Performance of the Alabama Business Confidence Index

The Center for Business and Economic Research estimates the statewide Alabama Business Confidence Index™ (ABCI) from an online survey of Alabama business executives. During the month prior to each quarter, researchers gather panelists’ expectations for economic prospects and industry performance looking ahead to the upcoming quarter. The fourth quarter 2013 survey conducted in September marked the 48th consecutive quarter of the ABCI. The collected data allows for evaluation of the performance of the ABCI, National Economy, and Alabama Economy indexes against economic indicators including U.S. real GDP, nonfarm employment, and Alabama GDP. The graphs below show strong correlations between indexes and these economic indicators, confirming the predictive significance of the ABCI.

### ABCI and U.S. Real GDP


### ABCI National Economy and U.S. Real GDP


### ABCI and U.S. Nonfarm Employment

Note: Seasonally Adjusted Data.

### ABCI Alabama Economy and State GDP

Performance of ABCI Industry Component Indexes

ABCI industry components are also correlated with respective indicators of the national or state economy. The ABCI Industry Sales index does a good job predicting state sales tax revenue collections, while Industry Hiring forecasts the growth of state nonfarm employment. The Industry Profits index reflects the change in U.S. corporate profits. Meanwhile, ABCI panelists’ assessment of upcoming Capital Expenditures indicates the trend of U.S. private fixed nonresidential investment.

ABCI Survey Design

Thus, the value of the composite ABCI and each of its six components in a particular quarter measures expectations by Alabama business executives recorded in the prior quarter. Comparing these indexes to relevant historical economic data for that quarter, as shown in the graphs in this analysis, demonstrates the predictive value of the ABCI and its components.

ABCI Calculation Notes

The ABCI survey measures industry components on a five-part scale: strong increase, moderate increase, no change, moderate decrease, strong decrease. The economic indicators also employ a five-part scale, but the wording is: much better, somewhat better, remain the same, somewhat worse, much worse. These choices are weighted +2, +1, 0, -1, -2. Then the overall ABCI = (Σ responses / # surveys) + 12) / 24*100. Thus, the ABCI range is 0 to 100, with 50 the neutral point. An index is similarly calculated for each of the six components of the survey.
Performance of Alabama Business Confidence Indexes for Metropolitan Areas  The Center for Business and Economic Research also estimates an Alabama Business Confidence Index™ (ABCI) for the state’s largest metropolitan areas from the responses of metro business executives to the online survey. The fourth quarter 2013 survey conducted in September marked the 32nd consecutive quarter of the metro ABCI. The gathered data allows for evaluation of the performance of the ABCI for the Birmingham-Hoover, Huntsville, Mobile, and Montgomery metro areas by comparing selected indexes against corresponding metro GDP and nonfarm employment. The following graphs demonstrate correlation between the ABCI metro indexes and trends of metro GDP. Additional graphs show how metro area Industry Hiring indexes effectively predict metro nonfarm employment trends.

Birmingham-Hoover ABCI and Metro GDP

Huntsville ABCI and Metro GDP

Birmingham-Hoover ABCI Industry Hiring and Nonfarm Employment

Huntsville ABCI Industry Hiring and Nonfarm Employment


Source: Alabama Department of Labor and Center for Business and Economic Research, The University of Alabama.
Mobile ABCI and Metro GDP

Montgomery ABCI and Metro GDP

Mobile ABCI Industry Hiring and Nonfarm Employment

Montgomery ABCI Industry Hiring and Nonfarm Employment


Source: Alabama Department of Labor and Center for Business and Economic Research, The University of Alabama.

ABCI Share of Panelists by Industry, 2013 Average (Percent of Total Statewide)

<table>
<thead>
<tr>
<th>Industry</th>
<th>ABCI Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>6.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13.1</td>
</tr>
<tr>
<td>Transportation/Information/Utilities</td>
<td>7.3</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>4.9</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>4.6</td>
</tr>
<tr>
<td>Finance/Insurance/Real Estate</td>
<td>20.0</td>
</tr>
<tr>
<td>Professional/Scientific/Technical Services</td>
<td>17.5</td>
</tr>
<tr>
<td>Healthcare Services</td>
<td>6.7</td>
</tr>
<tr>
<td>All Other Services</td>
<td>17.5</td>
</tr>
</tbody>
</table>

ABCI Survey Acknowledgement The Center for Business and Economic Research would like to thank the Alabama business executives who complete the ABCI survey on a regular basis. Survey participation averaged 268 during the four quarters of 2013. We encourage you to sign on at cber.cba.ua.edu/ABCI during the first two weeks of December 2013 to record your opinion about economic prospects and industry performance looking ahead to the first quarter of 2014.

Analysis provided by Viktoria Riiman, Research Associate, Center for Business and Economic Research, The University of Alabama.

For more details on the Alabama Business Confidence Index™, visit cber.cba.ua.edu/ABCI
For information on the Center for Business and Economic Research, visit cber.cba.ua.edu