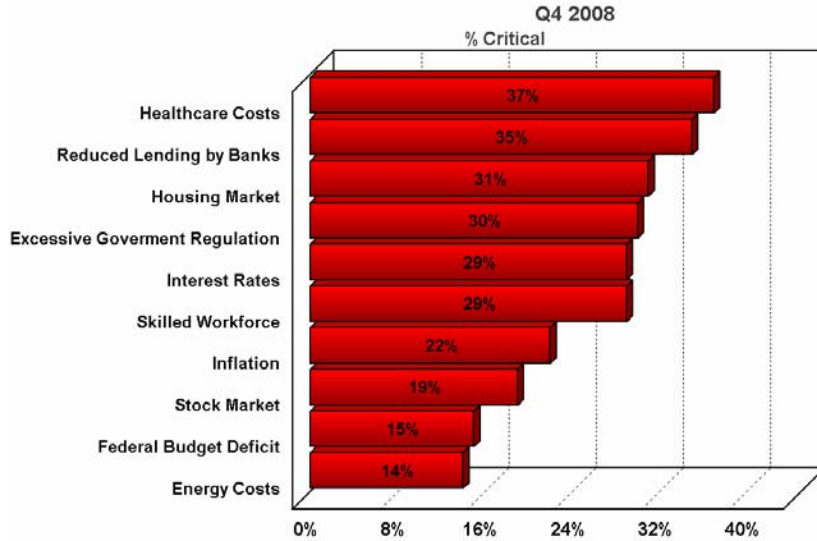


O'Neil Associates | ASBA  
**ARIZONA ECONOMIC INDICATORS MONITOR**

Quarter 4, 2008

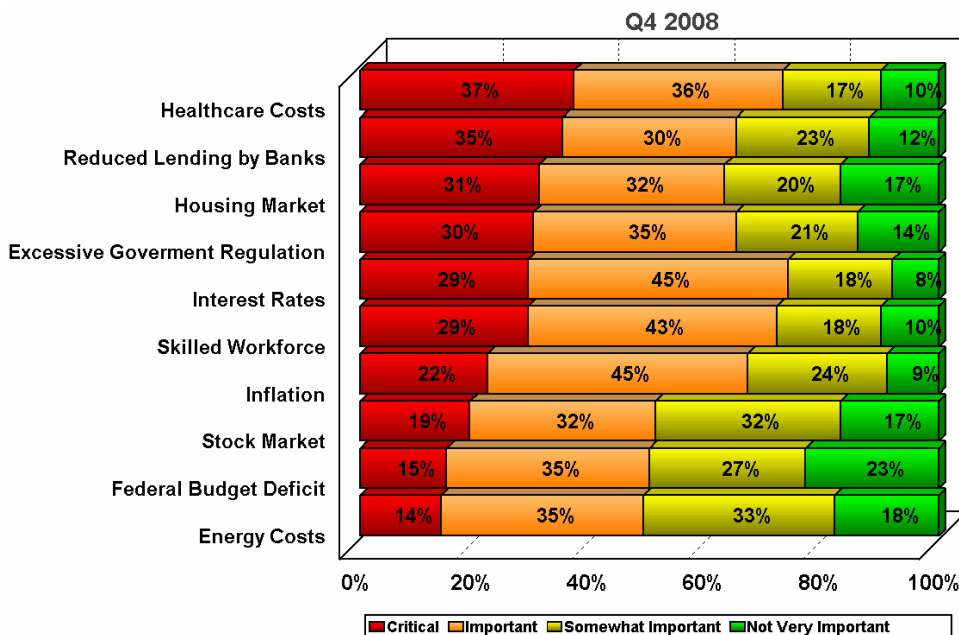
**Healthcare, Bank Lending  
 Dominate Critical Issues for Arizona Businesses  
 Housing Market, Government Regulation, Interest Rates, Skilled Workforce  
 Follow in Importance**



Healthcare costs (37%) and reduced lending by banks (35%) are most likely to be rated as critical issues by Arizona small businesses. These are the dominant findings this quarter for the O'Neil Associates / ASBA Arizona Economic Indicators Monitor, a survey of the 3,000 members of the Arizona Small Businesses Association.

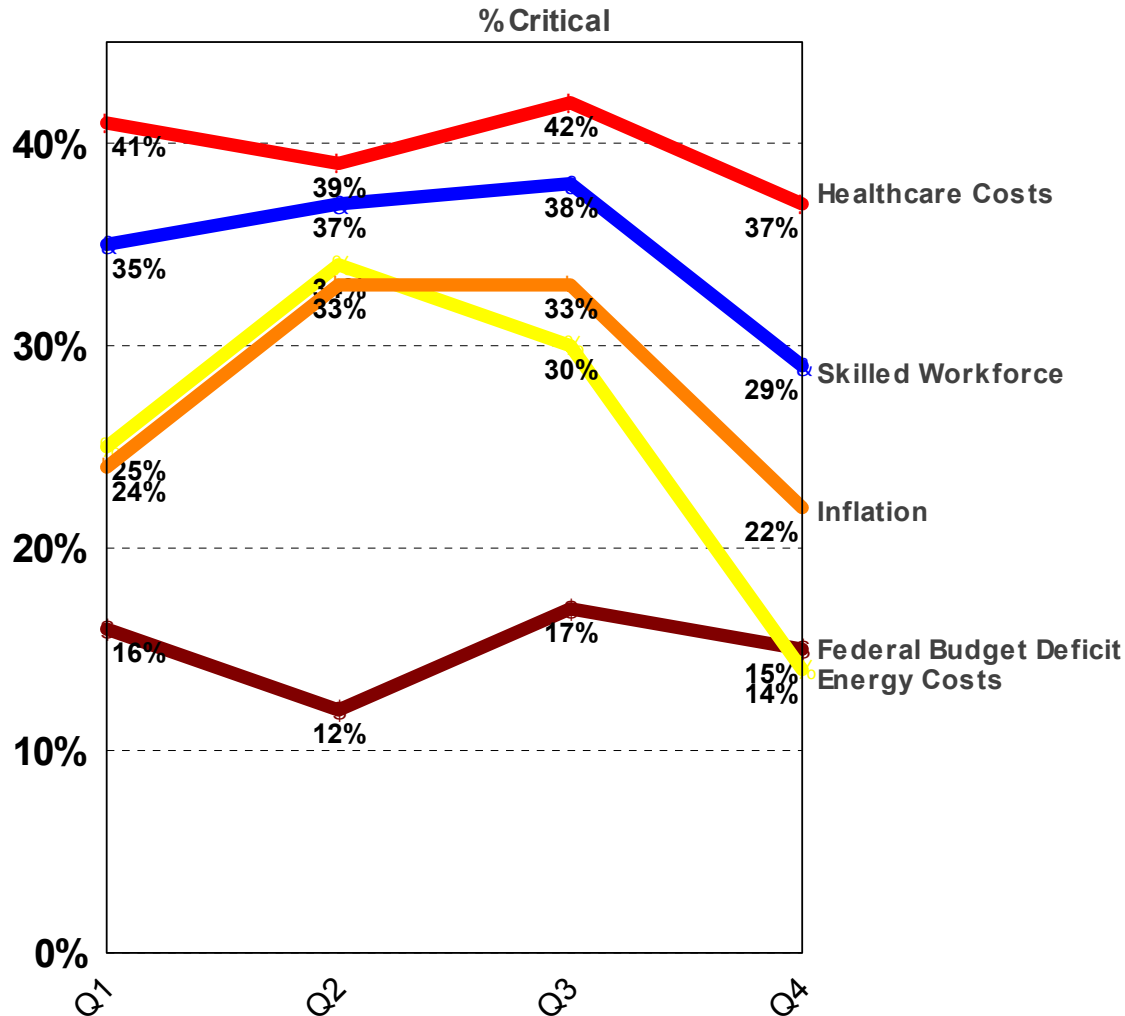
We asked Arizona small businesses to indicate how important each of ten separate issues were for their business. Each was rated as being either "critical," "important," "somewhat important," or "not very important." There is ample reason for focusing predominantly on issues which are considered to be absolutely critical. Only slightly less likely to be rated as critical are the housing market, excessive government regulation, interest rates, and skilled workforce.

When we add in those responses which considered items important, the rank ordering of responses tends to be similar; although, the relative importance given to interest rates, skilled workforce, and inflation is higher.

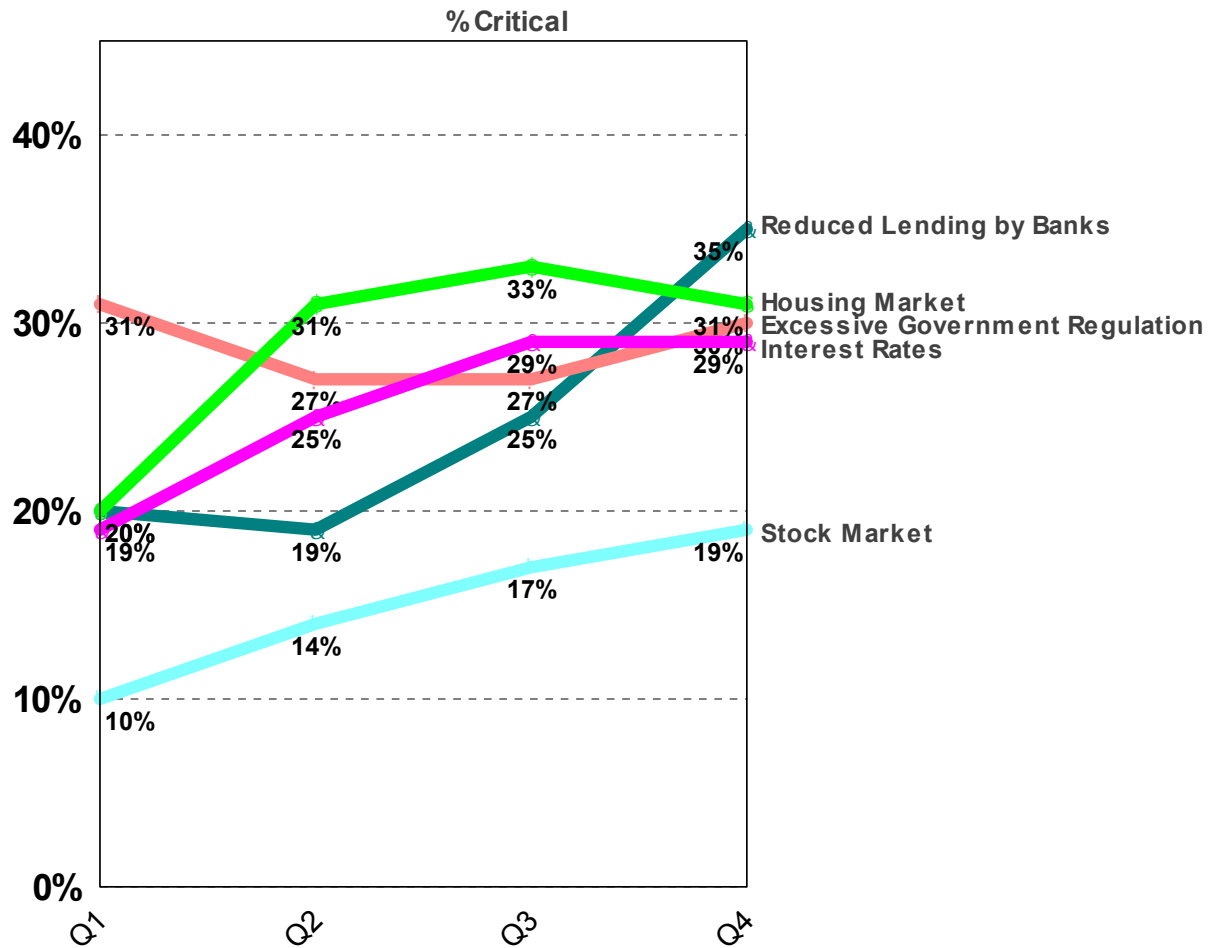


## Time Trends

As Dr. Michael O’Neil, the poll’s director, explains, *“We have been asking this question for each of the last four quarters. In order to make time trends evident, we have presented these time trends on two separate graphs. The first graph shows items for which the percent who rated the particular issue has dropped substantially this quarter. Among these, the largest drop was in energy costs, which dropped dramatically from 30% last quarter to 14% this quarter. One need go farther than the local gas station for the likely reason for this. Likewise, the other drops are clearly explicable. In a period where the presence of a recession is evident, concerns about inflation has dropped dramatically. Likewise, when businesses are anticipating reducing the number of employees, rather than increasing them, locating a skilled workforce is less critical. Finally, there is a modest drop in the proportion citing healthcare costs. We do not think this represents a major decrease in priority; indeed, notwithstanding this drop, healthcare costs has been rated the number one issue by businesses every quarter. Finally, concern about the federal budget deficit, which has been relatively low throughout the year, decreased slightly this quarter.”*



The graph following presents the data for items which have gone up, or remained stable, this quarter. Two items are the most obvious sources of increasing concern. Each of these makes a great deal of sense. Reduced lending by banks increased as a concern from 25% in Q3 to 35% this quarter. Likewise, the increasing concern about the stock market has been evident in each of the quarters this year. Concern about the housing market, on the other hand, has attenuated, but only slightly. And concerns about excessive government regulation and interest rates have been relatively stable.



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These results are taken from the Q4 **O'Neil Associates/ASBA Arizona Economic Indicators Monitor**. This project provides insights to support business leaders in companies of all sizes to make key economic decisions, as well as sharing small business attitudes on major political issues. **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 as it did at the end of Q1, Q2, and Q3 2008. The survey covered a wide range of economic issues, including business performance, revenue and job growth, and overall business confidence ratings. Results provide insights into the perceptions of business owners on the economic health and vitality of the Arizona economy. Based on 285 responses, the survey has a margin of error (at the 95% confidence level) of approximately +/-6%.  
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**Results of this survey may be cited freely with the proviso that they be cited as the "O'Neil Associates/ASBA Arizona Economic Indicators Monitor"**

The O'Neil Associates/ASBA Arizona Economic Indicators Monitor is made possible by a cooperative effort of

- **O'Neil Associates**, a national public opinion research firm based in Tempe, has done over 1700 public opinion and marketing research projects since 1981. These include surveys and focus group projects for a wide array of businesses throughout the country.
- **ASBA**, the Arizona Small Business Association, is the leading voice for small businesses in the State of Arizona.

For a complete copy of all **O'Neil Associates/ASBA Arizona Economic Indicators Monitor** reports released to date, as well as opinion research reports on an array of other topics visit <http://www.oneilresearch.com/publicdomain> or click on the banner below.



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