Business Confidence Soars in First Quarter

Majority of small businesses and nearly one-third of large do not have a disaster recovery business plan in place

The positive trend we have seen the last few months from county businesses continues with a surge in optimism in this month’s Silvergate Bank-sponsored Business Forecast. San Diego County’s Business Outlook Index (BOI) is now 25.6, the highest level since March 2016.

The upswing is also evident across three of the Index’s four components: revenue, industry conditions and employee hours. For example, 41 percent in the previous quarter had thought revenues would climb and 10 percent thought they would fall; now half believe revenues will improve and just 3 percent take a negative view. There are similar trends for the hours companies will offer their employees and for industry conditions. However, the movement in terms of employment has been insignificant.

Looking back at major events affecting the outlook, the BOI has risen 16 points since President Trump’s election. But how much credit does President Trump deserve? Last month’s installment showed that most San Diego County businesspeople believe he’ll help the economy, and that belief spurs greater optimism, so there is definitely a “Trump effect” at work. But local events can also affect the outlook.
January’s resolution of the Chargers stadium saga coupled with the proposal to redevelop the Qualcomm Stadium site likely contributed to the recent optimistic surge. In only the last month, businesses in the north city section of the county -- where the stadium is located -- went from a BOI of 15 to 37. The north city firms are quite bullish on the labor metrics. They predict increasing revenue, and will be hiring and working more hours in the near term.

Another clue pointing to the positive influence of the redevelopment of the Qualcomm stadium site is that development and construction companies became far more optimistic in the last month. The BOI for those firms went from a mediocre 7.5 to 35 in January. It’s not that north city firms or developers will be expanding in the next few months due to a new project in Mission Valley, but the nature and timing of the BOI’s spike suggests the local events have sparked general optimism. In fact, the entire city of San Diego moved up from a BOI of 16 to 31 just in the space of one month.

The strong BOI comes despite another big jump in concern about the minimum wage. In the previous quarter, only 5 percent saw it as a new challenge, but that figure doubled to 10 percent in January. The San Diego-mandated minimum wage climbed to $11.50 beginning January 1. The minimum wage outside the city is $10.50.

This month we queried businesspeople about disaster preparedness, but before we asked that question we enquired whether they had personal experience with a serious emergency. Slightly more than a quarter have lived through one in which they were physically displaced or forced to remain in their homes. Nearly another quarter had not been directly affected by an emergency, but have a close relative or friend who has.

When it comes to disaster preparedness, businesses are like the general population: fewer than half of the county’s businesses have a disaster recovery plan. Forty-six percent have one, while one-third have considered adopting one without actually doing it. Another 21 percent have never considered adopting a disaster recovery plan.

Whether a firm has considered adopting a disaster recovery plan, and whether one has been adopted, directly relates to the size of the business. As the chart shows, one-person shops rarely have a plan in place, although even most of these businesses have at least considered adopting one. The main reason the smallest businesses have resisted is that they have concluded their business would not be affected. A secondary reason for them is usually that it is not a priority now.
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 January 15-30, 2017 by Competitive Edge Research & Communication using responses from 201 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 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.