

BUSINESS FORECAST

September 2014

Highlights

Issues of minimum wage grows as concern



County's Business Outlook Index rebounds to 25.0, still below all-time average



Revenue outlook up; employments & business conditions flat



School system not seen as prepping students for workforce

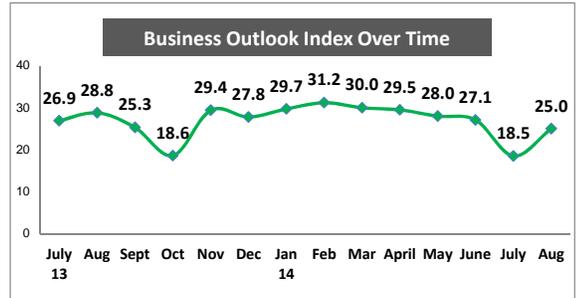


Business typically value work experience over education

Note: Data for this report was collected August 19-29, 2014.

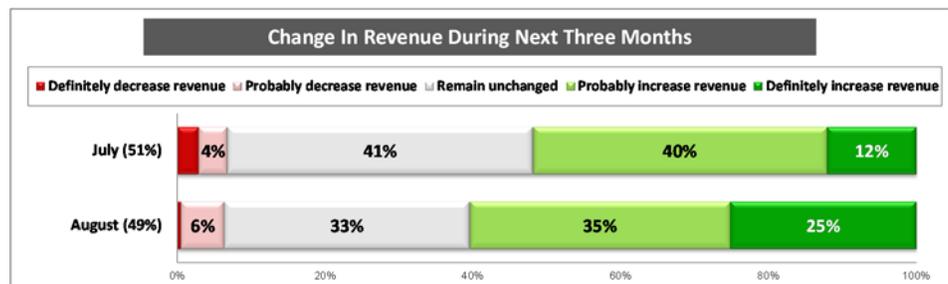
Outlook Rebounds & Minimum Wage Concerns Grow

The County's Business Outlook Index™ (BOI) has rebounded slightly to 25.0 - still below the all-time average of 27.0. Projected revenue is responsible for the improved outlook. This month also saw an increase in anxiety about the minimum wage increase, with the percentage of businesses reporting it as a new concern going up to 8.3 percent from 4.9 last month. Within the city of San Diego, 12 percent of firms report minimum wage as a new challenge while no firms located outside the city identify it as a concern.



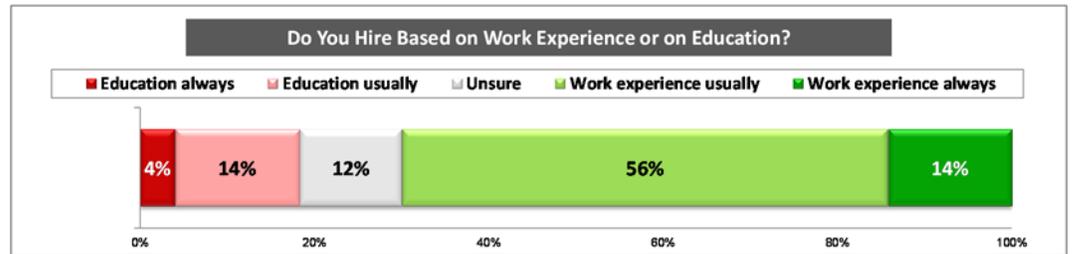
Source: Competitive Edge Research

Last month, concerns about workforce hours had pushed the August BOI to its lowest recorded point. Examining the BOI's four components (number of employees, revenue, workforce hours, industry specific business conditions) the outlook for workforce hours has not measurably improved, and the same goes for employment and business conditions. The lone component boosting the BOI this month is projected revenue. As the chart below shows, the percentage of firms strongly bullish about near-term income has doubled.



The near-term outlook for large firms in the hospitality and restaurant sector is terrible. Although the sample size is small for this group, hospitality/restaurant businesses with 50 or more employees post a dismal BOI of -27.5. The outlook is also substandard for healthcare businesses (8.5), companies located in the east inland suburbs (12.8), and large firms in general

(8.7). On the other hand, small and medium-sized firms are optimistic (25.9 and 31.4, respectively).



This month we asked if business people think the school system is adequately preparing students for the 21st century workforce and half responded that they didn't feel it was doing enough. Almost all business people working in arts and cultural endeavors say the school system is doing enough to prepare students. By contrast, those who actually work in education-related businesses are generally in the "definitely not doing enough" camp. Analysis also shows that firms in the County's north coastal region are more satisfied with their education system. More than half there say the school system is doing enough to prepare students for work in the 21st century. Also, seventy-percent of the business community feels that work experience is more important than education when it comes to landing a job.