

Mississippi's Business

February 2012

Monitoring The State's Economy

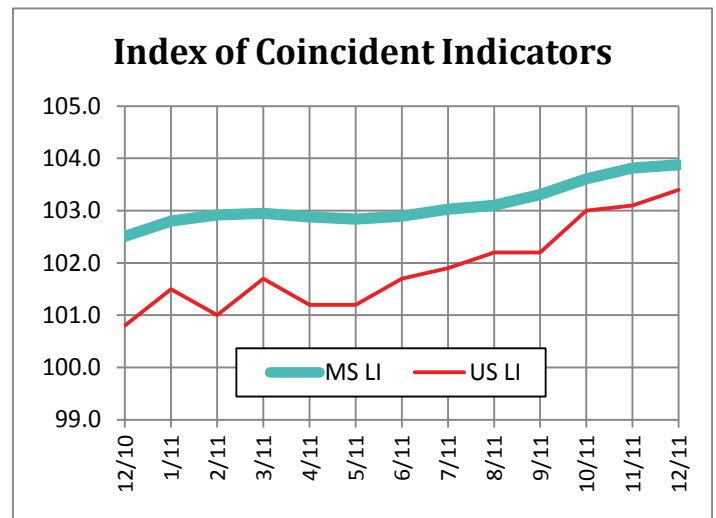
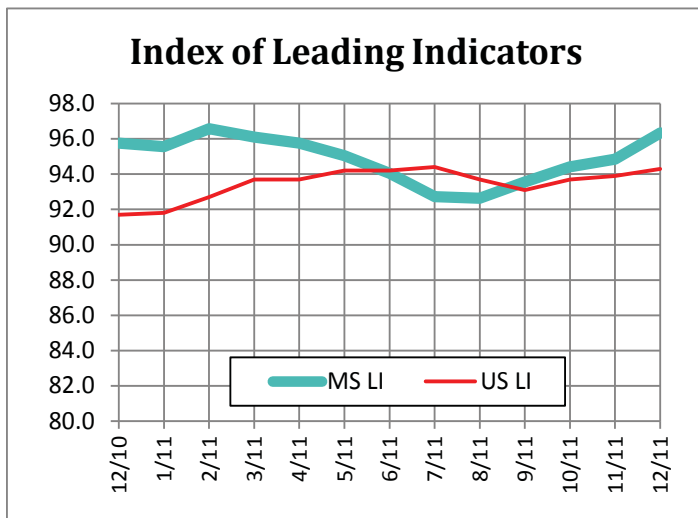
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ECONOMY AT A GLANCE

The Mississippi Index of Leading Indicators continued to climb upward in December. The index has increased for four consecutive months. By reaching the highest level since February 2011, the series has erased almost all of the decline that occurred during the spring and summer months. There is still weakness among the components relative to their level six-months prior which tempers the sense of optimism. The Mississippi Index of Coincident Indicators rose for the seventh straight month, although the latest gain was the weakest since August 2011. National economic news has also been upbeat. The January employment gain was the strongest since April 2011 and light vehicle sales topped an annualized 14 million units for the first time since before the recession. Warmer weather and some quirks in the seasonal adjustment factors may be elevating the economic data somewhat, but the news remains positive nonetheless.

The economy is improving, but growth is relatively weak and activity is well below pre-recession levels. We are by no means out of the woods. As indicated last month, the economy is expected to moderate in the first half of 2012 as the fundamental weaknesses in the economy reassert themselves on the modest recovery. However, IHS Global Insight has lowered their probability of recession to 25 percent, on the basis of the stronger U.S. economy. The primary risk remains centered on the European Union and the sovereign debt issues among the members. The sword rattling taking place in the Middle East is also of concern particularly with regard to oil prices. With the weak recovery, a relatively mild shock can have large consequences in terms of growth.



The Mississippi Coincident Index is constructed by the Federal Reserve Bank of Philadelphia and re-indexed to 2004. The Index is based on changes in nonfarm employment, the unemployment rate, average manufacturing workweek length and wage and salary disbursements. The Mississippi Leading Index is constructed by the Mississippi University Research Center. The U.S. Indices are both from the Conference Board. All series are indexed to a base year of 2004.

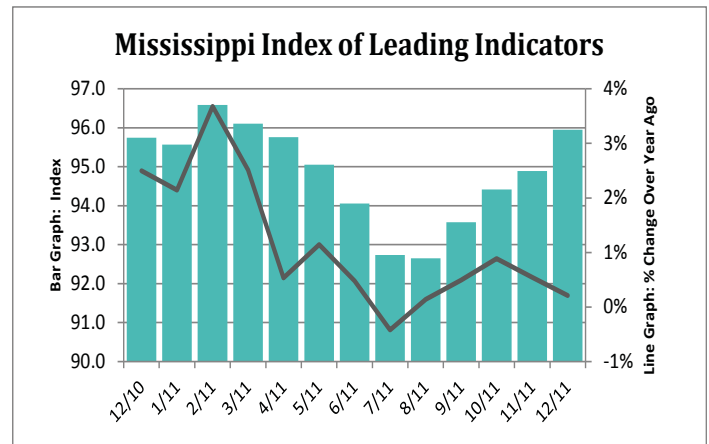
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LEADING AND COINCIDENT INDICATORS, DECEMBER 2011

The **Mississippi Index of Leading Economic Indicators** rose for the fourth consecutive month in December. With the 1.6 percent gain over the revised November level, the index was 96.4, the highest point since February 2011. The index peaked in February and declined in the spring and summer months hitting a low in August. As of December the index had recouped almost all of the loss that took place over these months. The growth over the prior six months was positive in December for the first time since May. However, the six-month diffusion index continues to show broad weakness among the components, particularly among the Mississippi based components. The index reveals a strengthening economy, but one that remains weak and therefore vulnerable to shocks. The Index was only 0.7 percent above the year ago level.

The November gain came on the strength of six components. Two components contributed negatively. The components will be discussed in order of the contribution to the gain.



proved for the month. The series declined significantly in November after two months of gain. The December index erased all of the November decline. The monthly fluctuations of this series masks the fact that the index has been relatively flat for the past two years.

The **Mississippi Diesel Fuel Consumption Index**¹ rose 7.0 percent in December relative to November.

The index had fallen the previous three months. With the gain, the December index was the highest since August 2011.

Mississippi's initial unemployment claims fell a sharp 11.6 percent in December relative to November. The series had increased the previous two months. The

December level is the lowest since September 2007. The continued claims series fell as well but remains high historically. Thus, while monthly layoffs have returned to the pre-recession level, the number of individuals receiving unemployment benefits remains high.

The **Institute for Supply Management Index of U.S. Manufacturing Activity** rose for a third month in January reaching a level of 54.1. The January gain was smaller than the previous two and below expectations, but puts the index at the highest level since June. The index shows the manufacturing sector continues to expand although growth remains modest.

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The **U.S. Index of Consumer Expectations**¹ rose 10.1 percent to 62.7 in December. Better economic news in the fourth quarter fueled the gain. The latest preliminary report for February 2011 shows a slight dip in sentiment. Small businesses have also improved their outlook as evidenced by the Business Optimism Index. The series has risen for five consecutive months. However, the increase in the January index was relatively weak. Businesses have routinely expressed concern over slow sales. In recent reports however, a growing number of respondents are citing regulations as their greatest concern.

The **Mississippi Manufacturing Employment Intensity Index** rose 3.0 percent in December relative to November. Manufacturing hours worked and employment im-

1. Three Month Moving Average

U.S. Retail Sales rose 0.1 percent in December, down from the 0.4 percent growth in November. Consumers are moderating their spending. The December gain was the slowest since May 2011. Excluding autos and gasoline, sales were unchanged for the month. Sluggish income growth, high debt levels and slow job gains suggests retail sales will not lead the recovery. In a related statistic, light vehicle sales topped 14 million annualized units for January. That is the highest level since before the recession. Strong incentives, new model releases and pent-up demand are the driving factors in the gain.

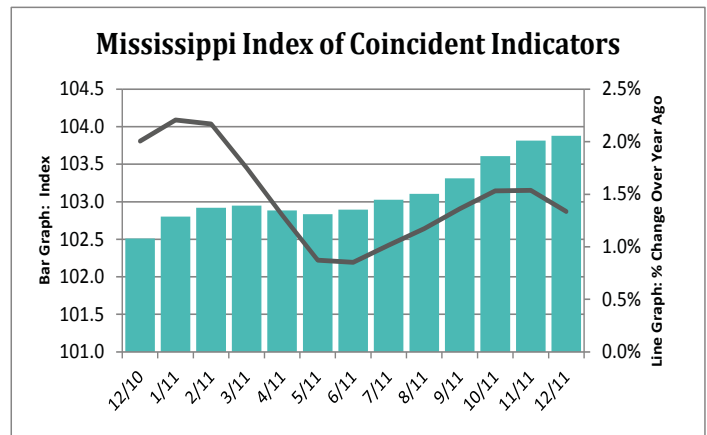
The **value of Mississippi residential building permits**¹ fell 1.6 percent in December. The modest dip was the first decline since June 2011. The series declined during the first half of 2011 and improved during the second half.

Inflation adjusted **Mississippi income tax withholdings**¹ fell a substantial 3.0 percent in December over November. This was the lowest level since October 2009. The series has been volatile but as we have pointed out in recent issues, withholdings have yet to establish any real upward momentum since the beginning of the recovery.

The **Mississippi Index of Coincident Indicators** was 103.9 in December, the highest level since January 2009. The December index was 0.1 percent above the revised November level. The series has increased for seven consecutive months, showing an expanding Mississippi economy. The December gain was the smallest monthly increase since August 2011. The index remains well below the pre-recession level. Mississippi's economy is clearly expanding along with the Nation's. But like the Nation, growth is modest and therefore vulnerable to shocks.

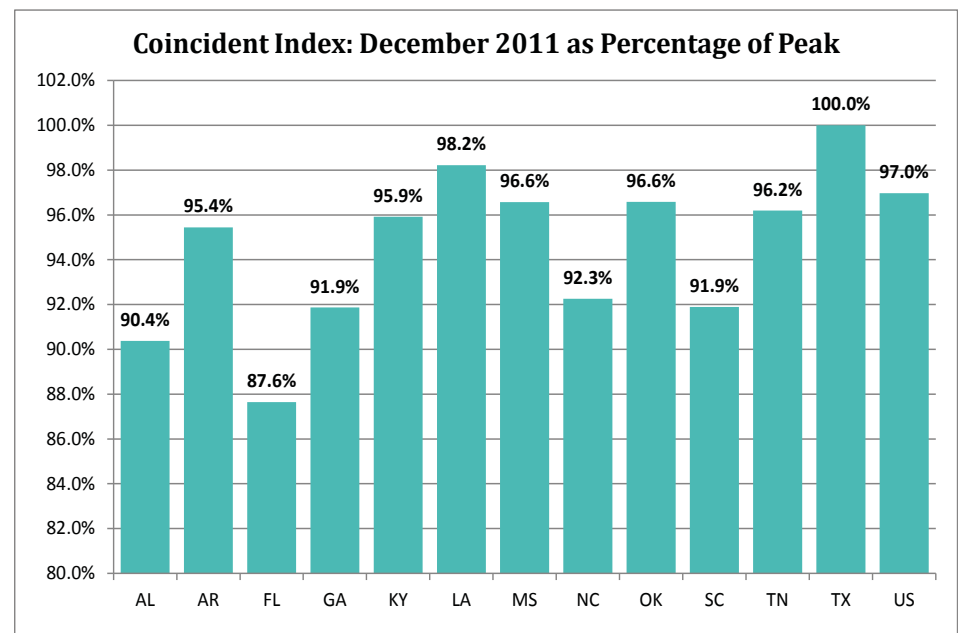
A comparison of the December index to the recent peak appears below for the 12 southeastern states and the Nation. States that reach 100 percent of peak have fully recovered from the "Great Recession". Mississippi was at 96.6 percent, even with Oklahoma and just below that of the Nation. Texas and Louisiana are the only southeastern states further along in recovery.

The map on page five shows the relative performance of the fifty states. The December index is compared to the level three months prior. Red states are states in decline. Blue states are gaining. There were only six states in decline in December. This compares to 17 states in decline in August. This trend supports the idea of a strengthening national economy.



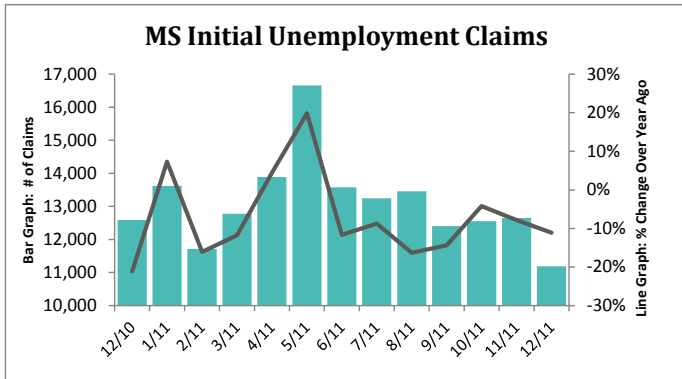
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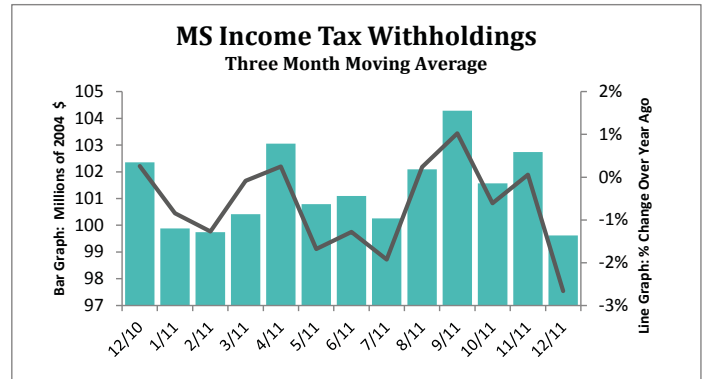


National trends are discussed on page 5, Mississippi employment trends on pages 8 and 9.

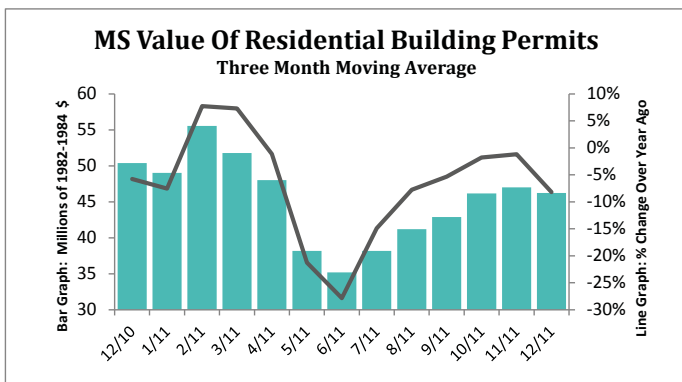
LEADING ECONOMIC INDICATORS



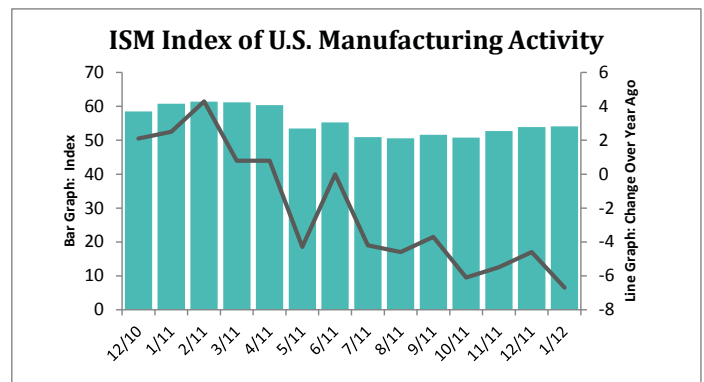
Source: Mississippi Department of Employment Security



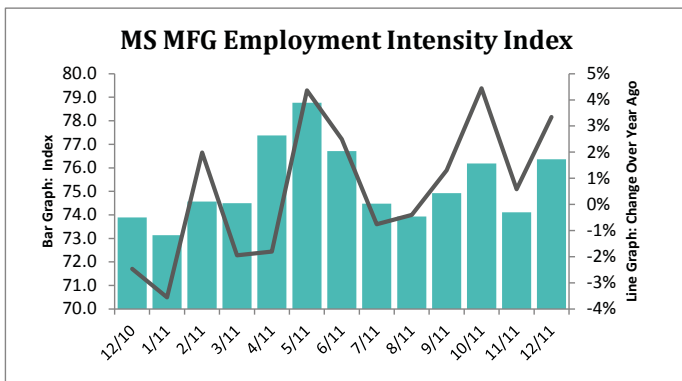
Source: Mississippi Department of Revenue



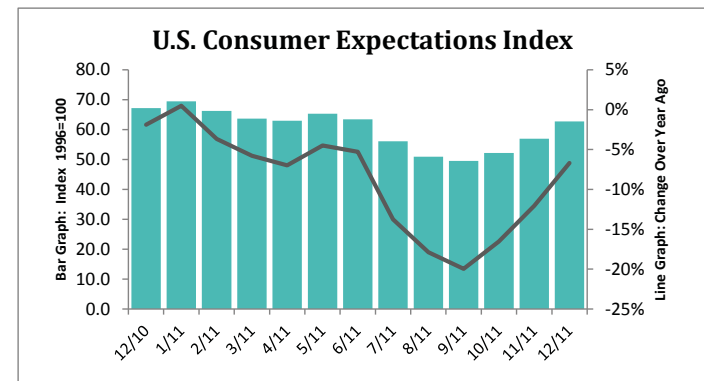
Source: Bureau of the Census



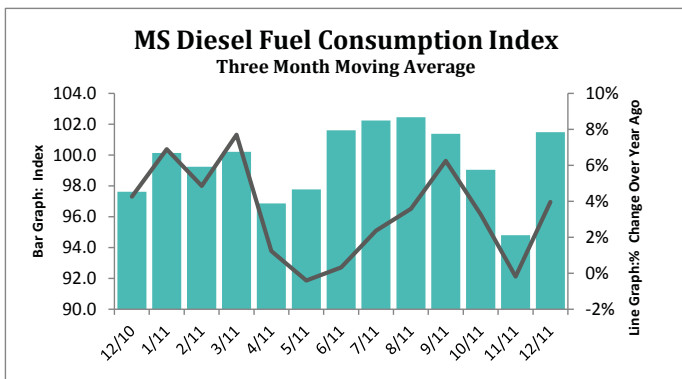
Source: Institute For Supply Management



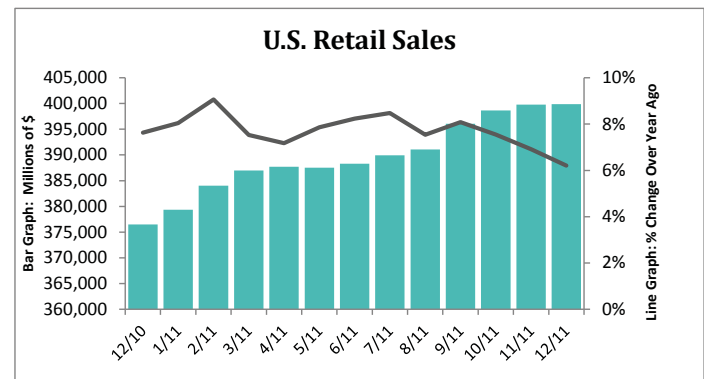
Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan

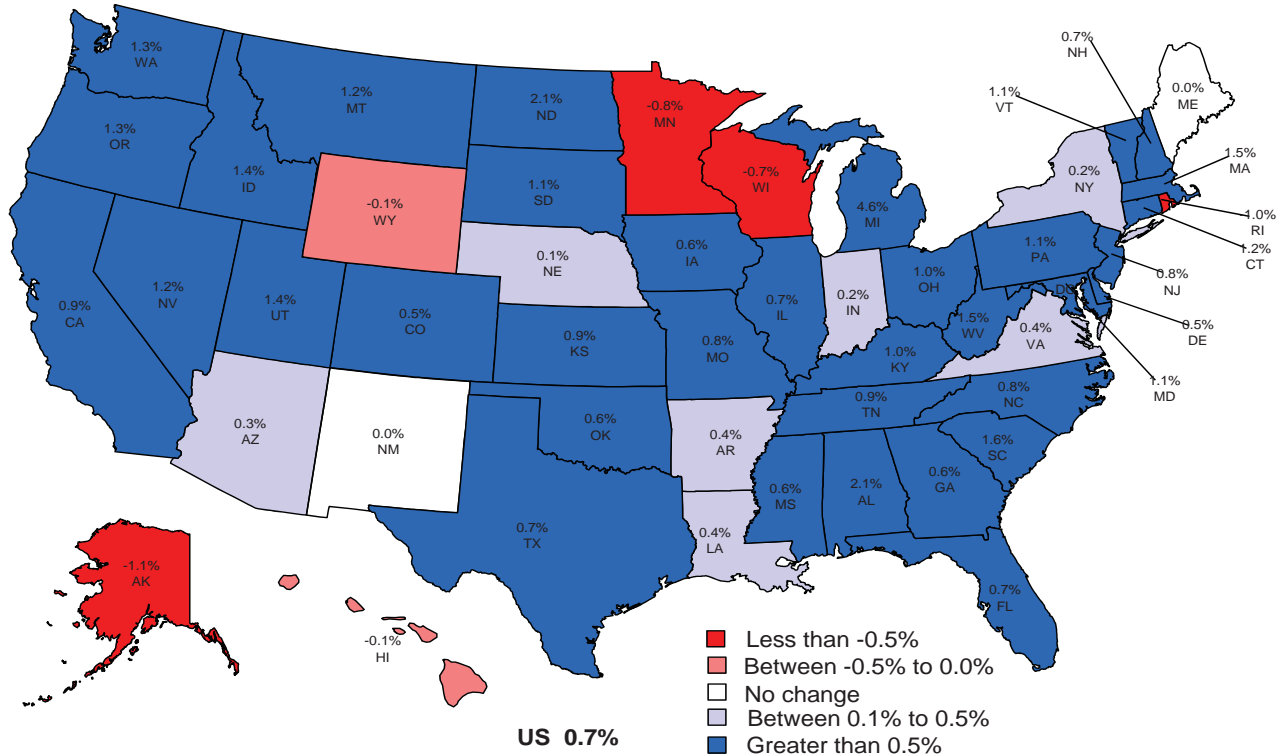


Source: URC using Data from Mississippi Department of Revenue



Source: Bureau of the Census

Three Month Growth in The Index of Coincident Economic Indicators, December 2011



National Trends

The U.S. Index of Leading Indicators rose 0.4 percent in December relative to November. The index has increased for eight consecutive months. The growth relative to six months prior was an annualized 0.2 percent, much slower than the 5.5 percent observed in the previous six months. The Coincident Index gained 0.3 percent for the month. This was the third consecutive monthly gain. The Conference Board continues to expect modest growth in the coming months.

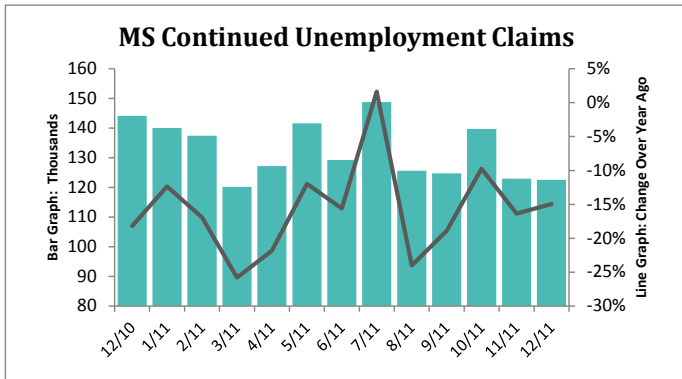
The fourth quarter of 2011 saw the strongest gain in real gross domestic product since the second quarter of 2010. However, growth reached only an annualized 2.8%, not the 3.4 percent expected by IHS Global Insight last month. Still it is a strong finish to an otherwise dismal year. Much of the early economic news for 2012 continues to be upbeat. Employment growth for January was the strongest since April 2011. Both the manufacturing and nonmanufacturing ISM indices

continued to trend up in January. Light vehicle sales saw the strongest monthly gain since the Cash-for-Clunkers program in 2009.

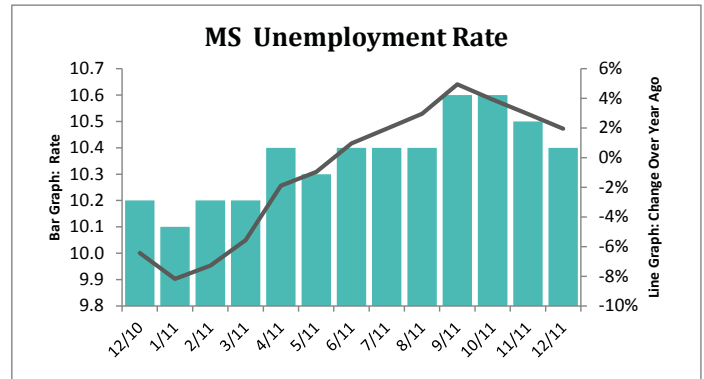
IHS Global Insight notes two caveats to the good economic news. First, some of the growth can be explained by the unseasonably mild winter weather. This has given a boost to employment and construction activity at the very least. Second, because of the recessionary period of 2008 and 2009, the seasonal adjustment factors are biasing the data upward as they are looking for extra weakness during this period.

These factors dim the optimistic assessment, but do not destroy it. The economic news is by-in-large the most positive in a year. Threat of recession remains but has again diminished with the relatively strong National economy. The chance of recession is now 25 percent. The biggest threat to recovery continues to be Europe, although higher oil prices are also a risk.

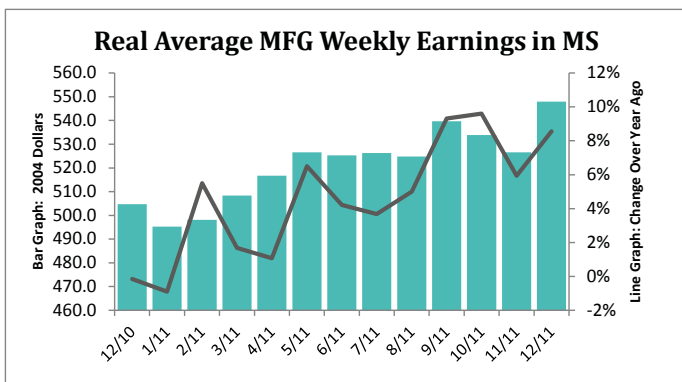
MISCELLANEOUS ECONOMIC INDICATORS



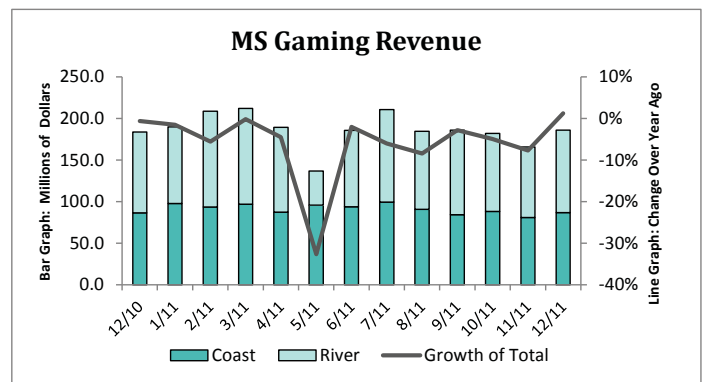
Source: Mississippi Department of Employment Security; Seasonally Adjusted



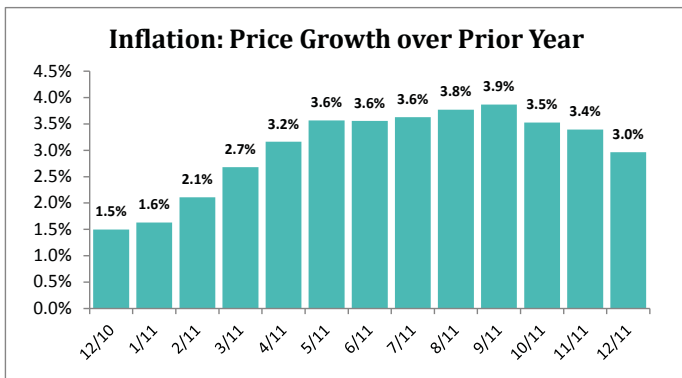
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



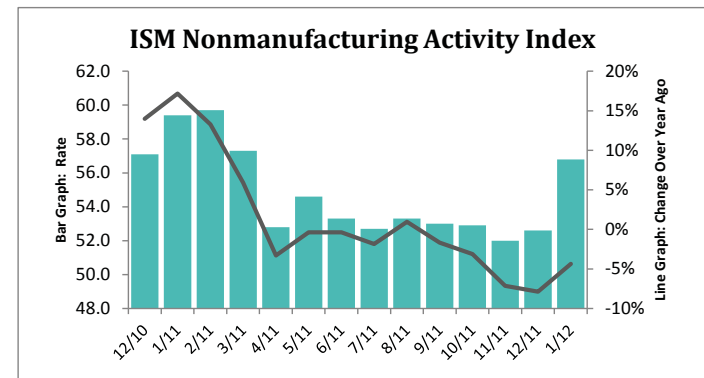
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



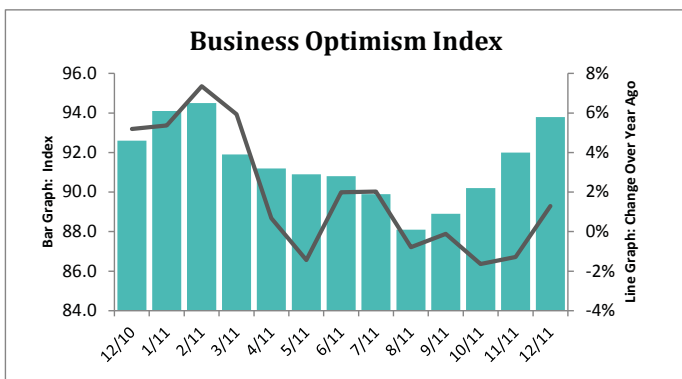
Source: MS Department of Revenue; Nonseasonally Adjusted



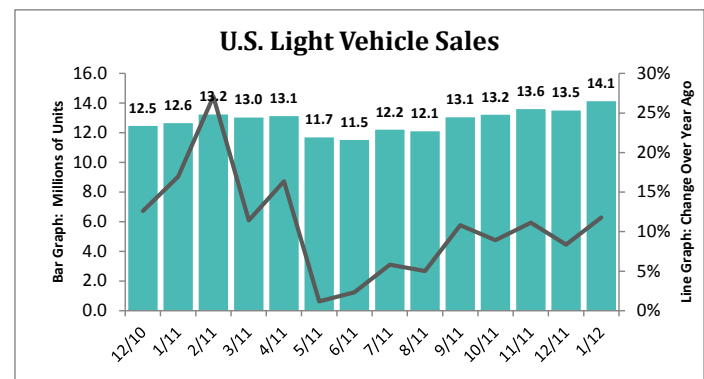
Source: U.S. Bureau of Labor Statistics



Source: Institute For Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

SELECTED ECONOMIC INDICATORS

Indicator	December		December 2010	Change from		
	2011	November 2011		Last Month	Last Year	
US Index of Coincident Indicators Index 2004=100, Source: The Conference Board	103.4	103.1	100.8	0.3%	2.6%	Economic Indices
MS Index of Coincident Indicators Index 2004=100, Source: Federal Reserve Bank of Philadelphia	103.9	103.8	102.5	0.1%	1.4%	
US Index of Leading Indicators Index 2004=100, Source: The Conference Board	94.3	93.9	91.7	0.4%	2.8%	
MS Index of Leading Indicators Index 2004=100, Source: University Research Center	96.4	94.9	95.7	1.6%	0.7%	
MS Initial Unemployment Claims Source: Mississippi Department of Employment Security	11,183	12,648	12,586	-11.6%	-11.1%	Components of the MS Index of Leading Indicators
MS Value Of Res. Building Permits 3 Mo. Moving Average, Millions of 2004 Dollars, Source: Bureau of Census	46.2	47.0	50.4	-1.6%	-8.2%	
MS Income Tax Withholdings 3 Mo. Moving Average, Millions of 2004 Dollars, Source: MS Department of Revenue	99.62	102.74	102.35	-3.0%	-2.7%	
MS MFG Emp. Intensity Index Average workweek length times employment, Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	76.4	74.1	73.9	3.0%	3.3%	
MS Diesel Fuel Consumption Index 3 Mo. Moving Average, Index 2004-100, Source: URC using data from MS Department of Revenue	101.5	94.8	97.6	7.0%	4.0%	
US Index of Consumer Expectations 3 Mo. Moving Average, Index 1996=100, Source: University of Michigan	62.7	56.9	67.2	10.1%	-6.7%	
US ISM Index of MFG Activity Advanced 1 Month (January Index appears as December), Source: Institute For Supply Management	54.1	53.9	58.5	0.4%	-7.5%	
US Retail Sales Millions of Dollars, Source: Bureau of Census	400,614	400,268	376,208	0.1%	6.5%	
US Consumer Price Index 2004=100, Source: URC using data from Bureau of Labor Statistics	119.5	119.8	116.0	-0.2%	3.0%	
MS Unemployment Rate Source: Bureau of Labor Statistics	10.4%	10.5%	10.2%	-0.1%	0.2%	
MS Continued Unemp. Claims Source: Mississippi Department of Employment Security	122,550	122,917	144,097	-0.3%	-15.0%	Miscellaneous Indicators
US Mortgage Rates 30 Yr. Conventional, Source: Federal Reserve	4.0%	4.1%	4.8%	-0.1%	-0.8%	
MS Avg. Hourly Wage for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	52.60	52.00	57.10	1.2%	-7.9%	
MS Avg. Wkly Earnings for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	547.9	526.6	504.7	4.0%	8.6%	
Gaming Revenue	186.1	165.8	183.8	12.2%	1.2%	
Coast Counties	86.9	81.1	86.6	7.2%	0.4%	
River Counties	99.2	84.7	97.2	17.1%	2.0%	
Nonseasonally adjusted, Millions of Dollars, Source: MS Department of Revenue						
Business Optimism Index Index 1986=100, Source: National Federation of Independent Businesses	93.8	92.0	92.6	2.0%	1.3%	

MISSISSIPPI EMPLOYMENT BY SECTOR

Sector	December 2011	November 2011	December 2010	Change from Prior Month		Change from Prior Year	
				Level	%	Level	%
Total Nonfarm	1,099,900	1,103,500	1,097,200	(3,600)	-0.3%	2,700	0.2%
Mining and Logging	9,000	9,100	8,900	(100)	-1.1%	100	1.1%
Construction	47,400	47,400	49,400	-	0.0%	(2,000)	-4.0%
Manufacturing	133,000	132,200	134,600	800	0.6%	(1,600)	-1.2%
Trade, Transportation & Utilities	215,500	216,000	214,100	(500)	-0.2%	1,400	0.7%
Retail Trade	133,700	134,000	131,900	(300)	-0.2%	1,800	1.4%
Information	12,352	12,342	12,551	10	0.1%	(200)	-1.6%
Financial Activities	45,129	44,785	44,422	344	0.8%	707	1.6%
Services	390,800	393,600	385,600	(2,800)	-0.7%	5,200	1.3%
Professional and Business Services	98,700	100,800	94,900	(2,100)	-2.1%	3,800	4.0%
Education and Health Services	139,100	139,600	134,600	(500)	-0.4%	4,500	3.3%
Leisure and Hospitality	118,500	118,400	121,100	100	0.1%	(2,600)	-2.1%
Other Services	34,500	34,800	35,000	(300)	-0.9%	(500)	-1.4%
Government	246,400	248,000	247,300	(1,600)	-0.6%	(900)	-0.4%

Source: U.S. Bureau of Labor Statistics

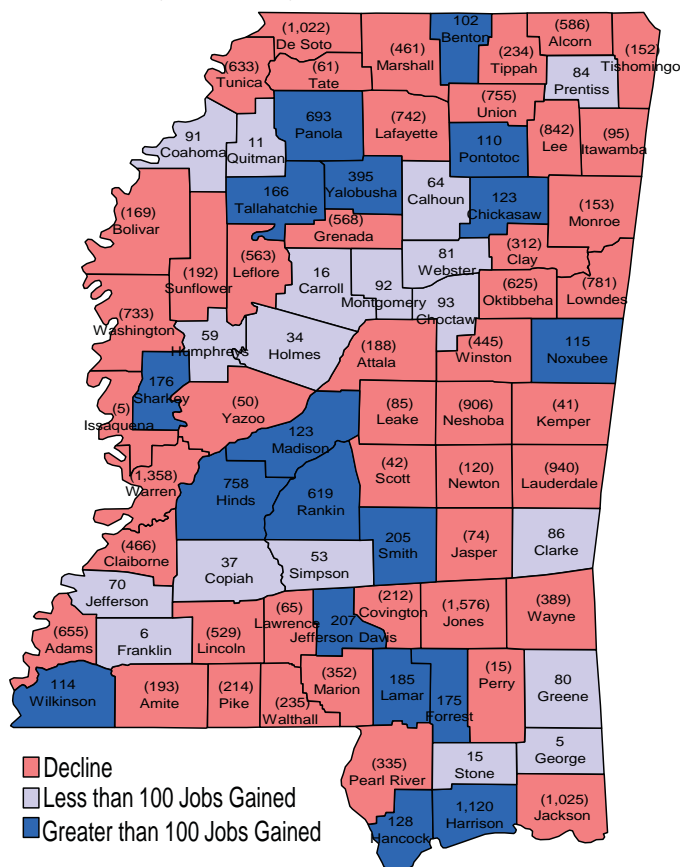
Mississippi Employment Trends

Mississippi nonfarm employment fell 3,600 jobs or 0.3 percent in December relative to November. The decline ended a three month run of consecutive increases. The decline occurred primarily in the professional and business service sector and government. Manufacturing actually saw an increase as did financial activities. Construction was unchanged for the month. The construction sector has been trending down in employment since February 2011.

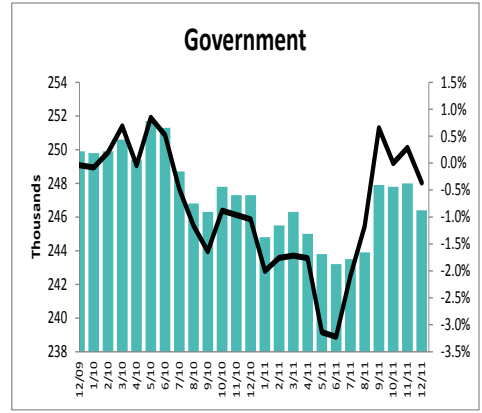
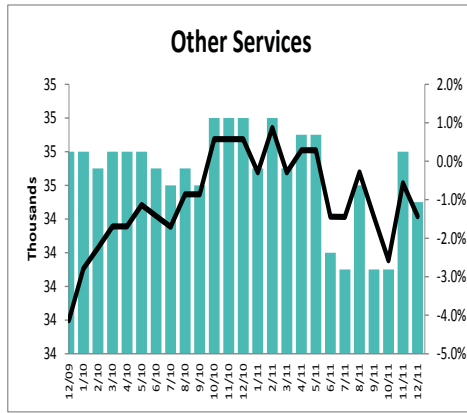
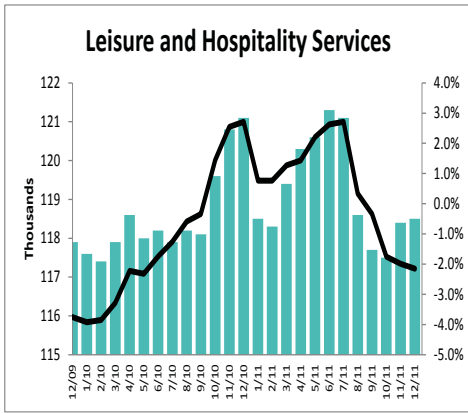
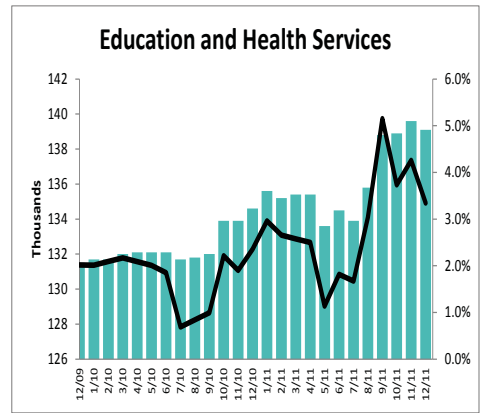
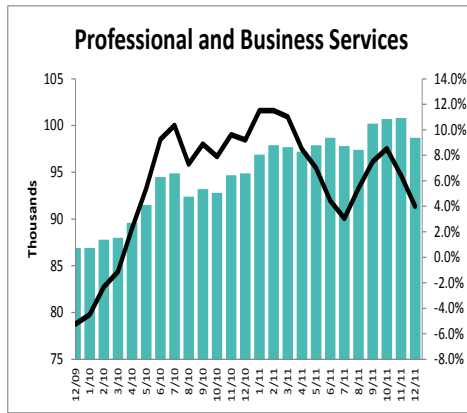
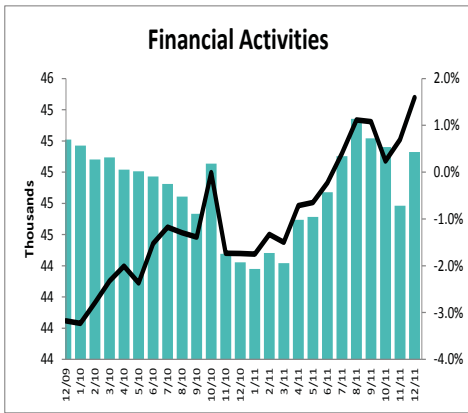
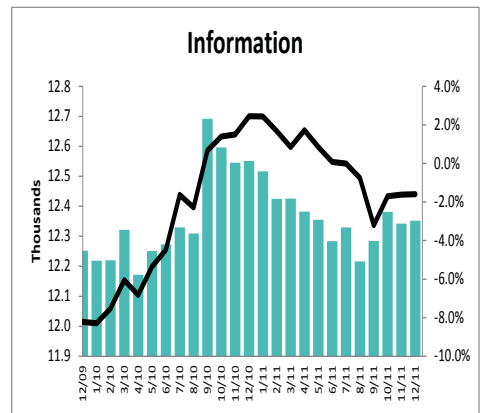
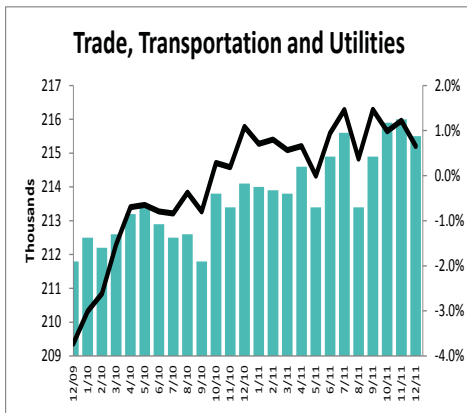
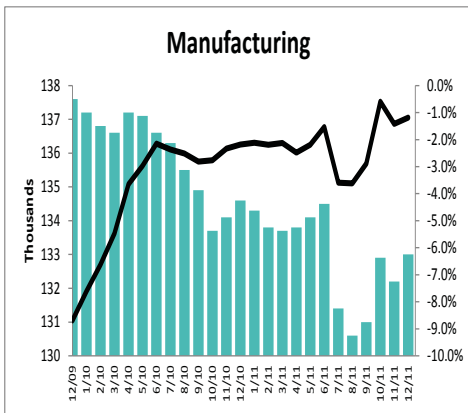
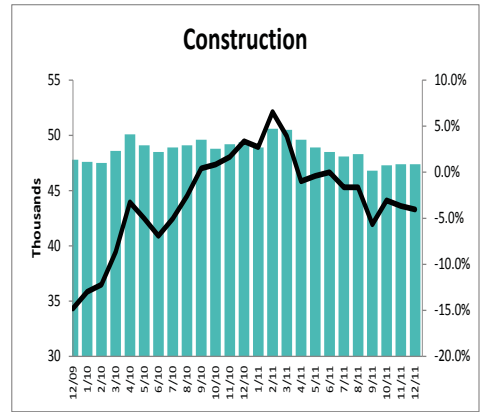
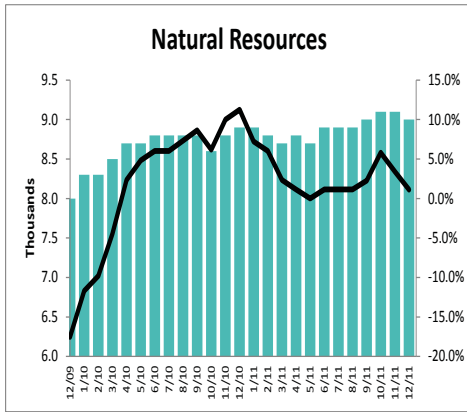
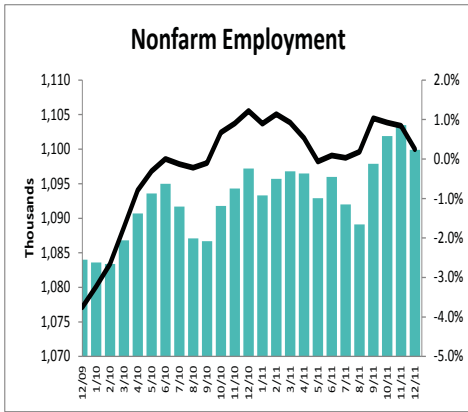
Relative to the year ago, Mississippi employment was up 2,700 jobs or 0.2 percent in December. In terms of percentages, the largest increase occurred in the professional and business service sector along with education and health services.

Taking the full twelve months together, Mississippi saw an average gain of 6,525 jobs or 0.6 percent in 2011. However as the map to the right indicates, not all counties in Mississippi gained jobs for the year. In fact 46 counties saw a decrease. The strongest gains were of course in the population centers of the state.

County Employment Gains 2010-2011



MISSISSIPPI EMPLOYMENT TRENDS



Left Axis: Bar Graphs - Employment Levels. Right Axis: Line graphs - Annual Growth. Source: U.S. Bureau of Labor Statistics.