

Business Outlook Continues Optimistic Trend

Impact of autonomous vehicles a blind spot for businesses

Highlights:

- San Diego’s business community maintains its optimism, with a BOI of 22.5
- All components of the index are holding firm
- Staffing issues and rising costs top the list of new challenging issues
- Four in ten businesses are unprepared for autonomous vehicles
- 71 percent of local companies predict autonomous vehicles won’t affect them

Business optimism in San Diego County is holding steady. The Business Outlook Index, a forward-looking assessment of business conditions, sits at 22.5 in this month’s Business Forecast sponsored by CalPrivate Bank.

Business Outlook Index Over Time



Companies in the development/construction sector boasted a stellar BOI of 54 this time last year, and while their outlook is not as rosy now—it is very rare to maintain such a high BOI score—they still sit in healthy territory at 22. Business consulting firms have improved on the year, doubling their BOI from 12 to 25 since last March. Real estate companies, on the other hand, are less bullish than they were the first two months of 2018. As interest rates continue to rise, they’ve dropped from a January/February average BOI of 25 to single digits, at 7.

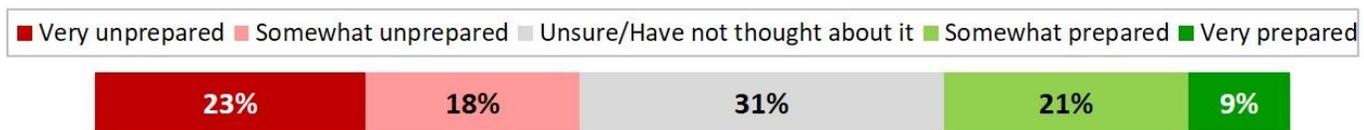
Staffing concerns top the list of new, challenging issues at 6 percent. One respondent told us, the "lack of qualified skilled employees" is a worry, and another echoed that saying, "hiring qualified candidates" is difficult. Still others explain that "employee retention" and "keeping the turnover rate low" is the main staffing issue. While staffing is a burgeoning challenge for companies, that should be a good sign for worker’s wages, as they tend to increase with a tightening labor pool.

Also coming in at 6 percent is the challenge of rising costs. Several respondents specifically cite "interest rates" as the source of their concern, while others shared a variety of different cost-related issues such as labor,

increased rent, and increased insurance expenses. All these challenges add up to nascent inflationary pressure. On the other hand, competition is a concern for 5 percent, and, as we have seen before, much of that is related to the impact of online retailers. Although competition will tend to work as a counterweight to inflationary pressures, the latter now have the upper hand. Concerns about government regulations come at 4 percent. This issue usually ranks as a high priority, but currently takes a back seat to other concerns. Business-specific issues, changes in the political climate, and growing pains are all mentioned by 3 percent each.

In this installment we address California's recently approved rules to bring driverless autonomous vehicles to the state's roads. Businesses indicate no consensus on how prepared they are for that. Thirty percent claim they are ready for self-driving automobiles to join the roadways, but 41 percent admit they are unprepared. Another 31 percent are either unsure or have not thought about it.

California recently approved rules that make driverless autonomous vehicles more likely to be on the roads. How prepared, if at all, do you feel your business is for that?



Perhaps feeling a special challenge related to keeping up with this quickly-evolving technology, maintenance firms are largely unprepared. In fact, three-quarters say their business is very unprepared for self-driving cars. On the other hand, most development/construction firms are prepared for autonomous vehicles. Being on the production side of things may give these companies less angst. Still, large numbers of development firms are unsure or haven't thought about how prepared their company is, while slightly more than one in six are unprepared. As for the transportation and automotive sector, most in that group concede they are not ready for autonomous vehicles.

We also asked if the presence of autonomous vehicles on the roads will positively or negatively affect the way one's business operates. Unlike preparation, there is broad consensus on this issue, with 71 percent believing these vehicles will have *no effect* on the way their business operates. Those who believe self-driving cars will have an impact are fairly split between anticipating positive and negative effects. While 13 percent see autonomous vehicles as a good thing for their business, 9 percent see it the other way.

By industry, many transportation/automotive firms believe the introduction of driverless autonomous vehicles to California's roads will hurt their companies. Thirty percent believe the impact will be very negative, while only 10 percent believe it will positively impact their business. This should give planners pause, as the industry supposedly most aware of issues with autonomous vehicles is also the wariest of the prospect. Printing and design companies, along with cyber firms are the most bullish when it comes to self-driving vehicles.

In total, firms that believe they are more prepared for the vehicles are more inclined to see them as benefitting their firm. This suggests that as more businesses become familiar with them, the fear of the unknown will lessen, and driverless cars will be embraced. Still, the large majority of even those companies now believe self-driving cars and trucks will not affect them.

About the Business Forecast

The San Diego County Business Forecast, sponsored by [CalPrivate Bank](#), is a scientific look at where our region's economy is headed. The survey for this month's installment was fielded March 20-28, 2018 by [Competitive Edge Research & Communication](#) using responses from 201 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 CalPrivate Bank and Private Bancorp of America, Inc.

Private Bancorp of America, Inc. (OTCQX:PBAM), is the holding company for CalPrivate Bank, the new name for San Diego Private Bank. CalPrivate 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. CalPrivate Bank is a SBA Preferred Lender and provides a full array of sophisticated treasury management and deposit products. www.calprivate.bank Please contact Paul Azzi, EVP and Market President at Paul@calprivate.bank 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.