



“Outlook for 2025-26”

**AGC Critical Issues Summit
February 6, 2025**

KC Star:

**Insidious, innocuous, annihilate,
extrapolate, fratricide, audacious,
euphemism, ludicrous,
euthanasia, fastidious**

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**Why concern about
economy?**

**Fed actions to reduce
inflation**

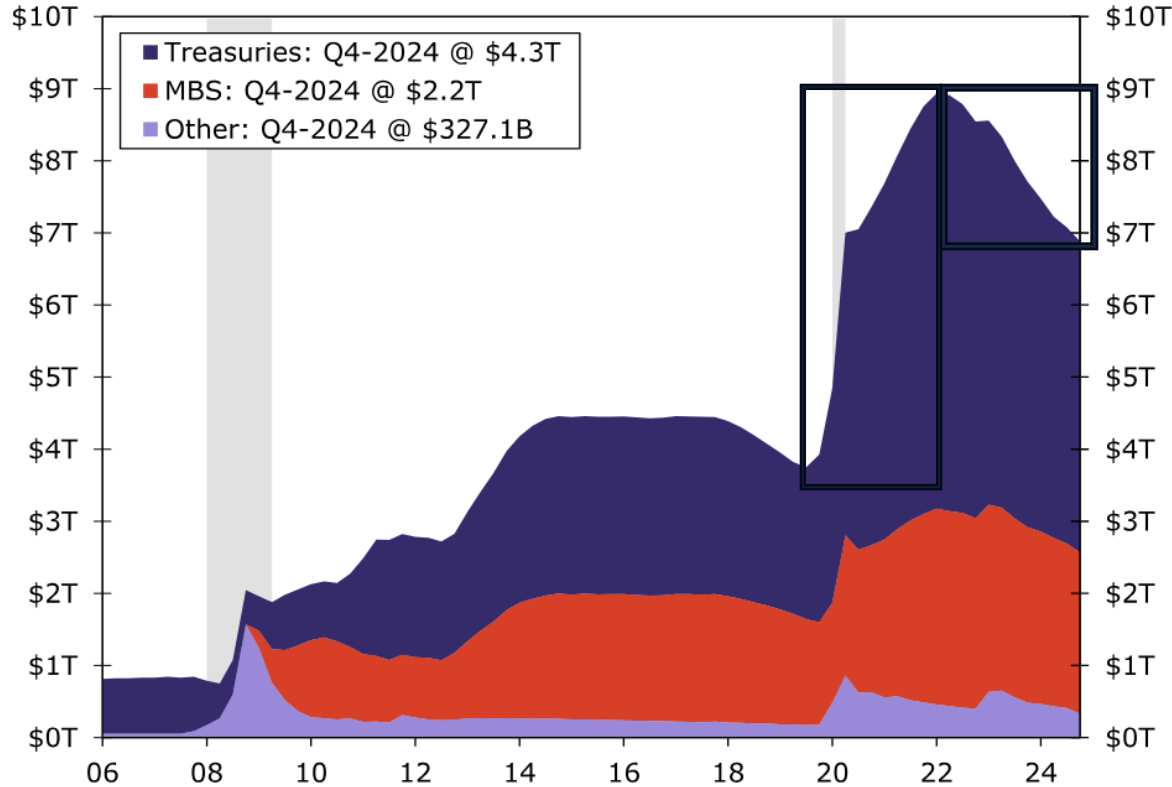
(9.1% June 2022)

Why the Bump up?

Milton Friedman said it all

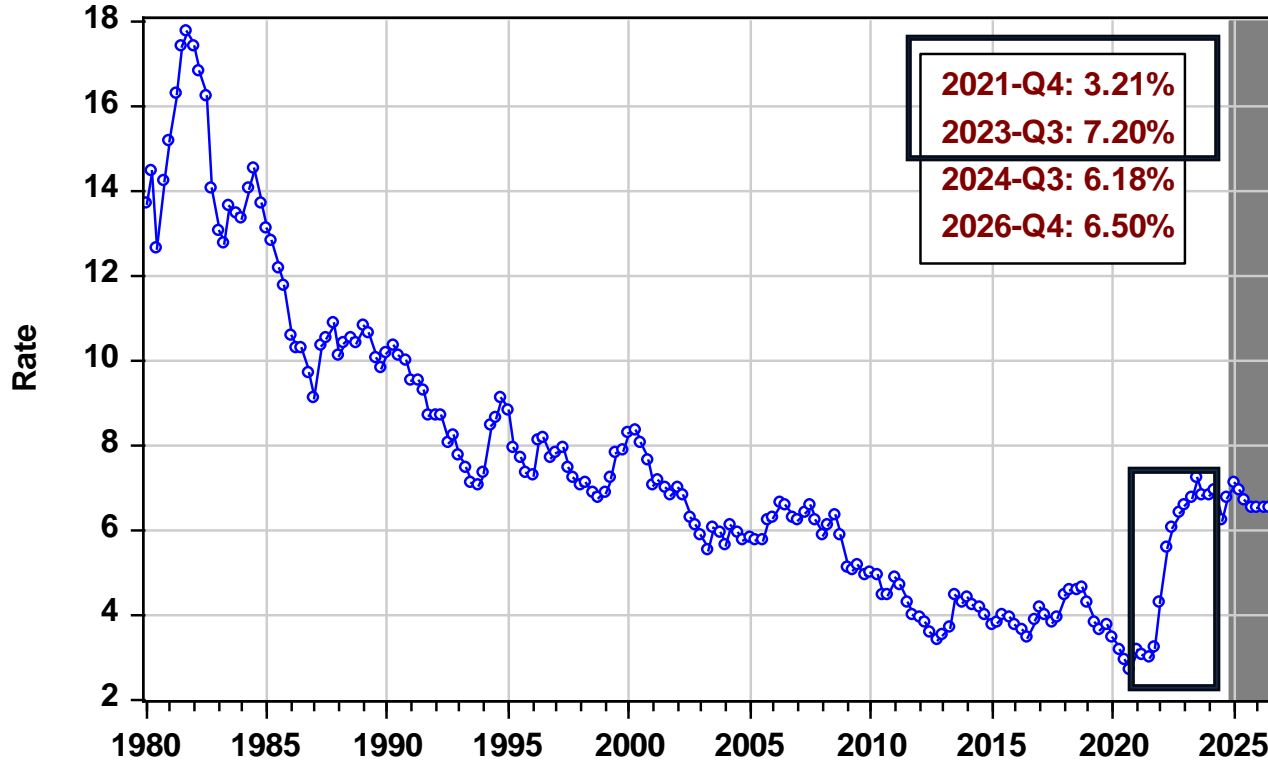
Federal Reserve Balance Sheet

Trillions



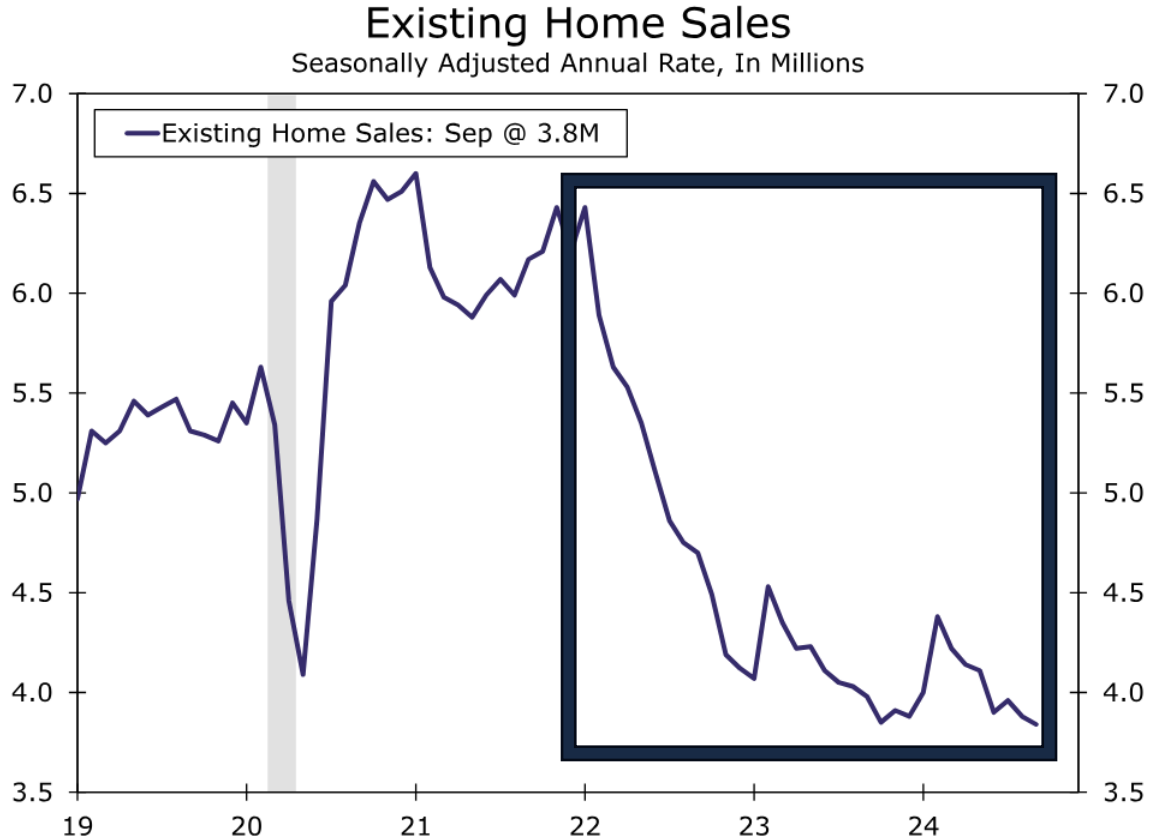
Tool #2: Interest Rates Really Tough on Housing

Conventional Mortgage Rate



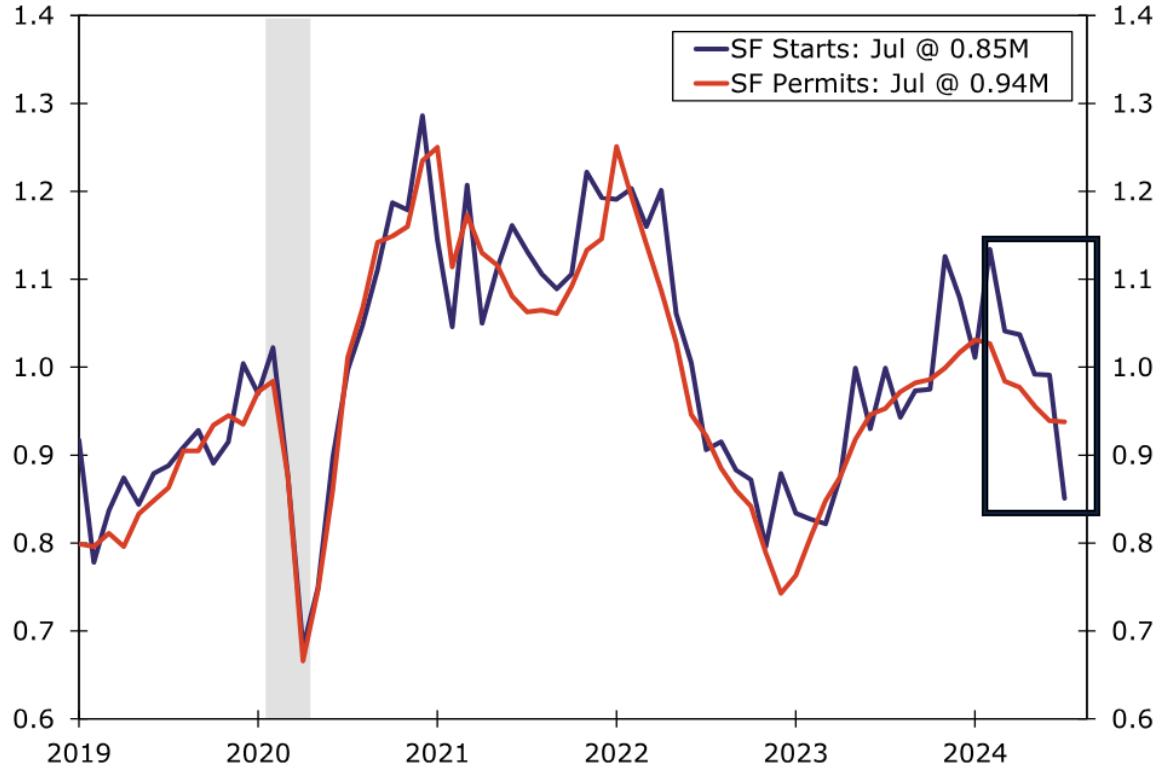
Forecast: Wells Fargo Economics, January 2025

Not A Pretty Sight



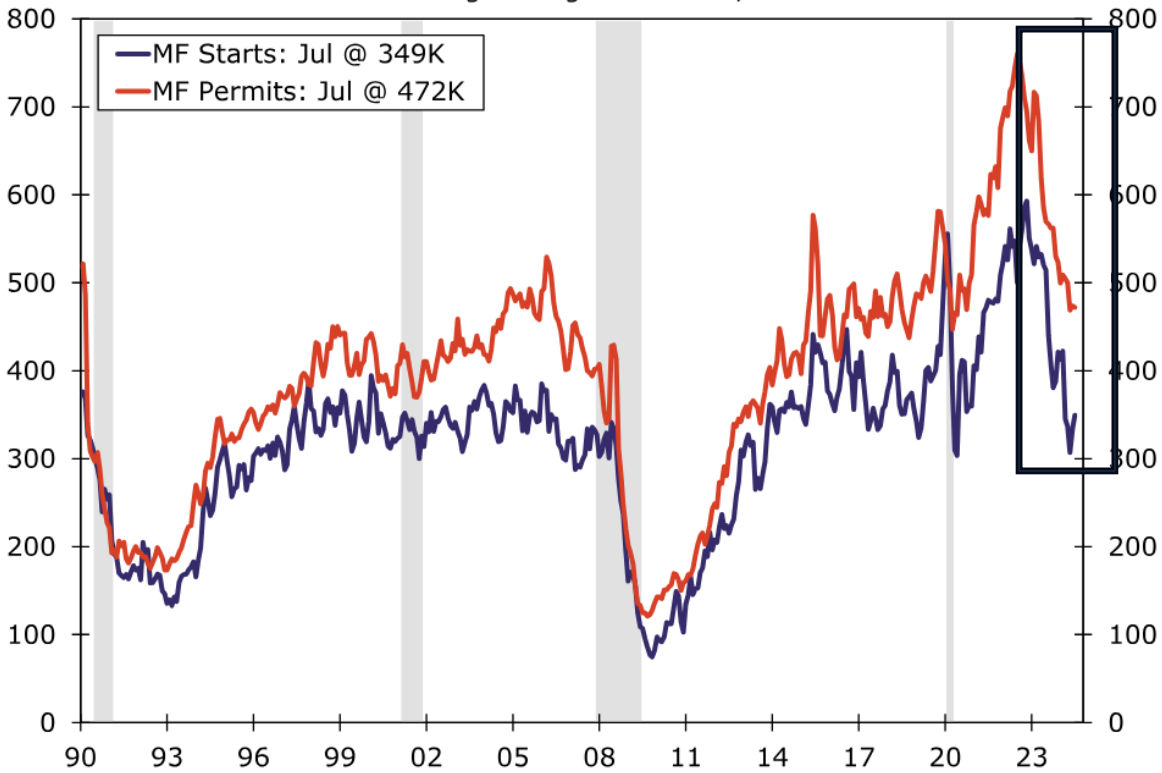
Single-Family Starts vs. Permits

Seasonally Adjusted Annual Rate, In Millions

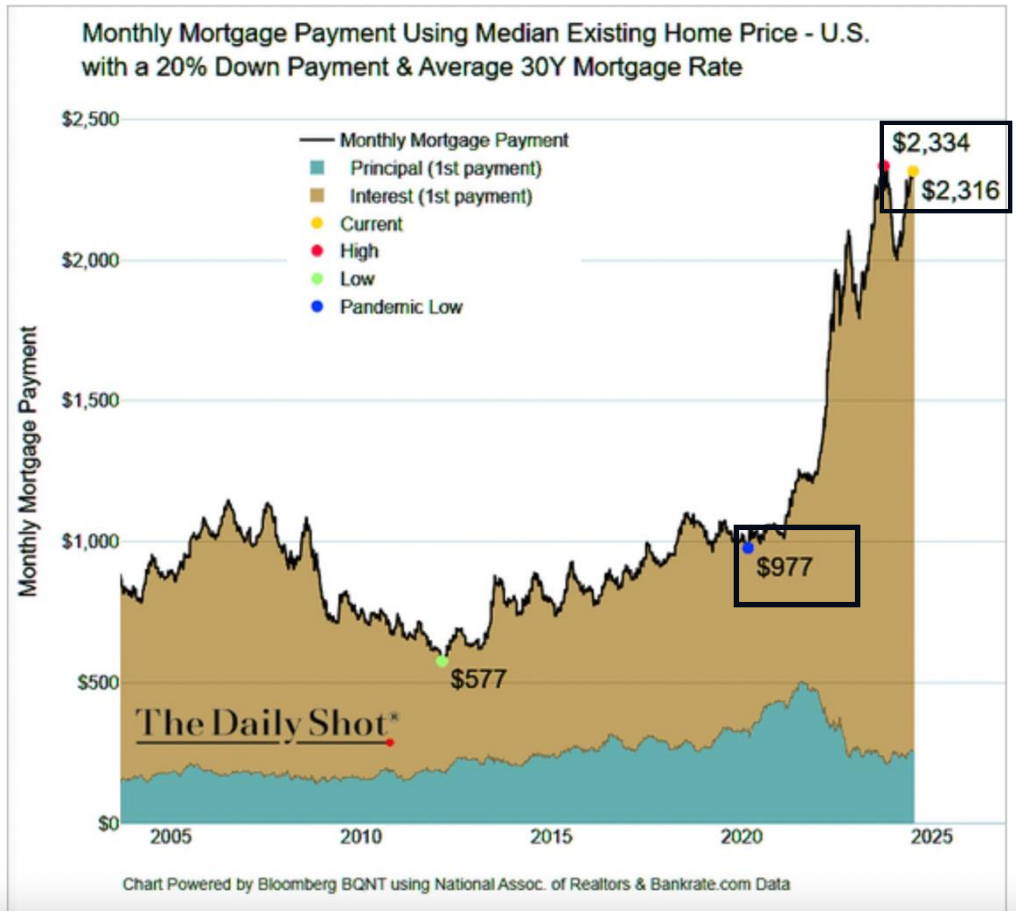


Multifamily Starts vs. Permits

3-Month Moving Average of a SAAR, Thousands



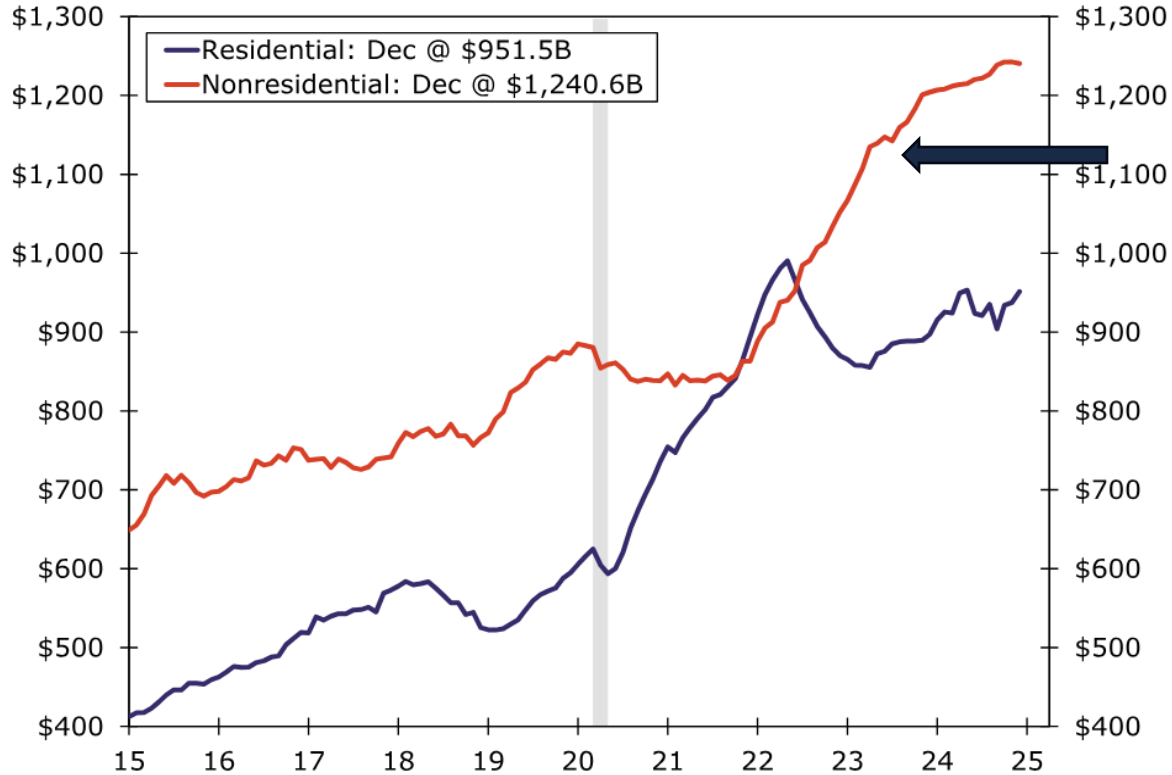
Rates Have Been a Killer



Residential off, But Not the Rest

Residential & Nonresidential Construction

Billions of Dollars, SAAR



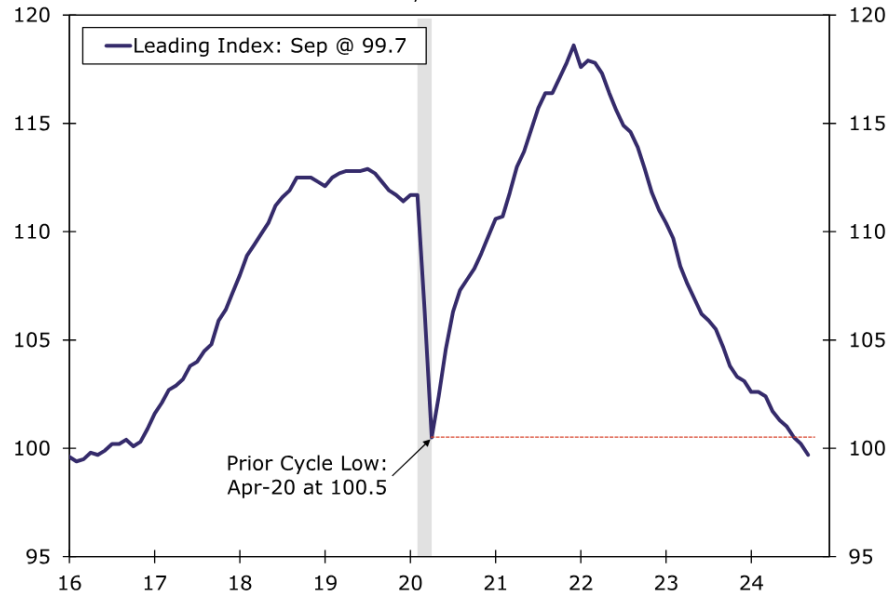
How is the economy holding up? Good news/Bad News

Security Alarm, Fire Alarm & Smoke Alarm going off at same time

- The **Leading Economic Index** has declined in 32 of the past 32 months.

Leading Economic Index

Level, 2016=100

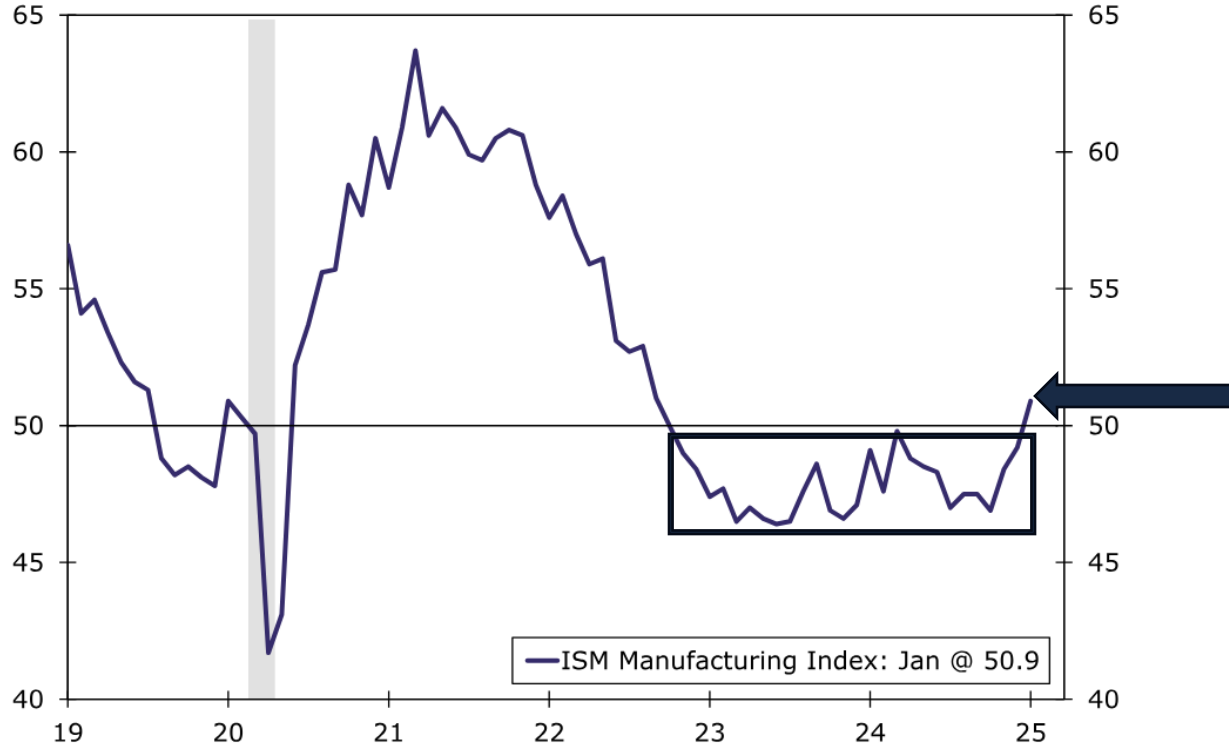


Security Alarm, Fire Alarm & Smoke Alarm going off at same time

- The **Leading Economic Index** has declined in 30 of the past 30 months.
- The **yield curve** has been inverted for more than two years.
- The **ISM Manufacturing Index** has been in contraction territory in 21 of the past 22 months---until

Above 50% for 1st Time Since 2022

ISM Manufacturing Composite Index
Diffusion Index



RGDP		
<u>Quarter</u>	<u>Wells Fargo</u>	<u>Consensus</u>
23-II	2.1 %	2.1%
23-III	4.9%	4.9%
23-IV	3.2%	3.2%
24-I	1.4%	1.4%
24-II	3.0%	3.0%
24-III	3.1%	3.1%
24-IV	2.3%	2.3%

With exception of Trade, across the board growth in components

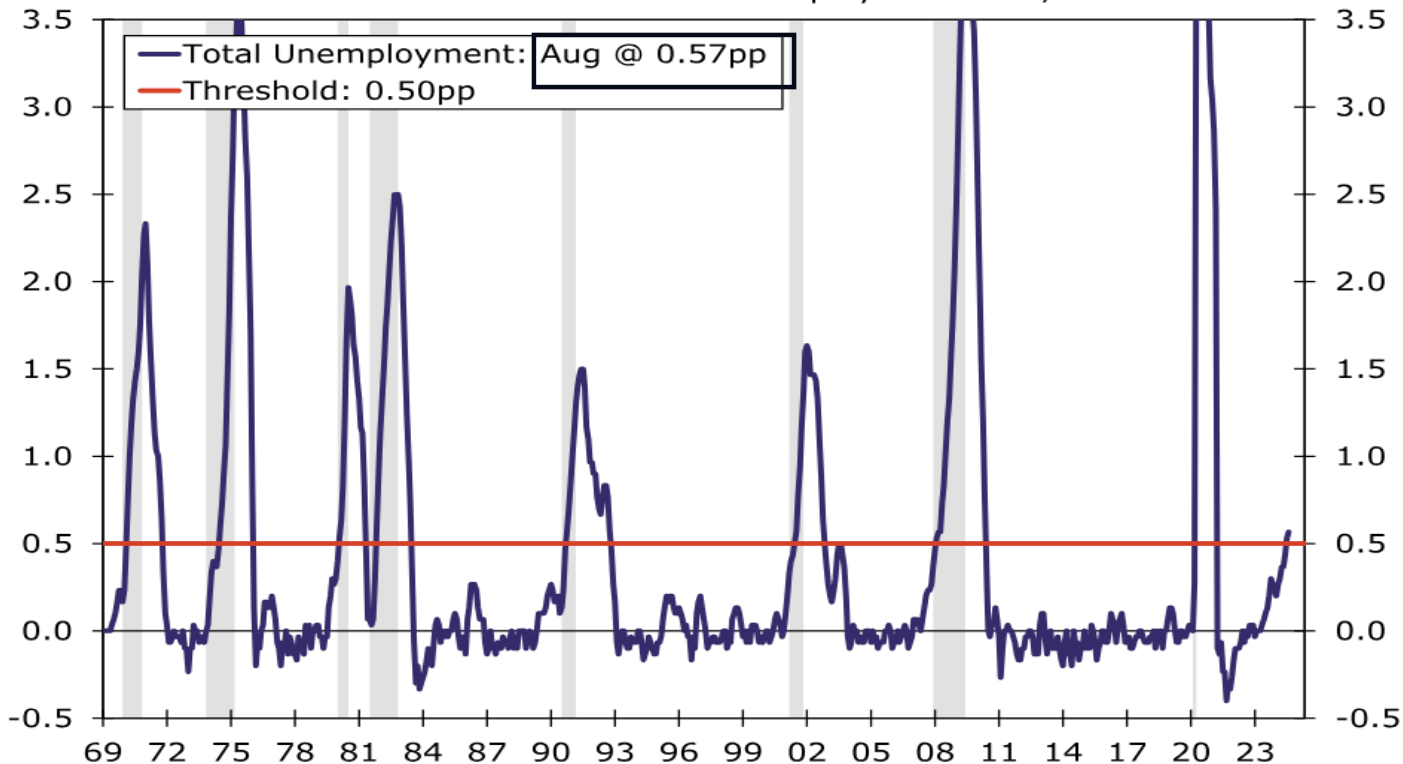
Two Reasons Fed Lowered Rate 100 Basis Points

The Sahm Rule

Sahm Rule (Claudia Sahm): Ur rises more than 0.5 points above previous 12-month average = recession

Sahm Rule Recession Indicator

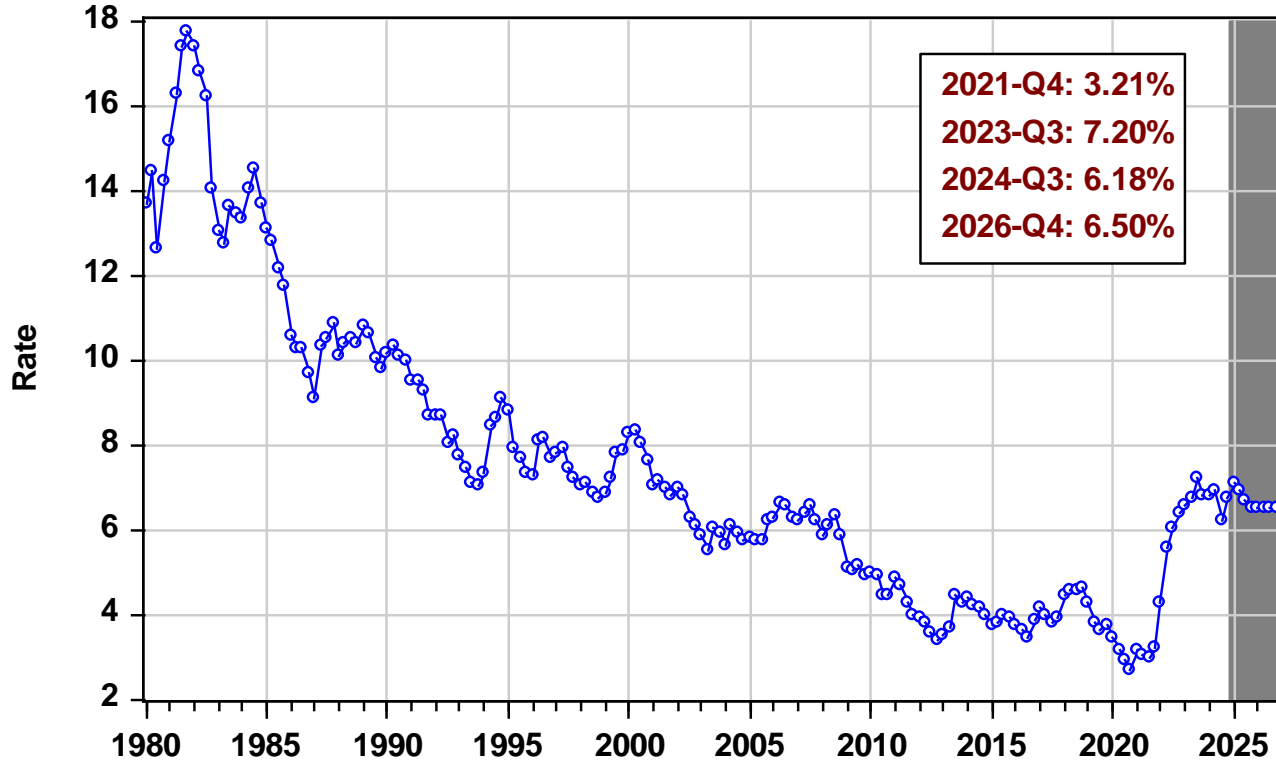
PP Diff. to Prior 12-Mo. Low in Unemployment Rate, 3-MMA



Two Reasons Fed Lowered Rate 100 Basis Points

Reacting to What Was Already Happening

Conventional Mortgage Rate

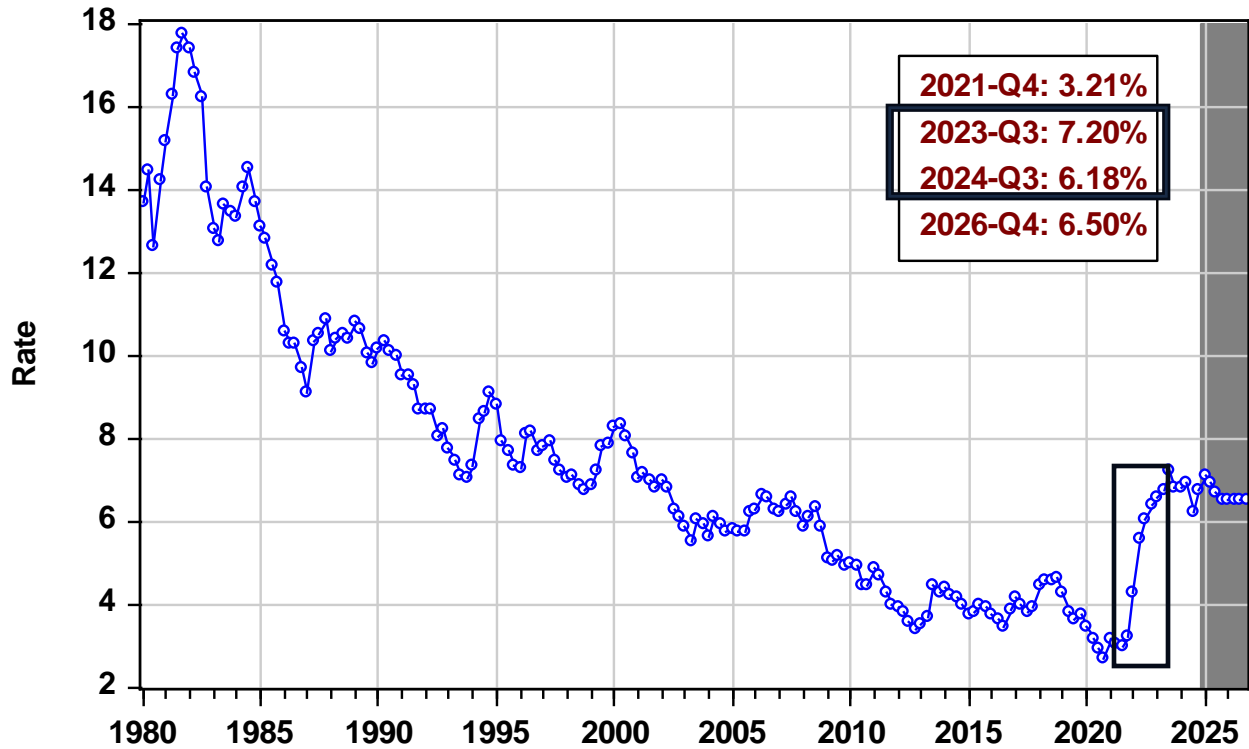


Forecast: Wells Fargo Economics, January 2025

Components of the Interest rate

- Basic Rate: 3%
- Risk Premium 0%
- Inflationary Premium: 3%
- Total Rate: 6%

Conventional Mortgage Rate



Forecast: Wells Fargo Economics, January 2025

**Fed's Rate Changes No
Coincidence
Chicken farmer meets
pregnant lady**

Outlook for the National Economy

RGDP Forecasts(1/25)

<u>Quarter</u>	<u>Wells Fargo</u>	<u>Consensus</u>
24-II	3.0%	3.0%
24-III	3.1%	3.1%
24-IV	2.3%	2.3%
25-I	1.4%	2.0%
25-II	1.5%	1.8%
25-III	0.7%	1.8%
25-IV	1.3%	1.9%
26-I	2.8%	1.9%
26-II	2.9%	2.0%
26-III	3.0%	2.0%
26-IV	2.4%	2.0%

Economic Impacts of Trump Victory

- **+**: No Tax Increases
 - Big issue: How large a deficit is tolerable?
 - -: Tip income?
- **+++**: Regulatory easing:
 - Reign in EPA, FTC, DOI, etc:
 - Driven by climate change and social justice issues
 - Problem of the NGOs
 - Minimum wage law?
 - Expect escalated court battles

Economic Impacts of Trump Victory

- **+/- (?): Immigration**
 - **+: Reduction in illegals**
 - **-: LF problem**
 - **Expect wage growth**
 - **Expect capital substitution**
 - **Creative ways to get more people in the industry**

- **---: Tariffs**
 - Economic reasoning (The Law of Comparative Advantage)
 - Retaliation
 - Watch for products in Johnson & Scalise districts
 - Stagflation threat is very real
 - Negotiating gambit?

Trump Tariffs Impacts (WF)

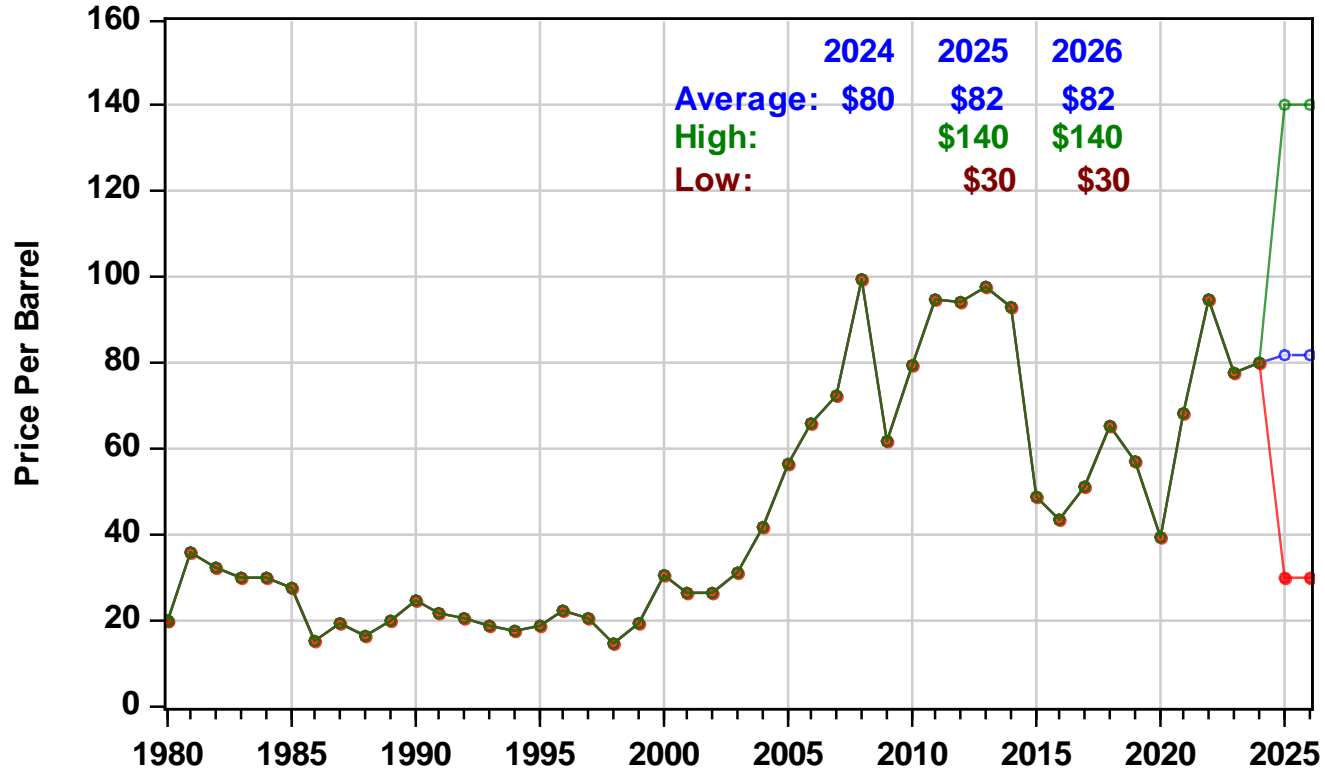
- Means more to Mexico and Canada economy than to US
 - U.S exports to Canada/Mexico = **2.9%** of RGDP
 - Mexico exports to U.S. = **25%+** of RGDP
 - Canada's exports to U.S. = **20%** of RGDP

Trump Tariffs Impacts (Wells Fargo)

- Impact of 25% tariff on U.S. economy?
 - RGDP: **-1%**
 - CPI: **+0.5%**
 - **Impact on Fed action?**
 - **Product price increases? Steel, cement, lumber, etc.**
- Impact of 25% tariff on Canadian economy?
 - RGDP: **-2.5%**
 - CPI: **+4.0%**
- Impact of 25% tariff on Mexican economy?
 - RGDP: **-1%**
 - CPI: **+2.0%**
- **President in very strong negotiating position**

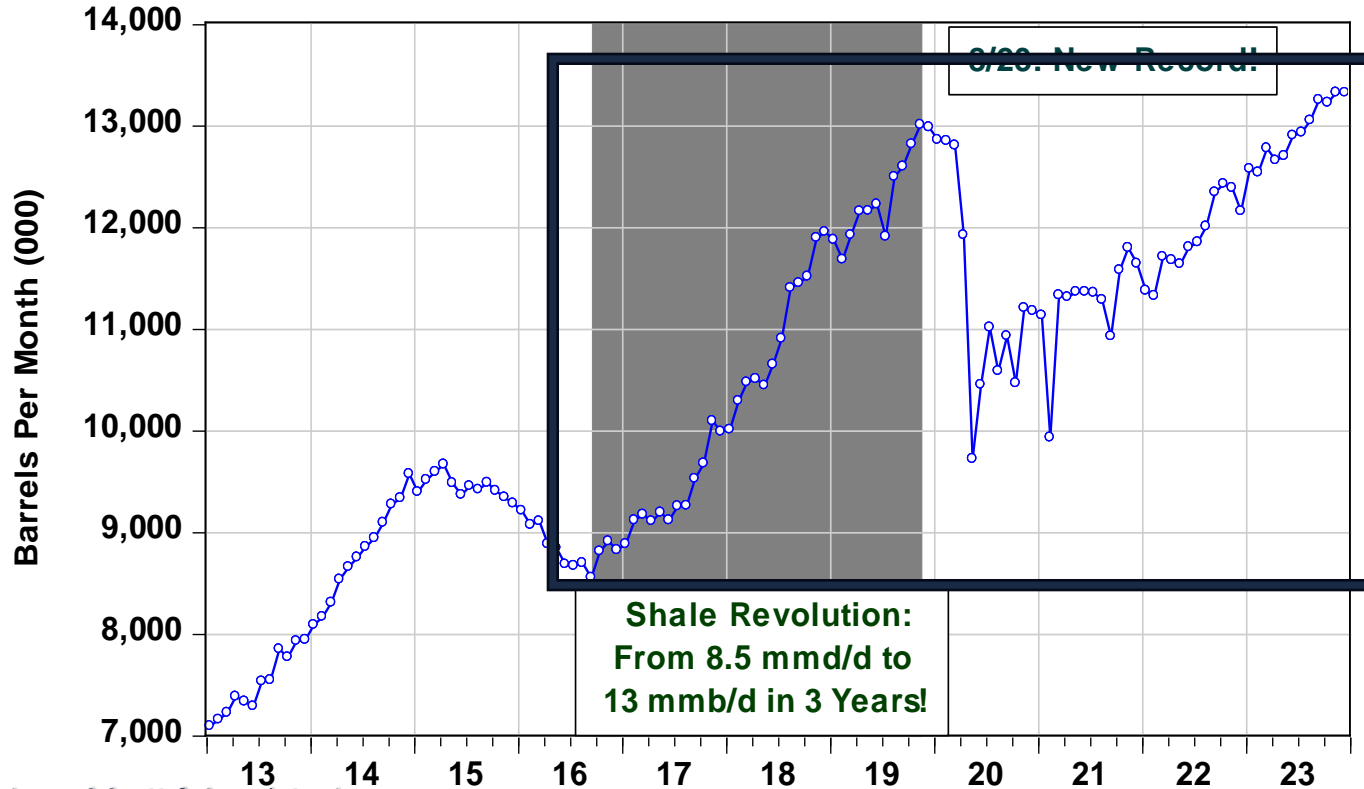
Over Communicating? The Interesting case of the State Trooper

Oil Price Forecasts

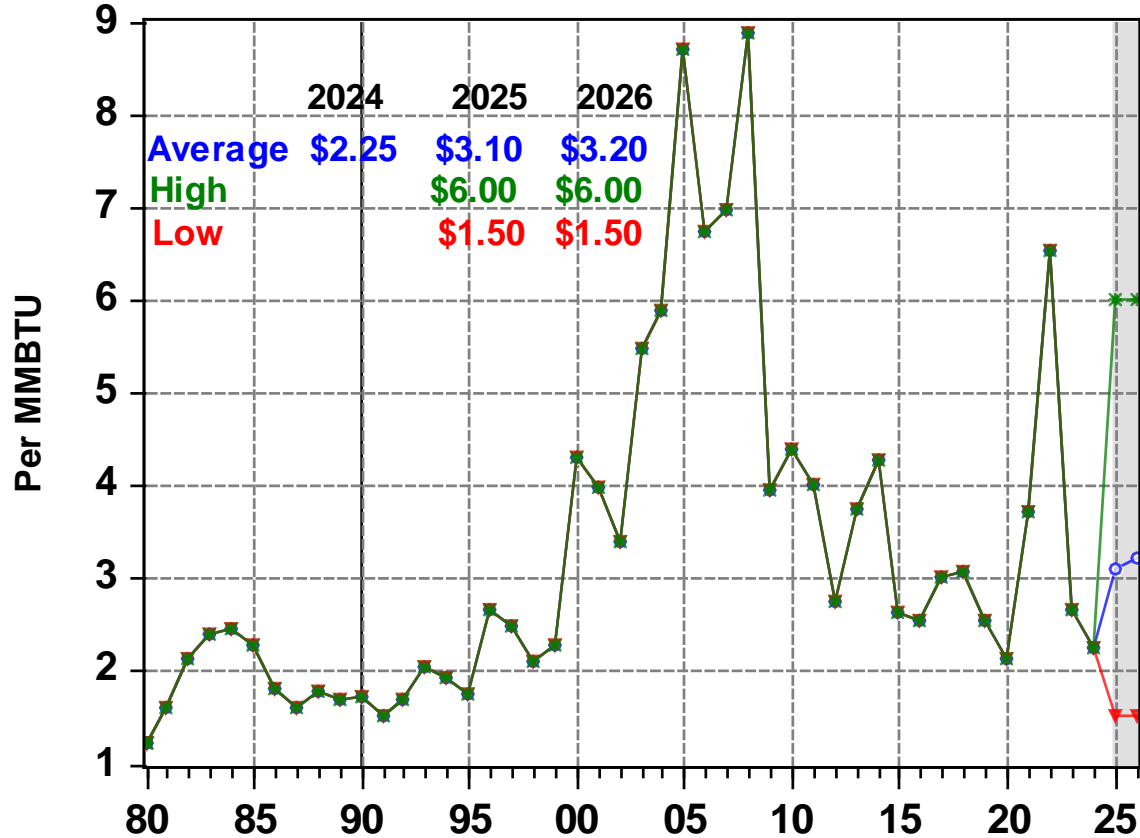


Outlaw Fracking?!

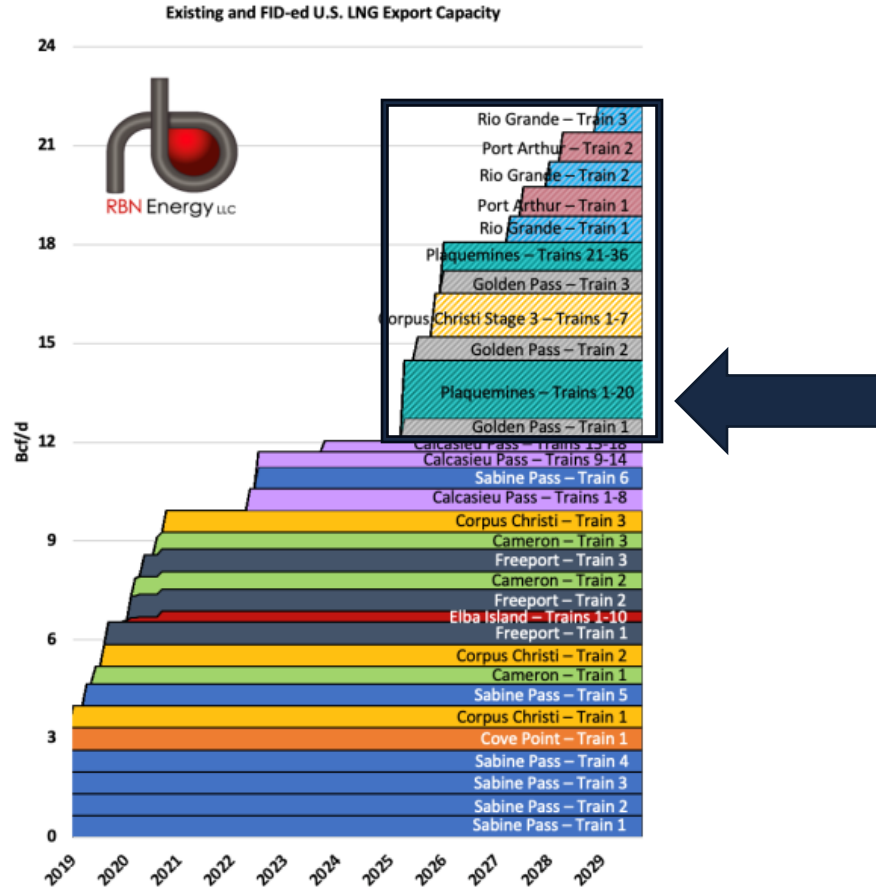
U.S. Oil Production Monthly



Price of Natural Gas: Henry Hub

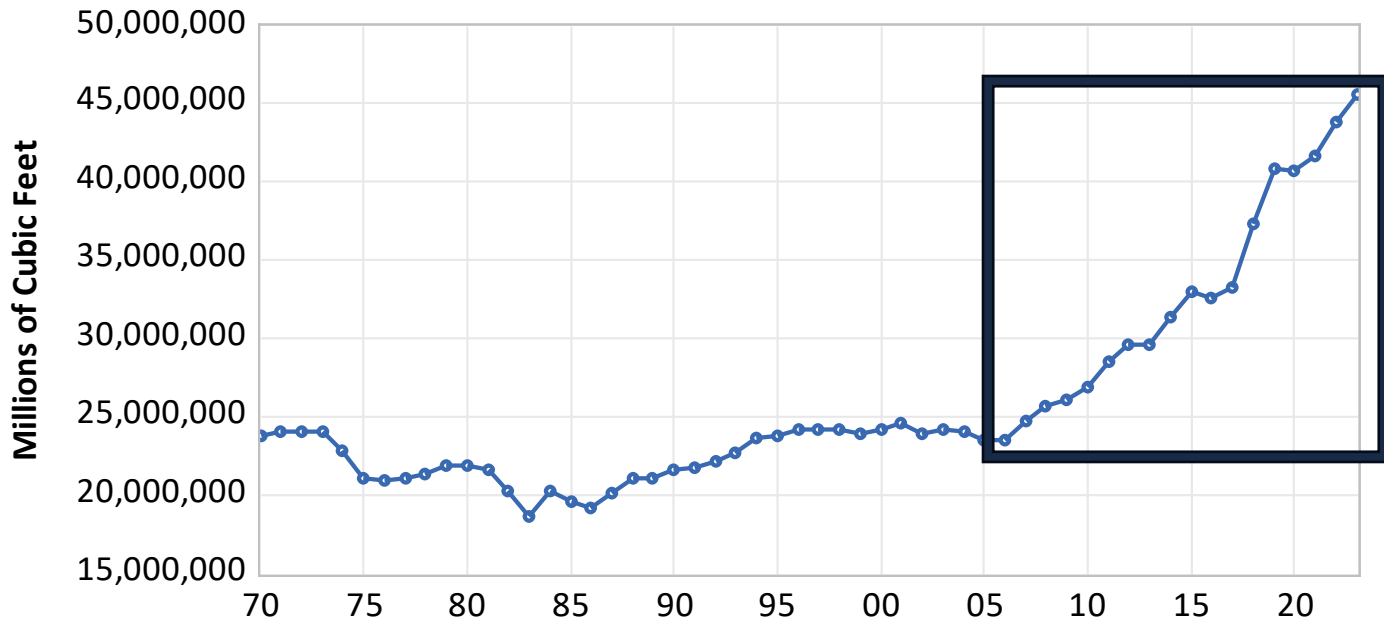


2024-28: LNG Gas Use Adds 10.3 bcf/d to Present 12.4 bcf/d All FIDed & Under Construction



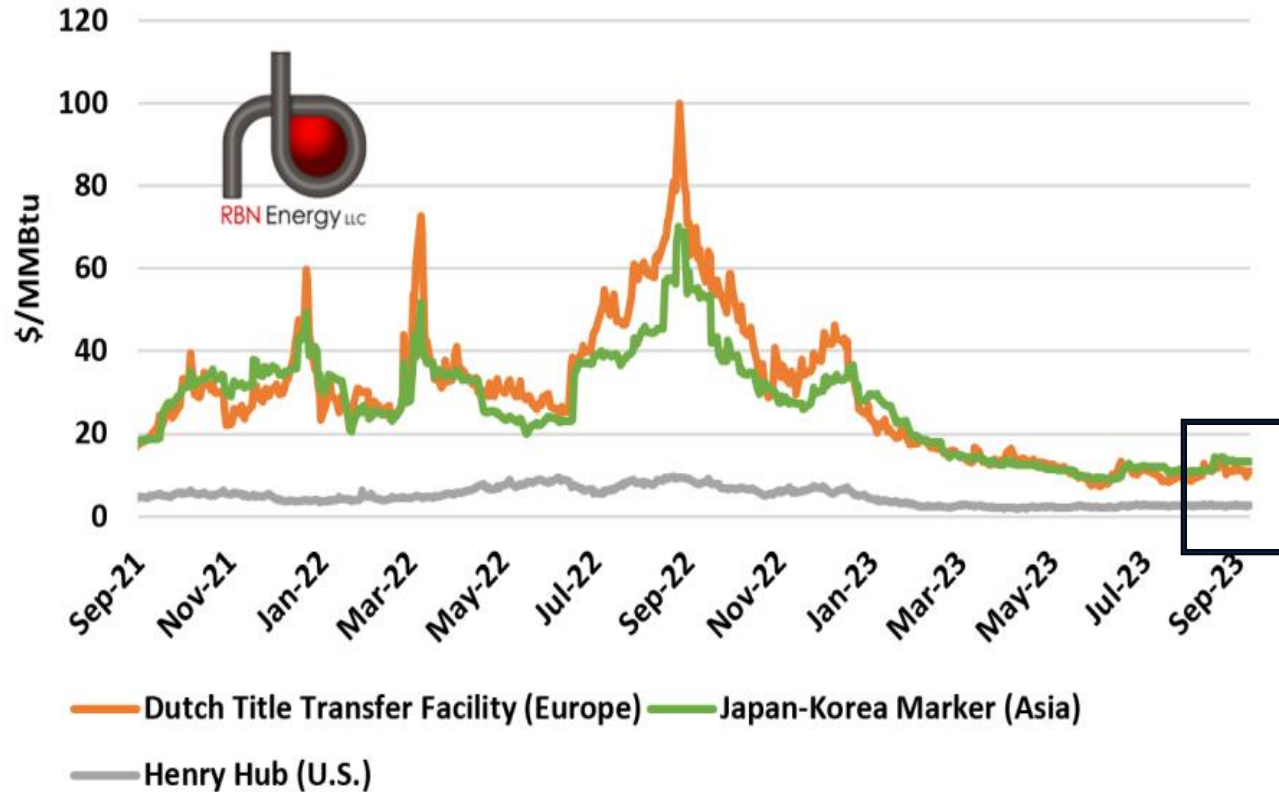
Outlaw Fracking?

U.S. Natural Gas Production



Source: www.eia.gov

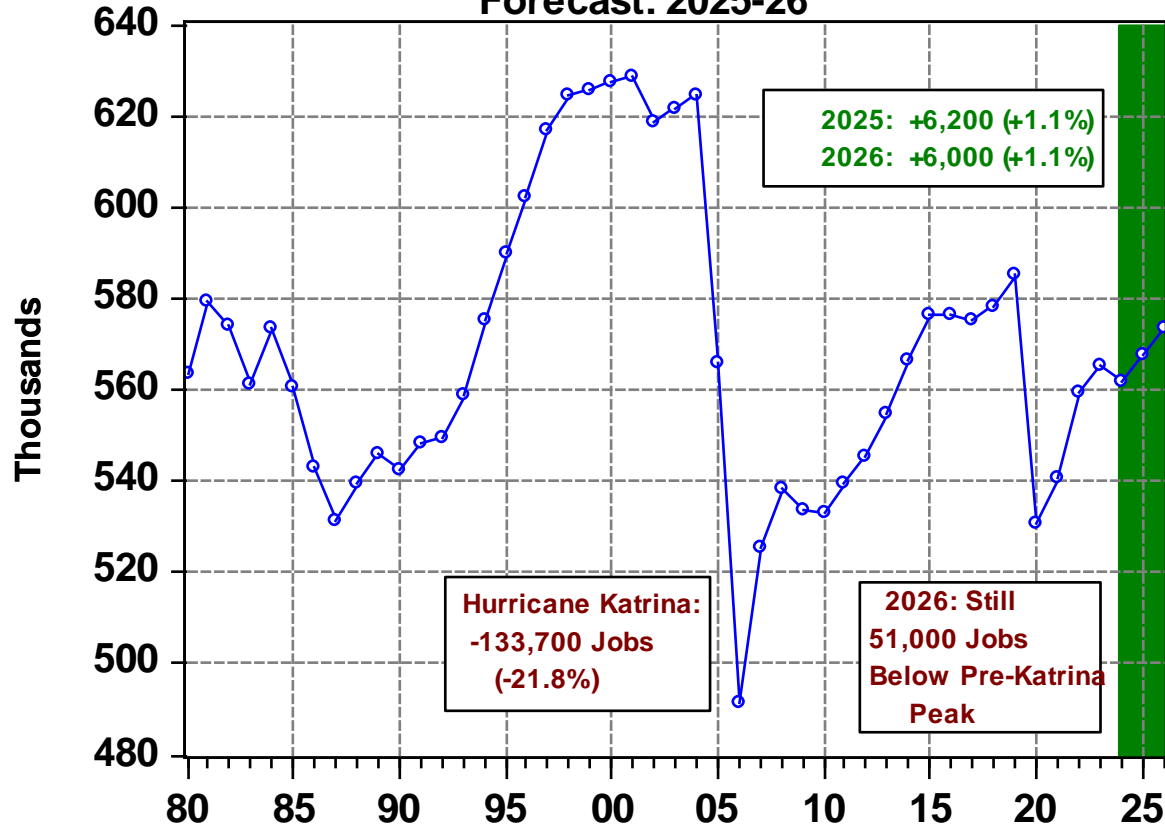
Global Gas Prices



A Look Around the State
Construction Carrying LA
35% of job growth 11/23-11/24
Will continue to carry into 2025-26

New Orleans MSA Non-Farm Employment

Forecast: 2025-26



Construction Underway

\$23.7 Billion

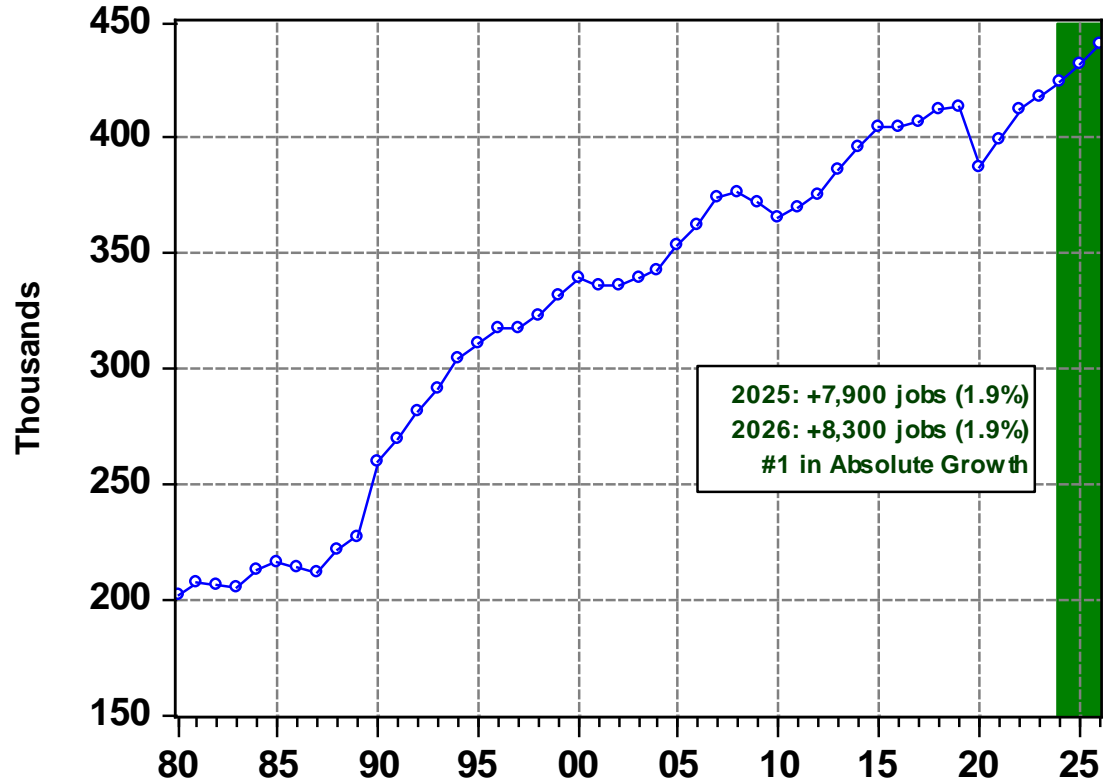
- Venture Global: \$ 21.0 bill
- Bunge: \$ 1.0 bill
- River District: \$ 1.0 bill
- Embridge Pipeline: \$ 400 mm
- Koch Methanol: \$ 150 mm
- Delta Terminal: \$ 89 mm
- Agile Cold Storage: \$ 46 mm
- Amazon: \$ 30 mm
- Loop: \$ 15 mm
- W.R. Grace: \$ 15 mm

Construction Not Started:

\$37.1 Billion

- Formosa Plastics: \$ 9.4 bill
- Delta LNG: \$ 8.5 bill
- St. Charles Clean: \$ 4.6 bill
- DG Fuels: \$ 4.96 bill
- IGP Methanol: \$ 2.6 bill
- ElementUS: \$ 2.0 bill
- LTI: \$ 1.8 bill
- Shell: \$ 1.3 bill
- **Greenfield LA: \$ 500 mm**
- UBE: \$ 500 mm
- Louisiana Gateway: \$ 467 mm
- Syngas Energy: \$ 350 mm
- LA Sugar: \$ 58 mm
- L4TLouisiana \$ 46 mm
- Ochsner Sports: \$ 37 mm
- ADM: \$ 25mm
- Grand Isle LNG: ???
- Gulf Stream LNG: ???

Baton Rouge MSA Non-Farm Employment Forecast: 2025-26



Source: Louisiana Workforce Commission & Loren C. Scott & Associates, Inc.

Construction Underway

\$10.5 Billion

- Air Products \$ 7.0 bill
- Shintech: \$ 1.3 bill
- BASF: \$ 780 mm
- Kindle Energy: \$ 740 mm
- OLOL – LSU: \$ 148 mm
- Belle-Queen: \$ 141 mm
- Shell: \$ 122 mm
- Honeywell: \$ 91 mm
- Albemarle: \$ 53 mm
- Kinder Morgan: \$ 50 mm
- W.R. Grace: \$ 32 mm
- 4 others: \$ 21 mm

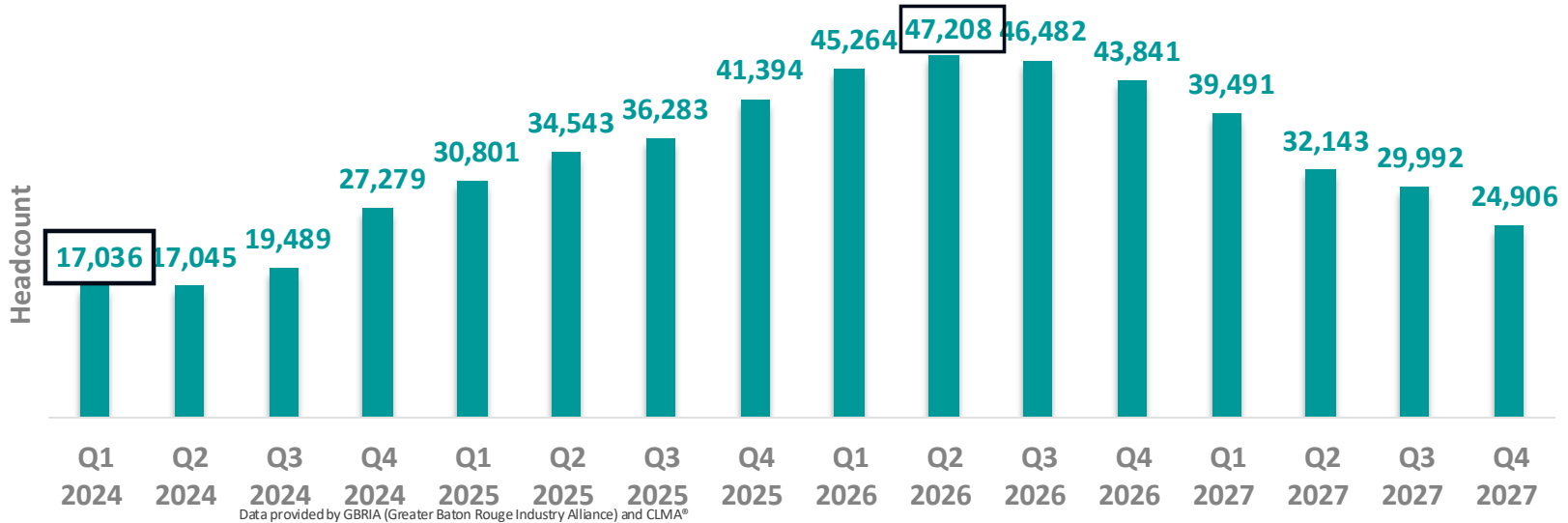
Construction Not Started:

\$18.1 Billion

- Clean Hydro \$ 7.5 Bill
- CF-Mitsui: \$ 2.0 bill
- CF-Posco: \$ 2.0 bill
- **Mitsubishi: \$ 1.9 bill**
- Shell Chemical: \$ 1.4 bill
- Gron Fuels: \$ 1.2 Bill
- CF: \$ 195 mm
- Shell: \$ 512 mm
- Element25: \$ 480 mm
- Koura: \$ 400 mm
- Capchem: \$ 350 mm
- ExxonMobil: \$ 264 mm
- Syngenta: \$ 52 mm

GBRIA & NORIA Area Skilled Industrial Craft Demand 2024-2027

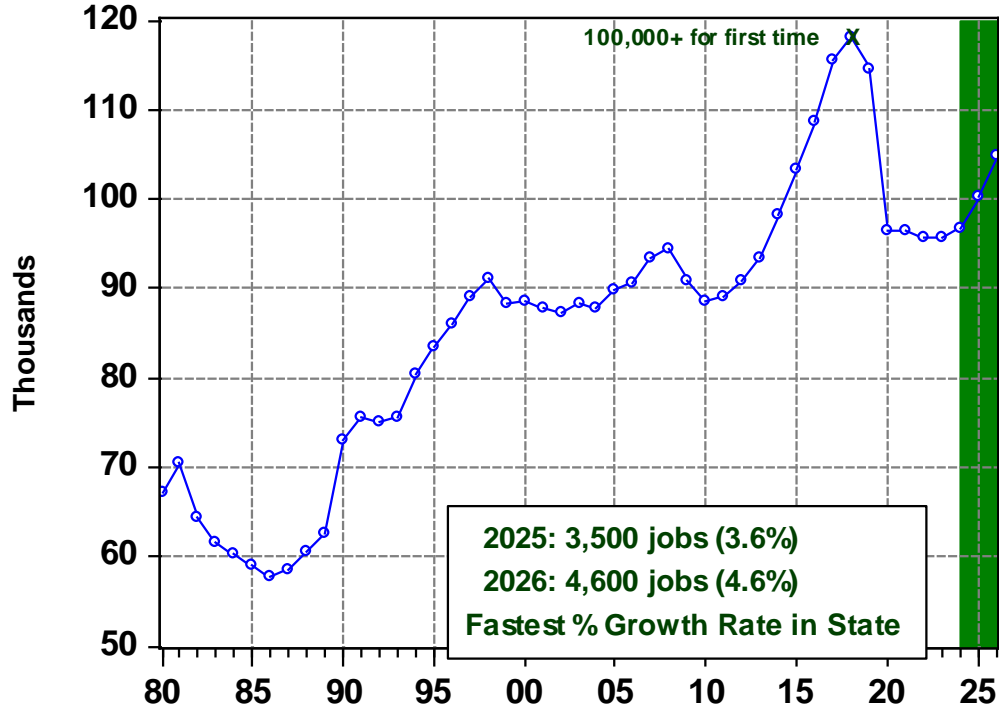
Data as of:
 20-Aug-2024



Data provided by GBRIA (Greater Baton Rouge Industry Alliance) and CLMA®

■ Peak Demand

Lake Charles MSA Non-Farm Employment Forecast: 2025-26



Source: Louisiana Workforce Commission & Loren C. Scott & Associates, Inc.

Amazing Industrial Boom

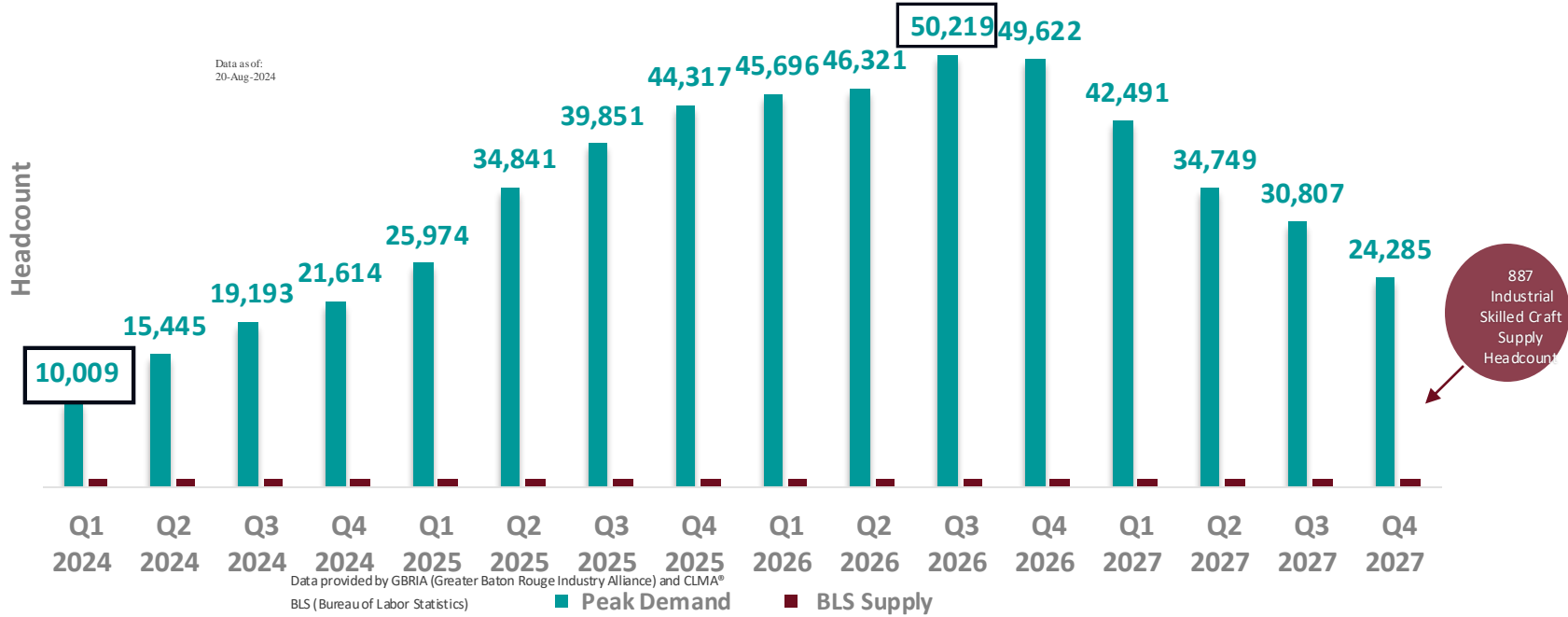
CC Underway

- WR Grace: \$234 mm

Announced

- Woodside LA LNG: \$16.8 bill
- VG -CP2: \$13.5 bill
- Energy Transfer LNG: \$10.9 bill
- Magnolia LNG: \$ 4.0 bill
- Cameron #4: (2025H1) \$ 4.0 bill
- Cheniere Stage #5: (2026) \$ 4.0 bill
- Commonwealth LNG: \$ 4.0 bill
- Lake Charles Methanol: \$ 3.24 bill
- Crescent Coast Energy: \$ 437 mm
- **Total: \$60.8 bill**

Lake Charles Area Skilled Industrial Craft Supply & Demand 2024-2027



Data provided by GBRIA (Greater Baton Rouge Industry Alliance) and CLMA®
 BLS (Bureau of Labor Statistics)

**Not industrial contractor?
Don't forget the
multiplier effect!**

Plus:

\$3.2 Billion state road lettings FY25-FY26

\$3.0 billion coastal Restoration FY25-FY27

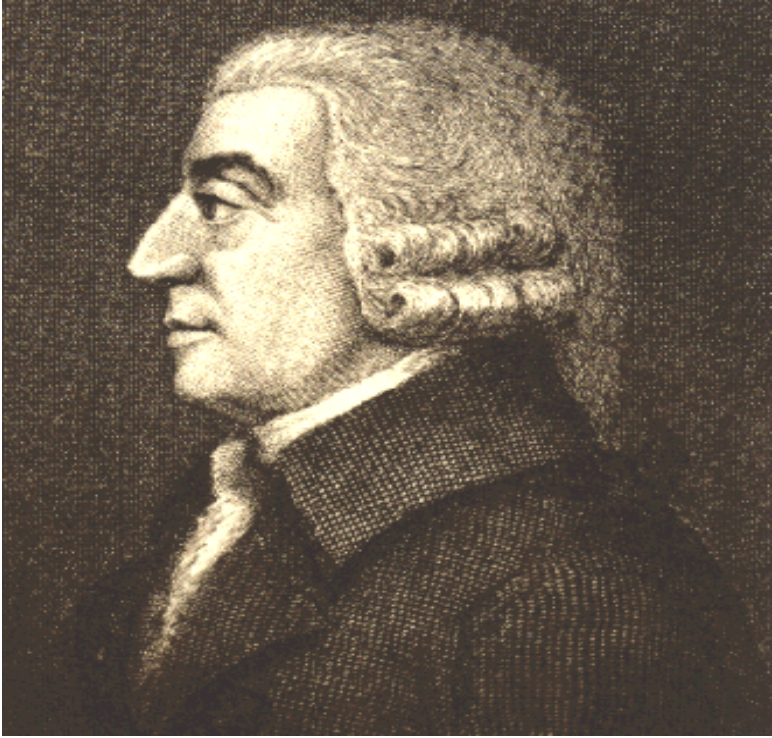
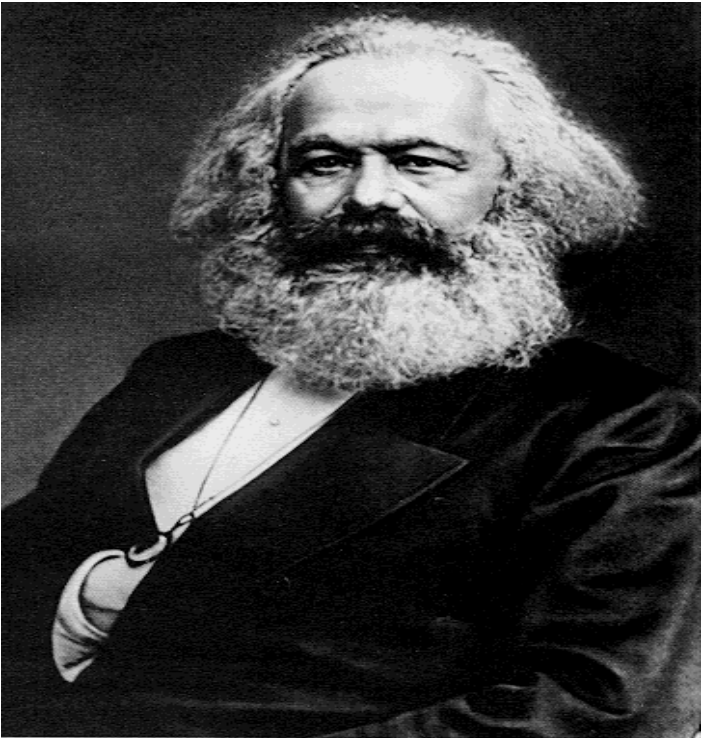
**Note: Most action on or
below I-10**

**Alex North? Data Centers
Means More Power Plants**

Don't get obsessed!

“Rabbi, I want to live forever...”

The Clash of Ideas



Karl Marx

- **“From each according to his abilities, to each according to his needs”**
- **“The theory of Communism may be summed up in one sentence: Abolish all private property.”**

Adam Smith

- **“Competition alone can regulate prices with equity; it alone restricts them to a moderation which varies little; it alone attracts with certainty provisions where they are wanted or labour where it is required.”**

The Competition Begins: July 27, 1953

- **GDP per capita 2022 (UN)**
 - North Korea: \$ 590
 - South Korea: \$32,305
- **Percent below poverty**
 - North Korea: 60.0% (2020)
 - South Korea: 15.1% (2021)
- **Percent employment Ag 2021:**
 - North Korea: 43.5%
 - South Korea: 5.4%

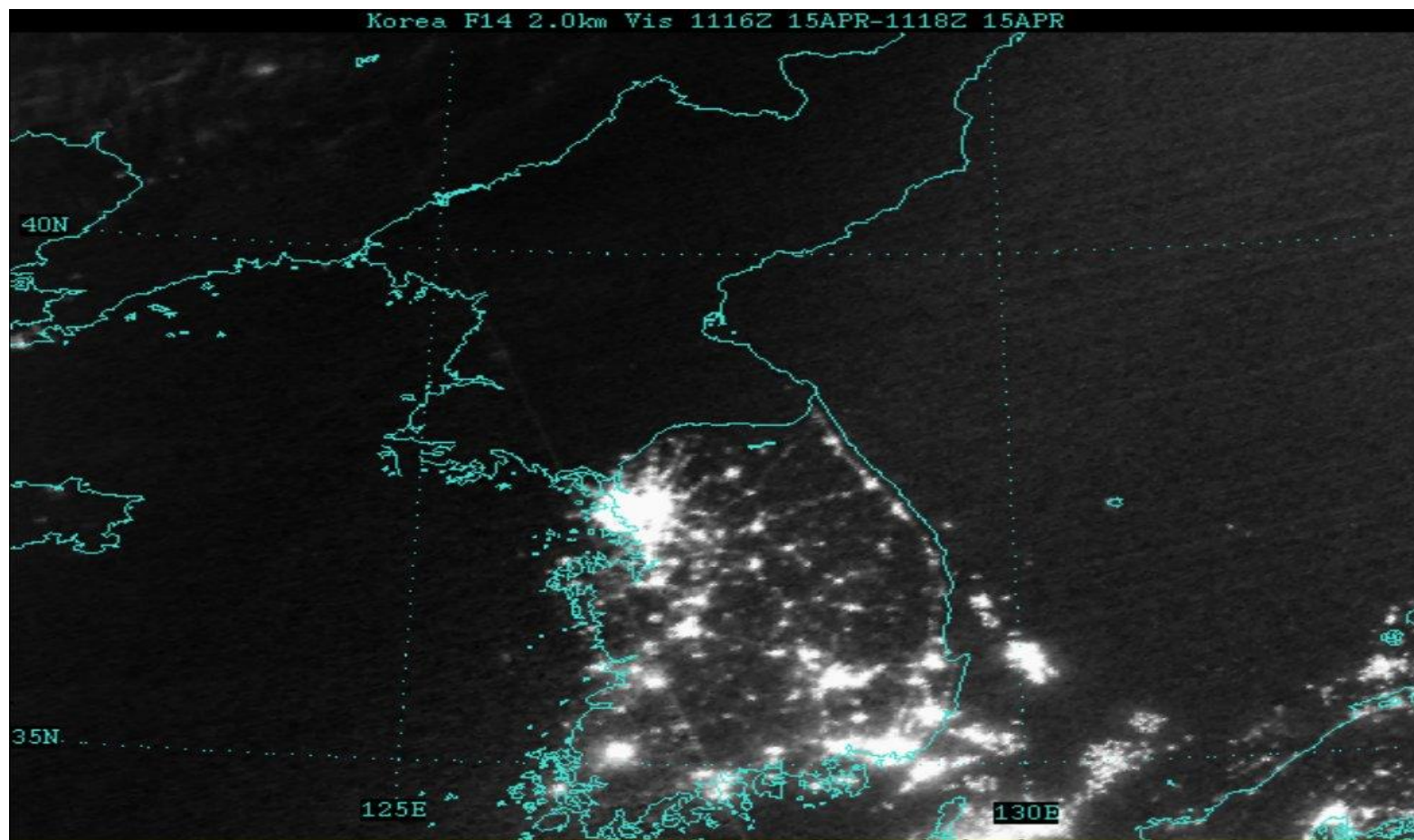
**But these are just technical
economic measures**

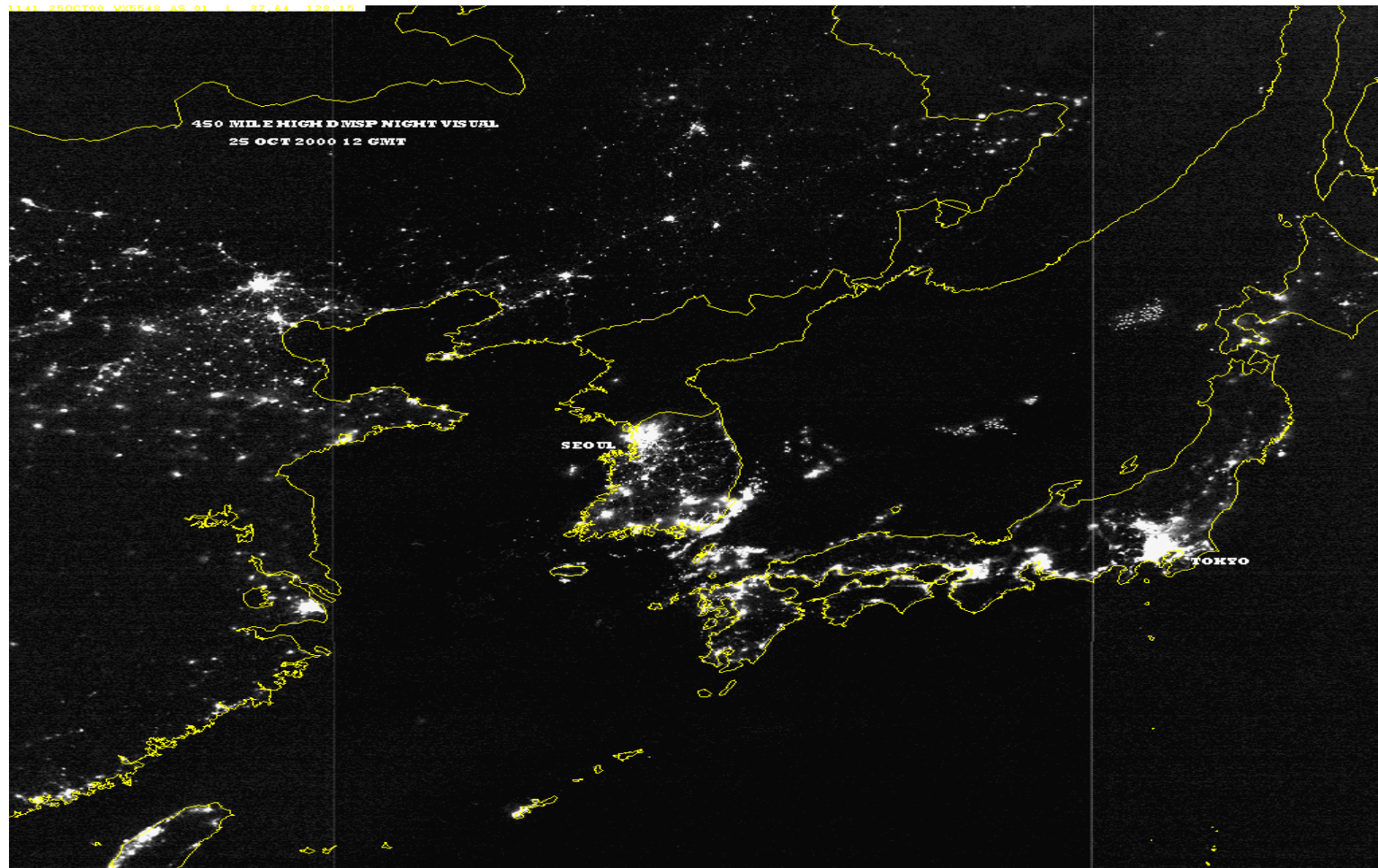
**Is there another indicator of
economic health?**

Another measure of an Economy



Korea F14 2.0km Vis 1116Z 15APR-1118Z 15APR







Thank You!



Dr. Loren C. Scott



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