REGAINING STRENGTH

The Savannah metro economy closed out 2018 on an improving economic note with across-the-board gains in all eight key economic indicators monitored. Port activity, increased consumer spending and electricity sales provided the most lift with improving consumer expectations, overall employment, and tourism playing supporting roles.

The business forecasting index was up, alleviating concerns about weakening regional economic conditions that notably emerged in third-quarter data. Robust growth in the housing market buoyed the forecasting index along with strength in the labor market. Overall, the regional economy appears to have shaken off the weakness of the third quarter and returned closer to trend growth recorded in the past few years.

Economy Shakes Off Q3 Weakness

The Savannah metro economy expanded at a rate of 0.8 percent (3.2% annualized), an increase from the previous quarter. The coincident index of economic activity increased to 186.8 from 185.4 (revised). While the third-quarter data were mixed with growing signs of weakness, the trend has reversed in several key economic variables such as total employment, retail sales and electricity sales.

As indicated above, retail sales, port activity and electricity sales (a broad indicator of residential, commercial and industrial activity) combined to provide most of the upward lift in the index. Retail sales jumped 11 percent and are up 13 percent as compared to year-ago levels. Port activity increased 8.4 percent from the third quarter and is up 7 percent from comparable data from one year ago. Electricity sales increased a healthy 4 percent. Consumer confidence in the south Atlantic states was up for the second consecutive quarter, perhaps shedding some of the volatility that has marked its recent behavior. Seasonally adjusted hotel sales were up 3 percent, and boardings at the airport were up about a half percent.

Total employment in Savannah’s three-county metro area was 179,200, an increase of 400 jobs. This follows a very weak third quarter that saw 1,000 jobs disappear. For the second consecutive quarter, total employment barely equaled previous year data. With other important sectors of the economy demonstrating greater strength than in the third quarter, it is expected that total employment will resume a modest upward trend early in 2019.

The regional service sector recovered half the jobs shed in the previous quarter, rising by about 600 workers. Business and professional services lost another 700 jobs, bringing the two-quarter loss to almost 2,000 jobs, however. Education and health gained 400 jobs, as did state and local government. Hospitality and leisure gained 100 jobs to land at roughly 26,000 workers.

The goods-producing side of the economy was steady at 25,300 jobs. Manufacturing provided jobs for 17,700 workers, while construction was steady at 7,700 workers.

Hourly wages and length of the workweek broke downward trends in the fourth quarter. Average hourly wages stabilized at $22.41 (revised) for the second consecutive quarter, halting a downward trend dating back to mid-2017. The length of the workweek also stabilized during the fourth quarter, with all three months showing an increase and ending at 32.9 hours in December, similar to the third quarter average.

U.S. Economy Up, But Slowing

U.S. GDP increased at a rate of 2.6 percent in the closing quarter of the year, down from 3.5 percent and 4.2 percent, respectively, in the preceding two quarters. The general slowdown is consistent with across-the-board deceleration in all major components of GDP. Household consumption spending growth fell to 2.8 percent (annualized), along with inventory...
In the regional housing market, seasonally adjusted building permit issuance for single family homes (a proxy for new residential construction) soared 33 percent, rising to the highest quarterly total since mid-2007. Building permits issued for single family homes increased to 562, rising from 420 units in the third quarter. Average valuation per single family unit lagged a bit, declining 3 percent from $228,000 to $220,000.

Good news in the labor market—the stabilization of both weekly wages and length of workweek was accompanied by an 11 percent decline in the number of initial claims for unemployment insurance (UI) from 508 to 454 in the closing quarter of the year. The low unemployment rate, along with relatively few new UI claims, suggests that workers can expect an upward trend in wages. The seasonally adjusted unemployment rate ticked up modestly to 3.5 percent from 3.3 percent in the previous quarter.

In summary, the Savannah metro economy has strengthened substantially during the closing quarter of 2018. While the eight key indicators of economic activity in the Savannah metro region all improved, modest employment growth and the uptick in the unemployment rate warrant continued close monitoring of regional economic data in the near-term. Anticipate improving regional economic conditions through much of 2019.

Forecasting Index Increases

The Savannah area business forecasting index was up, registering growth of 0.5 percent (2.2%, annualized) after nearly flat-lining in the previous quarter (revised upward). Housing market indicators reversed course from the previous quarter, recording improved numbers. The labor market appears to have strengthened as well.

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