Montgomery Confidence Still Highest Among the Largest Metro Areas

ABCI Montgomery fell 3.4 points to a still confident 53.9 on the third quarter 2016 survey and was 3.5 points lower than the index registered a year ago. Nevertheless, sales, profits, hiring, and capital spending are all expected to remain strong throughout the quarter.

Most Montgomery businesses continue expecting moderate sales growth. Despite a 5.9 point loss, the sales index remains confident at 56.6. About 47 percent of respondents forecast an increase in sales, while over 32 percent foresee steady sales and another 21 percent anticipate a decline in the coming quarter.

Profits should also post gains. A loss of 2.5 points puts the profits index at a still positive 54.4. While 38 percent expect to see stable profits, 41 percent anticipate increased profits and about 21 percent think profits will decline.

Job gains are likely to be seen in the area in the coming months. The hiring index lost 1.2 points but remains strong at 54.4. Almost 53 percent of panelists expect to see job creation continue at last quarter’s pace, while over 35 percent are forecasting an increase in hiring and only 12 percent expect slower job creation.

Capital spending growth will likely continue as the index remained positive at 51.5, even after a 6.6 points drop. Almost 56 percent of the panel expect no change from current spending levels, while 29 percent anticipate increased spending, and almost 15 percent expect to cut back on their expenditures compared to last quarter.

Third Quarter 2016 Outlook

<table>
<thead>
<tr>
<th></th>
<th>Montgomery</th>
<th>Alabama</th>
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<tbody>
<tr>
<td>ABCI</td>
<td>53.9</td>
<td>52.4</td>
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<tr>
<td>National Economy</td>
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<td>Alabama Economy</td>
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<td>52.8</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>
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</tr>
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</table>

Index above 50 indicates positive outlook as compared to last quarter.
Index below 50 indicates negative outlook as compared to last quarter.
Black increase from previous quarter.
Red decrease from previous quarter.
Blue no change.

Montgomery Metro Area: Business Environment Expectations Q3 2016 compared to Q2 2016

Montgomery area business executives continue to be mostly optimistic about prospects for the Alabama economy. The state economy index is at a confident 53.7 even after a 5.1 point loss.

Area businesses also remain somewhat confident about the U.S. economy. The 52.9 reading is up 1.0 points as 41 percent of panelists forecast no change and 38 percent expect to see improvement at the national level.

National Economic Outlook

<table>
<thead>
<tr>
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<th>Percent</th>
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<tbody>
<tr>
<td>Better</td>
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<tr>
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<td>Worse</td>
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Alabama Economic Outlook

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<td>Worse</td>
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</table>
Montgomery Metro Area: Industry Performance Expectations
Q3 2016 compared to Q2 2016

Sales

Increase: 47.1
No Change: 32.4
Decrease: 20.6

Profits

Increase: 41.2
No Change: 38.2
Decrease: 20.6

Hiring

Increase: 35.3
No Change: 52.9
Decrease: 11.8

Capital Expenditures

Increase: 29.4
No Change: 55.9
Decrease: 14.7

Montgomery Metro Area: Industry Performance Expectations
Q3 2016 compared to Q2 2016

Business confidence in the Montgomery metro declined to 53.9 on the third quarter 2016 survey. This marks Montgomery’s 14th consecutive quarter of positive confidence. The area ABCI outpaced the statewide index by 1.5 points. The Montgomery area ABCI has now been higher than the statewide ABCI for 14 straight quarters.

Business sentiment in Alabama’s four largest metro areas is mostly positive. ABCI Montgomery remained on top with strong sales prospects, even after losing 3.4 points to 53.9. The smallest loss of any metro area, 0.9 points in Birmingham-Hoover’s ABCI puts the area’s sentiment at 53.4. Mobile’s business community is most optimistic about the state economy with an area ABCI of 52.2, despite a 3.0 point decline. Huntsville’s business confidence decreased to a neutral 50.0 after the largest loss of 5.2 points, mostly due to firms feeling uncertain about national economic trends.

ABCI by Metro Area Q3 2016

Alabama: 52.4
Birmingham-Hoover: 53.4
Huntsville: 50.0
Mobile: 52.2
Montgomery: 53.9

The Center for Business and Economic Research would like to thank all Montgomery metro area business executives who completed the third quarter 2016 ABCI survey during the first two weeks of June. We look forward to a continuing partnership with the Montgomery Area Chamber of Commerce and encourage you to return for the fourth quarter 2016 survey September 1-15.

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

Analysis provided by Viktoria Riiman, Socioeconomic Analyst.