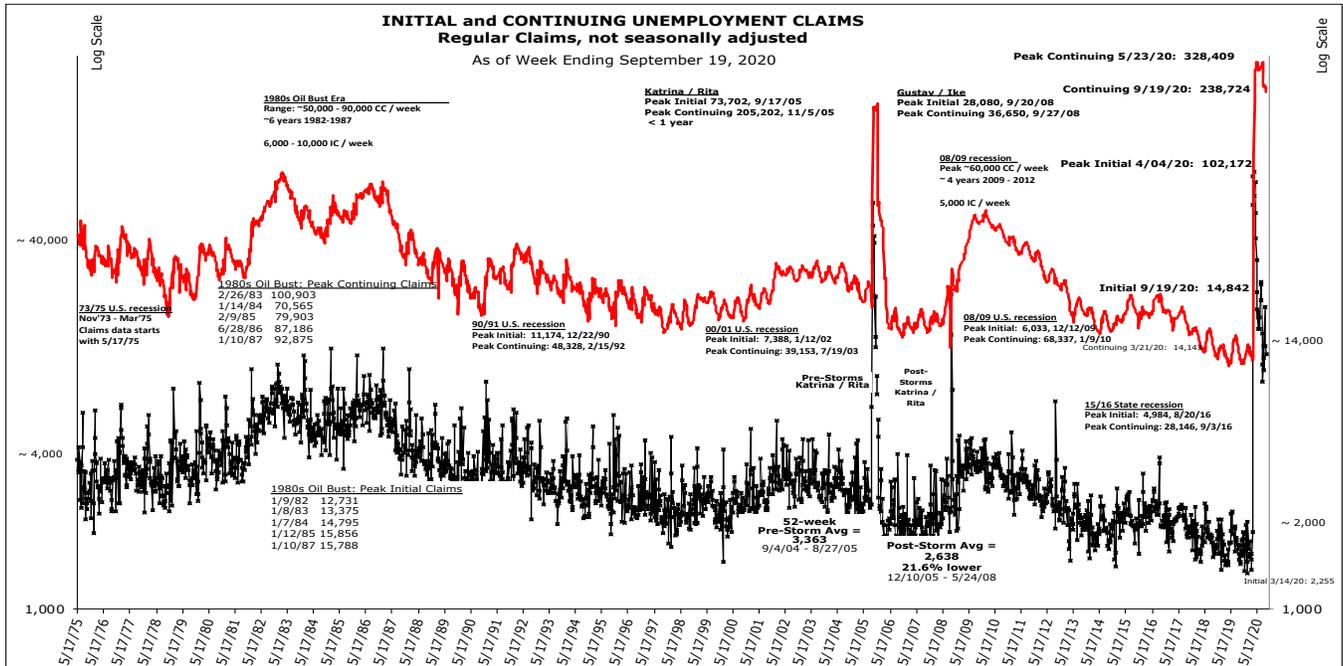


Current State of the Economy: Weekly Unemployment Claims

Week-Ending September 19, 2020

The state of the economy has been dramatically and rapidly altered by the coronavirus pandemic. Economic indicators that can provide high frequency information regarding the economic effects of the pandemic are weekly unemployment insurance claims, both initial claims and continuing claims. This data is reported by the Louisiana Workforce Commission every Thursday for the week that ended on the previous Saturday. This brief summarizes this information as a way to help assess the current state of the economy, and provide insight into its likely future path.

Regular Initial and Continuing Claims Levels – Graph 1



Week Ending September 19, 2020

Initial Claims: 14,842: 1,340 less than the previous week; 13,189 more than last year

Continuing Claims: 238,724: 11,520 less than the previous week; 224,209 more than last year

Graph 1 above depicts weekly regular initial and continuing unemployment claims, and places the current coronavirus impact in historical context as far back as mid-1975¹. While this data is not seasonally adjusted, and seasonal patterns can be seen in both of the claims' series, overall trends and cycling are obvious. This historical context makes clear the enormous outsized impact of the current coronavirus event², when compared to more normal periods of claims as well as the earlier extreme events of Hurricanes Katrina & Rita in 2005/2006, and the oil bust era of the 1980s. As a general rule of thumb, trend increases in initial claims reflect more firing, while decreases reflect less firing. At the same time, trend increases in continuing claims reflect less hiring, while decreases reflect more hiring.

Prior to the coronavirus event, regular initial claims were about 2,000/week (bottom series in black), a historically low level. For the week ending March 21, initial claims spiked up to 72,438, unambiguously reflecting the event. Weekly

¹ The vertical axes are in logarithmic scale such that equidistance vertical increments reflect a doubling of the claims counts. This allows the very large current values to be readily displayed visually along with the much smaller historical values.

² The claims counts depicted here are for workers who are traditionally eligible for regular unemployment benefits, and do not include the claims reflecting pandemic unemployment assistance for workers not traditionally eligible for regular unemployment benefits. Unemployment episodes occur for those workers as well, but no unemployment insurance claims by them have been allowed historically. Claims counts by those newly eligible workers are discussed later in this brief.

Current State of the Economy: Weekly Unemployment Claims Week-Ending September 19, 2020

initial claims climbed to a peak of 102,172 for the week ending April 4, declined sharply after that, and have gradually declined in recent weeks, although initial claims still remain at elevated levels. Claims counts for the peak week and the latest week are noted on the right edge of Graph 1.

Prior to the coronavirus event, regular continuing claims were about 14,000/week (top series in red), also a historically low level. As initial claims are processed, continuing claims accumulate and reflect the number of people who actually receive unemployment benefits³. The first week reflecting the coronavirus event in continuing claims was unambiguously the week ending March 28, with 58,027 continuing claims. The peak week and latest weeks' continuing claims values are also noted on the right edge of Graph 1. Note that as the flow of elevated weekly initial claims became processed into the stock of weekly continuing claims, continuing claims kept climbing even as initial claims declined after their peak week. So long as initial claims are materially higher than normal, and hiring/rehiring is subdued, the continuing claims count will stay elevated, as exhibited since its peak week of May 23. Both initial and continuing claims associated with the current coronavirus event have materially exceeded the peak claims experienced during the oil bust era of the mid-1980s and the natural disasters of Hurricanes Katrina & Rita in 2005/2006.

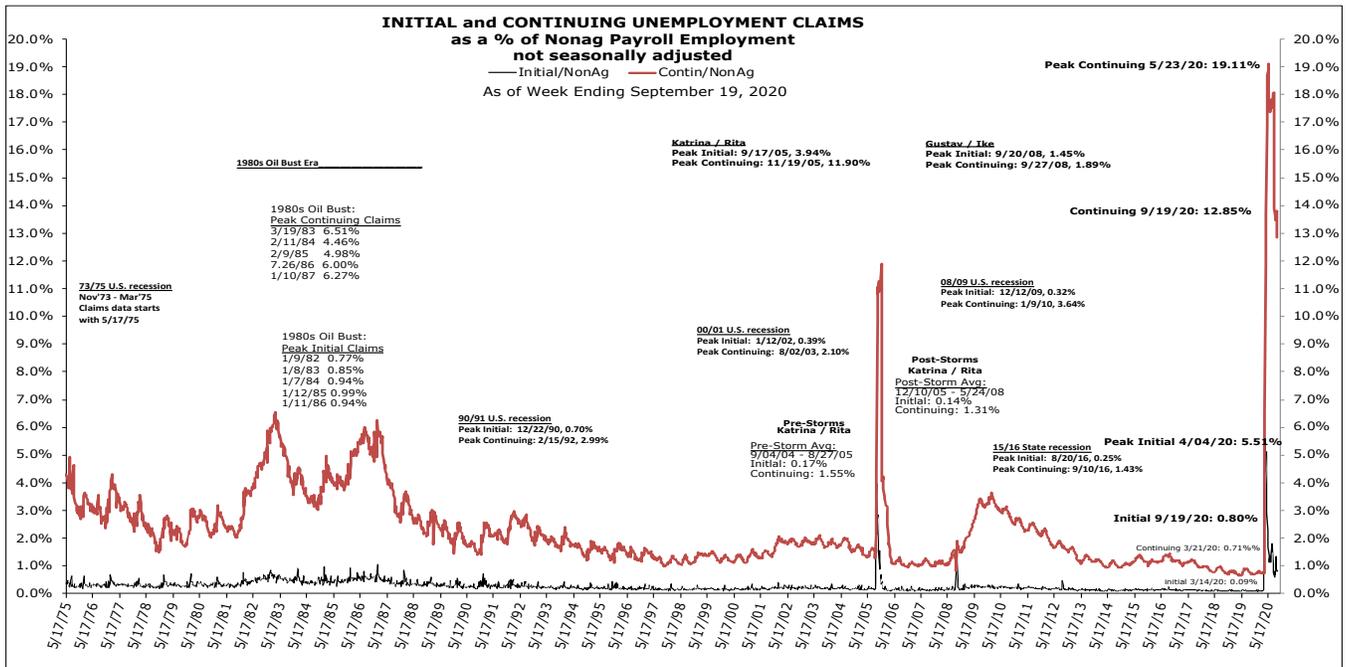
In the early stages of the pandemic, the initial claims data looked similar to what occurred after the natural disasters of hurricanes Katrina & Rita, exhibiting a very large sharp rise in claims followed by a sharp falloff. However, within about three months after the hurricanes, initial claims were back down to near where they started their jump up after the storms⁴. Today, approximately six months after the effects of the pandemic began to show up, initial claims are still very elevated at multiples of 8-times their pre-pandemic levels. So far, it appears that initial claims will stay at elevated levels and return to normal over a relatively long period of time; more closely mimicking the oil bust era of the 1980s. Continuing claims also looked like the storm natural disasters, exhibiting a sharp rise at the outset of the event, but a quick falloff is more problematic. Given the broad nature of the current coronavirus event, affecting supply-chains and aggregate demand psychology and realization throughout the nation and world economies, it seems unlikely that the pandemic event will play out in subsequent months comparable to the natural disasters of Katrina & Rita where continuing claims had returned to near pre-storm levels within six months. With regard to continuing claims, a more drawn out time frame for a return to pre-pandemic norms seems likely. Regular continuing claims have come off a plateau of some 300,000 per week experienced through much of May – July, and have settled around a new plateau of some 250,000 per week over the past few weeks.

³ In any given week, roughly 90% - 95% of claimants will receive an associated benefit payment.

⁴ Claims actually fell below pre-disaster levels in the aftermath of hurricanes Katrina & Rita as rebuilding efforts stimulated the state economy. This aspect of the storm natural disasters is not a consideration for the pandemic event in that no rebuilding of the residential and commercial capital stock, and public infrastructure will be necessitated by the pandemic.

Current State of the Economy: Weekly Unemployment Claims Week-Ending September 19, 2020

Regular Initial and Continuing Claims Relative to Payroll Employment - Graph 2



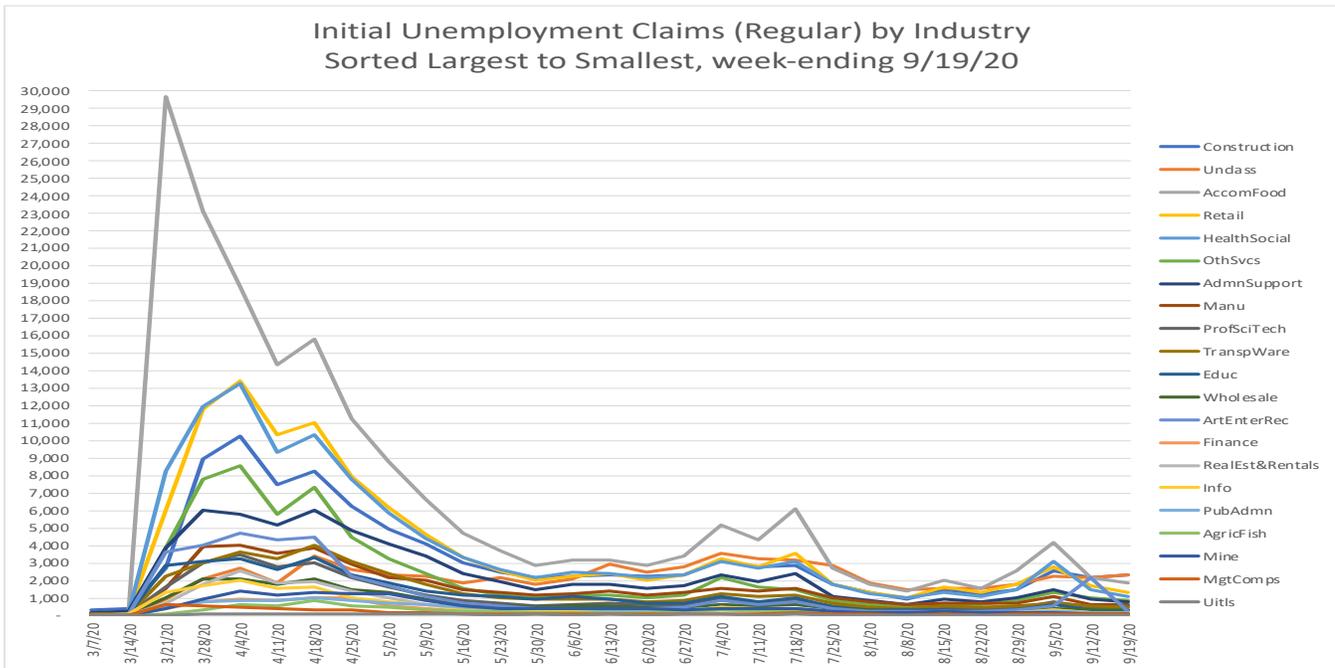
Graph 2 above depicts the weekly regular initial and continuing unemployment claims as percentages of payroll employment⁵, also in historical context back to mid-1975. This perspective highlights that the current coronavirus event is not only outsized in the absolute claims counts, which could occur simply because the economy is larger today than in the past, but also in relation to the size of payroll employment as a whole. Prior to the coronavirus event, initial claims were typically near 0.1% of payroll employment (bottom series in black). As a percentage of payroll employment, initial claims rose to a high of 5.51% for the week ending April 4, 2020, and have generally fallen since then, reflecting the drop-off in initial claims; although, still elevated relative to the pre-pandemic period.

Prior to the coronavirus event, regular continuing claims were typically near 1% of payroll employment (top series in red). As a percentage of payroll employment, continuing claims rose to a high of 19.11% for the week ending May 23, with some fall-off since then, but still remain at very elevated percentages relative to the pre-pandemic period. Both initial and continuing claims, as percentages of payroll employment, associated with the coronavirus event have substantially exceeded the peak claims experienced during the oil bust era of the mid-1980s and the natural disasters of Hurricanes Katrina & Rita in 2005/2006, and also seem unlikely to payout in subsequent months comparable to those natural disasters.

⁵ Weekly labor force estimates for the state obtained from Moody's Analytics.

Current State of the Economy: Weekly Unemployment Claims Week-Ending September 19, 2020

Regular Initial Claims Distribution Across Industry Sectors – Graph 3

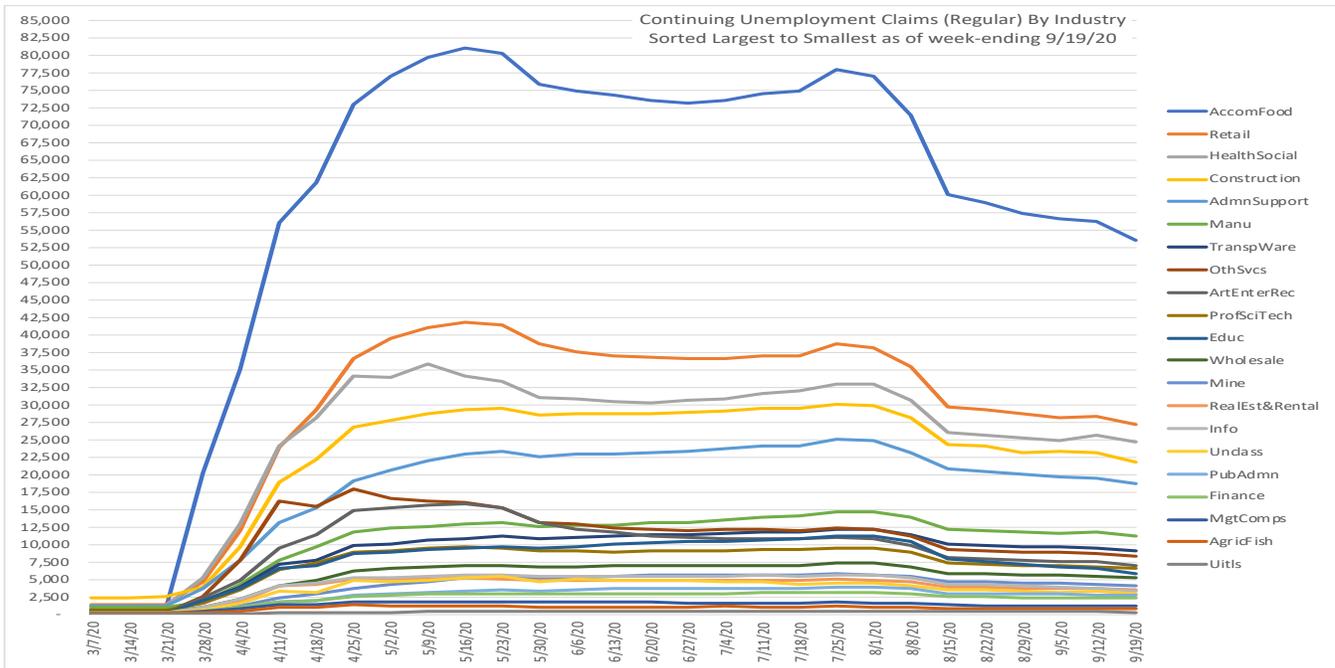


Graph 3 above depicts weekly regular initial claims data across major industry sectors⁶, from the week ending March 7, 2020 to the latest reported week. It is obvious that claims are heavily reported in sectors particularly vulnerable to the pandemic event and associated social distancing behavior and economic shutdown policy response. Sharp increases in claims occurred for workers providing accommodations & food services, retail trade, construction, health care & social assistance, and other personal services etc. However, virtually all sectors have been impacted to some degree, with the least impacted so far being utilities, management companies, and agriculture. Consistent with Graph 1 above, initial claims increased dramatically in the early weeks of the pandemic, then trended down. However, the downward trend in claims stabilized around the end of May and over the next three months in most of the industry sectors. Since early-August initial claims have stepped down again, but have essentially stabilized at still elevated levels relative to pre-pandemic, and can still turn up in any particular week. Even at the lower levels of the last few weeks, initial claims by industry still range from four to ten-plus times as large as pre-pandemic levels, with an overall multiple of 7.7 in the latest week.

⁶ Industry sectors are categorized by the North American Industrial Classification System (NAICS), which places firms in the industry that reflects a preponderance of their revenue.

Current State of the Economy: Weekly Unemployment Claims Week-Ending September 19, 2020

Regular Continuing Claims Distribution Across Industry Sectors – Graph 4

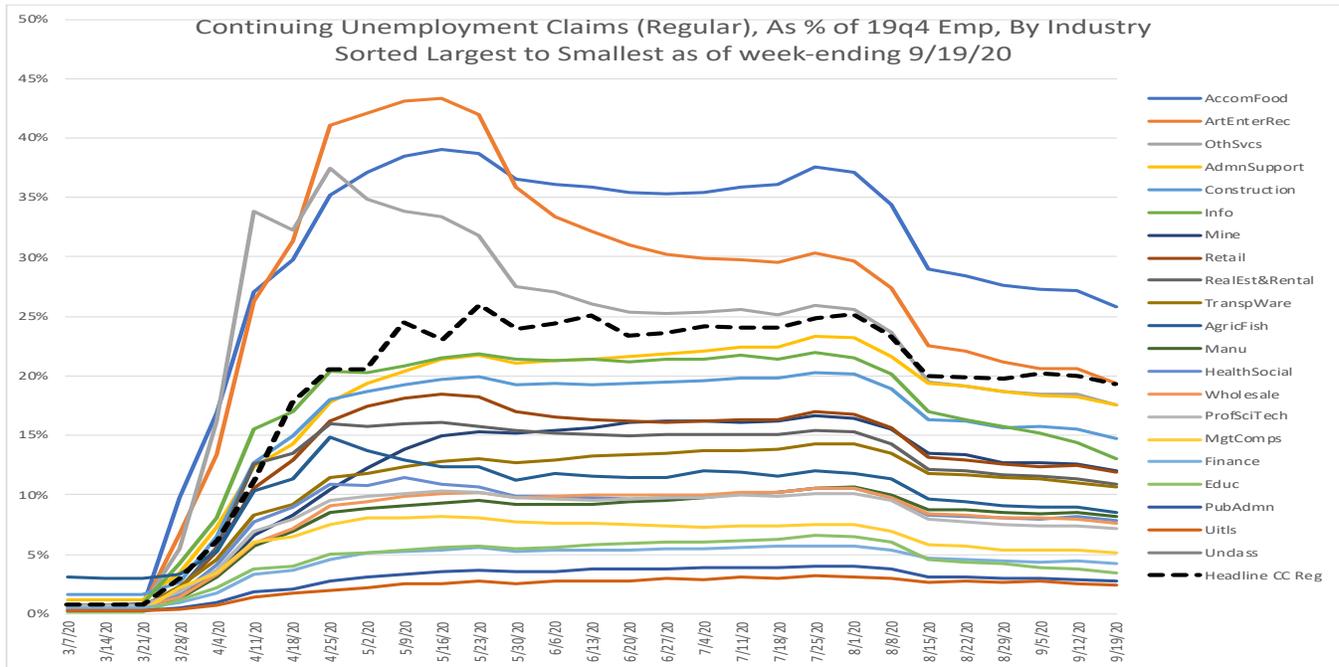


The distribution of the pandemic event across industries is depicted in Graph 4 above, portraying regular continuing claims by industry from the pre-pandemic week-ending March 7, 2020, to the latest reported week⁷. Again, the concentration of impact in those sectors vulnerable to social distancing and policy response shutdowns is seen in the very high levels of continued unemployment in accommodations & food service, retail trade, health/social services, construction, and the various services within the administrative and support sector. However, the economy-wide effect of the pandemic is evidenced by high levels of continuing claims in virtually every sector, relative to the pre-pandemic period. Of particular note in the graph above was the relative stability of continuing claims across industries during the peak weeks of mid-May through the end of July, reflecting the stability in the initial claims counts and the apparent subdued rehiring/hiring occurring in the economy over much of the last few months. Claims by industry declined sharply in the first half of August across most sectors, including those most severely impacted by the pandemic, but the drop has distinctly decelerated since then. The outlook for a quick recovery is not optimistic.

⁷ It takes at least a week for an initial claim to be processed through to a continuing claim. In this case of the pandemic event, the influx of initial claims was extraordinarily high, and peak continuing claims (5/16/20) lagged peak initial claims (4/4/20) by some six weeks.

Current State of the Economy: Weekly Unemployment Claims Week-Ending September 19, 2020

Regular Continuing Claims as a Share of 2019q4 Employment by Industry Sectors – Graph 5

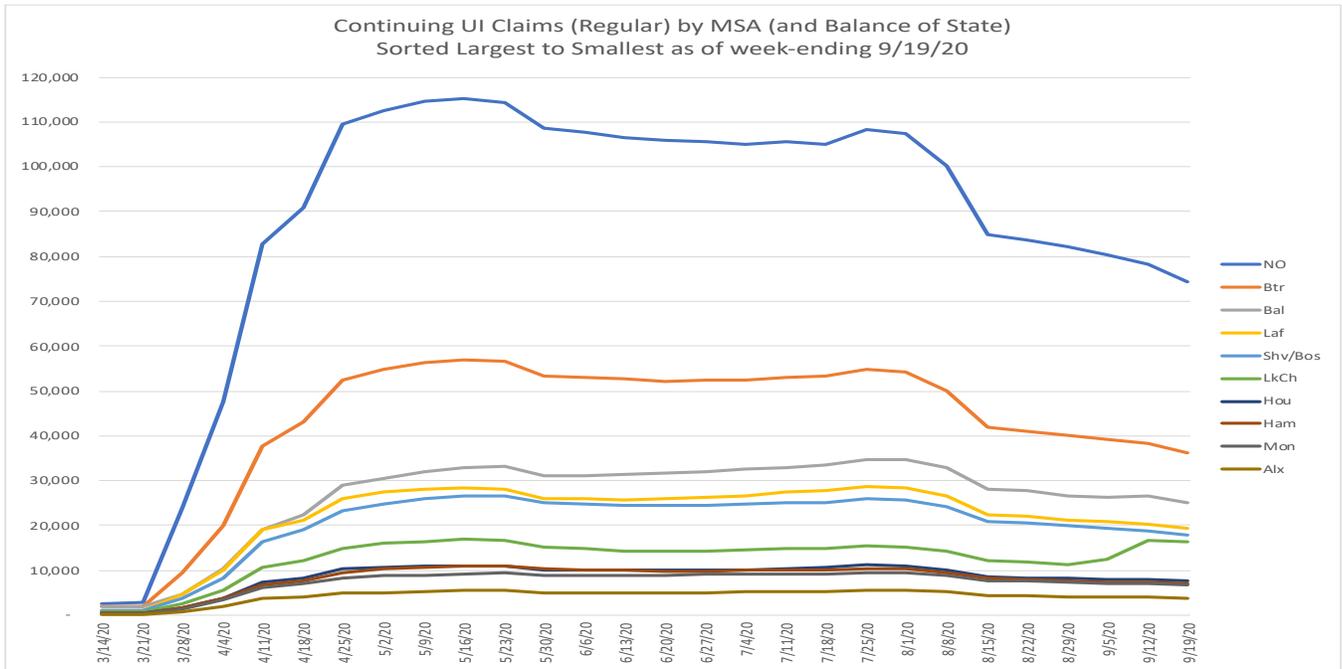


Graph 5 above depicts weekly regular continuing claims data across industries as a percentage of each industries' level of employment in the fourth quarter of 2019. Although improvement is apparent in recent weeks, high shares of pre-pandemic employment are still unemployed with continuing claims in the food & accommodation sector (26%); followed by 19% of the workers in the arts-entertainment-recreation sector, and 18% in other personal services and administrative support. Based on the headline regular continuing claims total, approximately 19% of the pre-pandemic employment is in continuing claims status. The stability of these claims over the last few months and across essentially all industries is evident in the graph, but consistent with the claims levels, the share of pre-pandemic industry employment in continuing claims unemployed status has only modestly declined over the past few weeks.

Current State of the Economy: Weekly Unemployment Claims

Week-Ending September 19, 2020

Continuing Claims Distribution Across Metro Areas – Graph 6

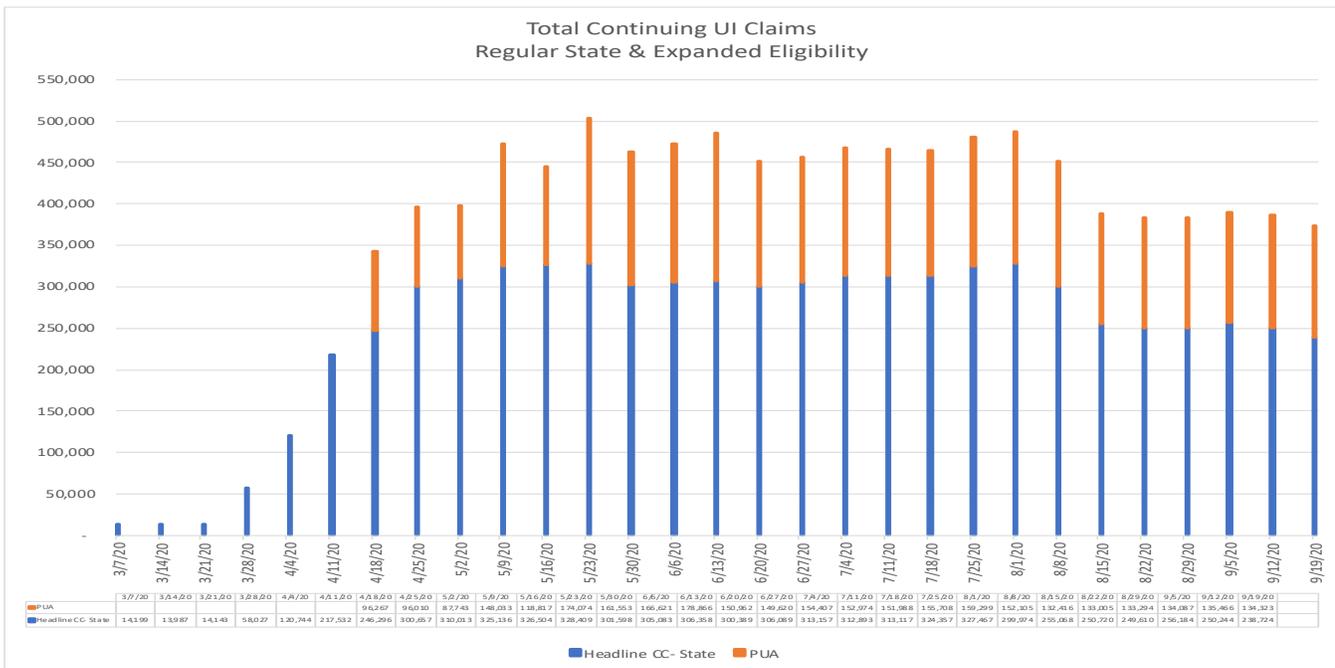


Graph 6 above depicts weekly regular continuing claims data across major metro areas of the state as well as the balance of the state⁸, from the week ending March 14, 2020 to the latest reported week. Continuing claims are heavily concentrated in the New Orleans metro area due to its employment concentration in tourism servicing sectors such as restaurants, hotels, and entertainment, which have been dramatically impacted by the fall off in tourist visits, social distancing, and economic shutdown policy responses. The disproportionate impact on the New Orleans area is highlighted by the fact that the Baton Rouge area is the next hardest hit, but with roughly only half the continuing claims of the Orleans area. The impact on all areas of the state follow a similar path, and are ranked by size of impact largely consistent with their rank by size of employment. Claims have been relatively stable for much of this period after having stepped down off their peak levels across all areas. The last few weeks have exhibited modest improvement across all metros except Lake Charles, although claims remain highly elevated relative to the pre-pandemic period, with multiples to pre-pandemic ranging from 13 to 28. The effect of Hurricane Laura is evident in the turn up in continuing claims in the Lake Charles metro area and, while not depicted, a sharp jump up in initial claims after the storm in that metro, as well.

⁸ Claims by parish are aggregated into totals for the parishes that constitute metropolitan statistical areas (MSA) as defined by the U.S. Office of Management and Budget (OMB). Thirty parishes are not in OMB defined MSAs, and are aggregated here as Balance of the state.

Current State of the Economy: Weekly Unemployment Claims Week-Ending September 19, 2020

Continuing Claims: Regular + Expanded Eligibility - Graph 7



Graph 7 above depicts weekly regular continuing claims and claims attributable to the expanded eligibility provided for the pandemic event⁹. Regular continuing claims are depicted from the week-ending March 7, 2020, and Pandemic Unemployment Assistance (PUA) claims by the newly expanded eligible workers began being reported in continuing claims with the week-ending April 18, 2020. As evidenced in the graph, regular continuing claims had stabilized at around 300,000 per week from late-April to early August, while PUA claims stabilized around an additional 150,000 per week; resulting in total continuing claims of around 450,000 per week over this period. A drop off in both claims categories has become apparent in the last few weeks, with regular claims near 250,000 and PUA claims near 135,000, for a total of about 385,000. While down from the level experienced for most of the weeks since the onset of the pandemic, continuing claims appear to have settled near this level for the last few weeks.

The unemployment represented by the PUA claims depicted above has always existed over the business cycle, but has not been quantified through unemployment insurance/assistance claims in the past. Thus, the combined claim counts today cannot be fairly compared to claims counts in the past¹⁰. These additional claims counts are available today in

⁹ Expanded eligibility for unemployment insurance benefits is provided by the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Act extended pandemic unemployment assistance to the self-employed, freelancers, independent contractors and other workers not eligible for regular state unemployment assistance. These claims are reported separately in the aggregate, but not by industry of employment.

¹⁰ Note that the initial and continuing claims counts in the first two graphs of this brief do not include the expanded eligibility (PUA) claims being reported today to avoid distorting the historical comparisons provided by those first two graphs.

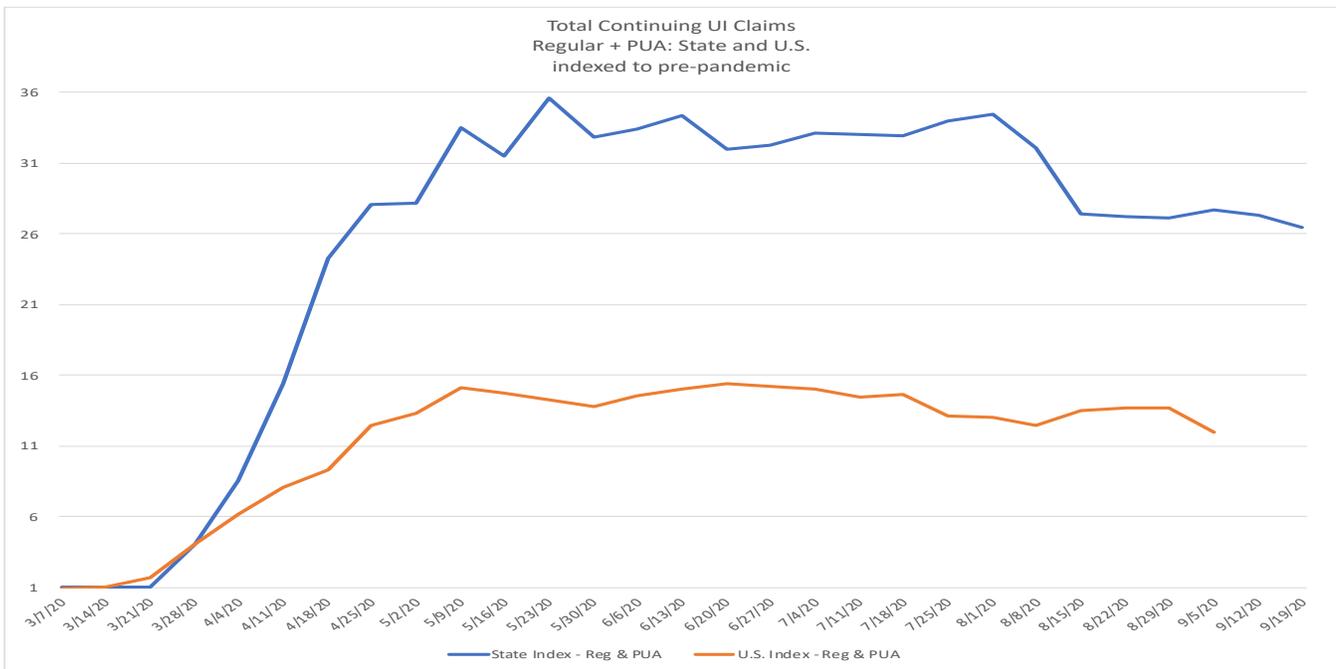
Current State of the Economy: Weekly Unemployment Claims Week-Ending September 19, 2020

response to the pandemic event, however, and help to establish the severity of the current event. While not provided by industry or geographical area, it is likely that much of the PUA unemployment is occurring in industries related to tourism and embodying much social interaction, as well as occurring in the metro areas, especially the Orleans area, where those industries and occupations concentrate. In addition, through July, these claimants received federally provided Pandemic Unemployment Compensation of \$600 per week, as did traditional regular state unemployment claimants. Thus, the number of these claims provides insight into the magnitude of unemployment assistance support being provide to the economy during this pandemic economic crisis. Based on the drawdown of the state's regular unemployment assistance trust fund and the supplemental federal support, this assistance was approximately \$1.3 billion per month to households in the state. The \$600 per week supplemental assistance expired with the last week of July, although some continuation of this support is currently being debated at the federal level. As of this writing, continued federal supplemental support of \$300 per week is occurring for roughly three-quarters of these claimants, with initial payments retroactive to August 1. While continuation of income support is a welcome development, it still represents a reduction in support to the economy of more \$500 million per month, and the length of time that this new tranche of support is available was very short, having essentially expired by early September. It should be noted here that there has been evidence reported in some states of PUA claims counts, in particular, being overstated due to double-counting and fraudulent claims. The rapid ramp up of the federal support program and the extraordinary influx of regular claims overwhelmed unemployment insurance systems across the country. As those issues have been addressed, claims counts should fall off somewhat and become more accurate.

Concern has been expressed that the \$600/week supplemental support of the federal policy response, by itself and/or in combination with regular state benefits, may provide an incentive for workers to stay unemployed rather than take employment opportunities that come available as the economy struggles through the pandemic event. While anecdotal instances of this can surely be found, a widespread effect would require aggregate demand in the economy to be sufficient to employ these workers, and that level of demand has yet to be exhibited. In addition, this level of federal income support was available only through July, although continuation of this support at a diminished level of one-half was continued through early September. It is not clear at this point whether a substantial drop in continuing claims will occur with the availability of the diminished level of support and/or with its expiration. The economy will still be struggling through the recovery, and rapid re-employment of these workers seems unlikely. Thus, even the drop of continuing claims exhibited in the weeks after July may not provide the rule-of-thumb indication that hiring is rising. The high frequency weekly assessment of the state of the labor market and economy in general that claims data provides will have to be supplemented with the monthly assessment of establishment and household employment surveys. In fact, monthly employment data indicates material add-back during the months of May through August of employment losses in March and April, even in the severely impacted sectors of food & accommodation and retail trade. This data is difficult to reconcile with continuing unemployment claims data which had shown stability at very elevated levels over the same May through August months, even with regard to the regular claims category.

Current State of the Economy: Weekly Unemployment Claims Week-Ending September 19, 2020

Continuing Claims: Regular + Expanded Eligibility, La and U.S. – Graph 8



Finally, graph 8 above depicts weekly regular continuing claims and claims attributable to expanded eligibility for both the state and the nation as a whole. Both series have been indexed to their pre-pandemic periods such that the value at each week reflects how many multiples of the pre-pandemic level is each week’s claims count. For example, for the week ending September 19, total continuing claims in Louisiana were some 26 times larger than pre-pandemic claims. For the latest available U.S. week (week ending September 5), total continuing claims in the U.S. as a whole were 12 times larger than pre-pandemic claims. In terms of total continuing unemployment insurance claims, this graph makes clear the disproportionate impact of the coronavirus event on Louisiana relative to the impact on the U.S. as a whole, as to both the speed at which unemployment occurred and the level of unemployment. The concentration of tourism, trade, and oil & gas related industries and occupations in the state has resulted in a significantly more severe impact on the state than on the U.S. as a whole. In fact, in a ranking of claims as a percentage of the labor force, Louisiana has recently ranked in the 6th highest position, exceeded only by Nevada, New York, California, the District of Columbia, and Hawaii.