Restoration

Because the Sixth Federal Reserve District serves the hurricane-prone Southeast, the Atlanta Fed has considerable experience in the pattern of rebuilding after a natural disaster. Immediately after a violent storm, there's usually a significant loss of jobs and spending in the affected areas, and the impact is primarily local. Within a few weeks and months, government and insurance money begins to flow into the affected area, and the local economy gets a kick as the rebuilding begins. But the 2005 hurricane season was anything but typical.

Hurricane Katrina smashed hundreds of miles of homes and businesses along the coasts of Louisiana, Mississippi, and Alabama, flooded most of New Orleans, and wrecked a sizable portion of the nation's energy infrastructure. A few weeks later, Hurricane Rita knocked out more energy equipment near the Louisiana-Texas line. Then, Hurricane Wilma hit south Florida and the Yucatán Peninsula in Mexico, causing extensive power outages and several deaths.

Because of the unusual scope of destruction during the 2005 hurricane season—the most costly in U.S. history—much of the economic data from the storm-ravaged areas were unreliable because so many residents had fled. Instead, Atlanta Fed Assistant Vice President John Robertson and his team of regional economists turned to sources in the energy industry and Gulf Coast business leaders, including Atlanta Fed New Orleans branch directors, who provided quick and current analysis. Another important contact was Atlanta Fed Chairman David Ratcliffe, the top executive of Southern Company, who offered insights into the energy sector and rebuilding the region's economic infrastructure. By tapping relationships like these built over many years, the Atlanta Fed was able to quickly fill a pressing need for on-the-ground information about the extent of damage to oil rigs, refineries, and the delicate but complex network of national gas pipelines and thereby fashion a better understanding of the long-term outlook for energy supplies in the U.S. economy overall.

Cleanup, construction, and job growth, however, were beginning to occur in the Gulfport-Biloxi area and in Lake Charles, Louisiana, by year's end. But reconstruction in New Orleans and other hard-hit communities was slow in 2005 because of legal and other barriers to rebuilding in areas damaged by flooding. The Atlanta Fed research staff projected that the usually prompt rebuilding surge would take months or years to restore the region.

Atlanta Fed Community Affairs staff worked closely with financial institutions, regulators, and government agencies to methodically assess needs, resolve regulatory issues, and help with the process of rebuilding. In December, at the Atlanta Fed's recently reopened New Orleans Branch, Atlanta Fed Community Affairs Officer Juan Sanchez and New Orleans-based Community Development Specialist Nancy Montoya brought together bankers, architects, and charitable leaders to discuss the need for workforce housing, mortgage-related insurance concerns, and communication on banking issues.

The Atlanta Fed's role in addressing these and other complex challenges related to restoration will continue in 2006 and beyond. The future of the battered communities along the Gulf Coast depends on the people leading the restoration. Given the character and resilience demonstrated by the men and women described in this report and countless others who are not mentioned, the prospects for this vital economic region are highly favorable.

Atlanta Fed New Orleans Branch Director Dave Dennis (left) shows Federal Reserve Board Governor Mark Olson the destroyed bridge over Bay St. Louis in Mississippi. Dennis talked about the plans already in place for rebuilding the Mississippi coast.