



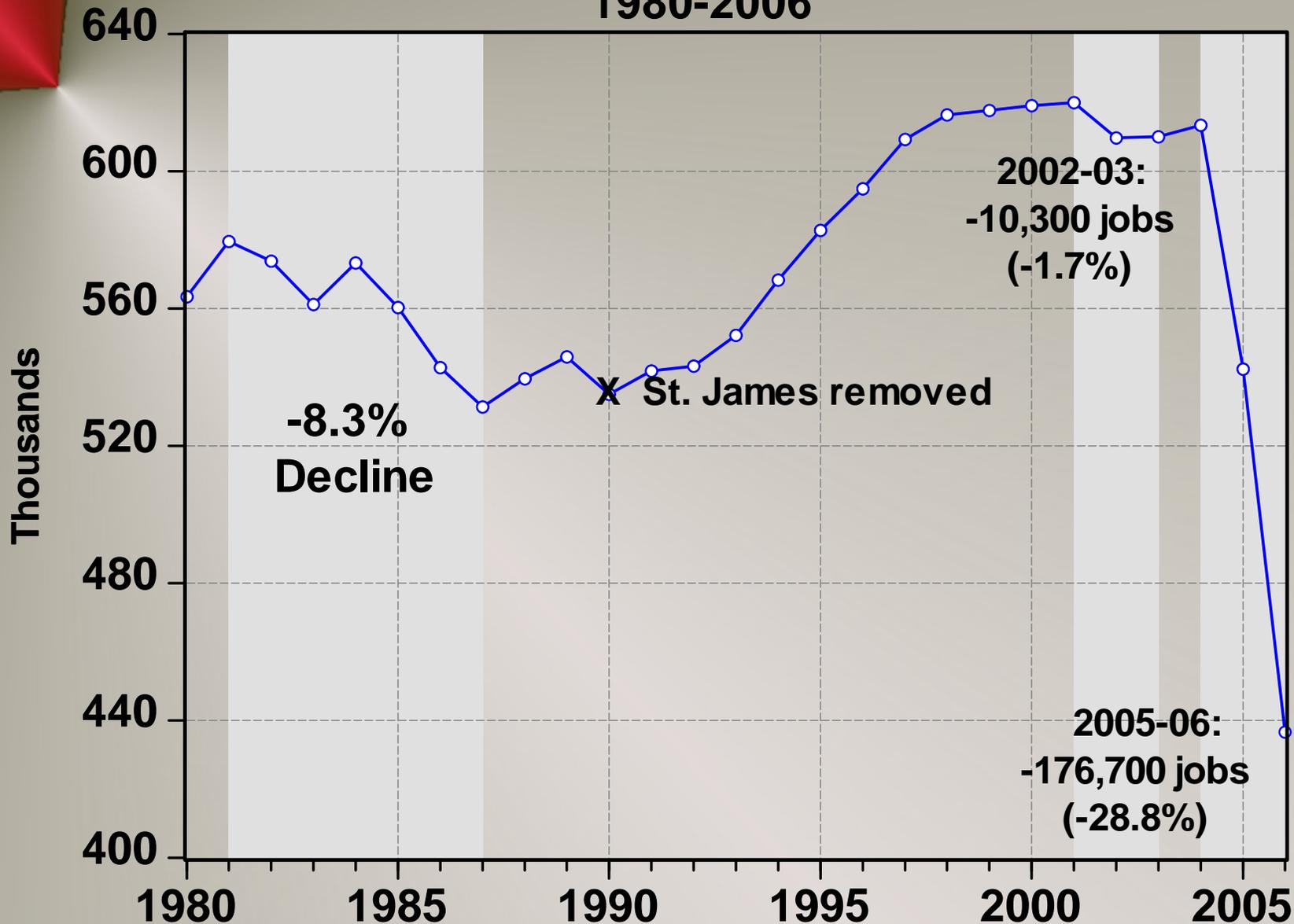
Regional Economic Impacts of Hurricanes Katrina and Rita

Loren C. Scott
Loren C. Scott & Associates, Inc.

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Post-Katrina/Rita New Orleans MSA

**Fig. 16: New Orleans MSA Non-Farm Employment
1980-2006**



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How to Lie with Annual Averages

Fig. NO-1: New Orleans MSA Non-Farm Employment by Month



Why So Slow? Housing, Housing, Housing

- **Sheer size: 207,576 rendered uninhabitable**
- **Flood waters:**
 - **Homeowners insurance, no; Flood insurance, yes**
 - **Limits on flood insurance coverage**
 - **No flood insurance?**
- **New base flood elevation level: April**

Why So Slow? Housing, Housing, Housing

- **Road Home program delays**
 - **Mississippi-Louisiana split**
 - **Governor/Legislature design program: June**
 - **Hire firm to administer**
 - **1st checks – October! (Only 97 issued by 12/26)**
 - **BTW: as of 9/14th, only 75 checks written in Mississippi, even though they had program up six months earlier**
 - **Mid-October: 72.5% of eligible homeowners have not even applied**
 - **Administrative style of Governors**

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Big Question:
**Which of Three Decisions Will
Homeowners Make with
Road Home Money?**

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No Sector Spared

August 2005 – August 2006

| Sector | Change in Employment | Percent Change |
|-------------------------------------|----------------------|----------------|
| Total | -173,400 | -28.4% |
| Natural Resources & Mining | 1,600 | 18.8% |
| Construction | -9,300 | -30.9% |
| Manufacturing | -9,900 | -25.6% |
| Trade, Transportation, Utilities | -33,100 | -26.8% |
| Information | -2,900 | -27.3% |
| Financial Activities | -7,700 | -22.8% |
| Professional & Business Services | -26,100 | -35.3% |
| Education | -7,100 | -42.8% |
| Healthcare | -25,600 | -41.0% |
| Leisure & Hospitality | -26,700 | -30.9% |
| Other Services | -11,800 | -52.2% |
| Government | -15,200 | -14.7% |

Major Construction Ahead

- **\$963 mm – new, six-lane twin span over Pontchartrain**
- **\$660 mm to widen Huey P. Long Bridge**
- **\$314.9 mm expansion of Convention Center (not now)**
- **Ten large condo projects, ranging in size from 88 – 350 units**
- **\$1.2 billion for debris removal**
- **\$1.2 billion for Corps flood control projects**
- **\$11 billion federal \$\$ to rebuild homes**
- **\$282 mm expansion of D-Day Museum**
- **Two large refinery projects (Marathon = \$3.2 bill)**

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New Orleans MSA Hospital Market Hospitals Open

| Parish | 7/1/05 | 10/1/05 | 1/1/06 | 4/24/06 | 9/24/06 |
|-------------|--------|---------|--------|---------|---------|
| Jefferson | 12 | 3 | 10 | 11 | 12 |
| Orleans | 25 | 0 | 7 | 7 | 10 |
| St. Bernard | 2 | 0 | 0 | 0 | 0 |
| St. Charles | 2 | 2 | 2 | 2 | 2 |
| St. John | 2 | 2 | 2 | 2 | 2 |
| St. Tammany | 10 | 10 | 10 | 10 | 10 |
| Total | 53 | 17 | 31 | 32 | 36 |

Orleans Parish

- **Only 2,000 of 4,000 beds open**
- **Of 63 nursing homes, 34 open**
- **Of 90 clinics, 19 open**
- **Of 5,400 physicians, only 1,400 now**

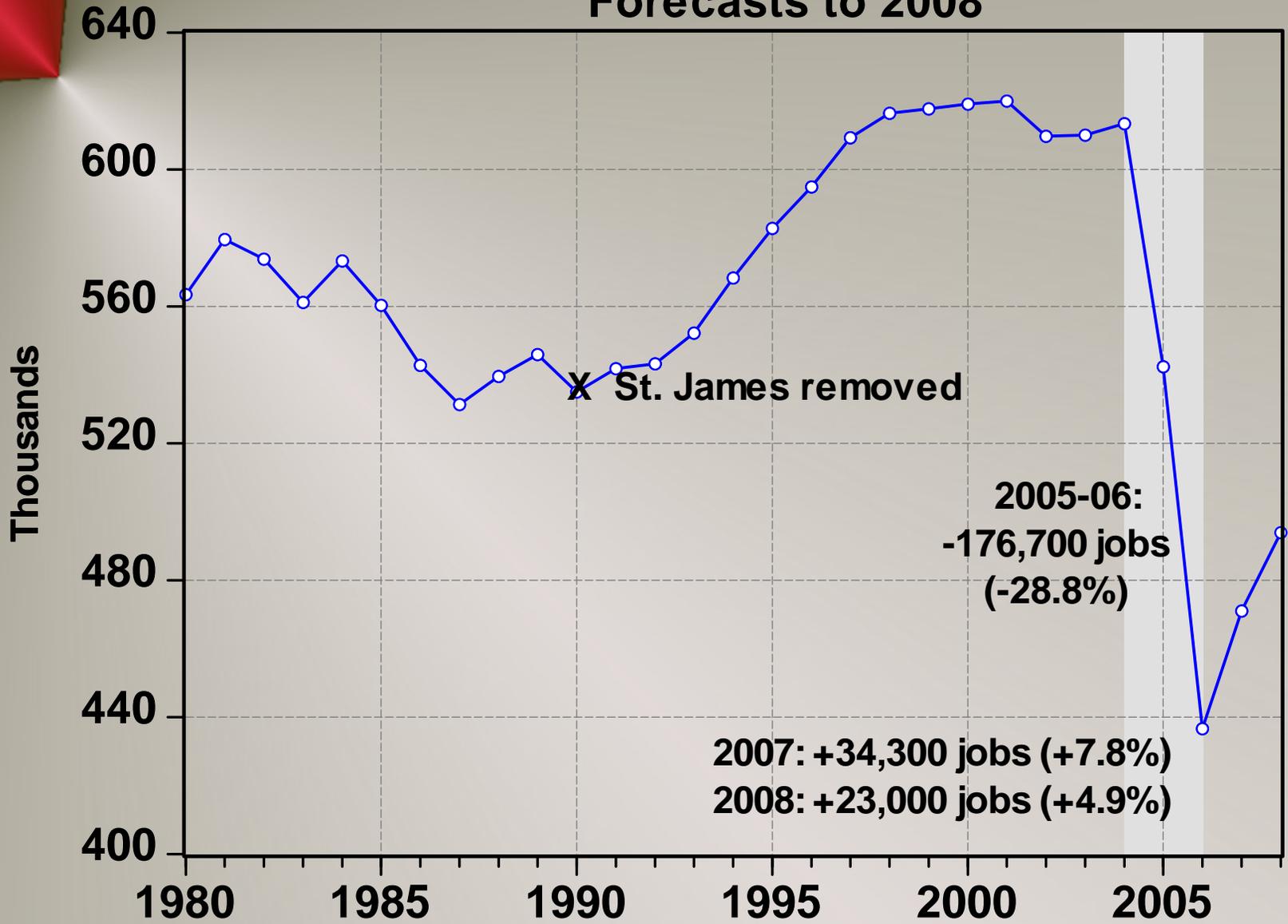
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Best Guess: Re-Population to Proceed Slowly

- **Significant percentage will choose one of two housing options not to return.**
- **For those who choose to return, significant problems getting homes repaired.**
- **Utility rates can end up disproportionately higher in New Orleans**
 - **Entergy New Orleans services only this area**
 - **Customer base smaller, so cost spread over fewer rate payers.**
- **Rand Corporation study suggests slowdown.**

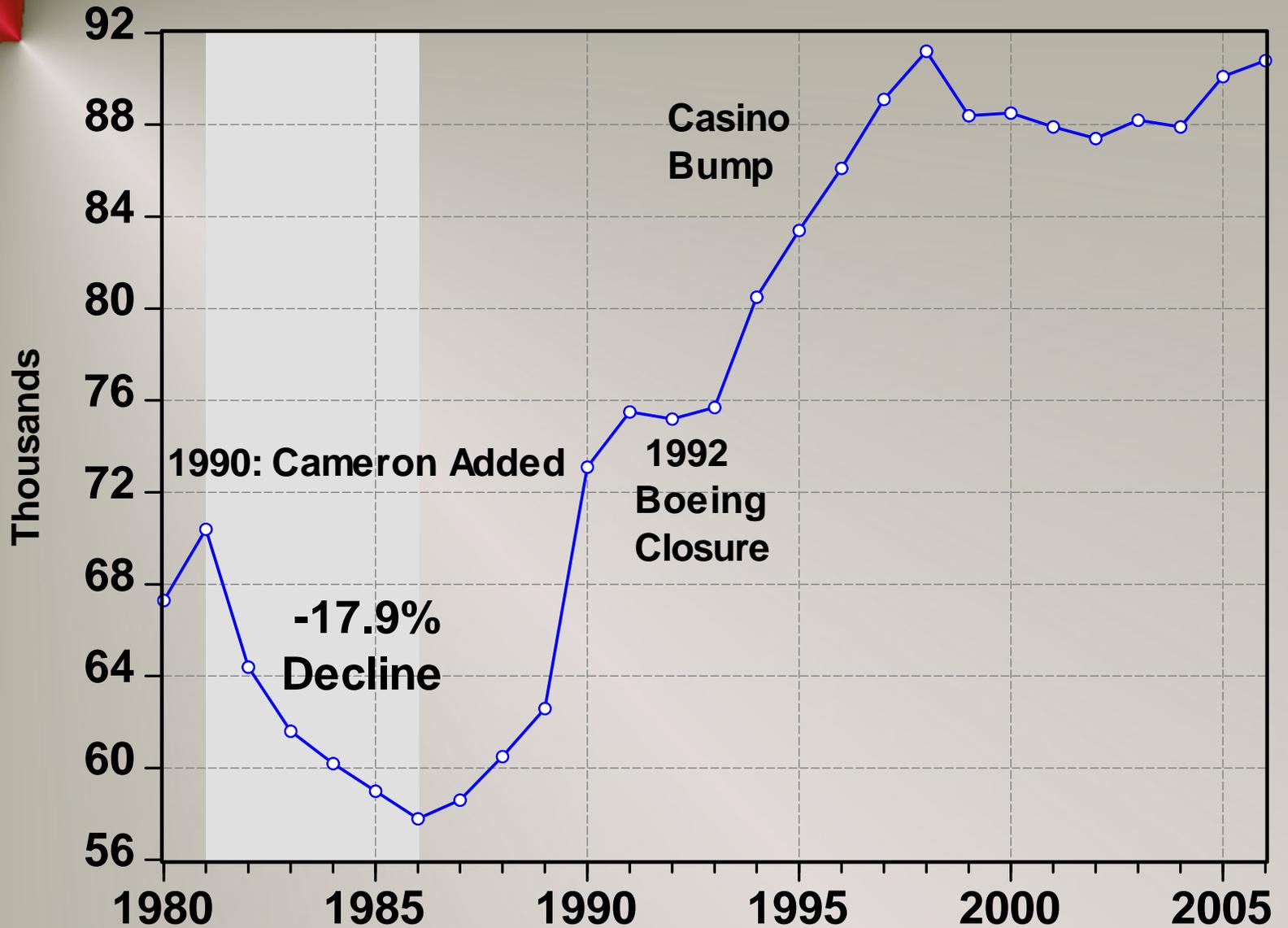
Fig. 18: New Orleans MSA Non-Farm Employment Forecasts to 2008





**Lake Charles: The “Rita” MSA
The Big Surprise**

Fig. 19: Lake Charles MSA Non-Farm Employment



Big Surprise

- **+2,900 jobs over 2005–2006**
- **Big increase in construction:**
 - **+3,500 jobs**
 - **35% increase**
- **The “V”**

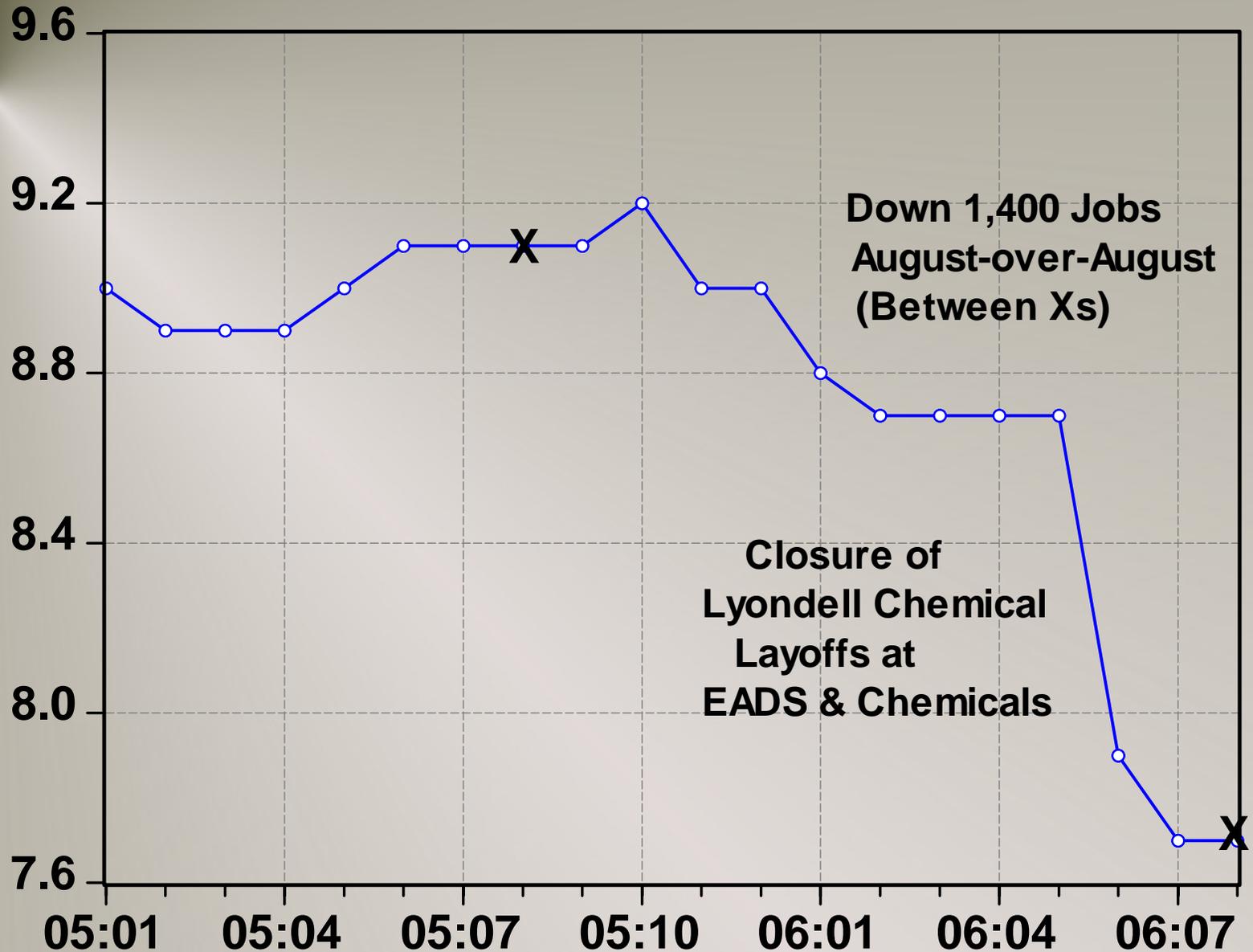
Fig. LC-1: Lake Charles MSA Monthly Non-Farm Employment



Lake Charles Post-Rita

- **All public schools open**
- **All hospitals open**
- **Manufacturing drifting downward**

Fig. LC-2: Lake Charles Manufacturing Employment



Lake Charles Post-Rita

- **Lost two casinos**
 - **Harrahs sells both to Pinnacle**
 - **Pinnacle to spend \$350 mm on Sugarcane Bay**
 - **Move other boat: New Orleans or Baton Rouge**
- **Airport at full commercial schedule**
- **All but three hotels back open**

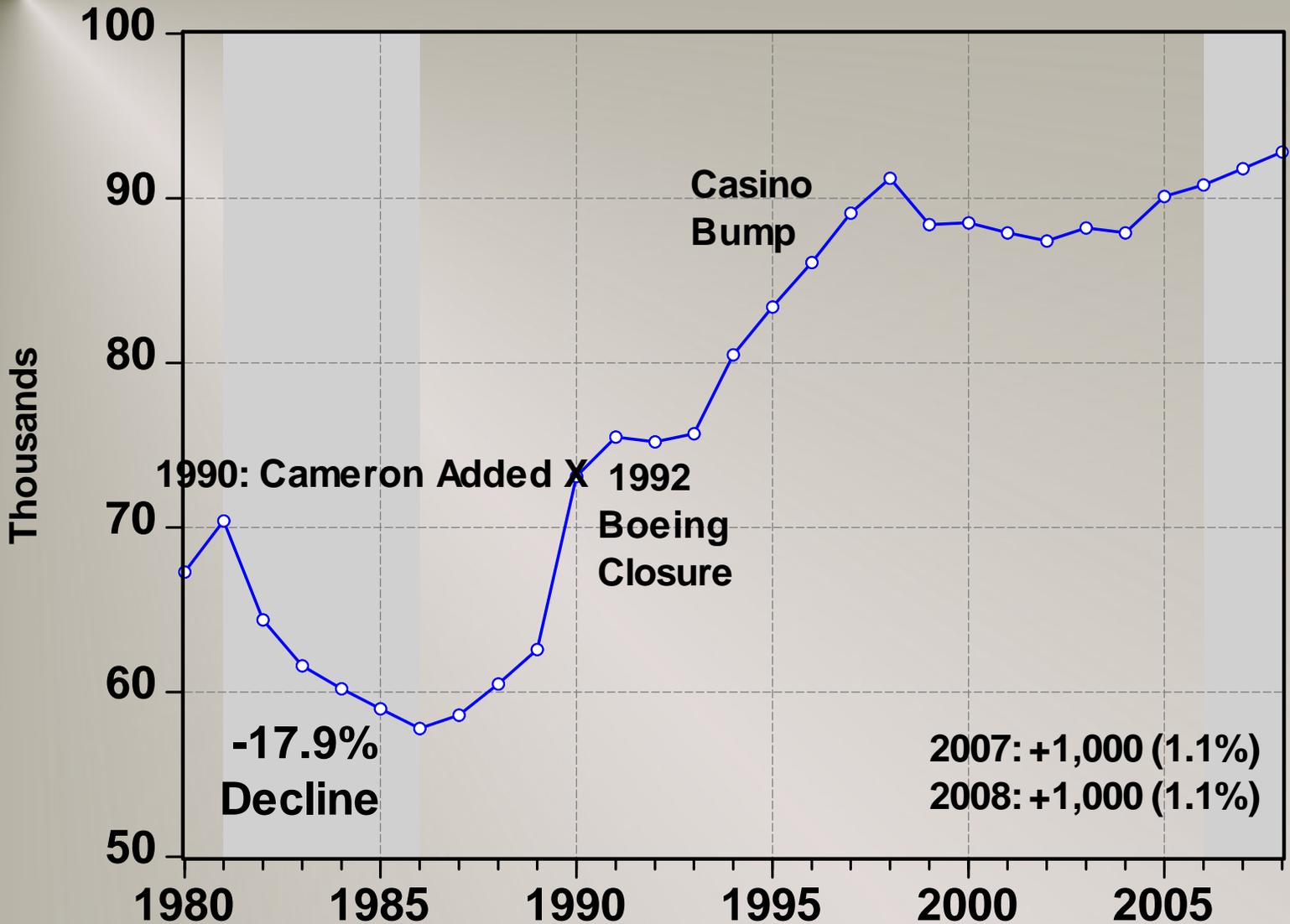
Construction Big Player in Lake Charles Future

- **Road Home monies + private insurance**
 - 47,384 homes damaged
 - 2,284 severe; 6,673 major damage
- **Pinnacle's \$350 mm Sugarcane Bay Resort**
- **L'Auberge du Lac's \$45 mm hotel**
- **Chennault (\$40 mm) and Delta Downs (\$12 mm) repairs**
- **Five greenfield or expansion LNG facilities**
 - At least \$2.6 billion listed in LEO

Prospects for Manufacturing: Mixed

- **AeroFrame: large upside potential**
 - 140 day of storm
 - Now: 400+
 - Three years: 2,500??
- **Northrop Grumman: ???**
 - Now at 300
 - JSTARS done; in maintenance mode
 - Large hanger problem for both firms
- **Chemicals: seem to be stabilizing**
- **Citgo appears to be NOGO on cogen**

**Fig. 21: Lake Charles MSA Non-Farm Employment
Forecast: 2007-08**



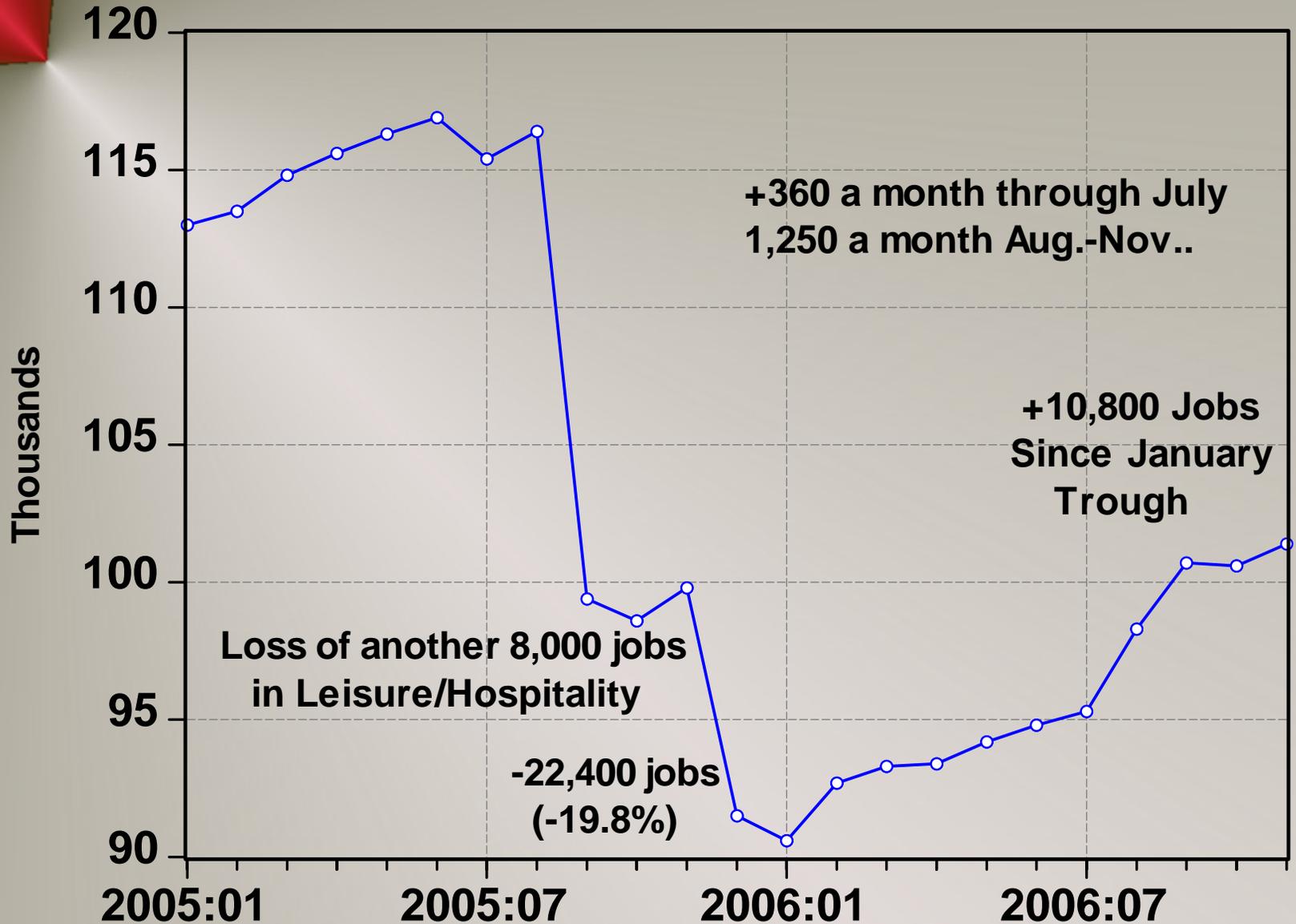


**Katrina Effects
Biloxi-Gulfport &
Pascagoula MSAs**

Impacts of Katrina on Housing in Mississippi and the Biloxi-Gulfport MSA

| Impact | Statewide | Biloxi-Gulfport MSA |
|---------------------|------------------|--------------------------------|
| Destroyed | 68,729 | 41,090 |
| Major Damage | 65,237 | 19,510 |
| Minor Damage | 100,318 | 36,305 |
| Affected | 7,430 | 1,355 |
| Inaccessible | 0 | 0 |
| Total | 241,714 | 98,260 |

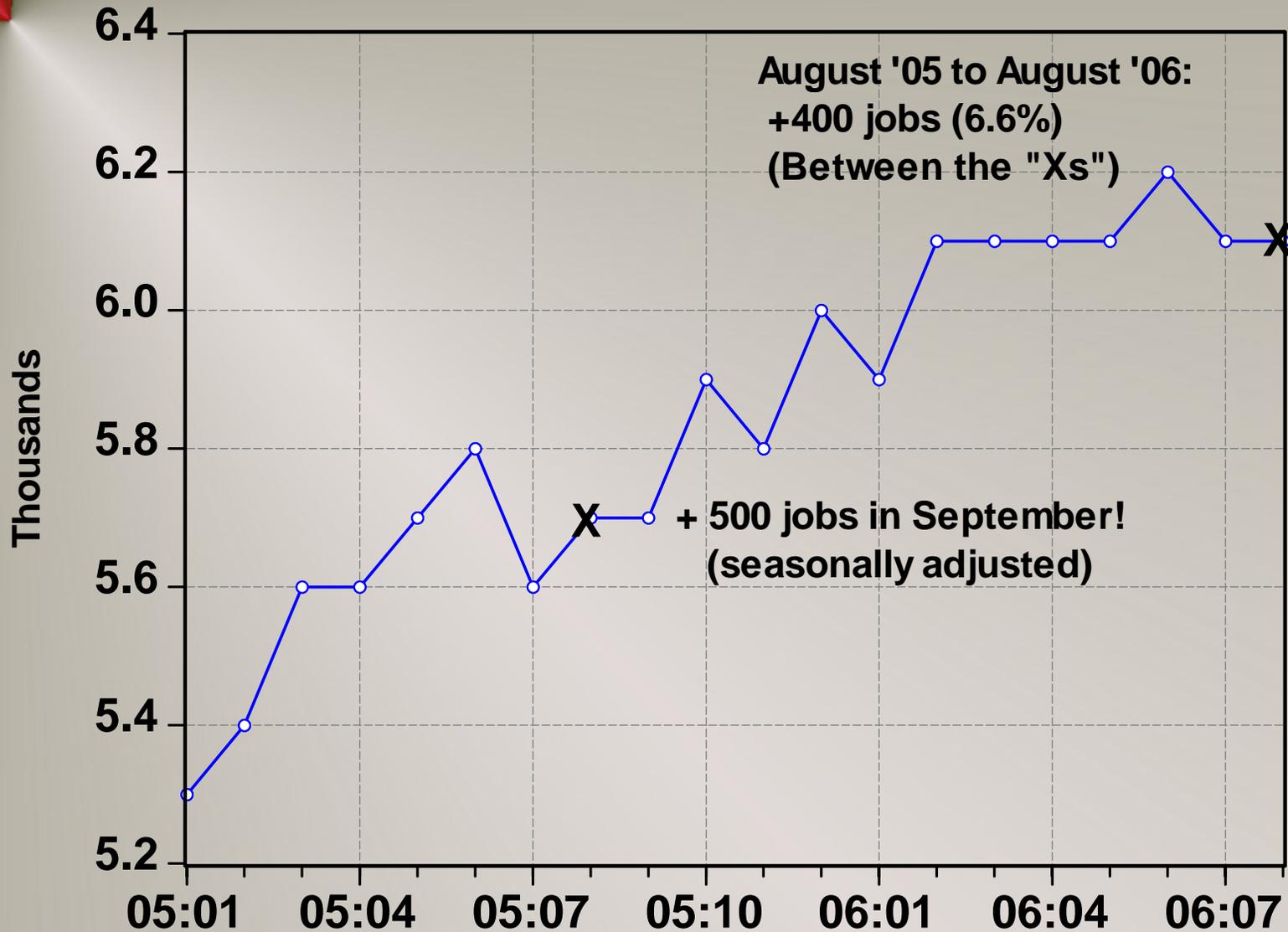
Fig. BG-1: Biloxi-Gulfport MSA Non-Farm Employment



Change in Non-Farm Employment in Biloxi-Gulfport MSA August 2005 – August 2006

| Sector | Change in Employment | Percent Change |
|--------------------------------------------------------------|---------------------------------|---------------------------|
| Total | -18,100 | -15.5% |
| Natural Resources & Mining & Construction | 400 | 6.6% |
| Manufacturing | -100 | -1.7% |
| Trade, Transportation, Utilities | -4,100 | -19.7% |
| Leisure & Hospitality | -11,000 | -36.1% |
| Government | -800 | -3.3% |

**Fig. BG-3: Biloxi-Gulfport Natural Resources
& Construction Employment**

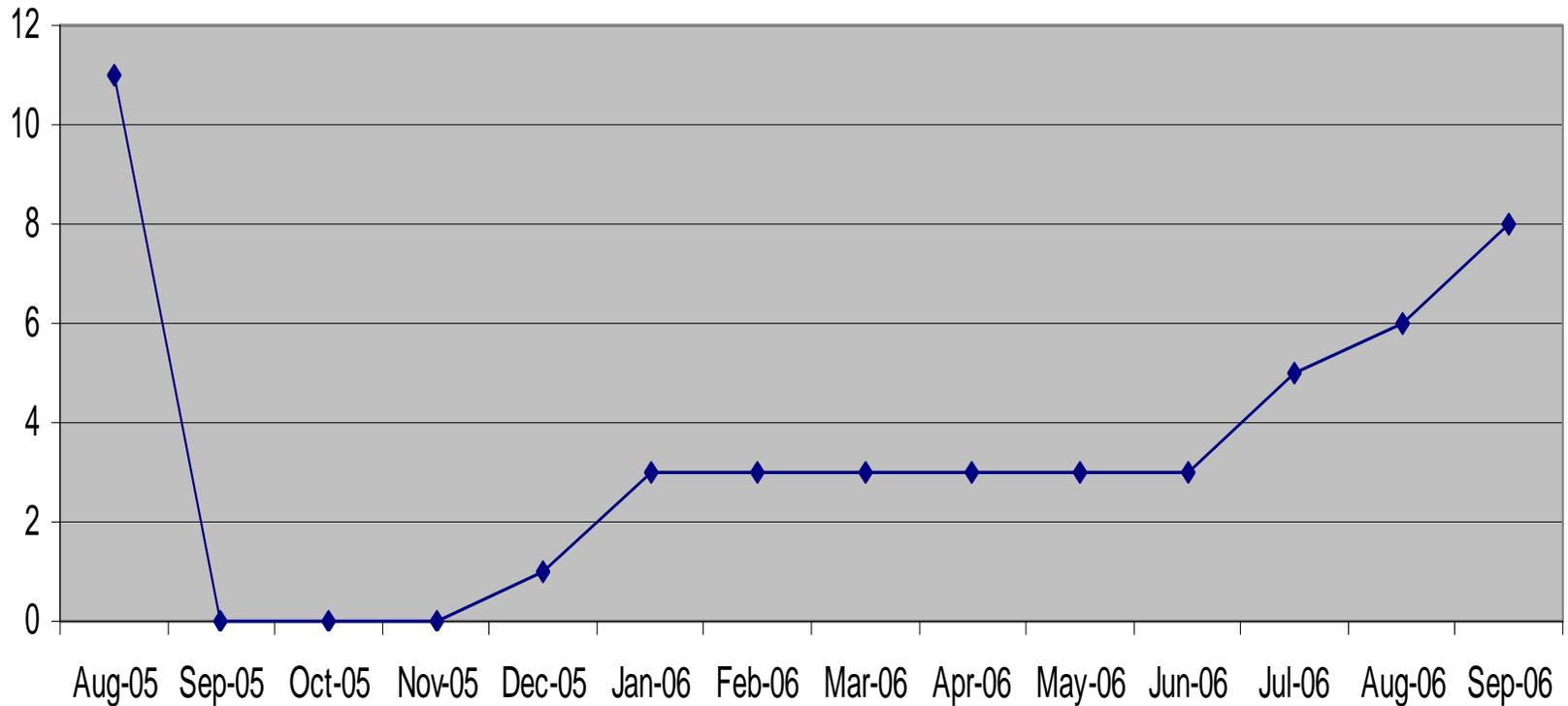


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Biloxi-Gulfport MSA Casino Recovery Track

TOTAL OPEN



Biloxi-Gulfport Casino Future

- **Eleven now open**
 - **Hard Rock:** to reopen soon
- **More planned**
 - **Bacaran Bay:** \$500 mm resort (Fall 2008)
 - **Broadwater:** \$1 billion
 - **Golden Nugget:** purchased land near Point Cadet
 - **Isle of Capri:** \$250-\$300 mm western Harrison County
 - **Trump:** 40 acres near Diamondhead

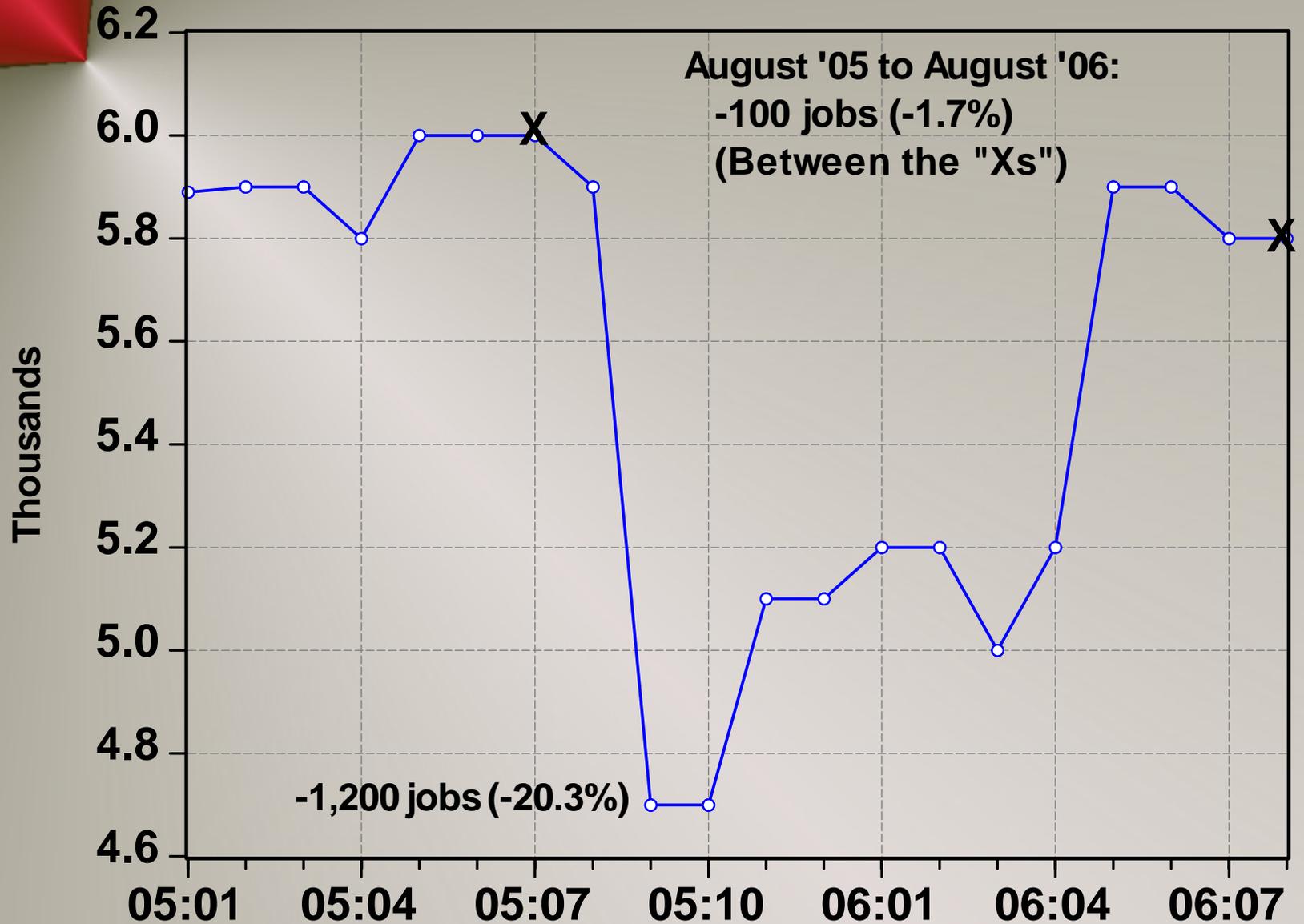
Hotels: Biloxi-Gulfport

- **Pre-Katrina: 14,880 rooms**
- **December 2005: 4,044 rooms**
- **August 2006: 7,698 rooms**
- **51.7% pre-Katrina**
- **Casinos will bring back many more**

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Fig. BG-2: Biloxi-Gulfport Manufacturing Employment



Biloxi-Gulfport Manufacturing Future

- **Northrop Grumman**
 - **New \$2.49 billion contract with Navy**
- **Edison Chouest**
 - **New shipyard?**
 - **GulfShip**
 - **\$18 mm capital investment**
 - **Startup workforce – 200**

Other Biloxi-Gulfport Economic Indicators

- **By November 15th all seven hospitals operating at full service**
- **All public schools reopened by November 1st**
 - **Biloxi enrollments only 23.2% of pre-Katrina**
- **Port of Gulfport**
 - **Imports 41% below pre-Katrina**
 - **Exports 18% below pre-Katrina**

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Post-Katrina/Rita Pascagoula MSA

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| Destroyed | 68,729 | 23,390 |
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Change in Non-Farm Employment in Pascagoula MSA

August 2005 – August 2006

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| Total | 0 | 0% |
| Natural Resources & Mining & Construction | 300 | 12.0% |
| Manufacturing | -1,400 | -8.5% |
| Trade, Transportation, Utilities | 600 | 7.1% |
| Government | -200 | -1.8% |

Fig. PAS-1: Pascagoula MSA Non-Farm Employment



Change in Non-Farm Employment in Pascagoula MSA August 2005 – August 2006

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Pascagoula Manufacturing

- **Of 16,500 jobs pre-Katrina, 13,000 were at Ingalls**
- **Sustained \$1 billion in damages**
 - **Salt water damage to vehicles, man-lifts, and machinery on site**
- **++++New \$2.49 billion Navy contract**

Other Pascagoula Economic Indicators

- By September 5th all three **hospitals** operating
- All **public schools** reopened by October 3rd
- **Hotel rooms**
 - 2,654 pre-Katrina
 - 2,421 post-Katrina (91.2%)
- **Port of Pascagoula: 95% of pre-Katrina capacity**



**Baton Rouge MSA
Post-Katrina/Rita
Evacuees In; Evacuees Out**

Post-Katrina Impacts: Baton Rouge MSA

- **Evacuees in:**
 - MSA population increased 248,386 (+34%) overnight
 - BTR Parish sales tax collections: +34% in September)
 - Median family home price : +27%
 - Largest among 151 MSAs in country
 - Traffic city
- **Evacuees out:**
 - Population: Oct. +14.9%; July +5.3% (Claritas Inc.)
 - Traffic count
 - I-12 near split: Nov. +22%; Now +3.1%
 - I-10 MS Bridge: Nov. +26%; Now +2.9%

Fig. 21: Baton Rouge MSA Non-Farm Employment 1980-2006

