

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 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: 4th Quarter 2009

Economic indicators and forecasts suggest that the U.S. economy has entered a recovery period. Business investment and a modest improvement in consumer spending are leading the economic recovery. During the fourth quarter, business investment in software and equipment increased significantly over the previous quarter. Businesses also relied less on inventory draw down to address demand which signals that inventory levels may be near sustainable levels. Modest increases in consumer spending reflect the continued increases of consumer confidence, however consumer

spending remains weak when compared to expansionary periods.

With consumer spending only modestly improving, it is expected that the U.S. labor market will remain weak through mid-2011. While demand has begun to rebound, it has not yet recovered to pre-recession levels and is not likely to fully recover to those levels until mid-2012.

Economic indicators suggest that the U.S. economy has entered a recovery period however the recovery is uneven across industries and across the country. 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 will likely recover at a pace slower than the national average.

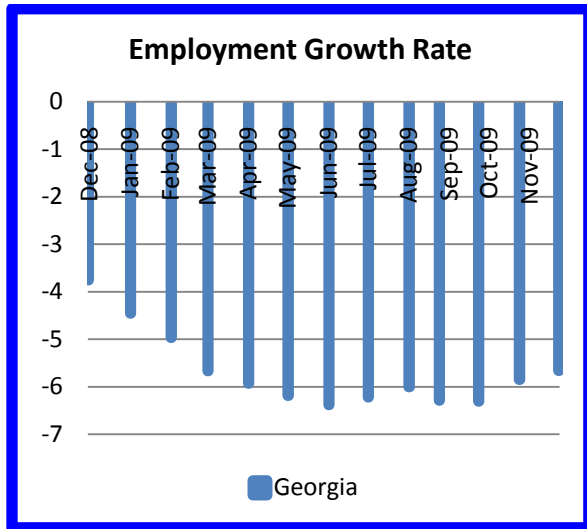
Georgia

The U.S. recession has had a wide spread and deep impact on the Georgia economy. While the U.S. economy is showing overall improvements, economic data suggests that the state of Georgia has not yet experienced a broad based recovery. While economy as a nation grew at an annualized rate of over 5% during the fourth quarter, the annualized growth rate for the state of Georgia was less than 1%.

Weak economic conditions continue to negatively impact the labor market as

businesses reduce the workforce in an effort to reduce costs and meet lower production demands. For the tenth month in a row, the change in employment declined by more than 5%. A year-over-year comparison reveals the State of Georgia had a net loss of 175,000 jobs.

Manufacturing and construction continue to lead the industries in job losses. Despite government programs, residential default rates and foreclosure rates continue to rise. Commercial real estate which tends to lag residential real estate is beginning to show signs of weakness as default rates have begun to accelerate. The glut of residential and commercial real estate along with the uncertainty surrounding the recovery will continue to suppress the real estate and construction related industries through the end of the year.



Education and Health-care related industries reported net gains in jobs over the one year period. Education services reported a net gain of 6,200 jobs and Health care and Social Assistance a net gain of 5,000 jobs. The net gain in Education Service jobs however is supported by temporary federal stimulus dollars. These funds are not likely to be renewed next year and with state revenues

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Dec 08 to Dec 09
Total Nonagricultural	-175,000
Total Private	-165,100
Construction	-30,100
Manufacturing	-44,500
Durable goods	-25,000
Non-durable goods	-19,500
Trade, Transportation and Utilities	-50,900
Wholesale trade	-15,600
Retail trade	-21,900
Information	-4,600
Financial services	-13,600
Professional and Business Services	-28,000
Administration and Support	-3,500
Employment services	-3,500
Educational and Health Services	+11,200
Educational Services	+6,200
Health Care and Social Assistance	+5,000
Leisure and Hospitality	-400
Accommodation and Food	-1,700
Government	-9,900
Federal	+1,400
State	-1,500
Local	-9,800

Source: Georgia Department of Labor

declining, net job losses are expected by the third quarter of 2010. With Congress considering various health care reform policies, there is uncertainty for the health care industry despite growing demands arising from an aging population.

While pockets of recovery are expected, the economic outlook for the State of Georgia is for continued economic weakness through the fourth quarter of 2010. Uncertainty in government policy changes and financial market reforms, declining state revenues, and continued real estate market weakness will remain a drag on the Georgia economy. Although the Georgia recession is likely to bottom out by mid-2010, a recovery in the labor market is not expected until the first quarter of 2011.

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.

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	

Following the State of Georgia trends, the South Georgia economy remains weak. Furloughs and business closures are widely reported across the region. This has led to a rise in new jobless claims. The unemployment rates in the Southeast and Southern Central regions exceeded 11% during the month of December 2010. These rates however likely underestimate the true unemployment rate as some workers discouraged from the lack of job availability have dropped out of the labor market.

Labor Force		
	Dec 2009	Change from Dec 2008
Georgia		
Civilian Labor Force	4,712,852	-145,498
Employed	4,239,639	-240,230
Unemployed	473,223	+94,732
Rate	10.0	
Southern Georgia		
Civilian Labor Force	179,579	-9,717
Employed	159,539	-13,169
Unemployed	20,040	+3,452
Rate	11.2	
Southwest Georgia		
Civilian Labor Force	166,237	-5,028
Employed	149,145	-9,096
Unemployed	17,092	+4,068
Rate	11.4	
Albany-MSA		
Civilian Labor Force	76,281	+50
Employed	68,250	-2,341
Unemployed	8,031	+2,391
Rate	11.8	
Valdosta-MSA		
Civilian Labor Force	67,340	-3,826
Employed	61,611	-4,502
Unemployed	5,729	676
Rate	8.5	
Source: Georgia Department of Labor		

While the unemployment rate is expected to remain above the natural rate throughout 2010, it is expected that the unemployment rate across South Georgia will moderate as production growth returns by the mid-2010 and net job gains return by the end of 2010. Job creation will be uneven across the South Georgia region. Counties along major transportation corridors such as I-75 will gain jobs while the more rural counties will continue to experience high rates of unemployment.

The potential for higher federal taxes to support deficit spending and expanded

government programs, and the possibility of new regulations may lead to greater uncertainty and a slower economic recovery.

Southern Central Georgia Region

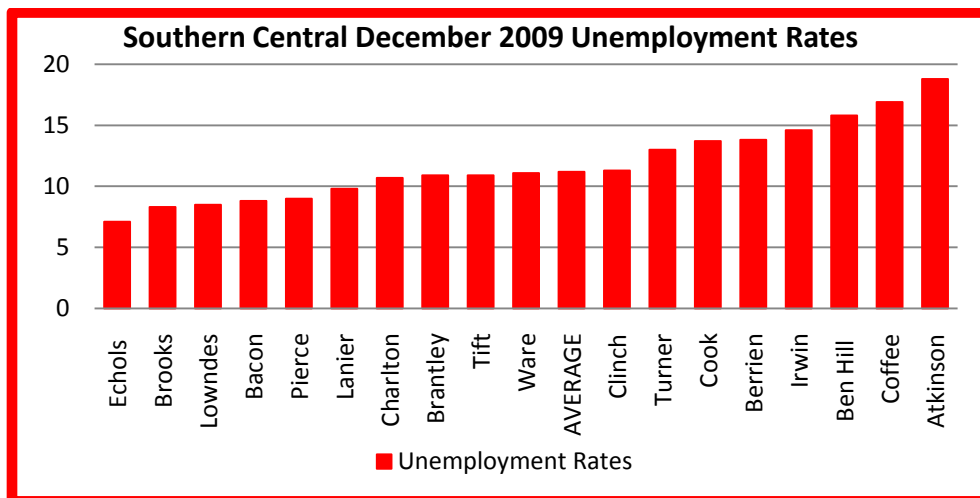
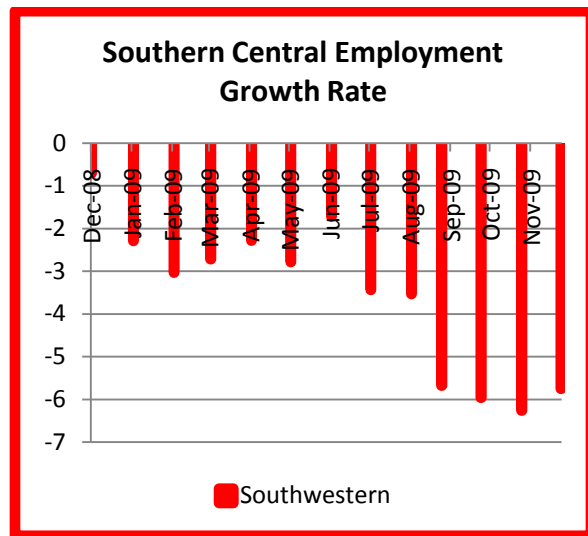
The Southern Central Georgia region continues to experience the effects of the economic recession. Weak consumer demand, declining business investment, business closures and market uncertainties continue to have adversely impacted the region.

The Southern Central Georgia Region unemployment rate of 11.2% is above the state average unemployment rate of 9.7%. The economic decline and job losses were not even across the region; the region's rural eastern counties suffered greater losses than the counties near and along the I-75 corridor. The region's unemployment rates range from 7.1% in Echols county to 18.8% in Atkinson county. The three counties with the lowest unemployment rates are three of the four counties that comprise the Valdosta-MSA.

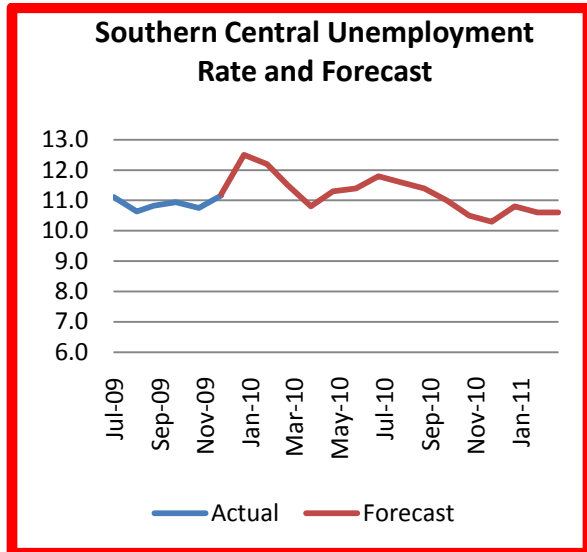
For the region, employment declined over 7% per month during the fourth quarter of 2009. The employment decline was driven by the heavy job losses in the counties

experiencing the highest unemployment rates. The counties with the lowest unemployment rate showed no change or a slight improvement in employment growth over the fourth quarter.

The South Central Georgia region forecast suggests that unemployment will remain above 10.0% through the first quarter of 2011. Net job creation is expected to return to the counties comprising the Valdosta-MSA and the counties near and along the I-75 corridor by the second quarter of 2010. The counties



without a major transportation corridor however will not likely recover quickly without a proactive economic development plan.



Valdosta-MSA

The economic slowdown in the Valdosta-MSA appears to have moderated over the fourth quarter of 2009. Retail sales rose modestly and consumer spending increased driven in part by government stimulus programs such as the Cash-for-Clunkers program. The job outlook for unemployed workers however remains weak. Seasonal employment opportunities typical of the fourth quarter were unexpectedly lower this year leading to a slightly higher than expected job loss in services. Full-time employment opportunities remain relatively scarce.

While a year-over-year comparison of employment revealed a nearly 5% decline in jobs, a month-to-month comparison reveals that the bulk of the job losses occurred earlier in the year and that during the fourth quarter, employment remained somewhat steady.

Valdosta-MSA Nonagricultural Employment Dec 2009		
	Number of jobs	Change from Dec 2008
Total Nonagricultural	53,700	-3,300
Total Private	40,400	-2,900
Goods Producing	7,300	-1,000
Service Providing	46,400	-2,300
Private Service-Providing	33,100	-1,900
Trade, Transportation and Retail Trade	11,700	-400
Government	13,300	-400
Federal	800	+00
State	4,500	-300
Local	8,000	-100

Source: Georgia Department of Labor

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 suggests that the Valdosta-MSA will enter a recovery phase during the first quarter 2010 with job growth returning by mid-2010. Cyclical unemployment however will remain positive through most of 2010 and the unemployment rate elevated as new workers enter the labor force and unemployed workers find jobs. The forecast predicts an average unemployment above 7.0% for the Valdosta-MSA through the end of 2010.

Southwest Georgia Region

Economic conditions in the Southwest Georgia Region have not improved since the third quarter of 2009. Loss of manufacturing jobs, a weak housing and construction market, rising foreclosure and default rates, and

continued job losses have deepened the region's recession.

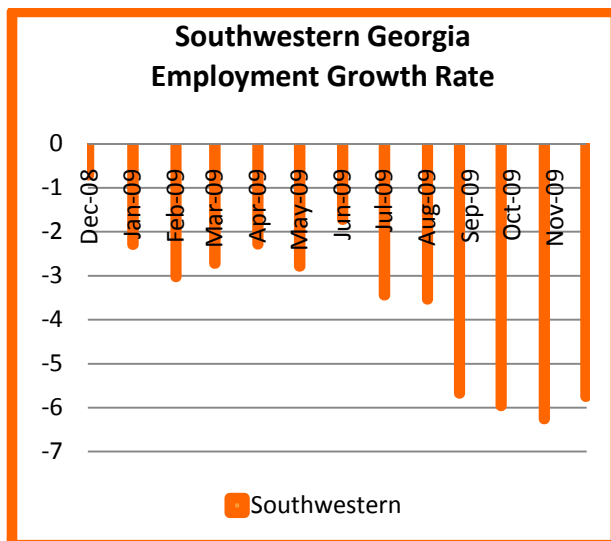
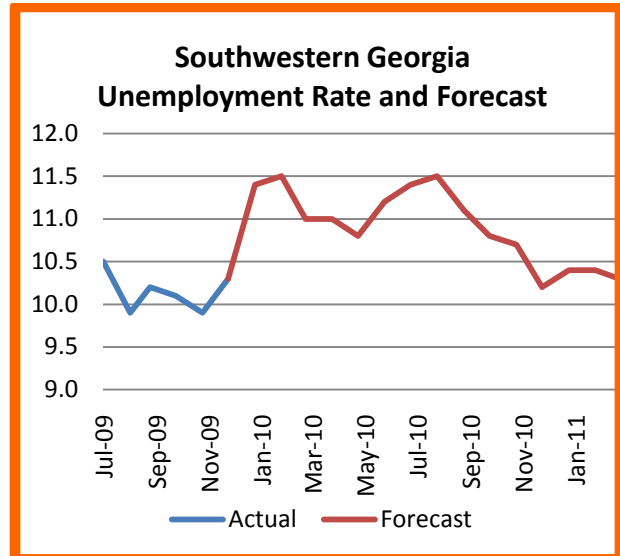
Unlike the Southern Georgia region, the Southwest Georgia Region's recession is fairly evenly spread across the region. The region's unemployment rate rose to 11.2% with net job losses spread across all industries. A comparison of employment reveals an average 6% loss of jobs per month when comparing the fourth quarter 2008 to the fourth quarter 2009. A month-to-month comparison shows that the employment losses are moderating and the labor market appears to be stabilizing.

As the recession moderates and seasonal unemployment subsides, the Southwest Georgia region unemployment rate should improve by the third quarter of 2010. Seasonal unemployment will temporarily increase the unemployment rate over the summer months however core unemployment is expected to continue to improve through the end of the year.

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 Southwestern Georgia region 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. Cyclical unemployment will remain positive through the end of 2010.



Albany-MSA

The economic recovery that has begun across the United States and in parts of Georgia has not reached the Albany-MSA. Downsizing and business closures have increased the unemployment rate. A depressed housing and construction market coupled with rising default and foreclosure rates have hurt the local economy. The likely permanent loss of manufacturing and goods-producing jobs that have provided high paying jobs for the region suggest that once the recovery begins wealth and purchasing power will not return as quickly. Service sector and transportation industries

reported net job gains during the fourth quarter.

The forecast predicts that the Albany-MSA recovery will lag the national recovery. Net job growth is expected to return by the end of 2010. The new jobs however will likely be lower paying service jobs rather than the higher paying, benefit endowed manufacturing jobs.

Albany MSA Nonagricultural Employment Dec 2009		
	Number of jobs	Change from Dec 2008
Total Nonagricultural	62,200	-1,200
Total Private	48,700	-700
Goods Producing	8,700	-1,000
Service Providing	53,500	-200
Private Service-Providing	40,000	+300
Manufacturing	5,700	-700
Trade and Transportation	13,600	+900
Retail Trade	7,500	-200
Government	13,500	-500
Federal	3,400	+00
State	2,900	+00
Local	7,200	-500
Source: Georgia Department of Labor		

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Dr. Cynthia Royal Tori is an Associate Professor of Economics at the Langdale College of Business and regional economic forecaster for the Center for Business and Economic Research. Dr. Tori has a Ph.D. in Economics from the University of Kentucky and has been a member of the Langdale College faculty since August 1998. You may contact Dr. Tori by email at ctori@valdosta.edu.