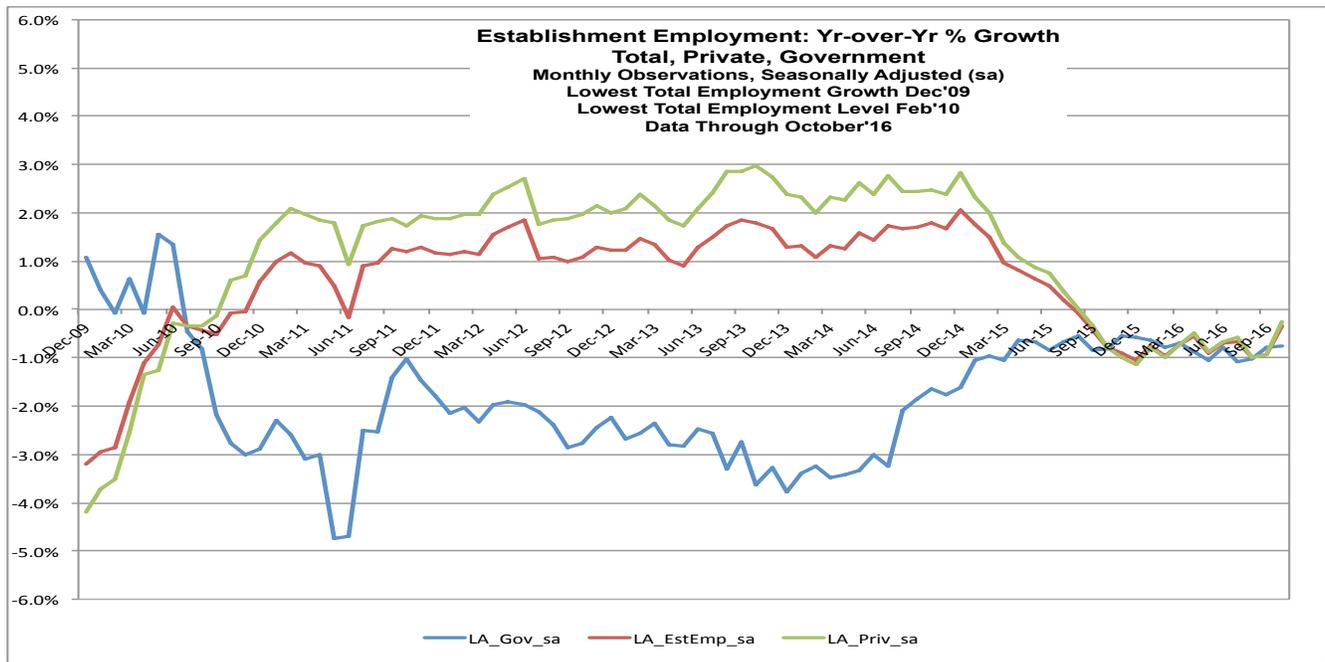


State Employment Growth and Composition, As of October 2016



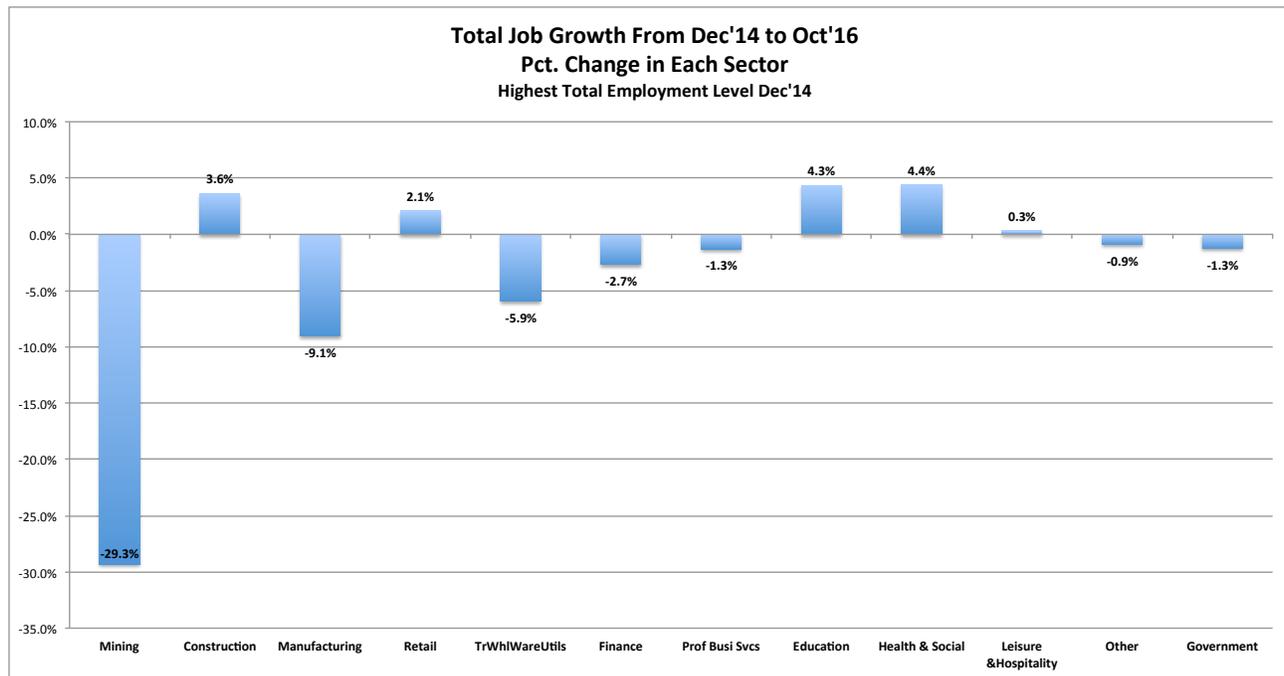
The most regularly cited metric reflecting the economic performance of states is payroll employment growth. Above is a graph depicting the monthly year-over-year growth of three major payroll employment aggregates for the state of Louisiana; total employment, private sector, and public sector (state, federal, and local combined). The graph starts with growth as of December 2009, the lowest growth month for total payroll employment in the state during the 08/09 national recession. From that point annual growth rates began to improve, although still negative for some months, and payroll employment levels began growing after February 2010. State growth began slowing in 2015, and absolute declines began occurring in the latter half of 2015, and have persisted through 2016 to date. Thus, this graph reflects the entire period since the last national recession ended.

Some notable characteristics of state payroll employment growth are evident in this graph. For much of the period depicted, growth in both total employment and private sector employment was fairly stable, averaging over 1% for total employment and over 2% for private sector employment. Once growth resumed after the recession it exhibited only modest acceleration for some 4 years. Stable growth is generally a positive for an economy, although the lack of stronger acceleration is somewhat surprising in light of the large amount of industrial expansion that has been announced and occurring 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. These declines 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 the rate of private sector growth for much of this period.

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 August 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 appears to be leading a general decline in employment growth. The drop-off in mining jobs and employment overall may have bottomed out by the end of 2015, with the decline in employment stabilizing but still negative through 2016 to date. A nearly stabilized mining sector, albeit at a much lower level, might ultimately lead to the overall economy beginning to pickup again, pulled along by the slow but positive growth of the national economy. However, this hoped for result has yet to be exhibited in the employment data, and the state appears to be bouncing along a bottom of 1.0% employment decline. The preliminary data for October 2016 reflects the best month since August of 2015, reflecting a decline of only 0.34% relative to October of 2015. However, that is still a decline on a prior year month that itself was a declining month. Monthly growth now has to be absolutely positive to actually reflect improvement in total state employment.

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Employment, September 2016, thousands	1975.4	39.1	146.4	134.6	235.5	153.9	90.4	212.0	48.1	266.8	226.0	99.5	323.1
Change Since Dec 2014, thousands	-25.8	-16.2	5.1	-13.4	4.8	-9.7	-2.5	-2.8	2.0	11.2	0.7	-0.9	-4.1
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	

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 sectors¹ of the economy from the December 2014, the high point of the state's payroll employment after the 2008-09 national 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 period of twenty-two months total payroll employment in the state has decreased by some 25,800 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, since December 2014 employment in the mining sector has declined by 29.3%. That sector has lost 16,200 jobs and now contains a total of 39,100 jobs. The average annual wage in the sector was \$95,128 in 2015, the latest full year of data².

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. A halving of oil prices and persistently weak natural gas prices have worked to reduce this overall sector.

Manufacturing has 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, and other services. 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 construction, retail trade, education, health & social assistance, and leisure & hospitality have all experienced growth over this period. Of note is the fact that two of the largest sectors, retail trade and leisure & hospitality, have experienced the lowest growth over this period. Thus, expanding sectors have not been sufficient to offset the effect of declining sectors on total employment in the state.

Finally, it is also noteworthy that the declining sectors in terms of employment are the highest paid sectors in the economy (other than the construction sector). This induces weakness in other sectors of the economy, and has worked to weaken the growth of state sales tax and personal income tax.

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