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Coastal Empire Economic Monitor

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2005

### Coastal Empire Economic Monitor, 1st Quarter, 2005

Armstrong Atlantic State University Center for Regional Analysis

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## SHARP GROWTH WITH CONTINUED STRENGTH PROJECTED

The Coastal Empire economy registered sharp growth in the first quarter of 2005. After a short-lived “breather” at the close of the previous year, the economy continued the impressive gains achieved during much of the previous year. Tourism and electricity sales (seasonally-adjusted) — a general proxy for residential, commercial, and industrial activity — were the key factors supporting the index during the first quarter.

The Coastal Empire leading economic index flattened during the quarter. This one-quarter lull in the forecasting index is a development that merits monitoring in upcoming quarters, but it is simply too early to characterize the behavior of the index during the quarter as an unfavorable emerging trend. Sustained economic growth is projected through the summer of 2005. As for the end of the year, a sharper signal will emerge as additional leading economic indicator data become available.

### FASTER GROWTH THAN EXPECTED: TOURISM STRONG

The Coastal Empire coincident economic index increased by 2.8 percent to 130.0 from 126.4 (revised) in the previous quarter. Hotel sales, boardings at the airport, and seasonally-adjusted electricity sales contributed heavily to the increase, with retail sales, employment,

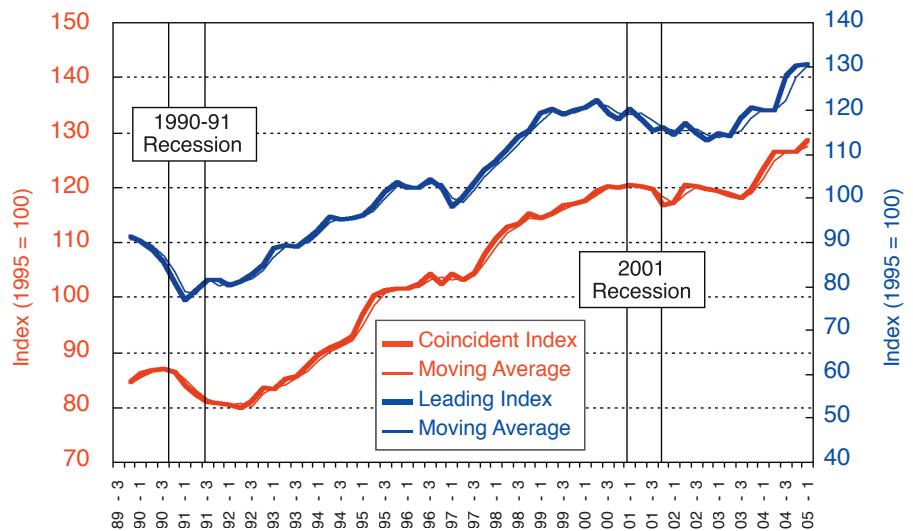
and consumer confidence playing supporting roles. Seasonally-adjusted boardings at the airport charged ahead at a nearly 20% annual growth rate, sustaining an exceptionally strong record that dates back to early 2004. Hotel sales activity has generally mirrored this, growing at an average annual pace of 10 percent or more during the same period.

The sharp growth rate achieved was somewhat unexpected given the deployment of the Third Infantry Division from Fort Stewart to Iraq. Although training activity at the base continues, the deployment pulled consumers out of the regional economy and likely delays purchases of big-ticket items by military dependents. However, the

strong performance of the tourism sector, as noted earlier, helped offset the economic drag created by the deployment.

Employment in the Savannah MSA increased by approximately 200 jobs during the quarter to stand at 145,000. Softness in goods-producing industries was offset by growth in service sectors, particularly in transportation and trade. Continued record-setting growth at Georgia’s port facilities has supported annual employment growth rates exceeding 10 percent in the transportation and warehousing sector for a full year. Strong tourism activity continued to support employment in retail trade that has maintained an annual growth rate in excess of five percent for 12 months.

Coastal Empire Economic Indicators  
Leading and Coincident Indexes



## REWRITING HISTORY: REVISION OF EMPLOYMENT DATA

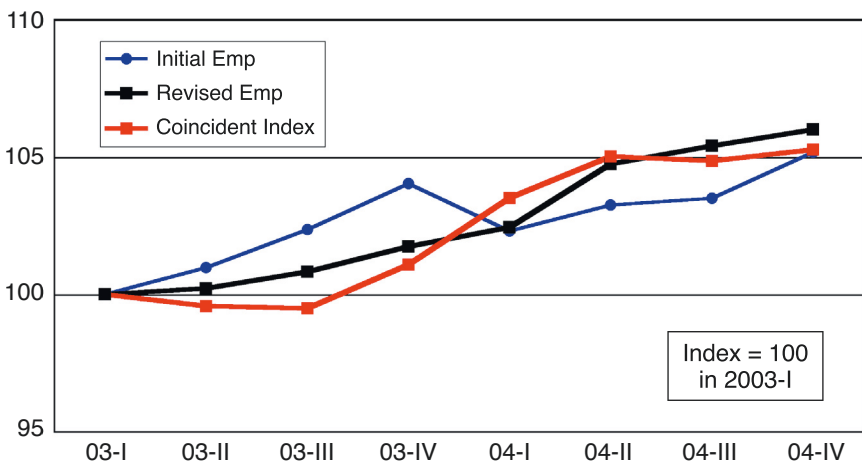
The Georgia Department of Labor usually revises employment data in March of each year in a process known as benchmarking. The initial employment estimates are derived from a sample of establishments while the “benchmarked” data are based on a census of employment at all establishments. The sample-based estimates are available on a very timely basis but are subject to revision. The census-based employment data is comprehensive and accurate, but usually is not available until much later than the sample data. The trade-off is one of timeliness for accuracy.

This year, the benchmarking process generally resulted in a downward adjustment of 2003 data and an upward revision of 2004 data. Thus, much of the region’s employment growth, previously thought to have occurred in 2003, was “moved” into 2004. The revised data indicate that employment growth was nearly flat through 2003, but rapidly accelerated during 2004.

In fact, approximately 5,400 jobs were created during 2004, yielding an annual growth rate of 3.9 percent. This is fastest rate of growth recorded since 1990 and nearly twice the typical growth experienced in the Savannah area during the past 15 years. Even though the employment figure was revised, the underlying sectors supporting growth remained as previously reported: professional/business services, transportation, financial activities, and leisure/hospitality.

An interesting observation is noted in a comparison of the behavior of the Coastal Empire coincident economic index and the revised employment series. The data in the figure above provide the initially available employment data, the revised employment data, and the CEEI coincident index as published in 2003 and 2004. The data are

Comparison of Coincident Index and Savannah MSA Employment Series



placed on a comparable scale by indexing each of the series to equal 100 in the first quarter of 2003.

Note that the published CEEI coincident index displays a much “tighter fit” with the recently revised (and more accurate) employment series. Thus, while the coincident index and the originally published employment estimates appeared to be moving against each other in a puzzling manner through 2003 and 2004, the CEEI coincident index was validated as an accurate indicator of regional economic activity by the revised employment data.

## FORECASTING INDEX LEVELS OFF

The Coastal Empire leading economic index leveled off from its notable 2004 increases to settle down to a much more modest growth rate of 0.3% for the quarter. The index now stands at 130.6, up from 130.2 during the last quarter of 2004. The story remains very much as it has been before – generally favorable activity in the regional housing and labor markets supported the index.

Some conflicting signals are emerging from the underlying indicators, however. The number of single-family home (SFH) building permits issued was 26 percent higher than one year ago and the average SFH permit value increased by \$12,000 to \$162,000, but the average permit

value remained 3 percent below the figure recorded for the middle quarters of 2004. Labor markets also yielded conflicting data. Help wanted advertising flattened while the number of initial claims for unemployment insurance (UI) dropped modestly, but the substantial downward trend in UI claims appears to have ended.

Overall, the forecasting index is yielding luke-warm signals about year-end growth. This development calls for close monitoring in upcoming months to determine whether an unfavorable trend is emerging or if the first quarter’s data are an anomaly. The projection is for continued growth through the summer with some possible moderation in economic growth during the fall.

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### A Note From the Director

The *Economic Monitor* is now available electronically by e-mail and online at the Center for Regional Analysis website ([www.econ.armstrong.edu/cra](http://www.econ.armstrong.edu/cra)). 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).