

# SOUTHWEST LOUISIANA ECONOMIC INDICATORS

College of Business  
McNeese State University  
Dr. Brenda Birkett, Dean

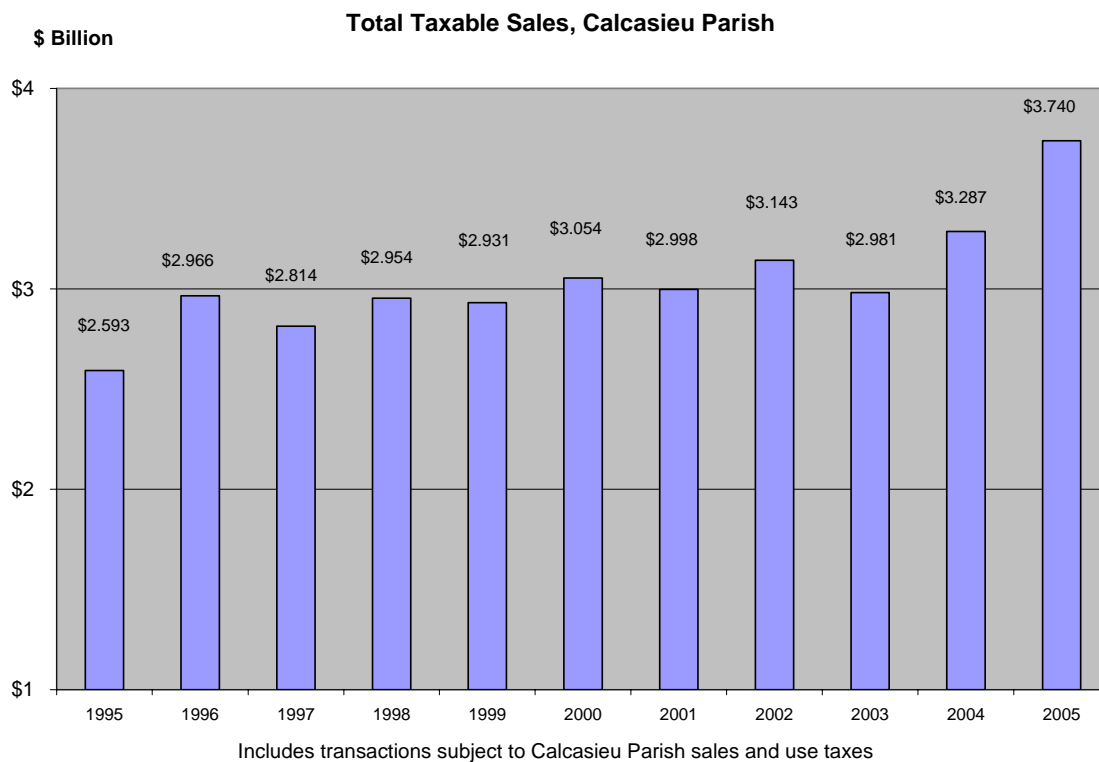
H.C. Drew Center for Economic  
Development Information Services  
Dr. Douglas W. McNeil, Director

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

## Spending in Calcasieu Parish Reaches Record Levels in 2005

Despite the devastation and disruption resulting from hurricane Rita's visit to Southwest Louisiana in late September, spending on taxable sales in Calcasieu Parish during 2005 reached over \$3.7 billion. This translates into a 13.8% gain in spending during 2005 when compared to 2004, and amounts to an increase of \$453 million in spending on taxable sales. Trends in total taxable sales over the last 10 years are shown in the chart that follows.



Prior the impact of Hurricane Rita, year-to-date taxable sales in Calcasieu Parish were running about 16% ahead of the figure for the previous year. Therefore it appears that Rita slowed the growth in taxable sales in the parish by roughly two percentage points.

For comparison purposes, it is interesting to note that taxable sales in Lafayette Parish during the first 11 months of 2005 increased by 12% above sales in the same period

of 2004.<sup>1</sup> As a result of hurricanes Katrina and Rita, Lafayette experienced a large influx of evacuees, but relatively minor business disruptions. In Calcasieu Parish where business shutdowns due to hurricane Rita were much more widespread and lengthy, the increase in taxable sales over the same 11 month period was also 12%.

After Rita struck Calcasieu Parish, business activity almost ground to a halt during the last week of September and the first week of October. As the recovery gained strength, fueled in part by insurance reimbursements for damages and FEMA spending, sales during the last two months of 2005 were particularly strong. November 2005 taxable sales were 34.6% higher than in the same month of 2004. December 2005 taxable sales were 27.5% above sales for the same month in 2004. This is testament to the resiliency of the Lake Charles economy and a tribute to those who are providing leadership to facilitate the recovery.

The surge of recovery spending has inevitably generated shortages and upward pressure on wages and prices in some sectors of the local economy—particularly those that provide goods and services vital to the recovery effort. Immediate rebuilding has been constrained by material and labor shortages. Higher prices and wages will draw additional building materials, labor, and reconstruction services into the region. Supply will eventually catch up to demand, and the rate of increase in wages and prices will eventually moderate as shortages ease. But the time required for these adjustments will clearly be lengthened by the fact that large portions of the nearby Gulf Coast are faced with similar problems due to the impacts of hurricanes Katrina and Rita, and more distant parts of the Gulf Coast region are dealing with lingering effects of hurricanes Wilma and Dennis.

As noted in an earlier Economic Indicator report, the rebound in taxable sales is welcome news for Calcasieu Parish governmental entities funded by sales and use tax revenue. Growth in the sales tax base is important since the property tax base in the parish was damaged by the hurricane. As the parish rebuilds, the property tax base will also rebound, but it may be diminished in the short term when recovery expenses are the greatest. Revenues from a growing tax base will help parish governmental entities restore depleted contingency reserves and pay for recovery costs.

### **Spending Rebound is Broad-Based**

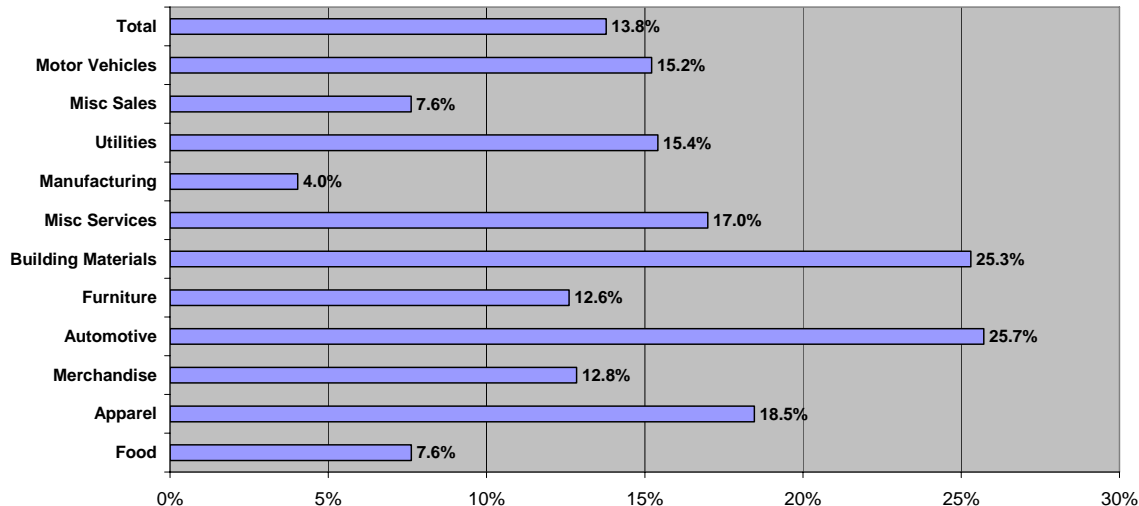
Some local businesses are not yet on the path to recovery from the hurricane. Fortunately the scope of the spending rebound in Calcasieu Parish is very broad-based. That should be encouraging to businesses that are still struggling, and to those evaluating the advisability of making business recovery loans.

The chart that follows shows that for every reported category of taxable sales in Calcasieu Parish, the annual percentage increase from 2004 exceeds the nation-wide 2005 inflation rate of 3.4%. In most categories, the percentage gain in sales is several multiples greater than the rate of inflation. The growth of spending in the parish appears to be strong and broad-based enough to provide opportunities for most types of businesses.

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<sup>1</sup> Leslie Turk, "The Turk File", Independent Weekly (Lafayette, LA) January 25, 2006, p. 17.

Year-to-Date Taxable Sales for January through December in Calcasieu Parish  
Percent Change from 2004 to 2005



The chart above shows the percent increase in each category of taxable sales when 2005 is compared with 2004. Not surprisingly, in absolute dollar terms, the largest increase in spending occurred in the category of building materials (\$105.7 million = 25.3%). This was followed by increases in spending for general merchandise (\$93.2 million = 12.8%), miscellaneous services and gaming (\$60.2 million = 17%), new and used motor vehicles (\$48 million = 15.2%), automotive sales (\$41.7 million = 25.7%), food sales (\$33.7 million = 7.6%), furniture sales (\$24.7 million = 12.6%), manufacturing sales (\$18.6 million = 4%), apparel sales (\$12.1 million = 18.5%), utilities (\$7.9 million = 15.4%), and miscellaneous sales (\$7.4 million = 7.6%).

Monthly and annual spending in each of these categories can be tracked in more detail on the Drew Center webpage: [www.mcneese.edu/drewecon](http://www.mcneese.edu/drewecon). Keep in mind that reporting anomalies associated with the hurricane understated sales reported for August and overstated sales reported for September.

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>

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