Orange, CA- Senior financial executives in Orange County, believed to have a bird’s eye view on the economic vitality of Orange County, were polled as part of the third annual Economic Pulse of Orange County Survey. Findings were released today from the survey conducted by Financial Executives International (FEI), Orange County Chapter, in conjunction with the A. Gary Anderson Center for Economic Research at Chapman University.

The executives, primarily chief financial officers from both public and private companies in Orange County, anticipate no national recession in 2008, but project slower job growth in Orange County. They continue to voice concerns over the high cost of housing and compensation for employees and, similar to last year, expressed little interest in international expansion for their companies.

The results, analyzed by Esmael Adibi, director of Chapman University’s Anderson Center for Economic Research, show a more optimistic projection than Chapman University’s forecast released in December of 2007. “Similar to our forecast our financial executives are projecting lower home prices and job growth in 2008, but for the most part, they are a little more optimistic than what we have projected for the U.S. and Orange County’s economy,” explained Adibi.
Following are highlights of the survey results:

- Regarding the U.S. economic outlook, 59.3 percent of the respondents believe real GDP growth will be between 1 to 3 percent in 2008, a higher estimate than Chapman’s forecast of 0.9 percent growth rate. Only 9.3 percent of the respondents believe the economy is headed toward a recession.

- Last year, 49 percent of the executives thought the Federal Reserve would keep the interest rates steady but this year 61.6 percent believe the interest rates will decrease in 2008.

- In Orange County, 43.5 percent of CFO’s—a slight majority—believe job growth will be lower in 2008 as compared to 2007, suggesting a cooling economy. This is consistent with Chapman’s forecast calling for a decline of 0.2 percent job growth in 2008.

- Local inflation, measured in terms of Consumer Price Index is believed to come in between 2 to 3 percent according to 41.9 percent of our respondents. Chapman’s forecast calls for an inflation rate of 2.8 percent. Planned merit pay increases are expected to be between 2 to 4 percent according to 59.3 percent of our respondents, slightly higher than the inflation rate.

- As shown in the accompanying figure, 45.1 percent of our respondents last year projected lower home prices in 2007. The current estimate shows that home prices, as measured by the California Association of Realtors, decreased by 2.0 percent in 2007. This year, 75.6 percent of respondents believe home prices are headed even lower with another 18.6 percent stating no change in home prices for 2008 compared to 2007.

- “Desirable place to live” was cited as the most significant advantage of doing business in Orange County. O.C.’s central location and availability of work force were named as the next two reasons to have their operation in Orange County. These results continue to echo last year’s sentiments.
• When asked what factors are significant barriers to doing business in Orange County, the respondents marked cost of housing, high cost of labor and state and local taxes as the most significant factors. The same three factors were mentioned as the most significant barriers in last year’s survey.

• Respondents were asked to rank the most significant “threats” or “risks” to their operations in 2008. Customer retention and difficulty in hiring skilled labor rank highest on the list. Contrary to last year, access to capital market and availability of credit are perceived as being an important challenge with 37 percent of respondents claiming concern about a tightening credit market. “The current capital markets environment is different from last year and borrowing conditions are tightening significantly,” said Greg Edwards, past president of FEI-OC and CFO/Senior Vice President of Rancho Mission Viejo.

• Not surprisingly, cost control or containment, streamlining business processes and enhanced reporting & analytics were named as the top three strategic initiatives in 2008. These, in turn, explain why 77.9 percent of our respondents plan to increase or keep the same level of spending on technology in 2008 versus 2007. Also, 72.0 percent of the executives plan to increase or keep the same level of capital spending this year versus 2007.
ABOUT FINANCIAL EXECUTIVES INTERNATIONAL-ORANGE COUNTY CHAPTER:

Financial Executives International (FEI) is the preeminent association for Chief Financial Officers and other senior finance executives. With 15,000 members and 86 chapters in the United States and Canada, FEI provides networking, content delivery and timely updates on subjects including: financial management, cash flow, cash management; Sarbanes-Oxley Act compliance, ERISA; regulatory updates from the SEC and FASB; career management and finance and accounting job listings; financial reporting and regulatory updates; and risk and enterprise risk management (ERM). FEI-Orange County is comprised of senior financial executives in Orange County, Calif. and currently has more than 250 active members. For more information on the chapter, visit the Website at www.fei.org/chapter/orangecounty.

ABOUT THE ANDERSON CENTER FOR ECONOMIC RESEARCH:

The A. Gary Anderson Center for Economic Research (ACER) was established in 1979 to provide data, facilities and support in order to encourage the faculty and students at Chapman University to engage in economic and business research of high quality, and to disseminate the results of this research to the community.
ANNUAL SCHEDULE OF CONFERENCES AND PRESS RELEASES:

JANUARY
- Economic Forecast Conferences for Los Angeles County and the Inland Empire
- California Purchasing Managers Survey

FEBRUARY
- California Leading Employment Indicator

MARCH
- California Consumer Sentiment Survey

APRIL
- California Purchasing Managers Survey

MAY
- California Leading Employment Indicator

JUNE
- Economic Forecast Update Conference for the U.S., California, Orange and Los Angeles counties, and the Inland Empire
- California Consumer Sentiment Survey

JULY
- California Purchasing Managers Survey

AUGUST
- California Leading Employment Indicator

SEPTEMBER
- California Consumer Sentiment Survey

OCTOBER
- California Purchasing Managers Survey

NOVEMBER
- California Leading Employment Indicator

DECEMBER
- Economic Forecast Conference for the U.S., California and Orange County
- California Consumer Sentiment Survey