



ORANGE COUNTY TRANSPORTATION AUTHORITY

**Taxable Sales Forecast - Dr. Jerry Nickelsburg – UCLA
Anderson Forecast**

PowerPoint

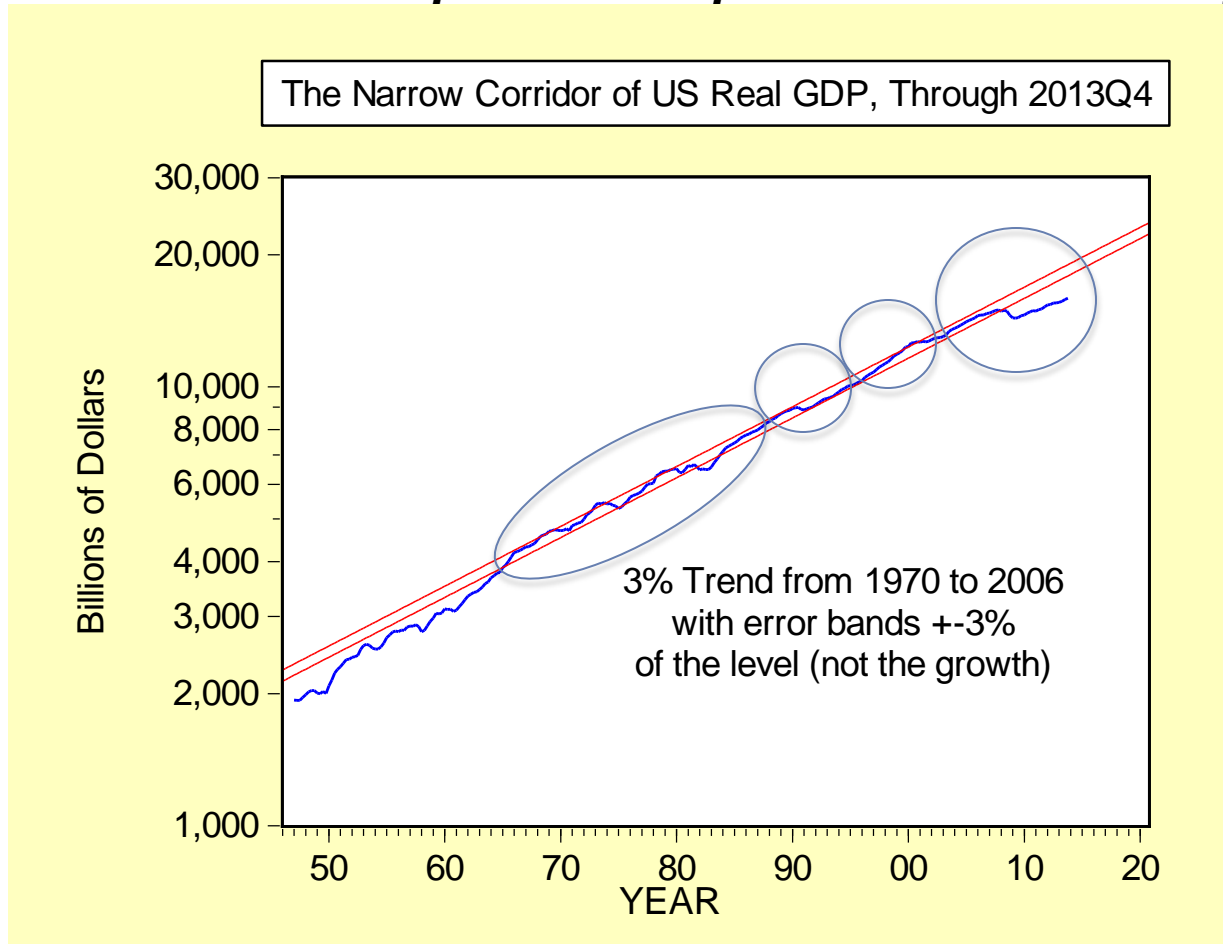
The Economic Recovery and Orange County Taxable Sales

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OCTA Briefing
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The Narrow Corridor of GDP Growth

The current experience is quite out of the ordinary.



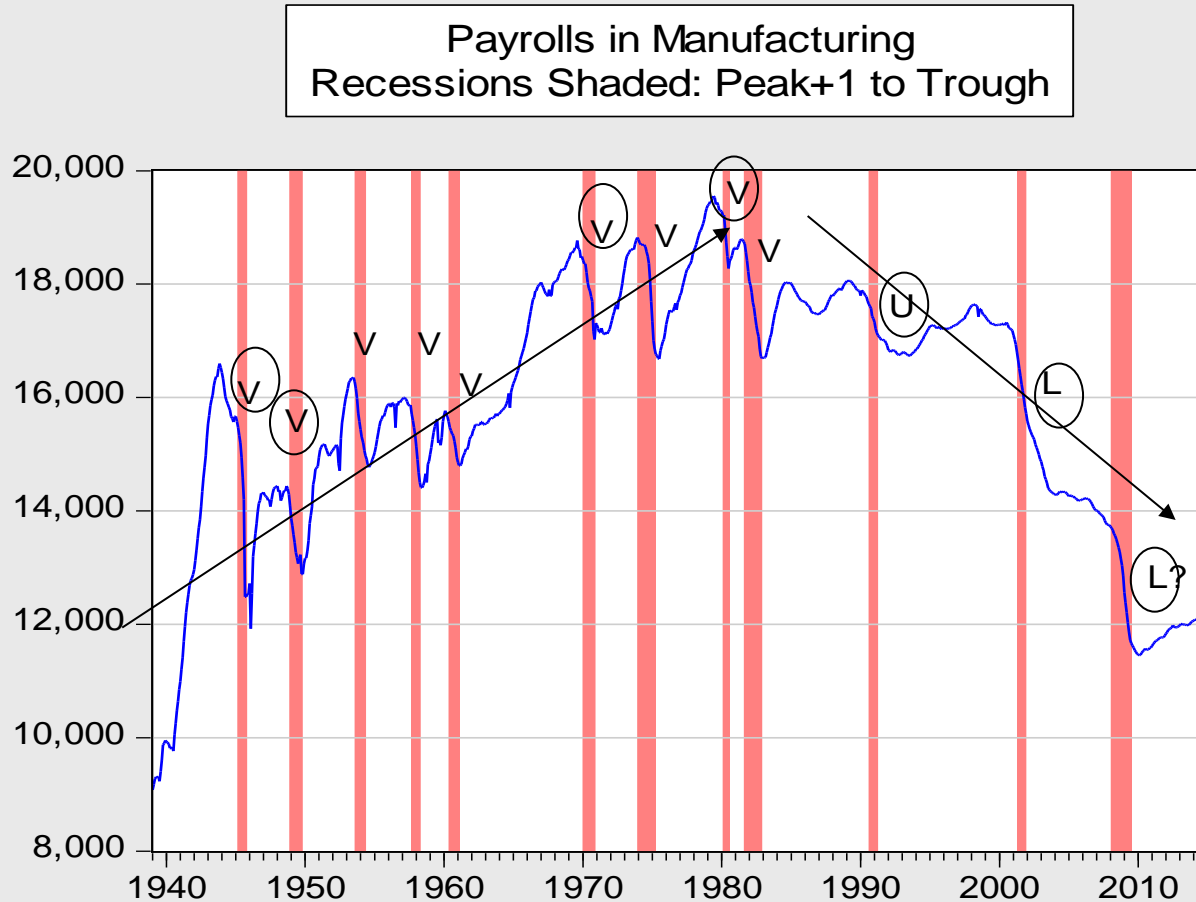
Looking for secular changes

- Negative trend in manufacturing.
- Excess capacity in residential construction.
- Computerization of routine, repetitive intellectual tasks.



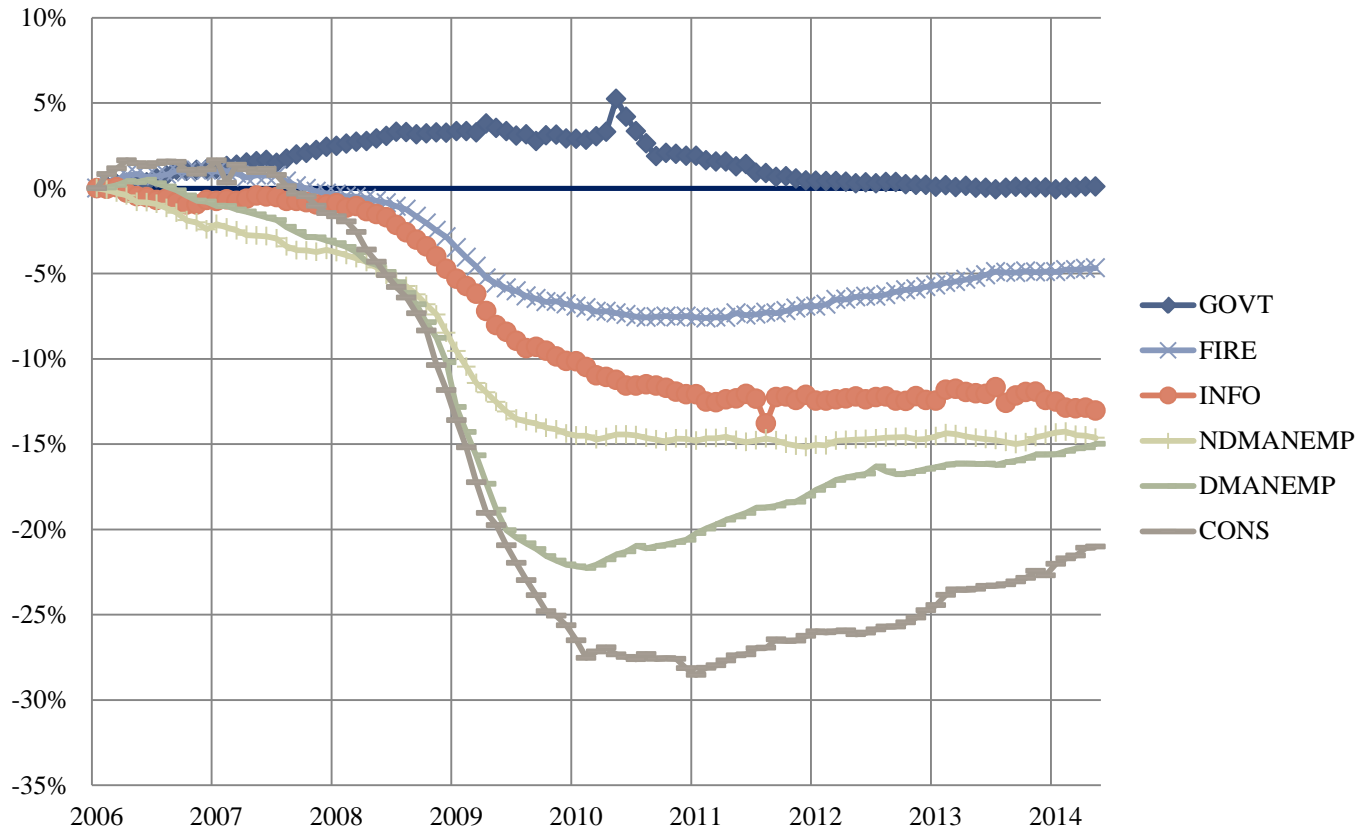
What's Different?

Permanent Displacements in Manufacturing!



Serious Structural Adjustment Problems

Percent Payroll Growth Since 2006 Sectors Far from their 2006 Levels (and GOVT)

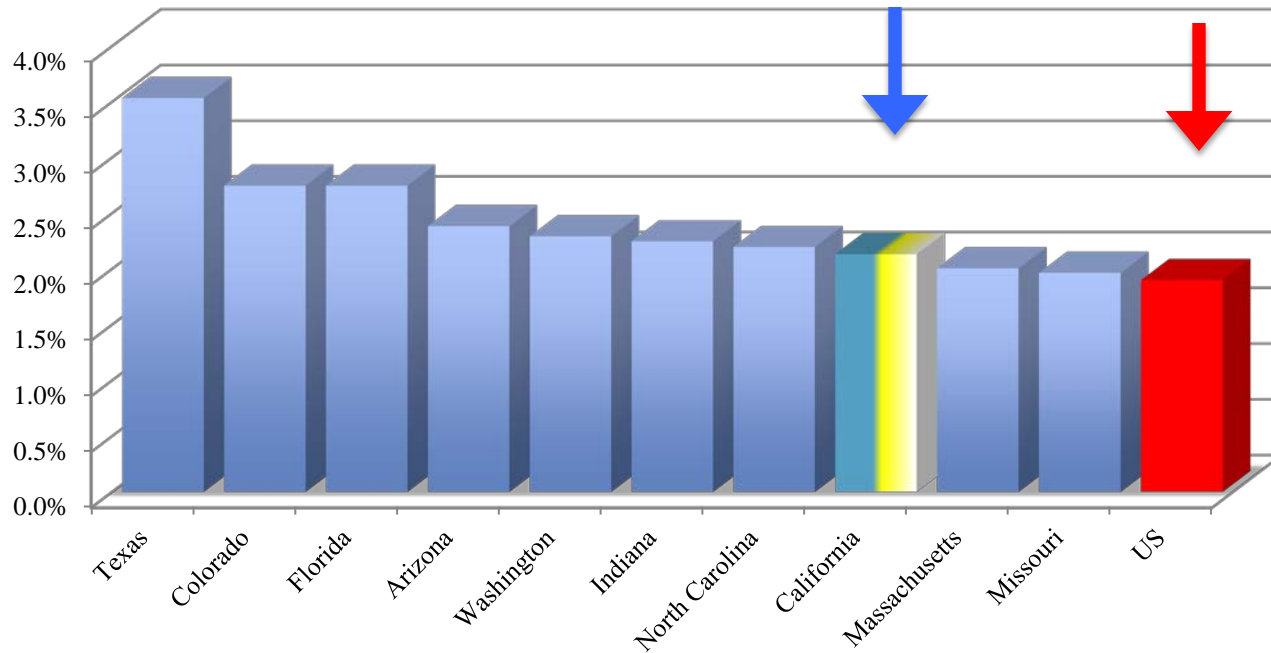


Forecast

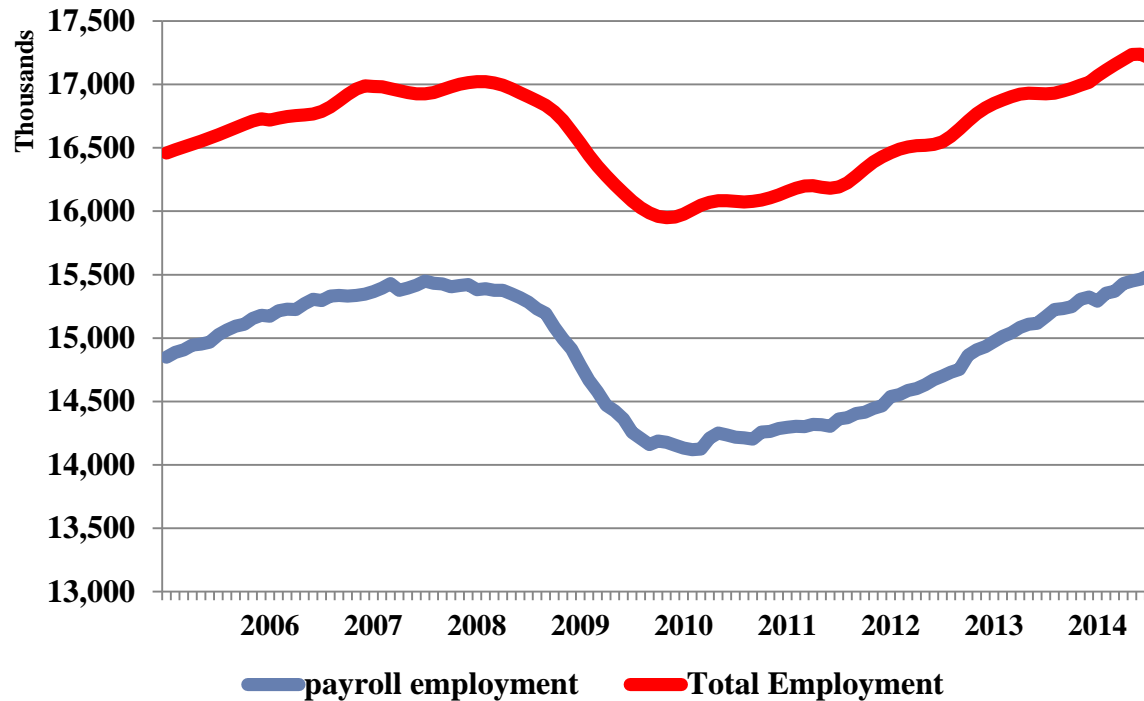
- GDP: 3% for the rest of this year and next
- CPI Inflation: 2+ in the next couple of years, higher in 2016
- Ten-year Treasury: 3.5 in December 2014, 4.2 in December 2015
- Fed Funds rate increase beginning in March 2015: 0.75 in June 2015, 1.75 in December 2015, 2.5 in June 2016 and 3.0 in December
- Housing Starts: 1.1 million in 2014, 1.4 in 2015
- Unemployment Rate: 5.7 in December 2015

No. 8 In Rate of Non-Farm Payroll Growth

**Non-Farm Payroll Growth
(July 2013 to July 2014, States w/ 5M+
population)**

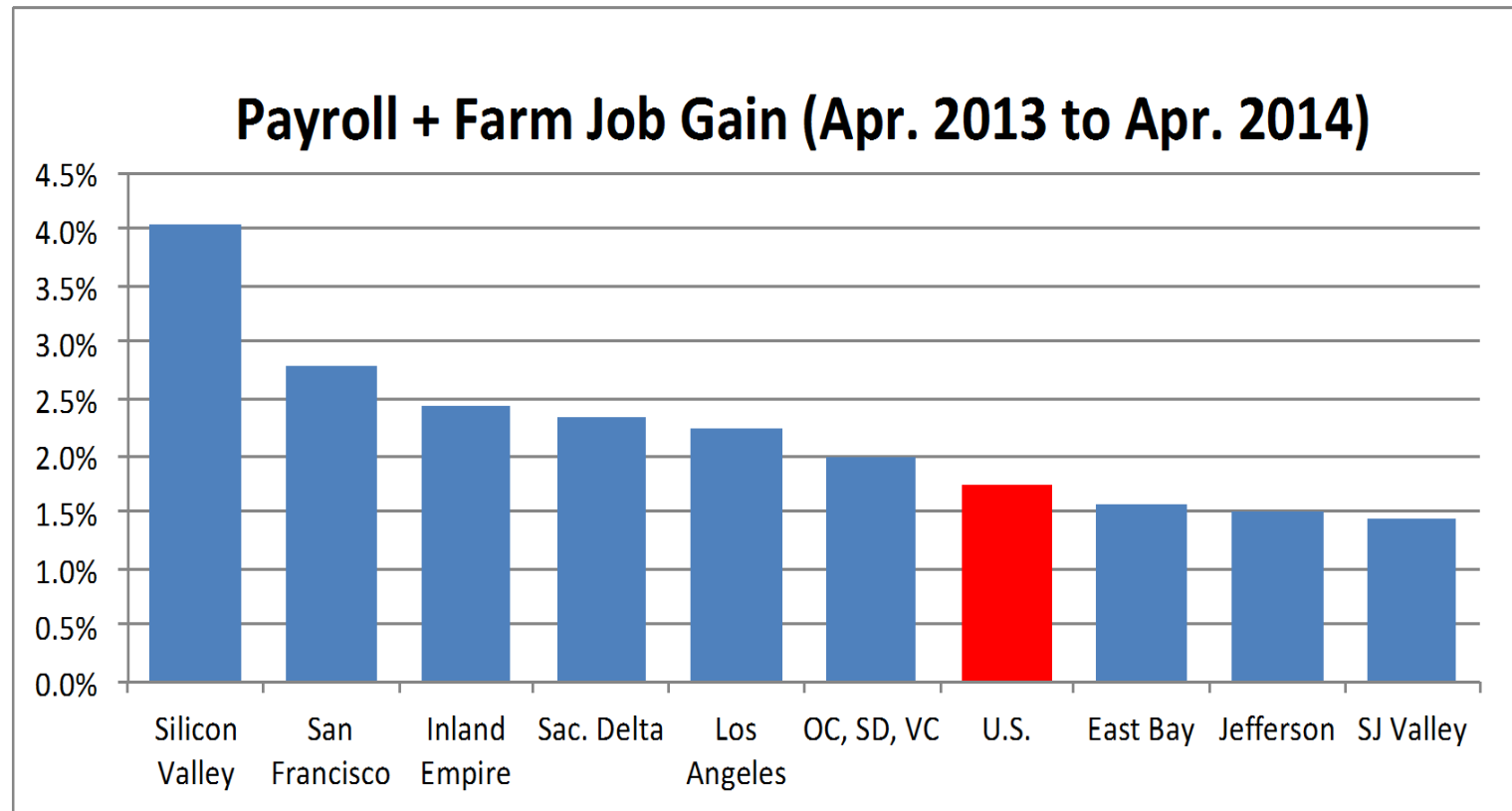


New Highs In Employment

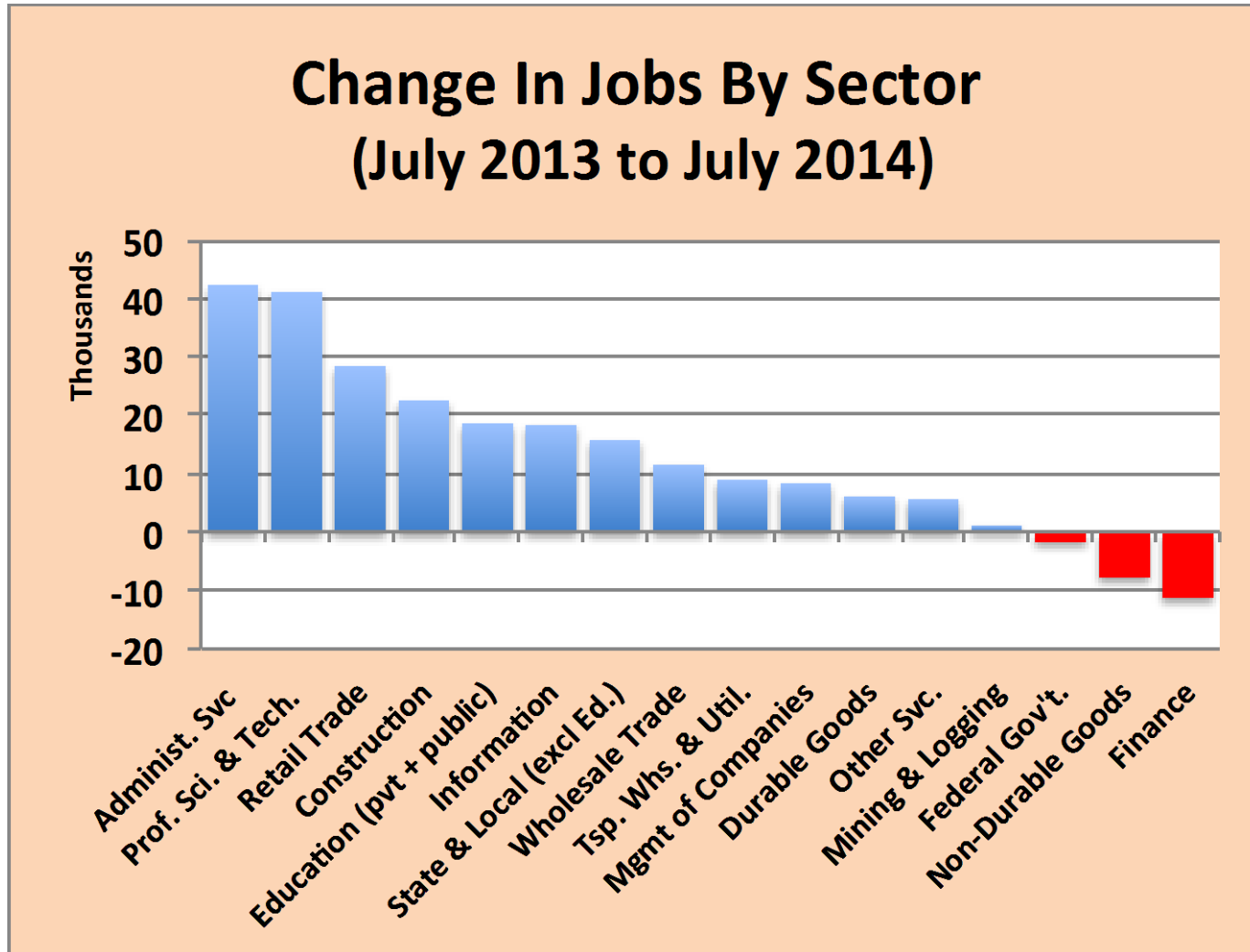


- ◆ Non-Farm Payroll Jobs 0.3% above previous peak
- ◆ Employed (HS) 1.1% above previous peak

With Most Regions Outperforming The US

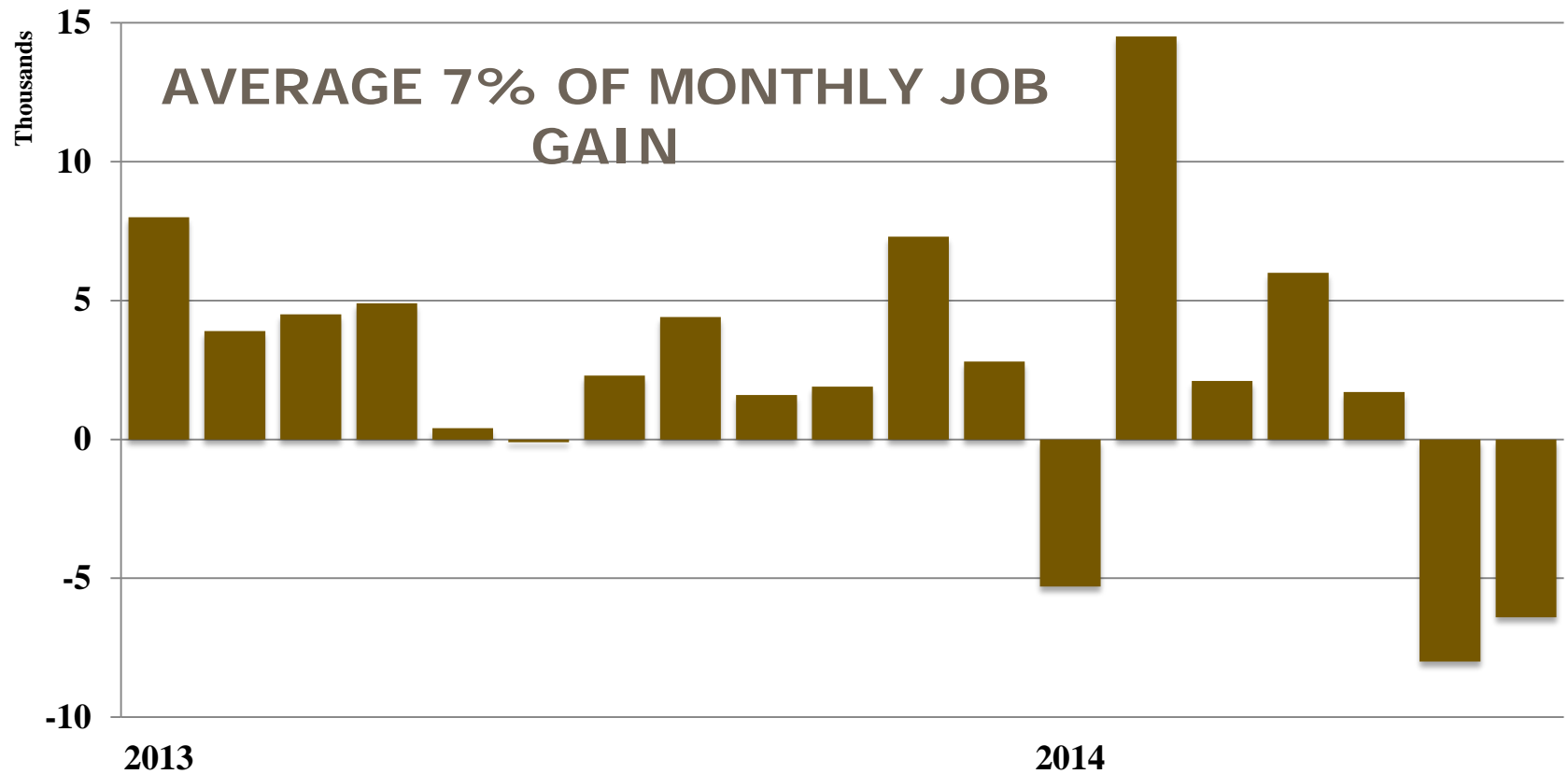


Job Gains Are Widespread

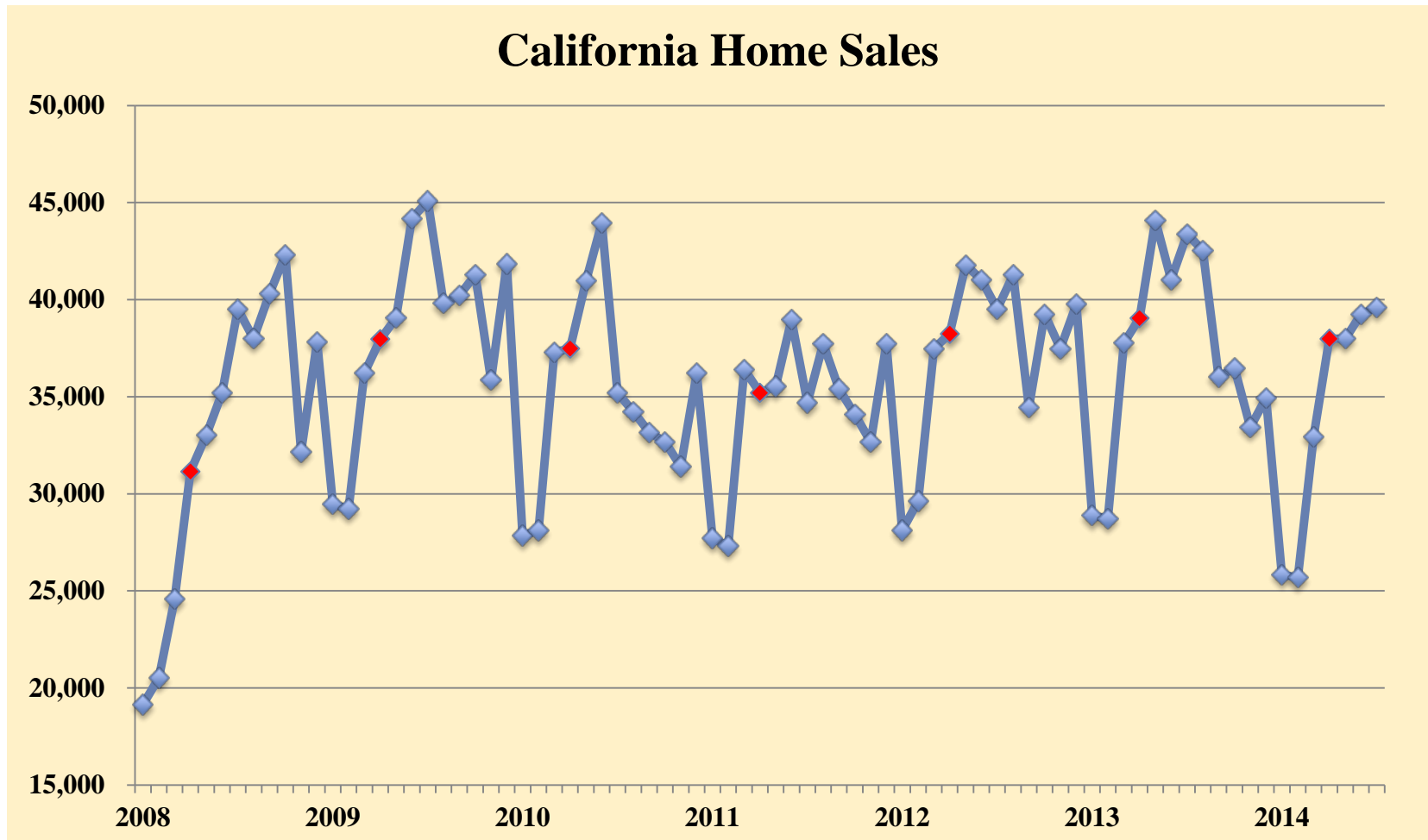


With Construction An Important Component of Growth

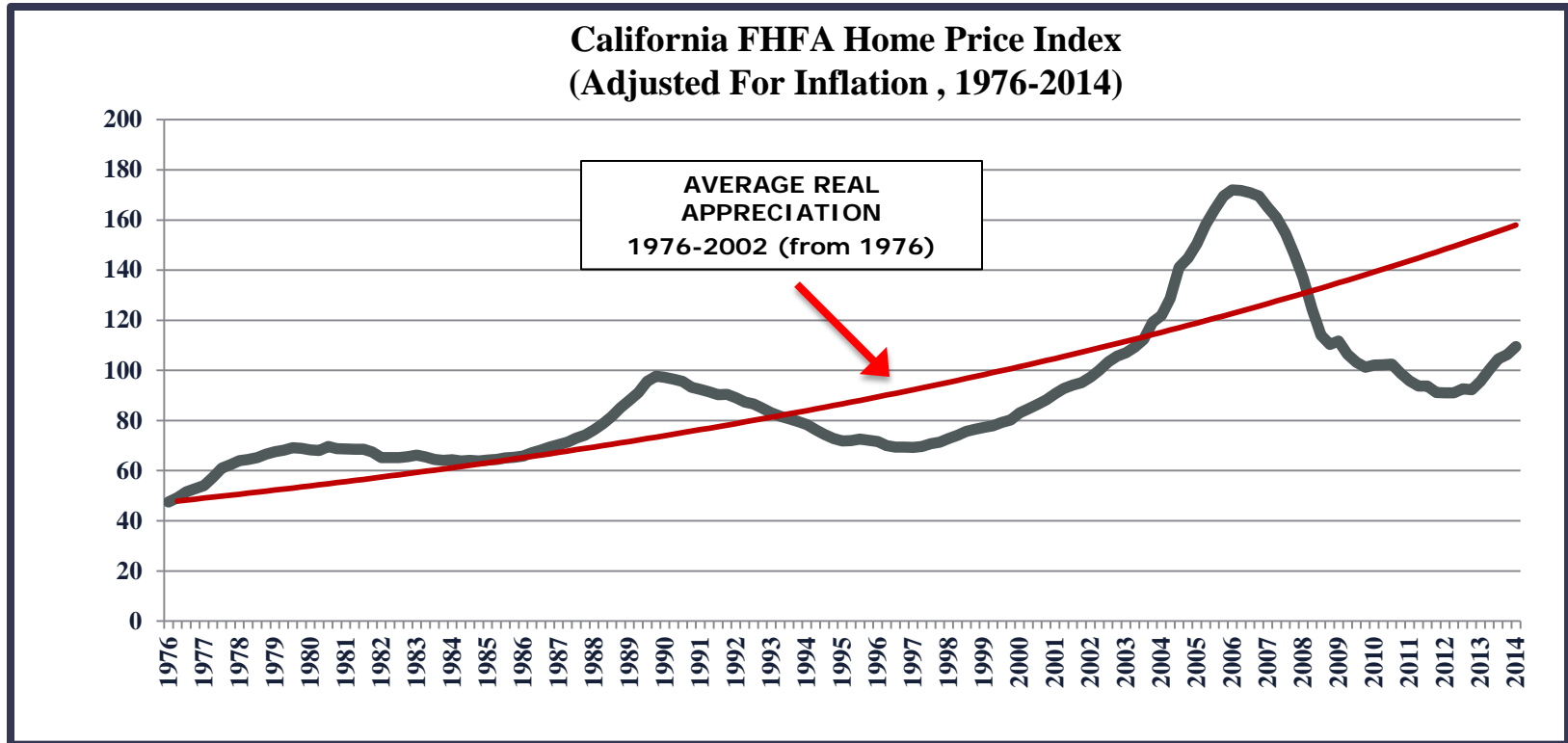
Change in CA Construction Employment, SA



But Home Sales Have Been Flat

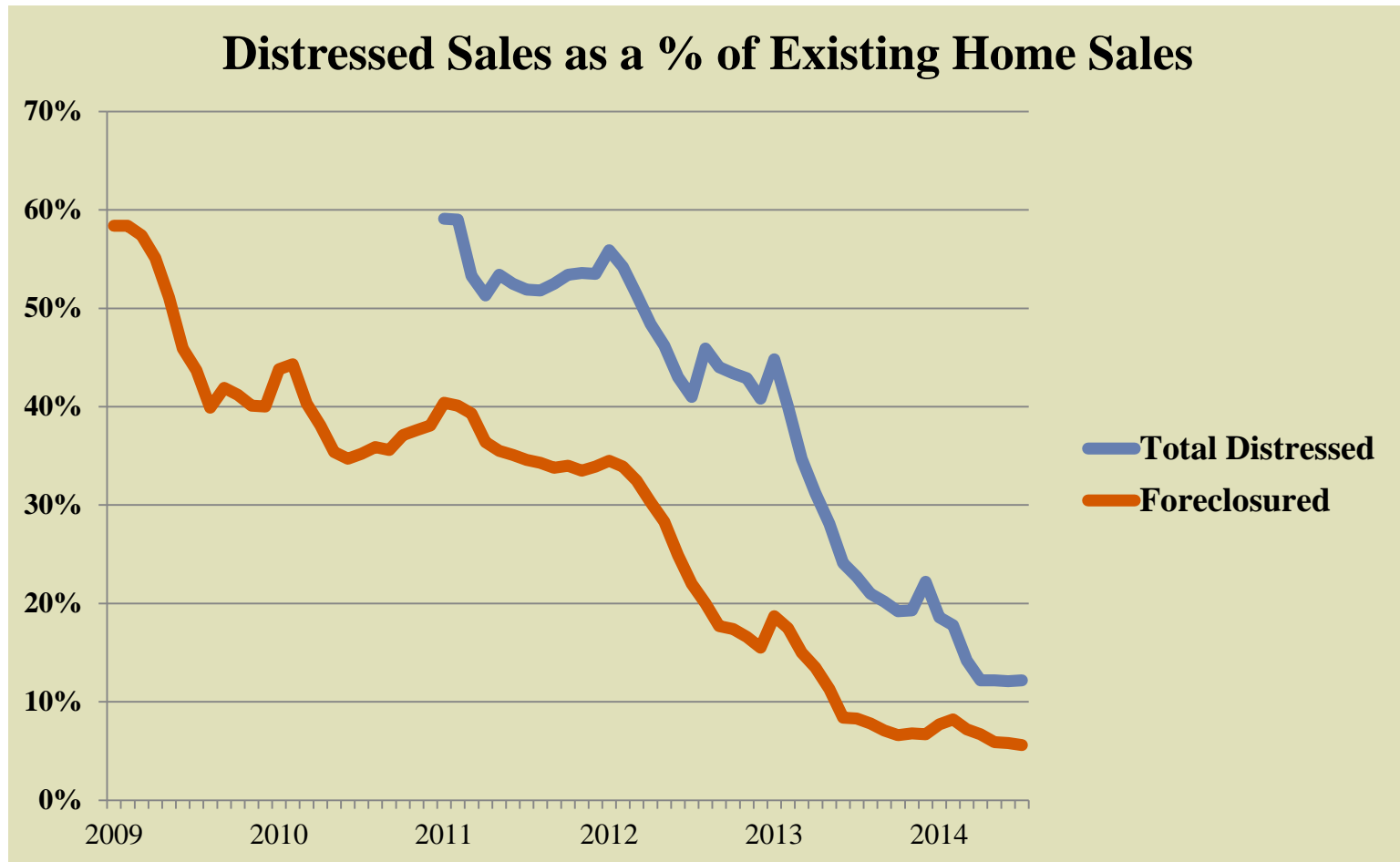


While Prices Soar



But not evidence of a bubble (yet)

However The Composition Is Changing



Implications For Forecast

- CA Employment
 - Gains widespread
 - The same forces that have led to faster than US growth rates continue
 - No employment headwinds seen
- Residential Construction
 - Foreclosure nightmare about over
 - More growth expected

Orange County Taxable Sales Growth

