

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

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First Quarter 2010

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.

South Georgia Regional Development Centers

Southwest Georgia Counties		Southern Georgia 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	

Economic Outlook: 1st Quarter 2010

Economic indicators continue to modestly improve as the United States appears to have entered an economic recovery. The most recent economic gains were led by business investment in software and certain capital equipment. While the rise of stock market values over the last year have improved consumer wealth, housing market weakness and labor market uncertainty continue to contain consumer spending.

While the corporate sector modestly improves, government budgets and spending programs cause concern and uncertainty.

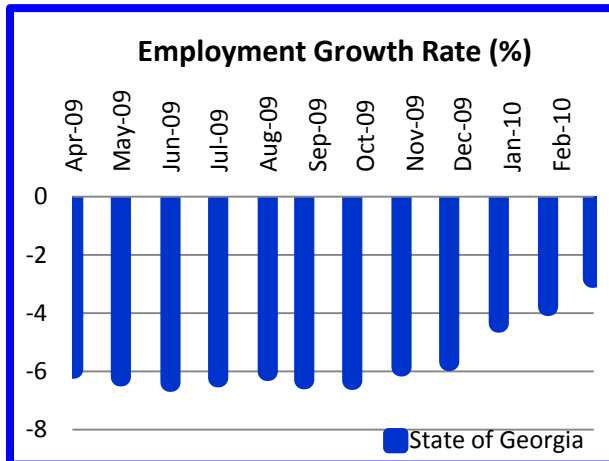
Deficits are expected during recessionary periods however spending programs at the national level have increased the federal deficit to historical levels. The rising national government debt, passage of the national Affordable Care Act (health care reform) and declining state revenues will be a drag on the United States economy.

The economic outlook is for modest growth through the end of 2010. How the national, state and local governments deal with declining budgets and tax policies will greatly influence whether or not the recovery gains momentum.

Georgia

The economic decline continues to cause job losses for the State of Georgia through the first quarter of 2010. Construction and Construction-related industries, manufacturing, wholesale trade and financial services are the hardest hit industries in Georgia. With weak to modest growth expected through the end of 2010, it is likely that these industries will continue to decline through the end of 2010.

Economic weakness continues to have a wide spread and deep impact on the Georgia economy. The housing recession has expanded to commercial real estate in the greater Atlanta area, plant closures across the state, declining government revenues and financial market uncertainty will likely persist through the end of 2010. The rate of net job loss has declined during the first quarter however the decline was primarily driven by a temporary rise of federal census workers. Once these jobs conclude during the second quarter, the rate of job loss is expected to rise.



While pockets of recovery are expected across the state, the economic outlook for the State of Georgia is for continued weakness through the end of 2010. With declining state and local government revenues and additional

federal stimulus not likely, smaller government budgets will contribute to the slow recovery.

The impacts of the federal health care reform, uncertainty about financial market reforms and the anemic residential and commercial real estate markets suggest that the recovery will likely be slow through the end of 2010. The prospect of higher federal taxes to fund the growing federal deficit reduces the probability of a robust recovery.

Georgia Nonagricultural Jobs Change in Number of Jobs	
	Mar 09 to Mar10
Total Nonagricultural	-112,300
Total Private	-104,500
Construction	-27,400
Manufacturing	-33,600
Durable goods	-23,300
Non-durable goods	-10,300
Trade, Transportation and Utilities	-16,200
Wholesale trade	-12,100
Retail trade	+100
Information	-4,600
Financial services	-15,300
Professional and Business Services	-14,200
Administration and Support	+1,500
Employment services	+3,400
Educational and Health Services	+6,100
Educational Services	+5,400
Health Care and Social Assistance	+700
Leisure and Hospitality	+1,000
Accommodation and Food	-500
Government	-7,800
Federal	+1,300
State	-2,700
Local	-6,400
Source: Georgia Department of Labor	

South Georgia

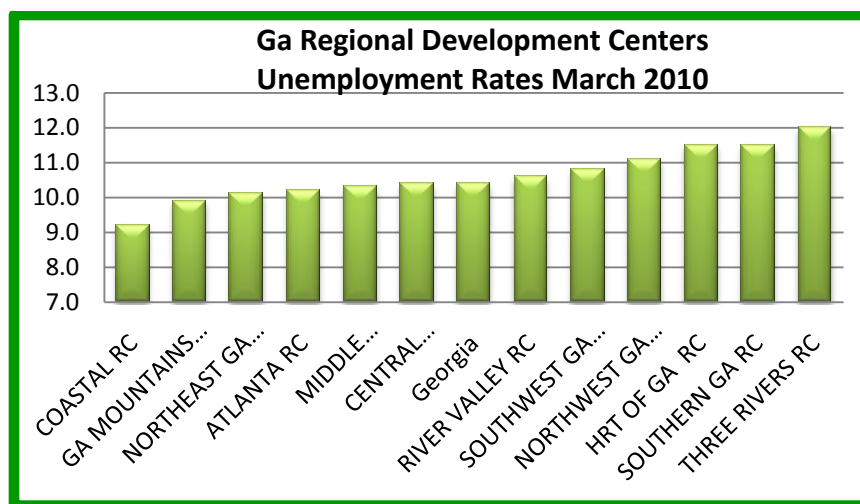
The South Georgia region comprises thirty-two counties that are divided into two regions based upon the Georgia Regional Development Center designations. The

Labor Force		
	March 2010	Change from Mar 2009
Georgia		
Civilian Labor Force	4,711,861	-63,781
Employed	4,221,683	-118,447
Unemployed	490,178	+54,666
Rate	10.4	
Southern Georgia		
Civilian Labor Force	174,578	-11,525
Employed	154,568	-13,578
Unemployed	20,010	+2,053
Rate	11.5	
Southwest Georgia		
Civilian Labor Force	165,466	-3,926
Employed	147,572	-7,305
Unemployed	17,894	+3,379
Rate	10.8	
Albany-MSA		
Civilian Labor Force	77,343	+2,582
Employed	68,903	+227
Unemployed	8,440	+2,355
Rate	10.9	
Valdosta-MSA		
Civilian Labor Force	67,016	-2,028
Employed	61,113	-2,871
Unemployed	5,903	843
Rate	8.8	
Source: Georgia Department of Labor		

Southwest Georgia and Southern Central 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 the Southwest Georgia region and the Valdosta-MSA is located in the Southern Central Georgia region.

Following state trends, the South Georgia region economy remains weak. The unemployment rates in the Southeast and Southern Central Georgia regions were above 10% during the first quarter of 2010. While counties along the major highway corridors are beginning to show signs of recovery, the more rural counties remain in a deep recession.

Compared to the other regional development areas for the state of Georgia, the Southwest and Southern Georgia regions' unemployment rates are above the other regional averages. Only the Three Rivers region with an unemployment rate of 12% exceeded the Southern Georgia region. The loss of manufacturing jobs, especially in the rural communities, is a major source of job loss in those communities. The forecast predicts positive cyclical unemployment with only a modest recovery through the end of 2011.

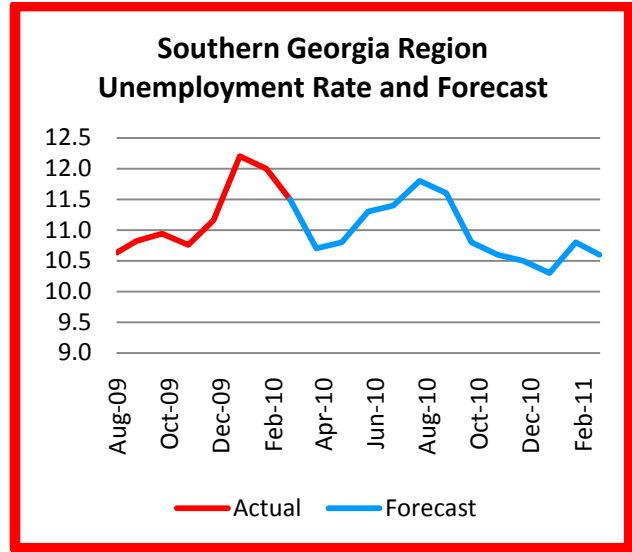


Southern Georgia Region

The effects of the economic recession persist in the Southern Georgia region. Weak consumer demand, business closures and market uncertainties have adversely impacted the region. At 11.5%, the unemployment rate for the Southern Central Georgia region remained above the state average during March 2010.

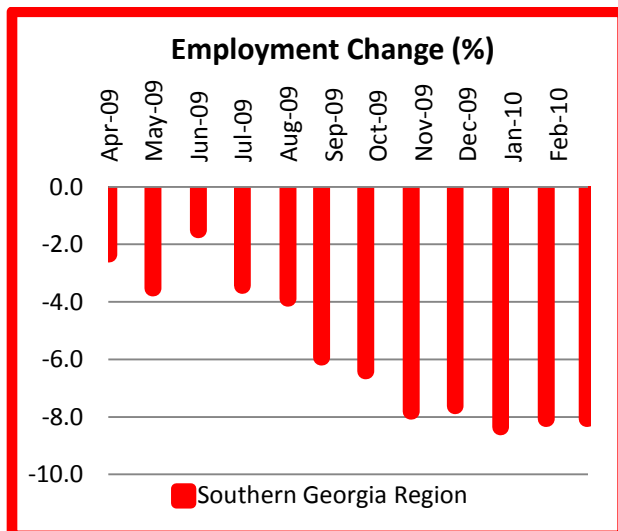
The impact of the recession across the region has been uneven. The economic conditions for the counties along or near the I-75 corridor have begun to modestly improve. The rural communities however remain in a deep economic recession with some communities reporting unemployment rates near 20%.

The South Central Georgia region forecast suggests that unemployment will remain above 10% through the first quarter of 2011. The probability of job growth by the end of 2010 is greater than 50%. However higher federal tax rates, lower state and local spending and potentially higher state and local taxes may offset the expected private sector gains.



Valdosta-MSA

The economic conditions in the Valdosta-MSA remained weak through the first quarter of 2010. The lack of net job growth, expanded furloughs and hiring freezes led to weak demand within the MSA. While there are some indications of a modest recovery within the Valdosta-MSA, hiring freezes by major employers and lower government spending is likely to slow the recovery.



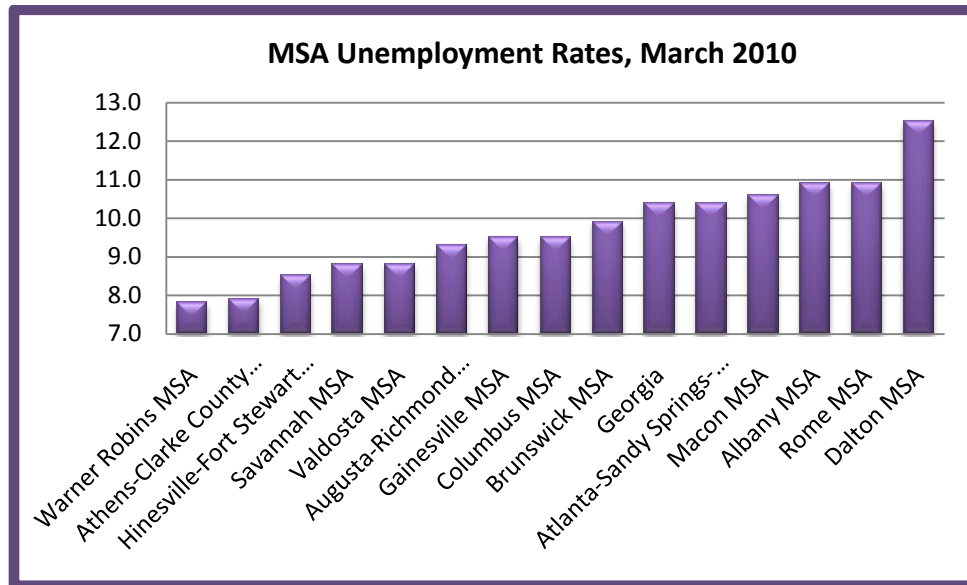
Valdosta-MSA Nonagricultural Employment March 2010		
	Number of jobs	Change from Mar 2009
Total Nonagricultural	52,600	-1,500
Total Private	39,500	-1,200
Goods Producing	6,700	-900
Service Providing	45,900	-600
Private Service-Providing	32,800	-300
Trade, Transportation and Retail Trade	10,800	-500
Government	7,800	-00
Federal	13,100	-300
State	1,000	+200
Local	4,200	-400
	7,900	-100

Source: Georgia Department of Labor

The Valdosta-MSA labor market conditions are more favorable than most of the other MSAs in the state of Georgia. Of the fourteen MSAs, the Valdosta-MSA has the fifth lowest unemployment rate.

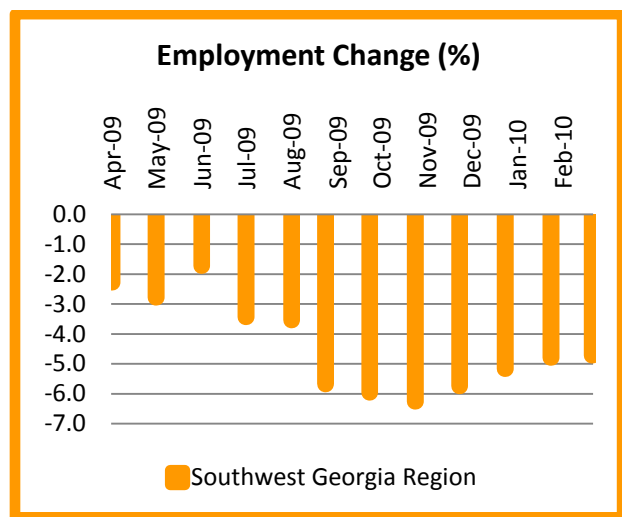
The forecast predicts that the Valdosta-MSA unemployment rate will remain above the natural rate with positive cyclical unemployment through the first quarter of

2011. While some indicators suggest that the Valdosta-MSA has entered a recovery phase, the forecast predicts that the economy will recover slowly. Federal and state policy decisions will likely be drag on the recovery for the Valdosta-MSA. The forecast predicts an average unemployment above 8.0% for the Valdosta-MSA for the remainder of 2010.



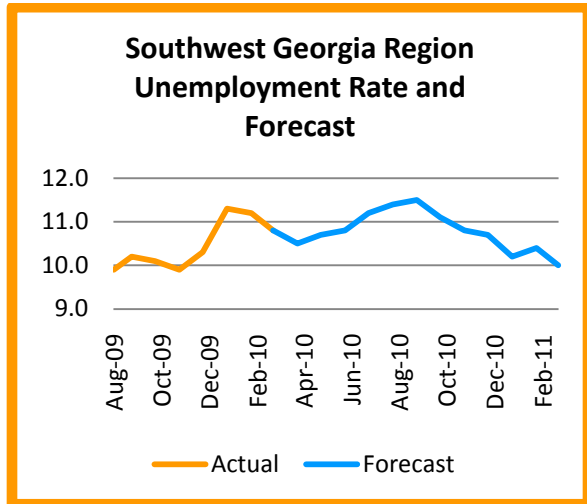
Southwest Georgia Region

The Southwest Georgia region remains in a recessionary period. The rate of job loss has remained above 5% per month since September 2009. The economic decline has touched all industries and is expected to continue through the forecast time period. The loss of major manufacturing jobs, weak consumer demand and loss of its tax base have led to economic contraction that is greater than the state average. The Southwest Georgia region unemployment rate rose above 11% at the beginning of the year before dropping



slightly to just below 11% during March 2010.

The economic outlook for the Southwest Georgia region predicts continued recession through the first quarter of 2011. While parts of Georgia may begin a recovery by the end of 2010, it is unlikely that the Southwest Georgia region will participate in the recovery.



Albany-MSA

While the Albany-MSA continued to report net job losses through the end of the first quarter, there was an unexpected surge in

service sector jobs. It is unclear if these jobs reflect a permanent change in business confidence or is a temporary increase associated with government stimulus or census jobs. The loss of high paying, high benefit jobs however appears to be permanent. Service sector jobs tend to offer lower wages and fewer benefits. The effects of the labor force structural change on the tax base and economic growth will likely lead to a lower sustainable growth rate for the Albany-MSA. An aggressive economic development plans will be needed to revitalize the economic potential for the MSA.

Albany MSA Nonagricultural Employment March 2010		
	Number of jobs	Change from Mar 2009
Total Nonagricultural	62,300	-500
Total Private	48,200	-500
Goods Producing	7,300	-1,700
Service Providing	55,000	+1,200
Private Service-Providing	40,900	+1,200
Manufacturing	4,800	-1,400
Trade and Transportation	12,800	+400
Retail Trade	7,500	00
Government	14,100	00
Federal	3,600	+200
State	3,000	+00
Local	7,500	-200

Source: Georgia Department of Labor

The **Center for Business and Economic Research** supports regional development and promotes activities that strengthen the competitive positions of regional business. In addition to conducting applied research on important regional issues, The Center for Business and Economic Research’s members and associates provide a broad range of consulting services, training programs, and public service activities to area organizations. Visit <http://www.valdosta.edu/lcoba/cber.shtml> for a listing of available services or contact the Director of the Center for Business and Economic Research, Dr. Cliff Lipscomb at 229-245-3774.

The *South Georgia Business Outlook* is a quarterly publication of the Center for Business and Economic Research, Langdale College of Business, Valdosta State University. The articles reflect the opinions of the author, but not necessarily those of the staff of the Institute, the faculty of the Langdale College of Business, or the administration of Valdosta State University.

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