After Two Months of Positive Growth County Business Outlook Falls Again

Business Outlook Index falls 5.6 points; Survey also found retirement planning varies by business size and location

The growing optimism in the county’s business outlook displayed at the beginning of 2016 has waned. The Business Outlook Index took a significant drop from 25.0 to 19.4, bringing it well below both its historical average of 25.3 and its 52-week average of 23.5.

Various factors are contributing to the downturn this month. Micro firms, or those with only one employee, display the most dramatic loss of confidence since the prior quarter. While the outlook for medium and large firms has held steady, one person firms went from a fairly positive 22 in the previous three months to just 6 in February. By industry, healthcare and medical companies took a hit over the last couple of months. The BOI in that sector dropped from 35 to 14.

Geographically, businesses outside the city of San Diego experienced a 10-point drop over the last two months while businesses within city limits held the optimism they started 2016 with. Those in the eastern suburbs where the BOI was 26 in January dropped to 6. Such a significant drop puts the communities of El Cajon, Santee, Lakeside, Lemon Grove and La Mesa very close to a negative outlook.
The survey’s labor metrics – hiring and adding hours - are shown to be the biggest burden on this month’s Outlook. Only 26 percent of firms foresee adding employees over the next three months and only 24 percent believe they will offer more hours to the workers they have. These figures are lower than what they were last month by 9 percent and 12 percent, respectively. Again, it is the smaller sized businesses, those with one to 49 employees, who are least confident about hiring new employees. Larger employers are fairly confident that they will be adding new employees.

Among the new challenging issues reported this month, competition and staffing have grown, with 8 percent of businesses citing those areas as problems. Following close behind is government regulations, which continue to be seen as a top concern for county businesses. Companies who say their challenge is governmental regulations report a negative BOI.

Challenges from government also plays a role in the confidence people have in their prospects for retirement, another issue this month’s survey evaluated.

When asked about retirement planning, sentiment for the amount of planning is pretty fairly spread between those who say they have thoroughly planned and those who report having done no planning. Variations occur by firm size and location of business.

By business size, the larger the business, the more planning one has done. About four out of every ten people in businesses with more than 20 employees report having done a lot of planning, but that number drops to 35 percent among companies with six to 20 employees, and then to about 20 percent if a firm employs fewer than six workers. By geographic area, those in the east county report doing only a little retirement planning and are significantly behind the rest of the County. On the other hand, 38 percent of business people in the north city and north coastal areas of the county have done a lot of planning which puts them significantly ahead of others.

Ultimately, while the retirement efforts across the county may vary widely, the majority of respondents are confident they will have enough income and assets for life-after-employment. More planning equals more confidence in ability to retire and vice versa. The survey finds that even doing just some planning brings peace of mind for future retirement prospects. Eighty-five percent of those who admit to doing only a “fair amount” of planning are confident sufficient money will be there in retirement.
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 February 18-29, 2016 by Competitive Edge Research & Communication using responses from 200 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 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.