

LAFAYETTE

Economic Performance Index

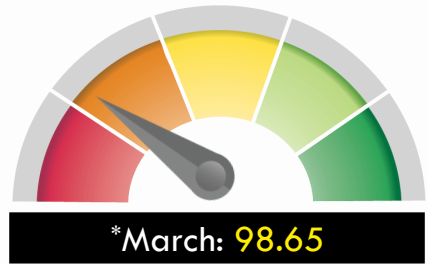
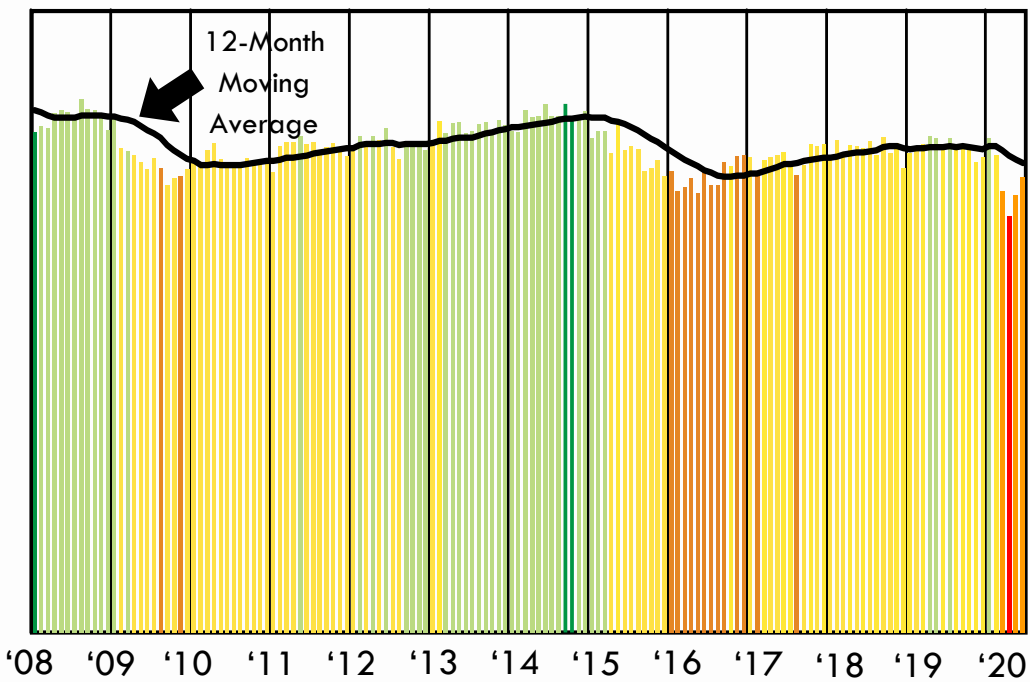


Second Quarter 2020

The Lafayette Economic Performance Index (EPI) tracks the pulse of the local economy. Like any index, it combines multiple data points into a single score that can be tracked and compared over time. This particular index monitors 16,000 data points and 16 local statistics that together illustrate a unified story about how Lafayette’s economy is performing.

The index is the most accurate reflection of the economy because it is seasonally and inflation adjusted—meaning movement in the index is based on actual changes, not those caused by changes in periodic variation or time. The EPI is also retroactively adjusted* to allow for a more accurate comparison between present and past performance of the economy. This allows for an “apples to apples” comparison of where we are and where we have been.

The June 2020 Index is 102.69—down 5.5% compared to June 2019 and up 4.1% compared to May 2020. April 2020 is the new all-time low for the EPI (93.78) which dates back to 1997—primarily due to economic impacts of COVID-19. The EPI dropped 16.3% from April 2019 to April 2020. For compassion, the EPI dropped 14.9% over a two-year span during the recent energy downturn (2014-2016). After 36 months of weak numbers following the downturn, the EPI was starting to see modest improvements before COVID restrictions were implemented.



Highlight

The EPI has been above the 12-month moving average for two of the past twelve months.



Lafayette Economic Performance Index

Historically, Acadiana has been a hub for energy production and services in the southeastern U.S. and the Gulf of Mexico. Today, Lafayette has diversified by positioning itself as a medical, education, transportation, entertainment, and retail hub. Because of this economic diversification, the downturn in the energy sector that began in 2014 was not a repeat of the situation seen in the 1980s. Along with overall economic diversification, diversification within the energy industry has helped to mitigate the impact. In the 1980s as much as 70% of Lafayette's economy was dependent on the energy sector—today, that's around 29%.

While the local economy has diversified its industries, we are not immune to sustained pressures to a predominate industry—like we have experienced with the recent oil downturn—or to global impacts such as COVID-19. The EPI allows us to get a clear picture of the impact that pressure has on the local economy. The

Figure 1 : Historical Economic Performance Index Comparison

	Economic Performance Index	Previous Month Change	Month Change-Prev. Year	12-Month Moving Average*
Jun-19	108.71	-2.4%	-0.4%	109.38
Jul-19	111.37	2.4%	0.6%	109.55
Aug-19	108.89	-2.2%	1.1%	109.41
Sep-19	109.36	0.4%	-2.2%	109.53
Oct-19	109.22	-0.1%	1.1%	109.34
Nov-19	106.03	-2.9%	-3.8%	109.19
Dec-19	107.32	1.2%	2.5%	108.96
Jan-20	111.54	3.9%	3.3%	109.49
Feb-20	107.69	-3.5%	-1.6%	109.47
Mar-20	99.35	-7.7%	-9.7%	108.69
Apr-20	93.78	-5.6%	-16.3%	107.43
May-20	98.65	5.2%	-11.4%	106.41
Jun-20	102.69	4.1%	-5.5%	105.74

*Green indicated the EPI is above the 12-month moving average while red indicates the EPI is below the 12-month moving average.

EPI is an unbiased account of the whole economy, not just a piece of it; and it helps us identify changes in the economy and quantify the impact.

Despite tough times across industries due to COVID-19, there are still opportunities for investment in Lafayette. SchoolMint, an education software company, announced it will consolidate its U.S. operations in Lafayette, including transferring its headquarters from San Francisco. In the latest tech win for the region, the specialty software development company also will relocate corporate offices from New York and Miami to Lafayette and make a \$515,000 capital investment in new facilities. SchoolMint will create 178 new direct jobs with an average annual salary of

more than \$74,200, plus benefits. Louisiana Economic Development estimates the project will result in another 219 new indirect jobs, for a total of 397 new jobs for Lafayette Parish and the Acadiana Region. The company also is retaining 13 jobs at its existing Lafayette office. Additional business recruitment announcements are expected this year.

Capitalizing on the region's entrepreneurial mentality, opportunities for innovation in the local marketplace have been seen in recent months. Many retailers have been able to pivot to online sales or grow their existing online presence. Some restaurateurs implemented creative take-out/delivery models. Other businesses that have fared well in recent months include grocery stores, sporting goods stores, bike shops, graphics/sign companies, janitorial suppliers, technology sales, and hardware stores.

The June 2020 EPI shows modest recovery from the unprecedented impacts of the COVID-19 pandemic seen in the first quarter; however, the full scope of the pandemic's economic impact may still be months away.

Lafayette Economic Performance Index

STAT TRACKER

The Stat Tracker provides raw data for each of the 16 indicators used to create the Economic Performance Index. Local indicators are very volatile from month-to-month and changes should not be taken at face value. For example, retail sales will always decrease from December to January because of the increased holiday shopping in December. The index itself, along with the data represented in the graphs, is adjusted for inflation and seasonality in order to have the data be comparable over time.

Leading Indicators: change 3-6 months before the overall economy shows any signs of adjustment

Current Indicators: change about the same time as the overall economy shows signs of adjustment

Lagging Indicators: change 3-6 months after the overall economy shows signs of adjustment

	Jun-20	May-20	Feb-Mar Difference	Jun-19	Mar-Mar Difference	
LEADING	New Residential Permits	142	85	67.1%	75	89.3%
	Laf. Stock Index	103.14	100.81	2.3%	114.75	-10.1%
	New Business Starts	272	268	1.5%	226	20.4%
	LA Mfg Avg Weekly Hours	41.3	40.9	1.0%	42.7	-3.3%
	LA Drilling Permits	24	36	-33.3%	60	-60.0%
	GOM Drilling Permits	1	6	-83.3%	8	-87.5%
CURRENT	Laf. Parish Retail Sales	\$562,454,973	\$489,808,557	14.8%	\$537,186,076	4.7%
	Laf. Parish Hotel Receipts	\$5,356,600	\$3,380,708	58.4%	\$6,791,354	-21.1%
	Acadiana Avg Home Price	\$202,019	\$203,560	-0.8%	\$208,553	-3.1%
	Weekly Wage	\$893.89	\$904.29	-1.2%	\$923.65	-3.2%
	Laf. MSA Non-Farm Emp	192,100	184,100	4.3%	205,900	-6.7%
	LFT Airport Enplanements	5,304	3,969	33.6%	25,040	-78.8%
LAGGING	Laf. Parish Unemp Rate	8.9%	12.3%	-27.6%	5.2%	71.2%
	Louisiana Rig Count	30	33	-9.1%	66	-54.5%
	W. LA District Bankruptcies	348	315	10.5%	635	-45.2%
	Foreclosure Rate	0.000%	0.000%	#DIV/0!	3.000%	-100.0%

INTERPRETING DATA

Interpreting economic indicators may seem confusing especially when dealing with local indicators that tend to be highly volatile. The month-to-month changes may not represent true changes in economic conditions. Looking at data month by month, it is clear that there have been many brief declines that have nothing to do with cyclical downturns in the economy. Indeed, if economists took every one- or two-month decline seriously, they would be forecasting a recession several times each year.

One should apply the three Ds principle in interpreting economic indicators. The three Ds are: duration (how persistent the change has been), diffusion (how widespread the change is) and depth (how large the change is). The longer the weakness continues, the deeper it gets, and the more widespread it becomes; the more likely a recession will occur.

The Stat Tracker reports raw data, unadjusted for seasonality and inflation. With that being said, an increase in the unemployment rate from December to January does not mean much because every year it increases due to the loss of seasonal holiday employment. In the same way, a home sold for \$200,000 in 2003 is not the same as one sold for the identical amount in 2014 because of inflation. For this reason, the index itself along with the graphs in this report reflects data that has been adjusted for seasonality and inflation. Doing so enables autonomous comparison over time.

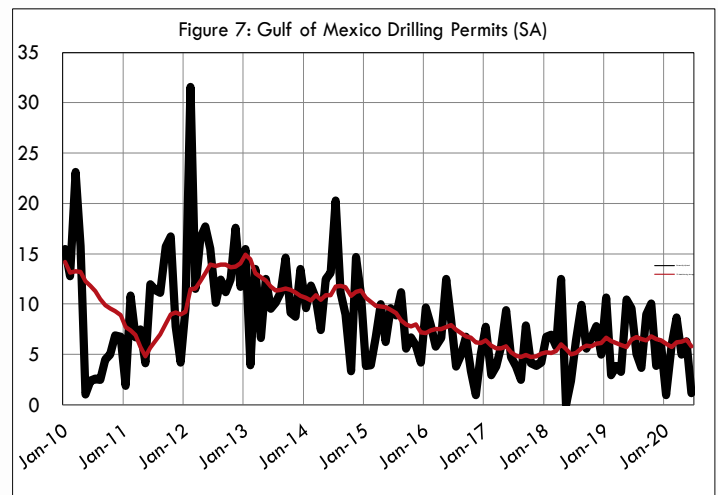
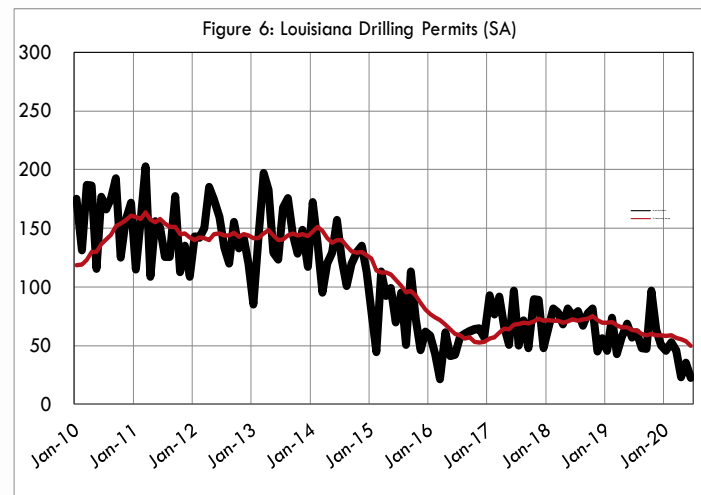
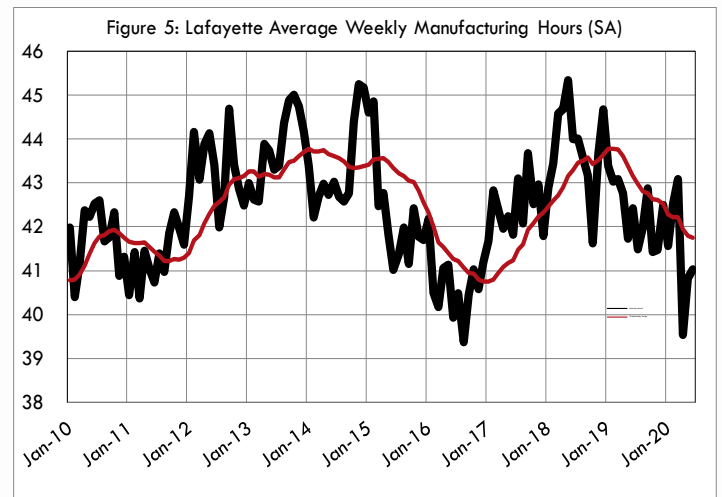
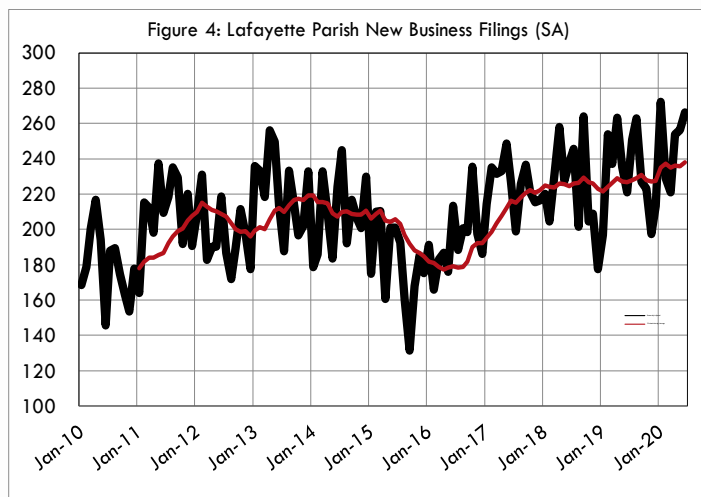
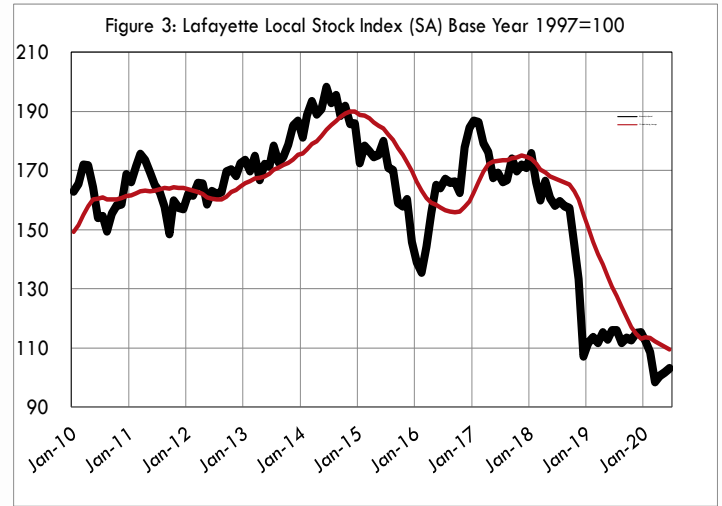
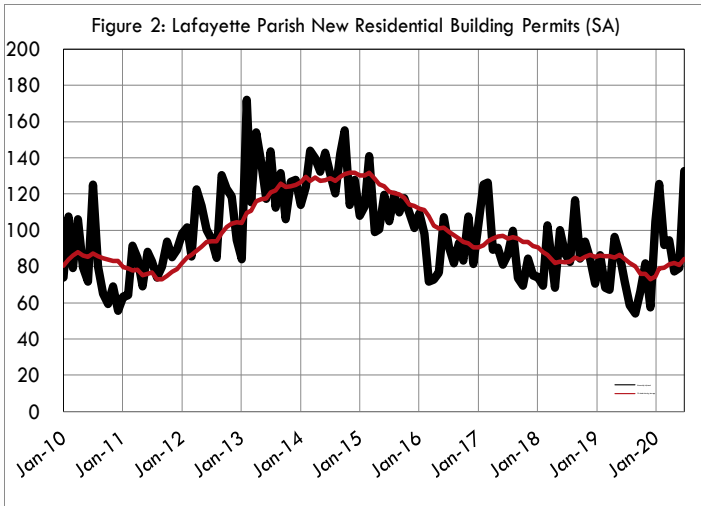
Each data point has its own significance in determining the economic performance index and below describes their importance and how to interpret the changes:

LEADING INDICATORS

- **New Residential Building Permits:** Building permits mean future construction; and construction moves ahead of other types of production, making this a leading indicator. Also, people buying new homes tend to spend money on other consumer goods such as furniture, lawn and garden supplies and home appliances. According to the Census Bureau, investors should look past often-volatile month to month results and study more closely the forming patterns.
- **Lafayette Stock Index:** Considered a leading indicator because changes in stock prices reflect investor's expectations for the future of the economy. The nine companies tracked for the index (LHC Group, Home Bancorp, IBERIABANK, MidSouth Bancorp, Waitr Holdings, Walmart Inc., Target Corporation, Costco Wholesale and Frank's International) represent some of the largest economic drivers in the community that add hundreds of millions of dollars to parish GDP.
- **Lafayette Parish New Business Starts:** This is gathered from newly incorporated businesses through the Louisiana Secretary of State's office. New businesses increase employment and investment in equipment and structures. Increases in startup firms reflect rising business confidence and willingness to take financial risks in pursuit of profits. Business startups are associated with the vitality of industry and of the entrepreneurial spirit.
- **Louisiana Manufacturing Average Weekly Hours:** If demand for production rises, employers ask their workers to work more hours and put off hiring additional workers until they are sure the increased demand is long-term. If demand for production holds up, businesses will be forced to hire more workers, signaling a growing economy. Conversely, if demand for production slows, employers ask workers to log fewer hours before laying them off.

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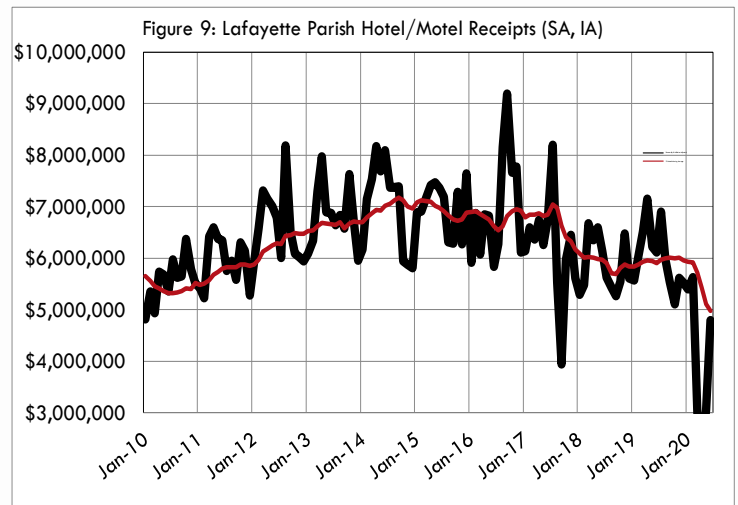
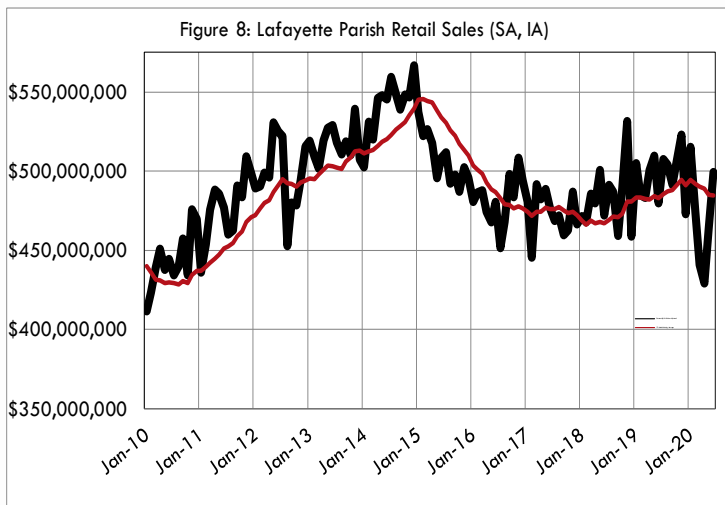
- **Drilling Permits:** Much like residential building permits, this is a leading indicator because it represents future production, jobs and income. Because the energy industry plays such a large role in the overall performance of the local economy, it is important to track a statistic that will help predict future economic growth or contraction.



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CURRENT INDICATORS

- **Lafayette Parish Retail Sales:** Historically, retail sales are 40% of Personal Consumption Expenditures, which in turn make up two-thirds of the Gross Domestic Product (GDP). Retail sales are an indication of consumer spending and confidence.
- **Lafayette Parish Hotel Receipts:** Like retail sales this is a coincident indicator, in that activity reflects the current state of the economy. The importance of hotel receipts comes from tracking outside visitors to the area and the money they bring with them whether it's an individual business traveler, leisure traveler or a group.
- **Lafayette Parish Average Home Price:** Measures of home price are used in identifying housing bubbles. Month-to-month changes are not significant, but continuing trends over many months can symbolize a change in the housing market.
- **Lafayette MSA Average Weekly Wage:** An economy as dependent upon consumer spending cannot remain strong if wages are not growing. Wages account for a substantial part of income and are closely linked to the economic cycle.
- **Lafayette MSA Non-Farm Employment:** It is the benchmark labor statistic used to determine the health of the job market because of its large sample size and historical significance in relation to accurately predicting business cycles.
- **Lafayette Regional Airport Enplanements:** Changes in the number of passengers coming into Lafayette Regional Airport reflect the local and national economy and people's willingness to spend money on an expensive form of travel. Increases to enplanements can also signal more infrastructure, flights, or airlines which show the strength of the local and non-local demand for flights.



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Figure 10: Acadiana Avg. Sales Price of a Single Family Home (SA, IA)

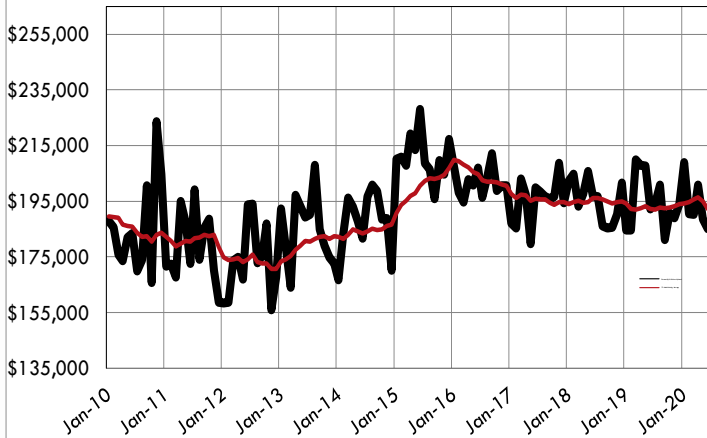


Figure 11: Average Weekly Wage Private Sector for MSA (SA, IA)

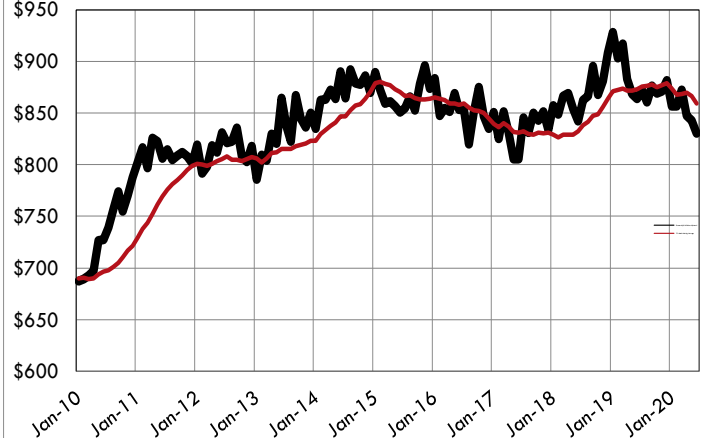


Figure 12: Lafayette MSA Non-Farm Employment (SA)

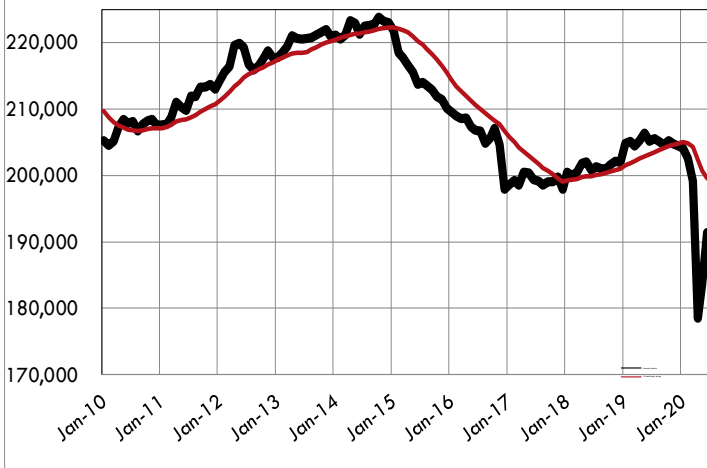
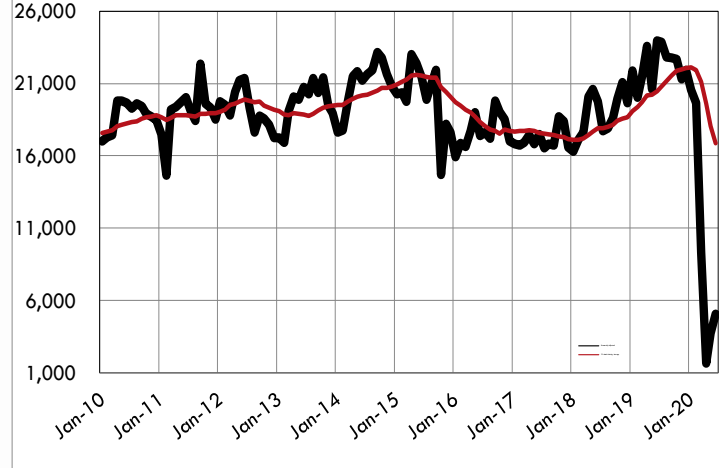


Figure 13: LFT Airport Enplanements (SA)



LAGGING INDICATORS

- **Lafayette Parish Unemployment Rate:** Considered a lagging indicator, as people tend to be out of work when problems in the economy have already manifested themselves.
- **Rig Counts:** Rig counts are considered a lagging indicator because they change 3-6 months after the overall economy shows signs of adjustment. Decisions about rigs are made in response to economic conditions, government policies, and other variables such as prices. In a business where one rig could signify thousands of jobs and tens, if not hundreds, or millions of dollars in capital investment, rig counts are a great indicator to follow.
- **Western Louisiana District Bankruptcies:** This is a lagging indicator because individuals and businesses tend to file for bankruptcy after a prolonged period of indebtedness.
- **Lafayette Parish Foreclosure Rate:** The foreclosure rate measures the percentage of households that started the foreclosure process in that particular month. This is a lagging indicator because it takes many months of missed payments before the foreclosure process starts.

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Figure 14: Lafayette Parish Unemployment Rate (SA)



Figure 15: Louisiana Rig Count (SA)

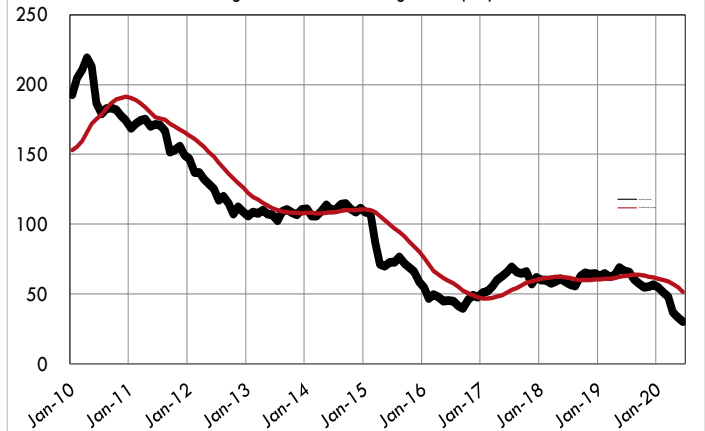


Figure 16: Western Louisiana District Bankruptcies (SA)

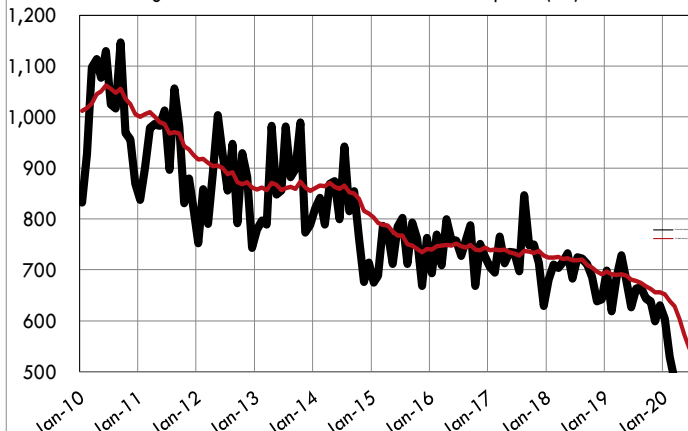
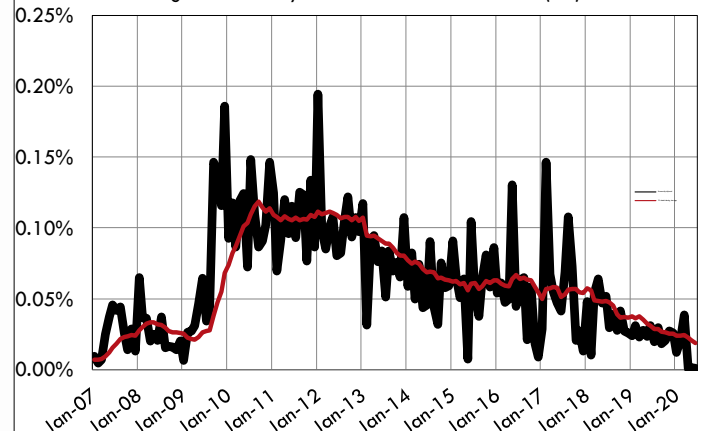


Figure 17: Lafayette Parish Foreclosure Rate (SA)



Although the information in this report has been obtained from sources that we believe to be reliable, we do not guarantee its accuracy. Data is adjusted for inflation using the Consumer Price Index and for seasonality using Brown's LES (Linear Exponential Smoothing) model which uses two different smoothed series that are centered at different points in time. LEDA does not guarantee the accuracy of the forecasts; unforeseeable events i.e. natural disasters and government policies can alter our local economy quickly and drastically. The index itself is a composite index that is calculated using month-to-month changes, component volatility, symmetric percent change, and a final rebase to the start year of 1997. Questions about methodology should be sent to information@lafayette.org.

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