

State trends to watch in 2023 as economic slowdown feared

UGA economists forecast state to see dip in Ga. jobs, GDP.



Georgia has emerged as a leader in the electric vehicle industry: Hyundai expected to start production near Savannah in January 2025, with a Rivian's plant near Social Circle later that year. Shown is a Hyundai IONIQ 6. COURTESY



The metro Atlanta housing market saw prices soften after surging through the pandemic. But no one outside places like New York or California would confuse the region's housing prices or rents for anything affordable. AJC 2011

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GEORGIA ECONOMY

As the new year begins, Georgia is venturing into some economic uncertainty in 2023.

Companies continue to struggle finding workers, though the potential for an economic slowdown raises fears of layoffs in 2023. Gas prices dropped from their mid-year peak, but prices for other things remain stubbornly high. The Federal Reserve, meanwhile, has pledged to continue raising interest rates to throttle inflation.

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The state and metro Atlanta, meanwhile, also continued their streaks of major economic development deals, many of them in the burgeoning electric vehicle

and battery industries, juiced by billions in taxpayer-funded incentives at the federal, state and local levels.

Here are some trends to watch for in 2023:

Jobs and unemployment

Georgia saw huge job growth coming out of the depths of the COVID-19 pandemic.

But as 2022 neared its end, job growth sputtered.

The state's unemployment rate (3.0% in November) and layoffs remain low, but Georgia added only about 1,000 jobs in November, the weakest expansion of the year.

Since the Federal Reserve a year ago started hiking shortterm rates to tame inflation, the state has added 182,200 jobs. But higher rates slow growth and make it costlier to borrow money — and that raises the stakes for investment of all kinds, including hiring.

Economists with the Selig Center for Economic Growth at the University of Georgia predicted in its 2023 forecast that the state will see a small decline in jobs and gross domestic product. One reason that job losses in Georgia might not be so bad is that employers had a tough time finding the workers they have and don't want to be caught short again, said Ben Ayers, dean of the University of Georgia Terry College of Business.

“Employers went to great lengths to hire enough workers in the wake of the pandemic and know that workers will be in short supply on the other side of the recession,” he said.

Inflation and interest rates Inflation, which hit a 40-year-high in 2022, has remained persistent, though price increases appear to have moderated amid the Fed's efforts to cool the economy.

The Consumer Price Index, a gauge of what consumers pay for goods and services, increased 7.1% in November on an annual basis. That figure is a slower annualized growth rate than at any time in a year, but higher than the Fed's target. The price of gas is now lower in Georgia than it was a year ago, though truckers have not seen similar relief from diesel prices.

Forecasters expect the Fed's benchmark funds rate to exceed 5% in 2023.

Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State

University, said during a recent housing market forecast that the nation is likely to see a mild recession that lasts into early 2024, and that the Fed in late 2023 will pivot from hiking to cutting interest rates to stimulate the economy.

Housing market

Prices are still high whether you rent or buy.

A shortage of inventory that started following the housing crisis hasn't abated.

Prices surged during the pandemic, though they've moderated some in recent months.

Inflation-fighting efforts by the Fed increased the cost of borrowing money, and that's true whether you want to purchase a home or are a builder trying to finance construction of new residences. Homebuilding is slowing. Some buyers have been priced out. Some sellers would rather hang on for a while, and keep the low-rate mortgage they have rather than borrow at higher interest rates for new digs.

Home prices in metro Atlanta dipped 0.8% in October compared to September, according to the S&P CoreLogic Case-Shiller home price indices. On an annual basis, home prices were up nearly 15% compared to October 2021.

John Hunt, a principal at Atlanta-based MarketNsisht, which tracks and analyzes housing markets in the Southeast, said during a December housing forecast that he does not see a housing collapse like the nation experienced in the 2000s.

The U.S. population is still growing, he said, inventory is historically low and now builders are pulling back.

Restrictive local zoning and the costs for land, labor and materials make building new affordable homes a challenge, he said, and that imbalance in new home construction and demand will worsen home affordability.

According to real estate services firm Berkadia, the effective rent in metro Atlanta was \$1,715 at the end of the third quarter, a 6.1% increase from the beginning of 2022. Atlanta's apartment vacancy rate is less than 6%.

Return to office occupancy

Companies and office owners will look for 2023 to continue the sector's steady — albeit uneven — recovery in metro Atlanta.

Overall office vacancy still remains higher than pre-pandemic levels, but new office towers and those built in hot parts of the Atlanta area have found tenants willing to pay for quality, according to real estate services giant CBRE.

Analysts said the “flight to quality,” where office tenants abandon aging workplaces for newly renovated or constructed buildings, will continue.

“As such, 2023 will be a favorable market for tenants, especially those previously priced out of desirable submarkets or properties,”

CBRE’s 2023 Atlanta outlook report said.

What happens to those less-desirable, often multidecades-old, offices is a separate question.

Some developers and analysts predict the number of adaptive reuse projects will begin to uptick, especially once more pre-pandemic office leases expire. However, conversion projects are logistically challenges and expensive, sometimes carrying a larger price tag than just demolishing an outdated building and starting over.

Several office towers and the mall at Peachtree Center, a downtown landmark, went through foreclosure in 2022. Others could follow as landlords with maturing loans get squeezed.

EVs and batteries Georgia’s economic engine isn’t being powered by gas — it’s become electric.

The state has emerged as a leader in the electric vehicle industry, attracting multi-billion-dollar factories from EV upstart Rivian and Korean stalwart Hyundai Motor Group. Hyundai expects to start production near Savannah in January 2025, with Rivian’s plant near Social Circle following later that year.

Georgia also announced a \$2.6-billion battery plant with clean-tech startup Freyr in Coweta County and a joint battery factory between Hyundai and SK Innovation in Bartow County, which will power U.S.-made Hyundai, Kia and Genesis models.

Beyond the headline factories, these brands also tout future jobs and investments by their suppliers. The state has tallied more than 30 electric mobility-related projects since 2020, totaling more than \$13 billion in corporate investments and at least 23,000 promised jobs.

EVs are the auto industry’s future, but automakers must prove they can build

EVs at scale that consumers and businesses will buy. Startup costs are huge. The price of failure — to the companies and taxpayers — is also high.

Rivian and Hyundai combined have received promises of \$3.3 billion in tax breaks, grants, infrastructure, worker training and other incentives for the EV factories.

State officials, citing stiff competition, contend these incentives are necessary to attract these companies to Georgia. But critics argue these companies would come to the Peach State without so much largesse.

— Staff writer Michael E.

Kanell contributed to this report.