

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

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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: 2nd Quarter 2010

Over the last three months, national and international events have increased uncertainty for the United States economy and have increased the probability of the United States economy moving back into a recession. Domestically the likelihood of higher federal, state and local taxes to offset budget deficits, expected greater regulation in key industries and continued weak demand have lead businesses to postpone hiring and investment in capital structure. Internationally the debt crisis in some

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	

European countries, the weak U.S. dollar and the declining demand in certain Asian countries have also had a dampening impact on the U.S. recovery.

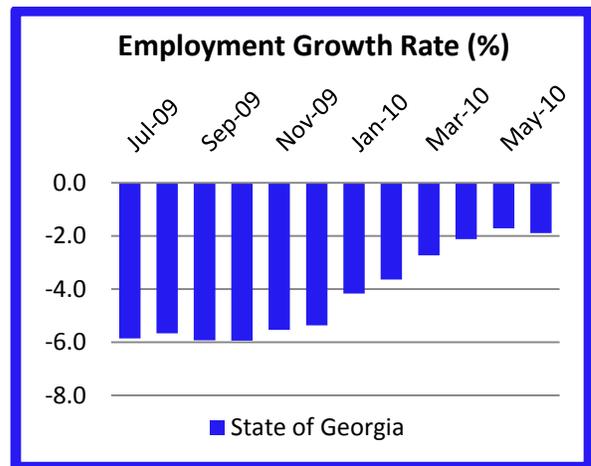
A key element to improving the economic outlook will be increased consumer confidence and consumer demand. This is not likely to occur within the next twelve months as the real estate market remains unstable and consumer spending remains weak as consumers continue to reduce their debt holdings. Uncertainty regarding federal and state tax and spending policies continue to fuel uncertainty in the markets.

Economic indicators suggest that the modest improvements during the previous six months have begun to deteriorate and that the United States economic recovery may be weakening. Low consumer demand and market uncertainty increase the probability of economic decline returning. How the national, state and local governments deal with declining budgets and tax policies, and how consumer spending responds to slowing growth will greatly influence whether or not the recovery cycles into a recession.

Georgia

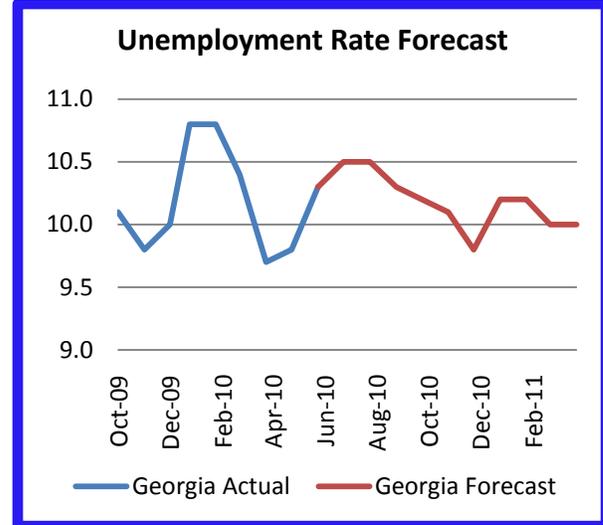
Although the rate of decline has improved and some industries are showing signs of growth, economic weakness continues to cause net job losses for the State of Georgia through the second quarter of 2010. Industries that have experienced job gains include employment services, health care and education. The employment services jobs tend to be temporary positions that do not have benefits. The health care sector showed net job gains despite a new state sales tax on health care services. Although the education sector showed net job gains through June 2010, lower state budget allocations for the 2010-2011 academic year will likely lead to a net job loss during the third quarter for K-12 jobs.

Labor Force		
	June 2010	Change from June 2009
Georgia		
Civilian Labor Force	4,684,895	-97,446
Employed	4,202,137	-80,952
Unemployed	482,758	-16,494
Rate	10.3	
Southern Georgia		
Civilian Labor Force	174,378	-15,000
Employed	154,765	-13,784
Unemployed	19,613	-1,216
Rate	11.2	
Southwest Georgia		
Civilian Labor Force	165,299	-7,599
Employed	147,613	-7,975
Unemployed	17,686	+376
Rate	10.7	
Albany-MSA		
Civilian Labor Force	77,018	+344
Employed	68,572	-386
Unemployed	8,446	+730
Rate	11.0	
Valdosta-MSA		
Civilian Labor Force	66,832	-2,462
Employed	61,032	-2,430
Unemployed	5,800	-32
Rate	8.7	
Source: Georgia Department of Labor		



Construction and Construction-related industries and financial services continue to experience the greatest job losses. Job growth is not likely to return before the end of the year as the anemic residential and commercial real estate markets and uncertain financial market reforms weaken these sectors. Manufacturing and wholesale trade also remained weak through the end of the second quarter.

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Jun 09 to Jun 10
Total Nonagricultural	-49,000
Total Private	-61,200
Construction	-17,800
Manufacturing	-20,700
Durable goods	-12,500
Non-durable goods	-8,200
Trade, Transportation and Utilities	-9,100
Wholesale trade	-6,200
Retail trade	-2,700
Information	-3,200
Financial services	-15,400
Professional and Business Services	-9,600
Administration and Support	+6,800
Employment services	+11,500
Educational and Health Services	+11,400
Educational Services	+8,100
Health Care and Social Assistance	+3,300
Leisure and Hospitality	+2,500
Accommodation and Food	+600
Government	+11,600
Federal	+11,300
State	+1,700
Local	-1,400
Source: Georgia Department of Labor	



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 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.

Following the State of Georgia trends, the South Georgia economy remains weak. The unemployment rates in the Southeast and Southern Georgia regions remained above 10% with the Southern region's unemployment rate reaching 11.2%. While counties along the major highway corridors are beginning to show signs of recovery, the more rural counties continue to remain in a deep recession.

Southern Georgia Region

Economic weakness persists in the Southern Georgia Region through the

While pockets of recovery are expected across the state, the economic outlook for the State of Georgia is for continued weakness through the end of 2010. The impacts of the federal health care reform, the prospect of higher federal taxes to fund the growing federal deficit, the decline of state revenues and the loss of consumer wealth increase the probability of economic decline. The probability of a robust recovery is near zero.

The forecast predicts that the unemployment rate will decline slightly after a rise during the summer months. By the first quarter of 2011, the forecast model predicts an unemployment rate for the state of Georgia around 10%. Cyclical unemployment will remain high as the recovery slows and net job growth is stagnant.

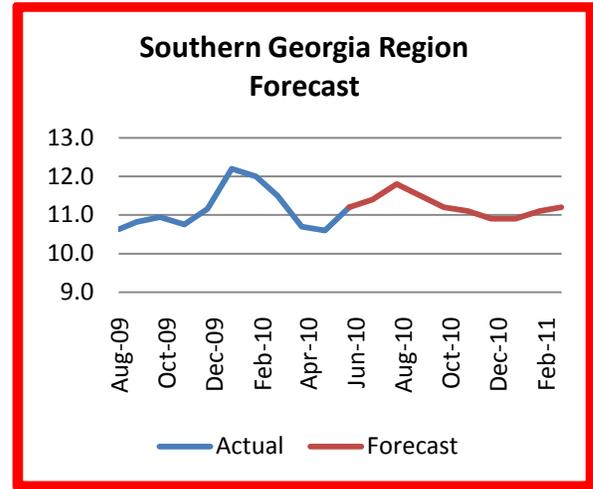
second quarter of 2010. Rising foreclosure rates, weak consumer demand and small business closures continued to reduce economic activity in the region.

The labor market remains depressed especially in the rural areas of the region. The unemployment rate improved slightly from February through April 2010 however those improvements were driven by temporary employment associated with the U.S. Census. The overall trend and forecast does indicate a slightly lower unemployment rate over the next eight months. Some of this decline however will be due to workers leaving the labor force and not because of job creation.

The slower than expected recovery coupled with the higher federal and state taxes make it unlikely that persistent positive job growth will return until the middle of 2011. Given the diversity of economic conditions within the region, it is expected that some counties may not experience recovery before the end of 2011. The timing of the recovery greatly depends upon a stabilizing real estate market, rising consumer demand and greater certainty in the markets. Given the weakness of the region's economy, federal and state government policy decisions can also have a profound impact on the regional economy.

The Southern Georgia region forecast predicts that the unemployment rate will remain above 11.0% at the beginning of 2011. The trend suggests that the labor market will begin to improve and economic growth will return although it will be a long and uneven recovery. The counties located along major highway corridors are likely to recover more quickly than the more rural countries. The unemployment rates in these counties are lower than the regional average and net job gains have returned in certain industries. 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.



Valdosta-MSA

The Valdosta-MSA began to experience broad economic weakness during the first quarter of 2009. Although a year-to-year comparison reveals net job losses, a month-to-month comparison reveals improvements in the service sector and Trade and Transportation sector.

Valdosta-MSA Nonagricultural Employment June 2010		
	Number of jobs	Change from June 2009
Total Nonagricultural	53,200	-500
Total Private	40,400	-500
Goods Producing	6,800	-500
Service Providing	46,400	00
Private Service-Providing	33,600	00
Trade, Transportation and Retail Trade	10,900	-300
Government	12,800	00
Federal	1,100	+200
State	3,700	-100
Local	8,000	-100

Source: Georgia Department of Labor

Manufacturing and government reported net job losses while retail trade remained unchanged. The economic data suggests that the Valdosta-MSA may have reached a bottom in the recession and is in a recovery phase despite the negative events influencing the broader state and national economies.

The real estate market remains weak despite low mortgage rates. Foreclosure rates remain above normal and have a depressing effect on real estate prices. Uncertainty in the broader markets and declining wealth has suppressed consumer demand through the second quarter of 2010. Concern over the likelihood of higher taxes, rising gasoline prices and job insecurities will likely suppress consumer demand through the first quarter of 2011.

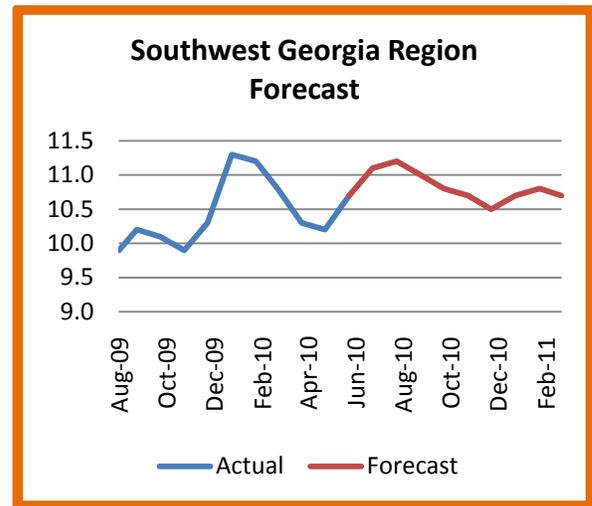
Although it appeared during the first quarter that the economy was moving toward an economic recovery, recent events and economic data suggest that the recovery will be weaker than expected and the period of economic weakness more prolonged than expected. The forecast predicts that the Valdosta-MSA unemployment rate will decline below 8% by February 2011.

Southwest Georgia Region

The Southwest Georgia region economic data is beginning to suggest that the region has reached the bottom of the recession. This region began contracting about one year prior to the national recession. Although there are signs that the region has reached a trough, the recovery is likely to be slow and prolonged since consumer wealth is lower, the real estate market remains weak, and manufacturing job losses over the last three years are not likely to return.

The Southwest Georgia region unemployment rate remains above 10% as it has been since it reached this level during

June 2009. The loss of manufacturing jobs will likely change the structure of the labor market in the region. If the manufacturing jobs are replaced with services jobs, this structural change will have a permanent negative impact on the income and wealth for the region.



The forecast predicts that the economic recovery for the Southwest Georgia region will be long and modest. While job growth in the government sector may return, jobs in manufacturing and real estate will be slow to return. The unemployment rate is expected to remain above 10% through the first half of 2011. The economic recovery and job market outlook are likely to remain weak through the end of 2011. The probability of a strong recovery for the region is zero. While the probability of a return to a recession is positive, the likelihood is less than 50%.

Albany-MSA

The Albany-MSA economic activity appears to be improving. While real estate prices are still depressed and manufacturing jobs have declined, the Albany-MSA appears to have reached the trough of the

Albany MSA Nonagricultural Employment June 2010		
	Number of jobs	Change from Jun 2009
Total Nonagricultural	62,700	+700
Total Private	48,700	+300
Goods Producing	7,400	-1,200
Service Providing	55,300	+1,900
Private Service-Providing	41,300	+1,500
Manufacturing	4,800	-900
Trade and Transportation	12,800	+300
Retail Trade	7,600	00
Government	14,000	+400
Federal	3,800	+400
State	2,800	+200
Local	7,400	-200

Source: Georgia Department of Labor

recession. Historically seasonal unemployment tends to rise during the summer months however year-to-year and month-to-month labor market comparisons indicate net job gains for the MSA. While

the June unemployment rate at 11% is relatively high, a month-to-month comparison indicates that it is a result of the labor force increasing faster than employment and is not a result of net job losses. This often occurs during the recovery phase of a business cycle.

The forecast predicts that cyclical unemployment will decline but remain positive through 2011. The recovery period for the Albany-MSA is expected to be prolonged and will lead to a restructuring of the distribution of industries. The trend of declining manufacturing jobs is of particular concern for the Albany-MSA since it is unlikely that the manufacturing jobs will return once the economy has improved. This negatively impacts the expected long-run income and wealth of the MSA since lower paying, lower benefit service jobs will likely replace higher paying, higher benefit manufacturing jobs.

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