

Economics Group

Special Commentary

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Notre Dame vs. Georgia

Irish Take the Fight Down to Athens

Week four brings a top-10 matchup as the #7 Notre Dame Fighting Irish head down to Athens, Georgia to take on the #3 Georgia Bulldogs. This Saturday will mark only the third matchup in the two schools' storied histories. Georgia will add 500 additional seats to Sanford Stadium, which should result in a new record attendance of just over 93,000 fans. The teams last played in 2017, and it came down to the final seconds of Georgia's 20-19 victory. That game also marked the first career start for current Georgia QB Jake Fromm. This game will be played under the lights with an 8 PM kickoff. Interest in the game extends well beyond Athens, as this is the first matchup of two teams often mentioned as probable College Football Playoff teams. ESPN College GameDay will broadcast from Athens much of the day.

Week four brings a top-10 matchup between Georgia and Notre Dame.

Notre Dame is coming off an incredible season that ended on a somewhat sour note. Undefeated in the regular season, the Irish saw their hopes of a perfect season deflated by eventual National Champion Clemson 30-3 in the College Football Playoff semifinal. The Irish lost a lot of talent from that team to the NFL Draft, but reloaded with a stellar recruiting class that includes three players from the state of Georgia, including 4-star safety and Atlanta area native Kyle Hamilton. Georgia, meanwhile, was left on the outside looking in after losing a heartbreaker to Alabama in the SEC Championship game. The Bulldogs also saw a number of high-impact players move on to the NFL but once again landed one of the nation's top recruiting classes. Several recruits are already making an impact, and the Dawgs appear to have one of their deepest teams ever.

This week's matchup shines the spotlight on two mid-sized college towns that have been transitioning away from traditional manufacturing and agriculture toward higher value-added, knowledge-based industries. The University of Georgia and Notre Dame are taking the lead in this transition by spurring innovation and attracting and retaining young talent. Football plays an important role in this process by deepening ties between alumni, the school and the region.

Figure 1

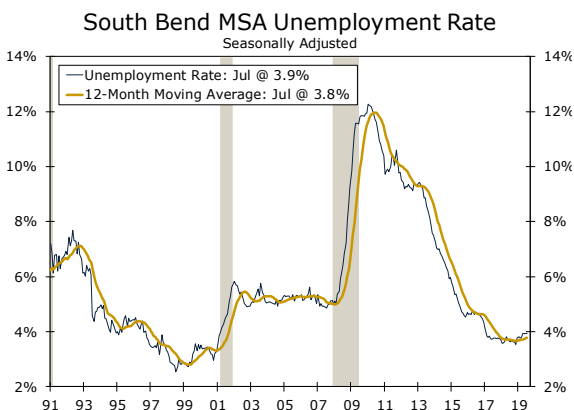
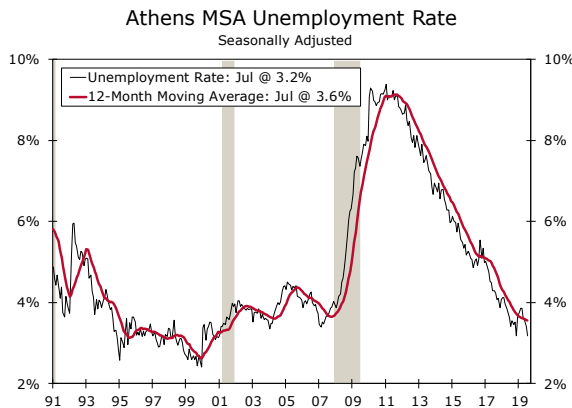


Figure 2



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

Together we'll go far



South Bend is synonymous to many with Notre Dame.

South Bend Back in the Spotlight

South Bend is synonymous to many with Notre Dame. Located on the St. Joseph’s River in northern Indiana, the population nearly doubles on game day. Notre Dame Stadium holds 78,000 fans and has sold out every game—with one Thanksgiving Day exception in 1973—since 1966. The broader South Bend-Mishawaka metro area, which roughly corresponds to the region known by the portmanteau “Michiana,” has a population of over 320,000 and includes St. Joseph County, Indiana and Cass County, Michigan.

Mayor Pete Buttigieg’s presidential campaign has put South Bend in the national spotlight, highlighting efforts to modernize the city, attract “jobs of the future” and restore some of the luster that it lost as manufacturing shuttered across much of the Midwest. From the beginning, South Bend’s fate was closely intertwined with Studebaker, which at one point was the world’s largest producer of horse-drawn wagons and then later became the nation’s third largest automobile manufacturer. Manufacturing in general was a major driver of South Bend’s growth, with its close proximity to Chicago, Detroit and Cleveland. By 1950, about a quarter of the city worked for Studebaker and more than half of its workforce was employed in manufacturing.

Studebaker introduced an electric vehicle in 1902 and a gas-powered car in 1904, to mixed success. After some initial stumbles, the company gained traction with the United Kingdom’s buildup for World War I and soon established itself as a producer of high quality automobiles. Despite its prominent place in automotive history, the company often lacked the resources needed to compete with its larger rivals, and it made a series of missteps at the start of the Great Depression, just as it was set to debut the Rockne, a smaller, low-cost car for the masses named after Notre Dame’s legendary coach Knute Rockne. The company declared bankruptcy in 1933 but reorganized and made a comeback after World War II before falling on hard times in the 1950s, when it merged with Packard. The company shut down its South Bend plant in 1963 and produced its last car in Hamilton, Ontario in 1966. Studebaker’s decline foreshadowed much of what was to come to the Midwest, as increased global competition forced manufacturers to rapidly become more efficient.

Nearby Elkhart—the “RV Capital of the World”—can be an early recession indicator.

South Bend is part of the broader South Bend-Elkhart-Mishawaka CSA. Elkhart, located 15 miles east of South Bend, punches well above its weight in terms of its economic significance. Known as the recreational vehicle (RV) capital of the world, the town’s economy is looked to as an early recession indicator. RV purchases are highly discretionary, making them one of the first items to feel the sting of a slowdown. With nearly half the region’s workforce in manufacturing, Elkhart is perhaps the nation’s most manufacturing-intensive city. The unemployment rate soared to over 19% in 2009, but fell to just 2.2% in January 2018, when the economy, manufacturing and RV sales were all booming. Warning signs are flashing today, however. Shipments of RVs are falling ominously and the unemployment rate has begun to climb.

Figure 3

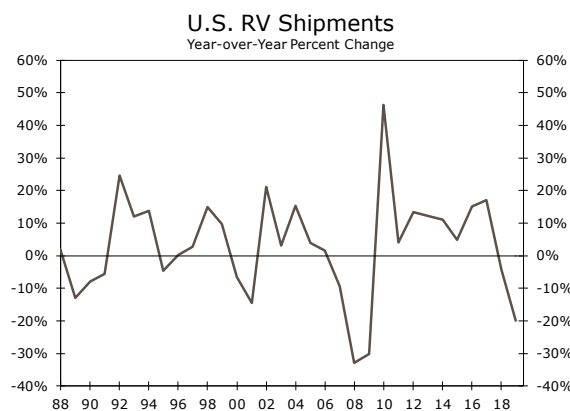
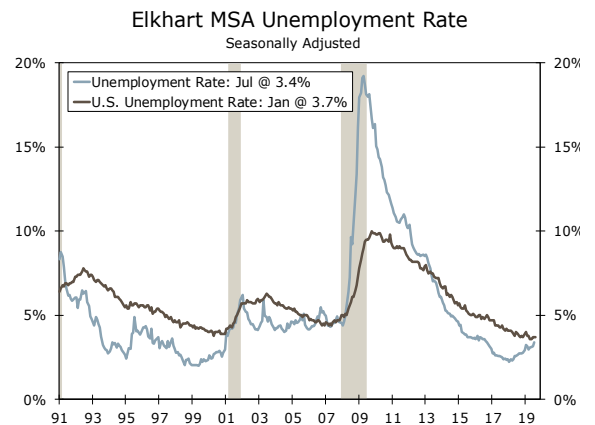


Figure 4



Source: RV Industry Association, U.S. Department of Labor and Wells Fargo Securities

While a cyclical slowdown appears to be underway, South Bend’s longer-term economic prospects look more positive, with the poverty rate declining and population growth modestly increasing. Newsweek labeled South Bend one of America’s worst “dying cities” in 2011, but perhaps nothing embodies the nascent rebirth of the city as the repurposing of the old Studebaker plant into a mixed-use technology campus at the centerpiece of the “Renaissance District” just south of downtown. Other major successes include the repurposing of the city’s tallest building, the opening of the new \$50 million Beacon Children’s Hospital and the \$300 million Eddy Street Commons in the Northeast Neighborhood between downtown and the Notre Dame campus.

South Bend’s longer-term economic prospects look more positive.

Notre Dame is intimately tied in with the revitalization of the city. Innovation Park is a major tech and entrepreneurship center that encourages collaboration between small businesses, students and faculty. Nationwide, universities—with their vast research budgets and deep talent pipelines—are playing an increasingly important role in reinvigorating their local economies, particularly across the aging and de-industrializing Midwest. ‘Eds and Meds’ jobs are a stabilizing influence for many of these areas, while universities around the country are trying to replicate some of the magic that has long sprouted from research at Stanford and MIT.

More broadly, the rise of the information economy has made talent and human capital more important than physical capital. A key to sustaining the transition from rusting industrial town to a story of resilience is therefore retaining young talent. Mayor Pete is an exemplar in this regard—after a Harvard education and stint at McKinsey, he returned to his birthplace in South Bend, a move that cities across the region are trying to incentivize. Notre Dame’s alumni network is famously broad, but more and more graduates might stay in town if entrepreneurship and opportunities continue to flourish. The legacy of Studebaker in South Bend is commemorated by the aptly-named student favorite breakfast spot Studebagels, located on South Bend Ave just off campus.

Retaining young talent is key for places like South Bend.

Notre Dame is one of the most storied football programs, with eight national titles and 899 all-time wins, tied for the sixth most. It is also arguably the most financially valuable program in the country, with its national following and contract with NBC, which airs all of its home games. The program is rife with tradition. The players famously slap the “Play Like a Champion Today” sign as they leave the locker room and salute the student section with helmets raised at the end of every game. “Touchdown Jesus”—the massive *The Word of Life* mural on the Hesburgh Library—looms over the stadium every Saturday. Indiana State Police Sergeant Tim McCarthy will always be hard to replace, however. From 1960 to 2015, more than 300 times he asked fans for their attention, please, before the start of the fourth quarter and implored them to drive home safely, ending every message with a pun. “Remember, no one relishes a pickled driver.”

Figure 5

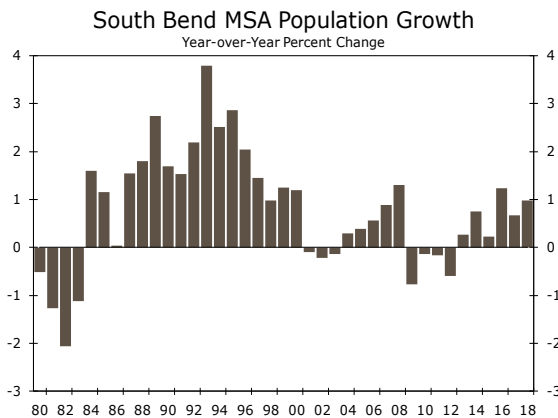
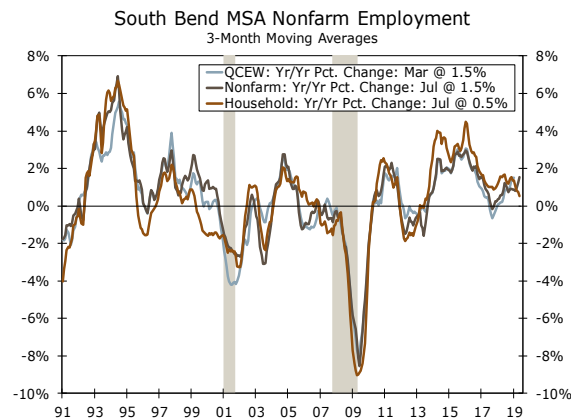


Figure 6



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

Athens is a quintessential college town located about 70 miles northeast of Atlanta.

Athens Rocking

Athens is a quintessential college town located about 70 miles northeast of Atlanta. The Athens-Clarke County MSA has a population of 211,000, while the state's flagship university has over 38,000 enrolled students. Sanford Stadium seats 92,746. Construction of the stadium, which is built in the valley of a creek near the center of campus, began in 1928, and the first game was played on October 12, 1929 against Yale. The Bulldogs won that game 15-0 and Yale donated their share of the gate receipts to the University to help repay the stadium construction loans. Georgia has historically had a close relationship with Yale, which was one of the early powerhouse football programs and played a major role in spreading college football across the country. Yale's visit to Athens was the first time they played in the South, and the 30,000 fans that paid \$3 a ticket to attend the game were the largest crowd to watch a football game in the South at that time.

The world-famous hedges that encircle the football field, named *Dooley Field* in honor of Coach Vince Dooley, have been in place since the stadium opened, with a couple of notable exceptions, including when they were taken out in 1996 when the stadium hosted the 1996 Atlanta Olympics soccer competition. New hedges were grown from 2,100 healthy clippings from the original hedges and were replanted along a low chain-link fence following the Olympics. Some of the hedges were also dug up, transplanted and subsequently replanted during construction of a new locker room and scoreboard on the stadium's west end zone.

The Athens MSA is part of the much larger Atlanta-Athens-Clarke County-Sandy Springs Combined Statistical Area (CSA), which boasts a 2018 population of 6.6 million and is the economic heart of the Southeast. While part of the broader CSA, Athens is far enough away from Atlanta that it has its own distinctive vibe and is a regional hub in its own right. Its vibrant downtown is full of restaurants, bars and entertainment establishments that gave rise to an influential music scene that produced leading-edge bands such as the B-52's, R.E.M., Widespread Panic and Pylon.

Founded in 1785, the University of Georgia was the nation's first state-chartered university. The school originally instructed students in classical studies and law, before expanding to agriculture and mechanical sciences after receiving federal funds in 1872. Today, it has 17 different schools and is a major research university with over 320,000 living alumni. The campus sprawls comfortably along 762 mostly contiguous acres surrounding the iconic Arch in downtown Athens. The University obtained the 58-acre Navy Supply Corps School in 2011 after the Navy relocated to Newport, Rhode Island. The Prince Avenue Campus houses the Augusta University/UGA Medical Partnership and the UGA College of Public Health.

Athens has followed an "eds and meds" strategy similar to other college towns.

Athens has followed an "eds and meds" strategy similar to other college towns, which has allowed it to seamlessly transition from its roots as a manufacturing center and agriculture hub. Today the largest employers are the University, the Athens Regional Medical Center, the Athens-Clarke County government and the St. Mary's Health Care System. While the University's ties are deep, private employment has been growing at an average 2.2% annual pace the past year. Major private employers include Accurus Aerospace Athens, Silgan Closures, SKAPS Industries and Caterpillar, whose 1,300-employee Bogart plant is the area's largest manufacturing employer. Business-friendly regulations and low costs are an asset for small businesses, while affordability and warm weather led Forbes in 2017 to name Athens the "best place to retire."

Georgia began playing football in 1892 and can lay undisputed claim to two national titles—1942 and 1980. The 1942 team featured Heisman Trophy winner Frank Sinkwich and Charlie Trippi, while the 1980 team featured future Heisman Trophy winner Herschel Walker. Four other Georgia teams can also lay some claim to being national champions, including the 1920 team headed by first-year coach Herman Stegeman, which went 8-0-1 and was the first Georgia team to go undefeated, outscoring opponents 250-17. The Bulldogs have 822 wins, the 11th most all-time. The team's beloved live mascot is Uga X, the tenth English bulldog of the same lineage to represent the university's sports teams. He wears a spiked collar and red jersey and is considered a member of

the team. He gets slightly better treatment than the players, however, with an air conditioned dog house on the sidelines to cool off during those hot early game days. One of the Bulldogs’ more recent traditions, begun under coach Mark Richt, is the Dawg Walk, when the players march from the busses on Lumpkin Street between two lines of fans into Sanford Stadium.

Figure 7

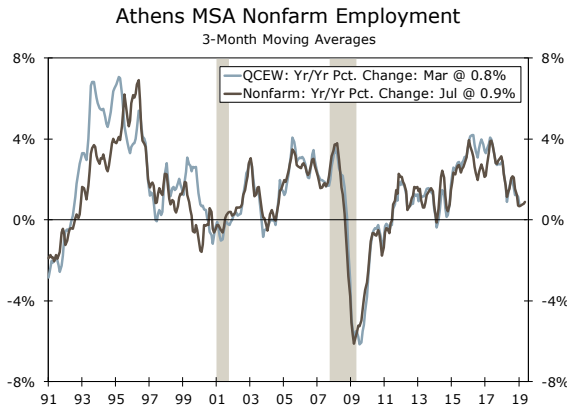
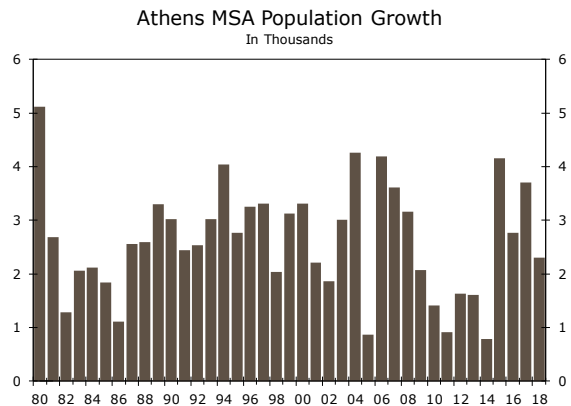


Figure 8



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

Outlook

Georgia’s economy continues to roll along. While some manufacturers and farmers have been adversely impacted by the trade standoff, overall GDP growth appears to be comfortably outpacing the nation. Georgia has added nearly 75,000 jobs over the past year, with hiring up across virtually every key industry, including manufacturing, which continues to add jobs in food processing and transportation equipment. The unemployment rate has fallen 0.2 percentage points over the past year to 3.6%. Shipments through the Port of Savannah have continued to increase despite the trade war. Container traffic through the Port of Savannah grew 7.5% this past year and auto exports through the Port of Brunswick are up solidly.

Georgia’s economy continues to roll.

About two-thirds of the jobs added in the state of Georgia over the past year were in the Atlanta metro area. Atlanta nonfarm employment has risen 1.9% over the past year, led by gains in the region’s vibrant tech sector, healthcare and construction. Atlanta’s growth has historically trended to the north, from Midtown to Buckhead and up through Perimeter Center and up Georgia 400. Growth has also spread to the northeast to Gainesville. Atlanta, Gainesville and Athens have grown closer together in recent years, as growth has spread up I-85 to Jackson County, which lies between the three MSAs and has attracted scores of new investment, including a massive new \$1.67 billion lithium-ion battery factory for Korean manufacturer SK Innovation and large distribution centers for FedEx, Amazon and GE Appliances. Athens has also scored a few major economic development coups, including a new 500-worker customer support facility for Wayfair.

As one of the nation’s most manufacturing-intensive states, Indiana remains susceptible to trade disputes, particularly threats of auto tariffs that would interfere with the extensive auto and RV supply chains across northern Indiana. Indiana’s 1.3% Q1 real GDP growth trailed the national rate for the eighth consecutive quarter, but the 3.4% unemployment rate is slightly lower than the U.S. rate. The state’s economy is also becoming more diverse. Indianapolis has benefited from the recent proliferation of tech jobs from firms seeking refuge from the high costs of Silicon Valley in relatively more affordable secondary cities, as well as corporate migrations from Chicago. Salesforce operates a regional headquarters in downtown Indianapolis and Infosys plans to hire 3,000 workers by 2023 at its Technology and Innovation Hub there. FedEx is in the midst of a seven-year \$1.5 billion expansion at the Indianapolis International Airport, as it builds out its cargo capacity to accommodate surging e-commerce growth. Dubbed the “crossroads of America”, Indiana has benefitted from its central location and seen strong growth in transportation & warehousing.

Indiana is vulnerable to trade disputes but has slowly diversified.

Saturday's game is only the third meeting between Notre Dame and Georgia, with Georgia winning the first two: 17-10 for the National Championship in 1981 and 20-19 two years ago in South Bend, which began their run to the National Championship Game against Alabama. The game should be the premier matchup of week four, and is the first non-conference top-10 game in Athens in 53 years, dating back to Georgia's 1966 victory over Georgia Tech, which had just recently left the SEC for the ACC. It is also the only regular season game this year between two teams that have both made the College Football Playoff in either of the past two years.

Notre Dame is one of only six independent programs in the FBS, but plays five games a year against teams from the ACC, in which it competes in all sports besides football and hockey. It has classic rivalry games against USC, Michigan and Stanford, and also hosts the ascendant Virginia Cavaliers next week in South Bend. Of those teams only #11 Michigan and #21 Virginia are currently ranked. Georgia has a predictably tough SEC schedule, with upcoming matchups against #9 Florida, #8 Auburn and #17 Texas A&M, while their sights are set on another SEC Championship Game against Alabama in the back of their minds. Odds makers are giving Georgia the edge as two-touchdown favorites. On paper that spread makes sense. Notre Dame is a legitimate top-10 football team, however, and is very much looking forward to proving its mettle against a respected foe.

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