

# South Georgia Business Outlook



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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: 3rd Quarter 2010***

The United States economic indicators have shown some signs of improvement over the first three quarters of 2010. Business investment in software and minor capital purchases have increased. Consumer wealth has improved as housing prices have stabilized in many markets and stock prices have risen from the trough.

Threats to the economic recovery remain however. Uncertainty about tax policies and government regulations and weak consumer spending has made businesses reluctant to

### **South Georgia Regional Development Centers**

<b>Southwest Georgia Counties</b>	<b>Southern Georgia Counties</b>	
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	

expand production and hire new workers. Rising commodity prices and uncertainty about the long-run impacts of the Fed's accommodative monetary policy add to market uncertainty. A weak job market and broad-based uncertainty has constrained consumer confidence and spending.

While economic indicators signal modest improvements during the previous nine months, the lack of robust consumer spending suggests that the recovery cannot support net job gains sufficient to 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 it is unlikely that the rate of United States economic recovery will increase significantly within the next twelve months.

## Georgia

The Georgia economic outlook is also improving. Although uneven, many industries across the state of Georgia are showing signs of growth. The greatest improvements in growth and job creation have been in Health Care services and Education industries. Leisure and

<b>Labor Force</b>	
	<b>Sep 2010</b>
<b>Georgia</b>	
Civilian Labor Force	4,662,495
Employed	4,203,047
Unemployed	459,448
Rate	9.9
<b>Southern Georgia</b>	
Civilian Labor Force	176,444
Employed	157,498
Unemployed	18,372
Rate	10.7
<b>Southwest Georgia</b>	
Civilian Labor Force	165,220
Employed	148,301
Unemployed	116,015
Rate	9.9
<b>Albany-MSA</b>	
Civilian Labor Force	75,758
Employed	67,924
Unemployed	7,697
Rate	10.2
<b>Valdosta-MSA</b>	
Civilian Labor Force	66,787
Employed	61,360
Unemployed	5,427
Rate	8.1
Source: Georgia Department of Labor	

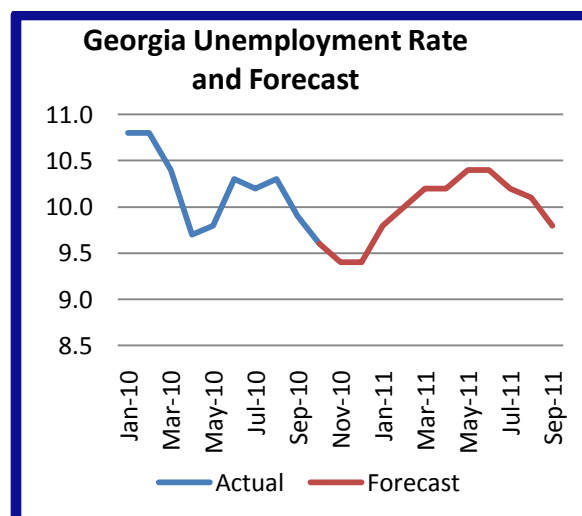
Hospitality industries have also reported net job gains suggesting an increase of discretionary spending. As businesses have hired workers to meet increased demand, Temporary Employment services have risen. This suggests that while demand has increased, business leaders remain skeptical about the robustness of the recovery and do not want to commit to long-term employment and benefit packages.

Manufacturing, Financial Services and Construction related industries continue to decline across the state. The magnitude of the loss of jobs has slowed for these industries however these industries continue to report net job losses. Jobs lost within these industries since the beginning of the last recession are not likely to return. Therefore workers who have lost their jobs within these industries are likely to experience a prolonged duration of unemployment and require training in new skills to secure future employment. This type of structural unemployment will lead to an unemployment rate in excess of 9% for the next twelve months. The forecast predicts anemic growth and minimal job market improvement over this time horizon.

Labor force participation has dropped to January 2006 levels and employment levels have fallen to October 2003 levels. While pockets of recovery are expected across the state, the economic outlook for the State of Georgia is for a weak recovery through the third quarter of 2011. The impacts of the federal health care reform, the prospect of higher federal taxes to fund the growing federal deficit and the decline of state revenues remain a threat to Georgia's economic recovery.

The probability of a robust recovery remains near zero; Weak growth is most likely. Cyclical and structural unemployment will remain high as the recovery slows and net job growth stagnates during the first two quarters of 2011.

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Sep 09 to Sep 10
Total Nonagricultural	-22,400
Total Private	-16,200
Construction	-5,900
Manufacturing	-15,600
Durable goods	-9,000
Non-durable goods	-6,600
Trade, Transportation and Utilities	-5,400
Wholesale trade	+1,500
Retail trade	-3,900
Information	-2,700
Financial services	-14,700
Professional and Business Services	+11,000
Administration and Support	+9,800
Employment services	+11,200
Educational and Health Services	+9,900
Educational Services	+3,900
Health Care and Social Assistance	+6,000
Leisure and Hospitality	+4,600
Accommodation and Food	+1,800
Government	-6,200
Federal	+1,400
State	+1,100
Local	-8,700
Source: Georgia Department of Labor	



economic conditions are improving for many industries and counties. Over the first nine months of 2010, labor force participation has stabilized and employment has improved 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 and public sector jobs. Threats to the recovery however remain.

## *Southern Georgia Region*

The Southern Georgia region has shown signs of improvement over the last nine months. The Southern Georgia region reports a net job growth rate of 2.2% since the beginning of 2010 or net job creation of over 3,500 jobs. Adding to the strength of the recovery, consumer demand has returned and real estate prices appear to have stabilized.

Uncertainty about federal and state government policy decisions and rising oil prices are threats to 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

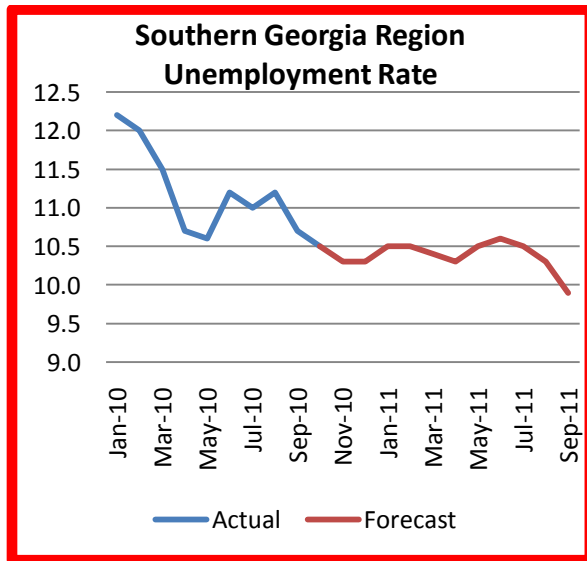
## *South Georgia*

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 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.

While the South Georgia recovery remains weak, indicators suggest the

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%.

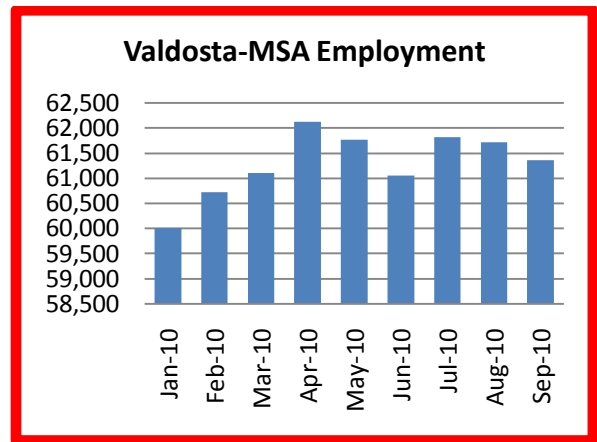
The Southern Georgia region forecast has improved. The forecast predicts that the unemployment rate will remain below 11.0% through the end of 2010. Although the unemployment rate is expected to rise slightly during the first quarter of 2011 because of seasonal labor movements, it is expected to decline below 10% by the end of the 2011 third quarter.



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. 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 economic indicators reveal that the Valdosta-MSA is in an economic recovery strong enough to support net job growth. A year-to-year comparison reveals net job growth for the Valdosta-MSA for the first time since entering the recession. While retail trade remained unchanged, service sector jobs such as health-care and health-care related industries improved. Leisure and Hospitality also reported modest improvement over the prior year.



Valdosta-MSA Nonagricultural Employment September 2010		
	Number of jobs	Change from Sept 2009
Total Nonagricultural	53,300	+400
Total Private	40,300	+400
Goods Producing	6,800	-200
Service Providing	46,500	+600
Private Service-Providing	33,500	+600
Trade, Transportation and Retail Trade	10,800	-100
Government	13,000	00
Federal	1,000	+100
State	4,200	-100
Local	7,800	00

Source: Georgia Department of Labor

The Valdosta-MSA benefits from Moody Air Force Base, several institutions of higher education and cooperative business/government relationships that provide strong economic foundations upon which to build the economic recovery.

The economic data suggest that the Valdosta-MSA is in a recovery phase despite the negative events influencing the broader state, rising oil prices and the uncertainty surrounding the federal tax and regulation policies. The forecast predicts that the Valdosta-MSA unemployment rate will decline below 8% by February 2011, rise slightly during the early summer months and then decline to near 7% by the end of the 2011 third quarter.

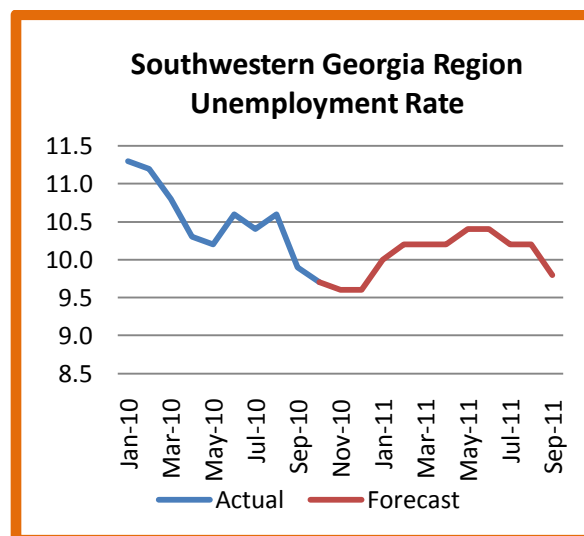
### ***Southwest Georgia Region***

The Southwest Georgia region economic data suggests that the region has reached its trough and has entered a recovery period. Since the beginning of 2010, the region has added nearly 2,400 net new jobs or increased employment by 1.6%. The Southwest Georgia region unemployment rate has dropped below 10% to 9.9% for the first time since August 2009.

Although net job growth has returned, the recovery is likely to be slow and prolonged. The real estate market is soft and manufacturing jobs lost over the last three years are not likely to return. 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

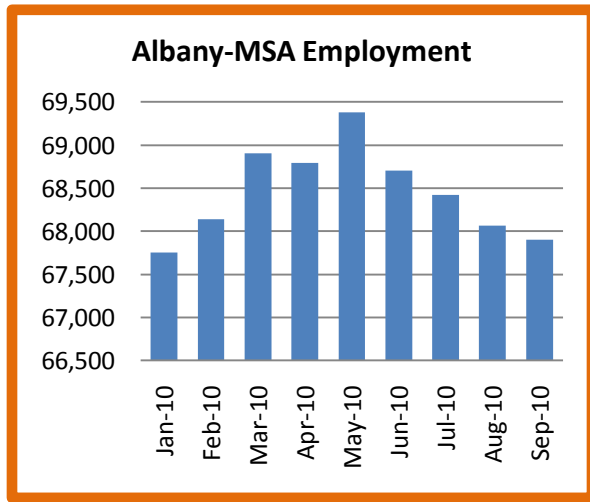
in the government sector may return, jobs in manufacturing and real estate will be slow to return. The unemployment rate is expected to rise above 10% during the first quarter of 2011 and then drop below 10% before the end of the 3<sup>rd</sup> quarter. The economic recovery and job market outlook are likely to remain tepid through the end of 2011. While the probability of a recession is positive, the likelihood is less than 25%.



### ***Albany-MSA***

The Albany-MSA economic activity has been flat over the first three quarters of 2010. Adjusting for temporary U.S. Census jobs, net job growth has been flat for the first nine months of 2010. While Trade and Transportation industries increased net jobs, these gains were offset by net job losses in manufacturing. Real Estate and Construction related industries also remained soft in the Albany-MSA.

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

Albany MSA Nonagricultural Employment September 2010		
	Number of jobs	Change from Sept 2009
Total Nonagricultural	61,400	+200
Total Private	47,700	+400
Goods Producing	7,400	-300
Service Providing	54,000	+500
Private Service-Providing	40,300	+700
Manufacturing	4,600	-400
Trade and Transportation	12,500	+300
Retail Trade	7,500	00
Government	13,700	-200
Federal	3,400	00
State	3,000	00
Local	7,300	-200

Source: Georgia Department of Labor

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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Dr. Cynthia Royal Tori is a 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 [crtori@valdosta.edu](mailto:crtori@valdosta.edu)