



## POST-HOLIDAY PROSPECTS TEMPER COUNTY'S BUSINESS OUTLOOK

*Most county firms participate in corporate social responsibility efforts, but vary on perceived ROI*

### HIGHLIGHTS:

At 14.9, the Business Outlook Index continues its stay in positive territory

Downturn in revenue component since October

Advertising/promotions firms are optimistic, while hospitality/restaurants have dipped

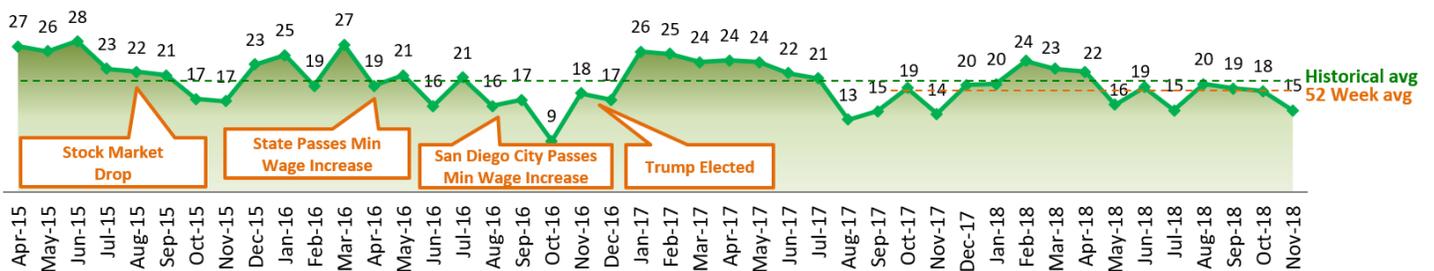
Like 2017, no consensus on how much corporate social responsibility efforts help a company

Similar to the past two years, most firms engage in corporate social responsibility efforts

When CSR efforts are seen as helpful, companies implement them far more often

The San Diego County Business Forecast shows November's Business Outlook Index (BOI) remains comfortably in positive territory at 14.9. While an insignificant change from October's 18.4, expectations about revenue have dipped since then, as firms look beyond the holiday season into 2019. At the same time, outlook about hiring, hours offered to workers, and business conditions are holding steady.

**Business Outlook Index Over Time**



While the overall business outlook remains somewhat upbeat, we deeply analyzed the BOI's four components and several negative signs may point to lower optimism ahead. A relatively large portion of businesses—8 percent in October and 12 percent this month—anticipate revenue decreases in the near term. Twelve percent also expected revenue decreases in November 2017, however, this back-to-back, two-month high is unusual. Similarly, for the second consecutive month, 14 percent believe business conditions will worsen, which remains higher than we've observed for any other two-month period on this metric in the last year.

Also, although 32 percent of firms report they will add workers, 5 percent report they'll reduce their number of employees, which is relatively high.

Hospitality/restaurants sit just inside negative territory at -1, down from a healthy BOI of 15 last month. This is due to decreased optimism about revenue, as well as the number of hours they'll offer their workers as they look beyond the holidays. Advertising/promotions firms are a bright spot, with a strong BOI of 39. They're bullish about the number of hours they'll offer, as well as business conditions in their industry. Medium and large firms with at least 11 employees are more optimistic than smaller companies, posting BOIs in the low 20s.

For the fifth straight month, government regulations top the list of new challenging issues. However, at 7 percent, they are less of a concern compared to October, when 13 percent were focused on them. Other more particular concerns -- minimum wage increases, business promotion and insurance costs -- are increasingly salient. One person in the finance industry concerned about government regulations told us "*the new tax law challenges*" are problematic, a sentiment shared by several others in finance. Trade regulations and state and local regulations are also mentioned.

Staffing issues and the upcoming minimum wage increase are a big concern for 4 percent each. Staffing needs vary, with responses indicating difficulty finding good "*entry level employees,*" or challenges finding "*experienced staff.*" Identifying "*qualified*" talent is another challenge. Concerns about the cost of minimum wage are expressed by folks across industries including hospitality/restaurants, education, and manufacturing.

As we did in the previous two fall seasons, we again asked about perspectives on corporate social responsibility efforts. These refer to business practices that benefit society, such as environmental efforts, philanthropy, and youth and community programs and volunteering, rather than business practices that directly benefit the company. As such, these efforts focus on ethical stewardship, being civic minded, and demonstrating visible values in the local community.

We asked how much investing more in CSR efforts would help with employee retention, recruitment and overall productivity. Results are nearly identical to last year and there is no consensus. Forty-two percent say increasing CSR at their firm would not be helpful, while 30 percent say they would be somewhat helpful and 8 percent are unsure what the effects of increasing CSR efforts would be. A much smaller proportion, 20 percent say increasing CSR efforts would be very or extremely helpful. The ratio of firms who see CSR as seriously helpful vs. unhelpful remains more than 1-to-2. While reactions vary, the sense is still that these efforts generate a modest bottom-line payoff for the company, if any.

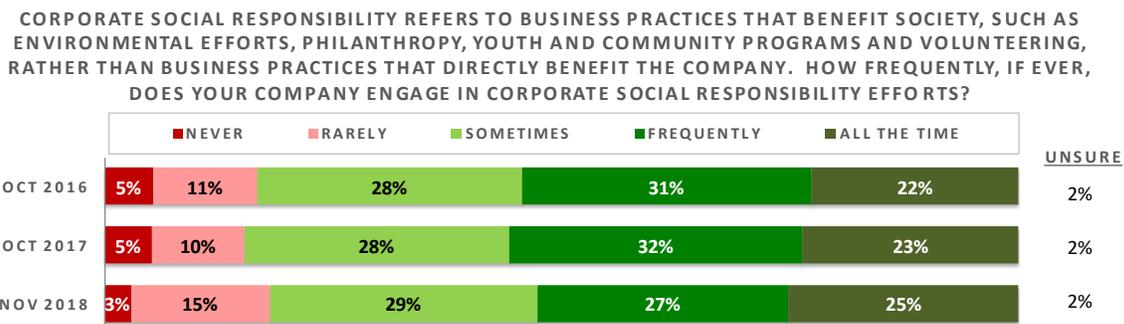


Company size has the largest impact on how helpful increased CSR efforts would be, as was the case last year. Sixty percent of the firms with one or two employees do not see the efforts as helpful, and 44 percent of mid-size firms with three to ninety employees agree. A much smaller 22 percent of the largest firms say corporate social responsibility efforts would not be that helpful, with none saying CSR efforts would not help at all.

Nearly one-third of these largest firms see CSR efforts as very or extremely helpful. Because larger firms recruit more, and possibly have more at stake in employee retention, the benefits of adding CSR programs are more apparent to them.

Transportation/automotive and hospitality/restaurants are two industries that are more likely to see new corporate social responsibility efforts as helpful.

For the third consecutive year we also asked how frequently one’s company engages in CSR efforts. Similar to October 2016 and 2017, slightly more than half say their company engages in CSR efforts frequently or all the time, with 29 percent taking part sometimes. Eighteen percent rarely or never engage in corporate social responsibility efforts. There has been no significant change in how frequently companies engage in CSR efforts since 2016.



Regular implementation of the programs depends a lot on how helpful business people perceive CSR efforts to be. Sixty-four percent of those who at least somewhat sense CSR helps with employee retention, recruitment, and overall productivity, engage in the efforts frequently or all the time, while only 8 percent say their company rarely or never engages in such activities. At the same time, only 38 percent of those who don’t see them as helpful or are unsure about their usefulness frequently engage in CSR programs, while 27 percent rarely or never use the programs. Boosting the adoption the CSR programs is largely a matter of convincing business owners that they actually produce bottom-line results.

**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 November 13-30, 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, National City, and Coronado 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.**

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#### **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.*