

# Economic Trends – May 2009

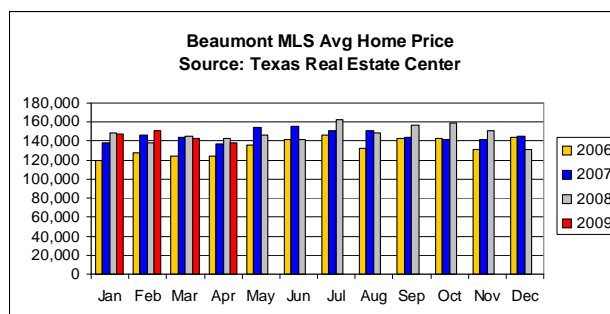
## SUMMARY

The Entergy Texas service area continues to feel a mild negative impact from the national and global economic downturn. In areas hardest hit by Hurricane Ike, a positive impact due to recovery dollars continues. Layoffs are increasing, however housing and sales tax indicators are still very good. There have been no announcements in the last two months of changes to schedules / intentions for the five major industrial projects in Port Arthur / Beaumont area: Motiva's \$7 billion refinery expansion, Total Petrochemical's \$2.2 billion Deep Conversion Project, Valero's \$1.6 billion hydrocracker expansion, Eastman's \$1.6 billion gasification project, and Golden Pass LNG terminal.

## HOUSING

The number of single family permits issued in the Beaumont MSA in March and April was 102 and 203 respectively. These are the highest numbers of any given month in years. In January of 2009 HUD released funds for housing reconstruction for Hurricane Rita (which hit in September of 2005.) Contracts have been awarded and builders are now applying for the permits. The area is hoping HUD funds for reconstruction for Hurricane Ike (which hit in September 2008) will not be far behind. Local permit activity, compared to the national scene, is favorable. For the US, privately-owned housing units authorized by building permits in March were 9% below the February rate and 45% below the March 2008.

Beaumont/Port Arthur area home values are holding their own as well. See chart. The area's foreclosure rate is among the lowest in the country (175th out of 203 metropolitan areas) according to first quarter market report from RealtyTrac. Jim Gaines, a research economist at the Real Estate Center at Texas A&M University, attributes Beaumont's insulation from foreclosure problems to stable job market, stable home sales and stable home prices.



## Foreclosure rate:

- Las Vegas-Paradise, Nev.: One in every 22 housing units
- United States: One in every 159 housing units
- Beaumont-Port Arthur: One in every 900 housing units

## SALES TAX COLLECTION

The sales tax payments to local cities and counties are a good indicator for the economy. The month to month numbers vary seasonally, therefore the best comparison is to the same month in the previous year. Below is listed the % change of March 09 (latest data available) as compared to March 08. The taxing entities are listed in order of revenue amount from largest to smallest. Note that the entities with worst damage from Hurricane Ike (noted by \*) are still experiencing the bubble associated with recovery.

*By Karen Bourdier – economic development group of Entergy Texas, Inc.*

Taxing Entity	Mar 09 / Mar 08 % change
Beaumont	+ 3.60 %
Port Arthur	+ 0.79 %
Orange (county) *	+ 6.87 %
Orange (city) *	+ 29.16 %
Bridge City *	+ 20.07 %
West Orange *	+ 15.67 %

*Source: Texas Comptroller*

## INDUSTRY SECTOR EMPLOYMENT

In early May, Texas Petrochemicals planned to lay off 64 employees, but about 50 of those employees are union workers trying to reduce the number of layoffs by negotiating with the petrochemical company. Employee count was 187 before layoffs. The petrochemical company also announced a reduction of its C4 hydrocarbon processing and butadiene production (used for making rubber) by idling specific assets at the Port Neches plant. This is a result of the decline in the hard hit auto industry.

In early May, DuPont announced it would decommission and dismantle its Beaumont performance elastomers unit by June 30, cutting 86 jobs. This is a reflection of the economy's hard punch to the auto and homebuilding industries. Their product is used in the manufacture of automotive hoses and liners used in roofing.

Modern EPC, a subsidiary of Modern Group Inc. of Beaumont, closed its new pipe fabricating shop in early May and laid off about 90 employees. This subsidiary was a startup intended to take advantage of the major industrial expansion projects in the area. The pace on these industrial projects has slowed.

Temple-Inland announced that it will shut down its Buna Lumber Operation for an undetermined period of time. The closure is a result of declining housing starts, lumber demand and lumber prices. An unofficial source estimates that 50 employees will be affected.

Beaumont is keeping a close eye on Eastman Chemical and its intentions as related to the \$1.6 billion gasification facility announced in 2007. In its first quarter 2009 earnings report with the SEC, Eastman re-stated that there are good business and economic reasons to complete some growth initiatives in 2009 that were well underway in late 2008 which include finalizing feed efforts associated with the industrial gasification project in Beaumont.

## GROWTH OPPORTUNITIES

Most businesses are very shy about investing capital in today's economy – that is, with the exception of the renewable (green) energy sector which includes bio-fuels, wind, geothermal, solar, etc. As economic developers, we are seeing that by far our best prospects (quality and quantity) for new business in the area are from the renewable energy sector of business.

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