

Economic Trends – August 2009

Beaumont / Port Arthur MSA

On the one year anniversary of simultaneous disasters – Hurricane Ike and the downward spiral of the US economy – the Beaumont / Port Arthur area is feeling the effects of both. In late 2008 and early 2009, the area seemed to defy the weakening the rest of the nation was experiencing. Federal support and insurance dollars spent in the area for recovery from Ike, as well as corporate dollars spent on restoration of industrial facilities flooded by Ike, bolstered the area during that time. Now that the Ike bubble has deflated, the area is feeling the pinch of high unemployment as well as decreased sales tax collections.

INDUSTRY

Gerdau Ameristeel Mill announced increasing production and hiring of an additional 40 employees as a result of Gerdau closing two steel mills in Oklahoma and New Jersey. Continuing construction projects include Motiva's \$7+ billion refinery expansion, TOTAL Petrochemical's \$2.2 billion Deep Conversion Project, and the new Golden Pass LNG facility.

On the down side, the MeadWestvaco plant in Evadale recently announced the shutdown of one production line and elimination of 40 full time positions. Lucite International announced that it will cease acrylonitrile production resulting in layoffs. Eastman Chemical announced that their \$1.5 billion gasification plant would not be operational by the end of 2013, as originally planned.

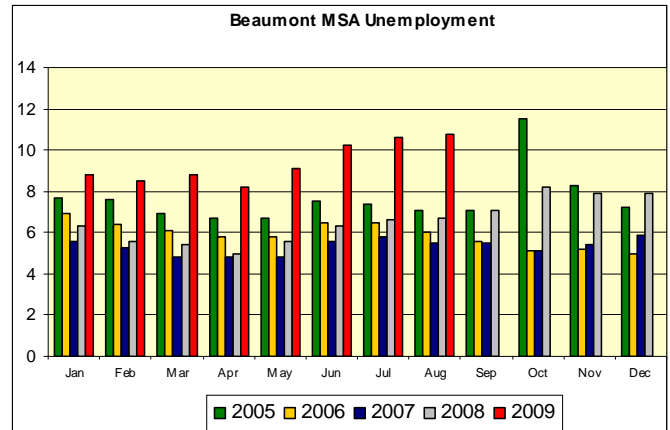
SALES TAX

The most marked change in economic indicators for the area was in sales tax collections. Comparing July 09 to July 08, the decrease was 16.7% for taxing entities tracked in the MSA. For the State of Texas, the decrease was 12.5%. Early in 2009, all entities were showing sales with positive growth over previous years. In late spring, the largest cities began to show declines. Now, every entity shows a decrease. Reduced income due to rising unemployment and fear of possible future unemployment are contributing factors. The Comptroller reports that most major sectors are experiencing the decline, including oil and gas, construction and retail trade.

Taxing Entity	% change (July)
Beaumont	-15.52%
Port Arthur	-22.11%
Orange (city)	-13.03%
Bridge City	-12.57%
West Orange	-9.84%

EMPLOYMENT

The unemployment rate for the area, like the rest of the nation, continued to climb in August. The area's rate of 10.8% compares on the high side of Texas' 8% rate and the US rate of 9.7%. Ten states with an unemployment rate of 10.8% or higher include California, Kentucky, Michigan, Nevada, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, and Tennessee.



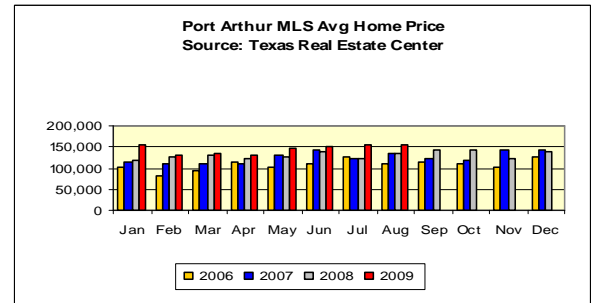
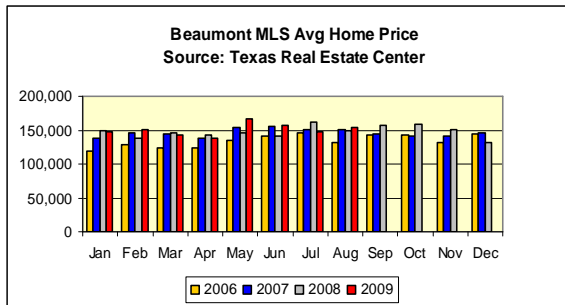
Total Nonagricultural Employment in the Beaumont - Port Arthur MSA increased by 200 jobs in August. Since August 2008, the MSA lost 8,700 jobs or -5.2 percent. The majority of the increase was in Local Government and Education and Health Services, with increases of 300 jobs and 200 jobs, respectively. Local Government employment increased with the return of employees to local school districts. Since the beginning of the year, Education and Health Services gained 600 positions. Retail Trade gained 100 jobs, following two months of month-over-month decreases. Transportation, Warehousing, and Utilities had a slight increase in August. The majority of the lost positions occurred in Mining, Logging, and Construction with 300 jobs lost. Financial Services and Other Services lost 100 positions each. (Source: Texas Workforce Commission)

REAL ESTATE

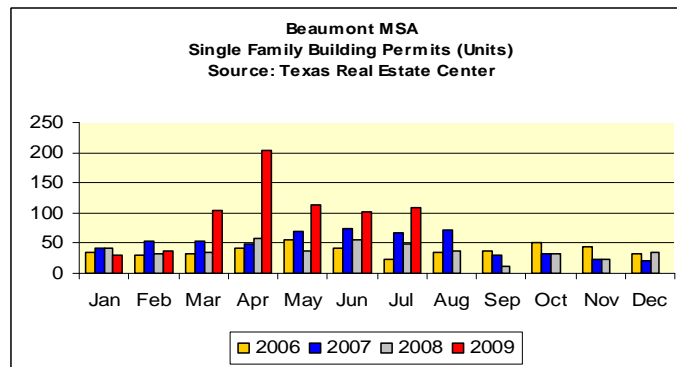
Low foreclosure activity in the area continues to compare favorably with Texas as a whole and certainly to the states hardest hit by foreclosure activity – California, Nevada, and Florida. The chart below shows the August 2009 statistics as provided by RealtyTrac.

Geographic area	Foreclosure rate
United States	1 in every 75,454 housing units
Texas	1 in every 837 housing units
California	1 in every 144 housing units
Nevada	1 in every 61 housing units
Florida	1 in every 139 housing units
Jefferson County	1 in every 1833 housing units
Orange County	1 in every 2227 housing units
Hardin County	1 in every 1747 housing units

While median home prices across the US fell a record 15.6% in the second quarter as compared to the same period in 2008, the Beaumont and Port Arthur home prices have been holding very well throughout the year.



The number of authorized housing permits in the areas continues throughout this year to be higher than previous years to due HUD funding flowing for Hurricane Rita and Ike.



STIMULUS FUNDING

Listed below are regional counties receiving more than \$4 million of stimulus funding (as of 9/10/2009). Our most populous counties, Jefferson, ranked 23rd in dollar amount received among all Texas counties.

	Population	Total recovery funding	County Funds per Capita	Ranking *
U.S.	304,059,724	\$121,204,759,203	\$181	
Texas	24,326,974	\$6,551,358,976	\$150	
Jefferson	243,090	\$27,985,832	\$115	23
Orange	83,022	\$4,692,828	\$57	100
Tyler	20,470	\$4,427,727	\$216	102
Hardin	52,143	\$4,059,243	\$78	106

TEXAS

The Texas General Land Office announced \$135 million plan for coastal erosion projects including \$51.9 million for McFaddin Beach and the Bolivar Peninsula, both in the Entergy Texas service area.

Texas Comptroller announced that Texas' sale of \$5.5 billion in Tax and Revenue Anticipation Notes (TRANs) achieved an interest rate of 0.48 % - the lowest rate the state has ever received on its annual sale of short-term notes. The high demand for Texas' high-quality notes drove the interest rate down to its historic low. Bond rating firms gave TRANs the highest possible ratings, showing confidence that Texas continues to be fiscally responsible by spending taxpayer dollars wisely.

Note: Data in this report was obtained from publicly available sources.