

Economic Outlook

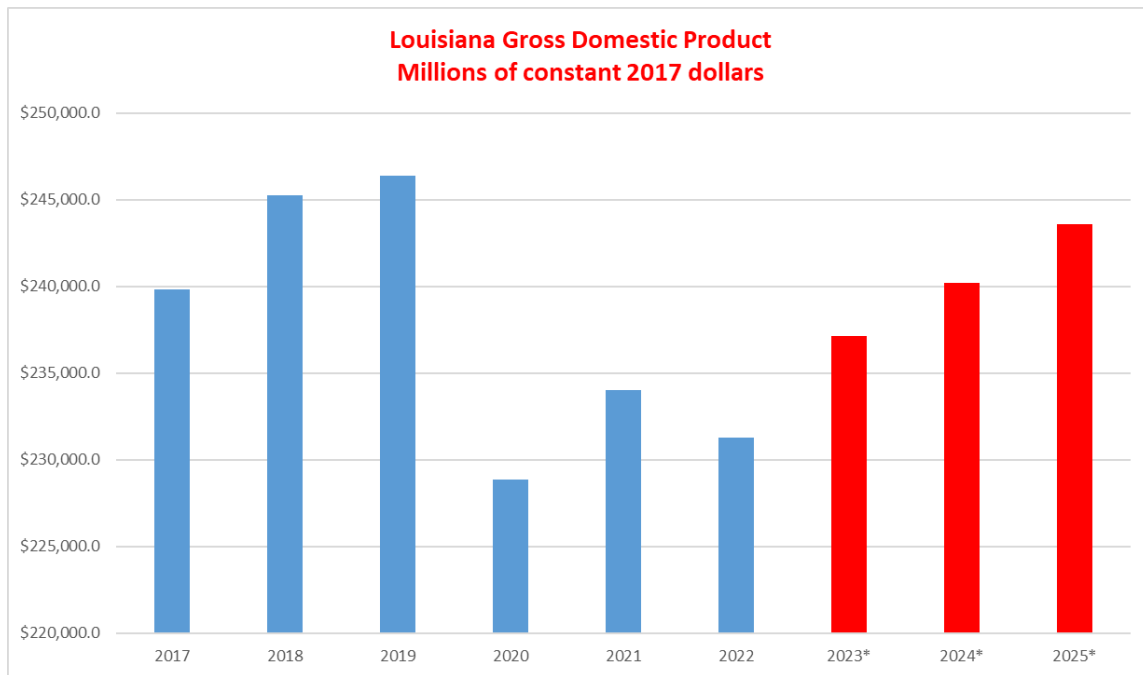
Louisiana Production & Income

Louisiana Gross Domestic Product

In millions of constant 2017 dollars				Forecast		
	2020	2021	2022	2023*	2024*	2025*
Louisiana Real GDP	\$228,825.3	\$234,014.4	\$231,262.3	\$237,152.2	\$240,182.4	\$243,554.7
Growth rate	-7.1%	2.3%	-1.2%	2.5%	1.3%	1.4%

*Forecast by Moody's Analytics

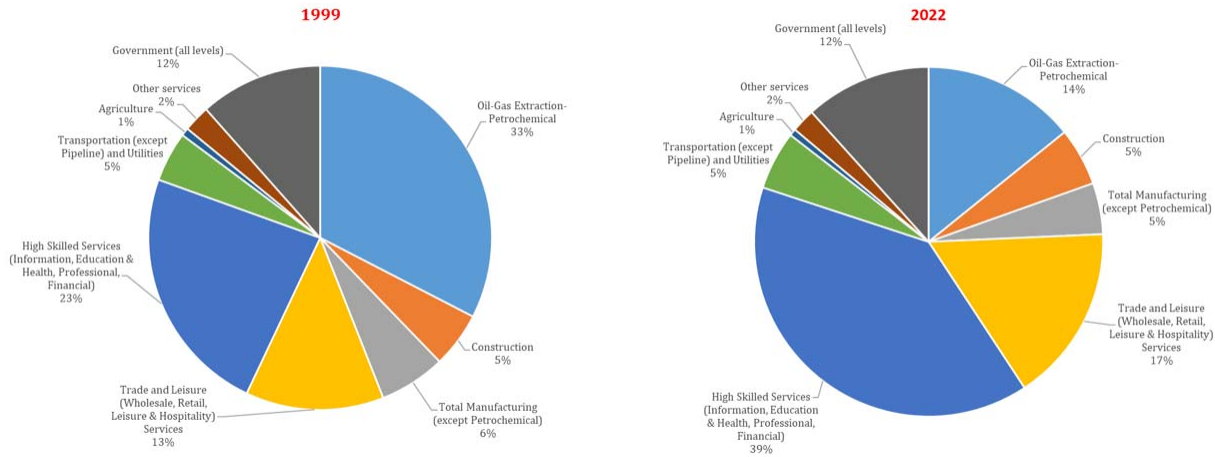
Louisiana Real Gross Domestic Product (as measured in constant 2017 dollars) reached \$231.3 billion in 2022, which is a small reduction from the year before (by 1.2%). [By the end of 2023, the Bureau of Economic Analysis changed the base year for real values – from 2012 to 2017. This is why the absolute numbers will differ from previous write-ups.] In 2020, Louisiana real GDP had fallen 7.1% - the reason for this decrease was the pandemic, which officially started in March 2020. The pandemic and the lockdowns and temporary closures of businesses it entailed caused economic activity to plummet nationwide. Louisiana was not immune to such decrease. In 2021, the Louisiana economy recovered slightly, but the following year real GDP suffered a small reduction. Moody's Analytics forecasts that in the following three years, the economy in Louisiana should recover steadily, albeit with a moderate or low growth rate.



The following chart shows the composition of Louisiana Real GDP, and noting its evolution over the last few years.



Louisiana Gross Domestic Product Composition



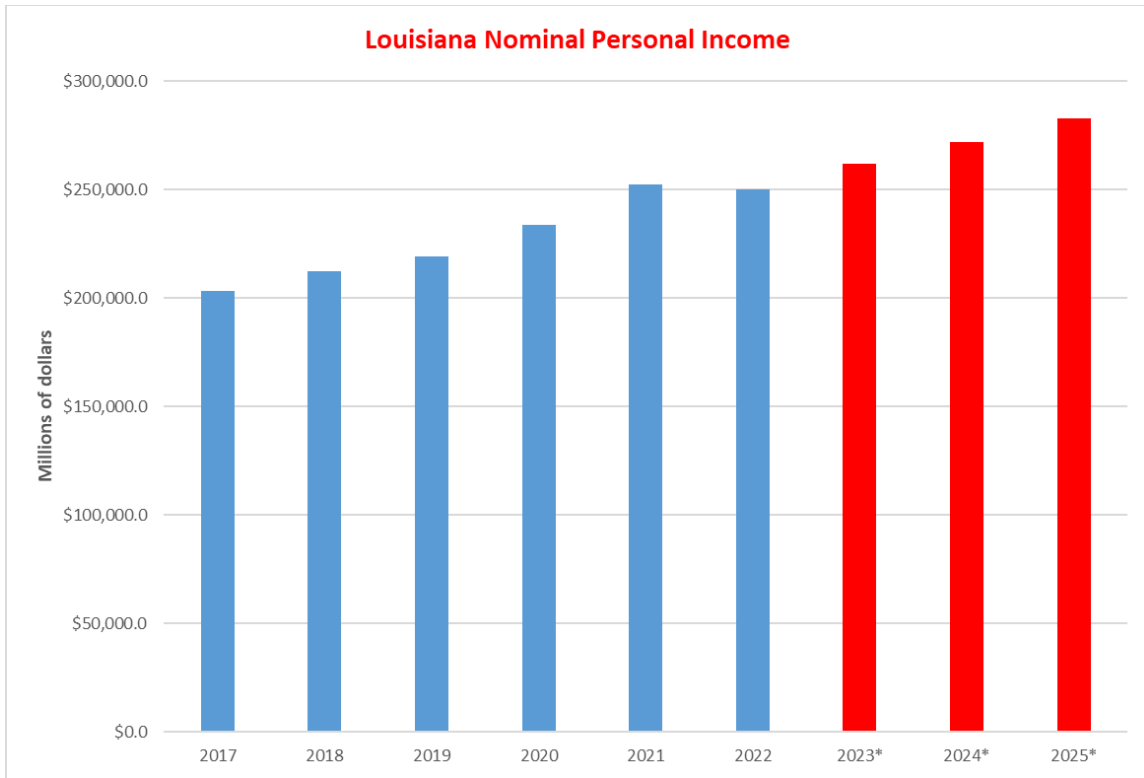
The above pie charts show the evolution of Louisiana Real GDP over the span of about twenty-three years. What stands out is the contraction of the Oil/Gas/Petrochemical sector. In 1999, this sector covered about one-third of Louisiana’s Gross Domestic Product. In 2022, the last full year of data available, this share had shrunk to less than a fifth. This must mean that other sectors in the economy have expanded in their share. The sector of most expansion is the so-called “high skilled” sector – encompassing Education & Health, Professional Services, Information, and the Financial sectors. In 1999 the share of this super-sector was about 23% of GDP, and it expanded to about 39%. The Trade & Leisure super-sector (Wholesale and Retail Trade, and Leisure & Hospitality sectors) also expanded significantly, from 13% to 17% of overall GDP.

Louisiana Personal Income

In millions of dollars	Historical			Forecast		
	2020	2021	2022	2023*	2024*	2025*
Louisiana Nominal Personal Income	\$233,715.0	\$252,319.2	\$250,170.6	\$261,985.3	\$271,812.3	\$282,656.9
Growth rate	6.6%	8.0%	-0.9%	4.7%	3.8%	4.0%

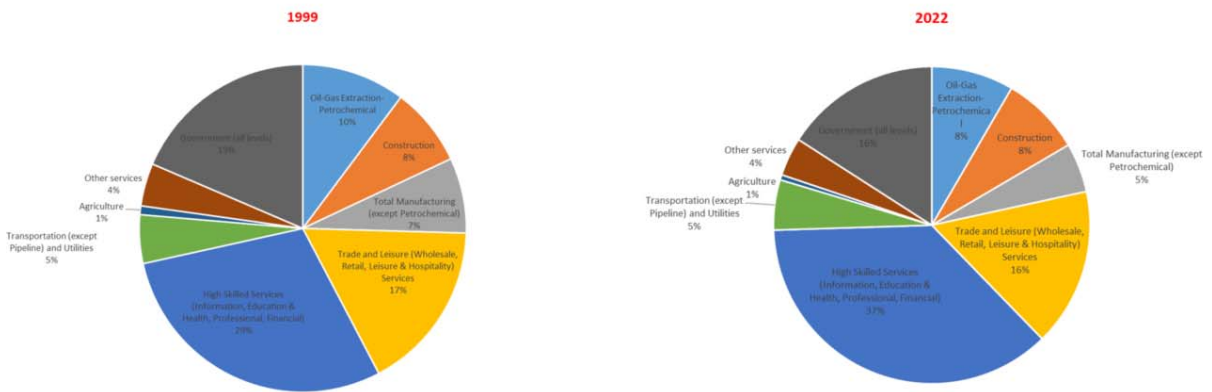
Louisiana nominal (current dollar) Personal Income has seen significant increases over the last few years. (Unfortunately, there are no good data on real Personal Income.) In 2019, it rose 3.4%, in 2020 (year of the pandemic) it increased by 6.6%, and by 8% the following year. The upturns in 2020 and 2021 are explained by significant increases in Transfer Receipts, mostly from the federal government (CARES Act in 2020, ARPA Act in 2021). In 2022, Louisiana Personal Income stagnated, showing a slight decrease. Moody’s Analytics forecasts healthy increases for the following three years.





As with Real GDP above, the pie charts below show the evolution of (nominal) Personal Income over the last few years.

Louisiana Personal Income Composition



In 1999, the Oil/Gas/Petrochemical sector covered a share of about 10% of Personal Income. By 2022 it shrank to 8%. The “high skilled” super-sector (Education & Health, Professional, Information and Financial) expanded from 29% to 37%. Interestingly, the Government sector (at all levels) reduced its share by 3 percentage points, from 19% to 16%.

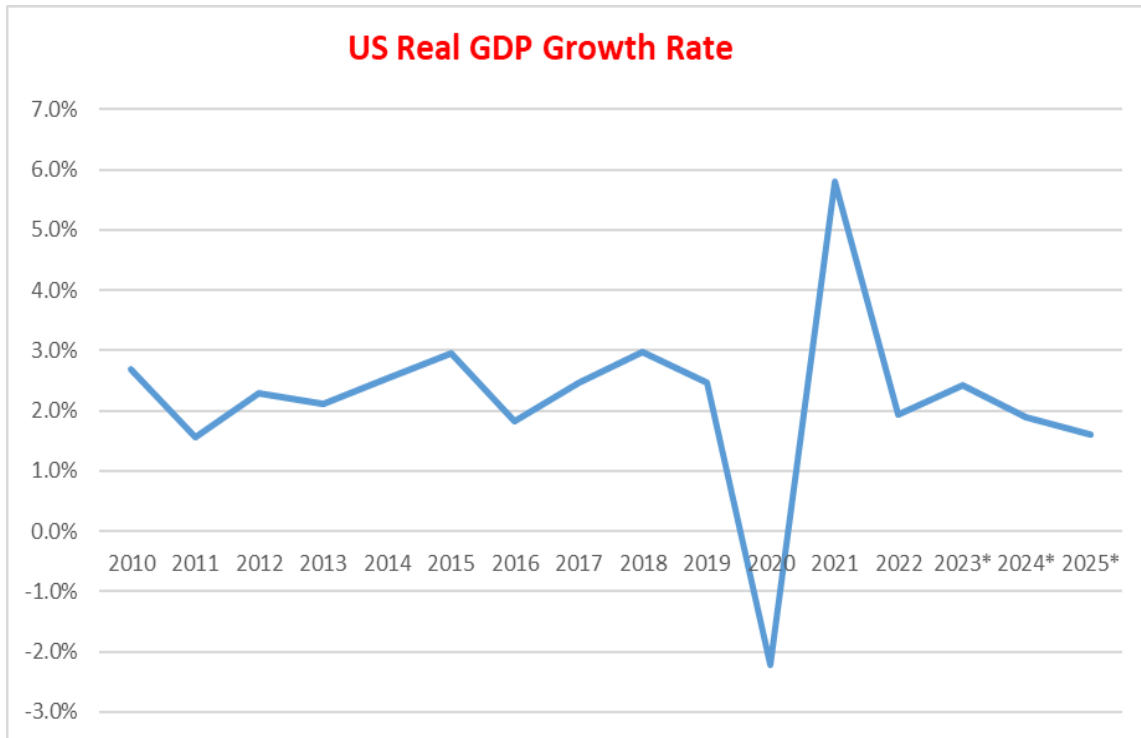


US Real GDP

In billions of constant 2017 dollars	2020	2021	2022	Forecast -----		
				2023*	2024*	2025*
US Real GDP	\$20,234.1	\$21,407.7	\$21,822.0	\$22,349.4	\$22,774.2	\$23,141.7
Growth rate	-2.2%	5.8%	1.9%	2.4%	1.9%	1.6%

*Forecast by Moody's Analytics

In the decade of the 2010s, US Real GDP grew at a steady pace between 2% and 3%, depending on the year. When the global pandemic hit, and thus businesses had to close and economic activity came to a halt, the growth rate fell significantly into negative territory, to -2.2%. However, the following year it rebounded quickly, reaching a healthy growth rate of almost 6%. The recovery continued in 2022, albeit at a slower pace. Moody's Analytics forecasts that for 2023 the growth rate for US Real GDP will be 2.4%, slow down to 1.9% in 2024, and fall even further to 1.6% in 2025. Thus, as of this writing, Moody's Analytics does not forecast a recession for 2024, but a soft economy with low growth.



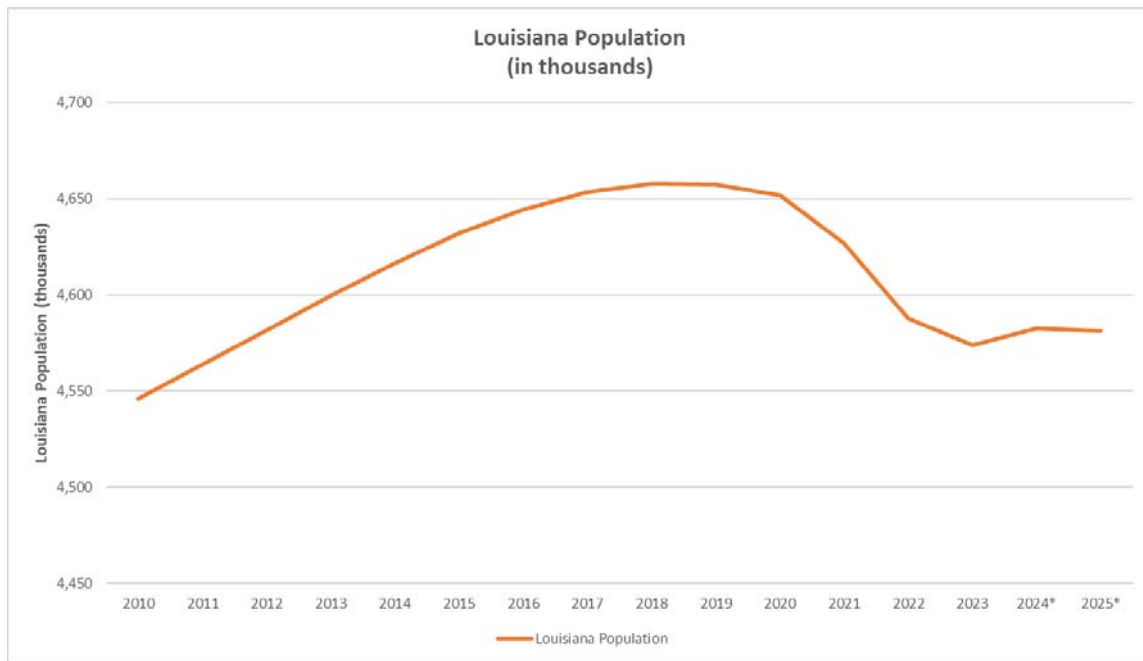
Population, Labor Force and Employment

Louisiana Population

	2020	2021	2022	2023	Forecast -----	
Louisiana Population	4,652,022	4,627,047	4,588,023	4,573,749	4,582,559	4,581,341
Growth rate	-0.1%	-0.5%	-0.8%	-0.3%	0.2%	0.0%

*Forecast by Moody's Analytics

Louisiana population had been increasing steadily in the years after Hurricane Katrina. It reached a peak of almost 4.7 million in 2018. In the years after, it started to decrease on average between 0.2% and 0.3% per year. The latest data available from the US Bureau of the Census (as of July 1, 2023) put the total population of the state at 4.57 million. Moody's Analytics forecasts population staying constant for the next few years.



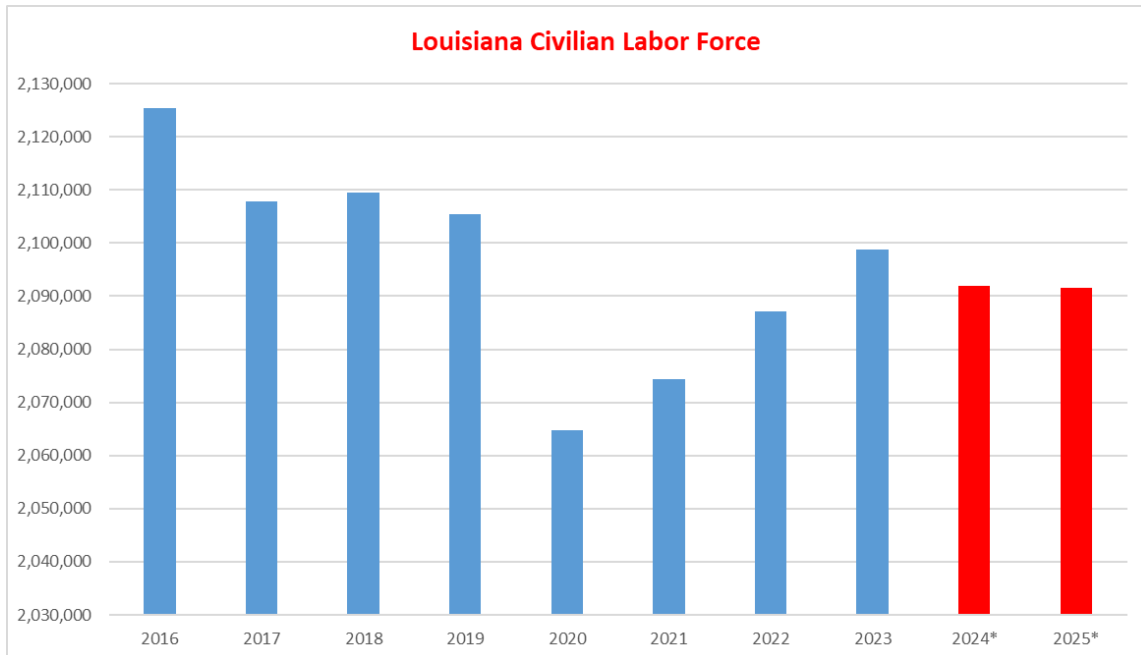
Louisiana Civilian Labor Force

	2020	2021	2022	2023	Forecast -----	
Louisiana Labor Force	2,064,665	2,074,420	2,087,137	2,098,724	2,091,901	2,091,491
Growth rate	-1.9%	0.5%	0.6%	0.6%	-0.3%	0.0%

*Forecast by Moody's Analytics



The labor force includes all people age 16 and older who are classified as either employed or unemployed. Conceptually, the labor force level is the number of people who are either working or actively looking for work. In the years after Hurricane Katrina, the labor force in Louisiana hovered around 2.1 million people. It reached a peak in 2015, with 2.16 million, and in the years since, it fell again to its norm of 2.1 million. The global pandemic that hit in 2020 caused the labor force to fall significantly to about 2.06 million. In the following years 2021 and 2022 the labor force continued recovering slowly, reaching almost 2.09 million. The last year of full data, 2023, the labor force increased further reaching almost 2.1 million. Moody’s Analytics forecasts a small reduction in the labor force for 2024 and holding steady the year after.



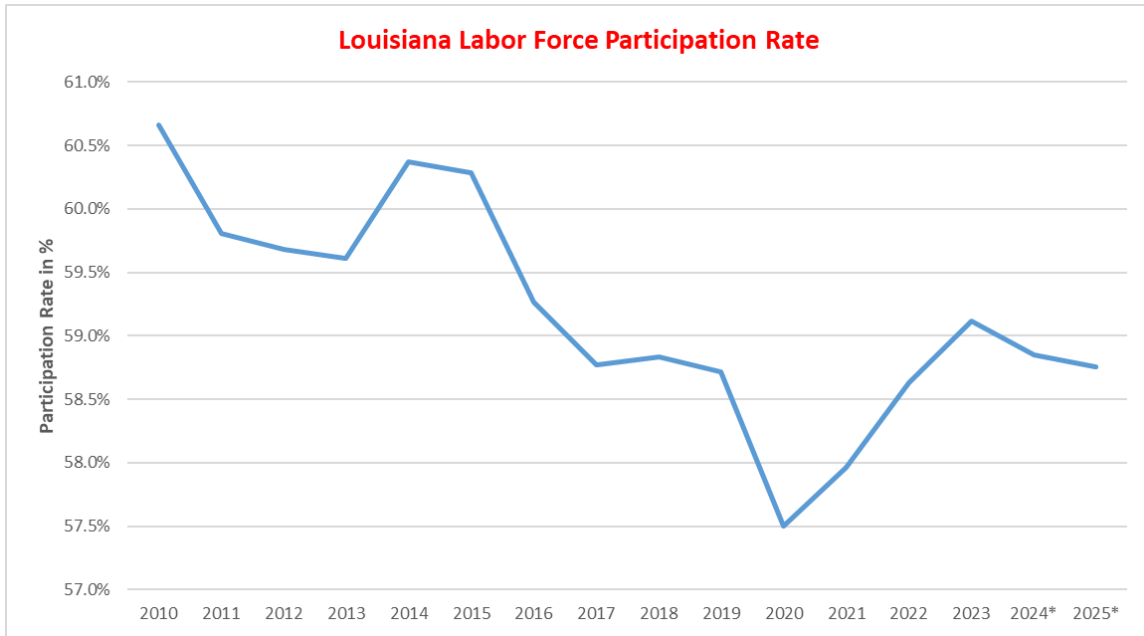
Labor Force Participation Rate

	2020	2021	2022	2023	Forecast -----	
LA Labor Participation Rate	57.5%	58.0%	58.6%	59.1%	2024* 58.9%	2025* 58.8%
*Forecast by Moody's Analytics						

The labor force participation rate represents the number of people in the labor force as a percentage of the civilian non-institutional population. [The civilian non-institutional population age 16 and older is the base population group considered by the Bureau of Labor Statistics. It excludes people in the Armed Forces, people in jail and in residential care facilities.]

The labor force participation rate in Louisiana has been decreasing gradually in the decade of the 2010s (with a brief exception in the middle of the decade). In the year before the pandemic, 2019, it reached a low of 58.8%. The pandemic, of course, did not help, causing the participation rate to fall even further. In 2021 and 2022, it was 58.0% and 58.6% respectively, reaching 59.1% in 2023. Moody’s Analytics forecasts a small reduction for 2024 and holding steady the year after.



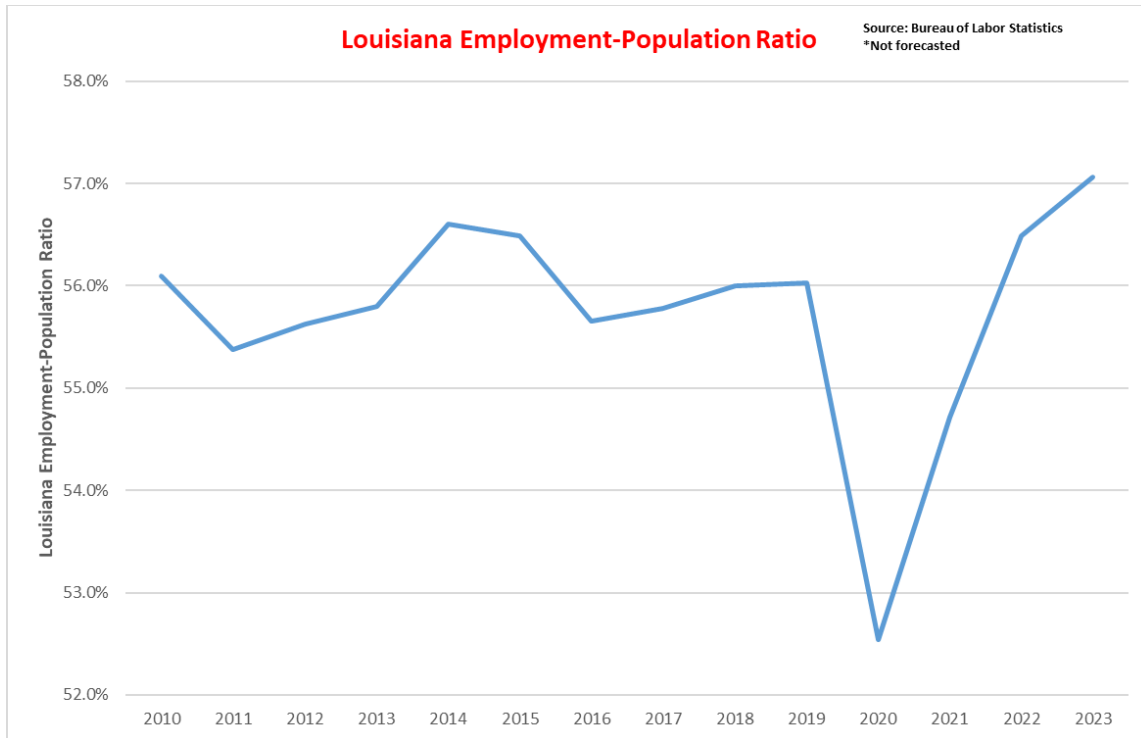


Louisiana Employment-Population Ratio

	2020	2021	2022	2023	Forecast -----	
					2024*	2025*
LA Employment Population Ratio	52.5%	54.7%	56.5%	57.1%	n/a	n/a

The employment-population ratio embodies the number of employed people as a percentage of the civilian non-institutional population. In other words, it is the percentage of the population that is currently working. The employment-population ratio, because it is unaffected by voluntary changes in labor force participation, is a useful indicator of current labor market conditions. For Louisiana it hovered around 56% for most of the 2010 decade, until the global pandemic hit. In 2020 it fell to a low of 52.5%, but recovered, and even surpassed, its previous level by 2023. This statistic is not forecast by Moody’s Analytics.





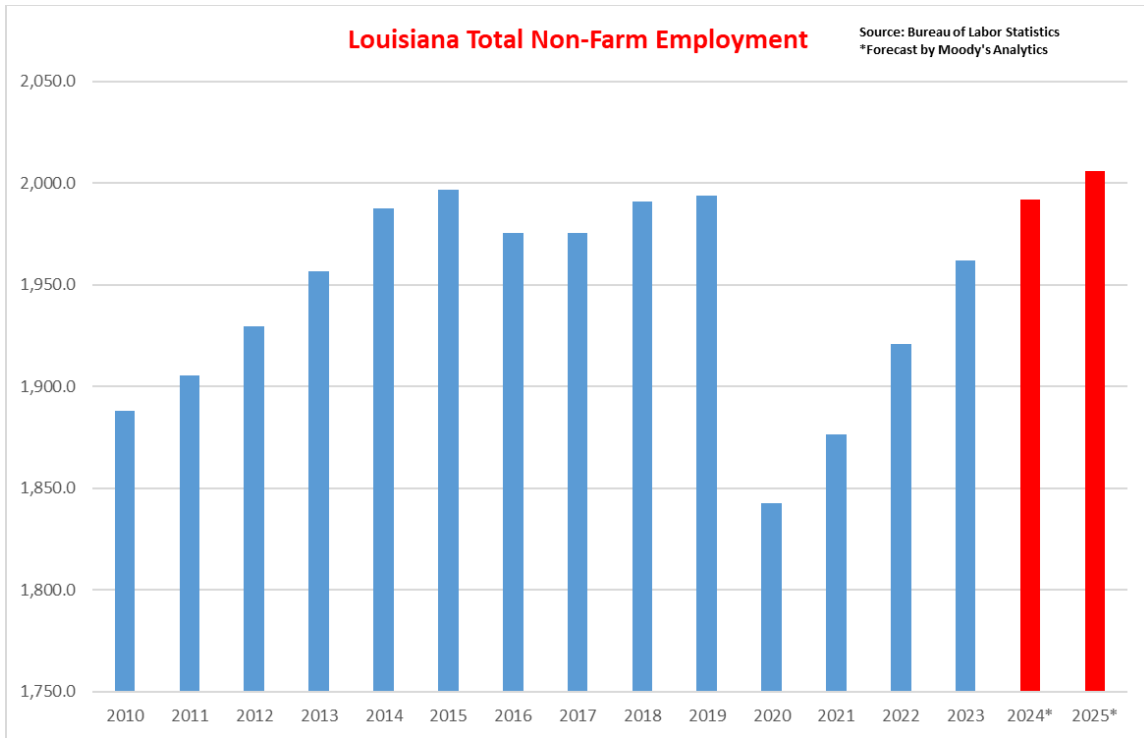
Louisiana Employment

	2020	2021	2022	2023	Forecast	
					2024*	2025*
Louisiana Employment	1,842,800	1,876,642	1,921,067	1,961,942	1,991,782	2,005,940
Growth rate	-7.6%	1.8%	2.4%	2.1%	1.5%	0.7%

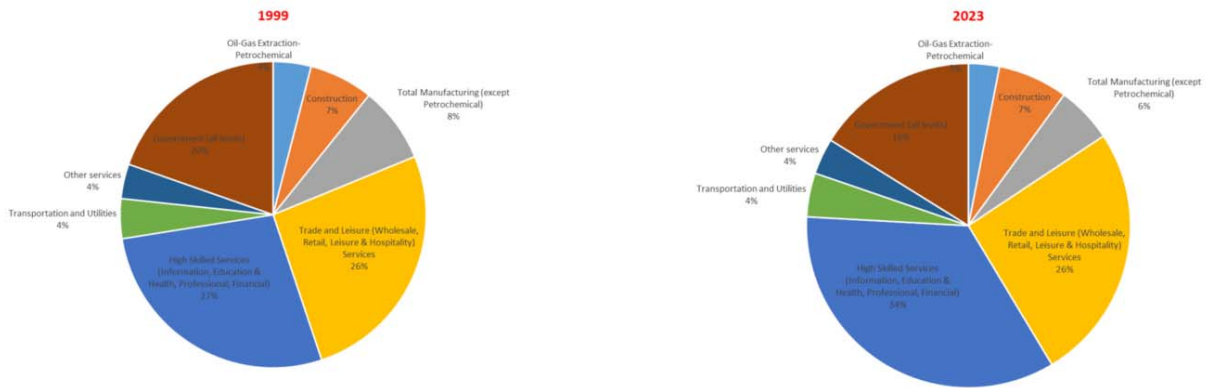
*Forecast by Moody's Analytics

Louisiana total non-farm employment, as measured by the Bureau of Labor Statistics' Establishment survey, increased steadily from 2010 until 2015. After that year, it hovered right under two million people employed. This employment level was abruptly interrupted by the COVID-19 pandemic's emergence in March 2020, when widespread unemployment developed in the state, and across the globe. State employment fell suddenly, from a February 2020 peak of 1.99 million jobs to an April 2020 low of 1.7 million jobs, a loss of almost 284,000 jobs, or 14.2%. The most affected sectors were Leisure & Hospitality and Arts & Entertainment, sectors that depend on tourism (which dropped almost to zero) and have many independent businesses that had to reduce activity or shut down. As of December 2023, State employment stood at 1.974 million, 99.0% of the pre-COVID-19 peak and a recovery of 265,300 jobs from the April 2020 low. Moody's Analytics forecasts an employment level of 1.99 million for 2024 and reaching 2.0 million in 2025.





Louisiana Employment Composition



Over the last twenty-plus years Louisiana employment gradually shifted toward a service oriented economy. Trade & Leisure and the high skilled sectors took about 53% of employment in 1999. By 2023 these two super sectors only had a share of 60%, with the high skilled super sector expanding its stake. Government employment (at all levels) shrank by four percentage points (from 20% to 16%) and Total Manufacturing (except Petrochemical) also saw its fraction reduced from 8% to 6%.

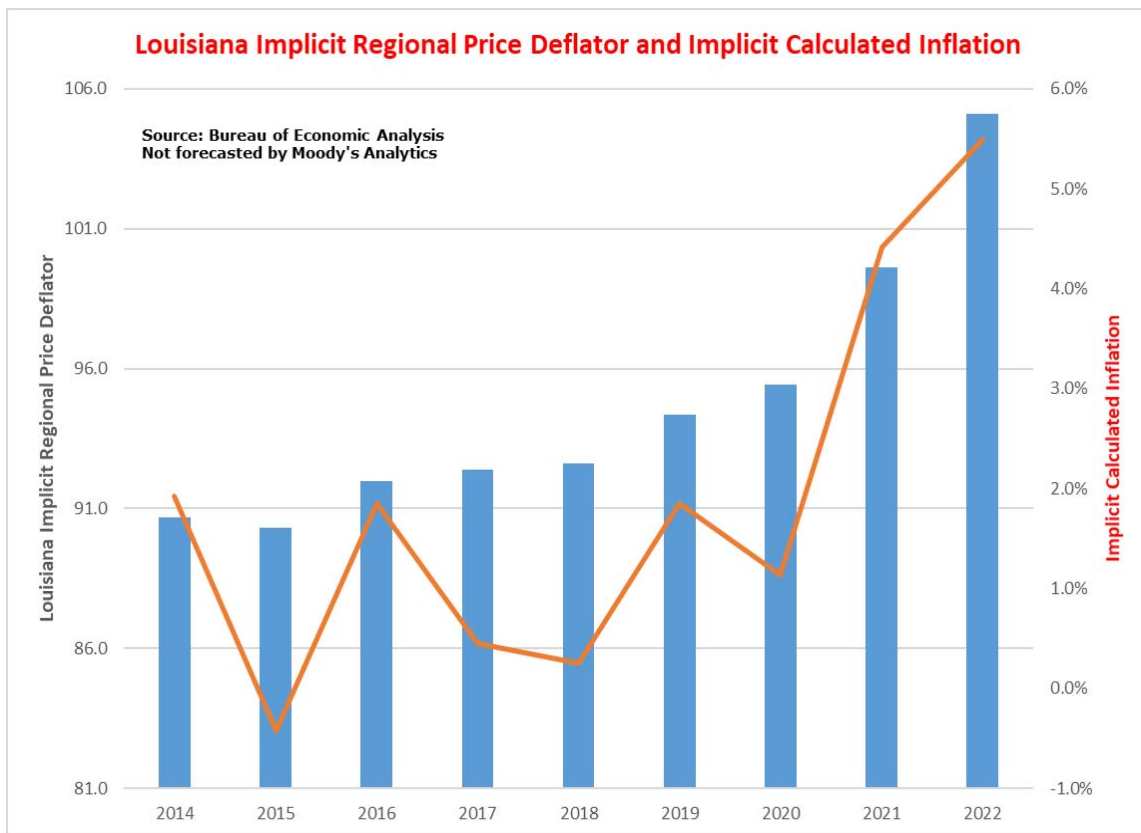


Prices

Implicit Regional Price Deflator

Unfortunately, there are no good price index statistics for states (and thus, for Louisiana). Most of the price indices provided by the federal government are calculated nationwide only. However, the Bureau of Economic Analysis provides a regional (state) price index. This index, called the Implicit Regional Price Deflator, is computed for each state. The growth rate, or year-to-year change in the Implicit Regional Price Deflators, is a measure of regional inflation. The Price Deflator is provided once a year in December. This means that the Deflator for 2023 has not been published yet.

The chart below shows the Price Deflator level and growth rate for the state of Louisiana. According to this measure, inflation was between 1% and 2% in the previous decade, but then, in the last year of available data, 2022, it shot up to 5.5%. This is consistent with the fact that, in that year, the US inflation rate accelerated significantly, as shown below.

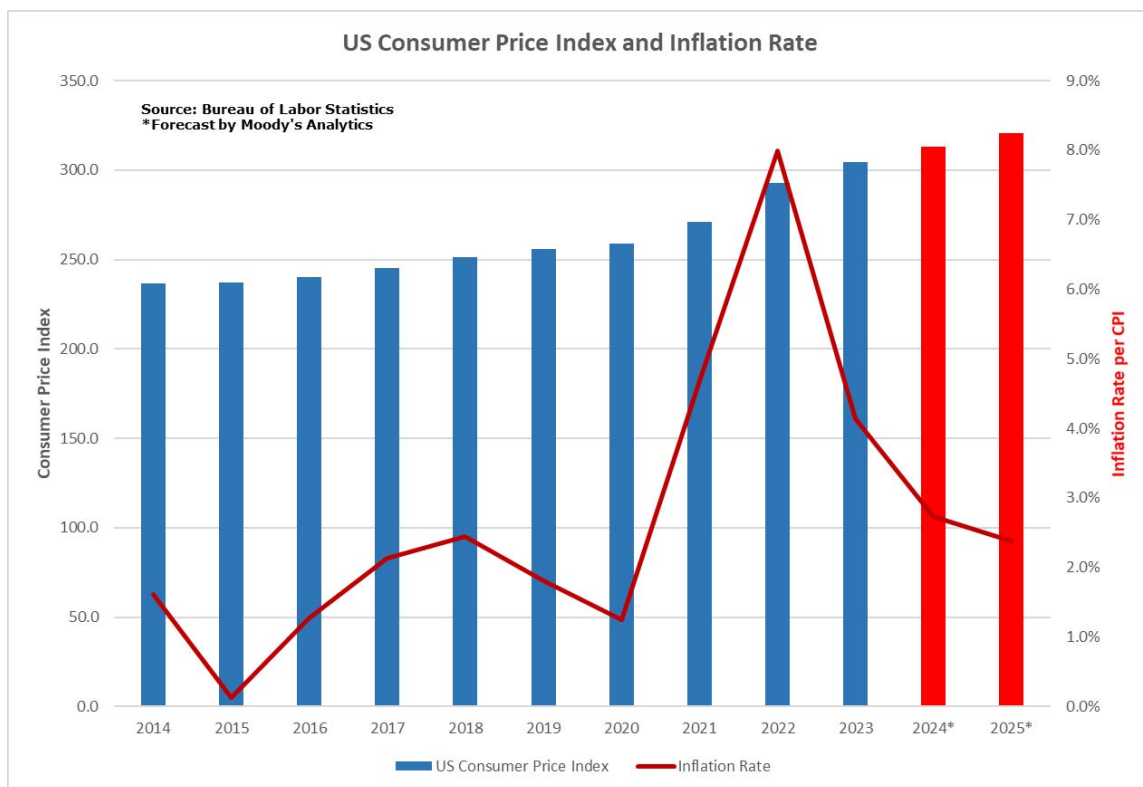


US Consumer Price Index

Base Year: 1982-84=100						Forecast -----	
	2020	2021	2022	2023	2024*	2025*	
US Consumer Price Index	258.9	271.0	292.6	304.7	313.0	320.5	
Growth rate	1.3%	4.7%	8.0%	4.1%	2.7%	2.4%	

*Forecast by Moody's Analytics

One index that is widely followed to measure inflation is the US Consumer Price Index for all urban areas, produced by the Bureau of Labor Statistics. The inflation rate (changes in the index) fluctuated between 1% and 2% throughout the 2010 decade. In 2020, the inflation rate was 1.3%. The following year, 2021, it increased notably to 4.7%, almost doubling to 8% in 2022. Last year it, as a consequence of the tightening of monetary policy by the Federal Reserve, inflation moderated a bit to 4.1%. Moody's Analytics estimates inflation will moderate further to 2.7% in 2024 and 2.4% in 2025.



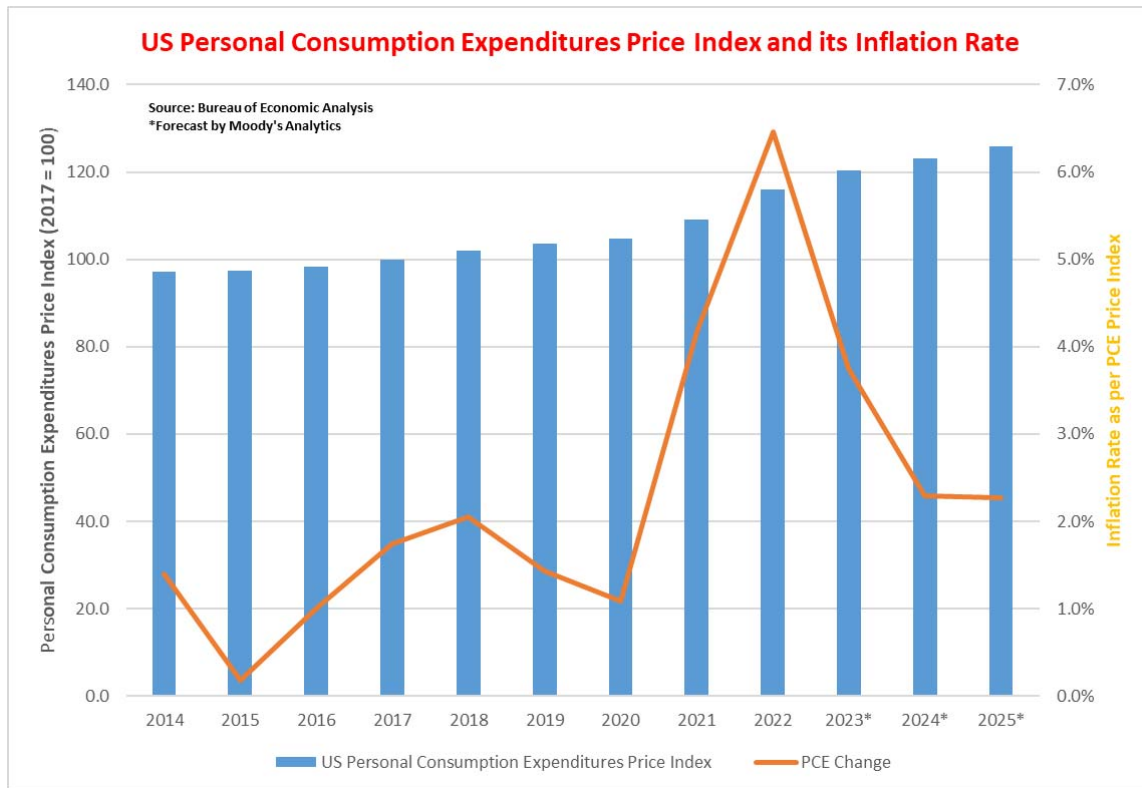
US Personal Consumption Expenditures Price Index

Base year: 2017=100	Forecast					
US Personal Consumption Expenditures Price Index	2020	2021	2022	2023*	2024*	2025*
Expenditures Price Index	104.6	109.0	116.0	120.4	123.2	126.0
Growth rate	1.1%	4.2%	6.5%	3.7%	2.3%	2.3%

*Forecast by Moody's Analytics

Another extensively used measure of the inflation rate is the change in the US Personal Consumption Expenditures Price Index (or PCE Index for short), as calculated by the Bureau of Economic Analysis. This is the preferred measure of the Federal Reserve to implement its monetary policy. It is also the index used by the Office of Planning & Budget whenever a measure of inflation is utilized. The PCE Index is a broader measure of inflation since it encompasses many more goods and services than the Consumer Price Index (and it is also calculated differently as the CPI).

Very similarly to the Consumer Price Index, the PCE Index rate of change hovered around 1% and 2% for most of the last decade. In 2021, it increased to 4.2% and in 2022 it increased even further to 6.5%. As of this writing, the Bureau of Economic Analysis has not released data for 2023. Moody's Analytics forecasts that the inflation rate based on this Index will be 3.7% in 2023, 2.3% in 2024 and 2.3% in 2025.



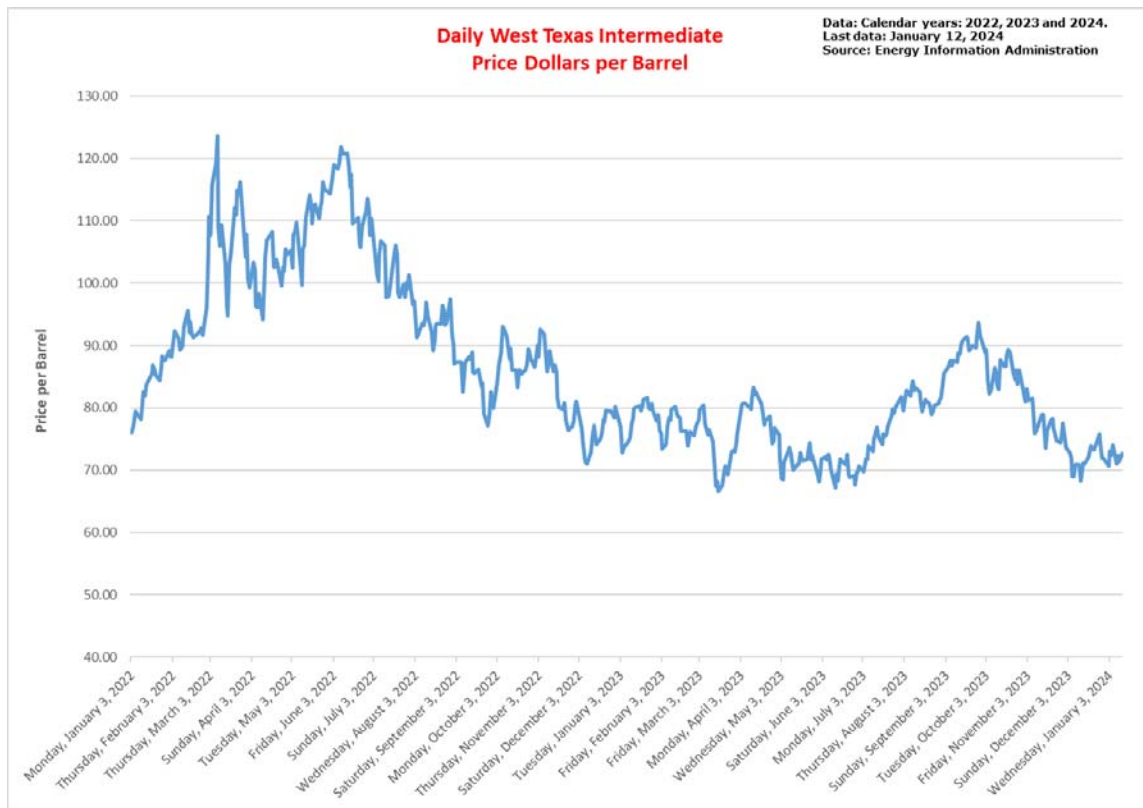
West Texas Intermediate (WTI) Oil Price

	FY2020-2021	FY2021-2022	FY2022-2023	FY2023-2024*	FY2024-2025*
WTI Oil Price Annual Average	\$50.60	\$87.78	\$81.48	\$78.24	\$76.08
*Forecast by REC					

Crude oil price continues to be an important focal point for policymakers in Louisiana. This is the reason why the Revenue Estimating Conference (REC) still adopts a projection of the oil price every time it revises the forecast.

The box above shows the fiscal year annual average of the West Texas Intermediate crude oil type, dollars per barrel. In Fiscal Year 2019-2020, the annual average was \$46.72. The following fiscal year, FY2020-2021, it increased to \$50.60. The following fiscal year, FY2021-2022, the average shot up to \$87.78 and for the fiscal year that just closed, the average price fell slightly to \$81.48. The chart below shows some detail for this increase. Of course, the war in Ukraine played a big role, as did production decisions by the Organization of Petroleum Exporting Countries (OPEC).

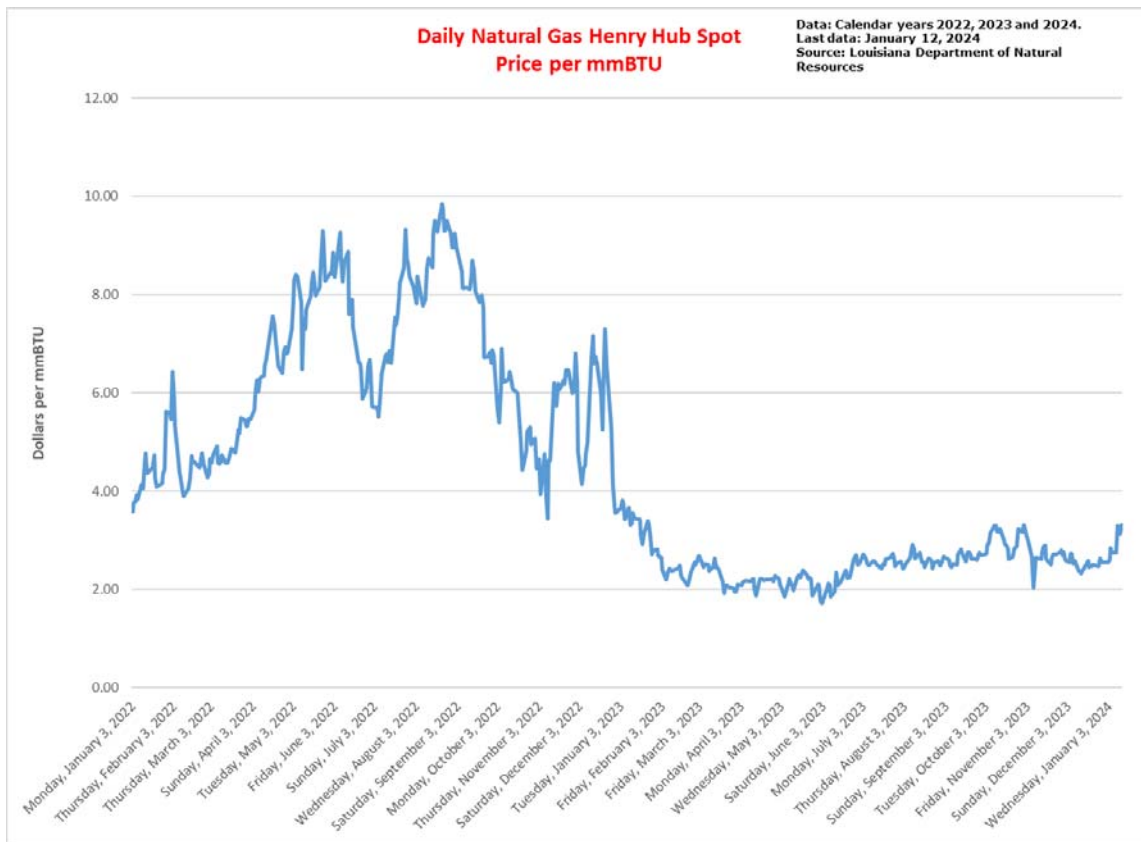
The latest Revenue Estimating Conference from December 15, 2023 adopted a forecast for the crude oil price for the current fiscal year FY2023-2024 of \$78.24 and for the ensuing fiscal year FY2024-2025 of \$76.08.



Henry Hub Natural Gas Spot Price

	FY2020-2021	FY2021-2022	FY2022-2023	FY2023-2024*	FY2024-2025*
Henry Hub Natural Gas Price	\$2.43	\$5.21	\$4.59	\$2.89	\$3.70
*Forecast by REC					

Another important price for Louisiana is the natural gas price, usually measured by the Henry Hub Spot price. A forecast for this price is also adopted by the Revenue Estimating Conference, which is why the box above shows annual averages by fiscal year. Throughout the 2010 decade, this price fluctuated around \$2 per million British Thermal Units (mmBTU), but with the war in Ukraine and the following threat of Russia to cut off natural gas supplies to Europe, this price increased significantly during the year 2022. During fiscal year FY2021-2022, the average price was \$5.21, falling to \$4.59 the following fiscal year. The REC adopted a forecast of \$2.89 for current fiscal year FY2023-2024 and \$3.70 for FY2024-2025.



Revenue

Taxes, Licenses and Fees

In millions of dollars	FY2020-2021	FY2021-2022	FY2022-2023	Forecast -----	
				FY2023-2024*	FY2024-2025*
Taxes, Licenses & Fees (TLF)	\$13,232.6	\$15,602.4	\$16,656.9	\$15,547.1	\$15,599.0
Dedications	\$2,792.7	\$3,867.5	\$4,226.3	\$3,557.3	\$3,607.7
State General Fund (SGF)	\$10,439.8	\$11,734.9	\$12,430.6	\$11,989.8	\$11,991.3

Revenue Summary

Fiscal Year 2022 – 2023

FY2022-2023 saw a significant increase in revenue collections as measured by Taxes, Licenses & Fees (TLF), compared to FY2021-2022. This broad measure tracked by the Revenue Estimating Conference (REC) increased by 6.8%. In addition, Statutory Dedications rose by 9.3% compared to the previous fiscal year. The State General Fund collection increased by 5.9%.

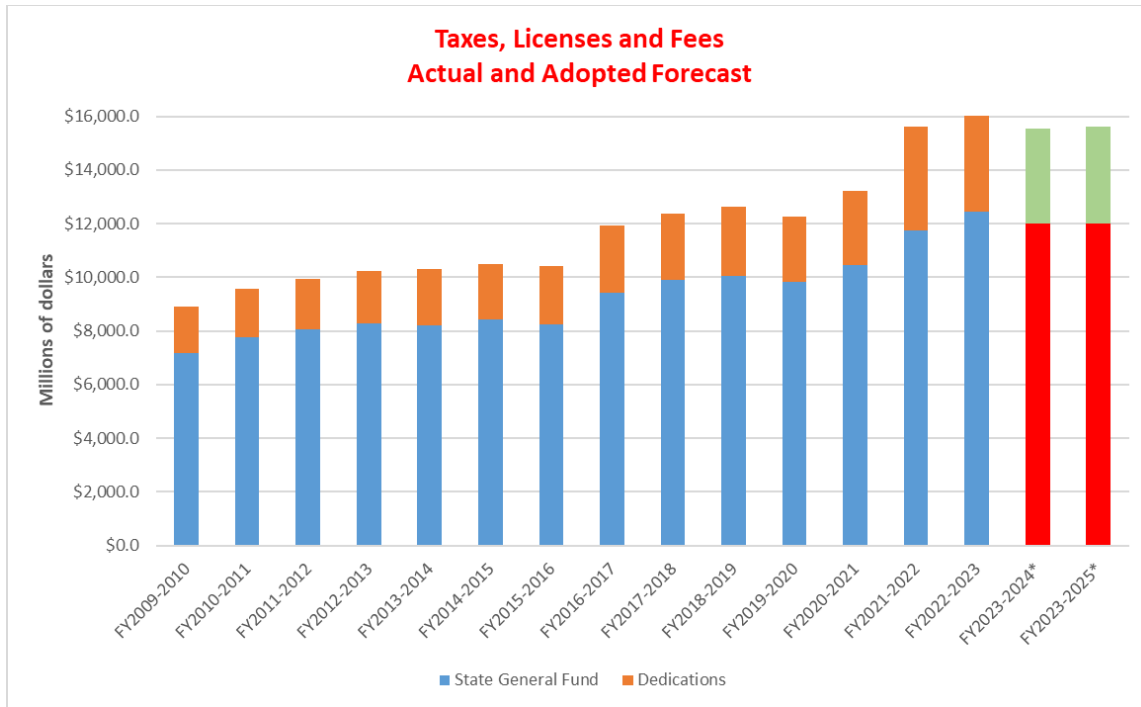
Fiscal Year 2023 – 2024

The Revenue Estimating Conference met December 14, 2023 and adopted a forecast for Taxes, Licenses & Fees for FY2023-2024 that is about \$1,109.8 million lower than the actual collections in FY2022-2023. The reason for decrease is a highly prudential approach to the prospective revenue collection. The overall economy may enter into a slowdown, with a resultant effect on revenues. Thus, the REC adopted a very prudent forecast. The State General Fund is forecast to decrease by \$440.8 million, compared to the actual collection in FY2022-2023.

Fiscal Year 2024 – 2025

The REC on December 14, 2023 also revised the forecast for FY2024-2025. It projects that both Taxes, Licenses & Fees (TLF) and the State General Fund (SGF) will stay flat, compared to the projection for FY2023-2024. As mentioned in the previous paragraph, this reflects a cautious approach by the Revenue Estimating Conference to account for a possible slowdown in the economy.

The following chart shows the evolution of Taxes, Licenses & Fees over the last few years, including the latest REC projections.



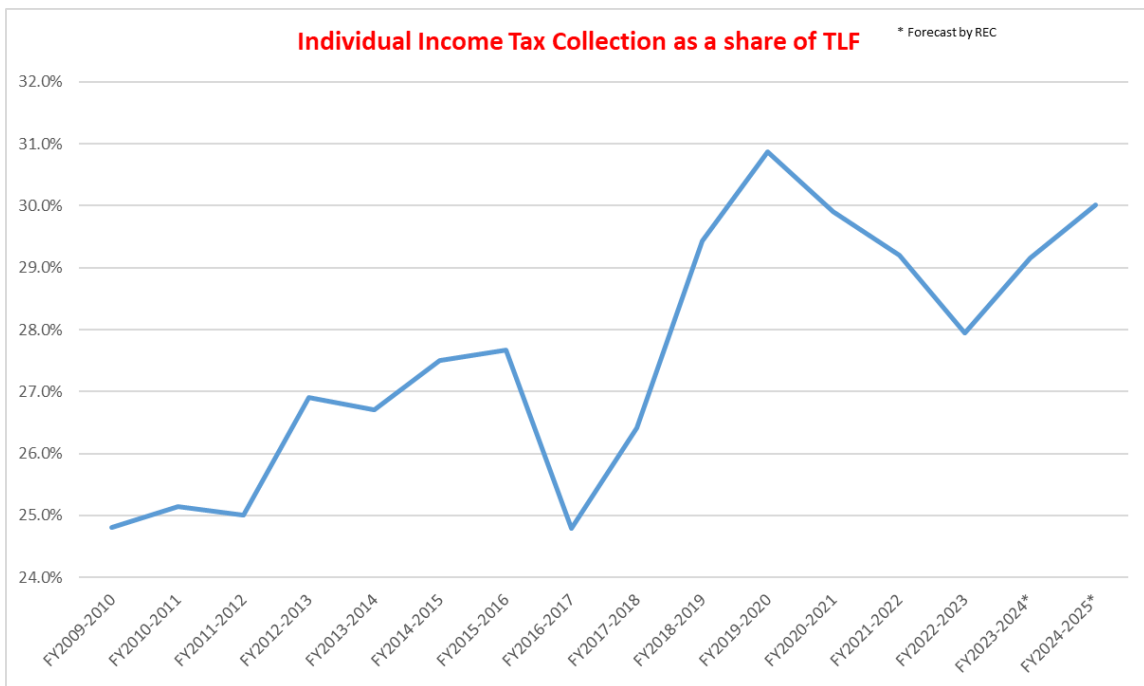
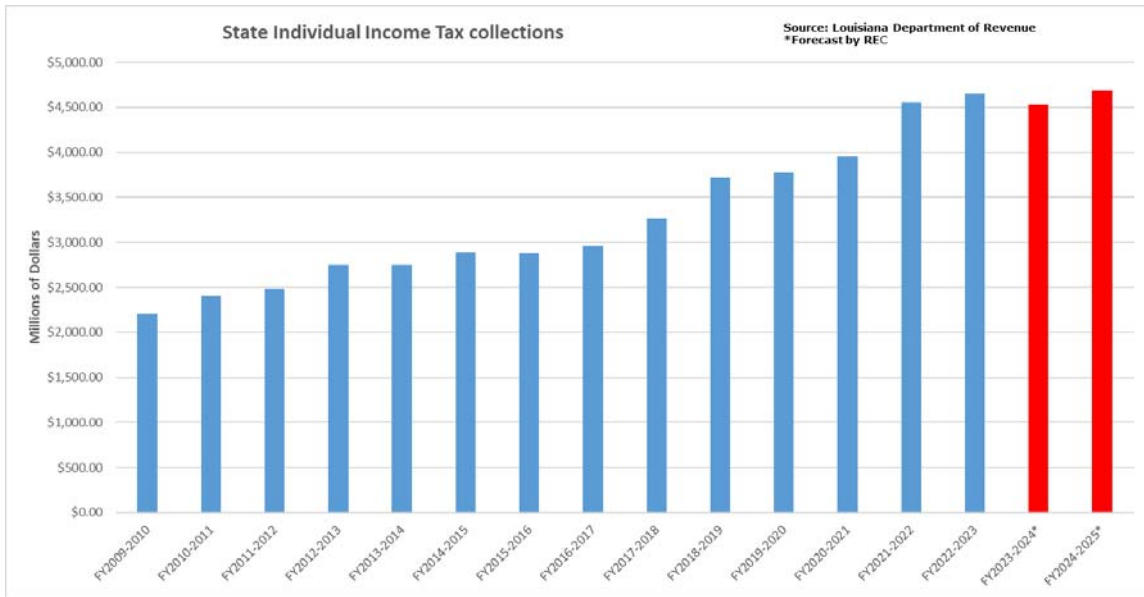
The sections that follow provide greater detail on some of the most important revenue streams that support TLF.

Individual Income Tax

In millions of dollars	FY2020-2021	FY2021-2022	FY2022-2023	Forecast -----	
				FY2023-2024*	FY2024-2025*
Individual Income Tax	\$3,956.6	\$4,556.1	\$4,654.6	\$4,532.7	\$4,680.9

The Individual Income Tax represents between 25% and 30% of the total collection of Taxes, Licenses and Fees. It has no significant dedications, and this means that it supports the State General Fund in a sizable share as well. The collection of this tax has consistently increased in recent years. Should the projection for FY2023-2024 pan out, this would be the first time that the collection of this levy fell (however so slightly).

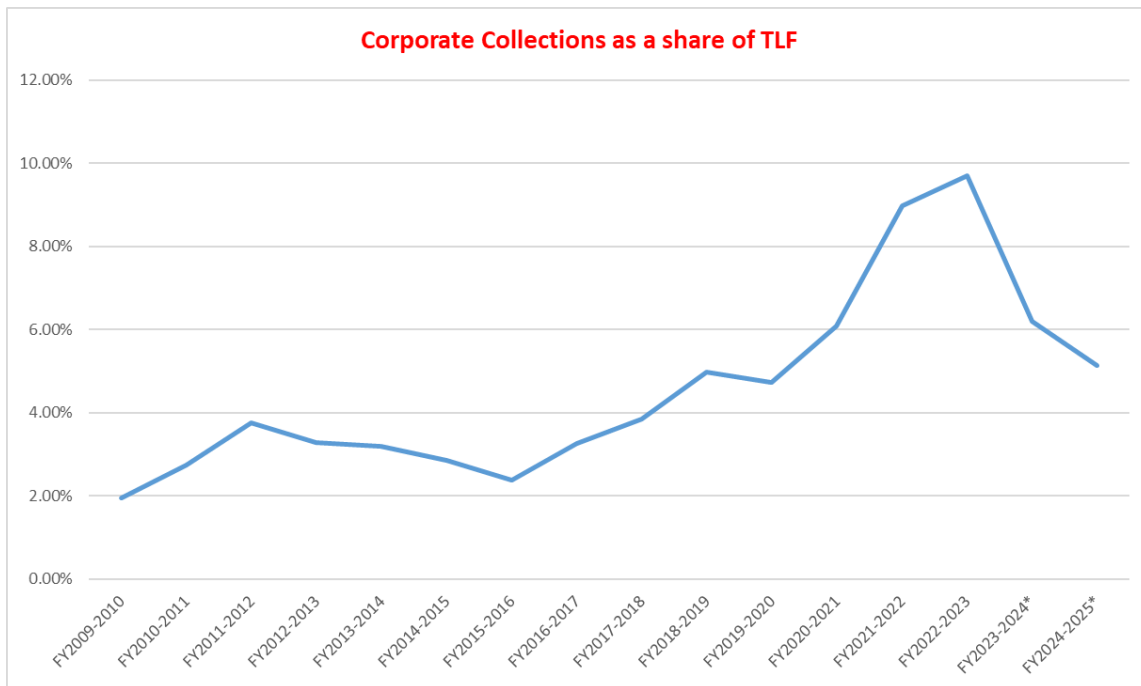




Corporate Collections

In millions of dollars				Forecast -----	
	FY2020-2021	FY2021-2022	FY2022-2023	FY2023-2024*	FY2024-2025*
Corporate Collections	\$805.4	\$1,402.2	\$1,616.8	\$964.3	\$800.0

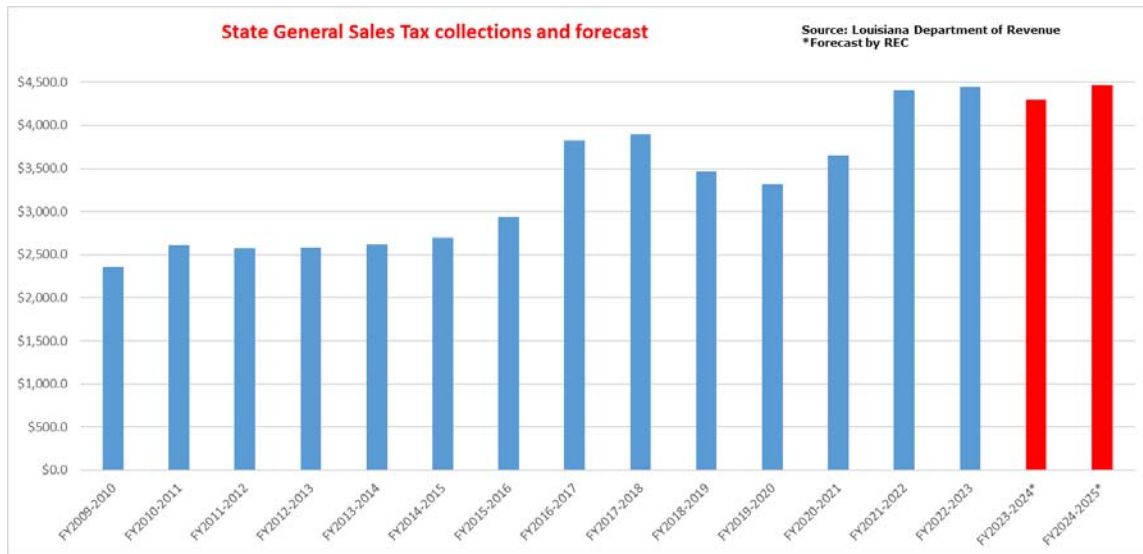
Corporate collections are comprised of revenues from the Corporate Income Tax and the Corporate Franchise Tax. Historically, out of the total, 75% come from the Income Tax and the rest from the Franchise Tax. As one can see in the diagrams below, it is a collection that can be very volatile. In the immediate years after Hurricane Katrina Corporate collections reached almost a billion dollars. This was of course due to the rebuilding effort in the aftermath of the storm. But then collections fell rapidly and hovered between 2% and 4% of TLF. This changed after FY2015-2016, when the Legislature enacted changes to the legislation regarding the Corporate Income and Franchise Taxes. For example, the legislation expanded the tax base of the Franchise Tax and also provided for reductions in the credits charged against the Corporate Income Tax. These changes, and an increase in economic activity, caused a steady increase in Corporate collections. It reached a peak in FY2022-2023 with a total of \$1.6 billion. The REC forecasts a collection of \$964.3 million in FY2023-2024 and \$800 million the following fiscal year. This reflects a conservative approach to the forecast, since the economy may enter into a slowdown during those years. One element that needs mention is that all Corporate collections over \$600 million are dedicated to the Revenue Stabilization Trust Fund.

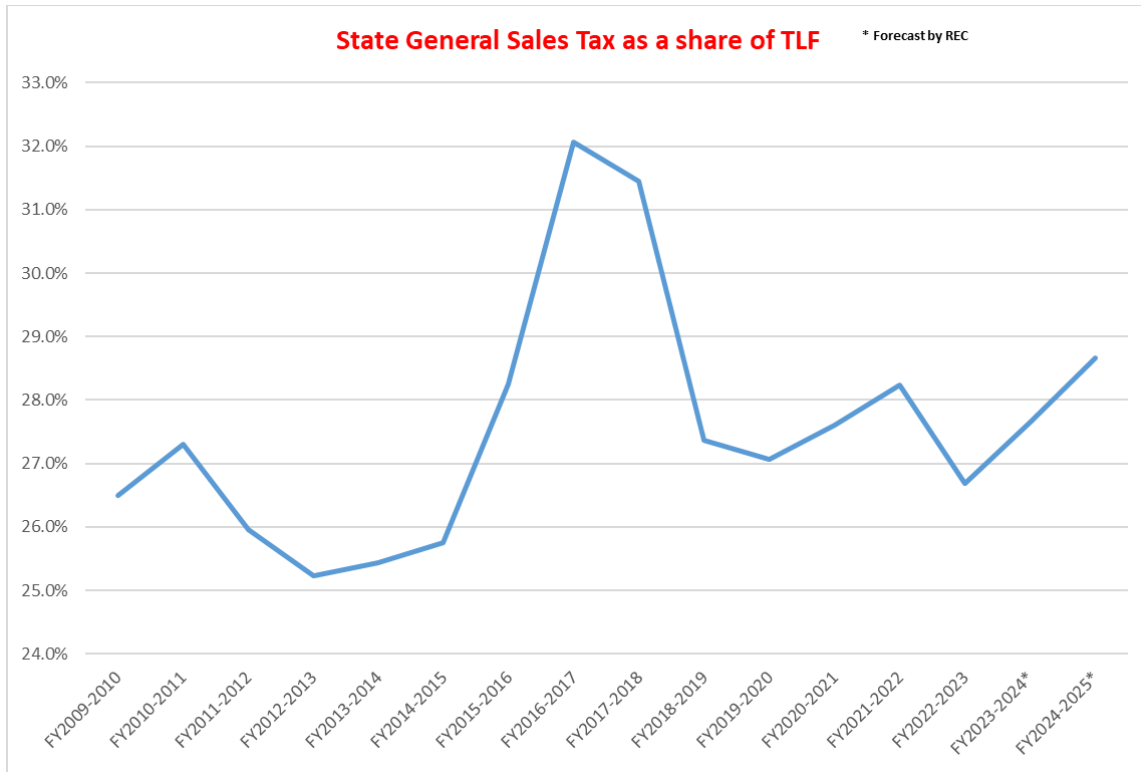


General Sales Tax

In millions of dollars				Forecast -----	
	FY2020-2021	FY2021-2022	FY2022-2023	FY2023-2024*	FY2024-2025*
State General Sales Tax	\$3,653.1	\$4,406.4	\$4,445.0	\$4,297.7	\$4,471.0

Another important revenue stream sustaining TLF is the General Sales Tax. Its share of TLF fluctuated in recent years between 24% and 28%, but reaching occasionally over 30%. The collection of this tax has been generally increasing in recent years, but it was affected by rate changes enacted by the Legislature. For example, Act 62 of the 2016 First Extraordinary Session increased by state sales tax rate from 4% to 5%, starting April 1st, 2016 to expire June 30, 2018. Thus, this rate increase encompassed the last few months of FY2015-2016, and the two following fiscal years. This is the spike seen on the bar chart below in those fiscal years. When the 1% sales tax rate expired, the Legislature agreed to keep an increase in the rate of 0.45%. This reduction in the rate can be seen in the collections for FY2018-2019 and FY2019-2020. The fiscal years after the state sales tax collection showed a significant increase. This was mostly driven by a big support from the federal government during the global pandemic. The REC adopted prudent forecasts, expecting a small reduction in the collection by FY2023-2024 because of the expected slowdown in the economy. An item to keep in mind is that the 0.45% mentioned above is slated to expire on June 30, 2025.





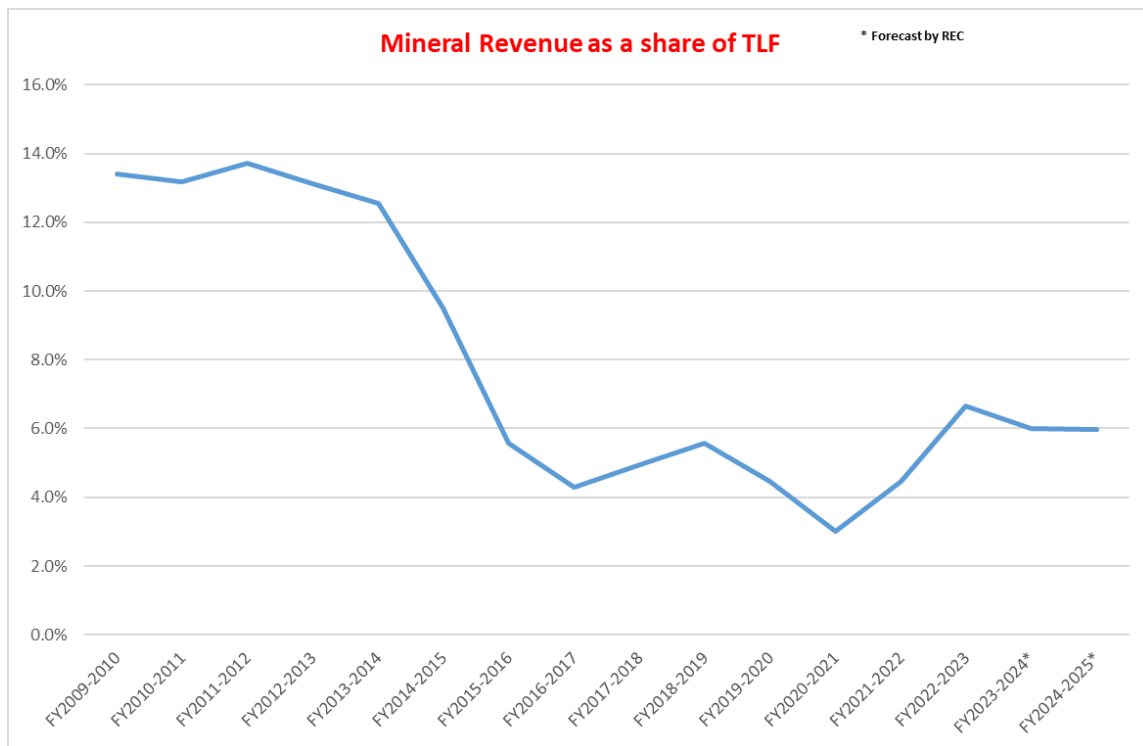
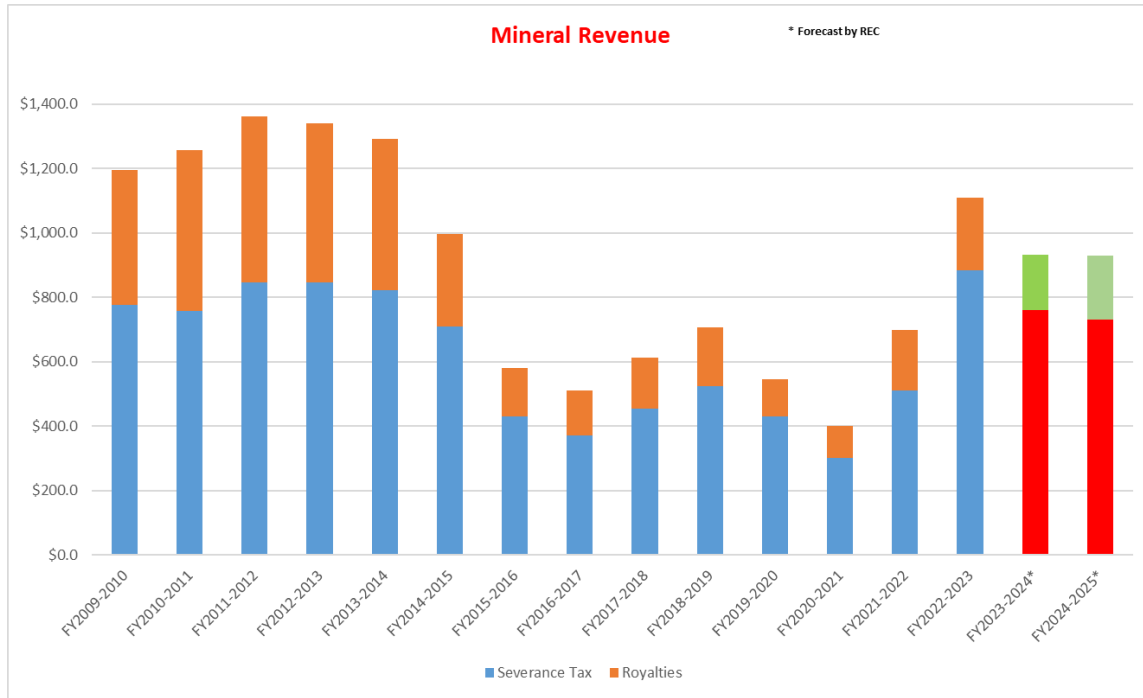
Mineral Revenue

In millions of dollars	FY2020-2021	FY2021-2022	FY2022-2023	Forecast -----	
				FY2023-2024*	FY2024-2025*
Severance Tax	\$302.3	\$511.4	\$883.6	\$761.3	\$730.4
Royalty Collection	\$97.9	\$186.5	\$225.5	\$171.4	\$199.1

As a crude oil and natural gas producing state, mineral revenue from these two resources has traditionally been a focal point for state policymakers. Forty years ago, Mineral Revenue comprised over 40% of the tax base, but a lot has changed since then. By the late 2000s, the share of Mineral Revenue fell to right over 10%, and a few years later, it fell to about 5%. This dramatic fall was mostly due to the decrease in the price of crude oil in 2015, but a low natural gas price also played a role. In addition, crude oil production in Louisiana fell significantly – in 2010 Louisiana was still producing over 60 million barrels of crude oil, but in recent times no more than 36 million barrels were extracted. Natural gas production had a big push when the Haynesville Shale was developed in the second half of the first decade of this century. However, much of this natural gas extraction was not subject to tax because of the horizontal drilling exemption. Should the collection of Mineral Revenue reach levels higher than \$660 million (after accounting for dedications of Severance Tax and Royalty collections to parishes), the amount between \$660 million and \$950 million is dedicated to the Revenue Stabilization Trust Fund and the Unfunded Accrued Liability of some of the state pension systems. The revenue over \$950 million is dedicated to the Budget Stabilization Fund. Fiscal Year 2022-2023 was the first after many years that



both triggers were met. The Revenue Stabilization Trust Fund received \$203.0 million, the Unfunded Accrued Liability, \$87.0 million, and the Budget Stabilization Fund, \$69.7 million.





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