

Porter, White & Company

Birmingham Area Economic Report

Q4 2015, Number 7

I. Overview

This is the seventh edition of the Porter, White & Company *Birmingham Area Economic Report*, which is published quarterly. The report 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.¹ 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 December 31, 2014 to December 31, 2015. The relative performance compared to national trends is presented using data through September 30, 2015 (rather than December 31, 2015) due to a lag in the data. Changes in retail sales and occupational tax collections are calculated in constant dollars (net of inflation). If calculated on nominal dollars, percentage changes would be different.

Figure 1: Local Area Trend
(Q4 2014-to-Q4 2015 Change)²

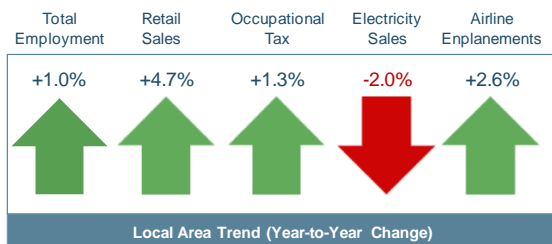
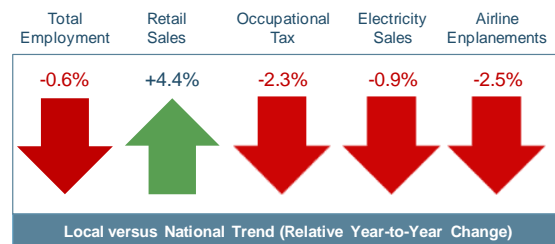


Figure 2: Local versus National Trend
(Relative Q3 2014-to-Q3 2015 Change)



The Birmingham economy continues to improve steadily, as evidenced by continued growth in four of the five categories above; 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. There are some positive signs that the Alabama economy has picked up in recent months. Through September 30, 2015, Alabama's gross domestic product (GDP) grew 2.2% compared to the same period in 2014, outpacing 30 states and only slightly lower than the overall U.S. GDP growth rate (2.5%). The data underlying the charts is discussed in greater detail in Section IV of this report. To avoid getting lost in a sea of numbers, Sections I, III and IV of this report concentrate on the same set of statistics every quarter. Section II highlights additional local statistics that will be reported less frequently.

II. Population and Income Growth

Jobs are the most important indicator of economic conditions. Jobs produce income, attract immigration and stimulate population growth. Increasing the number and quality of jobs available

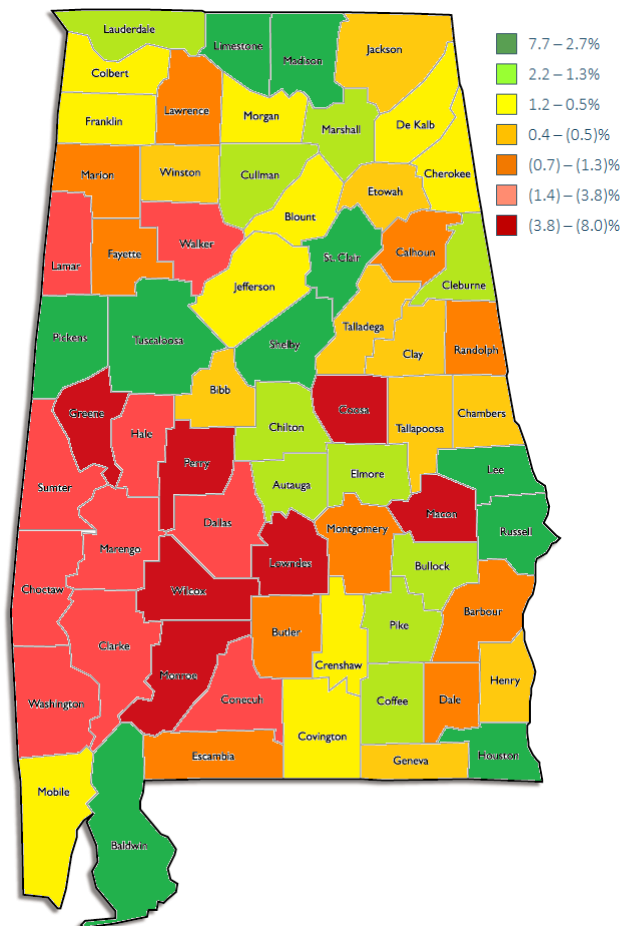
in a geographical area is absolutely essential to economic growth. This quarter, our report highlights two economic indicators driven by jobs: population and income.

The table below provides a snapshot of Alabama’s population (ranked by county size) and historical population growth rate by county over the last five years. Within the state of Alabama, Russell County has seen the largest population growth (15.6%), while neighboring Macon County has seen the largest decline. The smallest counties have experienced the largest declines on average, and Alabama’s largest two counties (Jefferson and Mobile) have been stagnant. The State grew by less than 2% over the last five years, less than half of the U.S.’s growth rate of 4.4%. More than half (39) of Alabama’s 67 counties declined during the last five years, and 35 of those declining counties are projected to continue to decline over the next five years. The color-coded map below displays the projected five year population growth by county as reported by Nielson.³ As shown below, the smallest counties (all in the southwestern part of the state) are projected to continue to decline over the next five years.

Table 1: Historical Population and Recent Growth⁴

County	Population	Growth (5 Yr)	County	Population	Growth (5 Yr)
Jefferson	662,528	0.62%	Pike	33,431	1.62%
Mobile	415,990	0.73%	Lawrence	33,240	-3.20%
Madison	355,615	6.21%	Franklin	31,583	-0.38%
Montgomery	224,238	-2.23%	Marion	30,111	-2.16%
Shelby	210,746	8.03%	Barbour	26,709	-2.72%
Baldwin	206,915	13.52%	Geneva	26,627	-0.61%
Tuscaloosa	204,793	5.21%	Cherokee	26,014	0.10%
Lee	158,884	13.29%	Clarke	24,663	-4.53%
Morgan	119,500	0.01%	Winston	24,076	-1.67%
Calhoun	114,967	-3.04%	Bibb	22,419	-2.16%
Houston	105,016	3.42%	Randolph	22,402	-2.23%
Etowah	103,043	-1.33%	Monroe	21,528	-6.68%
Marshall	94,961	2.09%	Pickens	21,111	6.91%
Limestone	93,492	12.94%	Butler	20,175	-3.69%
Lauderdale	93,387	0.73%	Marengo	19,848	-5.61%
St. Clair	87,730	4.95%	Macon	18,672	-12.96%
Cullman	81,839	1.78%	Henry	17,128	-1.01%
Elmore	81,428	2.68%	Fayette	16,783	-2.66%
Talladega	81,074	-1.48%	Washington	16,660	-5.24%
DeKalb	71,113	0.01%	Cleburne	15,159	1.25%
Walker	64,931	-3.12%	Hale	15,026	-4.66%
Russell	61,213	15.61%	Crenshaw	13,999	0.67%
Blount	57,755	0.76%	Lamar	13,944	-4.26%
Autauga	55,622	1.93%	Clay	13,537	-2.84%
Colbert	54,600	0.32%	Choctaw	13,170	-4.97%
Jackson	52,370	-1.61%	Sumter	12,960	-5.83%
Coffee	51,012	2.13%	Conecuh	12,416	-6.14%
Dale	49,053	-2.38%	Wilcox	10,881	-6.76%
Chilton	44,059	0.95%	Bullock	10,860	-0.49%
Tallapoosa	41,072	-1.31%	Coosa	10,631	-7.87%
Dallas	40,978	-6.49%	Lowndes	10,338	-8.51%
Covington	37,954	0.50%	Perry	9,554	-9.79%
Escambia	37,501	-2.13%	Greene	8,354	-7.64%
Chambers	34,041	-0.51%	Total	4,873,429	1.96%
			U.S.	332,431,073	4.43%

Figure 3: Projected 5 Year Population Growth by County⁵



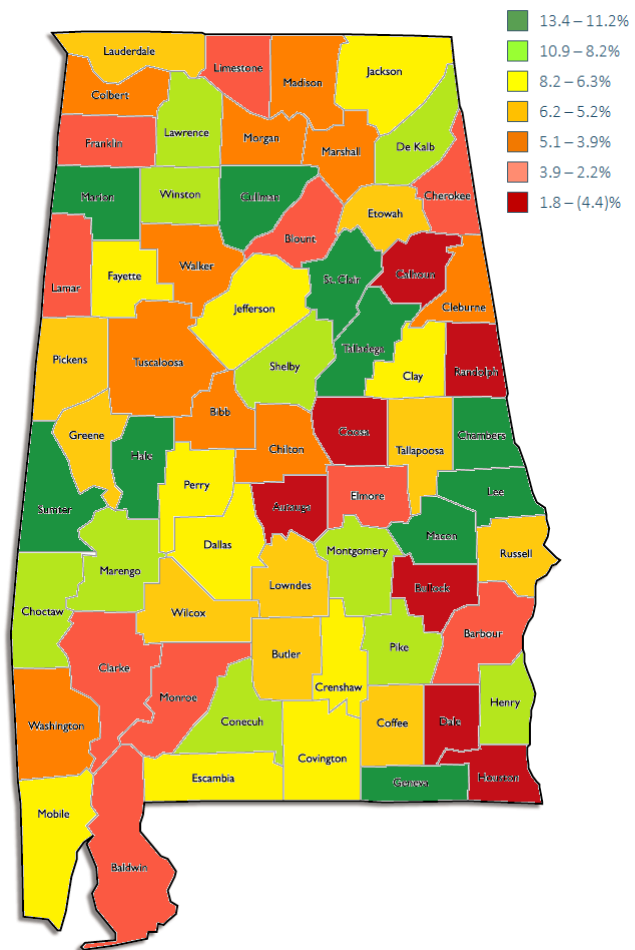
Household income (HHI) is a good barometer for job quality and consumer buying power. The table below provides a snapshot of the median HHI by county. Shelby County has the highest

median HHI (\$71,564) in Alabama, while Greene County has the lowest HHI (\$25,013). Only three counties (Shelby, Madison, and Saint Clair) have a higher median HHI than the national average. The color-coded map below shows the projected five year median HHI growth by county as reported by Nielson. Hale County is projected to experience the largest growth in HHI (13.4%), while three counties (Calhoun, Coosa, and Autauga) are projected to decline in HHI.

Table 2: Median HHI by County⁶

#	County	HHI (\$)	#	County	HHI (\$)
1	Shelby	\$ 71,584	35	Russell	\$ 37,833
2	Madison	59,688	36	Bibb	37,757
3	St. Clair	57,340	37	Covington	37,676
4	Elmore	53,037	38	Lamar	37,524
5	Autauga	51,647	39	Choctaw	37,032
6	Lee	48,927	40	Calhoun	36,469
7	Limestone	48,435	41	Franklin	36,399
8	Baldwin	47,999	42	Clay	36,015
9	Jefferson	47,686	43	Chambers	35,986
10	Montgomery	46,984	44	Pike	35,963
11	Tuscaloosa	46,515	45	Cherokee	35,827
12	Coffee	46,483	46	Walker	35,779
13	Henry	45,544	47	Coosa	35,587
14	Morgan	45,508	48	Fayette	35,444
15	Blount	45,486	49	Randolph	35,143
16	Lauderdale	44,943	50	Marion	34,494
17	Mobile	44,660	51	Winston	34,429
18	Cullman	43,842	52	Bullock	34,252
19	Washington	43,577	53	Macon	33,867
20	Dale	43,447	54	Hale	33,598
21	Chilton	43,297	55	Barbour	33,313
22	DeKalb	42,188	56	Escambia	32,691
23	Lawrence	42,120	57	Butler	31,553
24	Tallapoosa	41,359	58	Pickens	30,934
25	Colbert	41,133	59	Clarke	30,144
26	Jackson	40,842	60	Monroe	30,010
27	Houston	40,610	61	Perry	29,297
28	Cleburne	39,708	62	Dallas	28,784
29	Etowah	39,642	63	Lowndes	27,934
30	Marshall	39,424	64	Conecuh	26,697
31	Talladega	38,940	65	Wilcox	25,059
32	Geneva	38,800	66	Sumter	25,050
33	Crenshaw	38,643	67	Greene	25,013
34	Marengo	38,251		State Avg.	\$ 45,107
				U.S. Avg.	\$ 55,551

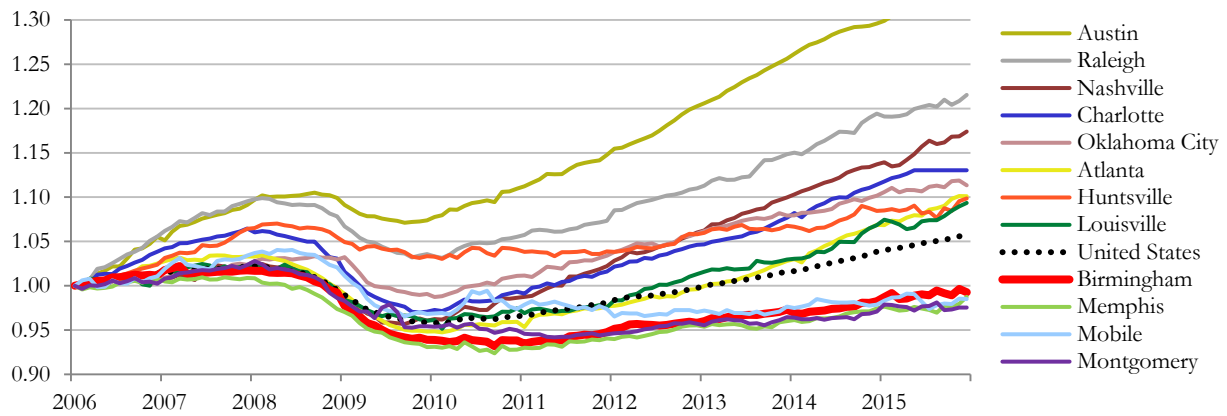
Figure 4: Projected 5 Year HHI Growth by County⁷



III. State and Local Employment Activity Ending December 31, 2015

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. The chart below is sorted based on total employment growth from January 2006 to December 2015 (Austin – largest growth, Montgomery – smallest growth).

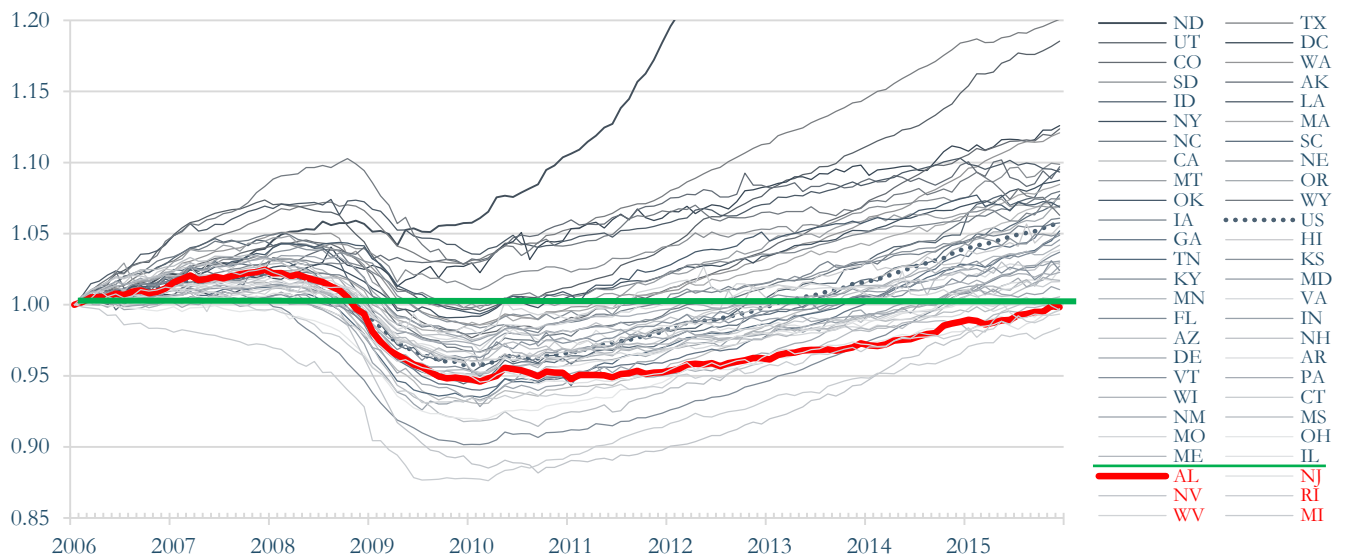
Figure 5: Total Employment – Birmingham-Hoover MSA Comparison⁸



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 yet 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 December 2015. The chart is sorted by total employment growth since January 2006, moving from left to right down the legend (largest – North Dakota, 2nd largest – Texas, smallest – Michigan). The states that are listed in red have not reached January 2006 employment levels.

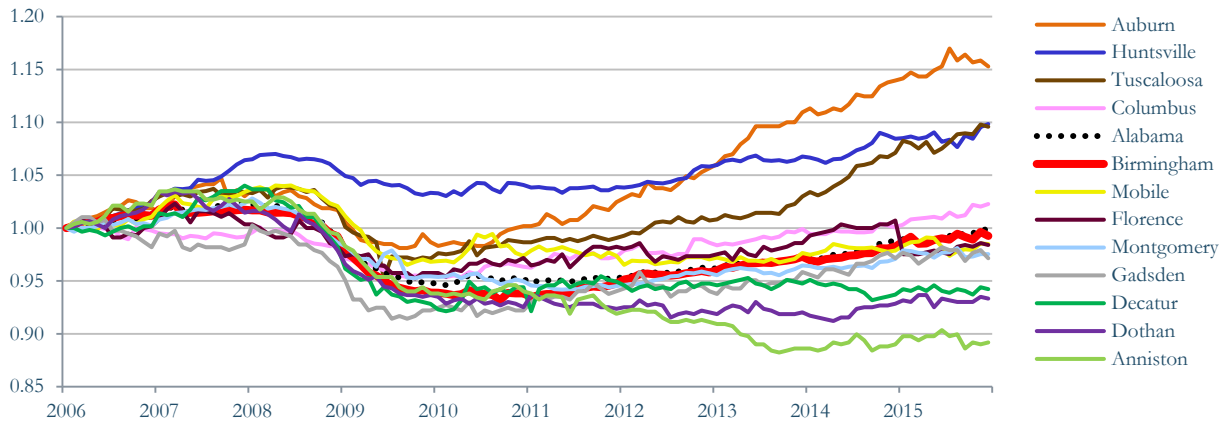
Figure 6: Total Employment – State of Alabama Comparison⁹



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 four MSAs in Alabama (Auburn, Huntsville, Tuscaloosa, and Columbus) have reached January 2006 levels. In general, Birmingham-Hoover MSA employment growth has been about the same as Alabama's which has lagged the U.S.

Figure 7: Total Employment – Comparison of Alabama MSAs¹⁰



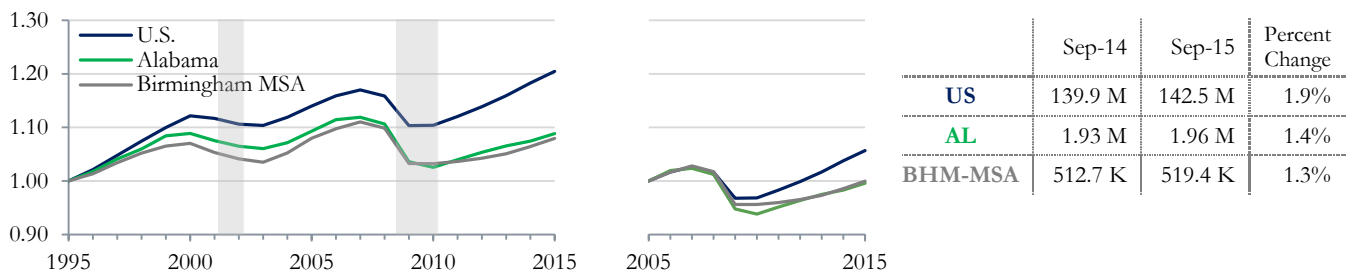
IV. Local Birmingham Area Economic Activity Ending September 30, 2015

In an effort to provide timely access to local and national economic data, we have updated our report to 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 September 30, 2015, 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-recession 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.

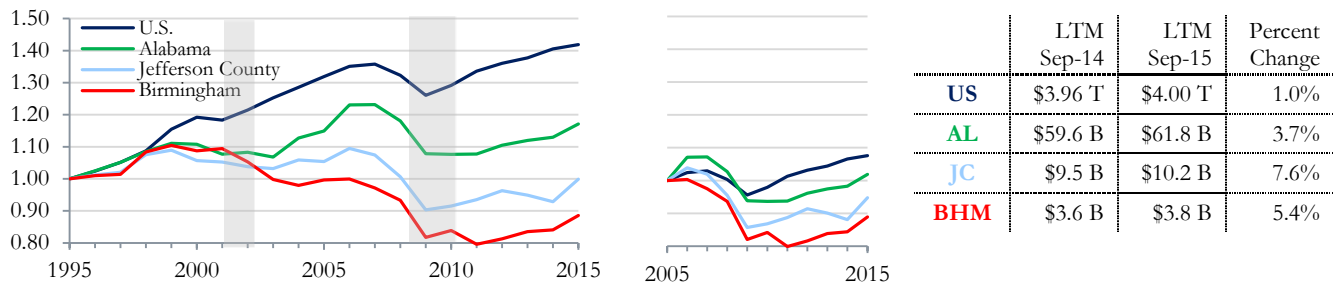
Figure 8: Total Employment – Birmingham-Hoover MSA, State of Alabama, and U.S.¹¹



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, Alabama, as well as Jefferson County and Birmingham MSA, have outpaced the rate of growth of 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 remain below 1994 levels, while Jefferson County retail sales are just below 1994 levels. According to the data, Jefferson County shows a very high growth rate over the past twelve months, but it should be noted that some of the growth can be attributed to uneven collections that may not be representative of the actual time period. Unofficial estimates are closer to the growth rate of the state.

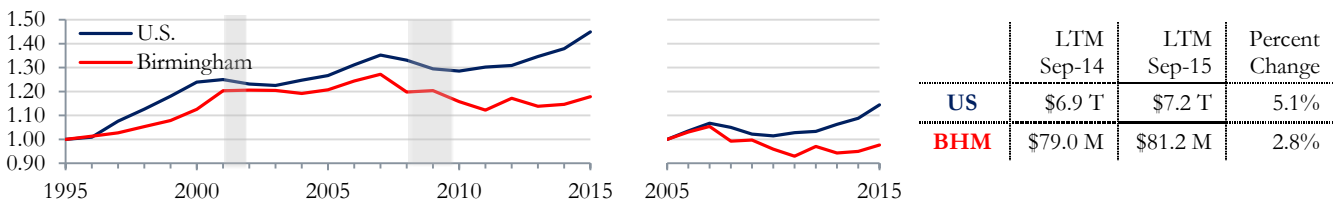
Figure 9: Retail Sales – Birmingham, Jefferson County, State of Alabama and U.S.¹²



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, but it shows signs of increasing in the recent period, nearing the pre-recession levels. 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. Over the last twelve months, Birmingham occupational tax collections increased 2.8%, 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 10: City of Birmingham Occupational Tax Collection¹³

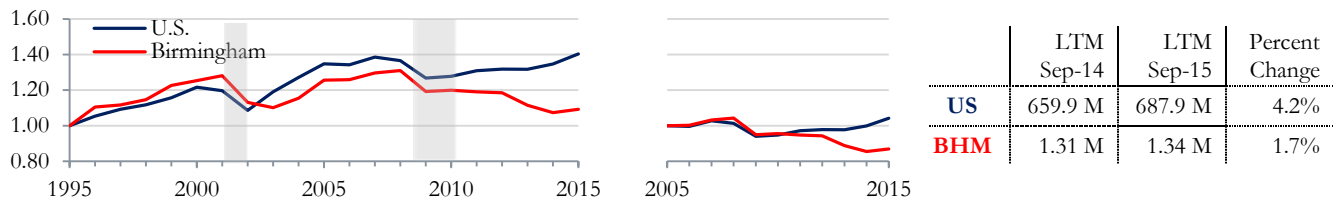


D. Airport Enplanements

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. Over the last twelve months, Birmingham-Shuttlesworth International Airport’s enplanements have appeared to stabilize with modest increase of 1.7%, while the total domestic enplanements in the U.S. increased 4.2%.

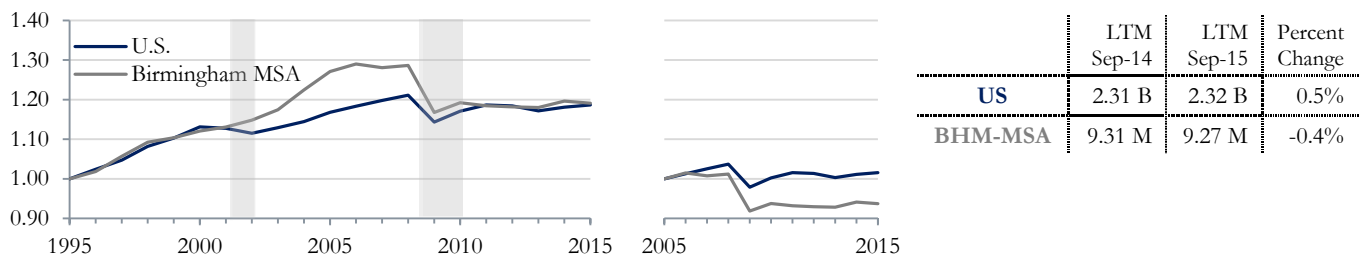
Figure 11: Passenger Enplanements – Birmingham-Shuttlesworth International Airport and U.S.¹⁴



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 declined by 0.4%, while the U.S. consumption grew slightly over the same time period. Electricity data has not been adjusted for cooling days.

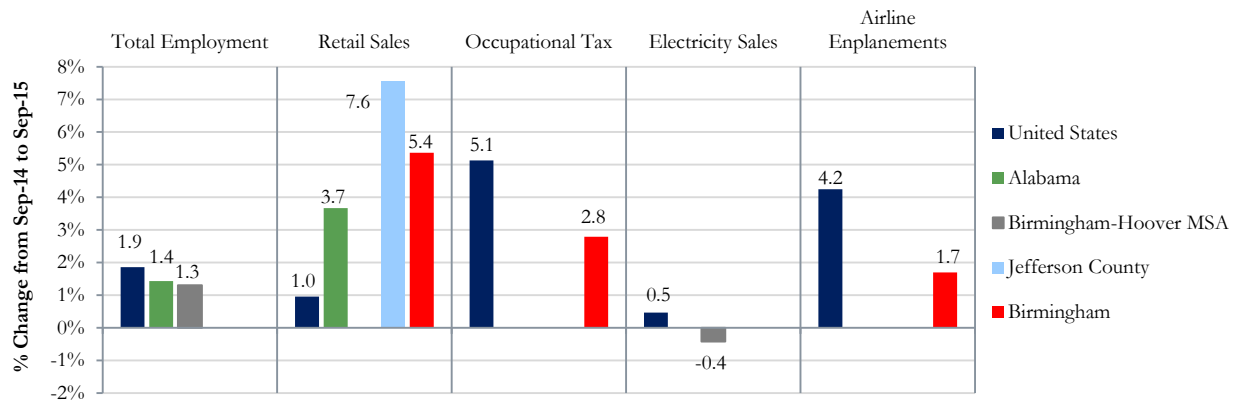
Figure 12: Commercial & Industrial Electricity Sales (MW-Hrs) – Birmingham Division and U.S.¹⁵



V. Summary

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

Figure 13: Comparative Economic Summary by Area



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

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

¹ In Section IV 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 nine year graphs, with numbers indexed to the beginning year of each graph and dollars converted to September 30, 2015 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 September 30 of 2014 and 2015 with dollars converted to September 30, 2015 constant dollars. Thus, we present a 20 year perspective, a ten year perspective and a two year perspective. Periods of recession are indicated by shadings.

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

³ Demographic data is provided by Nielsen based primarily on US Census data. For non-census year data, Nielsen uses samples and projections to estimate the demographic data. SNL performs calculations on the underlying data provided by Nielsen for some of the data.

⁴ *Table 1.* Nielson; SNL Financial, www.snl.com (accessed February 2, 2016)

⁵ *Figure 3.* Nielson; SNL Financial, www.snl.com (accessed February 2, 2016)

⁶ *Table 1.* Nielson; SNL Financial, www.snl.com (accessed February 2, 2016)

⁷ *Figure 4.* Nielson; SNL Financial, www.snl.com (accessed February 2, 2016)

⁸ *Figure 5.* Federal Reserve Economic Data (FRED); U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics – CES," www.bls.gov/data (accessed February 16, 2016).

⁹ *Figure 6.* Federal Reserve Economic Data (FRED); U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics – CES," www.bls.gov/data (accessed February 16, 2016).

¹⁰ *Figure 7.* Federal Reserve Economic Data (FRED); U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics – CES," www.bls.gov/data (accessed February 16, 2016).

¹¹ *Figure 8.* Federal Reserve Economic Data (FRED); U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics – CES," www.bls.gov/data (accessed February 16, 2016).

¹² *Figure 9.* 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 February 16, 2016); Alabama Department of Revenue "Monthly Revenue Abstracts," <http://revenue.alabama.gov/datapress-abstract.cfm> (accessed February 16, 2016); Jefferson County Department of Revenue (personal communication, January 21, 2016); City of Birmingham Finance Department, "City of Birmingham Financial Report," *Monthly Blue Books*, 1994-2016.

¹³ *Figure 10.* 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 (accessed February 16, 2016); City of Birmingham Finance Department. "City of Birmingham Financial Report." *Monthly Blue Book*. 1994-2016.

¹⁴ *Figure 11.* Birmingham Airport Authority, "BHM Monthly Statistical Reports," <http://www.flybirmingham.com/aboutbhm-reports.shtml> (accessed February 26, 2016); 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 February 26, 2016).

¹⁵ *Figure 12.* U.S. Energy Information Administration (EIA), "Independent Statistics and Analysis," <http://www.eia.gov/electricity/data.cfm#sales> (accessed February 26, 2016); Alabama Power Company (personal communication, January 21, 2016). Data has not been adjusted for cooling days.