

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 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.

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Economic Outlook: 1st Quarter 2009

Challenges continued during the first quarter of 2009 as the United States economy moved deeper into recession. While household expenditures increased modestly, business investment declined by nearly 37% with commercial and residential real estate, and software and equipment leading the business investment contraction. International demand for U.S. goods and services declined by nearly 30% as U.S. trade partners also experience recessionary pressures.

Given the weakness in the goods and services market and declining production, the unemployment rate increased to 8.9% during

April 2009, a level last seen during October 1983. The U.S. labor market for all industries experienced a net loss of jobs. As goods and services production declined by an annualized rate of 5.7% during the first quarter, layoffs continued at a pace of over 600,000 workers per month, matching the pace of the previous five months.

As measured by the consumer price index, the U.S. economy continued to experience deflationary pressures. Over the fourth quarter 2008 and first quarter 2009, prices declined at an average annual rate of 3.6%. Deflationary pressures however are likely to be short lived as the Federal Reserve System's historically easy monetary policy is likely to lead to rapid increases in prices as the economy recovers from the recession.

Since September 2008, the federal government and the Federal Reserve System have taken extraordinary actions to reverse the recessionary pressures. Although it appears that these actions are moderating the recession in the short-run, these actions will likely have long-run negative consequences on sustainable economic growth and inflation.

Federal government intervention in the form of loans and in some cases ownership on private sector businesses has increased significantly since September 2008. Beginning with the intervention in the financial markets during October 2008, government influence over private sector decisions expanded to the automobile industry by January 2009, and is likely to expand to the health care and health care related industries

by the end of 2009. While government is necessary to set the rules and regulations for the economy and encourage and at times provide under-produced goods and services, empirical evidence suggests that government intervention in markets often leads to less efficient outcomes and the misallocation of resources. The long-run consequences of prolonged government intervention are therefore a lower average growth rate and slower net job growth.

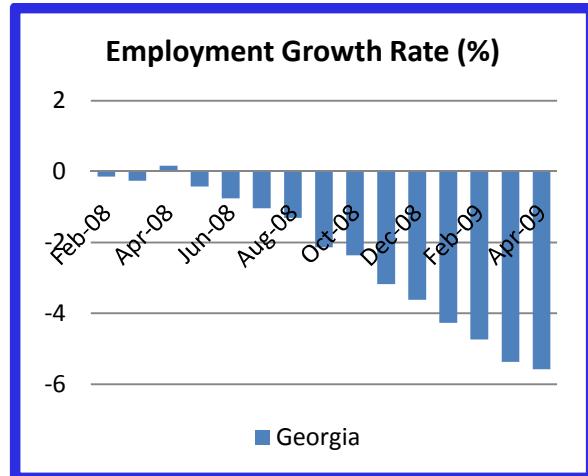
The federal government is relying upon issuing debt to pay for the increased spending. Since the private sector has not been willing to purchase all of the debt, the Federal Reserve System has increased its purchases of the debt. Monetizing the debt coupled with the extraordinary easy monetary policy will lead to rising inflation and higher long-term interest rates.

Economic indicators suggest that the recession is moderating and although economic growth may turn positive before the end of 2009, the strength of the recovery will be weak and job growth is unlikely to return until the first half of 2010. The state of Georgia is likely to follow the national trend with some parts of the South Georgia region recovering sooner than the rest of the economy. Counties that rely upon manufacturing jobs however will likely recover at a pace slower than the national average.

Georgia

Job losses for the state of Georgia increased pace through April 2009. The number of unemployed exceeded 400,000 workers during the first months of 2009 with the number of unemployed reaching 435,512 during March 2009. During the first quarter of 2009, major employers such as Shaw Industries, Pilgrim's Pride, Rheem Manufacturing, Aramark Facilities Services

and Cooper Tire & Rubber Company announced layoffs and closures. Other companies across the state announced furloughs as a means of adjusting labor force costs.



Except for Education and Health Services, net job losses increased across all industries in the state of Georgia. The year-to-year job losses were 185,900 through March 2009. With state and local budget cuts and hiring freezes in place, net jobs for education are likely to contract before the end of 2009. Health care and health care related jobs will also likely decline as Congress potentially reforms the United States health care system.

Manufacturing continued to experience the largest net job losses with year-to-year job losses of 47,500. Plant closings throughout the state have reduced durable goods manufacturing by 30,700 jobs and non-durable goods manufacturing by 16,800 jobs. Textile and textile related and transportation equipment manufacturers lead the contraction through the first quarter of 2009. This trend is likely to continue into 2010 as the U.S. textile and automotive industries continue to restructure.

Educational and Health Services reported the only industry net job gains for the year-to-year comparison. Net job losses for education however are likely by year's end as state and local governments cut the budgets of

educational institutions. School systems and institutions of higher education across the state have announced hiring freezes and furlough discussions have increased.

The rising number of unemployed coupled with the contracting size of the labor force has led to a rise of the unemployment rate to 9.1%. The forecast predicts that job losses for the state of Georgia are likely to continue through the end of 2009. Although job creation may pick up in several sectors during the first quarter of 2010 as the recovery begins to take hold, labor force expansion will keep the unemployment rate above 8% through the first half of 2010. Market uncertainty, volatile energy prices, and rising interest rates will be a drag on the Georgia economy through the first half of 2010.

South Georgia

The South Georgia region comprises thirty-two counties that are divided into three regions based upon the Georgia Regional

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		

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Mar 08 to Mar 09
Total Nonagricultural	-185,900
Total Private	-185,700
Construction	-32,000
Manufacturing	-47,500
Durable goods	-30,700
Non-durable goods	-16,800
Trade, Transportation and Utilities	-41,000
Wholesale trade	-9,800
Retail trade	-20,300
Information	-5,900
Financial services	-11,500
Professional and Business Services	-40,200
Administration and Support	-30,700
Employment services	-26,400
Educational and Health Services	+11,700
Educational Services	+7,100
Health Care and Social Assistance	+4,600
Leisure and Hospitality	-13,400
Accommodation and Food	-15,500
Government	-200
Federal	+300
State	-3,300
Local	-100
Source: Georgia Department of Labor	

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.

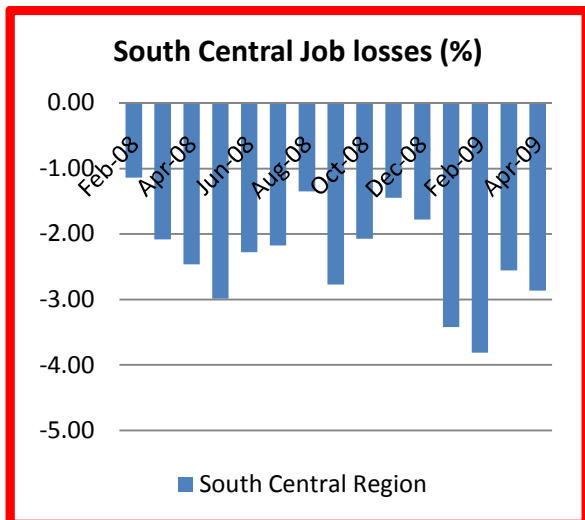
Following the state of Georgia trends, the South Georgia region is in a recession. The unemployment rate in the Southeast and South Central regions reached 10% during February 2009 with the Southeast region reaching nearly 11%. Although the unemployment rate rise is in part due to plant closures and employment freezes across the region, an expanding labor force also contributed to the increase. While the unemployment rate is expected to remain above the natural rate throughout 2010, it is

expected that the unemployment rates across South Georgia will moderate as production growth returns by the end of 2009 and net job gains return by the beginning of 2010.

South Central Georgia Region

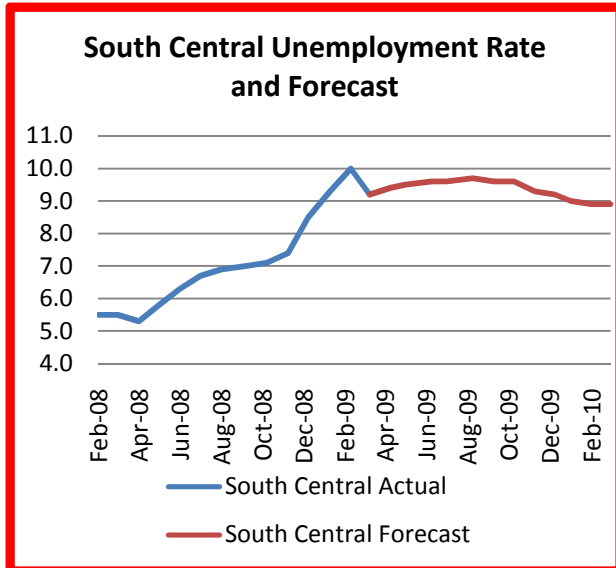
The South Central Georgia region continues the effects of the recession. Closures and layoffs by companies such as Fugifilm, Centrapak, Commissary Operations Incorporated, Hood Packaging Corporation and Shaw Industries have lead to a doubling of the number of unemployed in the region since October 2008. Job losses that began around the beginning of 2008 continued through the first quarter of 2009.

The unemployment rate for the South Central Georgia region has risen from 4.6% during October 2008 to 9.2% during March 2009. The 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.



Labor Force		
	Mar 2009	Change from Mar 2008
Georgia		
Civilian Labor Force	4,783,304	-67,486
Employed	4,344,320	-246,054
Unemployed	438,984	+178,568
Rate	9.2	
South Central Georgia		
Civilian Labor Force	112,277	+1,502
Employed	101,988	-2,675
Unemployed	10,289	+4,177
Rate	9.2	
Southwest Georgia		
Civilian Labor Force	169,391	+1,185
Employed	154,876	-4,328
Unemployed	14,515	+5,513
Rate	8.6	
Southeast Georgia		
Civilian Labor Force	73,825	+2,207
Employed	66,157	-1,511
Unemployed	7,668	+3,718
Rate	10.4	
Albany-MSA		
Civilian Labor Force	74,760	-1,289
Employed	68,675	-3,256
Unemployed	6,085	1,967
Rate	8.1	
Valdosta-MSA		
Civilian Labor Force	69,044	+441
Employed	63,984	-1,598
Unemployed	5,060	+2,039
Rate	7.3	
Source: Georgia Department of Labor		

The South Central Georgia region forecast suggests that unemployment will remain above 9.0% until the fall 2009. 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.

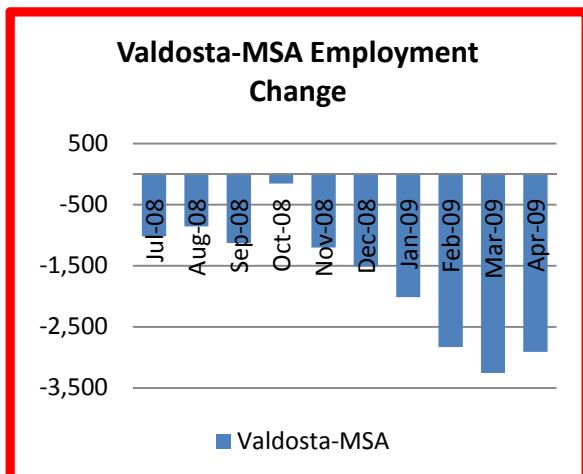


Valdosta-MSA Nonagricultural Employment March 2009		
	Number of jobs	Change from Mar 2008
Total Nonagricultural	55,800	-500
Total Private	42,100	-1,000
Goods Producing	7,900	-1,000
Service Providing	47,900	+500
Private Service-Providing	34,200	+00
Trade, Transportation and Retail Trade	11,900	-300
Government	13,700	+500
Federal	900	+100
State	4,700	+300
Local	8,100	+100

Source: Georgia Department of Labor

Valdosta-MSA

Employment in the Valdosta-MSA continued to decline through the first quarter of 2009. The number of non-agricultural jobs has declined to 55,800. Although service sector jobs increased, the year-to-year net job losses were driven by the decline in manufacturing jobs within the Valdosta-MSA. If the economy recovers more slowly than expected, the net job losses may increase further as companies move from furloughs to layoffs and hiring freezes.



Despite low mortgage rates, the real estate, and construction and construction related jobs remain weak for the Valdosta-MSA. After averaging \$3.6 million since September 2008, housing permits rose slightly in April 2008 to \$4.7 million. It is too early to declare the new construction market is in recovery for the Valdosta-MSA however it does appear that it has reached a trough.

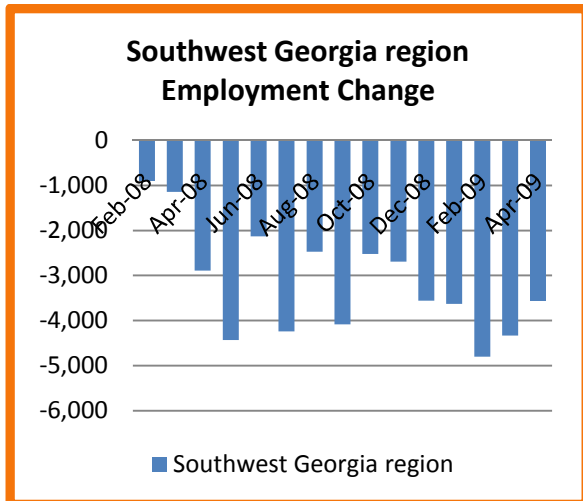
Area businesses under the leadership of the Valdosta-Lowndes County Chamber of Commerce are supporting an expanded chamber initiative, Think B.I.G - Buy In Greater Valdosta. The Chamber and its members have set a goal of redirecting \$5 million worth of business expenditures back into the Greater Valdosta area. If this goal is achieved, the Valdosta-MSA will recover 20% of the net job losses experienced since September 2008.

The forecast predicts that the Valdosta-MSA unemployment rate will remain above the natural rate with positive cyclical unemployment through the middle of 2010. 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 before dropping below 7.0% during the first half of 2008.

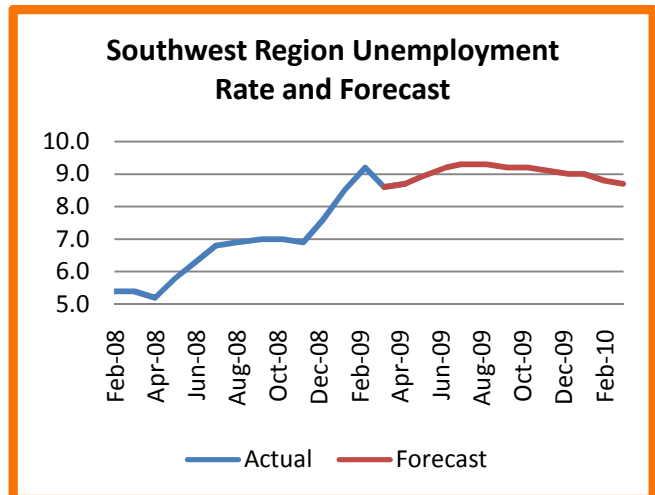
Southwest Georgia Region

Job losses continued throughout most of 2008 and across all industries in the Southwest Georgia region. Labor market weakness and slow growth has plagued the region for more than two years. Plant closures and layoffs by companies such as American Fibers & Yarns Company, ABB Incorporated, XLC Services, Traco and Cooper Tire & Rubber Company have lead to a further deterioration of employment within the Southwest Georgia region.



The Southwest Georgia region unemployment rate rose to 8.6% however it is the only region in South Georgia that remains below the state average unemployment rate of 9.2%. It is likely seasonal labor force expansion during the summer months will lead to a rise of the unemployment rate through September 2009. As the recession

moderates and seasonal unemployment subsides, the Southwest Georgia region unemployment rate should improve by the end of 2009. With the structural changes in the labor market resulting from recent federal government policy changes along with the plant closures of textile and automotive-related companies, it is not likely that manufacturing jobs lost during this recession will return once the recovery begins. Structural changes to the labor market, volatile energy prices and expected higher interest rates will likely slow the pace of recovery in this region. Cyclical unemployment is expected to remain positive through the first half of 2010.



Albany-MSA

For the Albany-MSA, employment losses were experienced across all industries. Non-agricultural jobs declined by 2,500 to a total employment of 62,200, a level of employment last experienced during 2004. With additional plant closures announced, expected rising interest rates and government budget cuts, it is expected that job losses will continue through the end of 2009 and the first half of 2010.

Albany MSA Nonagricultural Employment March 2009		
	Number of jobs	Change from Mar 2008
Total Nonagricultural	62,200	-2,500
Total Private	48,600	-2,400
Goods Producing	9,400	-1,100
Service Providing	52,800	-1,400
Private Service-Providing	39,200	-1,300
Manufacturing	6,200	-400
Trade and Transportation	12,800	-500
Retail Trade	7,500	-600
Government	13,600	-100
Federal	3,400	+300
State	2,900	+00
Local	7,300	-400
Source: Georgia Department of Labor		

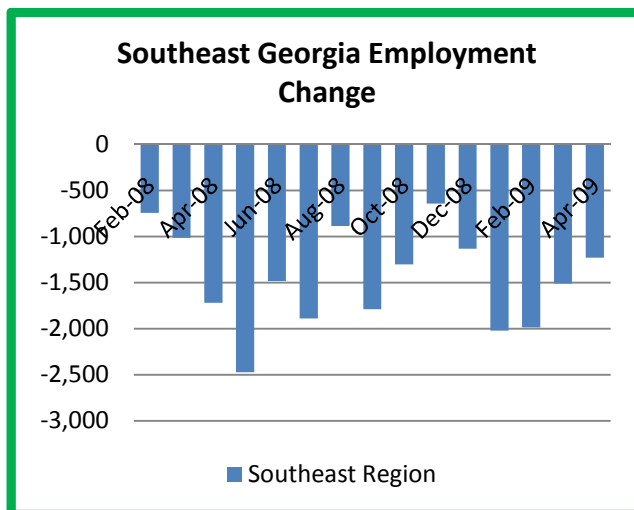
Real estate, construction and construction related jobs remained weak during the first quarter of 2009. Since November 2008, housing permits have averaged around \$1.0 million per month, insufficient to sustain viable construction and construction-related industries.

Despite plant closures and layoffs with the Greater Albany area, at 8.1% the Albany-MSA unemployment rate is below the average unemployment rate for the Southwest Georgia region. The forecast predicts that seasonal labor market movements will increase the Albany-MSA unemployment rate through the end of September 2009. Seasonal and cyclical unemployment should moderate during the last quarter of 2009 leading to a slight decline by the first quarter of 2010.

Southeast Georgia Region

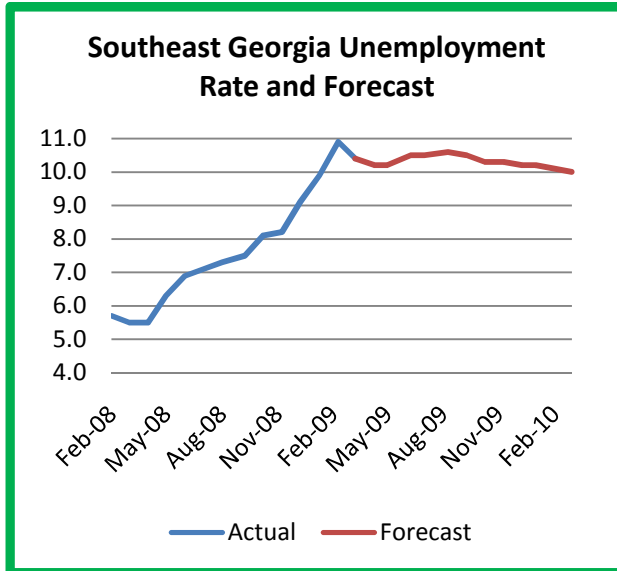
The Southeast Georgia region continued to experience a net job loss through the first quarter of 2009. Job closures and layoffs by companies such as West Fraser Incorporated, Pilgrim’s Pride and Julie Hat

Company Incorporated have lead to a further decline in employment for the region. With a heavy reliance upon jobs in the manufacturing, wood products, and agricultural and forestry production sectors, this region has experienced employment losses for more than two years.



The unemployment rate for the region has nearly doubled over the last year, rising from 5.5% during March 2008 to 10.5% during March 2009. Given the labor force and industry structure for the region, and the loss of manufacturing jobs, the higher than state average unemployment rate is likely to continue into the future. Only a change in economic development through aggressive business recruitment and local business expansion initiatives will position the region to take advantage of the national economic recovery that is expected to begin during 2010. Without these changes, the average unemployment rate for the region will be permanent higher than the state and national averages. The forecast predicts that cyclical unemployment will remain positive through the first quarter of 2010 leading to an unemployment rate that exceeds 10.0%.

This region does not include a MSA.



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