

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

Volume 10, Number 3

Third Quarter 2014

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: 3rd Quarter 2014

The United States economy grew at an annualized rate of 5.0% during the third quarter of 2014, up from 4.6% during the second quarter of 2014. Personal consumption, business investment and exports all expanded during the third quarter. Economic growth supported an average monthly gain of nearly 240,000 net new jobs during the third quarter. Net new job gains have been above 200,000 since March 2014.

The United States forecast predicts positive growth through the end of 2015. The expected U.S. growth rate will be positive and will continue to support net job gains above 200,000. Falling oil prices have increased consumer disposal income. Consumer confidence and business

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

investment should continue to improve through 2015.

Headwinds remain. Although access to financing is improving, lending requirements and banking regulations will continue to pose a barrier to small business expansion opportunities. Slower economic growth and recessions for U.S. trade partners are expected to adversely impact U.S. exports.

Economic growth is expected to create net new jobs through 2015, lowering the unemployment rate to natural rate of unemployment by mid-2015. The lower unemployment rate will be driven by increases in

net new jobs. Despite the move toward full employment, the U6 unemployment rate will remain elevated as the number of part-time workers who want to be full-time and the marginally attached workers are above sustainable levels.

Georgia

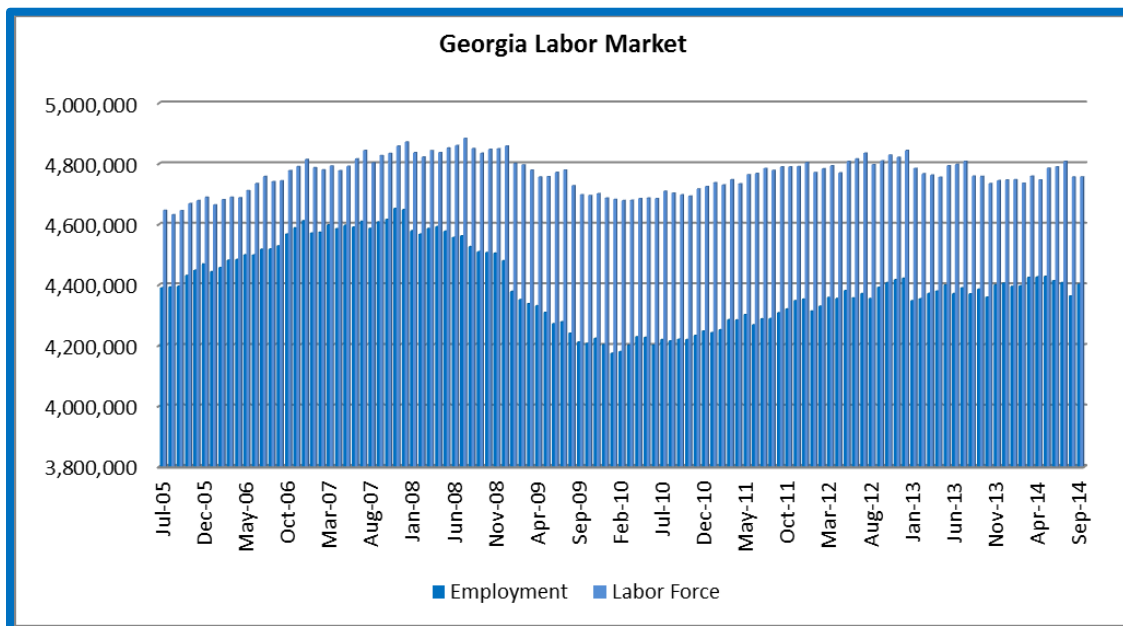
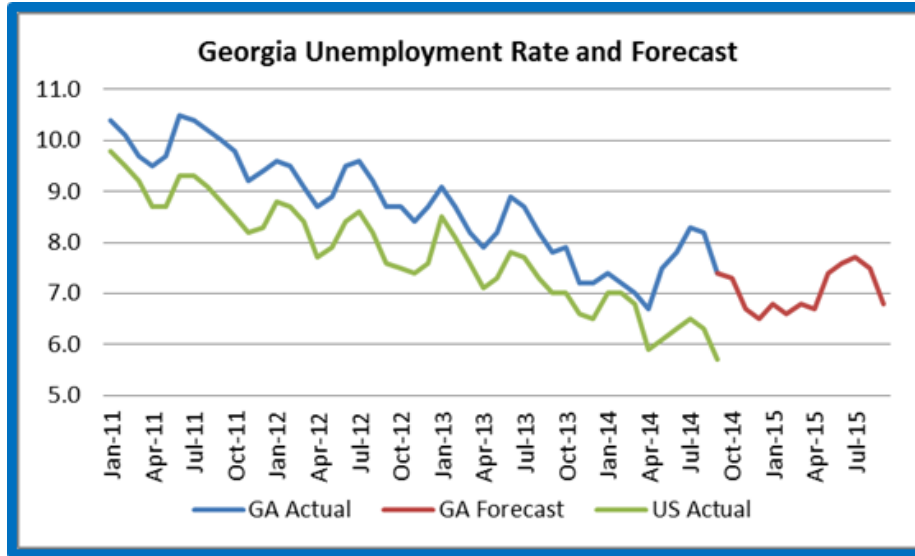
Economic growth for the state of Georgia was positive through the third quarter of 2014. The positive economic growth supported modest employment gains. For the twelve month period ending September 2014, employment increased by 0.4% or 16,116 net new jobs. During the first three quarters of 2014, net job growth was 0.2%. The net job gains along with a slightly smaller labor force reduced the Georgia unemployment rate from 7.8% in September 2013 to 7.4% in September 2014.

For September 2014, the private sectors experiencing the greatest increase were Construction of Buildings (10.3%), Heavy and Civil Engineering Construction (9.0%), and Employment Services (9.0%). Amusement, Accounting and related services, and Arts and Entertainment services grew at rates greater than 7%. The sectors creating the largest numbers of jobs were Leisure and Hospitality (14,300 jobs), Administrative Support (14,200 jobs), Employment Services (12,800 jobs), and Food Services (12,300 jobs).

The private sectors posting the largest loss of jobs over the last twelve months were Social Assistance down 3.3%, Real Estate and related services down 2.9%, and Accommodations down 2.4%. Collectively these sectors lost 4700 net jobs. While Local Government gained 1800 net new jobs, collectively all levels of Government lost 1500 net new jobs. State Government reported a decline of 2500 net jobs.

Labor Force	
	Sep 2014
Georgia	
Civilian Labor Force	4,756,155
Employed	4,401,941
Unemployed	354,214
Rate	7.4%
South Central Georgia	
Civilian Labor Force	172,684
Employed	158,941
Unemployed	14,284
Rate	8.3%
Valdosta-MSA	
Civilian Labor Force	71,490
Employed	65,599
Unemployed	5,891
Rate	8.2%
Southwest Georgia	
Civilian Labor Force	157,785
Employed	144,864
Unemployed	12,412
Rate	7.8%
Albany-MSA	
Civilian Labor Force	66,103
Employed	61,065
Unemployed	5,038
Rate	7.6%
Source: Georgia Department of Labor	

The forecast predicts positive economic activity through the third quarter of 2015. An improving real estate market and a less austere state budget will have positive effects on economic growth. Threats to the Georgia economy include rising interest rates, regulatory uncertainty and the threat of slowing worldwide growth. The forecast predicts that despite seasonal employment movements, the unemployment rate will decline below 6.5% and with seasonal fluctuations, remain below 7.5% through the third quarter of 2015.



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).

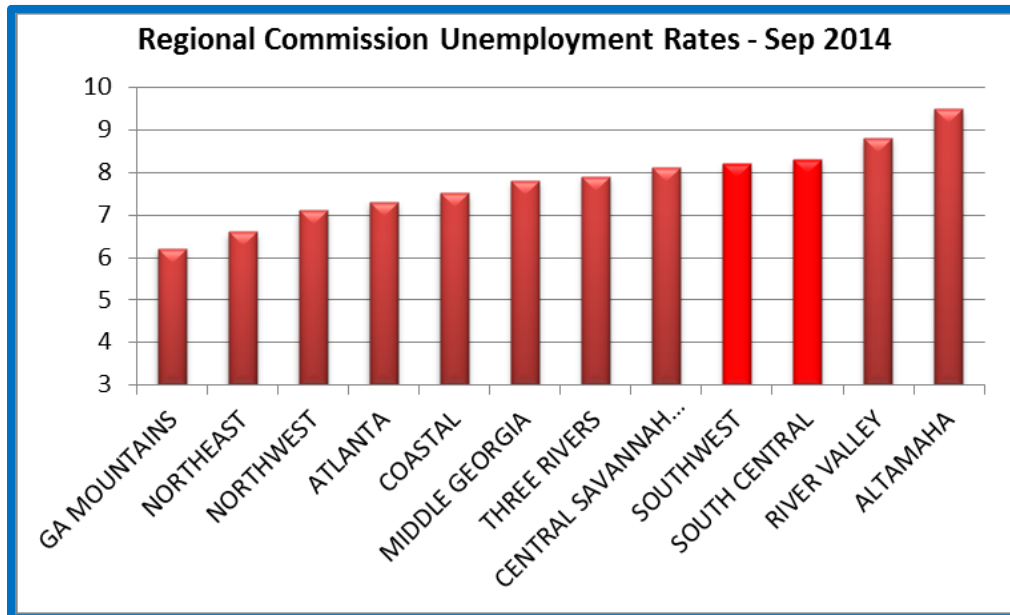
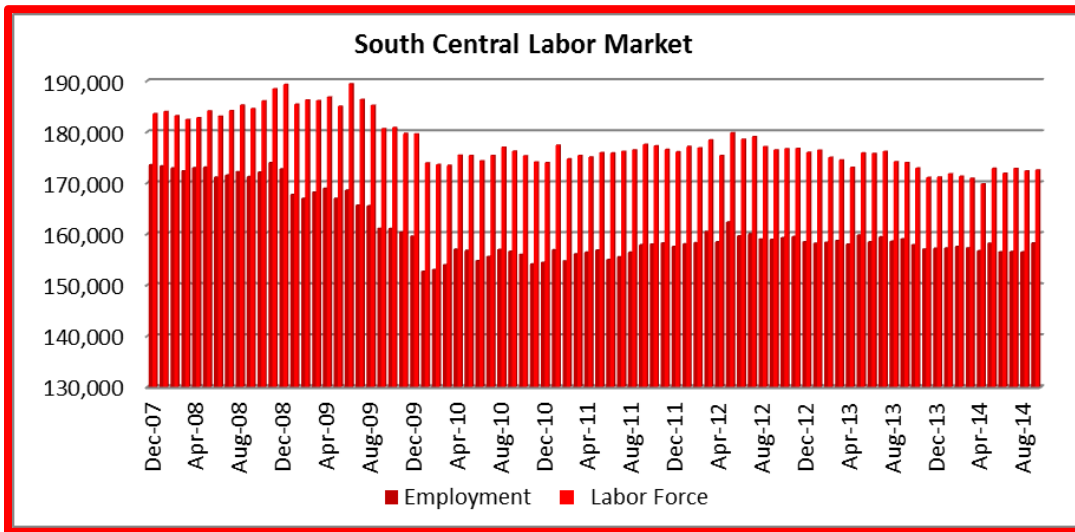
South Central (Region 11)

Economic activity continues to be uneven across the South Central region with the counties along the I-75 corridor posting the largest gains. Overall economic activity was relatively flat during the three quarters of 2014 for the South Central Georgia region with private sector gains

partially offset by public sector losses. The Food and Accommodations sector expanded modestly while Manufacturing and Local government sectors contracted. Overall net jobs declined by 815 jobs, or 0.5% over the twelve month period.

Over the first three quarters of 2014, labor market conditions improved. 977 net new jobs or 0.6% net job gains were realized over the nine month period. Although the unemployment rate for the region declined from 8.6% to 8.3%, a significant reason was the 0.9% decline in the size of the labor force.

Reductions in defense and other federal spending, and tax and regulatory uncertainty surrounding health care reform will continue to adversely impact the South Central. Despite some adverse conditions, the South Central Georgia region forecast predicts moderate economic growth and net job creation. The unemployment rate for the South Central region is expected to decline from 8.3% to a near 7.0% by the end of the third quarter of 2015.



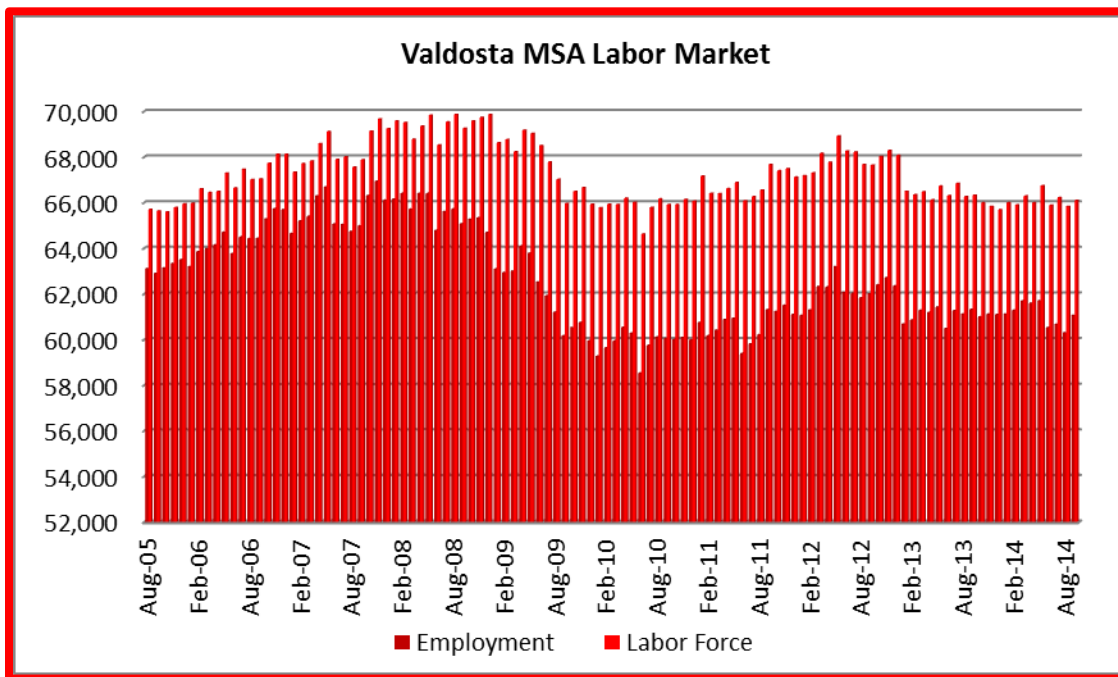
Valdosta MSA

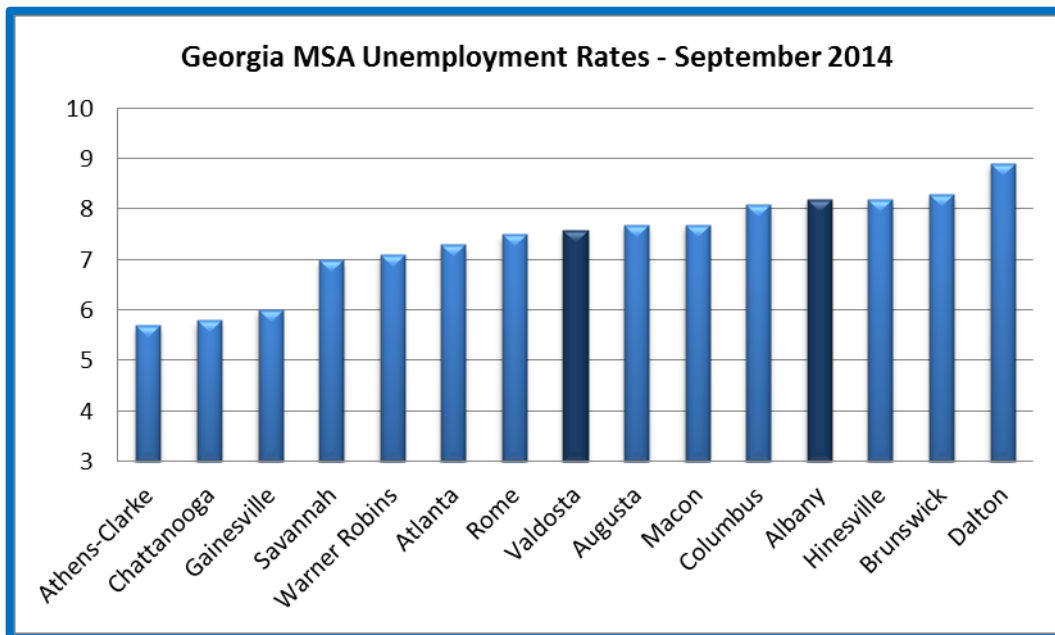
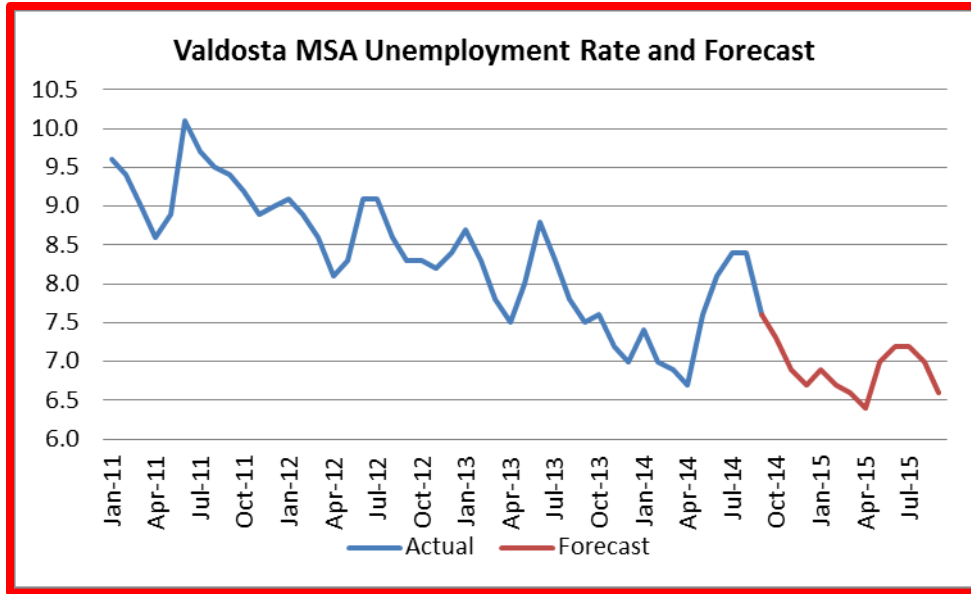
The Valdosta MSA economic growth was positive over the twelve month period ending September 2014. Trade and Transportation sectors and Retail Trade expanded leading net job gains for the Valdosta MSA. The real estate market continues to firm as residential and commercial construction improved. Private sector growth however was partially offset by the net decline of government jobs. Federal and Local government jobs declined over the twelve month period while State jobs increased.

Despite positive economic activity, the year over year comparison reveals that the unemployment rate for the Valdosta MSA increased slightly from 7.5% during September 2013 to 7.6% during September 2014. The

number of jobs declined by 266 jobs or 0.4%. The labor force size also declined otherwise the unemployment rate would have increased by more.

The forecast predicts that economic growth will improve through the first half of 2015, leading to the creation of net new jobs and a reduction of the unemployment rate. 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. The forecast predicts the unemployment rate will drop below 6.5% during 2015 and remain below 7.5% during through the third quarter of 2015.





Southwest (Region 10)

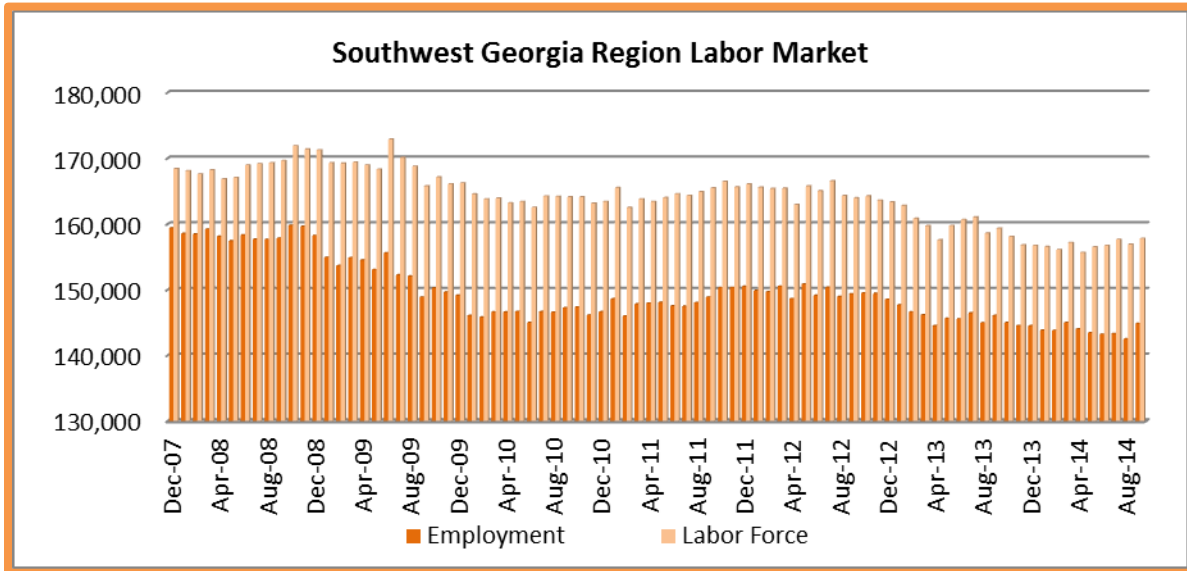
The economic conditions for the Southwest Region continued a downward trend over the twelve months ending September 2014. Employment during September 2014 was nearly 145,000 jobs, which is down 0.8% from September 2013. Agriculture continues to be an engine of growth for many counties in the region. The loss of manufacturing and government jobs

has caused a restructuring of the jobs in the region and has partially offset gains in other sectors.

The unemployment rate for the region declined slightly from 8.3% to 8.2% over the twelve months ending September 2014. A closer look reveals that the reduction was driven by a shrinking labor force size as workers leave the region for better employment opportunities or simply drop out of the labor force.

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 three quarters 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.

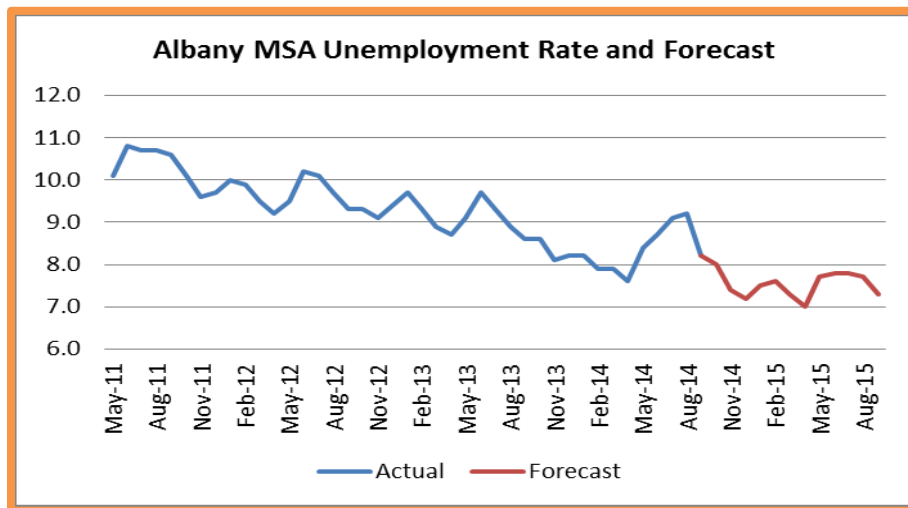
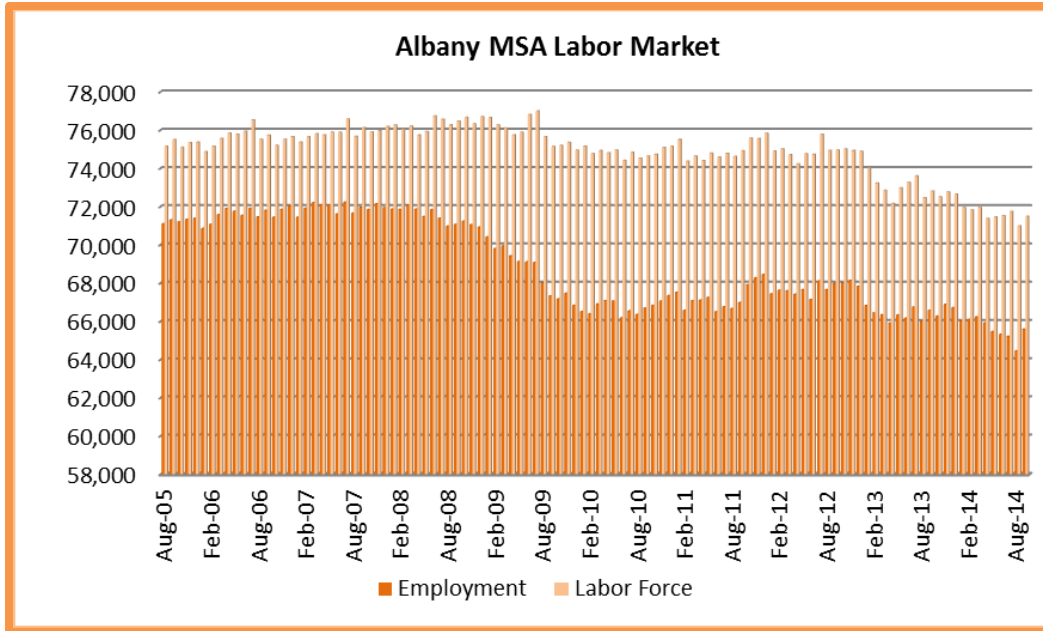


Albany MSA

The Albany MSA continues to show no significant changes in economic activity and net job growth. Retail trade job net gains were offset by Trade and Transportation sector and Federal government job losses over the twelve month period. For the twelve month period ending September 2014, the Albany MSA lost 300 net jobs. A year to year comparison reveals that although the unemployment rate declined from 8.6% to 8.2%, the decline was driven by a smaller labor force rather than net job gains. Over the twelve month period ending September 2014, employment declined by 1.5% and the labor force

size declined by 1.8%. This is a trend the Albany MSA has followed over the last two years.

The forecast predicts stagnant and possibly negative economic activity through the first half of 2015. Job growth is not expected to return during the forecast period. Budget reductions and the impacts of health care reform may move the Albany MSA into a recessionary period during the by the end of 2014. Although the unemployment rate may drop below 8% during 2015, the decline will likely be from labor force contraction rather than net job gains. Economic activity is expected to remain fairly flat or stagnant through the first three quarters of 2015.



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.

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 CBER, the faculty of the Langdale College of Business, or the administration of VSU.

Dr. Cynthia Royal Tori is a Professor of Economics at the Langdale College of Business and regional economic forecaster for the CBER. Dr. Tori has a Ph.D. in Economics from the University of Kentucky and has been a member of the Langdale College faculty since August 1998. You may contact Dr. Tori by email at crtori@valdosta.edu