

South Georgia Business Outlook



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Langdale College of Business

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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.

The *South Georgia Business Outlook* is sponsored by the Center for Business and Economic Research and the Langdale College of Business.

Economic Outlook: 2nd Quarter 2009

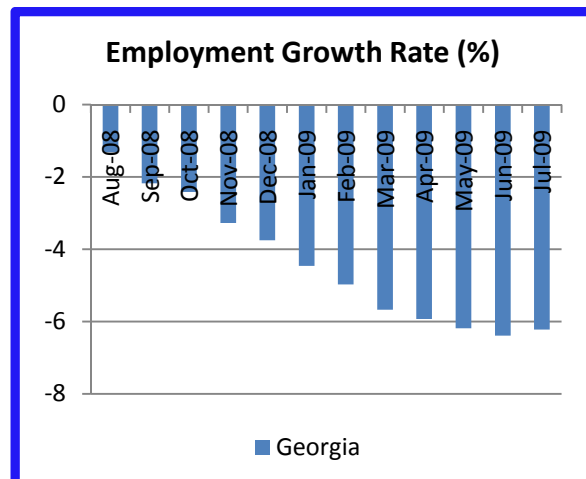
The United States remains in a recessionary phase of the business cycle at the end of the second quarter of 2009. The recession has negatively impacted all sectors of the economy, both private and public. Household wealth has declined dramatically over the last nine months and foreclosure rates continue to rise. The labor market has contracted as businesses eliminate jobs as cost saving measures. State and local government budgets have been significantly reduced as revenue sources decline.

While economic indicators are

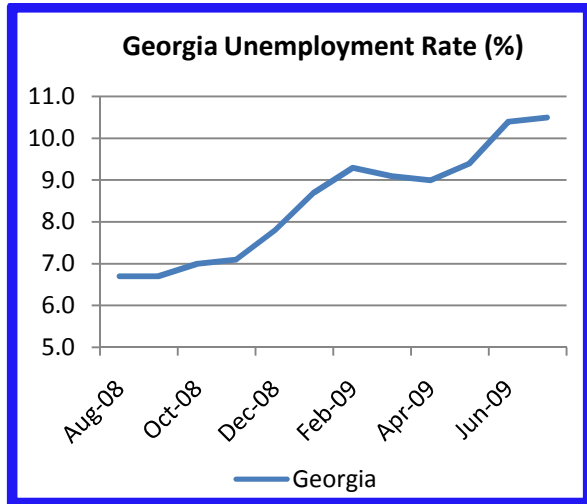
beginning to show signs of improvement, it is likely that production will remain below potential through the end of 2010. There is also a possibility that some sector contractions may be permanent leading to a structural shift in the labor market and the United States potential growth rate. While the United States experienced an average growth rate of over 3% since the mid-1980s, some indicators suggest that the sustainable growth rate for the next five years may average below 3%.

Georgia

The Georgia economy continues to contract as business profits decline, employment growth is negative and household wealth is below the previous year's values. Since the beginning of 2009, employment job losses have steadily increased. For the first



six months of 2009, the state of Georgia has experienced an average job loss of 5.6%. Even though the labor force size contracted, the unemployment rate peaked above 10% during the month of June. Since the labor market lags an economic recovery, further contractions are expected through the middle of 2010.



A year-to-year comparison reveals that the Trade industry contracted over 31% by the end of the second quarter of 2009. Both Wholesale trade and Retail trade declined as businesses and households reacted to the decline in demand and household wealth. Professional and Business Services also experienced a 31% decline over the one year period with Employment services and Technical services reporting the largest industry losses. As expected, the Financial Services industry reported job losses with the banking and investment sectors suffering the largest losses.

Manufacturing and Construction sectors also continued to lose jobs. Durable goods manufacturing and Specialty Trade contractors saw the largest job losses. While the Construction industry is likely to experience improvement by the first quarter of 2010, manufacturing job losses will continue

to follow a twenty year job loss trend even after the Georgia economy recovers.

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Jul 08 to Jul 09
Total Nonagricultural	-119,100
Total Private	-119,300
Construction	-25,200
Manufacturing	-20,400
Durable goods	-13,100
Non-durable goods	-7,300
Trade, Transportation and Utilities	-31,400
Wholesale trade	-12,900
Retail trade	-12,900
Information	-4,700
Financial services	-12,500
Professional and Business Services	-31,300
Administration and Support	-12,500
Employment services	-11,700
Educational and Health Services	+6,800
Educational Services	+2,000
Health Care and Social Assistance	+4,800
Leisure and Hospitality	+100
Accommodation and Food	-1,400
Government	+200
Federal	+500
State	+2,000
Local	-2,300
Source: Georgia Department of Labor	

South Georgia

The South Georgia region comprises thirty-two counties that are divided into two regions based upon the Georgia Regional Development Center 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 Dougherty County in the Southwest Georgia region, and the Valdosta-MSA is located in Lowndes County in the Southern Georgia region.

South Georgia Region		
Southwest Georgia Region Counties	Southern Georgia Region 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	

Following the state of Georgia trends, the South Georgia region is in a recession. Production has declined and job losses have increased. Although the unemployment rates have risen to levels not experienced in more than twenty years, the rates likely underestimate the impact of the recession on the labor market as businesses impose furloughs on salaried employees and reduce work hours for hourly employees.

Manufacturing production continues to decline as more companies announce closures in both regions. Through the end of June 2009, the Southwest Georgia region has lost 1,682 jobs from plant closures and layoffs. The Cooper Tire & Rubber Company leads with the Dougherty County plant closure affecting 1,268 manufacturing jobs. The Southern Georgia region has lost 2,484 manufacturing jobs through the end of June 2009. The closure on Pilgrim's Pride plant in Coffee County led the job losses.

The Construction and Construction-related industries ground to a near halt during the first six months of 2009. This industry tends to lag a recovery so it is likely that construction production and jobs will not return until the second quarter of 2010. This

Labor Force		
	June 2009	Change from June 2008
Georgia		
Civilian Labor Force	4,765,522	-103,403
Employed	4,285,901	-275,155
Unemployed	479,621	+171,752
Rate	10.1	
Southern Georgia		
Civilian Labor Force	189,378	+6,359
Employed	168,549	-2,582
Unemployed	20,829	+8,941
Rate	11.0	
Southwest Georgia		
Civilian Labor Force	172,898	+3,933
Employed	155,588	-2,730
Unemployed	17,310	+6,663
Rate	10.0	
Albany-MSA		
Civilian Labor Force	76,674	+114
Employed	68,958	-2,740
Unemployed	5,133	+2,854
Rate	10.1	
Valdosta-MSA		
Civilian Labor Force	69,294	+971
Employed	63,462	-1,171
Unemployed	5,832	+2,142
Rate	8.4	
Source: Georgia Department of Labor		

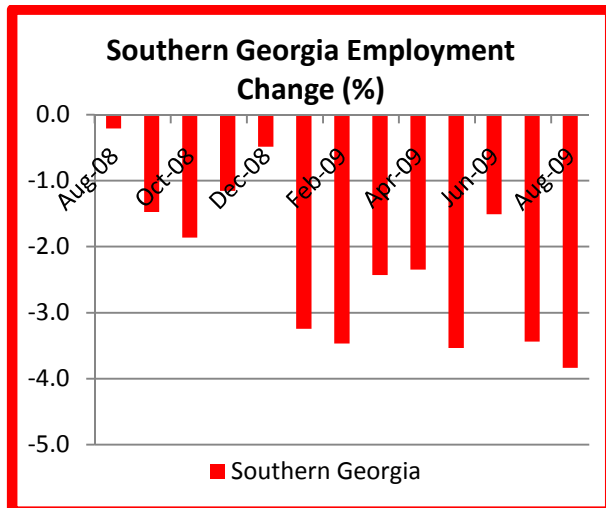
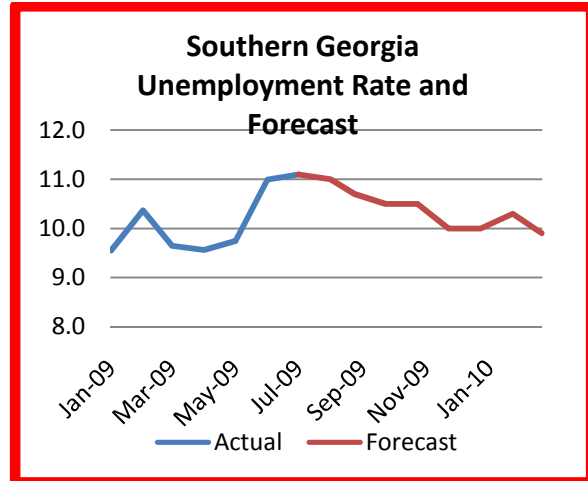
assumes that mortgage interest rates remain below 6.5%.

Southern Georgia Region

Economic weakness persists in the Southern Georgia through the second quarter of 2009. Plant closures, announced furloughs and hiring freezes continue to impact region industries. While the real estate market remains weak, some signs of improvement

through existing home sales appear in pockets of the regions.

The Southern Georgia region unemployment rate continued to steadily rise through the second quarter, peaking at 11% during June 2009. While a seasonal unemployment rate rise during the summer months is not unusual, the 11% unemployment rate reflects positive cyclical unemployment arising from the economic slowdown. In addition, the labor market is actually weaker than the unemployment rate suggests since furlough days and shorter work weeks are not considered when calculating the unemployment rate.



Despite the economic slowdown, local business communities and governments have worked together to minimize the impact and duration of the recession. These actions will likely speed the recovery during 2010. The forecast predicts that the economy will begin recovering by the fourth quarter of 2009. With positive cyclical unemployment through most of 2010, the Southern Georgia region forecast suggests that the unemployment rate will remain above 10.0% through the first quarter of 2010 before dropping below 10% during the second quarter. As economic conditions begin to improve, net job growth will likely return by the summer of 2010.

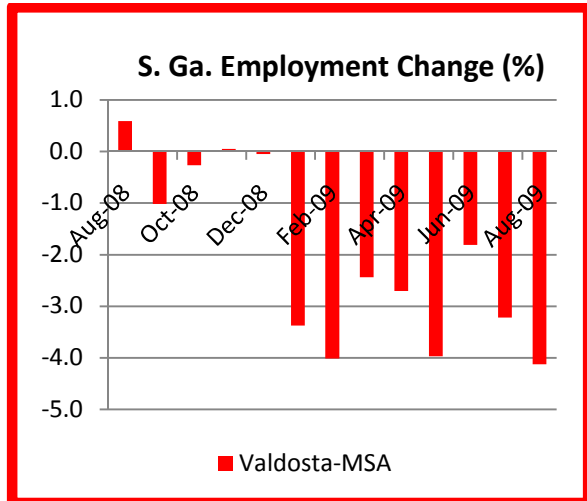
A note about the Southern Georgia region: Beginning July 2009, the Georgia Regional Development Center combined the South Central Georgia and Southeast Georgia regions to form the new Southern Georgia region. The Southwest Georgia region had a relatively higher concentration of manufacturing jobs and historically had a higher unemployment rate. The Southwest Georgia region also did not have a MSA located with its region. This must be considered when comparing previous forecasts for the South Central Georgia region with forecasts for the new Southern Georgia region.

Valdosta-MSA

The Valdosta-MSA which had avoided recessionary pressures in most industries during 2008 began to experience broad economic weakness during the first quarter of 2009. Business closures and net job losses lead to an average employment loss of 3% per month since February 2009.

Job losses impacted all sectors within the Valdosta-MSA with manufacturing experiencing the largest losses. Since manufacturing job losses tend to be

permanent, it is likely that these types of jobs will not return even after the economic recovery begins.



Low mortgage rates and competitive pricing has lead to minor improvements in the real estate market. Despite these improvements, real estate and real estate related industry production remains below sustainable growth levels. Retail sales remain weak leading to net job losses and shorter work weeks for retail employees. The unemployment rate peaked at 8.4% during June 2009 - double the unemployment rate of

December 2007.

The forecast predicts that the Valdosta-MSA will enter a recovery phase before the end of 2009 however since the labor market tends to lag production changes, cyclical unemployment will remain positive through the first half of 2010. Given the structure of the labor market and business mix, the Valdosta-MSA economic recovery will likely be more robust than that of the other areas in the South Georgia region and state of Georgia.

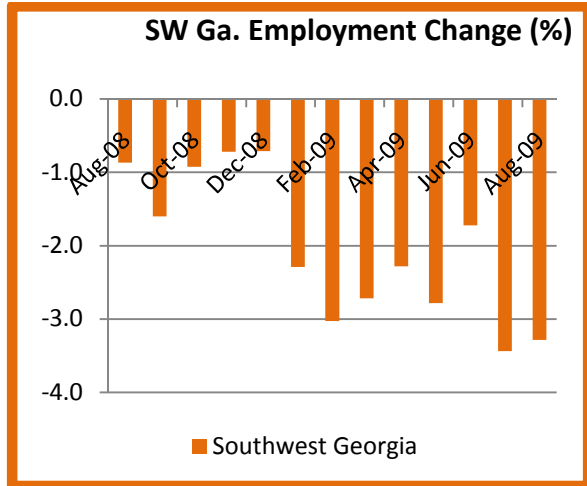
Southwest Georgia Region

The Southwest Georgia region continues to experience economic weakness that began before the national recession. Wealth decline, weak demand, real estate and construction related industry collapse, and the automobile market problems have increased labor market pressures in the region. Plant closures and layoffs by companies such as American Fibers & Yarns Company, ABB Incorporated, XLC Services, Traco and Cooper Tire & Rubber Company are examples of recent job losses that are not likely to return even after an economy moves into an economic recovery.

The Southwest Georgia region unemployment rate increased above 10% during June 2009. While recent graduates' inabilities to find jobs explain part of the unemployment rate rise, business closures and layoffs account for the majority of job losses. Recessionary pressures are likely to moderate by the end of 2009 however structural weaknesses within many industries is likely to minimize job growth and the region's economic recovery through the first half of 2010.

Valdosta-MSA Nonagricultural Employment Aug 2009		
	Number of jobs	Change from Aug 2008
Total Nonagricultural	54,700	-200
Total Private	41,700	-2,100
Goods Producing	7,500	-1,200
Service Providing	47,200	-800
Private Service-Providing	34,200	-900
Trade, Transportation and Retail Trade	11,500	-800
Government	13,00	+100
Federal	800	+00
State	4,400	+100
Local	7,800	+00

Source: Georgia Department of Labor



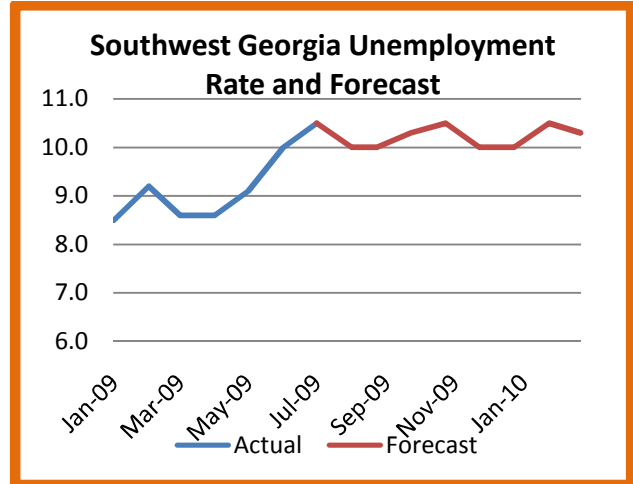
The forecast predicts that the economic recovery for the Southwest Georgia region will lag the state of Georgia. While job growth in the government sector may return, jobs in retail trade, manufacturing and real estate will be slow to return. The unemployment rate is expected to remain above 10% through the first half of 2010. The economic recovery and job market outlook are likely to remain weak through the end of 2010.

Albany-MSA

For the Albany-MSA, employment losses were experienced across all industries. Non-agricultural jobs declined by 2,400 to a total employment of 61,500. With additional plant closures announced, continued weak demand and government budget cuts, it is expected that job losses will continue through the end of 2009 and the first half of 2010.

Retail trade and the manufacturing sector have experienced the greatest loss of jobs over the last three years. Construction related jobs have declined significantly. The loss of jobs and growth of labor force size have increased the Albany-MSA unemployment rate above 10%. Given the

continued weakness in the Albany-MSA, the forecast predicts that the unemployment rate will remain at or above 10% through the second quarter of 2010.



The forecast predicts that economic conditions will remain flat in the Albany-MSA through first half of 2009. Modest growth and job creation will likely return during the second half of 2010. This assumes that energy prices remain steady and inflation does not rise significantly. The effects of potential health care reform and tax policies at the national level lead to some uncertainty in the markets.

Albany MSA Nonagricultural Employment Aug 2009		
	Number of jobs	Change from Aug 2008
Total Nonagricultural	61,500	-2,400
Total Private	48,200	-1,900
Goods Producing	8,800	-1,300
Service Providing	52,700	-1,100
Private Service-Providing	39,400	-600
Manufacturing	5,800	-800
Trade and Transportation	13,000	+00
Retail Trade	7,200	-400
Government	13,300	-500
Federal	3,300	+100
State	2,900	-100
Local	7,100	-500

Source: Georgia Department of Labor

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