Both the national and regional economies showed signs of strength during the opening quarter of the year. At the national level, exceptional early strength is giving way to more moderate growth recently. Current Savannah area business activity is gathering momentum as strength is now spreading broadly through the economy.

Although the leading economic index is providing mixed signals, the near term outlook for the regional economy also appears to be improving. While the leading index dipped slightly, the underlying monthly data suggest that the worst is over for the regional economy. Growth is expected to continue, but activity may be volatile until the economy solidifies its most recent gains.

Current Regional Activity
The Coastal Empire coincident economic index increased by three-tenths of one percent from 117.9 (revised) to 118.5 in the current quarter. The upswing was led by gains in seasonally-adjusted employment and electricity sales. Also contributing to the increase was a substantial recovery in passenger traffic at Savannah International Airport and early strength in retail sales tax receipts.

Newly revised data released by the Georgia Department of Labor (see A Note from the Director on the reverse side) indicate that employment in the region has been less volatile than earlier thought. In fact, the most recent seasonally-adjusted data show an increase of approximately 1,000 jobs during the first quarter. This gain offsets all job losses endured during the recession. However, the long term trend of decline in the manufacturing base continued as the recent employment gains were concentrated in services while manufacturing lost 100 jobs. Manufacturing’s share of regional employment has dropped from twenty-four percent in 1990 to eighteen percent today.

The regional business recovery, supported by underlying strength in the transportation industry (the port) and spearheaded by the rebound in tourism, is spreading to other sectors of the Savannah area economy. Preliminary data suggest that regional consumer spending is on track to post its largest gain in a year. In addition, in one of the broadest signs of recovery, seasonally-adjusted electricity sales to residential, commercial, and industrial customers recorded its first back-to-back quarterly gain following three consecutive quarterly dips.

U.S Economy Soars in First Quarter
The U.S. economy rocketed out of the recession, growing at an annualized rate of 5.8 percent during the first quarter. Robust growth was primarily led by strength in...
Employment Trends in the Savannah MSA

The Coastal Empire Economic Indicators are designed to provide continuously updating quarterly snapshots of the Savannah Metropolitan Statistical Area economy. The coincident index measures the current economic heartbeat of the region. The leading index provides a short term forecast of the region's economic activity in six to nine months.

(About the Indicators)

Financial support provided by the AASU Foundation.

A Note from the Director

As mentioned on the front of this newsletter, the Georgia Department of Labor revised the employment data for the Savannah regional economy. This is an annual event and reflects the analysis of more comprehensive information than is available at the time of the initial release.

The revised data paint a substantially different picture of employment in the region. In fact, the recent sharp downward trend is significantly smoothed out. The trend in the revised data suggests a very mild decline in regional employment and the potential establishment of an upward swing very recently. The graph above plots revised employment data along with the trends from the original and revised data.

This implies that more jobs are being becoming available while fewer workers are losing their current jobs.

Thus, while the leading index appears to point to continued economic weakness, a close examination of the underlying data suggests that the economic skies are clearing for Savannah. Modest progress is expected during the next quarter. More substantial growth is expected return during the second half of the year.

Joseph J. Hodges provided research assistance.

The Skies are Clearing for Savannah

Although the Coastal Empire leading economic index dipped by 2.5 percent from 112.3 (revised) in the previous quarter to 109.5 during the first quarter of 2002, there is evidence that suggests that this is a “false signal” about near term growth. The quarterly index was weighed down heavily by the decline in consumer expectations in January. Although February and March data demonstrated significant strength, they were unable to offset this earlier weakness.

In fact, all available leading indicators increased throughout February and March, thus suggesting that the emergence of a sustained upward trend in the index is imminent. In particular, leading indicators about consumer expectations and from the labor market improved significantly as the months passed. In a notable turn-around, help wanted advertising increased by twenty percent while initial unemployment insurance claims dropped by six percent.

Manufacturing as businesses sought to replenish rapidly depleting inventories. Continued expansion will depend on consumer spending and business investment in capital equipment. To date, general weakness in corporate profits has restrained business investment, but there are recent signs of improvement in corporate balance sheets.

Separately, the U.S. Commerce Department revised the fourth quarter growth rate upward from 0.2 percent to 1.7 percent. This would make the recession of 2001 the mildest on record with a very short-lived period of economic contraction — only one quarter. Current consensus forecasts peg second quarter growth at approximately three percent.

Financial support provided by the AASU Foundation.