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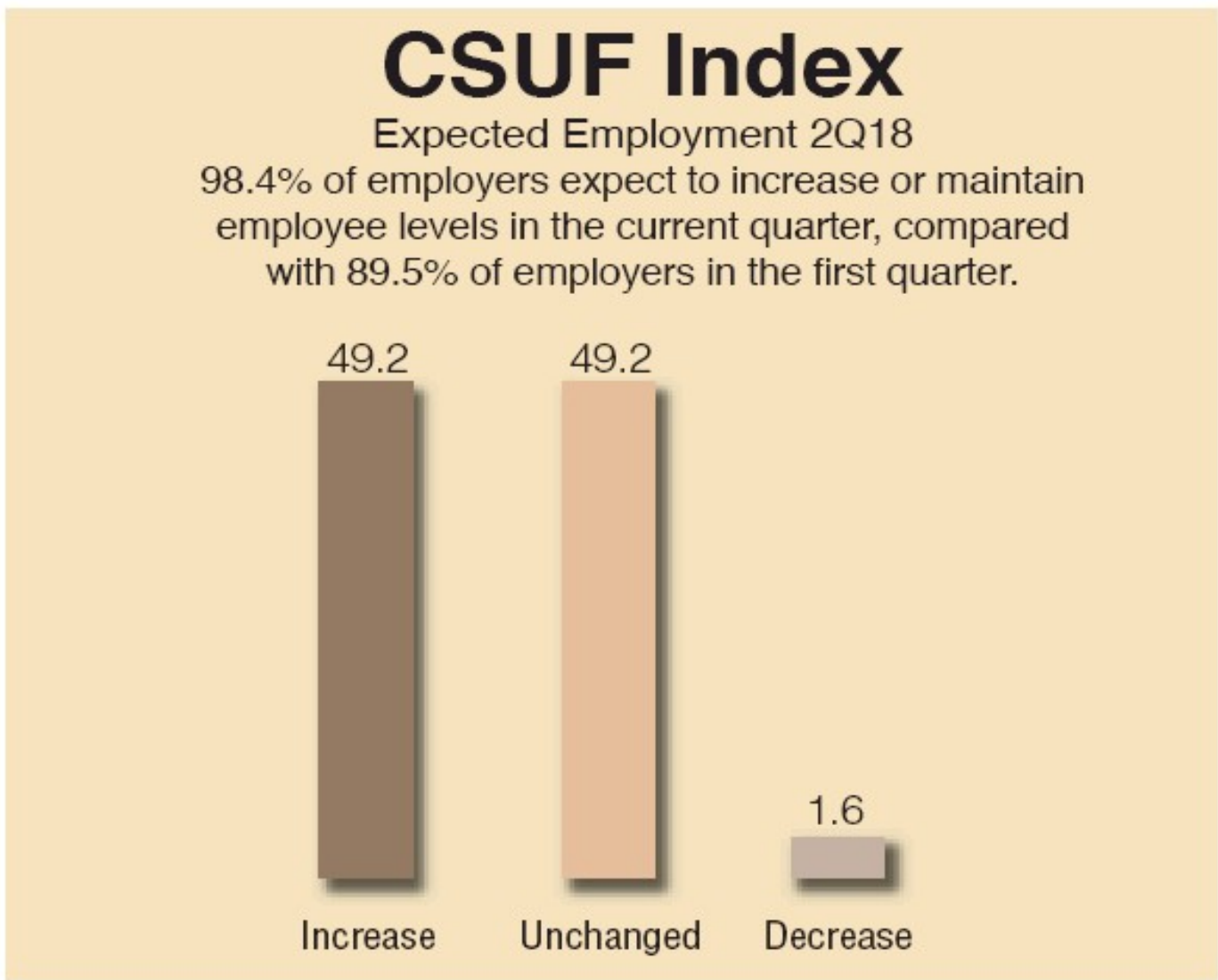
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Article rank | 9 Apr 2018 | Orange County Business Journal | By PETE WEITZNER

# Optimism Stays Near Peak In Survey of OC Execs

## Hiring Plans Goose Index Amid New Concerns

In looking to the second quarter, Orange County executives kept up the optimism. That’s according to California State University-Fullerton’s Orange County Business Expectations Survey, whose composite index held near its alltime high, dipping slightly quarter-over-quarter from 95.2 to 94.4.



The quarterly survey measuring hiring, sales, purchasing, capital investment and profit forecasts of local business owners and senior executives spoke to modest growth the past few years, 85.3 for the second quarter of 2016 and inching up to 88.2 for last year’s fourth quarter. But the spurt to 95.2 and 94.4 in the first two quarters of this year represents about the highest sustained readings of the expectations gauge since Project Director Anil Puri of the Woods Center for Economic Analysis and Forecasting has been querying industry leaders small to large. The center is part of CSUF’s Mihaylo College of Business and Economics.

"This is the most consistent highly positive trend in the last 20 years," Puri said. "A majority of business leaders continue to expect at least some growth in their industry in the short term. Firms appear less likely to cut jobs and, in fact, many expect to hire more in the next quarter."

Plans to add to payrolls went from 42.1% of responding firms to 49.2%. Fewer than 2% plan to cut jobs.

The nonprofit Hope Builders in Santa Ana helped about 550 of its 18 to 28 age client base get jobs here in the past 12 months.

"We have not had a problem placing our youth," said Deputy Director Christa Sheehan, "we have more jobs to fill than youth to fill them." Hope Builders' recent success—it plans to triple capacity of programs in the next 10 years—speaks volumes about the growth of the segments where it places graduates of its 10-week training and apprenticeship programs.

"They're low income, unemployed and face at least one additional barrier to employment," Sheehan said. Hope Builders places many clients in trades like carpentry, plumbing and other contractor jobs, as well as medical assistant roles. She lists residential developer Brookfield Homes, title insurer First American Financial Corp. and the Providence St. Joseph Health system among her most prolific hiring partners.

Wayne Pinnell finds his accounting firm's mixed client base also operating in the more fertile parts of the ecosystem. "Good chunk of our client base is real estate ... very active," said the managing partner of Haskell & White LLP. "We have a fair amount of life science clients who are finding capital again; aerospace and defense companies that are on the upswing, consumer products, too." Haskell & White has also been hiring, and at 36 CPAs at its Irvine headquarters, is ranked No. 16 on the Business Journal's most recent list of local accounting firms.

Hidden Signs of Trouble

Economist Puri said he fears expectations, and soon operating results, may peak. "The jump in Fed policy concern is the most visible of changes in the business attitude," he said. Thirty-five percent of survey respondents cited Federal Reserve interest rate hikes as the biggest threat to the economy. Only 11% saw a hawkish Fed as the No. 1 threat last quarter; clearly executives don't like the recent gyrations of the equity markets.

"This in combination with concern about the state of the overall economy, point to a significant downward shift in business sentiment," Puri said. "Continuation of this trend will begin to impact real variables, such as hiring and business investment."

CPA Pinnell cited other prominent concerns. "Biggest fear on everybody's mind ... global relations, whether it's tariffs or North Korea, and the continued discord in our own politics." The latter was the No. 2 concern of OC owners and executives; 33% fret about Washington, D.C., gridlock and acrimony, but for many quarters it was cited as the No. 1 "biggest threat to the U.S. economy." Then Congress managed to pass the 2017 Tax Cuts and Jobs Act. Many feel that the corporation-focused tax reform will help prolong the expansion.

"All things are cyclical," Pinnell said, "but we seem to be on an up cycle for at least the next couple of years—well, at least from an accounting perspective."

Method Used



The survey was based on responses from 61 senior-level executives in OC, a 7% response rate of the 400 to 500 surveyed. Twenty-six percent of responding companies employ more than 100; 30% employ 20 to 100; 31% employ 20 or fewer; and 13% employ more than 1,000. Puri started conducting the survey in 2000.

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