

Economic Update of the Northeast Economic Activity Zone



Prepared by:

**Center for Economic Development and Business Research
Jacksonville State University
700 Pelham Road North
Jacksonville, Alabama 36265-1602
(256) 782-5324**

July 2011

Economic Update of the Northeast Economic Activity Zone

Acknowledgments

The Center for Economic Development at Jacksonville State University is grateful for the long hours of research and hard work required to prepare this Economic Analysis of the Northeast Economic Activity Zone.

Researchers for this study include: **William T. Fielding**, Ph.D., Dean, JSU College of Commerce and Business Administration (CCBA); **Richard Cobb**, Ph.D., Department Head, Department of Management and Marketing, JSU CCBA; **W. Mark Hearn**, Ph.D., Professor, Department of Management, JSU CCBA; **Pat W. Shaddix**, Director, JSU Center for Economic Development and Business Research (CED); **Benjamin B. Boozer**, Ph.D., Account Executive, JSU Small Business Development Center (SBDC); and **Jennifer G. Swafford**, Program Coordinator, JSU Center for Economic Development (CED).

Economic Update of the Northeast Economic Activity Zone

Executive Summary

The purpose of this analysis is to demonstrate the economic vitality and growth capacity of the Northeast Economic Activity Zone (NEAZ) in northeast Alabama. The Northeast Zone encompasses Marshall, Dekalb, Etowah, and Cherokee Counties.

- **Population:** The population trend for the Northeast Zone area is upward. Sustained increases in population occurred in the middle part of the decade (2000-2010), with stronger increases evidenced in 2008-2009. Current population trends and expected future population projections are encouraging.
- **Income:** Median household and per capita income are stable in the NEAZ. Trends are increasing for both measures of income and the Northeast Zone has experienced comparable growth relative to Alabama and U.S. averages.
- **Labor Force:** The labor force in the NEAZ has been negatively impacted by state and national economic conditions over the last few years, after experiencing historic growth in employment and labor force participation in the middle part of the last decade. Recent data indicate that moderate increases in hiring outlook and employment are forthcoming.
- **Housing:** Recent data suggest that housing is one area of the economy that continues to struggle both in the NEAZ and statewide. Fewer houses are sold and the median sales price has declined when compared to the years before the economic downturn. In the NEAZ houses are on the market a shorter period of time this year when compared to last year, an encouraging development that the market may be recovering.
- **Economic Trends:** Economic trends have recently been positive with hiring improving within the NEAZ after several years of declines. Sales tax collections suffered during 2009 but are now experiencing an upward trend. The NEAZ compares very favorably with the State of Alabama when analyzing selected industries and exceeds state performance in growth of establishments and employment in several economic sectors.
- **Infrastructure:** Expanding access to a broadband network is evident. The financial sector of the study area remains vibrant, and financial deposits reflect an improving economy. A host of industrial sites enhance the economic appeal of the NEAZ.

In summary, the Northeast Economic Activity Zone continues to demonstrate a thriving area of economic activity in northeast Alabama that is emerging from a severe economic downturn that affected the region, state, and the nation. The population base, workforce, and economy are strong and stable. Projected future trends are encouraging for continuing commercial and industrial development.

Economic Update of the Northeast Economic Activity Zone

Table of Contents

<u>Section</u>	<u>Page</u>
<i>Acknowledgments</i>	<i>i</i>
<i>Executive Summary</i>	<i>ii</i>
<i>A. Population Trends</i>	<i>1</i>
<i>B. Income Trends</i>	<i>5</i>
<i>C. Labor Force</i>	<i>8</i>
<i>D. Housing Trends</i>	<i>14</i>
<i>E. Economic Strength and Vitality</i>	<i>16</i>
1. Construction Trends	<i>17</i>
2. Wholesale Trade Trends	<i>19</i>
3. Retail Trade Trends.....	<i>19</i>
4. Health Care Trends	<i>21</i>
5. Finance and Insurance Trends	<i>22</i>
6. Manufacturing Trends.....	<i>22</i>
<i>F. Infrastructure</i>	<i>24</i>
1. Industrial Sites	<i>24</i>
2. Internet Communication	<i>25</i>
3. Financial Institutions.....	<i>26</i>

Economic Update of the Northeast Economic Activity Zone

List of Tables & Graphs

<u>Table/Graph</u>	<u>Name of Table/Graph</u>	<u>Page</u>
Graph A-1	Alabama Population 2000-2010 in Millions.....	1
Graph A-2	Northeast Zone Population 2000-2010.....	2
Graph A-3	Projected Population Trend of NEAZ 2000-2035	3
Figure A-1	Population Density of Northeast Zone, 2009.....	4
Table A-1	Population Density of Northeast Zone Compared to Alabama & U.S. 2010	4
Table B-1	Median Household Income (In Dollars)	5
Graph B-1	Alabama Economic Outlook (Q2 2011 compared to Q1 2011)	6
Table B-2	Per Capita Personal Income of Northeast Zone: 2003-2009 (In Dollars).....	7
Graph C-1	Alabama Hiring Outlook (Q2 2011 compared to Q1 2011)	8
Graph C-2	NEAZ Civilian Labor Force	9
Graph C-3	Employment in NEAZ January–May 2011	10
Graph C-4	NEAZ Unemployment Rate 2000-2010	11
Graph C-5	Unemployment NEAZ vs. Alabama 2000-2010.....	12
Graph C-6	Unemployment Trends of NEAZ vs. Alabama January-May 2011	13
Table D-1	Housing Statistics NEAZ vs. Alabama (May 2010 – May 2011)	14
Table E-1	Second Quarter 2011 Outlook	16
Graph E-1	Alabama Business Confidence TM History.....	17
Table E-2	Construction NEAZ vs. Alabama 2002-2008.....	19
Table E-3	Wholesale NEAZ vs. Alabama 2002-2008.....	19
Table E-4	Retail NEAZ vs. Alabama 2002-2008	20
Graph E-2	State of Alabama Sales and Use Tax in NEAZ (FY 06-07 – FY 09-10).....	20
Graph E-3	Sales and Use Taxes in NEAZ Oct-May 09-10 vs. Oct-May 10-11.....	21
Table E-5	Health Care NEAZ vs. Alabama 2002-2008	22
Table E-6	Finance and Insurance NEAZ vs. Alabama 2002-2008.....	22
Table E-7	Manufacturing NEAZ vs. Alabama 2002-2008.....	23
Table F-1	NEAZ Industrial Sites.....	25
Table F-2	Internet Usage and Penetration in the NEAZ (average) May 2009	26
Table F-3	NEAZ FDIC Commercial Bank Deposits and Number of Offices.....	26

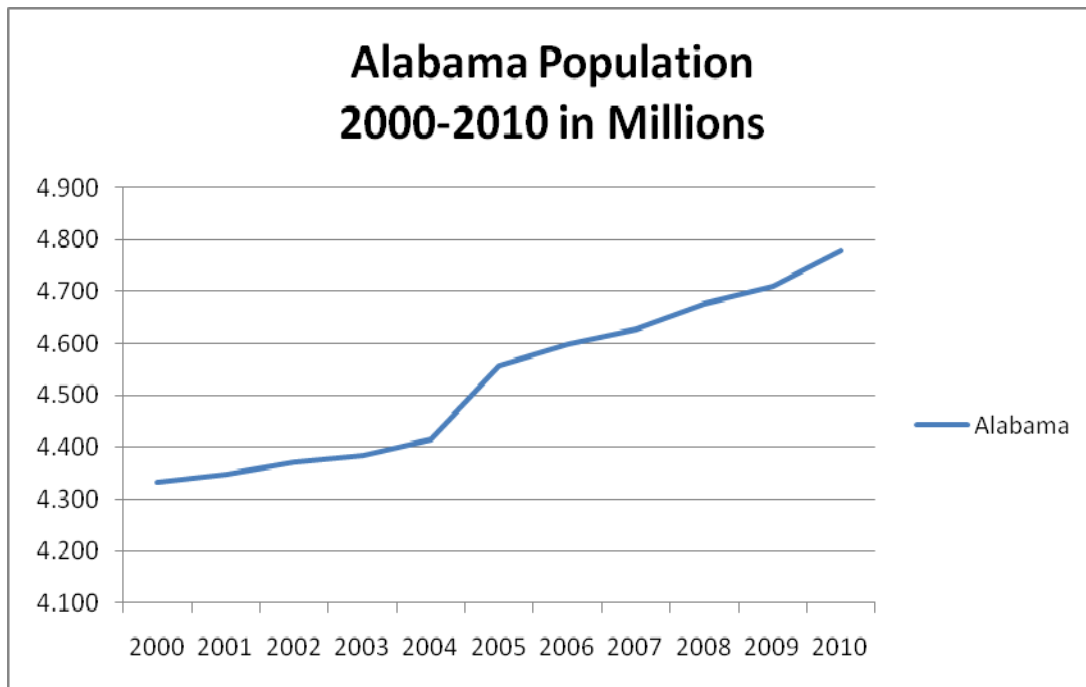
Economic Update of the Northeast Economic Activity Zone

A. Population Trends

The population trend of a geographical area is a good barometer of the desirability of an area from not only a residential perspective, but also as an economic basis for commerce. Economic developers are generally happy to see upward trends in population numbers for any particular jurisdiction. An increase in population generally correlates to a growing community with increasing demand for goods, services, and other amenities. Higher population numbers, either in absolute terms or relative to the overall state population, form a basis for increased commerce, which stimulates economic activity.

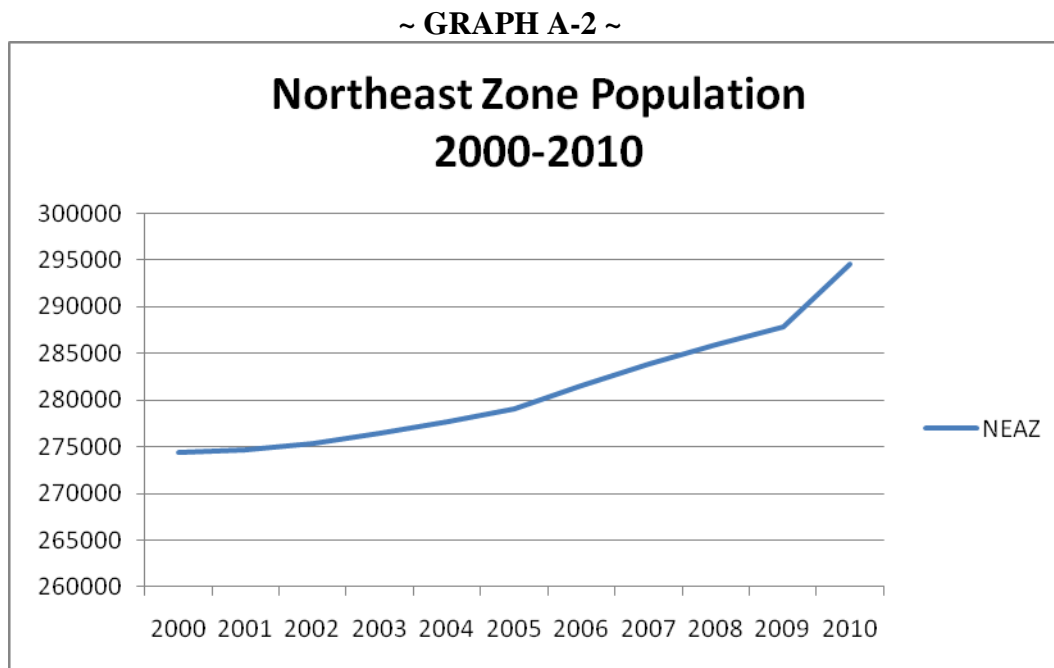
The State of Alabama has experienced a consistently growing population, with an overall population in 2010 of over 4.78 million people. Referring to Graph A-1, after a steep increase in population in 2004-2005, the trend has remained upward and constant. United Vann Lines Migration Study validates this trend in overall increases in state population through their analysis of population migration nationwide. Alabama is consistently a high inbound state, often at the expense of population declines in the industrial Midwest and Northeast.

~ GRAPH A-1 ~



Source: US Census Bureau

An upward trend in population growth is also observed in the Northeast Zone as well. A greater increase in population occurred around 2005 and has been especially pronounced since 2008. The NEAZ population has grown from approximately 279,088 in 2005 to 294,547 in 2010, a 5.54 percent increase over that time period. Graph A-2 depicts these population trends for the NEAZ.

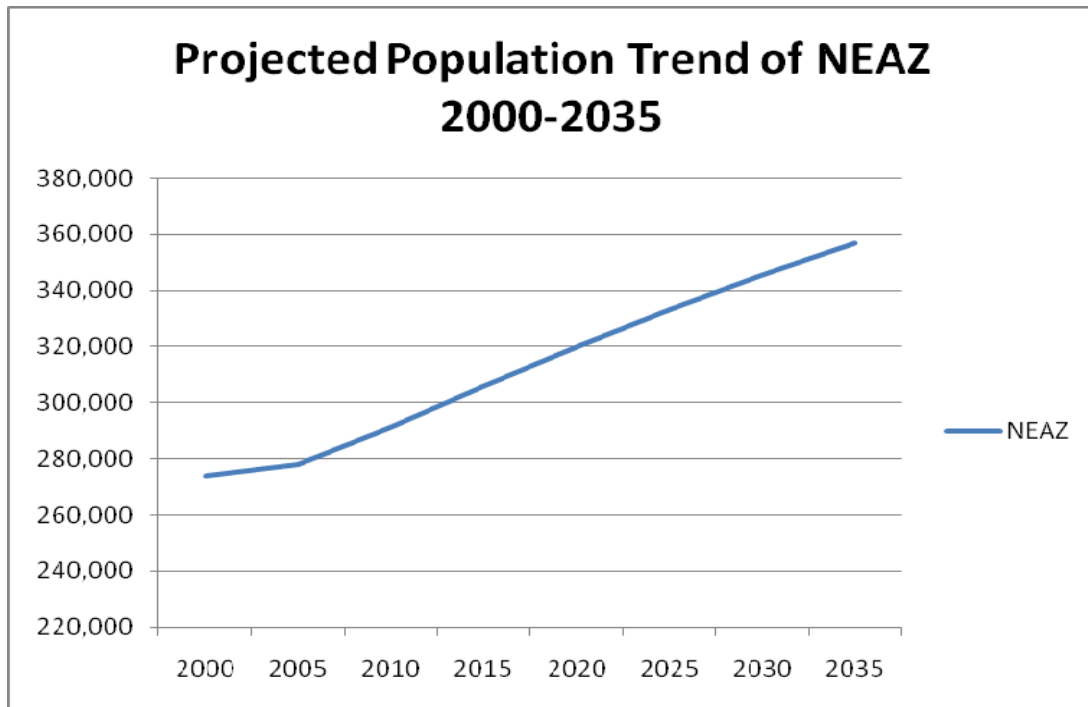


Source: US Census Bureau

From this growing population base women consistently outnumber men. The ethnic mix within the area is generally steady but with an increasing Hispanic population and the population density of residents per square mile is increasing. These trends are indicative of an area becoming more urbanized within a more demographically diverse population.

Going forward, population growth in the Northeast Zone is expected to be steady over the forthcoming decades. From a population in the NEAZ area of 274,130 tallied from the 2000 Census, the population is expected to grow to 356,854 in 2035. This is an increase of 82,724 residents over a time period of 35 years with an overall percent increase in population of 30.18 percent. Refer to Graph A-3 for a depiction of this trend.

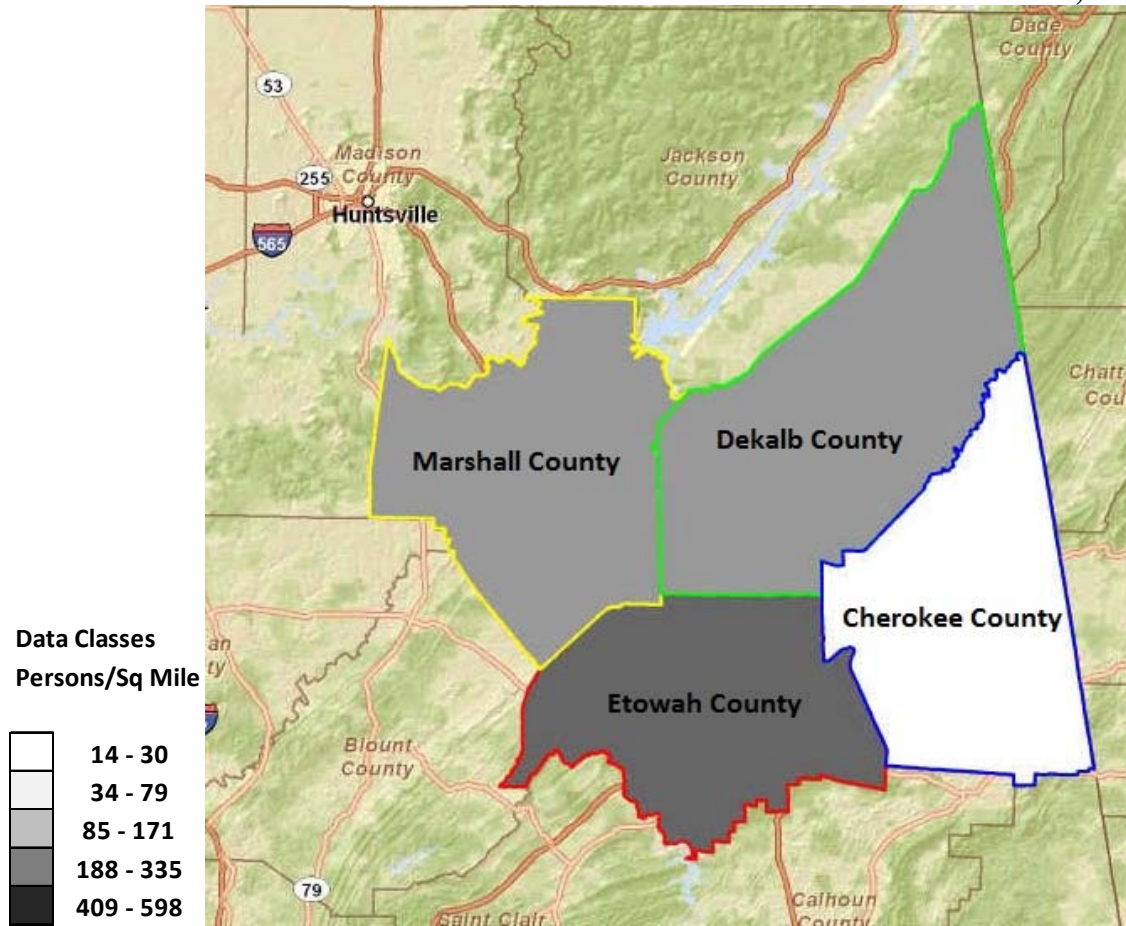
~ GRAPH A-3 ~



Sources: US Census Bureau; Center for Business and Economic Research, The University of Alabama

Referring to the map of north Alabama depicted in Figure A-1, the population density of the counties in the Northeast Zone is very healthy for continued urbanization. The figure depicts persons per square mile estimated for the year 2009. Darker shades indicate those areas with greater population density and lighter shades indicate those areas with less population density. The region's proximity to Interstate 59 and to strong population growth in Madison County to the north offers much promise for the necessary population to support economic activity in the region.

~FIGURE A-1 POPULATION DENSITY OF NORTHEAST ZONE, 2009~



Source: US Census Bureau

This population density depicted in Figure A-1 further illustrates the potential of the Northeast Zone from the perspective of the number of individuals available as a population base for labor and as customers. Referring to Table A-1, in 2010 the overall density of persons per square mile is higher in the NEAZ region than in Alabama or the U.S. as a whole. Persons per square mile in the NEAZ area, Alabama, and the entire U.S. are as follows, respectively: 124.4, 94.2, and 87.3.

~TABLE A-1~

Population Density of Northeast Zone Compared to Alabama and U.S. 2010			
	NEAZ	Alabama	U.S.
Persons Per Square Mile	124.4	94.2	87.3

Source: US Census Bureau

Economic Update of the Northeast Economic Activity Zone

B. Income Trends

Levels of income in a region offer a good indication of economic vitality of the geographic area. Higher levels of income portend greater available means for purchasing goods and services. In fact, a direct correlation exists between a geographic area's income levels and the demand for goods, services, and amenities. Income levels impact an area's revenue base and the ability of a jurisdiction, especially local or county governments, to provide the necessary infrastructure and amenities to support a population base. From this demand for goods, services, and amenities economic growth occurs.

Income levels are best measured in terms of both median household income and per capita personal income. Median household income reflects the midpoint of a range of household income, where one half of household units have incomes above that level of income and one half have incomes below that level of income. Considering Table B-1, increases in median household income within the Northeast Zone are healthy and are very similar to averages for the State of Alabama and U.S. When comparing 2000 to 2010, median household income advanced from \$31,088 in 2000 (reported in 1999 dollars) to \$37,005 in 2010. The increase in median household income represents a 19.03 percent change from 2000 to 2010 in the Northeast Zone. Increases in median household income within the NEAZ are slightly above the increase of 18.78% experienced within the state of Alabama and slightly below the 19.59% increase for the U.S. as a whole.

~ TABLE B-1 ~

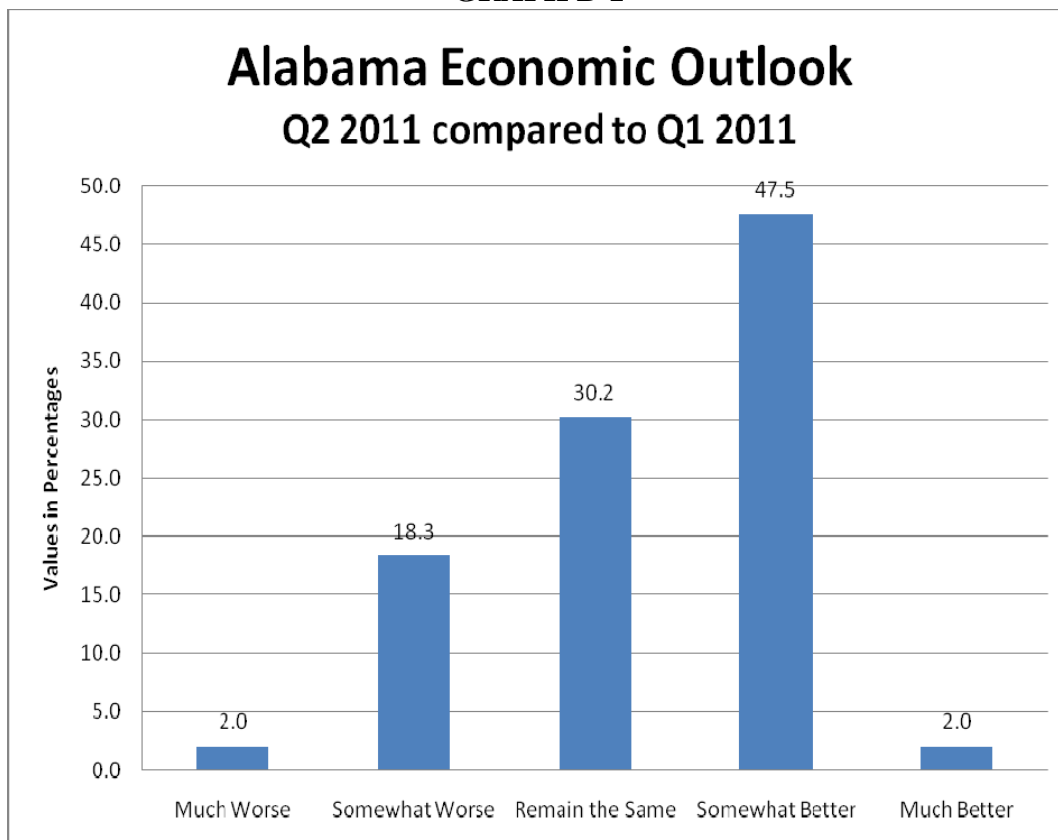
Median Household Income (In Dollars)			
	2000	2010	Percent Change 00-10
Northeast Zone	31,088	37,005	19.03%
Alabama	34,135	40,547	18.78%
U.S.	41,994	50,221	19.59%

Source: US Census Bureau

Household units consist of the number of persons living in the household. The number of individuals might be as few as one but are usually more than one. A different and perhaps better measure of income considers an individual's personal income relative to the population. Measuring income on this per capita basis reflects the income of one individual as a gauge for spending on goods, services, and amenities. Per capita personal income is found by dividing total personal income within a jurisdiction by the population of that jurisdiction.

Growth in income is a function of supply and demand forces within labor markets that affect wage rates. With the recent economic problems adversely impacting labor markets, firms are reluctant to increase compensation for its workforce. Increases in pay over the near term are less certain within both the NEAZ and statewide. According to the 2011 Alabama Business Leaders Confidence Index, most businesses are approaching compensation cautiously in an attempt to better gauge the demand for labor and per unit labor costs, but they are overall more confident in economic recovery. As evidenced in Graph B-1 in a comparison of the first quarter to the second quarter of 2011, over 47 percent of respondents expect economic conditions to be somewhat better.

~ GRAPH B-1 ~



Source: 2011 Alabama Business Leaders Confidence Index

Referencing Table B-2, per capita income in the Northeast Zone grew from a level of \$23,348 in 2003 to \$28,421 in 2009. This 21.73 percent increase in per capita income over the entire time period reflects healthy dollar increases in income per person that is available for spending. Upward trends in per capita income are indicative of a wealthier area with higher levels of potential consumption for each person.

~ TABLE B-2 ~

Per Capita Personal Income of Northeast Zone: 2003-2009 (In Dollars)							
Per Capita Income	2003	2004	2005	2006	2007	2008	2009
Northeast Zone	23,348	24,654	25,334	26,014	27,662	28,632	28,421
Alabama	26,736	28,372	29,843	31,421	32,773	33,928	33,411

Source: Bureau of Economic Analysis

When comparing the Northeast Zone to the State of Alabama, the trend in per capita income growth is very favorable. Per capita personal income in the state increased from \$26,736 in 2003 to \$33,411 in 2009 for an increase of 24.97 percent over the time period. Comparable per capita personal income growth within the Northeast Zone indicates comparable future consumption trends within the population when analyzing the demand for goods, services, and amenities. Whether in absolute or relative terms, economic developers are especially interested in income trends within a jurisdiction. Higher per capita personal income is indicative of greater wherewithal for individuals to purchase goods and services of firms locating to an area.

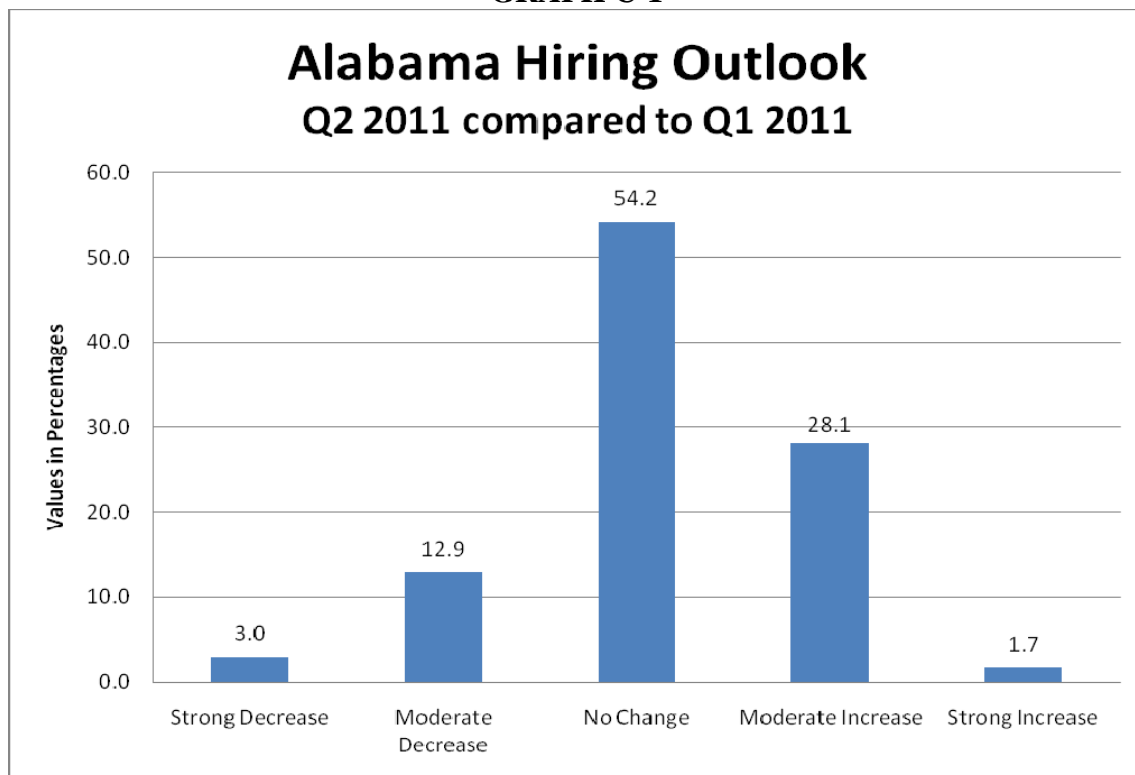
Economic Update of the Northeast Economic Activity Zone

C. Labor Force

The labor force can be one of the greatest assets an area possesses. The number of persons within the labor force and the number employed and unemployed are important barometers of not only current and future economic trends, but also offer a basis for potential commercial and industrial development within a jurisdiction. Trends in labor force participation and unemployment may or may not mirror statewide trends, but positive comparisons are characteristics of a resilient economy.

The recent economic downturn has affected labor force participation and unemployment in all areas of the State of Alabama. The Northeast Zone is no exception. Labor markets have been adversely impacted and unemployment has increased. The fragile economy is in early stages of improvement with business leaders showing slightly more confidence in employment and labor force needs. According to Graph C-1, the consensus appears to show the current outlook for hiring is relatively flat, with over one-half of the respondents anticipating no change in hiring. However, 28 percent of respondents foresee a moderate increase in hiring in the immediate future, an encouraging sign for a more robust labor market.

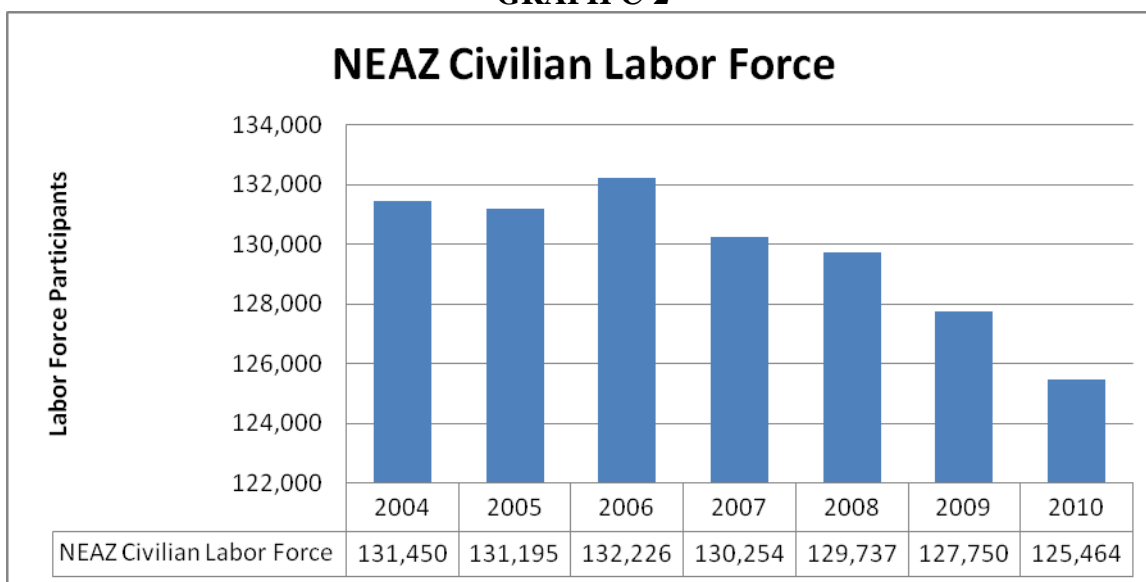
~ GRAPH C-1 ~



Source: Alabama Business Leaders Confidence Index

The labor force is comprised of those individuals actively in the labor market and is the sum of the total employed and unemployed. The labor force in the Northeast Zone has been very strong over most of the last decade with participation increasing from 131,450 individuals in 2004 to a high of 132,226 individuals in 2006. After reaching a plateau level in 2006 of 132,226 individuals in the labor force, the economic downturn began to affect the labor market in 2007 and impacted the number of labor force participants through 2010. The labor force declined from 129,737 in 2008 to 127,750 and 125,464 in 2009 and 2010, respectively. See Graph C-2 for illustration.

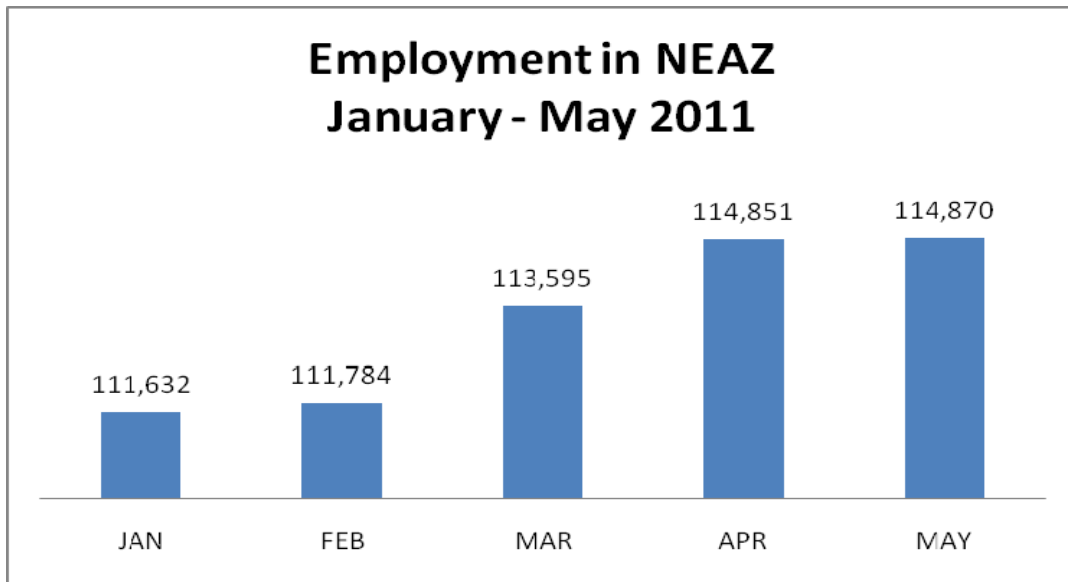
~ GRAPH C-2 ~



Source: AL Dept of Industrial Relations

While the labor force within the Northeast Zone has declined from historic highs in 2006 the decline in employment is abating and the size of the labor force is slowly expanding. Referring to Graph C-3, employment increased from 111,632 to 114,870 from January – May 2011, a very encouraging upward trend during a time period when fewer and fewer individuals were active participants in the labor force as economic conditions impacted the number that actively sought employment. Higher levels of employment correlate with higher economic activity now and in the future.

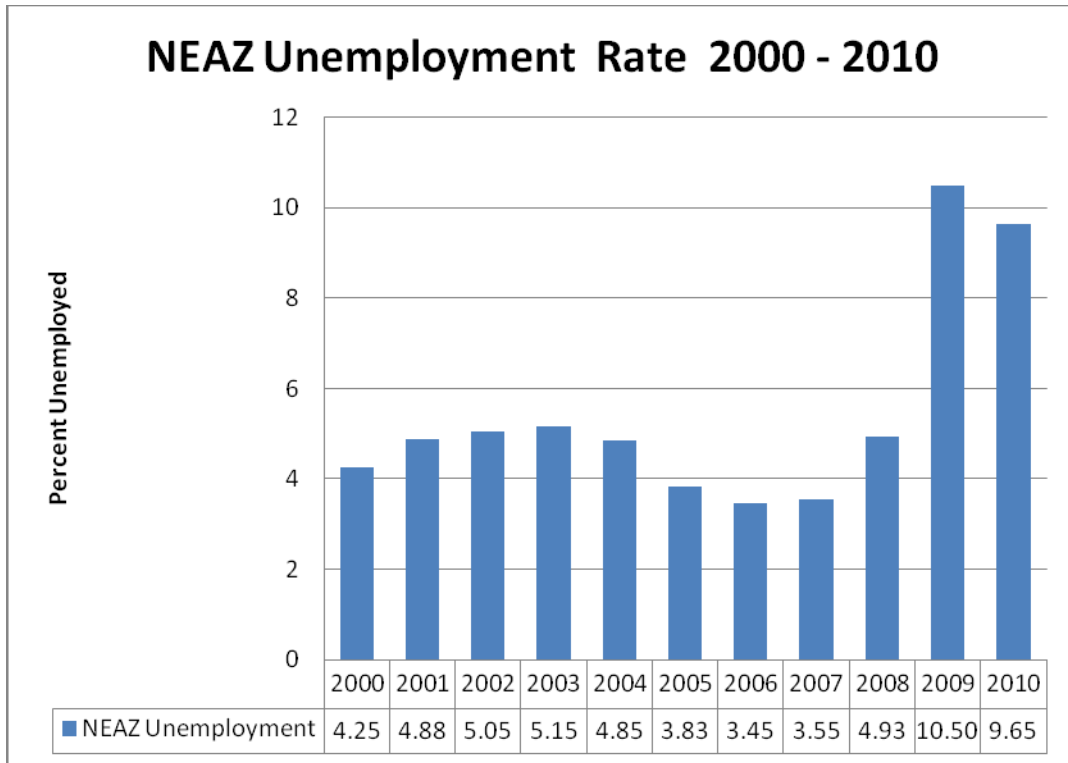
~ GRAPH C-3 ~



Source: AL Dept of Industrial Relations

The unemployment rate in the Northeast Zone has been declining throughout most of the last decade as not only were greater numbers of individuals active participants in the labor force, but employers were hiring those workers in greater numbers as a vibrant economy sustained that work force. As Graph C-4 shows, the unemployment rate in the NEAZ dropped to a historic low of 3.45 percent in 2006 and maintained a low level during the middle part of the decade. The economic collapse in 2008-2009 decimated the labor market and unemployment soared to 10.5 percent across NEAZ, but showed signs of improvement in 2010 as the percent in the labor force that are unemployed fell from 10.5 percent to 9.65 percent.

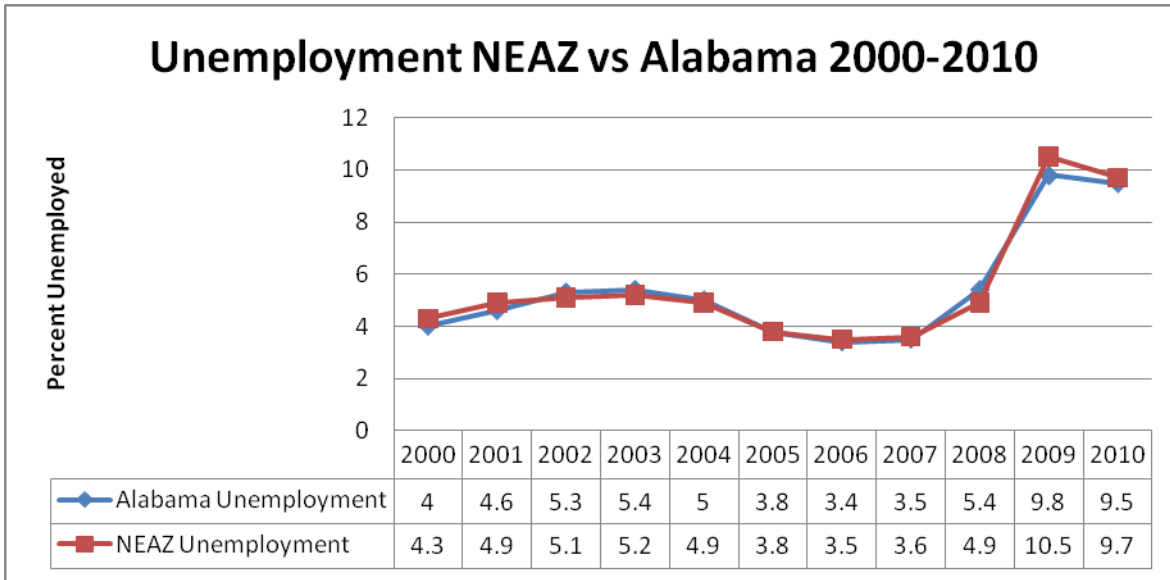
~ GRAPH C-4 ~



Source: AL Dept of Industrial Relations

While the labor force in the Northeast Zone has suffered during the economic downturn, a better analysis of labor force vitality comes from comparisons with overall labor conditions within the State of Alabama. Referring to Graph C-5, historically unemployment in the Northeast Zone compares very favorably with unemployment for the State of Alabama. Historic lows in unemployment experienced from 2005 to 2007 are evidence of a strong and vibrant NEAZ economy whose labor market has mirrored conditions with the state overall. Encouraging signs of an improving labor market is reflected in the drop in unemployment from 2009 to 2010.

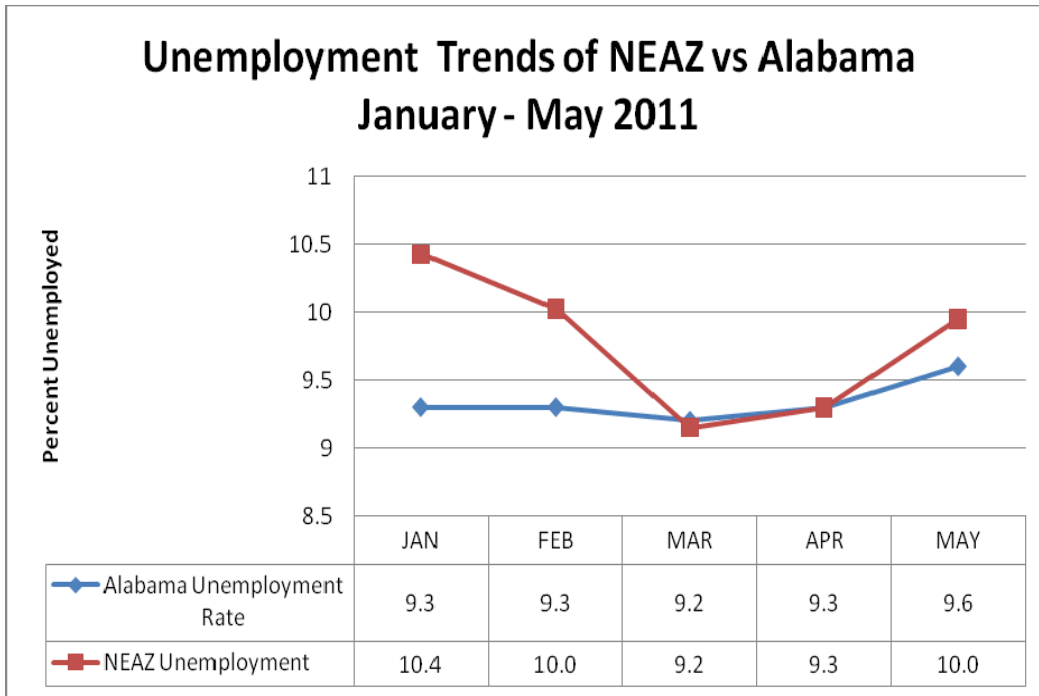
~ GRAPH C-5 ~



Source: AL Dept of Industrial Relations

For the time period of January – May 2011, the unemployment rate in the NEAZ declined from 10.4 percent to 10 percent, while the overall unemployment rate for the State of Alabama increased from 9.3 percent to 9.6 percent. The decrease in the unemployment rate in the Northeast Zone versus the increase in the State of Alabama over this period is very favorable for the NEAZ area. Lower unemployment in a region is one sign of possible economic recovery. The relatively stronger relationships between the NEAZ labor market when compared to averages across the state support more vibrant economic conditions. These findings are expressed in Graph C-6.

~ GRAPH C-6 ~



Source: AL Dept of Industrial Relations

Overall, the significance of the decline in unemployment in the NEAZ is worth noting. The ability to attract industry and develop a labor force is a function of myriad forces within an economy. The relative health of the NEAZ labor market is an indication of stronger economic growth in this region, although the overall unemployment rate is higher than or equal to state percentages for each month, year to date for 2011. From the standpoint of economic developers, historical evidence of a close association with NEAZ unemployment and state unemployment averages is positive. When considering the relative strength of labor market conditions, however, in light of recent dire economic conditions throughout the state and nation, larger declines in the percentage out of work bodes well for continued economic strength of the NEAZ region.

Economic Update of the Northeast Economic Activity Zone

D. Housing Trends

The housing market in the Northeast Zone in absolute terms and relative to the State of Alabama overall continues to struggle as the fallout of the economic collapse searches for equilibrium. Referring to Table D-1, the housing market in the NEAZ has been adversely affected in each category listed. The median price of houses in the NEAZ region has fallen by over 20 percent from 2010 to 2011. When comparing the number of houses that sold to the average days on the market before selling, 2011 is a difficult year for real estate in absolute terms but offers promise in that houses are selling in fewer days. The decline in the average days on market before selling from 168 days to 159 days is very positive for the NEAZ.

~ TABLE D-1 ~

Housing Statistics NEAZ vs Alabama May 2010 – May 2011			
	NEAZ		
	May-11	May-10	% change
Total Sold	123	147	-16.33%
Total Listings	1,719	1,826	-5.86%
Median Price	\$82,900	\$104,533	-20.70%
Average Price	\$118,139	\$131,818	-10.38%
Average Days on Market	159	168	-5.36%
	ALABAMA		
	May-11	May-10	% change
Total Sold	3,363	4,082	-17.61%
Total Listings	34,667	41,935	-17.33%
Median Price	\$117,837	\$127,454	-7.55%
Average Price	\$140,483	\$148,049	-5.11%
Average Days on Market	196	144	36.22%

Source: US Census Bureau and Center for Business and Economic Research, The University of Alabama

The health of the NEAZ housing market exceeds state averages in most categories listed. From 2010 to 2011, the decline in the number of houses sold was less in the NEAZ than statewide. Home prices experienced relatively steeper declines in NEAZ vis-à-vis the state, but total listings, while less in 2011 than in 2010, were stronger relative to state averages. Houses are on the market more than 36 percent longer statewide from 2010 to 2011, a troubling sign that excesses in the housing industry are still prevalent throughout the state. With housing a barometer of the overall economic health of an area, the strength in this segment is a very encouraging sign for economic activity of the NEAZ region.

Economic Update of the Northeast Economic Activity Zone

E. Economic Strength & Vitality

The Northeast Economic Activity Zone's economy has exhibited resilience over approximately the last decade. Worsening state and national economic conditions adversely affected the economy of the NEAZ in the latter part of the decade. Results from the aforementioned Alabama Business Leaders Confidence Index indicate that a cautious sentiment permeates the business community and employers are reluctant to anticipate much better economic conditions at this time. Respondents to the survey in the second quarter of 2011 indicate that increases in sales and profits are expected as the economy slowly recovers, but the overall outlook for the national and state economy has worsened since the first quarter of 2011. See Table E-1 for the results of this survey.

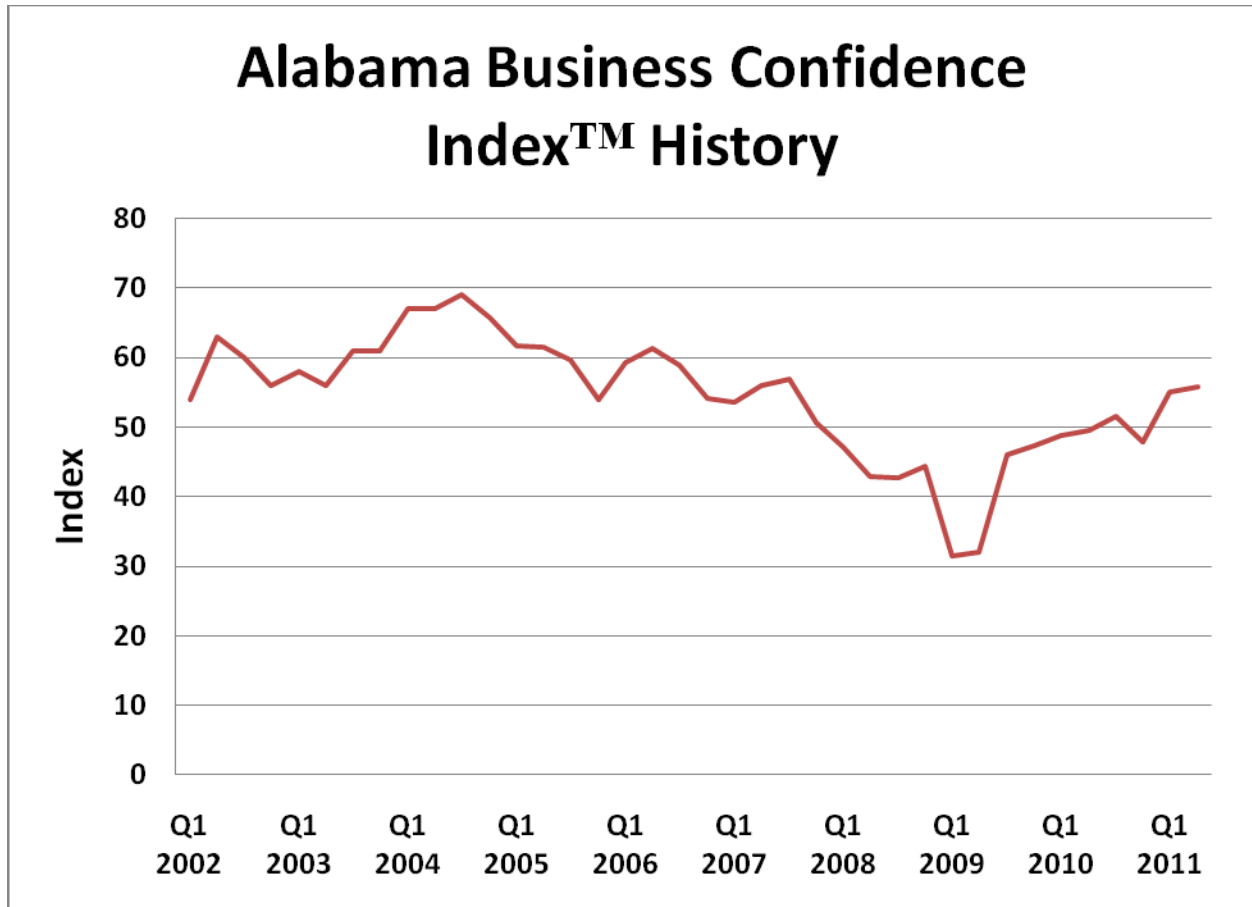
~ TABLE E-1 ~

Second Quarter 2011 Outlook		
	Alabama	Change from Q1
ABCI	55.8	0.8
National Economy	53.6	-1.5
Alabama Economy	57.3	-2.3
Industry Sales	61.9	4.1
Industry Hiring	53.1	1.4
Capital Expenditures	53.1	1.3
Index above 50 indicates expansion. Index below 50 indicates contraction.		

Source: Alabama Business Confidence Index (ABCI)

A very encouraging sign, however, of the confidence that business leaders from across the state have in the anticipated strength of the economy is that the index is above 50 and indicates expansion. From a trough in the low thirties in the first quarter of 2009, the ABCI has consistently increased and portends better economic activity ahead. In fact each industry identified in the survey is expected to expand, with the exception of professional or technical services. See Graph E-1 for the trend of the ABCI since 2002.

~GRAPH E-1~



Source: Alabama Business Confidence Index (ABCI)

The following industries were analyzed from the time period of 2002-2008 for the NEAZ and compared to the State of Alabama: Construction; Wholesale; Retail Trade; Health Care; Finance and Insurance; and Manufacturing. Each industry is evaluated within Tables E-1 through E-7, respectively, in terms of number of establishments and employees. Percent change data are in absolute terms from 2002 to 2008. Graphs E-2 and E-3 depict state and NEAZ sales tax collections as a proxy for retail trade vitality.

1. Construction Trends:

A sustained growth in construction was observed in both the NEAZ and State of Alabama from the time period of 2002 to 2008. The State of Alabama experienced a larger percent increase both in terms of number of establishments and number of employees, but levels of growth in the industry were robust for the NEAZ and comparable with those for the state overall. Table E-2 depicts these trends.

~ TABLE E-2 ~

Construction NEAZ vs. Alabama 2002-2008						
	Establishments			Employees		
	2002	2008	% change	2002	2008	% change
NEAZ	425	442	4.00%	3,139	3,649	16.25%
Alabama	9,182	9880	7.60%	94,890	112,462	18.52%

Source: U.S. Census Bureau

2. Wholesale Trade Trends:

The NEAZ demonstrated a decline in the number of wholesale establishments in absolute terms and relative to the State of Alabama. However, the number of employees exploded by over 50 percent over the six year time period of the analysis and is a strong indication of the strength of this industry and the economy within the NEAZ. This increase in the number of employees within this industry compares very favorably with the overall growth in wholesale employees statewide of 4.35%. Table E-3 depicts these trends.

~ TABLE E-3 ~

Wholesale NEAZ vs. Alabama 2002-2008						
	Establishments			Employees		
	2002	2008	% change	2002	2008	% change
NEAZ	296	256	-13.51%	3,017	4,550	50.81%
Alabama	5,792	5,621	-2.95%	76,391	79,712	4.35%

Source: U.S. Census Bureau

3. Retail Trade Trends:

The number of retail establishments declined by 4.43 percent in the NEAZ and 2.40 percent in the State of Alabama overall. The NEAZ also lagged state averages in the growth in the number of retail employees. Number of employees grew by 8.56 percent for the state overall and by 7.63 percent within the NEAZ. These numbers are comparable and suggest that while the number of retail businesses has declined, the remaining businesses are increasing their labor force. Table E-4 depicts these trends.

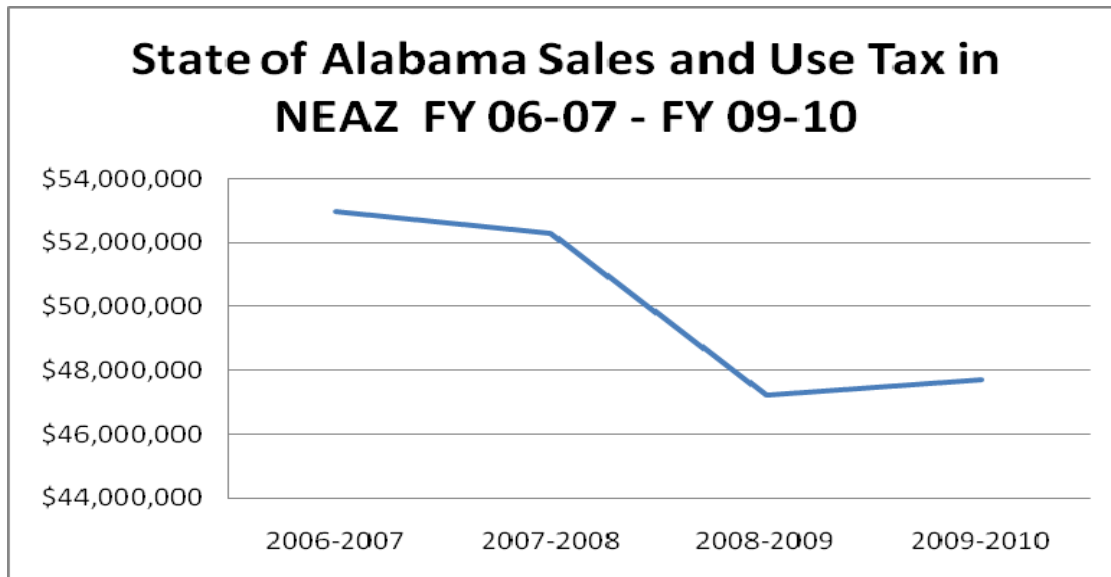
~ TABLE E-4 ~

Retail NEAZ vs. Alabama 2002-2008						
	Establishments			Employees		
	2002	2008	% change	2002	2008	% change
NEAZ	1,286	1,229	-4.43%	12,474	13,426	7.63%
Alabama	19,601	19,131	-2.40%	224,531	243,753	8.56%

Source: U.S. Census Bureau

Historically, sales tax collections are a good proxy for retail activity. Graph E-2 depicts the trend in Alabama Sales and Use Tax collections in the NEAZ from FY 06-07 to FY 09-10. The severe economic conditions are reflected in the steep decline in sales taxes collected as evidence of slowing sales. Increases in state sales tax collections are illustrated from FY 08-09 to FY 09-10 and support a slow economic ascent. State of Alabama sales tax data reflect sales taxes remitted by firms with a physical presence within the state. Firms that are out of state and doing business in Alabama or if those firms otherwise do not have a physical presence in Alabama are not included in this data. The relative number of out of state firms doing business in the NEAZ may skew the analysis when compared to state averages.

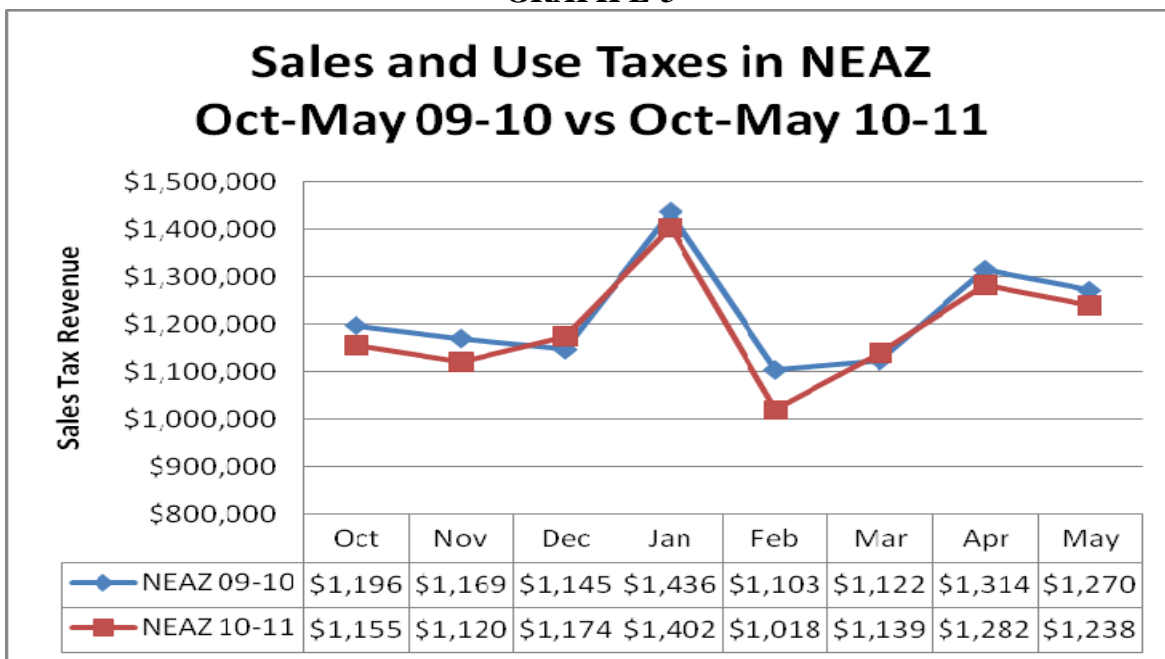
~ GRAPH E-2 ~



Source: Alabama Department of Revenue

When comparing FY 10-11 October – May with the same time period in FY 09-10, sales and use tax collections indicate a stable trend in retail activity. Collections increase in January as a reflection of Christmas sales taxes that are reported in January, but drop markedly after that peak retail month. However, encouraging signs are beginning to emerge that retail trade trends increased in April and May 2011 when compared to April and May 2010. Higher sales tax collections in 2011 are evidence of an initial recovery in the retail sector of the economy. Graph E-3 depicts this analysis.

~ GRAPH E-3 ~



Source: Revenue Discovery Systems

* Does not include Dekalb County in calculations

4. Health Care Trends:

The NEAZ produced impressive increases in both the number of establishments and number of employees in the health care sector of the economy from 2002-2008. Increases by more than 15 percent for each category, establishments and number of employees, surpassed double digit growth experienced across the state. Health care is one area of the economy that has remained exceptionally strong even during the economic downturn. Table E-5 depicts these results.

~ TABLE E-5 ~

Health Care NEAZ vs. Alabama 2002-2008						
	Establishments			Employees		
	2002	2008	% change	2002	2008	% change
NEAZ	558	642	15.05%	11,172	12,955	15.96%
Alabama	9,293	10,383	11.73%	210,185	239,250	13.83%

Source: U.S. Census Bureau

5. Finance and Insurance Trends:

Sectors of the economy related to finance and insurance experienced strong growth in the number of establishments in both the NEAZ and statewide from 2002-2008, but experienced flat growth in the number of employees in this industry during that time period. Referring to Table E-6, averages for the State of Alabama reflect higher growth in the number of establishments statewide but a decline in the number of employees. The growth in finance and insurance employees was slightly over one-half percent for the NEAZ during this time period.

~ TABLE E-6 ~

Finance and Insurance NEAZ vs. Alabama 2002-2008						
	Establishments			Employees		
	2002	2008	% change	2002	2008	% change
NEAZ	353	411	16.43%	2,443	2,457	0.57%
Alabama	6,170	7,415	20.18%	76,045	73,345	-3.55%

Source: U.S. Census Bureau

6. Manufacturing Trends:

Manufacturing suffered with the State of Alabama and the NEAZ from 2002-2008. The NEAZ experienced a larger decline in both number of establishments and number of employees relative to the state. The struggles in this sector, while no doubt affected by recessionary economic activity, are also indicative of a changing economy away from heavy industrial output. Table E-7 depicts these trends.

~ TABLE E-7 ~

Manufacturing NEAZ vs. Alabama 2002-2008						
	Establishments			Employees		
	2002	2008	% change	2002	2008	% change
NEAZ	491	411	-16.29%	29,598	26,728	-9.70%
Alabama	5,053	4,926	-2.51%	283,356	278,608	-1.68%

Source: U.S. Census Bureau

Economic Update of the Northeast Economic Activity Zone

F. Infrastructure

The infrastructure within a region is an important factor in attracting both commercial and industrial development. The number of available properties is an important gauge of the economic capacity within an area, but development of those sites is a function of transportation available to those firms and strong financial institutions to support access to credit.

1. Industrial Sites:

A very significant factor which contributes to an area's economic growth is the availability of industrial sites. For any city, county, or region to improve its chances of increasing industrial growth, it must have suitable sites for industry to relocate or expand.

In the Northeast Economic Activity Zone, there are twenty five industrial sites identified by the Economic Development Partnership of Alabama which are publicly owned, or under option to a public organization. Each offers a range of services available to industries located in or locating to these sites. Most of the sites are established and have utility services in place. Several newer sites are in the development or expansion stage and may not have completed their entire infrastructure.

The potential for expansion of industry within the NEAZ remains positive due to continued growth within the industrial sector. With over 3700 acres available within the aforementioned industrial sites, ample space is available to developers. The proximity to major roads and the numerous road projects that are ongoing only enhances the appeal of this region. Table F-1 lists the industrial sites available within the NEAZ.

~ TABLE F-1 ~

NEAZ Industrial Sites			
Site	City	Total Acres	Zone
Airport Industrial Site Park	Gadsden	32	Light Industrial
Albertville Industrial Park East	Albertville	123	Light Industrial
Albertville Industrial Park West	Albertville	35	Heavy Industrial
Arab Industrial Park	Arab	65	Light Industrial
Boaz Industrial Park	Boaz	115	Heavy Industrial
Burns Park	Gadsden	54	Light Industrial
Cameron 1 Industrial Site	Gadsden	135	Light Industrial
Centre Industrial Park	Centre	89	Light Industrial
Collinsville Industrial Park	Collinsville	75	None
Conners Island Business Park	Guntersville	428	Light Industrial
Cooper Industrial Site	Valley Head	89	Light Industrial
Fort Payne Industrial Park	Fort Payne	40	Light Industrial
Fyffe Industrial Park	Fyffe	84	Light Industrial
Gadsden Airport Industrial Park	Gadsden	1002	Light Industrial
Gadsden Industrial Complex	Gadsden	260	Light Industrial
Guntersville Industrial Port	Guntersville	615	None
Henagar Property	Henagar	26	Light Industrial
Hilyer Property	Fort Payne	21	Light Industrial
Jacoway Industrial Site	Fort Payne	100	Light Industrial
King & Hicks Industrial Site	Albertville	71	None
Leesburg Industrial Park	Leesburg	80	Light Industrial
Rainsville Industrial Park #1	Rainsville	63	Light Industrial
Rainsville Industrial Park #2	Rainsville	63	Light Industrial
Sara Lee Property Site	Fort Payne	26	Light Industrial
Wills Valley Industrial Site	Fort Payne	20	Light Industrial

Source: Economic Development Partnership of Alabama (www.edpa.org)

2. Internet Communications:

Access to the Internet within the NEAZ is good in both absolute terms and relative to state averages. Access to information and the ability to both send and receive data is positively correlated with higher levels of economic activity. Results from Connecting Alabama's Broadband Initiative show that Alabama experienced a 20 percent increase in home Internet usage between 2007 and 2009 with 66 percent of Alabamians with home Internet access. This compares very favorably with the national average of 67 percent. Table F-2 examines computer or Internet usage and accessibility within certain categories for the NEAZ relative to the state overall. A slightly smaller number has home accessibility in the NEAZ, but two percent more

have access at work. Overall, the number of individuals with no computer or Internet is higher in the NEAZ, but 3 percent more have access at school relative to statewide averages.

~ TABLE F-2 ~

Internet Usage and Penetration in the NEAZ (average) May 2009		
Usage Category	State Average %	NEAZ Average %
Home	66	65
Work	37	39
No Computer or Internet	28	31
School Computer	23	26

Source: Connecting Alabama Broadband Initiative

3. Financial Institutions

Growth in bank deposits is a measure of the economic health of the NEAZ region. Upon review of the FDIC web site, the NEAZ displays healthy growth both in deposits and in the number of offices.

During the period 2006 to 2010, FDIC insured commercial bank deposits have grown by over 250 million dollars, or just over 7 percent, while the number of offices during the period has grown by 6 offices or just over 6 percent. Table F-3 summarizes NEAZ financial institution activity.

~ TABLE F-3 ~

NEAZ FDIC Commercial Bank Deposits and Number of Offices		
Year	Number of Offices	Deposits in Thousand \$
2006	96	3,448,915
2007	100	3,648,685
2008	100	3,657,193
2009	101	3,685,179
2010	102	3,701,523

Source: www.fdic.gov