

State of Georgia Economic Conditions and Outlook

William J. Smith
wjsmith@westga.edu



UNIVERSITY OF
WEST GEORGIA



- Georgia's economy is generally healthy.
- The labor market & consumer have been more resilient than most expected.
- The economic outlook for the remainder of 2023 has deteriorated, creating concern...but, mostly the result of inflation.
- That's because FED rate is **driving the economy toward recession!**

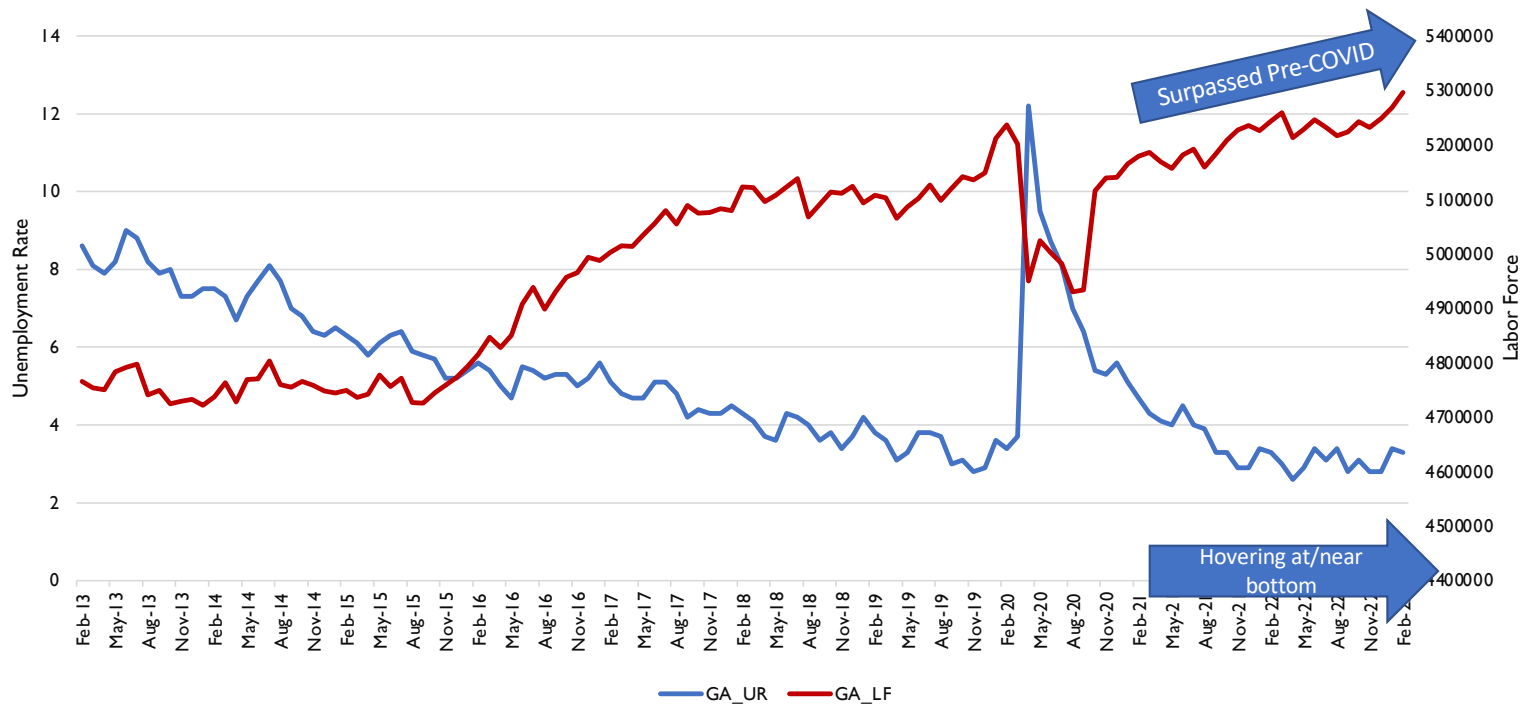
That's what they are supposed to do.

- Global forces dominate the outlook: Ukraine, continued supply chain difficulties & failures, energy prices, global inflation, politics...Not so much COVID, unless...

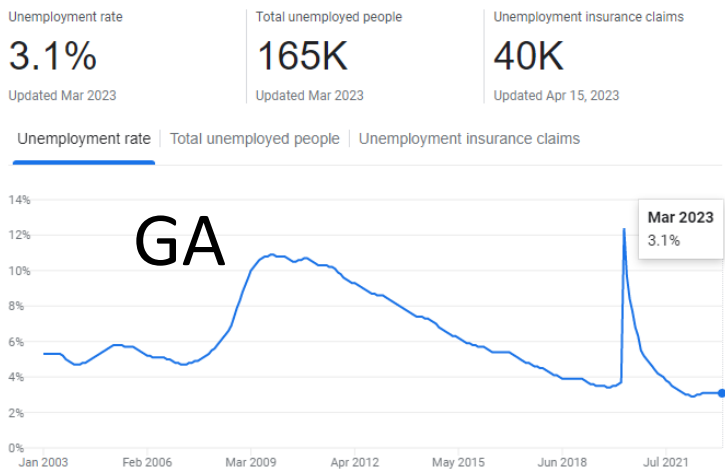
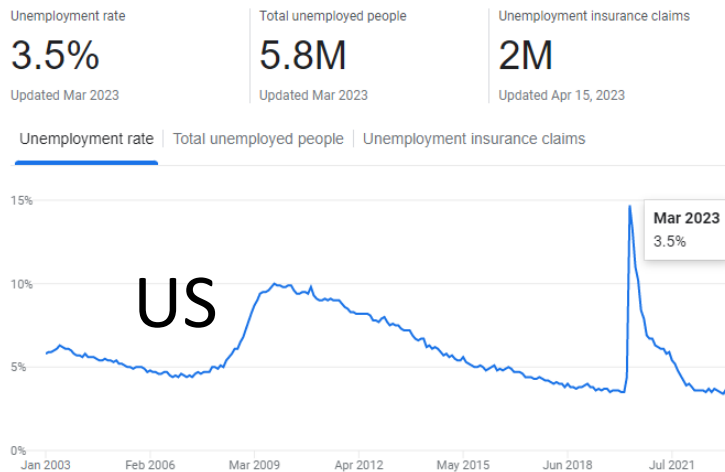


Labor Market Conditions

The Labor Force Continues to Trend in the Right Direction OR are in a Good Place Already!



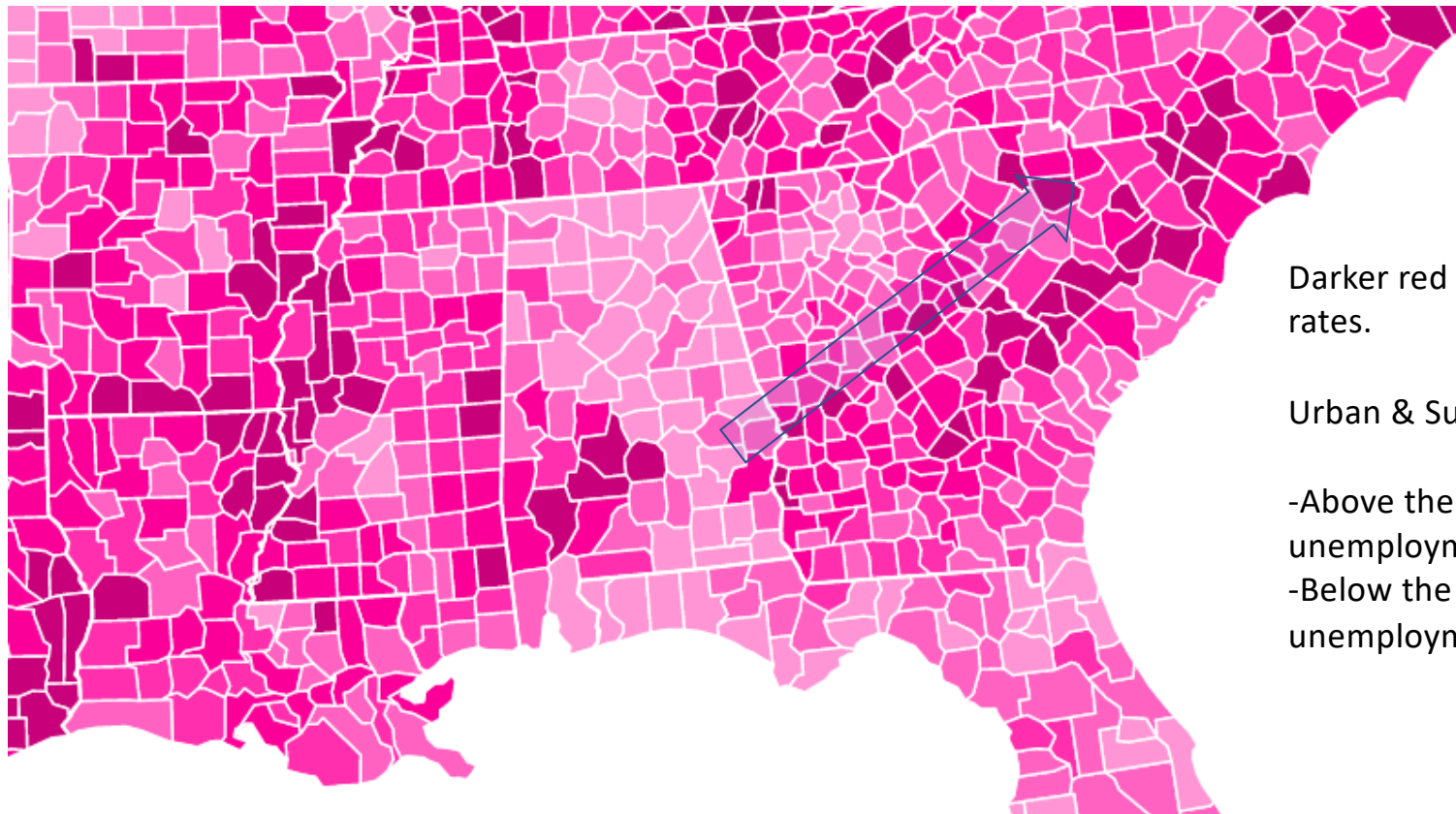
GA Unemployment Rates – Are Still Very Good!



- Frictional – Unemployment that occurs when someone leaves their current job in search of a new one.
- Structural – Occurs due to a skills mismatch. This is of rising importance with automation. Many view technological unemployment as a type of structural unemployment.
- Cyclical – Unemployment that occurs in the contractionary part of the business cycle (recession)
- Seasonal – occurs at the same time every year. Retail sales jobs and tourism jobs are seasonal.

Geographic Distribution of Unemployment Rates In GA

The Fall Line...



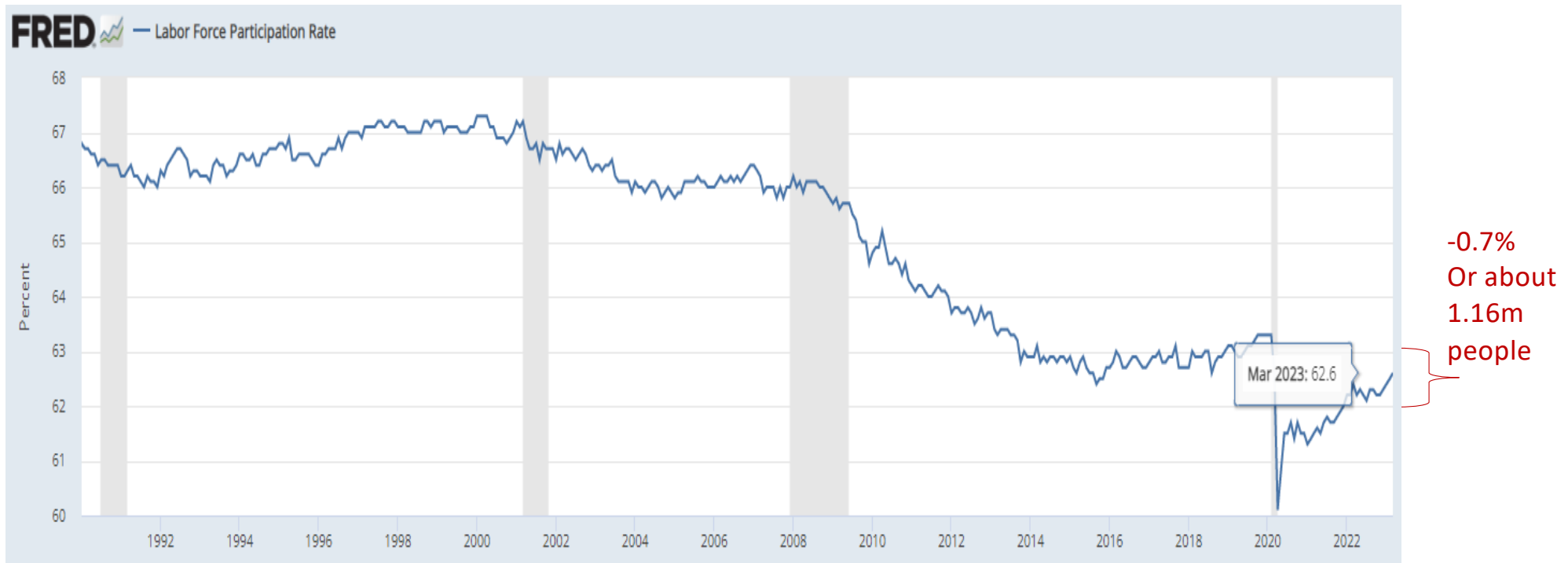
Darker red is higher unemployment rates.

Urban & Suburban Areas doing well

-Above the fall line, lower unemployment rates.

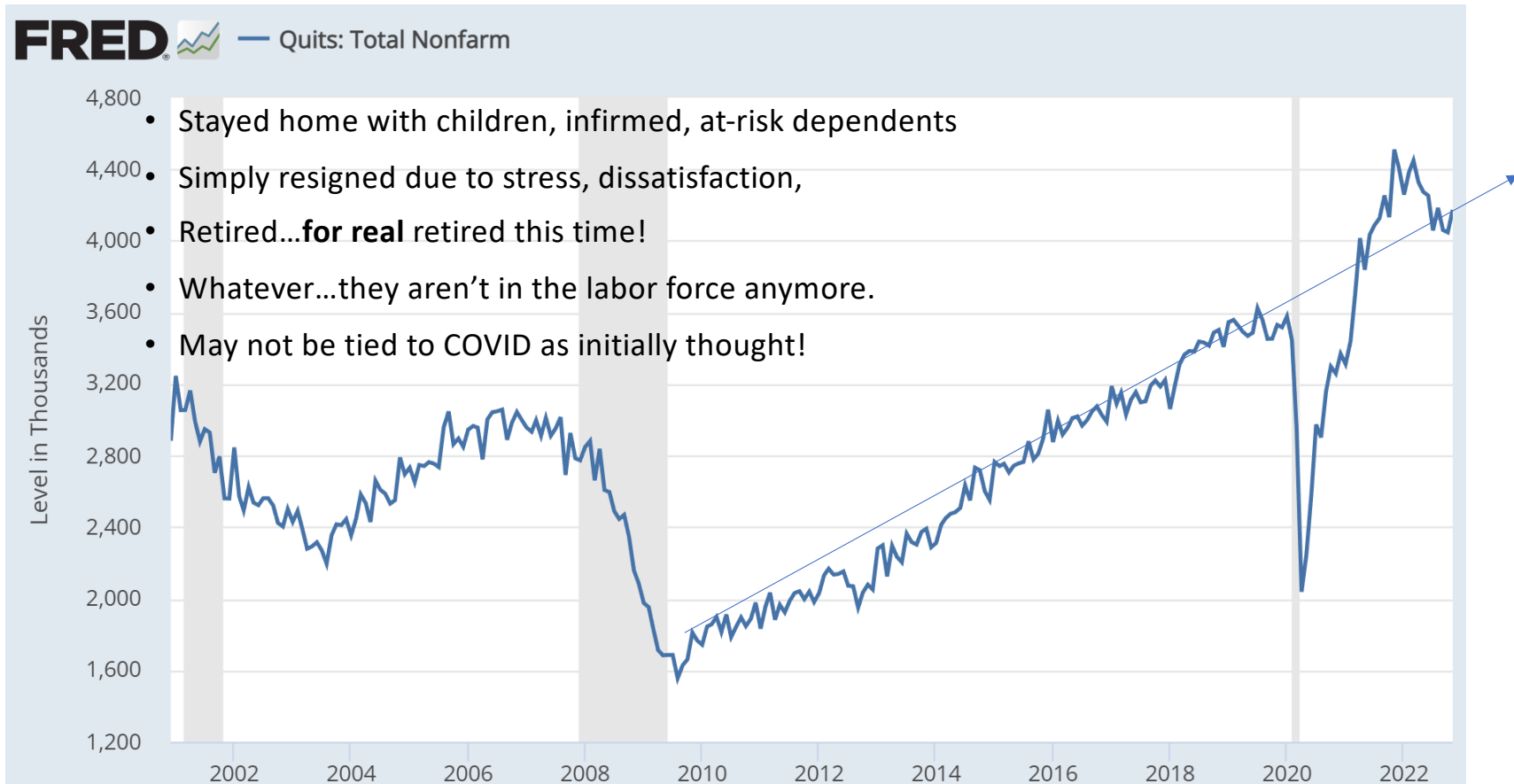
-Below the fall line, higher unemployment rates.

Nationally, Some Quitters & Remain Out of the LF



Either those remaining out of work have a FANTASTIC understanding of real vs nominal wages, perfect foresight, AND bad pay **OR, they don't have much interest in returning, because they retired...**(I choose B). They aren't discouraged.

The Great Resignation...Started Before COVID



December 2022, U.S. – Not Many Discouraged Plenty of Unemployment Rates to Go Around

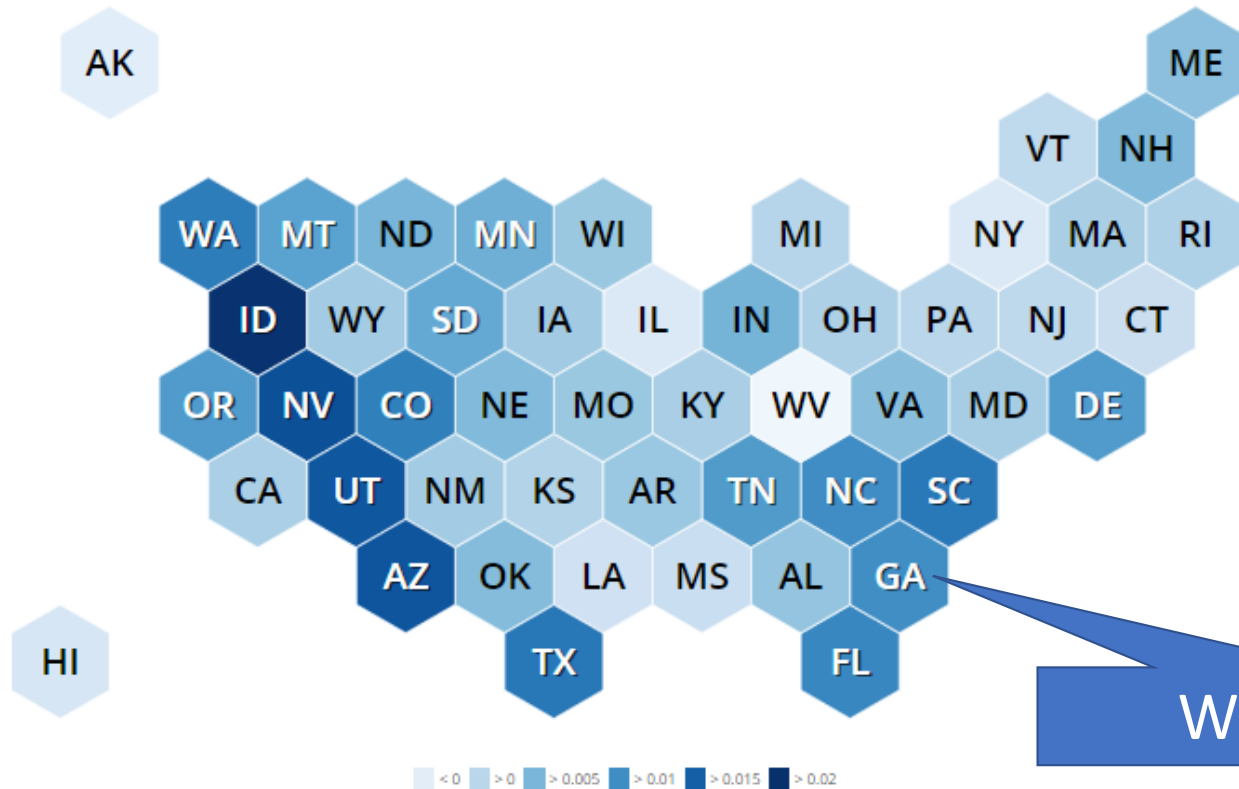
Measure	Not seasonally adjusted			Seasonally adjusted					
	Mar. 2022	Feb. 2023	Mar. 2023	Mar. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	Mar. 2023
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	1.4	1.3	1.3	1.2	1.2	1.1	1.2	1.1	1.1
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	1.8	2.0	1.9	1.7	1.7	1.6	1.5	1.7	1.8
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	3.8	3.9	3.6	3.6	3.6	3.5	3.4	3.6	3.5
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	3.9	4.1	3.8	3.9	3.9	3.7	3.6	3.8	3.7
U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force	4.5	4.7	4.3	4.4	4.5	4.2	4.2	4.4	4.2
U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force	7.1	7.3	6.8	6.9	6.7	6.5	6.6	6.8	6.7

Discouraged workers aren't as large as you might think. +0.7 of LF

NOTE: Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. Updated population controls are introduced annually with the release of January data.

GA's Pop Growth Rate is Strong ...Just Out of the top 10

Fastest Growing States 2022



1. [Idaho](#) (1.96%)
2. [Nevada](#) (1.66%)
3. [Arizona](#) (1.60%)
4. [Utah](#) (1.58%)
5. [Texas](#) (1.24%)
6. [South Carolina](#) (1.22%)
7. [Washington](#) (1.17%)
8. [Colorado](#) (1.14%)
9. [Florida](#) (1.06%)
10. [North Carolina](#) (0.99%)

**10 ½. Georgia (0.98%)
borderline 11.**

10.6% 2010-20

We're Popular!

Georgia is 4th in Numeric Growth Over 1 Million New Georgians 2010-20

Area	2020 Census Resident Population	Numeric Change (2010-2020)	% Change (2010-2020)
Texas	29,145,505	3,999,944	15.9%
Florida	21,538,187	2,736,877	14.6%
California	39,538,223	2,284,267	6.1%
Georgia	10,711,908	1,024,255	10.6%
Washington	7,705,281	980,741	14.6%
North Carolina	10,439,388	903,905	9.5%
New York	20,201,249	823,147	4.2%
Arizona	7,151,502	759,485	11.9%
Colorado	5,773,714	744,518	14.8%
Virginia	8,631,393	630,369	7.9%
Tennessee	6,910,840	564,735	8.9%
U.S. Total	331,449,281	22,703,743	7.4%

Told you
...POPULAR!

State of Georgia's Strength in Economic Development

- **Over the last 10 years (2012-2021), companies have invested \$43 billion in committed capital investment and created 172,500 jobs in GA.**
- **In 2021**, capital investment in GA set a record of **\$6.9 billion**, far exceeding the 5-year historical average of \$5.5 billion.
- The state's economy benefits from its reputation as an attractive place to do business resulting from its:
 - Globally connected airport; deep pool of knowledge workers; high-quality higher education resources; low costs of doing business and of living; business friendly government; transportation infrastructure, including a deep-water port; and temperate climate.

GA Power-Served Economic Development, 2022 Year-to-Date Results



Note: The revenue tracked is only for projects that are Georgia Power served, whether it was a customer choice win or a company that moved into or expanded in a Georgia Power served building. The year-to-date success in revenue versus prior years is due mostly to customer choice wins this year.

Source: Georgia Power – Forecasting & Economic Development

Port of Savannah – Third Largest Port in the Nation

Recent approval of expansion is expected to increase the port's annual capacity by more than 15%

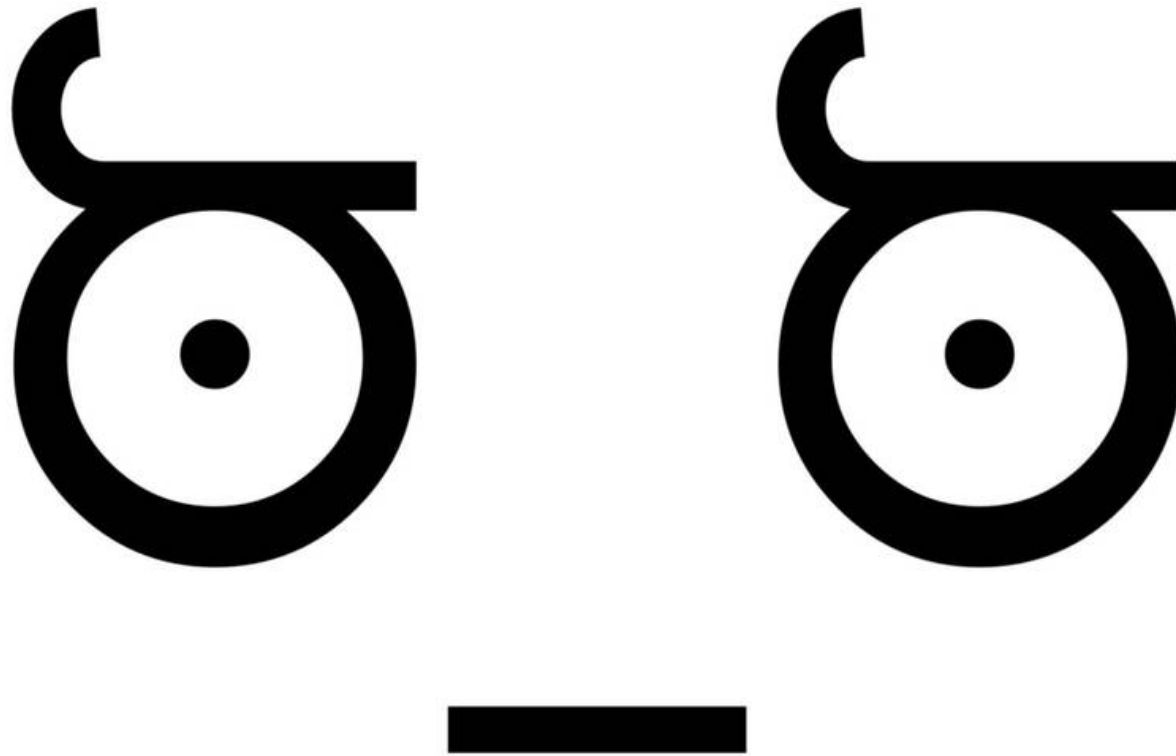
- **Strategically located to serve 45% of the U.S. Population with immediate access to two interstates**
- **Offers the fastest East Coast connects to/from Tennessee, Alabama, Louisiana, and Texas**
- **Garden City Terminal is the largest single-terminal container operation in the U.S.**
- **“Port Tax Credit Bonus” additional incentive from the State of GA to utilize the Port of Savannah**
- **Inland, so more hurricane resistant than other eastern ports**

TOP 10 U.S. CONTAINER GATEWAYS FY2022*

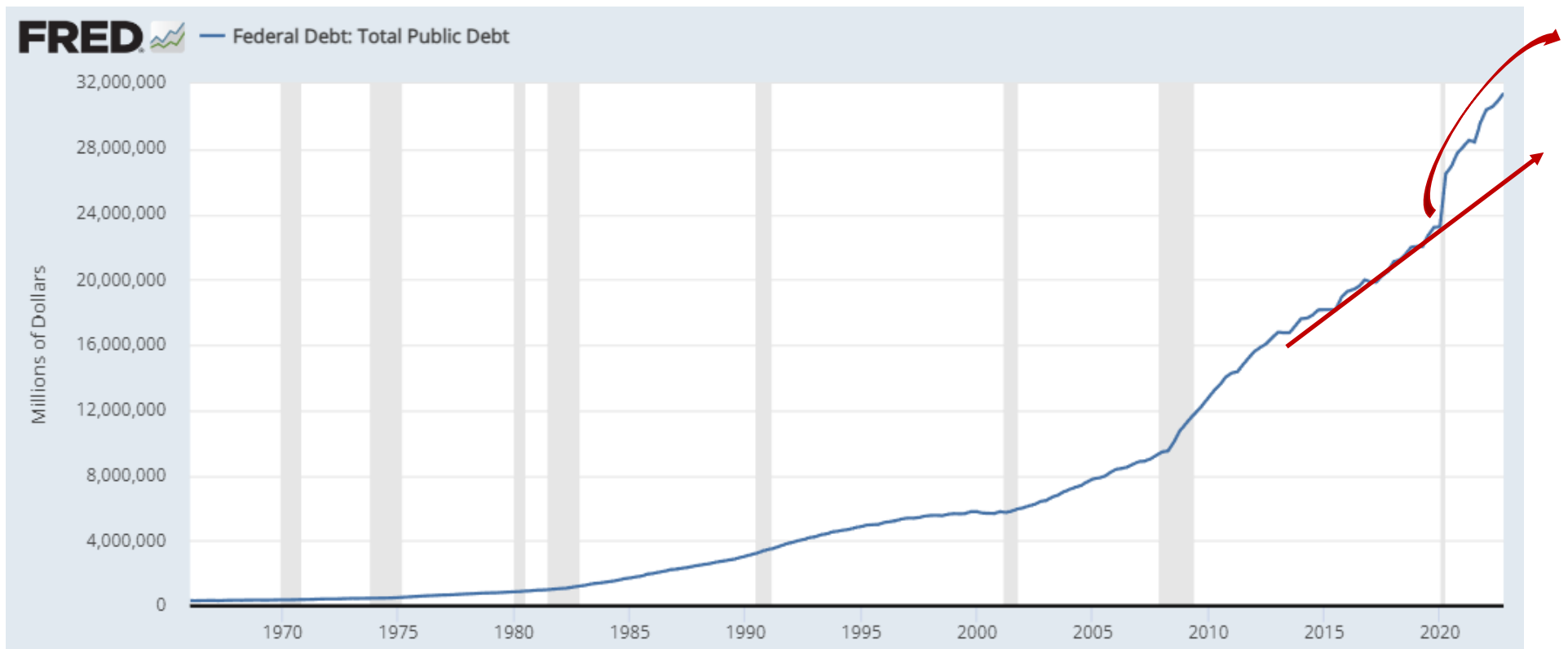
1. Los Angeles/Long Beach
2. New York/New Jersey
3. **SAVANNAH**
4. Houston
5. Virginia
6. Seattle/Tacoma
7. Charleston
8. Oakland
9. Miami/Port Everglades
10. Baltimore

**Source: AAPA (total throughput)*

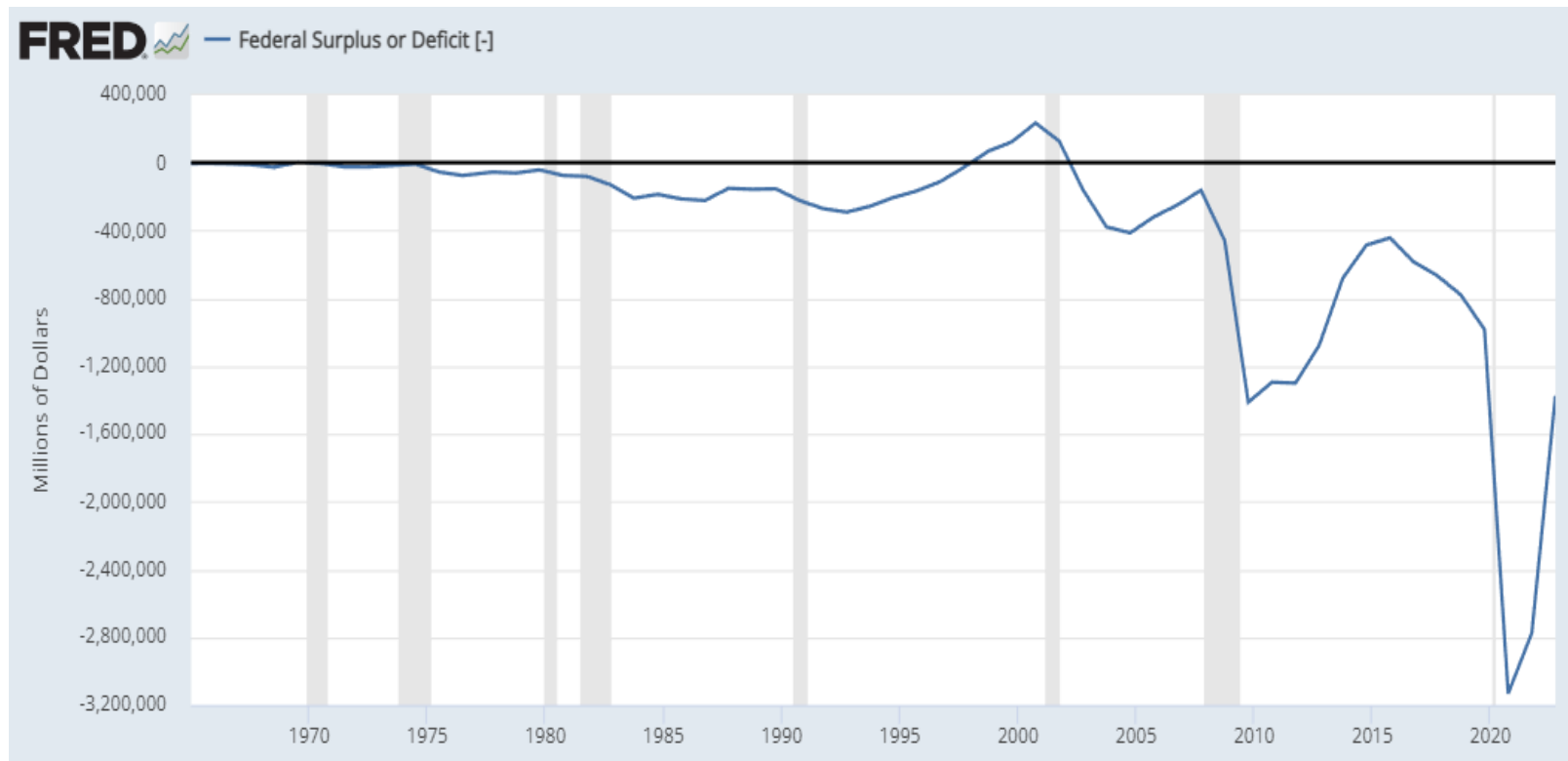
Areas of Concern



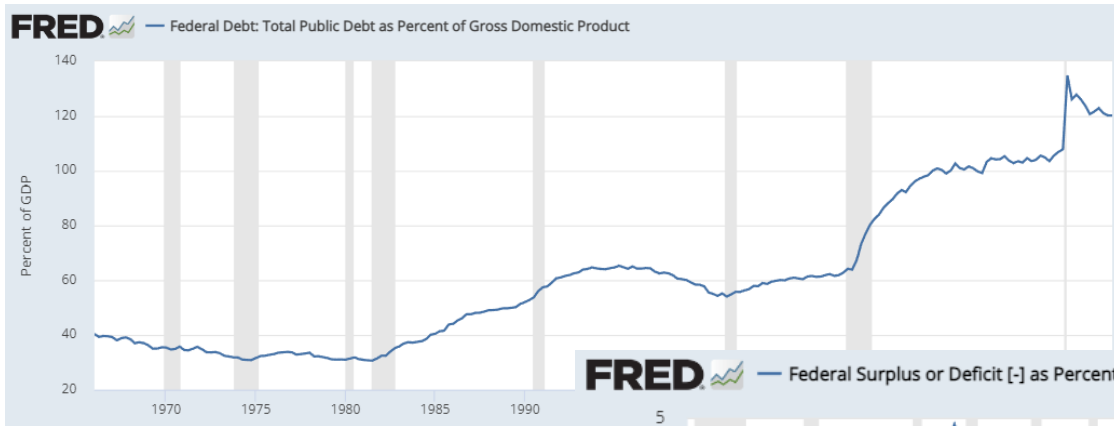
Public Debt Skyrockets During Early COVID But, Bends Back a Bit...



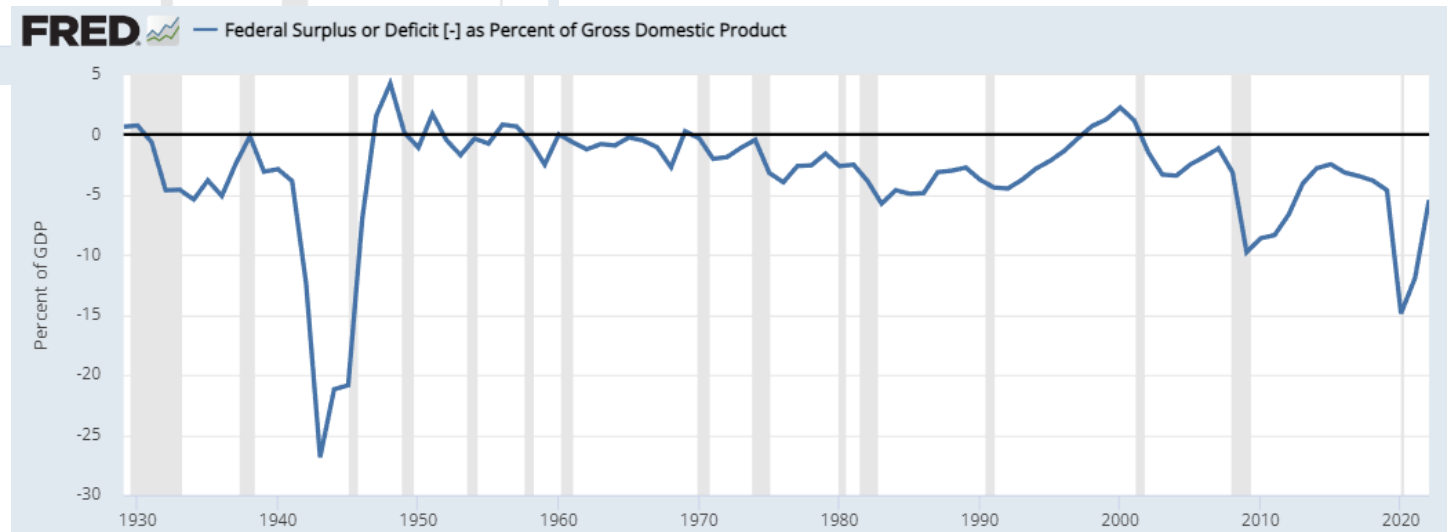
Annual Deficit – Not AS Terrible as Previous Two Years?



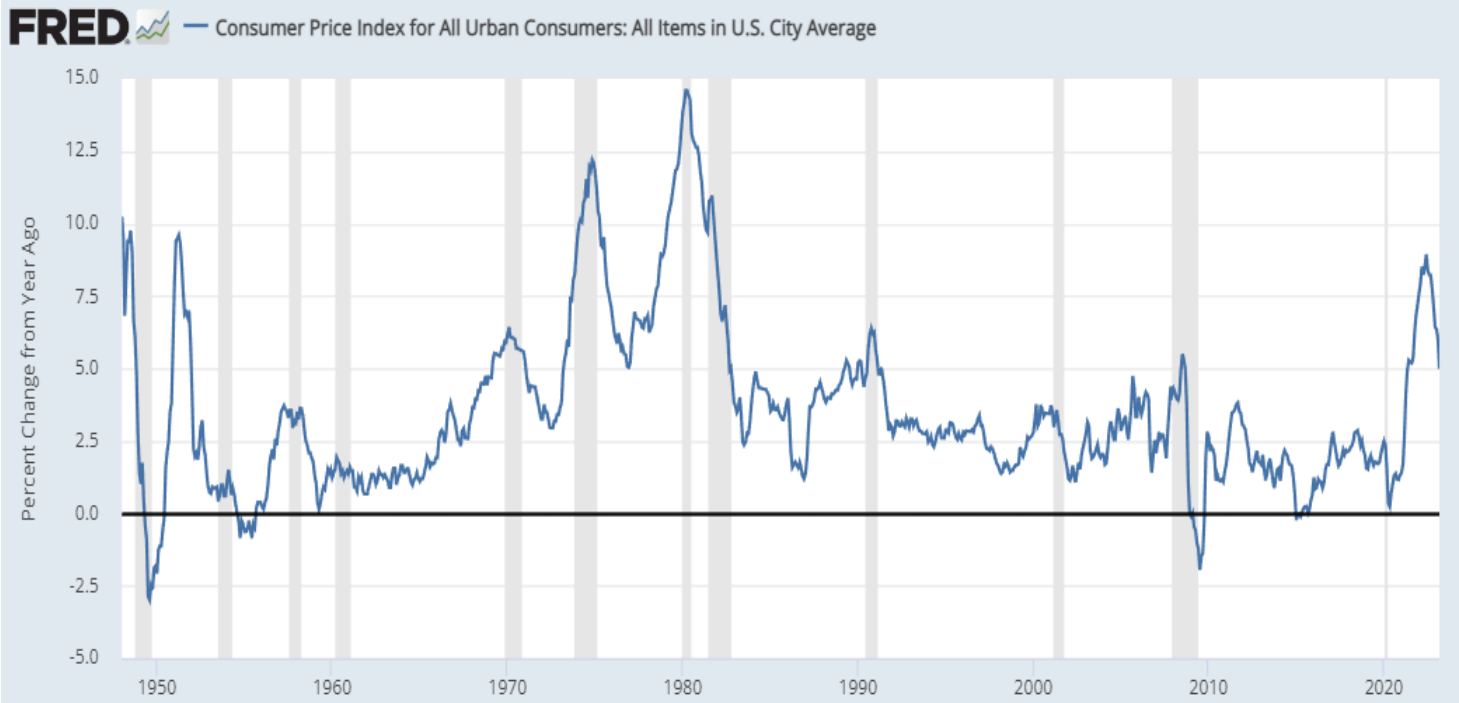
Debt/GDP is above 100%, but falling



Not as bad as WWII
...wait, what!?



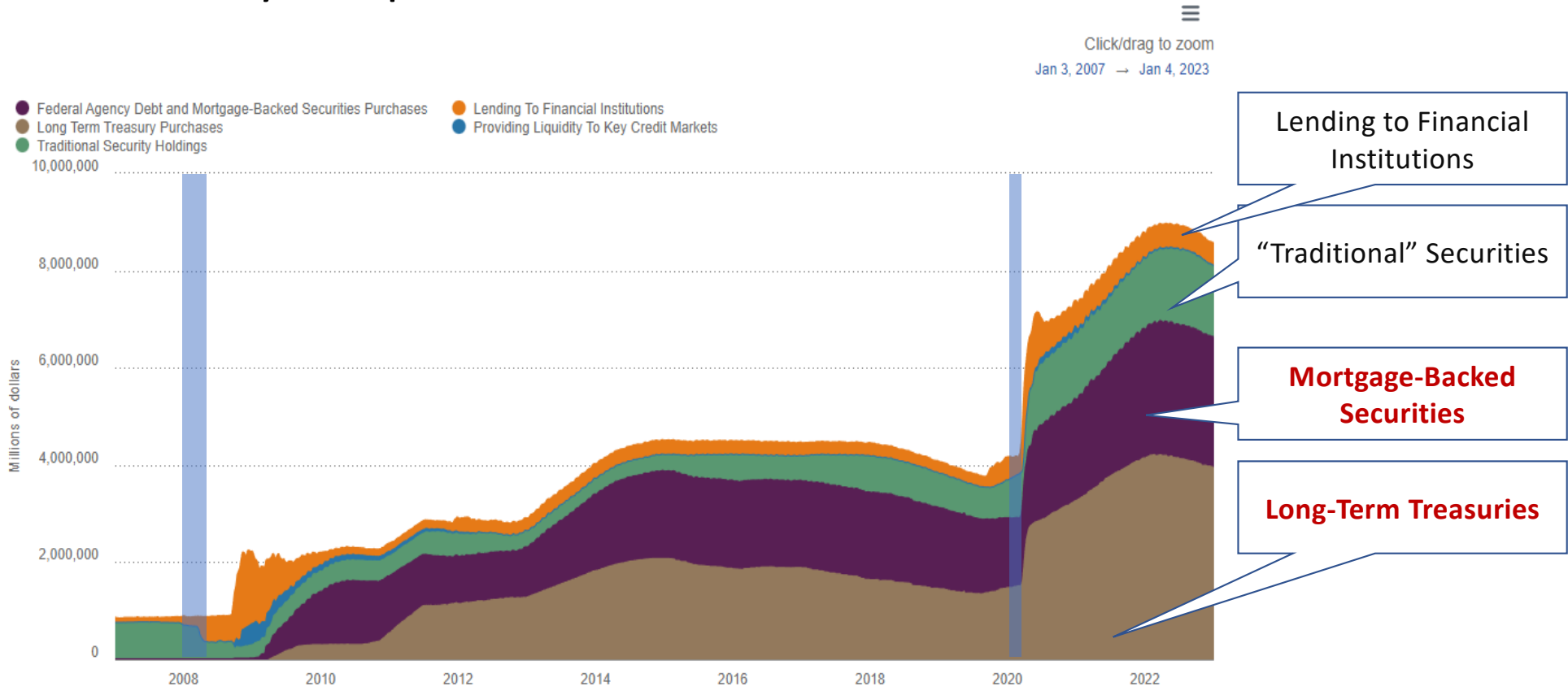
Obviously, Inflation Rate – the Fever Breaks!



Peaked near 9%,
but...

March 2023 was
4.98%

But, QE Continues to Grow in Policy Importance

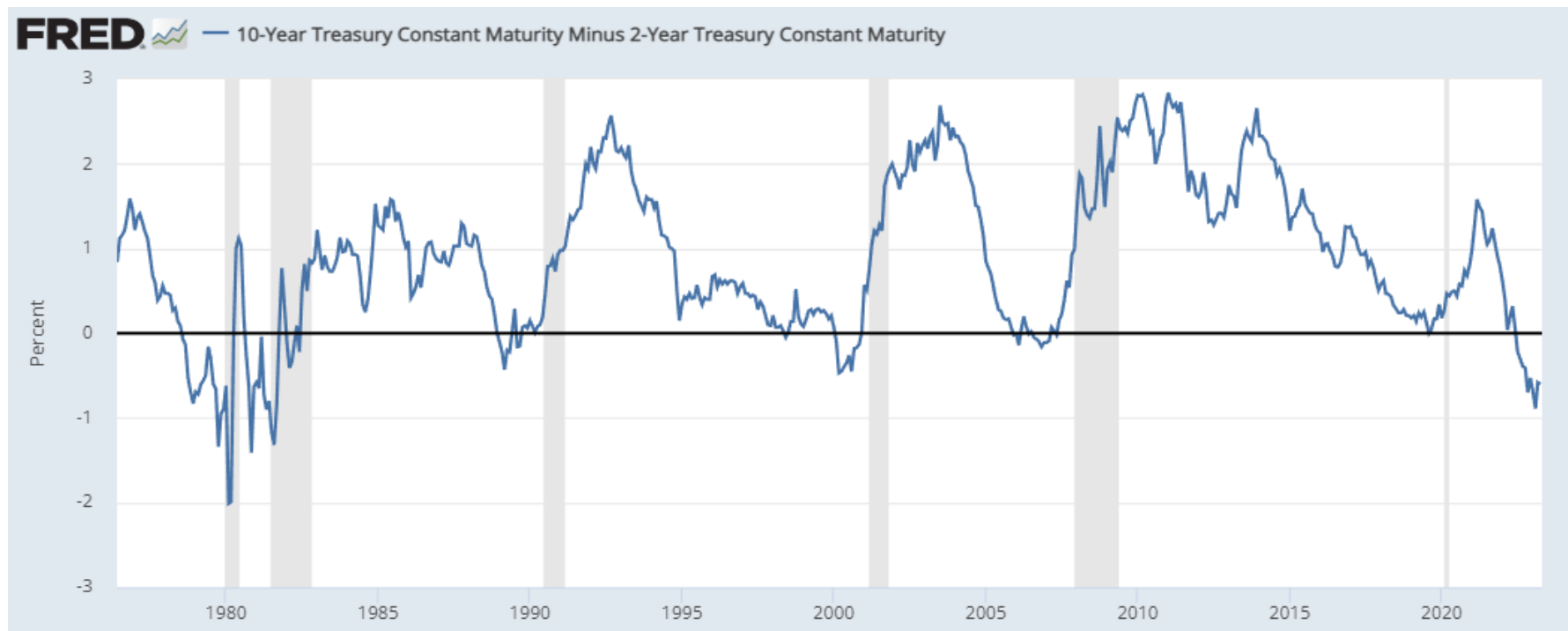


Source: Federal Reserve Bank of Cleveland calculations based on data from Federal Reserve Board and Haver Analytics.

U.S. 10-year Bonds



The 10/2 Spread – More Risk in Near Term

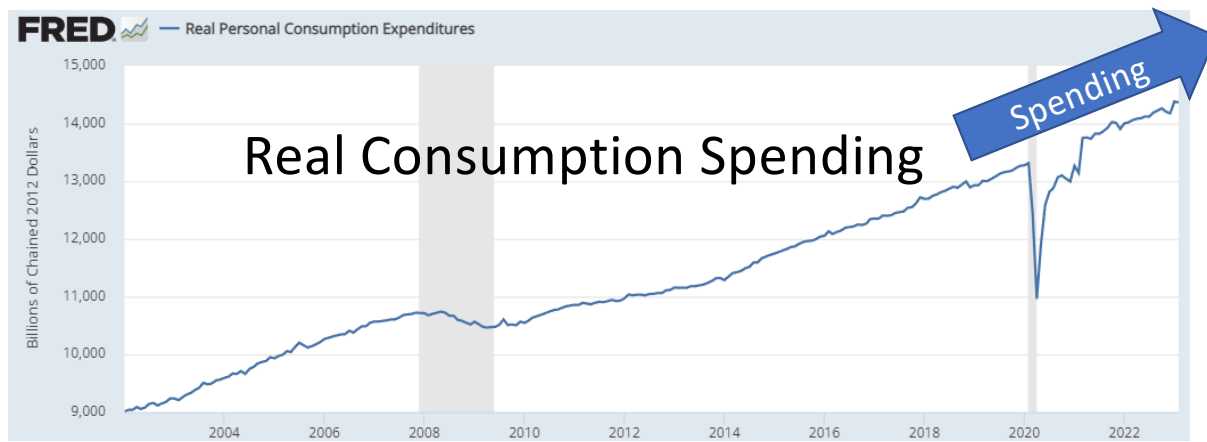


Some Stats to Watch

- Spending vs Earnings (debt)
- Retail Sales
- Auto Sales
- Population Growth (already covered) & Building-related commodities
- Housing & Real Estate, Foreclosures, Credit Delinquency
- Freight
- GDP



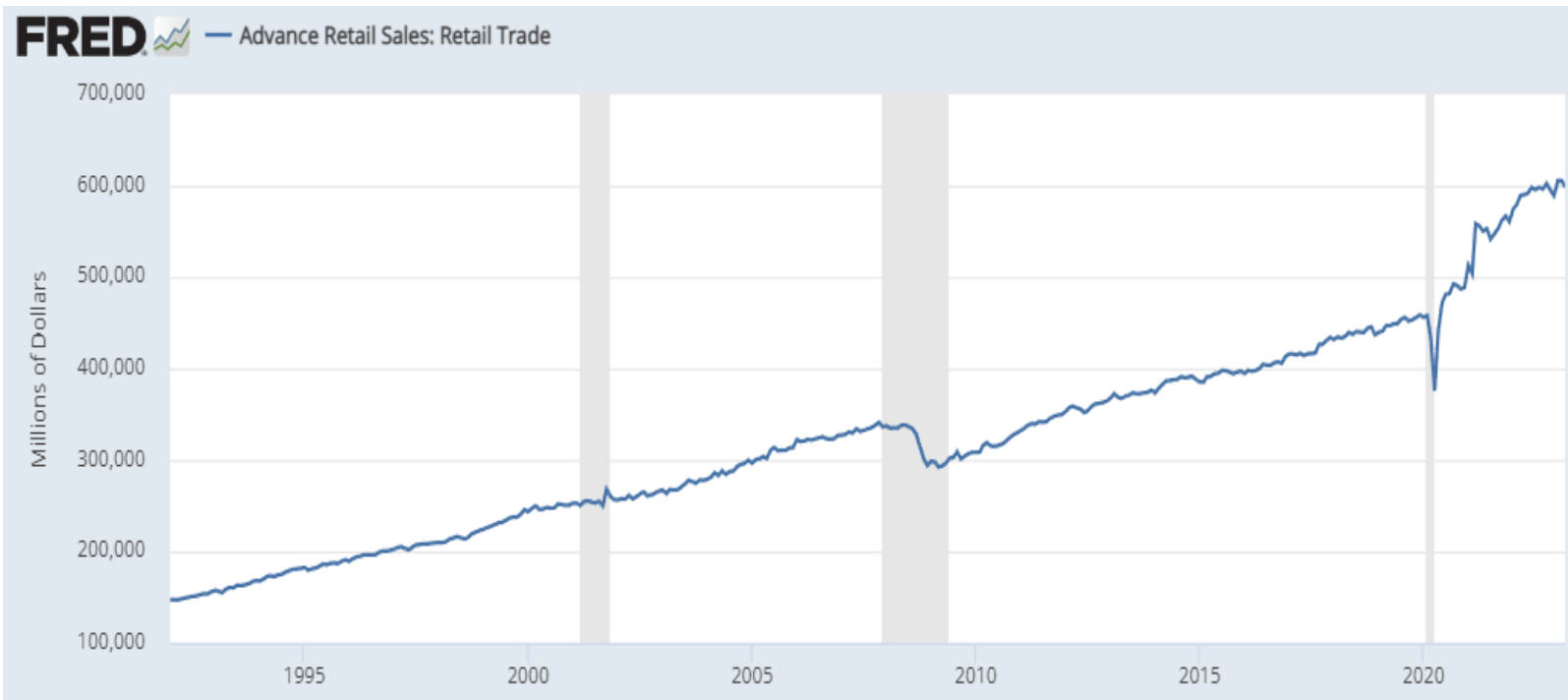
Find ONE Problem with These Two Graphs



Consumer Spending Up
But, Real Wages **NOT** Up



Advance Retail Sales Truck Along



- U.S. holiday retail spending outpaced expectations...
- However, sales were flattening in November.
- Buyers bought early...

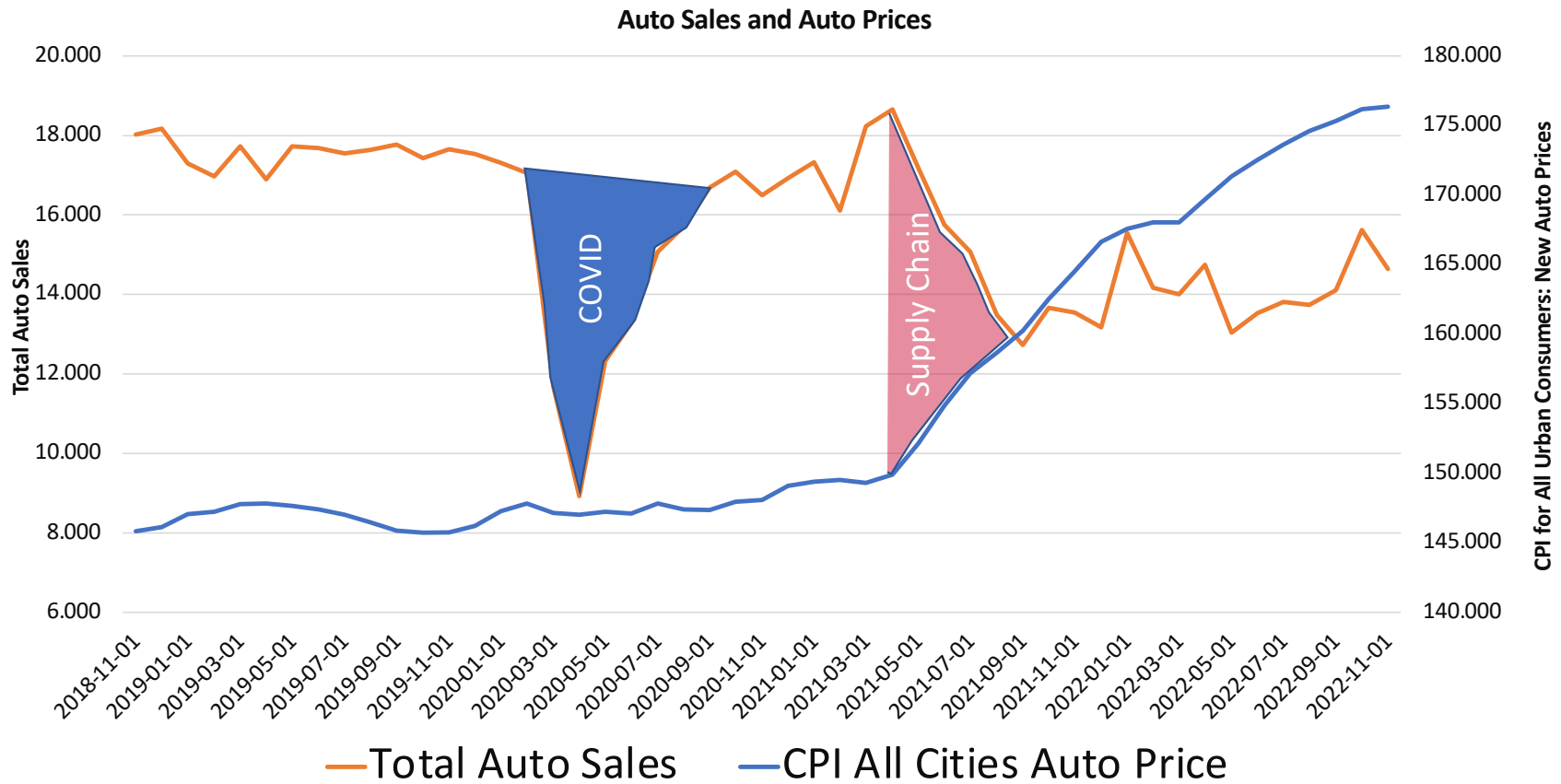
Lumber Commodity Prices Fall to Pre-COVID levels



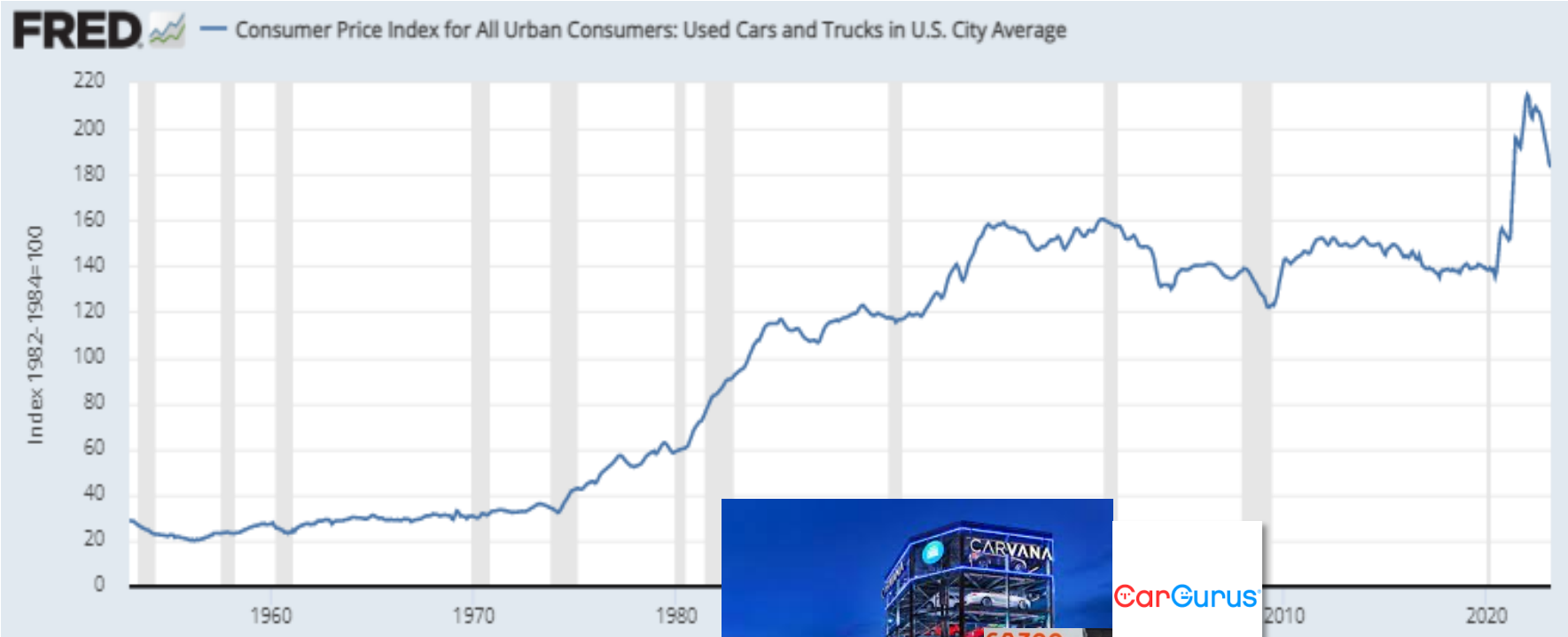
Steel Commodity Prices Up Heading into COVID, but Flat Since



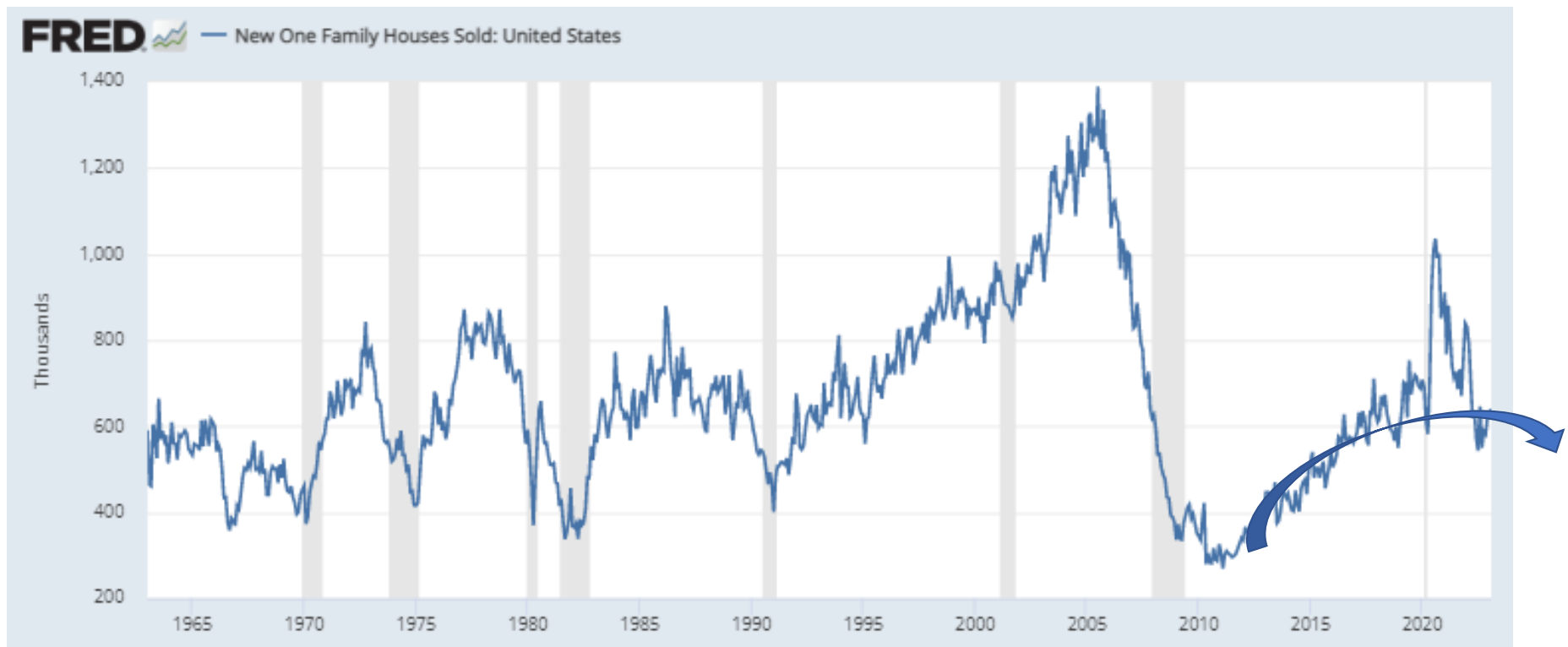
Auto Sales Volume is Down, but Auto Prices are Up!



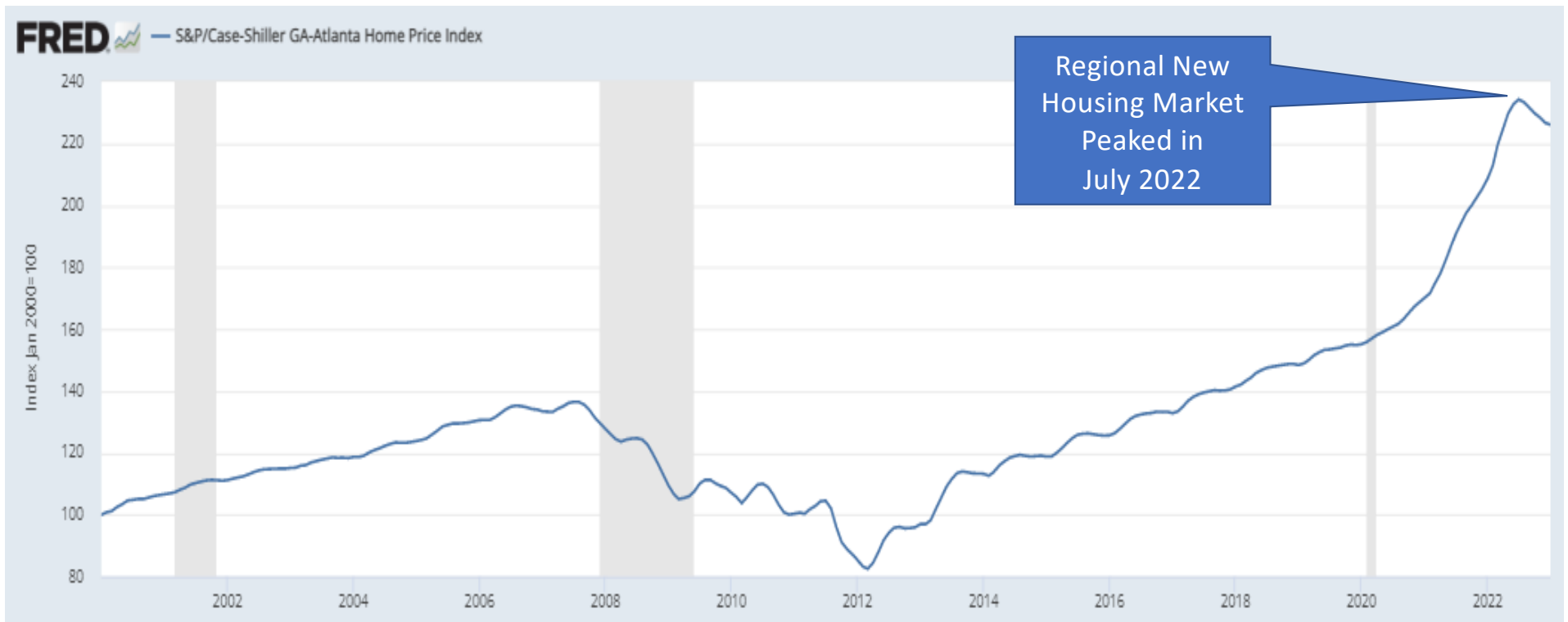
Used Car Prices Fall from 2022 Peak, but... Through March 2023



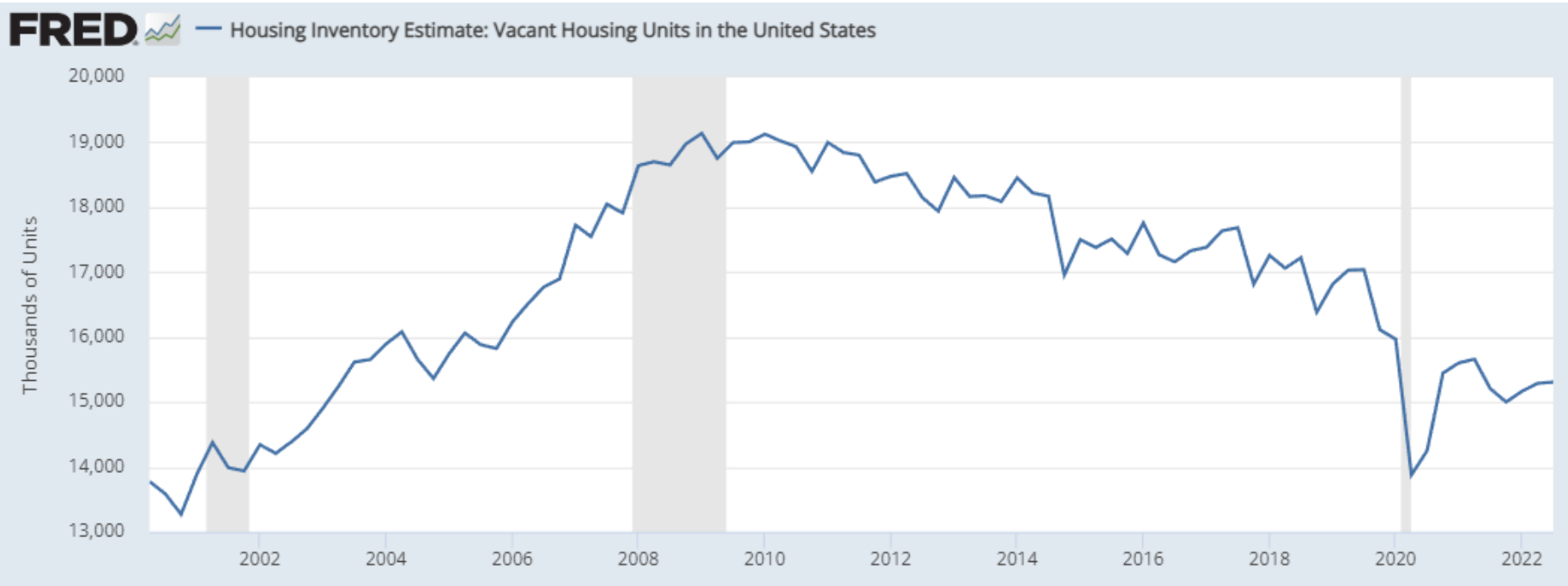
SFR Home Sales (Units)- High Rates Take a Toll



Atlanta's Case-Schiller Home Price Index (repeat sales)



Housing Inventory – Still Relatively Low

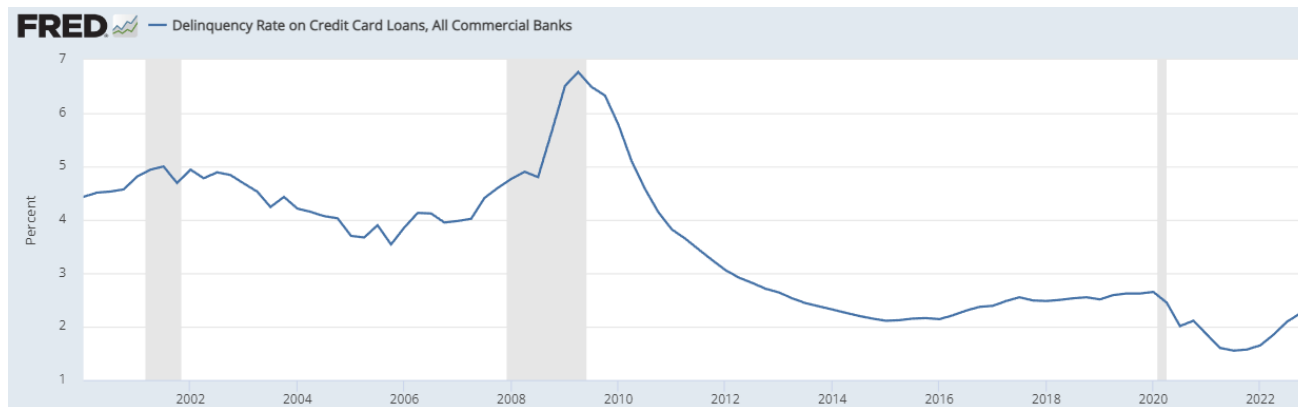


Foreclosure Completions Up 64% in 2022 over 2021

- Nationwide one in every 4,580 housing units had a foreclosure filing in November 2022.
- The trend is up, and the percentage increase is large, but...
- It's starting from a low level, and
- the numbers include units accumulated during the moratorium.
- **Georgia is at one in every 3,732 households, 10th in Nation.**



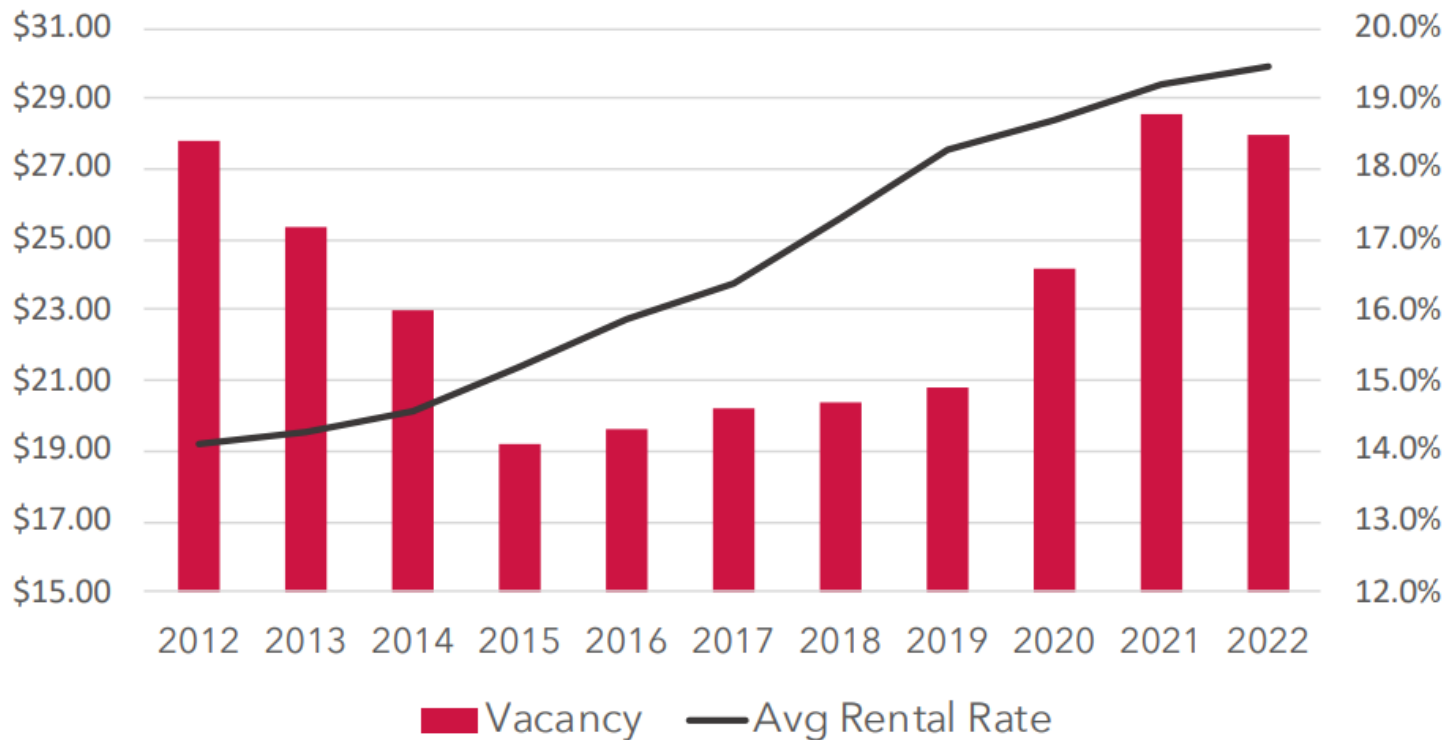
Credit Card Debt Rising, but Delinquencies Down



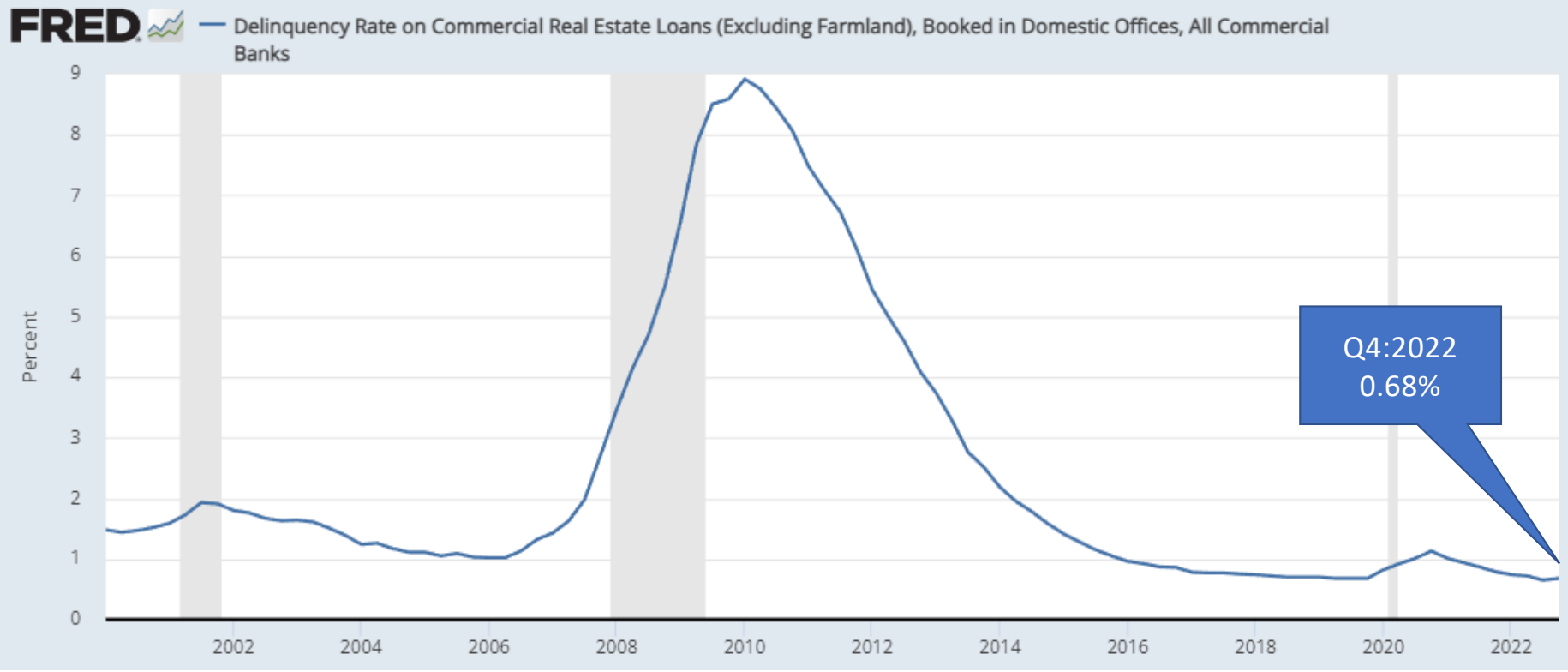
Atlanta Office Vacancy Rates Rise

VACANCY & AVG. RENTAL RATE

rate PSF | 2012 - YTD 2022

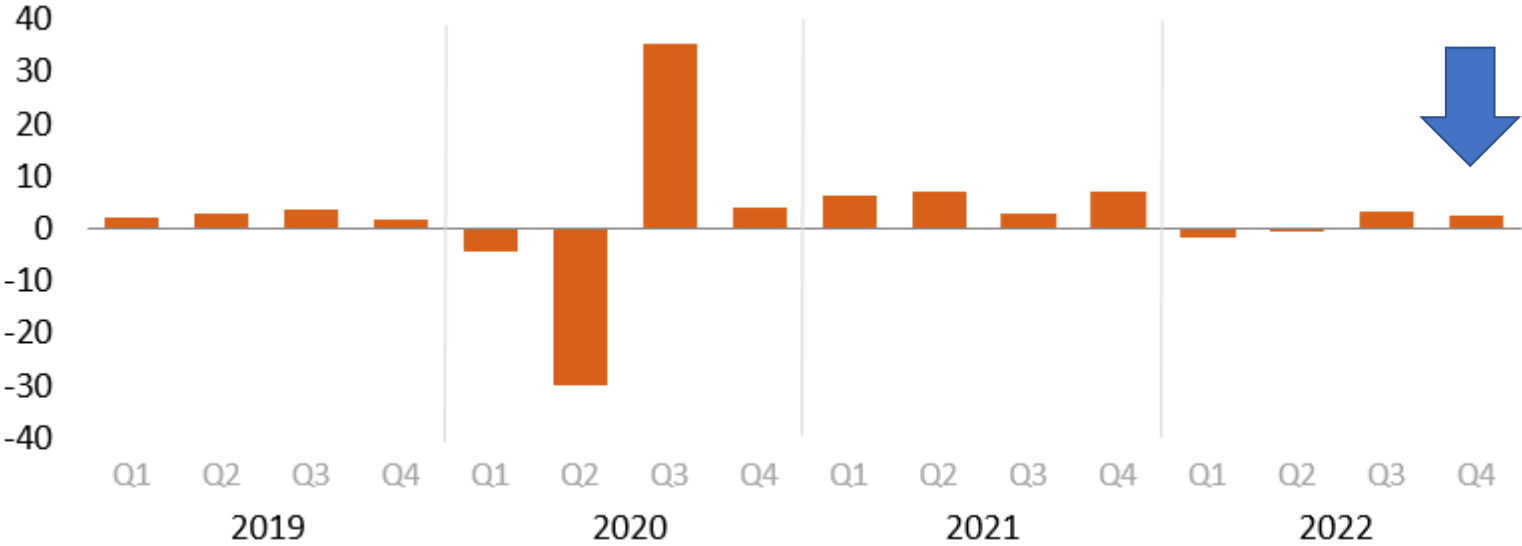


Commercial Real Estate Delinquency Rate



Advanced Estimates: Real GDP Growth Down Rebounds 2022:Q4

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

A photograph of a road surface with a yellow dashed line running down the center. The year '2024' is painted in white on the asphalt above the line, and '2023' is painted below it. A semi-transparent grey box with the text 'Looking Ahead' is overlaid on the road.

2024

Looking Ahead

2023

Challenges for 2023-2024 are not so new...

- Inflation, recession risks, international “risks-o-plenty”, but GA is in good shape to weather a mild recession...**IF** it happens.
- Consumer spending steady despite FED action...because unemployment remains low, really low!
- Labor force acquisition issues continue to dominate local business (lost institutional knowledge, retirement) and generational concerns.
- Remote work – slow return to the office, some move to hybrid.
- Commercial Property/Retail/Office...how is the return to the office working in GA? Vacancy rates remain near recession-levels despite being in an expansion, and rents still high! Head-scratcher...
- Changing demographics, lower birth rates, fewer HS Graduates means we'll need to import workforce.

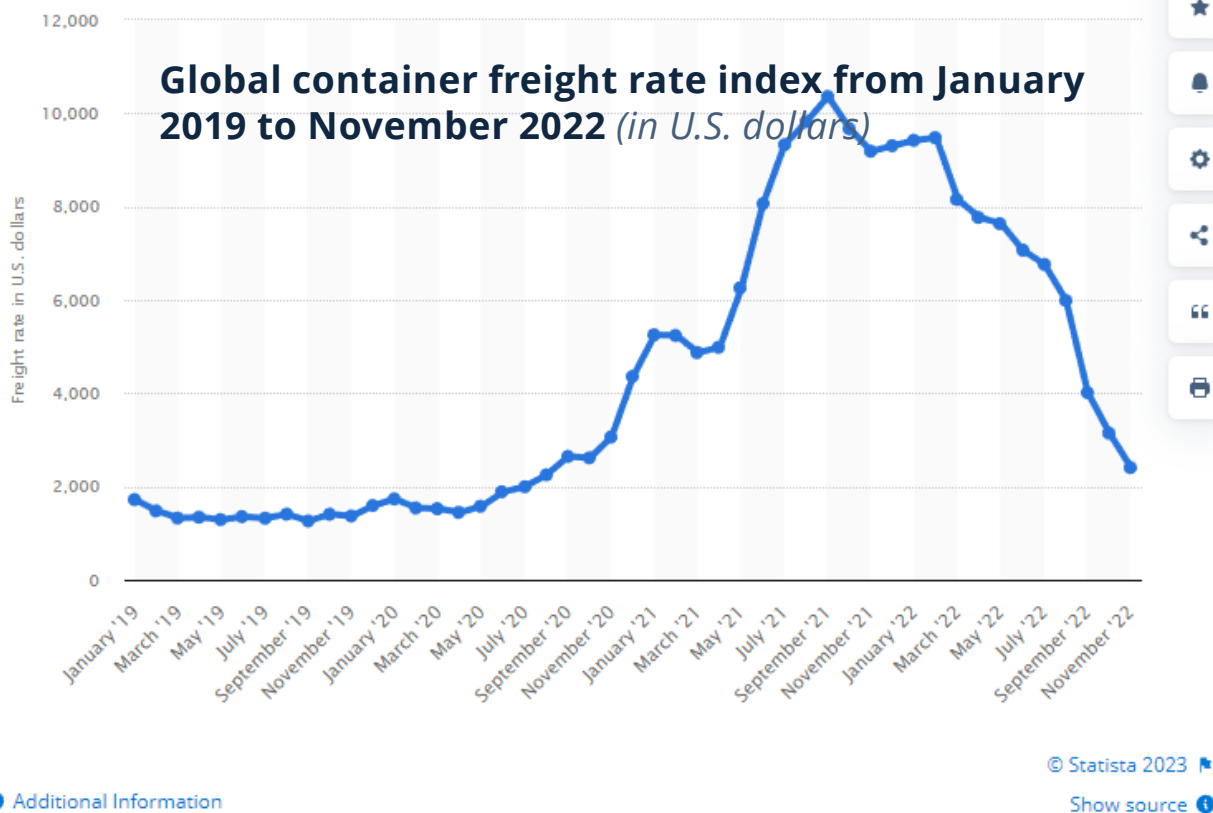
Thank You!

William J. Smith
Prof. & Chair of Economics
University of West Georgia
wjsmith@westga.edu



UNIVERSITY OF
WEST GEORGIA

Deep Sea Freight Hit a Snag!



- Since we buy 'stuff' from S.E. Asia, container rates affect the price of 'stuff.'
- Prices have risen more than 500% times since 2019.
- An additional source of inflation.
- Container rates are falling, but remain above historical levels, affecting any business that imports goods from the far east.

INDUSTRY	change in establishments	change in average employment	employment growth
Goods-Producing	1821	\$ 20,095	3.3%
Agriculture, Forestry, Fishing & Hunting	53	\$ 4	0.0%
Mining	0	\$ 212	4.1%
Construction	1353	\$ 6,754	3.4%
Manufacturing	415	\$ 13,125	3.5%
Apparel	9	\$ 122	6.6%
Beverage and Tobacco Product	31	\$ 964	14.2%
Chemical	57	\$ 638	2.9%
Computer and Electronic Product	59	\$ (208)	-2.1%
Electrical Equipment, Appliance, and Comp	7	\$ 1,083	8.1%
Fabricated Metal Product	28	\$ 1,498	4.8%
Food	39	\$ (758)	-1.2%
Furniture and Related Product	17	\$ 628	6.0%
Leather and Allied Product	1	\$ 15	5.2%
Machinery	8	\$ 1,628	7.7%
Miscellaneous	34	\$ 745	6.1%
Nonmetallic Mineral Product	12	\$ 356	2.4%
Paper	4	\$ 202	1.1%
Petroleum and Coal Products	3	\$ 166	14.8%
Plastics and Rubber Products	5	\$ 1,195	5.2%
Primary Metal	0	\$ 462	6.4%
Printing and Related Support Activities	50	\$ 457	4.2%
Textile Mills	4	\$ 930	6.0%
Textile Product Mills	1	\$ 641	2.6%
Transportation Equipment	12	\$ 1,203	2.4%
Wood Product	34	\$ 1,157	5.7%
Service-Providing	12359	\$ 219,497	7.3%
Utilities	21	\$ 24	0.1%
Wholesale Trade	285	\$ 6,680	3.3%
Retail Trade	1398	\$ 23,015	4.8%
Transportation and Warehousing	803	\$ 15,927	7.6%
Information	498	\$ 19,832	19.0%
Finance and Insurance	526	\$ 4,318	2.5%
Real Estate and Rental and Leasing	823	\$ 5,394	8.0%
Professional Scientific & Technical Svc	2341	\$ 22,298	8.0%
Management of Companies and Enterprises	32	\$ 899	1.0%
Admin., Support, Waste Mgmt, Remediation	1610	\$ 30,906	9.7%
Education Services	203	\$ 5,343	7.5%
Health Care and Social Assistance	1317	\$ 20,056	4.2%
Arts, Entertainment, and Recreation	303	\$ 10,569	24.2%
Accommodation and Food Services	1403	\$ 46,158	12.8%
Other Services (except Public Admin.)	796	\$ 8,077	8.0%
Unclassified - industry not assigned	16103	\$ 10,785	71.0%
Total - Private Sector	30283	\$ 250,377	6.9%
Total - Government	75	\$ (5,126)	-0.8%
Federal Government	10	\$ (4,475)	-4.0%
State Government	53	\$ (2,813)	-2.1%
Local Government	12	\$ 2,162	0.6%
ALL INDUSTRIES	30358	\$ 245,251	5.8%

Sectoral Employment Growth – GA's Recent Numbers

- Strong (double-digit) Growth in:
 - Beverages...hmmm, wonder why...
 - Information (IT Services)
 - Arts/Entertainment
 - Accommodation and Food Services
 - Petroleum
 - Admin, Support, Waste (Temp emp)
- Losses in:
 - Computer Products (hardware)
 - Food Manufacturing