

Mississippi's Business



February 2011

Monitoring the State's Economy

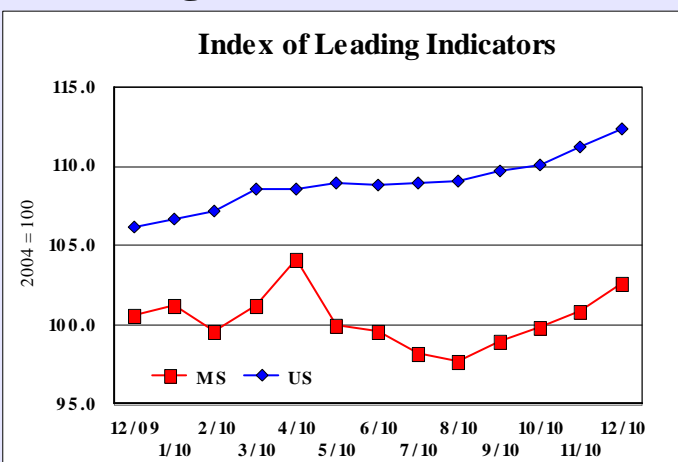
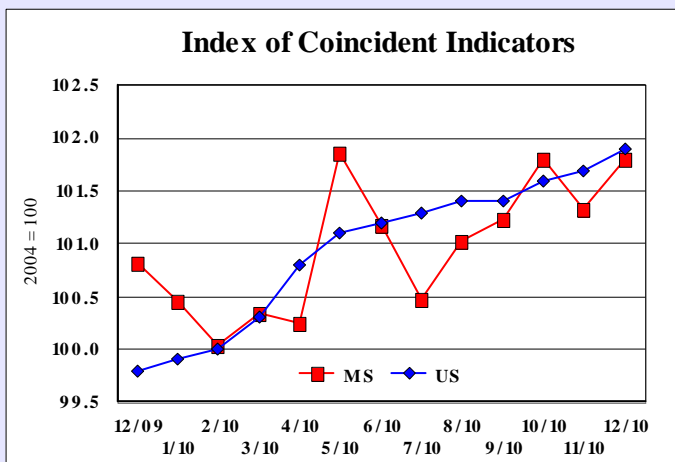
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ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators rebounded in December, regaining most, but not all, of the ground lost in November. The Mississippi Index of Leading Indicators rose for the fourth straight month in December. The economy is gaining momentum although growth is below historical averages. Employment has risen for five consecutive months. These gains have been modest but are an improvement over the declining trends of the past two and half years. Economic activity in the U.S. manufacturing industry is strengthening and the growth looks to be sustainable. This helps the state's economy as Mississippi has an above average share employment in manufacturing. In fact, employment in Mississippi manufacturing has risen for two months suggesting the state is already participating in the expansion. Unemployment claims are on a declining trend in the state. Mississippi diesel fuel consumption is rising, giving further evidence of a strengthening economy. Nationally the economy continues to improve. Optimism is up for both consumers and small businesses. The economy still faces the headwinds of a sluggish housing market, lingering troubles in the credit markets, government budget woes and uncertainty. These are dampening growth currently from what it would otherwise be and will continue to limit growth in the future. The outlook is for continued slow modest growth.

The troubles in Egypt are not expected to have a lasting impact on the U.S. economy. Oil prices are elevated, but fundamentally the market is sound. It is increasingly looking like a smooth transition of power will take place which will help the economy. The downside risk is that either radical anti-western regimes come to power and or the troubles spread to surrounding countries. At this point neither of these are the most likely scenarios.

Index of Coincident and Leading Indicators



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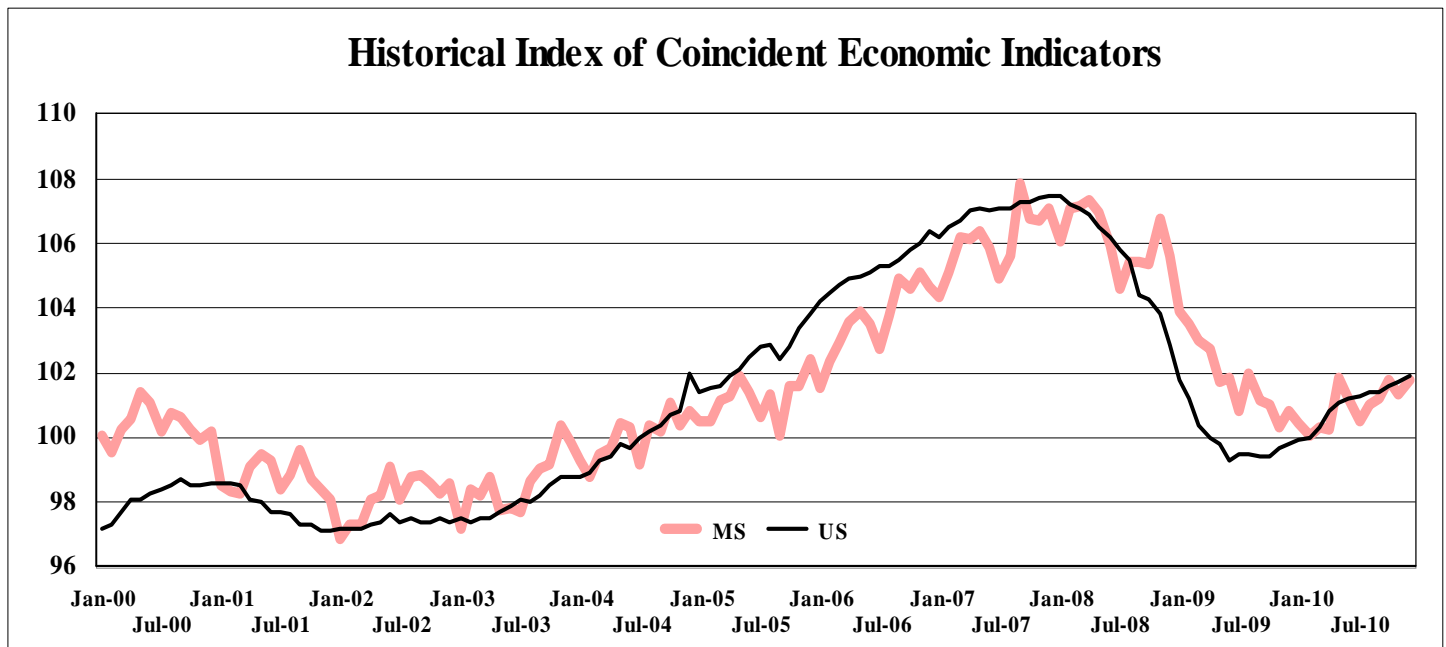
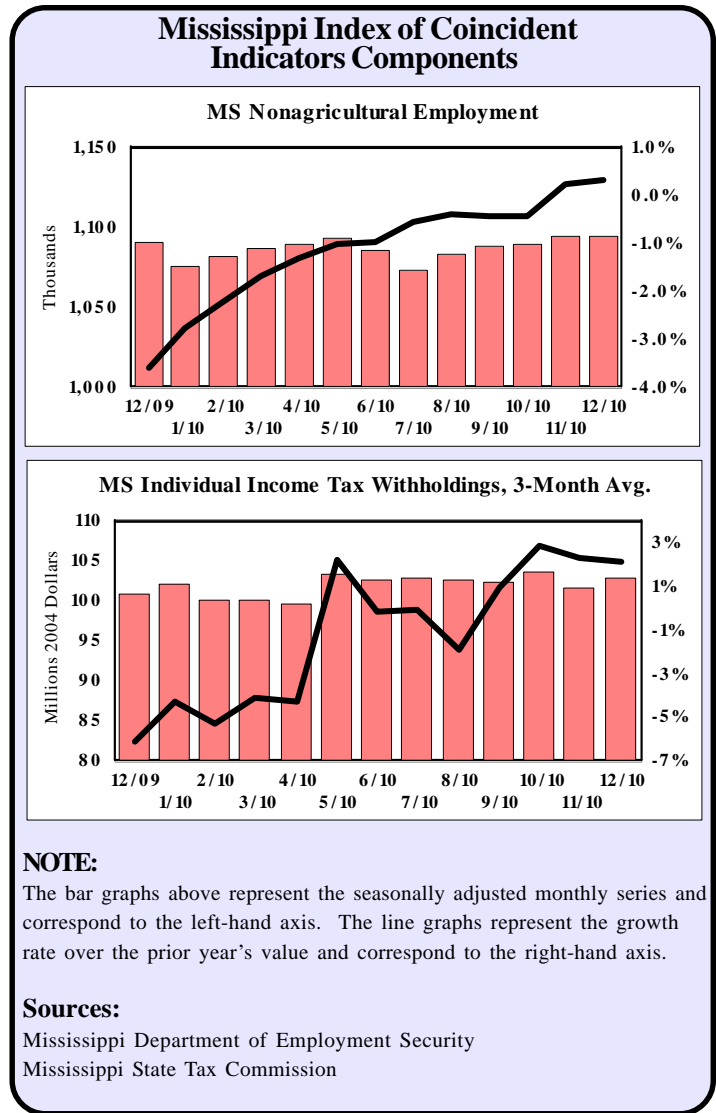
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Coincident Index

The Mississippi Index of Coincident Indicators rose in December regaining all of the decline that occurred in November. The December index of 101.8 was up 0.5 percent from the prior month and 1.0 percent over the year ago level. This marked the fourth consecutive month the index has been above the year ago level. The index has been above the level six months prior for seven of the last eight months. Both components contributed to the upward monthly gain in December.

The Index shows an economy that is slowly improving but one that has a long way to go until full recovery. The figure below compares the coincident indices of Mississippi and the US since 2000. The State's economy, although more volatile, generally moves with the Nation's. The State was slower than the nation to begin to recover, but both economies are now clearly improving.

Mississippi nonfarm employment rose a meager 0.1 percent in December relative to November. The gain represented 1,100 jobs. The sector with the strongest gain for the month was retail sales. Relative to the prior year, employment was up 0.3 percent in December. This marked the second consecutive month in which employment exceeded the year ago level. Prior to November, the level of employment had been below the year ago level for 27 out of the prior 28 months.



Mississippi Employment By Sector

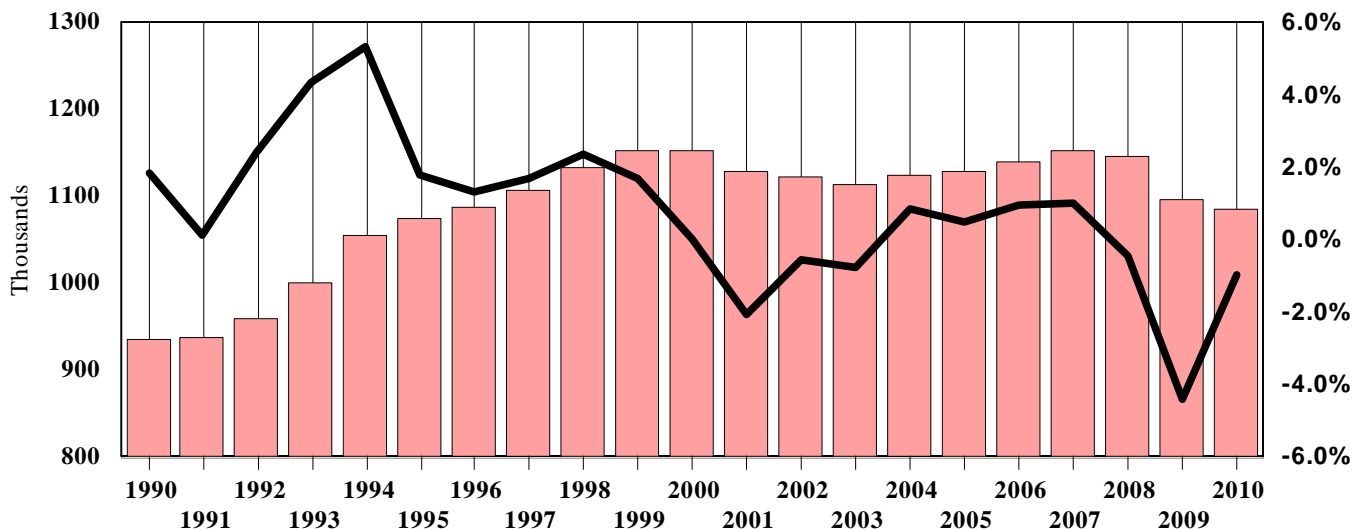
Seasonally Adjusted

	December	November	December	Change from		Change from	
	2010	2010	2009	Prior Month	%	Prior Year	%
	Level	Level	Level	Level	%	Level	%
Total Nonfarm	1,091,200	1,090,100	1,087,400	1,100	0.1%	3,800	0.3%
Mining and Logging	9,100	8,800	8,100	300	3.4%	1,000	12.3%
Construction	46,100	45,900	48,100	200	0.4%	(2,000)	-4.2%
Manufacturing	134,500	134,400	137,900	100	0.1%	(3,400)	-2.5%
Trade	214,300	213,500	212,300	800	0.4%	2,000	0.9%
Retail Trade	133,300	132,200	132,000	1,100	0.8%	1,300	1.0%
Information	12,180	12,218	12,471	(39)	-0.3%	(292)	-2.3%
Financial Activities	44,576	44,624	45,256	(47)	-0.1%	(680)	-1.5%
Services	383,700	384,500	371,000	(800)	-0.2%	12,700	3.4%
Professional and Business Services	90,300	90,500	83,600	(200)	-0.2%	6,700	8.0%
Education and Health Services	136,400	136,200	133,700	200	0.1%	2,700	2.0%
Leisure and Hospitality	120,500	121,600	118,100	(1,100)	-0.9%	2,400	2.0%
Other Services	36,500	36,200	35,600	300	0.8%	900	2.5%
Government	246,400	246,200	251,900	200	0.1%	(5,500)	-2.2%

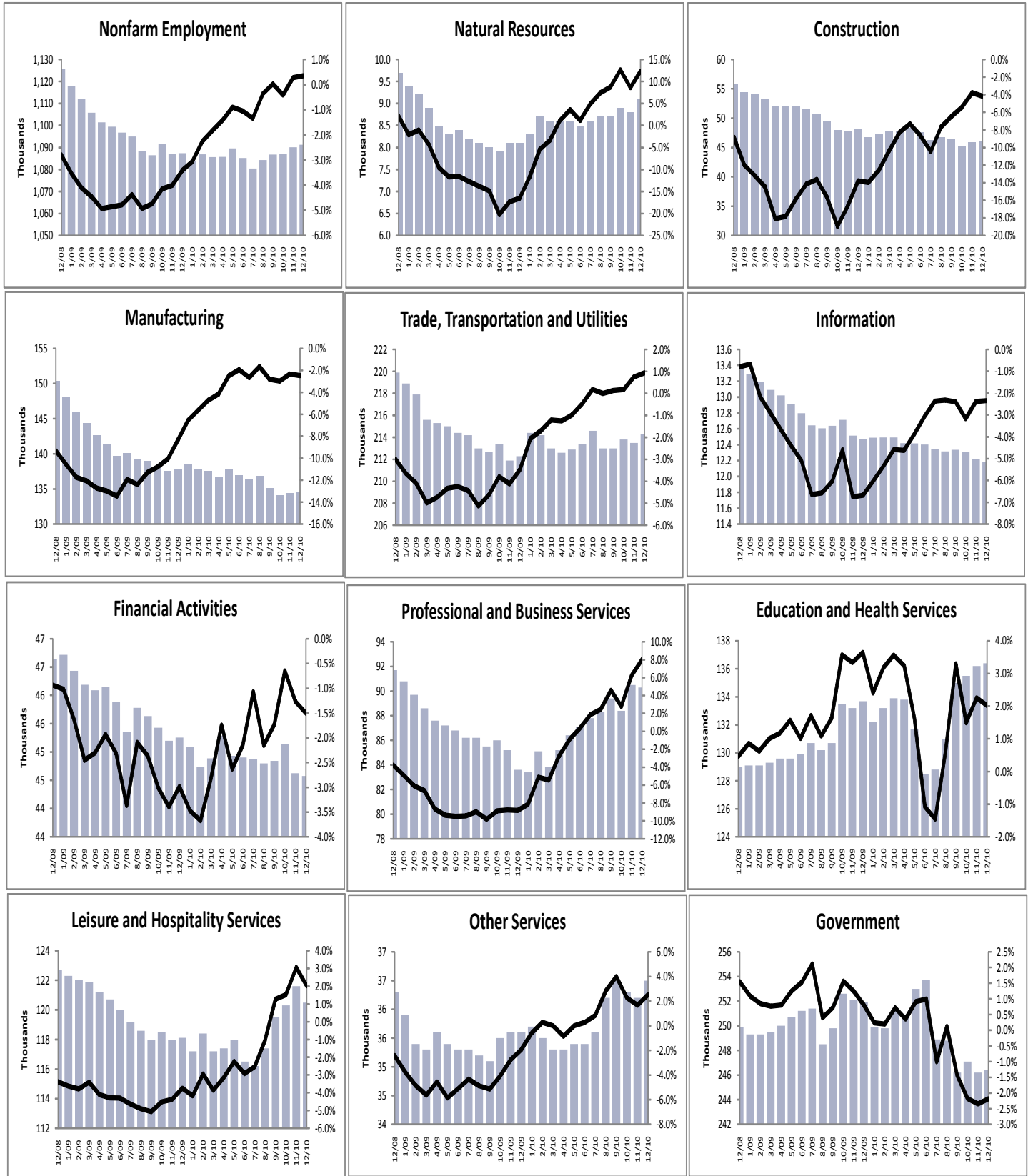
The employment data will soon be revised which will offer a picture of how 2010 compared to the prior years. Using the current estimates, the figure below offers a glimpse of what that picture may look like. For calendar year 2010, Mississippi employment was 0.9 percent below the average for 2009. This is a marked improvement from the 4.4 percent decline that occurred in 2009, relative to 2008. The 2010 average employment level is slightly below the level observed in 1996. Employment has begun to rise and we expect 2011 will show modest growth.

The Mississippi individual income tax withholdings trended up in December. The three month moving average rose 1.2 percent in December relative to November. Indications are that withholdings continued to improve in January. For Calendar year 2010, inflation adjusted withholdings were 0.3 percent below 2009, which was 3.4 percent below 2008. Withholdings remained relatively weak in the first quarter of 2010 and improved only modestly in the remainder of the year. As reported in the January issue of Mississippi's Business, the Bureau of Economic Analysis data show income gradually improved in Mississippi.

Annual Mississippi Nonfarm Employment



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: U.S. Bureau of Labor Statistics. Seasonal adjustment of the financial activities and information industries done by IHL.

Leading Index

The December Mississippi Index of Leading Indicators of 102.7 was 2.2 percent above the upwardly revised November level. The monthly gain was a sharp increase and represented the fourth consecutive increase. Relative to the level six-months prior, the index was up an annualized 5.7 percent. The series suggest a strengthening of the recovery for the state in the coming months. Four out of five components contributed to the December increase.

The strongest contributor to the December index was the Institute for Supply Management (ISM) Index of Manufacturing Activity. For January, the ISM Manufacturing Index rose 2.3 points to 60.6. This was the first time the index has been above 60 since April. The Index shows a strengthening manufacturing sector, with new orders rising sharply for the second consecutive month. Exports have increased and final demand appears to be improving. The outlook for the sector is optimistic.

The value of residential building permits rose a sharp 16.8 percent in December over November, reaching the highest level since September 2009. This was the fifth consecutive monthly increase and the first time since May that permits were above the year ago level. Despite the increase, building permits remain well below the pre-recession highs.

Mississippi initial unemployment claims fell 11.2 percent in December relative to November. The sharp decline was the third decrease in four months. Claims for December were the lowest since March 2008. The December level was slightly above the average for 2007. The declining trend means fewer layoffs are occurring. The continued claims have trended down as well, but remain high by historical standards.

The U.S. Index of Consumer Expectations rose 2.7 points in December. The index was the strongest since June. Expectations declined during the summer. Despite the increase, the series remains below long-term trends.

The one component contributing negatively to the December index was Mississippi Manufacturing work-week length. This series declined modestly to 38.9 hours.

Miscellaneous Indicators

The Mississippi diesel fuel consumption index rose for the second consecutive month in December. The December index was the highest since June. Rising diesel fuel consumption suggest the economy is gaining momentum.

The National Federation of Independent Business's Optimism Index rose in January. This group has been very cautious since the recession began. Their index remains below the pre-recession level but has increased three of the last four months. After hitting a low in March 2009, the series has slowly climbed upward. The January index is the highest since December 2007.

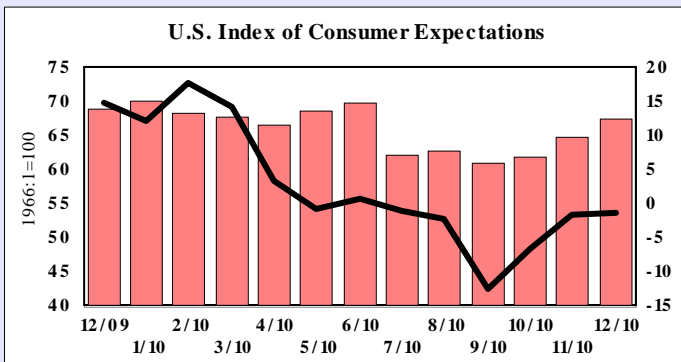
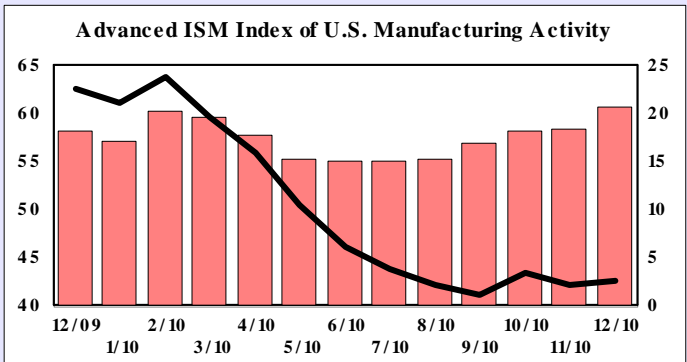
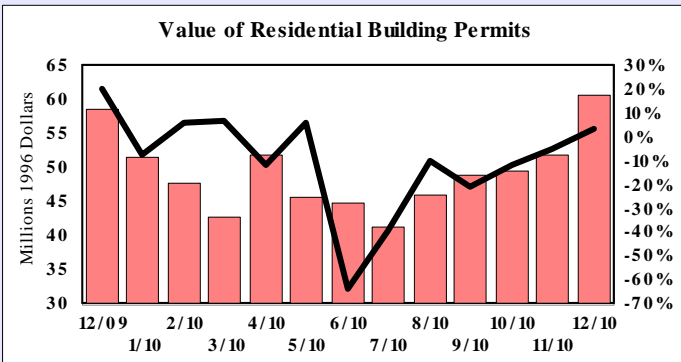
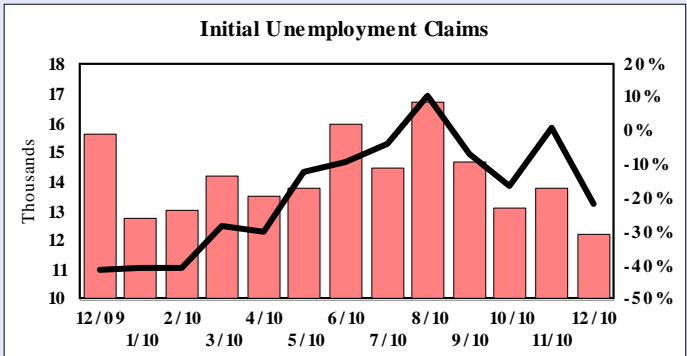
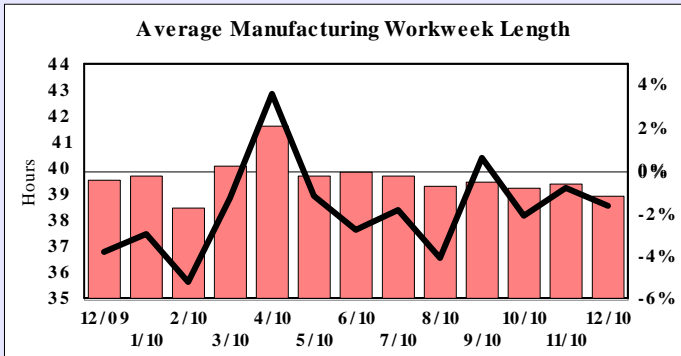
U.S. Economy

The U.S. Index of Coincident Indicators rose 0.2 percent in December, while the Index of Leading Indicators rose a sharp 1.0 percent. This was the fourth increase in the leading index. Conference Board economist Ken Goldstein said "The four-month rise suggests the economy now has some wind in its sails; however, it still faces some strong headwinds in the medium term. Overall economic activity is likely to continue to gain momentum in 2011.

There is growing evidence that growth picked up considerably in the fourth quarter of 2010 and that the recovery is on solid ground for 2011. Growth in final domestic demand gained steam in the fourth quarter and consumers and businesses are more optimistic. Employment growth remains problematic. While employment is rising, it does so at a snail's pace. Unemployment rates remain elevated. This is seen as a long-term problem, as growth is expected to be positive but low by historical standards.

Troubles in Egypt are pushing oil prices higher, but this is likely a short-term trend caused by knee-jerk reaction to the news. Global supplies are ample and prices should moderate. The U.S. economic exposure to Egypt is not especially strong, so the troubles are not expected to have a lasting impact on the economy. However, if the unrest spread to surrounding countries, the US becomes much more vulnerable. Additionally the U.S. economy could suffer if an anti-Western regime comes to power. At this stage, these scenarios seem unlikely.

Mississippi Index of Leading 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.

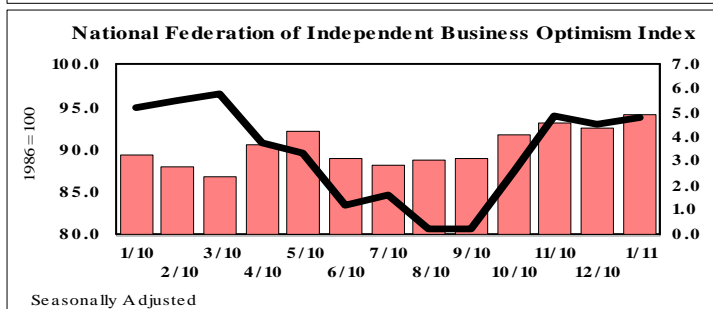
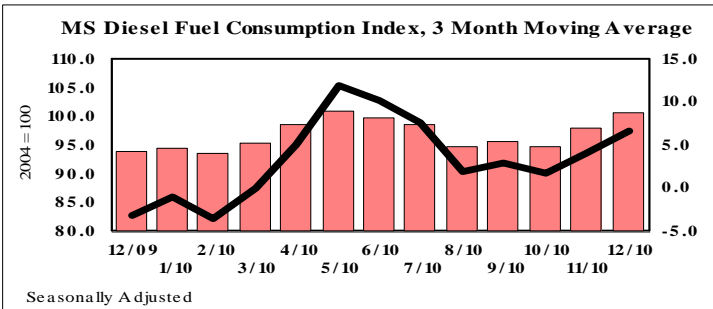
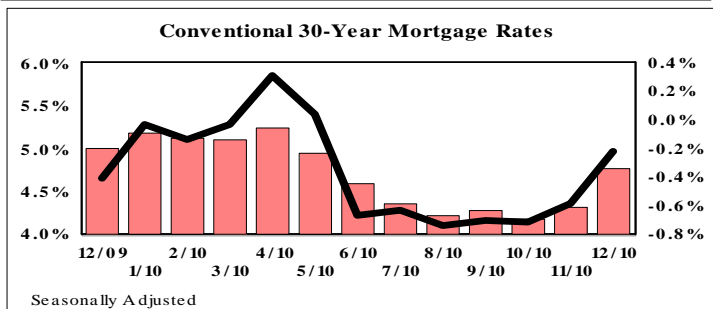
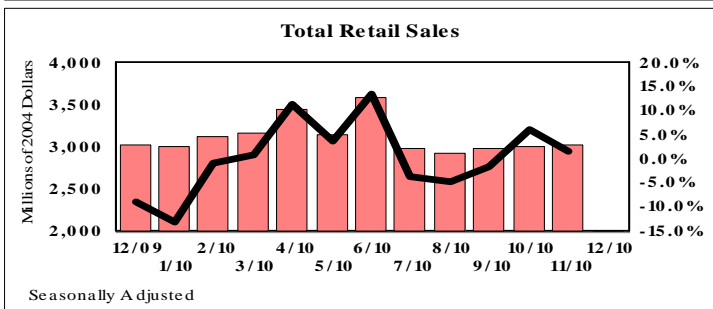
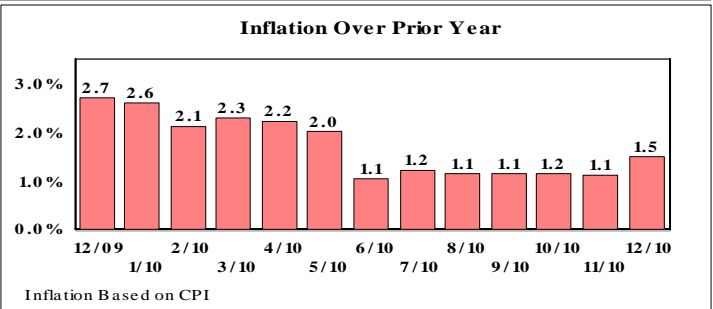
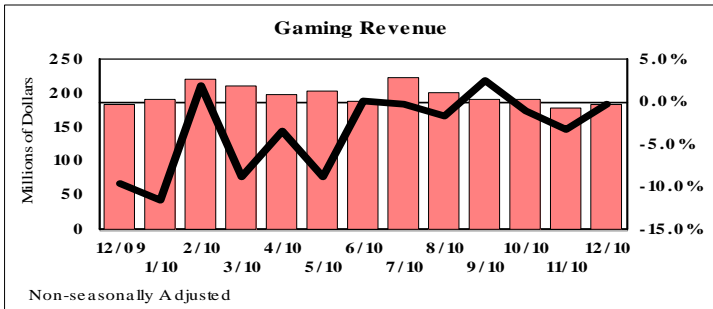
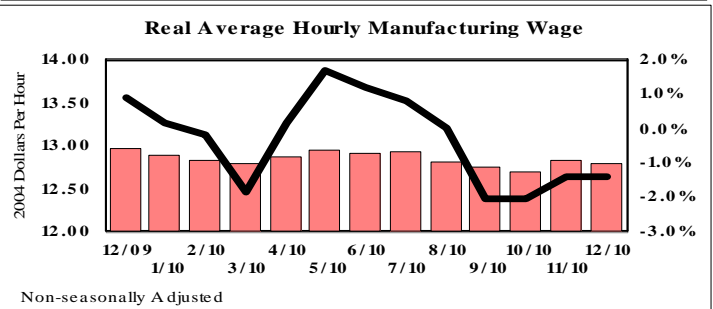
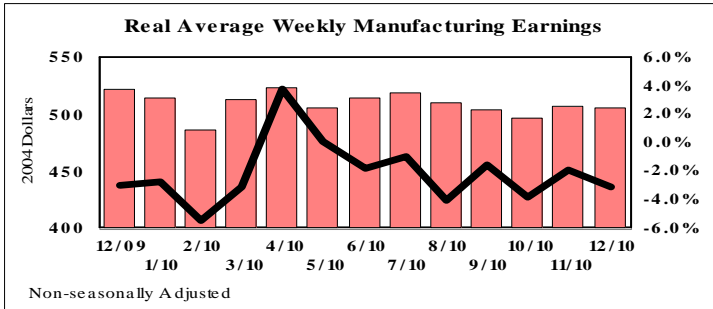
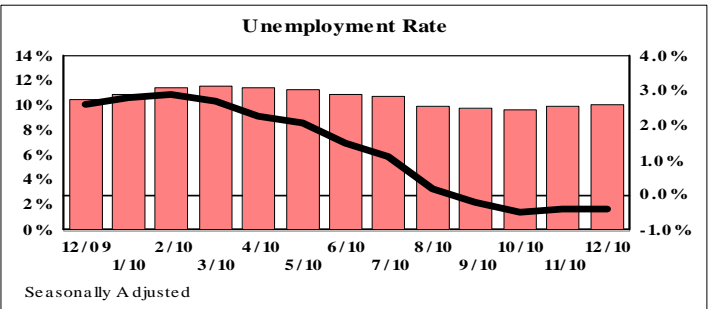
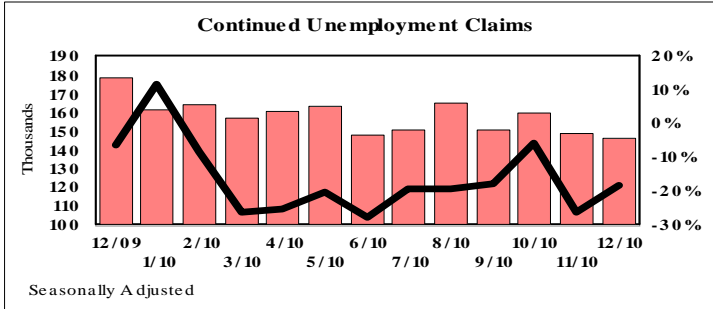
Sources:

- Bureau of Labor Statistics
- Bureau of the Census
- The Conference Board
- The Institute for Supply Management

Quips and Quotes:

“My formula for success is rise early, work late and strike oil.” — J.P. Getty

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 Department of Revenue, Mississippi Gaming Commission, Federal Home Mortgage Corporation, Bureau of Labor Statistic, National Federation of Independent Business, Universtiy Research Center.

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	December 2010	November 2010	December 2009	Change From	
				Last Month	Last Year
Coincident Indicator Index (2004=100)	101.8	101.3	100.8	0.5	1.0
Nonagricultural Employment (thousands)	1,094.7	1,094.0	1,091.1	0.1%	0.3%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	102.9	101.7	100.8	1.2%	2.1%
Leading Indicator Index (2004=100)	102.7	100.9	100.6	1.7	2.1
Initial Unemployment Claims	12,233	13,771	15,612	-11.2%	-21.6%
Value of Residential Building Permits (millions of 2004 \$)	60.6	51.9	58.8	16.8%	3.2%
Average Manufacturing Workweek Length (hours)	38.9	39.4	39.6	-1.2%	-1.6%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the January index is reported for December.	60.8	58.5	58.3	2.3	2.5
U.S. Index of Consumer Expectations	67.5	64.8	68.9	2.7	-1.4
Miscellaneous					
Consumer Price Index U.S. (2004=100)	116.0	115.8	114.3	0.2%	1.5%
Unemployment Rate (percentage)					
Non-seasonally adjusted	9.7%	10.1%	10.4%	-0.4%	-0.7%
Seasonally adjusted	10.1%	10.0%	10.5%	0.1%	-0.4%
Continued Unemployment Claims	146,478	148,977	178,879	-1.7%	-18.1%
Average Manufacturing Wage (non-seasonally adjusted)					
Current Dollars per Hour	14.84	14.86	14.83	-0.1%	0.1%
2004 Dollars per Hour	12.79	12.83	12.97	-0.3%	-1.4%
Average Weekly Manufacturing Earnings (non-seasonally adjusted)					
Current Dollars	587.66	588.46	597.65	-0.1%	-1.7%
2004 Dollars	506.43	507.99	522.74	-0.3%	-3.1%
U.S. Mortgage Rates (30-year conventional)	4.8%	4.3%	5.0%	0.5%	-0.2%
Gaming Revenues (non-seasonally adjusted)					
Coast counties (millions of current \$)	87.5	85.6	83.5	2.2%	4.7%
River counties (millions of current \$)	97.1	93.9	101.4	3.4%	-4.2%
Total	184.6	179.6	185.0	2.8%	-0.2%
MS Diesel Fuel Consumption Index (3 Month Moving Average)	100.7	98.0	94.1	2.7	5.7
	November 2010	October 2010	November 2009	Percent Change From	
				Last Month	Last Year
Total Retail Sales (millions of 2004 \$)	3,031.9	3,012.0	2,979.5	0.7%	1.8%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.