Economic recovery in the Southeast in 2011 fell somewhere between sluggish and fitful. For every bright spot (Florida’s long-chilled housing market is showing signs of thawing), numerous drags on progress remain. In 2012, will the region begin to regain the dynamism that was once its economic hallmark?
Demographers at the University of Florida’s Bureau of Economic and Business Research (BEBR) do not foresee a quick return to population growth in the Sunshine State, which had averaged annual gains of around 300,000 in the last three decades. According to Stanley Smith, director of population studies at the BEBR, annual population increases for the state are not projected to reattain that level until 2014 or 2015.

Real estate remains suppressed
The dynamic between population and economic growth is quite nuanced, but when real estate developers anticipate steady population gains that fail to materialize, serious imbalances can result. Construction of homes and commercial space does not stop on a dime, hence the high degree of overbuilding apparent in many parts of the region. Housing demand remained historically low in 2011, according to regional business contacts, while commercial property vacancy rates—especially for retail space—barely budged from 2010 levels. Add in continued falling home prices, and it is little wonder that the real estate sector remained a drag on the region’s economy in 2011.

Data show that new home construction, as measured by permits issued for new residential buildings, remained near historic lows in 2011 for southeastern states (see chart 2). Multifamily construction permits also remained near historic lows, although apartment vacancy rates have declined throughout 2011. Ron Johnsey, president of Axiometrics Inc., an apartment market research firm, recently discussed the multifamily market with the Atlanta Fed’s Real Estate Analytics Center in a podcast. He noted that “the multifamily real estate market is performing at the highest level I have seen in over 15

The introduction to last year’s outlook issue of EconSouth began with a suggestion of the bumpy road ahead for the region’s economy in 2011: “From its early role as an agricultural center to its current growing significance in manufacturing, the Southeast’s economy has continuously evolved in response to economic challenges and changing conditions. In 2011, the regional economy will have to surmount a number of obstacles before it can resume the growth that made it one of the nation’s most dynamic economies.”

Did the region surmount these obstacles? Has it resumed the growth that made the Southeast so dynamic? Unfortunately, the answer is no. Not completely, anyway. While the region made some progress along the road to recovery, many impediments remain.

The challenges the region faces are similar to those faced by the nation as a whole, but many of these barriers have proven especially tough to overcome in the Southeast. A persistent decline in construction and development in particular made regaining solid economic footing difficult.

The driving force behind the region’s economic growth over the years has been robust population growth, which ignited development and spurred job creation. The slowdown in population growth to the levels experienced by the rest of the country explains a big part of the regional economic contraction, and lagging in-migration appeared to continue in 2011. For example, U.S. Census Bureau data from Florida show that from 1980 to 2007, the state averaged an annual growth rate in population of nearly 2.5 percent. From 2008 to 2010, that rate declined to less than 1 percent. Georgia’s population growth declined from an average annual gain of 2 percent (1980–2007) to 1 percent by 2010. Population growth in the United States has held at a fairly consistent 1 percent for decades (see chart 1).
Prices for new and existing homes remain below year-ago levels (see chart 3).

Existing home sales data showed little improvement in 2011 in most southeastern states. However, sales in Florida continued to improve, bucking the regional trend. Reports from industry contacts revealed that sales were most pronounced in the condominium sector, with a significant portion of these sales carried out in the form of cash transactions by investors and international buyers. Data from Realtors in Florida indicated that condo sales were up 18 percent year to date in September 2011 compared with the same period in 2010, and single-family home sales were up 8 percent over the same time period. In southeast Florida (Fort Lauderdale, Miami, and West Palm Beach), condo sales were up 29 percent year to date through September compared with a year ago.

From a housing perspective, another part of the region that appears to be doing better than the others is Louisiana. The National Association of Homebuilders (NAHB) reported that 23 markets in the United States qualified as “improving” in September. The NAHB classifies a metro area as “improving” if it shows an increase in housing permits, employment, and housing prices for at least six consecutive months. Alexandria, Houma, and New Orleans all made the list. No other metro area in the Southeast region did.

The rest of the region continued to experience very weak home sales. Responses from the Atlanta Fed’s monthly poll of residential brokers and homebuilders in the Southeast indicated that new home sales remained below 2010’s weak levels, while existing homes sales were largely on pace with 2010’s poor volumes. District builders and brokers anticipate only modest sales growth going into 2012. Although existing home sales in most states in the Southeast are improving, the improvement is taking place in fits and starts (see chart 4).

Commercial construction activity also remained very subdued in 2011, although contractors noted some improvement as the year went on. Half of the commercial contractors the Atlanta Fed surveyed in September reported that construction activity was up slightly from earlier in the year. They also noted an increase in backlogs. However, the outlook among commercial contractors remained weak—most anticipate commercial development for the start of 2012 to be flat or down compared with a year ago.

Commercial brokers in the region remarked that market dynamics continue to largely favor tenants, particularly in the retail sector. However, some reports indicated that available office space had declined, and with little new office development under way, rental rate increases are a possibility. Other brokers pointed out that smaller blocks of office space remain abundant on a sublease basis from tenants who have downsized but are still paying for unused space.
Consumers remain wary
Weak real estate markets, especially declining home prices, have placed additional strain on household balance sheets. As a result, people are cautious about spending. Consistent with national retail sales data that revealed a deceleration in consumer spending over the summer months, Atlanta Fed retail contacts expressed increasing concern about the disappointing sales in southeastern stores. However, many discount operations and several luxury goods dealers reported strong sales activity.

Positive sales results have not shielded some luxury goods producers and sellers from market stresses. “The jewelry industry continues to be challenged with high commodity prices and weak consumer sentiment but is beginning to reinvent itself to meet consumers’ desires by utilizing technology and an improved supply chain,” said Matt Stuller, founder and chairman of Stuller Settings Inc., one of the largest jewelry manufacturing and distributing firms in the United States and a member of the board of directors of the Atlanta Fed’s New Orleans Branch.

A few home improvement retailers also appeared to benefit from an increase in remodeling and renovation activity. Inventory levels for most retailers in the Southeast remained lean as businesses hesitated to build up excess stock until demand improved. Overall, sales tax data from the states in the region indicated modest declines over the summer after posting solid gains early in the year.

Southeastern states’ sales tax revenues were up 4 percent in September 2011 compared with the same month in 2010. Year-over-year gains in sales tax collections began to pick up around the third quarter of 2010 and accelerated through the first half of 2011. Annual gains in collections began waning, however, over the third quarter of 2011 (see chart 5).

Tourism rebounds in 2011
Although consumers were clearly watching their discretionary spending, they did not sacrifice vacations in 2011. Leisure and business travel remained strong in the Southeast throughout the year. Theme park attendance, occupancy rates, room rates, and cruise line bookings all increased. Both airport and cruise traffic improved throughout the year.

International visitors bolstered activity, mainly in Florida, where tourism reports have been very healthy. VisitFlorida, the
Manufacturing remains a mixed bag
While tourism’s strength has been an important counterweight to weakness elsewhere, the negative impact of real estate and construction has clearly spilled over into other sectors. For example, the manufacturing of goods tied to residential and commercial building has not rebounded. According to contacts in Dalton, Georgia—a major U.S. center for production of carpet and flooring—manufacturing output in the area declined by nearly a third in 2008–09. (Georgia is home to more than 70 percent of U.S. employment in carpet and rug manufacturing.)

Production remained flat in 2010 and, during the first half of 2011, manufacturing employment in Dalton continued to fall, indicating the industry continues to suffer from a stagnating construction sector.

Taking a broader view of manufacturing in the region, the picture is mixed. Auto production has rebounded from last year’s oil spill, which had chased away beachgoers and recreational fisherman from Louisiana to Florida’s western shores. Consider the following quote from the Mobile Press-Register’s report from the Alabama coast on July 4, 2010: “The sun shone, the sand glistened and the water was pleasant Sunday at Dauphin Island’s public beach. There was only one thing missing from this otherwise perfect Fourth of July: People. On the 76th day of the ongoing oil spill disaster, only a couple dozen visitors were at the beach at 1:30 p.m. on what is usually one of the busiest days of the summer.”

Now consider the Associated Press coverage from the Alabama coast on July 4, 2011, which contained this report: “State officials are expecting a big week for tourism along Alabama’s coast…. Promoters say almost all of the 17,000 condominiums and hotels in southern Baldwin County are full through the Fourth of July. The area’s 2,500 camp sites also are occupied, and many guests are staying through next weekend.”

What a difference a year makes.
Business travel improved and convention attendance was stronger in 2011 than in the previous two years. Regional festivals also drew large crowds. Mardi Gras in New Orleans and Mobile attracted approximately 1.2 million and 800,000 people, respectively, this year. The Jazz and Heritage Festival in New Orleans brought in an estimated 550,000 visitors. Knoxville’s Boomsday Festival drew 400,000 people, while more than 1 million people made the trip to the Miami Carnival.

Manufacturing’s tourism industry gained strength in 2011, with the total number of visitors to the state up nearly 7 percent in the first half of 2011 compared with the first half of 2010.

“The increase in Florida’s tourist activity has been a result of both domestic and international travelers,” said Walter Banks, president of Lago Mar Resort and Club in Fort Lauderdale and a member of the Atlanta Fed’s Miami Branch board of directors. “The large population in the state has added to the activity as have the international travelers from areas like South and Central America, Europe, and Canada.

“Tourism activity grew in Florida in 2011 as the visitors started returning because of pent-up demand and the ease of accessibility to Florida’s cities through the airports and the seaports,” he added. “The increased activity benefits many economic sectors, including hotels, restaurants, retail, cruises, [and] attractions, and also adds jobs.”

The Florida Department of Revenue also reported that tourism and recreation taxable sales in the first half of 2011 increased nearly 6 percent over the same period in 2010. It projects a continuation of tourism activity with a nearly 4 percent increase estimated in 2012 over 2011 (see chart 6).

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Spring Hill plant formerly produced Saturn vehicles but ceased production in June 2009.

Producers of high-tech equipment also fared well in 2011. Tom Stanton, chairman and chief executive officer of ADTRAN and chairman of the Atlanta Fed’s Birmingham Branch board of directors, said that service providers’ capital expenditures continued growing in the third quarter of 2011, with forecasts showing a 6 percent annual increase for 2011. “Likewise, worldwide enterprise spending is also up nearly 8 percent year to date,” Stanton added. “This growth is being driven by the need for premium broadband services and the demand for new architectures to meet this growing need.”

Another bright spot in manufacturing was energy extraction and production equipment. Atlanta Fed energy sector contacts, mainly in southern Louisiana and Mississippi, reported an increase of production of drilling materials since early 2011. According to industry experts, new drilling technology has reduced costs and increased extraction capabilities for both oil and gas, keeping industry plans to increase production capacity on track.

Broader indicators of regional manufacturing held up well throughout most of 2011. Kennesaw State University’s Purchasing Managers Index for the Southeast (the methodology for the index mirrors the Institute for Supply Management’s national measure) indicated an expanding manufacturing sector from early 2010 through August 2011, but the index slipped below 50 in September (see chart 7), hinting that factory activity had declined that month (see the box).

Atlanta Fed logistics contacts remained upbeat throughout most of 2011, although many contacts noted some deceleration in shipments in the late summer and early fall. Despite the slowdown, they report that volumes of shipments are above last year’s

The Econometric Center at Kennesaw State University, partnering with local purchasing associations and the Federal Reserve Bank of Atlanta, prepares the monthly Southeast Purchasing Managers Index (PMI) Report. Purchasing managers across the Southeast use this report to compare the current conditions in their market with the broader manufacturing sector as well as to plan future purchasing decisions.

The survey consists of five questions that gauge the economic health of manufacturers. Purchasing managers respond to questions about the current month’s level of new orders or sales, production, employment, supplier deliveries, and finished inventory versus the previous month. The researchers use the answers to each question to calculate a diffusion index, which measures the difference between the number of respondents saying, for example, that new orders are increasing versus those who say they are decreasing.

Responses to the questions are equally weighted and indexed to a scale where a reading above 50 is roughly indicative of growth and one below 50 is usually an indication of contraction.

Regional story continues on page 16
Small Businesses Feeling the Pinch

On a quarterly basis, the Atlanta Fed conducts a poll of small businesses in the Southeast. Although the poll is not statistically representative, its recent findings suggest ongoing strains on smaller enterprises, mainly the result of slow sales and tight credit conditions.

According to the third quarter survey, the net portion of firms anticipating hiring additional staff increased from the second quarter of 2011 to the third quarter of 2011. The outlook for capital investment spending for small firms also increased. Despite a more positive outlook for hiring and capital expenses, the outlook for sales growth worsened. Among firms not involved in construction or real estate, the net percent of firms expecting higher sales decreased from 53 percent in the second quarter of 2011 to 51 percent in the third quarter of 2011 (see chart 1).

This improvement in expectations for hiring and capital investment came on the heels of a sharp reduction in sentiment across all three dimensions in the second quarter of 2011. The decline in sales expectations was broad-based across industry and firm age, while the increase in hiring expectations stemmed primarily from firms in the service and the trade, transportation, and utilities industries and from firms that have been in business for less than six years.

Firms, particularly in the construction and real estate industries, continue to face tough challenges. In addition to having a more pessimistic outlook than other industries over the past six quarters, firms in these industries had even lower expectations for sales and employees in the third quarter of 2011 (see chart 2).

While the majority of mature firms in the survey reported receiving the full amount of money applied for in the third quarter of 2011, credit did not come easily to all. In particular, younger small businesses were more likely to report applying for credit to expand their business and also more likely to be denied
In the Southeast in 2011, younger small businesses seeking bank loans for expansion generally encountered a more challenging lending environment than mature firms.

or offered undesirable credit terms. Excluding firms in construction and real estate, the median young firm in the survey reported receiving only some of the credit requested in all their applications for credit. The median mature firm, however, reported receiving most of the credit requested (see chart 3).

Seventy percent of young firms and 58 percent of mature firms did not borrow in the third quarter. When asked why, most firms indicated they did not need credit. However, many firms avoided applying for credit because of the expectation that they would either be denied or offered unfavorable terms. In the third quarter of 2011, almost one-third of firms less than six years old and 15 percent of mature firms did not attempt to borrow for these reasons (see chart 4).

The strict credit standards prevalent in today’s lending market also appear to be affecting the way start-ups are financed. Using personal savings for initial capital is reportedly a much more common way to start a business than in the past. Two-thirds of firms less than six years old used personal credit to start their businesses, compared with only half of mature firms. A loan or line of credit from a bank was also a much more common way of starting a business for the more mature firms in the sample. Young firms are inherently more risky and often reported being turned down for not having enough collateral. When asked about credit obstacles, firms under six years old were much more likely to cite multiple barriers associated with lower creditworthiness, including level of outstanding debt, blemished credit score, and not enough years of operation (see chart 5).

Chart 4
Reason for Not Borrowing

<table>
<thead>
<tr>
<th>Reason</th>
<th>Mature</th>
<th>Young</th>
</tr>
</thead>
<tbody>
<tr>
<td>Didn't think I'd be able to get credit</td>
<td>15%</td>
<td>30%</td>
</tr>
<tr>
<td>Didn't need credit</td>
<td>54%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Bank of Atlanta Third Quarter 2011 Small Business Survey
levels and that shipments of chemical and agricultural goods, in particular, remained steady. Rail contacts noted that deliveries of energy- and food-related products drove increased activity.

Chris Oakley, the regional executive in the Atlanta Fed’s Jacksonville Branch and chair of the Bank’s Trade and Transportation Advisory Council, reported on the council’s October meeting: “In contrast to the meeting in April 2011, Trade and Transportation Council members reported that demand was flat across most industries in the transportation sector. Members are not anticipating much in the way of a seasonal spike in shipping for the 2011 holidays.”

The pricing environment continued to pressure bottom lines, according to Oakley. “Softening of fuel prices has reduced fuel surcharges, but carriers had little success in raising base rates to increase margins.”

Loan growth remains tepid
Weakness in real estate has also had an impact on the region’s financial institutions. While area banks' balance sheets continued to heal, contacts in the financial community indicated persistently weak loan demand. Loan growth remains a concern for banks across the Southeast. Lending levels continued their decline during the first half of the year as new opportunities remained highly elusive, but those declines appear to be shrinking (see chart 8).

Deposits increased as people and businesses boosted savings in 2011. The majority of large firms continued to have ready access to cash and lines of credit while some small firms and many new firms seeking credit experienced difficulty. Some non-bank entities, such as private equity firms and groups of wealthy individuals, reportedly became increasingly involved in small business lending. Mortgage foreclosures in the region remain elevated, with Florida having one of the highest foreclosure rates in the nation (see chart 9).

Where it all comes together: The labor market
The impact of everything discussed up to this point is apparent in the region’s labor markets. Atlanta Fed President Dennis Lockhart spoke about jobs in September in Jacksonville, Florida,
In terms of job creation, we appear to be treading water. Basically, the weak pace of growth in output since the end of the recession has translated to only modest net job creation. Modest gains in the private sector have been partially offset by ongoing losses in the public sector.

“As a result, there has been little progress in bringing down the high rate of unemployment,” he added. “The unemployment rate would be even higher if it weren't for the fact that some people are dropping out of the labor market completely.

“I think it’s most realistic to expect only a gradual improvement in the unemployment rate, consistent with the subdued growth trajectory for output and spending.”

While President Lockhart was speaking broadly about the national economy, his words apply equally to the region. The only difference is that labor market conditions here are some-

Governments Also Tightening Belts

In April 2011, Federal Reserve Bank of Atlanta President Dennis Lockhart spoke in West Palm Beach, Florida, about the current phase of American economic history, which he termed the “Great Rebalancing.” President Lockhart sees three rebalancing processes now under way: rebalancing of consumption and savings, regulatory rebalancing, and fiscal rebalancing. With regard to the last process, he noted then that “spending cuts have begun at all government levels, and some improvement in revenues is now being reported.”

As President Lockhart noted, it is too early to determine the outcome of overall fiscal rebalancing at the national level, or even the state level. Public sector employment at the state and local levels can provide one clue as to where some of this rebalancing will occur. In southeastern states, weakness has certainly been evident. Over the summer months of 2011, total net government employment declined by 37,500 jobs.

With regard to revenues, the data are a bit more positive. Looking at the southeastern states, revenues in the third quarter of 2011 are nearly 4.5 percent higher than in the same period in 2010 (see the chart).

A recent report by the Nelson A. Rockefeller Institute of Government, written by senior policy analyst Lucy Dadayan and senior fellow Donald Boyd, confirmed that “after the deepest recession since the Great Depression, most states are now on the gradual road to tax revenue recovery.”

President Lockhart’s view that further fiscal rebalancing lies mostly ahead of us is confirmed by the Rockefeller Institute authors. They include a cautionary note: “Broad state fiscal conditions remain fragile. The longer-term outlook is still ominous due to factors such as record revenue declines during the Great Recession, spending trendlines still pointing upward, and unemployment rates remaining nearly double their prerecession levels, to name a few. While some economic indicators signal improvement in overall conditions, fiscal recovery for the states typically lags a national turnaround and is likely to take several years.”

what worse than in the nation as a whole. Unemployment rates in every southeastern state except Louisiana remained above the U.S. unemployment rate in 2011 (see chart 10).

Job growth has been anemic throughout the region. Sectors that contributed positively to employment growth in southeastern states prior to the recession have not fully recovered. Employment in trade, transportation, and utilities stands out in this regard. Jobs were hit hard in this sector during the recession, and payroll gains in the last two quarters have been modest. Moreover, these gains are lower than the increases in payrolls prior to the recession, further evidence of a weak recovery. Professional and business services as well as leisure and hospitality payrolls had a similar experience during the recession, but recovery has been more robust in these sectors. Worrisome employment trends in manufacturing and construction, which
began prior to the recession, were exacerbated by the downturn. While these declines have eased in the last two quarters, significant employment increases haven’t occurred.

Education and health services offer a glimmer of hope for sustained job growth in the region. Even during the recession, southeastern states added payrolls in this sector, and the positive trend continued well into 2011.

As a whole, the private sector in southeastern states has experienced only a modest recovery (see the sidebar on small business). In recent quarters, declines in government payrolls have pressured the already shaky recovery. However, the region has gained jobs overall since the second quarter of 2010, and most of the job losses since then have come from cuts in government payrolls (see chart 11 and the sidebar on government finances).

When asked about their take on these labor market dynamics, Atlanta Fed business contacts agreed that there was indeed little hiring taking place across much of the region. Employers are clearly managing their labor supply very tightly.

Firms indicated that they are relying on their permanent employees to maintain the company’s core business, while focusing a significant contingent workforce (made up of, for example, temporary employees) on specific projects and, in some isolated cases, growth-oriented efforts. Temporary employees continued to fill short-term openings, and several contacts reported screening potential permanent hires by first hiring them as temps. A few reports emerged of businesses still seeking to maximize productivity gains from current employees. Several employers also reported achieving efficiency gains as firms increased investment in technology.

Hiring agencies across much of the Southeast noted difficulty finding qualified applicants for specialized positions, possibly because of “house lock,” or the inability to relocate because of the difficulty in selling a house. “House lock” has been a factor when recruiting for higher-level positions,” said Denise McLeod, vice president and chief operating officer of Landrum Staffing Services Inc. in Pensacola, Florida, and a member of the Atlanta Fed’s Labor, Education, and Health Advisory Council. “The unknown factor is how many qualified individuals never make the first contact regarding a position opening that requires relocation. In other cases, we’ve seen families maintain their current household while the spouse moves to a new location and position and rents or leases minimal housing space. Clearly, family dynamics take a hit in this undesirable situation.”

A significant characteristic of the current expansion is the number of long-term unemployed seeking employment. Of people unemployed in September 2011, 44.6 percent of them have been without employment for 27 weeks or more. Exacerbating their woes are businesses that have indicated they were less inclined to tap into the unemployed labor pool but were actively recruiting currently employed workers. McLeod explained, “Hiring authorities shy away from the long-term unemployed for several reasons. Many disclose concerns regarding skill gaps as a result of workforce inactivity, while others are concerned about diminished motivation and soft skills. Often, concern about a candidate’s stated lack of adaptability after being unemployed for a long period supports their reasoning for avoiding the long-term unemployed.”

What the Atlanta Fed hears about inflation
Full employment is half of the Fed’s dual mandate, and price stability is the other half. President Lockhart spoke on this topic in Atlanta in late November. “Inflation moderated in the third
quarter, in large part as the influence of gasoline and other commodity costs retreated from earlier in the year,” he said. “Other cost pressures, including labor compensation, remain subdued, and inflation expectations are holding steady. In other words, the underlying sources that drive inflation appear to be in check.

“My baseline forecast for 2012 builds on the picture I’ve just painted of the second half of 2011,” he added. “I’m expecting continued moderate growth, decently behaved inflation, continuing net job creation, but slow progress on unemployment.”

Most contacts in the Southeast reported input prices had receded in the third quarter after rising in the first half of the year. An informal poll of the Federal Reserve Bank of Atlanta’s board of directors and their business contacts during the summer of 2011 revealed that 62 percent expected prices they charge for goods and services to remain the same, 30 percent planned to increase prices, and only 8 percent were planning to decrease prices over the next three to six months.

Many regional retail contacts noted plans to attempt to raise prices, but with an understanding that any increases would likely be retracted if customers pushed back. Retailers continue to discount products aggressively to draw in traffic and have found it difficult to end such practices out of concern.
over losing customers. Accordingly, margins remained squeezed through the close of 2011, and greater efficiency and cost-cutting continue to be areas of focus for businesses in the region.

On the other hand, manufacturing (including food producers) and energy firms have been successful over the year in passing on raw material price increases to their customers (see the sidebar on agriculture). Throughout 2011, retailers of luxury goods have also reported success in passing through higher input costs to their customers, whereas midmarket and lower-end retailers have not been as successful.

With a couple of exceptions, mostly limited to specialized computer technology and health care positions, 2011 ended with little pressure on wages. Several contacts noted relief among staff who have retained their positions during the downturn, even in an environment of flat or declining wages and benefits. Many contacts noted longer-term concern over the rising cost of health care benefits.

Looking ahead to 2012
As 2011 came to a close, the majority of Atlanta Fed directors and business contacts in the Southeast described economic activity as moving forward, albeit at a slow pace. The Atlanta Fed’s October poll of director sentiment regarding the outlook for economic activity showed that 58 percent expect no change, 29 percent anticipate higher activity, and 13 percent see slower activity six months out. More broadly, even in the midst of this rather sedate outlook, no sign of panic or despair was apparent, which may indicate that expectations for 2012 are not overly negative.

President Lockhart’s outlook for the national economy “calls for gross domestic product (GDP) growth in the 1 to 2 percent range for this year [2011], moving up to a range of 2 to 3 percent next year [2012]. In full disclosure, this forecast is lower than my staff and I projected at the beginning of the summer. Following official revisions to earlier growth estimates and because of weaker-than-expected incoming data more recently, we revised down our growth forecast.”

Barring unforeseen shocks, economic activity in the Southeast is expected to improve in 2012. But, with in-migration stalled, there is only a small likelihood that the region will regain in 2012 the solid expansion levels seen before the recession. And, while the region is expected to see positive net job creation in 2012, the pace will probably be too slow to make a significant or rapid dent in the high unemployment rates seen in 2011. ■

This article was written by Michael Chriszt, an assistant vice president in the Atlanta Fed’s research department. Mark Carter, Neil Desai, Pam Frisbee, Whitney Mancuso, Shalini Patel, and Ellyn Terry, analysts in the Atlanta Fed’s research department, also contributed.