Business Confidence in Birmingham-Hoover Decreases but Remains High

Moving into the fourth quarter of 2018, business confidence in Birmingham-Hoover decreased 1.8 points but remained confident at 61.0. The metro’s business leaders continue to forecast economic growth: though most component indexes decreased compared to Q3 2018’s levels, all remained above 56.7 indicating moderate to high confidence in growth.

The sales index decreased 3.8 points to register at a moderately confident 58.3 for Q4 2018. At 45.5-percent, just under half of all Birmingham-Hoover business leaders anticipate an increase in sales; 18.2 percent of panelists indicated expectations for slower sales; and 36.4 percent forecast no change compared to their third quarter sales.

Birmingham-Hoover businesses expect profits to increase with milder confidence, as shown by the index reading of 56.8 after a 6.0 decrease from Q3 2018. About 39.4 percent of local business leaders expect an increase in profits, 42.4 percent anticipate a continuation of Q3’s levels, and 18.2 percent forecast a decrease in profits in Q4 2018.

Hiring in Birmingham-Hoover is expected to increase in the coming quarter with a very confident index reading of 60.6, after a 1.6-point increase. Though 42.4 percent of Birmingham-Hoover executives plan to increase hiring in the coming quarter, a 54.5-percent majority expect to continue hiring at the same pace as Q3 2018. Only 3.0 percent of area panelists anticipate slowing their hiring this quarter.

Metro panelists anticipate an increase in capital investment with an index of 63.6 after a 2.7-point gain, making it the highest component index this quarter. A 57.6-percent majority expect to increase their spending levels, 36.4 percent forecast no change, and 6.1 percent anticipate slower investment in the coming quarter.

Fourth Quarter 2018 Outlook

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<td>Industry Profits</td>
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Index above 50 indicates positive outlook as compared to last quarter. Index below 50 indicates negative outlook as compared to last quarter. Gray increase from previous quarter. Red decrease from previous quarter. Blue no change.

Birmingham-Hoover Metro Area: Business Environment Expectations Q4 2018 compared to Q3 2018

Though the national index decreased 3.9 points in the Q4 2018 survey, expectations for the national economy remain very confident at 62.1. A 55.0 percent of majority of Birmingham-Hoover business leaders expect better economic conditions in the coming quarter, and 34.4 percent anticipate no change. The remaining 10.6 percent of panelists forecast worse U.S. conditions compared to Q3 2018.

Expectations for the Alabama economic outlook decreased 1.6 points to register at a very confident 64.4 in the Q4 2018 survey. At 60.6 percent, most Birmingham-Hoover business leaders expect a stronger statewide economy, while 33.3 percent anticipate a continuation of the previous quarter’s conditions. Only 6.1 percent of panelists indicated worse expectations for the statewide economy in the coming quarter.
Birmingham-Hoover Metro Area: Industry Performance Expectations
Q4 2018 compared to Q3 2018

Sales
Increase 45.5%
No Change 36.4%
Decrease 18.2%

Profits
Increase 39.4%
No Change 42.4%
Decrease 18.2%

Hiring
Increase 42.4%
No Change 54.5%
Decrease 3.0%

Capital Expenditures
Increase 57.6%
No Change 36.4%
Decrease 6.1%

ABCi Birmingham-Hoover in Context
Birmingham-Hoover business confidence remained high after decreasing 1.8 points to register at 61.0 in the Q4 2018 survey. Though the metro’s ABCi is lower than the statewide and other metros, it still signals high confidence in economic growth. This is the 24th consecutive quarter that the ABCi Birmingham-Hoover forecasted growth, signifying Birmingham-Hoover business leaders’ prolonged expectations for growth.

Despite decreases in the indexes, business sentiment in Alabama’s four largest metro areas continued to register as very positive in the fourth quarter of 2018 with all ABCIs registering at or above 61. Mobile is forecasting growth with the most confidence with an area index of 63.9. Huntsville and Montgomery followed with ABCIs of 61.7 and 61.5, respectively. With an ABCI of 62.8, Birmingham-Hoover business confidence is the lowest, but area businesses are still anticipating growth in the coming quarter with strong confidence.

ABCi by Metro Area Q4 2018

The Center for Business and Economic Research would like to thank all Birmingham-Hoover metro area business executives who completed the fourth quarter 2018 ABCi survey. We look forward to a continuing partnership with the Birmingham Business Alliance and encourage you to return for the first quarter 2019 survey December 1-15.

For more details on the Alabama Business Confidence Index™, visit cber.cba.ua.edu/ABCI.

Analysis provided by Susannah Robichaux, Socioeconomic Analyst.