

# WEST GEORGIA Regional Update



RICHARDS COLLEGE  
OF BUSINESS

CARROLL COWETA DOUGLAS HARALSON PAULDING POLK

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## ANNOUNCEMENT:

The Economic Forecast  
Breakfast will be held  
Tuesday, October 29, 2024  
UWG Campus Center  
**For Reservations Call:**

Phone: 678-839-6477

Or, email [djoyner@westga.edu](mailto:djoyner@westga.edu)

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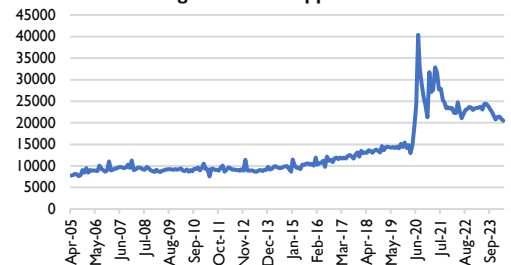
## Small Business Re-invigorated

The pandemic and the subsequent restrictions created significant and unique challenges for businesses. However, it also may have supercharged the entrepreneurial spirit in the process. The lockdown brought with it a collapse in consumer spending and created a host of supply chain issues. With many small businesses struggling to attract customers and acquire inventory to sell, it isn't a surprise that the number of active businesses in the U.S. declined by 22% or 3.3 million from February to April of 2020 (April 2020 Current Population Survey). However, after its initial decline, small business has emerged as a major economic bright spot.

New business applications are viewed by many as a leading economic indicator because the intent to open a new business represents confidence in the future of the economy; however, self-employment can also be an act of desperation as other opportunities dwindle. The pandemic brought with it an almost instantaneous rise in unemployment and business failures. Many people who lost their jobs during the early stages of the pandemic were forced to rely on their own skills, labor, and creativity to develop home-based businesses to replace lost income until the pandemic receded. As the pandemic grew more severe, the federal government began to redirect resources toward the business community in hopes of mitigating its economic effects.

Whether driven by optimism, desperation, or in response to generous government support, the number of new small business applications quickly

Georgia Business Applications



reversed course and soared to new heights once the lockdowns lifted. In July 2020, the number of applications nationally hit 545,914, an all-time high that was almost twice the number compared to July 2019. At the same time Georgia's applications also grew to an all-time high of 40,398, almost 2.9 times larger than for the previous July. It should be noted that not all applications result in business formations; however, according to Census Bureau analysts, there is a strong relationship between applications and formations over the subsequent year.

In the first year of the pandemic, the number of non-store retailers increased as individuals opened online stores and began selling goods from home. Additionally, the number of firms providing professional and business services also expanded, as remote-working professionals looked for ways of earning more from their expertise and free time

## West Georgia Update

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Indicators provide evidence of a generally well performing Georgia and U.S. economy. After rising by 3.4% in the 4th quarter of 2023, the U.S. real gross domestic product (GDP) growth rate slowed to 1.3% in the first quarter of 2024. The employment situation is still quite robust with 272,000 jobs added in the economy in May while the U.S. unemployment rate is at a low 4%. Georgia added 73.9 thousand jobs between May 2023 and May 2024, up 1.5%. Georgia's seasonally adjusted unemployment rate was 3.2% in May 2024, no change from 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 seems to be working as the May 2024 year-over-year inflation rate of 3.2% was well below the year ago rate of 5%. More progress needs to be made to get the economy back to the desired 2% inflation rate. A major source of higher inflation in the U.S. has been rising housing prices. The most recent Case-Schiller National Home Price Index reported that U.S. housing prices remain a concern, up an average of 6.5% in March 2024 compared to the year earlier.

Higher mortgage rates are clearly impacting the housing market in the West Georgia Region. For example, houses for sale in the region spent an average of 57 days on the market during the first 4 months of 2024. In comparison, homes averaged only

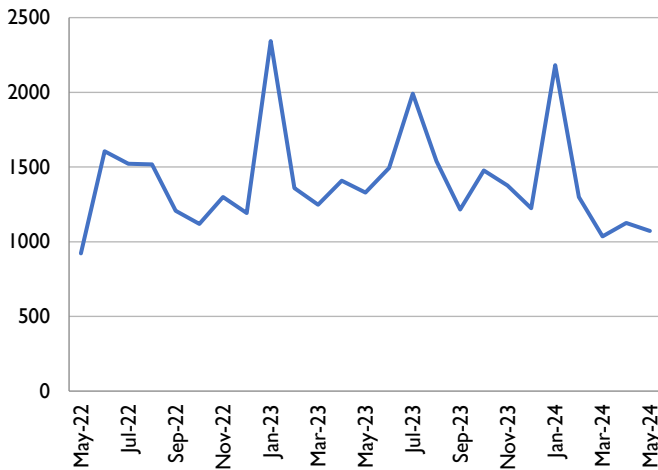
24 days on the market during January-April 2021, a period of much lower mortgage rates. Closed sales in the West Georgia Region during the first four months of 2024 totaled 2,893 units, a slight increase from the total sales recorded for the first 4 months of 2023. The average home sales price in April 2024 ranged from a high of \$459,554 in Coweta County to a low of \$266,015 in Polk County. In the region as a whole, average home sales prices rose by 4% (between March 2023 and March 2024), a slower rate of increase than the national average. In April 2024, average West Georgia home prices were up by 3.2% compared to April 2023.

All West Georgia counties continue to experience historically low unemployment rates. The April 2024 unemployment rates range from a low of 2.5% in Coweta County to a high of 3.1% in Douglas County. New filings for unemployment benefits also provide evidence of a strong labor market. Four of the six West Georgia counties saw a lower level of new unemployment claims between May 2023 and May 2024 while the state as a whole sustained a 16.5% drop in new unemployment claims over this same period. The most recent employment data (2023Q4) show continued job expansion in the West Georgia Region with an overall gain of 4.3% jobs between 2022Q4 and 2023Q4. All counties added jobs over this one-year period.

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# West Georgia Employment Update

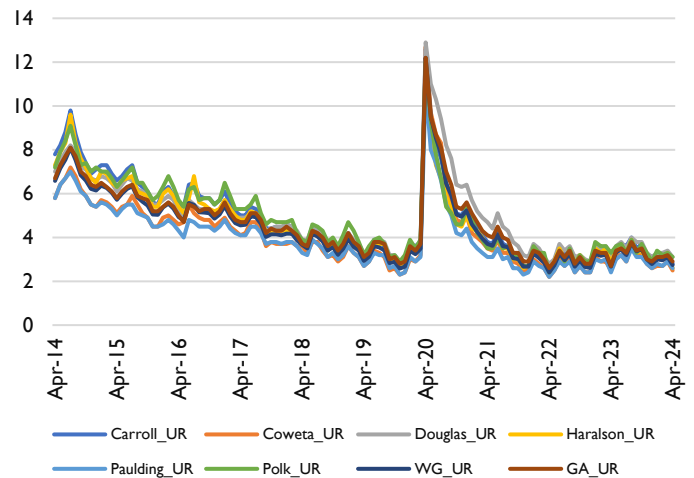
**Initial Unemployment Insurance Claims, West Georgia Region**



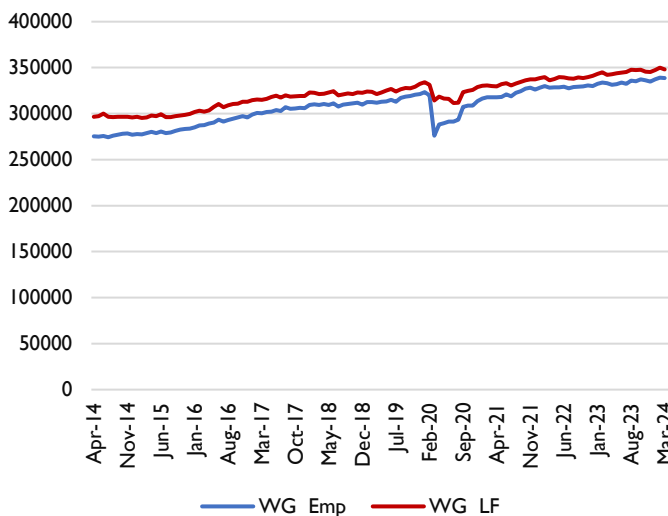
New unemployment insurance (UI) claims data indicate the number of workers who are newly unemployed and are applying for benefits. Overall, the nation has experienced a modest decline in new claims of -2.1%. By comparison, Georgia's new UI claims have fallen much faster. Across the state, new UI claims are down by 16.5% (-3,968 claims) between May 2023 and May 2024. Within the West Georgia Region, new claims are likewise down by 19.3% (-256 claims). Often FED policy, such as the most recent interest rate increases, are intended to slow inflation, but will have the side-effect of increasing unemployment; however, in Georgia, the employment situation remains quite strong despite the rate increases. One factor that has significantly contributed to the strength of Georgia's and our region's labor markets has been the uptick in business creation set off by the pandemic. New businesses mean more job creation and more options for local workers. Generally, the Atlanta MSA continues, and specifically West Georgia counties face a relatively tight labor market, and even in the event of a layoff, many workers can quickly transition from one job to another.

The state's unemployment rate (not seasonally adjusted) rose slightly from 2.7% to 2.9% between April 2023 and April 2024. West Georgia's April 2024 unemployment rate was essentially unchanged at 2.7% from a year earlier, indicating that the region is performing somewhat better than the state in terms of both the unemployment rate level and in its change; however, not every county in the region fared the same. Carroll and Paulding both added 0.2 percentage points to their rates, while Haralson and Polk trimmed off 0.2 and 0.3 percentage points, respectively. Unemployment rates in Coweta and Douglas were unchanged from April 2023. These relatively small changes are likely not substantive. Notable, however, is the persistently low unemployment rates. Typically, 4% to 6% is viewed as a healthy rate of unemployment. Anything higher than 6% is viewed as a sign the economy has slowed and may be in recession soon. However, significantly lower than 4% indicates the economy is operating at beyond its long run capacity and is likely inflationary. As of May 2024, the U.S. unemployment rate was 3.7%, suggesting only mild inflationary pressures overall.

**Unemployment Rates, West Georgia Counties & Georgia**



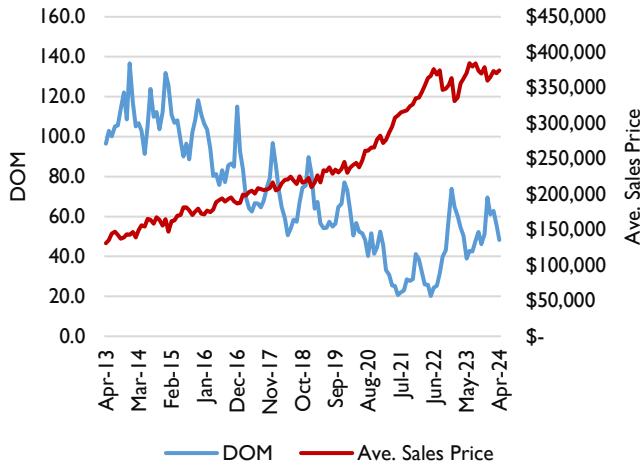
**Labor Force and Employment Level**



A growing labor force can be the result of population growth, employment optimism, or economic growth. West Georgia continues to experience all three. The region's labor force has been on an upward trajectory since fall of 2020, as has the level of employment for the region's residents. Between April 2023 and April 2024, West Georgia's labor force grew by 1.7% or 5,758 people. Polk led with a 4.8% growth rate (+881 persons). Georgia being first to re-open after the start of the pandemic allowed the state's small businesses to quickly resume operations and avoid permanent closure. Re-opening early also contributed to new business formation, and despite the many challenges, created new job opportunities for those ready to resume work. In terms of employment levels, Georgia overall added 92,091 more employed resident workers (+1.8%) over the year, and the six West Georgia Counties account for 5,327 new resident workers (or 5.8%) of the total state growth. Within the region, Polk led again, adding 899 newly employed residents, which is a 5% growth rate YOY. Every county in the region experienced a growth in the level of employment among its residents.

# West Georgia Housing Update

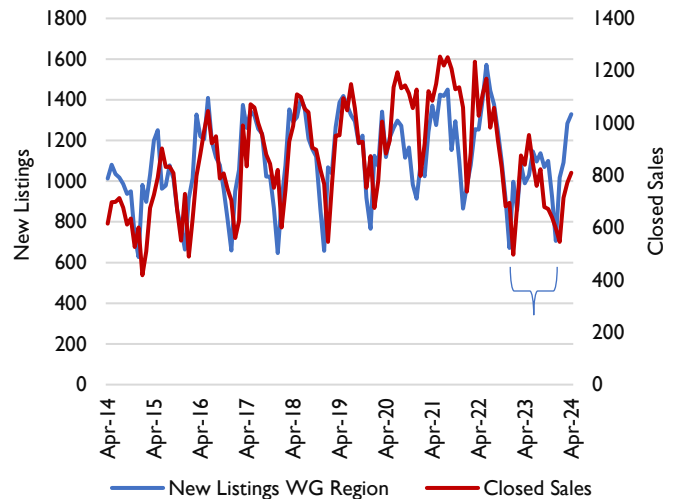
**Days on the Market and Average Sales Price, West Georgia Region**



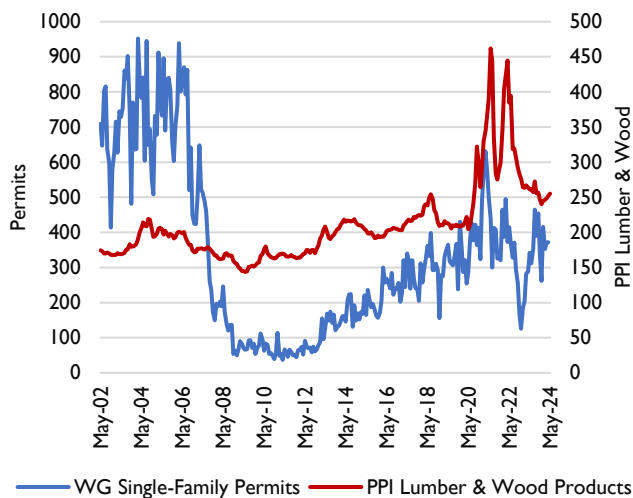
The most recent numbers suggest West Georgia's housing prices are leveling off, albeit at a much higher price level than before the pandemic. Average sales price grew by \$11,635 between April 2023 and April 2024, representing a more modest 3.2% price growth year-over-year for the region. Within the region, Carroll and Douglas experienced 2.1% and 1.5% price declines, respectively, while Polk's average home prices grew by 10.1% (+\$24,356). One factor helping slow home price growth has been mortgage rates. The 30-year loan rates have fluctuated between the mid 6% to low 7% range since the beginning of 2024, adding hundreds of dollars to the typical monthly payments for new loans in the process. Although these do not represent repeat sales of the same home, the average sales price of homes sold here in West Georgia has increased by more than \$100,000 since the start of the pandemic. The slowing price growth appears to have translated into faster sales. Whether sellers see slower price growth as a sign that home prices have peaked, or buyers think the pause represents a temporary opportunity to find a deal (or both), days-on-the-market (DOM) has declined in every month (January to April) in 2024 over the same period in the previous year.

In the March 2022, the Federal Reserve Bank (FED) began its response to rising inflation by increasing the federal funds rate. Almost immediately, the national average 30-year mortgage rate rose above 4% for the first time in almost two years. As the FED worked to regain control of the inflation rate, both mortgage rates and home prices continued upward, affecting homebuyers and home-sellers who intended to purchase another home. As result both new listings and closed sales experienced a significant downward shift for the period indicated with a brace in the graph on the right. Media has described this phenomenon as 'Golden Handcuffs,' because owners were essentially locked into their current homes due to rising home prices, higher interest rates, and a reset of property taxes should they decide sell their current home. Recently, however, new listings have begun to climb again as home prices, the overall inflation rate, and interest rates have stabilized. Slowing home prices may indicate to sellers West Georgia's housing market is reaching a peak, and optimistically, some owners may be expecting the FED to start rate cuts soon. Additionally, slower price growth means sellers may have more confidence now in their ability to find a new home at a price that makes sense for them.

**New Listings and Closed Sales West Georgia Region**



**West Georgia Single-Family Permits and PPI Lumber & Wood Products**



The Great Recession (2007-2009) continues to affect the market for new homes in West Georgia. Despite strong demand for new units, builders and lenders remain generally skittish about large-scale, single-family (SF) residential development in the region. However, prior to the pandemic, new SF permits had been rising at a steady pace, just not fast enough to satisfy regional demand. The pandemic, however, led to an unexpected growth in demand for SF homes in the region, as urban residents (and newly remote workers) sought out opportunities to increase their living space at a comparatively lower price. The pandemic-driven demand increase led to a frenzy of new construction, but at a time when lumber production was essentially halted. This in turn led to two (possibly three) lumber price spikes in the summers of 2021 and 2022. The cost of a primary input of home construction more than doubled over a span of a few months, and builders and buyers were both hard hit. West Georgia's SF permits fell precipitously in the second half of 2022 to their lowest levels since 2014. However, between April 2023 and April 2024, SF permits have risen by 84 units (+29.7%). Additionally, April 2024 permit levels have surpassed those from April 2019; however, four years of regional population growth only adds to the existing demand for new homes.

# West Georgia Regional Update



## Small Business, cont.

gained from not having to commute. In the most recent national-level industry data, the largest monthly increases in business applications continue to be driven by retail trade (+89,800). Transportation and warehousing (+29,351) and finance & insurance (+17,816) account for the second and third largest numbers of applications by major industry grouping.

Significant parts of the federal COVID-19 relief ended on May 31, 2021, and as a result new business applications have since declined; however, business applications remain well above pre-COVID levels. In April 2024, U.S. applications numbered 432,517, which was down 3.1% from the previous April; however, nationally applications remain 47.4% higher than they were in April 2019. Georgia produced a similar overall pattern of application growth. Although the state's April 2024 applications were down 13.5% over April 2023, total applications remain 43.2% higher than in April 2019. County-level business license data are only available annually, with 2022 being the most recent year available. In the six West Georgia Counties (Carroll, Coweta, Douglas, Haralson, Paulding, and Polk), business license applications declined 13.9% between 2021 and 2022; however, the 2022 level remains 70.6% (+6,131) above the 2019 level. Overall, the numbers strongly suggest both a persistent and positive change in the willingness (or desire) to start a small business.

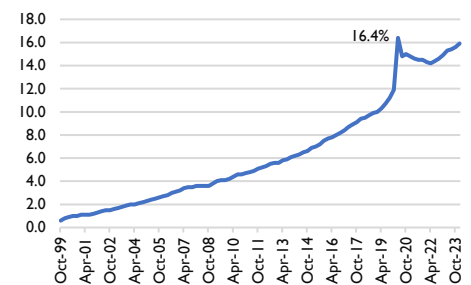
There are several factors that have contributed to this shift from employee to self-employment. A key factor driving small

business growth amid the pandemic was the retail sector's ability to rapidly shift to e-commerce platforms. As mentioned earlier, recent small business growth has been dominated by retail. Traditional brick-and-mortar stores were forced to suspend operations or operate at a significantly reduced capacity. Many traditional small businesses adapted quickly by moving whatever operations they could online simply to survive the shutdown, and new businesses imitated this same strategy. According to data from Shopify, an e-commerce platform, new store creations on their platform grew by 71% in the second quarter of 2020 compared to the same period in 2019, emphasizing the rapidity of the shift towards doing business online. Similarly, sellers on Etsy, another online retail platform, grew by 65.4% between 2019 and 2020, when only a year earlier, the number of sellers were up only 23.8%. Overall, E-commerce accounted for 10.0% of total retail sales in January 2020. By April of 2020, it had jumped to 16.4%. Although it appears shoppers retreated somewhat from that peak, the overall trend toward more online shopping has picked up where it left off prior to the pandemic (upper right graph).

This move has not only enabled small businesses to continue operating during lockdowns but has also created new opportunities for growth for brick-and-mortar businesses once vaccines were released and the economy's recovery accelerated. (examples that continue to today: online restaurant ordering, parking-lot pickups, combining online and B&M operations in the same store).

Another factor contributing to the growth

E-Commerce Retail as a Percent of Total Retail



of small businesses post-pandemic is the sudden rise of remote work. Prior to the pandemic, remote work options were available, but represented a relatively small proportion of work situations. According to the 2000 U.S. Census, only 3.2% of the employed U.S. labor force worked where they lived. The share of remote workers essentially doubled in the span of ten years to 7.3% (in 2020); however, the share more than doubled again to 17.9% in only one year (2021) in response to the COVID-19 pandemic. These new remote employees, using the new tools they had been provided, took advantage of greater work-hour flexibility and improved access to remote clients to create a surge in 'side-hustles' and new home-based businesses. Many of these remote workers were also able to re-capture some of their commute time to consult, freelance, or otherwise capitalize on their expertise. Now firms are struggling to coax remote workers back into the office, as evidenced by the high office vacancy rates in major cities around the U.S.

## West Georgia Update, cont.

The West Georgia Region is being impacted by a number of business expansions (as well as some business closings). Southwire recently announced that it will be expanding its Cofer Technology Center, with construction expected to be completed by late 2024. Tanner Health Systems projects include a senior community known as the Birches on Maple, the Roy Richards, Sr. Cancer Center expansion, the establishment of a new resource center in Carrollton at the site of the former Greenway complex and an expansion of its Carrollton hospital (adding 50 beds). Carmax recently opened a car reconditioning center in Carrollton with an expected employment of 200 people. FlexTC, a construction company specializing in semi-permanent buildings, relocated to Villa Rica in the late 2023, adding about 15 jobs. Fastenal, a national-level industrial supply company, announced plans in March that it will be opening a southeastern distribution center in Carrollton, expected to create 280 jobs. Also, Chase Bank is building a new branch in the Mirror Lake area of Villa Rica. Coweta County was hit by some bad news as Hello Fresh announced that it will be closing its distribution center in Newnan in July, impacting about 700 jobs. The company has been hit by a large drop in demand for its prepared food products. Boosted by federal incentives, progress continues on the Freyr

EV battery plant in Newnan. The company is currently waiting on the completion of a regulatory review process prior to the commencement of construction. In addition, the company is working with West Georgia Technical College and the Central Education Center (in Newnan) to help train workers for the plant. Newnan's largest manufacturer, Yamaha Motor, is installing solar arrays at its plant in an effort to reduce its carbon emissions. Yamaha expects completion of the solar installation by the end of 2024. The Douglas County economy will be positively impacted as a result of some major developments. Sam's Club, a national wholesale and members-only retail chain, recently opened its \$142m fulfillment center in Lithia Springs (Douglas County). When originally announced, the center was projected to add 600 new jobs in the Douglas County. A new data center is under construction in Douglas County. DC Blox is expected to begin operations in late 2025. The company indicated that the project will require about a \$1.2 billion investment. Lionsgate, the lead tenant of a new film and TV complex in Douglas County, opened in early 2024. The 500,000 square foot studio will be a full-service entertainment complex with 12 sound stages. Lionsgate will be partnering with the University of West Georgia to serve as a training ground for film

and television professionals. West Georgia Technical College (WGTC) held a groundbreaking for its new industrial building on May 16 at its Waco (Haralson County) campus. The new facility will allow WGTC to expand training programs for commercial drivers, line workers and welders. Also, in May, Monterrey Mexican Grill and Bar opened in Bremen. The most significant recent economic development news in Paulding County was the decision of Wellstar Health Systems to undertake a \$300 million expansion of its Hiram hospital. Wellstar plans to build a new eight story tower, adding 56 beds. Construction is expected to be completed by 2028. Also, First National Community Bank is planning to open a new branch bank in Dallas (scheduled to open in July). Governor Kemp announced in February that a new solar panel glass plant will be built in Cedartown (Polk County). SOLARCYCLE is scheduled to begin construction on this plant later this year. The facility is expected to employ 600 workers when fully operating. In January, Artisan Communities announced that it is planning to develop a 286-unit housing community on U.S. 278 north of Rockmart.