County Business Outlook Makes Strong Rebound

Outlook above historical average for first time in nine months; Businesses divided on impact of presidential election

After a dramatic drop of more than 5 points last month, the business outlook among county businesses has surged and the Business Outlook Index (BOI) now stands at 26.9. This is the first time the BOI has been above the historical average of 25.3 since June 2015.

The upswing can be attributed to more confidence among businesses that they will be hiring and a sense that industry conditions are getting better. Those who see future prospects in their industry as improving more than doubled from last month to 19 percent. On the hiring front, large firms indicate they will be more likely to add employees as compared to other business sizes.

By industry, manufacturing has seen a considerable BOI boost in outlook since the last quarter, going from 21 to 53 now. This current manufacturing BOI is one of the highest on record for any industry in any month. Employment confidence is up in this sector, with a large majority of manufacturers indicating they will add hours. Only 29 percent of the rest of the businesses believe they will increase the number of hours their employees work.

Construction is another industry returning to more positive territory. Although still not a high-flying sector, development/construction improved its BOI nearly
20 points since the previous month. Healthcare, which seemingly comes under new pressures every month, is currently in the doldrums reporting a BOI of 6. It’s reduced expectations for hiring.

Geographically, the surge since the previous quarter occurred outside the city. While San Diego proper had led the County during most of the Forecast’s history, now businesses outside the city limits are growing more optimistic. This new optimism is seen on all four of the Forecast’s metrics. San Diego businesses remained moderately optimistic, but firms outside the city went from last month’s BOI of 14 to a buoyant 29 this month, with the southern and eastern suburbs making the largest gains.

As the presidential election dominates headlines, this month’s survey asked how much impact national politics have on local business and the campaigns’ effect on their industry’s future economic outlook. While no consensus was seen for the role national politics play on local business, half of those in the county are optimistic for how the presidential campaign may brighten the outlook of their industry.

Nearly the same percentage of businesses report an impact from national politics as say there is little effect and in the middle are 13 percent of businesses who are unsure. Differences are seen in the size of company with large companies seeing the most impact. Fifty-four percent of large companies say the national outcomes will have at least a substantial impact on their business and 23 percent say it will impact them a lot.

There is some pessimism for what the presidential campaigns may bring. County-wide 28 percent are more pessimistic after seeing how the campaigns have unfolded and large majorities of the press/media and printing/design industries see things as going downhill based on the campaigns.

**About the Business Forecast**

*The San Diego County Business Forecast, sponsored by Silvergate Bank, is a scientific look at where our region’s economy is headed. The survey for this month’s installment was fielded March 15-31, 2016 by Competitive Edge Research & Communication using responses from 232 randomly-selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, and National City Chambers of Commerce. All Chamber members are invited to*
complete the survey either online or over the phone.

The Business Outlook Index™ (BOI) is comprised of four self-reported assessments regarding the next three months: Will a respondent’s business increase or decrease its number of employees, experience an increase or a decrease in revenue, increase or decrease the number of hours its employees work, and experience an improvement or a worsening of business conditions. For each assessment, definite and positive responses are scored 100, probable and positive responses are scored 50, neutral responses are scored 0, probable and negative responses are scored -50 and definite and negative responses are scored -100. The scores are summed and divided by 4 to get a range for the BOI of -100 to +100, with zero being a neutral outlook. Visit http://sdchamber.org/businessforecast to see past Business Forecasts.

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**About The San Diego Regional Chamber**

The San Diego Regional Chamber is the hub for connections and collaboration among the regional business community, and uses that clout to advocate for public policies and candidates that support economic growth and the creation of jobs for all businesses. As the largest Chamber on the West Coast, representing more than 2,500 businesses and approximately 300,000 jobs, the San Diego Regional Chamber is fighting to make San Diego the most business-friendly region in California. For more information, please visit SDChamber.org or call 619-544-1300.