Economic growth in the Coastal Empire surged during the final quarter of the year. The regional economy grew at its fastest rate since early 2002. The index of current economic activity returned to its pre-recession level, and rose nearly three percent above its low point of the business cycle during the third quarter of 2001. The growth was broadly based, as nearly all underlying elements of the index increased in a substantial manner.

The Coastal Empire leading economic index continued its upward trend during the quarter. The forecasting index posted its second consecutive quarterly increase for the first time since the late 1990s. In a sign that augurs well for the Savannah area economy, volatility in the index appears to be giving way to a significant upward trend. This suggests continued economic growth well into 2004.

Regional Economy Developing Momentum
The Coastal Empire coincident economic index increased 1.8 percent from 120.4 (revised) to 122.6 in the current quarter. Nearly all components of the index registered growth, with strength in seasonally-adjusted electricity sales, consumer confidence and employment leading the way. Hotel sales also displayed continued growth along with boardings at the airport. The only weak spot was inflation-adjusted retail sales that remained relatively flat.

Indicators from the regional tourism industry demonstrated robust growth during the last quarter of the year. Seasonally- and inflation-adjusted hotel room sales increased by approximately 9 percent from the previous quarter, while boardings at the airport increased well above last year's level. Additionally, secondary tourism indicators such as alcohol sales and automobile rentals posted a quarterly increase of over 6 percent. Employment in the leisure and hospitality sector appears to have stabilized during the quarter as well.

Seasonally-adjusted employment increased by 2,400 workers by year's end to stand at approximately 141,000. The service sector added over 2,200 workers, led by gains in retail trade and state and local government, while professional and business services maintained an impressive rate of growth. The goods-producing sector added 200 employees. Manufacturing found a plateau at 13,600 workers and has been steady at that level for three quarters following a three-year decline.

U.S Economy Still Rolling Along
The U.S. economy continued to expand at a significant pace during the last quarter of 2003. Annualized growth in GDP was 4.1 percent for the quarter, and it registered a solid increase of 3.1 percent throughout all of 2003. Continued strength in business investment and modest
growth in consumer spending helped the economy maintain steady forward momentum. Increased government spending and exports also contributed, but on a smaller scale. Consensus estimates currently place national economic growth at about 4.5 percent for 2004.

The national labor market also continued to improve during the quarter. Employers added approximately 185,000 jobs while the unemployment rate continued to drift down to 5.7 percent by December. At the national level, manufacturing activity picked up, but employment in the sector continued its nearly four-year slide. However, some regions of the country have posted increases in manufacturing employment as inventory depletion and sustained demand augurs for modestly rising manufacturing employment in the upcoming year.

Sustained Growth Expected in Region

The Coastal Empire leading economic index increased moderately in the closing quarter of the year. The index increased 1.9 percent from 120.4 (revised) in the previous quarter to 122.6 during the fourth quarter of 2003. The second consecutive quarterly increase was again supported by strength in the housing sector. The number of single family homes permitted for construction increased during the fourth quarter while markedly improved consumer expectations also contributed to the increase.

Leading indicators from the labor market were somewhat mixed as increased help wanted advertising was offset by a rising number of initial claims for unemployment insurance. Overall however, the regional economy absorbed surplus labor during 2003, and drove the unemployment rate down by six-tenths of a percentage point to stand at 3.5 percent at the close of the year.

The leading index has moved up substantially from its recent cyclical low. A solid upward trend is emerging in the data and it suggests the regional economy will maintain the forward momentum established during the fall of 2003. In fact, the positive signals provided by the forecasting index are the strongest they have been in over four years. The Savannah area economy is expected to experience solid growth well into the fall of 2004.

Jennifer Hoag provided research assistance.

RECENT RELEASES

Savannah’s Tour of Historic Houses of Worship Website: www.hhw.armstrong.edu

An interactive website hosting information about the houses of worship participating in the annual holiday tour was developed by center staff. The site features a map, information, photographs, and web-links for the houses of worship.

Market Study and Projected Economic Impact of the Coastal Georgia Greenway

This study estimates usage of the Greenway and its projected economic impact on the six coastal Georgia counties hosting the proposed 350-mile multi-use trail system. When Greenway usage reaches its potential level, approximately 500,000 user-days are expected to support up to 250 jobs and add over $20 million to business revenue in the region on an annual basis.

A Note From the Director

We need your help! Beginning with the August 2004 issue, the Economic Monitor will be distributed electronically by e-mail and on-line at the Center for Regional Analysis website. If you would like to receive the Monitor by e-mail, please send a ‘subscribe’ message to emonitor@mail.armstrong.edu.