The growth rate of Savannah’s economy continued to slow as 2010 drew to a close. The economy has been losing its forward momentum for several quarters, yet continues to expand, albeit at a modest rate. An encouraging sign is that consumer expenditure and employment growth firmed up as compared to the previous quarter. The region’s tourism industry also played an important supporting role in maintaining the economic recovery.

The Coastal Empire leading economic index flat-lined for the third consecutive quarter. Continued weakness in residential construction and mixed signals from the labor market have stymied upward movement in the forecasting index. The signal being sent is that, in the absence of other factors, the regional economy’s growth trajectory will continue to flatten well into 2011. However, there are several mitigating factors discussed below that suggest stronger growth is on the horizon than currently implied by the leading index.

Continued, but Moderating Economic Growth

The Coastal Empire coincident economic index increased three-tenths of one percent to 150.3 from 149.9 during the fourth quarter. Consumer spending, as measured by retail sales tax receipts and general employment growth, provided substantial lift to the coincident index. Improvement in these two bedrock foundations of the economy is welcome news. The emerging strength in consumer spending was supported by continued growth in the tourism industry. However, consumer confidence and port activity declined slightly from the third quarter, while electricity sales were flat.

Seasonally adjusted employment in the Savannah metro area increased by 400 workers, rising to 151,500. The service sector of the economy added about 600 jobs, primarily in retail trade, business/professional services, and education/health services. This is a favorable mix of employment growth in sectors of the economy serving as bellwethers of underlying consumer and business activity. Further, the drag on employment growth previously induced by shrinking government payrolls has mostly abated. However, the goods-producing side of the economy shed nearly 200 workers, 100 each in construction and manufacturing. Manufacturing employment was 13,200.

Overall, employment during the closing quarter of 2010 was higher by approximately 1,570 workers, as compared to the fourth quarter of 2009. This represents a one percent growth rate in regional employment and places the Savannah MSA among the top two performing regions in the state.

The regional tourism industry continued its very solid recovery through the close of the year. Revenue from hotel room rentals during the fourth quarter was 17 percent higher than previous year data and contributed to year-to-date revenue growth of approximately 10 percent. Supplemental tourism (continued)
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