



Feb. 2018

## Business Community Maintains Optimism at Start of 2018

*Companies' Top Priority for State Legislature: No New Taxes*

### Highlights:

- Business community remains optimistic, with a BOI of 19.7
- Business consulting and cyber/software firms most upbeat in the short-term
- Finance and retail firms down since last month
- Less than a third of County businesses believe region receives its fair share of state funding
- Businesses want legislature working to keep a lid on taxes and address lack of housing supply

Optimism within San Diego's business community remains unchanged since December, scoring 19.7 on the Business Outlook Index in this month's San Diego County Business Forecast, sponsored by San Diego Private Bank. Expectations about all four components of the index—the number of employees in companies, number of hours offered to workers, revenue, and business conditions— are holding steady.

**Business Outlook Index Over Time**



Despite being upbeat at the tail end of 2017, finance and retail firms have lost some steam going into 2018. The financial sector posted a very healthy BOI of 41 last month, but now just barely makes it into double digit territory at 10. Retail firms also had strong optimism in December, sitting at 36 on the index, but that has since moved into negative territory, at -6. This drop is primarily because retail firms are less hopeful about revenue and business conditions after the largely successful holiday season.

Topping the list of new concerns this month are tax and fee increases and government regulations at 5 percent each. The new tax law is the predominant theme for those concerned about tax or fee increases. One respondent told us, "*Uncertainty of the impact of new tax legislation and the developing federal and state legislation and regulation.*" Concerns about government regulations are more varied, ranging from "*workers comp*" to "*city permits*" to "*Sacramento.*"

To help inform priorities for the Chamber’s annual Leadership Delegation to Sacramento at the end of February, this month’s survey asked businesses what issue they would like the California state legislature to work on most. Keeping a lid on taxes rises to the top, with nearly 30 percent believing Sacramento should focus its attention there.

Twenty-two percent want the legislature focused on addressing the lack of housing supply. Not surprisingly, this issue is critical for the real estate industry, as 44 percent in that field want Sacramento’s attention mainly on the lack of housing. No doubt this issue affects their bottom line. Controlling employer costs is mentioned by 17 percent of businesses as the main issue warranting attention.

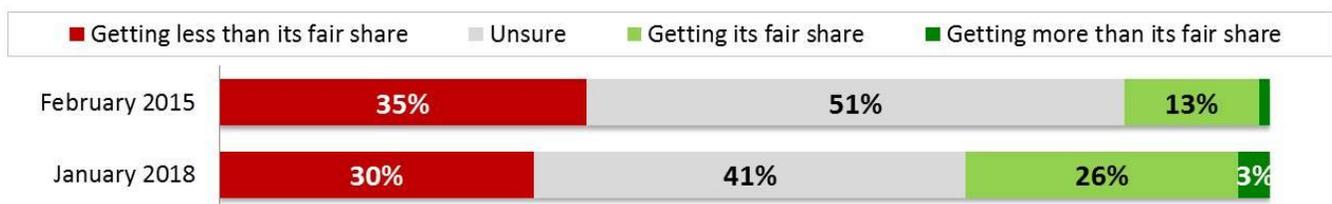
Substantially fewer businesses, just 10 percent, want the legislature to work on addressing transportation and infrastructure funding. Fewer still stay the focus should be addressing climate change, improving international trade and commerce, or controlling energy costs.

County businesspeople were also asked about the amount of funding the San Diego region receives from the state of California – a question that was also asked in February 2015. Two years ago, more than half in the business community were unsure about this question. Although more provide a response this year, a substantial 41 percent remain unsure. Those in micro firms of one employee are more likely to be unsure about this, while those in large firms are far more certain about the funding San Diego gets from Sacramento.

More importantly, only 3 percent believe the region gets more than its fair share and 26 percent say the region gets the appropriate amount of funding. This means less than a third of local businesses are convinced the region gets its fair share of disbursements from the state. Still, this is more than the 14 percent in 2015 who felt the same way, so there has been an increase in the proportion of business people who believe the region gets the appropriate amount of funding from Sacramento.

*“When it comes to the amount of funding the San Diego region gets from the state of California, would you say it is...”*

### State Funding to the San Diego Region



Experiencing a new, challenging issue greatly impacts attitudes towards funding. Eighty-one percent who cite an issue and have an opinion on funding believe the San Diego region gets less than its fair share from Sacramento. Further, firms that believe the California state legislature should keep a lid on taxes are more likely to believe the San Diego region is getting less than its fair share. Anti-tax sentiment and skepticism over funds go together. Those who want the focus in Sacramento to be on the lack of housing supply also join in this sentiment.

The San Diego County Business Forecast, sponsored by [San Diego Private Bank](#), is a scientific look at where our region's economy is headed. The survey for this month's installment was fielded January 11-23, 2018 by [Competitive Edge Research & Communication](#) using responses from 202 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 San Diego Private Bank and Private Bancorp of America, Inc.**

Private Bancorp of America, Inc. (OTCQX:PBAM), is the holding company for San Diego Private Bank. San Diego Private Bank, provides a Distinctly Different banking experience through unparalleled service and creative funding solutions to high net worth individuals, professionals, locally owned businesses and real estate entrepreneurs. Clients are serviced by experienced personal bankers through offices in Coronado, San Diego, La Jolla, Beverly Hills and Newport Beach as well as efficient electronic banking offerings. The Bank also offers various portfolio and government guaranteed lending programs, including SBA and cross-border Export-Import Bank programs. San Diego Private Bank is a SBA Preferred Lender and provides a full array of sophisticated treasury management and deposit products. [www.sandiegoprivatebank.net](http://www.sandiegoprivatebank.net) Please contact Paul Azzi, EVP and Market President at [Paul@sandiegoprivatebank.net](mailto:Paul@sandiegoprivatebank.net) to discuss your financial service needs.

#### **About the Encinitas Chamber of Commerce**

The Encinitas Chamber has been powering the business community in Encinitas for over 50 years. We are the gateway to local networking and community events. We hope you have enjoyed reading the San Diego Business Forecast. For more information about our Chamber, send us an email or give us a call at (760) 753-6041.