

BUSINESS FORECAST

July 2015

Highlights

Only 8 percent of firms are considering leaving County; about half as many as last year

BOI is solidly positive at 27.5, continuing longtime trend

Far fewer firms at risk of moving out as government becomes friendlier

Hospitality industry shows short-term optimism

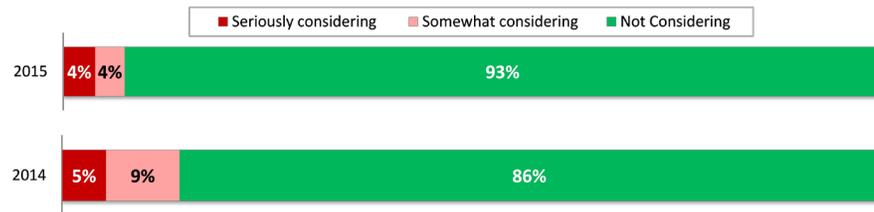
Businesses in eastern suburbs enjoying more confidence

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

Businesses Considering Move from County Drops By Nearly Half

With San Diego's minimum wage increase delayed until at least January 2017 and the local economy humming, this month's Business Forecast shows that companies are more confident and the urge to leave the County has subsided. In this month's survey, sponsored by Silvergate Bank, only 8 percent of area businesses are considering leaving or moving operations outside of the county. Last June, 14 percent were contemplating a move.

"Are You, Or Is Your Firm, Considering Moving Your Company or A Portion of Your Company Out of San Diego County?"

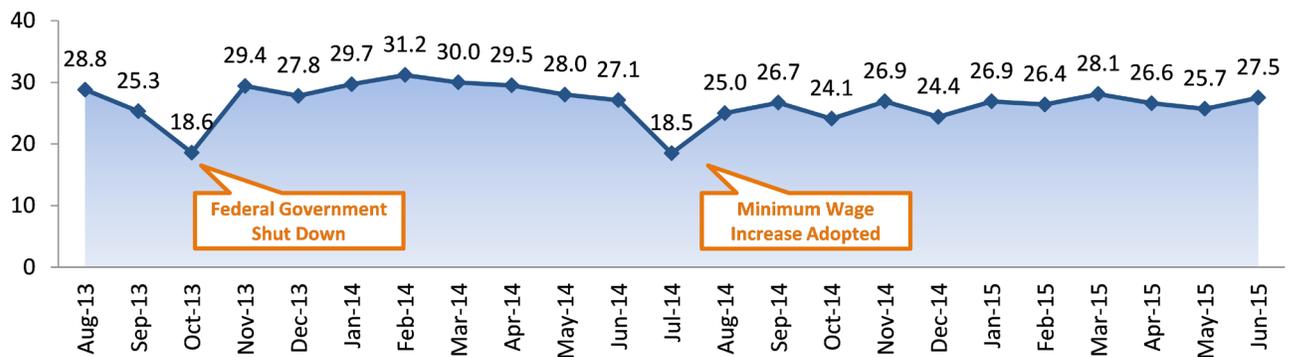


The turnaround is partly due to the BOI being about ten points higher than it was at this time last year when the state's minimum wage hike had just occurred and another San Diego-specific hike was on the horizon. A robust business outlook, however, is only a part of the story. A more important factor is the perception of how business-friendly local officials are. Fortunately, only 7 percent of all county businesses see local government as "very unfriendly". The large majority - 59 percent - see government as friendly to business, up from 53 percent last year.

The two core drivers of San Diego's optimism are due to firms being more confident that conditions in their industry are improving and the number of hours they are offering their workers. A year ago, about 9 percent of companies were cutting hours, but that's dropped to only 3 percent this month. Similarly,

56 percent of firms now see conditions in their industry improving. That compares favorably to the 48 percent who perceived things as getting better back in June of 2014. Only 8 percent of area companies now say business conditions will worsen over the next three months, and that is an all-time low.

Business Outlook Index Over Time



This upbeat evaluation of business conditions has buoyed the county's business outlook over the past 10 months, with it currently at 27.5, a slight upward move from last month.

The outlook in San Diego County's eastern suburbs -- El Cajon, Santee, Lakeside, La Mesa, and Spring Valley -- has recently improved, as the BOI there went from 18 in the previous quarter to 30 currently. However, the county's backcountry businesses (generally north or east of the eastern suburbs) are not sharing in the general optimism. The June BOI for the largely rural area stands at only 7.

By industry, summer tourism has the hospitality sector seeing a seasonal improvement with a BOI of 48. Additionally, 57 percent of businesses in the hospitality space are predicting expanded hours for current workers. Business consulting firms also show significantly more optimism and anticipate hiring at a much higher rate than other firms. Thirty-two percent say they will definitely be adding employees, while only 11 percent of other firms say the same.

June 2015 BOI by Industry

San Diego County BOI = 27.5

