

LAFAYETTE

Economic Performance Index

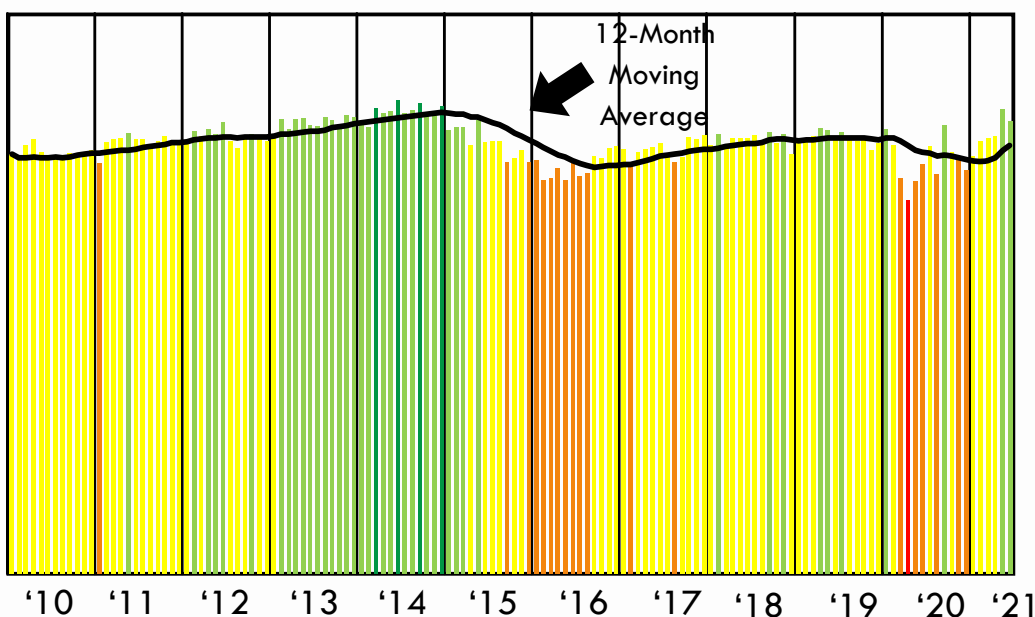


Second Quarter 2021

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.

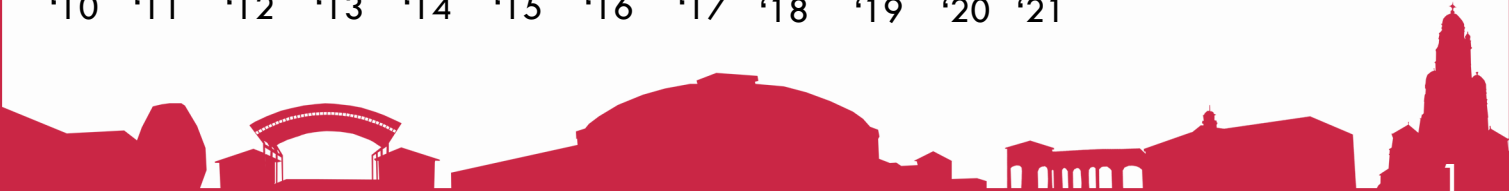
The index is the most accurate reflection of the economy because it is seasonally and inflation adjusted—meaning movement in the index is based on actual changes, not those caused by changes in periodic variation or time. The EPI is also retroactively adjusted* to allow for a more accurate comparison 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 2021 Index is 113.16—up 10.3% compared to June 2020 and up 3.8% compared to March 2021 (Q1). April 2020 is the all-time low for the EPI (93.33) which dates back to 1997—primarily due to economic impacts of COVID-19. The EPI dropped 16.1% from April 2019 to April 2020. For comparison, the EPI dropped 14.9% over a two-year span during the most recent energy downturn (2014-2016). After significant declines across most indicators in 2020, the EPI has rebounded with all three categories of indicators (leading, current, and lagging) showing marked improvement.



Highlight

The EPI has been above the 12-month moving average for five 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 experienced with the 2014 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 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. In May 2021, Ochsner Health and SafeSource Direct announced the development of two manufacturing facilities for personal protective equipment in Broussard. The projects will create a combined 1,221 new direct jobs and 992 new indirect jobs. SafeSource is investing \$150 million to develop the facilities, with \$73 million to retrofit an 80,000-square-foot manufacturing facility in Lafayette Parish that will also house its headquarters, and \$77 million for the

Figure 1 : Historical Economic Performance Index Comparison

	Economic Performance Index	Previous Month Change	Month Change-Prev. Year	12-Month Moving Average*
Jun-20	102.55	-2.4%	-0.4%	109.38
Jul-20	107.07	2.4%	0.6%	109.55
Aug-20	99.97	-2.2%	1.1%	109.41
Sep-20	112.11	0.4%	-2.2%	109.53
Oct-20	105.51	-0.1%	1.1%	109.34
Nov-20	103.33	-2.9%	-3.8%	109.19
Dec-20	100.96	1.2%	2.5%	108.96
Jan-21	104.57	3.9%	3.3%	109.49
Feb-21	108.49	-3.5%	-1.6%	109.47
Mar-21	108.99	-7.7%	-9.7%	108.69
Apr-21	109.52	-5.6%	-16.3%	107.43
May-21	116.16	5.2%	-11.4%	106.41
Jun-21	113.16	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.

development of a new 400,000-square-foot manufacturing facility in St. Martin Parish.

Also in May, officials announced Completeful, a drop shipping fulfillment service, purchased the former Walmart building on Evangeline Thruway and will consolidate operations from three Lafayette Parish facilities to the building. The company currently has 100 full time employees with plans to fill an additional 100 positions this year. During peak production periods, the company may have as many as 500 employees with the addition of seasonal hires.

In December 2020, Amazon announced its first Louisiana fulfillment center would be constructed in Carencro, LA. The project includes a \$100 million capital investment and will create 500 jobs with an annual payroll of more than \$16 million. The project will have an economic impact of \$271 million in year 1 of operations. Management has been hired for the facility and hourly job openings are currently open for applications. The center will open in late 2021.

The June 2021 EPI shows pronounced improvement from the unprecedented impacts of the COVID-19 pandemic seen in 2020; however, the full scope of our recovery may still be months away.

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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-21	May-21	May-Jun Difference	Jun-20	Jun-Jun Difference	
LEADING	New Residential Permits	174	168	3.6%	142	22.5%
	Laf. Stock Index	111.76	113.76	-1.8%	103.14	8.4%
	New Business Starts	411	431	-4.6%	272	51.1%
	LA Mfg Avg Weekly Hours	41.6	42.6	-2.3%	41.3	0.7%
	LA Drilling Permits	45	71	-36.6%	24	87.5%
	GOM Drilling Permits	2	8	-75.0%	1	100.0%
CURRENT	Laf. Parish Retail Sales	\$693,463,791	\$619,908,452	11.9%	\$562,454,973	23.3%
	Laf. Parish Hotel Receipts	\$8,307,765	\$10,320,411	-19.5%	\$5,356,600	55.1%
	Acadiana Avg Home Price	\$248,254	\$239,665	3.6%	\$215,135	15.4%
	Weekly Wage	\$920.93	\$950.70	-3.1%	\$893.89	3.0%
	Laf. MSA Non-Farm Emp	192,600	191,500	0.6%	192,100	0.3%
	LFT Airport Enplanements	21,884	20,561	6.4%	5,304	312.6%
LAGGING	Laf. Parish Unemp Rate	6.0%	5.4%	11.1%	8.9%	-32.6%
	Louisiana Rig Count	52	53	-1.9%	30	73.3%
	W. LA District Bankruptcies	345	280	23.2%	348	-0.9%
	Foreclosure Rate	0.010%	0.010%	0.0%	0.000%	—

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.

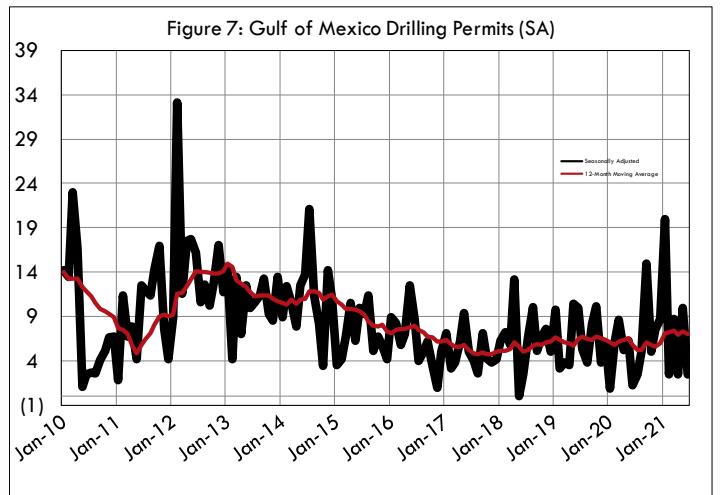
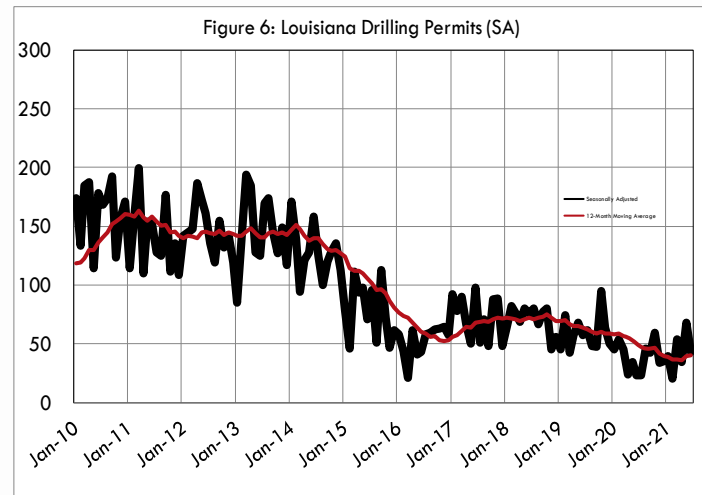
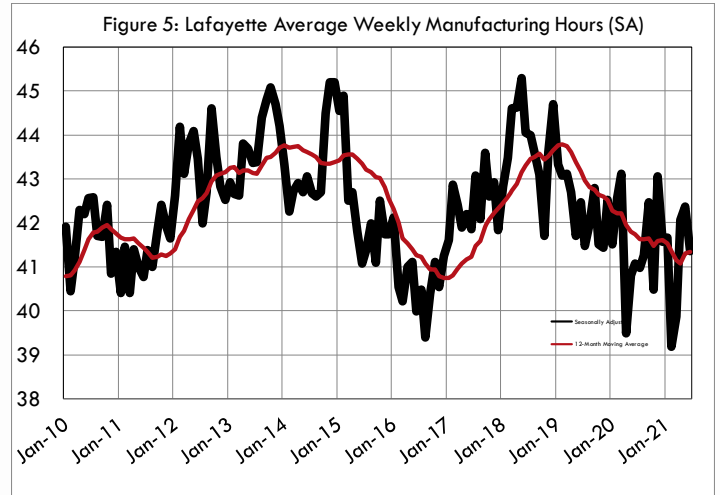
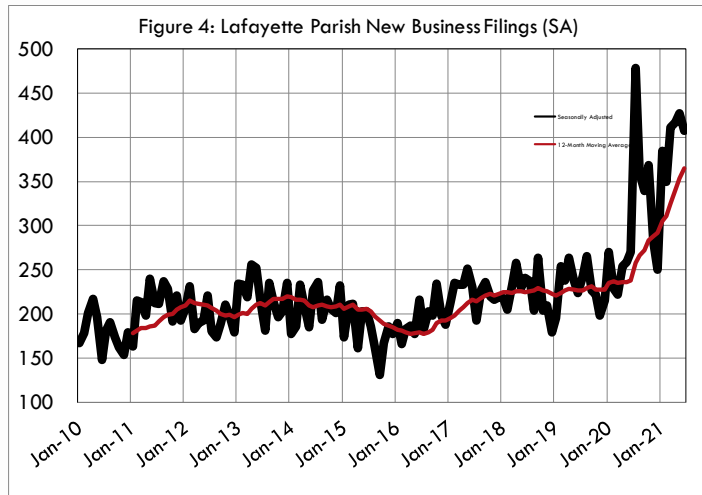
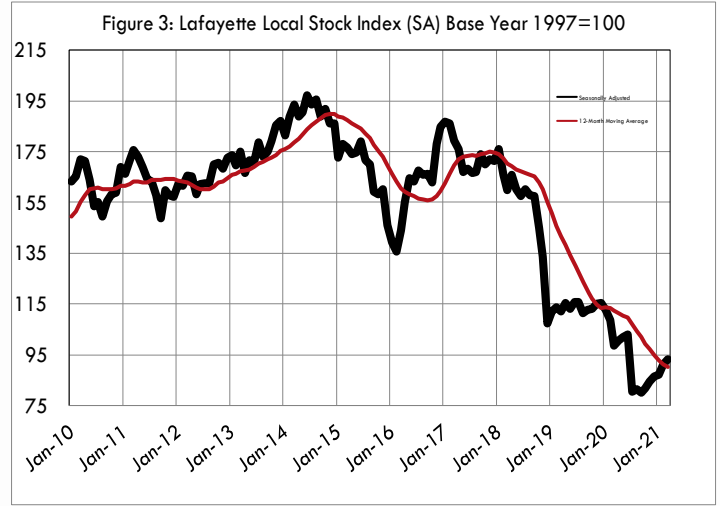
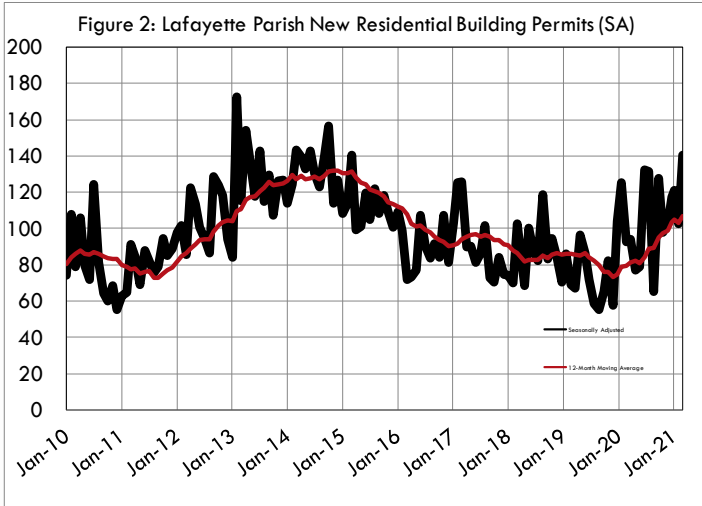
The Stat Tracker reports raw data, unadjusted for seasonality and inflation. With that being said, an increase in the unemployment rate from December to January does not mean much because every year it increases due to the loss of seasonal holiday employment. In the same way, a home sold for \$200,000 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, First Horizon Bank, 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.
- **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.

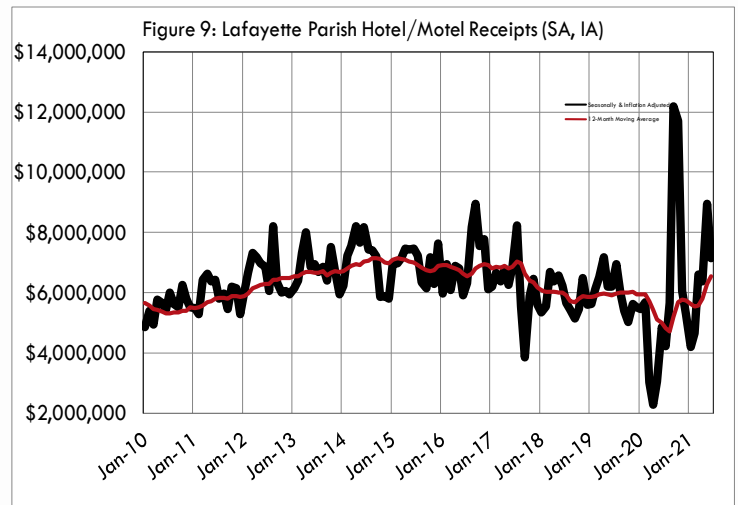
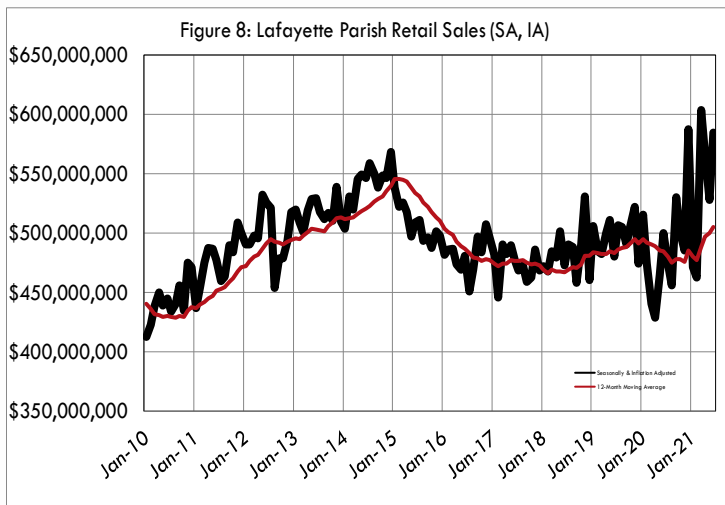
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CURRENT INDICATORS

- **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)

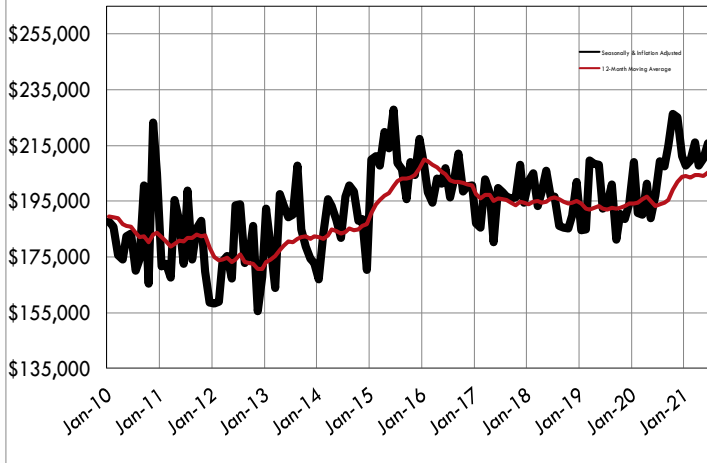


Figure 11: Average Weekly Wage Private Sector for MSA (SA, IA)

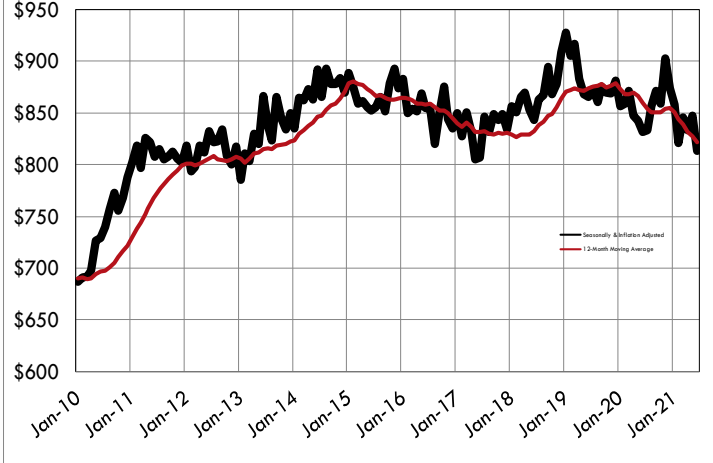


Figure 12: Lafayette MSA Non-Farm Employment (SA)

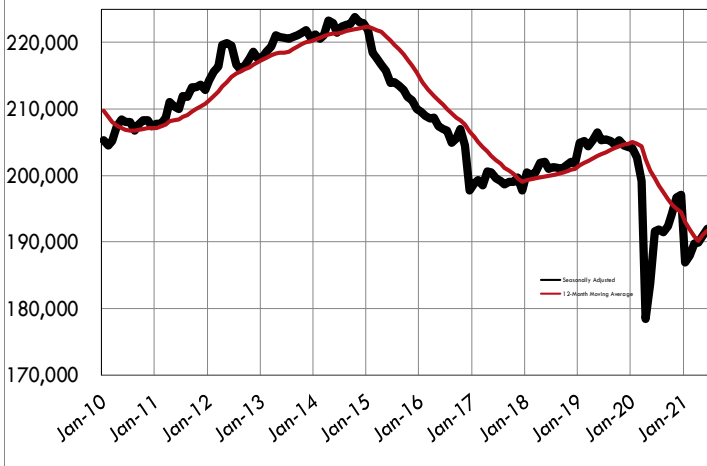
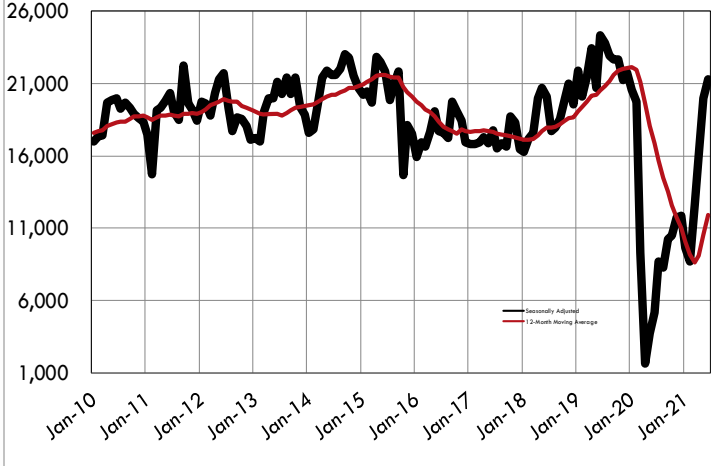


Figure 13: LFT Airport Enplanements (SA)



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)

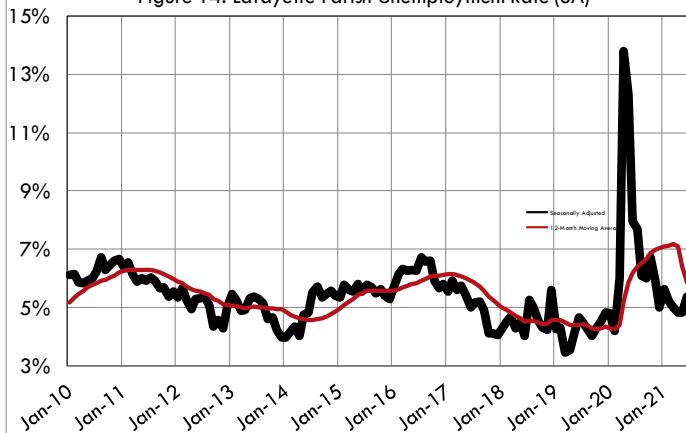


Figure 15: Louisiana Rig Count (SA)

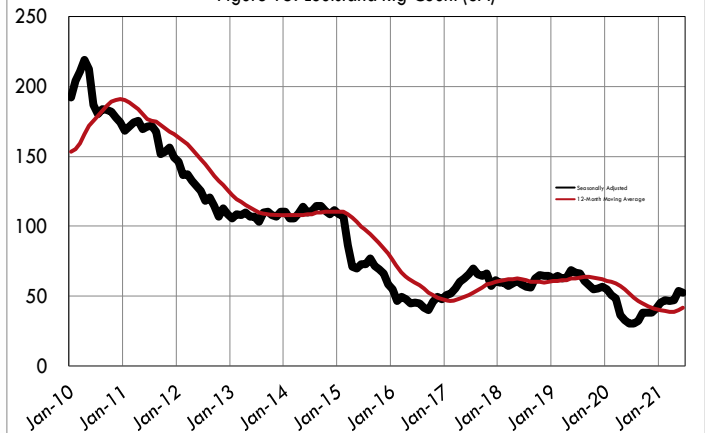


Figure 16: Western Louisiana District Bankruptcies (SA)

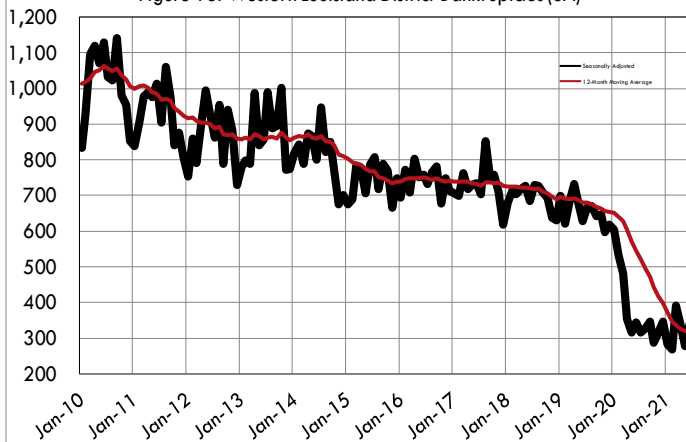
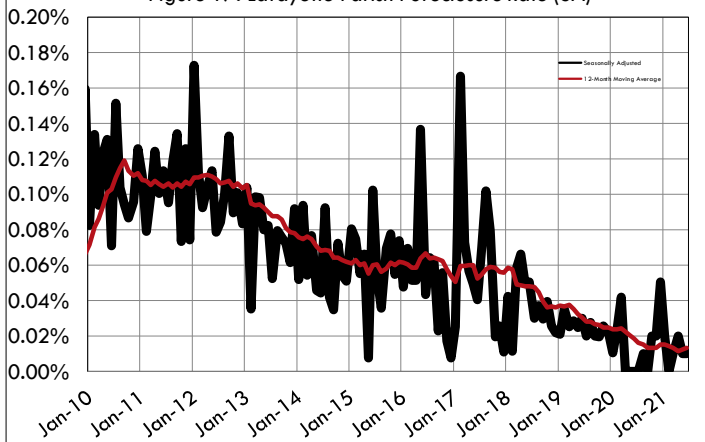


Figure 17: Lafayette Parish Foreclosure Rate (SA)



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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