

BUSINESS FORECAST

December 2016

Highlights

With election jitters over, the BOI rebounded nicely to 18

Improvement centered on business conditions, but employment and work hours also improved

Hospitality, transportation still lagging

Big firms put more emphasis on employee health programs

Yet employees at larger firms are less fit than those in smaller firms

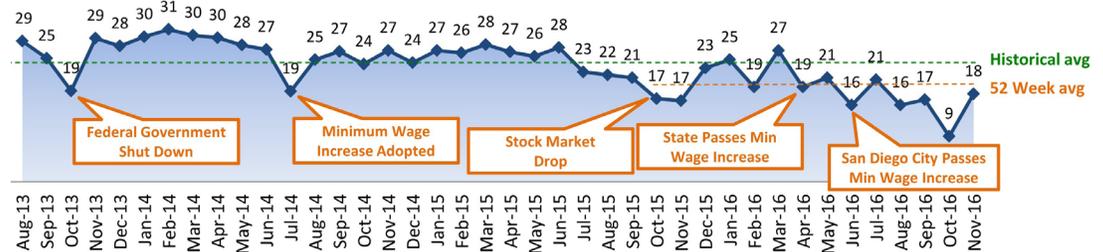
Note: Data for this report was collected November 15-30, 2016

Confidence Among County Businesses Rebounds

Opinions mixed on importance of health and fitness programs

After confidence dropped to a new low last month, this month's Business Forecast, sponsored by Silvergate Bank, shows the Business Outlook Index (BOI) among county businesses rebounded from 9 to a far healthier 18. With a brighter outlook ahead, it seems the downturn was a by-product of the uncertainty caused by a rancorous Presidential election campaign.

Business Outlook Index Over Time



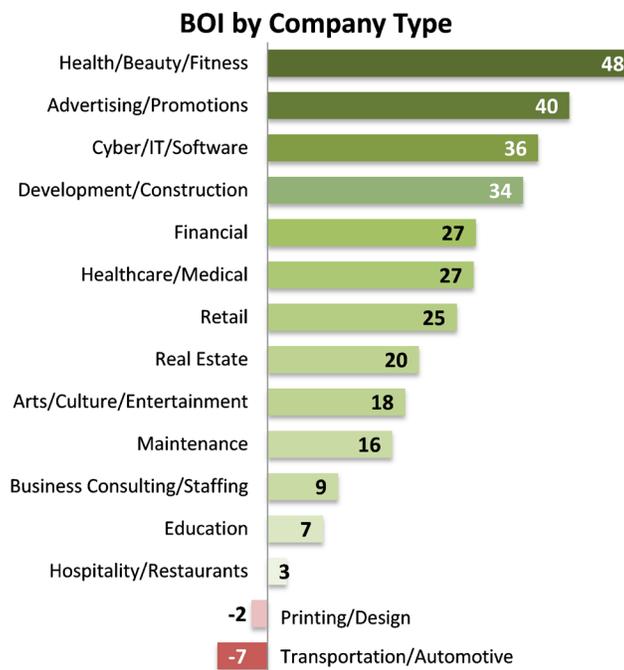
Small and medium-sized firms sprang out of their doldrums to post BOI's of 21 and 25, respectively, whereas micro firms and large businesses did not report significantly higher confidence. Firms in the city of San Diego posted very strong gains, going from a BOI of 8 to 20 in the past month. Inland firms also gained confidence. Companies doing business along the coast stayed flat yet optimistic, while inland businesses went from a languid BOI of 8 up to 18.

Retail businesses saw a jump in overall confidence from eight to 25, but the surge in BOI is generally not industry-specific. Though perhaps the worst is not over for transportation and hospitality, those industries continue to lag as they did last month. Hospitality and restaurants show concerns specifically related to business conditions in their industry. Transportation/auto companies forecast less hiring and predict lower revenues.

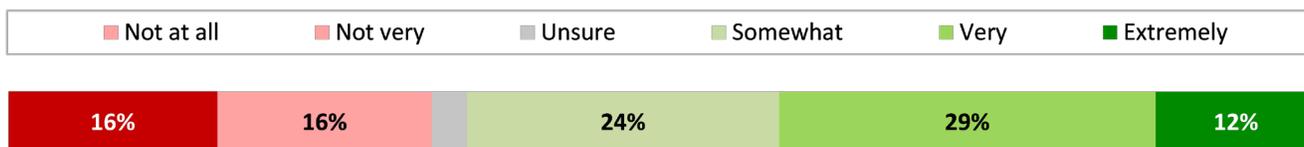
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The approaching minimum wage increase continues to be a significant problem for local businesses, as 9 percent see it as a new challenge. In all, 31 percent see their challenge as being related to government, and regulations continue to be difficult for many to deal with. The presidential election has also appears to have spurred new concern over government regulations and the political climate. In fact, 8 percent now see changes in the political climate as a serious hurdle. In 41 months of surveys, this is the most concern ever registered for that issue.

This month’s Forecast also asked about health, fitness and wellness programs in the workplace. Business owners without employees were asked how important it is to participate in a program, and those with employees were asked about company-wide programs. The results reflect diverse opinions, as one-third consider health, fitness and wellness initiatives to be unimportant, a quarter consider them somewhat important and another 41 percent regard them as at least very important.



Importance of Workforce Health Programs



Firm size plays a role in how important businesses view health programs. While most companies with more than 50 employees think fitness programs are very or extremely important, and firms with six to 50 employees tend to regard these programs as at least somewhat important, the micro firms – those with one to five people - downplay their significance.

When it comes to the actual fitness of the workforce, survey responses suggest county businesses are

fitter than average. Although 12 percent admit to their employees being less fit than average, and 46 percent say they are in average shape, 41 percent claim they and the people in the company are fitter than average.

How physically fit the workforce is also varies by industry with some in better physical shape than others. Business consulting is a sector of the local economy that stands out, as do health, beauty and fitness (naturally), advertising/promotions, and cyber/IT/software businesses. Surprisingly, the healthcare industry is one of the least fit.

Firm size also has a lot to do with the fitness of employees. Large firms generally report average fitness levels, with only 27 percent regarding their employees as being healthier than average. Small and medium-sized firms tend to be fit, while those with no employees consider themselves to be the most fit of all. Whether this is due to bias or reflects a greater ability on the part of single person businesses to focus on their own wellness is unclear.

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 November 15-30, 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.

