

Economic Trends – June 2010

Beaumont / Port Arthur / Orange / Hardin County Area

OIL SPILL

One Port Arthur business, Worldwide Sorbents, has grown from 25 employees to 250 employees in contributing to the Deep Horizon clean up effort. On a 24/7 schedule, workers are feeding tons of recycled waste materials, including diapers, paper towels, couch liners, carpet cushions and other absorbent products into sleeves, or socks, to be used for absorption of the oil.

The Port of Port Arthur reports that several vessels calling on the port have passed through the spill area, but have not required any decontamination prior to entering the port's waterway. At present, area ports have not experienced a direct impact. Reportedly, the Coast Guard says no impact is expected; however, the situation is being monitored very closely.

INDUSTRIAL PROJECTS

In March, LANXESS announced plans to expand production capacity of its high-performance rubber neodymium polybutadiene (Nd-PBR) plant in Orange, Texas. LANXESS is adjusting processes to facilitate the production of solution styrene butadiene rubber (SSBR). SSBR rubbers from LANXESS are used in the tread mix for high-performance tires. They reduce rolling resistance while also improving grip on wet roads. Lanxess had 700 applicants express interest for 45 new jobs at their facility.

Although cancellation of the \$1.6 billion Eastman gasification project in December of 2009 was a huge disappointment for the area, local leaders are hopeful another company will pick up the "ball" and run with it. Eastman closed the bidding on the land and engineering plans for their project several weeks ago. All of their tax abatements are still in place along with their federal loan guarantee just in case another company submits a winning bid.

The proposed Keystone Gulf Coast Expansion Project—known as Keystone XL, is a 1,980-mile, 36-inch crude oil pipeline extension that would begin in Alberta, Canada and runs through several states before ending at a delivery point near existing terminals in Nederland. TransCanada, the company proposing the pipeline, also proposes a 50-mile offshoot pipeline to Houston. The pipeline would "link a growing and reliable supply of Canadian crude oil with a rising North American demand for energy." It would bring an additional 500,000 barrels of crude oil per day from Western Canada. The U.S. Department of State is conducting meetings to gather public comments before revising the project's Environmental Impact Statement. The company's expansion to the Gulf Coast will require a \$7 billion capital investment and is expected to be made between 2010 and 2012. The total pipeline network consists of a \$22 billion capital program.

OTHER DEVELOPMENTS

EPA is proposing a determination that the Beaumont / Port Arthur area has attained the 8-hour ozone and 1-hour ozone standard based on complete, quality-assured, and certified ambient air quality monitoring data for the 2005 - 2008, as well as not yet certified data from 2009. The proposal will be published in the Federal Register and then open for public comment for 30 days. Total process for the change to status of "attainment" would take approximately six months. This proposed change would greatly enhance opportunities for attracting new industry to the area.

The economy has not slowed progress for the City of Beaumont on significant capital projects and improvements for downtown. City Council recently approved \$8 million for state-of-the-art event center, an adjacent 2-acre lake, and expansive great lawn and park in downtown. Progress continues on the \$10 million drainage project which includes bricked paved sidewalks, decorative lighting, landscaping, and bicycle lanes – all contributing to a major “face lift” for downtown Beaumont.

The Port of Beaumont is expanding to the Orange County side of the Neches River. This \$60 million expansion is the largest in its history.

Engineers are waiting to learn what needs to be done for the levee that protects southern Jefferson County to be certified by the U.S. Army Corps of Engineers. It could cost the county hundreds of millions to get the certification. The levee protects about 100,000 residents and \$10 billion worth of refineries, plants, businesses and homes.

PURCHASING MANAGERS INDEX (PMI)

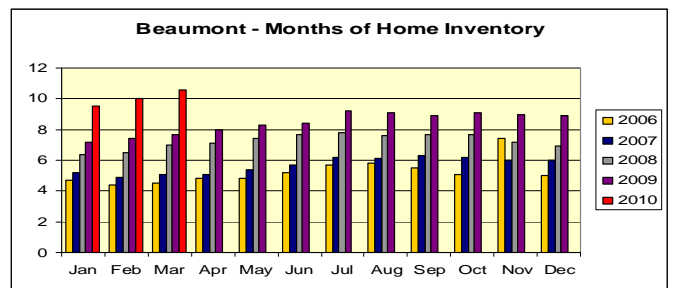
The Houston Purchasing Managers Index, a short-term leading indicator of regional production, rose from 55.3 in March to 58.1 in April —the highest reading since June '08. This reading is the 13th consecutive monthly gain from 39.0 in March '09. This is the seventh straight reading above the neutral point of 50 which indicates rising production in the Houston region. Houston’s index is the closest proxy for the Beaumont area.

SALES TAX

The gap between sales tax collected in the month compared to collections in the same month one year ago is decreasing. Beaumont, typically the largest tax-collecting city in the service area, showed a 10% decrease in March compared to 14% in February and 45% in January. The end of the Ike bubble and the beginning of the setting in of the recession in February 2009 accounts for this phenomenon. For all taxing entities tallied in the Entergy Texas service area, including many smaller towns, the overall decrease compared to March 2009 was 6%. February’s decrease was 15% and January’s decrease was 28%.

REAL ESTATE

The inventory of homes in Beaumont has steadily climbed over the last year to 10.6 months’ worth in March - levels not seen since 1990. For number of homes sold, January and February were down as compared to 2009, March was about the same, and April showed a 14% increase.

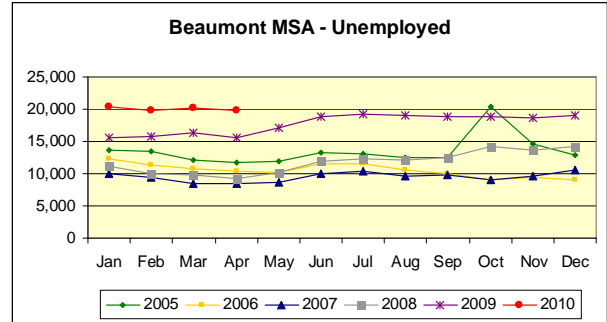
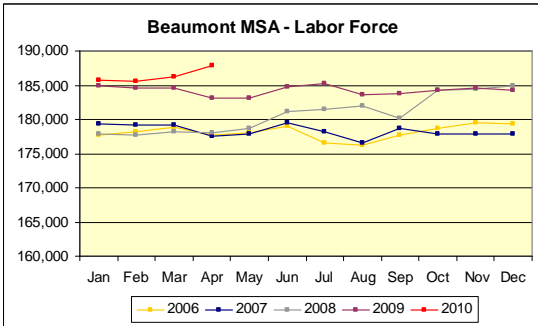
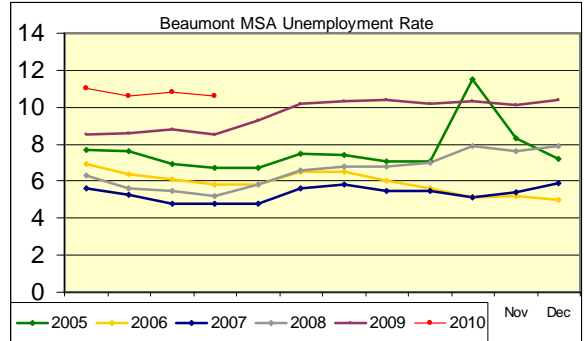
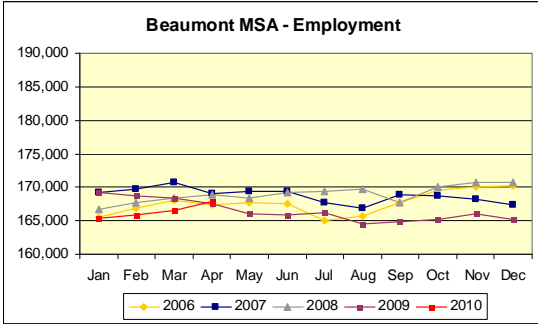


WAGES – Q4 of 2009

Jefferson County was ranked 16th in the state for average weekly wage (AWW) at \$926. (Carson County in the panhandle had the highest AWW in the state - \$1395.) Orange County was \$801 and Hardin County was \$663. The AWW for the three-county area was \$887 – lower than Q4 of 2008 (\$908), but higher than all other previous years.

EMPLOYMENT

The unemployment rate took a much needed dip in April to 10.6%, slight though it was. Port Arthur showed the greatest improvement with their unemployment rate dropping from 15% in March to 14.1% in April. The area's labor force has increased to record highs. Unfortunately, the *employed* portion of the labor force has *not* increased to record highs. However, the number of employed is increasing to mid-range levels of the last five years.



UNEMPLOYMENT CLAIMS

This indicator finally switched to the thumbs up position, moving toward a decrease in claims rather than an increase. The number of initial unemployment insurance claims in the Beaumont MSA decreased by 294 or 11% in April over March. Continued claims decreased by 2531 or 19.2%.

COST OF LIVING – Q1 of 2010

The cost of living in Beaumont was 4.3% percent below the average for all 308 reporting places, according to the ACCRA Cost of Living Index. The index, produced by the Council for Community and Economic Research, measures differences in the relative cost of consumer goods and services appropriate for a professional or managerial household. Low costs for groceries (14% below the national average) and utilities (9.6% below the national average) help Beaumont maintain a low cost of living.

Most of the information in this report was prepared from publicly available sources.

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