Economic Outlook:  
2nd Quarter 2008

United States

Overview. The U.S. economy grew by 0.6 percent in the fourth quarter of 2007, a significant slowdown from the previous quarter when economic growth registered 4.9 percent. Overall, the economy expanded by a modest 2.2 percent in 2007, below its 2006 growth rate of 2.9 percent. The contraction in housing, high energy prices, stagnant job growth, the negative impact of the mortgage loan crisis on banks and other financial institutions, and tightening credit conditions all contributed to the weakening economy.

Consumer spending increased by 2.3 percent in the fourth quarter, while business spending declined 14.6 percent. For all of 2007, consumer spending rose 2.9 percent but business spending registered a 4.9 percent drop. Business profits, which were flat in the third quarter, fell by 3.3 percent in the fourth quarter. Growth in real exports slowed from 19.1 percent in the third quarter to 6.4 percent in the fourth. Imports declined 1.4 percent, following a 4.4 percent increase in the previous quarter. Domestic purchases of goods and services, a measure of domestic demand conditions, dropped 0.4 percent during the fourth quarter after increasing 3.3 percent in the third.

A mild recession is forecasted for the first half of 2008, with overall economic growth declining by 0.1 percent in the first quarter and 0.7 percent in the second. The unemployment rate, which averaged 4.6 percent in 2007 and was at 5.1 percent in March, will inch up to around 5.3 to 5.4 percent by the second quarter of 2008. Job losses totaled 80,000 in March with private employment declining by 98,000—payrolls have fallen by 232,000 during the last three months. Educational and health services, leisure and hospitality, and government were about the only sectors adding jobs in March. Manufacturing shed 48,000, including 24,000 in the motor vehicle industry. Professional and business services lost 35,000 jobs during the month. For 2008 as a whole, the economy is now expected to grow by 1.2 percent. The economic downturn is rapidly spreading to sectors beyond housing, as higher prices and tighter lending conditions squeeze both businesses and consumers.

Housing. Residential investment spending, which includes both home building and sales, declined by 1.2 percent in the fourth quarter—the biggest drop in 26 years and the eighth consecutive quarterly decline. Single family permits were almost 57 percent below their peak in September 2005 and are trending downward across every region. Even commercial real estate is now showing signs of sluggish growth. For the twelve-month period ending in February 2008, the construction sector lost 240,000 jobs, while single family housing starts dropped 62 percent from their peak in January 2006.

During the fourth quarter of 2007, the number of homes across the U.S. entering foreclosure and sales to a record level, while, at 47.9 percent, homeowners’ share of equity in their homes declined to its lowest level since the World War II era. Home prices in January were down 10.7 percent from a year ago; prices have dropped at an annualized rate of 20 percent over the past three months. During the last housing recession in 1990-91, prices declined 2.8 percent. With the current 10.3 month backlog of unsold homes, prices will continue to drop at least for the first half of 2008 and most likely throughout the remainder of the year.

The homeownership rate, which had been around 64 to 65 percent for decades, increased to almost 70 percent in recent years. Many of these new homeowners were previously unable to qualify for financing but were offered mortgages through nontraditional lending practices, thus creating significant risk once those rates started to adjust higher. Foreclosures, which totaled 1.5 million in 2007, could top 2 million in 2008. Construction spending on commercial and state and local government projects helped negate some of the impact from declining housing markets, but this is slowing in the face of weak revenues and profits and sharply rising financing costs. Overall, residential fixed investment is forecasted to decline by 24 percent in 2008, following a 17 percent drop in 2007. Business spending on structures is expected to rise just 1.8 percent this year.

Consumer Spending. Consumer spending, which increased by 2.9 percent in 2007, slowed in the fourth quarter and is expected to be flat through at least the first half of 2008. Higher energy and food prices, together with falling home prices, are impacting spending, which in recent years has accounted for almost 70 percent of economic growth. The Conference Board’s monthly consumer confidence index fell 11.9 points to 64.5 in March.

Inside the BLCI: Businesses scale back, but cautiously optimistic amid economic uncertainty.
a level generally seen around recessions. The consumer expectations index dropped to its lowest level since 1973, an inflationary period following a recession caused by oil price shocks. The Reuters/University of Michigan consumer sentiment index fell to a 16-year low of 70.8 in February. Its consumer expectations index, which gauges the outlook over the next six months, declined 11.4 points to 57.9 in February, a 17-year low just above the 55.3 seen the midst of the 1990-91 recession. For 2008 as a whole, consumer spending is expected to rise 1.4 percent.

Consumer spending on durable goods, which rose 4.7 percent in 2007, saw growth slow to around 2 percent in the fourth quarter. Spending for durable goods is expected to decline 8.6 percent in the first quarter and another 7.0 percent in the second quarter of 2008, and wind up down 1.3 percent for the year as a whole. The $107 billion in tax rebate checks that will begin going out to consumers as early as May will help boost spending for durable goods in the second half of 2008.

**Business Spending.** Business spending as a whole declined by 4.9 percent in 2007, with spending on equipment and software increasing only 1.3 percent. Tighter lending conditions will have a significant impact on the ability of businesses to secure financing for capital investment or expansion. Business spending is expected to drop 1.7 percent in the first quarter of 2008 and another 4.3 percent in the second quarter. For the year as a whole, total expenditures are estimated to increase by 1.7 percent. Spending on equipment and software will rise 1.6 percent in 2008, after a decline of 1.3 percent in the first half of the year. The $45 billion in tax stimulus for businesses is expected to have some impact on spending late in the year as the bonus depreciation nears expiration.

**Manufacturing.** Despite an increase in manufacturing exports, the sector continues to shed workers. During the first three months of 2008, manufacturing lost almost 80,000 jobs. The Institute for Supply Management (ISM) index for the manufacturing sector dropped to a five-year low of 48.3 in February and nudged up to just 48.6 in March. During the 2001 recession, the manufacturing index was below 45 for nine straight months. The new orders index continued to decline in March, while the employment index rose 3.2 points to 49.2, still below the neutral point of 50. The price index jumped 8 points, with its 15th consecutive monthly increase continuing to erode profit margins.

For all of 2007, U.S. manufacturing firms lost almost 350,000 jobs. Although job losses were concentrated in nondurable goods producers, most industries saw a decline. Modest employment gains were seen in food processing, machinery manufacturing, petroleum and coal products, and fabricated metals manufacturing. Employment across the manufacturing sector is expected to decline by 2.5 percent in 2008, with the loss of approximately 350,000 jobs. Despite declining employment, industrial production rose 1.9 percent in 2007 and is forecasted to increase 0.6 percent in 2008. Most of the increase in production will be among firms selling products in overseas markets, where the falling dollar makes them relatively more competitive. However, firms producing inputs for the construction sector will experience sluggish growth in 2008.

**Inflation.** The rise in food, medicine and energy costs pushed both consumer and wholesale prices to their highest levels in nearly 25 years: retail food prices recorded their biggest increase in approximately two decades. Although the relatively weak dollar benefits manufacturers who export their products, it has a significant negative effect on price levels in the domestic market. The relatively high demand for commodities in world markets and the flow of funds into commodities as a hedge against inflation are also contributing to price increases. Despite inflationary pressures, the Federal Reserve will continue to cut interest rates, perhaps lowering the federal funds rate to the 1.75 at their April 30th meeting.

Rising prices affect both consumer and business spending. Price levels, as measured by the consumer price index, will increase by 3.3 percent in 2008 while producer prices for finished goods are forecasted to rise 5.4 percent. Although we are in a period where both unemployment and inflation rates are on the rise—an economic condition known as stagflation—we are still far from the stagflation days of the 1973-75 recession when the unemployment rate was close to 11 percent and inflation was around 15 percent.

**Alabama**

**Exports.** In 2007 Alabama exports totaled $14.4 billion, up 3.9 percent from the previous year’s $13.8 billion. The state’s largest export market was Germany, followed by Canada, China, Mexico, the United Kingdom, and Japan. Exports to Germany, which consist mostly of automobiles, declined 8.8 percent from $3.6 billion in 2006 to $3.3 billion in 2007. While Alabama exports to Canada and China increased by 28.7 percent and 22 percent, respectively, exports to Mexico, the United Kingdom, and Japan declined. Exports to Mexico alone dropped almost 17 percent, from $960 million to approximately $800 million. In 2007 Alabama exports to Canada, China, the United Kingdom, and Japan totaled $2.9 billion, $808 million, $732 million, and $692 million, respectively.

Transportation equipment, the state’s largest export commodity, accounted for 41.1 percent of all exports and rose from $5.4 billion in 2006 to $5.9 billion in 2007, up 9.2 percent. Other major exports in 2007 included chemicals ($1.99 billion), machinery ($935 million), paper products ($899 million), and computers and electronic products ($707 million).

(continued on page 7)
**Business Leaders See Broader, Deeper Downturn**
The Alabama Business Leaders Confidence Index® (BLCI) slipped 4.3 points to 42.9 on the second quarter 2008 survey. That’s steeper than the 3.5 point decline seen in the first quarter and reflects growing sentiment that economic activity is not just slowing, but is likely contracting. Since the 6.1 point slide that dropped the BLCI to 50.7 in the fourth quarter of 2007, the index has declined another 7.8 points, or 15.4 percent of its value. Expectations for the U.S. economy are the lowest of the six components that are averaged to calculate the forward-looking BLCI; almost three-fourths of panelists think the national economy will perform worse during the quarter. Slower or flat growth is generally anticipated for the Alabama economy.

All four industry component indexes declined this quarter, with the sales index moving into negative territory for the first time since the Alabama survey began in the first quarter of 2002. Expectations for growth in capital spending lost the most ground from the first to the second quarter of 2008—a decline of 5.5 points in the component index suggests that firms will be much more cautious about making investments. Almost three-fourths of companies will likely see flat or decreasing profits and fewer than 20 percent will be increasing hiring plans.

**No End in Sight for U.S. Economic Woes**
About 73 percent of Alabama business leaders expect the national economy to worsen during the second quarter of 2008. Pessimists outnumber optimists by 11 to 1, with another 20.4 percent of panelists maintaining a neutral stance. Growing crises in the credit markets, continued turmoil in the housing sector, weakness in employment, a challenged consumer, and little good news are all contributing to a negative outlook for the U.S. economy. Sales may get a boost late in the second quarter as the first of $107 billion in rebate checks that comprise the consumer stimulus package begin arriving. But the depth and breadth of the current problems have some economists mentioning the possibility of a double-dip recession. Alabama BLCI panelists’ national economy readings have trended sharply lower over the last three quarters, slipping to 30.7 on the current survey.

**Downturn Catches Alabama Economy**
An increasing number of Alabama BLCI panelists see economic conditions in the state worsening, with 39.7 percent forecasting at least a mild downturn in the second quarter of 2008. That share, up from 28.9 percent on the first quarter survey, sent the Alabama economic outlook component index into negative territory at 46.1. Weakness in tax revenues and rising costs are negatively impacting the state’s ability to fund public education and maintain essential programs. Still, strong fundamentals make it likely that Alabama will weather the downturn better than many states. Job growth continued in February and unemployment came in at just 3.7 percent. Industry investments of more than $6.8 billion and over 24,000 new jobs were announced in 2007. Home sales and average prices rose in February, while cut-backs in new home construction are reducing the oversupply—building permits for single-family structures were down almost 37 percent for February 2008 compared to a year ago.
Every Industry Curtailing Hiring  Business leaders forecasting a decrease in hiring in their industry outnumber those anticipating an increase by more than 2 to 1 on the second quarter 2008 survey. The component index reading of 43.5 is 4.4 points below its first quarter value, with 38.4 percent of panelists expecting to cut back on hiring. Faced with reduced demand for their products and/or services, rising energy and material costs, and uncertainty about when the current downturn will end, companies cannot justify adding to payrolls. Hiring plans are particularly depressed in the construction and retail trade industries, where firms expecting to curtail employment outnumber those planning to add jobs by 5 to 1. Employment prospects are strongest in professional, scientific, and technical services. While Alabama businesses added 7,800 jobs in February 2008, the current sentiment suggests that job gains may be sharply reduced in the second quarter.

Profit Expectations Weaken  More than 43 percent of panelists expect profits in their industry to decline during the second quarter of 2008, including almost 7 percent forecasting a steep decline. At 44.8, the profits component index is 2.6 points below its first quarter value. High costs for energy and raw materials, as well as increased expenses for wages and healthcare benefits are among factors eating into profits, with many firms having difficulty passing along their costs. At the same time, productivity growth has all but disappeared. Forecasting group Global Insight estimates first quarter after-tax profits fell 8.0 percent compared to a year ago and predicts a 17.7 percent decline in the second quarter. Businesses in construction, retail trade, wholesale trade, healthcare, and manufacturing are expecting the sharpest declines in profits. Panelists in professional, scientific, and technical services are the only group forecasting profit growth this quarter.

Firms Put Capital Spending on Hold  Expectations for capital expenditures saw the biggest decline in the second quarter of 2008, with the component index value of 43.2 down 5.5 points from the previous quarter. A substantial 12.4 percent of firms anticipate a strong decrease in capital spending during the quarter, while 26 percent forecast moderate reductions. Weakness in consumer and housing demand and uncertainty about when the economy will turn around are making businesses more cautious about spending for equipment and software. At the same time, slow revenue growth and credit conditions that can make it difficult to finance capital projects are dampening public and private nonresidential construction. The government’s $45 billion stimulus for businesses may be of some help later in the year. Alabama panelists in construction and retail trade are most likely to cut back on capital investment, while curtailments will be least pronounced in manufacturing, TIPU, and other services.
Topical Question Series:
Decision Making During Uncertain Times

Most economists agree that America may be in the midst of a recession or at least a significant slowdown. This leaves many business owners and operators in a strategic bind. We asked our panel members across Alabama how they are responding to this environment. Are they using this lull as an opportunity to invest in the future and strengthen their competitive position? Or are they hunkering down, scaling back, and bracing for a continued cyclical downturn?

Businesses Most Likely to Cut Back on Capital Spending

Just over 60 percent of firms surveyed in March 2008 are scaling back their business in some way. Almost half of panelists expect to curtail capital spending, including outlays for new equipment, costs and overhead, etc. This is in line with the sizeable decrease posted by the capital expenditures component of the BLCI this quarter. About a third of business leaders responding to the second quarter survey expect tightening in the area of personnel, including hiring freezes, layoffs, and furloughs. (Note that panelists could select more than one response.) And 17.5 percent will make structural operating changes such as shutting down poorly performing divisions or offices and reducing or eliminating ancillary products and services. About 1 in 10 businesses are using financial accounting measures—taking write-offs, seeking accounting assistance, etc.—to help them through the downturn. Firms also report reductions in inventories and orders, cutbacks in employee benefits, and a stepped up sales emphasis. Significantly, however, 39.3 percent of Alabama businesses surveyed report no need to scale back.

Characterize your approach to managing your business during these challenging times

Economic Uncertainty Makes It Hard to Chart a Course

More than 42 percent of respondents identified making realistic projections—or setting realistic goals—as the hardest part of running a company in this economy environment. Another 15.2 percent selected the related difficulty of dealing with uncertainty about when the economy will turn around as their most challenging problem. Increases in labor, energy, and other operating costs are hitting many businesses hard; managing these increases is the most significant problem for 21.7 percent of firms completing the BLCI survey in March 2008. About 1 in 10 firms find keeping their employees motivated to be their greatest challenge, while just 6.2 percent say working with their bank, outside investors, partners, and/or other stakeholders is the hardest part of running their company during the downturn. Other business leaders note shoring up existing customers and developing new markets as their most significant challenges. The pervasive impact of the media on both businesses and individuals is reflected in challenges which include “overcoming national media reports.”

Most Panelists Remain Upbeat about Business Prospects

Asked to characterize their approach to managing their business during these challenging economic times, 71 percent of respondents are at least cautiously optimistic in their focus. This includes 24.1 percent of firms that are making no changes to their strategy, vision, or decision making and another 46.9 percent that report being cautiously optimistic—making conservative bets for the short term, but bolder investments for the long haul. However, the effect of the current economy on their business and uncertainty about when the economy will begin to improve has about 22 percent of companies surveyed beginning to prepare contingency plans based on worst-case economic assumptions. Almost 7 percent of firms are being hit hard by the downturn and are already implementing contingency plans to overcome difficult business conditions.

What’s the hardest part of running a company in this rocky economy?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Dealing with uncertainty</td>
<td>15.2</td>
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<tr>
<td>Motivating employees</td>
<td>10.2</td>
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<tr>
<td>Making realistic projections or goals</td>
<td>42.2</td>
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<td>Working with bank and/or stakeholders</td>
<td>6.2</td>
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<tr>
<td>Managing cost increases</td>
<td>21.7</td>
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<td>Other</td>
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Alabama BLCI by Component and Area  Expectations for the national economy declined the most this quarter, falling by 7 points. Panelists increasingly expect firms to reign in capital spending and curtail hiring plans in the face of tighter credit conditions, higher costs, declining profits, and weak product demand. All six component indexes were below the neutral point of 50 in the second quarter, with sales moving into negative territory for the first time in survey history.

Pessimism about the national economy helped drag down the indexes for each of the state’s four largest metros. With an index of 52.7, Mobile was the only area anticipating stronger growth during the second quarter. Development in the city’s downtown area, new facilities at the Alabama State Docks, research initiatives at the University of South Alabama, and construction of the giant ThyssenKrupp steel mill all contribute to this positive outlook. Early March also saw the award of the Air Force tanker contract to the Northrup-Grumman/EADS team, which would locate production of the planes in Mobile. Building permits were up in the Mobile area in January 2008 compared to a year ago due to multifamily housing construction. Huntsville’s BLCI fell 7.7 points to 45.6 in the second quarter—the area is experiencing a slowdown in absorption and construction of homes as it awaits the upcoming influx of BRAC personnel. A strong national defense emphasis is helping businesses boost sales and maintain profits, as indicated by values above 50 for these two component indexes. The area added jobs in services and government during February.

The Birmingham-Hoover metro area saw its index decline 5.9 points from the first to the second quarter survey. Service industries continued to add jobs at a good pace in February, but the area’s retail sector reported job losses. Expectations for hiring and capital spending both decreased significantly. The area’s housing market is beginning to move back into balance, with new home sales picking up in February while the number on the market declined. Montgomery continued to present the gloomiest outlook—perhaps because its position as the capital brings the state’s fiscal difficulties to the forefront. While its Hyundai manufacturing plant is challenged to maintain production as consumers pull back on spending, the scheduled opening of a Kia plant in Georgia in 2009 is resulting in supplier expansions.

Component Index by Area, Q2 2008

<table>
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<tr>
<th>Component</th>
<th>Alabama Q2 2008</th>
<th>Change from Q1 2008</th>
<th>Birmingham</th>
<th>Huntsville</th>
<th>Mobile</th>
<th>Montgomery</th>
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<tr>
<td>National Economy</td>
<td>30.7</td>
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<td>28.5</td>
<td>30.8</td>
<td>38.1</td>
<td>27.8</td>
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<td>Alabama Economy</td>
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<td>40.0</td>
<td>47.5</td>
<td>61.9</td>
<td>41.5</td>
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<td>Industry Sales</td>
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<td>-2.4</td>
<td>47.6</td>
<td>51.7</td>
<td>58.6</td>
<td>40.6</td>
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<td>Industry Profits</td>
<td>44.8</td>
<td>-2.6</td>
<td>42.9</td>
<td>50.8</td>
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<td>40.0</td>
<td>45.6</td>
<td>52.7</td>
<td>36.6</td>
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Component Indexes Off Substantially during the Last Year  The national economy component of the BLCI declined the most between second quarter 2007 and second quarter 2008, falling 18.5 points for a loss of almost 38 percent of its year-ago value. Predictions for the national economy correctly mirrored actual GDP performance—the index and GDP both rose in the second and third quarters of 2007 and declined in the fourth quarter, with a likely decrease in the first quarter of 2008. Expectations for the Alabama economy were at least 12 points above those for the U.S. economy across the last five quarters; however, the negative impact of the nation’s economic woes are seen in forecasts of slowing growth in the state beginning with the fourth quarter of 2007. High energy and commodity prices and the stressed consumer are reflected in steady declines in expectations for both industry sales and profits over the last year. BLCI panelists place the downturns in hiring and capital spending as beginning in the fourth quarter of 2007 and accelerating in the most recent survey quarter.

Many thanks to the nearly 350 Alabama business leaders who completed the second quarter 2008 BLCI survey during the first two weeks of March. Please join us in the first two weeks of June for the third quarter 2008 survey at www.blci.com/alabama.

Analysis provided by Carolyn Trent, Socioeconomic Analyst, Center for Business and Economic Research, The University of Alabama.
Employment. While the U.S. economy shed jobs in February 2008, Alabama added 7,800, a gain of 0.4 percent. For the twelve-month period ending in February, total nonagricultural employment in the state increased by 18,000. Alabama’s 11 metropolitan areas, comprising 28 counties, gained 13,940 jobs, while the remaining 39 counties added 4,060. The Huntsville metro area led the state with 5,400 jobs, followed by Montgomery (3,500), Auburn-Opelika (2,200), and Florence-Muscle Shoals (800). Decatur added 600 jobs, while the Anniston-Oxford, Mobile, and Tuscaloosa metros each gained 500. The Birmingham-Hoover area netted just 200 jobs between February 2007 and February 2008. Jobs were flat in Gadsden, while the Dothan metro shed 200 jobs, with losses in manufacturing, professional and business services, and leisure and hospitality.

Job gains in the Huntsville metro area were spread across most sectors including transportation equipment manufacturers (700), computers and electronic products producers (800), and nonfarm employment as a whole (5,800). Mobile added 600 workers in the transportation, warehousing, and utilities sector and in professional and business services during the year ending in February 2008. However, the area’s natural resources, mining, and construction sector lost 700 jobs and leisure and hospitality jobs also declined by 700. Job gains in a number of sectors in the Birmingham-Hoover metro area, including education and health services (1,200), local government (800), and leisure and hospitality (600), were almost negated by sizeable losses in manufacturing (-1,100) and professional and business services (-1,200) over the last 12 months.

Statewide, manufacturing industries shed 5,800 jobs from February 2007 to February 2008; nondurable goods industries lost 3,400 workers while durable goods producers dropped 2,400. Within durable goods manufacturing, payroll losses were recorded in most industries—the worst declines were in electronic equipment, appliance, and component manufacturing (-1,300) and furniture and related products (-1,100). The bright spot was aerospace products and parts, which gained 900 jobs during the year. Among nondurable goods industries, only plastics and rubber products producers added jobs. The largest losses were in textiles and apparel (-3,000) and food manufacturing (-800).

Alabama’s service-providing firms added 21,800 jobs over the period. Sectors with sizeable gains included professional and business services (4,400), education and health services (2,400), and leisure and hospitality services (2,200). The state saw the net addition of 5,900 government jobs during the year ending in February, including 3,700 at local government entities and 2,600 in state government. Despite the loss of 600 department store jobs, the retailing industry added 4,500 new workers.

Tax Revenues. State tax revenues continue to show slower growth than for the same period of the previous fiscal year. For the first six months of the current fiscal year which ends in September, revenues totaled $4.4 billion, up 3.3 percent or about $139 million over the first six months of the previous fiscal year. For the same period a year ago, total tax revenues had risen 4.8 percent. Sales tax revenues are up just 0.2 percent (about $1.7 million) to $1.0 billion. At $271 million, corporate income tax receipts are 16.6 percent or $38.6 million higher than receipts in the first six months of last fiscal year. Individual income tax revenues have risen 3.2 percent or $50.6 million to over $1.6 billion.

For the first six months of the current fiscal year, appropriations to the Alabama Education Trust Fund increased by approximately $82 million or 3.1 percent to almost $2.7 billion, while those to the state’s General Fund were up about $201 million to approximately $980 billion, an increase of 25.9 percent.

Outlook. In 2008 Alabama’s economy is expected to grow by around 2.0 percent, while nonfarm employment will increase by about 0.7 percent, a significant slowdown from the previous year. However, some sectors of the state’s economy will continue to do well, including aerospace products and parts manufacturing, computer and electronic products manufacturing, motor vehicle and motor vehicle parts manufacturing, business and professional services, education and healthcare services, and leisure and hospitality services. Although the retailing sector is still forecasted to grow in 2008, the rate of growth will be somewhat lower than in recent years.

The state is expected to face the same challenges as the rest of the United States in 2008, albeit growing at a slightly higher rate than the nation. Slowdowns in both consumer and business spending, together with tighter lending conditions and the fallout in the housing sector will negatively impact segments of the state’s economy—in particular, manufacturing, retail and wholesale trade, and residential and commercial construction. The effects of higher energy prices are now spilling over to prices of other commodities, which can further slow consumer and business expenditures.

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Articles reflect the opinions of the authors but not necessarily those of the staff of the Center, the faculty of the Culverhouse College of Commerce, or the administrative officials of The University of Alabama.
Alabama’s Housing Market

Alabama house prices rose 4.45 percent from the fourth quarter of 2006 to the fourth quarter of 2007, according to the OFHEO House Price Index, which measures prices for home sales and refinancing appraisals. This compares to appreciation of 0.84 percent across the nation and ranks the state 13th.

There were 2,053 building permits for single family structures issued in Alabama in January and February 2008, a decrease of 35.2 percent from the 3,166 permits recorded during the first two months of 2007. However, the 849 multifamily units permitted during the first two months of 2008 was 1.5 percent above the number a year ago.

Mirroring national trends, Alabama foreclosure filings were up 57 percent in February 2008 compared to a year ago. Still, RealtyTrac notes that the rate of one filing for every 2,949 households compares to one in 557 nationally and ranks the state 39th.

The Alabama Center for Real Estate reports that 3,537 homes sold across Alabama in February 2008, down 13.6 percent from February 2007. The average selling price was virtually unchanged from a year ago, while average days on the market fell slightly. With 42,984 units for sale, Alabama had a 12.1 month supply of housing in February given the current sales pace—well above the 9.0 month supply a year ago.

A word from your peers…

The Alabama Business Leaders Confidence Index® (BLCI) is a composite representation of the expected health of the state and national economy as perceived by the very individuals who are in a position to know—Alabama business leaders. You are able to gain a perspective from peers who share the same local conditions, thus making the information more relevant to your important business decisions.

Please log on at www.blci.com/alabama/ and register to become a BLCI panelist. It only takes a few minutes and you'll be notified by email when the next survey opens on June 1st.

With increased participation from business leaders like you, the BLCI will become a more valuable planning tool for the Alabama business community. Plus, when you participate, you receive an exclusive preview of survey results before they are released to the general public. Join today!

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