**Sustained Business Confidence Hits Plateau**

*Annual measure of business climate and those considering a move from the county unchanged from 2016*

The business community’s confidence continues to be markedly higher than it was a year ago, yet the steady climb over the past several months has plateaued. This month’s Business Forecast, sponsored by San Diego Private Bank, found that gains seen over the last six months have not extended into the outlook for the summer with the Business Outlook Index (BOI) at 21.7. Still squarely in positive territory, the business community’s confidence continues to be markedly higher than it was a year ago, with the BOI running six points above where it was in June 2016.

Looking at the region’s various industries, education companies – which had been some of the least upbeat companies – have found new optimism. Perhaps looking ahead to a new school year, firms in this sector now post a BOI of 36 – solidly above this month’s average. Maintenance firms have also grown more optimistic since the last quarter, raising their BOI to a robust 40. And health, beauty and fitness businesses are the most upbeat of all as we move into summer.

The only group left out of the yearlong surge are micro businesses. The outlook for one-person firms was in the teens back in 2016, did not improve, and recently turned somewhat sour, landing at a BOI of 5. Companies with more employees are far more bullish than the smallest firms, as they anticipate adding employees and workforce hours in the near term.
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Geographically, it’s businesses in the East County that break with the overall positive attitude posting a BOI of -10. East County firms are down on hiring and none in our survey say they will expand their workforce in the coming months, while 22 percent say they will reduce employees. East county firms also anticipate decreasing the hours they offer workers. Coastal businesses, on the other hand, are newly optimistic. They struggled last month, but June produced a solid BOI of 27 as companies located along the coast looked forward to summer.

One thing working against further gains in confidence is the minimum wage increase. Respondents that say raising the minimum wage is their company’s main challenge, report a very poor BOI of -14. The survey shows those affected by the minimum wage increase are frequently responding by cutting the hours worked by employees and are nervous about business conditions in their industry. The hospitality segment is far more likely to have a problem with the increasing minimum wage, as 12 percent of those companies say it’s the main new challenge they’re facing.

This month’s Forecast also took the annual measurement of how business-friendly local governments are and whether firms are considering moving out of the county. The results show that the perceived friendliness of local government is on par with last year. When compared to 2014 and 2015, government has become friendlier to the business community by 11 percent and 5 percent, respectively.

Three years ago, only 11 percent of businesses saw their local government as very friendly, but now that figure is up to 21 percent. On the other side of the ledger, the results are indistinct. Although 28 percent saw local government as unfriendly back in 2014 and that’s nominally down to 24 percent now, only 7 percent regarded government as very unfriendly three years ago and that’s risen to 11 percent.

This year, 9 percent of county businesses indicate they are considering moving at least a portion of their company outside San Diego County, with 3 percent seriously considering it. Those percentages are slightly smaller than last year’s, but they’re a little larger than the 2015 result and 9 percent equates to roughly 27,000 businesses considering a move.

The main driver in both of these cases is government regulations. Most companies led by people who say the biggest new challenge they’re facing is some form of government regulation believe their local officials are generally unfriendly to businesses. For companies considering a move, those facing a new challenge -- of any sort -- are more likely than those without challenges to
be looking outside San Diego County. Since government-related challenges make up a large portion of all issues businesses deal with, the main thing government can do to keep companies in San Diego is lower regulatory burdens.

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 June 15-29, 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 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 San Diego Private Bank and Private Bancorp of America, Inc.
Private Bancorp of America, Inc. (OTCQB: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.