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### Coastal Empire Economic Monitor, 3rd Quarter, 2019

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# Coastal Empire ECONOMIC MONITOR

## ECONOMY IMPROVES, SLOWING EXPECTED

The Savannah metro economy expanded during the third quarter of 2019, reversing a modest dip in the second quarter. Growth in electricity sales and port activity boosted regional economic activity and more than offset some softness in retail sales and tourism.

The business forecasting index fell for the first time in two years. A sharp increase in the number of new claims for unemployment insurance weighed heavily on the index while housing market activity was mixed. Slowing growth through mid-2020 is expected, but the cautionary signal sent by the decline in the forecasting index should be monitored for potential intensification in upcoming quarters.

### Regional Economy Posts Gains

The Savannah metro economy expanded 0.8% (3.1% annualized) during the quarter. The coincident index of economic activity increased to 191.1 from 189.7. The index was primarily supported by strengthening port activity and strong sales of electricity to regional commercial, industrial and residential users. Modest increases in consumer confidence in the south Atlantic states and regional employment further lifted the index. While both retail sales and hotel/motel room rentals slipped as compared to the second quarter, both indicators remain above year-ago levels.

While the trade and tariff spat has disrupted Georgia's trade with China and contributed to recent volatility in port activity, shipping through Georgia Port Authority's facilities registered strong growth of nearly 9% as compared to the previous quarter. Port activity stands roughly 7% higher than year-ago data, and remains on a long-term upward trend.

Tourism indicators were mixed during the third quarter. After adjusting for seasonality, boardings at the airport increased 1.9% while the number of visitors on organized tours modestly improved after a weak second quarter. However, alcohol sales taxes declined 5%,

hotel/motel tax receipts fell 2% and automobile rental taxes dipped slightly. After an anomalous decline in the second quarter, total employment in leisure and hospitality returned to 27,400, the largest among the region's major economic sectors.

Total employment in Savannah's three-county metro area was 185,700, a gain of 200 jobs from the previous quarter. Employment is 1% higher than year-ago data. Employment in business and professional services continues to erode, shedding another 700 jobs and falling below 20,000 workers for the first time since mid-2016. Overall, the sector has lost 2,700 jobs during the past six quarters. If this trend continues, it is likely to reduce total employment in the region, as increasing shrinkage in this sector becomes more and more difficult to offset with growth in other sectors. Business and professional services is a proxy indicator of business-to-business demand for services.

The goods-producing side of the Savannah metro economy added 400 jobs in the quarter. An additional 200 workers in manufacturing brings the total number of jobs in the sector to 19,500, another record high. Employment in construction

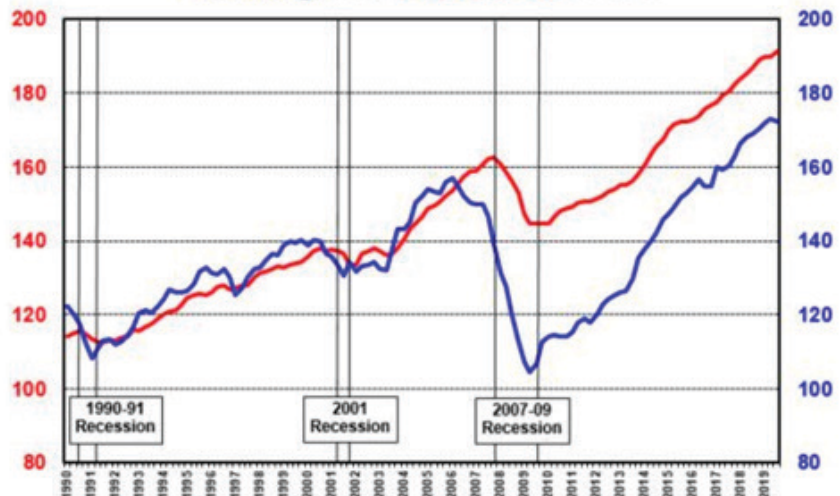
increased by 200 jobs to 8,900 workers, the highest number of workers since mid-2008.

Hourly wages in the private sector held steady at \$22.65 (revised) and appears to have reestablished stability after declining through much of 2018. The length of the workweek shortened slightly to 33.1 hours.

### U.S. Economy

U.S. gross domestic product growth slowed slightly in the third quarter, rising at a rate of 1.9% (annualized), as compared to 2% during the second quarter. Slowing consumer and government spending contributed to modest slowdown while business investment declined for the second consecutive quarter. Exports increased modestly (+ 0.7%) while imports increased 1.2%. Household spending decelerated to 2.9% growth and government spending slowed to a pace of 2% growth. Non-residential construction fell 15% for the second consecutive, double-digit quarterly decline, while business investment in capital goods fell at a pace of 3.8%. Residential construction broke out of a six quarter slump, rising by 5.1% for the first increase since late 2017.

Savannah Metro Business Index  
Leading and Coincident Series



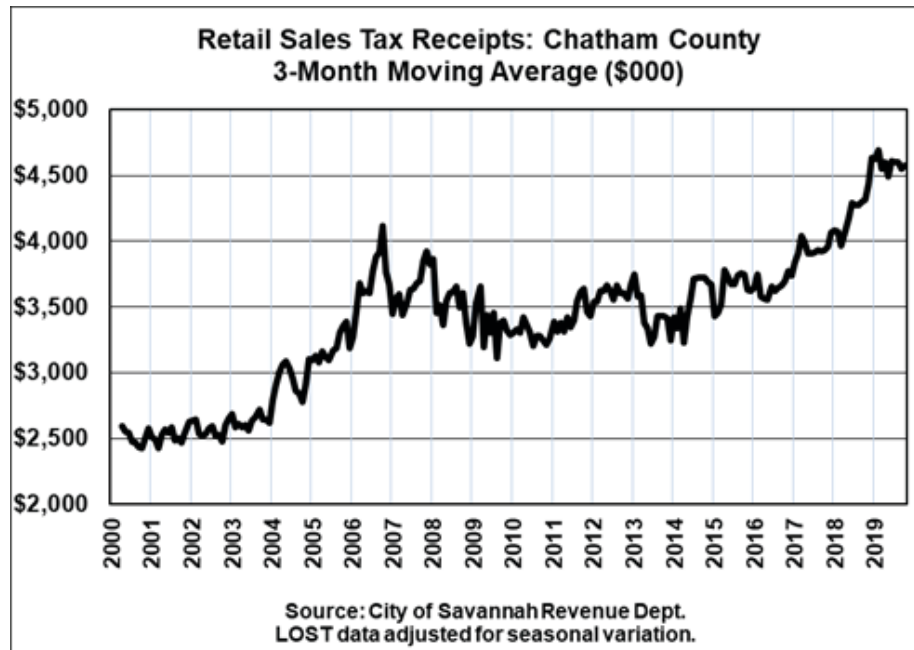
In the third rate-cutting move of a “mid-cycle adjustment,” the Federal Reserve cut the benchmark short-term lending rate into the range of 1.5% to 1.75% to ward off potential threats to the economy from global economic sluggishness and volatility in international trade. The Fed appears now to be in a wait-and-see mode, indicating that its stance will remain “appropriate” given economic conditions. Financial markets are currently split roughly 50/50 on whether rates will remain stable or cut in one or two additional moves by the end of 2020. Fed projections for U.S. economic growth for 2020 and 2021 are 1.95% and 1.9%, respectively.

### Forecasting Index Falls

The Savannah area business forecasting decreased for the first time since mid-2017. The index declined 0.5% (2%, annualized) after increasing 0.6% (2.6% annualized) in the second quarter. There were mixed results in both the regional labor and housing markets.

In the labor market, the number of initial claims for unemployment insurance (UI) surged 30% from 405 from 540 in the third quarter. UI claims are 4.2% higher as compared to previous year data. In better news, the seasonally adjusted unemployment rate fell one-tenth of a percentage point to 3.2%, roughly the same as its year-ago level.

In the regional housing market, seasonally adjusted building permit issuance for single-family homes (a proxy for new



residential construction) increased for the second consecutive quarter. Building permits issued increased 7.3% to 580 units from 540 units. However, average valuation per single-family unit decreased 4% to \$223,600 from \$232,900. Building permit valuation per unit is 2% below comparable data from 2018.

In summary, economic growth accelerated in the Savannah metro area during the third quarter of 2019. Growth in port activity and electricity sales offset softness in retail trade and tourism. Slowing in regional employment growth and loss of

jobs in business and professional services continue to temper economic expectations.

The fall in the forecasting index is sending a preliminary cautionary signal about regional growth during the first half of 2020. Subsequent declines would send a stronger signal about a pullback in the regional economy, but at this time, it is premature to predict a recession based on one quarterly decline in the index. Continue to expect modest employment growth in the range of 0.5% to 1% through mid-2020, now more likely toward the lower end of the range.

### A Note From the Director

The *Economic Monitor* is available by email and at the Center’s website ([GeorgiaSouthern.edu/parker/big/big-programs/cbaer/](http://GeorgiaSouthern.edu/parker/big/big-programs/cbaer/)). If you would like to receive the *Monitor* by email, please send a ‘subscribe’ message to [CBAER@georgiasouthern.edu](mailto:CBAER@georgiasouthern.edu).

*Hyeeun Shin provided research assistance.*



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### About the Indicators

The *Economic Monitor* provides a continuously updated quarterly snapshot of the Savannah Metropolitan Statistical Area economy, including Bryan, Chatham and Effingham counties in Georgia. 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.