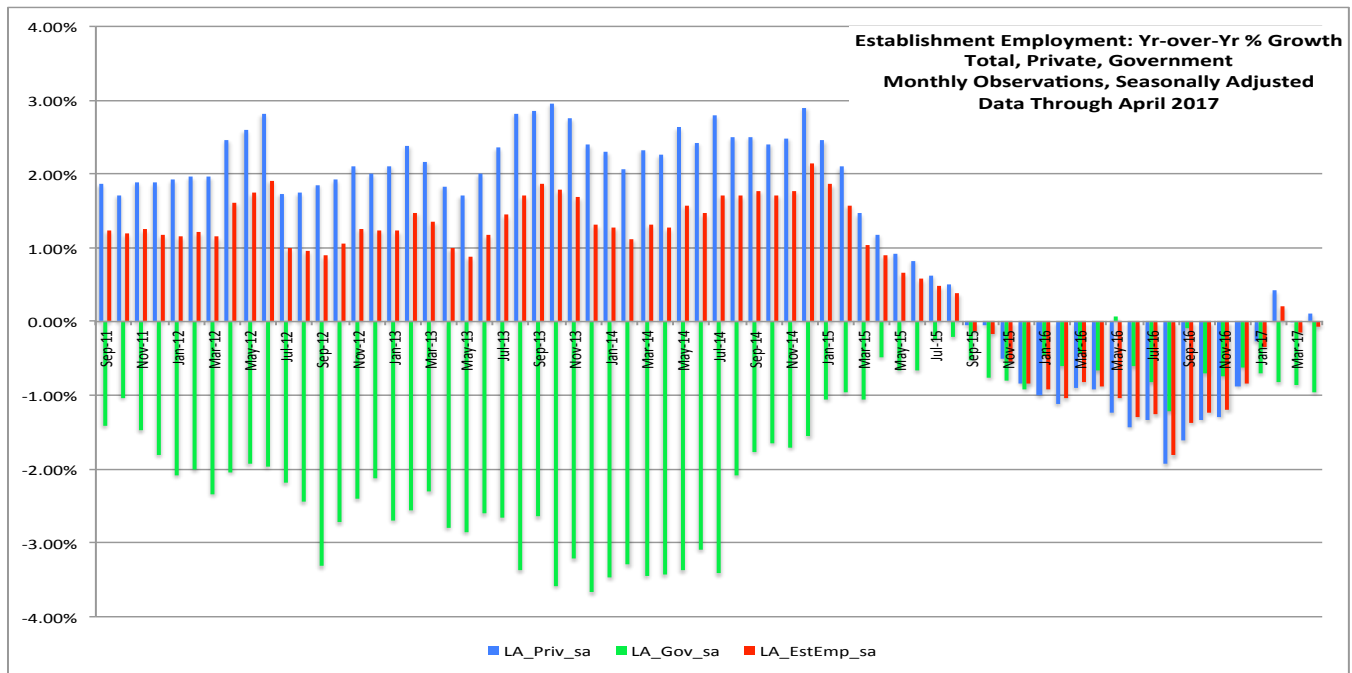


## State Employment Growth and Composition, As of April 2017



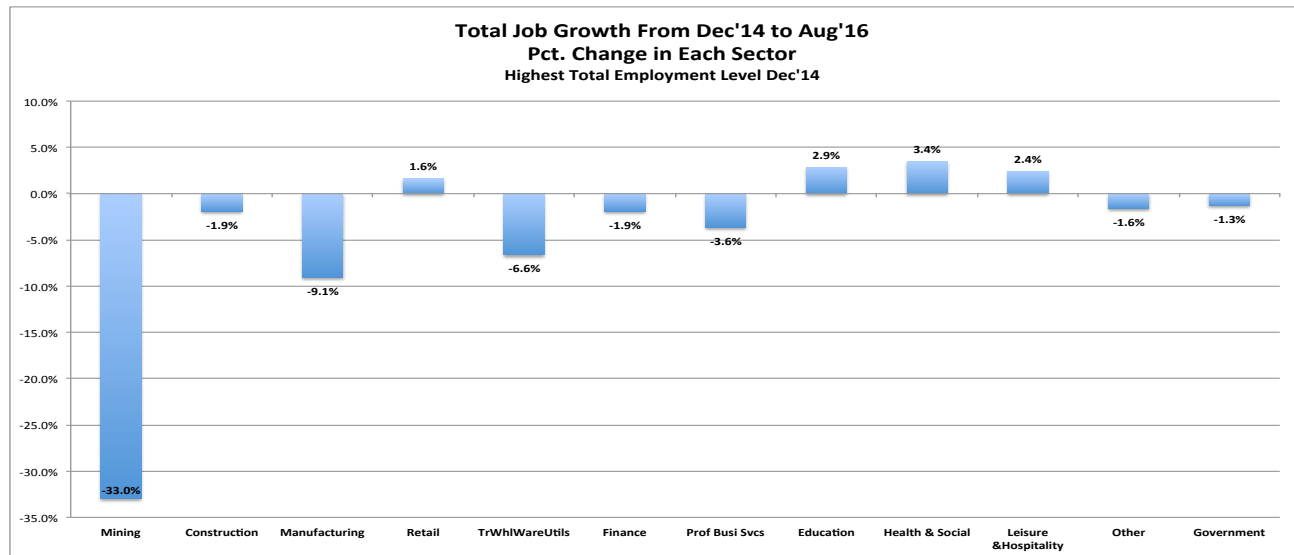
The most regularly cited metric reflecting the economic performance of states is payroll employment growth. Above is a graph depicting the monthly year-over-year growth of three major payroll employment aggregates for the state of Louisiana; total employment, private sector, and public sector (state, federal, and local combined). The graph reflects the period when state employment growth returned to a steady positive after the last national recession ended, starting with growth as of September 2011. State growth began slowing in 2015, with absolute declines occurring in the latter half of 2015 until the beginning of 2017.

Some notable characteristics of state payroll employment growth are evident in this graph. For the period depicted, growth in both total employment and private sector employment was positive, averaging roughly 1.5% for total employment and a little over 2% for private sector employment. Growth exhibited some modest acceleration through 2014, although the lack of stronger acceleration is somewhat surprising in light of the large amount of industrial expansion that was announced and occurred across the southern tier of the state over the last few years.

Private sector growth has exceeded the growth of total employment since about mid-2010. This reflects private sector performance on par with the rest of the nation, but also the decline of government employment in the state. Federal employment growth declined sharply after the conclusion of the 2010 census, and has stepped down in level twice since then. Local government employment has exhibited a slow downward drift over much of this period, as well. More dramatically has been the decline in state government employment resulting from the policy decisions to reduce state government employment and privatize state agencies and activities. The government sector decline began moderating around mid-2014, but annual growth in government employment is still negative. While comprising less than 17% of total employment in the state as of the end of 2015, government declines had been enough to hold total employment growth to only about one-half to three-quarters the rate of private sector growth for much of the period through 2014.

Finally, both total and private sector employment growth have slowed dramatically since the beginning of 2015, even as the public sector's decline has moderated. Both total and private sector growth have been negative since September 2015, led by the fall off in oil and gas mining sector. The decline in that sector was relatively small through 2014, but accelerated sharply in 2015. This is an important sector for the state with many directly and indirectly affiliated subsectors and led a general decline in employment growth. The declines in private and total employment overall hit a trough in August 2016, and began moderating into 2017. A nearly stabilized mining sector, albeit at a much lower level, appears to be resulting in overall economy beginning to pickup again, pulled along by the improving national economy. While the re-benchmarked data for the latter half of 2016 reflects smaller and smaller monthly declines, the state appears to be struggling to exhibit sustained positive growth into 2017. The optimistic view is recent months may be hinting at the eventual arrival of sustained positive growth sometime in the second half of 2017.

# State Employment Growth and Composition, As of April 2017



|                                    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |              |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|
| Employment, August 2016, thousands | <b>1961.0</b>   | <b>37.2</b>     | <b>138.2</b>    | <b>134.6</b>    | <b>234.6</b>    | <b>152.3</b>    | <b>92.1</b>     | <b>207.7</b>    | <b>46.6</b>     | <b>264.3</b>    | <b>230.5</b>    | <b>99.1</b>     | <b>323.8</b> |
| Change Since Dec 2014, thousands   | <b>-41.4</b>    | <b>-18.3</b>    | <b>-2.7</b>     | <b>-13.4</b>    | <b>3.7</b>      | <b>-10.8</b>    | <b>-1.8</b>     | <b>-7.8</b>     | <b>1.3</b>      | <b>8.8</b>      | <b>5.5</b>      | <b>-1.6</b>     | <b>-4.3</b>  |
| Average Annual Wage, 2015          | <b>\$95,128</b> | <b>\$56,738</b> | <b>\$69,334</b> | <b>\$26,736</b> | <b>\$61,930</b> | <b>\$63,183</b> | <b>\$54,447</b> | <b>\$39,578</b> | <b>\$42,641</b> | <b>\$20,231</b> | <b>\$42,364</b> | <b>\$45,001</b> |              |

The growth of employment by major industry sector is also of interest in assessing the performance of the economy. The chart above depicts the percentage change in payroll employment in each of twelve major sectors<sup>1</sup> of the economy from the December 2014, the high point of the state's payroll employment recovery after the 2008-09 national recession, to August 2016, the low point of the state's employment after the state's own oil-price recession. The months subsequent to that peak point reflect the economic decline experienced by the state resulting largely from the dramatic decline in oil & gas prices that began in mid-2014. During this year and a half period total payroll employment in the state decreased by some 41,400 jobs. Each column in the chart above reflects each sector's change in total payroll employment over this period. The table below the chart provides absolute levels of employment, the change in the number of jobs, and the average annual salary/wage in each sector. For example, employment in the mining sector declined by 33%. That sector has lost 18,300 jobs and contained a total of 37,200 jobs by the time the state as a whole hit its trough in August 2016. The average annual wage in the sector was \$95,128 in 2015, the latest full year of data<sup>2</sup>.

Contraction of the mining sector, largely oil & gas extraction and support in Louisiana, is not surprising given the dramatic drop in oil prices since the summer of 2014. That sector had maintained a positive growth even after the Haynesville shale gas surge began tapering off in 2012. However, even though in-state Louisiana production has not played a material part in the shale oil boom, our citizens and firms support this industry around the country and even the world, as well as the activity in the Gulf of Mexico. A halving of oil prices and persistently weak natural gas prices worked to reduce this overall sector dramatically.

Manufacturing experienced the next largest decline, in large part due to its association with the oil & gas extraction sector. As these major components of the economy have declined, so have other sectors of business activity such as transportation-warehousing-utilities, finance, professional business services, other services, and even construction in this period. The government sector has also declined, with much of this decline associated with the state government policy decision to contract public sector employment.

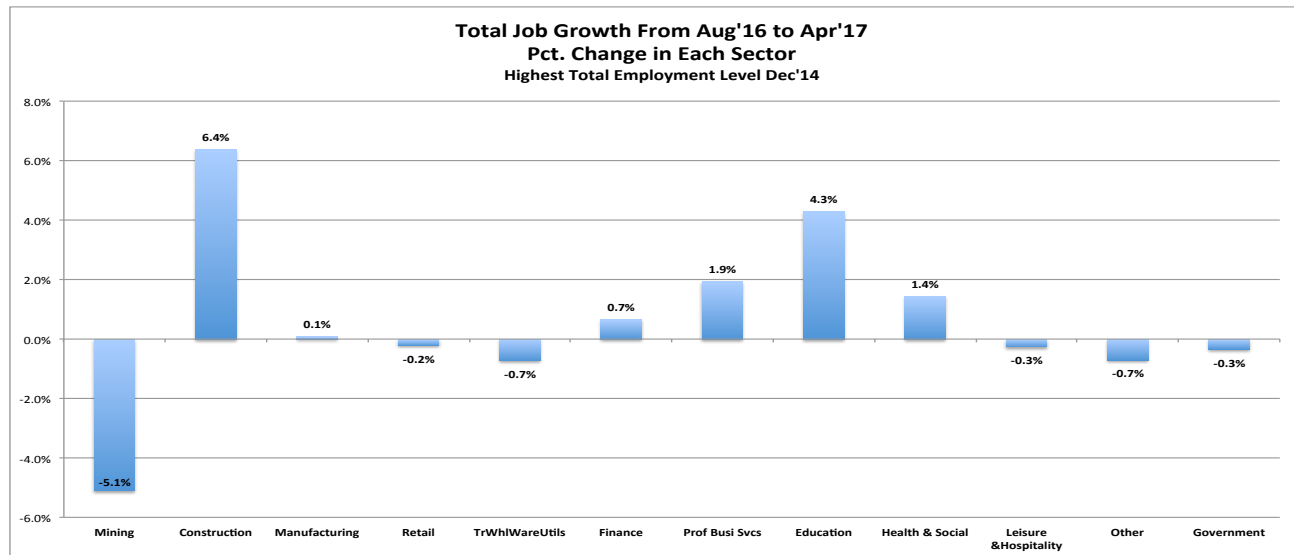
On the positive side, the sectors of retail trade, education, health & social assistance, and leisure & hospitality continued to experience growth during this period. Of note is the fact that two of the largest sectors, retail trade and leisure & hospitality, experienced the lowest positive growth during this period. Thus, expanding sectors were not sufficient to offset the effect of declining sectors on total employment in the state.

Finally, it is also noteworthy that the sectors that declined in terms of employment were the highest paid sectors in the economy. This induces weakness in other sectors of the economy, and has worked to weaken the growth of state sales tax and personal income tax collections.

<sup>1</sup> North American Industry Classification System (NAICS) two-digit sectors. The standard used by Federal statistical agencies.

<sup>2</sup> All wage averages are taken from the Annual Report of Employment & Wages – Louisiana Workforce Commission

# State Employment Growth and Composition, As of April 2017



|                                   |          |          |          |          |          |          |          |          |          |          |          |          |       |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-------|
| Employment, April 2017, thousands | 1974.4   | 35.3     | 147.0    | 134.7    | 234.1    | 151.2    | 92.7     | 211.7    | 48.6     | 268.1    | 229.9    | 98.4     | 322.7 |
| Change Since Dec 2014, thousands  | 13.4     | -1.9     | 8.8      | 0.1      | -0.5     | -1.1     | 0.6      | 4.0      | 2.0      | 3.8      | -0.6     | -0.7     | -1.1  |
| Average Annual Wage, 2015         | \$95,128 | \$56,738 | \$69,334 | \$26,736 | \$61,930 | \$63,183 | \$54,447 | \$39,578 | \$42,641 | \$20,231 | \$42,364 | \$45,001 |       |

Finally, the chart above depicts the percentage change in payroll employment in each of twelve major sectors<sup>3</sup> of the economy from the August 2016, the low point of the state's employment after the state's oil-price recession, to the current month of April 2017. Each column in the chart above reflects each sector's change in total payroll employment over this period. Over the last seven months the state has added back some 13,400 jobs. Much of this add-back has occurred in the construction sector reflecting the ongoing industrial build up in the state. Finance and business services are helping, reflecting the recovery of the non oil-based economy, and education and health & social assistance continue to expand.

Even though the state as whole appears to be improving, the oil & gas mining sector is still shedding jobs along with transportation, and manufacturing has barely eked out a positive. It's rare that all sectors are moving in the same direction, and both retail trade and leisure & hospitality are now exhibiting small declines in this period after being supportive during the peak-to-trough period. Other services and the government sector continue to decline, as well.

While a materially better situation than in mid-2016, this mixed bag of performance since then has left overall employment struggling to break away from zero growth, and sustained positive growth may not be possible until the mining and affiliated sectors stop declining.

<sup>3</sup> North American Industry Classification System (NAICS) two-digit sectors. The standard used by Federal statistical agencies.