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Bay Area Executives' Confidence in Regional Economy Rebounds

Small and Midsize Companies Express Plans to Increase Local Workforces, Very Large Employers See More Layoffs

SAN FRANCISCO, February 1, 2005 — The *Bay Area Business Confidence Index*, a quarterly survey of Bay Area CEOs and top executives, registered a 61, ending a confidence slide that began after April of 2004. Improvements in the Bay Area economy, as well as their industries, over the past six months drove the increase in confidence.

Of the 569 CEOs and top executives surveyed between January 5-13, 2005, 58 percent forecast improvement in the Bay Area economy over the next six months, 35 percent expected conditions to remain the same, and seven percent predicted that the regional economy would worsen.

As for hiring, overall 30 percent of respondents said they plan to increase the number of Bay Area workers they employ in the next six months, and seven percent expect more Bay Area layoffs. Small to mid-size companies plan the most local hiring, while very large employers will likely decrease their Bay Area workers, continuing a trend noted in previous Bay Area Council *Business Confidence Surveys*. As an example, in the current January 2005 *Survey*, for respondents with 1,000-10,000 Bay Area employees, 17 percent planned increases and 20 percent planned decreases; but of those CEOs and top executives with 100-499 local workers, 38 percent will hire more people in the Bay Area and only four percent expect layoffs.

Separated by industry, the leisure and hospitality, professional and business services, and financial activities sectors look particularly strong in terms of hiring. On the other hand, the government and construction/transportation sectors indicated layoffs, or almost zero growth.

“Increasing confidence and plans for more hiring by local employers bode well as the region enters 2005,” said Jim Wunderman, president and CEO of the Bay Area Council. “That said, the continuing plans for layoffs by our largest employers is a very troubling sign. These companies compete on the national and international stage, are acutely sensitive to business conditions in the Bay Area, and can choose where they locate their employees. This trend should concern us.”

Fully 100 percent of those in the leisure and hospitality forecast improvement in the Bay Area economy, followed by 71 percent in information technology and 69 percent in financial activities. The least optimistic about Bay Area prospects were those that also planned the least hiring – the construction/transportation and government sectors.

“Bay Area elected officials must follow Governor Schwarzenegger’s lead in working to improve the business climate,” said Lenny Mendonca, a director at McKinsey & Company, the international management-consulting firm that helped develop the Survey. “Increasing the supply of housing, improving the transportation system and working to both attract and retain companies won’t just benefit the business community, it will benefit all the region’s residents.”

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 winter survey is the fourteenth 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. Participating organizations include: Bay Area Council, Contra Costa Council, Economic Development Alliance for Business, Oakland Chamber of Commerce, San Jose Silicon Valley Chamber of Commerce, San Francisco Chamber of Commerce, San Rafael Chamber of Commerce, Santa Rosa Chamber of Commerce, Silicon Valley Manufacturing Group, Solano Economic Development Corporation, and Tri-Valley Business Council. All members in the database were invited to participate through the Internet. The *Survey* results are weighted to reflect the approximate percentage of employees in each Bay Area county.

A key element of the *Bay Area Business Confidence Survey* is the *Bay Area Business Confidence Index* that tracks changes in business executives’ confidence over time. The *Index* value is the average of the percent of positive or negative responses to four questions: current own industry conditions vs. 6 months ago; expectation for own industry 6 months ahead; current Bay Area economic conditions vs. 6 months ago; and expectations for Bay Area economy 6 months ahead.

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 more than 275 major employers throughout the Bay Area region in promoting economic prosperity and quality of life.

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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