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GSU economics forecast: Slowdown, but no recession this year

Analyst says Georgia needs at least 47,000 more housing units now, and will fall short for at least a decade



The economies of Georgia and Atlanta will slow down in the face of some headwinds this year, but absent a global crisis, the region should avoid a recession, according to Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University. He spoke Wednesday during the center's quarterly conference. (Photo: Bob Andres, bandres@ajc.com)

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By Michael E. Kanell

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Despite buffeting from high interest rates, lenders' caution and some corporate cost-cutting, Georgia's economy will avoid a recession this year, but will slow significantly

before accelerating in 2025, according to the quarterly prediction by the Georgia Economic Forecasting Center.

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

“The economy is weaker than it appears,” he said at Tuesday’s session, conducted via the internet.

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

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

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

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Moreover, after last year’s [failure of Silicon Valley Bank](#) and several others, many lenders are reluctant to take on risk, Dhawan said. “Regional banks are really constrained on capital, so small business will be feeling the pinch.”

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

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

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

Georgia will track that trajectory, Dhawan said.

After a [spectacular 2021](#), which was largely a rebound from the pandemic losses, the state has added progressively fewer jobs each year. More crucially, recent expansion has depended more on hiring for lower-paying positions in hospitality and healthcare, rather than high-paying, middle-class jobs, Dhawan said.

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

Still, the state has some advantages, he said.

For a variety of reasons, [hundreds of thousands of Americans move](#) each year. They tend to move toward the strong economic regions, but their arrival is also a boon to the economies of their new homes.

While some people left Georgia last year, the state had a net in-migration of about 58,200, Dhawan said. “That is new demand for housing and rentals. Georgia is going to benefit from domestic in-migration.”

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

“I think this is going to be a continuing story,” [said Hunt](#), also speaking at the GSU conference. “The math says that you need 47,000 units of housing on top of what’s out there. We are going to be under-supplied in my opinion, for a minimum of a decade.”

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

The vast majority of owners have interest rates lower than current rates. Moreover, home prices have soared since they bought their own homes.

Listings in a healthy market typically represent six months of sales, but listings currently fall short of three months, [Hunt said](#). “Everybody is sitting on a boatload of equity. The

problem is you've got to have some place to go."

Job growth, past and projected

United States

2023: 3.54 million

2024: 2.01 million

2025: 815,000

2026: 1.68 million

Georgia

2023: 100,200

2024: 37,400

2025: 79,100

2026: 101,300

Top states, net domestic migration, 2023

Florida: 194,400

Texas: 186,800

North Carolina: 97,600

South Carolina: 82,600

Tennessee: 63,400

Georgia: 58,200

Inflation, past six months

Overall: 3.3%

Gasoline: -5.6%

Food: 3.0%

Clothing: -3.0%

Utilities: 6.7%

New vehicles: 1.1%

Source: Georgia State University Economic Forecasting Center, Census Bureau

About the Author



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Michael E. Kanell, the AJC's economics writer, has been reporting on jobs, housing and the economy at the AJC for nearly two decades. He has appeared on television and radio to analyze and report on business and economic developments.

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