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CEOs' Confidence Rises in Increasingly "Global" Bay Area Economy

36% of Region's Businesses Now Say They Actively Participate in the Global Economy

SAN FRANCISCO, December 8, 2006 — Today the Bay Area Council announced it has found a rise in confidence in the rapidly "globalizing" Bay Area economy in its quarterly survey of the region's CEOs. The *Bay Area Business Confidence Index* – the number that distills the survey findings – rose 2 points since last quarter, up to 57 out of 100.

The increase in confidence was driven by the 45 percent of the 542 CEOs and top executives in the nine Bay Area counties surveyed between October 10 – 27, 2006 who now say the local economy will improve in the next six months, versus 16 percent predicting a decline, and 39 percent that expect the economy will be the same. The confidence was coupled with a continuing strong hiring trend, with more than four CEOs planning to expand their Bay Area workforce in the next six months, for every one that foresees reductions.

Thirty-six percent of respondents say their company actively participates in the global marketplace, buying or selling goods or services. Exact comparisons are unavailable, but according to the U.S. Department of Commerce, 20 months ago only 19.7 percent of Bay Area manufacturers participated in the global marketplace.

"This survey points to economy that is both expanding and evolving," said Jim Wunderman, President and CEO of the Bay Area Council. "In the Bay Area, globalization is now permanent reality. On any given day, many of our region's CEOs are just as likely to be in Osaka or Dusseldorf as in San Jose or Oakland. This new economic era for the private sector means we are going to have to work on big changes in the public sector to stay competitive as a region."

Not surprisingly, half of the companies with a Bay Area workforce between 500 and 10,000 employees report that they are now "global" companies, but even among small businesses with 1 – 49 employees, more than a quarter (26%) say they now actively participate in the global marketplace. The most global counties are Alameda (46% of companies are global), followed by Santa Clara (41%) and San Francisco (39%). The least global was Contra Costa and Solano (18%).

CEOs fear that the economy has gotten ahead of local elected officials and their policy making. Sixty-nine percent of respondents are concerned that local or California regulations restrict the region's ability to compete against other domestic and international economic hubs. Another 71 percent say the region's elected leaders are not doing enough to make the Bay Area more globally competitive.

Given a list of possible policy changes or prioritizations, the most important was to develop standards for K-12 education on, or above, par with other competing global hubs, which 53 percent ranked as "very important." The next most important change was to use new technology to help resolve the Bay Area's infrastructure challenges (in areas such as communications, transportation and energy), ranked "very important" by 41 percent. Other policy changes included increased

investments in institutions of higher-learning; better incentives to attract knowledge-based companies; loosened restrictions on foreign workers in knowledge-based industries; and worldwide Bay Area trade offices to attract new businesses to the region.

“With its current economic makeup, the Bay Area stands to be one of the biggest beneficiaries of globalization,” said Lenny Mendonca, a director at McKinsey & Company, the international management-consulting firm that helped develop the *Survey*. “Yet this opportunity is not license to be complacent. Given the incredible pace of globalization, policy makers should note that in the next few years the Bay Area can ride this wave to prosperity, or be swamped by it.”

Bay Area Business Confidence Survey

The Bay Area Council developed the *Bay Area Business Confidence Survey* to measure employer expectations of the Bay Area economy. The fall survey is the twenty-first in a series of quarterly measures of business confidence. *Survey* findings can be accessed from the “Vault” at www.bayareacouncil.org.

The confidential survey of Bay Area business executives is conducted quarterly by Evans/McDonough Company Incorporated for the Bay Area Council with the assistance of McKinsey & Company. All members in the database were invited to participate through e-mail and the Internet. The *Survey* results are weighted to reflect the approximate percentage of employees in each Bay Area county.

Bay Area Council

Founded in 1945, the Bay Area Council (www.bayareacouncil.org) develops and drives regional public policy initiatives and researches critical infrastructure issues. Led by CEOs, the Bay Area Council presents a strong, united voice for hundreds of major employers throughout the Bay Area region whom employ more than 490,000 workers, or 1 of every six private sector employees in the Bay Area.

McKinsey & Company

McKinsey & Company (www.mckinsey.com) is an international management consulting firm that helps leading corporations and organizations make substantial and lasting improvements in their performance. With approximately 6,000 consultants deployed from eighty-two offices in forty-three countries, McKinsey has expertise on strategic, operational and technological issues.

Evans/McDonough

Evans/McDonough Company Incorporated (www.evansmcdonough.com) is a full-service opinion research and strategic consulting firm serving a broad range of corporate, political and institutional clients. Founded in 1989, EMC principals have been involved in thousands of public opinion studies, ranging from political and public policy strategy polls to extensive market share and customer satisfaction surveys.

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