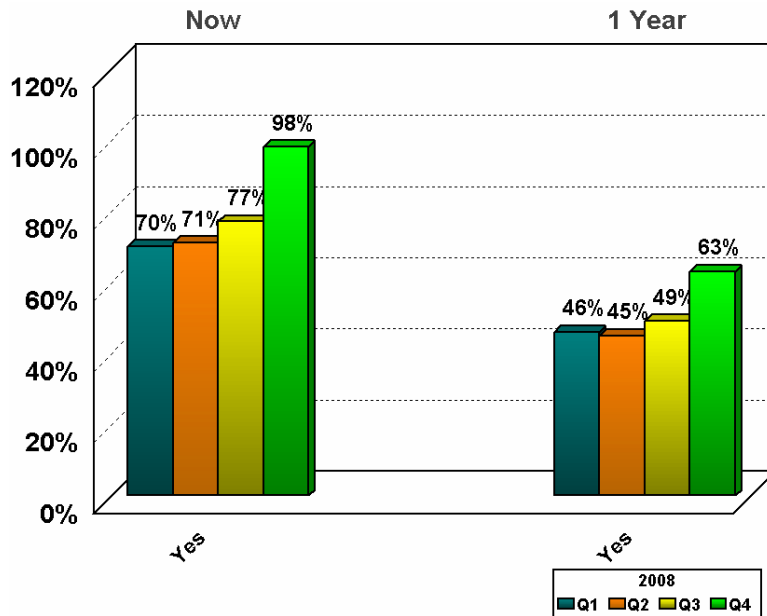


Quarter 4, 2008

***Recession: How Long, How Bad?
Views of the National and State Economies Plummet***

National Recession



At the end of 2008, any lingering doubt about whether or not the national economy is currently in a recession has been removed. The O'Neil Associates/ASBA Arizona Economic Indicators Monitor has asked small business owners if they think the U.S. economy is in a recession for each quarter in 2008. Throughout the first three quarters, while the "yes" responses to this question crept up slowly, they were in the seventy-some-odd percent range. In Q4, this number leapt to a virtually universal 98%.

Why These Surveys Matter

Our stock markets have been battered. Housing prices have plummeted. Banks are afraid to lend. Consumers have pulled back on their spending. And businesses are reluctant to hire. All told, more "wealth" has been lost in the last year than in any in human history.

An incoming Presidential administration proposes to spend unprecedented sums primarily to inspire confidence in the resilience of the economy.

Whether or not it works will depend almost exclusively in whether it is successful in inspiring that confidence. Should that confidence return, all of the negative impacts described in the first paragraph will be reversed.

The significance of the Arizona Economic Indicators Monitor is that it measures precisely the perceptions that will ultimately drive our economy up or down.

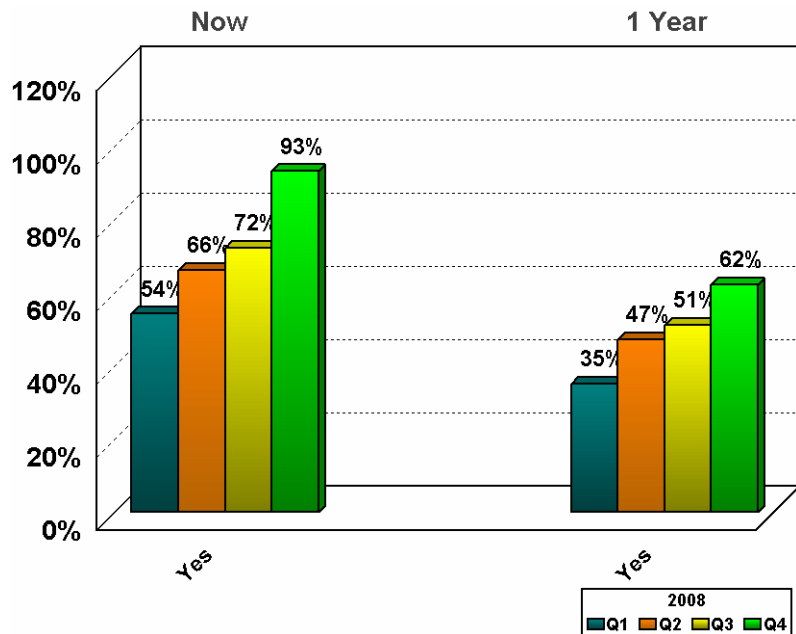
Follow these reports and you will know a lot about what to expect from the economy.

A Year from Now?

The pervasiveness of this pessimistic view was also evident when we asked the follow-up question, “Do you expect U.S. economy to be in a recession one year from now?” In the first three quarters of this year, the proportion of Arizona businesses who indicated they believe this is the case were in the forty-some-odd percent range. This quarter that proportion jumped to 63%, a dramatic increase from the responses we had received in the first three quarters of this year.

Arizona Fully Participating in National Recession

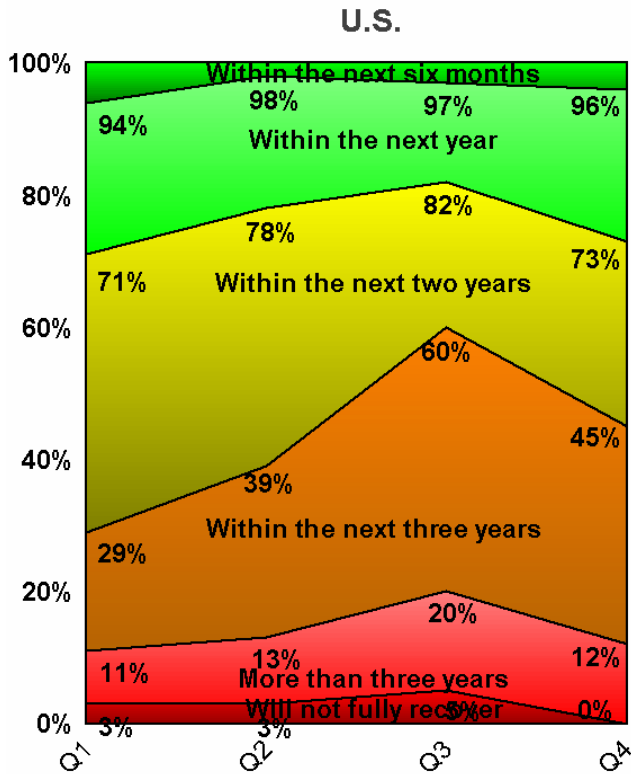
The proportion of small businesses who believe that the Arizona economy is currently in a recession has increased steadily throughout the first three quarters of this year, from 54% in Q1, to 66% in Q2, to 72% in Q3. In the current Q4 survey, however, the proportion leapt to 93%. This 93% figure lags the national figure by only 5%. Thus, not only does virtually every Arizona business believe the national economy is in a recession, but also the Arizona economy is in a recession.



When we asked Arizona businesses to look down the road and project whether they feel the Arizona economy will continue to be in a recession one year from now, we find a steady increase in this proportion. In Q1, the proportion was 35%, this grew to 47% in Q2 and 51% in Q3. In the current quarter, this proportion is 62%, virtually indistinguishable from the 63% who feel the U.S. economy will be in a recession one year from now. According to the director of the poll, Dr. Michael O’Neil,

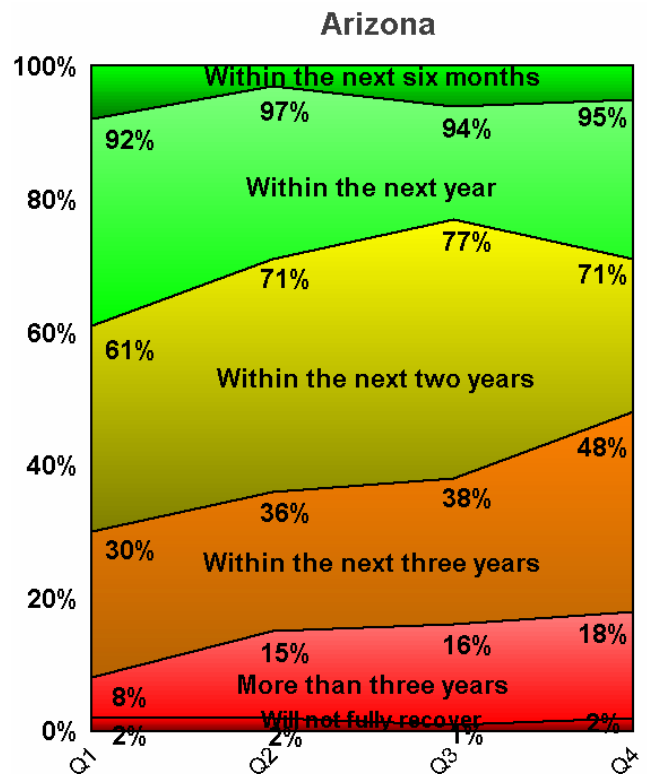
“Historically, we have seen greater optimism about the Arizona, rather than the U.S. economy. It is safe to say at this point that any differences in the perception of the U.S. economy and the Arizona economy are now minimal. Arizona businesses have come to see that the Arizona economy is fully participating in the national economic downturn.”

When Will It End?



We asked Arizona small businesses to indicate how long they think the current economic recession will linger. The proportion who think it will take three or more years to recover rose dramatically from 29% in Q1, to 39% in Q2 and to 60% in Q3. In one of the few points of optimism in this entire survey, this proportion dropped to 45% this quarter. While this can hardly be seen as an optimistic projection, it does suggest that there is some sense this quarter that we have already absorbed some of the economic downturn and thus, some of the “clock” remaining on the economic downturn may be running out.

When we turn our attention to the Arizona economy, however, we see that the perceived duration of the recession in Arizona has converged upon the national figures. Up until this quarter, Arizona businesses held a strikingly more optimistic view of the duration of the recession. According to the director of the poll, Dr. Michael O’Neil, *“That disparity has disappeared. Last quarter we reported that the modal response was that the U.S. economy will take 3 years to recover while the Arizona was felt to likely recover in two years. Right now, approximately half of Arizona businesses think that the both the U.S. and Arizona economies will take three years to recover. There is no longer any difference in perception of the length of the recession in Arizona and in the national economy.”*



*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%.*

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

- [ASBA](#), the Arizona Small Business Association, is the leading voice for small businesses in the State of Arizona.
- [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.

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.



For Further Information or to schedule media interviews contact *via email*:

Michael O'Neil, PhD
President
O'Neil Associates, Inc.
oneil@oneilresearch.com
www.oneilresearch.com