

Tucson Citizen

Az leaders grim on economy

Forecast: Many expect state economy to dip

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Optimism among business leaders in Tucson and statewide continues its freefall in the second quarter forecast for Compass Bank's Arizona Business Leaders Confidence Index.

The index slipped to 36.9 for the spring, the first time the index has dropped below 40 since Compass Bank and the University of Arizona Eller College of Management launched the BLCI in spring 2003.

This marks the third consecutive quarter that all six categories used to build the index had sub-50 readings. A reading above 50 means an expanding economy, below 50 a contracting economy.

The economy may not bottom out until the end of the year or even into next year, said UA economist Marshall Vest in the BLCI analysis.

National outlook, the traditional weak link among Arizona business leaders, fell to 28.5 with three-fourths of the panelists in the Internet survey expecting the national economy to worsen in the second quarter.

About two-thirds of panelists expect the Arizona economy to dip, but Tucson respondents actually gave the state outlook a slightly better index reading for this quarter than last.

Capital expenditures and hiring took a greater fall in the index than the overall index.

"Hiring and capital expenditures have to do with taking on new business and new enterprises," Vest said. "The lower numbers there show our business leaders are real cautious about new initiatives."

There does seem to be more optimism, relatively speaking, in the nonmetro areas, which typically lag behind Tucson and Phoenix. For the second quarter, the BLCI for nonmetro areas, mostly Cochise County, is 40.7, while the Phoenix index is 36.7 and in Tucson it's 36.4.

ADDITIONAL INFORMATION

TUCSON'S EXPECTATIONS

Compass Bank Business Leaders Confidence Index for Tucson's expectations for the coming quarter and the last quarter. A rating of 50 indicates no change. A rating below that indicates a slumping economy.

Category Q2 '08 Q1 '08

Overall 36.4 39.0

Sales 43.6 45.4

Profits 40.1 41.6

Hiring 36.4 40.9

Capital

expenditures 34.2 41.4

State outlook 35.6 34.9

National

outlook 28.3 29.8

ON THE WEB

Arizona Business Leaders Confidence Index

www.bhci.com/arizona/index.jsp