

WEST GEORGIA Regional Update



RICHARDS COLLEGE
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CARROLL COWETA DOUGLAS HARALSON PAULDING POLK

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ANNOUNCEMENT:

The Economic Forecast
Breakfast will be held
Tuesday, October 31, 2023
UWG Campus Center

For Reservations Call:

Phone: 678-839-6477

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Electric Vehicle and Battery Manufacturing in Georgia

Seeking lower costs and better access to consumers, the U.S. auto industry has been moving an increasing share of its operations into southern states since the late 1980s. Even a number of Asian and European brands have decided to build auto assembly and parts plants in the South to help lower costs and increase competitiveness in the U.S. marketplace. Georgia has a long history of producing autos at both its Hapeville (Ford) and Doraville (General Motors) assembly plants; however, just as KIA (of West Point) was being added to the mix, both the Ford and the GM assembly plants ceased operations in Georgia (in 2006 and 2008, respectively).

As of 2021, Georgia ranked 12th in the nation in terms of the size of its auto manufacturing industry. Despite attracting large auto manufacturers like KIA (and its parts suppliers) to the state, Georgia remains behind three neighboring states with smaller populations and economies, Tennessee (5th), Alabama (6th), and South Carolina (10th). However, Georgia's central location and infrastructure positions it well for future growth in auto-related sectors.

An area of auto-related manufacturing where Georgia has potentially leapt well ahead of its nearby competitors is in the production (or recycling) of batteries intended for electric vehicles (EVs), hybrid electric vehicles (HEVs), and plug-in hybrid electric vehicles (PHEVs), all of which rely on a similar battery chemistry. In fact, several southern states including



SK Innovations EV battery facility in Commerce, GA

Georgia, North Carolina, Tennessee and Kentucky have landed numerous major investments in battery production and recycling, forming a Southern EV supplier corridor.

To some, it may be surprising that Southern states appear to be reaping large economic benefits by attracting more "green jobs" in the automotive industry. However, like other businesses moving to the region, some combination of lower wages, taxes, and regulation, combined with generous incentives appear to be significant policy-related factors driving corporate decisions to move south. Additionally, the presence of a well-established network of auto manufacturers and suppliers in the region significantly lowers costs for new or expanding manufacturers. Many of the major programs announced as part of the Inflation Reduction Act, including several clean energy incentives, are helping to steer significant new EV-related development

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Indicators provide a mixed picture for the national economy. After rising by 2.6% in the 4th quarter of 2022, the U.S. real gross domestic product (GDP) growth rate slowed to 1.1% in the first quarter of 2023. On the other hand, the employment situation is still quite robust with 253,000 jobs added in the economy in April while the U.S. unemployment rate is at a low 3.3%. For Georgia, total employment is 133.4 thousand higher in March 2023 compared to March 2022. Georgia's seasonally adjusted unemployment rate was 3.1% in March 2023, compared to 3.0% a year earlier. A major economic concern for the U.S. economy has been the high inflation rate. Recent data suggest that the Federal Reserve's policy of raising interest rates over this past year seems to be working as the April 2023 year-over-year inflation rate of 4.9% was the lowest for the past two years. The most recent Case-Schiller National Home Price Index reported that U.S. housing prices have moderated, up an average of 2% in February 2023 compared to the year earlier. Another key area of concern for the overall economy is the potential for debt default and a partial federal government shutdown if the Congress and the President fail to agree on a path forward for raising the debt ceiling.

Higher mortgage rates have clearly impacted the housing market in the West Georgia Region. For

example, the average number of days houses for sale have spent on the market increased from 25.8 in April 2022 to 52.5 in April 2023. Closed sales were lower in April 2023 (829) compared to April 2022 (1,027). The average regional homes sales price also declined year-over-year from \$364,039 in April 2022 to \$363,441 in April 2023. At \$447,478, Coweta had the highest average sales price in the region in April 2023. This price is 5.2% above the April 2022 average. Average days on the market for homes for sale in Coweta rose from 17 in April 2022 to 47 in April 2023. Closed home sales in Coweta declined from 251 in April 2022 to 197 in April 2023.

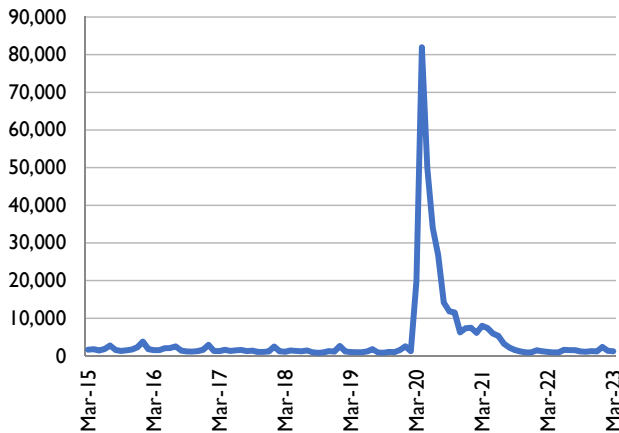
All West Georgia counties continue to experience historically low unemployment rates. The March 2023 unemployment rates range from a low of 2.9% in Coweta County to a high of 3.6% in both Douglas and Polk counties. Newnan's unemployment rate rose from 2.9% in March 2022 to 3.5% in March 2023. New filings for unemployment benefits are on the upswing in the region as all of the region's counties saw a higher level of unemployment claims in April 2023 compared to April 2022.

A number of private and public developments are underway in the West Georgia Region. In Carroll County, initial development work is proceeding on a new mixed-use development in Villa Rica (near Mirror Lake). The commercial component of the

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West Georgia Employment Update

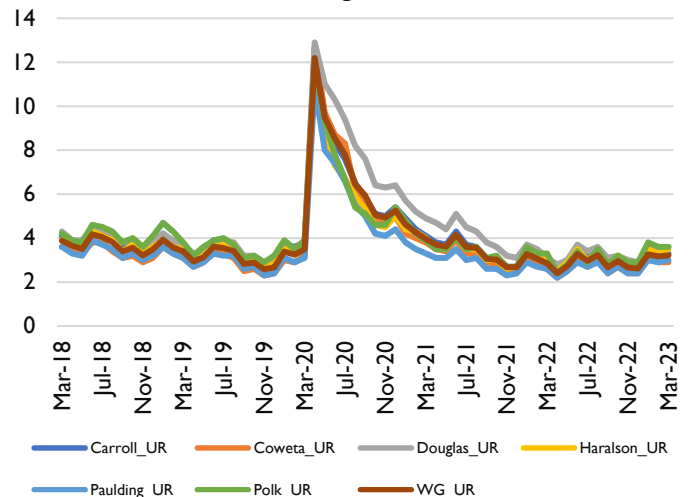
Initial Unemployment Insurance Claims, West Georgia Region



The number of new unemployment insurance (UI) claims is viewed as a leading indicator for the economy as it represents the number of workers seeking to obtain unemployment benefits after a job loss. With the Federal Reserve Bank raising the federal funds rate in an attempt to curb inflation, new UI claims is likely to be among the first indicators that the Fed's policies will impact. West Georgia added 162 new UI claims (+14.9%) between March 2022 and March 2023. Within the region, the largest increase in new UI claims in both absolute and percentage terms came from Coweta, which added 83 over the year (+46.6%); however, at 261 total UI claims in March 2023, Coweta remains below the levels of both Douglas and Paulding. Two counties, Carroll and Polk, experienced declining new UI claims. Carroll's claims fell by 38 (-17.0%), and Polk's fell by 22 (-22.4%). Despite the Federal Reserve's effort to slow down economic activity to stem inflation, there remains strong positive momentum in the West Georgia region. However, regional UI claims suggest that the incredibly strong labor market that began the year after COVID emerged is starting to slow down a bit.

The state's unemployment rate rose slightly from 3.0% to 3.3% between March 2022 and March 2023. Similarly, West Georgia's March 2023 unemployment rate was 3.2%, up from 3.0% a year earlier, indicating that the region is performing somewhat better than the state in terms of both the employment rate and the growth in the unemployment rate over the past year. Every county in the West Georgia region experienced a rate increase; however, the largest increase at the county level was only by a half of a percent YOY (in both Douglas and Haralson). Though all county-level rates increased, current unemployment rates remain very low by historical standards. Within the region, the highest unemployment rate is shared by both Douglas and Polk at 3.6% each, while at 2.9%, Coweta posted the lowest regional rate. Another interpretation of the unemployment rate is that it provides a current picture of how much excess capacity (in terms of labor) is available for growth. While low unemployment rates are often taken as a positive labor market indicator, perpetually low unemployment rates also translate into a reduced capacity for future economic growth.

Unemployment Rates West Georgia Counties



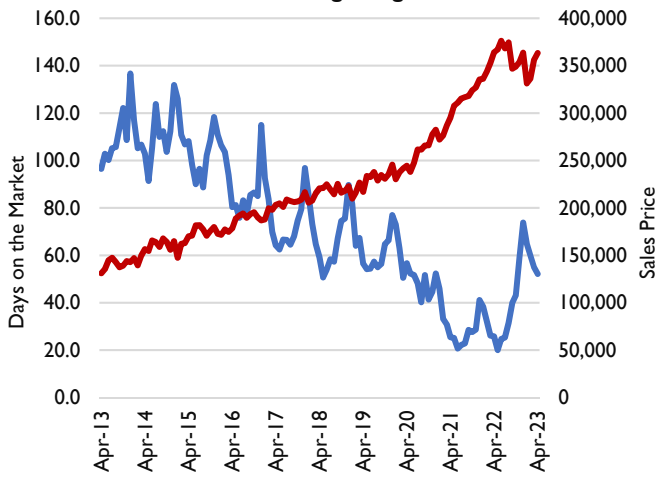
West Georgia Labor Force



The return to work in the late summer of 2020 introduced many to the phrase "the Great Resignation," which was intended to describe and encapsulate the cause of the labor shortage that was supposed to have started during the pandemic. However, the rising trend in resignations began well before the pandemic started, likely as early as 2010 as the first of the Baby Boomers turned 65. Furthermore, quits slowed significantly early in the pandemic and didn't start growing again until states started to re-open. Some suggest nationally that the reason unemployment rates remain low is due to a stagnant or shrinking labor force, not strong labor demand. No doubt multiple factors influenced quits prior to vaccine rollouts; however, more than three years and multiple vaccines after the COVID-19 outbreak, West Georgia's labor force growth has picked up where it left off. Between March 2022 and March 2023, the region's labor force grew by 5,313 participants (+1.1% YOY). Regionally, Douglas led in percentage terms, adding 1.9% (+1,459 participants), over the period. In absolute terms, Paulding was the region's leader, adding 1,609 labor force participants. In West Georgia, any labor shortage is the result of rising labor demand outpacing a rising labor supply.

West Georgia Housing Update

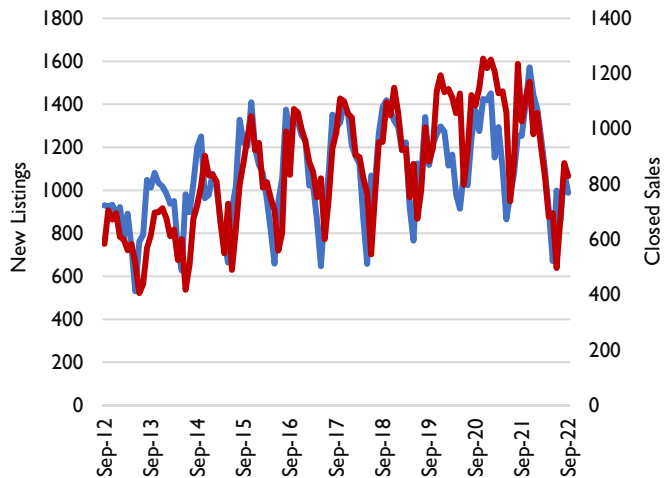
Days on the Market and Average Sales Price, West Georgia Region



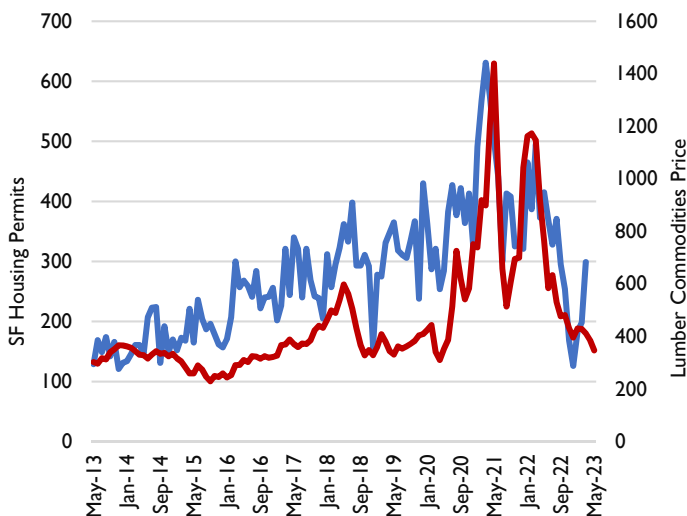
The West Georgia housing market is showing strong signs of cooling. Between April 2022 and April 2023, average sales price of homes sold in the West Georgia Region (in red) fell an average of .2% (-\$589). Rising mortgage interest rates spurred on by a contractionary FED monetary policy along with the potential for a recession have led some potential home-buyers to hit the pause button; however, moderating prices may be welcome news for some. The price growth that has occurred since mid-2020 has been nothing short of meteoric, leaving many entry-level home shoppers with few options. Thus far in 2023, there have been modest YOY home price declines in three of the past four available months of data; however, this may not represent a large enough price decline to encourage many sidelined buyers to re-enter the current market. With a cooling housing market, potential buyers are waiting to see if there will be more price discounts ahead, as days-on-the-market (DOM) appears to have hit bottom in 2022 and is now trending upward. Despite the changing market conditions in housing, average prices for the region remain near all-time highs, and DOM is starting to move back toward regional historic averages.

With home prices cooling and DOM rising, it's no surprise that new listings of homes would be moderating as well. For the region, new listings declined by 21.1% between April 2022 and April 2023. Additionally, new listings fell in every county in West Georgia. Carroll's fell the most in percentage terms at -29.2%, or 68 fewer new listings YOY in April 2023. New listings for Paulding fell by a total of 86 units, representing a 24.9% decline over the period. The region's closed sales provide a further indication of a cooling housing market. From April 2022 to April 2023, home sales fell by 19.3% (or -198 units). Every county in the region experienced a sales decline. Douglas experienced the largest decline in units, with 73 fewer homes sold in April 2023 than in April 2022, a decrease of 32.4% YOY. In percentage terms, Polk's home sales fell by 39.1% YOY, which represented 18 fewer units being sold in April 2023. Five of the six West Georgia counties experienced double-digit YOY home sales declines. Overall, new listings and closed sales appear to be moving in step with one another, and both appear to confirm a slow-down in West Georgia's housing market; however, this is not surprising given the increases in mortgage rates and the policy aims of the Federal Reserve.

New Listings and Closed Sales West Georgia Region



West Georgia SF Permits and Lumber Prices



New single-family (SF) permits in West Georgia have taken a tumble, and are at a substantially lower level than a year ago. The region permitted 196 fewer SF homes in March 2023 than in March 2022, a decline of 39.6%. This represents a continuation of the declines that started after the mid-2020 peak in permits. Overall, five of the six region's counties have experienced declines in permits. Coweta was the only exception, adding 35 permits YOY. Haralson experienced the largest decline in percentage terms, with a massive 93.8% plunge from March 2022 to March 2023; however, this is primarily driven by the fact that Haralson experienced a home building boom in 2022, and was permitting as many as 96 units per month. In prior years, Haralson typically permitted fewer than 10 monthly. During the summer of 2020, the price of lumber skyrocketed to three times its pre-pandemic level, which added significantly to the cost of building new homes. Though lumber prices have since moderated, input price inflation fears continues to affect new and existing home prices. Cautious contractors have focused on building fewer homes for committed buyers. Builders have also added markups to new homes as insurance against lumber price fluctuations thus shifting some demand for new homes into the market for existing homes.

West Georgia Regional Update



EV and Battery Manufacturing, cont.

toward southern states. One (potentially intended) consequence may be to more closely tie red states to green energy jobs.

A recent EV-related announcement from the Georgia Governor's office (released October 2022) indicated that Hyundai Mobis will be constructing a new electric vehicle assembly plant and a new battery manufacturing facility in Bryan County near Savannah. Hyundai and its offsite suppliers are expected to invest more than \$1b in sites around the state. According to the press release, 35+ EV-related projects have been announced recently with more than \$21 billion in new investment that will add 27,400 new jobs in Georgia. This includes FREYR, a Norwegian battery producer, with plans for a new \$1.7b battery plant in Newnan. Once in operation, the FREYR battery plant is expected to employ over 700 workers.

South Korean (SK) Innovations, which in March 2019 announced plans to build a battery plant in Jackson County, opened in 2022. Despite some initial legal issues that threatened to halt production before it even started, SK Innovations appears to have prevailed in its legal battle and is now in operation. This facility is expected to support the production of EV batteries for Ford, Volkswagen, KIA, and Hyundai electric vehicles built primarily in the southeast (Georgia, Alabama, and Tennessee). To date, the company has invested a total of \$2.6 billion in its new facilities in the City of Commerce, Georgia. When fully staffed, the facility is expected to eventually create a total of 2,600 skilled jobs in the state.

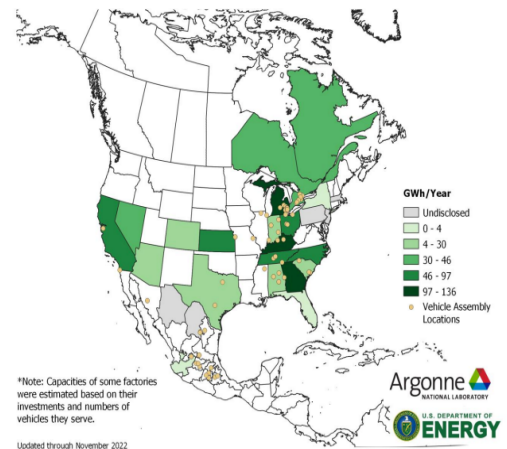
West Georgia Update, cont.

project will include a 60,000 sq. ft. grocery store. A number of to-be-determined retailers are expected to locate at the site also. Tanner Health Systems is continuing work on its senior community known as the Birches on Maple. The project will include independent living homes, assisted living apartments and a memory care facility. The first phase of the community is scheduled to open in late 2023. Recent expansions in Carrollton include CareTrack Health (adding 100 jobs), the Carrollton Chophouse, Big Lots, Dollar General, Harbor Freight (tools) and Buzzards Coffee. The most significant recent economic development announcement in the West Georgia area is undoubtedly the decision of FREYR Battery to invest \$2.6B in a battery cell production facility in Coweta County. The facility will be located in the Bridgeport Industrial Park and is expected to create more than 700 jobs over the next seven years. FREYR's battery cells can be used for stationary as well as mobile energy storage. Newnan's largest manufacturer, Yamaha Motor, is building a 200,000 sq. ft. "Smart" warehouse. Once completed, the 200,000 sq. ft. facility will help Yamaha reduce response time for fulfilling orders for its golf carts, ATVs and other products. Hitachi Construction Machinery America (HCMA) also announced a new

A California-based EV company, Rivian Automotive, also announced in 2021 that it would build a new \$5b, 2,000-acre EV and battery manufacturing facility in Morgan and Walton counties (in Social Circle) about 45 miles east of Atlanta near I-20. Plans include an assembly plant that will eventually produce up to 400,000 vehicles a year, along with an on-site battery manufacturing facility. In full operation, company officials expect to employ upwards of 7,500 employees. Logistics-related production problems at its other facilities have consistently slowed Rivian's deliveries and significant price increases on many pre-ordered vehicles have dealt a blow to customer relations. At present, most market analysts predict a continued bumpy road for Rivian on account of both rising production costs and ongoing difficulties in sourcing parts; however, Rivian's production numbers are improving quickly and it still has enough cash reserves to continue operations until 2025. Rivian produced 24,337 vehicles in 2022, up from just 1,015 in 2021, and 2022 deliveries were at 20,332 units, up from 920 in 2021. Additionally, pre-orders for its trucks are likely to soak up production well into 2024. Industry-watchers indicate that for Rivian to survive its manufacturing startup phase, it needs to grow production to about 50,000 units per year and to get better control over its production costs, both by 2025. It appears that Rivian is attempting to address both concerns.

Assuming all goes reasonably as planned, these investments will in a very short timeframe make Georgia a North American hub for EV battery and auto manufacturing,

Planned Battery Plant Capacity in North America by 2030



joining Kentucky and Michigan. The map (above) is from a Department of Energy report. It describes the new and existing battery manufacturing capacity in states like Georgia as co-located with the broader automotive industry. It indicates that much of the proposed development is in the Eastern United States and extends between Georgia and Michigan. Taken together, the current investments by SK Innovations, Hyundai, and the commitments of Rivian and FREYR represent a substantial expansion of EV battery and auto production in the state. Moreover, Georgia's transportation infrastructure and its proximity to major markets further enhance its appeal for companies looking to establish both battery and EV manufacturing facilities in the state.

\$33m regional headquarters slated for Newnan that is expected to add 92 new jobs at an average wage of \$110,000. A new Publix opened in March in the Arbor Spring Plaza in Newnan. Other Coweta retail openings include Biscuit Belly, Conn's Home and Whataburger (all in Newnan) and Brew Crew (Sharpsburg). The Douglas County economy will be positively impacted as a result of two major developments. Sam's Club, a national wholesale and members-only retail chain, announced in February that it will be building a \$142m fulfillment center in Douglas County. Once completed, the center is expected to employ about 600 workers. In a second development, Lionsgate will anchor a new film and television production complex located off I-20 at Fairburn Rd. in Douglasville. The \$200m complex will sit on 40 acres and includes an entertainment complex, sound stages, and office/support space. It is expected to be up and running by the end of 2023. Construction continues on the Town Green project near downtown Douglasville. This \$12.1 million project will include a 2,500-seat amphitheater, retail space, 350 apartments and parking with an expected completion date of Fall 2023. Microsoft announced plans in 2021 for a 245,000 sq. ft. data center in Douglasville, representing a \$400 million investment. Construction on this is projected

to begin in the fall 2023. The Douglas County School System's \$43.3 million multipurpose arena is expected to open in late 2023. Other retail/commercial openings in Douglas County include a Conn's Home Plus store in the Arbor Place Mall, a Belk's Outlet store on Douglas Blvd. (Douglasville) and Home Chef meal kit production facility in Lithia Springs. In Haralson County, the new \$18m Bremen High School classroom facility opened in January. Also in Bremen, Treasury Coffee and Café opened in April. A new housing project may be in the works for Tallapoosa as a developer is proposing to build residential townhomes for the over-55 community. The goal is to have 15-20 units built within the next 4 years. In Paulding County, Automann USA is expected to open its 367,000 sq. ft. truck parts distribution facility in late 2023. The facility is expected to employ 150 people. Hatchery Planning Company broke ground on its new poultry equipment supply manufacturing facility in the Dallas Industrial Park in late 2022. Once in operation, the plant is expected to employ 50 people. In Polk County, Gildan Yarn closed its Cedartown plant in early 2023, resulting in the loss of 107 jobs. New or recently opened food establishments in Polk include a Chick-fil-A in Cedartown and Burger King and Marco's Pizzeria, both in Rockmart.