

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

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Third 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: 3rd Quarter 2011

Economic conditions in the United States remained weak during the third quarter of 2011. Although energy prices moderated, uncertainty surrounding the U.S. fiscal policies and rising default risks within the European Union have dampened confidence and slowed U.S. economic growth.

The Federal Reserve has announced that it will continue an accommodative monetary policy through 2012 and attempted to reduce long-term interest rates through its efforts to purchase more long-term bonds through open market operations. Although the Federal

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	

Reserve is continuing its accommodative policy, it has not announced an intention to implement a third round of additional quantitative easing.

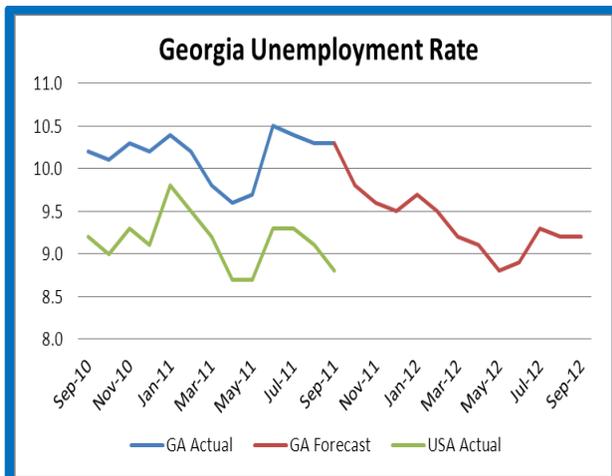
Threats to the economic recovery linger. Political and regulatory uncertainties continue to suppress job growth in the private market. Tax policy changes, deficit reduction policies and entitlement reform changes which impact both short-run and long-run economic and job growth potential are likely to remain a drag on the economy through the 2012 elections. It is not likely that the Super-Committee will recommend any significant changes nor bring additional certainty to the debate. 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 indicates that energy price volatility will also remain a drag on the economy.

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 will 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 Local Government. Although revenue collections continue to improve, the Government sector is not likely to significantly expand its employment numbers 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 the Professional and Business Services, and the Computer Systems and Design industries. Agriculture and Agricultural-related industries also continue to experience strong growth.



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%.

Labor Force	
September 2011	
Georgia	
Civilian Labor Force	4,749,540
Employed	4,260,318
Unemployed	489,222
Rate	10.3
Southern Georgia	
Civilian Labor Force	175,899
Employed	156,313
Unemployed	19,586
Rate	11.1
Southwest Georgia	
Civilian Labor Force	167,563
Employed	150,249
Unemployed	17,314
Rate	10.3
Albany-MSA	
Civilian Labor Force	76,844
Employed	68,510
Unemployed	8,334
Rate	10.8
Valdosta-MSA	
Civilian Labor Force	66,459
Employed	60,283
Unemployed	6,176
Rate	9.3
Source: Georgia Department of Labor	

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 three quarters of 2012. 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 9% by summer 2012.

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Sep10 to Sep 11
Total Nonagricultural	-31,000
Total Private	-11,800
Construction	-14,400
Manufacturing	+2,700
Durable goods	+6,400
Non-durable goods	-3,700
Trade, Transportation and Utilities	-1,800
Wholesale trade	-3,700
Retail trade	-2,400
Information	-3,600
Financial Services Activity	-10,900
Professional and Business Services	+14,800
Administration and Support	+700
Employment services	-2,200
Educational and Health Services	+5,500
Educational Services	+2,500
Health Care and Social Assistance	+3,000
Leisure and Hospitality	+4,200
Accommodation and Food	-4,500
Government	-19,200
Federal	-300
State	-5,200
Local	-10,600
Source: Georgia Department of Labor	

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.

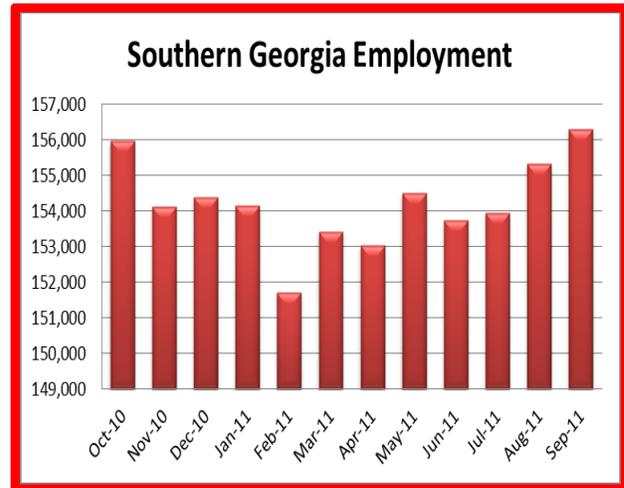
Southern Georgia Region

The Southern Georgia region has shown signs of improvement through the third quarter of 2011. Business and plant closures rates have declined in many communities across the Southern Georgia region. The Southern Georgia region has experienced net job gains over the last eight months and has recovered all net job losses that occurred earlier this year. While employment is still lower than pre-recession levels, it is expected that the positive employment trend will continue during 2012. This recovery however will be uneven across counties and industries.

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 have experienced net job growth of non-

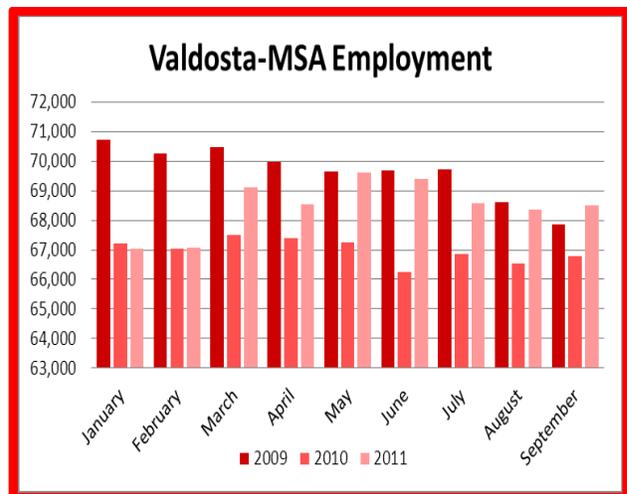
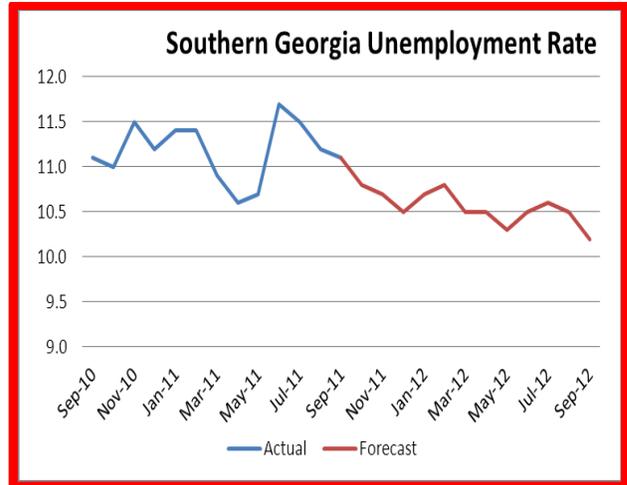


Uncertainty about federal and state government policy decisions and energy price volatility continue to threaten the Southern Georgia region's recovery. While the underlying industry structure supports continued improvements for most counties

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, at least for the first several quarters, labor force participation rates will rise and offset most if not all net job gains. Therefore the unemployment rate may not reflect the employment improvements that occur over the next twelve months. Although it is likely to remain above the state average, the forecast predicts that the Southern Georgia region's unemployment will continue its downward trend through the third quarter of 2012.



Valdosta-MSA

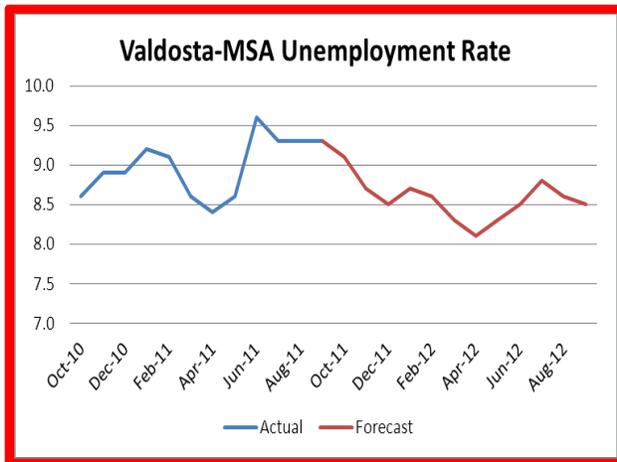
The economic indicators suggest that the Valdosta-MSA experienced modest economic growth through the first three quarters of 2011. Weak employment that plagued the Valdosta-MSA during 2010 and the first two months of 2011 appears to have moderated. Construction projects around the MSA and growth in the Health-care and Health-care related industries, especially in Valdosta have fueled some the growth.

A year-to-year comparison reveals employment has reached 2009 levels over the last two months. The comparison also reveals net job gains for the Valdosta-MSA especially in Private-service industries.

Valdosta-MSA Nonagricultural Employment September 2011		
	Number of jobs	Change from Sep 2010
Total Nonagricultural	52,000	+500
Total Private	39,700	+700
Goods Producing	5,900	-800
Service Providing	46,100	+1,300
Private Service-Providing	33,800	+1,500
Trade, Transportation and Retail Trade	10,400	-200
Government	12,300	-200
Federal	1,000	-100
State	3,500	+100
Local	7,800	-200

Source: Georgia Department of Labor

The forecast predicts continued 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 8% by April 2012 before rising due to seasonal unemployment during the summer months.



Albany-MSA

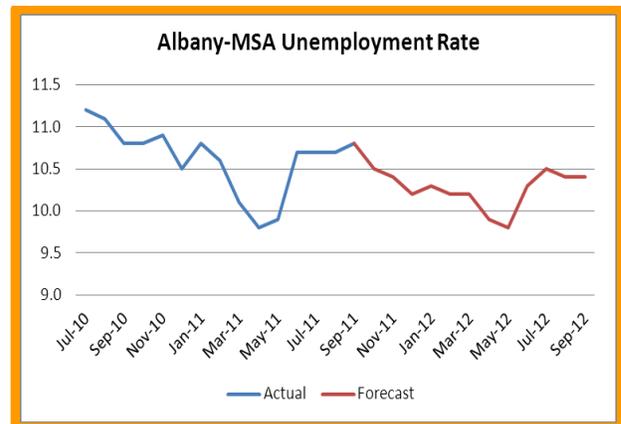
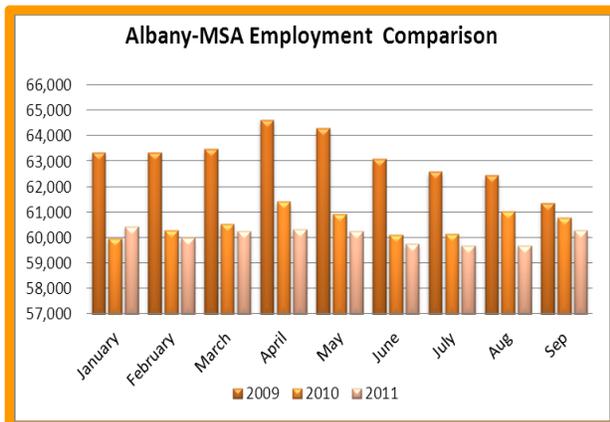
A year-to-year comparison reveals that the Albany-MSA economic activity has improved resulting in net job gains through September 2011. While Manufacturing jobs were unchanged and the Goods-producing sector declined slightly, private sector growth improved. The Health-care related sectors and Leisure related sectors reported the largest net job growth. Loss of Public sector jobs at the local and federal levels offset most of the net private sector job gains. Despite the employment improvements over the last year, employment levels remain significantly lower than the pre-recession period.

The forecast predicts modest growth and net job gains through the first three quarters of 2012. While Public sector jobs and

Albany MSA Nonagricultural Employment September 2011		
	Number of jobs	Change from Sep 2010
Total Nonagricultural	60,400	+100
Total Private	47,000	+600
Goods Producing	6,700	-300
Service Providing	53,700	+400
Private Service-Providing	40,300	+900
Manufacturing	4,400	00
Trade and Transportation	11,700	-500
Retail Trade	7,300	-200
Government	13,400	-500
Federal	3,400	-100
State	2,700	+100
Local	7,300	-500

Source: Georgia Department of Labor

Construction and related sectors will continue to be a drag on the Albany-MSA, Service sector employment will continue to improve.



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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.

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