

BUSINESS FORECAST

February 2019

Highlights

At 18.8, the Business Outlook Index indicates views of the local economy are solidly positive

Greater optimism in revenue compared to previous three months

Education & maintenance are the local economy's brightest segments

Less than one-third of county businesses believe the region receives its fair share of state funding

Dealing with the costs of housing and healthcare top the legislative wish list

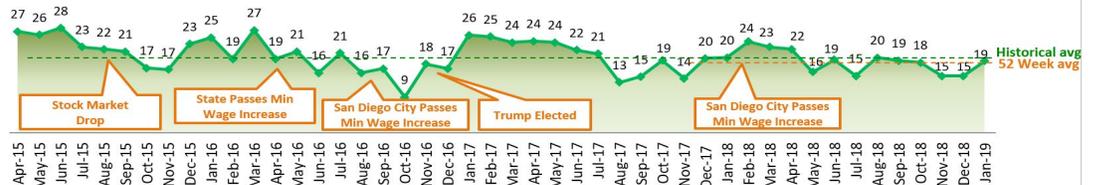
Note: Data for this report was collected January 14-30, 2019

Business Optimism Powered by Improved Outlook for Revenue

Dealing with housing and healthcare costs are business community's top priorities for state legislature

This month's San Diego County Business Forecast sponsored by CalPrivate Bank shows San Diego's business community looking into the new year with solid optimism, posting a healthy score of 18.8 on the Business Outlook Index (BOI). The BOI runs from +100 to -100, with zero indicating a completely neutral outlook. The outlook on revenue is up compared to 2018's fourth quarter, while expectations about hiring, hours offered to workers, and business conditions are holding steady.

Business Outlook Index Over Time



Micro firms (where the owner is the only employee) are coming off a short-lived high, dropping from a BOI of 25 in December to 10 now due to less optimism about revenue. On the other hand, large firms (50+ employees), which experienced a drop to a BOI of 12 last month, have recovered slightly and now sit at 22, in line with where they were this time last year. Medium-sized businesses (11-49 employees) have not shifted significantly since last month.

Industry-wise, education firms are more upbeat, jumping from a BOI of 8 last month to a stellar 47 due to more optimism about hiring. Maintenance firms are another bright spot at 37, sustaining a very strong BOI since December. Businesses in this industry are cheerful about hiring and hours they expect to offer their workers.

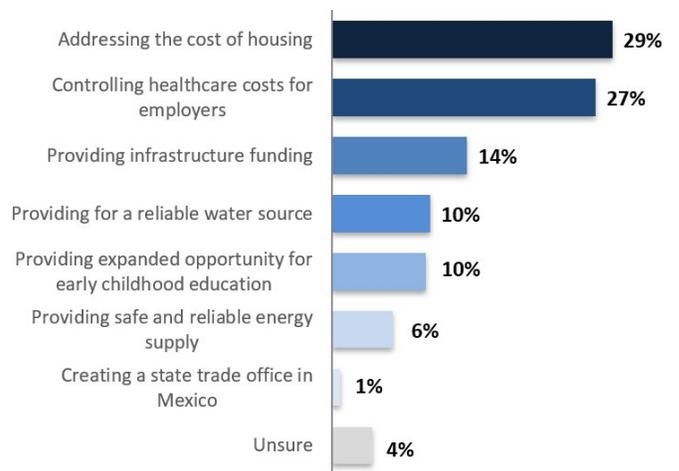
The impact is somewhat gloomy for businesses facing some sort of governmental challenge. Half of companies concerned about minimum wage expect to offer fewer hours to their workers. Further, 30 percent of firms that have any type of government-related concern – such as changes in the political climate – believe business conditions in their industry will worsen.

Government regulations and staffing are the top new challenging issues this month. Changes in the political climate are mentioned by 5 percent, which is the most concern registered on this topic in the last year. While a portion of this concern is directed toward newly elected state officials, most of the angst stems from the government shutdown, which lasted a record-setting 35 days and ended on January 25. One businessperson concerned about the political climate said the shutdown created an “*uncertain financial climate*” while another stated it stalled their SBA loan.

With the start of the new legislative session, we asked businesses what issue they would like California’s legislature to work on most. Addressing the cost of housing takes the top spot, with 29 percent of businesses wanting this issue prioritized. This is a hot issue within the city of San Diego, as firms there are more likely than those in other areas of the county to want the focus placed on housing prices. Controlling healthcare costs for employers is a very close second. Responding to the large potential impacts to their industry, 55 percent of local healthcare companies want attention given to this issue.

On a second tier of priorities, 14 percent want Sacramento to provide infrastructure funding. Businesses north of I-8 in the city of San Diego—an area experiencing new development—are more focused on infrastructure than companies elsewhere. Providing for a reliable water source and expanded opportunity for early childhood education are prioritized by 10 percent each. Five percent of local businesses want the legislature to focus on safe and reliable energy and only 1 percent believe the most attention should go to creating a trade office in Mexico.

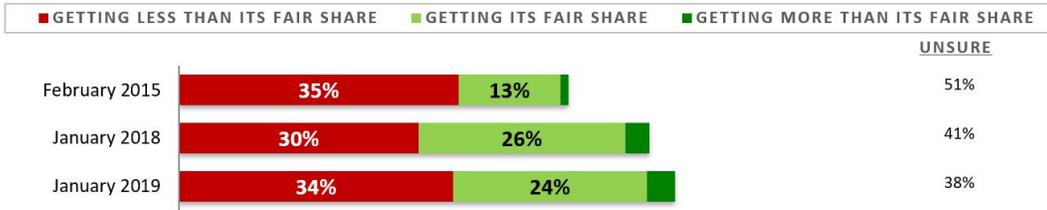
WHICH ONE OF THE FOLLOWING SEVEN ISSUES WOULD YOU LIKE THE CALIFORNIA STATE LEGISLATURE TO WORK ON THE MOST?



The business community also weighed in on how much funding the San Diego region gets from the state of California, a question that was also asked in 2015 and 2018. In February 2015, less than half could answer this question. That’s up to 62 percent now, indicating local companies are paying more attention to state funding. Similar to last year, larger firms are much more certain about state funding, while micro firms are usually in the dark.

Only 3 percent believe the region gets more than its fair share and 24 percent say the region gets the appropriate amount of funding. Once again, less than a third of local businesses are convinced the region gets its fair share of state disbursements. This outpaces the 13 percent in 2015 who felt the same way, so the proportion of businesspeople who believe the region gets the appropriate amount of funding from Sacramento increased between 2015 and 2018 and has held steady since.

“WHEN IT COMES TO THE AMOUNT OF FUNDING THE SAN DIEGO REGION GETS FROM THE STATE OF CALIFORNIA, WOULD YOU SAY IT IS...”



About the Business Forecast

The San Diego County Business Forecast, sponsored by [CalPrivate Bank](#), is a scientific look at where our region’s economy is headed. The survey for this month’s installment was fielded January 14-30, 2019 by [Competitive Edge Research & Communication](#) using responses from 202 randomly selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, Encinitas, National City, and Coronado Chambers of Commerce. One-third of the members were invited to complete the survey online. Those members who initially did not respond were invited to complete the survey 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.

About CalPrivate Bank and Private Bancorp of America, Inc.

Private Bancorp of America, Inc. (OTCQX:PBAM), is the holding company for CalPrivate Bank, the new name for San Diego Private Bank. CalPrivate Bank, provides a Distinctly Different banking experience through unparalleled service and creative funding solutions to high net worth individuals, professionals, locally owned businesses and real estate entrepreneurs. Clients are serviced by experienced personal bankers through offices in Coronado, San Diego, La Jolla, Beverly Hills and Newport Beach as well as efficient electronic banking offerings. The Bank also offers various portfolio and government guaranteed lending programs, including SBA and cross-border Export-Import Bank programs. CalPrivate Bank is a SBA Preferred Lender and provides a full array of sophisticated treasury management and deposit products. www.calprivate.bank Please contact Paul Azzi, EVP and Market President at Paul@calprivate.bank to discuss your financial service needs.

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 approximately 2,500 businesses and an estimated 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.

