Georgia Southern’s Q3 Economic Monitor:
‘Economy roars back’

December 27, 2021

Georgia Southern University’s latest Economic Monitor, which reflects Q3 2021, reports that the Savannah metro area economy continued to roar back for the fourth consecutive quarter.

“Nearly all major indicators of regional economic activity increased during the third quarter,” stated Michael Toma, Ph.D., Georgia Southern’s Fuller E. Callaway Professor of Economics. “Tourism indicators led metro growth and skyrocketed for the second consecutive quarter.”

Region is Recovered, but Restructured

As of the third quarter, the business index for the Savannah metro economy has fully recovered from the pandemic-induced plunge. The quarterly increase was 4.3%, up from last quarter’s 16% annualized growth. The index of current activity increased to 199.2 from 190.9. For the second consecutive quarter, tourism lifted the index as hotel room sales (+24%) and airplane boardings (+19%) registered massive one-quarter growth.

Employment in Savannah’s three-county metro area improved by 2.3% (+4,300 jobs), rising to 193,000 as compared to the pre-pandemic peak of 192,100 in the fourth quarter of 2019. The regional economy has added 32,000 jobs since the pandemic low of 161,000 in April 2020. Employment growth will slow into the first quarter of 2022, settling toward a typical pre-pandemic pace of about 0.6% per quarter.

Employment Trends

The pandemic-induced restructuring of the regional economy is clearly present in the service sector. Business and professional services continue to soar, adding another 1,000 workers during the third quarter. In the past four quarters, the sector added 6,500 jobs, rising to a total of 29,300 workers, comprising the largest component of the regional economy. Logistics added 500 jobs (+3%), swelling to 114% above its pre-pandemic level.

The tourism and hospitality sector added 1,400 employees for a total of 25,800 workers and stands at 96% above its pre-pandemic level. Additionally, automobile rentals and alcohol sales
increased 6% and 6.5%, respectively. During the third quarter, occupancy rates in the historic district in Savannah remained about 6% to 10% below pre-pandemic levels but room rates increased to offset the decline in total hotel rooms sold.

On the goods-producing side of the economy, manufacturing added 400 jobs for a total of 18,100 workers. This remains about 700 jobs below the peak recorded in fall 2019 and 96% of its pre-pandemic level in February 2020. Note that some components of the manufacturing sector such as bakeries and beer breweries are linked to the tourism industry and will continue to recover along with leisure and business visitation to the region. Construction employment added 200 workers for a total of 8,500 workers.

Tightness in the labor market has not manifested in wage gains in the Savannah metro area in 2021. The private sector workweek declined 1.1% to 33.3 hours from 33.7 hours.

**Housing Market**

The seasonally adjusted number of single-family homes permitted for construction surged 20%, rising to 698 units from 579 in the previous quarter. The third-quarter number is 1% higher than its year-ago level. The average valuation per single-family unit, however, decreased for the second consecutive quarter, falling 4.2% to $239,000 from $249,300.

**Region Poised for Normalized Growth**

The Savannah area business forecasting index increased 1.3% in the third quarter. The leading index jumped to 159.3 from 157.3 in the previous quarter. The gain primarily reflects improving labor market and consumer confidence.

In the labor market, the number of initial claims for unemployment insurance (UI) plummeted nearly 70% from the second to the third quarter. New claims for UI fell to 1,500 in the quarter from 4,740. The number of claims declined throughout the quarter, dropping to 911 in September. Accordingly, the seasonally adjusted unemployment rate rapidly fell to 2.8% from 4.2% in the previous quarter. The unemployment rate was 7.2% in the third quarter of 2020.

The forecasting index is expected to surge in the fourth quarter as labor market and housing market gains become more firmly entrenched in the calculation of the index. Thus, near-term prospects for growth in the Savannah metro economy are favorable. Continued strength in the tourism and logistics industry, along with land development and construction, will support the regional economy.

**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/](https://parker.georgiasouthern.edu/big/big-programs/cbaer/)) If you would like to receive the *Monitor* by email, please send a ‘subscribe’ message to CBAER@georgiasouthern.edu.

**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.

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