

BUSINESS FORECAST

November 2016

Highlights

Long-term decline extends into 2017

Recent loss of confidence is due to less optimistic outlook for hiring

Hospitality/ restaurants, along with transportation/ automotive are now pessimistic

Mixed results on how effective corporate social responsibility efforts are at employee retention

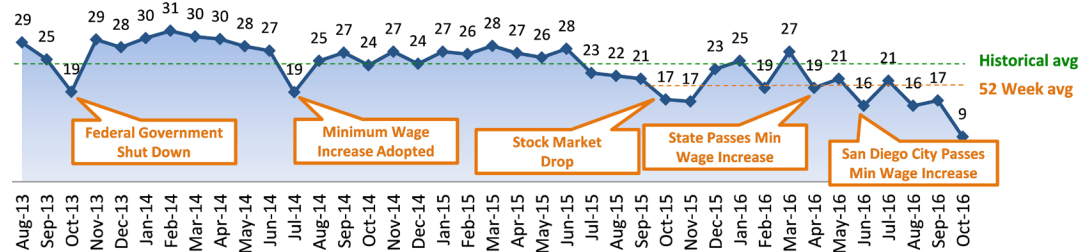
Most see businesses in their industry frequently engaged in CSR

County Business Outlook Drops To New Low

Business community frequently engaged in corporate social responsibility, but mixed on employee retention effectiveness

Continuing a trend that extends back over a year to mid-2015, San Diego County's Business Outlook Index (BOI), which reflects how the business community assesses the coming three months, took a big 7.5 point drop to 9.3. This is the lowest point since the survey began in August 2013 and the first time the Index has dipped into single digits.

Business Outlook Index Over Time



While optimism has been sliding in all of the BOI's components since the middle of last year, the main factor driving the current downturn is a less optimistic outlook for hiring. Only 16 percent now say they will add employees; that metric has never been below 25 percent before. The good news is that while hiring forecasts are low, not many firms are predicting they'll shed jobs. Only 7 percent are looking to cut back their workforce, and that's not a high. The outlook for workforce hours is also down, slipping to the point where only 14 percent believe they will increase hours versus 11 percent who will be cutting them.

Revenue projections have also taken a dip. There's still more optimism than pessimism, but now just 35 percent think revenue will increase (a new low) while 14 percent anticipate a decrease (a new high). The business community also doesn't like the looks of general conditions on the horizon. Just 32 percent

The hospitality and transportation industries are once again in negative territory this month. The transportation sector mostly sees problems with revenue ahead, with half predicting theirs will fall. For the hospitality industry, the problems are a bleak hiring outlook, a tightening of work hours, and constrained revenue.

By company size, medium-sized businesses have taken a big hit this month, posting a 23-point drop in their outlook. More medium-sized businesses also anticipate cutting back on workers rather than adding them. On the flip side, large employers have held strong and are immune to the hiring freeze and small firms are also holding steady.

This month, we asked respondents their thoughts on corporate social responsibility efforts. This refers to business practices that benefit society, such as environmental efforts, philanthropy, youth and community programs and volunteering, rather than business practices that directly benefit the company. Overall, respondents were split on whether corporate social responsibility (CSR) efforts are effective in increasing employee retention. While 45 percent of the business community gave this a thumbs up, 44 percent were skeptical, including 22 percent who flatly denied CSR efforts lead to more retention.

Interestingly, a large amount of what business owners think about CSR programs and their effectiveness as a way to retain workers comes down to where the businesses are located. Those along the coast are enthusiastic about CSR, while business people in the county's north inland suburbs take the opposite viewpoint. The rest of the county expresses mixed views.

Company size also plays a role in perceived effectiveness of CSR efforts, however the relationship is not as strong as one might expect. Larger firms (those with more than 50 employees) tend to see CSR efforts as effective with 27 percent saying they are a great way to retain employees, and another 30 percent saying they are at least somewhat effective. As to be expected, micro firms with only one employee are more often unsure or very skeptical of CSR efforts, but even firms with 2 to 49 employees are split on them.

Despite the mixed results on how effective CSR efforts are at retaining employees, most say companies in their industry engage in them frequently. Only about one in six rarely or never engage in these sorts of efforts.

“Corporate social responsibility refers to business practices that benefit society, such as environmental efforts, philanthropy, youth and community programs and volunteering, rather than business practices that directly benefit the company. How frequently, if ever, does your company engage in corporate social responsibility efforts?”



The main factor here is how large the company is. Not surprisingly, those with larger companies say businesses in their industry engage in CSR more often than those with small companies, and 35 percent of those with more than 100 employees say it happens “all the time.” Those with 50 to 100 employees are also quite active, with more than three-quarters saying CSR activities are at least frequent. Mid- and small-sized companies take it down a notch from the larger companies, and among micro firms with only one person nearly 40 percent say the businesses in their industries rarely or never engaging in CSR efforts.

Whether or not a business person believes CSR efforts are good for employee retention factors in to whether they see those efforts actually being used. Slightly more than half those who think they are great for retaining employees see CSR efforts in their industry all the time whereas fewer than 10 percent rarely experience them.

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 October 16-31, 2016 by Competitive Edge Research & Communication using responses from 203 randomly-selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, Encinitas and National City 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 Silvergate Bank, Business Banking Redefined

For over 25 years, as a San Diego based community bank, Silvergate provides a rewarding banking experience where the client’s needs always come first. Our business banking experts listen to needs and work to provide customized solutions to support your company’s growth and profit objectives. Our bankers are committed to superior responsiveness, local decision making, and the agility that allows our clients to choose the way they want to bank with us. To learn more, visit www.silvergatebank.com or contact Dino D’Auria at ddauria@silvergatebank.com.

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.