

Economic Outlook Update:

May 2019

Note: Due to staffing changes and restructuring, CBER will most likely only release two issues of Alabama Business in 2019. We will resume our regular release of four issues a year in 2020.

ALABAMA HIGHLIGHTS

- The State gained 33,200 nonfarm jobs from March 2018 to March 2019, while the seasonally adjusted unemployment rate dropped from 4.0 percent to 3.7 percent bringing total nonfarm employment to 2,063,100.
- Seasonally adjusted unemployment, based on the household survey, declined from 88,723 in March 2018 to 82,368 in March 2019. During this period, labor force dropped from 2,192,348 to 2,214,946, which also tends to push the unemployment rate down.
- Total nonfarm employment is forecasted to increase by about 1.4 percent in 2019, with building construction, transportation equipment manufacturing, food manufacturing, department stores, plastic and rubber products manufacturing, insurance carriers and related activities, professional, scientific and technical services, healthcare and social assistance, and food services and drinking places adding most to their payrolls.
- Overall, the state's economy is forecasted to grow by approximately 1.9 percent in 2019, just slightly below the 2.0 percent growth in 2018.
- After increasing by 6.5 percent in fiscal year 2017-2018, state tax revenues will increase by around 4.0 percent in FY2019.

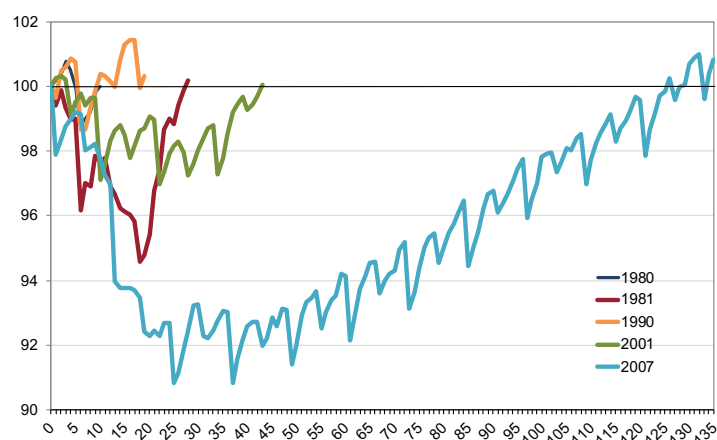
OUTLOOK

Real (inflation adjusted) Alabama GDP is expected to grow at a slightly slower pace in 2019, increasing by 1.9 percent to around \$200.1 billion. The fastest growing segments of

the state's economy in 2019 will include: professional, technical and scientific services; primary metals; wood products manufacturing; general freight trucking; aerospace products and parts manufacturing; motor vehicle and parts manufacturing; department stores; ambulatory healthcare services; building materials and garden equipment, and

Alabama Employment Level Compared to the Beginning of Each Recession

(Number of Months)



Source: U.S. Department of Labor and Center for Business and Economic Research, The University of Alabama.

Alabama Forecast

(Percentage change)	2016	2017	2018	2019
Real GDP	0.5	1.8	2.0	1.9
range				1.5 to 3.0
Employment	1.1	1.6	1.5	1.4
range				0.6 to 1.7
Total Tax Receipts, FY	1.2	4.2	6.5	4.0
range				3.0 to 5.0

Source: Center for Business and Economic Research, The University of Alabama.

supplies; transportation and warehousing; insurance carriers and related activities; and food services and drinking places.

From March 2018 to March 2019, Alabama nonfarm employment rose by 1.6 percent (33,200) to 2,063,100. This is 36,400 jobs above its December 2007 peak of 2,026,700, prior to the beginning of the Great Recession. Overall, the goods producing sector, which includes manufacturing, mining, logging, and construction, added 8,500 jobs to its payrolls. Manufacturing payrolls rose with a net gain of 4,700 over the twelve month period ending in March 2019, with 3,600 jobs gained in durable goods manufacturing and 1,100 in nondurable goods manufacturing. Construction gained

3,800 workers consisting of 2,100 in construction of buildings and 1,700 in specialty trade industry, while payrolls in heavy and civil engineering industry remained flat. Employment in mining and logging also remained flat. Service providing businesses in the state gained 24,700 jobs over the 12-month period ending in March 2019. Establishments within service providing sector that posted significant job gains were food services and drinking places (5,500 jobs); healthcare and social assistance (3,900); insurance carriers and related activities (1,400); and local governments (1,500). Overall, the state's employment will grow by 1.4 percent in 2019.

business conditions. For complete results of ABCI go to (https://cber.cba.ua.edu/abci/results/2019_ABCI-Q2_Final.pdf).

Workforce Trends in Alabama

Trends such as aging and the generational shift are having a significant impact on employers and are expected to continue influencing organizations in the future. In order to stay successful and competitive, businesses must stay abreast of these trends, especially in light of the current tight labor market.

Aging Workforce

The age distribution of Alabama workforce is similar to the nationwide distribution. About 13.1 percent of all Alabama workers are younger than 25. The remaining workers in the state are divided almost evenly among four groups: ages 25 to 34; 35 to 44; 45 to 55; and 55 and over.

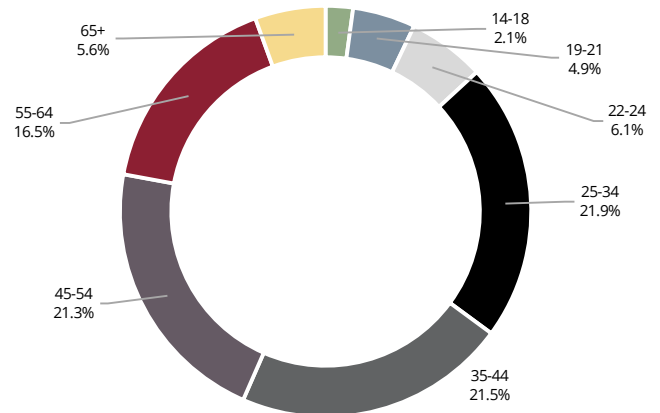
Alabama Nonagricultural Employment

(Change in Number of Jobs)

	March 2017 to March 2018	March 2018 to March 2019t
Total Nonagricultural	19,200	33,200
Natural Resources and Mining	200	0
Construction	2,700	3,800
Manufacturing	2,500	4,700
Durable Goods Manufacturing	1,800	3,600
Nondurable Goods Manufacturing	700	1,100
Trade, Transportation and Utilities	1,400	3,900
Wholesale Trade	700	1,300
Retail Trade	0	800
Transportation, Warehousing and Utilities	700	1,800
Information	200	500
Financial Activities	-400	1,200
Professional and Business Services	5,700	5,600
Educational and Health Services	2,800	3,900
Leisure and Hospitality	3,000	5,900
Other Services	500	1,600
Government	1,400	2,100
Federal Government	-600	400
State Government	600	200
Local Government	600	1,500

Source: Alabama Department of Industrial Relations, and Center for Business and Economic Research, The University of Alabama.

Age Distribution of Alabama's Workforce, Q2 2018

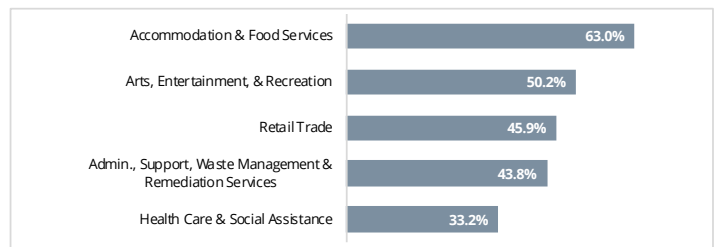


Source: U.S. Census Bureau, Center for Economic Studies, LEHD, Quarterly Workforce Indicators (QWI) and Center for Business and Economic Research, The University of Alabama.

ABCI

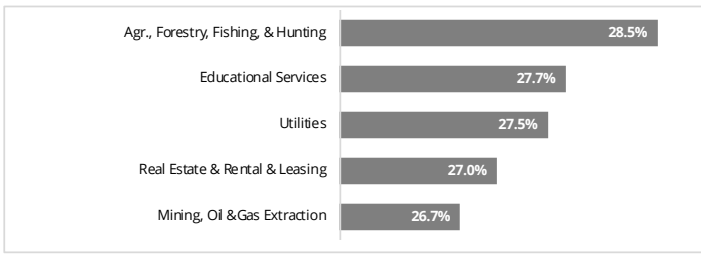
Business professionals across Alabama expressed renewed confidence leading into the second quarter of 2019. This data comes from the Alabama Business Confidence Index™ (ABCI) survey, which is conducted quarterly by the Center for Business and Economic Research. The index reading for Q2 2019 was 64.8 after increasing 8.4 points from Q1 2019. Alabama business leaders are forecasting improved statewide economic conditions with strong confidence this quarter. In the Q2 2019 survey, the Alabama economy index gained 8.1 points to reach 67.3. Confidence in the national economy also increased, registering at 60.0 after gaining 6.7 points, indicating moderate expectations for growth compared to the previous quarter. Confidence in the statewide and national economies has been high since Q1 2017, and this quarter's results indicate continued expectations for favorable

Top 5 Industries with Younger Workers Share of Workers Ages 14-34, 2017



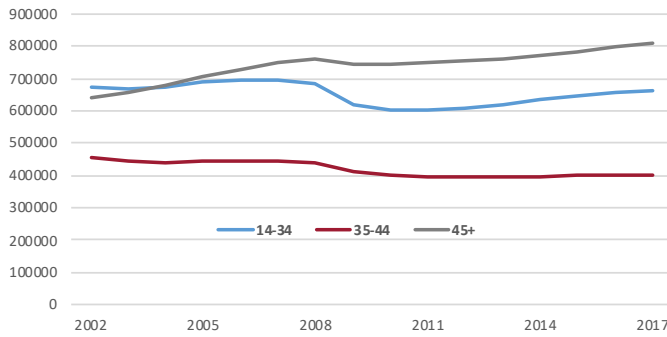
Source: U.S. Census Bureau, QWI, and Center for Business and Economic Research, The University of Alabama.

Top 5 Industries with Older Workers Share of Workers Ages 55+, 2017



Source: U.S. Census Bureau, QWI, and Center for Business and Economic Research, The University of Alabama.

Alabama's Workforce by Age Group



Source: U.S. Census Bureau, QWI, and Center for Business and Economic Research, The University of Alabama.

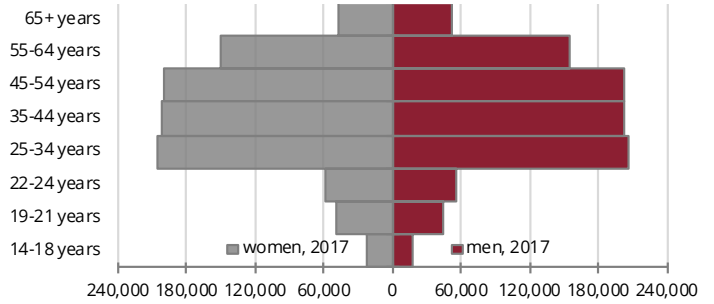
The top five industries with younger workers (ages 14-34) in the state include accommodation and food services (63.0 percent); arts, entertainment, and recreation (50.2 percent); retail trade (45.9 percent); administrative, support, waste management and remediation services (43.8 percent); and health care and social assistance (33.2 percent). The top industries with largest shares of workers ages 55 and over are agriculture, forestry, fishing and hunting (28.5 percent); educational services (27.7 percent); utilities (27.5 percent); real estate, rental and leasing (27.0 percent); and mining, oil and gas extraction (26.7 percent). As more baby boomers retire, these industries will need to attract younger workers or offer incentives to current workers for later retirement.

Alabama population is aging, and so is the state's workforce. According to the earliest and latest available data (2002 to 2017), the number of workers younger than 35 declined by 2.0 percent and workers ages 35 to 44 declined by 11.4 percent. Meanwhile, the number of Alabama workers ages 45 and older has increased by 26.5 percent or by more than 169,000 people.

In 2017, 56.8 percent of Alabama workers were under 45, compared to the 60.3 percent in 2007. More than half of the workers were 45 and older in seven industries: educational services; utilities; public administration; agriculture, forestry, fishing and hunting; mining, oil and gas extraction; wholesale trade; and transportation and warehousing.

Only two industries saw an increase in the share of younger

Alabama Workers by Sex and Age, 2017



Source: U.S. Census Bureau, QWI, and Center for Business and Economic Research, The University of Alabama.

Alabama Workers by Sex and Age, 2010-2017

Age Group	2010-2017, Number		2010-2017, Percent	
	Men	Women	Men	Women
14-18 years	-8,919	-6,800	-32.5%	-23.1%
19-21 years	-5,789	-3,330	-11.4%	-6.4%
22-24 years	-1,907	-1,450	-3.3%	-2.4%
25-34 years	-6,925	353	-3.2%	0.2%
35-44 years	-25,883	-15,908	-11.4%	-7.3%
45-54 years	-14,044	-18,030	-6.5%	-8.3%
55-64 years	28,749	30,599	22.7%	25.4%
65+ years	15,766	15,321	42.5%	49.3%

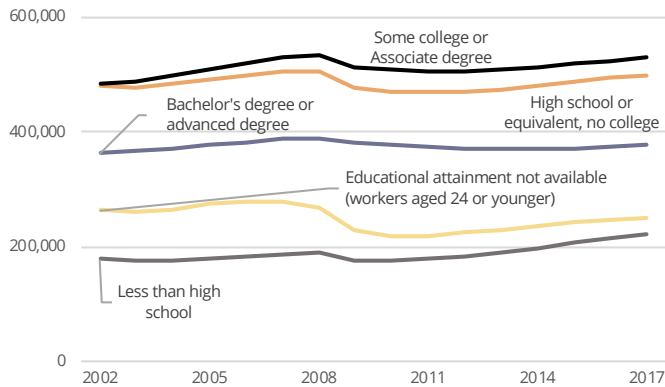
Source: U.S. Census Bureau, QWI, and Center for Business and Economic Research, The University of Alabama.

workers in the past ten years. In 2017, arts, entertainment, and recreation had 66.3 percent of workers under 45, up from 65.9 in 2007. Mining, oil and gas extraction had 47.7 percent, up from 45.7 percent. In contrast, three industries saw increases in the share of workers ages 45 and older of more than 7.2 percentage points: wholesale trade; professional, scientific, and technical services; and construction. This is more than twice the average change in all industries (3.5 percentage points).

Generational Shift

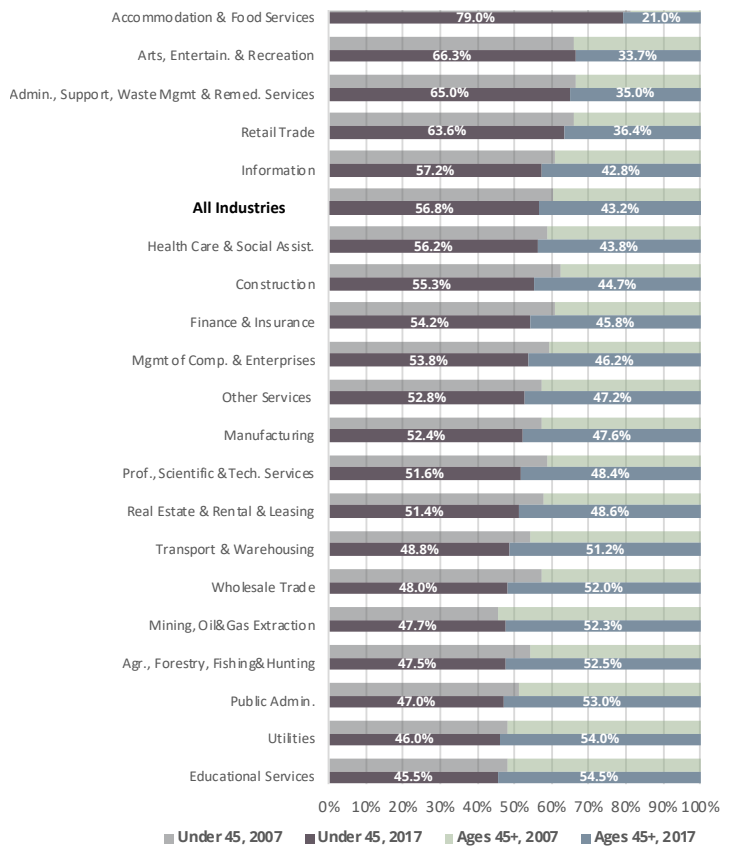
Over the past ten years, rising millennials (defined as 23 to 38 years old in 2019) overtook baby boomers (55 to 73 years old) at the workplace in Alabama. The generational shift in the workforce follows a nationwide and global trend that has had a tremendous impact on the workplace. According to the ADP Research Institute's Evolution of Work study, millennials place more emphasis on a meaning within their jobs than previous generations, who tended to look for a meaning outside of work. Younger workers also prefer to define their own work schedule. The study found that drivers of ongoing workplace transformation are employees' demand for greater choice and flexibility; access to real-time learning; increased autonomy; a sense of stability; and the ability to work on personally meaningful projects. Employers that embrace this workplace transformation will have an advantage over their competitors.

Alabama Workers by Educational Attainment



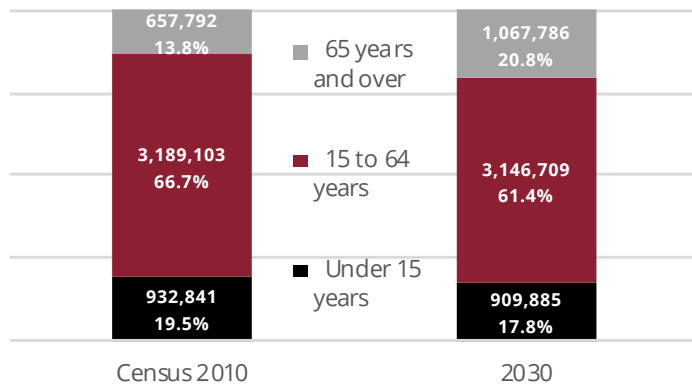
Source: U.S. Census Bureau, QWI, and Center for Business and Economic Research, The University of Alabama.

Alabama Workers by Age Group and Industry: 2007 vs 2017



Source: U.S. Census Bureau, QWI, and Center for Business and Economic Research, The University of Alabama.

Alabama Population and Projections by Age Group



Source: U.S. Census Bureau and Center for Business and Economic Research, The University of Alabama, November 2018.

Workers' Educational Attainment

The composition of Alabama workforce's educational attainment depends on the economic cycle. The number of workers at all levels of education declined due to the last recession. Only those with less than a high school diploma reached 2007 levels by 2017, with an increase in their share of Alabama workforce from 10.0 to 11.8 percent. Workers with all other educational levels are still yet to reach 2007 levels. The share of people with some college or associate degree in Alabama's workforce declined 0.1 percentage points. The share of workers aged 24 or younger, for whom educational attainment is not available, declined 1.4 percentage points. Meanwhile, the recent occupational projections for 2026 from the Alabama Department of Labor indicate that future jobs will require more postsecondary education and training at a minimum.

Workforce Outlook

Even though Alabama total population is projected to increase from almost 4.8 million in 2010 to 5.1 million in 2030, working age population (15 to 64 years) is expected to decline by 1.3 percent or by almost 42,400 people. U.S. working age population is expected to increase by 5.6 percent

during that time due to higher birth rates and larger net international migration in other states.

On top of declining working age population, labor force participation rates continue to decrease. Even though the last couple of years saw a slight increase, Alabama labor force participation is expected to be 56.7 percent in 2018, down from the peak of 64 percent in late 1990s. The state's rate is among the lowest in the country and is consistently 3 to 6 percentage points below the national rate. Several factors could increase labor force participation such as extensive parental leave policies and workforce development programs. According to a recent study from the Federal Reserve Bank of San Francisco, parental leave policies could add up to 5 million prime-age workers to the national labor force. Workforce development programs that help discouraged workers, veterans, or people with criminal records to find jobs could also help to bolster the state's labor force. The Success Plus Initiative, for example, has a goal to add 500,000 skilled employees to Alabama's workforce by 2025. A stronger labor force is in the end a necessary foundation for a stronger Alabama economy.

Samuel Addy, Ph.D.
saddy@cba.ua.edu

Ahmad Ijaz
aijaz@cba.ua.edu

Viktoria Riiman
vriiman@cba.ua.edu

Susannah Robichaux
scrobichaux@cba.ua.edu