

Economics Group

Special Commentary

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Georgia's Economy is on the Mend

Employment conditions improved in June, despite an uptick in COVID-19 infections

Georgia employers hired back a large number of workers displaced earlier this year, as large parts of the economy shut down in an effort to help contain the spread of coronavirus. Employers added 150,200 jobs across Georgia during June, following a 99,600-job gain the prior month. With the increase Georgia has now recovered nearly 47% of the jobs lost from February to April. Georgia's unemployment rate fell 1.8 percentage points to 7.6%, as the number of employed Georgians rose by 118,100. Household employment fell further than nonfarm payrolls during March and April, and remains more than 62% below its February peak. This measure includes job losses in the Gig economy, sole proprietorships and independent contractors, which helped drive the earlier spike in unemployment claims.

The improvement in Georgia's labor market is tempered somewhat by the recent resurgence in COVID-19 cases. While Georgia was one of the first states to re-open its economy, back in late April, the resurgence has come about more recently and mirrors that of other Sunbelt states. The 7-day moving average of new cases began to turn higher in mid-June and the state recently saw its daily new case count hit a single-day high of 4,490 on July 10. The bulk of the increase in COVID-19 cases has been among younger individuals, and seven counties in the Atlanta area account for more than a third of the state's cumulative cases. Hospitalizations and deaths have also risen but not spiked along with new cases. Other areas have, at times, seen significant outbreaks, including Albany, Gainesville, Columbus, LaGrange, Dalton and Valdosta.

The resurgence in COVID-19 cases appears to already be slowing Georgia's economic recovery. Most of the high frequency data we follow; OpenTable seated diners, Google mobility data and HomeBase data on business that are open, have slowed in recent weeks. We suspect the slowing in these series led to less hiring in late June and early July, which should impact the July employment data. The slowdown is readily apparent in the recent slide in daily consumer sentiment. Amid this gloom, the week-to-week change in the 7-day moving average of COVID-19 cases has fallen in recent days, hinting that the resurgence in COVID-19 cases may top out in the next few weeks.

The improvement in Georgia's labor market is tempered somewhat by the recent resurgence in COVID-19 cases.

Figure 1

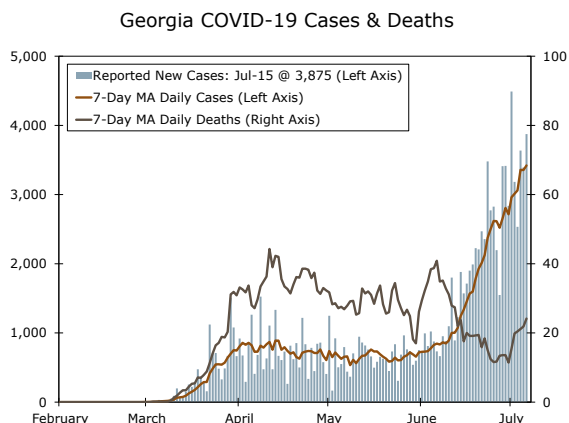
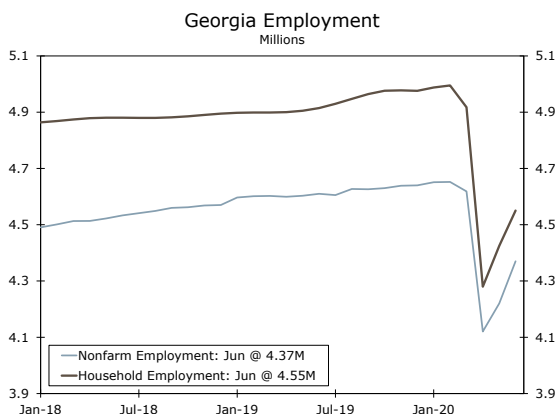


Figure 2



Source: Bloomberg LP, U.S. Department of Labor and Wells Fargo Securities

Together we'll go far



Georgia Remains an Economic Powerhouse

While COVID-19 and efforts to contain it have certainly taken a bite out of Georgia's economy, the state is still seeing a steady stream of corporate relocations and expansions. Area Development recently awarded Georgia its eleventh consecutive Golden Shovel Award for excellence in economic development, and the state consistently ranks at the top of most surveys of economic competitiveness. Georgia has an incredibly diverse economy with several key competitive advantages. In terms of size, Georgia is the largest state East of the Mississippi by land area and is home to 10.6 million residents, ranking eighth in the U.S. Its location in the heart of the rapidly growing Southeast makes it a key logistics hub. Atlanta has long been home to the world's busiest airport and the Port of Savannah has consistently ranked as the East Coast's fastest growing container ports.

Investments in transportation infrastructure have paved the way for new economic development, particularly in Northwest Georgia, which has seen a series of investment announcements in its carpet and flooring industry. Firms such as Mannington Mills, Creative Flooring Solutions and Huali Floors have announced expansions or opened new plants or facilities this year. Many of these projects cited the development of the Appalachian Regional Port in Chatsworth. The inland port links the region to the Port of Savannah via rail and also serves the neighboring automotive industry in Chattanooga and eastern Alabama. Another inland port is being developed in Gainseville to serve Northeast Georgia. The region has long been a key hub for the poultry industry, which is one of Georgia's largest exports. More recently, Northeast Georgia has seen an influx of heavy industry and mega-distribution facilities, including more than \$2 billion in investments from lithium-ion batterymaker SK innovation in Jackson County and Commerce. Other major projects include Enchem, a supplier to SK, and a new factory and corporate headquarters for Fox Factory, a leading producer of high-performance suspension systems for mountain bikes and other vehicles.

Industrial development has been strong in other parts of the state as well. Atlanta continues to attract scores of high tech projects, including a major expansion by Microsoft announced earlier this year. Toyota and Sonic Automotive are also expanding in Atlanta's northern suburbs and the region's large film industry is gradually coming back online. Technology firms are also continuing to cluster near the Army's Cyber Warfare center in Augusta and the Athens area landed a major investment in the biotech sector, with RWDC Industries—which develops biodegradable alternatives to single-use plastics—announcing a \$260 million expansion of its existing operations.

Jobless claims have continued to trend lower in recent weeks as Georgia's economy has re-opened. Maintaining this momentum will require taming the resurgence in COVID-19 infections. The uptick in metro Atlanta appears to coincide with the rise in economic and social engagement from late-April to mid-June, while many of the outbreaks outside Atlanta have been tied to flare-ups at factories. Measures of economic engagement have already fallen off sharply, reflecting growing safety concerns by businesses and individuals. While we do not expect another round of lockdowns, rising concerns about the virus will make it more difficult for industries requiring a great deal of socialization to ramp back up, making it more difficult for the state's economy to fully recover.

Jobless claims have continued to trend lower in recent weeks as Georgia's economy has re-opened.

Figure 3

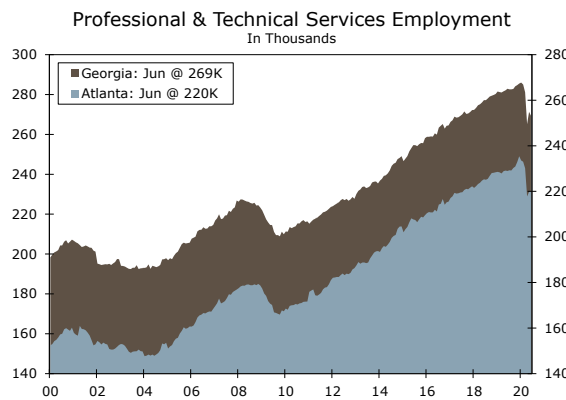
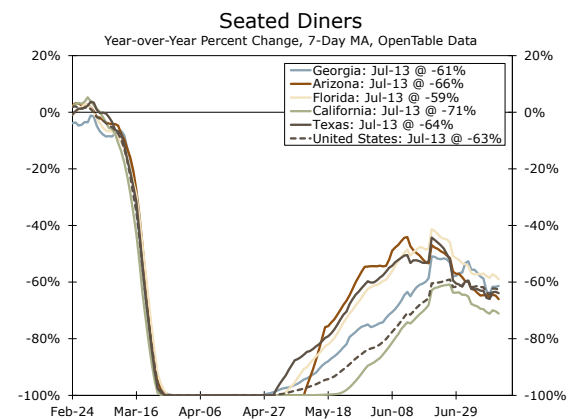


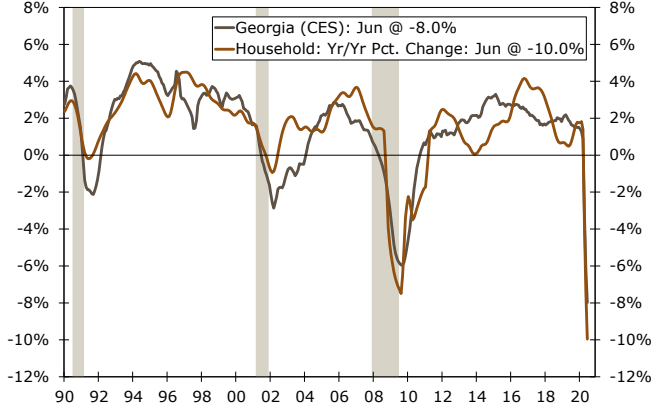
Figure 4



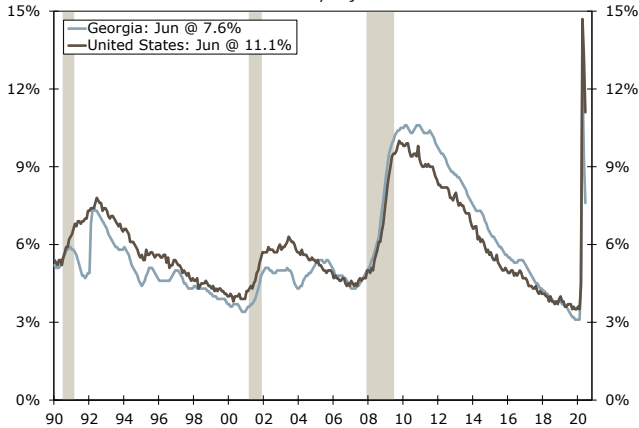
Source: U.S. Department of Labor, OpenTable and Wells Fargo Securities

Georgia Labor Market Conditions

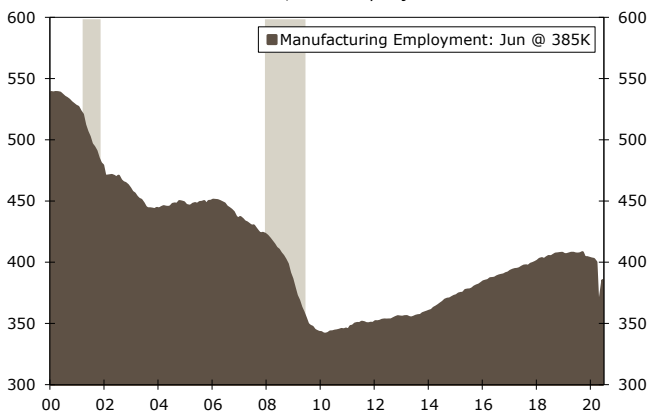
Georgia Nonfarm Employment
 3-Month Moving Averages



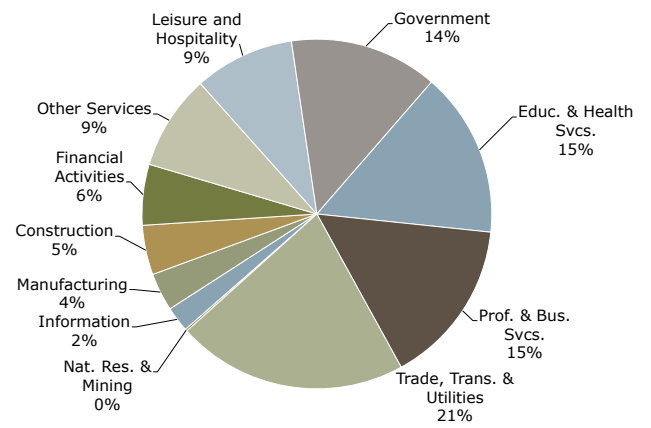
Georgia vs. U.S. Unemployment Rate
 Seasonally Adjusted



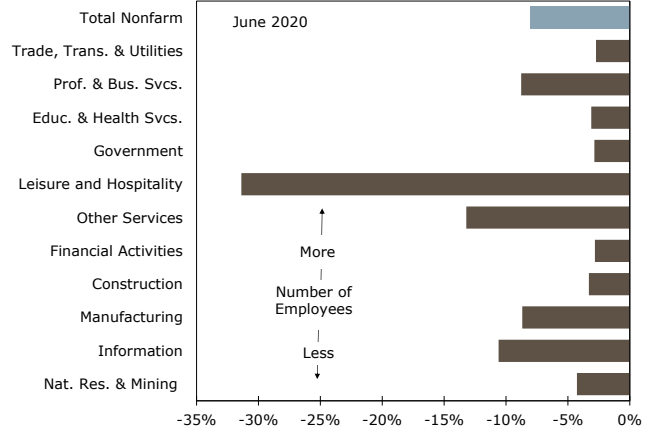
Georgia Manufacturing Employment
 Thousands, Seasonally Adjusted



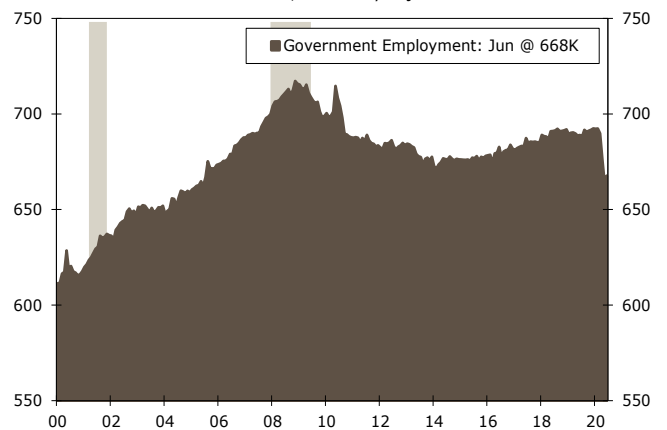
Georgia Employment Composition
 June 2020



Georgia Employment Growth By Industry
 Year-over-Year Percent Change of 3-MMA



Georgia Government Employment
 Thousands, Seasonally Adjusted

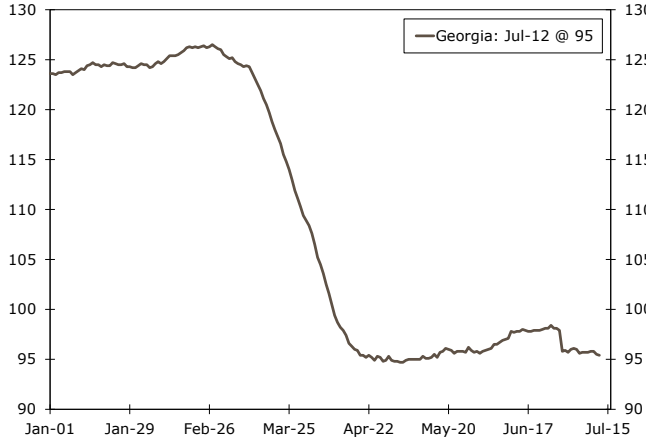


Source: U.S. Department of Labor and Wells Fargo Securities

Georgia High-Frequency Data

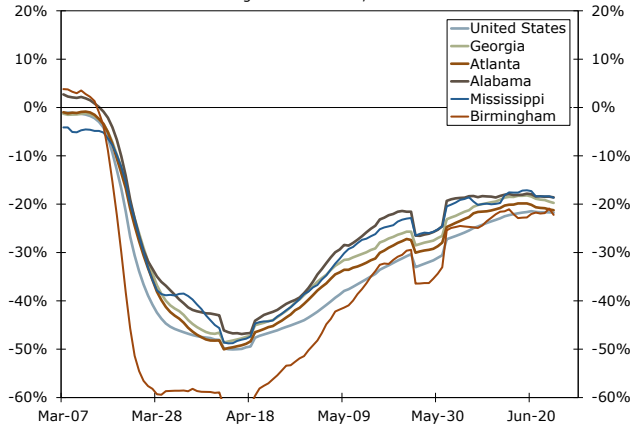
Georgia Consumer Sentiment

Morning Consult ICS, 7-Day EWMA



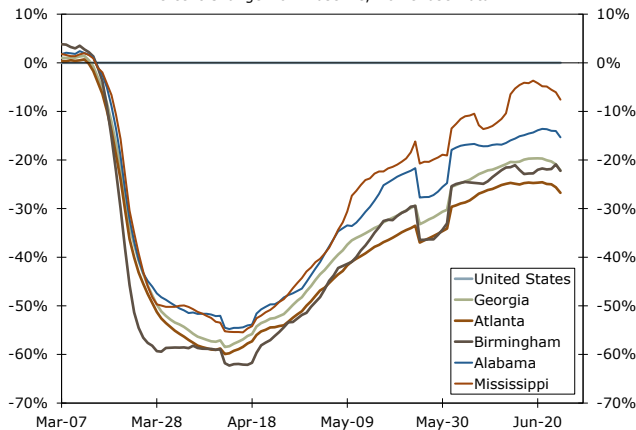
Local Businesses Open

Percent Change from Baseline, HomeBase Data



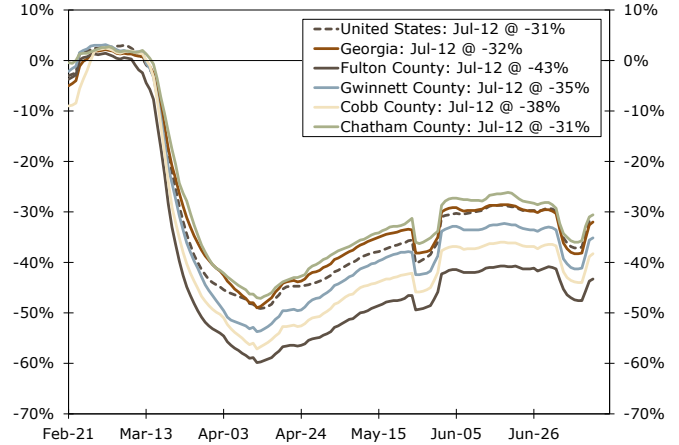
Hours Worked by Hourly Employees

Percent Change from Baseline, HomeBase Data



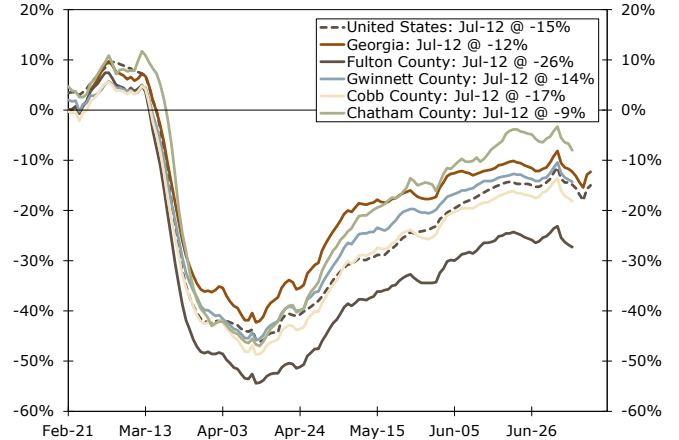
Visits to Workplaces

Percent Change from Baseline, 7-Day MA, Google Data



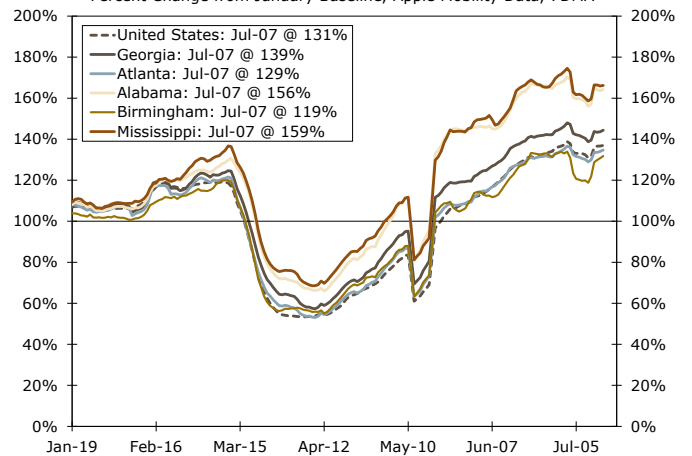
Visits to Retail & Recreation Locations

Percent Change from Baseline, 7-Day MA, Google Data



Driving Directions Requests

Percent Change from January Baseline, Apple Mobility Data, 7DMA



Source: OpenTable, Apple, Google, HomeBase, Morning Consult and Wells Fargo Securities

Wells Fargo Securities Economics Group

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