

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

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Third 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: 3rd Quarter 2013

The United States economic activity remained positive through the end of the third quarter. The United States and Georgia had net job gains across most sectors through the end of the third quarter. Despite the positive economic activity and net job growth, the labor force participation rates remained historically low indicating that weaknesses remain in the economy.

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

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 |

regulations, and Middle East instability threaten to slow economic growth through the 2014. Although the requirement for businesses to comply with the Health Care Affordability Act has been delayed one year, the Act will continue to impact businesses hiring decisions as they adjust their mix of full-time and part-time hiring decisions workers.

The United States forecast is for continued modest growth through the end 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 fourth quarter of 2014. It is expected that the United States

unemployment rate will drop below 7% by the third quarter of 2014.

Georgia

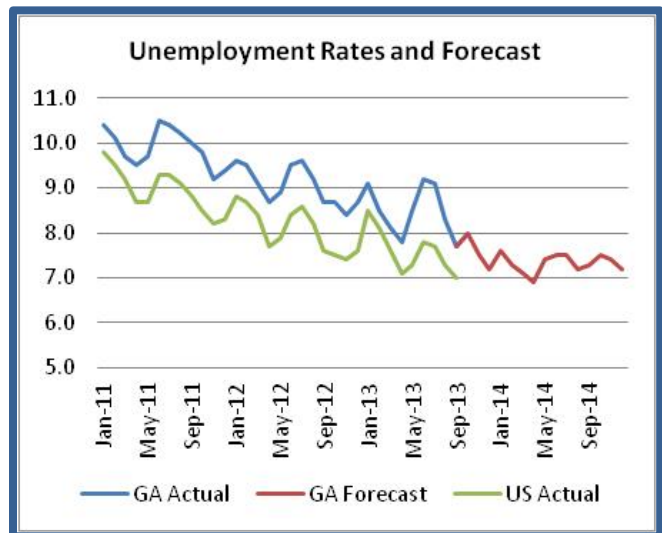
While private sector employment continued to expand through the third quarter of 2013, employment growth has remained relatively flat over the last twelve months and has not yet reached pre-recession levels. The September 2013 4,405,693 is approximately 200,000 jobs lower than 2007 and is approximately equal to 2005 employment numbers.

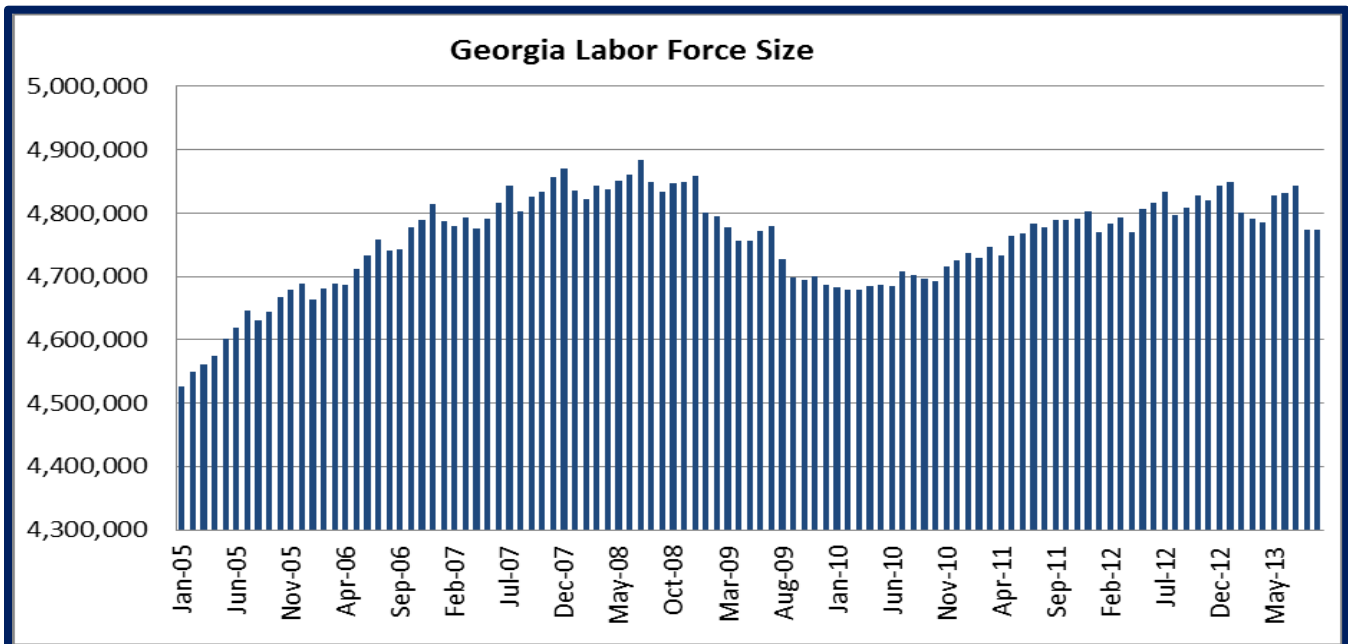
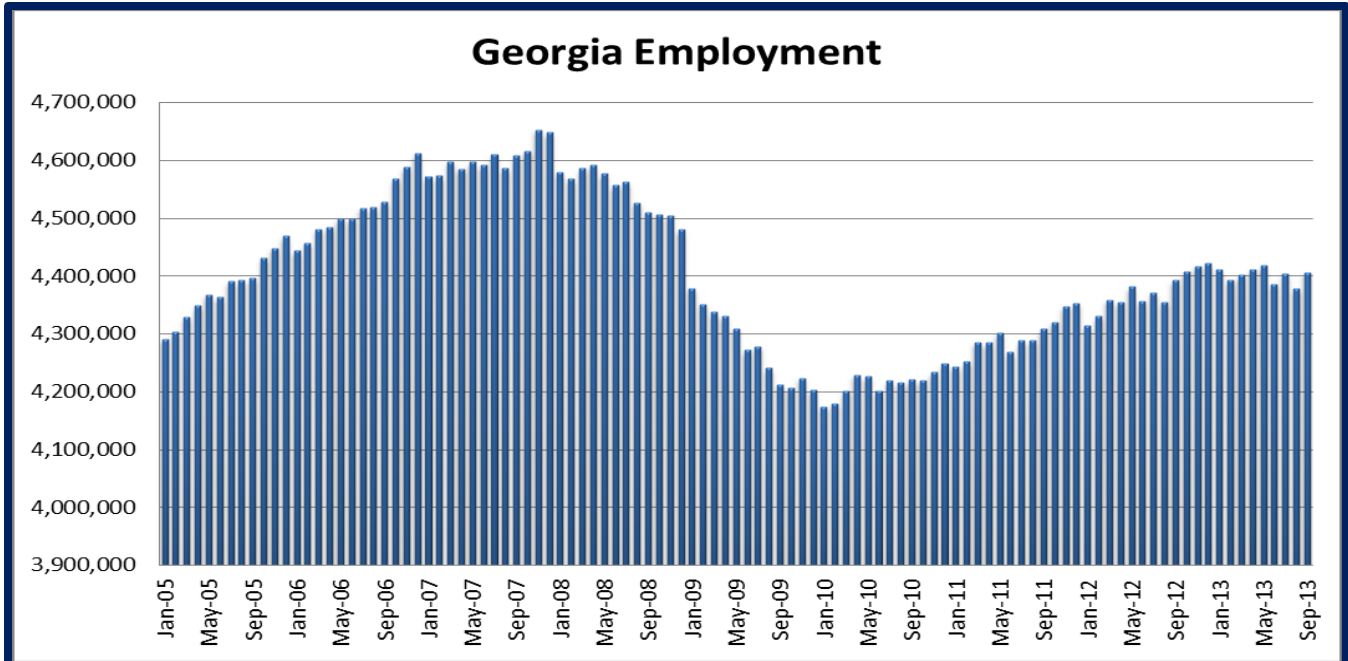
Sectors that have shown above average net job growth improvements are Heavy and Civil Engineering Construction, Wireless Telecommunications Carriers, Accounting and Bookkeeping, Food Services, Post-Secondary Education, and Employment Services. Sectors that reported a year to year decline include Accommodations, Manufacturing, and all levels of Government.

A year to year comparison finds that the Georgia unemployment rate declined from 8.7% in 2012 to 7.7% in September 2013. Over the one year period, the number of unemployed declined by nearly 50,000. A closer look at the numbers however reveals that 36,000 jobs or 72% of the decline was from workers dropping out of the labor force and not from workers gaining employment.

Employment is expected to improve and the unemployment rate is expected to decline during the fourth quarter of 2013 due to seasonal labor market movements. The forecast predicts continued positive economic activity through the fourth 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 | |
|-------------------------------------|-----------|
| | Sep 2013 |
| Georgia | |
| Civilian Labor Force | 4,773,369 |
| Employed | 4,405,693 |
| Unemployed | 367,676 |
| Rate | 7.7% |
| South Central Georgia | |
| Civilian Labor Force | 173,276 |
| Employed | 158,310 |
| Unemployed | 14,966 |
| Rate | 8.6% |
| Valdosta-MSA | |
| Civilian Labor Force | 66,539 |
| Employed | 61,601 |
| Unemployed | 4,938 |
| Rate | 7.4% |
| Southwest Georgia | |
| Civilian Labor Force | 160,013 |
| Employed | 146,731 |
| Unemployed | 13,282 |
| Rate | 8.3% |
| Albany-MSA | |
| Civilian Labor Force | 72,809 |
| Employed | 66,405 |
| Unemployed | 6,404 |
| Rate | 8.8% |
| 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).

Economic activity across the South Georgia region remains uneven across the regions through the third 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 end of 2014.

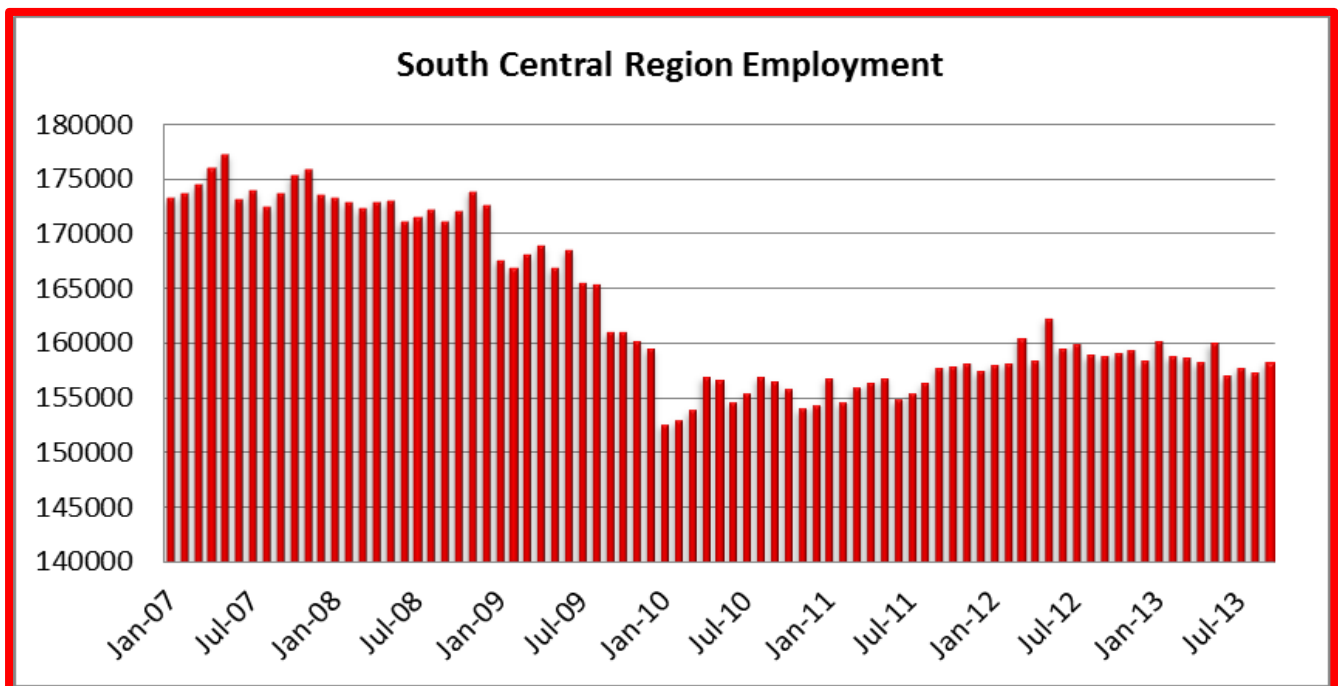
South Central (Region 11)

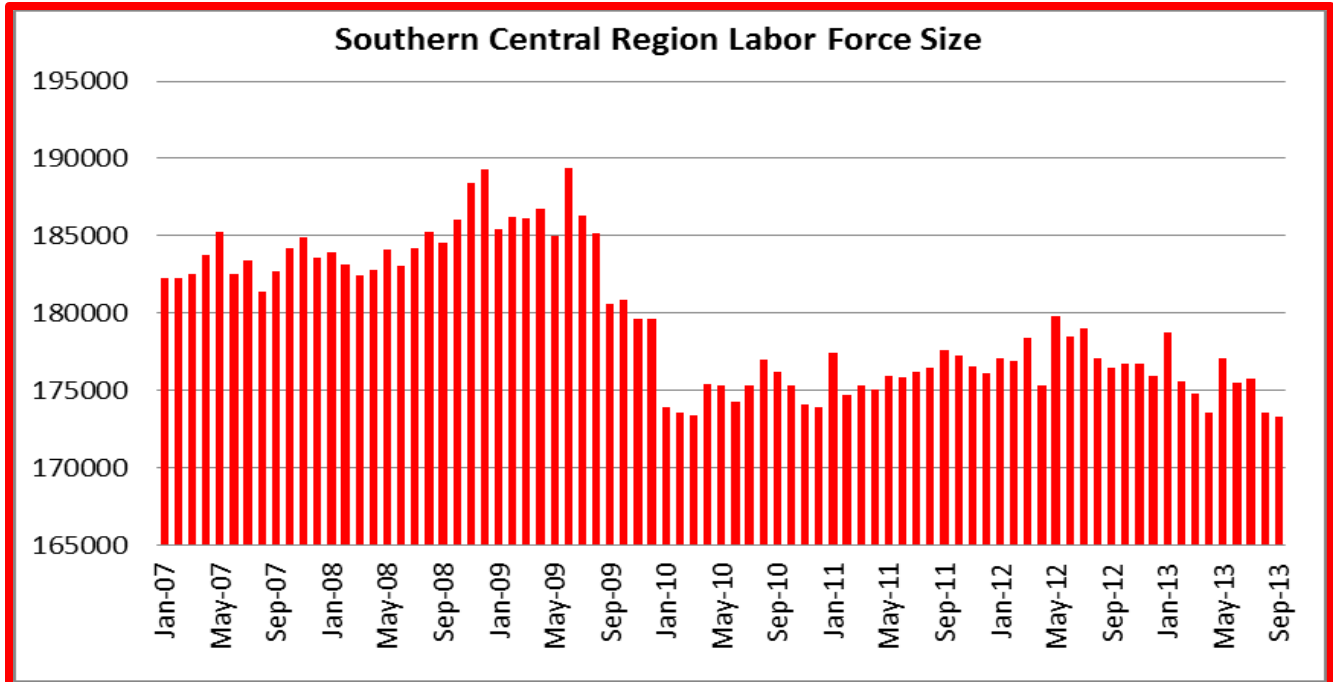
Private sector economic indicators weakened during the third quarter in South Central region. After employment improved during the first half of 2013, employment declined during the third quarter of 2013. Accommodations, manufacturing, and government sectors reported the largest declines in employment for the South Central region. While some countries have experienced net job gains, a year-to-year

comparison for the region reveals that employment has remained flat since September 2009. The September 2013 employment of 158,310 is approximately 15,500 jobs lower than September 2007.

Over the first three quarters of 2013 non-agricultural net job growth has remained flat while labor force participation has declined. 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.

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 8.6% to near 8% by the third quarter of 2014. Although this forecast predicts continued positive economic activity for the region over the next twelve months, the forecast does not predict significant improvements over the next twelve months.



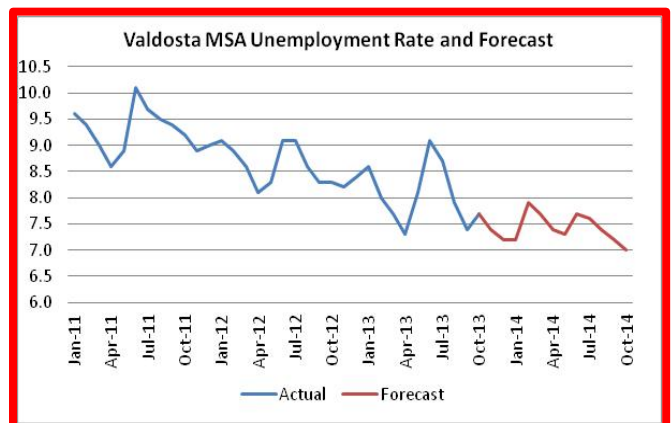


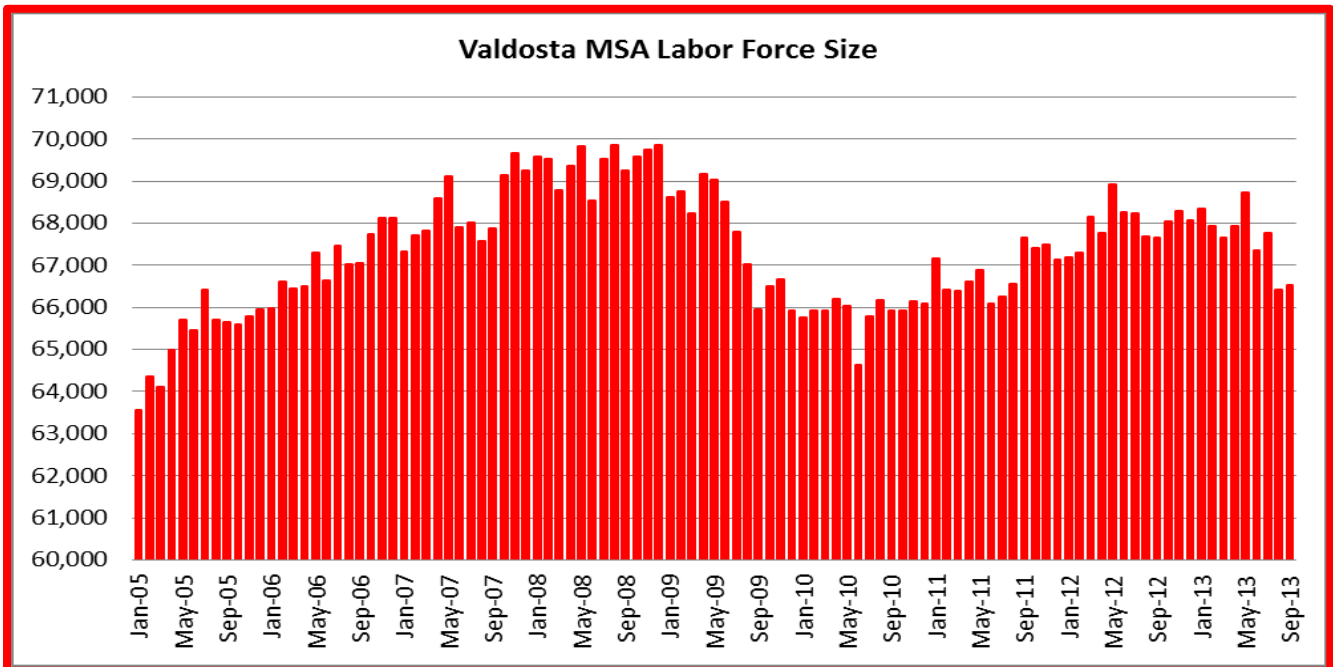
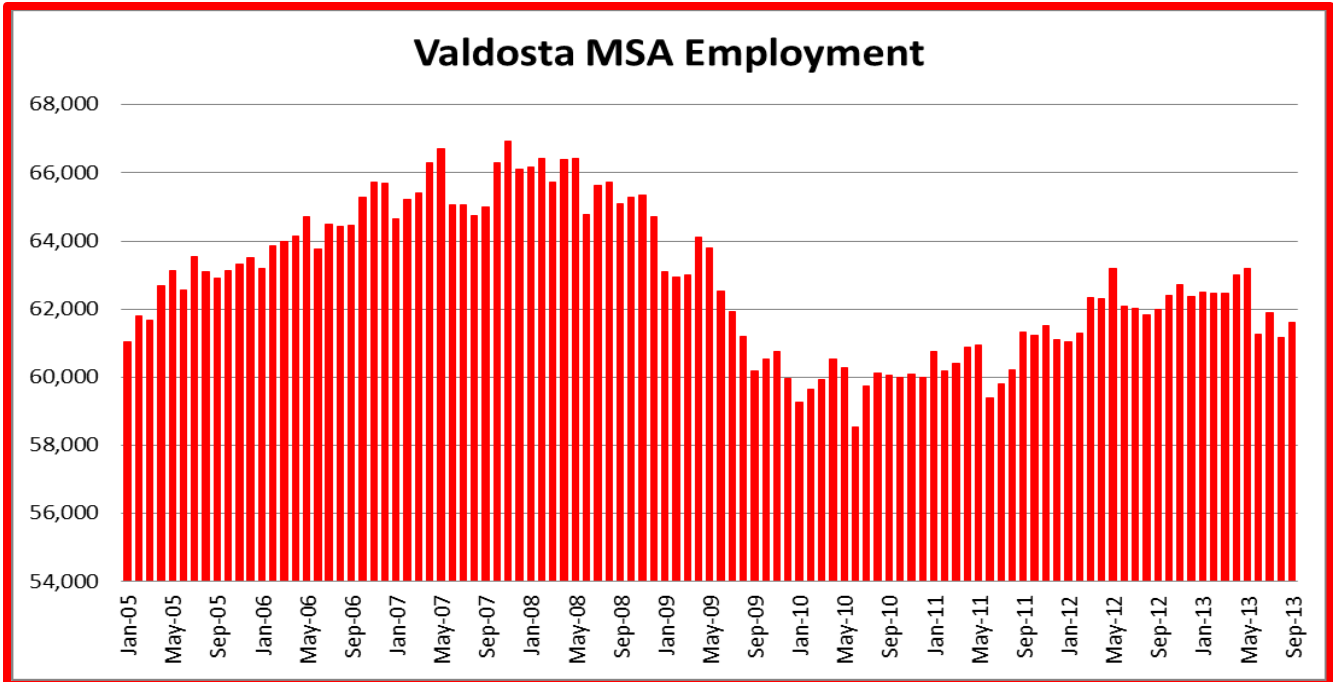
Valdosta MSA

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 and commercial 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.

A year over year comparison reveals that the unemployment rate for the region declined from 8.3% in 2012 to 7.4% for September 2013 and that the number of unemployed declined by over 700 during the one year period. A closer look at the numbers however reveals that the labor force size declined by nearly 1,100 and the region lost over 400 jobs for the year-to-year comparison.

A look at employment and the labor force size since January 2005 through the third quarter of 2013 for the Valdosta MSA shows that the labor force size has declined back to its post-recession levels and employment while improved from the low point in 2010, has been relatively flat over the last two quarters. Improvements in construction and construction related activities and retail activity support 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 7.0% by the end of the third quarter of 2014





Southwest (Region 10)

The economic conditions for the Southwest Region have deteriorated since the second quarter of 2012. Employment levels have declined over the last nine months and have reached employment levels experienced during 2010.

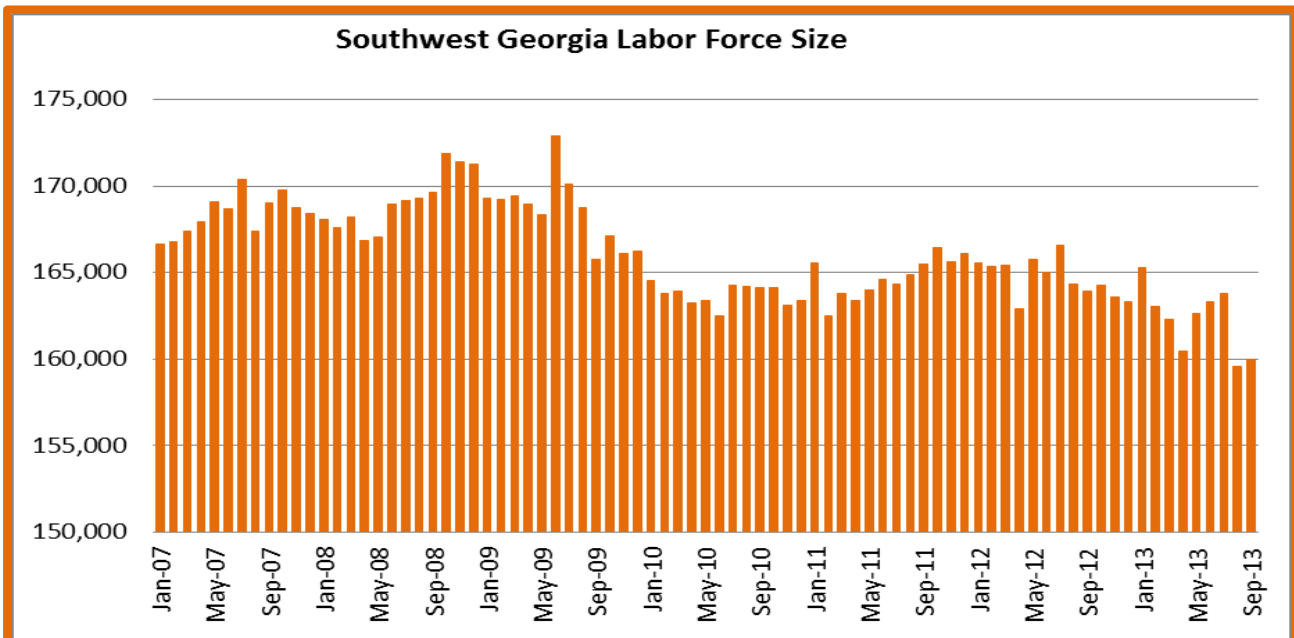
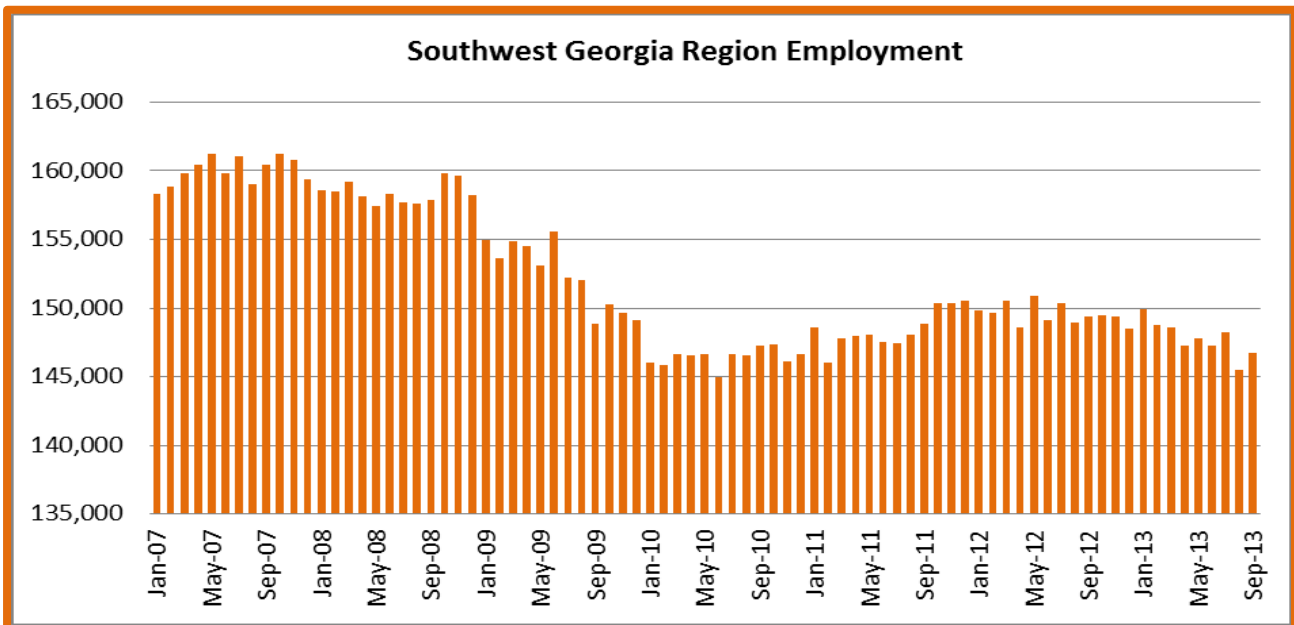
Budget reductions and the impacts from health care reform have had a negative effect on seven of the top ten employers in the region.

Although the unemployment rate for the region declined from 8.9% to 8.3% over the last year, this is misleading since the decline was driven by a shrinking labor force size rather than

net job gains. While the number of unemployed has declined by over 1300 over the last year, the labor force size has declined by 3,938 and employment has declined by 2,600. This suggests that the unemployment rate improvements were driven by workers dropping out of the labor force and not from improved economic activity.

long and modest. The revised forecast is no significant improvements in economic activity and the labor market through the end 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.

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

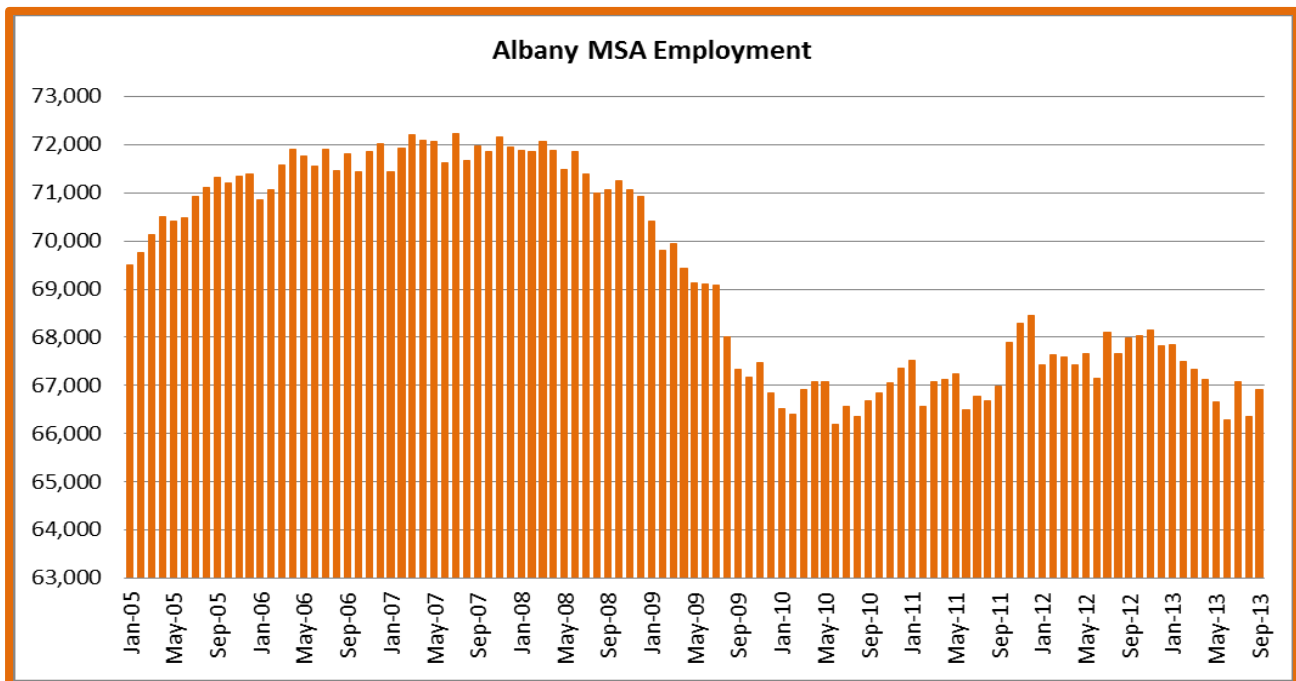
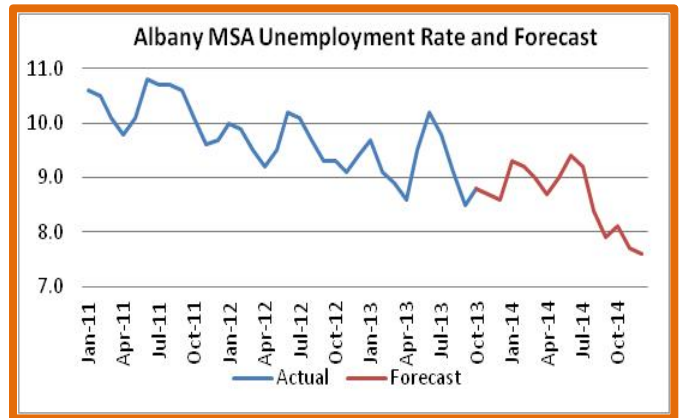


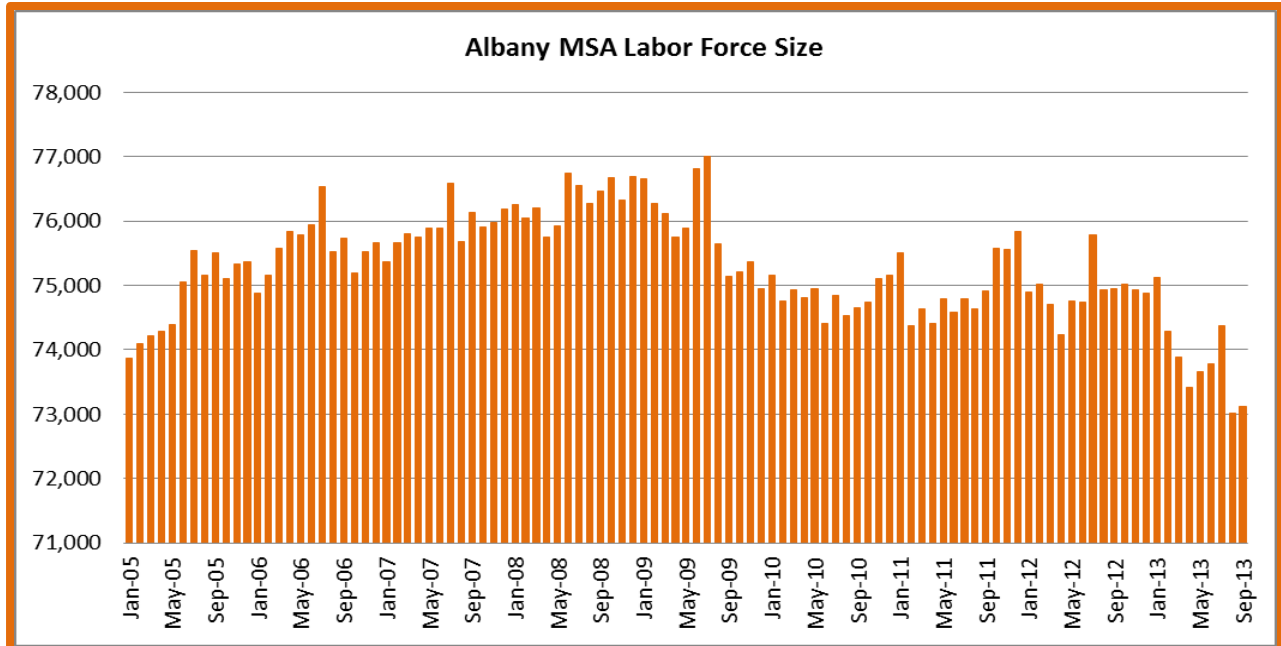
Albany MSA

The Albany MSA continued to experience net job losses through September 2013. Slow economic activity and government budget reductions have erased net job gains over the last two years. Net job declines in Government offset gains in the private sector over the last twelve months. A year to year comparison reveals that although the unemployment rate declined from 9.3% to 8.5%, the decline was driven by a small labor force rather than net job gains. Although the number of unemployed declined by 751, the Albany MSA lost 1,076 jobs for year to year comparison.

The forecast predicts slow and possibly negative economic growth during 2014, and no job growth through the end of 2014. Budget reductions and the impacts of health care reform

may move the Albany MSA into a recessionary period during the first half of 2014. Although the unemployment rate may drop below 8% during 2014, the decline will likely be from labor force contraction rather than net job gains. Economic activity is expected to remain fairly flat through the end of 2014.





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://valdosta.edu/colleges/business/business-and-economic-research/welcome.php> for a listing of available services or contact the Director of the Center for Business and Economic Research

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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 CBER. 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