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THE 2000 ECONOMIC OUTLOOK FOR MACON AND MIDDLE GEORGIA

Barbara Frizzell

With the first quarter of the new year well underway, the outlook for the Macon/Middle Georgia economy is very positive, but not quite as good as that for the state. Nonetheless, the record-breaking expansion is reflected in several factors, chief among which is job growth.

Recent data from the Terry College of Business at the University of Georgia project job growth for the Macon Metropolitan Statistical Area—or MSA—at 1.5 percent for the year—less than the 2.1 percent for the state, but better than the 1.2 percent growth expected for the nation as a whole. From 1990 through 1998 (the last year for which *average* data are available) the Macon area gained almost 19,000 jobs. Other than Columbus, this is the largest number of jobs gained in any area in the state outside Atlanta. Add to that the fact that jobs increased during the first nine months of 1999 over the same period in 1998, and it is obvious that our local economy is still expanding.

POSITIVE FACTORS

There are six other reasons why the current expansion is expected to continue.

Consumer Spending ■ The first reason is because consumers are spending, and they are spending more freely because their incomes have increased. In fact, per capita income in Georgia has risen at a rate slightly above that for the nation, thus boosting the dollar amount and the relative ranking of the Macon area's per capita income; and much of this is directly attributed to local efforts to attract and retain industry. Only Atlanta and Savannah have higher per capita incomes than Macon, and non-farm weekly wages are second only to those in Atlanta.

So, this means that people are spending because they have more money to spend. Since consumer spending comprises about two-thirds of total spending, this has been good for the local economy; and it is likely to remain so, at least as long as consumer confidence is still high, and there are no drastic shifts in the national economy.

Population Growth ■ The second factor contributing to expansion is the area's growing population, which increased by about 10 percent from 1990 to 1998. This translates to an additional 28,000 residents and brings the area's population to approximately 320,000. All of this, of course, means more homes, more schools, more roads, more businesses, and more traffic. The bulk (nearly 59

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percent) of this growth occurred in Houston County, which added almost 17,000 residents to a population that now totals 106,000. During the same time, Bibb County gained about 6,000 residents for a total of 156,000. The MSA's other three counties—Peach, Jones, and Twiggs—also registered population increases.

Business Investment ■ A third factor indicating continued economic growth is the investment that area businesses and governments have made and are making in the economic infrastructure. For example: GEICO recently completed a large expansion project, further solidifying its presence in the area. In addition, school renovation and building projects are occurring in both the public and private sectors. Macon's downtown is being revitalized, too, and more plans are on the drawing board. The Macon Water Authority has a new plant coming on line in April that will boost capacity; and poultry giant Cagles plans continuous expansion for the next four years.

New Housing ■ The fourth factor indicating future growth is the increase in the number of new residential housing permits, which jumped by nearly 38 percent between the first nine months of 1998 and the first nine

months of 1999. This clearly indicates economic expansion, not recession. Moreover, Macon led all other MSAs in Georgia with a sharp increase in both single- and multi-unit housing permits during this time.

Central Location ■ Another reason why Macon is booming? It stands to gain from Atlanta's overburdened situation. Located in the center of the state, Macon has good access to other areas via two major interstates, and when the Fall line Freeway is completed, east-west travel will be much easier. The regional airport handles both cargo and passengers, and Atlanta's Hartsfield International is only an hour's drive away. In addition, Macon is linked via interstate to Savannah and its major seaport.

Business Optimism ■ Finally, there is optimism in the business community. One indication of this comes from the annual Banker's Survey conducted by Dr. Dewel Lawrence in the Division of Business Administration at Macon State College. In the most recent poll, 82 percent of respondents indicated that they think conditions in the area over the next six months will be as good as—or better than—last year. Employers and community leaders feel that the local economy will move with the national and state economies, not counter to them.

Further confirmation of this optimism is that almost all employers said that they were having trouble finding workers. For example, the Medical Center—Bibb County's largest employer—is actively recruiting to fill 250 positions. Of course, tight labor markets can limit growth, but they do not lead to recession.

LOCAL AREA JOB GROWTH

Given the booming economy, several of the ■ Macon area's large employers project workforce increases. Insurance conglomerate GEICO plans to enlarge its labor force in Macon by 1,700 by the year 2004. A company spokesman indicated that they will hire as many people this year as they can get, and continue to hire until they reach their desired level.

Cagles plans to hire and train 600 to 750 workers within the next two to three months, and hopes to have this new crew ready by early June. When this first group is up and going, the company indicates that it plans to hire an additional group of 600 to 750 workers. A third-phase expansion will double the poultry giant's processing capability and put the workforce at 2,200 to 2,400 within four years.

IKON indicates that it plans to add 130 people over the next twelve months, while Robins Air Force Base expects to add 966 new positions between now and the end of 2001. The additional positions at the military base are due to workload moving from two Air Force bases that were closed in Texas and in California. Some of the jobs will be filled with personnel transferring to the area, and others will be filled locally.

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P. George Benson
Dean

Lorena M. Akioka
Editor

Beata D. Kochut
Research Coordinator

Jeffrey M. Humphreys
Director
Economic Forecasting

Ian Armit
Information Analyst

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OUTLOOK BY SECTOR

As the area's largest economic sector, the services industries—including business services, personal services, health care, and tourism—account for about 26 percent of the jobs and form the base for many of the new jobs projected for 2000. Firms that provide temporary or contingent workers are forecasted to be among the fastest growing subsectors because tight labor markets will force more businesses to rely on staffing firms to find scarce workers. The most sought-after will be those skilled in the medical, technical, and information technology fields.

Demand for computer and information services companies is expected to be very high, as is the demand for skilled information technology professionals—those who can manage data networks, troubleshoot software applications, and build full-service Websites. Educational services are expected to grow as new technology and competition increase the demand for employee training. In medical care, the outlook is especially promising for assisted living facilities, which will benefit from the rapid growth of the elderly population.

Tourism should do well. With the increased emphasis on it in this area and the outlook for the hospitality industry in general, tourism certainly has the potential for adding jobs to the local economy.

The government sector accounts for about 23 percent of the total jobs, of which a large number are at the military base. Although Robins is expecting to add jobs, it still shares the perennial risk of workforce reduction faced by other defense installations.

A vigorous wholesale and retail trade sector also accounts for about 23 percent of jobs. Macon's geographically central location is ideally suited for distribution and warehousing, and recent economic development efforts have targeted this advantage.

Although manufacturing was pummeled by the loss of 350 jobs at Lucas Aerospace, companies that produce computers, and information processing and communications equipment could counterbalance the loss. Demand for food and household products is expected to grow

modestly during this year, but foreign demand for processed food is expected to skyrocket as living standards rise in emerging markets. Unlike the situation in recent years, in 2000, manufacturers of durable goods are expected to do better than those of nondurable goods.

THE CHALLENGES

Steady economic development, unfortunately, is also accompanied by challenges. The first one is to find a way to provide for planned growth without importing the problems that plague Atlanta. The second challenge is workforce development, to which the key is education. Those positive aspects of location, transportation, and infrastructure have served us well in the past, and will continue to do so, but those alone are not sufficient for future economic development. Cooperative efforts between business and education are steps in the right direction to develop the type of workforce that is needed.

One such cooperative effort in the local area is the Intellectual Capital Partnership Program—or ICAPP—that allows a business to partner with a college to train employees specifically for jobs in that company. Through ICAPP, the Institute for Information Management at Macon State College will train employees in programming and software development for local company ComputerLogic. This is a start, and we must encourage more of these initiatives.

Overall, however, the local outlook for the year is positive, and the area's economy should fare as well as it did last year, and possibly even better. ■

Barbara Frizzell is Associate Vice President for Academic Affairs and Professor of Economics at Macon State College in Macon, Georgia.

MACON MSA

**Bibb County
Houston County
Jones County
Peach County
Twiggs County**

**Estimated
population (1998): 325,024**

SAVANNAH'S ECONOMIC OUTLOOK FOR 2000

Barbara D. Bart



ast year, most of the economists across the state *underestimated* Savannah's growth. In fact, many thought that projections of an additional 2,400 jobs for the Savannah MSA were overly optimistic, especially since

Union Camp—one of the area's largest employers—merged with International Paper, and continued growth in manufacturing was somewhat uncertain. But, according to seasonally-adjusted employment data recently reported by forecasters at UGA's Terry College of Business, the Savannah MSA actually added 2,500 jobs in 1999, for a total of 136,200.

Along with the rest of the nation, Savannah is enjoying a robust economy that is expected to continue for the foreseeable future. Approximately 3,600 new nonagricultural jobs will boost employment by 2.7 percent in 2000, and this rate of growth may even outpace the 2.5 percent growth expected for Atlanta. This growth, however, will be somewhat different than the high tech and biotech growth projected for Atlanta.

Savannah is poised to capitalize on its new Trade Center with significantly increased tourism of 10 percent or more, and the improvements made in the area's transportation and distribution networks are attracting the attention of national property developers and distribution centers, such as the one the local development authority recently announced for Dollar Tree stores. In addition, the manufacturing, construction, and wholesale and retail trade sectors were among the fastest growing in the entire state last year, and continue to look very strong in 2000. So, overall, things look great for the Savannah MSA and the coastal counties of Georgia.

REASONS FOR OPTIMISM

The reasons for this ebullience—echoed nationwide—also hold true for Savannah.

Consumer Confidence ■ First, and fairly obviously, consumers are spending money. Consumer confidence is at an all-time high, personal incomes are rising (up by about 6 percent in Savannah last year), and, at under 4 percent, unemployment is at a 30-year low. People spend money because not only are they optimistic about the future, they are employed in record numbers and are simply not worried about finding another job should they lose the one they have.

Population Growth ■ Second, the population keeps growing, not just in the Savannah MSA, but in all of its surrounding counties. Over the past eight years, the MSA has grown 10.2 percent—from about 258,000 to 285,000 people. If adjacent Liberty County and neighboring Beaufort and Jasper counties in South Carolina are added, the population increase for the same eight-year period is 14.1 percent, or 64,000 new residents, all of whom require more goods and services from business and government.

Economic Diversity ■ Third, the area's economic diversity is a source of strength. This is particularly important in light of the impact of the International Paper/Union Camp merger, or the upcoming sale of the Kemira plant. A drop in one area is balanced by a rise in another. A decline in paper and chemicals was offset by a rise in trucks, planes, and cars (especially ones that are

imported through the ports). A decline in banking and insurance is offset by a jump in real estate like Hutchinson Island and the new developments planned for Pooler and Port Wentworth. [**Editor's note:** JCB, Inc., the British-based and fifth-largest manufacturer of construction equipment in the world, decided to open a \$62 million plant in Pooler that will become the company's head office in the U.S. JCB also intends to relocate their sales and marketing operations to the company's new backhoe plant in Pooler when it opens in early 2001.]

Economic Investment ■ Fourth, continued investment in economic infrastructure helps to improve productivity, which enables the Savannah area to compete in the global market. The Savannah Economic Development Authority (SEDA) continues to open new location opportunities for business expansion, simplifying the permitting process, facilitating water and sewer capacity improvements, and coordinating competitive incentive packages. Over the past few years, investments in capital plant and equipment have been substantial. In addition, the new Trade Center, increased hotel capacity, and improvements to Savannah International Airport combine to create vast opportunities for growth in tourism. Furthermore, when these expansions are combined with the new investments in information technology and facilities planned for the Georgia Ports Authority, the resulting growth in the number of distribution businesses should be significant.

WHERE THE JOBS ARE

Burgeoning growth also means that most sectors will be looking for more workers. Projections show that, of the 3,600 new jobs in the Savannah area, 1,350 slots will be available in wholesale and retail trade; 1,100 jobs in services and health care; 500 in manufacturing; 250 in construction; 200 in state and local government; 150 jobs in transportation, communication, and public utilities; and 50 in finance, insurance and real estate.

The two largest increases in projected employment will be in services and wholesale and retail trade. Broadly defined, the services sector includes health services, business services, hotels, restaurants, social services, educational services, and a whole host of other types of personal and professional services. Growth in this multi-segmented sector is tied to population growth, and as the population ages, more services—especially health care and social services—are demanded. The expected increase in convention tourism will add hotel and restaurant jobs as well as opportunities in facilities that service

historic sites and recreational areas. Events such as Savannah Onstage, for instance, will continue to lure tourists for return visits long after their first business trip. The revenues of personnel agencies, training facilities, and management services also are expected to increase.

Service sector employment growth is expected to be hot—adding an estimated 1,100 new jobs. Last year, this sector experienced a 4.4 percent growth, and it now employs 40,600 workers in this MSA alone. So if growth in 2000 is as big, as many as 1,800 jobs could be created.

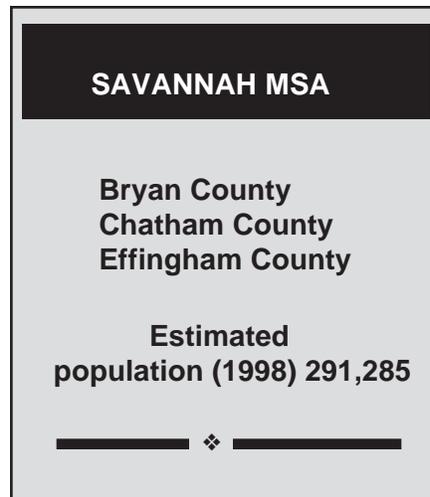
Employment growth in wholesale and retail trade will continue to be very strong in 2000 and beyond as more distribution centers follow the lead of Home Depot and Dollar Tree. In an intensely competitive retail market, wholesalers and retailers will hardpressed to resist the cost economies created when the Georgia Ports Authority and SEDA strive to bring shipping, trucking, and railway transportation together with pre-permitted warehouse space.

Who can doubt that the local economy will add new opportunities in construction and manufacturing? With another new hotel announced, and significantly more residential and commercial development planned, the 250 new construction jobs projected in Savannah probably is understated. Jobs in manufacturing are the ones that pay the most—representing only 18.3 percent of the economy but 40 percent of its wages—and the 500 additional jobs will come from some of the MSA's larger manufacturers. For example, Fort James and General Dynamics'

Gulfstream will enlarge their workforces; J.C. Bamford will begin its operations; and other businesses, such as Keen Transport, plan multi-million dollar expansions.

As for transportation, communications, and public utilities, there are new services coming on line at both the Savannah International Airport and the Georgia Ports that will increase passenger and freight capacity significantly. In fact, the Georgia Ports Authority reported that its recent investments in information technology and intermodal transportation capabilities give it a major advantage in the highly competitive transportation business.

Utilities also will see expanded revenues and service demands, though increased competition may lead to restructuring and other cost-trimming efficiencies instead of generating new jobs. As for telecommunications, the demand for new technologies and skilled labor is expected to increase, but the war over access to the household is just heating up. Telephone lines, direct broadcast satellites and wireless systems, cable service



for both TV programming and Internet access, are at once competing and complementary, with the winner yet to be determined.

THE NEW ECONOMY

The reasons for pervading optimism about the future boils down to three factors: productivity growth, information technology, and the Internet revolution. From the early 1970s to the mid-1990s, productivity grew just over 1 percent a year, but since then, it has averaged more than 2 percent annually. So, productivity is now growing twice as fast as before—creating more with less—and doing so primarily because technology and the Internet revolution make it easier to combine worldwide labor and capital. Moreover, as creativity overtakes capital as the principal elixir of growth, the only constraints to growth in a knowledge-based economy will stem from a lack of education and training.

The Internet offers vast opportunities for all types of businesses, but especially for all the new distribution businesses that are eyeing the development sites in and

around Savannah, and the easy access to a major port. After all, the Internet makes it easy for a company to sell merchandise it doesn't make, from stores it doesn't own, and move it in trucks driven by people working for someone else. The functions of the traditional wholesaler and retailer are collapsed into a single "wholesaler;" and traditional middlemen have been replaced by new ones who specialize in information and act as agents who bring buyers and sellers together from all over the world.

Even the concept of mass customization can help manufacturing, because the Internet allows people to custom order cars and trucks, boats, and even private jets at mass-production prices, thereby helping consumers replace more stuff with the right stuff. So if the local economy can add business services to help manufacturers achieve mass customization, the future is bright. ■

Barbara D. Bart is professor of marketing in the College of Business Administration at Savannah State University in Savannah, Georgia.

A PORTRAIT OF GEORGIA'S CHANGING ECONOMY

Beata D. Kochut

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or the first time, a portrait of the new economy is unveiled in the 1997 Economic Census, which uses a totally new classification system to survey industries across the country. NAICS (North American Industrial Classification System) was designed from the ground up, and constitutes a complete departure from the sixty-year old SIC (Standard Industry Classification) system. The new system offers a more accurate and up-to-date look of the economy, but, at the same time, creates a time-series break, and makes it almost impossible to create long-term trend analyses for a number of industries. Although the Department of Commerce is the first to switch to NAICS, all other statistics-issuing local and federal agencies will convert from the old SIC in the next two to four years.

The need for the new classification system became apparent when the traditional industrial economy began to shift, new industries emerged, and businesses changed the ways in which they operated. The inconsistencies in industry definitions built into the old system also called for a new approach. Finally, the North American Free Trade Agreement (NAFTA) created the need for a common statistical basis that could be shared by the treaty's principal participants: the United States, Canada, and Mexico.

The unprecedented growth in personal computing, telecommunications, and widely-defined information industry, constitutes one of the most striking economic changes of the last decades. As a result, a number of new industries has arisen, such as cellular phone and wireless communications, software production, and cable networks. Moreover, during the 1990s, companies shed units previously built into their organizations, and moved toward outsourcing, or contracting for services with specialized, independent firms. New businesses emerged as a result of these changes, including, for example, temporary help services and telemarketing centers.

NAICS reflects this economic transformation not only by classifying new industries, but also by moving previously classified industries from one industry group to another. In some cases, the regrouping reflects changed production relationships; in other cases, it remedies inconsistencies inherent in the SIC.

NAICS IN BRIEF

The North American Industry Classification System groups industries according to the production processes they use. The Standard Industrial Classification system was based on production-based industry definitions, but it also classified industries based on other criteria, such as kinds of markets or type of customer. Not surprisingly, NAICS has engendered substantial shifts among the major industry groups; for example, numerous businesses formerly listed under wholesale trade are now classified under retail trade (see Table 1).

NAICS IN BRIEF

To accentuate the radical departure from the SIC system, NAICS introduces an all-new hierarchy and numbering. It doubles the number of the top-level industry groups, replacing ten SIC industry divisions with twenty NAICS industry sectors. Furthermore, NAICS replaces the four-level SIC hierarchy with a five-level one, which now is standard for the U.S., Canada, and Mexico. As Table 2 shows, the NAICS numbering system also allows for an optional six-digit classification (the SIC used four digits), which the three NAFTA partners can use if necessary. The United States and Canada have already agreed, however, to maintain comparability between their sixth digit codes.

The new system introduces ten new top-level industry groupings, or sectors, nine of which represent service-producing industries. All of the new sectors primarily include previously unclassified industries, and those trans-

TABLE 1

**NAICS Sectors Matched to Their Closest SIC Counterpart,
with Number of Industries**

SIC		NAICS	
Division	Number of Industries Total: 904	Sector	Number of Industries Total: 713
A Agriculture, forestry, and fishing	58	11 Agriculture, forestry, fishing, and hunting	42
B Mining	31	21 Mining	10
C Construction	26	23 Construction	28
D Manufacturing	459	31-33 Manufacturing	179
E Transportation and public utilities	67	22 Utilities	4
		48-49 Transportation and warehousing	42
F Wholesale trade	69	42 Wholesale trade	69
G Retail trade	64	44-45 Retail trade	62
		72 Accommodations and food services	11
H Finance, insurance, and real estate	53	52 Finance and insurance	32
		53 Real estate and rental and leasing	19
I Services	50	51 Information	28
		54 Professional, scientific, and technical services	35
		56 Administrative and support and waste management and remediation services	28
		61 Educational services	12
		62 Health care and social assistance	29
		71 Arts, entertainment, and recreation	23
		81 Other services	30
J Public administration	27	92 Public administration	29
		55 Management of companies and enterprises	1

ferred from the SIC system are substantially revised. The ‘old’ industry sectors, which seem to continue directly from the SIC system, also have been revised. Some of the old divisions, now sectors, were redefined, and new industries were added. To make a long story short, comparability between the new and the old industrial classification systems is very limited, and for most industries it signifies a time series break (Tables 3 and 4).

A cursory look at the most basic economic census data, such as employment and wages/salaries by industry, highlights the differences between the old and the new classification systems. Under the SIC, most of non-farm, non-government employees were grouped within the Services, Trade, and Manufacturing divisions, and the remaining divisions occupied precariously small wedges of the ‘employment by industry’ pie chart (shown on page 11). NAICS, with its ten new classifications, offers a more in-depth and balanced view of employment by industry. On the national level, the most striking difference is the “re-emergence” of manufacturing as the single largest economic sector. Divided among seven sectors, service-producing industries still generate most of the jobs in the country’s economy. It is clear, however, that the new service sectors are distinct enough to be listed separately.

A GEORGIA EXAMPLE

The 1997 Economic Census shows that Georgia’s economy relies heavily on the services-producing industries. The majority of jobs continue to be in

FOR MORE INFORMATION

The 1997 Economic Census, the first set of data based on the NAICS, also introduces an ‘information age’ approach to data dissemination. Economic census reports, which are posted on the Internet as soon as they become available, can be accessed via a choice of interactive queries; and a timetable tracks the schedule of future data releases. Interactive and searchable SIC-to-NAICS correspondence tables—indispensable to numbers crunchers, who need to work across the two systems—can be downloaded into spreadsheets, data bases, and other programs. Users can download and print selected economic census reports in a PDF format, or request a printed report for a fee. Economic census data are also available on CD-ROM by subscription, and updated every three months. For more information, go to the Census Bureau’s website at www.census.gov/epcd/www/naics.html.

TABLE 2
Example of NAICS Hierarchy and Numbering System

NAICS Code	Sector	Subsector	Industry Group	NAICS Industry	U.S. Industry
31	Manufacturing				
311		Food manufacturing			
3113			Sugar and confectionary production		
31131				Sugar manufacturing	
311311					Sugar mills

TABLE 3

Composition of the New Industry Sectors (NAICS)

New Sectors	Number of U.S. Industries	New Industries (not previously classified)	Revised, reorganized, or transferred
Information	34	20	14
Real estate, rental and leasing	24	15	9
Professional, scientific, and technical services	47	28	19
Management of companies and enterprises	3	1	2
Administrative and support and waste management	43	29	14
Educational services	17	12	5
Health care and social assistance	39	27	12
Arts, entertainment and recreation	25	19	6
Accommodations and food services	15	10	5
Other services	49	19	30

Source: Based on: Economic Classification Policy Committee, *NAICS, New Data for a New Economy*.

retail trade, where wages are second lowest among the economic sectors. Conversely, the information, and professional, scientific and technical services sectors, which together have about half as many jobs as the retail sector does, actually generate 1.5 times more in annual pay.

Georgia's employment patterns are typical for the country as a whole, with some notable exemptions. For example, the state's wholesale trade sector is relatively larger and pays better in comparison to the country as a whole. Also, the total value of shipments in the information and professional services sectors rank higher, compared to other sectors, in Georgia than in the United States as a whole. Employment in information services—especially in telecommunications—is also high, compared to the rest of the nation.

Moreover, the 1997 Economic Census confirms the Atlanta area's growing status as a broadcasting and telecommunications giant, ranking it fifth among the nation's 311 metropolitan areas in the number of jobs and annual salary. Only New York, Washington, D.C., Baltimore, and San Francisco rank higher. ■

TABLE 4

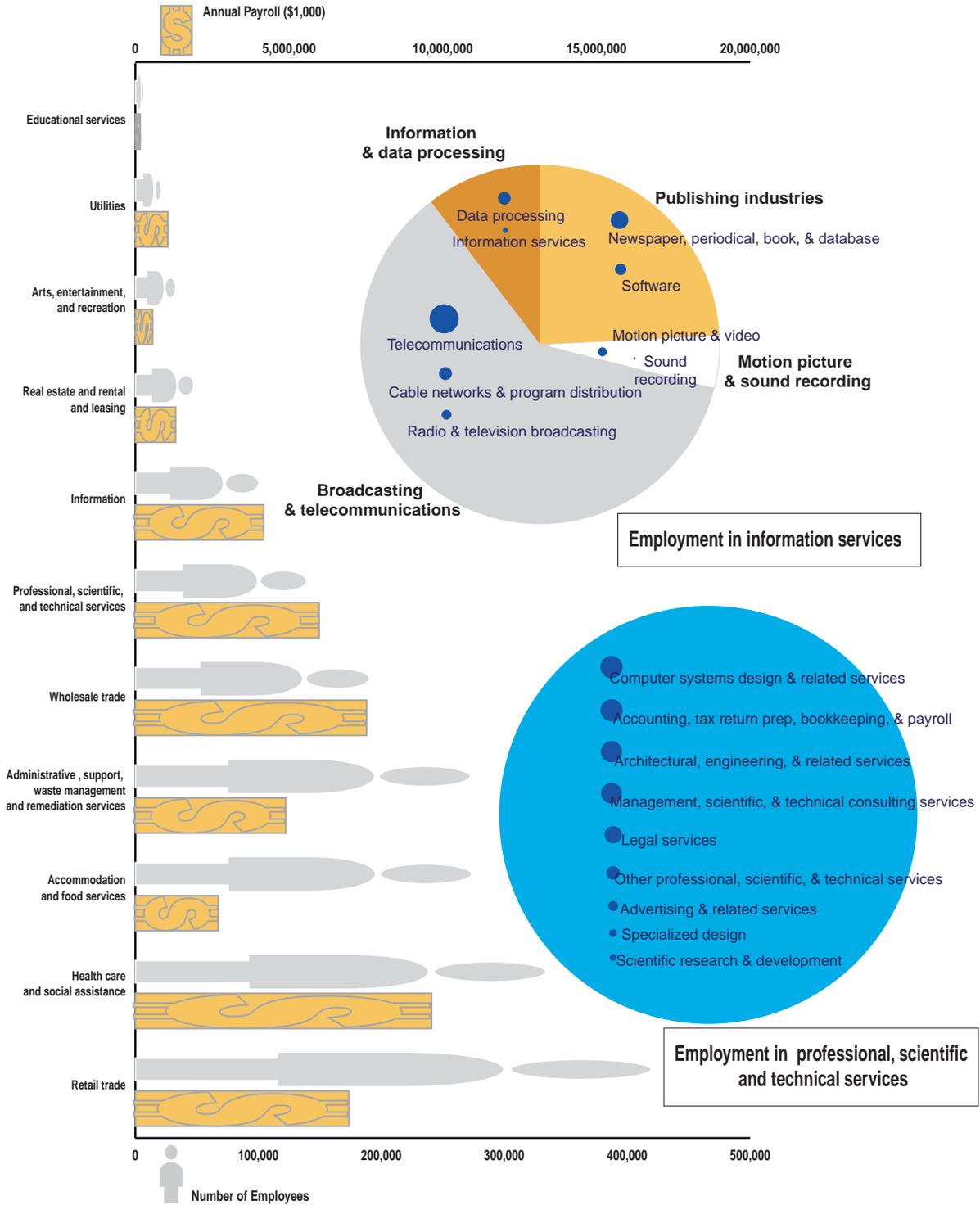
From SIC to NAICS:
the Summary of Changes

NAICS: U.S. Industries

Continued from SIC without substantial change	422
Industries traceable to SIC	38
Redefined industries	390
New and untraceable	320
Total	1,170

Source: Based on: Economic Classification Policy Committee, *NAICS, New Data for a New Economy*.

Snapshot of the Changing Economy in Georgia



Note: Selected industries only, for other industries data are not yet available

Source: Prepared by Beata Kochut, Selig Center for Economic Growth, Terry College of Business, The University of Georgia; based on U.S. Bureau of the Census, Economic Census, 1997.