Business outlook continues optimistic trend

Impact of autonomous vehicles a blind spot for businesses

Business optimism in San Diego County is holding steady. The Business Outlook Index, a forward-looking assessment of business conditions, sits at 22.5 in this month’s Business Forecast sponsored by CalPrivate Bank.

Companies in the development/construction sector boasted a stellar BOI of 54 this time last year, and while their outlook is not as rosy now—it is very rare to maintain such a high BOI score—they still sit in healthy territory at 22. Business consulting firms have improved on the year, doubling their BOI from 12 to 25 since last March. Real estate companies, on the other hand, are less bullish than they were the first two months of 2018. As interest rates continue to rise, they’ve dropped from a January/February average BOI of 25 to single digits, at 7.

Staffing concerns top the list of new, challenging issues at 6 percent. One respondent told us, the “lack of qualified skilled employees” is a worry, and another echoed that saying, “hiring qualified candidates” is difficult. Still others explain that “employee retention” and “keeping the turnover rate low” is the main staffing issue. While staffing is a burgeoning challenge for companies, that should be a good sign for worker’s wages, as they tend to increase with a tightening labor pool.

Also coming in at 6 percent is the challenge of rising costs. Several respondents specifically cite “interest rates” as the source of their concern, while others shared a variety of different cost-related issues such as labor, increased rent, and increased insurance expenses.
All these challenges add up to nascent inflationary pressure. On the other hand, competition is a concern for 5 percent, and, as we have seen before, much of that is related to the impact of online retailers. Although competition will tend to work as a counterweight to inflationary pressures, the latter now have the upper hand. Concerns about government regulations come at 4 percent. This issue usually ranks as a high priority, but currently takes a back seat to other concerns. Business-specific issues, changes in the political climate, and growing pains are all mentioned by 3 percent each.

In this installment we address California’s recently approved rules to bring driverless autonomous vehicles to the state’s roads. Businesses indicate no consensus on how prepared they are for that. Thirty percent claim they are ready for self-driving automobiles to join the roadways, but 41 percent admit they are unprepared. Another 31 percent are either unsure or have not thought about it.

Perhaps feeling a special challenge related to keeping up with this quickly-evolving technology, maintenance firms are largely unprepared. In fact, three-quarters say their business is very unprepared for self-driving cars. On the other hand, most development/construction firms are prepared for autonomous vehicles. Being on the production side of things may give these companies less angst. Still, large numbers of development firms are unsure or haven’t thought about how prepared their company is, while slightly more than one in six are unprepared. As for the transportation and automotive sector, most in that group concede they are not ready for autonomous vehicles.

We also asked if the presence of autonomous vehicles on the roads will positively or negatively affect the way one’s business operates. Unlike preparation, there is broad consensus on this issue, with 71 percent believing these vehicles will have no effect on the way their business operates. Those who believe self-driving cars will have an impact are fairly split between anticipating positive and negative effects. While 13 percent see autonomous vehicles as a good thing for their business, 9 percent see it the other way.

By industry, many transportation/automotive firms believe the introduction of driverless autonomous vehicles to California’s roads will hurt their companies. Thirty percent believe the impact will be very negative, while only 10 percent believe it will positively impact their business. This should give planners pause, as the industry supposedly most aware of issues with autonomous vehicles is also the wariest of the prospect. Printing and design companies, along with cyber firms are the most bullish when it comes to self-driving vehicles.

In total, firms that believe they are more prepared for the vehicles are more inclined to see them as benefitting their firm. This suggests that as more businesses become familiar with them, the fear of the unknown will lessen, and driverless cars will be embraced. Still, the large majority of even those companies now believe self-driving cars and trucks will not affect them.
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 March 20-28, 2018 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.

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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.