

BUSINESS FORECAST

March 2015

Highlights

• • •
Nearly 30% of companies want legislature focused on water reliability

BOI continues positive trend at 26.2

• • •
Healthcare & finance sectors most frequently impacted by government regulations

• • •
Health, beauty & fitness companies post all-time high of 51

• • •
Manufacturing/fabrication industry sees record low of -4

Note: Data for this report was collected February 18-26, 2015.

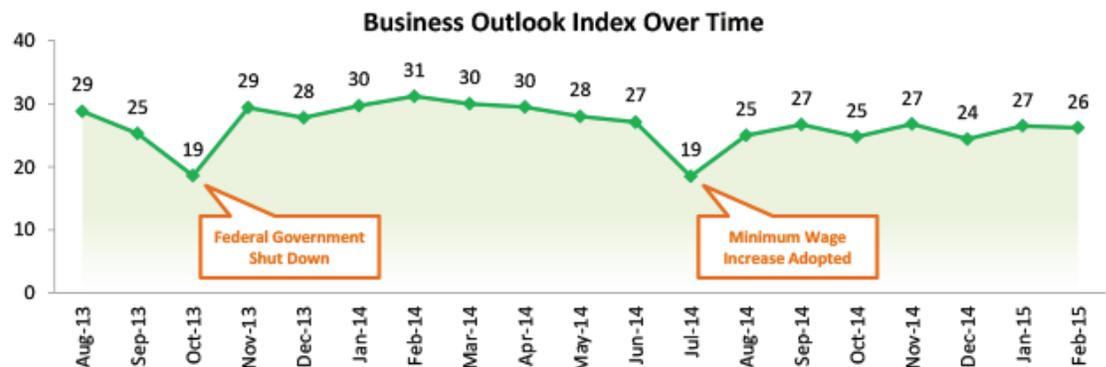
Water Reliability Tops Legislative Priorities; Upbeat View from County Businesses Continues

This month's Business Forecast, sponsored by Silvergate Bank, asked San Diego County businesses which issue state legislators need to address. Water reliability tops the list, with nearly 30 percent of county firms eager for leadership on this issue.

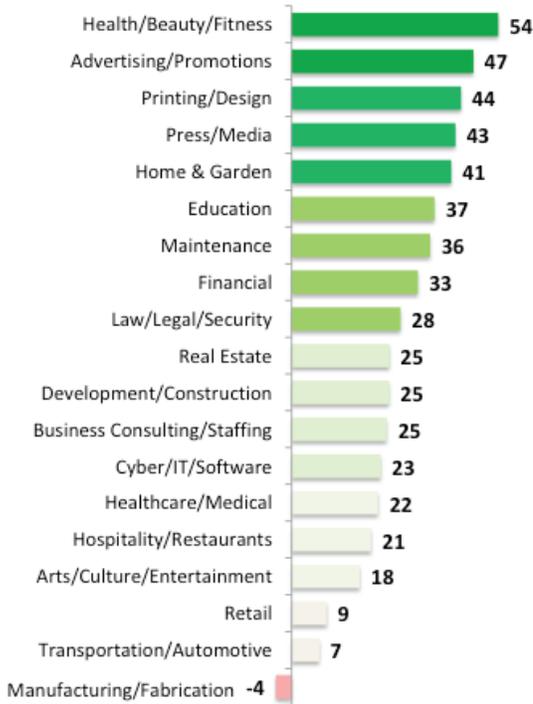
With water as the top priority, the other issues include:

- 21 percent: controlling healthcare costs for employers
- 18 percent: preventing another increase in the state's minimum wage
- 8 percent: controlling energy costs
- 7 percent: addressing the cost of housing
- 5 percent: reforming the CEQA process
- 2 percent: creating a state trade office in Mexico

Looking at the overall business outlook for our region, county firms continue to be positive in early 2015. The Business Outlook Index™ (BOI) is at a stable 26.2, right in line with its 12-month average of 26.6.



BOI by Business Type



The BOI by business type shows two sectors making staggering gains and losses compared to last month. Once again, the overall numbers are impacted by health, beauty and fitness companies which rebounded from a slump of 13 in January to post an all-time high of 54. The primary driver for this industry is an expected increase in revenue. In direct contrast, the transportation and automotive sector dropped from a healthy 31 to a low of 7 mainly due to an expected decrease in revenue. Additionally, an unprecedented low was seen in the manufacturing and fabrication sector which posted a BOI of -4 based mostly on an expected decrease in revenue over the next three months and reduced workforce hours.

Similar to last month, the biggest new challenges facing businesses continue to be government related, including regulations, taxes and funding. Government regulations was cited more often by two sectors: healthcare and finance. The healthcare sector is very concerned about the Affordable Care Act (aka Obamacare), as 25 percent of survey respondents regard it as a new challenging issue. Finance companies are in a very heavily regulated sector, and one-third currently see problems with government as their challenging issue.