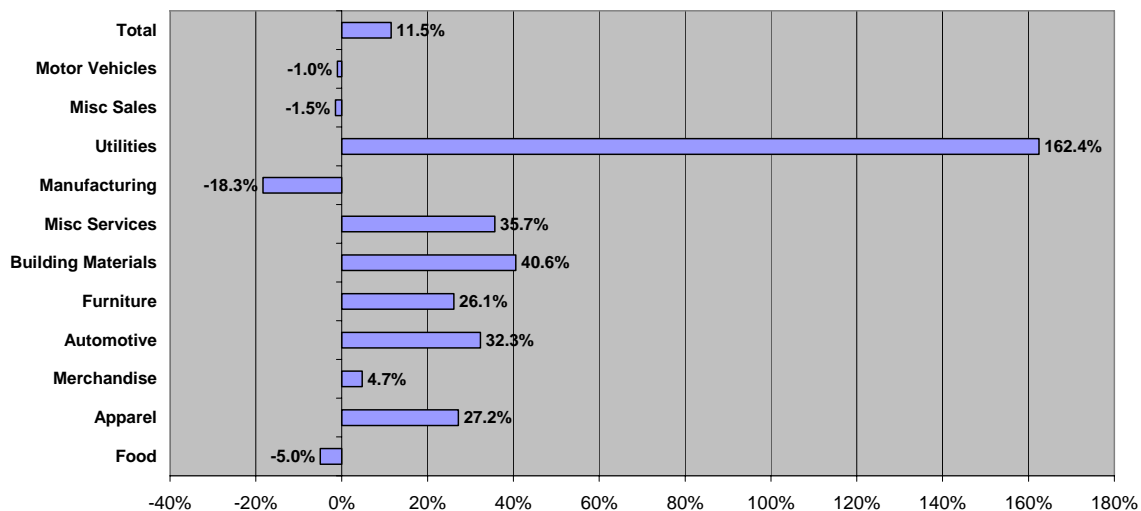


More Evidence of Post-Hurricane Rebound in Calcasieu Parish Spending

There is more evidence of an early spending rebound in Calcasieu Parish after Hurricane Rita. Data for October 2005 sales in the Parish, shown on the chart below, indicate total spending on taxable sales increased by 11.5 percent (over \$30 million) when compared to the same month in 2004. This is welcome news since many businesses in the Parish were still shut down during the first week of October (or longer) due to disruptions resulting from the hurricane. The rebound in October makes up over half of the drop in taxable sales for the August/September period, which was \$57 million below spending in the same period in 2004.

Taxable Sales for October in Calcasieu Parish
Percent Change from 2004 to 2005

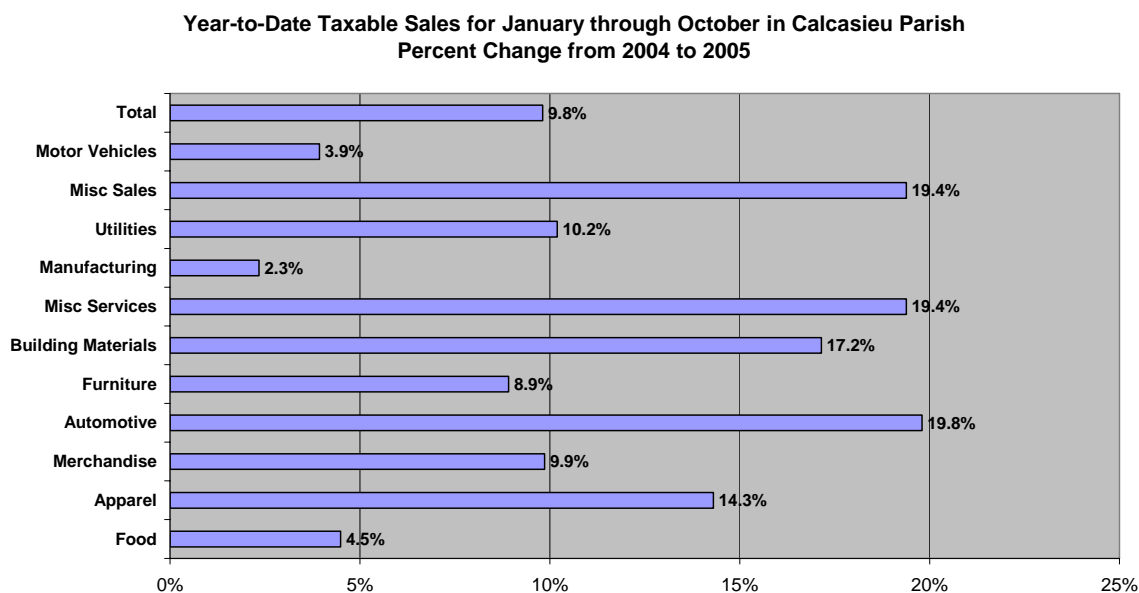


In percentage terms, the largest increase in taxable sales occurred for utilities (+162%) with a \$3.7 million increase expenditures. In dollar terms, the largest increase occurred for building materials where spending rose by over \$14.8 million (40.6%) from the same period a year earlier. The 35.7% gain in miscellaneous services represents an increase in spending of over \$9.1 million. Other categories registering significant spending increases from the same month in 2004 were automotive (\$4 million), furniture (\$3.5 million), general merchandise (\$2.8 million), and apparel (\$1.3 million).

Even with the two riverboats at Harrah's Casino and Hotel complex shut down, taxable sales in gaming rose to \$5.2 million in October of 2005 from \$2.4 million in 2004. This was made possible in large part by the L'Auberge du Lac Casino and Hotel complex more than taking up the slack created by Harrah's shutdown.

Somewhat surprisingly, food sales registered a 5% decrease (a decline of about \$1.8 million) in October. Since this was a time when most people had to restock their refrigerators and freezers, one might have expected food sales to increase. However, it was also a time when far fewer restaurants were open (while those that were open operated with restricted hours) and many people were still depending on MRE's or food provided through FEMA, the Red Cross and other group feeding operations.

The chart that follows shows *year-to-date* total taxable sales through October were running 9.8% ahead of sales in the same period of 2004. That amounts to an increase of \$260.5 million when compared to the January through October period of 2004. This is good news for businesses in Calcasieu Parish that may still be struggling—the aggregate spending base is strong for businesses that can tap into it.



The rebound in taxable sales is also good news for Calcasieu Parish governmental entities that rely on sales and use tax revenue. It suggests that the sales tax base for Calcasieu Parish is still intact and growing after the hurricane. This is quite important since the property tax base in the Parish was no doubt reduced to some extent by damage from the hurricane. As the Parish rebuilds "bigger and better", the property tax base will also rebound, but it could be diminished in the near term. A growing tax base will provide Parish governmental entities with the means to pay for recovery costs, restore depleted contingency reserves, and implement plans to minimize the impact of future disasters.

The chart above shows that, despite the impact of the hurricane, year-to-date spending through October is up in every category of taxable sales. Month-to-month fluctuations in taxable sales can be tracked on the Drew Center webpage at <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.

Lake Charles MSA Labor Market Information

Data on employment and unemployment in the Lake Charles Metropolitan Statistical Area (which now includes both Calcasieu and Cameron Parishes) for the months following January of 2005 have become a quagmire of incomplete and inconsistent information. These data have not been posted on the Drew Center webpage in hopes that the inconsistencies might be resolved. The prospects of that happening anytime soon do not appear to be particularly good.

If there was ever a time that the State of Louisiana needed more accurate and more complete information about what has happened in its key labor markets, that time would be now. Hurricanes Katrina and Rita resulted in overwhelming labor market dislocations and disruptions throughout the state. The revised data collection and publication procedures inaugurated in 2005 make tracking these changes and designing a public policy to deal with the changes far more difficult (if not impossible) compared to the situation before the revised procedures. This is particularly true for the Lake Charles MSA where (1) there is no longer a historically consistent time series of employment data, (2) the categories of employment for which information is reported no longer include many of those most important in the regional economy, and (3) the categories reported no longer add to a total for the entire labor market or any significant portion of the labor market.¹

Several observations may be relevant with regard to the recently released estimates of massive increases in unemployment in the Lake Charles MSA since Hurricane Rita hit:

- The employment and unemployment statistics for October of 2005 are based on a survey conducted during the second week of October. Many businesses were still shut down at that time or did not respond to the survey. Their employees were counted as unemployed although that may not have been the case.
- FEMA workers, Red Cross workers, emergency responders, and other recovery workers that are employed by government organizations or companies based outside the Lake Charles MSA are counted as employed in the geographic area where their parent organization is based even though they are actually working in the Lake Charles MSA.

These factors may overstate unemployment and understate employment in the Lake Charles MSA.

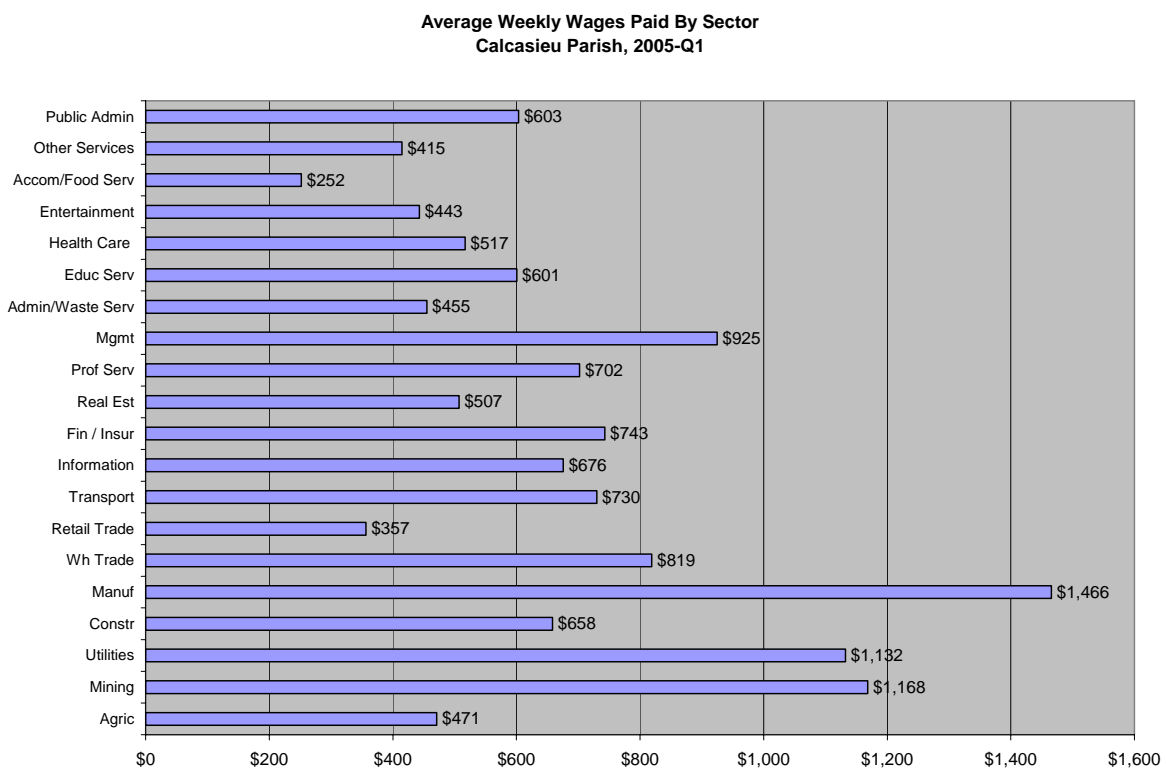
Many businesses, particularly those in retailing and food services, have found that former employees were slow to return to work after the hurricane. The reasons are probably multi-faceted:

- Damage to housing prevents some workers from returning because they have no place to live, or because they are working on repairing their damaged living quarters.

¹ Credit for this mess does not rest with the Louisiana Department of Labor or any other state agency. This “better idea” came from the federal level.

- The demand for employees to work in the recovery operation provides better paying opportunities for some workers.
- Expedited assistance payments from FEMA, Red Cross assistance payments, food stamp assistance, and unemployment compensation may allow workers to postpone returning to their former jobs.

With regard to the last point, consider the average weekly wage for the various occupations shown in the chart below. These figures are based on pre-Rita data (first quarter of 2005) and post-Rita wages may have increased considerably for some occupations. However, the data may suggest why some types of workers might be less likely to quickly return to work after the hurricane as a result of replacement income generated by the FEMA expedited assistance payments and other programs.



Consider the number of weeks of replacement income generated for those who received the \$2,000 FEMA expedited assistance payment. For workers in accommodation and food services earning an average weekly wage of \$252, the FEMA payment generated almost eight weeks of replacement income. For workers in retail trade earning an average weekly wage of \$357, the FEMA payment generated over five weeks of replacement income. Contrast that with workers in manufacturing occupations earning an average weekly wage of \$1,466—where a FEMA payment generated less than one and one-half weeks of replacement income.

Add to this comparison that the fact that many of the jobs in retailing, and accommodation and foods services occupations are “part-time”. Such lower wage jobs often provide no insurance or retirement benefits that would be lost by not returning to

work promptly. By contrast, health insurance and retirement benefits are commonplace for higher paying occupations. In view of these considerations, it would not seem irrational to expect employers to have more difficulty rehiring workers in the lower wage occupations than in higher wage occupations.

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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