Savannah’s economy registered modest growth during the opening quarter of the year. The improvement was based on the strength of growth in seasonally-adjusted employment, electricity sales, and retail sales. In addition, the leading index of regional economic activity increased for the fourth consecutive quarter.

As the national economy improves, more tourist travel to driving destinations such as Savannah is highly likely. This, combined with the record-setting pace of operations at the port and explosive growth in professional and business services, is expected to generate sustained growth in the Savannah area economy through the remainder of the year.

Current Regional Activity
The Coastal Empire coincident economic index increased by 0.2 percent from 120.5 (revised) to 120.8 in the current quarter. The coincident index is now 1.6 percent higher than during the first quarter of 2002. The combination of a substantial increase in employment and moderate growth in electricity sales pushed the index higher. Growth in retail sales also supported the index. However, shortcomings in tourism and consumer confidence prevented further gains.

Total employment rebounded from weakness in the latter half of 2002 to post a sizable gain during the opening quarter of 2003. On a seasonally-adjusted basis, employers in the Savannah area added 2,200 jobs during the quarter, an increase of 1.6 percent, to push total employment to a record high of 140,300.

Employment gains were limited to the service sector as manufacturing lost additional ground during the quarter. While the service sector is noteworthy for its annual growth rate of six percent, it is also notable for the variation of growth in its components. Of particular interest is the contrast between growth in professional/business services and leisure/hospitality services employment. The graph on the reverse side clearly shows the sharp contrast in performance.

Employment growth in professional and business services has averaged 11.5 percent per year since 2000, and is on track to exceed that pace in 2003. In fact, over ninety percent of Savannah’s employment growth since 2000 can be attributed to this sector alone. These new positions are among the highest paid in the region, rivaling the compensation earned by those in the information and technology sectors, and exceeding the wages earned in manufacturing.

In contrast, employment growth in the tourism-driven leisure and hospitality sector has substantially lagged that of other services. In fact, this sector has lost over 1,100 workers since 2000, with much of the slump concentrated in the last six months. The recent trend in tourism related employment is (continued on back)
consistent with weakness in other tourism indicators such as boardings at the airport, auto rentals, hotel room rentals, and the preservation fee “head-tax” paid by riders on local trolley and bus tours.

Diminished tourism activity in Savannah during the first quarter was caused by the sluggish U.S. economy, plunging consumer confidence, and hostilities in Iraq. However, this is a short-term phenomenon and the regional tourism industry is expected to recover as the U.S. economy regains its strength.

U.S Economy Remains Sluggish
The U.S. economy expanded at the rate of 1.9 percent during the first quarter. Uncertainty about the war in Iraq resulted in cautious spending by consumers and businesses. In addition, job losses have occurred in five of the last six months, with manufacturing particularly hard-hit. As a result, unemployment increased to an eight-year high while the duration of unemployment spells lengthened.

While expectations for the second quarter barely exceed that of first, prospects for the latter half of 2003 are improving. Growth of approximately 3.5 percent is expected during that time. The optimism is based on falling oil prices, improving consumer confidence, rising equity values along with low interest rates, and growth in labor productivity.

Future Holds Promise
The Coastal Empire leading economic index increased for the fourth consecutive quarter. The index increased by 1.4 percent from 120.2 (revised) in the previous quarter to 121.9 during the first quarter of 2003. The index was supported by general improvement in labor market and housing market conditions.

In the labor market, a surge in help wanted advertising contributed to a concurrent decline in the unemployment rate by one-half of one percentage point to 3.5 percent. However, new claims for unemployment insurance increased during the quarter.

In the housing market, low mortgage rates spurred an increase in the issuance of building permits for single-family homes. The value of homes permitted also increased by six percent. This sign of improved confidence in regional economic conditions increased for the third consecutive quarter.

In closing, regional economic conditions are expected to continue to improve during the second half of the year. With local momentum established and improving conditions nationally, Savannah is poised to lead the state in growth during the remaining portion of the year.

Stephanie J. Nettis provided research assistance.

Change in Service Sector Employment:
Compared to Same Quarter of Previous Year

A Note from the Director
As of 2003, the Georgia Department of Labor is releasing data based on the North American Industrial Classification System (NAICS) that replaces the Standard Industrial Classification (SIC) system. While the new format will make long-term analysis of certain economic variables impossible, it will allow for a more detailed review of service sectors of particular importance in Savannah such as professional and business services, leisure and hospitality, transportation and utilities, and information.

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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.