

BUSINESS FORECAST

October 2019

Business Outlook Only Moderately Positive Looking to Year's End

Catering to priorities of workers older than 65 just as important as millennials, according to county businesses

Highlights

Business Outlook Index at a moderately optimistic 13.1

Cyber and Manufacturing businesses are upbeat

Transportation and Real Estate firms report dips into pessimism

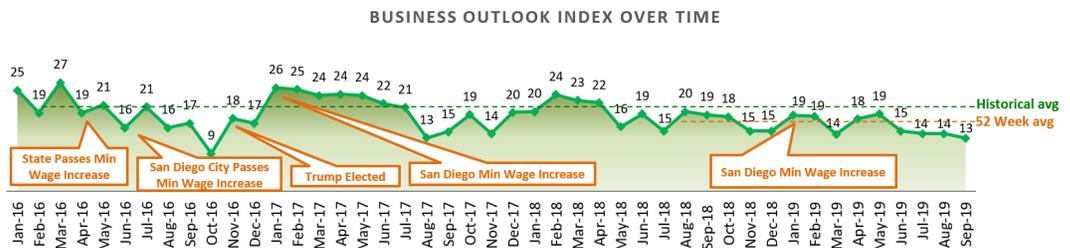
No consensus on how much companies should prioritize older workers

When older workers' priorities are valued, firms are more likely to implement plans to engage them

Flexible schedules and ongoing training are the most common strategies

Note: Data for this report was collected September 15-29, 2019

Moving into the last quarter of the year, the Business Outlook Index (BOI) sits at 13.1 in this month's San Diego County Business Forecast sponsored by CalPrivate Bank. All four components of the index—expectations about hiring, hours offered to workers, revenue, and business conditions—have held steady since July, and the outlook isn't weak. Taking a longer view, however, confidence has waned since a year ago when the BOI was six points higher and the BOI is now well below its historic average of 21.4.



There is wide variation in the outlook by industry. Cyber/IT firms are a bright spot this month, reporting a BOI of 36 due to high expectations about revenue and business conditions. Manufacturing firms are up this quarter from 3 to 29 due to increased bullishness about business conditions in their industry. Financial firms are also up on the quarter, rising from a score of 13 to 28. They're upbeat about hiring and revenue. However, transportation firms have fallen into negative territory from 14 to -6 due to decreased expectations about hiring, work hours, and revenue. Similarly, real estate firms have gone from 14 to -8 due to souring expectations across the board, perhaps anticipating a seasonal slow-down in activity.

Geographically, east county firms are stand-outs with a surprisingly strong BOI of 35. Companies in the City of San Diego located north of Interstate 8 maintain their healthy outlook from last month and are optimistic about business conditions and both of the BOI's labor components. That leaves businesses south of I-8, as well as those in the east suburbs less optimistic than companies elsewhere. Firms in the east suburbs, including El Cajon, La Mesa, Santee, and Lakeside, dropped from 19 last month into slightly negative territory due to substantially lower expectations about the hours they will be offering their workers. South suburban companies, those in National City, Chula Vista, and

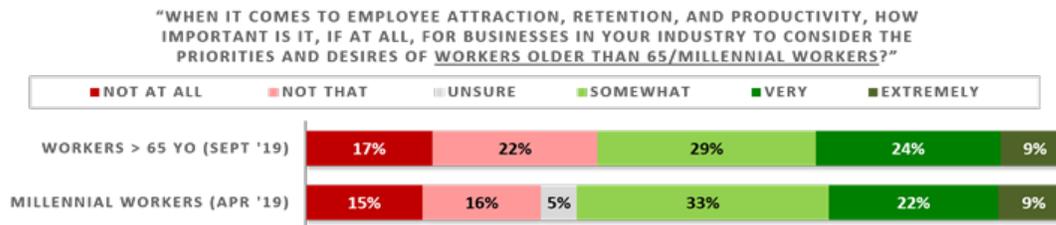
Imperial Beach, are also less optimistic due to concerns about work hours, but revenue and business conditions are additional causes for their pessimism. Further, firms along the coast slipped from 12 last month to 2 now due to decreased expectations about business conditions as winter approaches.

Optimism among micro firms (where the owner is the only employee) has receded this month, dropping from 18 to 3 due to decreased revenue expectations. This marks their lowest point in the past year. At the same time, small, medium, and large firms are holding steady in the moderately optimistic zone with BOIs of 13, 15, and 17 respectively.

Concerns about government regulations shot back up into double digits this month, with 14 percent of businesspeople focused on that issue in response to our open-ended question. More than one-third of these folks feel encumbered by state laws coming out of Sacramento. While several others point to federal regulations, none specifically mention local regulations as an obstacle.

Four percent are focused on competition and three percent are concerned about rising costs. Notably, worries specifically about minimum wage and Obamacare have completely disappeared for now. With the minimum wage increasing again January 1, we expect those concerns to rise as they have in the past.

This month we asked about the aging workforce and how important it is for businesses to consider the priorities and desires of workers older than 65 in terms of employee attraction, retention, and productivity. There is little consensus within San Diego’s business community. One-third of firms believe it is at least very important to consider the priorities of this older cohort, though only 9 percent believe it is extremely important. Twenty-nine percent are lukewarm on the topic, believing it is somewhat important. That leaves 39 percent who think it is unimportant to consider the priorities of these older workers, with 17 percent of them saying it is not at all important.



This is remarkably consistent with what we found in April when we asked the same question about millennial workers. Despite millennials’ generally comprising a larger share of the workforce, companies place the same amount of importance on catering to both this younger and the older than 65 age group.

While companies are all over the map on whether catering to older workers is important, most implement some kind of strategy to appeal to workers older than 65. Further, companies that prioritize this group are much more likely to take action to retain and recruit these employees. Eighty-four percent that see prioritizing the needs of older workers as extremely or very important have implemented a strategy. In contrast, only 34 percent of firms that see catering to older workers as unimportant offer specific enticements to older workers.

As to the specific strategy companies implement to recruit, retain, and engage workers older than 65, flexible schedules are the most common. That’s fairly easy to implement, so 28 percent of businesses are doing that. Providing ongoing training and development opportunities is the second most popular strategy, but that takes more work than adjusting employee schedules, so half as many firms are engaged in senior training. That said, non-profit organizations, cyber firms and retail companies are most likely to do this. Five percent of all firms implement phased retirements. Very few businesses offer a variety of benefits for older workers and let them choose what they want, offer mentoring programs, partner with affiliate groups that support older workers, or offer some other strategy.

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 September 16-27, 2019 by Competitive Edge Research & Communication with 201 randomly selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, Encinitas, National City, Coronado, and Carlsbad Chambers of Commerce. One-third of the members were invited to complete the survey online and over the phone.

The Business Outlook Index™ (BOI) is comprised of four self-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 industry 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 an overall 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, the new name for San Diego Private 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.

