Montgomery Businesses Forecast Favorable Economic Conditions

For the fourth consecutive quarter, Montgomery’s ABCI registered above 60, indicating strong confidence moving into Q4 2018 despite a 5.0-point decrease in the metro’s index. Montgomery’s ABCI registered at 61.5 for the quarter, driven by optimistic forecasts for growth in the statewide and national economies. Though Montgomery’s industry component indexes are the lowest of all the metros, the community’s business leaders continue to predict overall economic growth with confidence.

Fewer Montgomery businesses feel that sales will increase in Q4 compared to Q3 2018, and as a result, the sales index decreased 8.1 points to register at 57.8. Only 18.8 percent forecast a decrease in sales in the fourth quarter, while 43.8 percent still anticipate heightened sales, and 37.5 percent expect a continuation of the previous quarter’s levels.

Profits are expected to grow with mild confidence after a 7.1-point decrease to 53.1. Exactly half of Montgomery’s panelists forecast a continuation of the third quarter’s levels of profits, while 31.3 percent expect an increase in Q4 2018. The remaining 18.8 percent of the metro’s respondents anticipate a decrease in profits compared to Q3 2018.

Hiring is forecast to continue increasing in the upcoming quarter with an optimistic index of 59.4 after a 3.1-point decrease. At 50.0 percent, half of Montgomery businesses foresee an increase, while 37.5 percent expect to hire at the same pace as Q3 2018, and 12.5 percent expect hiring to slow in the fourth quarter.

The capital expenditures index registered at a moderately confident 57.8 after decreasing 9.2 points moving into Q4 2018. About 43.8 percent of panelists expect spending levels to increase, and 50.0 percent anticipate spending to continue at the third quarter’s pace. The remaining 6.3 percent of Montgomery panelists forecast a decrease in the capital expenditures in the coming quarter.

Montgomery Metro Area: Business Environment Expectations Q4 2018 compared to Q3 2018

Montgomery’s Alabama economic outlook decreased 0.6 points to hover at a very optimistic 68.8 for the fourth quarter. At 68.8 percent, the majority of panelists expect a better Alabama economic outlook in Q4 2018, 25.0 percent expect no change, and 6.3 percent of respondents expect a worse statewide economy compared to Q3 2018.

Panelists fit into those same percentage groupings when expressing confidence in the national economy: 68.8 percent expect better conditions compared to Q3 2018, 25.0 percent forecast no change, and 6.3 percent anticipate worse conditions. The difference in the final index values is the result of several more panelists anticipating “much better” instead of just “somewhat better” national economic conditions.
**Montgomery Metro Area: Industry Performance Expectations**

Q4 2018 compared to Q3 2018

**Sales**

- Increase: 43.8%
- No Change: 37.5%
- Decrease: 18.8%

**Profits**

- Increase: 31.3%
- No Change: 50.0%
- Decrease: 18.8%

**Hiring**

- Increase: 50.0%
- No Change: 37.5%
- Decrease: 12.5%

**Capital Expenditures**

- Increase: 43.8%
- No Change: 50.0%
- Decrease: 6.3%

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**ABC1 Montgomery in Context**

After decreasing 5.0 points, ABC1 Montgomery registered at 61.5, indicating a strongly positive business sentiment. ABC1 Montgomery is 1.0 points lower the statewide ABCI, but the metro has much higher expectations for the statewide and national economies. This is the 23rd consecutive quarter that Montgomery business executives have predicted positive growth in the economy, building on especially the strong confidence that began in Q1 2017.

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.

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The Center for Business and Economic Research would like to thank all Montgomery metro area business executives who completed the fourth quarter 2018 ABCI survey. We look forward to a continuing partnership with the Montgomery Chamber of Commerce 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.

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