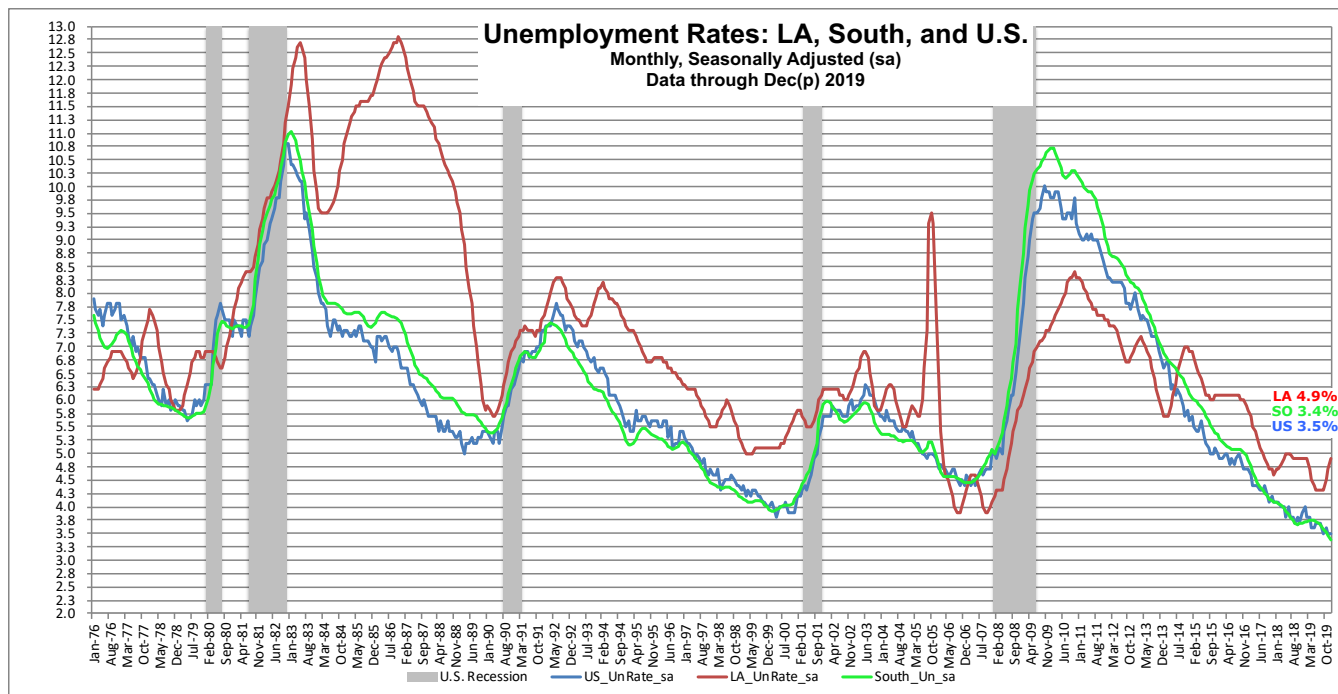


Louisiana Relative Unemployment Rates, December 2019



One of the most referenced metrics of economic performance at the both the national and state levels is the unemployment rate. This metric is the ratio of individuals reporting that they are unemployed but seeking employment to the number of individuals in the civilian labor force, both employed and seeking employment. The chart above displays a long-term historical record of the unemployment rate for Louisiana, the South¹, and the national economy as a whole. National recession months are depicted by the gray columns. While the performance of Louisiana in the early years of the most recent national economic recovery was quite good relative to the South and the nation as a whole, this performance was apparently a phenomenon of the post-hurricane Katrina & Rita period, beginning immediately after the storms and continuing into mid-2014, when oil prices began to decline from a near four-year period in excess of \$100/bbl. The state's performance is not completely disconnected from the national economic business cycle, though, as evidenced by the sharp rise associated with the 2008-2009 national recession and fairly steady decline through 2013 as the national economic recovery took hold in Louisiana around the start of 2010.

Prior to the post-Katrina/Rita period the Louisiana unemployment rate had nearly always exceeded the rates for the South and the nation, while generally following the national business cycle in a comparable fashion. Two exceptions to this pattern are easily identified in the chart above. The first is the mid-1980s oil bust when the state rate rose sharply and stayed far above the rates of the South and the nation as we experienced our own oil price recession while falling energy prices benefited the rest of the nation; reflected in falling unemployment rates for the South and the nation. The second is in the immediate aftermath of hurricanes Katrina & Rita in 2005. For a time after those storms, as the state rebuilt after the storms, the state rate was lower than the South and the nation even as all three rates rose during the national recession and fell during the national recovery.

While the State's unemployment rate was considerably lower than that of the South and the nation as a whole for much of the post-Katrina/Rita period, the headline concept itself has become less meaningful as an indicator of the state of the labor market and the health of the economy in general than it has been in the past. During much of the national recovery, beginning in late 2009 (U.S.) and early 2010 (LA) labor force participation exhibited a distinct decline (see following graph), contributing to the decline in the headline unemployment rate². The declining unemployment rate was influenced by the fact that unemployed individuals ceased even looking for work rather than because unemployed individuals were able to find employment.

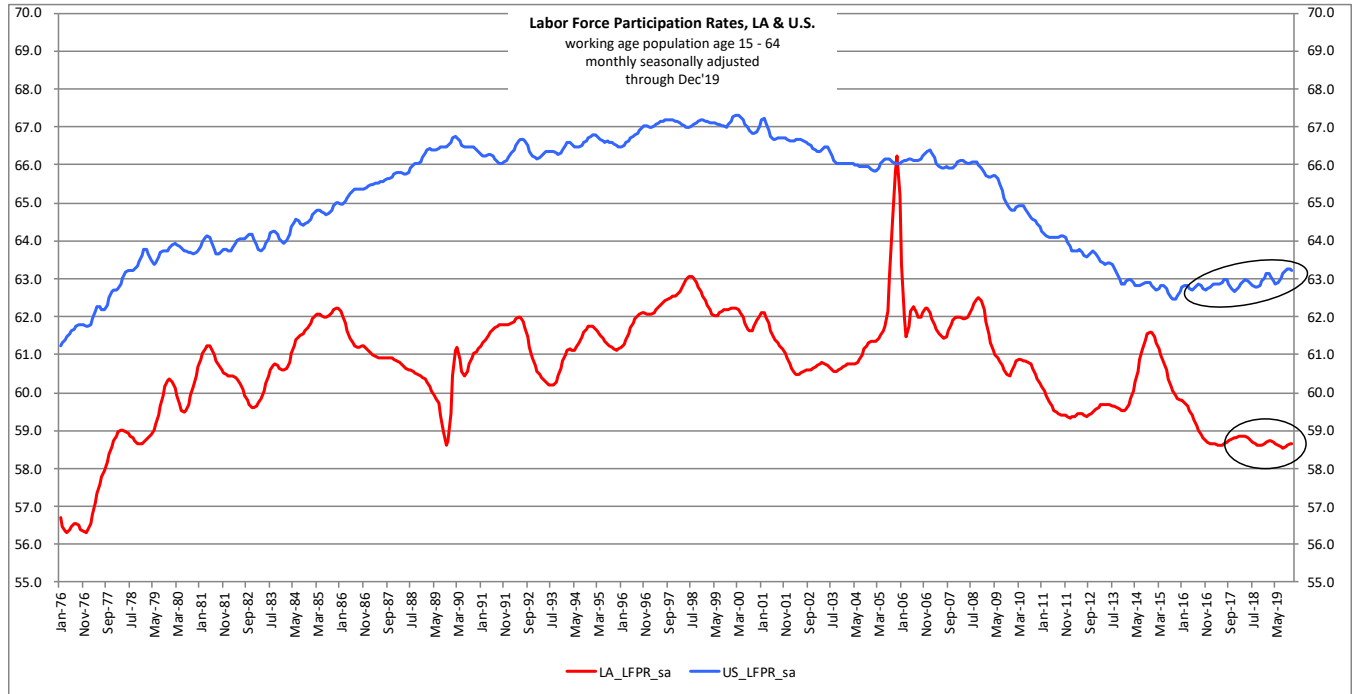
The State's headline unemployment rate climbed sharply in the first half of 2014. However, this may not have initially reflected labor market weakness so much as a sharp upturn in state labor force participation (shown on the following graph) as people re-entered the job market expecting to find employment. This is often considered a sign of increasing optimism concerning the job market and economy in general. However, as the oil price decline persisted, jobseekers in the aggregate may not have found employment as the economy weakened in 2015, even though the state unemployment rate stepped down in 2015, because the state labor force participation rate fell through much of 2015. The fall in the state unemployment rate paused for a few months in 2016 before continuing to fall, but has remained higher than that of the South or the U.S. as the impact of lower oil prices worked

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.

² For any given number of individuals that leave the labor force, a greater proportional reduction to the number of unemployed occurs (the numerator) than the proportional reduction that occurs to the number of labor force participants (the denominator). Thus, the unemployment rate ratio declines.

Louisiana Relative Unemployment Rates, December 2019

their way through the state economy. This difficult labor market was ameliorated somewhat at first by a participation rate that also bumped up in late 2014, but which then continued to fall again. The state unemployment rate is currently near its mid-2016 rate, but so is the participation rate, although it stabilized somewhat in 2017 through 2019. The unemployment rate for all three areas may be near as low as they can go. This recent combination of a near-historically low state unemployment rate and a stable participation rate is an encouraging sign of the health of the aggregate labor market.



The chart above depicts labor force participation rates for the nation as a whole and for Louisiana³. Both the nation and the state of Louisiana have exhibited similar broad trends in labor force participation rates, with a modest downward trend beginning in the late-1990s, accelerating distinctly as the recovery from the 2008-2009 national recession began. While there have been periods of stability and improved participation in the last few years, the overall trend has been downward. Consequently, the headline unemployment rate for the state has been less meaningful as an indicator of the state of the labor market and the health of the economy in general than it has been in the past, as has been the case with the headline unemployment rate of the nation as a whole. As the state participation rate rose distinctly during 2014, the state unemployment rate worsened through much of 2014 before beginning another downtrend during 2015. These trends reversed in late 2015 and again in 2016. The state participation rate has stabilized in much of 2016 through 2019, making the unemployment rate more meaningful as an economic indicator in recent periods.

State level unemployment rates are less reliable than the same concept at the national level due to the relatively small sample sizes at the state level⁴. Their absolute level in any particular month is associated with considerable uncertainty. Relying on headline unemployment rates as an indicator of economic health has its cautions, and broader measures of unemployment are also looked to at both the national and state levels to assess the state of the labor market and economy in general. The broadest measure of unemployment⁵ is reported for the nation at 7.2% for the 2019 annual average. Being a broader measure it is always going to be higher than narrower measures, but is actually lower than its previous low point of 8.2% for 2006 before the 08/09 national recession. At the state level, this broad measure is reported on a 4-quarter moving average basis in order to increase its reliability. For the annual period of 2019, the latest state-level data available to date, the broad rate reported for Louisiana was 8.6%; a broad state rate that is still some 19% higher than the average for 2007 of 7.2%, the pre-recession low point for Louisiana. This gap is closing, but only slowly.

Until late-2014, the state's headline unemployment rate had been indicating that the state has experienced a strong economic recovery relative to the South and the nation as a whole. However, the unemployment rate as an indicator of economic conditions is fairly unreliable at the state level in general and has become less reliable in recent years. Its relative position over much of this period appeared to be telling us that the Louisiana economy was markedly different since the hurricanes of 2005. However, since

³ Monthly participation rates are estimated by Moody's Analytics based on the household employment survey of the Bureau of Labor Statistics of the U.S. Department of Labor.

⁴ Other data and statistical modeling are combined with survey data to arrive at the monthly reported state rates.

⁵ The broadest measure of unemployment is referred to as U6, and is calculated as the total number of unemployed in the traditional measure (called U3) plus all marginally attached workers, plus total employed part-time for economic reasons (they would rather have a full-time job), all as a percent of the civilian labor force plus all marginally attached workers.

Louisiana Relative Unemployment Rates, December 2019

mid-2014, and the sustained drop-off in oil and natural gas prices, the state unemployment rate has returned to its historical position of a higher rate than the South and the nation as whole. While the state unemployment rate is higher than the south and the nation, it has been near historical lows for the state, and the state participation rate has stabilized, as well. The combination of the two metrics may be telling a more encouraging story than the headline unemployment rate by itself, and especially relative to the south and the nation as a whole, has been suggesting.