Alabama Business Leaders Confidence Index (BLCI): 3rd Quarter 2003

With national economic and geopolitical issues appearing to ease, Alabama business leaders are optimistic that economic growth will accelerate in the third quarter of 2003. The Business Leaders Confidence Index (BLCI) value of 61 for the quarter surpasses the reading of 60 a year ago and marks a five point improvement in business confidence over last quarter’s 56.

Alabama business leaders are upbeat in their third quarter outlook for the U.S. economy—71.5 percent forecast improvement over second quarter performance, a jump from just 51.3 percent anticipating an upturn last quarter. Expectations for improvement in the state’s economy are less robust, however, as just 50.7 percent of panelists forecast gains. With a solution to the state’s fiscal problems awaiting the outcome of a September 9 vote on the governor’s tax and accountability plan, this is nevertheless an improvement on the 43 percent expecting an upturn last quarter. In response to this quarter’s issue question, almost half of the state’s business leaders reported that the slow economy has affected their business travel plans.

Strongest economic gains in the third quarter should come from increased sales and improved profits. Almost 66 percent of panelists think sales in their industry will rise, up from 59 percent last quarter. Sales increases could be most prevalent in finance, insurance, and real estate (FIRE), retail trade, transportation, communications, and public utilities (TCPU), and construction. The outlook for industry profits improved from the second to third quarter forecasts, with almost 56 percent of BLCI participants anticipating increased industry profits in the third quarter, compared to less than 47 percent last quarter. Strongest increases in profits are expected in TCPU, construction, and FIRE. Profit growth may lag in manufacturing and wholesale trade.

Hiring is expected to remain the weakest link in the current recovery, although the outlook has improved slightly across the first three quarters of 2003. About a third of Alabama business leaders expect their industry to add jobs in the third quarter. Job prospects should be strongest in construction and FIRE and weakest in manufacturing and wholesale trade. Rising confidence in a positive direction for the economy could give a boost to capital spending in the third quarter, with 46.5 percent of panelists anticipating increased expenditures in their industry, up from 37.5 percent last quarter. Capital spending gains are expected to be relatively stronger in construction and retail trade and weaker in manufacturing, TCPU, and wholesale trade.

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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.