

REGIONAL PERSPECTIVES

Alabama Economic Outlook



J.P.Morgan

Economic Forecast

OUTPUT AND EMPLOYMENT

	2007	2008	2009	2010	2011	2012	2013	2014	2015
United States									
Real GDP									
\$ billions (fourth quarter)	\$14,996	\$14,575	\$14,540	\$14,942	\$15,242	\$15,540	\$15,942	\$16,501	\$17,120
% change over the four quarters	1.9%	-2.8%	-0.2%	2.8%	2.0%	2.0%	2.6%	3.5%	3.8%
Nonfarm employment									
Job count (fourth quarter)	138,246,000	135,493,667	129,877,667	130,652,000	132,642,667	134,853,667	137,247,667	139,694,848	141,679,460
% change over the four quarters	0.9%	-2.0%	-4.1%	0.6%	1.5%	1.7%	1.8%	1.8%	1.4%
Average monthly change	101,667	-229,361	-468,000	64,528	165,889	184,250	184,250	184,250	184,250
Alabama									
Real GDP									
\$ billions (fourth quarter)	\$156	\$154	\$151	\$154	\$156	\$158	\$160	\$164	\$169
% change over the four quarters	0.8%	-1.3%	-1.5%	2.0%	1.1%	1.2%	1.5%	2.4%	3.0%
Nonfarm employment									
Job count (fourth quarter)	2,012,367	1,963,867	1,864,900	1,873,500	1,872,800	1,891,867	1,912,867	1,923,803	1,935,945
% change over the four quarters	1.4%	-2.4%	-5.0%	0.5%	0.0%	1.0%	1.1%	0.6%	0.6%
Average monthly change	2,250	-4,042	-8,247	717	-58	1,589	1,750	911	1,012

WHAT THE TABLE SHOWS:

- Alabama's GDP forecast is derived from the national forecast by allocating output to each of the 50 states based on employment shares. So, forecast misses reflect surprises in the aggregate forecast as well as unexpected shifts in a state's GDP share.
- Alabama's economic recovery has lagged the nation's so far, especially in the last year, and may continue to do so for a while.

KEY MESSAGES:

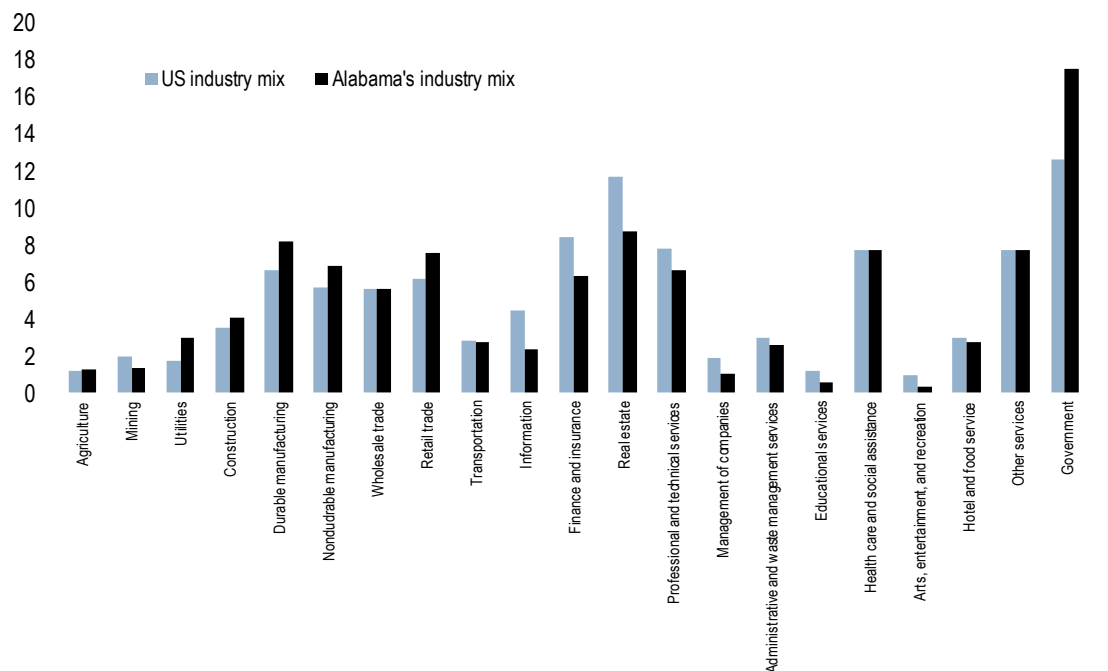
- Alabama's economy is forecast to speed up in 2014 and 2015.

Note: GDP figures are based on quarterly values that are interpolated from annual GDP estimates using quarterly employment changes. Unbolded figures are reported actual values and bold figures represent forecasts.

Sources: US Department of Commerce; US Department of Labor.

The Economy's Structure

PERCENT OF TOTAL GDP DERIVED FROM SELECTED INDUSTRIES



WHAT THE CHART SHOWS:

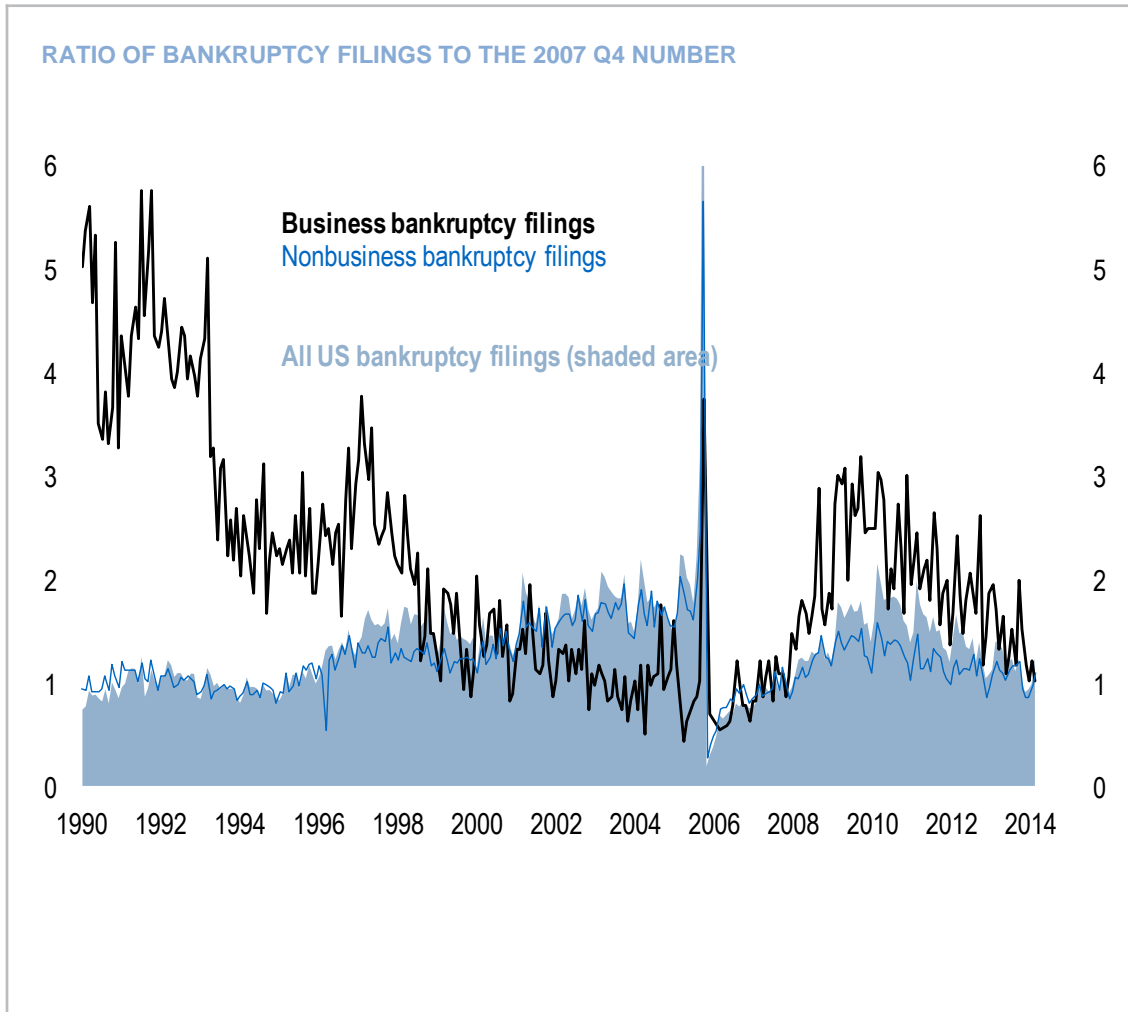
- The figure compares the relative importance of selected industries to the state's economy with the national footprint of each industry (state and national figures reflect the value added of each industry as a percent of aggregate state or US nominal GDP, respectively).
- Durable manufacturing (motor vehicles) and retail trade, together with government activities, account for a bigger share of Alabama's economy compared with the national average.

KEY MESSAGES:

- Alabama's economy is supported somewhat by the reviving motor vehicle industry.

Source: US Department of Commerce. Updated through 2011.

Bankruptcies



WHAT THE CHART SHOWS:

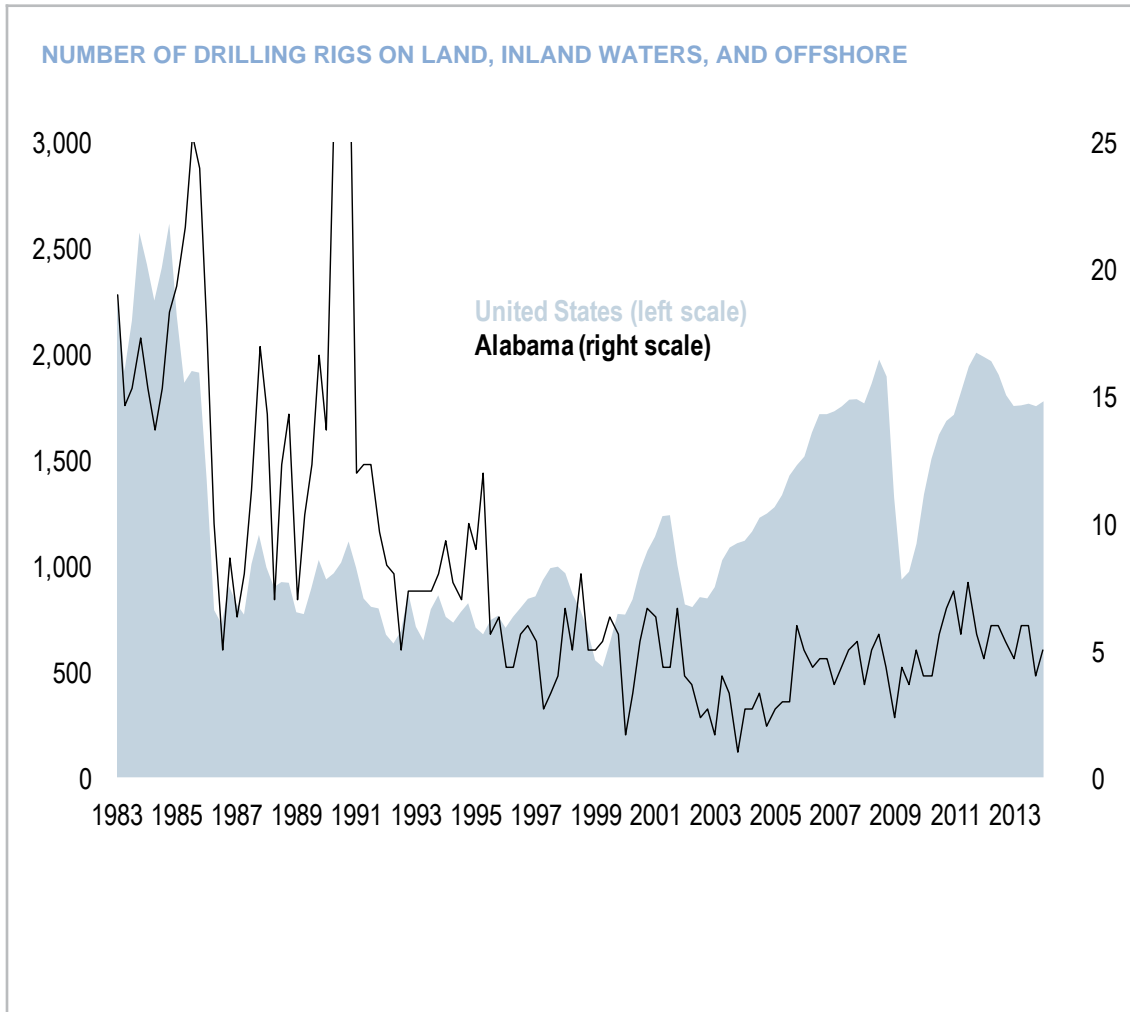
- The figure illustrates trends in bankruptcy filings by businesses and persons relative to the number of filings in 2007 Q4, prior to the recession.
- Bankruptcy filings have fallen back to pre-recession levels.

KEY MESSAGES:

- Indicators of financial stress are a useful coincident indicator of economic distress.
- The gradual decline in bankruptcy filings is a good omen for the state's economic outlook.

Source: Administrative Office of the U.S. Courts; Updated through March 2014.

Oil & Gas Activity



WHAT THE CHART SHOWS:

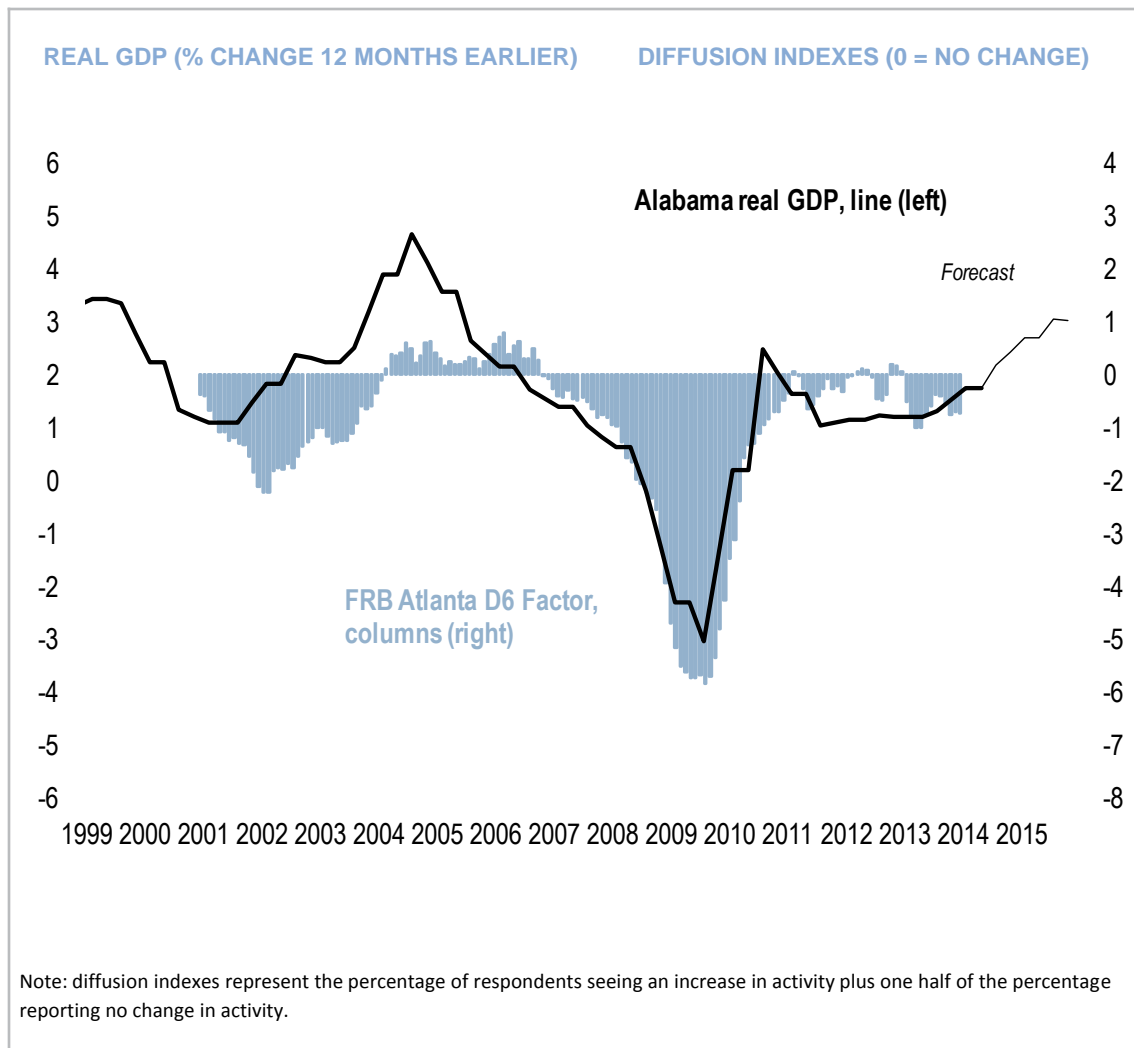
- The figure illustrates recent trends in the rig count for petroleum drilling operations.
- Oil and gas drilling activity in Alabama is stable.

KEY MESSAGES:

- Alabama’s small energy sector is bringing welcome help to an otherwise slow economy.

Source: Baker Hughes rig count. Updated through 2014 Q1.

FRB Atlanta Business Survey



WHAT THE CHART SHOWS:

- The figure compares an index of business activity produced by the Federal Reserve Bank of Atlanta (referred to as the D6 Factor) with Alabama's real GDP growth. The index is an estimate of the trend common to 25 distinct monthly series of economic data for the six states in the Bank's region. The D6 Factor filters out idiosyncratic shocks that disproportionately affect individual states. A "0" value for the index appears to match trend-like growth for the national economy.
- The FRB Atlanta's index stands at a level consistent with moderate growth.

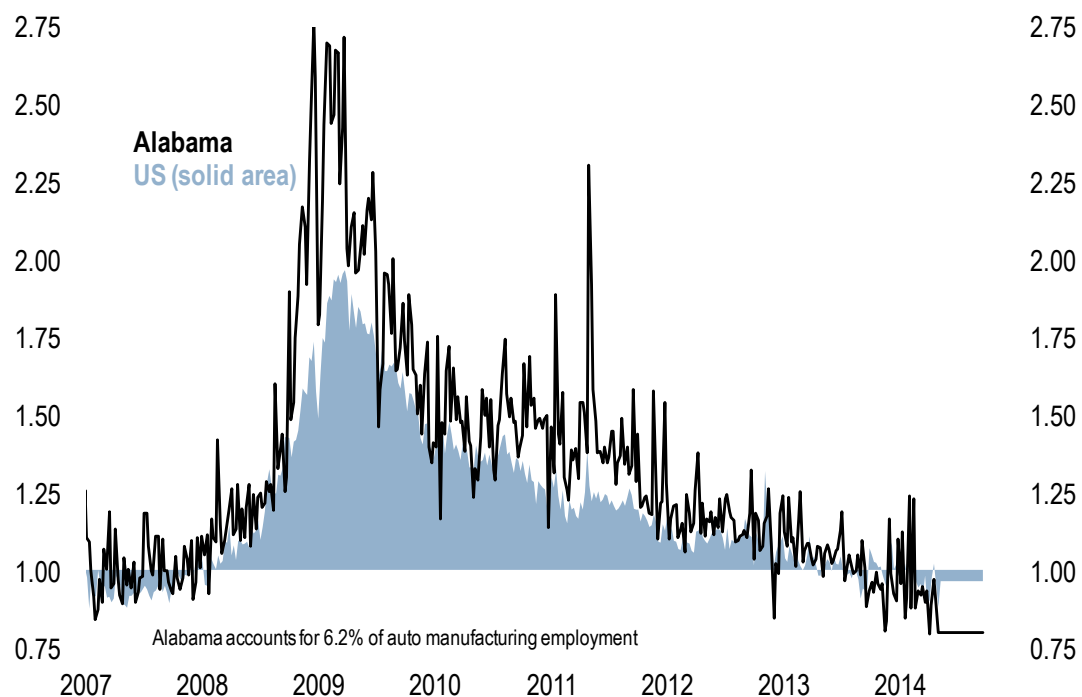
KEY MESSAGES:

- The Southeast region of the country is recovering but at a slow pace.

Sources: Federal Reserve Bank of Atlanta; US Department of Commerce. Updated through December 2013 (surveys) and 2014 Q1 (GDP).

Initial Jobless Claims

RATIO OF INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE TO THE 2007 Q4 LEVEL



WHAT THE CHART SHOWS:

- The figure tracks layoffs in Alabama and the national level of claims.
- Weekly layoffs, both the state and national tallies, are illustrated in the figure as a ratio to the level of layoffs in the fourth quarter of 2007, prior to the recession.
- Layoffs are down to low levels.

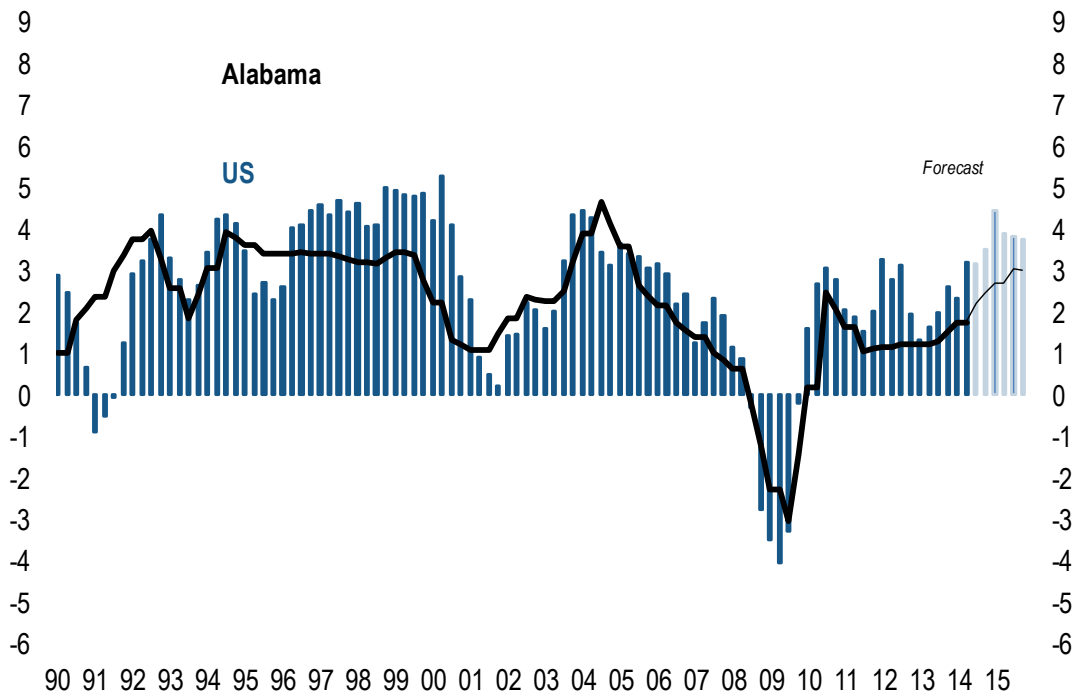
KEY MESSAGES:

- Layoffs are a useful (comprehensive) and timely indicator of economic activity and the drop-off in layoffs bodes well for the future.

Source: US Department of Labor. Updated through May 17, 2014 (state) and May 24, 2014 (US).

Economic Growth

REAL GDP GROWTH (PERCENT CHANGE FROM FOUR QUARTERS EARLIER)



WHAT THE CHART SHOWS:

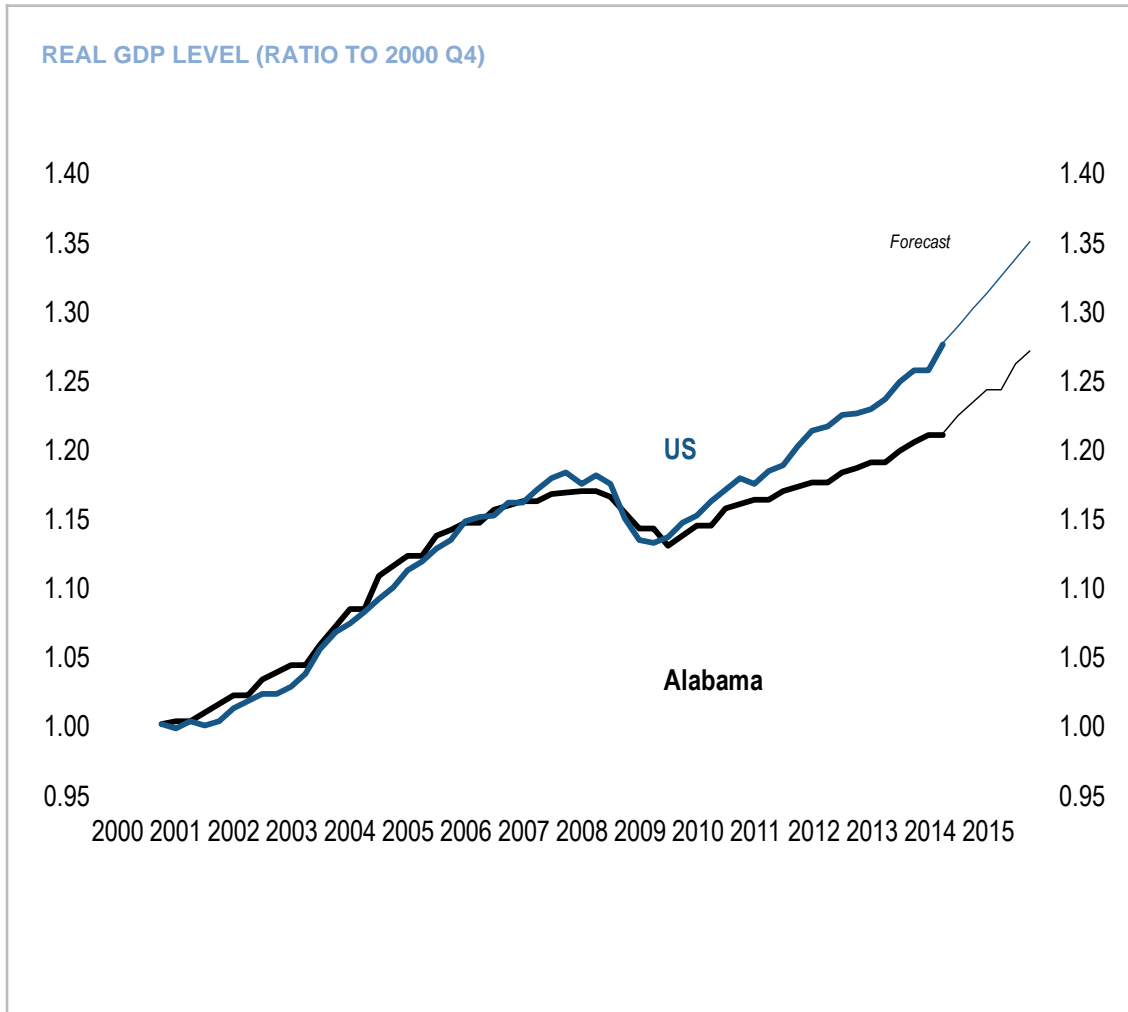
- Real GDP growth in Alabama (the line in the figure) is superimposed on top of US real GDP growth (bars in the figure).
- Alabama’s economy is lagging the pace of the national recovery.

KEY MESSAGES:

- Alabama’s economic recovery is likely to be slower than the national recovery, owing to lingering real estate drags.

Source: US Department of Commerce. Updated through 2012 (state) and 2014 Q1 (US). Quarterly estimates for states after 2012 are interpolated from employment figures (through April 2014), based on the historical correlation of state and national employment changes.

Economic Output



WHAT THE CHART SHOWS:

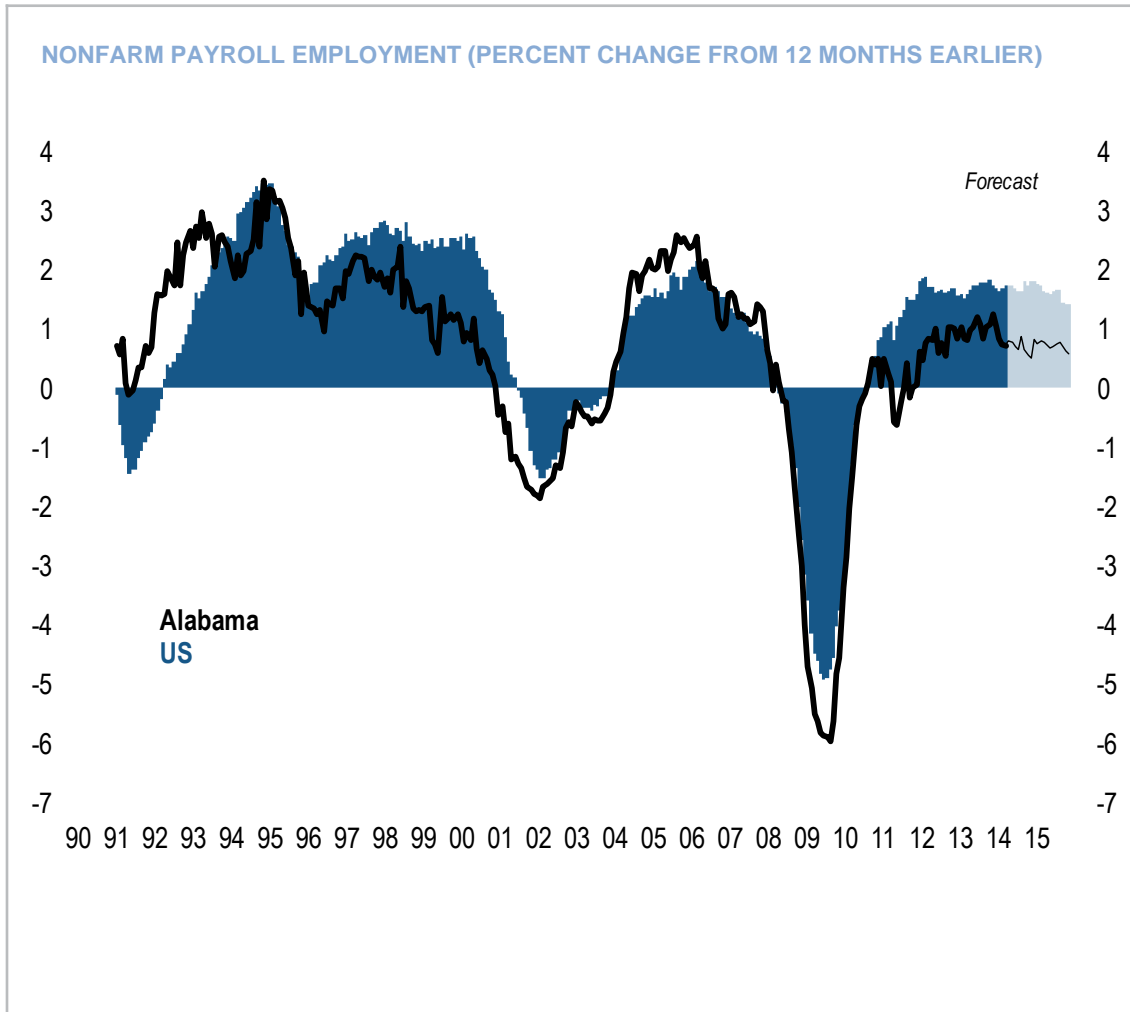
- The figure illustrates the evolution of real GDP of the state and the overall US economy since the fourth quarter of 2000, the peak of the previous business cycle—that is, at any point in time the lines trace the ratio of real GDP to its level in 2000 Q4.
- Alabama tracked the national economy in the last decade, aided by the real estate boom, but its recovery has been slow going.

KEY MESSAGES:

- Alabama’s economy, like most others, is expected to speed up slightly, but to grow at a moderate pace for a while.

Source: US Department of Commerce. Updated through 2012 (state) and 2014 Q1 (US). Quarterly estimates for states after 2012 are interpolated from employment figures (through April 2014), based on the historical correlation of state and national employment changes.

Employment Growth



WHAT THE CHART SHOWS:

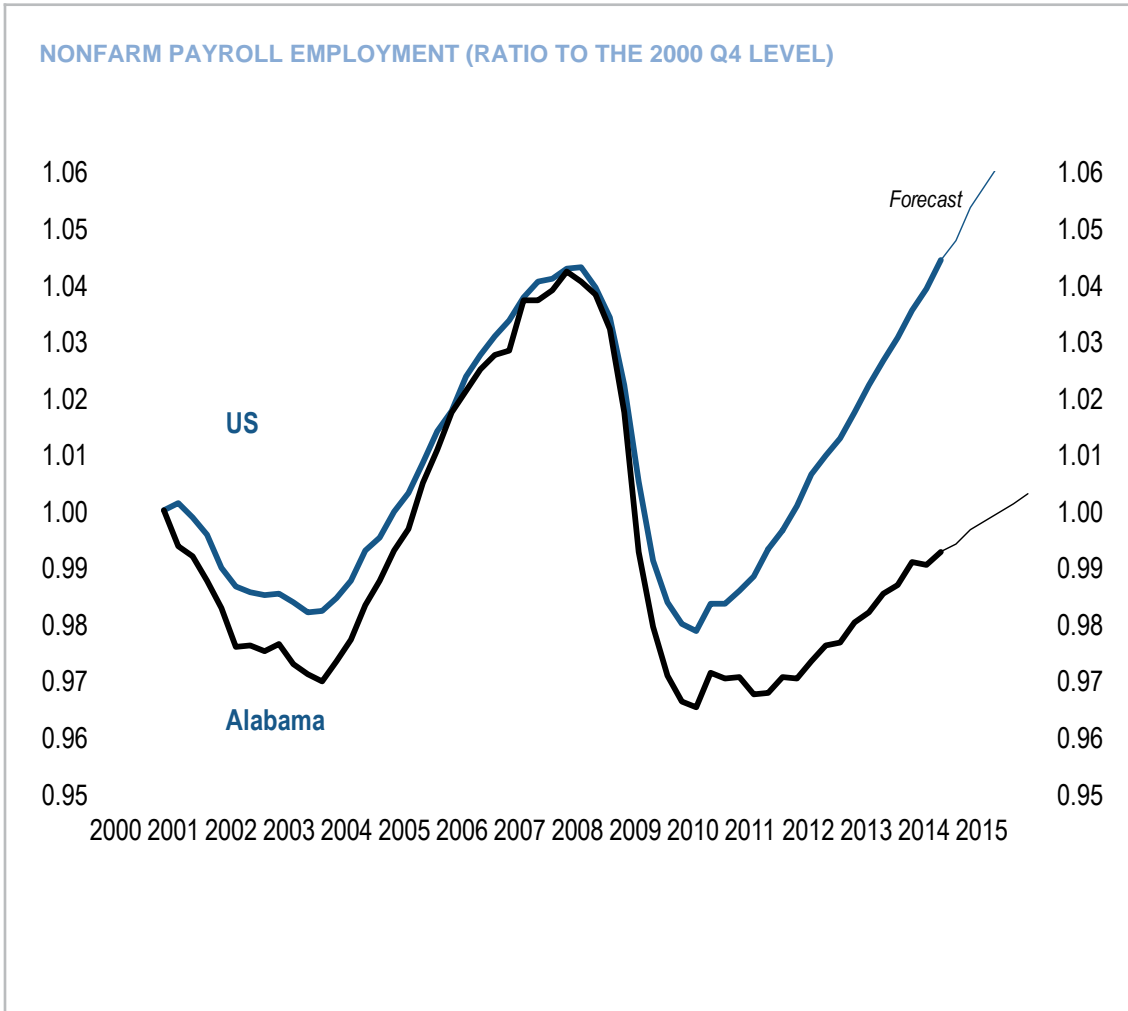
- Job growth in Alabama is lagging the nation's.

KEY MESSAGES:

- The state is making slow progress out of the recession.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).

Employment



WHAT THE CHART SHOWS:

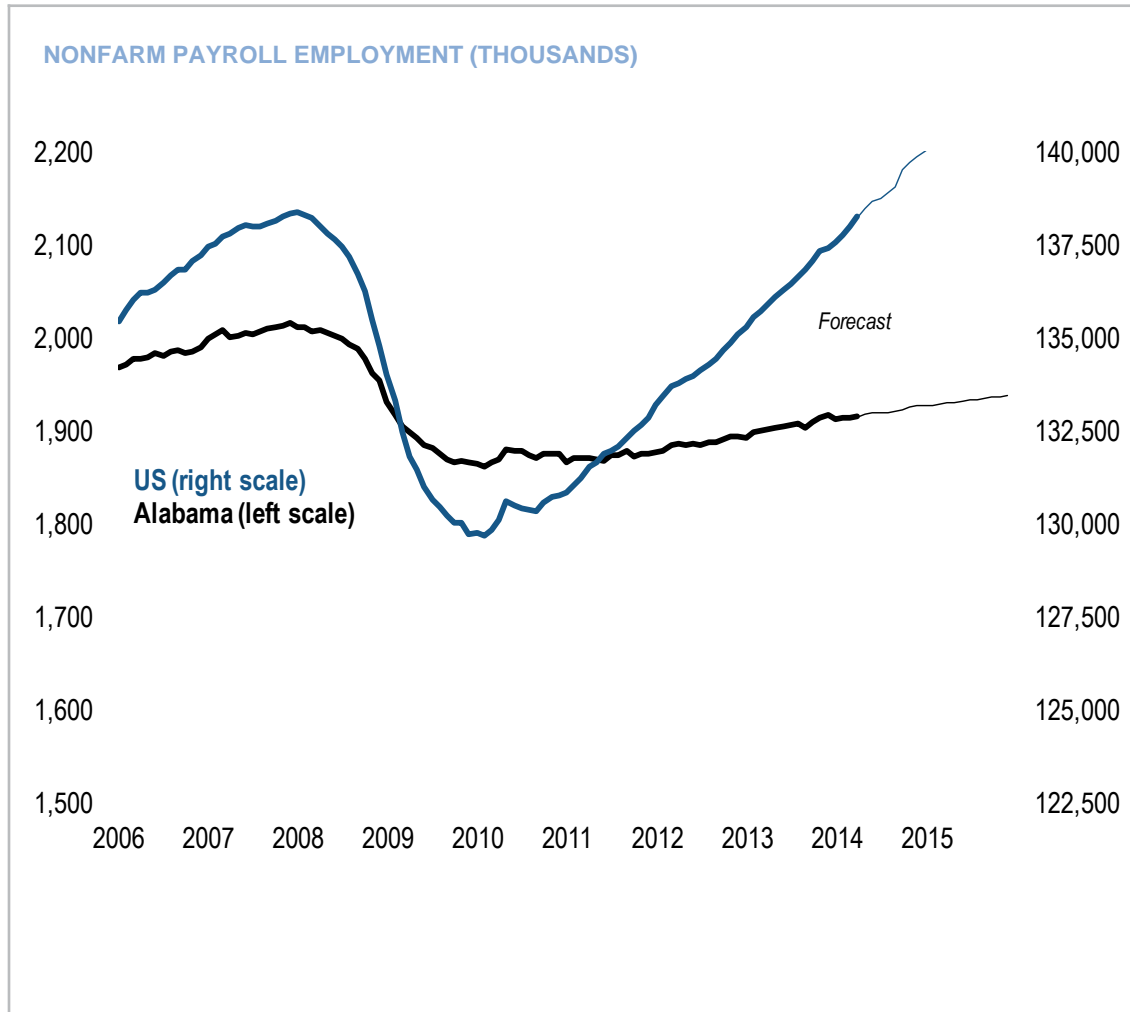
- The figure illustrates the evolution of employment in the state compared with the nation since 2000 Q4, the peak of the previous business cycle. The lines trace out the ratio of employment at the time to employment in 2000 Q4.
- Alabama’s employment count, although recovering, is far below the 2007 peak level.

KEY MESSAGES:

- The recession took a bigger toll on Alabama’s economy than that of many other states, but the state’s economy is forecast to continue to mend.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).

Employment



WHAT THE CHART SHOWS:

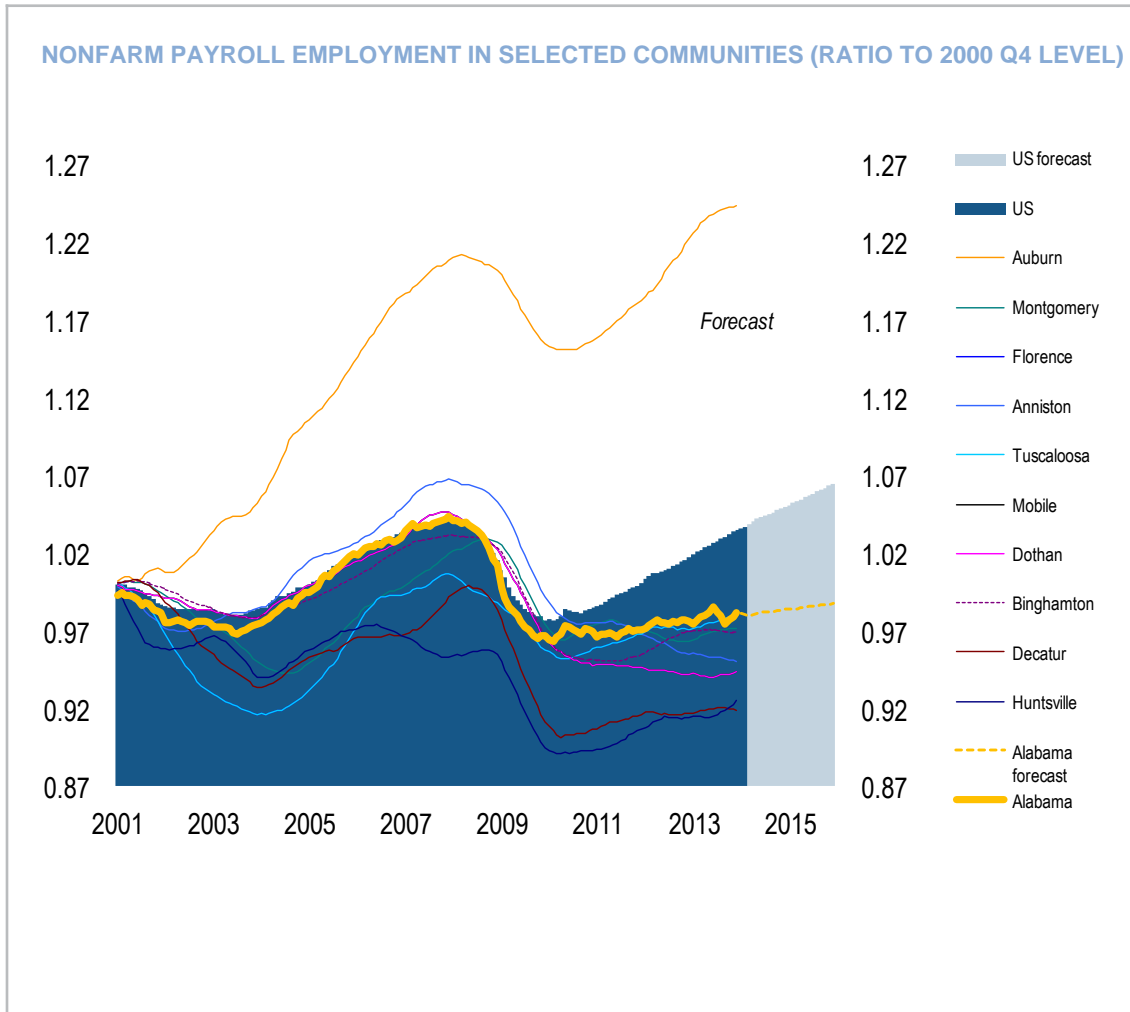
- Employment expanded about 12 percent in the 2000s, far more than the national average.
- Employment trends appear to be expanding at a relatively slow rate.

KEY MESSAGES:

- The outlook calls for little change from recent trends.

Source: US Department of Labor. Updated through December 2013 (state) and February 2014 (US).

Intrastate Employment



WHAT THE CHART SHOWS:

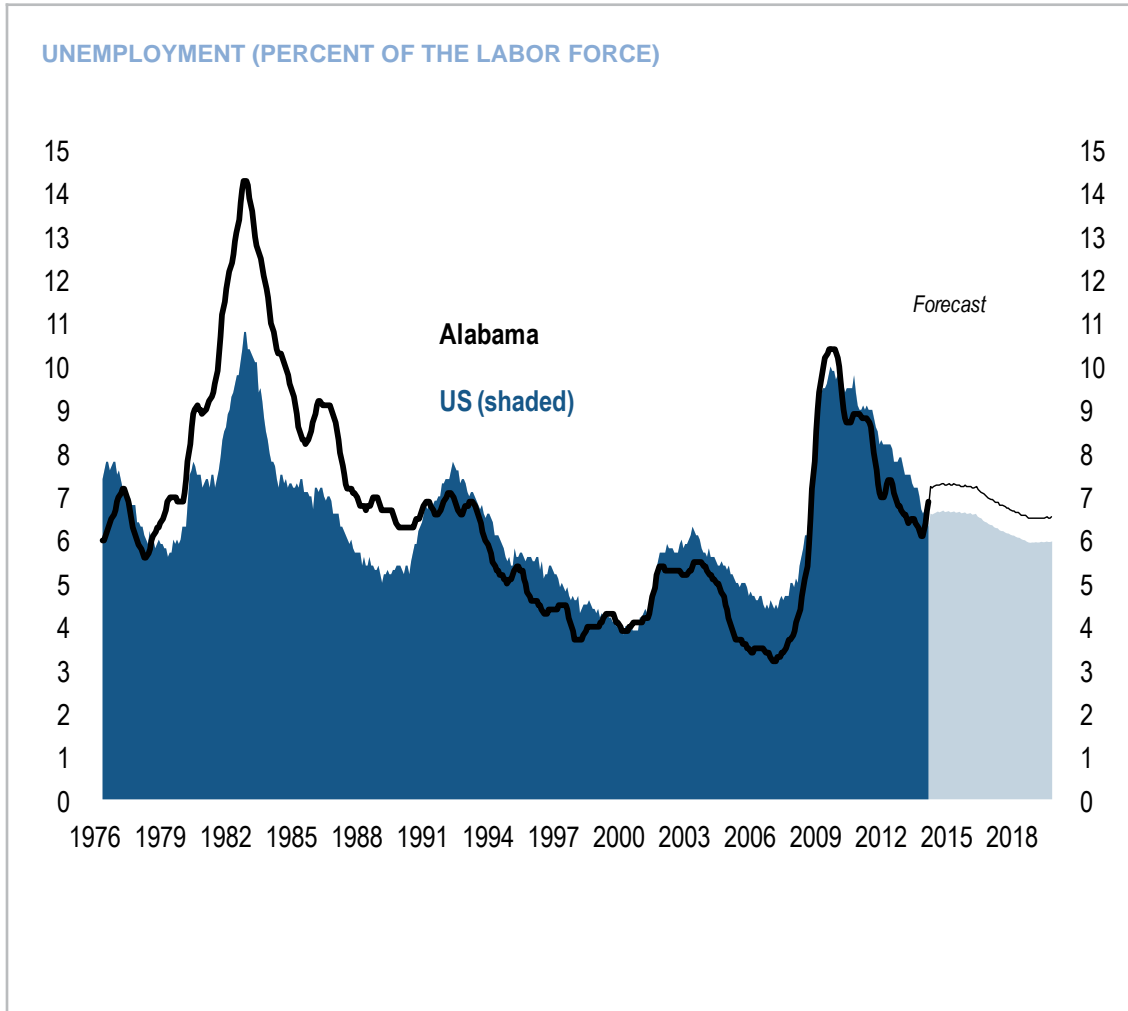
- The figure illustrates job trends in selected communities across the state of Alabama.
- Local economic conditions vary widely across the state but Auburn stands out as a dynamic pocket in a slowly-recovering state.

KEY MESSAGES:

- Real estate excesses, and the recession in home building, have been only partially counterbalanced by the recovery from Hurricane Katrina damage along the Gulf of Mexico coast line.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).

Unemployment



WHAT THE CHART SHOWS:

- Unemployment rate trends in Alabama, compared with the national average.
- Unemployment peaked at 11 percent in the recession and fell to as low as 6 percent before edging back up a little.

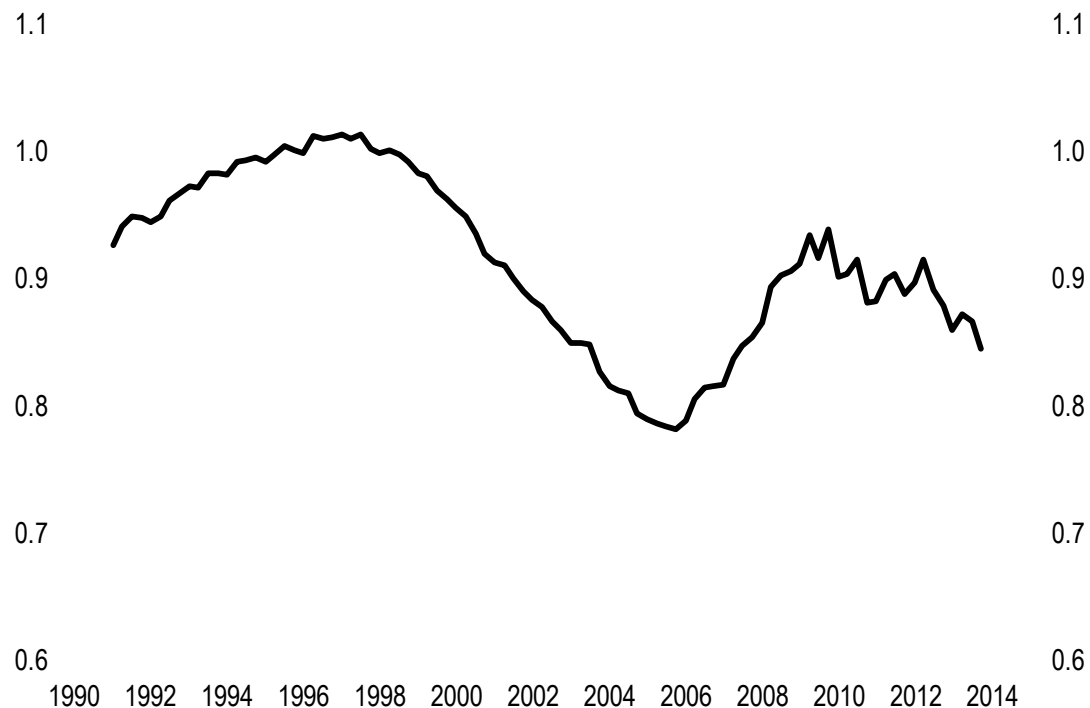
KEY MESSAGES:

- The unemployment rate is the single best indicator of the relative economic performance of a region.
- The state's unemployment rate is matching the decline at the national level.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).

Relative House Prices

RATIO OF THE STATE'S HOUSE PRICES TO THE NATIONAL AVERAGE (1995 Q2 = 1.0)



WHAT THE CHART SHOWS:

- The figure tracks the relative price of houses in the state versus the nation—that is, it reflects the ratio of the state price index to the national house price index, with that ratio set to unity in the summer of 1995. A drop in the line means that house prices in the state lag the national trend. States that did not suffer from speculative conditions saw a decline in the relative price of houses in this last decade.
- House prices in Alabama did not rise as much as they did nationally during the housing boom in the last decade.

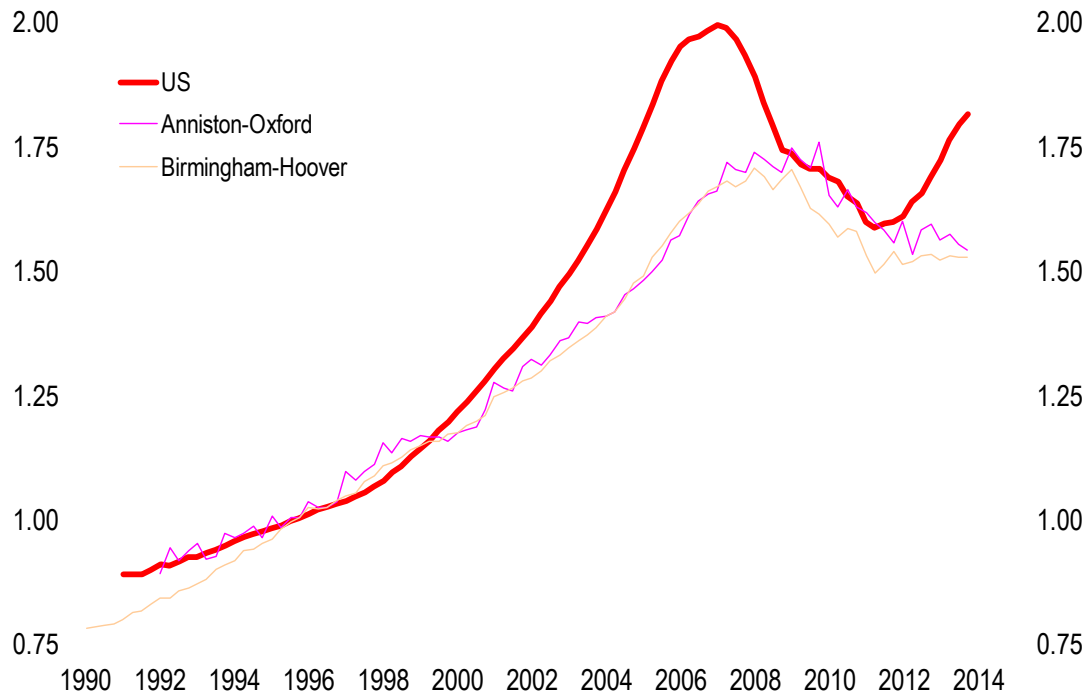
KEY MESSAGES:

- Real estate speculation was not as severe in Alabama as it was in Florida or out west.

Source: FHFA. Updated through 2013 Q4.

Real Estate Markets

HOUSE PRICES IN SELECTED COMMUNITIES (RATIO TO THE 1995 Q2 LEVEL)



WHAT THE CHART SHOWS:

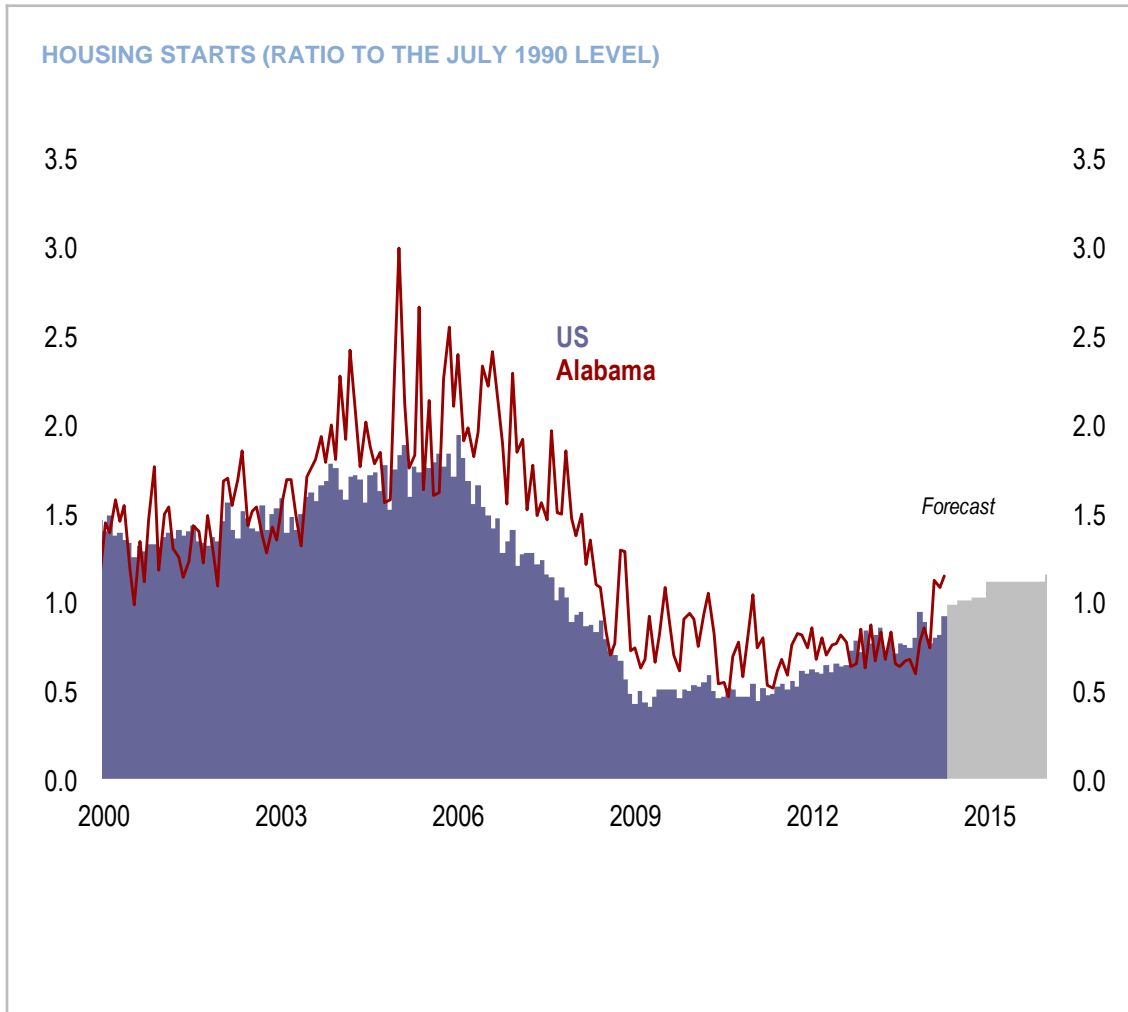
- The figure tracks the cumulative percentage deviation in house prices since 1995 in selected local markets and compares those with the national average.
- House prices are steady.

KEY MESSAGE:

- Trends across the state are similar.

Source: FHFA. Updated through 2013 Q4.

New Home Building



WHAT THE CHART SHOWS:

- The state's home building pace, compared with the national average.
- Home building is down considerably from the 2006 peak, but may be reviving.

KEY MESSAGES:

- Housing's recovery will bring considerable relief to the state's economy in the coming year.

Source: Census Department. Updated through March 2014 (state) and April 2014 (US).

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