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Metropolitan Report - May 23, 1988

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

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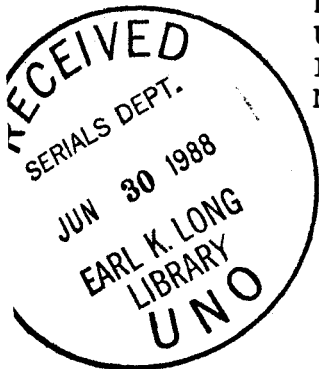
University of New Orleans

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DIVISION OF BUSINESS AND
ECONOMIC RESEARCH

* * * * * N E W S R E L E A S E * * * * *

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May 23, 1988

FOR IMMEDIATE RELEASE

LEADING ECONOMIC INDICATORS: CONTINUED GROWTH EXPECTED FOR METRO AREA ECONOMY; NEW STATISTICS AVAILABLE ON PARISH-LEVEL RETAIL SALES: INFLATION-ADJUSTED RETAIL SALES HAVE DECLINED AN AVERAGE OF 13.7% IN ORLEANS, JEFFERSON, ST. TAMMANY AND ST. JOHN IN THE PAST THREE YEARS.

New Orleans, LA - - Leading economic indicators from the UNO Division of Business and Economic Research show that the metropolitan area economy should enjoy continued slow growth over the next six months.

The deseasonalized unemployment rate rose to an average of 9.9% in the first quarter of 1988, down from 11.2% a year

-- MORE --

ago, but up from 8.8% in the previous quarter. However, metro area wage and salary employment also rose significantly. The greatest percentage growth was in durable goods manufacturing.

The trend in wage and salary employment (See Table 2) implies that basic industries in the New Orleans metropolitan area have been slowly and irregularly expanding over the last year. However, the metropolitan area labor force (not reported here) decreased by about 15,000 persons between 1987:1 and 1988:1. This category includes proprietors and commission sales personnel in addition to wage and salary employees. On the basis of these facts, we conclude that numerous proprietorships, partnerships and other small businesses which were formed in 1986 and early 1987 have shut down. Such closures would account for the simultaneous increase in wage and salary employment along with the increase in the unemployment rate.

New statistics on retail sales for four metro area parishes show that retail sales have declined significantly in the metropolitan area. However, these declines have not been evenly spread over the parishes. Of the four parishes for which data are available, St. John suffered the worst declines (9.5%) since 1984, while St. Tammany retail sales increased by 4.6% in that time. Over the same time period,

retail sales in both Orleans and Jefferson Parishes fell substantially (4.6% and 6.2%, respectively).

LEADING INDICATORS (TABLE 1 and graphs attached)

GENERAL

The general leading economic indicator, a barometer of future overall employment in the metro area, rose in each of the first three months of 1988. (See Graph I.) The indicator stood at 93.7 in December, and rose to 95.0 in March.

The solid performance of the general leading indicator over this time points to a period of positive wage and salary employment growth in the next six months. However, self-employment and employment on commission may be flat or even decrease further.

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 deseasonalized value of the help-wanted index rose from 97.7 in December to 98.1 in March and the rig count rose from 87.6 to 90.0, while the prime rate fell slightly on a deseasonalized basis. All of these are positive developments.

Note, however, that oil price decreases in the last quarter of 1987 and a recently tightened federal monetary policy may reverse some of these gains in coming months.

PETROLEUM

The petroleum indicator encompasses two components: crude and futures oil prices. Both of these fell sharply in the fourth quarter of 1987. (See Graph II.) Crude prices continued their drop into the early months of 1988; however, this is normal in these months. As a result, the deseasonalized value of crude oil prices was actually higher in March, 1988, than in January. However, deseasonalized futures prices were lower in March. Overall, the petroleum indicator fell from 92.3 in December, 1987, to 91.4 in March, 1988, signifying a (probably temporary) slowdown to the recent expansion of drilling activity in the Gulf.

PORT

The U.S. currency exchange rate firmed slightly in the first quarter of 1988, which lowered the value of the Port indicator. (See Graph III.) In spite of this, the Port indicator ended the quarter at 111.3, compared with 101.8 in January, 1987. Therefore, recent gains in employment on the docks do not appear to be threatened. Metro area water

transportation employment totalled 12,900 in March, 1988, compared with 12,100 in January, 1987.

However, prospects for further growth in waterfront employment hinge greatly on the resolution of terms of the master ILA contract which has recently been in dispute, as well as the outcome of negotiations with several steamship lines which have made significant changes in their routing patterns.

TOURISM

The tourism indicator continued to rise steadily in the first quarter of 1988. (See Graph IV.) With the GOP convention and vacations approaching, area tourism should continue growing in coming months.

CONSTRUCTION

The construction indicator, comprised of mortgage interest rates and residential and nonresidential construction contracts, dropped substantially in February and March, 1988 after experiencing an increase in January. (See Graph V.)

Nonresidential construction contracts fell from \$25.9 million in December to \$24.7 million in January, \$22.5 million in February and \$15.9 million in March. This accounts for the dramatic decline in those months. It

appears that the slump in construction will continue for at least most of the balance of the year.

CONCURRENT INDICATORS (TABLE 2 attached)

WAGE AND SALARY EMPLOYMENT

Local area wage and salary employment rose 0.7% in the first quarter of 1988, as compared both with the previous quarter and the first quarter of 1987. Overall, the metro area added 3,535 new wage or salary jobs over the past four quarters. However, this employment growth has been unevenly spread over the various sectors.

Durable goods manufacturing showed the greatest percentage gain, with a 10.3% increase in the last four quarters. This sector added 2,055 new jobs. Most of the net increase in this sector was accounted for by new employment at Avondale shipyards, which added about 1900 new employees to their payroll.

Mining employment enjoyed a healthy 5.2% growth over the past four quarters, all of it coming in the first quarter of 1988. This reflects significantly increased drilling activity in the Gulf. However, further advances in mining employment this year are unlikely unless oil prices begin to rise again in the next few months.

Wholesale and retail trade employment fell 0.1% over the past four quarters, but increased by 0.8% in the last quarter. This sector may have seen the end of its decline. However, several recent developments are unsettling in this regard. This includes recently announced additional layoffs of 200 persons at Martin Marietta and the relocating of several hundred major oil company employees out of the metropolitan area. Combined with possible additional City government layoffs, this may create a new round of declines in retail sales in the metro area and possibly diminish the net employment gains predicted above.

Construction employment showed significant growth (3.9%) in the first quarter; however, this trend is likely to be reversed in coming months. Total construction employment stood at almost exactly the same level in the first quarter of 1988 as it did in the first quarter of 1987.

The two major growth industries of 1987, (1) services and (2) finance, insurance and real estate, both leveled out in the first quarter of 1988, showing a 0.2% decline and a 0.2% increase, respectively. Deplanements and hotel/motel occupancy tax revenues were both down 0.4% compared with the previous quarter, although the latter was up 5.4% from the first quarter of 1987. The fact that deplanements actually

decreased by 3.8% over this period implies that most of the increase in occupancy taxes stemmed from increases in visitors driving to the City or increases in room rates. The latter of these is consistent with increased occupancy rates (not reported here) which have recently been released for New Orleans area hotels.

Government employment experienced the greatest decline in the first quarter of 1988 (1.1%). This reflects a new round of budget austerity begun in the fourth quarter of 1987.

New Orleans metropolitan area personal income increased by 1.0% in the fourth quarter of 1987 (the latest quarter for which an estimate is possible), for a total increase of 1.7% over the past four quarters. Combined with price increases of 4.0%, this implies a 2.3% decline in metro area personal income. However, most of this probably reflects the income of proprietors who have left the area, as opposed to a lowering of wages, salaries or rents.

Metropolitan Area Retail Sales Activity (See Table 3 and graphs VI through XIII attached.)

Of significant interest is retail sales activity, which has not previously been reported for metropolitan area parishes on an ongoing basis. Table 3 presents our estimates, which are based on reports of retail sales tax collections from each parish. At the time of this report, monthly collections information was available from four metro area parishes: Orleans, Jefferson, St. Tammany and St. John. Graphs VI through XIII show the course of quarterly estimated retail sales, both before and after adjusting for inflation, for these parishes.

Note that Orleans was overtaken by Jefferson Parish in 1981 in the total dollar volume of retail sales, and that Jefferson retained a slight lead in 1987. However, the economic reversals of the past two years have hit Jefferson somewhat harder than Orleans. Jefferson lost 6.2% of its retail sales in that time, while Orleans lost 4.6%. This probably reflects increased tourism activity in Orleans, offsetting what has most likely been a greater percentage loss in retail sales to residents.

In comparison, St. Tammany has actually increased its retail sales 4.6% above even the levels attained during 1984, when metro area retail sales were boosted by the World's Fair. ✓

On the other hand, St. John Parish has been hit especially hard by the metro area recession, having lost 9.5% of its retail sales tax base.

The figures presented above are particularly discouraging after accounting for inflation over the past three years. Graphs VI through XIII show the four parishes' retail sales on a nominal and real basis, respectively. The comparison is quite stark.

On a real basis since 1984, annual retail sales have declined by 12.9% in Orleans Parish, 14.6% in Jefferson, 10.1% in St. Tammany and 17.2% in St. John. To a great extent, this accounts for the fiscal woes of parish governments in the metro area over the past three years. The real value of the retail sales tax base has been eroded by an average of 13.7% (unweighted) over the past three years.

However, as indicated in Table 2, it appears that erosion in retail sales employment has at least temporarily ceased. This implies that retail sales growth may have resumed in the first months of 1988. Future reports will continue to follow retail sales developments in metro area parishes.

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TABLE 1. NEW ORLEANS METROPOLITAN LEADING INDICATORS, 1986-1988

MONTH	I	II	III	IV	V
	GENERAL	PETROLEUM	PORT	TOURISM	CONSTRUCTION
1986					
JANUARY	92.7	101.7	88.0	.	84.7
FEBRUARY	92.3	95.2	90.8	119.0	88.2
MARCH	91.9	91.4	92.2	.	87.0
APRIL	91.4	89.1	91.6	.	86.9
MAY	90.7	90.4	93.4	120.5	85.8
JUNE	90.5	89.5	93.9	.	84.6
JULY	91.1	86.4	95.9	.	82.2
AUGUST	91.7	90.0	97.5	120.6	81.0
SEPTEMBER	92.3	90.3	98.6	.	81.6
OCTOBER	92.2	90.2	98.5	.	82.4
NOVEMBER	91.9	90.5	96.7	120.6	82.7
DECEMBER	91.7	91.4	98.4	.	83.3
1987					
JANUARY	92.4	93.2	101.8	.	83.0
FEBRUARY	92.7	93.7	103.3	121.5	85.3
MARCH	92.2	94.0	103.4	.	82.9
APRIL	92.6	94.5	104.1	.	83.7
MAY	93.0	95.4	105.4	121.1	82.7
JUNE	91.8	96.0	105.0	.	84.6
JULY	94.2	97.1	103.6	.	84.4
AUGUST	93.8	96.5	103.2	121.7	84.4
SEPTEMBER	93.6	95.3	106.0	.	84.1
OCTOBER	93.7	95.0	106.0	.	83.5
NOVEMBER	93.9	94.2	109.3	122.7	83.1
DECEMBER	93.7	92.3	113.0	.	84.9
1988					
JANUARY	94.2	91.5	111.9	.	86.1
FEBRUARY	94.6	91.7	110.4	123.7	84.9
MARCH	95.0	91.4	111.3	.	80.8

TABLE 2. NEW ORLEANS METROPOLITAN CONCURRENT INDICATORS, 1987-1988
(Quarterly data seasonally adjusted, except Consumer Price Index)

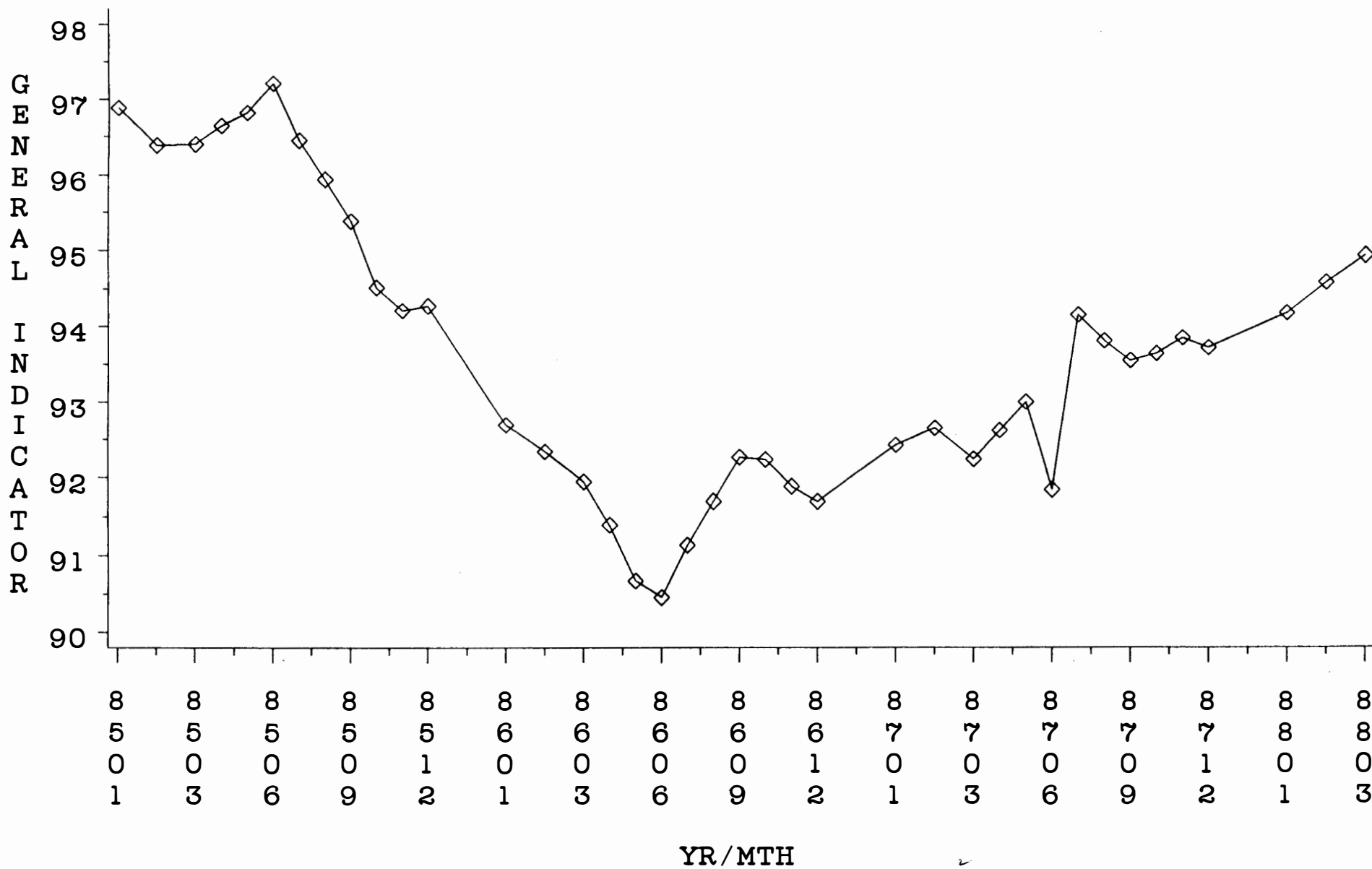
	1987:1	1987:2	1987:3	1987:4	1988:1	1988:1 VERSUS 1987:1	1988:1 VERSUS 1987:4
SALARY WAGE	508,371	508,774	510,678	508,446	511,906	0.7%	0.7%
MANUFACTURING	41,752	41,758	41,561	42,169	43,615	4.5%	3.4%
DURABLE GOODS	20,044	20,355	20,078	20,793	22,099	10.3%	6.3%
NON-DURABLE GOODS	21,716	21,413	21,474	21,376	21,517	-0.9%	0.7%
MANUFACTURING	466,619	467,016	469,117	466,276	468,291	0.4%	0.4%
CONSTRUCTION	14,453	14,404	14,660	14,441	15,208	5.2%	5.3%
CONSTRUCTION	22,471	21,927	21,554	21,618	22,466	.0%	3.9%
TRANSPORTATION, COMMUNICATION, & PUBLIC UTILITIES	43,198	43,026	43,176	43,217	43,719	1.2%	1.2%
RETAIL SALE & TRADE	134,928	134,736	135,032	133,734	134,829	-0.1%	0.8%
FINANCE, INSURANCE, REAL ESTATE	34,371	34,160	34,225	34,185	34,247	-0.4%	0.2%
GOVERNMENT SERVICES	131,523	132,530	132,637	133,992	133,782	1.7%	-0.2%
GOVERNMENT	86,265	86,872	86,611	85,208	84,275	-2.3%	-1.1%
UNEMPLOYMENT RATE (%)	11.2	10.4	9.6	8.8	9.9	-1.3%	1.1%
UNEMPLOYED (100)	8,814	8,789	8,659	8,511	8,478	-3.8%	-0.4%
HOUSING OCCUPANCY UNITS (\$100)	31,064	30,767	29,760	32,765	32,645	5.1%	-0.4%
PER CAPITA INCOME (\$MILL) ^a	4,572	4,323	4,366	4,409	NA	1.7% ^b	1.0% ^c
CONSUMER PRICE INDEX BASE (1982-84=100)	111.6	113.1	114.4	115.4	116.1	4.0%	0.6%

Prepared by UNO Division of Business and Economic Research.
^aversus 1986:4. ^b1987:4 versus 1987:3.

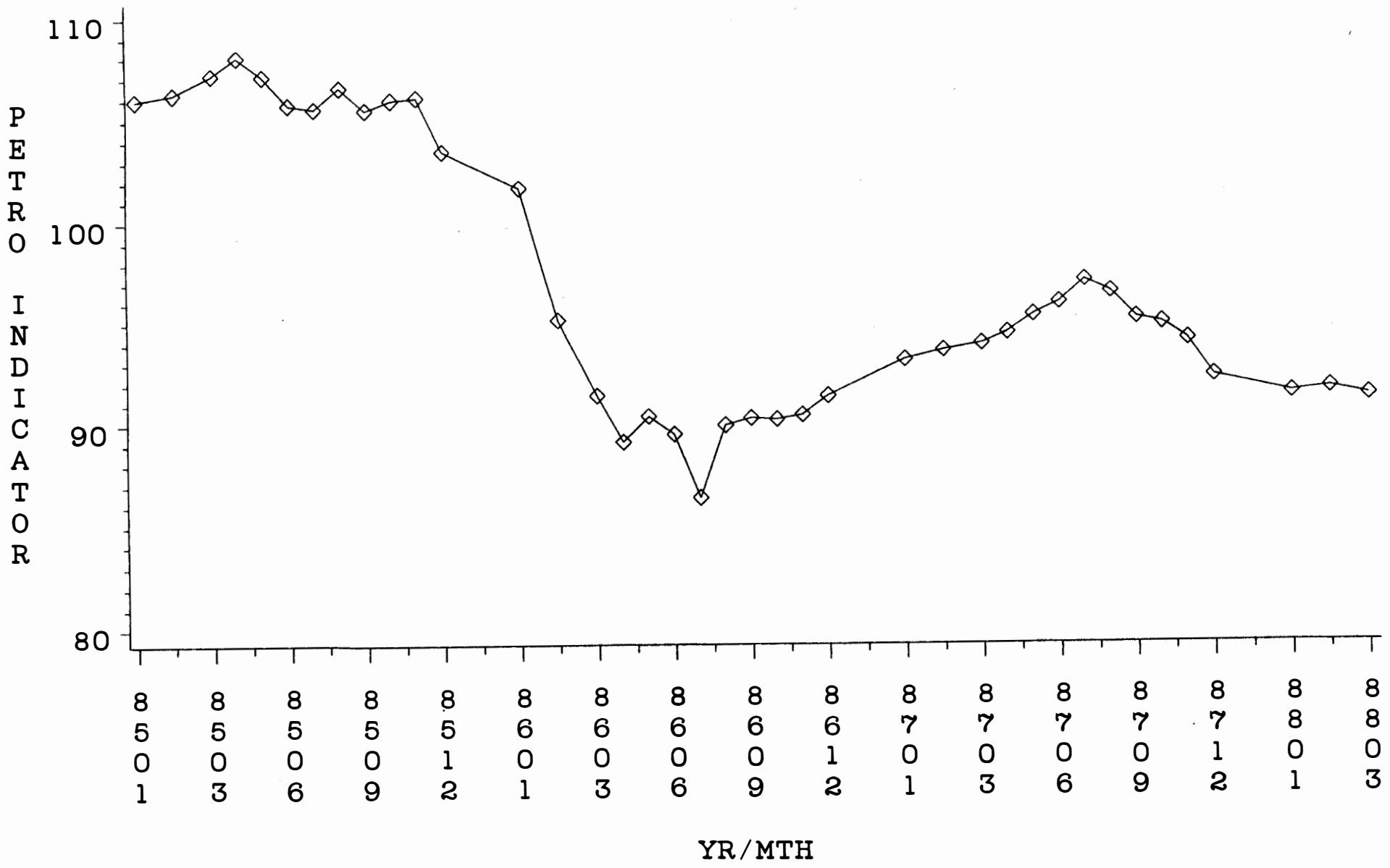
TABLE 3. ESTIMATED ANNUAL RETAIL SALES IN FOUR METRO AREA PARISHES

	ORLEANS		JEFFERSON		ST. TAMMANY		ST. JOHN	
	ESTIMATED RETAIL SALES (\$MIL)	PERCENT CHANGE	ESTIMATED RETAIL SALES (\$MIL)	PERCENT CHANGE	ESTIMATED RETAIL SALES (\$MIL)	PERCENT CHANGE	ESTIMATED RETAIL SALES (\$MIL)	PERCENT CHANGE
1980	\$2,990	5.1%	\$2,887	12.1%	\$510	13.7%	\$219	28.8%
1981	\$3,143	1.9%	\$3,235	5.7%	\$580	15.9%	\$282	-1.1%
1982	\$3,204	4.0%	\$3,421	2.3%	\$672	16.4%	\$279	1.8%
1983	\$3,331	7.4%	\$3,499	7.5%	\$782	12.3%	\$284	3.2%
1984	\$3,578	-3.4%	\$3,760	-4.2%	\$878	5.6%	\$293	-5.8%
1985	\$3,457	0.6%	\$3,601	-2.4%	\$927	-2.9%	\$276	-3.3%
1986	\$3,479	-1.8%	\$3,516	0.4%	\$900	1.9%	\$267	-0.4%
1987	\$3,415		\$3,529		\$917		\$266	

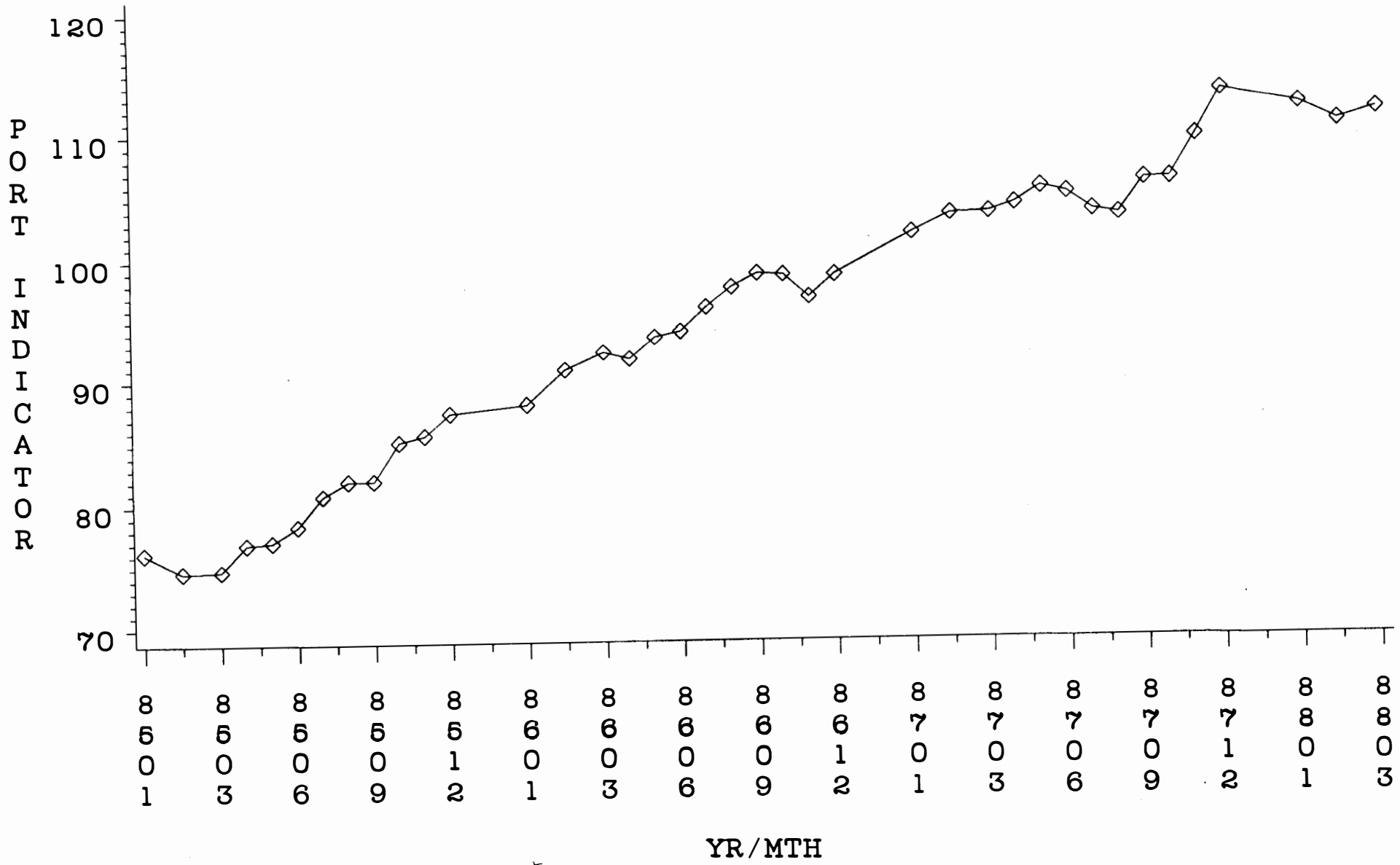
GENERAL INDICATOR
MONTHLY TREND: JANUARY, 1985 - PRESENT



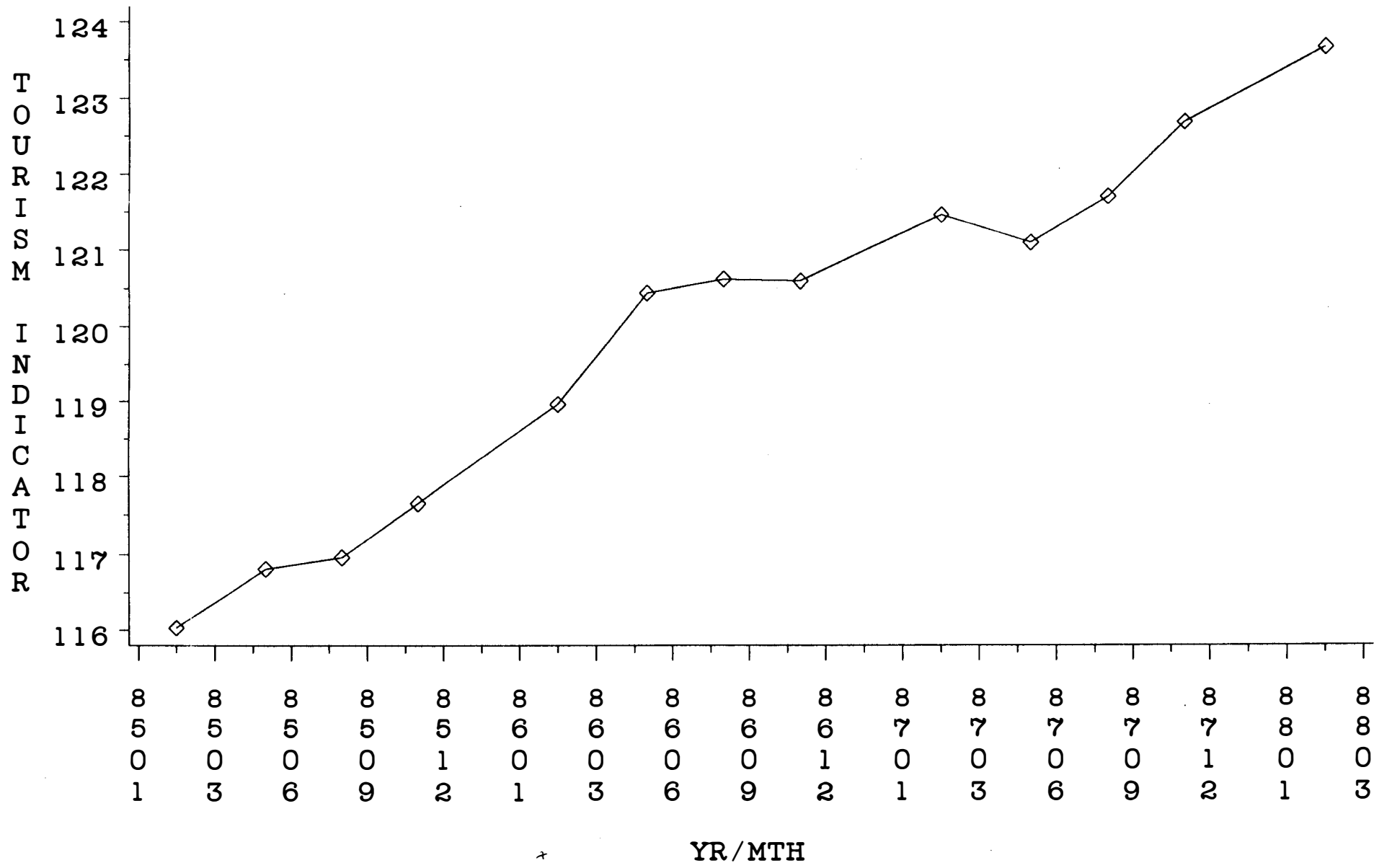
MONTHLY TREND: JANUARY, 1985-PRESENT



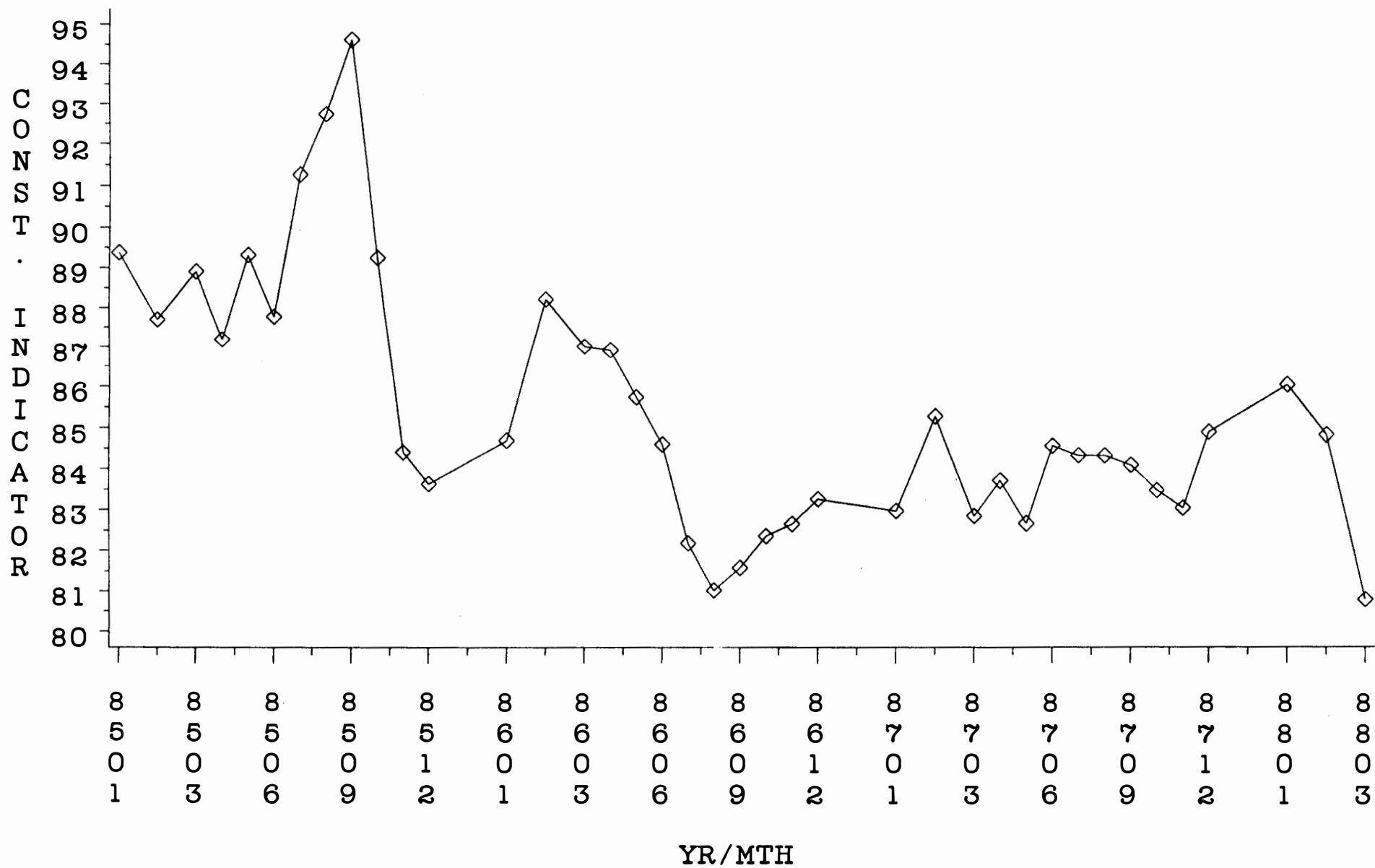
PORT INDICATOR
 MONTHLY TREND: JANUARY, 1985-PRESENT



MONTHLY TREND: JANUARY, 1985-PRESENT



CONSTRUCTION INDICATOR
 MONTHLY TREND: JANUARY, 1985 - PRESENT



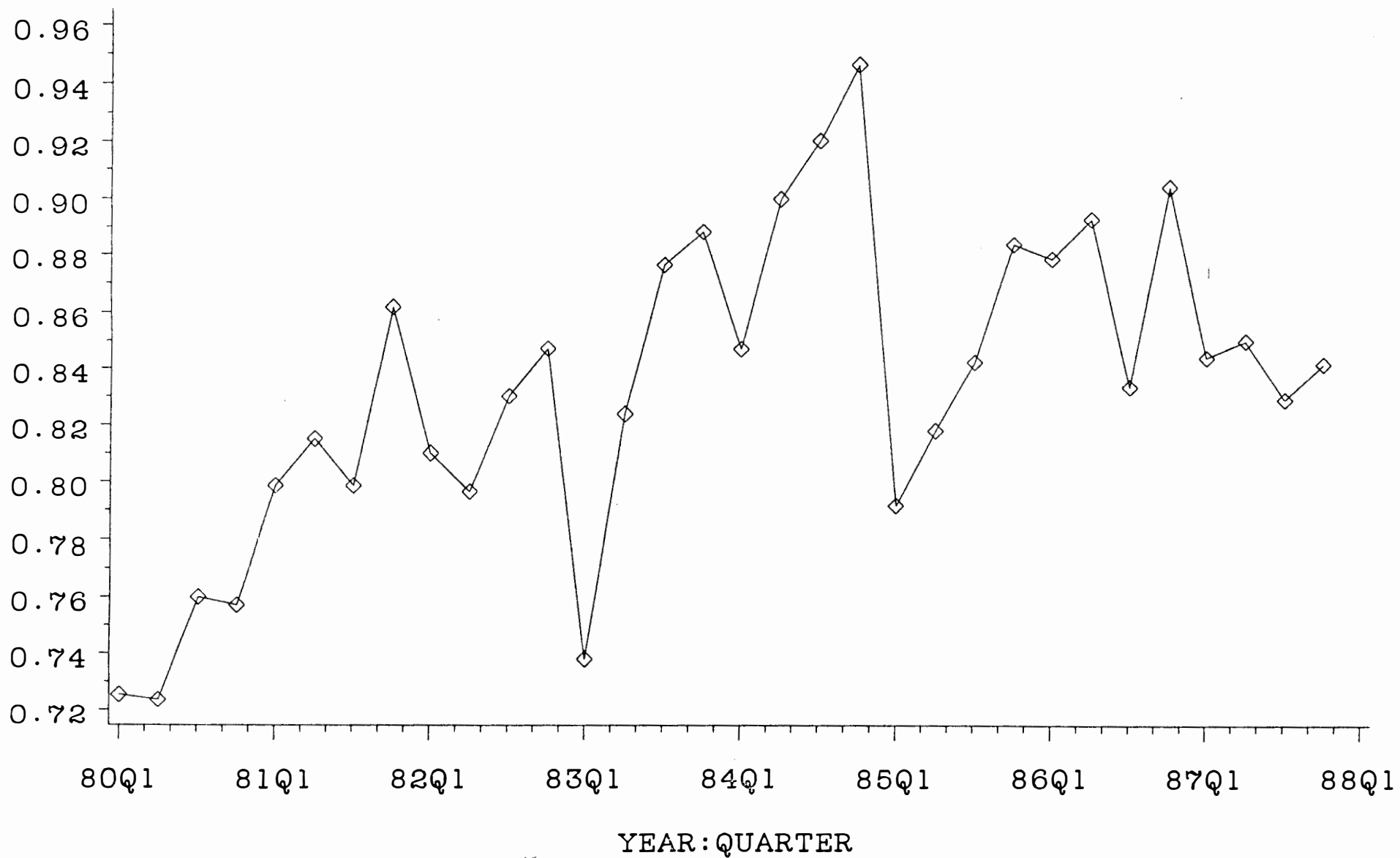
(BILLIONS OF DOLLARS)
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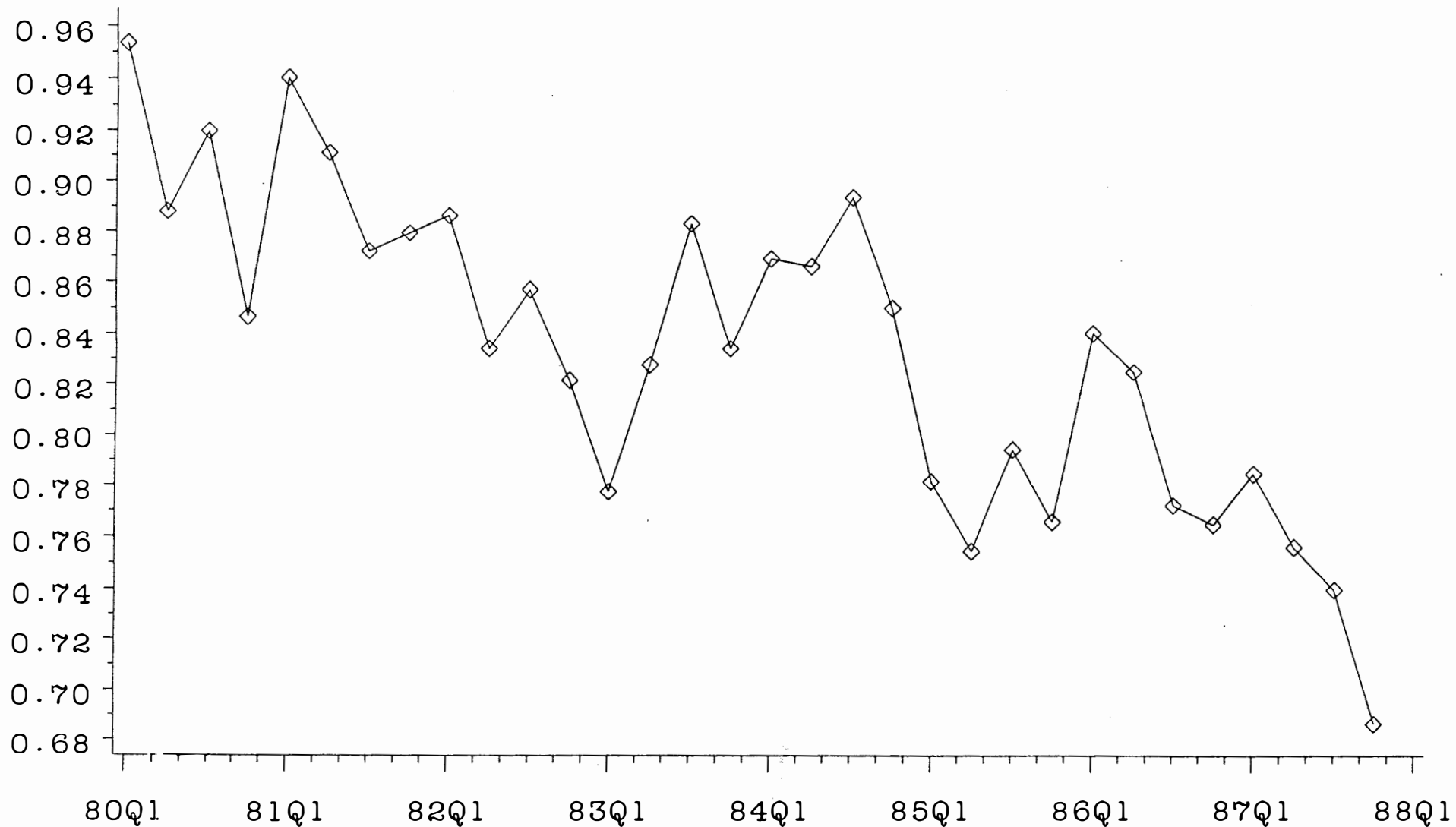
ORLEANS ESTIMATED RETAIL SALES
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DESEASONALIZED DEFLATED QUARTERLY DATA, 1980:1 - 1988:1

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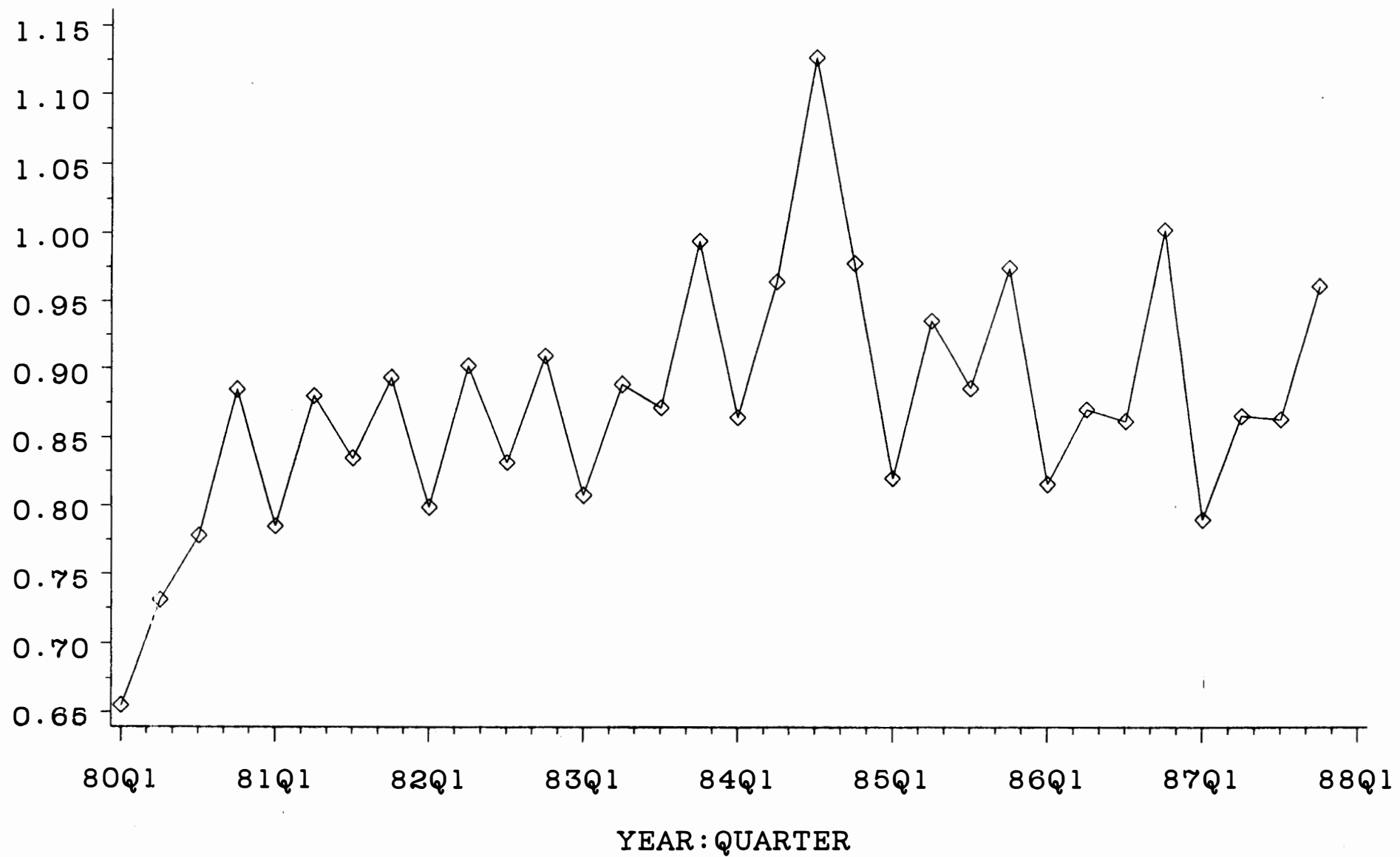
JEFFERSON ESTIMATED RETAIL SALES
(BILLIONS OF DOLLARS)
QUARTERLY --- 1980:1 - 1988:1

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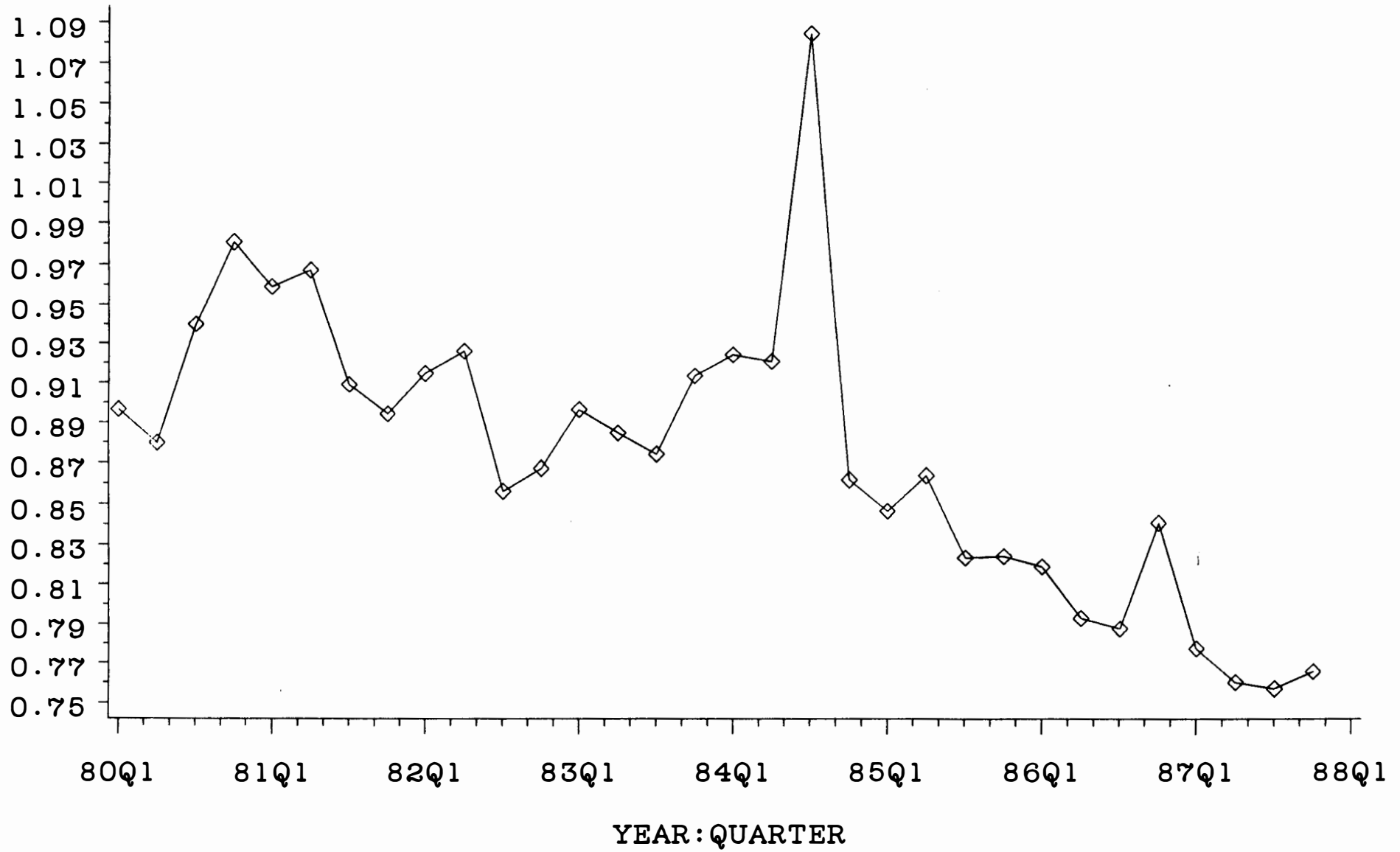
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JEFFERSON ESTIMATED RETAIL SALES
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DESEASONALIZED DEFLATED QUARTERLY DATA, 1980:1 - 1988:1

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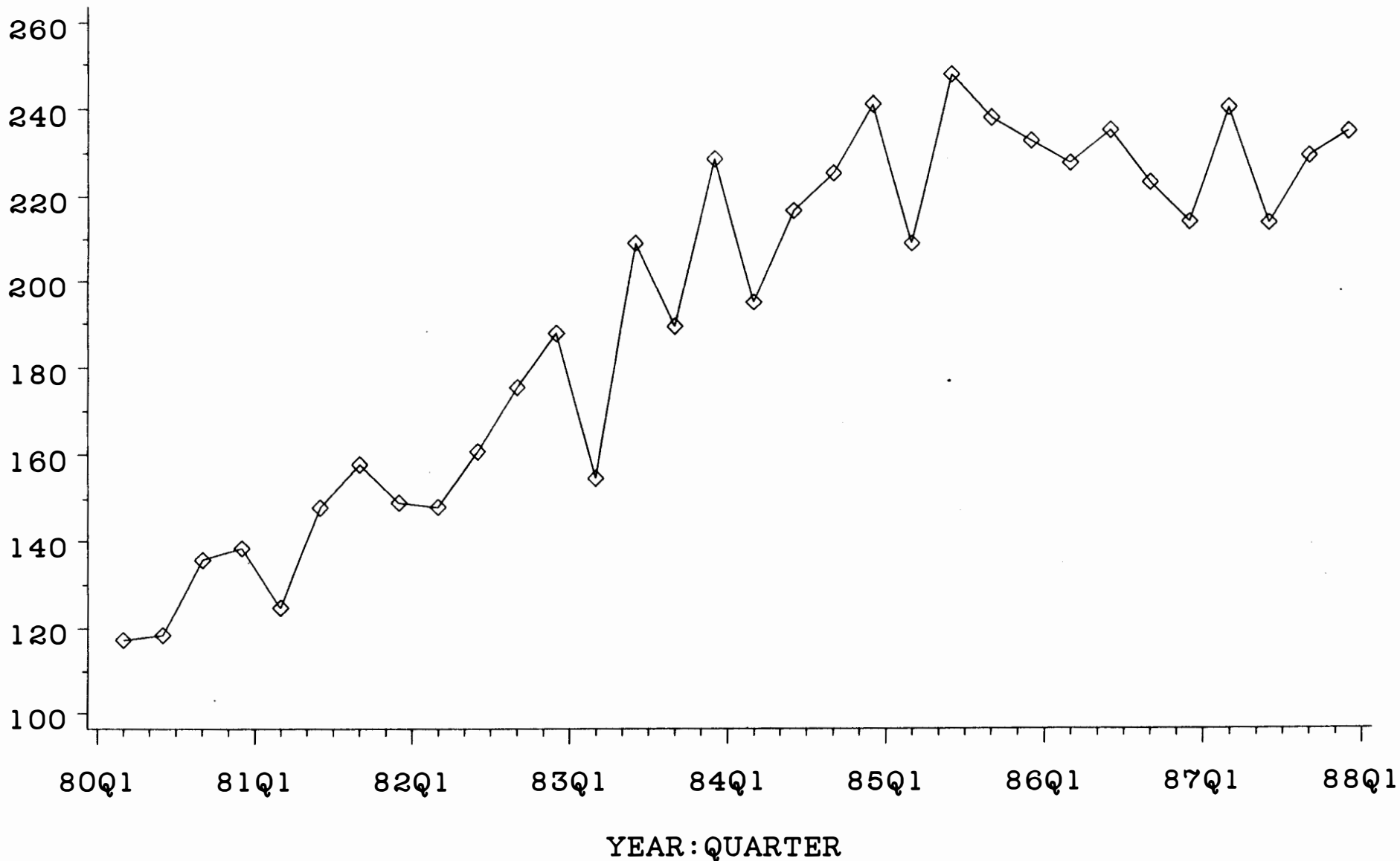
ST. TAMMANY ESTIMATED RETAIL SALES
(MILLIONS OF DOLLARS)
QUARTERLY --- 1980:1 - 1988:1

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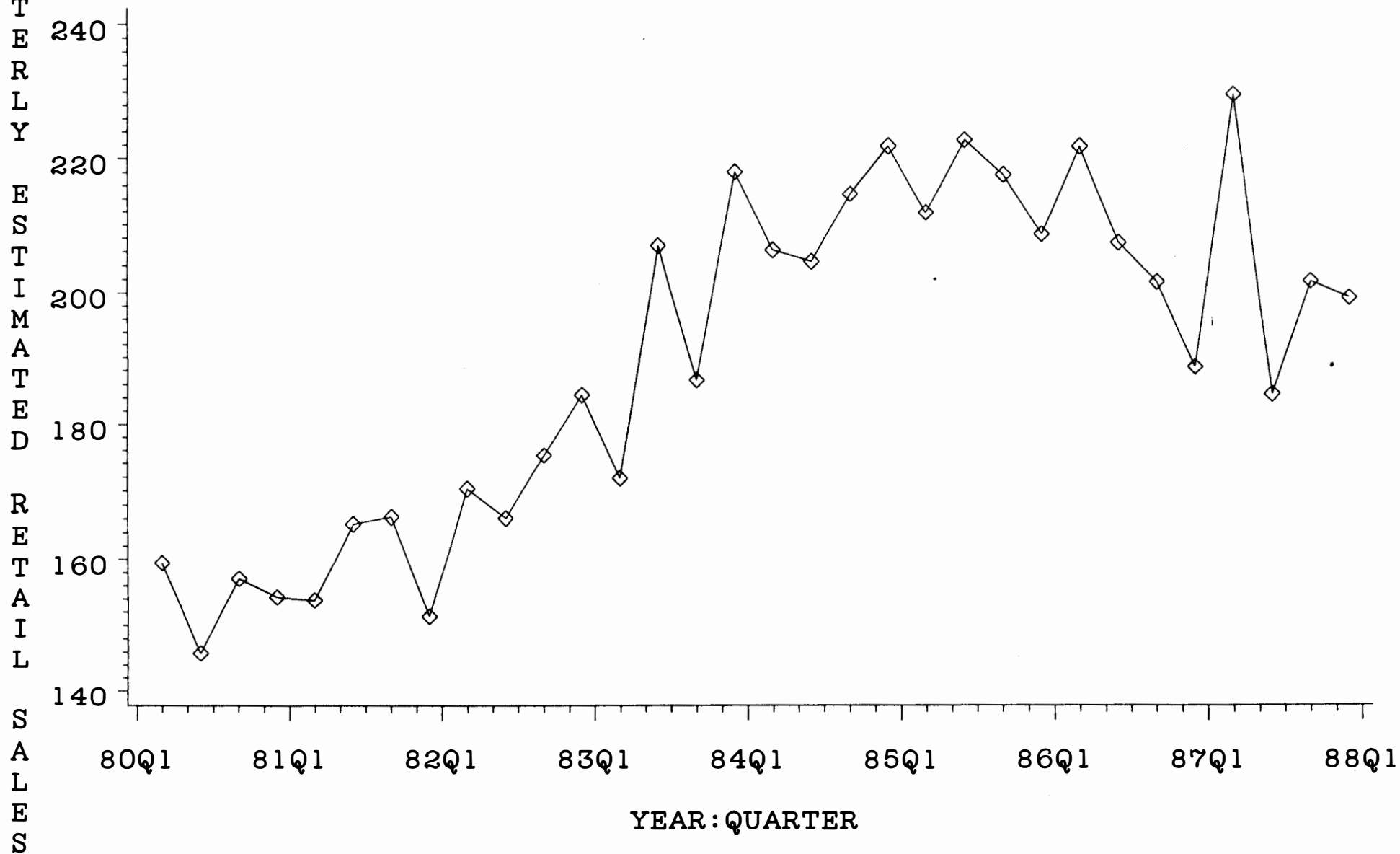
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DESEASONALIZED DEFLATED QUARTERLY DATA, 1980:1 - 1988:1



ST. JOHN ESTIMATED RETAIL SALES
(MILLIONS OF DOLLARS)
QUARTERLY --- 1980:1 - 1988:1

