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AMERICAN INDIAN BUYING POWER BY PLACE OF RESIDENCE: 1990-1999

Jeffrey M. Humphreys

Although they comprise only one percent of the country's population, Native Americans control about \$31 billion in disposable income, which makes this diverse racial group economically attractive to businesses that cater to this target market. Since the beginning of the decade, the 2.4 million American Indians (including Eskimos and Aleuts) have seen their buying power rise from \$19.2 billion in 1990 to \$31.4 billion in 1999, an increase of 63.3 percent in nine years, or a compound annual rate of growth of 5.6 percent. The percentage gain is substantially greater than the increases in buying power projected for the U.S. as a whole (57 percent), but smaller than that for other major racial or ethnic groups: 73 percent for African-Americans, 84 percent for Hispanics, and 102 percent for Asian-Americans.

Simply defined, American Indian buying power is the total personal income of American Indian residents that is available, after taxes, for spending on goods and services—that is, the disposable personal income of these residents of a specified geographic area. Unfortunately, there are no geographically precise surveys of annual expenditures and income of this group. Even estimates of American Indian buying power are hard to find, especially for individual states.

This article approaches the problem by providing estimates of American Indian buying power over 1990-1999 for the U.S., the states, and the District of Columbia. These current dollar estimates are useful because they can indicate the economic power of Native Americans; measure the relative vitality of geographic markets; help to judge business opportunities for

**Final installment in the
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start-ups or expansion; gauge a business's annual sales growth against potential market increases; and indicate the market potential of new and existing products.

METHODOLOGY

Because there is no direct measure of American Indian buying power, these estimates were calculated using national and regional econometric models, univariate forecasting techniques, and data from various U.S. government sources. In general, the estimation process has two parts: estimating disposable personal income and allocating that estimate by race or ethnicity.

The Terry College of Business's most recent estimates of disposable personal income (the total buying power of all groups, regardless of race or ethnicity) were reported in the March-April 1998 issue of *Georgia Business and Economic Conditions*. For 1990-1996, data on disposable personal income for the U.S., the states, and the District of Columbia were provided by the U.S. Department of Commerce's Bureau of Economic

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BUYING POWER SERIES

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| | |
|----------|------------------------|
| Total | March-April 1998 |
| Black | July-August 1998 |
| Hispanic | November-December 1998 |
| Asian | January-February 1999 |

Analysis. The Terry College of Business prepared corresponding projections of total buying power for 1997-1999.

Defined as the share of total personal income that is available for spending on personal consumption, personal interest payments, and savings, disposable personal income measures the total buying power held by residents of an area. Approximately 93 percent of disposable personal income is used to purchase goods and services; the remaining 7 percent represents interest paid by persons, their savings, or their net transfers to others.

Readers should note that the Terry College of Business's estimates are based on disposable personal income data, rather than on the U.S. Bureau of the Census' money income values for the U.S. as a whole. The result is significantly higher estimates of American Indian buying power.

Total buying power in 1990-1999 was allocated to Native Americans on the basis of racial distributions provided by a recent Census report of population estimates by age, sex, race and Hispanic origin. The population estimates for 1997-1999 were prepared by the Terry College of Business, and are based on Census data.

An income adjustment factor also compensated for the variation in per capita personal income (and by extension, in disposable personal income) that is accounted for by race. These factors were calculated from per capita money income data by race for local areas that were gathered during the 1990 Census of Population and Housing. Long-term trends in per capita money income suggest that relative ratios in per capita income between the races change quite slowly. The ratios in this study, however, were adjusted to account for more recent trends in the national median household income, by race,

TABLE 1

**American Indian Buying Power by Place of Residence
for U.S. and States, 1990 and 1995-1999**
(millions of dollars)

| Area | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 |
|----------------------|--------|--------|--------|--------|--------|--------|
| United States | 19,236 | 25,415 | 26,753 | 28,134 | 29,662 | 31,405 |
| Alabama | 164 | 193 | 199 | 210 | 223 | 238 |
| Alaska | 816 | 1,023 | 1,038 | 1,055 | 1,067 | 1,100 |
| Arizona | 1,090 | 1,504 | 1,594 | 1,684 | 1,776 | 1,880 |
| Arkansas | 134 | 171 | 182 | 190 | 200 | 211 |
| California | 3,497 | 4,197 | 4,387 | 4,572 | 4,778 | 5,006 |
| Colorado | 315 | 440 | 466 | 495 | 525 | 559 |
| Connecticut | 106 | 138 | 147 | 155 | 163 | 172 |
| Delaware | 35 | 49 | 52 | 54 | 56 | 59 |
| District of Columbia | 24 | 32 | 34 | na | na | na |
| Florida | 475 | 758 | 821 | 878 | 944 | 1,014 |
| Georgia | 181 | 269 | 291 | 307 | 320 | 334 |
| Hawaii | 78 | 108 | 113 | 114 | 117 | 121 |
| Idaho | 119 | 156 | 161 | 173 | 185 | 198 |
| Illinois | 318 | 421 | 442 | 466 | 492 | 523 |
| Indiana | 147 | 196 | 205 | 217 | 231 | 247 |
| Iowa | 61 | 82 | 88 | 93 | 99 | 107 |
| Kansas | 240 | 289 | 299 | 320 | 343 | 369 |
| Kentucky | 57 | 71 | 75 | 78 | 81 | 85 |
| Louisiana | 165 | 219 | 226 | 234 | 242 | 251 |
| Maine | 55 | 62 | 62 | 65 | 67 | 70 |
| Maryland | 200 | 272 | 283 | 303 | 322 | 344 |
| Massachusetts | 165 | 217 | 228 | 240 | 253 | 266 |
| Michigan | 613 | 794 | 821 | 855 | 893 | 941 |
| Minnesota | 395 | 538 | 574 | 607 | 648 | 695 |
| Mississippi | 60 | 87 | 93 | 96 | 99 | 103 |
| Missouri | 243 | 303 | 317 | 336 | 356 | 380 |
| Montana | 306 | 422 | 441 | 462 | 493 | 527 |
| Nebraska | 87 | 120 | 129 | 138 | 147 | 158 |
| Nevada | 238 | 371 | 397 | 425 | 456 | 486 |
| New Hampshire | 30 | 37 | 40 | 41 | 42 | 44 |
| New Jersey | 259 | 391 | 415 | 432 | 452 | 473 |
| New Mexico | 773 | 1,084 | 1,139 | 1,191 | 1,259 | 1,344 |
| New York | 781 | 1,025 | 1,075 | 1,139 | 1,210 | 1,292 |
| North Carolina | 743 | 1,056 | 1,129 | 1,191 | 1,253 | 1,328 |
| North Dakota | 151 | 203 | 232 | 245 | 261 | 282 |
| Ohio | 247 | 323 | 336 | 348 | 364 | 383 |
| Oklahoma | 2,126 | 2,604 | 2,703 | 2,839 | 2,959 | 3,088 |
| Oregon | 406 | 536 | 569 | 609 | 655 | 706 |
| Pennsylvania | 195 | 259 | 273 | 291 | 312 | 334 |
| Rhode Island | 43 | 57 | 60 | 62 | 65 | 68 |
| South Carolina | 99 | 126 | 132 | 138 | 144 | 150 |
| South Dakota | 268 | 364 | 410 | 431 | 456 | 486 |
| Tennessee | 125 | 184 | 193 | 207 | 222 | 240 |
| Texas | 901 | 1,341 | 1,433 | 1,536 | 1,656 | 1,785 |
| Utah | 146 | 209 | 221 | 241 | 262 | 283 |
| Vermont | 16 | 20 | 20 | 21 | 21 | 22 |
| Virginia | 244 | 325 | 342 | 358 | 372 | 393 |
| Washington | 891 | 1,217 | 1,289 | 1,379 | 1,474 | 1,570 |
| West Virginia | 19 | 25 | 25 | 26 | 27 | 29 |
| Wisconsin | 320 | 442 | 465 | 492 | 523 | 558 |
| Wyoming | 65 | 85 | 88 | 93 | 98 | 103 |

na Not available.

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, 1998.

TABLE 2

**Percentage Change in American Indian Buying Power
and Rank of Percentage Change, 1990-1999, by State**

| <u>Area</u> | <u>Rank</u> | <u>Percentage Change in Total Buying Power 1990-99</u> | <u>Area</u> | <u>Rank</u> | <u>Percentage Change in Total Buying Power 1990-99</u> |
|----------------------|-------------|--|----------------|-------------|--|
| United States | | 63.3 | Missouri | 34 | 56.1 |
| Alabama | 46 | 44.9 | Montana | 20 | 72.3 |
| Alaska | 49 | 34.8 | Nebraska | 9 | 81.9 |
| Arizona | 19 | 72.4 | Nevada | 2 | 103.9 |
| Arkansas | 33 | 56.8 | New Hampshire | 43 | 48.0 |
| California | 47 | 43.1 | New Jersey | 8 | 82.8 |
| Colorado | 12 | 77.4 | New Mexico | 18 | 73.9 |
| Connecticut | 29 | 61.7 | New York | 27 | 65.4 |
| Delaware | 24 | 68.9 | North Carolina | 11 | 78.8 |
| District of Columbia | na | na | North Dakota | 6 | 86.9 |
| Florida | 1 | 113.4 | Ohio | 36 | 54.9 |
| Georgia | 7 | 85.1 | Oklahoma | 45 | 45.3 |
| Hawaii | 37 | 54.0 | Oregon | 17 | 74.1 |
| Idaho | 26 | 65.9 | Pennsylvania | 22 | 71.5 |
| Illinois | 28 | 64.8 | Rhode Island | 35 | 55.4 |
| Indiana | 25 | 67.4 | South Carolina | 41 | 51.9 |
| Iowa | 15 | 75.0 | South Dakota | 10 | 80.9 |
| Kansas | 38 | 53.8 | Tennessee | 5 | 91.8 |
| Kentucky | 42 | 49.2 | Texas | 3 | 98.1 |
| Louisiana | 40 | 52.1 | Utah | 4 | 93.8 |
| Maine | 50 | 28.1 | Vermont | 48 | 41.1 |
| Maryland | 21 | 72.2 | Virginia | 31 | 60.8 |
| Massachusetts | 30 | 61.5 | Washington | 13 | 76.2 |
| Michigan | 39 | 53.5 | West Virginia | 44 | 47.6 |
| Minnesota | 14 | 75.8 | Wisconsin | 16 | 74.2 |
| Mississippi | 23 | 70.7 | Wyoming | 32 | 58.0 |

na Not available.

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, 1998.

reported in the Census Bureau's Current Population Reports, although the absence of current detailed data at the state level clearly makes the American Indian buying power estimates less precise because it increases their statistical error.

AMERICAN INDIAN BUYING POWER IN THE U.S. AND THE STATES

The Terry College of Business projects that the nation's American Indian buying power will rise from \$19.2 billion in 1990 to \$31.4 billion in 1999, or by 63.3 percent in nine years. Over the same period, total U.S. buying power will increase by 57 percent; nominal gross domestic product by 55 percent; and the national American Indian population by 15 percent. Measured against the 29 percent rise in the U.S. Consumer Price Index

during this nine-year span, American-Indian buying power will grow more than twice as fast as inflation, which is a clear demonstration of their emerging economic importance.

Many forces support the continued growth of this group's buying power, but perhaps the most important is better employment opportunities for all Americans, including American Indians. Favorable demographic trends also reinforce these positive economic forces: the American Indian population is growing slightly more rapidly than the total population, a trend that is expected to continue.

This year, American Indians will account for 0.5 percent of all U.S. buying power, the same percentage as in 1990. In each intervening year, their buying power has or will grow faster than that of all U.S. consumers, revealing a pattern of substantial but varying annual

TABLE 3

**American Indian Share of Total Buying Power
for U.S. and States, 1990 and 1999
(percent)**

| <u>Area</u> | <u>1990</u> | <u>1999</u> | <u>Area</u> | <u>1990</u> | <u>1999</u> |
|----------------------|-------------|-------------|----------------|-------------|-------------|
| United States | 0.5 | 0.5 | Missouri | 0.3 | 0.3 |
| Alabama | 0.3 | 0.3 | Montana | 2.9 | 3.1 |
| Alaska | 8.1 | 7.8 | Nebraska | 0.4 | 0.4 |
| Arizona | 2.0 | 1.9 | Nevada | 1.1 | 1.1 |
| Arkansas | 0.5 | 0.4 | New Hampshire | 0.1 | 0.1 |
| California | 0.6 | 0.6 | New Jersey | 0.2 | 0.2 |
| Colorado | 0.6 | 0.6 | New Mexico | 3.9 | 4.0 |
| Connecticut | 0.1 | 0.2 | New York | 0.2 | 0.2 |
| Delaware | 0.3 | 0.3 | North Carolina | 0.8 | 0.8 |
| District of Columbia | 0.2 | na | North Dakota | 1.7 | 2.1 |
| Florida | 0.2 | 0.3 | Ohio | 0.1 | 0.1 |
| Georgia | 0.2 | 0.2 | Oklahoma | 5.0 | 4.9 |
| Hawaii | 0.4 | 0.4 | Oregon | 0.9 | 0.9 |
| Idaho | 0.9 | 0.8 | Pennsylvania | 0.1 | 0.1 |
| Illinois | 0.2 | 0.2 | Rhode Island | 0.3 | 0.3 |
| Indiana | 0.2 | 0.2 | South Carolina | 0.2 | 0.2 |
| Iowa | 0.1 | 0.2 | South Dakota | 2.8 | 3.1 |
| Kansas | 0.6 | 0.6 | Tennessee | 0.2 | 0.2 |
| Kentucky | 0.1 | 0.1 | Texas | 0.3 | 0.4 |
| Louisiana | 0.3 | 0.3 | Utah | 0.7 | 0.7 |
| Maine | 0.3 | 0.3 | Vermont | 0.2 | 0.2 |
| Maryland | 0.2 | 0.3 | Virginia | 0.2 | 0.2 |
| Massachusetts | 0.1 | 0.1 | Washington | 1.1 | 1.1 |
| Michigan | 0.4 | 0.4 | West Virginia | 0.1 | 0.1 |
| Minnesota | 0.5 | 0.6 | Wisconsin | 0.4 | 0.5 |
| Mississippi | 0.2 | 0.2 | Wyoming | 0.9 | 1.0 |

na Not available.

Source: Selig Center for Economic Growth, Terry College of Business, The University of Georgia, 1998.

growth: 5.1 percent in 1991, 7 percent in 1992, 5.4 percent in 1993, 4.9 percent in 1994, 6.4 percent in 1995, 5.3 percent in 1996, 5.2 percent in 1997, 5.4 percent in 1998, and 5.9 percent in 1999. Over 1990-1999, the compound annual rate of growth in American Indian buying power will be 5.6 percent, exceeding the 5.1 percent compound annual rate for the purchasing power of all U.S. consumers.

Unlike the Hispanic and Asian-American consumer markets, however, the Native American market is less focused on a few states. For example, the five states with the largest American Indian markets account for 42 percent of the group's buying power, while the five states with the largest Hispanic and Asian-American consumer markets make up 71 percent and 64 percent of their respective group's buying power.

In 1999, in order, the ten states with the largest American Indian markets will be California, Oklahoma, Arizona, Texas, Washington, New Mexico, North Carolina, New York, Alaska, and Florida. Ranked by the rate of growth of American Indian buying power over 1990-1999, the top ten states will be Florida, Nevada, Texas, Utah, Tennessee, North Dakota, Georgia, New Jersey, Nebraska, and South Dakota. (Some of these states have relatively small but flourishing markets.)

A third ranking, the market share claimed by American Indian consumers, is important for very practical reasons: the higher their market share, the lower the average cost of reaching a potential buyer in the group. Targeting American Indian consumers in diffuse markets is more expensive, although selective media or zip code mailings can lower the cost per individual. In order, the ten states with the largest shares of total buying power

TABLE 4

**Estimates of the Total Population and American Indian¹ Population
of the U.S. and States, 1990 and 1999**

| Area | Total Population in 1990 | Total American Indian ¹ Population in 1990 | Total Population in 1999 | Total American Indian ¹ Population in 1999 |
|----------------------|--------------------------------|---|--------------------------------|---|
| United States | 249,397,990 | 2,073,491 | 272,423,443 | 2,386,240 |
| Alabama | 4,048,317 | 16,592 | 4,391,822 | 16,512 |
| Alaska | 553,102 | 86,940 | 633,763 | 95,959 |
| Arizona | 3,679,370 | 215,752 | 4,784,307 | 259,332 |
| Arkansas | 2,354,301 | 13,026 | 2,596,749 | 13,727 |
| California | 29,901,421 | 286,797 | 32,435,218 | 299,211 |
| Colorado | 3,304,004 | 31,289 | 4,075,261 | 39,077 |
| Connecticut | 3,288,975 | 7,002 | 3,279,105 | 7,906 |
| Delaware | 669,071 | 2,071 | 756,190 | 2,434 |
| District of Columbia | 603,792 | 1,545 | 522,624 | 0 |
| Florida | 13,018,496 | 37,449 | 15,045,138 | 55,616 |
| Georgia | 6,506,509 | 13,794 | 7,758,907 | 17,719 |
| Hawaii | 1,112,646 | 5,456 | 1,223,955 | 6,515 |
| Idaho | 1,011,904 | 15,042 | 1,297,421 | 18,666 |
| Illinois | 11,446,801 | 24,269 | 11,977,943 | 26,834 |
| Indiana | 5,555,019 | 13,099 | 5,985,033 | 15,192 |
| Iowa | 2,779,652 | 7,721 | 2,885,631 | 8,970 |
| Kansas | 2,480,630 | 23,441 | 2,633,180 | 25,216 |
| Kentucky | 3,692,529 | 5,877 | 3,964,108 | 5,891 |
| Louisiana | 4,217,362 | 18,676 | 4,398,995 | 19,346 |
| Maine | 1,231,284 | 6,027 | 1,253,513 | 5,578 |
| Maryland | 4,797,676 | 13,266 | 5,210,222 | 16,623 |
| Massachusetts | 6,018,305 | 12,980 | 6,167,126 | 14,279 |
| Michigan | 9,310,677 | 57,791 | 9,671,908 | 60,130 |
| Minnesota | 4,387,209 | 51,079 | 4,791,064 | 61,683 |
| Mississippi | 2,577,213 | 8,550 | 2,786,922 | 9,638 |
| Missouri | 5,126,241 | 20,291 | 5,488,053 | 21,512 |
| Montana | 799,826 | 48,175 | 926,357 | 58,998 |
| Nebraska | 1,580,648 | 12,874 | 1,693,860 | 15,974 |
| Nevada | 1,218,702 | 21,478 | 1,810,356 | 31,250 |
| New Hampshire | 1,111,861 | 2,162 | 1,208,179 | 2,281 |
| New Jersey | 7,739,502 | 15,849 | 8,125,939 | 20,622 |
| New Mexico | 1,520,039 | 137,945 | 1,819,483 | 168,841 |
| New York | 18,002,719 | 66,462 | 18,194,553 | 75,472 |
| North Carolina | 6,657,040 | 81,205 | 7,674,793 | 97,096 |
| North Dakota | 637,369 | 25,841 | 657,282 | 31,844 |
| Ohio | 10,861,875 | 20,960 | 11,271,070 | 22,356 |
| Oklahoma | 3,147,095 | 258,162 | 3,358,324 | 269,827 |
| Oregon | 2,858,757 | 40,860 | 3,359,612 | 47,557 |
| Pennsylvania | 11,895,491 | 15,425 | 12,133,727 | 18,317 |
| Rhode Island | 1,004,665 | 4,220 | 993,984 | 4,683 |
| South Carolina | 3,498,970 | 8,365 | 3,808,829 | 8,754 |
| South Dakota | 696,636 | 50,900 | 760,896 | 60,955 |
| Tennessee | 4,890,621 | 10,191 | 5,560,645 | 13,212 |
| Texas | 17,046,399 | 72,695 | 19,974,760 | 96,934 |
| Utah | 1,729,784 | 25,472 | 2,152,892 | 32,290 |
| Vermont | 564,489 | 1,707 | 608,011 | 1,695 |
| Virginia | 6,213,684 | 15,796 | 6,902,643 | 18,366 |
| Washington | 4,901,289 | 88,140 | 5,788,516 | 103,486 |
| West Virginia | 1,792,429 | 2,475 | 1,833,457 | 2,544 |
| Wisconsin | 4,902,197 | 40,535 | 5,282,728 | 47,651 |
| Wyoming | 453,397 | 9,775 | 508,392 | 11,671 |

¹ American Indian includes Eskimo and Aleut.

Source: Estimates for 1990 obtained from the U.S. Bureau of the Census (Internet release date: December 18, 1997).

Estimates for 1999 were prepared by the Selig Center for Economic Growth.

AMERICAN INDIAN BUYING POWER COMPARISONS BY STATE, 1999 (ten largest, in order)

Largest Markets

California, Oklahoma, Arizona, Texas, Washington, New Mexico, North Carolina, New York, Alaska, Florida

Rate of Growth 1990-1999

Florida, Nevada, Texas, Utah, Tennessee, North Dakota, Georgia, New Jersey, Nebraska, South Dakota

Largest American Indian Shares of Total Buying Power

Alaska, Oklahoma, New Mexico, Montana, South Dakota, North Dakota, Arizona, Nevada, Washington, Wyoming

that is American Indian in 1999 will be Alaska, Oklahoma, New Mexico, Montana, South Dakota, North Dakota, Arizona, Nevada, Washington, and Wyoming.

The ten states (including the District of Columbia) with the slowest growth of American Indian purchasing power over the nine years will be the District of Columbia, Maine, Alaska, Vermont, California, Alabama,

Oklahoma, West Virginia, New Hampshire, and Kentucky. Total buying power also is growing slowly in many of these states. The ten states with the smallest markets, largely because of their small American Indian populations, are the District of Columbia, Vermont, West Virginia, New Hampshire, Delaware, Rhode Island, Maine, Kentucky, Mississippi, and Wyoming. ■

EMPLOYMENT GROWTH EXPECTATIONS FOR SAVANNAH, 1999

Barbara Bart

Outside of Atlanta, Savannah is the MSA that is expected to experience the greatest economic growth in the state. In its 1999 forecast, the Terry College of Business's Selig Center projects employment growth of 1.7 percent, corresponding to the growth expected in every local economic indicator, including gross metro product, wholesale and retail sales, local sales and property tax revenues, and personal income. But, what is most interesting about the employment growth in the Savannah MSA is that will occur in every industry sector, including manufacturing.

In the Savannah MSA, which includes Chatham, Effingham, and Bryan counties, the expected 1.7 percent employment growth translates to an increase of 2,325 new jobs. Many community business leaders, however, believe that this figure is too low and that employment growth could be closer to 2 percent, matching the growth experienced in 1998. If so, employment growth in this MSA could outpace the employment growth of the Atlanta MSA, which the Selig Center expects to be 1.8 percent.

With global and national economic news so volatile, one must ask how things can be so good in Savannah? The answer lies in four primary factors: consumers are spending money, the population keeps growing, the economy is diverse, and local businesses and governments are making investments to contribute to the community's future economic prosperity.

KEYS TO PROSPERITY

First, Savannah area consumers are spending money. This very important point is one of the primary reasons why analysts believe the United States economy has not felt the effects of the Asian crisis to the same extent as other global economies. Nationally, consumer confidence is still high (as long as the stock market is strong), and locally personal incomes have been rising at a rate of

5 to 6 percent per year for the past five years at a time when inflation is relatively low. In 1998, for example, personal incomes in the Savannah MSA rose 6.2 percent while inflation was only 1.7 percent. Combine this with the fact that interest rates are their lowest in almost thirty years and unemployment is only 4.8 percent, and it becomes easy to see why Savannah's economy is so strong: people are spending because they have more money to spend.

The second contributing factor is the area's growing population. The Savannah MSA has grown 10.2 percent over the past seven years—from about 258,000 to 285,000 people, which translates to an additional 27,000 residents—which means more homes, more schools, more roads, more retail stores, and more traffic. If Liberty County in Georgia and Beaufort and Jasper counties in South Carolina are added to the Savannah MSA, the population increase for the same seven-year period is 13.4 percent or 55,000 people; therefore, the size of the population in the entire trade area has grown substantially.

A diverse economy is a third factor that explains continued growth. Although many other analysts have suggested this, it is nonetheless true and it means that a fall in one sector will not spell catastrophe for the entire local economy. This is particularly important when the impact of the Asian crisis or Brazilian crisis is analyzed. While it may affect some manufacturers negatively, like paper and steel (at least in the short run), it affects others positively because it lowers the cost of the component parts that are being imported for the manufacture of jets, automobiles, and other durable and nondurable goods.

A fourth explanation for continued economic growth in the Savannah MSA is the investment that area businesses and governments are making in the economic infrastructure. The Savannah Economic Development Authority (SEDA) works to open new location opportunities for business expansion, simplifying the permitting

process, facilitating water and sewer capacity improvements, and coordinating competitive incentive packages. The Georgia Ports Authority continues to reinvest and plans new investments in 1999 in spite of a small drop in exports for the first time in 11 years. Other area manufacturers, such as ADM Cocoa Savannah, Kemira, and Owens Corning have announced plans for significant capital improvements in 1999. In fact, a peek across the Savannah River to Hutchinson Island reveals an infrastructure investment by the public and private sectors in the new Maritime Trade Center and Westin Hotel.

Investments also have been made in the local educational and technological infrastructure. For example, helped by a grant from NASA, Savannah State University has implemented a new program called High School/High Tech that is an education and employment program for high school students who are mentored by university science and engineering professors. In addition,

the Chamber of Commerce, SEDA, Savannah Electric and Power Company, Savannah Tech, the Savannah/Chatham County Board of Education, the Certified Workforce Corporation, Seacoast Workforce Development, QuickStart and others are applying vocational education initiatives in efforts to improve the quality of the workforce. Dr. Stephen Portch, the Chancellor of the Georgia Board of Regents, has announced plans to enhance the availability of technical college degree programs, in pre-engineering and engineering. Governor Roy Barnes announced additional plans for technology education with his proposed "Yamacraw Mission," that is designed to position Georgia as a global leader in technology. Even small businesses in the community have been investing in technology since they have come to realize that there will be no quick fix to the year 2000 problem. Consequently, they have been upgrading their information systems and adding new technologies.

EMPLOYMENT GROWTH BY SECTOR

With total nonagricultural employment in the Savannah MSA expected to rise from 136,000 in 1998 to 138,325 in 1999, Table 1 shows which sectors will benefit from the 2,325 new jobs.

Manufacturing ■ Currently, manufacturing is the most interesting sector because its growth will be much higher than national and statewide projections. In fact, in 1998, Savannah's manufacturing employment growth was 3 times higher than the .8 percent growth in manu-

facturing employment that was reported for the entire state. Final figures for 1998 should incorporate not only the addition of 1,000 new manufacturing jobs but also the closing of the Smurfit-Stone Container paper mill and the loss of 550 jobs.

The net increase in manufacturing employment for 1998 should be about 450 jobs, which represents an increase of 2.5 percent. This is a very strong growth rate and it is also one that is expected to continue in 1999; hence the forecast for 500 new manufacturing jobs. Optimism for 1999 is, in part, due to the hiring that is

anticipated as the new manufacturers, J. C. Bamford, Pitney-Bowes, and the Lummas Corporation, begin to build their staffs. It is also due to the fact that many of the existing manufacturers have announced plans for capital expansion that may be followed by a labor force increase.

In 1998, additional workers were hired at Gulfstream, Great Dane, and Fort James, where a fifth recycled paper

machine added 250 jobs. The chemical manufacturers and food processors also experienced strong employment growth; however, there is considerable uncertainty about the fate of the Union Camp paper mill and its employees. As of the writing of this article, there have been no reports from International Paper concerning their intentions for the Union Camp facility that it acquired. A January 1999 story in *The Wall Street Journal*, however, indicated that containerboard, which is produced by the local facility, is "the one product line that is

KEYS TO PROSPERITY

- Consumer spending
- Population growth
- Economic diversity
- Business investment

TABLE 1
Breakdown of Employment Growth

| Sector | Number of New Jobs |
|---------------------------------|--------------------|
| Services | 700 |
| Retail trade | 600 |
| Manufacturing | 500 |
| Construction | 150 |
| Trans., comm., public utilities | 150 |
| Wholesale trade | 75 |
| Fin., ins., real estate | 50 |
| Federal government | 0 |
| State, local government | 100 |
| TOTAL | 2,325 |

expected to lead the price recovery for the forest goods industries in 1999.”* So, expectations are that the mill will soon produce more containerboard but that there may be management changes and relocations.

Services ■ Although manufacturing may be the most interesting sector, Table 1 indicates that services is expected to provide the biggest boost to Savannah’s economic vitality. This sector includes business services, personal services, health care, and tourism—all of which have experienced enormous growth since 1990. In 1990 there were 27,600 services-related jobs, in 1998 there were 39,300 jobs, and best estimates for 1999 put service employment at 40,000 jobs. While this represents an increase of 45 percent since 1990, employment growth for 1999 is not expected in every type of service. Health care employment is expected to remain stable, while employment in business services, personal services and tourism are expected to increase substantially.

Business services employment will grow considerably in the Savannah MSA in 1999 for three reasons. One, the trend toward outsourcing has finally reached Savannah. In an effort to restructure and downsize, companies have trimmed their middle management staffs by hiring specialists—public relations firms, advertising agencies, human resource management consultants, environmental engineers, information systems consultants—whenever the need arises. Two, the Savannah Area Chamber of Commerce has been investing time and money in their “Take AIM” business development program. As of the third quarter 1998, this program attracted 23 new small businesses and 311 new jobs were relocated to the area: a result that exceeded even their expectations. Three, the Savannah Economic Development Authority and the Business and Technology Alliance of Savannah have been working to attract new research and technology services businesses. They have secured opportunities for research businesses to locate on a site near the Skidaway Oceanographic Institute and have made significant strides to help businesses establish research relationships with local universities in efforts to pave the way for new growth in business and technology services next year.

The same is true for personal services. The size and nature of the community’s population increase suggests an increased demand for personal services. An interesting observation can be made by studying the percentage distribution of age groups in each of the Georgia MSAs. It appears that the Savannah MSA has the highest percentage of people aged 55 and over of any other MSA in the state. This can also be seen by studying the dependency ratio, which is the ratio of youth (19 and under) and elderly (65 and over) to every 100 persons between

the ages of 20 and 64. In 1997 the state average was 70 and Savannah’s was 74. The Bureau of the Census expects this to rise to 76 in 2025 for Georgia and even higher for the Savannah MSA. Thus, Savannah will have a shrinking group of working-age people compared to its young and elderly persons. Not only do these data have public policy implications, they also have great implications for the expansion of existing and new personal services businesses. As the population ages, it buys more personal services—everything from tax preparation, yard care, shopping, and health care and more—so businesses that cater to these needs should look for ways to increase their offerings.

Tourism ■ As for tourism, the future is bright. There will be many new jobs in services once the new Westin Hotel on Hutchinson Island is open. Several other new hotels and motels also are being built throughout the city and MSA. For example, there are several at the 204/I-95 interchange, several near the entrance to the Georgia Ports Authority on Highway 21, some downtown along with the restored Marshall Hotel and the addition of several new bed-and-breakfast inns, some in midtown, and some on Tybee Island. This growth is likely to be due to the fact that the 75-to-80 percent occupancy rates are much higher than the industry average (60 percent), thus making the area a magnet to hoteliers looking for new opportunities to expand.

Another important point about the future growth in tourism is that visitor-related businesses should prepare for the new types of tourists Savannah will attract. The businessmen and women coming to Savannah for conventions and trade shows will have larger expense accounts than many of the families visiting historic sites. They can be expected to purchase more tickets to the community’s cultural events, like the Savannah Symphony and Savannah Onstage, they can be expected to keep the upscale restaurants busy, and they can be expected to spend more money in downtown specialty stores. The downtown merchants would be wise to identify some of the products and services demanded by business travelers.

Retail Trade ■ After services, the next sector of our economy that expects a healthy increase in employment in 1999 is retail trade, where 600 new jobs are expected. This growth is on top of the record-setting growth that has been experienced for eight straight years. The Selig Center reports that for just the first three quarters of 1998, Savannah’s employment growth in retail trade was up 4 percent compared to 2.4 percent for the state. In 1998, the Savannah MSA had the highest retail trade employment growth percentage of all MSAs in Georgia, and it is expected to grow another 3 to 4 percent in 1999. This increase is particularly noteworthy in light of the fact that inflation is below 2 percent and alternative retail channels—specifically sales through the Internet and mail order catalogs—have been growing

*Jonathan Welsh, “Forest-Product Firms Expected to Post Lower Profits, but Future Looks Brighter,” *TheWall Street Journal*, January 12, 1999, B8.

simultaneously. Perhaps the best explanation for all of this growth is that, outside of the Atlanta MSA, the Savannah MSA has the highest average weekly income, so as long as local residents are willing to spend their money, the retail sector will thrive in 1999.

Construction ■ The future also looks bright for construction. Bureau of Labor Statistics data for November 1998 reveal an increase of 500 jobs in construction and mining since the previous November. This is much higher than anticipated; however, the data for the construction sector over the past ten years is very erratic. Based on the growth rate projected for construction throughout the state, Savannah can expect 100 to 150 new jobs to be added in this sector.

FIRE ■ Compared to the national figures, the finance, insurance, and real estate sector in the Savannah MSA looks very good, but overall, compared to the employment growth expected in Savannah's other economic sectors, an .8 percent increase seems low. Last year, employment growth in this sector was a negative 1.3 percent, as noted in the September report of the Georgia Department of Labor. The Selig Center's 1999 forecast, however, predicts a .8 percent rise, which translates to an increase of about 50 jobs. New technologies have improved productivity and earnings and have reduced the demand for employees in this sector; however, the demographic increases in retirees expected for the Savannah MSA and the rising demand for financial

advisors as baby boomers prepare for their retirement suggests there will be some sectoral growth.

Utilities ■ The other sector that is expected to have a modest growth in employment is the transportation, communications, and public utilities sector. The changes in products and services, as well as in the nature of the competitive market in this sector have been enormous. The Selig Center expects the demand for telecommunications services to surge in 1999, boosting revenues and employment about 3 percent. Employment in public utilities, however, is expected to decline as increased competition encourages efforts to improve economies of scale. Although the deregulation of electric utilities is not expected to have a major impact in 1999, the deregulation of natural gas is expected to reduce employment. On balance, a growth in telecommunications and transportation will offset a decline in utilities, and the employment growth in this sector should account for 150 new jobs in 1999. ■

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