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## Opinion by Richard Ducote : Arizona's outlook sparkling for 2006

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Arizona's economic outlook is so bubbly that some might think New Year's Eve champagne got into the analysis.

Two reports out this week confirm that business conditions are upbeat, signaling a strong 2006.

People running businesses are showing renewed confidence in the economy after the jolt to energy markets from hurricanes last year.

The quarterly Arizona Business Leader Confidence Index compiled by the UA Eller College of Management shows that the hurricane-related decline in the previous survey has evaporated. "We have regained all the ground lost after Katrina," said UA economist Marshall Vest, who conducts the survey.

The University of Arizona business confidence index, sponsored by Compass Bank, concurs with a monthly reading of supply chain managers released Tuesday by ASU's W.P. Carey School of Business.

The improved outlook is boosted by receding fears of inflation and gasoline prices that fell back toward the \$2 level at year's end after the \$3-plus shock from Gulf hurricanes.

The Eller business confidence index, released Thursday, hit 59.9, up 5.2 points, signaling that good, solid growth is ahead and that businesses are looking to boost hiring and capital spending, Vest notes.

In both the Eller and Carey reports, an index reading above 50 indicates growth in the economy, while a reading below 50 points to a slowdown.

The business leaders surveyed statewide consistently get the direction of the economy right, Vest says, and they see stronger sales, profits, hiring and capital spending this year.

This recovery of confidence is important, he adds, because the anticipated investment increases will help offset any pullback in the housing market.

Interestingly, the Tucson portion of the index jumped 7.1 points while the Phoenix sector rose 3.3 points, with both hitting just above 60. Since Phoenicians usually are more upbeat, this put the two metro areas, for the first time in nearly three years, on a roughly even plane.

Another index released Tuesday by the Carey School also shows Arizona's economy will continue to expand in the near term.

The monthly Arizona Business Conditions Index rose 5.7 percent in December, to 69.7 from 65.9 the previous month. That's the upper end of the range maintained by the index since mid-2003, said research economist Dawn McLaren of the school's Economic Outlook Center.

Just as the UA survey found, the ASU index saw strong signals for capital spending in the New Year with 62 percent of supply chain managers planning increases in 2006 and only 10 percent forecasting cuts. And the production component of the index hit a historic high of 75.9 in December, up from 65.9 in November.

Of course economies rise and fall for unexpected reasons and the health of individual businesses and jobs depend on many complex factors. But the general climate in Arizona's economy now seems as sunny as a round of golf on a warm January afternoon.

*Opinion by*

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