

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

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Second Quarter 2011

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: 2nd Quarter 2011

After deteriorating during the early Spring months, most economic indicators for the United States stabilized by the end of the second quarter of 2011. Oil prices which had been rising began to moderate and consumer confidence which had been falling ceased to decline. This is mixed news however since the declining oil prices are primarily driven by a slowing of the world economy rather than increased supply and consumer confidence remains below normal levels.

Interest rates remain low and comments by Federal Reserve representatives suggest that

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	

short-term rates will remain low through the first part of 2012. Although the Federal Reserve ended its Quantitative Easing policy (QE2) as expected on June 30, 2011, the Fed has indicated that it is not likely to increase short-term interest rates in the near term. Inflation pressures are expected to remain contained through the first half of 2012.

Threats to the economic recovery linger. Political and regulatory uncertainties continue to suppress job growth in the private market. Tax policy changes, deficit reduction policies and entitlement reform changes which impact both short-run and long-run economic and job growth potential are likely to remain a drag on the economy through the 2012 elections.

While oil prices have moderated over the last month, Middle East unrest and lack of a long-term energy policy supports continued volatility of oil prices and uncertainty in the private markets.

While economic indicators signal modest improvements during 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 volatile energy prices, and it is unlikely that labor market conditions will improve significantly over the next twelve months.

Georgia

The Georgia economy improved slightly year-over-year with net job gains in the private sector. After suffering large job losses over the last three years, Leisure and Hospitality reported improvements over the last quarter. This was driven primarily by improvements in Food and related services. Transportation and Warehousing also experienced gains over the last year. Led by improvements in durable goods, Manufacturing reported net gains after suffering large losses over the last three years.

Financial Services, Specialty Trade services, and Construction industries reported the largest net job losses across the state. Financial Services experienced net job losses of 5% with the losses throughout the financial sector including banking, insurance, and brokerage. The industries with the largest contractions continue to be Construction and construction-related industries.

The forecast predicts modest growth and an improved private sector job market over the next twelve months. Structural unemployment, which requires training of

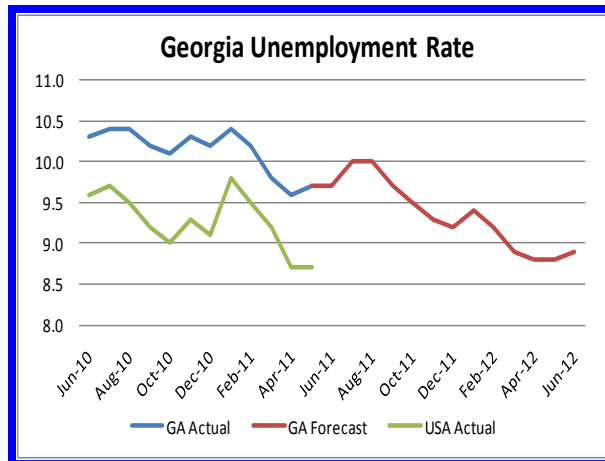
Labor Force	
	May 2011
Georgia	
Civilian Labor Force	4,701,287
Employed	4,243,057
Unemployed	458,230
Rate	9.7
Southern Georgia	
Civilian Labor Force	172,413
Employed	153,805
Unemployed	18,608
Rate	10.8
Southwest Georgia	
Civilian Labor Force	164,180
Employed	148,054
Unemployed	16,126
Rate	9.8
Albany-MSA	
Civilian Labor Force	77,264
Employed	69,576
Unemployed	7,688
Rate	10.0
Valdosta-MSA	
Civilian Labor Force	65,999
Employed	60,275
Unemployed	5,724
Rate	8.7
Source: Georgia Department of Labor	

new skills to secure future employment, will continue even as the economy improves. Therefore the unemployment rate is likely to remain above normal levels even over the medium-run (2-3 years).

Although the private sector contributed net job gains over the last year, the public sector was a drag on the state economy. Despite rising state revenues, future budget reductions at the state and local levels and the absence of federal funds will continue to have a negative influence on the state economy.

Continued weak economic growth is most likely through the first quarter of 2012. Cyclical and structural unemployment will remain high as the recovery remains weak.

Private-sector labor market conditions may improve by the end of 2011 however structural unemployment will remain high as the private sector adjusts to market changes.



This forecast assumes oil prices do not exceed \$125 a barrel during 2011. 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 Southern Georgia and Southwest Georgia regions each include a metropolitan statistical area (MSA) as defined by the United States Office of Management and Budget. The Valdosta-MSA is located in the Southern Georgia region and the Albany-MSA is located in the Southwest Georgia region.

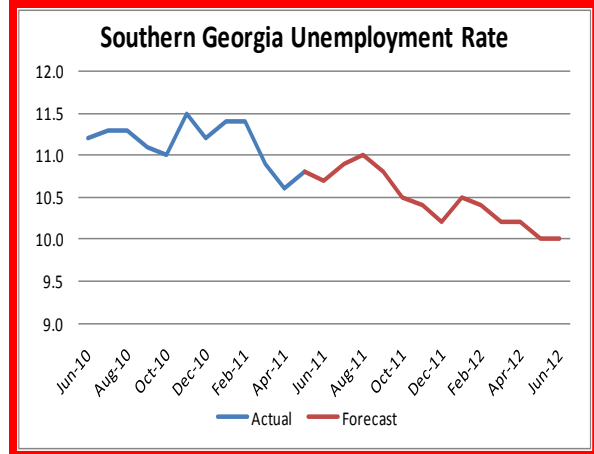
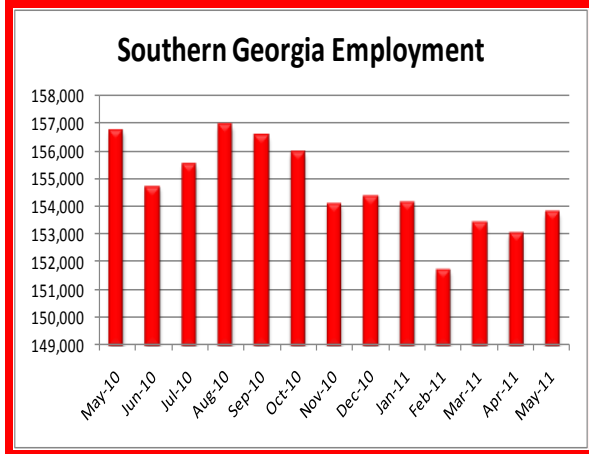
While the South Georgia recovery remains weak, indicators suggest the economic conditions are improving for many industries and counties. Through the second quarter of 2011, labor force participation and employment stabilized for both South Georgia regions. While the gains are modest in size, they appear to be driven by permanent private sector job creation rather than temporary jobs

Georgia Nonagricultural Jobs Change in Number of Jobs	
	May 10 to May 11
Total Nonagricultural	-28,300
Total Private	+9,100
Construction	-13,100
Manufacturing	+4,000
Durable goods	-5,200
Non-durable goods	-1,200
Trade, Transportation and Utilities	-2,200
Wholesale trade	-2,500
Retail trade	-300
Information	-3,100
Financial Services Activity	-10,100
Professional and Business Services	+11,000
Administration and Support	+4,100
Employment services	+5,400
Educational and Health Services	+7,600
Educational Services	+2,700
Health Care and Social Assistance	+4,900
Leisure and Hospitality	+6,300
Accommodation and Food	+7,400
Government	-37,400
Federal	-18,400
State	-7,500
Local	-11,400
Source: Georgia Department of Labor	

and public sector jobs. Threats to the recovery however remain.

Southern Georgia Region

The Southern Georgia region has shown signs of improvement during the first half of 2011. Business and plant closures rates have declined in many communities across the Southern Georgia region. Employment across the region has stabilized suggesting that region has reached its trough and is into the recovery phase of the business cycle. The recovery remains uneven however with the economic conditions for the counties located along the I-75 corridor improving while the economic conditions for the interior counties not improving. Net job growth is expected through the first quarter of 2012.



Uncertainty about federal and state government policy decisions and energy price volatility continue to threaten the Southern Georgia region’s recovery. While the underlying industry structure supports continued improvements for most counties and most industries within the region, counties that rely heavily upon manufacturing and construction-related industries will remain weak. Recruiting new industries, growing existing businesses, and developing a skilled labor force will be essential components of an economic recovery plan for the counties experiencing unemployment rates exceeding 11%.

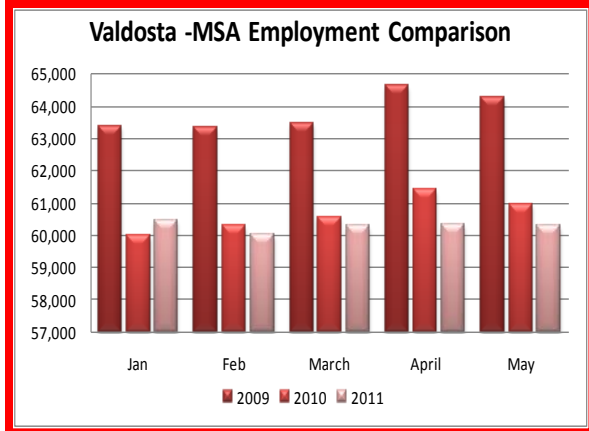
The economic recovery for the region is expected to be long and uneven. The counties located along major highway corridors are likely to recover more quickly than the more rural countries. Overall net job gains are expected to outpace labor force participation leading to declining unemployment rate over the next twelve month. Although it will remain above the state average, the forecast predicts that the region’s unemployment will decline to 10% by June 2012.

Valdosta-MSA

The economic indicators suggest that while the Valdosta-MSA experienced modest economic growth through the first half of 2011, economic conditions remain weak. Two recent local bank failures, continued real estate foreclosures, and a rise in the number of small businesses closing reflect the weak economic conditions for the Valdosta-MSA.

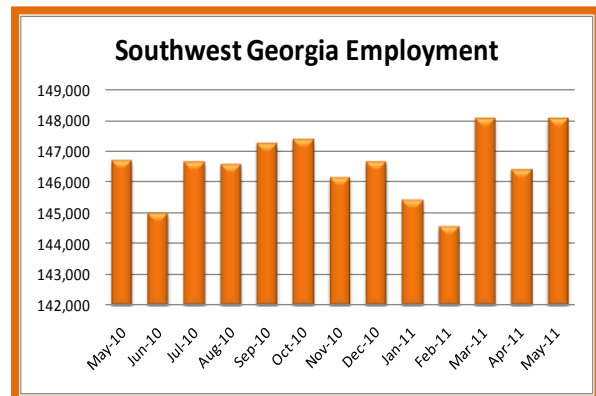
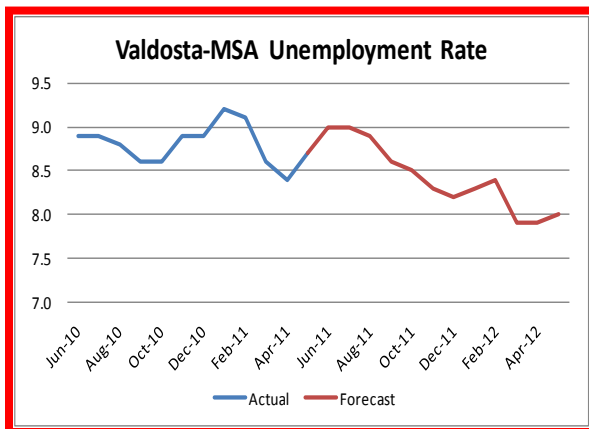
A year-to-year comparison revealed employment remains significantly below 2009 levels and has not substantially improved since 2010. A year-to-year comparison reveals net job losses across all industries for the Valdosta-MSA. Financial services and Government experienced the largest net job declines.

Employment growth will likely remain weak through the first half of 2012. Private sector employment will likely improve after the first of the year however public-sector employment will remain low. Although the unemployment rate will decline below 8%, it will remain above normal levels through 2012.



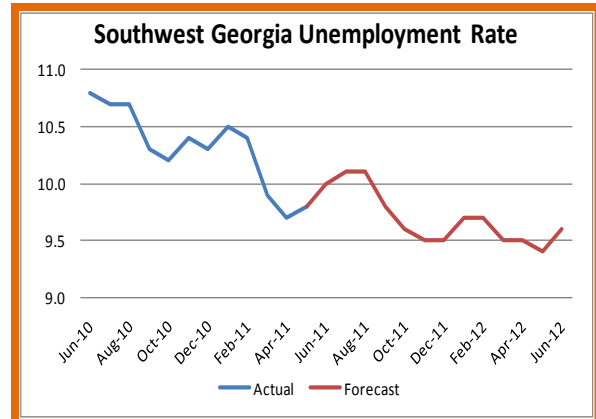
Southwest Georgia Region

The Southwest Georgia region economic data reveals economic growth and employment gains during the second quarter of 2011. Employment topped 148,000 jobs, a level last reached during November 2009. Employment gains were primarily in the service sector, led by gains in Health-care and related services, and Leisure industries. The unemployment rate also improved declining below 10% by the end of the second quarter 2011.



Valdosta-MSA Nonagricultural Employment May 2011		
	Number of jobs	Change from May 2010
Total Nonagricultural	52,100	-1,100
Total Private	39,600	-600
Goods Producing	6,000	-500
Service Providing	46,100	-600
Private Service-Providing	33,600	-100
Trade, Transportation and Retail Trade	10,500	-200
Government	7,500	-100
Federal	1,100	-200
State	3,600	00
Local	7,800	-300

Source: Georgia Department of Labor



The forecast predicts that the economic recovery for the Southwest Georgia region will be long and modest. Net job gains are expected to continue through the first half of 2012. The unemployment rate is expected to decline below 9.5% during the second quarter of 2012.

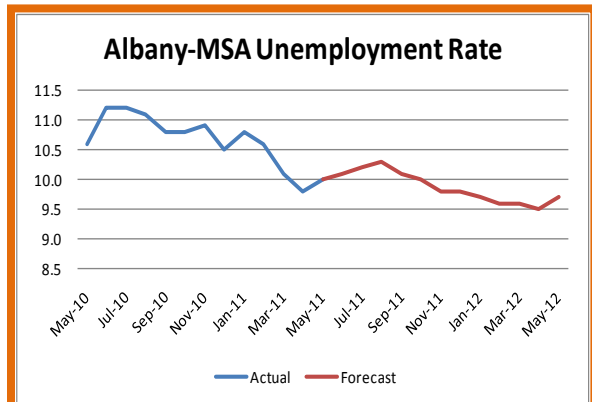
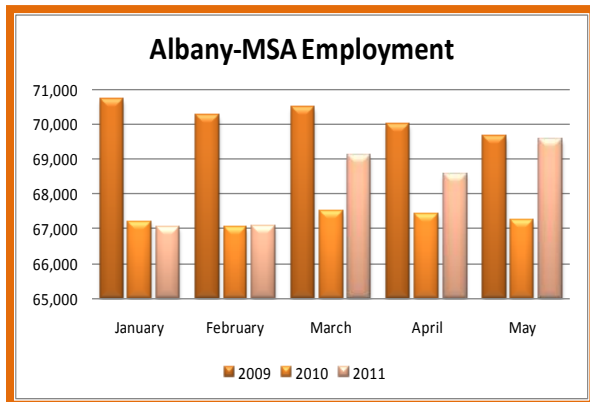
Albany-MSA

A year-to-year comparison reveals that the Albany-MSA economic activity has improved resulting in net job gains through May 2011. While Manufacturing jobs were unchanged and the Goods-producing sector declined slightly, private sector growth improved posting the largest gains in several quarters. Health-care related sectors and Leisure related sectors reported the largest net job growth. Second quarter employment rivaled 2009 levels.

The forecast predicts modest growth and net job gains through the first half of 2012. While Public sector jobs and Construction and related sectors will continue to be a drag on the Albany-MSA, Service sector employment will continue to improve.

Albany MSA Nonagricultural Employment May 2011		
	Number of jobs	Change from May 2010
Total Nonagricultural	62,800	+1,600
Total Private	49,100	+2,300
Goods Producing	6,700	-200
Service Providing	56,100	+1,800
Private Service-Providing	42,400	+2,500
Manufacturing	4,400	00
Trade and Transportation	11,800	-300
Retail Trade	7,300	-100
Government	13,700	-700
Federal	3,400	-700
State	3,000	+200
Local	7,300	-200

Source: Georgia Department of Labor



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