Alabama Business Leaders Confidence Index: 2nd Quarter 2003

Alabama business leaders completed the second quarter 2003 survey in the shadow of war with Iraq, with the war’s duration and outcome unknown when the survey closed at the end of March. Geopolitical uncertainties combined with general economic weakness to depress expectations for near-term improvement in the economy. The confidence index registered 56 for the quarter, indicating modest overall improvement, but at a slower pace than expected in the first quarter when the reading was 58.

Expectations for the course of the U.S. economy dipped—51.3 percent of panelists anticipate improvement in the national economy in the second quarter compared to almost 60 percent last quarter. And, the 22.4 percent of respondents forecasting a downturn is the highest negative of the past year. Faced with the state’s current fiscal crisis and expected budget shortfall, business leaders are also less positive about the direction of the Alabama economy in second quarter 2003. Just 43 percent forecast improvement, down from 49 percent last quarter, for the lowest expectation of the past year. And 30 percent think the shortfall will significantly impact their industry.

On the negative side, forecasts for profits and capital expenditures both fell in the second quarter. Just 46.6 percent of Alabama business leaders expect profits in their industry to rise, down from 51.3 percent last quarter. Profit outlooks are most positive in construction and TCPU. And capital spending is not likely to rebound during the second quarter, as only 37.5 percent of panelists expect expenditures in their industry to increase—a significant drop from 44.2 percent last quarter. Still, about 50 percent of respondents in construction and FIRE foresee increases.

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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.