



THE BATON ROUGE AREA CHAMBER'S 2017  
**ECONOMIC OUTLOOK**



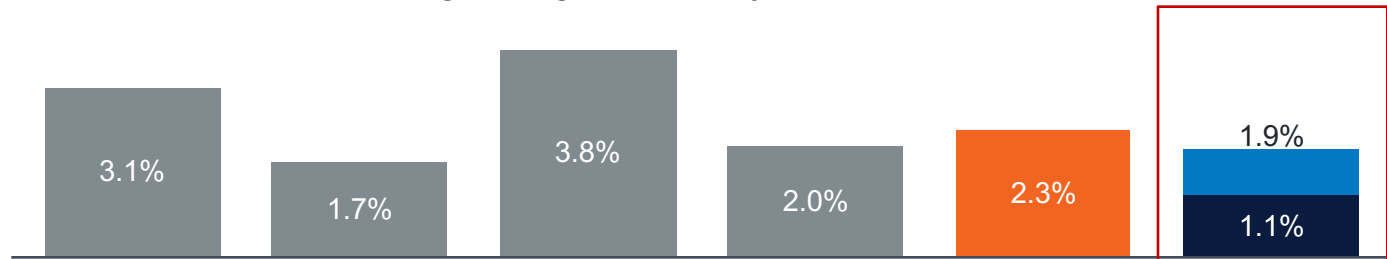
Baton Rouge Area Chamber®

# Projected Job Growth

Baton Rouge is projected to increase employment by 1.5% in 2017, which translates into approximately 6,000 new jobs

Percentage change in nonfarm jobs

- Actual Growth YTD
- Actual Growth
- Low Forecast
- High Forecast



	2012	2013	2014	2015	2016 YTD*	2017P
<b>Average Employment</b> (in thousands)	374.5	380.6	395.1	403.2	412.5	416.9-420.2
<b>Actual Job Growth</b>	11,400	6,200	14,500	8,000	9,300	4,400-7,700
<b>Projected Growth Rate</b>	1.3%	1.5%	2.3%	2.0%	1.9%	1.1-1.9%

Source	Projection
Most conservative	Dr. Scott
	U.S. Regional
Least conservative	EMSI

1.1%  
1.6%  
1.9%

\*2016 YTD reflects average from January to September

\*\*Not Seasonally Adjusted

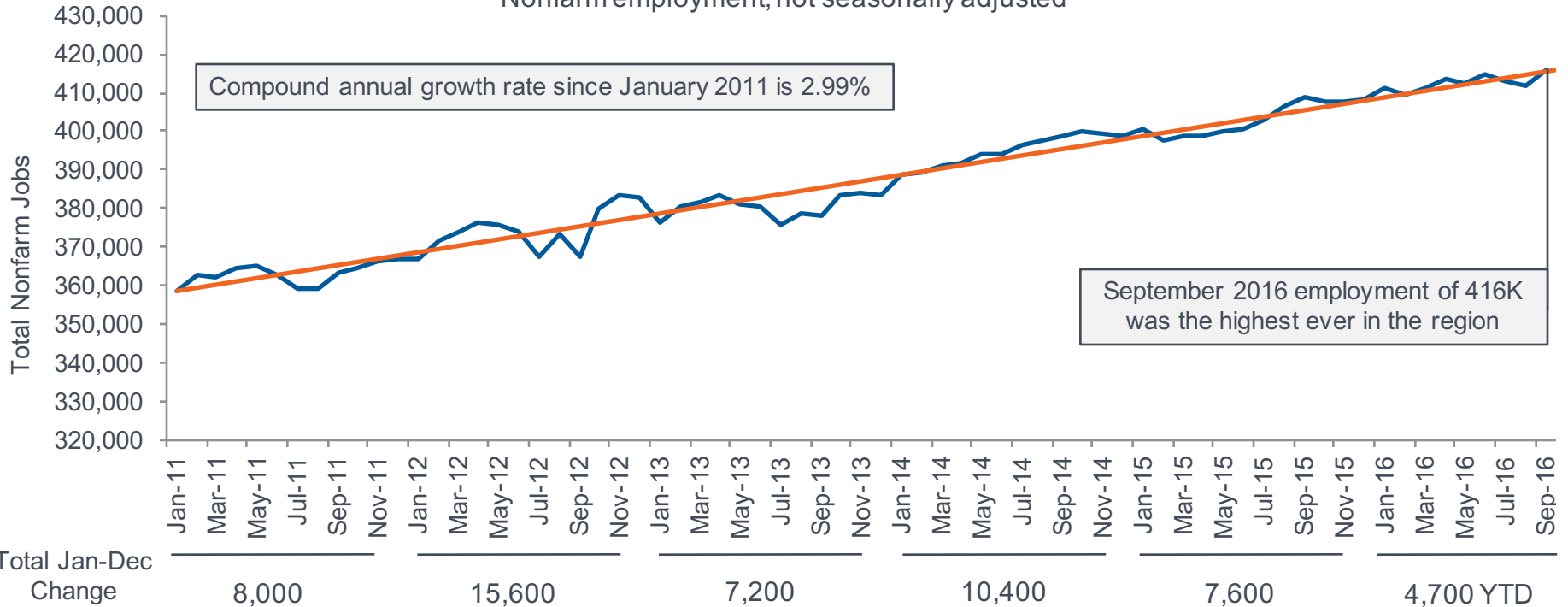
Historical data measured as yearly average

Source: BLS; Loren Scott's Louisiana Economic Outlook; U.S. Regional; Louisiana Workforce Commission; Economic Modeling Systems Incorporated; BRAC analysis

# Continued Job Growth

Regional employment **growth continues**, despite trying economic conditions

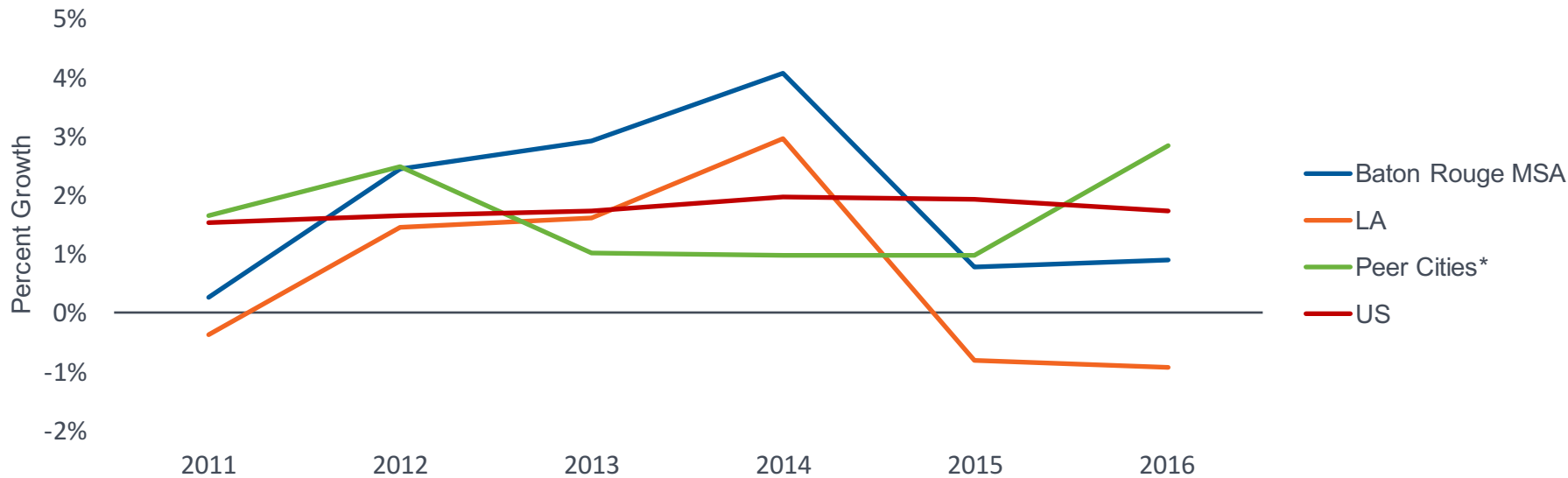
Nonfarm employment, not seasonally adjusted



# Job Growth Comparison

Regional employment growth has **outperformed** Louisiana since 2013

Nonfarm employment, not seasonally adjusted (percent change, measured September to September)



\*Peer cities include average of: Austin, Birmingham, Columbia, Louisville, Oklahoma City, Mobile, Nashville, and Raleigh  
Source: Bureau of Labor Statistics; BRAC analysis

# Projected Growth

2017 job growth forecasts for Baton Rouge Area by select industry sectors

	Net New Jobs		Job Growth	Comments
	Low	High		
Professional & Business Services	592	668	2.6–2.9%	Spurred by large growth in accounting, management analysts, and various forms of engineering
Health Care and Social Assistance	739	1,647	1.2–2.2%	Registered nurses, home health aides, and personal care aides are the health care positions with the highest projected growth
Retail Trade	470	576	1.0–1.1%	Moderate growth in this industry reflects the general economic uncertainty that may affect spending
Construction	1,113	1,519	2.1–2.7%	Major gains in construction, a significant increase from 2015
Arts, Entertainment, and Recreation	(25)	28	(0.4)–0.4%	Occupations in the sector appear to stagnate, with no single occupation gaining or losing more than twelve jobs over the year
Manufacturing	278	691	0.9–2.0%	A robust chemical and refining sector and low natural gas prices are continuing to drive job expansion/growth
Finance and Insurance	(22)	194	(0.1)–1.5%	Varying projections indicate uncertainty between stagnation and moderate growth in the sector
<b>Total</b>	<b>3,145</b>	<b>5,323</b>		

# Projected Growth

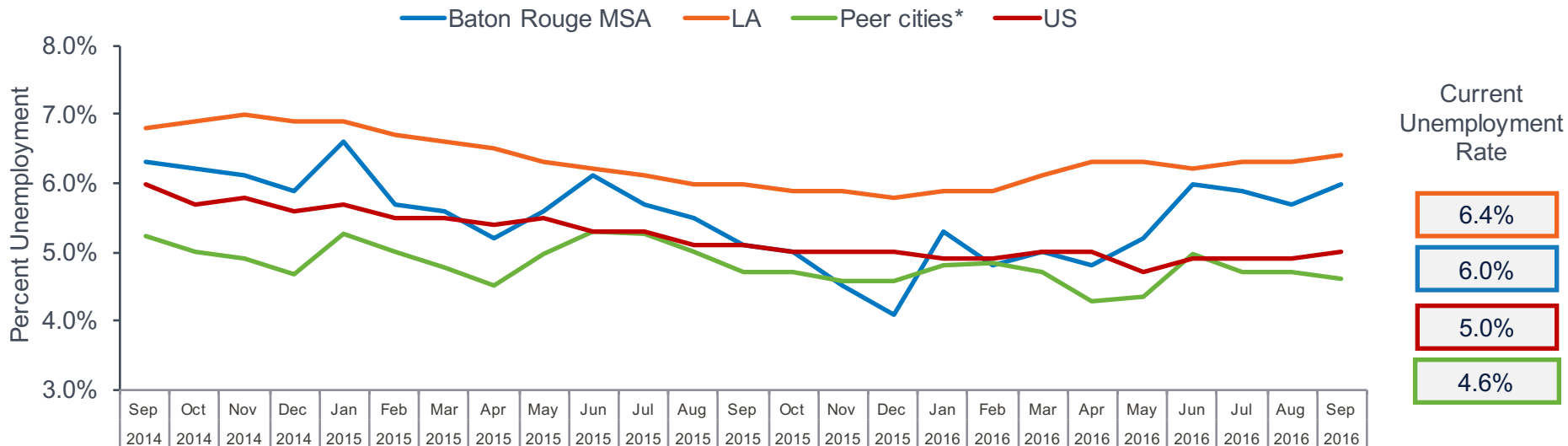
**Net job growth** is expected to continue in all parishes,  
led by Ascension and West Baton Rouge

	<b>Net New Jobs</b>	<b>Job Growth</b>	<b>Comments</b>
Ascension	1,933	4%	Fair gains in construction and manufacturing; highest growth in administrative and support services
East Baton Rouge	3,624	1%	Highest growth in information technology and educational services sectors
East Feliciana	19	0.1%	High growth in wholesale trade and educational services
Iberville	451	3%	Significant gains in construction accounts for much of this growth
Livingston	797	3%	High growth in retail trade, accommodation and food services, and government
Pointe Coupee	150	3%	Significant increase in retail trade and manufacturing
St. Helena	23	1%	Strongest industry seen in accommodation and food services and arts/entertainment
West Baton Rouge	519	4%	Transportation and warehousing, construction, and manufacturing are all projected to experience solid gains
West Feliciana	58	1%	Highest growth seen in construction and retail trade

# Regional Unemployment

The Capital Region unemployment is **higher** than it is at the national level despite a regular rise in jobs

Unemployment rate (percent)



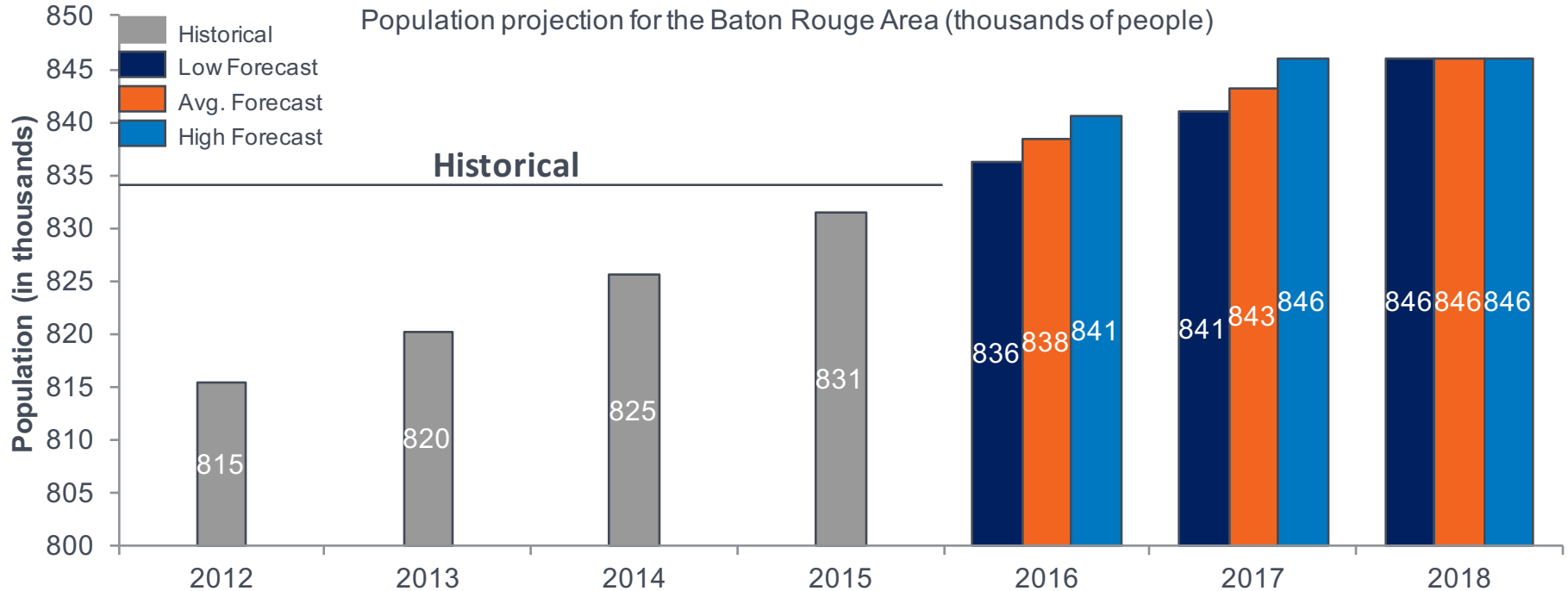
\*Peer cities include: Austin, Birmingham, Columbia, Louisville, Oklahoma City, Mobile, Nashville, and Raleigh

Source: Bureau of Labor Statistics; BRAC analysis

# Population Growth

Local **population growth** is projected to continue, with the Baton Rouge Area gaining approximately 10,000 new residents by 2018

Population projection for the Baton Rouge Area (thousands of people)

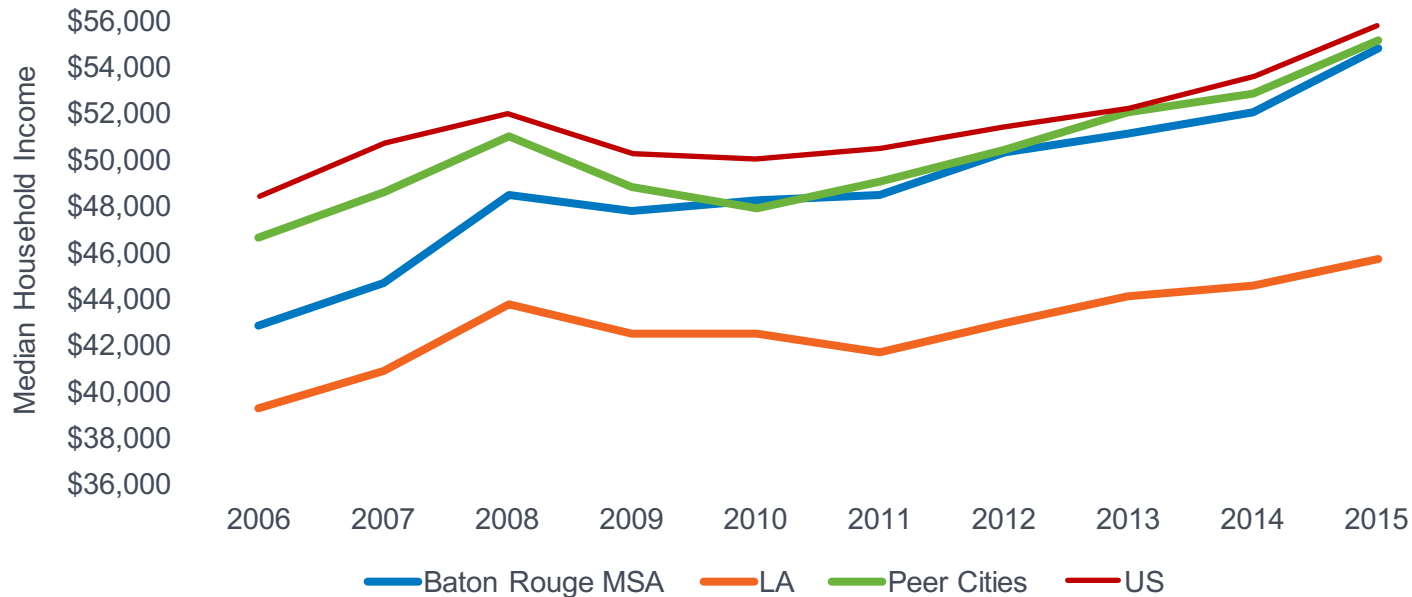




# Income Growth

Baton Rouge MSA household incomes **rose** by 28% over the last ten years

Median Household Income 2006-2015



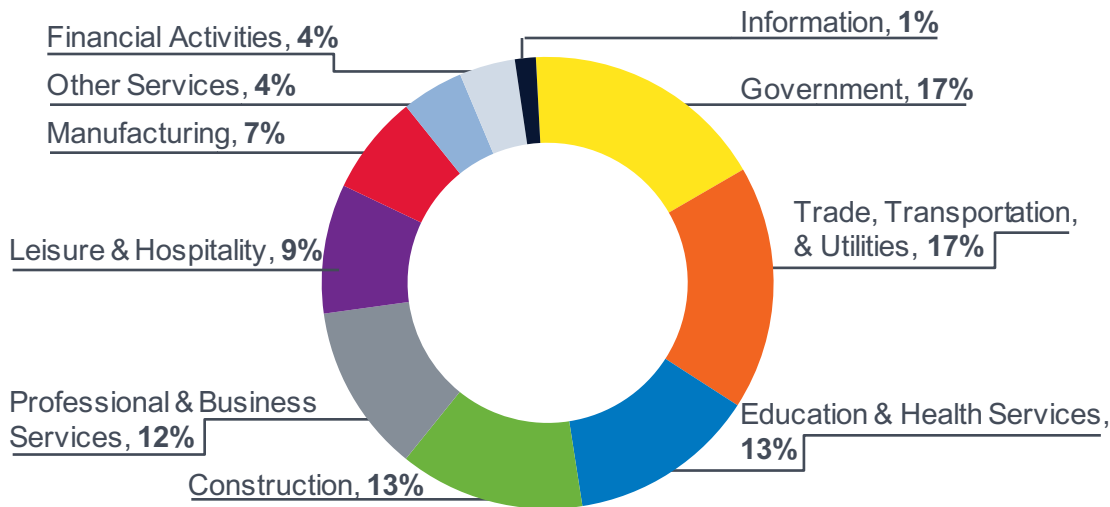
BR's 28% increase is significantly greater than the U.S.'s 15%, LA's 16%, and Peer Cities' 18% rise over the same time period

# Regional Economy

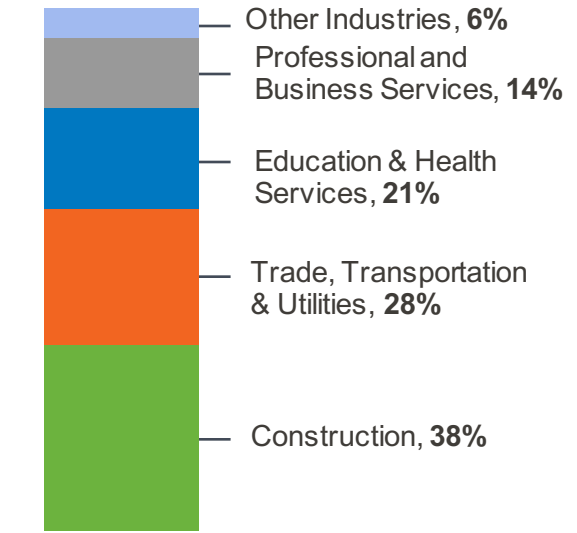
70% of the local industry sectors **experienced employment growth** over the last year, led by the Construction and Trade, Transportation & Utilities sectors

Over the Year\* Job Growth and Distribution

## Job Distribution



## Job Growth\*



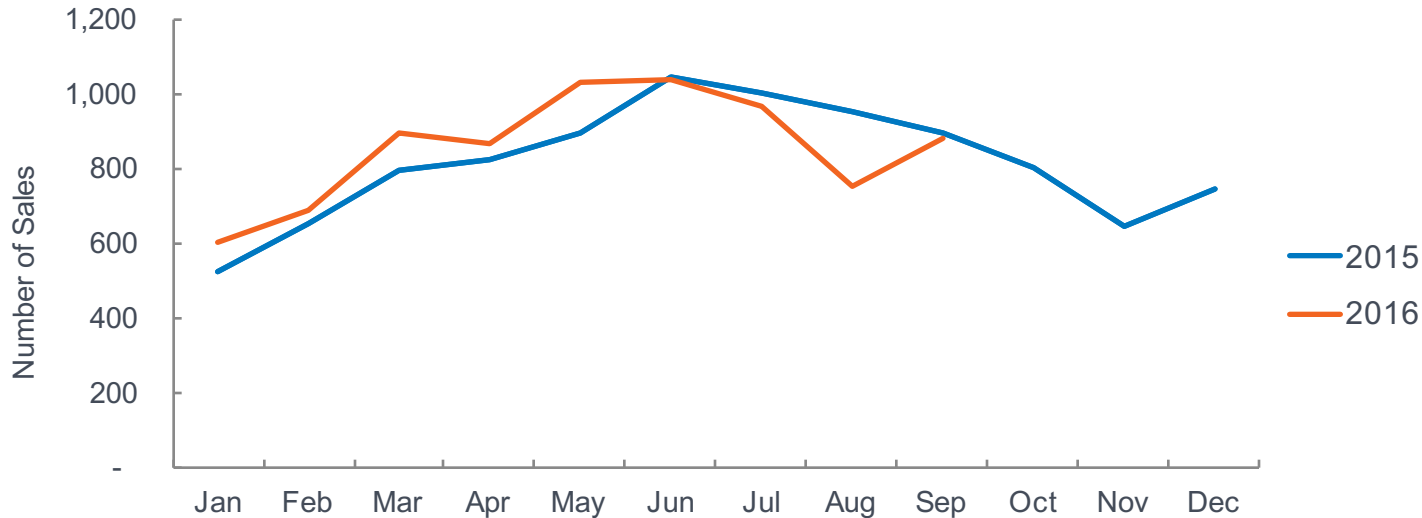
\*Does not include industries with net job losses

Source: Bureau of Labor Statistics; BRAC analysis; \*Data September 2015 to September 2016

# Real Estate Market

The Baton Rouge Area's real estate market showed **growth** in sales and home prices over the past year

Baton Rouge Area cumulative home sales (units sold)

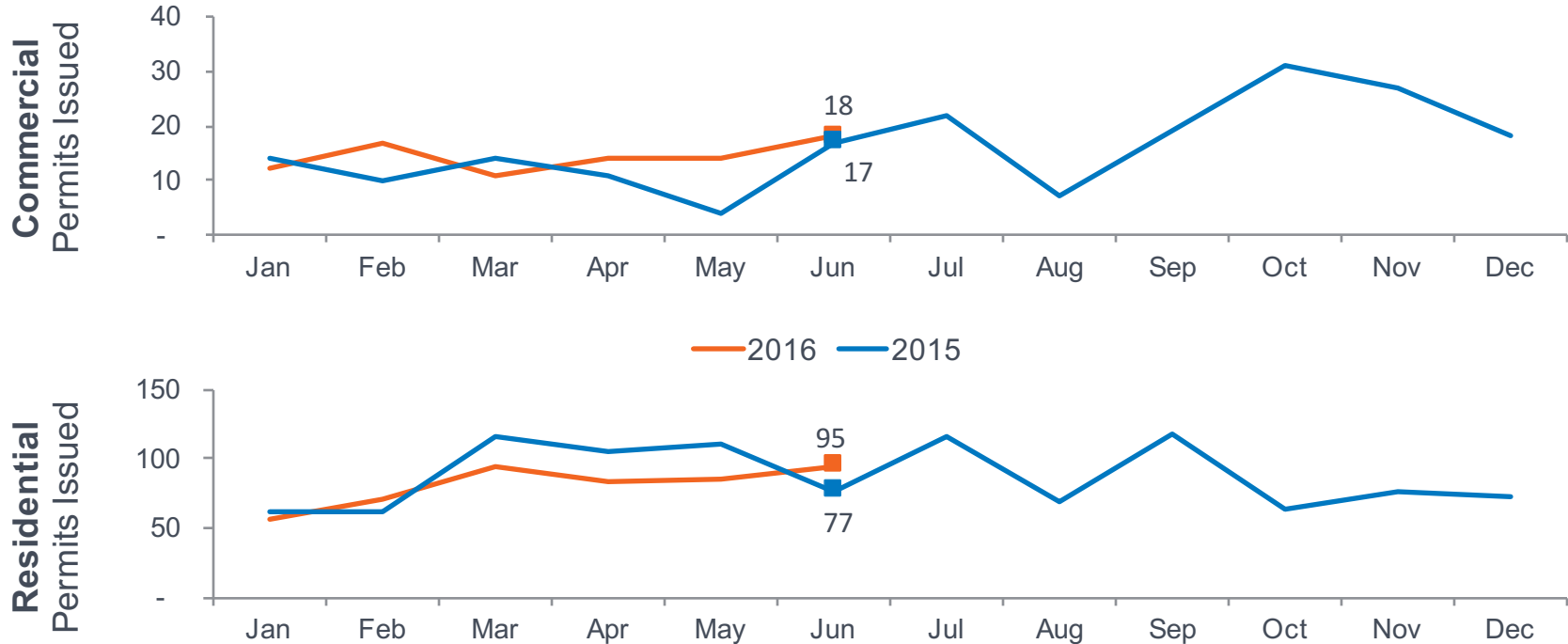


YTD Home sales were up roughly 2% for 2016 compared to this point in 2015

Average home sales prices in the Baton Rouge Area rose by 5.5% from September 2015 to 2016

# Construction Permitting

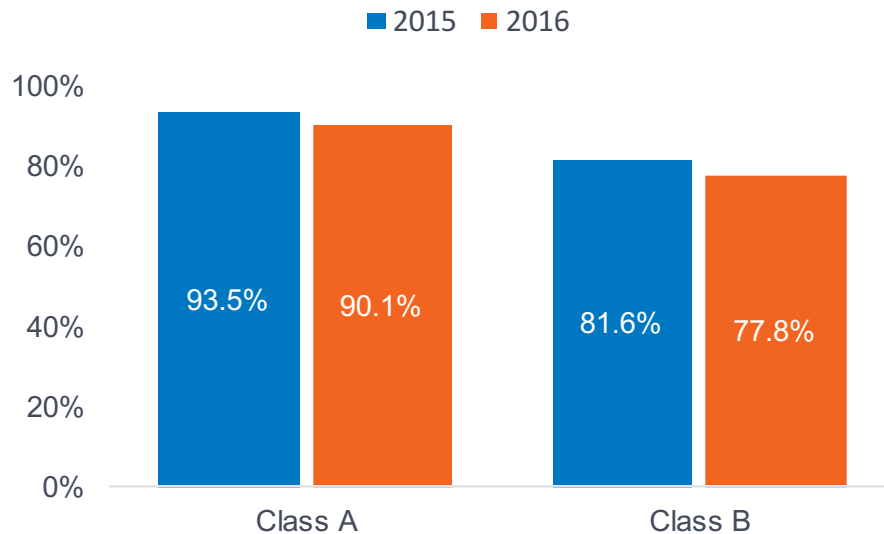
Residential Units Permitted are **down** over the year from June 2015 to 2016  
East Baton Rouge new residential and commercial units permitted



# Current Office Market

Office occupancy rates dropped in 2016 YTD to 85.8%, which is in line with the regional occupancy rate

## Occupancy Rates by Class

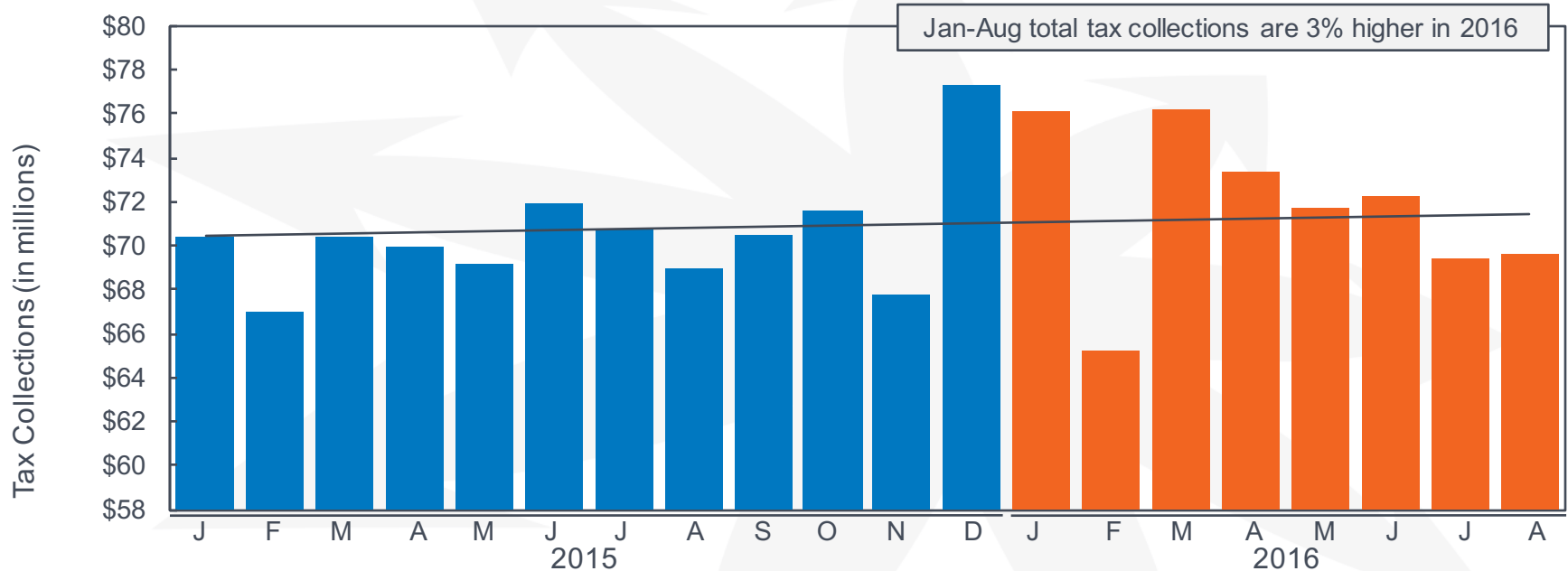


City	Occupancy Rate
Birmingham	86.5%
Columbia	83.4%
Louisville	88.3%
Nashville	94.5%
Raleigh-Durham	92.0%
South	85.2%
U.S. Average	87.0%

# Consumer Spending

Spending has remained steady in the capital region  
with \$573.9M collected YTD

Regional sales tax collections January 2015 to August 2016 (millions)

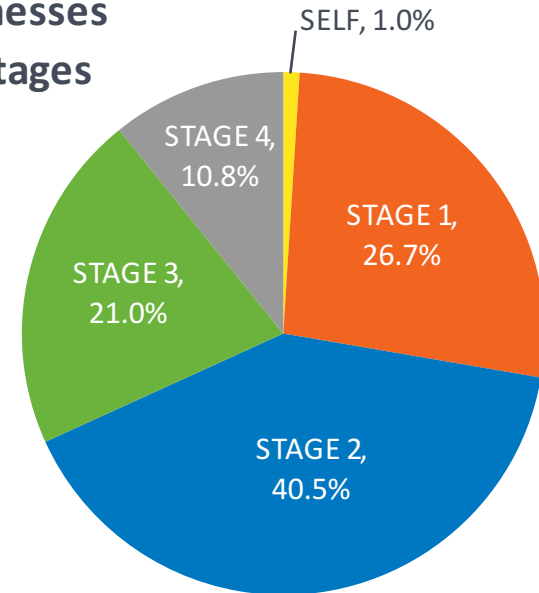


# Business Growth Rate

The Baton Rouge Area experienced a **growth** of 23.6% in its number of businesses from 2009-2015

	2009	2015	Change	% Change
Number of Businesses	35,100	43,400	8,300	23.6%
All Jobs	370,000	410,400	40,400	10.9%
Self Employed (1)	3,700	4,104	404	10.9%
Stage 1 (2-9)	81,030	109,577	28,547	35.2%
Stage 2 (10-99)	154,290	166,212	11,922	7.7%
Stage 3 (100-499)	80,290	86,184	5,894	7.3%
Stage 4 (500+)	51,060	44,323	(6,737)	(13.2%)

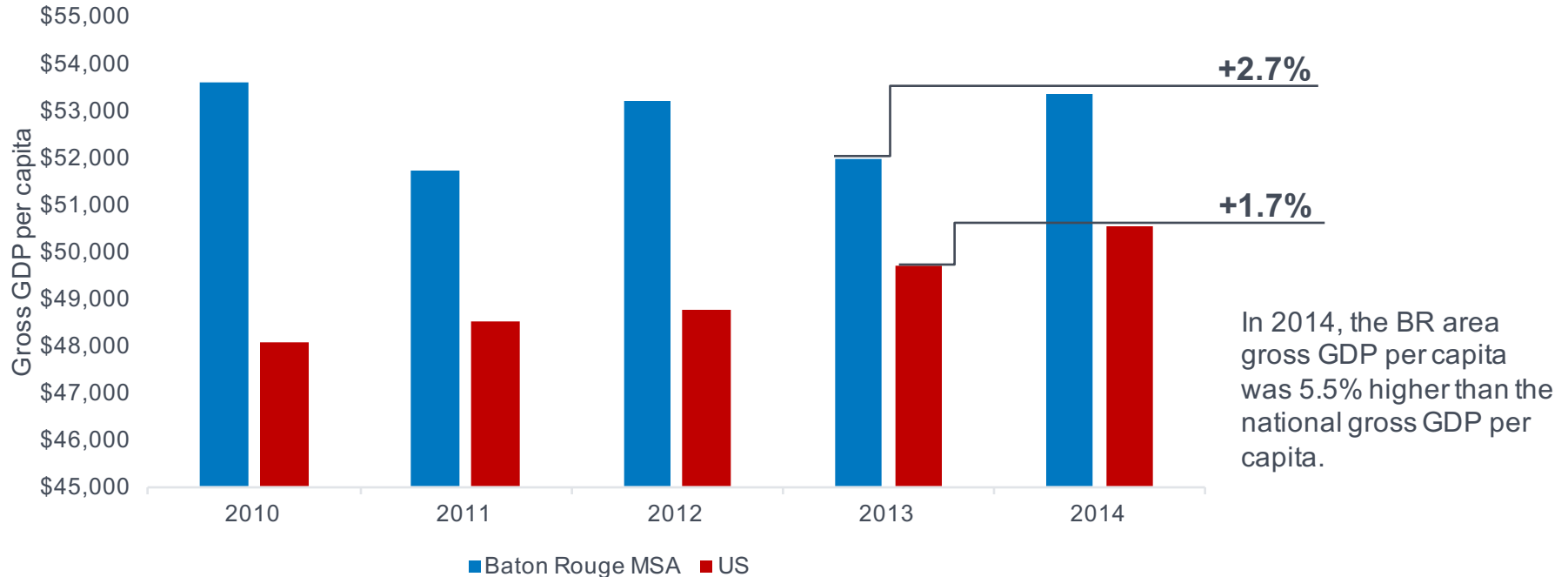
Businesses by Stages



# GDP Per Capita

Baton Rouge MSA gross GDP per capita has been consistently higher than the national gross GDP since 2010.

Gross GDP per capita



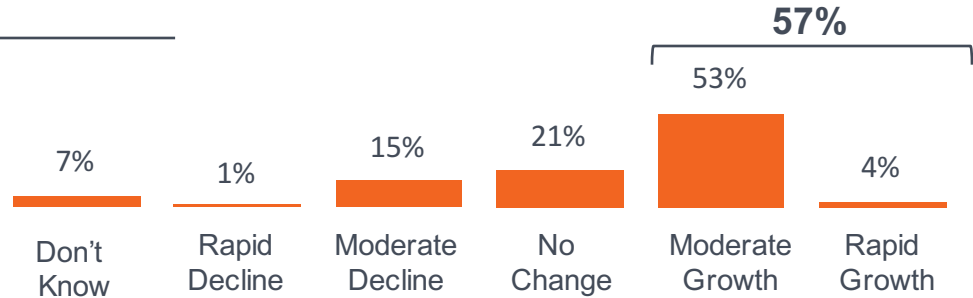


# 2017 Forecasts

Percentage of respondents in a survey of regional business leaders\*

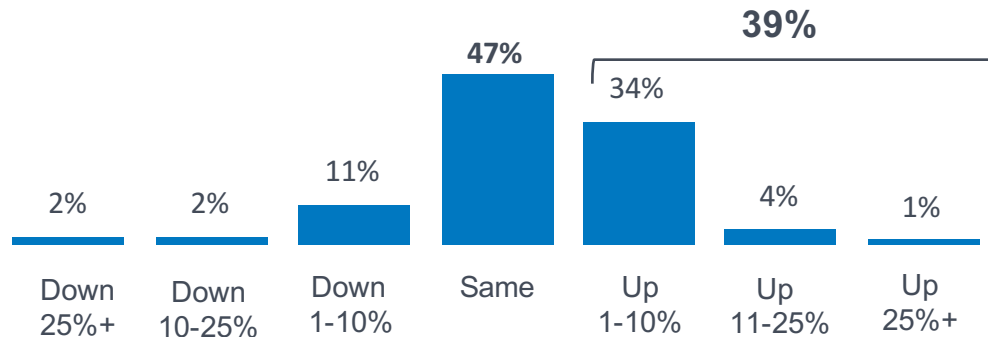
## ECONOMIC GROWTH FORECAST

74% expected market growth in 2016



## EMPLOYMENT GROWTH FORECAST

58% planned to increase hiring in 2016



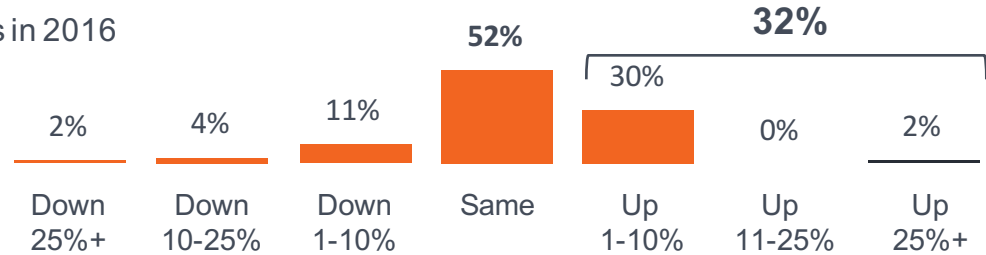
\*Percentages may not sum to 100 due to rounding

# 2017 Forecasts

Percentage of respondents in a survey of regional business leaders\*

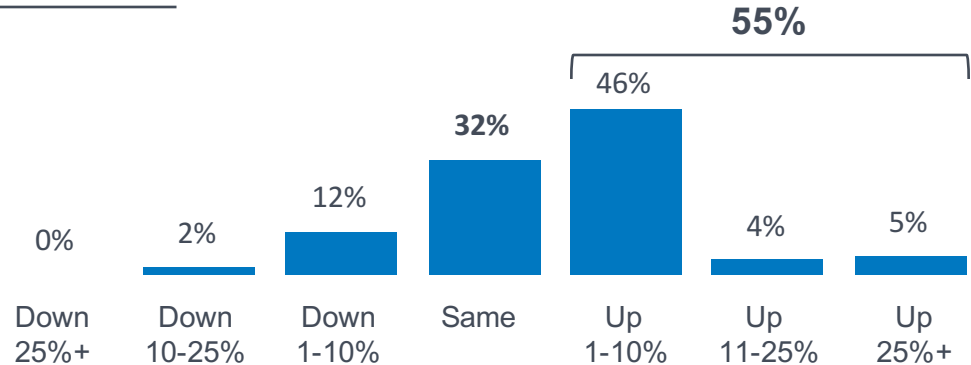
## CAPITAL EXPENDITURE FORECAST

43% planned to increase capital expenditures in 2016



## BUSINESS REVENUE FORECAST

70% expected increased revenue in 2016



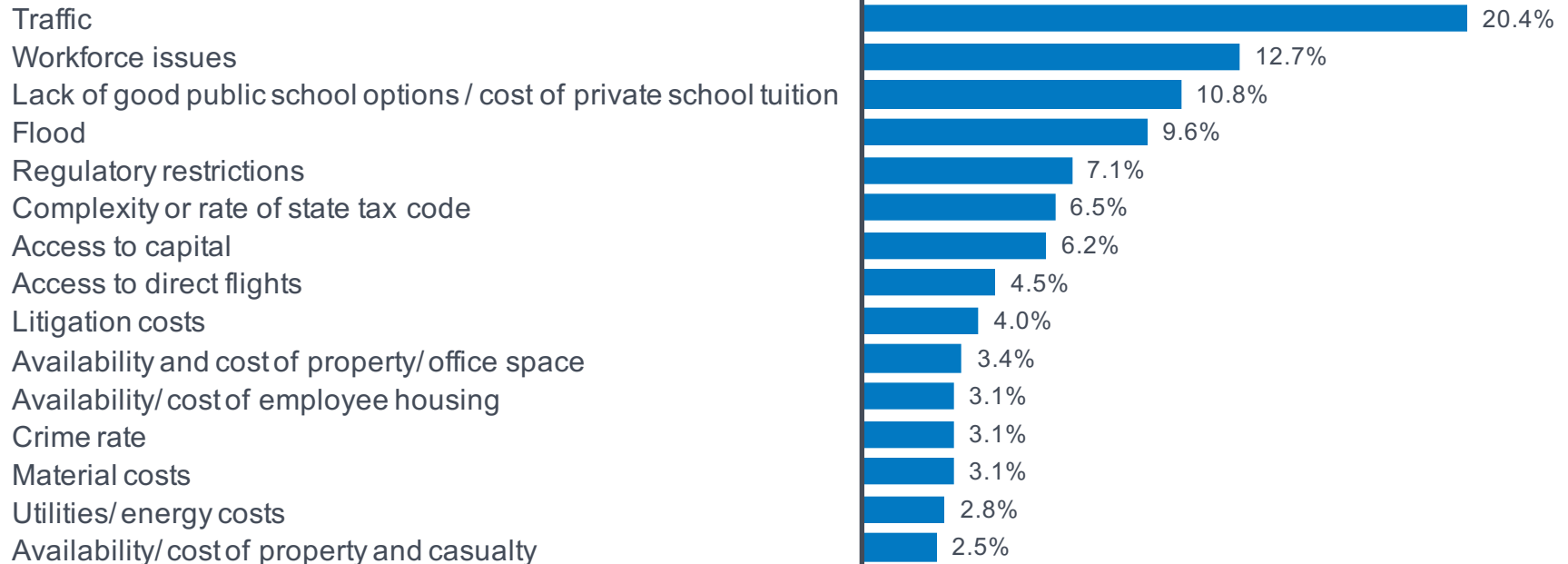
\*Percentages may not sum to 100 due to rounding

# Obstacles for Businesses

Traffic, workforce, education, and the flood are the top **obstacles** for businesses in the Capital Region

Percentage of respondents in a survey of regional business leaders\*

## Top obstacles



\*Respondents were allowed to choose multiple answers

# Workforce Perceptions

Lack of “soft skills” remains the **top concern** of area business leaders

Ranking by respondents in a survey of regional business leaders\*

Ranking		2017 Available Workforce Obstacles	2016 Available Workforce Obstacles
1	=	Candidates Lacking "Soft" Skills	Candidates Lacking "Soft" Skills
2	=	Unrealistic Salary Expectations	Unrealistic Salary Expectations
3	↑	Losing Talented Employees To Other Markets	Lack of Requisite Education/Experience
4	↓	Lack Of Requisite Education/Experience	Challenges With Out-of-state Recruitment
5	↑	Finding Employees Who Can Pass Drug Screening Tests and/or Remain Drug Free	Finding Experienced Managers In Field
6	↓	Challenges With Out-of-state Recruitment	Retiring Workforce
7	↑	High Turnover	Too Few Applicants
8	↓	Retiring Workforce	High Turnover
9	↓	Too Few Applicants	Finding Skilled Crafts Labor

\*Respondents were allowed to choose multiple answers

# Statewide Concerns

Transportation infrastructure remains the **top statewide issue** of concern

Ranking by respondents in a survey of regional business leaders\*

Ranking	2017 Statewide Trends	2016 Statewide Trends
1 =	Transportation Infrastructure	Transportation Infrastructure
2 =	Tax Structure and Tax Code	Tax Structure and Tax Code
3 ↑	Declining Government Budgets	K-12 Education Reform and Performance
4 ↑	Insurance	Declining Government Budgets
5 =	State Economic Development Efforts	State Economic Development Efforts
6 ↓	K-12 Education Reform and Performance	Insurance
7 =	State Higher Education System	State Higher Education System
8 ↑	State Government Effectiveness	State Regulatory Environment
9 =	Tax Incentives	Tax Incentives

\*Respondents were allowed to choose multiple answers

# National/International Issues

Slow pace of economic recovery has climbed to

## top national and international concern

Ranking of respondents in a survey of regional business leaders\*

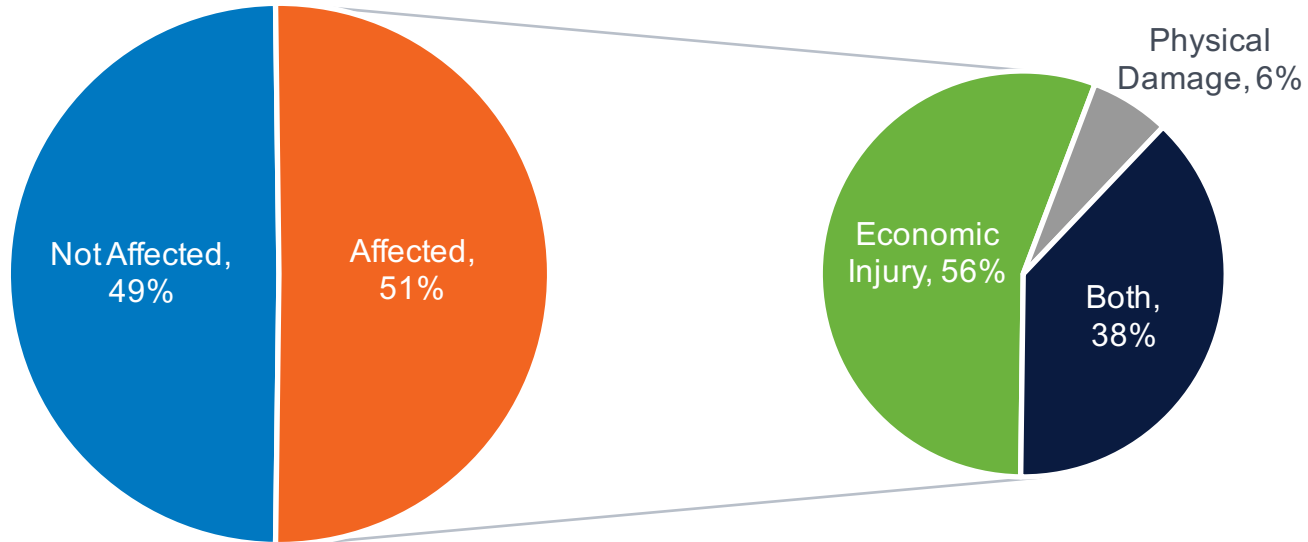
Ranking		2017 National & International Trends	2016 National & International Trends
1	↑	Slow Pace of Economic Recovery	Health Care Reform / Regulations
2	↓	Health Care Reform / Regulations	Slow Pace of Economic Recovery
3	=	Price of Oil	Price of Oil
4	↑	A Politically-divided Federal Government	Federal Tax Code
5	↓	Federal Tax Code	Federal Transportation / Infrastructure Budget
6	↓	Federal Transportation / Infrastructure Budget	A Politically-divided Federal Government
7	↑	The Availability of Credit	Federal Reserve Policy
8	↑	New Financial Regulations	Federal Budget Deficit
9	↑	Home Prices And Values	New Financial Regulations

\*Respondents were allowed to choose multiple answers

# Flood Effects

Over half of respondents were affected by the August Flooding,  
and 22% experienced actual physical damage

Percentage of respondents in a survey of regional business leaders\*



\*Respondents were allowed to choose multiple answers

# Economic Trends

## Impact of global and national economic trends in the Baton Rouge Area

2016-2017 Trends	Impact	Comments
Economic uncertainty resulting from presidential administration, as well as the politics of trade generally	↔	Although the Trump administration will likely be an improvement in terms of regulatory burdens, both major parties disparaged free trade agreements while campaigning. Limiting trade would hurt significant export hubs, such as Baton Rouge.
Markets initially responding positively to new presidential administration	↑	In the days after the 2016 elections, the Dow Jones finished with its best week in five years. Investors believe that lower tax rates will drive investment and spending domestically.
Low oil and natural gas prices	↔	While the Baton Rouge Area is highly dependent on the petrochemical industry, stagnant oil prices affecting upstream more than downstream, which is the bulk of Baton Rouge's petrochemical presence. Natural gas remains favorable to area involvement.
Projected U.S. GDP growth in 2016 at 2.0%	↑	As a metro area with a per capita GDP much higher than most similarly-sized metros, and the U.S. as a whole, Baton Rouge is situated to be impacted positively from strong GDP growth.



# Performance Rankings

Metro areas, lowest cost of business, <i>KPMG Competitive Alternatives, 2016</i>	#1
Mid-Sized Cities, Manufacturing Job Growth, <i>NewGeography, 2015</i>	#1
Lowest Cost of Business, <i>Business Facilities, 2016</i>	#1
Top 10 Regional “South” MSAs, <i>Area Development, 2016</i>	#1
Cities for economic development in the chemical and plastics industry, <i>Site Selection, 2015</i>	#2
Top 10 Real Estate Market to Watch in 2016, <i>Trulia, 2015</i>	#4
Metro areas with highest level of manufacturing productivity, <i>Garner Economics, LLC, 2016</i>	#6

## Annual Metropolitan Rankings

Area Development – Leading Metro Locations, 2016	#31 (62)*
Milken Institute – Best Performing Cities, 2015	#43 (21)*

\*Previous year’s ranking in parenthesis