

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

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Fourth Quarter 2012

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.

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Economic Outlook: 4th Quarter 2012

The United States ended 2012 with modest and stable growth of 2.0% for the fourth quarter. The private sector continued to create net new jobs through the fourth quarter suggesting that the chances for another recession have diminished. Despite the modest growth and recovery of the private sector, the Federal Reserve announced that it will likely continue its accommodative monetary policy through 2014. Even though the probability for a recession has declined, the Federal Open Market Committee believes the threats to the economy remain elevated so an accommodative monetary policy is appropriate.

While there is increased certainty about tax policies and reduced federal discretionary spending, threats to the U.S. economic recovery

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	

linger. Regulatory uncertainties continue to suppress vibrant job growth. Entitlement reform is unlikely so the long run sustainability of entitlement spending is in question. The recessionary conditions and economic uncertainty within the European Union threatens economic growth around the world including China and the United States. Although the discovery of new energy sources have somewhat stabilized energy prices within the United States, the lack of a long-run energy policy and refinery capacity remains a drag on the United States economy and contributes to uncertainty.

The United States forecast is for continued modest growth and elevated structural and

cyclical unemployment. Regulatory uncertainty, the United States debt, and the expected higher tax rates associated with the health care reform will likely suppress economic growth through 2013. The unemployment rate may improve as state and local revenues begin to increase for states hardest hit by the recession, and state and local expenditures rebound.

Georgia

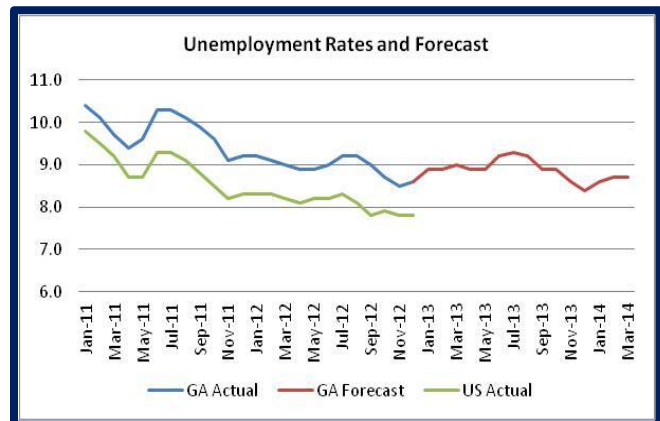
Private sector employment improved during the fourth quarter. Sectors leading the number of net job creation were Employment Services, Professional and Business Management, Trade and Transportation, Retail Trade, and Education and Health Services. Sectors with the largest percentage net new jobs were Arts and Entertainment, Accounting and Tax Preparation, Personal and Laundry Services, and Insurance. The surge in hiring for some industries, especially Retail Trade and Employment Services, may be more driven seasonal needs rather than a decline in cyclical unemployment. Manufacturing also reported net job gains over the time period.

Real Estate and Rental, and Construction remain weak despite the mild improvements in the real estate market. These markets appear to have reached a bottom as the real estate market has begun to firm and housing prices have begun to rise in certain areas, but the improvements have not translated into net job gains.

A year over year comparison reveals that Government employment has declined at all levels – Federal, State and Local. Improving revenue collections are likely to minimize that State and Local Government budget reductions over the next year. A notable threat for many communities within the state is the expected cuts in defense spending and the economic impacts of those cuts.

The forecast predicts weak but improving economic conditions through 2013. Fiscal policy

Labor Force	
	Dec 2012
Georgia	
Civilian Labor Force	4,804,459
Employed	4,390,517
Unemployed	413,942
Rate	8.6%
South Central Georgia	
Civilian Labor Force	174,053
Employed	156,600
Unemployed	17,453
Rate	10.0%
Valdosta-MSA	
Civilian Labor Force	66,532
Employed	60,859
Unemployed	5,673
Rate	8.5%
Southwest Georgia	
Civilian Labor Force	161,675
Employed	146,727
Unemployed	14,948
Rate	9.2%
Albany-MSA	
Civilian Labor Force	73,331
Employed	66,213
Unemployed	7,118
Rate	9.7%
Source: Georgia Department of Labor	



pressures at the federal and state levels, continued restructuring of the private sector labor market, and market uncertainties will keep economic growth below its potential through the end of 2013. The forecast predicts that the unemployment rate will remain above normal levels over the medium-run (2-3 years). The forecast predicts an unemployment rate of near 8.5% by the end of 2013 with a rebound during the first quarter 2014 due to seasonal unemployment. Net job creation will keep pace with labor force participation expansion but will be insufficient to reduce unemployment as a percent of the overall labor force size.

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. Accounting for seasonal fluctuations, the two regions have experienced net job growth of non-agriculture employment since reaching low employment numbers during February 2011. Net job gains continue to outpace labor force growth, a trend that began January 2012, leading to a decline of the unemployment rates. Although some counties have not entered a recovery, the net job gains for the regions overall have led to an average unemployment rates below 10%. Agriculture and Agriculture-related industries remain strengths for both regions.

Regulatory uncertainties, state and local budget pressures, energy price volatility, and a global economic slowdown 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. Improving economic indicators suggest modest economic improvements through the end of 2013, although growth will be insufficient to significantly reduce the unemployment rates.

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Dec 11 to Dec 12
Total Nonagricultural	79,600
Total Private	86,900
Construction	-500
Manufacturing	+5,800
Durable goods	+3,600
Non-durable goods	+2,200
Trade, Transportation and Utilities	+13,000
Wholesale trade	+3,400
Retail trade	+4,000
Information	+3,800
Financial Services Activity	+3,500
Professional and Business Services	+25,500
Administration and Support	+18,100
Employment services	+13,500
Educational and Health Services	+16,100
Educational Services	+200
Health Care and Social Assistance	+15,900
Leisure and Hospitality	+21,300
Accommodation and Food	+18,700
Government	-7,300
Federal	-2,300
State	-1,900
Local	-3,100

Source: Georgia Department of Labor

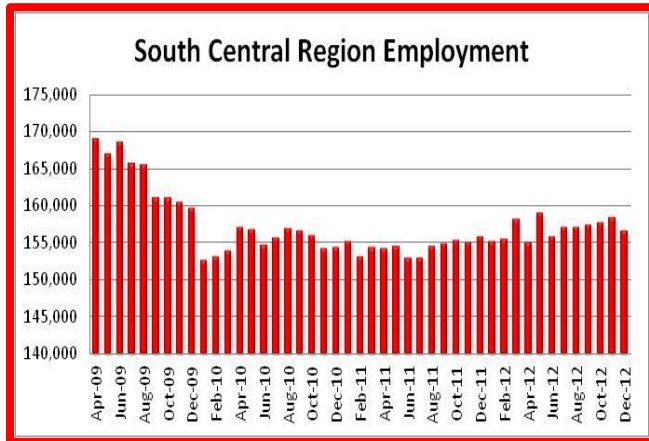
South Georgia (Overall)

The South Georgia region is comprised of thirty-two counties, and is divided into two regions, based upon the Georgia Department of

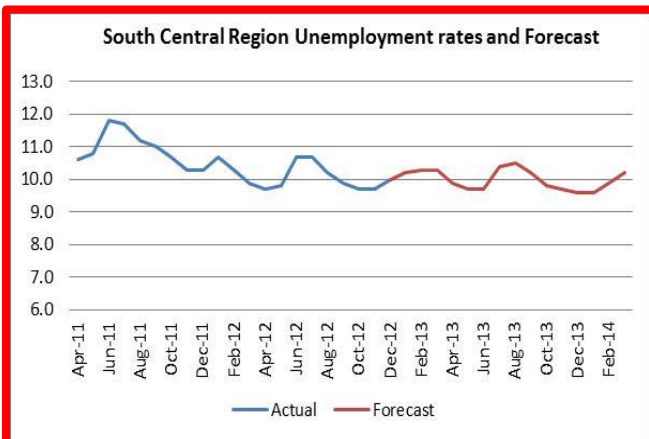
South Central (Region 11)

Economic conditions in South Central Georgia continue to improve for most of the counties in the South Central region. Since reaching a low in

January 2010, employment has improved and reflects an upward trend over the last 18 months. The economic improvements are uneven however. The counties along and near the I-75 corridor have improved more quickly than the other counties. Despite the improvements of some counties, the employment levels remain below the pre-recessionary levels.



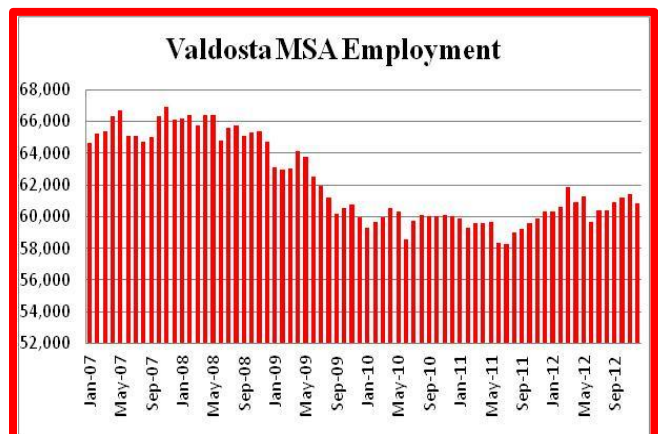
Since July 2011, non-agricultural net job growth has outpaced labor force growth leading to an unemployment rate below 10% for most of the second and fourth quarters of 2012. The expanding industries include retail trade, hospitality services and healthcare related industries. Declining industries include construction and manufacturing. Real Estate and Construction markets appear to have stabilized and are improving modestly in several counties across the region.



The economic recovery is expected to continue through the end of 2013 although the rate of growth is expected to slow. Lower expected commodity prices and government fiscal conditions will be a drag on the recovery although improving private sector growth and increasing consumer demand will more than offset these weaknesses. Mandatory reductions in defense and other federal spending will likely have a negative impact on the Valdosta MSA and therefore the South Central region. Although the uncertainty surrounding tax increases and spending reductions has declined, regulatory uncertainty continues to slow economic growth. The unemployment rate for the South Central Region is expected to remain above 9.0% through the end of 2013; seasonal unemployment is expected to increase the rate above 10% during the first quarter of 2014.

Valdosta MSA

Economic indicators suggest that the Valdosta MSA’s growth rate improved over the last twelve months. Agriculture, healthcare, and retail trade were the leading industries in the recovery. New retailers and restaurants expanded net job gains for the Valdosta MSA through the fourth quarter of 2012. Residential single-family and multi-unit construction has improved, however total new units for 2012 were below the 2011 new unit total.

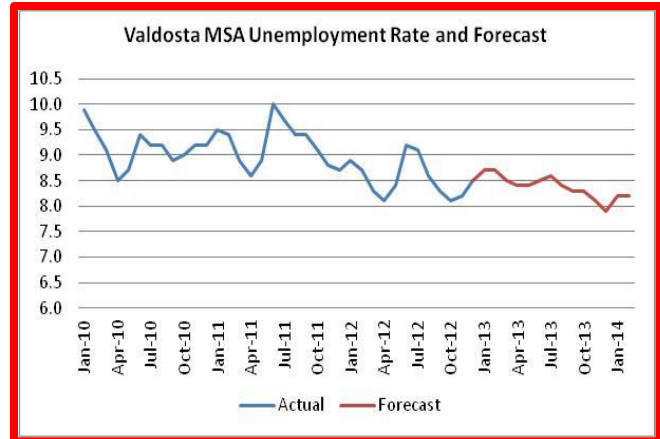


The low new housing starts and existing home inventory levels suggest the real estate market remains weak despite low mortgage rates. Strict qualifying requirements likely have a significant impact on the real estate and related industries. Although not experiencing robust growth, the Lowndes County housing market is stronger than most counties in the state.

Valdosta MSA Nonagricultural Employment Dec 2012		
	Number of jobs	Change from Dec 2011
Total Nonagricultural	54,000	+900
Total Private	39,900	+800
Goods Producing	6,100	+400
Service Providing	46,300	+500
Private Service-Providing	33,800	+400
Trade, Transportation and Retail Trade	10,500	-400
Government	12,500	+100
Federal	1,200	00
State	3,600	+200
Local	7,700	-100

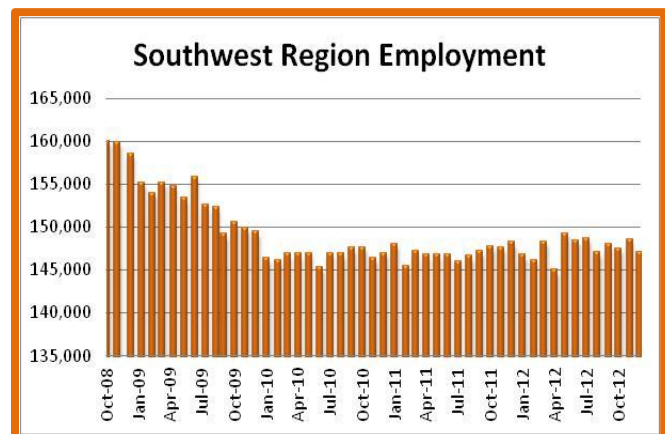
Source: Georgia Department of Labor

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 slightly over the next twelve months. Net job creation for the Valdosta MSA is expected to outpace the South Central Region and the Georgia average net job growth rates. The forecast predicts the Valdosta MSA unemployment rate will remain decline below 8% by the end of 2013.



Southwest (Region 10)

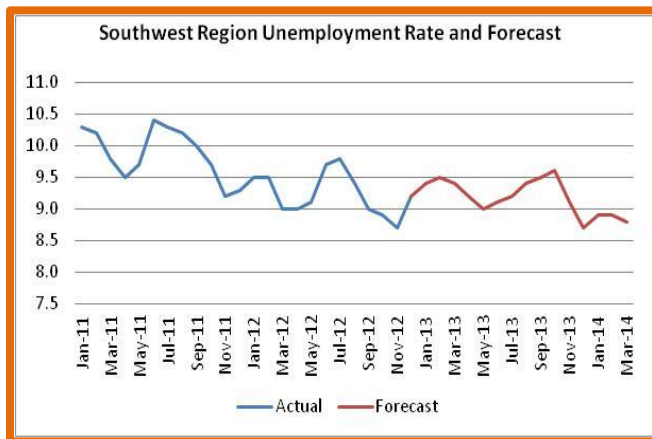
The economic conditions for the Southwest Region remain mostly unchanged. Economic data for the Southwest Georgia region reveals employment levels have remained relatively stable since January 2010; unfortunately employment levels have remained below 150,000 and more than 10,000 jobs below pre-recession levels. Service sector jobs have only partially replaced the loss of manufacturing, financial services, and construction-related jobs lost. 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 through the end of 2013.

The unemployment rate for the region has remained below 10% since September 2011 and is expected to remain below 10% throughout the forecast period. The improved unemployment rate reflects net job gains for 10 out of the 14 counties.



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 end of 2013 with net job gains likely to keep pace with labor force participation growth. Net job gains, however, will not be sufficient to significantly reduce the Region’s unemployment rate. The unemployment rate is expected fluctuate between 8.6% and 9.5% through the first quarter of 2014.

Albany MSA

After reaching its lowest employment levels in June 2011, it appears that the Albany MSA has moved toward a trend of net job growth over the last 18 months. Despite these improvements, employment remains below pre-recession levels. The mix of jobs has changed with higher paying

Albany MSA Nonagricultural Employment Dec 2012		
	Number of jobs	Change from Dec 2011
Total Nonagricultural	61,500	+200
Total Private	47,900	+400
Goods Producing	6,600	-100
Service Providing	54,900	+300
Private Service-Providing	41,300	+500
Manufacturing	4,300	00
Trade and Transportation	12,400	-400
Retail Trade	7,700	-300
Government	13,600	-200
Federal	3,100	-200
State	3,200	00
Local	7,300	00

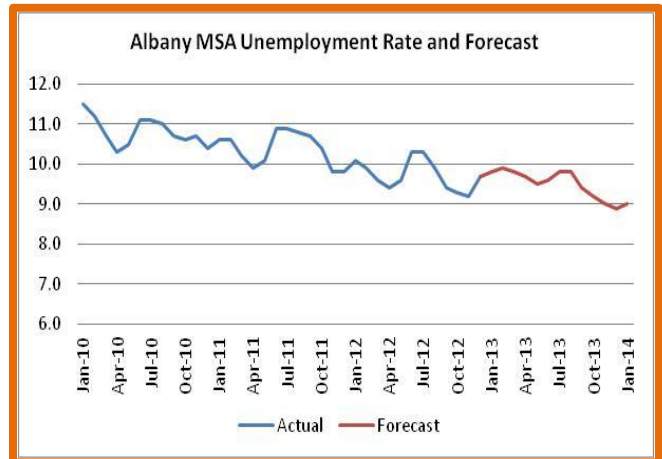
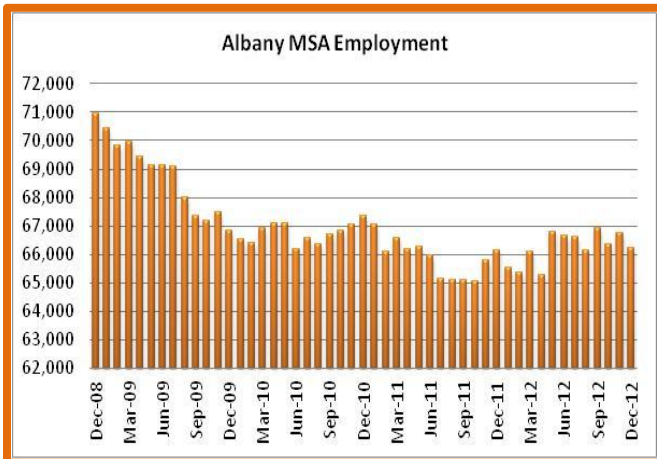
Source: Georgia Department of Labor

jobs with benefits being replaced with lower paying jobs.

Over the last twelve months, Trade and Transportation and Government sector jobs declined while Retail Trade remained unchanged. The Health-care related sectors and Leisure related sectors reported the largest net job growth for the Albany MSA. Construction and related sectors remain depressed and continue to be a drag on the Albany MSA. Housing starts for one-unit and multi-units remain significantly below pre-recessionary levels.

The Albany MSA unemployment rate declined from 10.1% in January 2012 to 9.7% during December 2012. Net job creation outpaced labor force participation growth leading to the lower unemployment rate. This rate although improved is higher than the average 5.4% pre-recession unemployment rate.

The forecast predicts slow economic growth and modest net job gains through the first quarter of 2014. The unemployment rate is expected to remain above 9.0% through the end of 2013.



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