

West Georgia Regional Update

UNIVERSITY of
West Georgia

Richards
College of Business

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

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Department of Economics

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&

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ANNOUNCEMENT

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

For Reservations Call:

Phone: 678-839-6477

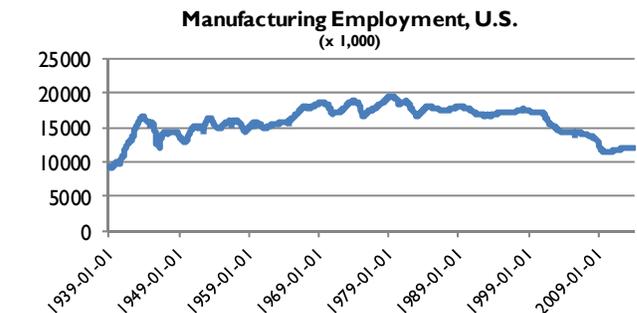
Or, email djoyner@westga.edu



Spotlight: Manufacturing in the US and Georgia

As few as five years ago, the prospect of a manufacturing job recovery was not considered likely. Many regarded additional job losses in this industry to be a foregone conclusion. In the U.S., manufacturing employment reached a peak in the summer of 1979 with 19.6 million workers; however, since then, U.S. manufacturing has experienced an employment decline of historic proportions. By 2010, the sector had accumulated losses of 8.1 million jobs. Currently, the nation's manufacturing employment level is on par with job levels experienced in the 1940s. Though the massive job declines started 35 years ago, only recently has there been any indication of a shift back to job growth in manufacturing. In fact, between 2000 and 2012, Georgia continued losing manufacturing jobs, shedding 33.7% of its already diminished manufacturing job base.

Nevertheless, some suggest that the recently increasing activity in U.S. manufacturing may represent a longer-term trend and not just a brief stopping point before we experience additional job losses. Lower energy prices



and slower real U.S. wage growth means lower costs for employers, and more are staying here.

Currently, there is guarded optimism within Georgia's manufacturing sector. It is expected to be a bright spot in 2014, adding in excess of 4,000 net new jobs and West Georgia is expected to share in the job growth. Within the region, parts manufacturer DecoStar announced plans to expand both plant and employment. The Japanese parts manufacturer Yachihyo is moving to Carrollton and building a new facility, further expanding our presence in the automotive manufacturing sector. Yamaha in Newnan is expanding production by 100 workers. Three food man-

ufacturers, Trident Seafood, Gordon Foods and Universal Pasteurization Company, are in the process of relocating to the region and will add more than a combined 500 jobs in the coming years. In total, West Georgia is expected to add about 2,700 new manufacturing jobs in the next three years; however, the lack of depth in the state's workforce education and skills is often cited as a major hindrance to long-term growth in Georgia's manufacturing sector.

One might ask, why is manufacturing so important to Georgia? Traditionally, the manufacturing industry is viewed as a necessary condition for economic growth.

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West Georgia Regional Update

U.S. real GDP grew by 2.6% in the fourth quarter of 2013, down slightly from the 4.1% growth experienced in the third quarter of 2013. The U.S. jobs report was relatively strong in March 2014 as the U.S. economy added about 192,000 jobs. The U.S. unemployment rate (SA) stood at 6.7% in March 2014. In comparison, 7.5% of the U.S. workforce was unemployed in March 2013. The most recent Case-Schiller Home Price

Index shows continued improvement in the housing market with January 2014 U.S. home prices up 13.2% compared to January 2013. The increase in Atlanta MSA housing prices was even more dramatic, up 16.8% over the past year.

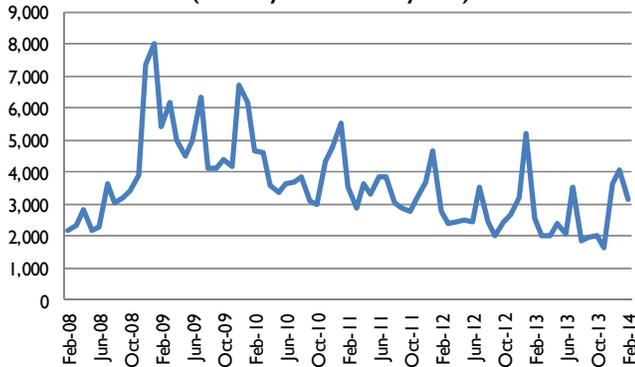
As for the West Georgia Region, unemployment rates in February 2014 were lower in all six counties in the West Georgia Region compared to February 2013. Paulding County had the

lowest unemployment rate in the region (6.4%) while Carroll County had the highest rate at 8.2%. Two of the region's counties, Coweta and Paulding, had unemployment rates below the national average of 6.7%. Over the past year, Carroll County has seen the largest drop of -2.5 percentage points in its unemployment rate. Recent employment and housing numbers provide evidence of economic

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West Georgia Employment Update

**West Georgia Initial UI Claims
(February 2008- February 2014)**



Though 2013 raised concerns about returning to double-digit unemployment rates in West Georgia, the end of 2013 and the beginning for 2014 brought much lower rates. From February 2013 to February 2014, every county in West Georgia experienced a reduction in its unemployment rate. In addition, four region counties' unemployment rates declined as fast or faster than both the Atlanta Metro Area (-1.5 percentage points) and the state overall (-1.6 percentage points). Carroll's rate experienced the largest decline, falling by 2.5 percentage points; however, at 8.2%, Carroll's unemployment rate remains the highest in the region even though it had the second largest decline in labor force (-455 workers). Douglas experienced the second largest rate decline, shaving off 1.7 percentage points. Coweta and Paulding matched the state's decline, and with rates of 6.4% in Paulding and 6.5% in Coweta, they are the only two counties in the region with an unemployment rate under 7%. Furthermore, both counties added more than 100 workers to their county labor forces.

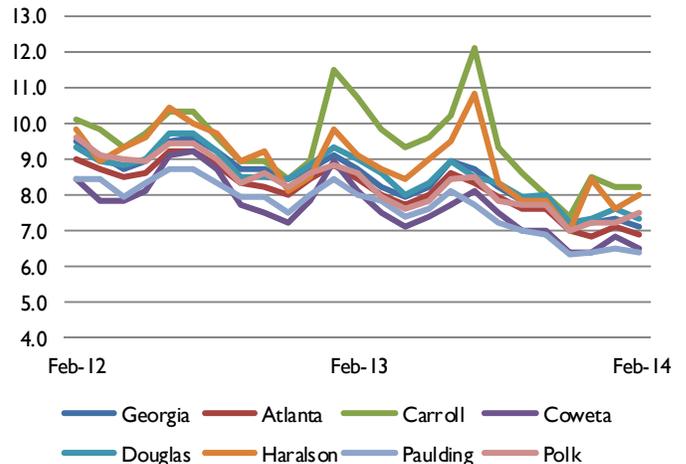
Employment Growth

(% Change 2012Q3 to 2013Q3)

County	Total Employment	Goods Producing	Service Providing	Govt.
Carroll	-1.13%	-6.30%	9.50%	-23.88%
Coweta	7.59%	4.66%	10.37%	-0.87%
Douglas	1.79%	7.85%	1.04%	-0.40%
Haralson	-19.07%	-19.03%	-26.52%	-2.56%
Paulding	3.59%	2.12%	5.09%	-0.21%
Polk	0.54%	1.76%	0.91%	-3.66%
Georgia	2.24%	2.30%	3.26%	-1.76%

The region overall has experienced a jump in the number of newly unemployed. Though down from January, the 3,159 new claims represent an increase of 603 (or 23.6%) over the previous February. As a whole, the Atlanta Region experienced lower levels of new claims (down 6.6%); however, only two counties in the West Georgia Region experienced reductions, Haralson (-9.2%) and Paulding (-20.7%). Overall, the state saw 9.4% more new claims in February 2014 over February 2013. The region appears to have seen the improvements in new claims reaching an end. Surprisingly, these higher levels of claims come despite a reduction in the size of the West Georgia labor force (-623 workers). Further improvements may come as a result of new jobs promised to the region in the following years.

Monthly Unemployment Rates

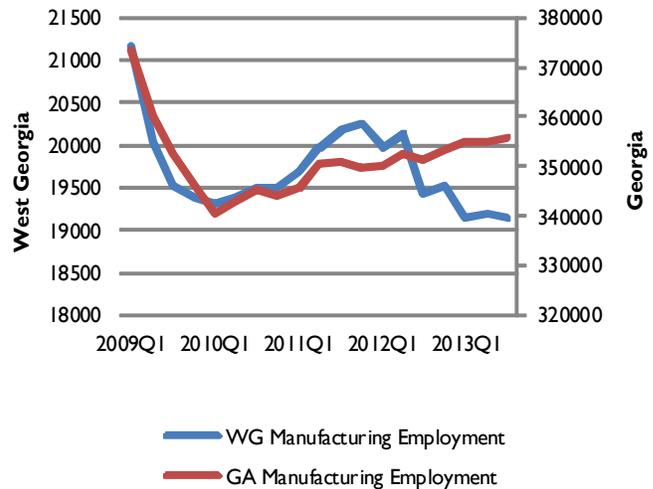


The service-providing sector continues to add jobs in West Georgia. From 2012Q3 to 2013Q3, Coweta experienced the largest percentage increase in service jobs (+10.4%), with the largest share coming from the health care (+586 jobs) and information (+471 jobs). The second largest service job growth was in Carroll (+9.5% or 1,982 jobs), with the largest number of new positions (+1,538) generated by temporary employment. Wholesale trade stands out as Carroll's largest sub-sectorial job loss (-600 jobs), with information, healthcare, retail and accommodation and food services making up a combined 944 jobs over the same period. The goods-production numbers remain mixed. Although several new expansions and relocations are underway in the region, the most recent numbers do not reflect substantial job growth. Between 2012Q3 to 2013Q3, Douglas and Coweta led the region in new goods-production jobs, with most of the new jobs in manufacturing (+ 566 jobs combined). At the state and national levels, manufacturing has started to rebound, but, in West Georgia we are still waiting.

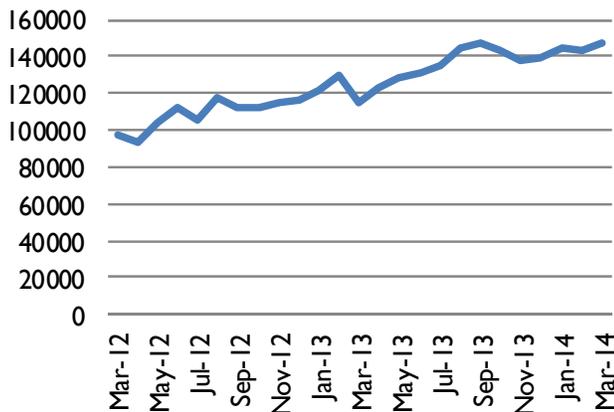
West Georgia Manufacturing and Housing Update

At the national level, manufacturing employment has been staging a modest comeback, and although Georgia has been trending in the same direction as the nation, employment growth for the state has been somewhat slower. Manufacturing employment for both state and for the West Georgia Region hit bottom at approximately the same time, 2010Q1. For the period between 2010Q1 and 2011Q4, both the region and the state experienced manufacturing employment growth; however, after 2011Q4, the region's manufacturing jobs have been trending downwards. Only over the last three quarters of 2013 has employment levels shown any indication of stabilizing for the region. Though manufacturing firms have announced local expansions, these jobs have not yet shown up in the most recent reported data. At the county level, Coweta, Douglas and Polk have seen manufacturing job growth over the past year totaling 621 jobs; however, losses from Carroll Haralson and Polk more than

Average Employment in West Georgia and US Manufacturing



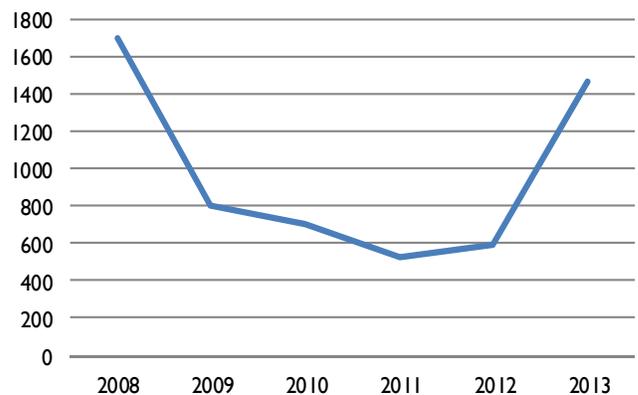
West Georgia Average Sale Price



For both the state and the nation, the level of new single family permits in 2013 reached a level last experienced in 2008. Early estimates put West Georgia's 2013 single family permits at more than 1,400, though far below the nearly 9,300 permits of 2005, the current level is about 2.5 times more than the number issued in 2012. West Georgia's growth in new housing permits mirrors that of the state overall and of the nation. Every county in the region has experienced growth in new permits. Coweta and Paulding experienced the largest absolute growth over the past year, adding 404 and 355 new permits respectively. Though Haralson posted the largest percentage growth, its 2012 permits were at a very low level. The data further indicate that the West Georgia Region's permit levels are growing faster than both the state and the nation.

The West Georgia single family housing market continues to recover value, with the average sales price rising higher over the winter months. The average price of house sold in March 2014 was \$150,900, as opposed to \$128,200 in March 2013, a gain of 17.7% over the year. The market, however, continues to be slow to respond with more houses being offered for sale. Only half of West Georgia Counties have responded to the higher sales price by adding more new listings in March 2014 over the previous year, and closed sales continue to trend in the downward direction, posting a reduction of 80 sales over last March. One reaction to the higher sales price has and increase in West Georgia home owners' willingness to wait for their price. Days on the market has stopped declining currently sits at 111 days, which is unchanged from March of 2013. Focusing on the bright side, though the housing market recovery is moving slowly, the direction continues to be upward.

New SFR Permits Annual 2008-2013





Retail Trends in the US and Georgia (continued from page 1)

Manufacturing produces goods that can be traded globally. Services, on the other hand, are much more difficult to export or import. Only about 1/5th of global trade is for services (see stat.wto.org). Furthermore, selling goods outside the state (or U.S.) creates an inflow of local earnings that is, in turn, spent at other local businesses. In short, export-oriented manufacturing creates a larger amount of *indirect* activity (supporting manufacturing itself) and *induced* activity (supporting these workers' consumption) than do service-providing jobs.

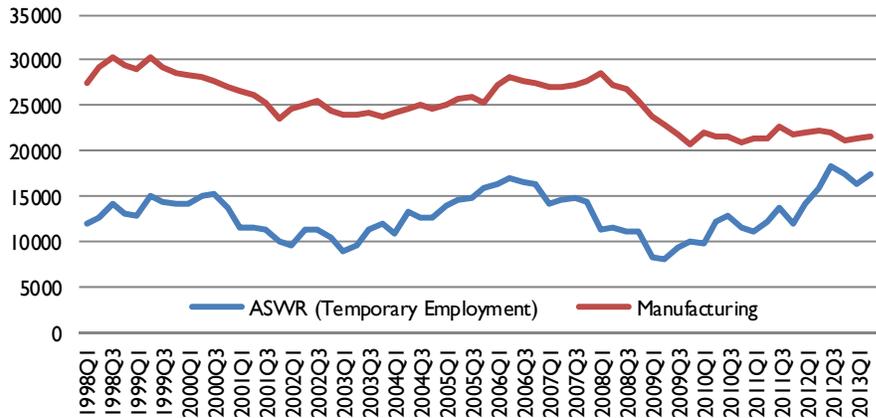
Within the West Georgia Region, if one focuses on the manufacturing employment exclusively, there appears to be no evidence of a manufacturing recovery. However, since manufacturing started its most recent decline in 2008, the industry has increasingly moved away from full-time, permanent employment. Many firms now utilize temporary employment to meet short-term production goals, allowing these firms to more easily expand and contract their labor force as production and market demands require. Furthermore, temporary employees do not qualify for many of the same federally mandated benefits that permanent employees do, which reduces costs (of both wages and fringe benefits) and potentially increases the quality of the skills match between employee and the position once the employee transitions to full-time status. The shift toward temporary employment can be viewed as positive or negative, depending upon one's point of

view. Reducing labor costs through the use of temporary employees improves competitiveness, and may keep firms from looking elsewhere; but, it also reduces size of the economic impact these jobs have on the region.

Temporary employment is classified as a service-providing job, regardless of the industry in which the worker is deployed. Often, workers classified as manufacturing and those classified as administrative, support, waste management and remediation (ASWR or temporary workers) work on the same assembly lines and perform the same jobs. Looking at both of these together provides a different picture of manufacturing in the region.

As the graph indicates, manufacturing employment (red) in West Georgia reached a low point in 2009Q4, and as late as 2013Q3 has not shown any substantial improvement; however, temporary employment (blue) has been trending upward since 2009Q1. Clearly, not every temporary employ is working in the manufacturing sector, but, West Georgia's growth in this sector mirrors that experienced by manufacturing in rest of the state and across the nation overall. It is likely that a relatively large share of new "service" employees are, and will be, actually working in West Georgia's manufacturing sector.

Manufacturing and Temporary Employment in West Georgia



Update (continued from page 1)

recovery in the region. Total employment rose in the West Georgia region by almost 1.4% between 2012Q3 and 2013Q3. Health Care, Accommodation/Food Services, and the Administrative Support sectors all sustained job growth in excess of 5% over this one year period. Both manufacturing and government saw employment drop in the West Georgia region between 2012Q3 and 2013Q3. Coweta County sustained a robust 7.6% job growth during this period. Job growth in Coweta County was led by the health care sector which added almost 600 jobs between 2012Q3 and 2013Q3. Paulding County saw the second strongest job growth in the region, adding 3.6% new jobs between 2012Q3 and 2013Q3. Health care was also the main contributor to Paulding's employment growth also. Carroll and Haralson were the only two counties in the West Georgia Region suffering employment losses between 2012Q3 and 2013Q3. Housing construction activity picked up sharply in the region in 2013. For the year, a total of 1,450 single family permits were issued, compared to 571 for 2012. In addition, 580 multifamily units were permitted in 2013, compared to none for all of 2012.

A number of recent announcements will have

an impact on employment growth in the West Georgia Region. A Carroll County car parts supplier, Decostar, continued its expansion by moving some of its production into an existing facility in Temple. Currently, Decostar employs about 500 people. This expansion will add about 35 jobs. In a further expansion in auto parts manufacturing, progress continues on the Yachiyo plant in Carrollton. When fully operational, this facility is expected to employ about 230 workers. Significant acquisitions were announced by two Carrollton-based companies in early 2014. Greenway, a health care technology firm, purchased Fort Myer-based PeopleLYNK while Southwire, a wire and cable company and one of Carroll County's largest employers, announced the acquisition of Coleman Cable. In Coweta County, Yokogawa Corporation recently broke ground on a new distribution center, expected to employ 215 new workers. In addition, Niagara Bottling announced a \$52 million investment in a bottled water facility, expecting to create more than 40 jobs.

Retail data show strong employment gains in Douglas County in recent quarters. On a posi-

itive note for retail, Fashion and Figure will be opening in the Arbor Place Mall. On the other hand, the Gap store closed its Arbor Place store in January 2014. In neighboring Paulding County, Hiram's K-Mart closed after the Christmas season. Both Douglas and Paulding counties will also be impacted by the Highway 92 construction project slated to begin in early summer. Also of note is the recently announced Wellstar partnership with the Mayo Clinic. This partnership will impact patients using Wellstar Health System services in both Douglas and Paulding counties. In addition, Wellstar opened its new Paulding County hospital in April. In news on the development front in Haralson County, the merger of the Haralson Chamber of Commerce and the Haralson County Development Authority (HCDA) became official on January 1. The mission of the HCDA, to bring new jobs to the county, will remain the same. Polk County voters will be asked in May to approve a 1-cent SPLOST to help pay for upgrades in the county's schools. Most significant will be a major renovation of Cedartown High School.