



## FORWARD MOMENTUM LOST

The Savannah metro area economy lost its forward progress in the second quarter. Most indicators of current economic activity declined as consumer spending and port activity lost some additional ground.

Similarly, the business forecasting index turned down during the quarter as mixed effects in both the housing market and labor market collectively leaned to the downside. To date, however, the economic loss of momentum has not translated into a higher unemployment rate which still hovers around the very low rate of 3%.

The U.S. economy rebounded in the second quarter as imports plummeted. However, weakening behavior among demand-side actors (consumer spending, business investment, and government spending) tend to point in the overall direction of softer economic activity in upcoming quarters.

Federal Reserve policymakers are now moving in the direction of rate cutting policy as economic softness is becoming more apparent in available data. A one-quarter point in cuts is expected in the third quarter to short-term push rates into the range of 4% to 4.25%.

## SAVANNAH METRO ECONOMY STUMBLES

The business index for the Savannah metro economy decreased 0.6% (2.2% annualized) in the second quarter of 2025. Overall, the index of current business activity in the region decreased to 220.1 from 220.4 (revised) in the previous quarter.

Metro Savannah employers shed 500 workers during the second quarter, extending a two-quarter losing streak that reduced total jobs by one thousand and settling at 201,100 for the quarter. Service sector losses equaled 400 jobs, with

losses of 300 jobs each in transportation and utilities, professional and business services, and leisure and hospitality only partially offset by gains of three hundred each in retail trade and education/health.

In the tourism sector, seasonally adjusted hotel/motel taxes declined 4.5% during the second quarter and fell to a loss of 3.2% as compared to year-ago levels. Boardings at the airport bounced back from the Q1 loss, posting a 3% gain during the second quarter along with a 5.6% gain in auto rental taxes. Savannah's visitors apparently went on a bender, as seasonally adjusted second quarter beer, liquor, and wine taxes collected increased 9%. Retail sales dipped again by 0.4% but remain 2.1% above year-ago levels. The leisure and hospitality sector provides work for 27,700 employees.

Turbulence in international trade resulting from evolving tariff policy continues to create some pressure for the regional logistics industry. Port activity as measured by shipping container units handled decreased 0.6% during the quarter and reduced the over-the-year gain to 3%. The regional logistics sector shed 300 workers dropping total employment in the sector to 18,900 workers.

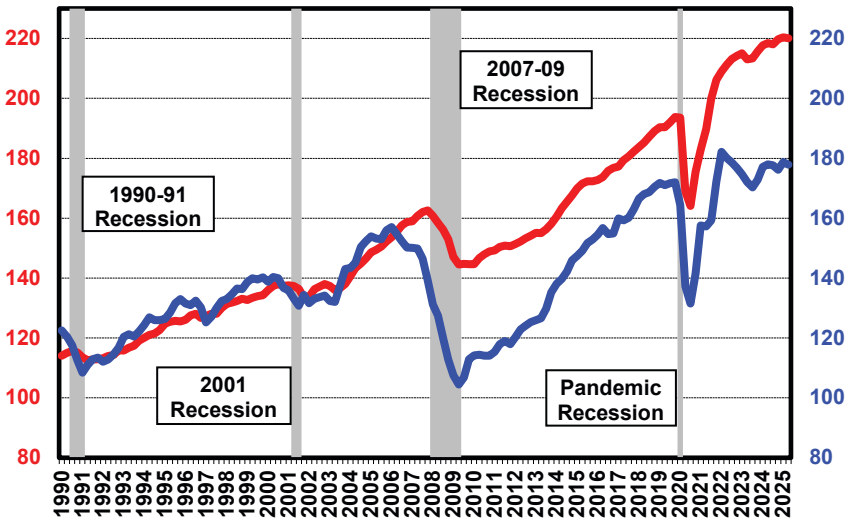
The goods-producing side of the economy lost about 100 jobs and settled at 32,600 workers for the quarter. Minor losses of less than one hundred workers each occurred in construction and manufacturing. The recent closure announcement for the International Paper facility in Savannah will place downward pressure on manufacturing employment as 800 workers in metro Savannah and another 300 in Liberty County are released by the end of the third quarter.

Private sector wages, reporting in inflation adjusted 2024 dollars, increased 2.9% to \$29.61 from \$28.76 per hour during the quarter. Over-the-year gains in wages increased to 6.8%. The length of the workweek in the private sector decreased 0.4% to 30.3 hours.

## U.S. ECONOMY REBOUNDS BUT DEMAND IS WEAKENING

The U.S. economy (gross domestic product, GDP) expanded at the pace of 3.3% during the second quarter, bouncing back from the decline of the previous quarter. The GDP report again clearly shows the effects of tariff policy on economic behavior. The sharp decline in imports of 30% reflects a whipsaw effect

Savannah Metro Business Index  
Leading and Coincident Series



in the data following the 38% increase in imports during the first quarter.

Looking beyond international trade data, the remainder of the GDP report suggests weakening or soft demand. Consumer spending growth increased to a pace of 1.6% but remains relatively anemic, while business investment declined at an annualized pace of 13.8%. Further, total government spending declined at a pace of 0.2% with increased state and local government spending offsetting the 4.7% decline in federal government spending.

Fundamentally, U.S. economic activity of the first two quarters has been artificially skewed by trade policy, but does reflect weakening consumer, business, and government behavior on the demand side of the economy.

General consumer price inflation ticked up a bit to 2.7% in June from 2.4% at the end of the first quarter while the Fed's preferred measure of inflation (Personal Consumption Expenditures, excluding energy and food) inched up to 2.8% from 2.7%.

Some modest signs of weakening in national labor supply and labor demand portend a rate cut at the September Fed Board meeting, based on clear signaling from Fed Chair Powell. Speaking of the Fed Board, recent Administration activity to re-shape the composition of the governing board toward stimulative policy could ironically cause long-term interest rates to increase if bond market participants perceive the change to be toward more stimulative (inflationary) monetary policy.

## REGIONAL FORECASTING INDEX FALLS

The Savannah area business forecasting index fell 0.5% (-2% annualized) during the second quarter. The leading index declined to 177.9 from 178.8 (revised).

Forecasting indicators from both the labor market and housing market remain mixed.

In the labor market, the monthly number of initial claims for unemployment insurance (UI) declined 8.2% to 611 from 665 in the previous quarter. The length of the workweek shortened slightly, reverting to its long-term downward trend. Employment growth stalled but the unemployment rate dropped three-tenths of a percent to 2.9% from 3.2% in the previous quarter (see the chart below).

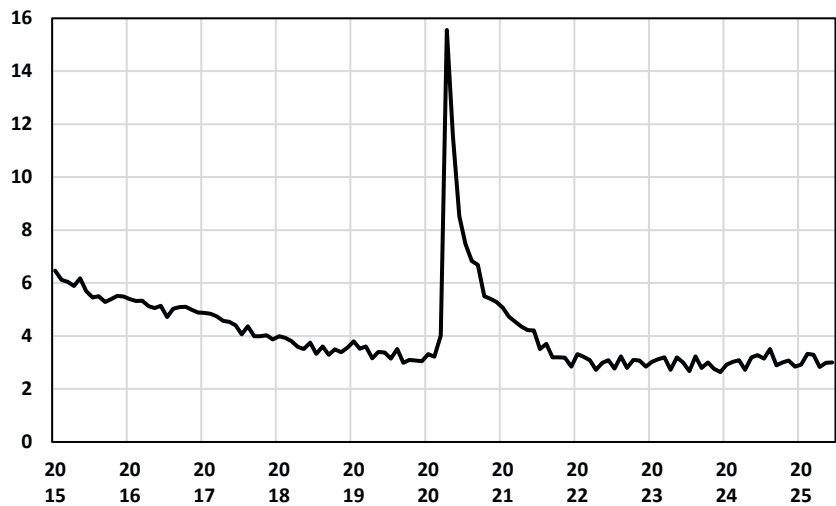
In the housing market, the seasonally adjusted monthly issuance of construction permits for single-family homes fell 12.6%, dropping to 705 permits from 807 permits. However, the average value for a single family building permit issued decreased 3.5% to \$230,500 from \$238,900 (building permit value does not include the cost of land or builder profit). Building permit value is now 9% lower than year-ago value.

The forward momentum in the regional economy has temporarily eased. The

index of current economic activity declined in the second quarter alongside employment. Total employment is about 800 jobs (-0.4%) lower than comparable year-ago data. There are emerging signs of weakening consumer spending and manufacturing employment will decrease by the end of the third quarter. The effect of increased tariffs on prices faced by consumers should become clearer in the third and fourth quarter as inventoried imports from the first quarter are drawn down and businesses make decisions about reduced profit margins or if the additional tariff costs are passed on to consumers.

Given the volatility on the forecasting index and generally weaker regional economic conditions in the first half of the year, growth in the Savannah metro economy is expected to remain below its long-term trend through 2025. Elevated uncertainty in the U.S. economy and slowly emerging tariff-related price increases will be headwinds for national and regional economic growth through the remainder of the year.

SAV MSA Unemployment Rate (%)



Source: Georgia Department of Labor and GSU Economics. Seasonally adjusted data.

### 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](https://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](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.