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QUARTERLY ECONOMIC INDICATORS -- SUMMARY

LEADING INDICATORS

* **ALTHOUGH THE ECONOMY IS SENDING OUT MIXED SIGNALS, THE SHORT TERM OUTLOOK CALLS FOR GUARDED OPTIMISM:** The general leading indicator took a sizeable jump in April (the largest monthly increase in nearly two years), dropped considerably in May, and rebounded in June.

* **SHORT-TERM FUTURE STILL TIED TO THE OIL INDUSTRY:** Increases in crude oil prices since November 1988, could bolster the petroleum industry, but the recent decline in futures prices makes forecasting difficult. The petroleum indicator rose in April and May, marking six consecutive months of increase following six months of straight decline. Because external forces exert considerable influence on the domestic industry, the outlook is unclear; but oil and gas seem generally to be on a slight recovery path.

* **PORT SHOULD CONTINUE RECENT UPWARD TREND IF NATIONAL BALANCE OF TRADE PATTERNS HOLD:** Port activity could experience adverse effects from the 7-month rise of the dollar, but recent growth in U.S. exports -- despite the strengthening of the dollar -- could more than offset this trend and actually boost the port. Forecasters expect the dollar to gradually fall for several years, creating an optimistic long-term outlook for the port. However, the ability of the port to fully capitalize on its future opportunities is in the hands of the voters of Louisiana, who will decide upon the fate of the Port's capital investment proposal this fall.

* **TOURISM SECTOR IS EXPECTED TO STABILIZE: 1990 SUPERBOWL TO BOOST ACTIVITY:** The tourism indicator declined in the second quarter, after increasing for seven consecutive quarters. This decline is viewed only as a flattening and not the signal of a major downturn in the industry. However, the Superbowl, which will be played in New Orleans in January, will attract thousands of visitors and pump hundreds of millions of dollars into the local economy. Yet, the long-run ability of the tourism industry to maintain growth will depend upon the willingness and ability of both state and local governments to invest in tourism promotion.

* **CONSTRUCTION CAN EXPECT THE WORST:** In the first six months of 1989, the construction indicator fell steadily, primarily due to the demise of the non-residential market. There is a glut of available space in the office market; and commercial, industrial, and retail vacancies are also relatively high. Still, for the extremely short term, prospects are fair since the few large contracts that were previously authorized are currently underway. However, the residential construction outlook is not any brighter. The value of contracts permitted in the first half of 1989 was the lowest in over a decade. And mortgage rates have risen nationally in each of the past six months. Even the small declines predicted for future national mortgage rates will have a minimal impact on local residential construction because of the substantial current housing surplus.

CONCURRENT INDICATORS

* **SECOND QUARTER PERFORMANCE SHOWS MARGINAL IMPROVEMENT:** Overall second quarter economic performance was relatively flat. But compared to the poor economic signals of late, this performance is viewed as a slightly positive sign.

* **UNEMPLOYMENT RATE HITS A 5-YEAR LOW; CIVILIAN LABOR FORCE DOWN, INDICATING CONTINUED OUTMIGRATION:** The second quarter unemployment rate toppled to 8.5%. Although unemployment fell by 3,800, only 2,900 more New Orleans area residents actually found jobs, resulting in a contraction of the labor force by about 1,000 people. This contraction indicates that outmigration from the area is continuing, albeit at a slower pace than in recent periods. Therefore, the drop in the unemployment rate paints a rosier picture of the New Orleans economy than is actually the case.

* **WAGE AND SALARY EMPLOYMENT UP SLIGHTLY:** Wholesale trade led all sectors in job growth (+900). Services followed, primarily due to an increase in the health care field. Retail trade was the big loser (-1,200) partly because of the takeover of D.H. Holmes by Dillard's. Finance, insurance, and real estate lost substantial employment, due to continued poor real estate market conditions. Mining also declined, and this decline does not include the Amoco labor force reductions which will occur primarily in the third quarter. Job losses across a number of industries underscore the continued fragility of the local economy.

* **PERSONAL INCOME JUMPS, DOESN'T REGISTER IN TAXABLE SALES:** Metro New Orleans personal income rose for three consecutive quarters. The first quarter estimate was up 2.5% from the fourth quarter of 1988 and 7.6% from the first quarter of 1988. Such growth indicates that purchasing power of New Orleans area residents continues to increase. And this is a positive sign. But in contrast, after adjusting for seasonal variation, taxable sales grew less than 1% from the fourth quarter and only 2.6% from the first quarter of 1988. Clearly, the gains in personal income are not yet being felt at metro area cash registers.

PARISH INDICATORS

* **JEFFERSON'S ECONOMIC RECOVERY DOMINATES ALL PARISHES:** Recent economic gains in the New Orleans metropolitan area, though experienced in each parish, are not evenly spread throughout the parishes. But Jefferson's performance leads the others. It has enjoyed the largest employment growth (nearly half of the total metro area increase), and its taxable sales continue to dominate the metro area. However, Orleans Parish experienced the largest increase in total wages paid; St. Tammany employment increased substantially; and St. Charles and St. John are plodding steadily. Despite increases in wages and taxable sales, St. Bernard Parish experienced only minimal job gains and its capacity for additional commercial development is limited.