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Recommended Citation

Georgia Southern University, "Newsroom" (2019). *Newsroom*. 1708.
<https://digitalcommons.georgiasouthern.edu/newsroom/1708>

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Georgia Southern's Q1 2019 Economic Monitor shows growth sustained by tourism, manufacturing

June 24, 2019

Save



Georgia Southern University's latest Economic Monitor, which analyzes Q1 2019 data and identifies trends affecting the regional economy, reports that Savannah's metro economy opened 2019 with notably slower growth compared to previous quarters. Tourism activity lifted the index while electricity sales and port activity slowed during the quarter, which in turn, constrained economic expansion in the region.

"Despite mixed signals among leading economic indicators, the overall direction of the economy is favorable, albeit at a moderately slower pace of growth through the remainder of 2019," stated Michael Toma, Ph.D., Fuller E. Callaway professor of economics and director of the Center for Business Analytics and Economic Research (CBAER).

During the first quarter, the Savannah metro economy expanded at a rate of 0.4%, or 1.8% annualized, which is about half the pace of expansion in the previous quarter. Tourism was key in lifting the index, offsetting a modest decline in electricity sales to residential, commercial and industrial users. In addition to tourism, consumer spending and overall employment growth raised the index, while port activity remained stable amid growing tension over trade policy with several major U.S. trade partners.

Overall, the Savannah metro economy appears to have weakened during the first quarter of 2019. While most of the eight key indicators of economic activity in the Savannah metro region improved, gains were modest. Slowing employment growth, primarily in business and profession services employment, along with the second consecutive uptick in the unemployment rate warrant continued close monitoring of the regional economy. Although economic expansion is expected to continue, a modest reduction in the growth rate is likely on tap for the remainder of 2019.

Highlights from the latest Economic Monitor include:

EMPLOYMENT TRENDS

Total employment in Savannah's three-county metro area was 185,300, an increase of 900 jobs from Q4 2018. For the third consecutive quarter, total employment growth was about 800 jobs. Total employment in the region is 0.8% higher than year-ago levels.

Business and professional services jobs continue to see a decline, losing about 1,800 jobs – a concerning trend that warrants continued scrutiny. The goods-producing side of the local economy remained steady, showing an increase of 200 to 300 new jobs per quarter since the start of 2017. Since then, the manufacturing sector added 2,200 well-paid jobs, and employment in the sector is at a 47-year high in 2019. Manufacturing now provides jobs for 19,100 workers, while construction employment remained stable at 8,700 workers.

TOURISM

Tourism is the main factor contributing to the current regional economic growth in the Savannah area. Seasonally and inflation-adjusted hotel and motel tax receipts increased 8% during the quarter, while airport boardings increased by 3.3%. Hotel room rentals are ahead of previous year levels by 7.8%, while airport boardings have grown 14% compared to Q1 2018. Visitors on tours in the city also increased by 3% during Q1 2019.

RETAIL SALES

With an increase in tourism, the local economy also saw an increase in retail sales. Seasonally and inflation-adjusted retail sales jumped 8% for the second consecutive quarter. Retail sales have seen a consistent upward trend beginning in 2018 and continuing into 2019. Employment in retail trade increased by about 400 jobs, rising to 22,500 workers in the first quarter.

FORECASTING INDEX

The business forecasting index increased but at a slower rate in the opening quarter of 2019. The index increased by 0.7%, or 2.6% annualized, after strong growth in the last quarter of 2018. Leading indicators from both the housing and labor markets were mixed.

The Economic Monitor presents quarterly economic trends and short-term economic forecasts for Savannah's Metropolitan Statistical Area (MSA). The quarterly report measures the heartbeat of the local economy, based on the analysis of economic data from the U.S. Census Bureau, U.S. Department of Labor's Bureau of Labor Statistics, City of Savannah, Georgia Power and the three counties in the MSA — Chatham, Bryan and Effingham.

Morgan Rushing provided research assistance. The report is available for free by email. To subscribe, email mtoma@georgiasouthern.edu.

CBAER, a part of the Business Innovation Group in Georgia Southern's Parker College of Business, meets the applied research needs of Savannah's business and community organizations. Areas of concentrated research include regional economic forecasting, economic impact analysis, economic development and business expansion, tourism development, survey-based research and specialty reports on topics of state, and regional and local interest.

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