Business Community Maintains Steady Optimism Looking to Summer

Concern for potential cyberattack on business grows from 2015

This month’s San Diego Private Bank-sponsored Business Forecast shows that San Diego’s business community remains steadily upbeat about near-term prospects. The Business Outlook Index (BOI) sits right at its all-time average of 23.7. There has been no change in the outlook since last month and optimism has been stable the entire year. It has been a pleasantly remarkable change from 2016, when San Diego’s business community began to doubt that things would improve and see-sawed its way through the year.

The year-long surge has come mainly from improved expectations for revenue and a better outlook for industry conditions. The outlooks for employment and labor have not shown any consistent movement during the past year. Micro firms, where the owner is the only employee, are the only types of businesses left out of the growing optimism. The upward trend in the BOI has completely ignored them, while small, medium, and large businesses have been feeling increasingly better about their prospects. Geographically, it’s been the north city businesses (north of Interstate 8 and in the City of San Diego) that have become most optimistic. Businesses there took a big hit, lasting from August through December 2016, but now post a strong BOI score of 30.
General government regulations continue to be a top concern, as 9 percent mention that is their main challenge this month. When we fold in specific regulations such as Obamacare and minimum wage increases, 19 percent say a government-related issue is their main new challenge now. Competition (5 percent), staffing (5 percent), and issues specific to the business (4 percent) are the prominent new hurdles unrelated to government.

But encountering a business specific challenge is not necessarily a bad thing. Those business are in hiring mode now and are much more gung-ho about offering their workers more hours. In contrast, companies citing government related challenges lag, quite dissatisfied with the outlook for their particular industry.

In light of the recent and far-reaching ransomware attacks, this month’s survey takes the business community’s pulse on how vulnerable business is to a cyberattack and what the worst outcome would be. We last asked about this in March 2015 when we found local businesspeople more dismissive than they are now. Just 26 months ago, only 35 percent thought the typical local firm in their industry was likely to come under a serious cyberattack within the next three years - and half thought that wasn’t likely. Fast-forward to today and concern has grown as the results have somewhat flipped. Now, 48 percent say being seriously attacked is likely (almost one in six regard it as very likely) and just 46 percent see that as unlikely.

In the table below, we see how the likelihood of a serious cyber-attack within the next three years has changed from March 2015 to May 2017.

<table>
<thead>
<tr>
<th></th>
<th>Not at all likely</th>
<th>Not too likely</th>
<th>Unsure</th>
<th>Somewhat likely</th>
<th>Very likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2017</td>
<td>16%</td>
<td>30%</td>
<td>6%</td>
<td>33%</td>
<td>16%</td>
</tr>
<tr>
<td>March 2015</td>
<td>17%</td>
<td>34%</td>
<td>14%</td>
<td>26%</td>
<td>9%</td>
</tr>
</tbody>
</table>

The level of concern varies widely by the type of business. Firms working in cyber space, not surprisingly, are by far the most sensitive, with 58 percent seeing the possibility of an attack as very likely. The financial sector is another highly concerned segment of the economy. Three-quarters say being targeted for a cyberattack is likely. On the other end are maintenance firms. Highly dismissive of the cyber threat, 80 percent of maintenance companies see that as unlikely. The hospitality industry, arts and culture organizations, retail, education, and printing all place themselves on the lower end of concern.
If they were attacked, a loss of information is the most common thing local businesses fear losing. Forty percent say that would be the worst outcome for them. Business consulting firms see a loss of information as the worst possible outcome far more frequently, as 60 percent see that as the biggest risk. On the other hand, the hospitality industry is far less concerned about losing their information in a cyberattack.

One-quarter of respondents say the worst outcome would be an innocuous distraction from the core business. It’s the cyber industries themselves that see a distraction from the core business as the worst outcome. Half of them say that would be the worst result of a cyberattack. Nineteen percent see a loss of money as being the worst that could happen from a cyberattack and 10 percent say the thing they fear most is a loss of reputation.

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**About the Business Forecast**

The San Diego County Business Forecast, sponsored by San Diego Private Bank, is a scientific look at where our region’s economy is headed. The survey for this month’s installment was fielded May 16-31, 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 San Diego Private Bank and Private Bancorp of America, Inc.**

Private Bancorp of America, Inc. (OTCQX:PBAM), is the holding company for San Diego Private Bank. San Diego Private 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. San Diego Private Bank is a SBA Preferred Lender and provides a full array of sophisticated treasury management and deposit products. www.sandiegoprivatebank.net Please contact Paul Azzi, EVP and Market President at Paul@sandiegoprivatebank.net 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.