

# South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

Volume 4, Number 3

Third Quarter 2008

The *South Georgia Business Outlook* is a quarterly publication that examines 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.

**Special Topic:** Recession - What is it and is South Georgia in one?

## *Economic Outlook: 3rd Quarter 2008*

Market uncertainty and volatility have reached extreme levels during the third quarter of 2008. Stock market prices have plummeted as credit markets seized, financial institutions experienced capital and liquidity problems, and the markets for complex financial instruments such as derivatives and credit default swaps declined.

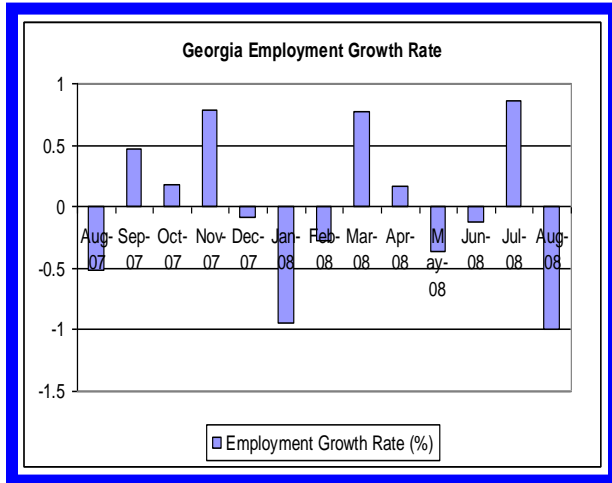
During the first two quarters of 2008, United States productive growth heavily relied upon U.S. exports to the world. Current and leading indicators suggest however that world economic growth is declining. This coupled with the recent appreciation of the U.S. dollar and market instabilities indicate that the United States is in a period of economic decline. Despite lower energy costs and unprecedented government interventions in the markets, it is likely this economic decline will continue through most, if not all of 2009. The level of uncertainty and unique conditions of this market make a more precise forecast difficult.

Economic conditions for the state of Georgia and the thirty-two counties of South Georgia remain weak, mirroring the national outlook. Improvements in the forecast are not likely until the financial markets and broader markets stabilize, confidence in the markets returns, and global markets improve. Pockets of opportunities, although few, exist and the outlook is not negative for all industries in South Georgia.

## *Georgia*

The slowdown of job creation for the state of Georgia that began during the summer of 2007 has continued through the third quarter of 2008. Looking at the month-to-month employment numbers for the state of

Georgia, only two of the first eight months of 2008, March and July, showed a positive increase of employment. The other six months showed a decline in month-to-month employment with August 2008 at -1.0% being the largest decline since April, 2001.



The Georgia Department of Labor reports that the state of Georgia had a year-to-year net non-agricultural jobs losses of 53,200 jobs. Construction, financial services, and manufacturing jobs experienced the largest net loss. The wide-spread housing market slump, especially in the greater Atlanta area, and the financial institutions market instability, related to the revaluing of assets, loss of capital and liquidity concerns, lead to net job declines in the construction and financial services industries.

The financial services and construction markets that relied upon complex financial instruments to fuel the unsustainable growth of investment banks, hedge funds, and housing markets, will continue to adjust to structural changes within these industries. Weakness in these markets is likely to continue through the first half of 2009. Manufacturing experienced the largest net job losses of all industries, reporting a net loss of 21,400 jobs. This is a trend that has continued for years. Employment services, local governments, and wholesale trade also

experienced job loss when comparing year-to-year job changes.

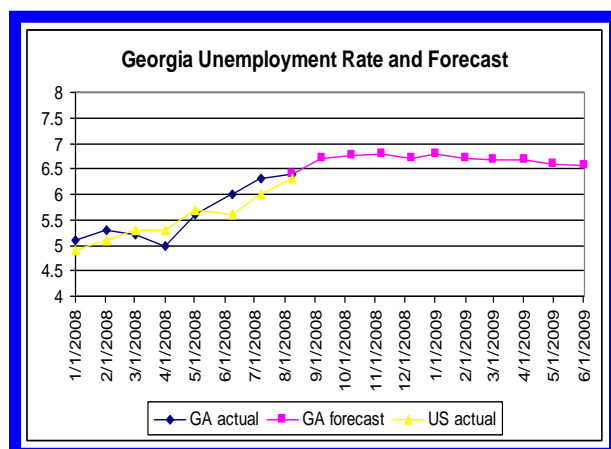
Georgia Nonagricultural Jobs Change in Number of Jobs	
	Sep 2007 to Sep 2008
Total Nonagricultural	-53,200
Total Private	-46,400
Construction	-15,600
Manufacturing	-21,400
Durable goods	-8,500
Non-durable goods	-12,900
Trade, Transportation and Utilities	-1,100
Wholesale trade	-5,300
Retail trade	+5,500
Information	-400
Financial services	-5,200
Professional and Business Services	+11,100
Scientific and Technical	+1,800
Administration and Support	-12,100
Employment services	-9,100
Educational and Health Services	+10,300
Health Care and Social Assistance	+7,700
Leisure and Hospitality	-1,300
Accommodation	+2,200
Government	-6,800
Federal	+700
State	-400
Local	-7,100
Source: Georgia Department of Labor	

Job market growth primarily occurred in Health Care and Social Assistance, and Professional and Business Services industries. Health care and health care related jobs are likely to remain in high demand and be industries less likely to experience the net job losses during the economic decline. Profession and Business Services industries expanded after a period of job losses during the last half of 2007.

Accommodation services showed an unexpected increase of jobs for the year-to-year comparison. High gasoline prices and the economic slowdown had created market pressures through the summer months. The market appears to have recovered modestly.

While energy prices have declined over the last two months, the weak real estate

market especially in the north Georgia area, coupled with overall market uncertainty and lack of confidence, will continue to be a source uncertainty and drag of the Georgia economy. The forecast for Georgia predicts continued high unemployment as economic growth is negative or below its long-run sustainable rate. Cyclical unemployment arising from the economic decline will remain positive through 2009.



## South Georgia

The South Georgia region is comprised of thirty-two counties that are divided into three regions based upon the Georgia Regional Development Center designations. The Southwest Georgia and South Central Georgia regions 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 South Central Georgia region.

While the labor force grew over the one year period, the number of unemployed increased faster than job creation leading to rising unemployment rates. Only the

Labor Force		
	Sep 2008	Change from Sep 2007
<b>Georgia</b>		
Civilian Labor Force	4,895,044	54,551
Employed	4,577,554	-47,232
Unemployed	317,490	101,783
Rate	6.5	
<b>South Central Georgia</b>		
Civilian Labor Force	112,387	869
Employed	104,534	-1,744
Unemployed	7,853	2,603
Rate	7.0	
<b>Southwest Georgia</b>		
Civilian Labor Force	169,726	1,401
Employed	158,262	-1,853
Unemployed	11,464	3,254
Rate	6.8	
<b>Southeast Georgia</b>		
Civilian Labor Force	73,525	1,729
Employed	68,289	66
Unemployed	5,236	1,663
Rate	7.1	
<b>Albany-MSA</b>		
Civilian Labor Force	76,094	25
Employed	70,847	-1,193
Unemployed	5,247	1,218
Rate	6.9	
<b>Valdosta-MSA</b>		
Civilian Labor Force	68,150	-245
Employed	64,026	-1,615
Unemployed	4,124	1,370
Rate	6.1	
Source: Georgia Department of Labor		

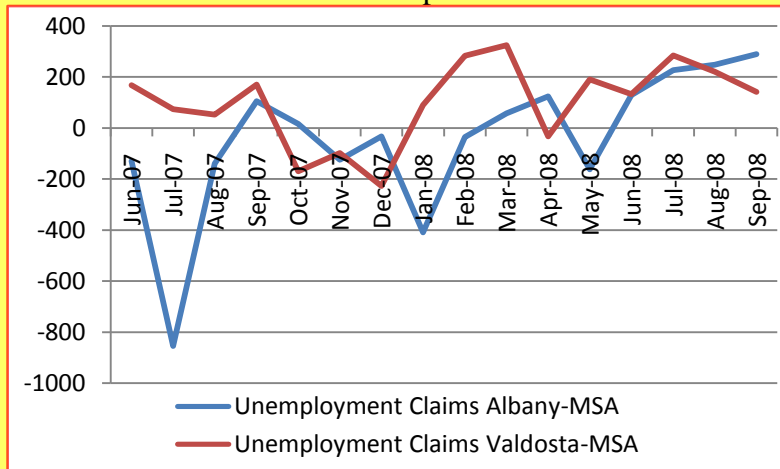
Valdosta-MSA had an unemployment rate below the state and national averages during September 2008. All defined areas however have cyclical unemployment reflecting the loss of jobs due to the economic decline and weak labor market experienced that began during the last quarter of 2007.

### Recession: What is it and is South Georgia in one?

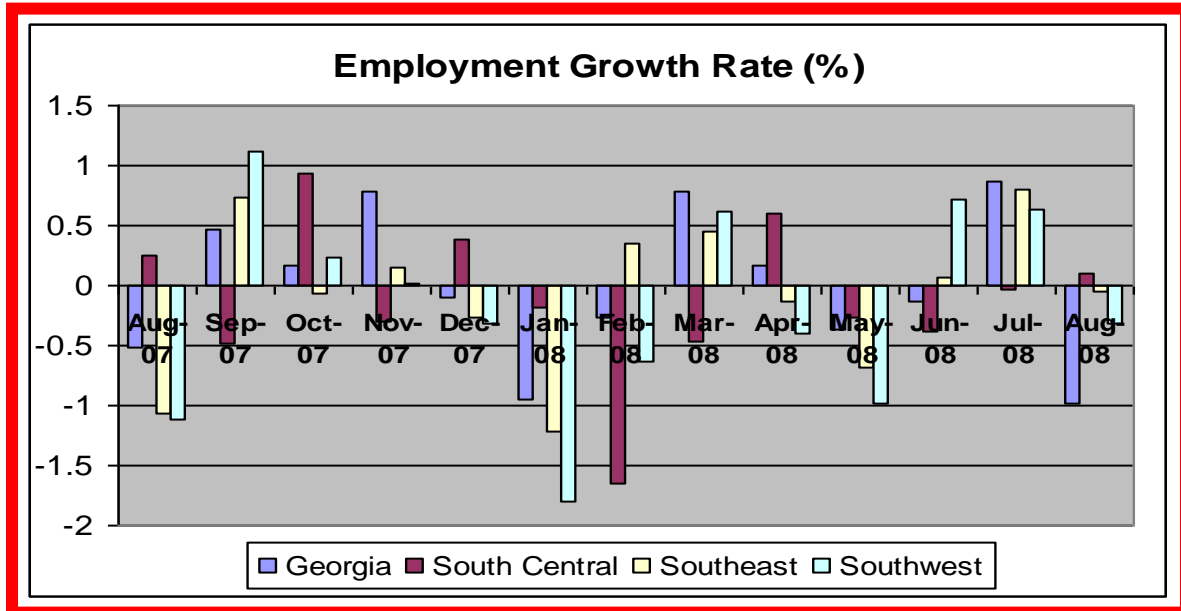
Over time, an economy moves through the business cycle - periods of economic growth and periods of economic decline. A period of economic growth or expansion is a period of increasing production signified by rising real gross domestic product (GDP). During an expansion, the higher production leads to job creation and low unemployment rates. A period of economic decline or recession is a period of declining production signified by negative real GDP growth. During a recession, the lower production leads to fewer jobs and rising unemployment rates.

In the United States, the National Bureau of Economic Research (NBER), a non-profit organization, identifies the beginning and ending dates of business cycle phases. The rule-of-thumb is a recession occurs when a country experiences two consecutive quarters of declining real GDP. The most recent U.S. recession - March 2001 through November 2001- however did not meet the rule-of-thumb. The NBER states that “a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.” The NBER identifies changes of the business cycle phase by looking back at economic information. Business leaders however must look forward and forecast expected economic changes when making strategic planning decisions.

Leading indicators are economic variables that tend to change before real GDP changes and are often used to forecast business cycle changes. Two leading indicators that tend to be good although not perfect indicators of business cycle changes are Unemployment Claims and Continuing Claims. Unemployment claims report the number of initial unemployment claims filed during the previous week at the national level and during the previous month at the state and local levels. The Unemployment Claims graph shows the movement of unemployment claims for the Albany-MSA and Valdosta-MSA since August 2007. Although the graph is just one indicator, it shows that since December 2008, the Unemployment Claims trend is increasing. Continuing Claims are the accumulation of unemployment claims over time. Continuing Claims have also increased over the twelve month time period. This information together with the unemployment rate forecast suggests that economic activity has declined and that the Albany-MSA and Valdosta-MSA are in a period of economic decline.



Sources: NBER [www.nber.org/cycles/cyclesmain.html](http://www.nber.org/cycles/cyclesmain.html); Georgia Department of Labor [explorer.dol.state.ga.us/](http://explorer.dol.state.ga.us/)



The month-to-month employment growth rates show weakness in the labor market for six of the last eight months. Employment growth did not keep pace with labor force growth.

The regional forecasts predict the economic slowdown will continue through the first half of 2009. Even if the markets begin

to improve before the end of 2009, cyclical unemployment within the labor market will remain positive as it takes time for businesses to hire workers. It is expected that for the unemployment rates for the three regions will remain above historical averages through the end of 2009.

### South Georgia Region

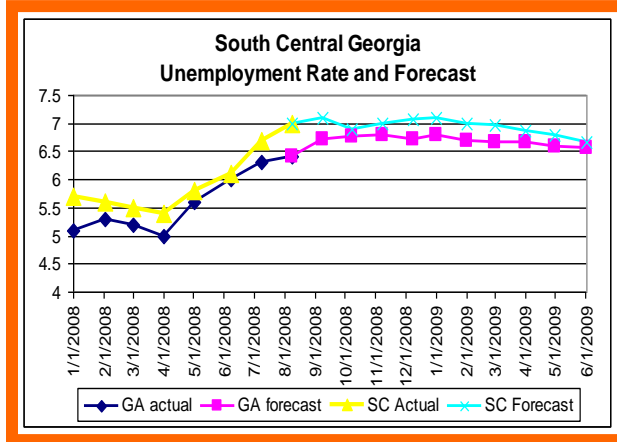
Southwest Georgia Counties	South Central Georgia Counties	Southeast Georgia Counties
Baker	Ben Hill	Atkinson
Calhoun	Berrien	Bacon
Colquitt	Brooks	Brantley
Decatur	Cook	Charlton
Dougherty	Echols	Clinch
Early	Irwin	Coffee
Grady	Lanier	Pierce
Lee	Lowndes	Ware
Miller	Tift	
Mitchell	Turner	
Seminole		
Terrell		
Thomas		
Worth		

### South Central Georgia Region

Economic growth in the South Central Georgia region continued to decline during the third quarter. Net employment for the region declined by 1,744 jobs or by 1.6%. September 2008 marked the fifteenth consecutive month of employment contraction for the South Central Georgia region.

The South Central Georgia region's unemployment rate rose to 7.0% during September 2008, exceeding the state's unemployment rate of 6.5% and the national average of 6.3%. The slower job growth coupled with the increased labor force size

contributed the large jump of the South Central Georgia unemployment rate over the last quarter from 6.1% during June to 7.0% in September.



The unemployment rate is expected to remain around 7.0% through the end of the first quarter of 2009. The forecast predicts that the South Central Georgia’s economy will begin to rebound during the second quarter of 2009 however economic growth will be below the sustainable rate and cyclical unemployment will remain positive. The unemployment rate is expected to decline to 6.5% by the end of the second quarter. Driven by a slower net job creation rate, the forecast predicts that the South Central Georgia region’s unemployment rate will remain above the state’s unemployment rate for the first half of 2009.

**Valdosta-MSA**

Although the Valdosta-MSA did not experience the early effects of the economic slowdown that some areas of the United States began to experience more than eighteen months ago, it began to experience the impact of the economic slowdown during the summer of 2008. The effects of rising oil prices hit the accommodations and accommodations-related industries earlier this year. The real estate,

construction and related industries have experienced a soft market for more than a year.

The economic slowdown began to impact the broader markets during the summer months of 2008. Soaring oil prices, tightening credit standards, declining consumer confidence and expectations worsened an already weak economy.

Valdosta-MSA Nonagricultural Employment September 2008		
	Number of jobs	Change from Sep 2007
Total Nonagricultural	55,200	-1,000
Total Private	42,700	-1,300
Goods Producing	8,700	-500
Service Providing	46,500	-500
Private Service-Providing	34,000	-800
Trade, Transportation and Retail Trade	12,600	-200
Government	12,500	+300
Federal	800	00
State	4,000	+100
Local	7,700	+200

Source: Georgia Department of Labor

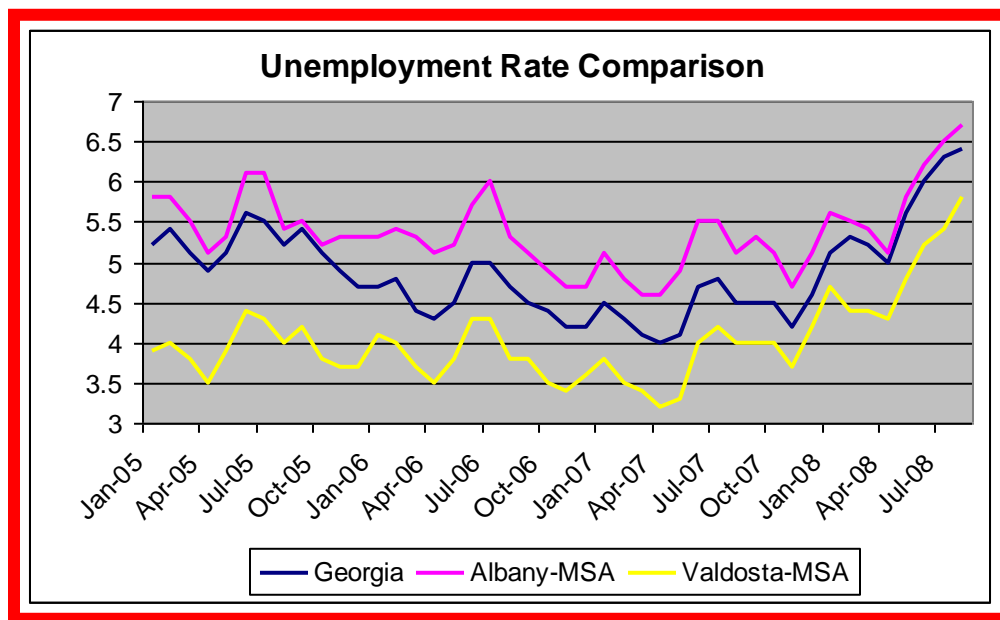
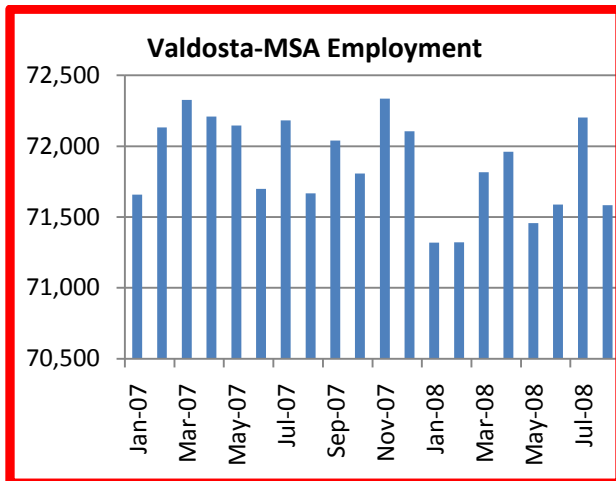
A twelve-month comparison of net job creation reveals that the Valdosta-MSA lost a net 1,300 private sector jobs during period ending September 2008. Service sector jobs, including retail trade, construction and construction-related, and real estate industries experienced the largest declines. Only state and local government reported a net increase of jobs over the twelve-month comparison.

After reaching a peak during May 2007, Valdosta-MSA employment has remained relatively flat. Some seasonal fluctuations are expected during the summer months, however employment conditions tend to improve by early fall. The Valdosta-MSA employment data suggests that since the modest employment recovery during November and December 2007, employment

has not improved. Employment is not expected to expand during the fourth quarter 2008 as it has in previous years. Economic

uncertainty and a lack of confidence in the market makes it unlikely that businesses will hire many seasonal workers and some businesses are expected to reduce their permanent workforce.

The forecast predicts that the Valdosta-MSA unemployment rate will remain below the state and national unemployment rates through the first two quarters of 2009. However positive cyclical unemployment, the unemployment that arises from an economic downturn, is expected to be positive leading to an unemployment rate higher than the historical average. The forecast predicts an average unemployment for the Valdosta-MSA of 5.8% during 2009.



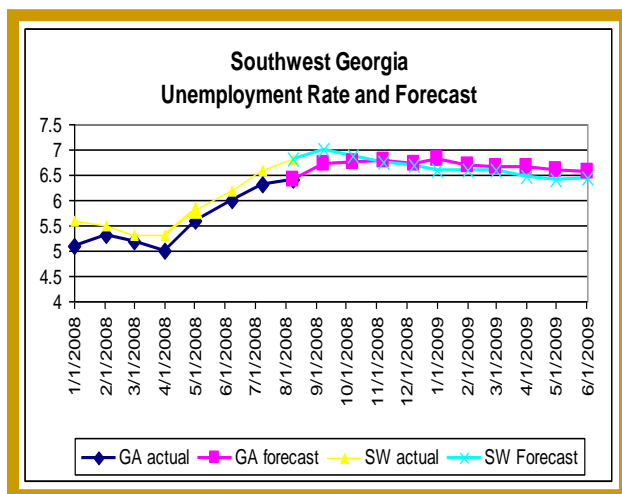
### Southwest Georgia Region

Employment in the Southwest Georgia region was relatively flat during 2007 and began a negative trend at the beginning of 2008. It is not unusual for employment to decline during the first two months of the year however employment tends to improve.

During 2008, the employment data suggests a weak labor market that reflects the economic slowdown of the region.

The real estate and construction industries which have been weak for more than two years continue to decline. Other sectors of the economy also show signs of weakness. While oil prices have declined

over the last two months, uncertainty and lack of confidence in the markets appear to have offset any benefits from lower oil prices.

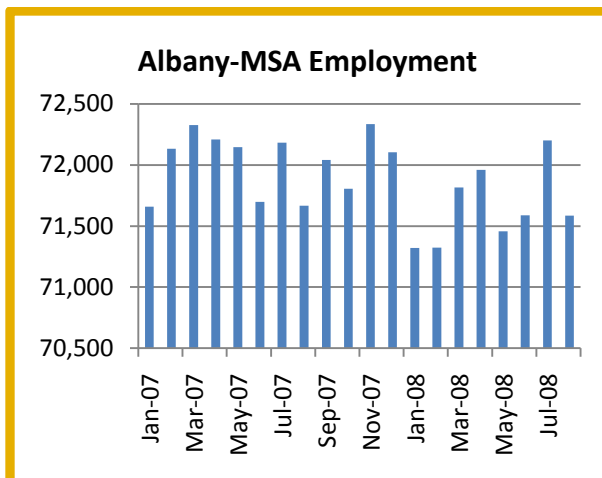


The Southwest Georgia unemployment rate is expected to peak at 7.0% during September 2008 and remain above the natural rate of unemployment through the end of 2009. This suggests that cyclical unemployment will remain positive and the economic slowdown will continue through the end of 2009.

### Albany-MSA

The Albany-MSA continues to experience stagnant growth and a weak employment market. Employment levels have averaged around 500 jobs less than during 2008. The decline of employment has affected all industries with the service sector experiencing the largest declines.

Just as the other regions across Georgia and the United States, real estate, construction, and related industries have experienced a significant decline. With the automobile industry also experiencing economic challenges, manufacturing tied to the automobile industry will experience the continued effects of the economic contraction.



The Albany-MSA economic forecast expects continued economic decline through the end of 2009. Because of the labor market structure once an economic recovery begins, it is likely that the Albany-MSA and the broader Southwest Georgia region will recover more slowly than the state of Georgia. The forecast predicts a continued economic slowdown through the end of 2009 and a recovery unlikely before the first quarter of 2010.

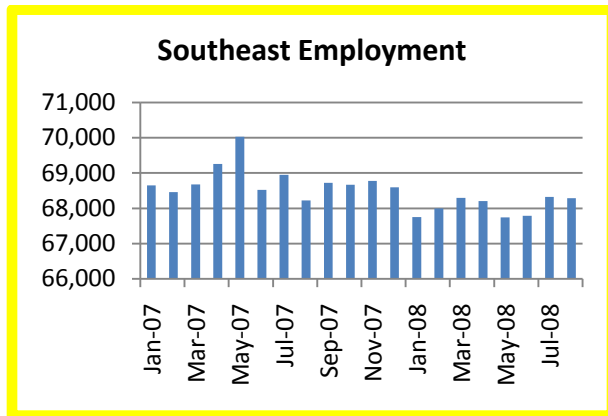
Albany MSA Nonagricultural Employment September 2008		
	Number of jobs	Change from Sep 2007
Total Nonagricultural	63,700	-1,000
Total Private	49,800	-900
Goods Producing	9,900	00
Service Providing	53,800	-1,000
Private Service-Providing	39,900	-900
Manufacturing	6,600	-100
Trade and Transportation	12,900	-400
Retail Trade	7,800	-100
Government	13,900	-100
Federal	3,100	00
State	2,900	00
Local	7,900	-100

Source: Georgia Department of Labor



## Southeast Georgia Region

Since reaching a peak during May 2007, employment in the Southeast Georgia region has steadily declined. Employment during the third quarter reached levels equivalent to employment during March 2005.

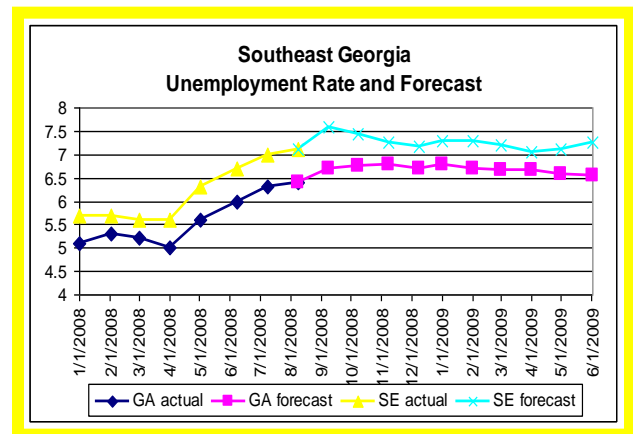


With the labor force size growing, the decline of employment has led to a rise of the unemployment rate.

The forecast predicts that the unemployment rate will peak at 7.5% during

the fourth quarter of 2008 and then remain above 7.0% through the second quarter of 2009. With the region relying heavily upon jobs in the manufacturing, wood products, and the agricultural and forestry production sectors, it is likely that the Southeast Georgia region will continue to experience an economic decline through the end of 2009.

This region does not include a MSA.



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