



Economic Outlook Update: May 2020

ALABAMA HIGHLIGHTS

The State gained 46,300 jobs from December 2018 to December 2019, while the seasonally adjusted unemployment rate dropped from 3.8 percent to 2.7 percent, bringing total nonfarm employment to 2,112,900. The change in jobs from January 2019 to January 2020 was 19,200.

The seasonally adjusted number of unemployed people, based on the household survey, declined from 83,509 in December 2018 to 61,458 in December 2019. During this period, the labor force increased from 2,204,278 to 2,206,198, an increase in the labor force generally tends to push the unemployment rate up. The number of unemployed people in January 2020 was 61,114.

Total nonfarm employment is forecast to drop by about 2.0 percent in 2020, with most of the job losses in retailing, leisure and hospitality, and other services providing sectors that cater specifically to consumers. Some manufacturing industries will also experience a loss in jobs, particularly industries that are export-oriented and rely on inputs imported from abroad. However, the policy responses to the COVID-19 virus in the coming months can substantially alter the current forecast.

Overall, the state's economy is forecast to drop by approximately 3.8 percent in 2020, significantly below the 2.3 percent rate of growth seen in 2019 and 2.8 percent in 2018. Alabama's economy grew by 2.4 percent in the fourth quarter.

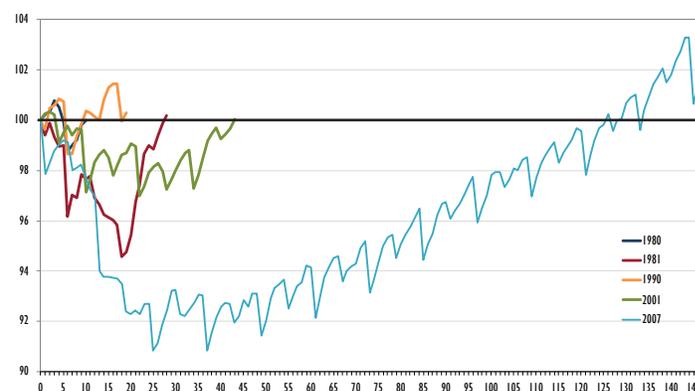
After increasing by 5.9 percent in fiscal year 2018-2019, state tax revenues will increase by around 2.0 to 3.0 percent in FY2020, revised down from previous forecast for the year of 5.0 percent.

EMPLOYMENT

For the 12-month period ending in December 2019, Alabama nonfarm employment experienced some of the fastest growth since the beginning of the recovery in June 2009, rising by 2.2 percent (46,300) to 2,112,900. The average monthly gain in 2019 was around 4,100, compared to an average monthly gain of approximately 1,700 for the previous eight years. The total number of nonfarm payrolls in December 2019 was 86,200 jobs above the pre-recession peak of 2,026,700 jobs in December 2007. However, the increase in the number of jobs

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.

from January 2019 to January 2020 was only 19,200, primarily due to a loss of 34,000 from December 2019 to January 2020, just the retailing and leisure and hospitality sectors accounted for 9,800 of these jobs. January data generally contain a great deal of seasonality, therefore, those numbers does not truly reflect the actual conditions in the labor markets. From December 2019 to December 2020, manufacturing payrolls rose with a net gain of 1,500 jobs over the year: durable goods added 2,600 and nondurable goods manufacturing had a net loss of 1,100 jobs. Overall, the goods producing sector, which also includes mining, logging and construction, added 5,400 to their payrolls. While employment in mining and logging dropped by 400, the construction sector gained 4,300 workers. These gains in construction employment consisted of: 2,400 in specialty trade industry, 1,000 in building construction, and 900 in heavy and civil engineering. Within manufacturing, most of the jobs added were in fabricated metals product manufacturing (1,200); animal slaughtering and processing (1,200); motor vehicle manufacturing (1,000); and rubber and plastics product manufacturing (600).

Service providing businesses in the state gained 40,900 jobs over the 12-month period ending in December 2019. Firms within the service providing sector that posted significant job