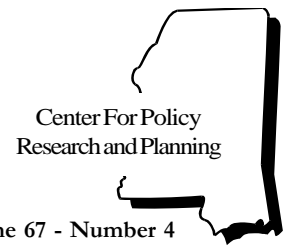


Mississippi's Business



April 2009

Monitoring the State's Economy

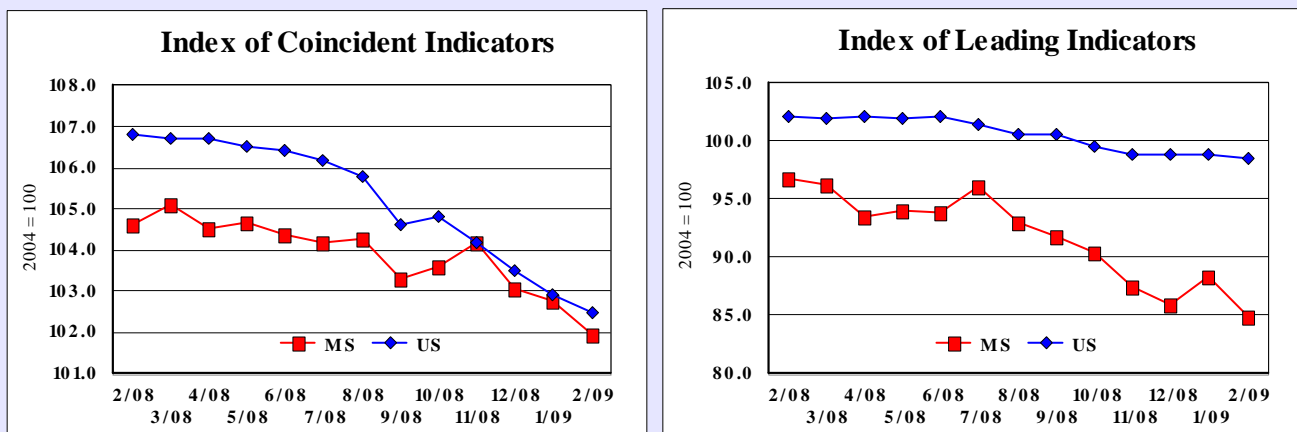
Volume 67 - Number 4

ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators fell sharply in February, bringing the index to the lowest level since January 2006. Mississippi employment data, in particular, show an exceptionally weak economy. The state has lost over 40,000 jobs or 3.5 percent of its employment in the past 12 months. The Mississippi Index of Leading Indicators fell in February as well. The leading indicators show signs the Mississippi downturn may be intensifying rather than moderating.

The national economy continues to contract. Some experts believe there are indications of a moderation in the decline. Most of the optimism stems from improved consumer spending in the first quarter. Manufacturing activity has also shown some improvement. This does not mean the economy has begun to improve, rather it is no longer in a free-fall. The "experts" do not anticipate a real turn around in the economy until later this year at the earliest. Recovery, once it comes, will be slow.

Figure 1. Index of Leading and Coincident Indicators



MISSISSIPPI'S BUSINESS

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Now available via e-mail
Send requests to above address

An **Index for Mississippi Consumer Sentiment** is now available from Mississippi State University College of Business. The Index can be viewed at The following site:

<http://www.economywatch.msstate.edu/>

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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.

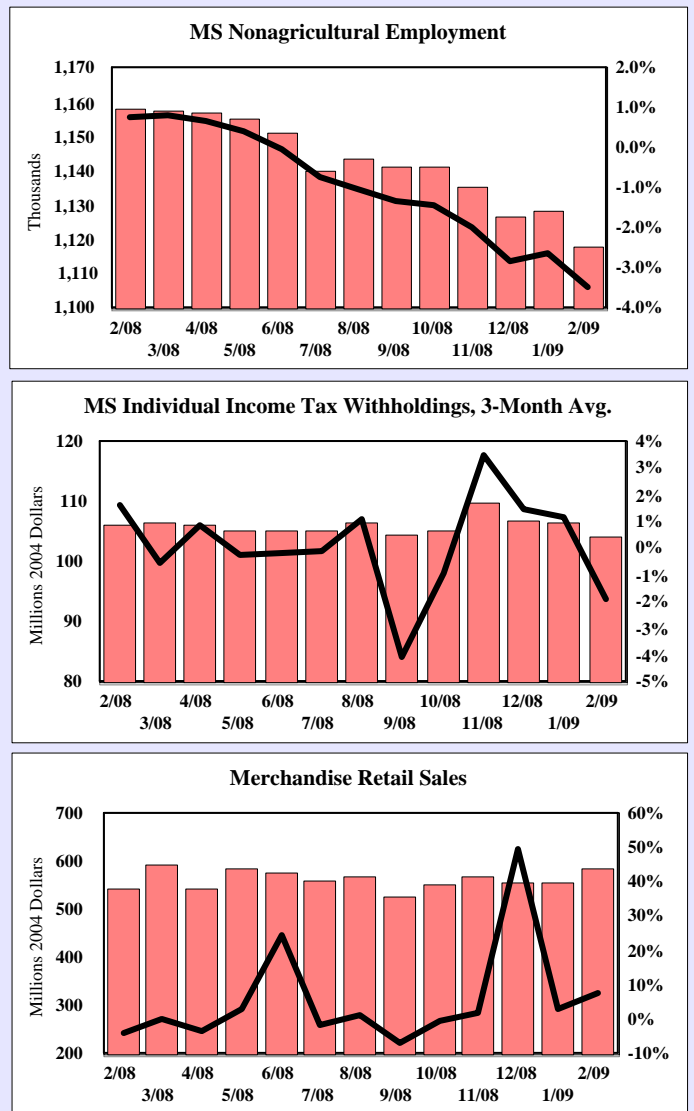
Coincident Index

The recently revised Mississippi Index of Coincident Economic Indicators fell 1.0 percent in February relative to January. The February index of 101.8 was the lowest since January 2006. The index has plummeted through much of the past year. The February index was 2.8 percent below the year ago level. In the history of the current Index series, which dates back to 1992, there has not been an annual decline of this magnitude. The state's economy is suffering in the current downturn. There is, as of yet, no sign the state's economy has hit bottom.

Mississippi employment data (Figure 2 and Table 1) show the state to be in deep contraction. Employment fell 0.9 percent in February relative to January. This is a decline of 10,545 jobs. Declines of this magnitude are rare, occurring only four times in the history of the series, which dates back to 1939. The state lost over 17,000 jobs in month of December 1974 and over 19,000 in September 2005 following Katrina. Mississippi lost 10,811 jobs in July 2008. The depth of this contraction is most vividly portrayed by the job losses relative to the year ago. There were over 40,000 fewer people employed in Mississippi in February 2009 than in February 2008. Only one other time, June 1975, has the annual decline in state employment exceeded this level. Most of these lost jobs have been in manufacturing (-18,140). Professional services lost 6,349 jobs, while leisure and hospitality lost 4,289 jobs. Government was the only sector with any substantial gains (2,877 jobs).

Mississippi income tax withholdings (Figure 2) contracted in February relative to January. The Coincident Index relies on a three-month moving average of withholdings. This series fell 2.3 percent in February relative to January. The series has decline for three consecutive months after spiking in November. Figure 3 offers some historical perspective to withholdings trends. The series was fairly flat through the 2000-2001 recession. Growth in the months leading up to Katrina were relatively modest. Growth in 2006 was much stronger as the state benefited from Katrina rebuilding. Since 2007, however, growth has been flat to declining. With the declining trends in employment and the overall weakness of the economy, a continued

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.

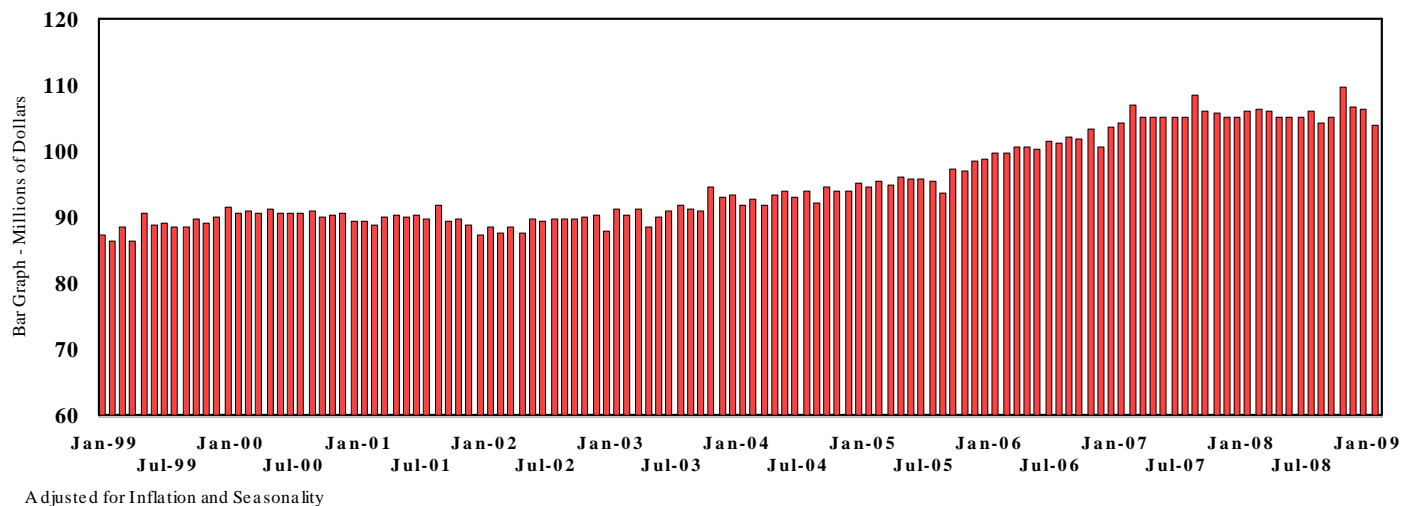
Sources:

Mississippi Department of Employment Security
Mississippi State Tax Commission

declining trend in withholdings is likely.

Merchandise retail sales (Figure 2) was the one component contributing positively to the February Coincident Index. Sales rose 4.8 percent in February over January. The series is volatile and the February increase is not an indication of a trend. The series has actually trended downward. Merchandise retail sales during the six months

Figure 3. Individual Income Tax Withholdings
3-Month Moving Average



ending in February was 2.4 percent below the sales for the previous six months. The decline has been more dramatic for total retail sales. For the six months ending in February total retail sales were 5.6 percent below the six-months prior. Total retail sales have been on a declining trend since rising sharply after Katrina. Merchandise retail sales includes sales at such stores as Walmart while total retail sales includes any establishment in which the customer pays sales tax.

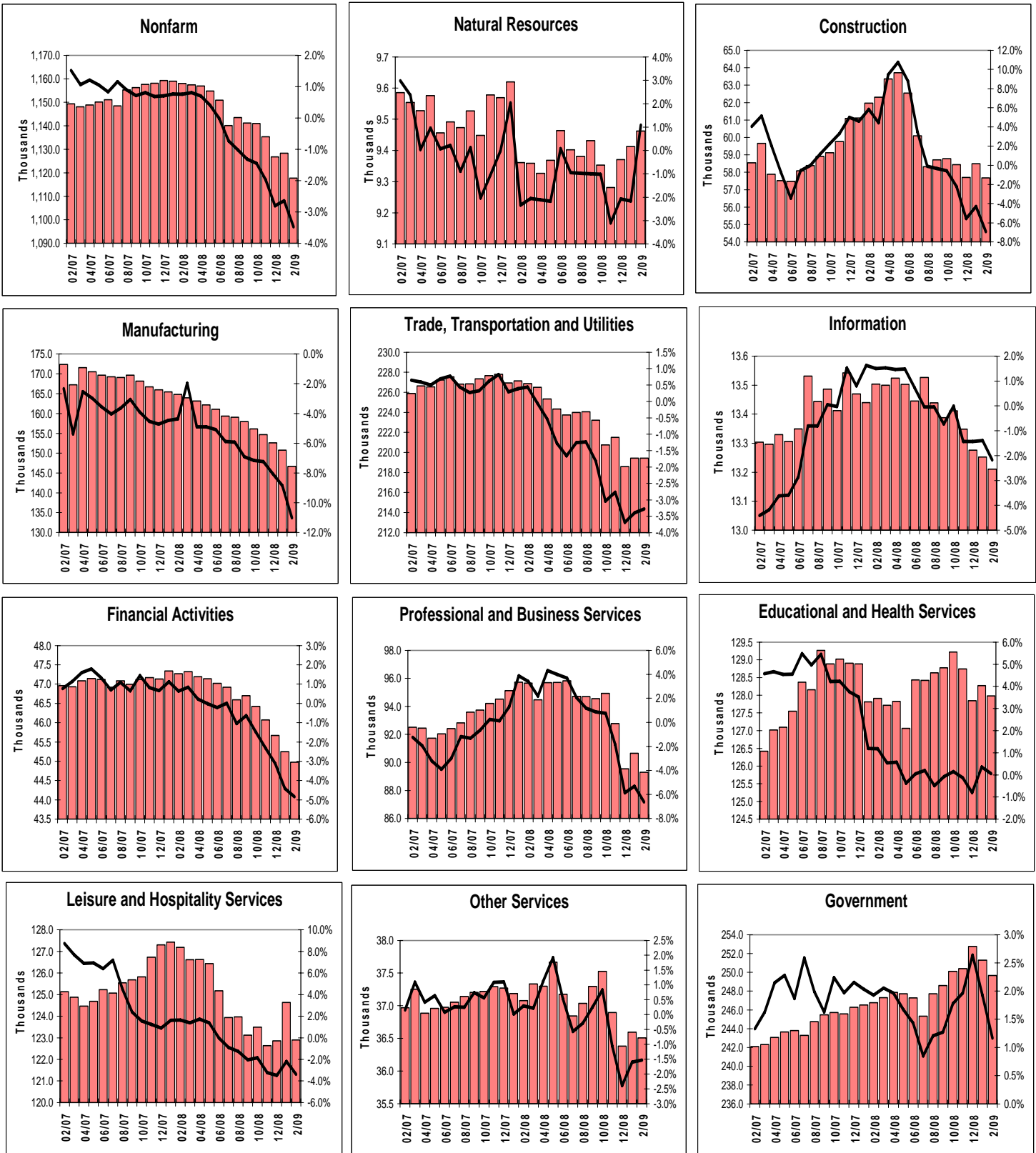
Leading Indicators

Mississippi's Index of Leading Economic Indicators fell 3.9 percent in February relative to January. Judging from the growth relative to the level six-months prior, the economic downturn is intensifying in Mississippi. This conclusion coincides with growing job losses. The state's economy will decline further before we begin to see growth. Four out of the five components of the Index contributed negatively to the February Index.

Table 1. Mississippi Employment By Sector
Seasonally Adjusted

	February 2009	January 2009	February 2008	Change from Prior Month Jobs	%	Change from Prior Year Jobs	%
Nonfarm	1,117,781	1,128,326	1,158,049	-10,545	-0.9%	-40,269	-3.5%
Natural Resources	9,462	9,412	9,361	50	0.5%	101	1.1%
Construction	57,687	58,487	61,967	-800	-1.4%	-4,280	-6.9%
Manufacturing	146,694	150,781	164,835	-4,087	-2.7%	-18,140	-11.0%
Trade, Transportation and Utilities	219,438	219,437	226,869	1	0.0%	-7,432	-3.3%
Retail	138,336	138,015	141,350	320	0.2%	-3,014	-2.1%
Information	13,211	13,253	13,504	-41	-0.3%	-293	-2.2%
Financial Activities	44,976	45,248	47,267	-272	-0.6%	-2,291	-4.8%
Services	376,688	380,145	387,824	-3,457	-0.9%	-11,136	-2.9%
Professional and Business Services	89,298	90,641	95,647	-1,343	-1.5%	-6,349	-6.6%
Education and Health Services	127,980	128,270	127,910	-290	-0.2%	70	0.1%
Leisure and Hospitality	122,900	124,640	127,189	-1,740	-1.4%	-4,289	-3.4%
Other Services	36,510	36,593	37,078	-83	-0.2%	-568	-1.5%
Total Government	249,659	251,302	246,782	-1,643	-0.7%	2,877	1.2%
Federal Government	26,247	26,451	26,334	-204	-0.8%	-87	-0.3%
State Government	61,462	62,396	60,175	-934	-1.5%	1,288	2.1%
Local Government	161,817	162,249	160,142	-431	-0.3%	1,675	1.0%

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.

The February decline in the Mississippi Index of Leading Indicators was driven by declining consumer expectations, falling permit values, increased initial unemployment claims and a declining workweek length -- in that order of significance (see figure 5).

U.S. consumer expectations fell 12.6 percent in February relative to January. The decline followed two months of increase. A significant increase in consumer expectations is not anticipated as long as jobs and wealth are declining.

The value for Mississippi residential building permits fell 22.7 percent in February from the January level. The value of permits are now at their lowest level since January 1993. Permit values have been in a downward spiral for over two years.

Mississippi initial unemployment claims rose 22.0 percent. The increase was substantial. Initial claims have been in excess of 20,000 for three consecutive months. Three months of claims above this threshold are unusual historically. Such a trend was observed in the tough economic times of the 1980s and 1991 as well as the months following Katrina. Continued unemployment claims, which measures the number of individuals actually receiving unemployment benefits, rose 24.8 percent in February. This series has been elevated in recent months as well. These trends suggest the state has not hit bottom in terms of employment contraction.

The Mississippi manufacturing workweek length declined to 40.6 hours in February. The January level was 41.0 hours. This was the fourth monthly decline. Despite the declines, workweek length remained relatively high in February.

The Institute for Supply Management (ISM) Index of U.S. Manufacturing Activity rose 1.4 percent in March. This was the third consecutive increase. The increases have been small and the index remains well below the 50 level. An index below 50 indicates a contraction in manufacturing activity. There is some good news within the index data. New and backlogged orders increased for the month, offering hope for future production. The employment index was also up. Some observers of

these trends think the manufacturing industry may be approaching a bottom.

U.S. Economy

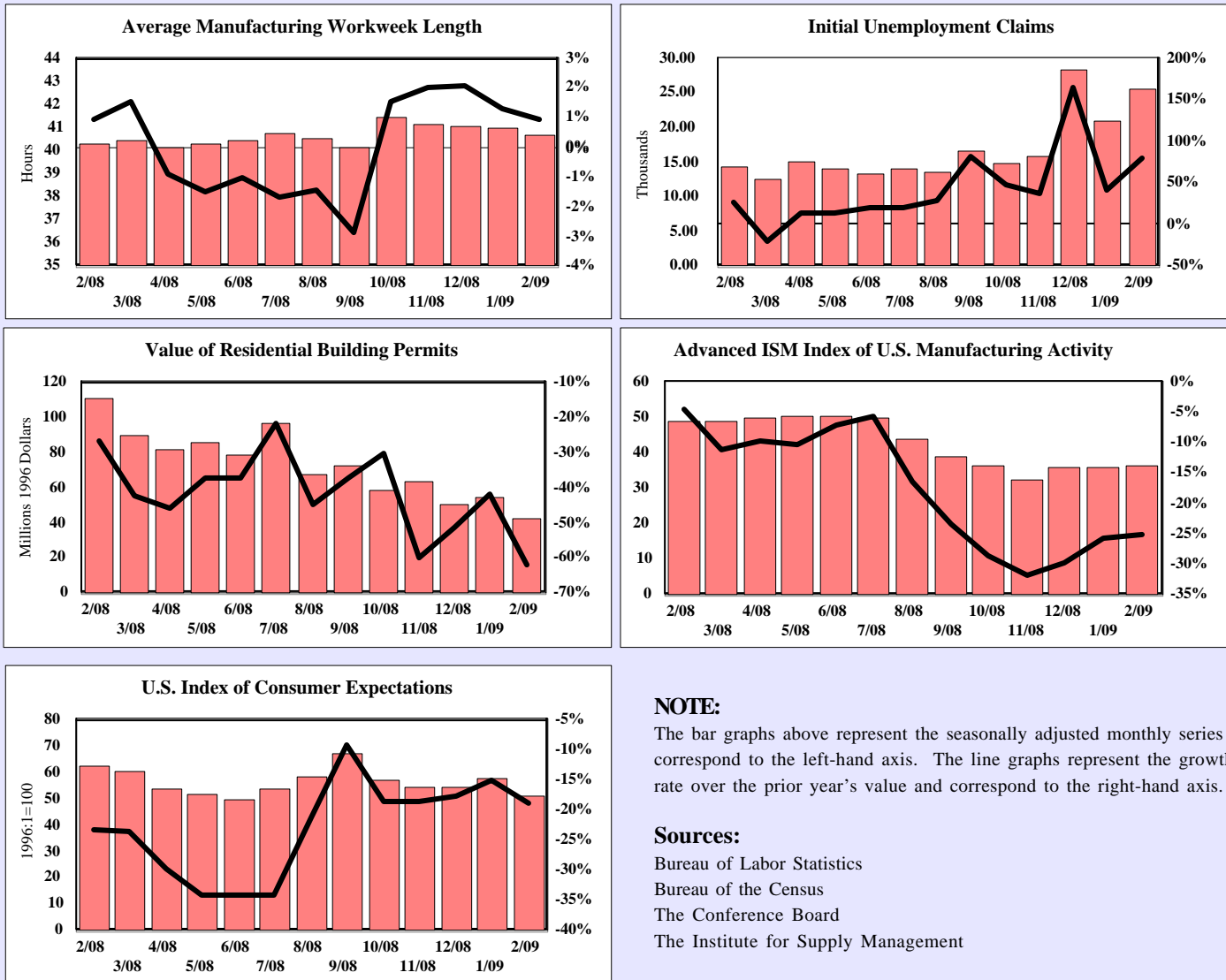
The U.S. Index of Coincident Indicators fell 0.4 percent in February relative to January. Further declining employment and production drove the decline. The annualized six-month growth rate in the coincident index was -6.1 percent. This is a much steeper decline than that the -1.9 percent growth observed in the previous six months.

The U.S. Index of Leading Indicators fell 0.4 percent in February relative to January. The decline followed a slight increase in January. Relative to the index six-months prior the index was down an annualized 4.1 percent. The previous six months growth was -3.1 percent.

One area of optimism is that plunging consumer spending may have bottomed out. The average decline in spending during the second half of 2008 was 4.1 percent. It is believed the first quarter of 2009 will show an increase of 1.3 percent. Lower gasoline prices have helped consumers. Some economist are encouraged by this trend and say it marks the end of the free-fall in which the economy has been. These economist are quick to point out that the economy continues to contract but at perhaps at a slower rate. Further erosion of jobs will prevent any substantial gains in retail sales for some time to come. The economy is not expected to turn around substantially until the later part of 2009 at the earliest.

The Consumer Price Index fell 0.4 percent in March relative to prior year level. This was the first such decline in over 50 years. While this decline is technically deflation, it is not the kind of deflation that generally concerns economist. The decline relative to the year ago was largely driven by declining energy prices. When economist express concern about a downward spiral in prices they are speaking of the price of goods and services. Such a decline leads to further postponing of purchases which curtails activity further. At this point such deflation pressure has not materialized.

Figure 5. Mississippi Index of Leading Indicators Components

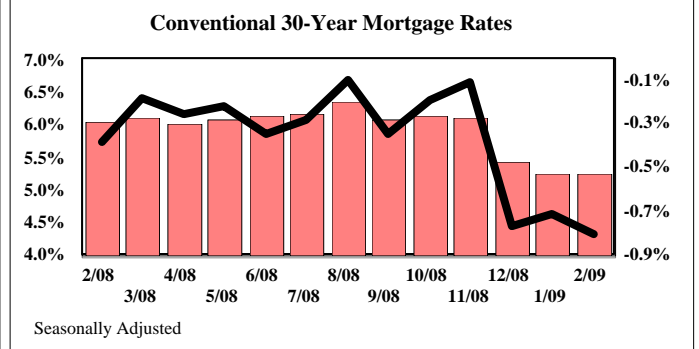
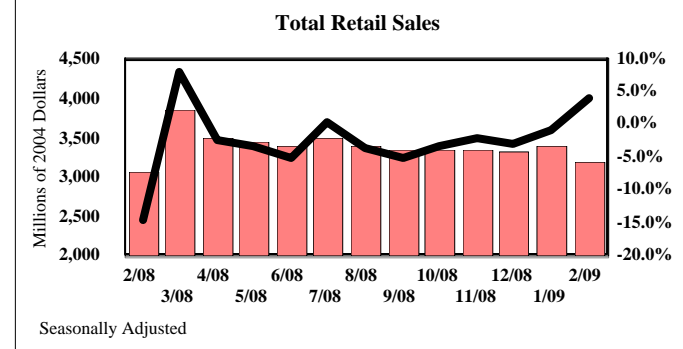
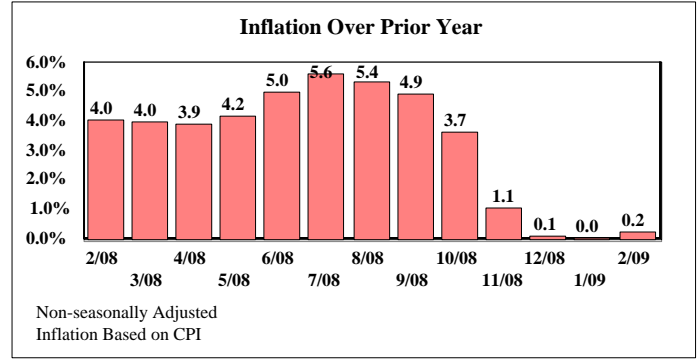
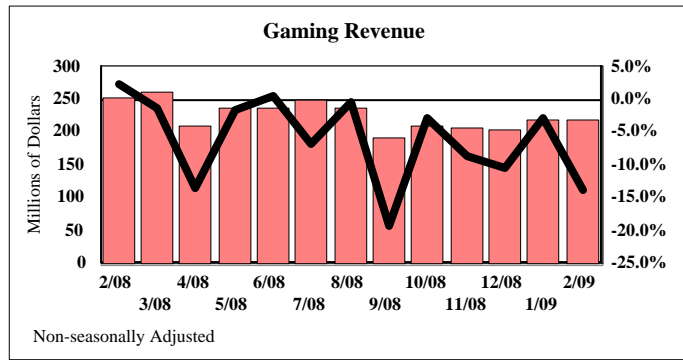
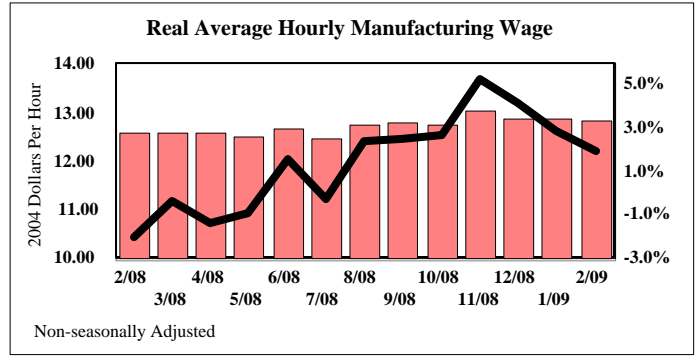
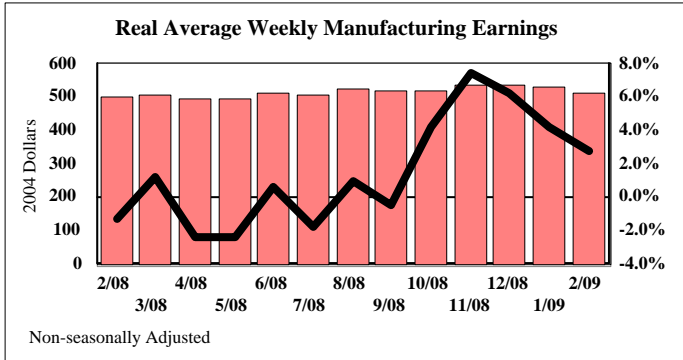
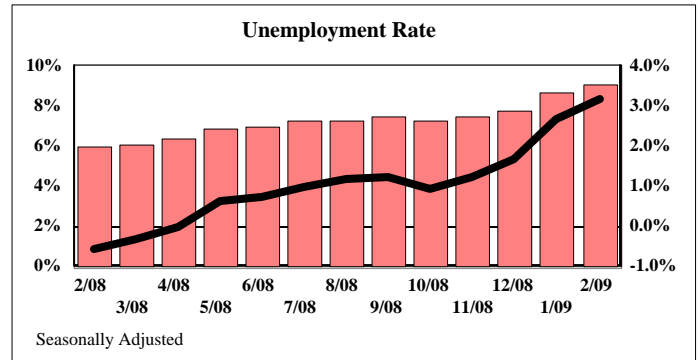
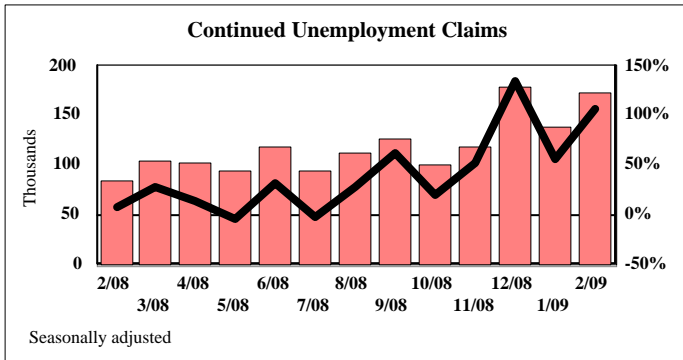


Quips and Quotes:

“The principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale”

-- Thomas Jefferson

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

	February 2009	January 2009	February 2008	Percent Change From Last Month Last Year	
Coincident Indicator Index (2004=100)	101.8	102.8	104.7	-1.0%	-2.8%
Nonagricultural Employment (thousands)	1,117.8	1,128.3	1,158.0	-0.9%	-3.5%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	104.1	106.6	106.1	-2.3%	-1.9%
Merchandise Retail Sales (millions of 2004 \$)	585.0	558.0	543.9	4.8%	7.6%
Leading Indicator Index (2004=100)	84.9	88.3	96.7	-3.9%	-12.3%
Initial Unemployment Claims	25,419	20,839	14,130	22.0%	79.9%
Value of Residential Building Permits (millions of 2004 \$)	41.4	53.5	110.2	-22.7%	-62.4%
Average Manufacturing Workweek Length (hours)	40.6	41.0	40.3	-0.9%	0.9%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the January index is reported for December.	36.3	35.8	48.6	1.4%	-25.3%
U.S. Index of Consumer Expectations	50.5	57.8	62.4	-12.6%	-19.1%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	112.3	111.8	112.1	0.5%	0.2%
Unemployment Rate (percentage)					
Non-seasonally adjusted	9.2%	9.3%	5.9%	-0.1%	3.3%
Seasonally adjusted	9.1%	8.7%	5.9%	0.4%	3.2%
Continued Unemployment Claims	172,170	137,927	83,237	24.8%	106.8%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.41	14.38	14.10	0.2%	2.2%
2004 Dollars per Hour	12.83	12.86	12.58	-0.3%	2.0%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	577.84	592.46	561.18	-2.5%	3.0%
2004 Dollars	514.36	530.00	500.71	-3.0%	2.7%
U.S. Mortgage Rates (30-year conventional)	5.2%	5.2%	6.0%	-0.0%	-0.8%
Total Retail Sales Millions of 2004 Dollars	3,184.05	3,390.73	3,063.79	-6.1%	3.9%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	101.2	96.5	110.5	4.9%	-8.4%
River counties (millions of current \$)	117.8	121.6	143.3	-3.1%	-17.8%
Total	219.0	218.1	253.8	0.4%	-13.7%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.