



# **UNIVERSITY OF NORTH ALABAMA REGIONAL ECONOMIC UPDATE**

January 2022



Institute for Innovation and Economic Development  
College of Business and Technology  
University of North Alabama  
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# INTRODUCTION

Similar to the July 2021 update, the economy within the Florence-Muscle Shoals MSA continues to improve despite the continuing waves of COVID-19 variants. Based on labor market performance, the period from June through November 2021 represents the healthiest the economy has been since the beginning of the pandemic. The previous edition noted that labor market conditions at the time presented a significant concern. Since that time, labor market conditions have changed significantly. Although neither total, nor private non-farm, employment have returned to pre-pandemic levels, five consecutive months of progress has seemingly broken the negative patterns discussed previously. Labor force and employment data painted a dismal picture between the end of 2020 and May 2021. Since this time, labor force participation and employment have both enjoyed positive gains. The MSA unemployment rate has also trended down except for a slight increase during November 2021. Such small increases in the unemployment rate are expected to occur when labor force participation is expanding more rapidly than employment. This is exactly what occurred during November 2021. As in previous editions, all data included in this edition is collected from the Bureau of Labor Statistics (BLS).

Despite improvements within the labor market, supply shortages continue to significantly impact certain industries. These supply shortages and other factors are contributing to continued inflationary concerns within the MSA and around the United States. A discussion of inflation in the previous edition outlined possible long-term concerns, while taking an optimistic approach regarding short term inflationary pressure. Inflation has continued to rise since July 2021, with the twelve-month percent change at a forty-year high, and now poses more of a concern in the near term. While these pressures may be alleviated as supply chain issues are resolved, hopefully in the near future, producer prices continue to rise – increasing the inflationary pressure. This edition investigates inflation further comparing Consumer Price Index (CPI) data for the U.S. Average and specifically for the East South Central region. The East South Central region is comprised of Alabama, Mississippi, Tennessee and Kentucky. Inflation in the local region is rising faster than the U.S. Average over the last twelve months. Additionally, inflation is further discussed by examining major categories and individual goods and services. This analysis reveals that – within the region and across the U.S. – inflation has varied widely within and between major categories with used cars and trucks, regular gasoline, motor vehicle insurance and commodities leading the inflationary surge.

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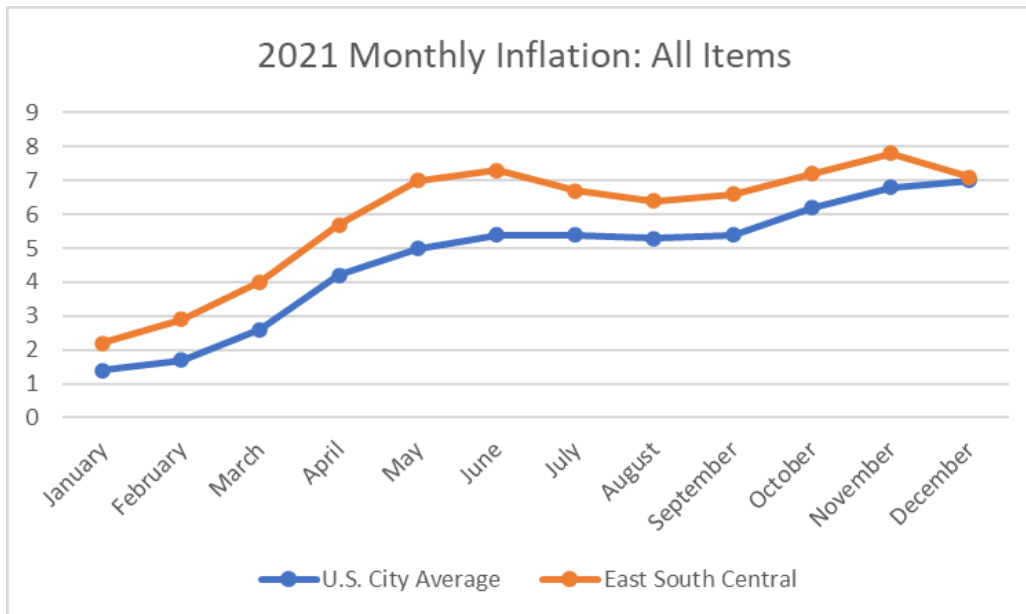


## 2021 MONTHLY INFLATION ESTIMATES

Over the last six months, inflation has remained at the forefront of economic discussions as packaging sizes continue to decrease and prices continue to increase. As noted in the previous edition, national inflation during April – as measured by the Consumer Price Index (CPI) – rose above 3% for the first time in more than a decade. Since that time, inflation (U.S. City Average: All Items) has continued to rise and during December 2021 the CPI twelve-month percent change was 7% at the national level. This represents the highest twelve-month percent change in forty years. On an annualized basis, inflation is an average of 4.7% for 2021. The last time the twelve-month percent change was below 5% was April 2021. In fact, since April, inflation has risen during five of the last eight months. Specifically, after increasing to 5.4% during June 2021, inflation remained steady between 5.3% and 5.4% through September. Inflation during October 2021 rose to 6.2%, the largest increase since May 2021. Inflation continued increasing at a slower rate during November and December 2021, ending the year at 7%.

While the U.S. City average (USC) inflation rate provides some general information regarding inflation, different areas of the U.S. may experience inflation rates that are different than the U.S. average. Unfortunately, inflation data is not available at the MSA level for the Florence-Muscle Shoals area. However, the Bureau of Labor Statistics (BLS) does provide inflation data for some areas smaller than the USC, which allows us to obtain a clearer picture of local inflation. Since 2019, the BLS has published inflation data for the East South Central (ESC) statistical area (Alabama, Mississippi, Tennessee, and Kentucky). Examining the chart and table below we find that the “All Items” inflation rate within the ESC has outpaced the USC “All Items” rate during all twelve months of 2021. As shown below, inflation within the ESC was the largest during November at 7.8%. At only 1 percentage point USC during October and November, inflation within the ESC was closer to the USC average than at anytime since January 2021. The inflation gap between the ESC and USC began widening in February and continued to get larger until June when the gap was 1.9% (ESC June inflation rate = 7.3%). Since June, the inflation gap narrowed and preliminary estimates for December 2021 have the gap between ESC and USC at only 0.1%.

Similar to the USC, lower inflation estimates from early 2021 have a diminution impact on the 2021 average annual inflation rate, bringing it down to 5.9%. Examining the monthly 12-month percent change for the ESC reveals more volatility within the ESC than the USC. ESC inflation reached 7% during May 2021 while USC inflation did not reach 7% until December. ESC inflation then moved back below the 7% mark in July and remained below 7% until October. November experienced the highest 12-month inflation rate at 7.8%. ESC inflation decreased to 7.1% during December and it will be interesting to see if, during 2022, this is the beginning of a downward trend or just a small reprieve similar to July and August 2021. Given that producer price inflation estimates during December 2021 were in excess of 9%, it is likely that this is only a small reprieve – only time will tell. Comparing ESC to USC, we find that USC inflation increased in all but two months during 2021. Specifically, USC inflation was constant during July and decreased by 0.1% during August 2021. USC inflation was the largest in December 2021, estimated to be 7%. USC December inflation is a slight increase (0.2%) from November – during the same period when ESC inflation was falling.



### **2021 Monthly Inflation: All Items**

<b>Month</b>	<b>U.S. City Average</b>	<b>East South Central</b>
<b>January</b>	1.4	2.2
<b>February</b>	1.7	2.9
<b>March</b>	2.6	4
<b>April</b>	4.2	5.7
<b>May</b>	5	7
<b>June</b>	5.4	7.3
<b>July</b>	5.4	6.7
<b>August</b>	5.3	6.4
<b>September</b>	5.4	6.6
<b>October</b>	6.2	7.2
<b>November</b>	6.8	7.8
<b>December</b>	7	7.1
<b>Annual</b>	<b>4.7</b>	<b>5.9</b>

Source: Bureau of Labor Statistics

## **INFLATION BY MAJOR CATEGORY: 2019 - 2021**

Parallel to the discussion of inflation varying among regions, investigating average inflation estimates for “all items” does not provide much information about various sectors of the economy. In fact, inflation can and does vary among industry groupings within an economy. This section of the update examines inflation by major category for the ESC region between 2019 and 2021. USC inflation rates by major category are provided for comparison purposes. “All Items” estimates are also included as a reference for each year.

Simple examination of the table below indicates that major categories within the economy experience varying rates of inflation both within and between years. Concerning “All Items”, inflation within the ESC region and USC was well below the Federal Reserve (FED) target of 2% during 2019 and 2020. As noted previously, both regions are well about the FED target during 2021.

Concerning the ESC region, Apparel, Transportation and Motor Fuel industries experienced deflation during 2019 and 2020; however, Transportation and Motor Fuel experienced the largest inflationary increase during 2021. Transportation increased by 18.3% while Motor Fuel increased by 38.9%, with 2021 inflation measures far exceeding the modest reductions enjoyed during 2019 and 2020. After two consecutive years of deflation in the Apparel industry, this category enjoyed the most modest inflation during 2021 – with an average annual inflation rate of 1%. Medical Care costs decreased by 1.8% during 2019 and only a small 0.5% increase during 2020. As expected, during an ongoing pandemic, Medical Care inflation increased drastically during 2021, increasing by 3.3%.

With the exception of Food Away from Home, all other major categories experienced “normal” inflation at or near the FED target during 2019 and 2020. Food Away from Home experienced the highest inflation rate of any major category during 2019, registering 3.2% inflation. This 3.2% inflation during 2019 represents the largest inflation of any category during the 2019 and 2020 time periods. Food Away from Home also exhibited the highest inflation rate during 2020, at 2.6%. However, 2020 general Food and Beverage inflation is also at 2.6%. Moving on to 2021, Apparel (1%) and Receptions (1.9%) are the only categories registering inflation below the FED target during 2021. Furthermore, Food Away from Home (4.3%) is the third largest inflation category during 2021, and inflation exceeds 3% in all other major categories during 2021.

**Annual CPI All Urban Consumers: East South Central**

<b>Major Category</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>All Items</b>	0.6	0.7	5.9
<b>Apparel</b>	-3.7	-4.0	1.0
<b>Education and Communication</b>	0.2	1.4	3.1
<b>Food and Beverage</b>	1.3	2.6	3.9
<b>Housing</b>	1.7	2.2	3.5
<b>Household Furnishings and Operations</b>	2.1	2.4	4.0
<b>Fuels and Utilities</b>	0.6	0.3	3.7
<b>Medical Care</b>	-1.8	0.5	3.3
<b>Recreation</b>	1.8	0.6	1.9
<b>Transportation</b>	-0.2	-3.8	18.3
<b>Food Away from Home</b>	3.2	2.6	4.3
<b>Motor Fuel</b>	-5.6	-17.6	38.9

Source: Bureau of Labor Statistics

Many similarities are found when comparing inflation by major category for the ESC and USC region. The USC region also has two major categories where inflation is measured at a rate below the FED target; however, the categories are different. In the USC case Education and Communication (1.6%) and Medical Care (1.2%) inflation are below 2% during 2021. Many other similarities exist and can be inspected further by examining the tables provided. The remainder of this section investigates differences between ESC and USC inflation by category between 2019 and 2021. As noted previously, ESC inflation for “All Items” is higher each month during 2021. Additionally, during 2021, inflation in six major categories (Education and Communication, Food and Beverage, Housing, Medical Care, Transportation and Motor Fuel) of the ESC region exceeded USC inflation. These six categories represent more than 50% of the categories identified in the table, which is expected given the wide gap between ESC and USC inflation identified previously. Inflation related to Food

and Beverage and Housing is only slightly above USC inflation, while inflation in remaining categories is more than 1.5% above USC. Transportation represents the largest inflation gap between ESC and USC at 3.7%.

Inflation during 2019 and 2020 indicates that USC and ESC are noticeable closer during this time frame than during 2021. USC inflation for “All Items” is 1.2% larger during 2019 and 0.5% larger during 2020. ESC inflation exceeded USC inflation in only five categories (Household Furnishings and Operations, Fuels and Utilities, Recreation, Transportation and Food Away from Home) during 2019. Inflation in each of these ESC categories exceeds USC inflation by 0.5% or less. Inflation differences are even fewer during 2020 with differences in 9 of 11 categories at less than one 1%. USC inflation for Medical Care (+3.6%) and Motor Fuels (+1.3%) exceeded the 1% difference level. Inflation in the ESC region only exceeded USC inflation in three categories (Apparel, Household Furnishing and Operations, and Transportation) during 2020.

### Annual CPI All Urban Consumers: U.S. City Average

Major Category	2019	2020	2021
All Items	1.8	1.2	4.7
Apparel	-1.3	-4.8	2.5
Education and Communication	0.7	1.8	1.6
Food and Beverage	1.8	3.3	3.8
Housing	2.9	2.2	3.3
Household Furnishings and Operations	1.8	1.7	4.5
Fuels and Utilities	0.4	0.6	6.8
Medical Care	2.8	4.1	1.2
Recreation	1.3	1.3	2.4
Transportation	-0.3	-4.2	14.6
Food Away from Home	3.1	3.4	4.5
Motor Fuel	-3.6	-16.3	35.8

Source: Bureau of Labor Statistics

## INFLATION BY GOODS AND SERVICES: 2021

In addition to inflation by major category, the BLS also provides additional information regarding inflation of specific items for the ESC. The table below provides information for some of these categories. Examination of the table reveals that although general food and beverage inflation was 3.8% during 2021, prices for Meats (6.5%) and Fruits and Vegetables (7.0%) increased much faster than average last year. At the same time prices of Non-alcoholic beverages decreased by 1.6%. Thus, not only has inflation varied significantly between major categories during 2021, but inflation is also varying within categories. Motor fuel is another interesting major category, increasing at 35.8% during 2021. Prices for the regular gasoline subsector of Motor Fuels increased at 40.5%. Although not included in the table below, mid-grade gasoline experienced slightly lower inflation than regular and premium gasoline experienced the lowest level of inflation in the Motor Fuels major category. Finally, of interest to business and households alike, used car and truck prices increased by 25.8%. The 2021 inflation rates for these and other items are located in the table on the next page.

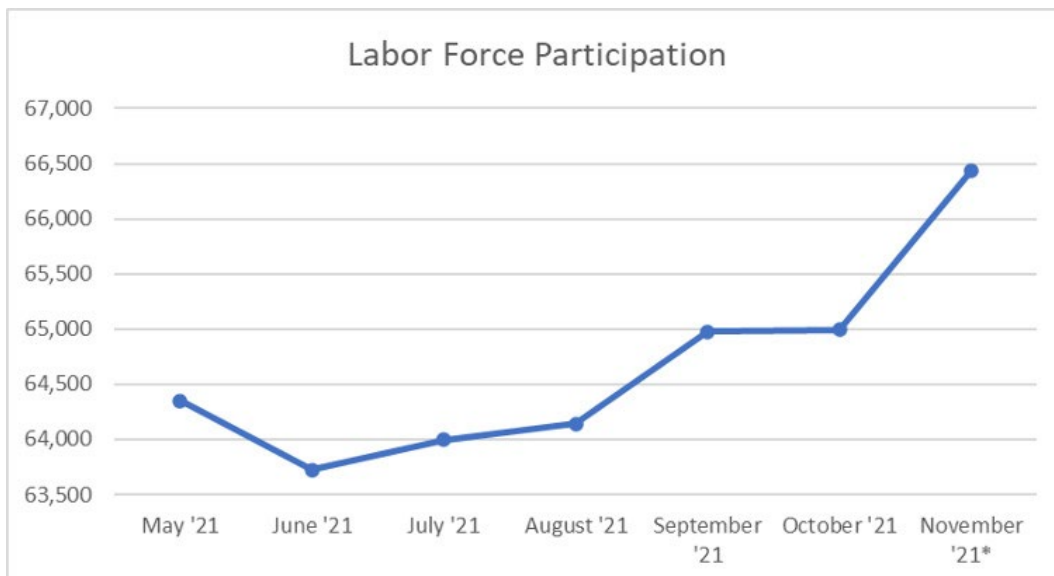
## **2021 Annual Inflation by Category: East South Central Region**

<b>Commodities</b>	8.4
<b>Cereals and Bakery Items</b>	3.6
<b>Meats, Poultry, Fish, and Eggs</b>	6.5
<b>Fruits and Vegetables</b>	7
<b>Non-alcoholic Beverages</b>	-1.6
<b>Alcoholic Beverages</b>	3
<b>Shelter</b>	3.4
<b>Rent</b>	2.7
<b>Non-Durable Goods</b>	6.9
<b>Services</b>	4.1
<b>Private Transportation</b>	17.5
<b>Piped Gas (Utilities)</b>	12.4
<b>Used Cars and Trucks</b>	25.8
<b>Motor Vehicle Insurance</b>	9.9
<b>Regular Gasoline</b>	40.5

*Source: Bureau of Labor Statistics*

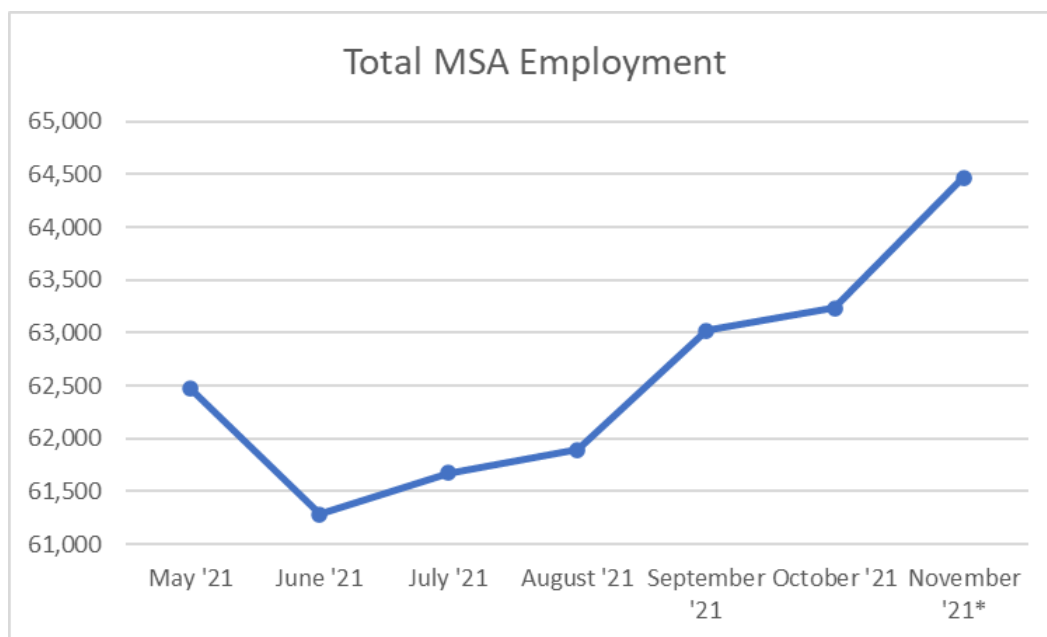
## **MONTHLY LABOR FORCE DATA**

Labor market conditions appear to have shifted in a positive direction since the previous update was published in July 2021. Labor force participation experienced an overall downward trend from June 2020 until a low point of 63,723 during June 2021. Since this low point, labor force participation has increased each month between July 2021 and for the preliminary estimate for November 2021. After a 1.31% increase during September, labor force participation increased only slightly (0.02%). Preliminary estimates for November 2021 project a significant increase of 2.22%. Furthermore, a labor force of 66,439 represents the second highest labor force estimate since December 2019. The only labor force estimate larger than November 2021 occurred during October 2020. As shown in the previous update, labor force participation resumed the downward trend after the sharp increase during October 2020. Optimistically, the November 2021 preliminary estimate will be substantiated, and the positive trend experienced since July 2021 will continue into 2022.

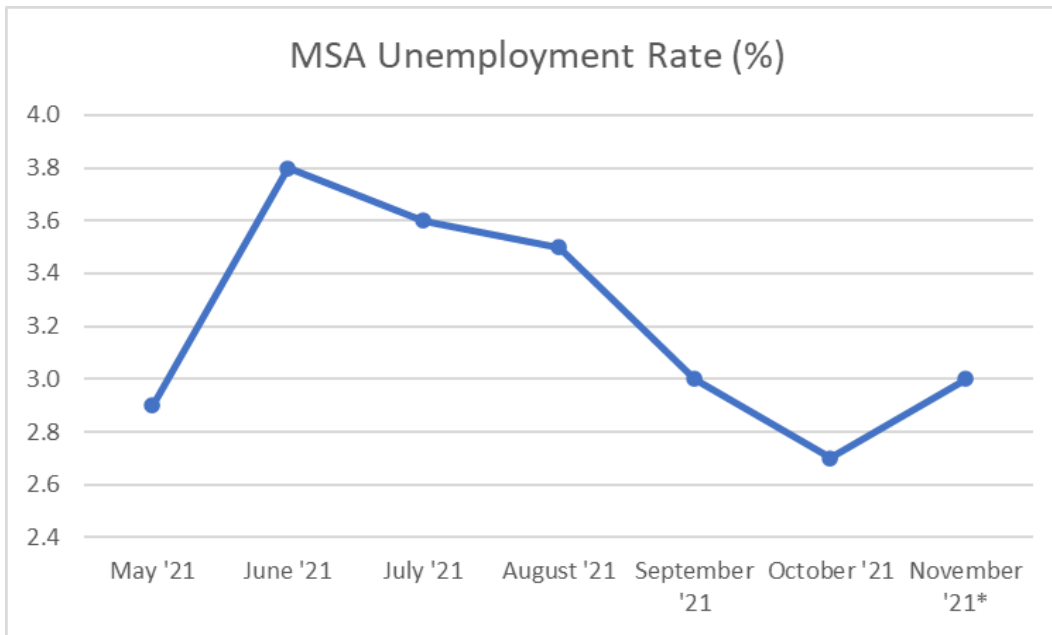




Employment estimates have been more sporadic since the beginning of the pandemic in January 2020. In fact, employment declined (9 months) as many months as it increased (9 months) between December 2019 and May 2021. Employment during June 2021 experienced another decline; however, beginning in July 2021 the MSA experienced five straight months of increased employment. Preliminary employment estimate of 64,465 during November 2021 signifies the highest employment level since the BLS estimated employment of 64,423 during December 2019. The largest employment gains occurred during September and November 2021 when employment increased by 1.81% and 1.95% respectively. Although employment gains were much more modest during July, August and October, five consecutive months of positive employment growth represents a clear-cut departure from the pattern experienced during the pandemic.



With the positive trends in labor force participation and employment discussed above, we can also generally expect the unemployment rate to have an opposite, negative trend. Examining the unemployment rate since May 2021, we do find the expected converse trends. The unemployment increased from 2.9% in May to 3.8% during June as employment declined during the same time frame. Following this initial increase, the unemployment rate declined slightly during July and August 2021, followed by a sharper decrease during September 2021. The sharp drop in September is expected given the previously discussed 1.81% increase in employment that occurred during September. After a four month decrease in the unemployment rate, the unemployment rate increased by 0.3% during November, according to preliminary estimates. Given the positive trends in labor force participation and employment, discussed above, a slight increase in the unemployment rate is not out of the ordinary. Such an increase can occur as labor force participation increases faster than employment and is common when labor market trends shift from negative to positive. Such an event is to be expected, especially considering the almost two-year impact of the COVID-19 pandemic.



### MSA Monthly Labor Force Data: May 2021 - November 2021

Month	Labor Force	Employment	Unemployment	Unemployment Rate
<b>May '21</b>	64,352	62,471	1,881	2.9
<b>June '21</b>	63,723	61,282	2,441	3.8
<b>July '21</b>	63,996	61,678	2,318	3.6
<b>August '21</b>	64,139	61,896	2,243	3.5
<b>September '21</b>	64,980	63,021	1,959	3.0
<b>October '21</b>	64,996	63,231	1,765	2.7
<b>November '21*</b>	66,439	64,465	1,974	3.0

\*Preliminary

Source: Bureau of Labor Statistics

## MSA NON-FARM EMPLOYMENT

This final section provides additional insight into the current MSA employment environment. A preliminary estimate of 56.7 thousand total non-farm employees during for November 2021 indicates that total non-farm employment remains 1,000 employees below the December 2019 estimate of 57.7 thousand. Thus, while non-farm employment has recovered significantly from the low point of 50.2 thousand experienced during April 2020, employment remains 1.73% below the pre-pandemic level during December 2019. Private sector employment rose to 46.9 thousand during November 2021, also the highest level since December 2019. November's private employment estimate is only the second estimate above 46.0 thousand since the pandemic began during 2020. Private employment also crossed the 46.0 thousand threshold during December 2020, totaling 46.2 thousand before declining to 45.2 thousand during January 2021. Employment of 44.9 thousand, during July 2021, represents the lowest private sector employment since employment was at an equal level during September 2020. Private employment remains 1.88% below private employment during December 2019.

As always, the service producing sector of the economy constitutes the largest employment sector in the MSA. Employment in this sector is estimated to be 34.9 thousand (74.41% of private employment) during November 2021. After a slight decline in service employment during July 2021, employment in this sector has increased for the last four months. At a level 34.9 thousand, service employment is at its highest since December 2019 when sector employment was 35.3 thousand. Goods producing employment continued a steady streak between May and November 2021, holding at or just below 12 thousand for the entire period. Employment in this sector remains 500 workers below the December 2019 employment level. The May 2021 estimate for government employment has been revised downward from 10.3 thousand to 9.8 thousand. Government employment also declined during July 2021 before increasing for the last four months. The preliminary estimate for November 2021 indicates that government employment was 10.5 thousand. This level of government employment is the third largest since the beginning of the pandemic when this sector employed 10.8 thousand and 10.7 thousand during January and February 2020 respectively.

### Total Non-Farm Employees: Florence-Muscle Shoals MSA (Thousands)

Month	Total	Private	Goods Producing	Service Producing	Government
May '21	55.3	45.4	12	33.4	9.8
June '21	55.2	45.2	11.8	33.4	9.8
July '21	54.9	44.9	11.8	33.1	9.3
August '21	55.1	45.3	11.8	33.5	9.7
September '21	56	45.9	11.9	34	10.3
October '21	56	46.2	11.9	34.3	10.4
November '21*	56.7	46.9	12	34.9	10.5

\*Preliminary

Source: Bureau of Labor Statistics

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The University of North Alabama offers Strategic Doing training through the Agile Strategy Lab. The Agile Strategy Lab also offers Agile Leadership training in the "Ten Skills for Agile Development" course. For more information on the Agile Strategy Lab or to register for a continuing education course, please contact Mary Marshall VanSant at [mmvansant@una.edu](mailto:mmvansant@una.edu) or 256-765-4184. Both in-person and online options are available.



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