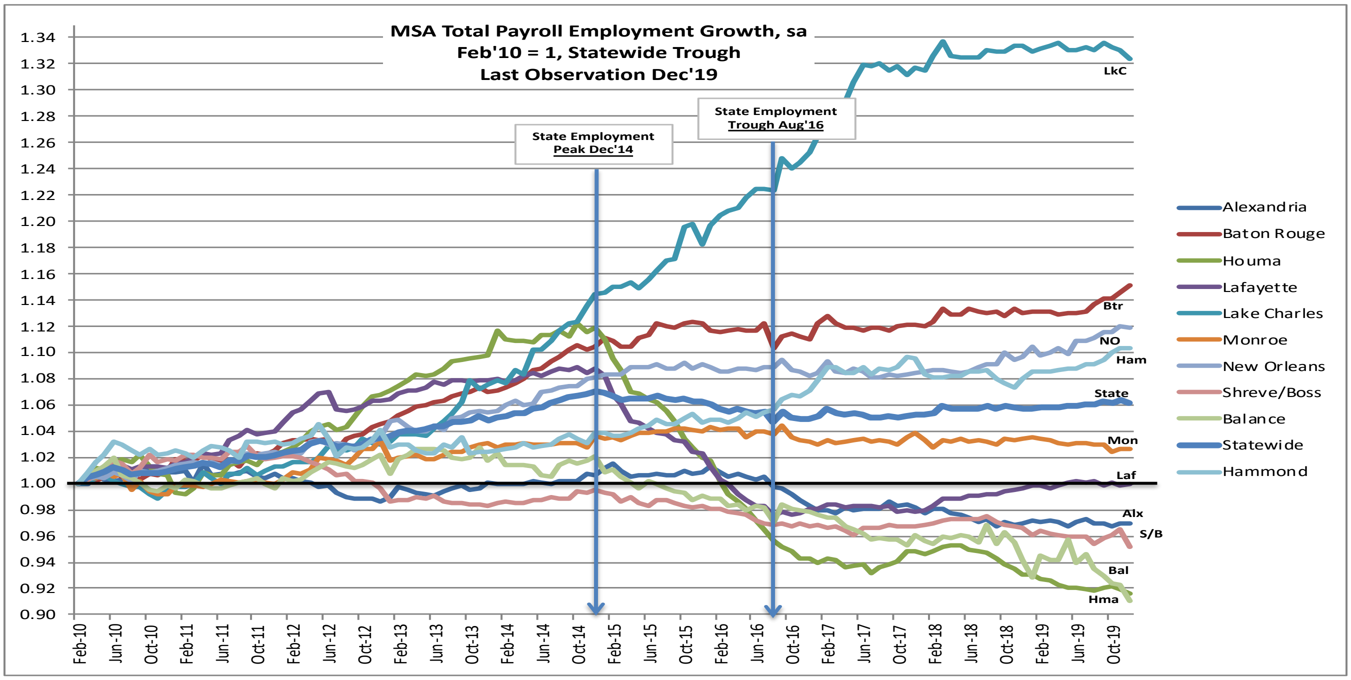
Metro Area Employment Growth, December 2019



A convenient metric to compare economic performance across metro areas is total payroll employment; the headline employment measure reported for the national economy, and all state and metro areas on a monthly basis. The graph above depicts this employment concept for each of the state's nine metro areas[1], the balance of the state, and the state as a whole. In this graph, monthly seasonally adjusted[2] total payroll employment for each area is indexed to the month of February 2010, when the state's payroll employment total was at its low point in the 2008-09 national recession. The months subsequent to that trough month reflect the economic recovery/expansion phase of the national business cycle. The value of each line at any month reflects the percent change of that area's total payroll employment from the month of February 2010. For example, by December 2019 total employment in the Lake Charles area (LkC) was 32.4% higher than in February 2010, while in the Houma area total employment was 8.4% lower.

In the context of the national expansion, the Lake Charles, Baton Rouge, New Orleans, and Hammond areas have led the state in employment growth relative to February 2010. However, the Baton Rouge and New Orleans areas largely flattened out beginning in late-2014, followed by the Hammond and Lake Charles areas during 2017. While Lake Charles has remained relatively flat, growth returned by 2018 for Hammond and New Orleans, and in 2019 for Baton Rouge. The Monroe area exhibited some modest upward trending in the early part of this period, but has flattened, at best, since early-2015. The oil service areas of Lafayette and Houma fell off significantly after late-2014 reflecting the dramatic drop in oil prices that began in mid-2014, with Lafayette finally re-achieving its 2010 level by 2019, while Houma has continued to decline. The Alexandria and Shreveport-Bossier City metro areas never gained much traction after 2010, and are currently about 3% lower and 5% lower, respectively, than their 2010 levels. Finally, the balance of the state (twenty-nine parishes) outside the defined metro-areas has trended down from mid-2013, and is now nearly 9% below the 2010 level.

The areas that have experienced above-average growth from February 2010 (Lake Charles, Baton Rouge, New Orleans, and Hammond) comprise 59% of the state's current total employment. However, with these areas flattening and exhibiting only modest growth after the state's August 2016 trough, this majority of has only been sufficient to offset the below-average growth occurring in the rest of the state and provide only very modest growth to the state overall. Statewide employment, while 6.2% larger than in early 2010, began exhibiting slower growth in the beginning of 2015 and absolutely declined beginning around the second half of 2015, before beginning only a very modest recovery from 2017.

Statewide, the compound annual average growth rate of total employment over this nearly ten year period has been only 0.60%. The above-average tier has exhibited 1.4% annual growth while the below-average tier has exhibited an annual decline rate of -0.4%. At the extremes are Lake Charles with a high growth rate of 2.8%, largely from mid-2013 to mid-2017 as industrial projects moved from drawing boards to on the ground construction, and the non-metro balance of the state with a low rate of -0.95% and -.088%, largely from early-2015 to-date as oil prices fell off their nearly four year streak of $100+/bbl.

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[1] Beginning with 2015, changes to official metro area designations have been made that add an additional metro area to the state, designated as the Hammond area encompassing Tangipahoa Parish. In addition, additional parishes have been added to three existing metro areas. The Lafayette area now includes Acadia, Iberia, and Vermillion Parishes. The New Orleans-Metairie-Kenner area now includes St. James Parish. The Shreveport-Bossier City area now includes Webster Parish. These parishes were formerly captured in the balance-of-state area.

[2] Non-seasonally adjusted data for each metro area and the statewide area are provided by the U.S. Department of Labor, Bureau of Labor Statistics. The non-metro balance-of-the-state area is simply the difference between the statewide area and the sum of the metro areas. Seasonal adjusted is applied by the author utilizing the Census Bureau X-13 process and the Eviews statistical software package.

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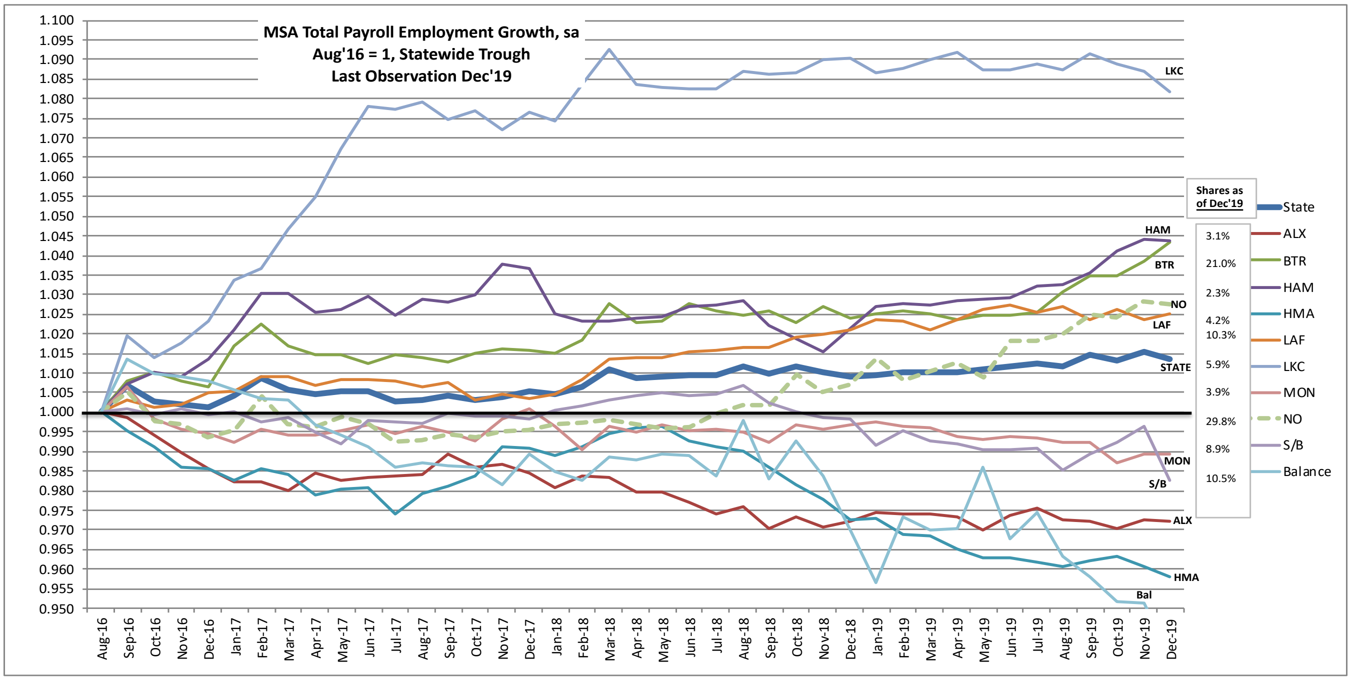

It is interesting to shorten the time perspective to a period that starts with August 2016, the last trough of statewide employment attributable to the state's oil-price recession between December 2014 and August 2016, segmented in the first chart above. Metro area employment since the state's recovery began is depicted immediately above. Metro areas containing a little over two-thirds of current total state employment have exhibited collective net positive growth of 3.70% since August 2016 (Lake Charles, Lafayette, Hammond, Baton Rouge, and Orleans). Areas containing a little under one-third of total state employment have exhibited net negative growth of 3.68% since August 2016 (the metros of Monroe, Shreveport/Bossier, Alexandria, and Houma, as well as the non-metro balance of the state). This distribution of employment has been enough to result in modest growth in the state overall of 1.4% over this period.

The strongest growth in the state over this period has occurred in the Lake Charles metro area, adding 8.2% to its employment, significantly greater than any other areas of the state, and largely due to industrial expansion in the state's petro-chemical complex. However, this metro area comprised only 5.9% of total state employment as of December 2019. The weakest areas of the state have been the Alexandria and Houma metro areas, along with the balance of parishes not in metros. As a group, these areas have seen their employment decline by 5.6% over this period.

Notably, total payroll employment in the oil service area of Houma has continued to decline from August 2016, exhibiting a 4.2% decline, while Lafayette has actually grown modestly, exhibiting a 2.5% rise. The different oil-patch segments these areas service (Houma: offshore, Lafayette: offshore & nation), as well as Lafayette's proximity to the Lake Charles region likely explain much of this dichotomy.

Without all areas of the state generally hitting on all cylinders simultaneously, as in the first four years of recovery after the national recession, it is difficult for the state as a whole to exhibit much more than just modest growth. This has been the case since August of 2016, when the state hit its trough after the oil price declines of 2014 – 2015. Oil prices have not returned to their $100+ highs, the petro-chem industrial expansion has paused, U.S. economic growth has adjusted to a new lower potential growth rate of around 2%, and international economies have struggled to sustain growth at historical rates, as well. These realities suggest only modest employment growth ahead for the state.

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