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2004

### Coastal Empire Economic Monitor, 1st Quarter, 2004

Armstrong Atlantic State University Center for Regional Analysis

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## CONTINUED GROWTH, MORE EXPECTED

The surge in regional economic activity that developed during the last quarter of 2003 continued through the first quarter of 2004. The Coastal Empire's economy posted the fastest two-quarter period of growth in nearly six years. The index of current economic activity reached its highest level on record, up by five and one-half percentage points over its cyclical low set during the recession of 2001. Upward movement in the index was supported by favorable activity in basic sectors of the regional economy, although employment growth subsided during the quarter.

The Coastal Empire leading economic index leveled off during the first quarter of 2004. After a very powerful surge in the second half of 2003, the index 'took a breather' during the first quarter. However, the underlying components of the index appear to be on generally solid ground and upward movement in the forecasting index is expected to re-emerge during the second quarter of the year. This points toward continued economic growth through 2004.

### Regional Economy Powering Along

The Coastal Empire coincident economic index increased 2.1 percent from 120.7 (revised) to 123.2 in the current quarter. Strength in seasonally-adjusted electricity sales, boardings at the airport, and retail sales led the way. Consumer confidence and hotel

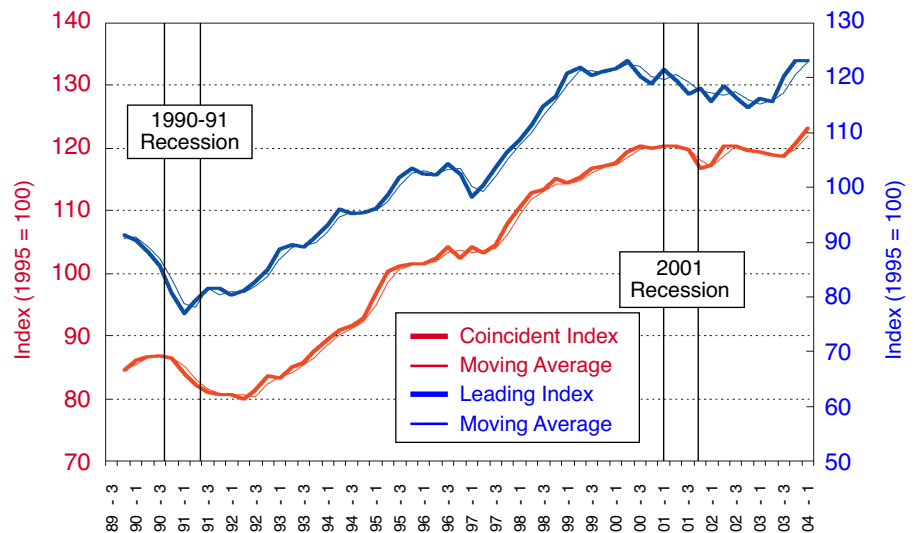
sales increased somewhat as well. Regional employment was the only component of the index that did not increase during the quarter, remaining flat at just below 142,000 workers.

The overall employment figure, however, does not reflect a minor redistribution of workers away from the goods producing to service producing sectors. More specifically, manufacturing slipped by 400 jobs, while service sector growth was powered along by financial services and professional and business services. Employment in these latter two sectors was approximately 16 percent higher during the first quarter than at the same time last year. However, employment in retail trade dropped by 300 jobs as compared to year-ago data.

Indicators from the region's tourism industry continue to show solid, steady growth as compared to activity during the first three months of 2003. One standout indicator was airplane boardings that increased by approximately 12 to 13 percent compared to 2003 and nearly returned to pre-September 11 levels. Other indicators suggest that tourism activity during the quarter increased by 5 to 7 percent on an annualized basis. These include employment in the leisure and hospitality sector, seasonally- and inflation-adjusted hotel room sales in the city of Savannah, automobile rentals, and the number of riders on tour buses and trolleys in town.

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Coastal Empire Economic Indicators  
Leading and Coincident Indexes



(continued from front)

## U.S Economy Maintains Solid Growth Rate

The U.S. economy continued its recovery during the first quarter of the year, as GDP grew at an annualized rate of 4.2 percent. Strength in consumer spending, business investment, and government spending, particularly on defense goods, helped maintain steady growth. The national economy is expected to grow at a rate of 4 percent during the remainder of the year.

Very mild inflationary pressure emerged during the quarter as a result of rising input prices facing buyers in the transportation, construction, and manufacturing sectors. However, the upward price pressure was partially offset by gains in labor productivity and minimal increases in labor costs. Nonetheless, core inflation (excluding food and energy) faced by consumers increased at an annualized rate of 2 percent, nearly double the rates recorded in the previous two quarters.

The national labor market experienced its first substantial period of growth in nearly four years. Payroll employment increased by over 500,000 workers during the first quarter, led by broad-based gains in services and construction, while manufacturing broke a string of 43 consecutive months of losses in March. Nearly all regions of the country experienced increased manufacturing activity, a trend that is expected to continue and lead to rising employment in the sector by mid-summer.

*Financial support provided by the AASU Foundation.*

## Continued Growth Expected

The Coastal Empire leading economic index leveled off during the first quarter of the year. The index increased by less than one-tenth of one percent from 123.1 (revised) in the previous quarter to 123.2. Particularly strong activity in the housing market and improved consumer expectations provided support for the index. The seasonally-adjusted number of building permits issued for single family homes reached a record level in the first quarter, exceeding the previous record set in the last quarter of 2003 by 15 percent. Additionally, consumer expectations have risen by 36 percent since their cyclical low set during the first quarter of 2003, coincident with the commencement of coalition activities in Iraq.

Leading indicators from the labor market remained mixed for the second consecutive quarter. Although help wanted advertising leveled off, the number of initial claims for unemployment insurance declined. This implies that the flow of newly unemployed workers is beginning to decline, but that the regional labor market has yet to show strength this year in re-absorbing that surplus labor. Overall, this suggests improved conditions in future labor market conditions, but not yet in today's market.

With significant strength continuing in the regional housing market and a foreshadowing of accumulating strength in the labor market, the current flatness in the forecasting index may be discounted somewhat. While increasing mortgage rates and construction materials prices may slow activity in the construction industry and moderately rein in regional economic growth, both construction and the regional economy are building from a rock-solid foundation of strength. The leading index is expected to continue its upward climb in the next quarter and overall, the Savannah regional economy will continue to experience steady growth through the end of 2004.

*Jennifer Hoag provided research assistance.*

### A Note From the Director

This is the LAST PRINTED ISSUE of the *Economic Monitor*. Future issues will be distributed electronically by e-mail and online at the Center for Regional Analysis website (see below). If you would like to receive the *Monitor* by e-mail, please send a 'subscribe' message to [emonitor@mail.armstrong.edu](mailto:emonitor@mail.armstrong.edu).

We are pleased to announce the creation of a website for the AASU Center for Regional Analysis. Please visit the website at [www.econ.armstrong.edu/cra](http://www.econ.armstrong.edu/cra) to learn more about the center, obtain current and archived issues of the *Economic Monitor*, and review other research projects completed under the center's AASU banner.

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## ABOUT THE INDICATORS

The Coastal Empire Economic Indicators are designed to provide continuously updating quarterly snapshots of the Savannah Metropolitan Statistical Area economy. The coincident index measures the current economic heartbeat of the region. The leading index provides a short term forecast of the region's economic activity in six to nine months.