

# Economic Trends – July 2010

## Beaumont / Port Arthur / Orange MSA

### **INDUSTRIAL PROJECTS**

Commissioning of Total Petrochemicals Deep Conversion Project has begun. Commissioning is a rigorous process which monitors, tests, evaluates, and documents the operation and function of the facilities' critical systems. The process highlights issues and helps ensure a safe start up of the new operation.

The Motiva refinery expansion, which will make it the largest in the world, currently has more than 5,000 workers on site. Most of these workers are fitters, welders, electricians, and instrument technicians. Construction should peak at the end of the third quarter and the peak should last longer than three months. The last of the fabricated modular assemblies for the Motiva expansion project arrived by barge at the Port of Port Arthur in early July.

There were no acceptable offers for the Eastman Chemical engineering plans for the \$1.6 billion project cancelled in December 2009. Expectations are that the property will be on the market soon.

### **OTHER DEVELOPMENTS**

Federal regulations state that millions of dollars in royalty payments from gas drilling at the Beaumont Municipal Airport must be spent to benefit the airport. Beaumont City officials think that because the airport does not offer commercial service, it is possible that regulation can be eased allowing only a small portion of the money to be spent for the airport and allowing the remainder to be spent for other priorities determined by the City.

The Port of Beaumont's revenue is running 18% ahead of last year and tonnage is nearly 60% ahead. Expectations are for this to be the port's second best year ever. The port supports as many as 2,000 jobs, both directly and indirectly.

The City Of Orange is moving forward with downtown and riverfront development plans for a multimillion-dollar downtown expansion project. The first stages of the plan call for an outdoor pavilion, a senior center and retail development along Front Street and 5<sup>th</sup> Street near the riverfront. A proposed new boardwalk is planned along the riverfront from Ochiltree Park to the former Jack Tar Hotel property at the Sabine River.

More than 100,000 square feet of new retail space was leased at Parkdale Mall in Beaumont and Central Mall in Port Arthur in the last year -- a testament to the recovering local economy.

### **PURCHASING MANAGERS INDEX (PMI)**

After 14 consecutive months of gains, the Houston Purchasing Managers Index (PMI) slipped slightly from 59.0 in May to 55.6 in June. This mirrors PMI trends nationwide. The moratorium on drilling is evident in the region's pullback. (Source: Greater Houston Partnership) Note: Houston's PMI is the best proxy indicator for short-term regional production in the Beaumont MSA.

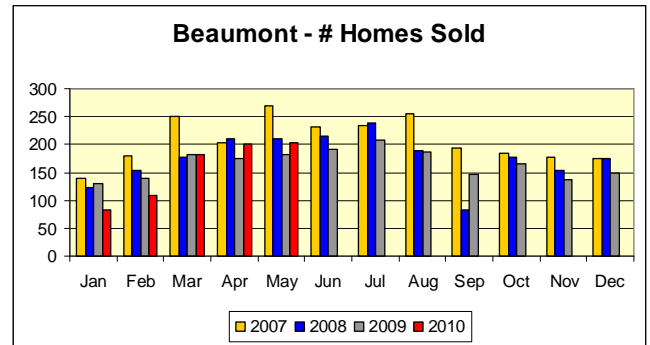
### **SALES TAX**

Nederland showed a whopping 20% increase in sales tax over the May of 2009, thanks to the success of its small businesses. Beaumont had a 2% increase - the first time this year that Beaumont showed an *increase* as compared to corresponding month a year ago. All of the other cities showed a decrease for May. The combined percentage change for all the cities in the region was -1% for May.

## REAL ESTATE

May's home sales numbers are still reflecting the stimulus tax credit for first-time home buyers.

Although the home had to be under contract by April 30, the buyers did not have to close on the home until June 30. That closing date has since been extended until August 30.



## UNEMPLOYMENT CLAIMS

After a slight drop in the previous month, initial unemployment claims in the Beaumont MSA increased slightly from May to June, but were 10% less than June of 2009. Continued claims increased again over the month, but were 24% less than June of 2009.

## EMPLOYMENT

The region added 600 in jobs in June, less than the 1,000 jobs added in May. The biggest increases were in construction and professional and business services. Though the number of jobs increased, the unemployment rate also increased from 10.7% in May to 11.2% in June. This is mainly due to the cyclical increase in number of people seeking summer jobs. Port Arthur still has the highest rate among the three cities, however, it showed the smallest increase in unemployment rate this month.

## HURRICANE IKE FUNDING

The U.S. Department of Housing and Urban Development (HUD) recently approved the State of Texas revised plan for \$1.7 billion in Round II Hurricane Community Development Block Grant (CDBG) Disaster Recovery funding. The plan allocates \$317,492,059 to the Southeast Texas region for non-housing and housing projects. The region's plan is due to the State of Texas on August 31.

## *State of Texas*

The EPA has overturned Texas' 16-year old air permitting program saying that it violates the Clean Air Act. The EPA is working directly with industry leaders to find a way to efficiently and effectively issue new air permits to the impacted plants.

In early July, Gov. Rick Perry announced the formation of the Gulf Project, a coalition of energy and environmental scientists, policy experts, academic researchers, private sector research scientists and state officials who will work in developing the next generation in offshore oil exploration safety and response. Texas' energy industry supplies 20% of the nation's oil production, 25% of the nation's natural gas production, 25% of the nation's refining capacity, and nearly 60% of the nation's chemical manufacturing. Additionally, Texas' energy industry employs 200,000 to 300,000 Texans, with \$35 billion in total wages.

According to the Texas Real Estate Center, Texas is poised for a 21st century boom for the following reasons: population and economic growth; low cost, available labor; pro-growth attitude; migration into State from elsewhere; attractive retirement areas; and most affordable state for land, housing and overall cost of living. The Houston MSA is expected to grow between 2 and 5 million more people between 2005 and 2030.

*Most of the information in this report was prepared from publicly available sources.*

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