Huntsville Confidence Reaches Record Highs Moving into the Second Quarter

Business confidence in Huntsville remains high moving into the second quarter of 2018. After just a 0.8-point increase to reach 63.8, overall confidence in the metro area is the highest it has been since before 2007. The Alabama Economic Outlook grew to reach a very confident 68.8, and the metro has increased its expectations for growth in capital expenditures. These heightened expectations for growth are offset by decreased indexes in profits, hiring, and sales, but even those component indexes continue to hover at or above 60.0, indicating strong confidence in growth.

A 61.1-percent majority of Huntsville businesses feel that sales in the upcoming quarter will increase compared to Q1 2018’s levels, but the sales index decreased 0.8 points to reach a very confident 64.6. Only 11.1 percent forecast a decrease in sales in the second quarter, while 27.8 percent expect a continuation of the previous quarter’s sales.

The Q2 2018 index for profits remains confident at 59.7 after a 3.6-point drop this quarter. At 47.4 percent, just under half of area panelists expect to increase their profits in the coming quarter, and 38.9 percent forecast steady profits. The remaining 13.9 percent of Huntsville’s respondents anticipate a decrease in profits compared to profits earned in Q1 2018.

Hiring is still expected to grow in the upcoming quarter with an index of 61.8, although it decreased 2.0 points from its Q1 2018 levels. About 52.8 percent of Huntsville businesses foresee an increase in hiring, while 41.7 percent expect to hire at the same pace, and 5.6 percent expect hiring to slow in the second quarter.

The capital expenditures index increased 4.6 points to a confident 60.4 in the second quarter of 2018. Only 2.8 percent of panelists forecast a decrease in capital expenditures in the coming quarter, while 58.3 percent expect to continue at the previous quarter’s level of spending.

Huntsville Metro Area: Business Environment Expectations Q2 2018 compared to Q2 2018

Huntsville business executives are feeling very confident about improved statewide business conditions this quarter: the Alabama Economic Outlook from Huntsville reached 68.8, after increasing 6.0 points from Q1 2018. A 61.1-percent majority of area business leaders anticipate better statewide economic conditions, while 38.9 percent expect no change from last quarter. No Huntsville panelists forecast a worse Alabama Economic Outlook compared to Q1 2018. The area’s National Economic Outlook is also very optimistic at 67.4 after a small 0.9-point increase from the previous quarter. Like the statewide outlook, 61.1 percent of panelists expect better national economic conditions in Q2 2017. A group of 30.6 percent of area business leaders anticipate no change, and only 8.3 percent expect worse national economic conditions compared to Q1 2018.

Second Quarter 2018 Outlook

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<thead>
<tr>
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<th>Huntsville</th>
<th>Alabama</th>
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<tbody>
<tr>
<td>ABCI</td>
<td>63.8</td>
<td>64.0</td>
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<tr>
<td>National Economy</td>
<td>67.4</td>
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<tr>
<td>Alabama Economy</td>
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<tr>
<td>Industry Sales</td>
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<td>Industry Profits</td>
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<tr>
<td>Industry Hiring</td>
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<tr>
<td>Capital Expenditures</td>
<td>60.4</td>
<td>61.6</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.

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The area’s National Economic Outlook is also very optimistic at 67.4 after a small 0.9-point increase from the previous quarter. Like the statewide outlook, 61.1 percent of panelists expect better national economic conditions in Q2 2017. A group of 30.6 percent of area business leaders anticipate no change, and only 8.3 percent expect worse national economic conditions compared to Q1 2018.
Huntsville Metro Area: 
Industry Performance Expectations 
Q2 2018 compared to Q1 2018

Sales
Increase 61.1
No Change 27.8
Decrease 11.1

Profits
Increase 47.2
No Change 38.9
Decrease 13.9

Hiring
Increase 52.8
No Change 41.7
Decrease 5.6

Capital Expenditures
Increase 38.9
No Change 58.3
Decrease 2.8

The Center for Business and Economic Research would like to thank all Huntsville metro area business executives who completed the second quarter 2018 ABCI survey. We look forward to a continuing partnership with the Huntsville Area Chamber of Commerce and encourage you to return for the third quarter 2018 survey June 1-15.

For more details on the Alabama Business Confidence Index™, visit cber.cba.ua.edu/ABCI. Analysis provided by Susannah Robichaux, Socioeconomic Analyst.

Historical ABCI 
Q1 2007 through Q2 2018

ABCi Huntsville in Context
Business confidence Huntsville reached record highs moving into Q2 2018, gaining 0.8 points to register at 63.8, the highest ABCI in the metro area since before 2007. The Huntsville ABCI has been high for the last six quarters, after dipping just below 50.0 in Q4 2016, with an average index of 61.9. This indicates the metro area business leaders’ sustained expectations for economic growth.

Business sentiment in Alabama’s four largest metro areas continued to register as very positive in the second quarter of 2017 with all ABCIs registering above 60. Mobile is forecasting growth with the most confidence with an index of 65.8. Huntsville and Montgomery follow with ABCIs of 63.8 and 63.5, respectively. With an ABCI of 62.5, Birmingham-Hoover business confidence is the lowest, but area businesses are still anticipating growth in the coming quarter with strong confidence.