

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.

The *South Georgia Business Outlook* is sponsored and distributed by the Center for Business and Economic Research and the Langdale College of Business.

Economic Outlook: 2nd Quarter 2014

The United States economy grew at an annualized rate of 4.6% during the second quarter, sufficient to offset the 2.1% decline during the first quarter of 2014. Personal consumption, business investment and exports all expanded during the second quarter. Economic growth supported an average monthly gain of 250,000 net new jobs during the second quarter.

The United States forecast predicts positive growth through the first half of 2015. The expected U.S. growth rate will be positive but not sufficient to increase the growth rate significantly. Although access to financing is improving, lending requirements and banking regulations will continue to pose a barrier to small business

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

expansion opportunities. Slower economic growth and recessions for U.S. trade partners are expected to adversely impact U.S. exports.

Economic growth is expected to create net new jobs through the first half of 2015 causing the unemployment rate to decline through the first half of 2015. It is expected that the United States unemployment rate will drop to 5.5% by mid-2015. The lower unemployment rate will be driven by decline in labor force participation and a small increase in net new jobs.

Georgia

For the twelve month period ending June 2014 employment grew nearly 1.0% increasing employment by nearly 49,000 net new jobs. The rate of growth was 1.5% during the last half of 2013 and 0.5% during the first half of 2014.

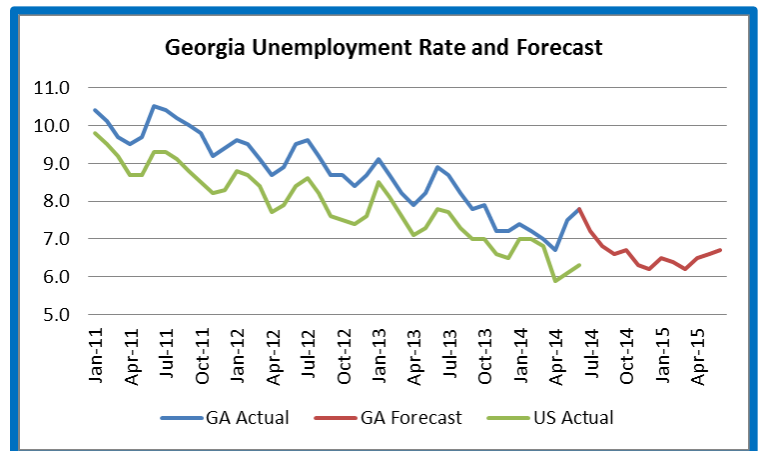
The private sectors experiencing the greatest increase were Employment services, Heavy and Civil Engineering, Construction of Buildings, Food Services, and Accounting professionals. Employment services and Heavy and Civil Engineering and Construction of Buildings grew rates greater than 7% while Food Services and Accounting professions grew at rates over 5%. The largest numbers of jobs were created in Leisure and Hospitality at 18,600 net jobs and Food services at 17,300 net jobs.

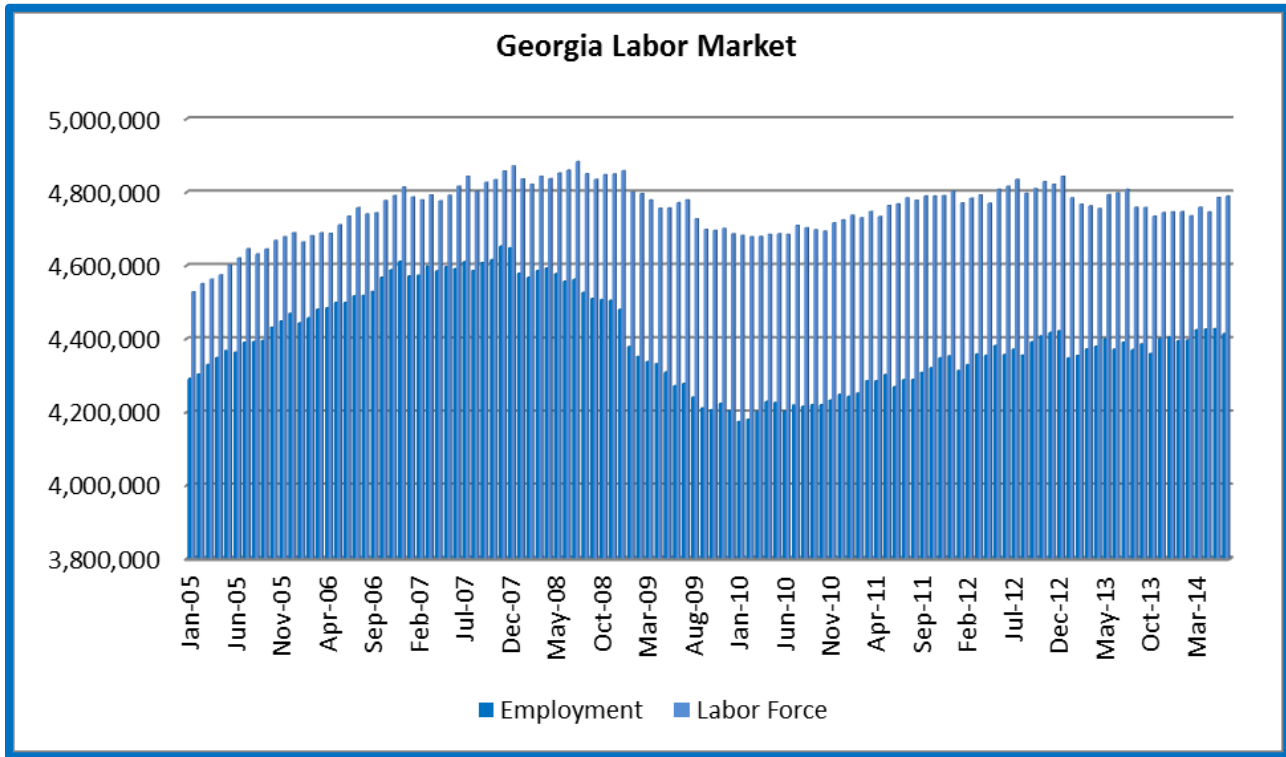
Private sectors posting the largest loss of jobs over the last twelve months were Social assistance down 6.7% and Food manufacturing down 2.6%. Government at all levels continued to reduce employment, leading to a loss of 5,700 jobs. Local education services accounted for 81% of the decline in Government employment.

The Georgia unemployment rate declined from 8.9% in June 2013 to 7.8% in June 2014. Over the one year period, employment increased and the number of unemployed declined by nearly 51,544. Net job creation accounts for most of the unemployment rate decline, unlike the lower unemployment rates in the South Georgia region.

The forecast predicts continued positive economic activity through the first half of 2015. An improving real estate market and a less austere state budget will have positive effects on economic growth. In the longer term, threats to the Georgia economy include rising interest rates, regulatory uncertainty, and the threat of slowing worldwide growth. The forecast predicts that the unemployment rate will decline below 7% and remain below 7% through the middle of 2015.

Labor Force	
	June 2014
Georgia	
Civilian Labor Force	4,789,306
Employed	4,414,036
Unemployed	375,270
Rate	7.8%
South Central Georgia	
Civilian Labor Force	171,835
Employed	156,455
Unemployed	15,380
Rate	9.0%
Valdosta-MSA	
Civilian Labor Force	71,527
Employed	65,321
Unemployed	6,207
Rate	8.7%
Southwest Georgia	
Civilian Labor Force	156,725
Employed	143,215
Unemployed	13,510
Rate	8.6%
Albany-MSA	
Civilian Labor Force	65,889
Employed	60,528
Unemployed	5,361
Rate	8.1%
Source: Georgia Department of Labor	





South Georgia (Overall)

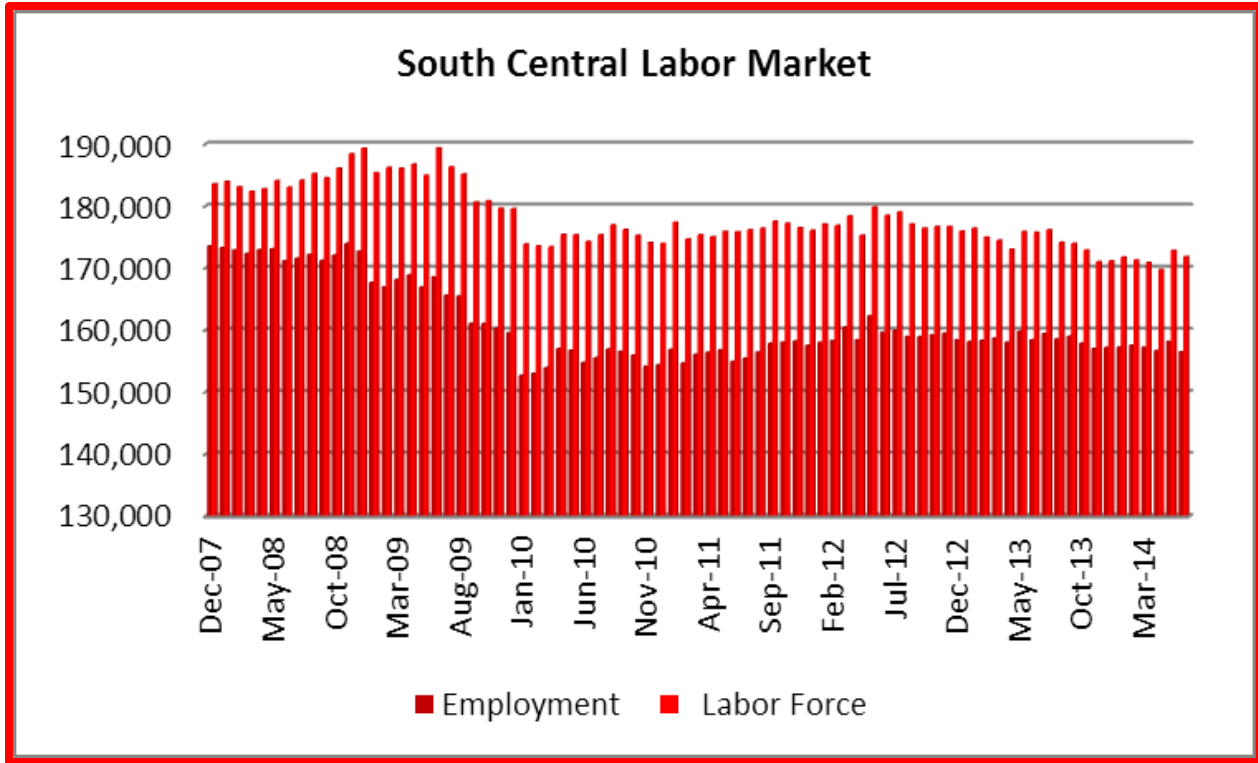
The South Georgia region is comprised of thirty-two counties, and is divided into two regions, based upon the Georgia Department of Community Affairs’ Service Delivery Regions. South Central Georgia (DCA’s Region 11) and Southwest Georgia (DCA’s Region 10) each include a metropolitan statistical area (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).

South Central (Region 11)

Economic activity continues to be uneven across the South Central region with the counties along the I-75 corridor posting the largest gains. Overall economic activity was relatively flat during the first half of 2014 for the South Central

Georgia region with private sector gains offset by public sector losses. The Food and Accommodations sector expanded modestly while Manufacturing and the federal and local government sectors contracted. Overall net jobs declined by 1,971 jobs, or 1.2% over the twelve month period. Although the unemployment rate for the region declined from 9.8% to 9.0%, a significant reason was the 2.2% in the size of the labor force.

Mandatory reductions in defense and other federal spending, and tax and regulatory uncertainty surrounding health care reform will adversely impact the South Central region through the end of the forecast period. Scarce funding for small businesses and only modest increases in the housing market will moderate economic growth potential. The unemployment rate for the South Central region is expected to decline from the current seasonally high 9.0% to a near 8.0% by the end of the first half of 2015.



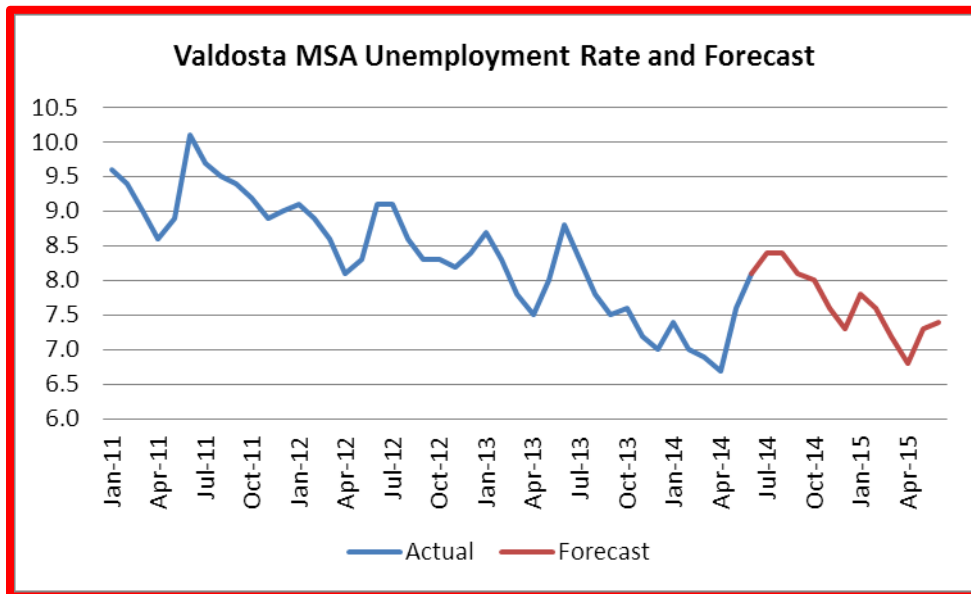
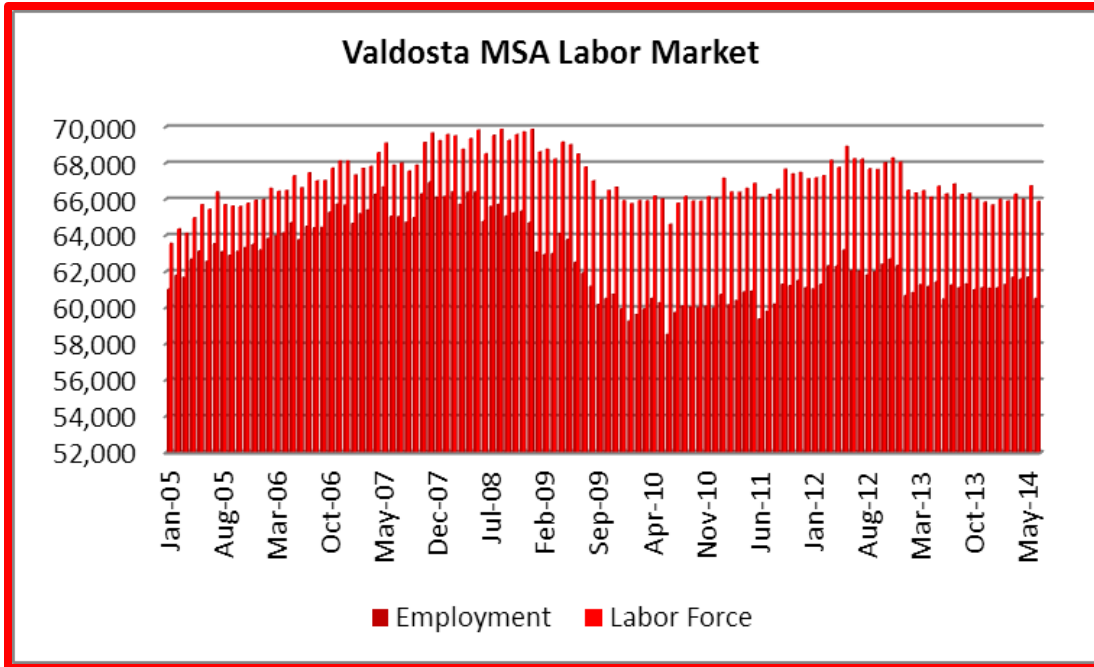
Valdosta MSA

The Valdosta MSA continues to be a hub of economic activity within the South Central Georgia region with improving economic activity over the twelve month period. Retail trade and Food services expanded leading net job gains for the Valdosta MSA. The real estate market continues to firm as residential and commercial construction improved. Private sector growth however was partially offset by the net decline of government jobs. Although state budgets improved over the last twelve month leading to an expansion of jobs, these jobs were offset by the decline in federal and local government jobs.

A year over year comparison reveals that the unemployment rate for the region declined from a seasonally high 8.8% during June 2013 to 8.1% during June 2014. While a portion of the

improved unemployment rate arises from a discouraged workers dropping out of the labor market and an increase in the number of part-time jobs relative to full-time jobs, the Valdosta MSA experienced net job gains of 41 jobs over the twelve month period ending June 2014. The forecast predicts net job growth to continue through the first half of 2015.

The forecast predicts the unemployment rate will decline after the seasonal summer increase.. The overall trend is an improving labor market driven increasingly by net job gains rather than a declining labor force. The largest threat to the Valdosta MSA is the downsizing of Moody Air Force Base over the next two years, and potential base closure during the next BRAC round. The forecast predicts the unemployment rate will drop below 7% by the end of the first quarter 2015.



Southwest (Region 10)

The economic conditions for the Southwest Region continue to remain weak. After peaking in January 2013, employment levels have declined and remain lower than the employment levels experienced during the Great Recession. Although agriculture continues to be an engine of growth for many counties in the region, the loss of manufacturing and government jobs has caused a

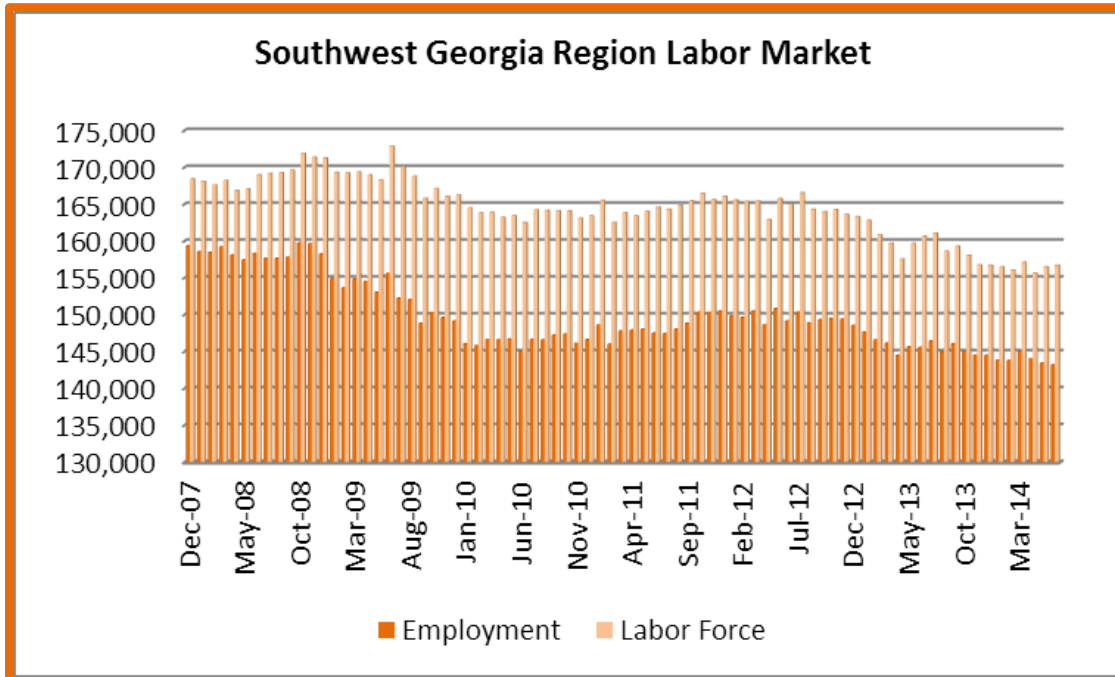
restructuring of the jobs in the region, and has had a negative impact on job growth.

The unemployment rate for the region declined from a seasonally high 9.4% to 8.6% over the last year. A closer look reveals that the reduction was driven by a shrinking labor force size rather than net job gains. While the number of unemployed has declined by over 1600 over the last year, employment declined by over 2300

jobs and the labor force contracted by nearly 4000. This suggests that the unemployment rate improvements were driven by workers dropping out of the labor force and not from improved economic activity.

The forecast predicts that the economic recovery for the Southwest Georgia region will be

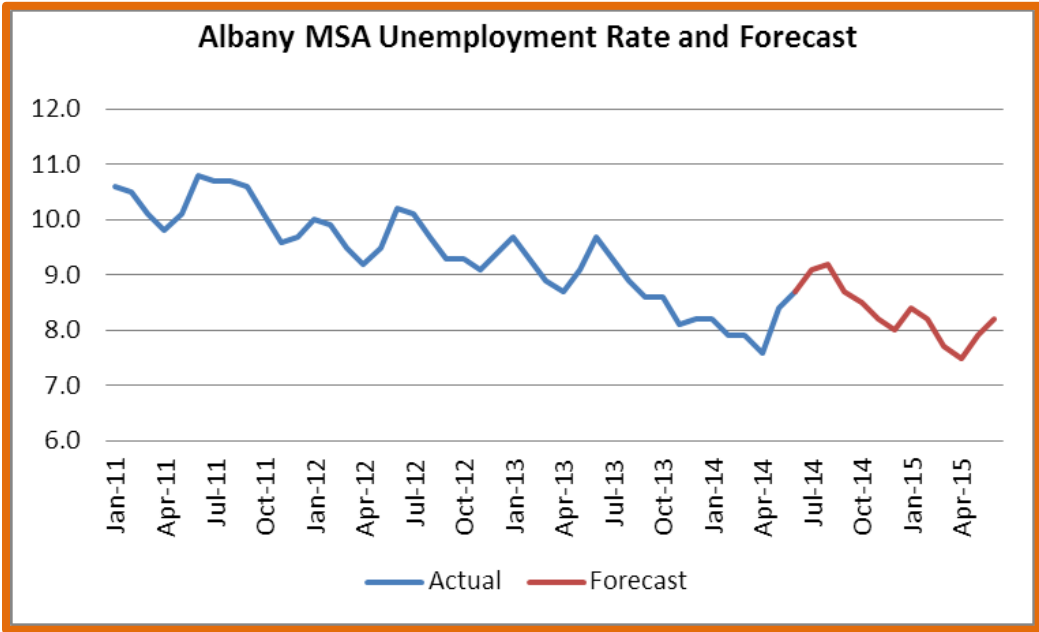
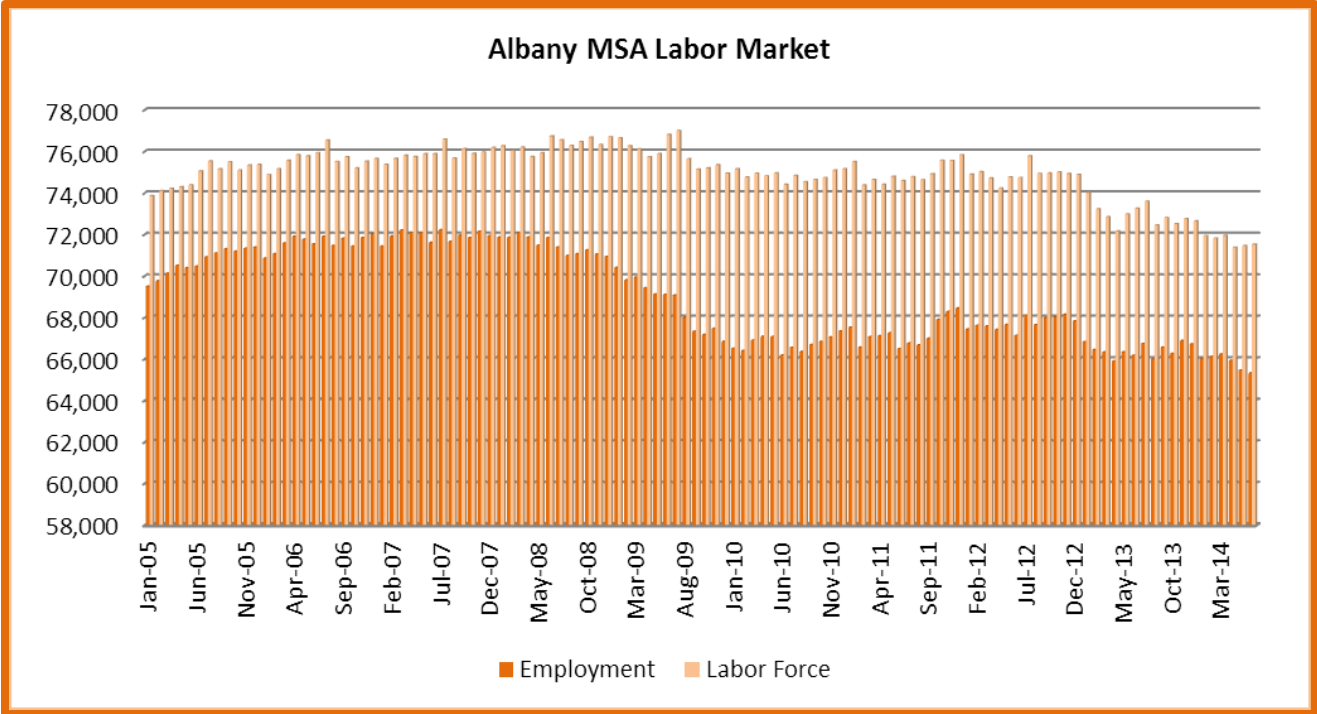
long and modest. The revised forecast is no significant improvements in economic activity and the labor market through the first half of 2015. Mandatory reductions in defense and other federal spending, and tax and regulatory uncertainty surrounding health care reform will have a negative impact on the Southwest region through the end of the forecast period.



Albany MSA

The Albany MSA continues to show no significant changes in economic activity and net job growth. Retail trade job net gains were offset by federal government job losses over the twelve month period. A year to year comparison reveals that although the unemployment rate declined from 9.7% to 8.7%, the decline was driven by a smaller labor force rather than net job gains. Over the twelve month, the Albany MSA had a loss of 100 jobs. This is a trend the Albany MSA has followed over the last two years.

The forecast predicts stagnant and possibly negative economic activity through the first half of 2015. Job growth is not expected to return during the forecast period. Budget reductions and the impacts of health care reform may move the Albany MSA into a recessionary period during the by the end of 2014. Although the unemployment rate may drop below 8% during 2015, the decline will likely be from labor force contraction rather than net job gains. Economic activity is expected to remain fairly flat or stagnant through the first half of 2015.



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/CBER> 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.

The *South Georgia Business Outlook* is a quarterly publication of the Center for Business and Economic Research, Langdale College of Business, Valdosta State University. The articles reflect the opinions of the author, but not necessarily those of the staff of CBER, the faculty of the Langdale College of Business, or the administration of Valdosta State University.

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