Business Community’s Optimism is On the Rise

Businesses see new federal tax plan as good for the country but not much impact to local firms

San Diego County’s Business Outlook Index, which reflects how the business community assesses the coming three months, continues its positive trajectory. This month’s San Diego County Business Forecast, sponsored by CalPrivate Bank, shows the Index at 23.9 - a significant improvement compared to the previous three-month average of 17.4.

The solid BOI this month is due primarily to robust expectations from businesses within the City of San Diego. Firms in the south suburbs are also up this month, but businesses in the east are less optimistic than those elsewhere.

Advertising/promotions firms are stand-outs this month, with a strong BOI of 44, and this is a significant improvement compared to the previous three months. These businesses have a cheery outlook on revenue in the near-term. Maintenance firms are also more upbeat since last month, having jumped from 2 to 22 on the index.

Government regulations again top the list of new challenges at 7 percent. Verbatim responses reveal specific government concerns vary widely, from city and county restrictions to state and federal regulations. For example, one respondent concerned with local government told us, “permitting remains a challenge, the city governments are as difficult as ever,” while another is focused on worrisome "provisions in state laws.” Rising costs and competition come in at 4 percent each, followed by the minimum wage increase, tax or fee increases, and staffing issues each at 3 percent. All told, one out of every six San Diego County businesses perceive their biggest challenge coming from government.
To gain local perspective on the Trump administration’s recent federal tax overhaul which Congress enacted in December, we asked businesspeople if their company will be better off or worse off as result of the tax overhaul. The most frequent response from county businesses is there will be no net change, with 48 percent believing it won’t impact their firm. Another 14 percent are unsure what to make of the new tax law’s effect on their firm. On the other hand, those who believe they will be better off are more than five times as numerous as those who say they will be worse off.

Whether businesses face a government-related issue is a solid indicator of the tax law’s perceived effect on a company. More than half of the businesspeople reporting a government-related challenge say the tax plan will positively affect their company, with none of them believing they will be worse off. For them, this tax plan is very welcome relief from the heavy hand of government.

We also asked whether respondents believe the new tax plan is good or bad for the country. Far more believe it is good than bad and the ratio is 1.8:1 positive. However, a substantial 28 percent are unsure what to make of the new tax plan and one-quarter predict it will actually hurt the country.

The primary driver of attitudes on the Trump tax plan is the expected impact the law will have on one’s own firm. Businesspeople who believe they will be better off are more likely to also say the plan will be good for the country, with a whopping 86 percent who believe they will be much better off also believing the tax plan will be very good for the country. At the other end of the spectrum, those who believe their business will be worse off are more likely to say the plan is bad for the country. Indeed, all the firms in our survey that believe the tax plan will make them much worse off believe the nationwide impact will be very bad. Companies that feel the tax law won’t impact them or that are unsure about the impact are largely split between predicting positive and negative effects at the national level, with many believing the law is neither good nor bad for the country or are unsure how to evaluate the impact. Thus, firms often view the tax plan through their own personal lens.
About the Business Forecast
The San Diego County Business Forecast, sponsored by CalPrivate Bank, is a scientific look at where our region’s economy is headed. The survey for this month’s installment was fielded February 15-28, 2018 by Competitive Edge Research & Communication using responses from 200 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 IndexTM (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 CalPrivate Bank and Private Bancorp of America, Inc.
Private Bancorp of America, Inc. (OTCQX:PBAM), is the holding company for CalPrivate Bank. CalPrivate Bank, provides a Distinctly Different banking experience through unparalleled service and creative funding solutions to high net worth individuals, professionals, locally owned businesses and real estate entrepreneurs. Clients are serviced by experienced personal bankers through offices in Coronado, San Diego, La Jolla, Beverly Hills and Newport Beach as well as efficient electronic banking offerings. The Bank also offers various portfolio and government guaranteed lending programs, including SBA and cross-border Export-Import Bank programs. CalPrivate Bank is a SBA Preferred Lender and provides a full array of sophisticated treasury management and deposit products. www.calprivate.bank Please contact Paul Azzi, EVP and Market President at Paul@calprivate.bank to discuss your financial service needs.

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.