

Georgia economy still riding expansion wave into 2019

UGA forecast predicts job growth in all of Georgia's metro areas and rising home construction

Macon — Georgia's economic growth will outpace the nation's for the sixth straight year, according to the latest forecast from the University of Georgia Terry College of Business.

Although personal income growth and existing home prices will rise, total economic growth will be less robust than in 2018, said Terry College Dean Benjamin C. Ayers at UGA's 36th annual Georgia Economic Outlook event at the Hilton Garden Inn in Albany.

"We predict job growth in all of Georgia's 14 metropolitan areas and in all of the state's major industries," Ayers said. "Georgia will benefit from several reliable sources of growth — including an impressive economic development team, favorable demographic trends, more homebuilding and real estate development, higher defense spending, continuing fiscal stimulus from recent tax cuts and faster productivity growth."

The forecast is based on the Georgia Economic Outlook report, prepared by the Terry College's Selig Center for Economic Growth. The complete forecast is available for purchase at terry.uga.edu/selig.

Macon

From the Economic Outlook Report:

On an annual average basis, Macon's total employment will rise by 0.6 percent in 2019, or by 600 jobs. The growth of the construction, healthcare, and financial services industries will account for much of the projected job growth. In addition, many of the economic development projects announced over the last few years will continue to build out. In 2018, Five Below announced new retail distribution center project for Monroe County that will create 130 jobs. The Nichiha Group announced an expansion of its fiber cement product manufacturing plant that will add 74 jobs. Star Snacks' peanut roasting and packaging facility will create 115 jobs, and Irving Consumer Products will bring over 200 jobs at a tissue manufacturing facility. The top employers in the Macon MSA (which includes Bibb, Crawford, Jones, Monroe, and Twiggs counties) are GEICO, Navicent Health Medical Center, Coliseum Health Systems, Mercer University, and Georgia Farm Bureau Federation. GEICO, the MSA's largest employer, should benefit from increases in insurance for more expensive cars and from increases in residential property values.

Macon's economy will benefit from its focus on transportation and logistics, financial activities, higher education, healthcare, and professional and business services. The area's large and stable healthcare industry is a strength. The leading high-wage industries are doctors' offices and the federal government.

Government accounts for only 14.5 percent of nonfarm earnings, which is well below the respective national and statewide averages of 16.6 percent and 16.5 percent, so the MSA's direct exposure to future government restructuring is limited. Of course, Warner Robins' heavy

dependence on federal spending creates large positive spillover effects in the Macon MSA. Fortunately, the 2019 outlook for the Robins Air Force Base is excellent. Macon's direct dependence on exports is also limited, so a retreat from globalization or a trade war would be manageable.

Macon's role as a center for transportation and logistics serves the area very well. Strategically located at the intersection of I-75 and I-16, Macon has two railroad lines, is home to the largest rail-switching center on the East Coast, and benefits from a good airport that is used by local residents as well as others from South Georgia. The Port of Savannah is accessible on relatively uncongested roads. In addition, it is a short drive to the air cargo and cold storage facilities at Atlanta's airport—factors that create a near perfect low-cost location for multi-modal distribution.

The MSA's central location also makes it a good place to host statewide meetings or conventions. Given its close proximity to many beautifully preserved historic homes, the city's central business district is redeveloping in ways that should appeal to tourists, but it has yet to capitalize on this advantage. Nonetheless, the hospitality industry will be a very positive force for growth in 2019 and beyond.

Its role as a remote bedroom community for the southern portion of the Atlanta MSA will grow, further stimulating the economic development of Macon's northern suburbs. As Atlanta becomes more congested, sites in Macon will become very attractive to businesses and state government operations.

Some factors will limit the area's economic growth. Although outmigration has slowed, Macon's population will not grow very much in 2019. It is especially worrisome that too many adults in their prime working years are leaving, likely due to the relative shortage of high-tech jobs. As a consequence, homebuilding activity is very depressed, and recovery will be slow.

Georgia

While the economic expansion is slowing down a little, the state still has bright prospects for growth in 2019 and beyond, Ayers said.

“Site consultants recently ranked Georgia as the top state in which to do business for the sixth straight year, so it is not surprising that Georgia's economic development pipeline is full,” Ayers said. “The buildout of new headquarters is an important factor powering Georgia's economic growth. There are 26 companies with headquarters in Atlanta that rank in the Fortune 1000, placing Atlanta behind only New York City and Houston.”

Headwinds for the state's economy will come from low unemployment rates, leveraged lending to non-financial businesses, rising asset prices and a large federal deficit. But while these factors will hamper growth, they are not likely to trigger a recession in 2019, Ayers said.

“The very tight labor market will prompt faster growth in wages and salaries,” he said. “In contrast, both job growth and GDP growth will slow because it will become more difficult to fill

open positions. On the plus side, we expect wage hikes to benefit lower-paid occupations that did not benefit much from the earlier stages of this economic expansion.”

By the numbers

The fastest-growing sector of the state’s economy will be construction, followed by education and health services, leisure and hospitality, business services, and mining and logging. No major sectors are expected to see a net loss of jobs. Overall, Georgia will benefit from a 1.5 percent rise in employment, which is just shy of its 1.7 percent gain in 2018, but still higher than the nation’s expected rate of 1.3 percent, Ayers said.

Georgia’s economy will grow 3 percent in 2019, just a half-percent lower than last year, while U.S. GDP will increase by 2.5 percent. Personal income growth in the state will grow 4.9 percent, down slightly from 5.4 percent last year, but still higher than the nation’s 4.5 percent increase for 2019.

“Homebuilding and real estate development will be a driver of Georgia’s growth,” Ayers said. “Although existing home sales have peaked, sales of new homes and new home construction will move higher in 2019. That is especially positive because new home construction and new home sales contribute substantially more to the state’s GDP than sales of existing homes. Job growth, improving demographics and the limited supply of older homes will boost new home construction by 9 percent.”

Trade tensions, however, could limit the state’s growth.

“Georgia is the nation’s 11th-largest export state and seventh-largest import state,” Ayers said. “We have a substantial transportation, distribution and logistics industry focused on international trade. Georgia’s large manufacturing and agriculture industries also depend heavily on easy access to global markets. That means Georgia is extremely vulnerable to any major step back from globalization. But more favorable trade terms, like those we’ve seen with NAFTA, could boost our exports and enhance the prospects for our transportation and logistics industry.”

By area

While every metropolitan area in Georgia is expected to see positive growth in 2019, not all regions will grow at the same rate.

“In 2019, Augusta and Gainesville will experience the fastest job growth. Athens and Atlanta will see average to slightly above-average job growth,” he said. “Albany will see the slowest job growth, reflecting several of the same factors that will cause rural Georgia to experience below-average growth.”

Georgia is ninth in the nation in terms of defense spending, so areas with major military installations will receive a boost from the \$85 billion increase in the Defense Department budget. Communities in Muscogee, Liberty, Richmond, Chatham and Houston counties will benefit the most, as will defense contractors throughout the state, Ayers said.

And while Georgia's existing home prices are 14 percent higher than their pre-recession peak overall, the degree of appreciation varies within the state.

"On average, existing home prices in the Atlanta area are 21 percent higher than their pre-recession peak level. In contrast, existing home prices in rural Georgia are 2 percent below their pre-recession peak," Ayers said.

Overall, both the state and nation will enjoy positive economies throughout 2019, he said.

"Absent a full-blown trade war, the risk of a 2019 recession is low," Ayers said. "And if we can avoid a major shock or policy mistakes, the current expansion could continue for some time."

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