Hurricane Katrina caused terrible loss of lives and immeasurable human suffering. It also disrupted local economies throughout the south-central U.S. Areas affected by the storm are eligible to receive assistance from the Federal Emergency Management Agency for state and local governments and certain private nonprofit organizations. A smaller number of areas are also eligible for assistance to individuals and households. These “most affected” counties or parishes in Louisiana and Mississippi had weak labor market conditions even before the storm. Although these areas’ unemployment rates were lower than their states’, they exceeded the 5.0% U.S. rate.

The roughly 145,000 business establishments in the most affected areas of Alabama, Louisiana, and Mississippi accounted for about 1.7% of all U.S. businesses before the storm. These areas had a larger share of establishments in the natural resources and mining industry (2.7%) and federal and state government (2.6%). In 2004, the areas’ businesses accounted for more than 2.4 million jobs, or 1.9% of total U.S. employment, but they accounted for about 74% of workers in Louisiana and 66% in Mississippi. These businesses paid nearly $77 billion in wages, about 1.5% of total U.S. wages but close to 77% of wages paid in Louisiana and 68% in Mississippi. Although the storm devastated local economies, these areas represent only a small fraction of U.S. businesses, employment, and wages.