



FORWARD MOMENTUM WEAKENING

Growth in the Savannah metro area economy slowed in the opening quarter of 2025. Further, remaining momentum is expected to diminish in the second quarter as a result of emerging weakness in spending-related activity and port activity in the first quarter.

Similarly, while the business forecasting index increased, there is also a light touch of softness in the labor market. Housing market indicators remain somewhat mixed. Nonetheless the regional labor market remains a source of opportunity given the low and stable unemployment rate.

The U.S. economy contracted in the first quarter and provided clear evidence of changes in aggregate economic behavior because of evolving U.S. international trade policy. As firms front-loaded imports into the first quarter to avoid the threat of paying increased tariff duties starting in the second quarter, U.S. imports sky-rocketed. Because imports represent a subtraction from GDP, first quarter GDP declined at a rate of one-half percent. Concurrently, inflation declined to 2.4% in March from 3% in January.

Federal Reserve policymakers appear reluctant to make any major move until the effects of new tariff policy on the economy become clearer, so there is little likelihood of further reductions in the federal funds rate below the current range of 4.25% to 4.5%.

SAVANNAH METRO ECONOMY GROWTH SLOWS

The business index for the Savannah metro economy increased 0.3% (1.1% annualized) in the first quarter of 2025 down from a pace of 3.2% at the end of 2024. Employment growth diminished through the quarter and retail sales pulled back. The index of current business activity in the region increased to 220.4

from 219.8 (revised) in the previous quarter.

Metro Savannah employers shed 500 workers during the first quarter, bringing total regional employment to 207,600. In the service sector, employment gains were strongest in leisure and hospitality (+200), education/health (+200), and local government (+200) but were offset by falling employment rolls in business and professional services (-400).

In the tourism sector, seasonally adjusted hotel/motel taxes slipped 0.5% in the first quarter after recording surging growth in the closing quarter of 2024. Similarly, boardings at the airport declined, but more sharply with a 5.7% decline in the first quarter. Accordingly, retail sales fell by 2.2% in the quarter. The leisure and hospitality sector provides work for 28,100 employees.

Port activity as measured by shipping container units handled decreased 1.2%

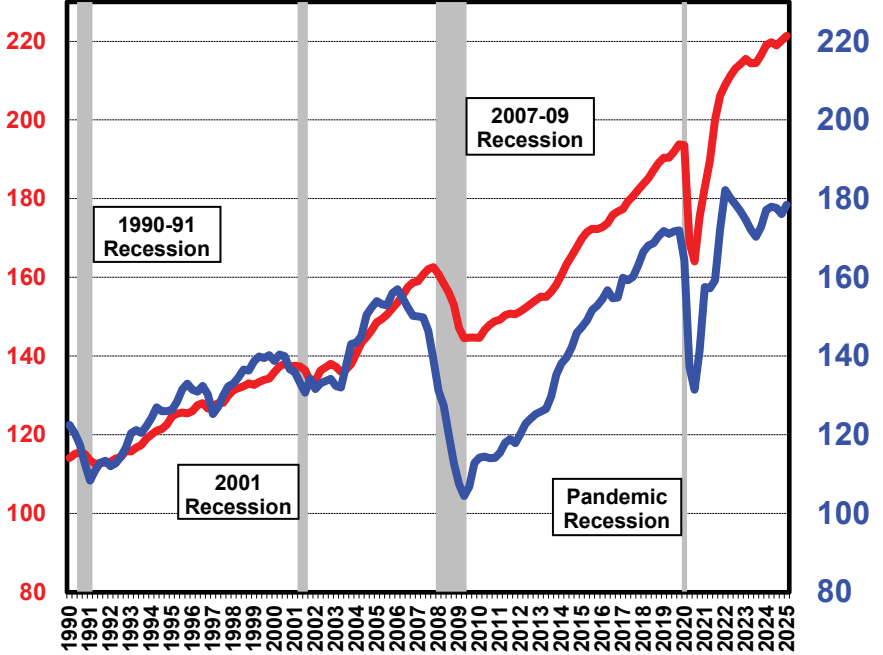
during the opening quarter of the year even as importers frontloaded activity to get ahead of increasing import tariffs expected in the second quarter.

Nonetheless, container volume through the port remains 9% higher as compared to previous year data. The regional logistics sector lost 500 workers reducing total employment in the sector to 19,300 workers.

The goods-producing side of the economy lost about 300 jobs, falling to 32,300 workers for the quarter. Construction employment declined 200 workers to stand at 9,900. Manufacturing employment held steady at 22,900 workers.

Private sector wages, reporting in inflation adjusted 2024 dollars, increased 3.5% to \$28.76 from \$27.79 per hour during the quarter. Over-the-year gains in wages are 4.2%. The length of the workweek in the private sector increased 1.0% to 30.4 hours.

Savannah Metro Business Index
Leading and Coincident Series



U.S. ECONOMY SHRINKS, 2025

OUTLOOK REMAINS MURKY

The U.S. economy (gross domestic product, GDP) declined at the pace of -0.5% during the first quarter. Consumer spending growth slowed to 0.5% while government spending declined at a pace of -0.6%. Imported goods skyrocketed at a growth rate of 51.6%. Further, businesses invested heavily in information processing (computer) equipment during the quarter. Residential construction fell at a pace of -1.3%.

General consumer price inflation fell to 2.4% by March while the Fed's preferred measure of inflation (Personal Consumption Expenditures, excluding energy and food) was 2.7%. While expectations are the Federal Reserve will act to reduce interest rates in 2025, the pace of those cuts remain unclear because the effects of the new tariff system for imports have yet to be manifested in economic data. While that murkiness remains, the Fed is unlikely to make a move until evidence of nationwide economic weakness is clearer.

Increased uncertainty among consumers and businesses navigating the new system of trade policy will likely put a damper on second quarter growth, although GDP numbers should move upward as a result of diminished imports in the second quarter. The probability of a recession depends on the mood of consumers and

businesses and whether U.S. trading partners reciprocate increased U.S. tariffs and a trade war emerges. Estimates for U.S. GDP growth in 2025 are trending downward toward 1% for the year.

FORECASTING INDEX FALLS

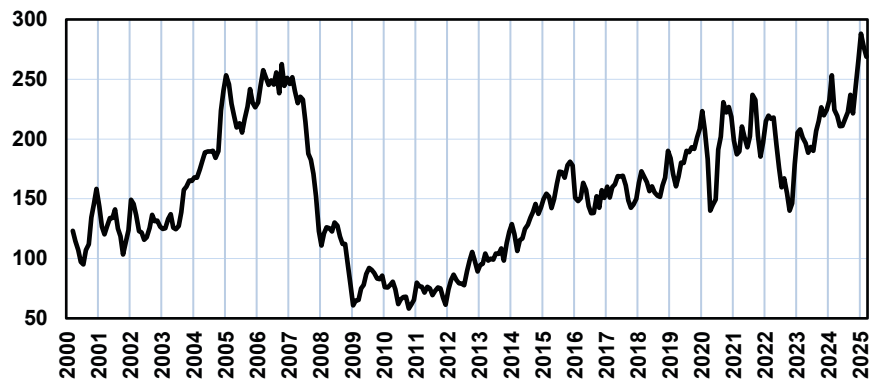
The Savannah area business forecasting index increased 1.5% (6.2% annualized) during the opening quarter of the year. The leading index increased to 178.8 from 176.1 (revised). Leading indicators from both the labor market and housing market were mixed.

In the labor market, the monthly number of initial claims for unemployment insurance (UI) increased 3.7% to 665 from 642 in the previous quarter.

Although the length of the workweek increased modestly, employment growth stalled while the number of newly unemployed increased, so the regional unemployment rate ticked up to 3.2% from 2.9% in the previous quarter.

In the housing market, the seasonally adjusted monthly issuance of construction permits for single-family homes increased modestly by 1%, rising to 807 from 797 permits (See chart below). The over-the-year gain increased to nearly 20%. However, the average value for a single family building permit issued decreased 5.3% to \$238,900 from \$252,200 (building permit value does not include the cost of land or builder profit). Building permit value is now 5% lower than year-ago value.

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



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

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.