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## Metropolitan Report - February 22, 1988

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

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## LEADING ECONOMIC INDICATORS:

### METRO AREA ECONOMY FLAT

New Orleans, LA - - Leading economic indicators from the UNO Division of Business and Economic Research show the metro area economy will probably be flat for the next six months.

The deseasonalized unemployment rate declined to 9.6% from 11.3% a year ago. However, metro area employment was unsteady in 1987; wage and salary employment in the 4th quarter was 0.4% lower than the corresponding quarter of 1986. Thus the decline in the unemployment rate reflects other factors - such as people leaving the area - rather than an increase in employment opportunities.

-- MORE --

LEADING INDICATORS (TABLE 1 and graphs attached)

GENERAL

The general leading economic indicator (a barometer of future overall performance in the metro area) held constant in October and rose slightly in November. Following a slight fall in December, the indicator remained at the same level as at the end of the 3rd quarter, 1987.

The flat performance of the general leading indicator points to little or no local area growth in the next six months.

The general leading indicator is a composite of three items: a New Orleans help wanted index, the Louisiana rig count and the prime interest rate. The help wanted index rose from 95.9 in September to 97.7 in December; however, the rig count was slightly down and the prime rate was higher.

PETROLEUM

Due to a fall in crude and futures oil prices, the petroleum indicator fell sharply in the 4th quarter, 1987. This indicator rose steadily in the first six months of 1987, foreshadowing drilling increases. However, further mining employment increases in the first half of 1988 are unlikely.

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#### PORT

Due to continued weakening of the dollar, the port indicator increased by 7% during the last quarter, 1987. This signals that the port should expand employment in 1988. However, employment increases will depend on continued U.S. export growth for grains, steel and coal, along with the possibility of an increase in New Orleans' market share for bagged goods.

#### TOURISM

The tourism indicator showed a modest gain in the last quarter, 1987. With the GOP convention and vacations approaching, area tourism should continue growing in coming months. Bond issue approval for expansion of the Convention Center makes long term prospects for tourism growth especially bright.

#### CONSTRUCTION

The construction indicator dropped in the months of October and November, and then increased in December. The December increase reflects a decline in mortgage interest rates and increases in residential construction contracts. However, nonresidential contracts remain low. Significant employment growth in construction is not foreseen for the near term.

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CONCURRENT INDICATORS (TABLE 2 and graphs attached)

WAGE & SALARY EMPLOYMENT

Local area employment growth was erratic in 1987. Average wage and salary employment for the year was 1.1% less than for 1986. Construction showed the greatest employment decline (5.8%) from 1986. Wholesale and retail trade declined by 3.9% over the year, while mining declined 3.7%.

Service industries had the best year. The finance, insurance, and real estate sector averaged 2.9% higher than 1986. Other services finished 2% higher.

Of significant interest is tourist activity, which contributes to service sector and retail trade employment. Deplanements rose by a full 7% in 1987 as compared to 1986, and hotel/motel tax revenues increased by 6.4%. However, hotel/motel tax revenues increased by 15.2% in the 4th quarter, while deplanements rose only by 1.7%.

These statistics imply a significant increase in tourists driving to the city in the 4th quarter. It appears that this resulted from major sports activity in New Orleans. High attendance at Saints home games (one with Houston, within driving distance), as well as a Sugar Bowl game with two out-of-region teams (one within a day's driving distance) apparently boosted hotel occupancy in December.

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Government employment neither rose nor fell in 1987 as compared with 1986, as seen in TABLE 2. This sector appears to have reached a plateau.

PREDICTIVE PERFORMANCE OF THE LEADING INDICATORS (TABLE 3 attached)

Beginning in mid-summer, 1986, the general leading indicator began a gradual, unsteady upswing, leading to a prediction that local area employment would bottom out in 1987.

Table 3 shows that this prediction was borne out. Wage and salary employment by place of work declined by 1.1% in 1987. This measures the number of persons working in the New Orleans metropolitan area, irrespective of where they lived. However, employment by place of residence (i.e., all employed persons living in the area) declined only by .1% in 1987. Both of these rates of decline were considerably lower than for 1986 (2.4% and 0.5%, respectively).

The rate of unemployment in the area reached a high of 10.9% in 1985 and 1986, but dropped to an average of 9.9% in 1987, consistent with the bottoming out prediction.

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We also predicted that tourism would grow in 1987. There are no direct measures of tourism or tourism-related employment. The best available measures are deplanements and hotel/motel tax revenues, both of which were up significantly in 1987.

Our prediction of increases in petroleum employment was also borne out. However, port employment did not rise as predicted. This was because of a fundamental restructuring of the ILA contract, which allowed for considerably less labor usage than previously, as well as competition from the entry of a new union on the waterfront.

We predicted an end to the slump in construction activity early in 1987, but subsequent mixed construction employment. Construction employment did increase in early 1987, with a substantial drop in the fourth quarter.

####

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

	I	II	III	IV	V
MONTH	GENERAL	PETROLEUM	PORT	TOURISM	CONSTRUCTION
1986					
JANUARY	92.7	101.7	88.2	.	84.8
FEBRUARY	92.3	95.0	90.6	119.3	88.5
MARCH	92.0	91.3	92.3	.	86.6
APRIL	91.4	88.9	91.7	.	86.9
MAY	90.7	90.2	93.4	120.8	85.7
JUNE	90.4	89.3	93.8	.	84.5
JULY	91.1	86.2	95.7	.	82.1
AUGUST	91.7	89.8	97.3	121.0	80.8
SEPTEMBER	92.3	90.1	98.5	.	81.3
OCTOBER	92.3	90.0	98.5	.	82.2
NOVEMBER	91.9	90.3	96.7	121.0	82.7
DECEMBER	91.7	91.2	98.4	.	82.7
1987					
JANUARY	92.4	93.1	102.2	.	83.1
FEBRUARY	92.5	93.5	103.1	121.8	85.5
MARCH	92.3	93.9	103.8	.	82.4
APRIL	92.6	94.3	104.3	.	83.6
MAY	93.0	95.2	105.5	121.5	82.6
JUNE	91.8	95.9	104.9	.	84.5
JULY	94.2	97.0	103.3	.	84.3
AUGUST	93.9	96.5	103.0	122.1	84.2
SEPTEMBER	93.7	95.1	105.9	.	83.8
OCTOBER	93.7	94.8	106.1	.	83.4
NOVEMBER	93.9	94.0	109.5	123.1	83.1
DECEMBER	93.7	92.1	113.0	.	84.5



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

SERIES	COMPARATIVE PERFORMANCE									
						1987:4	1987:4	1987		
	1986:4	1987:1	1987:2	1987:3	1987:4	VERSUS 1986:4	VERSUS 1987:3	VERSUS 1986		
WAGE & SALARY EMPLOYMENT	510,104	513,910	508,821	511,172	508,226	-0.4%	-0.6%	-1.1%		
MANUFACTURING	43,197	43,604	43,221	42,303	41,981	-2.8	-0.8	-0.8		
DURABLE GOODS	20,842	21,011	21,177	20,715	20,692	-0.7	-0.1	-0.6		
NONDURABLE GOODS	22,355	22,593	22,044	21,588	21,288	-4.8	-1.4	-1.0		
NONMANUFACTURING	466,908	470,305	465,600	468,869	466,245	-0.1	-0.6	-1.4		
MINING	16,290	16,528	16,747	17,035	16,070	-1.4	-5.7	-3.7		
CONSTRUCTION	23,649	23,874	23,375	23,646	22,435	-5.1	-5.1	-5.8		
TRANSPORTATION, COMMUNICATION, & PUBLIC UTILITIES	42,040	42,770	41,746	42,091	42,745	1.7	1.6	-2.9		
WHOLESALE & RETAIL TRADE	135,958	135,158	133,221	133,603	132,171	-2.8	-1.1	-3.9		
FINANCE, INSURANCE, & REAL ESTATE	33,215	34,218	33,819	33,432	33,714	1.5	0.8	2.9		
SERVICES	130,773	132,752	132,204	132,505	134,705	3.0	1.7	2.0		
GOVERNMENT	84,983	85,007	84,488	86,558	84,406	-0.7	-2.5	.0		
UNEMPLOYMENT RATE (%)	11.3	11.3	9.6	9.0	9.6	-1.7	0.6	-1.0		
DEPLACEMENTS (100)	8,328	8,893	8,774	8,634	8,469	1.7	-1.9	7.0		
HOTEL/MOTEL OCCUPANCY TAX REVENUES (\$THOU)	28,659	31,296	30,674	29,278	33,022	15.2	12.8	6.4		
PERSONAL INCOME (\$MILL) <sup>a</sup>	4,238	4,448	4,232	4,291	NA	0.7 <sup>b</sup>	1.4 <sup>c</sup>	0.6 <sup>d</sup>		
U.S. CONSUMER PRICE INDEX -- URBAN (1967=100)	330.8	334.5	338.8	342.6	345.7	4.5	0.9	3.7		

<sup>a</sup>Estimated by UNO Division of Business and Economic Research.

<sup>b</sup>1987:3 versus 1986:3.

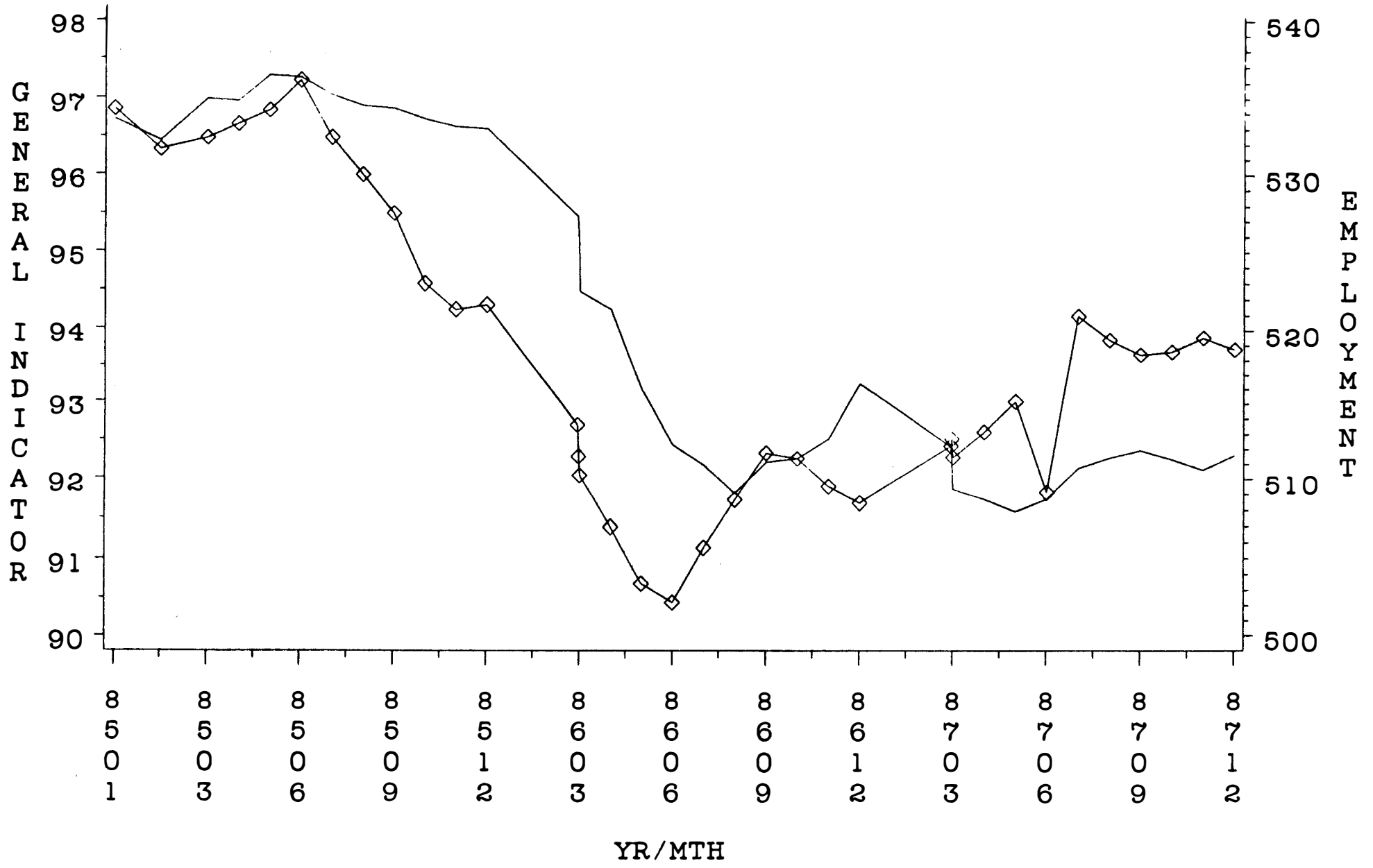
<sup>c</sup>1987:3 versus 1987:2.

<sup>d</sup>Through First 3 Quarters.

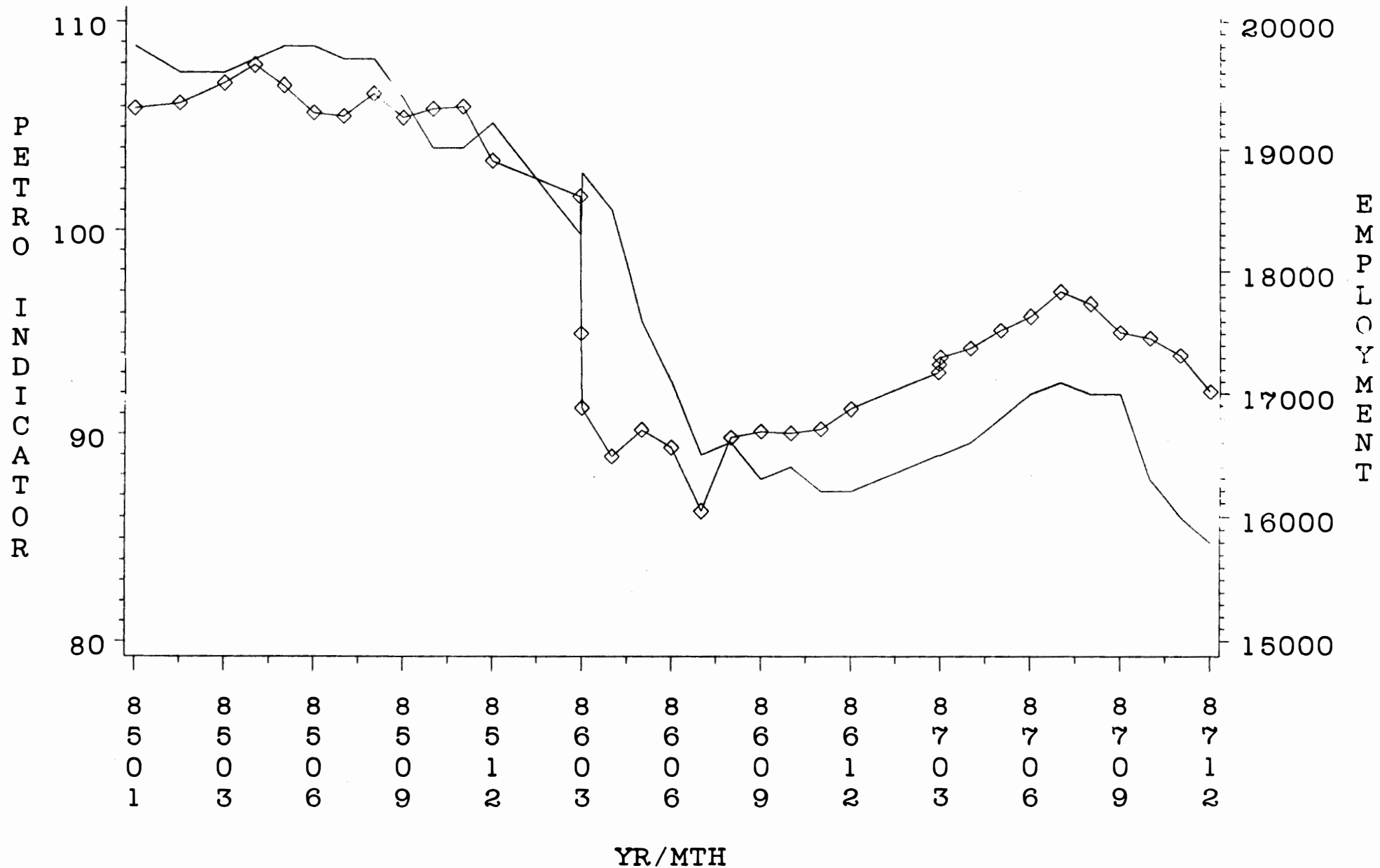
TABLE 3. NEW ORLEANS METROPOLITAN CONCURRENT INDICATORS, 1983-1987

SERIES	1983	1984	1985	1986	1987
WAGE & SALARY EMPLOYMENT					
PLACE OF WORK	533,164	545,133	533,504	520,563	510,532
Percent Change		2.2%	-2.1%	-2.4%	-1.1%
LOCAL EMPLOYMENT					
PLACE OF RESIDENCE	531,650	550,975	543,808	541,042	540,400
Percent Change		3.6%	-1.3%	-0.5%	-0.1%
DOMESTIC LABOR FORCE					
Percent Change	592,375	604,975	610,483	606,967	599,550
		2.1%	0.9%	-0.6%	-1.2%
UNEMPLOYMENT					
Percent Change	60,725	54,000	66,675	65,925	59,150
		-11.1%	23.5%	-1.1%	-10.3%
EMPLOYMENT RATE	10.3%	8.9%	10.9%	10.9%	9.9%
PERMITS (100)					
Percent Change	29,460	33,156	31,164	32,508	34,770
		12.5%	-6.0%	4.3%	7.0%
RESTAURANT/MOTEL OCCUPANCY					
REVENUES (\$THOU)	90,912	122,496	109,728	116,484	124,270
Percent Change		34.7%	-10.4%	6.2%	6.4%

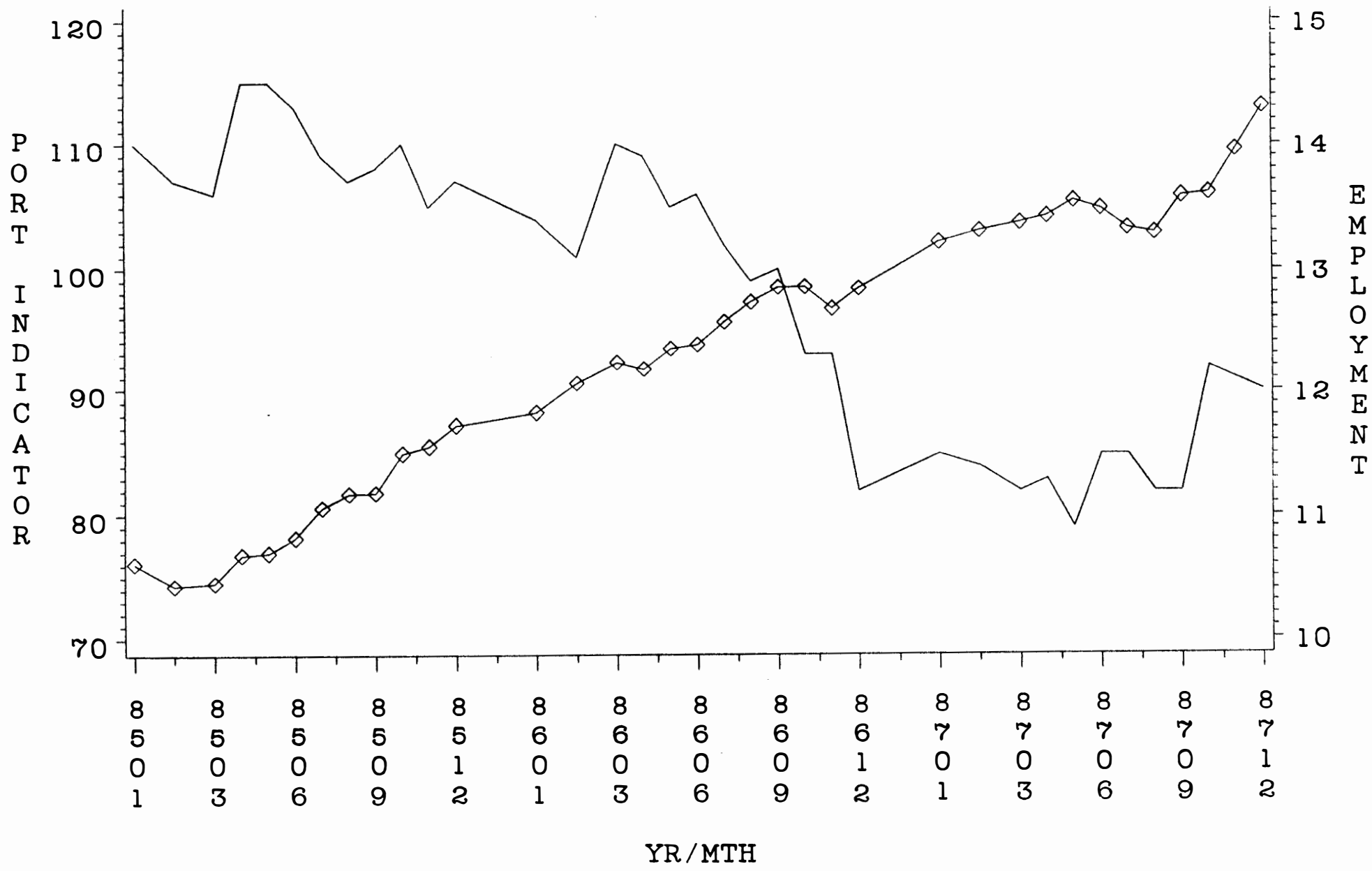
DIAMOND = INDICATOR, SOLID LINE = METRO EMPLOYMENT(thousands)



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

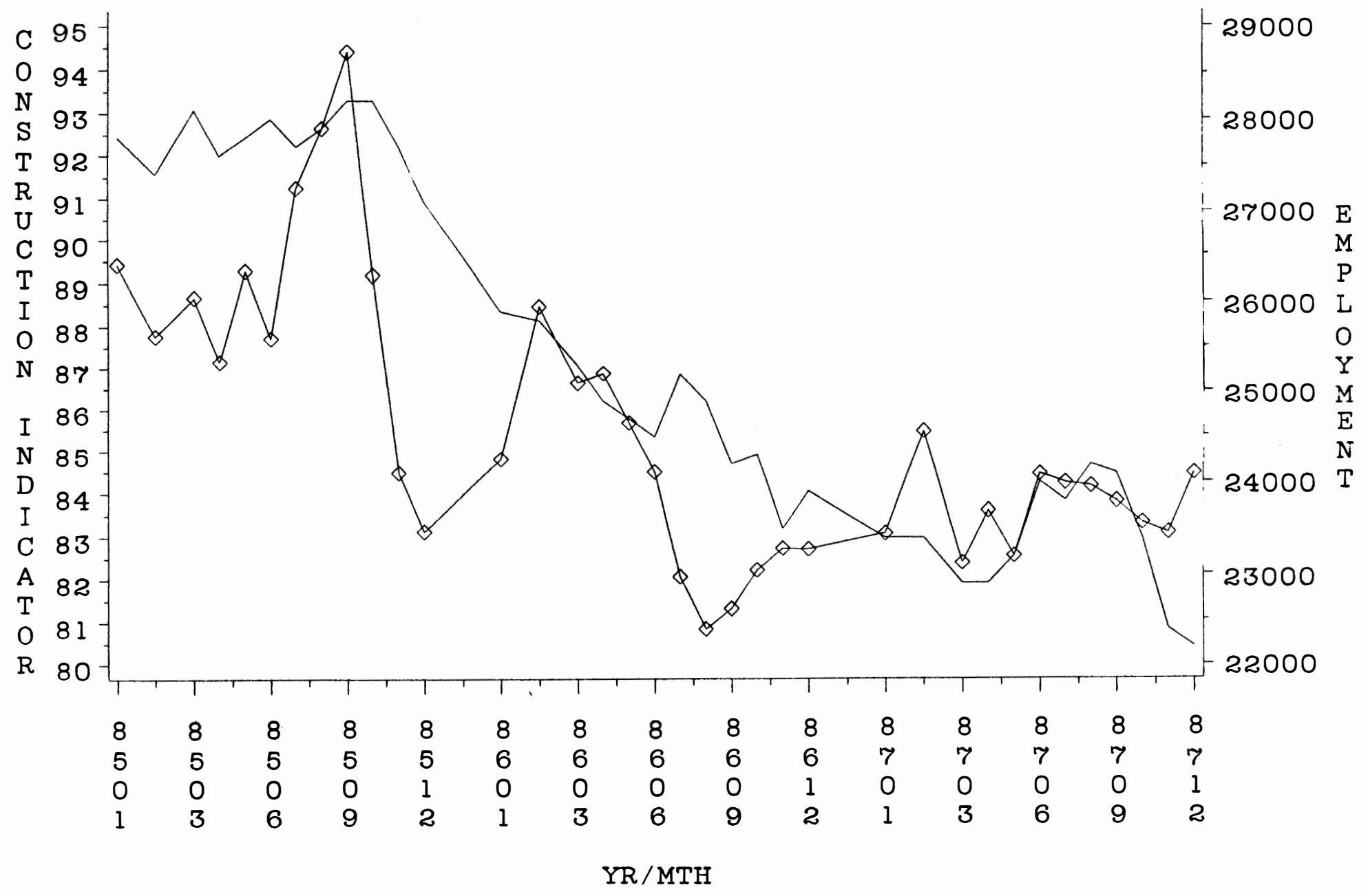


DIAMOND=INDICATOR, SOLID LINE=WATER TRANSPORTATION EMPLOYMENT(Thousands)

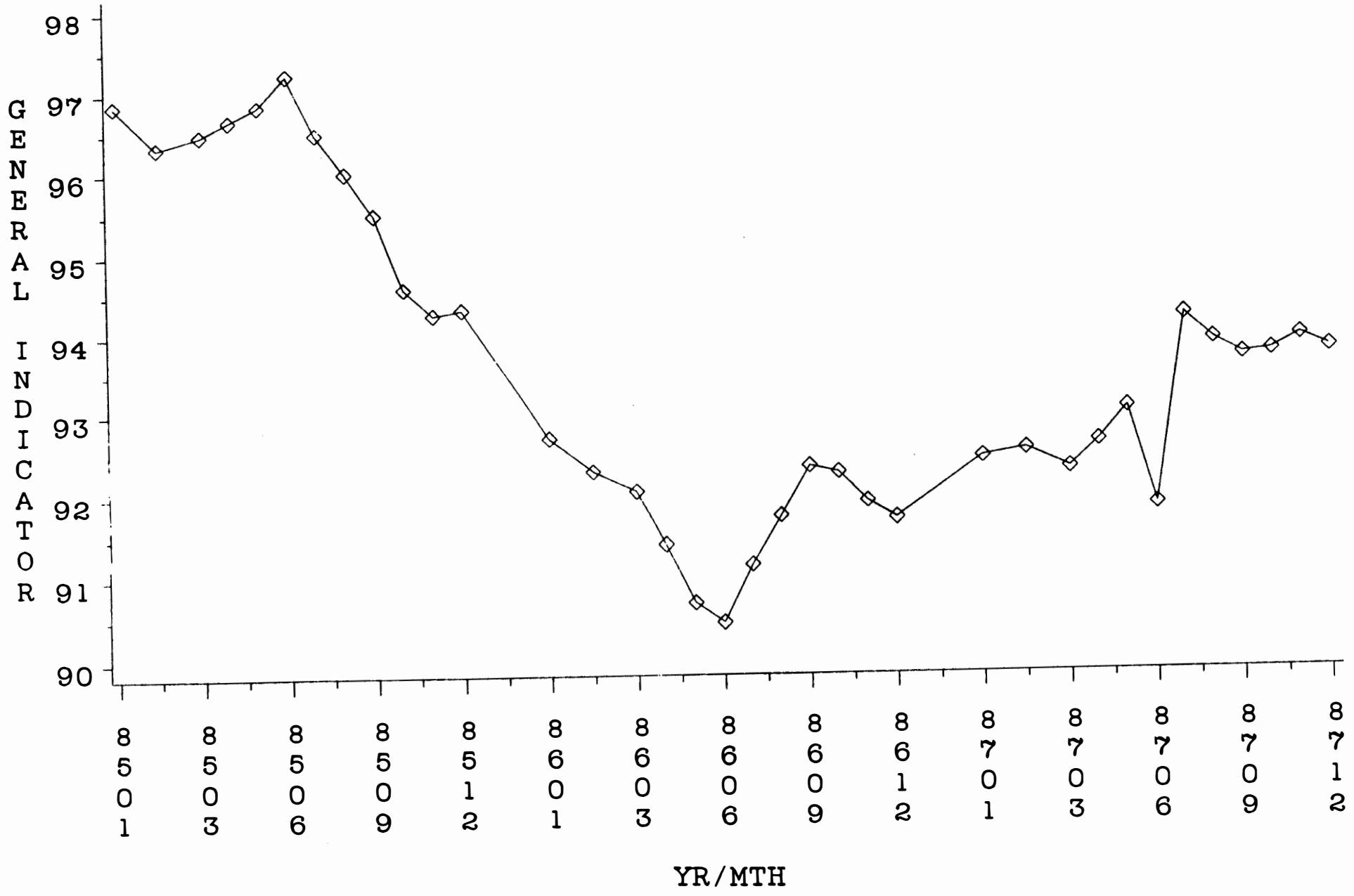


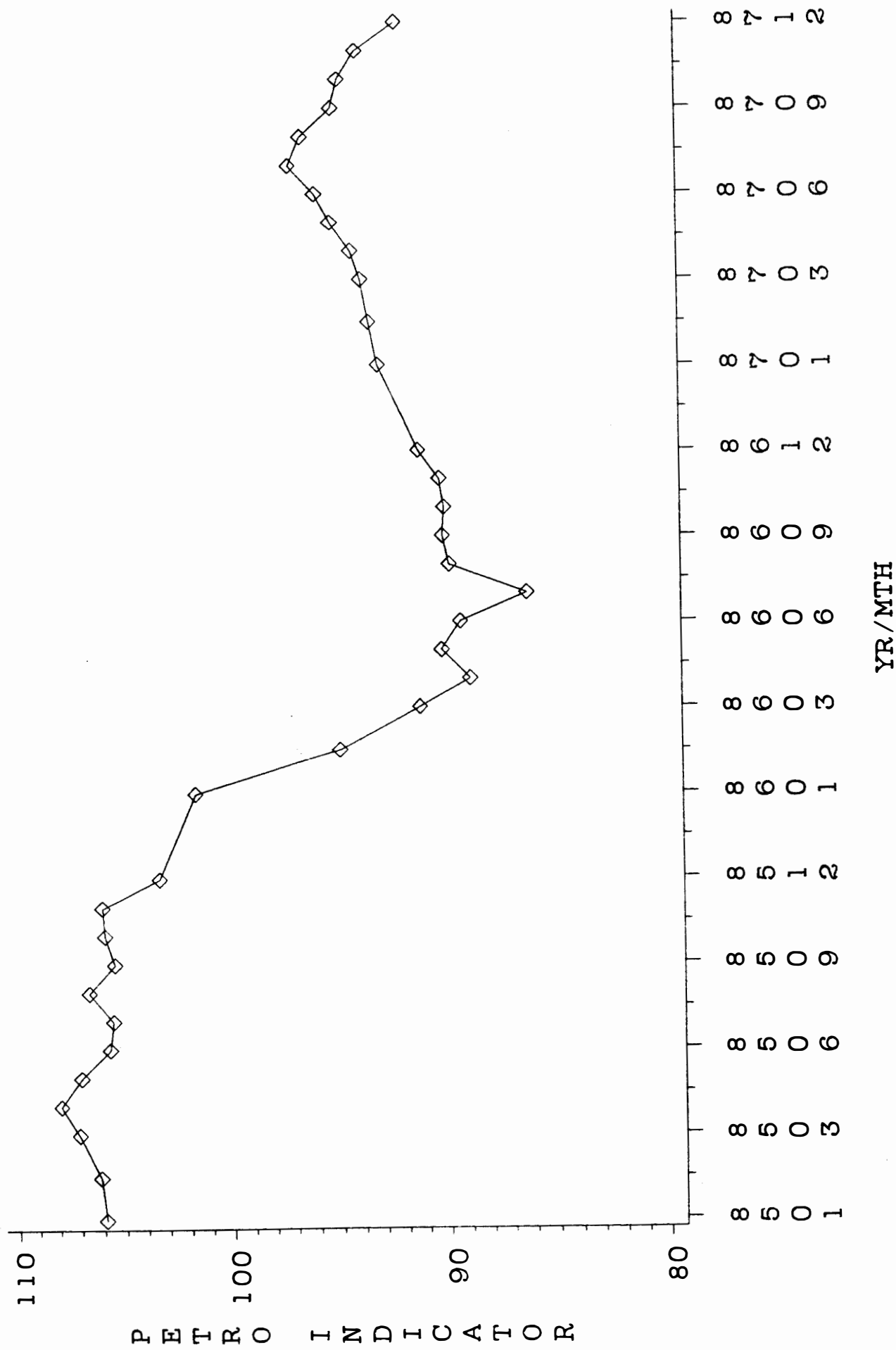
# CONSTRUCTION INDICATOR VS CONSTRUCTION EMPLOYMENT

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

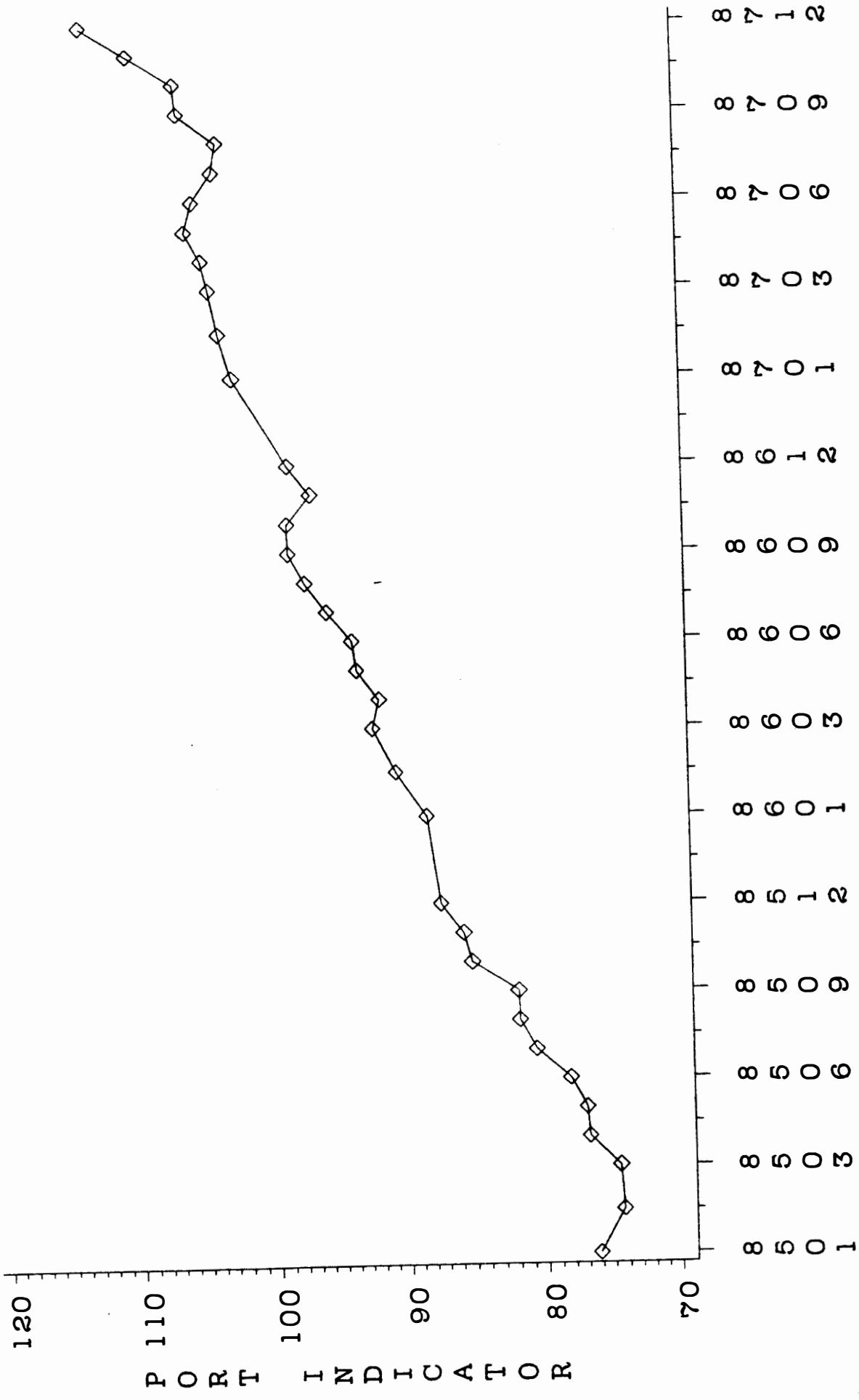


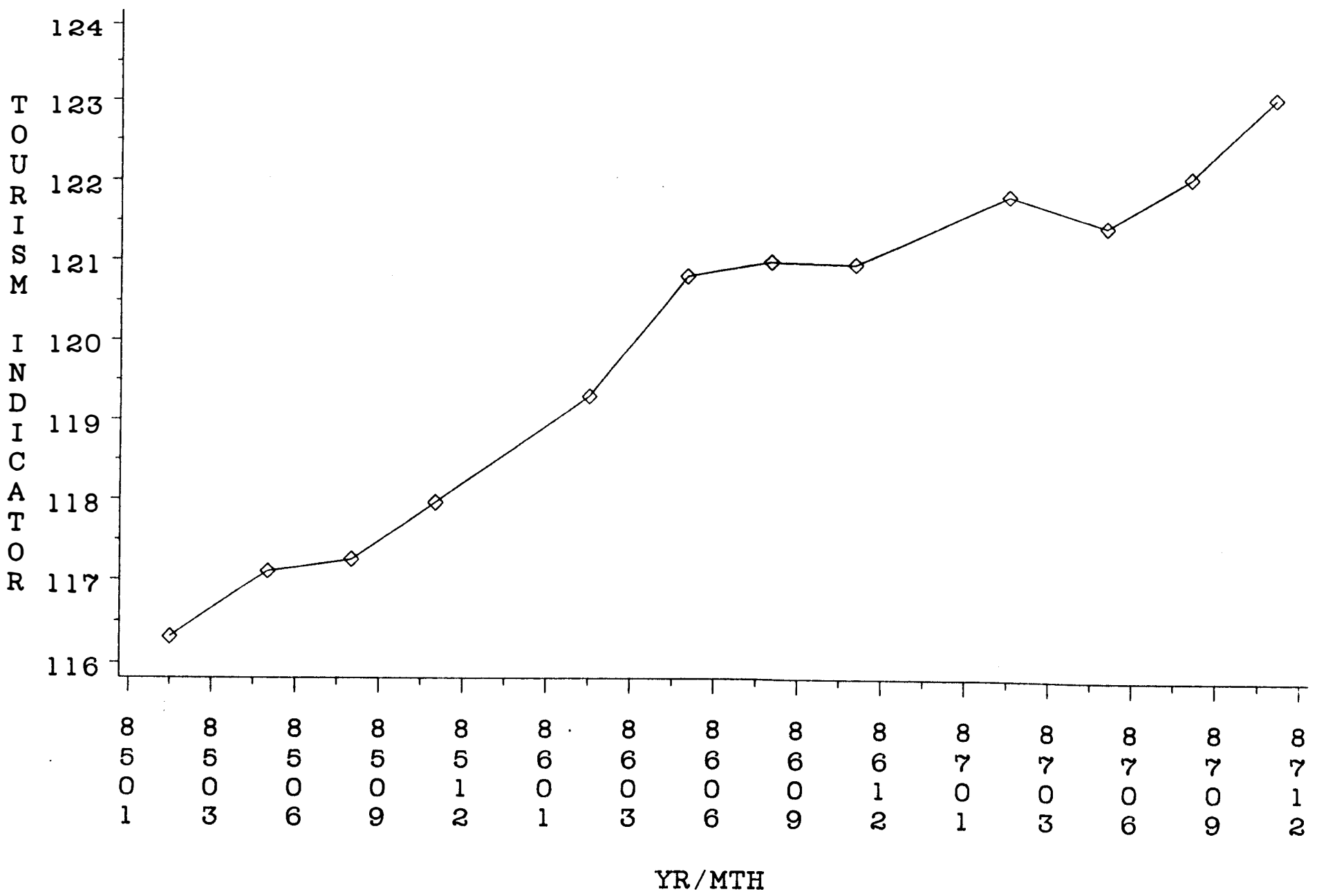
GENERAL INDICATOR TREND 1965-PRESENT











CONSTRUCTION INDICATOR TREND 1985-PRESENT

