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## **Outlook “muddled” due to domestic uncertainty and global headwinds**

ATLANTA – U.S. and global growth prospects for 2012 are “muddled” due to a plethora of challenges, according to Rajeev Dhawan of the Economic Forecasting Center at Georgia State University’s J. Mack Robinson College of Business.

In his quarterly *Forecast of the Nation*, released today, Dhawan cites decelerating consumer spending, a rollback in government spending, and weak growth of exports as key factors in the uncertainty, along with volatile economic conditions in Europe that are roiling the Eurozone and the world. Regarding the debt crises in Greece and Italy, the forecaster said, “Debt levels matter when confidence is shaken by both mismanagement and political dysfunction.” Also cause for concern: a sharp fall in export growth from 6.9 percent in 2011 to 3.9 percent in 2012.

Contributing to the murky outlook, says the forecaster, is a depressed consumer mood triggered in part by prices at the pump, which he characterizes as “a daily irritant,” and a weak job market that will lead to a declining willingness for consumers to open their wallets. Discounts notwithstanding, consumers will moderate their desires for new autos, with sales remaining below 13 million for the 2011-12 period.

CEO confidence levels and durable goods orders, both of which are advance indicators of investments that create jobs are trending downward as well. “The fall in CEO confidence is due to the uncertain climate for external demand as well as political dysfunction resulting from the recent debt-ceiling negotiations, and waiting for the Super Committee’s recommendations later this month,” says Dhawan, who expects the dysfunction to increase in 2012 because it is an election year.

“Overall,” says Dhawan, “2012 to 2013 is expected to be a period of subpar growth and average job creation, which will make only a marginal dent in the unemployment rate.”

### **Highlights from the Economic Forecasting Center National Report**

- Real GDP growth will be 2.2% in the fourth quarter of 2011, and will expand by only 1.5% in the first half of 2012 and 1.7% in the second half. For all of 2011 and 2012, it will be limited to 1.8%. In 2013, real GDP will expand at a slightly better rate of 2.1%. Consumption growth will moderate from 2.3% in 2011 to 1.9% in 2012, before rising a bit to 2.2% in 2013.
- In 2012, the economy will add barely 100,000 jobs per month. The labor market improves slightly in 2013 when the economy adds 120,000 jobs per month. Therefore the unemployment rate will remain just above 9.0% for 2011 and 2012 before moderating a bit to 8.9% in 2013.
- For the year 2011, overall Consumer Price Index inflation will be 3.2 % but will moderate to 1.8% in 2012 and then 1.5% in 2013.
- Barring unexpected geopolitical shocks (revolutions and/or wars), oil prices will remain above \$90 a barrel for the next few years.

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## Elusive growth prospects for Georgia and Atlanta

Growth prospects for Georgia and Atlanta in 2012 will be “elusive” for a number of reasons, according to Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University’s J. Mack Robinson College of Business.

In his quarterly *Forecast of Georgia and Atlanta*, released today, Dhawan cites myriad factors for the uncertainty, including declining consumer spending, the elevated price of oil, European financial turmoil and a softening export market, as among the reasons why growth prospects for the city and state are unclear in the coming year. Uncertainty also is spawned by the political tumult resulting from the debt ceiling showdown, the impending report from the Super Committee, the onset of an election cycle, and the extremely low level of confidence among the consumers and business owners.

Pain at the pump, which the forecaster says is “a daily irritant” is making consumers loath to spend money to the point that they will spurn opportunities to buy automobiles even at discounted prices in 2012. And, despite the downfall of Gadhafi, Dhawan does not expect the price of oil to head south anytime soon, which is bad news for Georgia’s hospitality industry. The once robust sector has seen anemic job growth turn negative recently, as has been the case with tourism nationally.

Although Georgia’s exports have grown 20 percent in 2011, Dhawan is not sanguine about the coming year. “Net-net, the export performance of 2012 is in jeopardy, and will hurt the state’s industries from chicken farmers in the north, to the aerospace sector in Atlanta, to timber producers in the South,” says the forecaster, who says manufacturing in the Peach State will be hurt due to lack of demand in Europe.

The news on the corporate job front also is discouraging. The announcements of companies that are moving or planning to expand in Georgia “total at most in the hundreds of jobs. What we need to make a dent in the sky-high office vacancy rate is to create 10,000 jobs in the coming months,” says Dhawan. “Thus, a zero is missing from these announcements.”

One somewhat bright spot is housing, especially in the multifamily category. Atlanta housing permits will increase by 12.5 percent in 2011 due to a 102 percent boost in multifamily housing permits. Permit activity will again increase by 10.4 percent in 2012 and by 15 percent in 2013 to be about 10,500 units. But that is still only one-quarter of the level seen in 2007.

### Highlights from the Economic Forecasting Center Report for Georgia and Atlanta

- Georgia will lose 20,800 jobs in calendar year 2011, resulting in a mild 0.4% job loss rate. Employment levels will be better in 2012 when the state’s economy adds 26,800 jobs, of which 6,300 are premium jobs (resulting in a 0.2% annual growth rate). In 2013, the recovery will be moderate, with the economy adding 56,300 jobs (a 1.2% annual growth rate). In 2013 Georgia will add 12,200 premium jobs.
- Georgia’s unemployment rate will remain at 10.1% in 2011, almost a full percentage point above the U.S. rate. In 2012, unemployment will decline mildly to 9.8% and then to 9.3% in 2013, but will still be above the U.S. unemployment rate for that year.
- Atlanta employment will mirror statewide conditions with a decline of 0.8%, or 17,400 job losses, for calendar year 2011. In 2012 Atlanta’s economy will gain 17,400 jobs (with 3,900 premium jobs). In 2013, Atlanta’s employment will increase again by 40,200 jobs, making for a significant 1.4% annual job growth rate (with 8,500 premium jobs).
- Atlanta housing permits will increase by 12.5% in 2011 to 8,248 units due to a boost in multifamily housing permits (102%). Single family permits will decline by a mild 3.9% this year. Permit activity will increase by 10.4% in 2012, with single family and multifamily housing activity posting increases of 5.9% and 22.1%, respectively. Permit activity will grow again in 2013, posting an overall increase of 15.0%.

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