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Coastal Empire Economic Monitor, 4th Quarter, 2013

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Coastal Empire ECONOMIC MONITOR

STRONG GROWTH. SURGE IN FORECASTING INDEX.

Savannah's economy expanded at a rapid rate during the closing quarter of 2013. The economy's expansion accelerated for the fourth consecutive quarter. Growth in electricity sales (a broad indicator of residential, commercial, and manufacturing activity), tourism, and port activity caused the acceleration in regional economic activity.

The Coastal Empire leading economic index surged again, registering the eighth consecutive quarterly improvement, including the second consecutive quarter in which annualized growth was 10 percent or higher. Significant improvement in the regional housing market was supported by lesser improvement in the labor market. The continued acceleration of growth in the leading index signals continued economic expansion through late 2014.

October—yes, even higher than in 2007—before trailing off somewhat toward the end of the quarter. Large quarterly gains in leisure/hospitality (+500 jobs) and business services (+300) were partially offset by losses in local government (-400 jobs) and education/health (-300). Manufacturing employment dipped by about 70 jobs while construction lost 100 jobs.

In a healthy development, private sector employment growth has far outpaced growth in government sector jobs. Since 2010, the number of private sector jobs increased by 11 percent (12,000 jobs), while the number of government sector jobs fell by about 3 percent (800 jobs). The loss in public sector jobs was shared evenly between local and federal government jobs. Increasing reliance on Savannah's private sector

for growth reduces the relative importance of public sector dollars in Savannah's economy (see chart on next page).

Non-agricultural employment data was revised upward by 2,700 jobs for the year and by as much as 4,300 jobs in August and September 2013. The revision process happens each February as the survey data from employers is said to be "benchmarked" against the census-like headcount of employment generated through the unemployment insurance records of employers.

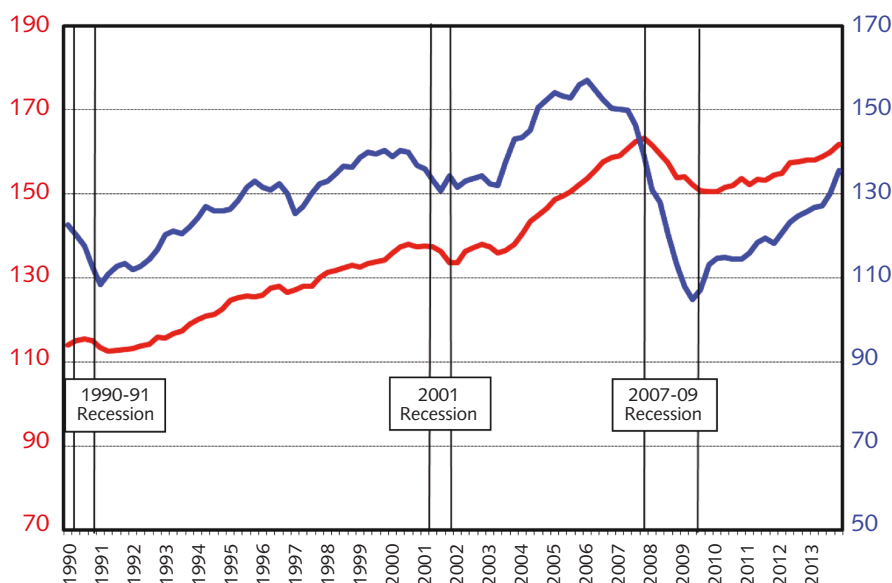
Seasonally adjusted indicators reflecting regional tourism continued to barrel along through the end of the year. Hotel room sales and the number of tourists on trolleys and tour buses are about 6 percent higher as compared to year-ago data.

Accelerating Growth

The Coastal Empire coincident economic index increased 1.03 percent to 161.8. Annualized, that is 4.7 percent, the fastest growth in nearly two years and well above the typical growth rate (1.4 percent) experienced in the post-recession era. In fact, the quarterly gain was the second highest pace of growth recorded since mid-2006. With the exception of consumer confidence that dipped slightly, six of seven other coincident regional economic indicators increased.

Seasonally adjusted employment in the three-county metro area averaged 162,400 during the quarter, only 200 jobs short of the pre-recession peak hit in the second quarter of 2007. Employment hit an all-time high of 163,200 in

Coastal Empire Economic Indicators
Leading and Coincident Indexes



U.S. Economic Growth Slows

The U.S. economy grew at an annualized rate of 2.4 percent in the fourth quarter of 2013, slowing from 4.1 percent in the third quarter. Export growth was substantial, increasing at 9.4 percent, more than doubling third quarter growth, while business spending on capital equipment grew at a pace of 7.3 percent. Consumer expenditures increased 2.6 percent, rising from 2.0 percent in the previous quarter. Federal government spending fell at a rate of 12.8 percent during the quarter while state and local government spending dipped slightly.

In early 2014, Janet Yellen took the helm at the Federal Reserve. In steps, the Fed has reduced the quantitative easing stimulus from \$85 billion a month in bond purchases to a recently announced pace of \$55 billion. The Fed also recently signaled that interest rates may be raised earlier than expected, perhaps in early 2015, yet pledged to maintain interest rates below historical norms even if unemployment and GDP return to typical levels. Some on Wall Street remain scratching their heads over this stance, and await further explanation from Janet Yellen.

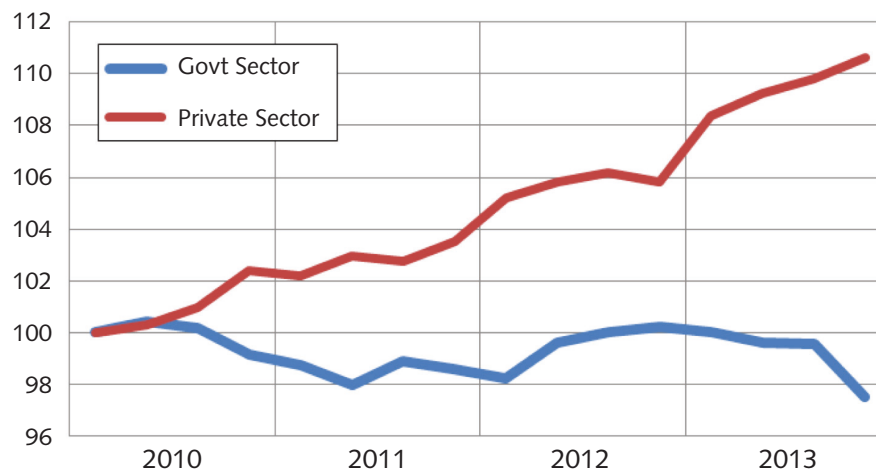
Forecasting Index Skyrockets

The Coastal Empire leading economic index surged 4.2 percent (17.8 percent, annualized), rising to 135.5 from 130.1 (revised) in the previous quarter. For the second consecutive quarter, there were across-the-board gains in the components of the leading index.

A Note From the Director

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Savannah MSA Employment Growth Index
First Quarter 2010 = 100



The seasonally adjusted number of new residential homes permitted for construction was 337, a 1.0 percent increase from the blistering pace of the third quarter. As compared to year-ago data, the number of permits issued is 30 percent higher. Further, the average value of a building permit issued for a single family home increased 20 percent, rising to \$206,500 from about \$173,500.

In the labor market, seasonally adjusted initial claims for unemployment insurance ticked up slightly from 964 to 985 per month during the quarter. This is the second consecutive quarter the quarterly average was below 1,000 claims per month, something not achieved since early 2008. This continued the downward pressure on the unemployment rate, pushing it down to 7.1 percent (seasonally adjusted) for the fourth quarter, one full

percentage point lower than year-ago data.

Wrapping up, the coincident index sharply increased, reflecting a stronger regional economy. It is notable that regional employment temporarily pushed above the pre-recession peak of 2007. The forecasting index skyrocketed in the fourth quarter. Combined, these are very positive signals for Savannah's metro area economy. Expect continued and strengthening economic growth through late 2014.

Maria Isabella Olmos provided research assistance.

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.

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