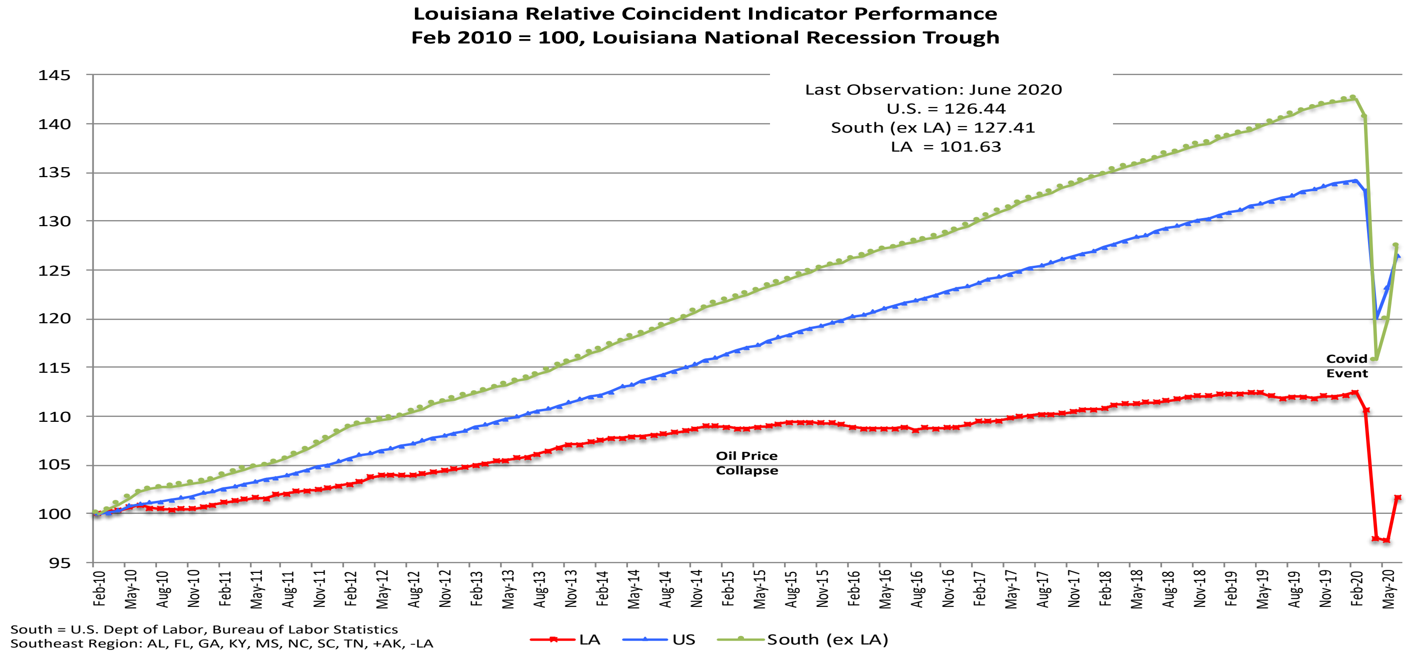
Relative Economic Indicator Performance, June 2020



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 by manufacturing production workers, the unemployment rate, and inflation adjusted wage & salary disbursements plus proprietors' income; 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 national 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 February 2020, the peak month prior to the coronavirus pandemic event being exhibited in the data, Louisiana's indicators were 12.49% greater than in February 2010. The indicators for the South are 42.56% greater, and for the nation as a whole 34.20% greater.

Aside from the covid event, obvious in the graph is the State's lagging performance over the entire period as summarized by the combination of these four metrics. Over the course of the national economic expansion to February 2020, the Louisiana index was approximately 63% lower than that of the national economy, and some 71% lower than that of the South. Louisiana 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 index contributed to a lagging coincident performance relative to the South and the nation as a whole. These weaknesses became even more apparent from late-2014/early-2015 as the dramatic drop in oil prices from a four-year run of $100+/bbl, beginning around mid-2014, negatively affected the state' economy far more than the broader regions of the South and the nation as a whole. The weakness in the state's index persisted since then, exhibiting only modest growth from 2017 until flattening out again in 2019.

Coronavirus Pandemic Event: While the state was particularly vulnerable to an economic shock, the pandemic event knocked the entire country off its growth path with the month of March 2020. For the South and the nation, the event has so far resulted in two months of sharp decline, and a trough in April that reversed the last four years of performance for the U.S., and the last six years for the South. For Louisiana, three months of decline with a trough in May has occurred, reversing more than all the performance of the last ten years. With sharp declines often come sharp rebounds, and the May and June index values added back roughly 40% and 45% of the drop for the South and nation, respectively. For Louisiana, nearly 29% has been added back in the single month of June. At this pont, the prospects for a return to pre-pandemic norms are highly uncertain, and the leading index that typically accompanies this coincident index has been suspended by the bank.

[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 state of Arkansas. Louisiana is excluded to highlight its divergence.

Legislative Fiscal Office
Greg Albrecht, Chief Economist