

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

Volume 7, Number 4

Fourth Quarter 2011

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 by the Center for Business and Economic Research and the Langdale College of Business.

Economic Outlook: 4th Quarter 2011

Economic conditions in the United States improved slightly during the fourth quarter of 2011. Initial unemployment claims declined and employment improved across most private sector industries. U.S. economic growth improved despite the uncertainties surrounding U.S. fiscal policies, the rising default risks within the European Union, and the unrest in the Middle East.

The Federal Reserve has announced that it will continue an accommodative monetary policy through 2014. The Fed's efforts to reduce long-term interest rates by purchasing

South Georgia Regional Development Centers

Southwest Georgia Counties	Southern Georgia Counties	
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	

long-term bonds through open market operations have been successful. 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

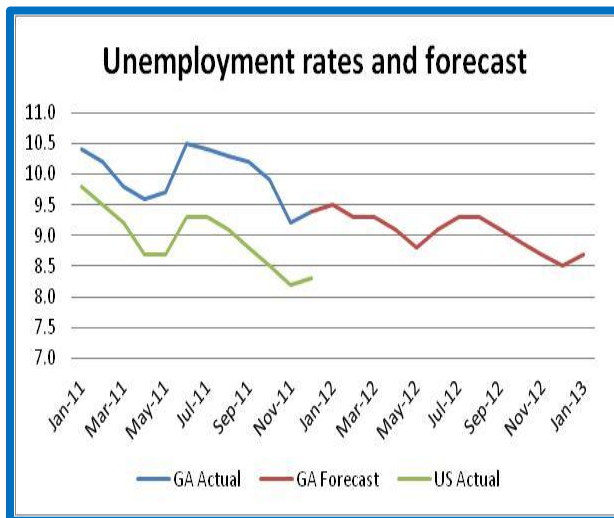
delayed decision to build an oil pipeline from Canada to the Gulf of Mexico or to explore other domestic energy sources indicates that energy price volatility will also remain a drag on the economy and contribute to uncertainty.

Georgia

The Georgia economy remains one of the weakest economies in the United States. 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, the Financial Services industry, and Government. Although revenue collections continue to improve, the State and Local Government sectors are not likely to significantly expand employment within the next twelve months.

Despite the overall net job losses, other industries in the State of Georgia show signs of improvement. The largest net job gains were in Professional and Business Services, and the Computer Systems and Design industries. Agriculture and

Labor Force	
December 2011	
Georgia	
Civilian Labor Force	4,757,165
Employed	4,307,691
Unemployed	449,474
Rate	9.4
Southern Georgia	
Civilian Labor Force	175,532
Employed	157,417
Unemployed	18,115
Rate	10.3
Southwest Georgia	
Civilian Labor Force	167,351
Employed	151,464
Unemployed	15,887
Rate	9.5
Albany-MSA	
Civilian Labor Force	77,093
Employed	69,494
Unemployed	7,599
Rate	9.9
Valdosta-MSA	
Civilian Labor Force	67,178
Employed	61,371
Unemployed	5,807
Rate	8.6
Source: Georgia Department of Labor	



This forecast assumes oil prices do not exceed \$125 a barrel during the forecast period. If oil prices exceed \$125 a barrel, the unemployment will likely remain near 10%.

Agricultural-related industries also continue to experience strong growth.

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.

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Dec 10 to Dec 11
Total Nonagricultural	-14,000
Total Private	5,600
Construction	-6,300
Manufacturing	+1,000
Durable goods	+4,900
Non-durable goods	-3,900
Trade, Transportation and Utilities	6,600
Wholesale trade	-1,400
Retail trade	6,200
Information	-3,700
Financial Services Activity	-9,400
Professional and Business Services	+13,100
Administration and Support	-7,000
Employment services	-7,300
Educational and Health Services	+6,500
Educational Services	+2,800
Health Care and Social Assistance	+3,700
Leisure and Hospitality	-800
Accommodation and Food	-1,400
Government	-19,600
Federal	700
State	-9,500
Local	-10,800
Source: Georgia Department of Labor	

have experienced net job growth of non-agriculture employment since reaching low employment numbers during February 2011. While the trend line is positive, net job gains are not sufficient to meet the rising labor force size. This is expected during an economic recovery. Agriculture remains a positive industry for the two regions.

Southern Georgia Region

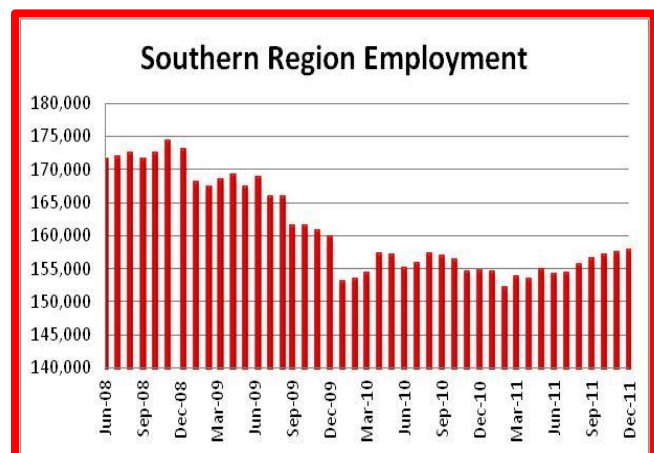
Although not sufficient to significantly impact employment growth, the Southern Georgia region has shown signs of improved economic growth over the last two years. Business and plant closures rates have declined in many communities across the Southern Georgia region and existing businesses are beginning to hire.

After suffering net job losses at the beginning of 2011, the Southern Georgia region experienced net job gains through year end 2011. While employment is still lower than pre-recession levels, it is expected that the positive employment trend will continue through the beginning of 2013.

South Georgia

The South Georgia region is comprised of thirty-two counties that are divided into two regions based upon the Georgia Regional Development Center designations. The Southern Georgia and Southwest Georgia regions each include a metropolitan statistical area (MSA) as defined by the United States Office of Management and Budget. The Valdosta-MSA is located in the Southern Georgia region and the Albany-MSA is located in the Southwest Georgia region.

While the South Georgia recovery remains weak, indicators suggest the economic conditions are improving for many industries and counties. The two regions



Federal and state government policy uncertainties and energy price volatility continue to threaten the Southern Georgia region's recovery. While the underlying

industry structures support continued improvements for most counties and most industries within the region, counties that rely heavily upon manufacturing and construction-related industries will remain weak. Recruiting new industries, growing existing businesses, and developing a skilled labor force will be essential components of an economic recovery plan for the counties experiencing unemployment rates exceeding 11%.

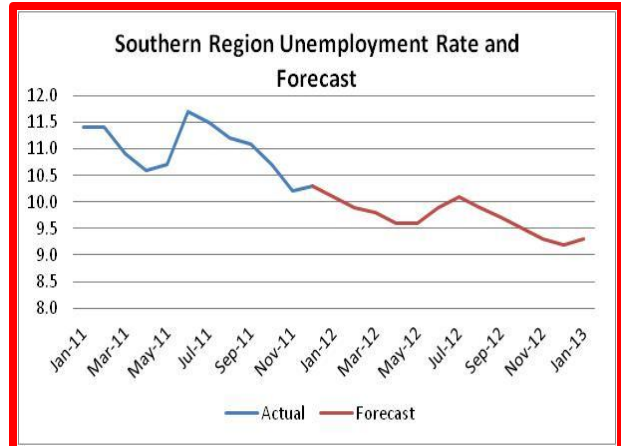
The economic recovery for the region is expected to be long and uneven, but signs of a modest recovery are evident. The outlook for Agriculture and Agriculture-related industries is positive and the outlook for Non-Agriculture employment is for modest improvement over the next twelve months.

As the recovery takes hold and labor force participation rates rise, the unemployment rate may rise as net job gains may not offset the higher labor force participation. Although it is likely to remain above the state average, the forecast predicts that the Southern Georgia region's unemployment rate will continue its downward trend through the end of 2012.

Valdosta-MSA

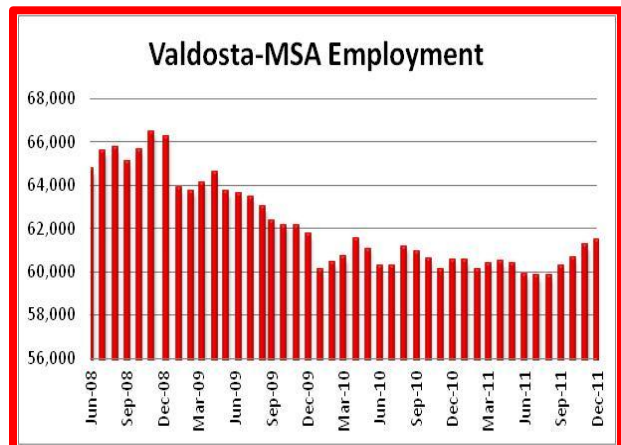
The economic indicators suggest that the Valdosta-MSA growth rate was modest but less than 2% for 2011. The weak employment growth that plagued the Valdosta-MSA during 2010 continued through most of 2011. Multi-unit construction projects and Health-care and Health-care related industries' expansion, especially in Lowndes county, fueled growth of private sector jobs. This growth was offset however by the loss of public sector jobs.

Employment remained mostly unchanged through the first three quarters of 2011 and then increased during the fourth quarter. A year-to-year comparison reveals that despite the fourth quarter net job gains, net private sector jobs were unchanged and public



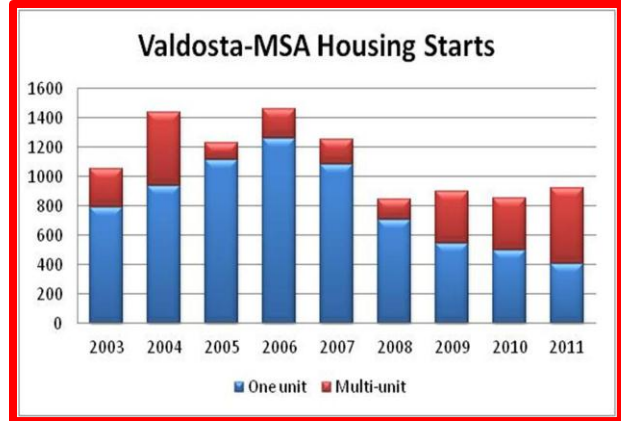
Valdosta-MSA Nonagricultural Employment December 2011		
	Number of jobs	Change from Dec 2010
Total Nonagricultural	52,000	-500
Total Private	40,000	00
Goods Producing	5,900	-100
Service Providing	46,100	-400
Private Service-Providing	34,100	+100
Trade, Transportation and Retail Trade	10,700	00
Government	12,000	-500
Federal	1,100	+100
State	3,300	-300
Local	7,600	-300

Source: Georgia Department of Labor



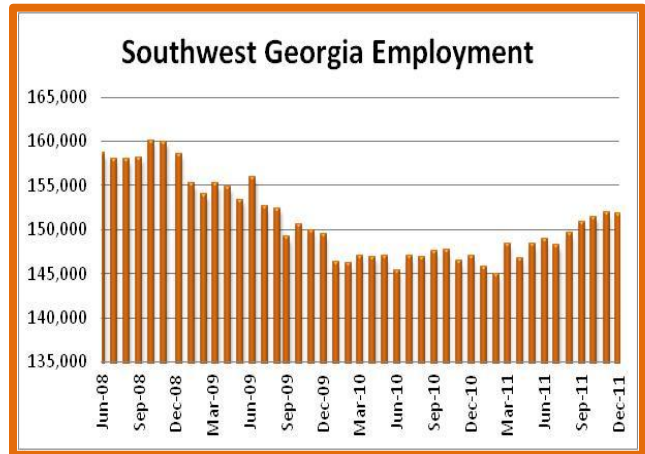
sector net jobs declined.

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.

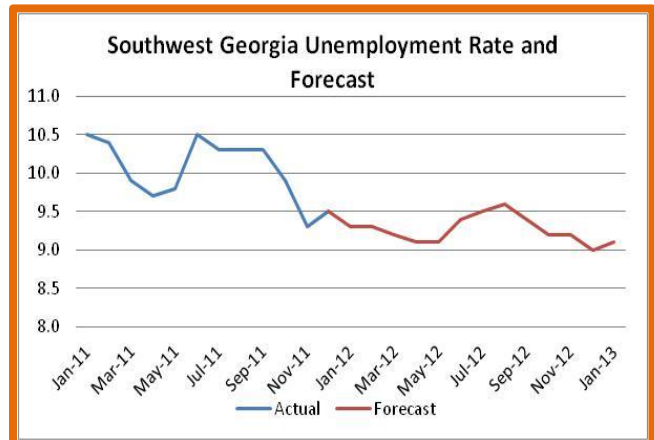


Southwest Georgia Region

The Southwest Georgia region economic data reveals that the economic growth and employment gains that began near the end of the first quarter 2011, continued through the end of 2011. Employment topped 150,000 jobs during September 2011, a level last reached during November 2009. Employment gains were primarily in the service sector led by gains in Health-care and related services, and Leisure industries. Service sector jobs continue to replace manufacturing jobs in the region.



Agriculture and Agricultural-related industries are strengths for the region. Domestic and foreign demand remains strong and commodity prices remain favorable for the industries.



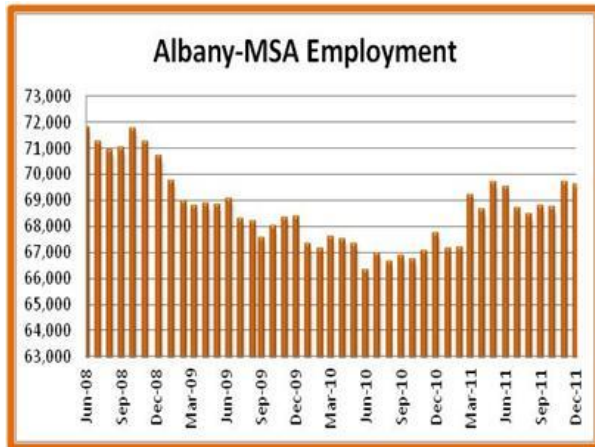
The Southwest Georgia unemployment rate peaked at 10.5% during June 2011. The increase was primarily due to a rise in seasonal unemployment over the summer months and not a reflection of deteriorating economic conditions.

The forecast predicts that the economic recovery for the Southwest Georgia region will be long and modest. Net job gains are expected to continue through the first quarter of 2013. The unemployment rate is expected to decline to 9.0% by the end of 2012.

Albany-MSA

Economic growth and net job creation was flat during the final two quarters of 2011 for the Albany-MSA. 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.

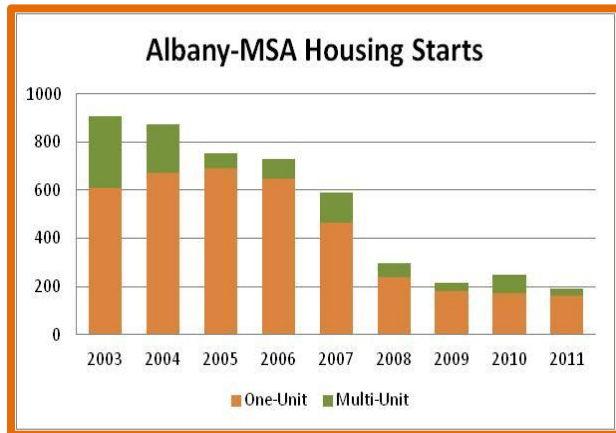


Construction and related sectors continue to be a drag on the Albany-MSA. Housing starts for one-unit and multi-units remain below pre-recessionary levels.

The forecast predicts modest growth and net job gains through the end of 2012. The unemployment rate is expected to remain above 9% through the end of 2012.

Albany MSA Nonagricultural Employment December 2011		
	Number of jobs	Change from Dec 2010
Total Nonagricultural	61,300	-100
Total Private	47,800	+100
Goods Producing	6,500	-300
Service Providing	54,800	+200
Private Service-Providing	41,300	+400
Manufacturing	4,300	00
Trade and Transportation	11,900	-200
Retail Trade	7,600	+100
Government	13,500	-200
Federal	3,400	-100
State	2,900	00
Local	7,200	-100

Source: Georgia Department of Labor



The **Center for Business and Economic Research** 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 for Business and Economic Research’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.

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.

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