“Economic Pulse of Orange County”
Inaugural Survey of Financial Executives
Co-sponsored by FEI-OC and the Anderson Center

Continued Growth, but International Expansion, Technology Spending Outlook Were Among Surprise Findings

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 first-ever 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, forecast moderate growth for 2006 and predictably voiced concern over the high cost of housing and compensation for employees, but surprisingly 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, were generally consistent with prior findings, but also raised a few eyebrows at unanticipated outcomes. “Much of what we learned tied into what the Anderson Center has been forecasting in recent months. Our financial executives in the O.C. are, for the most part, echoing the broader range of responses we get when conducting our surveys and generating our forecasts,” explained Adibi. “But, there were a few surprises.”
Among the findings of the first Economic Pulse of Orange County Survey:

- “Ability to gain market share in existing products and markets” ranked as the highest priority for growth in 2006 while “international expansion” ranked as the least likely opportunity. “Despite the nationwide focus on global expansion, this certainly doesn’t appear to be the leading topic of conversation in this county,” Adibi noted.

- Turning to their perceived “threats” or “risks,” this group of financial executives was most concerned about the difficulty of hiring skilled labor, as well as increased competition in their industry. Of almost no concern to this group was financing growth or raising capital. “Clearly, money is still flowing to creditworthy companies that seek capital,” commented Greg Edwards, Vice President of FEI-OC and CFO and Senior Vice President of Rancho Mission Viejo.

- When it came to focusing on why doing business in Orange County is so advantageous, the executives voiced no surprises. “Desirable place to live” was ranked highest among the possible responses, with “availability of venture capital” ranking the lowest reason for locating in Orange County. Other reasons for doing business here included the availability of work force and the county’s central location.

- Asked about negative issues or barriers to doing business in Orange County, the greatest number of executives cited cost of housing followed by high labor cost as the biggest barriers. An interesting finding: “litigation liability” elicited the fewest responses.

- Asked about their top strategic initiative for the year, financial executives were focused on “streamlining business processes” and “cost control and containment.” In contrast, a small
minority voiced interest in outsourcing as a top strategic initiative. “We hear a great deal about outsourcing, but our sample of CFOs ranked this issue very low,” Edwards noted.

• Turning to job growth, 52 percent of the executives believed that their companies would experience higher job growth, with 44 percent expecting the same level and just 3 percent anticipating fewer jobs. Broadening their views on Orange County as a whole, fewer (44 percent) expected job growth to increase, with 42 percent suggesting it will be the same, and 13 percent suggested job growth in Orange County would decline from last year. “Clearly, our executives are more optimistic about their own companies than they are for the county at large,” Adibi noted. The Chapman forecast projected job growth at 1.4 percent for 2006.

• More than 60 percent of the respondents in Orange County expect their technology spending to be the same or lower than last year. Just 37 percent expected more dollars spent on technology in 2006. “Conventional wisdom has been that technology spending already is on the rise, and will continue to increase this year, yet this survey conveys a hesitation. This was one of the findings that surprised us,” commented Rhonda Longmore-Grund, President of FEI-OC and Vice President, Finance and Business Operations for Worldwide Information Technology at Ingram Micro, Inc.

• Although cost of housing was cited as the biggest barrier to doing business in Orange County and there is much disagreement in general on the future of housing prices, the financial executives were bullish on housing prices, with more than 57 percent expecting prices to continue increasing, about 25 percent expecting them to stay the same, and just 17 percent fearing a decline in housing prices. “They definitely are more bullish than our Chapman forecast,” added Adibi. The Chapman forecast points to a -4.2 percent slide in median resale housing prices in 2006.

• To obtain a complete report of the survey results please contact Jessica Monge, at jmonge@chapman.edu, or (714) 997-6693.
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 165 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 Employment Indicator Index

MARCH  
› California Consumer Sentiment Survey

APRIL  
› California Purchasing Managers Survey

MAY  
› California Employment Indicator Index

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 Employment Indicator Index

SEPTEMBER  
› California Consumer Sentiment Survey

OCTOBER  
› California Purchasing Managers Survey

NOVEMBER  
› California Employment Indicator Index

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