# The Great Recession on the South Georgia Coast

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Since late 2007, the U.S. economy has suffered through a severe recession and weak recovery. Georgia has not been immune to the trouble, nor has one of the Peach state's stellar regional economies, that of the South Georgia Coast.[1]

At the heart of the recession was an extraordinary boom and bust in the housing market. The consequences of the housing boom and bust extended well beyond the construction industry, and the fallout is likely to impair the economies of the nation, the state, and the South Georgia Coast for years to come.

## The Duration and Depth of the Great Recession in the U.S., Georgia, and the South Georgia Coast

In the U.S., the Great Recession officially began in December 2007 and ended in June 2009, a duration of 18 months.[2] In Georgia, the recession began at about the same time but lasted longer, probably through 2009, on the basis of available statistics.

The recession on the South Georgia Coast also began in late 2007, but here the recession lasted at least through 2010. That's at least 36 months — at least 12 months longer than the recession in Georgia and at least twice the duration of the national recession.

The recession was deep as well as long. From its pre-recession peak to its recession low, U.S. real GDP decreased by 5 percent. From its pre-recession peak to its recession low, Georgia's real GDP fell by 6 percent. On the South Georgia Coast, the real GDP drop was 10 percent.[3]

Employment continued to fall even after production recovered. From pre-recession peak to recession low, employment in the U.S. decreased by 6 percent. In Georgia it fell by 9 percent. On the South Georgia Coast, employment fell by 13 percent.

Not only did production and employment fall. One of the more perverse features of the Great Recession was the decrease in the labor force. Between October 2008 and December 2009, the national labor force fell by almost 1.8 million workers, a decrease of 1.2 percent. In Georgia and the South Georgia Coast, the decreases were sharper. Between July 2008 and April 2011, Georgia's labor force fell by 4.1 percent, while between July 2008 and October 2010 the labor force of the South Georgia Coast fell by 4.6 percent.

## The Housing Boom and Bust

The primary reason for the severity of the recession, as well as the subsequent weak recovery, is the boom and bust of the housing market. The

### The Great Recession in Three Locations

| | Duration | % change in RGDP | % change in Employment |
|---|---|---|---|
| **U.S.** | 18 months | -5 | -6 |
| **Georgia** | 24 months | -6 | -9 |
| **South Georgia Coast** | 36 months | -10 | -13 |

Sources: National Bureau of Economic Research, Bureau of Economic Analysis, Bureau of Labor Statistics, author's approximation

### South Georgia Coast Labor Market

| | Labor Force | Employment | Unemployment Rate |
|---|---|---|---|
| **July 2008 (Peak)** | 92,570 | 88,635 | 4.3 |
| **October 2010 (Low)** | 86,170 | 77,345 | 10.2 |

Source: Georgia Department of Labor

national housing market began to percolate in 1998. After a pause in 2000, the market boomed. Lax lending standards, easy monetary policy, financial innovation and deregulation, a strong economy, and generous tax policy provided the conditions for the boom.

Home prices increased first. From the first quarter of 2000 to their ultimate peak, U.S. home prices jumped 66 percent. Home prices in Georgia rose by 44 percent. On the South Georgia Coast, they rose by 80 percent.[4]

Home construction followed the rising prices. Building permits issued for residential construction nationwide rose from 1.59 million in 2000 to 2.16 million in 2005, an increase of 36 percent, while the valuation of new construction rose from $185.7 billion in 2000 to $329.3 billion in 2005, an increase of 77 percent. In Georgia, residential building permits rose from 70,543 in 2000 to 95,478 in 2005, an increase of 35 percent, while the valuation of residential construction rose from $8.7 billion in 2000 to $14.4 billion in 2006, an increase of 66 percent.

In Glynn and Camden counties, the two largest counties of the South Georgia Coast, permits for new residential buildings rose from 1,021 in 2000 to 1,704 in 2005, an increase of 67 percent. The valuation of new residential construction rose from $150 million in 2000 to $334 million in 2006, an increase of 124 percent.

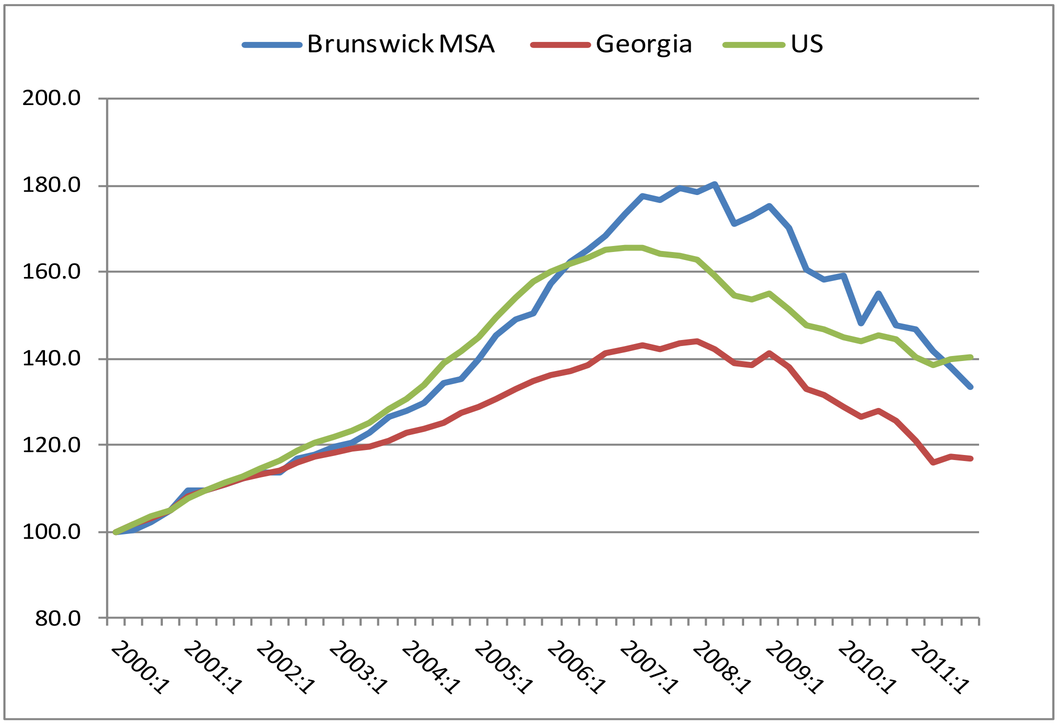
Unfortunately, the bigger the boom, the bigger the bust. The housing market began cracking in 2006 and began crashing in 2007. In many locations, it's still crashing.

Home prices have fallen considerably. U.S. home prices are down 16 percent from their peak level reached in the first quarter of 2007. Home prices in Georgia are down 19 percent from their peak in the first quarter of 2008. On the South Georgia Coast, home prices are down 24 percent from their peak in the second quarter of 2008.

And while home price decreases now appear to be moderating, they are still falling on the South Georgia Coast — 12 percent, in fact, over the past 12 months.

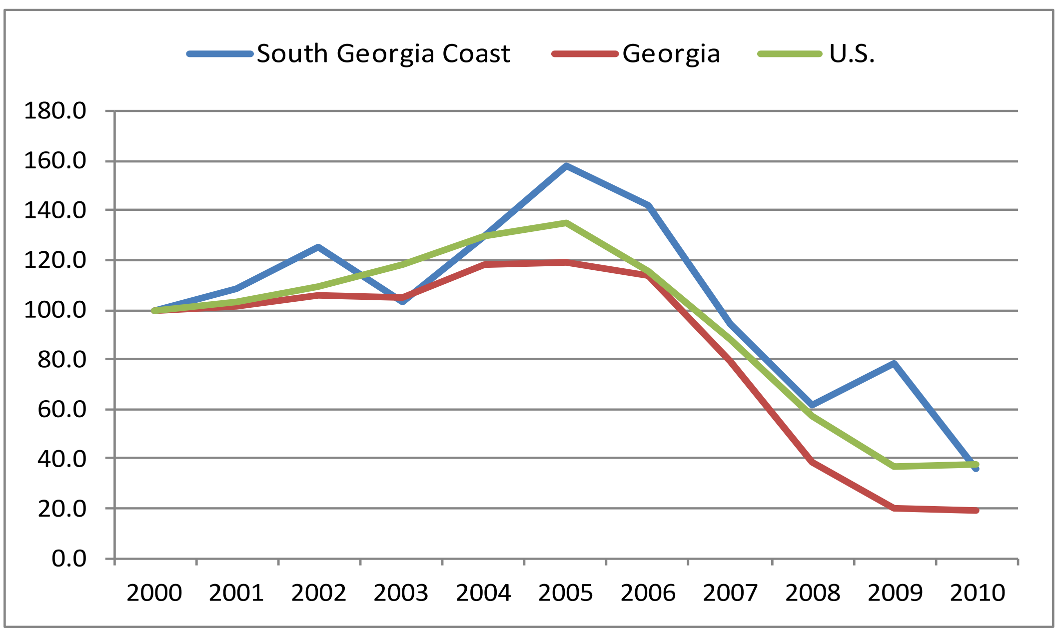
The decrease in construction activity has been more dramatic. Since 2008, annual building permits for new home construction in the U.S. have been at their lowest levels since statistics were first tabulated — in 1959. Since the peak of the boom, U.S. residential building permits are down 72 percent, while the value of construction is down 70 percent. In Georgia, building permits have fallen by 84 percent since the peak, while the value of new construction has fallen by 82 percent. On the South Georgia Coast, permits have fallen by 76 percent since the peak, while construction value is down 72 percent.

**Home Prices** (Indexed, 2000:Q1 = 100)



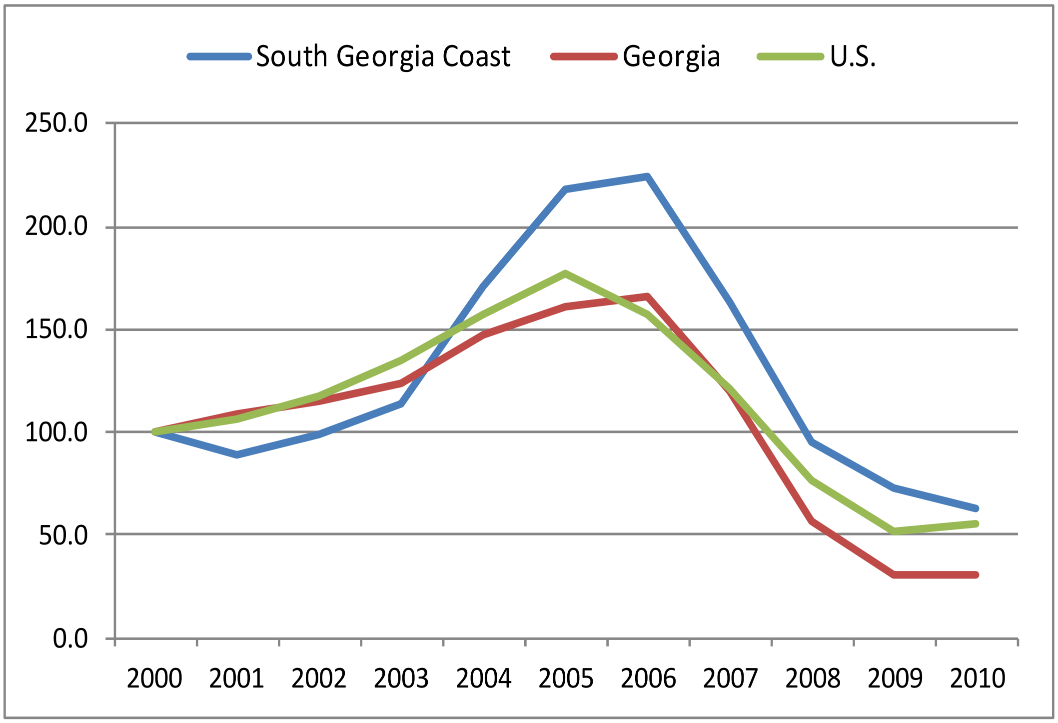

Source: Federal Housing Finance Agency, author's calculations

**Building Permits** (Indexed, 2000 = 100)




Source: U.S. Census Bureau, author's calculations

**Value of New Residential Construction** (Indexed, 2000 = 100)




Source: U.S. Census Bureau, author's calculations

## The Breadth of the Great Recession

In addition to the construction industry, the housing bust immediately and severely affected two groups: homeowners and financial institutions. Tanking home values mean substantial decreases in homeowner wealth. Many homeowners found themselves owing more in mortgage debt than their homes were worth. Foreclosures rose sharply.

The drop in home values and spate of foreclosures pushed financial institutions heavily invested in home loans and other real estate related assets, including mortgage backed securities, to the brink — in some cases, over the brink — of insolvency.

In short, the housing bust severely damaged the balance sheets of both homeowners and financial institutions. The result was a financial crisis, sharp decreases in business and household wealth, reductions in bank lending, and an economy-wide recession.

The breadth of the recession can be seen from the decreases in real GDP across industries. Out of 13 major industries nationwide, construction suffered the sharpest decrease in real GDP. But it was far from the only industry to suffer a decrease in output. All but health care, agriculture, and mining posted decreases or minimal gains in output between 2007 and 2010. Over the same years in Georgia, all but health care and agriculture posted decreases or minimal gains in output.[5]

The breadth of the recession is even clearer from the decreases in employment across industries. Again, out of 13 major industries between 2007 and 2010, construction suffered the largest percentage decrease in employment in the U.S., in Georgia, and on the South Georgia Coast. But

**Percentage change in Real GDP, 2007-2010**

| Industry | U.S. | Georgia |
|---|---|---|
| All | -3.8 | -5.7 |
| Agriculture | 20.4 | 21.4 |
| Mining | 16.3 | -15.3 |
| Utilities | -7.3 | -1.8 |
| Construction | -18.7 | -22.2 |
| Manufacturing | -14.7 | -20.4 |
| Wholesale Trade | -14.5 | 0.1 |
| Retail Trade | -8.0 | -10.7 |
| Transportation & Warehousing | -11.2 | -13.3 |
| Information | -2.0 | 0.9 |
| Finance & Insurance | -0.2 | -5.7 |
| Real Estate | 0.8 | -0.7 |
| Health Care | 6.0 | 6.0 |
| Accommodation & Food Service | -13.2 | -15.5 |

Source: Bureau of Economic Analysis

many other industries also posted sharp drops in employment. In the U.S., all but health care, agriculture, and utilities posted employment decreases, and the employment gains in agriculture and utilities were a meager 0.4 percent. In three industries — information, manufacturing, and construction — employment fell by more than 10 percent.

In Georgia over the same period, employment fell in every industry other than health care; in seven industries, employment decreased by more than 10 percent.

Employment declines were even more severe on the South Georgia Coast. The only industry to show any employment gain on the South Georgia Coast between 2007 and 2010 was health care, and that gain was only 0.8 percent. Of the 12 industries with decreases in employment, 10 had decreases of more than 10 percent.

## Implications for Recovery

Considering the depth and breadth of this recession, one might expect recovery to take a long time. And this recovery is. The U.S. economy has been clawing its way out of the Great Recession since mid-2009 and is still, by almost any measure, a long way from full recovery. In Georgia and on the South Georgia Coast, where the recession was even more severe, recovery is likely to take even longer .

**Percentage change in employment, 2007-2010**

| Industry | U.S. | Georgia | South Georgia Coast |
|---|---|---|---|
| All | -5.2 | -7.9 | -11.5 |
| Agriculture | 0.4 | -2.7 | -12.8 |
| Mining | -1.5 | -28.1 | n.a. |
| Utilities | 0.4 | -4.0 | n.a. |
| Construction | -26.9 | -32.5 | -39.7 |
| Manufacturing | -17.0 | -20.4 | -12.0 |
| Wholesale Trade | -8.7 | -10.6 | -17.0 |
| Retail Trade | -6.5 | -9.5 | -15.4 |
| Transportation & Warehousing | -7.9 | -5.4 | -17.3 |
| Information | -10.6 | -11.0 | n.a. |
| Finance & Insurance | -7.1 | -11.3 | -6.6 |
| Real Estate | -9.4 | -14.0 | -20.0 |
| Health Care | 6.5 | 6.1 | 0.8 |
| Accommodation & Food Service | -2.4 | -5.5 | -11.8 |

Source: Bureau of Labor Statistics, Georgia Department of Labor

Prolonging the recovery still further is the change the housing bust has had on the structure of the economy. The housing bust has brought a structural shift in the demand for the goods that the construction and real estate industries produce and, consequently, the demand for the resources those industries employ. Cyclical unemployment ends when the economy recovers and laid off workers are called back to work. Structural unemployment ends when, in the present case, unemployed construction and real estate workers find new jobs in different industries. That is a more difficult — and longer — adjustment.

## Notes

1. The economy of the South Georgia Coast consists of six counties: Brantley, Camden, Charlton, Glynn, McIntosh, and Wayne.

2. U.S. recessions are dated by the National Bureau of Economic Research.

3. Real GDP data for the South Georgia Coast are for the Brunswick, Georgia MSA, which consists of Brantley, Glynn, and McIntosh counties.

4. Home price data for the South Georgia Coast are for the Brunswick, Georgia MSA.

5. Real GDP data by industry for the Brunswick, Georgia MSA are limited to construction, manufacturing, retail trade, and health care. The 2007-2010 changes in real GDP for these industries in the Brunswick MSA are construction, -30.6 percent; manufacturing, -12.5 percent; retail trade, -9.3 percent; and health care, 1.0 percent.