West Georgia Regional Update

University of West Georgia
Richards College of Business

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

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Spotlight: Impact of COVID-19 on Retail Trade

The spread of COVID-19 in the U.S., and the subsequent suspension of most business activity in March and April aimed at stemming that spread, have both had a significant and negative impact on most retail sales establishments. However, a select few categories of retail actually experienced increased sales during the shutdown. At the national level, monthly retail trade data are available through April 2020 from the U.S. Bureau of the Census. The Advance Monthly Sales for Retail Trade and Food Services report was released on May 15, 2020 and represent the most up-to-date information available for the retail industry. Total retail and food services 4-month (January through April of 2020) sales declined 4.3%, as compared to the same 4-month period in 2019, and retail trade alone (less food services) fell 2.7%. However, these figures gloss over some of the major internal disruptions and damage that have occurred within the sub-sector.

In a relatively short period of time, there have been some significant shifts in the relative share of total retail sales among specific types of retail within the industry. For example, food & beverage stores experienced sharp increases in sales, as did non-store retailers, and retail suppliers of building materials. Food and beverage stores sales, which include both grocery and alcohol sales, were considered by most state officials across the U.S. to be "essential businesses" and, thus, remained open during the shut-down (though, in some cases at reduced hours or amid restrictions placed on the number of patrons allowed inside at a given time). Nevertheless, sales for these businesses were up 12.7% for the first 4 months of 2020 as people stocked up on essential supplies in anticipation of and during the protracted stay-at-home orders issued across the country. Furthermore, both in March and in April, the months in which stay-at-home orders were enacted in many states and municipalities, sales continued to increase by 29.3% and 12.0%, respectively. An additional perspective about how people were buying groceries was provided by Adobe Analytics in a report released in early May. The report indicated that shopping for groceries online more than doubled in the first full month of state shut-downs, increasing by 110% between March and April of 2020. Though for some shoppers, this change in shopping behavior may be transient, for others (especially, those deemed part of the "vulnerable" population), the increased grocery store sales and the move to online grocery shopping may represent longer-term shifts in consumer behavior toward increased at-home dining and a movement toward newer channels of ecommerce. At the very least, these shifts in behavior for some shoppers may linger until more effective treatments and/or a vaccine for COVID-19 is identified, becomes widely available, and confidence in being able to return safely to stores is restored. For non-store retailers, including direct-to-home delivery and other forms of ecommerce (e.g., Amazon's market place), sales were up 13.8% in the first 4 months of 2020. Year-over-year (YOY) sales in March and April were up 14.2% and 21.6%, respectively. In the most recently published data, non-store retail accounted for 16.5% of total retail sales alone (without food services & drinking establishments included), which is an increase of more than 2.7 percentage points

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The COVID-19 pandemic has had a tremendous impact on the national, state and local economies. It has also resulted in aggressive fiscal and monetary responses from the federal government in an attempt to lessen the impact of the pandemic on consumers and business. At the national level, about 20.5 million jobs were lost between March 2020 and April 2020 while the national unemployment rate skyrocketed to 14.7%. Employment fell in all major sectors with the greatest job losses occurring in accommodation and food services, health care, retail trade, temporary help, and manufacturing. At the state level, employment losses between April 2019 and April 2020 totaled 469 thousand or a 10.2% drop. Sectors in Georgia taking the biggest hits included accommodation and food services (-41.7%), temporary employment (-28.7%), air transportation (-26.4%), real estate (-18.6%) and manufacturing (-11.5%). Other large Georgia employment sectors losing jobs included retail trade (-3.4%), health care (-4.3%), professional services (-6.0%), and government (-2.6%). In the retail sector, jobs were added at food and beverage stores but those gains were more than offset by job cuts at other retailers. Combined, the job losses resulted in the state's unemployment rate rising to 11.9% in April 2020. In compari-

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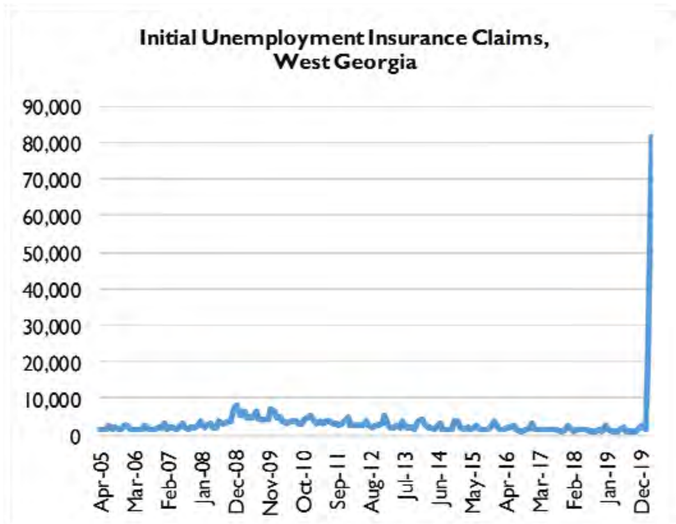
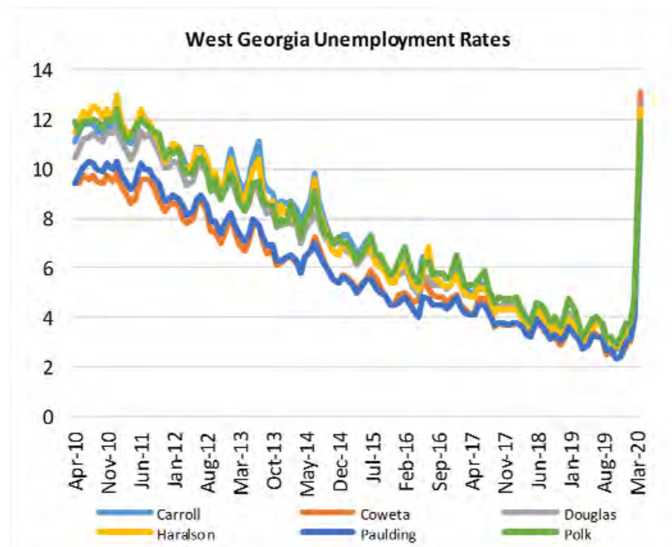
West Georgia Employment Update



It's no overstatement to say that in April 2020, new monthly unemployment insurance (UI) claims rose to a level never seen before in West Georgia. The most recent total new UI claims for the region stands at 81,957, which represents an increase of 8,384.2% over April 2019, and 62,125 more new claims than filed in March 2020. Furthermore, the number of new claims filed represents 24.9% of the West Georgia labor force in April. Undoubtedly, a very large share of the new UI claims came after and as a result of the stay-at-home order and the subsequent shut-down of non-essential businesses in Georgia, which began on April 3rd. For the region, new UI claims for the month of April 2020 were 413% larger than those filed in March, suggesting that as the orders are relaxed and the economy begins to move again, many of the currently unemployed workers will return to employment, assuming reasonably safe jobs are available again and both virus transmission and fear of transmission subsides.

The downward trend in unemployment rates that our region had been experiencing for over a decade was abruptly broken by the shock of COVID-19 and the measures taken by officials to stop the spread of the virus. In April, every county in our region exhibited the same behavior we observed at the national and state levels: drops in the number of individuals in the labor force and employment pool and rapid increases in the pool of unemployed individuals. As a result, in April 2020, each West Georgia county experienced a record high unemployment rate. The largest unemployment rate in our region was recorded by Coweta County, with 13.1% of adults wanting to work but not being able to find a job. The next highest unemployment rate was seen in Carroll (12.9%), followed by Douglas (12.6%), Haralson (12.4%), Polk (11.9%), and Paulding (11.3%). Only Paulding's April rate is below the state's overall unemployment rate of 11.9%. Once life returns to normal, unemployment rates should return to pre-COVID-19 levels. However, the economic recovery will take longer than the decline as the economy will reopen in stages.



Employment Growth (% Change 2018Q4 and 2019Q4)				
County	**Total Employment**	**Goods Producing**	**Service Providing**	**Govt.**
Carroll	-1.40%	-0.51%	-2.07%	0.01%
Coweta	-1.88%	0.42%	-2.70%	-0.50%
Douglas	-3.90%	-0.53%	-5.29%	1.06%
Haralson	-2.98%	-3.68%	-3.37%	-1.02%
Paulding	-4.44%	1.01%	-6.08%	-2.67%
Polk	-1.73%	0.42%	-2.70%	-0.50%
Georgia	-0.75%	-0.30%	-2.01%	-0.21%

Even before COVID-19 entered our lexicon, Georgia and West Georgia's counties were already experiencing weaker employment numbers. Between 2018Q4 and 2019Q4, total employment fell in every West Georgia county and overall for the state. The region's employment also fell almost every major category. At -4.44%, Paulding experienced the largest percentage loss in the region. Paulding's service sector was hardest hit, with job losses at 6.08%. Arts, entertainment and recreation lost 74 jobs (-35.0%). Large job losses also occurred in transportation & warehousing (-19.5%), professional and scientific jobs, (-14.6%), real estate (-12.8%) and even healthcare (-9.7%). Excluding transportation & warehousing jobs in Coweta and Polk, which both experienced strong growth, every county in West Georgia experienced a similar negative pattern in service sector employment. Coweta, Paulding, and Polk added some jobs to goods-producing sectors. Ag and forestry was hit especially hard, with Coweta, Paulding and Polk shedding 18.1%, 16.7%, and 64.1% of county ag jobs, respectively.

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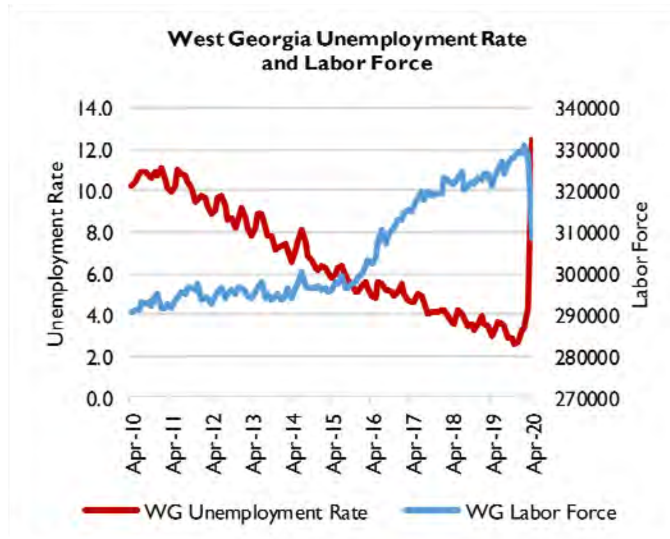
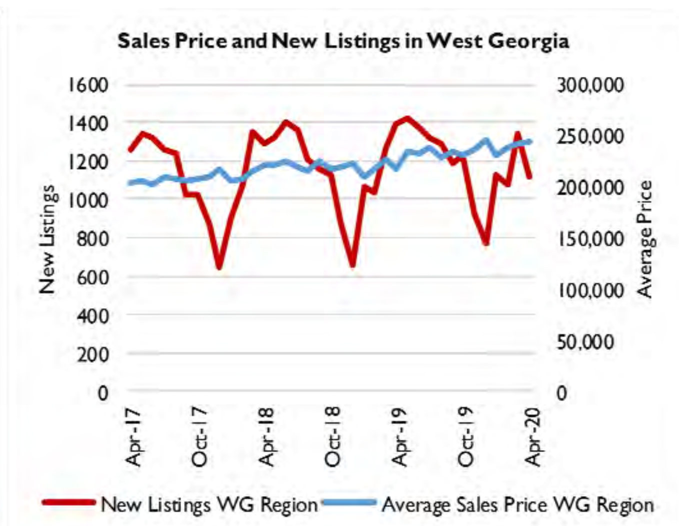
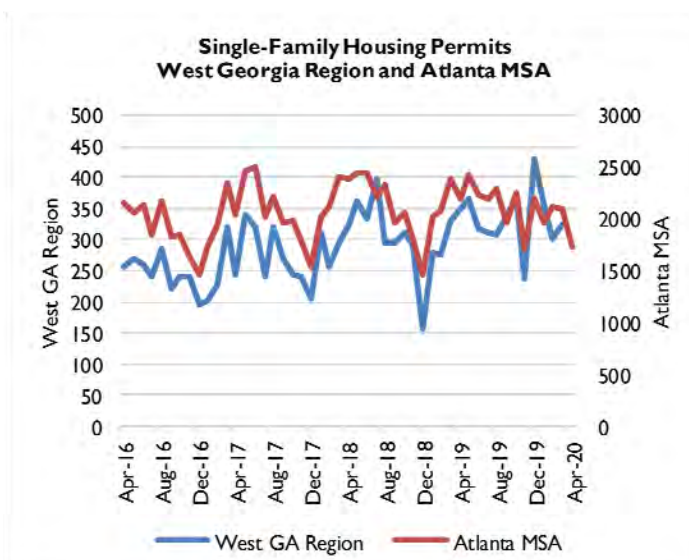
Attempts to halt the spread of COVID-19, including shelter-in-place orders and business closures and reduced operation mandates, contributed to sudden declines in the labor force and a rapid increase in unemployment rates. West Georgia's labor force declined from 329,094 individuals in March to 306,470 in April, which translates into a total of 22,624 individuals (or 6.9%) dropping out of the labor force. During the same time, the number of unemployed adults in the West Georgia's counties almost tripled, rising from 13,696 to 38,323, a 179.8% increase. Without exception, every county in our region experienced this phenomenon. The decline in West Georgia's labor force and employment levels was larger in percentage terms than the state. Georgia experienced a 5.5% reduction in the pool of available workers and a 160.0% growth in the number of unemployed. Two of every three jobs in West Georgia are in services. Georgia's population is also trending older. Both factors will likely slow West Georgia's economic recovery from the effects of the virus.





The graph (left) is a snapshot of West Georgia's single family (SF) real estate market since April 2017. Despite the pandemic, West Georgia's SF homes continue to experience relatively robust average prices. Since April 2017, average monthly sales prices have fluctuated between $203,327 and $245,570, and averaged $221,020. The main effect of the virus is in new listings. Since April 2017, new listings have ranged between 647 and 1,419 new listings per month across all six West Georgia counties. In April of this year, after the stay-at-home order was issued, the average sales price was $244,224, which is near its peak; however, even though April typically is the start of the year's open house season, new listings fell 19.5% over April 2019. Lower inventory may stem from the shut-down order limiting real estate business in April, or it may come from homeowners' fear associated with the virus. Regardless, it suggests fewer commissions, as real estate agents have fewer homes to show heading into the summer.

The loss in employment and income that resulted from the measures aimed at curbing the spread of COVID-19 are also likely to lower demand for housing in coming months as people face uncertainty about their job prospects and long-term income. Supply will also continue to be a challenge given that it is difficult to start and continue building homes in the current environment. While there is no April data available for the West Georgia Region, information from the Federal Reserve Bank of St. Louis for New Private Housing Units Authorized by Building Permits in Atlanta-Sandy Springs-Alpharetta (red series on the graph on the right) seems to suggest that West Georgia will experience falling permits as well. For the first three months of this year, the average number of SF permits in the Atlanta area was a little over two thousand (2,055), In April, there were 333 fewer permits issued, a number 16% below average. West Georgia's experience is likely to be similar, so our region could see a decline of about 50 new permits per month through summer.



COVID-19 (continued from page 1)

over 2019. This is a strong indication that the pandemic has significantly sped up the shift from brick-and-mortar retail toward ecommerce. Taken together, either people who were already comfortable buying online bought more online, or more people found buying online more comfortable than walking into a store.

Sales of building materials and garden centers were also up 4.4% in the first 4 months of 2020, with the sector adding 4.7% and 0.4% to sales in March and April over the same months in the 2019. The slower growth sales in building materials in April, however, is likely a result of the completion of construction projects that were underway earlier in the year, combined with slower growth in new construction projects going forward. Sales at general merchandise stores, which includes businesses like Walmart, Target and warehouse club stores, were essentially flat for 2020 through April; however, YOY sales in April 2020 were down 14.9%. Likewise, the combined first 4 months of sales at health & personal care stores were flat as compared with the same period in 2019. March 2020 sales grew by 5.3% over 2019, but April sales were down 10.4%. However, in the current environment, flat sales may be considered an accomplishment.

The three growing retail subsectors above (and those maintained essentially flat sales) represent the relatively few bright spots in the retail industry. Unfortunately, there are many more subsectors that have experienced significant sales declines; clothing stores may have suffered the greatest loss of sales and the most closures of any retail sub-sector. Through April 2020, cumulative clothing store sales were down 37.5% over the first four months of 2019, with March and April down 49.8% and 89.3%, respectively. As a result, many clothing stores, like Macy's, Gap, JCPenny, Sears, Express, Forever 21, Nordstrom, Lord & Taylor, and Bloomingdale's have announced multi-store closures as a response to clothing sales decline, some in the hundreds of locations. Clothing store sales, as a share of total retail and food services sales, have fallen from about 4.3% to 2.6% as a result of the pandemic. In large part, the massive sales decline is the result of clothing stores being deemed "non-essential" retail in states instituting stay-at-home orders and subsequently being shuttered for the duration of state orders. According to the same Adobe Analytics report, clothing sales online have turned away from working apparel, especially pants (which typically aren't visible on camera), whose sales fell -13%, and moved toward pajamas (+143%). Though, it isn't likely that clothing stores would have otherwise experienced gains, being forced to shut down played a major part in the massive declines the sub-sector experienced. Some were able to shift sales online, but these were the businesses that already had a significant online presence prior to the outbreak or otherwise rare exceptions.

Another retail sub-sector that has suffered a large sales decline is the auto sector (i.e., new auto sales, parts, etc.). Unlike clothing, auto sales represents a much larger share of the total combined retail, and the West Georgia Region is heavily invested in the auto manufacturing sector. In 2019, motor vehicle (and related) sales accounted for about 1/5th of total retail and food services sales in the U.S.; however, sales have fallen 18.5% through the first 4 month of 2020. For March and April of 2020, auto sales were down 23.8% and 32.9%, as compared to March and April of 2019. As a result, motor vehicle sales have declined from 20.0% of total retail and food services to 18.6% over the first 4 months of 2020.

Though a smaller share of the overall retail sector, home furnishings was also hit hard with a cumulative sales decline of 18.5% through April of 2020, and a YOY sales decline in April 2020 of 64.8%. Gasoline stations were not just hit, but hit twice, first by falling prices resulting from a positive supply shock driven by production disagreements among OPEC countries, and then again by falling demand caused by virus-related stay-at-home orders, which effectively shut down most commuting and spring discretionary travel. As a result, the value of gas station sales fell 13.3% through the first four months of 2020, with the largest monthly decline to date of -42.8% occurring in the month of April.

What has become painfully clear is there is an immense cost, both in human and economic terms associated with the spread of a pandemic, and the old adage most assuredly applies, that an ounce of prevention is worth a pound of cure.

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son, during the peak of the Great Recession (November 2010), Georgia's unemployment rate was 10.6%.

Like the national and state economics, the West Georgia Region has also been hit hard economically by the pandemic. Relevant employment data is not yet available; however other indicators illustrate the dramatic impact of the pandemic on the local economy. The recent rise in unemployment claims is startling. In Carroll County, initial claims for unemployment totaled 14,450 in April, which amounts to about 25% of the labor force. Likewise, Coweta County saw a record number of new unemployment claims (19,725) for April or 26% of its labor force. The complete shutdown of Arbor Place Mall from March 27 until May 1 contributed to the record number of claims for Douglas County in April 2020 (20,987 or about 28% of its labor force). New unemployment claims in other West Georgia counties totaled 4,414 (Haralson), 17,646 (Paulding) and 4,735 (Polk). In the region as a whole, initial unemployment claims totaled 81,957 in April 2020 compared to 966 in April 2019 (an 8,384% increase!). In addition, April 2020 unemployment rates skyrocketed to double digit levels in all the region's counties ranging from 11.2% (Polk) to 13.1% (Coweta). In comparison, April 2019 unemployment rates ranged from 2.7% to 3.3% for the counties in the region.

It is easy to be pessimistic about the short term employment outlook for the region when two large and historically stable sectors, health care and government, are shedding jobs. Health care employment has been negatively impacted as elective surgeries have been delayed, medical practices have temporarily closed, and people have avoided seeing their doctor or dentist. Wellstar Health System (with facilities in Douglas and Paulding counties) furloughed more than a 1,000 employees as a response to a steep drop in patient load. Piedmont Health Systems, which operates a hospital in Newnan, is projecting "enormous losses" as a result of the COVID-19 pandemic. Job losses in health care will likely persist as long as the economy continues to be adversely impacted by the pandemic.

Job losses in government are expected to continue through at least 2021. Governor Kemp is requiring that all state agencies submit 2020-21 budgets with a 14% cut from their base spending. For West Georgia, this will have a significant impact on the K-12 systems in each of the counties and on the two largest state employers, the University of West Georgia (UWG) and West Georgia Technical College. Government employment accounts for 15.6% of all jobs in the region, above the overall state average of 14.7%. As reported by the AJC, UWG's budget proposal calls for the elimination of 61 positions at the university. Georgia's technical college system has also submitted a budget plan for 2020-21 that includes furloughs and layoffs. In total, K-12 schools in Georgia will receive $1.5 billion less with a 14% budget cut. Each city/county school system will have to determine how to address this cutback in state funding with some combination of furloughs, layoffs, property tax increases, a shortened school year, larger class sizes or other budget cuts. Final budget cuts will be determined by lawmakers when they meet in Atlanta in June. These government budget cuts might become less painful if Congress and the President can agree on a bailout package for state and local governments that is currently under discussion.