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Rocky Mountain Poll

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Contact: Jim Haynes
President

BUSINESS CONFIDENCE IN THE ECONOMY RISES TO HIGHEST LEVEL SINCE FIRST QUARTER 2001

Phoenix, Arizona, February 25, 2005. Confidence in current business conditions has risen sharply among Phoenix area business people and now rests at 197.6, compared to only 115.1 two years ago. Today's optimism is driven by growing positive assessments on three main factors business people are asked to assess: *current business conditions in Arizona, current business conditions in their industry and current business conditions in the United States* as a whole. Additionally, we are registering the strongest positive readings since the third quarter of 2000 on their assessment of their companies financial health. The Company Financial Index is based on business peoples' evaluation of four key factors – cash flow, profitability, credit availability and interest rates. The cash flow and profitability measures are all registering the highest levels recorded since 2001. More specifically, 52 percent say their profitability is now “good,” 35 percent characterize it as “normal” and only ten percent characterize their profitability as “bad.”

Particularly impressive is the improvement in the proportion who assess current business conditions in Arizona as good – now at 56 percent compared to only 45 percent in the third quarter of 2004 and 49 percent at the outset of 2004. Belief that economic conditions in their industry have improved, rose to 54 percent from 50 percent and are also at the best level since 2001. The proportion willing to say the U.S. economy is in “good” condition rose to 40 percent from 31 percent at the outset of last year.

Equally important, the proportion of business people who assess local, industry or national business conditions to be “bad” continues to shrink and are now at some of the lowest lowest levels we have seen in four years.

Looking to the future, business people here remain more cautious, but on the optimistic side nonetheless. The Index on Expected Business Conditions rests at 115.4, compared to an almost identical reading of 115.2 in the prior study. The expectations index has remained relatively unchanged over the past three months, not due to a rise in the proportion predicting more improvement in the economy, but by a modest shrinkage in the proportion who believe the economy will worsen.

In short, pessimism appears to be drying up, optimism remains cautious, but may be approaching a tipping point that could signal a flood of optimism in the business community during the balance of the year.

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The findings outlined in this report are based on a survey of 400 owners and managers of private businesses in Maricopa County. The **BusinessTRACK™** studies were initiated in January of 1990 and are completed twice a year in the public interest and are co-sponsored by the ASU College of Business Center for the Advancement of Small Business and by Behavior Research Center. The estimated margin of error for this study is plus or minus five percent at a .95 confidence interval. To qualify for this study a respondent must be an owner or manager of the company, employ between three and 100 employees and not be a subsidiary of a larger company that employs more than 100 employees. The survey was completed during February of 2005, by the Behavior Research Center of Arizona as part of the Center's independent and non-partisan Rocky Mountain Poll series. For more information you may visit www.brcpolls.com.

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EDITOR'S NOTE: This Rocky Mountain Poll Arizona (2005-I-06) is based on 400 telephone interviews conducted in February 2005 with owners or managers of businesses in the metropolitan Phoenix area which have from three to 100 employees and which are not subsidiaries of larger corporations. In a sample of this size, one may say with 95 percent certainty that the results have a statistical precision of plus or minus 5.0 percent of what they would have been had the entire population of owners and managers of such small businesses been surveyed. **BusinessTRACK™** Arizona is co-sponsored by the ASU College of Business Center for the Advancement of Small Business and Behavior Research Center.

This statement conforms to the principles of disclosure of the National Council on Public Polls.

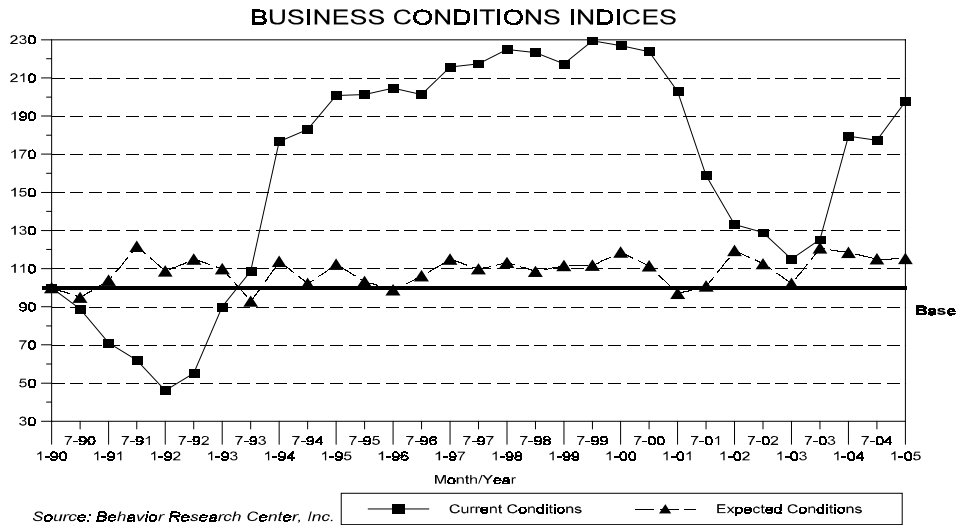
NOTE: January 1990, data constitute the base of 100.0 for the BusinessTRACK™ Arizona indices.

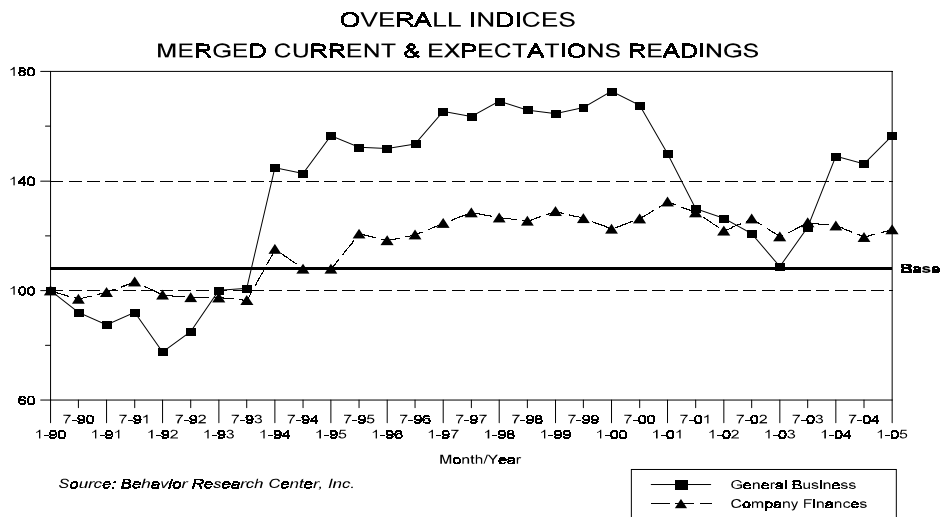
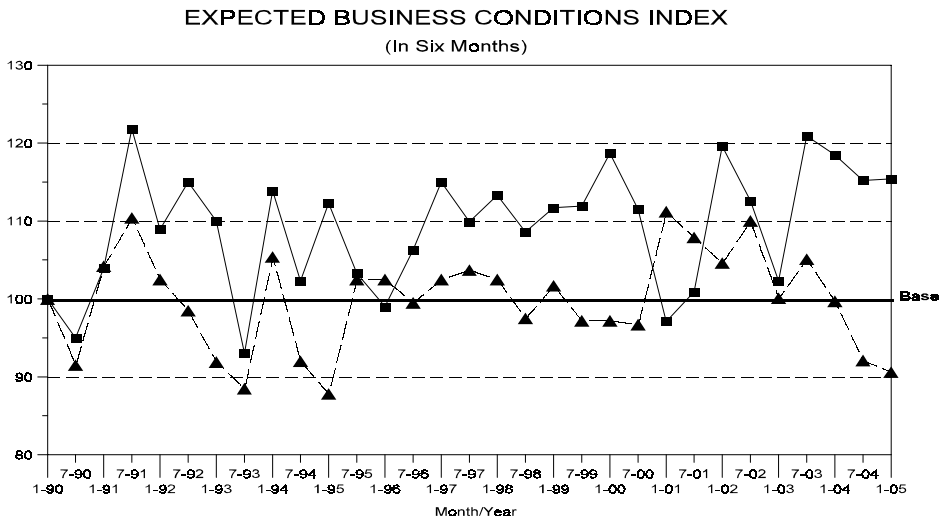
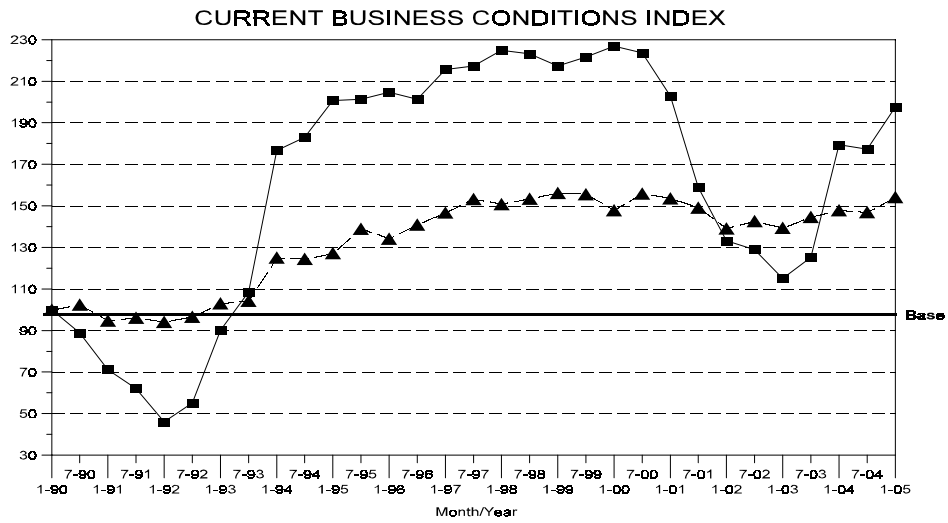
QUARTER

	First 2005	Third 2004	First 2004	Third 2003	First 2003	Third 2002	First 2002	Third 2001	First 2001
A. OVERALL INDICES									
<u>MERGING CURRENT AND EXPECTATIONS READINGS</u>									
General Business Conditions	156.5	146.3	149.0	123.1	108.7	120.8	126.4	129.9	150.0
Company Finances	122.4	119.6	123.8	124.9	119.8	126.4	121.9	128.6	132.5
B. INDICES ON CURRENT BUSINESS CONDITION									
General Business Conditions	197.6	177.3	179.5	125.2	115.1	128.9	133.2	158.9	202.9
Company Finances	154.2	147.0	147.9	144.7	139.4	142.7	139.2	149.2	153.7
C. INDICES ON EXPECTED BUSINESS CONDITIONS (6 MONTHS)									
General Business Conditions	115.4	115.2	118.5	120.9	102.3	112.6	119.6	100.9	97.1
Company Finances	90.6	92.1	99.7	105.1	100.1	110.0	104.6	107.9	111.2

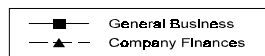
NOTE: Data for earlier periods is available in prior reports.

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Source: Behavior Research Center, Inc.



DETAILED ANALYSIS

Current Business Conditions Index

The *Current Business Conditions Index* increased from 177.3 last July to 197.6 today. As can be seen in the table below, improved readings are recorded for each of the three components of the Index.

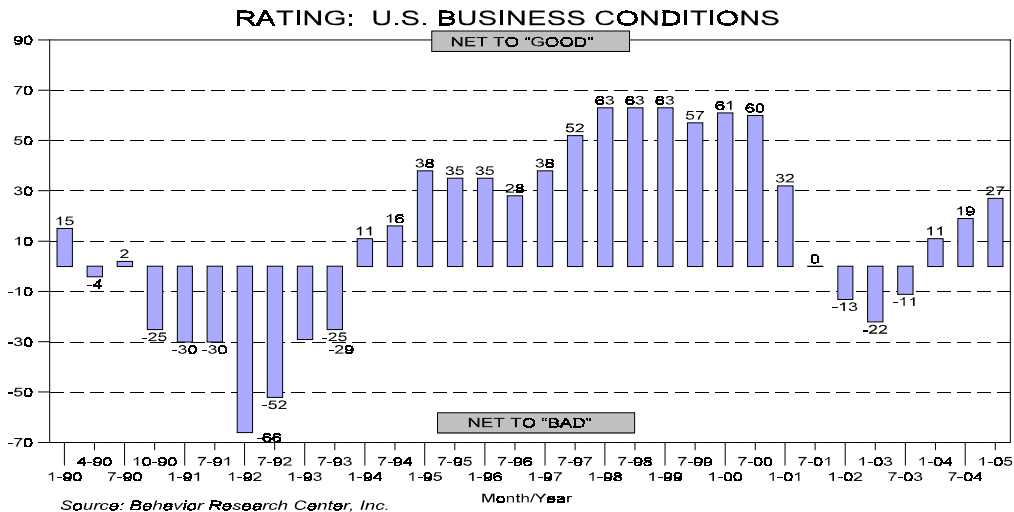
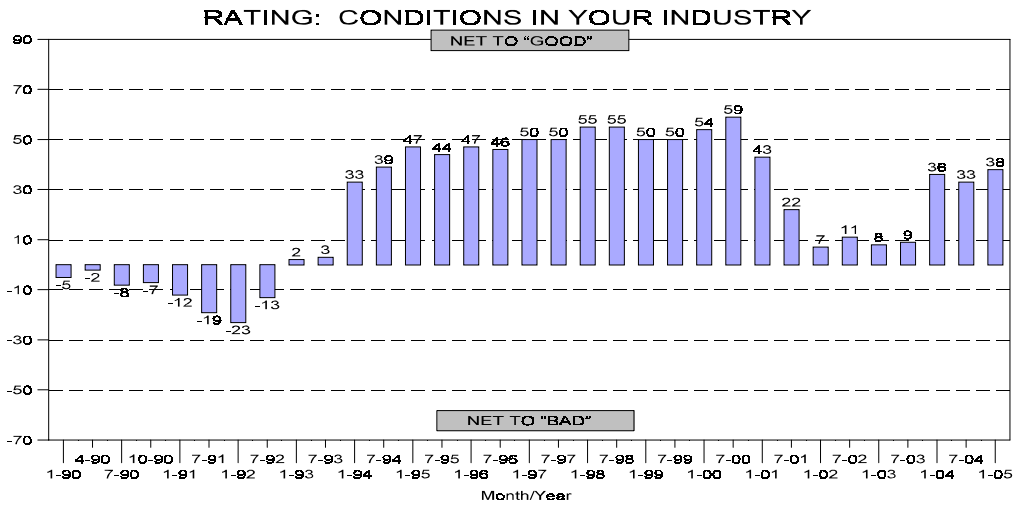
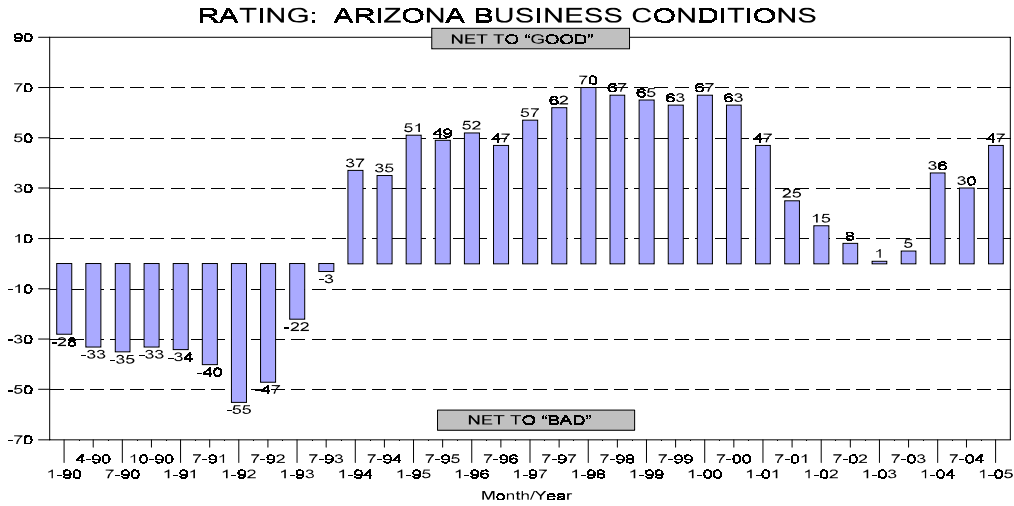
*"Thinking about the present, would you rate each of the following as good, normal or bad?"*

|                                      | <u>QUARTER</u>        |               |               |               |               |               |               |               |               |
|--------------------------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                      | <b>First<br/>2005</b> | Third<br>2004 | First<br>2004 | Third<br>2003 | First<br>2003 | Third<br>2002 | First<br>2002 | Third<br>2001 | First<br>2001 |
| CURRENT BUSINESS<br>CONDITIONS INDEX | <b>197.6</b>          | 177.3         | 179.5         | 125.2         | 115.1         | 128.9         | 133.2         | 158.9         | 202.9         |
| <u>IN ARIZONA</u>                    |                       |               |               |               |               |               |               |               |               |
| Good                                 | <b>56%</b>            | 45%           | 49%           | 35%           | 31%           | 34%           | 37%           | 41%           | 56%           |
| Normal                               | <b>33</b>             | 38            | 35            | 33            | 34            | 36            | 39            | 42            | 33            |
| Bad                                  | <b>9</b>              | 15            | 13            | 30            | 30            | 26            | 22            | 16            | 9             |
| <u>IN YOUR INDUSTRY:</u>             |                       |               |               |               |               |               |               |               |               |
| Good                                 | <b>54</b>             | 50            | 52            | 38            | 37            | 40            | 39            | 44            | 56            |
| Normal                               | <b>29</b>             | 31            | 31            | 31            | 31            | 31            | 29            | 33            | 30            |
| Bad                                  | <b>16</b>             | 17            | 16            | 29            | 29            | 29            | 32            | 22            | 13            |
| <u>IN THE U.S.:</u>                  |                       |               |               |               |               |               |               |               |               |
| Good                                 | <b>40</b>             | 36            | 31            | 23            | 18            | 22            | 21            | 25            | 41            |
| Normal                               | <b>36</b>             | 38            | 39            | 34            | 31            | 37            | 38            | 45            | 46            |
| Bad                                  | <b>13</b>             | 17            | 20            | 34            | 40            | 33            | 34            | 25            | 9             |

NOTE: Data for earlier periods is available in prior reports.

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The following charts exhibit the "net" scores obtained when total negative ratings are subtracted from total positive ratings.



Source: Behavior Research Center, Inc.

Expected Business Conditions Index

The *Expected Business Conditions Index* is virtually unchanged from the third quarter of 2004 (115.4 vs. 115.2).

"And thinking about six months from now, will each of the following be better, about the same or worse?"

	<u>QUARTER</u>								
	<u>First 2005</u>	Third 2004	First 2004	Third 2003	First 2003	Third 2002	First 2002	Third 2001	First 2001
EXPECTED BUSINESS CONDITIONS INDEX	115.4	115.2	118.5	120.9	102.3	112.6	119.6	100.9	97.1
<u>IN ARIZONA:</u>									
Better	41%	44%	49%	53%	42%	47%	51%	35%	29%
Same	51	46	42	38	43	43	38	51	58
Worse	4	7	5	7	13	7	7	11	10
<u>IN YOUR INDUSTRY:</u>									
Better	36	40	45	47	37	47	48	35	33
Same	55	53	49	47	49	41	45	54	56
Worse	6	5	6	4	11	10	5	10	9
<u>IN THE U.S.:</u>									
Better	35	41	47	51	42	48	57	38	28
Same	48	42	38	36	37	36	30	43	52
Worse	8	9	8	7	13	11	8	15	15

NOTE: Data for earlier periods is available in prior reports.

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Current Company Financial Conditions Index

The *Current Company Financial Conditions Index* increased by 7.2 points since last July and now sits at 154.2. The driving forces behind the increase are improved attitudes about profitability, cash flow and credit availability. Only attitudes about interest rates declined since the last period.

*"Thinking about the present, would you rate each of the following as good, normal or bad for your business?"*

| COMPANY FINANCIAL<br>CONDITION                         | QUARTER       |               |               |               |               |               |               |               |               |  |
|--------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
|                                                        | First<br>2005 | Third<br>2004 | First<br>2004 | Third<br>2003 | First<br>2003 | Third<br>2002 | First<br>2002 | Third<br>2001 | First<br>2001 |  |
| Current Condition Index                                | <b>154.2</b>  | 147.0         | 147.9         | 144.7         | 139.4         | 142.7         | 139.2         | 149.2         | 153.7         |  |
| <u>PROFITABILITY:</u>                                  |               |               |               |               |               |               |               |               |               |  |
| Good                                                   | <b>52%</b>    | 48%           | 47%           | 42%           | 43%           | 40%           | 44%           | 44%           | 51%           |  |
| Normal                                                 | <b>35</b>     | 33            | 35            | 36            | 32            | 38            | 38            | 41            | 39            |  |
| Bad                                                    | <b>10</b>     | 15            | 13            | 18            | 20            | 18            | 15            | 12            | 7             |  |
| (NET)*                                                 | <b>(+42)</b>  | (+33)         | (+34)         | (+24)         | (+23)         | (+22)         | (+29)         | (+32)         | (+44)         |  |
| <u>CASH FLOW:</u>                                      |               |               |               |               |               |               |               |               |               |  |
| Good                                                   | <b>49</b>     | 42            | 42            | 38            | 41            | 41            | 37            | 43            | 43            |  |
| Normal                                                 | <b>38</b>     | 37            | 39            | 39            | 32            | 36            | 41            | 41            | 45            |  |
| Bad                                                    | <b>11</b>     | 18            | 14            | 18            | 22            | 18            | 19            | 14            | 8             |  |
| (NET)                                                  | <b>(+38)</b>  | (+24)         | (+28)         | (+20)         | (+19)         | (+23)         | (+18)         | (+29)         | (+35)         |  |
| <u>CREDIT AVAILABILITY TO<br/>YOUR COMPANY :</u>       |               |               |               |               |               |               |               |               |               |  |
| Good                                                   | <b>52</b>     | 55            | 49            | 51            | 52            | 52            | 50            | 55            | 49            |  |
| Normal                                                 | <b>27</b>     | 24            | 25            | 26            | 21            | 28            | 25            | 29            | 31            |  |
| Bad                                                    | <b>8</b>      | 8             | 9             | 8             | 9             | 9             | 10            | 8             | 7             |  |
| (NET)                                                  | <b>(+44)</b>  | (+47)         | (+40)         | (+43)         | (+43)         | (+43)         | (+40)         | (+47)         | (+42)         |  |
| <u>INTEREST RATES YOUR COMPANY<br/>PAYS FOR LOANS:</u> |               |               |               |               |               |               |               |               |               |  |
| Good                                                   | <b>34</b>     | 35            | 33            | 36            | 34            | 32            | 29            | 33            | 25            |  |
| Normal                                                 | <b>23</b>     | 24            | 22            | 21            | 18            | 25            | 26            | 28            | 33            |  |
| Bad                                                    | <b>7</b>      | 6             | 7             | 5             | 7             | 6             | 8             | 7             | 8             |  |
| (NET)                                                  | <b>(+27)</b>  | (+29)         | (+26)         | (+31)         | (+27)         | (+26)         | (+21)         | (+26)         | (+17)         |  |

\*NET is the difference between the "good" and the "bad" ratings within each category.  
NOTE: Data for earlier periods is available in prior reports.

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Expected Company Financial Conditions Index

The *Expected Company Financial Conditions Index* dipped slightly from last July and now sits at 90.6 – the third period in a row the Index has declined. The primary factors behind this decline are business peoples' lowered enthusiasm about their company's future profitability and their availability of credit.

"Thinking about six months from now, will each of the following be better, about the same or worse for your business?"

<u>EXPECTED COMPANY FINANCIAL CONDITION</u>	<u>Q U A R T E R</u>									
	<u>First 2005</u>	Third 2004	First 2004	Third 2003	First 2003	Third 2002	First 2002	Third 2001	First 2001	
Expected Condition Index	90.6	92.1	99.7	105.1	100.1	110.0	104.6	107.9	111.2	
<u>PROFITABILITY:</u>										
Better	56%	57%	60%	63%	55%	57%	59%	56%	49%	
Same	38	35	33	31	38	36	35	37	43	
Worse	5	4	4	4	5	3	3	3	6	
(NET)*	(+51)	(+53)	(+56)	(+59)	(+50)	(+54)	(+56)	(+53)	(+43)	
<u>CASH FLOW:</u>										
Better	52	50	52	56	50	56	55	50	49	
Same	42	39	39	36	41	34	38	42	44	
Worse	4	6	4	4	6	6	4	5	4	
(NET)	(+48)	(+44)	(+48)	(+52)	(+44)	(+50)	(+51)	(+45)	(+45)	
<u>CREDIT AVAILABILITY TO YOUR COMPANY:</u>										
Better	21	23	23	26	22	27	25	23	24	
Same	59	56	54	59	59	59	55	64	61	
Worse	7	6	6	5	7	4	6	7	5	
(NET)	(+14)	(+17)	(+17)	(+21)	(+15)	(+23)	(+19)	(+16)	(+19)	
<u>INTEREST RATES YOUR COMPANY PAYS FOR LOANS:</u>										
Better	9	12	12	15	12	18	17	22	30	
Same	43	34	44	43	46	42	42	47	42	
Worse	23	27	14	13	9	9	13	10	10	
(NET)	(-14)	(-15)	(- 2)	(+ 2)	(+ 3)	(+ 9)	(+ 4)	(+12)	(+20)	

NOTE: Data for earlier periods is available in prior reports.

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Perceptions On Area Labor Pool

Belief that the availability of quality personnel for hire is improving has declined since July – with 27 percent saying such availability is “good” – the lowest positive reading since July 2001. Further, attitudes about future availability are also down slightly from last period.

AVAILABILITY OF  
QUALIFIED PERSONNEL TO HIRE

CURRENT

| <u>QUARTER</u> |             | <u>GOOD</u> | <u>NORMAL</u> | <u>BAD</u> | <u>(NET)</u> |
|----------------|-------------|-------------|---------------|------------|--------------|
| <b>First</b>   | <b>2005</b> | <b>27%</b>  | <b>40%</b>    | <b>31%</b> | <b>(- 4)</b> |
| Third          | 2004        | 32          | 39            | 29         | (+ 3)        |
| First          | 2004        | 36          | 34            | 26         | (+ 10)       |
| Third          | 2003        | 36          | 34            | 26         | (+ 10)       |
| First          | 2003        | 36          | 35            | 26         | (+ 10)       |
| Third          | 2002        | 37          | 34            | 27         | (+ 10)       |
| First          | 2002        | 37          | 34            | 27         | (+ 10)       |
| Third          | 2001        | 27          | 35            | 36         | (- 9)        |
| First          | 2001        | 23          | 34            | 40         | (- 17)       |

Note: Data for earlier periods is available in prior reports.

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SIX MONTHS HENCE:

		<u>BETTER</u>	<u>SAME</u>	<u>WORSE</u>	<u>(NET)</u>
First	2005	17%	68%	11%	(+ 6)
Third	2004	18	68	11	(+ 7)
First	2004	22	65	9	(+ 13)
Third	2003	23	66	9	(+ 14)
First	2003	22	66	9	(+ 13)
Third	2002	24	61	11	(+ 13)
First	2002	25	63	9	(+ 16)
Third	2001	19	66	12	(+ 7)
First	2001	21	62	14	(+ 7)

Note: Data for earlier periods is available in prior reports.

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Perceptions of Company Health

Sixty-three percent of executives report that their company is healthy and growing, up six points since July and the highest reading since July 2000.

*“In the case of your company, which of the following phrases best describes your company? Was your company...”*

|              |             | HEALTHY<br>AND<br>GROWING | HEALTHY,<br>BUT NO<br>GROWTH | STRUGGLING,<br>BUT OKAY | STRUGGLING<br>AND FACING<br>POSSIBLE<br>FAILURE | (NET<br>GROWING TO<br>STRUGGLING) |
|--------------|-------------|---------------------------|------------------------------|-------------------------|-------------------------------------------------|-----------------------------------|
| <b>First</b> | <b>2005</b> | <b>63%</b>                | <b>16%</b>                   | <b>19%</b>              | <b>2%</b>                                       | <b>(+42)</b>                      |
| Third        | 2004        | 57                        | 20                           | 20                      | 3                                               | (+34)                             |
| First        | 2004        | 58                        | 19                           | 21                      | 1                                               | (+36)                             |
| Third        | 2003        | 52                        | 20                           | 24                      | 3                                               | (+23)                             |
| First        | 2003        | 49                        | 22                           | 26                      | 3                                               | (+20)                             |
| Third        | 2002        | 49                        | 25                           | 25                      | 1                                               | (+23)                             |
| First        | 2002        | 48                        | 26                           | 24                      | 2                                               | (+22)                             |
| Third        | 2001        | 56                        | 25                           | 17                      | 2                                               | (+37)                             |
| First        | 2001        | 60                        | 20                           | 19                      | 1                                               | (+40)                             |

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