



behavior research center's

Rocky Mountain Poll

NEWS RELEASE
RMP 2005-III-07

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BUSINESS CONFIDENCE IN ECONOMY STARTING TO SOAR

Phoenix, Arizona, September 1, 2005. Inspired by expanding belief that business conditions in the State, in the U.S. as a whole and within their respective industries are getting better, the Arizona Business Confidence Index has surged to 161.3 compared to 156.5 in January and only 146.4 this time last year.

Particularly impressive are the assessments business people are making about their current profitability, cash flow and availability of credit for their business needs. For example, 59 percent now report that their profitability is “good;” this compared to only 52 percent of the same opinion in January and only 48 percent last summer. Similarly, the proportion reporting they have good cash flow is now at 56 percent compared to 49 percent at year start and only 42 percent 12 months ago. And the proportion who report they have good access to credit for their growth needs is at the highest level in five years – 57 percent. By 35 to 7 percent, business people say the current interest their company pays for loans is “good.”

The result of these buoyant views is improvement in the Business Confidence Index and, in particular, improvement in the Current Business Conditions Index. The only thing that kept the Index from rising more sharply is the lingering (perhaps stubborn) view business people take of the future. The Expectations Index now stands at 109.5, down from 115.4 in January. But even on this front, some encouraging readings are found – 36 per cent believe business conditions in both Arizona and their industry will improve in the coming six months, while only seven percent believe they will get worse. With the recent Katrina hurricane and much media speculation that gasoline prices may spike by as much as 20 cents per gallon, some of this new found optimism may dissipate.

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 survey was completed during August 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.

Seventy-eight percent of companies describe themselves as “healthy,” while only a fifth admit they are “struggling.” The survey also found that despite positive attitudes on profitability, employer are showing concerns that the availability of qualified employees to meet their needs is taking a turn for the worse. Thirty-nine percent now characterize as “bad” the availability of qualified personnel to hire, by far the highest such reading in four and half years.

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EDITOR'S NOTE: This Rocky Mountain Poll Arizona (2005-III-07) is based on 400 telephone interviews conducted in August 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.

STATISTICAL DATA

Behavior Research Center
 Rocky Mountain Poll - Arizona
 RMP 2005-III-07

For this and other polls, see www.brcpolls.com/results.

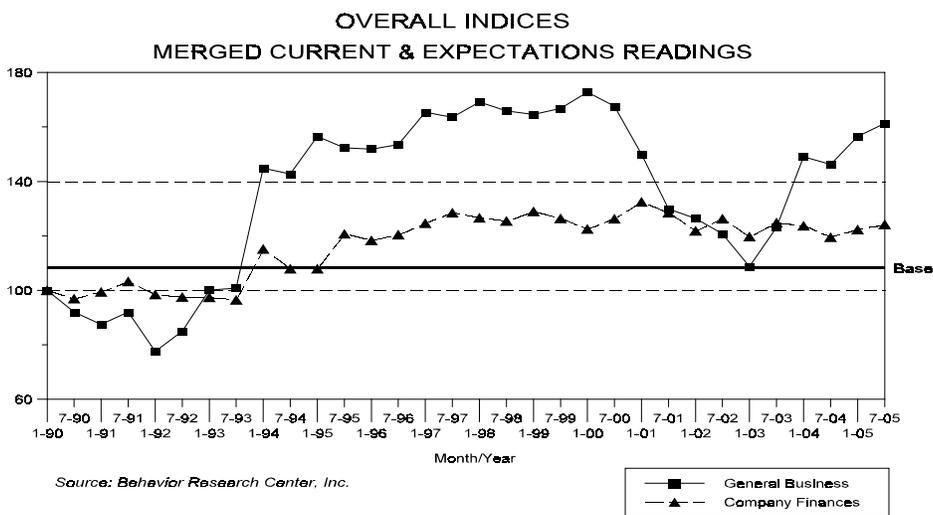
NOTE: January 1990, data constitute the base of 100.0 for the BusinessTRACK™ Arizona indices.

QUARTER

	<u>Third</u> <u>2005</u>	First 2005	Third 2004	First 2004	Third 2003	First 2003	Third 2002	First 2002	Third 2001
A. <u>OVERALL INDICES</u>									
<u>MERGING CURRENT AND</u>									
<u>EXPECTATIONS READINGS</u>									
General Business Conditions	161.3	156.5	146.3	149.0	123.1	108.7	120.8	126.4	129.9
Company Finances	124.2	122.4	119.6	123.8	124.9	119.8	126.4	121.9	128.6

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

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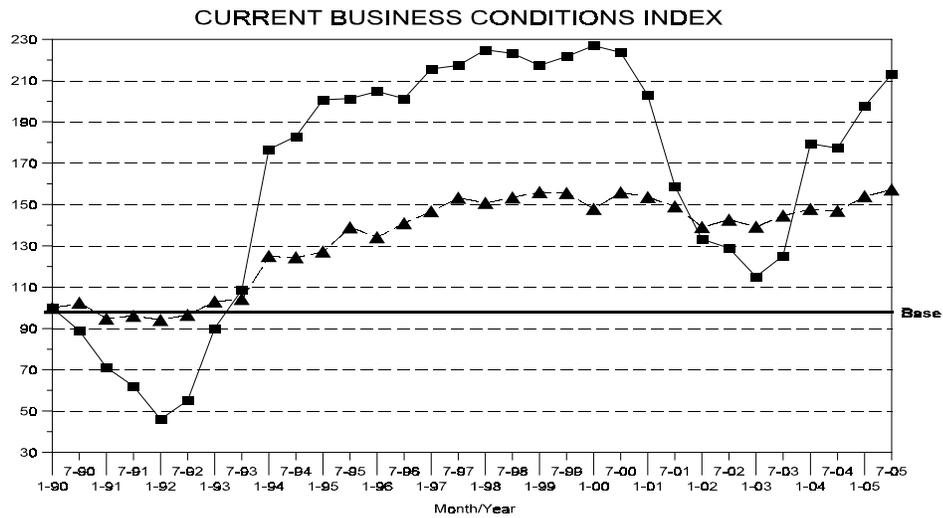


QUARTER

|                                                           | Third<br>2005 | First<br>2005 | Third<br>2004 | First<br>2004 | Third<br>2003 | First<br>2003 | Third<br>2002 | First<br>2002 | Third<br>2001 |
|-----------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| B. INDICES ON <i>CURRENT</i><br><u>BUSINESS CONDITION</u> |               |               |               |               |               |               |               |               |               |
| General Business Conditions                               | <b>213.0</b>  | 197.6         | 177.3         | 179.5         | 125.2         | 115.1         | 128.9         | 133.2         | 158.9         |
| Company Finances                                          | <b>157.4</b>  | 154.2         | 147.0         | 147.9         | 144.7         | 139.4         | 142.7         | 139.2         | 149.2         |

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

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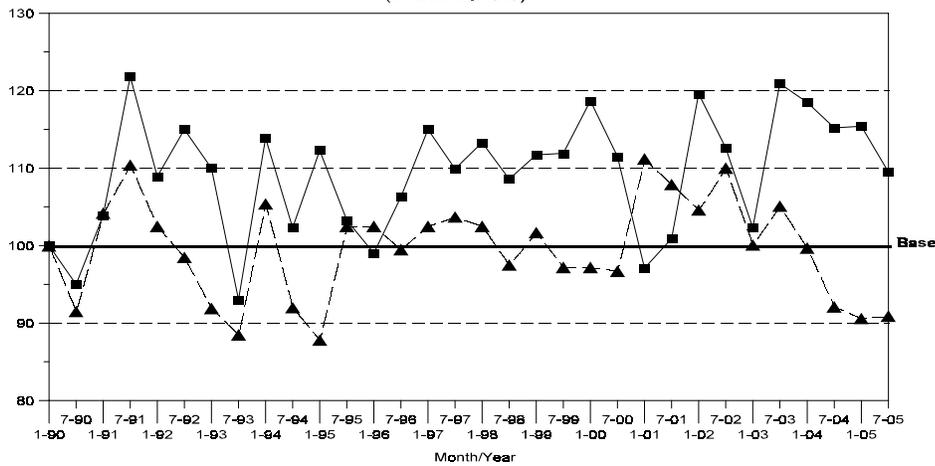
QUARTER

	Third 2005	First 2005	Third 2004	First 2004	Third 2003	First 2003	Third 2002	First 2002	Third 2001
C. INDICES ON <i>EXPECTED</i> <u>BUSINESS CONDITIONS (6</u> <u>MONTHS)</u>									
General Business Conditions	109.5	115.4	115.2	118.5	120.9	102.3	112.6	119.6	100.9
Company Finances	90.9	90.6	92.1	99.7	105.1	100.1	110.0	104.6	107.9

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

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**EXPECTED BUSINESS CONDITIONS INDEX**  
(In Six Months)



**DETAILED ANALYSIS**

Current Business Conditions Index Components

The *Current Business Conditions Index* increased from 197.6 last January to 213.0 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 general business conditions...?"*

|                                      | <u>QUARTER</u>        |               |               |               |               |               |               |               |               |
|--------------------------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                      | <b>Third<br/>2005</b> | First<br>2005 | Third<br>2004 | First<br>2004 | Third<br>2003 | First<br>2003 | Third<br>2002 | First<br>2002 | Third<br>2001 |
| CURRENT BUSINESS<br>CONDITIONS INDEX | <b>213.0</b>          | 197.6         | 177.3         | 179.5         | 125.2         | 115.1         | 128.9         | 133.2         | 158.9         |
| <u>IN ARIZONA</u>                    |                       |               |               |               |               |               |               |               |               |
| Good                                 | <b>62%</b>            | 56%           | 45%           | 49%           | 35%           | 31%           | 34%           | 37%           | 41%           |
| Normal                               | <b>29</b>             | 33            | 38            | 35            | 33            | 34            | 36            | 39            | 42            |
| Bad                                  | <b>6</b>              | 9             | 15            | 13            | 30            | 30            | 26            | 22            | 16            |
| <u>IN YOUR INDUSTRY:</u>             |                       |               |               |               |               |               |               |               |               |
| Good                                 | <b>64</b>             | 54            | 50            | 52            | 38            | 37            | 40            | 39            | 44            |
| Normal                               | <b>23</b>             | 29            | 31            | 31            | 31            | 31            | 31            | 29            | 33            |
| Bad                                  | <b>11</b>             | 16            | 17            | 16            | 29            | 29            | 29            | 32            | 22            |
| <u>IN THE U.S.:</u>                  |                       |               |               |               |               |               |               |               |               |
| Good                                 | <b>49</b>             | 40            | 36            | 31            | 23            | 18            | 22            | 21            | 25            |
| Normal                               | <b>34</b>             | 36            | 38            | 39            | 34            | 31            | 37            | 38            | 45            |
| Bad                                  | <b>9</b>              | 13            | 17            | 20            | 34            | 40            | 33            | 34            | 25            |

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

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Expected Business Conditions Index Components

The *Expected Business Conditions Index* is down from the first quarter of 2005 (109.5 vs. 115.4). Each of the three components in the index record less positive readings than was the case last January.

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

	<u>QUARTER</u>								
	Third 2005	First 2005	Third 2004	First 2004	Third 2003	First 2003	Third 2002	First 2002	Third 2001
EXPECTED BUSINESS CONDITIONS INDEX	109.5	115.4	115.2	118.5	120.9	102.3	112.6	119.6	100.9
<u>IN ARIZONA:</u>									
Better	36%	41%	44%	49%	53%	42%	47%	51%	35%
Same	53	51	46	42	38	43	43	38	51
Worse	7	4	7	5	7	13	7	7	11
<u>IN YOUR INDUSTRY:</u>									
Better	36	36	40	45	47	37	47	48	35
Same	54	55	53	49	47	49	41	45	54
Worse	7	6	5	6	4	11	10	5	10
<u>IN THE U.S.:</u>									
Better	30	35	41	47	51	42	48	57	38
Same	53	48	42	38	36	37	36	30	43
Worse	9	8	9	8	7	13	11	8	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 3.2 points since last January and now sits at 157.4. The driving forces behind the increase are improved attitudes about profitability, cash flow and credit availability. Only attitudes about interest rates remain virtually unchanged since the last period.

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

| <u>COMPANY FINANCIAL<br/>CONDITION</u>                 | <u>QUARTER</u>        |               |               |               |               |               |               |               |               |
|--------------------------------------------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                                        | <b>Third<br/>2005</b> | First<br>2005 | Third<br>2004 | First<br>2004 | Third<br>2003 | First<br>2003 | Third<br>2002 | First<br>2002 | Third<br>2001 |
| Current Condition Index                                | <b>157.4</b>          | 154.2         | 147.0         | 147.9         | 144.7         | 139.4         | 142.7         | 139.2         | 149.2         |
| <u>PROFITABILITY:</u>                                  |                       |               |               |               |               |               |               |               |               |
| Good                                                   | <b>59%</b>            | 52%           | 48%           | 47%           | 42%           | 43%           | 40%           | 44%           | 44%           |
| Normal                                                 | <b>29</b>             | 35            | 33            | 35            | 36            | 32            | 38            | 38            | 41            |
| Bad                                                    | <b>8</b>              | 10            | 15            | 13            | 18            | 20            | 18            | 15            | 12            |
| (NET)*                                                 | <b>(+51)</b>          | (+42)         | (+33)         | (+34)         | (+24)         | (+23)         | (+22)         | (+29)         | (+32)         |
| <u>CASH FLOW:</u>                                      |                       |               |               |               |               |               |               |               |               |
| Good                                                   | <b>56</b>             | 49            | 42            | 42            | 38            | 41            | 41            | 37            | 43            |
| Normal                                                 | <b>30</b>             | 38            | 37            | 39            | 39            | 32            | 36            | 41            | 41            |
| Bad                                                    | <b>11</b>             | 11            | 18            | 14            | 18            | 22            | 18            | 19            | 14            |
| (NET)                                                  | <b>(+45)</b>          | (+38)         | (+24)         | (+28)         | (+20)         | (+19)         | (+23)         | (+18)         | (+29)         |
| <u>CREDIT AVAILABILITY TO<br/>YOUR COMPANY :</u>       |                       |               |               |               |               |               |               |               |               |
| Good                                                   | <b>57</b>             | 52            | 55            | 49            | 51            | 52            | 52            | 50            | 55            |
| Normal                                                 | <b>25</b>             | 27            | 24            | 25            | 26            | 21            | 28            | 25            | 29            |
| Bad                                                    | <b>8</b>              | 8             | 8             | 9             | 8             | 9             | 9             | 10            | 8             |
| (NET)                                                  | <b>(+49)</b>          | (+44)         | (+47)         | (+40)         | (+43)         | (+43)         | (+43)         | (+40)         | (+47)         |
| <u>INTEREST RATES YOUR COMPANY<br/>PAYS FOR LOANS:</u> |                       |               |               |               |               |               |               |               |               |
| Good                                                   | <b>35</b>             | 34            | 35            | 33            | 36            | 34            | 32            | 29            | 33            |
| Normal                                                 | <b>26</b>             | 23            | 24            | 22            | 21            | 18            | 25            | 26            | 28            |
| Bad                                                    | <b>7</b>              | 7             | 6             | 7             | 5             | 7             | 6             | 8             | 7             |
| (NET)                                                  | <b>(+28)</b>          | (+27)         | (+29)         | (+26)         | (+31)         | (+27)         | (+26)         | (+21)         | (+26)         |

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



Expected Company Financial Conditions Index

The *Expected Company Financial Conditions Index* is virtually unchanged from the first quarter and now sits at 90.9, compared to 90.6 in January. This reading represents a leveling out of the Index after three periods of decline.

*"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>QUARTER</u>    |            |            |            |            |            |            |            |            |  |
|----------------------------------------------------|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|--|
|                                                    | <b>Third 2005</b> | First 2005 | Third 2004 | First 2004 | Third 2003 | First 2003 | Third 2002 | First 2002 | Third 2001 |  |
| Expected Condition Index                           | <b>90.9</b>       | 90.6       | 92.1       | 99.7       | 105.1      | 100.1      | 110.0      | 104.6      | 107.9      |  |
| <u>PROFITABILITY:</u>                              |                   |            |            |            |            |            |            |            |            |  |
| Better                                             | <b>56%</b>        | 56%        | 57%        | 60%        | 63%        | 55%        | 57%        | 59%        | 56%        |  |
| Same                                               | <b>37</b>         | 38         | 35         | 33         | 31         | 38         | 36         | 35         | 37         |  |
| Worse                                              | <b>5</b>          | 5          | 4          | 4          | 4          | 5          | 3          | 3          | 3          |  |
| (NET)*                                             | <b>(+51)</b>      | (+51)      | (+53)      | (+56)      | (+59)      | (+50)      | (+54)      | (+56)      | (+53)      |  |
| <u>CASH FLOW:</u>                                  |                   |            |            |            |            |            |            |            |            |  |
| Better                                             | <b>52</b>         | 52         | 50         | 52         | 56         | 50         | 56         | 55         | 50         |  |
| Same                                               | <b>40</b>         | 42         | 39         | 39         | 36         | 41         | 34         | 38         | 42         |  |
| Worse                                              | <b>4</b>          | 4          | 6          | 4          | 4          | 6          | 6          | 4          | 5          |  |
| (NET)                                              | <b>(+48)</b>      | (+48)      | (+44)      | (+48)      | (+52)      | (+44)      | (+50)      | (+51)      | (+45)      |  |
| <u>CREDIT AVAILABILITY TO YOUR COMPANY:</u>        |                   |            |            |            |            |            |            |            |            |  |
| Better                                             | <b>22</b>         | 21         | 23         | 23         | 26         | 22         | 27         | 25         | 23         |  |
| Same                                               | <b>61</b>         | 59         | 56         | 54         | 59         | 59         | 59         | 55         | 64         |  |
| Worse                                              | <b>7</b>          | 7          | 6          | 6          | 5          | 7          | 4          | 6          | 7          |  |
| (NET)                                              | <b>(+15)</b>      | (+14)      | (+17)      | (+17)      | (+21)      | (+15)      | (+23)      | (+19)      | (+16)      |  |
| <u>INTEREST RATES YOUR COMPANY PAYS FOR LOANS:</u> |                   |            |            |            |            |            |            |            |            |  |
| Better                                             | <b>10</b>         | 9          | 12         | 12         | 15         | 12         | 18         | 17         | 22         |  |
| Same                                               | <b>39</b>         | 43         | 34         | 44         | 43         | 46         | 42         | 42         | 47         |  |
| Worse                                              | <b>24</b>         | 23         | 27         | 14         | 13         | 9          | 9          | 13         | 10         |  |
| (NET)                                              | <b>(-14)</b>      | (-14)      | (-15)      | (- 2)      | (+ 2)      | (+ 3)      | (+ 9)      | (+ 4)      | (+12)      |  |

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

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Perceptions of Company Health

Sixty-two percent of executives report that their company is healthy and growing, little changed from 63 percent in January.

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

		HEALTHY AND GROWING	HEALTHY, BUT NO GROWTH	STRUGGLING, BUT OKAY	STRUGGLING AND FACING POSSIBLE FAILURE	(NET GROWING TO STRUGGLING)
Third	2005	62%	16%	21%	1%	(+40)
First	2005	63	16	19	2	(+42)
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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Perceptions On Area Labor Pool

Belief that the availability of quality personnel for hire is improving has declined since January – with 39 percent saying such availability is “bad” – the highest negative reading since January 2001. Further, attitudes about future availability are also down slightly from last period.

AVAILABILITY OF  
QUALIFIED PERSONNEL TO HIRE

CURRENT

| QUARTER      |             | GOOD       | NORMAL     | BAD        | (NET)         |
|--------------|-------------|------------|------------|------------|---------------|
| <b>Third</b> | <b>2005</b> | <b>28%</b> | <b>31%</b> | <b>39%</b> | <b>(- 11)</b> |
| First        | 2005        | 27         | 40         | 31         | (- 4)         |
| 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:

		BETTER	SAME	WORSE	(NET)
Third	2005	19%	59%	15%	(+ 4)
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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The following charts exhibit the “net” scores obtained when total negative ratings are subtracted from total positive ratings.

