

Optimism Is Picking Up Steam on the Local Business Scene

ECONOMY: Low Interest Rates, Tax Reform Help Boost Confidence

By LARA McCAFFREY

San Diego businesses are feeling optimistic about the next six months, according to the San Diego Business Confidence Index. The spring 2018 results indicate a business confidence index (BCI) of 79 — that's five points higher than the results of a similar survey taken in fall 2017.

This analysis has been developed over several years by CSU San Marcos College of Business Administration and the San Diego Business Journal. BCI is based on a company's assessment of its current position and expectations for the immediate future.

So why are San Diego businesses feeling so good? According to Gregg Landers, managing director of consulting and in-

ternal control services of CBIZ Inc., it's partly because of the economy.

"When companies can grow in a consistent and steady manner, they typically can do it more profitably than when (they) accelerate too fast," said Landers. "They can typically manage their cash flow better and maintain more secure cash balances."

The U.S. is in a "productivity" lead type recovery after the recession of 2008, according to Landers. Money is inexpensive for businesses to borrow. Employee wages haven't risen dramatically and neither has inflation. All of these factors have helped businesses.

Politics have played a role too — the Trump administration's tax overhaul has

made businesses more secure in their finances.

"Regardless of your politics, it's hard to argue that businesses are seeing the lower taxes and as a result are making bigger investments in their companies to grow," said Landers.

For this particular index, 50 points is the baseline. Above 50 indicates overall optimism and below indicates a lack of confidence. The 223 respondents were mostly small businesses (50 employees or less) in San Diego.

Respondents were asked various questions about how their business was doing and what they predicted for the future. Some questions asked about whether or

not their firm's employee count, profits, revenue, and more have risen or dropped over the last 12 months.

Other questions asked employers what they expected to happen in the next 12 months in terms of their revenue, employee count, an overlook of their industry, and how their company fares against the competition.

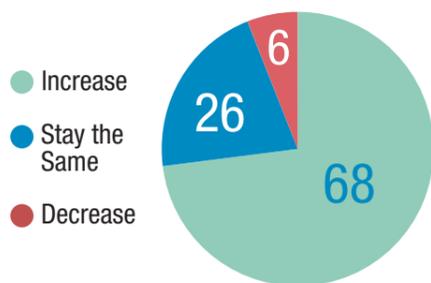
The survey is conducted every six months; the pool of respondents was not the same as in previous surveys.

Landers said there are things that can derail a thriving economy and soaring business confidence however. Major geopolitical events that adversely affect the U.S. and European economy, data breaches, or "bad actor" involvement from foreign countries, to name a few.

"Most economists and business people I interact with, although recognizing that such events are always possible, don't see anything like that on the likely horizon," said Landers.

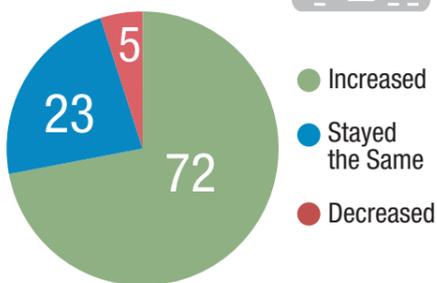
PROFITS

Over the next 12 months, your firm's profits are likely to:



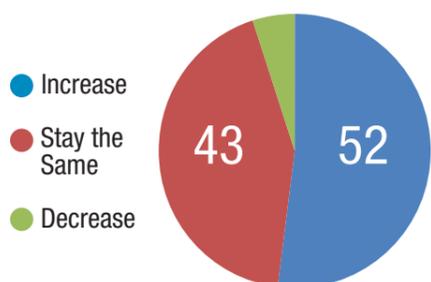
SALES REVENUE

For the past 12 months, your firm's sales revenues have:



STAFFING

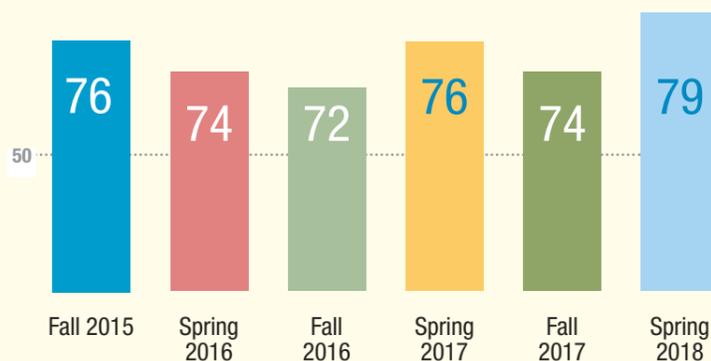
Over the next 12 months, your firm's employee count is likely to:



Cal State University San Marcos - San Diego Business Journal



Business Confidence Index



(above 50 indicates optimism; below 50 indicates lack of confidence)

The San Diego Business Confidence Index has been developed over the past three years by the Cal State University San Marcos College of Business Administration and the San Diego Business Journal. The initiative has used the business school's Senior Experience Program, which matches teams of students with projects submitted by local businesses and organizations. The index uses 50 as a baseline; above 50 indicates overall optimism in the local economy and below 50 indicates a lack of confidence.

The survey was administered in March from a pool of general business. Respondents may differ from previous surveys. The current survey had 223 respondents.

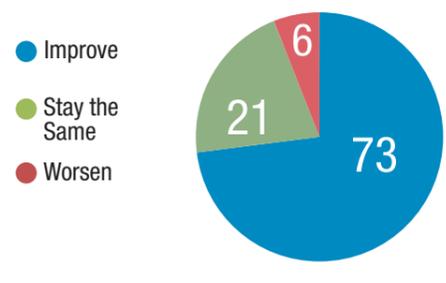


Additional data available at www.csusm.edu/coba/dashboard

Source: Cal State San Marcos COBA survey (222 responses)

INDUSTRY

Over the next 12 months, your outlook for your industry is to:



COMPETITION

Compared to your competition, how is your company performing?



OUTLOOK VS. OUTCOME



Comparing how business owners in Spring 2017 viewed the upcoming 12 months vs. what business owners in Spring 2018 say occurred in the past 12 months:

	Predicted	Outcome
Profits		
Increase	60	57
Similar	33	32
Decrease	7	11
Employment		
Increase	40	53
Similar	58	36
Decrease	2	11
Sales revenue		
Increase	65	62
Similar	28	28
Decrease	7	10

Source: Cal State San Marcos COBA survey (223 responses); a- Respondents were not necessarily the same businesses from a year ago