

# South Georgia Business Outlook



South Georgia Institute

Langdale College of Business

Valdosta State University

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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.

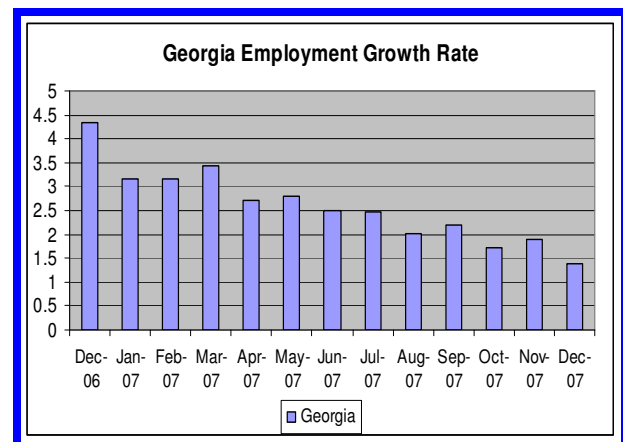
The *South Georgia Business Outlook* is sponsored by the South Georgia Institute and the Langdale College of Business.

## **Economic Outlook: 1<sup>st</sup> Quarter 2008**

### **Georgia**

Labor market information for the State of Georgia suggests that the Georgia economy continued to slow through the end of 2007. The employment growth rate for the State of Georgia declined over the last three months of 2007 to less than 1.5% growth by December 2007. While the overall average growth rate was positive, several industries experienced negative growth. With rising real estate default rates, especially in the Atlanta region,

rising oil prices, rising commodity prices, and financial market instability, the declining employment growth rate and slowing economic growth are likely to continue at least through the first half of 2008.



When comparing January 2008 to January 2007, Georgia non-farm employment increased by 42,200 net new jobs year-to-year. Although positive, this is nearly 100,000 fewer net new jobs when comparing the January 2007 - January 2006 year-to-year change. A closer look at the data reveals slower net job growth across all industries and negative net job change in construction, manufacturing, and financial services.

Declining residential housing prices, rising foreclosure rates and tighter credit market standards have contributed to the decline in construction and construction related jobs, and financial services jobs. Despite unprecedented moves by the Federal Reserve System to reduce short-term interest rates and increase the availability of liquidity

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Jan 2007 to Jan 2008
Total Nonagricultural	+42,200
Total Private	+30,700
Construction	-1,200
Manufacturing	-13,200
Durable goods	-4,400
Non-durable goods	-8,800
Trade, Transportation and Utilities	+12,400
Wholesale trade	+2,100
Retail trade	+5,700
Information	-100
Financial activities	-3,400
Professional and Business Services	+10,600
Administration and Support	+3,700
Employment services	+2,800
Educational and Health Services	+15,600
Health Care and Social Assistance	+12,700
Educational Services	+2,900
Colleges, Universities	+900
Leisure and Hospitality	+8,800
Accommodation and Food	+7,900
Government	+11,500
Federal	+1,300
State	+2,300
Local	+7,900
Source: Georgia Department of Labor	

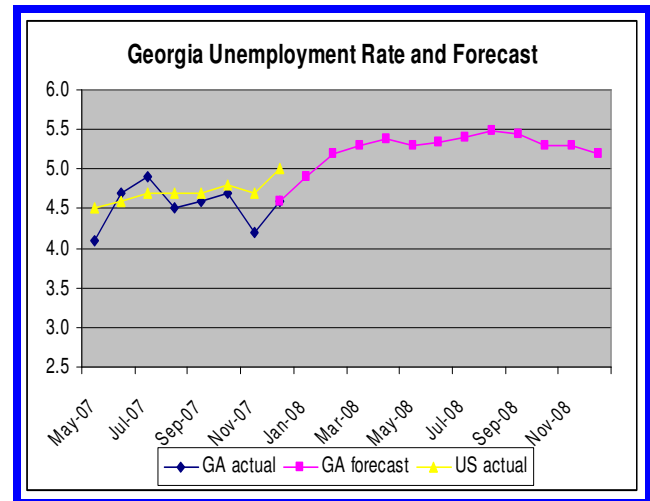
majority of net public-sector jobs. A few sectors experienced growth above 4.0%. These included Wholesale electronic markets and agents and brokers at 6.0%, Nursing and residential care at 4.7%, Air transportation at 4.6%, and State government education at 4.0%. Sectors experiencing a decline of more than 4.0% are Transportation equipment manufacturing at -4.7%, Textile mills at -7.9%, and accounting and bookkeeping at -4.2%.

The Georgia unemployment rate declined to 4.2% in November before ending the year at 4.5% during December 2007. The forecast predicts a higher average unemployment rate during 2008. Slower economic and employment job growth and the market uncertainties discussed previously will lead to an unemployment rate of at least 5.5% by mid-summer before declining to 5.2% by December 2008. The forecast assumes that oil prices will remain above \$90 a barrel, market volatility will continue through the end of 2008 and that the financial markets will stabilize by the third quarter.

beyond banks, financial market uncertainty and stock market volatility is likely to continue through the first half of 2008. Although housing prices in certain areas of Georgia have declined, it is likely that inventory levels for certain price points will remain high through early June.

Manufacturing jobs continued to contract during 2007. Non-durable good manufacturing with a net loss of 8,800 jobs lead the decline. Computer, Electrical Equipment and Appliance manufacturing was the only sector reporting a gain. The gain however was 100 net new jobs or less than 1% of the total net new jobs.

Health Care and Social Services, Accommodation and Food Services, and Retail Trade represent the majority of the net new private-sector jobs created. Local government net new jobs accounted for the



Although there is an increased probability of a recession for the United States, the forecast predicts positive although slowing economic growth for the State of Georgia through the end of 2008. If recent Federal Reserve System actions help the

financial markets avoid a collapse and the actions minimize the contagion effects on other industries, then it likely that the State of Georgia will avoid a recession. The forecast assumes that the Federal Reserve System will continue to provide sufficient liquidity to the financial markets and maintain a lower fed funds rate even in light of other central banks increasing their overnight lending rates.

### South Georgia

The South Georgia region is comprised of thirty-two counties that are divided into three regions based upon the Georgia Regional Development Center designations. The Southwest Georgia and South Central Georgia regions 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 South Central Georgia region.

South Georgia Region		
Southwest Georgia Counties	South Central Georgia Counties	Southeast Georgia Counties
Baker	Ben Hill	Atkinson
Calhoun	Berrien	Bacon
Colquitt	Brooks	Brantley
Decatur	Cook	Charlton
Dougherty	Echols	Clinch
Early	Irwin	Coffee
Grady	Lanier	Pierce
Lee	Lowndes	Ware
Miller	Tift	
Mitchell	Turner	
Seminole		
Terrell		
Thomas		
Worth		

Labor Force		
	December 2007	Change from Dec 2006
<b>Georgia</b>		
Civilian Labor Force	4,913,375	+79,289
Employed	4,688,023	+64,605
Unemployed	225,352	+14,684
Rate	4.6	
<b>South Central Georgia</b>		
Civilian Labor Force	123,580	+59
Employed	117,216	-721
Unemployed	6,364	+780
Rate	5.1	
<b>Southwest Georgia</b>		
Civilian Labor Force	171,781	-1,401
Employed	163,132	-2,165
Unemployed	8,649	+764
Rate	5.0	
<b>Southeast Georgia</b>		
Civilian Labor Force	64,372	-283
Employed	61,077	-362
Unemployed	3,295	+79
Rate	5.1	
<b>Albany-MSA</b>		
Civilian Labor Force	77,975	+820
Employed	73,997	+587
Unemployed	3,978	+233
Rate	5.1	
<b>Valdosta-MSA</b>		
Civilian Labor Force	69,734	+1,324
Employed	66,791	+954
Unemployed	2,943	+370
Rate	4.2	
Source: Georgia Department of Labor		

Following the state of Georgia trends, growth within the South Georgia region slowed through the end of 2007. Overall, the South Georgia region experienced a decline in net new jobs over the twelve month period ending January 2008. The region had a decline in labor force participation of 1,625 and an employment decline of 3,248 net new

jobs over the twelve-month period ending January 2008. The Southwest Georgia region that includes the Albany-MSA experienced the largest loss with a declining labor force of 1,401 and declining employment of 2,165 jobs. As expected, the South Georgia region unemployment rate increased to an average 5.1%, and remained higher than the state average unemployment rate of 4.6%.

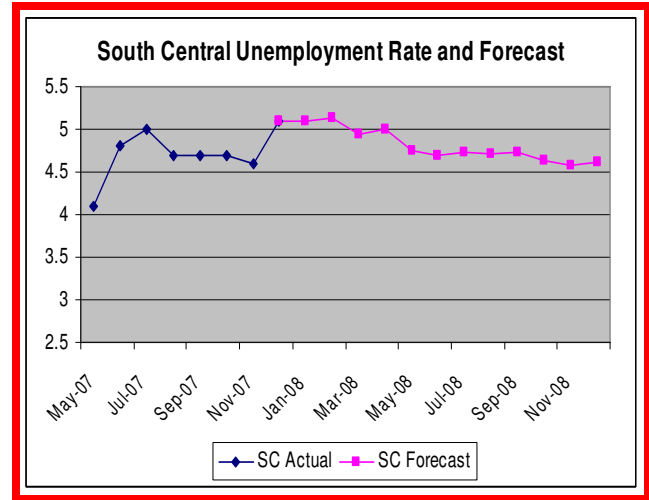
### South Central Georgia Region

Although the Valdosta-MSA continues to experience growth, the South Central Georgia region experienced declining employment growth over the one-year period ending December 2007. The region reported a decline of 721 net new jobs or a 0.6% decline. Employment growth slowed throughout 2007 concluding with negative employment growth for January 2008.

After rising during the summer month, the unemployment rate declined through November 2007 before rising to 5.1% by December 2007. While labor force participation increased modestly, job creation declined leading to the rising unemployment rate. Although it is not unusual for the unemployment rate to seasonally rise during the months of December and January, it is likely that the net job contraction is due to market uncertainty, rising oil prices, and continued loss of manufacturing jobs. Although the South Central Georgia region has not experienced the real estate correction plaguing other regions of the state, credit market and oil price uncertainty, and excess real estate inventories in certain housing price ranges are likely to keep economic growth lower than its sustainable rate through the end of 2008.

The unemployment rate for the South Central Georgia region is expected to remain

above 5.0% through the late spring months before rebounding by the end of 2008. The forecast predicts that the unemployment rate will decline below 5.0% by May and end 2008 at approximately 4.6%.



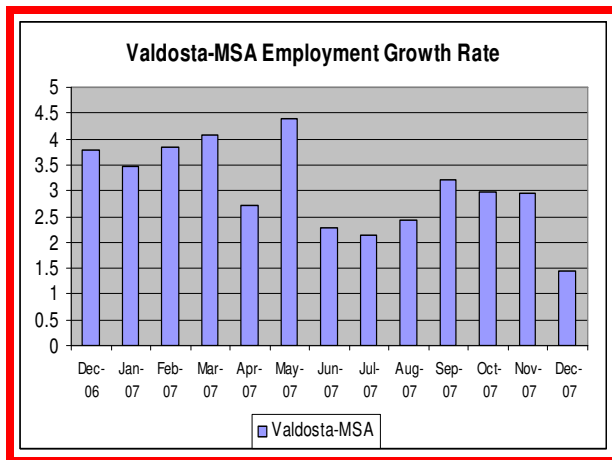
### Valdosta-MSA

The Valdosta-MSA continues to be a source of economic and job growth for the South Central Georgia region. While the region's employment levels declined, the Valdosta-MSA had a modest 1.5% increase in net new jobs. Service sector and government jobs accounted for the majority of jobs created within the Valdosta-MSA. Accommodation and food services industries, health care services industries, and state and local government jobs experienced modest increases over the twelve-months ending January 2008. Modest employment growth is expected to continue through the first half of 2008 before improving to a more sustainable rate for the last six months of 2008.

Although not to the extent that the real estate market has declined nationally or in certain metropolitan areas, the real estate market remains soft within the Valdosta-MSA for certain price ranges. Relatively high

inventory levels have begun to moderate, however the average number of days-on-the-market remains elevated for high-end homes. Recent changes in credit market standards and financial market uncertainty are likely to delay the improvements in the real estate market until late spring 2008. How quickly the construction and real estate markets recover depends in part upon how severe and prolonged the liquidity crisis is within the banking and mortgage-related industries.

unemployment rates throughout 2008. Employment growth and economic growth are likely to rebound during the second half of 2008. The forecast predicts that this will reduce the unemployment rate to below 4.0% by the end of 2008. Health care related industries, retail trade, accommodations and food services are expected to lead the expansion of jobs during 2008.



The Valdosta-MSA employment growth rate declined to 1.5% during December 2007. The average employment growth over the last six months has declined to less than the sustainable rate. However, unlike other areas in Georgia, the employment growth rate for the Valdosta-MSA was positive and is forecast to improve by late spring 2008.

After declining to 3.7% during November 2007, the Valdosta-MSA unemployment rate rose to 4.2% during December 2007. The Valdosta-MSA's unemployment remained one of the lowest unemployment rates when compared to the other fourteen MSAs within Georgia and remained below the state and national average unemployment rate. The forecast predicts that the Valdosta-MSA unemployment rate will remain below the state and national

Valdosta-MSA Nonagricultural Employment January 2008		
	Number of jobs	Change from Jan 2007
Total Nonagricultural	+55,800	+600
Total Private	+43,500	+300
Goods Producing	+9,000	+100
Service Providing	+46,800	+500
Private Service-Providing	+34,500	+200
Trade, Transportation and Retail Trade	+12,900	+200
Government	+9,400	+100
Federal	+12,300	+300
State	+800	+0
Local	+3,900	+100
	+7,600	+200

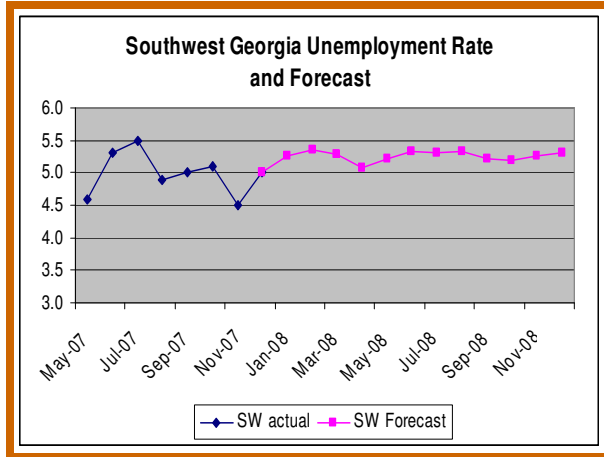
Source: Georgia Department of Labor

### Southwest Georgia Region

Sluggish growth in the Southwest Georgia region turned to negative growth of labor force participation and net job creation by December 2007. The Southwest Georgia region reported a net decrease of 2,165 jobs or a 1.3% decrease over the one-year period ending in December 2007. With market conditions likely to remain below sustainable levels through 2008, the forecast predicts that the unemployment rate will rise above 5.0% through most of 2008.

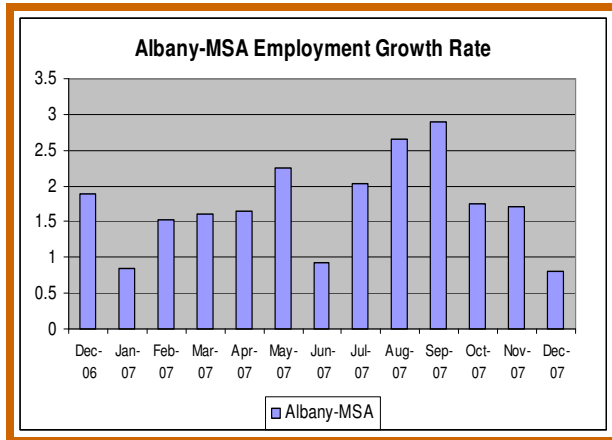
Reviewing employment changes, industries report negligible movement in jobs.

This stagnant employment outlook is likely to continue through the third quarter of 2008.



### Albany-MSA

Although job growth appeared to rebound during the late summer months of 2007, the job growth rate for the Albany-MSA slowed to less than 2.0% during October and November, and declined to less than 1.0% during December 2007. The employment slowdown turned negative during January 2008.



For the one-year period ending January 2008, employment declined to 64,000 jobs, reflecting a decline of 100 net new jobs. It appears that the Albany-MSA has slid back

toward the negative growth rates experienced during 2006. The forecast predicts stagnant employment conditions through the late spring with a slight improvement of employment growth by the third quarter of 2008.

The Albany-MSA continued to lose manufacturing jobs over the twelve months ending January 2008. This continues a trend that the Albany-MSA has experienced relatively consistently over the last several years.

Just as in other regions of Georgia, construction and construction-related jobs are likely to decrease as the volume of housing permits remains low and a soft real estate market continues. If interest rates remain low and the financial market volatility settles, the construction and real estate related industries are expected to rebound by the fourth quarter of 2008.

Albany MSA Nonagricultural Employment January 2008		
	Number of jobs	Change from Jan 2007
Total Nonagricultural	64,000	-100
Total Private	50,100	-100
Goods Producing	9,800	-200
Service Providing	54,200	+1,000
Private Service-Providing	40,300	+1,000
Manufacturing	6,500	-500
Trade and Transportation	13,400	-100
Retail Trade	8,000	-200
Government	13,900	+000
Federal	3,100	+000
State	2,900	+000
Local	7,900	+000

Source: Georgia Department of Labor

At 5.1%, the Albany-MSA unemployment rate remained above the region's and state's unemployment rate. With the forecast predicting stagnant employment growth and labor force participation, the economic outlook for the Albany-MSA is sluggish at best. It is expected that the

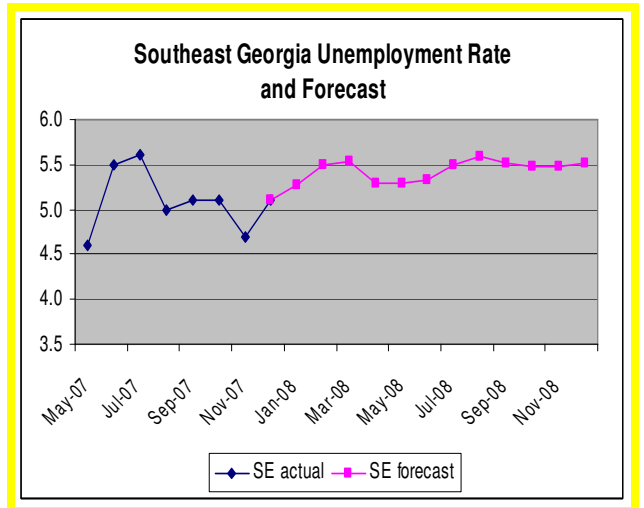
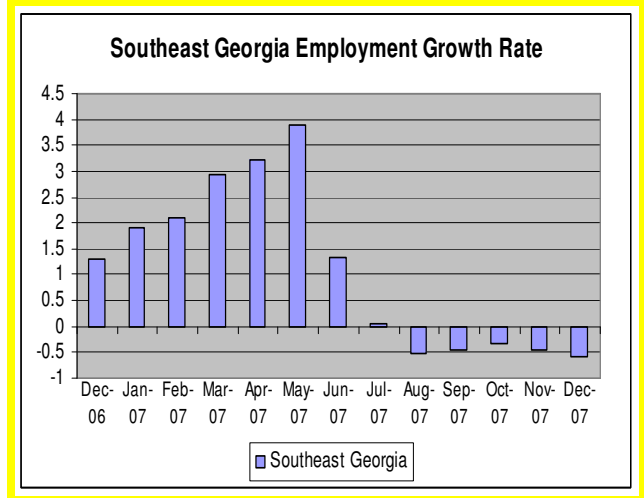
unemployment rate will remain above the state and national averages for the remainder of 2008.

### *Southeast Georgia Region*

The Labor Market for the Southeast Georgia region began showing signs of recovery during the second quarter of 2007, only to slide into negative year-to-year employment growth over the last five months of 2007. After reporting year-to-year employment growth rates that exceeded the state average during the second quarter of 2007, the Southeast Georgia region reported an average -0.5% growth over the last five months of 2007. After peaking with employment of nearly 63,000 jobs, employment declined and ended 2007 with just over 61,000 jobs. The region relies heavily upon jobs in the manufacturing, wood products, and agricultural and forestry production sectors. The large wildfires during the summer of 2007 are one likely a source of the net jobs losses.

During December 2007, the Southeast Georgia region's unemployment rate of 5.1% was higher than the state average unemployment of 4.6%. The forecast predicts that the unemployment rate will remain above 5.0% through 2008 and hover around 5.5% through the end of 2008. The unemployment rate movements are expected to be small with little improvement in job growth rates and labor force participation.

This region does not include a MSA.



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

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