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Business Confidence Drops Due to Slowing Economy

Despite economic slowdown, 41% of Bay Area Executives Still Think Economy Better than Six Months Ago

SAN FRANCISCO, CA — The Bay Area Council today released their summer *Business Confidence Survey*, and the results show that Bay Area CEO's and executives are nervous about what lies ahead, but remain optimistic about the Bay Area economy as a whole. The business confidence index – the number that distills the survey findings – registered at 56 out of 100, down 6 points from the last survey.

A reading over 50 signals positive economic times, while below 50 is negative. Last quarter's *Survey* showed the index reading at 62 – making this the fourth positive reading in a row since the summer of 2009. One year ago, the reading registered 47, and in January 2009, the index reached its all-time low of 31.

“Even though we're seeing a downward trend in business confidence in this survey, the strength of the Bay Area economy continues to provide optimism to CEO's and executives,” said Jim Wunderman, President & CEO of the Bay Area Council. “Overall, the Bay Area economy is in better shape than it was six months ago. However, uncertainty about what lies ahead continues to affect the key indicators, such as hiring.

The responses of the 500 CEO's and top executives in the nine Bay Area counties surveyed between August 9th and August 23rd, show that overall, 41% think Bay Area economic conditions are better than 6 months ago, down 17 points from the last quarter's survey. In addition, 44% said they expect a better Bay Area economy 6 months from now, down 19 points from last quarter.

Across industries, current conditions vary when compared to executives' predictions in last quarter's survey. While 80% of executives in the retail industry predicted industry conditions to improve, none of the retail executives surveyed reported improvement in their industry over the past six months. However, executives in both the leisure/hospitality and education/healthcare industries report better industry conditions versus six months ago (44% and 42%, respectively).

The *Survey* indicates that the decrease in business confidence translates to jobs – 60% of executives surveyed predict their workforce will stay the same in the next six months. However, only 14% of executives stated they planned to decrease their workforce – the same percentage as in the previous survey. Hiring trends appear to be up in Contra Costa and Solano counties though, where 21% of

executives surveyed expect to increase their workforce within the next six months, up four points since they were last surveyed. Additionally, 31% of Bay Area companies with 500-999 employees predict they will increase their workforce over the next six months, an increase of eight points since last quarter's survey.

While these numbers may paint a bleaker picture from the results of the last business confidence survey in May, executives still remain committed to the Bay Area. When asked if their company had seriously considered moving any significant business functions outside of the Bay Area, 77% of executives surveyed answered that they had not.

In addition, when asked "how difficult is it for you to hire/retain quality employees due to the availability of housing in the Bay Area," 54% of executives responded that it was very difficult or somewhat difficult.

"The Bay Area needs to continue pushing for smart, business-friendly policies that encourage hiring to pull our region out of the recession" said Wunderman. "The initiatives and policies that we are focusing on at the Bay Area Council, such as supporting infrastructure projects and financing for sustainable energy will help move the Bay Area economy in the right direction."

"While the survey reflects that our economy remains in a high state of flux, it also reveals heightened optimism from Bay Area economic leaders that may bode well for improvement on important economic measures in the coming months," said Lenny Mendonca, Executive Committee member of the Bay Area Council and a director at McKinsey & Company.

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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 confidential survey of Bay Area business executives is conducted quarterly by EMC Research. 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.

The Bay Area Council

The Bay Area Council is a business-sponsored, public-policy advocacy organization for the nine-county Bay Area. The Council proactively advocates for a strong economy, a vital business environment, and a better quality of life for everyone who lives here. Founded in 1945, the Bay Area Council is widely respected by elected officials, policy makers and other civic leaders as the voice of Bay Area business. Today, approximately 275 of the largest employers in the region support the Bay Area Council and offer their CEO or top executive as a member. Our members employ more than 4.43 million workers and have revenues of \$1.94 trillion, worldwide.

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