

Alabama *Business Leaders* *Confidence Index*[®]

Dr. Sam Addy

Center for Business and Economic Research
The University of Alabama

Federal Reserve Bank of Atlanta
LEARN Conference

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Origins of BLCI Survey

- In the Fall of 2000 Compass Bank proposed a statewide online survey of business sentiment, to be conducted quarterly.
- Questions were developed in consultation with the Center for Business and Economic Research at The University of Alabama.
- Alabama and Texas were the initial states, with the first survey in December 2001 looking ahead to first quarter 2002. Arizona and Colorado were added later.
- Compass recruited panelists, while the website, survey analysis, and results newsletter were tasks for university partners. The website later shifted to the bank.

Survey design

- The BLCI survey is forward-looking and asks during the month prior to a new quarter about expectations for change from the current to the upcoming quarter
- There are four industry indicators:
 - Sales
 - Profits
 - Hiring
 - Capital Expenditures
- There are two general economic indicators:
 - Economic conditions in the United States
 - Economic conditions in Alabama

Calculation of survey results

- A five-part scale is used for the industry indicators: strong increase, moderate increase, no change, moderate decrease, strong decrease
- The economic indicators use a five-part scale, but the wording is: much better, somewhat better, remain the same, somewhat worse, much worse
- These choices are weighted +2, +1, 0, -1, -2
- $BLCI = ((\sum \text{responses}/\# \text{ surveys})+12)/24*100$
- BLCI range is 0 to 100, with 50 the neutral point

BLCI panelists

- Participation is voluntary; panelists register on the BLCI website for their state
- Panelists recruited by target mailings, bank contacts, events, etc.
- Alabama participation has ranged from about 310 to 350 for the last 6 quarters
- Compass targeted C-level executives: most common titles are President, Owner, CFO, CEO, Vice-President

Characteristics of Alabama firms Q3 2008

- Annual sales
 - ➔ < \$1 million 15.4%
 - ➔ \$1-10 million 30.9%
 - ➔ \$10-50 million 35.9%
 - ➔ > \$50 million 21.7%
- Number of employees
 - ➔ 0-19 35.3%
 - ➔ 20-99 28.5%
 - ➔ 100-499 22.3%
 - ➔ 500 + 13.4%

Geographic distribution

- Panelists are from all 11 Alabama metro areas and from many nonmetro counties
- In third quarter 2008, 38.5 percent of businesses were located in the Birmingham metro, which accounted for 32.6 percent of GDP in 2005.
- Another 37 percent were from the other three large metros of Huntsville, Mobile, and Montgomery (27.6 percent of 2005 GDP), although Huntsville is underrepresented.

BLCI indices

- Each quarter the overall BLCI is calculated and a component index is computed for the six variables on the survey.
- A composite BLCI is also derived for various industry sectors: manufacturing, construction, retail trade, wholesale trade, health care services, professional/scientific/technical services, other services, FIRE, TIPU
- BLCI and component indices are calculated for the state's four largest metros (Birmingham-Hoover, Huntsville, Mobile, Montgomery).

BLCI Results

- Results are compiled in a newsletter that is distributed to BLCI panelists first and then posted online at www.blci.com. The BLCI results are included in the quarterly *Alabama Business* newsletter, posted on cber.cba.ua.edu, and released to the media.
- Presentations are made at Compass on Business annual events in the four major metros as well as other CBER events.
- Compass surveys have shown that the BLCI strongly raises awareness of and improves perceptions of their bank as a bank for business.

BLCI Survey Today

- Third quarter 2008 marked the 31st consecutive administration of the BLCI survey
- Questions on topics of interest to the business community were added to the BLCI survey beginning with the first quarter of 2005
- Compass Bank has implemented a Panelists Roundtable on the BLCI website for panelists only. It includes a blog, podcasts, the *Kiplinger Letter*, recent business articles, and resource links
- Bank staff hold an annual meeting with the university partners to discuss the BLCI program

Most panelists find survey useful

- Each year, Compass Bank surveys panelists with a Quick Poll online.
- In 2008 for the four states, 36 percent use the BLCI results in the economic development process, decision making, short-term planning; 77 percent use it as a general indicator of local/regional outlook and trends.
- 61 percent compare their own projections to the BLCI
- 49 percent use the BLCI as background information for their forecasting and/or planning; 34 percent share results with others
- Most find the BLCI useful: 35% very useful, 61% moderately useful, 3% not useful
- 75 percent of panelists said that the topical questions add value for them and their company

Top Alabama issues for 2008 identified in Quick Poll*

- Economy/economic downturn
- Fuel/energy costs
- Workforce development
- Education
- Ineffective leadership/government
- Tax structure
- Attracting industry/jobs
- State fiscal stability

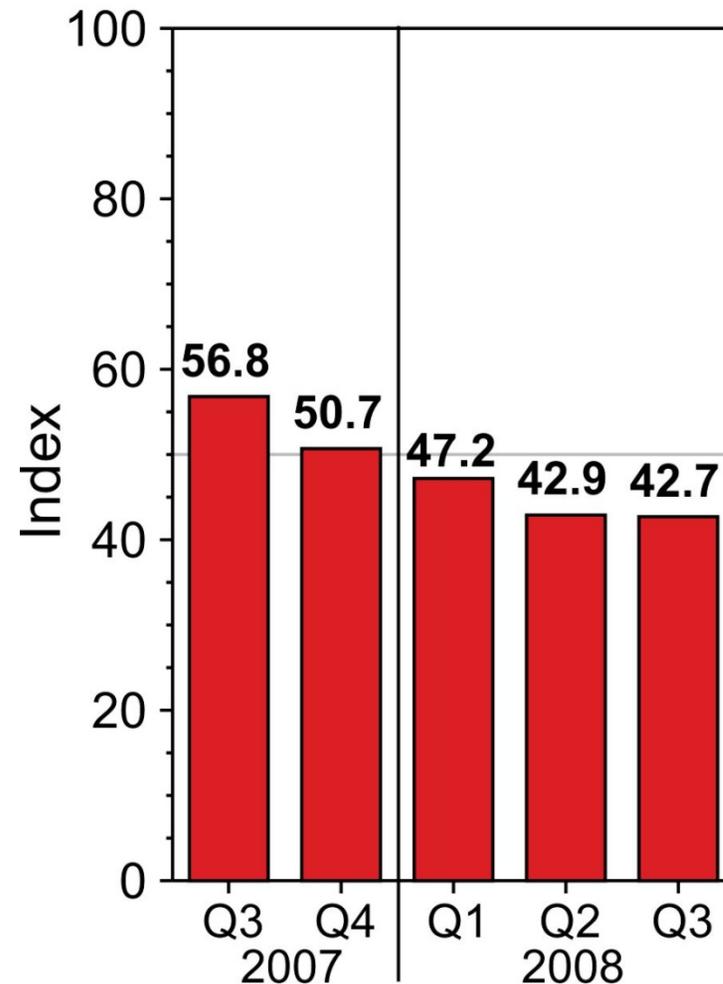
* Issues are ranked.

A Look at the BLCI Results

Third Quarter 2008

- Alabama business leaders remain pessimistic in their outlook for the third quarter of 2008.
- Expectations leveled off from the steep slide of the three prior quarters at 42.7.
- 62.5 percent think the U.S. economy will worsen this quarter.
- Almost 42 percent feel the Alabama economy will be weaker in the third quarter.

Alabama BLCI



Q3 2008 outlook slightly weaker

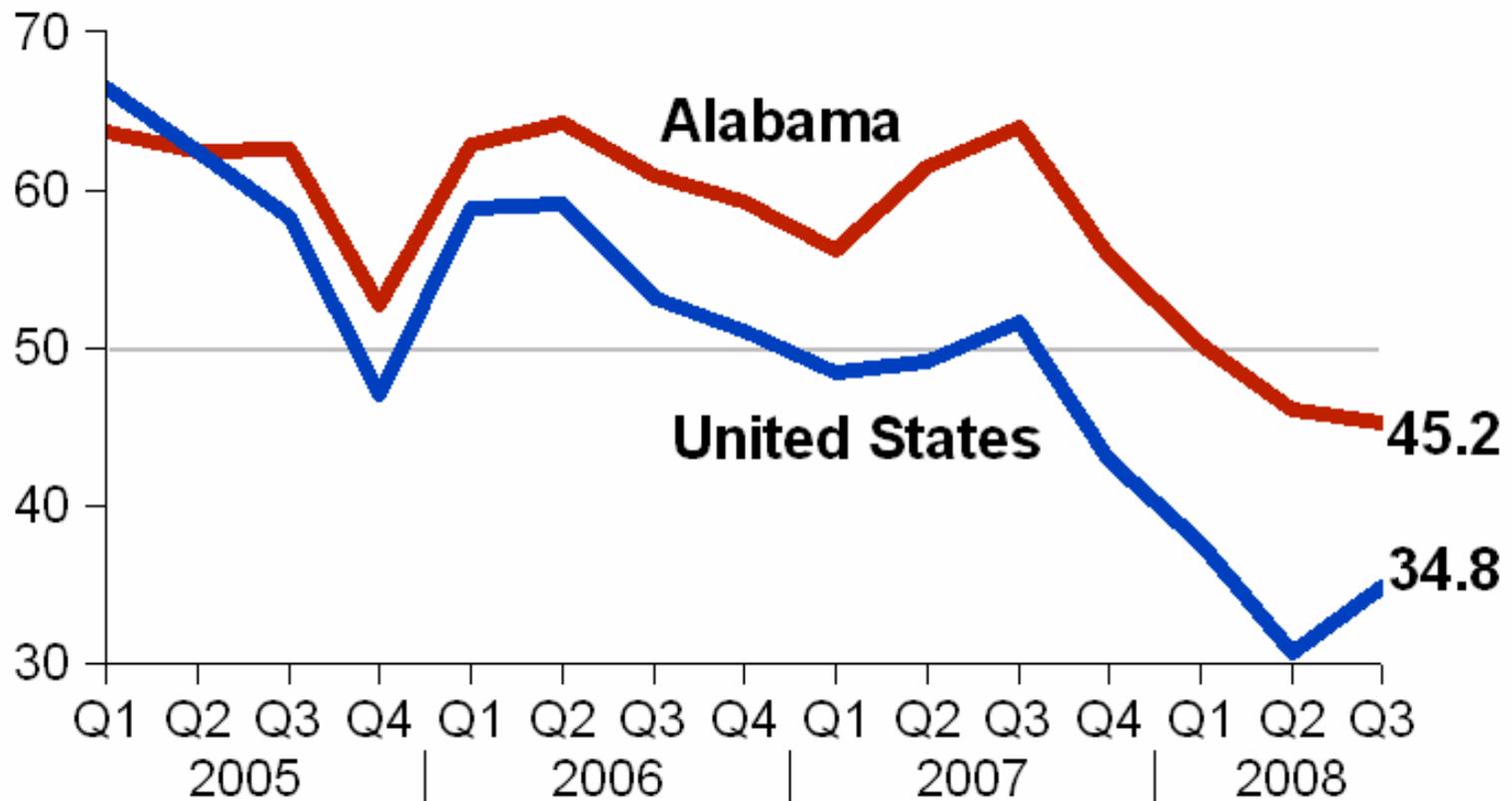
National Economy	34.8	↑
Alabama Economy	45.2	↓
Industry Sales	48.6	↓
Industry Profits	42.0	↓
Industry Hiring	43.4	↓
Capital Expenditures	42.1	↓
BLCI	42.7	↓

Index above 50 indicates expansion.

↑ *increase from previous quarter*
↓ *decrease from previous quarter*

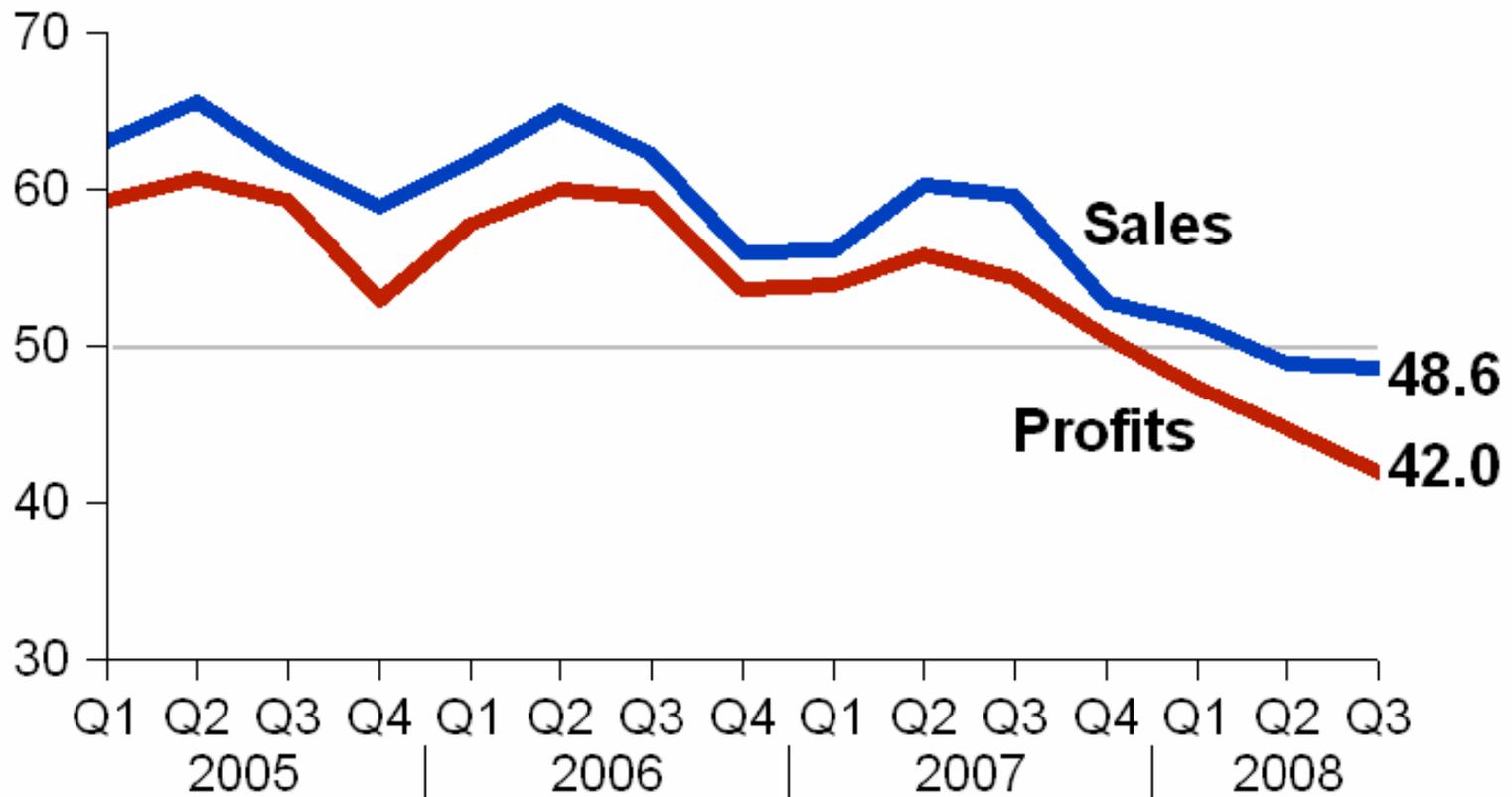
Alabama outlook remains better than U.S.

U.S. and Alabama Economies
Expectations versus Prior Quarter



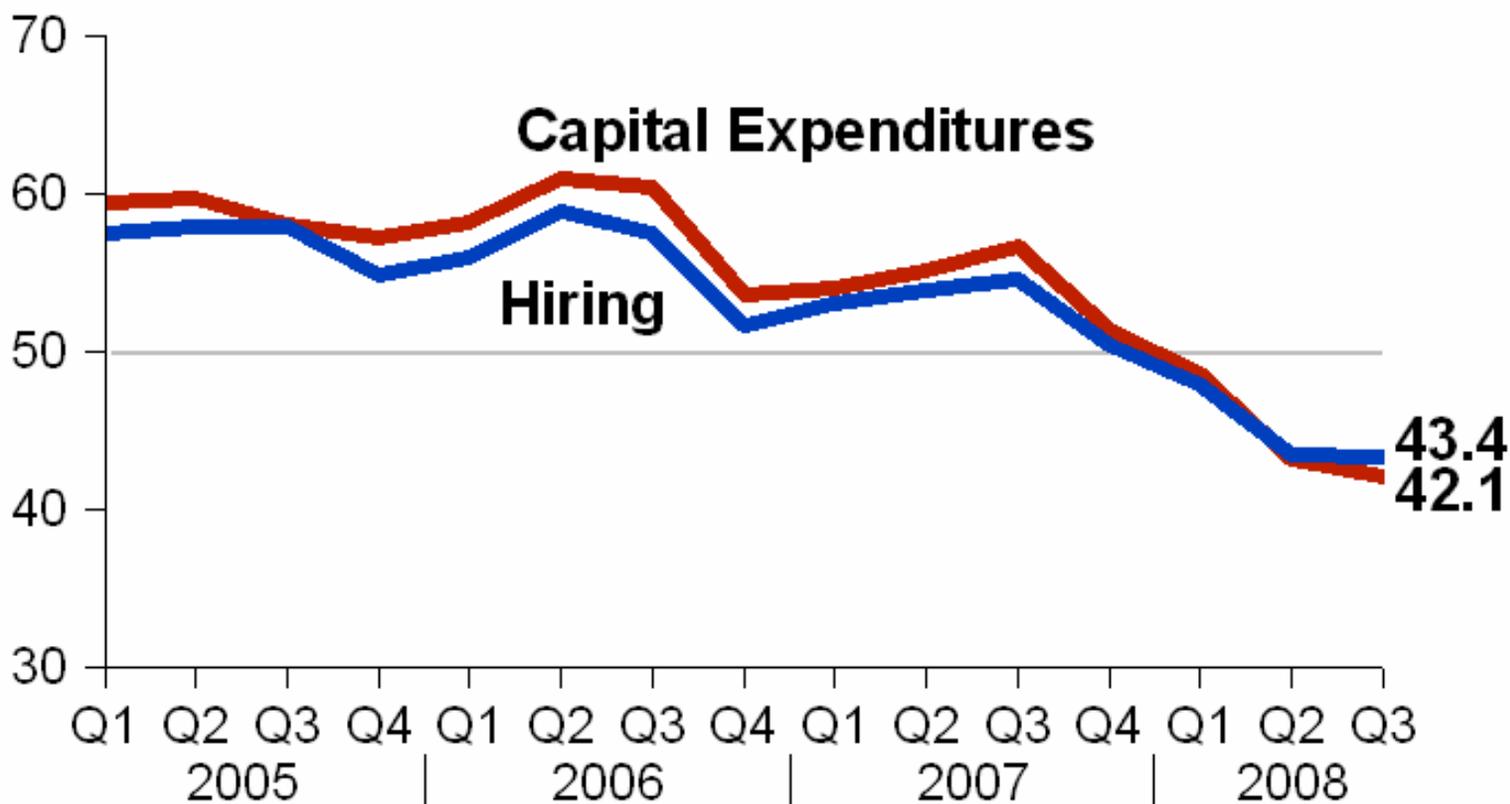
Growth in sales and profits weakening

Sales and Profits
Expectations versus Prior Quarter



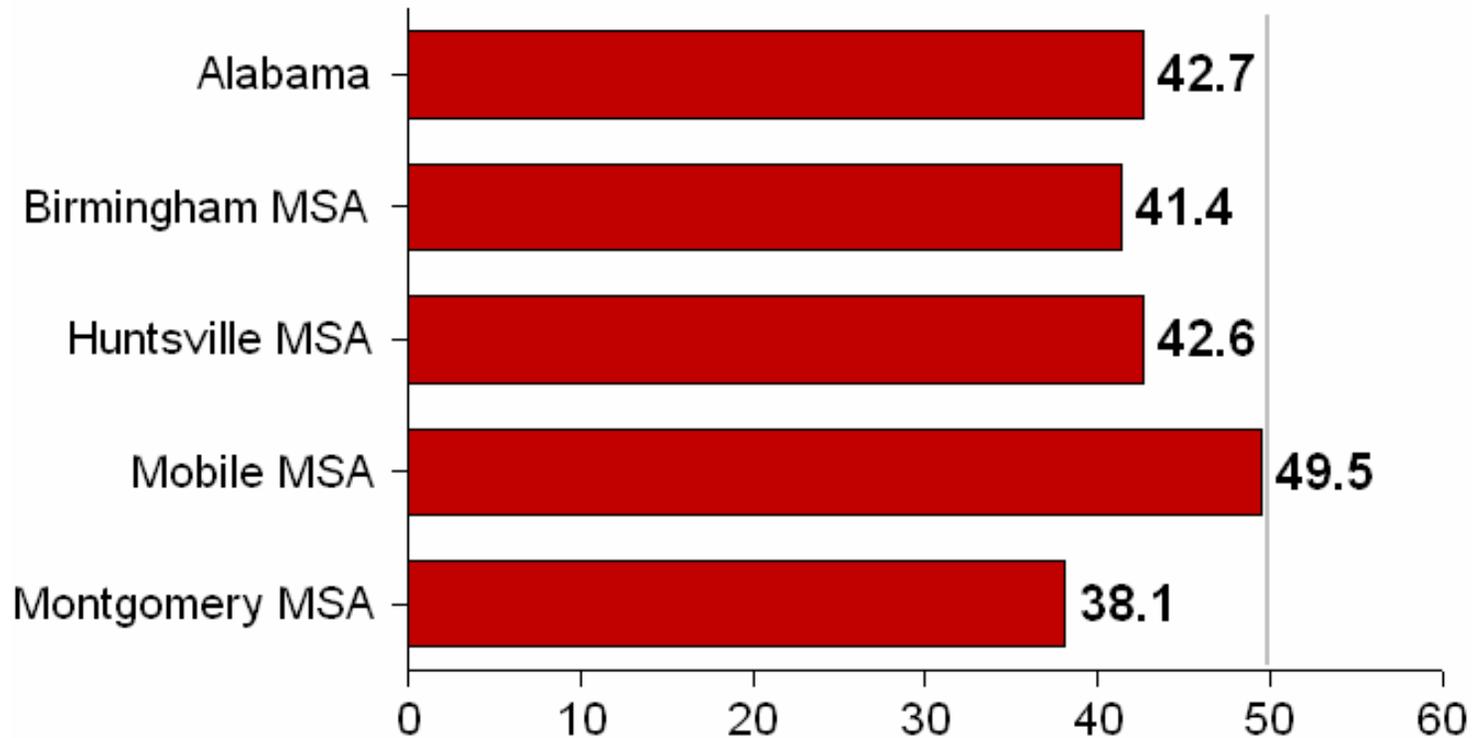
Job growth and capital spending slowing

Hiring and Capital Expenditures
Expectations versus Prior Quarter



Mobile metro outlook most optimistic

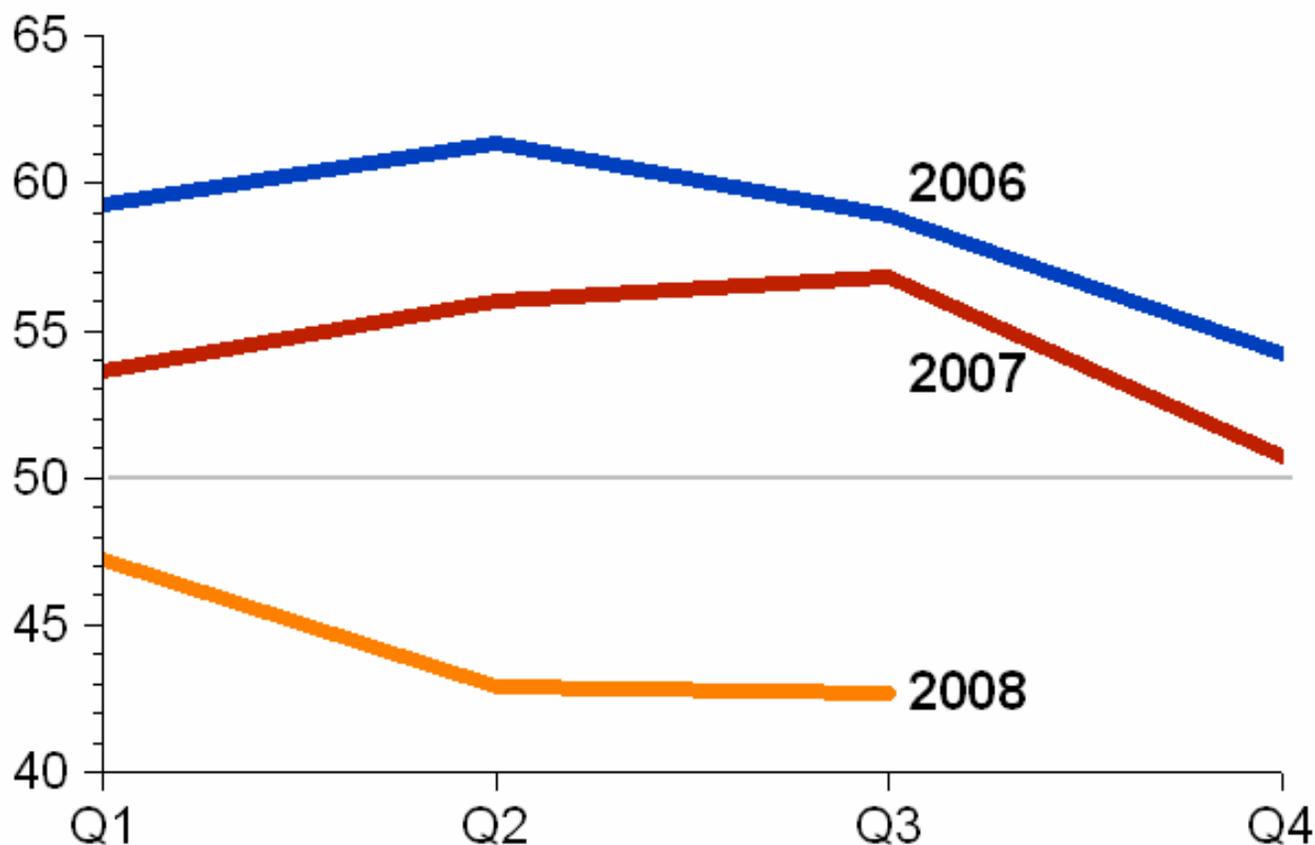
BLCI by Area Q3 2008



Note: Index above 50 indicates expansion.

Business optimism continues downward slide

Recent Alabama BLCI History



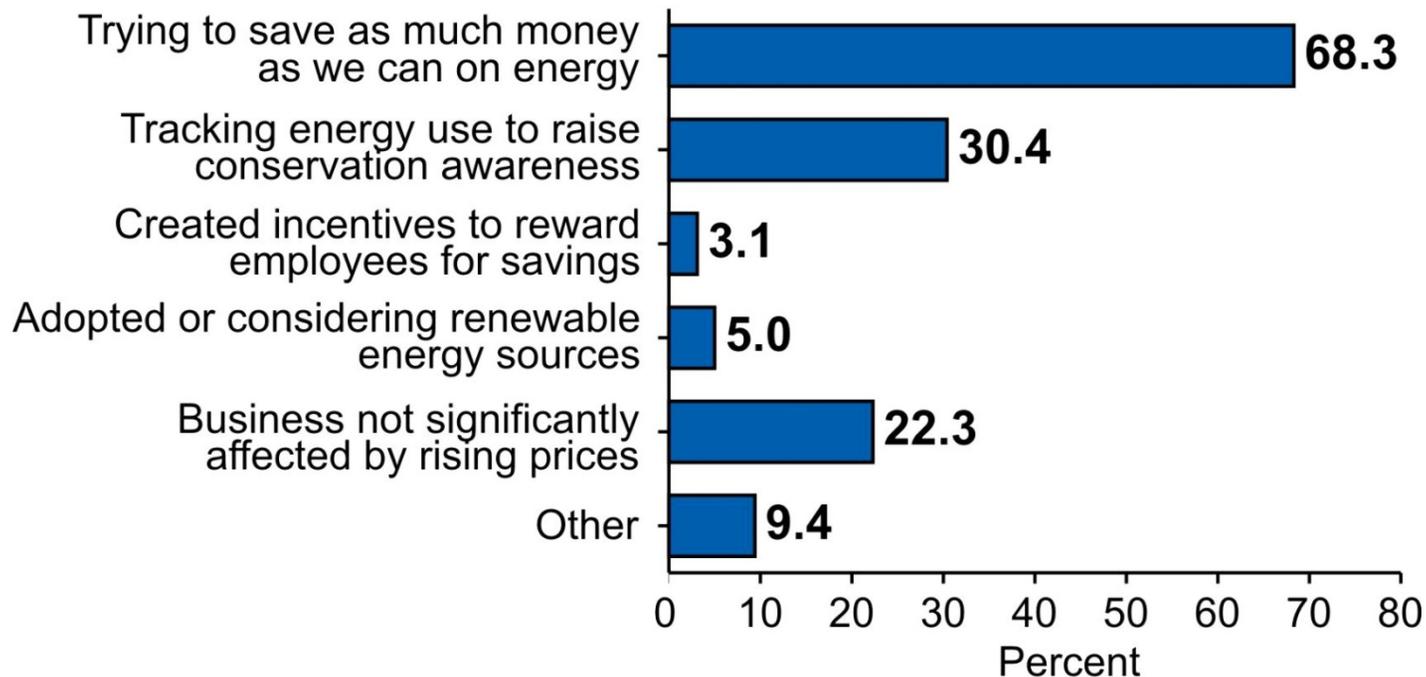
Note: Index above 50 indicates expansion.

BLCI Topical Question Series

- Each quarter BLCI panelists are asked three to five questions on a timely topic.
- The online survey has been modified so that panelists submit their core BLCI responses and then choose whether to complete the topical questions.
- Responses are used in the upcoming *Compass on Business* magazine and are summarized in the Alabama BLCI newsletter.
- The Q3 2008 survey asked panelists about the effects of rising energy costs on their business.

Alabama businesses focusing on energy cost savings in Q3 2008

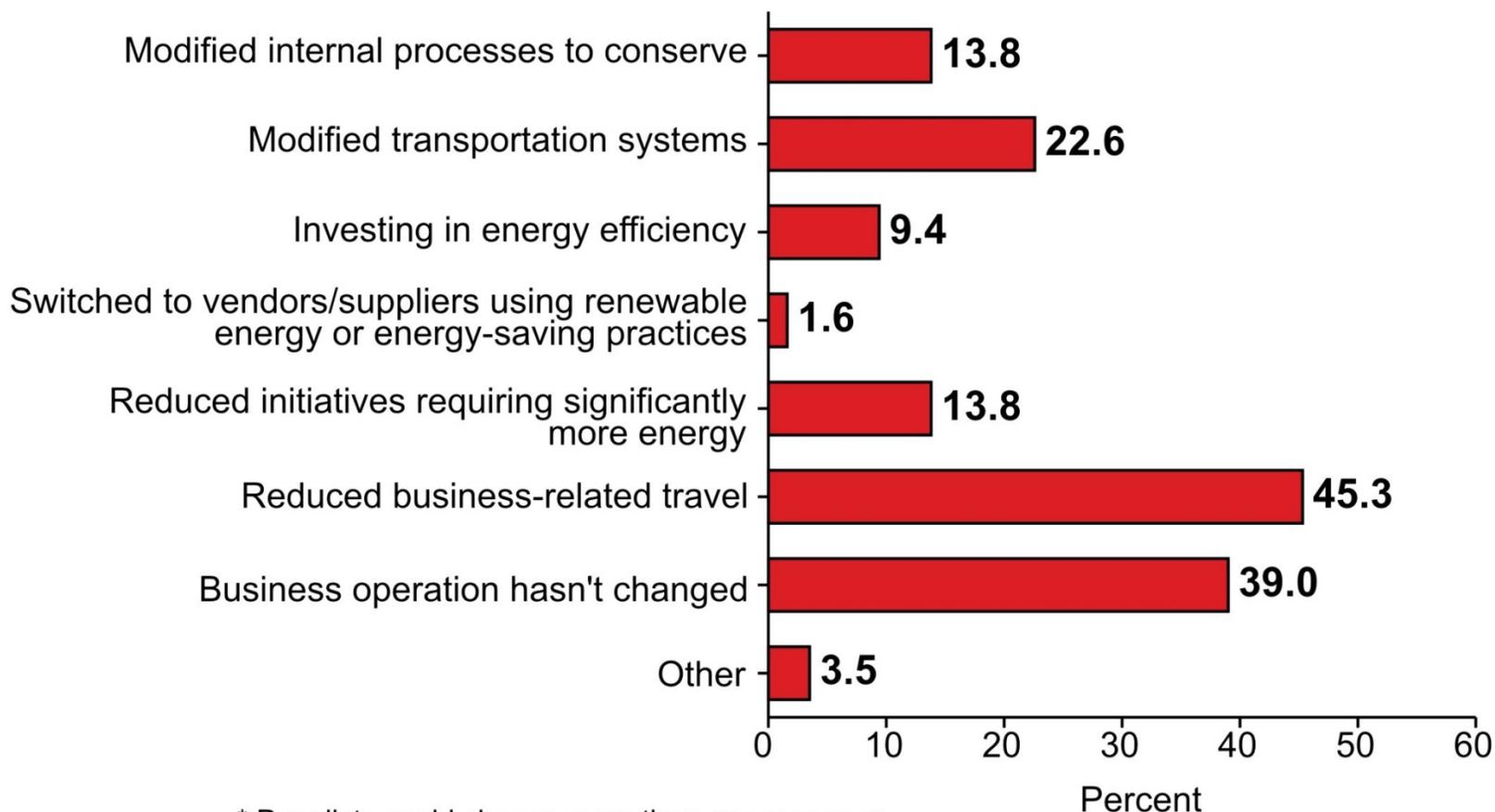
How is your business responding to rising energy prices?*



* Panelists could choose more than one response.

Firms adjust to manage energy costs

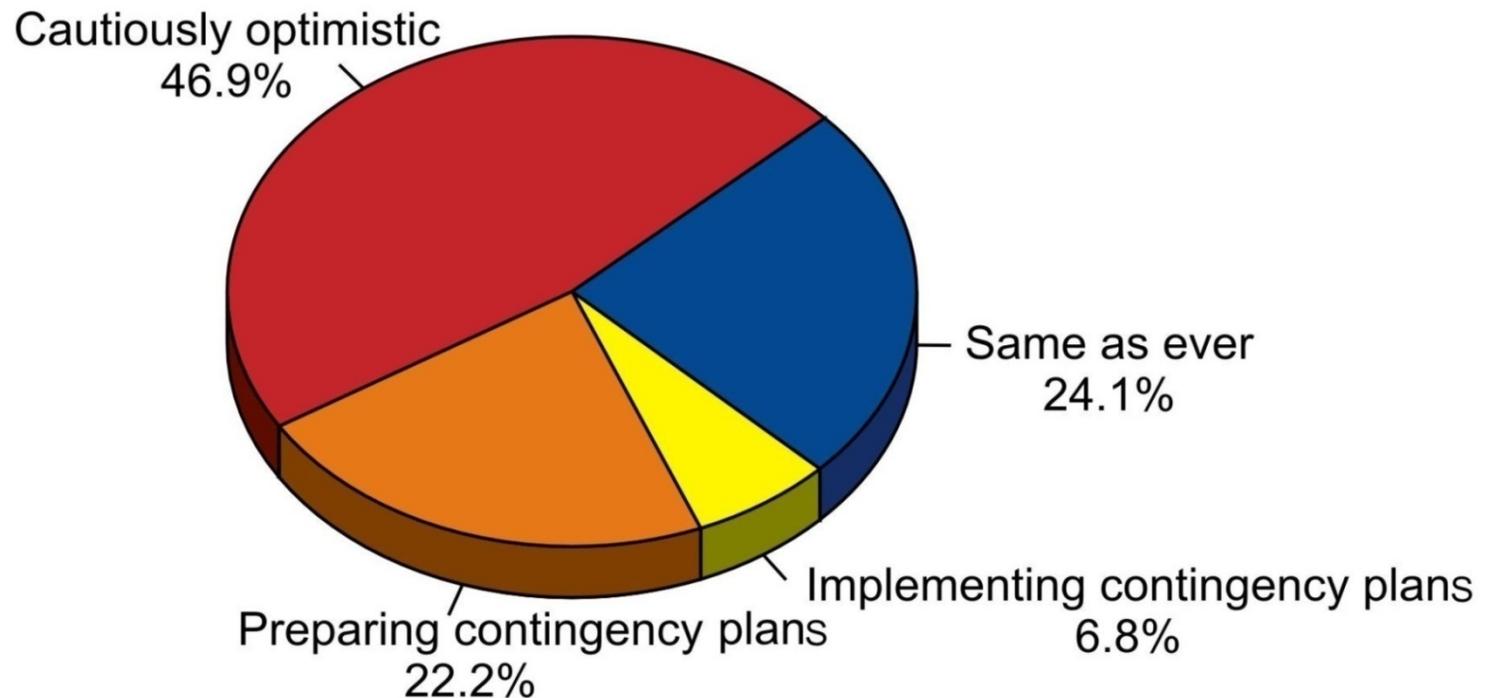
How has your business operation changed in the past year due to rising energy costs?*



* Panelists could choose more than one response.

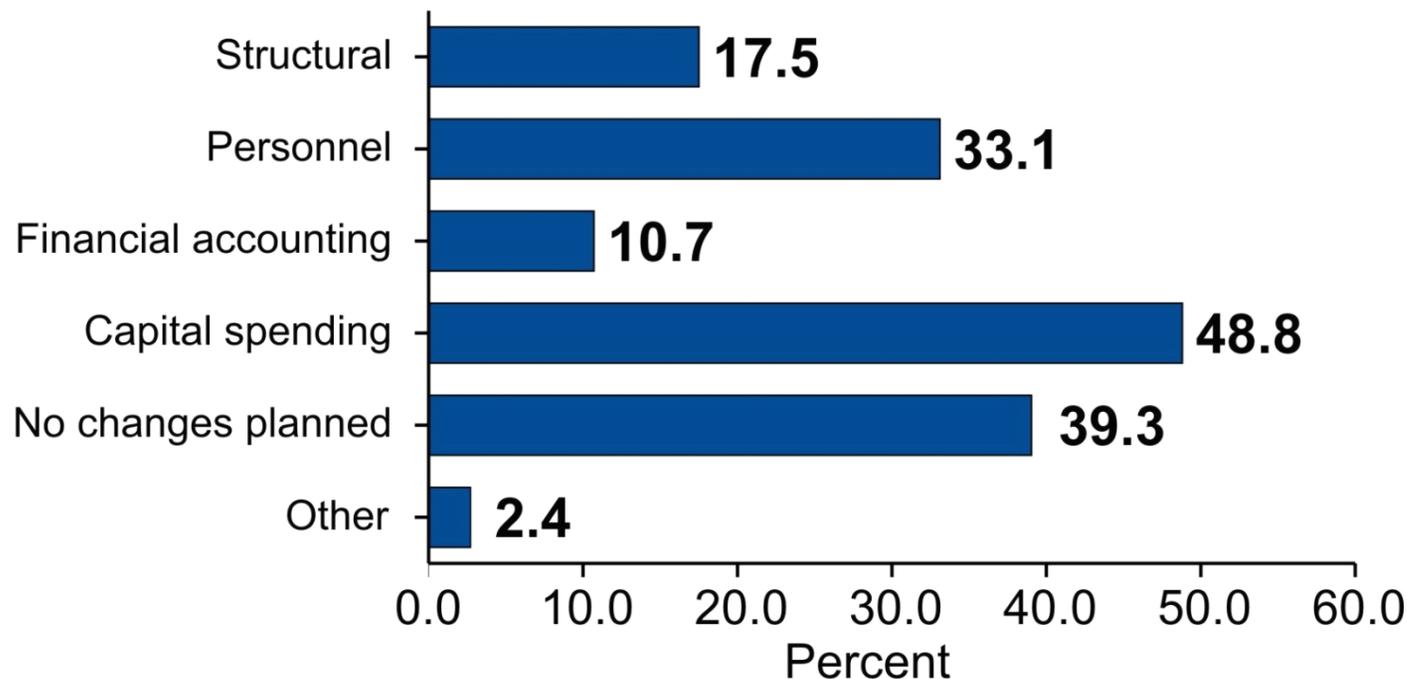
71 percent of Alabama businesses at least cautiously optimistic in Q2 2008

Characterize your approach to managing your business during these challenging times



Alabama businesses most likely to cut back on capital spending

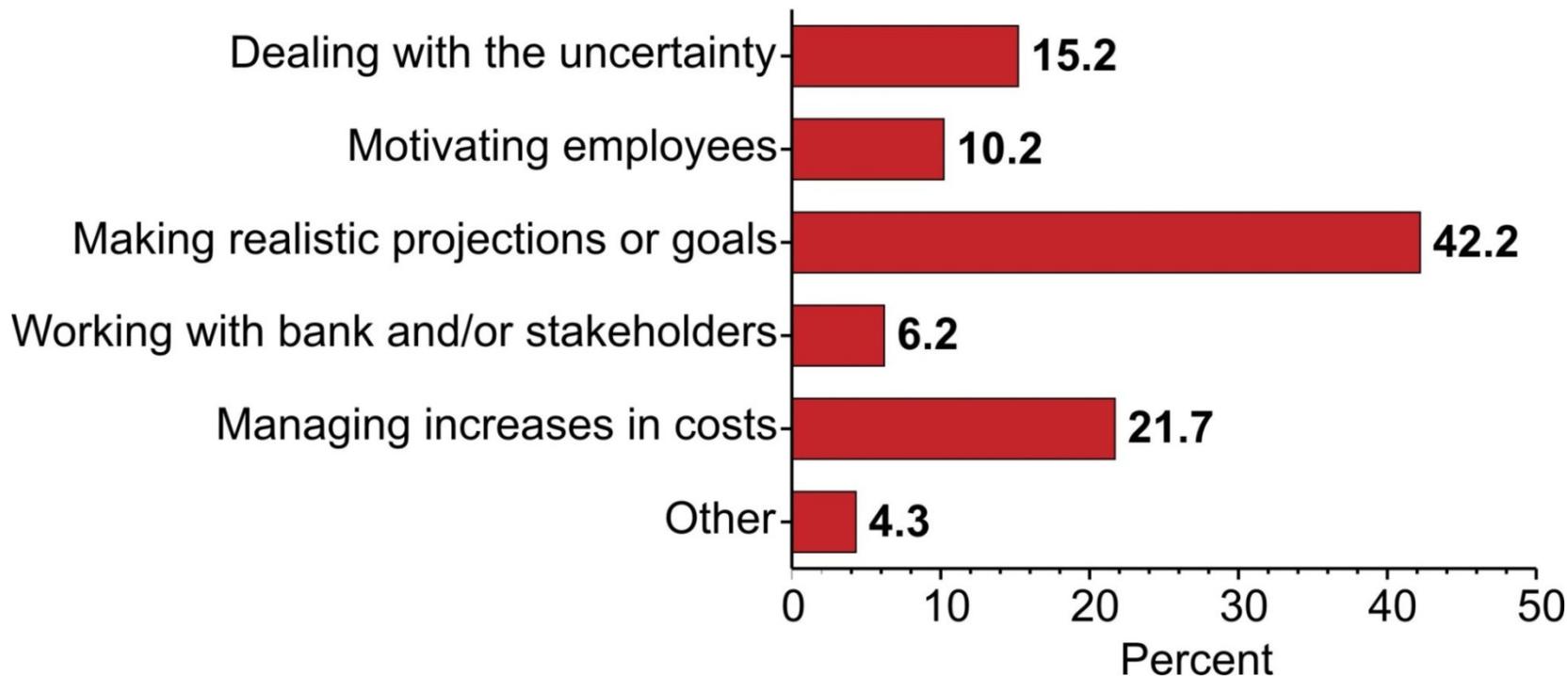
Amid this downturn, in what areas of your business will you scale back? *



* Panelists could choose more than one response.

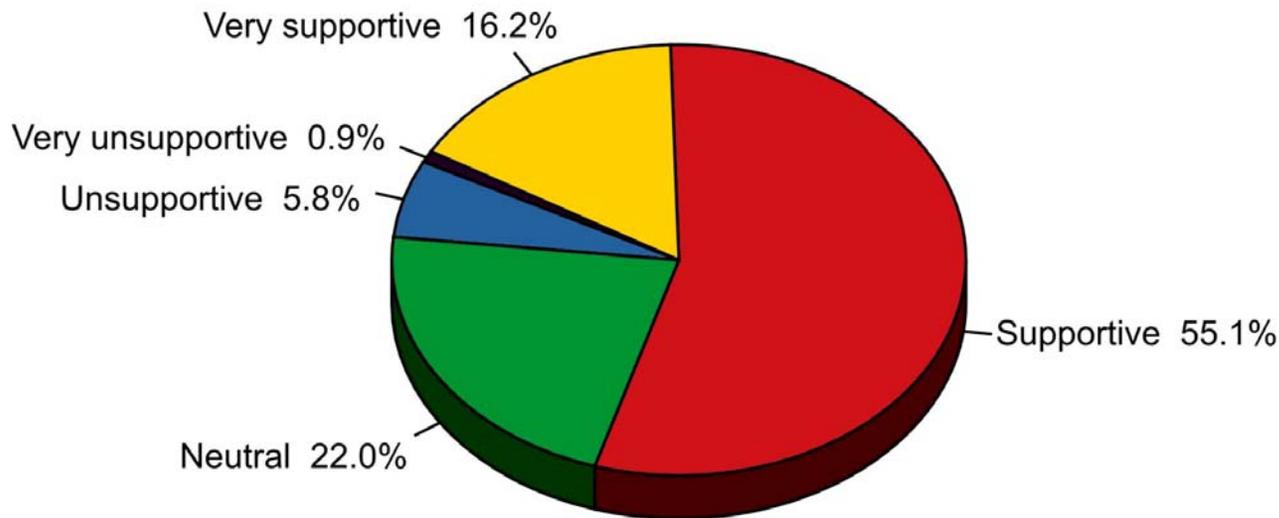
Economic uncertainty makes it difficult to plan

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



State business environment gets positive review

Do you consider your state's business environment to be:



- Alabama's success in attracting and growing businesses is reflected in the opinions of fourth quarter 2007 panelists.
- About 71 percent categorized Alabama's business environment as very supportive or supportive.
- Just 6.7 percent evaluated the state's business climate negatively.