

West Georgia Regional Update

UNIVERSITY of
West Georgia

Richards
College of Business

Carroll, Coweta, Douglas, Haralson, Paulding and Polk Counties

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ANNOUNCEMENT

Economic Forecast Breakfast
Tuesday, October 29th, 2013
UWG Campus Center

For Reservations Call:

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BB&T

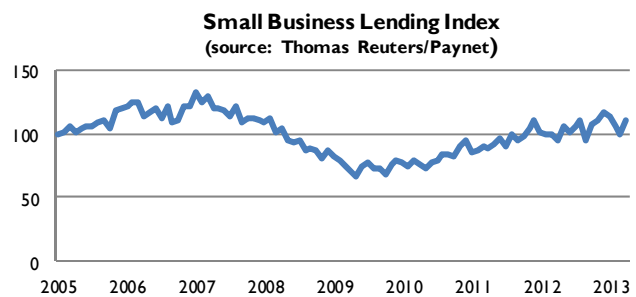


Spotlight: Small Business Climate in West Georgia

According to the US Small Business Administration, Georgia's economy is heavily reliant on the health of and the growth in small business within the state. A 2012 profile of Georgia indicates that small businesses employ about 44.8% of the private-sector labor force. Although current indicators (such as the NFIB Small Business Optimism Index) suggest that economic conditions are improving for small businesses, other factors such as potential costs associated with the implementation of the Affordable Care Act as well as the possibility of higher borrowing rates if the Federal Reserve (Fed) were to reverse its quantitative easing program add uncertainty to the outlook for small businesses.

Nationally, the Federal Deposit Insurance Corporation (FDIC) reported that the total amount of small business loans increased in the 4th quarter of 2012, the first quarterly increase since the FDIC started tracking these loans in 2010.

Thomas Reuters/Paynet, another source of small business financing data, produces an index of small business loan activity (see



graph above). The Small Business Lending Index (SBLI) has been used as a leading economic indicator due to its ability to predict economic activity as much as six months in advance. The index, which measures the overall volume of financing for small businesses in the U.S., rose to 110.5 in April 2013, which is up from 99 in March. Additionally, this lending index has risen 17% from the previous April, indicating that more money has become available for small business loans. Some small businesses are starting to take advantage of these funds; however, businesses and lenders remain cautious about new business expansions. The result has been slower expansion and less

hiring nationally. Only over the last 18 months has the SBLI moved above the levels recorded in 2005, the base year for the index.

The Small Business Administration defines small businesses as those with employment less than 500; using this definition, virtually all West Georgia businesses would be considered "small." Instead, we focus on businesses with fewer than 50 employees, which represents the size above which work-provided healthcare under "Obamacare" must be provided, and because it provides a more appropriate measure of small business in the region. The table (page 4) provides a look at

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U.S. real GDP grew by 1.8% in the first quarter of 2013, up considerably from the 0.4% growth experienced in the 4th quarter of 2012. The jobs report was relatively strong in May as the U.S. economy added about 175,000 jobs. The unemployment rate (SA) stood at 7.6% in May 2013. In comparison, 8.2% of the workforce was unemployed in May 2012. The most recent Case-Schiller Home Price Index shows

continued improvement in the housing market with April 2013 U.S. home prices up 12.1% compared to April 2012. The increase in Atlanta MSA housing prices was even more dramatic, up 20.8%.

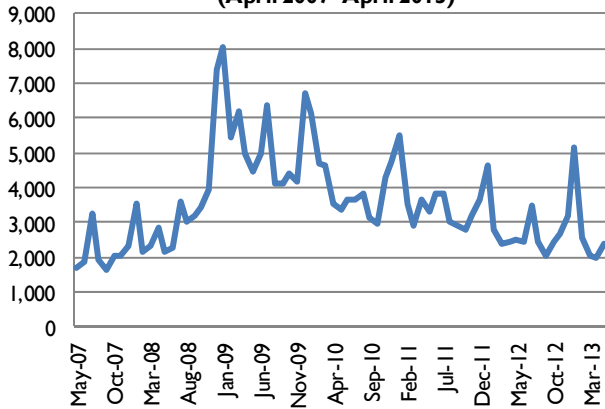
As for the West Georgia Region, unemployment rates are now at or below the state average in four of the six counties in the region. Carroll County (9.8%) and Haralson County (9.3%)

exceed the state average while Coweta County has the lowest unemployment rate in the region at 7.6%. Year-over-year unemployment claims were down in four of the region's counties between May 2012 and May 2013. Coweta County has seen the greatest improvement with the number of unemployment claims 21% lower in May 2013 compared to May 2012. On the other hand,

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West Georgia Employment Update

**West Georgia Initial UI Claims
(April 2007- April 2013)**



Year-over-year, the West Georgia Region's economy continues to show measured improvements, adding a total of 4,124 positions to the labor force and doing so while unemployment rates continue to trend downward. The unemployment rate in the West Georgia Region was 8.4% for May 2013, which is down from 8.8% in May 2012. Every county except Carroll experienced rate declines, with Douglas experiencing the largest rate reduction, falling from 9.2% in May 2012 to 8.5% in May 2013. On the other hand, Carroll's May unemployment rate remained unchanged from a year earlier. Remarkably, both the number of residents employed and the labor force (those working or actively looking for work) in each county has risen. Even though Carroll's unemployment rate was unchanged, based on household data, the county's labor force and employment continues to expand.

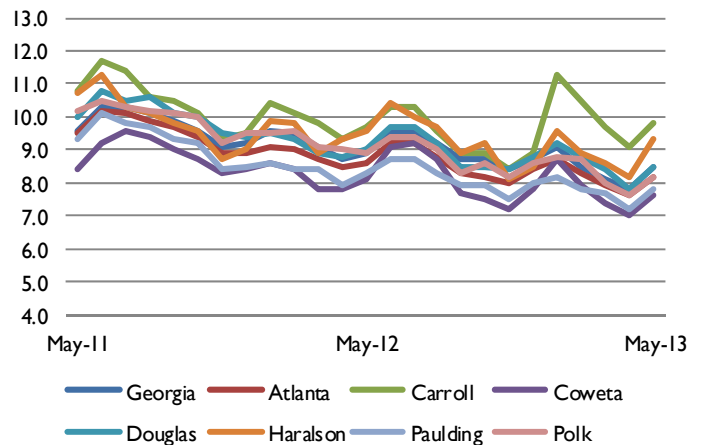
Employment Growth

(% Change 2011:Q4 to 2012:Q4)

County	Total Employment	Goods Producing	Service Providing	Govt.
Carroll	5.0%	-8.4%	10.6%	6.7%
Coweta	4.0%	-6.3%	7.5%	0.1%
Douglas	1.7%	3.0%	1.6%	-0.2%
Haralson	0.9%	1.5%	7.1%	-12.9%
Paulding	2.0%	-1.0%	3.1%	-0.5%
Polk	0.8%	1.6%	0.2%	0.6%
Georgia	1.6%	0.2%	2.3%	-1.2%

After a troubling rebound in initial unemployment claims over the period between February 2012 and 2013, the region saw its new claims drop back to the longer-term, downward trend. Between May 2012 and 2013, the region saw a reduction of 129 claims, or -5.2% over the year. Douglas experienced the largest decline in claims both in absolute and percentage terms, dropping by 108 claims (-20.5%). Four of the six counties in the region experienced reductions in the level of new claims, indicating the continuation of the local economic recovery after larger-than-expected layoffs during and after the 2012 holiday season. Carroll experienced the largest claims increase with 127 (or 24.9%) more claims in May 2013 over May 2012. What has become increasingly clear is that firms in the West Georgia Region are more rapidly adjusting employment levels to match market conditions.

Monthly Unemployment Rates

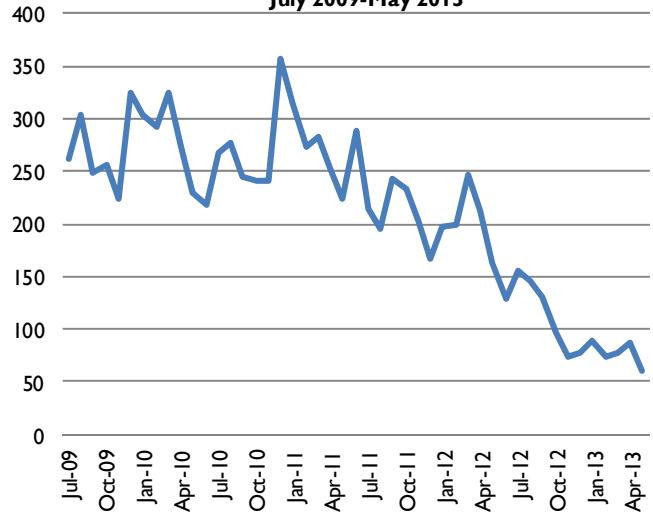


West Georgia's employment levels continues to improve, with every county experiencing positive job growth, and all but two counties growing faster than the state as a whole. At a growth rate of 5.0%, Carroll County experienced that largest growth in total employment during the past year in the region. Coweta followed with total employment growth of 4.0%; however, Carroll and Coweta both experienced significant declines in their goods-producing sectors. Carroll shed 733 jobs in manufacturing, while Coweta dropped another 341 jobs across both construction and manufacturing. The main source of private-sector job growth in these two counties came from the service-providing sector. Carroll added 959 jobs across wholesale and retail trade. Coweta's service sector job growth was primarily in healthcare (+810), but it also saw gains in accommodation and food services (+222) and temporary employment (+351). Though they posted lower overall job growth, Douglas, Haralson and Polk experienced growth in all major private sectors.

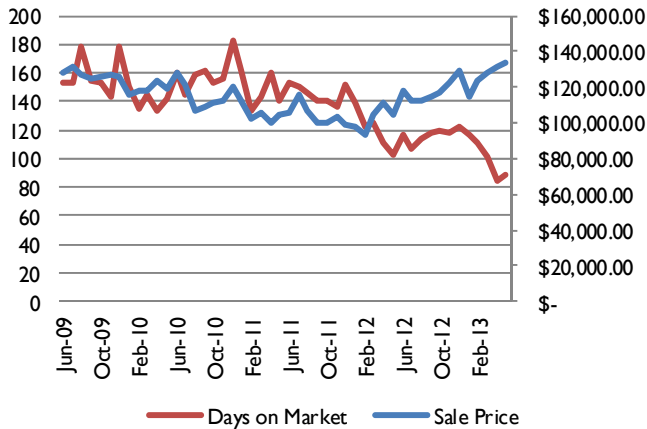
West Georgia Housing Update

Based on new data from the Georgia Multi-Listing Service (GAMLS), the number of foreclosures in the West Georgia Region has been showing signs of sustained improvement. The number of new foreclosures in the region for May 2013 stands at 61, a decrease of 62.3% over the previous year. Douglas continues to lead the region in new foreclosures; however, the level of new foreclosures in the county is 50% lower than in the May of 2012. Coweta experienced the largest decline in new foreclosures (-76.6%), followed by Carroll (-70.6%) and Paulding (-66.6%). One of the reasons for fewer foreclosures is that pre-foreclosure sales have become more common than foreclosure sales. According to a recent RealtyTrac report, short sales accounted for 22% of all sales in 2012, whereas foreclosure-related sales had fallen to 21% of total sales, down from 23% in 2011 and 28% in 2010. As residential property has regained some of its value, buyers and sellers prices are coming closer together, meaning fewer homes are reaching the final stages of foreclosure.

Monthly New Foreclosures for West Georgia, July 2009-May 2013



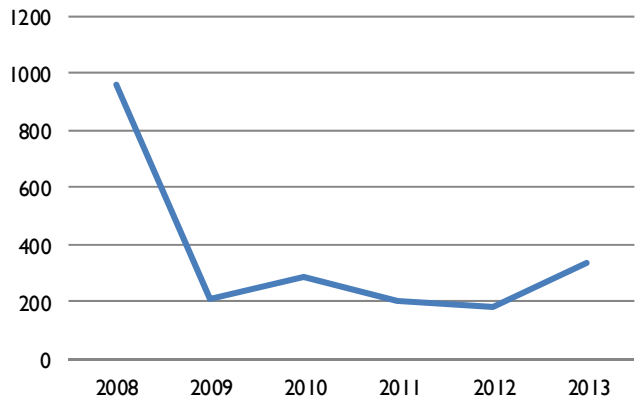
Days on the Market & Sales Price



Although foreclosures continue to occur, the West Georgia Region's housing market continues to see improvements. Days-on-the-market has been trending downward since late 2010, and starting in early 2012, the sale price of single family residential housing has been climbing. The increase in housing prices and the reduction in time-on-the-market can both be attributed to the reduction in housing inventories in the region. One area that has been extremely slow to recover has been new housing construction; however, there has been revived interest in building new units (even speculatively) in the some areas around the Atlanta MSA. The availability of inexpensive foreclosures have kept builders on the sidelines; however, 2013 may represent the year that new housing construction begins its long climb from the 2008-2009 collapse in West Georgia.

Although the region is far from producing the number of houses it did prior to the recent housing collapse, permits through April 2013 are up substantially (86.6% compared to the same period in 2012). Currently, the region is experiencing the highest level of new single family residential permit activity since the initial drop in 2009. Every county in the region reported more permits this year over last (Polk data unavailable). Douglas had the smallest increase of 6.3%, or two new permits. Haralson had the largest percentage increase of 600%, but that only represented an increase from one permit in 2012 to seven permits in 2013. Both Coweta and Paulding saw substantial increases in both numerical and percentage terms. Coweta's permits through April 2013 stand at 156, up from 84 for same period in 2012 (or +85.7%). Paulding's permits grew from 52 through April 2012 to 111 in 2013 (or +113%).

West Georgia Single Family Permits (through April)



Small Business Climate in West Georgia (continued from page 1)

these types of firms in West Georgia.

Between Q4:2011 and Q4:2012, the number small businesses increased in four of the six West Georgia counties. The two counties that saw net declines in small businesses, Haralson and Polk, lost 13 and 3 firms respectively, all of which appear to have been small businesses.

Coweta saw the largest increase in new small businesses, adding 83 new firms to the county over the year, which translated into a net of 594 new private-sector jobs. Coweta experienced an increase of 86 new firms, both large and small, leaving only 3 firms as the net increase in firms larger than 50 employees. While the goods-producing sector continued to lose firms and jobs, the service-providing sector more than made up the numerical losses. The service-providing sector generated 921 jobs, with the largest gains in healthcare (+391 jobs), accommodation and food services(+160 jobs), and temporary employment (+231 jobs). The largest job losses were from manufacturing (-166 jobs) and construction(-196 jobs).

Douglas County experienced the second largest growth in the number of small-business firms with 58 new small businesses over the past year. A total of 59 new firms were added in the county, indicating a growth in firms with 50 or more employees of only one. Between Q4:2011 and Q4:2012, Douglas added 795 new private-sector jobs, and 816 jobs in total. Most of these small businesses in Douglas County are concentrated in the service-providing sector. Douglas added 130 new jobs in finance and insurance and 106 new jobs in wholesale. The sector with the largest growth in absolute

terms was healthcare, with 245 new jobs.

Carroll gained 40 new small businesses over the past year. In total, however, Carroll only posted a gain of 35 firms, both large and small. This indicates either a loss of larger firms in the county, or more likely, some of Carroll's larger firms reduced employment and have been reclassified as smaller firms. The largest job losses were in food manufacturing, and interestingly, the largest employment gains were primarily from new restaurants.

Paulding, like Carroll, experienced an increase in small businesses and a reduction in the overall number of businesses. Although Paulding saw more private job growth overall, there is considerably more activity in the service-providing small businesses than in goods production.

Although recent growth in the small business sector is helping to soften the impact associated with the jobs lost during the previous recession, it is important to be mindful that average wages associated with these newer small businesses in the service-providing sector tend to be lower than wages in the goods-producing sector. In Coweta, for example, where small business growth is relatively strong, the average wage for a goods-producing job in Q4:2011 was about \$829 per week. In the service-providing sector, the average wage was \$610 per week, or about 73.8% of a job in goods-production.

As the national economy improves, the continued availability of investment financing may be an issue for new and expanding small businesses; however, regulatory costs may be also

be a significant factor affecting growth. Recent Fed announcements suggest the possible reversal of its policy of quantitative easing beginning in late 2013. Such speculation has already affected stock markets and, if the Fed does start to slow its stimulative bond-buying program, interest rates on investment will rise. Whenever it occurs, the Fed's movement back to more traditional monetary policies will reveal the true strength of the recovery, and whether the business decisions being made are in response to interest rates or something else, such as the implementation of policies related to federal healthcare reform. According to the NFIB Chief Economist, William Dunkelberg, "nothing encourages hiring and inventory and capital investment more than a growth in customers and spending." This will be the key to whether or not the small business sector will thrive over the next couple of years.

Small Business Growth in West Georgia (Q4:2011 to Q4:2012)

County	Gain/Loss (firms emp<50)	Gain/Loss Total Firms
Carroll	40	35
Coweta	83	86
Douglas	58	59
Haralson	-13	-13
Paulding	46	43
Polk	-3	-3

Update (continued from page 1)

unemployment claims increased by 25.0% over the same period in Carroll County.

The most recently available employment data show job gains in all six counties in the region. As summarized in the table on page 2, total employment rose in the West Georgia region by almost 3% between 2011Q4 and 2012Q4. The region is experiencing sharp growth in health care, accommodations/food services, and temporary employment with only modest gains in government and retail employment. Hospital openings contributed to the 27% rise in health care employment in Coweta County over this 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 327 single family units permitted in the first four months of 2013 compared to 179 units for the same period in 2012.

The West Georgia region experienced both positive and negative economic news over the past few months. AirTran announced that it will be closing its Carrollton call center at the end of July, impacting about 120 employees. Carrollton's Sony distribution facility plant shut down operations in early May also. As of July 2012, the plant employed about 125 workers. On a positive note, Kroger's \$20 million expansion of its Carrollton store is nearly complete, adding about 150 jobs. Tanner Health System also opened its new \$1.3m Carrollton rehabilitation center in June. In Coweta County, Yamaha Motor announced that it would add 100 jobs this year at its Newnan manufacturing plant. In addition, Health South Corporation announced that it will be building a 50-bed rehabilitation hospital in Newnan (expected to be completed by late 2014), further adding jobs in Coweta's booming health care sector. Douglas County is also

benefiting from positive developments in the health care sector as Wellstar Douglas began its \$18 million ICU and emergency department renovation project in May. The news wasn't so positive in the financial sector as regulators shut down the county's largest bank, Douglas County Bank, in late April. The bank's assets were quickly assumed by Hamilton State Bank. Ronchi, an Italian packaging equipment firm, announced in late April that it would establish its U.S. headquarters in Paulding County. The proposed \$86 million Richland Creek Reservoir in Paulding County may be closer to fruition as Governor Deal announced that the project would receive about \$21 million in new state funds. In Polk County, the new medical center project has cleared various construction hurdles. Groundbreaking for the medical complex is scheduled for late July.