

Contact:
Melanie de La Grange
Bay Area Council
415-946-8725
mdelagrange@bayareacouncil.org



Bay Area Economy Finally Hits Bottom, According to Bay Area Council Survey

*Business Confidence Index rises into positive territory for the first time in two years
Executives see national economy leading the Region in the recovery*

SAN FRANCISCO, December 3, 2009 — Today the Bay Area Council announced that business confidence among Bay Area business leaders has hit bottom and may move into positive territory for the first time since the summer of 2007, according to results of its quarterly *Business Confidence Survey*. The business confidence index – the number that distills the survey findings – registered at 53 out of 100, rising 6 points since the last reading. A reading over 50 signals a positive economic direction and below 50 is negative.

“It looks like we have finally hit rock bottom and are now looking up,” said Jim Wunderman, President and CEO of the Bay Area Council. “This shift into positive territory shows that a majority of respondents – albeit a slight one – are looking down the road and finally seeing a turn for the better. Unfortunately, a healthy percentage predict the same or worse conditions ahead.”

The *Survey* responses of the 475 CEO’s and top executives in the nine Bay Area counties surveyed between November 2-19, 2009, predict the Bay Area will lag behind the national economy in the recovery. Indeed, 52 percent of respondents think that national economic conditions are better than they were six months ago, 28 percent think conditions have been stable and 20 percent feel conditions have worsened. This is in sharp contrast to their opinions of the Bay Area’s economic conditions where only 33 percent of business leaders saw improvement in the region’s economy compared to six months ago, 39 percent saw no change, and 28 percent think conditions are worse.

Looking ahead, respondents show increased optimism in the Bay Area’s economy. Forty-seven percent of Bay Area business leaders expect the Bay Area’s economy to improve over the next six months, 37 percent expect no change and 15 percent expect conditions to worsen. This shows a vast improvement in confidence compared to this time last year when 52 percent of executives expected economic conditions to worsen in the Bay Area, 25 percent expected no change and 23 percent expected improvement.

“At this point, the new found optimism does not appear to be translating into new jobs,” said Jim Wunderman. “The business leaders are becoming more confident in the economy, but are not yet willing to bet jobs on it.”

Layoffs outweigh hires in almost every corner of the Bay Area, the *Survey* shows. Overall, 23 percent of respondents expect to see their workforce decrease over the next six months, while 18 percent expect an increase and 56 percent expect no change. The hardest hit area, jobs-wise, appears to be Contra Costa and Solano counties where 35 percent expect workforce decreases, only eight percent expect to see increases and 53 percent expect to hold steady. The Bay Area county with the best job outlook this quarter appears to be San Mateo where layoffs and hires are equal. Indeed, 14 percent expect decreases in their workforce, 14 percent expect increases, and 64 percent expect no change.

Larger Bay Area companies seem to be suffering the most in this downturn. Fully, 40 percent of companies with 1,000 or more Bay Area employees are cutting local workers, while 11 percent are hiring. Yet, the smaller the Bay Area workforce, the less likely a company is to see layoffs. Indeed, 21 percent of companies with less than 500 workers plan reductions and 18 percent are actually planning increases.

Construction and transportation – perhaps the hardest hit sectors in the Bay Area – may significantly rebound, according to the *Survey*. Thirty-four percent of construction and transportation executives surveyed expect their workforce to increase over the next six months while only 14 percent expect layoffs. Fifty-two percent expect no change. Information technology professionals are also expecting positive job growth. Twenty-one percent are expecting to increase their workforce, 11 percent are planning decreases and 62 percent expect to hold steady.

On the other side of the spectrum, respondents from the retail and government sectors expect more layoffs. Of all retail executives surveyed, 40 percent expect to see layoffs in their companies, zero percent expect to hire and 53 percent expect no change to their workforce. Forty-one percent of government respondents expect decreases, eight percent expect increase and 48 percent expect no change.

“While I’m heartened to see increased optimism, it is not yet time to celebrate,” said Lenny Mendonca, Director at McKinsey & Company and Chairman Emeritus of the Bay Area Council. “The Bay Area continues to stagger under the weight of this world-wide economic downturn with job loss and the state’s budget woes continuing to impede business confidence.”

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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.

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 500,000 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.

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