

# BUSINESS FORECAST

January 2016

## San Diego County's Business Outlook Optimistic For Start of 2016

*Homelessness seen as a severe issue by almost half of county businesses*

### Highlights

6.7-point jump in the Business Outlook Index to 23.3 means 2016 starts with optimism

Anticipated revenue and business conditions have rebounded

Minimum wage increase has returned as a drag on optimism, especially in hospitality space

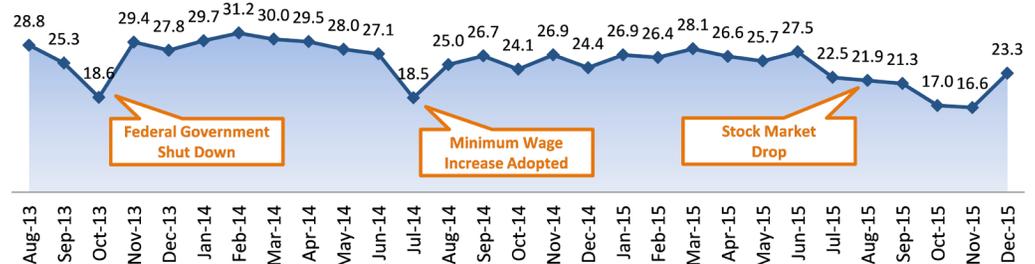
Nearly half of businesses in county perceive homelessness as a serious problem

Most businesspeople want more action from local government to deal with homelessness

*Note: Data for this report was collected December 15-30, 2015.*

The New Year has brought a brighter attitude among San Diego County business people. The Business Outlook Index (BOI) came off its lowest mark (16.6), surging to 23.3 currently. The BOI has a range of -100 to +100, with zero indicating a neutral outlook. While this month's positive jump has been significant, the BOI's overall trend since its inception has been downward and it remains more than two points below its all-time average.

Business Outlook Index Over Time



This uptick is due in part to gains in revenue and business condition projections, areas where businesses had been the most pessimistic in October and November. Half of those surveyed now believe revenue at their company will increase during the first quarter of 2016. Only 43 percent believed that in the prior two months. Fifty-three percent see prospects in their particular industry as improving, up from 42 percent. During the same period, the percentage anticipating negative outcomes for each of those metrics decreased. There has been no change in anticipated hiring or in the number of work hours firms will be offering their employees.

It isn't all good news in this month's Forecast, however. The survey shows that growing concern about California's minimum wage increase to \$10, which took

effect January 1, weighs down the BOI. Over the previous two months only 2 percent pointed to an increasing minimum wage as a problem, but now that's tripled to 6 percent. More importantly, firms that say raising the minimum wage presents a new challenging issue for them report a weak BOI of only three. Businesses that do not see the increase as an issue post a BOI of 25 – in line with the overall average.

Therefore, it's not surprising to again see the hospitality and restaurant industry sitting at the dismal low end of the BOI index. Nearly one out of every five businesses in this segment of the economy report the rising minimum wage is a problem for them. Now posting a BOI score of 4, this industry remains very short on optimism. The minimum wage problem also hits printing and design businesses, those in the south city and east suburbs, and women-owned businesses harder.

This month's survey also takes a look at the issue of homelessness in the county. San Diego ranks fifth in the nation for the largest homeless population so it is not surprising that nearly half of businesspeople perceive the issue of homelessness as being serious in the area where their business is located.

The severity of the problem varies by geographic region. Seventy-six percent of businesses in East County see it as a serious problem followed by the southern suburbs at 70 percent and south city area (which includes downtown San Diego) at 56 percent, nearly a quarter of which regard it as extremely serious. It's clear that the issue of homelessness isn't confined to just one area of the County.

The county's business people are also in agreement on how much local government should be doing to address homelessness. Fifty-six percent want their local governments doing more and 38 percent want a lot more done to deal with homelessness. Only 4 percent want government to cut back on efforts. Interestingly, a desire for local government to do more to address the issue is not only found in those areas where homelessness is viewed as a serious problem. Two-thirds of businesses in the north city – where homelessness is essentially not viewed as a problem – support more governmental efforts to address homelessness. San Diego businesses want action, even if the problem does not directly affect them.

Silvergate Bank's San Diego County Business Forecast is a scientific look at where our region's economy is headed. The survey for this month's installment was fielded December 15 - 30, 2015 by Competitive Edge Research & Communication using responses from 207 randomly-selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, and National City Chambers of Commerce. All Chamber members are invited to complete the survey either online or 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.

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*For over 25 years, as a San Diego based community bank, Silvergate provides a rewarding banking experience where the client's needs always come first. Our business banking experts listen to needs and work to provide customized solutions to support your company's growth and profit objectives. Our bankers are committed to superior responsiveness, local decision making, and the agility that allows our clients to choose the way they want to bank with us. To learn more, visit [www.silvergatebank.com](http://www.silvergatebank.com) or contact Dino D'Auria at [dauria@silvergatebank.com](mailto:dauria@silvergatebank.com).*

### **About The San Diego Regional Chamber**

*The San Diego Regional Chamber is the hub for connections and collaboration among the regional business community, and uses that clout to advocate for public policies and candidates that support economic growth and the creation of jobs for all businesses. As the largest Chamber on the West Coast, representing more than 2,500 businesses and approximately 300,000 jobs, the San Diego Regional Chamber is fighting to make San Diego the most business-friendly region in California. For more information, please visit [SDChamber.org](http://SDChamber.org) or call 619-544-1300.*

