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Georgia Southern releases Economic Monitors Q2 and Q3, show signs of recovery in Savannah

November 16, 2020



Georgia Southern's Economic Monitor Q2 reports economy slammed by pandemic, slow recovery expected

Georgia Southern University's latest Economic Monitor, which analyzes Q2 2020 data and identifies trends affecting the regional economy, reports that economic activity in the Savannah metro area plunged during the second quarter.

"Unprecedented declines were recorded in data characterizing the tourism and hospitality industry and more broadly, in the service sectors of the economy," stated Michael Toma, Ph.D., Fuller E. Callaway professor of economics. "The goods-producing sectors, which include construction and manufacturing, along with the logistics sector, experienced more modest declines by comparison."

He also noted that while all six leading indicators declined in the second quarter, the worst appears to have passed. The regional housing market shows signs of strength, and total employment is beginning to bounce back.

Notably, the regional economy will begin to expand in the third quarter, he said, and while the percentage growth rates will seem exceptionally large, expansion to pre-pandemic economic activity will require quite some time. Substantial economic recovery, particularly in the service sectors with intensive levels of person-to-person interaction, will be delayed until an effective COVID-19 vaccine that increases the confidence of consumers is widely deployed.

Regional economy suffers

The Savannah metro economy severely contracted by 11.2% during the first full pandemic quarter. The coincident index of economic activity decreased to 170.2 from 191.8. As the effects of the pandemic reverberated through the regional economy, all coincident indicators of economic activity declined significantly during the quarter.

The sharpest declines, unsurprisingly, were in the regional service sector wherein tourism indicators and retail trade plummeted in unprecedented magnitudes. Total employment fell 10% while port activity declined 8%. Electricity sales to residential, commercial and industrial users were down modestly, falling 2% below year-ago levels.

Employment trends

Employment in Savannah's three-county metro area was 167,100 for the quarter, a decline of 19,000 workers. At the low point in April, employment stood at 159,600 and recovered to 174,300 by June. In the service sector, which was hit the hardest by COVID-19 operating restrictions, leisure and hospitality recorded the largest decline of 10,300 jobs while retail trade lost 1,800 workers. Professional and business services sustained another blow, losing 1,100 workers, bringing the 12-month loss to 2,500 jobs.

Savannah metro area

The tourism economy suffered heavily in the second quarter. The 10,300 jobs lost represent a 38% decline in employment. In one quarter, the sector fell from its ranking as the largest sector to the fifth largest sector. Continued operating restrictions will constrain recovery even as business strategies evolve to confront the current reality of a severely hamstrung tourism economy.

Of total new claims for unemployment insurance since March, 35% were filed by workers in the tourism sector, nearly three times the rate of the next two hardest hit sectors, health care and social service (11.9% of total claims) and retail trade (11.7% of total claims). Airplane boardings fell 86% from a monthly average of 104,000 boardings in the first quarter to about 15,000 boardings in the second quarter. Rental car tax receipts fell 65% while the fees collected from visitors on tours in Savannah plummeted 96% to less than \$5,000 for the entire quarter. These are stunning and unprecedented declines.

In the goods-producing sectors, manufacturing lost 1,500 workers, and construction lost 400 workers. On a relative basis, goods-producing sectors fared far better than service sectors. New claims for unemployment insurance in manufacturing were 4.2% of total claims filed since March, while construction's share was 1.5% of total claims. The regional logistics industry shed only 200 jobs in the quarter, and the sector's share of total new unemployment insurance claims was 3.5%. Manufacturing, logistics and construction employed 17,900 workers, 14,500 and 8,100 jobs, respectively.

Hourly wages in the private sector increased 2.7% to \$22.47 as the regional economy shed a disproportionately higher number of lower wage service sector jobs. The length of the private sector workweek shortened 1.3 hours to 31.9 hours, which represents a 4% decline.

Modest recovery expected

The Savannah area business forecasting index plunged 17% during the second quarter of 2020. All leading indicators declined, primarily due to exceptional weakness in the labor market. Improving conditions in the housing market partially offset the fall in the forecasting index.

In the regional housing market, the seasonally adjusted number of single-family homes permitted for construction increased 19%, rising to 743 units from 549 in the previous quarter. Average valuation per single family unit increased 2% to \$224,300 from \$219,700. This is approximately \$1,000 less than the average during the previous four quarters.

In the labor market, the average number of monthly initial claims for unemployment insurance increased to 24,917 from 2,942 in the first quarter. The seasonally adjusted unemployment rate jumped to 11.9% from 3.7% in the first quarter. The comparable unemployment rate from the previous year was 3.2%.

Wide swaths of the regional economy have been affected by the pandemic, but the distribution of economic pain is not uniform across sectors of the economy. The pullback in consumer spending and travel severely slammed the regional tourism and hospitality sector along with retail trade and services. Manufacturing and logistics have been spared the worst and are likely to recover more quickly than service sectors.

As to the future, tentative signs of economic recovery should begin to emerge in the third quarter of 2020. The speed of rebound and recovery will be influenced primarily by how people react to governmental easing of restrictions on business activity and how employees and consumers navigate the uncertainty of the pandemic economy.

Toma said to anticipate seeing the beginnings of a modest economic recovery in the third quarter, but a more robust recovery will be delayed into 2021, more likely toward the end of the year for the consumer-based service sectors.

Savannah shows signs of recovery in Georgia Southern's Q3 Economic Monitor report

Georgia Southern University's latest Economic Monitor reports that Savannah showed signs of recovery in Q3, buoyed by increased real estate and regional employment, yet tourism, hospitality and retail industries will not return to pre-pandemic levels until there is wide deployment of a COVID-19 vaccine.

"Economic activity in the Savannah metro area began to stabilize and rebound during the third quarter," stated Michael Toma, Ph.D., Fuller E. Callaway professor of economics. "More substantial recovery will be delayed, however, until the regional hospitality industry, and the service sector in general, return to early 2020 levels. There is little change in the forecast for those sectors: continued recovery will be slow until an effective COVID-19 vaccine is widely deployed."

Total regional employment increased notably along with port activity, but continued weakness in the tourism industry and retail trade undermined the recovery, Toma said. The service sector remains hobbled by the pandemic, and manufacturing unexpectedly tailed off during the quarter after standing up quite well initially in the recession. Growth continued robustly in the logistics sector.

Regional economy still struggling

The business forecasting index declined for the third consecutive quarter. While the labor market appears to be rebounding, initial claims for unemployment insurance remained highly elevated. Notable strength in the housing market prevented the forecasting index from falling more severely.

The business index for the Savannah metro economy declined 1.7% during the third quarter. The coincident index of economic activity decreased to 167.0 from 170.0. The more general indicators of economic activity such as total employment, port activity and electricity sales improved, but the index was weighed down by continuing weakness in the tourism economy.

Employment trends

Employment in Savannah's three-county metro area averaged 177,100 for the quarter, a gain of 10,000 workers. At the low point in April, employment was 159,600 but recovered to 179,800 by September. The September job figure is 97% of its pre-pandemic level. Leisure and hospitality recorded the largest increase of 4,200 jobs while professional and business services recovered 2,100 workers.

Job growth was limited to the service sector as the goods-producing sector shed 300 workers. Manufacturing fell to 17,500 jobs while construction gained 100 workers. The regional logistics sector added 800 jobs and employs 15,300 workers.

Savannah metro area

The tourism economy continues to struggle. After falling to 13,600 workers in April, employment in the leisure and hospitality sector jumped to about 21,000 by July and inched up to 21,400 by the end of the third quarter. Even with this 25% one-quarter recovery, sector employment remains 23% below the pre-pandemic level. Airplane boardings increased more than 200% from the second quarter, but any rebound from a very low bottom will yield an exceptionally large percentage gain. Boardings remain 63% lower than year-ago levels.

Hotel room rentals remain down by roughly the same amount, and rental car tax receipts remain down by 39%.

The rebound in the regional economy varies by sector. As noted in the attached chart, third quarter employment in Savannah's Metropolitan Statistical Area (MSA) is at 95% of its 2019 Q4 level. Tourism was hardest hit, dropping to 62% of its 2019 Q4 level and subsequently recovering to 77%. Manufacturing initially was relatively protected from the slump but extended the downward trend into the third quarter, falling to 91% of its pre-pandemic level. Logistics employment is fully recovered and is at 103% of the 2019 Q4 level. Retail trade largely mirrored total MSA employment and remains 5% below its pre-pandemic level.

Hourly wages in the private sector increased to \$23.18 from \$23.03 in the previous quarter. The length of the private sector workweek shortened one tenth of an hour to 31.8 hours.

Regional recovery will continue

The Savannah-area business forecasting index fell 3.7% during the third quarter of 2020. Part of the decline, however, is an artifact of the index methodology. Several of the underlying leading series rebounded from the previous quarter plunge, but the lag structure built into the index will delay the effects of the reversal from fully appearing in the trajectory of the forecasting index until the fourth quarter.

The good news is exceptional strength in the regional home construction sector and improving conditions in the labor market appeared in the third quarter.

In the regional housing market, the seasonally adjusted number of single-family homes permitted for construction surged 54%, rising to 743 units from 549 in the previous quarter. Average valuation per single-family unit jumped 16% to \$260,900 from \$224,300.

In the labor market, the average number of monthly initial claims for unemployment insurance decreased 72% to 11,218 from 24,917 in the second quarter. The seasonally adjusted unemployment rate fell to 6.9% from 11.9% in the previous quarter. The comparable unemployment rate from the previous year was 3.1%.

Near-term (six to nine months ahead) prospects for the Savannah metro economy are muted. The labor market recovery of the third quarter is unlikely to be repeated with the same magnitude in the fourth quarter. The easiest gains have already been recovered. Strong conditions in the housing market and logistics industry will support the regional economy, but constrained tourism and service sector growth along with emerging weakness in the manufacturing sector will limit upside potential. As before, more robust recovery will be delayed into 2021, more likely toward the end of the year, especially for consumer-based service sectors.

A note from the analyst

The Economic Monitor is available by email and at the Center's website

<https://parker.georgiasouthern.edu/big/big-programs/cbaer/>. If you would like to receive the Monitor by email, 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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Langdon named international scholar by Center for Self-Determination Theory

November 16, 2020

Georgia Southern University Associate Professor Jody Langdon, Ph.D., has been invited by the Center for Self-Determination Theory to be an international scholar for the organization because of her contributions to research and applied work in the field of motivation and human development.

“I am excited to be recognized for the work that I’ve done using the self-determination theory,” stated Langdon. “Having the opportunity to be listed on the Center of Self-Determination Theory website will help share the work I’ve done in addition to providing me with the opportunity to have others seek me out for collaboration and mentorship.”

Individuals were selected as scholars based on their rigorous, evidence-based research using the self-determination theory’s framework and their tremendous, broad-ranging impact in the scientific, public and social domains. Self-determination theory represents a board framework for the study of human motivation and personality, focused on why humans engage in particular activities and the sociocultural factors that influence such engagement. It is applied in a wide variety of contexts including sport, exercise, education, health care and family dynamics.

Langdon, who has been a faculty member in the Department of Health Sciences and Kinesiology in the Waters College of Health Professions for 10 years, will be joining more than 100 leading international scholars and experts in academia and practice who have provided the highest-quality research and applied work in the field.

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