

# West Georgia Regional Update

Carroll, Coweta, Douglas, Haralson, & Paulding County

## Industry Spotlight: Trends in Manufacturing Employment

The West Georgia Region's manufacturing sector has suffered badly as a result of the "Great Recession" primarily because of its close ties to the housing industry. Although construction itself represents a relatively small share of total employment (5.4% for the region), construction activity has a large impact on other industries in the local economy. Obviously, the loss of construction jobs has a direct impact via the lost income to those workers; consequently, the decline in the housing market has also led to weakness in housing-related manufacturing. Manufactured items such as countertops, cabinets, windows, siding, garage doors, household wiring, concrete and furniture, are all manufactured in the region. So, the initial declines in housing and construction translated into many more job losses in these related manufacturing sectors throughout the region.

Within the West Georgia Region, about 25% of the employment base is made up of manufacturing jobs. As the housing-led recession deepened, West Georgia's manufacturing firms, such as Ingersoll Rand (Bobcat), Fresh Express, Steelcase, and others either tied directly to housing construction, to consumers, or to other businesses, started laying off workers and shutting their doors.

While the manufacturing jobs West Georgia lost will be difficult to replace, automobile and auto parts production could provide some stability in the region's manufacturing base going forward. The year 2010 was a substantially better year for the auto industry than was 2009. New auto sales were higher in 2010 in every month but August; and, although the national-level December 2010 numbers are not yet available, new auto sales for the first 11 months of 2010 have already



*KIA Motors in West Point, Georgia*

surpassed total sales for all of 2009.

The southeastern region of the U.S. has recently attracted several automobile assembly plants and parts suppliers. Volkswagen is scheduled to open its Chattanooga plant in 2011. The new VW plant has the capacity to build 150,000 vehicles per year and is expected to employ about 2,000 people. Decostar of Carroll County recently finalized a deal to add 50 workers to provide

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## West Georgia Regional Update

U.S. real GDP grew by 3.2% in the 4<sup>th</sup> quarter of 2010. Although the U.S. economy seems to be experiencing a solid expansion, job growth still remains rather anemic. The unemployment rate has remained at or above 9.0% for almost two years and has clearly had a negative impact on consumer confidence.

Home sales have rebounded from historically low levels yet builders face tough competition from foreclosures.

As for the West Georgia Region, unemployment rates continue to remain above the state and national average. As of December 2010, the unemployment rate in each of

the five West Georgia counties exceeded the state rate of 10.2%. Douglas County had the highest unemployment rate at 11.4% while Coweta had the lowest rate at 9.6%. On a positive note, initial claims for unemployment were down in the West Georgia Region in January 2011 suggesting fewer

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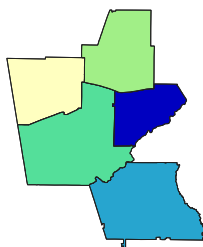
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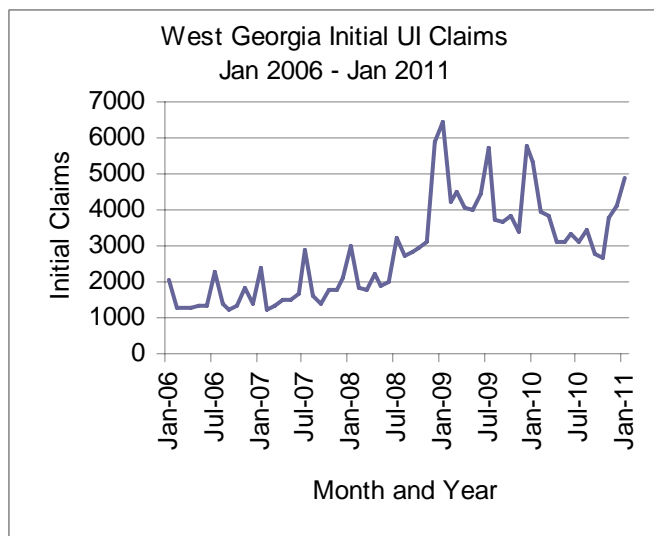


### ANNOUNCEMENT

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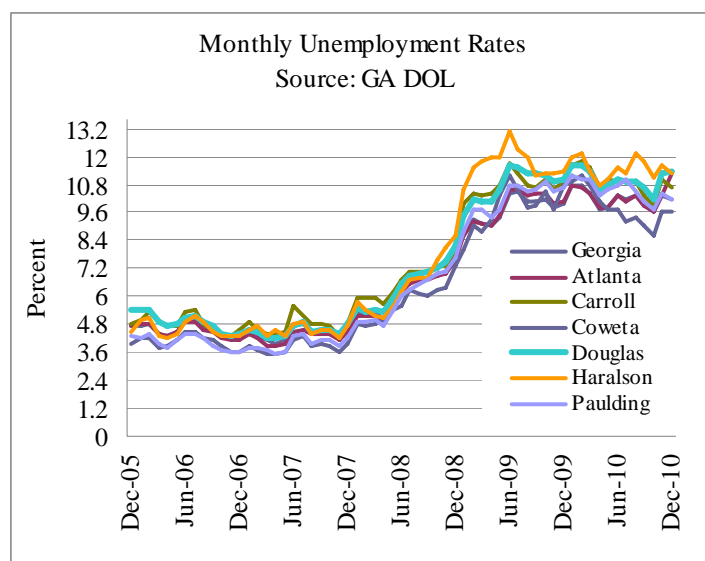
# West Georgia Employment Update



The region has yet to see a substantial reduction in the unemployment rate. Though initial unemployment claims have been retreating from their peak for going on two years now, the unemployment rate for our region continues trending mostly sideways. In four of the five region counties, unemployment rates for Dec. 2010 improved slightly over Dec. 2009. Coweta saw the largest rate decline with a drop of 1.2 %, making it the only county in the region with a single-digit unemployment rate. Only Douglas saw its rate rise over the past year (up 0.4%). Some of the sluggishness in job creation comes from the reluctance of local employers to hire full-time workers, opting instead for working current employees longer hours and taking on part-time help where needed. On a bright note, over the holiday season, unemployment rates across the region held steady despite more workers entering the labor force.

Employment Growth (% Change 2009:Q2 to 2010:Q2)				
	Total Employment	Goods-Producing	Service-Producing	Govt.
<b>Carroll</b>	-3.3%	-3.7%	-1.6%	-7.3%
<b>Coweta</b>	-2.8%	-5.5%	-1.6%	-1.3%
<b>Douglas</b>	0.1%	-4.5%	0.7%	1.2%
<b>Haralson</b>	-0.8%	-6.9%	2.5%	0.3%
<b>Paulding</b>	-0.2%	-5.2%	0.1%	1.3%
<b>Georgia</b>	-1.3%	-6.4%	-0.6%	-0.3%

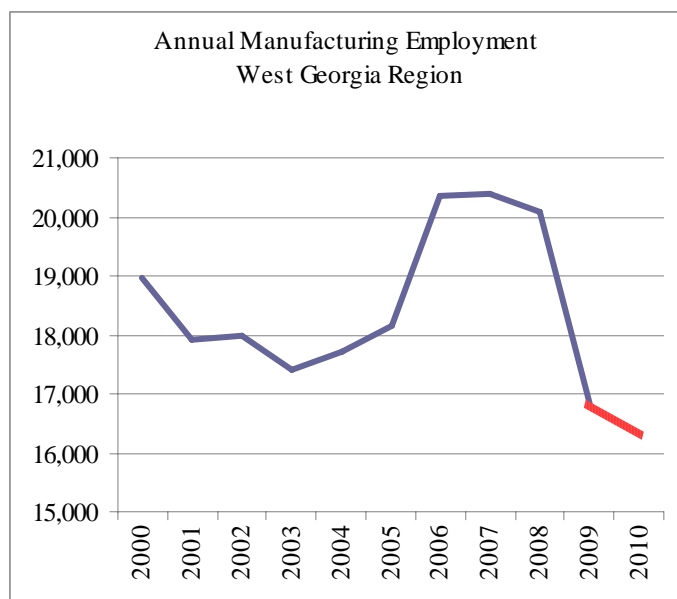
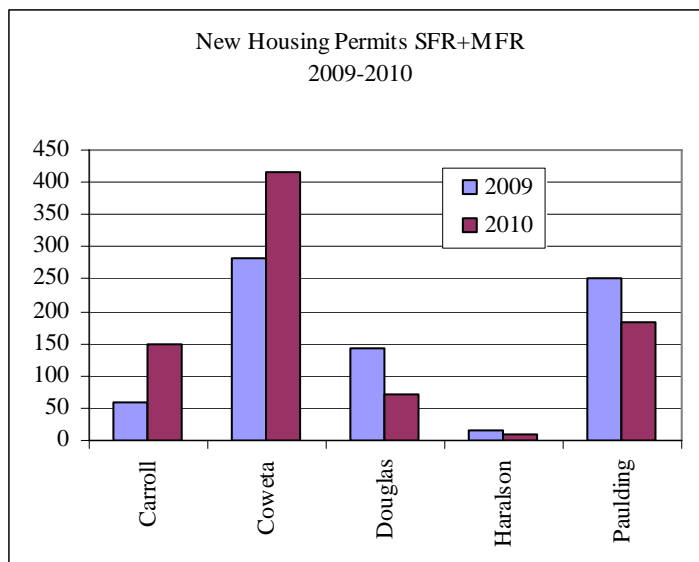
Though the West Georgia Region's initial unemployment insurance claims were up in January 2011, as compared with December 2010, the overall trend over the past two years has been in the downward direction. The January 2011 initial claims totaled 4,880 for the region, which is 446 fewer claims than for January 2010. Over the past two years, seasonal layoffs have been larger in magnitude, while at the same time, full-time non-seasonal jobs were being lost to the recession. In the region, seasonal jobs typically experience large layoffs in late summer and after the holiday seasons. The past two years have brought much larger post-summer layoffs and much larger and faster layoffs after the Christmas season. At the current pace, it will be early to mid 2012 before claims return to pre-recession levels.



The state and most of the counties in our region continue to face job losses; however, the size of the losses has gotten smaller over time, and in some industries job gains have already started. For the period Q2:09-Q2:10, Georgia lost 1.3% of its total job base. In our region, Carroll and Coweta lost jobs at a rate faster than the state but, Douglas, driven by gains in services (specifically temp jobs), posted modest gains in total jobs over the same period. The region has seen a large share of its job base evaporate both during and after the recession, with the largest percentage declines coming from goods production. As late as the year ending in Q4:09, goods production was still experiencing double-digit declines in every county in the region. As county industry data from the 2nd half of 2010 filters in, we will continue to see slow improvements, with overall job growth in most region counties likely to occur a full 18 months after the declared end of the recession.

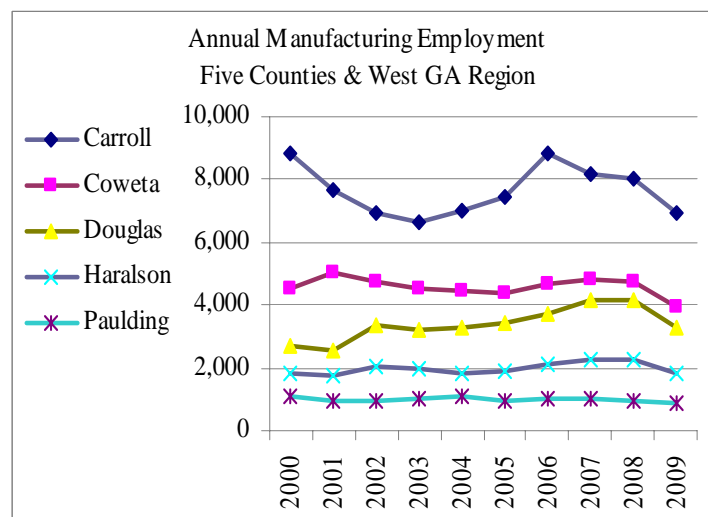
# West Georgia Housing & Manufacturing Update

Coweta County is the only county in the region that experienced an increase in single family housing permits in 2010 as compared with 2009. In 2009, Coweta issued 289 permits for single family residences, down from a peak of 2,052 permits in 2005. In 2010, Coweta's permits reached 416 units, or 20.3% of the permits issued in 2005. Carroll County has experienced a rebound in its multi-family housing, permitting 110 units in 2010, the first permitted since 2006. The remainder of the region, however, has yet to see any significant recovery from what appears to be the bottom of the market. Though 30-year fixed mortgages remain near record low rates, the West Georgia Region's foreclosure rates have either continued to remain stubbornly high, or have actually gotten higher over the past year. Likely most of the blame rests on the slow return of jobs to the area forcing prices down and feeding foreclosure activity.



In percentage terms, manufacturing employment in the region has been the hardest hit. For the period 2008-2009, manufacturing was hit with double-digit declines in all counties in the region except Paulding. In 2007, the region was home to 20,404 manufacturing jobs; however, between 2007 and 2009 manufacturing employment fell to 16,819, or a decline of 17.9% in the manufacturing job base over the two-year period (or an average 9.2% decline per year). As of Q2:10, manufacturing employed 16,297 workers. At its current pace, manufacturing employment for the region is on track to post another 6.2% decline over 2010. Looking inside the manufacturing sector between Q2:2009 and Q2:2010, relatively large employment losses (-144 jobs) were recorded in Non-Metallic Mineral Products, which contains companies that produce construction materials such as concrete; however, smaller losses were recorded in most sub-categories.

In the region, both Carroll and Douglas have been severely affected by the downturn. In absolute numbers, Carroll County has the largest manufacturing job base and has also lost the largest number of production jobs. In 2006, Carroll had 8,824 manufacturing jobs, but by summer 2010, only 6,847 manufacturing jobs remained, which translates into a loss of 22.4% of total manufacturing jobs from the peak. On the other hand, Douglas lost 21.9% (or 916) of its manufacturing jobs in the 1-year period between 2008 and 2009. The more recent quarterly data indicates that of the five counties, only Coweta has experienced job growth in manufacturing over the period Q2:09-Q2:10, tacking on a modest 16 jobs. The good news is that job losses in manufacturing are slowing down.



# The Regional Update

## Manufacturing (cont.)

bumpers to the Chattanooga facility. The two Honda facilities in Haralson County, Honda Lock and Honda Precision Parts, have maintained steady employment and a steady supply of parts to market despite the downturn. Last year, KIA Motors began production at its auto assembly plant in West Point, Georgia. KIA plans on adding a third shift at the plant to help meet the demand for its popular Sorento SUV. The plant directly employs 2,500 workers. Nearby parts supplier plants employ an additional 1,500 workers. In all, the West Georgia Region, with its ties to the automotive manufacturing sector, is well-positioned to take advantage of the rising demand for new vehicles as we put this recession behind us.

Recreational vehicle production is also starting to ramp up. Yamaha Motor Manufacturing, which builds golf carts, ATVs and jet skis, is Coweta County's largest manufacturing employer with approximately 1,000 employees. Yamaha is planning expansion of its Newnan facility with the transfer of its all-terrain vehicle (ATV) production from Japan to Newnan.

Other producers are just looking for new markets. The largest manufacturing employer in the region, with approximately

1,700 area employees, is Carrollton-based Southwire Company. Southwire's main line of business is the manufacturing of wire and cable used in the distribution and transmission of electricity. Recently, Southwire purchased New York-based Tappan Wire and Cable, Inc. This acquisition will substantially expand Southwire's position in portable cord products.

As the baby-boomers age, another area likely to be a source of employment growth over the next two decades is health-related manufacturing. Douglas County recently became the new home of a Medline Industries manufacturing facility. Medline produces and distributes a wide range of medical supplies and products. The new Lithia Springs facility brought with it 141 new jobs. Coweta County is home to another medical manufacturer, Porex Surgical, a producer of facial and cranial implants.

Though manufacturing has benefited from the weaker dollar, circumstances abroad have lessened the positive impact. Some countries in the European economy have seen their national debts explode during the recession, resulting in a weaker euro against the dollar. This has the effect of making U.S. exports much more



*Southwire Headquarters  
Carrollton, Georgia*

expensive in Europe at a time when manufacturing at home is just starting to regain its footing.

Although manufacturing job losses in the West Georgia Region are slowing and some types of manufacturing are starting to see signs of recovery, manufacturing jobs in the region are still scarce, and jobs in general have been slow to return to the area. It has not been unusual for job creation to remain slow past the end of a recession. In the last three recessions, even as national output was increasing, unemployment remained persistently high.

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individuals are filing for unemployment benefits with the Georgia Department of Labor. For the region as a whole, initial claims were down by 8.4% in January 2011 compared to January 2010. Over the same one-year period, the state as a whole saw new filings drop by about 5.9%.

The economic struggles for the region are clearly related to its greater dependence on the goods-producing sectors of construction and manufacturing. As the table on page 2 indicates, employment in goods-production in the West Georgia Region fell in all counties during the second quarter of 2010. In addition, the normally stable government sector also suffered an employment loss of 1.9% during 2010Q2. West Georgia's job

decline in service-related sectors was a more modest 0.4%. Recent housing data show continued weakness as single family permit activity was down in the region by 9.1% in December 2010 (compared to December 2009). Coweta County did see a modest uptick in activity with 374 single units permitted in December 2010 vs. 281 in the same month in 2009. According to RealtyTrac (January 2011 data), Carroll County has the most serious foreclosure problem in the region with 1 in every 154 housing units in foreclosure. Of the five West Georgia counties, only Haralson County has a foreclosure rate below the state average.

There have been a number of positive

economic developments in the region in recent months, mainly in the health services sector. Construction is expected to begin soon on the Cancer Treatment Center hospital in Newnan. WellStar Health System recently announced a \$12.5 million medical services expansion in Hiram. It was reported by the Atlanta Business Chronicle (ABC) that Greenway Medical Technologies, A Carrollton-based developer of electronic health records software and services, plans on adding 250 jobs over the next couple of years. The ABC also reported that Google is seriously considering locating a major data center at a large industrial site in Coweta County.