

# South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

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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: 1st Quarter 2012*

Economic growth in the United States appears to have slowed over the last quarter. Non-agricultural job creation was lower than expected and initial unemployment claims were elevated across most private sector industries. The uncertainties surrounding U.S. fiscal policies, the rising default risks within the European Union, and the unrest in the Middle East contributed to lower growth rate.

The Federal Reserve announced that it will continue an accommodative monetary policy through 2014. The Fed's effort to reduce long-term interest rates, by purchasing long-term bonds through open market operation, is expected to expire at the end of June 2012.

## 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	

Although the Federal Reserve plans to continue its accommodative policy, it has not announced any intention to implement a third round of additional quantitative easing.

Threats to the economic recovery linger. Political and regulatory uncertainties continue to suppress vibrant job growth. Uncertainty surrounding tax policy changes, deficit reduction policies and entitlement reform changes, all of which impact both short-run and long-run economic and job growth, are likely to remain a drag on the economy through the 2012 elections. The lack of a long-run energy policy together with the delayed decision to build an oil pipeline from

Canada to the Gulf of Mexico or to explore other domestic energy sources indicates that energy price volatility will also remain a drag on the economy and contribute to uncertainty.

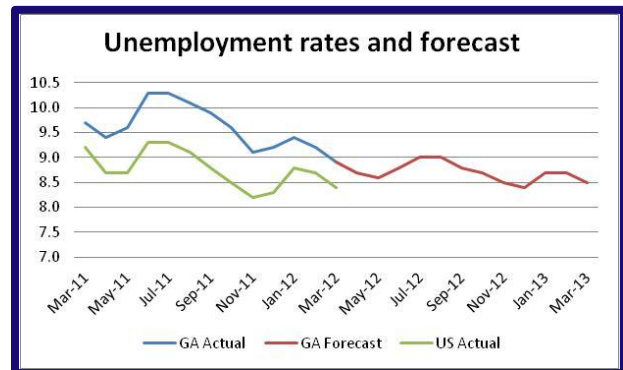
## Georgia

Although the Georgia economy remains one of the weakest economies in the United States, private sector employment in certain industries is improving. The sectors experiencing the largest net job gains are Retail Trade, Employment Services, Computer Systems and Design industries, and Health-care related industries. Agriculture and Agricultural-related industries also continue to experience strong growth.

A weak real estate market, high foreclosure rates and bank failures continue to dampen the Georgia economic recovery. The industries experiencing the largest net job losses over the last twelve months were Construction and Construction-related industries, and the Financial Services industry. The Federal and State Governments also reported net job losses over the last year. Although revenue collections continue to improve, the State and Local Government sectors are not likely to significantly expand employment within the next twelve months.

The forecast predicts modest growth and an improved private sector job market over the next twelve months. Continued weak but positive economic growth is likely through the first quarter of 2013. Structural unemployment, which requires training of new skills to secure future employment, will continue even as the economy improves. Therefore the unemployment rate is likely to remain above normal levels over the medium-run (2-3 years). The forecast predicts an unemployment rate of near 8.5% by end of 2012 and through the first quarter of 2013.

Labor Force	
	March 2012
<b>Georgia</b>	
Civilian Labor Force	4,761,125
Employed	4,338,268
Unemployed	422,857
Rate	8.9%
<b>South Central Georgia</b>	
Civilian Labor Force	175,715
Employed	158,243
Unemployed	17,472
Rate	9.9%
<b>Valdosta-MSA</b>	
Civilian Labor Force	67,514
Employed	61,861
Unemployed	5,653
Rate	8.4%
<b>Southwest Georgia</b>	
Civilian Labor Force	162,720
Employed	158,034
Unemployed	14,686
Rate	9.0%
<b>Albany-MSA</b>	
Civilian Labor Force	73,100
Employed	66,075
Unemployed	7,025
Rate	9.6%
Source: Georgia Department of Labor	



(Forecast assumes that oil prices do not exceed \$125 per barrel during the forecast period. If oil prices rise above that level, unemployment will likely rise above 10%.)

<b>Georgia Nonagricultural Jobs Change in Number of Jobs</b>	
	Mar 11 to Mar 12
Total Nonagricultural	35,600
Total Private	36,200
Construction	-10,400
Manufacturing	+5,900
Durable goods	+7,600
Non-durable goods	-1,700
Trade, Transportation and Utilities	10,700
Wholesale trade	1,900
Retail trade	9,500
Information	-2,700
Financial Services Activity	-2,500
Professional and Business Services	28,900
Administration and Support	9,600
Employment services	9,300
Educational and Health Services	7,900
Educational Services	3,200
Health Care and Social Assistance	4,700
Leisure and Hospitality	1,200
Accommodation and Food	500
Government	-600
Federal	-1,500
State	-3,900
Local	4,800
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).

Overall, economic indicators in South Georgia reveal that economic conditions are improving for many industries and counties. The two regions have experienced net job

growth of non-agriculture employment since reaching low employment numbers during February 2011. Net job gains have outpaced labor force growth leading to lower unemployment rates for 22 of the 32 counties in South Georgia. Agriculture and Agriculture-related industries remain strengths for both regions.

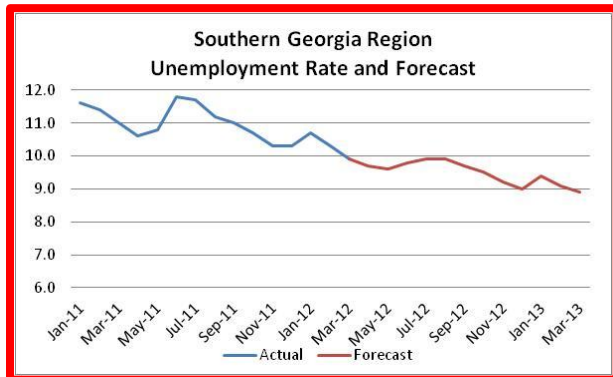
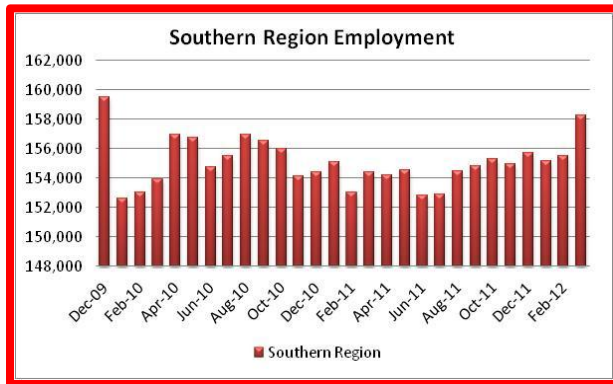
Federal budget policy decisions and regulatory uncertainties, State and Local budget pressures, and energy price volatility continue to threaten the South Georgia recovery. The economic slowdown for the region’s major international trading partners has increased the threat of slower growth. The impact of lower commodity prices, combined with reduced demand for exports (including agricultural products), underlie the increased threat.

### ***South Central (Region 11)***

Economic conditions in South Central Georgia have improved over the last two years. Business closures rates have declined in many communities across the region, no major plant closures have been announced during the last twelve months, and existing businesses are beginning to hire. Since July 2011, the region has experienced net job gains that have reached 2009 employment levels. While employment is still lower than the pre-recession levels, it is expected that the positive employment trend will continue through the beginning of 2013 as the recovery continues.

Since July 2011, non-agricultural net job growth has outpaced labor force growth leading to lower unemployment rates for 13 of the 18 counties in the South Central region. The expanding industries include retail trade, hospitality services and healthcare related industries. Declining industries include construction and manufacturing. These trends

are expected to continue through the first quarter of 2013. Cook, Irwin, Tift, Turner, and Ware counties' unemployment rates declined over the last 12 months. However, the decline was driven primarily by a loss of labor force participation rather than net job gains.



The economic recovery is expected to continue through the first quarter of 2013. Net job gains outpacing labor force participation is expected to continue through the first quarter of 2013, leading to lower expected unemployment. A soft real estate market, expected lower commodity prices, and government fiscal conditions will be a drag on the recovery through the first quarter of 2013.

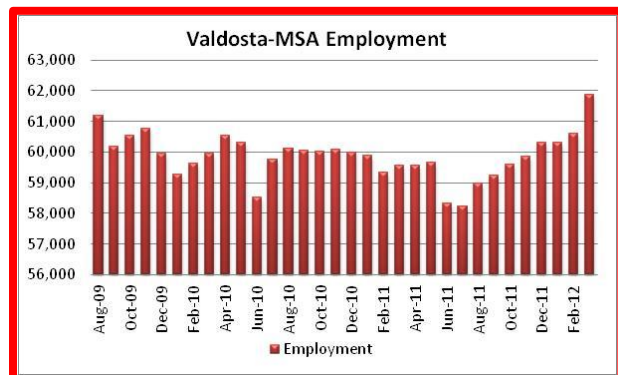
### Valdosta MSA

Economic indicators suggest that the Valdosta MSA's growth rate improved over the last three quarters. Agriculture,

healthcare, and retail trade were the leading industries in the recovery over the last nine months. New retailers and restaurants, currently under construction and expected to be completed by the end of 2012, will further expand net job gains for the Valdosta MSA. Residential single-family and multi-unit construction has also improved, however elevated foreclosure rates will continue to soften the real estate and related industries through the first quarter of 2013.

Valdosta-MSA Nonagricultural Employment March 2012		
	Number of jobs	Change from Mar 2011
Total Nonagricultural	53,000	+1,200
Total Private	40,400	+1,500
Goods Producing	6,000	-100
Service Providing	47,000	+1,300
Private Service-Providing	34,400	+1,600
Trade, Transportation and Retail Trade	10,800	300
Government	7,600	00
Federal	1,200	00
State	3,500	-300
Local	7,900	00

Source: Georgia Department of Labor



The forecast predicts modest net job creation over the next twelve months. Increases in labor force participation will keep the unemployment rate elevated however cyclical and structural unemployment will decline over

the time period. The forecast predicts the Valdosta-MSA unemployment rate will decline to near 7.2% by April 2013 before rising due to seasonal unemployment during the summer months.

### **Southwest (Region 10)**

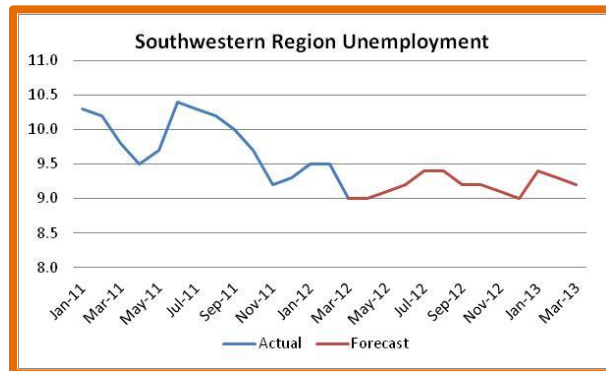
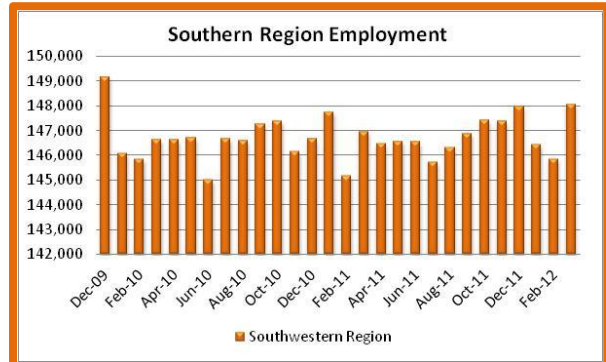
Economic data for the Southwest Georgia region reveals steady employment levels over the last two years; unfortunately, employment levels have remained below 150,000. Service sector jobs have only partially replaced the loss of manufacturing, financial services, and construction-related jobs lost since 2006. Net job gains in the service sector were primarily in healthcare and related services, and leisure industries. Construction and construction-related sectors remain soft.

Agriculture and agricultural-related industries are strengths for the region. Demand, both foreign and domestically, has been strong, and commodity prices favorable, over the last several years. The economic conditions of the United States’ major trading partners must be monitored as the increased risk of an economic slowdown may reduce export growth over the next nine months.

Since peaking at 10.5% during June 2011, the Southwest Georgia unemployment rate has declined. The improved unemployment rate reflects net job gains for 10 out of the 14 counties. The unemployment rates for Decatur, Dougherty, Lee, and Terrell counties declined due to labor force participation loss rather than net job creation.

The forecast predicts that the economic recovery for the Southwest Georgia region will be long and modest. Overall net job gains are expected to continue through the first quarter of 2013 with the loss of higher paying manufacturing jobs to be replaced by lower paying service sector jobs. The

unemployment rate is expected to remain around 9.0% - 9.5% through the first quarter of 2013.



### **Albany MSA**

Economic growth and net job creation has remained flat since the beginning of 2011. Manufacturing and government jobs declined while retail trade showed a modest year-over-year increase. The Health-care related sectors and Leisure related sectors reported the largest net job growth for the Albany-MSA. Despite the employment improvements over the last year, employment levels remain significantly lower than the pre-recession period. Declining unemployment rates for the Albany-MSA are primarily due to a decline in labor force participation rather than net job gains.

Construction and related sectors continue to be a drag on the Albany-MSA. Housing starts for one-unit and multi-units remain below pre-recessionary levels. Unit permits

have totaled less than 200 units for the last three years, far below the 580 unit average during the pre-recession period.

The forecast predicts flat growth and limited job growth through the end of 2012. The unemployment rate is expected to remain above 9% through the first quarter of 2013. When growth returns, it is likely that the unemployment rate will rise as more workers return to the labor market in response to labor needs.



Albany MSA Nonagricultural Employment March 2012		
	Number of jobs	Change from Mar 2011
Total Nonagricultural	58,800	-1,600
Total Private	45,300	-1,200
Goods Producing	6,600	00
Service Providing	52,200	-1,600
Private Service-Providing	38,700	-1,200
Manufacturing	4,100	00
Trade and Transportation	12,300	00
Retail Trade	7,900	+400
Government	13,500	-400
Federal	3,300	-100
State	2,900	-100
Local	7,300	-200

Source: Georgia Department of Labor

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/lcoba/cber.shtml> 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.

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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](mailto:crtori@valdosta.edu)