



REGIONAL ECONOMY GROWS SLIGHTLY

The Savannah metro economy experienced subdued growth in the third quarter following a modest dip in activity in the second quarter of 2023. Total employment maintained positive growth throughout the previous two quarters while gains in electricity sales—generally reflecting growth in residential, commercial, and industrial activity—put the economy back on its long run growth trajectory despite some lingering weakness in retail sales activity. Modest growth in the regional tourism sector also supported the economy and port activity appeared to normalize and stabilize on its long-term positive trend.

The business forecasting index fell for the sixth consecutive quarter. The weakness has been oscillating between the labor market and housing market during the past year. In the third quarter, the housing market indicators improved while labor market indicators wavered. Overall, the forecasting index suggests expectations for regional growth through mid-2024 should remain modest.

The prospects for stronger growth into mid-2024 will depend on hiring goals among the area’s major manufacturers. Hiring for the Hyundai Metaplant and its associated suppliers will be driving a significant portion of hiring in the manufacturing sector. Further, high-wage manufacturing employment growth will also be driven by hiring at Gulfstream as it adds 1,600 workers.

The U.S. economy remains surprisingly resilient to significantly higher interest rates caused by tight monetary policy designed to bring inflation back under control. As core inflation continues to ease without fundamentally undercutting nationwide economic growth, the likelihood of a recession continues to diminish thus setting the stage for stronger regional growth in 2024.

Modest Growth in Region

The business index for the Savannah metro economy increased 0.1% (0.3% annualized) in the third quarter of 2023. This represents a modest uptick as compared to the 1.3% rate of decline in the second quarter. The index of current economic activity increased to 213.7 from 213.5 (revised). The increase was supported primarily by growth in regional employment, electricity sales, and port activity. The tourism industry contributed modestly, but retail sales activity gave up ground during the quarter.

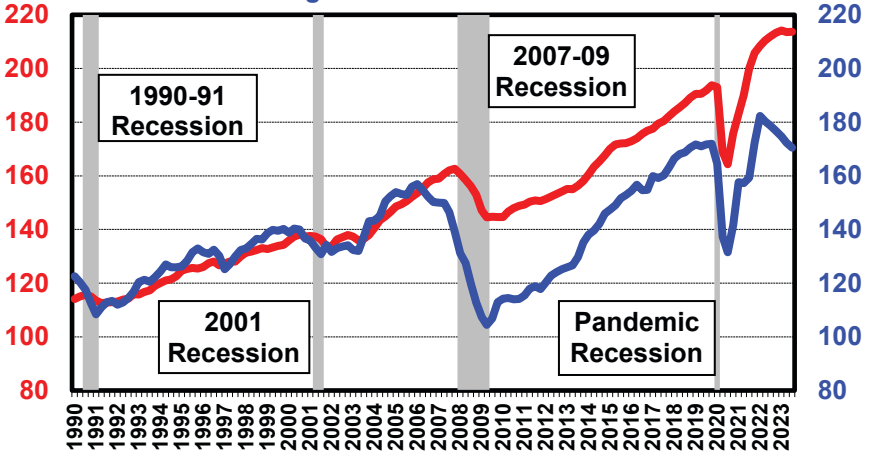
Metro Savannah employers added 1,800 workers during the quarter, raising total employment to a record high of 204,300. Most of the growth was in the service sector, but manufacturing continues a consistent upward trend reaching back to early 2021.

In the service sector, about 1,600 jobs were added with most new workers concentrated in the hospitality sector (+500 jobs) and education/health (+500 jobs). Notably, business and professional services added 300 workers, and, following the 300 added in the second quarter, reversed a four-quarter trend of job losses. This sector serves as a

bellwether and recent gains are attributed to modestly increased business-to-business activity in the region. In contrast, retail trade released 300 workers, generally consistent with a 1.2% decline in retail sales. Combined, education and health remain the region’s top job-providing sector with 29,400 workers followed closely by tourism with 29,300 workers.

In the regional logistics sector, activity is normalizing following two exceptionally strong years heavily influenced by the pandemic. Consumer purchasing patterns shifted toward goods away from services during the pandemic and this was reflected in substantially increased container traffic through the port. In the post-pandemic period as consumer purchasing patterns began normalizing, so did activity at the port. In 2023, container traffic at the port fundamentally returned to its pre-pandemic nations’ best growth trend (See chart on next page). The sector added 100 jobs during the quarter and stands at 18,300 workers which is 12% higher than the pre-pandemic peak. GPA has \$4.5 billion in port infrastructure investments planned during the next ten years as the logistics footprint is expected to double, creating additional jobs and associated business opportunities.

Savannah Metro Business Index
Leading and Coincident Series



The goods-producing side of the economy grew modestly during the quarter. Manufacturing employment increased 200 workers rising to 19,900 for the quarterly average and hit 20,000 workers in September. Manufacturing has added an average of 200 workers per quarter for the past three years and is on a steady path of growth expected to increase through 2024 and into 2025 as hiring increases to meet announced job creation and investment at Gulfstream, Hyundai, and their associated suppliers. Construction employment held steady at 9,500 jobs.

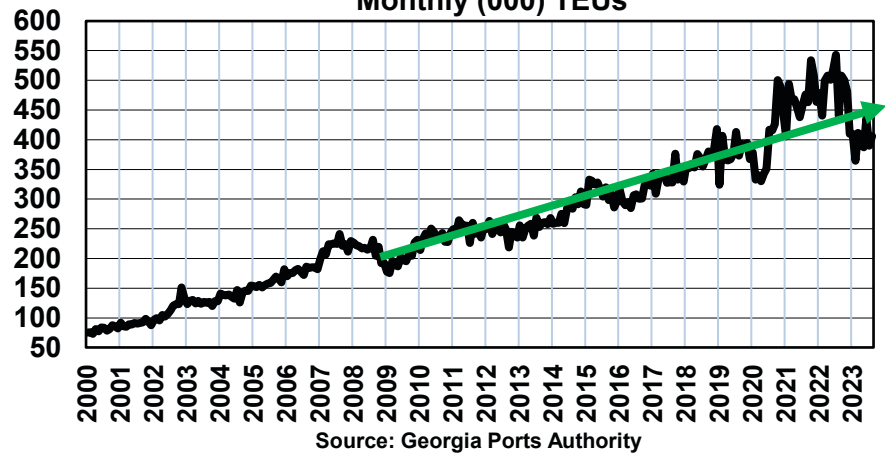
Private sector wages, after adjusting for inflation, declined to \$24.61 per hour during the quarter, a 2.5% decline from \$25.25 during the previous quarter. The length of the private sector workweek shortened by 1.3% (about 24 minutes) to 31.9 hours.

U.S. Economy Powers Along

The U.S. economy (gross domestic product, GDP) expanded at the quick pace of 5.2% in the third quarter, more than twice as fast as the 2.1% pace of the second quarter. The acceleration is attributed to increased consumer spending and business investment in inventory. Consumer spending expanded at a rate of 3.6%, more than four times the paltry pace of growth in the second quarter. Consumer purchases on goods (+4.7%) grew faster than spending on services (+3%). GDP growth was further supported by export growth of 6%. Notably, residential construction swung back to growth (+6.2%) for the first time since early 2021 while non-residential construction growth slowed to 1.3%.

Recent commentary from the Federal Reserve reflects a remarkable and unexpected change in stance for interest rate policy in 2024. Rather than focusing on containing inflation, now down to 3.1%, Fed Chair Jerome Powell pivoted to expressing concern that rates could stay too high for too long and suggested rate

GPA: Port of Savannah Containers Handled Monthly (000) TEUs



cuts may be coming sooner in 2024 than previously expected. Core inflation (4% currently) is expected to be approximately 2.4% by the end of 2024, continuing a downward trend toward the Fed's preferred rate of 2%. Current expectations are for rate cuts totaling 0.75% in 2024. It seems the much-anticipated U.S. recession simply may not happen.

Regional Forecasting Index Drops Again

The Savannah area business forecasting index declined 1% (-4% annualized) during the third quarter. The leading index decreased to 170.5 from 172.3 (revised). The index has been falling at an annualized pace averaging about 4% during the past eighteen months. Volatility in the leading indicators from the regional labor market remained in place, but indicators for the housing market improved during the quarter.

In the housing market, issuance of construction permits for single-family homes increased 11.2% from the previous quarter. The upside swing to 645 permits is modestly above a seeming anchor around 575 permits issued per quarter since early 2019. The average value for each single-family unit increased 2.2% to \$263,200 from \$257,500 in the previous quarter.

In the labor market, the monthly number of initial claims for unemployment insurance (UI) increased 9.8% to 796 from 724 in the previous quarter. This is 12% higher than the average of 705 per month during the previous 12 months. The regional unemployment rate held steady at 3%, its average rate through all of 2023 to date.

The regional forecasting index continues to send the signal that economic expectations should be tempered through mid-2024. However, the resiliency of the regional economy in re-absorbing laid off workers, maintaining employment growth, and holding a low unemployment rate is remarkable in the face of tight monetary policy and elevated interest rates. Further, the ramping up of employment for the Hyundai Metaplant, its suppliers, and Gulfstream will offset the negative signal from the forecasting index and propel to the regional economy forward into 2024. In addition, the bellwether business and professional services sector is recently showing strength.

The intermediate and longer-term prospects for the Savannah metro economy remain excellent as the manufacturing and logistics industries notably expand through 2024 and over the next two to three years.

A Note From the Analyst

The *Economic Monitor* is available by email and at the Center's website (research.georgiasouthern.edu/innovation/cbaer/economic-monitor-newsletter). If you would like to receive the *Monitor* by email, please send a 'subscribe' message to 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.