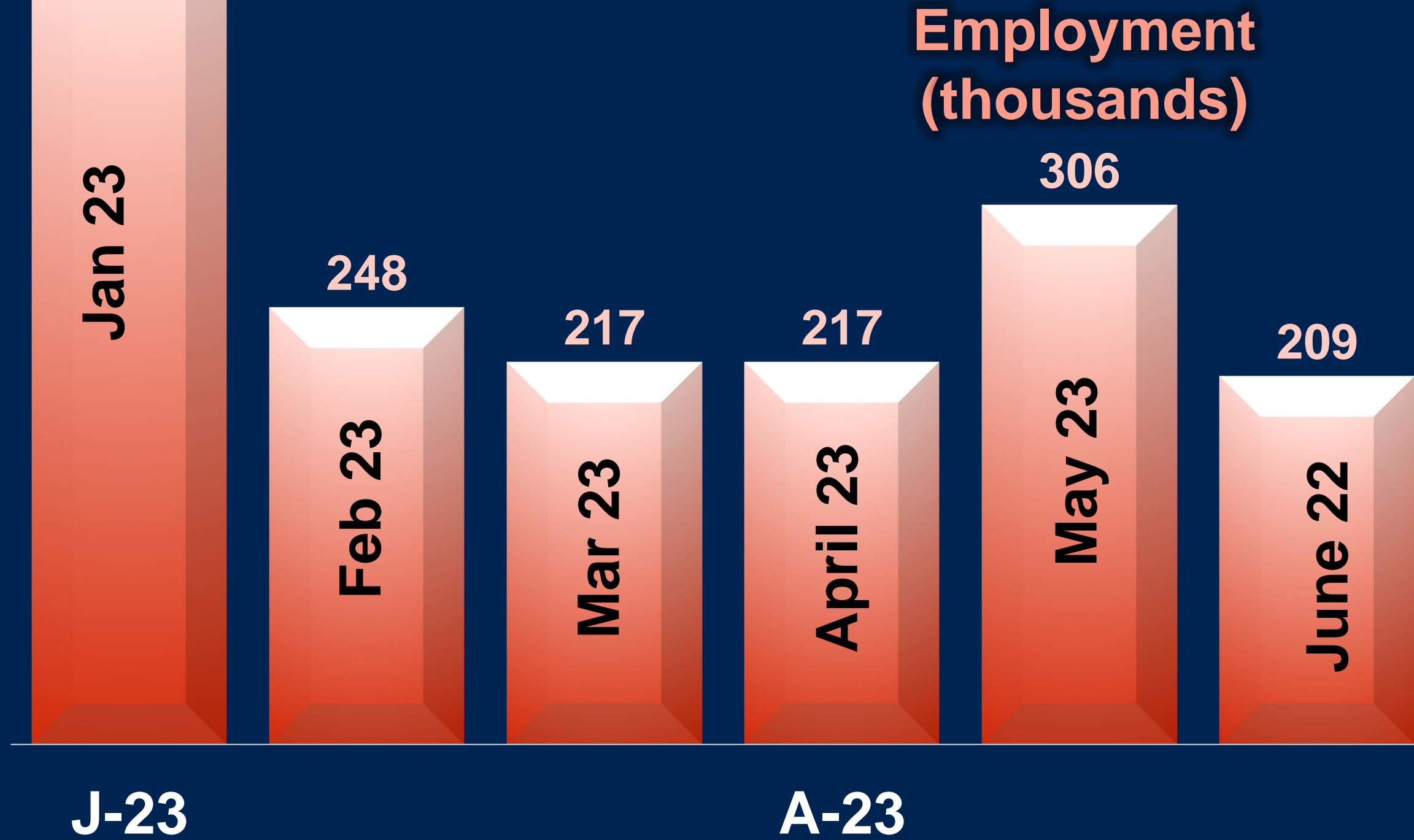


# A Goldilocks-ish Story

Easing into Softer Growth... but with No Job Losses

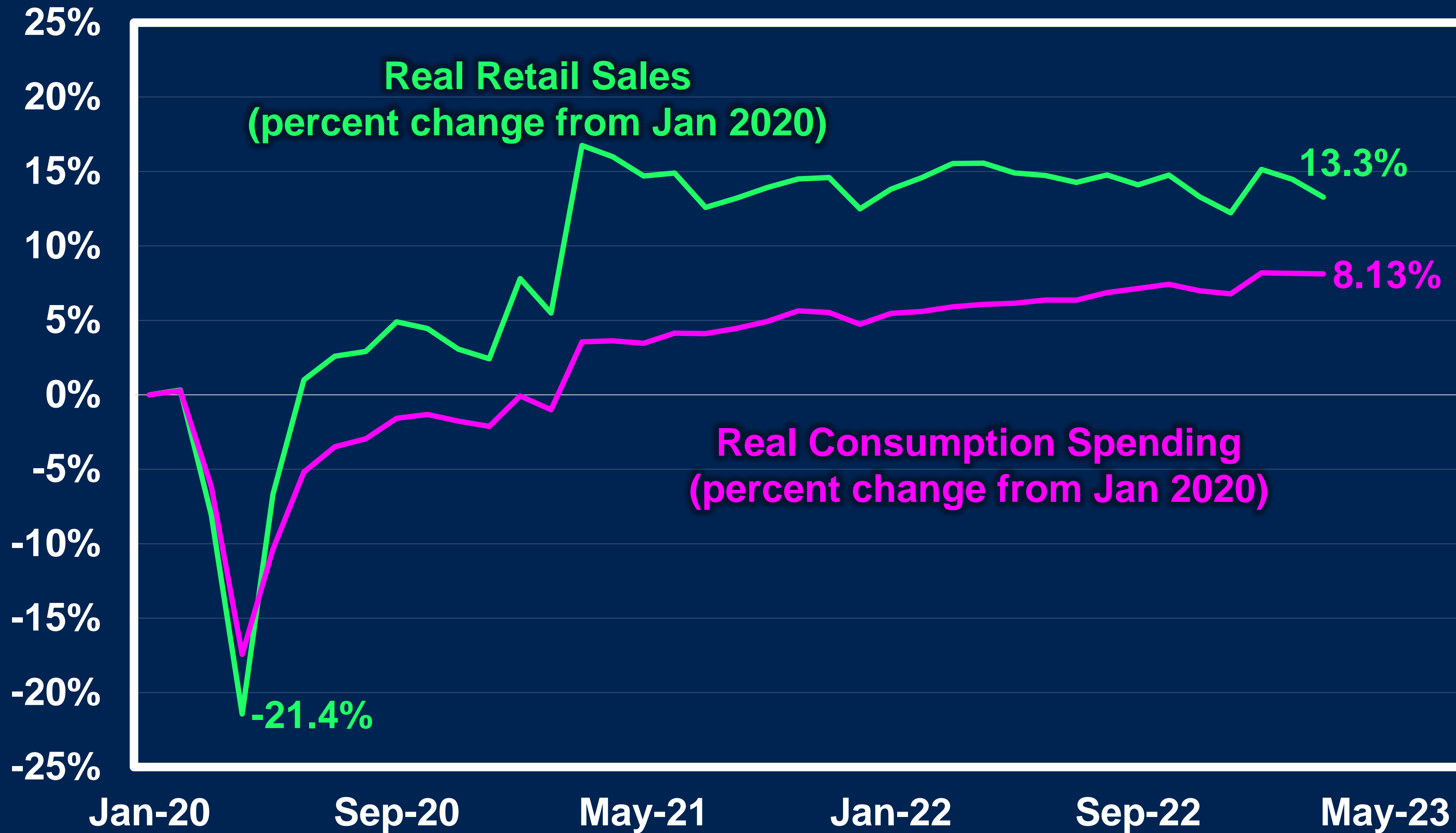


2021 Jobs	7.3 million
2022	4.8 million

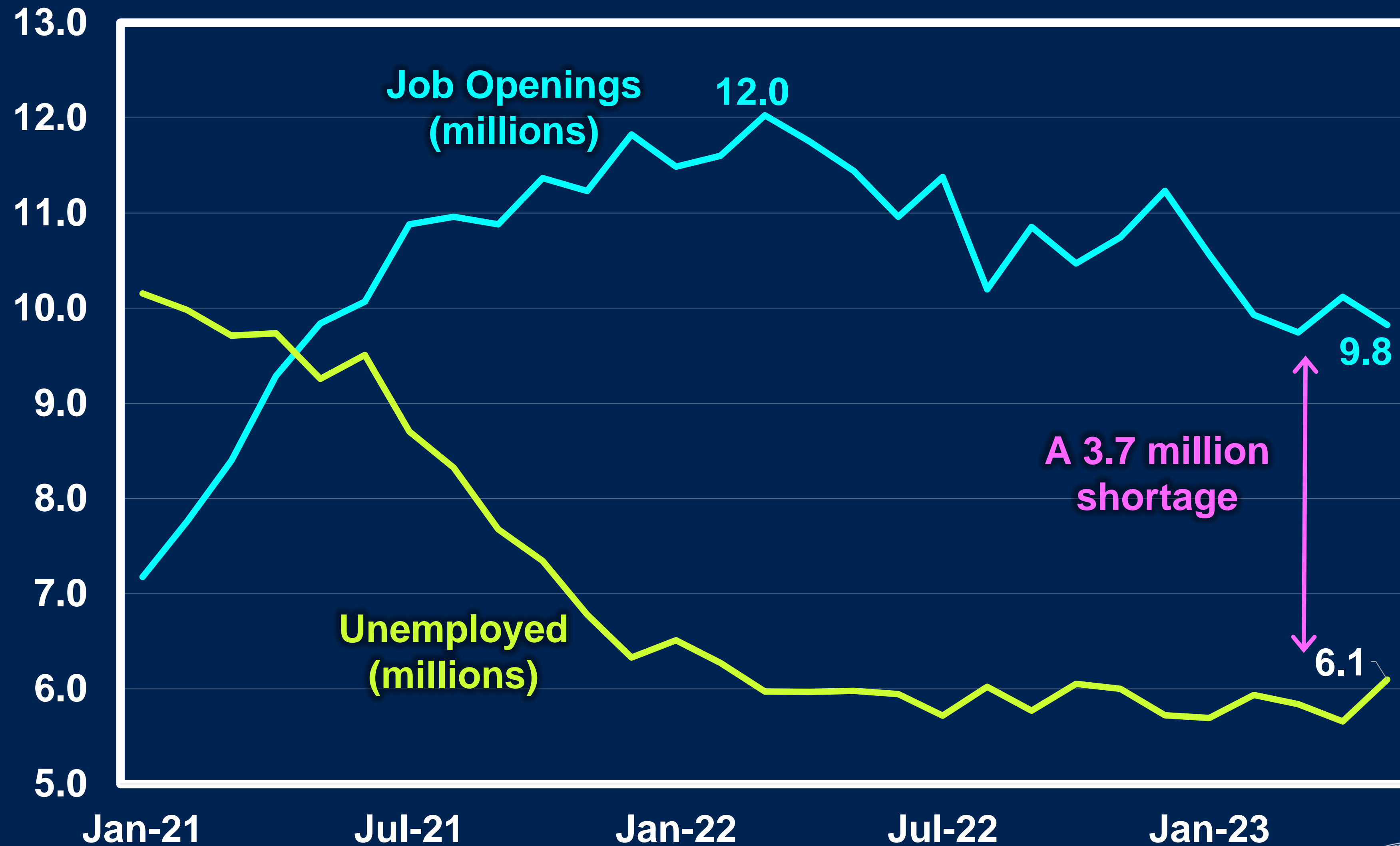


# Consumers Refuse to Roll Over

## First Chasing Goods...Now Services

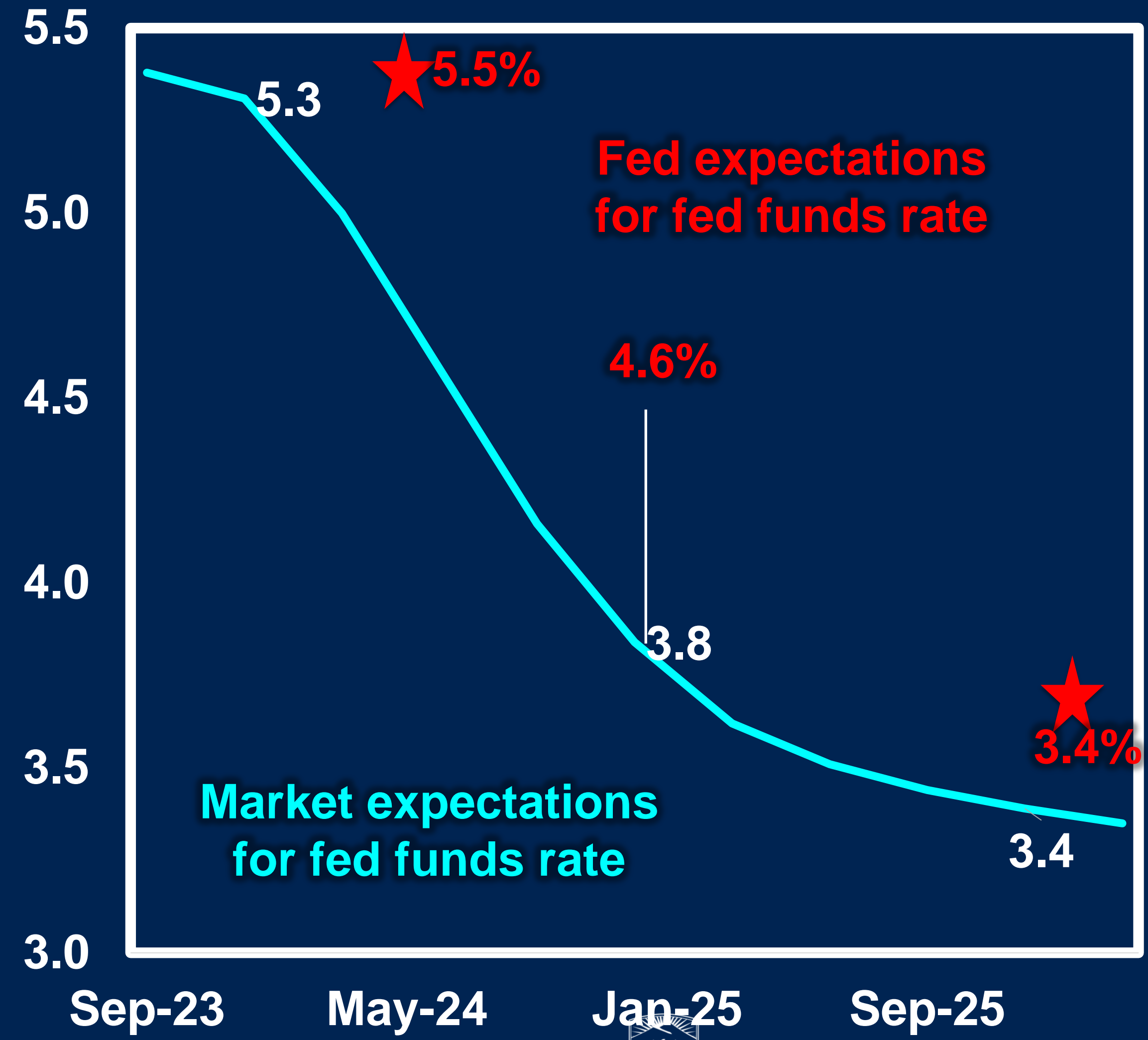
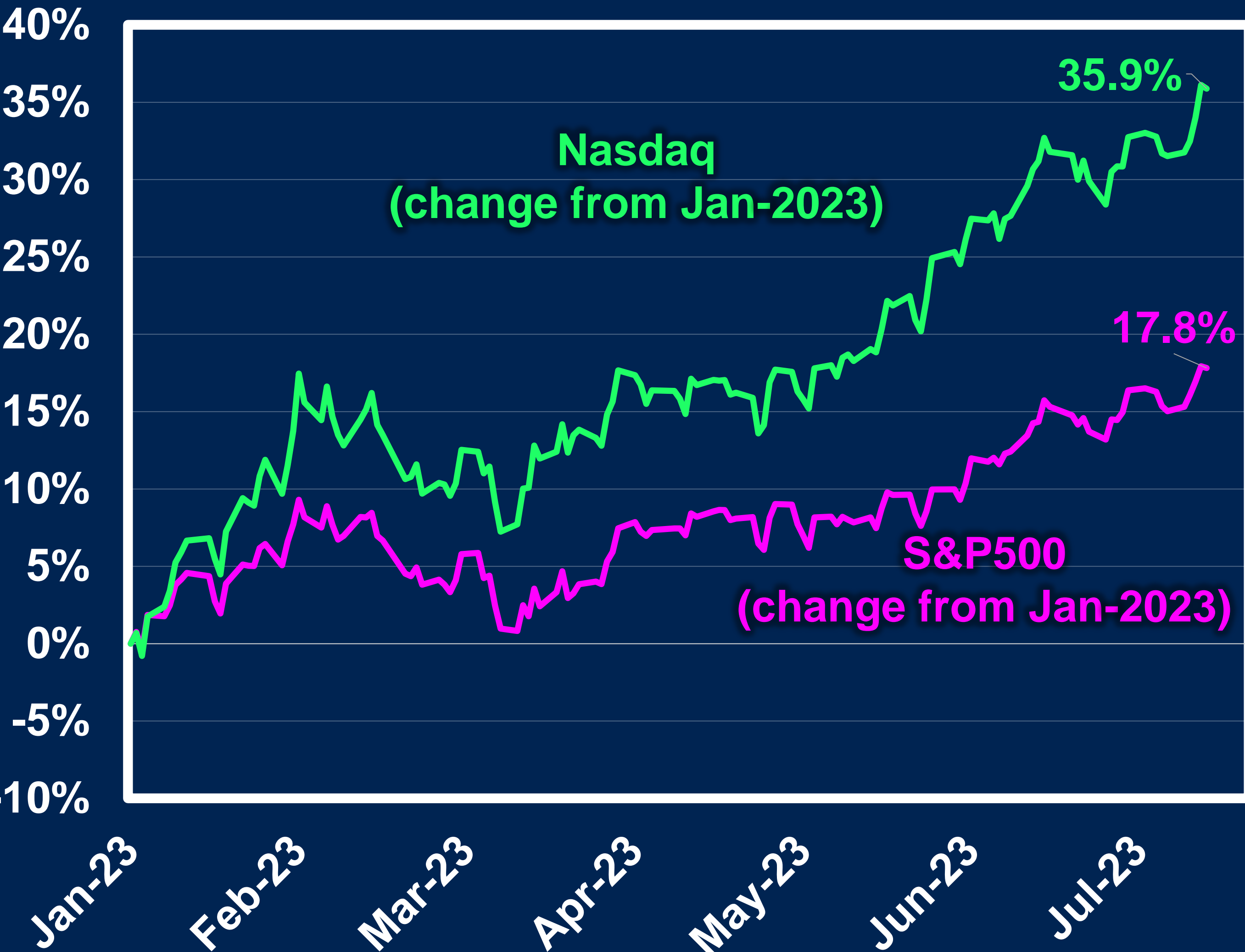


# Help Needed...Still...Maybe...



# More Mixed Signals

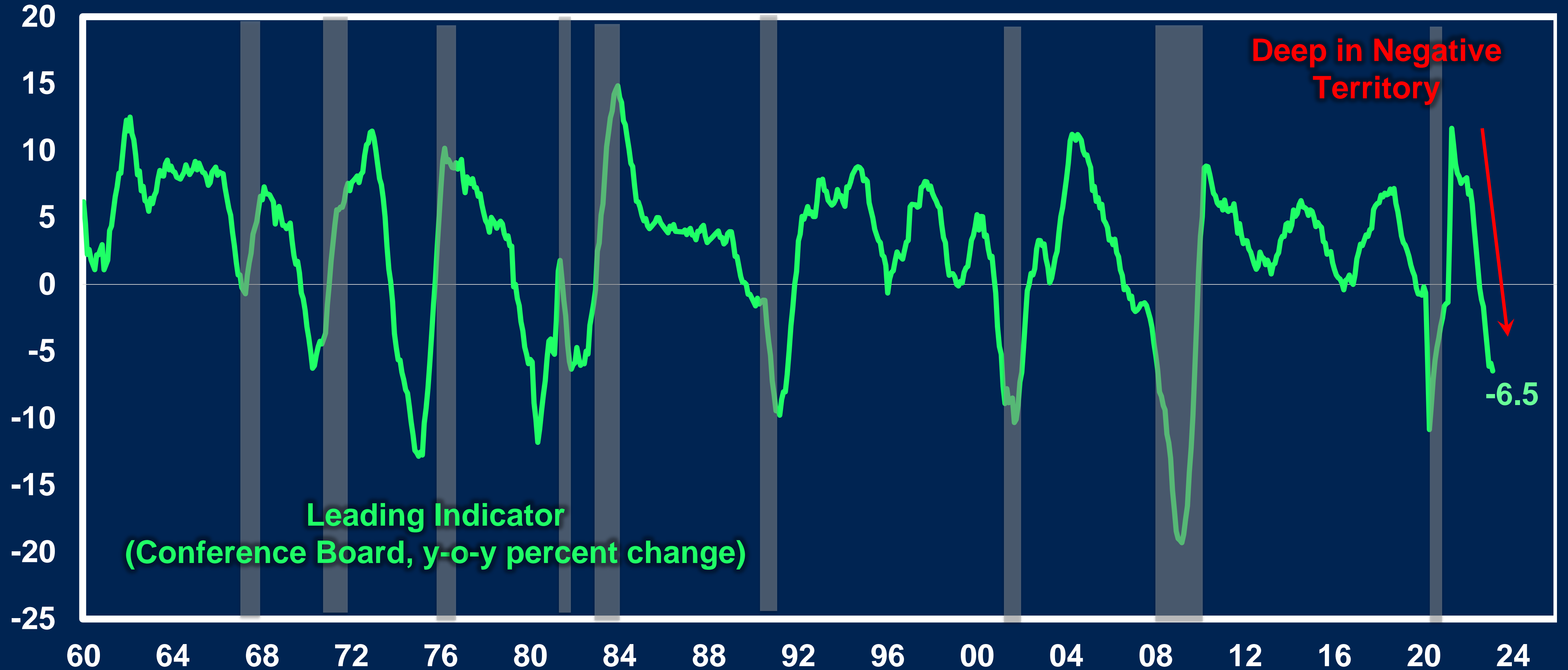
## A Gulf of Separation: The Markets and the Fed





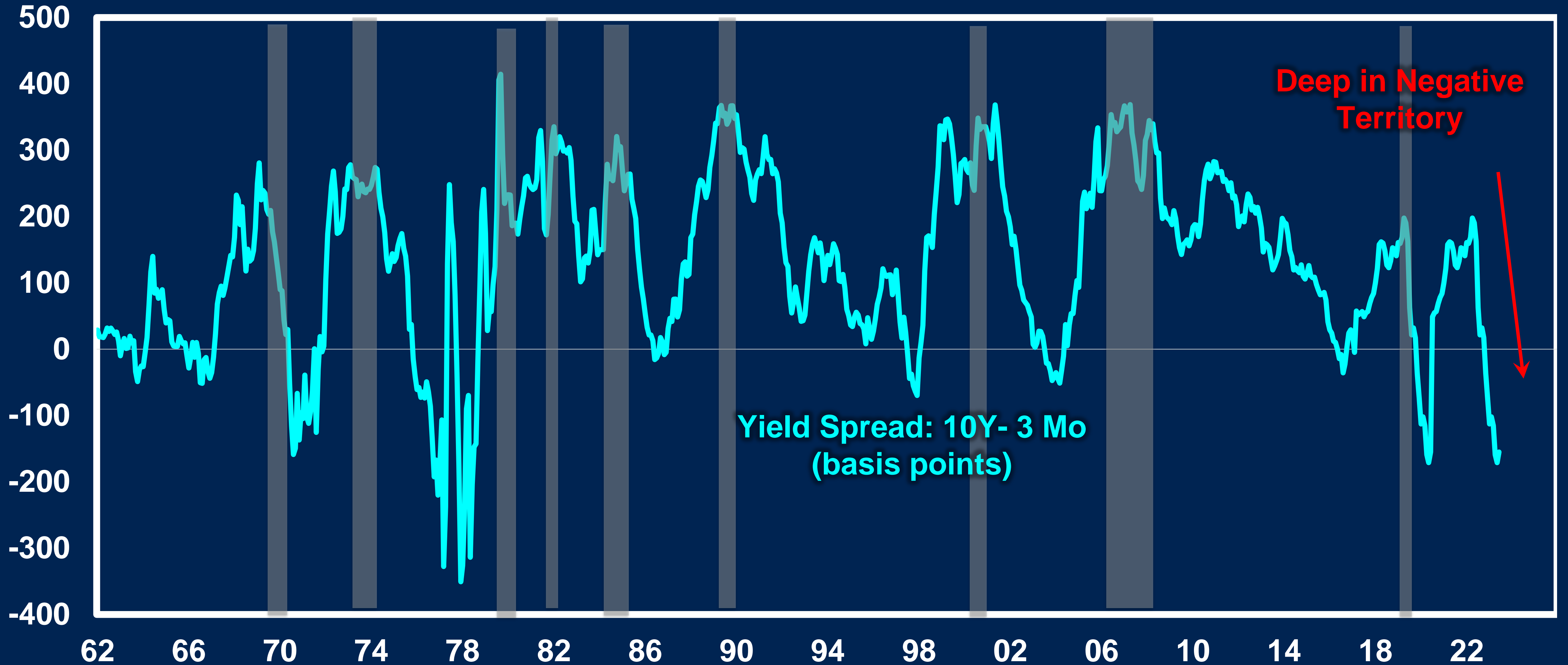
# A Better Indicator

## Leading Indicator Index is Signaling a Recession



# Another Warning Sign

## Yield Spread is Deep in Negative Territory



# That, Which Shall Not Be Named

**No Landing  
No Recession**

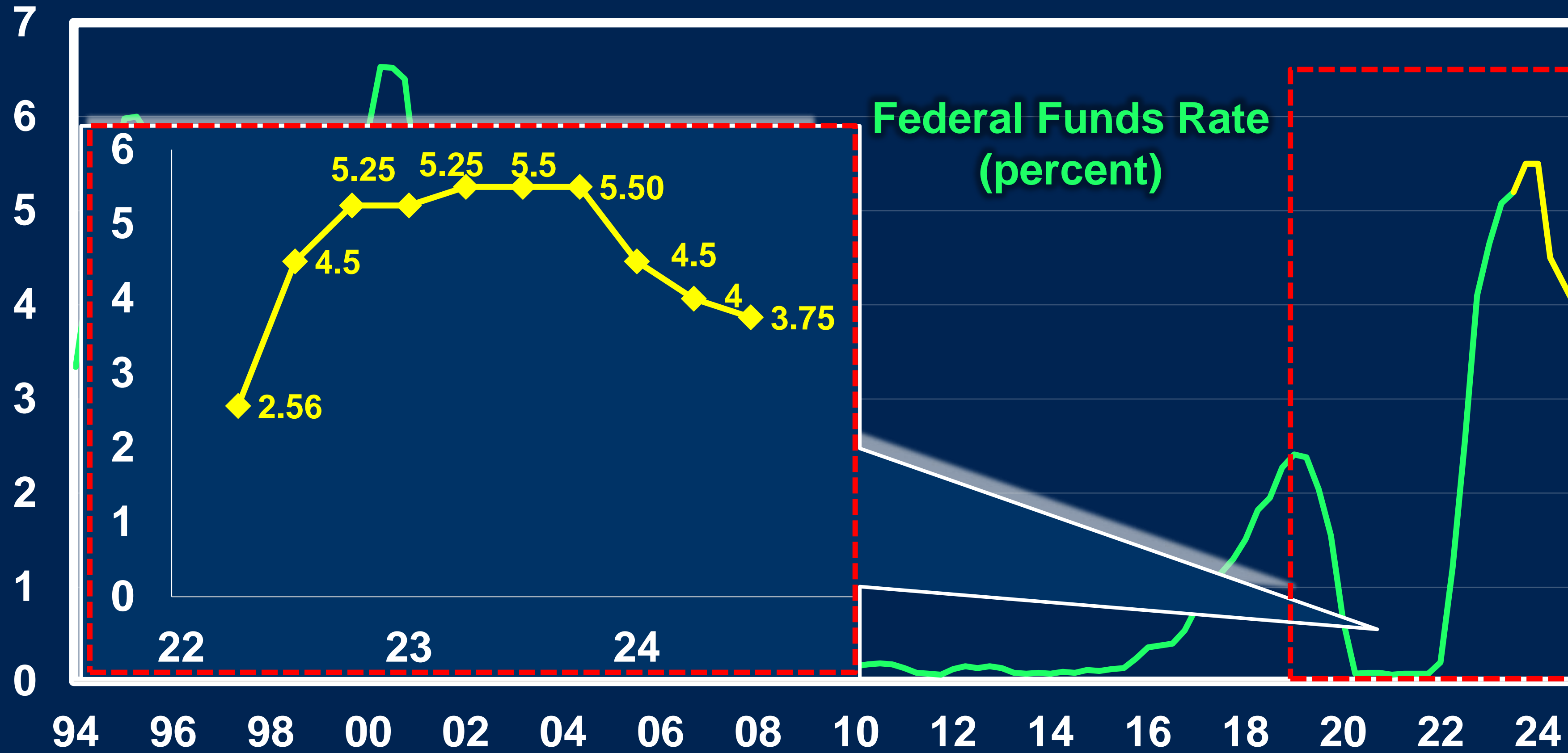
**Soft-Landing  
Slow-Cession**

**Hard-Landing  
Mild-Cession**

**A Normal, Garden Variety  
Recession  
with Stagflation-Lite  
Dynamics**

# Where do I go to Get My Reputation Back?

## The Fed May Be Forced to Keep Rates High Longer



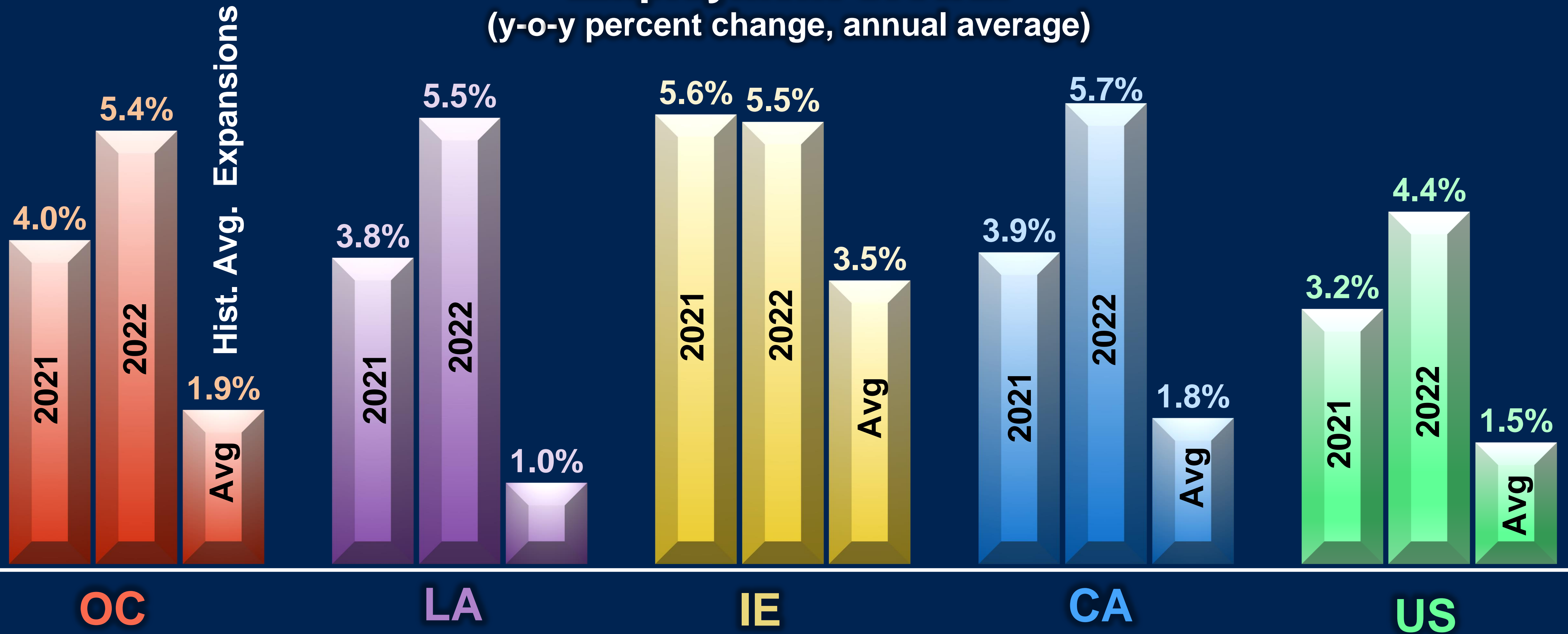


# Orange County And Southern California

# Surpassing Norms

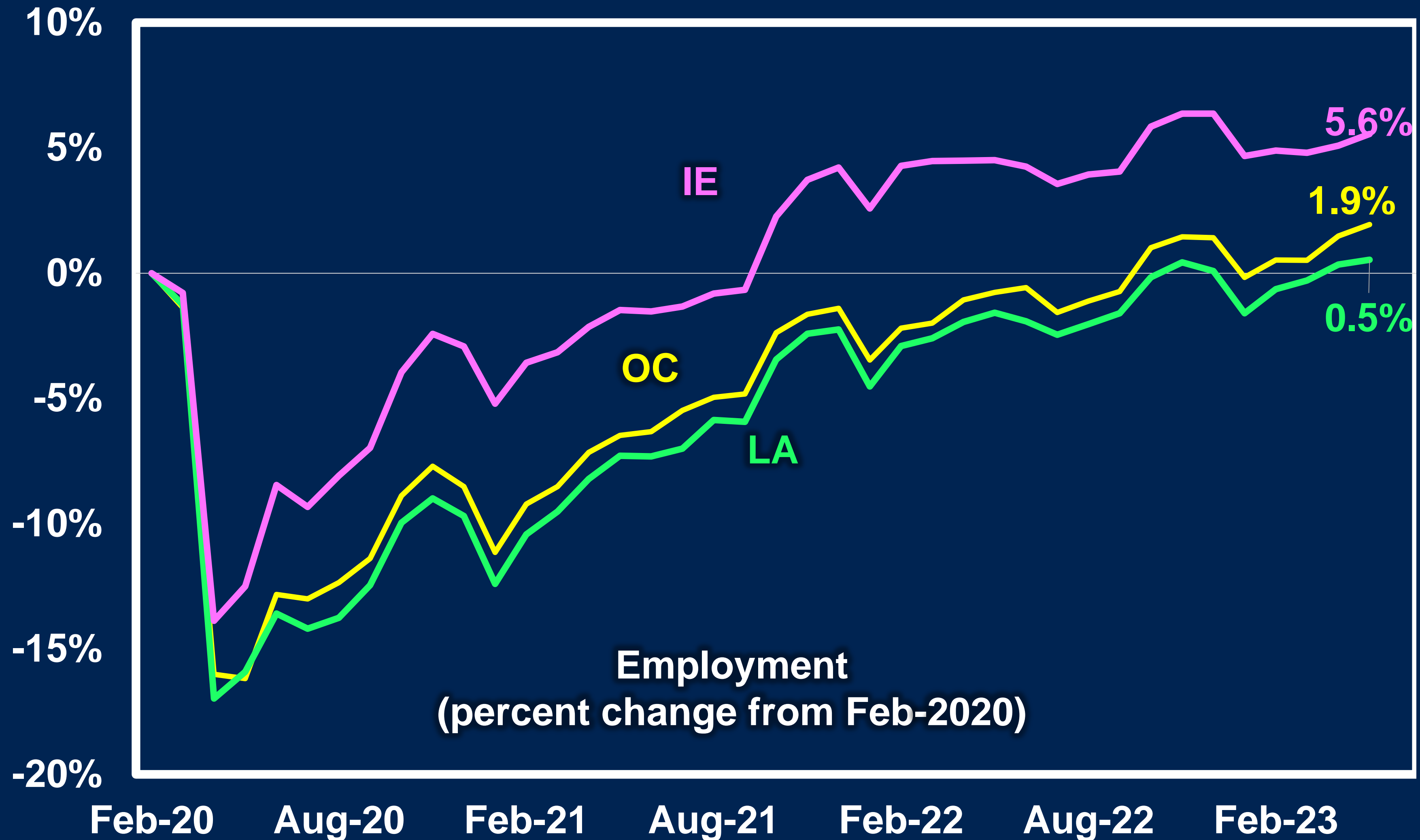
## Job Growth Last Two Years has Exceeded Historical Averages

### Employment Growth (y-o-y percent change, annual average)



# But Performance is Uneven

## OC and LA Lag IE



# OC: Labor Market A Lopsided Recovery

## Some Sectors Have Overperformed and Others Still Lagging

Percent change from Feb-2020

### Best Sectors

<b>Transportation</b>	<b>17%</b>
<b>Private Education</b>	<b>14%</b>
<b>Health Care</b>	<b>7.5%</b>
<b>Prof. and Bus. Services</b>	<b>3%</b>

### Middle

<b>Retail</b>	<b>0.1%</b>
<b>Leisure &amp; Hospitality</b>	<b>2.3%</b>
<b>Construction</b>	<b>2%</b>
<b>Other Services</b>	<b>1.1%</b>

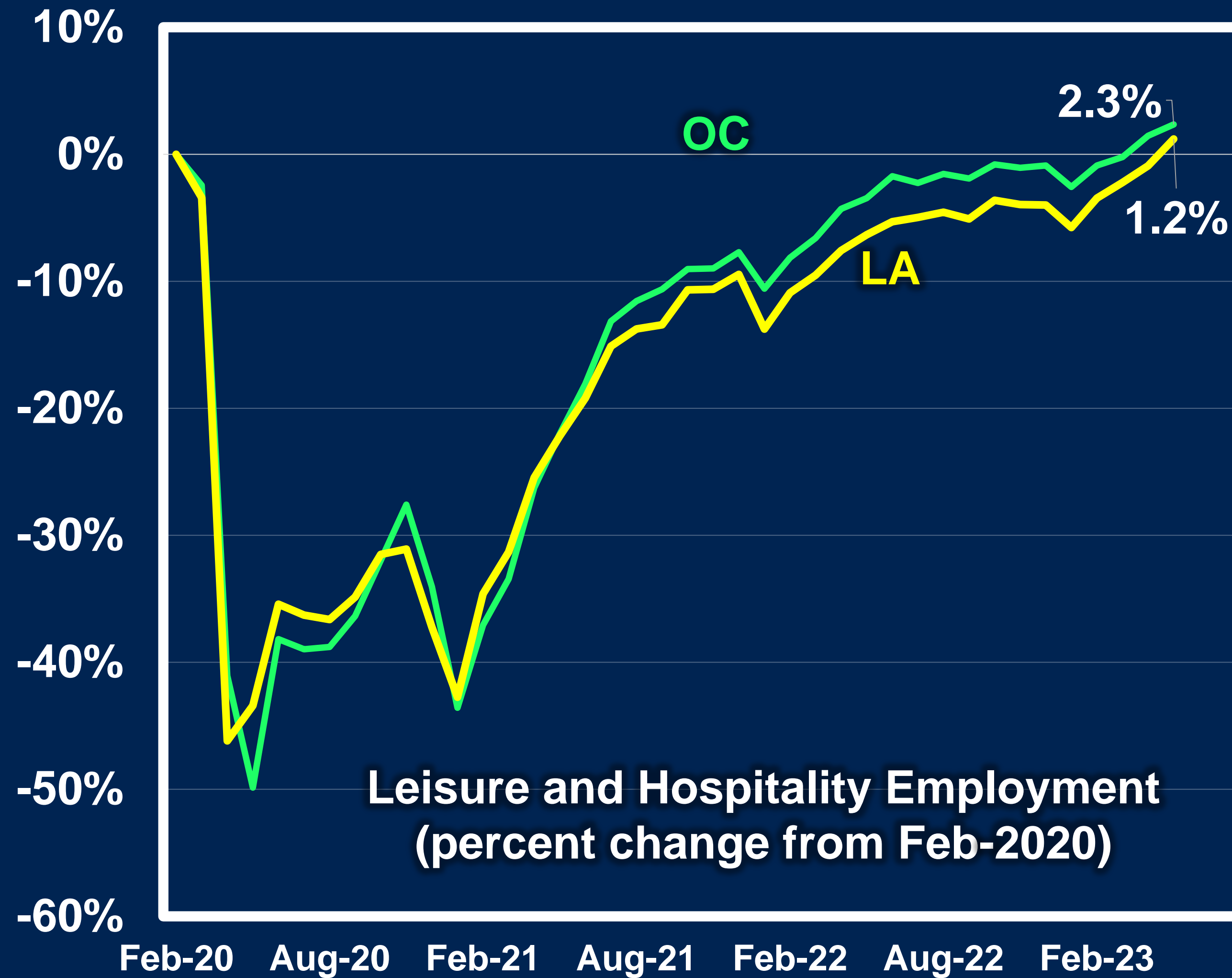
### Worst Sectors

<b>Government</b>	<b>-0.2%</b>
<b>Manufacturing</b>	<b>-1.1%</b>
<b>Wholesale Trade</b>	<b>-2.8%</b>
<b>Financial Activities</b>	<b>-5%</b>

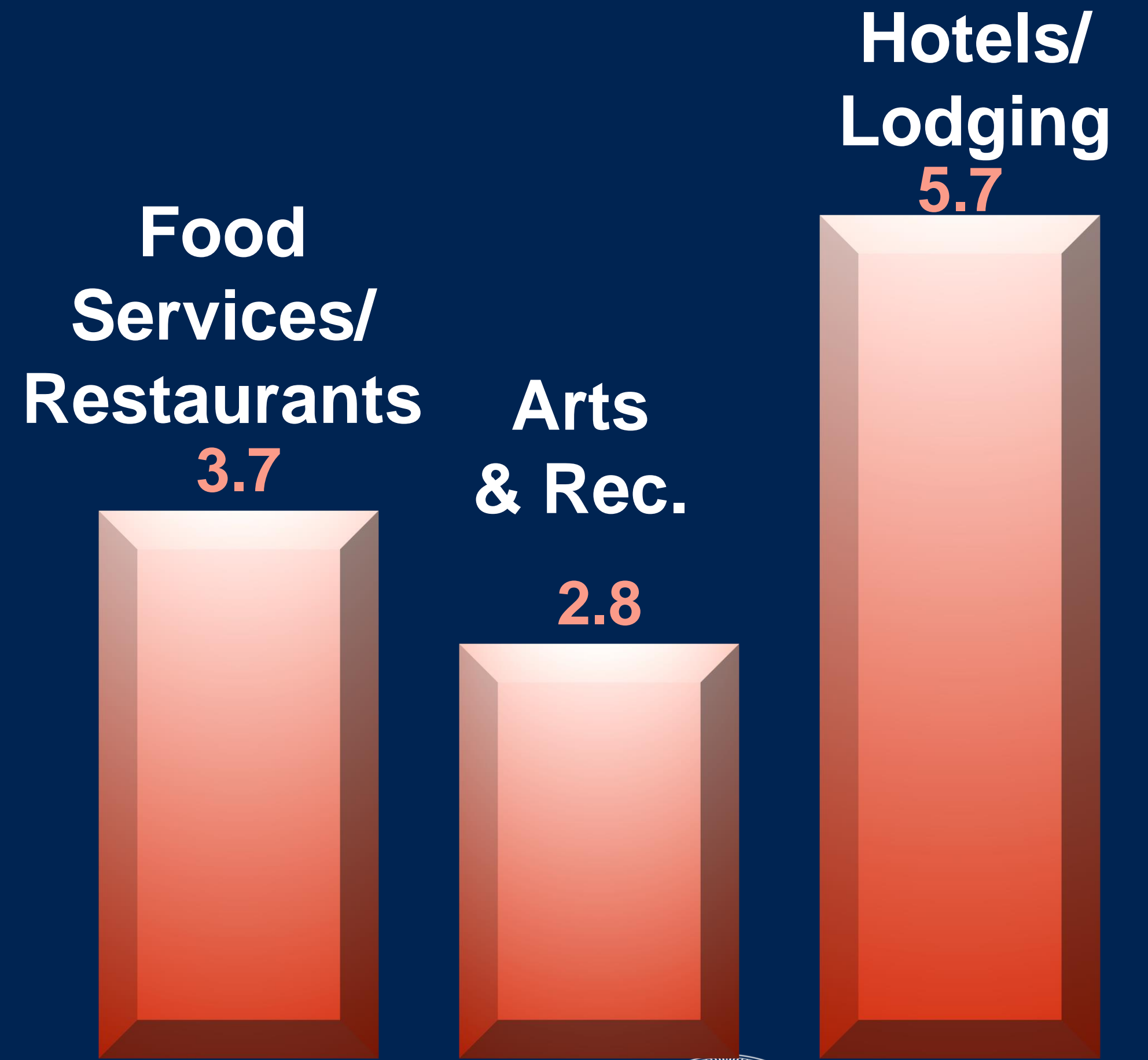


# Finally There...

## Leisure and Hospitality Are at Pre-Pandemic Levels in OC

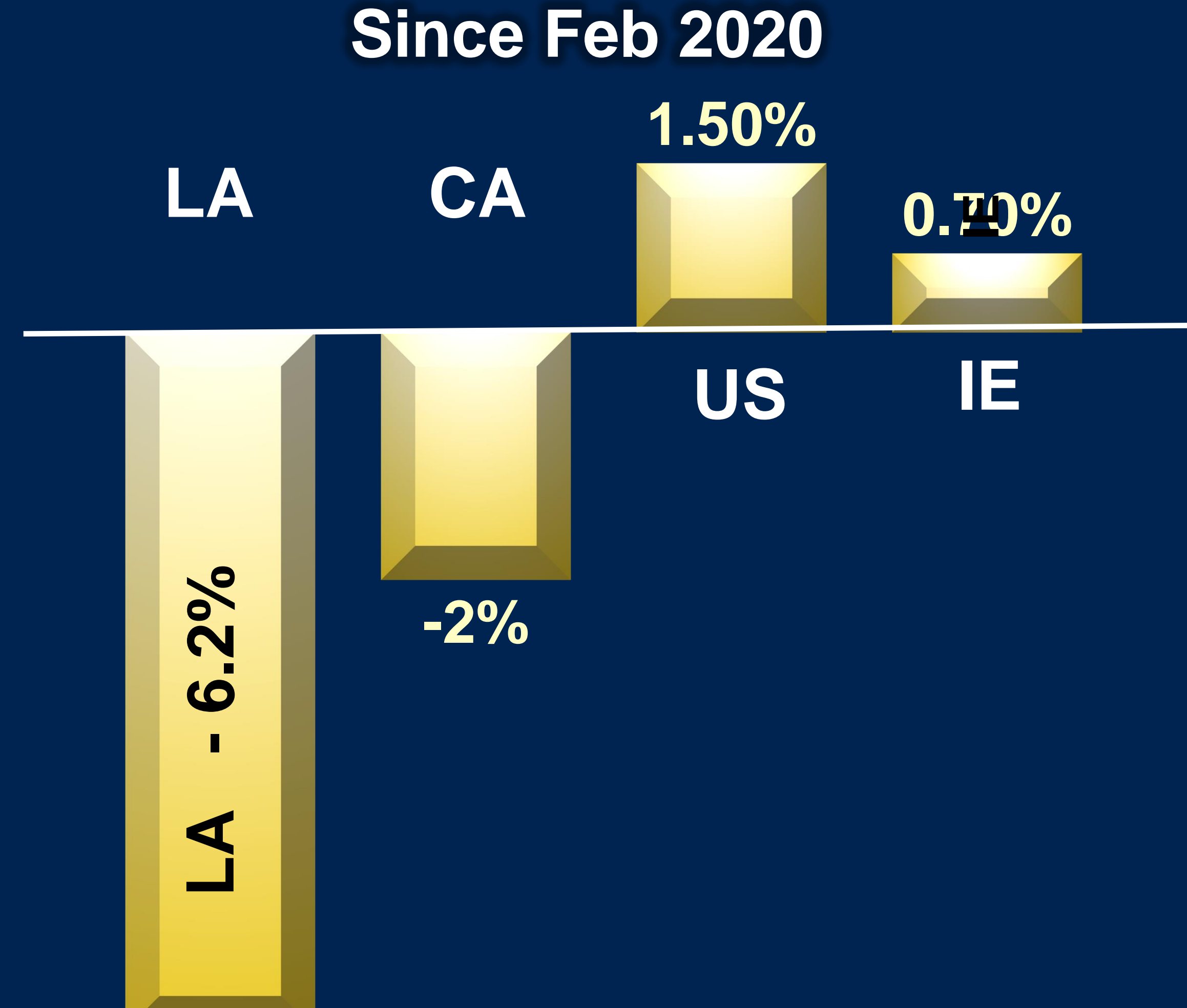
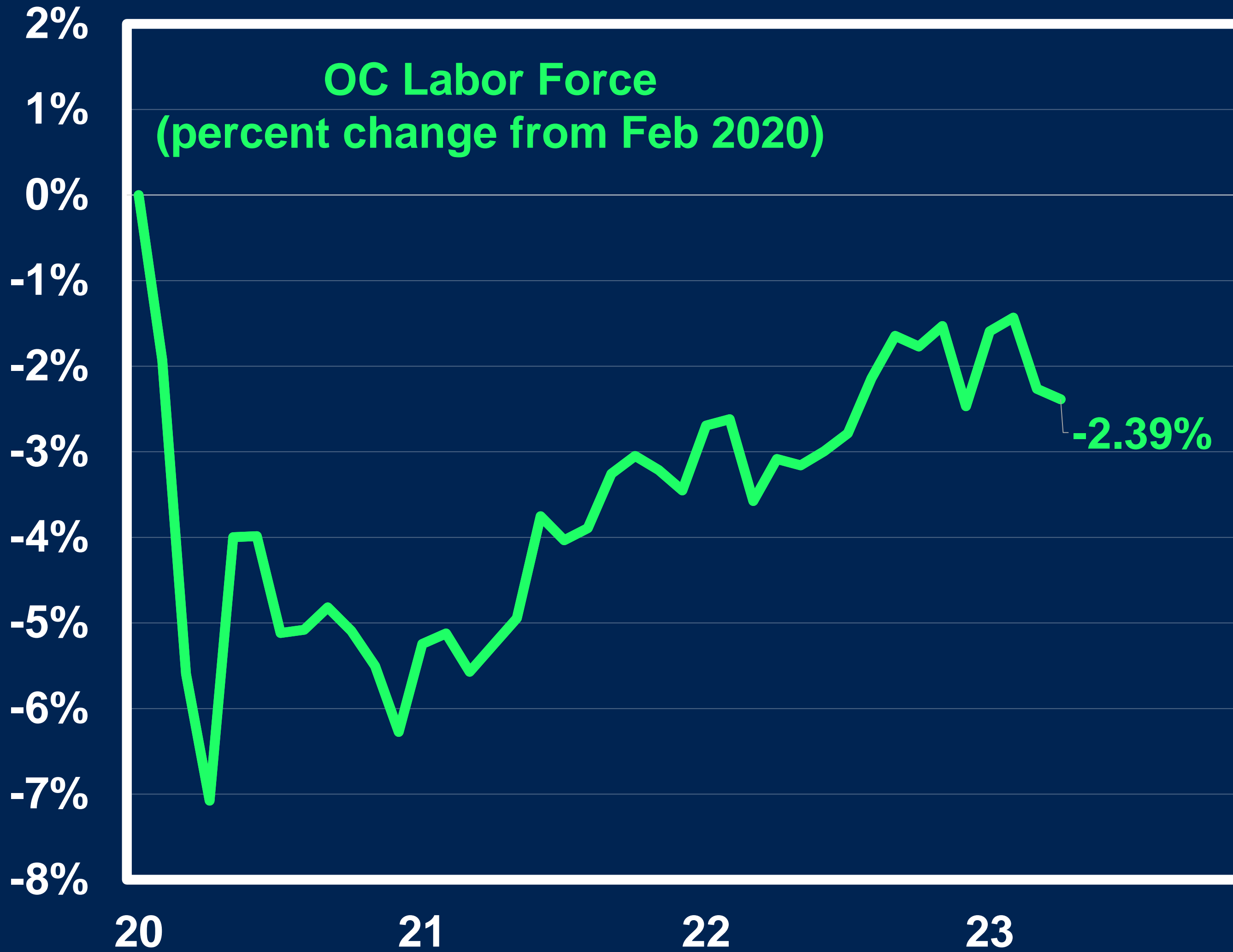


### OC Subsector Employment (percent change from Feb-2020)



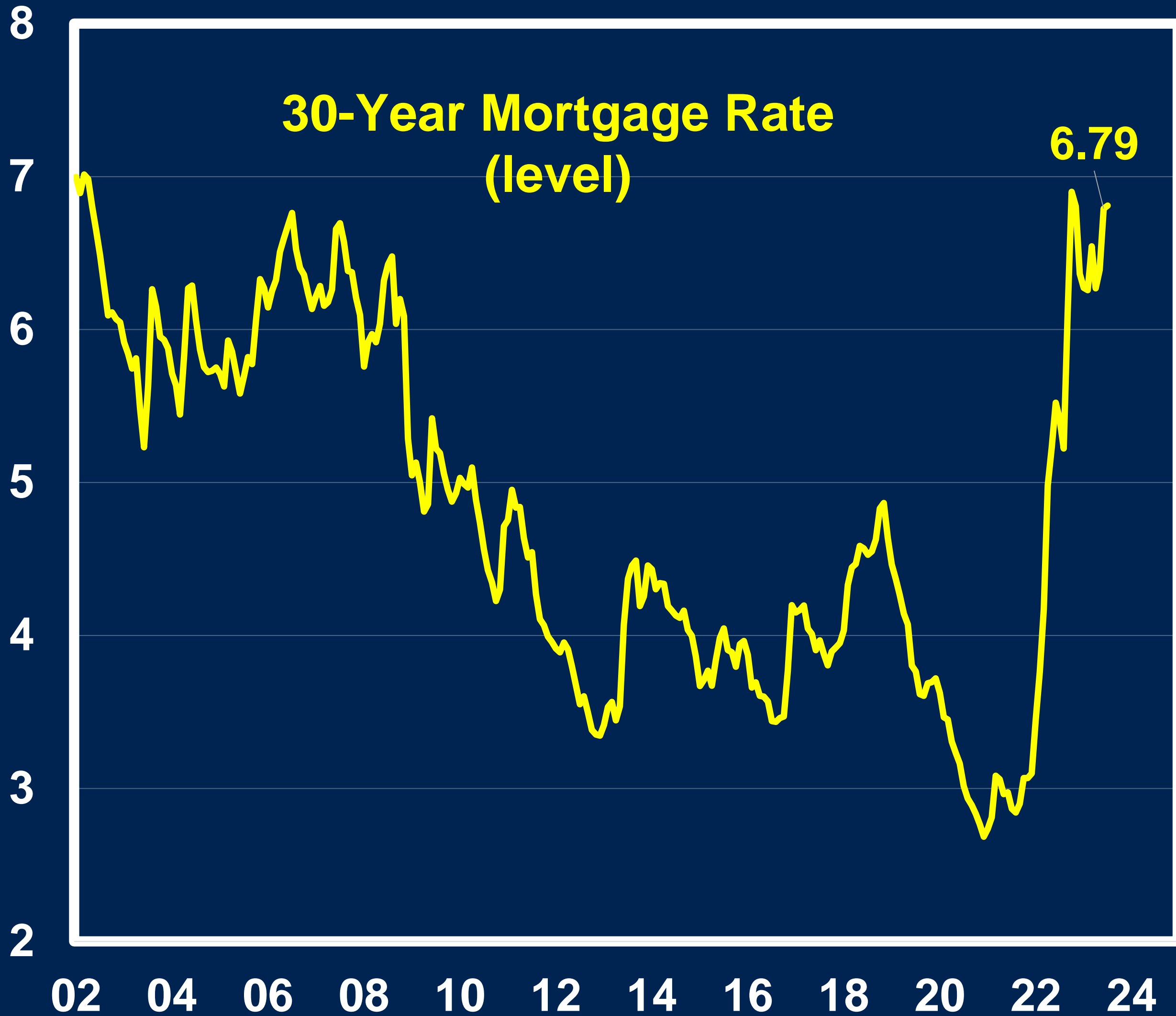
# A Shortage of Workers

## OC Labor Force Languishing and Full Recovery Not Imminent



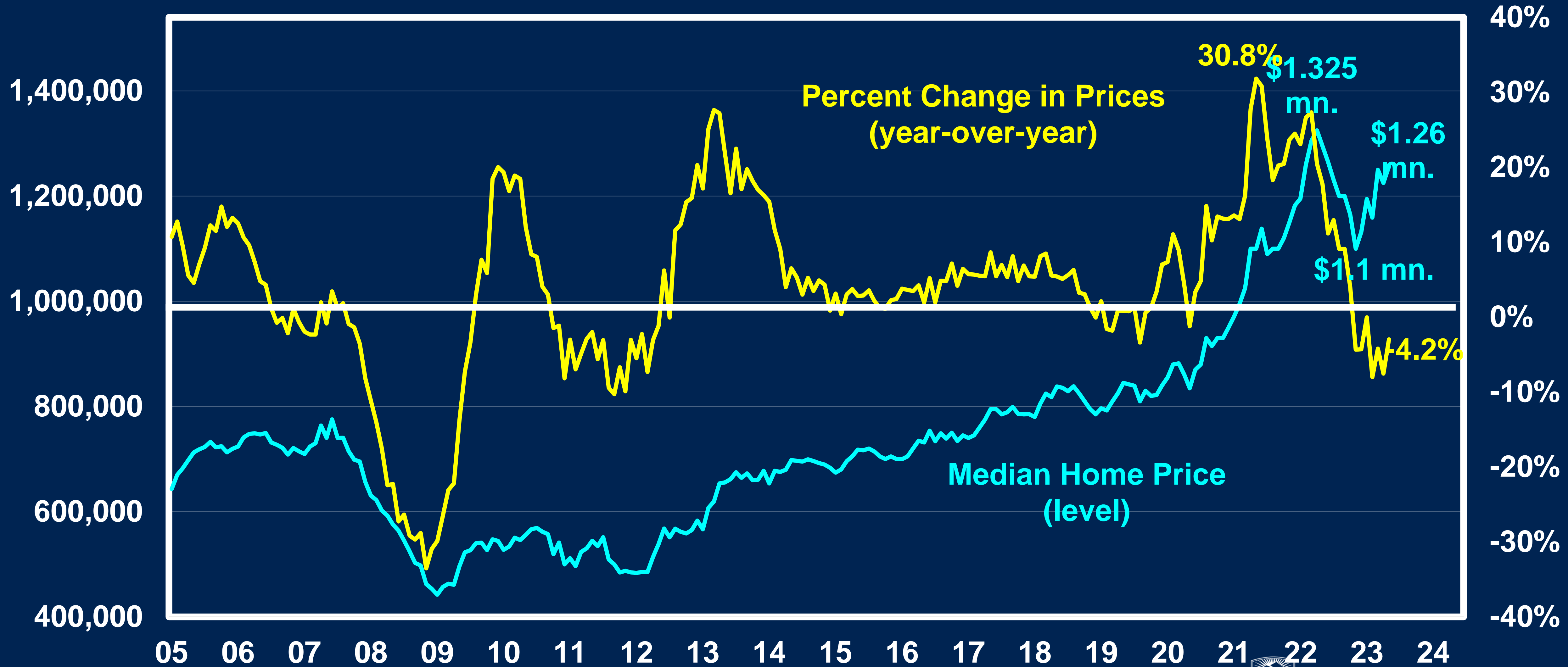
# A Brutal Squeeze: Housing Market Crushed

## Mortgage Rates Rose at Fastest Pace in History



# Housing Market Has Cooled Off

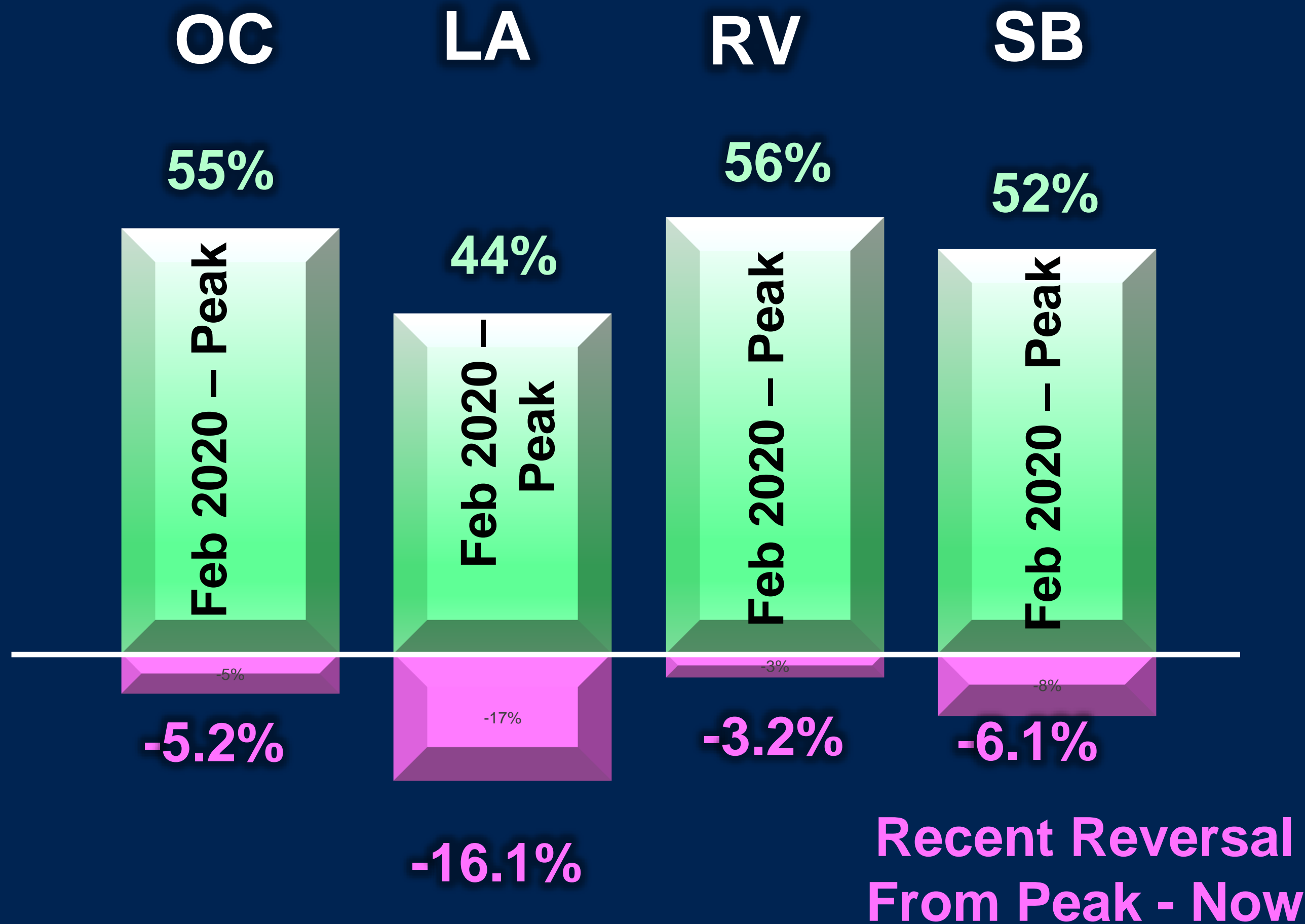
## OC Home Prices Have Fallen from Peak in April 2022



# Despite Recent Reversals

Home Prices are Well Above Pre-Pandemic Levels

From Feb 2020- Peak

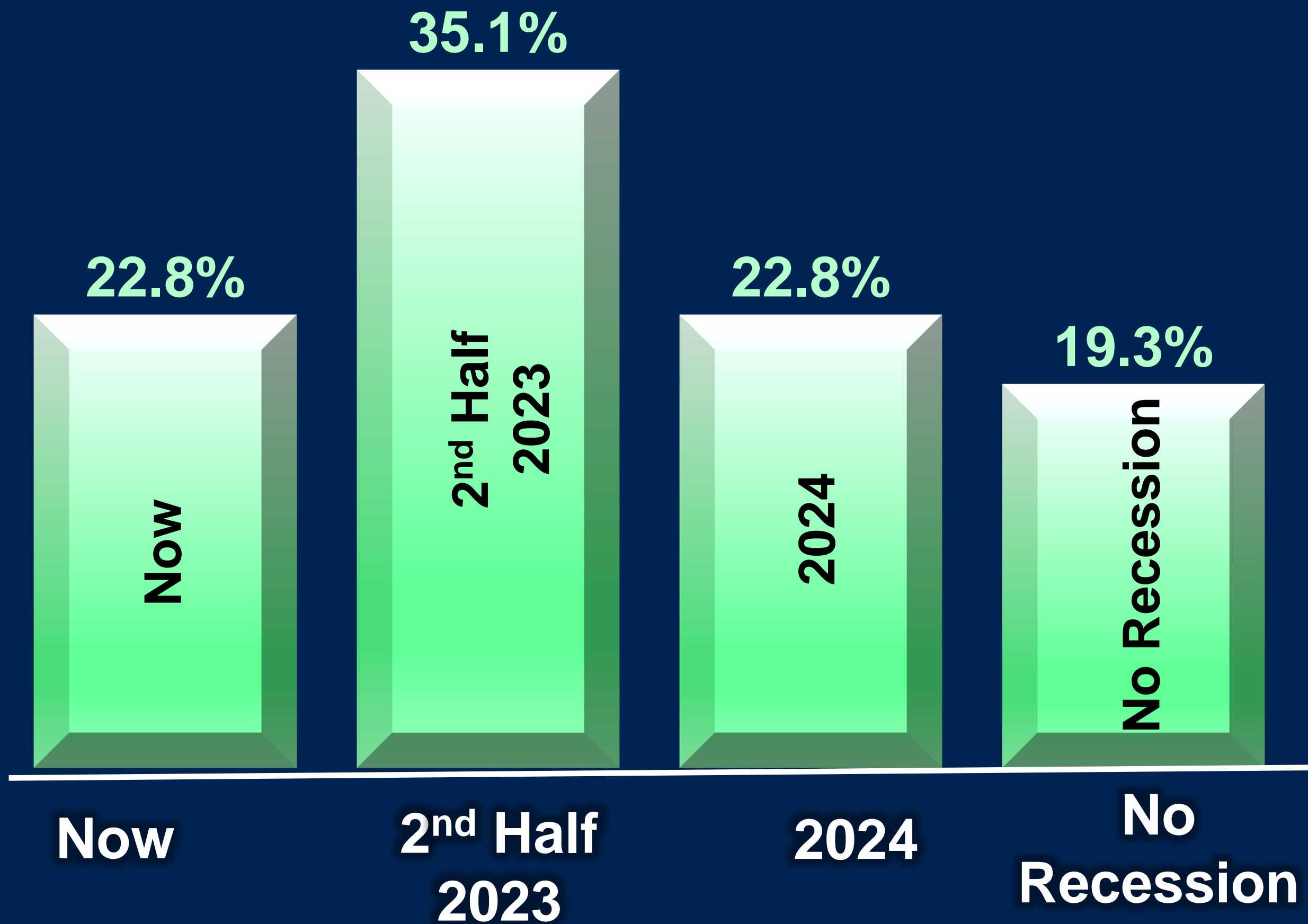


Homeowners Equity Has Risen Significantly Over the Last Three Years

OC	+ \$370,000
LA	+ \$138,000
RV	+ \$184,000
SB	+ \$146,000

# Soft-Landing, Hard-Landing or No-Landing? (Woods Center Survey)

## When Will Recession Happen?



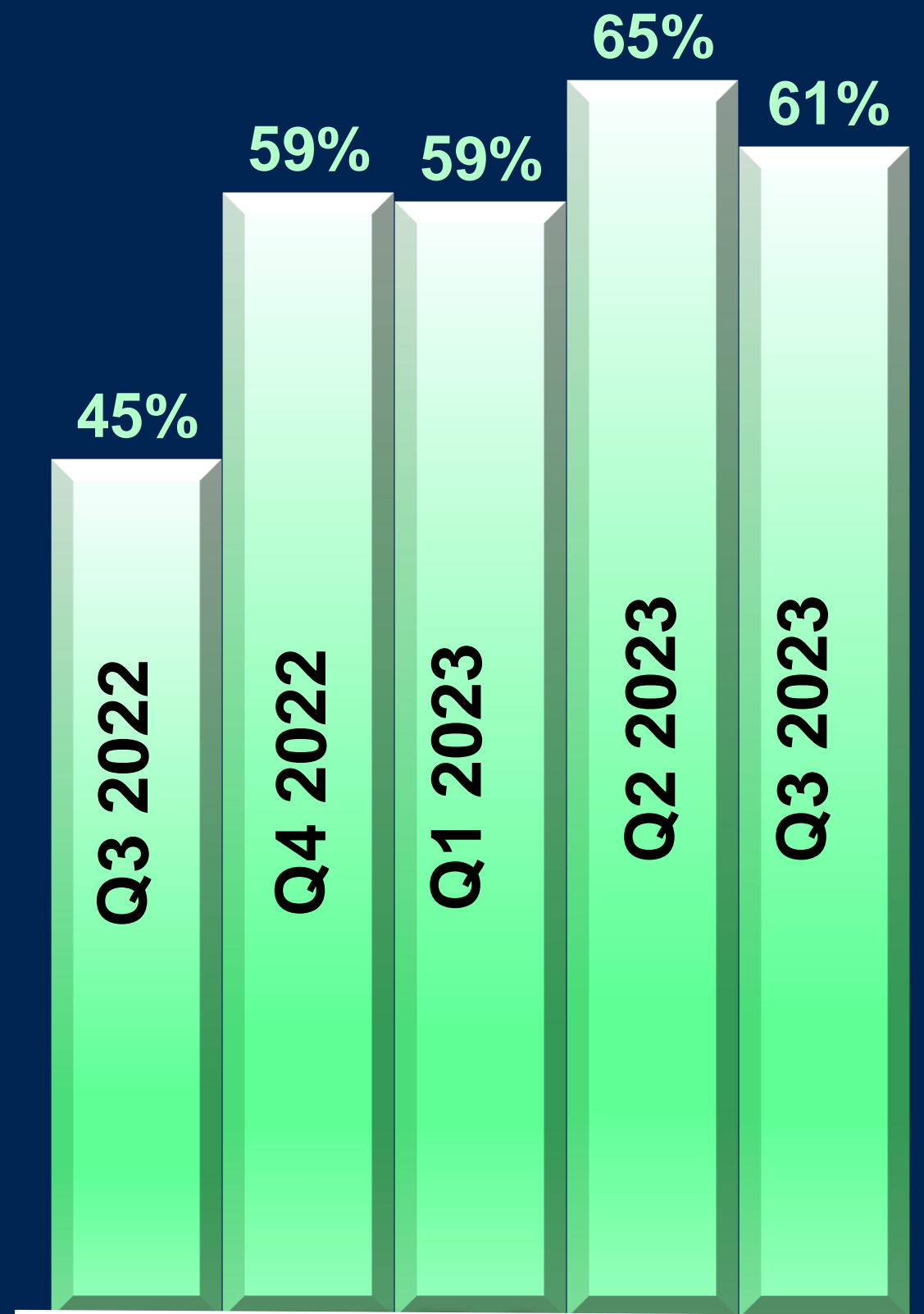
## What Type of Recession?

Hard Recession (similar to 2007-2009)	5.3%
Recession (but not as hard as 2007-2009)	26.1%
Mild Recession	52.6%
No Recession	21.1%

# In A Holding Pattern

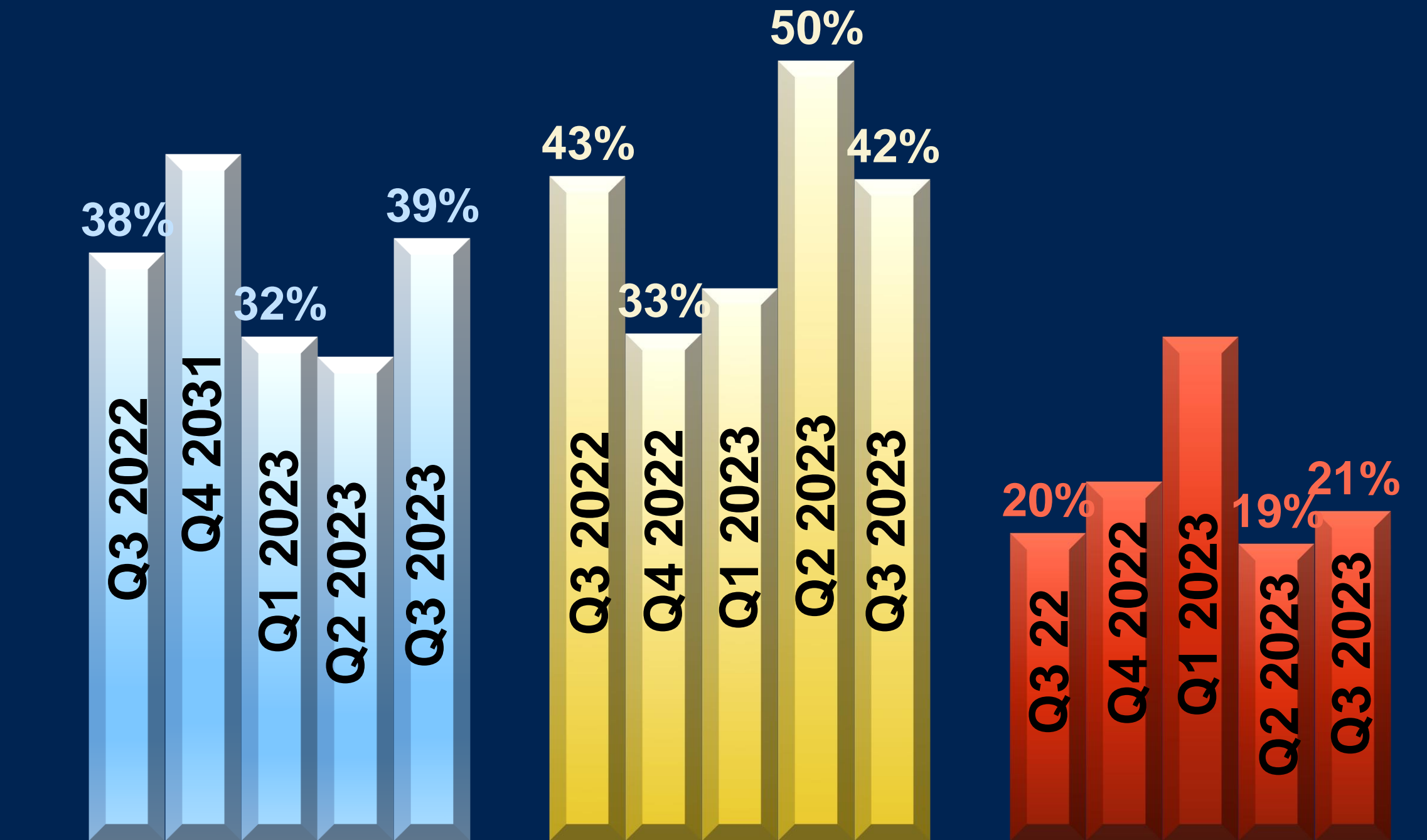
Most OC Businesses Are Planning to Hold to Same levels of Employment and Capex

### Outlook for Hiring (percent of respondents)



**Hiring**  
**Stay the Same**

### Outlook for Sales (percent of respondents)



**Increase**

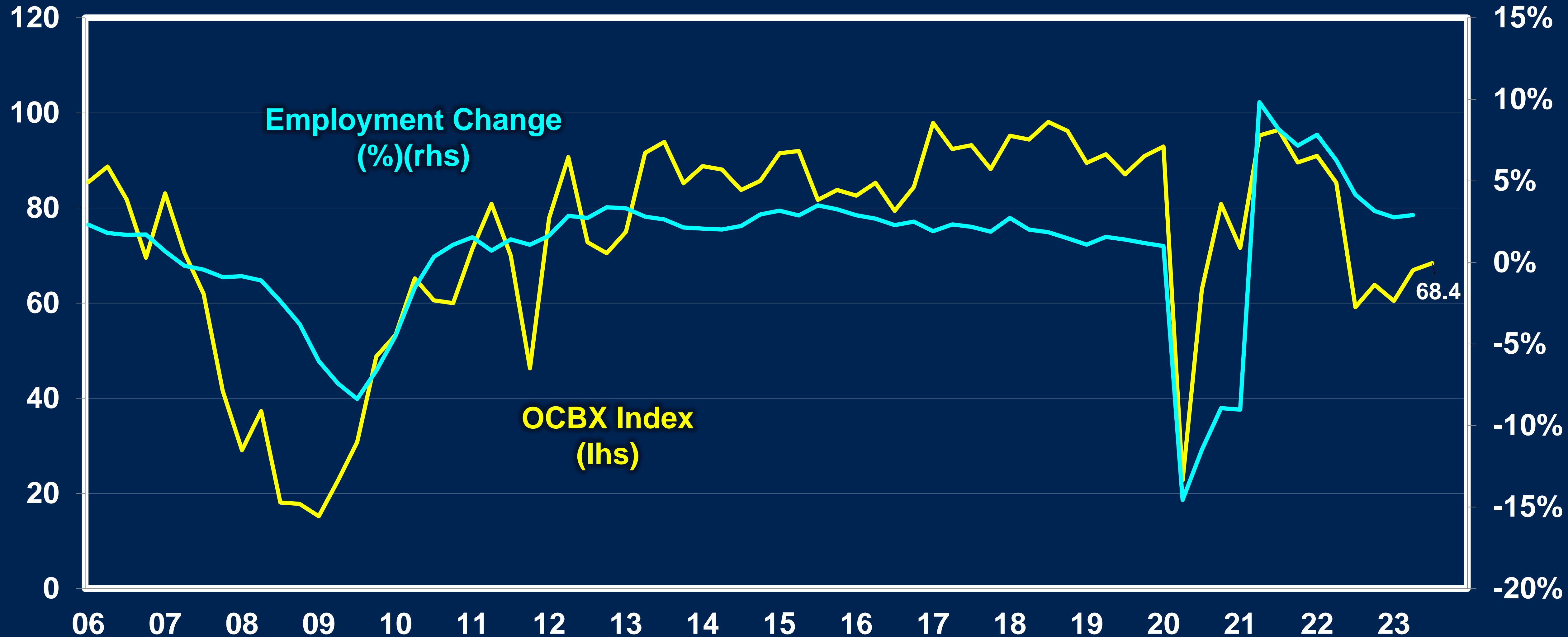
**Same**

**Decrease**

# Range-Bound: OC Business Sentiment

## Sentiment Has Remained Virtually Unchanged Last Three Quarters

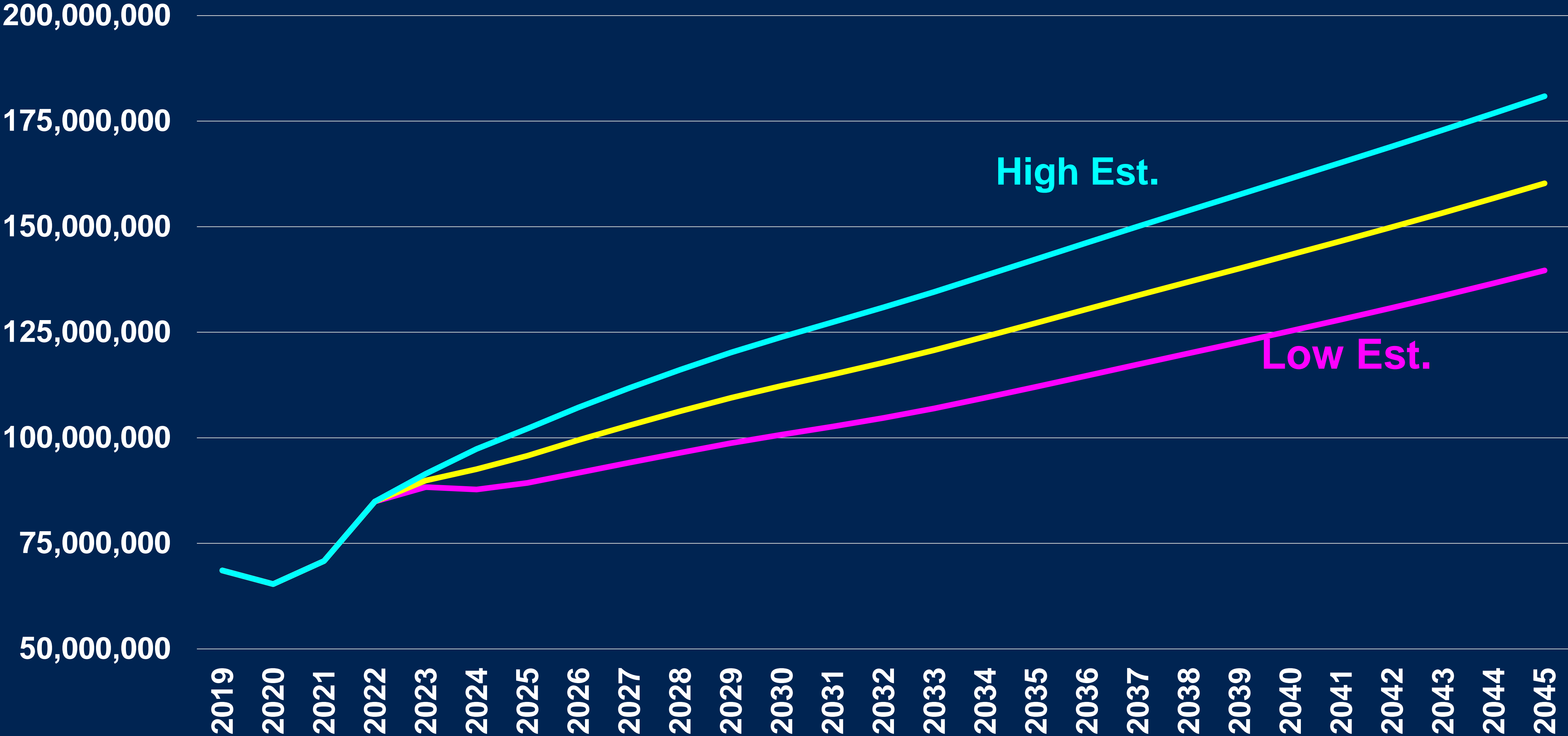
(Woods Center OCBX Index, level)





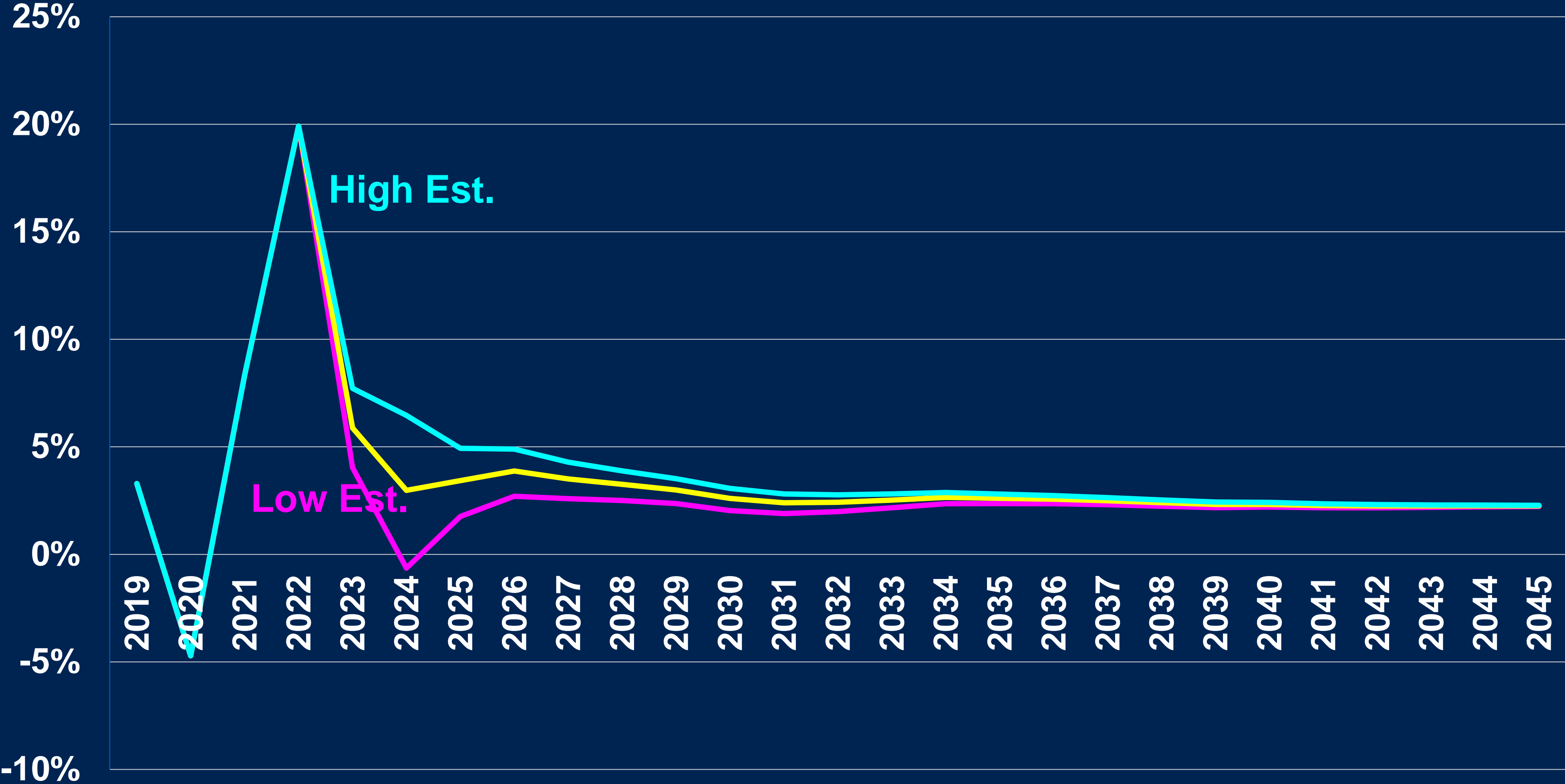
# OC Taxable Sales

Fiscal Years (000 dollars)



# OC Taxable Sales

Fiscal Years (percent change)



# Fall 2023 Economic Forecast

Thursday, October 19, 2023

Disneyland Hotel