Economic indicators, which are statistics used to measure the health and direction of the economy, come in three varieties, leading, coincident and lagging. Retail sales is often viewed as a coincident indicator, or as depicting the current strength of the economy. During the 2007-2009 recession, consumer confidence and reduced credit availability kept consumers from driving (i.e., shopping) the economy out of the ditch as they did in the 2001 recession. Furthermore, many retailers were forced to re-evaluate their balance sheets. With lower consumer spending, the rents retailers were paying no longer matched updated expectations of sales growth. Combine these aforementioned troubles with stagnant or declining income and the threat of increased competition with e-tailers, and it should be no surprise that retailers still do not feel they are yet out of the woods.

However, in terms of sales, retail started its recovery almost as soon as the recession ended in mid-2009. Currently, retail sales indicate the U.S. economy is continuing to regain its strength.

Nationally, the growth in retail sales has picked up its pace since posting lack-luster holiday season sales last year. In July 2013, retail sales grew by 7.2% over July 2012, up from a growth of 4.2% between June 2012 to June 2013.

Core retail sales, which excludes the typically more volatile motor vehicle sales, building materials and gasoline, grew in July at a seasonally adjusted monthly rate faster than had been experienced since November 2012.

Though the housing market has recently started to recover, retail categories closely associated with housing, such as furniture, building materials, and other durable goods categories have lagged behind the remaining retail sectors. Categories that have posted the fastest monthly adjusted growth come primarily from non-durable goods, which include gasoline stations, clothing, food and beverage stores, and general merchandise.

However, August survey data may indicate a shift going forward. Mid-tier retailers, like Macy’s, are reporting lackluster sales and have also reported that consumers are more likely to be “value-shopping,” Wal-Mart, which markets itself based on low prices, has also seen sales slip at newer stores. The blame has been focused on the lack of income growth for middle-income families. The Bureau of Labor Statistics.

(Continued on page 4)
West Georgia Employment Update

The region’s initial unemployment insurance claims are finally moving back to within striking distance of its pre-recession levels. After a substantial up-tick earlier this year, primarily driven by higher-than-expected post-holiday layoffs of Carroll County residents, the region returned to its slow but steady downward trajectory. However, Carroll County remains a source of large spikes in new claims. While most of the rest of the West Georgia Region has seen steady year-over-year reductions in new claims, Carroll posted higher claims in May, June, and now July 2013 over the same months in the previous year. Clearly, though initial claim levels have subsided, new claims volatility shows no signs of settling down. West Georgia firms that sense trouble appear to be much more proactive in adjusting their labor force levels now than they were before the recession.

Unemployment rates across the state and the West Georgia Region have risen over the past two months leading some to speculate that we are returning to a more difficult job market; however, the numbers may be somewhat misleading. Between June 2012 and 2013, while adding another 2,302 persons to the labor force, the region has seen 3,485 more of its residents find jobs. Overall, West Georgia’s unemployment rate dropped about half a percentage point over the year. Carroll County was the only one in the region to see its unemployment rate rise over the year (up .2 percentage points) because it added more new workers (+572) than were able to find employment (+406). Coweta experienced the largest improvement in its unemployment rate, shedding 1.1 percentage points over the past year, despite posting the region’s largest labor force increase (+644 workers).

Service-providing jobs reached a peak level in total employment for the region in 2007 at 88,707; however, as a share of total employment, the service sector peaked in 2012. The service-providing sector currently provides 61.8 percent of jobs in the West Georgia Region. As the graph indicates, service job levels dipped during the recession, but have been the first category of jobs to return to the region during the recovery. Although goods-production jobs have started to mount a recovery in individual counties in the region, for the region overall, job numbers are still down; however, recent new firm announcements and the start of West Georgia’s housing recovery have injected some optimism into the outlook for this sector. West Georgia’s government sector has held steady as a share of total employment over the recession and recovery (between 18-20%), despite having shrunk by about 2,000 jobs in the region. However, recent data indicate modest year-over-year gains in government jobs for the West Georgia Region.
West Georgia Retail and Housing Update

The retail sectors for both the state and the West Georgia Region have started to recover jobs lost during the recent recession, though West Georgia got a bit of a late start. The state overall has seen retail employment growing since the end of 2009, whereas West Georgia’s retail jobs recovery started about a full year later, in late 2010. Nevertheless, West Georgia has been making up ground. Between 2011Q4 and 2012Q4, West Georgia saw retail employment increase by 1.2%, whereas the state’s retail employment grew at 0.5% for that period. Within the region, four counties (Polk, Carroll, Paulding and Coweta) experienced substantial retail employment growth, with Polk experiencing the largest gain in retail jobs at 5.4%. During the same period, Haralson experienced the largest retail employment decline, losing 11.3% of its retail workforce. Douglas essentially held steady. Even though retail jobs tend to be relatively low-paying in comparison with other sectors, the rebound in West Georgia’s retail employment has acted as a stabilizing force in the region.

The average sale price of single-family residences in the West Georgia Region continues its upward climb, posting higher average year-over-year sale prices in every month from August 2012 through July 2013. A contributing factor for higher sale prices has been the slow response on the supply side. In fact, the growth in the number of units for sale has only occasionally been positive in the past year. In July 2013, the West Georgia Region saw an additional 60 houses put on the market (a 7.2% increase), while average prices during July increased by 24.9% over the same month in the previous year. The largest average price increase in the past year occurred in December 2012, when the number of houses on the market dropped by 20.0% from the previous year (-138 houses). Although new permits are showing signs of a recovery, time is required to translate permits into houses. In the meantime, existing homes will continue to rise in value.

Although pre-recession levels of housing permits are likely years away, West Georgia’s permits through June 2013 are nearly double the number issued during the same period a year before. Furthermore, it marks a continued improvement from year-to-date permit activity measured in May, which was up 86.6% compared to the same period in 2012. The region continues to experience its highest level of new single-family residential permit activity since the housing market initially hit bottom in 2009. Every reporting county in the region, except Haralson, indicated more permits were issued this year over last (Polk data unavailable). Paulding County permits are currently at 210% of what it issued during the same period of 2012. In absolute terms, Coweta, at 273 new permits, continues to lead the region with the largest number of single-family permits issued of any of the West Georgia counties.
Retail Trends in the US and Georgia (continued from page 1)

8.0% in June 2013. In another positive sign for the West Georgia economy, the number of initial claims for unemployment insurance has dropped in four of the regions six counties since July 2012. Carroll County saw the largest increase in claims (up 30.5%), while Haralson experienced the largest decline (down 31.4%). In Georgia, the number of unemployment claims dropped by 4.3% in July 2013 compared to July 2012.

The most recently available employment data show job gains in all six counties in the region. Total employment rose in the West Georgia region by almost 3% between 2011Q4 and 2012Q4. The large retail trade and government sectors saw only small gains in employment, up 1.6% and 1%, respectively between 2011Q4 and 2012Q4. On the other hand, the health care sector and accommodations/food services each saw employment gains in excess of 7% over this same one-year period. Manufacturing employment declined by 3.6% over this one-year period with Carroll County taking the biggest hit (down 10.2%). Recent data provide evidence of an uptick in the housing market in the region with 600 single family units permitted in the first six months of 2013 compared to 302 units for the same period in 2012.

A number of recent announcements will have an impact on employment growth in the West Georgia Region. Most significant were the decision of Trident Seafoods to open up a processing facility in Carrollton, the announcement that Gordon Food Service will be building a new distribution center in Douglasville, the plans for additional utility vehicle production at the Yamaha Motor manufacturing facility in Newman and the expansion of the Jefferson Southern steel production plant in Rockmart (Polk County). Altogether, these four expansions are expected to add more than 500 jobs in the region over the next three years. Carroll County is also likely to see 20 new jobs as a result of a planned expansion at the Printpack Inc. packaging plant in Villa Rica. The new Certified DEF diesel exhaust fluid packaging and distribution facility in Dallas (Paulding County) will also add about 20 jobs over the next couple of years. Tanner Health System is also constructing a new urgent care clinic in Bremen and planning for a new urgent care center in Carrollton. In another health care related announcement, Cancer Treatment Centers of America is already planning an expansion of their just completed hospital in Newman. Construction has also begun on the new $40 million Polk Medical Center to be located between Cedartown and Rockmart while construction continues on the Wellstar Paulding Hospital in Hiram. Banking sector expansions include a new Wells Fargo bank at the Thomas Crossroads Kroger in Newman. Positive retail sector developments include new store openings in the Arbor Place Mall in Douglasville, a new Goodwill store (and career center) in Coweta County, and a new independent bookstore in Hiram (Paulding County). Retail closings include Southern States farm supply in Carrollton, Checkers in Bremen, and the Three Dollar Café at the Arbor Place Mall. AirTran’s closing of its Carrollton call center at the end of July impacted about 120 employees.
UNIVERSITY OF WEST GEORGIA

ECONOMIC FORECAST BREAKFAST

TUESDAY, OCTOBER 29, 2013 • 7:30 a.m. - 9:30 a.m.
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