

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

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

Economic Outlook: 4th Quarter 2010

The United States economic indicators continued to show signs of improvement during the 4th quarter of 2010. Business investment continued to increase. Consumer wealth improved as stock prices rise from the trough and housing prices stabilized in many markets.

Interest rates remain low and comments by Federal Reserve representatives suggest that short-term rates will remain low through most of 2011. Despite rising commodity prices and rising oil prices, inflation

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	

pressures at least for the first half of 2011 are expected to remain contained.

Threats to the economic recovery linger however. Oil prices continue to rise and approach the \$100 a barrel price. Since there is a strong negative relationship between oil prices and economic growth, and there is an expectation that oil prices will continue to rise throughout 2011, rising oil prices may lead to significant constraints on economic growth. Uncertainty about government regulations and weak consumer spending has made businesses reluctant to expand production and hire new workers. Rising commodity prices and uncertainty about the long-run impacts of the Fed's

accommodative monetary policy add to market uncertainty. A weak job market and broad-based uncertainty has constrained consumer confidence and spending.

While economic indicators signal modest improvements during 2011, the lack of robust consumer spending suggests that the recovery cannot support net job gains sufficient to significantly reduce the national unemployment rate. Couple the uncertainty surrounding national fiscal and monetary policies with the economic problems facing many U.S. trade partners and the rising oil prices, and it is unlikely that labor market conditions will improve significantly over the next twelve months.

Georgia

The Georgia economic recovery appears to have moderated over the last quarter. Despite a net job decline for the state of Georgia over the last twelve months, several industries across the state continue to show signs of growth. Net job gains of Employment Services suggest that businesses are hiring workers to meet rising demand. While demand has increased, it appears business leaders remain skeptical about the robustness of the recovery and do not want to commit to long-term employment and benefit packages. Health Care and Social Services industries also expanded during the 4th quarter.

Financial Services and Construction industries reported the largest net job losses across the state. While the magnitude of the job losses has slowed for these industries, improvements in these industries are not expected during 2011. Uncertainty about new financial services regulations and the costs associated with these reforms will continue to dampen growth in the financial services industry throughout 2011. Workers who have lost their jobs within the financial

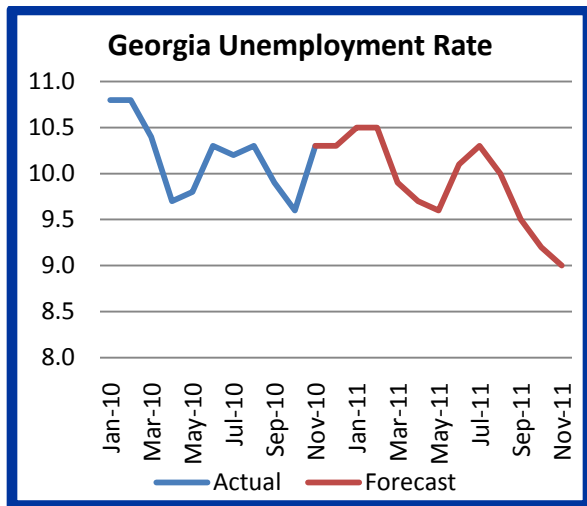
Labor Force	
	Nov 2010
Georgia	
Civilian Labor Force	4,679,515
Employed	4,197,320
Unemployed	482,195
Rate	10.3
Southern Georgia	
Civilian Labor Force	174,576
Employed	154,646
Unemployed	19,930
Rate	11.4
Southwest Georgia	
Civilian Labor Force	164,161
Employed	147,073
Unemployed	17,088
Rate	10.4
Albany-MSA	
Civilian Labor Force	76,087
Employed	67,854
Unemployed	8,233
Rate	10.8
Valdosta-MSA	
Civilian Labor Force	66,422
Employed	60,617
Unemployed	5,805
Rate	8.7
Source: Georgia Department of Labor	

services and construction industries are likely to experience a prolonged duration of unemployment and require training in new skills to secure future employment. This type of structural unemployment will lead to an unemployment rate in excess of 9% for the next twelve months. The forecast predicts modest growth and minimal job market improvement over this time horizon.

Further budget reductions at the state and local levels and the absence of federal funds will also have a negative influence on the state economy. School systems are often one of the largest employers in communities and the continued budget

reductions will greatly impact many small- and medium-sized local communities. The state's plan to continue the higher tax rates and fees instituted last year will also have a dampening impact on the economic recovery for the state of Georgia.

The probability of a robust recovery remains near zero; Weak growth is most likely. Cyclical and structural unemployment will remain high as the recovery slows and net job growth stagnates during the first two quarters of 2011. Labor market conditions may improve by the end of 2011 as new regulation requirements are known and consumer demand improves. If oil prices rise above \$125 a barrel and inflationary pressures rise however, economic growth will slow further and job growth will not return.



This forecast assumes oil prices do not exceed \$125 a barrel during 2011. If oil prices exceed \$125 a barrel, the unemployment will likely remain near 10% during 2011.

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

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Nov 09 to Nov 10
Total Nonagricultural	-5,100
Total Private	-16,200
Construction	-10,700
Manufacturing	-5,500
Durable goods	-2,900
Non-durable goods	-2,600
Trade, Transportation and Utilities	-1,900
Wholesale trade	+1,500
Retail trade	-5,400
Information	-1,600
Financial services	-9,400
Professional and Business Services	+16,100
Administration and Support	+10,900
Employment services	+10,300
Educational and Health Services	+12,000
Educational Services	+2,000
Health Care and Social Assistance	+10,000
Leisure and Hospitality	-600
Accommodation and Food	-1,400
Government	-5,600
Federal	-100
State	+1,900
Local	-7,400
Source: Georgia Department of Labor	

designations. The Southwest Georgia and Southern Georgia regions each 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 Southern Georgia region.

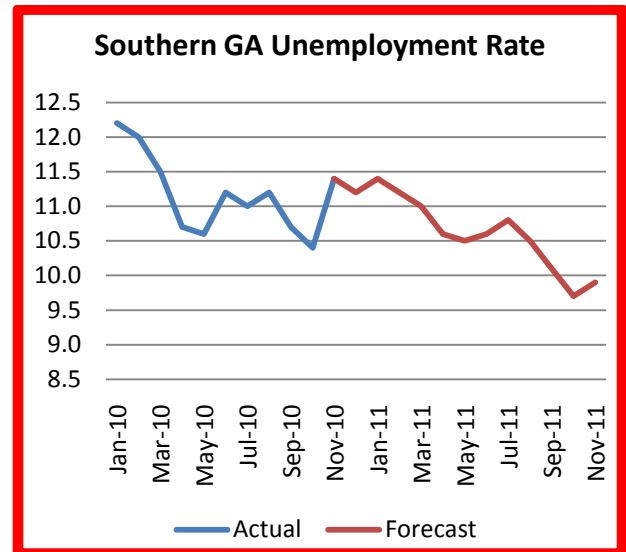
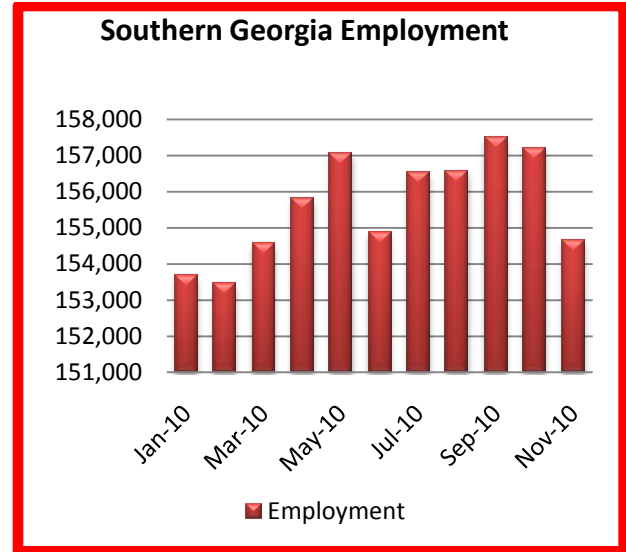
While the South Georgia recovery remains weak, indicators suggest the economic conditions are improving for many industries and counties. During 2010, labor force participation and employment stabilized for both South Georgia regions. While the gains are modest in size, they appear to be driven by permanent private sector job creation rather than temporary jobs and public sector jobs. Threats to the recovery however remain.

Southern Georgia Region

The Southern Georgia region has shown signs of improvement during 2010. Business and plant closures rates have declined in many communities across the Southern Georgia region. Employment across the region has stabilized suggesting that region has reached its trough and is into the recovery phase of the business cycle. Adding to the strength of the recovery, consumer demand has returned and real estate prices appear to have stabilized.

Uncertainty about federal and state government policy decisions and rising oil prices are threats to 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 Southern Georgia region forecast is mixed. While there are expected improvements in Health Care related services and professional services, prolonged unemployment will be a problem across the region in the construction industry and manufacturing. The forecast predicts that the unemployment rate will drop below 11.0% by the end of the first quarter of 2011. Although the unemployment rate is expected to rise slightly during the summer months of 2011 because of seasonal labor movements, it is expected to decline below 10% by the end of the 2011 third quarter.



The economic recovery for the region is expected to be long and uneven. The counties located along major highway corridors are likely to recover more quickly than the more rural countries. The unemployment rates in the counties along major highway corridors are lower than the regional average and net job gains in certain industries are expected throughout 2011. The rural counties however are expected to experience unemployment rates above 15% and are not likely to experience net job gains through the forecast period.

Valdosta-MSA

The economic indicators suggest that the Valdosta-MSA experienced modest economic growth during 2010. Employment improved throughout 2010 although jobs levels remained below 2009 levels. Health Care Services and Professional Services industries reported net job gains over the last twelve months while Construction, Construction-related industries and Manufacturing remained weak. Leisure and Hospitality which had shown signs of improvement reached a plateau at the end of 2010.

While the Valdosta-MSA benefits from Moody Air Force Base and several institutions of higher education, the expected reduction in defense spending and reductions of higher education budgets will negatively impact the Valdosta-MSA. Budget reductions for the public K12 school systems, which are among the major employers across the MSA, will also have a negative impact on the economic recovery.

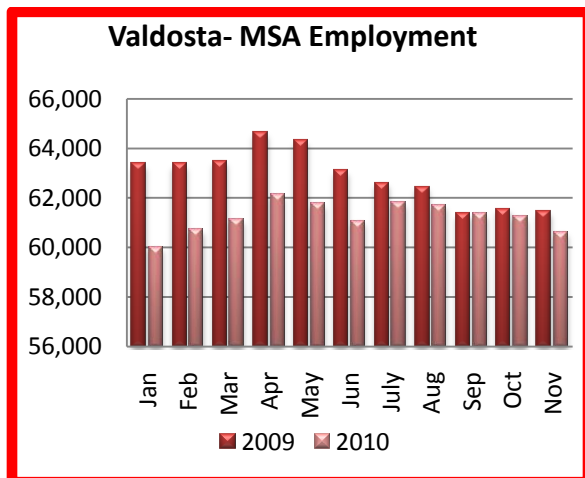
The economic data suggest that the Valdosta-MSA is in a recovery phase despite the negative events influencing the

broader state, rising oil prices and the uncertainty surrounding the federal regulation policies. The cooperative relationships between businesses and governments have been an asset during the recession and the first months of the economic recovery. The forecast predicts that the Valdosta-MSA unemployment rate will decline below 8% by February 2011, rise slightly during the early summer months and then decline to near 7% by the end of the 2011 third quarter. This forecast assumes the price for a barrel of oil does not exceed \$125.

Valdosta-MSA Nonagricultural Employment November 2010

	Number of jobs	Change from Nov 2009
Total Nonagricultural	53,300	-200
Total Private	40,100	00
Goods Producing	6,700	-200
Service Providing	46,600	00
Private Service-Providing	33,400	+200
Trade, Transportation and Retail Trade	11,000	00
Government	13,200	-200
Federal	1,000	00
State	4,300	-200
Local	7,900	00

Source: Georgia Department of Labor



Southwest Georgia Region

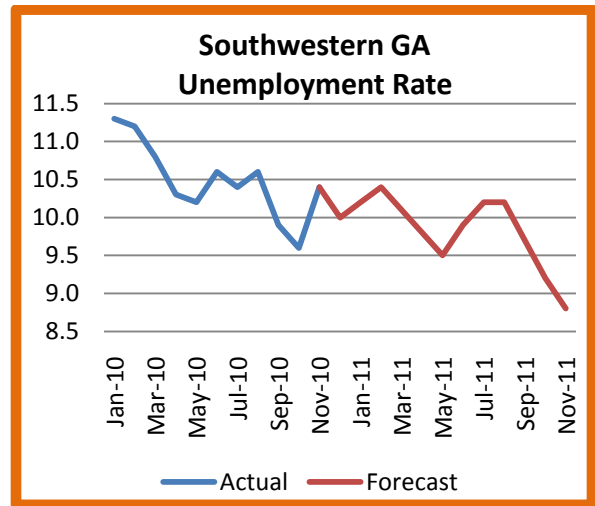
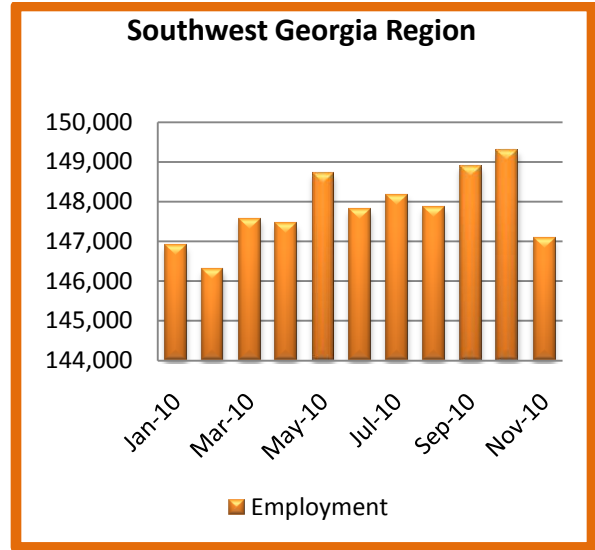
The Southwest Georgia region economic data suggests that the recovery period has reached a plateau during the 4th quarter of 2011. A year-to-year comparison reveals that although the unemployment rate declined from 11.4% to 10.4%, the decline was driven by a smaller labor force and only a slight improvement of net job gains. The

labor force decline may be masking rising numbers of discouraged workers who left the labor market because of lack of job opportunities. This suggests that when net job creation returns, the unemployment rate may rise as workers return to the labor force and look for jobs.

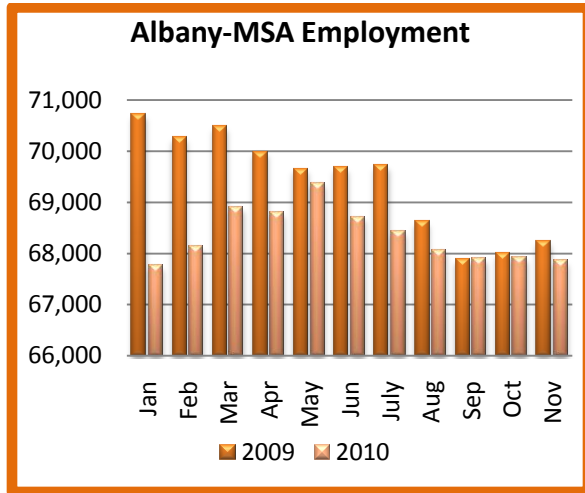
The forecast predicts that the economic recovery for the Southwest Georgia region will be long and modest. While job growth in the government sector may return, jobs in manufacturing and real estate will be slow to return. The unemployment rate is expected to remain above 10% during the first quarter of 2011 and then drop below 10% before the end of the 3rd quarter. If the price of a barrel of oil remains below \$125, and state revenues improve, the forecast predicts gains in employment during the fourth quarter of 2011 and an unemployment rate below 9% by year-end. The economic recovery and job market outlook are likely to remain tepid through the first half of 2011 before improving by the end of 2011. While the probability of a recession is positive, the likelihood is less than 20%.

Albany-MSA

The Albany-MSA economic activity was flat during 2010. Adjusting for temporary U.S. Census jobs, net job growth was flat for the first eleven months of 2010. While Professional Services and Health Care Services industries reported net job gains, these gains were largely offset by net job losses in manufacturing, the Trade and Transportation Services industry and local government. Real Estate and Construction related industries also remained soft in the Albany-MSA.



The forecast predicts that cyclical unemployment will decline but remain positive through 2011. The recovery period for the Albany-MSA is expected to be prolonged and will lead to a restructuring of the distribution of jobs among industries. The trend of declining manufacturing jobs is of particular concern for the Albany-MSA since it is unlikely that the manufacturing jobs will return once the economy has improved. This negatively impacts the expected long-run income and wealth of the MSA since lower paying, lower benefit service jobs will likely replace the higher paying, higher benefit manufacturing jobs.



Albany MSA Nonagricultural Employment November 2010		
	Number of jobs	Change from Nov 2009
Total Nonagricultural	62,100	+300
Total Private	48,400	+500
Goods Producing	7,200	-400
Service Providing	54,900	+700
Private Service-Providing	41,200	+900
Manufacturing	4,600	-300
Trade and Transportation	12,400	-100
Retail Trade	7,700	00
Government	13,700	-200
Federal	3,400	00
State	3,000	00
Local	7,300	-200

Source: Georgia Department of Labor

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