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Georgia Southern's Q2 2019 Economic Monitor reports continued moderation in economic activity

October 14, 2019



Georgia Southern University's latest Economic Monitor, which analyzes Q2 2019 data and identifies trends affecting the regional economy, reports that Savannah's metro economy moved sideways in the second quarter of 2019, following slower growth in the first quarter.

"Employment growth and electricity sales bolstered economic activity, but were not quite able to overcome declines in port activity and softness in retail sales," stated Michael Toma, Ph.D., Fuller E. Callaway professor of economics and director of the Center for Business Analytics and Economic Research. "Tourism indicators recorded modest growth during the quarter."

During the first quarter, the business forecasting index continued rising, but at a slower pace for the third consecutive quarter. Strength in the labor market lifted the index, but mixed activity in the regional housing market limited upward movement. Modest economic growth through the remainder of 2019 and the beginning of 2020 is expected.

Highlights from the latest Economic Monitor include:

REGIONAL ECONOMY

The Savannah metro economy contracted at a rate of -0.1%, effectively moving sideways during the quarter. The coincident index of economic activity decreased to 189.7 from 189.8. As compared to the first quarter, seasonally adjusted container handling at the port declined 7% during the second quarter. Further, a dip in consumer spending weighed on the coincident index. These declines were nearly offset by an 8% gain in electricity sales to residential, commercial and industrial users along with increases in employment and some tourism indicators.

The tariff-related disruption of trade with China is likely related to volatility in port activity in the second quarter. In recent years, the annual value of U.S. exports to China through the ports of Savannah and Brunswick was approximately \$5 billion, according to the U.S. Census Bureau's U.S. Trade database. Through the first seven months of 2019, as compared to the previous two years, U.S. exports to China through Savannah and Brunswick declined approximately 33% while U.S. exports to China fell 15%.

Despite the volatility in Georgia's trade with China, Georgia Ports Activity activity remains on a long-term upward trend because of growth in trade with other markets. On a year-to-date basis, the number of shipping containers handled at the port is 7% higher than year-ago figures. Strong recent growth has moved the port of Savannah up to the No. 3 port in the country for container handling, behind only the Port of New York and New Jersey, and the Port of Los Angeles and Long Beach.

EMPLOYMENT TRENDS

Total employment in Savannah's three-county metro area was 185,500, a gain of 200 jobs from the previous quarter. Employment is 1.4% higher than year-ago data. The modest pace of job creation occurred

concurrently with substantial weakness in business and professional services wherein 2,000 jobs were lost during the past five quarters. Business and professional services is a proxy indicator of business-to-business demand for services and a bellwether of general economic activity.

The goods-producing side of the Savannah metro economy continues to add 200 to 300 new jobs per quarter. Since the start of 2017, the sector added 2,400 well-paid jobs, setting a new record high for the second consecutive quarter. Manufacturing has 19,200 workers, which is the highest in nearly 50 years. Employment in construction was stable at approximately 8,700 workers for the third consecutive quarter.

Hourly wages in the private sector declined to \$22.36 from \$22.59 in the previous quarter. The length of the workweek held steady at 33.2 hours.

TOURISM

Tourism indicators were mixed in the second quarter. After adjusting for seasonality, boardings at the airport increased 1.5% and automobile rentals increased 6%. However, hotel and motel tax receipts were down 2% and the number of participants on organized tours declined 11%, while alcohol sales taxes fell 0.5%. Total employment in the leisure and hospitality sector stands at 26,400, among the largest of the region's major economic sectors.

FORECASTING INDEX

The Savannah area business forecasting increased, but deceleration continued for the second consecutive quarter. The index increased 0.6% after registering 3.1% annualized growth in the first quarter. The labor market continues to show strength while housing market indicators were mixed.

In the labor market, the number of initial claims for unemployment insurance (UI) dropped 20% to 405 from 504 in the previous quarter. UI claims are less than expected given the size of the regional workforce, and are 21% lower than one year ago. The seasonally adjusted unemployment rate fell one-half percentage point to 3.3% from 3.8%.

HOUSING

In the regional housing market, seasonally adjusted building permit issuance for single-family homes increased substantially, reversing the decline of the previous quarter. Building permits issued increased 12% to 540 units from 481 units. However, average valuation per single-family unit decreased 14% to \$232,900 from \$270,300. This is not unexpected because the first quarter 2019-average was inflated by issuance of permits for high-end developments.

Hyeun Shin provided research assistance.

A note from the Director

The Economic Monitor is available by email and at the Center for Business Analytics and Economic Research's website (<https://parker.georgiasouthern.edu/big/big-programs/cbaer/>). If you would like to receive the Economic Monitor by email, please send a 'subscribe' message to CBAER@georgiasouthern.edu.

About the Indicators

The Economic Monitor provides a continuously updating 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.

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