



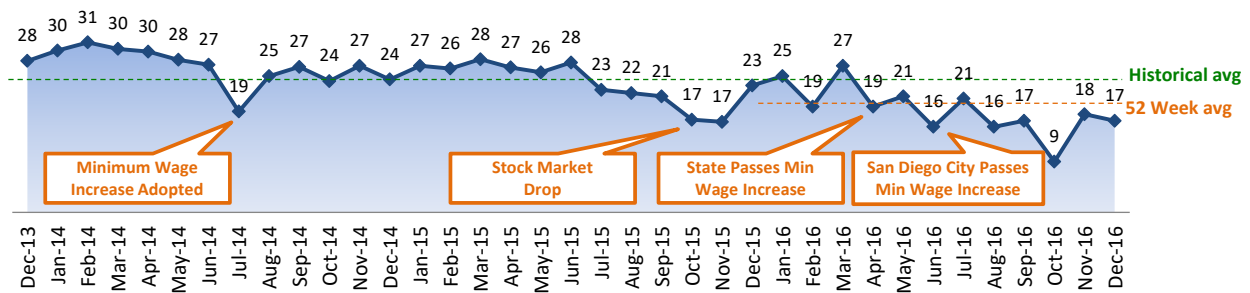
January 2017

New Year Brings Cautious Optimism

Majority of county businesses anticipate positive economic impact from Trump administration

County businesses reported a moderately optimistic outlook at the close of 2016 in the most recent Business Forecast, sponsored by Silvergate Bank. In the final survey of 2016, county businesses were looking ahead to the first part of 2017 with a lukewarm Business Outlook Index (BOI) of 16.8.

Business Outlook Index Over Time



The 2016 story has been one of diminishing confidence. All four of the BOI's components (revenue, industry conditions, employee hours and number of employees) trended downward over the past year. As for industries, 2016 was tough for the hospitality industry, but also for development, transportation, business consulting, printing and manufacturing.

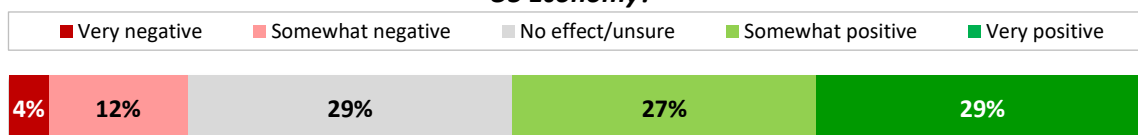
Small (but not micro) and medium-sized firms lost some momentum during the year. Inland firms also lost some confidence in 2016, while businesses along the coast have been fairly immune to negativity.

As we come out of the holiday season, two segments of the economy are leading the way on the positive side. Finance (BOI of 36) and beauty/fitness businesses (57) are very optimistic as we move into 2017. On the other hand, December's results show the confidence of development/construction and advertising/promotions firms waning in the past month.

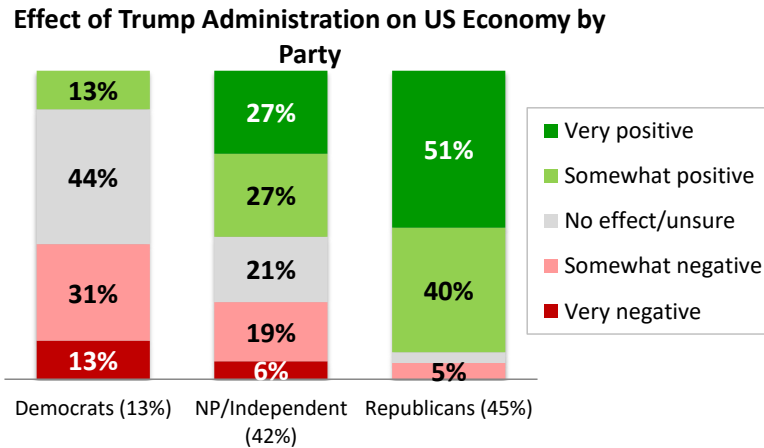
Finance is one bright spot for employment. More than half in this sector say they will be adding employees. On the other hand, those in the advertising space are now significantly less confident on employment. For beauty and fitness companies, the confidence comes from the perception that business conditions will be improving.

With the presidential transition a focus for the nation, this month's installment asked how the business community views the incoming Trump Administration. Nearly two-thirds predict the new administration will have a positive impact on the U.S. economy and only 16 percent anticipate Trump taking the economy in the wrong direction.

"What Effect, If Any, Do You Think The Trump Administration Will Have On The US Economy?"



Predictably, whether a businessperson sees the new administration as having a positive or negative effect on the economy largely comes down to partisanship. As the chart shows, almost all Republicans in the business community believe President-elect Trump will improve the economy and half say the new administration will have a very positive effect. Independents, while less sure, mostly think things will get better under Trump. Democrats are either taking a wait-and-see approach or believe Trump will send the nation's economy in the wrong direction.



Whether a businessperson sees their own company profiting from President Trump in the White House is largely a function of whether they see the administration as helping the overall economy. Those who believe things will get better nationally subscribe to the rising tide theory and believe their own firm will benefit. On the other hand, businesspeople who see Trump having a negative effect on the larger economic landscape think that will trickle down to them as well. Since most in the county see the new administration as being good for the U.S., the general sense is their own firm will benefit.

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 December 13-29, 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.

About Silvergate Bank, Business Banking Redefined

For over 25 years, as a San Diego based community bank, Silvergate provides a rewarding banking experience where the client's needs always come first. Our business banking experts listen to needs and work to provide customized solutions to support your company's growth and profit objectives. Our bankers are committed to superior responsiveness, local decision making, and the agility that allows our clients to choose the way they want to bank with us. To learn more, visit www.silvergatebank.com or contact Dino D'Auria at ddauria@silvergatebank.com.