

# 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 reports 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 and distributed by the Center for Business and Economic Research and the Langdale College of Business.

## *Economic Outlook: 1<sup>st</sup> Quarter 2014*

The United States economy contracted during the first quarter of 2014. Uncertainty about the regulations and taxes associated with Affordability Health Care Act and bad weather contributed to a decline in consumption spending. Business investment also declined during the first quarter.

Tight lending requirements and more rigorous banking regulations continue to negatively impact business expansion opportunities. For small businesses that historically relied on home equity loans to partially fund business start-ups, the higher lending standards have significantly reduced access to liquidity. Janet Yellow, chair of the Federal Reserve System, announced that the

### South Georgia's Service Delivery Regions

Region 10 (Southwest Georgia)	Region 11 (South Central Georgia)
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

Fed will continue to unwind the quantitative easing policies that have been in place for years. Short-term interest rates are not expected to rise before the middle of 2015.

The United States forecast predicts positive growth through the end of 2014. Although the growth rate will be positive, it is not expected to be sufficient to increase the growth rate significantly. Economic growth is expected to create net new jobs for the remainder of 2014 and the unemployment rate is expected to decline through the first quarter of 2015. It is expected that the United States unemployment rate will drop below 5.7% by the end of 2014. The lower unemployment rate will be driven by decline in

labor force participation and a small increase in net new jobs.

## Georgia

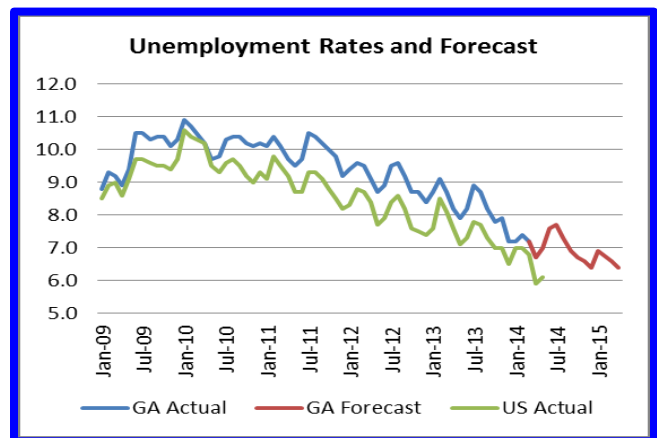
While net jobs gains have been relatively flat over the last six months, for the twelve month period ending March 2014 employment grew 1.7%, increasing employment by 69,000 net new jobs. The private sectors experiencing the greatest increase were Heavy and Civil Engineering, Construction of Buildings, Employment Services, and Food Services. Heavy and Civil Engineering and Construction of Buildings grew at a rate greater than 7% while Employment Services and Food Services grew at nearly 6%. Although growing at 2.8%, greatest number of jobs was created in Retail Trade, up 12,500 net new jobs over the previous twelve months.

Private sectors posting the largest loss of jobs over the last twelve months were Accommodations, down 3.7%, Real Estate and related services down 2.4%, and Food Manufacturing, down 2.9%. Government at all levels continued to reduce employment, leading to a loss of 12,500 jobs. Local and State Government accounted for 90% of the decline in Government employment.

The Georgia unemployment rate declined from 8.2% in March 2013 to 7.0% in March 2014. Over the one year period, employment increased and the number of unemployed declined by nearly 56,000. While the labor force size continues to decline, net job creation accounts for most of the unemployment rate decline.

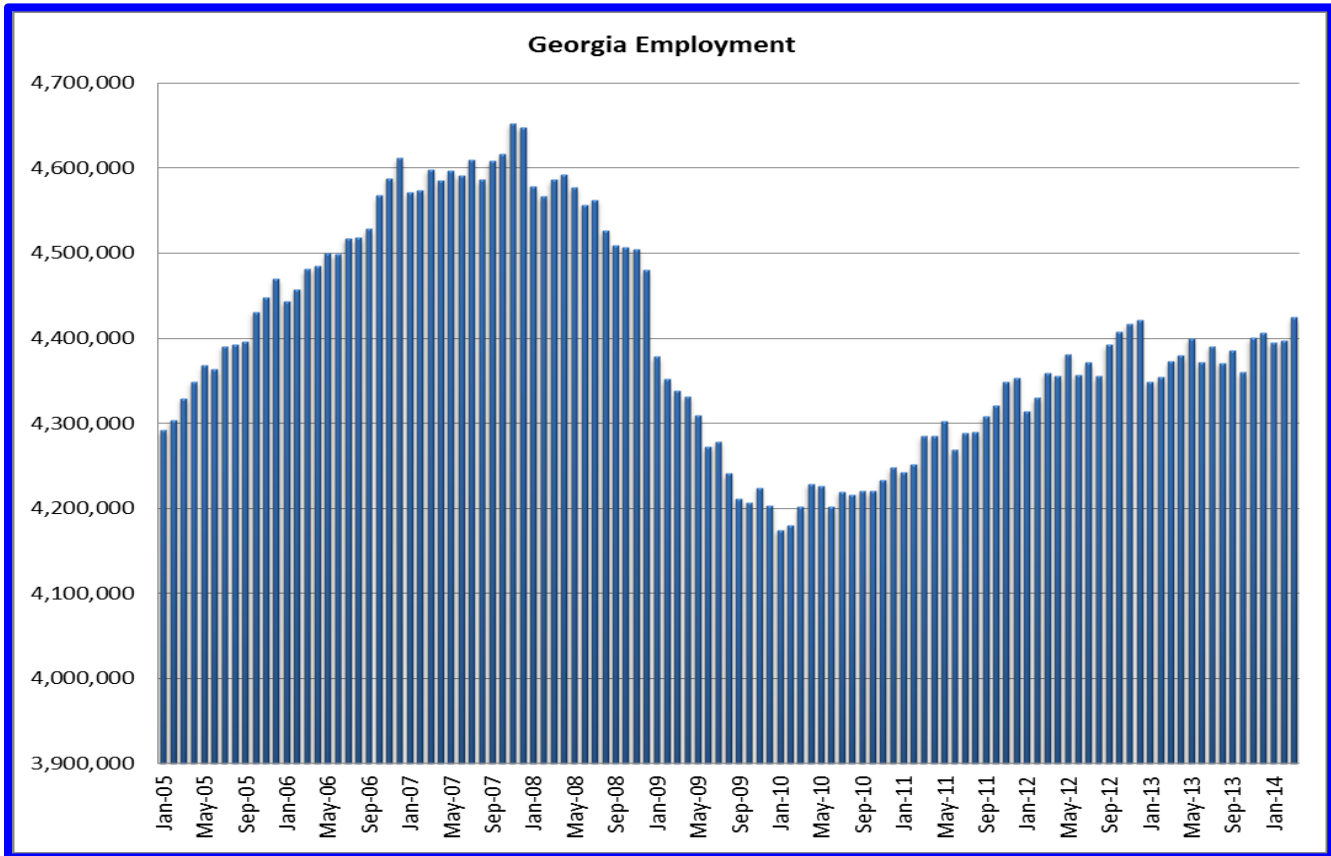
The forecast predicts continued positive economic activity through the first quarter of 2015. An improving real estate market and a less austere state budget will have positive effects on economic growth. In the longer term, threats to the Georgia economy include rising interest rates,

Labor Force	
	March 2014
<b>Georgia</b>	
Civilian Labor Force	4,758,683
Employed	4,424,425
Unemployed	334,258
Rate	7.0%
<b>South Central Georgia</b>	
Civilian Labor Force	170,877
Employed	157,234
Unemployed	13,643
Rate	8.0%
<b>Valdosta-MSA</b>	
Civilian Labor Force	66,293
Employed	61,688
Unemployed	4,605
Rate	6.9%
<b>Southwest Georgia</b>	
Civilian Labor Force	157,168
Employed	144,978
Unemployed	12,190
Rate	7.8%
<b>Albany-MSA</b>	
Civilian Labor Force	71,953
Employed	66,242
Unemployed	5,711
Rate	7.9%
Source: Georgia Department of Labor	



regulatory uncertainty, and potential military base closures arising from the next BRAC round. The forecast predicts that the unemployment rate will

decline below 7% by the end of 2014 but will remain above normal levels over the medium-run.



### *South Georgia (Overall)*

The South Georgia region is comprised of thirty-two counties, and is divided into two regions, based upon the Georgia Department of Community Affairs’ Service Delivery Regions. South Central Georgia (DCA’s Region 11) and Southwest Georgia (DCA’s Region 10) each include a metropolitan statistical area (MSA) as designated by the United States Office of Management and Budget. The Valdosta MSA is located in South Central Georgia (Region 11), while the Albany MSA is located in Southwest Georgia (Region 10).

Of the fourteen MSAs located in Georgia (the list excludes the Chattanooga TN-GA MSA), the Valdosta MSA had the lowest average weekly

Metropolitan Statistical Area	Avg Weekly Wage (Q4 2013)	Unemployment Rate (Mar 2014)
Greater Atlanta	1033	6.8%
Gainesville	836	5.5%
Savannah	824	6.7%
Augusta-Richmond	796	7.0%
Wamer Robins	787	6.4%
Columbus	776	7.5%
Dalton	762	8.6%
Rome	760	7.3%
Hinesville-Fort Stewart	752	7.9%
Macon	749	7.3%
Athens-Clarke	748	5.1%
Brunswick	730	8.1%
Albany	711	7.9%
Valdosta	633	6.9%
Average	778	7.1%

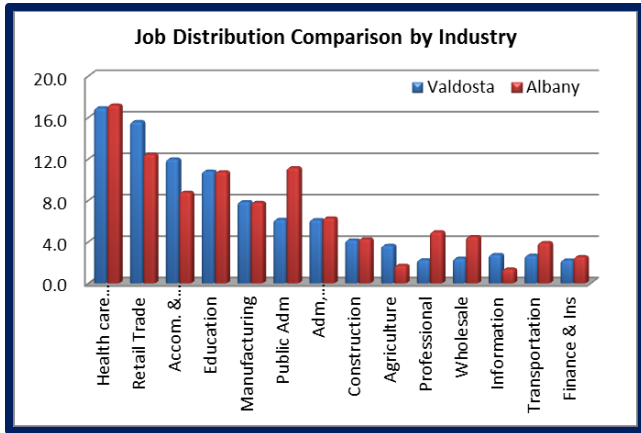
wage. An industry comparison found that the Valdosta MSA has a heavier concentration of low wage Retail, Food and Accommodation services jobs and has lower average weekly wages across all industries. The Albany MSA while higher than the Valdosta MSA is below the average weekly wage of \$778.

All Georgia MSAs reported a decline in the unemployment rate of the last three months. The MSA unemployment rates ranged from 6.4% to 8.6% with the Albany MSA unemployment rate tied at second highest among the fourteen Georgia MSAs.

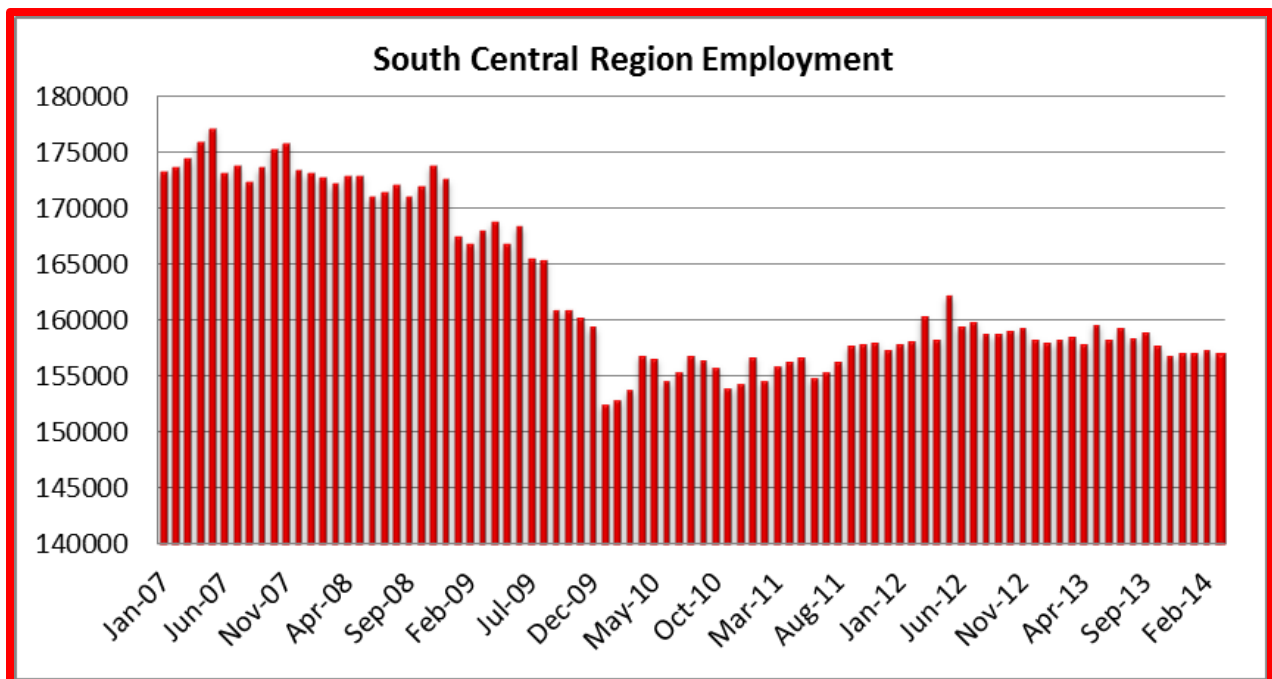
## South Central (Region 11)

Economic activity was relatively flat during 2014. The private sector gains were offset by the contraction of the public sector. While Retail Trade, Food and Accommodations expanded modestly, manufacturing and the federal and local government sectors contracted. Economic activity continues to be uneven across the South Central region with the counties along the I-75 corridor posting the largest gains. Since government budgets are improving, the Government sector will likely be less of a drag on the region during 2014.

Mandatory reductions in defense and other federal spending, and tax and regulatory uncertainty surrounding health care reform will Central region through the end of the forecast period. Scarce funding for small businesses and only modest increases in the housing market will moderate economic growth potential. The unemployment rate for the South Central region is expected to decline from the current 8.0% to near 7.3% by the first quarter of 2015.



Source: Georgia Department of Labor, 2014.

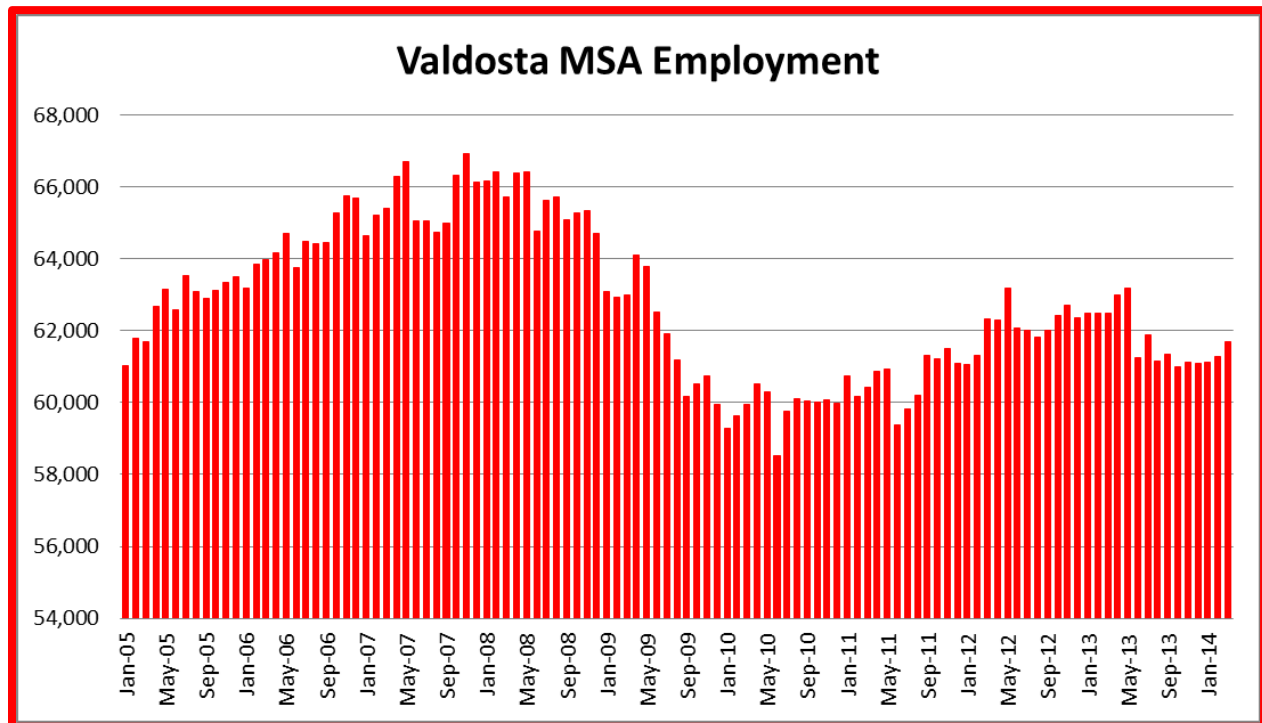
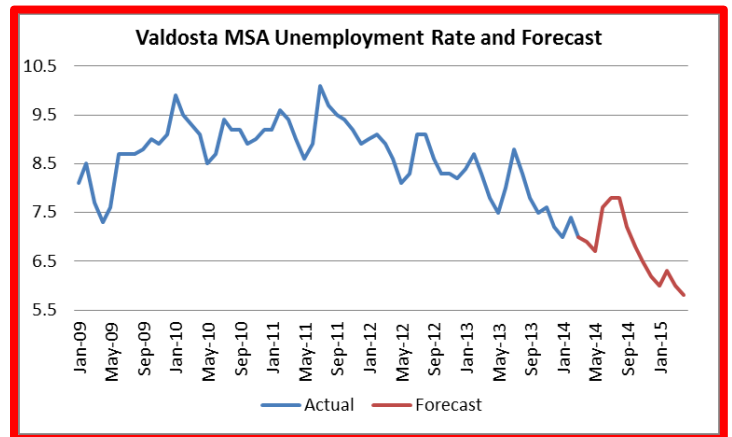


## Valdosta MSA

Although the Valdosta MSA continues to be a hub of economic activity within the South Central Georgia region, growth is not sufficient to create significant job growth. The real estate market is firming as residential and commercial construction has improved. Although state budgets have improved over the last twelve months, expected reductions in military spending at the federal level and the decline of local tax revenues have been a drag on the Valdosta MSA.

A year over year comparison reveals that the unemployment rate for the region declined from 7.8% during March 2013 to 6.9% during March 2014. While a portion of the improved unemployment rate arises from a discouraged workers dropping out of the labor market and an increase in the number of part-time jobs relative to full-time jobs, the Valdosta MSA experienced net job gains over the twelve month period ending March 2014. The forecast predicts net job growth to return by the end of the first quarter of 2015.

The forecast predicts a seasonal rise of the unemployment rate during the summer months followed by a declining unemployment rate through the first quarter of 2015. The overall trend is an improving labor market driven increasingly by net job gains rather than a declining labor force. The largest threat to the Valdosta MSA is the downsizing of Moody Air Force Base over the next two years, and potential base closure during the next BRAC round.



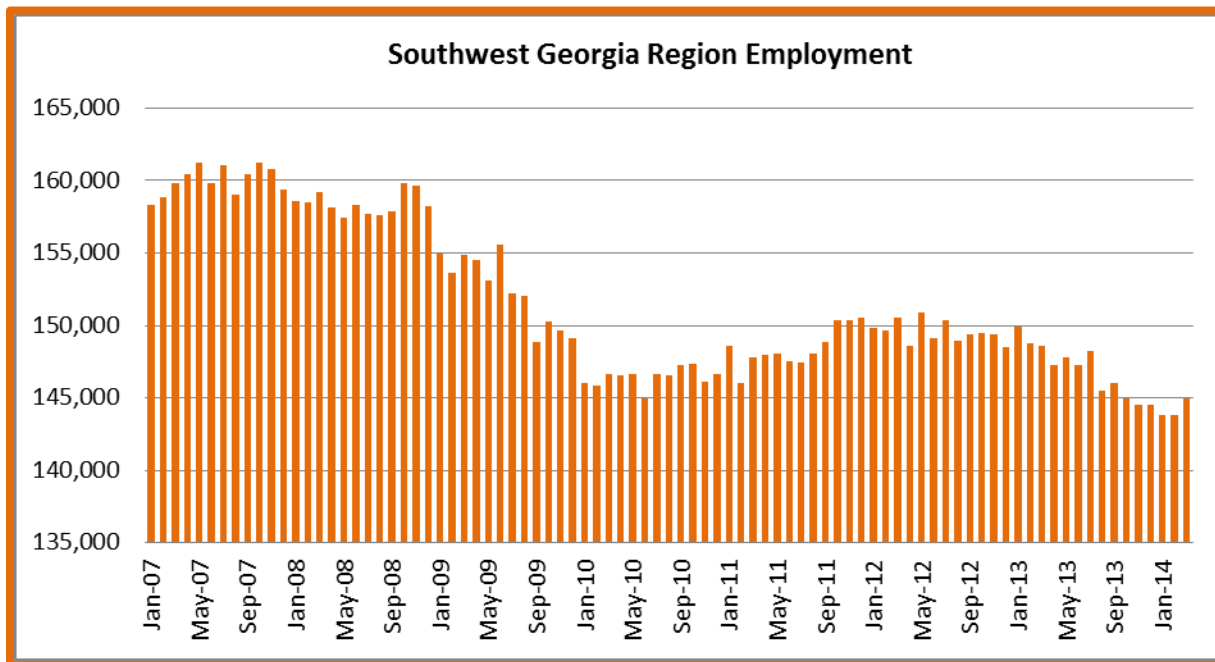
## Southwest (Region 10)

The economic conditions for the Southwest Region continue to remain weak. After peaking in January 2013, employment levels have continued to decline and have reached the lowest employment levels experienced during the Great Recession. Although agriculture continues to be an engine of growth for many counties in the region, the loss of manufacturing and government jobs has caused a restructuring of the jobs in the region, and has had a negative impact on job growth.

The unemployment rate for the region declined from 8.3% to 7.8% over the last year. A closer look reveals that the reduction was driven by a shrinking labor force size rather than net job

gains. While the number of unemployed has declined by over 1300 over the last year, employment declined by nearly 1200 jobs. This suggests that the unemployment rate improvements were driven by workers dropping out of the labor force and not from improved economic activity.

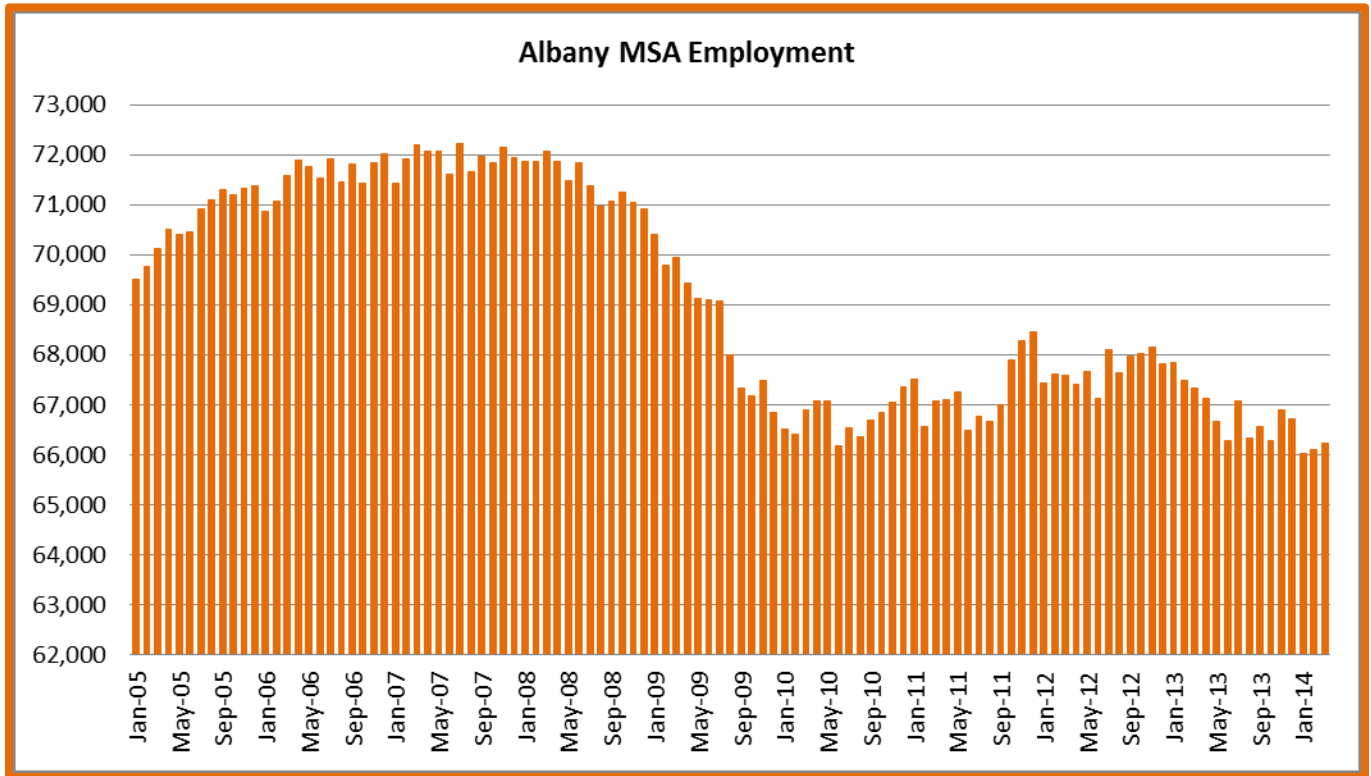
The forecast predicts that the economic recovery for the Southwest Georgia region will be long and modest. The revised forecast is no significant improvements in economic activity and the labor market through the first quarter of 2015. Mandatory reductions in defense and other federal spending, and tax and regulatory uncertainty surrounding health care reform will have a negative impact on the Southwest region through the end of the forecast period.



## Albany MSA

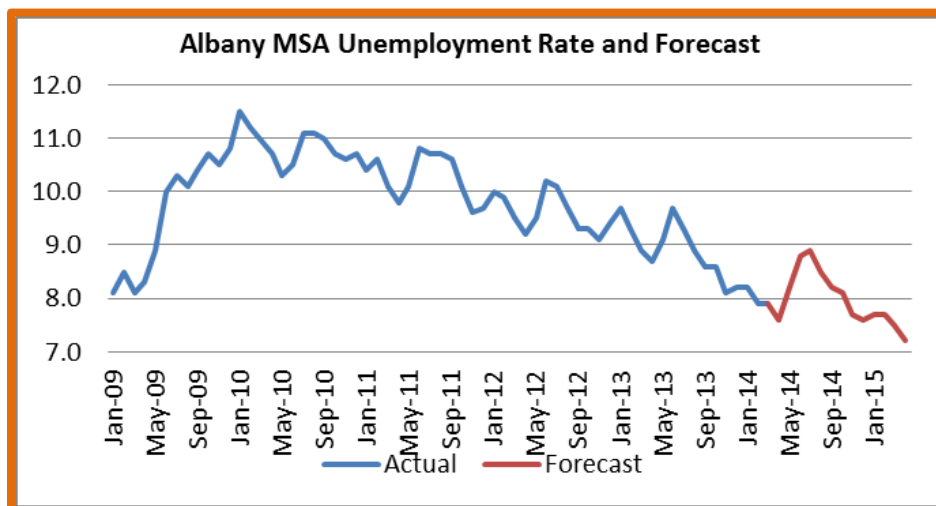
Although the Albany MSA showed net job gains during the first quarter of 2014, the gains were insufficient to offset the net job losses over the previous nine months. Net job losses in

Government offset gains in the private sector over the last twelve months. A year to year comparison reveals that although the unemployment rate declined from 8.9% to 7.9%, the decline was driven by a small labor force rather than net job gains. Over the twelve month, the Albany MSA had a loss of 100 jobs.



The forecast predicts slow and possibly negative economic growth during 2014, and no job growth through the first quarter of 2015. Budget reductions and the impacts of health care reform may move the Albany MSA into a recessionary period during the first half of 2014. Although the

unemployment rate may drop below 8% during 2014, the decline will likely be from labor force contraction rather than net job gains. Economic activity is expected to remain fairly flat through the end of 2014.



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The **Center for Business and Economic Research** at Valdosta State University 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'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/CBER> for a listing of available services or contact the Director of the Center for Business and Economic Research (CBER), Scott Manley at 229-333-7878.

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