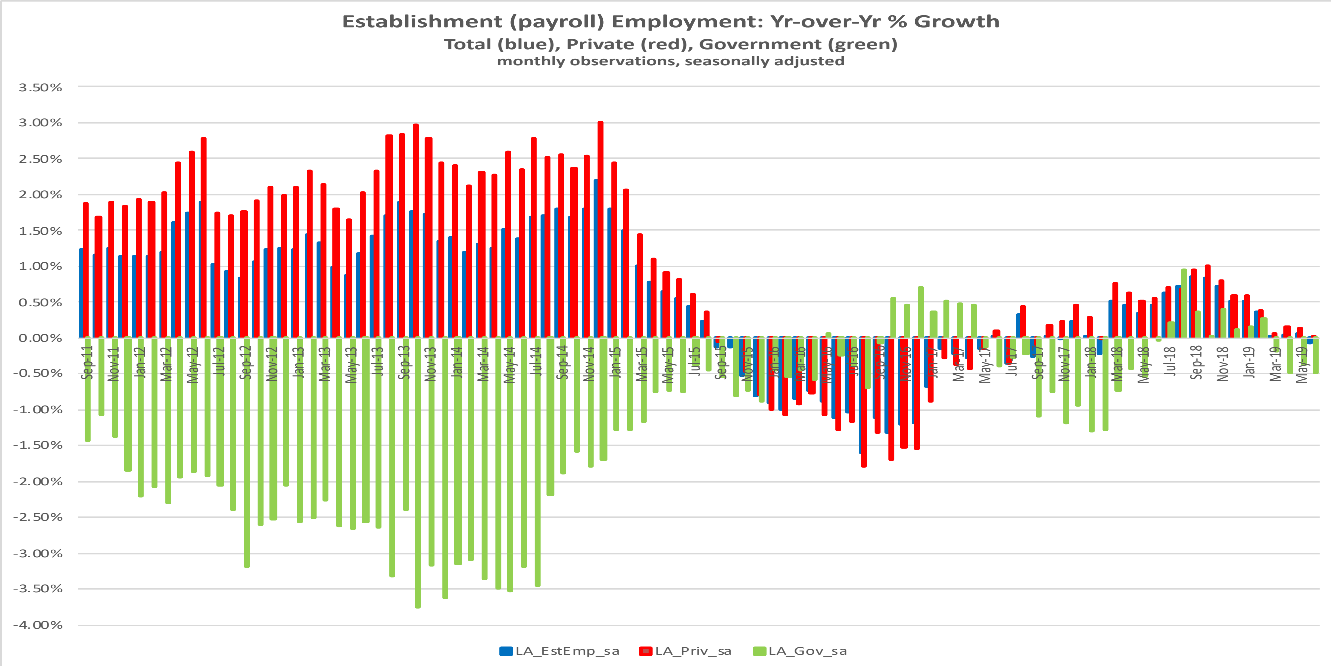
State Employment Growth and Composition, As of June 2019



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 middle of 2017.

Some notable characteristics of state payroll employment growth are evident in this graph. For about the first three years 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 those years.

Private sector growth has exceeded the growth of total employment since about mid-2010. This reflected private sector performance on par with the rest of the nation until about 2015, but also the decline of government employment in the state. Federal employment growth declined sharply after the conclusion of the 2010 census, and declined even more through much of 2015 before rising again. 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 total government sector decline began moderating around mid-2014, exhibited a few months of positive growth in late 2016 and early 2017, and has cycled through negative and positive growth periods since then. 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.

Both total and private sector employment growth slowed dramatically beginning with 2015, even as the public sector's decline moderated. Both total and private sector growth went negative beginning with 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, began moderating into 2017, and finally began to exhibit positive year-over-year growth by mid-2017. A nearly stabilized mining sector, albeit at a much lower level (from 55,000 jobs in 2014 to less than 35,000 today), has allowed the overall economy to pickup again, pulled along by the national and international economy. While the re-benchmarked data for 2016 and 2017 reflected a deeper employment trough than previously reported, it also reflected a more rapid climb-out.

Finally, while growth returned to positive about mid-2017, the year-over-year rates exhibited each month have been erratic and relatively low on average; reaching close to 1% for only three or four months. Growth has slowed noticeably as 2019 has progressed; with negative government sector growth again and essentially flat private sector and total growth.

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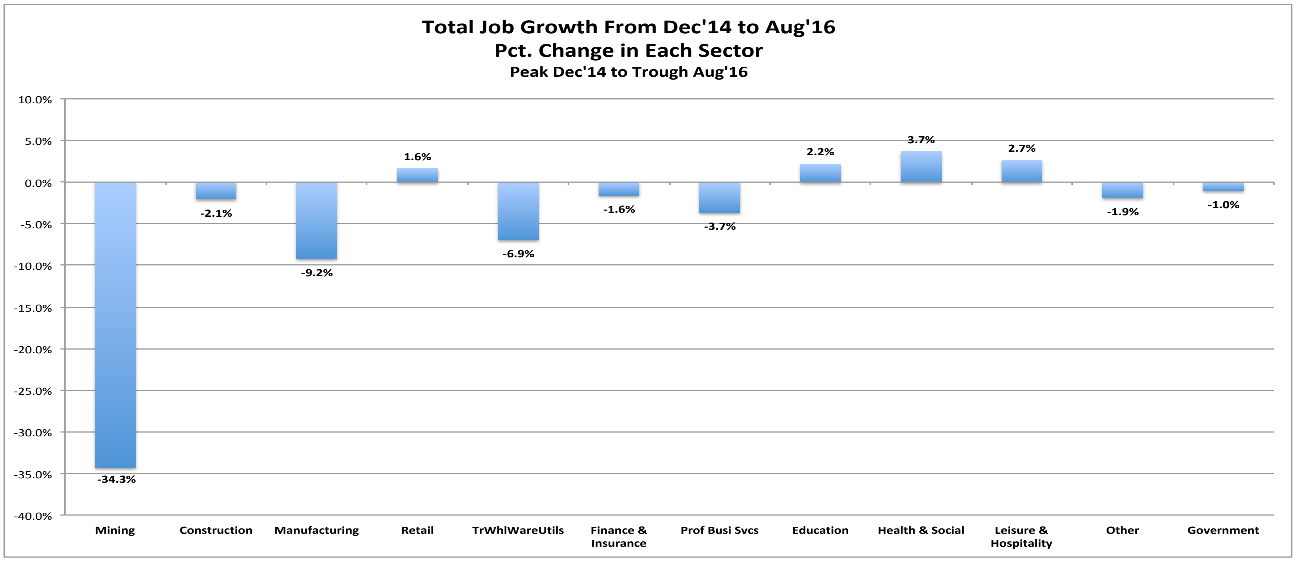

Employment, August 2016, thousands												
1963.3	36.2	138.4	134.4	234.7	152.0	92.7	208.3	46.4	264.6	231.1	98.9	325.6
Change Since Dec'14, thousands												
-41.2	-18.9	-2.9	-13.6	3.8	-11.3	-1.5	-7.9	1.0	9.4	6.0	-1.9	-3.4
Average Annual Wage, 2016												
	$93,805	$58,558	$70,739	$26,953	$60,245	$64,421	$52,444	$39,692	$43,065	$20,384	$35,389	$49,717

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[1] 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 41,200 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 34.3%. That sector has lost 18,900 jobs and contained a total of 36,200 jobs by the time the state as a whole hit its trough in August 2016. The average annual wage in the sector was $93,805 in 2016, the latest full year of data[2].

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. However, even though retail trade, health/social, and leisure/hospitality are all relatively large sectors, their expansion was 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 worked to weaken the growth of state sales tax and personal income tax collections.

[1] North American Industry Classification System (NAICS) two-digit sectors. The standard used by Federal statistical agencies.
[2] All wage averages are taken from the Annual Report of Employment & Wages – Louisiana Workforce Commission

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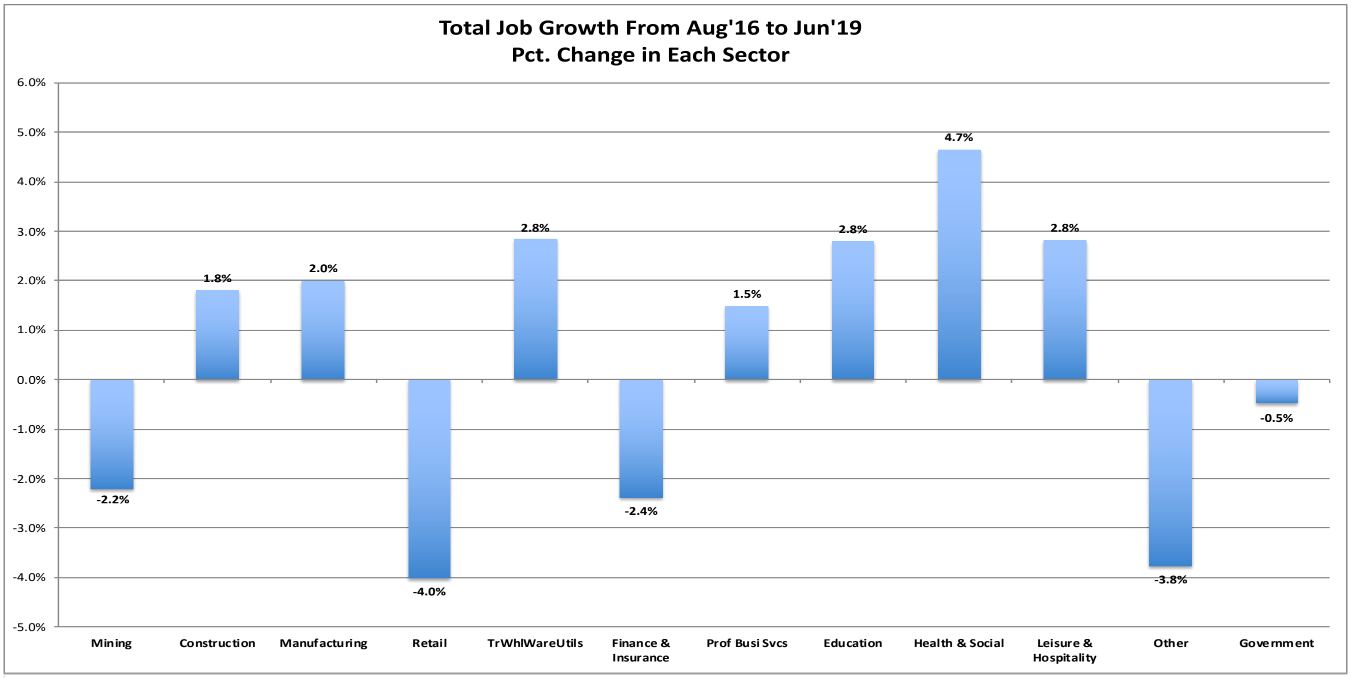

Employment, June 2019, thousands	1979.7	35.6	141.1	137.1	225.2	156.2	90.4	211.5	47.8	276.7	237.6	94.7	325.8
Change Since Aug'16, thousands	15.0	-0.8	2.5	2.7	-9.4	4.3	-2.2	3.1	1.3	12.3	6.5	-3.7	-1.6
Average Annual Wage, 2018 q4		$96,044	$66,768	$76,960	$28,756	$65,017	$72,384	$60,101	$41,600	$48,048	$22,767	$40,040	$52,312

Finally, the chart above depicts the percentage change in payroll employment in each of twelve major sectors[3] of the economy from the August 2016, the low point of the state's employment after the state's oil-price recession, to the month of June 2019. Each column in the chart above reflects each sector's change in total payroll employment over this period and, consequently decomposes the state's recovery from the oil-price recession that began in mid-2016. Over this period the state has added back some 15,000 jobs. Much of this net add-back has occurred in health & social services and the leisure & hospitality sectors, but has also been fairly broad-based across construction, manufacturing, transportation/wholesale/warehousing/utilities, professional services, and education.

The oil & gas mining sector remains below the trough month of August 2016, along with retail trade, the finance sector, miscellaneous services, and the government sector. It's rare that all sectors are moving in the same direction, this is a decidedly better picture than at the low point of the state employment recession. While the well-paid sectors of mining and professional services are still in net decline, the rebound in employment has been spread across other fairly well-paid sectors. Still, overall employment growth has slowed to a crawl, and it remains to be seen if the state can get all sectors growing simultaneously, or which sectors will emerge with enough positive growth to improve the state's employment outlook more than just marginally.

[3] North American Industry Classification System (NAICS) two-digit sectors. The standard used by Federal statistical agencies.

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