

## State Business Confidence Strong Going into 2015

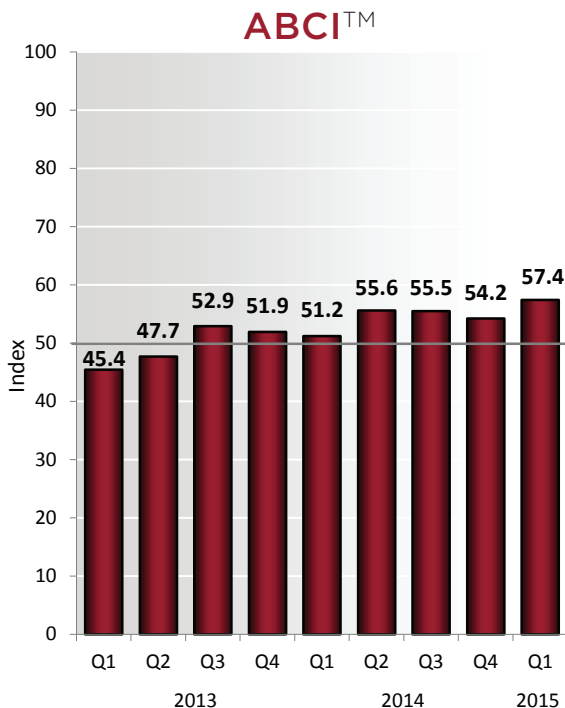
Business confidence reached 57.4 on the first quarter 2015 Alabama Business Confidence Index™ (ABCI) survey, conducted by the Center for Business and Economic Research in UA's Culverhouse College of Commerce. The index rose 3.2 points to its highest level since the third quarter of 2006. Panelists are significantly more optimistic than a year ago when the ABCI registered 51.2.

Both the U.S. and Alabama economies are expected to see improved growth this quarter. After a 4.8 point increase to 56.4, the national economy index is just one point below the state economy index value of 57.4.

Every industry indicator moved higher on the first quarter ABCI survey. The sales index tops the list at 60.6, with solid gains expected for every industry. A hiring index of 56.3, up 3.8 points, forecasts stronger job growth.

Firms in manufacturing, wholesale trade, and financial activities are the most optimistic this quarter. Professional services businesses also have robust outlooks for sales and hiring. However, retailers see the economic environment as a negative and healthcare concerns expect profits to dip.

Montgomery confidence moved back to the top among the large metros, rising 0.7 points to 59.4. A weaker hiring outlook contributed to a slight decline in Mobile's ABCI to 58.2. Moderate to strong gains on every industry index lifted Birmingham-Hoover business confidence to 58.1 and returned ABCI Huntsville to a positive outlook of 54.9.



## First Quarter 2015 Outlook

	Alabama	Change from Q4
ABCI	57.4	3.2
National Economy	56.4	4.8
Alabama Economy	57.4	1.0
Industry Sales	60.6	4.0
Industry Profits	57.8	3.4
Industry Hiring	56.3	3.8
Capital Expenditures	55.9	2.2

Index value above 50 indicates positive outlook.  
Index value below 50 indicates negative outlook.

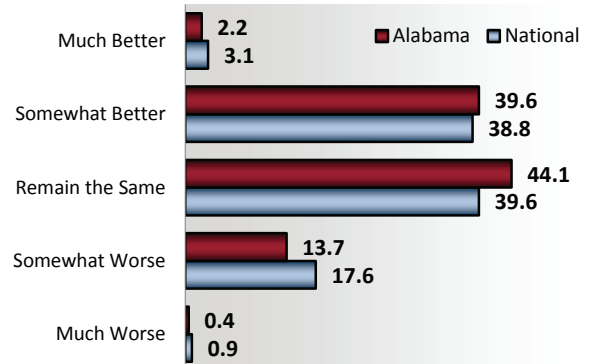
## Business Environment Expectations Q1 2015 compared to Q4 2014

### Outlook for U.S. Economy Shows Strong Improvement

The national economy index jumped 4.8 points to 56.4, the most optimistic outlook since the second quarter of 2006. Almost 42 percent of the state's business executives expect U.S. economic growth to be higher than last quarter and another 39.6 percent think it will be about the same. The U.S. outlook at the start of 2015 is a strong turnaround from the negative forecast of 47.8 a year ago.

Panelists in manufacturing, construction, wholesale trade, and professional services are the most optimistic about the U.S. economy. The outlook moved from negative last quarter to positive on the first quarter survey for businesses in professional services; healthcare; and transportation, information, and utilities. Retailers are the only group still forecasting a weaker national economy.

## National and Alabama Economy



Percent of ABCI Respondents

## Stronger Growth Forecast for Alabama Economy

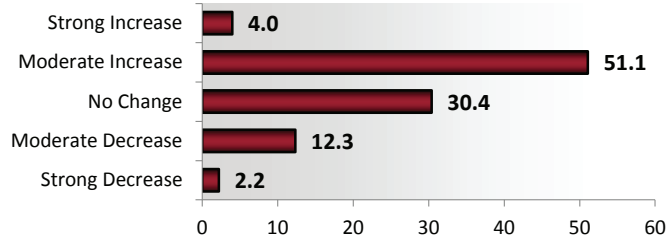
Business executives expect the state's economy to continue a moderately strong expansion in the first quarter of 2015. At 57.4, the index is up just one point from last quarter, but 3.6 points compared to a year ago. Almost 42 percent of panelists expect stronger economic growth this quarter and 44.1 percent expect the state's economy to perform about the same as in the fourth quarter.

The positive sentiment of ABCI panelists in a broad range of industries supports the recent preliminary 2015 forecast from the Center for Business and Economic Research. CBER expects the state's economic growth to improve from 2.0 percent in 2014 to 2.3 percent this year. Employment growth is forecasted to accelerate from around 0.7 percent in 2014 to 1.8 percent in 2015, while tax revenues could rise 2.4 percent compared to a 1.3 percent increase last year.

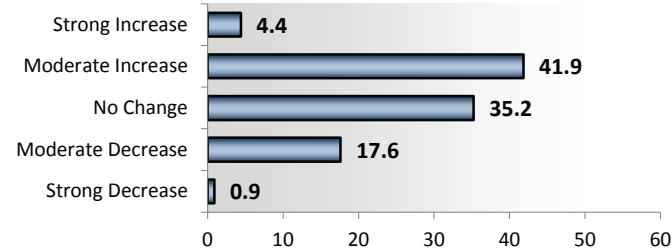
## Industry Performance Expectations

Q1 2015 compared to Q4 2014

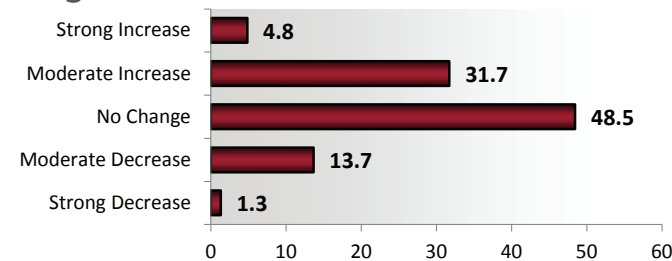
### Sales



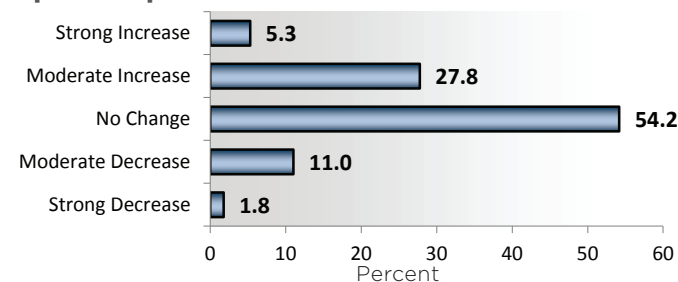
### Profits



### Hiring Plans

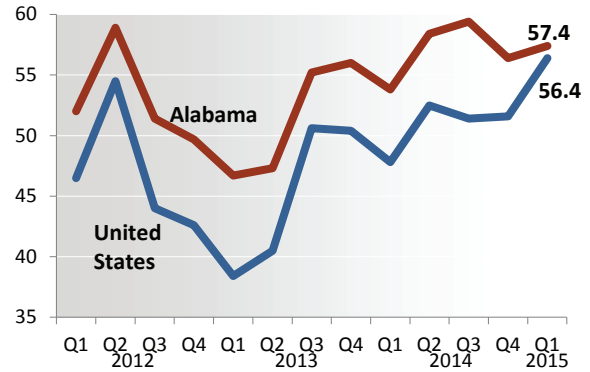


### Capital Expenditures



## National and Alabama Economy

Expectations versus Prior Quarter



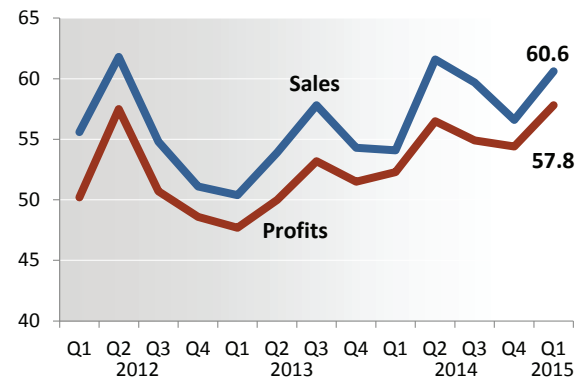
## All Industries Expect Sales Growth

The sales index posted the largest increase of the four industry indicators this quarter, rising 4.0 points to a robust 60.6. About 55 percent of panelists expect sales in their industry to rise compared to fourth quarter levels, while just 14.5 percent forecast a decrease. Every industry anticipates at least a moderate gain; sales growth should be strongest in manufacturing, wholesale trade, financial activities, and professional services this quarter.

Profits are likely to rise in all industries except health-care and retail trade during the first quarter. The index value of 57.8 is 3.4 points above its fourth quarter reading. Over 81 percent of respondents expect profit trends to be the same or better than last quarter and just 18.5 percent forecast weaker earnings. Profits should show the largest gains among manufacturing, wholesale trade, and financial activities firms.

## Sales and Profits

Expectations versus Prior Quarter



## Metro Area Analysis and ABCI History

The Center for Business and Economic Research prepares quarterly forecasts of business confidence for the state and for the Birmingham-Hoover, Huntsville, Mobile, and Montgomery metro areas. Detailed results by industry are only included in the statewide ABCI analysis.

All current and historical ABCI newsletters can be found at <http://cber.cba.ua.edu/abci>.

## Pace of Job Growth Expected to Pick Up in 2015

The state's business executives are signaling solid job gains this quarter. The hiring index climbed 3.8 points to 56.3 with 36.5 percent of firms planning to increase the pace of job growth and 48.5 percent expecting to hire at about the same level as last quarter. The hiring index is at its highest level since the third quarter of 2006.

All industries except retail trade should see an increase in hiring during the first quarter. Job gains are expected to be strongest among professional, scientific, and technical service firms. Businesses in manufacturing, wholesale trade, and financial activities should also see sizeable increases. All metro areas are expected to experience job growth, although gains in Mobile could be just slightly better than last quarter.

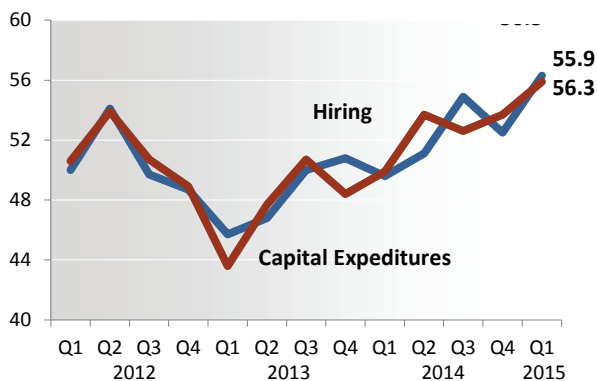
## Solid Gains Forecast for Capital Expenditures

Capital spending should grow statewide in the first quarter of 2015; the index rose 2.2 points to 55.9. A third of panelists expect to increase investment, while over 54 percent anticipate spending about the same as last quarter.

The outlook for capital investment is positive in every industry. Firms in wholesale trade and manufacturing are likely to see the largest pickup in investment, followed by businesses in transportation, information, and utilities; construction, and financial activities. The Mobile and Birmingham-Hoover metro areas are forecasted to see the strongest increases, while prospects for capital spending are most improved in the Huntsville metro area.

## Hiring and Capital Expenditures

Expectations versus Prior Quarter



## Industries In Depth, First Quarter 2015

Component Index	Construction	Manufac.	Transp./Info./Utilities	Wholesale Trade	Retail Trade	Fin./Insur./Real Estate	Prof./Sci./Technical	Healthcare	All Other Services
Sales	57.9	65.7	57.9	63.5	55.0	64.1	65.2	54.7	53.9
Profits	52.6	60.0	57.9	63.5	50.0	64.1	56.3	48.4	55.9
Hiring	55.3	58.6	53.9	57.7	50.0	58.3	60.7	54.7	52.0
Capital Spending	56.6	59.3	57.9	63.5	52.5	56.8	53.6	53.1	52.0

## ABCI: Solid Improvement Going into 2015



## Optimism Prevails in All Industries Except Retail Trade

Firms in manufacturing, wholesale trade, and financial activities are the most optimistic this quarter, with ABCI readings of 60 or above. Confidence is most improved in wholesale trade, where the industry ABCI rose 10.8 points. Professional, scientific, and technical services businesses are also feeling much better this quarter and have very strong outlooks for sales and hiring growth. However, retailers see the economic environment as a negative for their business in the first quarter and anticipate flat profits and hiring. Healthcare concerns expect profits to dip.

## ABCI by Industry

	Q1 2015	Change from Q4 2014
Construction	57.2	-8.4
Manufacturing	61.3	7.4
Transportation/Information/Utilities	55.3	2.5
Wholesale Trade	63.1	10.8
Retail Trade	47.1	-5.4
Finance/Insurance/Real Estate	60.0	6.7
Professional/Scientific/Technical Services	58.9	7.3
Healthcare Services	53.9	-1.0
All Other Services	53.0	-3.2

# ALABAMA BUSINESS CONFIDENCE INDEX™

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## ABCI and Component Indexes by Area, First Quarter 2015

	Alabama	MSA			
		Birmingham	Huntsville	Mobile	Montgomery
National Economy	56.4	56.2	53.4	58.1	57.7
Alabama Economy	57.4	57.2	54.7	56.8	60.9
Industry Sales	60.6	61.1	56.5	64.2	64.1
Industry Profits	57.8	60.1	52.2	60.1	60.3
Industry Hiring	56.3	56.7	57.8	51.4	59.0
Capital Expenditures	55.9	57.2	54.7	58.8	54.5
<b>ABCI</b>	<b>57.4</b>	<b>58.1</b>	<b>54.9</b>	<b>58.2</b>	<b>59.4</b>

### All Metro Areas Optimistic Huntsville Most Improved

Montgomery business confidence moved back on top looking at prospects for the first quarter of 2015. A modest 0.7 point increase put the area ABCI at 59.4. Indexes for hiring, profits, and the Alabama economy are the highest of the four metro areas tracked by the survey.

Mobile's outlook saw a slight 0.5 dip in its to a still-strong 58.2. Area indexes for the national economy, and for industry sales and capital expenditures are the highest among the metros. However, hiring expectations fell 5.0 points to 51.4, forecasting a slight increase in job growth.

ABCI Birmingham-Hoover rose 4.2 points to 58.1. Area business executives have significantly improved outlooks for the economy and every aspect of their industry performance early in 2015. In particular, job growth is looking up; the hiring index increased 5.4 points to 56.7.

With national political and budget uncertainties abated, Huntsville business sentiment moved back into positive territory, rising 5.2 points to 54.9. All industry indicators improved significantly. An 8.5 point uptick put the hiring index at 57.8, forecasting stronger job growth.

### Confidence Improves Broadly Highest for Large Firms

Businesses of all sizes are more confident than last quarter as they evaluate their first quarter 2015 prospects. Every indicator shows at least moderate optimism for each of the three groups categorized by number of employees.

Alabama businesses employing 100 or more have the highest ABCI at 59.0, up 4.1 points compared to fourth quarter 2014. They are most optimistic about sales, profits, and the economic environment. These firms are also the most likely to add jobs this quarter; the hiring index rose 5.0 points to 57.3.

The ABCI registered 56.4 among both small businesses employing fewer than 20 and midsize firms with 20 to 99 employees. For small firms, confidence improved 3.9 points this quarter. All indicators moved higher, with the largest increases in prospects for sales and hiring.

Midsize businesses, which were the most optimistic group last quarter, saw confidence tick up 1.2 points. All indicators forecast moderately strong improvement. The hiring index is unchanged at 56.3, while the outlook for capital spending rose 5.3 points to 57.1.

## ABCI and Component Indexes by Firm Size First Quarter 2015

	Number of Employees		
	0 to 19	20 to 99	100+
National Economy	54.3	53.8	59.8
Alabama Economy	55.6	56.2	59.6
Industry Sales	61.2	58.8	61.2
Industry Profits	57.6	56.3	59.6
Industry Hiring	54.9	56.3	57.3
Capital Expenditures	54.6	57.1	56.5
<b>ABCI</b>	<b>56.4</b>	<b>56.4</b>	<b>59.0</b>

The Center for Business and Economic Research would like to thank the 227 Alabama business executives who completed the first quarter 2015 ABCI survey during the first two weeks of December. This report from the 53rd consecutive quarter of the ABCI survey would not be possible without your participation! Be sure to log in during March 1-15 to record your opinions about economic prospects and industry performance looking ahead to the second quarter of 2015.

Analysis provided by Carolyn Trent, Socioeconomic Analyst, Center for Business and Economic Research, Culverhouse College of Commerce, The University of Alabama.

For more details on the *Alabama Business Confidence Index™*, visit [cber.cba.ua.edu/ABCI](http://cber.cba.ua.edu/ABCI)  
For information on the Center for Business and Economic Research, visit [cber.cba.ua.edu](http://cber.cba.ua.edu)



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