Birmingham Area Economic Report

Q1 2020

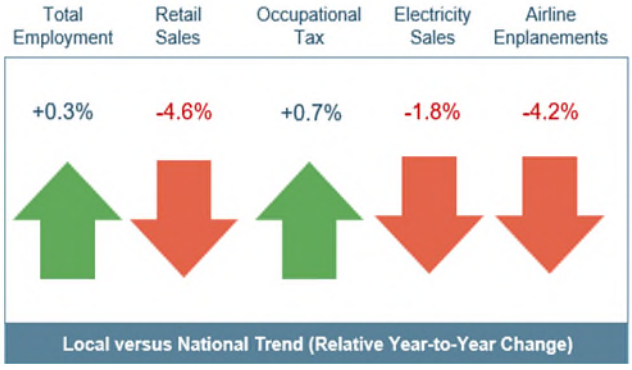
I. Overview

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.[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 March 31, 2019 to March 31, 2020. The relative performance compared to national trends is presented using data through December 31, 2019 (rather than March 31, 2020) 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 2019-to-Q1 2020 Change)[2]

Figure 2: Local versus National Trend (Relative Q4 2018-to-Q4 2019 Change)



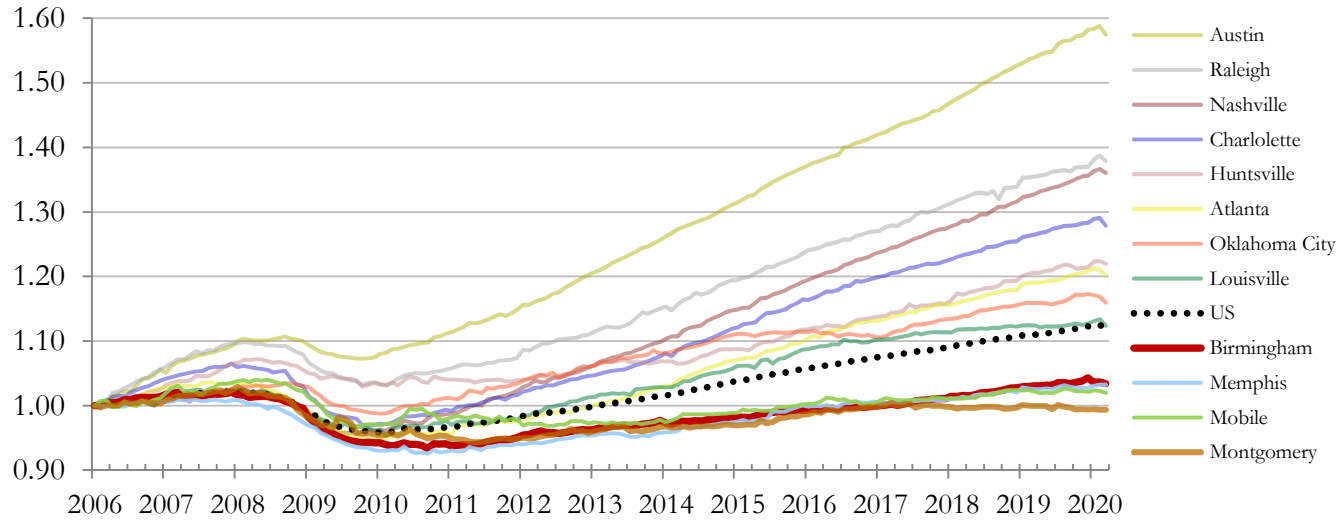
Birmingham's recent positive economic trends halted during Q1 2020, as evidenced by declines in four of the five categories above. While some of the decline may be attributed to the March impact of COVID-19, most of the impact will be largely seen in Q2 2020 numbers. Employment, however, has remained above historical levels and outpaced the national economy through 2019. The data underlying the charts is discussed in greater detail in Section III of this report.

II. Lagging Job Growth: State and Local Employment Activity Ending Mar. 31, 2020

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 doing so at a slower

rate than comparable MSAs. The chart below is sorted based on total employment growth since 2006 from January 2006 to March 2020 (Austin – largest growth, Montgomery – smallest growth).

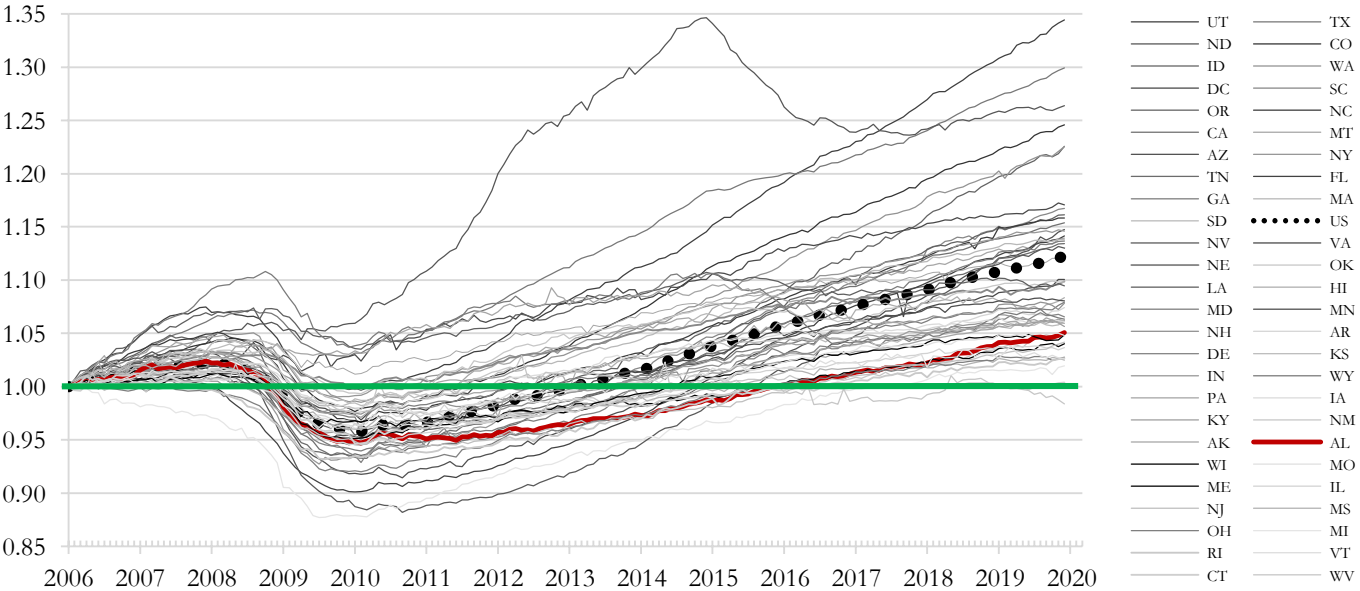
Figure 3: Total Employment – Birmingham-Hoover MSA Comparison[3]



The Birmingham-Hoover MSA has lagged comparable regional MSAs. Four MSAs (three of which are located in the state of Alabama) remain at the bottom of the peer group and below national levels.

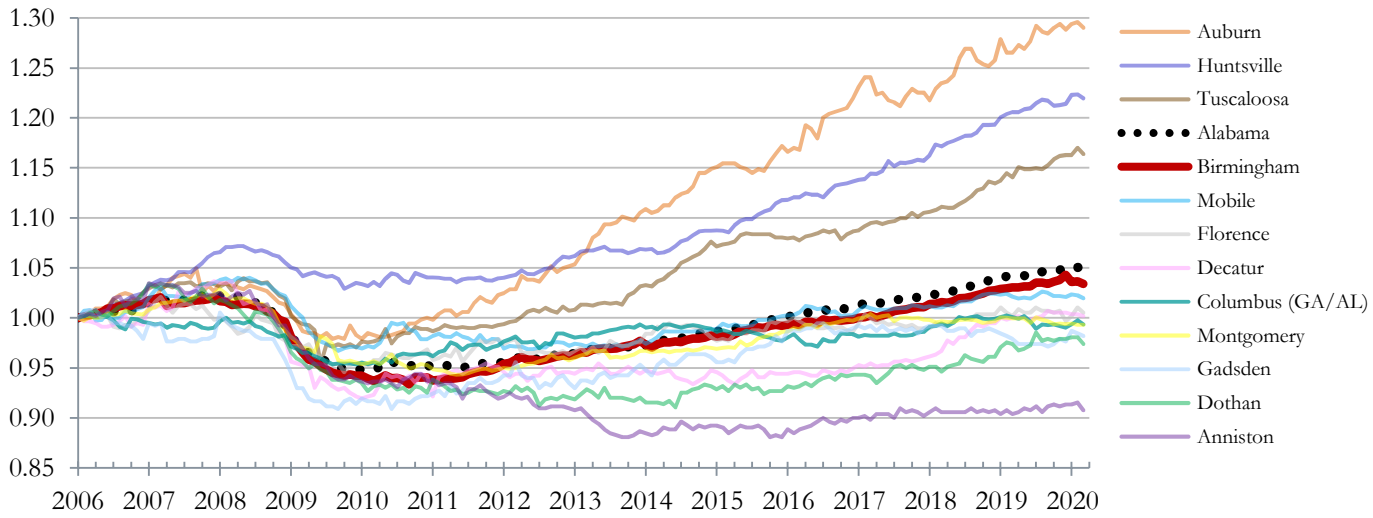
As shown in the figure below, the state of Alabama has lagged 39 states in total employment growth from January 2006 to March 2020. The chart is sorted by total employment growth since January 2006, moving from left to right down the legend (largest – Utah, 2nd largest – Texas, smallest – West Virginia).

Figure 4: Total Employment – State of Alabama Comparison[4]



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 13 years since January 2006. Seven MSAs in Alabama (Auburn, Huntsville, Tuscaloosa, Birmingham, Mobile, Florence and Decatur) are above January 2006 levels as of March 31, 2020. 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[5]



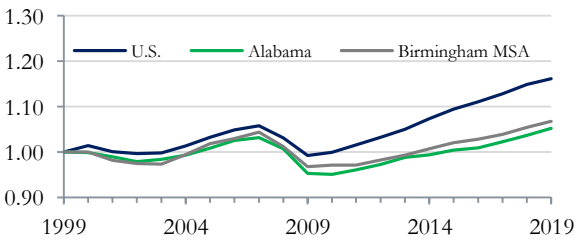
III. Local Birmingham Area Economic Activity Ending December 31, 2019

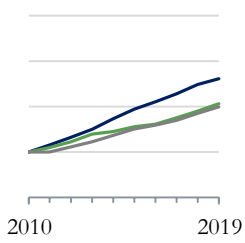
In an effort to provide timely access to local and national economic data, we provide comparative national statistics to local economic indicators on a one quarter lag. This section places the Birmingham area economy in a state, regional and national context, and focuses on the following statistical 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, 2019, the number of people employed in Alabama and the Birmingham-Hoover MSA increased at a larger rate than the U.S. as a whole. Over the 10-year period, the U.S. has outpaced Alabama and the Birmingham-Hoover MSA.

Figure 6: Total Employment – Birmingham-Hoover MSA, State of Alabama, and U.S.[6]



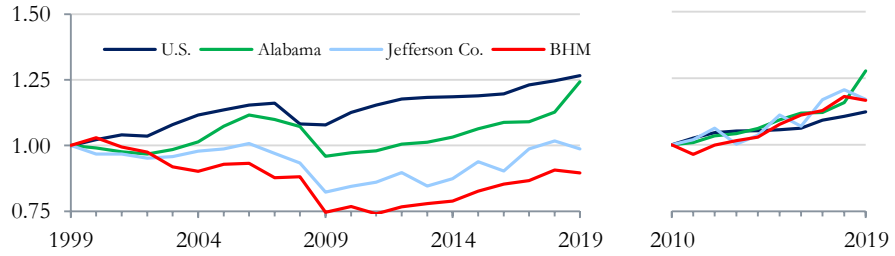


	Dec-18	Dec-19	Percent Change
US	151.2 M	152.9 M	1.1%
AL	2.07 M	2.09 M	2.3%
BHM-MSA	545.5 K	553.6 K	1.5%

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 Birmingham have lagged the rate of growth of 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 Alabama increased significantly by 10.3% from December 2018 to December 2019, while Jefferson County decreased 3.0%, after adjusting for inflation. Measured in constant dollars, retail sales in the City of Birmingham remain below 1998 levels.

Figure 7: Retail Sales – Birmingham, Jefferson County, State of Alabama and U.S.[7]

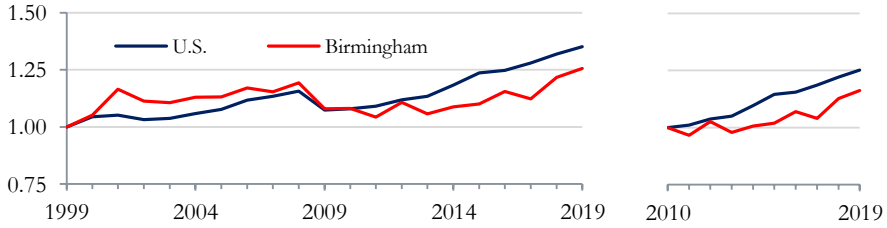


	LTM Dec-18	LTM Dec-19	Percent Change
US	$4.5 T	$4.5 T	1.6%
AL	$71.9 B	$79.3 B	10.3%
JC	$12.3 B	$12.0 B	-3.0%
BHM	$4.6 B	$4.5 B	-1.2%

C. Birmingham Occupational Tax

The occupational tax in the City of Birmingham lagged behind but generally followed the trend of U.S. wages from 1997 to 2007 and then declined along with U.S. wages through 2010. Over the last twelve months, Birmingham occupational tax collections increased 3.2%, outpacing the United States growth rate of 2.4%. 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[8]

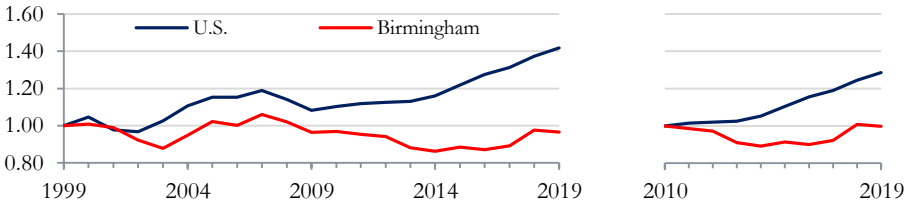


	LTM Dec-18	LTM Dec-19	Percent Change
US	$8.5 T	$8.7 T	2.4%
BHM	$95.0 M	101.2M	3.2%

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. However, Birmingham-Shuttlesworth International Airport's enplanements stabilized from 2014 through 2017. Over the last twelve months, the Birmingham-Shuttlesworth International Airport's enplanements have grown 3.9%, outpacing the 3.3% growth rate of total U.S. enplanements.

Figure 9: Passenger Enplanements – Birmingham-Shuttlesworth International Airport and U.S.[9]

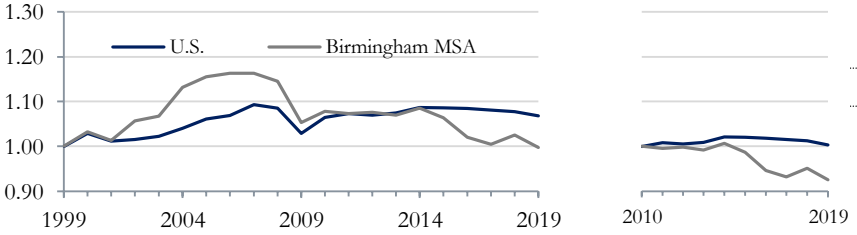


	LTM Dec-18	LTM Dec-19	Percent Change
US	786.4 M	812.6 M	3.3%
BHM	1.49 M	1.55 M	3.9%

E. Commercial & Industrial Electricity Sales

Economic growth leads to, and is frequently enabled by, increased consumption of electricity. From 1997 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. After the recession, however, the company's Birmingham division experienced a larger reduction in consumption than the U.S. as a whole through 2017. Over the last twelve months, the Birmingham division's electricity consumption has experienced a 1.8% decrease, while the U.S consumption decreased -1.0% 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.[10]

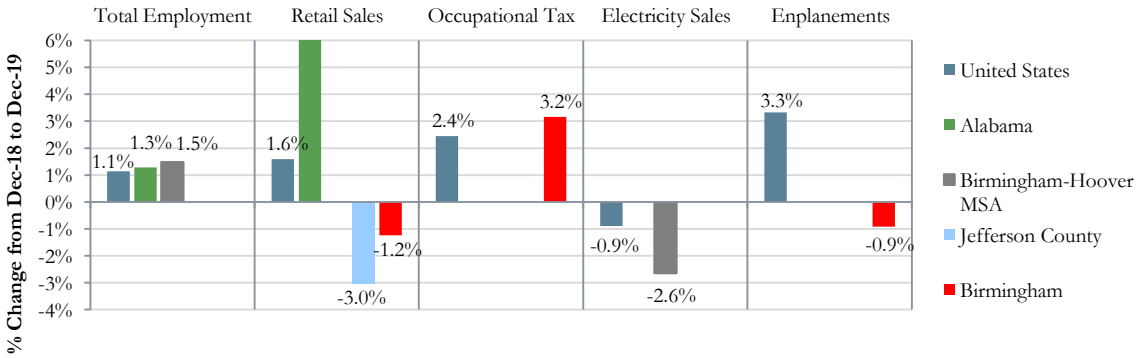


	LTM Dec-18	LTM Dec-19	Percent Change
US	2.33 B	2.31 B	-0.9%
BHM-MSA	8.8 M	8.6 M	-2.6%

IV. Summary

Changes in the selected statistics over the last two years (ending December 31st) are summarized in the graph below.

Figure 11: Summary of Economic Activity Statistics



[1] 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 March 31, 2020 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 2018 and 2019 with dollars converted to March 31, 2020constant dollars. Thus, we present a 20 year perspective, a ten year perspective and a two year perspective.
[2] 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).
[3] *Figure 3*. Federal Reserve Economic Data (FRED); U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics – CES," www.bls.gov/data (accessed September 3, 2020).
[4] *Figure 4*. Federal Reserve Economic Data (FRED); U.S. Department of Labor, Bureau of Labor Statistics, "Current Employment Statistics – CES," www.bls.gov/data (accessed September 3, 2020).
[5] *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 September 3, 2020).
[6] *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 September 3, 2020).
[7] *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 September 3, 2020); Alabama Department of Revenue "Monthly Revenue Abstracts," http://revenue.alabama.gov/datapress-abstract.cfm (accessed September 3, 2020); Jefferson County Department of Revenue (personal communication, September 3, 2020); City of Birmingham Finance Department, "City of Birmingham Financial Report," *Monthly Blue Books*, 1997-2020.
[8] *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 (accessed September 3, 2020). City of Birmingham Finance Department. "City of Birmingham Financial Report." *Monthly Blue Books*. 1997-2020.
[9] *Figure 9*. Birmingham Airport Authority, "BHM Monthly Statistical Reports," http://www.flybirmingham.com /aboutbhm-reports.html (accessed September 3, 2020); 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 September 3, 2020).
[10] *Figure 10*. U.S. Energy Information Administration (EIA), "Independent Statistics and Analysis," http://www.eia.gov /electricity /data.cfm#sales (April 21, 2019); Alabama Power Company (personal communication, September 3, 2020). Data has not been adjusted for cooling days.