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01/04/2012

Happy new year

Resolutions and predictions are hard to avoid as the new year begins. With regard to the former, most focus on personal improvements and tend to be fuzzy and are abandoned by February. "Lose weight" is one that seems to appear on my list every year. But this year is going to be different. I've set real, measurable goals and shared them with my family so they can hold me accountable. We'll see how it goes, but I'm counting on the fact that my children take every opportunity to point out my mistakes (in a fun-loving way, of course).

Predictions can be even more fuzzy. I always seem to predict that my Cleveland Browns will make the playoffs. That's more like a wish than a prediction, but I can't help it. With regard to the region's economy, we don't call "predictions" predictions. They are "forecasts" or "outlooks." Whatever we call them, it is a thoughtful and necessary exercise to look back at where we've been and think about where we're going.

The latest issue of the Bank's quarterly publication *EconSouth* does just that. In our [outlook for 2011](#) we said that:

"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."

In the introduction to the [2012 outlook](#), we asked if the region surmounted these obstacles:

"Has [the region] 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."

In-migration has been a hallmark of regional economic development for decades. As *EconSouth* points out:

"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."

Drags on regional economic activity in 2011 were largely tied to real estate, which showed few signs of a turnaround. Quoting *EconSouth* again:

"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."

The 2012 regional outlook article goes on to discuss trends in agriculture, small business, manufacturing, consumer spending and tourism, government, and overall employment. It concludes by saying:

"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."

In December 2012 I'd love to look back and say we were wrong about our outlook and that the region outperformed our expectations. I also hope to look down at the scale and see that I lost more weight than I said I would. We'll be watching the data and listening even more intently to our business and community contacts with regard to the former, and I'll be watching my waistline and listening to my kids' comments on the latter.



By [Mike Chriszt](#), an assistant vice president in the Atlanta Fed's research department

January 4, 2012 in [Outlook](#) | [Permalink](#)

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