



**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**Taxable Sales Forecast – Chapman University – Esmael  
Adibi, PhD**

**PowerPoint**

# The Chapman University Economic Forecast



**A. GARY ANDERSON CENTER FOR ECONOMIC RESEARCH  
ARGYROS SCHOOL OF BUSINESS AND ECONOMICS**

# Real GDP Forecast Accuracy Ranking 2005 to 2014

Organization	Mean	Rank
<b>Chapman University</b>	<b>0.56</b>	<b>1</b>
UCLA Business Forecasting Project	0.64	2
Kellner Economic Advisors	0.66	3
Northern Trust Company	0.66	3
Morgan Stanley	0.71	4
Econoclast	0.73	5
Turning Points (Micrometrics)	0.73	5
<b>Consensus</b>	<b>0.74</b>	<b>6</b>
Eaton Corporation	0.75	7
DuPont	0.76	8
General Motors Corporation	0.76	8
Ford Motor Company	0.77	9
Inforum-University of Maryland	0.77	9
Swiss Re	0.77	9
Goldman Sachs & Co.	0.78	10
Standard and Poors Corp.	0.79	11
Bank of America Corp.	0.80	12
Georgia State University	0.80	12
Fannie Mae	0.82	13
Conference Board	0.85	14
National Association of Realtors	0.85	14
Macroeconomic Advisers, LLC	0.86	15
Nomura Securities	0.86	15
SOM Economics, Inc.	0.86	15
U.S. Chamber of Commerce	0.86	15
Comerica	0.89	16
JP Morgan Chase	0.89	16
Wells Capital Management	0.93	17
ClearView Economics	0.95	18
Credit Suisse	0.95	18
Federal Express Corporation	0.99	19
Naroff Economic Advisors	1.00	20

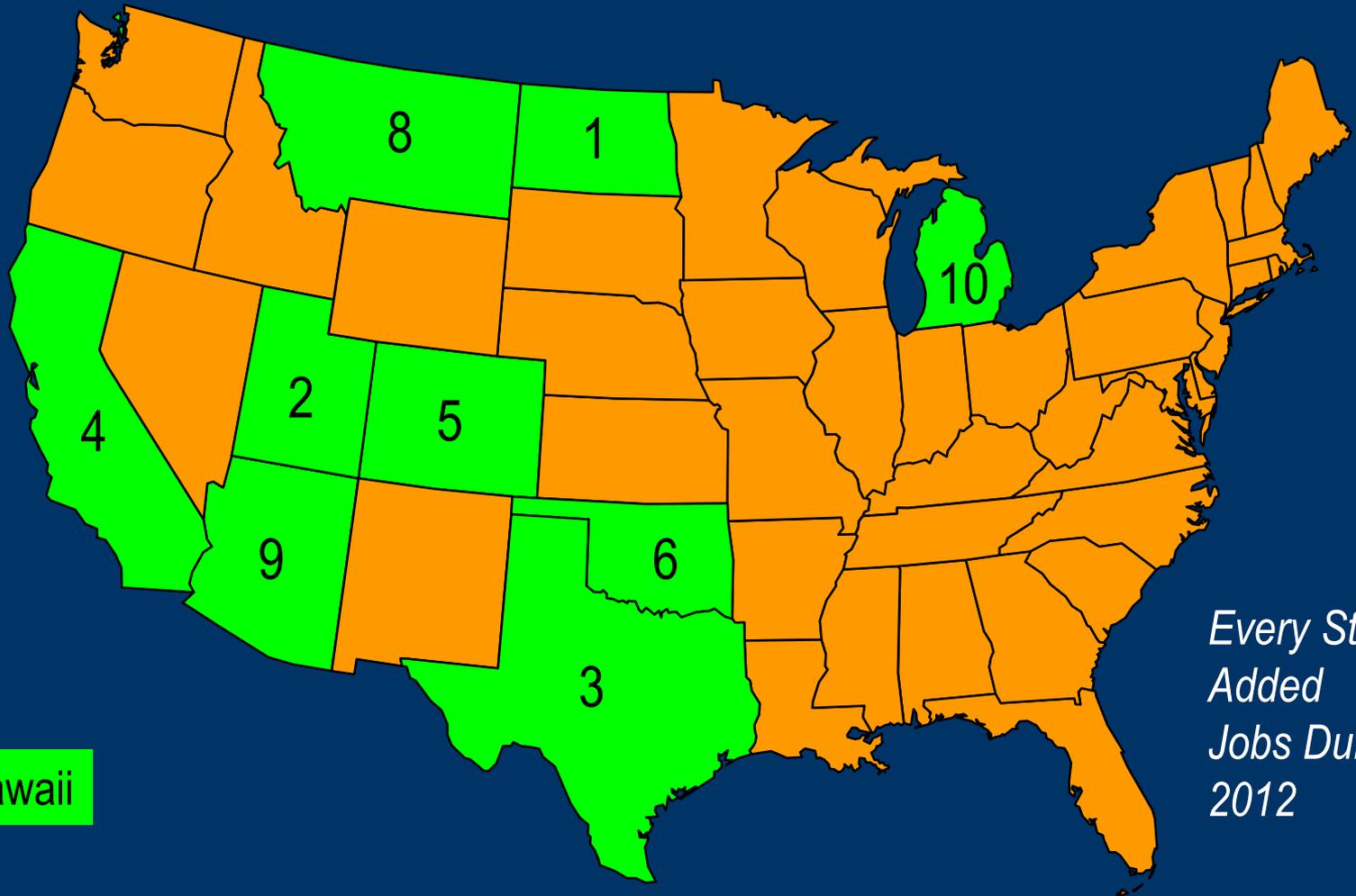
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<b>Morgan Stanley</b>	<b>0.71</b>	<b>4</b>
<b>Econoclast Turning Points (Micrometrics)</b>	<b>0.73</b>	<b>5</b>
<b>Consensus</b>	<b>0.74</b>	<b>6</b>
<b>Eaton Corporation</b>	<b>0.75</b>	<b>7</b>
<b>DuPont General Motors Corporation</b>	<b>0.76</b>	<b>8</b>
<b>Ford Motor Company Inforum - Univ. of Maryland Swiss Re</b>	<b>0.77</b>	<b>9</b>
<b>Goldman Sachs &amp; Co.</b>	<b>0.78</b>	<b>10</b>

# Real GDP Forecast Accuracy Ranking 2008 to 2014

Organization	Mean	Rank
<b>Chapman University</b>	<b>0.67</b>	<b>1</b>
Morgan Stanley	0.71	2
Northern Trust Company	0.73	3
Kellner Economic Advisors	0.77	4
National Association of Realtors	0.81	5
Eaton Corporation	0.83	6
UCLA Business Forecasting Project	0.83	6
<b>Consensus</b>	<b>0.84</b>	<b>7</b>
DuPont	0.86	8
Bank of America Corp.	0.87	9
Inforum-University of Maryland	0.87	9
Econoclast	0.89	10
General Motors Corporation	0.89	10
Goldman Sachs & Co.	0.90	11
Macroeconomic Advisers, LLC.	0.90	11
Nomura Securities	0.90	11
Conference Board	0.91	12
Turning Points (Micrometrics)	0.91	12
Ford Motor Company	0.93	13
U.S. Chamber of Commerce	0.93	13
Swiss Re	0.94	14
Standard and Poors Corp.	0.98	15
Comerica	1.00	16
JP Morgan Chase	1.00	16
Credit Suisse	1.03	17
Georgia State University	1.04	18
SOM Economics, Inc.	1.04	18
Wells Capital Management	1.06	19
Federal Express Corp.	1.13	20
ClearView Economics	1.17	21
Naroff Economic Advisors	1.29	22

Organization	Mean	Rank
<b>Chapman University</b>	<b>0.67</b>	<b>1</b>
<b>Morgan Stanley</b>	<b>0.71</b>	<b>2</b>
<b>Northern Trust Company</b>	<b>0.73</b>	<b>3</b>
<b>Kellner Economic Advisors</b>	<b>0.77</b>	<b>4</b>
<b>National Assn. of Realtors</b>	<b>0.81</b>	<b>5</b>
<b>Eaton Corporation</b> <b>UCLA Business Forecasting Project</b>	<b>0.83</b>	<b>6</b>
<b>Consensus</b>	<b>0.84</b>	<b>7</b>
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# Top 10 Job Growth States 2012



*Every State  
Added  
Jobs During  
2012*



# Payroll Employment 2014

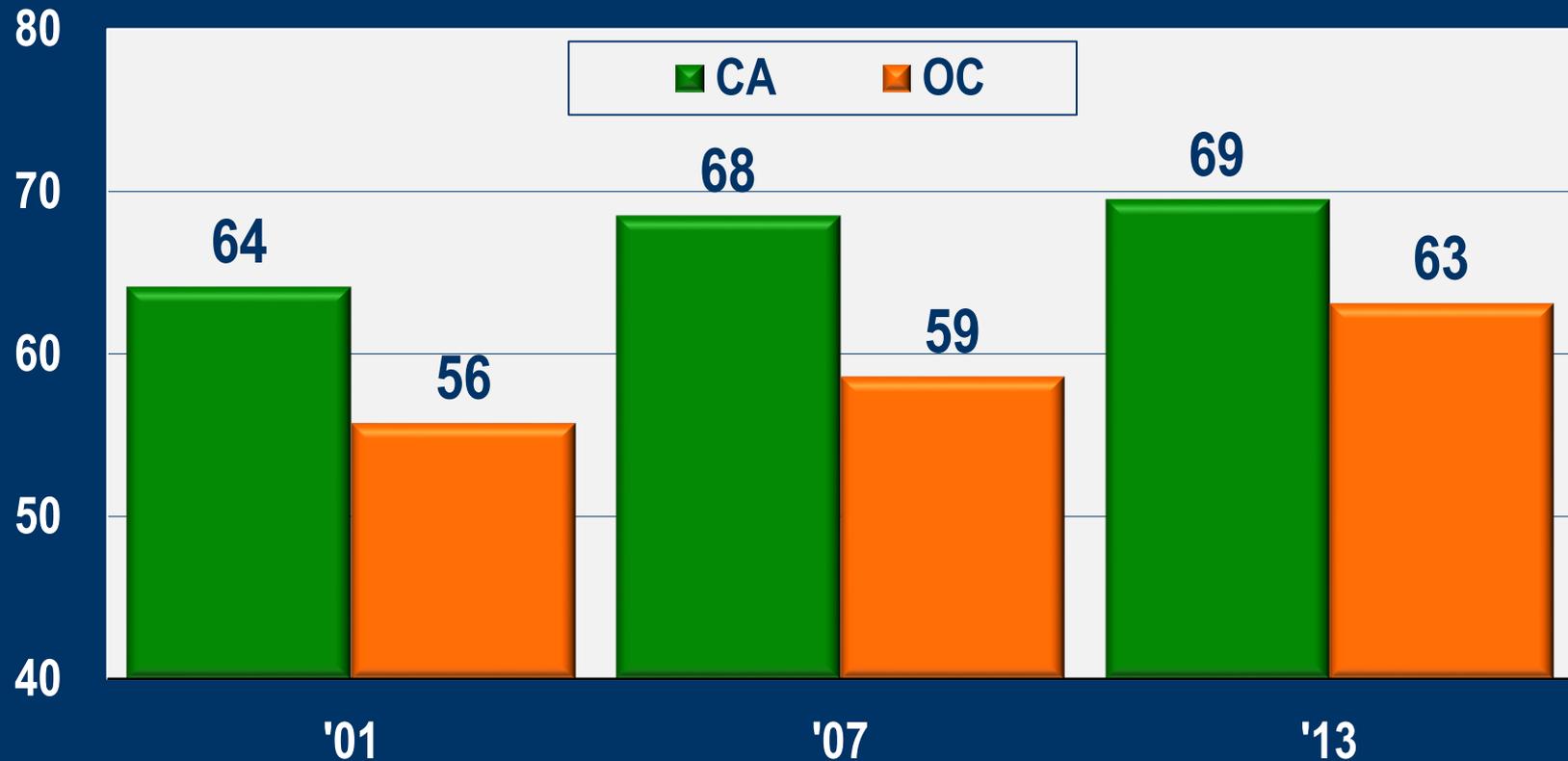
## Percent Change

	<b>Preliminary</b>	<b>Revised</b>
<b>California</b>	<b>2.2%</b>	<b>3.0%</b>
<b>Orange County</b>	<b>2.0%</b>	<b>2.5%</b>

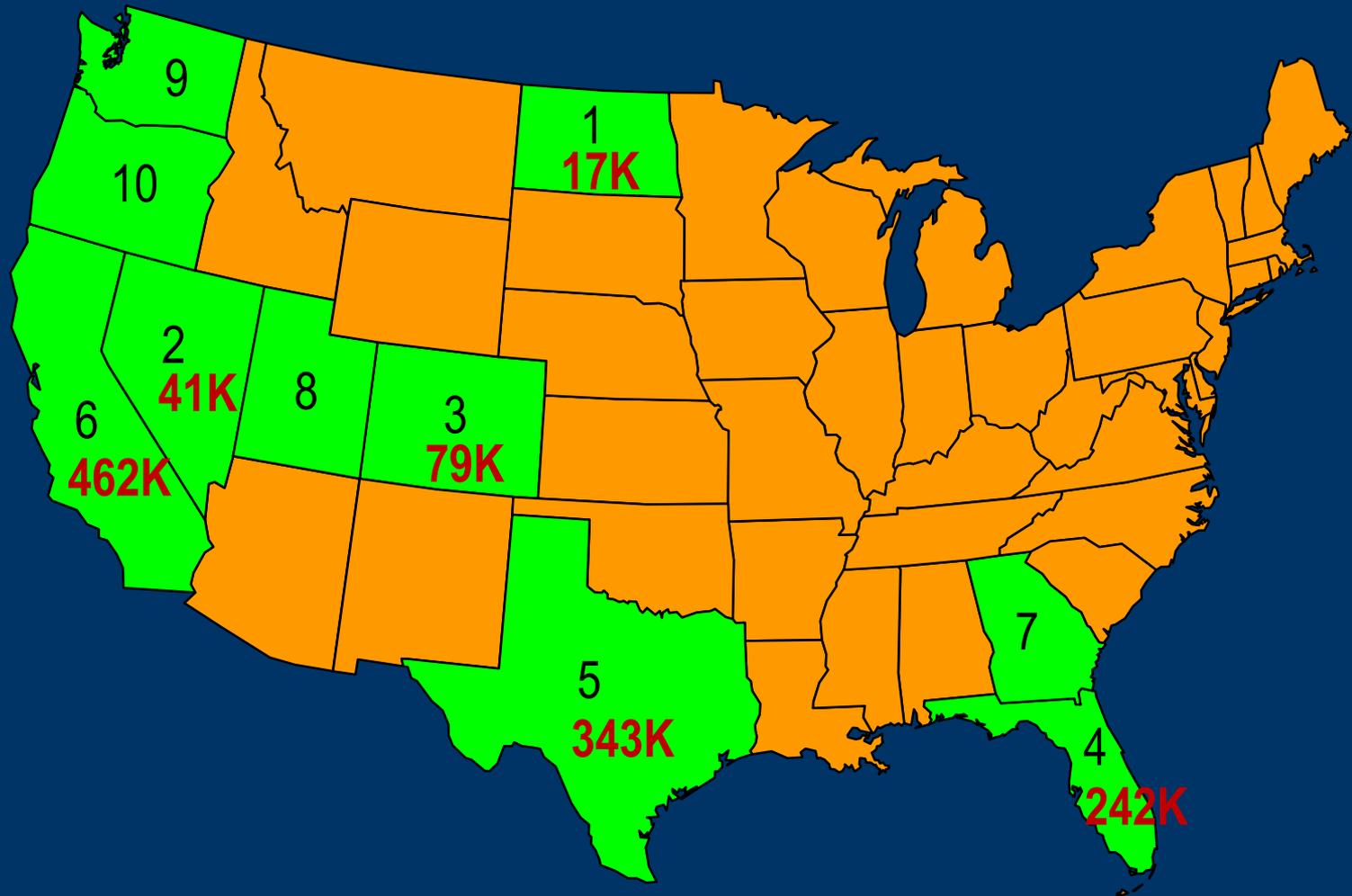
*Not seasonally adjusted*

# Firms with 0-4 Employees Percent of Total

Percent

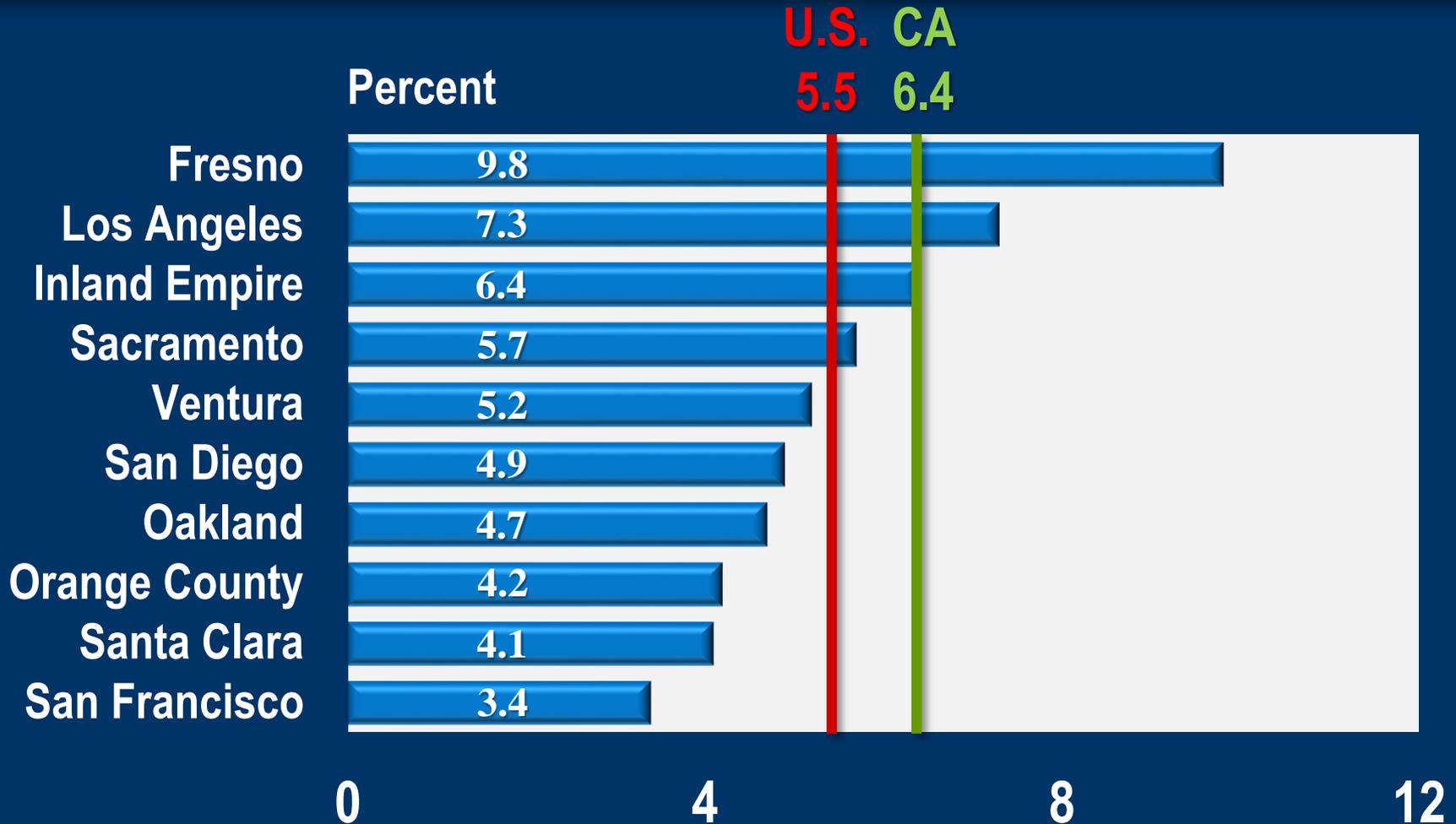


# Top 10 Job Growth States 2014



# Unemployment Rates

## May 2015



Source: EDD

# Factors Affecting Job Growth

➤ **Real GDP**

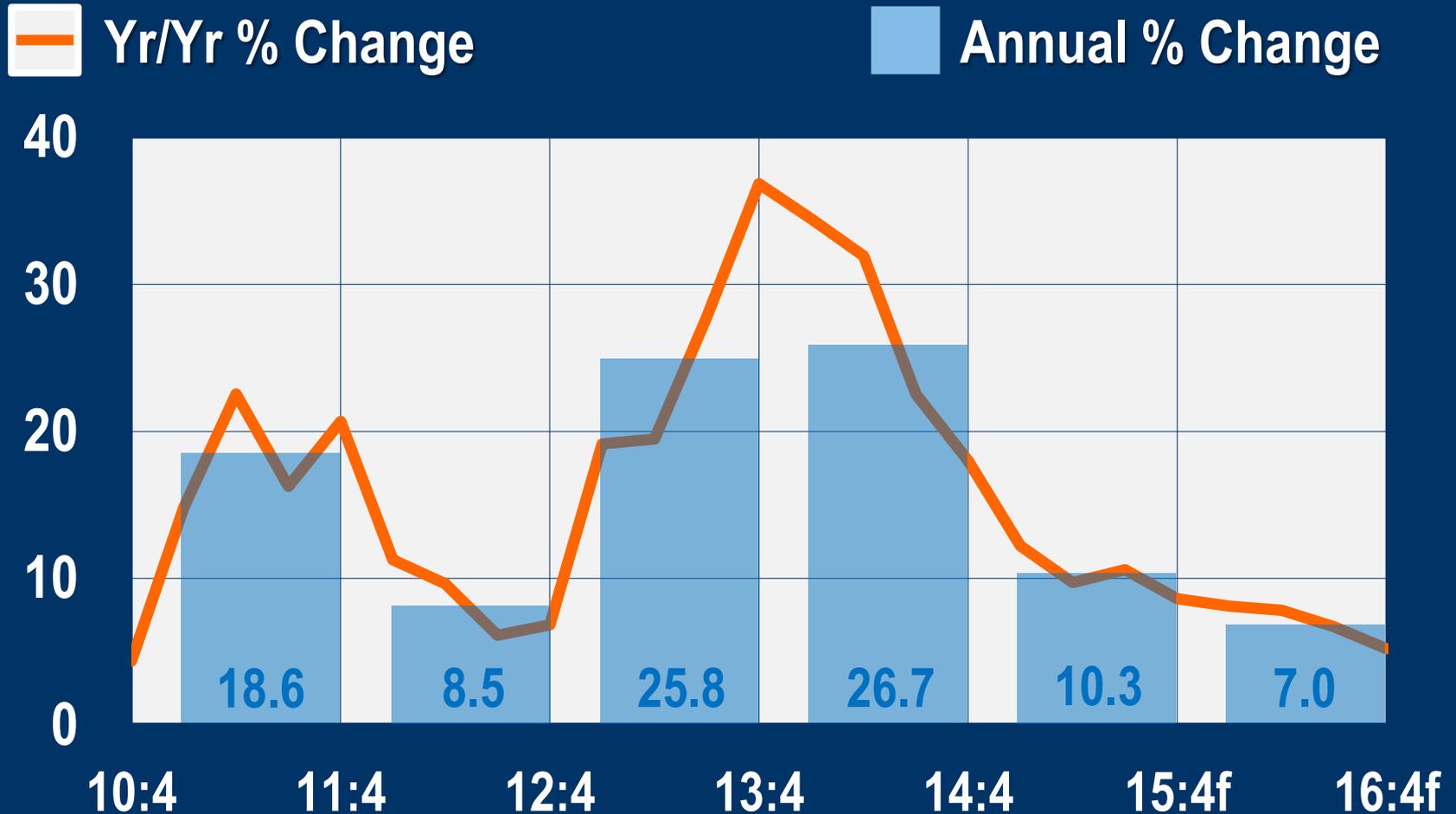
# Factors Affecting Job Growth

- **Real GDP**
- **Real Exports**

# Factors Affecting Job Growth

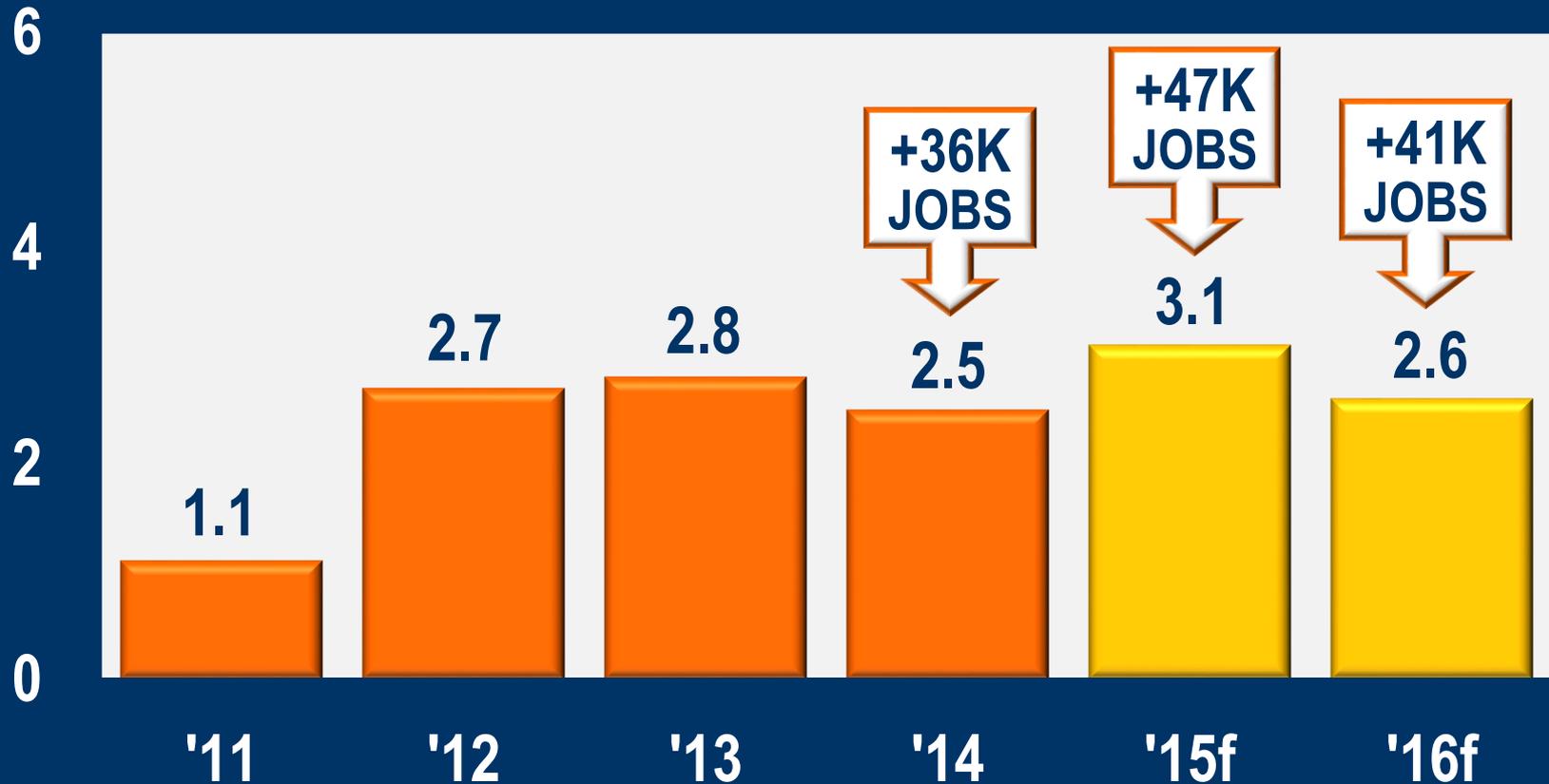
- **Real GDP**
- **Real Exports**
- **Construction Spending**

# Construction Spending Orange County

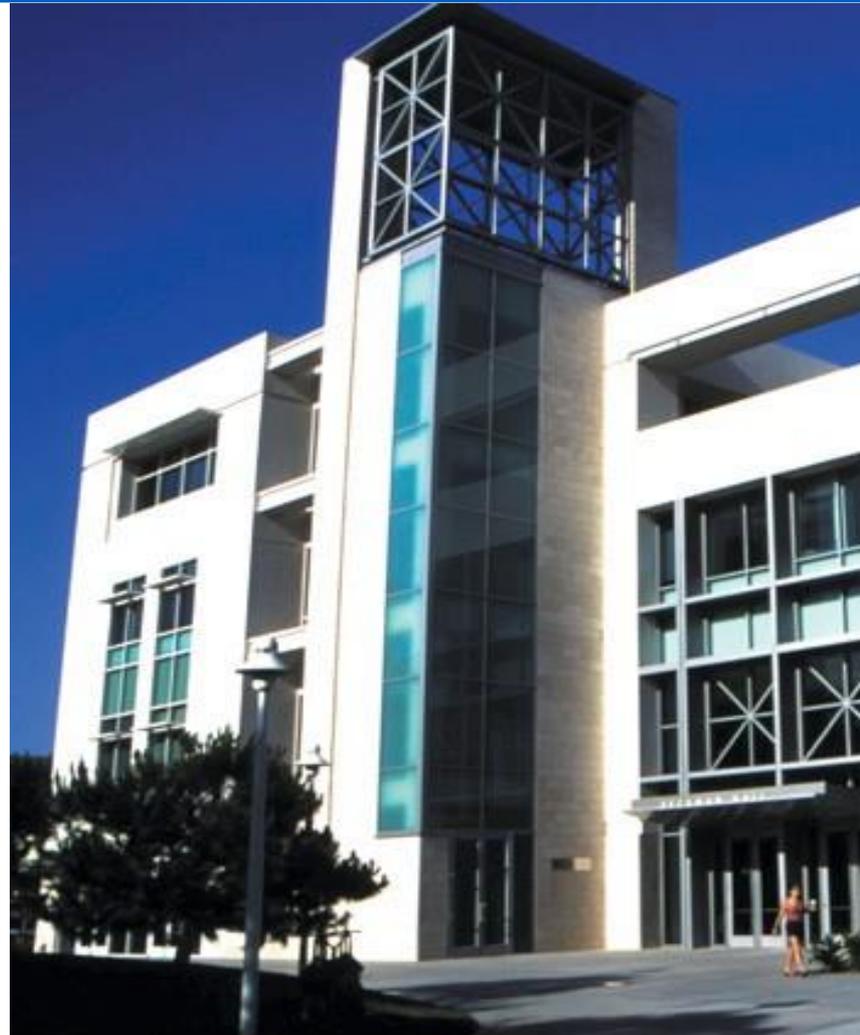


# Job Growth Orange County

Annual % Change



# Is Housing Market Normalizing?



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# Median Single-Family Home Prices Orange County

Thousands of \$



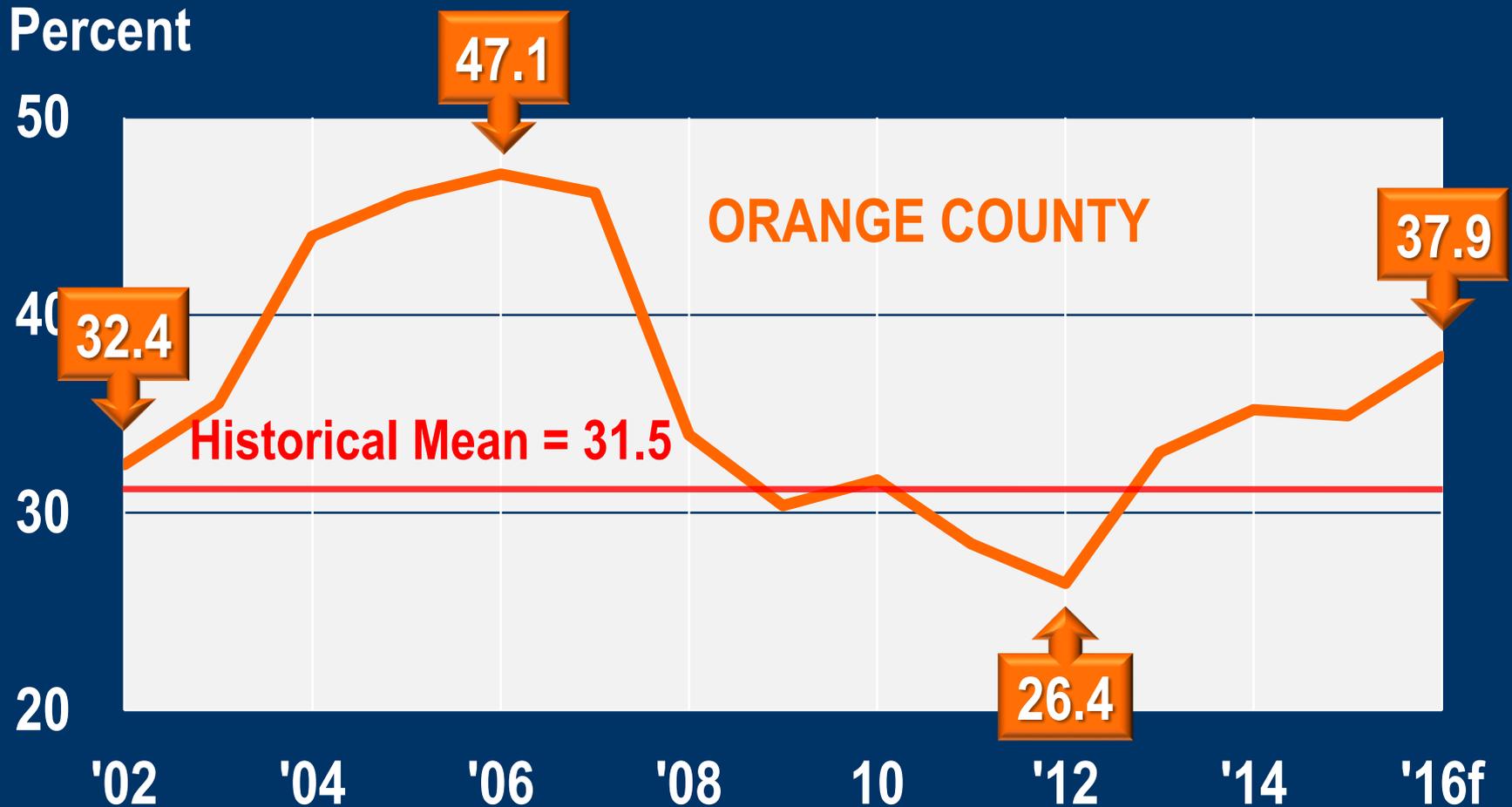
# Factors Affecting Home Prices

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

# Factors Affecting Home Prices

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

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



# Factors Affecting Home Prices

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

# Factors Affecting Home Prices

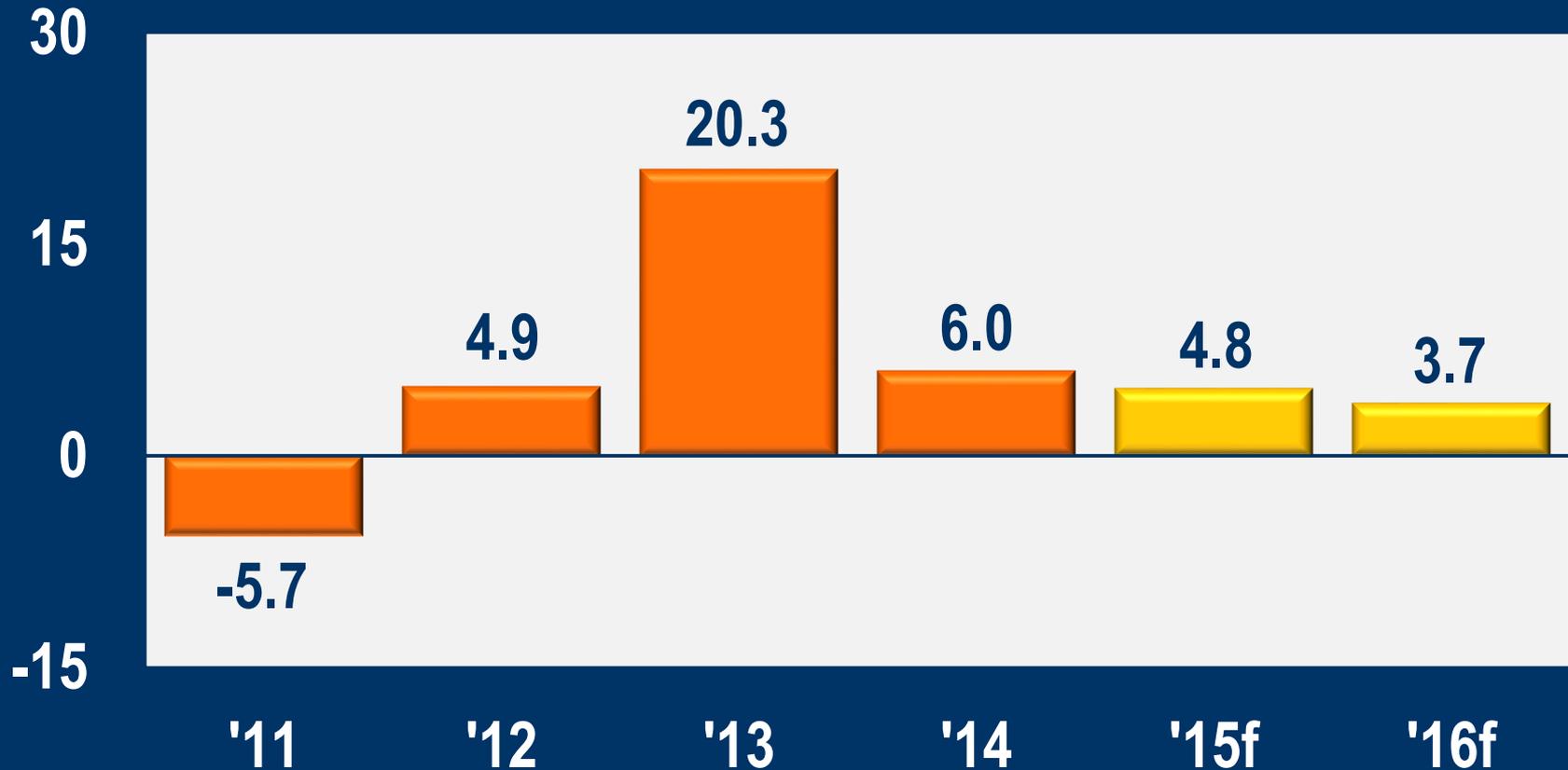
	Very Unfavorable	Unfavorable	Neutral	Favorable	Very Favorable
<b>DEMAND:</b>					
Jobs/ Unemployment				✓	
Housing Affordability			✓		
<b>SUPPLY:</b>					
Permits		✓			
Unsold inventory					

# Factors Affecting Home Prices

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

# Resale Single-Family Housing Prices Orange County

Annual % Change



# Job Growth Is Lifting Consumer Sentiment



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# Consumer Sentiment California

## Composite Index

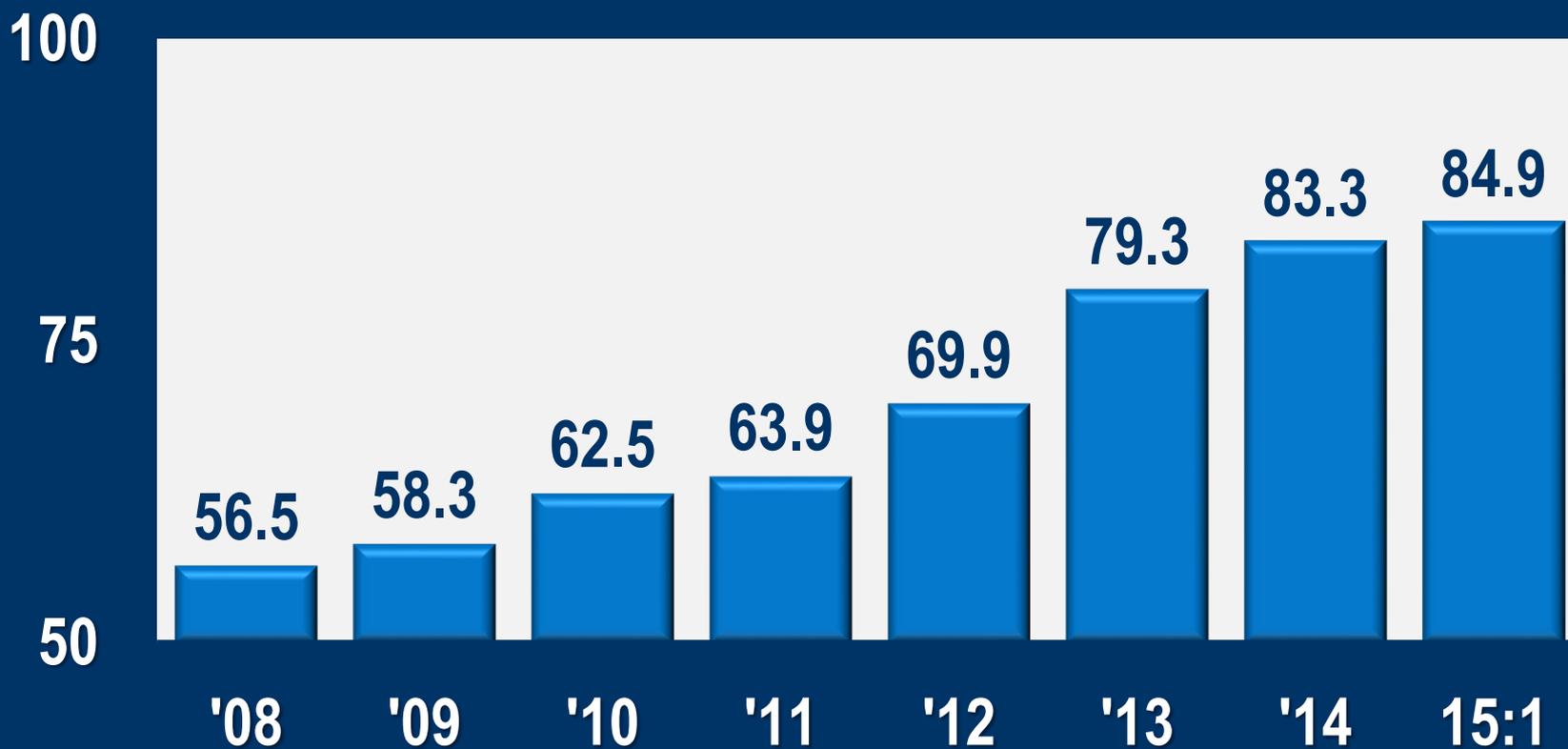


# Factors Affecting Consumer Spending

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

# Household Net Worth

Trillions of \$



Source: The Federal Reserve Board

# Factors Affecting Consumer Spending

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

# Household Debt Service Payments As a Percentage of Disposable Income

Percent

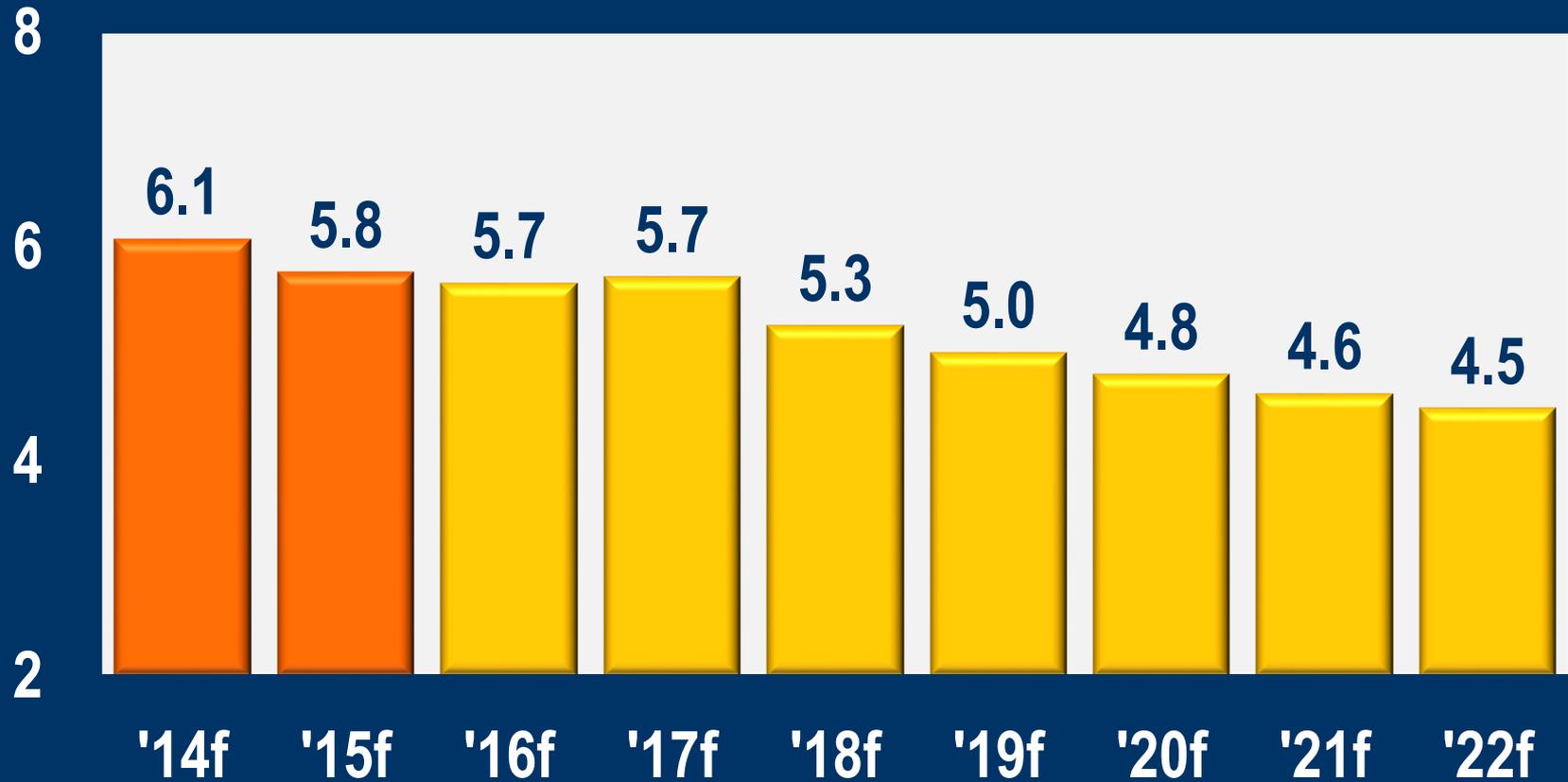


# Factors Affecting Consumer Spending

- **Anemic wage growth**
  - **Higher level of employment**
  - **Higher level of income**
  - **Higher home prices**
  - **Strong equity market**
  - **Lower debt service**
  - **Lower gasoline prices**
- Positive wealth effect

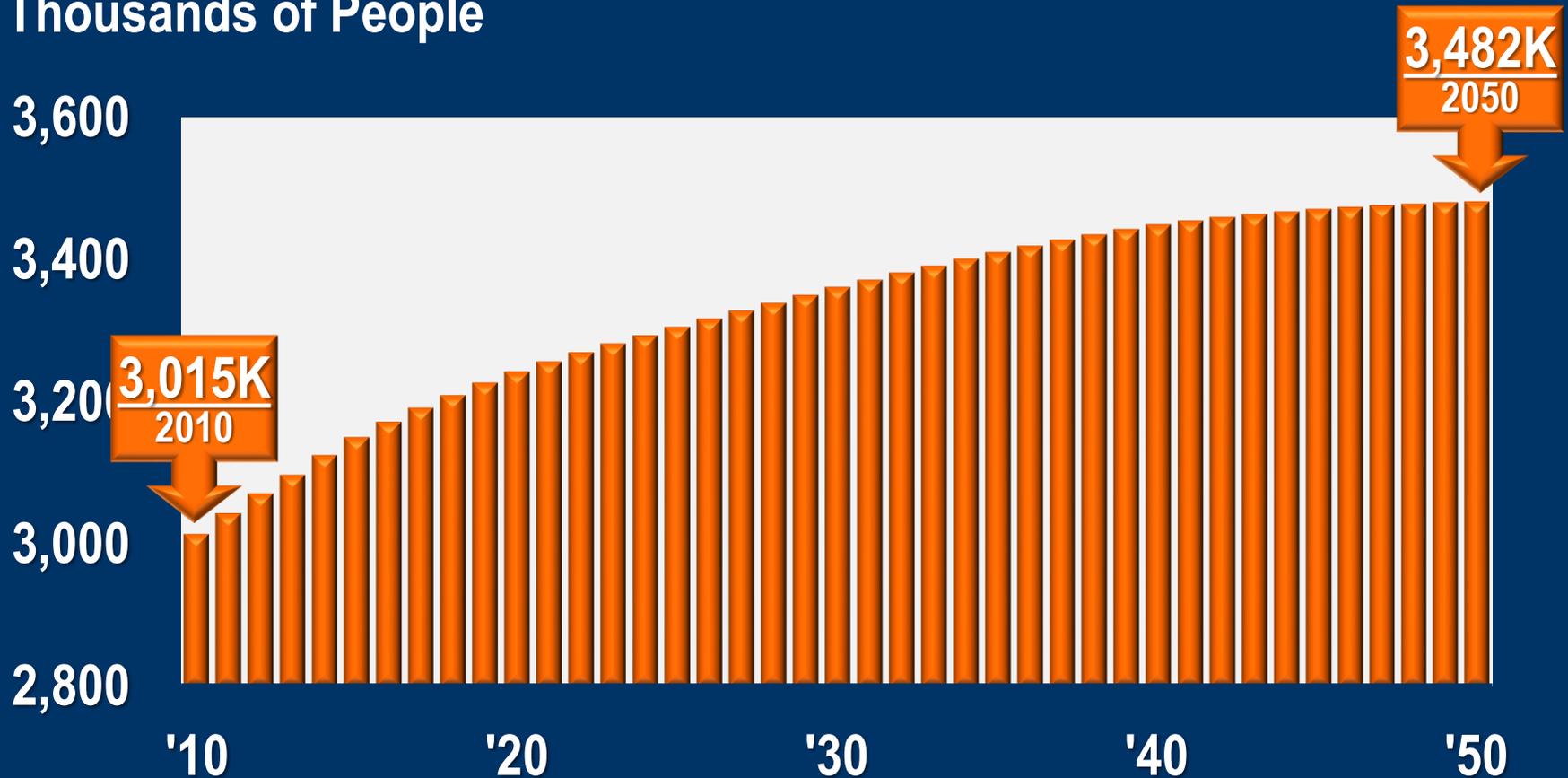
# Taxable Sales

Annual % Change



# Total Population Orange County

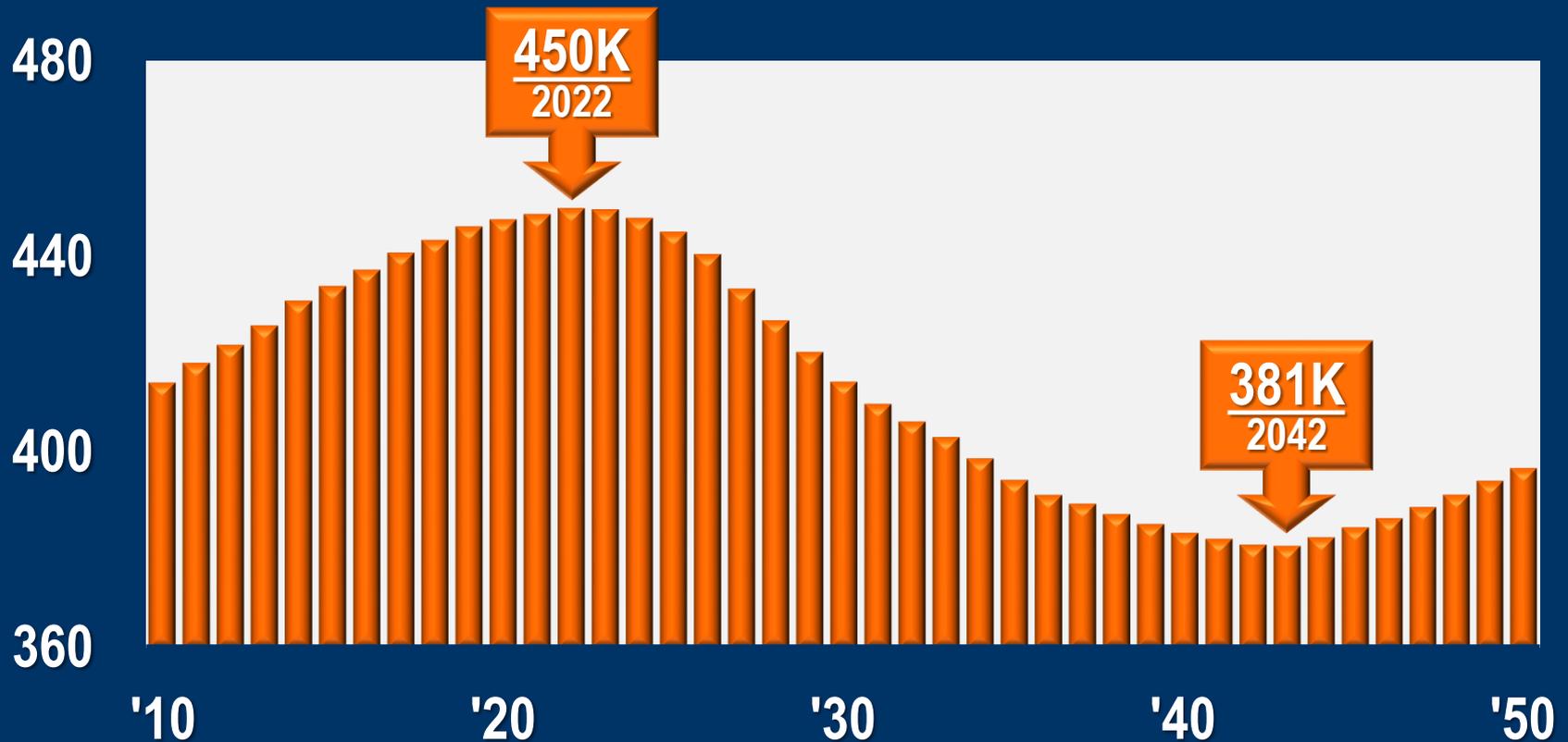
Thousands of People



Source: California Department of Finance

# Population Ages 25-34 Orange County

Thousands of People

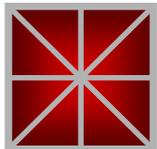


Source: California Department of Finance

# BOTTOM LINE...

- **Steady job growth**
- **Slim gain in real income**
- **Mild improvement in consumer spending**
- **Slower home price appreciation**
- **Solid growth in the healthcare sector**

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