



September 2016

## County Business Outlook Takes Another Dip, Finds New Low

*Feelings on diversity in business success mixed, but those that highly value diversity are enjoying far more success*

### HIGHLIGHTS:

The see-saw continues as BOI tests new low of 15.6

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Anticipated tightening of workforce hours partly to blame

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No consensus on value of ethnic diversity in workplace, but...

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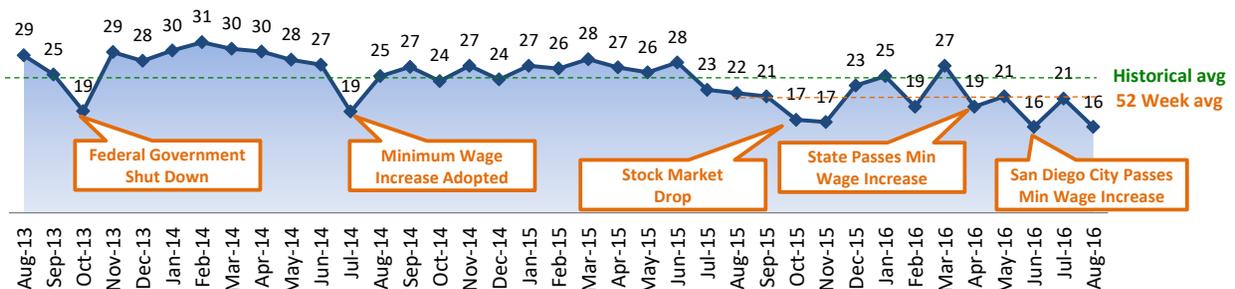
Companies that highly value diversity are enjoying far more success

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Most businesspeople see their industry as adequately diverse

Confidence among San Diego County businesses continues to fluctuate in this month's Silvergate Bank-sponsored Business Forecast. The Business Outlook Index (BOI) tests a new low as it moves to 15.6. The previous low, set only two months ago, was a tick higher at 15.7. The BOI ranges from -100 to +100, with zero being neutral, so the overall outlook is still in somewhat positive territory.

**Business Outlook Index Over Time**



Some of the drop in this month's outlook can be attributed to businesses offering fewer workhours to employees as summer ends. Currently, only 25 percent will offer more hours and 11 percent say they will decrease the hours their workers get.

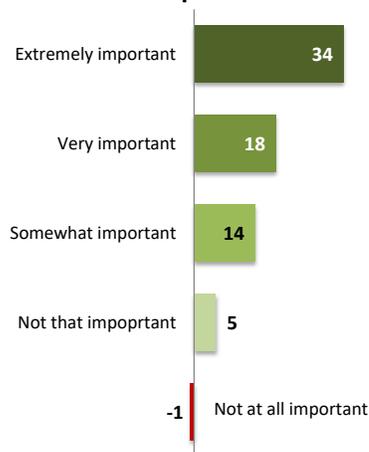
The survey also shows that businesses within the City of San Diego have lost some momentum. The trend since the beginning of this year for business located in the city has been very stable, but this month their outlook has dropped to a poor 14. Looking outside the city, firms located in the county's north inland area took the biggest hit. Businesses there went from a BOI of 16 the previous quarter to 7. And by business size, medium-sized businesses with 11 to 49 employees have taken the brunt of this month's drop. They regressed from a healthy 28 all the way down to 10 in this month's survey. The main culprit of all of this downward movement is the anticipated tightening of workforce hours.

In terms of new challenges businesses are facing, the minimum wage increase remains at the forefront for many businesses. Currently, 6 percent say it is a new challenge they are dealing with. Government regulations tops the list of other concerns. In total, one-quarter indicate their biggest challenge relates to government rather than being a business-related issue.

This month the survey asked county businesses about ethnic diversity in the workplace. The results show mixed feelings towards the value of ethnic diversity in the workplace. Forty-eight percent said diversity is very or extremely important to the success of a business. However, 22 percent regard it as unimportant and another 30 percent said it's somewhat important.

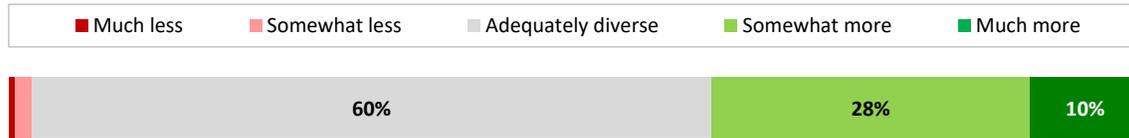
Analysis of these results shows an impressive connection between outlook and importance of ethnic diversity. Companies that highly value diversity in the workplace are far more optimistic over the next few months than firms which see it as less important. In fact, businesspeople who say it is entirely unimportant for a workplace to be ethnically diverse slide into slightly negative territory on the BOI. The results suggest there is a real link between attitudes on diversity and optimism for improving business conditions in the near future.

**BOI by Importance of Ethnic Diversity in Workplace**



We also asked firms whether companies in their industry ought to become more ethnically diverse. Despite nearly half the businesses placing a high value on diversity, 60 percent say their industry is adequately diverse.

***“When it comes to ethnic diversity in the workplace, should companies in your industry be more diverse, less diverse or are they adequately diverse?”***



Those who place more value on ethnic diversity in the overall workplace are much more likely to call for greater diversity in their own industry. Those in the arts and culture space also tend to think the industries they are involved in could use more ethnic diversity.

### **About the Business Forecast**

*The San Diego County Business Forecast, sponsored by [Silvergate Bank](#), is a scientific look at where our region's economy is headed. The survey for this month's installment was fielded August 16-31, 2016 by [Competitive Edge Research & Communication](#) using responses from 200 randomly-selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, Encinitas and National City Chambers of Commerce. One-third of the members were invited to complete the survey online. Those members who initially did not respond were invited to complete the survey over the phone.*

*The Business Outlook Index™ (BOI) is comprised of four self-reported assessments regarding the next three months: Will a respondent's business increase or decrease its number of employees, experience an increase or a decrease in revenue, increase or decrease the number of hours its employees work, and experience an improvement or a worsening of business conditions. For each assessment, definite and positive responses are scored 100, probable and positive responses are scored 50, neutral responses are scored 0, probable and negative responses are scored -50 and definite and negative responses are scored -100. The scores are summed and divided by 4 to get a range for the BOI of -100 to +100, with zero being a neutral outlook. Visit <http://sdchamber.org/businessforecast> to see past Business Forecasts.*