



behavior research center's

# Rocky Mountain Poll

NEWS RELEASE  
RMP 2003-III-07

Contact: Earl de Berge  
Research Director

## BUSINESS CONFIDENCE IN ECONOMY REVERSES DOWNSLIDE FOR FIRST TIME SINCE JANUARY 2000

Phoenix, Arizona, August 14, 2003. Confidence in the economy among Arizona business people rebounded in July to its highest level in a year and a half and reverses a downslide that began in 2000. The higher Index readings reflect renewed confidence, both as regards current business conditions and their faith that the economy will continue to strengthen from now until the end of the year. The improvements are most noticeable in business people's belief that the national economy has improved and, in a view closer to home view, in their reporting that their cash flow is stronger today than at the outset of the year.

As of July, the General Business Index, which blends their assessment of both current and expected conditions, rose to 123.1 from 108.7 in January and from 120.8 in the third quarter of 2002. Simultaneously, the Index of Current Company Finances rose to 124.9 from 119.8 in January.

While there is no doubt that business people feel better about current business conditions both in their industry in Arizona and in the U.S. as a whole, it is their confidence that the coming six months will be even better, that has lifted the Index the most. For example, while the Current Conditions Index rose from 115.1 in January to 125.2 today, an impressive 10.1 point rise, the *Expected Business Conditions Index* rose to 120.9 from 102.3, an astonishing 18.6 point jump!

The increase in the *Expected Business Conditions Index* was, itself, driven by improvements in all its component readings and a halving of the proportion who believe the economy will turn for the "worse" during the last six months of the year.

-more-

This 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 on July 23, 2003, 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](http://www.brcpolls.com).

-30-

**EDITOR'S NOTE:** This Rocky Mountain Poll Arizona (2003-III-07) is based on 400 telephone interviews conducted from July 16, 2003 to July 23, 2003 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.

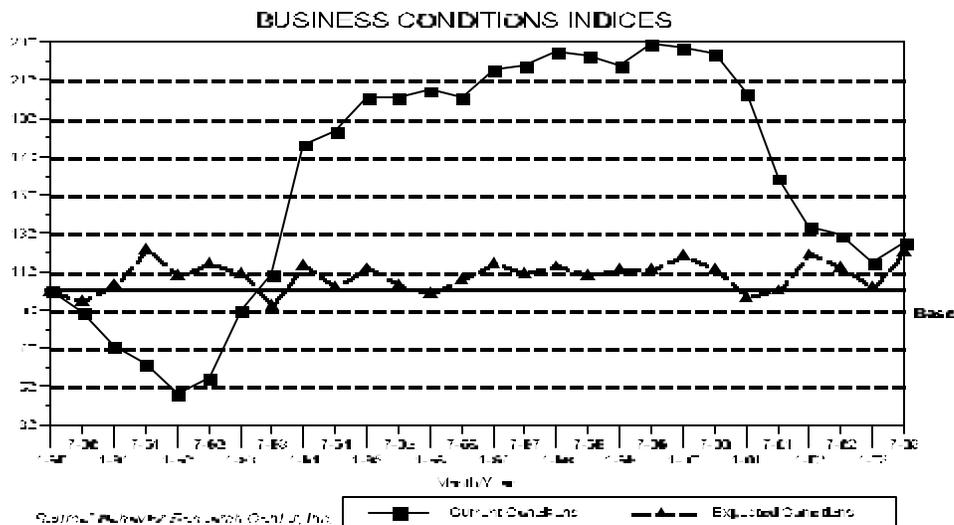
**NOTE: January 1990, data constitute the base of 100.0 for the BusinessTRACK™ Arizona indices.**

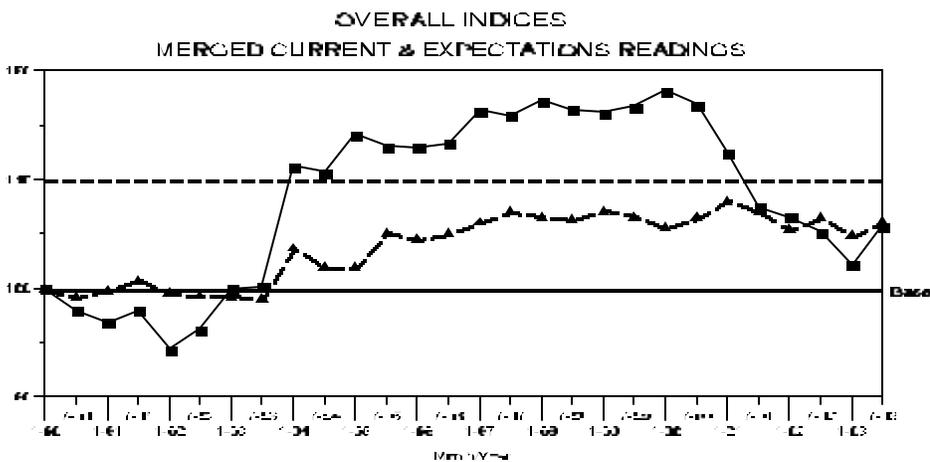
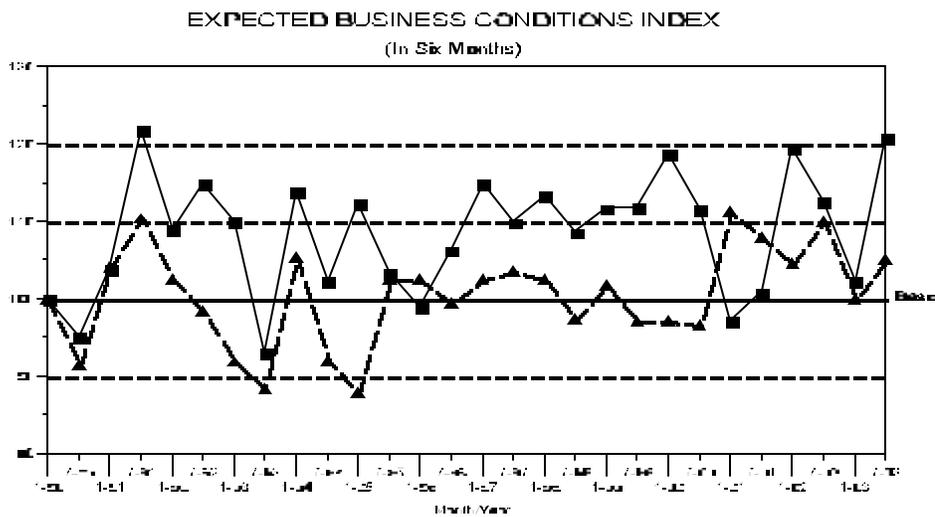
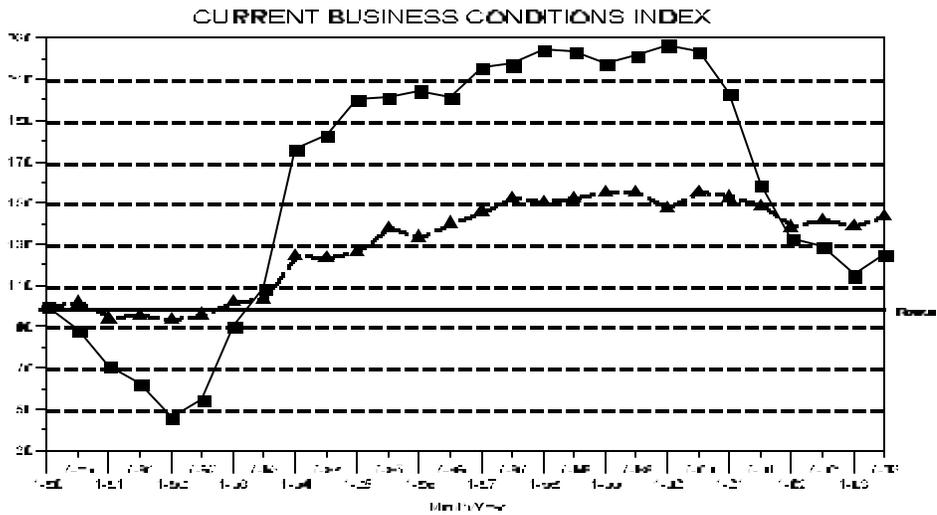
QUARTER

	<b>Third 2003</b>	First 2003	Third 2002	First 2002	Third 2001	First 2001	Third 2000	First 2000	Third 1999	First 1999
<b>A. OVERALL INDICES</b>										
<u>MERGING CURRENT AND EXPECTATIONS READINGS</u>										
General Business										
Conditions	<b>123.1</b>	108.7	120.8	126.4	129.9	150.0	167.6	172.8	166.8	164.6
Company Finances	<b>124.9</b>	119.8	126.4	121.9	128.6	132.5	126.4	122.6	126.5	129.0
<b>B. INDICES ON CURRENT BUSINESS CONDITION</b>										
General Business										
Conditions	<b>125.2</b>	115.1	128.9	133.2	158.9	202.9	223.7	226.9	221.7	217.4
Company Finances	<b>144.7</b>	139.4	142.7	139.2	149.2	153.7	156.0	148.0	155.7	156.2
<b>C. INDICES ON EXPECTED BUSINESS CONDITIONS (6 MONTHS)</b>										
General Business										
Conditions	<b>120.9</b>	102.3	112.6	119.6	100.9	97.1	111.5	118.7	111.9	111.7
Company Finances	<b>105.1</b>	100.1	110.0	104.6	107.9	111.2	96.7	97.2	97.2	101.7

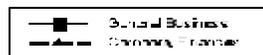
NOTE: Data for earlier periods is available in prior reports.

~~~~~





Reprinted from the Survey of Business Conditions, Inc.



- ◆ Shown below are the proportions of small business owners and managers assigning positive ratings to the various components of the indices. As may be seen, since first quarter of this year, every measurement component has improved this period, with the greatest increases registered as regards company cash flow (up 5 points), good interest rates (up 5 points) and assessment of the U.S. economy (up 8 points). While current assessments are a far cry from third quarter of 2001, the shifting into a higher gear is a long-awaited event.

QUARTER

| % DESCRIBING CURRENT<br>CONDITIONS AS<br><u>NORMAL OR GOOD</u> | Third       | First | Third | First | Third | First | Third | First | Third | First | Third |
|----------------------------------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                                                | <b>2003</b> | 2003  | 2002  | 2002  | 2001  | 2001  | 2000  | 2000  | 1999  | 1999  | 1998  |
| Company profitability                                          | <b>77%</b>  | 75%   | 77%   | 82%   | 85%   | 90%   | 88%   | 88%   | 88%   | 88%   | 90%   |
| Cash flow                                                      | <b>77</b>   | 72    | 77    | 77    | 84    | 88    | 87    | 86    | 88    | 89    | 86    |
| Credit availability                                            | <b>77</b>   | 73    | 80    | 75    | 84    | 80    | 83    | 77    | 77    | 78    | 80    |
| Interest rates                                                 | <b>56</b>   | 51    | 57    | 54    | 61    | 58    | 52    | 52    | 54    | 58    | 52    |
| Az. business conditions                                        | <b>68</b>   | 65    | 69    | 76    | 83    | 89    | 94    | 96    | 94    | 92    | 95    |
| Conditions in your<br>industry                                 | <b>69</b>   | 68    | 71    | 68    | 77    | 87    | 92    | 90    | 87    | 89    | 90    |
| U.S. business<br>conditions                                    | <b>57</b>   | 49    | 59    | 59    | 70    | 86    | 90    | 93    | 91    | 91    | 92    |

~~~~~

**DETAILED ANALYSIS**

**B1. Current Business Conditions Index**

In the third quarter of 2003, the *Current Business Conditions Index* rose to 125.2 from 115.1 in January, which was the lowest reading of any point in time since 1998. The Index is still below third quarter of 2002 (128.9) and third quarter of 2001 (158.9). As can be seen in the table below, improved readings are marginal for "In Your Industry" and more robust for "In Arizona" and "In the U.S." This gives pause to wonder if the improved readings may, thus far, be significantly impacted by national news. The current "good" reading for "In Your Industry" grew by only one point and is the second lowest reading since 1998.

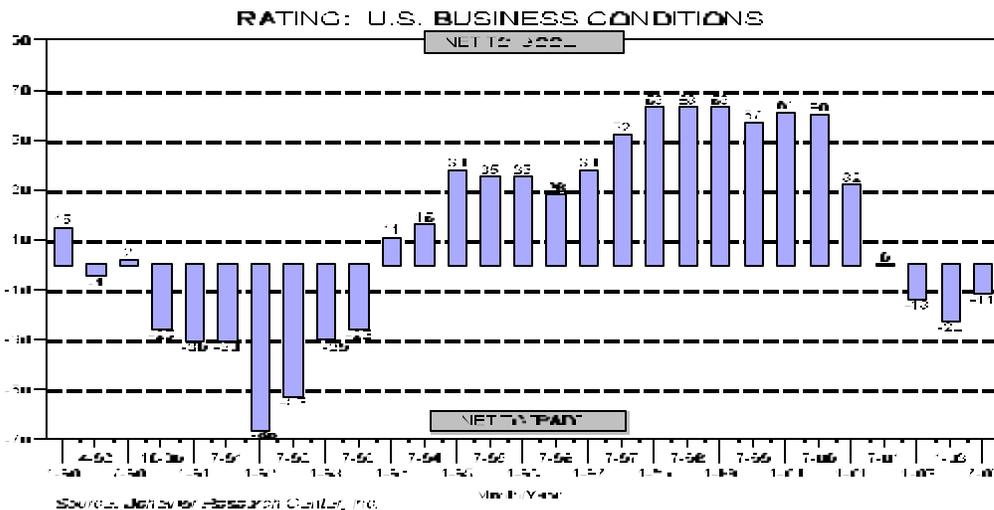
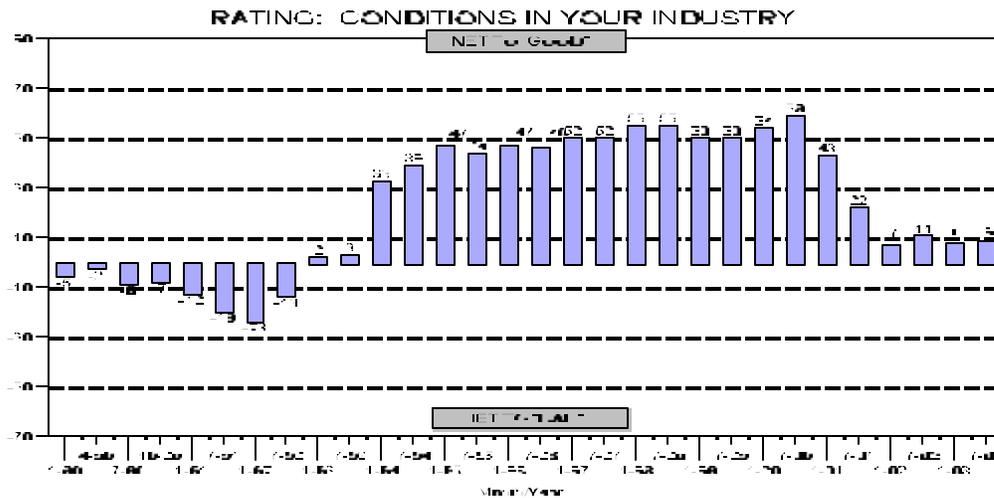
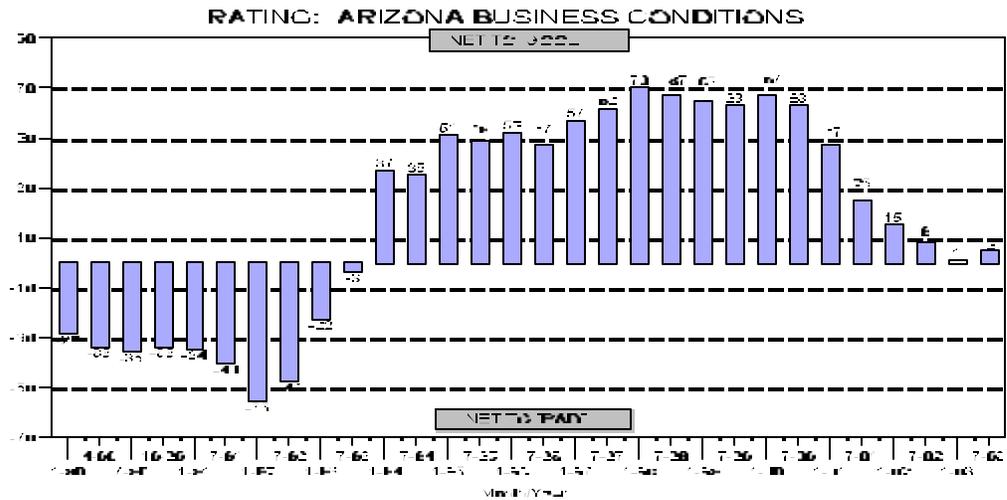
*"Thinking about the present, would you rate each of the following as good, normal or bad?"*

	<u>QUARTER</u>										
	<b>Third 2003</b>	First 2003	Third 2002	First 2002	Third 2001	First 2001	Third 2000	First 2000	Third 1999	First 1999	Third 1998
CURRENT BUSINESS CONDITIONS INDEX	<b>125.2</b>	115.1	128.9	133.2	158.9	202.9	223.7	226.9	221.7	217.4	223.2
<u>IN ARIZONA</u>											
Good	<b>35%</b>	31%	34%	37%	41%	56%	68%	70%	68%	72%	71%
Normal	<b>33</b>	34	36	39	42	33	26	26	26	20	24
Bad	<b>30</b>	30	26	22	16	9	5	3	5	7	4
<u>IN YOUR INDUSTRY:</u>											
Good	<b>38</b>	37	40	39	44	56	67	62	60	61	64
Normal	<b>31</b>	31	31	29	33	30	25	27	27	28	26
Bad	<b>29</b>	29	29	32	22	13	8	8	10	11	9
<u>IN THE U.S.:</u>											
Good	<b>23</b>	18	22	21	25	41	64	65	60	67	67
Normal	<b>34</b>	31	37	38	45	46	26	27	31	24	25
Bad	<b>34</b>	40	33	34	25	9	4	4	3	4	4

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

~~~~~

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



B2. Expected Business Conditions Index

The *Expected Business Conditions Index*, which rebounded strongly in the first quarter of 2002 to 119.6, and then fell for two consecutive periods, has rebounded strongly to 120.9, the highest level since the third quarter of 1998; and it has risen robustly on all three indicators.

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

|                                          | <u>QUARTER</u>        |               |               |               |               |               |               |               |               |               |               |
|------------------------------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                          | <b>Third<br/>2003</b> | First<br>2003 | Third<br>2002 | First<br>2002 | Third<br>2001 | First<br>2001 | Third<br>2000 | First<br>2000 | Third<br>1999 | First<br>1999 | Third<br>1998 |
| EXPECTED<br>BUSINESS<br>CONDITIONS INDEX | <b>120.9</b>          | 102.3         | 112.6         | 119.6         | 100.9         | 97.1          | 111.5         | 118.7         | 111.9         | 111.7         | 108.6         |
| <u>IN ARIZONA:</u>                       |                       |               |               |               |               |               |               |               |               |               |               |
| Better                                   | <b>53%</b>            | 42%           | 47%           | 51%           | 35%           | 29%           | 26%           | 34%           | 35%           | 33%           | 35%           |
| Same                                     | <b>38</b>             | 43            | 43            | 38            | 51            | 58            | 67            | 61            | 56            | 60            | 58            |
| Worse                                    | <b>7</b>              | 13            | 7             | 7             | 11            | 10            | 4             | 3             | 5             | 5             | 5             |
| <u>IN YOUR INDUSTRY:</u>                 |                       |               |               |               |               |               |               |               |               |               |               |
| Better                                   | <b>47</b>             | 37            | 47            | 48            | 35            | 33            | 30            | 34            | 31            | 33            | 29            |
| Same                                     | <b>47</b>             | 49            | 41            | 45            | 54            | 56            | 63            | 57            | 60            | 59            | 60            |
| Worse                                    | <b>4</b>              | 11            | 10            | 5             | 10            | 9             | 6             | 6             | 6             | 6             | 9             |
| <u>IN THE U.S.:</u>                      |                       |               |               |               |               |               |               |               |               |               |               |
| Better                                   | <b>51</b>             | 42            | 48            | 57            | 38            | 28            | 24            | 29            | 22            | 27            | 27            |
| Same                                     | <b>36</b>             | 37            | 36            | 30            | 43            | 52            | 63            | 63            | 64            | 61            | 62            |
| Worse                                    | <b>7</b>              | 13            | 11            | 8             | 15            | 15            | 7             | 4             | 6             | 8             | 8             |

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

~~~~~

**B3. Company Financial Conditions Index**

Given the renewed optimism seen in prior sections of this report, it should come as no surprise that executives report that their companies' current and projected financial condition have improved in recent months. Note that the Index is very sensitive to changes in the "Bad" readings – which, in this study, declined on every factor.

<u>COMPANY FINANCIAL</u> <u>CONDITION</u>	<u>QUARTER</u>											
	<b>Third 2003</b>	First 2003	Third 2002	First 2002	Third 2001	First 2001	Third 2000	First 2000	Third 1999	First 1999	Third 1998	
Current Condition Index	<b>144.7</b>	139.4	142.7	139.2	149.2	153.7	156.0	148.0	155.7	156.2	153.5	
Expected Condition Index	<b>105.1</b>	100.1	110.0	104.6	107.9	111.2	96.7	97.2	97.2	101.7	97.5	
Merged Index	<b>124.9</b>	119.8	126.4	121.9	128.6	132.5	126.4	122.6	126.5	129.0	125.5	

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

~~~~~

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

| <u>COMPANY FINANCIAL</u><br><u>CONDITION</u>                 | <u>QUARTER</u>        |               |               |               |               |               |               |               |               |               |               |  |
|--------------------------------------------------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
|                                                              | <b>Third<br/>2003</b> | First<br>2003 | Third<br>2002 | First<br>2002 | Third<br>2001 | First<br>2001 | Third<br>2000 | First<br>2000 | Third<br>1999 | First<br>1999 | Third<br>1998 |  |
| Current Condition Index                                      | <b>144.7</b>          | 139.4         | 142.7         | 139.2         | 149.2         | 153.7         | 156.0         | 148.0         | 155.7         | 156.2         | 153.5         |  |
| <u>PROFITABILITY:</u>                                        |                       |               |               |               |               |               |               |               |               |               |               |  |
| Good                                                         | <b>42%</b>            | 43%           | 40%           | 44%           | 44%           | 51            | 59%           | 55%           | 55%           | 52%           | 57%           |  |
| Normal                                                       | <b>36</b>             | 32            | 38            | 38            | 41            | 39            | 29            | 33            | 33            | 36            | 33            |  |
| Bad                                                          | <b>18</b>             | 20            | 18            | 15            | 12            | 7             | 9             | 8             | 6             | 8             | 7             |  |
| (NET)*                                                       | <b>(+24)</b>          | (+23)         | (+22)         | (+29)         | (+32)         | (+44)         | (+50)         | (+47)         | (+49)         | (+44)         | (+50)         |  |
| <u>CASH FLOW:</u>                                            |                       |               |               |               |               |               |               |               |               |               |               |  |
| Good                                                         | <b>38</b>             | 41            | 41            | 37            | 43            | 43            | 53            | 50            | 53            | 46            | 49            |  |
| Normal                                                       | <b>39</b>             | 32            | 36            | 41            | 41            | 45            | 35            | 36            | 35            | 43            | 37            |  |
| Bad                                                          | <b>18</b>             | 22            | 18            | 19            | 14            | 8             | 8             | 11            | 8             | 9             | 11            |  |
| (NET)                                                        | <b>(+20)</b>          | (+19)         | (+23)         | (+18)         | (+29)         | (+35)         | (+45)         | (+39)         | (+45)         | (+37)         | (+38)         |  |
| <u>CREDIT AVAILABILITY TO</u><br><u>YOUR COMPANY :</u>       |                       |               |               |               |               |               |               |               |               |               |               |  |
| Good                                                         | <b>51</b>             | 52            | 52            | 50            | 55            | 49            | 61            | 51            | 50            | 51            | 56            |  |
| Normal                                                       | <b>26</b>             | 21            | 28            | 25            | 29            | 31            | 23            | 25            | 27            | 27            | 24            |  |
| Bad                                                          | <b>8</b>              | 9             | 9             | 10            | 8             | 7             | 5             | 8             | 10            | 9             | 9             |  |
| (NET)                                                        | <b>(+43)</b>          | (+43)         | (+43)         | (+40)         | (+47)         | (+42)         | (+56)         | (+43)         | (+40)         | (+42)         | (+47)         |  |
| <u>INTEREST RATES YOUR</u><br><u>COMPANY PAYS FOR LOANS:</u> |                       |               |               |               |               |               |               |               |               |               |               |  |
| Good                                                         | <b>36</b>             | 34            | 32            | 29            | 33            | 25            | 23            | 21            | 26            | 29            | 25            |  |
| Normal                                                       | <b>21</b>             | 18            | 25            | 26            | 28            | 33            | 29            | 31            | 28            | 29            | 27            |  |
| Bad                                                          | <b>5</b>              | 7             | 6             | 8             | 7             | 8             | 9             | 10            | 8             | 6             | 8             |  |
| (NET)                                                        | <b>(+31)</b>          | (+27)         | (+26)         | (+21)         | (+26)         | (+17)         | (+14)         | (+11)         | (+18)         | (+23)         | (+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.

~~~~~

Business people are less enthusiastic when assessing their future company conditions as regards profitability, cash flow, credit availability and interest rates on loans, but improvements are noted in each category – a phenomenon that has given a nice upward bounce to the overall Index.

*"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 2003</b>	First 2003	Third 2002	First 2002	Third 2001	First 2001	Third 2000	First 2000	Third 1999	First 1999	Third 1998	
Expected Condition Index	<b>105.1</b>	100.1	110.0	104.6	107.9	111.2	96.7	97.2	97.2	101.7	97.5	
<u>PROFITABILITY:</u>												
Better	<b>63%</b>	55%	57%	59%	56%	49%	50%	54%	50%	54%	50%	
Same	<b>31</b>	38	36	35	37	43	43	39	42	40	42	
Worse	<b>4</b>	5	3	3	3	6	3	4	3	4	5	
(NET)*	<b>(+59)</b>	(+50)	(+54)	(+56)	(+53)	(+43)	(+47)	(+50)	(+47)	(+50)	(+45)	
<u>CASH FLOW:</u>												
Better	<b>56</b>	50	56	55	50	49	50	53	47	47	50	
Same	<b>36</b>	41	34	38	42	44	43	42	46	46	43	
Worse	<b>4</b>	6	6	4	5	4	4	2	2	4	4	
(NET)	<b>(+52)</b>	(+44)	(+50)	(+51)	(+45)	(+45)	(+46)	(+51)	(+45)	(+43)	(+46)	
<u>CREDIT AVAILABILITY TO YOUR COMPANY:</u>												
Better	<b>26</b>	22	27	25	23	24	19	23	19	20	20	
Same	<b>59</b>	59	59	55	64	61	66	63	60	63	64	
Worse	<b>5</b>	7	4	6	7	5	5	4	6	5	5	
(NET)	<b>(+21)</b>	(+15)	(+23)	(+19)	(+16)	(+19)	(+14)	(+19)	(+13)	(+15)	(+15)	
<u>INTEREST RATES YOUR COMPANY PAYS FOR LOANS:</u>												
Better	<b>15</b>	12	18	17	22	30	11	11	11	12	9	
Same	<b>43</b>	46	42	42	47	42	43	42	47	52	50	
Worse	<b>13</b>	9	9	13	10	10	18	22	14	11	13	
(NET)	<b>(+2)</b>	(+3)	(+9)	(+4)	(+12)	(+20)	(-7)	(-11)	(-3)	(+1)	(-4)	

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

~~~~~

**B4. Perceptions On Area Labor Pool**

Belief that the availability of quality personnel for hire is improving remains basically unchanged since first quarter of 2002 – with 36 percent saying such availability is “good.” The growth in unemployment is doubtless at the root of employers’ views that times are relatively good for finding qualified employees.

AVAILABILITY OF  
QUALIFIED PERSONNEL TO HIRE

CURRENT

| <u>QUARTER</u>    | <u>GOOD</u> | <u>NORMAL</u> | <u>BAD</u> | <u>(NET)</u>  |
|-------------------|-------------|---------------|------------|---------------|
| <b>Third 2003</b> | <b>36%</b>  | <b>34%</b>    | <b>26%</b> | <b>(+ 10)</b> |
| 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)        |
| Third 2000        | 23          | 28            | 45         | (- 22)        |
| First 2000        | 23          | 29            | 44         | (- 21)        |
| Third 1999        | 28          | 32            | 36         | (- 8)         |
| First 1999        | 23          | 31            | 42         | (- 19)        |
| Third 1998        | 22          | 32            | 41         | (- 19)        |

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

~~~~~

SIX MONTHS HENCE:

	<u>BETTER</u>	<u>SAME</u>	<u>WORSE</u>	<u>(NET)</u>
<b>Third 2003</b>	<b>23%</b>	<b>66%</b>	<b>9%</b>	<b>(+ 14)</b>
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)
Third 2000	23	61	14	(+ 9)
First 2000	18	65	13	(+ 5)
Third 1999	17	62	15	(+ 2)
First 1999	16	65	14	(+ 2)
Third 1998	19	65	12	(+ 7)

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

~~~~~

*“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>Third</b> | <b>2003</b> | <b>52%</b>                | <b>20%</b>                   | <b>24%</b>              | <b>3%</b>                                       | <b>(+23)</b>                      |
| 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)                             |
| Third        | 2000        | 65                        | 21                           | 13                      | 1                                               | (+51)                             |
| First        | 2000        | 64                        | 16                           | 18                      | 2                                               | (+44)                             |
| Third        | 1999        | 65                        | 17                           | 15                      | 3                                               | (+47)                             |
| First        | 1999        | 68                        | 14                           | 17                      | 1                                               | (+50)                             |
| Third        | 1998        | 63                        | 18                           | 18                      | 1                                               | (+44)                             |

~~~~~