

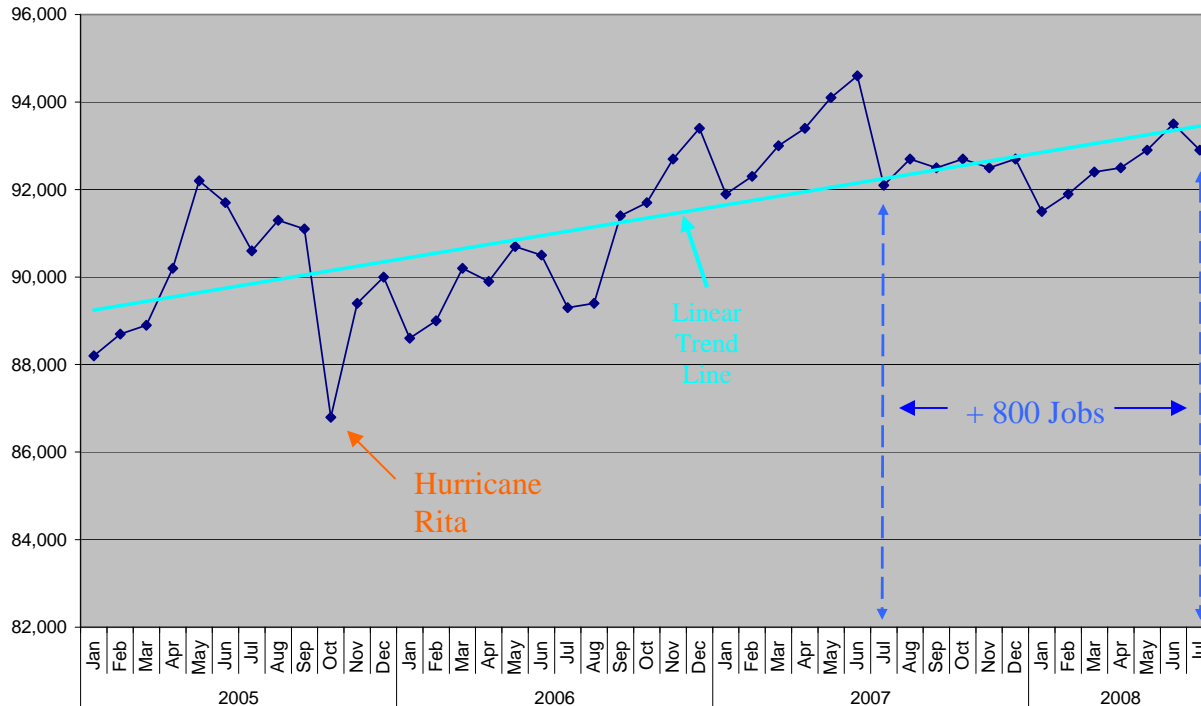
September 23, 2008

<http://www.mcneese.edu/drewecon>

Nonfarm Employment—Lake Charles MSA

Reported nonfarm employment in the Lake Charles Metropolitan Statistical Area (MSA) rose by 800 jobs over the year between July 2008 and the same month in 2007. Also encouraging is the upward sloping monthly employment trend line for the last three and one-half years shown in the chart that follows. On a less positive note, however, the data points on the chart show that nonfarm employment fell by 400 jobs in the most recent month, from June to July of 2008, and it remains well below the peak reached in June of 2007.

Total Nonfarm Employment Lake Charles MSA
(Not Seasonally Adjusted)

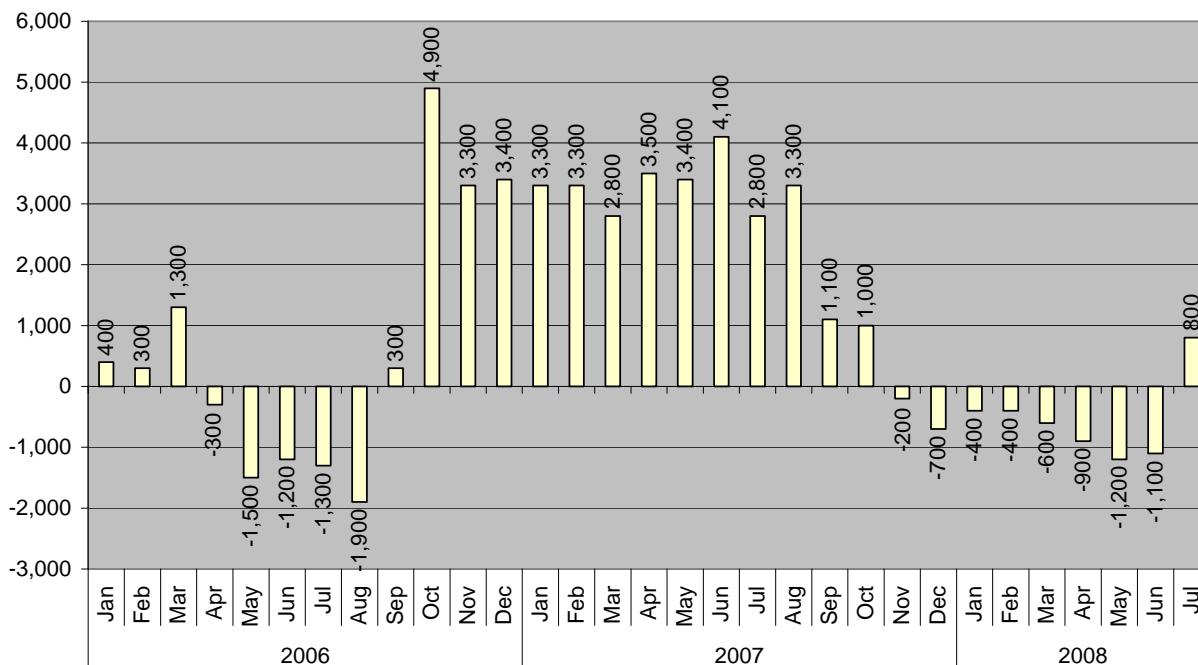


The Lake Charles MSA includes both Calcasieu and Cameron Parishes. Nonfarm employment is estimated from monthly surveys of employers in the two parishes. The data points on the chart show the precipitous impact of Hurricane Rita in October 2005,

the robust rebound that started in the following month and continued through June of 2007, and the subsequent stagnation in the last half of 2007 until January of 2008. Since that time, nonfarm employment has resumed a generally positive (though less steep) trajectory.

The following chart shows the changes in nonfarm employment compared to the same month a year earlier. It illustrates sagging “year-over-year” nonfarm employment growth in eight of the last nine months from November 2007 through June 2008.

**Nonfarm Employment in Calcasieu & Cameron Parishes
Gain or Loss From Same Month in the Previous Year
(Not Seasonally Adjusted)**



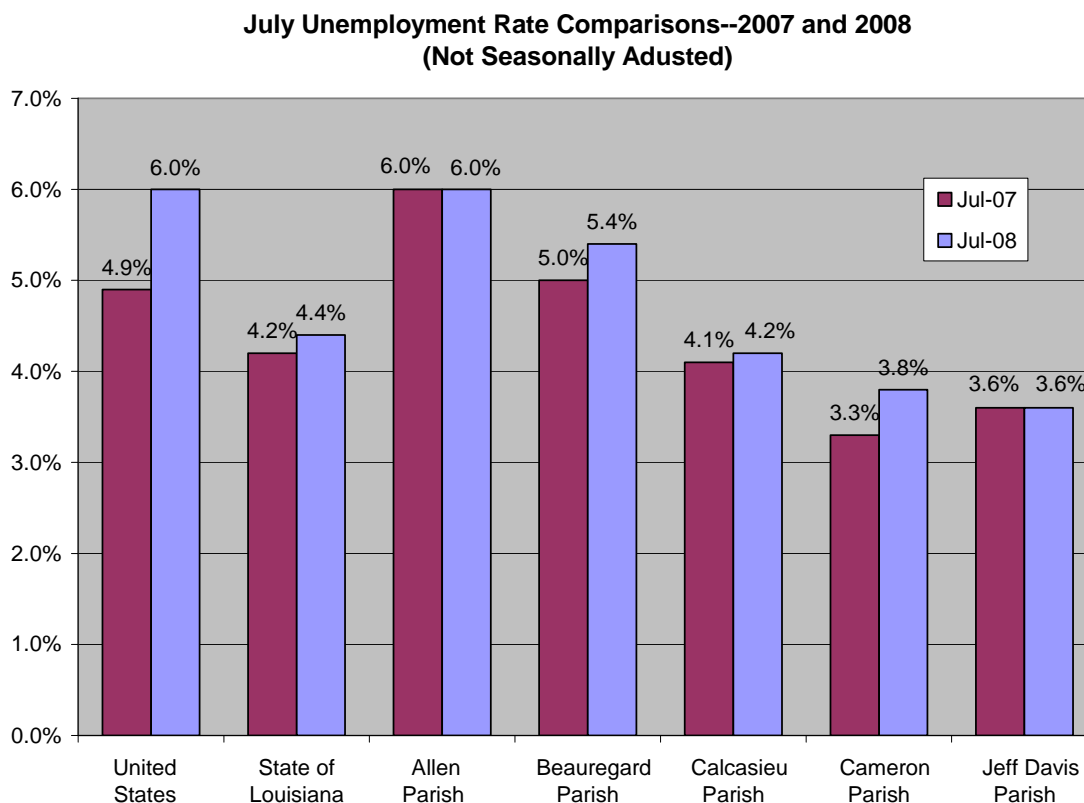
Looking to the future, there are reasons to anticipate expanding nonfarm employment in the Lake Charles MSA. In the short term, efforts to recover from Hurricane Ike have drawn crews of emergency responders to the area to restore electrical power and other services. The September 13th storm also created a demand for debris removal and repairs associated with wind and flooding damages. It should be noted, however, that Southwest Louisiana will be competing with major portions of the Texas Gulf Coast for this same relatively scarce pool of labor.

In the longer term, additional permanent jobs should be coming to the Lake Charles MSA. The Port of Lake Charles recently announced a lease agreement with the Shaw Group and Westinghouse to build a \$100 million manufacturing facility on port-owned land. The facility will produce components for nuclear power plants. It is scheduled to open in mid-2009 and is projected to create over 1,400 jobs in the Lake Charles MSA once the plant reaches full capacity in 2014. These jobs are projected to pay an average salary of \$50,000, including benefits. Other pending projects include the new

Sugar Cane Bay Casino and Hotel project at the L'auberge du Lac complex, a package of development projects funded by voter approved bonds in the city of Lake Charles, a new hotel in downtown Lake Charles, a \$1.6 billion dollar synthetic gas manufacturing plant on Port of Lake Charles property, expansion of the Shearman Fine Arts Center at McNeese State University, and a new terminal building at the Lake Charles Regional Airport.

Five-Parish Area Unemployment Rates

The construction activity noted above will have to take place in a labor market that was already relatively tight before Hurricane Ike—and subsequently is likely to tighten further. Comparative unemployment rates for the United States, the State of Louisiana, and the five-parishes of Southwest Louisiana are shown in the chart that follows.



In July of 2008, the unemployment rate for the State of Louisiana was about 1.6 percentage points below the average unemployment rate for the entire United States. Unemployment rates in Calcasieu, Cameron, and Jeff Davis Parishes were below the national and state averages. Unemployment rates in Allen and Beauregard Parishes were above the state averages.

In August of 2008, the U.S. average unemployment rate rose to 6.1% and the rate for the State of Louisiana rose to 5.0% (not seasonally adjusted). Comparable figures for the five parish area of Southwest Louisiana are not yet available.

Taxable Sales—Calcasieu Parish

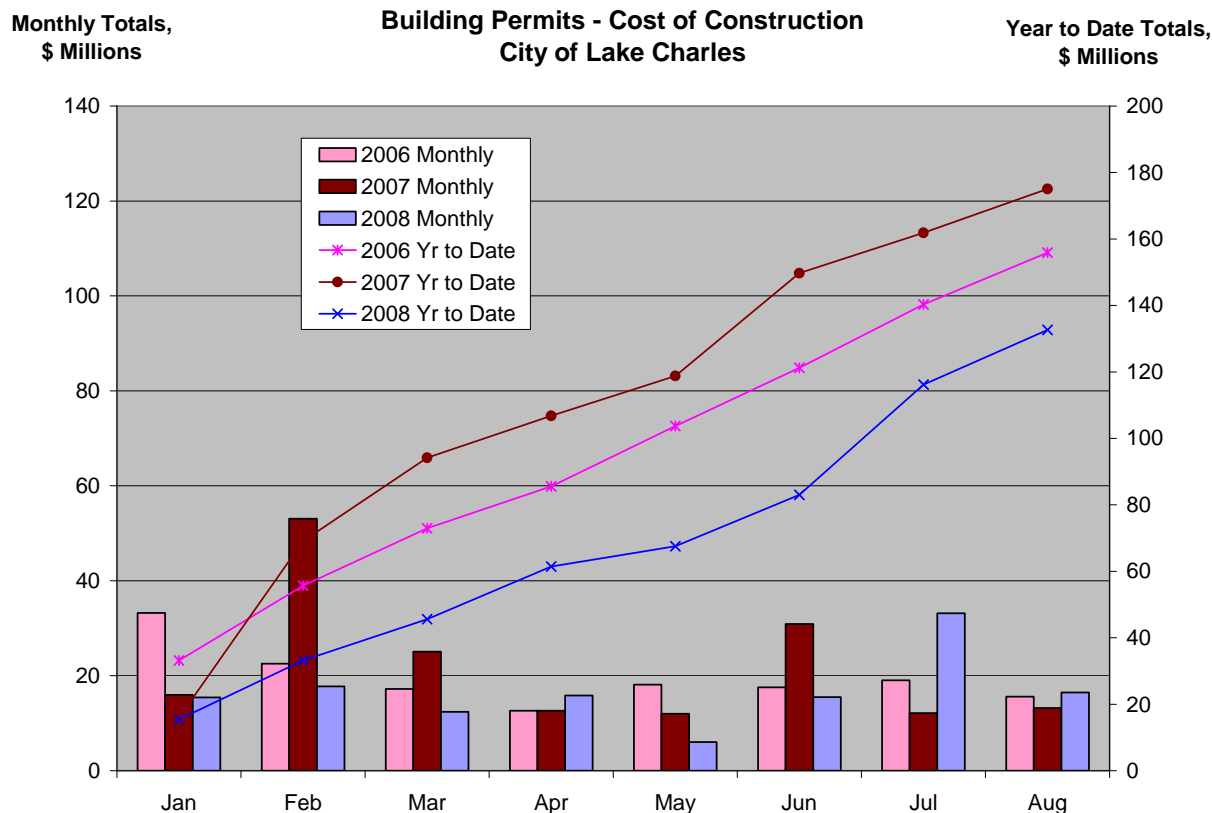
Total taxable sales in Calcasieu Parish from January through July 2008 exceeded \$2.6 billion and outpaced sales in the same period of 2007 by 4.2%. As shown in the chart below, the increase in taxable sales extends across seven out of eleven categories of sales including food, apparel, furniture, building materials, miscellaneous services, manufacturing, and miscellaneous sales. Three categories of taxable sales declined—automotive, utilities, and new and used motor vehicles. General merchandise sales remained roughly the same.



Taxable sales in Calcasieu Parish soared in late 2005 and 2006 in the wake of Hurricane Rita as owners spent money from insurance settlements and other types of assistance to restore their damaged properties. The aftermath of Hurricane Ike is likely to stimulate a smaller increase in spending for a number of reasons. Damages in Calcasieu Parish appear to be less extensive. Also, deductibles on insurance policies have increased—in many cases from fixed amounts to a minimum of two (or more) percent of the insured value of damaged property. This means out-of-pocket repair costs to property owners will be larger and could displace other planned types of discretionary expenditures that can be postponed, reduced, or eliminated. In Cameron Parish, flooding damages from Hurricane Ike appear to be more extensive than those resulting from Hurricane Rita. Once again residents of Cameron Parish face major rebuilding expenses.

Building Permits—City of Lake Charles

The dollar cost of construction in the City of Lake Charles during the first eight months of 2008 (\$132.7 million) lags the amounts registered in the same period in 2006 (\$155.9 million) and 2007 (\$175 million)—see chart below.

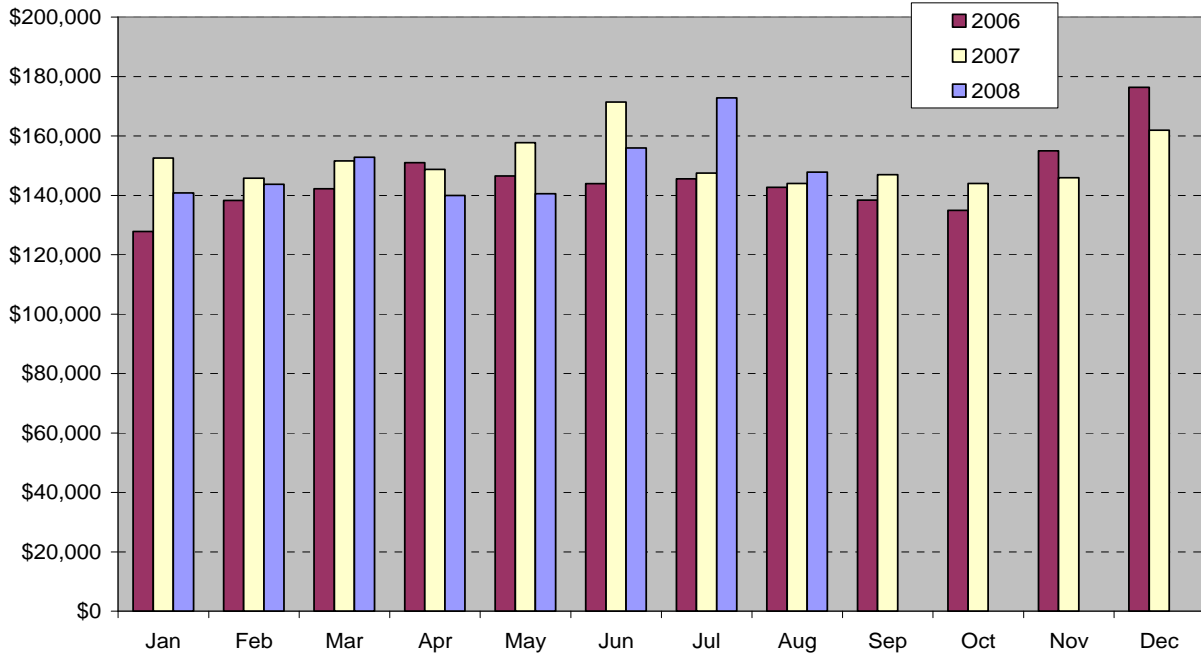


On one hand, reconstruction and repair of damages resulting from Hurricane Ike are likely to lead to an increase in building permits in the coming months. On the other hand, the recent uncertainty and chaos in U.S. financial markets may constrain lending required for new construction activity in the near term.

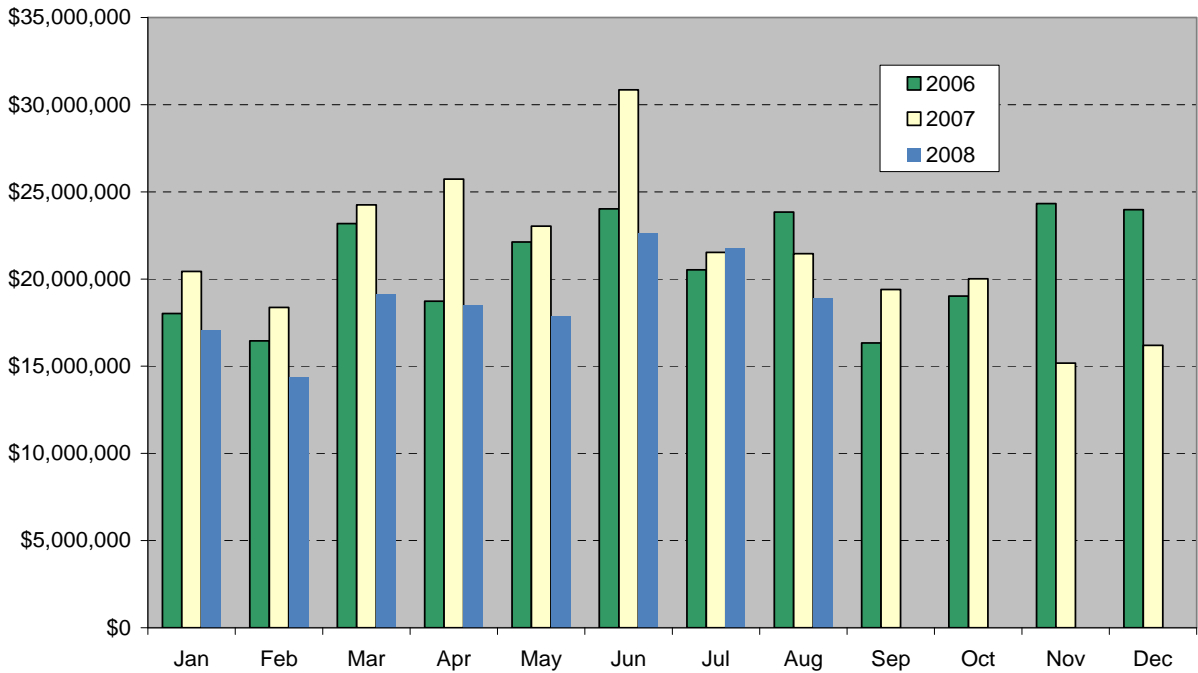
Real Estate Activity

Statistics provided by the Southwest Louisiana Association of Realtors indicate that the average sales price for single family homes in March, July and August of 2008 moved above the average sales price for the same periods in 2006 and 2007—see first chart that follows. The dollar volume of single family home sales in seven out of the first eight months of 2008 was below that of comparable months in the previous year—see second chart that follows. So far, May is the only month of 2008 where the number of single family homes sold was greater than the number sold in 2007

**Average Price for Single Family Homes Sold
Calcasieu Parish**

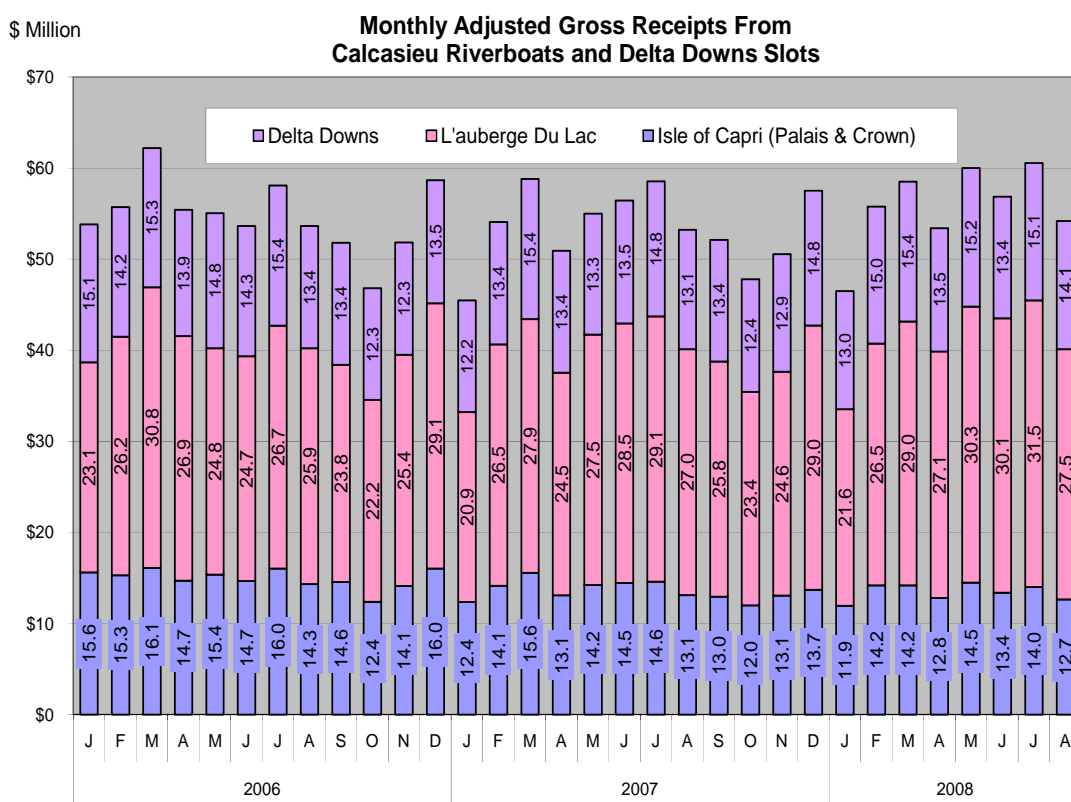


**Dollar Volume of Sales for Single Family Homes
Calcasieu Parish**



Riverboat and Racetrack Casinos in Calcasieu Parish

Adjusted gross receipts from gaming activities at the Isle of Capri and L'auberge du Lac riverboat casinos and from slots at the Delta Downs Racetrack over the last 32 months are shown below. Adjusted gross receipts (AGR) means the difference between dollars taken in and dollars paid out in winnings to patrons.

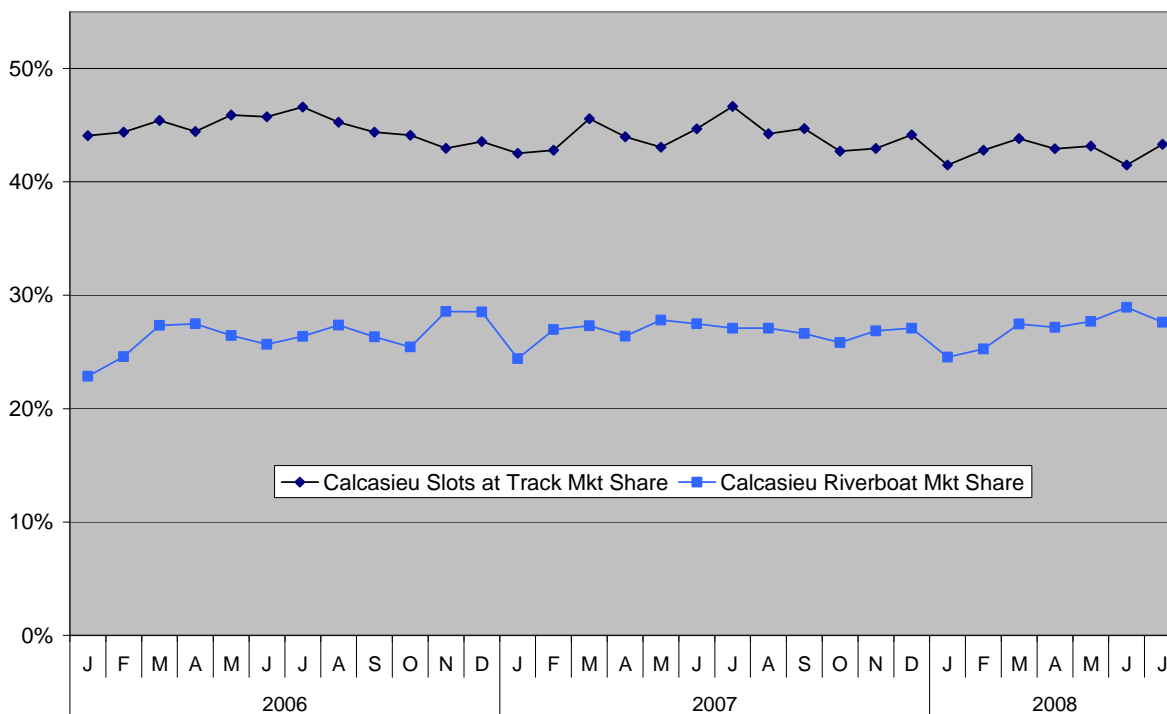


Adjusted gross receipts in August of 2008 were \$27.5 million for the L'auberge facility, \$12.7 million for the two Isle of Capri riverboat casinos combined, and \$14.1 million for the slots at the Delta Downs racetrack. Admissions during August were over 371,800 at L'auberge, over 195,800 at the Isle of Capri, and almost 113,500 at Delta Downs. State fees generated from these activities were over \$5.9 million from L'auberge, over \$2.7 million from the Isle, and over \$2.1 million from slots at Delta Downs. The Delta Downs slots also generated revenue for purse supplements at the racetrack and horse breeders' association contributions amounting to over \$2.5 million in August.

In fiscal year 2008, total state fee remittances were nearly \$70 million from L'auberge, over \$34 million from the Isle, and over \$25 million from the slots at Delta Downs (which also contributed over \$30 million to purse supplements and horse breeders' associations over this period).

Of the 13 riverboat licenses currently in operation throughout the State of Louisiana in fiscal year 2008, L'auberge was the leader in adjusted gross receipts, admissions, and fee remittances. When the AGR from the two Isle of Capri Calcasieu-based licenses are added to the AGR from the L'auberge license, the Calcasieu market share of the statewide total riverboat casino AGR was 26% in August of 2008. The chart that follows shows this share varied between 23% and 29% over the last 32 months.

Calcasieu Market Shares of Statewide Adjusted Gross Receipts From Slots at the Race Tracks and Riverboat Casinos



Of the four racetracks currently licensed throughout the State of Louisiana, Delta Downs is the leader in generating AGR from slots at the racetracks. The chart above shows Delta Downs produced 42% of the total statewide AGR from slots at racetracks in August of 2008 and this Calcasieu-based market share has varied between 41 and 47 percent over the last 32 months. While Delta Downs led the state in AGR as well as taxes generated and support for the horse racing industry, both the Evangeline Downs racetrack and the Harrah's Louisiana Downs racetrack reported higher admissions than Delta Downs in fiscal year 2008.

To date there appears to be no evidence that higher gasoline prices have adversely impacted AGR at the Calcasieu riverboat operations or the slots at Delta Downs. The slight dip in August was most likely the result of a mandatory evacuation imposed on the area over the Labor Day weekend in anticipation of Hurricane Gustav.

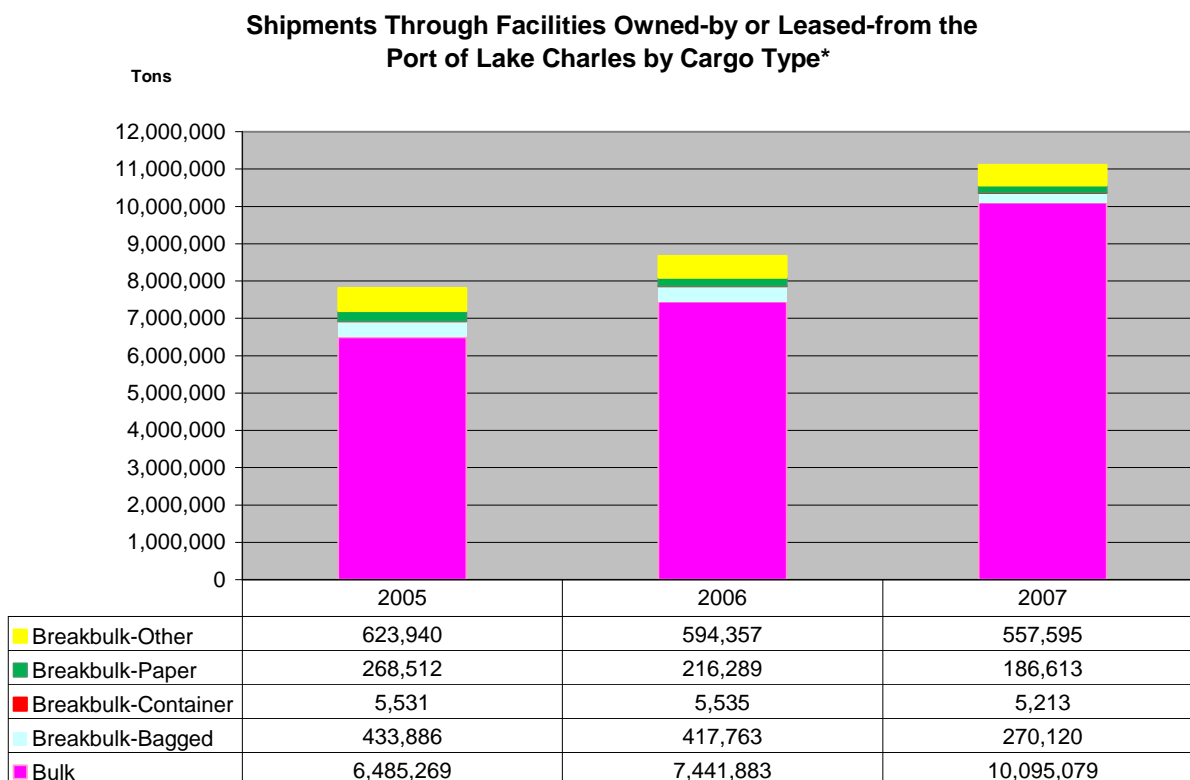
Hurricane Ike also resulted in at least temporary adverse impacts on gaming operations in the parish in September. Many people again evacuated, a curfew was imposed, and

the area experienced power outages and accessibility constraints due to flooding from Hurricane Ike which came ashore near Galveston, Texas.

Perhaps potentially more important, it will be interesting to see if the racetrack and riverboat casinos experience a longer term adverse impact after Hurricane Ike. The Calcasieu-based gaming operations are very dependent on patrons traveling from Texas—particularly the areas between Lake Charles and the Houston metropolitan area which were hardest hit by Hurricane Ike.

Shipments through the Port of Lake Charles

Shipments through facilities owned-by or leased-from the Lake Charles Harbor and Terminal District have grown steadily over the last three years—from about 7.8 million tons in 2005 to over 11.1 million tons in 2007 (see chart that follows). The reported tonnage figures include two major categories of cargo—breakbulk and bulk.



* Does not include shipments through privately-owned facilities.

Tonnage figures in the chart for bulk cargo primarily include coke, limestone, barite, coal, and liquefied natural gas. Bulk cargos are mostly handled at facilities on the west side of the ship channel and along the industrial canal.

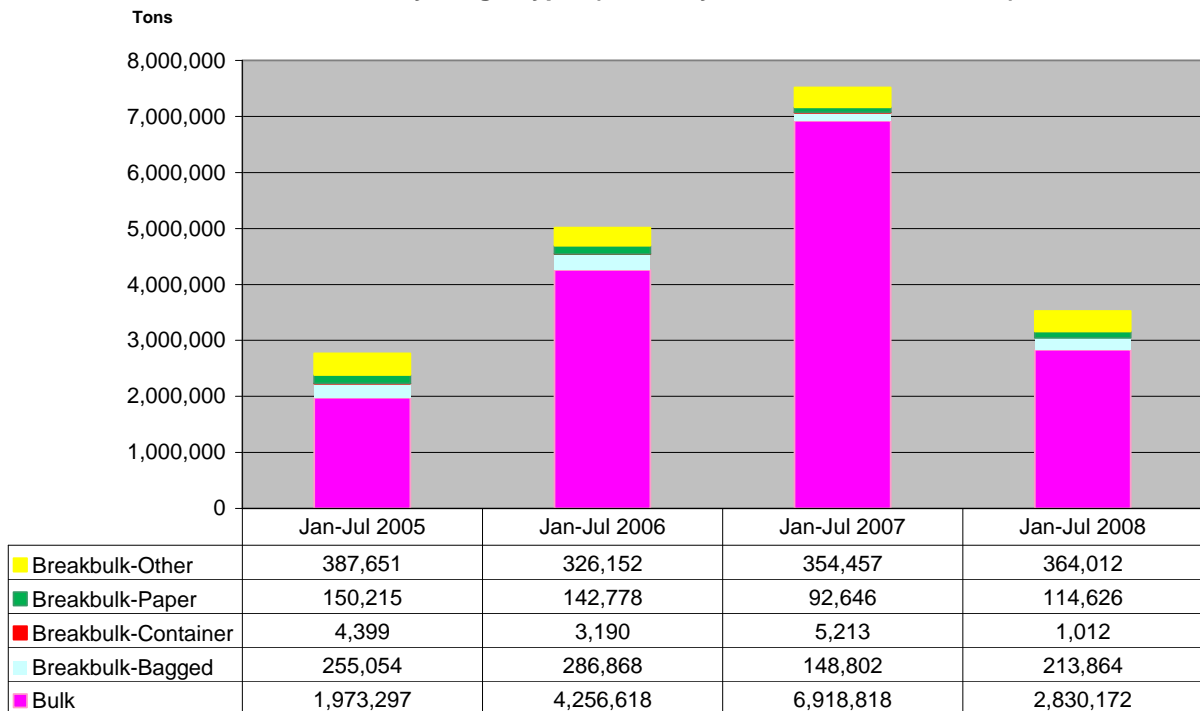
Tonnage figures for four types of breakbulk cargo are also reported—bagged, container, paper products, and other products. Container cargo shipments are currently of no major significance at the Port of Lake Charles. Bagged cargo shipments of most importance include rice, flour, corn soy blend, peas, beans, and lentils. Paper products

include lumber as well as paper and pulp. The catch-all other breakbulk products includes mostly rubber and aluminum. For the most part, these breakbulk cargoes are handled through the “city docks” area that most people associate with the Port of Lake Charles.

It should be noted that the tonnage figures reported above vastly understate the importance of the port facilities in the Lake Charles Harbor and Terminal District. They only include shipments through facilities owned-by or leased-from the District.

The reported figures do not include shipments through privately-owned facilities in the District such as the privately-owned and privately-operated port facilities that are used to import/export crude oil and other products associated with the vast local refining and chemical industries. Tonnage figures for shipments through privately-owned port facilities in the District have not been available since Hurricane Rita hit the area in September of 2005. Prior to Hurricane Rita, tonnage shipped through privately-owned facilities in the District was over ten times greater than tonnage shipped through facilities owned-by or leased-from the District.

Year-to-Date Shipments Through Facilities Owned-by or Leased-from the Port of Lake Charles by Cargo Type* (Jan--July: 2005, 2006, 2007, 2008)



* Does not include shipments through privately-owned facilities.

The chart above shows year-to-date comparisons for January through July of 2005, 2006, 2007, and 2008. Year-to-date shipments through July of the current year appear to be lagging the record shipments achieved in the same periods of 2006 and 2007. The primary reason for the lag in current year-to-date shipments is a decline in bulk shipments through the Trunkline LNG terminal facility privately operated on property

leased-from the Port of Lake Charles. During the first seven months of 2007, Trunkline shipments totaled over 4.3 million tons. During the same period of 2008 there have been no shipments to this facility. Excluding the Trunkline facility, year-to-date shipments through facilities owned-by or leased-from the Port of Lake Charles are actually up by over 11% compared to the first seven months of last year.

As noted above, the Port's active role in helping secure other sources of economic development in recent years has been quite remarkable. The recently announced joint venture between Westinghouse and the Shaw Group will be located on property leased from the Port of Lake Charles. This will be the first manufacturing facility built in the United States to fabricate and assemble modules for constructing components for new and modified nuclear reactors. The facility will also have the capability to manufacture modules for chemical sites and petrochemical plants around the world.

According to Dan Lipman, Westinghouse Sr. Vice President for Nuclear Power Plants, "Westinghouse and the Shaw Group are providing four new plants in China ... and have been identified for no less than 14 plants here in the United States. Other markets are emerging. It is imperative, therefore, that we move decisively to develop the infrastructure to meet the needs of our fast-growing and essential industry".¹

Stephen Moret, Louisiana Department of Economic Development Secretary, noted that "Due to a recent streamlining of the federal permitting process for nuclear reactors, increasing costs for traditional energy sources and likely greenhouse gas legislation at the federal level, the nuclear industry is poised for a renaissance in the United States." This project "begins to position Louisiana as a major player in the nuclear energy sector at an exciting juncture in the industry's development."²

Lake Charles Mayor, Randy Roach, said "This is a major project for our state and our local community. It will not only bring new jobs, it will help diversify and strengthen our local economy."³

The *Southwest Louisiana Economic Indicators* report is distributed electronically through the **H.C. Drew Center for Economic Development Information Services** in the College of Business at McNeese State University in Lake Charles, Louisiana. Visit our webpage for more detailed information depicting recent economic trends in Southwest Louisiana—including Calcasieu, Cameron, Allen, Beauregard, and Jefferson Davis Parishes.

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¹ Louisiana Department of Economic Development, August 28, 2008.

² Ibid.

³ Ibid.