

SOUTHERN BUSINESS & DEVELOPMENT

Economic Development in the World's Fourth Largest Economy

SUMMER 2013

Foreign Direct Investment Surges in the South

Petrochemicals,
automotive,
aerospace
and steel lead
the way.



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EDITORIAL

New Orleans and its economy featured by Atlanta Federal Reserve Bank magazine



Of the 1,000-largest investment projects announced in the South in the last 10 years, New Orleans leads all Southern markets with 55. Baton Rouge is right behind with 54.

By MIKE RANDLE

More than \$100 billion in federal aid came to New Orleans for post-Katrina redevelopment, and that is a huge factor in the region's comeback, which include wages rising 19 percent in the city from 2004 to 2012, when wages as a whole in the U.S. rose just 1 percent during that time. Tourism is off the charts in New Orleans, the region has transformed itself into a technology hub and the city is close to getting its pre-Katrina population back after losing half its population a year after the storm.

But the article failed to focus on one of the most important aspects of New Orleans' economy. The fact that Louisiana and Texas are swimming in cheap natural gas is not only taking New Orleans' economy to the top, it's taking the rest of Louisiana and Texas' economy to the top.

After reading the Atlanta Fed's article on New Orleans, I did some research. Is New Orleans an outlier, beating all in project captures as the Atlanta Fed cover story portrays, or is it the entire Gulf Coast region's time to shine? (see our own cover story titled, "A New Day is Paradise," with the subtitle, "Left for dead after hurricanes and BP spill, no place on the globe is seeing more action than the Gulf Coast," in the Summer 2012 edition).

Here is the answer to that question. New Orleans has undoubtedly diversified its economy. It's a hot place. In fact, it is so hot that it leads all markets in the South with 55 of the 1,000 largest project investments made in the American South over the past 10 years. Most of those projects that New Orleans captured are associated with the petrochemical industry, with more than 75 percent of those since the fracking craze began.

Here are the top 10 markets in the South that have landed most of the 100-largest investments announced in the South each year over the past decade. Note that New Orleans is No. 1, just one big investment project ahead of Baton Rouge. Also note that the top six markets are located in Louisiana and Texas.

Titled "The Big Busy" with a subtitle, "A radical reset after the Katrina catastrophe is transforming the economy of New Orleans," the Big Easy's economy is the cover story of the third quarter 2013 edition of EconSouth, the Atlanta's Fed's publication. The article begins by describing Greater New Orleans CEO Michael Hecht. "If anybody embodies today's economically resurgent New Orleans, it might be Michael Hecht. Hecht is no musician. He's not a chef. And he's not a native."

The article continues, "His descriptions of post-Katrina New Orleans as a 'brand,' a 'product,' even as 'a private equity play,' sound utterly incongruous with the city's freewheeling culture." It might not be a coincidence that New Orleans' resurgence in an array of industry sectors blossomed soon after Hecht was hired as its chief economic developer.

Yet, it is most definitely a coincidence that shortly after Katrina devastated the city, Hecht was hired — after running the Katrina Small Business Recovery Program — and a new way to mine natural gas gave cities like New Orleans, Baton Rouge, Lake Charles, Houston, Midland and others in Texas and Louisiana a ton of leverage in job and capital investment generation.

The article also focused on how Katrina changed the city. Flooding most of New Orleans in August and September of 2005, Tony Gelderman, an attorney and real estate developer who has lived in New Orleans for 41 years, was quoted in the article saying, "Katrina created a lot of debris, but it also swept away a lot of debris. It caused New Orleans, which was very insular, to be more receptive to outside ideas."

Top Investment Markets 2003-2012

Total number of projects from the 100-largest projects announced in the South each year from 2003-2012.

MARKET	NUMBER OF PROJECTS	MARKET	NUMBER OF PROJECTS	MARKET	NUMBER OF PROJECTS
1. New Orleans, La.	55	9. Louisville, Ky.	13	14. Atlanta, Ga.	8
2. Baton Rouge, La.	54	10. Corpus Christi, Texas	12	Piedmont Triad, N.C.	8
3. Houston, Texas	36	Kansas City, Mo.	12	15. Durham, N.C.	7
4. Dallas-Fort Worth, Texas	25	11. Charlotte, N.C.	11	Tuscaloosa, Ala.	7
5. Lake Charles, La.	24	12. Greenville, S.C.	10	Raleigh, N.C.	7
6. San Antonio, Texas	19	Marshall Co., W.Va.	10		
7. Memphis, Tenn.	15	Northern Virginia	10		
8. Austin, Texas	14	13. Mobile, Ala.	9		
Decatur, Ala.	14	Nashville, Tenn.	9		
		Port Arthur, Texas	9		

Source: SB&D