

# 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 and distributed by the Center for Business and Economic Research and the Langdale College of Business.

## *Economic Outlook: 3rd Quarter 2012*

Economic growth in the United States remained sluggish through the end of the third quarter with an average growth rate of less than 2%. While initial unemployment claims declined slightly, average monthly net job creation rose above 100,000 jobs however long-term unemployment remained elevated. The uncertainties surrounding U.S. fiscal policies, expected higher tax rates in January, the rising default risks within the European Union, and slower world-wide economic growth are the primary threats to the United States economy.

The Federal Reserve announced that it will continue an accommodative monetary policy

## South Georgia's Service Delivery Regions

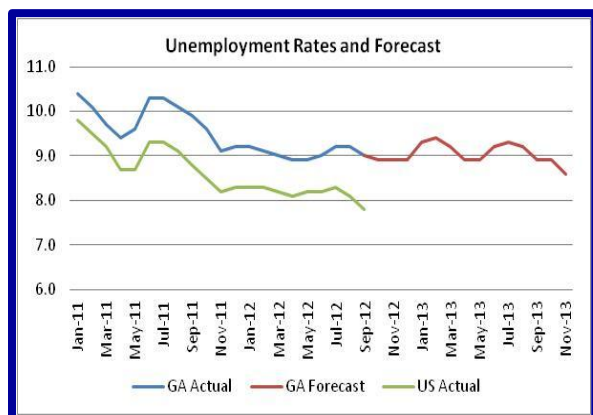
Region 10 (Southwest Georgia)	Region 11 (South Central Georgia)	
Baker	Atkinson	Pierce
Calhoun	Bacon	Tift
Colquitt	Ben Hill	Turner
Decatur	Berrien	Ware
Dougherty	Brantley	
Early	Brooks	
Grady	Charlton	
Lee	Clinch	
Miller	Coffee	
Mitchell	Cook	
Seminole	Echols	
Terrell	Irwin	
Thomas	Lanier	
Worth	Lowndes	

through 2015. The Fed also stated that it plans to continue non-traditional monetary policy actions to maintain its accommodative monetary policy into 2013. The non-traditional monetary policy actions include the Fed's efforts to reduce long-term interest rates by purchasing long-term bonds through open market operations.

Threats to the U.S. economic recovery linger. Political and regulatory uncertainties continue to suppress vibrant job growth. Since there is a high probability that the political stalemate will continue after the elections, the prospects for a comprehensive fiscal plan are low. Uncertainty surrounding

tax policy changes, deficit reduction policies and entitlement reform changes, all of which impact both short-run and long-run economic and job growth, will remain a drag on the economy at least through 2016.

Over the last quarter, weak world-wide economic conditions have reduced demand for oil and have led to relatively lower energy prices. The lower energy prices however are likely transitory and will not lower the long-run trend of higher energy prices. The lack of a long-run energy policy together with the delayed decision to build an oil pipeline from Canada to the Gulf of Mexico or to explore other domestic energy sources indicates that energy price volatility will also remain a drag on the economy and contribute to uncertainty.



## Georgia

Private sector employment improved during the third quarter however the Georgia economy remains one of the weakest economies in the United States. Sectors leading the number of net job creation were Professional and Business Management, Trade and Transportation, Retail Trade, and Education and Health Services. Sectors with the largest percentage net new jobs were Computer Systems Design, Accounting and Tax Preparation, Personal and Laundry Services, and Insurance.

Labor Force	
	Sep 2012
<b>Georgia</b>	
Civilian Labor Force	4,777,977
Employed	4,348,516
Unemployed	429,461
Rate	9.0%
<b>South Central Georgia</b>	
Civilian Labor Force	174,757
Employed	157,433
Unemployed	17,324
Rate	9.9%
<b>Valdosta-MSA</b>	
Civilian Labor Force	66,537
Employed	60,396
Unemployed	5,541
Rate	8.3%
<b>Southwest Georgia</b>	
Civilian Labor Force	162,378
Employed	147,769
Unemployed	14,609
Rate	9.0%
<b>Albany-MSA</b>	
Civilian Labor Force	74,045
Employed	67,072
Unemployed	6,973
Rate	9.4%
Source: Georgia Department of Labor	

Private sector industries experiencing the largest number of net job losses continue to be Real Estate and Rental, and Construction. The weak real estate market, high foreclosure rates and bank failures continue to dampen the Georgia economic recovery. These markets appear to have reached a bottom as the real estate market has begun to firm and housing prices have begun to rise in certain areas.

A year over year comparison reveals that Government employment has declined at all levels – Federal, State and Local. Improving revenue collections is likely to minimize that State and Local Government budget reductions over the next year.

<b>Georgia Nonagricultural Jobs Change in Number of Jobs</b>	
	Sep 11 to Sep 12
Total Nonagricultural	61,800
Total Private	72,400
Construction	-4,800
Manufacturing	+8,700
Durable goods	+5,600
Non-durable goods	+3,100
Trade, Transportation and Utilities	23,100
Wholesale trade	4,000
Retail trade	16,100
Information	1,100
Financial Services Activity	-700
Professional and Business Services	23,500
Administration and Support	7,600
Employment services	3,700
Educational and Health Services	13,000
Educational Services	2,500
Health Care and Social Assistance	10,500
Leisure and Hospitality	9,100
Accommodation and Food	9,900
Government	-10,600
Federal	-2,400
State	-3,400
Local	-4,800
Source: Georgia Department of Labor	

The forecast predicts weak economic with minimal private sector job growth through the end-2013. Fiscal policy pressures at the federal and state levels, continued restructuring of the private sector labor market, and market uncertainties will dampen Georgia's economic growth. The forecast predicts that the unemployment rate will remain above normal levels over the medium-run (2-3 years). The forecast predicts an unemployment rate of near 8.6% by the third quarter of 2013. Net job creation will keep pace with labor force participation expansion but will be insufficient to reduce unemployment as a percent of the overall labor force size.

## ***South Georgia (Overall)***

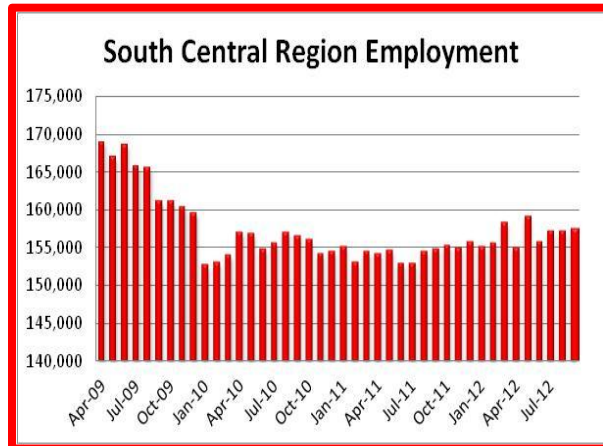
The South Georgia region is comprised of thirty-two counties, and is divided into two regions, based upon the Georgia Department of Community Affairs' Service Delivery Regions. South Central Georgia (DCA's Region 11) and Southwest Georgia (DCA's Region 10) each include a metropolitan statistical area (MSA) as designated by the United States Office of Management and Budget. The Valdosta MSA is located in South Central Georgia (Region 11), while the Albany MSA is located in Southwest Georgia (Region 10).

Overall, economic indicators in South Georgia reveal that economic conditions are improving for many industries and counties. The two regions have experienced net job growth of non-agriculture employment since reaching low employment numbers during February 2011. Net job gains continue to outpace labor force growth, a trend that began January 2012, leading to a decline of the unemployment rates. Although some counties have not entered a recovery, the net job gains for the regions overall have led to an average unemployment rates below 10%. Agriculture and Agriculture-related industries remain strengths for both regions.

Federal budget policy decisions, regulatory uncertainties, state and local budget pressures, energy price volatility, and a global economic slowdown threaten the South Georgia recovery. The economic slowdown for the region's major international trading partners has increased the threat of slower growth. The impact of lower commodity prices, combined with reduced demand for exports (including agricultural products), underlie the increased threat. Although economic indicators are improving, the forecast for both regions indicate positive but slower growth through the end of 2013.

## South Central (Region 11)

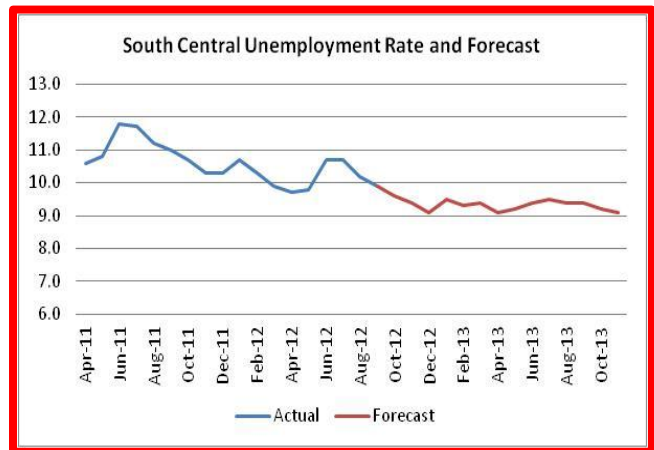
Economic conditions in South Central Georgia continue to improve. Business closures rates have declined in many communities across the region, commercial property vacancy rates have declined, and existing businesses are beginning to hire. Since reaching a low in January 2010, employment has improved although at a slow pace. Despite the improvements, the employment levels remain below the pre-recessionary levels.



Since July 2011, non-agricultural net job growth has outpaced labor force growth leading to lower unemployment rates for 13 of the 18 counties in the South Central region. The expanding industries include retail trade, hospitality services and healthcare related industries. Declining industries include construction and manufacturing. Real Estate and Construction markets appear to have stabilized and are improving modestly in several counties across the region.

The economic recovery is expected to continue through the end of 2013 although the rate of growth is expected to slow. Lower expected commodity prices and government fiscal conditions will be a drag on the recovery although improving private sector growth and increasing consumer demand will

more than offset these weaknesses. Fiscal policy uncertainty at the Federal level, and expected higher taxes as of January 1, 2013 are likely to slow economic growth during 2013. Expected higher labor force costs and greater regulations have increased business uncertainty. This will likely slow employment expansion over the next twelve months. The unemployment rate for the South Central Region is expected to remain above 9.0% through the third quarter of 2013.

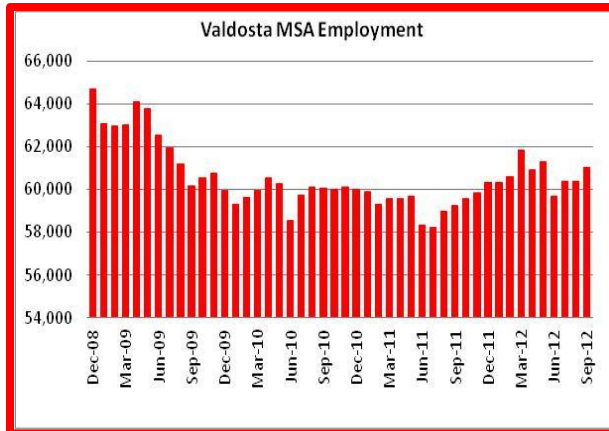


## Valdosta MSA

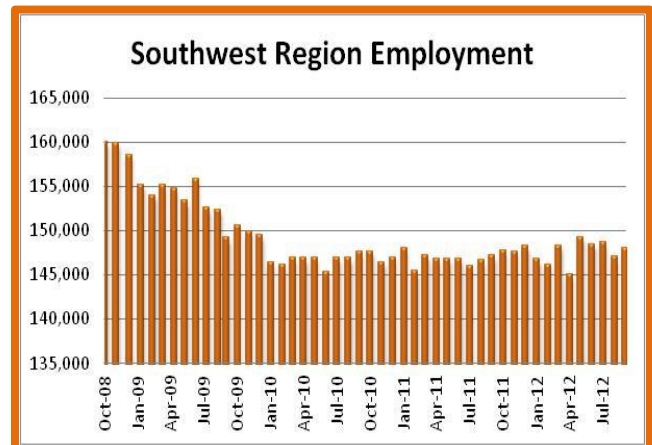
Economic indicators suggest that the Valdosta MSA’s growth rate improved over the last twelve months. Agriculture, healthcare, and retail trade were the leading industries in the recovery. New retailers and restaurants will further expand net job gains for the Valdosta MSA by the end of 2012. Residential single-family and multi-unit construction have improved, however elevated foreclosure rates will continue to soften the real estate and related industries through the second quarter of 2013. Although not experiencing robust growth, the Lowndes County housing market is stronger than most counties in the state.

The forecast predicts modest net job creation over the next twelve months. Increases in labor force participation will keep

the unemployment rate elevated however cyclical and structural unemployment will decline slightly over the next twelve months. Net job creation for the Valdosta MSA is expected to outpace the South Central Region and the Georgia average net job growth rates. The forecast predicts the Valdosta MSA unemployment rate will decline to 7.2% by November 2013.



region reveals steady employment levels since January 2010; unfortunately employment levels have remained below 150,000 and more than 10,000 jobs below pre-recession levels. Service sector jobs have only partially replaced the loss of manufacturing, financial services, and construction-related jobs lost. Net job gains in the service sector were primarily in healthcare and related services, and leisure industries. Construction and construction-related sectors remain soft.



<b>Valdosta MSA Nonagricultural Employment Sep 2012</b>		
	Number of jobs	Change from Sep 2011
Total Nonagricultural	52,400	+1,100
Total Private	39,900	+1,300
Goods Producing	6,100	00
Service Providing	46,300	+1,100
Private Service-Providing	33,800	+1,300
Trade, Transportation and Retail Trade	10,500	+100
Government	7,800	+300
Federal	1,200	-200
State	1,200	00
Local	3,600	-100
Source: Georgia Department of Labor		

### **Southwest (Region 10)**

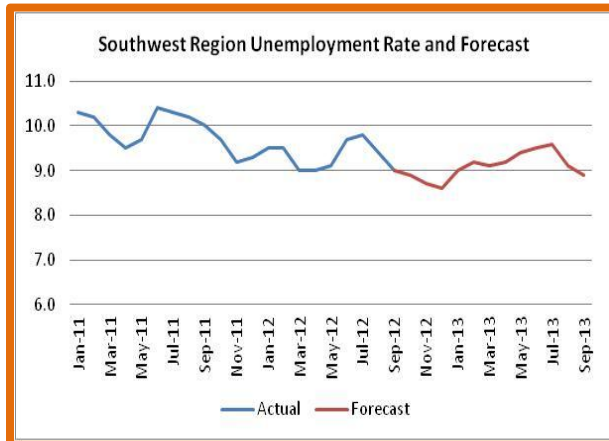
The economic conditions for the Southwest Region remain mostly unchanged. Economic data for the Southwest Georgia

Agriculture and agricultural-related industries are strengths for the region. Demand, both foreign and domestically, has been strong, and commodity prices favorable, over the last several years. The economic conditions of the United States' major trading partners must be monitored as the increased risk of an economic slowdown may reduce export growth through the end of 2013.

The unemployment rate for the region has remained below 10% during the last twelve months. This is an improvement over the previous two years during which the unemployment rate averaged above 10%. The improved unemployment rate reflects net job gains for 10 out of the 14 counties.

The forecast predicts that the economic recovery for the Southwest Georgia region will be long and modest. Overall net job gains

are expected to continue through the end of 2013 with the loss of higher paying manufacturing jobs to be replaced by lower paying service sector jobs. Net job gains are likely to keep pace with labor force participation growth however net job gains will not be sufficient to significantly reduce the Region’s unemployment rate. The unemployment rate is expected fluctuate between 8.6% and 9.5% through the third quarter of 2013.



## Albany MSA

After reaching its lowest employment levels in June 2011, it appears that the Albany MSA has moved toward a trend of net job growth over the last 12 months. Despite these improvements, employment remains below pre-recession levels. The mix of jobs has changed with higher paying jobs with benefits being replaced with lower paying jobs.

Over the last twelve months, Manufacturing and Government sector jobs declined while Retail Trade showed a modest year-over-year increase. The Health-care related sectors and Leisure related sectors reported the largest net job growth for the Albany MSA. Construction and related sectors remain depressed and continue to be a drag on the Albany MSA. Housing starts for one-unit and multi-units remain significantly below pre-recessionary levels.

Albany MSA Nonagricultural Employment Sep 2012		
	Number of jobs	Change from Sep 2011
Total Nonagricultural	60,000	+1,200
Total Private	46,600	+1,300
Goods Producing	6,800	+100
Service Providing	53,200	+1,100
Private Service-Providing	39,800	+1,200
Manufacturing	4,300	+100
Trade and Transportation	12,200	+400
Retail Trade	8,100	+300
Government	13,400	-100
Federal	3,200	-100
State	2,900	-100
Local	7,300	+100

Source: Georgia Department of Labor



The Albany MSA unemployment rate declined from 10.7% to 9.4% over the last twelve months. Net job creation outpaced labor force participation growth leading to the lower unemployment rate. This rate although improved is higher than the average 5.4% pre-recession unemployment rate.

The forecast predicts slow economic growth and modest net job gains through the third quarter of 2013. The unemployment rate is expected to remain above 8.5% through the end of 2013.



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The **Center for Business and Economic Research** at Valdosta State University supports regional development and promotes activities that strengthen the competitive positions of regional business. In addition to conducting applied research on important regional issues, The Center's members and associates provide a broad range of consulting services, training programs, and public service activities to area organizations. Visit <http://www.valdosta.edu/lcoba/cber.shtml> for a listing of available services or contact the Director of the Center for Business and Economic Research (CBER), Scott Manley at 229-333-7878.

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The *South Georgia Business Outlook* is a quarterly publication of the Center for Business and Economic Research, Langdale College of Business, Valdosta State University. The articles reflect the opinions of the author, but not necessarily those of the staff of CBER, the faculty of the Langdale College of Business, or the administration of Valdosta State University.

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