Conflicting signals being sent by the financial markets and economic reports are reflected in the consensus expectations of Alabama business leaders for third quarter 2002. A reading of 60 on the Business Leaders Confidence Index (BLCI) indicates moderate economic improvement, but is below the 63 registered in the second quarter. On the year-ago comparisons, the third quarter BLCI of 59 represents the strongest year-over-economic improvement yet—not surprising since third quarter 2001 included the immediate impact of the terrorist attacks.

About 64 percent of panelists expect the U.S. economy to improve in the third quarter of 2002 compared to the second quarter. While almost 60 percent anticipate continued generally moderate improvement in Alabama’s economy during the quarter, respondents are less worried about a downturn—10.1 percent forecast a decline in economic activity in the state, while 14.1 percent think the national economy could turn down during the quarter.

Strength in the Alabama economy should come from sales, with 65 percent of Alabama business leaders forecasting increased sales in their industry in the third quarter. Profit expectations slipped slightly—half of panelists anticipate increased profits in the third quarter compared to 56 percent last quarter. Job gains during the quarter will be slight, with about 30 percent of respondents expecting hiring to pick up. Capital spending trends remained positive, almost 42 percent forecast increased capital expenditures in their industry in the third quarter compared to 13 percent expecting a decline.

The Business Leaders Confidence Index combines expectations for the national and state economies as well as industry sales, profits, hiring plans, and capital expenditures from Alabama panelists who complete an online survey. Respondents to the third quarter survey represented all major industry groups in a broad spectrum of businesses statewide. 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.

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