



Tank Empty on Business Community's Enthusiasm for New State Gas

Tax Overall business outlook maintains positive outlook May 2017

Highlights:

- Data for this report was collected April 17-28
- BOI stays in optimistic territory at 24
- Yearlong optimism in business conditions continues to increase
- Employment outlook unimproved

Gas tax to fund road repairs won't help local industries Strong opposition to the tax This month's Silvergate Bank-sponsored Business Forecast asked San Diego County's businesspeople to weigh in on the newly passed state gas tax to pay for road repairs and transportation projects. The survey finds stiff opposition within the local business community: 60 percent oppose it and 51 percent strongly feel that way. Only 23 percent support the gas tax, and that support is lukewarm.

When asked how the tax would affect business in their industry, nearly half of respondents see the taxes as having a negative effect, and 27 percent couch that as a very negative effect. Only 10 percent of businesses see the gas tax as having a positive effect on businesses like theirs.

The antipathy towards the gas tax mostly comes from the perceived effect it would have on the businessperson's industry. Those who see a very negative effect on their industry are strongly opposed to the tax for the most part, though some doubt creeps in. Those who see no effect or are unsure about the tax's impact are split on the tax. While there is more strong opposition than strong support for the tax among this group, it's clear that businesspeople are far more open to a tax and the accompanying road repair programs if they sense their industry is unaffected by it.

Business Forecast Driving San Diego Business Sponsored By While one might presume that opinions of the tax's effect on industry would revolve around what industry the business is in, that is not the case. The differences we do find are along geographic lines. While the survey shows that there is no area in the county where businesspeople think the tax will positively affect their industries, the east county stands out as particularly anxious. A staggering three-quarters there say the gas tax's effect will be very negative.

In terms of general support and opposition of the tax by geographic area, South San Diego city businesses tend to be less opposed to the gas tax, though this is a matter of degree. In fact, while 34 percent in the southern part of the city support it – more than elsewhere in the county – 44 percent there oppose it.

Fortunately, the county's overall business outlook has not been dampened by the bleak views on the gas tax. Looking ahead to summer, San Diego county businesses are holding steady to the optimism that has been present since the start of the year. The Business Outlook Index (BOI) sits at an even 24, right in-line with its historic average and unchanged from the previous four months.

The smoothly optimistic start to 2017 comes after a choppy 2016. A year ago only 44 percent of companies predicted conditions in their industry would improve and 12 percent thought they would worsen. This quarter, the comparable figures are 52 percent and 6 percent. More optimism and less pessimism means the county's business owners are breathing easier. At the same time, however, an upward trend in employment has not materialized.

Four segments of the local economy have posted long-term gains in their industry outlook: transportation/automotive, financial services, hospitality/restaurants, and development/ construction. Except for one-person firms, businesses of all sizes exhibit increasing optimism. Geographically, the big winners have been businesses in the north city and the east county.

Over the last few months the BOI has remained stable, except for businesses along the coast. The outlook there has improved as summer approaches, with this month's BOI for coastal communities an exceptional 47. On the other hand, companies in the business of education are lagging, posting a perfectly neutral BOI of 0. Education firms see storm clouds ahead for business conditions in their industry and revenue. Also, medium to large-sized firms (with more than 10 employees) are generally more optimistic than smaller firms.

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 April 17-28, 2017 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://EncinitasChamber.com/business-forecast/> to see past Business Forecasts.

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About Encinitas Chamber of Commerce

The Encinitas Chamber has been powering business 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 for more information.