

## Quarterly Executive Highlights Q4 2019

### Hiring & Retaining Talent to Remain a Concern in 2020; Expect Continued Wage Growth

Bay Area unemployment continues to decline and outperform California overall. December's 2.26% unemployment rate represents a .25% decline from a year prior.<sup>1</sup> We expect finding talent to continue to be difficult, with top performers able to pick and choose among potential employers and negotiate higher compensation.

Employee demands continue to be driven by higher-than-average cost of living in the Bay Area, which increased 2.5% between December 2018 and December 2019.<sup>2</sup>

The tight labor market and rising employment costs are likely to persist through 2020 based on recent surveys of business owners. The 4<sup>th</sup> Quarter Vistage CEO Confidence Index of small-mid-sized businesses found 63% of all firms are expecting to add to their total headcount while 70% report higher healthcare costs as a significant challenge.<sup>3</sup>

### State and U.S. GDP Growth Continues – At a Slower Pace

While overall state GDP continues to climb, the rate of growth has declined significantly over the past year.<sup>4</sup> This mirrors the slowdown in overall U.S. economic growth, driven by political and trade concerns.

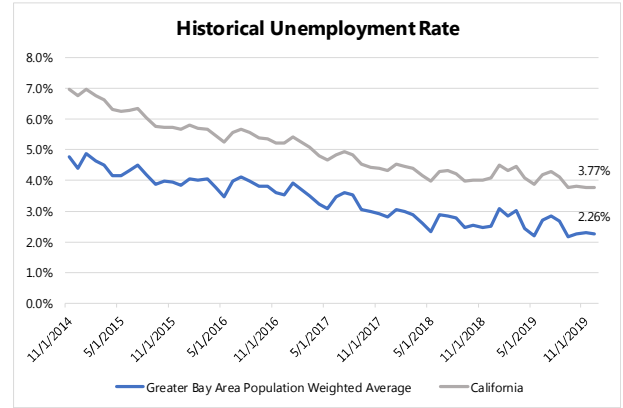
### CEO Expectations Continue to Send Mixed Messages

Two recent surveys of small business confidence both report increased optimism surrounding the U.S. economy going into 2020. The Wells Fargo/Gallup, and The MetLife and U.S. Chamber of Commerce surveys both find a majority of surveyed CEO's feel the national economy is in good health.<sup>5</sup> This confidence now extends to their local economies.<sup>5</sup>

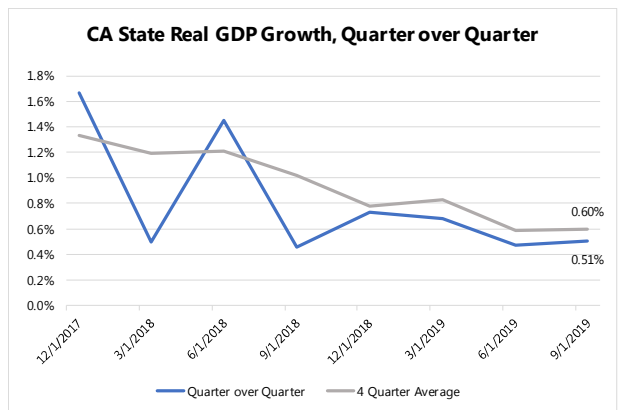
These surveys mirror the Vistage CEO Confidence Index which rebounded in Q4 after falling to its lowest point since 2011 during Q3.<sup>3</sup> This recovery was driven by robust hiring plans and CEO expectations of higher revenues in 2020.<sup>3</sup>

Ongoing trade disputes and slower international economic growth still weigh on both economic performance and business owner sentiment and slower growth is expected during 2020. A cycle dip during U.S. election years is also expected due to political uncertainty.

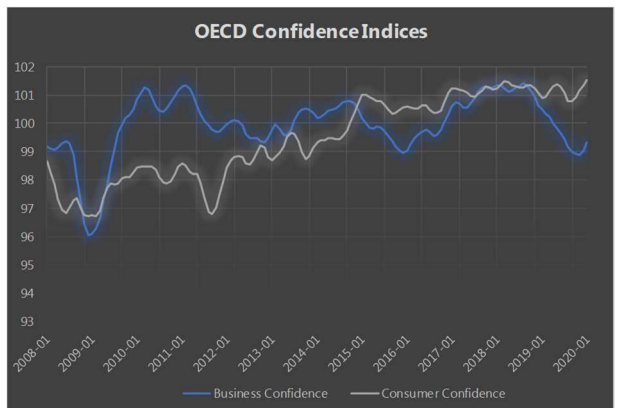
OECD leading indicators from 2007 to present show a similar decline in business confidence going into the 2016 election, while consumer confidence remained steady.<sup>6</sup>



Source: State of California Employment Development Department, U.S. Bureau of Labor Statistics, ClearPath Analysis



Source: U.S. Bureau of Economic Analysis, ClearPath Analysis



Source: Organisation for Economic Co-operation and Development, ClearPath Analysis

<sup>1</sup> State of California Employment Development Department

<sup>2</sup> U.S. Bureau of Labor Statistics, Consumer Price Index

<sup>3</sup> Vistage Worldwide, Inc. Vistage CEO Confidence Index

<sup>4</sup> U.S. Bureau of Economic Analysis

<sup>5</sup> Wells Fargo/Gallup Small Business Index; MetLife & U.S. Chamber of Commerce Small Business Index

<sup>6</sup> Organisation for Economic Co-operation and Development