

# UNIVERSITY OF NORTH ALABAMA REGIONAL ECONOMIC UPDATE

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# TABLE OF CONTENTS

- 1 Introduction
- 2 2022 Monthly Inflation

# INTRODUCTION

Another six months have passed since the previous edition of the Florence Shoals MSA economic update and inflation continues to dominate the economic landscape at the local and national level. After generally ignoring inflation for much of the first half of 2022, during June the FED began to pursue tighter monetary policy, raising rates five times between mid-June and mid-December 2022.

Over the course of changing policy positions during 2022, the FED also changed a definition to their stated goal of 2% average annual inflation. During the first half of the year, the FED held onto the position that the overall goal was a mathematical average annual inflation rate of 2%. As the rate of inflation continued to increase during 2022, the FED abandoned this mathematical average perspective. Currently, the new FED policy stance will be to use monetary policy to top of infurries al2



2022 Monthly Inflation: All Items  
U.S.



**2022 Monthly CPI by Category**  
**All Urban Consumers: East South Central**

Major Category	July	Aug	Sept	Oct	Nov	Dec	1st Half	2nd Half	Annual
							2022	2022	
All Items	8.0	7.5	7.4	6.8	6.3	6.5	7.7	7.1	7.4
Apparel	8.0	9.0	8.4	7.6	5.4	2.5	7.9	6.8	7.3
Education and Comm.	1.8	1.9	2.7	2.1	2.7	3.1	1.5	2.4	1.9
Food and Beverage	11.1	10.0	10.8	10.5	10.9	11.5	8.4	10.8	9.6
Housing	5.7	6.9	6.8	6.3					

## 2022 Monthly 1-Month % Change Inflation Rates by Category

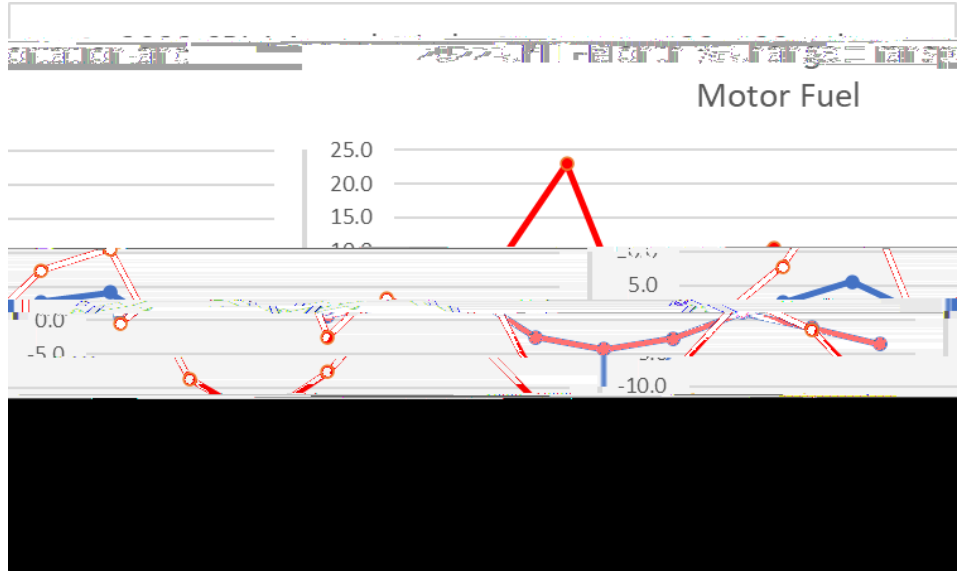
The figure below details-1



The figure above contains monthly inflation estimates for Apparel, Recreation, and Education and Communication major categories for 2020. Inflation in the Apparel sector has numerous up and down periods, similar to Food at Home discussed previously. While inflation in this sector does not change direction quite as many times as experienced by Food at Home, the changes are much sharper. In fact, the monthly inflation rate changed from 2.6% during February to 4.2% during April. Inflation cooled again in this sector beginning in May and by July was again below zero at -1.8%. The up and down cycle repeats (p)-14p 0.28N -0 Tdd8D-0.00Tc 03p1c, H

Recreation has a slight negative trend observed between January and December 2022, beginning the year with a monthly inflation rate of 2.0%, the Recreation category has had a January rate of inflation higher than all other categories except for Apparel. During February, the monthly rate of inflation rose to 2.5%, second place to Motor Fuel which increased almost 8% from January to February. Except for an increase in the monthly inflation rate during April, inflation decreased in this category from March through October, with deflation occurring during four months of that period.

Finally, we discuss monthly inflation rates for Transportation and Motor Fuel categories. Monthly inflation in the Transportation category is similar to Housing and mostly steady during 2022, ranging from a high of 5.5% during March and a low of 4.3% during August. The monthly inflation rate for Transportation has a slight positive trend from January through June and a slightly more pronounced negative trend during the second half of the year. In two months, the monthly inflation rate declined from 4.1% in June to -4.3% in August 2022. The next two months saw slight increases in the month of inflation before finishing the year by declining again during November and December. Motor Fuel is again erratic during 2022 and experiences the largest variation in the monthly inflation rate. During January 2022, Motor Fuel experienced slight deflation of 0.5% and then increased rapidly during February and March. Furthermore, March represents the largest monthly inflation rate for Motor Fuel, estimated to be 23.0%. Deflation returns during April as the monthly rate of inflation falls to -2.5%. As shown in the figure below, inflation increased again during May and June. This process continues with deflation occurring at varying rates from July through September and November and December. October is the only month during the second half of the year with a positive monthly inflation rate, and at only 3.3%, is well below the high rates experienced during February, March, May and June 2022.

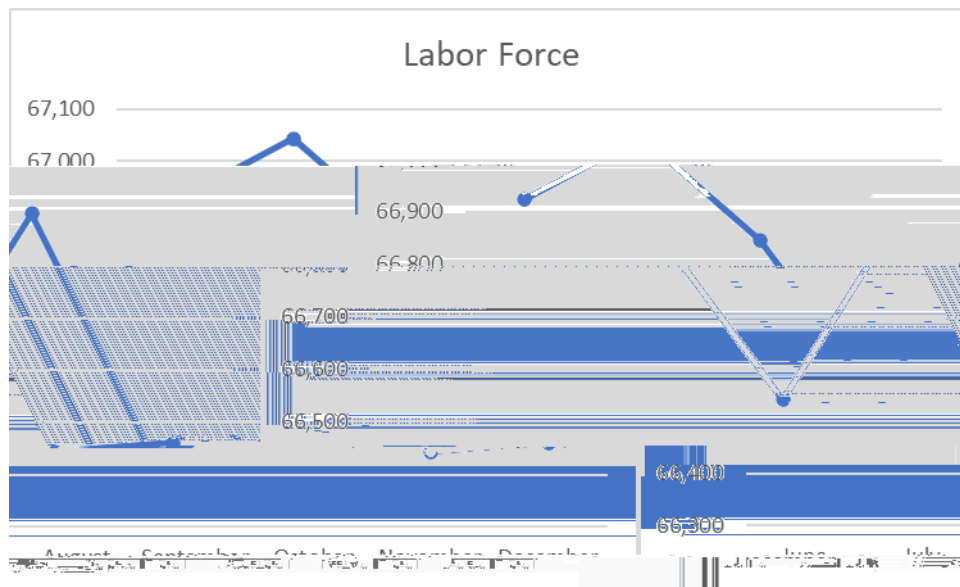


## 2022CPI1-Month Percent Change by Category All

## MONTHLY LABOR FORCE DATA

Labor force participation for 2022 peaked during July at 67,043. July represents the highest level of labor force participation since October of 2020 and one of only three months where the labor force has been above 67,000 since the beginning of the pandemic in 2020. Labor force participation increased for three straight months from May through July. After the peak during July, labor force participation experiences a downward trend between August and December.

With the exception of a 357 person increase during October, labor force participation declined until November when 66,444 people were estimated to be in the Florence-Muscle Shoals MSA labor force. November's estimate is the lowest since January 2022. Looking back over the longer period trend to June 2021, December's estimate of 66,461 is slightly below the estimate of 66,613 from May 2022. It is too early to tell if the 501-person reduction in the labor force that occurred during August and September is a slowing of the positive trend the beginning of a reversal of the positive trend experienced since June 2021 or if it is beginning of a negative trend in labor force participation.



Employment within the Florence-Muscle Shoals MSA crossed the 65,000 employee level for only the second time since December 2019 during October of 2022. The first occasion was during May 2022 after the preliminary estimate for May, as contained in the previous edition of this update, was revised upward from 64,869 to 65,013. Regional employment reached a total of 65,013 during October, the highest employment level since December 2019 when the BLS reported a total of 65,117 employees in the Region. Following the employment expansion of 277 during May, employment decreased by 503 during June to a total of 64,510. The June employment estimate was the second lowest of the year; however, it is still 996 employees larger than January which was the lowest estimate for 2022. Similar to the employment reduction experienced during June, employment again contracted during November, the month following the breaking through of the 65,000 level. The employment reduction during November was only 359 compared to the reduction of 503 experienced during June. Overall, the area experienced a mild positive employment trend during 2022 following the sharp increase during January.

After declining for much of the first half of the year, the unemployment rate increased from 2.6% in May to 3.6% in June 2022. At this level, the June unemployment rate ties the January rate as the highest experienced during 2022. After declining from February through April, the unemployment rate rose slightly during May and then experienced a sharp increase during June. The increase during

MSA Monthly Labor Force Data: June 2022 -December 2022

Labor  
Force

Unemployment



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