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The National Recovery: What’s in It for Our Area?

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Many economists are seeing signs that the United States' economy is coming out of recession. More than 80 percent of economists surveyed by the National Association for Business Economics consider the recession to be over. However, it should be noted, these economists also see the recovery happening slowly and unemployment remaining high for at least the next year.

When we consider the local economy, there are no clear-cut signs that the recovery has begun. In September, according to the Georgia Department of Labor, the unemployment rate had fallen to 8.5 percent for the Coastal Region that includes Bryan, Bulloch, Camden, Chatham, Effingham, Glynn, Liberty, Long, McIntosh and Screven counties.

That's down from a high of 9.7 percent in July. Only time will tell if this is the start of the local recovery or just a temporary movement in the unemployment rate.

The Bureau of Business Research and Economic Development, part of the College of Business Administration at Georgia Southern University, has been examining the possible initial signals of a local recovery. However, in this case, it's easier to see where the recovery is not starting than where it is.

One such signal is the real estate market. For example, new housing starts are down 29 percent from August 2008 to August 2009. This suggests the residential real estate market is still working through current inventories. Additionally, many of our local banks are dealing with large losses caused in part by the real estate slowdowns and the failure of Silverton Bank earlier this year.

From an economic standpoint, this means banks will have less money to lend in the form of loans to businesses and individuals. This in turn will slow the recovery, because less money will be available for home purchases and business development and expansion. This may indicate the recovery could be a longer process than is typical.

Manufacturing

Several sectors of the local economy are starting to see signs of recovery, and the business research bureau is watching two of them closely. The first sector is manufacturing. In 2008, this sector had about 21,700 employees and paid an average wage of $1,115 per week, according to the Georgia Department of Labor.

This sector has seen two high-profile bits of good news during the past several months — the end of the Gulfstream furloughs and the addition of the new Mitsubishi Power System plant in Pooler. As orders for durable goods continue to increase in the U.S. and around the world, we will see manufacturing continue to stimulate the local economy.

Trade, transportation and utilities

The other key sector the bureau is watching is the trade, transportation and utilities sector. In 2008, this sector employed about 52,500 people and paid an average wage of $608 per week. This sector is important, because it contains the port-related economic activities. The Port of Savannah is the second-busiest port on the East Coast. By the end of this year, it appears that just more than 2 million containers will move through the port and this will be close to the 2006 level. The total amount of goods moving through the port has picked up in the second half of the year with the leader being exported goods.

There are two positive economic facts in this data. The first is increasing movement of goods can mean a need for more labor in this sector and related sectors. The second indication is a greater demand for U.S. products overseas could help the local economy because of our globally competitive manufacturing base.

The good news is there are positive signs the local economy is starting to recover. However, it will take some time to see a full recovery. Our region has fared better, in this recession, than other parts of the state. Therefore, the recovery could happen faster than any of us expect.

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