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Division of Business and Economic Research, College of Business Administration, University of New Orleans

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**News Release**  
**November 19, 1987**

**1987:3 Economic Indicators for the New Orleans Metro Area**

The New Orleans Area Leading and Concurrent Economic Indicators are herein provided for July through September, 1987. The concurrent indicators show that the metro area economy has improved slightly over a year ago, but economic performance has varied greatly from sector to sector.

The general leading indicator rose by 2.4 points in July, to 94.2, then fell to 93.8 in August and remained at that level in September. In spite of the slight drop in August and September, the general leading indicator remains higher than in any quarter since 1985. This signifies that there should be a continuation of slow growth in the metro area economy in the balance of 1987 and into the first half of 1988.

The following pages contain analysis, tables and graphs. For further information, contact Dr. Michael A. Conte, Associate Director, UNO Division of Business and Economic Research, 286-6981, or Dr. Timothy P. Ryan, Director, UNO Division of Business and Economic Research, 286-6638.

Movement of the Leading Economic Indicators in 1987:3

Table 1 shows the movement in all five leading economic indicators for the months January, 1986 through September, 1987. Each of these indicators is also individually graphed for the months January, 1985 through September, 1987.

The general leading economic indicator, which is a barometer of future overall economic performance in the metropolitan area, rose sharply in July, then fell slightly in August and remained constant in September. The general leading indicator is constructed from three data series: an index of local help-wanted ads, the Louisiana rig count and the U.S. prime interest rate. On a seasonally adjusted basis, the help-wanted ads rose significantly in both July and August and then fell in September, reflecting a national trend in that month. The rig count jumped up by five points in July. It is the combined upward movement in these two components that caused the large increase in the general indicator in July, and neither of these components has dropped a great deal since then. The slight downward trend since July reflects the increase in interest rates which occurred in the late summer. Overall, it appears that the general indicator is remaining on the upward path that it began in the summer of 1986, implying that the metro area economy will continue on a slow upward growth course in the balance of 1987 and into the first half of 1988.

The petroleum indicator rose in July but fell in both August and September. This reflects the downward movement in crude oil prices and futures prices in those months. Nonetheless, the petroleum indicator remains much higher than it was a year ago. We expect to see continued growth in the rig count into 1988.

The Port indicator fell in July and August but then rose almost to its previous high in September, reflecting the fall in the value of the dollar in that month. Export activity at the Port, which accounts for the bulk of water transportation employment in the New Orleans metropolitan area, is likely to continue to grow as a result of the continuation of favorable export conditions resulting from a weakening dollar.

The tourism indicator has risen in five of the past seven quarters, and continued its increase in the third quarter of 1987. This reflects the continued expansion in the U.S. economy, which forms the basis of spending for family, business and convention travel. In addition to an expansion in the total pool of U.S. tourist dollars predicted by the tourism indicator, it is likely that tourism in the metropolitan area will also be boosted by the expansion of the Convention Center. This could have an

impact on the New Orleans economy via a modest expansion of employment in construction and business services as early as 1988, and will lead to additional service sector employment in subsequent years.

The construction indicator decreased in each of the months of July, August and September due to increases in mortgage interest rates and decreases in a three-month moving average of nonresidential construction contracts. The seasonally adjusted three-month moving average of residential construction contracts increased in August and September, but not enough to offset the movement of the other two components. As a result, it appears that construction activity will continue to decline in the coming months.

#### Predictive performance of the leading indicators

As shown in the accompanying graph, the general leading indicator has advanced in an unsteady fashion since June, 1986, implying that there would be slow and unsteady growth in metro area employment. Metropolitan area employment decreased in the second quarter of 1987 but rose in the third quarter, leaving the overall number of employed at 0.2% greater than this time last year, which is consistent with our prediction. The seasonally adjusted metropolitan area unemployment rate fell by a large margin, 2.3%. However, this reflects people withdrawing from the local labor force more than it reflects new employment activity.

As predicted, the major "growth industry" for the local area has been tourism, indicated by the increase of 3,700 jobs in the services sector, an 8.7% increase in deplanements and a 14.6% increase in hotel/motel occupancy tax revenues over a year earlier. The petroleum and financial sectors have also been steadily rebounding over the course of the past year.

Other sectors of the local area economy have fared less well, with the largest percentage declines (2.9%) in wholesale and retail trade and construction when comparing the third quarter of 1987 with one year previous. The decline in retail and wholesale trade has had the largest negative impact of any single local sector, accounting for a loss of 4,000 jobs in the metropolitan area in the last year. We do not yet have a leading indicator for retail or wholesale trade, and thus it is difficult to say whether this trend will continue.

Construction activity, while considerably lower than a year ago, has held steady since the fourth quarter of 1986. This is consistent with our construction indicator, which moved down in six of the last twelve months but moved up in the other six months. Hence, the picture here is extremely

mixed. Deseasonalized construction employment mirrored these trends, falling in 1986:4, rising in 1987:1, then falling in 1987:2 and rising again in 1987:3.

Metro area personal income dropped sharply in the second quarter of 1987; however, this followed a sharp increase in the previous quarter. Therefore, this does not signify a downward trend in the economy. Our procedure for estimating personal income involves a substantial lag time, which is why the personal income data are available only through 1987:2.

TABLE 1. NEW ORLEANS METROPOLITAN LEADING INDICATORS, 1986-1987

	I	II	III	IV	V
MONTH	GENERAL	PETROLEUM	PORT	TOURISM	CONSTRUCTION
1986					
JANUARY	92.7	101.6	88.0	.	84.7
FEBRUARY	92.3	95.0	90.5	119.6	88.4
MARCH	92.0	91.1	92.4	.	86.6
APRIL	91.4	88.7	91.8	.	86.9
MAY	90.4	90.1	93.6	121.2	85.7
JUNE	90.4	89.2	93.8	.	84.7
JULY	91.1	86.1	95.6	.	82.1
AUGUST	91.6	89.7	97.2	121.4	80.9
SEPTEMBER	92.4	90.0	98.0	.	81.4
OCTOBER	92.3	89.9	98.1	.	82.0
NOVEMBER	92.0	90.2	96.8	121.3	82.2
DECEMBER	91.7	91.3	98.7	.	83.3
1987					
JANUARY	92.4	93.0	102.0	.	83.0
FEBRUARY	92.5	93.5	103.2	122.2	85.4
MARCH	92.3	93.6	104.0	.	82.3
APRIL	92.6	94.1	104.5	.	83.6
MAY	92.9	95.1	105.8	121.8	82.5
JUNE	91.8	95.7	105.1	.	84.6
JULY	94.2	96.9	103.4	.	84.3
AUGUST	93.8	96.4	102.9	122.4	84.2
SEPTEMBER	93.8	95.4	105.3	.	83.8

TABLE 2. NEW ORLEANS METROPOLITAN CONCURRENT INDICATORS, 1986-1987  
(Quarterly data seasonally adjusted, except Consumer Price Index)

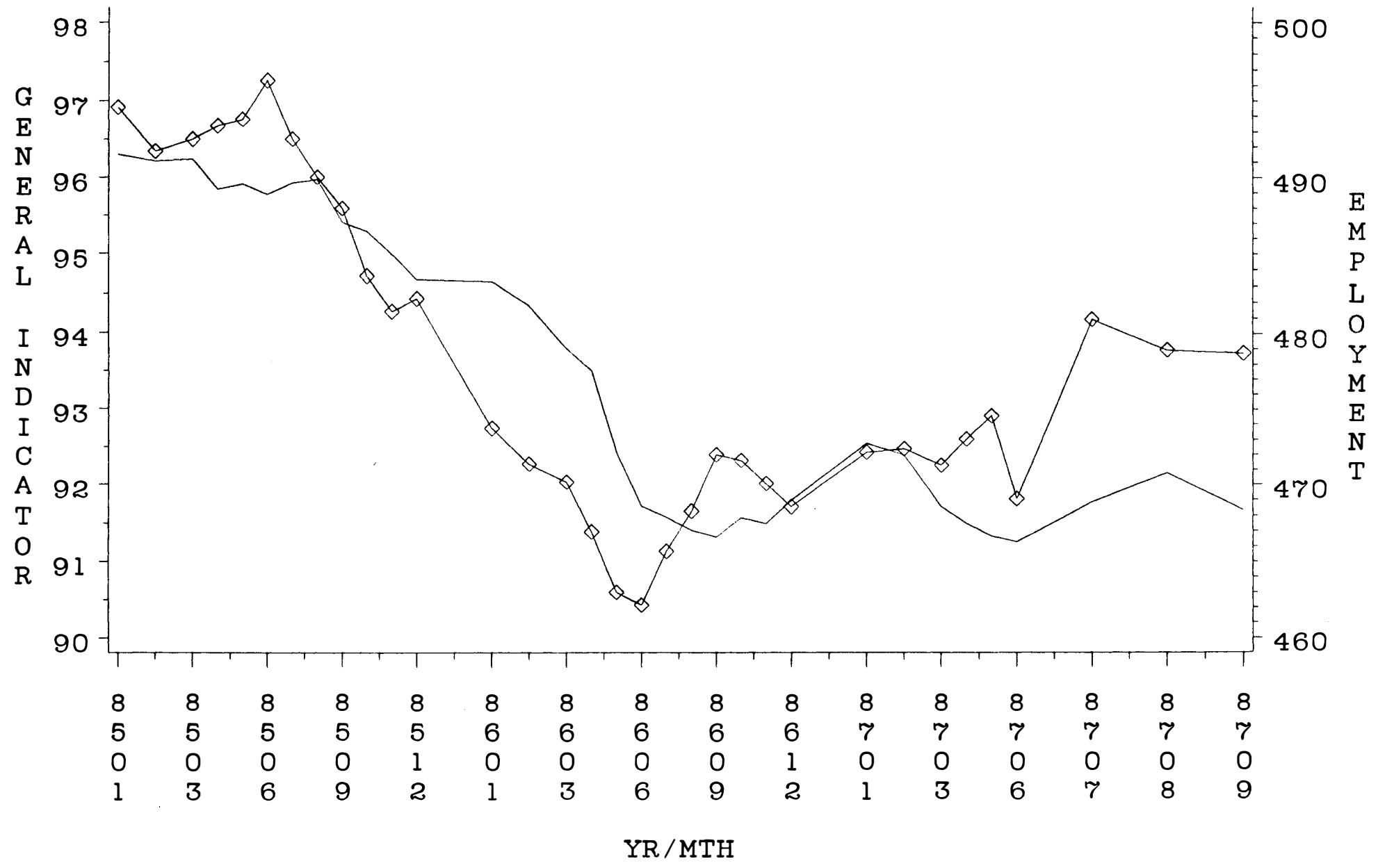
SERIES	1986:3	1986:4	1987:1	1987:2	1987:3	% Change
WAGE & SALARY EMPLOYMENT	510,288	510,193	514,033	508,581	511,467	0.2
MANUFACTURING	42,652	43,171	43,632	43,251	42,300	-0.8
DURABLE GOODS	20,720	20,814	21,020	21,210	20,718	.0
NONDURABLE GOODS	21,932	22,357	22,612	22,041	21,583	-1.6
NONMANUFACTURING	467,637	467,022	470,401	465,330	469,167	0.3
MINING	16,482	16,242	16,544	16,765	17,063	3.5
CONSTRUCTION	24,404	23,663	23,898	23,304	23,693	-2.9
TRANSPORTATION, COMMUNICATION, & PUBLIC UTILITIES	43,075	41,933	42,843	41,761	42,142	-2.2
WHOLESALE & RETAIL TRADE	137,533	136,192	135,115	133,130	133,539	-2.9
FINANCE, INSURANCE, & REAL ESTATE	32,782	33,273	34,202	33,818	33,400	1.9
SERVICES	128,748	130,872	132,806	132,151	132,448	2.9
GOVERNMENT	84,613	84,847	84,992	84,401	86,882	2.7
UNEMPLOYMENT RATE (%)	11.3	11.4	11.3	9.6	8.9	-2.3
DEPLANEMENTS (100)	7,941	8,345	8,879	8,775	8,631	8.7
HOTEL/MOTEL OCCUPANCY TAX REVENUES (\$1000)	2,343	2,987	3,350	3,143	2,522	7.6
PERSONAL INCOME (\$MIL) (a)	4,260	4,238	4,455	4,222	NA	-4.1 (b)
U.S. CONSUMER PRICE INDEX - URBAN (1967=100)	328.9	330.8	334.5	338.8	342.6	4.2

(a) Estimated.

(b) Percent change from 1986:2 to 1987:2

GENERAL INDICATOR VS METRO EMPLOYMENT

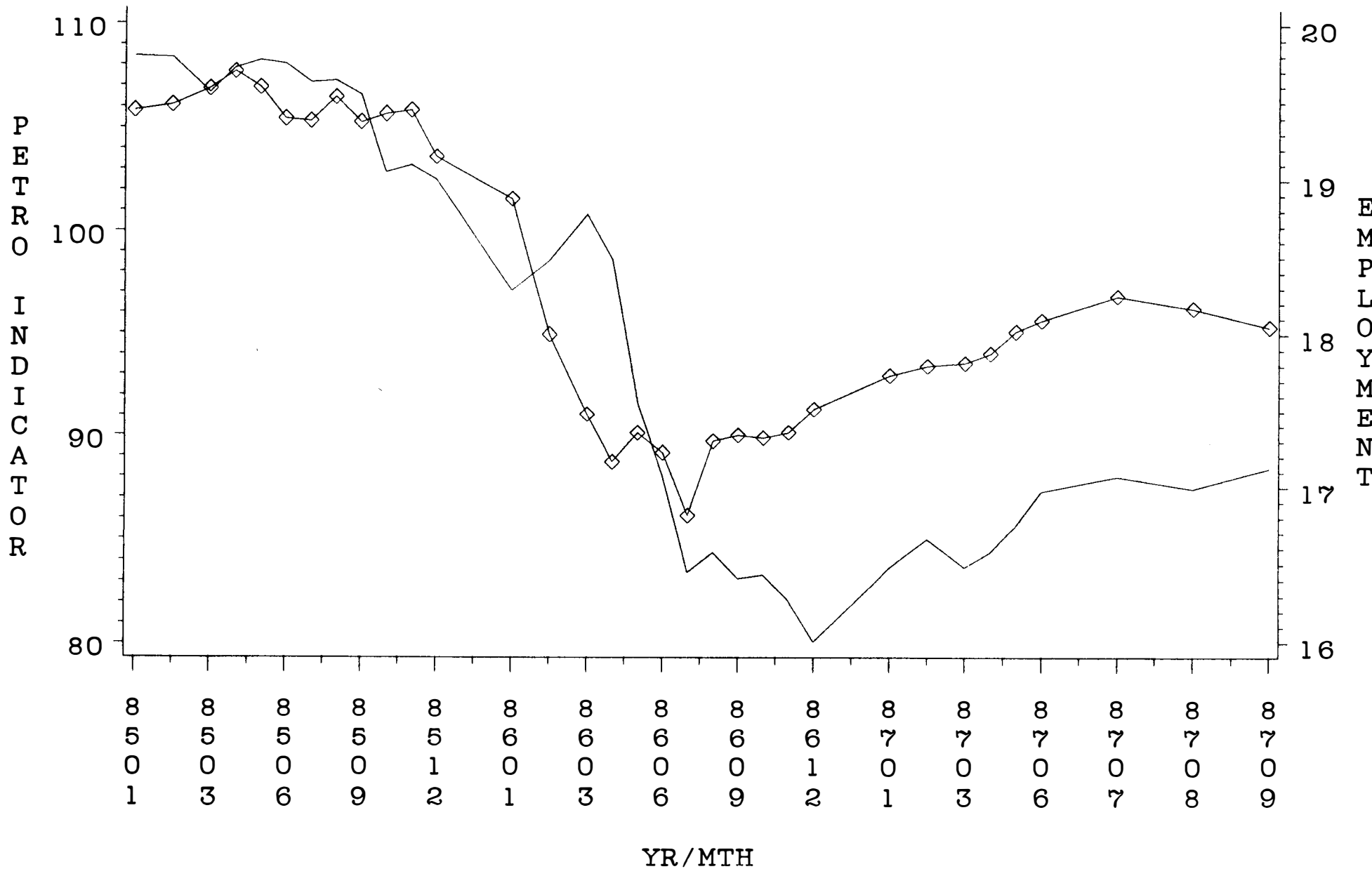
DIAMOND = INDICATOR, SOLID LINE = METRO EMPLOYMENT(thousands)





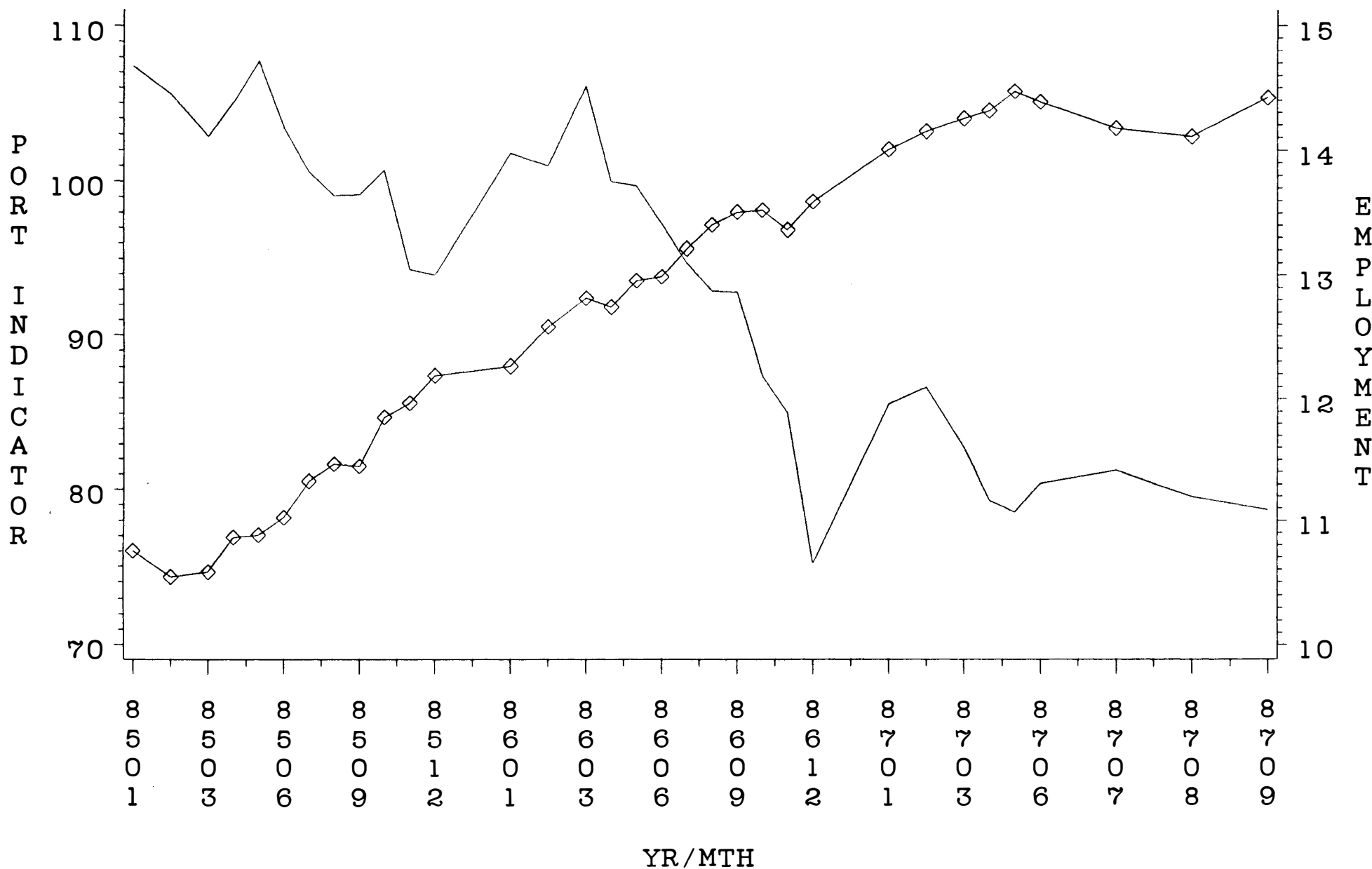
# PETROLEUM INDICATOR VS MINING EMPLOYMENT

DIAMOND = INDICATOR, SOLID LINE = MINING EMPLOYMENT(Thousands)

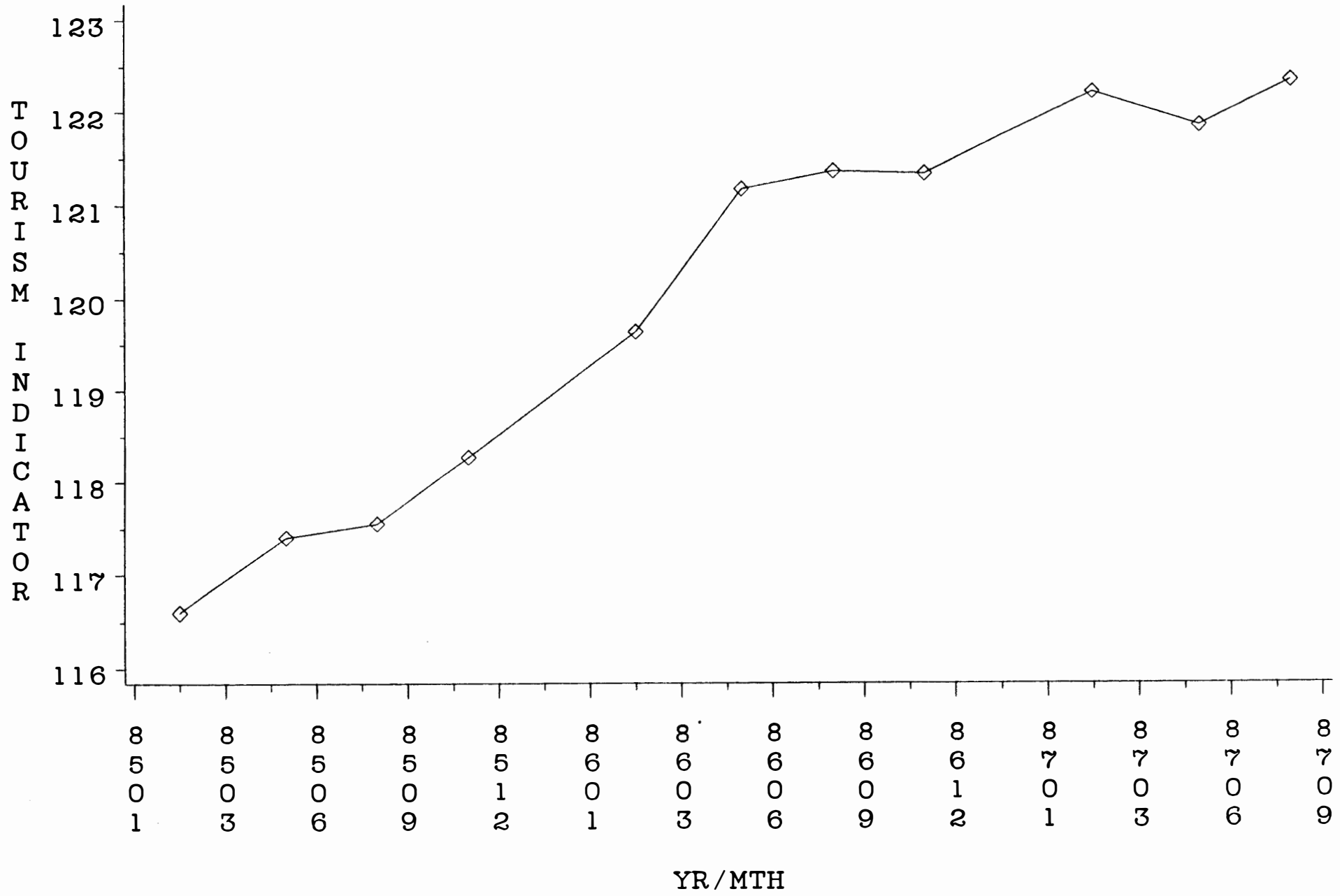


# PORT INDICATOR VS RELATED EMPLOYMENT

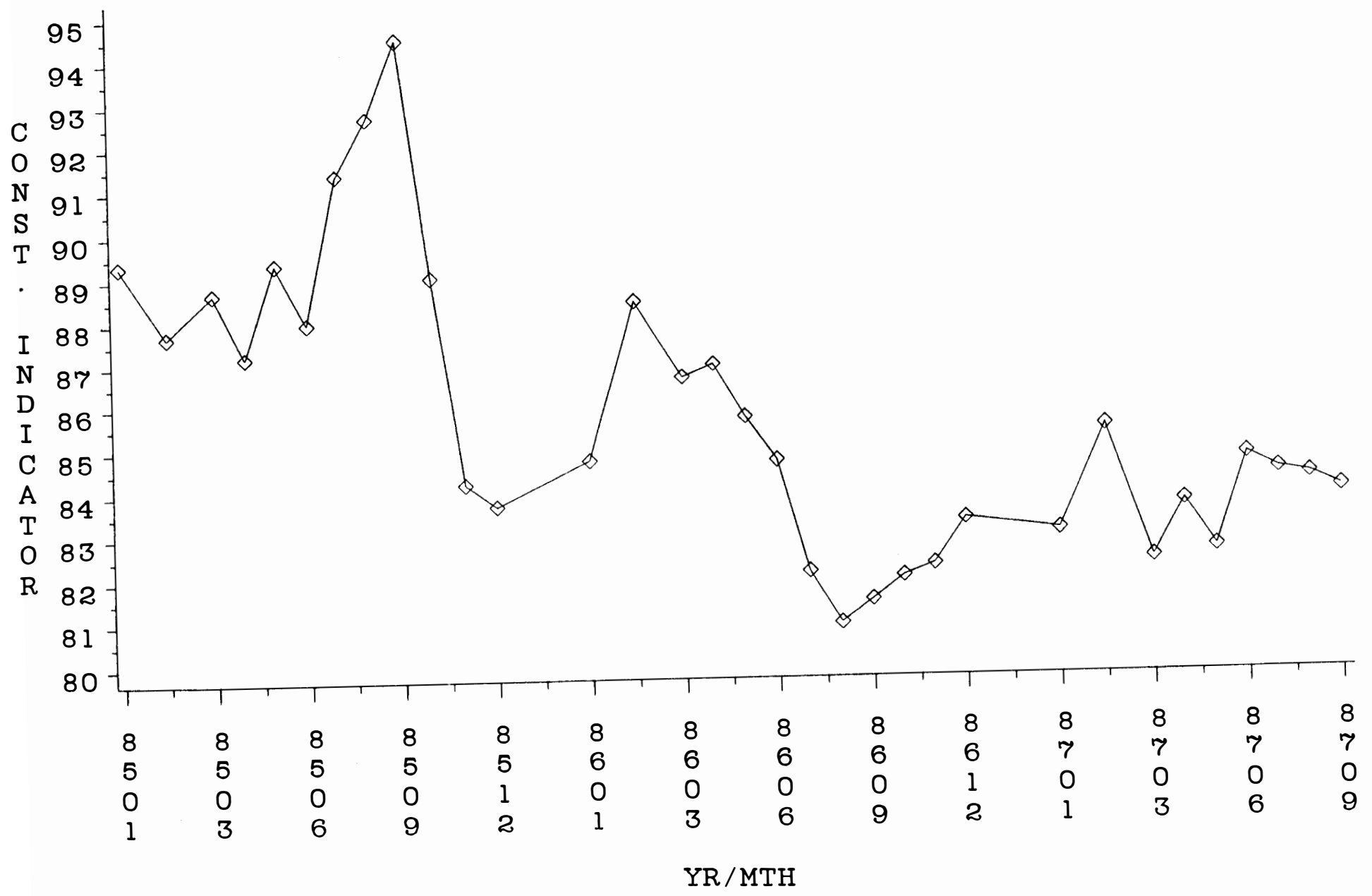
DIAMOND=INDICATOR, SOLID LINE=WATER TRANSPORTATION EMPLOYMENT(Thousands)



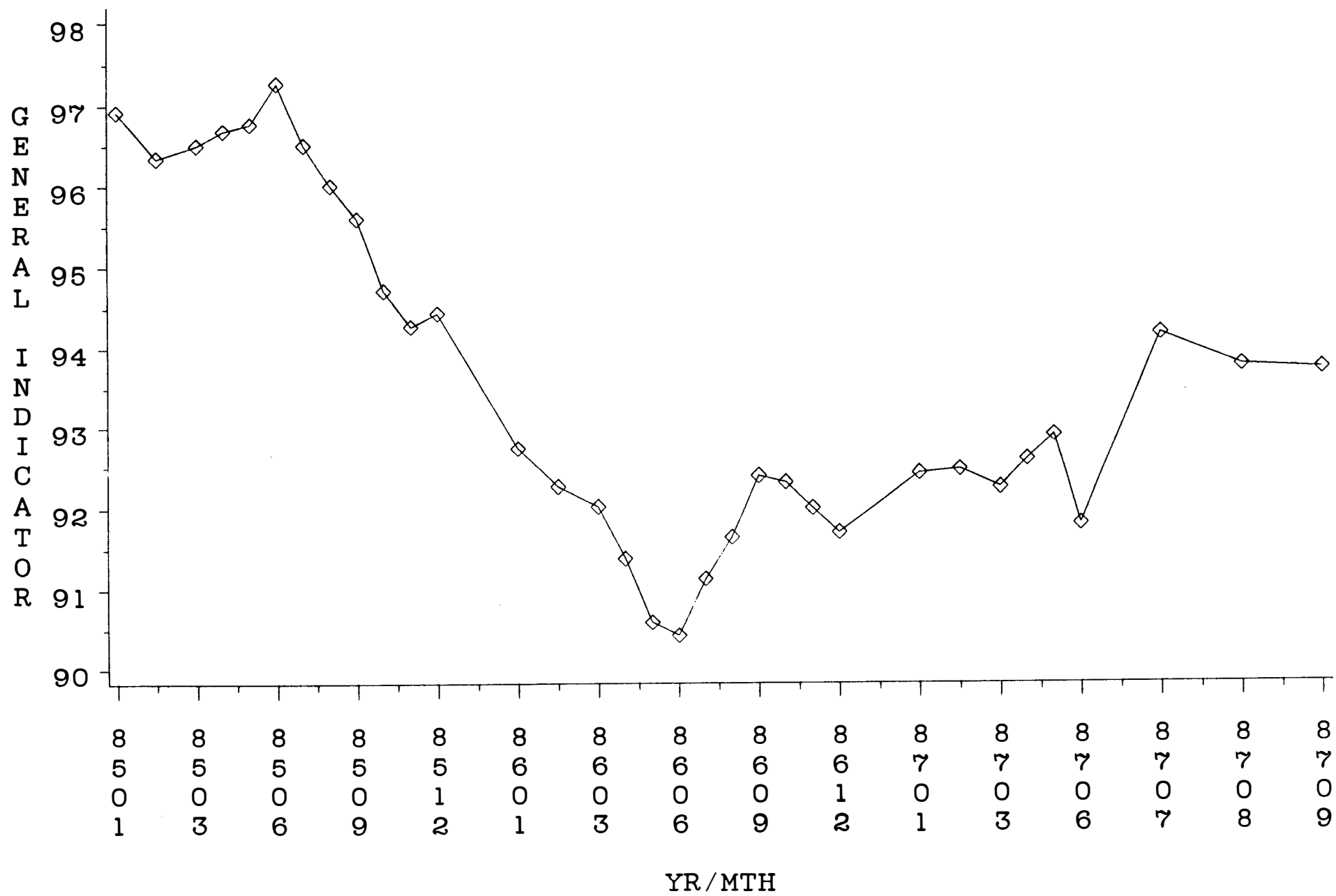
# TOURISM INDICATOR TREND 1965 - PRESENT



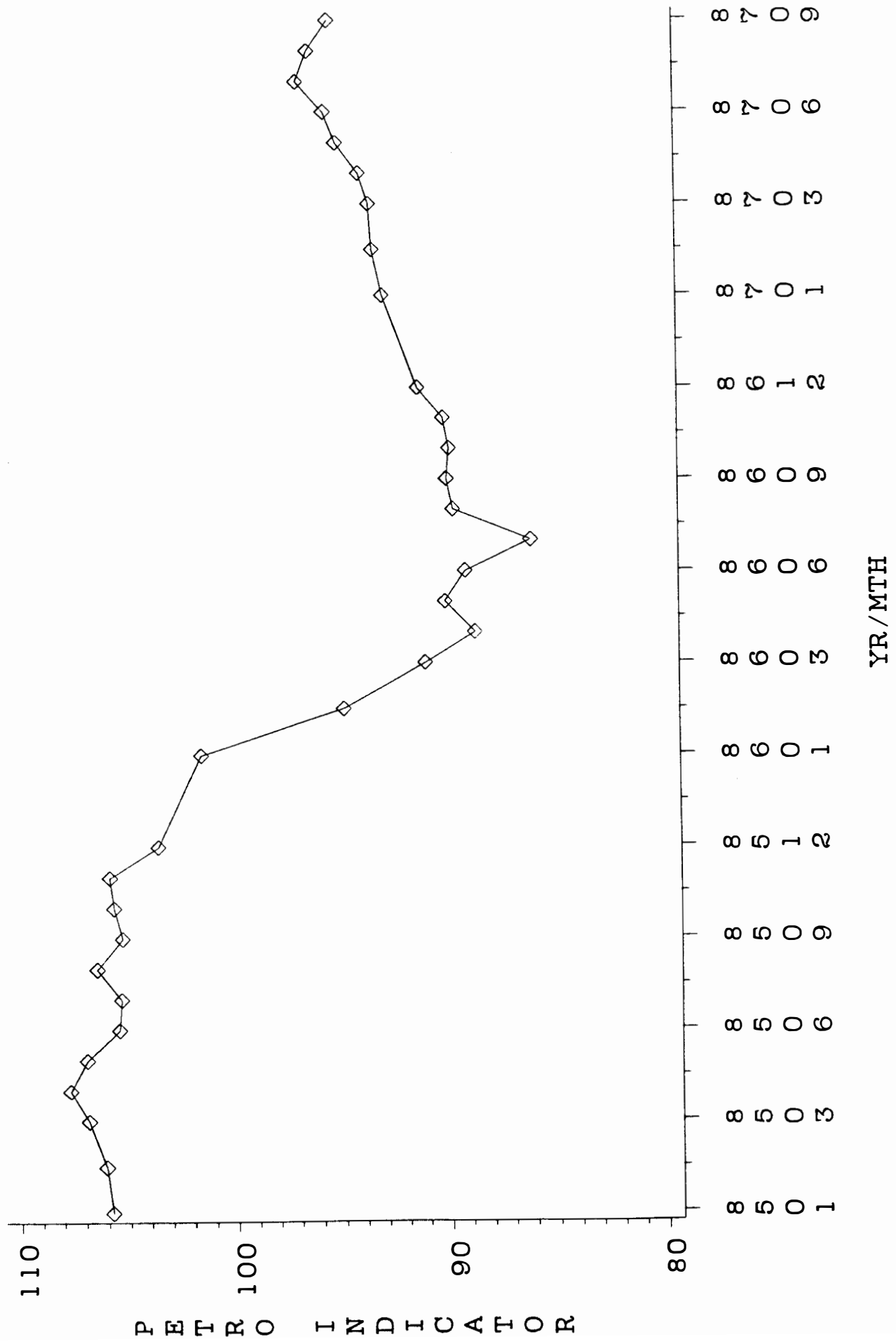
# CONSTRUCTION INDICATOR TREND 1965 - PRESENT



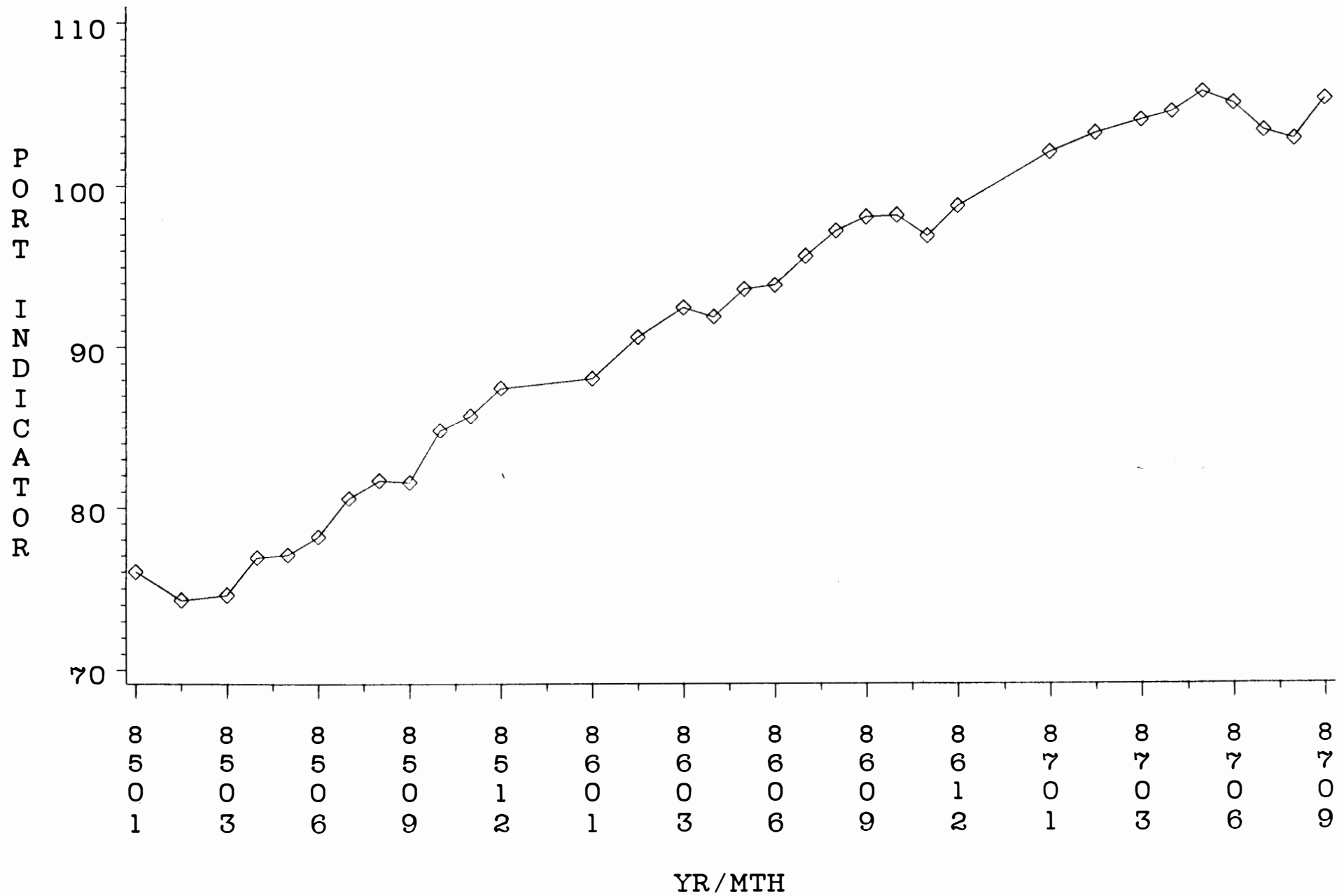
# GENERAL INDICATOR TREND 1955 - PRESENT



# PETROLEUM INDICATOR TREND 1903-PRESENT



# PORT INDICATOR TREND 1965-PRESENT



# CONSTRUCTION INDICATOR VS CONSTRUCTION EMPLOYMENT

DIAMOND = INDICATOR, SOLID LINE = CONSTRUCTION EMPLOYMENT(Thousands)

