



May 2018

Business Outlook Solidly Positive for Fifth Consecutive Month

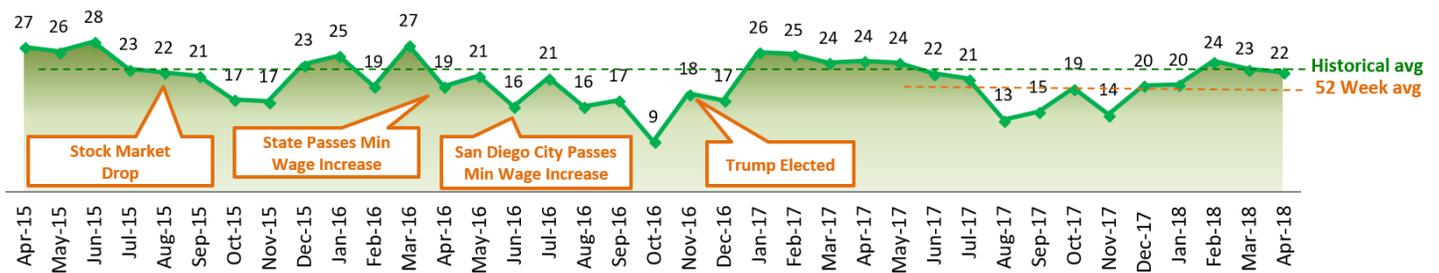
Businesses agree regulation of social media data is needed; views on regulation not tied to use of social media

Highlights:

- San Diego’s business community maintains its optimism, with a BOI of 21.9
- Government regulations return as the top new business challenge
- Staffing related issues are the second most-mentioned concern
- The use of social media for marketing purposes varies, with small firms typically avoiding it
- 58 percent believe social media platforms should be federally regulated

This month’s Business Forecast sponsored by CalPrivate Bank shows clear skies ahead for San Diego’s business climate. The business community's outlook remains steadily optimistic with a Business Outlook Index score of 21.9, relatively unchanged from March's 22.5. In keeping with this steadiness, all four components of the index – expectations about hiring, revenue, hours offered to workers, and business conditions – are holding strong.

Business Outlook Index Over Time



Looking at industry type, one soft spot is the maintenance space. These firms are barely holding in positive territory with a BOI of only 2. This sector’s previous two-month BOI was a healthy 26. The drop seen this month can be attributed to less optimism on the two labor metrics: hours offered to employees and hiring.

When asked about new and challenging issues, government regulations have moved back to the top of the list. Nine percent of companies now cite this as a concern, up from 4 percent last month. One land-use planner shared that her consternation comes from "*regulatory hurdles and a lack of willingness to stand up on tough issues from decision makers.*" An owner of a transportation company explained, "*just the government and city [San Diego] getting in the way of us trying to do our job.*" But more were general concerns, such as "*government overregulation.*"

Staffing issues are the second most-mentioned concern, at 6 percent. This marks the second straight month that more than 5 percent see it as a new challenge. Responses show that staffing issues are not specific to any one industry. We were told, "Qualcomm layoffs could affect my business as I am in high-tech recruiting," while a partner in an upscale steakhouse complained that immigration policies are making it hard to find help in the kitchen. Another simply reflected that "the labor market is tighter," which, as noted last month, should be a good sign for workers' wages. This tightening of the labor market in previous years has occurred mainly during the summer months, with staffing issues prominent in June and August 2016 and again in June 2017. Seasonal trends are at work when companies seek to beef up their summer staffs.

Rounding out the top three concerns is competition, cited by 5 percent of respondents. Like staffing issues, competition is not limited to one industry and is most often mentioned by those in healthcare and the hospitality/restaurant industry. The top three issues are followed by concerns about rising costs, the minimum wage increase, changes in the political climate, as well as multiple less frequently mentioned issues. All told, 17 percent of the issues identified by San Diego County businesses are government-related.

Given recent national dialogue about social media data privacy, we asked about the use of social media platforms for business marketing purposes. Forty-three percent use social media to promote their firms a lot or always, whereas 28 percent rarely use the platforms as marketing tools. The remaining 30 percent are in between, sometimes using social media to promote themselves.

How committed a company is to marketing itself through social media is primarily driven by its size, with larger firms using the sites far more often. Fifty-six percent of companies with more than 10 employees indicated they use the platforms' marketing capability a lot or all the time. Leveraging social media tends to be a regular -- even constant -- effort for medium and larger firms. On the other hand, companies with fewer employees make less of a commitment to social media marketing. Less convinced of the platforms' usefulness for their business needs, nearly 40 percent of businesses with 10 or fewer employees use them infrequently or not at all.

The survey also looked at the use of personal information collected by social media websites such as Twitter, Facebook, and Instagram. When asked whether federal legislators should regulate the use of the data collected by these websites, a substantial majority want regulations, with 31 percent of that sentiment strong. While not quite an "outcry," regulation is what most San Diego County businesspeople want. That said, 29 percent believe use of the data should not be regulated, while 14 percent are undecided on the issue.

There has recently been some discussion about the use of personal information that is collected via social media. Do you believe federal legislators should regulate or should not regulate the use of personal information collected by Twitter, Facebook, Instagram and other social media platforms?



Interestingly, the frequency with which companies use social media platforms for marketing purposes does not influence attitudes on the regulation of the personal information collected by social media websites. That is, businesspeople who market via social media are no more inclined to support regulation than those who don't avail themselves of this type of marketing. Whether or not to regulate the social media mining of personal information is disconnected from the use of these platforms to engage the public.

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 April 17-25, 2018 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 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.