

West Georgia Regional Update

UNIVERSITY of
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Richards
College of Business

Carroll, Coweta, Douglas, Haralson and Paulding Counties

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ANNOUNCEMENT

Economic Forecast Breakfast

Tuesday, October 30th, 2012

UWG Campus Center

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Or, email djoyner@westga.edu

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&
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Spotlight: West Georgia Banking

Georgia's banking industry, has, without a doubt, been badly shaken by the 2007-09 recession. As an indication of the severity of its impact, Georgia lost more banks than any other state in the country. Since 2007, the state has seen 79 banks forced into receivership by the FDIC. Almost one in every five U.S. banks closed during and after the Great Recession was in the state of Georgia.

Banking is part of the Finance and Insurance industry, and based on state employment numbers and FDIC performance summary reports, Georgia's FDIC-insured banks have lost approximately 14,000 workers between 2007 and 2012 (or 22.7% of its work force over the past 5 years). However, the smaller community based banks have been even harder hit. FDIC-insured community banks in Georgia, those with less than \$100 million in assets, experienced a 41.4% decline in employment (-

933 jobs) over the same period. At first glance, the absolute job losses may appear minor in comparison with those job losses suffered in other industries; however, the finance industry creates relatively well-paying jobs, and the finance sector provides essential services for other local industries. Hence, the decline in the state's financial sector likely has a substantial impact on growth in other parts of the economy.

In 2007, the average finance and insurance worker in Georgia earned almost \$1,200 per week. After adjusting for inflation, the loss of these banking jobs cost the state an estimated \$740 million in income annually. The banking industry also provides credit to small and up-start businesses, and the loss of both banks and personnel has likely decelerated the state's recovery by slowing the flow of business credit. According to the Small Business Administration, Georgia's small businesses received \$28.8



billion in credit in 2005, and just over half of that credit (51.8%) was extended by small, community-based banks. By 2009, small businesses accounted for \$29.4 billion in loans in the state (an increase of only 2.1% over the 4-year period). In 2009, however, the majority (55.0%) of small business loans were provided by the 17 largest banks operating in the state. In addition to the decline in economic activity asso-

(Continued on page 4)

West Georgia Regional Update

U.S. real GDP grew by 2.2% in the 1st quarter of 2012 (down from 3.0% in the 4th quarter of 2011). The U.S. economy added only 69,000 jobs in May 2012 following a gain of 77,000 jobs in April. The most recent Case-Schiller Home Price Index shows continued weakness in the housing market with home prices down year-over-year in March 2012

by 2.6% nationally and even more steeply in the Atlanta MSA (-17.7%).

As for the West Georgia Region, unemployment rates continue to remain above the national average in all five counties in the region. As of April 2012, the unemployment rates in two of the counties, Coweta and Paulding, were below the

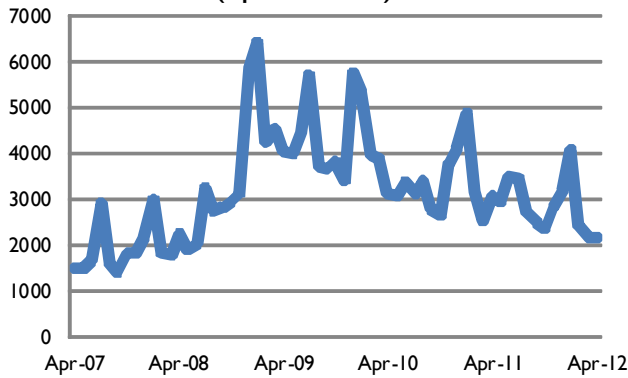
state rate of 8.7%. One very positive sign is the year-over-year drop in initial unemployment claims in each of the counties in the region. Carroll has seen the greatest improvement with the number of unemployment claims 38% lower in April 2012 compared to April 2011.

The most recently available

(Continued on page 4)

West Georgia Employment Update

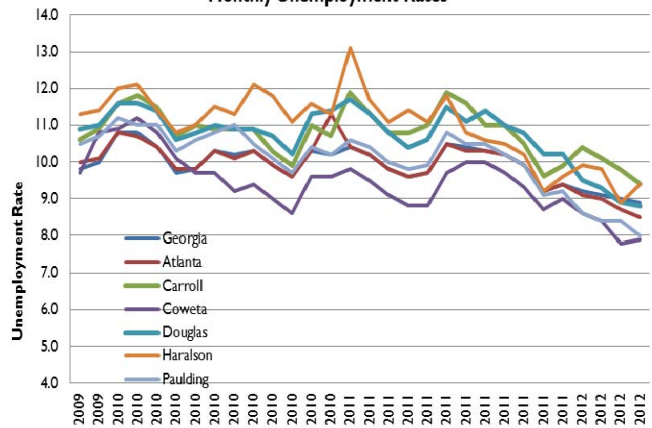
**West Georgia Initial UI Claims
(April 2007-2012)**



The unemployment rate for the West Georgia Region stands at 8.5% in April 2012, down from 9.5% over April 2011. Every county in the region saw its unemployment rate shrink over the past year. Haralson saw the largest decline of 1.5 percentage points; however, some of the rate decline came as a result of a shrinking labor force (-18 workers for Haralson). The other four counties in the region experienced unemployment rate declines, while at the same time adding to their respective labor forces. Coweta County, though posting the smallest unemployment rate decline, added 624 to its labor force and currently has the region's lowest unemployment rate of 7.9%. Carroll, Douglas and Paulding all experienced rate declines in excess of 1 percentage point, while combining to add another 664 workers to West Georgia's labor force. Carroll and Haralson are currently tied for the region's highest unemployment rate of 9.4%.

Initial unemployment claims have trended downward for the region since the Winter of 2009. Though we continue to see year-over-year improvements in the number of people filing initial claims for unemployment insurance, the rate of decline has started to slow down. Overall, the region experienced 29.3% fewer claims than in April of 2011. The largest absolute declines in new claims came from Carroll County, where claims fell by 313, a rate of change of -38.0% over the period. Haralson had the largest reduction in percentage terms, dropping by 142 new claims, or -50.1% over April 2011. All counties in the West Georgia region saw larger declines in new unemployment claims than did the Atlanta MSA overall (-13.0%), and the State (-12.6%); however, at the current rate of descent, pre-recession levels of new claims likely remain more than a year away.

Monthly Unemployment Rates



Employment Growth (% Change 2010:Q3 to 2011:Q3)

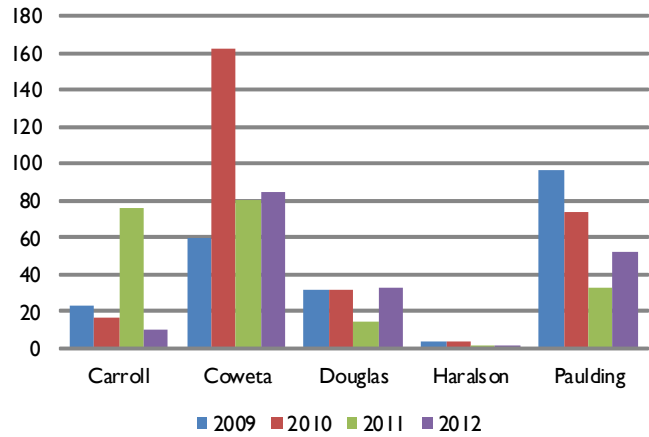
County	Total Employment	Goods Producing	Service Providing	Govt.
Carroll	1.82%	5.41%	1.34%	-1.20%
Coweta	1.75%	4.09%	1.84%	-1.11%
Douglas	-1.67%	-5.22%	-0.76%	-2.71%
Haralson	-1.19%	2.20%	-2.76%	-0.80%
Paulding	2.70%	-3.08%	8.04%	-6.32%
Georgia	1.08%	0.30%	1.94%	-1.77%

From 2010:Q3 to 2011:Q3, growth in Georgia's goods-producing and service-providing sectors resulted in growth in total employment over the past year for the state. Within the West Georgia Region, three counties have now begun to experience growth in total employment. Paulding experienced the largest overall gains of 499 jobs, or an increase of 2.7%. Almost all of the increase came from the service-providing sector (+881 jobs). Accommodation and food services, retail trade and temporary employment posted a combined 584 jobs over the period. Carroll County experienced the second largest gains, posting higher numbers in both goods-producing and service providing industries. Manufacturing lead all sectors, adding 330 employees. Construction employment also saw a bounce, likely from government-related projects such as the new courthouse and veterans' administration clinic both located in Carrollton. Carroll's service-providing sector also added 215 jobs, with big gains in healthcare, information and accommodation and food services. Coweta also saw overall job growth over the year (+524 jobs), with manufacturing (+310 jobs) and temporary workers (+225) posting the largest gains in employment for the year.

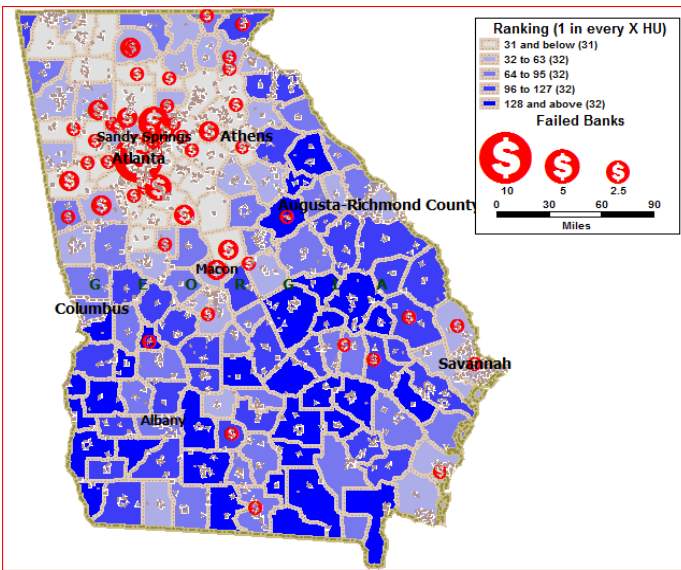
West Georgia Housing and Banking Update

Though in other parts of the country new single family housing permits are beginning to trend in the upward direction, there has yet to be any signs that the new single-family housing market in the West Georgia Region is beginning a recovery. New single-family residences in three of the five counties in the region posted more new permits through April of 2012 than in the previous year (Coweta, Douglas and Paulding), whereas two posted the same or fewer permits (Carroll and Haralson). Overall, the trend for the region continues downward. Through April, 2011 the region permitted 203 new single family residences. For the same period in 2012, only 179 new residences were permitted, representing a decline of 11.8%.

Single Family Residences Permitted



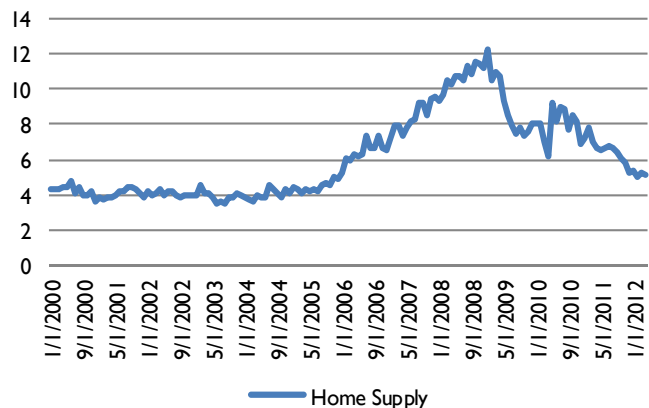
Bank Failures and Foreclosure Rates By County



Across the U.S., the number of commercial banks and savings institutions have declined by more than 20% since 2002. The map depicts both failed banks since 2000 as well as the current rankings of foreclosures, by county. West Georgia contained 8.8% of the bank closures in Georgia. The majority of the bank closures that have taken place since 2000 have occurred in areas with troubled housing markets. The lighter shades indicate higher rates of foreclosures. In Georgia, counties with the highest share of its housing in foreclosure are those near the edge of the Atlanta Metropolitan Area. Formerly population growth areas with longer commuting distances to the central city, these counties have seen both their housing and banking sectors collapse together. Within the West Georgia Region, all five counties rank in the top 40 state-wide in terms of foreclosures as a share of its housing stock, and two counties ranked in the top 10 (Carroll #2 and Douglas #8).

The *home supply* is the ratio of houses for sale to houses that are sold. It provides an indication of the size of the for-sale inventory that is for sale relative to the number of houses currently being sold. April's supply of homes in the U.S. market continues the general decline from its peak in January, 2009. The supply is a measure of how long the current sales inventory would last given the current sales rate if no additional new houses were built. April's supply is 5.1 months, which is only 1/10th of a point above its most recent low of 5 months in February of this year, and which puts the home supply at levels last seen at the end of 2005. Despite the relatively low for-sale inventory, the Case Schiller Index of home prices fell 2.6% for the year ending in March; however, Atlanta's housing market fared the worst nationally, seeing prices decline by almost 18%.

Home Supply, U.S.





West Georgia Banking (continued from page 1)

ciated with the shrinkage of the financial sector and the reduction in lending activity, there have also been a substantial reduction in the wealth in communities where these failed banks were located, because many depositors were also bank stockholders.

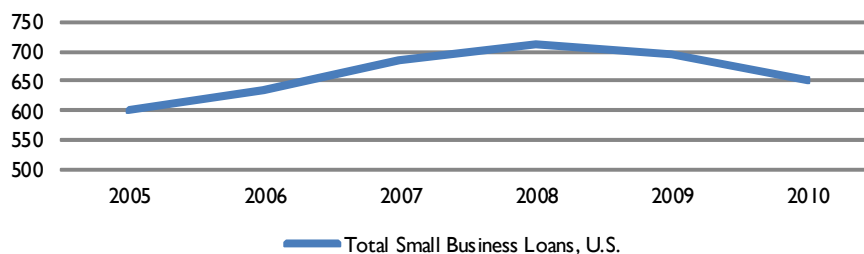
Since the Summer of 2009, the 5-county region has lost 7 local banks. Most recently, First Choice Community Bank of Dallas, closed in April 2011. In addition, Between 2010:Q3 and 2011:Q3, the West Georgia Region lost a total of 125 jobs in the finance and insurance industry. And, though not every West Georgia county suffered losses in finance and insurance jobs last year, Carroll (-150 jobs) and Paulding (-23 jobs) combined to offset any gains made in the other three counties over the period.

The banking turnaround has been a difficult process. In 2008, President Bush signed a bill that temporarily increased deposit insurance coverage to \$250,000 per depositor from \$100,000 to re-instill depositor confidence. This was, in part, to prevent the modern-day bank runs that have resulted in the demise of larger banks, like IndyMac in 2008. The Dodd-

Frank Act made this increase in deposit insurance permanent. Bigger federal guarantees on deposits and the perceived safety of the largest banks have driven up deposits. However, according to Bloomberg Businessweek, despite a \$2 trillion increase in deposits between 2007 and 2011 in banks, loans over that same period fell by \$200 billion. As a result, policy makers have increased their demands for banks to make more loans to help speed up the economic recovery. On the other hand, bankers claim they are getting mixed messages from officials.

Bank executives agree that to increase profitability and to move out from under the microscope of the FDIC, banks have to increase lending from their present levels. However, increasing lending from its current level means financing riskier ventures, which may come back to further harm the bank and lead to a visit from bank regulators. Additionally, asset level requirements have forced some banks to hold on to new deposits to cover declining asset values in other parts of the balance sheet.

**Small Business Loans of \$1 million or less
(in billions)**



Update (continued from page 1)

employment data show a slight uptick in the job market in the West Georgia region. As summarized in the table on page 2, total employment increased in West Georgia region by .73% between 2010Q3 and 2011Q3. Three of the five counties in the region, Carroll, Coweta and Paulding, saw job growth over this one year period. The main drags on employment in the region continue to be the government and construction sectors. On the other hand, the region experienced a modest gain in employment in manufacturing and services over this period. The financial sector, banking and insurance, continues to shed jobs, down by 4.4% between 2010q3 and 2011q3. Recent housing data show continued weakness as single family permit activity in the West Georgia Region was down by almost 12% in first four months of 2012 compared to same period in 2011. According to RealtyTrac Inc. (April 2012 data), Carroll County has the most serious foreclosure

problem in the region with 1 in every 172 housing units in foreclosure. Coweta and Haralson counties both have housing foreclosure rates below 1 in every 400 housing units.

The West Georgia region has seen quite a bit of positive news on the economic front in recent months. Wellstar Health Systems announced plans to renovate its Douglasville hospital. This \$18.5 million renovation, expected to be completed by September 2014, will include a renovation and expansion of the ICU and emergency departments. In other health facility news, Newnan's Cancer Treatment Center of America Hospital is preparing to receive its first patients this summer. On the retail front, recently vacated Food Lion grocery stores in Carrollton, Dallas, and Douglasville will now become Food Depot stores while the vacant Newnan and Sargent Food Lion stores will become Little Giant outlets.

The Carrollton Kroger is also undergoing a \$25 million expansion. A number of new retailers have opened or will be opening soon at the Arbor Place Mall in Douglasville. Hiram will be the site for a new Five Below Store to open this summer. Custom Molded Products recently announced that it will be adding 50 jobs at a new facility in Newnan. This company supplies component parts for the pool and spa industry. In March, Medline Industries opened its medical supplies production facility in Lithia Springs, adding about 150 production jobs to the Douglas County employment base. A number of major public sector construction projects are underway in the region including student housing and a new nursing building at the University of West Georgia, a new Veterans Village and courthouse in Carrollton, a new jail in Douglasville, new conference centers in Douglasville and Newnan, and a variety of K-12 school construction projects throughout the region.