

Taxable Sales Forecast of the Orange County Economy

PROJECT AGREEMENT NO. C-2-2907

FOR THE ORANGE COUNTY TRANSPORTATION AUTHORITY

By The

UCLA ANDERSON FORECAST

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Pursuant to Agreement No. C-2-2907, 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 2022. The 2023 calendar year represent the beginning of the forecast. For the other two series, actual data through the first quarter of calendar year 2023 is included.

Highlights of the forecast are as follows:

- The Anderson Forecast projects a slowdown in the U.S. economy for 2023 and 2024 due to headwinds and risks associated with three related factors: (1) high interest rates, (2) elevated core inflation, (3) a credit crunch and uncertain banking system. If inflation rates remain high and the Fed continues to raise interest rates, a mild recession is likely. Consequently, two equally possible scenarios are forecasted:
 - No recession scenario. U.S. GDP is projected to grow at 1.9% in 2023 and 1.3% in 2024. We predict that U.S. inflation will rise by 4.4% in 2023.
 - Recession scenario. U.S. GDP is projected to grow at 1.5% in 2023 and 0% in 2024. We predict that U.S. inflation will rise by 4.6% in 2023.
- Payroll employment in Orange County increased by 5.3% in 2022 after experiencing a deep decline of 8.5% in 2020. This followed a recovery of 3.6% in 2021. As of March 2023, payroll jobs in Orange County surpassed its pre-pandemic peak, reaching 1.7 million jobs (Figure 1). The growth rate of jobs in Orange County is projected to be 2.1% in 2023 and slow to 0.4% in 2024. Figure 2 shows that the health care, professional and management services, and transportation and warehousing sectors out performed other industries in job creation over the last 3 years. The leisure and hospitality sector has almost fully recovered to its pre-pandemic job level. The financial activities sector has experienced the most job losses since early 2020.
- Nominal taxable sales growth in Orange County plunged by 8.2% in 2020 due to the pandemic and made a rapid recovery with a growth rate of 22.3% in 2021. This was followed by a surge of 12.1% growth in 2022 (from \$63.8 billion in 2020 to \$87.7 billion in 2022) due to increased consumer spending on goods and rising inflation. The growth rate of real taxable sales was 17.9% in 2021 and 4.5% in 2022, surpassing the historical trend. It is expected this high growth rate will normalize and return to trend. Nominal taxable sales are predicted to reach \$90.7 billion in 2023 (3.4% growth rate) and \$91.5 billion in 2024 (0.9% growth rate).

Figure 1. Nonfarm Payroll Jobs in Orange County

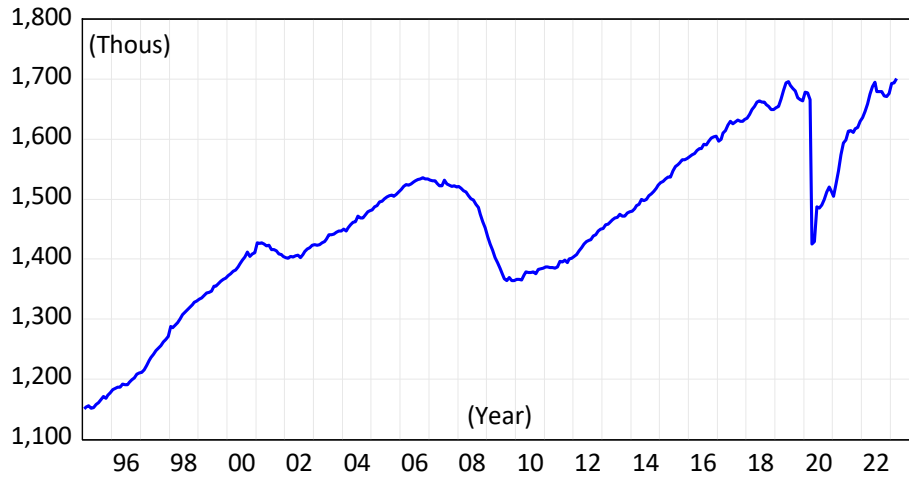
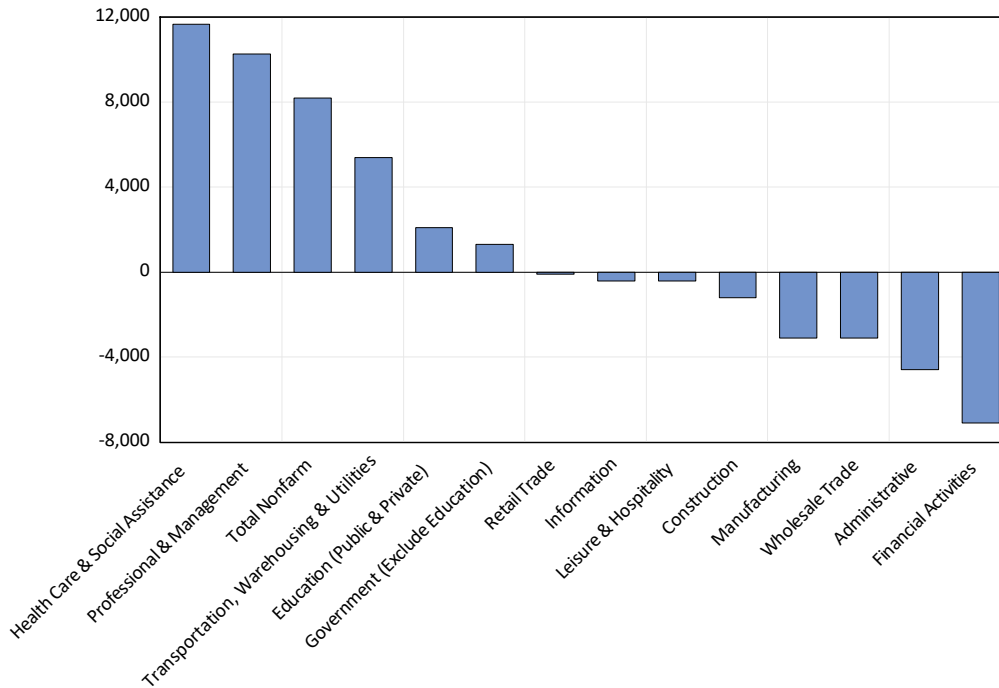


Figure 2. Change of Orange County Sector Jobs from 2/2020 to 3/2023



Source: California EDD

UCLAAnderson FORECAST

UCLA ANDERSON FORECAST -- ORANGE COUNTY, CA									
May, 2023									
Forecast For Orange County Transportation Authority									
Year	Consumer Price Index		Real Taxable Sales (2012 thousands \$)		Nominal Taxable Sales (thousands \$)		Total Non-Farm Employment (thousand)		
	Calendar	Fiscal	Calendar	Fiscal	Calendar	Fiscal	Calendar	Fiscal	
1992	146.542		\$42,821,614		\$26,524,266		1,138		
1993	150.250	148.709	\$42,260,565	\$42,206,665	\$26,837,111	\$26,516,842	1,127	1,130	
1994	152.308	151.325	\$43,927,953	\$42,843,480	\$28,276,259	\$27,394,349	1,136	1,129	
1995	154.642	153.675	\$45,825,832	\$44,989,835	\$29,946,531	\$29,213,707	1,161	1,147	
1996	157.475	155.733	\$48,877,043	\$47,283,166	\$32,533,206	\$31,116,091	1,194	1,176	
1997	159.967	158.792	\$51,650,014	\$50,039,024	\$34,921,357	\$33,575,387	1,243	1,216	
1998	162.267	161.042	\$54,104,737	\$53,019,224	\$37,108,350	\$36,081,307	1,308	1,276	
1999	166.075	164.117	\$57,498,275	\$55,423,564	\$40,366,090	\$38,437,228	1,351	1,331	
2000	171.550	168.458	\$61,307,591	\$59,777,040	\$44,462,460	\$42,553,609	1,394	1,373	
2001	177.317	174.734	\$59,508,804	\$61,039,558	\$44,595,314	\$45,057,850	1,418	1,409	
2002	182.233	179.650	\$58,245,929	\$58,248,596	\$44,869,156	\$44,207,950	1,409	1,414	
2003	186.958	185.017	\$60,141,535	\$58,732,995	\$47,517,066	\$45,908,071	1,435	1,420	
2004	193.200	189.358	\$63,271,704	\$62,187,274	\$51,682,059	\$49,756,671	1,464	1,449	
2005	201.833	197.058	\$64,514,173	\$63,767,905	\$55,063,246	\$53,100,976	1,499	1,482	
2006	210.442	206.892	\$64,306,272	\$64,522,467	\$57,202,747	\$56,395,573	1,528	1,516	
2007	217.338	213.905	\$62,372,554	\$64,079,040	\$57,293,471	\$57,900,056	1,526	1,531	
2008	225.008	221.397	\$56,368,826	\$60,137,621	\$53,606,830	\$56,233,641	1,495	1,517	
2009	223.219	223.790	\$48,453,563	\$51,253,780	\$45,712,783	\$48,509,429	1,389	1,440	
2010	225.894	224.993	\$49,929,403	\$48,829,591	\$47,667,180	\$46,424,421	1,376	1,375	
2011	231.928	228.952	\$52,773,827	\$51,364,292	\$51,731,138	\$49,691,585	1,392	1,381	
2012	236.648	234.029	\$55,218,603	\$54,104,512	\$55,230,611	\$53,502,932	1,428	1,409	
2013	239.207	238.359	\$56,976,134	\$56,000,280	\$57,591,216	\$56,402,035	1,467	1,448	
2014	242.434	240.654	\$58,659,863	\$57,918,142	\$60,097,128	\$58,894,487	1,501	1,484	
2015	244.632	243.029	\$59,877,831	\$59,202,069	\$61,916,220	\$60,801,028	1,549	1,525	
2016	249.246	247.130	\$59,859,399	\$59,844,047	\$63,058,761	\$62,485,860	1,589	1,570	
2017	256.210	252.311	\$60,153,526	\$60,147,162	\$65,148,058	\$64,116,419	1,621	1,606	
2018	265.962	261.088	\$60,010,175	\$59,923,320	\$67,468,616	\$66,092,524	1,654	1,638	
2019	274.114	269.964	\$59,973,466	\$60,129,754	\$69,499,158	\$68,590,243	1,675	1,675	
2020	278.567	276.667	\$54,205,358	\$55,748,760	\$63,833,515	\$65,165,370	1,533	1,602	
2021	289.244	282.151	\$63,924,745	\$59,353,738	\$63,253,936	\$70,801,097	1,588	1,546	
2022	310.782	300.599	\$66,786,021	\$66,837,132	\$87,746,069	\$84,900,011	1,672	1,631	
2023	320.646	316.573	\$66,961,802	\$67,636,270	\$90,728,945	\$90,444,978	1,706	1,694	
2024	329.452	325.100	\$65,739,428	\$66,195,068	\$91,519,160	\$90,904,620	1,712	1,711	
2025	338.503	333.950	\$65,761,424	\$65,605,029	\$94,064,837	\$92,579,541	1,723	1,716	
2026	347.742	343.181	\$66,865,392	\$66,234,082	\$98,254,364	\$96,054,190	1,766	1,743	
2027	355.849	351.877	\$68,156,592	\$67,491,343	\$102,486,610	\$100,353,131	1,800	1,784	
2028	363.789	359.832	\$69,574,936	\$68,861,495	\$106,953,816	\$104,706,126	1,830	1,815	
2029	371.689	367.731	\$70,934,440	\$70,265,401	\$111,411,458	\$109,185,576	1,860	1,845	
2030	379.759	375.703	\$72,181,384	\$71,569,868	\$115,831,627	\$113,623,238	1,885	1,873	
2031	388.005	383.860	\$73,349,588	\$72,771,788	\$120,262,125	\$118,039,931	1,909	1,897	
2032	396.430	392.195	\$74,495,707	\$73,927,629	\$124,793,419	\$122,518,882	1,933	1,921	
2033	405.038	400.711	\$75,584,200	\$75,046,104	\$129,366,163	\$127,072,941	1,955	1,944	
2034	413.832	409.411	\$76,631,909	\$76,111,645	\$134,007,064	\$131,675,284	1,978	1,966	
2035	422.825	418.311	\$77,662,964	\$77,150,056	\$138,761,085	\$136,373,332	1,999	1,989	
2036	431.896	427.351	\$78,668,759	\$78,166,012	\$143,573,870	\$141,154,634	2,021	2,010	
2037	441.049	436.462	\$79,697,407	\$79,182,470	\$148,533,392	\$146,039,314	2,043	2,032	
2038	450.282	445.656	\$80,713,011	\$80,207,568	\$153,575,243	\$151,045,460	2,064	2,054	
2039	459.596	454.929	\$81,703,910	\$81,211,419	\$158,676,492	\$156,118,292	2,085	2,075	
2040	468.993	464.284	\$82,672,181	\$82,189,300	\$163,839,568	\$161,247,213	2,106	2,095	
2041	478.472	473.722	\$83,643,001	\$83,157,578	\$169,113,890	\$166,463,357	2,126	2,116	
2042	488.034	483.243	\$84,611,481	\$84,127,624	\$174,490,914	\$171,789,696	2,147	2,137	
2043	497.680	492.846	\$85,576,173	\$85,099,307	\$179,968,545	\$177,227,837	2,167	2,157	
2044	507.411	502.535	\$86,456,981	\$86,031,620	\$185,375,833	\$182,691,515	2,188	2,178	
2045	517.226	512.308	\$87,181,003	\$86,832,959	\$190,544,253	\$187,978,513	2,209	2,199	
2046	527.127	522.166	\$87,838,346	\$87,525,403	\$195,656,014	\$193,124,461	2,230	2,219	
2047	537.115	532.110	\$88,310,712	\$88,090,125	\$200,435,191	\$198,071,191	2,250	2,240	
2048	547.189	542.141	\$88,718,510	\$88,518,678	\$205,137,528	\$202,787,007	2,269	2,260	
2049	557.351	552.259	\$89,125,803	\$88,922,226	\$209,906,337	\$207,513,599	2,289	2,279	
2050	567.601	562.465	\$89,532,491	\$89,329,222	\$214,742,002	\$212,315,812	2,308	2,299	