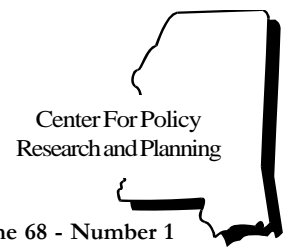


Mississippi's Business



January 2010

Monitoring the State's Economy

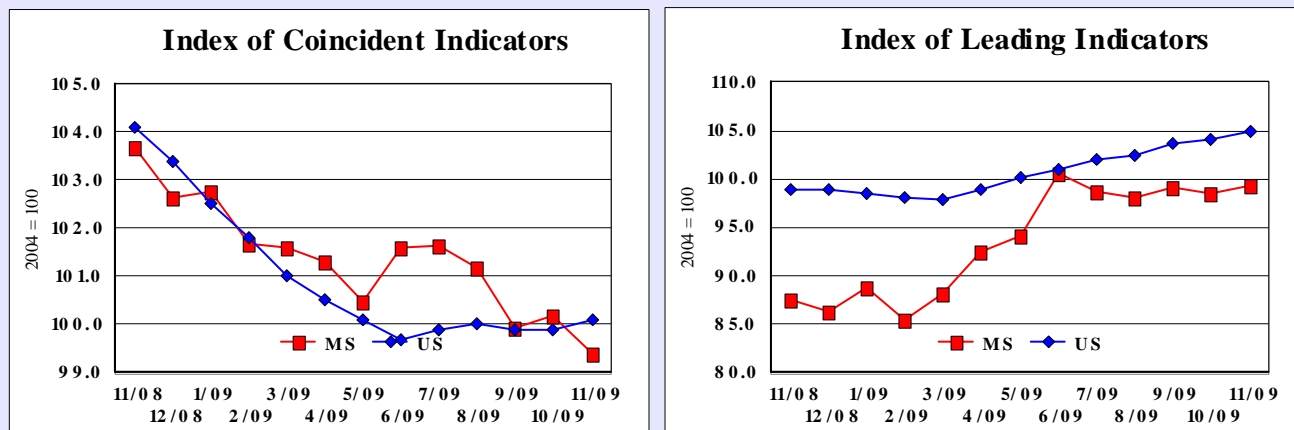
Volume 68 - Number 1

ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators fell in November relative to October while the Mississippi Index of Leading Indicators rose. The decline in the Coincident Index was large and reminds us that while there is talk of recovery, it is not being seen in either jobs or income levels. The November employment level in Mississippi was the lowest since January 1997. All of the job gains of the past thirteen years have been lost in this recession. Income levels continue to fall for Mississippians as indicated by the income tax withholdings data and echoed by retail sales data. The gain in the Leading Index was in keeping with the relative flat growth we have seen over the past several months. The indices reveal an economy still very weak and offer little hope this will change in the near term.

Nationally, the indicators are more positive, with both the US Leading and Coincident Indices gaining strength. Economists are optimistic that the GDP grew at a strong pace in the fourth quarter of 2009. Estimates are in the 4.5 to 5.0 percent range. This growth is not expected to continue however and the outlook remains for a very slow recovery in 2010. The "Great Recession" has been deep and it will take time to regain the lost ground. Additionally, there remains a great deal of uncertainty in the marketplace. The result is that businesses remain hesitant to invest or hire. Consumers, who have lost considerable wealth in the stock market and in their homes, and who remain heavily indebted, are reluctant to spend for anything other than the necessities and bargains.

Figure 1. Index of Leading and Coincident Indicators



The December issue of the Mississippi Review and Outlook has been released and is available on the web. This publication includes both national and state level forecasts.

The Review and Outlook is available at http://www.ihl.state.ms.us/urc/downloads/review/outlook_January2010.pdf

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Coincident Index

The Mississippi Index of Coincident Economic Indicators fell a sharp 0.8 percent in November relative to October to a level of 99.4. After a brief increase over the summer, due to unusual temporary jobs, the series has been trending downward. The November index was the lowest since October 2003. The November index was an annualized 2.2 percent below the level six months prior. The six-month growth rate has been negative since May 2008. Both components contributed to the monthly decline (see Figure 2).

Mississippi nonfarm employment declined 8,117 jobs or 0.7 percent for the month of November. This decrease followed an increase in October of 5,399 jobs. While the series has occasionally been positive over the past two years, the trend has remained downward. The state has lost over 61,500 jobs since the Nation went into recession in December 2007. The state's November employment level is the lowest since January 1997, a staggering statistic and one that underscores the depth of the recession. In November every sector lost jobs (see by Table 1 and Figure 3).

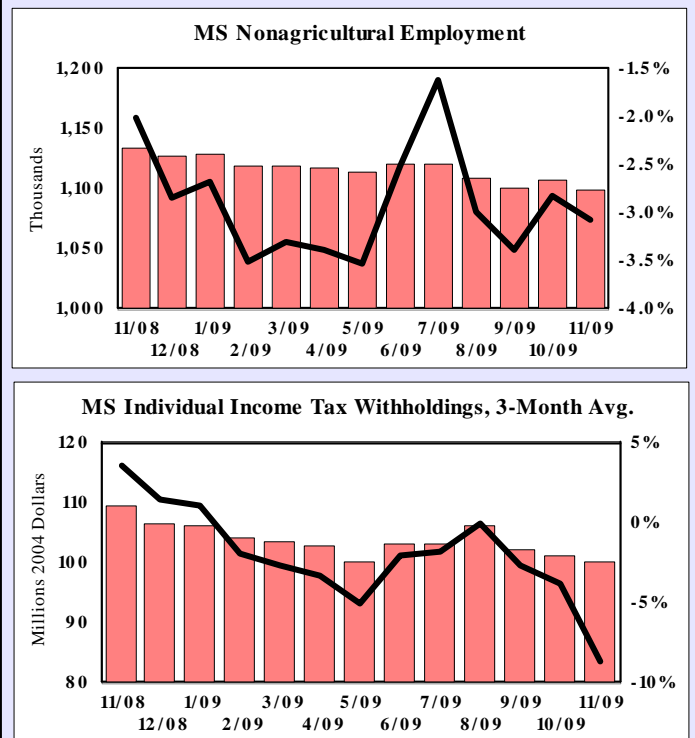
Mississippi Income tax withholdings fell 1.1 percent in November. This marked the third monthly decline. The declining pattern reveals a contraction of income in Mississippi. For the eleven months ending in November, the series is down 3.4 percent in 2009 relative to 2008. For the same period, retail sales contracted 9.3 percent.

Leading Indicators

The Mississippi Index of Leading Economic Indicators was 99.4 in November, up 1.0 percent from the October level. The increase more than reversed the decline seen in the revised October level. Despite the increase, the index has remained relatively flat since June. Overall, the index suggests no significant change in the economy for the coming months, but there are some bright spots. Four out of five components contributed to the monthly gain.

The largest contributor to the November gain was the increase in the Institute for Supply Management Index of U.S. Manufacturing Activity. After falling in November, the Index rose to 55.9 in December. The increase

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

was led by new orders for manufactured goods. The Index offered an encouraging outlook for the manufacturing industry, but also supports the estimate that GDP grew sharply in the fourth quarter of 2009.

The second largest contributor to the November gain in the Leading Index was a 9.2 percent drop in Mississippi initial unemployment claims. This series is only slightly above the pre-recession level. Employers are not laying off as rapidly as they were earlier in the year.

Mississippi's average manufacturing workweek length rose a negligible amount to 40.3 hours in November. The series fell dramatically in September. The October and November gains did not recover all of the loss and the level remains below that observed during the summer months of 2009.

Table 1. Mississippi Employment By Sector

Seasonally Adjusted

	November	October	November	Change from		Change from	
	2009	2009	2008	Prior Month	%	Prior Year	%
	Jobs			Jobs	%	Jobs	%
Nonfarm	1,098,847	1,106,964	1,133,672	-8,117	-0.7%	-34,825	-3.1%
Natural Resources	9,292	9,438	9,289	-146	-1.6%	2	0.0%
Construction	52,799	53,280	58,707	-481	-0.9%	-5,909	-10.1%
Manufacturing	144,681	145,706	154,472	-1,025	-0.7%	-9,791	-6.3%
Trade, Transportation and Utilities	211,220	213,026	221,333	-1,806	-0.8%	-10,113	-4.6%
Retail	134,210	135,230	138,382	-1,020	-0.8%	-4,171	-3.0%
Information	13,040	13,085	13,338	-44	-0.3%	-298	-2.2%
Financial Activities	43,169	43,457	46,046	-288	-0.7%	-2,877	-6.2%
Services	372,670	374,986	380,418	-2,315	-0.6%	-7,748	-2.0%
Professional and Business Services	85,985	86,448	92,610	-463	-0.5%	-6,625	-7.2%
Education and Health Services	131,804	132,561	128,407	-756	-0.6%	3,397	2.6%
Leisure and Hospitality	119,203	119,748	122,528	-545	-0.5%	-3,326	-2.7%
Other Services	35,678	36,229	36,873	-551	-1.5%	-1,194	-3.2%
Total Government	252,262	253,029	250,336	-767	-0.3%	1,926	0.8%
Federal Government	25,961	26,189	26,633	-227	-0.9%	-672	-2.5%
State Government	63,021	63,127	61,729	-106	-0.2%	1,291	2.1%
Local Government	162,901	163,427	161,627	-526	-0.3%	1,275	0.8%

The value of residential building permits rose slightly in November relative to October. The series remains well below the pre-recession level, however. Nationally, the outlook is for a modestly improved housing sector.

While existing home sales have been encouraging, there is little indication that such growth can be sustained. The first time home buyers credit was extended and expanded but will just pull sales forward offering an uneven recovery period. Multi-family units are still struggling.

The U.S. Index of Consumer Expectations fell 2.1 points to 66.5 in November. Consumers are still being battered by this economy. Unemployment remains high, as do debt levels. Credit card companies have limited credit and raised fees which is also hurting consumers.

U.S. Economy

The U.S. Index of Coincident Economic Indicators rose 0.2 percent in November relative to October. The series has increased four out of the last five months. The U.S. Index of Leading Economic Indicators rose 0.9 percent, the eighth consecutive monthly gain. The Conference Board believes the recession is bottoming out and that economic conditions will improve in the coming months.

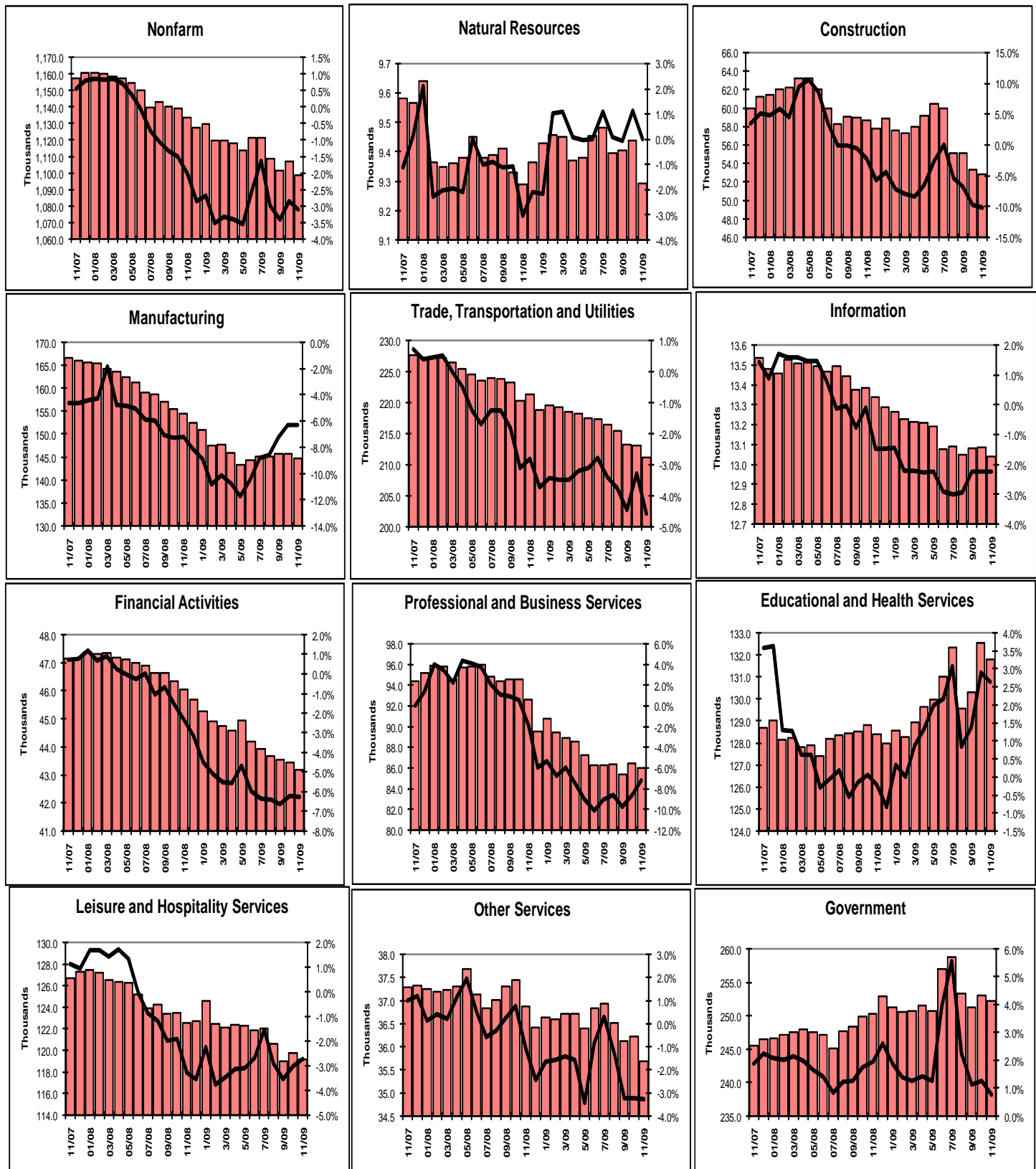
Experts are expecting the National economy ended 2009 with a strong growth in GDP, possibly as high as 5.0 percent. But these same experts anticipate the recovery period to be slow going forward.

In a recent article in the Wall Street Journal*, economist Gary Becker, Steven Davis and Kevin Murphy gave their assessment of why the recovery will be slow. They cited two primary reasons. First is the severity of the financial crisis that led to the recession. The shock of the past two years has greatly undermined the confidence of both bankers and venture capitalist and it will take time to recover. The second reason is less obvious but perhaps equally important. With the election of 2008 the Nation appeared to have taken a hard left turn. Policy makers then interpreted this as evidence that the American people wanted major reforms to the economy. What followed was a series of policy initiatives that taken together has created a great deal of uncertainty among businesses and consumers which undermines lending, investing and spending.

*Gary S. Becker, Steven J. Davis and Kevin M. Murphy (January 4, 2010). Uncertainty and the Slow Recovery. *The Wall Street Journal*.

Continued on page 5

Figure 4. Mississippi Employment Trends

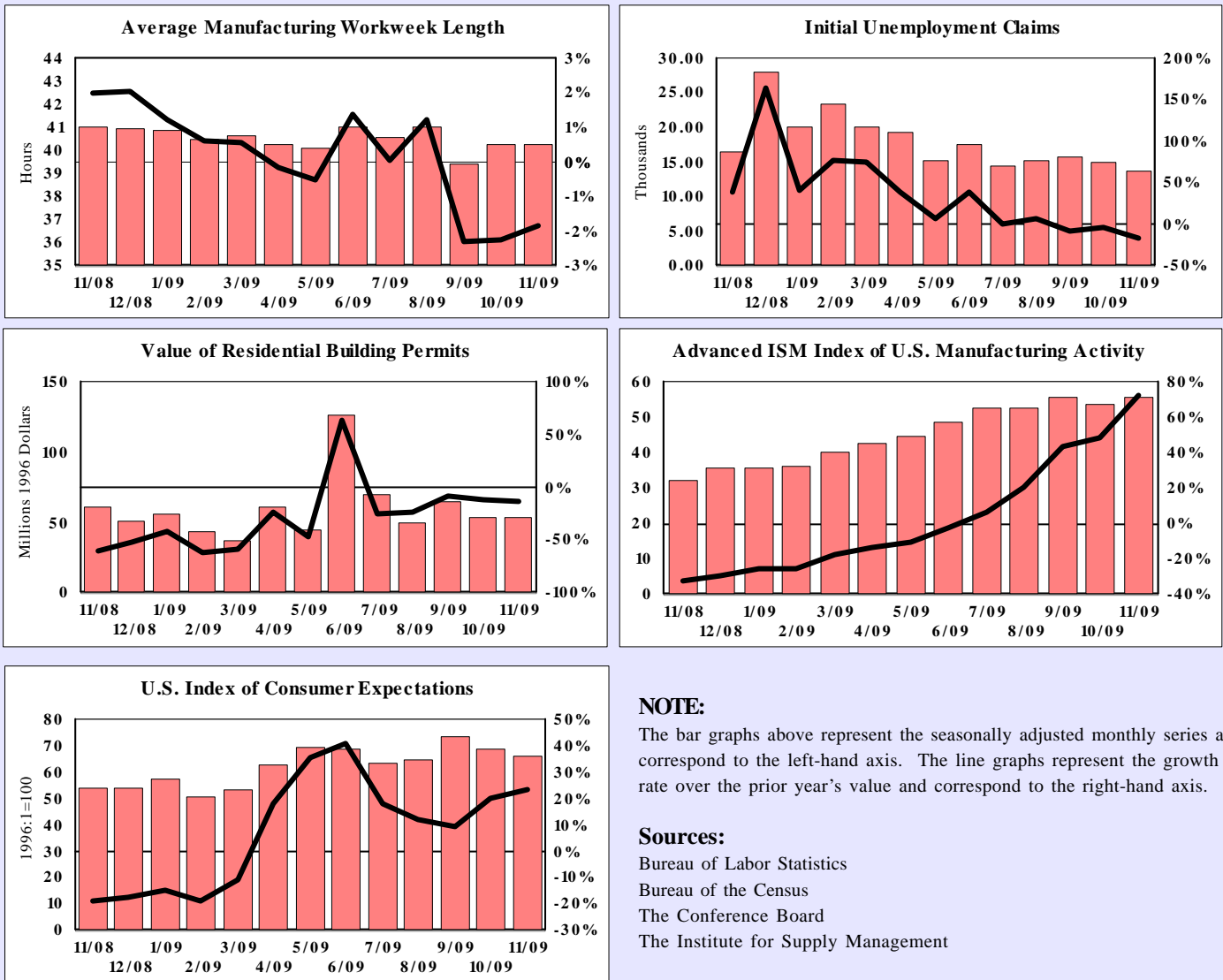


Note: The Bar Graphs above represent seasonally adjusted monthly employment and correspond to the left-hand axis.

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.

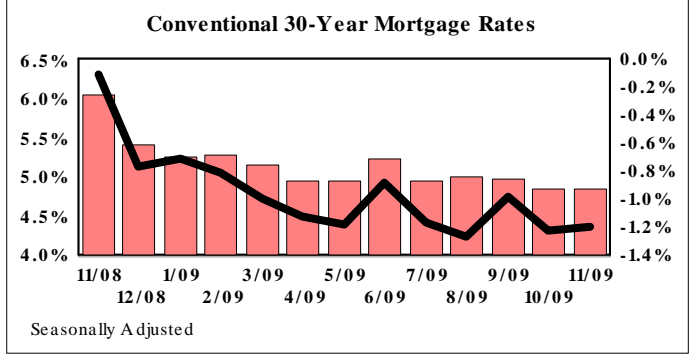
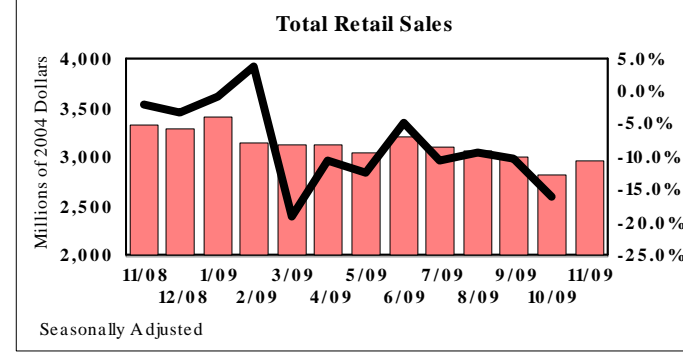
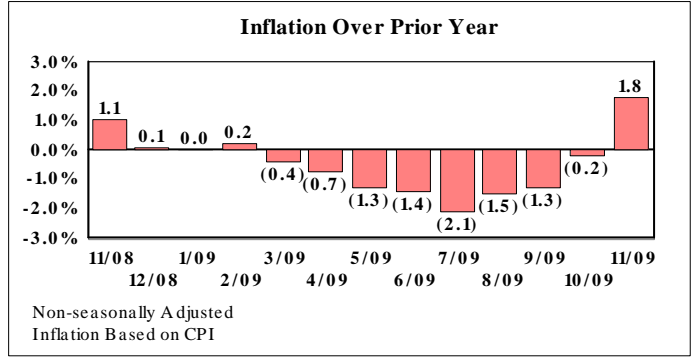
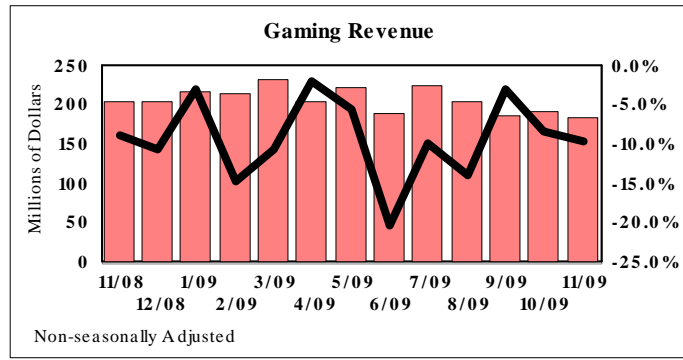
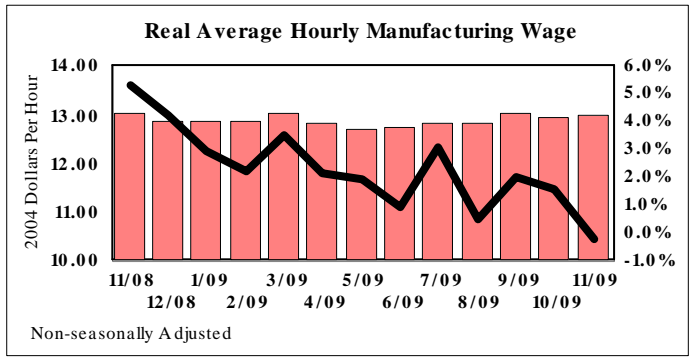
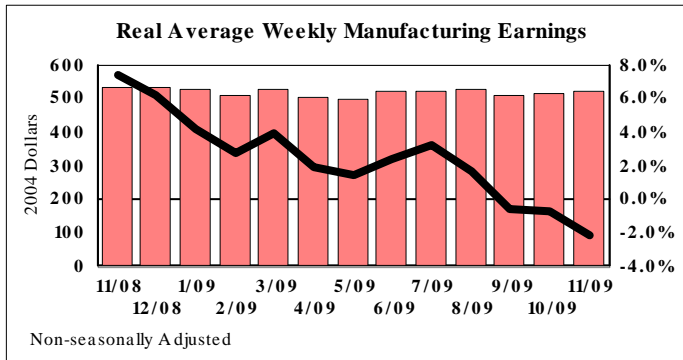
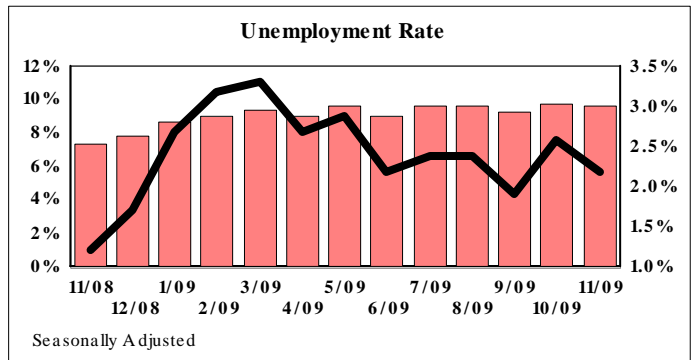
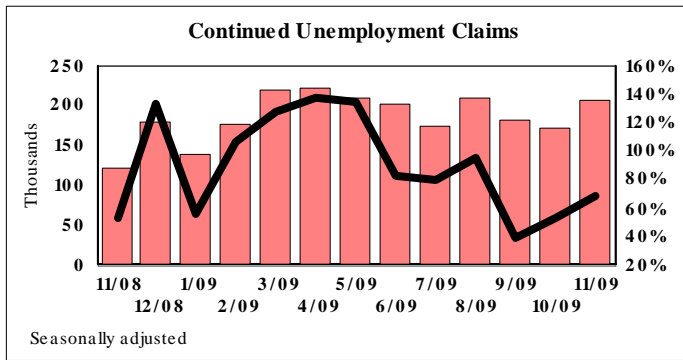
Figure 5. Mississippi Index of Leading Indicators Components



It is not any one particular policy, but rather the volume of change that has occurred over the past year that has created this uncertainty. There were the bailouts, the \$800 billion stimulus, the talk of taxing carbon emissions, health care reform, rising marginal tax rates, pay czars, etc. Again, the merits of any of these policies in particular are not at issue rather it is the impression that the rules of the game have changed. Much of the rhetoric of the past year has been antibusiness and anticapitalism. The result has been that banks are fearful of lending, businesses are fearful of hiring or expanding, and consumers are buying only the necessities. Uncertainty does not promote investment. If we are unsure of the rules of the game, we just won't play.

If in fact this uncertainty is a factor, then the recent upset in Massachusetts may actually help the economy. First, it restores some balance to the Senate and thus offers some check to the steam-rolling of policies. Already the election of Scott Brown to the Senate appears to have put the breaks on health care reform. Despite the arguments for or against reform, the speed with which we were changing such a large segment of the economy was disturbing to both businesses and consumers. Secondly, the upset will likely cause Congress to take a more moderate approach toward change. This more moderate pace will be welcomed by businesses and consumers alike.

Figure 6. Miscellaneous Indicators



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

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	November 2009	October 2009	November 2008	Percent Change From	
				Last Month	Last Year
Coincident Indicator Index (2004=100)	99.4	100.2	103.7	-0.8%	-4.1%
Nonagricultural Employment (thousands)	1,098.8	1,107.0	1,133.7	-0.7%	-3.1%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	100.1	101.2	109.6	-1.1%	-8.7%
Leading Indicator Index (2004=100)	99.4	98.4	87.5	1.0%	13.6%
Initial Unemployment Claims	13,694	15,079	16,491	-9.2%	-17.0%
Value of Residential Building Permits (millions of 2004 \$)	53.8	53.7	61.7	0.3%	-12.8%
Average Manufacturing Workweek Length (hours)	40.3	40.2	41.1	0.1%	-1.9%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the December index is reported for November.	55.9	53.6	32.4	4.3%	72.5%
U.S. Index of Consumer Expectations	66.5	68.6	53.9	-3.1%	23.4%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	114.5	114.5	112.5	0.1%	1.8%
Unemployment Rate (percentage)					
Non-seasonally adjusted	9.0%	9.5%	6.7%	-0.5%	2.3%
Seasonally adjusted	9.6%	9.8%	7.4%	-0.2%	2.2%
Continued Unemployment Claims	209,466	172,954	123,635	21.1%	69.4%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.87	14.82	14.64	0.3%	1.6%
2004 Dollars per Hour	12.98	12.95	13.02	0.3%	-0.3%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	600.75	592.80	603.17	1.3%	-0.4%
2004 Dollars	524.53	517.96	536.32	1.3%	-2.2%
U.S. Mortgage Rates (30-year conventional)	4.9%	4.8%	6.1%	0.0%	-1.2%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	87.2	86.3	96.2	1.0%	-9.4%
River counties (millions of current \$)	98.3	107.2	109.1	-8.3%	-9.9%
Total	185.5	193.5	205.3	-4.2%	-9.7%
Total Retail Sales (Millions of 2004 \$)	2,962.20	2,834.65	3,333.18	4.5%	-11.1%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.