

Our Coastal Economy in the 21st Century: A Tale of Three Economies?

Coastal Georgia Center for Economic Analysis and Student Research

November 2014

Don Mathews, Director and Professor of Economics

Study the economic performance of the South Georgia Coast thus far into the 21st century and you're likely to get the odd feeling that you're studying three different economies.

The first is the South Georgia Coast economy of the first years of the new century. This is the South Georgia Coast economy that in many respects outperformed the economies of the U.S. and Georgia. Between 2001 and 2006, real gross domestic product (GDP) grew at a greater rate in the Brunswick Metropolitan Statistical Area (MSA) than in the nation and the state. Between 2001 and 2008, the labor force grew at a greater rate the Brunswick MSA than in the nation and the state. Between 2001 and 2009, the unemployment rate was lower in the Brunswick MSA than in the nation and the state.

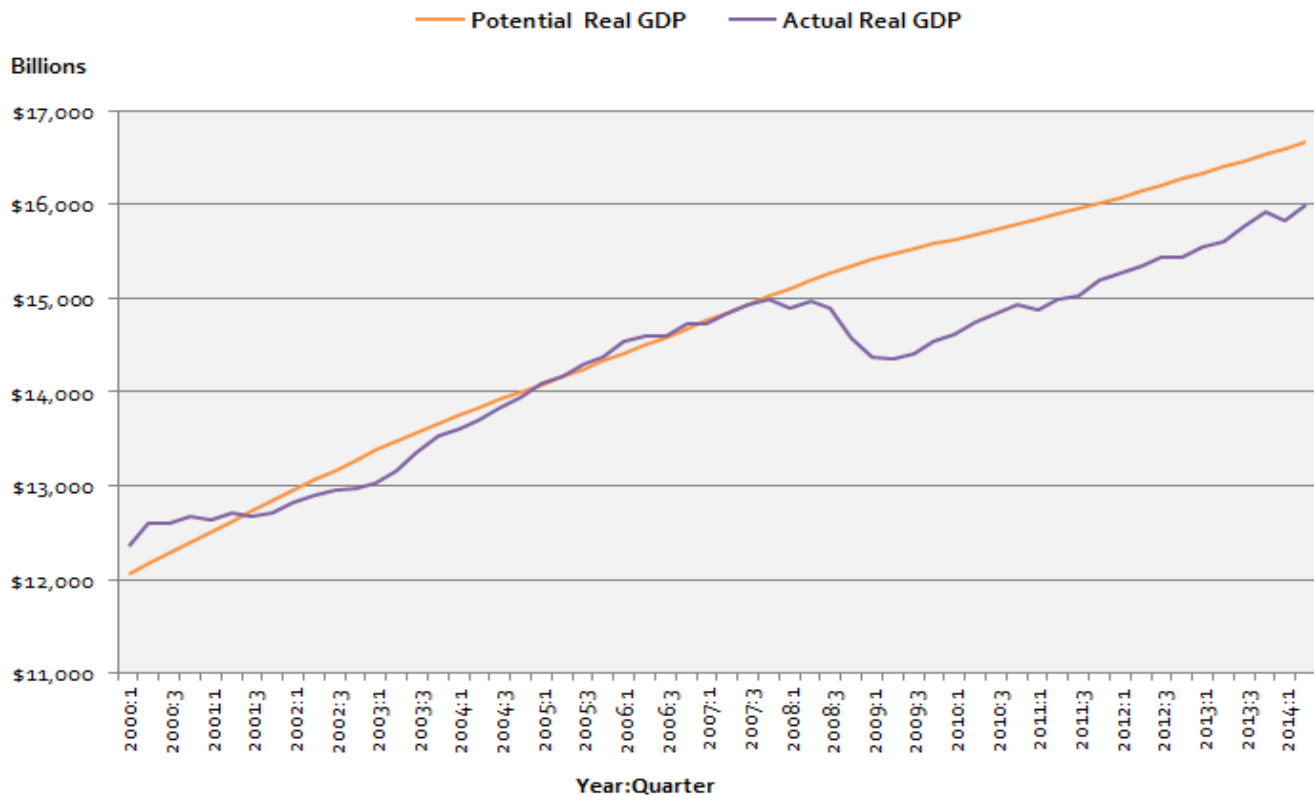
The second economy you'll see in studying the economic performance of the South Georgia Coast in the 21st century is the economy that began sinking in 2007 and, despite recoveries that began in the U.S. and Georgia in 2009, is still sinking now. This is the South Georgia Coast economy that has seen its real GDP decrease by 11.0 percent since 2006, its employment fall by 11.6 percent since 2007, and its labor force shrink by 7.6 percent since 2008.

The third economy is you'll see is the South Georgia Coast economy of the 21st century to date, our local economy with highs and lows interpreted as fluctuations around a general trend. This is the economy of the South Georgia Coast that has, at best, stagnated. It is an economy with an average annual real GDP growth rate of 0.47 percent — a rate that compares unfavorably even to the nation's weak 1.7 percent real GDP growth rate and Georgia's paltry 0.94 percent real GDP growth rate. It is the economy of the South Georgia Coast with a labor force that is only 7.4 percent larger than it was 14 years ago, an employment level that is only 1.3 percent larger than it was 14 years ago and, more significant, real GDP per capita that is less today than it was 14 years ago.

Which of the three economies — the booming economy of the first seven years of the 21st century, the plunging economy of the following seven years of the 21st century, or the stagnating economy of the new century to date — is the real economy of the South Georgia Coast?

Before answering, let's take a closer look at the data. The following seven pages of this report paint, in graphs and statistics, a picture of the performance of the economies of the U.S., Georgia, and the Brunswick Metropolitan Statistical Area in the first 14 years of the 21st century. A comment on the meaning of the data follows on page 9.

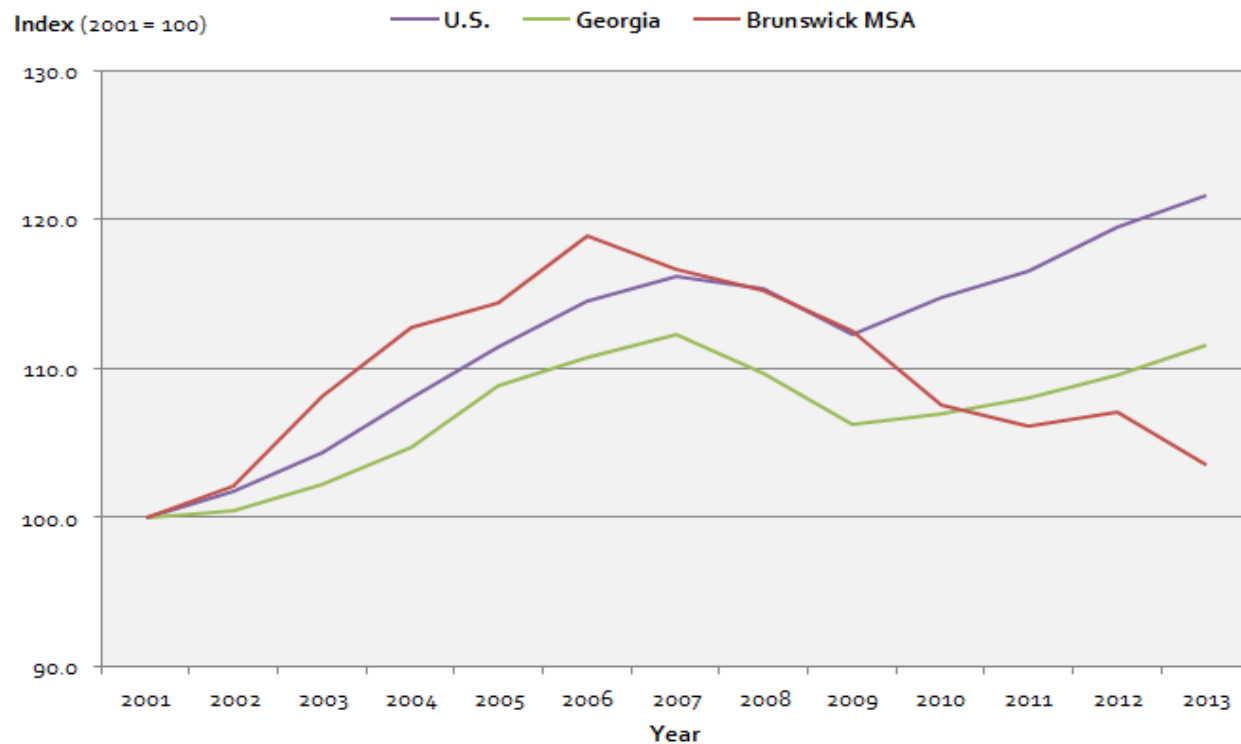
Graph 1. U.S. Potential vs. Actual Real GDP



Source: U.S. Congress Congressional Budget Office (Potential Real GDP), Bureau of Economic Analysis (Real GDP)

The performance U.S. economy often serves as the standard with which to compare the performances of state and local economies. In the 21st century, it has been a low standard. The U.S. has produced output, measured as real GDP, at levels below estimated potential in 43 of the first 58 quarters of the new century. The U.S. is currently producing at 4 percent below its estimated potential.

Graph 2. Real GDP Index: U.S., Georgia, and Brunswick MSA



Source: U.S. Bureau of Economic Analysis, author's calculations

Index numbers provide a way to compare the paths of different economies from a particular point in time. Graph 2 above shows the paths of real GDP, converted to index numbers with 2001 real GDP set equal to 100, of the economies of the U.S., Georgia, and the Brunswick MSA from 2001 to 2013. (On the construction of index numbers, see the note at the bottom of page 12 of this report.)

The booming South Georgia Coast economy of the first seven years of the 21st century and the plunging South Georgia Coast economy of the second seven years of the century are clear in Graph 2.

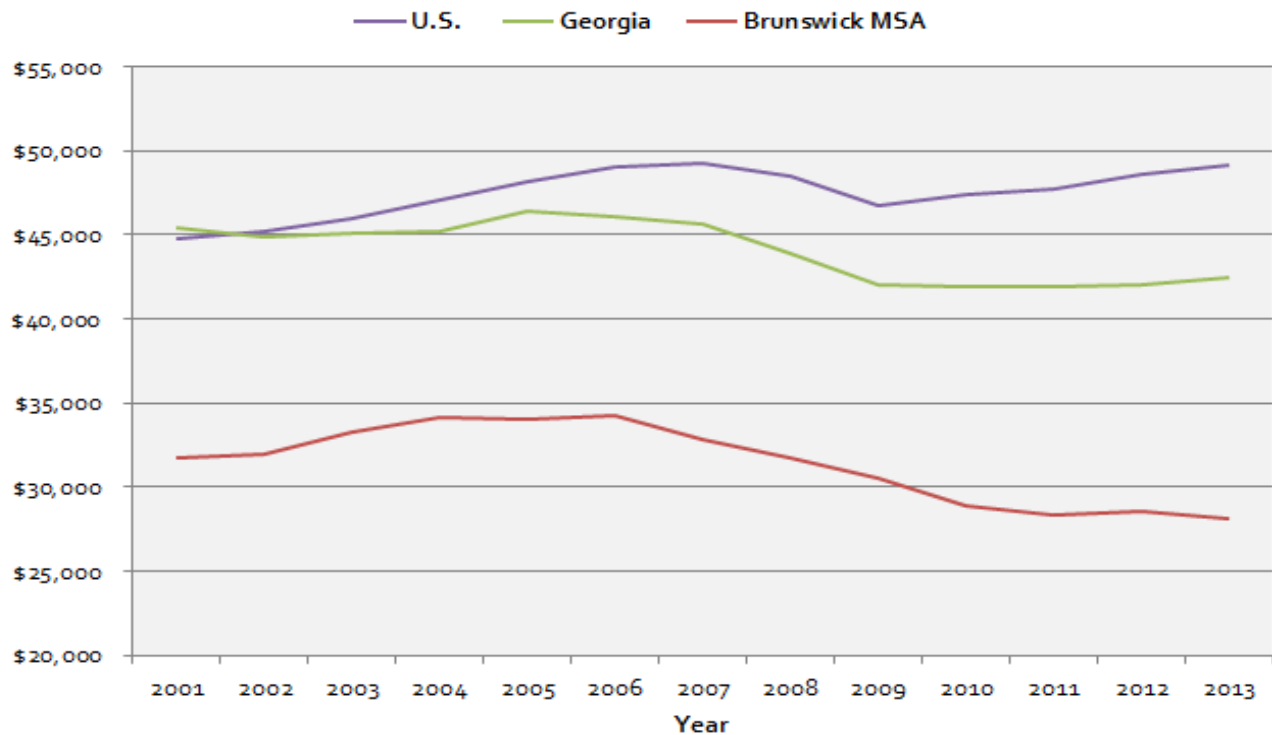
Between 2001 and 2006, real GDP grew by 18.9 percent in the Brunswick MSA, by 14.5 percent in the U.S., and by 10.8 percent in Georgia.

Recession hit the Brunswick MSA in 2006 and the U.S. and Georgia in 2007. The U.S. and Georgia began recovering from the recession in 2009. Through 2013, the Brunswick MSA had yet to begin its recovery.

U.S. real GDP in 2013 was 21.7 percent greater than U.S. real GDP in 2001. Georgia's real GDP in 2013 was 11.6 percent greater than its real GDP in 2001. But the state's real GDP in 2013 was still below its 2007 level.

In the Brunswick MSA, real GDP in 2013 was 3.6 percent greater than its level in 2001. By 2013, the region's real GDP had fallen to a level only slightly greater than its 2002 level.

Graph 3. Real GDP Per Capita: U.S., Georgia, and Brunswick MSA



Source: U.S. Bureau of Economic Analysis

The primary indicator of the standard of living in an economy is real GDP per capita: the inflation-adjusted market value of an economy's annual production per person.

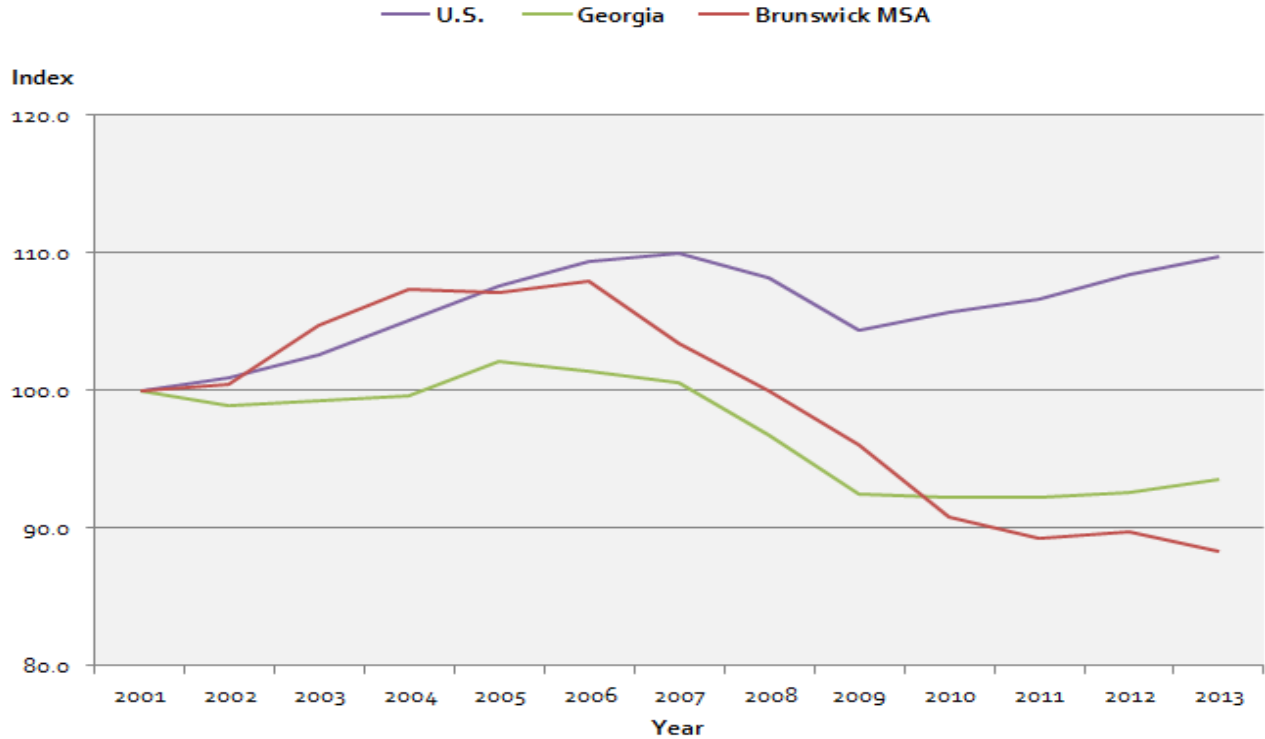
In 2001, real GDP per capita was \$45,405 in Georgia, \$44,779 in the U.S. and \$31,777 in the Brunswick MSA.

Real GDP per capita reached its peak in the U.S. in 2007 at \$49,213, in Georgia in 2005 at \$46,381, and in the Brunswick MSA in 2006 at \$34,279.

In 2013, real GDP per capita in the U.S. was \$49,115, above its 2001 level and slightly below its 2007 peak. In Georgia, real GDP per capita in 2013 was \$42,494, \$2,285 less than its level in 2001. In the Brunswick MSA, real GDP per capita in 2013 was \$28,077, \$3,700 less than its level in 2001.

Graph 3 shows one economy of the South Georgia Coast: an economy with a standard of living that persistently lags behind the nation and the state. In 2001, the gap in real GDP per capita between the Brunswick MSA and the nation was large: real GDP per capita in the Brunswick MSA was 29 percent below the nation's real GDP per capita. In 2013, the gap was even larger: real GDP per capita in the Brunswick MSA was 43 percent below the nation's.

Graph 4. Real GDP Per Capita Index: U.S., Georgia, and Brunswick MSA



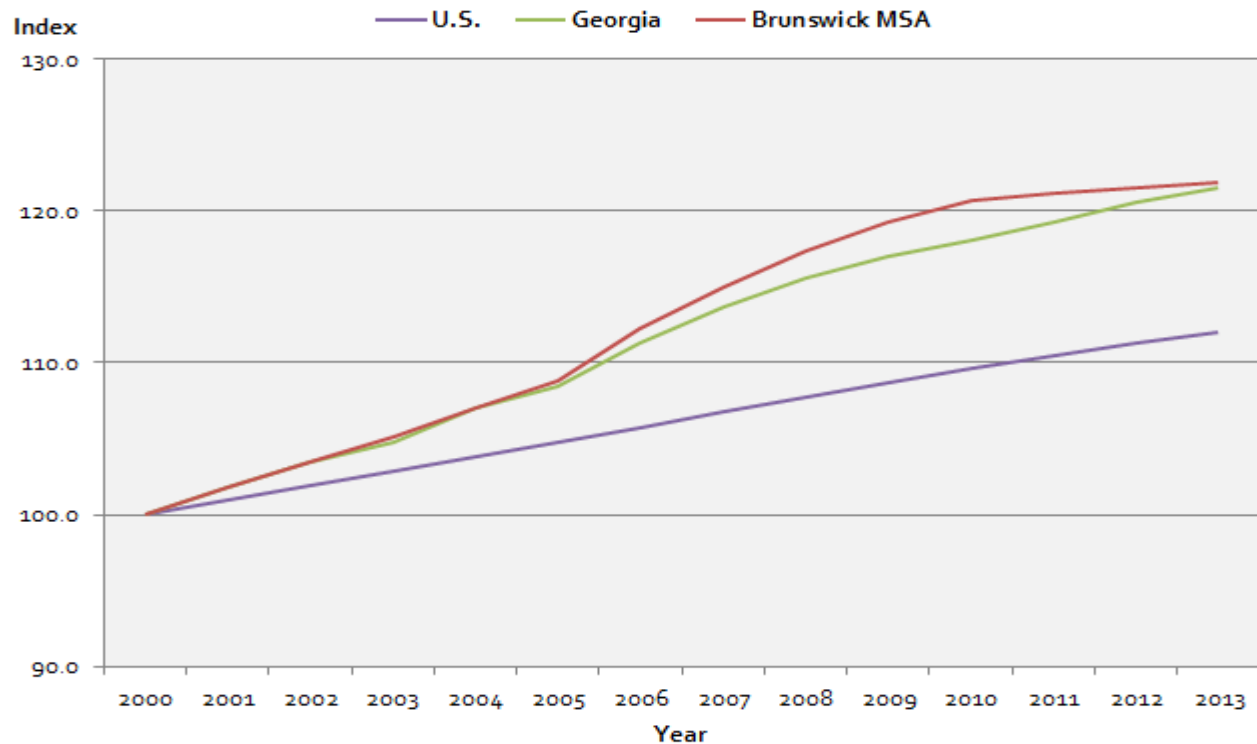
Source: U.S. Bureau of Economic Analysis, author’s calculations

Converting real GDP per capita to index numbers provides another view of the trend in real GDP per capita since 2000. The graph above shows the paths of indexes of real GDP per capita, with 2001 real GDP per capita set equal to 100, of the economies of the U.S., Georgia, and the Brunswick MSA from 2001 to 2013.

The struggles of all three economies are apparent. In the U.S., real GDP per capita was only 9.7 percent greater in 2013 than in 2001. In Georgia, real GDP per capita fell during the aftermath of the 2001 recession, increased marginally from 2003 to 2005, then fell again from 2005 through 2011. The state’s real GDP per capita in 2013 was 6.4 percent below its 2001 level.

Graph 4 also shows both the booming and plunging economies of the South Georgia Coast. Real GDP per capita in the Brunswick MSA grew at a healthy clip from 2002 to 2004 but has fallen, almost without interruption, since 2007. The area’s real GDP per capita in 2013 was 11.6 percent below its 2001 level.

Graph 5. Population Index: U.S., Georgia, and Brunswick MSA



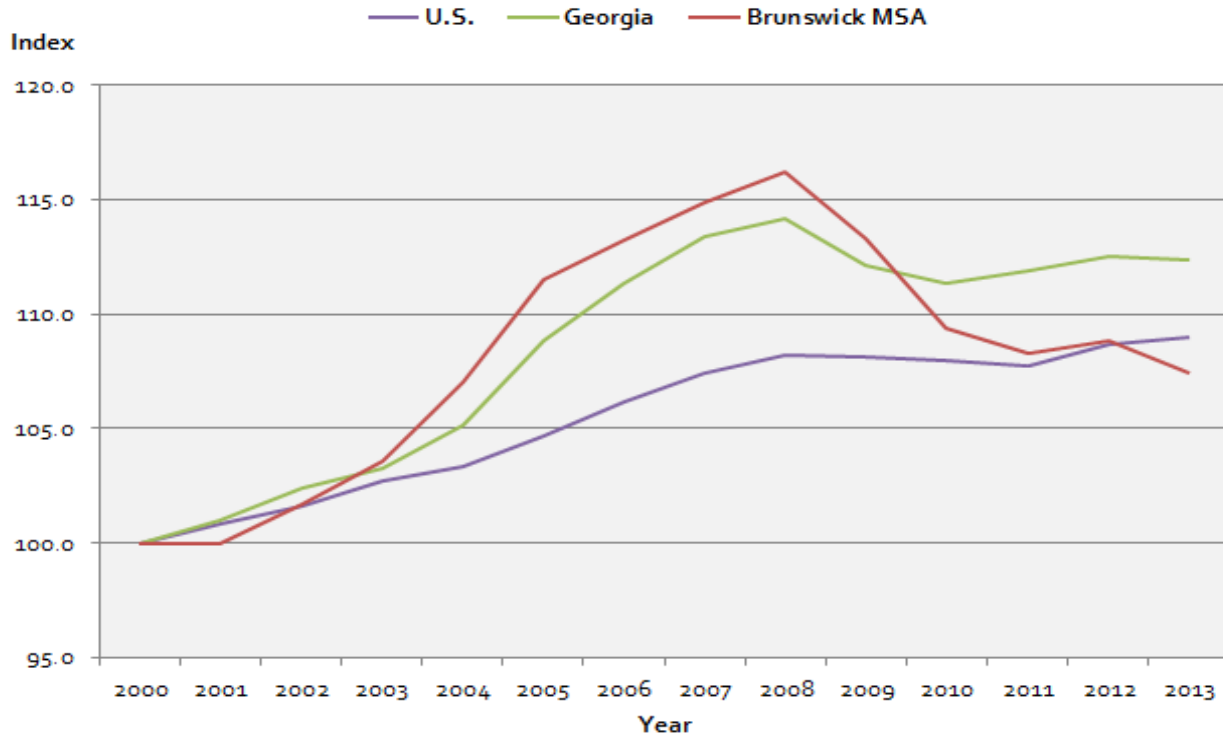
Source: U.S. Census Bureau, author's calculations

Index numbers also provide a way to compare population trends of different economies from a particular point in time. The graph above shows the paths of population, converted to index numbers with 2000 population estimates set equal to 100, of the economies of the U.S., Georgia, and the Brunswick MSA from 2000 to 2013.

Of the three economies, the Brunswick MSA had the largest percentage increase in population between 2000 and 2013. The population of the area increased from 93,344 in 2000 to 113,794 in 2013, an increase of 21.9 percent. Over the same period, the population of Georgia increased by 21.5 percent while the population of the U.S. increased by 12.0 percent.

Population growth in the Brunswick MSA has slowed considerably since 2010, however. Between 2010 and 2013, the population of the Brunswick MSA increased by 1.0 percent, while the population of the U.S. increased by 2.2 percent and the population of Georgia increased by 2.9 percent.

Graph 6. Labor Force Index: U.S., Georgia, and Brunswick MSA



Source: U.S. Bureau of Labor Statistics, Georgia Department of Labor, author's calculations

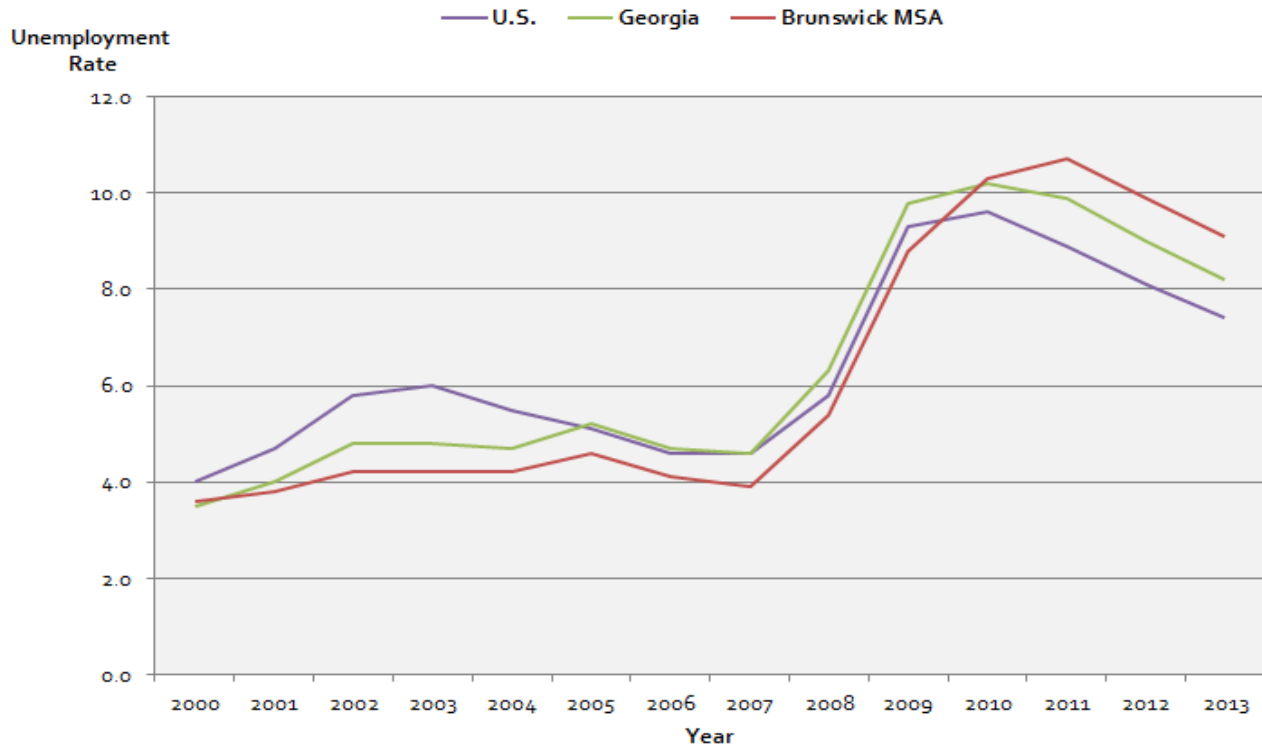
The graph above shows the paths of the labor force, converted to index numbers with 2000 labor force estimates set equal to 100, of the economies of the U.S., Georgia, and the Brunswick MSA from 2000 to 2013.

Between 2000 and 2008, the labor force of the Brunswick MSA increased by 16.2 percent, while Georgia's labor force increased by 14.2 percent, and the nation's increased by 8.2 percent.

Since 2008, labor force trends have changed markedly. From 2008 to 2013, while the nation's labor force increased by 0.7 percent, Georgia's labor force decreased by 1.6 percent, and the labor force of the Brunswick MSA decreased by 7.6 percent.

By 2013, the labor force of the Brunswick MSA had fallen to its 2004 level.

Graph 7. Unemployment Rate: U.S., Georgia, and Brunswick MSA



Source: U.S. Bureau of Labor Statistics, Georgia Department of Labor, author's calculations

From 2000 to 2009, the unemployment rate in the Brunswick MSA was less than the unemployment rate in Georgia as well as the unemployment rate in the nation.

From 2010 to 2013, the unemployment rate in the Brunswick MSA was greater than the unemployment rate in Georgia as well as the unemployment rate in the nation.

As of September 2014, the unemployment rate is 8.3 percent in the Brunswick MSA, 7.9 percent in Georgia (the highest state unemployment rate in the nation), and 5.9 percent in the U.S.

Which Is the Real Economy of the South Georgia Coast?

Is the real economy of the South Georgia Coast the booming economy of the first seven years of the new century? Is it the plunging economy of the second seven years? Or is it the stagnating economy of the new century to date?

Of course, it's all three. The pace of growth and development in local economies fluctuate. Over a 14 year period, it is not uncommon for a local economy is to experience an episode of fast growth, of slow growth, and perhaps even of retrenchment.

But the fluctuations in growth and development are fluctuations around a general growth trend. Of the seven graphs presented in this report, the graph that captures what is most fundamental about our local economy is Graph 3 on page 4, the graph that shows real GDP per capita of the Brunswick MSA significantly below real GDP per capita of the nation and the state each year from 2001 to 2013.

The economic boom from 2000-2007 on the South Georgia Coast is largely explained by the boom in real estate and construction, two sectors of which the region has heavy concentrations. The plunge from 2008-2013 on the South Georgia Coast is largely explained by the real estate and construction crash and the fallout from the crash: the surge in financial leverage and the plunge in net worth of both households and businesses that come with an asset price crash.

The region's leading industry, hospitality and tourism, boomed with the 2000-2007 boom and sunk with the recession. It began what has become a strong recovery in 2010. Yet, despite the recovery in this key sector, the region as a whole has continued to slide.

The pressing matter for the South Georgia Coast is not the fluctuations in economic activity but the trend. It is not new for our coastal economy to lag behind the nation and the state. The gap in the standard of living between the nation and the South Georgia coast is not new. What is new is that the gap is getting larger. While economic growth and development in the U.S. and Georgia in the new century have lagged, growth and development in our local economy have lagged even further. We have lost ground.

An economy's performance over an extended period of years is the manifestation of its underlying structure. Our local economy has its strengths, to be sure. But it has crucial weaknesses. Three stand out: a shortfall of entrepreneurship, an alarming shortfall of human capital, and a lack of industrial diversification. An economy with those three weaknesses will invariably lag in its growth and development. As ours has.

2001 and 2013 Real GDP Per Capita: U.S., Georgia, and Georgia MSAs

2001 RGDP per capita		2013 RGDP per capita	
Atlanta	\$57,832	Atlanta	\$52,178
Georgia	45,405	U.S.	49,115
U.S.	44,779	Georgia	42,494
Gainesville	43,498	Hinesville-Fort Stewart	40,287
Dalton	41,159	Columbus	38,250
Macon	39,642	Gainesville	37,819
Savannah	38,756	Savannah	37,614
Columbus	36,856	Dalton	36,190
Augusta	36,441	Macon	34,601
Rome	35,938	Athens-Clarke	34,320
Warner Robins	35,211	Warner Robins	33,736
Athens-Clarke	35,177	Augusta	33,599
Albany	33,545	Rome	33,412
Valdosta	32,326	Albany	31,196
Hinesville-Fort Stewart	31,942	Valdosta	30,206
Brunswick	31,777	Brunswick	28,077

Source: U.S. Bureau of Economic Analysis

In 2001, the Brunswick MSA had the lowest real GDP per capita of Georgia's 14 metropolitan statistical areas.

In 2013, the Brunswick MSA still had the lowest real GDP per capita of Georgia's 14 MSAs.

The Data: Brunswick MSA and Georgia

Brunswick MSA

Year	RGDP (millions)	RGDP per capita	Population	Labor Force	Unemployment Rate
2000	na	na	93,344	46,688	3.6
2001	\$3,020	\$31,777	95,037	46,687	3.8
2002	3,084	31,918	96,623	47,470	4.2
2003	3,266	33,267	98,175	48,360	4.2
2004	3,406	34,103	99,874	49,968	4.2
2005	3,454	34,019	101,531	52,050	4.6
2006	3,590	34,279	104,729	52,868	4.1
2007	3,525	32,844	107,326	53,630	3.9
2008	3,481	31,763	109,593	54,248	5.4
2009	3,400	30,535	111,348	52,889	8.8
2010	3,250	28,858	112,620	51,067	10.3
2011	3,207	28,346	113,138	50,546	10.7
2012	3,235	28,512	113,461	50,806	9.9
2013	3,195	28,077	113,794	50,151	9.1

Georgia

Year	RGDP (millions)	RGDP per capita	Population	Labor Force	Unemployment Rate
2000	\$376,077	\$45,711	8,227,276	4,242,889	3.5
2001	380,363	45,405	8,377,117	4,283,156	4.0
2002	382,182	44,919	8,508,248	4,345,402	4.8
2003	388,764	45,086	8,622,721	4,382,182	4.8
2004	398,359	45,247	8,804,098	4,460,137	4.7
2005	413,995	46,381	8,925,961	4,616,260	5.2
2006	421,307	46,015	9,155,862	4,722,314	4.7
2007	426,965	45,665	9,349,940	4,811,164	4.6
2008	417,376	43,912	9,504,828	4,845,054	6.3
2009	404,045	41,997	9,620,806	4,755,408	9.8
2010	406,992	41,894	9,714,804	4,723,701	10.2
2011	410,811	41,866	9,812,521	4,748,636	9.9
2012	416,927	42,029	9,919,984	4,772,173	9.0
2013	424,606	42,494	9,992,140	4,767,323	8.2

The Data: U.S.

Year	RGDP (billions)	RGDP per capita	Population	Labor Force	Unemployment Rate
2000	\$12,643	\$44,808	282,159,436	142,586,000	4.0
2001	12,761	44,779	284,977,333	143,769,000	4.7
2002	12,990	45,163	287,624,826	144,856,000	5.8
2003	13,322	45,921	290,106,923	146,500,000	6.0
2004	13,780	47,062	292,805,236	147,380,000	5.5
2005	14,227	48,142	295,521,582	149,289,000	5.1
2006	14,613	48,973	298,388,908	151,409,000	4.6
2007	14,825	49,213	301,241,542	153,123,000	4.6
2008	14,729	48,436	304,091,998	154,322,000	5.8
2009	14,328	46,706	306,770,008	154,189,000	9.3
2010	14,640	47,328	309,330,629	153,886,000	9.6
2011	14,869	47,720	311,588,433	153,615,000	8.9
2012	15,246	48,567	313,916,857	154,962,000	8.1
2013	15,527	49,115	316,135,600	155,379,000	7.4

Data Sources

U.S. Congressional Budget Office: U.S. Potential Real GDP

U.S. Bureau of Economic Analysis: U.S., Georgia, and Georgia MSA Real GDP and Real GDP Per Capita

U.S. Census Bureau: U.S., Georgia, and Brunswick MSA Population

U.S. Bureau of Labor Statistics: U.S. Labor Force, Employment, and Unemployment Rate

Georgia Department of Labor: Georgia and Brunswick MSA Labor Force, Employment, and Unemployment Rate

Note: Constructing Index Numbers

The index numbers in this study are simply the ratios of actual figures to the figures for the initial year, multiplied by 100. For example, the index for real GDP in the Brunswick MSA for 2005 is constructed by dividing Brunswick MSA real GDP in 2005 by Brunswick MSA real GDP in 2001 (the initial year), then multiplying the ratio by 100:

$$\frac{\text{Brunswick MSA real GDP in 2005}}{\text{Brunswick MSA real GDP in 2001}} \times 100 = \frac{\$3,454,000,000}{\$3,020,000,000} \times 100 = 114.4$$