



## San Diego Businesses: Tariffs Will Damage One of Every Four Local Industries

*More view tariffs as bad for the national economy than good*

### HIGHLIGHTS:

Business outlook is solid, with a BOI score of 19.7



Businesses with more than 10 employees tend to be the most confident



North coastal and east county firms are less optimistic than companies elsewhere



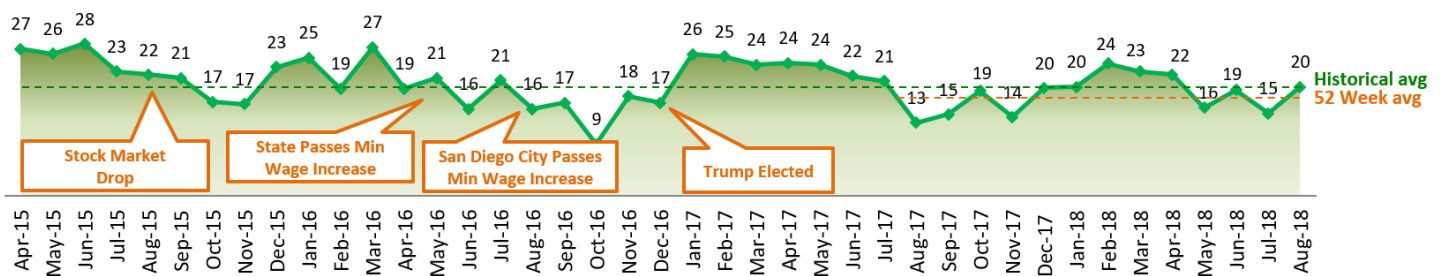
58 percent of development/construction firms believe tariffs will hurt their industry



Firms citing government-related concern more likely to view tariffs negatively

The San Diego County Business Forecast sponsored by CalPrivate Bank shows confidence continuing within the business community. The Business Outlook Index (BOI) comes in at a solid 19.7. Expectations about hiring have improved, while the business community's outlook on hours offered to employees, company revenue, and general industry conditions are holding steady.

**Business Outlook Index Over Time**



While the overall outlook is healthy, north coastal businesses are not confident, sitting just inside negative territory at -3, and east county firms are in single digits. Firms in both areas have low expectations about the number of hours they'll offer their employees in the fall. Companies elsewhere boast healthy BOIs in the high teens and twenties, and north city firms are the most bullish. Industry wise, transportation/auto firms sit at 5 on the BOI this month and are down about conditions in their industry.

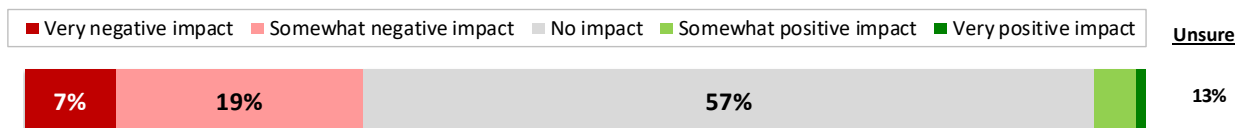
For the second consecutive month, *government regulations* top the list of new challenging issues. Several businesspeople shared their concerns about the government's "new tax laws" and recently imposed "tariffs," with one person specifically citing "Trump's import tariffs policy." Others are focused broadly on "more regulations," while one businessperson listed "more compliance, regulations, and technology," as his primary concern.

Employee staffing issues again make it into the top two, with 7 percent concerned about this issue. As we've seen before, common laments surround a "lack of skilled workers" and the complimentary issue of "employee retention."

Competition is the main challenge for 6 percent. Online sales continue to be a disruptive force for retailers, local grocery stores, swap meets, and property management groups that rent out commercial retail space, citing Internet purchases as an issue. One transportation/auto firm is concerned about competition from ride-sharing companies, while a local maintenance company is concerned about the "solar industry."

This month we asked about the recently imposed tariffs on imports and exports and whether they will positively or negatively impact one's own industry. Fifty-seven percent of San Diego businesses believe the tariffs will have no impact whatsoever. For the rest, more believe the impact will be bad than good, as slightly more than one-quarter believe the tariffs will be a drag on their industry, and only 4 percent say the impact will be positive.

*"Will the recently imposed tariffs on either imports or exports positively impact your industry, negatively impact your industry or will these tariffs not impact your industry?"*

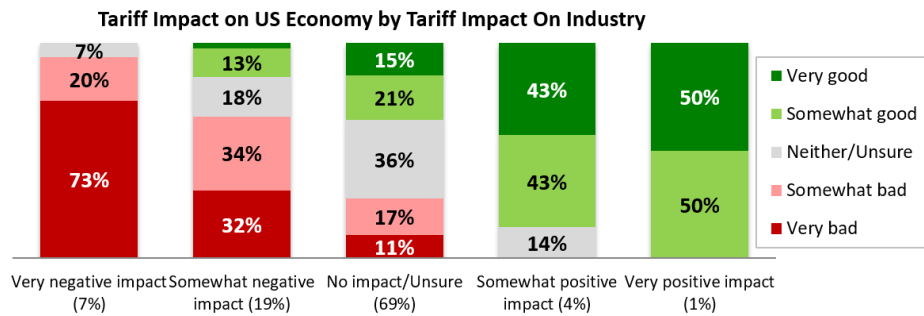


Most companies who cite a government-related concern as their new and challenging issue—whether that is a regulation, tax or fee increase, minimum wage increase, or change in the political climate—believe the impact of tariffs on their industry will be negative. For those already frustrated and impacted by government policies, the new tariffs add insult to injury.

Specific industries also stand out. Fifty-eight percent of development/construction firms believe tariffs will hurt, as they will likely experience cost increases. In contrast, more than 85 percent of finance and healthcare firms believe their industries won't be impacted.

We also asked whether imposing tariffs on foreign-made goods from certain countries will be good or bad for the U.S. economy. Thirty-one percent believe the impact will be good, but 39 percent say it will be bad. The 1.3:1 negative impact ratio is much smaller than what we see for the industry-based impact, so the effect of tariffs at the national level is perceived to be not as harmful as it is on the micro level. One-quarter are unsure what impact the tariffs will have on the U.S. economy, and the remaining 5 percent believe the impact will be neither good nor bad.

Attitudes about the impact of tariffs nationally are largely determined by how a company sees tariffs impacting its industry. Firms believing the impact on their industry will be positive generally believe the impact on the national economy will be positive and the reverse is also true. We can say that businesses tend to look at macro-economic issues through their own lens.



It is also important to note that when businesses think there will be no impact on their industry they tend to be more upbeat about the effect of tariffs on the larger economy. Further, 26 percent of business people who say the tariffs will negatively impact their business concede that won't hurt the national economy. These folks are often in the transportation/auto and retail industries. We can think of these firms as putting country before profits, or at least they acknowledge that what's bad for them isn't necessarily bad for the nation.

### 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 August 22-29, 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](http://www.calprivate.bank) Please contact Paul Azzi, EVP and Market President at [Paul@calprivate.bank](mailto: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.