

Economic slowdown forecast but no recession

High borrowing costs hurting Georgia businesses, consumers.



Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University, says the state's economy will avoid a recession this year but will slow significantly before accelerating in 2025.

BY MICHAEL E. KANELL - MICHAEL.KANELL@AJC.COM

Despite buffeting from high interest rates, lenders' caution and some corporate cost-cutting, Georgia's economy will avoid a recession this year but will slow significantly before accelerating in 2025, according to the quarterly prediction by the Georgia Economic Forecasting Center.

The state will add 37,400 jobs in 2024, less than half the expansion of last year, said Rajeev Dhawan, director of the center.

"The economy is weaker than it appears," he said at Tuesday's session, conducted via the internet.

While unemployment is low, signs of a slowdown can be seen in the decisions made by employers now, he said. "Investment today is job growth six to nine months down the road. Business investment is trending down, which implies weaker second-half growth."

Companies and consumers have been struggling with borrowing costs, the result of the Federal Reserve's anti-inflation campaign, which rapidly lifted most of the economy's interest rates in 2022 and early 2023. Fed officials have said they will cut rates when the data convinces them inflation is tamed.

Meanwhile, the number of consumer delinquencies on auto and credit card loans has been inching up, and some economists have warned the Fed's delay could be painful for many people and even tip the nation into recession.

Moreover, after last year's failure of Silicon Valley Bank and several others, many lenders are reluctant to take on risk, Dhawan said.

"Regional banks are really constrained on capital, so small business will be feeling the pinch."

Small companies typically account for the lion's share of new hiring, so unmade loans can be seen as buildings not built, employees not paid more and workers not hired.

Dhawan predicted rate cuts starting in June, it won't be enough to quickly reinvigorate the economy.

The national economy, which grew at a 3.3% pace last quarter, will decelerate through this year, growing merely 1% in the final quarter of 2024, he said.

Georgia will track that trajectory, Dhawan said.

After a spectacular 2021, which was largely a rebound from the pandemic losses, the state has added progressively fewer jobs each year.

More crucially, recent expansion has depended more on hiring for lower-paying positions in hospitality and health care, rather than high-paying, middle-class jobs, Dhawan said.

"It's been lopsided," he said. "I don't care just about the number of jobs, it's the quality of the jobs that matters, the purchasing power they add."

Still, the state has some advantages, he said.

For a variety of reasons, hundreds of thousands of Americans move each year.

They tend to move toward the strong economic regions, but their arrival is also a boon to the economies of their new homes.

While some people left Georgia last year, the state had a net in-migration of about 58,200, Dhawan said.

"That is new demand for housing and rentals. Georgia is going to benefit from domestic in-migration."

One problem with that growth is the state — especially metro Atlanta — does not have enough housing even now and even the eventual economic rebound will not soon remedy that, said John Hunt, principal at MarketNsight, an Atlanta-based company that tracks and analyzes housing through the Southeast.

"I think this is going to be a continuing story," said Hunt, also speaking at the GSU conference. "The math says that you need 47,000 units of housing on top of what's out there. We are going to be undersupplied in my opinion, for a minimum of a decade."

There is already plenty of demand — much of it coming from millennials hitting their stride with decent paychecks and plans to start a family — but not enough homes listed for sale. Inventory, the number of homes on the market, is constrained partly because there isn't enough new construction, while many people who might like to sell their homes are "locked in," he said.

MORE DETAILS

JOB GROWTH, PAST AND PROJECTED

United States

- 2023: 3.54 million
- 2024: 2.01 million
- 2025: 815,000

- 2026: 1.68 million Georgia
- 2023: 100,200
- 2024: 37,400
- 2025: 79,100
- 2026: 101,300

TOP STATES, NET DOMESTIC MIGRATION, 2023

- Florida: 194,400
- Texas: 186,800
- North Carolina: 97,600
- South Carolina: 82,600
- Tennessee: 63,400
- Georgia: 58,200

INFLATION, PAST SIX MONTHS

- Overall: 3.3%
- Gasoline: -5.6%
- Food: 3.0%
- Clothing: -3.0%
- Utilities: 6.7%
- New vehicles: 1.1% Source: Georgia State University Economic Forecasting Center, Census Bureau