

# Economic Trends – August 2009

## Beaumont / Port Arthur / Orange

### MAJOR PROJECT UPDATE

Eastman Chemical's President and CEO, Jim Roger, provided an update on the \$1.6 billion gasification project slated for Beaumont during the company's second quarter earnings call.

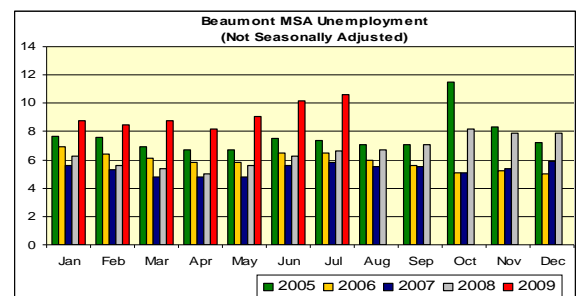
“... a quick update on our Beaumont, Texas industrial gasification project. We are making good progress on FEED, the front-end engineering and design and continue to be on track to be finished by the end of the summer. ... although costs have come down from where they were last summer, they remain higher than we would like. ... But given the current environment, it is an option that is still out of the money. As the result, we are reducing the burn rate to a minimal amount, while we continue to work the capital number, the incentives, the financings et cetera.”

“... we do have some legislation we would like to see fall in place. The number for Beaumont, since we sequester most of that CO2, like 90% plus of the CO2 could actually be an upside, but the dust hasn't settled on that.”

Source: Transcript of the Q2 earnings call provided by Seeking Alpha – [www.seekingalpha.com/article/151227-eastman-chemical-company-q2-2009-earnings-call-transcript?source=feed&page=-1](http://www.seekingalpha.com/article/151227-eastman-chemical-company-q2-2009-earnings-call-transcript?source=feed&page=-1)

### EMPLOYMENT

The unemployment rate increased to 10.6%. (Note: The highest rate was 11.5% in October following Hurricane Rita.) Total Nonagricultural Employment in the Beaumont - Port Arthur MSA decreased by 2,100 jobs in July. Since July 2008, the MSA lost 7,400 jobs or -4.5%. The majority of the decrease was in Government with a loss of 1,800 jobs. Local Government fell by 1,500 positions over the month. The decline was mainly due to local school districts releasing staff for the summer break. Mining, Logging, and Construction increased by 100 jobs in July as did Professional and Business Services.



The area received good news since last month's report. The Sitel call center, in Port Arthur, reversed its decision to layoff 430 workers, thus retaining approximately \$6 million in payroll in the Port Arthur area. The company will hire an additional 35 employees.

MeadWestvaco plans to layoff 45 workers due to closing of one of the mill's paper machines by the end of third quarter of 2009. Another 25 positions will be eliminated due to challenging business conditions.

The State of Texas will likely borrow \$1.5 billion from the federal government to pay unemployment benefits through December. The future effect on state employers is unclear. The State declined \$555 million in stimulus funds for unemployment benefits earlier this year that would have mandated the State of Texas to pay costlier benefits and put higher taxes on Texas employers indefinitely.

## SALES TAX

Beaumont's 8.5% loss in loss in monthly sales tax collections as compared to same month of the previous year was less than May's loss of 13.5%. Other cities in the area are showing increased sales tax collections with the City of Orange leading the pack percentage wise.

Taxing Entity	June 09 / June 08 % change
Beaumont	-8.50%
Port Arthur	1.62%
Orange (city)	33.76%
Bridge City	8.90%
Lumberton	14.12%
Silsbee	1.47%

## REAL ESTATE

Compared to the second highest ever monthly average home price for Beaumont of \$162,400 in July of 2008, the July 2009 average price is 9% less at \$147,000. (Note: The highest month's average was May of 2009 at \$167,000.) The number of homes sold in July was 207 -- the highest for this year, but down 13% from July 2008. The total sales volume is down 21.6% from a year ago.

The monthly average home price in Port Arthur crossed the \$150K mark three times this year -- January, June and July. These are record highs for the city. The number of homes sold is down 9% from July 2008. Total sales volume was the second highest ever showing a 12.6% increase over July 2008. (Note: June 2007 was the record sales volume.)

## BANKS

A study on small Business by Equifax listed the Beaumont-Port Arthur region as one of the nation's 15 metro areas with the fewest small business bankruptcy filings. The Houston area was on the list for highest number of small business bankruptcies.

Local lenders are feeling Catch 22. On the one hand, the government wants banks lending money to businesses and entrepreneurs to stimulate the economy. On the other hand, the banks are being scrutinized as never before by government concerning the risk of the loans that they make.

Of the 69 banks closed this year by the Federal Deposit Insurance Corp., only one was in Texas - Millennium State Bank of Texas, based in Dallas. BBVA Compass acquired Guaranty Financial Group, which was based in Austin and was on the brink of collapse. Guaranty Financial Group, Inc. was the second largest publicly-traded financial services holding company headquartered in Texas and one of the 50 largest publicly-traded financial services companies based in the U.S. ranked by asset size. Guaranty had four branch locations in the region. Olivia Solis, spokeswoman at the Texas Bankers Association based in Austin, says that overall, the state's 692 banks remain strong.

## TEXAS

TxDOT spent 4 to 5 billion dollars annually building and maintaining roads between 2003 and 2006. Last year, expenditures dropped to \$3 billion. Estimated spending in 2009-2010 fiscal year will be a record \$5.9 billion and in the 2010-11 fiscal year, another \$5 billion. This is all possible thanks to stimulus funding and legislative action this spring authorizing TxDOT to borrow \$2 billion and pay it back with the state's general tax revenue, rather than with gas taxes.

The Texas Real Estate Center reports that total delinquency and foreclosures filings in Texas for 2009 YTD is down 12%. By comparison, the U.S. is up 31%. The worst state is Idaho – up by 145%. Looking back at 2008, U.S. foreclosures were up 19% and Texas was down 30.5%.

Texas is expected to increase in population by 13.9 million people by 2030. This is equivalent to the current combined populations of the 12-county Dallas-Ft. Worth metropolitan area, the 10-county Houston metropolitan area, the 8-county San Antonio metropolitan area, and Corpus Christi. The Houston MSA is expected to grow by between 2.1 and 4.7 million people by 2030. (Source: Texas Real Estate Center)

Texas leads the nation in new home building.

*Note: Information in this report came from media reports and other publicly available sources and discussions with local lenders.*