



UNIVERSITY OF NORTH ALABAMA REGIONAL ECONOMIC UPDATE

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Institute for Innovation and Economic Development
College of Business
University of North Alabama
One Harrison Plaza
Florence, Alabama 35632

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INTRODUCTION

I am pleased to introduce the inaugural edition of the UNA Economic Update. The purpose of this report is to provide meaningful economic data for the Shoals region that will facilitate decision making by business professionals and elected officials. This region has increased its focus on economic development in recent years through projects such as “Shoals Shift” and “A Greater Shoals (PARCA study)”. The UNA College of Business has supported these efforts through direct partnerships with the Shoals Chamber of Commerce and Shoals Business Incubator. Many other organizations have also contributed their time and resources to create more opportunities for business growth and success in the Shoals. Effective decision-making must be supported by information and data. Specific economic information about our region is often not available. The UNA College of Business will use its expertise and resources to provide regional economic information through this report. Initially we will issue two reports each calendar year.

I want to thank Dr. Keith Malone for his leadership in publishing this report. I also want to thank Bank Independent for their generous financial support to make this project possible. If you have suggestions for future reports, please send those to Dr. Malone (kdmalone@una.edu). If you would like to discuss reports for your specific industry or business these can be developed through our Institute for Innovation and Economic Development (contact Dr. Doug Barrett, jdbarrett@una.edu).

Gregory A. Carnes, Ph.D., CPA
Dean, College of Business
Raburn Eminent Scholar of Accounting

OVERVIEW

As noted by Dean Carnes, the goal of this report is to provide regional economic data for effective decision making. The focus of this first edition is to review major economic and population components over the last nine years to determine the direction of the local economy. Specifically, this edition investigates historical data for gross regional product, population, employment and unemployment and wage data. All data is analyzed at the MSA and State level and all items other than gross regional product is also analyzed at the county level for Colbert and Lauderdale counties. Future editions of the report will include additional historical review applicable to the entire economy in the region as well as introduce new data areas relevant to different subsections of the economy.

This historical review indicates, on a broad basis, the economy of the MSA has experienced both positive and negative changes over the last nine years. Gross regional product increased 1.42% annually in the MSA; however, on a per capita basis, the MSA remains approximately \$7,000 behind the state in gross regional product per capita. The MSA also experienced positive gains in average weekly earnings and total personal income. Employment trends are mildly positive but are mostly flat over the time horizon investigated. The unemployment rate has reduced significantly since 2009; however, this reduction joined with only small changes in employment resulting from a reduction in the labor force. In addition to the reduction in the labor force, the labor force to population ratio is also decreasing in the region between 2009 and 2017. The labor force declined by five percent during the last nine years while the labor force/population ratio decreased by 5.2%. Total population is essentially unchanged since 2009. These factors represent potentially negative trends for continuing economic health of the MSA. See specific sections below for details regarding each variable.

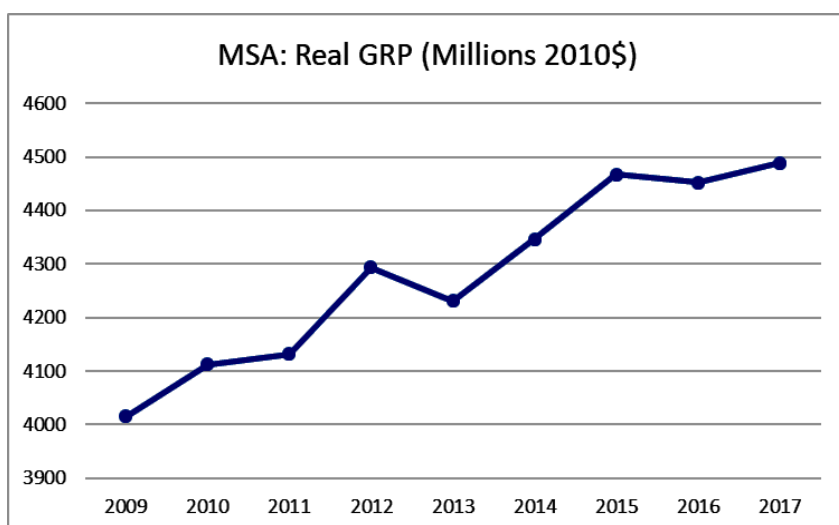
Keith D. Malone, Ph.D.
Professor of Economics, College of Business
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GROSS REGIONAL PRODUCT

Real gross domestic product (RGRP) is one of the key indicators of economic health at the national, state and local level. During 2017, RGRP (expressed in 2010 dollars) in the Florence-Muscle Shoals MSA totaled \$4.489 billion which was an increase of \$36 million over RGRP in 2016. Overall, RGRP in the MSA has predominately followed a growth trend since 2009. With only two downturns, a 1.46% decline (-\$63 Million) in 2013 and a decrease of only 0.33% (-\$14 million) during 2016, the 2017 real GRP is \$473 million larger than in 2009. This change represents total economic growth, including the recessions of 2013 and 2016, of 11.78% since 2009. The area experienced the largest amount of growth in 2012, with a \$162 million (3.91%) increase in RGRP. RGRP increased by 2.4% or more in three additional years while the economy grew at less than 1% during 2011 and 2017. Furthermore, the economy recovered quickly from the recessionary periods of 2013 and 2016 as the growth in RGRP during 2014 and 2017 more than offset the waning RGRP experienced during the previous year. Combining all growth and recessionary periods between 2009 and 2017 yields an average annual economic growth rate of 1.42% for the MSA.

Comparing MSA growth rates and recession periods to similar state level data allows us to examine how the MSA preformed relative to the state during the same time period. Alabama experienced one recessionary period, 2016, and similar to the MSA, recovered quickly with the increase in RGRP during 2017, exceeding the lost RGRP experienced during 2016. RGRP is growing at an average annual growth rate of 1.3% for the state. Thus, RGRP in the MSA is growing slightly faster than the state as a whole. This is certainly a positive sign for the region and indicative of the MSA's recent focus of promoting economic growth. However, utilizing RGRP per capita as a measure of standard of living, we find that the MSA is still markedly behind the state. During 2017, RGRP per capita was \$38,664.60 for the state and only \$31,672.26 for the MSA. The difference of \$6,992.34 in RGRP per capita exists after adjusting for the fact that prices in the MSA are approximately 3.73% cheaper than the state average. Examining changes in RGRP per capita across the 2009 – 2017 time horizon is encouraging as the average annual growth rate for the MSA again out performs the state, growing at 1.41% and 0.99% respectively.

The MSA has experienced economic growth and improvements in the standard of living over the 2009 – 2017 time period and these trends have the potential to continue as the MSA continues to focus on economic development in the region.



Real Gross Regional Product (GRP) and Percent Change 2009-2017 (Millions 2010\$)

Year	MSA	% Change	State	% Change
2009	\$4,016	--	\$170,031	--
2010	\$4,112	2.40	\$174,753	2.78
2011	\$4,132	0.49	\$175,909	0.66
2012	\$4,294	3.91	\$176,984	0.61
2013	\$4,231	-1.46	\$179,992	1.70
2014	\$4,346	2.71	\$180,476	0.27
2015	\$4,467	2.79	\$186,429	3.30
2016	\$4,453	-0.33	\$185,093	-0.72
2017	\$4,489	0.82	\$188,383	1.78

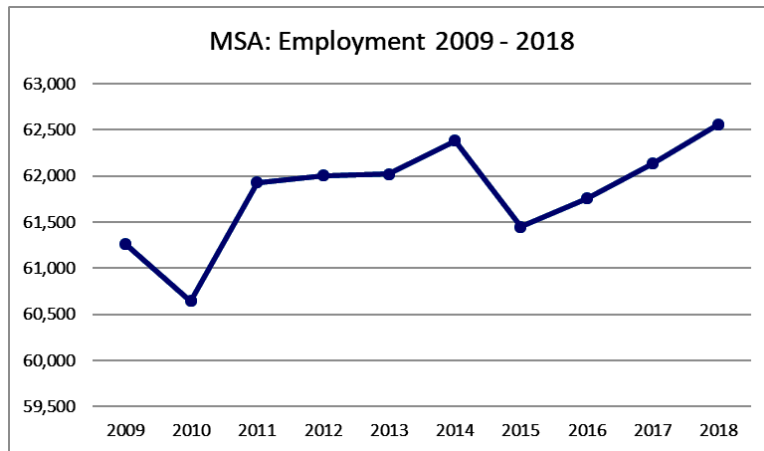
Source: Bureau of Economic Analysis and UNA

EMPLOYMENT, UNEMPLOYMENT AND CIVILIAN LABOR FORCE

Other key characteristics of economic health include changes in employment, unemployment and civilian labor force. In addition to state and MSA level data, the Bureau of Labor Statistics (BLS) also collects county level data. Regional trends for each area are discussed below.

Employment

Employment within the MSA totaled 62,559 in 2018, an increase of 1,294 (2.11%) since 2009. Although the change in employment was minimal (75 or less) in some years, employment increased in all but two years, 2010 and 2015, since 2009. Employment in the MSA recovered quickly during 2011 as the employment growth during the year more than doubled the employment decline experienced during 2010. Employment recovered more slowly after losing more than 900 jobs in 2015. In fact, total MSA employment does not return to pre-2015 levels until 2018. Overall the average yearly increase in employment was approximately 0.24%. During the same time period, total employment in the state increased by 9.06% with an annual average increase of 0.97%. Total employment in the state escaped the employment decline faced by the MSA in 2010 and 2015; however, total employment in the state did decrease by 2,270 (0.11%) during 2014. Interestingly, the decreases in employment do not coincide with the recessionary periods for the MSA and the state, as identified in the previous section.

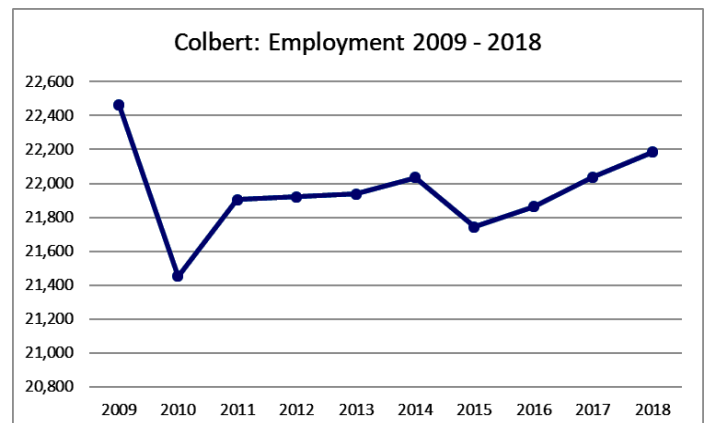
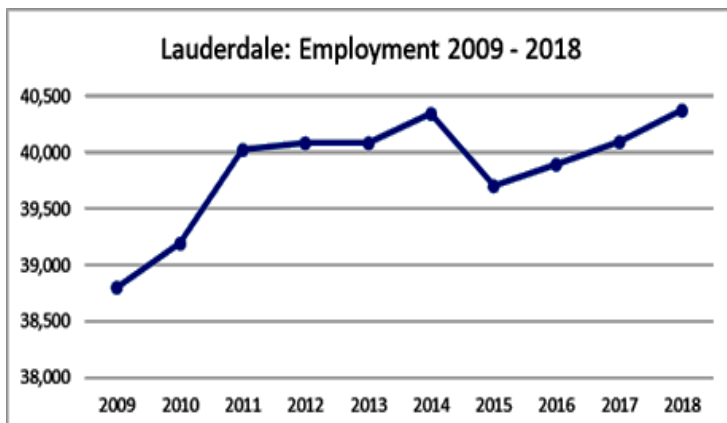


**Employment: Number of People Employed by Area
2009 - 2018**

	Colbert	Lauderdale	MSA	Alabama
2009	22,461	38,804	61,265	1,925,772
2010	21,453	39,193	60,646	1,964,694
2011	21,905	40,026	61,931	1,990,570
2012	21,922	40,084	62,006	2,004,117
2013	21,937	40,083	62,020	2,017,267
2014	22,034	40,346	62,380	2,014,997
2015	21,743	39,705	61,448	2,026,237
2016	21,862	39,895	61,757	2,045,686
2017	22,038	40,094	62,132	2,073,202
2018	22,184	40,375	62,559	2,100,348

Source: Bureau of Labor Statistics

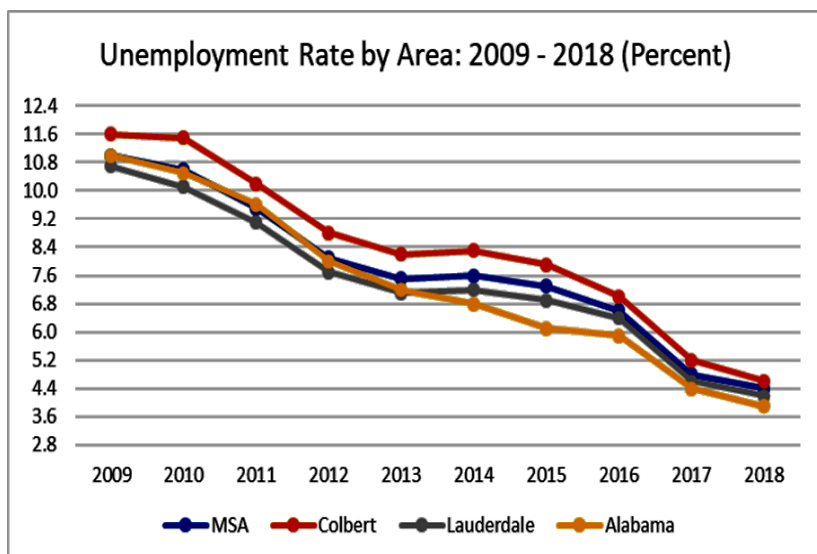
Employment outcomes within the MSA have been mixed between 2009 and 2018. As depicted in the table above and county level charts below – Colbert County experienced a significant reduction in employment during 2010 as employment declined by more than 1,000 (-4.48%). Colbert County lost an additional 291 jobs during 2015 and total employment in 2018 is still 277 jobs below the 2009 level. Thus, the average annual growth rate for employment in Colbert county over the 2009 – 2018 time period is -0.12%.



Total employment in Lauderdale County has been much more stable with net growth of 1,571 jobs since 2009. With a decrease of one job in 2013 and 641 jobs in 2015, the average annual growth rate for employment in Lauderdale County is 0.45%. Employment growth in Lauderdale County (389) offset a portion of job losses in Colbert County during 2010, reducing the negative employment impact on the MSA (619 jobs lost). However, both counties lost jobs during 2015, yielding 932 total jobs lost in the MSA for that year.

Unemployment

Unemployment rates are very similar in all regions investigated during the 2009 – 2018 time period. Since 2009, unemployment rates have decreased by more than 60% in each region included in this analysis. Unemployment in Colbert County has decreased from 11.6% in 2009 to 4.6% in 2018 while Lauderdale County's rate decreases from 10.7% to 4.2%. While the MSA and state unemployment rates both were at 11% in 2009, the unemployment rates for the MSA and state have declined to 4.4% and 3.9% respectively. Unemployment rates are slightly higher in Colbert County compared to Lauderdale County; however, as shown in the chart below, changes to the unemployment rate follow a similar trajectory in each county. The MSA also has a similar trajectory as it is a combination of the two counties. Unemployment rates in Lauderdale County are also below the state unemployment rate from 2009 – 2013. Even when combined with higher unemployment rates in Colbert County during these years, unemployment rates in the MSA are equal to or lower than the state rate in 2009 and 2011.



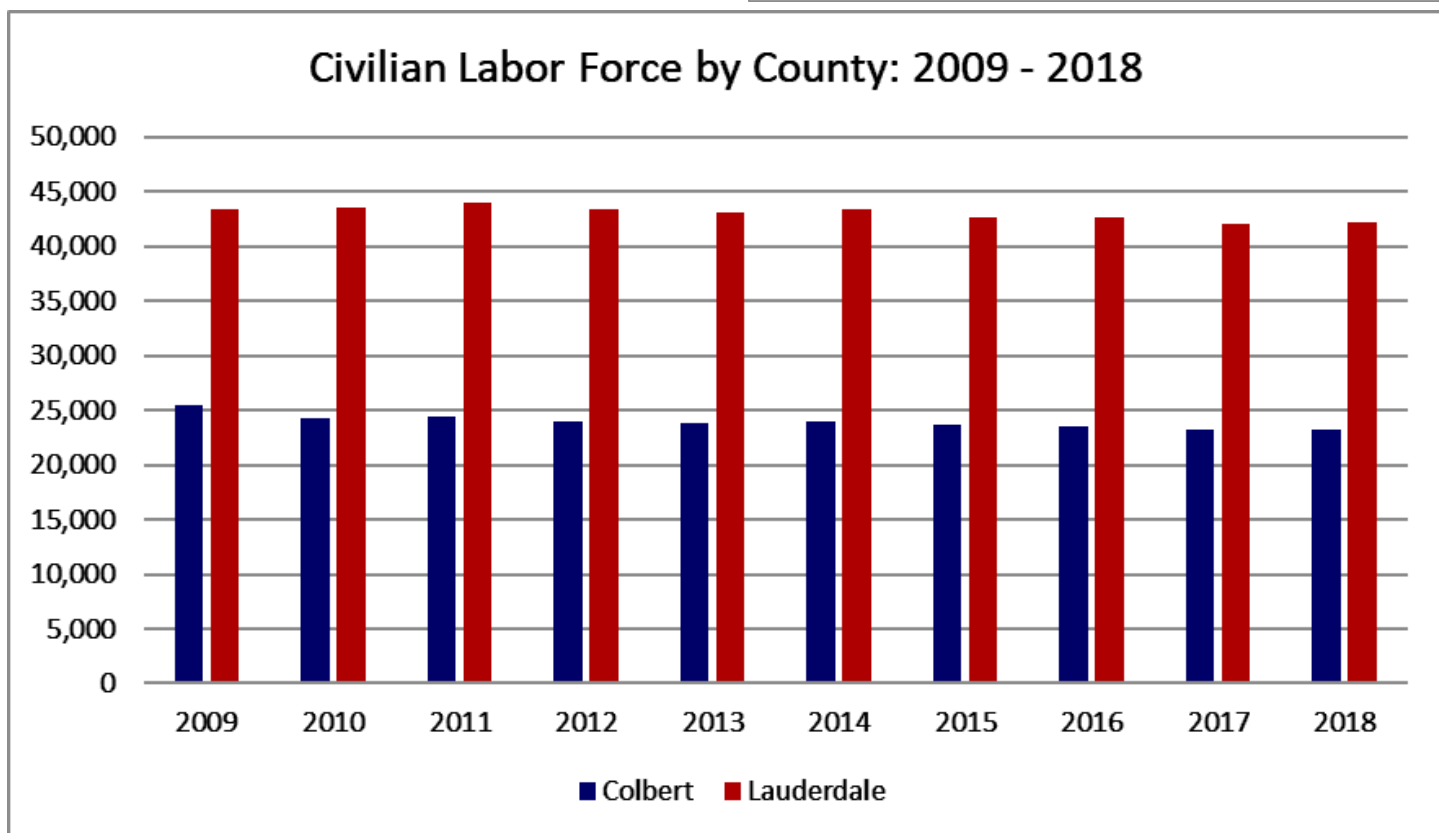
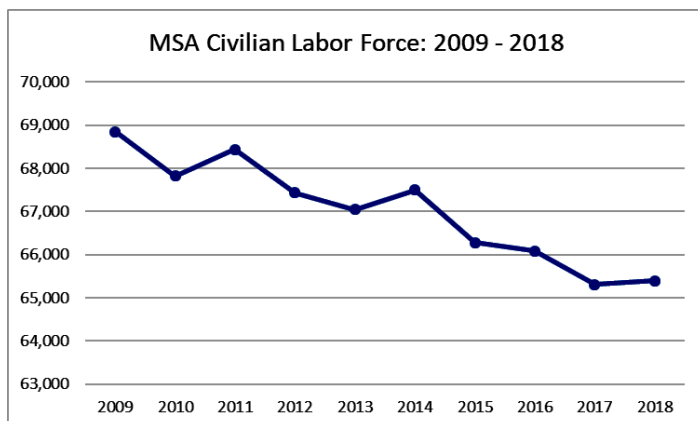
	Colbert	Lauderdale	MSA	Alabama
2009	2,953	4,628	7,581	238,252
2010	2,775	4,403	7,178	231,483
2011	2,481	4,022	6,503	212,257
2012	2,104	3,325	5,429	173,047
2013	1,959	3,067	5,026	156,957
2014	1,993	3,128	5,121	146,552
2015	1,870	2,957	4,827	131,395
2016	1,629	2,704	4,333	127,238
2017	1,214	1,958	3,172	96,567
2018	1,074	1,766	2,840	86,490

Source: Bureau of Labor Statistics

Civilian Labor Force

In standard fashion, the civilian labor force is the portion of the working age population (typically the civilian population age 16 – 65) who is employed or unemployed. As expected, given the changes in employment and unemployment previously discussed, the civilian labor force has declined over the period from 2009 – 2018. With only minimal gains in 2011 and 2014, the MSA labor force has declined by 3,447 (-5%) since 2009. During 2011 the area experienced a combination of increasing employment and decreasing unemployment. The increase in 2014 seems to be the result of increasing unemployment as employment declined in both Colbert and Lauderdale counties during 2014. On average, the civilian labor force is declining at an annual rate of 0.56%. Colbert County's labor force is declining faster at 0.97% while Lauderdale is declining slower than the overall MSA at 0.33%. During this same time period, Alabama's civilian labor force has expanded at an average annual rate of 0.19%.

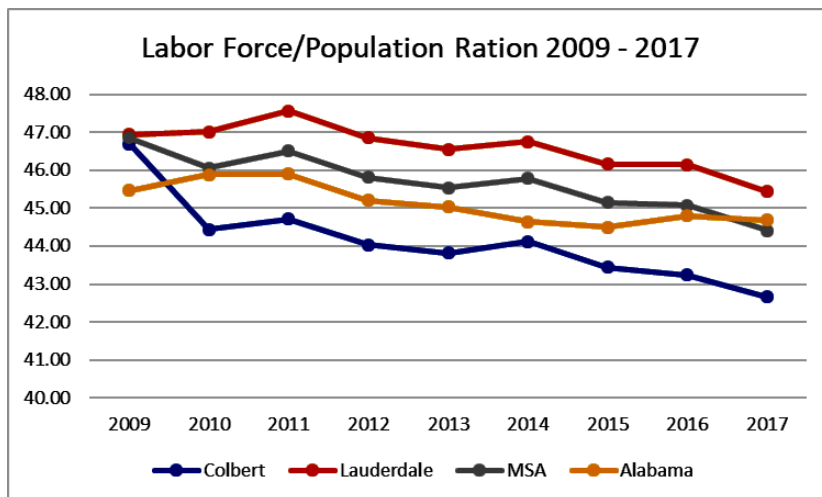
To gain additional insight into economic growth potential as it relates to the employment/unemployment data in the MSA, one would typically investigate the labor force participation ratio. Unfortunately, not enough data exists at the MSA and county level to perform these calculations. As a proxy for labor force participation, it is possible to examine the labor force-population ratio. While this ratio does not yield information specific to the working age population it provides insights into labor force participation patterns relative to the entire population.



	Colbert	Lauderdale	MSA	Alabama
2009	25,414	43,432	68,846	2,162,999
2010	24,228	43,596	67,824	2,196,042
2011	24,386	44,048	68,434	2,202,670
2012	24,026	43,409	67,435	2,176,337
2013	23,896	43,150	67,046	2,174,000
2014	24,027	43,474	67,501	2,160,842
2015	23,613	42,662	66,275	2,158,293
2016	23,491	42,599	66,090	2,177,209
2017	23,252	42,052	65,304	2,178,243
2018	23,258	42,141	65,399	2,198,837

Source: Bureau of Labor Statistics

Labor force participation as a percent of the population declined in all areas investigated between 2009 and 2017. With some minor increases within the time horizon, participation in Alabama fell from 45.46% in 2009 to 44.68% in 2017, a decrease of 1.72%. With participation in the MSA above the state participation rate at 46.85% in 2009, MSA participation declined approximately 5.2% to 44.41% by 2017 and is below the state average. Colbert County experienced the largest drop in participation falling from 46.69 to 42.66 (a decrease of 8.63%) while Lauderdale County only declined 3.2% to 45.44%. Constructing these ratios utilizing only the working age population would yield results more meaningful for forecasting; as constructed, the possibility of a disturbing trend in labor force participation is present.

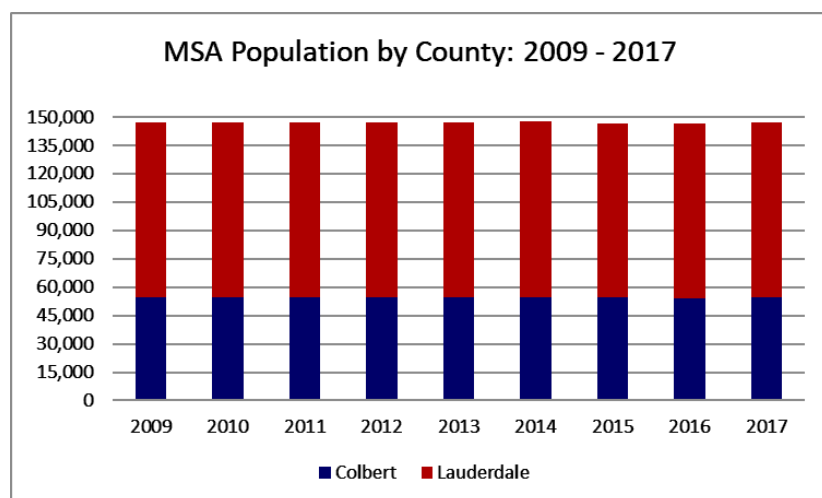


Labor Force/Population Ratio by Area 2009 – 2017				
	Colbert	Lauderdale	MSA	Alabama
2009	46.69	46.94	46.85	45.46
2010	44.43	47.01	46.06	45.89
2011	44.72	47.57	46.51	45.90
2012	44.03	46.85	45.81	45.21
2013	43.82	46.55	45.54	45.03
2014	44.12	46.75	45.78	44.65
2015	43.44	46.16	45.15	44.49
2016	43.24	46.14	45.07	44.79
2017	42.66	45.44	44.41	44.68

Source: Bureau of Labor Statistics

POPULATION

Changes in population within the MSA were generally small on a year to year basis but this variable experiences more positive and negative changes within the time period that other variables examined herein. Specifically, population increases in four of eight years and totals 147,038 in 2017. This figure is an increase of only 86 since 2009. Population changes are also mixed within the counties of the MSA where population also increases four of eight years in Colbert County and five of eight years in Lauderdale. Between 2009 and 2017 population increased by 74 in Colbert County and 12 in Lauderdale County. Small changes in population compared with relatively larger changes in labor force participation as a percentage of the population indicates that care should be given when evaluating the unemployment picture of the MSA discussed previously. State level population also remained mostly flat over the time horizon, increasing by only 2.39%. In a pattern different from the MSA, state population does increase slightly each year.



Population Count by Area 2009 - 2017				
	Colbert	Lauderdale	MSA	State
2009	54,426	92,526	146,952	4,757,938
2010	54,525	92,735	147,260	4,785,579
2011	54,534	92,603	147,137	4,798,649
2012	54,569	92,652	147,221	4,813,946
2013	54,528	92,688	147,216	4,827,660
2014	54,461	92,983	147,444	4,840,037
2015	54,358	92,422	146,780	4,850,858
2016	54,327	92,319	146,646	4,860,545
2017	54,500	92,538	147,038	4,874,747

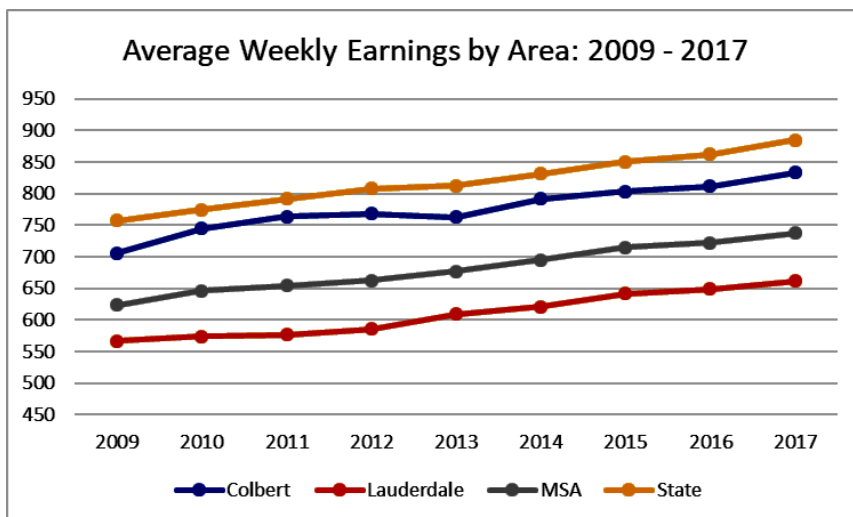
Source: Bureau of Labor Statistics

EARNINGS

Average Weekly Earnings

Average weekly wages have increased each year in the MSA since 2009. Overall, average weekly wages increased from \$624 to \$738, a total of 18.27% between 2009 and 2017. On an annual basis, weekly wages have grown 2.12% per year. During 2009 weekly earnings in the MSA were 17.68% below state average weekly earnings; however, between 2009 and 2017 the average annual growth rate for the state was smaller than the MSA growth rate at 1.96%. Thus, by 2017, average weekly earnings in the MSA are only 16.61% below the state average. While closing the gap by a little more than one percent in eight years is a small change, it does provide a positive signal for the MSA economy.

Examining the counties within the MSA we see an interesting picture. Contrary to other variables examined, Colbert County leads the area in the average weekly earnings category. In 2009, average weekly earnings in Colbert County of \$706 is only 6.9% below the state average and exceeded Lauderdale County average weekly wages by almost twenty-five percent. In fact, average weekly earnings of \$567 for Lauderdale County during 2009 would have to be increased more than 33% to reach the state average. Average weekly earnings increased in six of seven years in Colbert County, ending at \$833. This represents an increase of \$127 per week and \$6,604 per year. Lauderdale County weekly earnings increase each year and were \$662 at the end of 2017. This represents an increase of 16.75% and a total of \$95 per week/ \$4,940 per year. Colbert County weekly earnings grew slightly faster than the state average annually, so they are slightly closer to the state average in 2017 than in 2009. Weekly earnings in Lauderdale County grew at the same average annual rate as the state, therefore their relationship to the state is the same in 2017 as 2009.



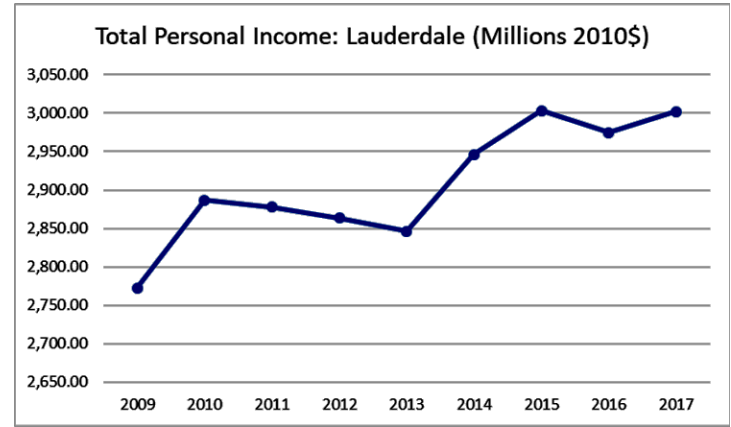
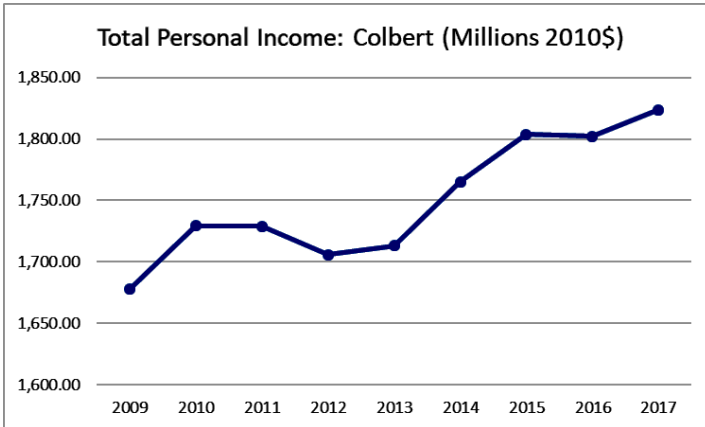
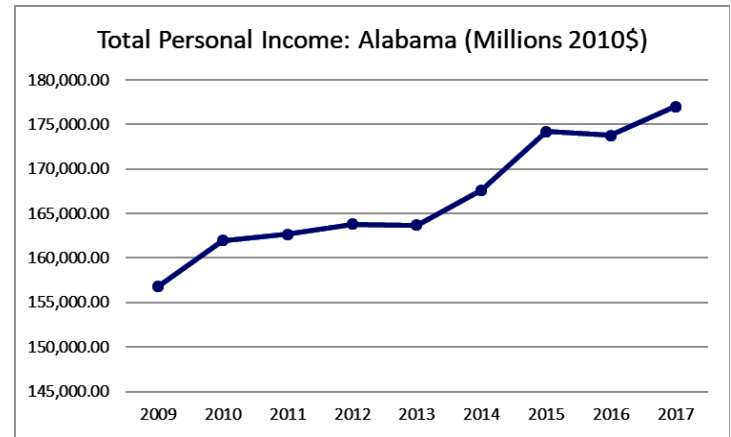
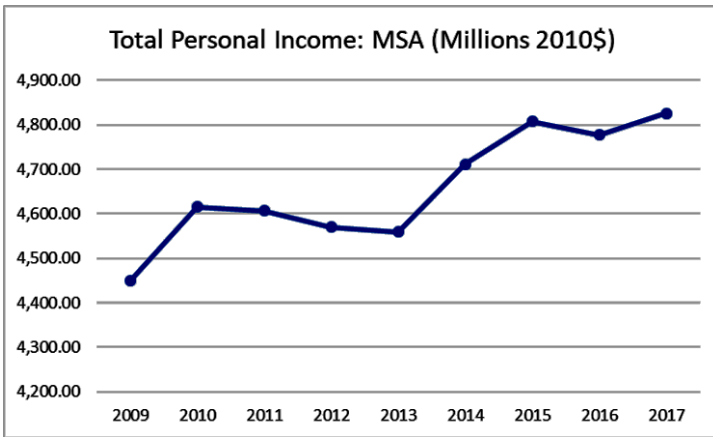
Average Weekly Wages by Area: 2009 – 2017
(2010 Dollars)

	Colbert	Lauderdale	MSA	State
2009	706	567	624	758
2010	745	574	646	775
2011	764	577	655	792
2012	768	586	663	808
2013	763	609	677	813
2014	792	621	695	832
2015	804	642	715	851
2016	812	649	722	862
2017	833	662	738	885

Source: Bureau of Labor Statistics

Total Personal Income

Total Personal Income (TPI) in the MSA experienced both growth and decline during the period between 2009 and 2017. Specifically, TPI increased in 2010, 2014, 2015 and 2017 and decreased during 2011 – 2013 and again in 2016. Overall, even with the decrease in half of the years included in this analysis, TPI increased more than \$375 million (8.44%) between \$4.45 billion in 2009 and \$4.825 billion in 2017. This represents an average annual growth rate of 1.03% for the MSA. However, TPI in the MSA grew slower than the state as the TPI average annual growth rate for the state was over 1.5% during the same time period. Given that most of the MSA population resides in, and the majority of MSA employment is located in, Lauderdale County, it is no surprise that a majority of TPI is positioned in Lauderdale County. In reality, during 2017, 62.21% (approximately \$3 billion) of MSA TPI is credited to Lauderdale County with the remaining \$1.8 billion ascribed to Colbert County. Overall, TPI increased by 8.7% and 8.28% in Colbert County and Lauderdale County respectively. This translates to an average annual growth rate of 1.06% in Colbert County and 1.02% in Lauderdale County. During this same time period, TPI increased by a total 12.9% or an average annual rate of 1.54%.



**Total Personal Income by Region
(Millions \$2010 Dollars)**

	Colbert	Lauderdale	MSA	Alabama
2009	1,677.87	2,772.39	4,450.26	156,807.22
2010	1,729.43	2,886.40	4,615.80	161,965.53
2011	1,729.15	2,877.42	4,606.53	162,645.32
2012	1,706.07	2,863.50	4,569.60	163,806.46
2013	1,713.17	2,846.05	4,559.19	163,671.59
2014	1,765.37	2,946.04	4,711.38	167,604.87
2015	1,803.93	3,003.10	4,807.08	174,190.49
2016	1,802.10	2,974.94	4,777.05	173,801.98
2017	1,823.87	3,001.83	4,825.67	177,035.62

Source: Bureau of Labor Statistics

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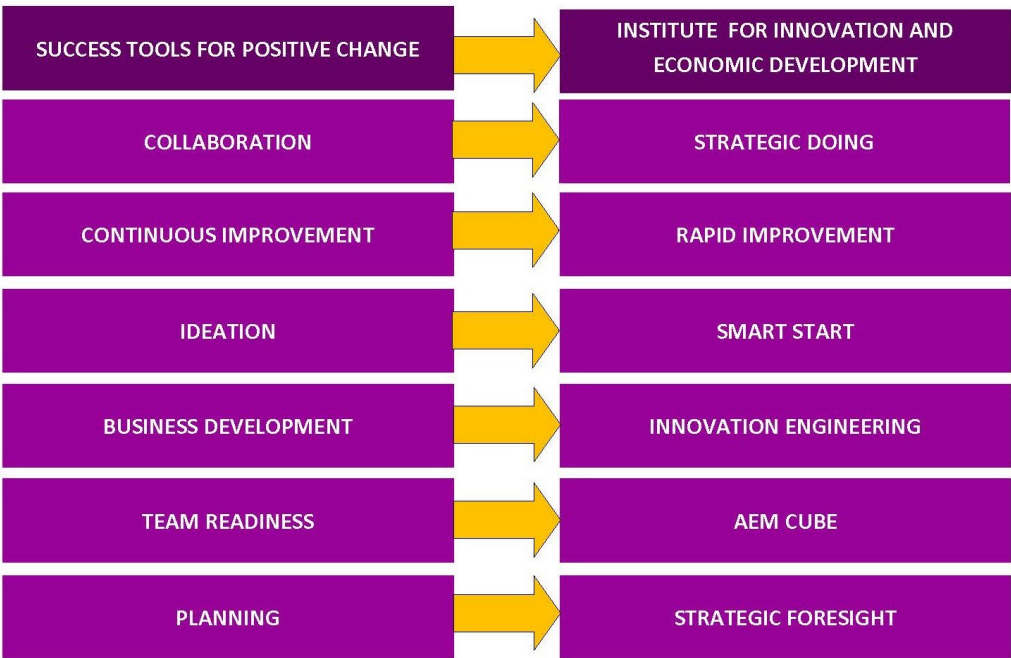
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In today’s world the shift to complexity and need for rapid changes is all around us- in our corporations, institutions, and non-profit organizations. Finding ways to assist leaders to implement change and learn new ways of thinking, behaving and doing is what the offerings that Institute for Innovation and Economic Development provides. The chart highlights the areas of focus and the available programs.



Strategic Doing[™]
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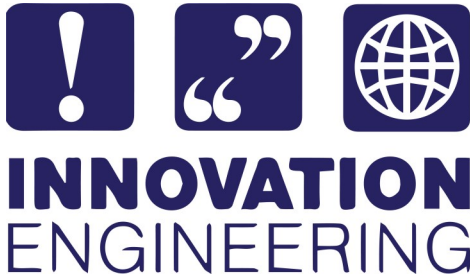
Strategic Doing teaches people how to form collaborations quickly, move them toward measurable outcomes, and make adjustments along the way. In today’s world, collaboration is essential to meet the complex challenges we face. Strategic Doing enables leaders to design and

guide new networks that generate innovative solutions. It is a new strategy discipline that is lean, agile, and fast—just what organizations, communities and regions need to survive and thrive. The Institute offers workshops and practitioner training to private and public sector organizations. As an affiliate of the Strategic Doing Institute the certified fellows can lead workshops, the 2.5 day practitioner training course and present keynote and half day introductory sessions.

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RAPID
 IMPROVEMENT
with LEAN TOOLS

Smart Start allows people to form teams, develop ideas into products and teaches innovation skills in a facilitated 1.5 day training program. Focused for students in higher education, high school and for use in a company the tools used are based on the internationally successful Innovation Engineering.



Innovation Engineering is a groundbreaking program that provides a systematic approach to innovation. IE allows you to build systems that make it possible, practical and easy for everyone to innovate, everywhere, in everything they do. The fundamental concepts of the program include tools and methods for Creating, Communicating and Commercializing meaningfully unique ideas. Taught in as few as a couple of days to a full minor program there are many options available. Our certified black belt trainers can assist your team in using the tools to improve your organization's results.

AEM Cube is a cutting-edge management tool that identifies and aligns the strategic diversity within an organization so that performance is optimized. We help management identify how teams interact and how to get the greatest contribution from each individual, team and unit. This in turn maximizes both productivity and profit. Human Insight's exclusive suite of 3D tools visualize where individuals contribute optimally to overall team and organization growth. The AEM-Cube is delivered as an online questionnaire form that provides you as an individual with a comprehensive report describing where you add value and what this means for you in a team and organizational setting. The acronym "AEM" is derived from the methodologies three core dimensions - Attachment, Exploration and Managing contribution. The 'Cube' in the name refers to the fact that these three dimensions can be portrayed in a three-dimensional space. Our certified trainers can assist your team to understand the AEM Cube report and the actions that they can take to improve results.



Strategic Foresight uses six critical steps to develop the foresight you need to navigate in this rapidly changing environment: Framing, Scanning, Forecasting, Visioning, Planning, and Acting. Our facilitator can guide your team through the 6 steps and assist your team as they make decisions about your organization's future state.



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