



CULVERHOUSE
COLLEGE OF COMMERCE

ABCI™

ALABAMA BUSINESS CONFIDENCE INDEX

Center for Business and Economic Research, The University of Alabama | Volume 14, Second Quarter 2015

State Business Confidence Remains Strong Going into Q2 2015

Business confidence reached 57.6 on the second 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 0.2 points to its highest level since the third quarter of 2006. Panelists remain more optimistic than a year ago when the ABCI registered 55.6.

Both the U.S. and Alabama economies are expected to see improved growth this quarter. After a modest 0.1 point increase to 56.5, the national economy index is 1.9 points below the state economy index value of 58.4. A hiring index of 57.1, up 0.9 points, forecasts somewhat stronger job growth.

Most industry indicators moved higher on the second quarter ABCI survey. The manufacturing index tops the list at 61.4, while panelists were least optimistic about retail trade, despite a gain of 2.6 points compared to last quarter.

Firms in manufacturing; all other services; and transportation, information and utilities are the most optimistic this quarter. The same industries also have robust outlooks for sales and hiring. Transportation, information, and utilities; manufacturing; all other services; and wholesale trade have the strongest expectations of higher profits.

Montgomery confidence remained on top among the large metros, rising 0.7 points to 60.1. Mobile's ABCI climbed 0.9 points to 59.1 on the prospect of strong industry sales. Moderate to strong declines on all industry indices lowered Birmingham-Hoover business confidence to 53.8. ABCI Huntsville gained 2.6 points to remain positive with an outlook of 57.5.

Second Quarter 2015 Outlook

	Alabama	Change from Q1
ABCI	57.6	0.2
National Economy	56.5	0.1
Alabama Economy	58.4	1.0
Industry Sales	61.5	0.9
Industry Profits	56.8	-1.0
Industry Hiring	57.1	0.9
Capital Expenditures	55.4	-0.6

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

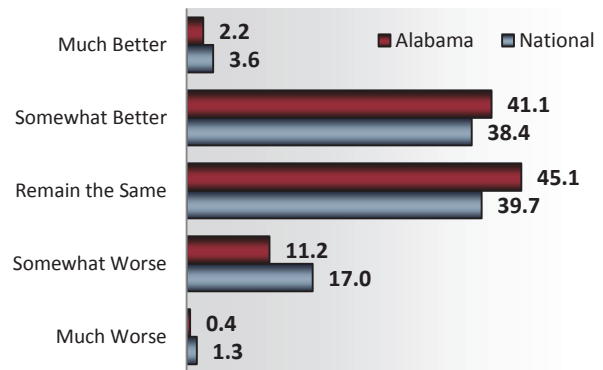
Business Environment Expectations Q2 2015 compared to Q1 2015

Outlook for U.S. Economy Shows Continued Improvement

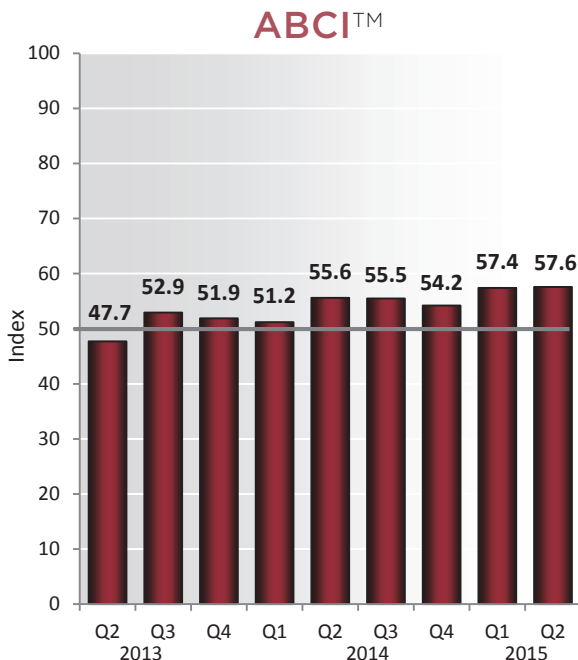
The national economy index gained a modest 0.1 points, rising to 56.5, still the most optimistic outlook since the second quarter of 2006. Forty-two percent of the state's business executives expect U.S. economic growth to be higher than last quarter, while 39.7 percent think it will remain at similar levels. The U.S. outlook for the second quarter of 2015 continues the strong turnaround from the negative reading of 47.8 for the first quarter of 2014.

Panelists in manufacturing; all other services; transportation, information, and utilities; and construction are the most optimistic about the U.S. economy. The biggest gains in confidence were seen in all other services and transportation, information, and utilities. National outlooks eroded among businesses in wholesale trade and professional, scientific and technical services.

National and Alabama Economy



Percent of ABCI Respondents



THE UNIVERSITY OF ALABAMA®
THE CAPSTONE OF HIGHER EDUCATION

Moderately Stronger Growth Forecast for Alabama Economy

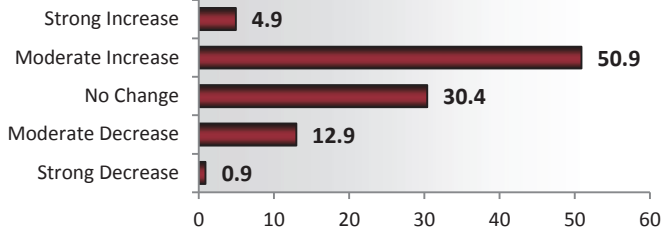
Business executives expect the state's economy to continue a moderately strong expansion in the second quarter of 2015. At 58.4, the index is up one point from last quarter, but remains the same as a year ago. Over 43 percent of panelists forecast stronger economic growth this quarter and 45.1 percent expect the state's economy to perform about the same as in the first quarter.

The positive sentiment of ABCI panelists in a broad range of industries supports the current 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 2.5 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 3.2 percent compared to a 1.3 percent increase last year.

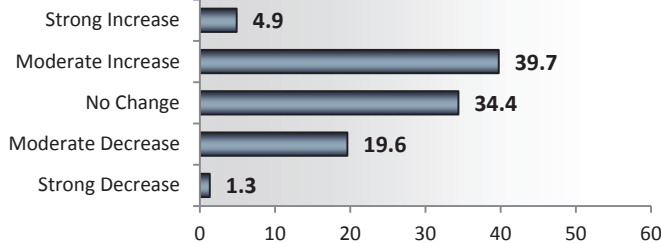
Industry Performance Expectations

Q2 2015 compared to Q1 2015

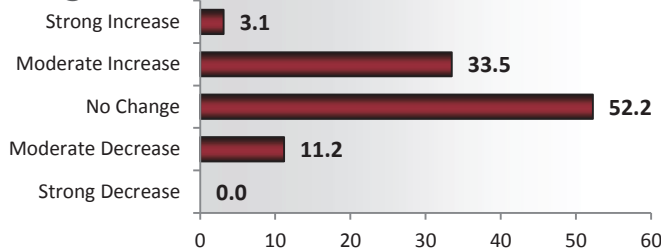
Sales



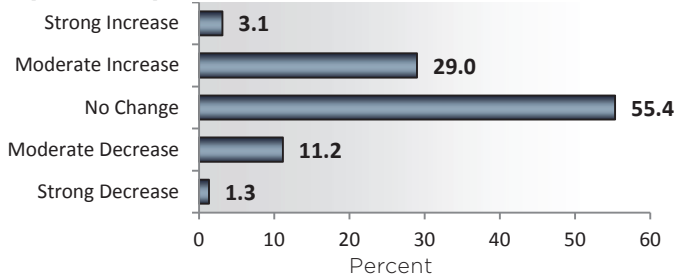
Profits



Hiring Plans

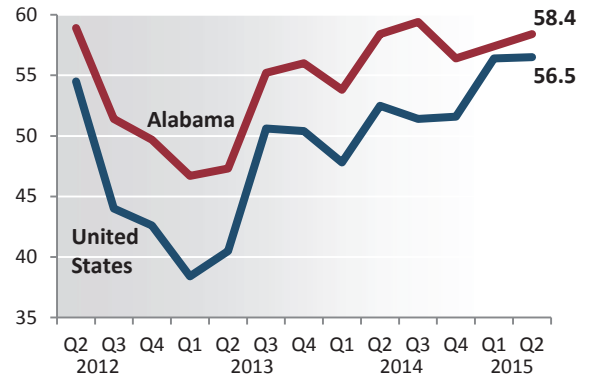


Capital Expenditures



National and Alabama Economy

Expectations versus Prior Quarter



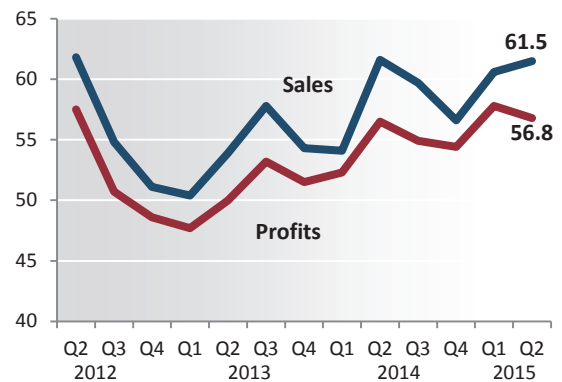
All Industries Expect Sales Growth

The sales index posted the largest increase of the four industry indicators this quarter, rising 0.9 points to a robust 61.5. About 56 percent of panelists expect sales in their industry to rise compared to first quarter levels, while just 13.8 percent forecast a decrease. Every industry anticipates at least a moderate gain; sales growth this quarter should be strongest in manufacturing; wholesale trade; all other services; transportation, information, and utilities; and financial activities.

Profits are likely to improve in all industries except construction and retail trade during the second quarter. Still, the index value of 56.8 is 1.0 point below its first quarter reading. A healthy 79 percent of respondents expect profit trends to be the same or better than last quarter and only 20.9 percent forecast weaker earnings. Profits should show the largest gains among transportation, information, and utilities; manufacturing; all other services; and wholesale trade firms.

Sales and Profits

Expectations versus Prior Quarter



How do you use ABCI quarterly results?

In a recent poll, panelists said:

As a general indicator of local/regional outlook	84.3%
To compare to personal projections	55.9%
As background info for forecasting/planning	43.1%
For decision making/short-term planning	30.4%
To share results with others	25.5%

More ABCI panelists' poll results can be found at <http://cber.cba.ua.edu/news.html#abcirank>.

Job Growth Expected to Continue in 2015

The state's business executives are signaling solid job gains this quarter. The hiring index climbed 0.9 points to 57.1 with 36.6 percent of firms planning to increase the pace of job growth and 52.2 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, which is neutral at 50.0, expect to see an increase in hiring during the second quarter. Job gains could be strongest among manufacturing; all other services; and transportation, information, and utilities firms. All metro areas are expected to experience job growth, with Mobile the most confident of increased hiring.

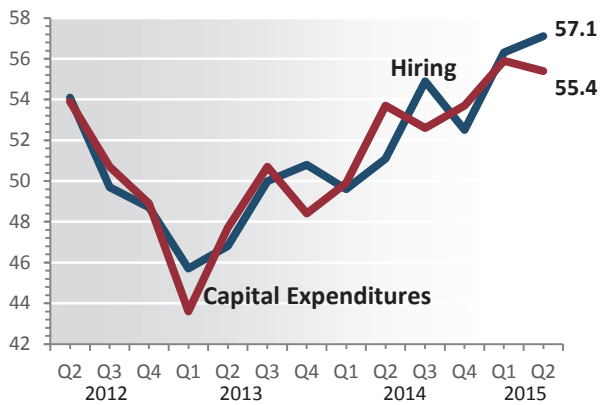
Solid Gains Forecast for Capital Expenditures

Statewide capital spending is expected to slow slightly in the second quarter of 2015; the index declined by 0.6 points to 55.4. A third of panelists expect to increase investment, while over 55 percent anticipate capital spending to be about the same as last quarter.

The outlook for capital investment is positive in every industry except wholesale trade and professional, scientific and technical services. Manufacturing firms are the most likely to see increased investment, followed by businesses in all other services and transportation, information, and utilities. Prospects for capital spending are improved from the previous quarter in Mobile and Montgomery and are strongest for these two metro areas.

Hiring and Capital Expenditures

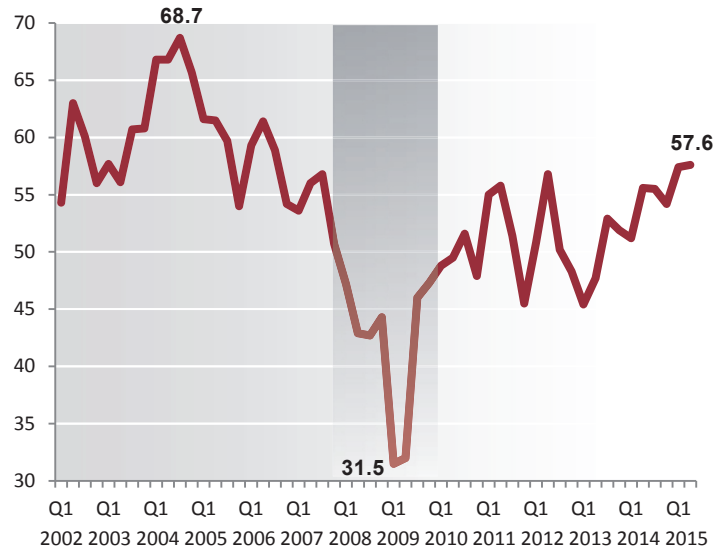
Expectations versus Prior Quarter



Industries In Depth, Second 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	58.3	66.7	62.5	63.3	58.3	61.6	56.7	61.5	63.1
Profits	48.3	61.4	62.5	58.3	43.8	58.1	51.7	57.7	59.5
Hiring	56.7	62.1	59.7	51.7	50.0	57.0	52.5	55.8	61.3
Capital Spending	53.3	62.9	58.3	46.7	50.0	55.8	48.3	55.8	58.9

ABCI: A Two-Year Upward Trend



Optimism Prevails in All Industries Except Retail Trade

Firms in manufacturing and all other services are the most optimistic this quarter, with ABCI readings of 60 or above. Confidence is most improved in the all other services sector where the industry ABCI rose 7.1 points. Transportation, information, and utilities are also feeling much better this quarter as evidenced by a gain of 4.5 points for the sector. Wholesale trade firms, however, see the economic environment as less positive for their business in the second quarter as indicated by a drop of 8.1 points. Only retail trade indicates a less than confident outlook, though, coming in just below the 50 point threshold at 49.7.

ABCI by Industry

	Q2 2015	Change from Q1 2015
Construction	58.3	1.1
Manufacturing	61.4	0.1
Transportation/Information/Utilities	59.7	4.5
Wholesale Trade	55.0	-8.1
Retail Trade	49.7	2.6
Finance/Insurance/Real Estate	57.8	-2.1
Professional/Scientific/Technical Services	54.6	-4.3
Healthcare Services	57.4	3.5
All Other Services	60.0	7.1

ABCI and Component Indexes by Area, Second Quarter 2015

	Alabama	MSA			
		Birmingham	Huntsville	Mobile	Montgomery
National Economy	56.5	50.0	59.0	56.1	61.5
Alabama Economy	58.4	54.5	59.8	60.6	60.9
Industry Sales	61.5	58.5	61.3	60.6	64.7
Industry Profits	56.8	54.5	53.5	57.6	60.3
Industry Hiring	57.1	51.5	59.0	59.8	58.3
Capital Expenditures	55.4	53.5	52.3	59.8	55.1
ABCI	57.6	53.8	57.5	59.1	60.1

Montgomery business confidence remained on top looking ahead to the second quarter of 2015. A modest 0.7 point increase put the area ABCI at 60.1. Montgomery is the most confident of the metros areas about prospects for sales and hiring. The area outlook for the Alabama economy remains strong at 60.4.

Mobile firms are feeling much better about job growth this quarter. The hiring outlook climbed 8.5 points to 59.8, with the metro ABCI up 0.9 points at 59.1.

ABCI Huntsville rose 2.6 points to 57.5. Area business executives have better outlooks for the economy and every aspect of their industry performance except capital expenditures. Industry sales, in particular, are looking up in Huntsville; the index increased 4.9 points to 61.3 as national political and budget uncertainties appear to be of less concern.

Birmingham-Hoover saw a 4.3 point dip in its overall index to a still optimistic 53.8. Despite a strong sales forecast, Birmingham-Hoover executives are the least optimistic of the four large metros with lowered expectations for hiring and the national economy.

ABCI and Component Indexes by Firm Size Second Quarter 2015

	Number of Employees		
	0 to 19	20 to 99	100+
National Economy	57.6	57.8	54.7
Alabama Economy	60.4	59.5	55.6
Industry Sales	60.4	65.9	59.4
Industry Profits	55.7	59.9	55.9
Industry Hiring	56.3	61.6	54.7
Capital Expenditures	53.5	59.5	54.4
ABCI	57.3	60.7	55.8

Confidence Improves for Small and Medium-sized Firms

As they evaluate their second quarter 2015 prospects, only medium-sized businesses are decidedly more confident than last quarter. These firms of 20 to 99 employees are optimistic about every facet of the economy surveyed. The largest firms, those with 100 or more employees, however, are less optimistic on all indicators. The smallest businesses, those with fewer than 20 employees, downgraded their assessments for sales, profits, and capital spending.

Alabama businesses employing 100 or more have the lowest ABCI at 55.8, down 3.2 points compared to first quarter 2015. Still, these firms are at least moderately optimistic about the economy and all facets of industry performance.

The ABCI was highest among mid-sized firms, businesses that employ 20 to 99 employees, registering 60.7, while the numerous small employers claimed the middle ground with an index of 57.3. This represented a strong gain of 4.3 points for the midsized firms and weaker 0.9 point increase for small firms.

Despite these fluctuations, employers of all sizes showed strong confidence overall going into the second quarter.

The Center for Business and Economic Research would like to thank the 224 Alabama business executives who completed the second quarter 2015 ABCI survey during the first two weeks of March. This report, for the 54th consecutive quarter of the ABCI survey, would not be possible without your participation.

Be sure to log in June 1-15 to record your opinions about economic prospects and industry performance looking ahead to the third quarter of 2015.

Analysis provided by Gregg Bell, Ph. D., Research Associate, 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

For information on the Center for Business and Economic Research, visit cber.cba.ua.edu

