

# Porter, White & Company

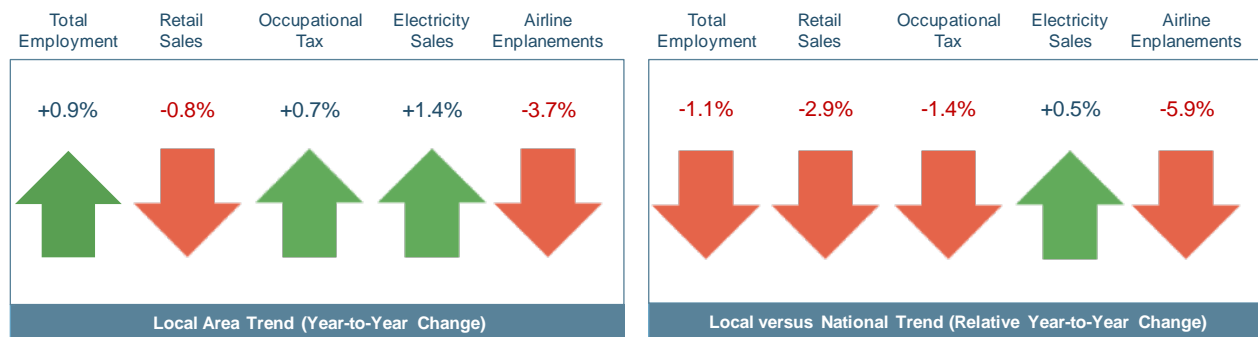
## Birmingham Area Economic Report

Economic Report, Q3 2014, Number 2

### I. Overview

This report explores a few key statistics that paint a picture of the Birmingham area economy and indicate that the growth of our economy has generally lagged in comparison to state and national growth rates. This is the second edition of the newly reinstated Porter, White & Company *Birmingham Area Economic Report*, which is published quarterly.

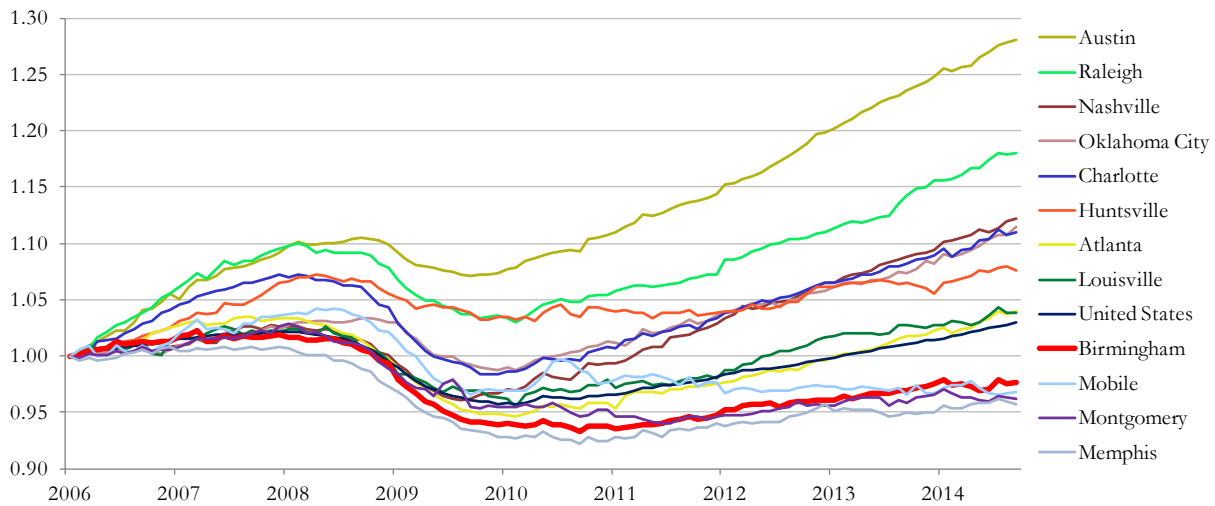
Our objective is to place the Birmingham area economy in a state, regional and national context and to enhance the reader's knowledge of where the Birmingham area stands in terms of economic growth. We focus on the following statistical series: (A) number of people employed, (B) retail sales, (C) occupational 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 chart below shows a snapshot of report findings from September 30, 2013 to September 30, 2014.



### A. Employment

Employment, and the change in number of people employed, is the most important indicator of the health of an economy. People move or return home to a place that offers them meaningful jobs. In our recent publication, we compared the Birmingham-Hoover MSA to the State of Alabama and the United States. In this report, we add to this analysis and compare the employment growth of the Birmingham-Hoover MSA with comparable regional MSAs. The chart below is sorted based on total employment growth from January 2006 to September 2014 (Austin – largest growth, Memphis – smallest growth).

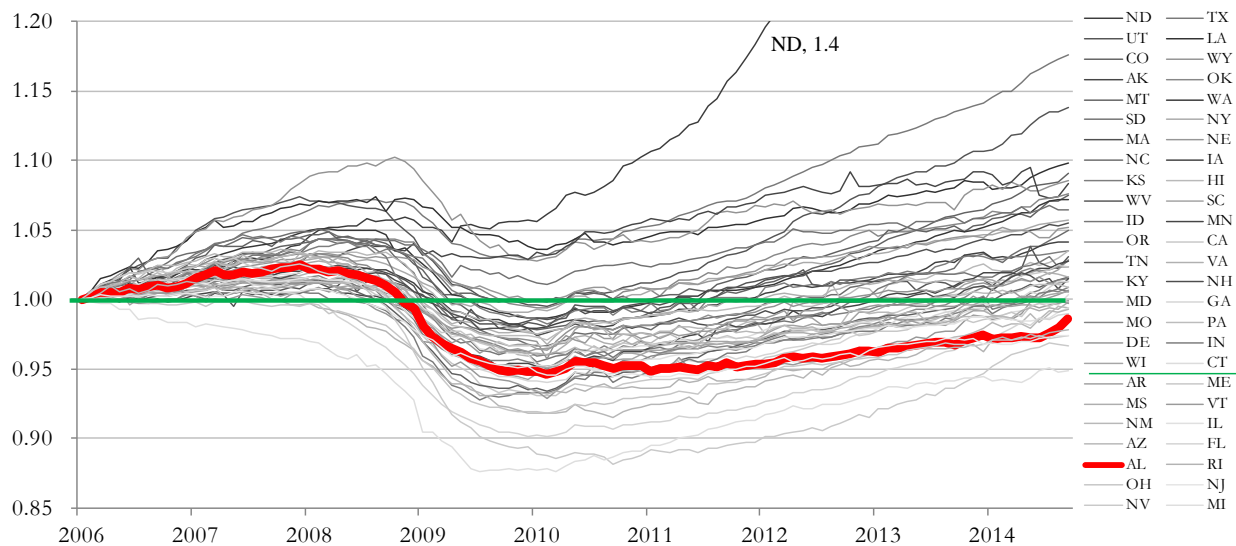
Figure A: Total Employment – Birmingham-Hoover MSA Comparison<sup>2</sup>



The Birmingham-Hoover MSA has lagged comparable regional MSAs. Three MSAs (Austin, Raleigh, and Nashville) never fell below 2006 employment levels during the recession. Four MSAs (three of which are located in the state of Alabama) have not reached January 2006 employment levels.

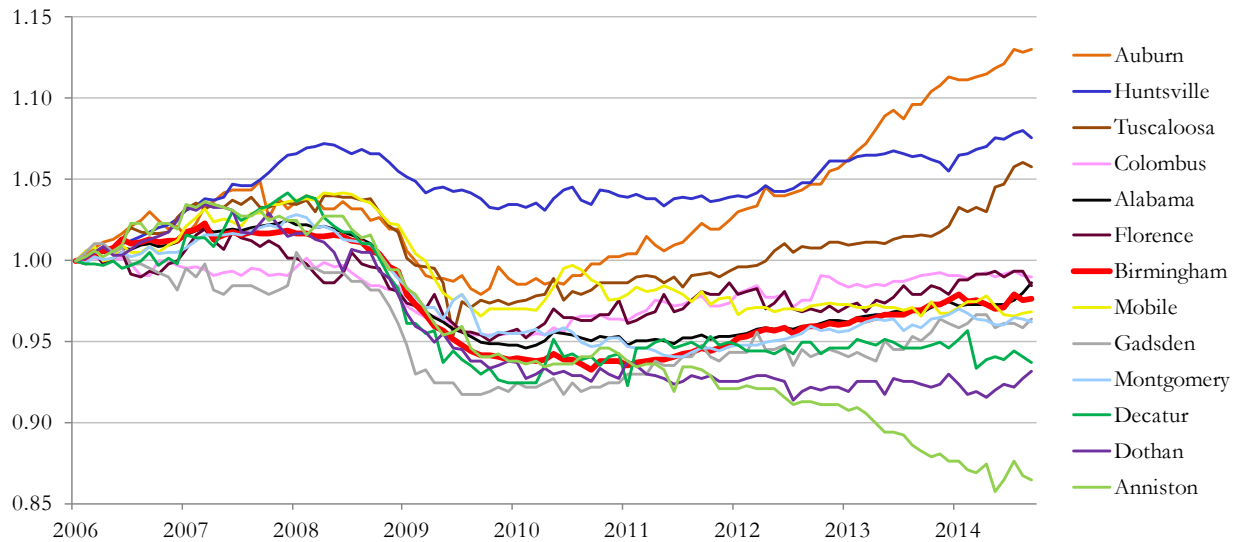
As shown in the figure below, the state of Alabama has lagged 44 states in total employment from January 2006 to September 2014. The chart is sorted by total employment growth since January 2006, moving from left to right down the legend (largest – North Dakota, 2<sup>nd</sup> largest – Texas, smallest – Michigan). The states that are listed below the green line have not reached January 2006 employment levels.

Figure B: Total Employment – State of Alabama Comparison<sup>3</sup>



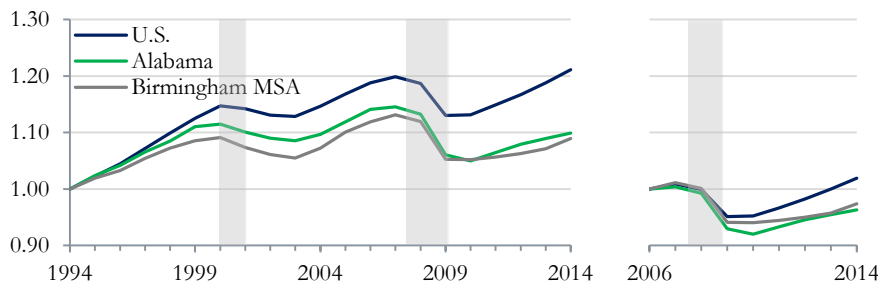
Within the state of Alabama, the Auburn-Opelika MSA has seen the largest total employment growth, while Anniston-Oxford MSA has seen the largest decline. The chart below is sorted by total employment growth since January 2006. Only three MSAs (Auburn, Huntsville and Tuscaloosa) have reached January 2006 levels.

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



In general, Birmingham-Hoover MSA employment growth has been about the same as Alabama's which has lagged the U.S.

Figure D: Total Employment – Birmingham-Hoover MSA, State of Alabama, and U.S.<sup>5</sup>



	Sep-13	Sep-14	Percent Change
<b>US</b>	136.8 M	139.5 M	2.0%
<b>AL</b>	1.91 M	1.94 M	1.7%
<b>BHM-MSA</b>	507.8 K	512.2 K	0.9%

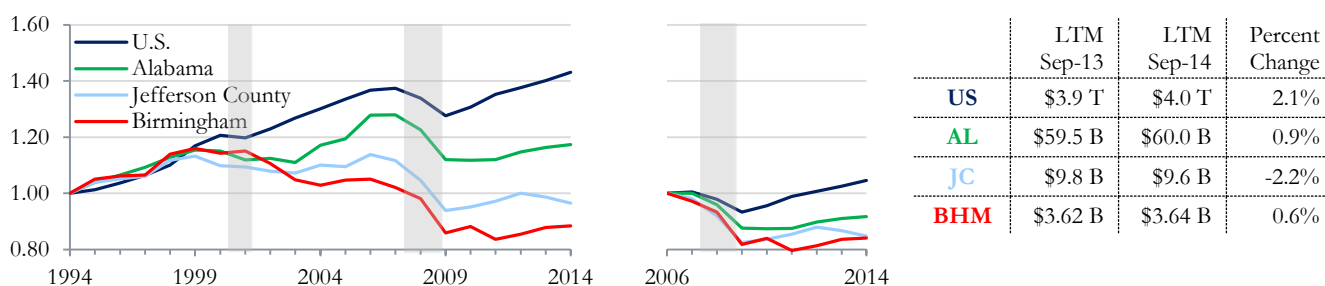
The last two recessions have hit the Birmingham-Hoover MSA and Alabama very hard. At the national level, the labor force has shrunk with many people giving up hope of gaining employment, and the recovery in number of people employed has been slower than in any period since the Depression. As of September 30, 2014, the number of people employed in the United States had recovered to the previous high level (although the percentage of population in the labor force was still at a post-Depression low). 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. At the current annual growth rate of 0.9%, it would take five

years for the Birmingham-Hoover MSA to reach 2006 levels and two years (using current growth rate of 1.7%) for the State of Alabama to reach 2006 employment levels.

## 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. Birmingham and Jefferson County have lagged behind Alabama in retail sales growth, and Alabama, in turn, has lagged behind 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 the City of Birmingham have been declining in real terms since 1999 and are currently below 1994 levels. Sales in Jefferson County were stagnant from 1999 to 2007 and have since declined back to 1994 levels.

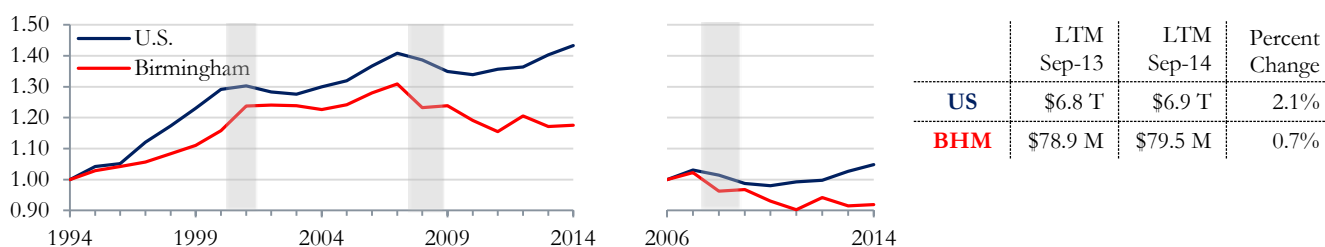
Figure E: Retail Sales – Birmingham, Jefferson County, State of Alabama and U.S.<sup>6</sup>



## C. Birmingham Occupational Tax

The occupational tax in the City of Birmingham has been on a gradual downward trend in real terms since about 2007. The Birmingham occupational tax lagged behind but generally followed the trend of U.S. wages from 1994 to 2007 and then declined along with U.S. wages through 2010. As U.S. wages increased following 2010, Birmingham occupational tax collections continued on a downward trend. Over the last twelve months, Birmingham occupational tax collections increased 0.7%, which still lagged 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 F: City of Birmingham Occupational Tax Collection<sup>7</sup>

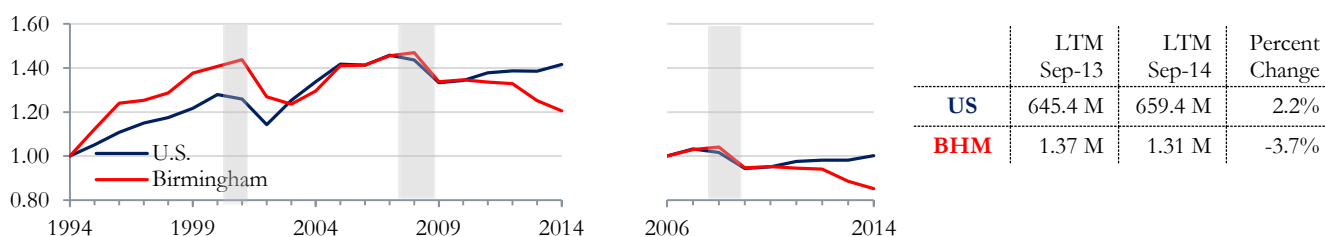


## D. Airport Enplanements

Data on airport enplanements are relevant indicators of economic activity, as witness the decline in enplanements at both the local and national level during the most recent recession. 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. Over the last twelve months, Birmingham-Shuttlesworth International Airport’s enplanements decreased 3.7%, while the total domestic enplanements in the U.S. increased 2.2%.

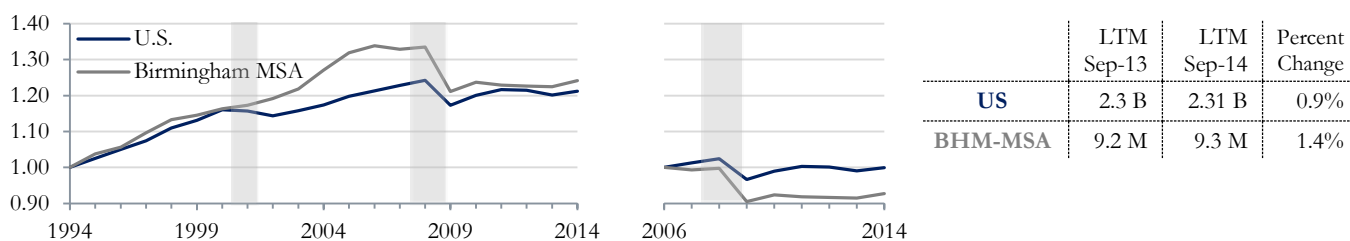
Figure G: Passenger Enplanements – Birmingham-Shuttlesworth International Airport and U.S.<sup>8</sup>



## E. Commercial & Industrial Electricity Sales

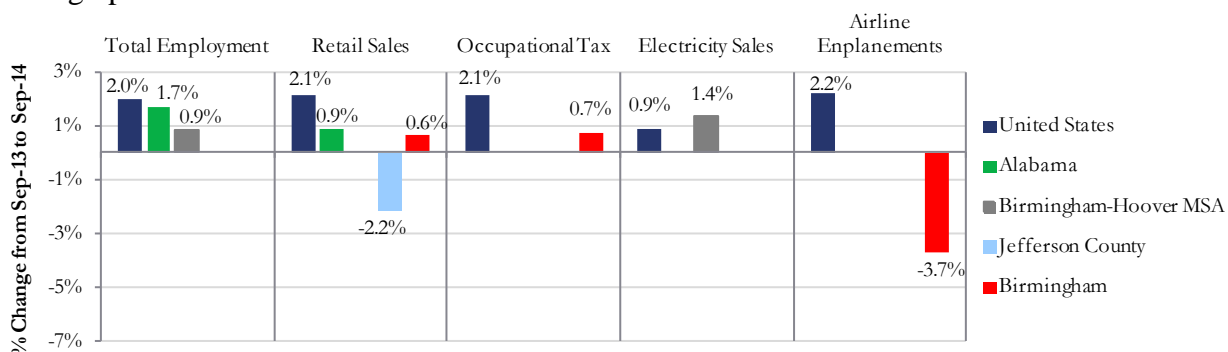
Economic growth leads to, and is frequently enabled by, increased consumption of electricity. From 1994 up to the beginning of the recent recession, Alabama Power booked increases in commercial and industrial electricity sales from the company’s Birmingham division (roughly comparable to the area covered 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 outpaced the U.S.

Figure H: Commercial & Industrial Electricity Sales (MW-Hrs) – Birmingham Division and U.S.<sup>9</sup>



## II. Summary

Changes in the selected statistics over the last two years (ending September 30) are summarized in the graph below.



We publish these statistics with the expectation that they will draw comment and constructive criticism, which are both welcome.

Mary Meadows Livingston, CFP®  
Michael C. Stone, CFA, AM  
James H. White, III

<sup>1</sup> In this report statistics are collected for the City of Birmingham, Jefferson County, the Birmingham-Hoover Metropolitan Statistical Area (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 eight year graphs, with numbers indexed to the beginning year of each graph and dollars converted to September 30, 2014 constant dollars. An eight 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 September 30 of 2013 and 2014 with dollars converted to September 30, 2014 constant dollars. Thus, we present a 20 year perspective, an eight year perspective and a two year perspective. Periods of recession are indicated by shadings.

<sup>2</sup> Figure A. 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 December 1, 2014).

<sup>3</sup> Figure B. 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 December 1, 2014).

<sup>4</sup> Figure C. 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 December 1, 2014).

<sup>5</sup> Figure D. 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 December 1, 2014).

<sup>6</sup> Figure E. 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/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=1&isuri=1> (accessed January 14, 2015); Alabama Department of Revenue "Monthly Revenue Abstracts," <http://revenue.alabama.gov/datapress-abstract.cfm> (accessed October 1, 2014); Jefferson County Department of Revenue (personal communication, December 19, 2014); City of Birmingham Finance Department, "City of Birmingham Financial Report," *Monthly Blue Books*, 1994-2014.

<sup>7</sup> Figure F. U.S. Wages is used as a proxy for national occupational tax collection. U.S. Wages are estimated for the second quarter of 2014. 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 January 14, 2015). City of Birmingham Finance Department. "City of Birmingham Financial Report." *Monthly Blue Book*. 1994-2014.

<sup>8</sup> Figure G. Birmingham Airport Authority, "BHM Monthly Statistical Reports," <http://www.flybirmingham.com/aboutbhm-reports.shtml> (accessed December 1, 2014); U.S. Department of Transportation, Bureau of Transportation Statistics, "U.S. Air Carrier Traffic Statistics," [BTS.gov. http://www.rita.dot.gov/bts/acts](http://www.rita.dot.gov/bts/acts) (accessed January 14, 2015).

<sup>9</sup> Figure H. U.S. Energy Information Administration (EIA), "Independent Statistics and Analysis," <http://www.eia.gov/electricity/data.cfm#sales> (accessed December 17, 2014); Alabama Power Company (personal communication, December 22, 2014).