

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

Volume 5, Number 3

Third Quarter 2009

The *South Georgia Business Outlook* is a quarterly publication that examines 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: 3rd Quarter 2009

Economic indicators and forecasts are beginning to suggest that the United States economy is entering a period of economic recovery. Popular stock market indexes are up year-to-date. Initial unemployment claims have improved since the first quarter of 2009. After reaching a low during February 2009, the Consumer Confidence Index has also improved.

Although all three leading indicators are moving in the correct direction suggesting an economic recovery, all are at levels inconsistent with sustainable economic growth. Popular stock market indexes have

posted positive returns year-to-date; however index levels remain below the 52-week high. Initial unemployment claims have declined to 550,000 claims however they remain above the approximately 300,000 average claims that occurred during the most recent expansion period. While the Consumer Confidence Index has improved, at 50 it suggests that consumers remain uneasy of the economic future. Given the magnitude of the economic decline and the possible structural changes to the economy, the recovery phase of the business cycle will likely last through the second quarter of 2011.

During a period of economic recovery, output increases leading to a positive economic growth rate. Although the *growth rate* may be positive, the *level* of output is lower than before the recession began. For example, if a \$10,000 investment loses 50% of its value (loss \$5,000) and then gains 50% of its value (gain \$2,500), the investment value would be \$7,500. While the most recent *growth rate* may be 50%, the *level* of investment would still be less than the original value. The growth rate indicates a recovery; however it will take time and continued growth to realize the original level of investment. As long as the level of output is relatively low and unemployment remains above normal levels, consumers and businesses will remain hesitant about the future even as the growth rate turns positive.

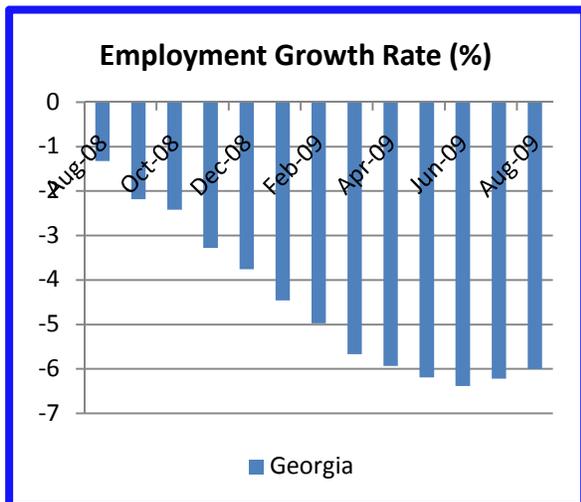
Economic indicators suggest that the recession is moderating and although economic growth may turn positive before the

end of 2009, the strength of the recovery will be weak and net job growth is unlikely to return until after the first half of 2010. The State of Georgia is likely to follow the national trend with some parts of the South Georgia region recovering sooner than the rest of the economy. Counties that rely upon manufacturing jobs however will likely recover at a pace slower than the national average.

Georgia

The economic recession continued to cause job losses for the State of Georgia through the summer months. Economic weakness across nearly every industry led to an average monthly net job loss of 6% from May 2009 through August 2009.

Construction and Construction-related industries led the economic decline as the housing market correction continued through the summer months. Plant closures and manufacturing layoffs also picked up pace during the summer months. Although accommodation services tend to rise during the summer months, the economic recession led to a net loss of jobs in accommodation services as well.



| Georgia Nonagricultural Jobs Change in Number of Jobs | |
|--|---------------------|
| | Aug 08 to Aug 09 |
| Total Nonagricultural | -238,200 |
| Total Private | -219,300 |
| Construction | -37,900 |
| Manufacturing | -55,600 |
| Durable goods | -33,000 |
| Non-durable goods | -22,600 |
| Trade, Transportation and Utilities | -56,800 |
| Wholesale trade | -15,200 |
| Retail trade | -26,600 |
| Information | -6,600 |
| Financial services | -15,900 |
| Professional and Business Services | -44,300 |
| Administration and Support | -20,000 |
| Employment services | -17,800 |
| Educational and Health Services | +13,400 |
| Educational Services | +6,300 |
| Health Care and Social Assistance | +7,100 |
| Leisure and Hospitality | -10,100 |
| Accommodation and Food | -11,000 |
| Government | -18,900 |
| Federal | +700 |
| State | -7,000 |
| Local | -12,600 |
| Source: Georgia Department of Labor | |

The State of Georgia reported net job gains over the twelve months ending August 2009 for Education and Health Care Services. Through August 2009, these industries for the most part responded to the negative economic conditions by reducing hours and not filling positions as vacated rather than reducing their workforce as in other industries did. Declining government revenues and possible health care reform measures are likely to adversely affect these industries through 2010.

The recession has had a wide spread and deep impact on the Georgia economy. The housing recession in Greater Atlanta area, plant closures across the state, declining government revenues and financial market uncertainty will likely persist through the first half of 2010. While pockets of recovery are expected, the economic outlook for the State of Georgia is for continued economic

weakness through the second quarter of 2010. Uncertainty in government policy changes, financial market reforms and the housing market recovery suggest that the recovery will likely be slow through the first half of 2010.

South Georgia

The South Georgia region comprises thirty-two counties that are divided into two regions based upon the Georgia Regional Development Center designations. The Southwest Georgia and Southern Central 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 Central Georgia region.

Following the State of Georgia trends, the South Georgia region remains in a recession. The unemployment rate in the Southeast and Southern Central regions remained at 10% during the third quarter of

| Labor Force | | |
|--------------------------|-----------|----------------------|
| | Aug 2009 | Change from Aug 2008 |
| Georgia | | |
| Civilian Labor Force | 4,744,428 | -103,403 |
| Employed | 4,262,840 | -275,155 |
| Unemployed | 481,588 | +171,752 |
| Rate | 10.2 | |
| Southern Georgia | | |
| Civilian Labor Force | 185,440 | +238 |
| Employed | 165,573 | -6,607 |
| Unemployed | 19,867 | +6,845 |
| Rate | 10.7 | |
| Southwest Georgia | | |
| Civilian Labor Force | 169,319 | +24 |
| Employed | 152,468 | -5,178 |
| Unemployed | 16,851 | +5,202 |
| Rate | 10.0 | |
| Albany-MSA | | |
| Civilian Labor Force | 76,019 | -45 |
| Employed | 68,395 | -2,415 |
| Unemployed | 7,624 | +2,370 |
| Rate | 10.0 | |
| Valdosta-MSA | | |
| Civilian Labor Force | 68,554 | -1,138 |
| Employed | 62,914 | -2,708 |
| Unemployed | 5,640 | +1,570 |
| Rate | 8.2 | |

Source: Georgia Department of Labor

South Georgia Region

| Southwest Georgia Counties | Southern Central 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 | |

2009. Although the unemployment rate rise is in part due to an expanding labor force, continued business closures, employment freezes and risk aversion across the region contributed to the recessionary pressures.

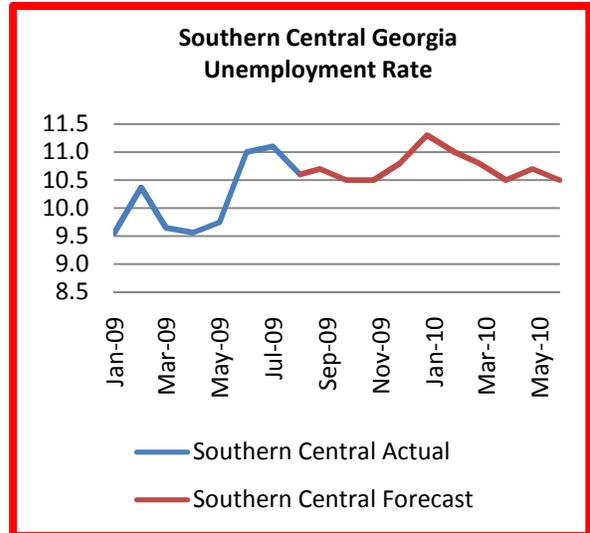
While the unemployment rate is expected to remain above the natural rate throughout 2010, it is expected that the unemployment across South Georgia will moderate as production growth returns by the end of 2009 and net job gains return by the middle of 2010. The potential for higher federal taxes to support deficit spending and expanded government programs, and possible new regulations may lead to greater uncertainty and a slower economic recovery.

Southern Central Georgia Region

The Southern Central Georgia region continues to experience the effects of the economic recession. Weak consumer demand, declining business investment, business closures and market uncertainties continue to adversely impact the region.

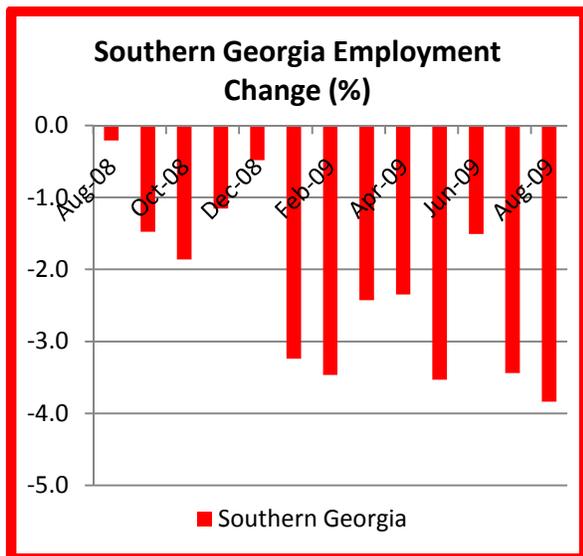
At 10.7%, the unemployment rate for the Southern Central Georgia region remained above the state average during August 2009. The unemployment rate however does not reflect the full impact of the recession on the region since furloughs and reduced work hours that many workers experienced were not included in the unemployment rate. The economic decline and job losses were not even across the region; the region's eastern counties suffered greater losses than the counties along the I-75 corridor.

The South Central Georgia region forecast suggests that unemployment will remain above 9.0% through mid-2010. While the forecast predicts that the economy will begin recovering by the fourth quarter of 2009, cyclical unemployment is expected to remain positive through most of 2010.



Valdosta-MSA

Economic conditions in the Valdosta-MSA remained weak through the third quarter of 2009. Lack of net job growth, expanded furloughs and hiring freezes led to weak demand within the MSA. The number of non-agricultural jobs continued to decline reaching 2005 employment levels. Economic indicators however suggest that the Valdosta-MSA should begin a recovery by the end of 2009. If the economy recovers more slowly



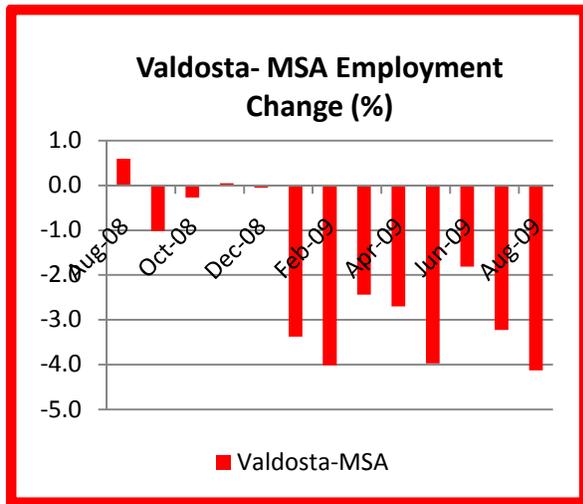
Valdosta-MSA Nonagricultural Employment Aug 2009

| | Number of jobs | Change from Aug 2008 |
|--|----------------|----------------------|
| Total Nonagricultural | 54,700 | -200 |
| Total Private | 41,700 | -2,100 |
| Goods Producing | 7,500 | -1,200 |
| Service Providing | 47,200 | -800 |
| Private Service-Providing | 34,200 | -900 |
| Trade, Transportation and Retail Trade | 11,500 | -800 |
| Government | 7,600 | -600 |
| Federal | 13,000 | +100 |
| State | 800 | +00 |
| Local | 4,400 | +100 |
| | 7,800 | +00 |

Source: Georgia Department of Labor

than expected, the net job losses may increase further as companies move from furloughs to layoffs and further hiring freezes.

The Valdosta-Lowndes County Chamber of Commerce successful Think B.I.G - Buy In Greater Valdosta reached its goal of redirecting \$5 million worth of business expenditures back into the Greater Valdosta area. This effort by area businesses prevented further job loss for the MSA.

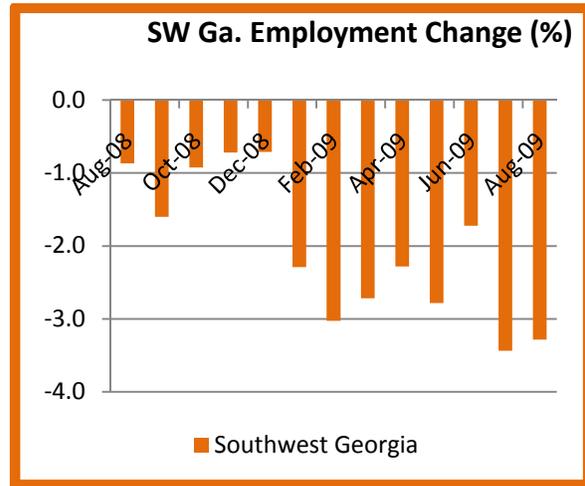


The forecast predicts that the Valdosta-MSA unemployment rate will remain above the natural rate with positive cyclical unemployment through the middle of 2010. The forecast predicts that the Valdosta-MSA will enter a recovery phase before the end of 2009; however since the labor market tends to lag production changes, cyclical unemployment will remain positive through most of 2010. The forecast predicts an average unemployment above 7.0% for the Valdosta-MSA for the remainder of 2009 before dropping below 7.0% during the first half of 2010.

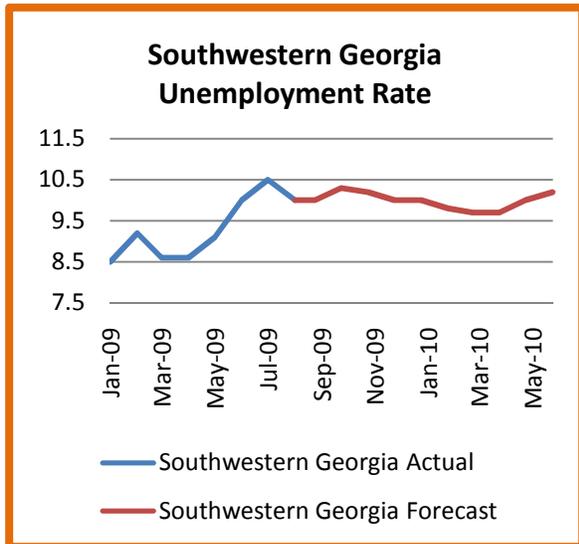
Southwest Georgia Region

The Southwest Georgia region that has experienced sluggish growth even before the

national recession has endured accelerated economic decline through the third quarter of 2009. The loss of major manufacturing jobs, weak consumer demand and loss of its tax base have led to economic contraction that is greater than the state average during the third quarter.



The Southwest Georgia region unemployment rate rose to 10% with net job losses spread across all industries. As the recession moderates and seasonal unemployment subsides, the Southwest Georgia region unemployment rate should improve by the middle of 2010. With the structural changes in the labor market resulting from recent federal government policy changes along with the plant closures of textile and automotive-related companies, it is not likely that manufacturing jobs lost during this recession will return once the recovery begins. The manufacturing jobs are likely to be replaced with lower paying service sector jobs. The forecast predicts economic growth returning by the end of the second quarter of 2010 and the return of net job growth by the third quarter of 2010.



Albany-MSA

The Albany-MSA continued to report net job losses through the end of the third quarter. A stagnant construction industry, the continued decline of manufacturing, and weak service industries all contributed to the economic slid through the third quarter of 2009. An August-to-August comparison

showed a net loss of 2,400 jobs within the Albany-MSA. With additional plant closures announced, expected government budget cuts, weak consumer demand and reluctant business investment, it is expected that job losses will continue through the end of 2009 and the first half of 2010. Aggressive economic development plans are needed to revitalize the economic potential for the MSA. Health care related industries and professional services offer opportunities for growth through 2010.

Albany MSA Nonagricultural Employment Aug 2009

| | Number of jobs | Change from Aug 2008 |
|---------------------------|----------------|----------------------|
| Total Nonagricultural | 61,500 | -2,400 |
| Total Private | 48,200 | -1,900 |
| Goods Producing | 8,800 | -1,300 |
| Service Providing | 52,700 | -1,100 |
| Private Service-Providing | 39,400 | -600 |
| Manufacturing | 5,800 | -800 |
| Trade and Transportation | 13,000 | +00 |
| Retail Trade | 7,200 | -400 |
| Government | 13,300 | -500 |
| Federal | 3,300 | +100 |
| State | 2,900 | -100 |
| Local | 7,100 | -500 |

Source: Georgia Department of Labor

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