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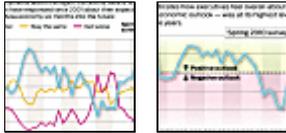
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Bay Area execs see bright business future

Carolyn Said, Chronicle Staff Writer

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In a striking turnaround, the Bay Area's top executives feel markedly more confident in the region's economy than they did just months ago, according to a survey to be released Friday by a local business group.

"Confidence has bounced back remarkably like it did after the dot-com bubble, although the downturn was longer this time," said Lenny Mendonca, director of McKinsey & Co., the consulting firm that conducted the survey on behalf of the Bay Area Council.

The majority - 58 percent - of 500 CEOs and top executives questioned in the quarterly Business Confidence Survey think local economic conditions have improved in the past six months. When asked the same question three months ago, only 36 percent felt that way.

Looking ahead, 63 percent said they expect a better Bay Area economy six months from now, a 16-point increase from last quarter.

Overall business confidence among the executives is at the highest level since July 2005, the group said. It registered at 62 on a scale of 100, up from 43 a year ago. The all-time low was 31 in January 2009.

Still, for the average worker, the \$64,000 question remains: How soon will that translate into job growth?

The survey, which was conducted in late April and early May, found that 29 percent of executives expect to add staff in the next six months, 14 percent plan layoffs and 55 percent anticipate staying the same (the remaining 2 percent didn't know). However, many of the companies planning to expand were small enterprises with fewer than 100 employees.

'A positive sign'

"It is a real question whether private-sector job growth will increase fast enough to offset declines in the public sector because of the end of the census and decreasing payrolls from budget problems," Mendonca said. "It's too soon to declare victory here; it's certainly a positive sign, but



we'd like to see a few more quarters of confidence and (see that) translate into new net private-sector hiring before people will think we're out of the woods."

Stephen Levy, director of the Center for Continuing Study of the California Economy, said he thinks the region is six months away from seeing an improvement in unemployment. California's unemployment rate is 12.6 percent, while the rate is slightly lower across the Bay Area.

"I think we now are in a period of job growth, but you need several months of job growth to get lower unemployment because people who dropped out of the workforce are coming back in," he said. "The recovery will be long and slow, but the direction has turned from down to neutral to up."

Hiring on upswing

At Bank of the West, which counts 2,871 Bay Area employees among its 10,000 workers in 19 states, CEO Michael Shepherd said hiring is slowly increasing, particularly in the area of small business lending.

"We're seeing corporate balance sheets in much better positions than they were in the past few years," he said. "But there is still persistently high unemployment and other head winds, like our California fiscal situation, to restrain enthusiasm."

As president of Sam Clar Office Furniture, a Concord company started by his great-grandfather, John Schwartz has a catbird seat to see businesses' expansion.

"In 2009 everyone hunkered down and no one was moving or expanding," he said. "This year, we're definitely seeing more activity as companies move to new spaces to take advantage of the unbelievable bargains out there for commercial rentals. We see companies that have been in their offices for five, 10 or 15 years move to new space and take the opportunity to update their office furniture. They're often adding five or 10 extra seats, so they're beginning to anticipate some expansion."

Clean tech and higher education clients have been particularly active, he said, while local government offices have heavily curbed buying.

Tom Escher, president of the Red and White Fleet, which runs a 12-language bay cruise out of Pier 43 1/2, said he is seeing tourism pick up, and he anticipates a summer that will be better than last year's. He uses temporary staff to handle busy times such as summer and holidays, but he also recently added three full-time workers to his staff of 40.

Visitors cutting costs

Escher has the impression many visitors are cutting costs by staying with friends instead of in hotels. And he worries about how the European financial crisis might hurt international tourism.

"We're trying to be optimistic, but it's cautious optimism," he said.

Mark Edmunds, regional managing partner for consulting firm Deloitte Services LP, said the company is actively adding employees and growing broadly. Edmunds supervises 3,600 workers from Seattle to San Jose, 2,600 of them in the Bay Area.

"Based on the clients I deal with, there is growing confidence that we're in a sustained recovery," he said. "There is no doubt unemployment will remain high for some time to come, but the Bay Area has such a high level of entrepreneurial spirit and innovation, and this huge push in clean technology and biotechnology will carry us through."

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