Hurricane Katrina\(^1\):  
Economic Impacts 54 Days After Landfall  
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This is the first of a series of periodic reports on the economic impact of Hurricane Katrina on the national economy, the economies of Louisiana, Mississippi, and Alabama, and the most severely affected counties in these states.

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First Response Activities

According to \textit{EIA}, as of October 19, a total of 137,680 electricity customers in LA and TX remain without power from the hurricanes, a majority of these customers are in the New Orleans area and are unable to receive power at this time.  
- As of mid-October, \textit{FEMA} reported that 84 thousand evacuees are in shelters in 20 states and the District of Columbia while another 400 thousand evacuees are still homeless staying in hotels and motels across the region. FEMA and the American Red Cross have, so far, footed the $112 million bill.  
- The \textit{US Army Corps of Engineers} estimate that 2 million cubic yards (mcy) of debris in LA were removed with about 17 mcy to go; in MS, 4 mcy removed with 6 mcy to go; and in AL 1 mcy removed with 1 mcy to go. (FEMA)

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Impact on the U.S. Economy

- The \textit{Congressional Research Service} reports that, as a result of the storm, most economic forecasters have adjusted their national economic growth expectations by 0.5% to 1.0% slower in the second half of 2005 and that growth in the first half of 2006 is now expected to be more rapid than previously forecast.  
- The \textit{Macroeconomic Advisers’} forecast is one example. They predict that huge physical losses, declines in economic production, especially energy, and higher prices for energy-related goods will result in reduced Gross Domestic Product (GDP) growth in the third quarter by 1¼ percentage points. After that, however, recovery of the energy sector and moderating prices along with economic

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\(^1\) This report is primarily on the economic impact for Katrina. However, there are also references in this report on the combined economic impacts including Hurricane Rita.
recovery supported by substantial contributions from the Federal government and insurance payments will lead to overall improvement in GDP growth to a respectable 3.6 percent by the end of the year.

Impact on the Region: Louisiana, Mississippi and Alabama

**Damage and Loss Estimates**
- Total losses for both hurricanes were estimated at $140 billion of which $40 to $67 billion were insured. *(Risk Management Solutions)*
- The *Congressional Budget Office* provided a range of estimates for the value of structures and equipment destroyed or damaged:

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
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<tbody>
<tr>
<td>Total capital stock destroyed</td>
<td>70</td>
<td>130</td>
</tr>
<tr>
<td>Housing</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>Consumer durable goods</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Energy infrastructure</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td>Other industry infrastructure</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td>Government structures/equipment</td>
<td>13</td>
<td>25</td>
</tr>
</tbody>
</table>

- *FEMA* produced a preliminary set of damage estimates for the categories of debris removal, protective measures, roads and bridges, water control facilities, public buildings, public utilities, recreational, and fire management. For both storms, they are:
  - LA, $3.5 billion
  - MS, $836 million
  - AL, $140 million
  - TX, $204 million

**Population and Housing *(Census)***
- Total population in 2004 in LA was 4.4 million, 38% of which (1.7 million) were minorities. New Orleans City was 444 thousand, 74% of which were minorities. Total population in MS was 2.8 million, 40% of which (1.1 million) were listed as minorities. Total population in AL was 4.4 million, 30% of which were (1.3 million) minorities.
- Median household income and home value, respectively in 2004, were:
  - LA: $35,110, about 21% less than the national median and $95,910, about 37% less than the national average.
  - MS: $31,642, about 29% less than the national median and $79,023, about 48% less than the national median.
  - AL: $36,709, about 18% less than the national median and $94,671, about 37% less than the national median.

No estimates, except for the gross estimate below, are available for the extent of de-population and the damage to housing in the affected area—except for CBO’s estimate for damage to housing between $17 and $33 billion (above). The latest population and housing statistics published by the Census Bureau are for 2004 making any attempt to assess the storm’s affect on demographics in the area affected impossible, at this time.
According to the “Wikipedia.Org” web page, nearly 45-50% of the nearly half a million people evacuated, primarily out of LA, into other states have indicated an unwillingness to return.

Mayor Nagin of New Orleans recently estimated that population in the city of New Orleans will likely reach only about half of its pre-Katrina population even after several years.

**Business Establishments and Employment (BLS)**

- There were a total of 145 thousand business establishments employing 2.4 million workers in the most affected counties (77 counties),\(^2\) about 1.9% of U.S. employment:
  - 83 thousand establishments with 1.4 million employees in LA,
  - 42 thousand establishments and 729 thousand employees in MS, and
  - 20 thousand establishments with 317 thousand employees in AL.
- In September 2005, the unemployment rates in LA, MS, and AL were significantly higher than the 5.1% national average—LA, 11.5% and MS, 9.6%. AL was significantly lower at 4%.
- BLS reports that between August and September 2005, employment declined by 251,000 in LA and 59,700 in MS.
- The CBO estimated that between 293 thousand and 480 thousand jobs could be lost because of the two hurricanes.
- Some of the largest employers in the affected area include Northrup Grumman (6,071), HCA, Inc. (3,489), Entergy Corp. (2,500), Hibernia National Bank (2,430), Whitney National Bank (2,430), Bellsouth (2,000), and Lockheed Martin (2,000) (Labor).

Results from Federal statistical surveys of the region that are needed to track the effects of the hurricane on employment and wages at the industry level in counties affected and to monitor its recovery will take considerable time to produce. A specialized assessment of BLS’ Quarterly Employment and Wage Survey could provide us with a sense of the loss of employment and its recovery; however, the survey results will not be available until mid-year 2006.

**Industries**

- Of the 145 thousand establishments in the affected region, the industry with the greatest share of establishments (26%) was the Trade, transportation, and utilities sector; followed by the Professional and business services sector, 15%; and the Education and health services; Other services; and the Construction sectors, 9% each. Manufacturing industries only comprised 4% of the total establishments in the area. (BLS)
- Of the manufacturing industries located in the area, there were six that accounted for 15% or more of that industries’ total U.S. employment. They were Shipbuilding and repair, 38%; Alkalies and chlorine mfg., 35%; Missile and space vehicle parts, 28%; Laundry machinery, 25%; Petrochemicals, 19%; and Petroleum refining, 15%. (Census)

\(^2\) For all 169 counties and parishes that have been declared disaster areas, the number of establishments is 399 thousand with 5.8 million workers, 4.5% of total U.S. employment.
Exports and Imports of Goods
- Only the port of Port Authur, TX remains closed to traffic while the other ports of New Orleans, Fourchon, Gulfport, Biloxi, Pascagoula, and Lake Charles are operational, but restricted because of the hurricanes. (DOT)
- Ports damaged from Katrina accounted for 4.5% of total exports of goods from the U.S. last year, and 5.4% of total imports, including 19% of all crude oil imports. (Census)
- Preliminary trade data from the Census Bureau indicate that U.S. exports (vessel trade only) from the Gulf Region were $4.9 billion, down from $6.1 billion in August. Exports from the Port of New Orleans in September were $357 million, down from $1.0 billion in August. Exports from the port of Houston, TX were $2.5 billion, down from $3.1 billion in August.
- U.S. imports (vessel trade only) were $12.5 billion in September, only slightly down from $12.2 billion in August. Imports through the port of New Orleans were $243 million, down from $802 million in August. Ports of Gulfport and Pascagoula, MS also saw major declines in the value of imports. On the other hand, the ports of Tampa and Panama City, FL; Mobile, AL; and Baton Rouge and Gramercy, LA had sizable increases.

Energy
- As of Oct. 20, about 61% of crude oil production and 51% of natural gas production were shut-in (shut down) in the Gulf of Mexico. Two weeks earlier, about 83% of crude oil production and 68% of natural gas production were shut-in. (EIA)
- According to the LA Department of Natural Resources, onshore crude oil production in southern LA reached 28% of the region’s capacity and natural gas production, 34%. Of the 55 intrastate pipelines, 40 remain shut in.

Agriculture (USDA)
- About 9% of U.S. broiler production and 12% of U.S. sugarcane production are in counties that incurred hurricane force winds. An estimated 6.2 million broilers were lost with an estimated market value of $15 million. The loss in the sugarcane crop had an estimated market value of $30 million.
- Losses of producers of farm-raised fish and shellfish are estimated at $151 million.
- The Forest Service estimated potential timber losses of 4.2 billion cubic feet. This loss could be in the billions of dollars, depending on the success of salvage operations.
Farm production costs, and consequently farm prices, will continue to rise as energy prices rise. In particular, the impact of rising prices of natural gas on the cost of agricultural chemicals such as nitrogenous fertilizer will escalate farm production costs.

**Fisheries (NOAA)**
- The Gulf of Mexico is home to a significant share of the U.S. fishing industry, representing 20% of commercial and 30% of saltwater recreational.
- Value of the commercial harvest in the Gulf of Mexico in 2004 was $519 million comprised of oyster, $46 million, shrimp, $228 million, and finfish and other shellfish, $246 million.
- Louisiana, with over half the value of the commercial harvest, is anticipated to have the highest damages followed by Mississippi, 8% of the harvest.
- Recreational fishing generated $6.2 billion in economic activity in Alabama, Mississippi, Louisiana, and West Florida. West Florida generates the majority of economic activity, 90%, in recreational fishing.
- Recreational fishing in September/October represents between 10-15% of total annual economic activity.
- Commercial and recreational fishing impacts in Louisiana are estimated at $207 million in direct loss, $164 million dockside and $1.3 billion retail over the next 12 months. Fishery loss in Alabama is estimated at greater than $200 million. Estimate for Mississippi is about $7.5 million.

**Impact on Counties**

In Louisiana, Mississippi, and Alabama, there are 169 counties and parishes eligible for individual and/or public assistance. Seventy-seven of these counties/parishes are designated by FEMA to be the most affected counties and are eligible for both types of assistance. The remaining 102 counties are eligible for public assistance only.

Twenty of the most affected counties/parishes are characterized by FEMA as being the most severely affected. They are:

- In MS—Hancock, Harrison, and Jackson
- In AL—Baldwin and Mobile