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Coastal Empire Economic Monitor, 1st Quarter, 2012

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Coastal Empire ECONOMIC MONITOR

GROWTH TICKS UP. FORECASTING INDEX RISES

The coincident index of economic activity in the Savannah metro area increased modestly during the opening quarter of 2012. Most of the underlying coincident indicators improved, thus suggesting the emergence of a broadly based recovery. However, growth remains far from robust.

The Coastal Empire leading economic index increased during the quarter, following a slip dip in revised data from the previous quarter. First quarter activity was very good for nearly all leading indicators, particularly those related to the regional home construction industry. The forecasting index is now pointing to improved future economic conditions, but it is premature to suggest that growth in the second half of the year will be substantially more than the current tepid pace.

Increasing Strength Currently

The Coastal Empire coincident economic index increased two-tenths of one percent to 151.3 from 151.0 (revised). This represents an annualized growth rate of slightly less than one percent.

Growth in the regional employment base created the most lift to the index, while port activity contributed significantly to the uptick. Retail sales activity increased, along with boardings at the airport and hotel room rentals.

Flagging consumer confidence in the South Atlantic states created some drag on the index, but five percent growth in local consumer spending suggests that regional consumers are in better spirits than their counterparts across the southeast.

Seasonally adjusted employment in the Savannah metro area increased by 1,400 workers to reach 151,000. The service sector gained about 1,400 jobs, with increases spread across numerous sectors (retail trade, +300; wholesale trade, +200; transportation and utilities, +200; education and health, +200; finance, +200; government, +200).

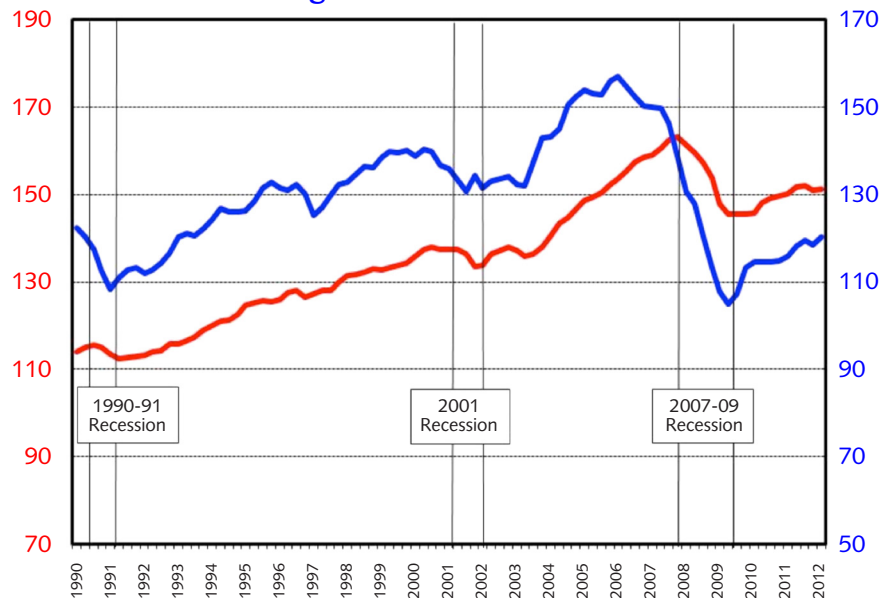
The goods-producing side of the economy added 100 jobs, rising to

20,100. Manufacturing employment increased by 200 jobs to 14,400. By the close of the quarter, the manufacturing workforce had increased to the highest level recorded since January 2009. Construction, however, continued to slip, shedding another 100 workers to fall to 5,700.

Tourism activity registered solid growth in the first quarter. March hotel/motel tax receipts were nearly \$1.5 million, 13 percent higher than the previous year, and employment in the sector increased 100 jobs to 20,100 workers. Further, November tax receipts were up 21 percent from

(continued)

Coastal Empire Economic Indicators
Leading and Coincident Indexes



the previous year, while September tax receipts were up 10 percent over the previous year. Each of these months is anchored by newly established or growing festivals: St. Patrick's Day in March, the inaugural Rock & Roll Marathon in November, and the Craft Brew Festival in September.

Overall, the increase in the coincident economic index was modest, but the strength of broad-based employment growth, increased consumer spending, vibrant tourism activity, and increased port activity point to increased vitality of the regional economy.

U.S. Economy Chugs Along Slowly

U.S. economic activity grew at an annualized rate of 2.2 percent during the first quarter, slowing from 3.0 percent growth in the previous quarter. Acceleration in household expenditures and growth in export activity boosted economic activity. However, nonresidential construction declined, while business spending on equipment and software slowed. Residential construction increased at a pace of 19.1 percent, but government spending fell during the quarter.

The Federal Reserve is now expected to maintain a very low interest rate environment well

into 2014. The Fed's perspective on the economy has improved somewhat, with projections calling for "moderate" growth in 2012, with some strengthening late in the year. Although inflationary pressure resulted from rising energy prices, this is expected to subside, while core inflation remains at roughly 2.0 percent or slightly lower.

Forecasting Index Rises Sharply

The Coastal Empire leading economic index increased 1.5 percent during the opening quarter of the year, rising to 120.4 from 118.6 (revised downward) in the previous quarter. This is the fastest pace of growth since the second quarter of last year. Housing market indicators substantially improved, along with consumer expectations and reductions in new filings for unemployment insurance claims.

The seasonally adjusted number of new residential homes permitted for construction sharply increased, rising 34 percent to 256 permits during the quarter. Permit issuance is 13 percent above previous-year activity and reached levels not experienced since mid- to late-2009. Further, the average value of a residential building permit issued increased 10 percent to \$154,000 and is 21 percent higher than one year ago.

In the labor market, initial claims for unemployment insurance fell 17 percent to 1,181 per month, as compared to 1,400 per month in the last quarter of 2011. Help wanted advertising was flat during the quarter. Although job growth is modest along with help wanted advertising, the flow of newly unemployed workers is diminishing. This will result in modestly lower unemployment rates in the region in 2012.

Wrapping up, the coincident index increased modestly, but the increase in the index was supported by a wider base of support among the coincident economic indicators. The forecasting index increased sharply. Overall, expect continued tepid growth through 2012. While it is encouraging that the index increased, more evidence of a continuation of this improved trajectory is required before expected economic growth can be upgraded beyond "modest."

About the Indicators

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

Financial support provided by the Armstrong Foundation.

A Note From the Director

The *Economic Monitor* is available by email and at the center's website (www.armstrong.edu/economic_monitor). Additional Chatham County data about education and youth development, health and wellness, economic independence and regionalism are compiled and reported through the Savannah-Chatham Community Indicators report.

See Savannah-Chatham-Indicators.org.