ECONOMIC UPDATE

REGIONS

March 2016

Regions Footprint: 2015 Benchmark Revisions, Metro Area Employment Data

As is the case on the national level, the Bureau of Labor Statistics (BLS) publishes estimates of nonfarm employment on the state and metropolitan area levels, and these estimates are based on monthly surveys of businesses and government agencies. Each year, the BLS adjusts its sample estimates to universe counts of employment generated by Unemployment Insurance tax reports filed by virtually all private and public employers (the data cover employment, hours, and earnings). The revised estimates yielded by this process are typically referred to as the annual benchmark revisions, which for the national level data are released each February while the state level and metro area level data come later. In what follows, we summarize the results from the benchmark revisions to the metro area level data for the group of 103 in-footprint metro areas we track in our *Monthly Economic Data Summary* (found here: http://lifeatregions/Finance/MonthlyEconomicReports.rf). We also take a look at where each metro area stands relative to the peak level of employment prior to the 2007-09 recession. As we routinely note, while the footprint as a whole shows rates of job and income growth very much in alignment with the U.S. averages, there is considerable variation amongst the individual markets, and the following discussion will help illustrate this point.

2015 Change In Total Nonfarm Employment

	Preliminary	Revised	Difference	Revision as % of Average 2015 Employment
East	384,865	471,671	86,805	0.56%
Mid-America	309,201	399,437	90,235	0.45%
South	15,640	14,322	<1,317>	<0.04%>
Regions*	709,706	885,430	175,724	0.45%
U.S.	2,650,000	2,744,000	94,000	0.07%

NOTE: * Regions total is for the group of 103 metro areas included in this analysis, not the total for the 16 states

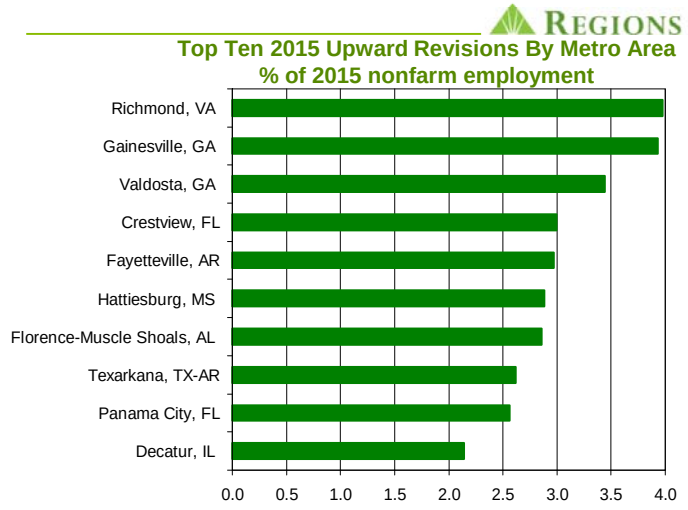
As seen in the table, the 2015 benchmark revisions were on the whole favorable for the Regions footprint. For the group of 103 metro areas, job growth in 2015 was stronger than reported in the preliminary data. Revised data show total nonfarm employment grew by 885,430 jobs in 2015, compared to the initial estimate of 709,706 jobs, or, by 175,724 more jobs than originally estimated. This works out to 0.45 percent of average 2015 employment, compared to an upward revision of 0.07 percent for the U.S. as a whole.

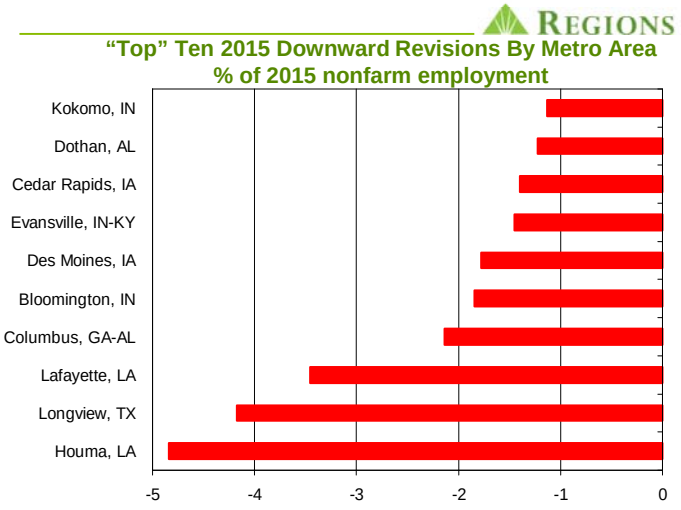
As a general rule, the magnitude of the revision to the state level data will be greater than that for the U.S. as a whole in any given year, and the magnitude of the revision to the metro area data will be larger than that for the state level data. This is mainly a function of having thinner samples on which to base estimates as one moves down the geographic scale, i.e., from national to state level to metro area level. In theory, there should not be systemic patterns for an individual state or metro area, i.e., the benchmark revision should not be either upward or downward each and every year. This has not, however, always been true on the metro area level. Another caveat with the metro area level data is that the smaller and/or less economically diverse the metro area, the less data are available, at least in terms of the underlying detail. For instance, while we have data on total employment in each of our metro areas we do not have the same degree of detail as is the case on the state or national levels or even in the larger, more economically diverse metro areas. One reason for this is limitations on disclosure – in a small metro area with one large firm, say, in the manufacturing industry, data on jobs, hours, and earnings will not be made public as this would in essence be revealing firm-specific data, which is simply not done.

One implication for this is that, while we can see which metro areas have seen the largest revisions, up or down, to total employment, we will not necessarily be able to identify the industry-specific contributions to these revisions as we can on the national and state level (which we discussed in our write-up of the state level benchmark revisions). This lack of detail is an ongoing frustration for those of us

tasked with analyzing the underlying drivers of and trends in specific markets, but any such analysis is of course contingent upon there being sufficient data on which to base it.

The charts below show the ten in-footprint metro areas with the largest upward and downward revisions to the preliminary estimates for 2015 job growth. The Richmond VA metro area saw that largest upward revision to the preliminary estimate of 2015 job growth of any of the in-footprint metro areas. This is in keeping with Virginia having seen the largest upward revision to the state level data. Upward revisions to estimates for job gains in the private sector service providing industries are the primary factor behind the upward revision to the data for Richmond. The Gainesville GA metro area saw the second largest upward revision and, really, we'd love to tell you what was behind it but, alas, we cannot, as this is an illustration of the point made above as to the lack of underlying detail in the smaller, less economically diverse metro areas. On the flip side, Houma LA, Longview TX, and Lafayette LA metro areas saw the largest downward revisions to the preliminary estimate for 2015 employment growth, or, in these instances, employment declines. The downward revisions here mainly reflect the preliminary data not fully accounting for the damage done by a contracting energy industry, as was also the case in the state level data.





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Total Nonfarm Employment, Regions Metro Areas 2015 Percentage Change				
Top Twenty	% change		Bottom Twenty	% change
Gainesville, GA	5.27		Fort Smith, AR-OK	0.18
Fayetteville, AR-MO	5.14		Warner Robins, GA	0.15
Austin, TX	4.88		Bloomington, IL	0.13
Dallas, TX	4.76		Columbus, GA-AL	0.08
Cape Coral, FL	4.64		Albany, GA	0.00
Richmond, VA	4.54		Cedar Rapids, IA	0.00
Orlando, FL	4.43		New Orleans, LA	-0.10
Deltona, FL	3.92		Jefferson City, MO	-0.26
Chattanooga, TN-GA	3.91		Terre Haute, IN	-0.28
West Palm Beach, FL	3.88		Evansville, IN-KY	-0.31
Savannah, GA	3.79		Decatur, AL	-0.37
Raleigh, NC	3.77		Peoria, IL	-0.61
Tampa, FL	3.75		Anniston, AL	-0.65
Spartanburg, SC	3.70		Dothan, AL	-0.70
Nashville, TN	3.68		Bloomington, IN	-1.33
Lakeland, FL	3.62		Waterloo, IA	-1.41
Jacksonville, FL	3.60		Shreveport, LA	-1.66
Jonesboro, AR	3.38		Longview, TX	-3.66
Morristown, TN	3.37		Lafayette, LA	-5.80
Athens, GA	3.23		Houma. LA	-8.23

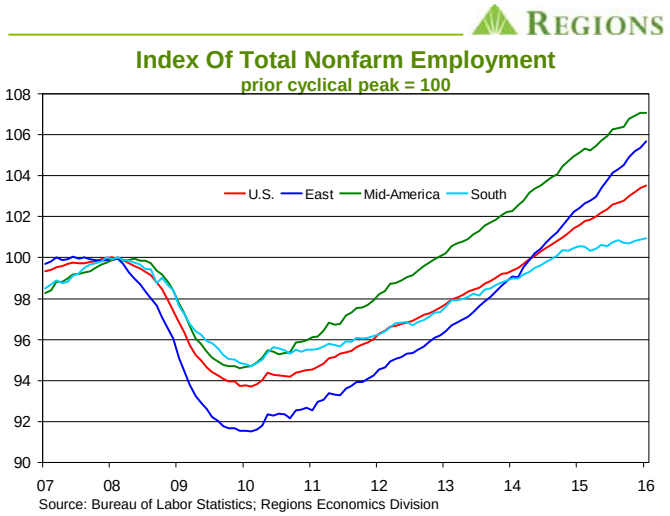
Source: Bureau of Labor Statistics; Regions Economics Division

With the revised data in hand we can revisit a table we published in late-January upon the release of the preliminary 2015 employment data. The table to the side shows, based on the revised data, the 20 in-footprint metro areas with the fastest 2015 job growth and the 20 in-footprint metro areas with the smallest increases/largest declines in total employment. As an illustration of how large the revisions can be on the metro area level, of the 20 metro areas with the fastest 2015 job growth according to the preliminary data, only 12 survived the revisions to remain in the top-20. By the same token, of the bottom 20 metro areas based on the preliminary data only 10 remain in that category based on the revised data.

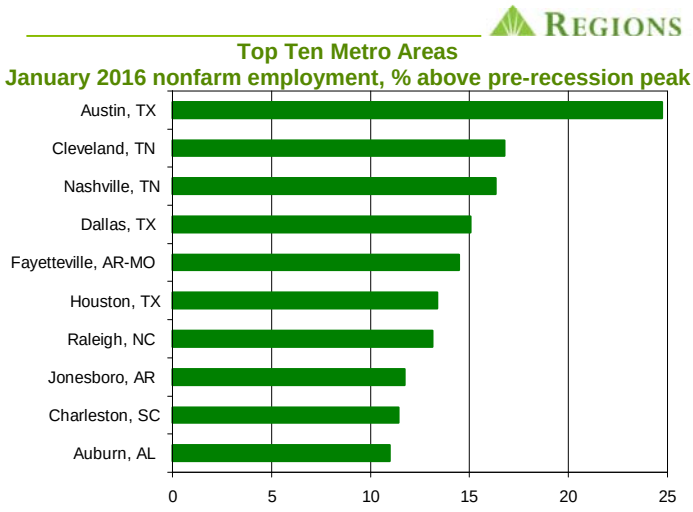
One constant in the top-20 group is the heavy presence of Florida, which had 7 spots in the preliminary top-20 and also has 7 spots in the revised top-20, though, interestingly enough, not the same 7 metro areas or in the same order. As noted above, the Gainesville GA metro area saw the second largest upward revision to 2015 job growth and that revision propelled the metro area into the top ranking in terms of 2015 job growth. Not to diminish or disparage that feat, we will note this is one of the smaller metro areas in the footprint and the 5.27 percent increase in total nonfarm employment in 2015 translates into a gain of 4,300 jobs. It is also of interest that third and fourth on the top-20 list are Austin TX and Dallas TX, respectively, which is a useful reminder that not all of Texas is being dragged down by the energy sector. Indeed, these are two areas which illustrate our oft-repeated rule of thumb that the larger, more economically diversified metro areas with favorable demographic trends are the areas which drive most of the

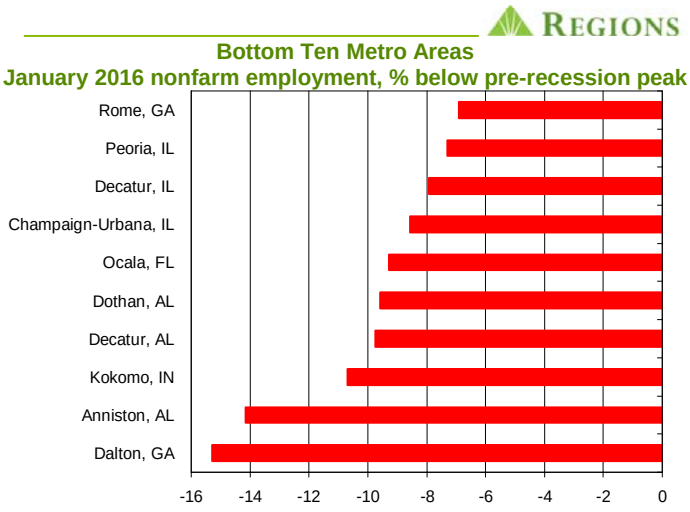
growth we seen in our footprint. Those same characteristics hold for many of the Florida metro areas while Nashville TN also stands out as such a market.

Conversely, the smaller, less economically diverse metro areas with less favorable demographic trends tend to fare more poorly over time, and this is reflected in the bottom-20 list. Many of the Louisiana metro areas have been highly dependent on energy over recent years and have very low degrees of economic diversity. As such, their economies rise and fall along with energy prices but, during the down times, job losses and income shortfalls that may originate in the energy sector end up spreading through the broader economy in the form of diminished demand for goods and services. Other markets in this group suffered the same fate, i.e., the demise of a dominant employer/industry, typically related to manufacturing, and have yet to fill in the gap. Another way in which downturns that start in a specific segment of the economy perpetuate themselves is demographics, as long-term unemployed eventually look elsewhere for work as do younger residents preparing to enter the labor force for the first time.



Finally, now having the 2015 benchmark revisions we can take stock of where each metro area is in terms of the level of nonfarm employment relative to the past cyclical peak, as we did with the state level data. The chart to the side shows that comparison for the three broad geographic regions within our footprint. As seen in the chart, both the Mid-America and East regions have seen total nonfarm employment surpass the prior cyclical peak to a much greater extent than is the case nationally. There are a few points worth noting here. First, it is clear that over the latter stages of 2015 the rate of job growth in the Mid-America region slowed, which to a large degree reflects job cuts in mining & natural resources, job cuts which are sufficient to slow the pace of job growth but not to drag the level of employment lower. Second, it is also clear from the chart that job growth in the East region accelerated sharply in Q2 2015 and that faster pace was sustained through year-end. This is primarily a reflection of the extent to which job growth in Florida ramped up during the year. Finally, as we noted in our write-up of the state level data, employment in Florida, and the East region, would be even further above the prior cyclical peak were it not for the construction sector – construction payrolls in Florida remain almost 250,000 jobs below the peak level seen prior to the 2007-09 recession, levels unlikely to be revisited any time soon, if at all. That total employment in Florida is easily above the pre-recession peak despite the shortfall in construction is a testament to how broad based job growth has been across the rest of the economy.





All of this helps bring more clarity to what we mean when we say, as we often do, that while the Regions footprint as a whole performs largely in line with the U.S. as a whole, there is considerable variance in economic performance amongst the individual markets in the footprint.