

# Fiscal Research Center

## Andrew Young School of Policy Studies

# The Fiscal Impact



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### By the Numbers: Georgia's Index of State Economic Momentum

Georgia has witnessed its share of economic and budgetary hardship over the last four years, but expectations are for continued growth in the state economy. States around the country felt the impact of the 2001 recession, and responded to it in various ways from tax increases to the reduction of public programs. Changes made during the tough economic times can have repercussions years into the future. States may make decisions that lower productivity, population, and income in the long term.

Now that we are about 5 years out of recession (the recession technically ran from the first quarter of 2001 (March) to the fourth quarter of 2001 (November)), it is a good time to take stock of Georgia's economic vitality relative to that of other states. While there are a number of ways to measure the vibrancy of a state's economy, *State Policy Reports* regularly produces an "Index of State Economic Momentum." This index is based on the performance of states' personal income growth, employment growth, and population growth. At any point in time, the index is a snapshot of the relative strength of these important measures of economic health. Changes in the index over time give a picture of where one state is headed relative to others.

In December 2005, Georgia's overall index ranked 13<sup>th</sup>—effectively in the top 25 percent of all states in terms of economic vitality as measured by this index. Many of our geographic neighbors did not fare so well—Tennessee ranked 33<sup>rd</sup>, Alabama 30<sup>th</sup>, South Carolina 31<sup>st</sup>. Georgia's personal income growth from the second quarter of 2004 to the second quarter of 2005 (one of the index components) ranked 19<sup>th</sup> out of 50 and posted growth of 6.79 percent, which is five percent higher than the average for all states. In employment growth, Georgia's November 2004 to November 2005 growth was 1.5 percent—ranking Georgia 23<sup>rd</sup> out of the 50 states. In population growth from 2003 to 2004, Georgia ranked 5<sup>th</sup> in the nation, with a growth rate of 1.8 percent.

Table 1 presents Georgia's overall index of state momentum and its rank. The information in the table also reports Georgia's level and ranking of the specific components of the index, namely, personal income growth, employment growth, and population growth. In all categories, Georgia ranked well above the U.S. average.

**TABLE 1. GEORGIA'S INDEX AND RANKING ON ECONOMIC MOMENTUM**

	-----Category-----			
	Overall Index	Personal Income Growth	Employment Growth	Population Growth
Value	+0.48	6.79	1.5	1.8
Ranking	13 <sup>TH</sup>	19 <sup>ST</sup>	23 <sup>TH</sup>	5 <sup>TH</sup>

Source: *State Policy Reports* (December 2005).

The Fiscal Research Center mission is to promote the development of sound public policy and public understanding of issues concerning state and local governments. For more information contact David L. Sjoquist, Director or Sally Wallace, Associate Director at 404-651-2782 or visit our website at [frp.aysps.gsu.edu](http://frp.aysps.gsu.edu).