Alabama Economic Outlook 2012

Mobile

Maritime-related developments dominated economic news in the Mobile metro during 2011, followed by activity in the area’s growing steel-producing industry. Success in these two arenas led Southern Business and Development to name Mobile a Top 10 “Comeback Kid” in 2011. Aluminum shipbuilder Austal USA is focusing on expanding its facilities and ramping up hiring to fulfill contracts with the U.S. Navy for both the Littoral Combat Ship (LCS) and the Joint High Speed Vessel (JHSV). A $160 million expansion that should be completed early in 2012 will add a new assembly bay and additional docking space as well as make bulkhead improvements. Office buildings for both Austal and the 100 permanent U.S. Navy employees who will be stationed in Mobile to inspect the ships are also under construction. The company is currently working on two LCS, the first awards under a potential $3.8 billion Navy contract for 10 LCS; Austal expects to build two per year through 2015. A $19.7 million grant will allow Austal to assess engineering and production challenges related to LCS construction. Austal’s $1.6 billion contract to build 10 JHSV, also for the U.S. Navy as the Army removed itself from joint management, is ongoing. Three ships were in production late in 2011, with the first to be delivered early in 2012 and then one every six months.

Employment at Austal started 2011 around 1,800 and ended up about 2,400; the workforce is expected to climb to 4,000 in 2013. With job growth here and at other Mobile area shipbuilders, employers are challenged to find trained welders. The Maritime Science Center next to Austal, operated by AIDT, is helping fill these gaps with ongoing free training classes in both aluminum and steel welding and other related skills. Austal is also recruiting nationally and even paying relocation bonuses to production workers; referrals by current employees were generating about a fourth of new hires early in 2011, with referral bonuses of up to $1,000.

Successful growth in the past year should carry over into 2012 at other Mobile area ship and boat builders as construction projects generally take significant amounts of time. BAE Systems Southeast Shipyards expected to add as many as 200 employees and 200 contractors to its Spring 2011 workforce of 600 workers and over 200 contractors in order to fulfill a contract to complete an oil tanker started by the former Atlantic Marine; the tanker should be delivered early in 2012. In August the company received its first order to build a new ship from scratch in Mobile, with $85 million from Weeks Marine for a dredging vessel. Start of construction early in 2012 should add about 150 to the 800-employee workforce as BAE works toward a January 2014 completion. A $1 million grant from the U.S. Department of Transportation will have BAE Systems developing a steel profile processing system in a program to help small shipyards improve productivity through modernization. And an agreement with IHC Merwede to build offshore oil vessels could boost employment by 400. BAE is also teaming with Austal to repair an experimental Navy vessel.

Horizon Ship Building undertook $4 million in improvements at its Bayou La Batre facility to service current projects and to improve competitiveness. The company is building towboats for Florida Marine Transporters under a five-year $100 million contract, constructing towboats for the U.S. Army Corps of Engineers, and repairing several U.S. Coast Guard vessels. Work picked up in 2011 at Signal Shipbuilding & Repair, which purchased Bender Shipbuilding & Repair out of bankruptcy in 2010.

Mobile’s steel-producing industry saw significant developments during 2011. ThyssenKrupp AG, which began carbon steel production at its Mobile County plant in July 2010, started up the hot-dip galvanizing mill in April 2011. This completed the major processes on the carbon steel side of the $5 billion operation, where employment stood at about 1,750 late in 2011. Galvanized steel is key to the company’s aim of supplying automakers. Late in 2011 the company began offering a new 72-inch wide steel product. Although ThyssenKrupp announced plans to divest its entire stainless steel unit, work continued on the stainless melt shop, set to open late in 2012, and employment stood at close to 550. An industrial park of steel users on the ThyssenKrupp site could take shape if
Steel Warehouse decides to build a proposed $16 million facility there. And S&S Machine Shop announced plans to invest in a facility that would serve as a custom machine shop for ThyssenKrupp. Mobile area specialty steel producer SSAB continued work on a $287 million expansion. SSAB purchased Northport, Alabama’s Hard Wear Inc., a fabricator of reinforcing steel plate for industrial equipment. Increased local production, a weak dollar, and soft prices due to overcapacity helped make the Port of Mobile a net exporter of steel, not counting steel slabs imported from Brazil for production at ThyssenKrupp. This highlights the need for a dedicated steel facility at the port.

Mobile’s nonfarm employment averaged 174,800 across the first 10 months of 2011, up almost 300 jobs (0.2 percent) from the same period in 2010. However, the area’s 174,700 jobs in October 2011 was 1,200 below a year earlier and 10,300 below a prerecession total of 185,000 in October 2007, for a loss of 5.6 percent. Total employment of Mobile metro residents rose by 2,929 during the 12 months ending in October 2011, but a larger 3,920-person increase in the labor force pushed unemployment from 9.6 percent in October 2010 to 10.0 percent a year later—the highest rate among Alabama’s 11 metros. Job growth should improve in 2012, a 1.2 percent gain is forecasted in 2012, or just over 2,000 new jobs.

Despite its relatively small size with just 8.7 percent of total nonfarm employment in October 2011, Mobile’s manufacturing sector garnered accolades for the area in 2011 as fDi Magazine’s #10 Small City of the Future, with a #5 ranking for foreign direct investment (FDI) strategy and #9 for job creation from FDI. At least one in 15 private sector workers in the metro was reportedly employed by a foreign-owned firm. That number is rising as large foreign-owned employers expand and new foreign-owned firms move into the area. Sara Lee, which operates a plant in the area, was acquired by a Mexican company in 2011, while Mobile’s Teledyne Continental Motors was sold to a Chinese firm. AVIC International Holding Corporation’s purchase of Continental could add about 35 workers to bring employment to 435 and open doors to international growth as the company rolls out a diesel aircraft engine in 2013. EADS pursuit of the Air Force refueling tanker contract raised the profile of Mobile’s Brookley Aeroplex in the international business community and should be a positive in attracting other aerospace businesses to the complex. AeroStar set up a maintenance, repair, and overhaul operation working on aircraft hydraulic and pneumatic components at Brookley during 2011. Growing commercial needs for new aircraft could lead to future EADS work in Mobile as Airbus orders pick up.

In other industrial news, roofing shingle manufacturer GAF reopened its Mobile plant in the fall, recalling former workers for total employment of 60. Activation Systems planned to open in Prichard to make concrete products. Umbilical tube producer Aker Subsea expanded twice in 2011, adding $5.3 million and 10 jobs to investment announced in 2010. A fabricated pipe and pipefitting operation for Serimax North America should be operational early in 2012, creating 24 jobs in Theodore Industrial Park.

Professional and business services, which account for the largest share of the Mobile area’s services sector, made the strongest contribution to job growth, adding 1,200 jobs from October 2010 to October 2011. Ryla was hiring 250 customer service representatives at its Saraland call center late in 2011. However, UPS closed its sorting facility at Brookley Aeroplex in the fall and the acquisition of Mobile-based Big 10 Tires by Pep Boys is likely to cost the area about 25 corporate positions. Jobs in health services rose by 100 during this time, although employment in educational services fell by around 300. Research opportunities at the University of South Alabama’s Mitchell Cancer Institute continued to increase as the Institute focused on its drug discovery team and the development of commercial products.

Leisure and hospitality employment was flat across the October 2010 to October 2011 period even though food services and drinking places shed 300 workers. Employment and revenues took a hit with the departure of Carnival Cruise Lines from the Mobile market—the Elation had its last departure on October 15 before moving to New Orleans, leaving the Alabama Cruise Terminal empty and the City of Mobile without parking revenue to pay about $1.9 million in interest due in FY2012 on its $25.9 million investment. The lack of a cruise line will also have an impact on flight traffic to the Mobile Regional Airport and on hotel bookings.
The financial activities sector grew modestly in 2011, with the addition of 100 employees during the 12 months ending in October. Deposits in commercial banks posted a 1.3 percent gain from June 30, 2010 to June 30, 2011 and, at $6.0 billion, amounted to 7.2 percent of the state total. BankTrust moved into the renovated 34-story RSA BankTrust building in downtown Mobile in November. Looking at the broad Mobile economy, the value of goods and services produced in the metro area totaled $15.8 billion in 2010 and accounted for 9.2 percent of Alabama GDP. Mobile’s GDP increased 4.0 percent between 2009 and 2010, faster than the state’s 3.4 percent growth. The forecast for 2012 has Mobile’s economy expanding 3.8 percent, the second strongest growth rate among the 11 metro areas. Annual wages in the Mobile metro averaged $38,240 in 2010, about 99 percent of the statewide average. Area per capita income posted above-average gains in 2010, rising 3.5 percent to $31,929. However, both per capita income and median family income, at $51,200 in FY2011, continued to rank in the lower half of Alabama’s metro areas.

With the confluence of a deepwater port, shipping facilities for bulk and containerized cargo, five Class I railroads and two interstate highways, Mobile is well-situated for distribution activity. This was recognized by Business Facilities in their #8 ranking of the Mobile metro as a Top Logistics/Distribution and Shipping Hub for 2011. At the Port of Mobile, coal moved to being export-dominated in 2011 and steel surged to the front as the top general cargo commodity, while a sizeable amount of pulp and paper shipments moved from bulk to containers. The Alabama State Port Authority’s Pinto Island Terminal saw growing steel and iron shipments from ThyssenKrupp as well as increased shipping activity from Nucor and SSAB. Pinto Island received top honors from the American Association of Port Authorities for engineering and innovation and handling technology. The number of companies calling on the Port of Mobile grew in 2011, with Mediterranean Shipping Company beginning weekly stops at APM Terminal Mobile in the fall. The container terminal is also served weekly by two Maersk ships, a CMA CGM ship, one Zim Integrated Shipping Services vessel, and the NAFTA Gulf Bridge roll-in, roll-off service.

Officials at the Alabama State Port Authority saw 2011 as a comeback year and project record shipping and a return to profitability in 2012. Top priority for the port is a rail facility serving the APM Terminal Mobile, where containers are now trucked in and out; about $28 million is needed to complete this project. A $9.5 million project to add another shiploader at the McDuffie Coal Terminal should expand capacity by 50 percent when complete in summer 2012. The Port Authority is also undertaking a $1.9 million upgrade to its grain elevator system. The port should be well-positioned to take advantage of new shipping opportunities from completion of the Panama Canal widening project in 2014. Post-Panamax service increased in 2011, with the 45 foot channel and new turning basin and infrastructure already able to handle these larger vessels.

Mobile’s coastal economy worked to recover from the April 20, 2010 oil spill in the Gulf of Mexico with mixed results. Tourism bounced back strongly in 2011, uninterrupted by any major weather events. However, the area’s seafood processors struggled to rebuild the customer base that was lost when they were unable to fill orders in the aftermath of the oil spill. Having adequate capital to rebuild inventories was also a problem for these businesses during the year. In the fishing industry, it was a particularly tough year for shrimpers, who were hit by higher fuel prices and the negative impact of fresh water entering the Gulf from Mississippi River flooding as well as oil spill effects on shrimp production. Late in 2011 the Gulf Coast Claims Facility upped its payout to commercial crab and shrimp harvesters to the greater of four times documented losses in 2010 or total documented losses to date versus the original offer of two times losses. Oyster harvesters were already receiving as much as seven times 2010 losses. The Gulf’s first oil and gas lease sale since the spill was held December 14.

Population in the Mobile metro area totaled an estimated 413,277 on July 1, 2010, with the addition of 1,283 residents since July 1, 2009, a gain of 0.3 percent. Over the past decade, population growth in Mobile has been modest—the 3.3 percent gain from 2000 to 2010 was less than half the 7.5 percent growth seen statewide. A total of 2,504 homes were sold in the Mobile metro during the first nine months of 2011, the same number as in 2010. According to the FHFA House Price Index, Mobile saw the steepest drop in home prices of any Alabama metro between third quarter 2010 and third quarter 2011 at 6.0 percent; prices appeared to be stabilizing in the most recent third quarter. The steep decline had 24/7 Wall Street naming Mobile one of the top 10 metros where home prices could see the greatest bounce back in 2012. During the first nine months of 2011, Mobile saw 508 building permits issued for new single-family homes, down by 169 from the same period a year earlier. Multi-family permit
activity picked up, however, with apartment occupancy rates reporting to be rising. The 324-unit Village at Midtown opened in June and a Chicago-based developer purchased land for a planned 500-bed student housing complex.

In quality of life improvements, the Mobile County Public Schools had $70 million worth of school construction projects ongoing, driven by about $50 million in federal stimulus funding received by the school system over the last several years. Two new schools, North Mobile County Middle and Dawes Intermediate, opened for the 2010-2011 school year. Interior and exterior renovations to the Mobile Regional Airport were ongoing during 2011. The area’s retail sector was relatively stable, as new stores and restaurants that opened at least balanced out those that closed. Overall, 300 retail employees were added between October 2010 and October 2011. With a new Wet Seal, Mobile’s Bel Air Mall was almost fully leased. Retail development and residential renovations in Mobile’s midtown area progressed during 2011, including an expanded Winn-Dixie, new restaurants, and shops.