

Business

Report: Hospitality sector still hobbled by pandemic, but Savannah-area showing signs of recovery

By Katie Nussbaum

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After months of record job loss and economic uncertainty due to the COVID-19 pandemic, the Savannah area began to show signs of stabilization and rebound during the third quarter, according to the Coastal Empire Economic Monitor.

The Monitor is a quarterly publication that provides a snapshot of the Savannah Metropolitan Statistical Area economy, including Bryan, Chatham and Effingham counties and is distributed by the Center for Business Analytics and Economic Research at Georgia Southern University.

“In general, in the third quarter there are notable rebounds we are observing in the service sectors, but it still remains hobbled by the pandemic,” said Michael Toma, Fuller E. Callaway Professor of Economics at Georgia Southern’s Armstrong Campus

Drawing on expectations from fellow economists, Toma said it could be the end of 2021 or early 2022 before the sector fully recovers.

“Realistically, it’s probably going to be about a year until we get back to where we were on a nationwide basis and same sort of healing process is going to take place locally here,” Toma said, adding that a lot of other variables, including the deployment of a vaccine will also impact recovery.

Other hospitality-related sectors that were impacted in the third quarter include, airplane boardings, which increased over 200% from the second quarter, but remain 63% lower than year ago levels, hotel room rentals are down about 58%, about the same as the second quarter and rental car tax receipts remain down by 39%.

The service sectors include retail trade and hospitality, managed to regain about 4,200 jobs of the 10,000 jobs lost during the second quarter, Toma said.

By the end of the third quarter overall employment in the sector was about 21,400 and while the tourism sector is still hurting, the overall economic rebound should not be underestimated, he said

“The bottom was low granted, so we should expect to see a significant recovery, we’re back to 97%, of where we were, but the difficult aspect of that 3% gap is that that’s mostly concentrated in the tourism and hospitality industry,” he said.

“So that sector is still clearly hurting, it’s recovering, but it’s still hurting.”

Overall in the third quarter employment in Savannah’s three-county metro area averaged 177,100, a gain of 10,000 workers. At the low point in April, employment was 159,600, but recovered to 179,800 by September. The September job figure is 97% of its pre-pandemic level, according to the report.

During the third quarter, the average number of monthly initial claims for unemployment insurance decreased 72% to 11,218 from 24,917 in the second quarter.

While the signs of recovery in the third quarter may be slow, they are trending ahead of the previous quarter.

According to the second quarter Monitor, 35% of the total new claims for unemployment insurance filed since March were by workers in the tourism sector, nearly three times the rate of the next two hardest hit sectors, health care and social service, 11.9% of total claims and retail trade 11.7% of total claims.

Other sectors also experienced declines during the second quarter including manufacturing which lost 1,500 workers or 4.2% of total claims and the construction sector, which lost 400 workers, or 1.5% of total claims.

“There was a stunning sort of explosion in the number of claims for unemployment insurance that were filed,” Toma said of the second quarter.

“Whereas we would typically be running at about 500 or 600 claims per month, in the entire three county MSA, that number skyrocketed to well over an average of 25,000 per month in the quarter.”

When it came to new construction in the second quarter, things slowed slightly, Toma said, which was mainly due to builders navigating the new economy and working with COVID-19 safety precautions.

There was also a decline in existing homes put on the market for sale, which led to an uptick in permits in the third quarter when single family homes permitted for construction jumped 54%, to 743 units from 549 in the second quarter.

The average valuation per single family unit also increased 16% from \$260,900 from \$224,300.

“In any event, effectively there’s still restricted supply in the marketplace, demand is still present. and so this is why we’re seeing just a phenomenal increase in the number of building permits,” Toma said.

Looking ahead to the fourth quarter report, Toma said the activity is likely to extend the recovery, but it won’t be as strong as what was seen during the third quarter simply because the easy economic gains have already been picked up.

“The difficult gains are going to be the ones that are in say, the tourism and hospitality industry. The trajectory over which that sector of the economy is going to recover is going to be slower in the coming months and quarters,” he said.

“So the easy gains have been had, the recovery will extend into the fourth quarter, but it won’t be as strong as we experienced the rebound in the third quarter.”