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SAN DIEGO COUNTY'S POSITIVE BUSINESS OUTLOOK HOLDS STEADY

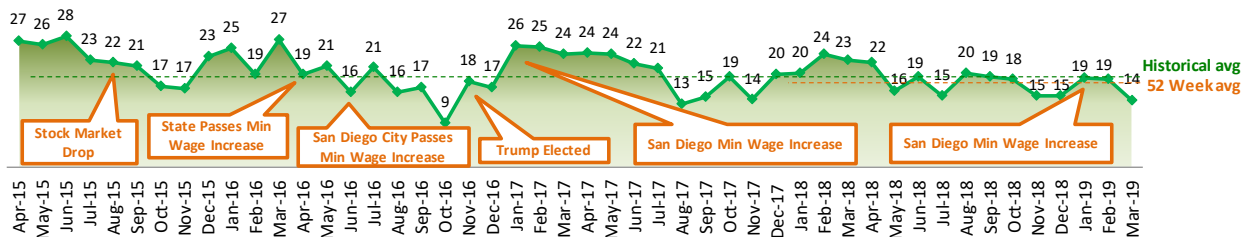
Benefits of federal tax reform felt mostly by region's large companies

HIGHLIGHTS:

- The Business Outlook Index is positive, with a score of 14.1
- Cyber, law/legal/security, and retail are bright spots
- One-in-five local firms report a 2018 tax change due to the 2017 tax bill, but 39% aren't certain
- In a split decision, 12% received tax cuts but 9% got tax increases
- 42% of companies who paid reduced taxes purchased property or new facilities
- More than half who experienced tax increases took no action, but one-third reduced operations
- Micro firms were hardest hit by the new tax law

The San Diego County business community maintains healthy optimism with a score of 14.1 on the Business Outlook Index (BOI) in this month's San Diego County Business Forecast sponsored by CalPrivate Bank. The BOI runs from +100 to -100, with zero indicating a completely neutral outlook.

BUSINESS OUTLOOK INDEX OVER TIME



Cyber firms and law/legal/security firms are bright spots based largely on hiring optimism. Retail companies predict improving industry conditions this month. Still, a handful of industries sit in single digits and one – advertising/promotions – breaks into negative territory with a BOI of -4. Finance firms are pessimistic about hours offered to their workers and both education and advertising/promotions firms are down about business conditions in their industries. Printing/design firms are less optimistic about hiring and business conditions, while transportation/auto firms are less optimistic about hiring.

Large firms with 50 or more employees are more optimistic than smaller firms due to optimism on hiring in the near term.

Government regulations once again top the list of new and challenging issues at 12 percent. Firms facing regulatory challenges are less optimistic about business conditions in the coming months. The specific government concerns are all over the map and reflect issues specific to individual industries. For example, one person in real estate who manages apartments told us, the "State of California wants apartment owners to

take Section 8 vouchers as mandatory.” Another in education explained the “new tax laws around donors/donations” are a worry, while another in development/construction is concerned about the “city putting too much burden on pulling permits.” Several other frustrations with government regard environmental policy such as the state’s carbon reduction goal and new laws related to food and drink containers. All other concerns are in the low single digits, and a larger than usual 64 percent do not report a new concern.

In light of tax season, this month’s survey looks at whether county businesses were affected by the Tax Cuts and Jobs Act that Congress passed and President Trump signed into law at the end of 2017. Specifically, we asked local businesspeople if their firms paid reduced taxes, more taxes, or about the same amount in taxes in 2018 compared to the previous year as a result of this federal legislation. A large 40 percent report their company paid about the same in taxes as the previous year, while 9 percent paid more, and 12 percent paid less. Another 39 percent are unsure what the tax impact was on their company for 2018.

Whether a company paid more or less in taxes depends mainly on industry type and company size. Businesses in development/construction, manufacturing, and maintenance paid less in taxes as a result of the new law.

Big local firms made out quite well as a result of the tax bill, but that wasn’t the case for small firms. More than 30 percent of large companies (50+ employees) paid less in taxes, while only 13 percent experienced a tax increase. Firms with 21 to 50 employees were also more likely to come out ahead. For companies with 11 to 20 employees, the impact was about even, as 15 percent experienced increased tax amounts and 15 percent saw a reduction. Small companies with 2 to 10 workers tended to experience decreases more than increases, with more than 70 percent experiencing no change. However, 28 percent of micro firms (where the owner is the only employee) experienced tax increases and were therefore the hardest hit.

Among the 12 percent who experienced a tax reduction, a substantial 42 percent purchased property or new facilities and 27 percent hired more employees. Other actions companies took as a result of their tax reduction were investing in equipment and investing in their business in other ways. Another 6 percent did not invest in the business and 27 percent are unsure what their company did as a result of the tax reduction.

For companies that experienced a tax increase, more than half took no action and absorbed the financial hit. Nearly one-third reduced operations to cope with the increased outflow. Another 7 percent delayed investment in equipment and 8 percent engaged in other actions. No companies in our survey sold off property or new facilities, or laid off employees.

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 18-28, 2019 by [Competitive Edge Research & Communication](#) using responses from 202 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.

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.