

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

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The *South Georgia Business Outlook* is a quarterly publication that reports the economic conditions and events that influence the South Georgia business environment. The purpose is to provide information about regional economic activity and a forecast of expected future economic activity. Although each issue will include the outlook for the state of Georgia, the primary focus is on the thirty-two counties that comprise the South Georgia region.

The *South Georgia Business Outlook* is sponsored by the Center for Business and Economic Research and the Langdale College of Business.

Economic Outlook: 1st Quarter 2011

Despite experiencing weather issues and rising energy prices, the United States economic indicators continued to improve during the first quarter of 2011. A weak dollar and improving foreign markets increased U.S. exports. A weak housing market and continued net job losses reduced consumer confidence however led to anemic consumer spending.

The Federal Reserve accommodative policy, referred to as QE2, is expected to expire at the end of the 2nd quarter. It is

South Georgia Regional Development Centers

Southwest Georgia Counties	Southern Georgia Counties	
Baker	Atkinson	Pierce
Calhoun	Bacon	Tift
Colquitt	Ben Hill	Turner
Decatur	Berrien	Ware
Dougherty	Brantley	
Early	Brooks	
Grady	Charlton	
Lee	Clinch	
Miller	Coffee	
Mitchell	Cook	
Seminole	Echols	
Terrell	Irwin	
Thomas	Lanier	
Worth	Lowndes	

unlikely to have an impact on the markets since the policy change has been priced into the marketplace. The Fed is not likely to increase short-term interest rates however before the end of 2011. Despite an accommodative monetary policy, rising commodity prices and rising oil prices, inflation pressures are expected to remain contained through the end of 2011. The outlook for inflation pressures is higher over a longer horizon.

Economic threats continue to dampen the United States recovery. During the first quarter of 2011, oil prices exceeded \$100 a barrel. Since there is a strong negative relationship between oil prices and

economic growth, and there is an expectation that oil prices will continue to remain high throughout 2011, oil prices will likely be a constraint on economic growth. Uncertainty about government regulations and weak consumer spending has made businesses reluctant to expand production and hire new workers. Rising commodity prices and uncertainty about the long-run impacts of the Fed's accommodative monetary policy add to market uncertainty. A weak job market and broad-based uncertainty has constrained consumer confidence and spending.

While economic indicators signal modest improvements through the end of 2011, the lack of robust consumer spending suggests that the recovery cannot support net job gains sufficient to significantly reduce the national unemployment rate. Couple the uncertainty surrounding national fiscal and monetary policies with the economic problems facing many U.S. trade partners and the rising oil prices, and it is unlikely that labor market conditions will improve significantly over the next twelve months.

Georgia

The Georgia economic recovery remained anemic during the first quarter of 2011. Economic growth has been flat for fifteen months leading to virtually no net job gains over that time period. A closer look at the numbers however reveals that private sector jobs are returning and that public sector job losses are offsetting some of the private sector net job gains.

After years of net job losses, manufacturing posted net job gains. Durable goods production specifically for transportation equipment manufacturing led the net job gains. Professional and Business Service industries also posted net job gains with employment services creating

Labor Force	
	March 2011
Georgia	
Civilian Labor Force	4,677,251
Employed	4,218,368
Unemployed	458,883
Rate	9.8
Southern Georgia	
Civilian Labor Force	172,261
Employed	153,484
Unemployed	18,777
Rate	10.9
Southwest Georgia	
Civilian Labor Force	164,426
Employed	148,165
Unemployed	16,261
Rate	9.9
Albany-MSA	
Civilian Labor Force	77,503
Employed	69,296
Unemployed	7,757
Rate	10.1
Valdosta-MSA	
Civilian Labor Force	66,097
Employed	60,400
Unemployed	5,697
Rate	8.6
Source: Georgia Department of Labor	

10,000 of the 14,900 net new jobs. Health Care and Social Services also created net new jobs. A positive sign for economic recovery is the increase demand for hospitality services including accommodation services and food services.

Once again Financial Services and Construction industries reported the largest net job losses across the state. These industries are expected to remain weak through the first quarter of 2012. Uncertainty about new financial services regulations and the costs associated with these reforms continue to dampen growth in the financial services industry. With

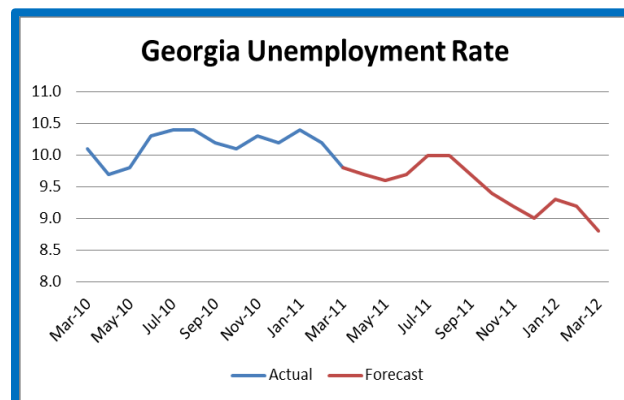
Georgia Nonagricultural Jobs Change in Number of Jobs	
	Mar 2010 -Mar 2011
Total Nonagricultural	13,400
Total Private	29,600
Construction	-12,400
Manufacturing	+6,100
Durable goods	+7,200
Non-durable goods	-1,100
Trade, Transportation and Utilities	4,800
Wholesale trade	-900
Retail trade	1,800
Information	-2,100
Financial services	-8,100
Professional and Business Services	+21,500
Administration and Support	+14,900
Employment services	+10,000
Educational and Health Services	+3,100
Educational Services	+3,100
Health Care and Social Assistance	+8,700
Leisure and Hospitality	+3,800
Accommodation and Food	+2,100
Government	-16,200
Federal	-1,400
State	-3,800
Local	-11,000
Source: Georgia Department of Labor	

the Presidential and Congressional elections scheduled for 2012, it is unlikely the uncertainty will abate before the end of 2012.

Although government revenues have improved through the first quarter of 2011, the loss of federal funds and weak consumer demand continue to have a negative influence on the state and local economies. State and Local governments experienced net job losses of 14,800 jobs. With budget reductions through the next fiscal year, the public sector employment will continue to be a drag on non-farm employment in Georgia.

The probability of a robust recovery remains near zero; Weak growth is most likely with continued improvements in Professional, Scientific, and Technology services. The housing market is expected to

stabilize by the end of 2011 which will improve real estate, construction and related industries by the first quarter of 2012. If oil prices rise above \$125 a barrel and inflationary pressures rise however, economic growth will slow further and job growth will not return.



This forecast assumes oil prices do not exceed \$125 a barrel. If oil prices exceed \$125 a barrel, the unemployment will likely remain near 10%.

South Georgia

The South Georgia region is comprised of thirty-two counties that are divided into two regions based upon the Georgia Regional Development Center designations. The Southwest Georgia and Southern Georgia regions each include a metropolitan statistical area (MSA) as defined by the United States Office of Management and Budget. The Albany-MSA is located in the Southwest Georgia region and the Valdosta-MSA is located in the Southern Georgia region.

Southern Georgia Region

The Southern Georgia region as a whole has stabilized over the last twelve months.

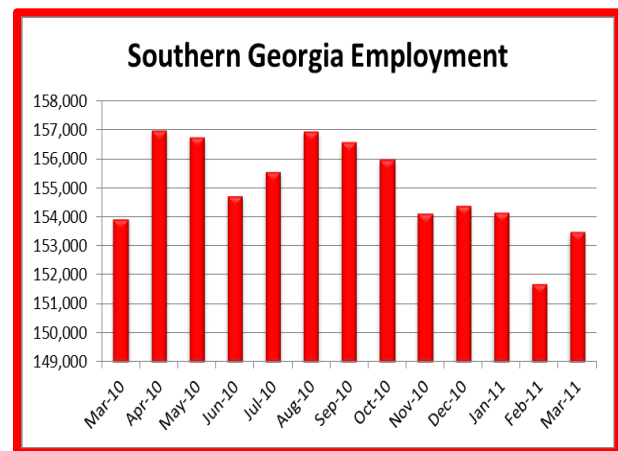
Business and plant closures rates have declined in many communities across the Southern Georgia region. Employment across the region has improved in many counties and stabilized in others, suggesting that region has reached its trough and is into the recovery phase of the business cycle.

The economic recovery for the region however is uneven. The economic conditions for the counties with direct or near direct access to I-75 have improved over the last six months. The counties located between I-75 and the coast, continue to experience net job losses and unemployment rates exceeding 15%. The Spotlight Counties summarizes the troubled economic conditions for some of these counties.

The Southern Georgia region forecast is mixed. The economic recovery for the region is expected to be long and uneven. The counties located along major highway corridors are likely to recover more quickly than the more rural counties. While there are expected improvements in Health Care related services and Professional services, prolonged unemployment will be a problem

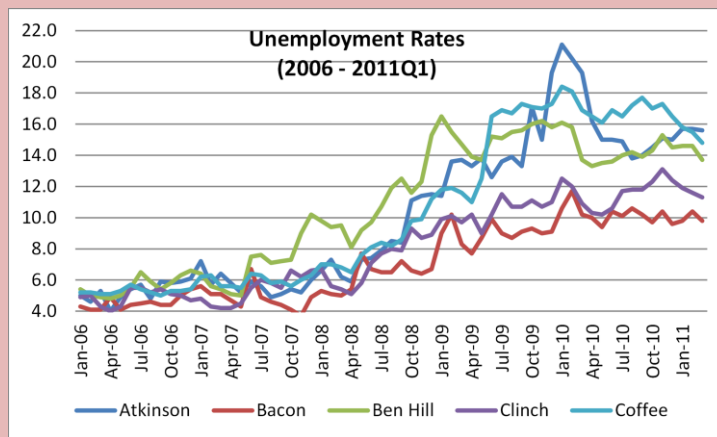
across the region in the construction industry and manufacturing.

The forecast predicts that the unemployment rate will drop below 10.0% for the region by the end of the first quarter of 2012. The net job gains are expected for the counties along major highway corridors through the end of 2011. The rural counties however are expected to experience unemployment rates above 15% and are not likely to experience net job gains through the forecast period.



Spotlight Counties – Southern Georgia Region

Atkinson, Bacon, Ben Hill, Clinch and Coffee Counties



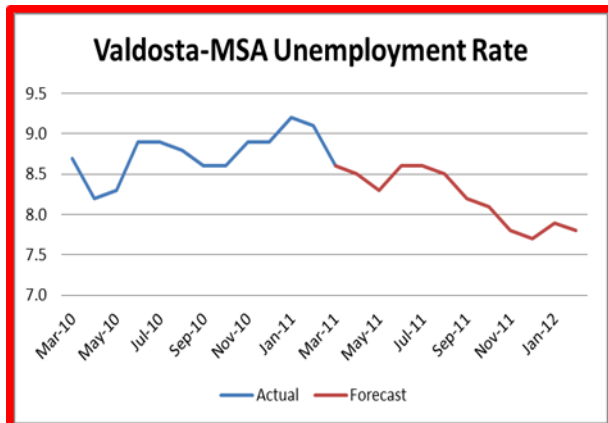
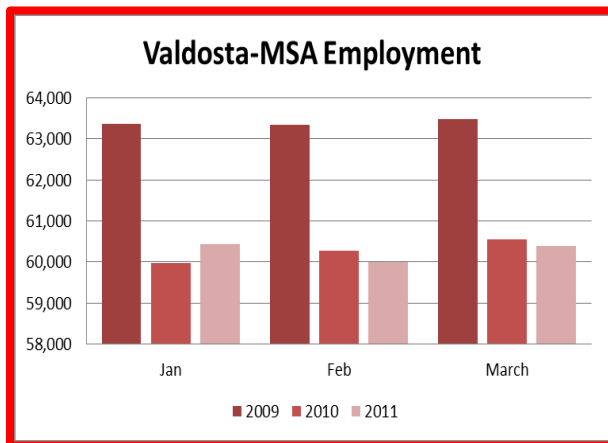
Population growth rate: Expected to be flat over the next five years

Personal Income: Below the state average and likely to decline with the net loss of jobs.

Job Outlook: The manufacturing jobs lost during the recession are not likely to return. Job gains in these counties will likely be lower paying service sector jobs with limited benefits.

Valdosta-MSA

The Valdosta-MSA continues to experience a modest recovery through the first quarter of 2011. Employment services and Health-care and Social Services industries remain the leading industries for net job growth. This trend is expected to continue through the first quarter of 2012. Leisure and Hospitality are expected to improve by the end of the 2nd quarter of 2011.



Construction, Construction-related industries and Manufacturing industries continue to contract and are not expected to recover before the end of 2011. Net job losses of government jobs nearly offset private sector job gains. Government employment will likely continue to be a drag on jobs as state and local governments are

expected to reduce their budgets for the next fiscal year.

The economic data suggest that the Valdosta-MSA is in a recovery phase of the business cycle. Local business concerns about uncertainties regarding regulations and financial services together with rising energy prices have hampered hiring efforts. The forecast predicts that the Valdosta-MSA unemployment rate will decline below 8% by the end of the 2011 third quarter. This forecast assumes the price for a barrel of oil does not exceed \$125.

Valdosta-MSA Nonagricultural Employment March 2011

	Number of jobs	Change from Mar 2010
Total Nonagricultural	51,100	+100
Total Private	39,800	500
Goods Producing	6,000	-600
Service Providing	46,100	700
Private Service-Providing	33,800	+1,100
Trade, Transportation and Retail Trade	10,400	-200
Government	7,400	-100
Federal	12,300	-400
State	900	-200
Local	3,600	00
	7,800	-200

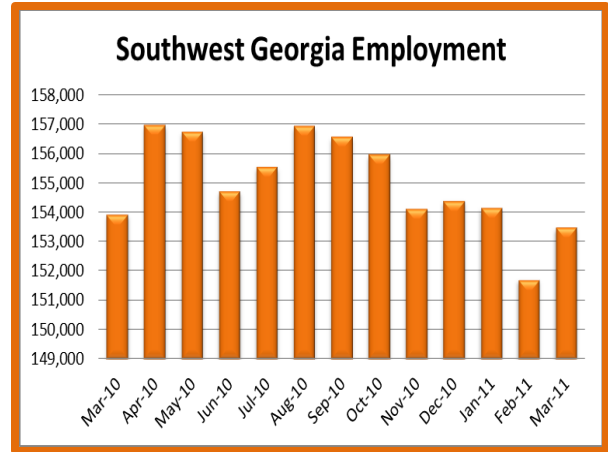
Source: Georgia Department of Labor

Southwest Georgia Region

The Southwest Georgia market has remained fairly constant over the last two years. Economic growth has been near zero with employment hovering around 153,000 jobs and an unemployment rate above 11% for most months. The six-month employment trend reveals a decline of employment for the region. This trend has

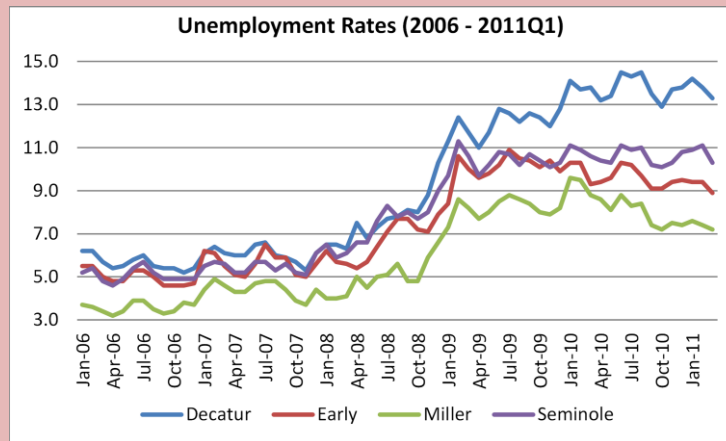
been driven primarily by a loss of manufacturing jobs.

The forecast predicts that the economic recovery for the Southwest Georgia region will be long and anemic. The unemployment rate is expected to remain above 10% through the third quarter of 2011 and then drop below 10% by the end of the year. The economic recovery and job market outlook are likely to remain tepid through the end of 2011.



Spotlight Counties – Southwest Georgia Region

Decatur, Early, Miller and Seminole Counties



Population growth rate: Expected to be flat to declining over the next five years

Personal Income: Below the state average with a heavily reliance on government and retail jobs.

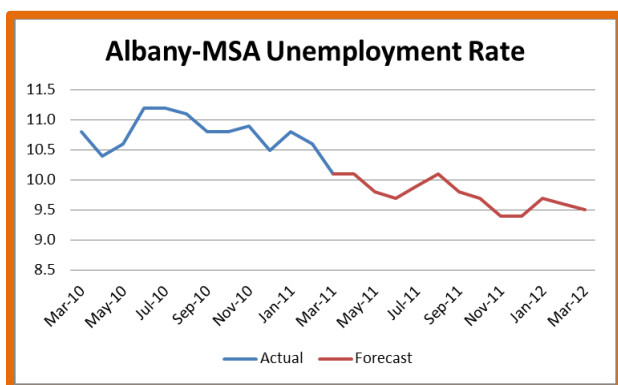
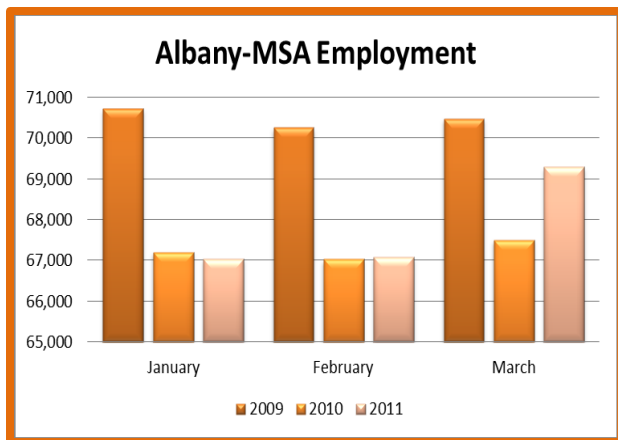
Job Outlook: Low growth is expected for these counties. Residential real estate is overbuilt and will likely take years to reduce the inventory.

Albany-MSA

Although the Albany-MSA economic activity has been flat for more than a year, the March economic data revealed a jump in net jobs for the year-to-year comparison. Net job gains were reported for Professional Services and Health Care Service industries. A modest and unexpected net gain of 100 manufacturing jobs was also reported.

Retail services and government employment both reported year over year net declines.

The forecast cyclical unemployment will decline but remain positive through the end of 2011. Recent data increases the probability of a stronger recovery through the end of 2011 however it is expected that the restructuring of the distribution of jobs among industries will constrain the rate of job growth.



Albany MSA Nonagricultural Employment March 2011		
	Number of jobs	Change from Mar 2010
Total Nonagricultural	62,400	+1,500
Total Private	48,600	+1,800
Goods Producing	6,700	-200
Service Providing	55,700	+1,700
Private Service-Providing	41,900	+2,000
Manufacturing	4,400	+100
Trade and Transportation	12,000	-100
Retail Trade	7,300	-200
Government	13,800	-300
Federal	3,500	-200
State	3,000	+100
Local	7,300	-200

Source: Georgia Department of Labor

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