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## Metropolitan Report - September 6, 1988

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

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# University of New Orleans

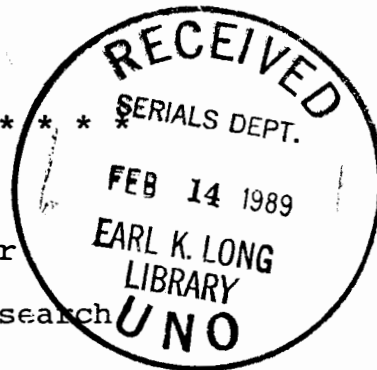
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DIVISION OF BUSINESS AND ECONOMIC RESEARCH

\*\*\*\*\* NEWS RELEASE \*\*\*\*\*



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September 6, 1988

\*\*\*FOR IMMEDIATE RELEASE\*\*\*

LEADING INDICATORS: CONTINUED PRIVATE SECTOR GROWTH EXPECTED; GOVERNMENT AND CONSTRUCTION MAY RETREAT FURTHER; PORT AND HOTEL AND RESTAURANT EMPLOYMENT EXPECTED TO BE LEVEL IN THE SHORT RUN.

CONCURRENT INDICATORS: SECOND QUARTER WAGE AND SALARY EMPLOYMENT, RETAIL SALES AND PERSONAL INCOME UP OVER FIRST QUARTER; UNEMPLOYMENT RATE DOWN; DEPLANEMENTS DOWN BUT OCCUPANCY TAX REVENUES SIGNIFICANTLY UP.

New Orleans, LA - - Leading economic indicators from the UNO Division of Business and Economic Research show that the metropolitan area private economy should enjoy slow

-- MORE --

employment growth in all major sectors except construction and hotel and restaurant services over the next six months.

The deseasonalized unemployment rate fell to an average of 9.2% in the second quarter of 1988, down from 10.4% a year ago, and from 9.9% in the previous quarter. Metro area wage and salary employment rose by almost a full percentage point in the last quarter. For the second quarter in a row, the greatest percentage growth was in durable goods manufacturing.

While the increase in wage and salary employment implies that the economic rebound has continued in recent months, the local area recovery remains fragile for at least two reasons. First, government employment at both the local and state levels may experience further declines. Second, metropolitan area tourism has temporarily leveled out. Deplanements have actually decreased in the last several quarters, and 1989 is expected to bring some additional small declines in visitors from out of town due to the smaller size of conventions expected. In the long run, the tourism outlook is robust; however, in the short run, further employment increases are going to have to come from other sectors of the economy.

LEADING INDICATORS (See Table 1 and graphs attached)

GENERAL

The general leading economic indicator, a barometer of future overall performance in the metro area, rose by 1.1 points in April, but fell by .4 in May and by a full point in June. (See Graph I.) This follows four consecutive increases in the general indicator.

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 98.3 in March to 99.8 in April, but then declined to 96.7 by June. This accounts for most of the decline in the general indicator in the second quarter. The small prime rate increase during this quarter did not lower the indicator substantially. The rig count fell slightly in the second quarter, but not by as much as it usually does in this season of the year. Hence, the deseasonalized value of the rig count increased.

TABLE 1. NEW ORLEANS METROPOLITAN LEADING INDICATORS, 1986-1988  
(1976 = 100)

	I	II	III	IV	V
MONTH	GENERAL	PETROLEUM	PORT	TOURISM	CONSTRUCTION
1986					
JANUARY	92.6	101.8	88.0	.	85.3
FEBRUARY	92.3	95.3	90.8	115.4	88.0
MARCH	92.0	91.4	92.2	.	87.4
APRIL	91.2	89.0	91.6	.	87.7
MAY	90.5	90.4	93.3	117.2	85.9
JUNE	90.8	89.5	94.0	.	84.7
JULY	91.1	86.4	95.9	.	82.7
AUGUST	91.6	89.9	97.6	117.0	81.6
SEPTEMBER	92.2	90.3	98.7	.	82.2
OCTOBER	92.2	90.3	98.5	.	82.8
NOVEMBER	91.9	90.5	96.7	117.1	83.0
DECEMBER	91.7	91.4	98.5	.	83.6
1987					
JANUARY	92.4	93.2	101.7	.	83.7
FEBRUARY	92.7	93.7	103.3	117.9	85.0
MARCH	92.3	93.9	103.4	.	83.3
APRIL	92.4	94.4	104.0	.	84.5
MAY	92.9	95.4	105.1	117.0	83.0
JUNE	92.4	96.0	105.1	.	84.5
JULY	94.1	97.1	103.6	.	84.9
AUGUST	93.8	96.5	103.3	117.7	85.0
SEPTEMBER	93.4	95.2	106.0	.	84.7
OCTOBER	93.5	95.0	106.0	.	83.8
NOVEMBER	93.8	94.2	109.3	119.0	83.3
DECEMBER	93.7	92.3	113.0	.	85.1
1988					
JANUARY	94.2	91.5	111.6	.	86.9
FEBRUARY	94.6	91.7	110.3	119.7	84.5
MARCH	95.0	91.2	111.3	.	81.3
APRIL	96.1	92.9	111.2	.	81.1
MAY	95.7	92.8	110.6	121.0	82.0
JUNE	94.7	92.4	109.7	.	86.2

On average, the indicator remained above the first-quarter level in the second quarter. However, if it should continue to decline in future months, this would signal an impending downturn in the local area economy. For now, we are predicting continued slow expansion in most sectors.

#### PETROLEUM

The petroleum indicator encompasses two components: crude and futures oil prices. Both of these fell sharply in the fourth quarter of 1987 and again in the first quarter of 1988. (See Graph II.) However, they began to rebound in the second quarter, leading to a large (1.8 point) increase in the petroleum indicator in April. While there were decreases in May and June (.1 and .5, respectively), we expect drilling to remain stable or decline only slightly in coming months.

#### PORT

The port indicator dropped in each of the three months of the second quarter, reflecting increases in the value of the dollar. (See Graph III.) Combined with the effects of the drought, this probably means a temporary cessation of growth in port activity. However, the U.S. trade deficit is giving no signs of decreasing, and therefore the dollar will most

likely continue to fall for some time into the future, providing reason to believe that the Port will experience continued export growth in the long run.

#### TOURISM

As a result of continued expansion in the U.S. economy, the tourism indicator has increased in four consecutive quarters. (See Graph IV.) This means that travel dollars are relatively abundant for both family and convention trips. The only point that dampens this picture somewhat is that there are not many large conventions scheduled for the balance of 1988 and into 1989. Consequently, there may be a drop-off in tourism activity after the August figures (including the Republican convention) are in. However, conventions that are booked for the coming few months should be well-attended.

#### CONSTRUCTION

The construction indicator remained low for the first two months of the second quarter but increased in June (see Graph V), reflecting a large construction contract for work at Tenneco in Chalmette. (See Table V). Except for that month, nonresidential construction contracts stayed at about the same low level as in the first quarter, while

residential contracts fell to their lowest quarterly average of the decade. There seems to be little doubt that construction will remain a beleaguered industry in New Orleans for some time to come.

CONCURRENT INDICATORS (Table 2 attached)

WAGE AND SALARY EMPLOYMENT

Local area wage and salary employment rose 0.5% in the second quarter of 1988 as compared with the previous quarter, and 1.2% compared with the second quarter of 1987. Since that time, there has been a corresponding drop in the metro area unemployment rate from 10.4% to 9.2%. The metro area has added 5,883 new wage and salary jobs over the past four quarters.

Due to new contracts won by Avondale shipyards, durable goods manufacturing showed the greatest percentage gain, with a 10.5% increase over the last four quarters. This growth (1.8% compared with the first quarter) extended into the second quarter of 1988, and is expected to continue in the balance of the year.

Mining employment suffered a small setback in the second quarter, declining by 1.5%; however, average mining



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

SERIES	1987:2	1987:3	1987:4	1988:1	1988:2	COMPARATIVE PERFORMANCE		
						1988:2 VERSUS 1987:2	1988:2 VERSUS 1988:1	1988:YTD VERSUS 1987:YTD
WAGE & SALARY EMPLOYMENT	508,774	510,678	508,446	511,906	514,657	1.2%	0.5%	0.9%
MANUFACTURING	41,758	41,561	42,169	43,615	43,697	4.6%	0.2%	4.6%
DURABLE GOODS	20,355	20,078	20,793	22,099	22,501	10.5%	1.8%	10.4%
NONDURABLE GOODS	21,413	21,474	21,376	21,517	21,221	-0.9%	-1.4%	-0.9%
NONMANUFACTURING	467,016	469,117	466,276	468,291	470,960	0.8%	0.6%	0.4%
MINING	14,404	14,660	14,441	15,208	14,974	4.0%	-1.5%	4.6%
CONSTRUCTION	21,927	21,554	21,618	22,466	22,564	2.9%	0.4%	1.4%
TRANSPORTATION, COMMUNICATION, & PUBLIC UTILITIES	43,026	43,176	43,217	43,719	43,710	1.6%	0.0%	1.4%
WHOLESALE & RETAIL TRADE	134,736	135,032	133,734	134,829	134,451	-0.2%	-0.3%	-0.1%
FINANCE, INSURANCE, & REAL ESTATE	34,160	34,225	34,185	34,247	33,959	-0.6%	-0.8%	-0.5%
SERVICES	132,530	132,637	133,992	133,782	135,627	2.3%	1.4%	2.0%
GOVERNMENT	86,872	86,611	85,208	84,275	85,352	-1.7%	1.3%	-2.0%
UNEMPLOYMENT RATE (%)	10.4	9.6	8.8	9.9	9.2	-1.2%	-0.7%	-1.2%
DEPLANEMENTS (100)	8,789	8,659	8,511	8,478	8,368	-4.8%	-1.3%	-4.3%
HOTEL/MOTEL OCCUPANCY TAX REVENUES (100's)	\$30,767	\$29,760	\$32,765	\$32,645	\$35,171	14.3%	7.7%	9.7%
PERSONAL INCOME (MILL) <sup>a</sup>	\$4,537	\$4,619	\$4,613	\$4,858	NA	0.3% <sup>b</sup>	5.3% <sup>c</sup>	0.3% <sup>b</sup>
TAXABLE SALES (MILL) <sup>a</sup>	\$2,146	\$2,158	\$2,162	\$2,236	NA	2.2% <sup>b</sup>	3.4% <sup>c</sup>	2.2% <sup>b</sup>
U.S. CONSUMER PRICE INDEX								
-- URBAN (1982-84=100)	113.1	114.4	115.4	116.1	117.5	3.9%	1.3%	3.9%

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

<sup>b</sup>1988:1 versus 1987:1.

<sup>c</sup>1988:1 versus 1987:4.

employment remained 4.0% higher than one year ago. While there were significant mining employment increases in the first quarter of 1988, further advances this year are unlikely unless crude oil prices increase substantially in September or October. If this happens, we may experience a spurt of end-of-the-year drilling activity in November and December.

Wholesale and retail trade employment fell 0.2% compared with last year and 0.3% compared with the first quarter of this year. However, we expect this figure to increase in the third quarter, reflecting increased staffing for the Republican convention and the opening of the New Orleans Centre. The important question for the trade sector is what will happen in the fourth quarter. If personal income gives any clue to retail sales, the fourth quarter should be relatively bright because local area personal income was up substantially at the beginning of this year and is expected to increase in the balance of the year. It remains our belief that, barring significant new government and/or petroleum sector reversals, the metro area retail sector has seen the end of its decline.

Construction employment grew 0.4% in the second quarter, defying the radical decline in construction contracts which we have seen over the past several quarters. Total construction employment stood 2.9% higher in the second quarter of 1988 than in second quarter of 1987. It does not appear that this trend will continue in coming months.

Finance, insurance and real estate, a major growth industry in the local area in 1987, retrenched in the second quarter, with an employment decline of 0.8%. We expect that this is due to the diminishing labor force and closure of numerous small businesses reported for the first quarter of 1988. However, service industries grew strongly in the second quarter, reflecting relatively healthy performance for the businesses which remain.

Deplanements at the New Orleans International Airport declined by 1.3% compared with the first quarter, but hotel/motel occupancy tax revenues increased by 7.7%. This has been a steady trend for the last four quarters. In comparison with the second quarter of 1987, deplanements were down by 4.8% while occupancy taxes were up 14.3%. It appears that the trend toward tourists driving into the City has continued and that room rates have risen.

State government employment (not reported in Table 2) in the New Orleans area continued to fall in the second quarter, declining by about 1,000 in June. In the same month, City government expanded by about 4,000 employees, reflecting summer youth hiring. Apart from the youth program, however, total government employment in the metropolitan area continued to fall in the second quarter of 1988.

Our estimate of New Orleans metropolitan area personal income increased by 5.3% in the first quarter of 1988 (the latest quarter for which an estimate is possible). This is probably an overestimate of the rebound in personal income, and will be reestimated in future months. It seems clear, however, that the economy is rebounding both in terms of increased employment and income.

Estimated metro area taxable sales decreased by 0.8% in the four quarters ending in 1988:1 compared with the previous four quarters. (See Table 3.) However, looking at the quarterly comparisons tells a different story. While metro area taxable sales decreased in four of the first five quarters shown, it has increased in each of the last three quarters. This confirms the view that the local area

TABLE 3. SEASONALLY ADJUSTED ESTIMATED TAXABLE SALES (000's)  
 IN METRO NEW ORLEANS PARISHES  
 BY QUARTER, 1986:1 - 1988:1

QUARTER	JEFFERSON		ORLEANS		ST BERNARD		ST CHARLES		ST JOHN		ST TAMMANY		TOTAL	
	SALES	CHANGE	SALES	CHANGE	SALES	CHANGE	SALES	CHANGE	SALES	CHANGE	SALES	CHANGE	SALES	CHANGE
1986:1	\$893,895		\$912,021		\$51,868		\$102,673		\$65,945		\$239,189		\$2,265,591	
1986:2	\$863,818	-3.4%	\$902,042	-1.1%	\$50,381	-2.9%	\$102,358	-0.3%	\$68,383	3.7%	\$227,382	-4.9%	\$2,214,364	-2.3%
1986:3	\$865,652	0.2%	\$847,739	-6.0%	\$50,783	0.8%	\$100,437	-1.9%	\$67,591	-1.2%	\$219,397	-3.5%	\$2,151,599	-2.8%
1986:4	\$927,928	7.2%	\$846,421	-0.2%	\$46,998	-7.5%	\$121,164	20.6%	\$64,750	-4.2%	\$212,503	-3.1%	\$2,219,764	3.2%
1987:1	\$867,303	-6.5%	\$868,351	2.6%	\$46,726	-0.6%	\$103,175	-14.8%	\$65,832	1.7%	\$236,335	11.2%	\$2,187,722	-1.4%
1987:2	\$859,529	-0.9%	\$861,005	-0.8%	\$45,114	-3.4%	\$96,226	-6.7%	\$63,252	-3.9%	\$220,921	-6.5%	\$2,146,047	-1.9%
1987:3	\$867,104	0.9%	\$845,623	-1.8%	\$44,680	-1.0%	\$106,449	10.6%	\$65,341	3.3%	\$228,739	3.5%	\$2,157,936	0.6%
1987:4	\$882,636	1.8%	\$794,211	-6.1%	\$47,928	7.3%	\$129,628	21.8%	\$72,446	10.9%	\$234,954	2.7%	\$2,161,803	0.2%
1988:1	\$898,247	1.8%	\$865,507	9.0%	\$48,509	1.2%	\$126,875	-2.1%	\$76,908	6.2%	\$219,703	-6.5%	\$2,235,749	3.4%
1987:2 - 1988:1 COMPARED WITH 1986:2 - 1987:1		-0.5%		-2.8%		-4.4%		7.5%		4.3%		1.0%		-0.8%

economy is on the rebound. However, this rebound is not constant across the parishes.

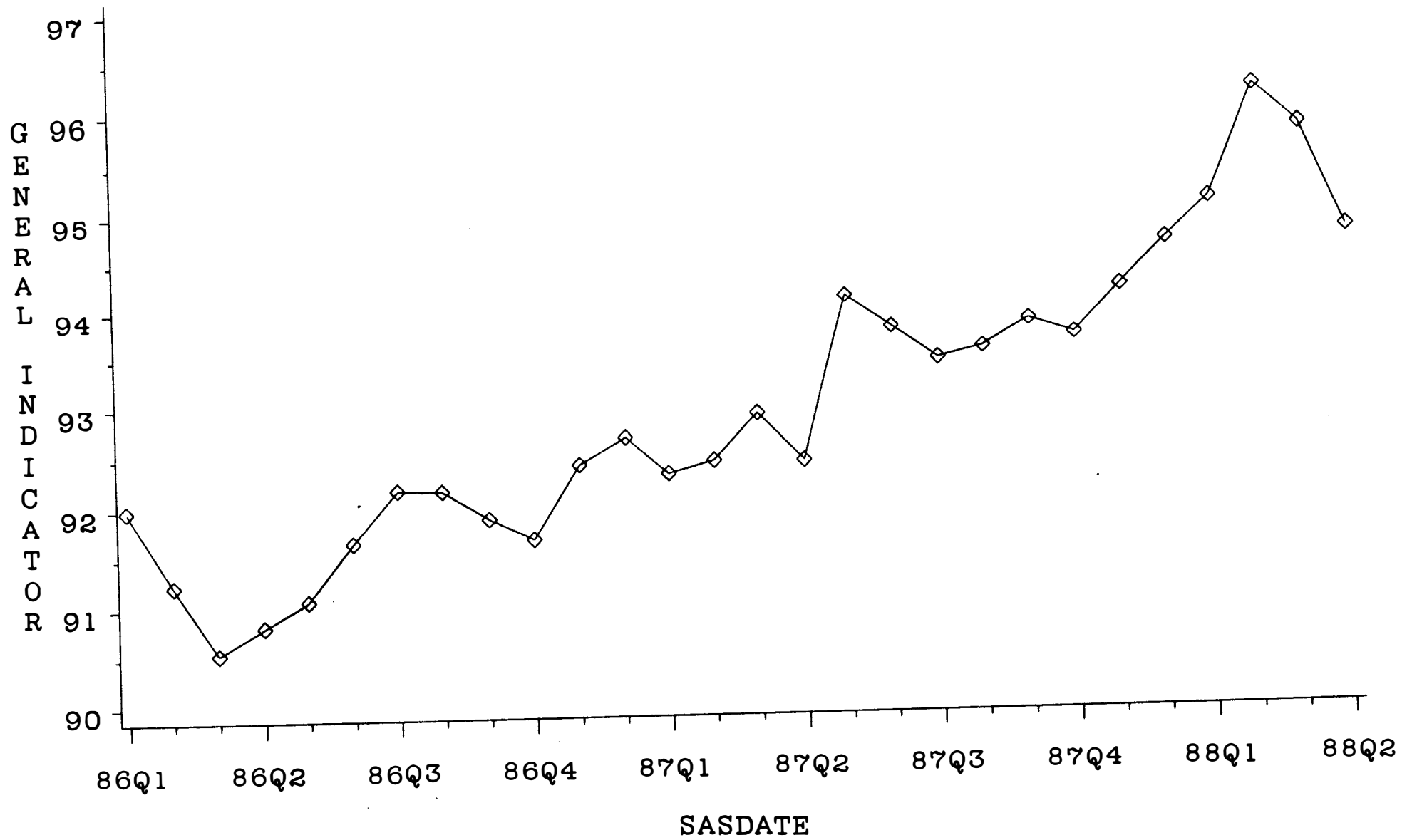
The strongest growth appears to be in the smaller parishes, St. Charles and St. John, where petrochemical firms are expanding their output. The increase in demand for U.S. chemicals is primarily a response to the falling dollar. This increased petrochemical output is exported through the Port of New Orleans, and therefore helps the other metro area parishes indirectly.

St. Tammany and Jefferson fall in the middle of the metro area taxable sales performance. St. Tammany grew by 1.0% for the year, while Jefferson fell by 0.5%. However, Jefferson has seen three consecutive quarters of taxable sales growth.

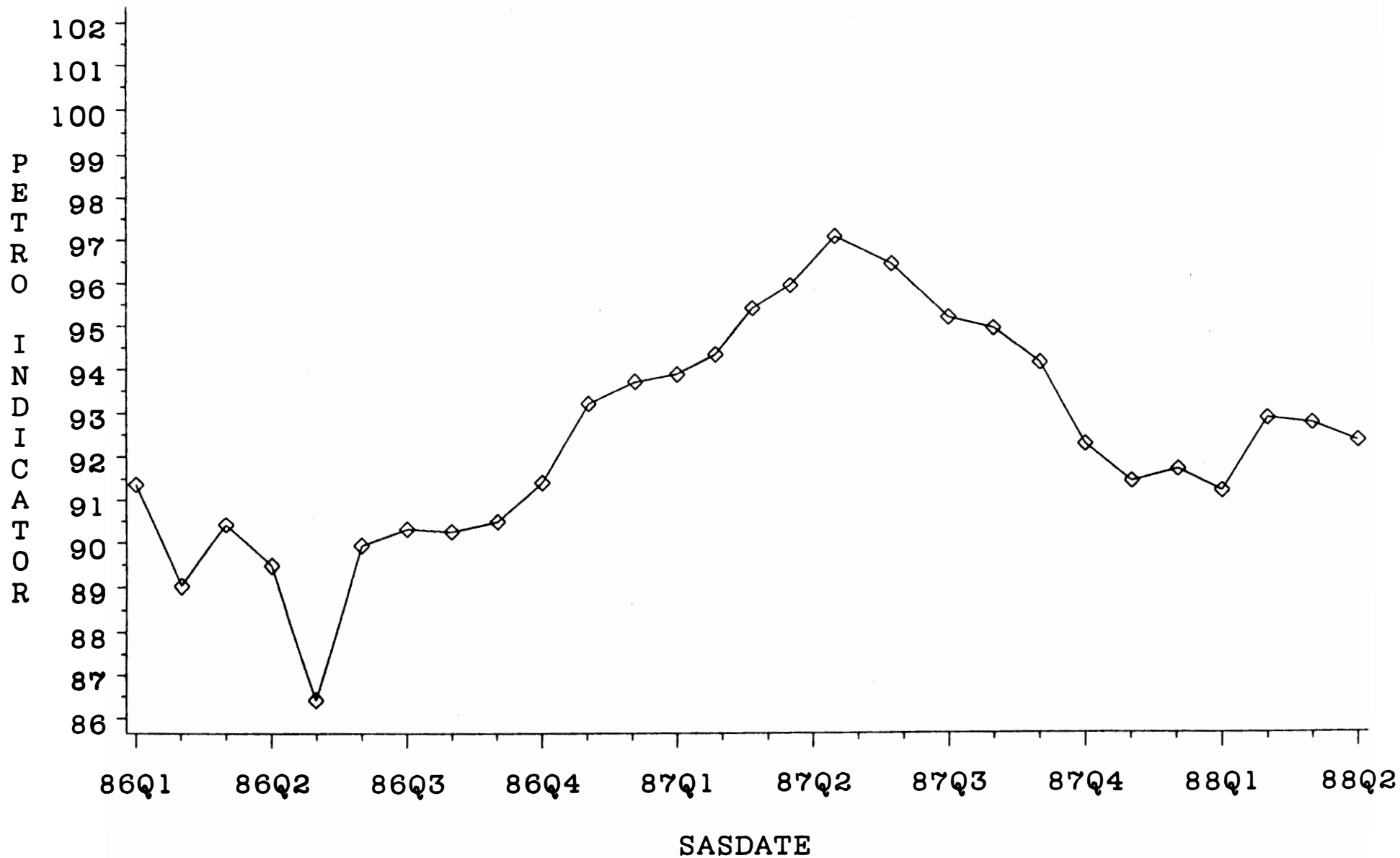
Orleans and St. Bernard had the lowest growth rate in taxable sales, but growth was positive for both of these parishes in the last one or two quarters. Therefore, we see a rebound in taxable sales in all metro area parishes, albeit later in some than in others.

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GENERAL INDICATOR  
MONTHLY TREND: JANUARY, 1986 - PRESENT



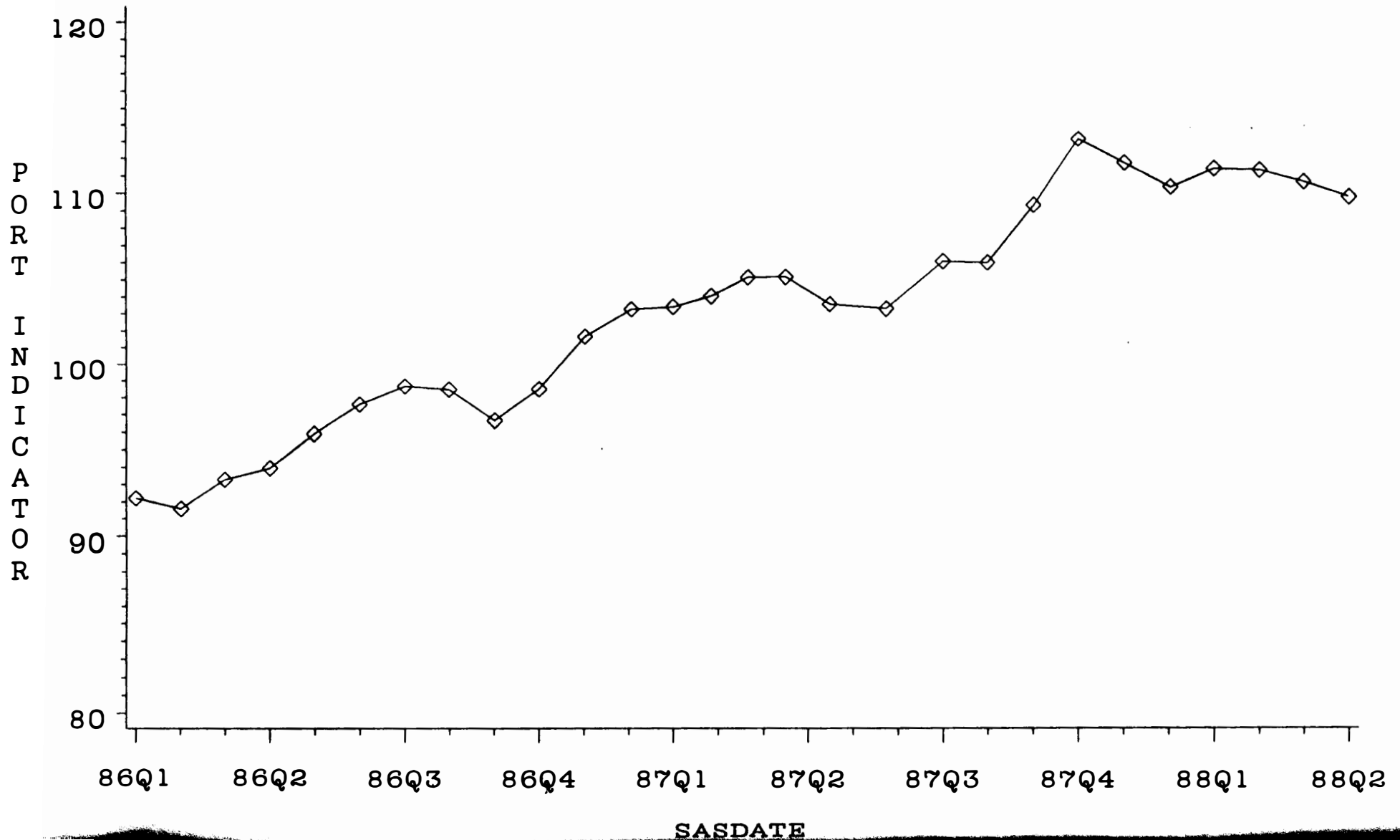
PETROLEUM INDICATOR  
MONTHLY TREND: JANUARY, 1986-PRESENT



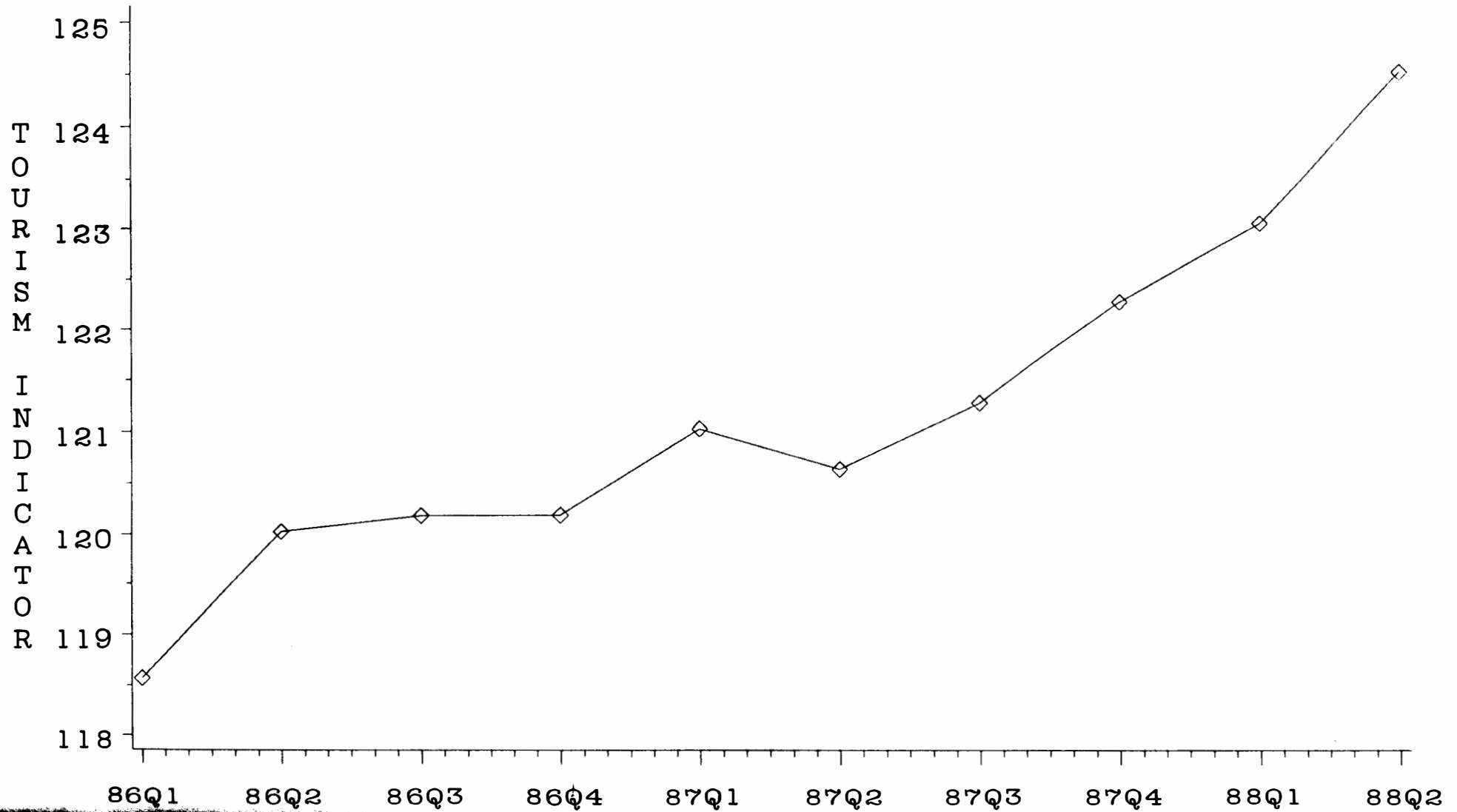


# GRAPH III

PORT INDICATOR  
MONTHLY TREND: JANUARY, 1986-PRESENT



GRAPH IV  
TOURISM INDICATOR  
QUARTERLY TREND: JANUARY, 1986-PRESENT



CONSTRUCTION INDICATOR  
MONTHLY TREND: JANUARY, 1986 - PRESENT

