

BUSINESS FORECAST

April 2015

Highlights

BOI posts highest mark in nearly a year at 28.1

Small firms much less confident about cyber security

Only 37% of local firms see cyber security improving

Beauty & fitness and advertising & promotion sectors set to outperform others

Escondido area businesses have best outlook in region

Rising costs gaining traction as a new issue among businesses

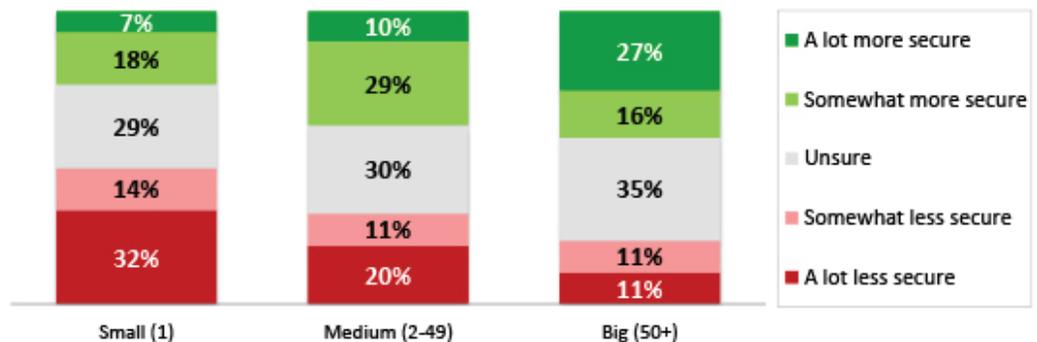
Note: Data for this report was collected March 17-31, 2015.

Small Business View Cyber Space as Less Secure than 3 Years Ago

Cyber-attacks have been in the news and this month's Business Forecast, sponsored by Silvergate Bank, asked businesses whether their industry would be targeted and whether cyber security has improved or worsened. Overall, most firms do not see companies like theirs as more secure than they were three years ago and more than half of San Diego County firms don't think a serious cyber threat will hit in the next three years. Yet, when looked at by business size, the results indicate that the trend among smaller firms is much worse than it is among large firms.

Forty-six percent of one-person businesses say, compared to three years ago, firms like theirs have become less secure, but as the chart shows, nearly the same percentage of large firms feel security is on the rise. This is likely because larger firms are investing in more precautions while smaller firms are not. Regardless of size, only 37 percent of companies in San Diego feel cyberspace is becoming more secure.

Trend in Industry Cyber Security by Firm Size



One of the reasons for this ambivalent outlook on security is that 54 percent of small firms do not see their industry as the target of a serious cyber-attack in the next three years. Among large firms, only 42 percent share that same attitude. This perception among small businesses of attacks as mostly a non-issue could put firms in an unsafe position. All firms are wise to take precautions and ensure adequate security of information is in place.

This month's Forecast brings good news for the county's business outlook. After spending most of the second half of 2014 below its overall average, the Business Outlook Index (BOI) has now edged up to 28.1 to post its highest mark since April, 2014 (29.5).



Looking at the geographical BOI's, Escondido area firms are out-performing their counterparts. The BOI among them is a strong 33. On the negative side, east county businesses are much less positive about overall business prospects and took a tumble since February. This stems from weaker revenue projections.

Industry-wise, firms in the beauty and fitness category as well as those in the advertising and promotions sector report far more enthusiasm for the coming months. Optimism in these two sectors is largely being powered by upward revenue trends and the increase in hours that business owners will be offering employees. Beauty and fitness firms also benefit from a robust hiring outlook and the advertising sector is very bullish about business conditions.

Government regulations continue to lead the list of new issues businesses are challenged by, as 13 percent cite that. All told, 17 percent are challenged by issues stemming from government (including Obamacare), while 8 percent see the challenges coming from issues specific to their business, 7 percent see new competition as a challenge, 4 percent cite staffing and 3 percent point to rising costs. Prices had not appeared at all on the list of challenges until eight months ago, so this is an issue to watch through the rest of 2015. Forty-six percent report no new challenging issues.

New Challenging Issues

