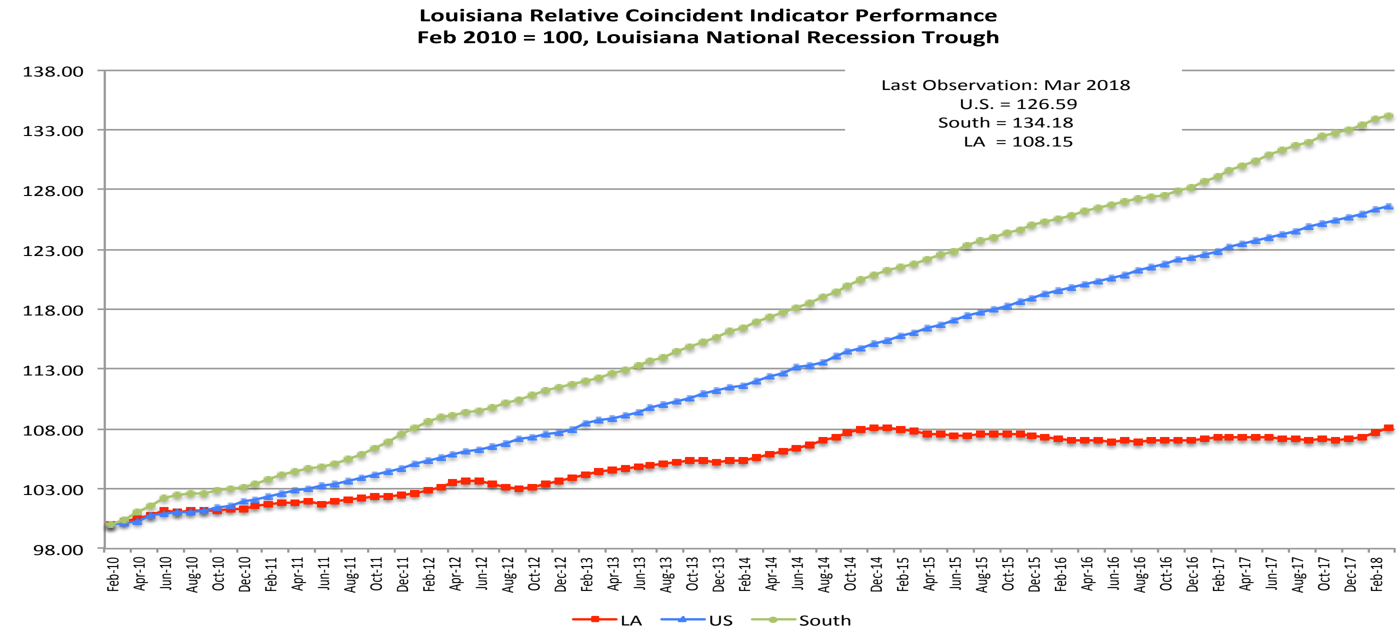
Relative Economic Indicator Performance, March 2018



The Federal Reserve Bank of Philadelphia produces a monthly coincident indicator for each state and the nation as a whole. These indicators summarize current economic conditions in a single statistic and are consistently constructed across all states. The indicator is composed of nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and inflation adjusted wage & salary disbursements.; economic metrics routinely generated by the U.S. Department of Labor and Department of Commerce.

In the graph above, an index of the indicators for Louisiana, the South[1], and the nation as a whole are displayed. The base period is established as February 2010, the employment trough for Louisiana during the 08/09 recession, and values at each month then represent the percent change from the base period for each region. This allows each region's performance to be compared over the course of the current national expansion. As of March 2018 Louisiana's indicators are 8.2% greater than in February 2010. The indicators for the South are 34.2% greater, and for the nation as a whole 26.6% greater.

Of note in this graph is the State's lagging performance over this entire period as summarized by the combination of these four metrics. Over the course of the national economic expansion to date, the Louisiana index is approximately 69% lower than that of the national economy, and some 76% lower than that of the South. Louisiana has had private sector employment growth comparable to the South and a materially lower unemployment rate over much of the first half of this period. However, the unemployment position reversed itself in 2014, and apparent relative weakness in the other components of the Philadelphia index; average hours worked in manufacturing, inflation adjusted wage & salary disbursements, and total employment growth (inclusive of government employment) have contributed to a lagging coincident performance relative to the South and the nation as a whole. These weaknesses became much more apparent since late-2014 and early-2015 as the dramatic drop in oil prices, beginning around mid-2014, negatively affected the state' economy far more than the broader regions of the South and nation as a whole. The weakness in the state's index has persisted since then, exhibiting a very modest uptick only the last few months.

[1] Here the south constitutes the U.S. Department of Labor, Bureau of Labor Statistics southeast region of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, plus the states of Arkansas and Louisiana.

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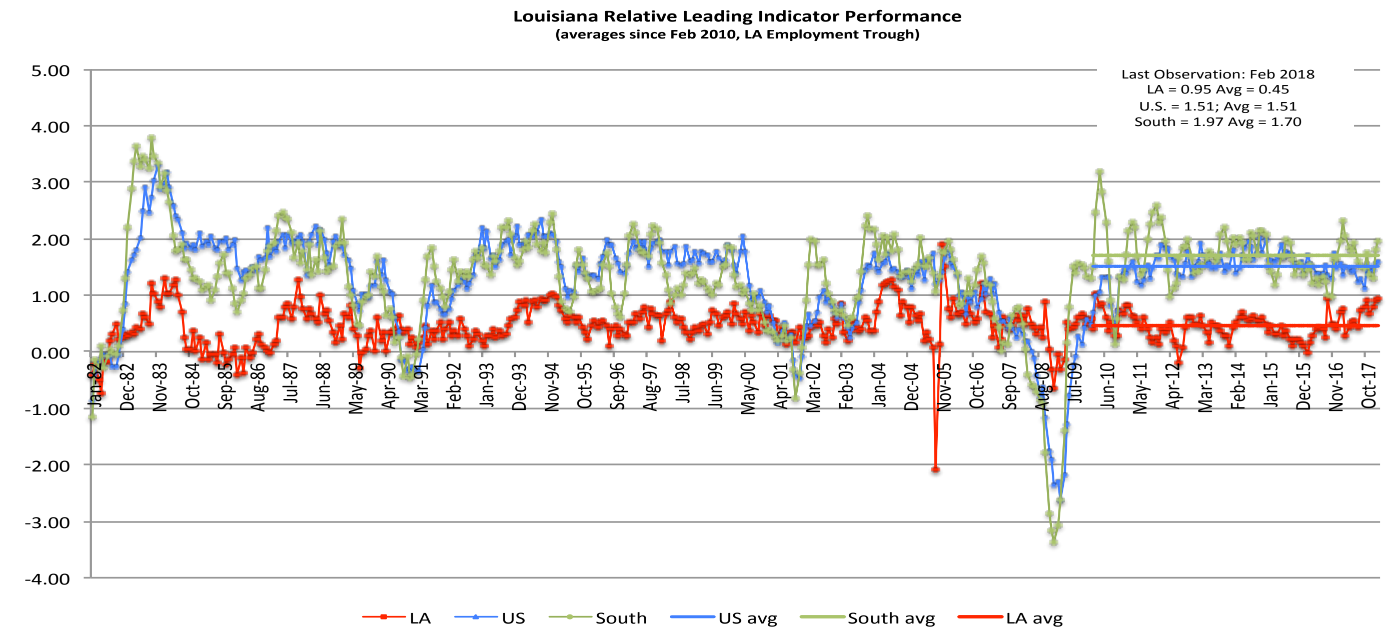

The Federal Reserve Bank of Philadelphia also produces a monthly leading indicator for each state and the nation as a whole. The leading indicator is designed to predict the six-month growth rate of the coincident indicator, and incorporates metrics that tend to lead the economy such as housing permits, initial unemployment insurance claims, delivery times, and the interest rate spread between the 10-year Treasury bond and the 3-month Treasury bill. These metrics are routinely generated by the U.S Census Bureau, the U.S. Department of Labor, the Institute for Supply Management, and the Federal Reserve.

Of note in this graph is the volatility of this indicator, resulting from a few factors. Monthly observations of any metric of the economy tend to be fairly volatile, and this one is essentially growth rates on a monthly frequency. Also, note that smaller regions to have more volatile metrics, where the indicators for the single state of Louisiana and the region of the South are more volatile than for the larger region of the nation as a whole. To get a better sense of the relative performance of this indicator over the course of the economic recovery, the average value of each region's indicator since February 2010 is included as the horizontal lines on the right hand end of the graph. Over this period, the Louisiana leading indicator has predicted average six-month growth of the state's coincident indicator of 0.45%. This compares to 1.70% for the South[2] and 1.51% for the nation as a whole.

As a simple check on this prediction, actual average six-month growth of the coincident indicators has been about 0.43% for the Louisiana, 1.81% for the South, and 1.48% for the nation as a whole. The leading indicator's prediction of short-term growth in the coincident indicator has been fairly good for Louisiana and the nation as a whole, while somewhat low for the region of the South. Optimistically, the leading indicator for Louisiana has been above its average for a number of months, and the coincident indicator has been modestly rising for the last four of those months.

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