



REGIONAL PERSPECTIVES

## Louisiana Economic Outlook



J.P.Morgan

# Economic Forecast

## OUTPUT AND EMPLOYMENT

	2007	2008	2009	2010	2011	2012	2013	2014
<b>United States</b>								
Real GDP								
\$ billions (fourth quarter)	\$13,326	\$12,884	\$12,873	\$13,181	\$13,441	<b>\$13,739</b>	<b>\$14,203</b>	<b>\$14,771</b>
% change over the four quarters	2.2%	-3.3%	-0.1%	2.4%	2.0%	<b>2.2%</b>	<b>3.4%</b>	<b>4.0%</b>
Nonfarm employment								
Job count (fourth quarter)	137,885,333	135,087,333	129,447,000	130,225,667	131,985,000	<b>133,880,120</b>	<b>135,600,470</b>	<b>137,918,040</b>
% change over the four quarters	0.9%	-2.0%	-4.2%	0.6%	1.4%	<b>1.4%</b>	<b>1.3%</b>	<b>1.7%</b>
Average monthly change	98,778	-233,167	-470,028	64,889	146,611	<b>157,927</b>	<b>157,927</b>	<b>157,927</b>
<b>Louisiana</b>								
Real GDP								
\$ billions (fourth quarter)	\$187	\$184	\$187	\$205	\$206	<b>\$212</b>	<b>\$218</b>	<b>\$227</b>
% change over the four quarters	-2.4%	-0.2%	4.5%	6.0%	1.4%	<b>2.8%</b>	<b>3.2%</b>	<b>4.1%</b>
Nonfarm employment								
Job count (fourth quarter)	1,931,533	1,940,200	1,881,600	1,884,433	1,924,067	<b>1,948,991</b>	<b>1,976,331</b>	<b>2,013,162</b>
% change over the four quarters	2.7%	0.4%	-3.0%	0.2%	2.1%	<b>1.3%</b>	<b>1.4%</b>	<b>1.9%</b>
Average monthly change	4,267	722	-4,883	236	3,303	<b>2,077</b>	<b>2,278</b>	<b>3,069</b>

## WHAT THE TABLE SHOWS:

- Louisiana's GDP forecast is derived from the national forecast by allocating output to each of the 50 states based on employment shares. So, forecast misses reflect surprises in the aggregate forecast as well as unexpected shifts in a state's GDP share.
- Louisiana has been swimming against the national economic tide, thanks to the rebuilding from damage caused by Hurricane Katrina in 2005.

## KEY MESSAGES:

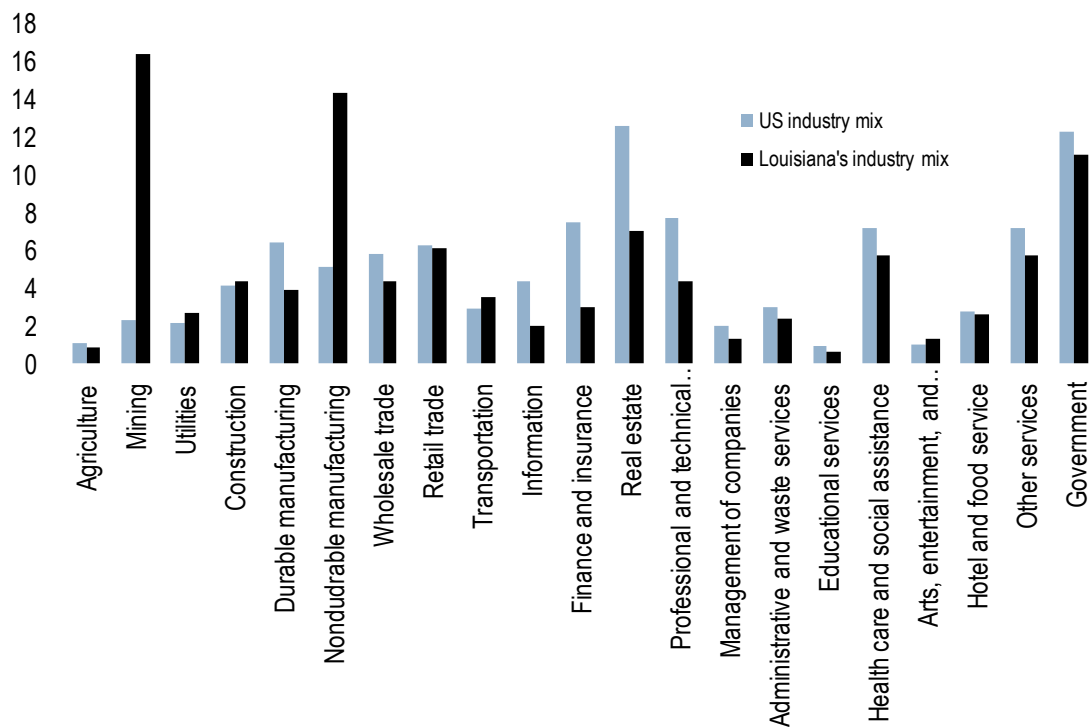
- Louisiana benefits from the ongoing recovery from Hurricane Katrina and the nation's strong energy conditions.

Note: GDP figures are based on quarterly values that are interpolated from annual GDP estimates using quarterly employment changes. Unbolded figures are reported actual values and bold figures represent forecasts.

Sources: US Department of Commerce;  
US Department of Labor.

# The Economy's Structure

PERCENT OF TOTAL GDP DERIVED FROM SELECTED INDUSTRIES



## WHAT THE CHART SHOWS:

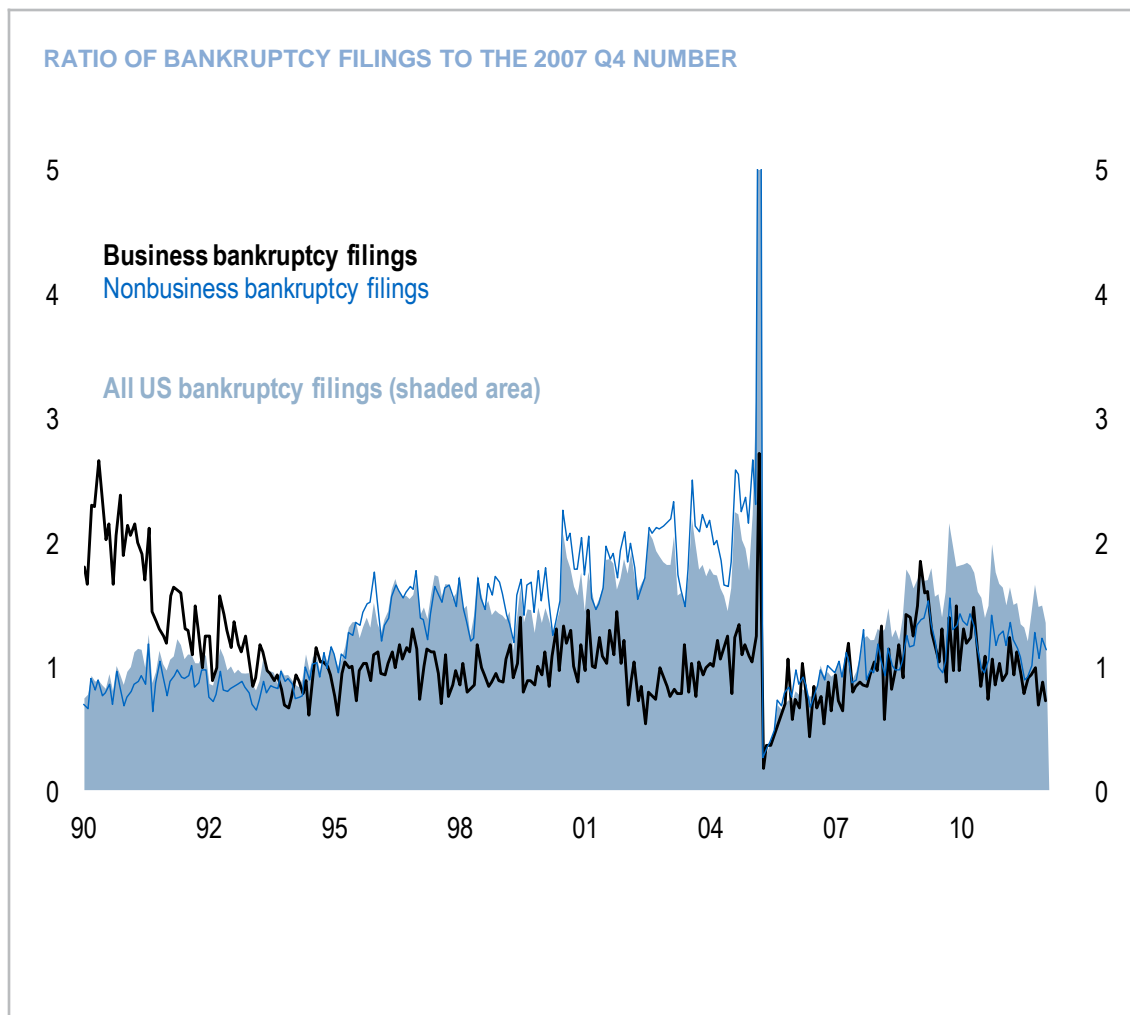
- The percentage of private-sector real GDP produced by each industry, compared with the national footprint of each industry.
- Louisiana's economy is heavily concentrated in the energy and forest products area and so far this has been an asset. Real estate has a much smaller footprint in the state compared with the national economy.

## KEY MESSAGES:

- Louisiana's steady performance rests importantly on the robustness of its oil and natural gas businesses.

Source: US Department of Commerce. Updated through 2008.

# Bankruptcies



## WHAT THE CHART SHOWS:

- The ratio of bankruptcy filing by businesses and persons to filings in 2007 Q4.
- Bankruptcy filings remain low and are receding.

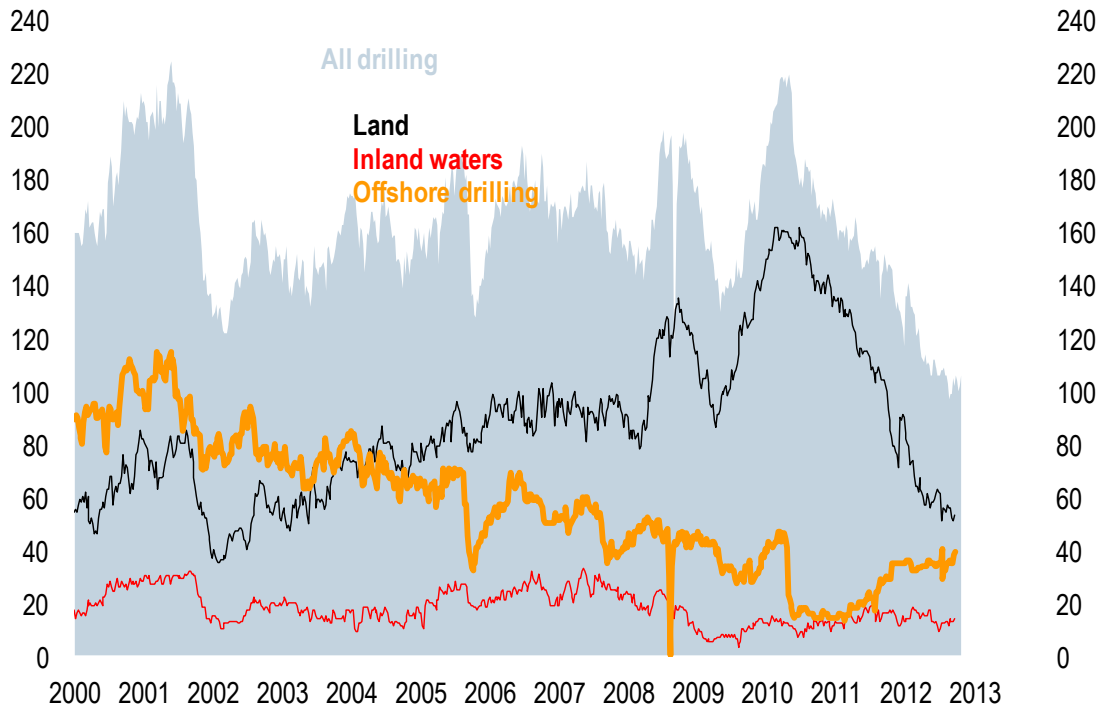
## KEY MESSAGES:

- Indicators of financial stress are a useful coincident barometer of economic distress.
- Financial strains remain relatively muted, all things considered.

Source: Administrative Office of the U.S. Courts; Updated through June 2012 (state) and September 2012 (national).

# Oil & Gas Activity

NUMBER OF DRILLING RIGS ON LAND, INLAND WATERS, AND OFFSHORE



**WHAT THE CHART SHOWS:**

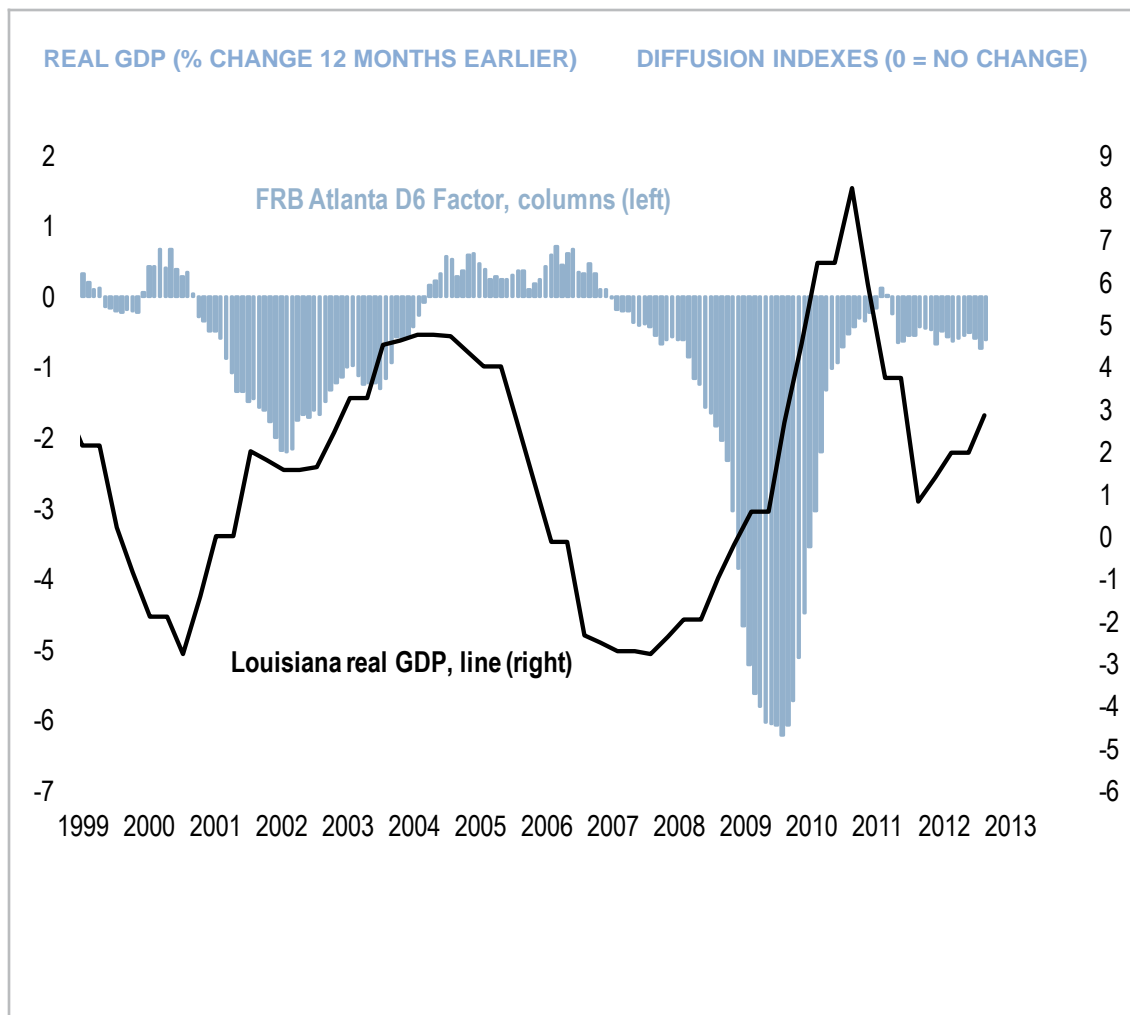
- The number of oil and gas drilling rigs in operation (Smith Bits), including activity on land, in inland waters, and offshore.
- Offshore drilling activity fell back, following the President's 6-month moratorium on deepwater oil exploration that temporarily suspended the activity of 33 deep-water rigs. Such activity is picking up slowly again.
- Drilling other than deep-water activity is mixed. Offshore activity is recovering slowly.

**KEY MESSAGES:**

- The BP accident is likely to be a cloud over the long-term outlook for some time.

Source: Smith Rig Count. Updated through 2012 Q3 (quarterly) and November 9, 2012 (weekly).

# FRB Atlanta Business Survey



## WHAT THE CHART SHOWS:

- The figure compares an index of business activity produced by the Federal Reserve Bank of Atlanta with Louisiana's real GDP growth. The index is an estimate of the trend common to 25 distinct monthly series of economic data for the six states in the Bank's. The D6 Factor filters out idiosyncratic shocks that disproportionately affect individual states. A "0" value for the index appears to match trend-like growth for the national economy.
- The FRB Atlanta's index stands at a level consistent with growth that is slightly subpar.

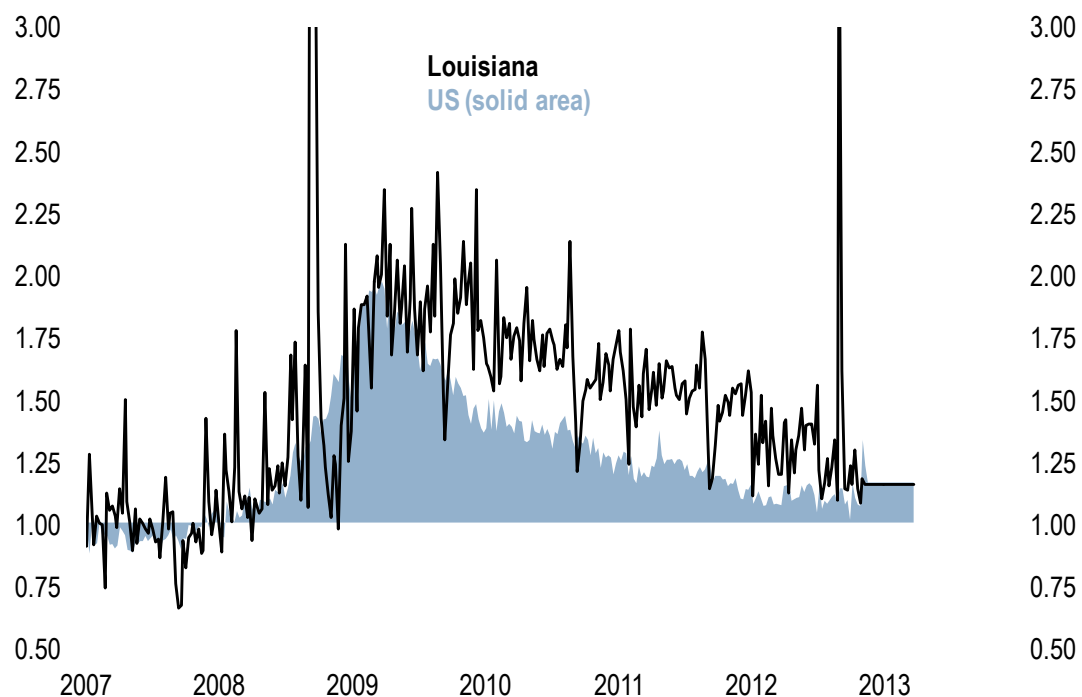
## KEY MESSAGES:

- The Southeast region of the country is recovering but at a slow pace.

Sources: Federal Reserve Bank of Atlanta; US Department of Commerce. Updated through September 2012 (surveys) and 2012 Q3 (GDP).

# Initial Jobless Claims

RATIO OF INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE TO THE 2007 Q4 LEVEL



## WHAT THE CHART SHOWS:

- The figure tracks layoffs in Louisiana and the national level of claims.
- Weekly layoffs, both the state and national tallies, are illustrated in the figure as a ratio to the level of layoffs in the fourth quarter of 2007, prior to the recession.
- Layoffs are trending down, but remain elevated.

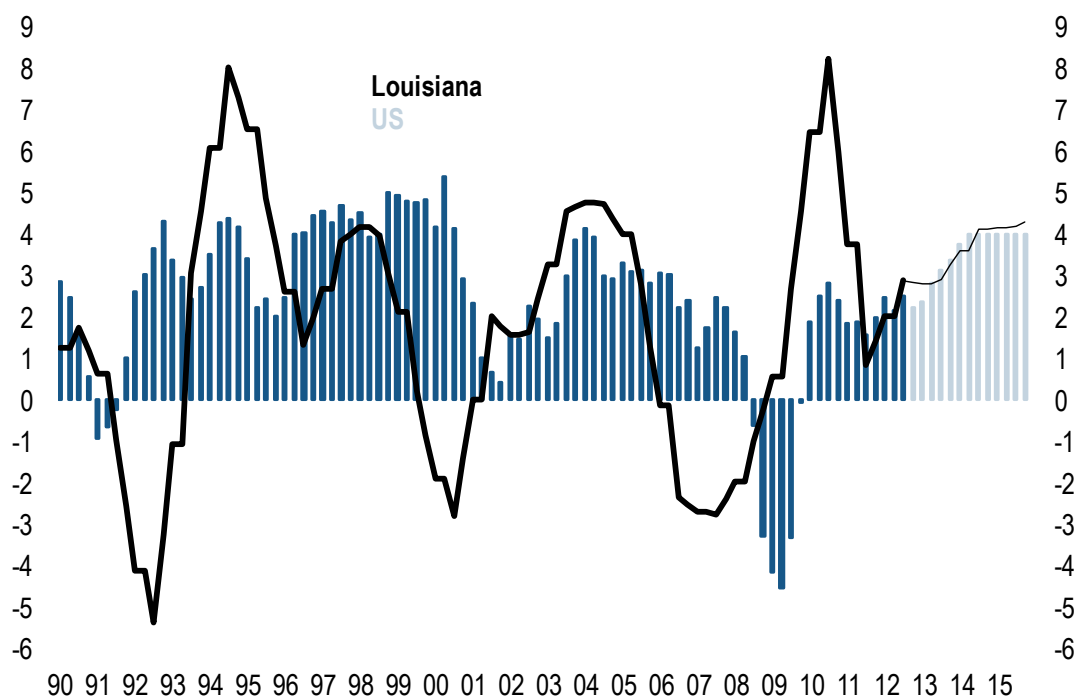
## KEY MESSAGES:

- Louisiana's job market is slowly improving.

Source: US Department of Labor. Updated through November 17, 2012 (state) and November 24, 2012 (US).

# Economic Growth

REAL GDP GROWTH (PERCENT CHANGE FROM FOUR QUARTERS EARLIER)



## WHAT THE CHART SHOWS:

- Real GDP growth in Louisiana (the line in the figure) is superimposed on top of US real GDP growth (bars in the figure).
- Louisiana's economy has been recovering amid the national recession, faster when the national economy began to recover and more in line with national growth trends now.

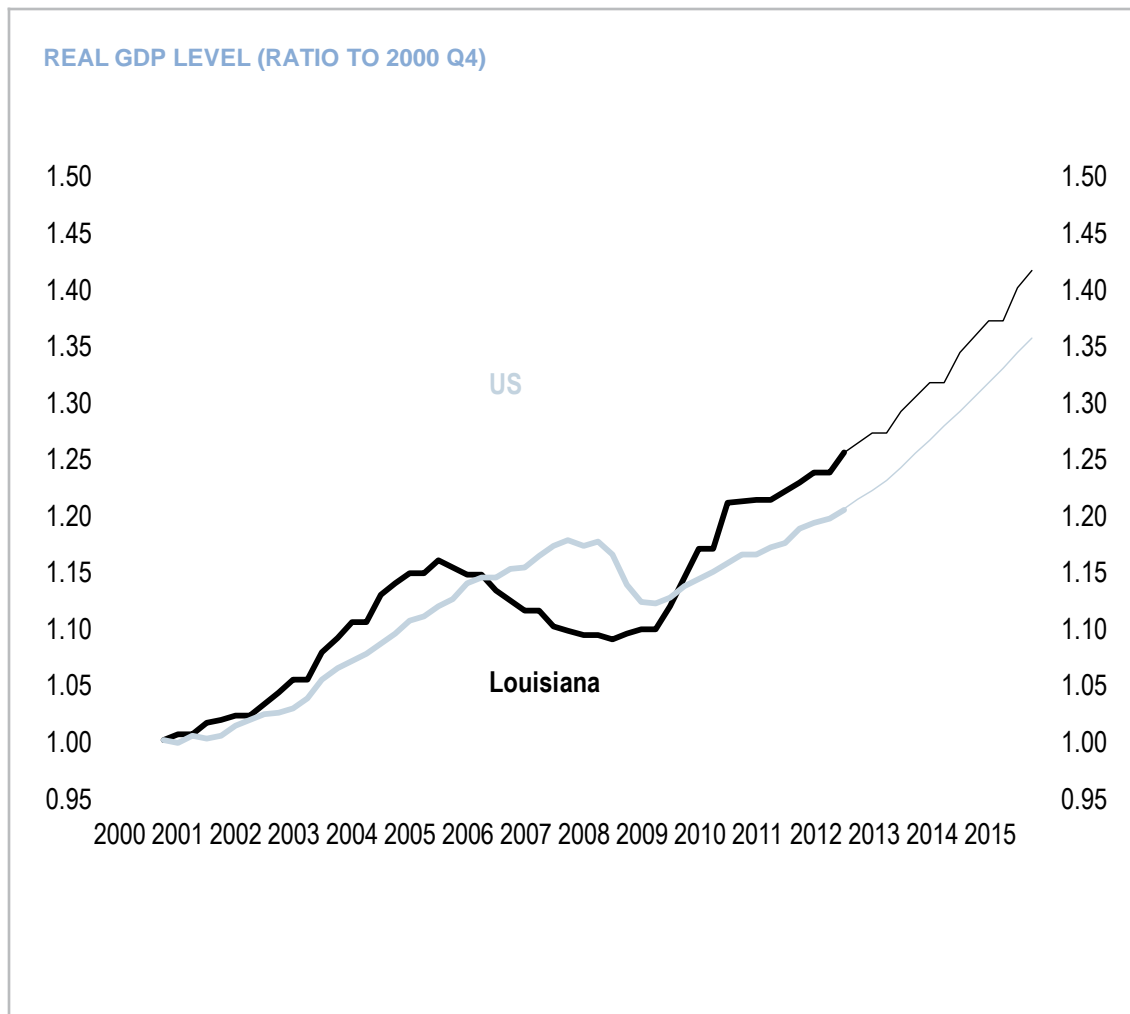
## KEY MESSAGES:

- Development of the Barnett shale field and the rebuilding from hurricane damage has cushioned the state amid a severe national recession.
- Growth is forecast to speed up again this year and the next.

Source: US Department of Commerce. Updated through 2012 Q3.



# Economic Output



## WHAT THE CHART SHOWS:

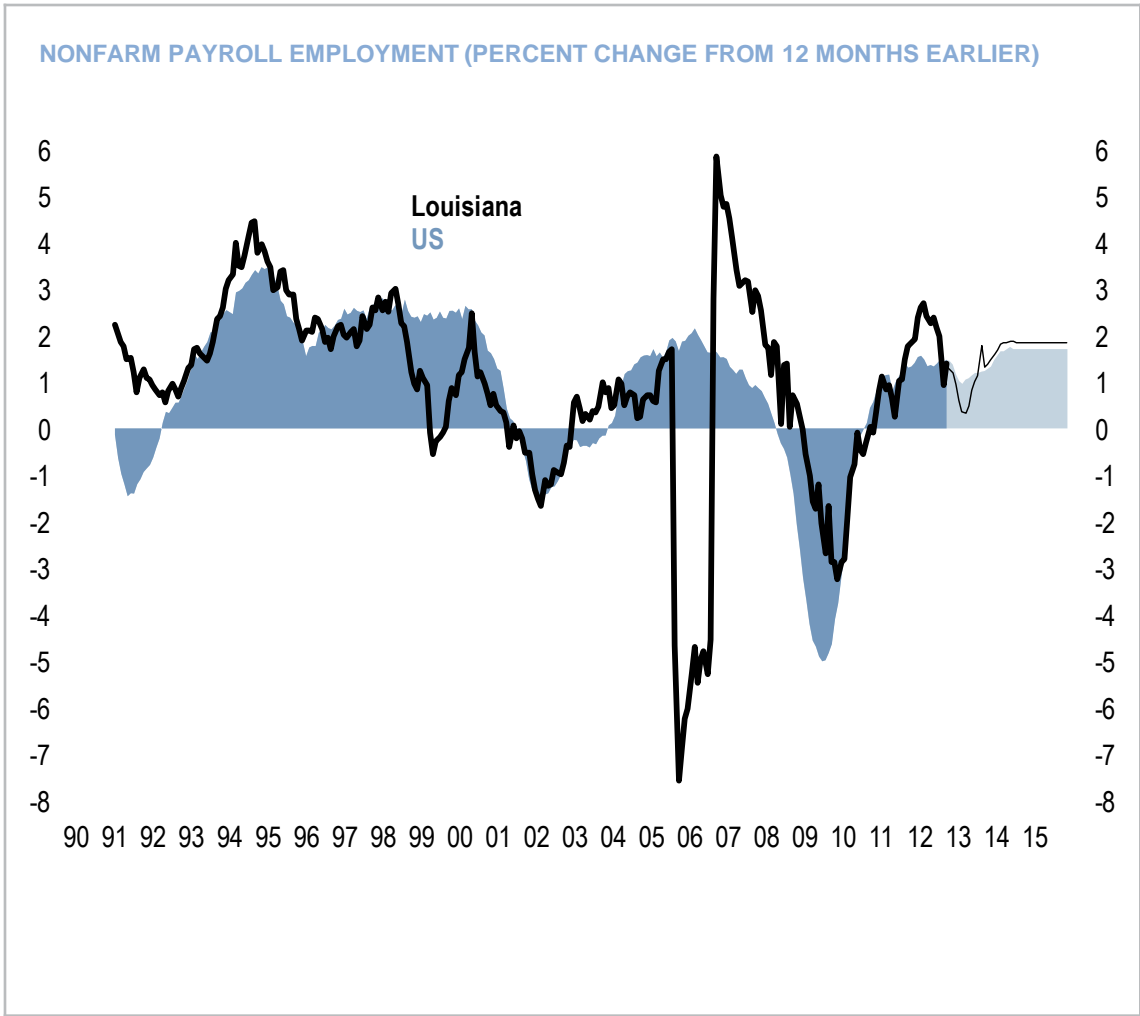
- The figure illustrates the evolution of real GDP of the state and the overall US economy since the fourth quarter of 2000, the peak of the previous business cycle—that is, at any point in time the lines trace the ratio of real GDP to its level in 2000 Q4.
- Louisiana has enjoyed slow but steady growth since the devastation from Hurricane Katrina.

## KEY MESSAGES:

- Louisiana has recovered much of the ground it lost against the national economy, following the devastation from Hurricane Katrina, with the job count back to pre-Katrina levels.

Source: US Department of Commerce. Updated through 2012 Q3.

# Employment Growth



**WHAT THE CHART SHOWS:**

- Job growth in the state, compared with the national job market.
- Hurricane Katrina was highly disruptive, but the recovery effort insulated Louisiana’s economy somewhat.
- Employment continues to accelerate.

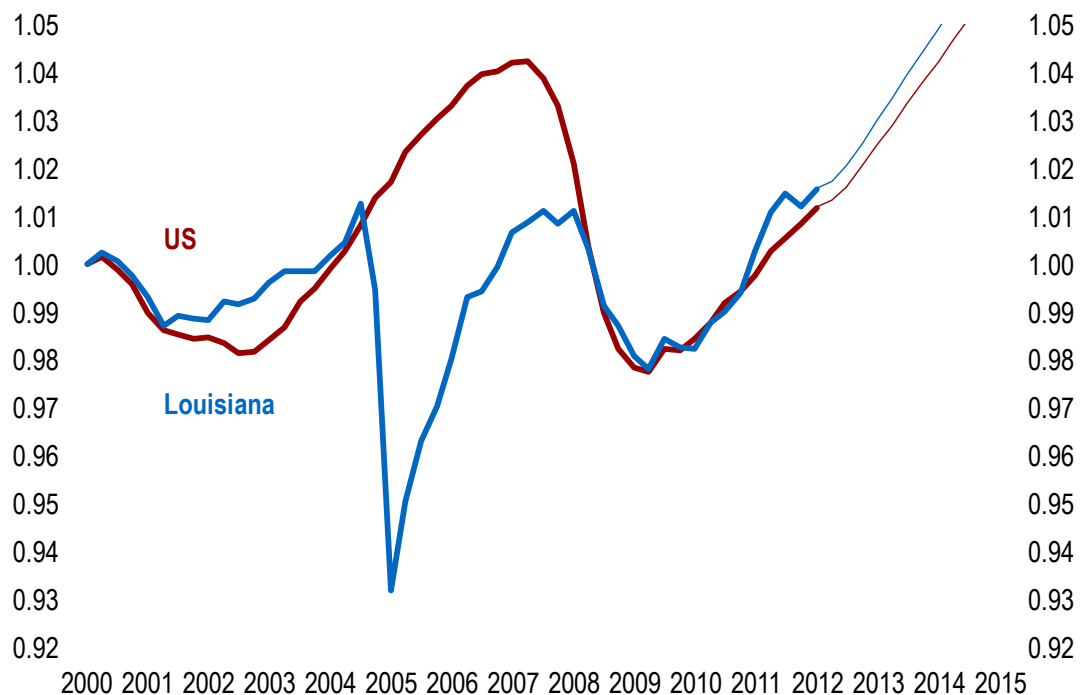
**KEY MESSAGES:**

- Louisiana made a strong comeback after Hurricane Katrina, although many displaced New Orleans residents relocated in nearby communities.

Source: US Department of Labor. Updated through October 2012.

# Employment

NONFARM PAYROLL EMPLOYMENT (RATIO TO THE 2000 Q4 LEVEL)



## WHAT THE CHART SHOWS:

- The figure illustrates the evolution of employment in the state compared with the nation since 2000 Q4, the peak of the previous business cycle. The lines trace out the ratio of employment at the time to employment in 2000 Q4.
- Louisiana lost almost 10% of its job base in the aftermath of Hurricane Katrina. The state regained all of those within two years. Remarkably, Louisiana's employment base has increased more since the 2000 business cycle peak than the national average and the job count in Louisiana now is a record.

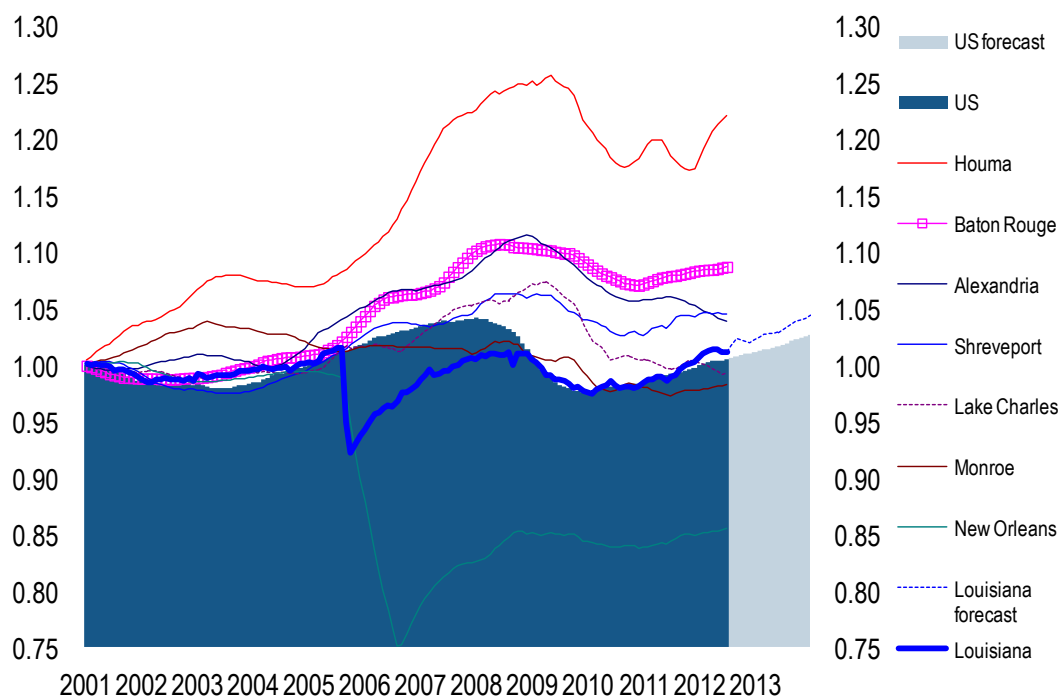
## KEY MESSAGES:

- The state's jobs outlook is promising.

Source: US Department of Labor. Updated through October 2012.

# Intrastate Employment

NONFARM PAYROLL EMPLOYMENT IN SELECTED COMMUNITIES (RATIO TO 2000 Q4 LEVEL)



## WHAT THE CHART SHOWS:

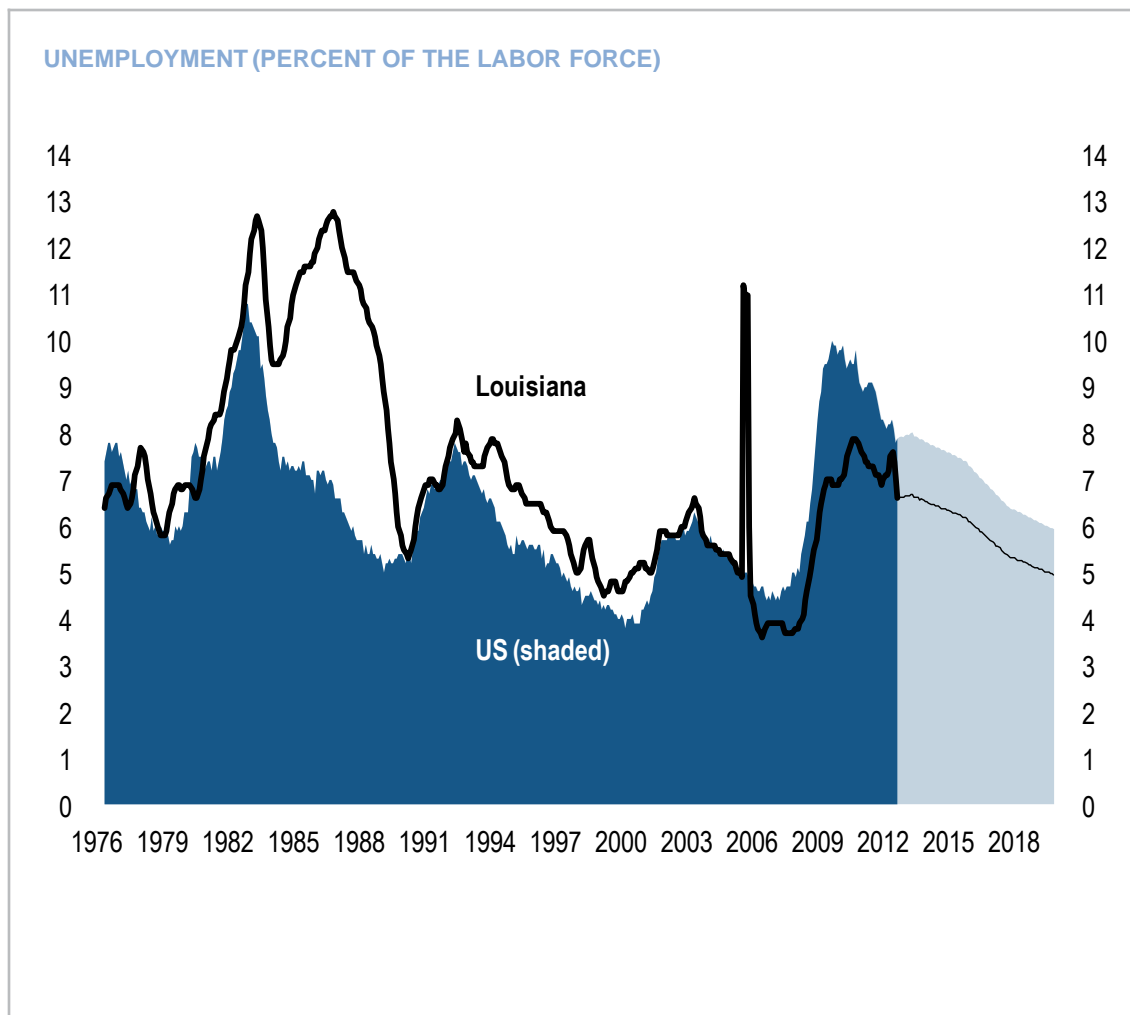
- Job trends in local communities within the state.
- Employment in New Orleans plunged 25% in the wake of Hurricane Katrina and has only recovered 40% of those losses since then. Nonetheless, employment in New Orleans has steadied 15 percent below pre-Katrina levels. Job markets in most communities are turning up.

## KEY MESSAGES:

- The state's employment has almost fully recovered, implying that many of the displaced residents of New Orleans moved to nearby communities.

Source: US Department of Labor. Updated through July 2012.

# Unemployment



## WHAT THE CHART SHOWS:

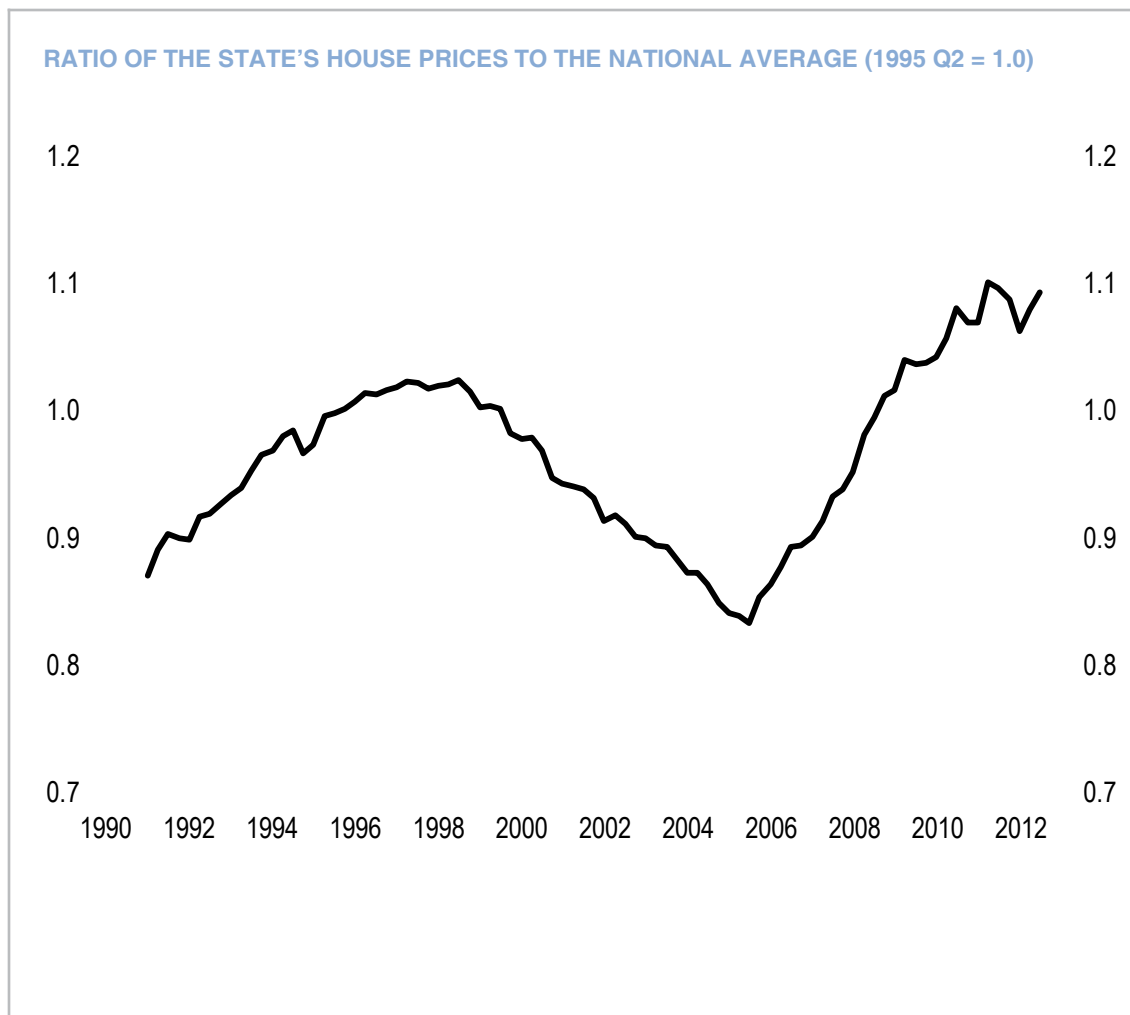
- Unemployment rate trends in Louisiana, compared with the national average.
- Louisiana's unemployment experience is relatively impressive, considering the severity of the national recession.
- Louisiana's unemployment rate is coming down and stands at about 7 percent currently.

## KEY MESSAGES:

- The unemployment rate is the single best indicator of the relative economic performance of a region and by this standard the local economy is weakening, like the national economy.
- Unemployment rate is expected to continue to drop, although at a slower rate in 2013.

Source: US Department of Labor. Updated through October 2012.

# Relative House Prices



## WHAT THE CHART SHOWS:

- The figure tracks the relative price of houses in the state versus the nation—that is, it reflects the ratio of the state price index to the national house price index, with that ratio set to unity in the summer of 1995. A drop in the line means that house prices in the state lag the national trend. States that did not suffer from speculative conditions saw a decline in the relative price of houses in this last decade.
- Louisiana averted a housing bubble.

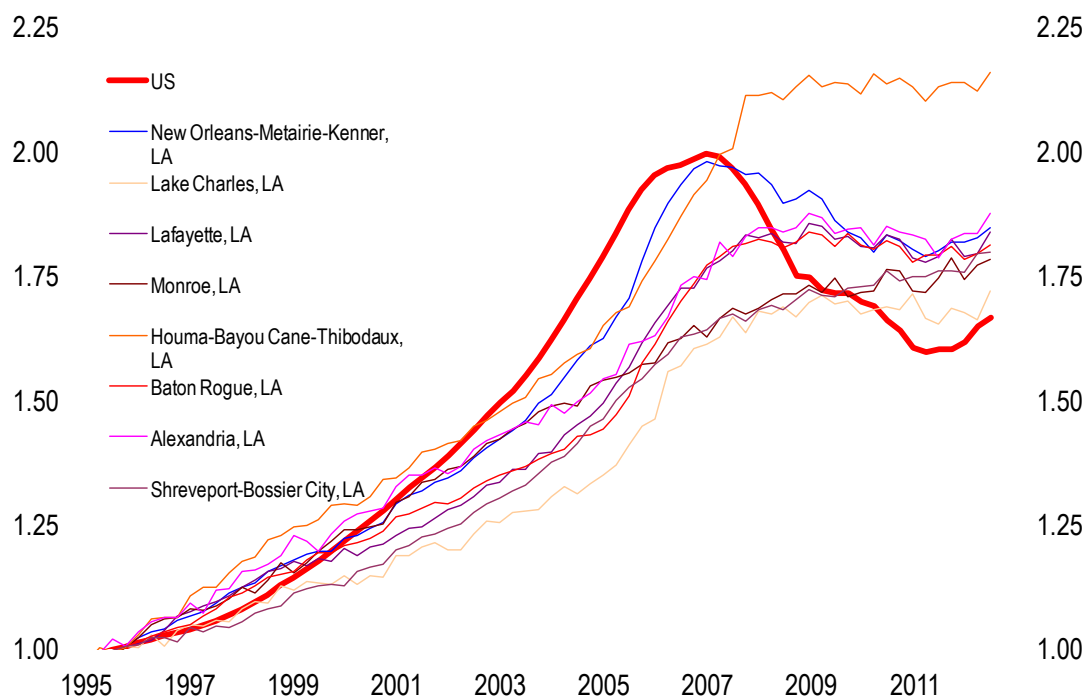
## KEY MESSAGES:

- The state has recovered some, following the devastation from Hurricane Katrina.

Source: FHFA. Updated through 2012 Q3.

# Real Estate Markets

HOUSE PRICES IN SELECTED COMMUNITIES (RATIO TO THE 1995 Q2 LEVEL)



## WHAT THE CHART SHOWS:

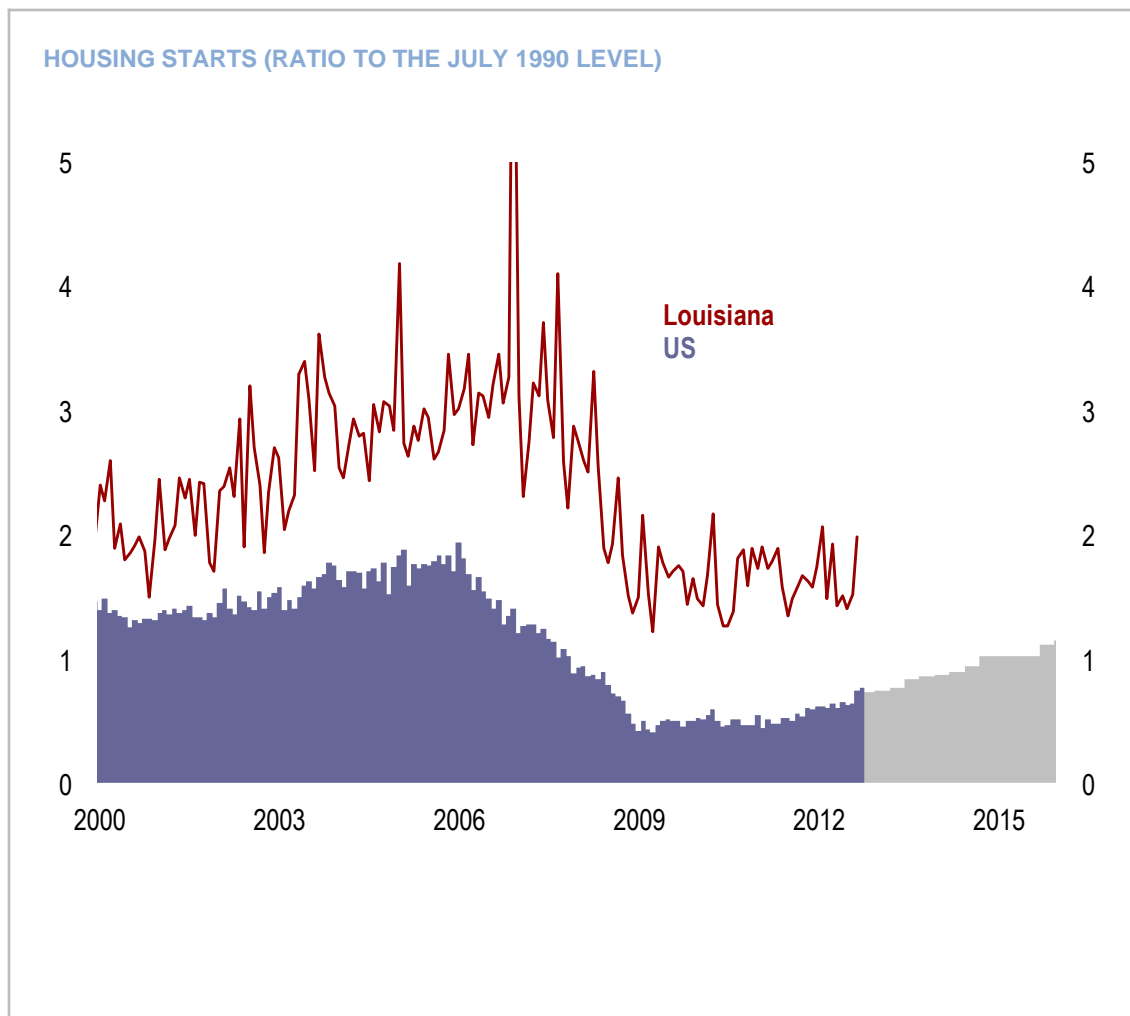
- The figure tracks the cumulative percentage deviation in house prices since 1995 in selected local markets and compares those with the national average.
- Real estate values in most markets have bucked the national downdraft.

## KEY MESSAGE:

- Slower activity in the energy industry may moderate trends in some communities.

Sources: FHFA; Standard & Poor's. Updated through 2012 Q3.

# New Home Building



## WHAT THE CHART SHOWS:

- New home construction in Louisiana, compared with the US average level of construction.
- New home building in the state has been quite robust all things considered, and is only down to half the level of the pre-recession years.
- New home building may be on the mend.

## KEY MESSAGES:

- The muted cutbacks in new home building is a testimony to the absence of a real estate bubble in the state.

Source: Census Department. Updated through October 2012 (US) and September 2012 (state).



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