

# Coastal Empire ECONOMIC MONITOR

## CONTINUED SLOW GROWTH. Forecasting Index Rising Again

The Savannah metro economy continued to expand, albeit at a slow pace, for the seventh consecutive quarter. Several underlying coincident indicators weakened during the quarter, but consumer and tourism indicators buoyed the index.

The Coastal Empire leading economic index notably increased for the second consecutive quarter. The forecasting index continues to point toward improvement in economic conditions during the first half of 2012.

### Consumers Boost Current Growth

The Coastal Empire coincident economic index increased five-tenths of one percent to 151.7 from 151 (revised) during the third quarter of 2011. Third quarter growth was slightly slower than that registered during the first six months of the year. Consumer spending, measured by retail sales tax receipts, along with hotel and motel sales, grew in sufficient strength to offset modest declines among other coincident indicators. Employment, electricity sales, airport boardings, port activity and consumer confidence fell modestly as compared to the previous quarter.

Seasonally adjusted employment in the Savannah metro area decreased 400 workers, settling at 149,400 on a quarterly basis. The service sector of the economy accounted for the losses, particularly in retail trade and the tourism industry.

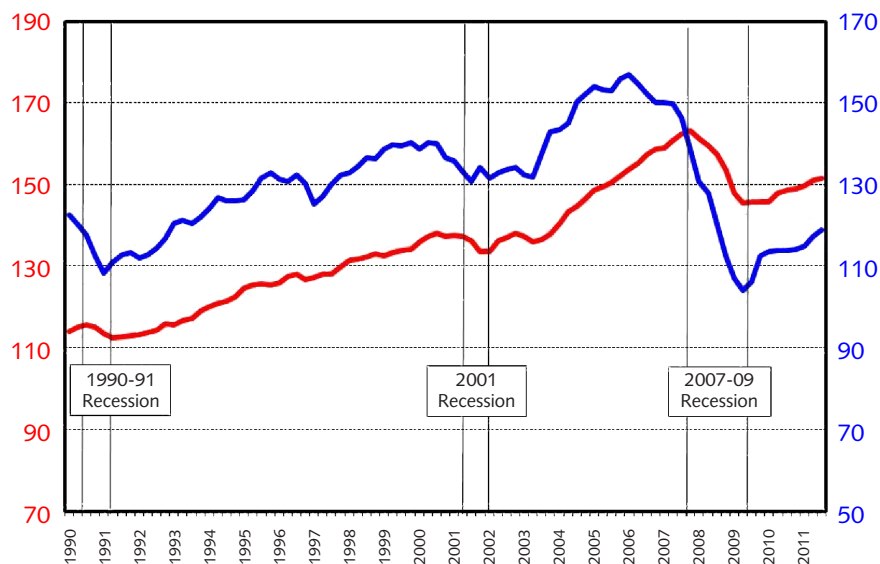
Interestingly, the concurrent growth in consumer spending and hotel sales implies continued productivity gains in these bulwark sectors of the regional economy. State and local governments shed about 400 jobs, while financial services increased by 200 workers with other smaller gains scattered across various sectors.

The goods-producing side of the economy held steady at 19,400, including 13,700 manufacturing workers. Although quarterly construction employment held steady, the underlying monthly data weakened toward the end of the quarter. This is not welcome news for the industry struggling to come off cyclical lows well over two years after the general recession ended.

The bright spots in the regional economy were the continued strength of the tourism industry and emerging signs that metro area consumers are beginning to spend more freely. Year-to-date hotel sales are up about seven percent through the third quarter, as compared to 2010. Also encouraging are the data from hotels along I-95 showing consistent year-to-date gains for the first time since late 2007. Other good news related to consumer activity is quarterly growth of nearly one percent (+7% year-to-date) in inflation and seasonally adjusted retail sales. This comes amid falling consumer confidence in South Atlantic states, and suggests some resiliency in local spending.

*(continued)*

**Coastal Empire Economic Indicators**  
Leading and Coincident Indexes



## U.S. Economy Continues in Slow-Growth Mode

U.S. economic activity grew at an annualized rate of 2.0 percent during the third quarter, after growing at an upwardly revised rate of 1.3 percent in the previous quarter. Increases in consumer spending, business investment spending and exports accounted for much of the growth. Consumer spending accounts for about 70 percent of all economic activity. Business spending on capital equipment and software increased 15.6 percent, while non-residential construction increased 14.8 percent. Federal government expenditures contributed to GDP growth, but were partially offset by continuing reductions in state and local government spending.

The Federal Reserve continues to monitor inflation, which is running at about a 3.5 percent annual pace, but currently does not view it as a long-term threat to the health of the economy. Most of the inflation is attributed to rising gasoline prices. The federal funds rate continues in the range from zero to 0.25 percent. Expected growth in U.S. economy is around 1.8 percent for 2011.

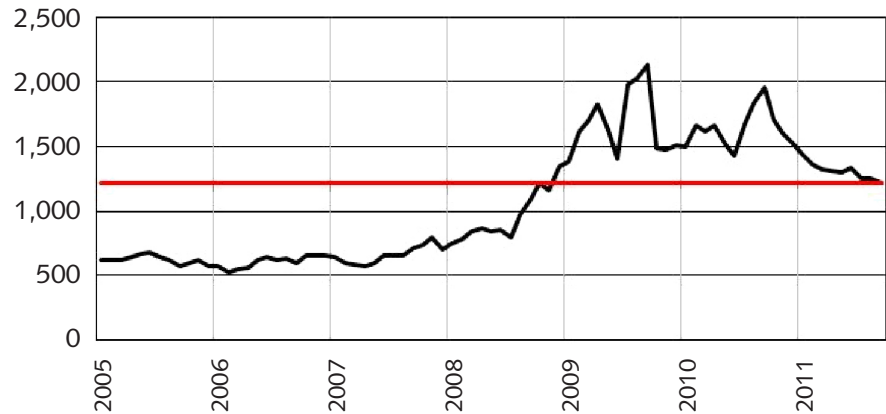
## Forecasting Index Increases Again

The Coastal Empire leading economic index increased 2.1 percent during the third quarter of the year, rising to 119 from 117.4 (revised) in the previous quarter. The rate of increase in the forecasting

### A Note From the Director

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## Savannah MSA Initial Claims for Unemployment Insurance 3 Month Average



index tapered off somewhat during the third quarter, but still remains healthy. Housing market indicators improved while labor market indicators were relatively stable.

The seasonally adjusted number of new residential homes permitted for construction increased eight percent, and are about ten percent higher than year-ago data. The number of permits issued was 236, as compared to 218 in the previous quarter. The average value of a residential building permit issued declined seven percent to \$147,200. This figure is one percent higher than year-ago data. Note that permit value does not include land costs.

Labor market indicators were mixed. Help wanted advertising fell about 11 percent from the previous quarter. However, initial claims for unemployment insurance decreased

1.6 percent, falling to 1,219 claims per month. (See chart.) This is nearly 40 percent lower than year-ago data.

The coincident index increased modestly during the third quarter, but the underlying strength of the increase was tied to two indicators, while the majority decreased, including employment, electricity sales and port activity. This suggests the fourth quarter growth may be very modest. However, the forecasting index is pointing toward improving economic conditions in 2012.

## About the Indicators

The Coastal Empire Economic Indicators are designed to provide continuously updated quarterly snapshots of the Savannah Metropolitan Statistical Area economy. 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.

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