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Local economic surge through year-end, states Georgia Southern's Q4 Economic Monitor

March 7, 2022



The Savannah metro area economy remained on a remarkable path of rebound growth as 2021 ended, according to Georgia Southern University's latest Economic Monitor, which reflects Q4 2021.

"All major indicators of regional economic activity increased," stated Michael Toma, Ph.D., Georgia Southern's Fuller E. Callaway Professor of Economics. "The story of the fourth quarter is one of general economic strength across broad swaths of the regional economy. Port activity, logistics, tourism, retail sales and electricity sales buoyed the index of current economic activity."

Economic Growth Continues in 2022

Economic growth in the Savannah metro area is expected to continue at a moderate, but slower pace in 2022 as compared to the 2021 rebound, stated Toma. Regional employment is now 3% higher than prior to the onset of the pandemic, and tourism and hospitality employment returned to pre-pandemic level in December 2021, well ahead of expectations. The forecast is caveated by near-term uncertainty from the emerging geopolitical instability that could disrupt energy markets and exacerbate the effects of worsening inflation.

Employment Trends

Employment growth in metro Savannah was 1.4% (+2,800 jobs) during the closing quarter of 2021. Total employment increased to 195,800, 3% higher than the pre-pandemic peak of 192,100 in the fourth quarter of 2019.

Service-sector employment added 2,700 jobs. Business and professional services surged again, adding another 1,400 workers. Since the pandemic low of the second quarter of 2020, the sector added 8,400 jobs, rising to a total of 30,600 workers. Logistics added 500 jobs (+2.7%) for the second consecutive quarter, rising to an all-time high of 18,300, which is 19% higher than its pre-pandemic level.

The tourism and hospitality sector added 1,000 workers reaching 26,800 for the quarter. It is notable that the December figure of 27,400 is 1% (300 workers) above employment in the sector in February 2020 and the highest number since October 2019. Boardings at the airport increased about 1% while inflation-adjusted hotel sales moderated slightly during the quarter after gains of 20% and 60% in the preceding two quarters.

On the goods-producing side of the economy, manufacturing added 100 jobs rising to 18,200 workers. This sector has returned to 98% of its pre-pandemic peak. Construction employment held steady at 8,600 workers.

Housing Market

In the housing market, the seasonally adjusted number of single-family homes permitted for construction fell 16% after a 20% surge in the third quarter, falling to 590 units from 698 in the previous quarter. For comparison, the number of permits issued per month has averaged 584 since early 2019. The average valuation per single-family unit, however, increased 10% to \$263,000 from \$239,000, reflecting increased input prices and increased demand amid the seller's market in regional real estate. Note that permit value does not include cost of land.

Region Poised for Normalized Growth

The Savannah area business forecasting index massively surged 8.1% during the fourth quarter. The leading index increased to 172.3 from 159.3 in the previous quarter. The gain primarily reflects improvement and normalization in the labor market.



With respect to the labor market, the number of initial claims for unemployment insurance (UI) plummeted for the second consecutive quarter, falling 58% after a 68% decline in the previous

quarter. The sharp declines followed termination of Georgia's participation in the federal government's supplemental unemployment insurance benefit program in late June and the end of the federal supplemental program in early September. Monthly new claims for UI fell to 630 from 1,500 during the previous quarter. Accordingly, the seasonally adjusted unemployment rate fell to 2.3% from 2.8% in the previous quarter. The unemployment rate was 5.8% in the fourth quarter of 2020.

A final cautionary note from Toma: the recent run-up in inflation (7.5% as of January 2022) will serve as a braking effect on consumer spending and the demand side of the economy that, coupled with the potential disruption of global energy markets on the supply side from the increased likelihood of global geopolitical instability, could rapidly change the economic landscape. This warrants close monitoring in the coming months.

A Note from the Analyst

The Economic Monitor is available by email and at the Center's [website](#). 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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