

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

Volume 4, Number 4

Fourth 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.

Economic Outlook: 4th Quarter 2008

The fourth quarter of 2008 was challenging economically as the United States economy moved deeper into recession. Goods and services production declined by over 6.0% annualized and the credit market seized. Businesses responded by laying off workers at a pace similar to the early 1980's recession.

Commodity prices, stock market values, and housing prices all declined leading to a deflationary fourth quarter. While it may seem that deflation or declining prices may be "good" for consumers, the loss of wealth, the fear of job loss, and the idea that prices may

continue to fall leads consumers to postpone purchases. This action reinforces recessionary pressures.

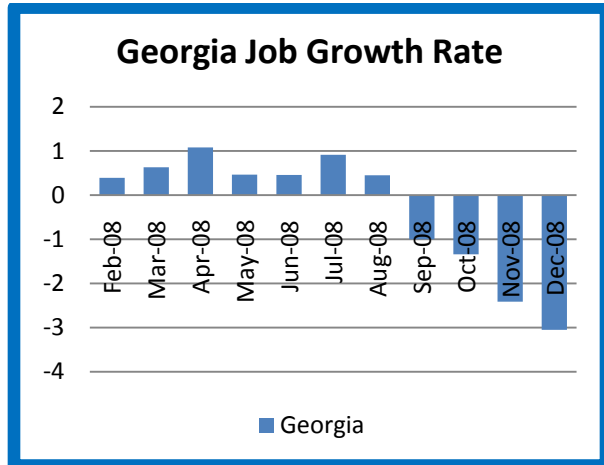
In response, the Treasury, the Federal Reserve, Congress and the President have taken unprecedented steps to inject funds into the market. The automobile industry has received loans, the financial services industry has received capital injections, and government has passed the largest spending/tax bill in United States history.

The state of Georgia and the south Georgia region have not escaped the recession. Plant closings, layoffs and furloughs have risen significantly over the last four months. With the fear of further job losses and credit market uncertainty, it is not surprising that the economic conditions for the state of Georgia and the thirty-two counties of the south Georgia region remain weak. Improvements in the forecast are not likely until markets stabilize, and business and consumer expectations rebound.

With the economy in a full recession, it may seem like these economic conditions will persist and opportunities do not exist. However the forecast suggests that the national economy will likely enter a recovery phase by the first quarter of 2010 and some parts of the south Georgia region will make the move sooner. Now is the time for business leaders to re-examine their strategic plans and position their businesses for the recovery and inevitable expansion.

Georgia

Job losses for the state of Georgia picked up pace during the fourth quarter of 2008. The number of unemployed has steadily increased since August 2008 with over 63,000 workers becoming unemployed during the fourth quarter.



Except for Educational and Health Services, all sectors of the economy shed jobs. The total year-to-year non-agricultural job losses were 121,800 jobs. The largest number of jobs lost was in the manufacturing sector. Plant closings throughout the state have reduced durable goods manufacturing by 21,700 jobs and non-durable goods manufacturing by 12,300 jobs. Leading industries were transportation equipment manufacturing with a 6.2% decline, textile mill products with a 10.0% decline, and textile mills with a 13.6% decline.

Professional and Business Services lost 28,700 jobs or a 5.1% decline for the year-to-year comparison. Most of the job losses were concentrated in the Employment Services industry. Construction and construction related industries experienced job losses of 24,700 jobs or an 11.2% decline over the one year period. Specialty Trade contractors, Heavy and Civil Engineering Construction, and Construction of Building

industries all experienced a greater than 11% decline in jobs.

Educational and Health Services increased by 10,200 jobs or a 2.2% over the one year period. The largest increases were Social Services, Hospitals, and Colleges and

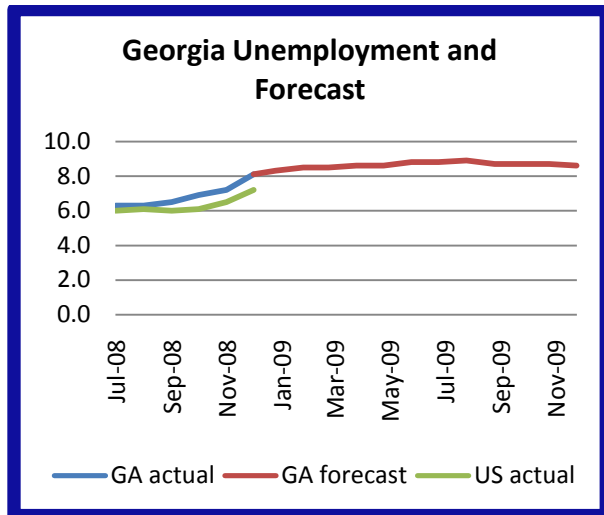
Georgia Nonagricultural Jobs Change in Number of Jobs	
	Dec 2007 to Dec 2008
Total Nonagricultural	-121,800
Total Private	-117,100
Construction	-24,700
Manufacturing	-34,000
Durable goods	-21,700
Non-durable goods	-12,300
Trade, Transportation and Utilities	-24,100
Wholesale trade	-5,900
Retail trade	-13,700
Information	+100
Financial services	-1,900
Professional and Business Services	-28,700
Administration and Support	-24,200
Employment services	-19,500
Educational and Health Services	+10,200
Health Care and Social Assistance	+6,700
Leisure and Hospitality	-10,600
Accommodation and Food	-2,300
Government	-4,700
Federal	+100
State	-2,000
Local	-3,700
Source: Georgia Department of Labor	

Professional Schools. While Social Services may continue to expand during 2009, state budget cuts and position freezes are likely to reduce College and University employment over the next year.

The forecast predicts that job losses are likely to continue through the end of 2009. All sectors of the state economy will be impacted. Since job creation returns *after* an economic recovery begins, it is likely that job growth in the state of Georgia will not return until the first quarter of 2010.

The large job losses over the last year are reflected in the rising unemployment rate

for the state of Georgia. The seasonally adjusted unemployment rate for the state of Georgia was 8.1% during December 2008, compared to 7.2% for the United States. The regions of the state with the highest unemployment rates are the North Georgia region at 10.1% and the Southeast Georgia region at 9.3%. It is not surprising that these regions have the highest unemployment since these regions rely heavily upon manufacturing jobs.



The forecast predicts that the Georgia unemployment rate will continue to rise through the summer months as cyclical unemployment, unemployment that arises from a recession, continues to increase. Although it is expected that cyclical unemployment will remain positive throughout 2010, the forecast predicts that it will begin to decline during the first quarter of 2010 as the United States enters an economic recovery. Market uncertainty, continued financial market instability, and a weak real estate market will continue to be a drag on the Georgia economy throughout 2009.

South Georgia

The South Georgia region comprises 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.

Following the state of Georgia trends, the South Georgia region is in a recession. Plant closures, employment freezes, and job furloughs have led to a decline in production and job loss. While the Southeast region has the highest unemployment rate in South Georgia, the South Central Georgia region has experienced the largest loss of jobs. For the year ending December 2008, the South Central Georgia region lost 4,693 jobs or experienced a 4.6% decline. The Southwest region also lost over 4,000; however the larger

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		

Labor Force		
	Dec 2008	Change from Dec 2007
Georgia		
Civilian Labor Force	4,878,379	+22,508
Employed	4,485,211	-150,115
Unemployed	395,168	+172,623
Rate	8.1	
South Central Georgia		
Civilian Labor Force	112,349	-663
Employed	9,890	-4,693
Unemployed	102,459	4,030
Rate	8.8	
Southwest Georgia		
Civilian Labor Force	170,713	4,763
Employed	157,502	-4,297
Unemployed	13,211	466
Rate	7.7	
Southeast Georgia		
Civilian Labor Force	73,591	3,243
Employed	66,723	-1,870
Unemployed	6,868	1,373
Rate	9.3	
Albany-MSA		
Civilian Labor Force	76,669	+684
Employed	70,959	-1,145
Unemployed	5,701	+1,829
Rate	7.4	
Valdosta-MSA		
Civilian Labor Force	68,911	-119
Employed	63,838	-2,308
Unemployed	5,073	+2,189
Rate	7.4	
Source: Georgia Department of Labor		

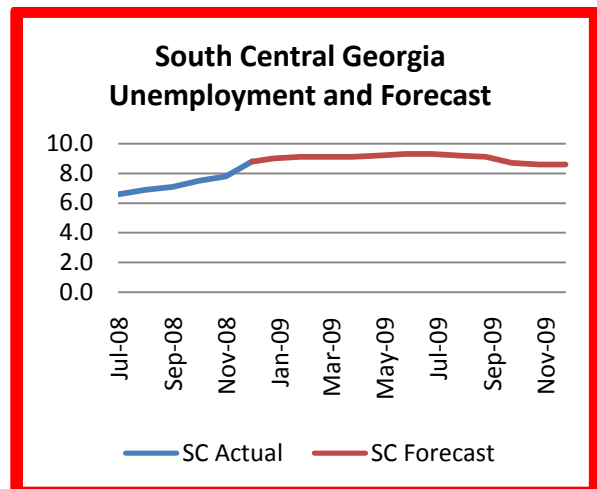
employment base results in a 2.7% decline.

Both the South Central Georgia and Southeast Georgia regions' unemployment rates were above the state average unemployment rate. At 7.7%, only the Southwest Georgia region unemployment rate was lower.

South Central Georgia Region

Although the South Central Georgia region began to feel the effects of an economic slowdown by the beginning of 2008, recessionary pressures did not fully impact the region until August 2008. Compared to the other two regions in the South Georgia area, the South Central Georgia area has experienced the greatest decline for 2008. Employment declined by 4.6% and the number unemployed rose by 68% for the year end December 2008.

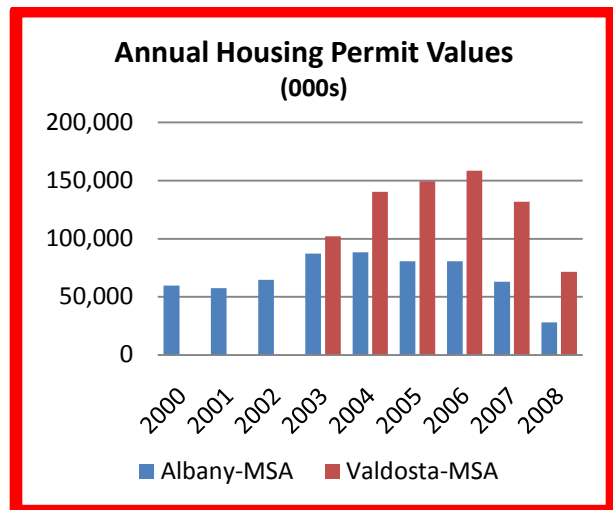
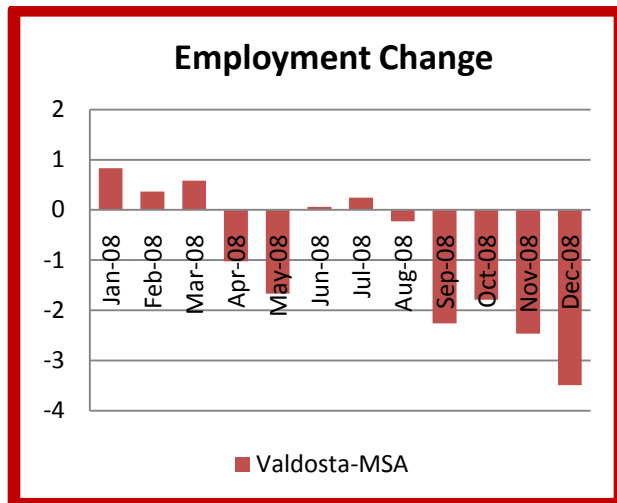
The unemployment rate for the South Central Georgia region peaked in December at 8.8%. The forecast suggests that unemployment will continue to rise and remain above 9.0% until the fall 2009. This unemployment rate however does not reflect the full impact of the recession since furloughs and reduced work hours that many workers are experiencing are not included in the unemployment rate. While the forecast predicts that the economy will begin recovering by the fourth quarter of 2009, cyclical unemployment is expected to remain positive through most of 2010.



Valdosta-MSA

Employment in the Valdosta-MSA continued to decline through the fourth quarter of 2008. Employment has fallen to 2006 levels, reversing the job gains of the last two years. Jobs continue to be concentrated in the service sector, with health care and education services industries the only industries maintaining jobs. For education, this is likely to change as state budget cuts have led to employment freezes at all levels of education.

Despite low mortgage rates, the real estate, and construction and construction related jobs remain weak for the Valdosta-MSA. After steadily rising since becoming a MSA in 2003, the Valdosta-MSA new construction values began to decline in 2007 and then fell 46% for the year 2008. Housing permits were averaging around \$6.5 million per month for the first eight months of 2008, then fell to an average \$3.5 million for the final four months of 2008 with most if not all housing permits concentrated in Lowndes County.



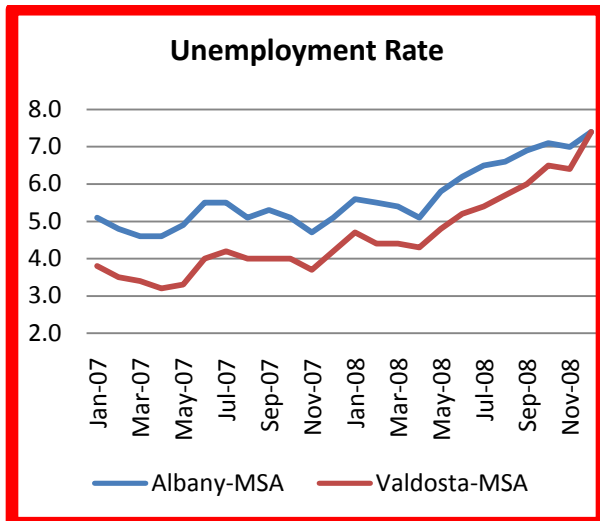
Valdosta-MSA Nonagricultural Employment December 2008		
	Number of jobs	Change from Dec 2007
Total Nonagricultural	55,000	-1,700
Total Private	42,200	-2,000
Goods Producing	8,300	-900
Service Providing	46,700	-800
Private Service-Providing	33,900	-1,100
Trade, Transportation and Retail Trade	12,500	-700
Government	9,000	-600
Federal	12,800	+300
State	800	0
Local	4,200	+200
	7,800	+100

Source: Georgia Department of Labor

Following a seasonal rise of unemployment and a gradual increase in cyclical unemployment through August 2008, the unemployment rate continued to rise as recession pressures increased. The Valdosta-MSA unemployment rate rose from 6.4% during November 2008 to 7.4% during December 2008. This is a dramatic increase from the 4.2% unemployment rate during December 2007.

When compared to the other thirteen MSAs in the state of Georgia, the Valdosta-MSA unemployment rate was similar to the other fourteen MSAs reporting data. With an above average percent of government jobs, Warner Robins-MSA reported the lowest unemployment rate at 6.3%. The Dalton-MSA reported the highest unemployment rate

at 11.2%. This is not surprising since textile jobs represent a large portion of jobs in its MSA.

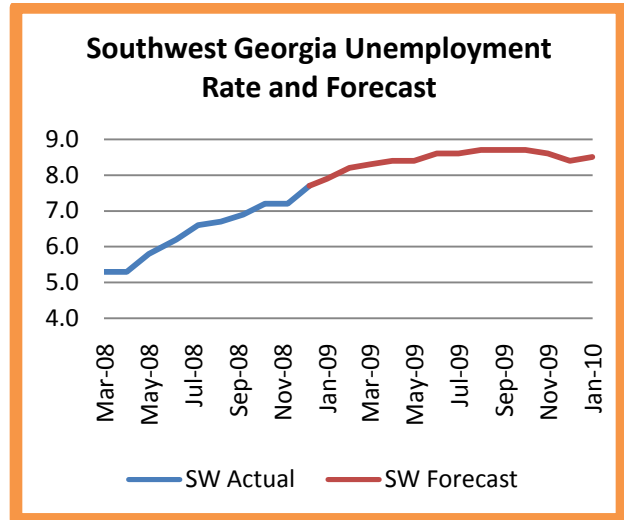


The forecast predicts that the Valdosta-MSA unemployment rate will remain above the natural rate with positive cyclical unemployment through the end of 2008. The forecast predicts that the Valdosta-MSA will enter a recovery phase before the end of 2008; however since the labor market tends to lag production changes, cyclical unemployment will remain positive through the first half of 2010. The forecast predicts an average unemployment for the Valdosta-MSA above 7.0% for the remainder of 2009.

Southwest Georgia Region

Job losses continued throughout most of 2008 and across all industries in the Southwest Georgia region. Unlike the South Central Georgia region, the Southwest Georgia region's economic slowdown began prior to the United States economic slowdown. Labor market weakness and slow growth had plagued the region for more than a year. Job losses picked up pace during 2008

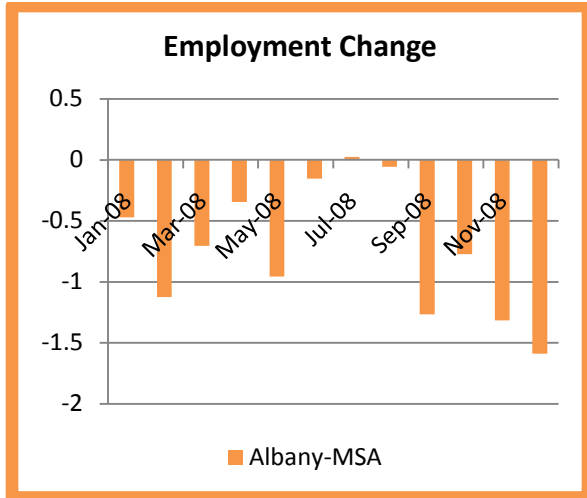
as the Southwest Georgia region continued on its recessionary path.



Despite low oil prices during the fourth quarter of 2008 and low mortgage rates, the labor market is expected to remain weak through the end of 2009 and first half of 2010. Cyclical unemployment is expected to remain positive through the first half of 2010.

Albany-MSA

The Albany-MSA is a reflection of the broader Southwest Georgia region. Employment losses were experienced across all industries with retail services reporting the largest percent declines at more than 6.0%. Non-agricultural jobs totaled 64,000 which is down 800 jobs from the previous year. This is the second consecutive year of declining employment for the Albany-MSA. With additional plant closures announced, low consumer confidence and government budget cuts, it is expected that job losses will continue through the end of 2009 and the first half of 2010.



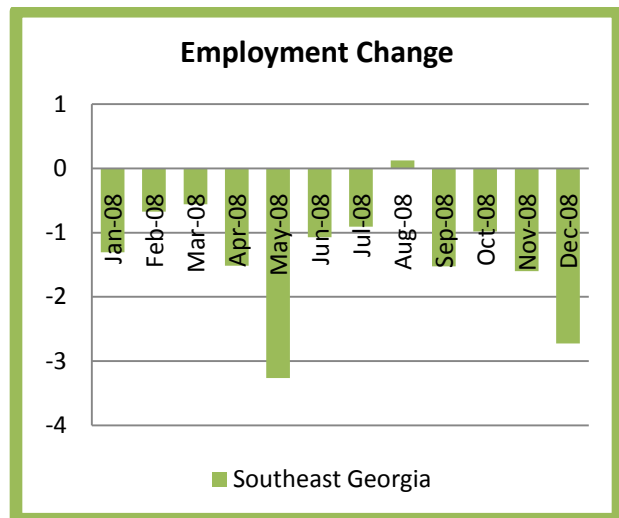
The real estate, and construction and construction related jobs remained weak during 2008. The Albany-MSA experienced a slight rise in housing permits during the 2003 to 2006 time period. However since 2006, the Albany-MSA housing permits have declined. During the first eight months of 2008, housing permits averaged approximately \$2.5 million per month. For the last two months of 2008 however, housing permits barely exceeded \$1.0 million each month.

As shown in an earlier graphic that contrasted the Albany-MSA and Valdosta-MSA unemployment rates, the Albany-MSA unemployment rate has increased since March

2007. This increase however has been at a slower pace than the Valdosta-MSA. The forecast predicts positive cyclical unemployment through the first half of 2010 with the unemployment rate rising and remaining above 8.0%.

Southeast Georgia Region

The Southeast Georgia region relies heavily upon jobs in the manufacturing, wood products, and agricultural and forestry production sectors. As a result, this region reported employment decline throughout 2008. Reflecting this job loss, the unemployment rate rose from 5.7% in January 2008 to 9.3% by December 2008.

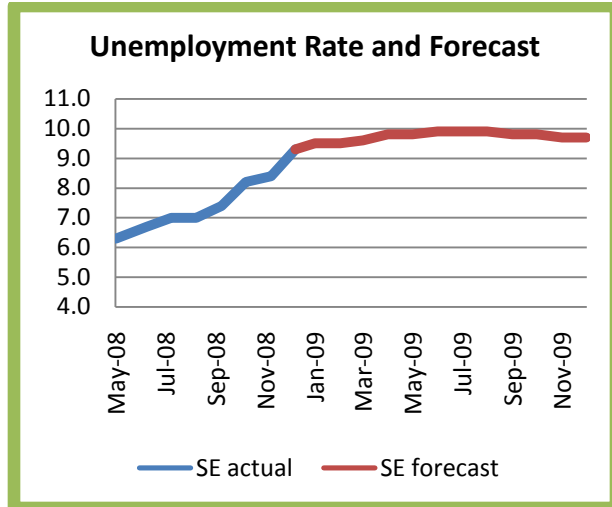


Albany MSA Nonagricultural Employment December 2008		
	Number of jobs	Change from Dec 2007
Total Nonagricultural	64,000	-800
Total Private	49,900	-800
Goods Producing	9,700	-200
Service Providing	54,300	-600
Private Service-Providing	40,200	-600
Manufacturing	6,400	-200
Trade and Transportation	12,700	-900
Retail Trade	7,700	-500
Government	14,100	+00
Federal	3,200	+100
State	2,900	-100
Local	8,000	+00

Source: Georgia Department of Labor

The forecast predicts that cyclical unemployment will remain positive through the end of 2009. The labor force and industry structure for the region will lead to a higher unemployment rate than the state of Georgia average unemployment rate. Only a change in economic development in the region will position it to take advantage of the national economic recovery that is expected to begin during 2010.

This region does not include a MSA.



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