Economic growth in the Coastal Empire outpaced that of the nation in the second quarter. In fact, while U.S. economic growth slowed considerably, regional growth picked up sharply. At the national level, household, business, and government spending grew very modestly. In contrast, the Savannah area economy maintained the momentum developed in the previous quarter and experienced consistent and broad-based growth during the second quarter.

The Coastal Empire leading economic index increased substantially during the quarter. When considered with current regional economic strength, the upward movement in the index suggests that growth may be expected through the rest of the year.

Current Regional Activity

The Coastal Empire coincident economic index increased by 2.5 percent from 119.0 (revised) to 122.0 in the current quarter. The strength was broadly distributed through the economy, but underpinned by momentum in employment growth that carried forward into the current quarter. Playing an almost equal role in regional economic strength were increases in seasonally-adjusted electricity sales, consumer confidence, and tourism activity.

Employment in the Savannah area established a clear upward trend during the quarter and reached an all-time high of approximately 140,000 workers. Overall, employment increased by 2,400 workers — a significant feat after having been stagnant through all of 2001. Total employment now stands 2.2 percent higher than last year at this time.

Employment growth has been concentrated in services, construction, and transportation. Strength in tourism supported service sector growth, while the region’s housing market created additional jobs in the construction sector. Double-digit growth in cargo handling at the port, achieved despite very modest growth in worldwide demand for U.S. exports, also supported the acceleration in regional employment growth.

In contrast, employment in the key sector of manufacturing slipped by an additional 300 workers. Although manufacturing is down approximately 2,000 workers from its peak in 1999, contacts in the sector report that conditions appear to be stabilizing. In fact, the average length of the workweek in the region’s transportation equipment sector lengthened considerably to 48.5 hours during the quarter. (See the graph on the reverse side.) The current workweek in this sector is approximately 25% longer than during 2001 and means that employees at companies such as Gulfstream, Great Dane, and Intermarine are taking home larger paychecks.

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ABOUT THE INDICATORS

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.

U.S Economic Growth Slips in Second Quarter
Following exceptionally strong first quarter growth, second quarter growth in the U.S. economy was far more modest. The U.S. Commerce Department reported that national output expanded by 1.1 percent during the April through June period, well below consensus estimates of three percent.

Although general weakness was widespread, forward momentum was maintained. Front-page articles on accounting irregularities and other management malfeasance in corporate America have seriously undermined equity prices and have recently eroded consumer confidence. As a result, consumers responded by restraining their spending — spending that accounts for two-thirds of all purchases in the economy. Additionally, tight fiscal conditions resulted in a spending pullback by state and local governments. Lastly, while business investment in plant facilities declined, companies spent more on software and equipment for the first time in approximately two years. Combined, this resulted in sub-par growth and has raised some concern that the recovery may be on shaky ground.

In addition, data from previous quarters were revised downward and now indicate that the recession of 2001 was longer and slightly deeper than previously thought. Instead of only one quarter of economic decline, the U.S. economy contracted through the first nine months of 2001. However, because the overall decline in output was slightly more than one-half percent, the recession was the mildest since 1955.

Modest Growth Expected in Savannah
The Coastal Empire leading economic index increased by 6.3 percent from 109.1 (revised) in the previous quarter to 115.9 during the second quarter of 2002. The upward movement was led by increases in construction activity and improving conditions in the labor market. In addition, consumer expectations in the South Atlantic states improved from previous lows, but gave back some of the gain as the quarter ended.

The upward movement in the leading index suggests that improving conditions and continued growth may be expected in the Savannah area economy. Yet, the index has been volatile and movement has been jagged during the past several quarters. Thus, an upward or downward signal should be interpreted cautiously until a clear trend develops. However, given the current strength of the regional economy and its forward momentum, the recent upward movement of the leading index may be interpreted optimistically as suggesting that continued growth, albeit modest, may be expected for the remainder of the year.

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