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Bay Area CEOs' Immediate Outlook on the Economy Drops, But Remains Positive

SAN FRANCISCO, September 14, 2007 — Forty percent of Bay Area CEO's expect the Bay Area economy to improve in the next six months and only 17 percent predict declines, the Bay Area Council announced today in its quarterly *Business Confidence Survey* of the region's CEOs. However, the largest portion of these business leaders (43 percent) are in a "holding pattern" saying they expect no change.

The most recent results represent a four year low in overall CEO confidence. Pessimism was driven by concerns about the current state of the regional economy, and appears to be deflating future hiring plans. Since January, the number of employers planning layoffs has doubled from six percent to 12 percent. Likewise, in January, seven companies were planning local workforce expansions for every one that planned a reduction, but now the ratio – while still positive – has shrunk to three companies hiring for every one laying off. Only 36 percent of the 494 CEOs and top executives in the nine Bay Area counties surveyed between July 18 – August 20, 2007 say the local economy is better now than it was six months ago.

The *Bay Area Business Confidence Index* – the number that distills the survey findings – fell 3 points since last quarter, down to 54 out of 100.

The best place to find a new job appeared to be San Mateo County (based on 42 interviews, a proportional number), where 50 percent of respondents will enlarge their work force and 15 percent will cut back.

"While we note the increase in pessimism, we are pleased the overall *Confidence Index* is still in positive territory," said Jim Wunderman, President and CEO of the Bay Area Council. "Given the recent decline in the housing industry and the volatility of the stock market, we are not surprised to see mixed confidence. Next quarter's results will prove if this is a sustained negative trend or a short-term aberration."

"The Bay Area economy has been expanding at strong pace over the past three years and has added nearly 107,000 more jobs," said Lenny Mendonca, Chairman of the Bay Area Council and a director at McKinsey & Company, the international management-consulting firm that helped develop the *Survey*. "The results show that there is uncertainty about the sustainability of that growth."

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 sixteenth 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 495,000 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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