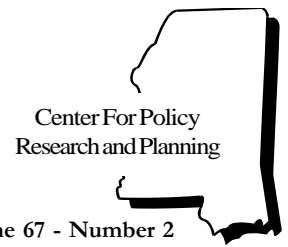


Mississippi's Business



February 2009

Monitoring the State's Economy

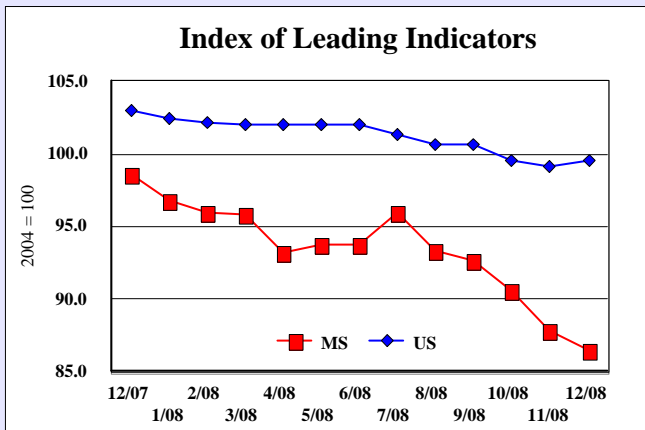
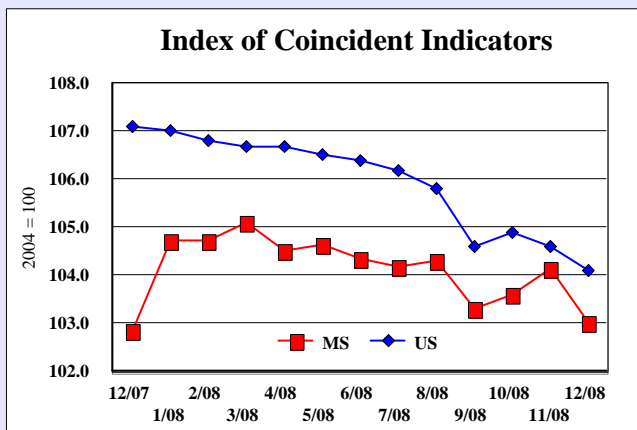
Volume 67 - Number 2

ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators fell sharply in December, bringing the index to the lowest level since December 2007. The Mississippi Index of Leading Indicators fell in December as well. Initial unemployment claims spiked in December as did the more stable continuing claims. The indicators continue to show a Mississippi economy suffering from the recession. The rate of decline is not expected moderate anytime in the near future. The National Index of Coincident Indicators fell sharply in December relative to November. The Index of Leading Indicators managed a slight increase. The increase notwithstanding, the National economy is in a deep and long-lasting recession.

The \$789 billion American Reinvestment and Recovery Act has been signed into law. Washington hopes the unprecedented spending bill will stimulate the shrinking economy. Opponents fear it will offer a modest short-term improvement followed by long-term diminished growth as the Nation faces inflation and rising tax burdens.

Figure 1. Index of Leading and Coincident Indicators



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In This Issue

Economy at a Glance 1

Visit us on the web

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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 fell 1.1 percent in December relative to November. The sharp decline erased all gains made in 2008, bringing the index to 103.0 only a slight 0.2 percent above the level in December 2007. The monthly decline was broadly supported by all three components (See Figure 2).

The State's economy continues to contract and the bottom is not yet in sight. Figure 3 shows the annual growth in the index for the 1998-2008 period. On average, the index did not grow in 2008, making it the worst year since 2003.

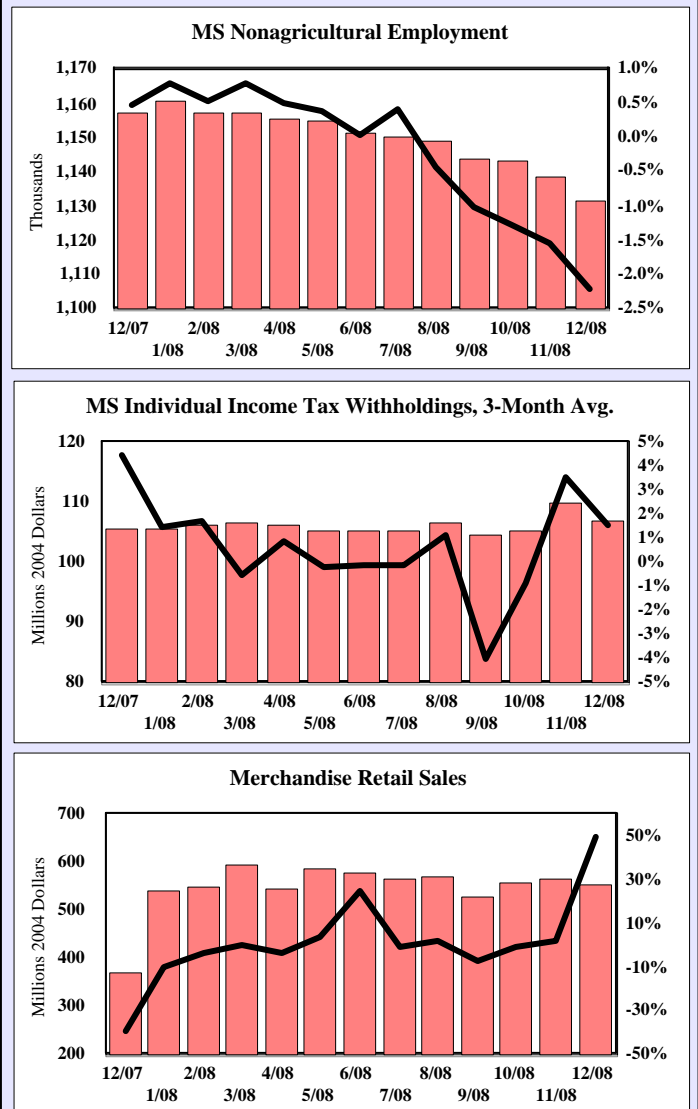
Mississippi nonfarm employment fell 0.6 percent in December relative to November. The state lost jobs every month in 2008 except January. The December decline was the largest monthly decline with a loss of 7,335 jobs. Since January 2008, when the state reached an historical peak, Mississippi had lost 29,293 jobs by December 2008. This represents a loss of 2.5%. Table 1 and Figure 4 show the employment data by sector. For December the largest declines occurred in the service sectors and manufacturing.

Another way to examine the employment trends is to compare the annual average employment growth by year. For 2008, there was a 0.3 percent decline in employment, which is remarkably slower than the 1.0 gain observed in 2007 over 2006. The bulk of the job losses for the year were in manufacturing. Leisure and hospitality services accounted for the second largest source of job losses.

The three-month moving average in Mississippi individual income tax withholdings declined 2.6 percent in December relative to November. This erased much of the gain that occurred in November. There was a 0.3 percent gain in withholdings in 2008 over 2007. This compares to a 4.7 percent gain in 2007 over 2006.

Mississippi's inflation adjusted merchandise retail sales fell 2.6 percent in December relative to November. The series had increased the previous two months. The state gained 2.9 percent in 2008 over 2007. This is

Figure 2. Mississippi Index of Coincident Indicators Components



NOTE:

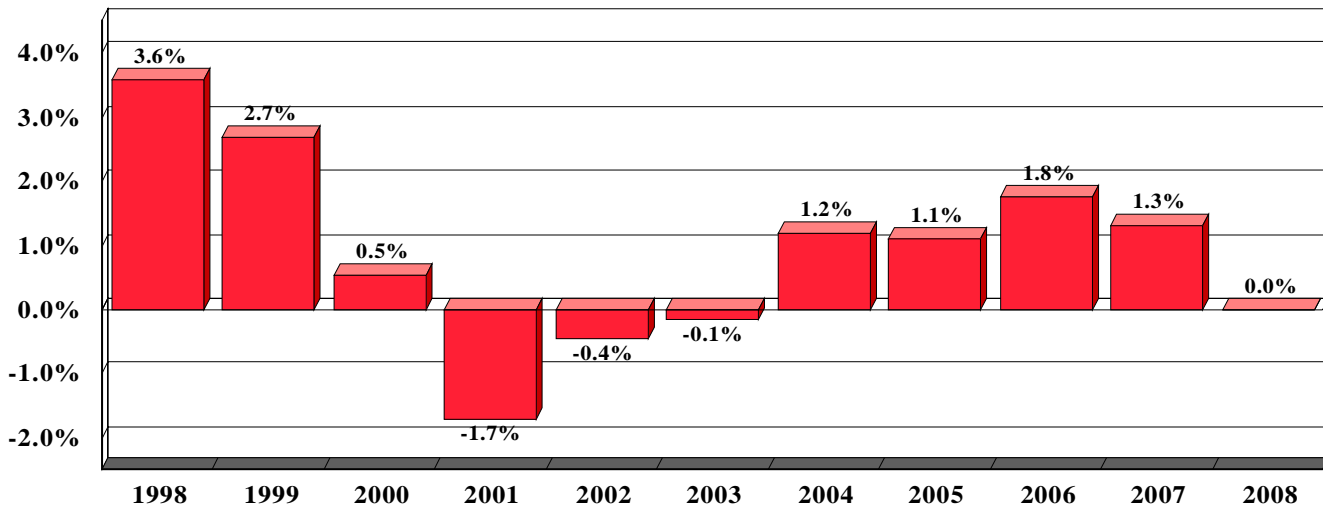
The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graphs represent the growth rate over the prior year's value and correspond to the right-hand axis.

Sources:

Mississippi Department of Employment Security
Mississippi State Tax Commission

actually an improvement from a 6.4 percent decline that occurred in 2007 over 2006. However these statistics may overstate the trend, as there appears to have been an inexplicable decline in merchandise retail sales in December 2007. The decline may have been an error in the data. If December is dropped from the comparison the state declined 3.0 percent in 2007 and gained 0.2 percent in

Figure 3. Average Annual Growth in MS Index of Coincident Indicators



2008. Sales increased in the state following Katrina and has since that time been moving back toward historical trends. The slight gain in 2008 suggest the “Katrina-effect” has been exhausted.

Leading Indicators

The Mississippi Index of Leading Economic Indicators was 86.4 in December, a 1.6 percent decline from the November level. The growth relative to six months prior

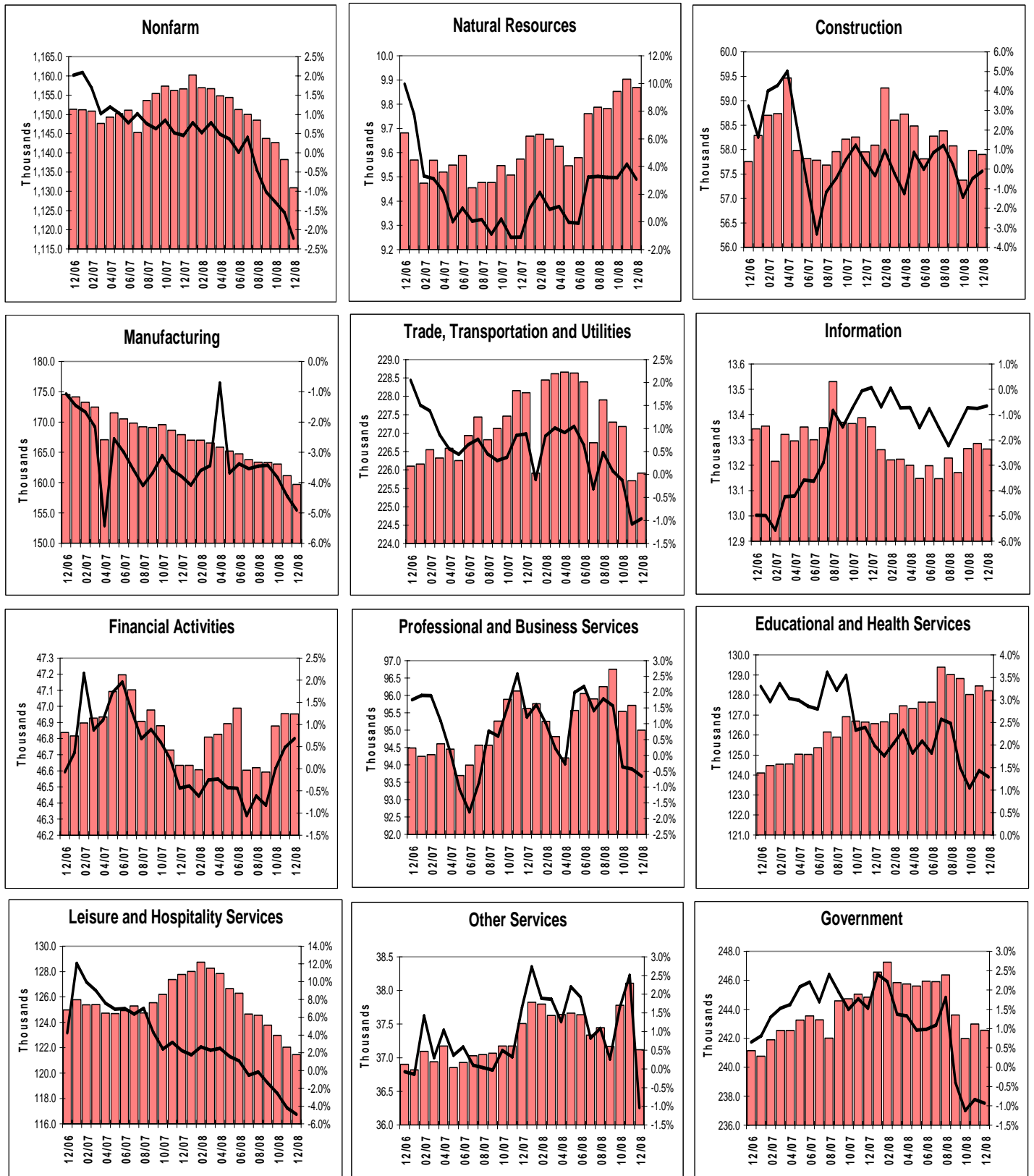
was down an annualized 15.6 percent. This is the strongest six-month decline thus far in the current downturn. Three out of the five components contributing negatively to the December index (Figure 5). The Index suggest the State’s economy will continue to decline in the short-term.

The strongest contributor to the December decline was a 79.1 percent increase in Mississippi’s initial unemploy-

Table 1. Mississippi Employment By Sector
Seasonally Adjusted

	December 2008	November 2008	December 2007	Change from Prior Month Jobs	%	Change from Prior Year Jobs	%
Nonfarm	1,130,956	1,138,291	1,156,615	-7,335	-0.6%	-25,659	-2.2%
Natural Resources	9,869	9,903	9,574	-34	-0.3%	296	3.1%
Construction	57,903	57,984	57,956	-81	-0.1%	-54	-0.1%
Manufacturing	159,687	161,155	167,931	-1,468	-0.9%	-8,244	-4.9%
Trade, Transportation and Utilities	225,913	225,704	228,100	209	0.1%	-2,187	-1.0%
Retail	139,166	139,212	142,151	-46	0.0%	-2,985	-2.1%
Information	13,264	13,286	13,352	-22	-0.2%	-88	-0.7%
Financial Activities	46,953	46,954	46,634	-2	0.0%	318	0.7%
Services	381,791	384,313	387,493	-2,523	-0.7%	-5,703	-1.5%
Professional and Business Services	94,999	95,710	95,630	-711	-0.7%	-631	-0.7%
Education and Health Services	128,205	128,457	126,571	-252	-0.2%	1,634	1.3%
Leisure and Hospitality	121,466	122,039	127,784	-574	-0.5%	-6,318	-4.9%
Other Services	37,121	38,107	37,509	-985	-2.6%	-388	-1.0%
Total Government	242,548	242,992	244,831	-443	-0.2%	-2,282	-0.9%
Federal Government	26,045	26,300	25,823	-255	-1.0%	222	0.9%
State Government	59,403	59,401	59,383	2	0.0%	20	0.0%
Local Government	156,927	157,137	159,493	-210	-0.1%	-2,566	-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.

ment claims. We have collected Mississippi initial unemployment claims since August 1982. With the exception of the month following Katrina, the state has never seen this level of percentage increase in a single month.

Perhaps more troubling is the over 50 percent increase in continuing unemployment claims. This is not a component of the leading index, but is one of the miscellaneous indicators that we track. The initial claims represent the number of individuals requesting benefits, regardless of whether or not they actually qualify. The continuing claims represent the actual number of individuals receiving benefits. The initial claims series is a good leading indicator, but the continued claims series reveals the depth of the contraction. After correcting for seasonality, there was over 177 thousand individuals receiving unemployment benefits. Except for the months following Katrina, the state has not seen this level of continued claims since the 1982-1983 recessionary period. During this period, it was not uncommon to see continued claims exceed 200 thousand.

The second largest contributor to the December decline in the leading index was a 19.5 percent decline in the value of Mississippi residential building permits. The series is volatile and this level of decline is not unusual. It is however interesting to consider how low this series has fallen. The value of building permits reached an historical peak in May 2006. The December 2008 level was the lowest since that peak and was only slightly more than one fourth the peak level.

The Mississippi Manufacturing average workweek length fell slightly (0.1 percent) in December relative to November. The decline was negligible. The series was trending upward between April and October and moved down the most recent two months.

The Institute for Supply Management Index of U.S. Manufacturing Activity (ISM) increased in January to 35.6. The ISM remains well below 50 indicating an industry in deep contraction. The increase is a notable exception to the downward spiral that has occurred between July and November. However, the January

level was below the average for the fourth quarter of 2008, suggesting the industry rate of contraction has not yet begun to moderate.

The U.S. Index of Consumer Expectations was 54.0 in December, up slightly from the 53.9 observed in November. Lower fuel prices likely drove the improvement.

U.S. Economy

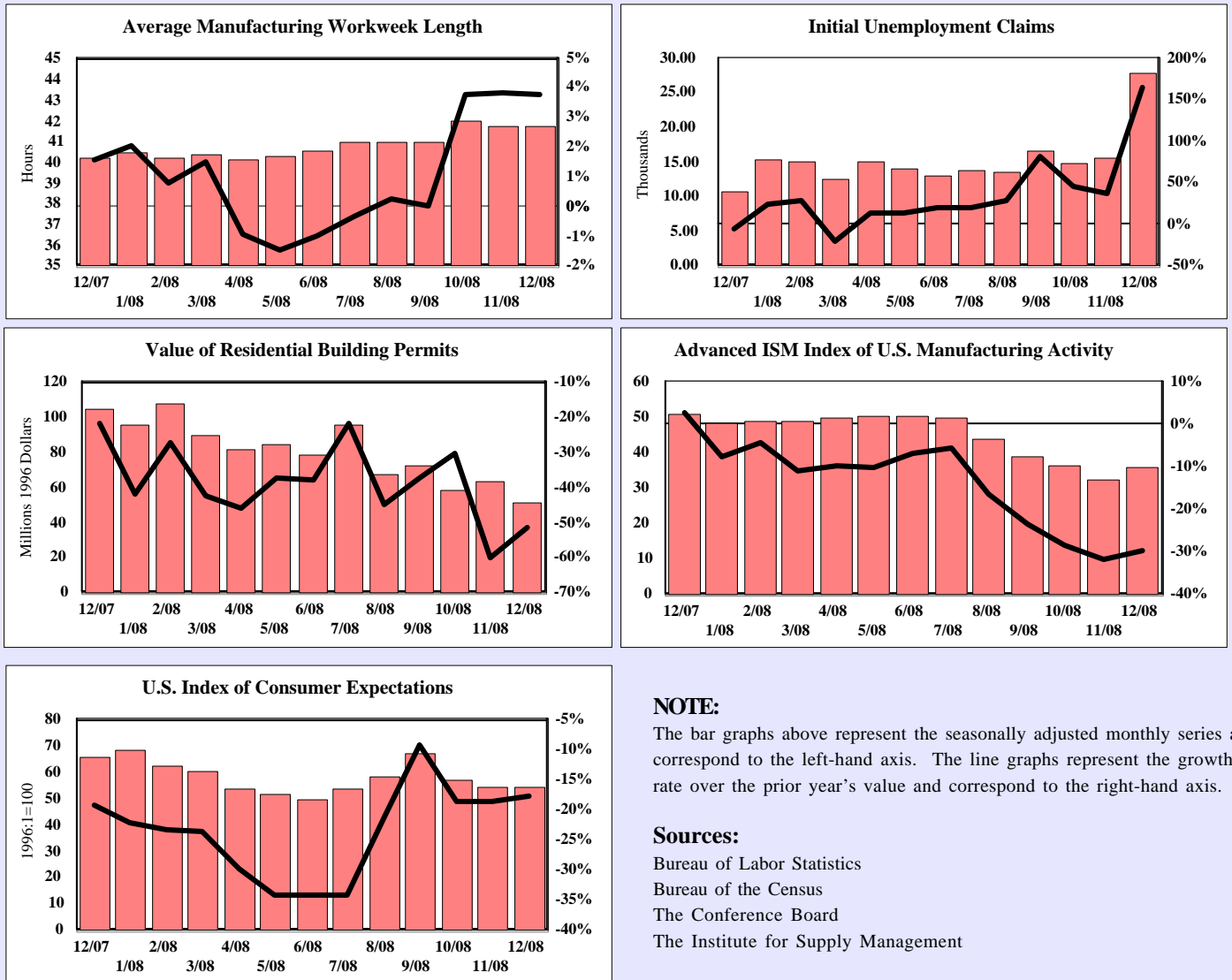
The U.S. Index of Coincident Indicators fell a sharp 0.5 percent in December from November. The six-month growth rate was an annualized decline of 4.3 percent, the largest since 1980. The series has been deteriorating since November 2007. The U.S. Index of Leading Economic Indicators increased a modest 0.3 percent. Relative to the level six-months prior, the December index was down an annualized 5.0 percent. The weakness among the components of the index remains widespread. The modest monthly gain was due largely to the substantial increase in the money supply.

The US Congress has passed, and President Obama has signed a \$789 billion spending plan. The White House says the plan will create or save 3.5 million jobs. There is of course no way to measure how successful the plan will be in reaching this goal. If the economy continues to lose jobs, the argument can be made it would have been 3.5 million worse without the package.

Proponents argue the unprecedented spending will spur economic growth. Opponents expect stagflation and rising taxes as the Nation faces staggering debt levels. Indeed, it seems highly unlikely that the Federal government could spend this much money efficiently, especially in such a short period of time. Before the first dollar has been spent critics of the plan see it as heavy on pork and light on stimulus.

Even if the plan is successful, no one expects any results in 2009. Proponents expect the plan to generate an improvement in the economy in 2010 with the economy fully restored to its baseline forecast by 2012. Opponents expect a slight improvement in 2010, with the economy being below baseline forecast thereafter.

Figure 5. Mississippi Index of Leading Indicators Components

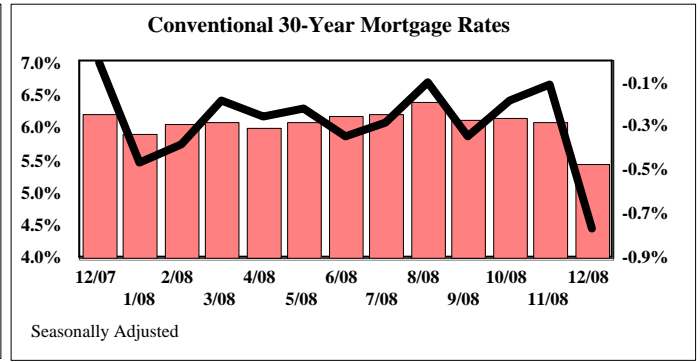
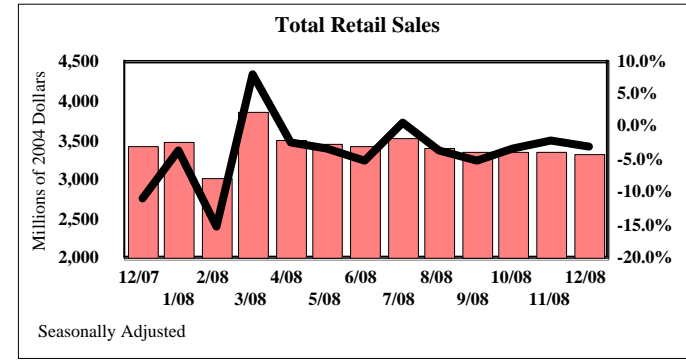
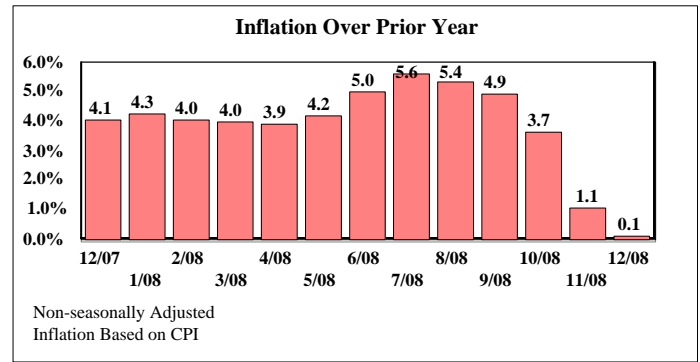
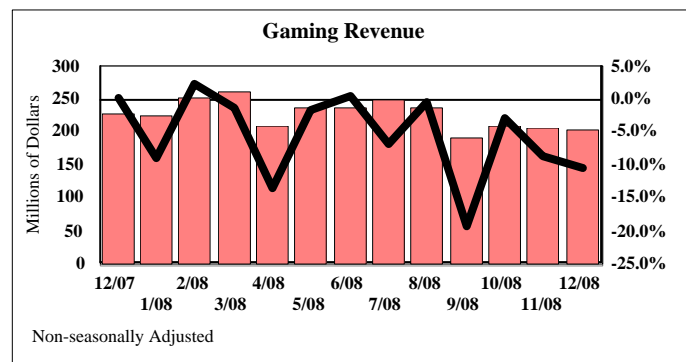
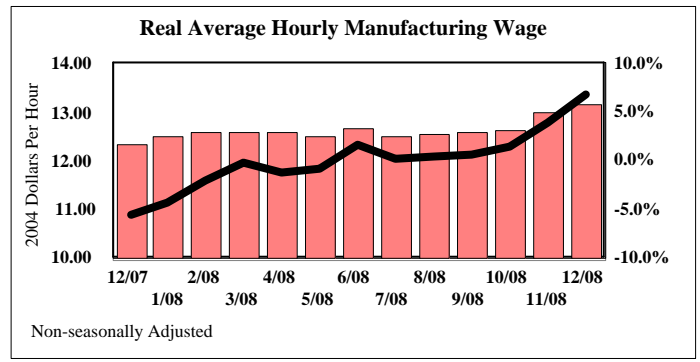
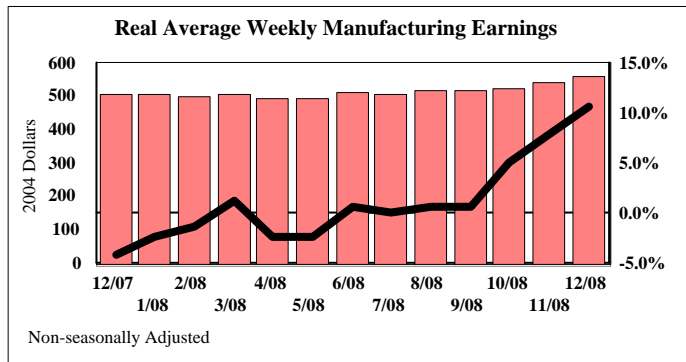
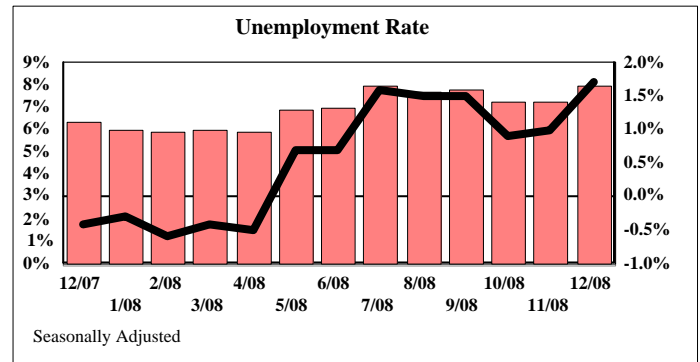
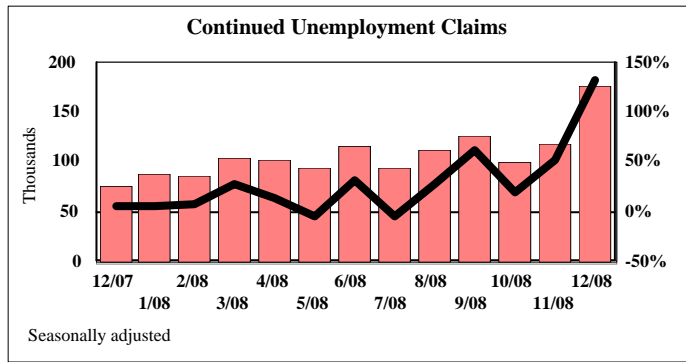


Quips and Quotes:

“The financial crisis and possible depression do not invalidate everything we have learned about macroeconomics since 1936”

-- Robert Barro

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

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	December 2008	November 2008	December 2007	Percent Change From	
				Last Month	Last Year
Coincident Indicator Index (2004=100)	103.0	104.2	102.9	-1.1%	0.2%
Nonagricultural Employment (thousands)	1,131.0	1,138.3	1,156.6	-0.6%	-2.2%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	107.0	109.8	105.4	-2.6%	1.5%
Merchandise Retail Sales (millions of 2004 \$)	550.8	565.5	367.9	-2.6%	49.7%
Leading Indicator Index (2004=100)	86.4	87.8	98.6	-1.6%	-12.4%
Initial Unemployment Claims	27,921	15,586	10,568	79.1%	164.2%
Value of Residential Building Permits (millions of 2004 \$)	50.5	62.8	104.2	-19.5%	-51.5%
Average Manufacturing Workweek Length (hours)	41.7	41.7	40.2	-0.1%	3.8%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the January index is reported for December.	35.6	32.4	50.7	9.9%	-29.8%
U.S. Index of Consumer Expectations	54.0	53.9	65.6	0.2%	-17.7%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	111.3	112.5	111.2	-1.0%	0.1%
Unemployment Rate (percentage)					
Non-seasonally adjusted	7.6%	6.6%	6.3%	1.0%	1.3%
Seasonally adjusted	8.0%	7.2%	6.3%	0.8%	1.7%
Continued Unemployment Claims	177,572	117,802	75,993	50.7%	133.7%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.66	14.60	13.72	0.4%	6.9%
2004 Dollars per Hour	13.17	12.98	12.34	1.5%	6.8%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	625.98	611.74	565.26	2.3%	10.7%
2004 Dollars	562.42	543.94	508.33	3.4%	10.6%
U.S. Mortgage Rates (30-year conventional)	5.4%	6.1%	6.2%	-0.6%	-0.8%
Total Retail Sales Millions of 2004 Dollars	3,314.05	3,332.37	3,413.47	-0.5%	-2.9%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	95.7	96.2	103.2	-0.6%	-7.3%
River counties (millions of current \$)	109.2	109.1	125.2	0.1%	-12.8%
Total	204.8	205.3	228.4	-0.3%	-10.3%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.
