

SOUTHWEST LOUISIANA ECONOMIC INDICATORS

H.C. Drew Center for Economic Development
College of Business Administration
McNeese State University
Lake Charles, Louisiana

Excellence with a Personal Touch
Member of University of Louisiana System

September 28, 2009

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

Year-to-date Economic Review

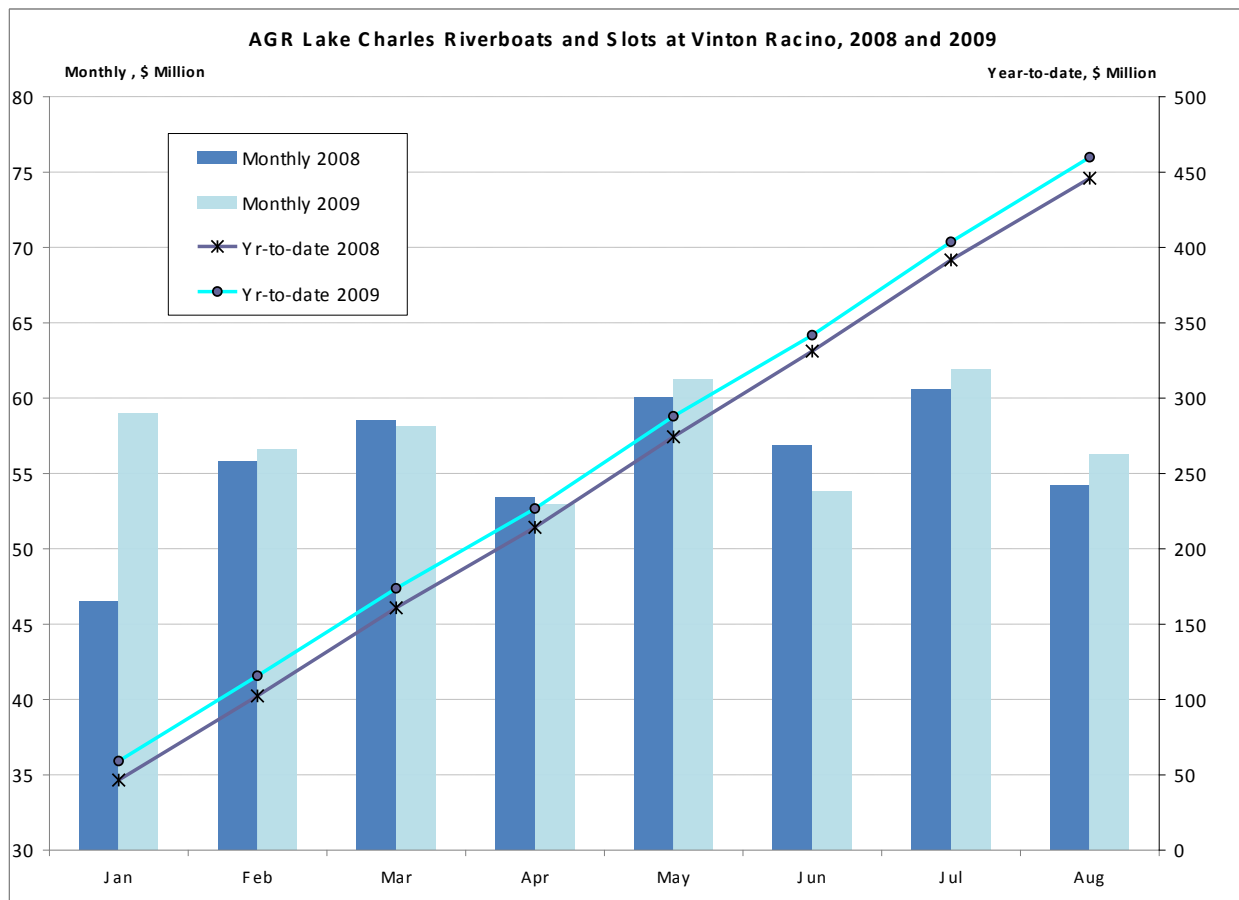
Arguably the best news for Southwest Louisiana (and indeed for the state as a whole) is that there have been no hurricane threats to the Gulf Coast to date. As recent years have demonstrated, even the threat of a hurricane strike can result in enormous additional private and public sector costs for preparations to minimize potential storm damages or injuries, and for evacuations that involve business and work disruptions as well as significant extra travel, food and lodging expenses.

Also good news is that rebuilding from storms in recent years has left this region of the state with much better infrastructure to weather future storms. Highway systems have been improved with greater capacity and better connectivity. Many public and private buildings have been fortified and equipped with generators. Communications capabilities have been improved. Emergency services have been expanded.

Significant regional economic developments since our last ***Southwest Louisiana Economic Indicator*** report are as follows.

- The new \$28 million Lake Charles Regional Airport passenger terminal building opened in late August—replacing the previous terminal building that could not be used after Hurricane Rita struck in the fall of 2005. Earlier in the summer, a second major air carrier (American) with daily connecting flights to its Dallas-Fort Worth hub entered the Lake Charles market, joining Continental which continues to provide daily connecting flights to its hub in Houston.
- Additional leisure and hospitality sector infrastructure now includes the \$9.6 million National Golf Club of Louisiana located in the City of Westlake—also opened in late August. Future economic impact from this project is anticipated to involve development of residential real estate around the golf course.
- Fall semester enrollment increased at both McNeese State University and Sowela Technical Community College. Enrollment at McNeese reached 8,645 students, up by 4.2% from the fall of 2008. Enrollment at Sowela reached 2,135 students, up by 17.4%. Both institutions contribute significantly to regional workforce development and have an enormous direct and indirect impact on income, employment and spending in the regional economy.

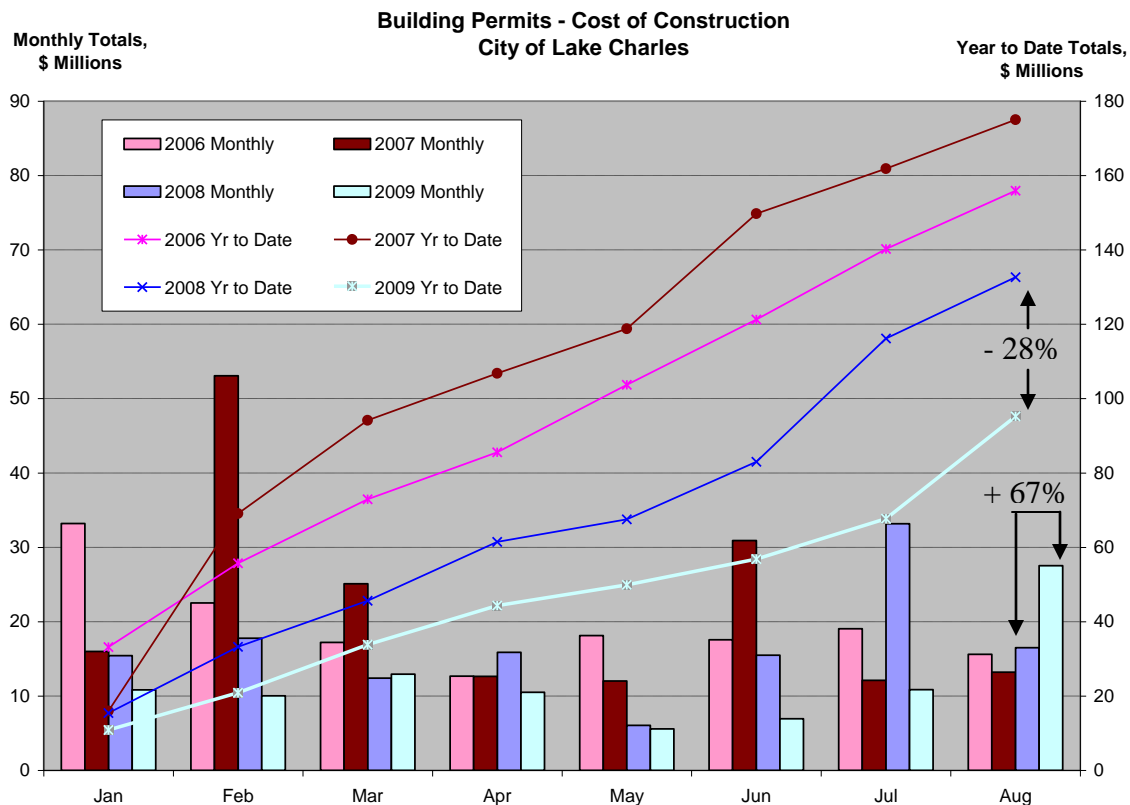
- Gaming activity measured by “adjusted gross receipts” generated by the L’Auberge and Isle of Capri riverboat casinos on Lake Charles and the slot machines at the Delta Downs racetrack casino near Vinton continues to increase. Adjusted gross receipts (AGR) measure the difference between “dollars paid-in, and dollars paid-out”. In August the AGR from these important segments of the local gaming industry was about \$56 million—up \$2.1 million (about 4%) from the same month in 2008. Year-to-date AGR through the first eight months of 2009 totaled nearly \$460 million--about 3% higher than in the same period of 2008 (see chart below). It should be noted that only a portion of AGR is injected into the regional economy in the form of wages and salaries to employees and other local spending.



- The most recent information available indicates spending at or by gaming establishments (which was subject to Calcasieu Parish sales and use taxes) was nearly \$7.9 million in July—up by about 10% from the same month last year.
- Employment in the leisure and hospitality sector of the Lake Charles economy has not yet returned to levels reached before Hurricane Rita. The most recent data indicate there were 11,200 leisure and hospitality jobs in Calcasieu and Cameron Parishes in July 2009--down by about 600 jobs from July of 2008, and well below the 14,200 job peak reached in July 2005 when Harrah’s Riverboat Casino and Hotel

were in operation. Once the proposed Sugar Cane Bay expansion at L'Auberge comes to fruition, employment in the leisure and hospitality sector should expand.

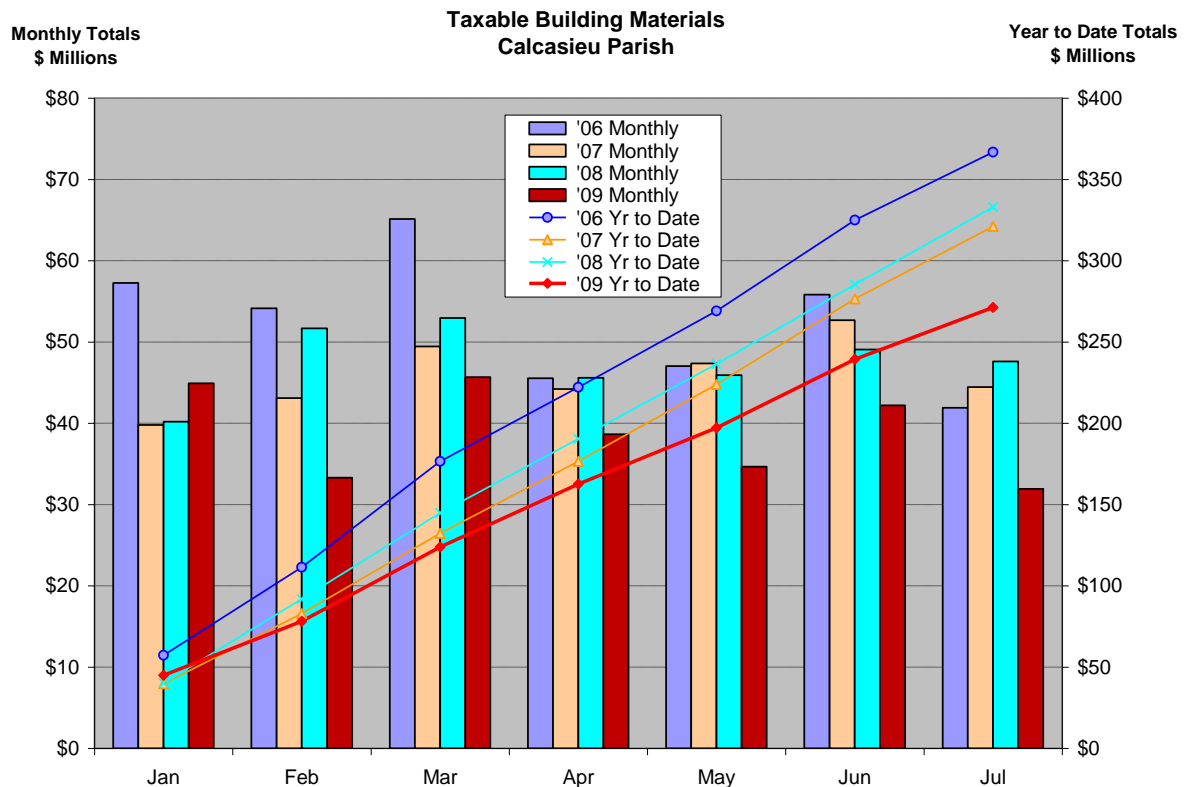
- As noted in recent local newspaper headlines and TV news stories, building permits issued by the City of Lake Charles surged in August. The dollar value of building permits issued in the City of Lake Charles increased from about \$10.7 million in July to about \$27.5 million in August—the spectacular 154% increase reported on a **Business Week** web page and in local news accounts. Same month comparisons in the chart below also show an \$11 million (67%) increase compared to the August 2008 figure. However, the year-to-date totals for the first eight months of 2009 remain about \$37.4 million (28%) lower than in the dollar cost of construction permits issued in the same period of 2008.



While it might be hoped that the August surge in building permits represents the beginning of a new trend, two related items with respect to construction activities continue to be sobering.

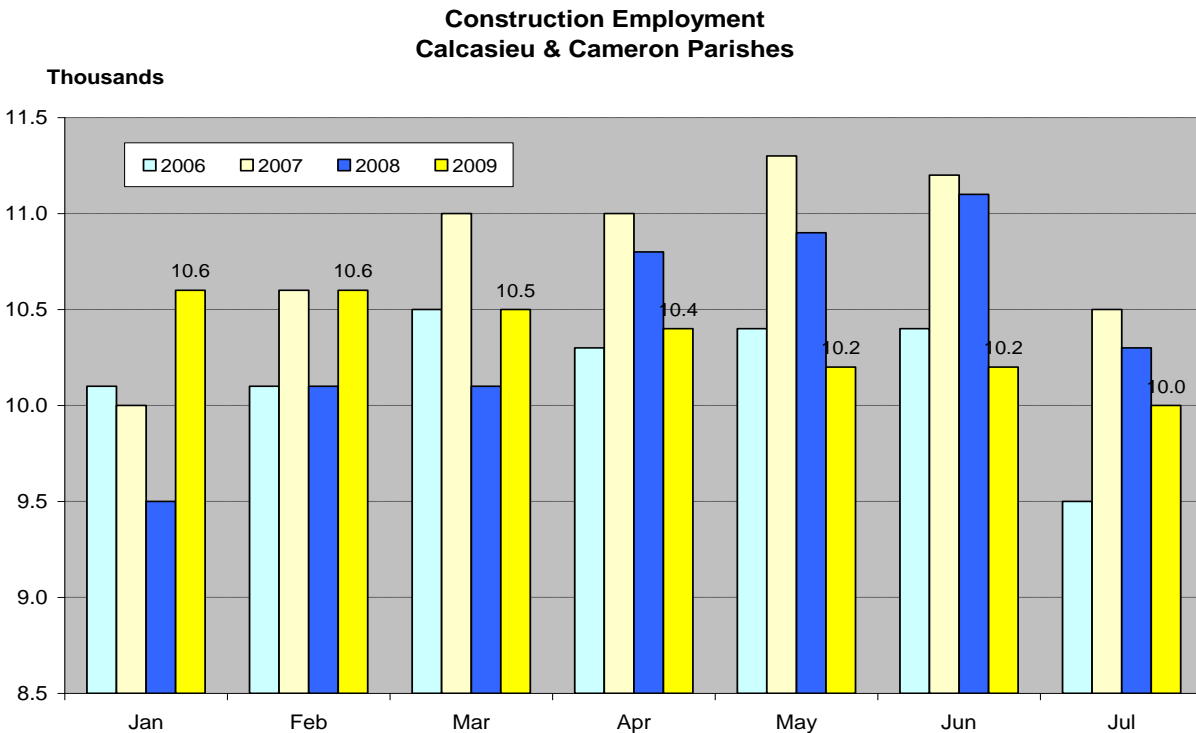
- Spending on building materials subject to Calcasieu Parish sales and use taxes totaled about \$31.9 million in July 2009—down by about 33% from taxable spending on building materials in July 2008.

The chart below provides same month comparisons of taxable spending on building materials during the first seven months of 2006, 2007, 2008, and 2009. Compared to the same month last year, 2009 taxable monthly spending on building materials lagged in six of the first seven months. Over the January through July period of 2009, building materials spending totaled about \$271 million, down by about 18.5% from \$333 million during the same period of 2008. Check our web page for August spending information as soon as it becomes available.



- Consistent with lagging year-to-date statistics on the dollar cost of building permits issued and taxable spending on building materials, construction employment in Calcasieu and Cameron Parishes began lagging in April, May, June, and July—see chart on the following page. In July there were 10,000 construction jobs in the Lakes Charles MSA—down 200 from the previous month, and down 300 jobs from the same month in 2008.

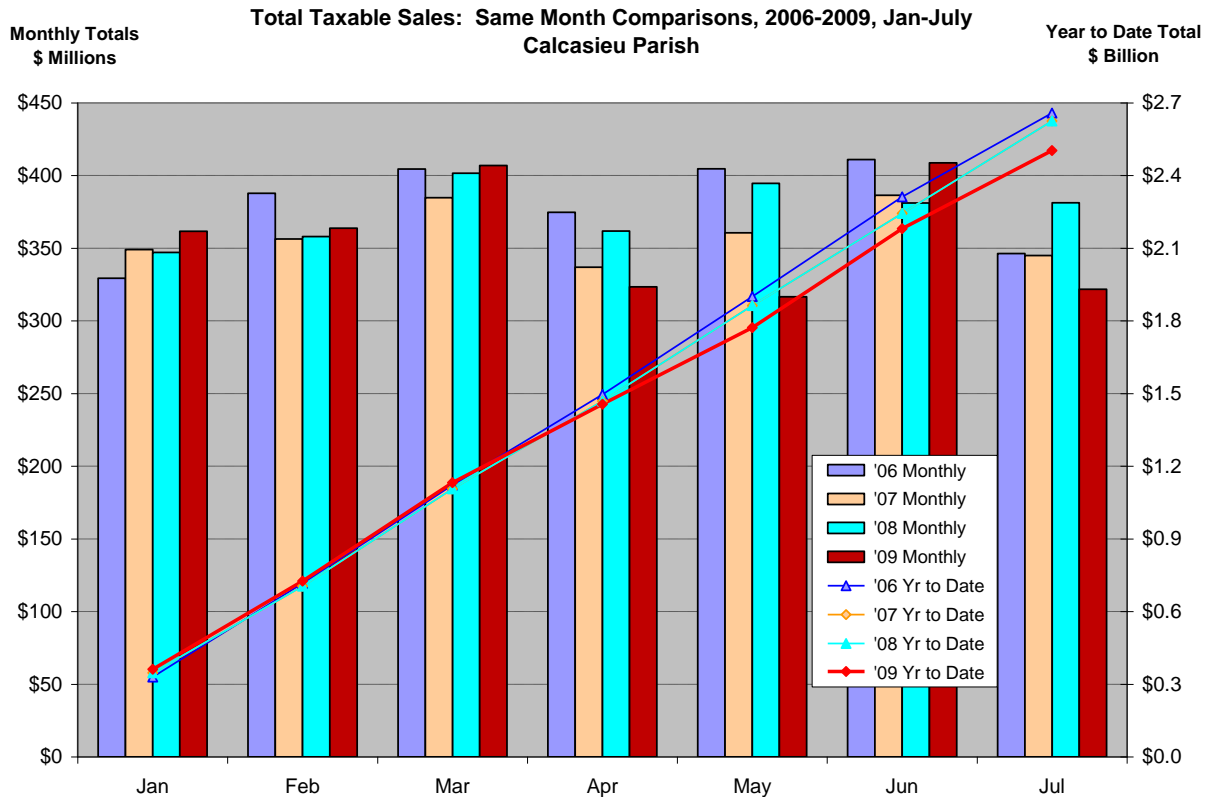
As the chart on the next page indicates, construction employment during the first three months of the year was higher than in the same months of 2008. Less favorable comparisons during the most recent four months period are primarily the result of a spurt in construction employment in April, May and June of 2008 and a gradual decline in 2009 construction jobs through July.



- The full range of July employment statistics available for the Lake Charles MSA are shown in our ***Economic Snapshot*** report dated August 27—also downloadable from our web page. In brief--total nonfarm employment of 92,700 in July was down by 500 from the same month last year, with decreased employment in every reported category except government. Check our web page for preliminary August employment estimates (and revised July figures) as soon as they become available.
- Evidence of comparative recent weakness in taxable spending in Calcasieu Parish is briefly summarized below and illustrated in the chart on the page that follows.

During the first three months of the year, taxable spending outpaced same month totals for the previous year. First quarter spending was up by a modest 2.3% from the same period in 2008—see May 18 ***Economic Snapshot*** report.

Since the first quarter, taxable spending traveled a less favorable path. Compared to the same month a year ago, April spending was down by 10.6%, May spending was down by 19.8%, June spending was up by 7.3%, and July spending was down by 15.6%. Note the monthly time-trend in the chart. Spending faltered dramatically in April, May was essential flat, June spending rebounded sharply, and then July spending fell back to the April/May levels. Through the month of July, year-to-date total taxable spending was down by 4.7%—to \$2.503 billion from \$2.625 billion in 2008.



Weakness in year-to-date spending through July extended across nearly all reported categories. Compared to the same seven month period a year ago, year-to-date rates of decline were 23.3% for motor vehicles, 18.5% for building materials, 14.8% for miscellaneous services, 13.2% for miscellaneous sales, 10.5% manufacturing, 8.5% for furniture, 5.1% for automotive, 2.8% for apparel, and 0.4% for merchandise. Only two categories of taxable spending register year-to-date increases compared to the January through July period of 2008—food (+15.5%) and utilities (+146.6%).

Unfortunately the large percentage change for utilities is not of great significance—this category fluctuates wildly and historically counts for about 3% of local taxable spending. As noted in the category definitions shown below, the “food” category includes spending at grocery stores as well as restaurants. Apparently anxious times what the appetite? No doubt the dismal comparative figures for motor vehicle sales will improve substantially when the impact of the “cash for clunkers” program begins to appear in the August data.

Descriptions of the categories of sales for which percentage changes are reported above are as follows:

- **Food**—Grocery stores, fruit/vegetable markets, meat/seafood markets, restaurants and cafes, nightclubs, lounges, package liquor stores, egg/poultry dealers, bakeries, etc.
- **Apparel**—Clothing, millinery, accessory, specialty shops, shoe stores.
- **Merchandise**—Department, dry goods, variety, drug, feed & seed, hardware, farm implements, general merchandise, pawn shops, etc.

- **Automotive**—Automotive dealers, auto parts, accessories, motorcycle, aircraft, marine and mobile home dealers, service stations, repair shops, tire and battery dealers.
- **Furniture**—New and used furniture, household appliances, store and office equipment, hotel, motel, restaurant and institutional suppliers, medical and dental equipment and suppliers.
- **Building Materials**—Building and construction contractors, lumber, paint and wallpaper stores, heavy equipment.
- **Miscellaneous Services**—Hotel, motels, hospitals, rental and leasing of tangible personalty, bowling alleys, laundry, cleaning and alterations, machine shops and fabrications, and gaming industry.
- **Manufacturing**—Petrochemical refineries, beverage bottlers, sand and gravel quarries, manufacturing not otherwise indicated.
- **Utilities**—Railroads, pipelines, telephone and telegraph, motor freight lines, bus lines, cable communications.
- **Miscellaneous**—Book stores, music stores, salvage yards, photographers, tobacco shops, florists/nurseries, funeral homes, itinerant vendors.
- **Motor Vehicles**—Sales reported by office of motor vehicles of new and used cars and other categories of transportation which require titling and/or registration.

Monthly as well as annual taxable spending in each of these categories can be tracked in more detail on our web page: www.mcneese.edu/drewecon.

A Look Forward

Dr. Loren Scott will be presenting his annual "Louisiana Outlook Report" at 5 PM on October 7 at the Lake Charles Country Club. The event is hosted by Business First Bank and the Southwest Louisiana Economic Development Alliance. RSVP by contacting Lynette Clark at 337-433-3632.

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, Lake Charles, Louisiana.

Visit our webpage: <http://www.mcneese.edu/drewecon>

- To view recent Southwest Louisiana Economic Indicator Reports
- To view recent Southwest Louisiana Economic Snapshot Reports
- To view graphic representations from our data base, continuously updated as more current information becomes available. Our data base focuses on recent economic trends in the five-parish area known as Southwest Louisiana including Calcasieu, Cameron, Allen, Beauregard and Jefferson Davis Parishes, as well as the Lake Charles, Louisiana Metropolitan area.

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Financial Support for the H.C. Drew Center for Economic Development is provided by the H.C. Drew Endowment for Economic Development and the McNeese State University College of Business—Dr. Mitchell Adrian, Dean.