



## REGIONAL ECONOMY SLOWS FURTHER

The Savannah metro economy continued to grow, albeit at a slower and more sustainable pace. While overall employment demonstrated strong growth, important underlying sectors of the economy wavered somewhat. Port activity eased slightly while retail sales and hotel room sales dipped. Further, electricity sales—a broad indicator of industrial, commercial, and residential activity—declined.

The business forecasting index fell for the second consecutive quarter as weakness in the housing and labor markets pulled it down. Issuance of building permits for single family homes declined significantly again. Further, new claims for unemployment insurance jumped. With two quarters of decline in the forecasting index, it is now more strongly signaling potential weakness in 2023.

Continued growth in the regional logistics industry and associated real estate development along with ramping up for the Hyundai Metaplant should insulate the Savannah metro economy from decline on a similar scale to the nationwide economic contraction expected in 2023. In general, the forward momentum of the regional economy should continue into early 2023. Thereafter, growth is expected to slow but avoid a notable downturn in 2023.

### Job Gains but Some Weakness

The business index for the Savannah metro economy increased 0.8% (3% annualized) in the third quarter of 2022. The arc of growth has been bending downward since the frenetic period of job gains of mid-2021. The quarter's 3% annualized growth matches the average pace of expansion recorded in the four years from 2016 to 2019. The index of current economic activity increased to 212.6 from 211.1 (revised). The index was buoyed by overall employment growth and boardings at the airport. Electricity sales, retail trade, and hotel room rentals

declined roughly 5%, after adjusting for normal seasonal variation. Port activity eased slightly (-0.6%) compared to the second quarter.

Metro Savannah employers added 1,900 jobs pushing the total to 200,600, topping 200,000 workers for the first time. This is 3.6% higher than year-ago employment and 5% higher than the pre-pandemic peak in early 2020.

In the service sector, logistics (transportation) added 1,000 workers while education and health added 700. Leisure and hospitality added 400 employees. Business and professional services shed 2,200 workers but remains 6% higher than last year. Logistics employs 18,100 workers to support port activity. Business and professional services, education and health, and tourism remain the top three sectors in terms of employment. They are remarkably balanced with all three sectors within 400 workers of each other at roughly 27,000 employees in each sector.

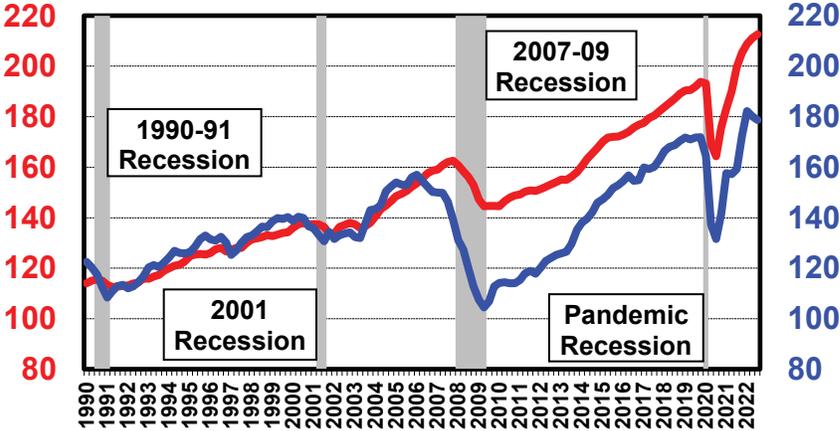
Indicators of the regional tourism industry remained mixed in the third quarter. Seasonally adjusted hotel/motel sales tax receipts declined about 6%, but

boardings at the airport increased 3.5%. Car rental taxes fell 5.2%, and alcohol tax revenue declined 2%. Employment in tourism and hospitality increased 400 workers to 26,900, partially offsetting the previous quarter's loss. Overall, employment in the hospitality sector is only slightly below its pre-pandemic peak.

On the goods-producing side of the economy, manufacturing added 100 jobs rising to 18,800 workers. Manufacturing has grown 4.5% over the year. Construction employment increased 400 workers, rising to 8,900 jobs, which is the most employment recorded since 2008.

Private sector wages remain under substantial upward pressure as a result of continued tightness in the labor market, but little changed from the previous quarter. Perhaps signaling the beginning of stabilization, the average hourly wage rate in the metro area private sector was \$26.22. Over-the-year, however, wages are 15% higher and remain 5.5% higher even after adjusting for inflation during the same period. The length of the private sector workweek shortened 25 minutes to 32.7 hours, a 1.1% decline from the second quarter.

**Savannah Metro Business Index**  
Leading and Coincident Series



## U.S. Economy Rebounds, Construction Struggles

The U.S. economy (gross domestic product, GDP) expanded at a pace of 2.9% in the third quarter, rebounding from the declines of the first half of the year. The expansion is attributed to increased exports, consumer spending on services, and business investment in capital goods. Exports jumped 15.3% while imports fell 7.3%. Overall, consumer spending increased 1.7% with spending in services (+2.7%) offsetting a slight decline in spending on goods (-0.2%). This is the third consecutive quarter in which growth in consumer spending on services offset reduced spending on consumer goods. Both nonresidential construction (-7% annualized pace) and residential construction (-27% annualized) fell for the sixth consecutive quarter.

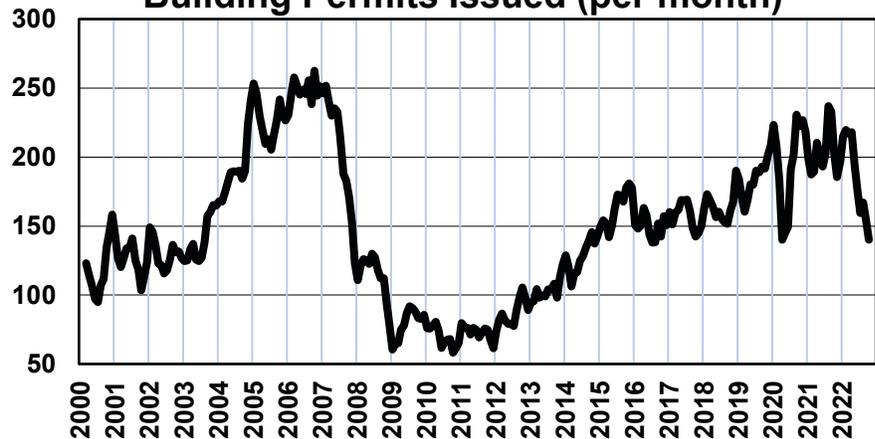
Expectations for the national economy in 2023 continue to weaken amid continued, but improving, supply chain disruptions, persistently high inflation, and fear of Federal Reserve overshooting with tightening policy that induces a more severe recession. Economists participating in *The Wall Street Journal's* quarterly survey expect U.S. GDP to decline through the first half of 2023 and weakly rebound in the second half of the year. Fed interest rate policy is expected to reverse course late in 2023 or early 2024.

### Forecasting Index Drops Further

The Savannah area business forecasting index declined 0.9% (-3.5% annualized) during the third quarter. The leading index decreased to 178.7 from 180.3 (revised). For the second consecutive quarter, the decline was broad-based with all five underlying economic indicators contributing to the fall.

In the housing market, the seasonally adjusted number of single-family homes

## Savannah MSA Single Family Home Building Permits Issued (per month)



Source: US Census Bureau & GSU Economics  
Three-month moving average.

permitted for construction plunged another 12% following a 19% decline in the previous quarter. The number of permits issued in the third quarter was one-third fewer than in the same period last year (See the chart above). The seasonally adjusted number of permits issued in the third quarter decreased to 463 from 528 in the previous quarter. The average valuation per single family unit increased 3% to \$291,600 from \$282,700. Note, however, after accounting for inflation, this represents a 4% decline in terms of true purchasing cost.

With respect to forecasting indicators from the labor market, the monthly number of initial claims for unemployment insurance (UI) jumped 20% to 755 from 631 in the previous quarter. Despite the increased number of UI claims, tightness in the labor market resulted in the seasonally adjusted unemployment rate falling slightly to 2.6% from 2.7% in the previous quarter.

The Savannah metro economy is expected to continue growing into the new year, but weakening national economic conditions are expected to emerge toward the middle of 2023. In the Savannah area, this is more likely to translate into a leveling off of economic activity rather than a significant decline.

Continued growth in the logistics industry and the accompanying development in both non-residential and residential development will help insulate the regional economy from a significant downturn. Further, development associated with ramping up for the Hyundai Metaplant and accompanying supplier companies will support the regional economy more so toward the end of 2023 and into 2024 with expected opening of the plant in 2025. While prospects for the economy are very good in the upcoming two to three years, a period of modest growth is likely for 2023.

### A Note From the Analyst

The *Economic Monitor* is available by email and at the Center's website ([research.georgiasouthern.edu/big/big-programs/cbaer/](http://research.georgiasouthern.edu/big/big-programs/cbaer/)). If you would like to receive the *Monitor* by email, please send a 'subscribe' message to [CBAER@georgiasouthern.edu](mailto:CBAER@georgiasouthern.edu).



### About the Indicators

The *Economic Monitor* provides a continuously updated quarterly snapshot of the Savannah Metropolitan Statistical Area economy, including Bryan, Chatham and Effingham counties in Georgia. The coincident index measures the current economic heartbeat of the region. The leading index is designed to provide a short-term forecast of the region's economic activity in the upcoming six to nine months.