

## Economic Development, General Information

### Louisiana Economic Outlook for 2010-2011 Released

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BATON ROUGE – The Louisiana Economic Outlook for 2010-2011 was released today at the annual Biztech Top 100 Luncheon, providing a glimpse of what eight of the state's large metropolitan areas have to look forward to in the years to come.

The report was prepared by a trio of the LSU E. J. Ourso College of Business' finest: Loren Scott, a professor emeritus of economics; James Richardson, the John Rhea Alumni Professor of Economics and director of the Public Administration Institute, and M. Dek Terrell, Freeport McMoRan Chair of the Department of Economics and director of the Division of Economic Development and Forecasting.

The eight areas the LEO forecasts economic conditions for, aside from Louisiana as a whole, are New Orleans, Lake Charles, Baton Rouge, Lafayette, Houma, Alexandria, Shreveport-Bossier and Monroe. These eight MSAs remain a picture of diversity not only in their basic makeup but also in their outlook for the future.

According to Scott, the LEO forecasts are based on the assumption that real gross domestic will rise by 1.3 percent in 2010 and by 2.5 percent in 2011, long-term interest rates will rise by two percentage points, oil prices will average \$85 a barrel and natural gas prices will average \$4.50 per British thermal unit.

"We remain very concerned about the Obama Administration's planned tax increases on Louisiana's important extraction industry," Scott said.

The LEO forecasts for each of the state's eight MSAs are summarized as follows:

- After losing an estimated 3,500 jobs in 2009, it is projected that seven-parish **New Orleans MSA** will add only 3,000 jobs in 2010 and another 2,500 in 2011. Construction spending – announced and on-going projects total about \$9.3 billion – will lend critical support to this area, but a major loss of jobs at Lockheed Martin Space Systems and a weak tourism sector will act as a drag on Louisiana's largest MSA. By the end of 2011, it is predicted this MSA's employment will still be below its 1980 level.
- An estimated \$5.1 billion in construction projects will be a major factor in the future of the **Baton Rouge MSA** over the next two years. In addition there are several firms in the area that have announced expansions, including the new SNF chemical plant and the newly reopened Tembec paper mill (now Renew Mill). Worrisome issues for the region include possibly significant state

being considered by Congress. It is projected this MSA's employment will rise by 4,000 jobs in 2010 (1.1 percent) and by 5,500 in 2011 (1.5 percent), making it the fastest growing MSA in the state in absolute terms and the third fastest in percentage terms.

- The **Shreveport-Bossier MSA** should experience two very different years over 2010-11, adding 3,000 jobs in 2010 (1.7 percent) but a lower 1,200 in 2011 (0.7 percent). Very significant boosts will come from the Haynesville Shale, U.S. Support, attraction of the Global Strike Force to Barksdale Air Force Base and boosts in construction from a major injection of highway funds and the large SWEPCO gas-fired plant. Unfortunately, the region will suffer a blow in late 2011 when the large GM plant is likely to shut down.
- Despite relatively high energy prices, the LEO projects rather lethargic growth for the **Lafayette MSA** over 2010 (700 jobs, 0.5 percent) and 2011 (1,000 jobs, 0.7 percent). President Obama's proposed \$33 billion tax on the extraction industry has sent a chill through this very energy-intensive MSA. About \$30 million in construction projects will somewhat help bolster the MSA, but there are few new firms coming in to offset the extraction tax problem. If for some reason this federal legislation gets defeated, Lafayette's future will be much brighter than predicted here.
- Louisiana's other very energy-intensive MSA is the **Houma MSA**, and like Lafayette, its economy is expected to be dragged down over the next two years by the proposed \$33 billion tax on extraction industries. Houma should fare somewhat better than Lafayette, however, due to major employment additions at the Edison Chouest shipyards and possible additions by the MSA's large fabricators. This MSA is projected to add 900 jobs in 2010 (0.9 percent) and 800 jobs in 2011 (0.8 percent). If the president's extraction tax is defeated, the Houma area economy will fare much better than these forecasts.
- It is forecasted that the **Lake Charles MSA** will be the second fastest growing region of the state in percentage terms. Major employment gains will come from the construction and opening of the Sugarcane Bay Casino, Shaw's new Global Modular Solutions facility at the port, the possibility of construction of the proposed \$1.8 billion Leucadia facility, maintenance work at the region's massive petrochemical complex and rehiring at Aeroframe in Chennault

Airpark. A looming concern for the area is the possible passage of the cap and trade legislation, which would seriously impact the MSA's petrochemical sector. This MSA is projected to have 1,000 new jobs in 2010 (1.1 percent) and 1,700 in 2011 (1.8 percent).

- The LEO projects good news for the **Monroe MSA**, which has lost jobs for the last seven years. In percentage terms, this is expected to be the fastest growing MSA in Louisiana over 2010 (1,900 job or 2.5 percent) and 2011 (1,500 jobs or 1.9 percent). The especially large increase in 2010 can be traced to the reopening of the old Pilgrim's Pride chicken processing facility under the name Foster Farms. A group of investors has purchased the old Delphi Lighting plant and plans to make the new V-Vehicle there, adding 1,400 jobs, and, in nearby Richland Parish, Conagra is opening a new 275-person sweet potato processing facility. Other additions are expected at Chase Mortgage and Gardner Denver Thomas.
- After an excellent 2008, it is projected that the **Alexandria MSA** appears heading into a bit of a lull, adding 600 jobs a year over 2010-11 or an annual growth rate of 0.9 percent. Job gains are expected as (1) employment rebounds at the Union Tank Car facility, (2) as area lumber/logging firms recover with the U.S. housing market, and (3) as the area absorbs about \$208 million in road projects. However, the lack of new firms coming in and expected layoffs at Dresser Industries will dull growth prospects somewhat for the smallest of Louisiana's eight MSAs.
- The **state as a whole** has done remarkably well during the national recession. While the U.S. economy began losing jobs in January 2008 and has already experienced a five percent job decline, Louisiana did not begin to lose jobs until April 2009, and the LEO projects estimate a loss of only 11,000 jobs over the recession (a 0.6 percent decline). It is projected that the state will add 17,800 jobs in 2010 (0.9 percent) and 18,000 jobs in 2011 (0.9 percent). Both will be new record employment levels for the state. If neither the proposed \$33 billion tax on the extraction industry nor the cap and trade legislation passes, Louisiana's employment could perform considerably better over 2010-11.