

South Georgia Business Outlook



Center for Business and Economic Research

Langdale College of Business

Valdosta State University

Volume 10, Number 4

Fourth 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: 4th Quarter 2014

The United States economy grew at an annualized rate of 2.6% during the fourth quarter of 2014. Personal consumption, business investment and exports all expanded during the fourth quarter. The slower growth when compared to the third quarter 5.0% growth was primarily attributable to appreciation of the U.S. dollar, which caused imports to expand. The 2014 average growth rate of 2.4% supported an average monthly gain of 250,000 net new jobs for the year.

The United States forecast predicts positive growth through the fourth quarter of 2015. The expected U.S. growth rate will be positive and sufficient to increase net job gains. Lower oil

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	

prices and the expectation that the Federal Reserve will not increase rates before the end of 2015 will support consumer and investment expenditures. 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 but not enough to offset domestic gains.

Economic growth is expected to create net new jobs through 2015 causing the unemployment rate to decline to pre-recession levels. It is expected that the United States unemployment rate will drop to 5.0% during 2015. The lower

unemployment rate will be driven by a decline in labor force participation and increases in net new jobs. Despite these improvements, the number of part-time workers wanting full-time jobs and the number of marginally attached workers will remain elevated through 2015.

Georgia

The Georgia economy grew at nearly 3.0% during 2014, exceeding the United States growth rate of 2.4%. For the twelve month period ending December 2014, employment grew by 2.7% or 108,200 net new jobs.

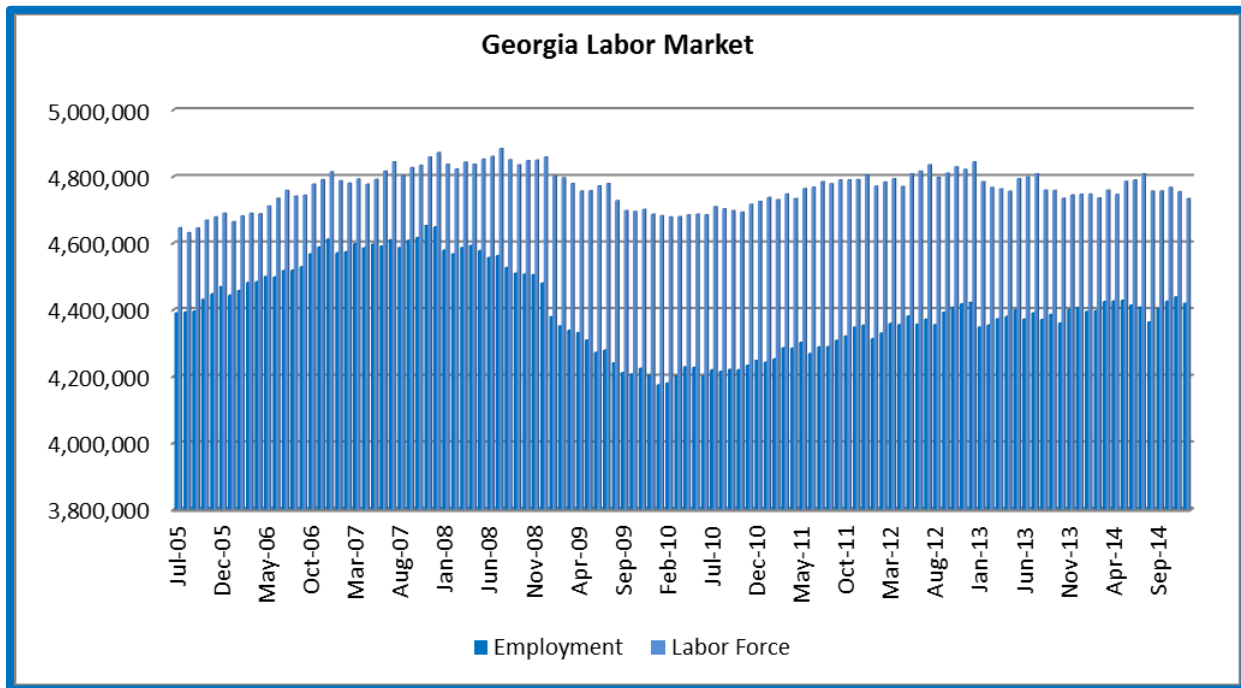
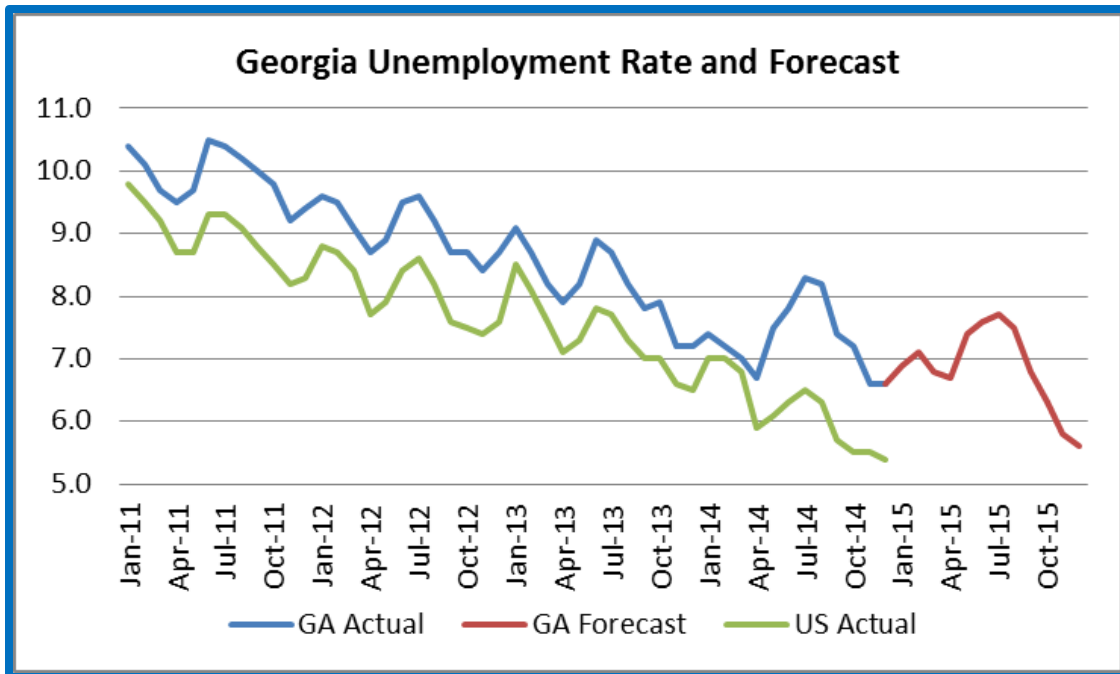
The private sectors experiencing the greatest increase were Amusement and Recreation, Internet Providers, Entertainment, and Accounting professionals. Employment services, Heavy and Civil Engineering and Architectural and related services grew rates greater than 7%. The largest numbers of jobs were created in Leisure and Hospitality at 18,900 net jobs, Retail Trade at 13,100 jobs, Employee services and Food services both at 13,000 net jobs.

Few sectors lost jobs in Georgia during 2014. Private sectors posting the largest loss of jobs over the last twelve months were Wholesale Trade and Real Estate and related services; combined these two sectors lost 2,700 jobs. For the twelve month period ending December 2014, State government reported a loss of 2,500 jobs. Federal Government no net job changes and Local Government reported a net gain of 4,100 jobs.

The Georgia unemployment rate declined from 7.2% in December 2013 to 6.6% in December 2014. Over the one year period, employment increased and the number of unemployed declined by nearly 26,000. Net job creation rather than a shrinking labor force size accounts for most of the unemployment rate decline.

Labor Force	
	Dec 2014
Georgia	
Civilian Labor Force	4,733,284
Employed	4,418,957
Unemployed	314,327
Rate	6.6%
South Central Georgia	
Civilian Labor Force	169,513
Employed	156,704
Unemployed	12,809
Rate	7.6%
Valdosta-MSA	
Civilian Labor Force	70,987
Employed	65,825
Unemployed	5,162
Rate	7.3%
Southwest Georgia	
Civilian Labor Force	155,128
Employed	143,735
Unemployed	11,393
Rate	7.3%
Albany-MSA	
Civilian Labor Force	65,354
Employed	50,955
Unemployed	4,399
Rate	6.7%
Source: Georgia Department of Labor	

The forecast predicts continued positive economic activity through the end of 2015. An improving real estate market, a less austere state budget, low interest rates, and lower oil prices will have positive effects on economic growth. Regulatory uncertainty and the threat of slowing worldwide growth are threats to the economy. The forecast predicts that the unemployment rate will decline below 6% by the end 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

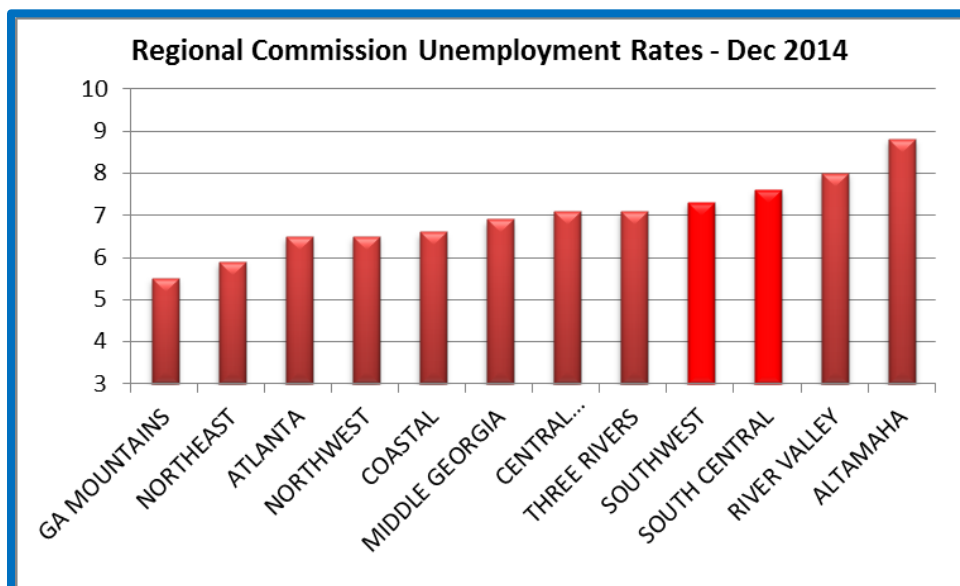
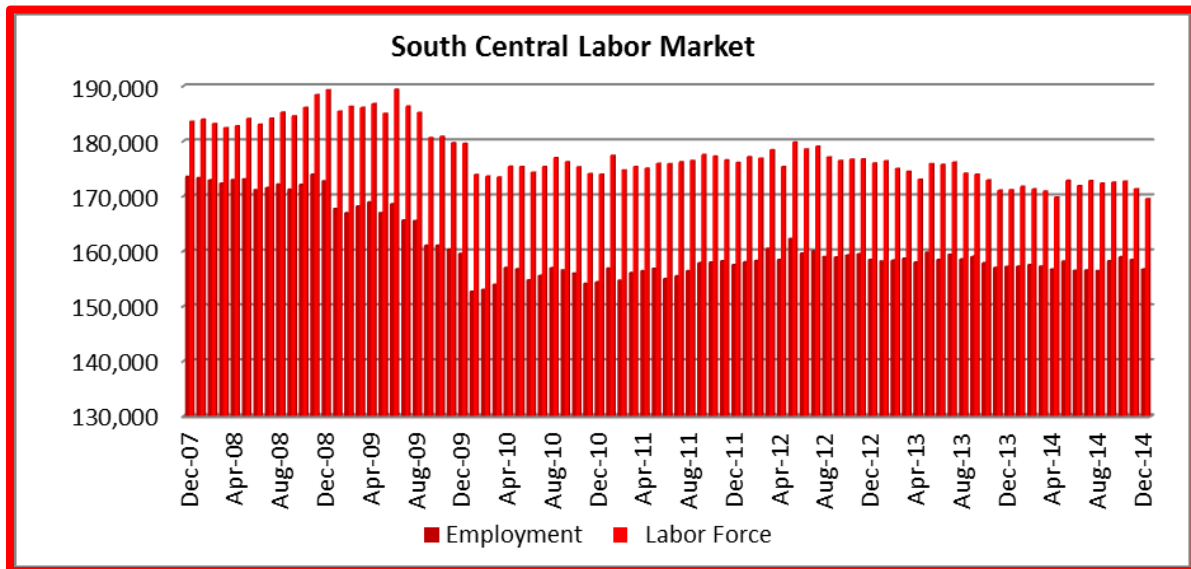
Southwest Georgia (DCA’s Region 10) each include a metropolitan statistical area (MSA) as designated by the United States Office of Management and Budget. The Valdosta MSA is located in South Central Georgia (Region 11), while the Albany MSA is located in Southwest Georgia (Region 10).

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 gains. Overall economic activity was relatively flat during 2014 for the South Central Georgia region with private sector gains offset by public sector losses. Comparing 2013 and 2014 data, average employment declined 986 to 157,377 jobs and the labor force size declined 2529 to 171,617. Although the unemployment rate for the region declined from 8.7% to 7.6%, the decline was

driven by a smaller labor force size rather than more employment.

Improving consumer sentiment, low interest rates and low oil prices will have a positive impact on the region during the first half of 2015. Structural market issues, reductions in government spending, and tax and regulatory uncertainty will offset these gains, especially in the more rural. The unemployment rate for the South Central region is expected to decline from 7.6% to 6.7%.



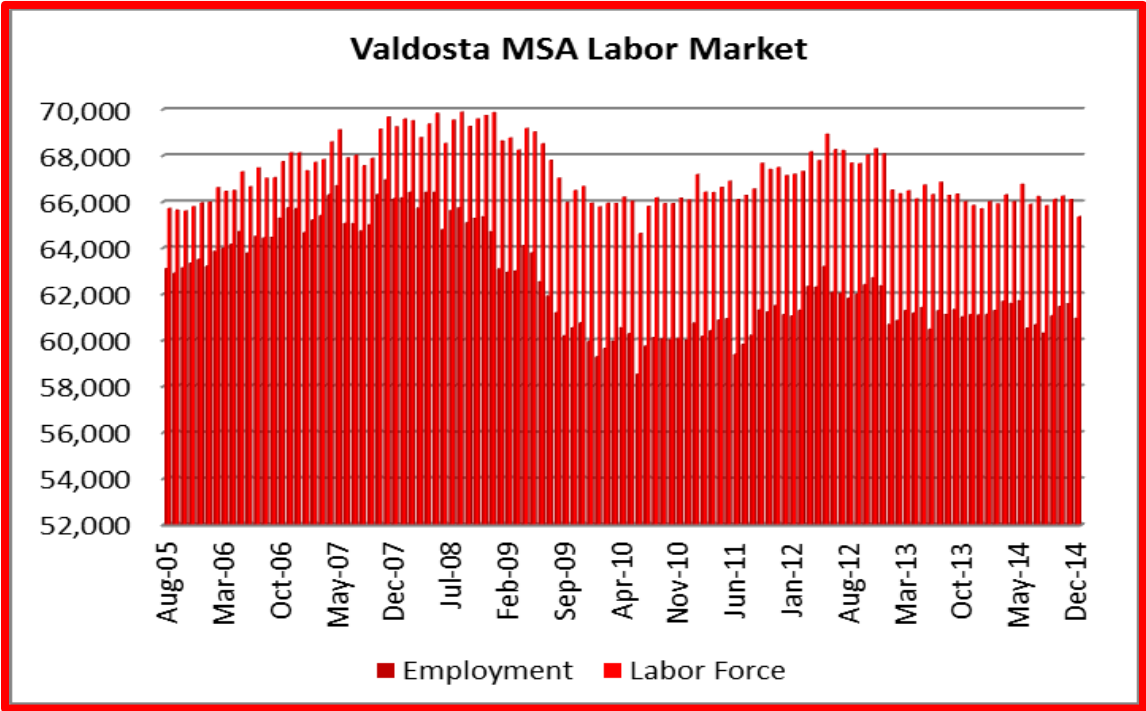
Valdosta MSA

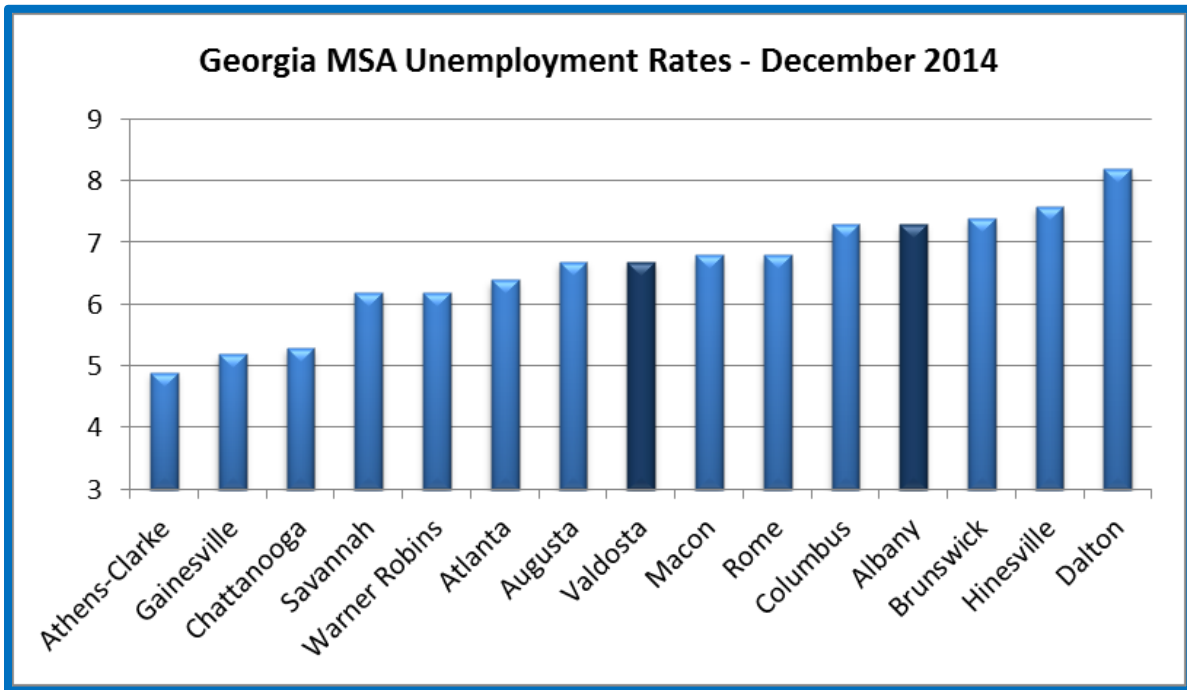
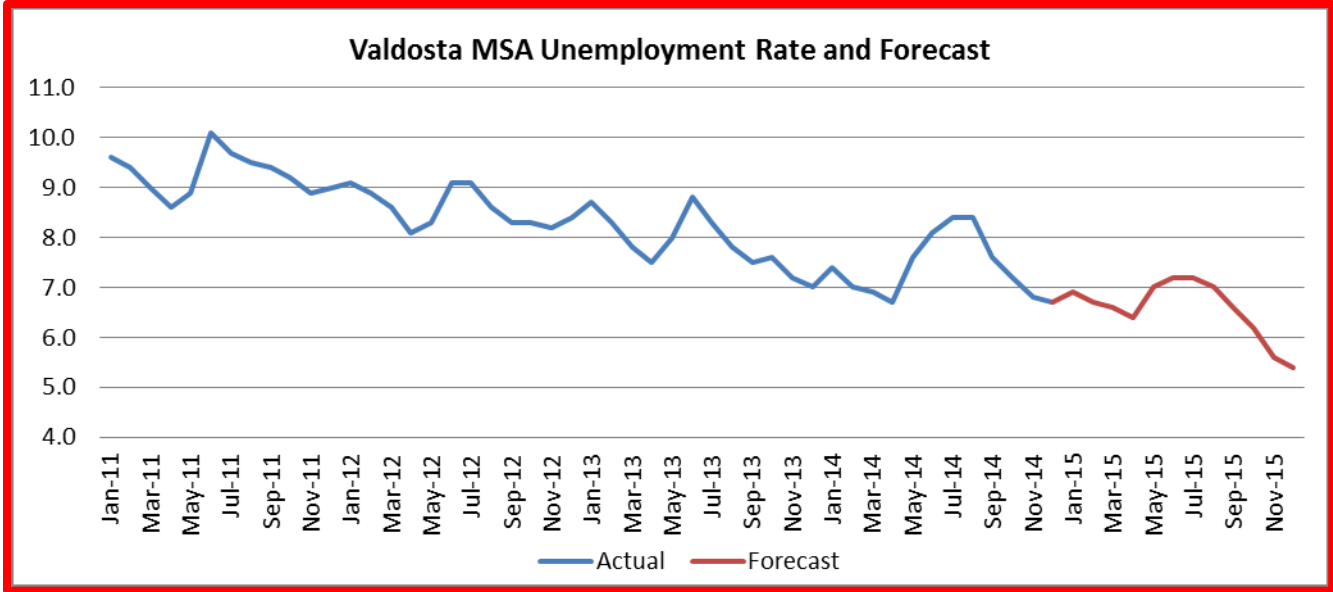
While the Valdosta MSA continues to be a center of economic activity within the South Central Georgia region, economic growth was modest during 2014. Retail trade and Food services expanded leading to net job gains for the Valdosta MSA. The real estate market continued to firm as residential and commercial construction improved. Private sector growth however was partially offset by the net decline of Local government jobs. Average employment grew from 61,069 jobs in 2013 to 61,161 jobs in 2014.

A year over year comparison revealed that the unemployment rate for the Valdosta MSA

declined from 7.0% to 6.7%. While the Valdosta MSA had net job gains during 2014, the unemployment rate decline was primarily driven by a shrinking labor force size.

The forecast predicts net job growth to continue through the first half of 2015. The forecast also predicts a declining unemployment rate through the end of 2015, 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 5.5% by the end of 2015.





Southwest (Region 10)

The economic conditions for the Southwest Region continue to remain weak. After peaking in January 2013, employment levels have declined and remain lower than the employment levels experienced during the Great Recession. Although agriculture continues to be an engine of growth

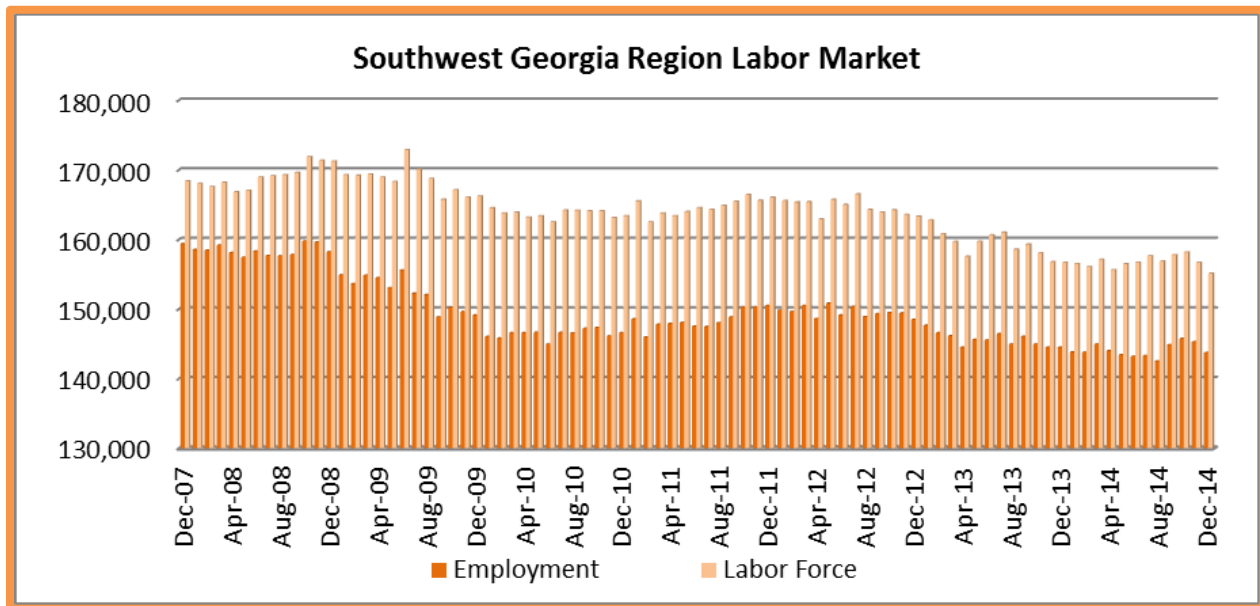
for many counties in the region, the loss of manufacturing and government jobs has caused a restructuring of the jobs in the region, and has had a negative impact on job growth.

The unemployment rate for the region declined from 7.8% to 7.3% over the last year. A closer look reveals that the reduction was driven by a shrinking labor force size rather than net job

gains. Employment declined by 1570 jobs and the labor force size declined by 2573. This suggests that the unemployment rate improvements were driven by workers dropping out of the labor force and not from an improving economy creating net new jobs. The trend is negative for the labor market.

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 half 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.



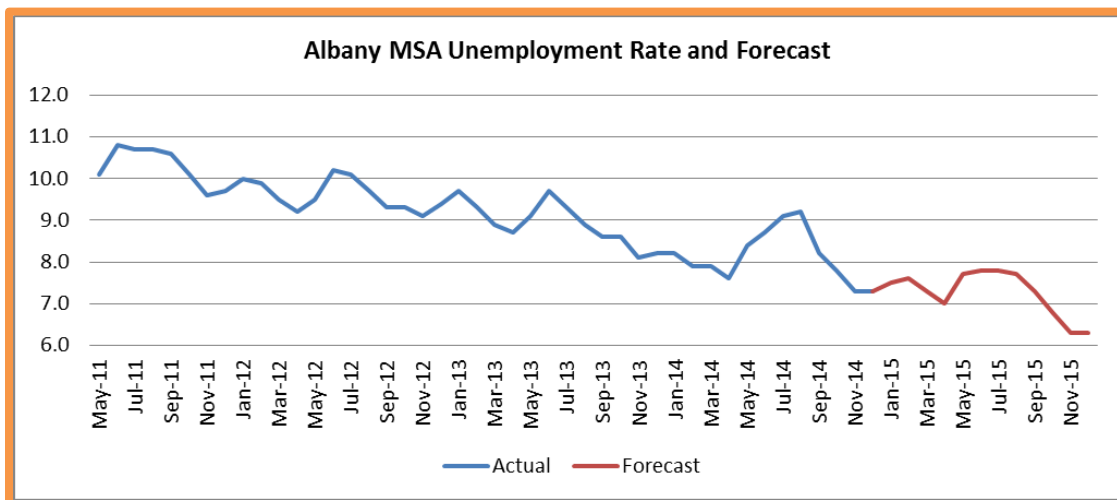
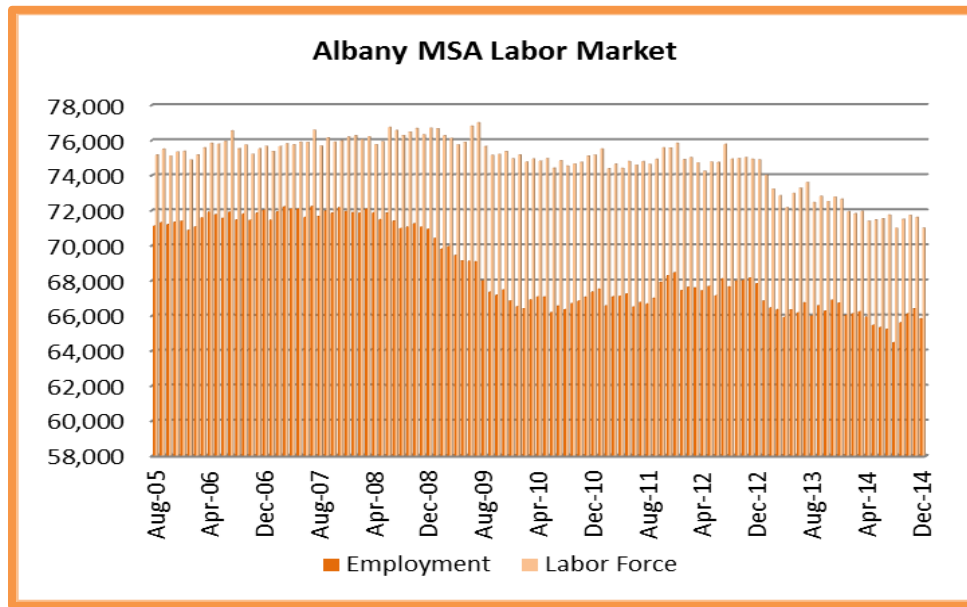
Albany MSA

The Albany MSA continues to show no significant changes in economic activity and net job growth. All sectors of the economy reported either no job changes or net job losses. Trade and Transportation, and Retail Trade reported declines in net job creation. State Government also reported a net loss of jobs. Comparing 2013 to 2014, average employment declined 712 to an average employment of 65,825 in 2014.

A year to year comparison reveals that although the unemployment rate declined from 8.2% to 7.3%. The decline was driven by a

smaller labor force rather than net job gains. The average labor force size declined from 72,941 in 2013 to 71,553 in 2014. This is a trend the Albany MSA has followed over the last three 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. Although the unemployment rate may drop below 7% 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 end 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