

BUSINESS FORECAST

June 2015

Highlights

Local government not meeting expectations of low taxes and fees

BOI stays in positive territory at 25.7

Optimistic bounce back for east county and north coastal firms

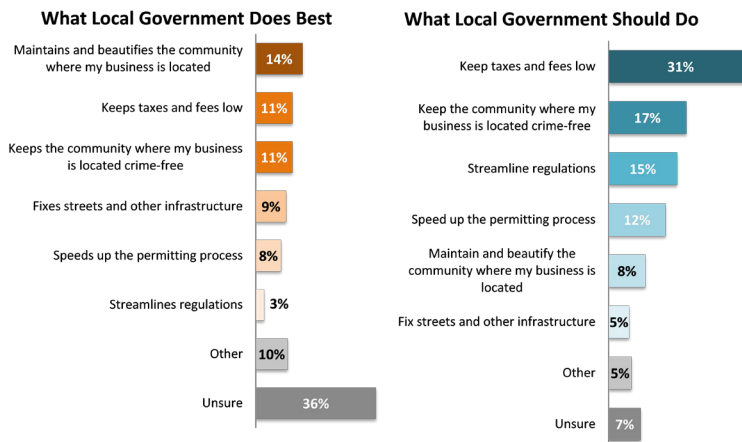
Retailers anxious about revenue projects

Note: Data for this report was collected May 18-30, 2015.

County Businesses Say Government Should Make Taxes and Fees Higher Priority

This month's Business Forecast, sponsored by Silvergate Bank, asked county businesses what local government does best to help businesses succeed, and what businesses say their government *should* be doing to help them.

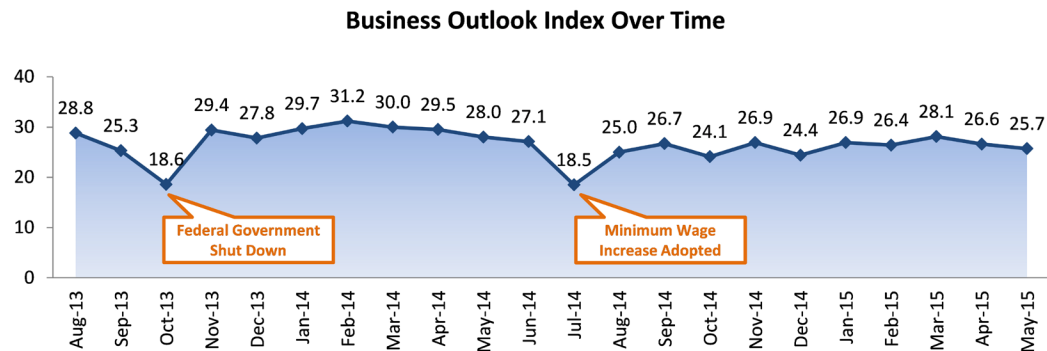
The chart below illustrates the ranking of priorities for each question with 31 percent of San Diego County businesses reporting that keeping taxes and fees low is the most meaningful way government can help them succeed. However, only 11 percent of businesses overall say that this is what local governments do best, leaving a significant deficit of 20 percent between what firms feel they need and what they actually get. This gap suggests that local governments need to do better on taxes and fees.



By business type, finance organizations place the most emphasis on wanting government to streamline regulations; business consulting firms want greater focus on permitting; and real estate firms and hospitality related businesses see maintenance and beautification of the community as the top priority. Community maintenance and beautification and infrastructure improvement are the two areas where local government is over performing and businesses

perceive these services as already done rather than something that needs attention from government.

This month's Forecast results show a continued stability over the past nine months with a steady Business Outlook Index of 25.7. A factor is the perceptions of business conditions within each industry, which have trended upward modestly over the past year. Sentiment related to all the other elements – hiring, hours being offered to workers and revenue -- has remained steady.



The BOI's for businesses located in East County and the north coastal area have also bounced back after slumping last month and other areas of the county BOIs overall are about consistent.

A soft spot in the economy comes among retail firms, as they show concern related to revenue projections. Only 26 percent of those companies see their revenue as increasing (none say it will definitely increase) and 5 percent foresee a decrease. For all other types of businesses, 53 percent anticipate increasing revenue against 3 percent who believe they are headed for a decrease.

Transportation and automotive businesses see deteriorating business conditions in their industry during the next three months. Also, companies focused on a minimum wage increase -- the California State Senate recently passed a bill to raise the statewide hourly minimum wage to \$13 -- are anticipating poor business conditions this summer.

