

2025 Overall U.S. and Georgia Economic Outlook

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Main Takeaways

- The 2025 economic forecast for Georgia calls for an economic slowdown, but not a recession. We estimate the probability of recession at 25%.
- Georgia’s economy will grow faster than the nation’s economy because of recent economic development success, stronger demographics, and favorable economic structure.
- The unemployment rate is expected to rise, but not too much. The rise in the unemployment rate will mostly reflect less hiring rather than more layoffs.
- Inflation fell to 3% in 2024, but it will not fall further in 2025.
- In terms of economic severity, the main downside risks to growth are a mistake by the Federal Reserve, a financial crisis, an energy price shock, a federal policy mistake, and a stock market correction.

Table 1. United States Baseline Forecast 2024-2025.	United States	2020	2021	2022
	Gross domestic product (billions of 2017\$)	20,234.1	21,407.7	21,82
	Percent change	-2.2	5.8	
	Nonfarm employment (millions)	142.2	146.3	15
	Percent change	-5.8	2.9	
	Personal income (billions of \$)	19,629.0	21,407.7	21,84
	Percent change	6.9	9.1	
	Civilian unemployment rate (percent)	8.1	5.3	
	CPI-U, annual percent change	1.2	4.7	
	Source: The Selig Center for Economic Growth, Un Business.			

Table 2. Georgia Baseline Forecast,

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U.S. and Georgia Outlook

Our 2025 forecast for Georgia calls for slightly slower economic growth. We expect Georgia's inflation-adjusted gross domestic product (GDP) to increase by 2.4% in 2025 compared to 3.1% in 2024. Similarly, we expect U.S. GDP growth slow to 1.6% in 2025 from 2.5% in 2024. On the positive side, Georgia's 2025 GDP growth will be higher than for the nation, and the slowdown will be smaller in magnitude.

The 2025 economic slowdown reflects the lagged effects of the policy pivot by the Federal Reserve from extremely easy money—essentially free money—to very tight money. To combat high inflation, the Federal Reserve decided to slow economic growth by increasing policy interest rates and shrinking the money supply. The policy pivot reduced the demand-side forces behind high inflation. Plus, supply chains improved. Inflation broke quickly, dropping from 8% in 2022 to 4% in 2023, and to 3% in 2024. We expect inflation to hold steady at 3% in 2025.

Because the 2025 economic slowdown is due to a deliberate policy shift, and not an economic shock or other factor outside our control, we think the slowdown will be gradual. In September, the Federal Reserve began to reduce monetary policy restraint by cutting policy interest rates. We expect additional rate cuts in 2025, and quantitative tightening will end. Credit flows and the money supply will expand moderately. These policy moves, the resilient labor market, and recent economic development success will ensure that Georgia's economy grows throughout 2025.

We put the odds of a recession beginning in 2025 at about 25%. That is higher than the one in six chance that a recession begins in an average year, but below the one in three chance discussed during the Georgia Ag Forecast event last year. A concise list of potential recession triggers includes:

1. policy mistakes by the federal government or the Federal Reserve,
2. an energy price shock,
3. a banking/financial crisis,
4. a stock market crash, or
5. a broadening of the conflicts in Ukraine or the Middle East.

Job Growth in Georgia

We expect Georgia's job growth to slow. The number of jobs will rise by 1.0% in 2025, which is below the 1.5% gain estimated for 2024. The United States will see 0.6% job growth in 2025. Again, we expect faster growth for Georgia than for the United States.

Most types of Georgia businesses will continue to hire, with the fastest job growth in homebuilding and health services. Homebuilding because mortgage rates will fall, and there is a shortage of homes for sale. Health services because of the essential need for healthcare and favorable demographic trends.

In contrast, we expect declines in the number of retail and information jobs. Online competition and advances in technology are reducing jobs in those industries. We expect the unemployment rate to rise, but not too much. Georgia's unemployment rate will average 4.0% in 2025

compared to 3.7% in 2024. The U.S. unemployment rate will rise to 4.3% from 4.1%, which is above the economy's full-employment unemployment rate of 4% and will reduce pressure on wages and benefits.

The rise in the unemployment rate will mostly reflect less hiring rather than more layoffs. Recent hiring difficulties and the widespread recognition that labor markets will be tight over the next decade will limit layoffs. Small increases in the unemployment rate will be enough to keep inflation low, but not be enough to scare consumers.

Georgia's resilient labor market, strong household balance sheets, and lower interest rates will support growth in consumer spending. Once the economic slowdown ends and Georgia's economy begins to accelerate, it quickly will become more difficult to hire workers across many occupations and industries.

Economic Development in Georgia

We expect Georgia's economy to grow faster than the U.S. economy in 2025. One advantage is economic development prowess. Other advantages include a favorable mix of industries, supportive demographics, excellent transportation and logistics infrastructure, a competitive tax climate, and low costs of living and doing business. Plus, state and most local governments work well with businesses.

Georgia's economic development competence is an especially powerful driver of economic growth. In 2021, 2022, and 2023, Georgia's economic developers shattered annual economic development records. In 2024, the number of projects increased slightly, too. There are a lot of projects in the pipeline and tens of thousands of jobs will be created as those projects build out and become operational.

It often takes many years to build out the typical economic development project, so many projects announced over the last few years will provide a substantial push to economic growth in 2025. Because of our prediction of slower growth for the U.S. and global economies, we expect economic development activity to slow in 2025, but Georgia will win a larger share of the projects in contention.

Workforce Development and Population Growth

An emphasis on workforce training is a key factor behind Georgia's economic development success. Georgia ranks high with respect to its customized workforce development efforts. For example, Quick Start, which is offered by the Technical College System of Georgia, has been ranked by economic developers as the nation's best workforce development program for 14 consecutive years. Georgia's workforce-centric approach toward economic development attracts businesses, raises workforce productivity, and boosts per capita incomes. The skills learned are portable, ensuring that the benefits of such incentives endure.

Above-average population growth is another factor behind Georgia's recent economic performance and comparatively good prospects. Census data show that Georgia's population surged in 2022 and 2023, growing by 1.1% each year, or almost three times faster than the U.S. population. This surge likely was due to changes brought about by the pandemic such as the greater acceptance of remote work. Given stricter enforcement of immigration laws, a rate of

population growth that is triple the U.S. average is not sustainable, but people and businesses will continue to move to places where economic performance and prospects are comparatively good.

In 2025, we expect Georgia's population to grow at an annual pace that is double the national average. That will be a powerful driver of Georgia's GDP in 2025 and beyond, which will help keep Georgia's potential rate of economic growth above that of most other states.

Industries and HQs

Georgia's industrial structure favors growth, especially driven by its concentration of high-tech industries, logistics and distribution providers, and military bases. Although not an industry in the traditional sense, headquarters operations also will power Georgia's economy. Thirty-three companies with headquarters in metro Atlanta rank among the 2024 Fortune 1000, up from 26 before the pandemic. NCR Atleos, Chart Industries, and Mativ Holdings were added to the list in 2024.

Atlanta's international airport and geographic location make Georgia a good hub from which to serve operations in the Americas. Access to talent and the strength of the business community are important drivers of headquarters locations in the Atlanta metropolitan statistical area (MSA). According to the Federal Emergency Management Agency (FEMA), Georgia has a minimal risk for business disruption, which we believe is an increasingly important consideration for headquarters locations.

Tech Industries

Lower interest rates will help ensure that Georgia's capital-intensive technology industries support Georgia's economic growth in 2025. Georgia's data-center industry is thriving. Atlanta's data-center market ranks seventh nationally. Once the space currently under construction is delivered, the metro area is likely to rise several spots in the national rankings. Remote work, the Internet of Things, artificial intelligence (AI), the Cloud, high-speed streaming, and the greater adoption of a wide range of digital applications will drive demand growth. The main challenge will be ensuring that ample supplies of reliable electricity are available for this energy-intensive industry.

In 2024, Georgia's cybersecurity industry ranks eighth nationally, up from ninth place in 2023. Continuing growth of Georgia's cybersecurity industry will help power the growth of Georgia's economy. The pandemic pushed the use of online and digital services and the need for cybersecurity onto a higher growth trajectory. The speed of widespread digital transformation of industries—ranging from health care, to entertainment, to mobile banking—increases the risk and cost of cyberattacks. In addition, the recent weaponization of cyberattacks to achieve military or political objectives increases the demand for cybersecurity. Georgia is well-positioned to provide such services, because our state has the talent and Augusta is home to the U.S. Army Cyber Command and Georgia Cyber Center.

Healthcare IT and telemedicine will create thousands of high-paying jobs in Georgia. The pandemic accelerated the adoption of telemedicine by traditional healthcare providers. Many patients continue to use online healthcare, which bodes well for healthcare IT companies and cybersecurity companies.

In 2025, Georgia's large cluster of financial technology companies should fare well and support Georgia's economic growth. The fintech industry received a boost from the pandemic because contagion fears pushed people to adopt recent technologies, including mobile banking and touchless payment systems. Most customers are pleased with such services and fully embrace these new ways of banking and shopping. A main reason fintech companies locate in Georgia is that the substantial number of existing companies ensures deep pools of experienced workers with the specialized talents needed. Going forward, we expect this advantage to increase. Georgia's postsecondary education system is also focused on the production of new talent for the fintech industry, which should help attract more financial technology companies to Georgia.

Transportation and Logistics

Georgia's high-performing transportation and logistics industry is another reason Georgia's economy will grow in 2025. Barring major labor strikes, Georgia's transportation industry will expand and outperform that of the nation. One state-specific factor behind our forecast is the abundance of logistics and distribution projects in Georgia's economic development pipeline. The accelerated shift to online retail and manufacturers' reliance on the sharing of production of goods across many different countries bodes well for the industry.

The completion of major infrastructure projects at the Port of Savannah and the Port of Brunswick will provide the capacity that is needed for growth. The recent opening of the Appalachian Regional Port is helping the Port of Savannah tap into new markets and brings new businesses to Georgia. In early 2026, the Georgia Port Authority will open a second inland container port near I-985 in Gainesville.

Military

In 2025, we expect military pay raises to outpace inflation, which will provide a bigger boost to Georgia's economy than the national economy. Georgia ranks sixth in the United States for total Department of Defense employment. Spending by defense personnel is especially important to consumer-focused businesses in Warner Robins, Columbus, Savannah, Augusta, and Brunswick. Defense contractors help power Georgia's economy, too. Lockheed Martin and the Georgia Tech Research Corporations are Georgia's top defense contractors.

Film/TV

Major labor disputes in prior years reduced spending by Georgia's film industry. The strikes are settled, but production in Georgia, or even nationally, is not quickly returning to prestrike levels. The timing of Hollywood's pullback in film and TV productions is not good for Georgia's studios as the pullback occurred just as new studio space was being developed and delivered to the market.

In 2025, overcapacity of studio space will challenge Georgia's studios. While we expect the film industry to partially rebound in 2025, full recovery will take longer. More optimistically, Georgia's diversity of locations with excellent film production infrastructure ensures a good fit for a wide range of film and TV productions. In addition, as the professional, technical, and physical infrastructure becomes more fully developed, the economic benefits of each dollar spent by Georgia's film industry will increase.

Manufacturing

Manufacturing is a cyclically sensitive industry, but despite the slower growth of the overall economy we expect industrial production to rise more quickly in 2025. Georgia saw many manufacturing economic development projects announced over 2020–24, which will boost production and hiring.

Georgia's largest manufacturing industry is food processing, which adds value to the state's large production agriculture industry. The prospects for food processing will not be overly affected by the slower growth of the overall economy. In addition, we expect homebuilders to put up more single-family homes in the United States in 2025 than in 2024, which will boost industrial production for the state's high concentration of building materials manufacturers.

In 2025, Georgia's vehicle and vehicle parts manufacturing industries will benefit from higher demand for vehicles. In 2024, the average age of a vehicle in the United States rose to 12.6 years, which is a record high. The aging vehicle fleet bodes very well for vehicle sales in 2025. In addition, political pressures will encourage foreign manufacturers to invest more in U.S. production facilities and to buy parts from U.S. manufacturers.

Georgia is developing as a nexus of the electric vehicle manufacturing industry. Hyundai Motor Group and LG Energy Solutions' investment of \$7.6 billion in Bryan County at their first fully dedicated electric vehicle and battery manufacturing facility will create over 8,500 jobs over the next 8 years and will support the production of 300,000 vehicles annually. The Georgia Department of Economic Development will continue to focus on creating an ecosystem that supports the entire electric-vehicle supply chain.

Housing

Housing is one of the most interest-sensitive sectors of Georgia's economy and should respond positively to the Federal Reserve's recent rate cuts. More rate cuts are expected in 2025, which will bring down mortgage rates, albeit not dramatically. In addition, strong population growth, bigger paychecks, good household balance sheets, and a scarcity of existing homes for sale will support higher demand for new homes. Georgia's homebuilders will respond by building 9% more single-family homes in 2025 than in 2024.

Although we are optimists for single-family homebuilding, we are pessimists for the immediate prospects for multiunit residential homebuilding. High deliveries of new multifamily units started over 2020–22 will increase vacancy rates for multiunit rental properties. Investors will not show much interest in starting new projects. Tight lending standards for multiunit projects will be a major problem, too. Put it all together and we expect new multiunit homebuilding to decrease by 8% in 2025.

As of mid-2024, Georgia's existing single-family home prices were 65% higher than prior to the pandemic. The year-over-year gain was 6%. We do not expect single-family home prices to rise much higher in 2025. Recent home price increases have reduced housing affordability enough to limit additional home price gains even as mortgage rates decline and—by traditional metrics—homes are moderately overvalued. Still, we do not expect home prices to decline because of the lack of homes for sale. We think home prices will either increase slightly or hold steady.

Fundamentally, the economic slowdown will not change the higher regard people have toward homeownership in the wake of the pandemic. Plus, there are a lot of potential homebuyers that have been sidelined by the run-up in mortgage rates as well as the limited selection of existing homes that are on the market.

Risks

As always, there are upside and downside risks to our forecast. On the upside, we may have underestimated the strength of the consumer. More consumer spending would result in faster growth. We may have also underestimated the resiliency of the labor market. More hiring by businesses would boost household income, most of which would be spent and result in faster growth. Deregulation could come faster and be broader than expected, which would boost the prospects for growth in 2025 and beyond.

On the downside, several imbalances could cause the economy to grow more slowly than expected. These include annual federal budget deficits that exceed 6% of GDP, overvalued housing and stock markets, financial institutions still own too many overpriced bonds, and many nonbank financial institutions have extended a lot of credit. Of course, a misstep by the Federal Reserve, a major policy blunder by the federal government, or broadening of military conflicts abroad are downside risks to the economy.

Summary

In summary, our forecast calls slightly slower economic growth. This risk of recession is 25%, which is lower than in recent years. Our forecast depends on additional easing of monetary policy by the Federal Reserve, the resilient labor market, and Georgia's economic development competence. The build-out of many large projects in our economic development pipeline and favorable demographics are the main reasons why Georgia will fare better than the nation.