

# **FORECAST OF GEORGIA AND ATLANTA**

**February 2005**

*Georgia's Gradually Lifting Fog of Uncertainty*

ECONOMIC  
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CENTER



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# GEORGIA'S GRADUALLY LIFTING FOG OF UNCERTAINTY

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## **FORECAST COMMENTARY**

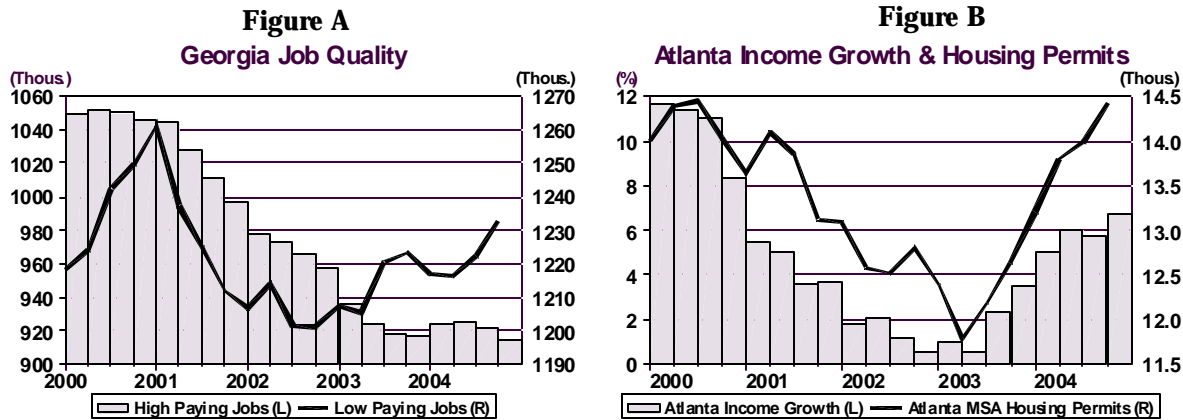
Despite all the uncertainty on many different levels, nationally, 2004 turned out to be a pretty decent year. Even though we listened to the grim daily report of rising oil prices and cringed whenever we filled up our tanks, we survived without much of a hiccup. The deeply divided Presidential race brought all kinds of dirty laundry to the table and, depending on which side you were on, the economy seemed to either really stink or simply in need of some light washing. But with the winner swiftly decided, at least we know with a reasonable degree of certainty what to expect out of the next four years. The FED is trying not to crash the low interest rate party by subscribing to a "measured" pace of rate hikes, which fortunately has not roiled the bond market.

At the local level, the relentless musings over a Delta bankruptcy reminded us of the unhappy times in the early 1990's after Eastern's liquidation. When Delta's creditors and pilots took a haircut in November, they saved the airline from this fate – at least for now. Among other big local employers, Coke had some trouble managing its new CEO search at the beginning of 2004. This led to paralysis in hiring at managerial levels, which wasn't helped much by a flat revenue growth environment due to poor global growth. Bellsouth fell into consolidation mode (indirectly via its stakes in Cingular and AT&T) with the rest of its industry and continued to shed jobs

throughout the year. Georgia-Pacific just released their 4<sup>th</sup> quarter report that showed that 2004 profits more than doubled despite a 48% drop in 4th quarter profits. Still, G-P revenues have been flat, which by my standards (see Revenue Scorecard section of our *Forecast of Georgia and Atlanta* November 2004 issue), points to an iffy state of financial health.

The good news is that the fog of uncertainty that enveloped our growth prospects is lifting slowly but surely. The small business cylinder is firing at full strength and producing much awaited jobs. In calendar year 2004 (January to December), we gained 37,600 jobs, and most of these were not from the list of Georgia's top 20 employers. This is quite impressive considering that small businesses numerically make up just above 50% of the employment base. If there are thousands of small businesses adding one or two employees, they eventually make a difference to the state's bottom line. The problem is that for the general public you, you hear about the 100 jobs being added at EarthLink, but you rarely hear about the two new employees at Joe's Corner Print Shop. These small businesses are also spread out among all the sectors, so as the sectors improve, one can assume that small businesses are playing their part.

For the 2005 to 2007 time-period, employment prospects look relatively rosy when compared to the uncertain times from 2001 to 2003. For calendar year 2005 (January to December), Georgia's



employment will increase by 78,000 jobs, more than double that of last year, and 19% or 14,600 of these jobs will be high-paying. For calendar year 2006, high-paying jobs will be only 14% (14,140 jobs) but the total number of jobs created will be higher at 100,700. For calendar year 2007, employment gains will be 81,300, where 14,630 are high-paying. To put into a historical perspective, during the recovery of the early 1990's, from 1992 to 1995, Georgia's economy added an average of 115,000 jobs per year, of which 26%, or 30,000 were high-paying. The average forecast for new jobs for the next three years is 86,670, 25% below that norm of the early 1990's. During the same period, we will add an average of 14,453 high-paying jobs, which is less than half the pace of higher-paying jobs created in the early 1990's. This is the new reality of this post-9/11 era.

Atlanta added 28,500 jobs in calendar year 2004, and will add 43,700 jobs in calendar year 2005. In 2005, 22.6% or 9,900 of these will be in higher-paying categories. The following year looks even better as employment increases by 58,700 jobs, with 13,500 of these coming from high-paying categories. 2007 will see Atlanta employment increase by 53,600, of which 14,900 are high-paying, a strong pace considering the suffering endured in 2002 and 2003. During the recovery of the early 1990's, from 1992 to 1995, Atlanta's economy added an average of 77,600 jobs per year, of which 30%, or 23,000, were high-paying.

The average forecast for new jobs for the next three years in Atlanta is 52,000, 33% below the norm of the early 1990's. During the same period, we will add an average of 12,767 high-paying jobs, which is almost half the pace of higher paying jobs created in the early 1990's.

High oil prices have been an irritant so far. Oil spiked in October and again in December and has taken a \$40 billion bite out of our discretionary spending. This can be seen in low-end retailer's meager growth whereas the high-end retailers did fabulous this past Christmas.

Did just hear someone mention the weak dollar, the high trade deficit and Chinese goods flooding the market? The trade deficit is merely a function of a more integrated global economy where producers of consumer goods increasingly come from overseas. The 100 million people that shop at Wal-Mart every week are responsible for this. Where do they think they get their jeans and DVDs – textile mills in North Carolina and factories in Chicago? It's China. The weakening of the dollar should have led to higher prices at Wal-Mart but never did! Why? Since the Chinese Yuan is pegged to the dollar, we didn't have to pay extra for our imports. The truth is that the supposedly "Buy American" consumer doesn't care where their products come from – as long as they're cheap. What it does hurt is small retailers and tax collections at the local and state level.

Believe it or not, the high trade deficit actually keeps long-term interest rates down (see November 2004 *Forecast of the Nation* report). This has created a credit boom, sending housing starts through the roof, so to speak. Despite the six hikes by the FED totaling 150 basis points, the 10-year bond that affects mortgage lending has actually decreased by 50 basis points, so the party continues. Except for the weekly annoyance while filling the gas tank, inflation hasn't been much of a problem.

Among the three pillars of Georgia's growth in the 1990's - Transportation, Telecom and Tourism - the spot light is on Tourism, which has done very well so far. According to the Georgia Department of Economic Development, this sector is Georgia's second-largest industry after agribusiness and employs 210,000 people. Tourism has started to recuperate nicely as bookings for the next several years for the Georgia World Congress Center (GWCC) has increased, with 2005 occupancy projections at 55% so far and expected to rise higher. Having doubled its capacity in 2003, the GWCC can now accommodate larger shows and compete against other convention cities. Additionally, the most recent data for hotel occupancy shows a 71.3% occupancy level, which is a 6.0% increase from levels seen in 2003, according to PKF Consulting. Tourism should also increase with the completion of the Georgia Aquarium in late 2005, which will contribute to the 10,000 plus jobs to be added in 2005 and 2006.

Another reason for optimism is the state's strongly rising tax revenue collections, which in the 1<sup>st</sup> half of FY05 (second half of calendar 2004) increased by 12.9% over the 1<sup>st</sup> half of FY04. Furthermore, the 12.1% increase in individual income tax collections, notwithstanding some one-time accounting changes, are a sign that jobs have been created for real. This pace has continued into January 2005, with total tax collections increasing by 11.9% year-to-date.

To refresh one's memory, last March's benchmark revisions took away the 60,000 job gains that were being reported prior to the revisions. I had challenged that growth partly based on the lack of revenue collection by the state, especially in the payroll tax category. Today, the job growth reported by labor department in 2004 looks believable. A 9.1% increase in sales tax collections means that people "collectively" have more money in their pockets, most likely from new jobs that have been created and, like rational economic consumers, they are spending it. Additionally, Georgia's collective pocketbook, personal income, increased at a 6% rate throughout 2004. It is expected to increase by 5.3% in 2004, followed by 6.5% plus in both 2005 and 2006.

Commercial building activity is another positive note, although I do have some reservations. Plenty of new commercial buildings are going up or are in their planning stages in and around the Atlanta metro area: Atlantic Station, Allen Plaza, 1180 Peachtree, etc. The average vacancy rate in Atlanta for commercial space is still above 22%, the 3<sup>rd</sup> highest in the country. So, with all this new space about to come online, one might wonder where builders will find their tenants because, given their actions, they seem to be projecting 100 thousand new jobs just for the metro Atlanta area. My most optimistic projections will be half of this. What is going on? Are these builders oblivious to the experience after 9/11, and the new era of diminished expectations that we now live in?

No, they are not. The strategy is very simple when you are facing a market where growth is limited in a relative sense. Considering that these new office towers are Class A space, and tenants often want the most prestigious, (i.e. the latest) office tower, these new buildings will probably fill their space quickly by poaching existing tenants from other buildings given their competitive pricing. This phenomenon is very evident - just look at all the large tenants moving from downtown to midtown! As always, in real estate location matters!

Home construction is another area that has been very hot. Housing permits were extremely high in 2004 as builders took advantage of continuing record low interest rates. On top of that, more jobs were created in 2004 in the metro area's core counties than in all the years from 2000 to 2003 combined, thus generating the signal to builders that greater demand is coming, instigating increased permit applications for both single and multifamily housing. Even though this will taper off a bit in 2005 simply because 2004 was such an unusual year, Atlanta will remain one of the hottest real estate markets in the U.S. We forecast that in 2005, there will be 50,100 permits registered, followed by 49,700 permits in 2006 and 48,400 permits in 2007.

So why has the fog of uncertainty not completely lifted as yet, thereby tempering my optimism? The transportation industry has been a very real cause for concern over the past year because of Delta, Atlanta's largest private employer. Delta took us for a rocky ride in 2004 and while they are not out of the woods yet, there is more hope this year that the company will pull through intact. I wrote an op-ed piece in the Atlanta-Journal Constitution in early December presenting an outside-the-box solution to the airline industry's dilemmas, which might actually help if the airlines took it to heart. Delta's battle has been particularly public and its every move has been closely monitored in the regional press.

We mentioned the impact of the \$1 billion in pilot concessions on the south side of Atlanta, where the majority of pilots live, in our November issue of the *Forecast of Georgia and Atlanta*. The issue of whether these high-paying employees will have jobs is settled for now, but the impact will be felt in lowered projections for retail sales. For Delta, creditor and wage concessions, along with improvements in operations through Operation Clockwork do not make the uncertainty of potential bankruptcy disappear. For the moment, such an outcome is drastically reduced, which is good news for Georgia's business psyche. We give the transportation industry a forecast of 14,000 jobs

in 2005 and 17,000 for 2006 because other areas are doing very well, namely air cargo and trucking. The next sector which makes for queasiness is telecom, which has relentlessly bled jobs for four years and will continue to reduce its employee base through consolidation. In the past few months alone, three major mergers were announced: Cingular and AT&T Wireless, a \$41 billion deal, Sprint and Nextel, a \$35 billion deal, and just this past week, SBC Communications and AT&T, a \$16 billion deal. Each of these arrangements will attempt to streamline their operations. The SBC/AT&T announcement of 13,000 job reductions in particular puts Georgia's remaining 4,000 AT&T workers under watch.

While telecom doesn't look so good, there is only so much consolidation that an industry can handle and telecom is probably getting close to its limit. New technology agreements that generate new jobs is we will likely see in the years to come, such as the recent Earthlink and SK Telecom \$440 million deal for wireless data services, which is expected to create 100 new jobs by the end of 2005. From 2000 to 2004, this sector lost 21,000 jobs in Georgia. By 2007, we forecast that 11,000 jobs will be created in the information sector. At least we will make up half of these losses.

This brings us to another important reason why some in Georgia may feel uncertain about the recovery prospects: board room pessimism, which we discussed in our August 2004 issue. When large firms are so cautious, they affect the health of small firms as well. At the start of 2005, corporations are sitting on loads of cash, waiting for better investment times. Some companies in Georgia have been suffering and will need to carefully consider future options, namely Delta and Bellsouth. But for most corporations, the better (read not best) times are here and it's time for them to start opening their wallet. According to our forecast, they will start doing this – slowly. Our forecast for the professional and business services sector calls for an increase of 24,000 jobs in calendar year 2005, then 33,000 for 2006, and 26,000 for 2007. This brings the total number of

jobs created between 2005 and 2007 to 82,000. Management of companies, an important high-paying sub-sector of professional and business services, will increase jobs by 2,700 in 2005 but by only 900 jobs in 2006 and 200 jobs in 2007. This adds up to 3,800 jobs, or 5% of the total for this sector.

Of no small consequence for Georgia is the military, which is undergoing an intensive review process this year to eliminate excess capacity. If you attended the conference, you already heard Colonel Bryant speak on this subject as well. For more details on what this is all about, see the special section on BRAC 2005 on page 6.

Sure, there are some uncertainties in the air, but they are not as severe as 2004 and will gradually be getting better throughout the year, as we explained above. So, with a little patience, a little more inclination for risk-taking, and the belief that our economy will improve, Georgia should see much better increases for the next few years.

## **GEORGIA SECTORAL FORECAST**

### **Georgia Services**

*Information* has taken a tumble in Georgia in the last two years as the struggling and over-inflated telecom industry, which makes up 45% of the Information sector, is still hemorrhaging jobs, even after reducing their workforce by 10,000 jobs in the last few years. Thus, job growth in the Information sector has been elusive. Information lost jobs at an 8.4% rate in 2002, 3.5% rate in 2003 and 0.6% in 2004. Telecom jobs will not return in full force anytime soon, as new mergers continue and large firms seek greater leverage and efficiency. Corporations are starting to spend on technology again, and despite telecom's continued losses, and Information will finally increase by 0.6% in 2005. Expect this sector to gain strength in 2006 and 2007 at 2.5% and 3.6%, respectively.

*Professional & Business Services* declined by 4.2% in 2003 but posted an increase of 1.8% in 2004. We

expect this sector to become an engine of growth for the next several years at 4.5%, 5.6% and 5.1% in 2005, 2006 and 2007, respectively. Among this category's sub-sectors, *Management of Companies*, which makes up 15%, steadily declined from 1999 to 2003 but posted a turnaround of 1.1% in 2004. As corporations open their wallets again for new employees, this category will continue to do well. Management of Companies will grow by 1.1% in 2005, increase by 3.3% in 2006 but will taper off slightly in 2007 at 1.0%.

After exhibiting very strong growth of 5%+ in the 1990's, *Professional, Scientific & Technology Services*, also a sub-sector of Professional & Business Services, struggled through the 2001 recession. In 2004, this sector began to recover, increasing by 2.3%. With the economy firing up over the next several years, the category will increase by 5.0% this year and by 7.1% in 2006 and 5.5% in 2007. After falling for two straight years, *Administrative & Support* jobs experienced a recovery of 1.6% in 2003. As managerial jobs return, so will their support staff, which will post solid gains of 4.8% in 2005, 4.9% in 2006 and 5.6% in 2007.

The *Education & Health* sector increased in 2004 at a 1.7% rate and is expected to maintain moderate growth in the years to come, although the immediate forecast is slightly below the average seen in the booming 1990's. After a 0.9% decline in 2004, *Education* has had a difficult time over the past year as the state worked out its budget issues. But with employment getting stronger and tax collections up for FY05, *Education* will resume its trend growth at 3.0% in 2005, grow by 0.9% in 2006 and 1.1% in 2007. *Healthcare Services* employment grew by 4.3% in 2003 and will moderate in 2004 at a 1.9% rate. This is one of the healthiest sectors in Georgia's economy, with even greater increases occurring in the next few years. Health Services will grow at a 3.3% rate in 2005, 3.9% rate in 2006 and at a 3.5% rate in 2007. For the entire sector, Education & Health Services will increase by 3.3% in 2005, by 3.5% in 2006 and by 3.2% in 2007, only slightly below the average 4%-5% growth seen through the 1990's.

## BRAC 2005: The Looming Georgia Storm?

A storm is looming over Georgia's economic horizon that could have severe consequences for the state's residents. The U.S. military will undergo an intense review process in 2005. In January, each facility will evaluate its operations, conditions and economic impact to the local surrounding area. In February, with the input of these evaluations, the Pentagon will decide on the future size and composition of the military. In March, the President will appoint a nine-member committee, the Base Realignment and Closure Commission (BRAC), to review the Pentagon's plan, compare it to the military's current infrastructure and make recommendations as to whether certain facilities should close, merge with others, other continue operations as usual. These recommendations will be released in May 2005 and taken to the President in September 2005, who will then approve or veto the entire recommendation.

So what could BRAC 2005 mean for Georgia?

### History

BRAC was originally created in the 1960's to address cost issues in a post-World War II environment. During the war, the military significantly expanded in size, both in terms of personnel and facilities. When acute global threats abated in the early 1960's, the military's size was deemed unnecessary and a commission was established to decide the elimination or realignment of certain underused facilities.

In the post-Cold War era, there have been four BRAC rounds: 1988, 1991, 1993 and 1998. The actions of these previous rounds closed 97 bases, realigned 55 bases, and resulted in a savings of \$55 billion by 2001. Georgia's facilities have remained largely unscathed. The only recommendation occurred at Fort McPherson, south of Atlanta, which was realigned in the first 1988 BRAC round.

### Post-9/11

Even though the military reduced its personnel by 25% throughout the 1990's, few of its facilities were reduced to reflect the military's smaller size. Today, the military operates 120 major facilities in the U.S. In the post-9/11 era, security for government facilities is costlier than ever. Additionally, many buildings constructed in the late 1940's and 1950's have started to decay and are increasingly expensive to maintain. Through BRAC 2005, the military hopes to save an additional \$6.5 billion by 2011 by closing 50 major installations which are underutilized and a drain on the government's budget.

The upside to BRAC's recommendations is a reduction in the federal deficit. The downside is that the bases that close will undoubtedly severely impact the surrounding economy in the short-term.

### The Military in Georgia

In fiscal year 2002, Georgia received \$5.8 billion in defense contracts, making Georgia the 7<sup>th</sup> largest state for defense spending.

## Georgia's Five Major Facilities

	Facility	Branch	City	Payroll	# Employees
1	Fort Benning	Army	Columbus	\$1.1 billion	34,000
2	Fort Stewart / Hunter Airfield	Army	Savannah	\$700 million	23,000
3	Warner Robins	Air Force	Macon	\$700 million	20,000
4	Fort Gordon	Army	Augusta	\$700 million	11,000
5	Kings Bay Sub Base	Navy	St. Mary's	\$350 million	7,000

Source: Georgia Military Affairs Coordinating Committee



In Georgia, there are 132,000 people employed by the military and 127 military facilities, five of which are large in size, two are medium and 120 locations are considered small. The estimated economic impact of the military for the state is \$22 billion.

**Political Clout**

Over the last fifteen years since the first round of BRAC, Georgia has had strong representatives in the federal government who have been instrumental in making sure that Georgia's facilities stay off the recommendation list. In the 1990's, these representatives included Senator Sam Nunn, who chaired the Senate Armed Services Committee and Representative Newt Gingrich, who served as Speaker of the House from 1995 to 1999. In 2004, Georgia's most important representatives in Washington include Senator Saxby Chambliss, who sits on the Senate Armed Services Committee, and Jack Kingston, the fifth-ranking Republican in the House of Representatives.

**Recent Military Decisions**

Over the past six months, a few military announcements have been made which could affect whether or not a particular facility will end up on the recommendation list.

In Columbus, the military announced in July 2004 that an additional brigade of 3,800 soldiers will be added to Fort Benning by September 2005. When these soldiers are finally transferred, they will bring their families with them, adding a total of 10,000 people to Columbus' population.

In Augusta, the military announced in September that Fort Gordon will receive \$230 million for a project to expand intelligence operations. Beginning in 2006, the project will take six years to complete and will eventually add 500-750 new jobs to the area.

In St. Mary's, a small city south of Savannah

on the Florida border, residents have just learned that the King's Bay Naval Submarine Base will lose half of its fleet of ten Trident nuclear submarines by late 2005. Each submarine has a payroll of \$16 million and employs 330 people, all of whom will now be stationed elsewhere. The rapid downsizing of its fleet increases the chances that this base will end up on the recommendation list.

**Potential Short List?**

While all facilities will be scrutinized, there are several that have a higher chance of being targeted. This is an unofficial list:

*Fort McPherson/Gillem - Atlanta*

McPherson is an old, tiny base in Atlanta which is mostly a golf course with three head-quarter units.

*Navy Supply Corps School - Athens*

This is a small base in Athens and, in general, an odd location for the Navy because it is hours away from open water.

*Marine Corps Logistics Base - Albany*

This Korean war-era base is far from any major air or seaport, and far from any Marine units. As a result, the Corps built a seaport logistics facility at Blount Island near Jacksonville, Florida in the 1980s.

**Conclusion**

Georgia has several factors running against it. First of all, Georgia has fewer powerful figures in Washington than in the 1990's. Secondly, Georgia has never had a major base closing in the four previous BRAC rounds and many politicians may think that it is Georgia's turn to bear the burden. Thirdly, several bases in Georgia are no longer as efficient or logistically practical as they used to be. BRAC, therefore, may not bring down Georgia's entire military operations, it will most likely have a harsh impact on a couple area.

*This article was co-authored with Kristin W. Diver, who is the Assistant Director of the Economic Forecasting Center at Georgia State University.*

After experiencing very anemic job growth during the recession, *Leisure & Hospitality* saw an up-tick in 2003 at a 3.7% rate. However, with Atlanta holding one of the highest hotel counts in the country, the industry still suffers from an oversupply of hotel rooms which kept growth in check in 2004 with a 1.4% growth rate. As the convention business returns, this sector will do well in the near future, adding jobs at a 3.0% rate through 2005, a 3.1% rate in 2006 and a 1.8% rate in 2007.

*Other Services* includes home businesses, laundry services, death services, pet services, dating services and any other odd service that does not fall into another category. During the tech boom, this category did extremely well as these new businesses serviced all kinds of frivolous needs, as seen in 2000 when Other Services increased an incredible 19.6%. Now that companies have become more cost conscious, there is less demand and this sector will eventually return to its normal 2%-4% growth trend, although we still won't consistently see that for another few years. In 2004, Other Services increased by 1.2% but will decline by 0.2% in 2005. In 2006, this sector will increase by 1.2% and by 1.5% in 2007.

### **Georgia Manufacturing**

While *Manufacturing* payrolls have steadily dropped since 1998, the rate of loss has started to slow. In 2004, Manufacturing lost jobs at a 0.8% rate, the least damaging year since 1999. However, while the rate of loss will continue to slow, Manufacturing will not return to positive territory in then next few years. In 2005, this sector will decline by 0.8%, followed by a 0.6% loss in 2006 and a 0.3% decrease in jobs in 2007.

#### *Durable Goods Manufacturing*

Durable Goods payrolls have continued their painful decline since the fourth quarter of 2000, decreasing by 1.4% in 2004. After five years of losses, the recovery will finally bring some relief to this sector in 2005, 2006 and 2007 when durable goods employment increases by 0.4%, 0.2% and 0.5%.

After dropping by 1.1% in 2004, employment gains in the *Wood Products* industry will occur for the first time in five years by increasing by 1.1% in 2005. The situation will worsen in 2006 and 2007, when payrolls in Wood Products decrease by 5.8% and 3.8%, respectively.

*Transportation Equipment* employment is one of the few bright spots in the Manufacturing sector. This sub-sector experienced an impressive boost in 2003 when employment surged forward at 16.5%. In 2004, this sector grew at 1.2%, but will show much stronger sign of growth in 2005 when payrolls increase at a 4.1%. For 2006 and 2007, employment may not increase as strongly as in 2005, but it will stay positive nonetheless at 2.3% and 1.2%.

#### *Non-Durable Goods Manufacturing*

Non-Durable Manufacturing payrolls decreased its payrolls by 0.4% in 2004, and will decline by 1.8% in 2005. In 2006, this sector will drop by 1.2% and at 0.9% rate in 2007.

While an increase of 1.4% occurred in *Foods* employment in 2004, this sector will decline by 2005 at 0.6%. A turnaround the next year will push payrolls up by 0.6% and by 1.2% in 2007.

Employment growth in the *Textile Mills* sector continued its long and steady decline at a 1.2% rate in 2004. This decade-long trend is not expected to change for the next few years, as 2005 will yield another year of negative growth at 5.0%. In 2006, there will be a 7.8% drop, followed by a loss of 5.9% in 2007.

### **Georgia Other Non-Manufacturing**

*Construction* activity in Georgia increased by 2.3% in 2004 as the housing market did incredibly well. Given low mortgage rates and a long list of major projects in the Atlanta area, construction will continue to see a healthy expansion for the next few years. Construction's employment will increase by 2.2% in 2005, 2.9% in 2006 and 2.3% in 2007.

## HIGHLIGHTS OF THE FORECAST

### GEORGIA

- **Georgia Employment** increased by 1.0%, or 37,650 for the 2004 calendar year (January to December). For 2005, Georgia employment will grow by 2.0%, a gain of 78,000 jobs. In 2006, Georgia will gain jobs at a 2.5% rate or 100,700 jobs. In 2007, Georgia employment will increase by 2.0% or 81,300 jobs.
- **Georgia's high-paying jobs**, on a calendar year basis, increased by 600 in 2004 but will increase by 14,600 in 2005. In 2006, Georgia will see 14,100 high-paying jobs and 14,630 in 2007.
- **Nominal Personal Income in Georgia** increased 5.8% in 2004. Income gains are expected to be 5.3% in 2005, followed by 6.5% gains in 2006 and 6.7% in 2007.
- **Georgia's Unemployment Rate** declined to 4.1% in 2004 and will end 2005 at 4.1%. In 2006, unemployment will rise slightly at 4.2% and stay at that level in 2007.
- **Georgia's Total Tax Collections** were up by 12.1% in the 2<sup>nd</sup> quarter of FY05, an increase of \$397.7 million compared to a year ago. Our projections call for revenues to increase by 9.0% in FY05 and 7.5% in FY06.
- **Georgia Exports** increased by 17.1% by the 3<sup>rd</sup> quarter of 2005, just slightly lower than the 13.8% increase in exports for the US. The regions with the strongest growth for Georgia exports were South America and the European Union. The nations to increase their purchase of Georgia products by over 24%, in descending order were Italy, Singapore, Korea, Mexico and China.

### ATLANTA

- **Employment in Atlanta**, on a calendar year basis (January to December) is expected to gain 43,700 jobs in 2005, create 58,700 additional jobs in 2006 and 53,600 jobs in 2007.
- **Atlanta's Unemployment Rate** is expected to remain steady over the next few years, with 4.2% in 2005, 4.3% in 2006 and 4.3% by 2007.
- The number of **Atlanta's Total Housing Permits** increased by 14.3% in 2004. Permits will decrease by 11.8% in 2005 and by 2.5% in 2006. In 2007, permits will again decline, although at the slightly lesser rate of 2.6%.
- **Atlanta Single Family Housing Permits** have increased by 9.9% in 2004. In 2005, this category will decrease by 11.1%. In 2006, single family permits will decline by 3.1% and continue to fall by 0.3% in 2007.
- **Atlanta Multi-Family Permits** surged forward at a 36.5% rate in 2004. In 2005, multi-family permits will finish down by 14.5% and decrease slightly by 0.1% in 2006. The following year, permits will drop by 12.4%.
- Among the **Georgia Metro Areas** outside Atlanta, by year-end 2005, Savannah will post the strongest growth in employment at 2.0%. Columbus has the next-strongest increase at 1.7%, followed by Albany at 1.2%. Macon has the next strongest growth at 1.1% and Augusta follows closely at a 1.0% rate. After being the only MSA to decline in 2004, Athens will recover to post 0.5% growth in 2005.

*Transportation, Warehousing & Utilities* increased in 2004 by 1.7% as Delta managed to avoid bankruptcy. While Delta's future is still in question, other areas of Transportation have done very well with the increase of manufacturing orders. In the *Utilities* sector, concerns about competition and deregulation have slightly dissipated. These industries combined will start to add jobs at a 2.0% rate in 2004, by 2.7% in 2006 and by 2.2% in 2007.

Employment in the *Wholesale Trade* sector inched up by 0.2% in 2004. This trend is expected to continue in 2005 when jobs increase by 0.8% and gain more momentum in 2006, as employment rises by 2.0%. For 2007, Wholesale Trade will stay the course and increase at a 1.5% rate. The *Retail Trade* sector, by contrast, has not been able to pick up the pieces from the recession. In 2003, Retail Trade decreased by 1.7% and continued to decrease in 2004 by 0.9%. The turnaround will arrive in 2005 when employment grows at 0.7% and does better in 2006 and 2007, when employment for Retail Trade rises by 1.4% and 2.0%.

Under *Financial Activities*, employment increased 1.3% in 2004 and will continue to grow at a moderate rate of 1.6% in 2005. In 2006, this sector will increase even more at a 2.4% rate and continue the trend into 2007 at a 2.6% rate. *Real Estate & Rentals*, a subcategory of Financial Activities, finally experienced a turnaround after declines in 2001 and 2002. With low interest rates expected to rise in the near future, home buyers and home builders have been rushing out to take advantage of the supposed last historically low interest rates, making 2004 a banner year with growth at 3.9%. With higher rates in 2005, this growth will dampen slightly and increase by a respectable 2.0%. For 2006 and 2007, strong growth will return at a 3.2% and 4.7% rate. The *Finance & Insurance* sector, also a subcategory of Financial Activities, increased by 0.4% in 2004 but will fair much better in the next few years. This category will increase by 1.5% in 2005, by 2.1% in 2006 and by 1.8% in 2007.

Employment in *Government* sectors (Federal, State and Local) gained 0.9% in 2004 and will improve

its payrolls in 2005 by 1.6%. In 2006 and 2007, Government jobs will increase slightly by 1.3% and 0.8%, respectively. *Federal Government* civilian jobs decreased slightly in 2004 by 1.4% but will recover in 2005 to post a 0.7% gain. The Federal Government in Georgia will grow anemically at 0.2% in 2006 and 0.3% rate in 2007.

In 2004, *State & Local Government* jobs increased by 1.3%. This trend will continue at a slightly faster clip in 2005 with a 1.7% growth rate, illustrating how state revenues have recovered from last year's budget crunch. Payrolls will increase at a 1.5% rate in 2006 and gain 0.9% in 2007.

### Overall Employment

For 2004, employment is expected to display better growth of 1.8% as businesses begin to believe in the recovery and will start to take on new employees to fill pending orders. In 2005, calendar year job gains (from January 2005 to December 2005) will be 78,000. Georgia is expected to add 100,700 jobs in 2006, followed by an additional 81,300 jobs in 2007.

Georgia's nominal personal income increased 3.0% in 2003. After increasing by 5.2% and 6.1% in the 1<sup>st</sup> and 2<sup>nd</sup> quarter compared to the year before, respectively, nominal personal income increased by 5.3% in the 3<sup>rd</sup> quarter of 2004. The up-tick in employment growth is expected to increase personal income gains to 5.8% for year-end 2004. As the recovery gains strength, Georgia's personal income is expected to strengthen and increase by 5.3% in 2005, followed by a 6.5% gain in 2006 and 6.7% in 2007.

### Georgia Job Additions \*

	Calendar Year Change	Annual Change
2005	78,006	69,100
2006	100,740	92,670
2007	81,280	86,610

\*Calendar year change is defined as the difference between December and January of one year. The annual change is the difference between the average for one year versus the previous year.

## **STATE REVENUE**

In the first half of FY05, Georgia tax collections picked up considerably compared to FY04, increasing by 12.9%. However, because the legislature changed the reporting calendar starting in FY05, the first half includes four additional days compared to FY04. This will eventually even out by the end of the fiscal year.

For December 2004, total collections increased by 24.7%, or \$273 million, over December 2003. This is the greatest increase since the 26.6% seen in August, and much higher than the 6.0% gain in collections in November 2004. Overall, for the 2<sup>nd</sup> quarter of FY05, total tax collections, which do not include agency revenues, increased 12.1% to \$3.7 billion. Compared to the same period in FY04, this is an increase of \$398 million and is the sixth straight quarter of year-over-year gains.

Sales and use tax revenues increased by \$52.5 million in the 2<sup>nd</sup> quarter of FY05, a 4.5% increase over FY04. While this is a respectable increase, it is a sharp slowdown from the 14.0% increase seen in the 1<sup>st</sup> quarter. Over the last nine months oil prices have risen and taken a significant bite out of consumer spending, transferring more spending to gas purchases. We have therefore decided to add motor fuel taxes into our analysis of taxes to see if there exist any significant changes. In the 2<sup>nd</sup> quarter of FY05, motor vehicle fuel tax collected \$200 million, increasing by 22.7% or by \$37.0 million from a year ago. With oil prices peaking at \$55 a barrel in October, this is the highest quarterly collection ever for this category. When combining motor fuel with sales and use tax, revenues experienced a 6.7% increase, gaining \$89.5 million and collecting \$1.4 billion in the 2<sup>nd</sup> quarter of FY05. This is slightly more than the 4.5% gain in sales tax alone.

After a moderate annual increase of 4.8% for FY04, personal income tax revenues increased by a robust 12.7% in the 2<sup>nd</sup> quarter of FY05 to \$1.9 billion, a gain of \$216.3 million. This category now accounts for 52% of total tax revenues and has shown increases for six straight quarters, with the latest showing by far the highest growth.

After severe drops in FY02, FY03 and FY04, corporate tax collections in FY05 look as if they will finally yield an increase. Collections were significantly better in the 1<sup>st</sup> quarter and in the 2<sup>nd</sup> quarter of FY05, corporate tax collections grew by \$71.6 million, or 113.5% over the same quarter of FY04. This category has been oscillating for the last few years, experiencing only occasional quarterly increases, so it is a positive sign that this category has increased by such significant margins two quarters in a row.

The Governor's amended FY05 budget is set at \$16.4 billion, an increase of 6.1% from the FY04 budget. Even though Medicare expenses have been increasing at a 10%-12% annually, it appears that the state will make this ambitious increase given the strong showing for collections for the first half of the year. While payrolls have picked up and will continue through 2005 and 2006, the state will need to think about replenishing Georgia's Revenue Shortfall Reserve. This fiscal safety net has drastically declined, going from \$700 million to nearly \$0 in only three years, according to the Georgia Budget & Policy Institute.

In early January, the Governor announced a 6.1% increase for the state's FY06 billion budget, which at \$17.4 billion, is a \$1 billion increase over FY05's budget. With the economy improving and more payroll and sales tax revenue flowing in, the state has allocated a \$6.4 billion to schools, which is 37% of the FY06 budget. This increase is \$460 million higher than FY05 and will go towards a 2% increase for teachers, the construction of 1,300 new classrooms and pre-K programs. Health care, the next largest item in the budget at 12.9%, is scheduled to receive an additional \$140 million over the previous year that will go to cover increases in the state's Medicaid program. Other significant increases also went towards colleges, transportation and the environment.

Given the extremely strong first half of FY05, we project that tax collections will finish the fiscal year up dramatically by 9.0% and then also increase strongly at 7.5% in FY06.

## **GEORGIA EXPORTS**

### **Overall**

With the U.S. recovering from the recession and world demand picking up, Georgia exhibited very strong export growth in the 3<sup>rd</sup> quarter of 2004, increasing by 17.1% over the same period in 2003. This was slightly higher than export growth for the U.S., which increased by 13.8% in this period. Throughout the entire year, Georgia exports have outpaced U.S. export growth.

The rise in Georgia's exports in the 3<sup>rd</sup> quarter can be attributed to very significant increases in every single world region. Most countries in Georgia's Top 10 increased at a very strong pace, with the exception of Japan, the UK and the Netherlands, which posted declines.

In this period, Georgia exports gained \$1.1 billion compared to the same period a year ago, increasing from \$12.2 billion in 2003 to \$14.3 in 2004, as shown in Table A. The weak dollar and an increase in Georgia's port capacity are the main reasons for the 17.1% surge. The weak dollar has made US products more affordable and expansions at the port of Savannah have positioned Georgia to take advantage of the rise in exports.

### **World Regions**

Canada and Mexico made up 31% of Georgia's total exports in the 3<sup>rd</sup> quarter of 2004, thus placing the North America region as the largest regional export destination. This region received \$4.4 billion Georgia exports in 2004, posting a strong 17.7% increase, or \$661.2 million, compared to the same period in 2003.

Exports to most regions remained exceptionally strong. The region to experience the largest percentage change was South America, which surged forward at 30.6% in the 3<sup>rd</sup> quarter of 2004, increasing by \$361.3 million. The strongest increase in sheer dollars was the European Union, which purchased \$672.0 million more Georgia products compared to a year ago, an increase of 19.1%. When analyzing total US exports to South America and the European Union, these regions in-

creased by 31.1% and 12.3%, respectively, which is on par with Georgia's growth to the same.

### **Top 10 Nations**

Exports to the Top 10 trading partners totaled \$9.2 billion dollars in 2004, accounting for 64% of Georgia's total exports. Exports to Canada, the state's top trading partner, gained 15.6%, climbing to approximately \$3.3 billion compared to a year ago. Mexico, Georgia's third-largest export partner in the 3<sup>rd</sup> quarter of 2004, also saw healthy gains as exports rose 24.3% by \$213.4 million. Our closest neighbors follow the fluctuations of the U.S. economy and as the national economy gains strength, Mexico and Canada have fared better as well.

Exports to Japan, Georgia's second-largest trading partner, have been disappointing in 2004, particularly after finishing 2003 with a positive growth rate of 21.5%. For the 3<sup>rd</sup> quarter of 2004, exports tumbled 5.0%, or by \$59.5 million over the same period a year ago. This is curious considering that many of Japan's economic indicators have pointed to a recovery, so one may argue that Japan may be purchasing products from closer sources, such as China, whose manufacturing clout has improved in quality. The other major country to decline in exports was the U.K. Georgia's fourth-largest trading partner decreased by 4.8% in 2004 after having experienced an increase of 8.6% by the end of 2003.

Most of the other countries, except for the Netherlands, increased their exports. Exports to Italy, Georgia's eighth-largest partner, grew by 95.8% to \$438 million, up from \$224 million last year. Over the last seven quarters, Italy has increased its exports at a very rapid double-digit pace. Even though Italy's GDP grew at an anemic 0.3% in 2003, it is forecasted to increase between 1-3% for the next couple years. The expected up-tick has apparently already started, allowing Italy to purchase more foreign goods.

With the exception of Japan, Asia is the main motivator behind Georgia's surge in exports.

**TABLE A**  
**GEORGIA EXPORT SUMMARY**

	<b>2004 Q3 GA Rank (US)</b>	<b>2003 Q3 \$ Millions</b>	<b>2004 Q3 \$ Millions</b>	<b>2004 Q3 % Change</b>	<b>2003 \$ Millions</b>	<b>2003 % Change</b>
<b>TOTAL EXPORTS</b>	--	<b>12,201</b>	<b>14,285</b>	<b>17.1</b>	<b>16,286</b>	<b>13.0</b>
<b>TOP 10 NATIONS</b>						
Canada	1 (1)	2,865	3,313	15.6	3,962	8.9
Japan	2 (3)	1,191	1,131	-5.0	1,517	21.5
Mexico	3 (2)	878	1,092	24.3	1,163	6.6
United Kingdom	4 (4)	824	785	-4.8	1,036	8.6
Netherlands	5 (8)	696	587	-15.7	893	42.7
China (Mainland)	6 (5)	472	585	24.0	644	55.0
Germany	7 (6)	459	526	14.5	609	8.5
Italy	8 (17)	224	438	95.8	316	29.2
Singapore	9 (10)	189	429	126.2	261	10.2
Korea	10 (7)	238	296	24.2	328	48.5
<b>WORLD REGIONS</b>						
North America	1 (1)	3,743	4405	17.7	5,125	8.4
European Union	2 (2)	3,523	4,195	19.1	4,569	12.6
Asia 7	3 (3)	2,705	3,066	13.4	3,568	24.6
South America	4 (4)	507	663	30.6	728	3.3
Rest of World	--	1,722	1,957	13.6	2,297	11.7
<b>MAIN PRODUCTS</b>						
Transport Equip.	1 (2)	2,174	2,542	3,132	2,289	3,341
Computer & Electronics	2 (1)	1,860	1,869	2,469	1,909	1,815
Machinery (Not Electrical)	3 (4)	1,755	1,362	1,556	1,125	1,715
Chemicals	4 (3)	1,740	1,873	2,096	1,593	1,682
Paper	5 (13)	1,401	1,341	1,362	1,031	1,068

North America: Canada, Mexico, St.Pierre & Miquelon, and Greenland

European Union : Germany, United Kingdom, Netherlands, Italy, Ireland, Belgium, France, Spain, Sweden, Finland, Denmark, Greece, Austria, Portugal, and Luxemburg

Asia – 7: Japan, Korea, Singapore, Taiwan, China, Hong Kong, and Australia

South America : Brazil, Argentina, Chile, Venezuela, Colombia, Ecuador, Peru, Uruguay, Paraguay, Guyana, Suriname, Bolivia, French Guiana, and Falkand Islands

Source: WISER (World Institute for Strategic Economic Research)

Mainland China, Georgia's fifth-largest trading partner, has consistently yielded positive growth since the 3<sup>d</sup> quarter of 2002. So far in 2004, China has increased its exports from Georgia by 24.0% compared to last year. China's appetite for Georgia goods is likely to continue to grow at a rapid yet sustainable pace as long as China's economy does not overheat in the near future. Singapore is listed as Georgia's ninth largest export market, growing at 126.7% in 2004 compared to 2003. The next Asian country purchasing a remarkable number of Georgia good is Korea, which increased 24.2% over last year, an increase of \$57.6 billion.

**Georgia Main Products**

The top five Georgia exports in product ranking order are transportation equipment, computer and electronic products, machinery (excluding electrical), chemicals and paper, accounting for 67% of Georgia's total exports in 2004.

Transportation Equipment showed a very strong increase at 46.0%, a gain of \$1.1 billion. The most significant percentage increase occurred in Machinery, Georgia's third-largest export product, which rose 52.4%, a gain of \$590.2 million over last year. Chemicals ranked fourth, showing a 5.6 % increase over the same period in 2003. Computer and Electronic Products was the only category to decline so far this year, posting a decrease of 4.9%. Paper Products, Georgia's fifth-largest export product, increased by a moderate 3.6% rate over 2003.

**Export Summary**

Georgia has had a strong 17.1% surge in export activity for the 3<sup>rd</sup> quarter of 2004, caused by a combination of factors, namely the less expensive dollar which caused greater U.S. export activity to most regions of the world. Fortunately, the 20% expansion recently undertaken by the Georgia Port Authority has paid off and Georgia has been perfectly positioned for this upswing in exports. Given these current conditions, Georgia's exports should continue to increase at a strong rate through the end 2004 and into 2005.

**ATLANTA OUTLOOK**

From the beginning of the year through December 2004, Atlanta gained 25,000 jobs. Growth for Atlanta in the 4<sup>th</sup> quarter of 2004 yielded positive growth at a 0.6% rate, or 5,000 jobs, when compared to the same period in 2003.

The seasonally-adjusted *unemployment rate* for December 2004 was 4.4% for Atlanta, much better than a year ago when Atlanta's unemployment rate was at 4.1%. Atlanta's unemployment rate finished 2004 at 4.2%. Employment will increase by 43,700 jobs from January 2005 to December 2005. 2006 is slightly more promising, even though the unemployment rate rises slightly to 4.3%, but jobs will see a greater impact as 58,700 jobs are added to the area. In 2006, Atlanta's unemployment rate stays at 4.3 % and employment will grow by 53,600 in the calendar year.

**Atlanta Job Additions \***

	<b>Calendar Year (Jan.-Dec.) Change</b>	<b>Annual Change</b>
2004	43,723	37,710
2005	58,691	51,970
2006	53,609	55,790

*\*Calendar year change is defined as the difference between December and January of one year. The annual change is the difference between the average for one year versus the previous year.*

**Atlanta Job Growth**

A decade ago, the *Manufacturing* sector made up 11.4% of Atlanta's economy. Today, it is roughly 7.8%. While this downward trend will eventually reverse itself in the next few years, manufacturing will probably not return to previous levels seen in the early 1990's. In 2005, this sector will decrease by 0.4% but will increase by 0.7% in 2006. Manufacturing should again show positive growth, when jobs increase by 0.9% in 2007.



Given that housing permit activity surged forward at 14.3% in 2004, it is no surprise that *Construction & Mining* employment increased at a 3.3% rate. However, as large construction projects ramp up in the metro area but housing permits taper off in 2005, Construction will be adding 3,700 jobs in the calendar year and growing by 2.4%. The sector will continue its strong growth at a 2.2% and 1.9% rate in 2006 and 2007, respectively, as the city continues to encourage development.

The *Transportation, Warehousing & Utilities* sector declined 0.9% in 2004. Even though Delta, one of Atlanta's largest employers, is still trying to avoid bankruptcy, the Transportation, Warehousing & Utilities sector will increase by 0.7% in 2004. Air passenger traffic has finally recovered and Hartsfield is expected to top previous passenger records. Additionally, air cargo business continues to gain more importance every year. Positive growth will continue into 2006, when employment in this sector increases by 1.7% and continues to grow in 2007 by 2.2%.

*Wholesale Trade* has had a rough few years but the turnaround will finally emerge in 2005. Employment in 2004 declined by 0.4% but will increase by 1.4% in 2005. For 2006 and 2007, Wholesale Trade will recover some losses by increasing employment by 1.6% and 1.2%, respectively, as business investment takes off.

In the *Retail Trade* sector, employment in 2005 will grow slightly by 0.6% but will do better in 2006 when payrolls increase by 1.8%. Much stronger growth will show up in 2007 when payrolls increase by 2.2%.

Job growth in the *Financial Activities* sector decreased by 0.2% in 2004, but will increase by 2.7% in 2005, as the Accounting field continues to demand more workers to comply with Sarbanes-Oxley. Financial Activities will continue on this trend through 2007, with employment posting increases of 2.1% and 2.7%, respectively.

*Education & Health* experienced moderate growth in 2004 as the state's fiscal problems took its toll on the Education sub-sector, raising its employment payrolls by only 1.9% over 2003. Now that the lean years are over, normal growth trend can resume. In 2005 and 2006, jobs in Education & Health will increase by 3.4% and 3.2%. Employment will grow at a 3.1% pace in 2007.

The *Information* sector has had a tough few of years in Atlanta. In 2003, this sector declined by 5.3% and grew anemically by 0.3% in 2004. Even though the great times will be slow to return, fortunately for the technology workers who were laid off after the internet bust, employment growth will remain in positive territory. For 2005 and 2006, Information will see its payrolls increase 1.7% both years. In 2007, this sector is expected to increase its payrolls by 2.8%.

### **Atlanta Housing Permits**

From 2001 to 2003, total permits consistently decreased in the Atlanta metro area. In 2003, permits declined by 1.4% because of a severe plummet in multifamily activity, even though single family permits recovered to post positive growth after a three-year slump. Given that apartment vacancies were at their highest in years, the decline was not surprising. After years of weak permit activity in the post-tech boom, the housing market was boosted by historically low interest rates and finally recovered in 2004, posting a very strong gain of 14.3%.

With the FED expecting to raise record-low interest rates to rise in the near future, buyers took advantage of these rates and rushed out to buy homes, pushing homes sales to higher than usual levels. Not only that, but despite the Fed having raised the short-term interest by one hundred and twenty-five basis points over the last nine months, the yield on the ten-year bond has remained very low. This has allowed potential homebuyers to ride the wave of low mortgage interest rates a little longer. The question now is whether this rapid growth can be sustained or whether it is the last burst of growth amid fears of rising interest rates.

*"Core" County Cluster:  
Cobb, Dekalb, Fulton & Gwinnett*

The simplest way to describe permits activity in the Atlanta's core counties cluster in 2004 was "on fire". After posting annual loses since 1998, permits in 2004 reached almost 30,000, an incredible rebound of 25.8% and its strongest year-over-year gain ever. This stellar showing is attributed to strong gains in single and multifamily permits.

All of the counties in this cluster performed very well in 2004, with every single county increasing its permit activity by double digits: 12.3% for Cobb, 32.6% for Dekalb, 52.8% for Fulton and 16.6% for Gwinnett. This cluster's strongest counties were Fulton and Dekalb County. Within Fulton County, single-family permits have emerged as the breadwinner, increasing 55.4% over last year to register 6,500 permits so far in 2004 compared to 4,150 permits in 2003. Fulton County, at 529 square miles and 70 miles long, is very developed on its northern side but its southern side is only 25% developed, therefore, this jump most likely stems from growth in the southern part of Fulton.

The Core Cluster's above-average increase of 51.5% in 2004 for multifamily permits can be attributed to a large 75.7% jump in Dekalb County. Dekalb County's multifamily permits went from 2,500 to 4,300 multifamily permits in 2004, mostly from a November permit posting of 1,900 permits. This increase in multifamily permits made up for the fourth year of declines for Dekalb's single family permits.

Considering that 2004 was such an unusually strong year, the market is due to self-correct in the next few years, especially with interest rates on the rise. Core cluster counties will see a 20.1% decrease in permits in 2005, with single-family permits dropping at a 18.3% rate and multifamily permits decreasing by 23.9%. By 2006, permits will again decline, although at the lesser rate of 6.2%. In this year, single family and multifamily permits will both decrease, falling by 4.0% and

11.4%, respectively. In 2007, despite the fact the jobs will steadily return to the metro area, core cluster counties will continue to correct the frenzy of building and will decline by 3.6%, with single family permits falling by 2.9% and multifamily permits declining by 5.4%.

*Northern County Cluster:  
Cherokee, Forsyth & Pickens*

The Northern County cluster's growth, was not as positive as the Core County cluster, posting a 2.9% decline in 2004 compared to 2003. After a whopping 16.9% annual increase in 2003, permits overall appear to have slowed down. The main reason behind this decline is a steep 37.9% in multifamily permits. The significant decrease in multifamily permits occurred because Cherokee County had a very high number of permits in the 3<sup>rd</sup> quarter of 2003, thus over inflating this category's typical annual permits by over 100%. Multifamily permits actually exceeded its regular trend, it only looks poor because 2003 was such an unusual year. Nevertheless, this decrease was enough to tip the scales and push the Northern County into negative territory.

On an individual basis, Cherokee and Forsyth, the cluster's largest counties, posted negative total permit activity in 2004 at 1.2% and 6.2%, respectively. Cherokee's total permits were affected by declines in multifamily permits which offset increases in single family permits. As for Forsyth, even though a 2000-2003 population analysis from the U.S. Census Bureau ranks it as the 5<sup>th</sup> fastest-growing county in the U.S., Forsyth's single family permits suffered a slight 3.6% decrease.

Looking forward, our forecast suggests that the growth seen in 2003 is not a sustainable trend, as exhibited by the 2.9% drop in 2004. Permits will continue to decrease in 2005 at a 7.4% rate, with single permits declining 8.5% but multifamily permits increasing by 4.3% with the increase of interest rates. However, this declining trend will reverse in 2006 as the need to find affordable housing continues to extend outside the perimeter. In 2006, permits will increase by 1.1% with single

**TABLE B**  
**Metro Atlanta Housing Permits Clusters\***

	HISTORY							FORECAST		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Core Counties - Cobb, Dekalb, Fulton &amp; Gwinnett</b>										
Total Permits	33,405	29,465	29,159	27,482	24,616	23,641	29,733	23,765	22,284	21,475
(% ch.)	17.3	-11.8	-1.0	-5.8	-10.4	-4.0	25.8	-20.1	-6.5	-3.6
Single Family	22,859	23,168	19,483	19,028	16,769	17,505	20,435	16,689	16,015	15,545
(% ch.)	19.9	1.4	-15.9	-2.3	-11.9	4.4	16.7	-18.3	-4.0	-2.9
Multifamily	10,546	6,297	9,677	8,454	7,847	6,136	9,298	7,076	6,269	5,930
(% ch.)	12.0	-40.3	53.7	-12.6	-7.2	-21.8	51.5	-23.9	-11.4	-5.4
<b>Northern Counties - Cherokee, Forsyth, Pickens</b>										
Total Permits	5,981	6,346	6,425	5,593	5,529	6,466	6,280	5,818	5,881	6,013
(% ch.)	13.0	6.1	1.2	-12.9	-1.1	16.9	-2.9	-7.4	1.1	2.2
Single Family	5,892	5,945	5,942	5,262	5,030	5,538	5,704	5,217	5,224	5,472
(% ch.)	17.4	0.9	-0.1	-11.4	-4.4	10.1	3.0	-8.5	0.1	4.7
Multifamily	89	401	483	331	499	928	576	601	657	541
(% ch.)	-67.4	350.6	20.4	-31.5	50.8	86.0	-37.9	4.3	9.3	-17.7
<b>I-20 Counties: Carroll, Douglas, Paulding, Newton &amp; Rockdale</b>										
Total Permits	6,439	6,674	7,805	7,568	9,470	8,827	9,619	9,683	9,858	9,527
(% ch.)	35.4	3.6	16.9	-3.0	25.1	-6.8	9.0	0.7	1.8	-3.4
Single Family	5,436	5,918	6,585	6,740	7,337	8,436	9,193	8,977	8,724	8,731
(% ch.)	23.6	8.9	11.3	2.4	8.9	15.0	9.0	-2.3	-2.8	0.1
Multifamily	1,003	756	1,221	828	2,133	391	426	706	1,134	796
(% ch.)	180.2	-24.6	61.4	-32.2	157.6	-81.7	9.0	65.7	60.6	-29.8
<b>Metro South Counties: Clayton, Coweta, Fayette, Henry &amp; Spalding</b>										
Total Permits	8,583	9,305	9,660	8,515	8,408	8,317	8,659	8,476	8,552	8,276
(% ch.)	3.1	8.4	3.8	-11.8	-1.3	-1.1	4.1	-2.1	0.9	-3.2
Single Family	7,263	7,869	8,088	7,194	7,185	7,638	7,799	7,376	7,219	7,259
(% ch.)	13.7	8.3	2.8	-11.0	-0.1	6.3	-2.1	-5.4	-2.1	0.6
Multifamily	1,320	1,436	1,572	1,321	1,223	679	860	1,100	1,333	1,017
(% ch.)	-31.9	8.8	9.5	-16.0	-7.4	-44.5	26.7	27.9	21.2	-23.7

\* For Barrow, Bartow and Walton counties permit forecast, see Table 5 in the Forecast Table Appendix

permits growing by 0.1% and multifamily permits increasing strongly at 9.3%. In 2007, this cluster will experience an increase of 2.2% as single-family permits increases 4.7% and but multifamily permits drop by 17.7%, caused by the overly strong showing for multifamily permits in 2006.

*Metro South County Cluster:  
Clayton, Coweta, Fayette, Henry & Spalding*

Metro South experienced annual declines in total permits since 2001 but 2004 brought a turnaround. This cluster increased in total permits by 4.1% last year, beginning with a rip-roaring start in the first half, and a more tempered second half. This increase was caused by gains in both single family and multifamily permits, at 2.1% and 26.7%, respectively.

The heaviest losses occurred in one of Metro South's largest counties, Henry, which continued to grow through the tech boom and recession but has had a couple years of setbacks in 2003 and 2004 at 14.9% and 17.7%, respectively. After steadily increasing total permits for the last decade, permit growth in Henry County has slightly declined for the last nine quarters. According to population statistics from the U.S. Census Bureau, Henry County is listed as the 6<sup>th</sup> fastest-growing county in the U.S., so these declines are a bit curious. This county is most likely suffering from overdevelopment issues as it wrestles with traffic and an insufficient infrastructure. If the county fails to fix these problems quickly, its reputation for growth may fade. Clayton County, which makes up 26% of total permits in this cluster, pulled its weight in 2004, increasing by 15.6%, but not enough to offset declines in Henry County.

Growth in the south side in 2005 will drop slightly as interest rates take a bite out of the housing rush. In 2005, our forecast calls for a 5.4% drop increase in single-family permits but a solid gain of 27.9% in multifamily permits, resulting in a 2.1% decrease in total permits. In 2006, despite dropping permits in Henry country, total permits in Metro South will move into positive territory, increasing by a 0.9% as single-family permits decrease by 2.1%. This year, multifamily permits

will increase 21.2% as speculation occurs for more apartments in the midst of higher interest rates. By 2007, the splurge from the previous year's multifamily permits will correct itself and will drop by 23.7%, pulling overall permits down by 3.2%, despite a 0.6% increase in single-family permits.

*I-20 Corridor Cluster:  
Carroll, Douglas, Paulding, Newton\* & Rockdale*

In 2003, the I-20 Corridor cluster slipped in total housing permits by 6.8%, caused by a very significant 81.7% plunge in multifamily permits. In 2004, this cluster increased by 9.0%, as both single and multifamily permits grew by 9.0%.

According to a U.S. Census Bureau population analysis done between 2000 and 2003, the I20 Corridor cluster has two of the Top 10 fastest-growing counties in the U.S.: Newton and Paulding. Newton County usually accounts for 27% of all of the permits within the I-20 Corridor cluster and has fared relatively well over the last few years. Paulding County, with approximately 30% of the cluster's permits, has struggled through the recession and the recovery.

Newton County saw a 5.7% increase in total permits in 2004, caused entirely by a 6.4% increase in single family permits. Newton's multifamily permits have remained close to zero for the past eight quarters, an odd occurrence considering this is the 8<sup>th</sup> fastest-growing county in the nation, a sign that a data reporting problem may exist. As for the 2<sup>nd</sup> largest county in the I-20 Corridor, Paulding's permits increased by 5.5% in 2004, caused by a 6.2% rise in single family permits.

Another county worth mentioning due to its impressive recent growth spurt is Carroll County, which has increased its permits by 100.6% in 2004 as a result of strong single family permits activity.

With the positive showing in 2004, total permits for I20 Corridor counties will continue to increase in 2005, although at the much slower pace of 0.7%, affected mostly by a 2.3% decrease in single-family permits that drowned out the 65.7% rise in multifamily permits. This cluster will re-

cover slightly in 2006 as higher interest rates continue to make multifamily dwellings more popular, pushing I-20 county permits up by 1.8%. Multifamily permits will again increase by 60.6% while single family permits drop 2.8%. In 2007, this cluster will drop again at 3.4% as the party for multifamily permits goes away, decreasing by 29.8%. Single-family permits in 2007 will recover and increase by 0.1% as employment gathers steam and increases the demand for housing.

#### *Housing Forecast Summary*

The Olympics and the rapid growth of jobs in technology in the Atlanta area in the mid-1990's caused a significant increase in the demand for new real estate. With the tech bust of 2000, the pace of building activity tapered off. Our forecast calls for a decrease in total permits for 2005 of 11.8%, mostly because the few largest counties registered unprecedented growth in 2004 in a last-ditch effort to reap the benefits of the last low interest rates. Additionally, the Atlanta area is somewhat overbuilt and the market is due to correct itself sometime in the next few years. In 2006, total permits will decline by 2.5% and dip further in 2007 at 2.6%.

Our projections for single-family permits call for negative growth of 11.1% and 3.1%, in 2005 and 2006, respectively, as interest rates affect the consumer's gumption for cheap financing. By 2007, this trend will continue, although at the lesser rate by 0.3% as consumers get used to the higher rates.

Given that the FED has recently increased interest rates, builders have probably assumed that the days of easy lending are over and more people in the near future will choose apartment life rather than invest in a single-family home. Considering that 2004 was such a banner year for multifamily permits, this category will decline by 14.5% in 2005. The next year, multifamily permits will barely decrease by 0.1%. In 2007, multifamily will decline by 12.4%.

*\* IMPORTANT NOTE: Due to significant upward revisions for the Newton county permit data in 2002 and 2003, Atlanta's total permits reported here are higher than published in previous issues. Some data for Paulding County was collected from the U.S. Census Bureau.*

#### **OTHER METRO AREAS - OUTLOOK**

After a very strong first half in 2004, employment growth in the majority of Georgia's MSA's slipped in the 4<sup>th</sup> quarter. The sustained increase in energy prices over the last six months started to take its toll in the 2<sup>nd</sup> half of the year, dampening the momentum of the first six months. Despite this drawback, out of Georgia's six MSA's outside Atlanta, only Athens fell to negative growth in 2004, declining 0.3%. Savannah posted the strongest growth, increasing by 1.6%. The G-8 Summit on Sea Island was the most significant event in Georgia for the year and will most likely yield positive long-term results, as the extensive media coverage will eventually increase Coastal Georgia's tourism industry.

Columbus, which increased by an anemic 0.1% for the year, recently announced that the military would be adding an additional brigade of 3,800 soldiers to Fort Benning in the coming year, potentially investing an additional \$400 million in infrastructure. This will have a massive economic impact on the Columbus area as the new arrivals are expected to also transfer their immediate families, thus increasing the population by an estimated 10,000 over the coming year and a half.

In general, most of Georgia's other MSA's are putting significant efforts into reviving their economies through tourism. There are numerous projects occurring to promote new museums, renovate downtown areas, capitalize on picturesque river walks and generate better environments to work and live. Albany, for example, has just completed a \$30 million aquarium, expected to attract 155,000 visitors a year. Through recent and ongoing improvements, these metro areas hope to attract more business and capital investment to their respective communities.

In June 2003, the Office of Management and Budget set up new definitions for Georgia's metro areas to better reflect population size based on the 2000 Census. Albany, Athens, Augusta, Columbus and Macon will expand into new counties and seven new MSA's will be added: Brunswick, Dal-

ton, Gainesville, Hinesville/Fort Stewart, Rome, Valdosta, and Warner Robbins. This new structure will be released in March 2005, and will be reflected in this report in May 2005.

### **Albany**

Albany has shown positive growth in employment for two and a half years, as it appears that recent efforts to revitalize Albany's economy have paid off. The 4<sup>th</sup> quarter of 2004 yielded 140 additional jobs, an increase of 0.2% compared to the 4<sup>th</sup> quarter of 2003. This has concluded another positive year for Albany, although at 0.6%, is much less than the 1.1% growth seen in 2003. Most employment categories that did well last year added jobs at the same rate in 2004 - Education & Health, Retail Trade and Leisure & Hospitality. The most significant difference is that Professional & Business Services added 500 jobs in 2003 but only 60 jobs in 2004, thus explaining the drop from 1.1% to 0.6%.

Albany has made several quality-of-life listings and is in the process of capitalizing on the publicity. The city is adding greater infrastructure, entertainment and office space through a \$210 million downtown redevelopment initiative along the Flint River. The new Flint RiverQuarium, a \$30 million project, backed by \$1.4 million in state funds, just opened to the public in September 2004 and is expected to draw 155,000 visitors a year to the Albany area. A new hotel complex will open later this year. Albany's citizens have also just approved SPLOST, a special purpose local option tax, which will put an additional \$30 million towards downtown improvements over the next 6 years. All these efforts will put Albany on a better track for future growth.

The seasonally-adjusted unemployment rate in Albany was 4.8% in the 4<sup>th</sup> quarter of 2004, up slightly from the 4.6% unemployment rate in the 4<sup>th</sup> quarter of 2003. The outlook for employment growth in Albany is reasonably good. The efforts put into business and infrastructure, and the mild recovery in manufacturing has helped Albany, evident in the 1.1% growth seen in 2003 and 0.6% rate in 2004. This momentum will continue into

the next two years, as employment in 2005 increases by 1.2% and by 1.4% in 2006.

### **Athens**

Athens' economy revolves around the University of Georgia, which has an enrollment of 34,000 students and employs 10,000 people. Athens also houses satellite campuses from several other colleges, bringing the student population in Athens to 40,000. UGA's student population usually increases 3% every year, but for the 2004-2005 school year, enrollment declined by 700 students as UGA struggles to accommodate larger classes on smaller budgets. This is the first time in eight years that enrollment at UGA has not risen.

In of 2004, Athens' employment level dropped 0.3%, or 250 jobs. The sectors to lose the most jobs over the past year were Retail Trade, Leisure & Hospitality, and Manufacturing. Retail Trade has suffered consistent quarterly declines since the start of the recession in 2001, but the past year has been particularly harsh at 4.8%. This large drop in Retail Trade may be a sign that students are noticing the rise in gasoline prices, which is affecting their pocketbooks. Another sector to see losses was Leisure & Hospitality, which lost close to 100 jobs in 2004. Manufacturing has been on a negative trend for the last four years, continuously reducing its employment base as technological improvements and foreign competition take a toll on the industry nationwide. However, the loss of 250 jobs in 2004 is the least annual amount lost the decline began in 1999.

The unemployment rate in Athens was a low 3.0% in the 4<sup>th</sup> quarter of 2003 but increased to 3.2% in the 4<sup>th</sup> quarter of 2004, reflecting the difficulty that Athens has had this year. Nevertheless, Athens still holds the lowest unemployment rate in Georgia and is far below the state's 4.4% average. After gaining jobs at a 0.6% rate in 2003, employment for Athens dropped by 0.3% in 2004. Considering that the 4<sup>th</sup> quarter showed much better growth, we expect Athens to turnaround in 2005 to pick up slightly at a 0.5% rate and continue this trend through 2006 at a 0.8% rate.

**TABLE C**  
**Other Georgia Metro Areas**  
**Recent Trends in Employment**

	Non-Farm Employment (Thousands) 2004	Employment Growth at Annual Rate (%)		Unemployment Rate (%) *		Non-Farm Employment Forecast (%)	
		2003	2004	Dec	Dec	2005	2006
<b>Georgia</b>	3,893.6	-0.2	0.8	4.5	4.4	1.8	2.3
<b>Albany</b>	72.2	1.1	0.6	4.6	4.8	1.2	1.4
<b>Athens</b>	74.1	0.6	-0.3	3.0	3.2	0.5	0.8
<b>Augusta</b>	203.7	1.1	1.2	4.5	5.1	1.0	1.3
<b>Columbus</b>	117.4	0.5	0.1	5.2	5.3	1.7	2.5
<b>Macon</b>	151.1	1.5	0.9	3.9	4.2	1.1	1.5
<b>Savannah</b>	142.0	1.0	1.6	3.6	3.6	2.0	2.1

\*Seasonally Adjusted

#### Augusta

Augusta recovered very nicely from the recession, adding 5,700 jobs since November 2001. The past year has also been positive for the Augusta economy. Employment increased by 3,400 jobs in 2004, a 1.2% increase, over 2003. Augusta had a slew of sectors with significant annual increases, namely Education & Health, which increased by 950 jobs, Professional & Business Services, which gained 800 jobs, Leisure & Hospitality, which added 600 jobs, Financial Activities, which increased 450 jobs and Other Services, which added roughly 325 jobs.

The only sector to see significant losses were Manufacturing, which decreased by 675 jobs in 2004. As Georgia's economy gains more steam and with the dollar expected to remain weak, manufacturing orders should start to pick up and losses for Augusta's Manufacturing sector will prove to be less severe over the next couple years.

The seasonally-adjusted unemployment rate in Augusta was 5.1% in the 4<sup>th</sup> quarter of 2004, slightly higher than the 4.5% seen in the 4<sup>th</sup> quarter of 2003 a year ago. This is one of the highest unemployment rates among the Georgia's MSA's, quite a bit above the 4.4% unemployment rate for the state in 4<sup>th</sup> quarter.

A major issue for Augusta is the next round of base closings in 2005 (BRAC 2005), from which Augusta hopes that its largest employer, the U.S. Army Signal Center and Fort Gordon, will be spared. One positive sign is the recent announcement of a \$230 million Army project to expand intelligence operations. Beginning in 2006, the project will take six years to complete and will eventually add 500-750 new jobs to the area.

Fort Gordon will continue to provide key logistical military support to the Iraq situation, which is expected to continue to use large amounts of military resources through 2005 unless the recently elected Iraqi government specifies otherwise. Therefore, the employment outlook for Augusta is expected to remain stable, although increasing interest rates will slow down Augusta's growth from 2004. In 2005, Augusta will increase its employment at a 1.0% rate. The following year will also show growth at a stronger rate of 1.3%.

#### Columbus

Despite the employment losses in the latter part of 2004, Columbus looks forward to significant changes over the next couple years. Its largest employer, Fort Benning, announced in July that an additional brigade of 3,800 soldiers will be

**TABLE D**  
**Other Georgia Metro Areas**  
**2001 Recovery : Job Gains/Losses**

	3 Years Later					
<i>Employment Change</i>	<b>Albany</b>	<b>Athens</b>	<b>Augusta</b>	<b>Columbus</b>	<b>Macon</b>	<b>Savannah</b>
<b>Total Non-Farm</b>	<b>1,586</b>	<b>636</b>	<b>5,735</b>	<b>-657</b>	<b>3,687</b>	<b>6,735</b>
<b>Information</b>	-205	-271	-311	-1,726	-5	-609
<b>Prof &amp; Biz Services</b>	434	1,229	962	-877	1,761	3,027
<b>Manufacturing</b>	-856	-950	-1,939	-3,539	-3,459	-2,635
<b>Construction</b>	198	-108	-371	-873	-127	285
<b>Transportation</b>	-301	57	19	-519	-169	449
<b>Local &amp; State Govt.</b>	140	445	941	-406	693	1,198
<b>Edu &amp; Health</b>	1,258	933	3,201	2,542	2,828	2,054
<b>Other Services</b>	85	73	308	423	196	222
<b>Retail Trade</b>	548	-722	976	387	-119	377
<b>Leisure &amp; Hosp.</b>	263	123	2,075	2,142	267	1,100

added by September 2005, a 20% increase in personnel. If the base is not targeted for closing in the upcoming BRAC round, the Army will spend around \$400 million on new barracks and other facilities to house the new soldiers. This would bring an additional estimated economic impact to the Columbus area of \$100 million by 2005 and \$600 million by 2006. According to the Greater Columbus Chamber of Commerce, approximately two-thirds of these soldiers are married and will bring their families to the area when they are transferred, potentially increasing the population by 10,000 and contributing \$150 million in additional construction. Fortunately for Columbus, the move assuages fears that Fort Benning might be on the list for closures under BRAC 2005.

In the 4<sup>th</sup> quarter of 2004, Columbus' employment level dropped to 117.2 thousand, a decrease of 600 jobs, or 0.5%. This is the second quarterly drop for employment since Columbus's economy began adding jobs in the 3<sup>rd</sup> quarter of 2003. While Columbus had a couple sectors which added jobs, they were offset by more significant losses in others.

For all of 2004, the sectors which contributed most to employment were Professional & Business Services and Leisure & Hospitality, which gained 900 jobs and 650 jobs, respectively. Both of these sectors have consistently added jobs over the past year and have been instrumental in aiding Columbus in its tepid recovery from the recession.

There were several sectors which lost more than 200 jobs over the course of the year: Manufacturing, Information, Education & Health, Retail Trade, and Transportation & Utilities. The expected up-tick in Manufacturing from the recovery has not yet occurred, causing this sector to decrease by 1,100 jobs compared to last year. Information suffered the next greatest loss at 300 jobs. A decrease of 200 jobs for Education & Health can be explained by the difficult budget situation this past year, which has now recovered. Retail Trade and Transportation & Utilities also lost 200 jobs each in 2004, most likely caused by less spending power available as a result of increased oil prices.



Through July 2004, almost \$73 million in capital investments and 1,600 new jobs have been announced in the Columbus area. The military also just invested \$11.7 million in a new air terminal to transport troops directly from Columbus, rather than out of the airfield at Warner Robbins close to Macon. Recently, large firms such as Bellsouth and AFLAC have added 330 and 180 jobs, respectfully; good news for Columbus given that employment still lies 650 jobs below the level seen at the end of the recession 37 months ago. Additionally, ground has just broken for a \$70 million National Infantry Museum, which will open in 2007 and expects 300,000 visitors a year.

The seasonally-adjusted unemployment rate in Columbus for the 4<sup>th</sup> quarter of 2003 was 5.2% and rose to 5.3% in 2004, well above the state average of 4.4%. However, Columbus's economy is looking up, especially with an additional 10,000 people expected to flood Columbus in the next two years. Columbus is expected to recuperate in 2005 at a 1.7% growth rate and increase even more in 2006 at a 2.5% rate in 2005.

### **Macon**

Macon touts itself as an ideal place for logistical and technological businesses. The city has a high concentration of high-end back office support and claims that it offers all the advantages of Atlanta but at a cheaper cost. Situated at the crossroads of I-75 and I-16 and only an hour away from Atlanta, Macon also focuses heavily on distribution centers. Additionally, its largest employer, Warner Robins Air Force Base, employs 23,000 people and feeds a variety of military-related industries such as aerospace and automotive manufacturing.

Macon's economy has been chugging along quite nicely in the last two years, increasing by 1.5% in 2003 and 0.9% in 2004. For 2004, Macon added 1,300 jobs, mostly from increases in Professional & Business Services, Financial Activities, Education & Health, and Government. Professional & Business Services increased by 900 jobs, Financial Activities gained 500 jobs, and Education & Health and Government both added 400 jobs.

The only sector to suffer a major decline in employment was Manufacturing, which declined by 1,100 jobs in 2004 compared to 2003. This sector has not seen an increase in employment since late 1997. Given the closing of the Brown & Williamson tobacco plant, this sector is unlikely to recover and will continue to lose employment through 2005.

With a large \$130 million Bass Pro Shops complex to open in 2005 on I-75 just north of Macon, Macon should see better times in over the next couple years, particularly in its Retail and Wholesale Trade sectors. This facility will include a distribution center and also anchor a large shopping complex anchor that is expected to become a tourist destination, attracting 2-3 million visitors a year. The entire project is expected to bring 1,000 jobs to the area, according to the Macon Economic Development Commission.

The unemployment rate in Macon rose to 4.2% in the 4<sup>th</sup> quarter of 2004, slight higher than the 3.9% seen a year ago. Despite Macon's dismal Manufacturing losses and slight decrease in population, Warner Robins and the Professional & Business Service sector will help lift the economy, ending up by 1.1% in 2005 and by 1.5% for 2006.

### **Savannah**

Savannah's economy performed well in 2004 compared 2003, increasing its payrolls by 1.6%, or by 2,300 jobs. This is the strongest annual growth for Savannah since 1996. The sectors to add the most growth to the economy were Professional & Business Services, which added 1,300 jobs, Government, with an increase of 500 jobs, Financial Activities, which increased by 400 jobs, and Leisure & Hospitality, which added 350 jobs.

The sector to suffer the most severe decline was Manufacturing, which lost 500 jobs in 2004. Global competition, better technology and increased productivity have all depressed Savannah's manufacturing base, which is now just 9% of the economy and will remain on shaky ground. Westinghouse Savannah River Co. has also just

announced it will lay off 1,200 in 2005. On the positive side, German company Orafol will set up a \$45 manufacturing facility which will create 60 jobs by 2008. The only other sector with high job losses was Education & Health, which lost 300 jobs in the 4th quarter of 2004 and posted the third straight quarterly loss.

Overall, Savannah has been the shining star of employment growth in Georgia for 2004. The significant employment increases in 2004 attest to Savannah's ability to attract new business and tourists, and to position itself as the darling of the Southeast. Savannah's port is also a constant source of new business. As the 5<sup>th</sup> largest container port in the U.S., port authorities forecast that it will expand 15% over the next 15 years, bringing even more growth to Georgia. With the recent expansion, Savannah's strong growth will most likely continue, spilling over into other sectors such as trucking and distribution centers. Such a strategy is evident in a recent announcement from Target Corp., which will build a regional distribution facility just south of Savannah employing 500 people and possibly 300 more as the facility expands.

Savannah has also attracted the attention of numerous magazines and has made it to the top of various "Best Of" lists. Expansion Management Magazine ranked Savannah as #1 among top cities in logistics for its port system, local infrastructure, and access to Interstate highways and railroads. New York Times Magazine rated Savannah as #12 on its list of trendy hot spots in the world. Outlook Magazine listed Savannah in the top 25 of the best places to live and work. All this publicity has been great for Savannah's tourism industry, which claims 5.8 million annual visitors and \$1 billion in direct spending. The G-8 Sea Island Summit in June brought a significant amount of global visibility to the city which will fuel tourism growth for years to come.

Savannah also hosts the U.S. Army's Fort Stewart/Hunter Army Airfield military complex, the largest infantry base east of the Mississippi. With

a payroll of \$835 million and 26,000 employees, 11% of which are civilian, this facility is Coastal Georgia's largest employer and quite important to industries which cater to the military. As decisions for BRAC 2005 approach in the spring, Savannah officials hope that the review process leaves Fort Stewart and Hunter Airfield alone.

Overall, Savannah's unemployment rate remained at 3.6% in the 4<sup>th</sup> quarter of 2004 compared to the 4<sup>th</sup> quarter of 2003. In 2004, Savannah will reaped the benefits from the recent multi-million dollar port expansion effort, the Sea Island G-8 Summit, \$56 million in highway construction dollars and a 4% increase in tourism. These factors, combined with a slight up-tick in Georgia's overall economy, will turn Savannah into one of the fastest growing MSA's in the state. In 2005, Savannah's employment will increase by 2.0%, followed by a 2.1% gain in 2006.

**TABLE E**  
**Quality of Job Growth**

*US, Georgia & Atlanta: Sectors by Wage Ranking*

NAICS Categories* (Employment Change)	Annual Atlanta Wage**	US 132,266,000		Georgia 3,943,900		Atlanta 2,204,500	
		Since	Since	Since	Since	Since	Since
		Dec. '03	Nov. '01	Dec. '03	Nov. '01	Dec. '03	Nov. '01
<b>TOTAL</b>	\$41,080	2,231,000	1,395,000	44,100	10,900	25,200	16,300
Internet ( <i>INFORMATION</i> )	\$79,800	6,500	-3,400	-100	-8,100	-700	-7,800
Computer Systems ( <i>PROF &amp; BIZ SERVICES</i> )	\$75,000	57,300	-71,900	-600	-2,800	-500	-2,000
<i>WHOLESALE TRADE</i>	\$62,000	97,000	-12,000	-1,900	-3,100	-1,800	-5,500
Mgt of Companies ( <i>PROF &amp; BIZ SERVICES</i> )	\$61,900	8,400	-70,100	900	-25,400	900	-20,600
<i>INFORMATION</i>	\$61,200	-14,000	-374,000	-2,300	-17,000	-1,000	-10,700
Telecommunications ( <i>INFORMATION</i> )	\$60,500	-28,700	-238,300	400	-10,800	-100	-8,900
Mgmt, Science & Tech ( <i>PROF &amp; BIZ SRV.</i> )	\$60,000	33,900	58,900	300	-1,200	100	-1,500
<i>FINANCE &amp; INSURANCE</i>	\$58,300	100,600	209,200	2,900	5,000	1,000	-600
Air Transport ( <i>TRANSPORT &amp; WAREHOUSE</i> )	\$53,100	-3,300	-61,300	-100	-1,700	400	-1,300
Federal ( <i>GOVERNMENT</i> )	\$50,100	-34,000	-50,000	-900	-1,700	-700	-1,400
<i>MANUFACTURING</i>	\$48,600	9,000	-1,421,000	-4,800	-35,900	-2,000	-8,500
<i>PROF &amp; BUSINESS SERVICES</i>	\$47,000	488,000	607,000	9,800	-10,400	8,800	-9,400
Accounting Services ( <i>PROF &amp; BIZ SRVS.</i> )	\$44,900	12,400	-34,200	3,300	1,500	4,100	4,600
<i>CONSTRUCTION</i>	\$43,100	177,000	250,000	1,300	-2,600	100	-1,800
<i>GOVERNMENT</i>	\$41,000	102,000	380,000	8,800	24,400	3,200	12,800
<i>REAL ESTATE, RENT &amp; LEASING</i>	\$37,500	60,400	67,800	900	3,000	1,300	4,200
<i>EDUCATION &amp; HEALTH</i>	\$36,600	328,000	1,264,000	11,600	33,800	6,600	25,800
Local ( <i>GOVERNMENT</i> )	\$36,600	115,000	331,000	10,400	24,300	4,200	11,900
<i>TRANSPORT &amp; WAREHOUSE</i>	\$35,600	74,000	12,900	5,000	1,100	1,300	-2,100
State ( <i>GOVERNMENT</i> )	\$35,000	21,000	99,000	-700	1,800	-300	2,300
Admin & Support ( <i>PROF &amp; BIZ SERVICES</i> )	\$28,000	313,800	615,000	1,600	12,000	4,000	11,200
<i>OTHER SERVICES</i>	\$27,300	30,000	108,000	4,400	-200	-100	3,400
<i>RETAIL TRADE</i>	\$26,100	94,200	-100,700	4,400	-7,400	3,400	-6,200
<i>LEISURE &amp; HOSPITALITY</i>	\$17,400	239,000	425,000	4,300	21,100	4,600	15,300
<b>HIGH PAYING JOBS***</b>	<b>\$57,000</b>	<b>34,000</b>	<b>-1,867,500</b>	<b>-6,000</b>	<b>-81,200</b>	<b>-1,600</b>	<b>-42,600</b>
<b>LOW PAYING JOBS****</b>	<b>\$24,700</b>	<b>677,000</b>	<b>1,047,300</b>	<b>14,700</b>	<b>25,500</b>	<b>11,900</b>	<b>23,700</b>

\*The major NAICS categories are in upper case letters and italicized, their subcategories are in lower case letters with the major category following in parenthesis.

\*\* Average weekly wage numbers are an average of wages in Cobb, Dekalb, Fulton & Gwinnett counties.

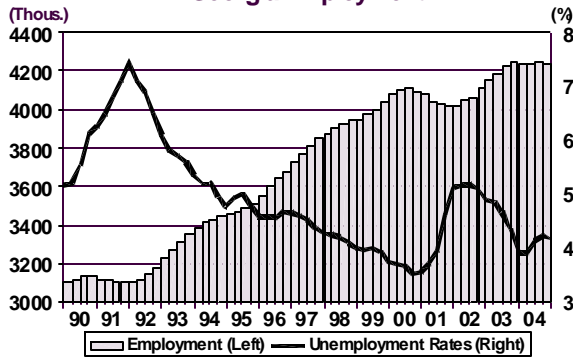
\*\*\* High Paying Jobs is made up of the following sectors: Computer Systems, Air Transport, Information, Mgmt of Companies, Mgmt of Science & Tech, Finance & Insurance, Manufacturing and

\*\*\*\* Low Paying is made up of the following sectors: Administration & Support, Other Services, Retail Trade and Leisure & Hospitality

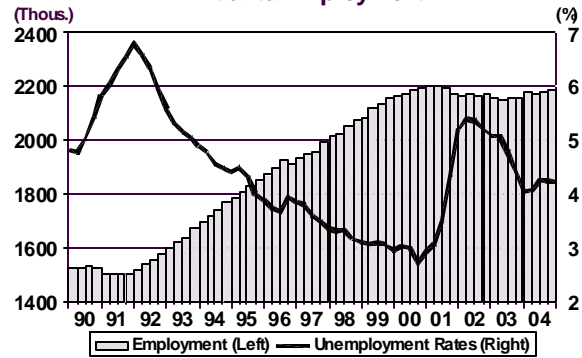


# History

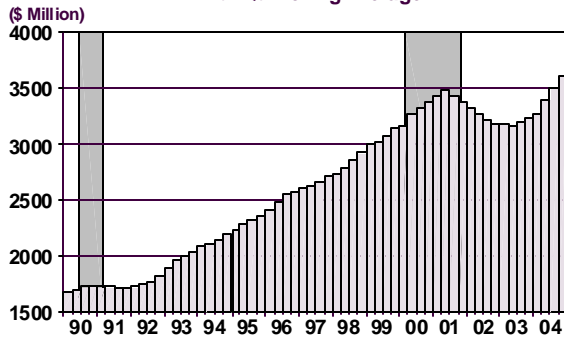
**Figure 1**  
**Georgia Employment**



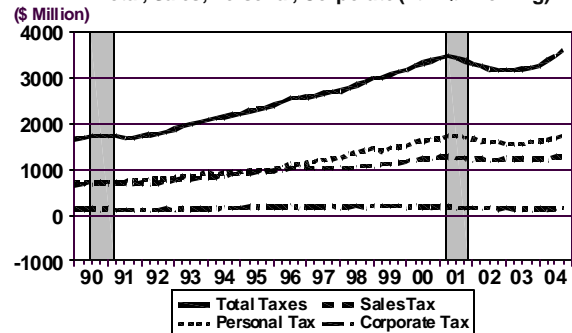
**Figure 2**  
**Atlanta Employment**



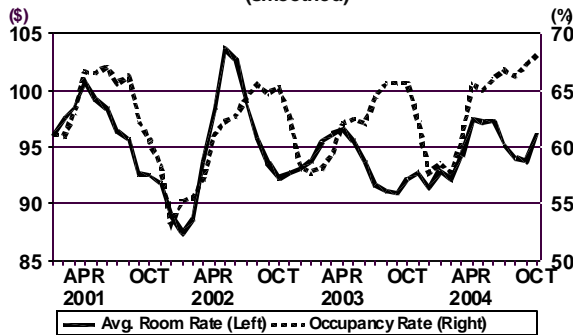
**Figure 3**  
**Georgia Total Tax Revenue**  
4th Qtr Moving Average



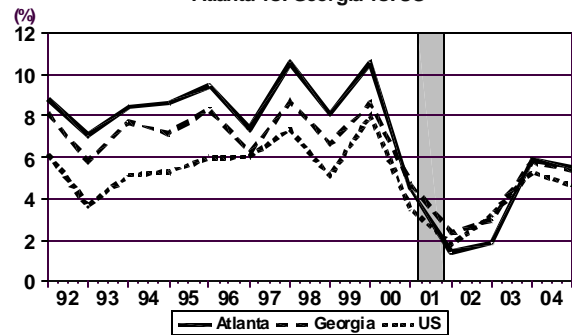
**Figure 4**  
**Georgia Tax Revenue**  
Total, Sales, Personal, Corporate (4th Qtr MovAvg)



**Figure 5**  
**Atlanta Hotel Occupancy & RvPAR**  
(smoothed)

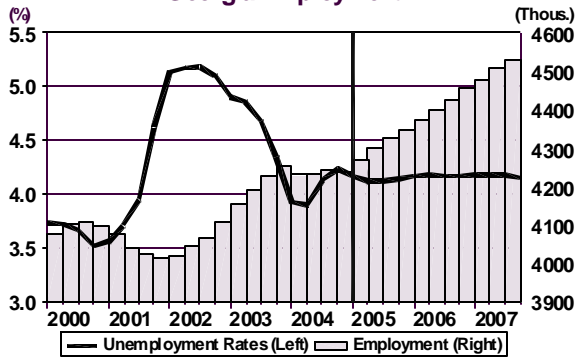


**Figure 6**  
**Personal Income Growth**  
Atlanta vs. Georgia vs. US

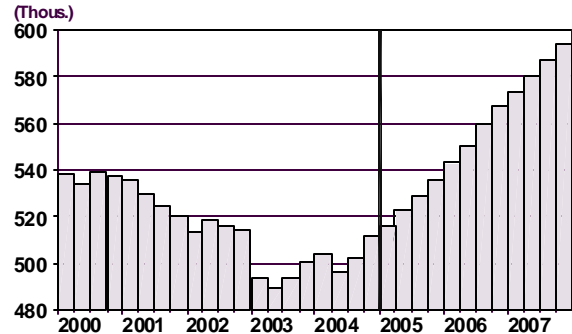


# Employment Forecast

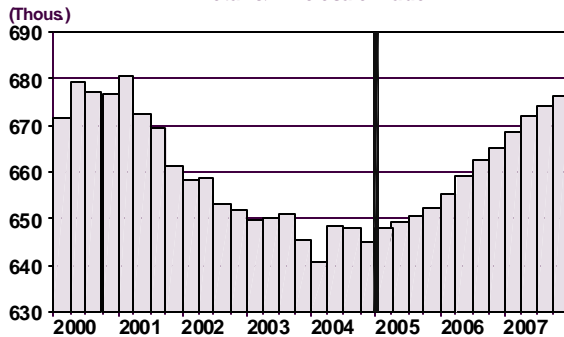
**Figure 7**  
**Georgia Employment**



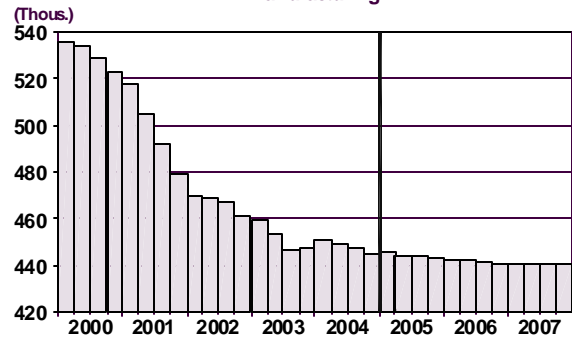
**Figure 8**  
**Georgia Employment**  
**Professional & Business Services**



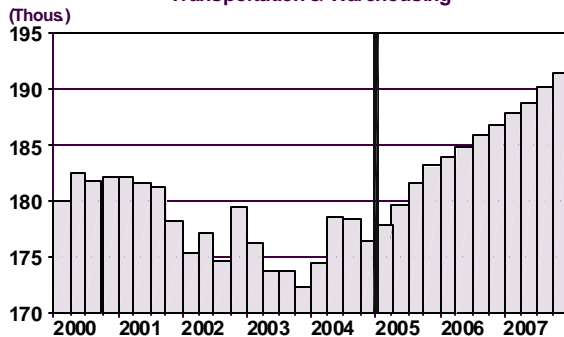
**Figure 9**  
**Georgia Employment**  
**Retail & Wholesale Trade**



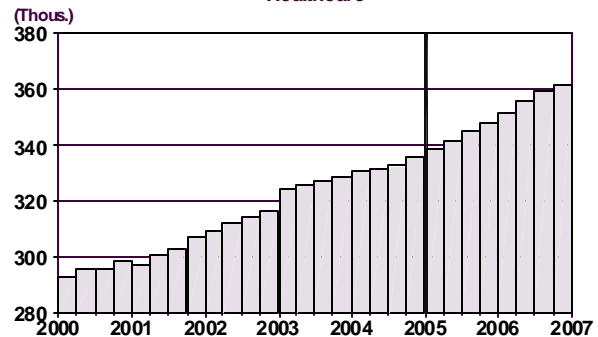
**Figure 10**  
**Georgia Employment**  
**Manufacturing**



**Figure 11**  
**Georgia Employment**  
**Transportation & Warehousing**



**Figure 12**  
**Georgia Employment**  
**Healthcare**









# FORECAST OF GEORGIA AND ATLANTA

## February 2005 Report

### Tables

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#### Guidelines to Interpreting the Data Tables

Dear Reader,

**Table 1A** represents an annual summary (history and forecast) for the state of Georgia of basic variables such as *Personal Income*, *Gross State Products (GSP)*, *Nonfarm Employment*, *Population* and *Construction Activity*. Several data series are also included here, such as real disposable personal income, housing starts, manufacturing shipments and hourly earnings. **Table 1B** provides these same indicators on a quarterly frequency.

In **Table 2A**, you will find the history and forecast for Georgia's Nonfarm employment based on the fourteen major and several minor NAICS categories. **Table 2B** presents the growth rate for these employment categories. Additionally, these tables provide you with an annual history dating back to 1995.

Atlanta's employment history and forecast in levels is found, along with the unemployment rate, in **Table 3A**. Like Table 2A, Atlanta's employment is also based on the new NAICS category system. **Table 3B** presents the same data in annual percentage changes.

**Table 4** shows the *GSP* and *Personal Income* accounts for Georgia and Atlanta. Population data and Personal Income Aggregates for Georgia and Atlanta, along with its major components, are also reported in this table. GSP by Sector is only available for Georgia.

Finally, **Table 5** contains quarterly historical and annual forecast data for Metro Atlanta's housing permits, divided by its 20 counties.

We hope that you will find the tables informative, useful and visually pleasing!

Regards,



Dr. Rajeev Dhawan  
Director

## Forecast Tables - Summary

**Table 1A. Annual Summary of the Georgia State University Forecast for Georgia**

	HISTORY									FORECAST		
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Personal Income and GSP</b>												
Personal Income (Bil. \$)	172.1	182.9	198.8	212.1	230.4	241.1	246.8	254.1	268.8	283.2	301.5	321.6
Georgia (% Ch)	8.3	6.2	8.7	6.7	8.6	4.7	2.3	3.0	5.8	5.3	6.5	6.7
U.S. (% Ch)	6.0	6.1	7.3	5.1	8.0	3.5	1.8	3.2	5.4	4.7	5.8	5.9
Personal Income (Bil. 96\$)	184.0	192.2	207.1	217.3	230.3	236.2	238.3	240.8	249.4	258.2	270.2	282.4
Georgia (% Ch)	6.1	4.5	7.7	4.9	6.0	2.5	0.9	1.0	3.5	3.5	4.7	4.5
U.S. (% Ch)	3.8	4.3	6.4	3.4	5.4	1.4	0.3	1.3	3.2	3.0	4.1	3.8
Disp. Income (Bil. 96\$)	160.6	166.7	178.5	187.1	198.0	203.9	210.7	214.8	222.9	229.5	239.2	249.5
Georgia (% Ch)	5.4	3.8	7.1	4.8	5.8	3.0	3.3	2.0	3.8	3.0	4.2	4.3
U.S. (% Ch)	3.0	3.5	5.8	3.0	4.8	1.9	3.1	2.3	3.4	2.5	4.0	3.6
GSP (Bil. \$)	219.8	235.3	254.5	275.8	289.1	296.8	305.8	320.0	338.6	359.2	381.4	405.4
(%Ch)	8.0	7.1	8.1	8.4	4.8	2.6	3.0	4.6	5.8	6.1	6.2	6.3
(Bil. 96\$)	236.5	249.6	264.8	281.6	289.1	290.1	293.8	302.1	314.0	326.8	341.5	357.4
(% Ch)	6.6	5.5	6.1	6.3	2.7	0.3	1.2	2.8	4.0	4.1	4.5	4.7
<b>Employment and Labor Force (Household Survey, % Change)</b>												
Employment	3.9	4.7	3.3	2.0	2.6	-1.4	0.5	3.6	0.7	1.8	2.3	2.4
Labor Force	3.6	4.7	3.0	1.8	2.2	-1.1	1.7	3.1	0.0	1.9	2.4	2.4
Unemployment Rate (%)	4.6	4.5	4.2	4.0	3.7	4.0	5.1	4.7	4.1	4.1	4.2	4.2
U.S.	5.4	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.3	5.2	5.2
<b>Nonfarm Employment (Payroll Survey, % Change)</b>												
Total Nonfarm												
Georgia	3.7	2.5	3.5	3.0	2.5	-0.1	-1.9	-0.2	0.8	1.8	2.3	2.1
U.S.	2.0	2.6	2.6	2.4	2.2	0.0	-1.1	-0.3	1.1	1.3	1.6	1.2
Mining	0.7	-0.5	0.8	-2.9	-2.0	-5.4	-5.7	-2.6	3.9	0.6	-1.2	-2.2
Construction	8.0	2.8	7.2	9.4	1.9	-0.0	-4.1	0.0	2.3	2.2	2.9	2.3
Manufacturing	0.8	0.6	-0.3	-0.6	-2.2	-6.1	-6.4	-3.2	-0.8	-0.8	-0.6	-0.3
Nondurable Goods	-0.8	-1.3	0.5	-1.8	-3.3	-5.0	-5.2	-5.0	-0.4	-1.8	-1.2	-0.9
Durable Goods	3.0	3.1	-1.4	1.1	-0.9	-7.4	-7.8	-0.9	-1.4	0.4	0.2	0.5
Trans, Warehs & Utility	-1.9	2.3	6.6	5.8	3.7	-0.4	-2.3	-1.5	1.7	2.0	2.7	2.2
Wholesale Trade	4.4	4.6	4.5	3.7	2.6	-0.2	-2.7	0.4	0.2	0.8	2.0	1.5
Retail Trade	5.3	1.9	2.1	2.4	2.4	-1.1	-2.1	-1.7	-0.9	0.7	1.4	2.0
Financial Activities	4.7	3.6	6.5	2.6	2.4	1.0	0.6	1.8	1.3	1.6	2.4	2.6
Prof & Business Services	7.3	5.0	8.4	5.9	2.9	-1.8	-2.2	-4.2	1.8	4.5	5.6	5.1
Edu & Health Services	4.9	2.6	4.3	1.9	2.5	3.5	3.5	4.1	1.7	3.3	3.5	3.2
Leisure & Hospitality	5.0	0.9	1.9	2.5	2.1	0.7	0.8	3.7	1.4	3.0	3.1	1.8
Information	6.6	6.0	4.4	7.0	6.6	0.3	-8.4	-3.5	-0.6	0.6	2.5	3.6
Federal Govt	-2.3	-0.3	-0.7	0.5	3.9	-1.9	-0.2	-1.0	-1.4	0.7	0.2	0.3
State & Local Govt	0.3	1.7	1.9	0.5	0.8	3.0	2.9	1.6	1.3	1.7	1.5	0.9
<b>Population and Migration</b>												
Population (Thous.)	7524.4	7706.7	7886.3	8068.8	8248.5	8408.8	8555.9	8696.4	8847.7	8998.4	9152.5	9312.2
(% Ch)	2.4	2.4	2.3	2.3	2.2	1.9	1.7	1.6	1.7	1.7	1.7	1.7
<b>Construction Activity and Other Economic Indicators</b>												
Georgia Housing Starts	80.6	79.4	88.8	91.0	93.8	94.5	97.1	95.4	97.2	89.1	88.5	90.0
Single Family (Thous.)	65.9	64.5	74.1	76.0	72.3	75.4	79.2	81.7	83.2	77.6	77.6	78.0
Multifamily (Thous.)	14.8	14.9	14.7	15.0	21.5	19.1	17.9	13.8	14.0	11.5	10.9	12.0
MFG Shipments (Bil. 82\$)	89.7	97.1	103.4	105.5	100.4	94.0	92.6	87.8	84.0	83.9	84.2	84.4

**Forecast Tables - Summary**

**Table 1B. Quarterly Summary of the Georgia State University Forecast for Georgia**

	HISTORY				FORECAST							
	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4	2006:1	2006:2	2006:3	2006:4
<b>Personal Income and GSP</b>												
Personal Income (Bil. \$)	263.1	267.9	269.7	274.7	276.9	280.8	285.3	289.7	294.3	299.1	304.0	308.8
Georgia (% Ch)	6.8	7.6	2.7	7.6	3.3	5.9	6.5	6.2	6.5	6.8	6.6	6.5
U.S. (% Ch)	5.0	6.4	3.4	10.8	0.2	4.9	5.2	5.2	6.7	6.1	5.9	5.6
Personal Income (Bil. 96\$)	246.2	248.8	249.6	252.8	254.0	256.5	259.7	262.5	265.4	268.8	271.9	274.7
Georgia (% Ch)	3.4	4.3	1.4	5.2	1.8	4.1	5.1	4.3	4.5	5.2	4.7	4.3
U.S. (% Ch)	1.7	3.2	2.2	8.1	-0.9	3.3	3.9	3.5	4.8	4.7	4.0	3.4
Disp. Income (Bil. 96\$)	220.0	222.4	223.2	226.0	225.8	228.0	230.9	233.3	234.9	237.9	240.7	243.2
Georgia (% Ch)	4.2	4.3	1.4	5.3	-0.5	4.1	5.1	4.3	2.7	5.3	4.7	4.3
U.S. (% Ch)	2.4	2.8	2.0	8.4	-2.3	2.9	3.1	3.2	4.8	4.9	4.1	3.2
GSP (Bil. \$)	333.4	336.8	339.0	345.1	351.0	356.7	362.0	367.1	372.8	378.5	384.3	389.9
(%Ch)	7.5	4.2	2.6	7.4	7.0	6.7	6.1	5.7	6.4	6.2	6.3	6.0
(Bil. 96\$)	311.6	313.2	313.7	317.7	321.5	325.3	328.7	331.9	335.7	339.5	343.4	347.1
(% Ch)	5.8	2.1	0.6	5.2	4.8	4.8	4.2	4.0	4.7	4.6	4.7	4.4
<b>Employment and Labor Force (Household Survey, % Change)</b>												
Employment	-1.9	0.2	1.1	-0.5	3.1	2.9	2.2	2.2	2.2	2.5	2.5	2.4
Labor Force	-3.6	0.1	2.1	-0.1	2.8	2.7	2.2	2.3	2.3	2.5	2.5	2.4
Unemployment Rate (%)	3.9	3.9	4.1	4.2	4.2	4.1	4.1	4.1	4.2	4.2	4.2	4.2
U.S.	5.7	5.6	5.4	5.4	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.2
<b>Nonfarm Employment (Payroll Survey, % Change)</b>												
Total Nonfarm												
Georgia	1.0	-0.6	1.4	2.1	1.9	2.1	2.1	1.9	2.4	2.7	2.7	2.3
U.S.	1.2	2.4	1.2	1.7	0.4	1.4	1.6	1.7	1.6	1.8	1.5	1.0
Mining	42.7	-3.9	-0.8	5.4	-0.0	-0.0	-0.0	-0.9	-0.9	-2.2	-2.2	-2.2
Construction	-0.8	-3.9	-1.2	6.7	1.3	2.6	2.6	3.3	2.3	3.8	3.0	2.1
Manufacturing	2.9	-1.9	-1.9	-1.7	0.7	-1.3	-0.4	-0.4	-0.6	-0.7	-0.3	-0.7
Nondurable Goods	7.5	-1.8	-2.8	-2.3	-1.0	-2.5	-0.8	-1.1	-1.2	-1.3	-0.7	-1.2
Durable Goods	-2.5	-2.0	-0.7	-1.0	2.8	0.1	0.1	0.5	0.2	0.0	0.2	-0.1
Trans, Warehs & Utility	5.1	10.0	-0.6	-4.2	3.3	4.1	4.4	3.2	2.0	1.9	2.2	2.0
Wholesale Trade	-2.6	4.4	-1.1	-4.0	1.6	2.8	2.9	2.3	1.9	1.7	1.6	0.9
Retail Trade	-3.0	5.1	0.1	-1.1	2.1	0.1	-0.3	0.5	1.7	2.7	2.3	2.2
Financial Activities	9.4	-4.2	-2.3	2.1	3.5	2.6	2.2	2.6	2.3	2.3	2.6	2.6
Prof & Business Services	2.5	-5.7	4.4	8.1	3.9	5.2	4.7	4.7	5.9	5.9	6.9	5.7
Edu & Health Services	2.0	1.9	2.2	3.9	3.4	3.4	4.0	2.7	3.3	4.2	3.8	2.6
Leisure & Hospitality	-1.9	-1.2	0.9	6.5	1.1	4.8	3.6	2.5	3.3	3.4	2.1	2.6
Information	2.7	-2.3	-3.3	-2.9	2.3	4.3	2.3	0.7	1.3	2.5	5.7	4.5
Federal Govt	-5.6	-3.9	4.9	0.9	0.2	0.3	0.2	0.2	0.2	0.0	0.2	0.2
State & Local Govt	1.2	-2.1	6.0	2.8	1.3	0.6	0.9	0.7	1.9	2.4	1.8	1.7
<b>Population and Migration</b>												
Population (Thous.)	8790.9	8829.4	8866.6	8904.0	8941.5	8979.2	9017.3	9055.4	9093.8	9132.3	9172.0	9211.8
(% Ch)	1.8	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
<b>Construction Activity and Other Economic Indicators</b>												
Georgia Housing Starts	105.0	95.9	95.9	92.1	89.3	89.3	89.0	88.7	88.4	87.9	88.8	89.0
Single Family (Thous.)	88.3	82.1	83.5	78.9	77.5	77.5	77.6	77.6	77.6	77.6	77.7	77.8
Multifamily (Thous.)	16.7	13.8	12.4	13.2	11.8	11.8	11.4	11.0	10.8	10.3	11.1	11.3
MFG Shipments (Bil. 82\$)	85.1	84.1	83.1	83.8	83.8	83.9	84.0	84.0	84.1	84.2	84.2	84.3

## Forecast Tables - Detailed

**Table 2A. Georgia Employment (Levels in Thousands)**

	HISTORY									FORECAST		
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
NONFARM	3527.2	3614.2	3740.7	3854.3	3949.1	3943.5	3869.5	3862.4	3893.6	3962.7	4055.4	4142.0
Manufacturing	544.4	547.6	545.7	542.7	530.6	498.4	466.7	451.8	448.0	444.2	441.7	440.4
Durable Goods	234.0	241.1	237.9	240.5	238.2	220.7	203.5	201.7	198.9	199.7	200.1	201.0
Wood Products	29.4	30.1	30.9	31.5	29.9	26.6	25.8	23.6	23.3	23.6	22.2	21.4
Transport Equip	37.0	39.4	42.1	43.4	43.3	39.4	36.8	42.9	43.4	45.2	46.2	46.8
Nondurable Goods	310.4	306.4	307.9	302.2	292.4	277.8	263.2	250.1	249.0	244.6	241.6	239.4
Foods	61.2	61.4	67.6	69.8	67.0	67.2	66.3	65.5	66.4	66.0	66.4	67.2
Textiles Mills	58.6	58.5	58.2	54.7	51.9	45.5	39.8	36.4	36.0	34.2	31.5	29.6
Non-Manufacturing	2982.8	3066.6	3195.0	3311.6	3418.5	3445.0	3402.8	3410.6	3445.6	3518.5	3613.7	3701.6
Mining	14.4	14.3	14.4	14.0	13.7	13.0	12.3	11.9	12.4	12.5	12.3	12.1
Construction	166.4	171.0	183.4	200.6	204.4	204.3	195.9	195.9	200.4	204.7	210.7	215.4
Trans, Warehs & Util	151.7	155.2	165.5	175.1	181.6	180.8	176.6	174.0	177.0	180.6	185.4	189.6
Wholesale Trade	181.1	189.4	198.0	205.4	210.7	210.3	204.6	205.5	205.9	207.5	211.7	214.8
Retail Trade	426.9	434.8	443.9	454.7	465.7	460.7	451.0	443.6	439.6	442.5	448.9	458.0
Information	113.6	120.4	125.7	134.5	143.5	143.8	131.8	127.2	126.5	127.2	130.3	135.0
Prof & Bus Services	433.3	455.1	493.3	522.2	537.3	527.5	515.8	494.4	503.4	526.0	555.5	583.9
Admin & Support	207.9	216.7	234.6	252.0	259.9	249.9	249.7	250.1	254.2	266.4	279.4	295.0
Prof, Sci & Tech	151.8	160.7	176.1	188.3	197.8	198.5	191.5	192.5	196.8	206.7	221.4	233.7
Mgmt of Comps	73.6	77.6	82.6	81.9	79.5	79.1	74.6	51.8	52.4	52.9	54.7	55.2
Financial Activities	180.8	187.2	199.4	204.5	209.3	211.4	212.8	216.6	219.5	223.0	228.4	234.4
Real Estate & Rent	49.0	50.3	53.5	56.5	59.0	57.9	57.6	58.5	60.8	62.0	64.0	67.0
Fin & Insurance	131.8	136.9	145.9	148.0	150.3	153.5	155.1	158.1	158.7	161.0	164.4	167.4
Edu & Health Service	310.5	318.7	332.3	338.7	347.3	359.4	371.9	387.3	394.1	407.0	421.1	434.3
Education Services	41.2	45.2	48.0	48.9	51.5	57.3	58.9	61.0	61.5	63.4	64.0	64.7
Healthcare Services	269.3	273.5	284.3	289.9	295.8	302.0	313.0	326.3	332.5	343.6	357.1	369.7
Leisure & Hospitality	309.1	311.9	317.7	325.7	332.5	334.7	337.3	349.8	354.6	365.4	376.8	383.5
Other Services	124.9	130.8	135.0	146.5	175.3	188.7	167.9	171.7	173.9	173.6	175.6	178.2
Government	570.1	577.8	586.5	589.6	597.2	610.4	624.9	632.5	638.4	648.4	657.1	662.4
Federal Govt	94.6	94.2	93.6	94.0	97.7	95.8	95.6	94.6	93.3	93.9	94.0	94.3
State & Local Govt	475.5	483.5	492.9	495.6	499.5	514.6	529.3	537.9	545.1	554.6	563.1	568.1
Unemployment Rate	4.6	4.5	4.2	4.0	3.7	4.0	5.1	4.7	4.1	4.1	4.2	4.2

**Table 2B. Georgia Employment (Percent Change)**

	<i>HISTORY</i>									<i>FORECAST</i>		
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
NONFARM	3.7	2.5	3.5	3.0	2.5	-0.1	-1.9	-0.2	0.8	1.8	2.3	2.1
Manufacturing	0.8	0.6	-0.3	-0.6	-2.2	-6.1	-6.4	-3.2	-0.8	-0.8	-0.6	-0.3
Durable Goods	3.0	3.1	-1.4	1.1	-0.9	-7.4	-7.8	-0.9	-1.4	0.4	0.2	0.5
Wood Products	7.9	2.5	2.6	2.0	-5.2	-10.8	-3.2	-8.5	-1.1	1.1	-5.8	-3.8
Transport Equip	2.6	6.4	6.9	3.2	-0.4	-9.0	-6.5	16.5	1.2	4.1	2.3	1.2
Nondurable Goods	-0.8	-1.3	0.5	-1.8	-3.3	-5.0	-5.2	-5.0	-0.4	-1.8	-1.2	-0.9
Foods	3.9	0.5	10.0	3.2	-3.9	0.2	-1.3	-1.3	1.4	-0.6	0.6	1.2
Textiles Mills	-0.9	-0.2	-0.6	-5.9	-5.2	-12.3	-12.6	-8.5	-1.2	-5.0	-7.8	-5.9
Non-Manufacturing	4.2	2.8	4.2	3.7	3.2	0.8	-1.2	0.2	1.0	2.1	2.7	2.4
Mining	0.7	-0.5	0.8	-2.9	-2.0	-5.4	-5.7	-2.6	3.9	0.6	-1.2	-2.2
Construction	8.0	2.8	7.2	9.4	1.9	-0.0	-4.1	0.0	2.3	2.2	2.9	2.3
Trans, Warehs & Util	-1.9	2.3	6.6	5.8	3.7	-0.4	-2.3	-1.5	1.7	2.0	2.7	2.2
Wholesale Trade	4.4	4.6	4.5	3.7	2.6	-0.2	-2.7	0.4	0.2	0.8	2.0	1.5
Retail Trade	5.3	1.9	2.1	2.4	2.4	-1.1	-2.1	-1.7	-0.9	0.7	1.4	2.0
Information	6.6	6.0	4.4	7.0	6.6	0.3	-8.4	-3.5	-0.6	0.6	2.5	3.6
Prof & Bus Services	7.3	5.0	8.4	5.9	2.9	-1.8	-2.2	-4.2	1.8	4.5	5.6	5.1
Admin & Support	12.5	4.2	8.2	7.4	3.1	-3.9	-0.0	0.1	1.6	4.8	4.9	5.6
Prof, Sci & Tech	5.8	5.9	9.6	7.0	5.0	0.3	-3.5	0.5	2.3	5.0	7.1	5.5
Mgmt of Comps	-2.5	5.4	6.4	-0.9	-2.9	-0.6	-5.7	-30.5	1.1	1.1	3.3	1.0
Financial Activities	4.7	3.6	6.5	2.6	2.4	1.0	0.6	1.8	1.3	1.6	2.4	2.6
Real Estate & Rent	7.1	2.7	6.4	5.5	4.5	-1.9	-0.5	1.5	3.9	2.0	3.2	4.7
Fin & Insurance	3.8	3.9	6.5	1.5	1.6	2.1	1.1	1.9	0.4	1.5	2.1	1.8
Edu & Health Service	4.9	2.6	4.3	1.9	2.5	3.5	3.5	4.1	1.7	3.3	3.5	3.2
Education Services	6.3	9.8	6.1	1.8	5.4	11.3	2.8	3.5	0.9	3.0	0.9	1.1
Healthcare Services	4.7	1.5	3.9	2.0	2.1	2.1	3.6	4.3	1.9	3.3	3.9	3.5
Leisure & Hospitality	5.0	0.9	1.9	2.5	2.1	0.7	0.8	3.7	1.4	3.0	3.1	1.8
Other Services	7.7	4.7	3.2	8.6	19.6	7.7	-11.0	2.3	1.2	-0.2	1.2	1.5
Government	-0.1	1.3	1.5	0.5	1.3	2.2	2.4	1.2	0.9	1.6	1.3	0.8
Federal Govt	-2.3	-0.3	-0.7	0.5	3.9	-1.9	-0.2	-1.0	-1.4	0.7	0.2	0.3
State & Local Govt	0.3	1.7	1.9	0.5	0.8	3.0	2.9	1.6	1.3	1.7	1.5	0.9

## Forecast Tables - Detailed

**Table 3A. Atlanta Employment (Levels in Thousands)**

	HISTORY									FORECAST		
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
NONFARM	1903.1	1958.9	2042.7	2126.1	2182.1	2192.2	2168.4	2158.6	2179.3	2217.0	2269.0	2324.8
Manufacturing	202.2	203.7	195.6	196.7	193.5	183.0	169.3	170.3	169.1	168.5	169.6	171.1
Non-Manufacturing	1700.8	1755.2	1847.1	1929.4	1988.6	2009.3	1999.1	1988.3	2010.2	2048.6	2099.4	2153.7
Construction & Mining	94.2	97.2	104.9	116.9	122.2	122.9	117.9	117.4	121.2	124.2	126.9	129.3
Trans, Warehs & Util	99.7	101.5	109.5	116.9	122.5	121.0	116.3	114.7	115.8	116.6	118.5	121.2
Wholesale Trade	122.5	129.6	136.0	141.4	144.8	142.9	141.4	136.6	135.9	137.9	140.1	141.9
Retail Trade	225.0	229.8	237.8	246.2	252.4	253.7	247.0	240.7	241.6	243.0	247.3	252.8
Information	87.5	92.7	96.4	102.6	109.5	110.0	103.0	97.5	97.8	99.5	101.2	104.0
Prof & Bus Services	298.7	312.2	343.3	364.9	374.4	365.4	359.8	337.9	343.0	352.2	368.8	390.5
Financial Activities	118.4	123.8	133.3	138.0	140.6	144.1	146.0	148.0	147.7	151.7	154.9	159.0
Edu & Health Service	158.8	165.4	171.2	176.5	181.8	190.5	203.1	213.0	217.1	224.6	231.6	238.8
Leisure & Hospitality	173.0	172.1	177.2	183.0	188.7	192.0	191.5	200.7	206.2	212.4	218.4	220.5
Other Services	72.9	76.1	79.0	82.4	86.2	91.3	90.5	94.1	92.4	93.2	93.9	95.3
Government	250.2	254.7	258.5	260.6	265.4	275.4	282.6	287.8	291.5	293.4	297.6	300.4
Federal Govt	47.6	47.7	46.0	45.8	47.4	47.3	46.6	46.7	45.5	44.8	45.0	45.5
State & Local Govt	202.6	207.0	212.5	214.8	218.0	228.1	236.0	241.1	246.0	248.6	252.7	254.9
Unemployment Rate	3.8	3.7	3.3	3.1	2.9	3.5	5.3	4.9	4.2	4.2	4.3	4.3

**Table 3B. Atlanta Employment (Percent Change)**

	HISTORY									FORECAST		
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
NONFARM	4.7	2.9	4.3	4.1	2.6	0.5	-1.1	-0.5	1.0	1.7	2.3	2.5
Manufacturing	1.2	0.8	-4.0	0.6	-1.6	-5.4	-7.5	0.6	-0.8	-0.4	0.7	0.9
Non-Manufacturing	5.2	3.2	5.2	4.5	3.1	1.0	-0.5	-0.5	1.1	1.9	2.5	2.6
Construction & Mining	9.4	3.2	7.9	11.4	4.5	0.6	-4.1	-0.4	3.3	2.4	2.2	1.9
Trans, Warehs & Util	-0.4	1.9	7.8	6.7	4.8	-1.2	-3.9	-1.3	0.9	0.7	1.7	2.2
Wholesale Trade	3.9	5.8	4.9	4.0	2.4	-1.3	-1.1	-3.4	-0.4	1.4	1.6	1.2
Retail Trade	7.5	2.1	3.5	3.5	2.5	0.5	-2.7	-2.5	0.4	0.6	1.8	2.2
Information	6.6	6.0	4.1	6.4	6.8	0.4	-6.4	-5.3	0.3	1.7	1.7	2.8
Prof & Bus Services	6.9	4.5	9.9	6.3	2.6	-2.4	-1.5	-6.1	1.5	2.7	4.7	5.9
Financial Activities	6.2	4.5	7.7	3.5	1.9	2.5	1.3	1.4	-0.2	2.7	2.1	2.7
Edu & Health Service	5.1	4.2	3.5	3.1	3.0	4.8	6.6	4.9	1.9	3.4	3.2	3.1
Leisure & Hospitality	5.1	-0.5	3.0	3.3	3.1	1.7	-0.2	4.8	2.8	3.0	2.8	1.0
Other Services	7.4	4.4	3.7	4.3	4.7	5.9	-0.9	3.9	-1.8	0.9	0.7	1.5
Government	1.2	1.8	1.5	0.8	1.8	3.8	2.6	1.8	1.3	0.7	1.5	0.9
Federal Govt	0.4	0.2	-3.5	-0.4	3.4	-0.2	-1.5	0.1	-2.5	-1.5	0.4	1.2
State & Local Govt	1.4	2.2	2.7	1.1	1.5	4.6	3.5	2.1	2.0	1.1	1.7	0.9

## Forecast Tables - Detailed

**Table 4. Gross State Product and Personal Income (Billions \$)**

	HISTORY									FORECAST		
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Georgia Aggregates</b>												
Personal Income	158.9	172.1	182.9	198.8	212.1	230.4	241.1	246.8	254.1	268.8	283.2	301.5
(Nominal %Ch)	7.2	8.3	6.2	8.7	6.7	8.6	4.7	2.3	3.0	5.8	5.3	6.5
Real Personal Inc (96\$)	173.5	184.0	192.2	207.1	217.3	230.3	236.2	238.3	240.8	249.4	258.2	270.2
(Real %Ch)	4.9	6.1	4.5	7.7	4.9	6.0	2.5	0.9	1.0	3.5	3.5	4.7
<b>Georgia Components of Personal Income</b>												
<b>By Place of Work</b>												
Wages & Salaries	94.2	101.7	109.7	120.2	129.9	140.5	143.8	144.4	147.9	155.4	164.5	175.9
Other Labor Income	20.1	20.9	21.7	23.4	25.3	27.3	28.8	31.3	33.6	36.2	38.0	39.8
Proprietor's Income	12.6	14.2	14.5	15.8	17.8	19.2	21.4	21.4	23.8	25.8	27.1	28.8
Farm Proprietors	1.5	1.6	1.6	1.5	1.7	1.4	1.6	1.0	2.0	2.1	1.5	1.4
Business Proprietors	11.1	12.6	12.9	14.3	16.1	17.8	19.7	20.4	21.9	23.8	25.6	27.4
Less Social Insurance	13.6	14.5	15.5	16.8	18.2	19.4	20.2	20.5	21.1	22.3	23.5	25.0
<b>By Place of Residence</b>												
Divid, Interest & Rent	25.9	28.7	31.2	34.4	34.1	37.6	39.3	38.6	38.1	40.0	41.5	43.7
Transfer Payments	19.9	21.4	21.8	22.4	23.8	25.8	28.7	32.4	32.6	34.5	36.5	39.3
Real Personal Inc (96\$)	173.5	184.0	192.2	207.1	217.3	230.3	236.2	238.3	240.8	249.4	258.2	270.2
% Ch Annual Rate	4.9	6.1	4.5	7.7	4.9	6.0	2.5	0.9	1.0	3.5	3.5	4.7
Real Disposable Inc.	152.4	160.6	166.7	178.5	187.1	198.0	203.9	210.7	214.8	222.9	229.5	239.2
Per Cap, Thous. (96\$)	23.6	24.4	24.9	26.3	26.9	27.9	28.1	27.9	27.7	28.2	28.7	29.5
<b>Gross State Product by Sector, (current dollars)</b>												
Gross State Product	203.4	219.8	235.3	254.5	275.8	289.1	296.8	305.8	320.0	338.6	359.2	381.4
Agriculture	3.2	3.7	3.6	3.8	3.8	3.7	4.1	4.3	4.4	4.4	4.6	4.8
Manufacturing	37.2	38.9	40.8	44.3	48.4	46.4	43.0	42.1	43.3	44.9	46.6	48.8
Mining	0.9	1.0	1.1	1.1	1.0	1.1	1.1	1.1	1.2	1.2	1.3	1.4
Construction	8.3	9.6	10.5	11.8	13.7	14.5	15.1	15.8	16.9	18.3	19.0	19.8
Transp, Comm, Utility	23.4	25.1	26.4	28.8	31.2	32.7	33.1	33.6	34.5	36.2	38.6	41.3
Retail Trade	36.3	39.7	42.8	46.7	50.2	53.1	54.5	56.1	58.9	62.0	65.5	69.8
Wholesale Trade	17.9	19.6	21.1	23.4	25.1	26.9	26.4	26.5	27.8	29.0	30.2	32.1
Fin, Ins, Real Estate	31.3	33.5	37.1	39.3	41.4	47.0	48.5	50.4	53.1	56.5	59.8	62.8
Services	36.1	40.3	43.6	47.6	53.5	56.4	60.5	63.9	67.7	73.0	79.3	86.1
State & Local Govt	16.9	17.8	18.9	20.3	21.4	22.3	24.1	25.3	26.5	28.0	29.8	31.4
Federal Govt	9.8	10.1	10.6	10.9	11.3	11.9	12.7	13.2	13.6	14.1	14.7	15.4
<b>Atlanta Aggregates</b>												
Personal Income	89.4	97.8	105.0	116.1	125.6	138.8	145.0	147.0	149.8	158.6	167.4	177.5
(Nominal %Ch)	8.6	9.5	7.3	10.6	8.1	10.6	4.4	1.4	1.9	5.9	5.5	6.0
Real Personal Inc (96\$)	97.6	104.5	110.4	121.0	128.7	138.8	142.0	142.0	142.0	147.1	152.6	159.1
(Real %Ch)	6.4	7.2	5.6	9.6	6.4	7.9	2.3	-0.0	-0.0	3.6	3.7	4.2
<b>Atlanta Components of Personal Income</b>												
<b>By Place of Work</b>												
Wages & Salaries	57.6	63.0	69.0	76.9	84.5	92.8	95.0	94.3	95.0	99.7	105.1	111.6
Nonwage Income	31.8	34.8	36.0	39.2	41.1	46.1	50.0	52.8	54.8	58.9	62.3	65.9
<b>Population (Millions)</b>												
Georgia	7.3	7.5	7.7	7.9	8.1	8.2	8.4	8.6	8.7	8.8	9.0	9.2
Atlanta	3.5	3.6	3.8	3.9	4.0	4.2	4.3	4.4	4.5	4.6	4.7	4.8
U.S.	267.0	270.1	273.4	276.6	279.7	282.8	285.7	288.6	291.4	294.1	296.8	299.5



**Forecast Tables - Detailed**

**Table 5. Metro Atlanta Housing Permits**

County		HISTORY								FORECAST			
		2002:4	2003:1	2003:2	2003:3	2003:4	2004:1	2004:2	2004:3	2004:4	2005	2006	2007
Barrow	single family	272	400	309	294	275	376	322	298	248	1,210	1,176	1,152
	multifamily	0	0	0	1	5	18	8	0	0	25	30	25
Bartow	single family	173	208	219	222	134	251	258	244	230	849	750	789
	multifamily	63	72	12	1	15	17	17	5	25	80	120	90
Carroll	single family	220	247	161	145	196	407	479	608	141	1,362	1,165	1,107
	multifamily	28	27	71	4	0	3	59	10	0	121	186	203
Cherokee	single family	438	532	626	655	555	698	774	628	489	2,410	2,321	2,252
	multifamily	179	15	48	367	56	60	31	68	72	251	278	252
Clayton	single family	78	392	463	641	193	480	581	399	284	1,598	1,513	1,601
	multifamily	0	0	216	40	0	69	32	356	47	472	548	501
Cobb	single family	701	922	980	947	794	936	1,134	953	811	3,608	3,084	3,220
	multifamily	740	168	309	466	935	466	738	662	499	1,812	1,705	1,806
Coweta	single family	288	242	408	452	349	447	436	457	453	1,721	1,610	1,512
	multifamily	136	0	2	28	0	192	0	0	0	248	209	111
DeKalb	single family	478	703	698	519	477	545	596	563	410	1,954	2,095	2,103
	multifamily	305	449	691	886	437	609	940	664	2,115	2,997	1,983	2,004
Douglas	single family	440	539	497	561	496	524	568	458	392	1,896	1,697	1,602
	multifamily	8	32	0	20	0	10	21	115	1	195	242	114
Fayette	single family	154	184	195	251	241	256	264	315	141	954	932	1,005
	multifamily	2	5	7	10	9	0	13	0	1	44	69	52
Forsyth	single family	603	566	492	800	910	579	688	685	716	2,386	2,450	2,713
	multifamily	15	11	98	137	196	75	82	73	113	309	356	254
Fulton	single family	527	722	896	1,311	1,246	1,701	1,397	2,054	1,335	4,514	3,516	3,021
	multifamily	132	64	32	144	89	127	29	159	80	457	892	614
Gwinnett	single family	1,638	1,912	1,889	2,030	1,459	2,105	2,036	1,948	1,911	6,613	7,320	7,201
	multifamily	276	560	293	338	275	357	368	669	816	1,810	1,689	1,506
Henry	single family	731	713	955	795	726	705	809	688	600	2,711	2,658	2,610
	multifamily	74	252	22	11	33	39	36	8	0	304	416	289
Newton	single family	434	462	629	647	538	673	693	582	474	2,553	2,575	2,603
	multifamily	25	15	0	0	0	0	0	0	0	129	295	211
Paulding	single family	497	512	523	710	658	588	735	648	582	2,591	2,634	2,706
	multifamily	4	84	23	32	0	68	35	25	0	143	187	181
Pickens	single family	74	114	98	100	90	83	176	104	84	421	453	507
	multifamily	0	0	0	0	0	2	0	0	0	41	23	35
Rockdale	single family	193	229	363	189	134	138	144	173	186	575	653	713
	multifamily	0	64	2	0	17	1	12	8	58	118	224	87
Spalding	single family	92	94	132	130	82	103	127	105	149	392	506	531
	multifamily	1	0	4	0	40	18	28	10	11	32	91	64
Walton	single family	152	240	275	344	246	333	348	231	218	1,008	935	974
	multifamily	0	7	0	1	0	0	0	0	8	36	73	29
<b>Totals</b>													
Total Permits (Single + Multi)		10,171	11,758	12,638	14,229	11,906	14,059	15,014	14,973	13,700	50,950	49,659	48,350
	Single	8,183	9,933	10,808	11,743	9,799	11,928	12,565	12,141	9,854	41,326	40,043	39,922
	Multifamily	1,988	1,825	1,830	2,486	2,107	2,131	2,449	2,832	3,846	9,624	9,616	8,428
<b>Percent Change (Year Ago)</b>													
Total Permits (Single + Multi)		12.6	-12.7	-15.5	12.7	17.1	19.6	18.8	5.2	15.1	-11.8	-2.5	-2.6
	Single	5.2	0.1	-3.8	17.4	19.7	20.1	16.3	3.4	0.6	-11.1	-3.1	-0.3
	Multifamily	58.7	-48.6	-50.9	-5.1	6.0	16.8	33.8	13.9	82.5	-14.5	-0.1	-12.4

Source: Greater Atlanta Home Builders Association



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