

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

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Second Quarter 2013

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 2013

The United States economic activity continued to improve through the second quarter of 2013. The improved economic growth created net job gains across most sectors in the United States and the state of Georgia. Even though economic activity increased net job growth, a proportional increase in labor market participation kept the United States unemployment rate steady at 7.6%. Although the United States unemployment rate remained above the long run unemployment rate, the net job gains and increased labor force participation suggest the probability of a recession continues to decline.

Greater certainty about tax policies, a declining deficit, and improving real estate market

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

across most of the country supports stronger growth through the second quarter of 2014. Threats to the U.S. economic recovery linger and continue to suppress some economic activity. The implementation of health care reform, increased regulations, and Middle East instability threaten to slow economic growth through the first half of 2014. Businesses have already begun adjusting their mix of full-time and part-time employees in response to the anticipated increase of labor costs that begin January 2014.

The United States forecast is for continued modest growth through third quarter of 2014. While the unemployment rate will remain elevated, economic growth is expected to create

net new jobs and continue to reduce the unemployment rate through the third quarter of 2014. It is expected that the United States unemployment rate will drop below 7% by the third quarter of 2014.

Georgia

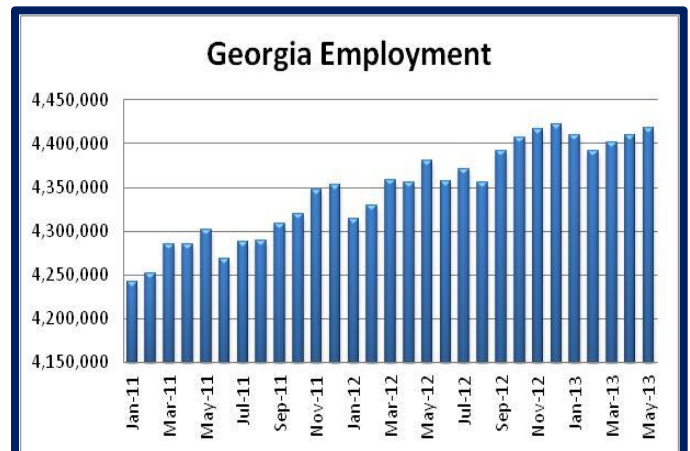
While private sector employment continued to expand through the second quarter of 2013, the rate of net job creation slowed to less than 2.0%. While most private sector industries posted net job gains, the rate of job growth slowed between the 1st quarter and 2nd quarter of 2013. The sector posting the largest net job gains was Employment Services, suggesting the recovery remains fragile for the state of Georgia.

Year over year Government employment continued to decline through the second quarter of 2013. Net job losses were reported at the Federal, State and Local government levels. At -4.6%, the Department of Defense reported the largest rate of net job losses. Budget issues will likely constrain government employment through the end of 2014.

While Georgia economic activity increased employment, net job creation did not keep pace with labor force participation. The unemployment rate is expected to increase during the summer months due to seasonal labor market movements, however weaker net job creation across most private sectors and net job losses also led to the higher unemployment rate. This suggests that the recovery has slowed slightly for the state of Georgia.

The forecast predicts continued positive economic activity through the third quarter of 2014 however the economic activity will not be sufficient to significantly improve labor market conditions. The forecast predicts that the unemployment rate will decline to 7% by the middle of 2014 but will remain above normal levels over the medium-run (1-2 years).

Labor Force	
	May 2013
Georgia	
Civilian Labor Force	4,830,197
Employed	4,417,695
Unemployed	412,502
Rate	8.5%
South Central Georgia	
Civilian Labor Force	176,670
Employed	159,627
Unemployed	17,043
Rate	9.6%
Valdosta-MSA	
Civilian Labor Force	71,201
Employed	65,878
Unemployed	5,323
Rate	7.5%
Southwest Georgia	
Civilian Labor Force	162,274
Employed	147,364
Unemployed	14,910
Rate	9.2%
Albany-MSA	
Civilian Labor Force	73,790
Employed	66,773
Unemployed	7,017
Rate	9.5%
Source: Georgia Department of Labor	



Georgia Nonagricultural Jobs Change in Number of Jobs	
	May 12 to May 13
Total Nonagricultural	68,500
Total Private	78,500
Construction	+3,500
Manufacturing	-2,100
Durable goods	-1,300
Nondurable goods	-800
Trade, Transportation and Utilities	+8,900
Wholesale trade	+900
Retail trade	+3,200
Information	+4,500
Financial Services Activity	+2,000
Professional and Business Services	+32,400
Administration and Support	+23,200
Employment services	+14,400
Educational and Health Services	+15,300
Educational Services	+2,600
Health Care and Social Assistance	+12,700
Leisure and Hospitality	+14,900
Accommodation and Food	+13,600
Government	-10,000
Federal	-3,300
State	-2,000
Local	-4,700

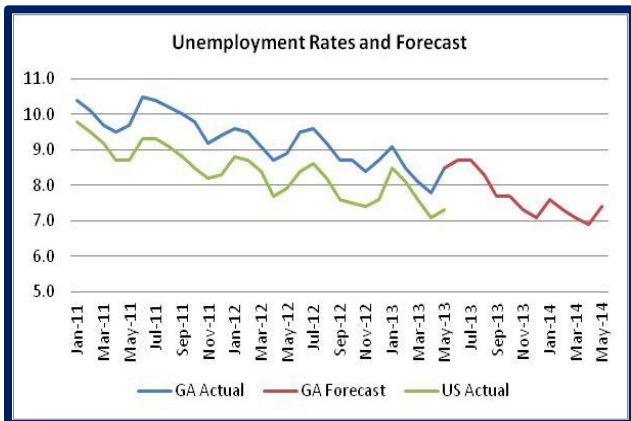
Source: Georgia Department of Labor

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).

Economic activity across the South Georgia region was mixed through for the second quarter of 2013. While economic activity created net job growth, employment was relatively flat over the last twelve months. Regulatory uncertainties, state and local budget pressures, the impacts associated with health care reform, and Department of Defense budget cuts threaten the South Georgia region. While economic indicators suggest continued economic growth, the growth rate will be uneven across the South Central region and will likely remain below the long-run sustainable growth rate through the second quarter of 2014.

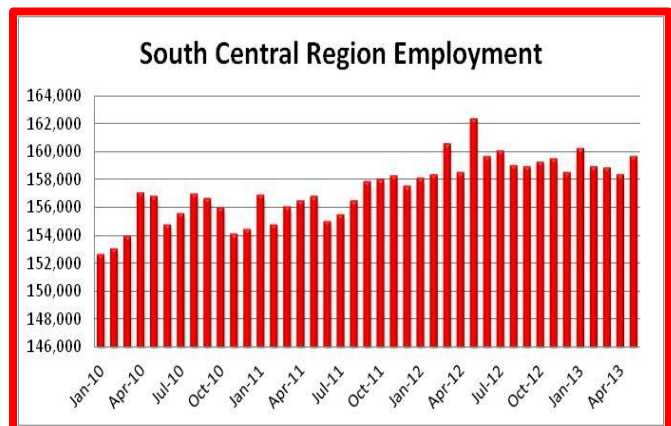
South Central (Region 11)

Private sector economic indicators continue to support positive economic conditions in South Central region. Since reaching a low in January 2010, employment data reflects an upward trend despite the net loss of government jobs. While the trend has been positive since 2013, employment has remained relatively unchanged over the last twelve months.



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



2012 Top Ten Employers

State of Georgia	Valdosta MSA	Albany MSA
Cobb County School System	Convergys Customer Mgmt Group	City of Albany
DeKalb County School System	Data Software Services LLC	Department of Defense
Delta Air Lines Incorporated	Lake Haven Nursing Home	Dougherty County
Department of Defense	Lowes Home Centers Incorporated	Dougherty County School System
Gwinnett County School System	Lowndes County School System	Lee County School System
Publix Super Market Inc.	South Georgia Medical Center	Phoebe Physician Group Inc
The Home Depot	United Rehab Incorporated	Phoebe Putney Memorial Hospital
The Kroger Company	Valdosta City School System	Teleperformance USA
United States Postal Service	Valdosta State University	The Procter & Gamble
Wal-Mart	Wal-Mart	Wal-Mart

Source: Georgia Department of Labor

Industry Mix and Average Wages

	State of Georgia			Valdosta MSA			Albany MSA		
	2012		2002	2012		2002	2012		2002
	Avg Weekly Wages	% of Emp	% of Emp	Avg Weekly Wages	% of Emp	% of Emp	Avg Weekly Wages	% of Emp	% of Emp
Goods Producing	\$972	13.6	18.3	\$749	14.7	20.3	\$893	12.5	19.7
Agriculture	\$568	0.6	0.7	\$409	3.3	3.2	\$641	1.8	1.4
Construction	\$918	3.7	5.2	\$930	4.2	5.5	\$751	3.8	5.0
Manufacturing	\$1019	9.2	12.3	\$804	7.1	11.6	\$1037	6.9	13.3
Service Producing	\$890	69.0	65.0	\$536	60.8	55.3	\$634	64.5	58.6
Retail	\$512	11.5	11.9	\$441	14.4	15.5	\$433	12.8	12.7
Health Care	\$875	10.7	8.2	\$775	10.8	8.7	\$874	15.7	12.7
Accom/Food	\$327	9.1	7.9	\$238	12.2	9.1	\$265	8.3	6.5
Government	\$823	16.9	16.3	\$691	24.3	24.1	\$820	22.7	21.5
Federal	\$1326	2.7	2.5	\$798	2.3	2.0	\$1319	5.5	4.1
State	\$781	3.8	3.9	\$693	6.6	8.1	\$677	4.5	4.9
Local	\$710	10.5	9.9	\$675	15.5	14.0	\$655	12.6	12.5
All Industries	\$890			\$605			\$709		

Avg Weekly Wages is the average weekly wages of all hourly and salaried workers. % of Emp is the average number of employees per industry divided by the average number of total employment. Source: Georgia Department of Labor

Adjusting for seasonal fluctuations, over the first two quarters of 2013 non-agricultural net job growth has fluctuated proportionally with labor force participation. Although economic activity has been positive, it has not been sufficient to create jobs at a pace that would reduce the unemployment rate for the region. Private employment expanded across all sectors in the region. The decline of government employment, however, partially offset the private sector gains.

Mandatory reductions in defense and other federal spending, and tax and regulatory uncertainty surrounding health care reform will likely have a negative impact on the South Central region through the end of the forecast period. The unemployment rate for the South Central region is expected to decline from the current 9.6% to near 8% by June 2014. Although this forecast predicts continued positive economic activity for the region over the next twelve months, the forecast is slightly less optimistic than the previous forecast.

Valdosta MSA

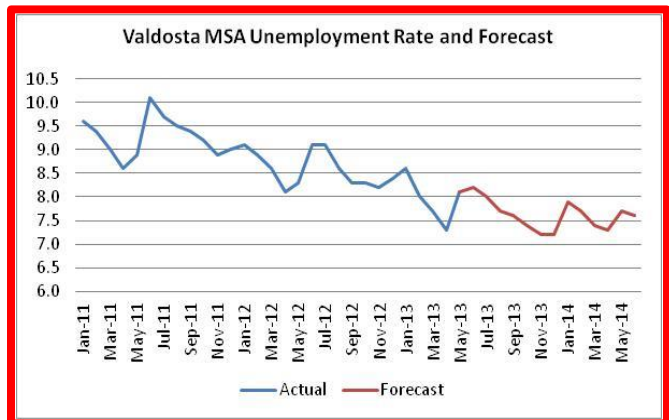
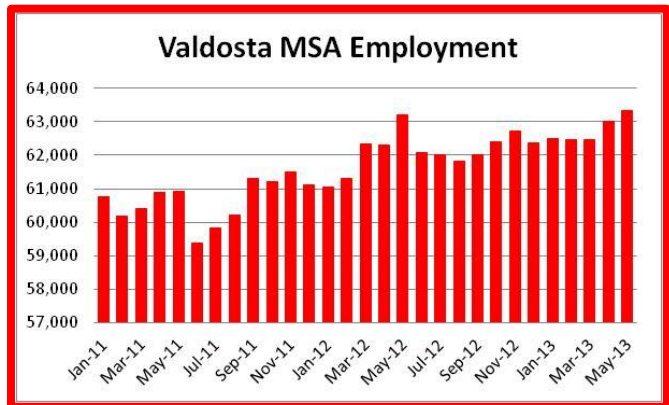
The Valdosta MSA continues to be a hub of economic activity within the South Central Georgia region. The real estate market is firming and residential construction has improved. Budget restrictions and the impacts of health care reform, however, have had a negative effect of the Valdosta MSA labor market. The negative effects of health care reform are expected to have an increased impact on economic activity through the first half of 2014. The United States Department of Defense budget cuts and furloughs will also negatively impact economic activity through the end of 2013.

The Valdosta MSA experienced modest net job gains through the first half of 2013. Net job growth is expected to outpace increases in labor force participation but at a slower rate than previously forecast. The revised forecast predicts modest economic activity that supports a slight improvement in the labor market over the next

twelve months. The unemployment rate is expected to decline but at a slower pace than 2012. The unemployment rate is expected to decline to 7.5% by June 2014.

Valdosta MSA Nonagricultural Employment May 2013		
	Number of jobs	Change from May 2012
Total Nonagricultural	55,100	+300
Total Private	41,000	+300
Goods Producing	6,600	+300
Service Providing	48,500	00
Private Service-Providing	34,400	00
Trade, Transportation and Retail Trade	10,100	-400
Government	14,100	00
Federal	1,200	00
State	4,800	+100
Local	8,100	-100

Source: Georgia Department of Labor



Southwest (Region 10)

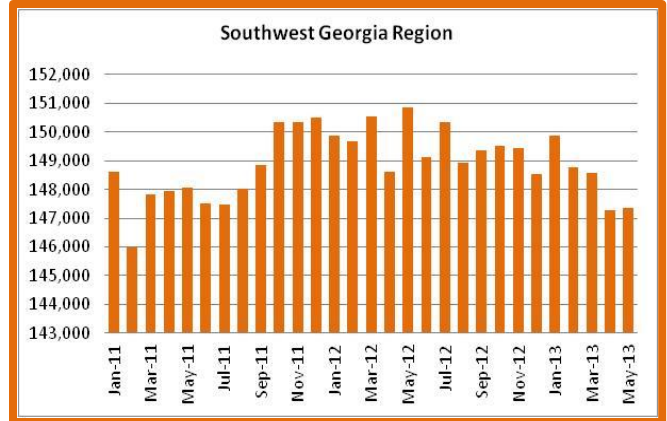
The economic conditions for the Southwest Region have deteriorated since the end of the first quarter of 2013. Employment levels have declined to July 2011 levels, erasing the employment gains realized over the last two years. Budget reductions and the impacts from health care reform have had a negative effect on seven of the top ten employers in the region.

Although the unemployment rate for the region declined to 8.4% by the end of the first quarter 2013, the unemployment rate increased to 9.2% by the end of May 2013. Even though labor force participation declined, net job losses increased at a faster pace leading to the higher unemployment rate.

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 quarter of 2013. 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.

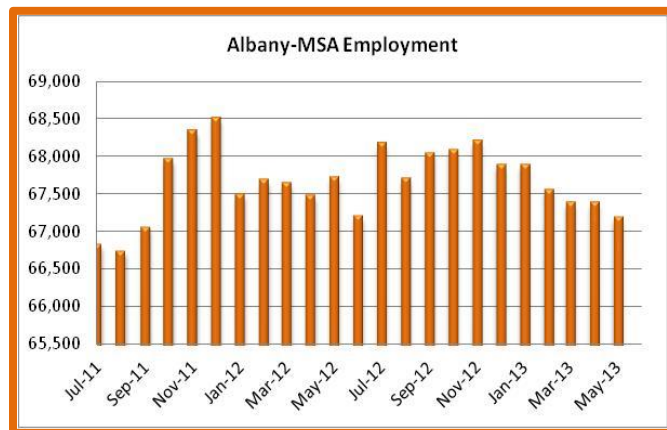
Albany MSA

The Albany MSA continued to experience net job losses through May 2013. Slow economic activity and government budget reductions have erased net job gains over the last two years. Although 100 net new manufacturing jobs were created within the MSA, the net decline of government jobs led to the net loss of jobs over the last twelve months. Despite low interest rates, Real Estate and Construction related industries remain weak for the Albany MSA. Although historically low, rising mortgage rates will likely delay a recovery in this local market.



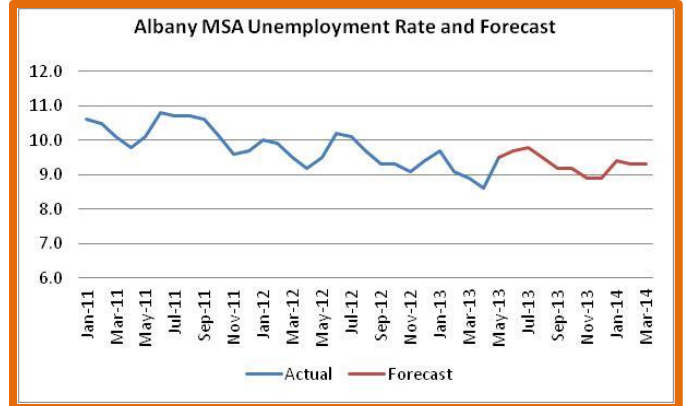
Albany MSA Nonagricultural Employment May 2013		
	Number of jobs	Change from Mar 2012
Total Nonagricultural	60,800	-300
Total Private	47,400	+200
Goods Producing	6,400	-200
Service Providing	54,400	-100
Private Service-Providing	41,000	+400
Manufacturing	4,300	+100
Trade and Transportation	12,400	-200
Retail Trade	7,600	-100
Government	13,400	-500
Federal	3,000	-200
State	3,200	00
Local	7,200	-300

Source: Georgia Department of Labor



The revised forecast predicts slow economic growth and no job growth through the end of 2013. Rising mortgage rates, budget reductions, and the impacts of health care reform may move

the Albany MSA into a recessionary period during the first half of 2014. The unemployment rate is expected to remain above 9% through May 2014. Economic activity is expected to remain fairly flat through the second quarter of 2014



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