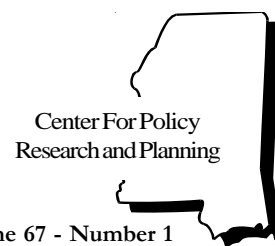


MISSISSIPPI'S BUSINESS



January 2009

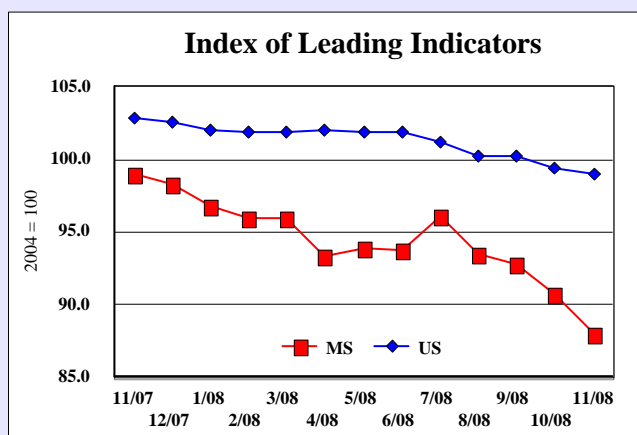
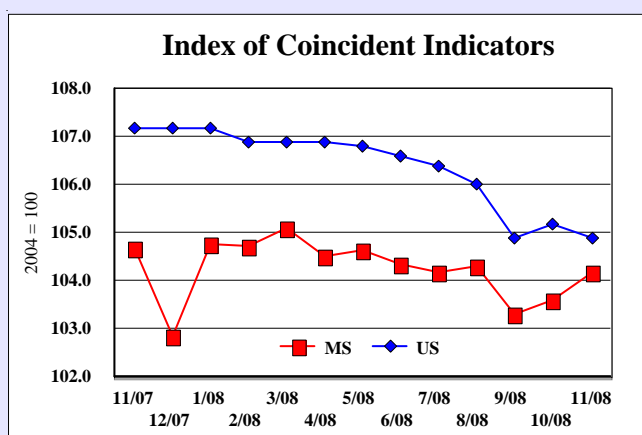
Monitoring the State's Economy

Volume 67 - Number 1

ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators increased slightly in November for the second consecutive month. The gain came on the strength of merchandise retail sales and individual income tax withholdings. Employment levels continued to plummet. The Mississippi Index of Leading Indicators continued its slide in November. The November level was the lowest since March 2003. The only component of the Leading index contributing positively in November was the value of residential building permits which ticked up slightly. The Commerce Department reported that the U.S. economy shrank by 3.8 percent in the fourth quarter. This is the steepest decline in twenty five years. Many experts expect this figure to be revised downward as we move through the first quarter of 2009. These experts expect the worse is yet to come in terms of contracting economic activity. Deflation, the opposite of inflation is a growing concern. Oil prices continue to fall which is affecting prices across all other sectors. In the short term lower prices help consumers. But if prices are expected to continue to decline neither consumers nor businesses will spend, which further stalls the economy.

Figure 1. Index of Leading and Coincident Indicators



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In This Issue

Economy at a Glance 1

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The last twelve issues of Mississippi Business are available on our web site. On this web site you will also find copies of some of our other publications, including *Population Projections*, *Mississippi Economic Review and Outlook*, and *The Handbook of Selected Data*. You will also find links to other useful data sources.

Coincident Index

The Mississippi Index of Coincident Economic Indicators rose for the second consecutive month in November. Despite the gain, the Index continued to show a struggling economy. The 0.6 percent gain in November over October, brought the index to a level of 104.4 the highest level since May, 2008. The annualized growth relative to the level six-months prior was a decline of 0.4 percent, the least negative six-month growth rate since June 2008. The monthly gain and the improved six-month growth rate in recent months has been driven by upward movement in both merchandise retail sales and individual income tax withholdings. Nonfarm employment continued to decline.

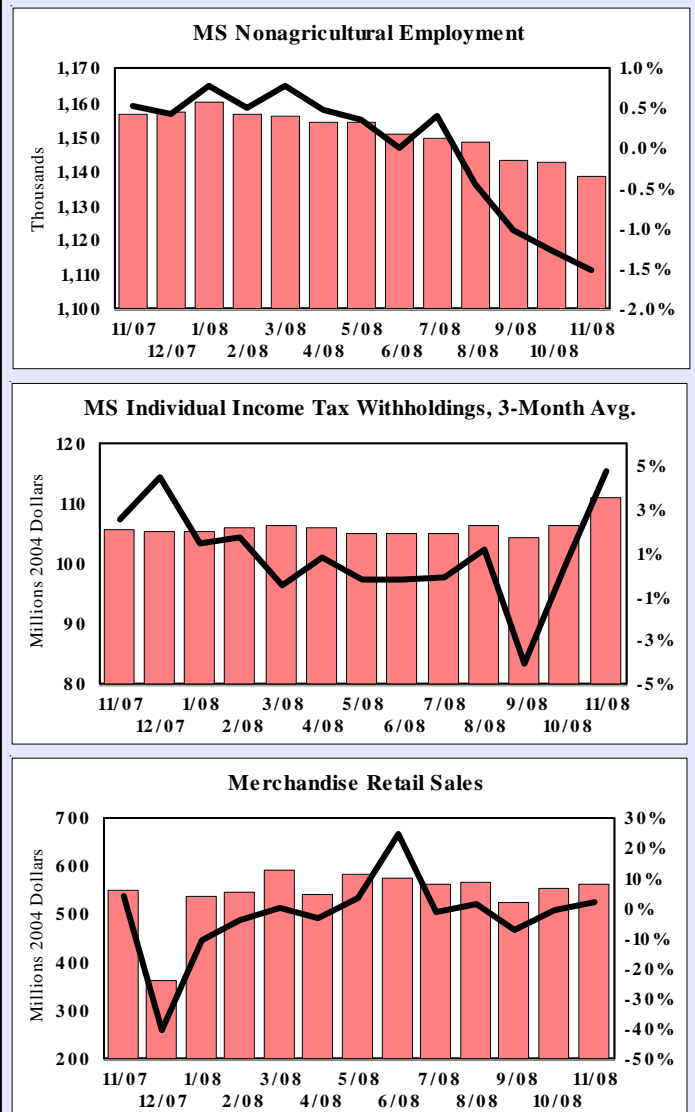
Mississippi nonfarm employment fell 0.3 percent in November relative to October. That is a monthly decline of 3,799 jobs. Between January and November the state lost 21,452 jobs or 1.8 percent.

This declining trend is showing no sign of abatement as evidenced by Figure 3 which shows the monthly change in Mississippi employment in 2008. After seasonally adjusting the data, Mississippi has not gained employment since January. The monthly declines in employment are not moderating. These data are subject to revisions, but the current estimates paint a bleak picture of the state's employment.

Table 1 and Figure 4 show the employment data by sector. For November, large declines occurred in the service sectors as well as manufacturing. Employment increased in construction. Looking at the graphs in Figure 4 it is apparent that very few sectors are on an increasing trend. Those that are increasing are generally small and therefore total employment is rapidly falling. Of the 21,452 jobs that were lost in the state between January and November, almost 37 percent have been in the leisure and hospitality sector. Another 33 percent have been in the manufacturing sector. The government has accounted for another 23 percent. The largest gains of 2008 have occurred in educational and health services.

The three-month moving average in Mississippi individual income tax withholdings gained a strong 4.4

Figure 2. Mississippi Index of Coincident Indicators Components



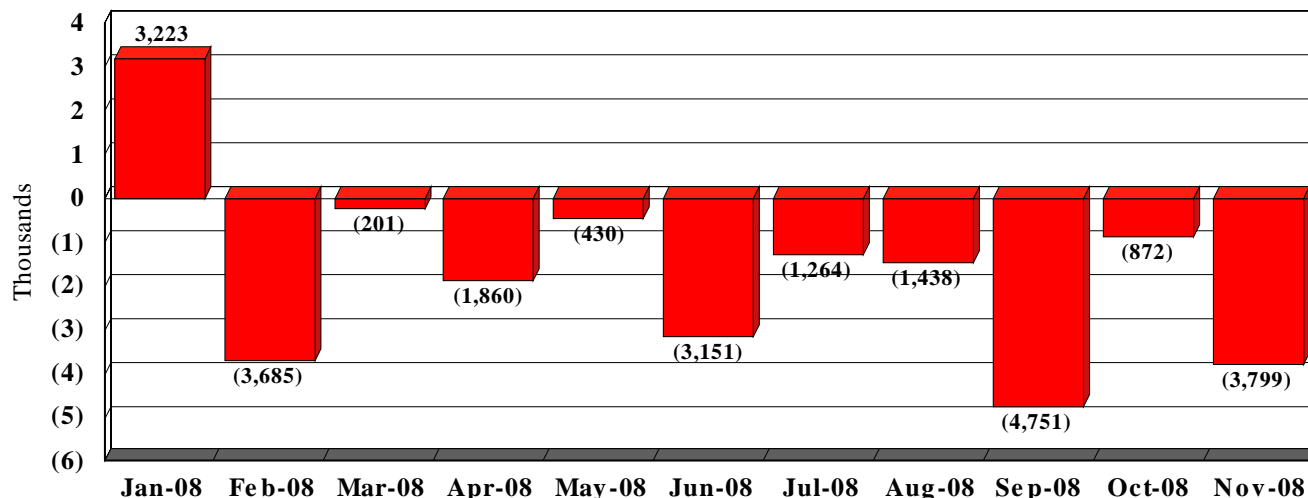
NOTE:

The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graphs represent the growth rate over the prior year's value and correspond to the right-hand axis.

Sources:

Mississippi Department of Employment Security
Mississippi State Tax Commission

percent in November relative to October. This was the second consecutive increase and shows withholdings at a high level. The growth is misleading, however. When comparing 2008 to 2007, inflation adjusted withholdings have fallen 0.8 percent. It is unusual for the state to see a negative growth in real withholdings as evidenced by Figure 5. This graph shows the annual growth in real

Figure 3. Monthly Change in Mississippi Nonfarm Employment

withholdings since 1993. There have been only three years in which the state saw a decline in this series. The 0.8 percent decline is only slightly better than that observed in 2001.

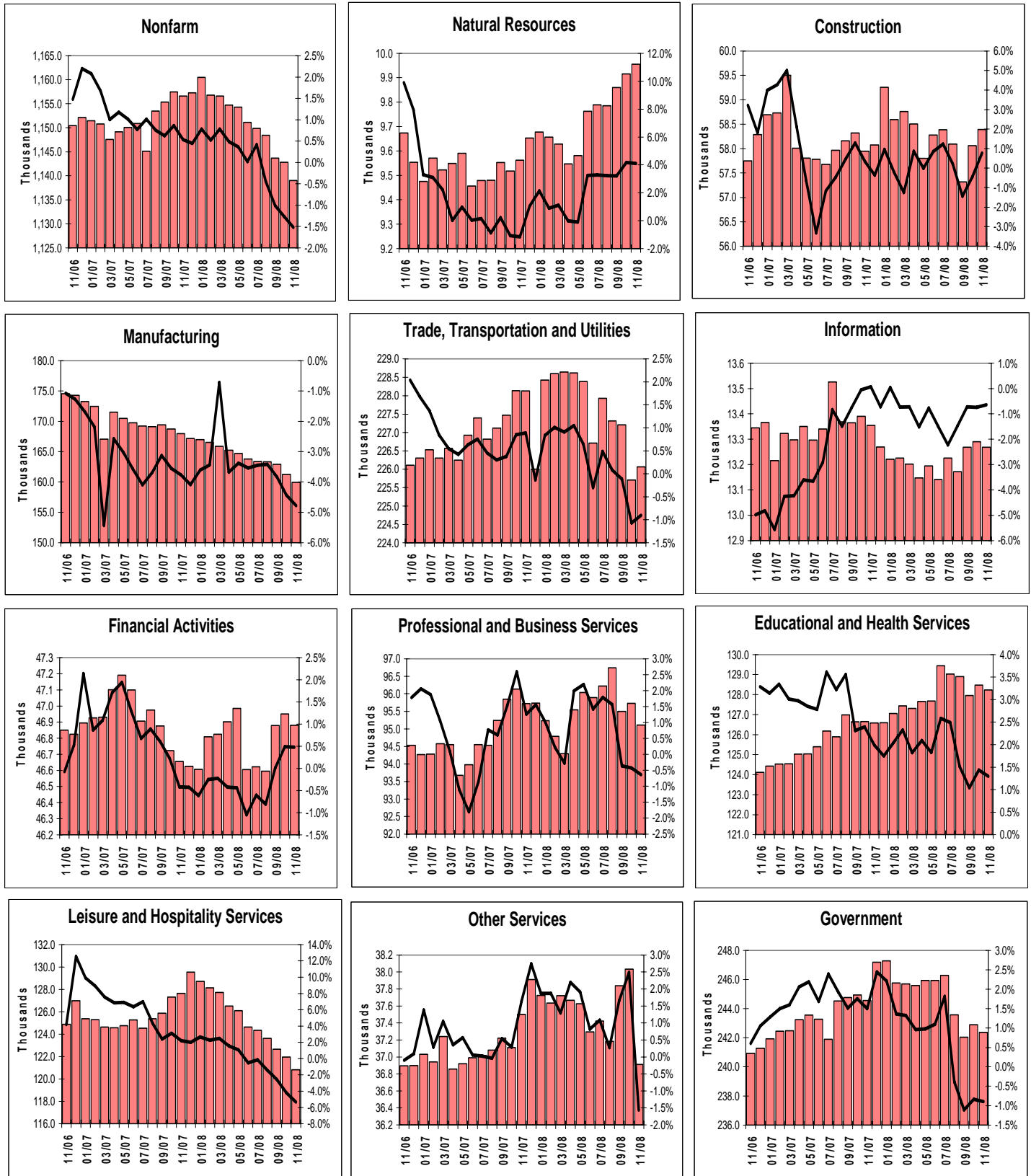
Mississippi's inflation adjusted merchandise retail sales were up 1.6 percent in November over October. The increase was relatively small. Comparing the first eleven

months of 2008 to 2007 shows a slight increase in sales of 0.1 percent. This is much stronger than the first eleven months of 2007 in which real merchandise retail sales fell 3.1 percent. The gain in 2008 is likely due to the stimulus checks which were spent last summer. The strongest gains in sales during 2008 occurred in the second quarter when the stimulus checks would have been reaching taxpayers.

**Table 1. Mississippi Employment By Sector
Seasonally Adjusted**

	November 2008	October 2008	November 2007	Change from Prior Month Jobs	%	Change from Prior Year Jobs	%
Nonfarm	1,139,016	1,142,814	1,156,605	-3,799	-0.3%	-17,589	-1.5%
Natural Resources	9,955	9,915	9,563	40	0.4%	393	4.1%
Construction	58,392	58,061	57,945	331	0.6%	447	0.8%
Manufacturing	159,944	161,231	167,970	-1,287	-0.8%	-8,026	-4.8%
Trade, Transportation and Utilities	226,066	225,706	228,127	360	0.2%	-2,061	-0.9%
Retail	139,491	139,168	142,258	323	0.2%	-2,767	-1.9%
Information	13,268	13,291	13,355	-22	-0.2%	-86	-0.6%
Financial Activities	46,880	46,952	46,655	-72	-0.2%	225	0.5%
Services	381,086	384,211	387,457	-3,125	-0.8%	-6,371	-1.6%
Professional and Business Services	95,108	95,728	95,718	-621	-0.6%	-610	-0.6%
Education and Health Services	128,231	128,477	126,584	-246	-0.2%	1,647	1.3%
Leisure and Hospitality	120,834	121,971	127,654	-1,137	-0.9%	-6,820	-5.3%
Other Services	36,913	38,035	37,501	-1,122	-2.9%	-587	-1.6%
Total Government	242,366	242,891	244,558	-525	-0.2%	-2,191	-0.9%
Federal Government	25,957	26,305	25,832	-348	-1.3%	125	0.5%
State Government	59,438	59,374	59,323	65	0.1%	115	0.2%
Local Government	156,844	157,049	159,314	-206	-0.1%	-2,470	-1.6%

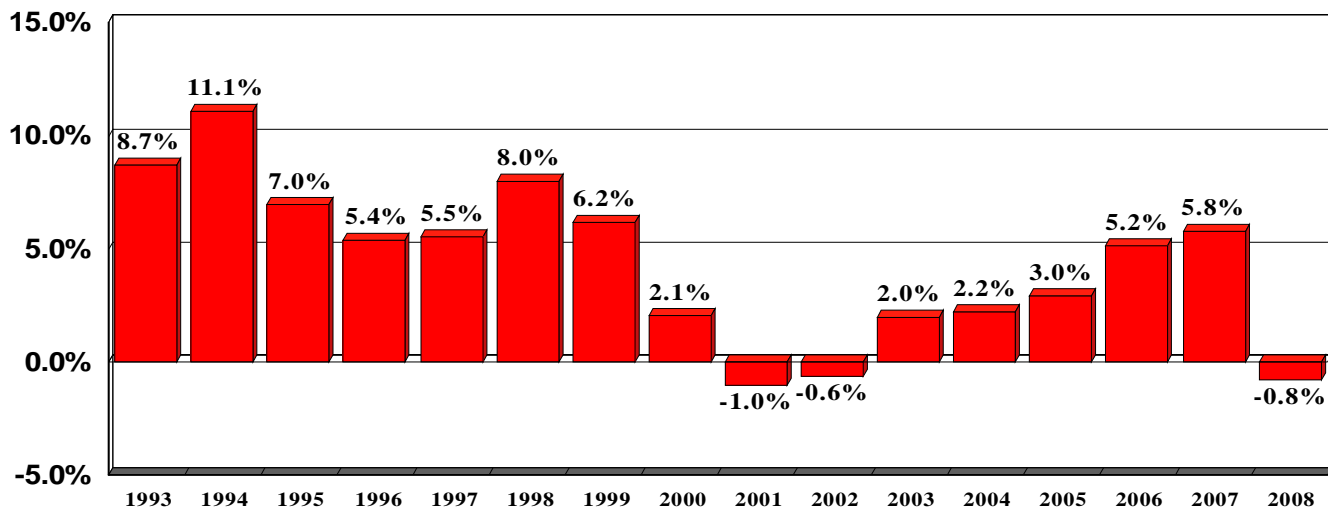
Figure 4. Mississippi Employment Trends



Note: The Bar Graphs above represent seasonally adjusted monthly employment and correspond to the left-hand axis.

The line graphs represent the growth over the prior year's value and correspond to the right-hand axis.

Source: Department of Mississippi Employment Security and IHL.

Figure 5. Annual Growth in Real Individual Income Tax Withholdings

Leading Indicators

The Mississippi Index of Leading Economic Indicators was 87.9 in November, a 3.1 percent decline from the October level. The monthly decline was broadly supported, with four out of the five components contributing negatively.

The growth of the Index relative to the level six-months prior has been negative since October 2007 and shows no sign of moderating. In 2000 and 2001, the six-month growth rate of the index was negative for 15 months. In the current recession, the state has seen 14 months of negative numbers already. The November six-month growth rate was an annualized -12.6 percent. This level of decline is very strong by historical standards. What does all this mean? It means that the State's economy is in a deep decline and there is not yet any indication of a stabilization of that decline.

The strongest contributor to the November decline in the leading index was a steep decline in the Institute for Supply Management Index of U.S. Manufacturing Activity (ISM). The ISM reached 32.4 in November, the lowest level since 1980. According to the ISM, the manufacturing industry has contracted for five consecutive months. This means that manufacturers are drastically cutting production. The employment figures for Mississippi shows they are also cutting workers.

While recent months have seen an increase in average workweek length in manufacturing, November saw a decrease to 41.6 hours. The level remains high historically speaking. It may be that manufacturers, in an attempt to reduce costs, are operating with a reduced workforce. This means fewer workers earning more money. This can be a successful strategy when the fixed costs per employee is high and the outlook for production is dim.

The U.S. Index of Consumer Expectations fell to 53.9 as consumers continued to worry about their jobs and falling wealth associated with housing and the stock market.

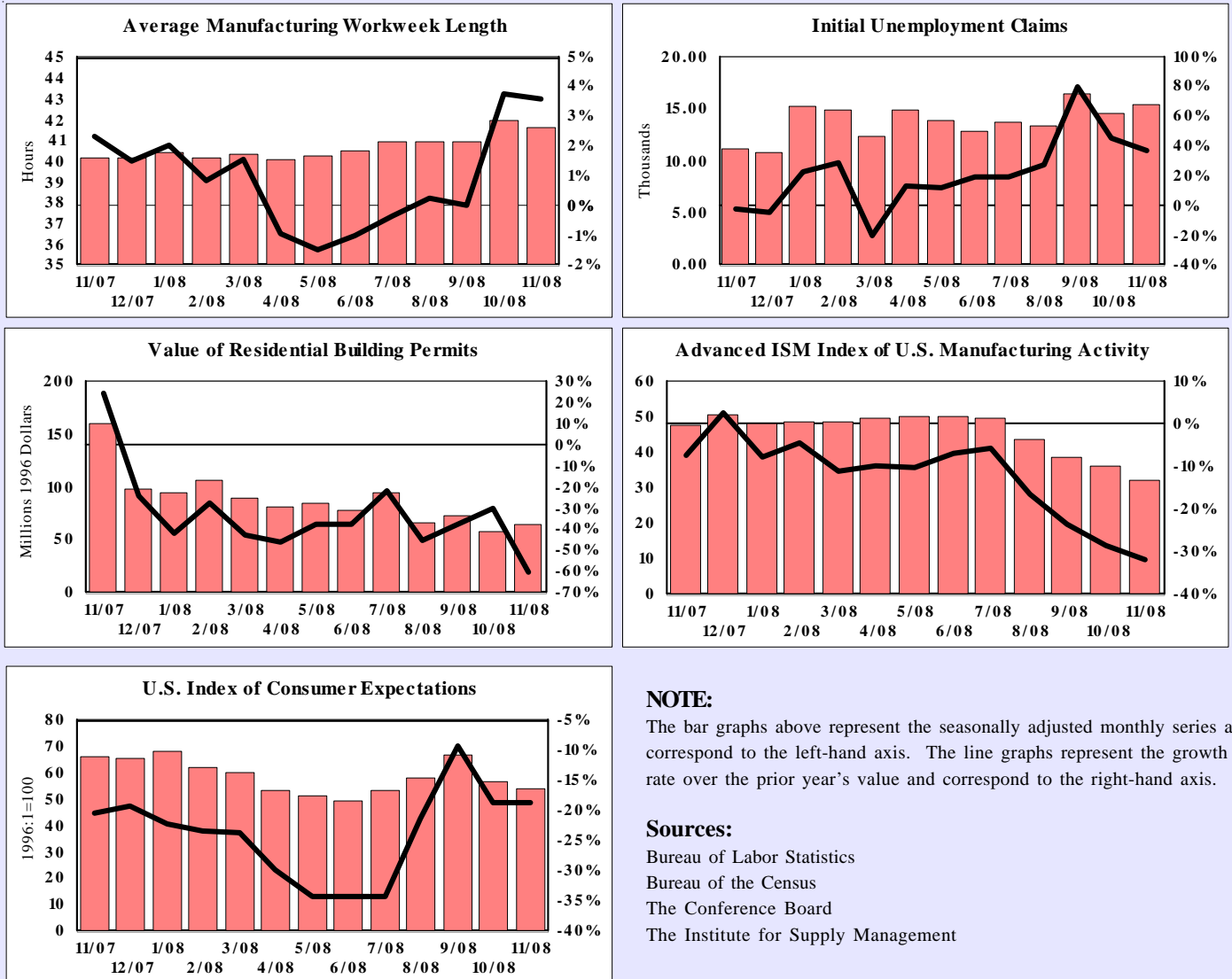
The Mississippi initial unemployment claims rose 10.2 percent in November over October. The increase erased most of the decline that had occurred in October. The series has been trending upward throughout 2008.

The only positive news from the components of the leading index was a 10.2 percent gain in the Mississippi value of residential building permits. The increase is slight in relation to the precipitous decline that has occurred throughout the past year.

U.S. Economy

The U.S. Index of Coincident Indicators decreased 0.3 percent in November over October. The decline was

Figure 6. Mississippi Index of Leading Indicators Components



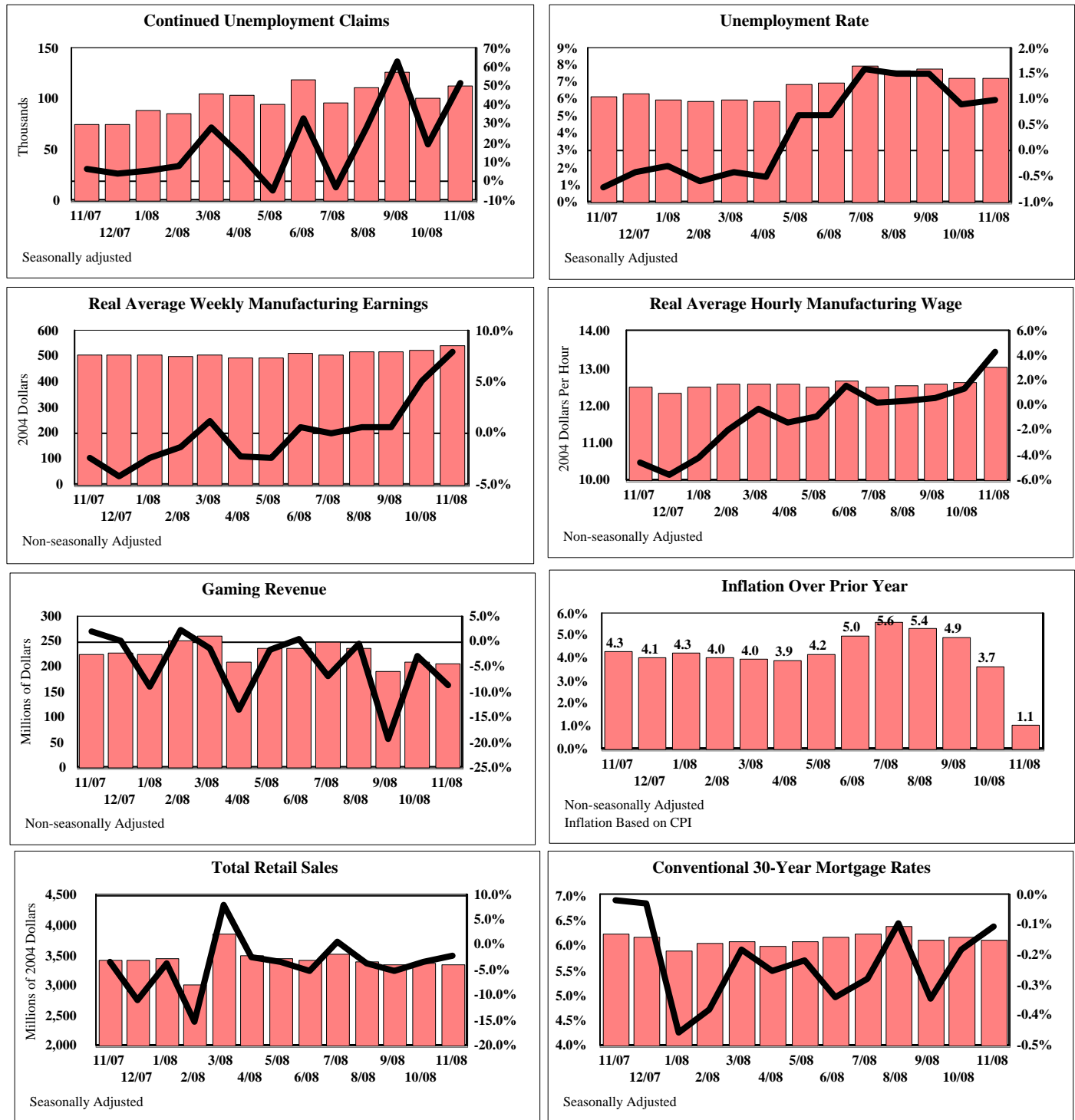
driven by a large contraction in employment and a smaller reduction in industrial production. The U.S. Index of Leading Economic Indicators fell 0.4 percent. This decline was largely driven by declining building permits and stock prices and an increase in initial unemployment claims. According to the Conference Board, "... the recession that began in December 2007 will continue into the new year and the contraction in economic activity could deepen further..."

The Commerce Department estimates that GDP fell 3.8 percent in the fourth quarter of 2008. This is the steepest decline in 25 years. In the wake of job cuts and a global recession, both consumers and businesses have

reduced spending. It is likely the economy will worsen before it gets better. Deflation is becoming a real threat to the economy as oil prices continue to be depressed.

The House has passed \$825 billion spending bill that is now going to the Senate. Advocates of the bill describe it as a stimulus bill. The Wall Street Journal (January 28, 2009) estimates that only 12 cents on the dollar is for anything that will stimulate economic activity. Even allowing for exaggeration, one wonders about the long-term consequences of borrowing and spending to solve a problem that seems to have occurred from borrowing and spending.

Figure 7. Mississippi Employment Trends



NOTE:

The bar graphs above represent the monthly series and correspond to the left-hand axis. The line graphs represent the growth rate over the prior year's value and correspond to the right-hand axis.

Sources:

- Mississippi Employment Security Commission
- Mississippi Tax Commission
- Mississippi Gaming Commission
- Federal Home Mortgage Corporation
- Bureau of Labor Statistics

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	November 2008	October 2008	November 2007	Percent Change From Last Month Last Year	
Coincident Indicator Index (2004=100)	104.2	103.6	104.7	0.6%	-0.5%
Nonagricultural Employment (thousands)	1,139.0	1,142.8	1,156.6	-0.3%	-1.5%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	109.8	105.3	106.0	4.3%	3.6%
Merchandise Retail Sales (millions of 2004 \$)	564.5	555.8	553.2	1.6%	2.0%
Leading Indicator Index (2004=100)	87.9	90.7	99.1	-3.1%	-11.2%
Initial Unemployment Claims	15,393	14,674	11,255	4.9%	36.8%
Value of Residential Building Permits (millions of 2004 \$)	64.4	58.4	161.3	10.2%	-60.1%
Average Manufacturing Workweek Length (hours)	41.6	41.9	40.2	-0.7%	3.6%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the December index is reported for November.	32.4	36.2	47.7	-10.5%	-32.1%
U.S. Index of Consumer Expectations	53.9	57.0	66.2	-5.4%	-18.6%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	112.5	114.7	111.3	-1.9%	1.1%
Unemployment Rate (percentage)					
Non-seasonally adjusted	6.6%	6.9%	5.7%	-0.3%	0.9%
Seasonally adjusted	7.2%	7.2%	6.2%	0.0%	1.0%
Continued Unemployment Claims	113,505	101,448	74,603	11.9%	52.1%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.65	14.47	13.89	1.2%	5.5%
2004 Dollars per Hour	13.03	12.62	12.48	3.2%	4.4%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	612.37	603.40	561.16	1.5%	9.1%
2004 Dollars	544.51	526.25	504.31	3.5%	8.0%
U.S. Mortgage Rates (30-year conventional)	6.1%	6.1%	6.2%	-0.0%	-0.1%
Total Retail Sales Millions of 2004 Dollars	3,344.27	3,361.17	3,413.48	-0.5%	-2.0%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	96.2	96.8	103.9	-0.6%	-7.4%
River counties (millions of current \$)	109.1	114.2	120.9	-4.5%	-9.8%
Total	205.3	211.0	224.9	-2.7%	-8.7%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.