

# South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

Volume 9, Number 4

Fourth 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.

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: 4th Quarter 2013*

The United States ended 2013 with positive economic growth. Greater certainty about tax policies and an improving real estate markets had positive influences on private sector economic activity. Despite this, the labor force participation rate remained historically low. While part of the low labor force participation rate reflects changing demographics, a significant portion arises from modest rather than the robust economic conditions needed to reduce the numbers of discouraged workers.

Federal regulations were a drag on economic growth. The Affordability Health Care Act, while delayed for businesses for one year, appeared to influence the mix of full-time and part-time hiring

### 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

decisions. Tight lending requirements and more rigorous banking regulations continued to negatively impact business expansion opportunities. For small businesses that historically relied on home equity loans to partially fund business start-ups, the higher lending standards have significantly reduced access to liquidity.

The United States forecast is for continued modest growth through the first quarter of 2015. Economic growth is expected to create net new jobs and continue to reduce the unemployment rate. It is expected that the United States unemployment rate will drop below 6% by the end of 2014.

## Georgia

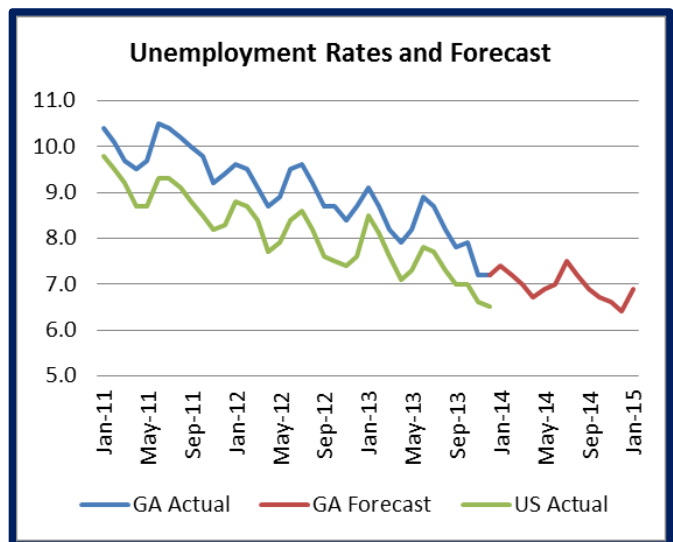
While private sector employment continued to expand through the fourth quarter of 2013, employment growth remained relatively flat. December 2013 employment of 4,405,876 remained unchanged since the end of the third quarter and was approximately 200,000 jobs lower than the 2007 employment level.

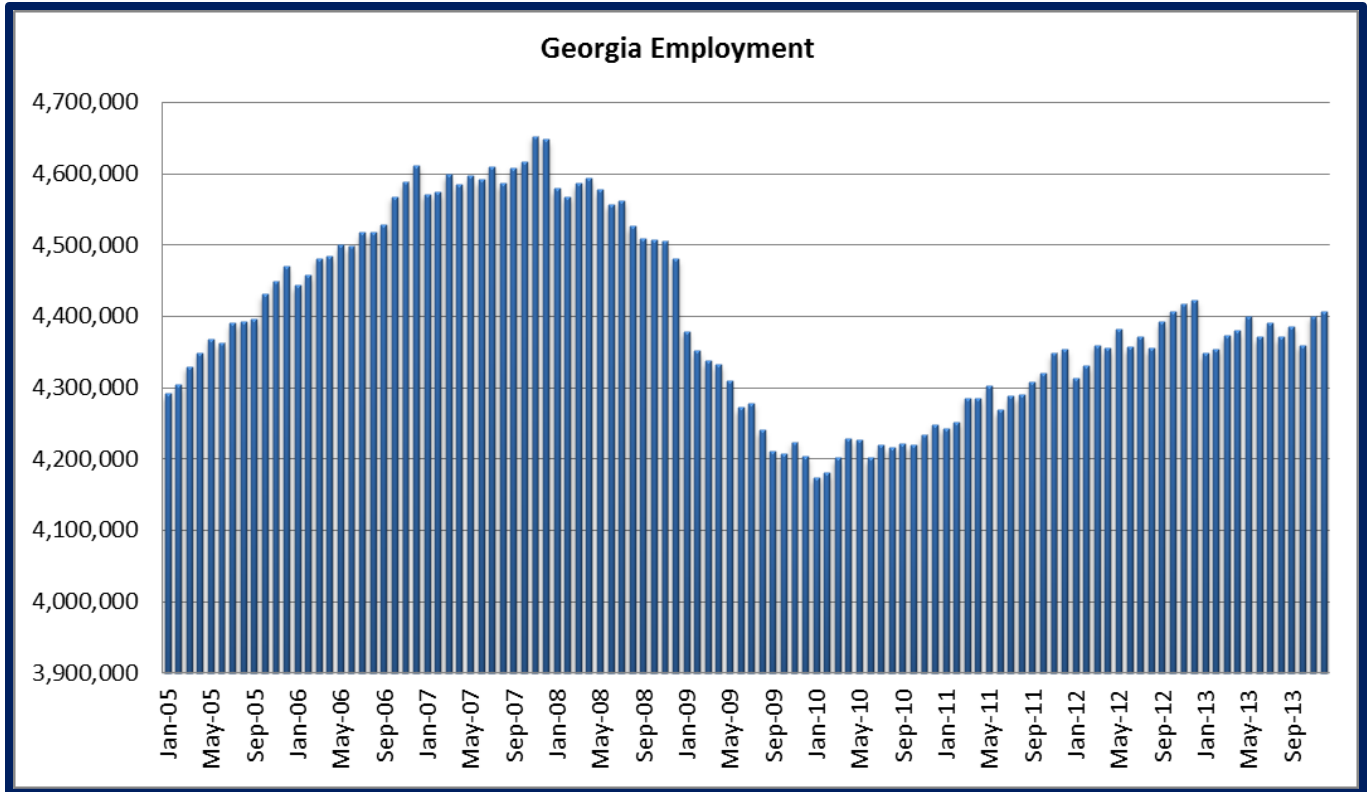
Over the last twelve months, private sector employment grew at nearly 3.5%. Construction, especially heavy and civil engineering construction, and Leisure and Hospitality were leading industries in net job creation. Construction grew at 7.9% creating 11,000 net new jobs, and Leisure and Hospitality grew at 6.7% creating 25,900 net new jobs. While State Government jobs expanded by 1.0%, the Government sector overall contracted by 0.5% over the last year. Local government educational services experienced the largest loss of jobs, declining by 4,600 net jobs.

The Georgia unemployment rate declined from 8.7% in December 2012 to 7.2% in December 2013. Over the one year period, the number of unemployed declined by nearly 82,000. A closer look at the numbers however reveals that 38,000 jobs or 40% of the decline was from workers dropping out of the labor force and the remaining decline arising from net employment gains.

The forecast predicts continued positive economic activity through the first quarter of 2015. Continued improvements in the real estate market and improving government budget conditions support this forecast. In the longer term, threats to the Georgia economy include rising interest rates and potential military base closures arising from the next BRAC round. The forecast predicts that the unemployment rate will decline below 7% by the middle of 2014 but will remain above normal levels over the medium-run.

Labor Force	
	Dec 2013
<b>Georgia</b>	
Civilian Labor Force	4,746,101
Employed	4,405,876
Unemployed	340,225
Rate	7.2%
<b>South Central Georgia</b>	
Civilian Labor Force	171,134
Employed	157,187
Unemployed	13,947
Rate	8.1%
<b>Valdosta-MSA</b>	
Civilian Labor Force	65,497
Employed	61,097
Unemployed	4,594
Rate	7.0%
<b>Southwest Georgia</b>	
Civilian Labor Force	156,728
Employed	144,500
Unemployed	12,228
Rate	7.8%
<b>Albany-MSA</b>	
Civilian Labor Force	72,649
Employed	66,727
Unemployed	5,922
Rate	8.2%
Source: Georgia Department of Labor	





### South Georgia (Overall)

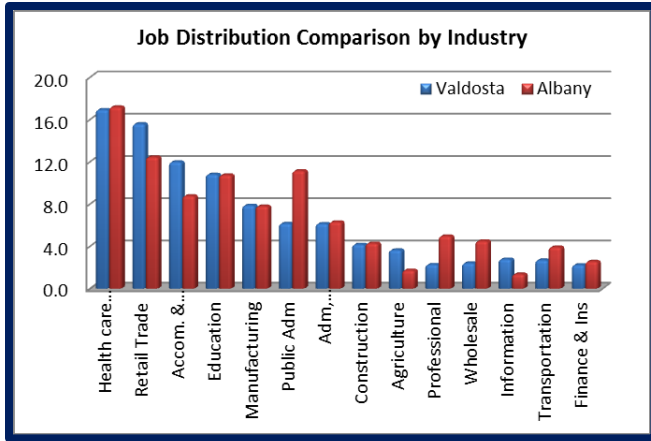
The South Georgia region is comprised of thirty-two counties, and is divided into two regions, based upon the Georgia Department of Community Affairs' Service Delivery Regions. South Central Georgia (DCA's Region 11) and Southwest Georgia (DCA's Region 10) each include a metropolitan statistical area (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).

Of the fourteen MSAs located in Georgia (the list excludes the Chattanooga TN-GA MSA), the Valdosta MSA had the lowest average weekly wage. An industry comparison found that the Valdosta MSA has a heavier concentration of low wage Retail, Food and Accommodation services jobs and has lower average weekly wages across all industries. The Albany MSA has the median

average weekly wage. The unemployment rates ranged from 6.5% to 9.5% with the Albany MSA unemployment rate tied at third highest among the fourteen Georgia MSAs.

Metropolitan Statistical Area	Avg Weekly Wage	Unemployment rate
Greater Atlanta	\$963	7.2%
Warner Robins	\$787	6.5%
Savannah	\$769	6.9%
Gainesville	\$765	5.9%
Augusta-Richmond	\$753	7.4%
Rome	\$728	7.6%
<b>Albany</b>	<b>\$723</b>	<b>8.2%</b>
Dalton	\$721	9.5%
Athens-Clarke	\$720	5.4%
Columbus	\$720	7.9%
Macon	\$712	7.7%
Brunswick	\$702	8.4%
Hinesville-Fort Stewart	\$675	8.2%
<b>Valdosta</b>	<b>\$596</b>	<b>7.0%</b>

Source: Georgia Department of Labor, 2013.

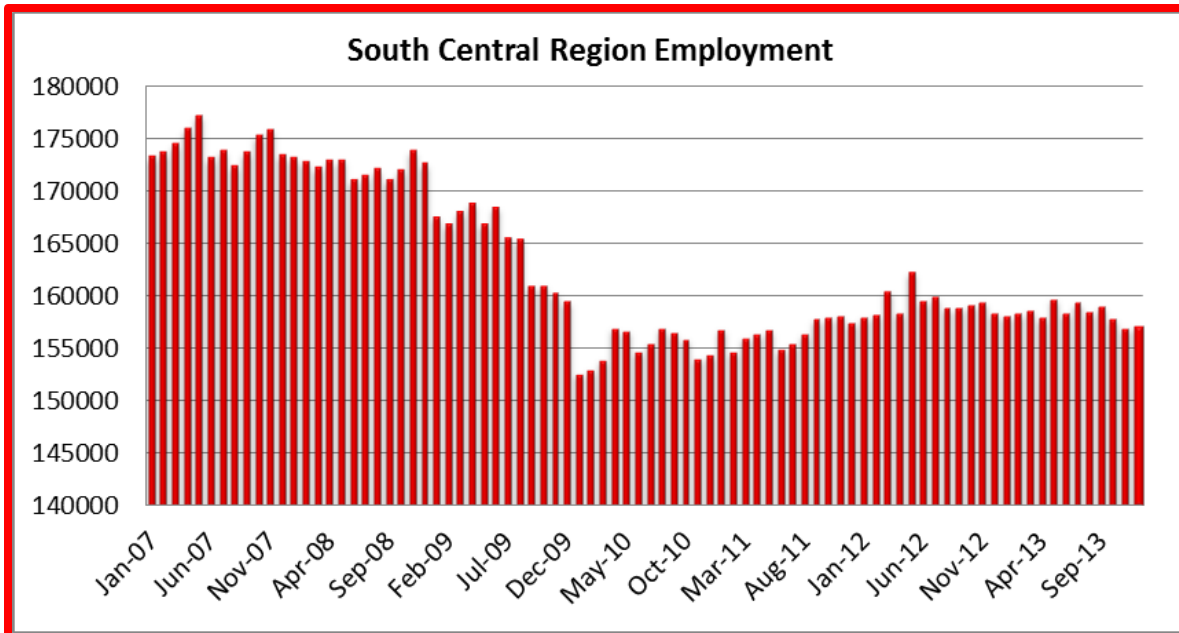


while manufacturing and the federal and local government sectors contracted. Economic activity continues to be uneven across the South Central region with the counties along the I-75 corridor posting the largest gains. Since government budgets are improving, the Government sector will likely be less of a drag on the region during 2014.

### South Central (Region 11)

Economic activity for the South Central region was relatively flat during 2013. The private sector gains were offset by the contraction within the public sector. Retail Trade, Food and Accommodations sectors expanded modestly,

Mandatory reductions in defense and other federal spending, and tax and regulatory uncertainty surrounding health care reform will be sources of uncertainty for the South Central region through the end of the forecast period. Scarce funding for small businesses and only modest increases in the housing market will moderate economic growth potential. The unemployment rate for the South Central region is expected to decline from the current 8.1% to near 7% by the end of 2014.



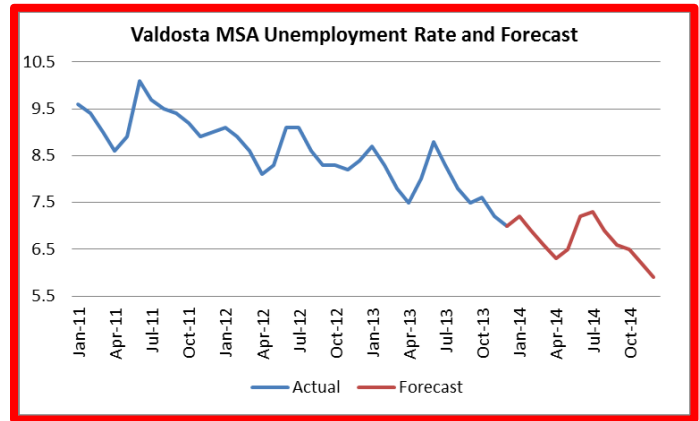
### Valdosta MSA

Although the Valdosta MSA continues to be a hub of economic activity within the South Central region, growth is not sufficient to create significant job growth. The real estate market is

firing as residential and commercial construction improved. Although state budgets have improved over the last twelve months, expected reductions in military spending at the federal level and the decline of local tax revenues have been a drag on the Valdosta MSA. The

negative effects of health care reform are expected to have an increased impact on economic activity but not until the fourth quarter of 2014.

A year over year comparison reveals that the unemployment rate for the region declined from 8.4% in 2012 to 7.0% for December 2013. Unfortunately a closer look at the numbers reveals that the unemployment rate improvement was driven by declining labor force participation rather than net job gains. The forecast predicts net job growth to return by the end of the first quarter of 2014.



### Valdosta MSA Industry Mix 2013

INDUSTRY	Average Number of Establishments	Average Monthly Employment	Average Monthly Percent	Average Weekly Wages
<b>Goods-Producing</b>	<b>513</b>	<b>8,003</b>	<b>15.4</b>	<b>695</b>
Agriculture, Forestry, Fishing & Hunting	98	1,853	3.6	371
Construction	294	2,122	4.1	793
Manufacturing	119	4,000	7.7	794
<b>Service-Providing</b>	<b>2,614</b>	<b>31,709</b>	<b>60.8</b>	<b>525</b>
Utilities	15	189	0.4	1,106
Wholesale Trade	164	1,224	2.3	782
Retail Trade	548	7,876	15.1	447
Transportation and Warehousing	82	1,140	2.2	824
Information	37	1,360	2.6	507
Finance and Insurance	140	1,127	2.2	854
Real Estate and Rental and Leasing	199	678	1.3	606
Professional, Scientific & Technical Svc	238	1,153	2.2	897
Management of Companies and Enterprises	9	203	0.4	1,204
Admin., Support, Waste Mgmt, Remediation	200	3,116	6.0	450
Health Care and Social Assistance	377	5,206	10.0	757
Accommodation and Food Services	298	6,057	11.6	239
Other Services (except Public Admin.)	254	1,116	2.1	434
<b>Total - Private Sector</b>	<b>3,233</b>	<b>39,875</b>	<b>76.5</b>	<b>559</b>
<b>Total - Government</b>	<b>169</b>	<b>12,246</b>	<b>23.5</b>	<b>716</b>
Federal Government	63	1,166	2.2	804
State Government	57	3,280	6.3	695
Local Government	49	7,800	15.0	712
<b>ALL INDUSTRIES</b>	<b>3,402</b>	<b>52,121</b>		<b>596</b>

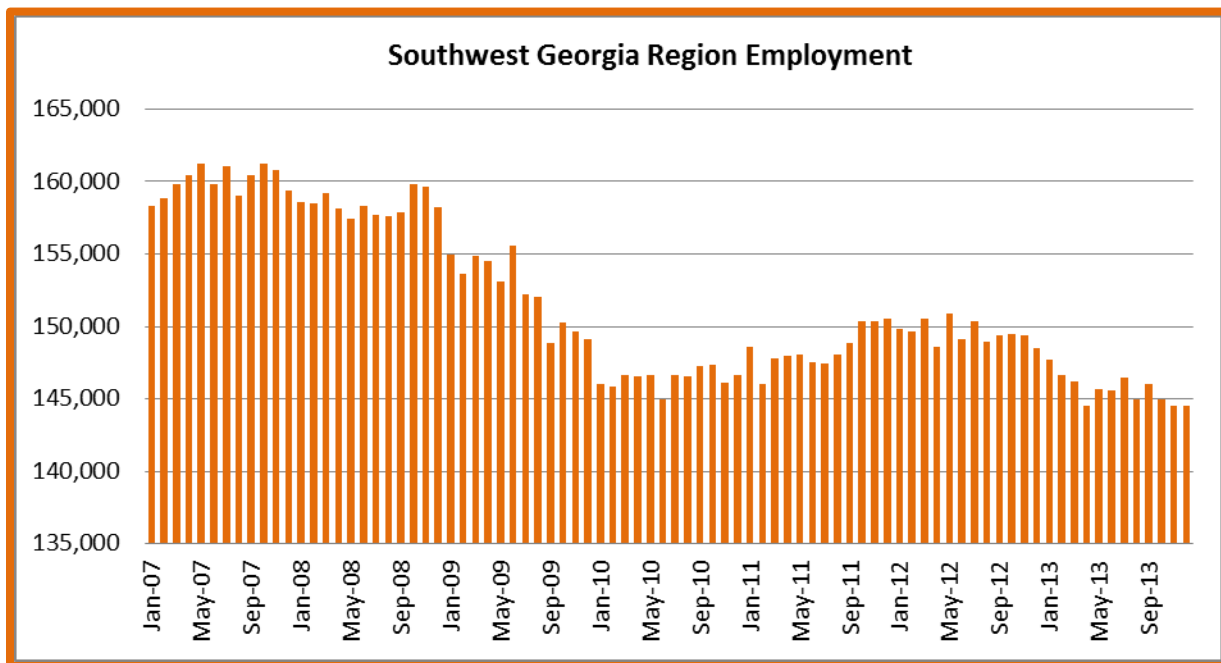
The Valdosta MSA has the lowest average weekly wage of the fourteen MSAs in Georgia. A comparison of average weekly wages by industry reveals that the Valdosta MSA has a greater concentration of low wage service jobs and across all industries, a lower average weekly wage than nearly all Georgia MSAs.

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

The economic conditions for the Southwest Region were unchanged during the fourth quarter of 2013. Employment levels were flat and

consistent with 2010 employment levels. 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, nearly 40% of the decline was driven by a shrinking labor force size rather than net job gains. This suggests that the unemployment rate improvements were driven by workers dropping out of the labor force and not from improved economic activity.

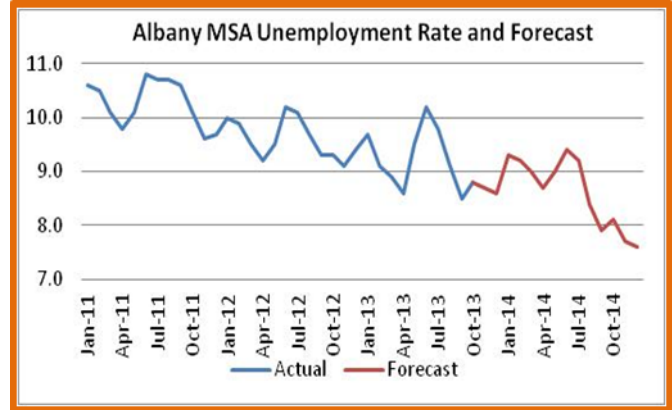


The forecast predicts that the economic recovery for the Southwest Georgia region will be long and modest. No significant improvements in economic activity and the labor market are expected through the end of 2014. Mandatory reductions in defense and other federal spending, and tax and regulatory uncertainty 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 September 2013. Slow economic activity and government budget reductions have erased net job gains over the last two years. A year to year comparison reveals that although the unemployment rate declined from 9.4% to 8.2%, 50% of the decline was driven by a smaller labor force rather than net job gains.

The forecast predicts slow and possibly negative economic growth during 2014. Employment is expected to remain suppressed 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 7.5% during 2014, the decline will likely be from labor force contraction rather than net job gains.



### Albany MSA Industry Mix 2013

INDUSTRY	Average Number of Establishments	Average Monthly Employment	Average Monthly Percent	Average Weekly Wages
<b>Goods-Producing</b>	<b>510</b>	<b>7,778</b>	<b>13.3</b>	<b>919</b>
Agriculture, Forestry, Fishing & Hunting	115	975	1.7	632
Construction	274	2,412	4.1	819
Manufacturing	120	4,388	7.5	1,038
<b>Service-Providing</b>	<b>2,868</b>	<b>37,541</b>	<b>64.4</b>	<b>647</b>
Utilities	8	127	0.2	1,239
Wholesale Trade	196	2,531	4.3	825
Retail Trade	639	6,973	12.0	421
Transportation and Warehousing	119	1,938	3.3	698
Information	47	755	1.3	783
Finance and Insurance	232	1,411	2.4	1,043
Real Estate and Rental and Leasing	149	563	1.0	596
Professional, Scientific & Technical Svc	287	2,784	4.8	694
Management of Companies and Enterprises	13	220	0.4	2,198
Admin., Support, Waste Mgmt, Remediation	157	3,548	6.1	427
Health Care and Social Assistance	388	9,038	15.5	967
Accommodation and Food Services	271	4,938	8.5	271
Other Services (except Public Admin.)	313	1,895	3.2	495
<b>Total - Private Sector</b>	<b>3,485</b>	<b>45,409</b>	<b>77.9</b>	<b>693</b>
<b>Total - Government</b>	<b>211</b>	<b>12,898</b>	<b>22.1</b>	<b>830</b>
Federal Government	65	3,033	5.2	1,283
State Government	58	2,404	4.1	692
Local Government	88	7,461	12.8	690
<b>ALL INDUSTRIES</b>	<b>3,696</b>	<b>58,308</b>		<b>723</b>

---

---

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/CBER> 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](mailto:crtori@valdosta.edu)