

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.

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Economic Outlook: 2nd Quarter 2012

Economic growth in the United States continued to slow through the end of the second quarter. While initial unemployment claims declined slightly, average monthly net job creation remained below 100,000 jobs and 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 through 2014. The Fed also stated that it

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	

plans to continue non-traditional monetary policy actions to maintain its accommodative monetary policy through the end of 2012. 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 not be resolved before the 2012 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. Despite the U.S. Supreme Court ruling upholding the Patient Protection and Affordable Care Act, uncertainty remains about its impacts on business labor costs, state government expenditures and household tax/fee costs.

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

The Georgia economy remains one of the weakest economies in the United States with private sector employment growing at 1.1% over the last twelve months. Retail Trade, Computer System Designs, Employment Services, Educational Services and Health-care related industries led net job creation. Agriculture and Agricultural-related industries also experienced strong growth.

A weak real estate market, high foreclosure rates and bank failures continue to dampen the Georgia economic recovery. The industries experiencing the largest net job losses over the last twelve months were Construction and Construction-related industries, and Real Estate and Real Estate-related industries. The construction job losses were concentrated in Heavy and Civil Engineering Construction (9.6% job decline)

Labor Force	
	May 2012
Georgia	
Civilian Labor Force	4,756,103
Employed	4,334,599
Unemployed	421,504
Rate	8.9%
South Central Georgia	
Civilian Labor Force	175,363
Employed	158,069
Unemployed	17,294
Rate	9.9%
Valdosta-MSA	
Civilian Labor Force	66,822
Employed	61,191
Unemployed	5,631
Rate	8.4%
Southwest Georgia	
Civilian Labor Force	163,824
Employed	148,920
Unemployed	14,904
Rate	9.1%
Albany-MSA	
Civilian Labor Force	74,229
Employed	67,141
Unemployed	7,088
Rate	9.5%
Source: Georgia Department of Labor	

and Specialty Trade Contractors (5.7% job decline). The Accommodation industry (7.0% job decline) and Internet Service related industries (10.8% job decline) also experienced net job losses over the last twelve months.

The Federal and State Governments reported net job losses over the last year while Local Government reported overall net job gains. Educational services, supported by state and local government funding, was the sector reporting the largest net job losses. With improving revenue collections, it is likely that State and Local Government

Georgia Nonagricultural Jobs Change in Number of Jobs	
	May 11 to May 12
Total Nonagricultural	34,000
Total Private	35,200
Construction	-7,400
Manufacturing	+3,400
Durable goods	+6,200
Non-durable goods	-2,800
Trade, Transportation and Utilities	16,700
Wholesale trade	2,300
Retail trade	13,100
Information	-3,100
Financial Services Activity	-2,500
Professional and Business Services	24,000
Administration and Support	10,300
Employment services	6,100
Educational and Health Services	9,600
Educational Services	4,100
Health Care and Social Assistance	5,500
Leisure and Hospitality	-3,000
Accommodation and Food	-2,500
Government	-1,200
Federal	-2,200
State	-3,800
Local	4,800
Source: Georgia Department of Labor	

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 outpaced labor force growth, a trend that began January 2012, leading to a decline of the unemployment rates. Although labor market conditions have improved, the employment levels remain 10% lower than the pre-recessionary period. Agriculture and Agriculture-related industries remain strengths for both regions.

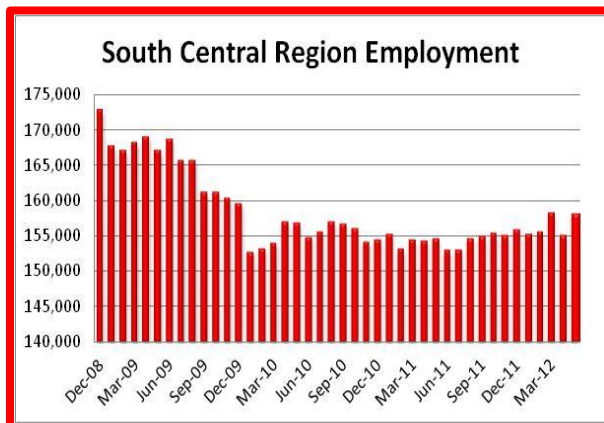
Federal budget policy decisions, regulatory uncertainties, state and local budget pressures, and energy price volatility threaten the South Georgia recovery. The economic slowdown for the region's major international trading partners has increased the threat of slower growth. The impact of lower commodity 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 mid-2013.

sectors employment, especially within the educational services sector, will increase modestly over the next twelve months.

The forecast predicts anemic growth and continued weak but positive private sector job growth through mid-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 8.7% by mid-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 Central (Region 11)

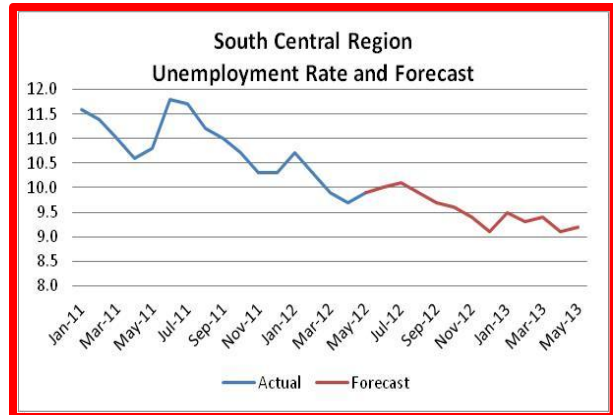
Economic conditions in South Central Georgia have improved over the last two years. Business closures rates have declined in many communities across the region, no major plant closures have been announced during the last twelve months, and existing businesses are beginning to hire. Since July 2011, the region has experienced net job gains that have reached 2009 employment levels. 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. These trends are expected to continue through the second quarter of 2013.

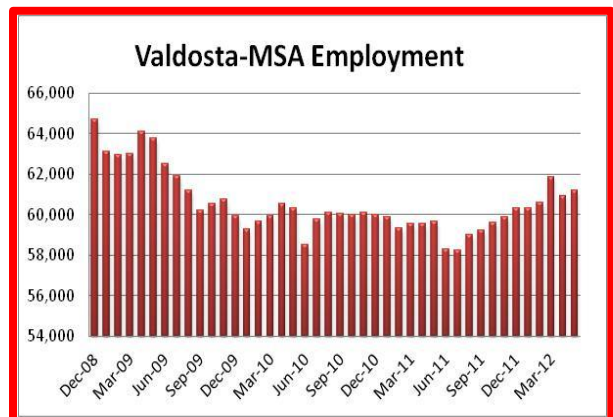
The economic recovery is expected to continue through the second quarter of 2013 although the rate of growth is expected to slow. A soft real estate market, expected lower commodity prices, and government fiscal conditions will be a drag on the recovery through the second quarter of 2013. Fiscal policy 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 mid-2013.



Valdosta MSA

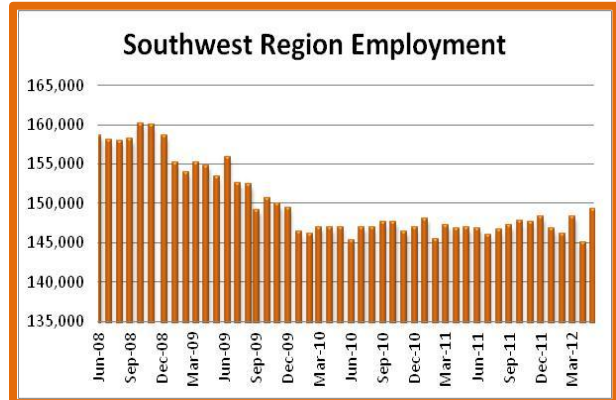
Economic indicators suggest that the Valdosta MSA's growth rate improved over the last twelve months. Agriculture, healthcare, and retail trade were the leading industries in the recovery. New retailers and restaurants, currently under construction and expected to be completed by the end of 2012, will further expand net job gains for the



Valdosta MSA. 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.

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’s and Georgia’s average net job growth rates. The forecast predicts the Valdosta-MSA unemployment rate will decline to 7.5% by June 2013.

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.



Valdosta-MSA Nonagricultural Employment May 2012		
	Number of jobs	Change from May 2011
Total Nonagricultural	53,000	+700
Total Private	40,500	+900
Goods Producing	6,100	-100
Service Providing	46,900	+800
Private Service-Providing	34,400	+1,000
Trade, Transportation and Retail Trade	10,800	+200
Government	12,500	-200
Federal	1,200	00
State	3,500	-200
Local	7,800	00

Source: Georgia Department of Labor

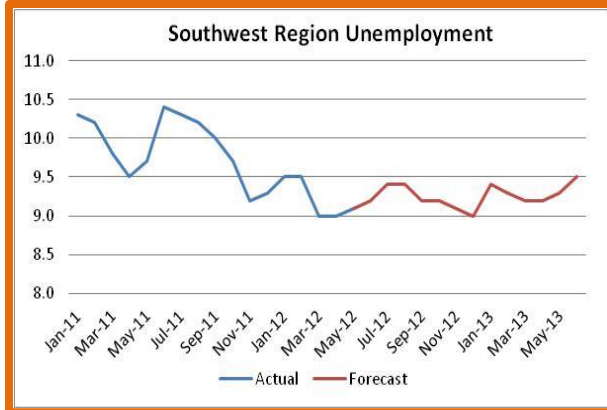
Agriculture and agricultural-related industries are strengths for the region. Demand, both foreign and domestically, has been strong, and commodity prices favorable, over the last several years. The economic conditions of the United States’ major trading partners must be monitored as the increased risk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

Since peaking at 10.5% during June 2011, the Southwest Georgia unemployment rate has declined. The improved unemployment rate reflects net job gains for 10 out of the 14 counties.

Southwest (Region 10)

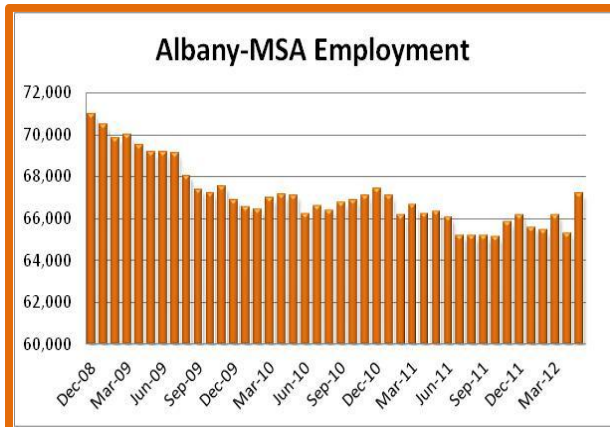
The economic conditions for the Southwest Region remain mostly unchanged. Economic data for the Southwest Georgia region reveals steady employment levels over the last two years; unfortunately, employment levels have remained below 150,000. Service sector jobs have only partially replaced the loss of manufacturing, financial services, and

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 mid-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 to remain between 9.0% - 9.5% through the second quarter of 2013.



Albany MSA

Economic growth and net job creation has remained relatively flat since the end of 2009. Employment levels remain significantly lower than the pre-recession period and net job creation has remained relatively unchanged for three years. 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

Albany MSA Nonagricultural Employment May 2012

	Number of jobs	Change from May 2011
Total Nonagricultural	60,600	-200
Total Private	47,200	+200
Goods Producing	6,700	-100
Service Providing	53,900	-100
Private Service-Providing	40,500	+300
Manufacturing	4,100	-100
Trade and Transportation	12,600	-100
Retail Trade	8,100	+200
Government	13,400	-400
Federal	3,300	-100
State	2,800	-100
Local	7,300	-200

Source: Georgia Department of Labor

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 continue to be a drag on the Albany-MSA. Housing starts for one-unit and multi-units remain below pre-recessionary levels.

The Albany-MSA unemployment rate declined from 10.1% to 9.5% 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 flat economic growth and limited net job gains through mid-2013. The unemployment rate is expected to remain above 9% through mid-2013.

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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