

**Inaugural Silver State Bank / ASBA / O’Neil Associates  
Arizona Economic Indicators Monitor Shows Greater Optimism For  
Arizona than National Economy Despite Drop In Revenues and  
Increased Concerns With Financing**

Silver State Bank, ASBA, and O’Neil Associates today released the first in what will be a quarterly series of surveys and reports that gauge the perceptions of business owners on the economic health and vitality of Arizona business. *The Silver State Bank/ASBA/O’Neil Associates Arizona Economic Indicators Monitor* is made possible by Silver State Bank, with cooperation of ASBA (the Arizona Small Business Association). O’Neil Associates, a national public opinion research firm based in Tempe, sent surveys to ASBA’s membership of 3,000 small businesses across the state in late March. The survey covered a wide range of economic issues including business performance, revenue and job growth, and overall business confidence ratings.

“Silver State Bank is Nevada’s largest small business lender. As we now expand throughout Arizona we could think of no better way to keep our finger and that of the public’s on the pulse of the Arizona economy than to partner with ASBA and O’Neil Associates,” Silver State Bank President Mike Thorell said. “Each quarter the *Silver State Bank/ASBA/O’Neil Associates Arizona Economic Indicators Monitor* will be providing insights to support our business leaders in companies of all sizes to make key economic decisions as well as sharing small business attitudes on the big political issues of the day.”

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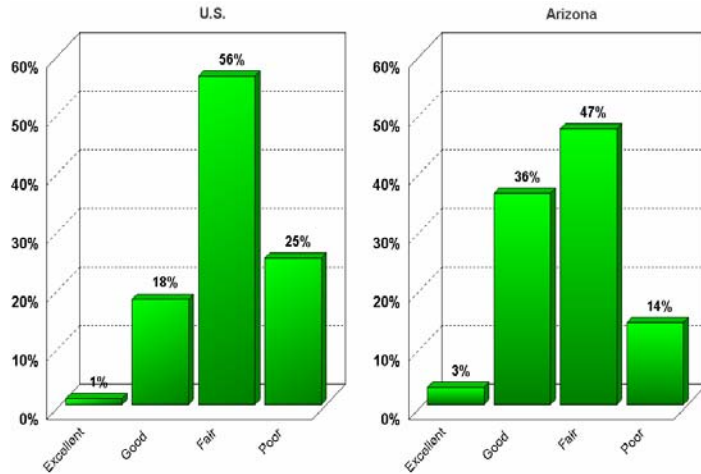
For a complete copy of the *Silver State Bank/ASBA/O’Neil Associates Arizona Economic Indicators Monitor* visit <http://www.oneilresearch.com/publicdomain>

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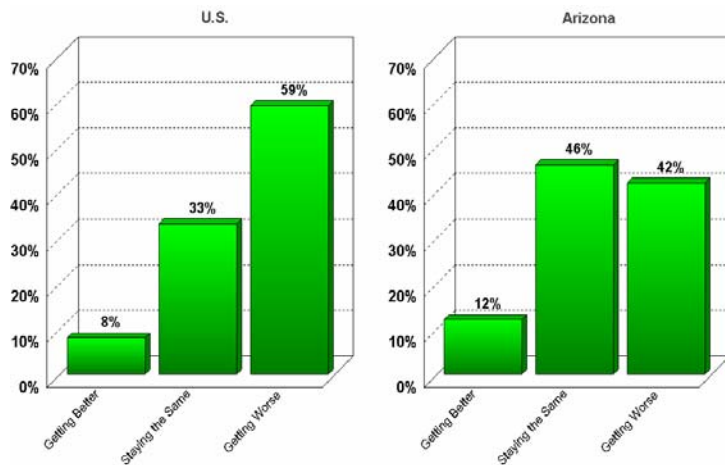
## Economic Pessimism

Eighty-one percent (81%) of Arizona small businesses rated national economic conditions as either fair (56%) or poor (25%) compared to only 19% who rated them as either excellent (1%) or good (18%). Figures for Arizona also tended negative though the magnitude was far less dramatic. Sixty-one percent (61%) rated Arizona's economy as either fair (47%) or poor (14%) compared to 39% who rated it as either excellent (3%) or good (36%). According to the poll's director, Dr. Michael O'Neil, "These figures clearly indicate a pessimistic assessment of the national economy. While economic conditions in Arizona also come out decidedly on the negative side of the ledger, perceptions of the Arizona economy, are still seen as far better than in the country as a whole."



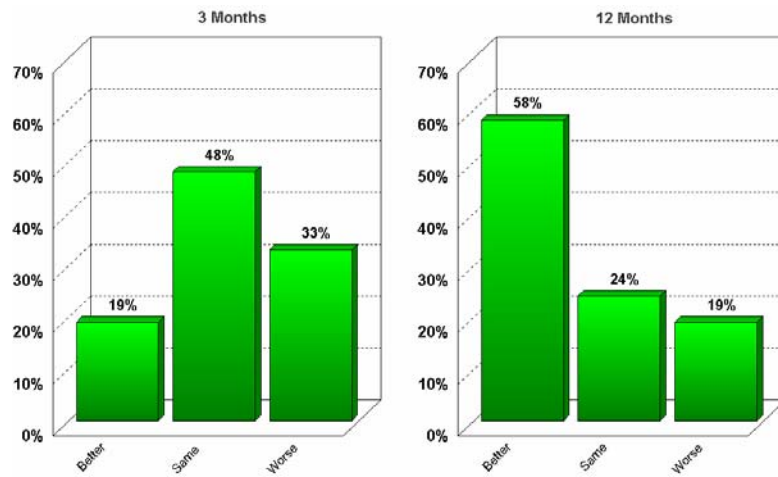
## Trends

We saw similar findings for economic trends over time. Fifty-nine percent (59%) of respondents see economic conditions in the country as getting worse; only 8% see them getting better. For Arizona, 42% see economic conditions as getting worse and 12% see them as getting better. The pattern is similar to what we observed about evaluations of current economic conditions. While the Arizona economy is seen as getting worse, the perceived negative effect is substantially less than for the country as a whole.



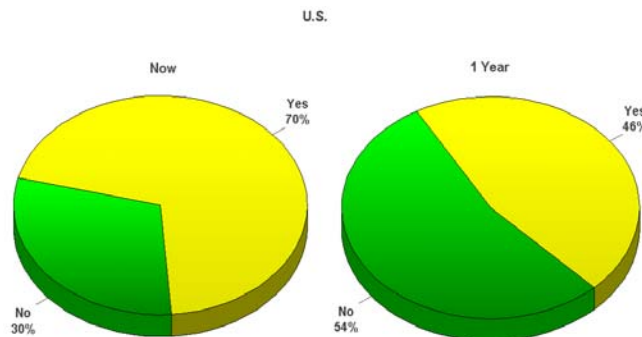
## Outlook

Arizona businesses seem to think a recovery will take the better part of a year to materialize. By a 33% to 19% margin, Arizona businesses think that economic conditions are more likely to get worse than better in the next three months. When the timeframe is expanded to twelve months however, optimism is evident: 58% see conditions as getting better in the next twelve months compared to only 19% who see it as getting worse.

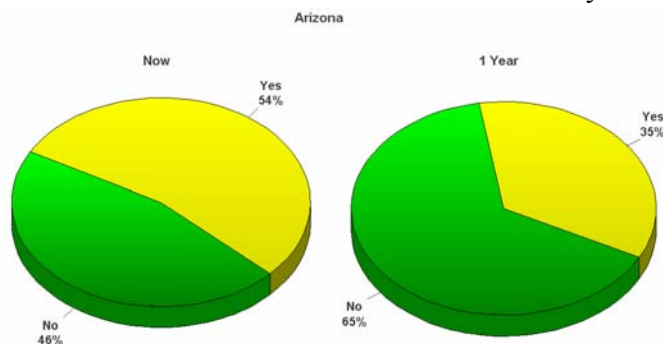


## Recession?

Seventy percent (70%) of Arizona small businesses think that the overall national economy is currently in a recession. When we ask about the likely situation a year from now, however, this number decreases to 46%. This reflects the relative but guarded long-term optimism which we noted earlier.



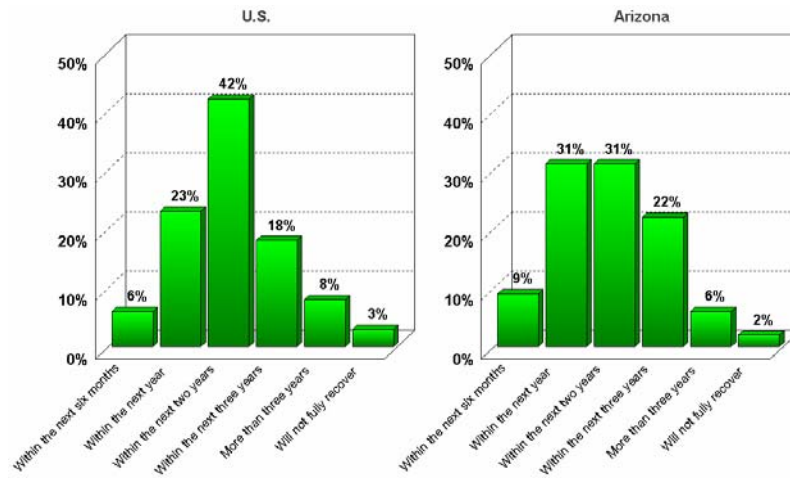
When we restrict the question to Arizona, we find a substantially smaller majority (54%) who think the Arizona economy is in a recession. When we ask about the likely situation a year from now, we find that the proportion who expect the state to be in a recession drops to 35%.



We draw four conclusions from this,

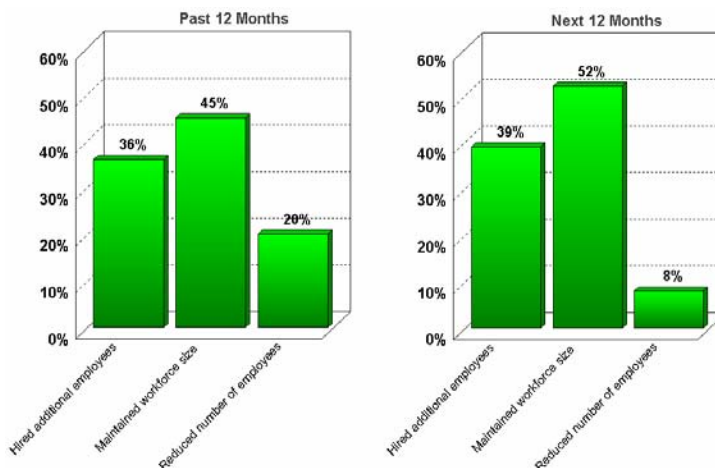
- 1) Both the U.S. and Arizona economy are in a world of hurt,
- 2) The Arizona economy is somewhat better off than the National economy,
- 3) Small businesses are moderately optimistic about the likelihood of significant improvement both on the National and local level in the next year, and
- 4) These same businesses continue to believe that the Arizona economy will outperform the National economy a year from now.

We asked respondents specifically how long they think it will take for the economy to fully recover from its current state. The modal response for the National economy was two years. Forty-two percent (42%) indicate that the National economy will take two years to recover. Roughly equal numbers think that it will take more or less than this amount of time. For the Arizona economy, roughly equal numbers think that it will recover either within the next year (31%) or the next two years (31%). Not only is the Arizona economy seen as performing better than the National economy, it is seen as likely to recover from its current state more quickly than the National economy.



### Employment

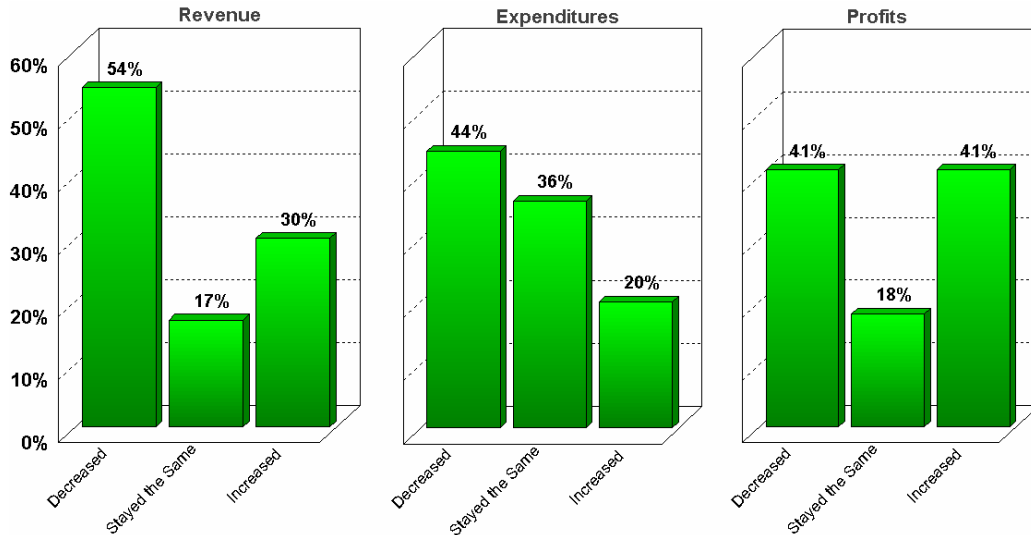
Despite this economic gloom, but perhaps due to taking a long-term view, Arizona small businesses report that they have not only been more likely to hire additional employees than reduce the number of employees over the past twelve months. By an even greater margin, however, they report a propensity to do so in the next twelve months. Thirty-six percent (36%) report they have hired additional net employees compared to 20% who report that they have reduced their employee base. When respondents were asked to project employment trends for the next twelve months, however, this disparity increased: 39% reported that they expect to hire additional employees over the next year, compared to only 8% who expect to downsize.



## Revenue, Profits and Expenditures

A majority of Arizona small businesses (54%) report decreased revenues. Only 30% report increased revenues. These businesses have evidently adapted their expenditure patterns to these decreased revenues. Forty-four percent (44%) report that company expenditures have decreased and only 20% report that these expenditures have increased.

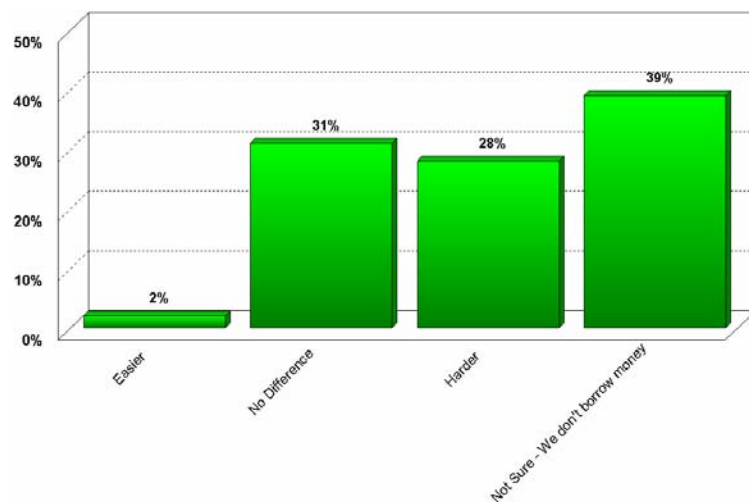
The net effect of decreased revenues coupled with decreased expenditures is that company profits which are absolutely flat. Equal proportions reported increased profits and decreased profits.



The overall picture is this: company revenues are down, and company spending has dropped to compensate. As a result, profits are flat.

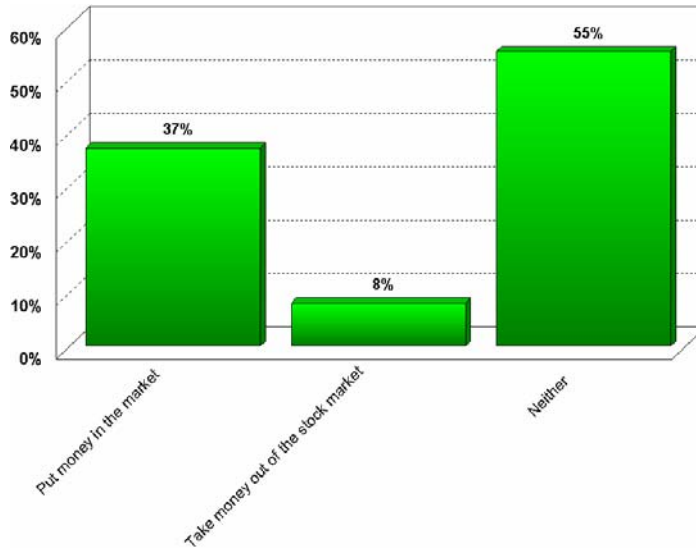
## Borrowing Money

As a result of the credit crunch, more Arizona small businesses find it harder to borrow money (28%) than a negligible 2% who find it easier than a year ago. Thirty-one percent (31%) report no difference and 39% report that they do not borrow money.



## Stock Market Outlook

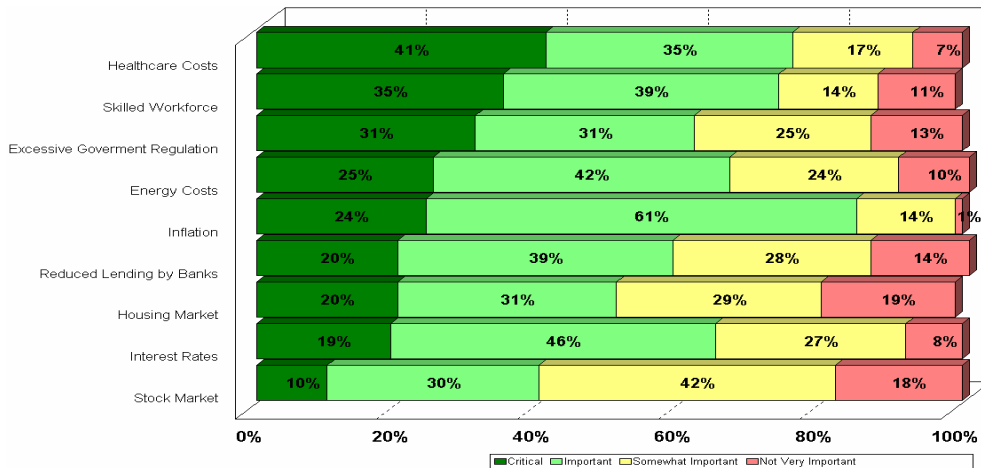
Interestingly, there is evidence that Arizona small business people may think that the stock market has bottomed out. Thirty-seven percent (37%) report that it is a good time to put money into the market compared to only 8% who think that it is a good time to take money out of the stock market. A majority, however, have a “wait and see” attitude: 55% report that it is neither a good time to put money in nor take money out of the stock market.



## Problem Issues

Arizona small businesses people were asked to rate how much of a problem each of nine specific issues are for their business. Two dominant issues appear to be

- 1) Healthcare costs, cited as “critical” by 41%, and a
- 2) Skilled workforce, cited as “critical” by 35%.



When one includes not only the proportion who see an item as “critical,” but also as “important,” the #1 issue becomes inflation (85%). Other issues that loom significant when we include “important” as well as “critical” evaluations include energy costs and government regulation.

Reduced lending by banks, the housing market, interest rates or the stock market are critical to smaller proportions of businesses.