



*behavior research center's*

# *Rocky Mountain Poll*

NEWS RELEASE  
RMP 2002-III-11

Contact: Earl de Berge  
Research Director

David Bruzese  
Greater Phoenix  
Economic Council

BUSINESS EXECUTIVES CAUTIOUSLY OPTIMISTIC FOR THEIR COMPANIES;  
PESSIMISM ABOUT GENERAL BUSINESS CONDITIONS DEEPENS

Phoenix, Arizona, September 5, 2002. The local business community is of mixed views about the economy and the health of their company in it. On the positive side, it appears that business owners and managers are modestly more positive in their assessment of their company's current financial health and about the financial shape they expect for their company in six months.

On the other hand, pessimism about general business conditions, and currently for the next six months, continues to deepen.

More specifically, when asked to evaluate the general business environment in the United States, Arizona and in their industry, which are the key elements in developing the Current Business Conditions Index, we register a seven year low: 128.9. This compares to 133.2 at the outset of the year and a robust 158.9 one year ago. What is more, when business people were asked to look ahead, the Index on Expected Business Conditions six months from now declined from its level of 119.6 in January to 112.6 today.

On a more positive note, when business people were asked to evaluate the current financial condition of their company and its expected condition six months hence, the Index on Current Company Finances rose in August to 142.7 from 139.2 at the outset of the year. Furthermore, looking ahead six months, the Expected Company Financial Index rose to 110.0 this period, compared to 104.6 in January and 107.9 one year ago today.

-more-

Commenting on the most recent results, Rick Weddle, CEO of the of Greater Phoenix Economic Council and a sponsor of the Business Conditions Index said, "Despite a decade of strong growth, the Greater Phoenix economy continues to be affected by the national recession. However, I am confident that, by working together, business and community leaders will continue to strengthen and stimulate the region's economy. Economic development is a team sport."

These mixed readings, according to Earl de Berge, research director for the study, are driven by two principal factors: a rise in the proportion of companies who report they are no longer profitable and that their cash flow is deteriorating (now 18 percent compared to 12 to 14 percent one year ago and half the current level two years ago). On the other hand, there are modest increases in companies saying their access to credit and good interest rates is better than in the past.

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. 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 the first three weeks of August 2002, 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 (2002-III-11) is based on 400 telephone interviews conducted during the first three weeks in August 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, the Greater Phoenix Economic Council, Maricopa Community College District, and Behavior Research Center.

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

## B. BUSINESS CONDITIONS INDEX

### INTRODUCTION

Business confidence in the economy is reflected in two indices. The **Overall Business Conditions Index** is based on: (1) how business people evaluate current economic conditions; and (2) what their expectations are for the economy six months hence, in three distinct venues:

- ◆ U.S. business conditions;
- ◆ Arizona business conditions; and
- ◆ Conditions in their industry.

The second index, **Company Financial Condition**, is based on current and expected assessments of the following:

- ◆ Profitability;
- ◆ Cash flow;
- ◆ Credit availability; and
- ◆ Interest rates.

Finally, the study develops readings on sector-by-sector **Hiring and Layoff Patterns** within the small business community and an evaluation of the availability of qualified personnel to hire.

Before examining the detailed results, we will review the overall findings as of the third quarter of 2002.

**FINDINGS IN BRIEF**

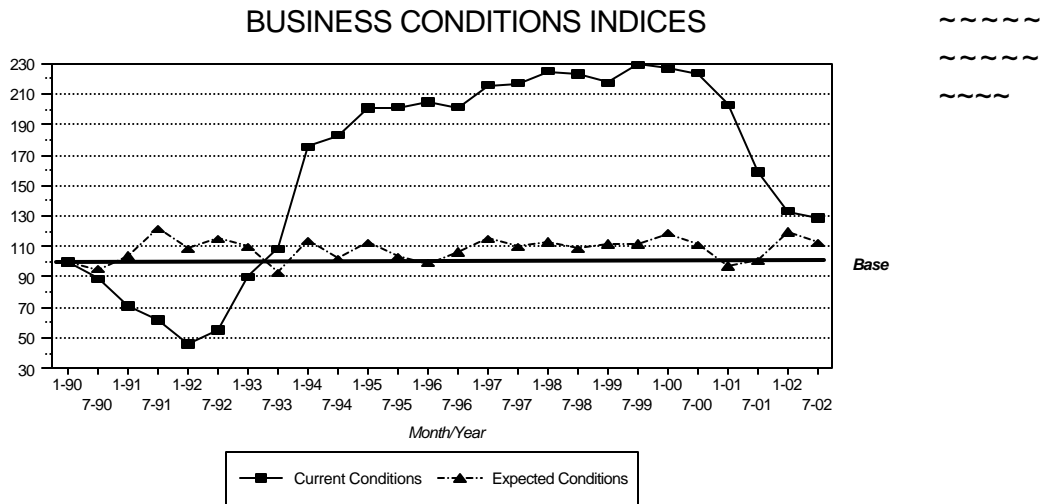
- ◆ For the fifth consecutive period, the Current Business Conditions Index has moved to lower levels, this time dropping to 128.9 from 133.2 in the first quarter of 2002. At this time two years ago, the Index stood at 223.7. The current reading is the lowest level in over seven years.
- ◆ The Index on Current Company Financial Conditions improved slightly to 142.7 from 139.2 in the first quarter of 2002, but is still below the 149.2 recorded this time last year.
- ◆ The overall General Business Conditions Index has also dropped for the fifth consecutive period and now registers at 120.8 compared to 126.4 in the first quarter and 167.6 this time two years ago.
- ◆ Looking ahead, business people are also less optimistic. Thus, the Index on Expected General Business Conditions in the coming six months drops to 112.6 from the first quarter's 119.6. Yet, expectations about their company's financial condition has improved to 110.0 from 104.6 in the first quarter.
- ◆ The percentage of company executives who see their businesses as "better off" today than one year ago fell to 36 percent this quarter, fully 11 points lower than in third quarter 2001 and 23 points lower than the third quarter 2000. The reading is also an historic low. Yet, the proportion describing their companies as "worse off" compared to a year ago has reached an all time high of 33 percent. This compares to 21 percent in the third quarter of 2001 and to only eight percent in the third quarter 2000.
- ◆ Over the past six months, 22 percent of companies expanded their staffs while 13 percent made reductions.
- ◆ Looking ahead six months, business people are more positive in their views, with 33 percent planning to do hiring and only eight percent anticipating additional staff lay-offs.
- ◆ The downward slide in the proportion of business executives willing to classify their companies as "healthy" appears to have bottomed out. Just under half say their companies are both healthy and growing.

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

QUARTER

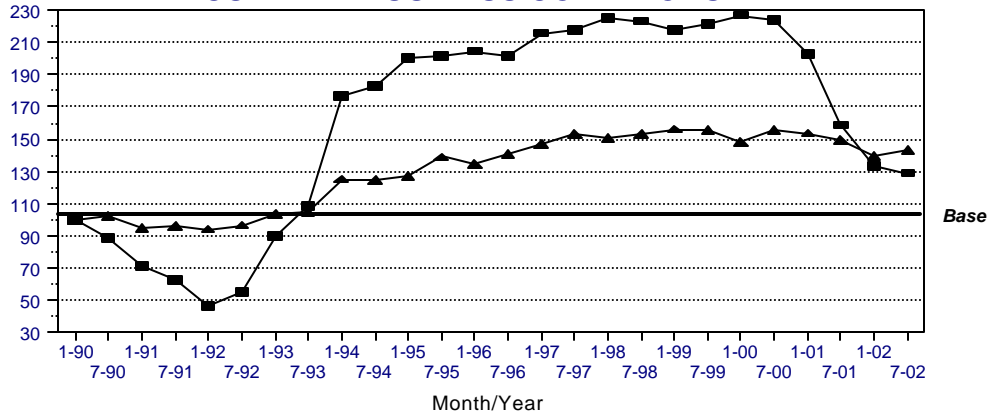
	<b>Third 2002</b>	First 2002	Third 2001	First 2001	Third 2000	First 2000	Third 1999	First 1999	Third 1998	First 1998
<b>A. OVERALL INDICES</b>										
<u>MERGING CURRENT AND EXPECTATIONS READINGS</u>										
General Business										
Conditions	<b>120.8</b>	126.4	129.9	150.0	167.6	172.8	166.8	164.6	165.9	169.1
Company Finances	<b>126.4</b>	121.9	128.6	132.5	126.4	122.6	126.5	129.0	125.5	126.7
<b>B. INDICES ON CURRENT BUSINESS CONDITION</b>										
General Business										
Conditions	<b>128.9</b>	133.2	158.9	202.9	223.7	226.9	221.7	217.4	223.2	224.9
Company Finances	<b>142.7</b>	139.2	149.2	153.7	156.0	148.0	155.7	156.2	153.5	150.9
<b>C. INDICES ON EXPECTED BUSINESS CONDITIONS (6 MONTHS)</b>										
General Business										
Conditions	<b>112.6</b>	119.6	100.9	97.1	111.5	118.7	111.9	111.7	108.6	113.3
Company Finances	<b>110.0</b>	104.6	107.9	111.2	96.7	97.2	97.2	101.7	97.5	102.5

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

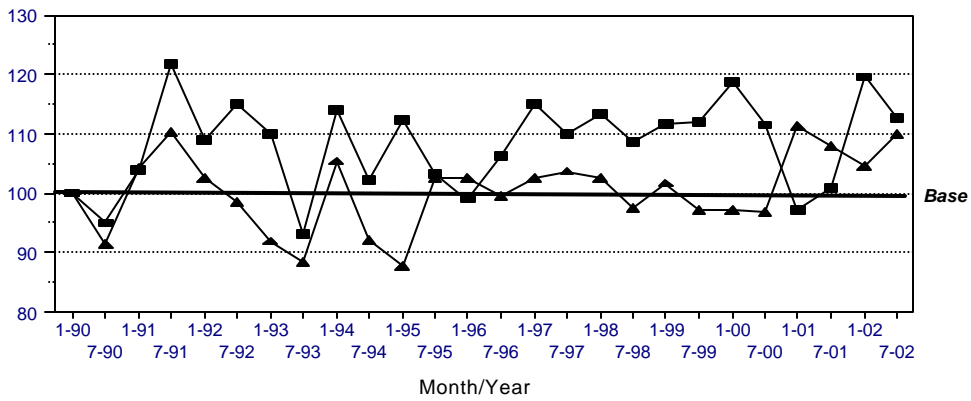


Source: Behavior Research Center, Inc.

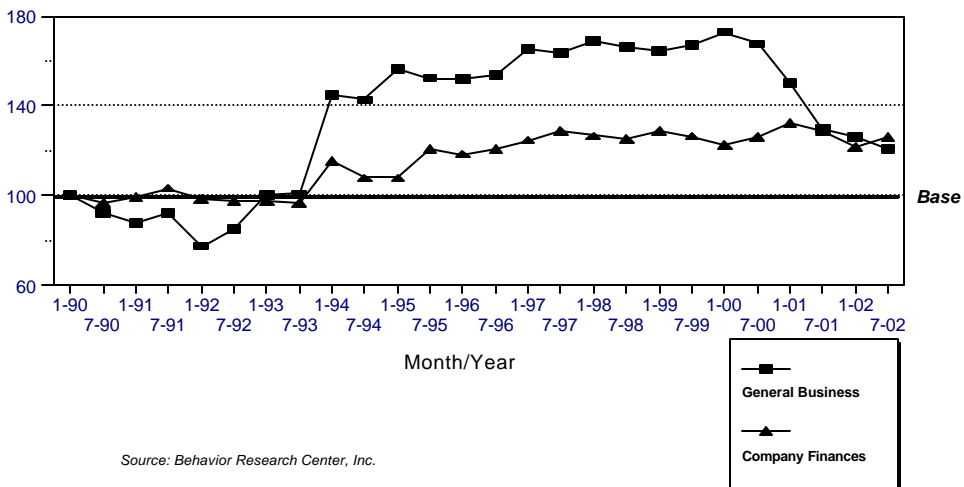
### CURRENT BUSINESS CONDITIONS INDEX



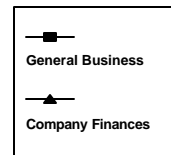
### EXPECTED BUSINESS CONDITIONS INDEX (In Six Months)



### OVERALL INDICES MERGED CURRENT & EXPECTATIONS READINGS



Source: Behavior Research Center, 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 last quarter, improvements are recorded in credit availability (+5), interest rates (+3) and industry conditions (+3), while declines are recorded in Arizona's business condition (-7) and profitability (-5). Each of the remaining components are unchanged.

QUARTER

% DESCRIBING CURRENT CONDITIONS AS <u>NORMAL OR GOOD</u>	<u>QUARTER</u>											
	<b>Third 2002</b>	First 2002	Third 2001	First 2001	Third 2000	First 2000	Third 1999	First 1999	Third 1998	First 1998	Third 1997	
Company profitability	<b>77%</b>	82%	85%	90%	88%	88%	88%	88%	90%	87%	87%	
Cash flow	<b>77</b>	77	84	88	87	86	88	89	86	85	85	
Credit availability	<b>80</b>	75	84	80	83	77	77	78	80	74	73	
Interest rates	<b>57</b>	54	61	58	52	52	54	58	52	55	51	
Az. business conditions	<b>69</b>	76	83	89	94	96	94	92	95	95	91	
Conditions in your industry	<b>71</b>	68	77	87	92	90	87	89	90	90	89	
U.S. business conditions	<b>59</b>	59	70	86	90	93	91	91	92	92	87	

~~~~~

|                   |
|-------------------|
| DETAILED ANALYSIS |
|-------------------|

### B1. Current Business Conditions Index

In the third quarter of 2002, the *Current Business Conditions Index* dropped again to 128.9 from 133.2 and from 158.9 in the third quarter of 2001. It is now 30 points lower than in the third quarter of 2001 and 95 points lower than the third quarter 2000. The decline in the reading is strongly driven by continuing erosion in business executives' confidence in the Arizona economy where the "good" reading fell another three points since first quarter 2002, after dropping 33 points, from 70 percent in the first quarter 2000 to 37 points in the first quarter 2002. Additionally, the proportion of business people describing conditions in Arizona as "bad" continues to rise and is now at 26 percent, compared to 16 percent in third quarter 2001 and five percent in the third quarter 2000.

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

|                                   | <u>QUARTER</u>    |            |            |            |            |            |            |            |            |            |            |
|-----------------------------------|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                   | <b>Third 2002</b> | First 2002 | Third 2001 | First 2001 | Third 2000 | First 2000 | Third 1999 | First 1999 | Third 1998 | First 1998 | Third 1997 |
| CURRENT BUSINESS CONDITIONS INDEX | <b>128.9</b>      | 133.2      | 158.9      | 202.9      | 223.7      | 226.9      | 221.7      | 217.4      | 223.2      | 224.9      | 217.3      |
| <u>IN ARIZONA</u>                 |                   |            |            |            |            |            |            |            |            |            |            |
| Good                              | <b>34%</b>        | 37%        | 41%        | 56%        | 68%        | 70%        | 68%        | 72%        | 71%        | 73%        | 69%        |
| Normal                            | <b>36</b>         | 39         | 42         | 33         | 26         | 26         | 26         | 20         | 24         | 22         | 21         |
| Bad                               | <b>26</b>         | 22         | 16         | 9          | 5          | 3          | 5          | 7          | 4          | 3          | 7          |
| <u>IN YOUR INDUSTRY:</u>          |                   |            |            |            |            |            |            |            |            |            |            |
| Good                              | <b>40</b>         | 39         | 44         | 56         | 67         | 62         | 60         | 61         | 64         | 64         | 60         |
| Normal                            | <b>31</b>         | 29         | 33         | 30         | 25         | 27         | 27         | 28         | 26         | 26         | 29         |
| Bad                               | <b>29</b>         | 32         | 22         | 13         | 8          | 8          | 10         | 11         | 9          | 9          | 10         |
| <u>IN THE U.S.:</u>               |                   |            |            |            |            |            |            |            |            |            |            |
| Good                              | <b>22</b>         | 21         | 25         | 41         | 64         | 65         | 60         | 67         | 67         | 67         | 57         |
| Normal                            | <b>37</b>         | 38         | 45         | 46         | 26         | 27         | 31         | 24         | 25         | 25         | 30         |
| Bad                               | <b>33</b>         | 34         | 25         | 9          | 4          | 4          | 3          | 4          | 4          | 4          | 5          |

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

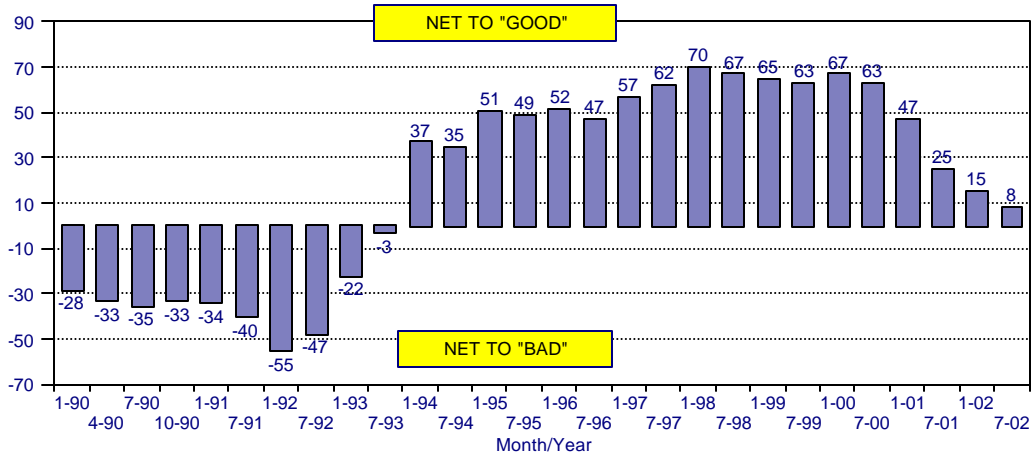
~~~~~

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

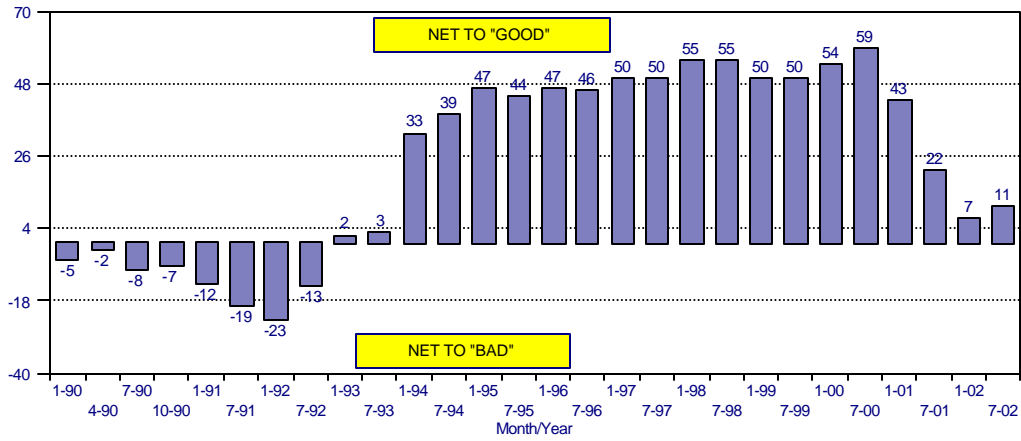


RATING: ARIZONA BUSINESS CONDITIONS

RATING: ARIZONA BUSINESS CONDITIONS

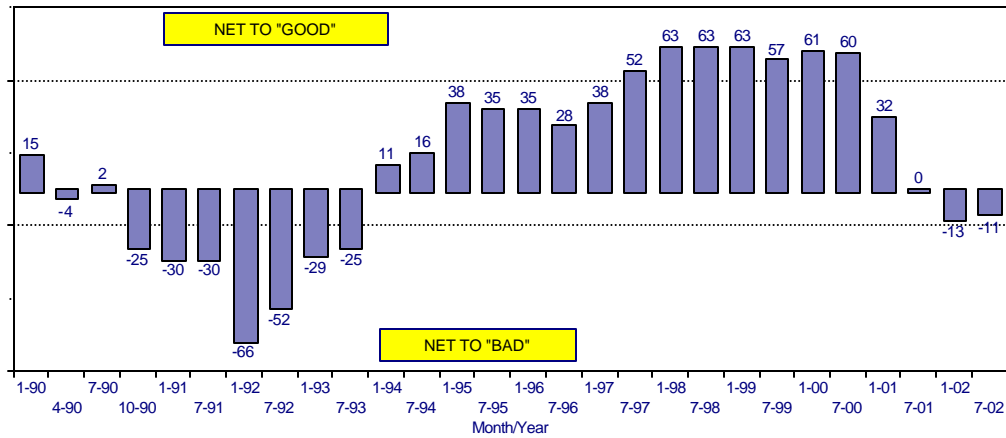


RATING: CONDITIONS IN YOUR INDUSTRY



Source: Behavior Research Center, Inc.

RATING: U.S. BUSINESS CONDITIONS



## B2. Expected Business Conditions Index

The *Expected Business Conditions Index*, which rebounded strongly in the first quarter to 119.6, dipped seven points in this quarter and now sits at 112.6. The primary factors behind this decline are worsening attitudes about the condition of the national economy and respondent's industry.

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

	<u>QUARTER</u>										
	<b>Third 2002</b>	First 2002	Third 2001	First 2001	Third 2000	First 2000	Third 1999	First 1999	Third 1998	First 1998	Third 1997
EXPECTED BUSINESS CONDITIONS INDEX	<b>112.6</b>	119.6	100.9	97.1	111.5	118.7	111.9	111.7	108.6	113.3	109.9
<u>IN ARIZONA:</u>											
Better	<b>47%</b>	51%	35%	29%	26%	34%	35%	33%	35%	37%	32%
Same	<b>43</b>	38	51	58	67	61	56	60	58	57	58
Worse	<b>7</b>	7	11	10	4	3	5	5	5	4	6
<u>IN YOUR INDUSTRY:</u>											
Better	<b>47</b>	48	35	33	30	34	31	33	29	38	34
Same	<b>41</b>	45	54	56	63	57	60	59	60	53	57
Worse	<b>10</b>	5	10	9	6	6	6	6	9	9	8
<u>IN THE U.S.:</u>											
Better	<b>48</b>	57	38	28	24	29	22	27	27	30	24
Same	<b>36</b>	30	43	52	63	63	64	61	62	60	61
Worse	<b>11</b>	8	15	15	7	4	6	8	8	6	7

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

~~~~~

### B3. Company Financial Conditions Index

Despite the pessimism seen in prior sections of this report, area business executives report that their companies' current and projected financial condition has improved since the outset of the year.

The following section summarizes the assessments business owners and managers are making about the current and expected financial conditions of their own companies. The indices are based on their views of four factors – profitability, cash flow, credit availability and interest rates. As may be seen, both indices showed modest improvement after experiencing downward slides. The *Current Financial Index* rose from 139.2 in the first quarter to 142.7 today while the *Expected Financial Conditions Index* rose from 104.6 to 110.0 over the same period. Reflective of these readings is the *Merged Company Conditions Index* which declined to 126.4 from 121.9 in the first quarter.

| <u>COMPANY FINANCIAL</u><br><u>CONDITION</u> | <u>QUARTER</u>        |               |               |               |               |               |               |               |               |               |               |  |
|----------------------------------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
|                                              | <b>Third<br/>2002</b> | First<br>2002 | Third<br>2001 | First<br>2001 | Third<br>2000 | First<br>2000 | Third<br>1999 | First<br>1999 | Third<br>1998 | First<br>1998 | Third<br>1997 |  |
| Current Condition Index                      | <b>142.7</b>          | 139.2         | 149.2         | 153.7         | 156.0         | 148.0         | 155.7         | 156.2         | 153.5         | 150.9         | 153.4         |  |
| Expected Condition Index                     | <b>110.0</b>          | 104.6         | 107.9         | 111.2         | 96.7          | 97.2          | 97.2          | 101.7         | 97.5          | 102.5         | 103.7         |  |
| Merged Index                                 | <b>126.4</b>          | 121.9         | 128.6         | 132.5         | 126.4         | 122.6         | 126.5         | 129.0         | 125.5         | 126.7         | 128.6         |  |

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 CONDITION</u>	<u>QUARTER</u>											
	<b>Third 2002</b>	First 2002	Third 2001	First 2001	Third 2000	First 2000	Third 1999	First 1999	Third 1998	First 1998	Third 1997	
Current Condition Index	<b>142.7</b>	139.2	149.2	153.7	156.0	148.0	155.7	156.2	153.5	150.9	153.4	
<u>PROFITABILITY:</u>												
Good	<b>40%</b>	44%	44%	51	59%	55%	55%	52%	57%	55%	55%	
Normal	<b>38</b>	38	41	39	29	33	33	36	33	33	32	
Bad	<b>18</b>	15	12	7	9	8	6	8	7	9	8	
(NET)*	<b>(+22)</b>	(+29)	(+32)	(+44)	(+50)	(+47)	(+49)	(+44)	(+50)	(+46)	(+47)	
<u>CASH FLOW:</u>												
Good	<b>41</b>	37	43	43	53	50	53	46	49	50	50	
Normal	<b>36</b>	41	41	45	35	36	35	43	37	35	35	
Bad	<b>18</b>	19	14	8	8	11	8	9	11	11	12	
(NET)	<b>(+23)</b>	(+18)	(+29)	(+35)	(+45)	(+39)	(+45)	(+37)	(+38)	(+39)	(+38)	
<u>CREDIT AVAILABILITY TO YOUR COMPANY.:</u>												
Good	<b>52</b>	50	55	49	61	51	50	51	56	50	53	
Normal	<b>28</b>	25	29	31	23	25	27	27	24	25	20	
Bad	<b>9</b>	10	8	7	5	8	10	9	9	11	10	
(NET)	<b>(+43)</b>	(+40)	(+47)	(+42)	(+56)	(+43)	(+40)	(+42)	(+47)	(+39)	(+43)	
<u>INTEREST RATES YOUR COMPANY PAYS FOR LOANS:</u>												
Good	<b>32</b>	29	33	25	23	21	26	29	25	25	21	
Normal	<b>25</b>	26	28	33	29	31	28	29	27	30	30	
Bad	<b>6</b>	8	7	8	9	10	8	6	8	7	6	
(NET)	<b>(+26)</b>	(+21)	(+26)	(+17)	(+14)	(+11)	(+18)	(+23)	(+17)	(+18)	(+15)	

\*NET is the difference between the "good" and the "bad" ratings within each category.

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

~~~~~

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

| <u>EXPECTED COMPANY</u><br><u>FINANCIAL CONDITION</u>      | <u>QUARTER</u>        |               |               |               |               |               |               |               |               |               |               |  |
|------------------------------------------------------------|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
|                                                            | <b>Third<br/>2002</b> | First<br>2002 | Third<br>2001 | First<br>2001 | Third<br>2000 | First<br>2000 | Third<br>1999 | First<br>1999 | Third<br>1998 | First<br>1998 | Third<br>1997 |  |
| Expected Condition<br>Index                                | <b>110.0</b>          | 104.6         | 107.9         | 111.2         | 96.7          | 97.2          | 97.2          | 101.7         | 97.5          | 102.5         | 103.7         |  |
| <u>PROFITABILITY:</u>                                      |                       |               |               |               |               |               |               |               |               |               |               |  |
| Better                                                     | <b>57%</b>            | 59%           | 56%           | 49%           | 50%           | 54%           | 50%           | 54%           | 50%           | 56%           | 50%           |  |
| Same                                                       | <b>36</b>             | 35            | 37            | 43            | 43            | 39            | 42            | 40            | 42            | 37            | 43            |  |
| Worse                                                      | <b>3</b>              | 3             | 3             | 6             | 3             | 4             | 3             | 4             | 5             | 5             | 5             |  |
| (NET)*                                                     | <b>(+54)</b>          | (+56)         | (+53)         | (+43)         | (+47)         | (+50)         | (+47)         | (+50)         | (+45)         | (+51)         | (+45)         |  |
| <u>CASH FLOW:</u>                                          |                       |               |               |               |               |               |               |               |               |               |               |  |
| Better                                                     | <b>56</b>             | 55            | 50            | 49            | 50            | 53            | 47            | 47            | 50            | 52            | 49            |  |
| Same                                                       | <b>34</b>             | 38            | 42            | 44            | 43            | 42            | 46            | 46            | 43            | 40            | 43            |  |
| Worse                                                      | <b>6</b>              | 4             | 5             | 4             | 4             | 2             | 2             | 4             | 4             | 6             | 5             |  |
| (NET)                                                      | <b>(+50)</b>          | (+51)         | (+45)         | (+45)         | (+46)         | (+51)         | (+45)         | (+43)         | (+46)         | (+46)         | (+44)         |  |
| <u>CREDIT AVAILABILITY TO<br/>YOUR COMPANY:</u>            |                       |               |               |               |               |               |               |               |               |               |               |  |
| Better                                                     | <b>27</b>             | 25            | 23            | 24            | 19            | 23            | 19            | 20            | 20            | 18            | 21            |  |
| Same                                                       | <b>59</b>             | 55            | 64            | 61            | 66            | 63            | 60            | 63            | 64            | 64            | 59            |  |
| Worse                                                      | <b>4</b>              | 6             | 7             | 5             | 5             | 4             | 6             | 5             | 5             | 6             | 4             |  |
| (NET)                                                      | <b>(+23)</b>          | (+19)         | (+16)         | (+19)         | (+14)         | (+19)         | (+13)         | (+15)         | (+15)         | (+12)         | (+17)         |  |
| <u>INTEREST RATES YOUR<br/>COMPANY PAYS FOR<br/>LOANS:</u> |                       |               |               |               |               |               |               |               |               |               |               |  |
| Better                                                     | <b>18</b>             | 17            | 22            | 30            | 11            | 11            | 11            | 12            | 9             | 16            | 12            |  |
| Same                                                       | <b>42</b>             | 42            | 47            | 42            | 43            | 42            | 47            | 52            | 50            | 49            | 46            |  |
| Worse                                                      | <b>9</b>              | 13            | 10            | 10            | 18            | 22            | 14            | 11            | 13            | 10            | 9             |  |
| (NET)                                                      | <b>(+9)</b>           | (+4)          | (+12)         | (+20)         | (-7)          | (-11)         | (-3)          | (+1)          | (-4)          | (+6)          | (+3)          |  |

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 is unchanged from last quarter – with 37 percent saying such availability is “good.” This is an historic high, as the percent calling availability “bad” is now at an historic low, only 27 percent. The growth in unemployment is doubtless at the root of these perceptions.

#### AVAILABILITY OF QUALIFIED PERSONNEL TO HIRE

		<u>CURRENT</u>			
<u>QUARTER</u>		<u>GOOD</u>	<u>NORMAL</u>	<u>BAD</u>	<u>(NET)</u>
<b>Third</b>	<b>2002</b>	<b>37%</b>	<b>34%</b>	<b>27%</b>	<b>(+ 10)</b>
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)
First	1998	23	32	44	(- 21)
Third	1997	24	30	43	(- 19)
First	1997	24	34	39	(- 15)
Third	1996	25	31	39	(- 14)
First	1996	25	25	45	(- 20)

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</b>	<b>2002</b>	<b>24%</b>	<b>61%</b>	<b>11%</b>	<b>(+ 13)</b>
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)
First	1998	18	64	15	(+ 3)
Third	1997	16	65	15	(+ 1)
First	1997	20	60	15	(+ 5)
Third	1996	20	64	9	(+ 11)
First	1996	16	61	16	(± 0)

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

B5. Is Your Company “Better Off” Than One Year Ago?

The proportion of Phoenix-area businesses that say their companies are better off today than one year ago edged downward another point after the sharp fall in January, now totaling only 36 percent compared to 37 percent in January and 47 percent a year ago. Further, the proportion saying they are “worse off” continues to stand at 29 percent, by far the highest level in seven years.

*“Is your business better off, worse off, or about the same as 12 months ago?”*

QUARTER	BETTER		WORSE		(NET)
	OFF	SAME	OFF		
<b>Third 2002</b>	<b>36%</b>	<b>33%</b>	<b>29%</b>		<b>(+ 7)</b>
First 2002	37	32	29		(+ 8)
Third 2001	47	31	21		(+ 26)
First 2001	54	31	13		(+ 41)
Third 2000	59	32	8		(+ 51)
First 2000	58	32	8		(+ 50)
Third 1999	61	30	8		(+ 53)
First 1999	57	33	8		(+ 49)
Third 1998	59	28	12		(+ 47)
First 1998	63	25	10		(+ 53)
Third 1997	60	29	10		(+ 50)
First 1997	59	31	10		(+ 49)
Third 1996	57	32	11		(+ 46)
First 1996	56	33	11		(+ 46)
Third 1995	59	29	11		(+ 48)

Table reads across.

~~~~~

The drop in positive readings was most strongly evident for companies with fewer than ten employees or with sales under \$250,000 per year. It also appears that while smaller and newer companies see themselves as better off than one year ago, conditions in larger companies have deteriorated.

THIRD QUARTER 2002

|                                 | BETTER<br>OFF | SAME | WORSE<br>OFF | (NET)  |
|---------------------------------|---------------|------|--------------|--------|
| <u>TOTAL</u>                    | 36%           | 33%  | 29%          | (+ 7)  |
| <u># OF FULL-TIME EMPLOYEES</u> |               |      |              |        |
| Under 10                        | 37            | 32   | 28           | (+ 9)  |
| 10 and over                     | 33            | 35   | 30           | (+ 3)  |
| <u>ANNUAL SALES</u>             |               |      |              |        |
| Under \$250K                    | 45            | 30   | 20           | (+ 25) |
| \$250K to \$499K                | 36            | 33   | 29           | (+ 7)  |
| \$500K to \$999K                | 39            | 31   | 30           | (+ 9)  |
| \$1M and over                   | 36            | 30   | 32           | (+ 4)  |
| <u>YEARS IN BUSINESS</u>        |               |      |              |        |
| 1 to 2 *                        | 52            | 14   | 29           | (+ 23) |
| 3 to 5                          | 57            | 19   | 21           | (+ 36) |
| 6 to 10                         | 29            | 37   | 30           | (- 1)  |
| 11 or more                      | 29            | 38   | 32           | (- 3)  |
| <u>INDUSTRY SECTOR</u>          |               |      |              |        |
| Professional/Scientific         | 44            | 44   | 11           | (+ 33) |
| Retail                          | 28            | 29   | 41           | (- 27) |
| Manufacturing *                 | 28            | 39   | 26           | (+ 2)  |
| F.I.R.E.                        | 51            | 32   | 17           | (+ 34) |
| Wholesale *                     | 20            | 45   | 35           | (- 15) |
| Construction *                  | 34            | 30   | 30           | (+ 4)  |
| Health/Social Assistance        | 50            | 36   | 14           | (+ 36) |
| Accommodation/Food Service      | 37            | 30   | 33           | (+ 4)  |

\* Caution: The small base sizes in these sectors make results subject to substantial statistical bounce.  
Table reads across.



### B6. Staff Expansion/Reduction Patterns

In this third quarter survey, 22 percent of employers report staff expansions during the past six months, while 13 percent reduced staff size. This represents an improvement since the first quarter but is, nonetheless, the second lowest hire/lay-off ratio since third quarter 2000.

|                |      | <u>FULL-TIME STAFF<br/>PAST SIX MONTHS</u> |                |              |
|----------------|------|--------------------------------------------|----------------|--------------|
| <u>QUARTER</u> |      | <u>EXPANDED</u>                            | <u>REDUCED</u> | <u>(NET)</u> |
| Third          | 2002 | 22%                                        | 13%            | (+ 9)        |
| First          | 2002 | 20                                         | 18             | (+ 2)        |
| Third          | 2001 | 26                                         | 14             | (+ 12)       |
| First          | 2001 | 29                                         | 11             | (+ 18)       |
| Third          | 2000 | 28                                         | 13             | (+ 15)       |
| First          | 2000 | 20                                         | 12             | (+ 8)        |
| Third          | 1999 | 22                                         | 13             | (+ 9)        |
| First          | 1999 | 19                                         | 14             | (+ 5)        |
| Third          | 1998 | 23                                         | 14             | (+ 9)        |
| First          | 1998 | 24                                         | 12             | (+ 12)       |
| Third          | 1997 | 25                                         | 13             | (+ 12)       |
| First          | 1997 | 21                                         | 12             | (+ 9)        |
| Third          | 1996 | 14                                         | 8              | (+ 6)        |
| First          | 1996 | 18                                         | 11             | (+ 7)        |

Nearly every sector is now reporting higher levels of hiring than reductions in force, except accommodations/food service (-28) and retail (-3).

|                            |  | <u>FULL-TIME STAFF<br/>PAST SIX MONTHS</u> |                |              |
|----------------------------|--|--------------------------------------------|----------------|--------------|
| <u>INDUSTRY SECTOR</u>     |  | <u>EXPANDED</u>                            | <u>REDUCED</u> | <u>(NET)</u> |
| Wholesale *                |  | 25%                                        | 10%            | (+ 15)       |
| F.I.R.E.*                  |  | 28                                         | 15             | (+ 13)       |
| Professional/Scientific    |  | 33                                         | 19             | (+ 14)       |
| Manufacturing *            |  | 26                                         | 6              | (+ 20)       |
| Construction *             |  | 28                                         | 11             | (+ 17)       |
| Retail                     |  | 11                                         | 14             | (- 3)        |
| Accommodation/Food Service |  | 0                                          | 28             | (- 28)       |
| Health/Social Assistance   |  | 29                                         | 7              | (+ 22)       |

\* Caution: The small base sizes in these sectors make results subject to substantial statistical bounce.

The hiring outlook for the coming six months remains relatively cautious, with 33 percent expecting to expand their staffs in the coming six months – unchanged from last quarter but well below the reading from one and two years ago.

PLANNED HIRING  
NEXT SIX MONTHS

| <u>QUARTER</u> | <u>EXPAND</u><br><u>STAFF</u> | <u>REDUCE</u><br><u>STAFF</u> | <u>NET</u> |
|----------------|-------------------------------|-------------------------------|------------|
| Third 2002     | 33%                           | 8%                            | (+ 25)     |
| First 2002     | 33                            | 8                             | (+ 25)     |
| Third 2001     | 39                            | 5                             | (+ 34)     |
| First 2001     | 37                            | 9                             | (+ 28)     |
| Third 2000     | 41                            | 6                             | (+ 35)     |
| First 2000     | 37                            | 3                             | (+ 34)     |
| Third 1999     | 36                            | 5                             | (+ 31)     |
| First 1999     | 45                            | 3                             | (+ 42)     |
| Third 1998     | 40                            | 5                             | (+ 35)     |
| First 1998     | 44                            | 2                             | (+ 42)     |
| Third 1997     | 45                            | 3                             | (+ 42)     |
| First 1997     | 38                            | 6                             | (+ 32)     |
| Third 1996     | 30                            | 3                             | (+ 27)     |
| First 1996     | 31                            | 4                             | (+ 27)     |

~~~~~

FULL-TIME STAFF  
NEXT SIX MONTHS

<u>INDUSTRY SECTOR</u>	<u>WILL</u> <u>EXPAND</u>	<u>WILL</u> <u>REDUCE</u>	<u>(NET)</u>
Manufacturing *	36%	2%	(+ 34)
Wholesale *	35	5	(+ 30)
Construction *	39	10	(+ 29)
Retail	31	9	(+ 22)
Health/Service Assistance	18	18	( 0)
Finance/Insurance/Real Estate *	34	7	(+ 27)
Professional/Scientific	54	0	(+ 54)
Accommodation/Food Service	32	4	(+ 28)

\* Caution: The small base sizes in these sectors make results subject to substantial statistical bounce.

~~~~~