



# Retail Sales Up in 2010



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## *Combating a slowing economy and deepwater drilling ban, Lafayette Parish proved its resilience. By Leslie Turk*

An economy many believed would be pounded by the drilling moratorium that resulted from the BP disaster proved its toughness in 2010, as retail sales in Lafayette Parish inched slightly over 2009's figures.

Doom and gloom scenarios played out almost daily in Lafayette Parish, the hub of the oil service sector, through much of 2010 as the offshore drilling industry sat idle under a government-imposed deepwater drilling moratorium. The permitting process has yet to loosen up, despite an announced lifting of the moratorium in mid-October, but consumer spending nonetheless increased over the past five months. December sales topped the \$517 million mark, making it the fourth highest month on record for the parish.

December's strength propped up total retail sales last year to \$4.8 billion, 0.78 percent higher than 2009. Not bad considering retail sales got off to a sluggish start.

“When 2010 began with a 14 percent deficit from 2009 many people in the community were concerned the national recession had finally hit Acadiana, says Gregg Gothreaux, president and CEO of the Lafayette Economic Development Authority. “However, month by month, total retail sales closed the gap until finally surpassing 2009 numbers with a successful December. These steadily-increasing numbers show the resilience and diversity of the local economy even when faced with national economic woes and consequences from the drilling moratorium.”

LEDA's modeling predicted a better year-over-year performance when retail sales started to increase after the first quarter, but LEDA officials quickly determined that the moratorium could throw a wrench into the formula. An analysis of the potential impact on retail sales, conducted by LEDA for ABiz's July-August issue, estimated that the parish would suffer a \$96.8 million loss, about 2 percent, if the moratorium ended immediately. The six-month moratorium, which was issued at the end of May, was scheduled to be lifted Nov. 30, but political pressure was mounting on the Obama administration to allow deepwater drilling to resume. LEDA estimated that if the moratorium did end as scheduled, retail sales would suffer a \$124 million loss, about 2.6 percent, and if the moratorium continued — as it has for all practical purposes — spending would begin falling \$9 million each month, and after a year it would decline 3.7 percent. Beyond Nov. 30, Lafayette Consolidated Government (which gets a 2-cent city sales tax) would suffer a \$180,860

drop in sales tax revenues each month, and after a year, sales tax revenues would decrease 5 percent because of the lack of drilling. LEDA utilized the LSU Center for Energy Studies' Deepwater Moratorium: Overview of Impacts for Louisiana, by David Dismukes, as the foundation for its analysis.

Within a few months, however, it became apparent those downbeat estimates were not materializing. "There had to be an effect," Gothreaux says, "so maybe we underestimated the strength of the rebound. The optimism that may have waned for a short period came back and came back strong at the end of the first quarter." LEDA officials quickly returned to their initial optimism about retail sales growth and by year's end were predicting December retail sales of \$500 million-plus. Their estimates were right on the money.

Gothreaux believes the damage also was mitigated by the oil industry itself. "We owe a huge debt of gratitude to the industry; it's very obvious they have found different things for their people to do, like sending workers overseas [rather than laying them off]," he says. Those workers are sending that money back home — where it's spent on everything from food to clothing and utilities."

The biggest category fueling December's sales was the food group, which increased 15.1 percent over December 2009, followed by automotive (yes, automotive was No. 2!), which rose a stout 13 percent. Home furnishings and apparel were third and fourth, respectively. The only decreases in December were utilities, 23.2 percent, and building materials, 6 percent.

About 37.5 percent of spending in the parish takes place in the city of Lafayette, according to historical retail sales trends from the Lafayette Parish School Board Sales Tax Division. It's also worth noting that the 2-cent tax collection that feeds the city's coffers increased 2.8 percent last year, growing to \$68.4 million versus \$66.54 million in 2009.

Despite the recent upticks, we're still far off of the record set in 2008. Lafayette Parish retail sales fell 11.6 percent in 2009, dipping from a record-breaking \$5.4 billion the year before. Before the drop-off, sales had increased steadily since 2002, with the biggest kick from 2005-2006, the result of back-to-back devastating storms sending retail sales through the roof. That continued for two more years. Remove the anomaly of the impact of the storms, and a relatively healthy pattern of growth still emerges.

People here spend a good bit of their income on retail goods and services. In fact, Lafayette Parish's per capita retail sales spending far outpaces the national average, 53 percent versus 44 percent, Gothreaux explains. And while the parish's population is still expanding at a steady pace (16 percent in the recent census, sixth best in the state) — a key element in growing the retail sales base — the area is feeling the impact of other parishes' retail development. Despite that Lafayette Parish isn't getting as much of the pie, its diverse offerings have kept it a significant importer of retail customers, Gothreaux says. "That's why entertainment is so important," he says. "When every community has a Chili's, a Lowe's, a Wal-Mart, they come to Lafayette for entertainment."

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