

# Porter, White & Company

## Birmingham Area Economic Report

Economic Report, October 2014, Number 1

### I. Overview

This report selects a few key statistics to paint a picture of the Birmingham area economy and indicates that the growth of our economy has generally lagged state and national growth rates.

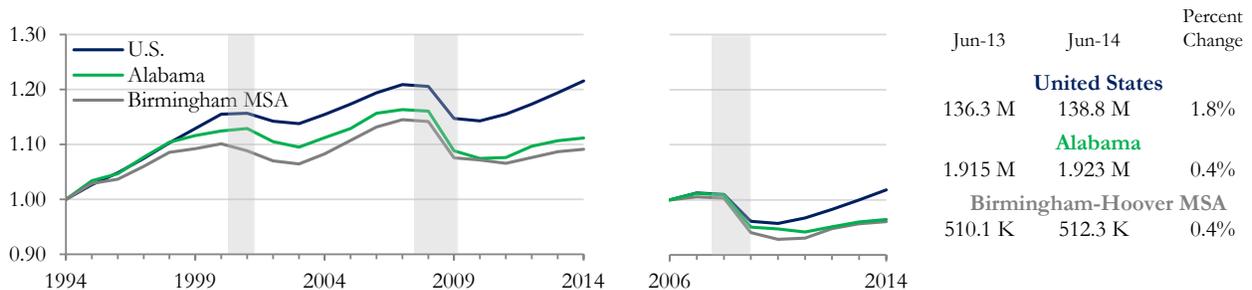
We expect to issue similar reports quarterly, thus reinstating the Porter, White & Company *Birmingham Area Economic Report*, which was initially published in the early 1980's. Interim releases will comment on local economic news and analyze in greater depth the statistics presented in this report. Other statistics will be collected on our web site.

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 of these 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 monthly reasonably soon after the end of the applicable month.

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

Figure A: Total Employment – Birmingham-Hoover MSA, State of Alabama, and U.S.<sup>2</sup>



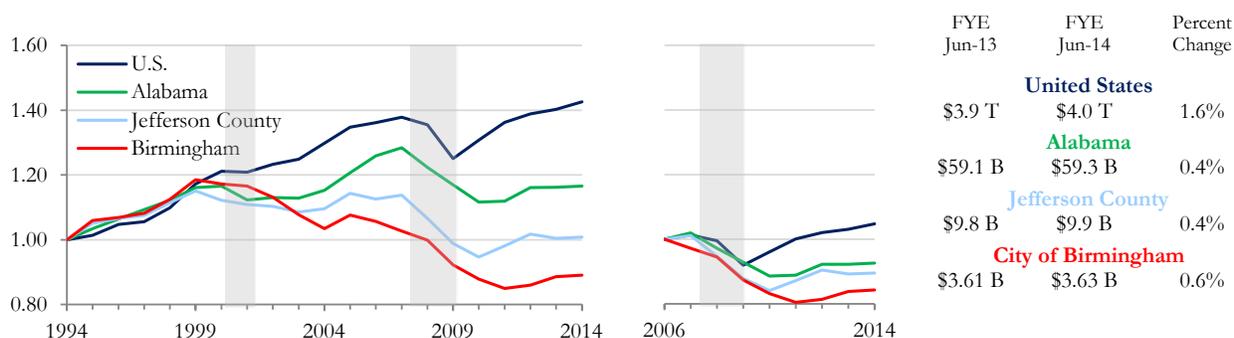
The last two recessions have hit the Birmingham MSA and Alabama very hard. At the national level the labor force has shrunk with many people giving up hope of gaining employment, and the recovery in number of people employed has been slower than in any period since the Depression. As of June 30, 2014 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 was still a long way from a full recovery, and the rate of growth is lagging behind the U.S. as a whole.

## B. Retail Sales

Retail sales are important in Alabama not only as a sign of economic activity but also as an important source of governmental revenue from sales taxes. Birmingham and Jefferson County have lagged behind Alabama in retail sales, 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 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 declined since then back to 1994 levels.

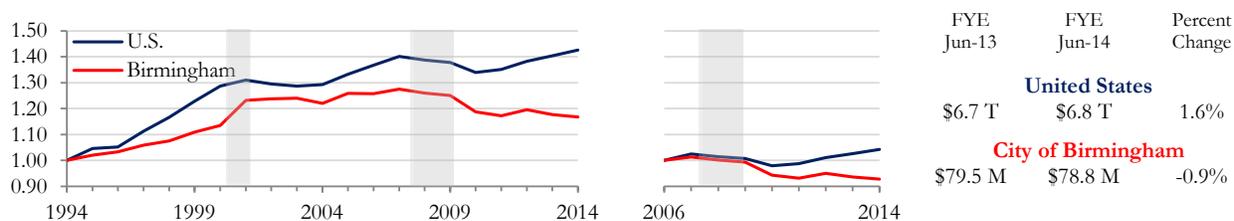
Figure B: Retail Sales – Birmingham, Jefferson County, State of Alabama and U.S.<sup>3</sup>



## 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 turned up subsequent to 2010, Birmingham occupational tax collections continued on a downward trend. The decline from the City's fiscal year 2013 to fiscal year 2014 was almost 1%. U.S. wages are used as a proxy for a U.S. occupational tax in the absence of comparable real data.

Figure C: City of Birmingham Occupational Tax Collection<sup>4</sup>



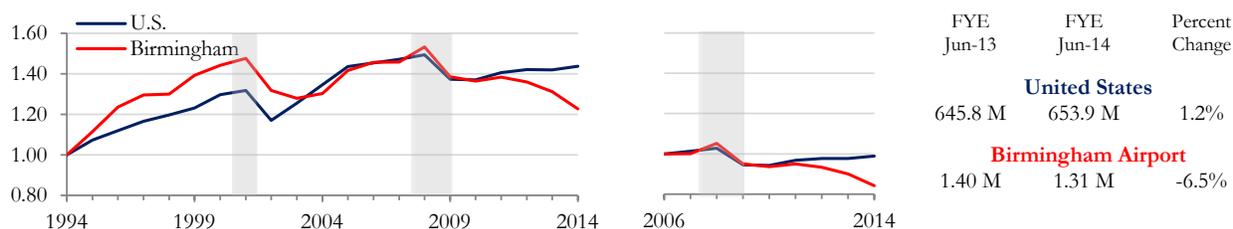
The combination of a decline in retail sales and a decline in occupational tax collections suggests the need for further study and analysis.

## 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 include airline consolidations resulting in route changes that reduce service. This happened to Birmingham when Southwest acquired AirTran and its significant presence in Atlanta. While reduction in service can be the *result* of a reduction in economic activity, it is also possible for a reduction in service to be the *cause* of a reduction in economic activity by making Birmingham a more difficult place to reach.

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.

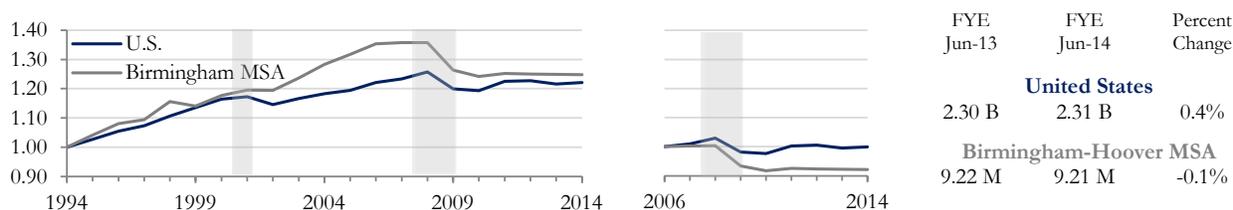
Figure D: Passenger Enplanements – Birmingham Airport and U.S.<sup>5</sup>



## E. Commercial & Industrial Electricity Sales

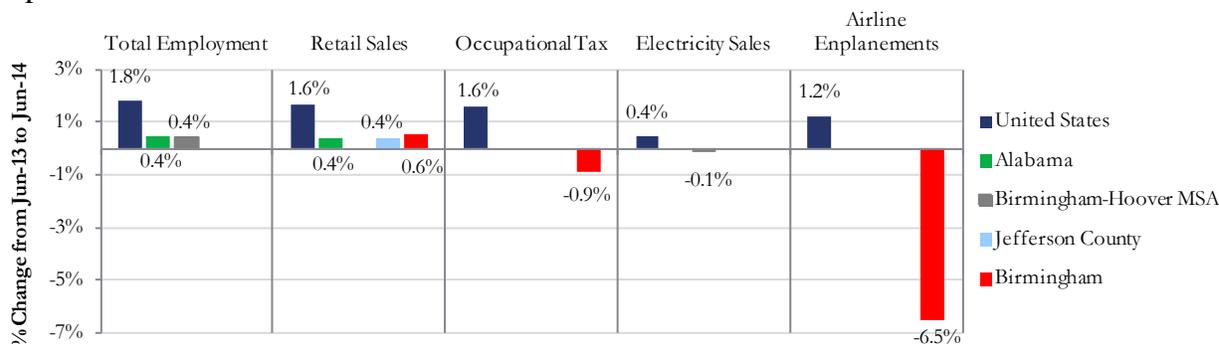
Economic growth leads to, and is frequently enabled by, increased consumption of electricity. From 1994 up to the beginning of the recent recession, Alabama Power booked increases in commercial and industrial electricity sales in the Birmingham area at a higher rate than the nation as a whole. Commencing with the recession, however, the company's Birmingham division (roughly comparable to the area covered by the Birmingham-Hoover MSA) experienced a larger reduction in consumption than was recorded for the U.S. as a whole. After the end of the recession, growth in commercial and industrial electricity sales in the Birmingham Division continued to lag behind.

Figure E: Commercial & Industrial Electricity Sales (MW-Hrs) – Birmingham Division and U.S.<sup>6</sup>



## II. Summary

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



It is evident that the Birmingham area and Alabama as a whole are lagging behind the U.S. The numbers shown here do not reveal why this is the case, or what can be done about it. Those are questions worthy of further study and analysis.

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

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Michael C. Stone  
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 June 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 June 30 of 2013 and 2014 with dollars converted to June 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. U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics – CES," [www.bls.gov/data](http://www.bls.gov/data) (accessed October 15, 2014).

<sup>3</sup>Figure B. 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 October 17, 2014); 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, September 22, 2014); City of Birmingham Finance Department, "City of Birmingham Financial Report," *Monthly Blue Books*, 1994-2014. Jefferson County data estimated for the quarter ending June 30, 2014.

<sup>4</sup>Figure C. 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 October 1, 2014). City of Birmingham Finance Department. "City of Birmingham Financial Report." *Monthly Blue Book*. 1994-2014.

<sup>5</sup>Figure D. Birmingham Airport Authority, "BHM Monthly Statistical Reports," <http://www.flybirmingham.com/aboutbhm-reports.shtml> (accessed October 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 October 17, 2014).

<sup>6</sup>Figure E. U.S. Energy Information Administration (EIA), "Independent Statistics and Analysis," <http://www.eia.gov/electricity/data.cfm#sales> (accessed October 17, 2014); Alabama Power Company (personal communication, July 25, 2014).