

# BUSINESS FORECAST

December 2014

## Highlights

BOI stays positive at 26.8

Stronger momentum in City of San Diego as anxiety over minimum wage rise dissipates

Retailers far less enthused about their prospects

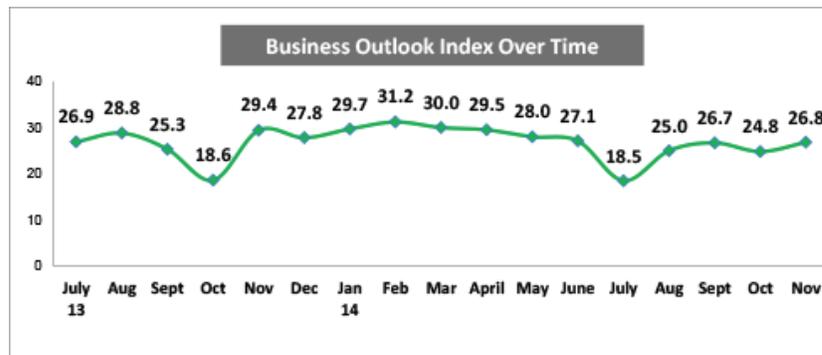
Average businessperson will attend 2.3 company holiday parties

21% will spend more on their holiday party this year

*Note: Data for this report was collected November 18-29, 2014.*

## Positive Business Outlook Projected for Early 2015

This month's Business Forecast, sponsored by Silvergate Bank, continues to be positive. The County's Business Outlook Index™ (BOI) has edged up to 26.8, a two point increase from last month indicating businesses like what they see for the coming year. The BOI has a range of -100 to +100 with zero indicating a neutral outlook.



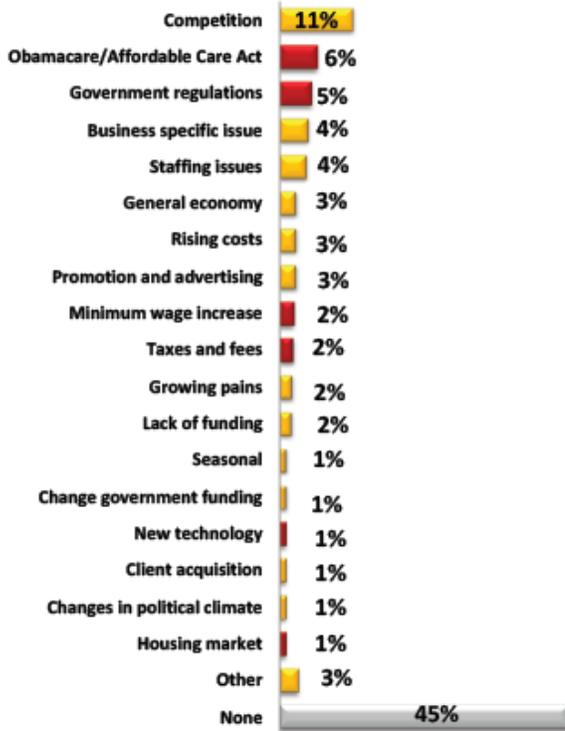
| Business Location | BOI  |
|-------------------|------|
| South City        | 35.8 |
| North City        | 32.7 |
| South Burbs       | 21.9 |
| East Burbs        | 20.9 |
| North Inland      | 17.2 |
| North Coastal     | 36.4 |
| East County       | 17.4 |

This month we find healthy gains in optimism among businesses within the city of San Diego based on their predictions that revenue will increase, they will add workers, and give their employees more hours to work. Recent gains on the city's south side have pushed the BOI within that area up to nearly 36. Conversely, optimism is significantly weaker in the County's north inland suburbs.

Looking at the outlook by type of business, we find those selling cyber wares in the lead with a sterling BOI of 48.6, and advertising and promotional businesses have rebounded from recent miserable results to post a BOI of 41.8. This is mainly due to their improving revenue outlook. On the other hand, retailers predict difficulties during the next three months. Retail businesses report a BOI of only 7.7, with far less enthusiasm for the early part of 2015 driven by the sense their business conditions will deteriorate. Disappointment over meager Black Friday sales (reportedly off by 11 percent nationwide compared to last year) may contribute to this. Real estate is another sector reporting a sharp fall in the last month, although posting a BOI of 16.3 does not suggest realtors see their market in distress.

| Business Type                | BOI  |
|------------------------------|------|
| Cyber/IT/Software            | 48.6 |
| Advertising/Promotions       | 41.8 |
| Health/Beauty/Fitness        | 39.4 |
| Press/Media                  | 39.2 |
| Misc                         | 31.3 |
| Financial                    | 31.3 |
| Business consulting/Staffing | 28.8 |
| Healthcare/Medical           | 27.6 |
| Development/Construction     | 27.4 |
| Arts/Culture/Entertainment   | 26.0 |
| Maintenance                  | 24.9 |
| Law/Legal/Security           | 24.0 |
| Home/Garden                  | 20.9 |
| Printing/Design              | 20.4 |
| Hospitality/Restaurants      | 20.2 |
| Transportation/Automotive    | 17.3 |
| Real Estate                  | 16.3 |
| Retail                       | 7.7  |

### New Challenging Issues



New challenging issues related to government remain relatively in check. Although the Affordable Care Act/Obamacare spiked up to draw the attention of 6 percent of firms this month, only 17 percent of businesses cite some form of government as being their challenge. This is partly the result of San Diego’s minimum wage increase coming “off the table” for the time being.

This month’s survey also asked about holiday parties finding that nearly 80 percent will attend a company holiday party with the average local business-person attending 2.3 this December. As the chart to the right indicates, party attendance varies greatly based on type of business, strength of the BOI and size of firm.

|                        | Number of 2014 Company Holiday Parties |
|------------------------|--|
| <b>Home/Garden</b>     |  |
| Other Industry         | 2.2                                    |
| Home/Garden Industry   | 6.0                                    |
| <b>BOI</b>             |  |
| < 0                    | 1.7                                    |
| 0                      | 1.7                                    |
| 1 to 49                | 2.4                                    |
| 50+                    | 2.7                                    |
| <b>Firm size</b>       |  |
| Small (1)              | 1.5                                    |
| Medium (2-49)          | 2.4                                    |
| Large (50+)            | 2.6                                    |
| <b>Overall Average</b> | 2.3                                    |

When it comes to spending on holiday parties, 11 percent of those throwing parties expect to spend less on the festivities than last year, and 21 percent say they will spend more. While this is positive – bigger party budgets suggest 2014 was an improvement on 2013 – consider that more than two-thirds will still spend about the same. The survey also found that bigger companies are more likely to hold parties. Companies with four and more employees are most likely to throw a party and those with less than four employees are unlikely to do so.

### Throwing Holiday Party? by Number of Employees

