

# ABCI<sup>TM</sup>

ALABAMA BUSINESS CONFIDENCE INDEX

Volume 18, First Quarter 2019

## Alabama Businesses Continue to Expect Growth Heading into 2019

Though Alabama business leaders continue to expect growth in the first quarter of 2019, overall confidence decreased compared with Q4 2018. This data comes from the Alabama Business Confidence Index TM (ABCI) survey, which is conducted quarterly by the Center for Business and Economic Research at the University of Alabama's Culverhouse College of Business. The ABCI registered at a moderately confident 56.4 after decreasing 6.1 points in Q1 2019.

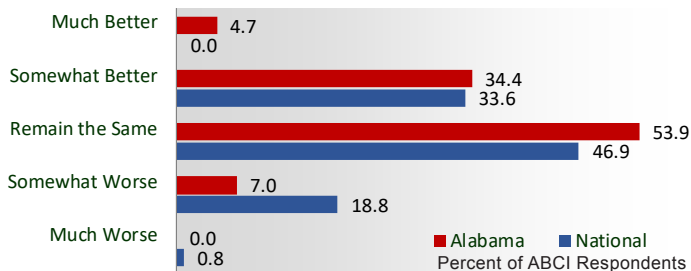
Confidence in the national economy decreased 9.5 points to 53.3 in the Q1 2019 survey, indicating mild expectations for growth compared to the previous quarter's much stronger confidence. Alabama business leaders are still feeling very confident in an improved statewide economic outlook with an index of 59.2 after a 6.7-point decrease. This is the first quarter since Q1 2017 that these two indexes have fallen below 60.0, indicating a slowdown in confidence after eight quarters of sustained high expectations for growth.

Moving into the first quarter of 2019, the four industry indexes all decreased but remained positive, registering between 53.9 and 59.2. The highest Q1 2019 industry index is hiring, followed by capital expenditures at 57.0, and then sales at 56.1. The lowest index, profits, registered at 53.9, indicating mild expectations compared to the previous quarter.

Most ABCIs for specific industries also decreased this quarter, but all continue to expect growth with carrying levels of confidence. Panelists in professional, scientific, and technical services and in construction have strong confidence heading into 2019 with ABCIs of 60.3 and 59.8, respectively. For the second consecutive quarter, professionals in retail trade and in finance, insurance, and real estate had the lowest industry ABCIs at 51.4, which indicates mild expectations for an increase in the fourth quarter's levels of growth.

Business leaders in the metro areas are continuing to expect growth in Q1 2019 though with lower levels of confidence than were seen in 2018. Huntsville has the highest metro ABCI at 59.5 after a 2.2-point decrease. Mobile's ABCI was also above the statewide ABCI at 57.5 after falling 6.5 points from its Q4 2018 levels. Montgomery and Birmingham-Hoover's metro ABCIs communicate mild expectations for growth this quarter with indexes of 53.4 and 54.0, respectively.

### National and Alabama Economy



## Outlook for First Quarter 2019

	Statewide ABCI	Change from Q4
ABCI	56.4	-6.1
National Economy	53.3	-9.5
Alabama Economy	59.2	-6.7
Industry Sales	56.1	-5.6
Industry Profits	53.9	-6.4
Industry Hiring	59.2	-2.6
Capital Expenditures	57.0	-5.5

Index above 50 indicates positive outlook as compared to last quarter.  
Index below 50 indicates negative outlook as compared to last quarter.

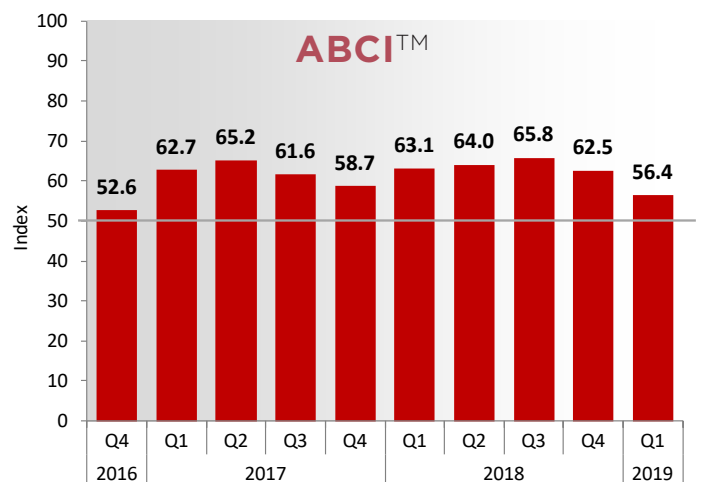
## Business Environment Expectations

Q1 2019 compared to Q4 2018

### Mild Expectations for U.S. Economy

Alabama panelists are only feeling mildly confident about improved national economic conditions in Q1 2019. After decreasing 9.5 points, the U.S. economic outlook was the lowest component index in the first quarter. This comes after eight consecutive quarters of strong forecasts for growth, signaling that Alabama business leaders expect a continuation of the previous quarter's improved national economic conditions but with less confidence. About 46.9 percent expect a continuation of Q4 2018's conditions, while 33.6 percent forecast better national outlook and 19.5 percent expect a worse economic outlook.

Huntsville business leaders have the most confident national economic outlook this quarter with an index of 56.8. The other metro areas were milder in their expectations for growth: Birmingham-Hoover registered at 53.8 and Mobile at 51.3. Montgomery had the lowest national index at 50.0, a neutral outlook that communicates the business community's forecast for a continuation of Q4 2018's conditions.



## Continued High Confidence in Statewide Outlook

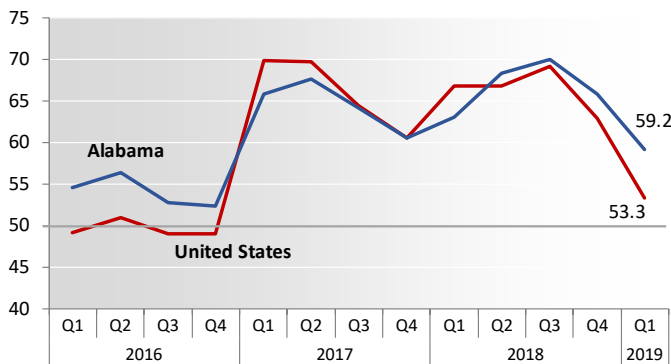
For the third consecutive quarter, Alabama economic outlook is one of the highest component indexes at 59.2. Though the index decreased 6.7 points from Q4 2018, Alabama businesses are still feeling strongly confident about improved statewide economic conditions compared to the previous quarter. A 53.9-percent majority expect a continuation of Q4 2018's conditions, while 39.1 percent forecast a better outlook. Only 7.0 percent anticipate worse statewide conditions moving into Q1 2019.

Business leaders in all four of the metro areas expect economic conditions throughout Alabama to improve in Q1 2019. Huntsville panelists are strongly confident in growth with an index of 65.9. The other three metros have more moderate confidence with indexes clustered around 55.0.

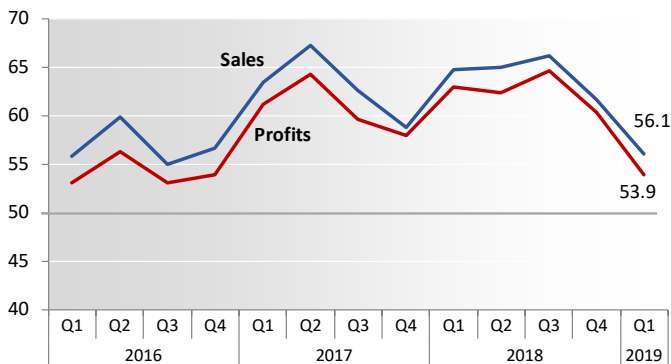
Most businesses, regardless of size, forecast a better statewide economic outlook this quarter with moderate to strong confidence. Mid-sized businesses, those employing between 20 to 99 workers have the highest Alabama economic outlook at 59.5; followed at 59.4 by large businesses, those with greater than 100 employees, and small businesses, those with 19 or fewer employees, with a statewide index of 58.8.

These forecasts are further supported by the Center for Business and Economic Research's 2019 fiscal year economic outlook. CBER expects the Alabama GDP to grow 1.9 percent in 2019, a slight decrease from the 2.5 percent seen in 2018. Employment growth is expected to rise 1.0 percent in 2019, a continuation of the 1.1 percent growth seen in 2018. CBER expects tax receipts to increase 4.3 percent in 2019.

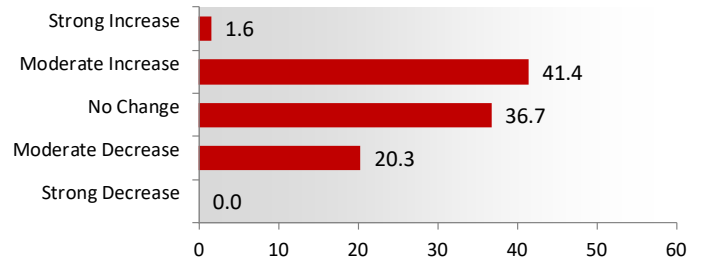
### National and Alabama Economy Expectations versus Prior Quarters



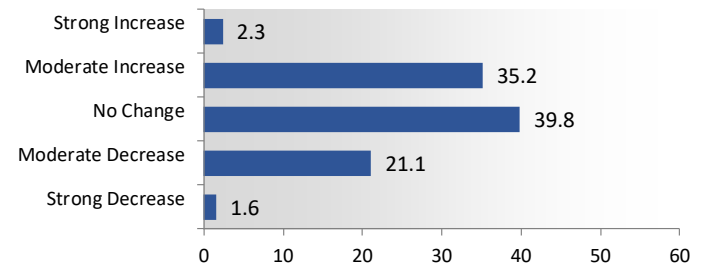
### Sales and Profits Expectations versus Prior Quarters



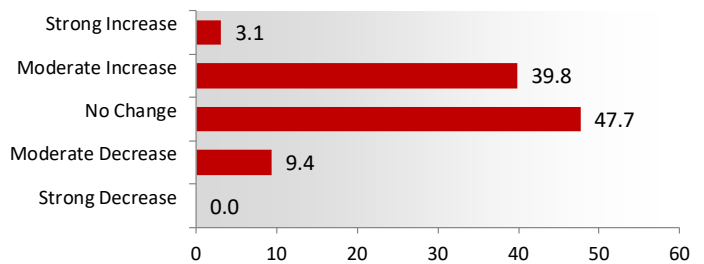
## Sales



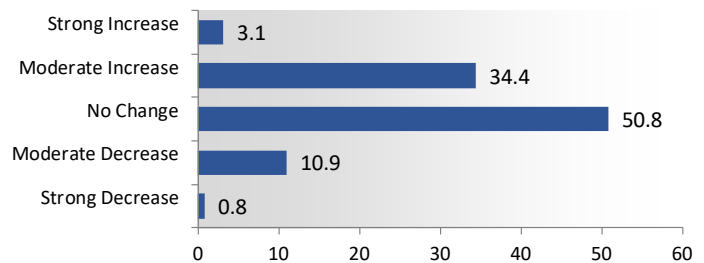
## Profits



## Hiring



## Capital Expenditures



## Forecast for Increased Sales

Sales are expected to continue growing with moderate confidence in the coming quarter with an index of 56.1 after a 5.6-point decrease from Q4 2018. At 43.0 percent, many panelists expect an increase from Q4 2018's levels of sales; 36.7 percent expect no change; and 20.3 percent anticipate a decrease in sales compared to the previous quarter.

No industries in the state expect decreased sales growth in the coming quarter: panelists are split between neutral expectations and forecasts for growth. Business leaders in construction are the most optimistic about profit growth with an index of 61.4, while those in wholesale trade and transportation, information and utilities had the lowest indexes at 50.0, indicating forecasts for a continuation of Q4 2018's levels of sales.

### Mild Confidence for Increased Profits

After decreasing 6.4 points, the profits index registered at 53.9 for the first quarter of 2019, making it the lowest component index for the third consecutive quarter. About 37.5 percent of all panelists are expecting an increase in profits compared with the fourth quarter, while only 22.7 percent are anticipating a decrease in their profits. The remaining 39.8 percent forecast no major changes in profits moving into the first quarter of 2019.

Business leaders in construction had the highest sales index in Q1 2019 at a strongly confident 63.6 for Q1 2019, followed closely by panelists in professional, scientific, and technical services at 59.8. Three of the nine industries had neutral indexes and expect a continuation of the previous quarter's profit growth. Only retail trade had a negative index at 41.7, meaning professionals in the industry are forecasting a decrease in profits compared to Q4 2018 with moderate confidence.

### Strong Expectations for Hiring

With an index of 59.2 after a 2.6-point decrease, hiring is one of the highest industry component indexes for the first quarter survey. A 43.0-percent group of panelists expect an increase in capital expenditure, while 47.7 percent forecast no major change compared to Q4 2018. Only 9.4 percent expect a decrease in hiring moving into the first quarter of 2019.

Panelists in professional, scientific, and technical services led in confidence for hiring with an index of 66.3, followed by the "all other services" category with an index of 64.8. Business leaders in retail trade are expecting a continuation of Q4 2018's levels of hiring with a neutral index of 50.0. Only retail trade expects a contraction in their hiring compared to Q4 2018 with an index of 45.0.

### Panelists Forecast Growth in Capital Expenditure

After a 5.5-point decrease, the statewide index for capital expenditure registered at a moderately confident 57.0 in Q1 2019. At 50.8 percent, just over half of Alabama business leaders forecast no change in their first quarter capital spending. A group of 37.5 percent expect an increase in their capital expenditure levels compared to Q4 2018, and only 11.7 percent of business leaders anticipate a decrease.

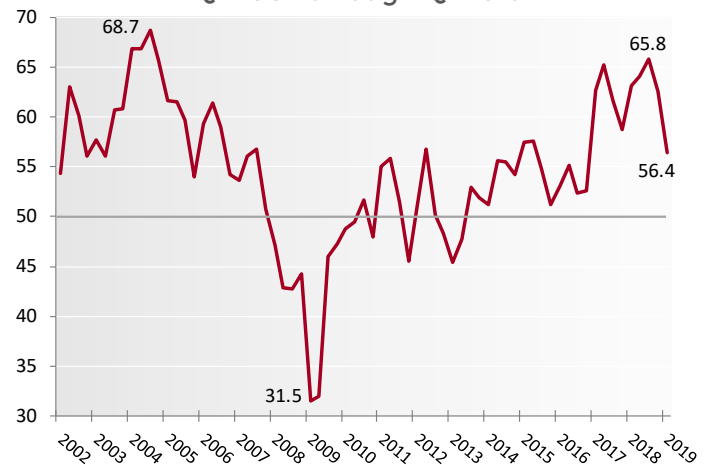
In Q1 2019, business leaders across industries either expect increases in capital expenditure with mild to moderate confidence or a continuation of Q4 2018's levels. Manufacturing had the highest capital spending index at 63.6, indicating strong confidence in hiring growth. Panelists in retail trade and in healthcare and social assistance had the lowest indexes at a neutral 50.0.

### Industries in Depth, First Quarter 2019

Component Index	Construction	Manufac.	Transp./Info./Utilities	Wholesale Trade	Retail Trade	Fin./Insur./Real Estate	Prof./Sci./Technical	Healthcare/Soc. Assist.	All Other Services
Sales	61.4	59.1	50.0	50.0	58.3	51.0	58.7	60.0	56.8
Profits	63.6	53.4	50.0	53.6	41.7	50.0	59.8	50.0	51.1
Hiring	61.4	61.4	53.6	53.6	50.0	51.9	66.3	45.0	64.8
Capital Spending	56.8	63.6	60.7	60.7	50.0	54.8	57.6	50.0	53.4

### Historical ABCI

Expectations versus Prior Quarters  
Q1 2002 through Q1 2019



### Hiring and Capital Expenditures Expectations versus Prior Quarters



### ABCI by Industry

	Q1 2019	Change from Q4 2018
Construction	59.8	0.0
Manufacturing	58.7	-6.5
Transportation/Information/Utilities	52.4	-1.3
Wholesale Trade	57.7	-4.2
Retail Trade	51.4	0.7
Finance/Insurance/Real Estate	51.4	-5.2
Professional/Scientific/Technical Services	60.3	-7.4
Healthcare/Social Assistance Services	55.0	-15.2
All Other Services	56.3	-10.3
Statewide	56.4	-6.1

**ABCI and Component Indexes, First Quarter 2019, by Area**

	Metropolitan Statistical Areas (MSA)				
	Statewide	Birmingham-Hoover	Huntsville	Mobile	Montgomery
<b>ABCI</b>	<b>56.4</b>	<b>54.0</b>	<b>59.5</b>	<b>57.5</b>	<b>53.4</b>
National Economy	53.3	53.8	56.8	51.3	50.0
Alabama Economy	59.2	56.1	65.9	55.3	54.4
Industry Sales	56.1	51.5	57.6	60.5	52.9
Industry Profits	53.9	50.0	56.8	55.3	51.5
Industry Hiring	59.2	56.8	62.9	60.5	55.9
Capital Expenditures	57.0	56.1	56.8	61.8	55.9

**Forecasts for Growth from All Industries**

All industries surveyed expect growth with varying levels of confidence in Q1 2019. This quarter, the ABCI for professional, scientific and technical services was the highest of all the industry ABCIs after declining 7.4 points to register at 60.3. Panelists in that industry category also had the highest confidence in hiring with a very confident index of 66.3. Construction followed closely with an overall ABCI of 59.8, the same index recorded in Q4 2018. This industry category had the highest indexes in sales (61.4) and profits (63.6) in the first quarter survey.

For the fifth consecutive quarter, retail trade has the lowest industry ABCI with a slightly positive index of 51.4 after gaining 0.7 points from Q4 2018. Finance, insurance and real estate's Q1 2019 ABCI also registered at 51.4 after decreasing 5.2 points from the previous quarter. Panelists in retail trade forecast an increase in sales with moderate confidence (58.3) but expect profits to decrease compared to the previous quarter (41.7). Hiring and capital expenditure are both forecast to be not change dramatically from the fourth quarter levels with indexes of 50.0.

**ABCI and Component Indexes by Firm Size, First Quarter 2019**

	Number of Employees		
	0 to 19	20 to 99	100+
<b>ABCI</b>	<b>56.4</b>	<b>56.6</b>	<b>56.4</b>
National Economy	52.5	55.2	53.1
Alabama Economy	58.8	59.5	59.4
Industry Sales	56.9	54.3	56.3
Industry Profits	54.9	53.4	53.1
Industry Hiring	61.8	60.3	55.7
Capital Expenditures	53.4	56.9	60.9

**Moderate Confidence from All Firm Sizes**

This quarter, businesses of all sizes expressed similar expectations for growth compared to Q4 2018 with ABCIs between 56.4 and 56.6. Mid-sized firms, those with 20 to 99 employees, had slightly more confidence in growth in Q1 2019 ABCI at 56.6. Business leaders in mid-sized businesses were more optimistic than the other sized firms about the national and statewide economic outlooks, with indexes of 55.2 and 59.5, respectively.

Large firms, those with 100 or more employees, continue to expect increased growth in Q1 2019 with a moderately confident ABCI of 56.4. Large firms are still expecting growth this quarter, but with much less confidence than in previous quarters. Large businesses' highest component index was capital expenditures at 60.9, and the lowest were their national economic outlook and profits index at 53.1.

Small firms, those with 20 to 99 employees, expressed moderate confidence in growth with their ABCI of 56.4, a 6.2-point decrease from Q4 2018. While expectations for all component indexes remains positive, small firms' confidence in sales (56.9), profits (54.9), and hiring (61.8) were higher than the other sized firms. The national economic outlook was the lowest index for small firms at 52.5, still indicating mild expectations for increase compared to the previous quarter.

**Mark your calendars:  
2018 ABCI Panelists Poll Results  
February 11, 2019**

The Center for Business and Economic Research will be releasing the results of the 2018 ABCI Panelists Poll on February 11, 2019. Topics covered include the top economic concerns facing the state and the different uses of the ABCI.

CBER would like to thank the 126 Alabama business executives who completed the first quarter 2019 ABCI survey. This is the 69th consecutive quarter this report has been recorded, and it would not have been possible without your participation.

Be sure to log in during the March 1-15 survey window to record your opinions about economic prospects and industry performance looking ahead to the second quarter of 2019. All current and historical ABCI newsletters can be found at <http://cber.cba.ua.edu/abci>.

Analysis provided by Susannah Robichaux, Socioeconomic Analyst, Center for Business and Economic Research, Culverhouse College of Business, 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).