

Economic Outlook

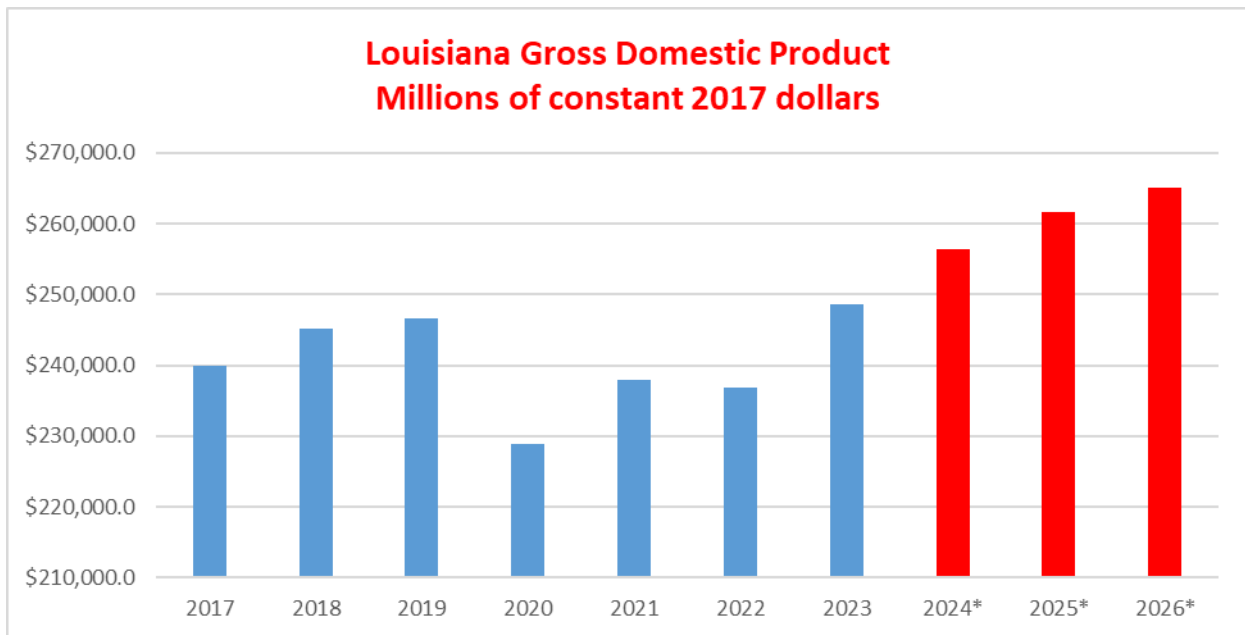
Louisiana Production & Income

Louisiana Gross Domestic Product

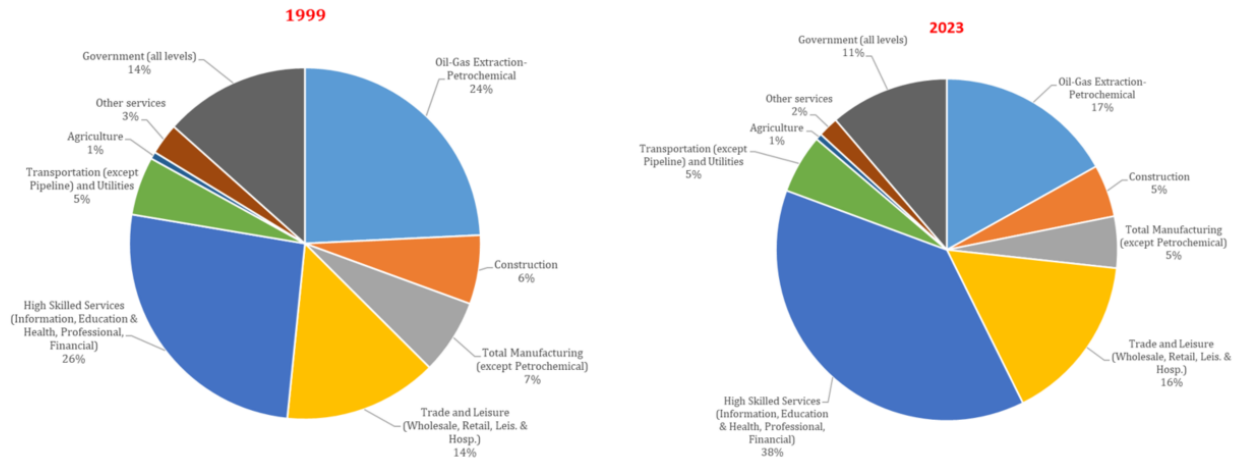
In millions of constant 2017 dollars	2021	2022	2023	Forecast		
				2024*	2025*	2026*
Louisiana Real GDP	\$237,839.2	\$236,854.1	\$248,615.5	\$256,364.94	\$261,560.41	\$265,089.80
Growth rate	2.3%	-1.2%	5.0%	3.1%	2.0%	1.3%

*Forecast by Moody's Analytics

Louisiana Real Gross Domestic Product (GDP) (as measured in constant 2017 dollars) reached \$248.6 billion in 2023, which is a healthy increase from the previous year (5.0%). In 2020, Louisiana real GDP had fallen 7.1% - the reason for this decrease was the pandemic, which officially started in March 2020. The 2020 pandemic lockdowns and temporary closures of businesses 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. However, in 2023, real Louisiana GDP increased by 5.0%, surpassing the level from 2019. Moody's Analytics forecasts the economy in Louisiana to continue to steadily recover, albeit with a moderate or low growth rate.



Louisiana Gross Domestic Product Composition



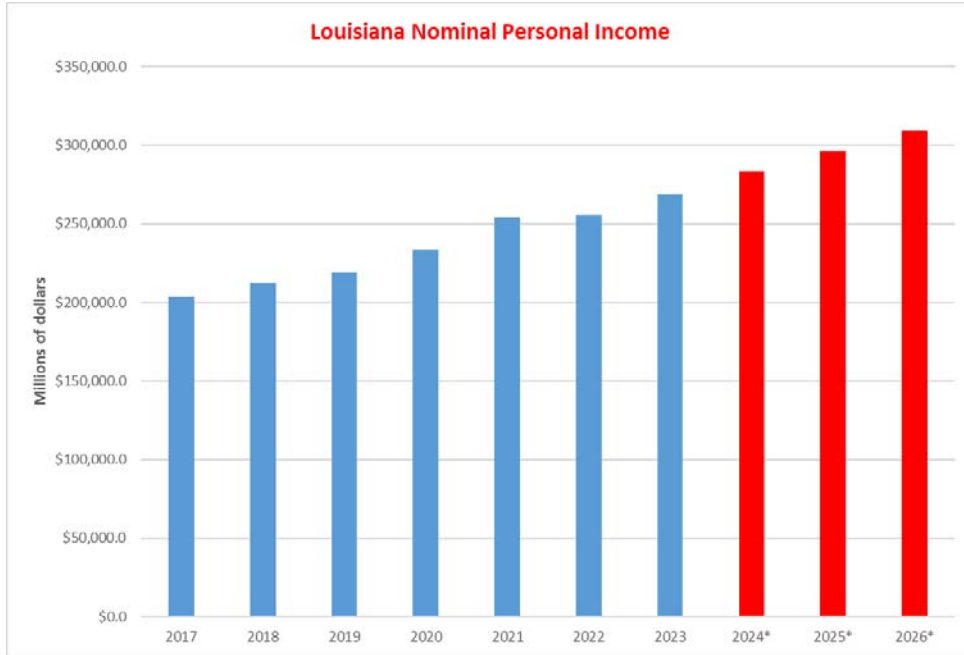
The above pie charts show the evolution of Louisiana Real Gross Domestic Product (GDP) over the span of about twenty-four years. The detailed data on Louisiana GDP for 2024 are not available at the time of this publication. What stands out is the contraction of the Oil/Gas/Petrochemical sector. In 1999, this sector covered about one-fourth of Louisiana’s Gross Domestic Product. In 2023, the last full year of data available, this share represents less than one-fifth. The sector with the most expansion is “high skilled” sector – encompassing Education & Health, Professional Services, Information, and the Financial sectors. In 1999 the share of this super-sector was about 26% of GDP compared to 38% in 2023. The Trade & Leisure super-sector (Wholesale and Retail Trade, and Leisure & Hospitality sectors) also expanded, from 14% to 16% of overall GDP.

Louisiana Personal Income

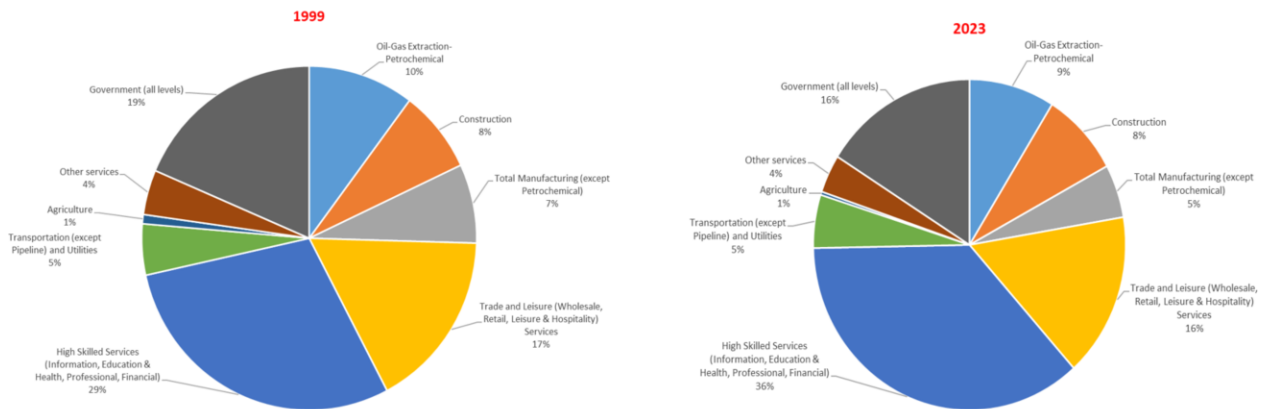
In millions of dollars				Forecast -----		
	2021	2022	2023	2024*	2025*	2026*
Louisiana Nominal Personal Income	\$254,296.9	\$255,687.0	\$269,140.2	\$283,435.5	\$296,109.3	\$309,154.7
Growth rate	9.0%	0.5%	5.3%	5.3%	4.5%	4.4%
*Forecast by Moody’s Analytics						

Louisiana nominal (current dollar) Personal Income growth rate experienced increases over the last few years. 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 2023, Louisiana Personal Income increase by 5.3% over the previous year. Moody’s Analytics forecasts increases for the following three years.





Louisiana Personal Income Composition



In 1999, the Oil/Gas/Petrochemical sector covered a share of about 10% of Personal Income as compared to 9% in 2023. Detailed data for 2024 are not available at the time of this publication. The “high skilled” super-sector (Education & Health, Professional, Information and Financial) expanded from 29% to 36%. 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					Forecast -----	
	2021	2022	2023	2024	2025*	2026*
US Real GDP	\$21,494.8	\$22,034.8	\$22,671.1	\$23,302.2	\$23,833.0	\$24,231.6
Growth rate	6.1%	2.5%	2.9%	2.8%	2.3%	1.7%

*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 closed 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 strong growth rate of 6%. The recovery continued in 2022 and 2023, with growth rates of 2.5% and 2.9%, respectively. In 2024, real GDP continued to grow at a healthy pace of 2.8%. Moody’s Analytics forecasts that for 2025 the growth rate for US Real GDP will be 2.3% and slow down to 1.7% in 2026. Thus, as of this writing, Moody’s Analytics does not forecast a recession for 2025 and beyond, but an economy with steady growth.



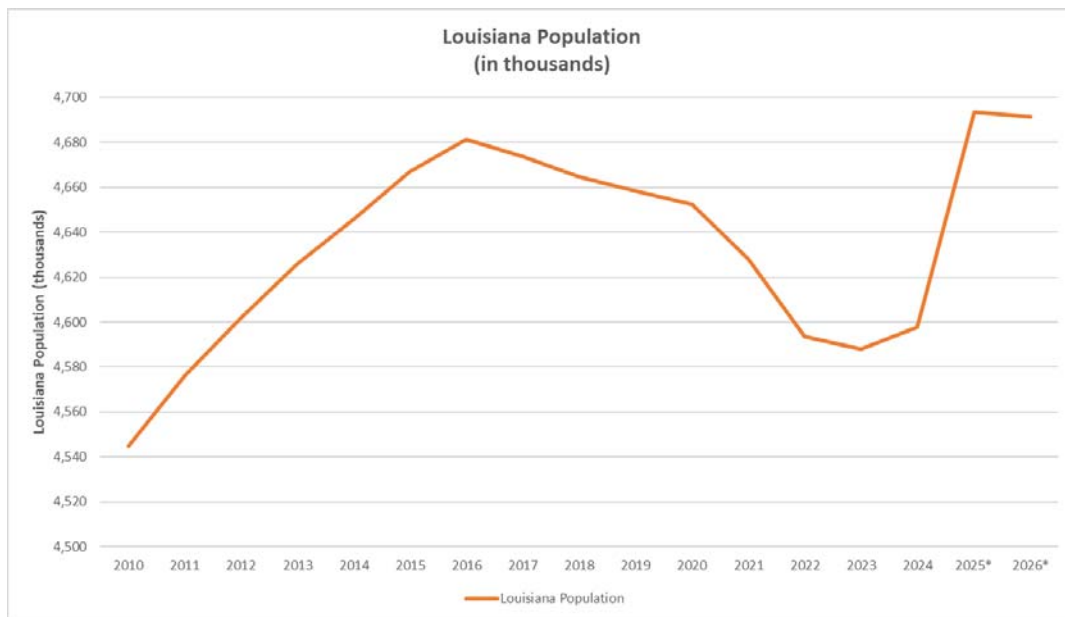
Population, Labor Force and Employment

Louisiana Population

	2021	2022	2023	2024	Forecast -----	
					2025*	2026*
Louisiana Population	4,627,971	4,593,687	4,588,071	4,597,740	4,693,542	4,691,366
Growth rate	-0.5%	-0.7%	-0.1%	0.2%	2.1%	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 2016. 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, 2024) reports the total state population at 4.6 million. Moody's Analytics forecasts a modest population increase for 2025 and staying constant beyond that year.



Louisiana Civilian Labor Force

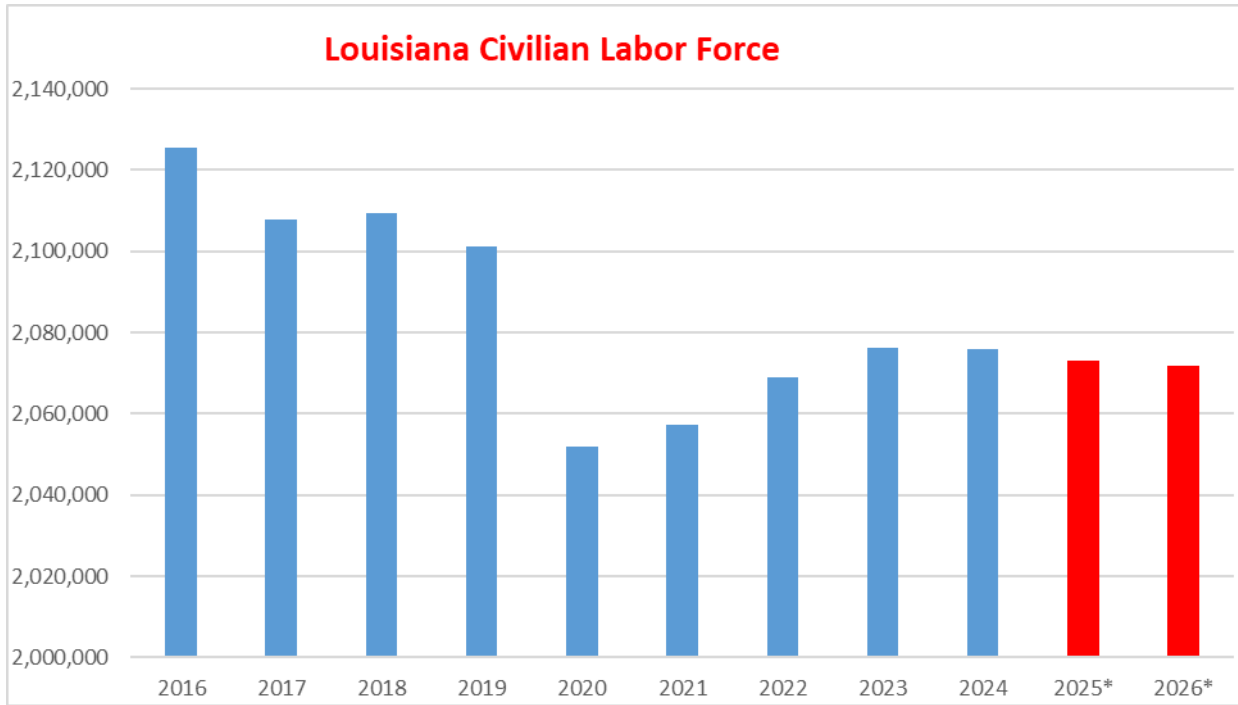
	2021	2022	2023	2024	Forecast -----	
					2025*	2026*
Louisiana Labor Force	2,057,176	2,068,826	2,076,182	2,075,931	2,073,130	2,071,949
Growth rate	0.3%	0.6%	0.4%	0.0%	-0.1%	-0.1%

*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 returned to its norm of 2.1 million. The global 2020 pandemic caused the labor force to fall to about 2.06 million.



The last year of full data, 2024, the labor force increased to almost 2.08 million. Moody’s Analytics forecasts a steady level for the next two years.



Source: Bureau of Labor Statistics
*Forecast by Moody’s Analytics

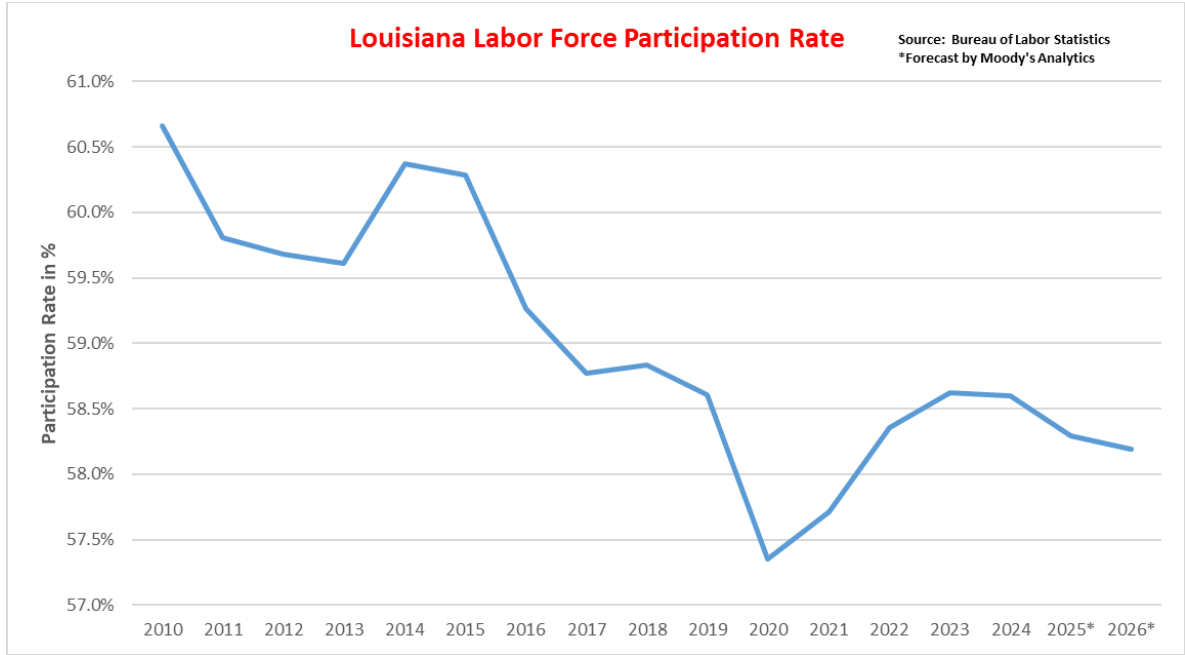
Labor Force Participation Rate

LA Labor Participation Rate	2021	2022	2023	2024	Forecast	
	2025*	2026*				
*Forecast by Moody’s Analytics	57.7%	58.4%	58.6%	58.6%	58.3%	58.2%

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% and the pandemic caused a further decline. In 2022 and 2023, it was 58.4% and 58.6% respectively, holding steady at 58.6% in 2024. Moody’s Analytics forecasts a slight decrease for the next two years.



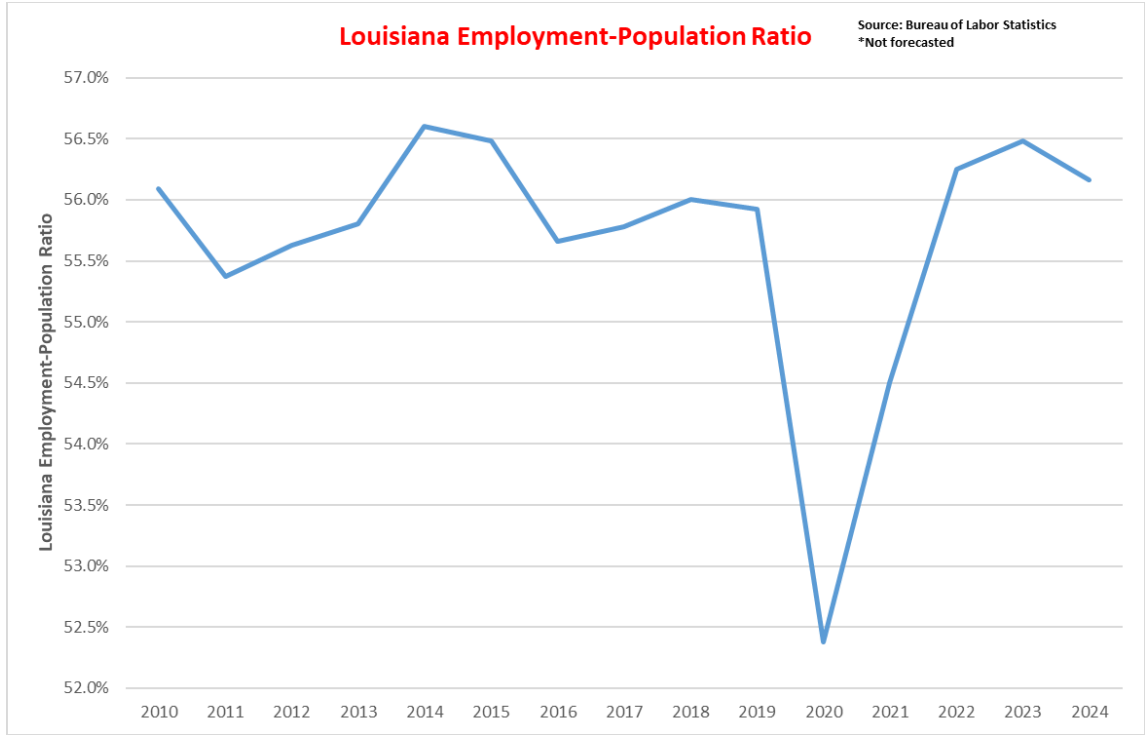


Louisiana Employment-Population Ratio

	2021	2022	2023	2024	Forecast -----	
					2025*	2026*
LA Employment Population Ratio	54.5%	56.3%	56.5%	56.2%	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 surpassed its previous level by 2022. Moody’s Analytics does not forecast this statistic.





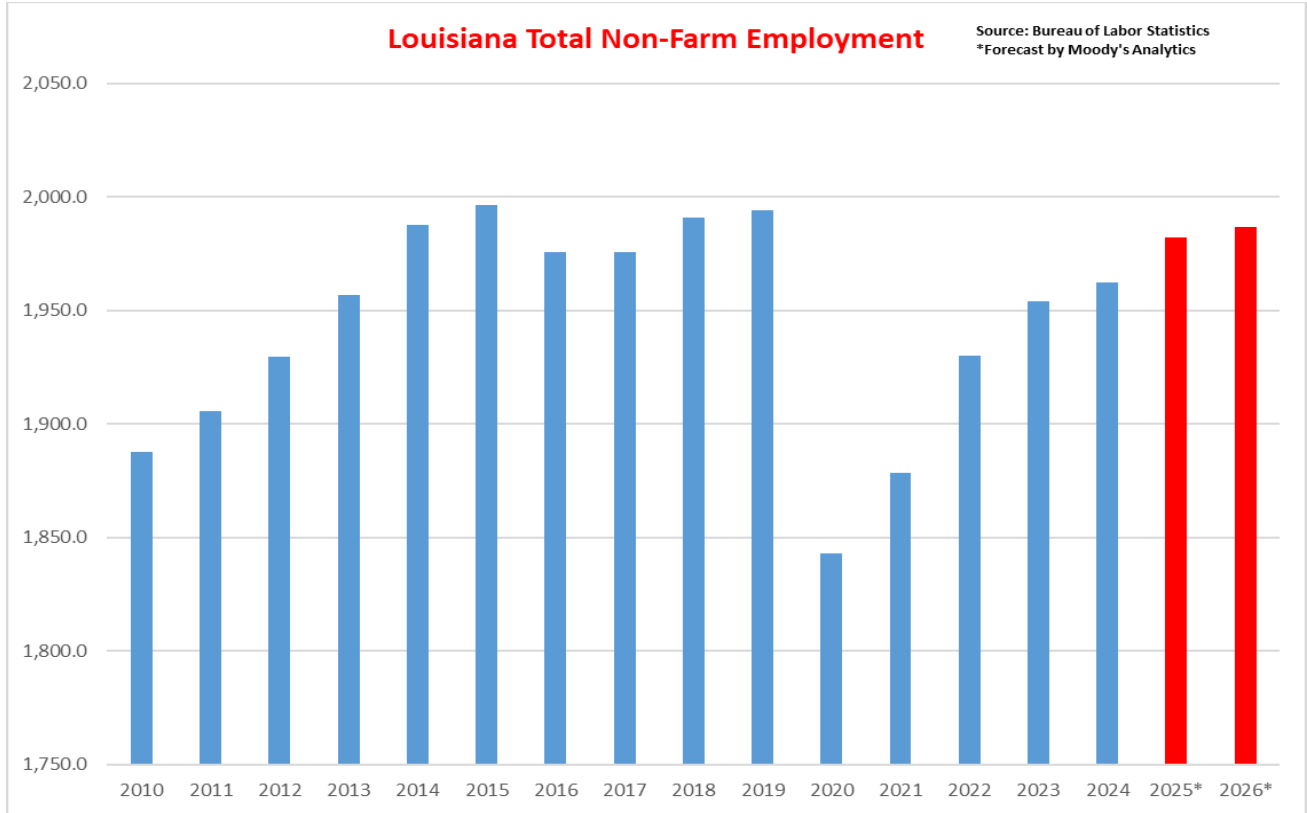
Louisiana Employment

	2021	2022	2023	2024	Forecast -----	
Louisiana Employment	1,878	1,930	1,954	1,962	1,982*	1,987*
Growth rate	1.9%	2.8%	1.3%	0.4%	1.0%	0.2%

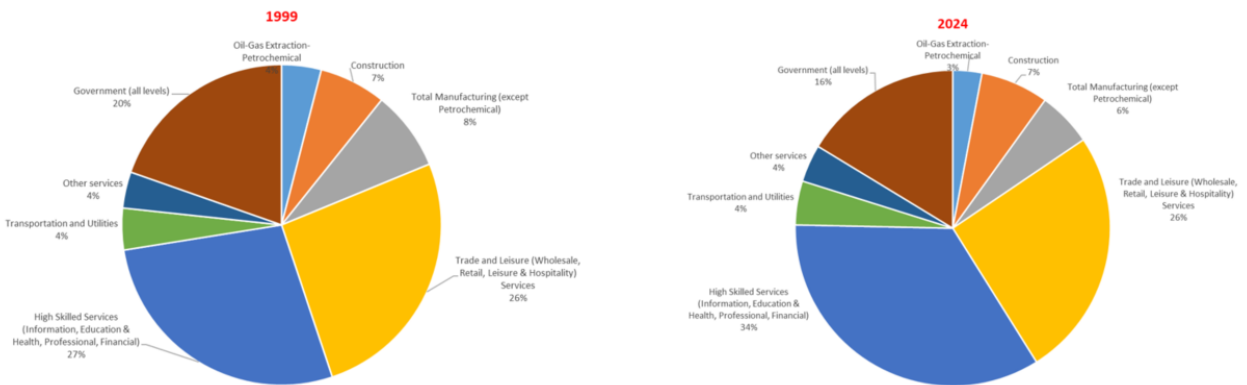
*Forecast by Moody's Analytics

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 2024, State employment stood at 1.96 million, 98.9% of the pre-COVID-19 peak and a recovery of 264,700 jobs from the April 2020 low. Moody's Analytics forecasts an employment level of 1.982 million for 2025 with a slow increase in 2026.





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 represented about 53% of employment in 1999. By 2024, these two super sectors represented of 60%, with the High Skilled sector expanding its stake. Government employment (at all levels) shrank by four percentage points (from 20% to 16%) and Total Manufacturing (except Petrochemical) also reduced from 8% to 6%.

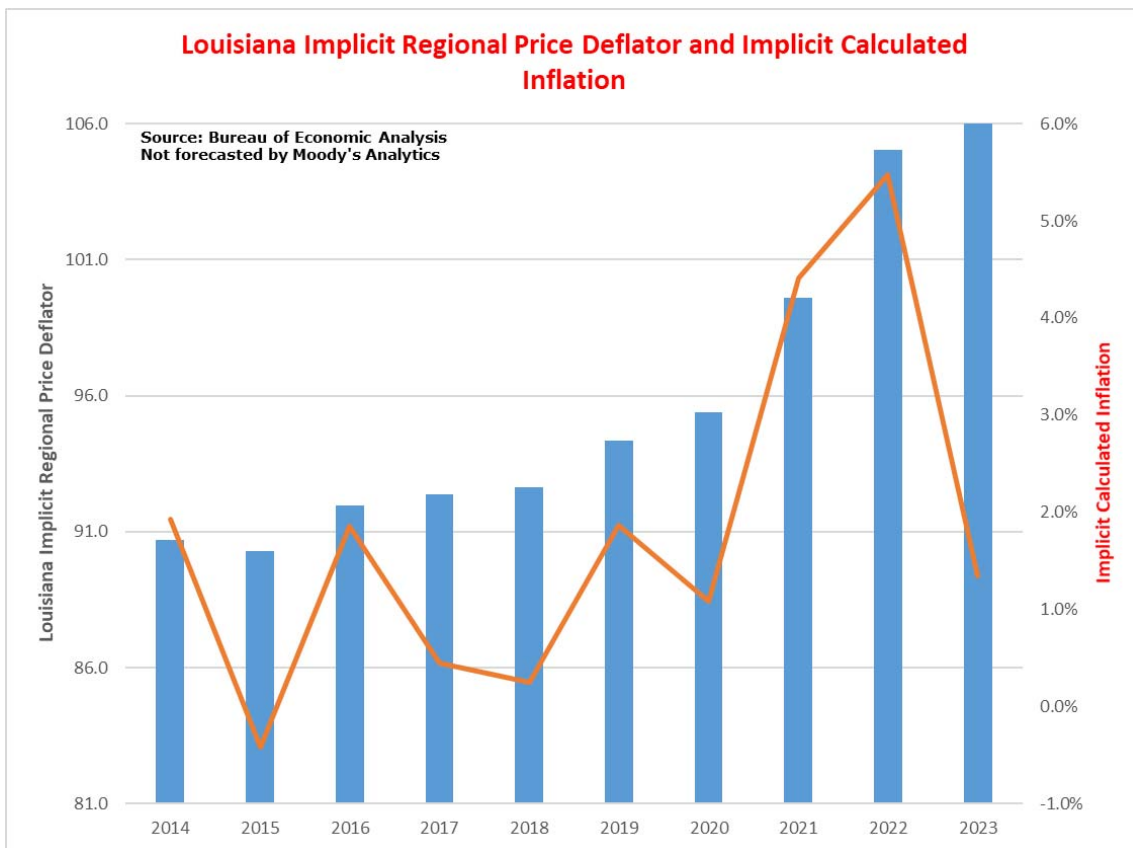


Prices

Implicit Regional Price Deflator

There are no good price index statistics for states. 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 and is not yet available at the time of this publication.

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 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. In 2023 the rate of change in the deflator returned to more normal levels, 1.3%.

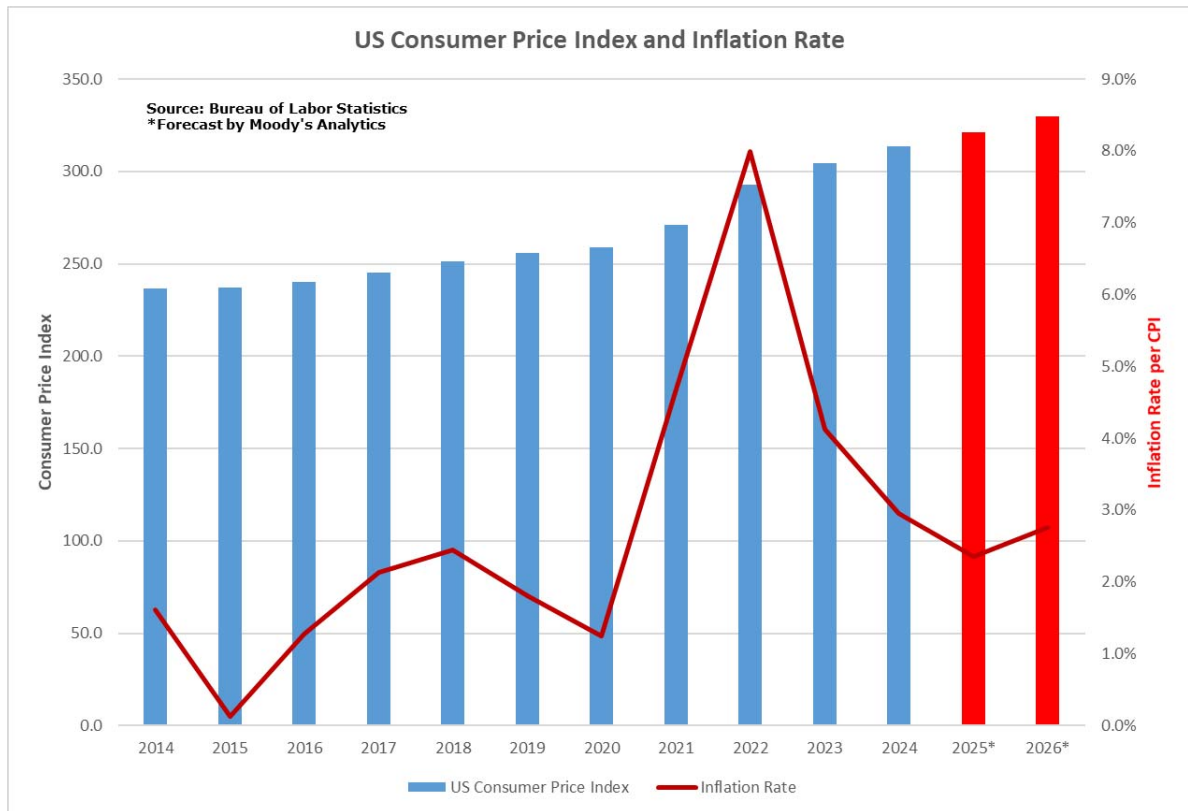


US Consumer Price Index

Base Year: 1982-84=100					Forecast	
	2021	2022	2023	2024	2025*	2026*
US Consumer Price Index	271.0	292.6	304.7	313.7	321.1	329.9
Growth rate	4.7%	8.0%	4.1%	3.0%	2.4%	2.8%

*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. The following year, as a consequence of the tightening of monetary policy by the Federal Reserve, inflation moderated a bit to 4.1%. In 2024 inflation fell a bit further to 3%. Moody's Analytics estimates inflation will moderately fall to 2.4% and 2.8% in 2025 and 2026.



US Personal Consumption Expenditures Price Index

Base year: 2017=100					Forecast	
	2021	2022	2023	2024	2025*	2026*
US Personal Consumption Expenditures Price Index	109.0	116.1	120.5	123.5	126.2	129.4
Growth rate	4.1%	6.6%	3.8%	2.5%	2.2%	2.5%

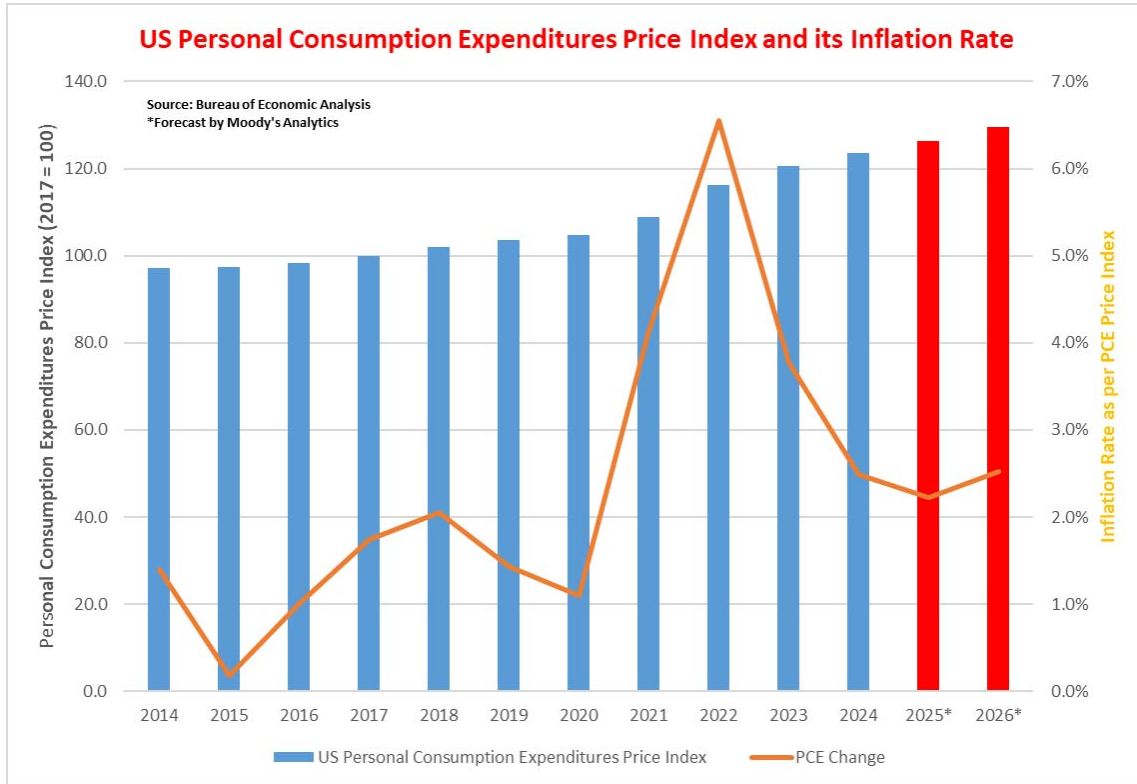
*Forecast by Moody's Analytics

Another extensively used measure of the inflation rate is the change in the US Personal Consumption Expenditures Price Index (PCE Index), as calculated by the Bureau of Economic Analysis. This is the



preferred measure of the Federal Reserve to implement its monetary policy. 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).

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 4.1% and the following year it increased even further to 6.6%. The last year of available data is 2024, where the PCE Index receded to 2.5%. Moody’s Analytics forecasts that the inflation rate based on this index, will be 2.2% in 2025 and 2.5% in 2026.



West Texas Intermediate (WTI) Oil Price

	FY2021-2022	FY2022-2023	FY2023-2024	FY2024-2025*	FY2025-2026*
WTI Oil Price Annual Average	\$87.78	\$81.20	\$82.15	\$71.15	\$66.47
*Forecast by REC					

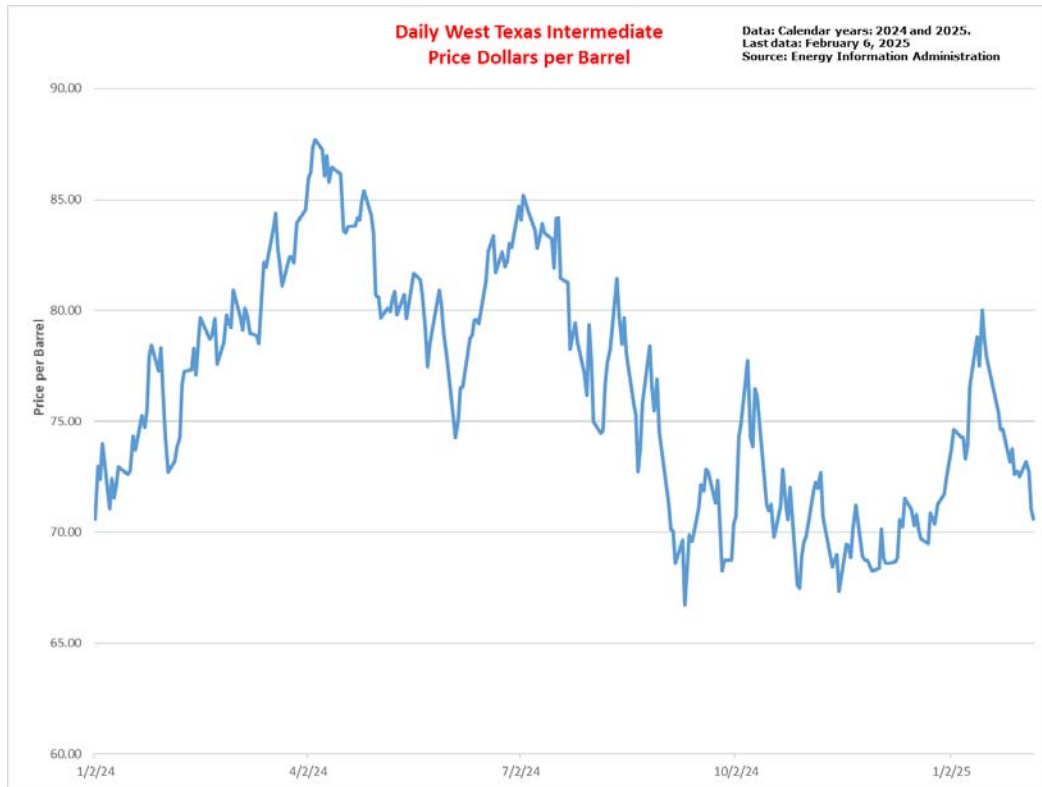
Crude oil price continues to be an important focal point for policymakers in Louisiana. This is the reason why the Revenue Estimating Conference (REC) adopts a projection of the oil price every time it revises the forecast.

The box above shows the fiscal year annual average of the West Texas Intermediate crude oil type, dollars per barrel. In FY 2020-2021, the annual average was \$50.60, in FY 2021-2022, the average increased to \$87.78, and in FY 2022-2023 it was \$81.20. For FY 2023-2024, the yearly average was \$82.15. The chart below shows the evolution of the oil price over the past year. The war in Ukraine and



the production decisions by the Organization of Petroleum Exporting Countries (OPEC) played a big role in the price of oil.

The latest Revenue Estimating Conference on December 19, 2024 adopted a forecast for the crude oil price for the current fiscal year FY 2024-2025 of \$71.15 and for the ensuing fiscal year FY 2025-2026 of \$66.47.

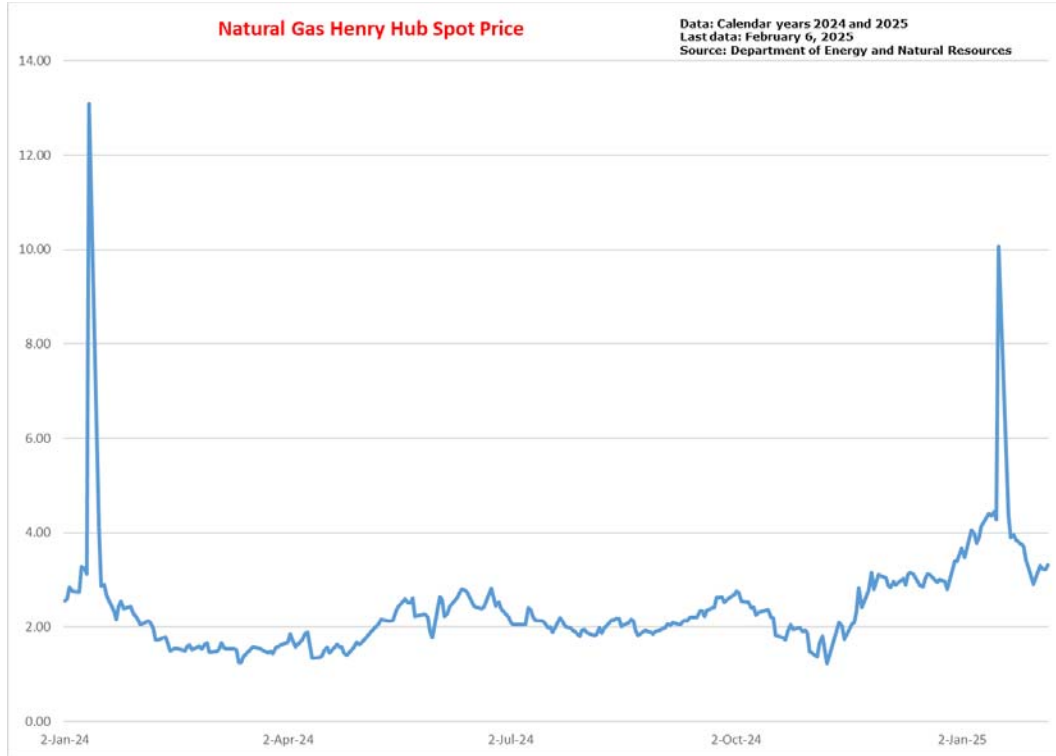


Henry Hub Natural Gas Spot Price

	FY2021-2022	FY2022-2023	FY2023-2024	FY2024-2025*	FY2025-2026*
Henry Hub Natural Gas Price	\$5.21	\$3.25	\$2.19	\$2.95	\$3.82
*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 threat of Russia to cut off natural gas supplies to Europe, this price increased significantly during 2022. During FY 2021-2022, the average price was \$5.21, falling to \$3.25 in FY 2022-2023 and to \$2.19 in FY 2023-2024. The REC adopted a forecast of \$2.95 for FY 2024-2025 and \$3.82 for FY 2025-2026.





Revenue

Taxes, Licenses and Fees

In millions of dollars	FY2021-2022	FY2022-2023	FY2023-2024	Forecast -----	
				FY2024-2025*	FY2025-2026*
Taxes, Licenses & Fees (TLF)	\$15,602.4	\$16,656.9	\$17,105.3	\$15,816.1	\$15,202.9
Dedications	\$3,867.5	\$4,226.3	\$4,462.7	\$3,706.8	\$3,051.9
State General Fund (SGF)	\$11,734.9	\$12,430.6	\$12,642.6	\$12,109.3	\$12,151.1

Revenue Summary

Fiscal Year 2023 – 2024

FY 2023-2024 saw a small increase in revenue collections as measured by Taxes, Licenses & Fees (TLF), compared to FY 2022-2023. This broad measure tracked by the Revenue Estimating Conference (REC) increased by 2.7%. In addition, Statutory Dedications rose by 5.6% compared to the previous fiscal year. The State General Fund (SGF) collection increased by 1.7%.

Fiscal Year 2024 – 2025

The REC met December 19, 2024 and adopted a forecast for Taxes, Licenses & Fees for FY 2024-2025 (current fiscal year) that is about \$1.3 billion lower than the actual collections in FY 2023-2024. The State General Fund is forecast to decrease by \$533.3 million, compared to the actual collection in FY

2023-2024. The reason for this decrease is based on the comprehensive tax reform passed by the Legislature during the Third Extraordinary Session in November 2024, which will affect the forecast starting January 1, 2025. Due to the uncertainty of the effects of the reform, the REC adopted a very prudent forecast.

The Legislature passed several pieces of legislation, including the comprehensive rewrite of the budget and tax section of the State Constitution. Major legislative reforms include the reduction and flattening of individual and corporate income tax rates, and the increase and expansion of the general sales tax. The constitutional amendment proposes allowing an optional exemption of business inventory from ad valorem taxation, introduces a government growth limit on spending, and restructures certain state funds, among other modifications. Act 1 of the 2024 Third Extraordinary Session will alter the state's fiscal landscape if approved by voters in the upcoming statewide election on March 29, 2025. Below are brief summaries of the substantive legislative changes that are the major contributors to the TLF.

- *Individual Income Tax.* Act 11 of the 2024 Third Extraordinary Session became effective on December 4, 2024, and changes are applicable to taxable periods beginning on and after January 1, 2025. The legislation establishes a flat 3% tax rate beginning January 1, 2025. This is a reduction from the previous system of graduated tax rates and brackets where the highest tax rate was 4.25%. Other changes include increases to the standard deductions and includes increases of certain exemptions for individuals age 65 and older, providing relief to taxpayers across income ranges. These amounts will be indexed to the Consumer Price Index for All Urban Consumers (CPI-U) to ensure ongoing adjustments for inflation.
- *Corporate Tax.* Act 5 and Act 6 of the 2024 Third Extraordinary Session implement reforms to corporate taxation. The existing graduated corporate income tax rate and bracket system is replaced by a flat rate of 5.5%, applicable from the 2025 tax year forward. This simplifies tax compliance for businesses and aligns the State more closely with competitive tax policies observed in other states. Furthermore, Act 6 repeals the corporation franchise tax on January 1, 2026 for tax periods beginning on or after January 1, 2026. Act 5 also introduces new limits on corporate tax credits, deductions, and other incentives. These changes became effective on January 1, 2025. Act 6 limits the eligibility of certain credits to be claimed against corporation franchise tax applicable to tax periods beginning on or after January 1, 2026.
- *General Sales Tax.* Act 10 of the 2024 Third Extraordinary Session expands the State's general sales tax base to include digital audio or audiovisual works, books, games, applications, periodicals, and other digital services, effective January 1, 2025. Additionally, pursuant to Act 11, the combined State sales tax rate will increase to 5% beginning January 1, 2025, before decreasing to 4.75% on January 1, 2030.

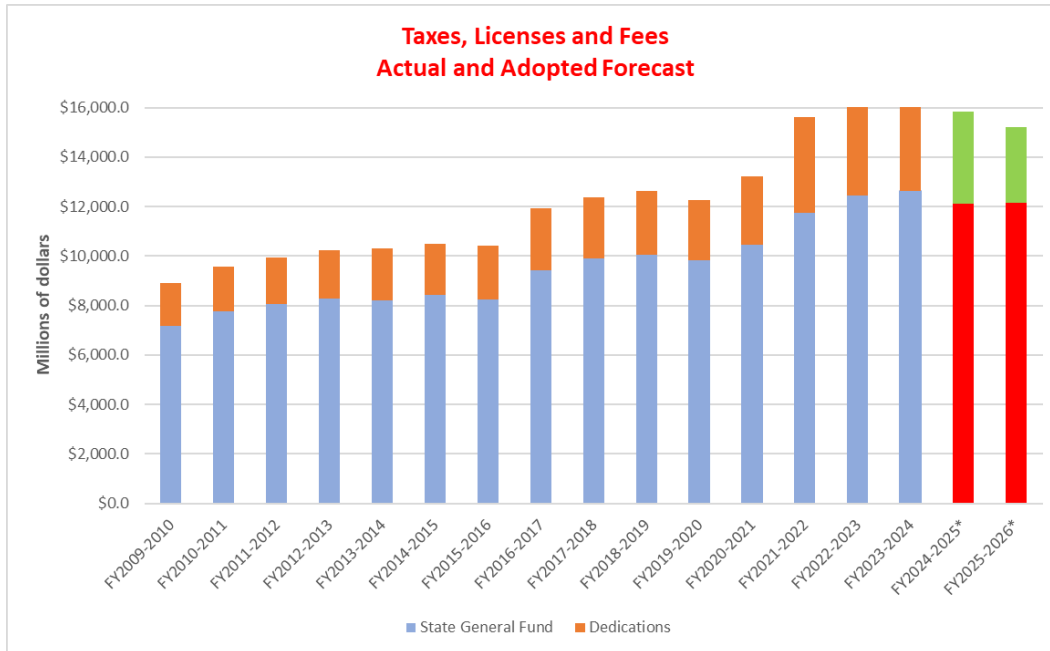
Fiscal Year 2025 – 2026

The REC on December 19, 2024 also revised the forecast for FY 2025-2026 (the ensuing fiscal year). It projects that, compared to current fiscal year, TLF will see a reduction of about \$613.2 million and the State General Fund a small increase of \$41.7 million (this increase in SGF is due to the Statutory



Dedications falling by more than TLF). As mentioned in the previous paragraph, these projections are heavily influenced by the tax reform and the uncertainty it caused to estimate the revenues.

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

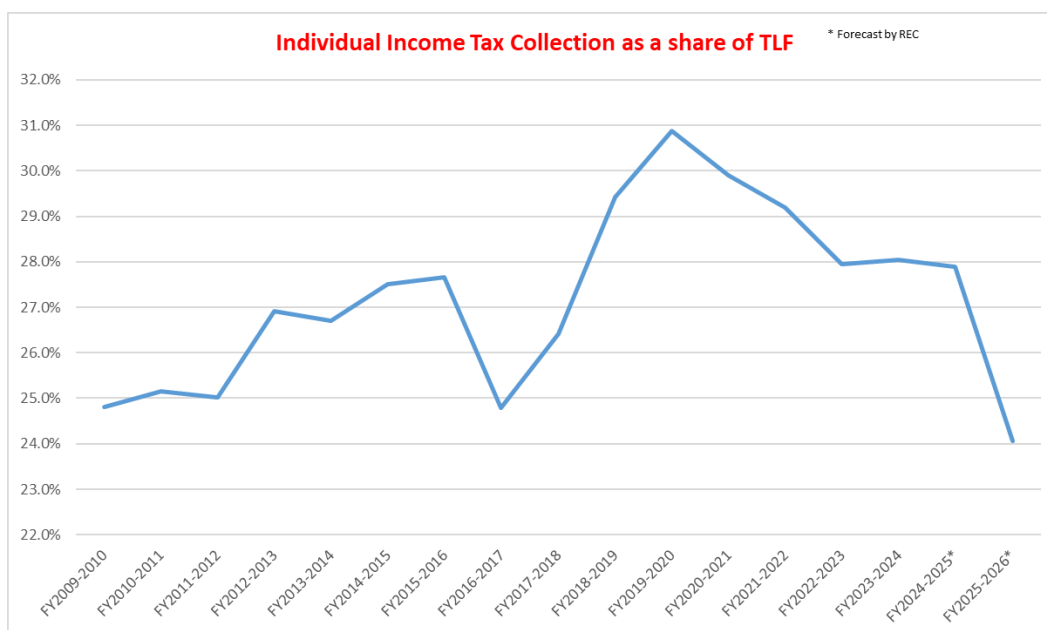
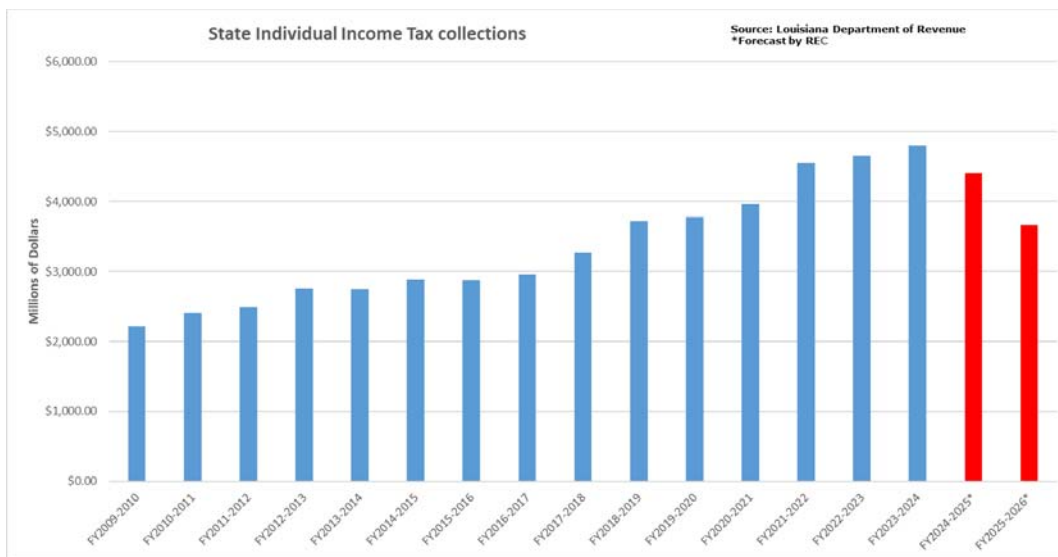


The sections that follow provide greater detail on some of the most important revenue streams that support TLF.

Individual Income Tax

In millions of dollars	FY2021-2022	FY2022-2023	FY2023-2024	Forecast -----	
				FY2024-2025*	FY2025-2026*
Individual Income Tax	\$4,556.1	\$4,654.6	\$4,797.9	\$4,411.1	\$3,657.6

The Individual Income Tax represented between 25% and 30% of the total collection of Taxes, Licenses and Fees. However, this percentage may decrease to some extent given the tax reform discussed above. It has no significant dedications, which means it supports the State General Fund in a sizable share as well. The collection of this tax has consistently increased in recent years. Projections for FY 2024-2025 and FY 2025-2026 show a decrease in collections. This decline is due to the tax reform because the income tax rate was changed to a flat 3% and higher exemptions were introduced for individuals.



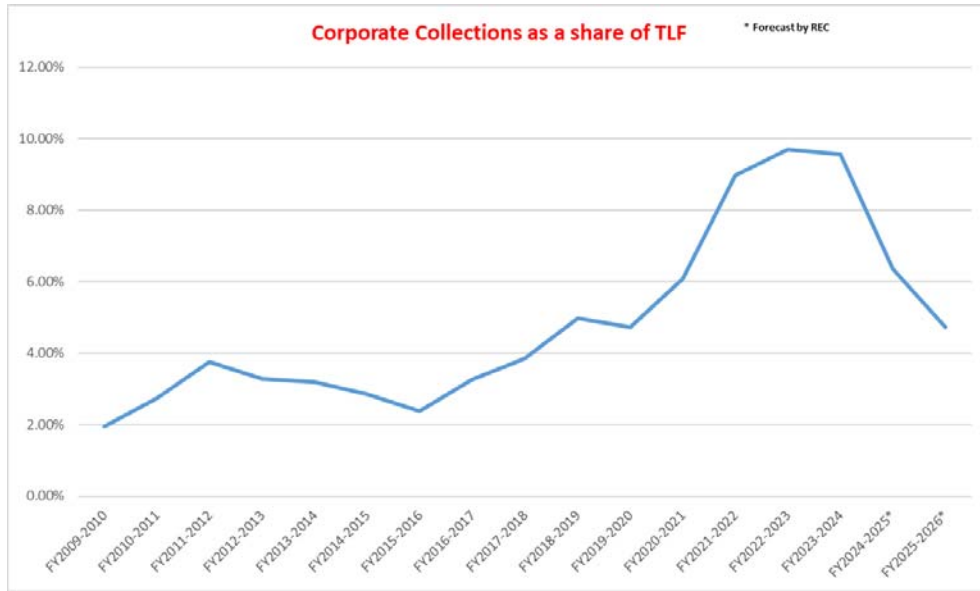
Corporate Collections

In millions of dollars	FY2021-2022	FY2022-2023	FY2023-2024	Forecast -----	
				FY2024-2025*	FY2025-2026*
Corporate Collections	\$1,402.2	\$1,616.8	\$1,636.0	\$1,005.0	\$719.0

Corporate collections have historically been comprised of revenues from the Corporate Income Tax and the Corporate Franchise Tax. Out of the total, 75% come from the Income Tax and the rest from the Franchise Tax. The tax reform discussed above significantly changed the future composition and collection of corporate collections. The reform introduced a flat corporate income tax of 5.5% and changes to exemptions and the treatment of credits and deductions. In addition, the corporate franchise tax is eliminated starting tax year 2026. Currently, corporate collections above \$600 million flow in the Revenue Stabilization Trust Fund (RSTF). If the voters approve the constitutional amendment on the



ballot for March 29, 2025, this flow of corporate collections into the RSTF will stop, and the revenue will go to the State General Fund.



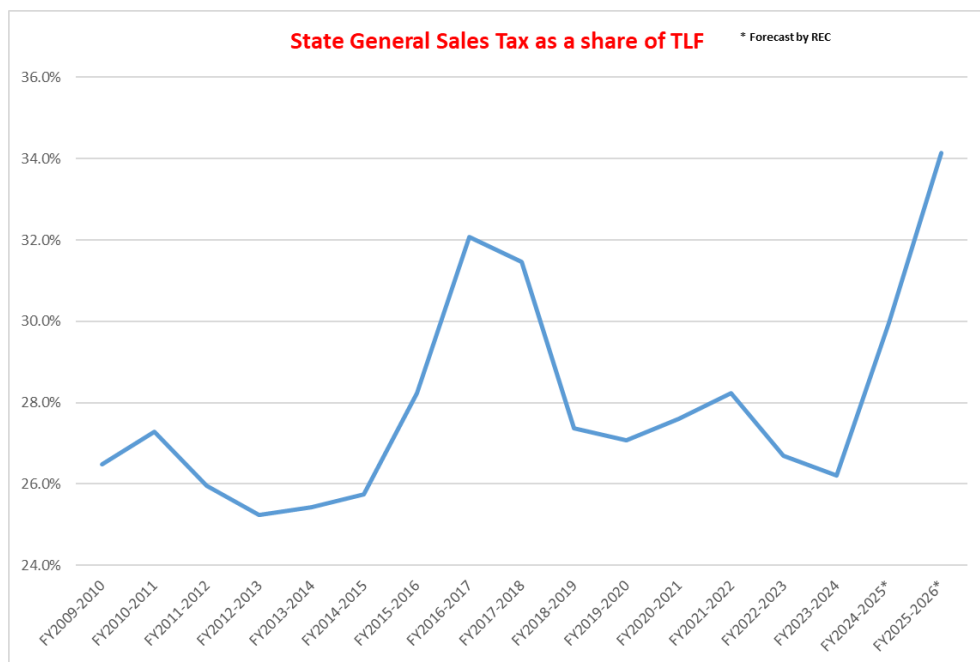
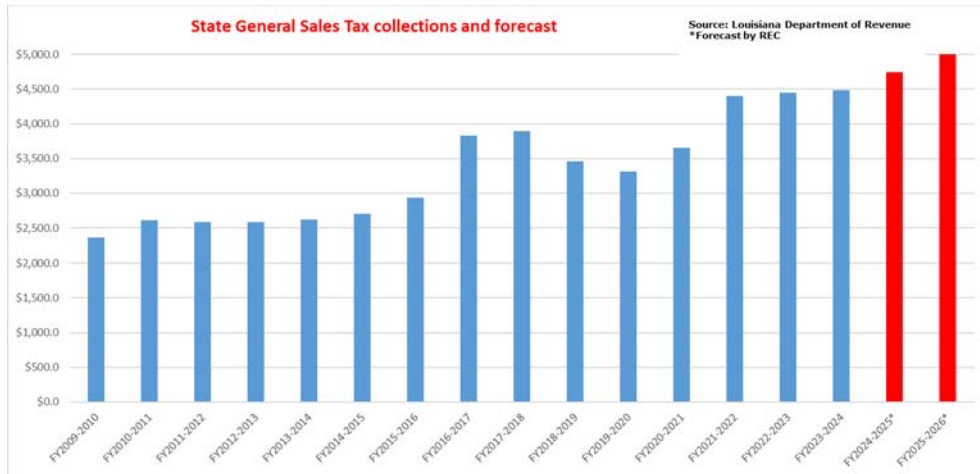
General Sales Tax

In millions of dollars	Forecast -----				
	FY2021-2022	FY2022-2023	FY2023-2024	FY2024-2025*	FY2025-2026*
State General Sales Tax	\$4,406.4	\$4,445.0	\$4,482.4	\$4,740.9	\$5,190.6

Another important revenue stream sustaining TLF is the General Sales Tax. Its share of TLF fluctuated in recent years between 24% and 28%. The collection of this tax has generally been 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 the state sales tax rate from 4% to 5% (April 1, 2016 through June 30, 2018). Thus, this rate increase encompassed the last few months of FY 2015-2016 through FY 2017-2018. 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 FY 2018-2019 and FY 2019-2020. The increase in the following fiscal years was mostly driven by support from the federal government during the global pandemic.

The tax reform enacted by the Legislature in November 2024 increased the state sales tax rate from 4.45% to 5%, starting January 1, 2025 – for the period of five calendar years until December 31, 2029. The increase in the rate is reflected in the forecast for current fiscal year (half of the fiscal year), and the full ensuing fiscal year.





Mineral Revenue

In millions of dollars	FY2021-2022	FY2022-2023	FY2023-2024	Forecast -----	
				FY2024-2025*	FY2025-2026*
Severance Tax	\$511.4	\$883.6	\$828.4	\$501.1	\$484.9
Royalty Collection	\$186.5	\$225.5	\$132.3	\$131.8	\$132.8

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 decreased further to about 5%. This decline was mostly due to the drop 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. Should the voters approve the constitutional amendment on March 29, 2025, this allocation will change.

