The Business Leaders Confidence Index entered its second year in 2003. Panelists registered their opinions in December 2002 about the direction of the national and state economies as well as industry sales, profits, hiring plans, capital expenditures, and interest rates for the first quarter of 2003. Respondents represented a broad range of Alabama businesses—while 28.8 percent employed at least 100, 43.9 percent had fewer than 25 employees. By sales, 27.6 percent of participating firms reported annual sales of more than $20 million and 44.6 percent under $5 million.

Alabama business leaders correctly anticipated not only the continued modest recovery during the fourth quarter of 2002 but also the slowing pace of that recovery, especially where jobs are concerned. In the face of the economic and geopolitical uncertainties facing the nation early in 2003, panelists forecast a continued modest recovery that will strengthen slightly in the first quarter. At 58, the index is two points higher than the fourth quarter 2002 reading. About 60 percent of business leaders expect stronger growth in the U.S. economy during first quarter 2003. However, expectations for the state are less robust with just 49 percent anticipating improvement in the Alabama economy.

Strongest impetus for growth should come from increases in sales and profits, with about 55 percent of panelists expecting increased sales in their industry early in 2003 and about the same share forecasting industry profit gains. Weak job creation and a slow rebound in capital spending will continue to constrain the recovery. Just 26.9 percent of Alabama business leaders expect their industry to add jobs during first quarter 2003, while 17.3 percent foresee job cuts. Capital spending may begin to pick up modestly during the quarter, with 44.2 percent of panelists forecasting increased capital expenditures in their industry.

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The BLCI is developed in partnership between Compass Bank and the Center for Business and Economic Research. Complete results can be found at blcindex.cba.ua.edu.