

# Porter, White & Company

## Birmingham Area Economic Report

Q1 2017

### I. Overview

The Porter, White & Company *Birmingham Area Economic Report*, published quarterly, places the Birmingham area economy in a state, regional and national context, and focuses on the following statistical series: (A) number of people employed, (B) retail sales, (C) occupational tax collections, (D) airport enplanements and (E) commercial and industrial electricity sales.<sup>1</sup> Each series is sensitive to changes in economic conditions as evidenced by historical declines during and after national recessions; each has analogs at the city, county, MSA, state or national levels; and each is available reasonably soon after the end of the applicable month.

The charts below show a snapshot of local report findings. Local data is shown from March 31, 2016 to March 31, 2017. The relative performance compared to national trends is presented using data through December 31, 2016 (rather than March 31, 2017) due to a lag in the national data. Changes in retail sales and occupational tax collections are calculated in constant dollars (net of inflation). If calculated in nominal dollars, percentage changes would be different.

Figure 1: Local Area Trend  
(Q1 2016-to-Q1 2017 Change)<sup>2</sup>

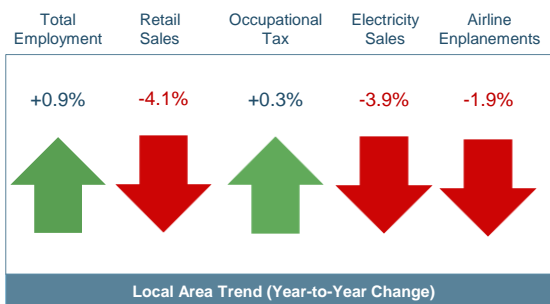
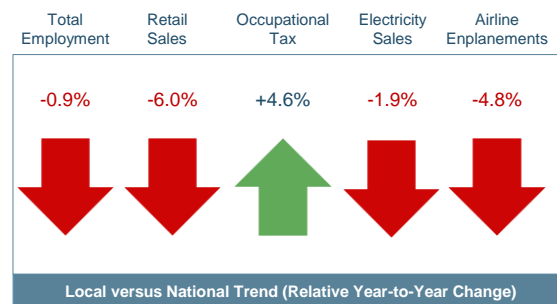


Figure 2: Local versus National Trend  
(Relative Q4 2015-to-Q4 2016 Change)



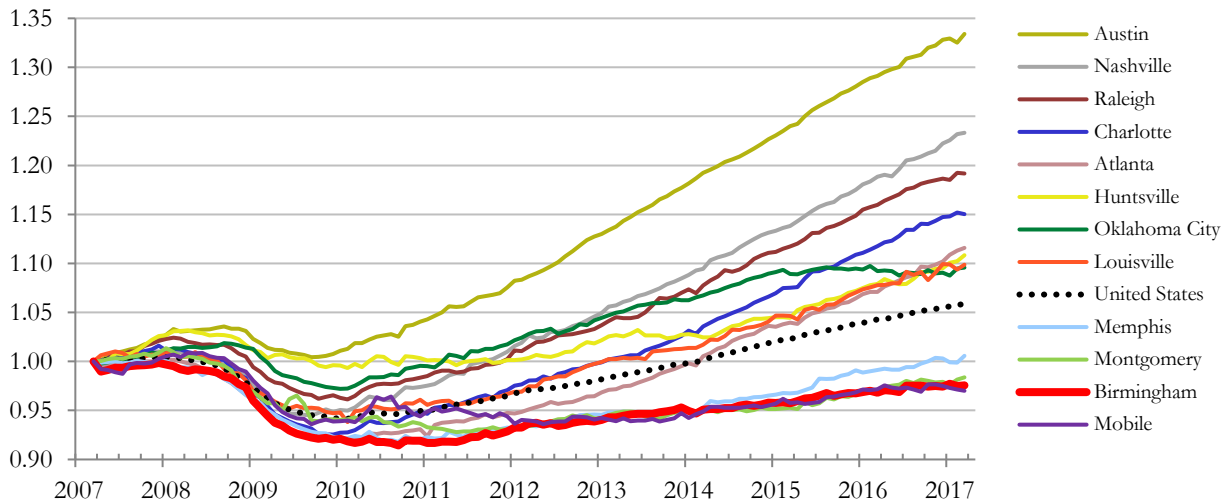
The Birmingham economy continues to improve, as evidenced by increased employment in the Birmingham-Hoover MSA; however, the Birmingham area and the State of Alabama have not quite recovered from the Great Recession as measured by number of persons employed pre- and post-recession. The data underlying the charts is discussed in greater detail in Section III of this report. To avoid getting lost in a sea of numbers, Sections I, II, and III of this report concentrate on the same set of statistics every quarter.

### II. Lagging Job Growth: State and Local Employment Activity Ending March 31, 2017

Growth in jobs is the most important economic indicator. Job growth leads to increased family income, in-migration of population, larger tax revenues without increasing tax rates, and economic well-being. Preferably new jobs are well paid, in stable industries, and generated by businesses with good and stable market position. Alabama and the Birmingham-Hoover MSA have

been recruiting jobs, but they have been losing them at about the same rate as they have been gaining them. The chart below is sorted based on total employment growth over the last 10 years from March 2007 to March 2017 (Austin – largest growth, Mobile – smallest growth).

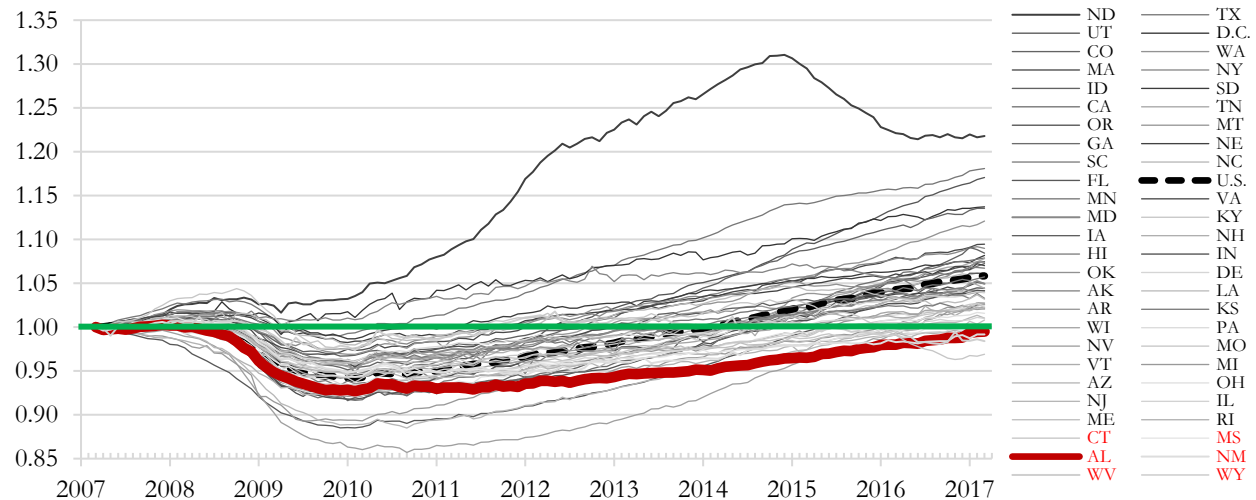
Figure 3: Total Employment – Birmingham-Hoover MSA Comparison<sup>3</sup>



The Birmingham-Hoover MSA has lagged comparable regional MSAs. Three MSAs (all of which are located in the state of Alabama) have not yet reached March 2007 employment levels.

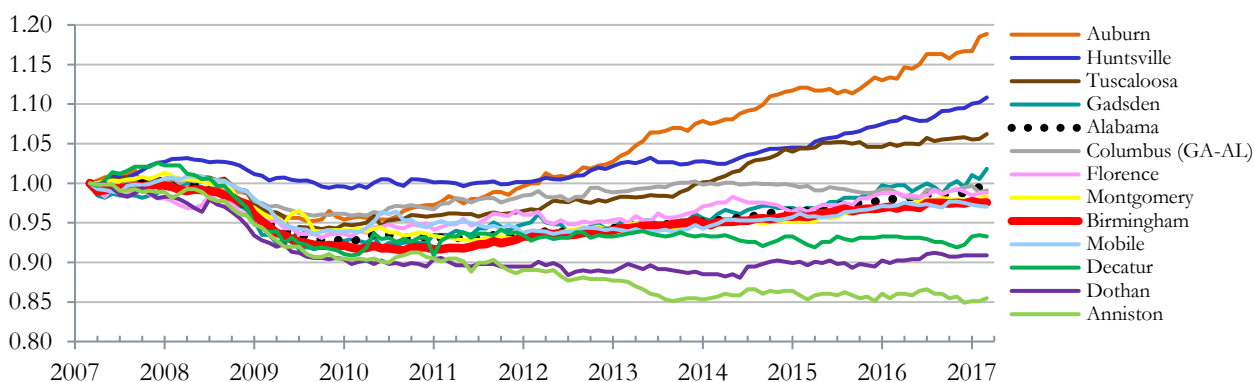
As shown in the figure below, the state of Alabama has lagged 46 states in total employment growth over the past 10 years from March 2007 to March 2017. The chart is sorted by total employment growth since October 2006, moving from left to right down the legend (largest – North Dakota, 2<sup>nd</sup> largest – Texas, smallest – Wyoming). The states that are listed in red remain below March 2007 employment levels. All six of these states are separated by less than 1%.

Figure 4: Total Employment – State of Alabama Comparison<sup>4</sup>



Within the state of Alabama, the Auburn-Opelika MSA has seen the largest total employment growth, while Anniston-Oxford MSA has seen the largest decline. The chart below is sorted by total employment growth over the last 10 years since March 2007. Only four MSAs in Alabama (Auburn, Huntsville, Tuscaloosa, and Gadsden) have reached March 2007 levels. In general, Birmingham-Hoover MSA employment growth has been about the same as Alabama's which has lagged the U.S.

Figure 5: Total Employment – Comparison of Alabama MSAs<sup>5</sup>



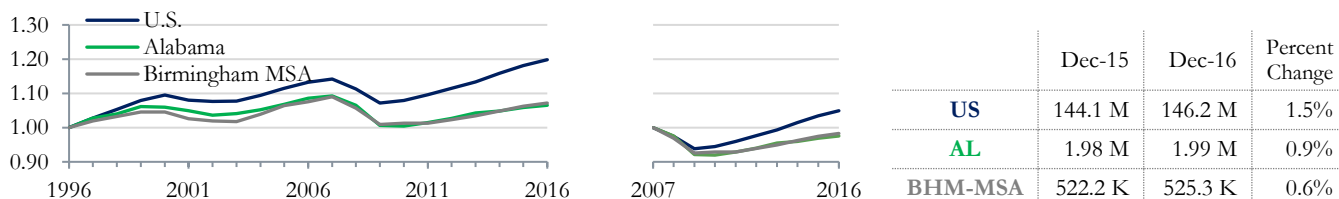
### III. Local Birmingham Area Economic Activity Ending December 31, 2016

In an effort to provide timely access to local and national economic data, we provide comparative national statistics to local economic indicators on a one quarter lag. This section places the Birmingham area economy in a state, regional and national context, and focuses on the following statistical series: (A) number of people employed, (B) retail sales, (C) occupational tax collections, (D) airport enplanements and (E) commercial and industrial electricity sales.

#### A. Employment

As of December 31, 2016, the number of people employed in the United States had recovered to the previous high level. In the Birmingham-Hoover MSA and the State of Alabama, however, the number of people employed has not reached full recovery, and the rate of growth is lagging behind the U.S. as a whole.

Figure 6: Total Employment – Birmingham-Hoover MSA, State of Alabama, and U.S.<sup>6</sup>

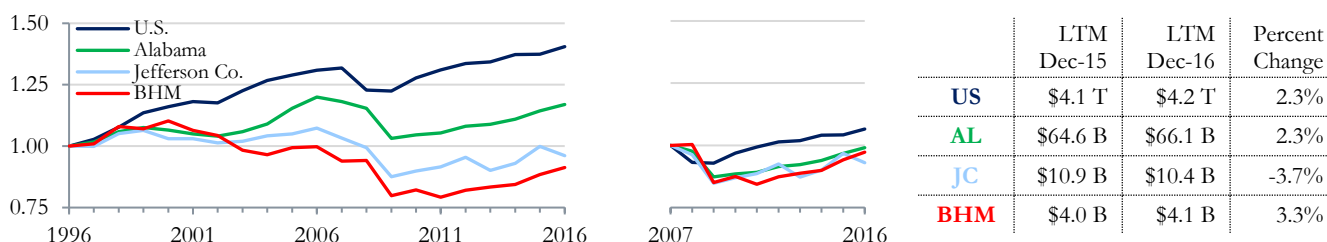


#### B. Retail Sales

Retail sales are important in Alabama as a sign of economic activity and an important source of governmental revenue from sales taxes. For the recent 12 months period, retail sales in the City

of Birmingham have outpaced the rate of growth of Jefferson County, the state of Alabama, and the U.S., using personal consumption of durable and non-durable goods (omitting personal services) as the analog for U.S. sales. Retail sales in Jefferson County declined 3.7 percent from December 2015 to December 2016, while the state of Alabama grew at approximately the same rate as U.S. consumption. Measured in constant dollars, retail sales in the City of Birmingham and Jefferson County remain below 1996 levels.

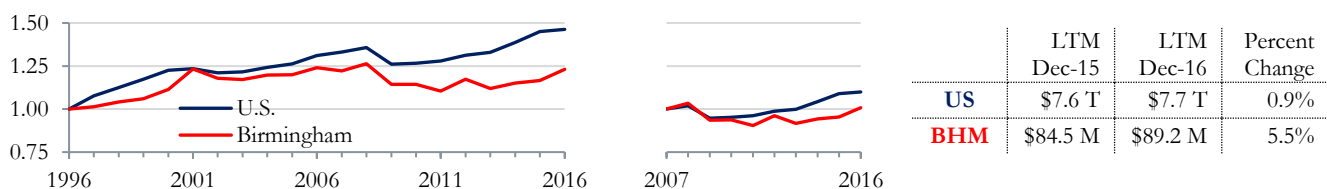
Figure 7: Retail Sales – Birmingham, Jefferson County, State of Alabama and U.S.<sup>7</sup>



### C. Birmingham Occupational Tax

The occupational tax in the City of Birmingham had been on a gradual downward trend in real terms since about 2007, but recent increases have pushed occupational tax collection above pre-recession levels. The Birmingham occupational tax lagged behind but generally followed the trend of U.S. wages from 1996 to 2007 and then declined along with U.S. wages through 2010. Over the last twelve months, Birmingham occupational tax collections increased 5.5%, which outpaced the United States. U.S. wages are used as a proxy for a U.S. occupational tax in the absence of comparable real data.

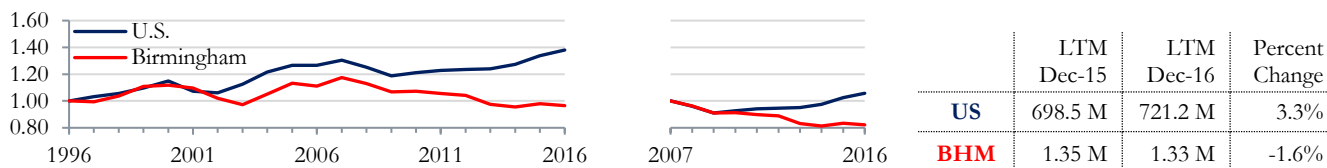
Figure 8: City of Birmingham Occupational Tax Collections<sup>8</sup>



### D. Airport Enplanements

Data on airport enplanements are relevant indicators of economic activity. However, a number of factors influence airport enplanements other than local economic activity. These factors include airline consolidations resulting in route changes that reduce service and competitive airline ticket prices from other surrounding airports. For a number of years, Birmingham enplanements followed national trends, diverging after 2010 as national enplanements continued modest increases while Birmingham enplanements experienced a marked decline. While Birmingham-Shuttlesworth International Airport’s enplanements have generally stabilized over the past few years, enplanements decreased 1.6% over the last twelve months, while the total domestic enplanements in the U.S. increased 3.3%.

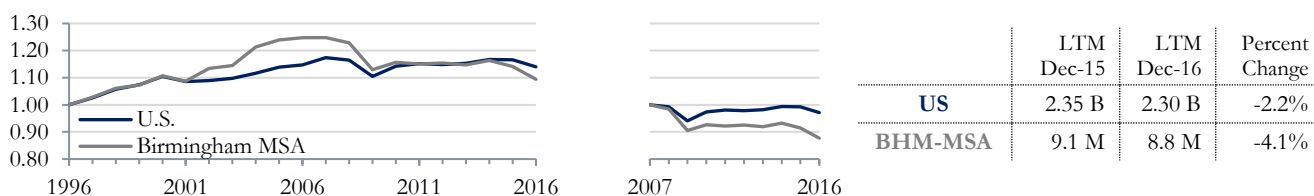
Figure 9: Passenger Enplanements – Birmingham-Shuttlesworth International Airport and U.S.<sup>9</sup>



### E. Commercial & Industrial Electricity Sales

Economic growth leads to, and is frequently enabled by, increased consumption of electricity. From 1996 up to the beginning of the recent recession, Alabama Power booked increases in commercial and industrial electricity sales from the company’s Birmingham division (roughly comparable to the area covered by the Birmingham-Hoover MSA) at a higher rate than the nation as a whole. Commencing with the recession, however, the company’s Birmingham division experienced a larger reduction in consumption than was recorded for the U.S. as a whole. Over the last twelve months, the Birmingham division’s electricity consumption has declined by 4.1%, while the U.S. consumption declined 2.2% over the same time period. Electricity data has not been adjusted for cooling days.

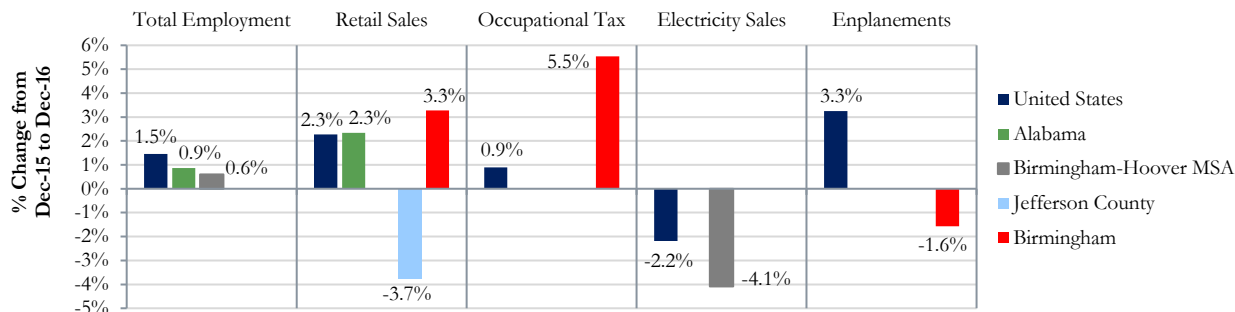
Figure 10: Commercial & Industrial Electricity Sales (MW-Hrs) – Birmingham Division and U.S.<sup>10</sup>



## IV. Summary

Changes in the selected statistics over the last two years (ending December 31<sup>th</sup>) are summarized in the graph below.

Figure 11: Summary of Economic Activity Statistics



Michael C. Stone, CFA, AM  
Mary Meadows Livingston, CFP®

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<sup>1</sup> In Section III of this report, statistics are collected for the City of Birmingham, Jefferson County, the Birmingham-Hoover MSA (includes Jefferson, Shelby, Bibb, Blount, Chilton, St. Clair and Walker counties), the State of Alabama and the United States. Each set of statistics is presented in three time series, the first two series being expressed in 20 year and ten year graphs, with numbers indexed to the beginning year of each graph and dollars converted to December 31, 2016 constant dollars. A ten year period is selected so as to include years before as well as after the most recent recession. The third series consists of the last two twelve month periods ending on December 31 of 2015 and 2016 with dollars converted to December 31, 2016 constant dollars. Thus, we present a 20 year perspective, a ten year perspective and a two year perspective.

<sup>2</sup> Local area is defined as the following for each category: Total Employment (Birmingham-Hoover MSA), Retail Sales (Jefferson County), Occupational Tax (City of Birmingham), Electricity Sales (Birmingham-Hoover MSA), and Airline Enplanements (Birmingham Airport).

<sup>3</sup> *Figure 3.* Federal Reserve Economic Data (FRED); U.S. Department of Labor, Bureau of Labor Statistics, “Current Employment Statistics – CES,” [www.bls.gov/data](http://www.bls.gov/data) (accessed July 5, 2017).

<sup>4</sup> *Figure 4.* Federal Reserve Economic Data (FRED); U.S. Department of Labor, Bureau of Labor Statistics, “Current Employment Statistics – CES,” [www.bls.gov/data](http://www.bls.gov/data) (accessed July 5, 2017).

<sup>5</sup> *Figure 5.* Federal Reserve Economic Data (FRED); U.S. Department of Labor, Bureau of Labor Statistics, “Current Employment Statistics – CES,” [www.bls.gov/data](http://www.bls.gov/data) (accessed July 5, 2017).

<sup>6</sup> *Figure 6.* Federal Reserve Economic Data (FRED); U.S. Department of Labor, Bureau of Labor Statistics, “Current Employment Statistics – CES,” [www.bls.gov/data](http://www.bls.gov/data) (accessed July 5, 2017).

<sup>7</sup> *Figure 7.* U.S. personal consumption (goods) is used as a proxy for U.S. sales. U.S. Department of Commerce, Bureau of Economic Analysis. “Table 2.3.5. Personal Consumption Expenditures by Major Type of Product.” <http://www.bea.gov> (accessed January 24, 2017); Alabama Department of Revenue “Monthly Revenue Abstracts,” <http://revenue.alabama.gov/datapress-abstract.cfm> (accessed July 5, 2017); Jefferson County Department of Revenue (personal communication, June 28, 2017); City of Birmingham Finance Department, “City of Birmingham Financial Report,” *Monthly Blue Books*, 1996-2016.

<sup>8</sup> *Figure 8.* U.S. Wages is used as a proxy for national occupational tax collection. U.S. Wages are estimated for the third quarter of 2015. Bureau of Labor Statistics, U.S. Department of Labor, “Quarterly Census of Employment and Wages,” [www.bls.gov/cew](http://www.bls.gov/cew) (accessed July 5, 2017). City of Birmingham Finance Department. “City of Birmingham Financial Report.” *Monthly Blue Books*. 1996-2017.

<sup>9</sup> *Figure 9.* Birmingham Airport Authority, “BHM Monthly Statistical Reports,” <http://www.flybirmingham.com/aboutbhm-reports.html> (accessed July 5, 2017); U.S. Department of Transportation, Bureau of Transportation Statistics, “U.S. Air Carrier Traffic Statistics,” BTS.gov. <http://www.rita.dot.gov/bts/acts> (accessed July 5, 2017).

<sup>10</sup> *Figure 10.* U.S. Energy Information Administration (EIA), “Independent Statistics and Analysis,” <http://www.eia.gov/electricity/data.cfm#sales> (accessed July 5, 2017); Alabama Power Company (personal communication, June 28, 2017). Data has not been adjusted for cooling days.