

Baton Rouge Area Chamber's **2016**

# **Economic** *Outlook*



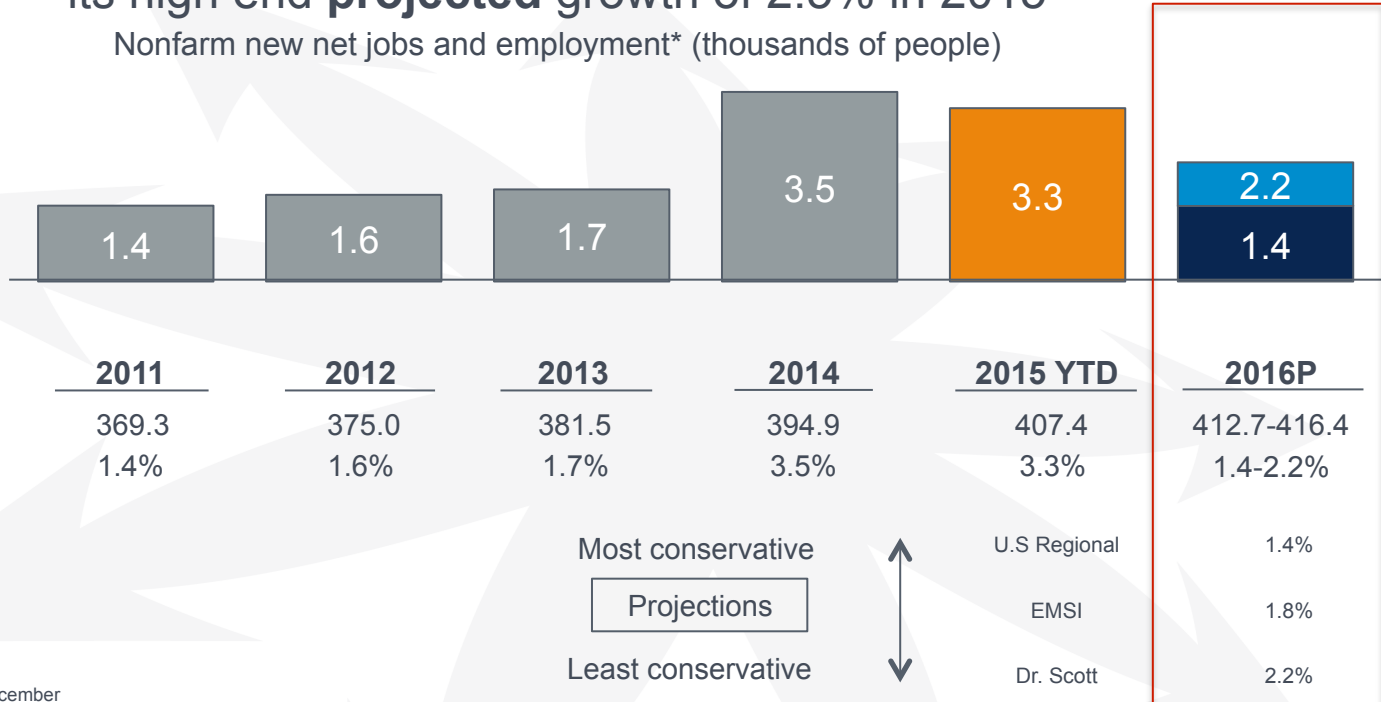
Baton Rouge Area Chamber®

# Projected Job Growth

Job growth in the Baton Rouge Area has already exceeded its high end **projected** growth of 2.5% in 2015

Nonfarm new net jobs and employment\* (thousands of people)

- Current YTD
- Historical
- Low Forecast
- High Forecast



\*Not Seasonally Adjusted

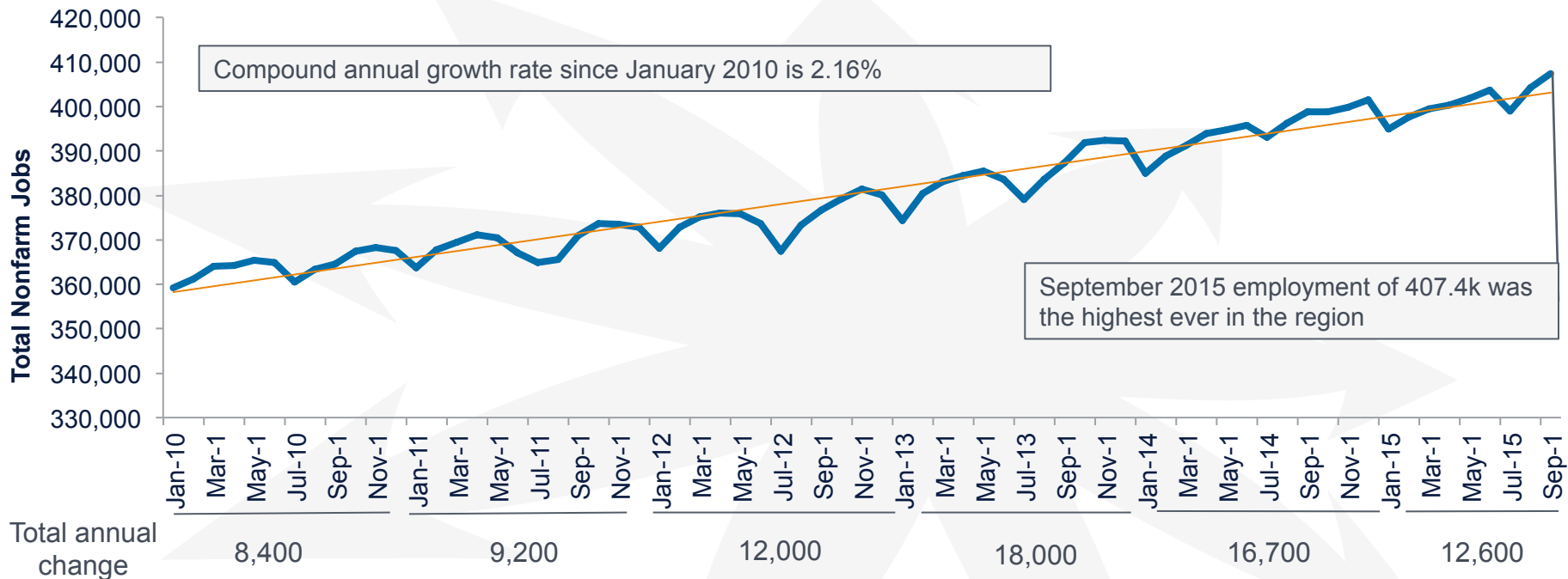
Historical data measured from January to December

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**, exceeding forecast expectations

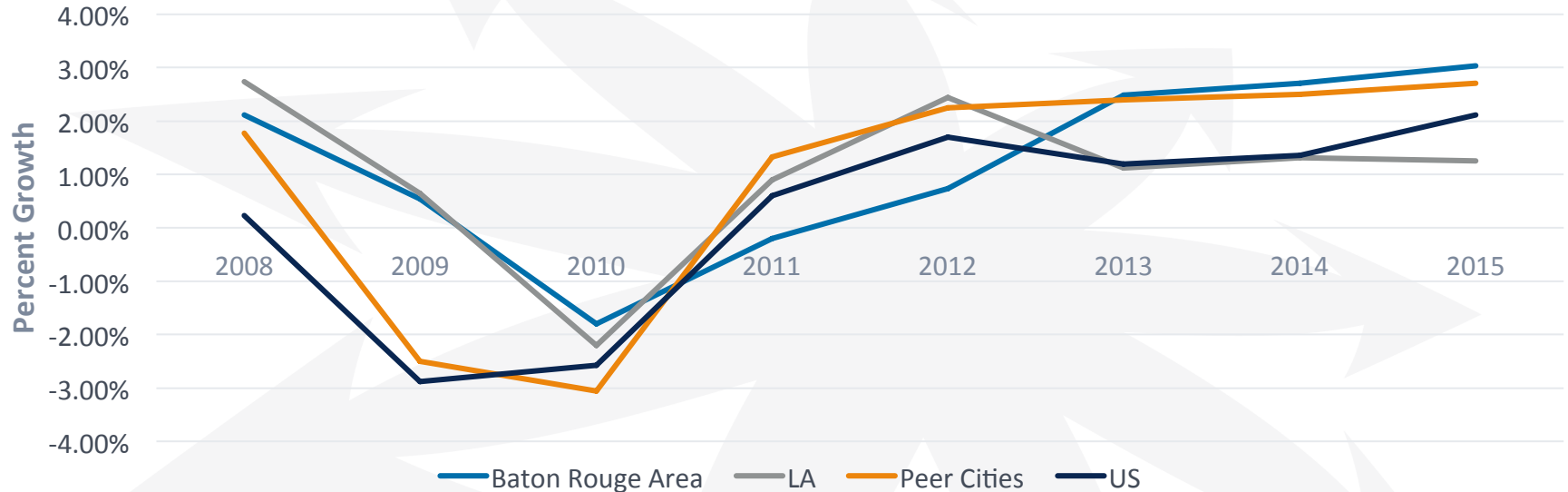
Nonfarm employment, not seasonally adjusted



# Job Growth Comparison

Regional employment growth has **outperformed** Louisiana, its peer cities, and the nation as a whole since 2013

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



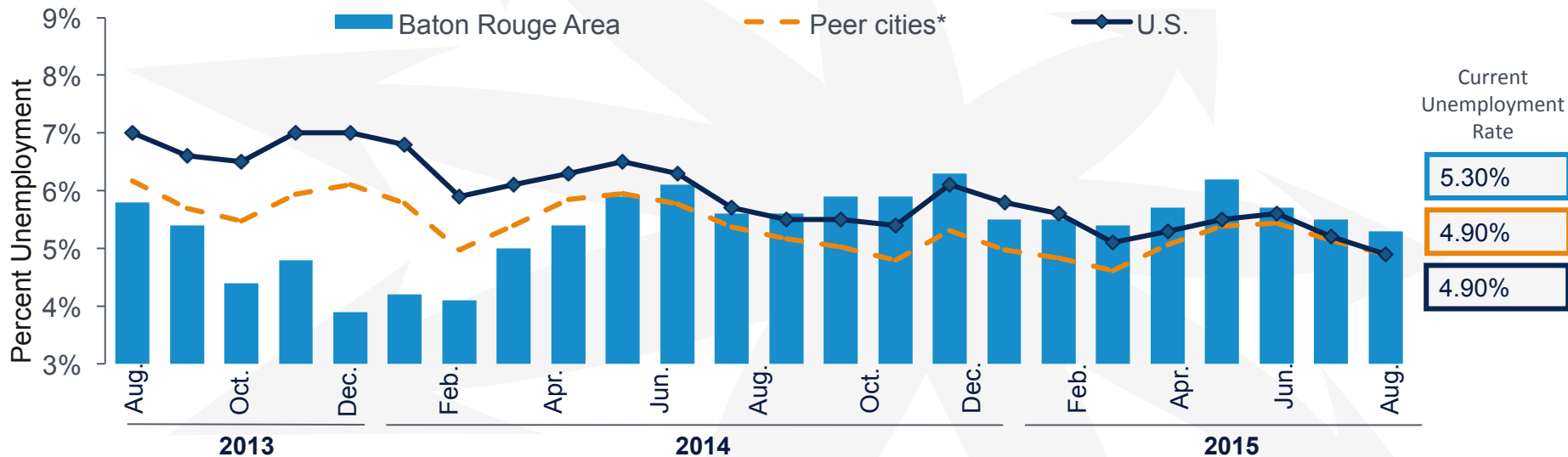
\*Peer cities include: Austin, Birmingham, Columbia, Louisville, Oklahoma City, Mobile, Nashville, and Raleigh

Source: Bureau of Labor Statistics; BRAC analysis

# Regional Unemployment

The Capital Region unemployment remains **lower** than the state, but above the peer metro average. It has been trending downwards in recent months

Unemployment rate (percent)



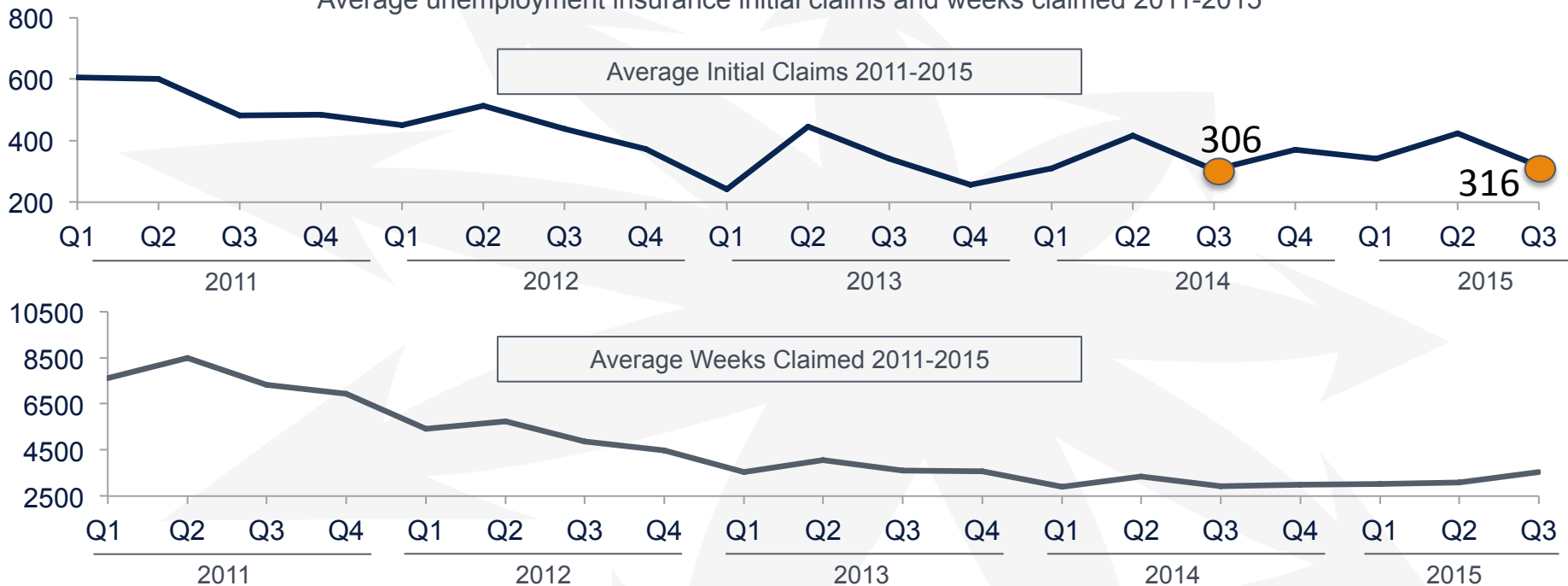
\*Peer cities include: Austin, Birmingham, Columbia, Louisville, Oklahoma City, Mobile, Nashville, and Raleigh

Source: Bureau of Labor Statistics; BRAC analysis

# Unemployment Claims

Unemployment claims are **up slightly** compared to this point 2014, but have improved after Q2 uptick

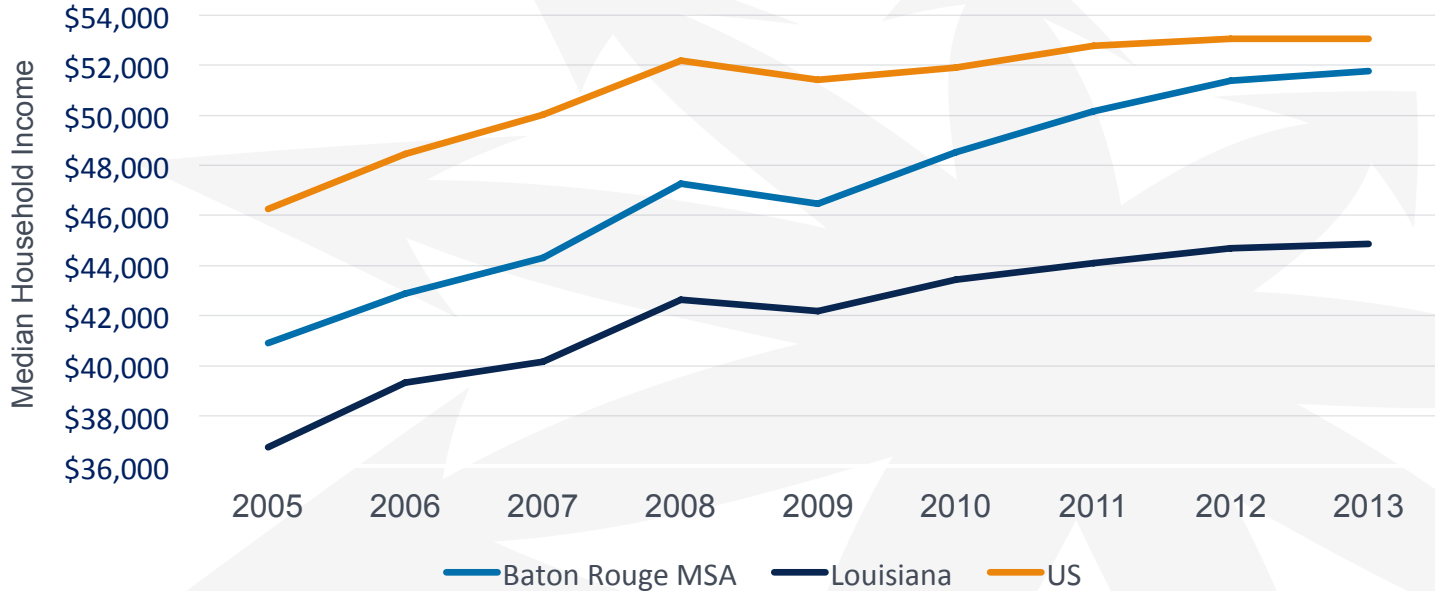
Average unemployment insurance initial claims and weeks claimed 2011-2015



# Median Household Income

Baton Rouge MSA household incomes **rose** by 27% since 2005

Median Household Income 2005-2013



- BR's 27% increase is significantly greater than the U.S.'s 15% rise or LA's 22% increase over the same time period
- BR's increase is due in large part to a 33% increase in African American income in the region

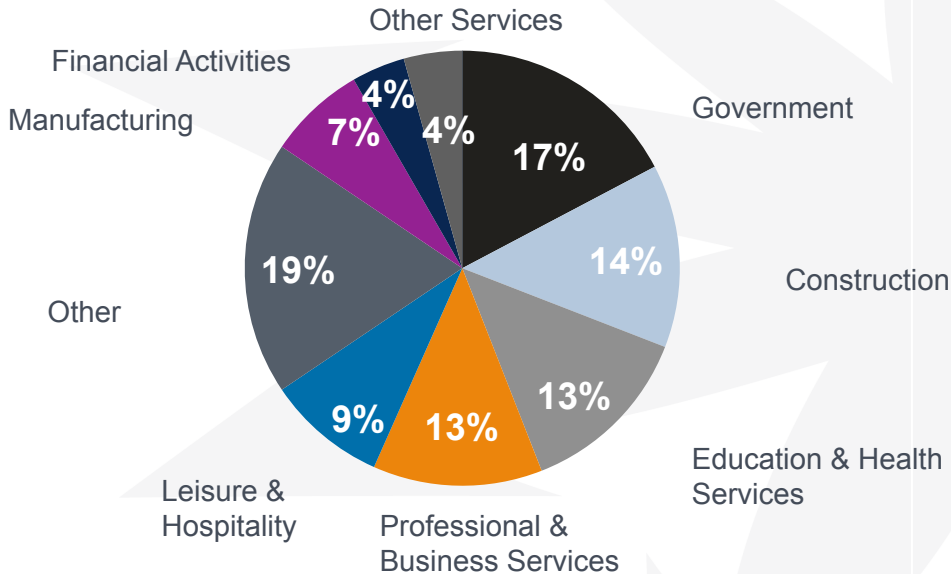
# Regional Economy

55% of the local industry sectors experienced employment growth over the last year, led by the construction and business services sectors

Percent of total 2015\* job distribution and growth

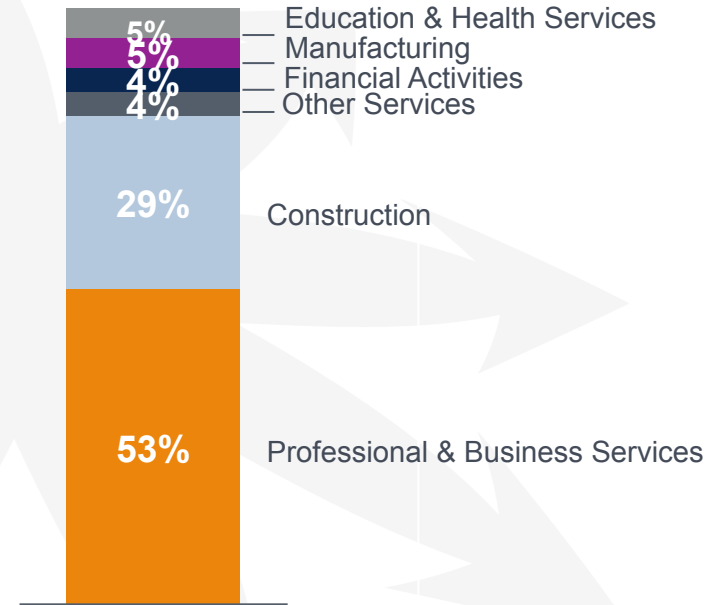
## Job Distribution

Percent



## Job Growth Sectors

Percentage of Regional Job Growth

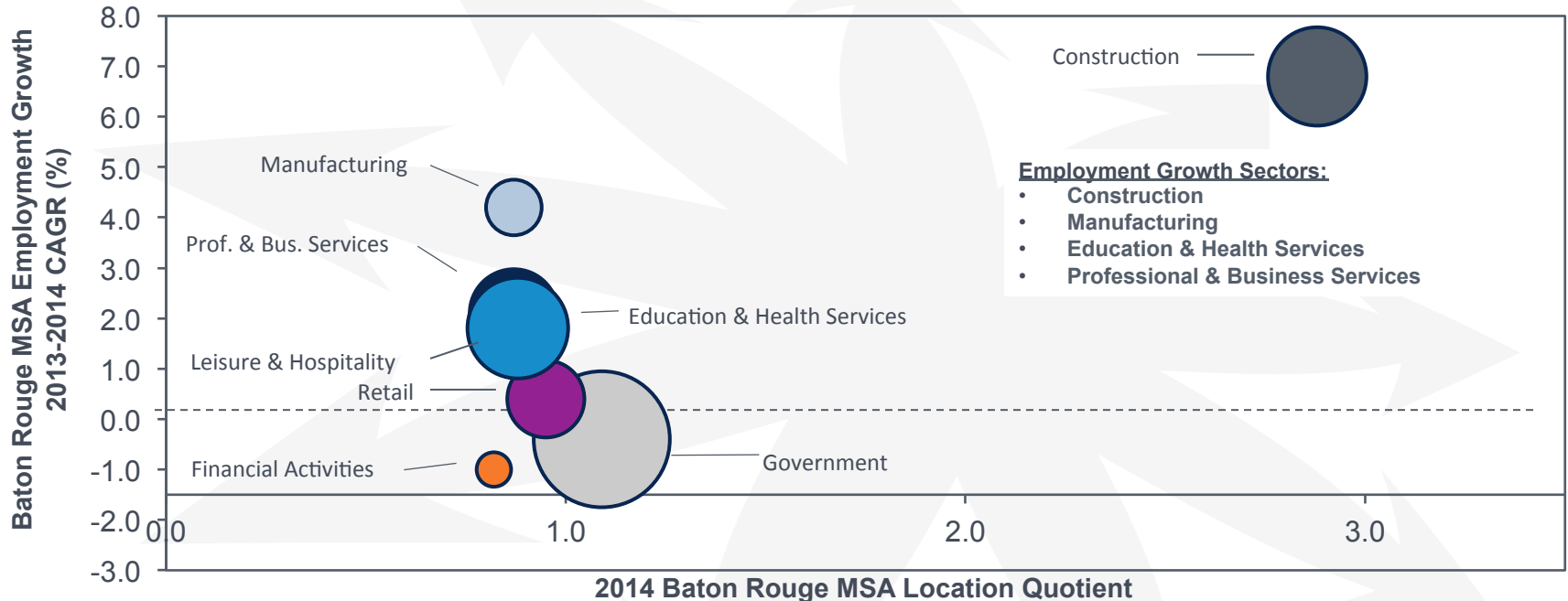




# Scale vs. Growth

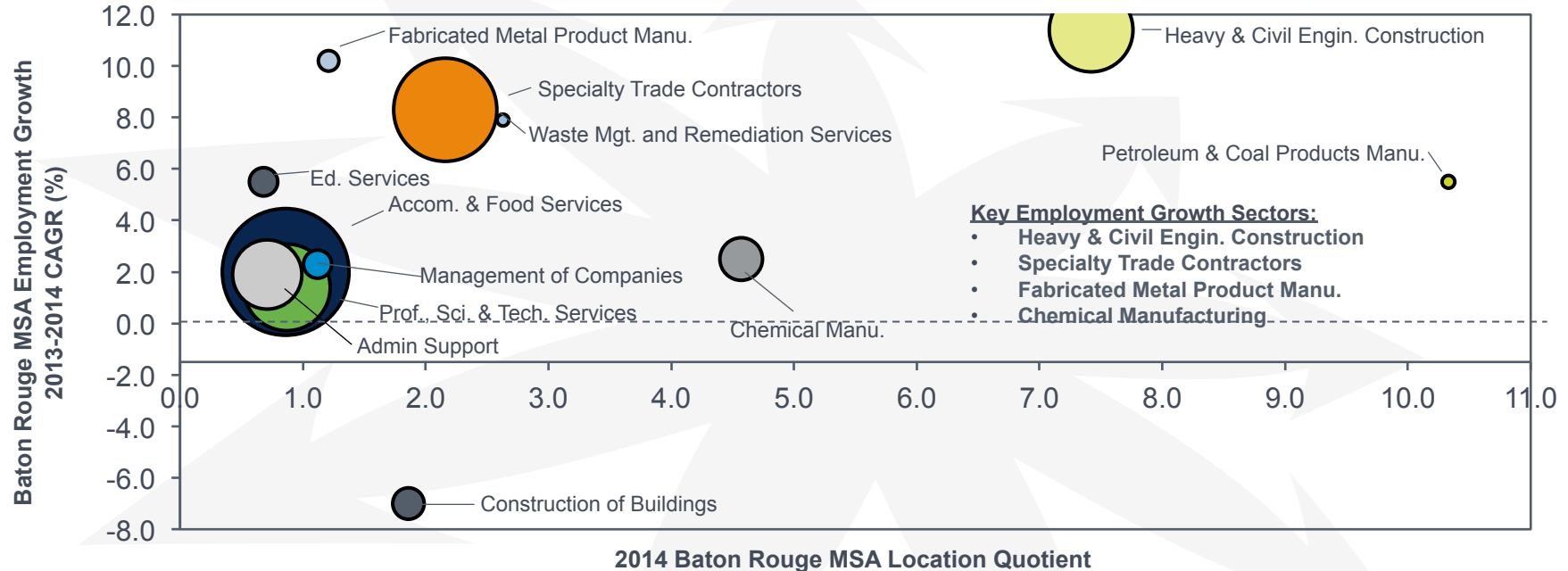
Over the last year, there has been **significant growth** from construction, professional & business services, and manufacturing

Bubble diameter is proportional to number of employees in 2014



# Specialization of Sectors

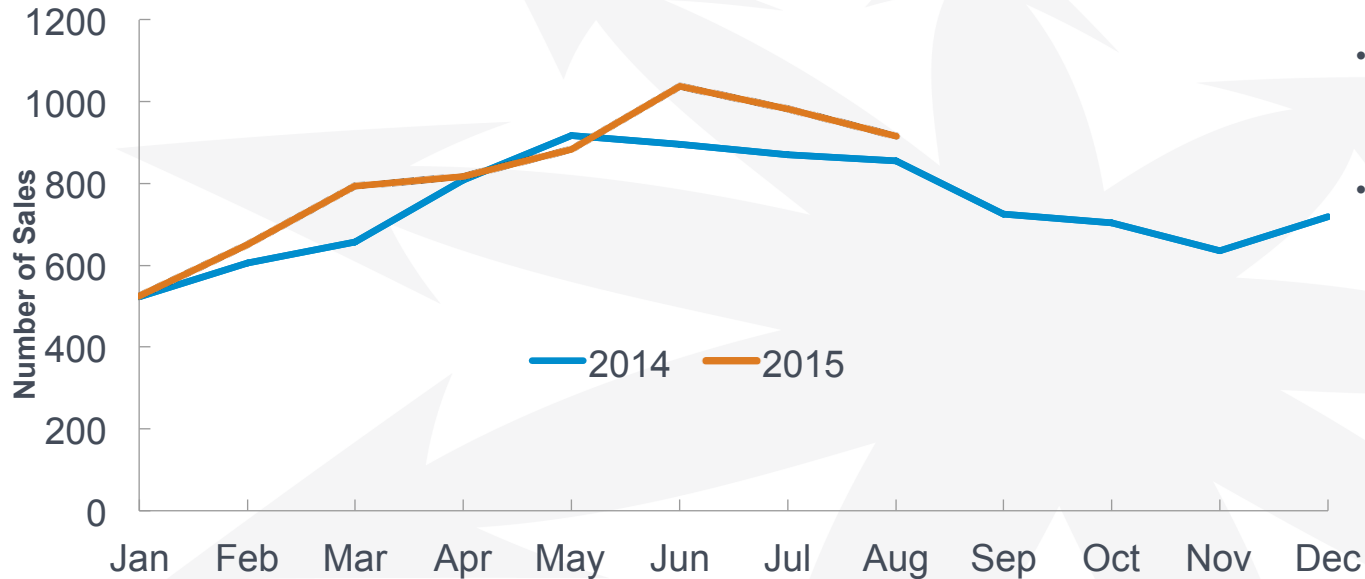
Industrial-related sectors continue to drive growth in the Baton Rouge Area  
Bubble diameter is proportional to number of employees in 2014



# 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\* home sales (units sold)



- Home sales are up roughly 7.6% for 2015 compared to this point in 2014
- 2015 average home sales prices in the Baton Rouge Area increased 8.9% from the 2014 to this point average

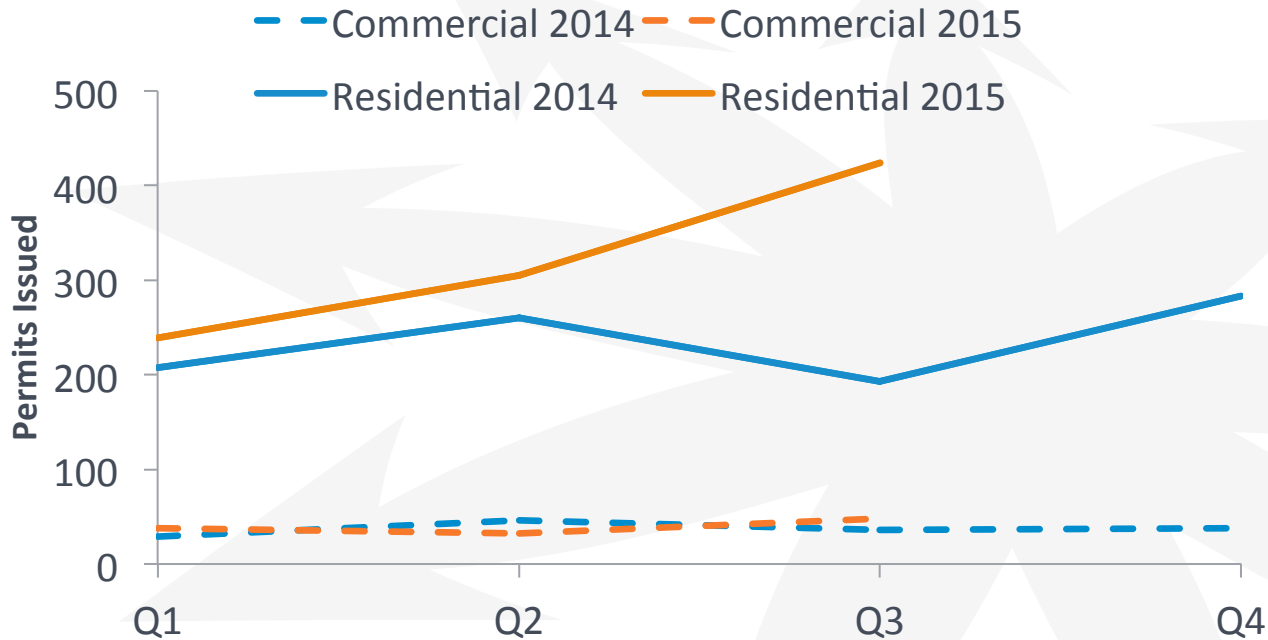
\*Baton Rouge area includes Ascension, East Baton Rouge, and Livingston Parishes

Source: MLS; GBRAR

# Construction Permitting

Residential permitting is **up** since 2014

New East Baton Rouge residential and commercial units permitted



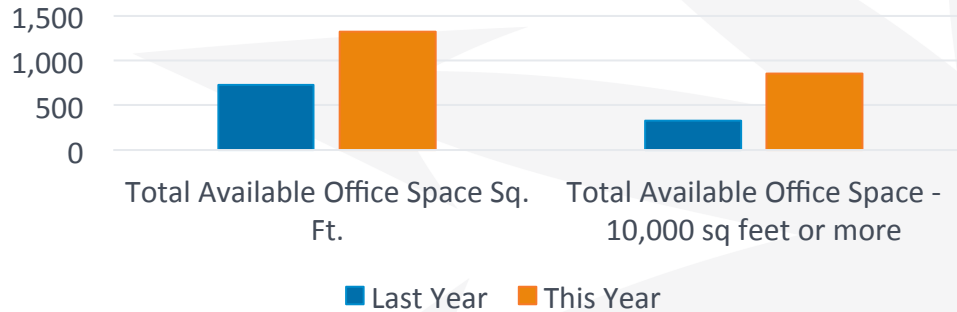
- Residential permitting was up 120% in 2015 (Q3) compared to 2014 (Q3)
- Commercial permitting is up 33% in 2015 (Q3) compared to 2014 (Q3)

# Current Office Market

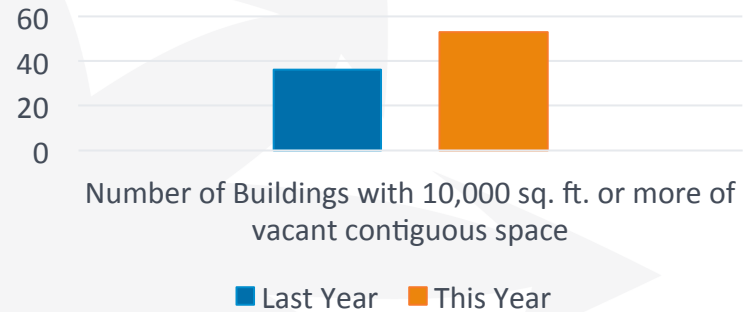
Despite an increase in stock in terms of square footage and number of buildings, the region still has a shortage of office space

Total Square Feet and Number of Buildings in Baton Rouge Area

### Total Square Feet (in thousands)



### Number of Buildings

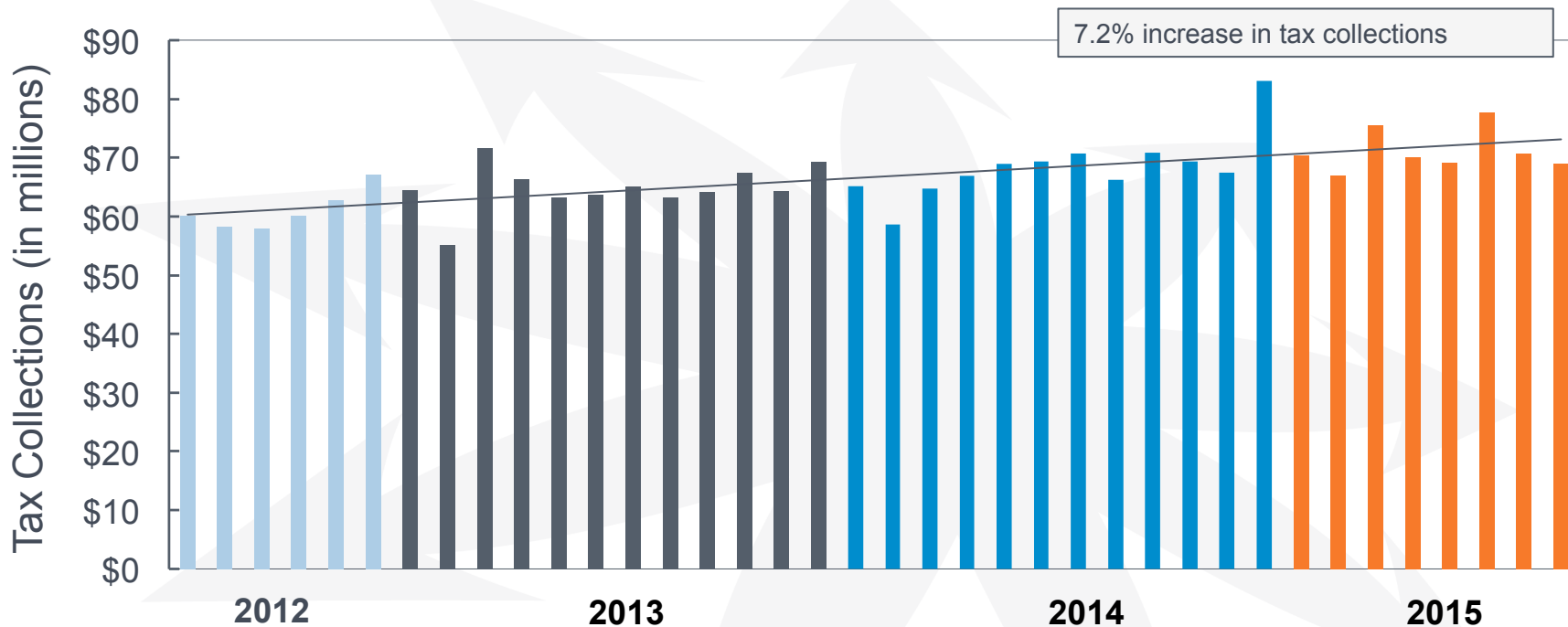


- Functional Vacancy Rate for Class A and Class B Space ~ 10%
- Functional Vacancy Rate for Class A projected to increase slightly to 11% in 2016
- Functional Vacancy Rate for Class B projected to increase slightly to 12% in 2016

# Consumer Spending

Regional tax collections have been slowly but steadily **increasing** since 2012

Regional sales tax collections July 2012 to August 2015 (millions)



Region includes Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Pointe Coupee, St. Helena, West Baton Rouge and West Feliciana parishes

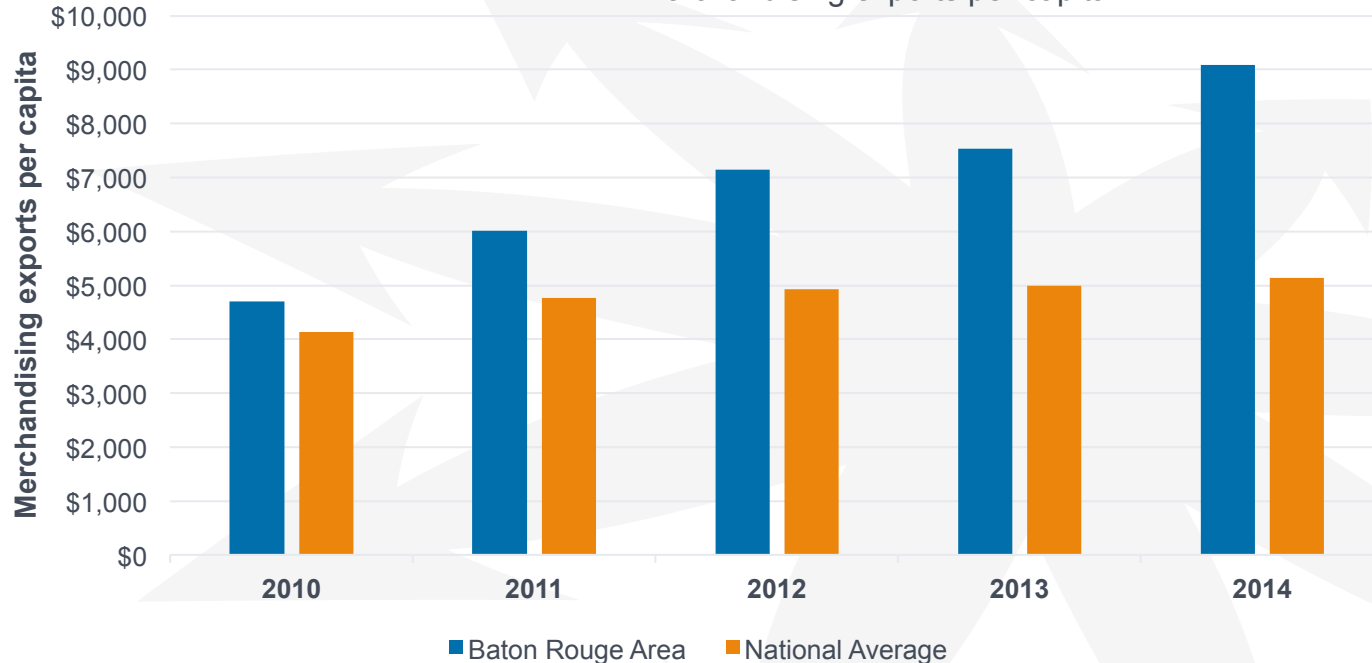
\*Sales were estimated from sales and use tax collections and rates of each taxing jurisdiction within each parish

Source: Local tax offices; BRAC analysis

# Exports

Baton Rouge Area exports per capita have **increased 93%** since 2010, compared to a national average of 24%

Merchandising exports per capita



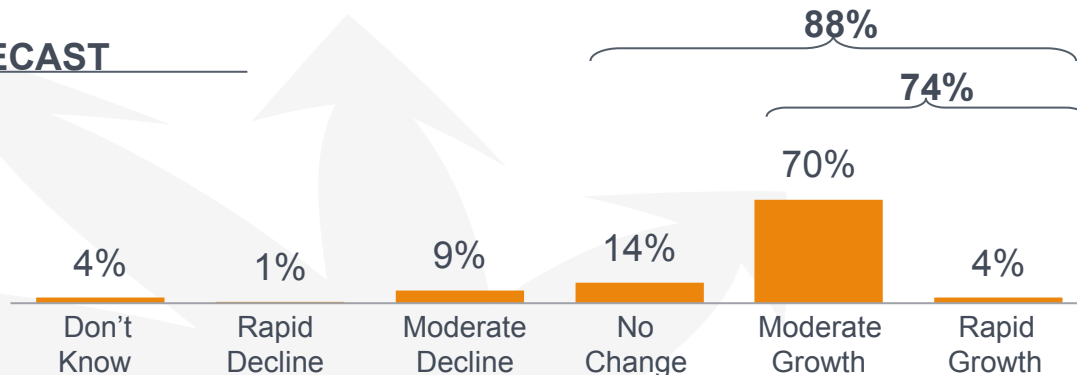
- Baton Rouge Area merchandising exports have increased by 93% since 2010
- This increase amounts to over \$3.5 billion

# 2016 Forecasts

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

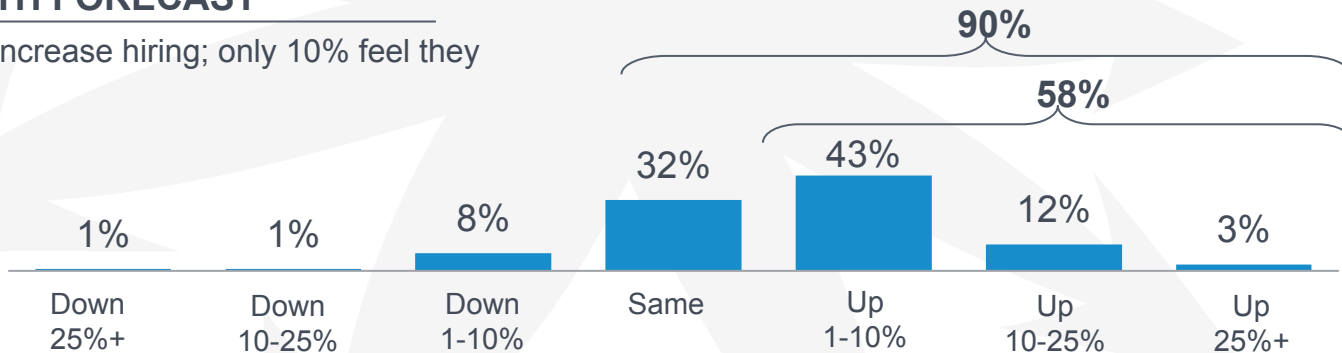
## 2016 ECONOMIC GROWTH FORECAST

74% expect market growth in 2016



## EMPLOYMENT GROWTH FORECAST

58% of businesses plan to increase hiring; only 10% feel they may decrease employment



\*Percentages may not sum to 100 due to rounding

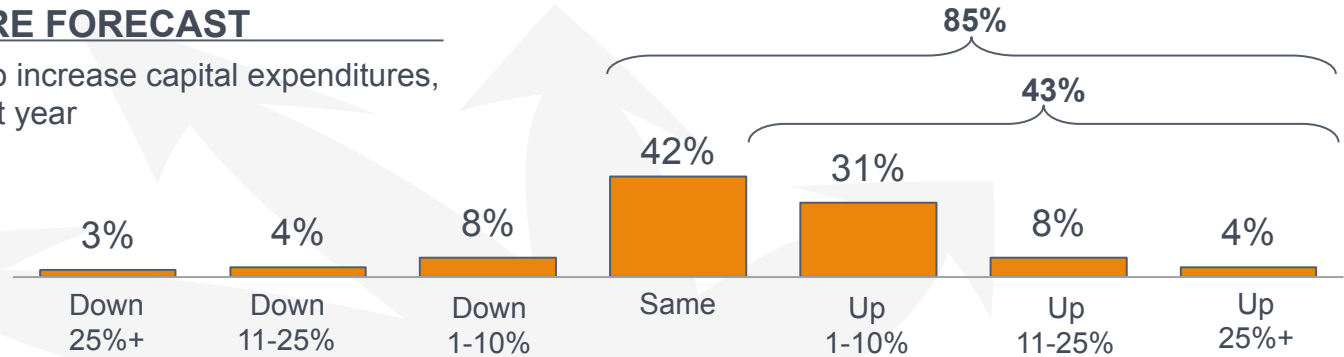


# 2016 Forecasts

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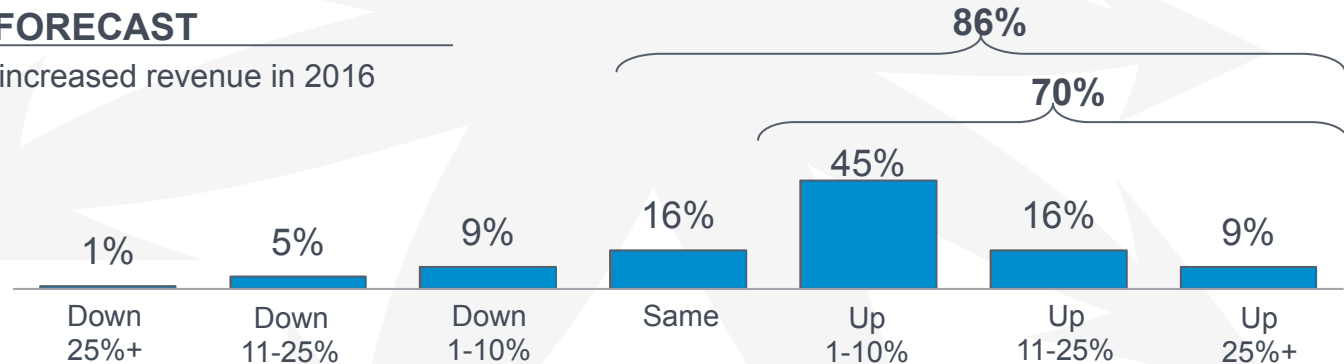
## CAPITAL EXPENDITURE FORECAST

43% of respondents plan to increase capital expenditures, down slightly from 53% last year



## BUSINESS REVENUE FORECAST

70% of businesses expect increased revenue in 2016



\*Percentages may not sum to 100 due to rounding

# Survey Responses

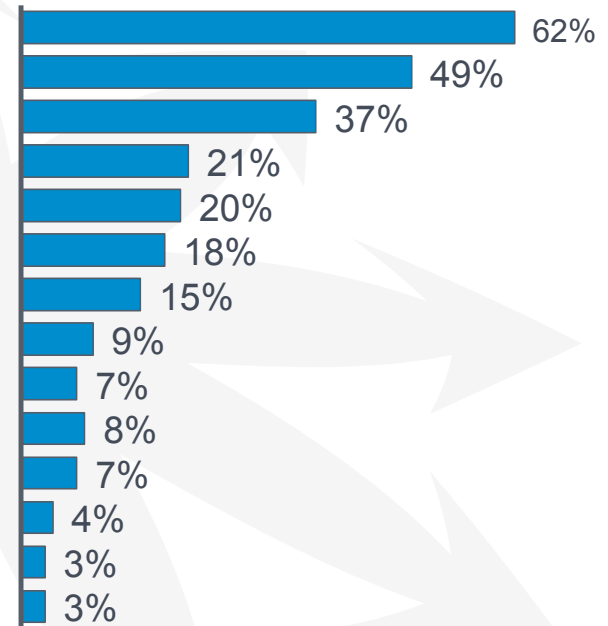
Transportation/traffic, workforce, and education remain as the top **obstacles** for businesses in the Capital Region

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

## Top obstacles

- Transportation/traffic issues
- Lack of good public school options/cost of private school tuition
- Workforce issues
- Crime rate
- Regulatory restrictions
- Access to direct flights
- Litigation costs
- Access to capital
- Availability/cost of property and casualty insurance
- Complexity or rate of state tax code
- Availability and cost of property/office space
- Utilities/energy costs
- Availability/cost of employee housing
- Material costs

## 2016 response



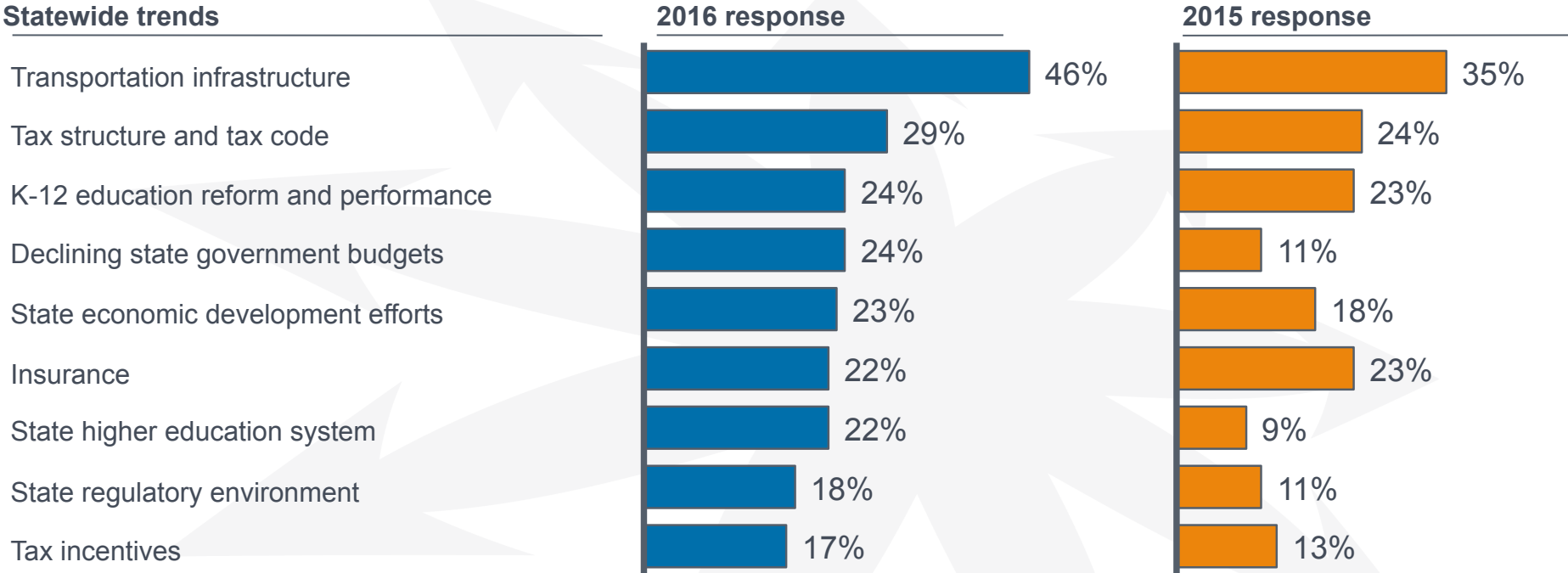
\*Respondents were allowed to choose multiple answers

# Survey Responses

Transportation infrastructure is the **top statewide trend** of concern

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

## Statewide trends



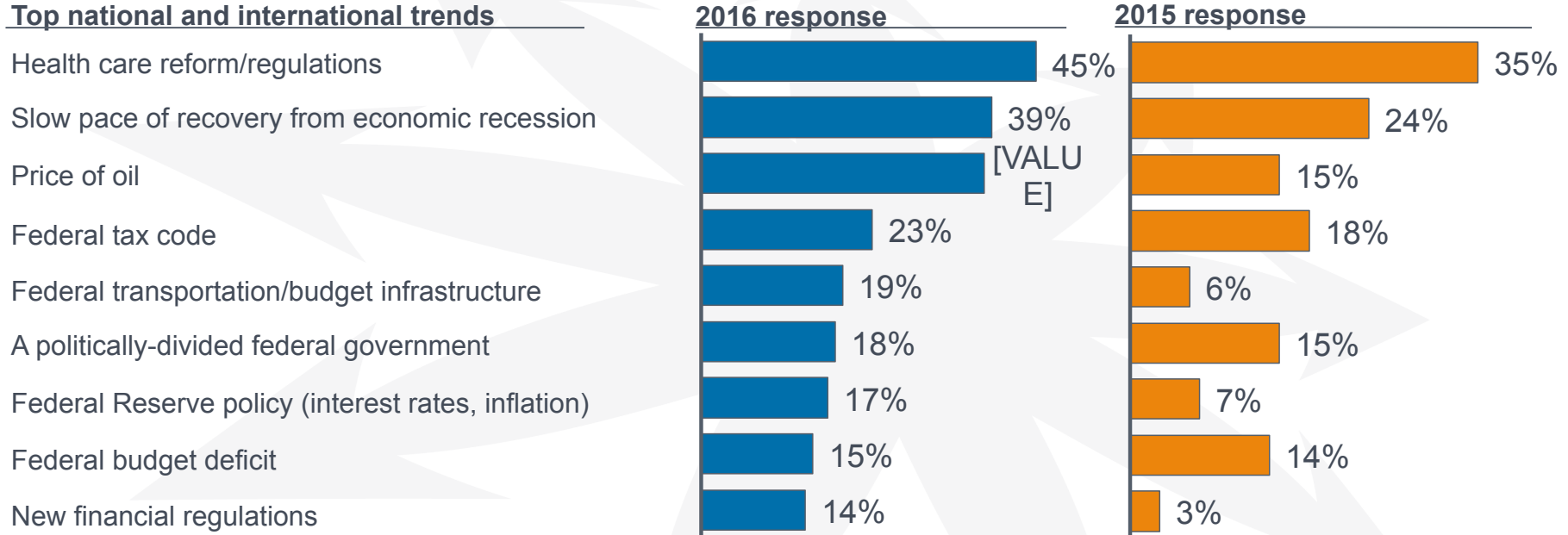
\*Respondents were allowed to choose multiple answers

# Survey Responses

For the fourth consecutive year **health care reform/regulations** is the top national and international concern

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

## Top national and international trends



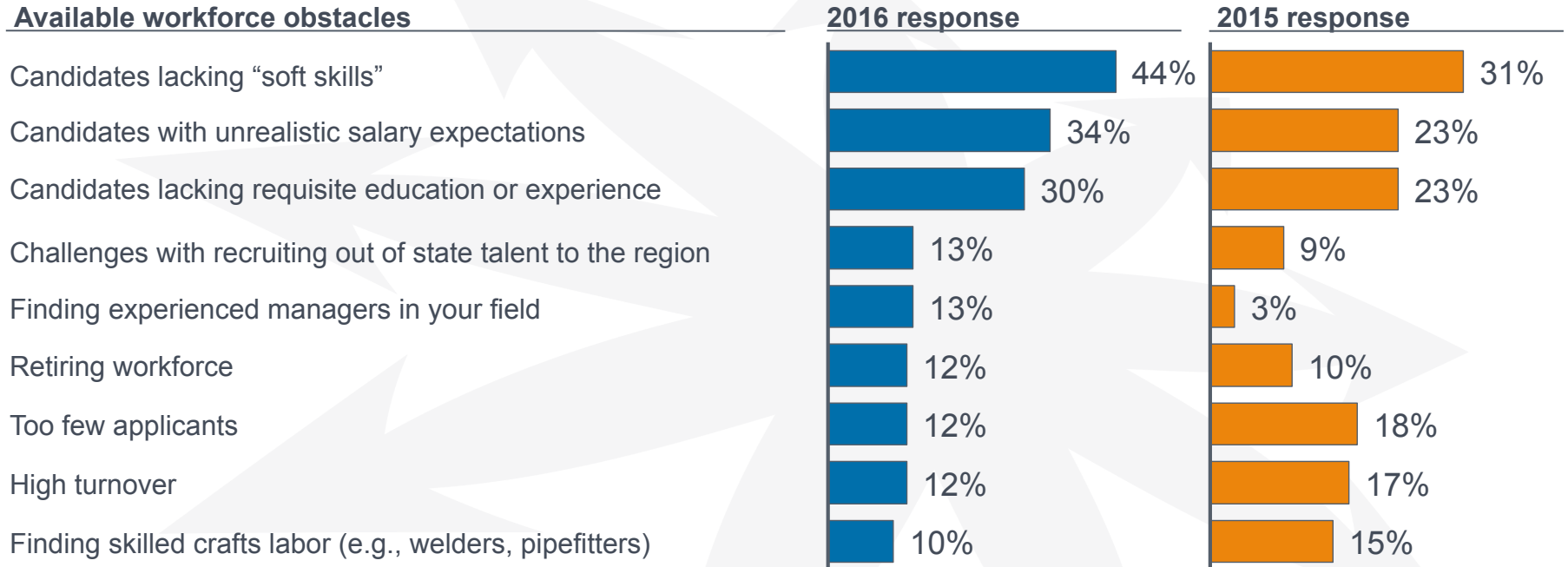
\*Respondents were allowed to choose multiple answers

# Survey Responses

## Top **concerns** of area business leaders on availability of qualified workforce

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

### Available workforce obstacles



\*Respondents were allowed to choose multiple answers

# Economic Trends

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

2015-2016 trends	Impact	Comment
Continued lower natural gas prices are driving growth in manufacturing of petrochem feedstock products	↑	Low natural gas prices (\$2.02mmbtu currently) supports continued petrochem manufacturing, spurs further industrial construction.
Continued falling oil prices (\$90s/barrel in 2011; \$70s/barrel last year at this time; to \$40s today)	↓	WTI crude currently at \$46/barrel. If oil is below ratio of 7:1 with gas, gas-based manufacturing less cost competitive, refined oil revenue lower
Potential impact of EPA regulatory change that lowered air quality standards for ozone; issues with ERC availability	↔	At 71 parts per billion (ppb), BR Area does not currently meet new EPA standard of 70ppb; steps being taken to increase ERC availability but potential for return to non-attainment status
Projected U.S. GDP growth in 2016 at 2.8%+/- but uncertainty in Europe and Asia could impact world economy	↔	Business confidence in U.S. will support growth. European economy slowing could impact U.S. exports. China could impact world economy. U.S. inflation remain at 2.3% +/-

# Projected Growth

2016 job growth forecasts for Baton Rouge Area by select industry sectors

	Net New Jobs		Job	Comment
	Low	High	Growth %	
Education & Health Services	1,999	2,160	3.7 – 4.0	Significant growth, especially in health services jobs
Professional & Business Services	1,031	2,430	2.1 – 4.7	Engineering sector growth; particularly in services and government contracting
State Government	-824	226	-2.3 – 0.6	Continued cuts to government jobs are expected; gubernatorial election outcome affects this projection
Retail Trade	552	670	1.3 – 1.7	Retail following overall economic growth
Construction	1,538	2,209	2.9 – 4.0	Continuing solid gains in construction, but lower than 2015
Leisure & Hospitality	915	1336	2.5 – 3.7	Restaurant/hotel expansion follows economic expansion; Continued focus on quality of place
Local Government	268	1,575	0.9 – 5.0	As the Baton Rouge Area grows, new positions are projected in order to fill public service needs
Manufacturing	328	790	1.1 – 2.7	A booming chemical and refining sector driven by low natural gas prices
Financial Activities	27	58	0.2 – 0.3	The area continues to make efforts to expand financial activities as it diversifies its local key industries
<b>Total for Baton Rouge Area</b>	<b>7,472</b>	<b>8,500</b>	<b>1.8 – 1.9</b>	

# Projected Growth

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

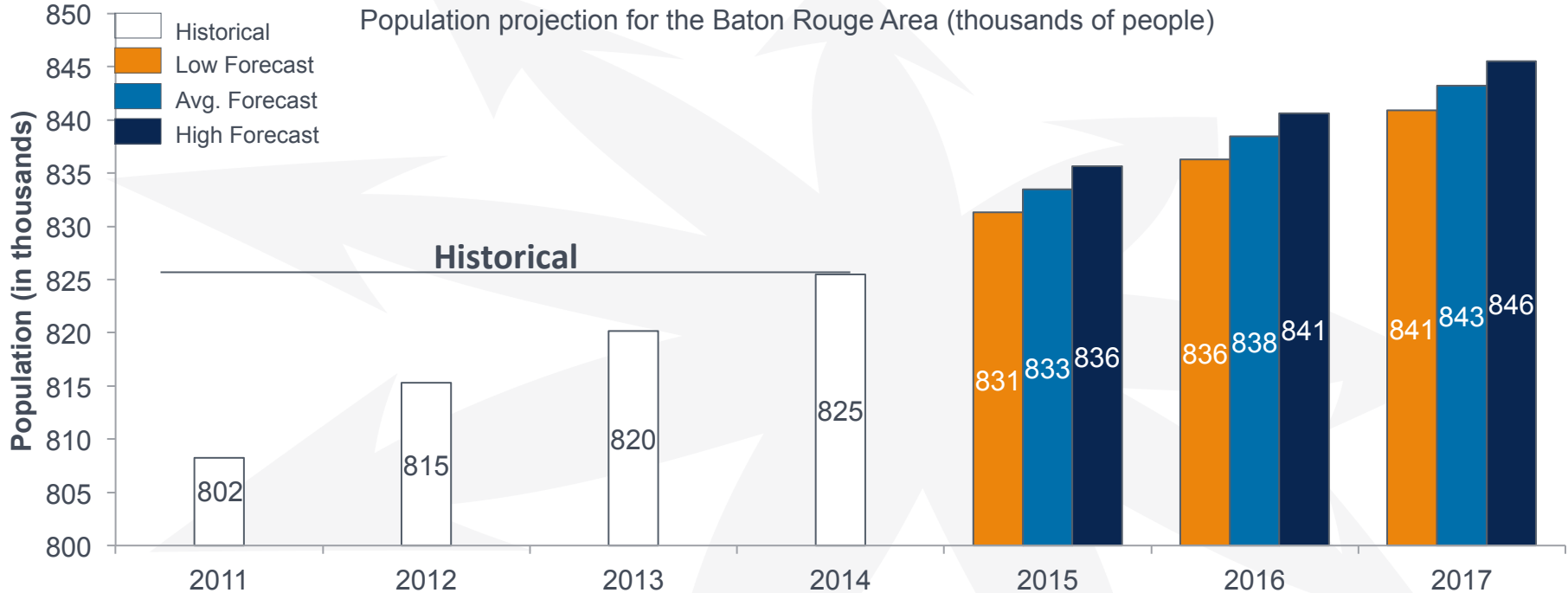
	Net New Jobs	Job Growth %	Comment
Ascension	1,534	3.4	Expansion in industrial continues
East Baton Rouge	3,635	1.3	Strong growth in the engineering and manufacturing sectors
East Feliciana	44	0.9	Florida Fuels planning petroleum and rail terminal
Iberville	292	1.9	Heavy industrial expansions continue: Dow, Shintech, Axial, Eastman/Taminco purchase
Livingston	863	3.3	Industrial expansion continues. EPIC Piping, Martin Brower
Pointe Coupee	142	2.5	Completed 8 <sup>th</sup> certified site totally over 4,600 acres. Retail market continues to expand increasing tax revenue
St. Helena	43	2.8	Southland Steel growth; mid-sized industrial company interest, continues to invest in operations
West Baton Rouge	506	3.6	Port Allen Rail Facility, Thermaldyne Genesis Energy
West Feliciana	82	1.5	KPAQ mill purchased by Hood Container with plans to expand production



# Projected Growth

Local **population growth** is projected to continue, with the Baton Rouge Area gaining between 16,000 and 21,000 new residents by 2017

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



# Performance Rankings

*Business Facilities* named Baton Rouge No. 1 Metro for Economic Growth Potential

#1

*Southern Business & Development* magazine has named Baton Rouge as its 2014 Major Market of the Year

#1

Baton Rouge ranked first among U.S. cities for cost competitiveness, according to KPMG's 2014 Competitive Alternatives report.

#1

*Site Selection* ranked the Baton Rouge area second in 2014 for a number of deals for United States metropolitan areas with 200,000 to 1 million residents

#2

*Entrepreneur* recognizes Baton Rouge as one of the top 5 emerging entrepreneurial cities

Top 5

*Forbes* ranked Baton Rouge 7<sup>th</sup> in Best Cities for Information Jobs

#7

*The Business Journals* ranked Baton Rouge the 8<sup>th</sup> Healthiest Small Business Climate in the South

#8

The Milken Institute ranked Baton Rouge in the top 25 for "Best-Performing Cities Where Jobs are Created and Sustained" in 2014

Top 25

*Southern Business & Development* names Louisiana a major market of the year

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Milken Institute's Best Performing Cities index listed Baton Rouge among the fastest growing cities in 2014

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