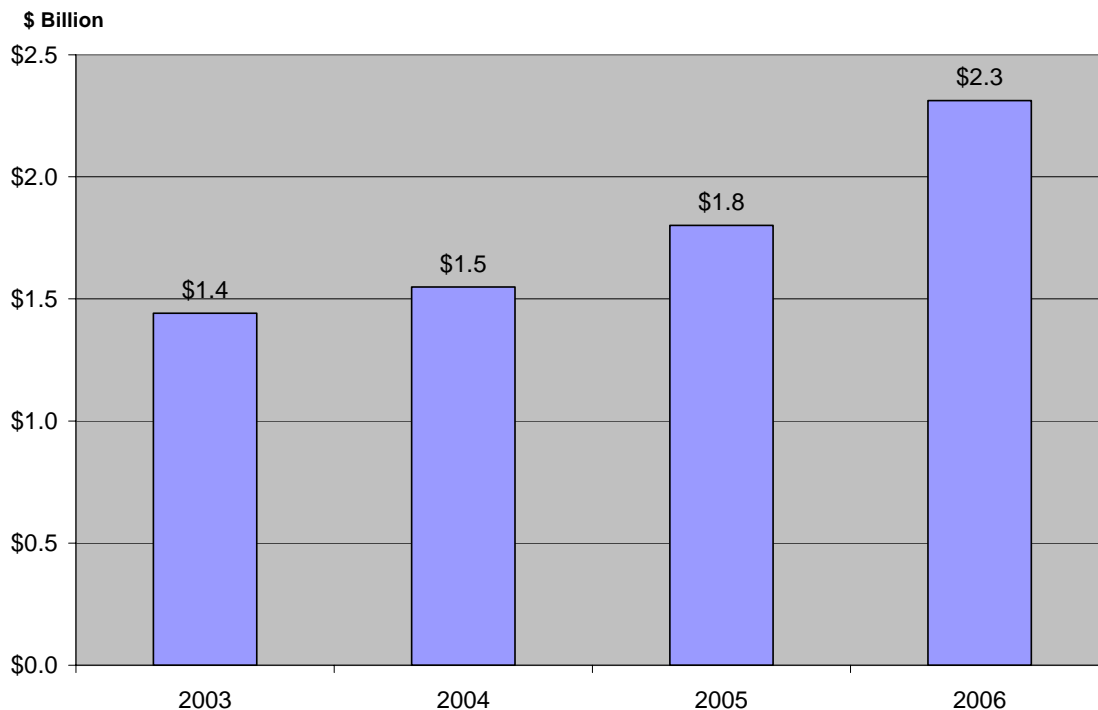


Post-Hurricane Spending Surge in Calcasieu Parish Continues Through the First Half of 2006

The spending surge in Calcasieu Parish triggered by Hurricane Rita continues to push taxable sales in the parish to record levels. The chart below compares total taxable sales for the first six months of 2003, 2004, 2005, and 2006.

Total Taxable Sales in Calcasieu Parish January through June



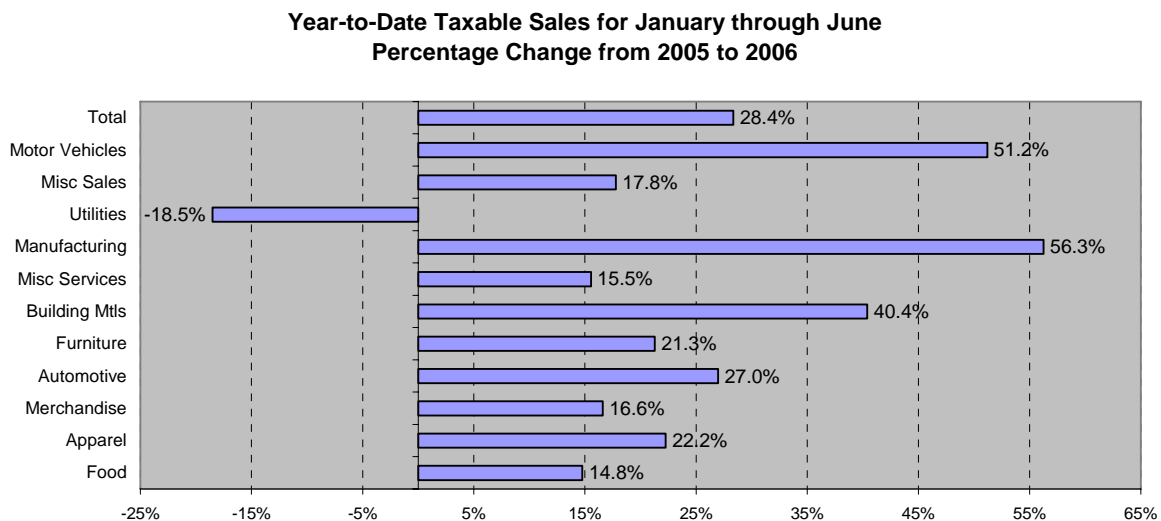
During the first six months of 2006, total taxable sales in Calcasieu Parish exceeded \$2.3 billion—an increase of 28.4% over the same period in 2005. As a comparison base, this period of 2005 was also record setting—up by over 16.3% from the same period in 2004.

The surge in spending has occurred all along the Gulf Coast. To the west in the Beaumont / Port Arthur MSA, also directly impacted by Hurricane Rita, gross retail sales

in the 4th quarter of 2005 were 22.8% higher than in the 4th quarter of 2004 with the largest percentage spending increases occurring in building materials (+99.3%), home furnishings (+67.5%), and automotive (+23.4%). Taxable gross manufacturing sales were up a whopping 312.4% in the Beaumont / Port Arthur MSA.

To the east in Lafayette Parish, during the first five months of 2006 taxable sales grew by 24.7% when compared with the same period in 2005. For the same five month period in Calcasieu the growth rate was 28.5%.

The chart that follows shows the percentage changes in Calcasieu Parish total taxable sales, as well as eleven subcategories of sales, during the first six months of 2006 compared to the same period of 2005. With the exception of utilities, every category of taxable sales registered a double digit increase. The largest increases in spending were in the categories of manufacturing (+56.3%), motor vehicles (+51.2%), and building materials (+40.4%).



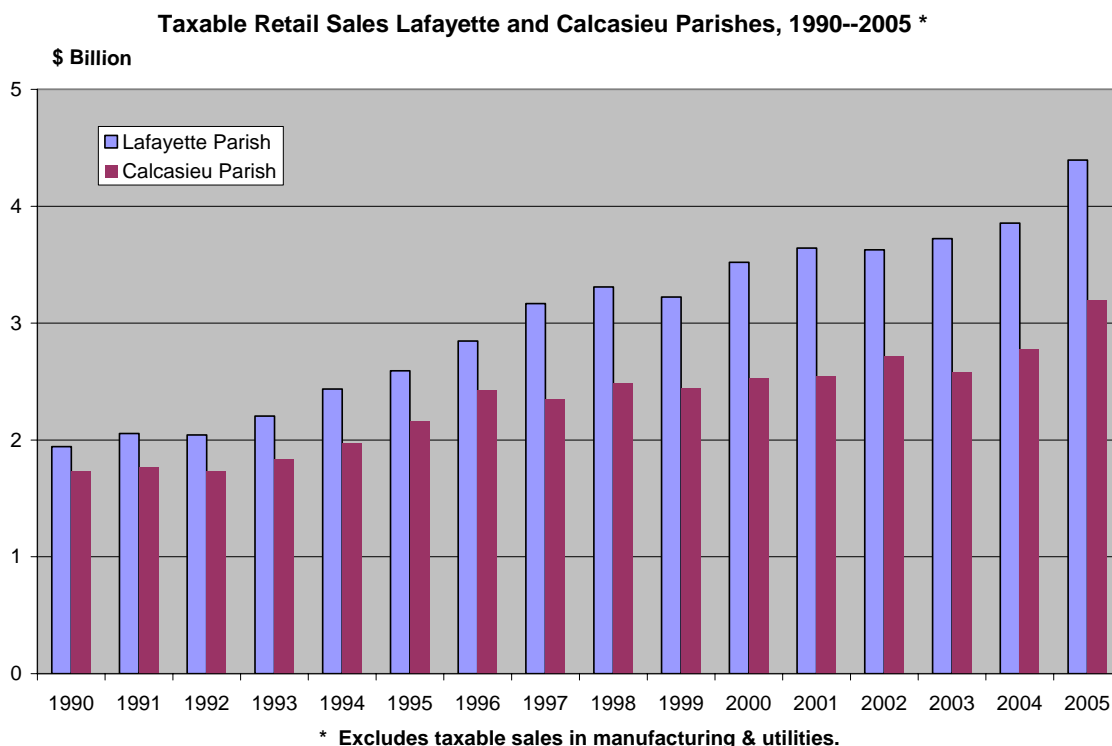
The categories of sales included in the chart above are defined as follows:

- **Food** (+14.8%) — Grocery stores, fruit/vegetable markets, meat/seafood markets, restaurants and cafes, nightclubs, lounges, package liquor stores, egg/poultry dealers, bakeries, etc.
- **Apparel** (+22.2%) — Clothing, millinery, accessory, specialty shops, shoe stores.
- **Merchandise** (+16.6%) — Department, dry goods, variety, drug, feed & seed, hardware, farm implements, general merchandise, pawn shops, etc.
- **Automotive** (+27%) — Automotive dealers, auto parts, accessories, motorcycle, aircraft, marine and mobile home dealers, service stations, repair shops, tire and battery dealers.
- **Furniture** (+21.3%) — New and used furniture, household appliances, store and office equipment, hotel, motel, restaurant and institutional suppliers, medical and dental equipment and suppliers.
- **Building Materials** (+40.4%) — Building and construction contractors, lumber, paint and wallpaper stores, heavy equipment.

- **Miscellaneous Services** (+15.5%) — Hotel, motels, hospitals, rental and leasing of tangible personalty, bowling alleys, laundry, cleaning and alterations, machine shops and fabrications, and gaming industry.
- **Manufacturing** (+56.3%) — Petrochemical refineries, beverage bottlers, sand and gravel quarries, manufacturing not otherwise indicated.
- **Utilities** (-18.5%) — Railroads, pipelines, telephone and telegraph, motor freight lines, bus lines, cable communications.
- **Miscellaneous** (+17.8%) — Book stores, music stores, salvage yards, photographers, tobacco shops, florists/nurseries, funeral homes, itinerant vendors.
- **Motor Vehicles** (+51.2%) — Sales reported by office of motor vehicles of new and used cars and other categories of transportation which require titling and/or registration.

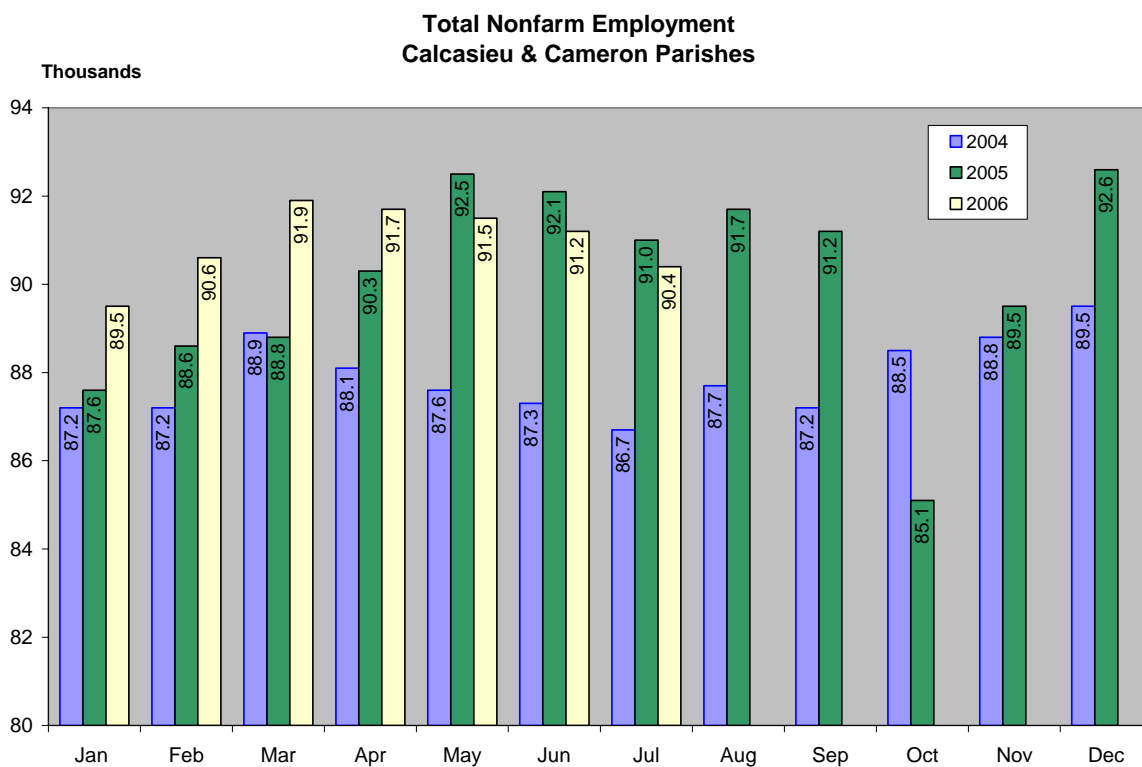
One other category of taxable sales not explicitly shown in the chart above is also surging ahead—gaming. Despite the loss of the two Harrah’s Riverboat Casinos in Lake Charles, taxable gaming sales in Calcasieu Parish during the first six months of 2006 were up by almost 20% from the same period in 2005.

Annual comparisons of retail sales (excluding taxable sales for manufacturing and utilities from the categories reported above) for Lafayette and Calcasieu Parishes from 1990 to 2005 are shown below. Calcasieu sales faltered in 1997, while Lafayette sales continued to grow. Calcasieu sales remained sluggish until 2004 and 2005. If the trends for the first six months of 2006 continue, the gap in sales between Calcasieu and Lafayette Parishes should narrow by the end of the year. In fact, if current trends continue, 2006 will be the first time since 1996 for Calcasieu retail sales to register three successive years of robust growth.



Employment in Calcasieu and Cameron Parishes

The chart that follows shows monthly employment for Calcasieu and Cameron Parishes during 2004 (blue bars), 2005 (green bars), and the first seven months of 2006 (yellow bars). Total nonfarm employment in the two parishes was 90,400 during July of 2006 (most recent data available). This represents a loss of 800 jobs when compared to the previous month, and a loss of 600 jobs when compared with July of 2005.



On the positive side, when compared with July last year, there was a gain of 3,500 jobs in the category of “Natural Resources, Mining, and Construction”. Most of the gains in this category were additional construction jobs created by hurricane recovery spending as well as other construction projects unrelated to the hurricane.

On the negative side, July manufacturing employment was down by 1,400 from a year ago. These losses were most likely attributable to the strike at PPG that began in late May, and the shutdown of Lyondell Chemical in October of 2005.

The other key sector registering significant job losses from the same period last year was “Leisure and Hospitality” where employment was down by 2,700 jobs. In this sector, the job losses were mostly related to the impacts of Hurricane Rita—the destruction and shutdown of the two Harrah’s Riverboat Casinos and Hotel, and the loss of several other restaurants and motels that did not reopen after the hurricane.

Looking to the future, the strike at PPG will be resolved. Construction employment is likely to continue very strong for a number of years—constrained only by shortages of

skilled construction workers all along the hurricane damaged Gulf Coast—and gaming related jobs are likely to expand.

Hurricane recovery construction spending will get an additional boost as Louisiana’s Road Home Housing Assistance Program gets ramped up. The first regional office in the State for administering the program recently opened in Calcasieu Parish, and an office in Cameron Parish will open soon. Eligible homeowners may receive up to \$150,000 to cover un-reimbursed damages. Incentives provided by the GO-Zone Hurricane Recovery program will also stimulate significant construction spending.

Construction spending not related to the hurricane is also likely to remain strong. Three liquefied natural gas (LNG) plants are under construction at a cost of roughly \$1.5 billion, and three other proposed LNG facilities are seeking permits that could lead to \$2.4 billion in construction spending. Construction of a \$1.3 billion cogeneration plant is contemplated by the CITGO refinery.

At least some (if not all) of the jobs lost as a result of Harrah’s shutdown will be recovered if voters approve a proposal to move one of the riverboat licenses to a location adjacent to the L’Auberge du Lac Hotel and Casino facility. Pinnacle Entertainment, owner of L’Auberge, has proposed developing a new \$350 million resort casino facility called Sugarcane Bay. L’Auberge is in the process of expanding its current facilities by 250 rooms—bringing their room total to nearly 1,000. As currently proposed, the Sugarcane Bay facility would create another 400 hotel rooms. Construction would begin in 2007 and be completed in 2009.

Post-Rita Population Estimates

In the wake of Hurricanes Katrina and Rita, a number of wild estimates of the impact on the population of the Southwest Louisiana have been tossed about. According to one early (and highly unlikely) estimate, Calcasieu Parish lost 40,000 people in the aftermath of the hurricanes. A later estimate placed the loss at 4,000 (probably also too pessimistic).

The U.S. Census Bureau in its “2005 American Community Survey Gulf Coast Area Data Profiles” estimated that the population for Calcasieu and Cameron Parishes combined increased from **173,890** in the first eight months of 2005 (before Hurricanes Katrina and Rita hit), to **200,732** in the four month period afterwards—a gain of 26,842. That estimate seems overly optimistic, but it would explain the post-hurricane traffic gridlock that seemed to grip the area.¹

Other interesting post-hurricane trends in the Census Bureau estimates for Calcasieu and Cameron Parishes include:

- A slight increase in the ratio of males to females.

¹ The margin of error for the latter estimate (within a 90% confidence interval) was quite large (+/- 31,839), implying a worst case scenario population loss of less than 5,000.

- A slight increase in younger population age groups and a slight decrease in older population age groups—resulting in a decline in the median age from 38.9 years to 35.3 years.
- A slight decrease in the percentage of the population with less than a high school degree; a slight increase in the percentage of the population with a high school degree, some college, or an associate’s degree; and a slight decrease in the percent of the population with a bachelor’s, graduate, or professional degree.
- An increase in the percent of the population in the labor force—from 60.5% to 64%. To be counted as in the labor force, one must be either employed or unemployed but actively looking for work. The percent of the population that was employed rose from 55.2% to 56.7%, the percent unemployed but looking for work rose from 5.3% to 7.3%. The percent of the population not in the labor force declined from 39.5% to 36%.
- The mean travel time for those commuting to work rose slightly, from 19.5 minutes to 21.1 minutes.
- The percentage of private wage and salary workers rose from 78.9% to 80%, the percentage of government workers fell from 15.9% to 15.4%, and the percentage of self-employed workers and unpaid family workers declined from 5.2% to 4.6%.
- The median household income rose from \$35,525 to \$36,687; the mean household income fell from \$51,994 to \$50,653.
- The percent of households receiving food stamp benefits in the past 12 months increased dramatically, from 14% to 43.7%.
- The median family income fell from \$43,936 to \$43,916; the mean family income fell from \$60,227 to \$58,868.
- Per capita income fell from \$21,784 to \$19,318.
- The percent of families and people whose income in the past 12 months was below the poverty level increased, from 13.4% of all families to 14.2%.
- The number of housing units dropped from 85,645 to 84,133—a loss of 1,523 units.
- The percent of occupied housing units rose from 85.1% to 91%; the percent of vacant housing units fell from 14.9% to 9%.

National and Regional Cost of Living Comparisons

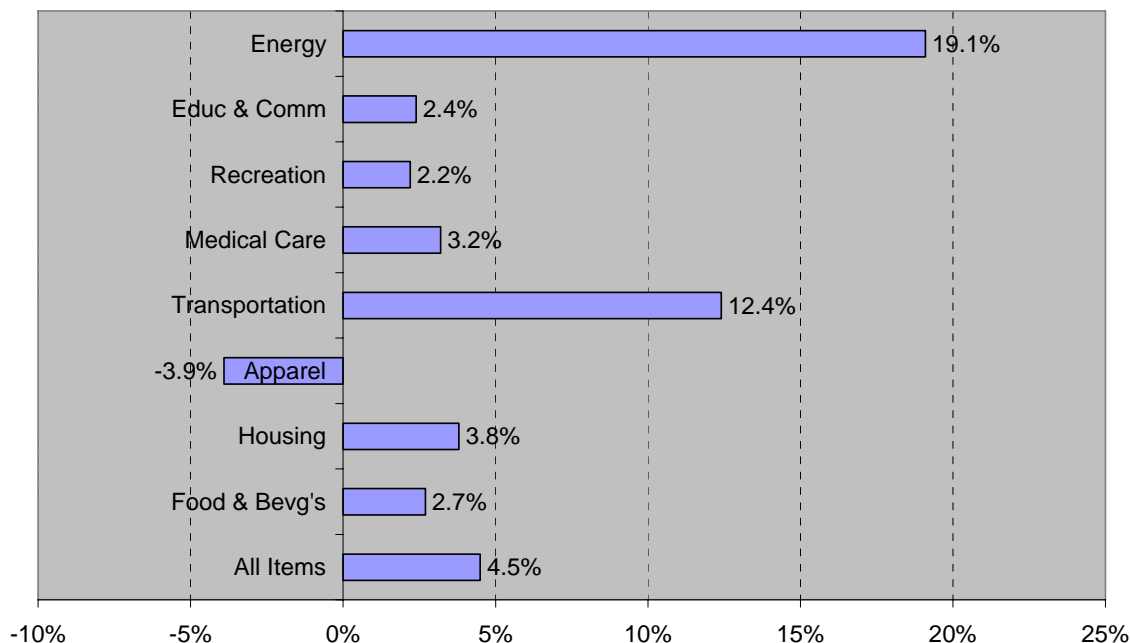
The most commonly accepted measure of cost of living changes is the Consumer Price Index (CPI). The CPI is based on prices of food, clothing shelter, fuels, transportation fares, doctors’ and dentists’ services, drugs, and other goods and services that people buy for day-to-day living.

Prices are collected in 87 urban areas across the country from about 50,000 housing units and approximately 23,000 retail establishments and department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase of the items are included in the index.

In calculating the index, price changes for the various items in each location are averaged together with weights which represent their importance in the spending of the appropriate population group. The chart below shows the seasonally adjusted compound

annual rate of change in the CPI and some of its components for all urban consumers during the three months ending in July 2006.

Compound Annual Rate of Change in Seasonally Adjusted CPI for All Urban Consumers, Three Months Ending July 2006

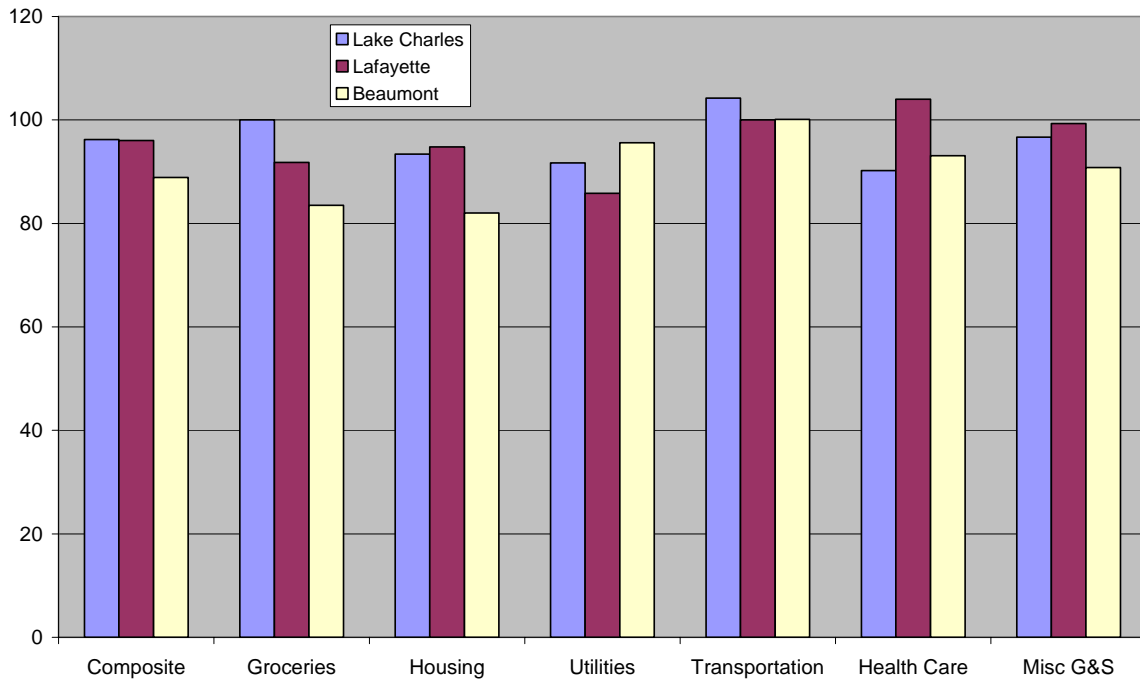


For all items included in the CPI, the rate of increase was 4.5%. Rates of change for selected categories of goods and services included in the overall index are also shown in the chart. Energy prices (up 19.1%) are clearly the single most important contributing factor to increases in the overall CPI. For all items excluding food and energy the rate of increase in the CPI was 3.1%.

How does the cost of living in Southwest Louisiana and Southeast Texas compare with elsewhere in the country? The ACCRA cost of living index allows comparisons between various urban areas at a particular point in time. The average for all cities in the index is 100. An index value above 100 for a particular city indicates a higher than average cost of living; an index value below 100 indicates a lower than average cost of living.

The chart below provides the ACCRA composite index, as well as indexes for groceries items (13%), housing (28%), utilities (10%), transportation (10%), health care (4%), and miscellaneous goods and services (35%). The numbers in parenthesis indicate the weights given to each category of spending in calculating the composite index.

ACCRA Cost of Living Index, Second Quarter 2006
Lake Charles, Lafayette, Beaumont



The ACCRA composite indexes are 96.2 for Lake Charles, 96.0 for Lafayette, and 88.9 for Beaumont / Port Arthur. All are slightly below the average for all 331 urban areas in the survey for the second quarter of 2006. Somewhat surprisingly, despite the impact of the hurricanes, housing costs remain slightly below average in Southwest Louisiana and Southeast Texas.

The *Southwest Louisiana Economic Indicators Reports* are 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.

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

To add or remove your address from our e-mail distribution list, reply to DrewEconDev@McNeese.edu or contact the Center Director and editor, Douglas W. McNeil, at (337) 475-5560. If you received this e-mail from an address other than the one indicated above, you are not currently on our mailing list.