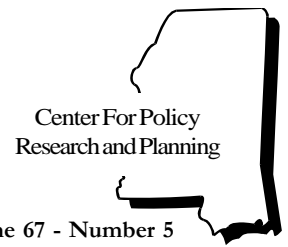


Mississippi's Business



May 2009

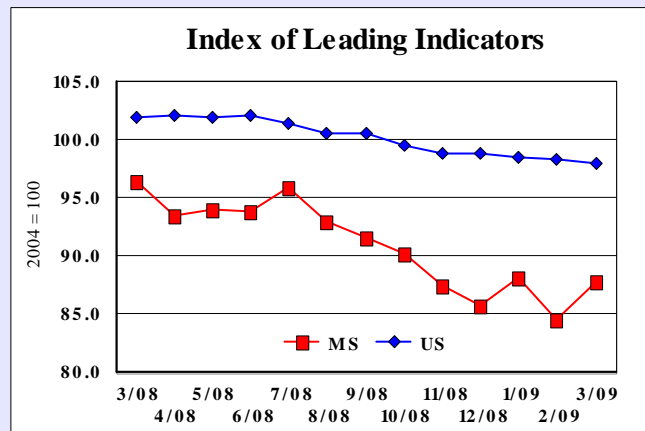
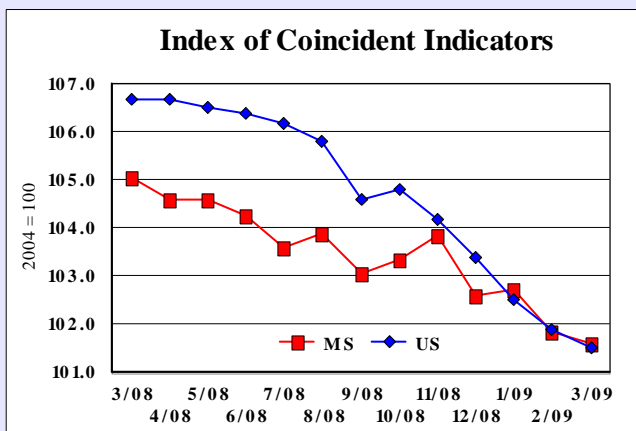
Monitoring the State's Economy

Volume 67 - Number 5

ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators continued to decline in March. Mississippi employment showed a modest gain, but not enough to overcome losses in income tax withholdings and merchandise retail sales. Despite the gain in employment, the state has lost 3.5 percent of its total employment since the beginning of the recession. The Mississippi Index of Leading Indicators rose in March. This was the second increase in three months. The gain was strongly supported by four out of five components. While the news is encouraging, it is not sufficient to conclude the state will soon turn the corner to recovery. There remains considerable weakness in the economy and most economists are predicting only a modest recovery in 2010. Once recovery does begin, the threat will be inflation as the Fed seeks to remove some of the liquidity it has injected into the economy. Compounding the threat of inflation will be the large budget deficits that are predicted along with a federal government unwilling to make the difficult choice of cutting spending.

Figure 1. Index of Leading and Coincident Indicators



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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/>
Visit us on The Web: <http://www.ihl.state.ms.us/urc/planning/econdept.htm>

Coincident Index

The Mississippi Index of Coincident Economic Indicators was 101.6 in March, 0.3 percent below the revised February level. The index has been below the level six months prior for 12 out of the last 13 months. The March level was an annualized 2.8 percent below the level six months prior. Two out of the three components contributed to the March decline. The data show the State's economy to be in a deep contraction. While encouraging news can be found in some data, the state remains weak. In fact, preliminary data suggests some Mississippi banks struggled immensely in the first quarter. We will report more on this in next month's issue.

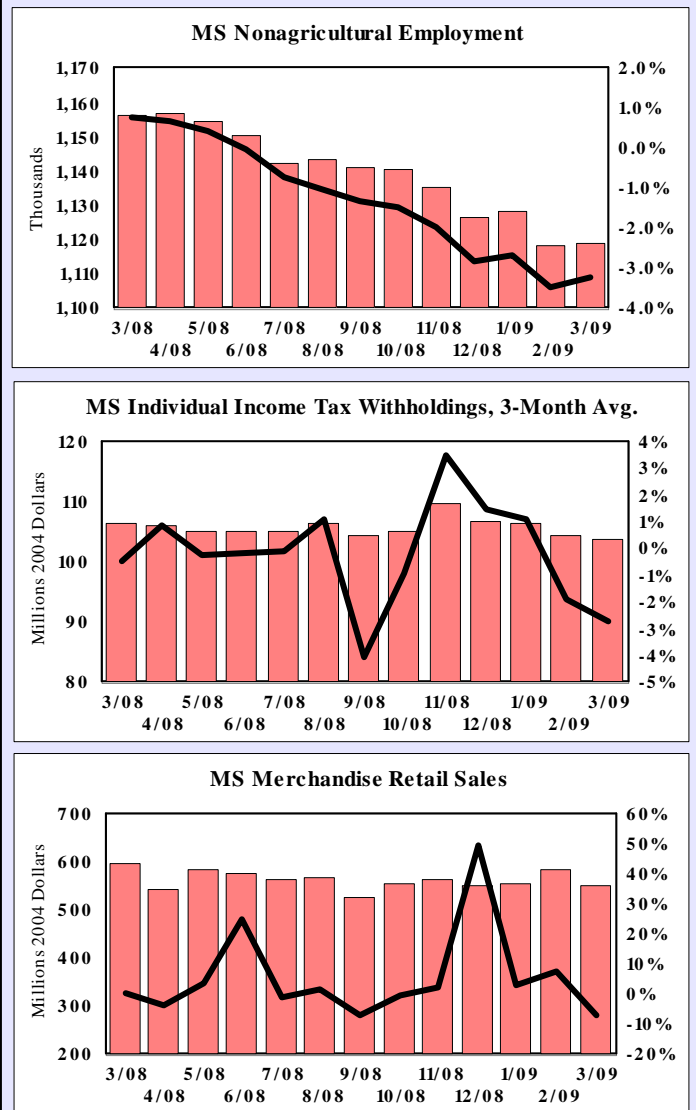
The three-month moving average of individual income tax withholdings fell 0.6 percent in March relative to February. The series has been trending downward since a sharp increase in November 2008. The March level was 2.7 percent below the year ago level.

Mississippi merchandise retail sales fell 5.2 percent in March relative to February. The series was 7.2 percent below the year ago level. Merchandise retail sales has proven more resilient in the current downturn than total retail sales. The Mississippi total retail sales for the first quarter was down 6.2 percent from the year ago level, whereas the merchandises retail sales actually increased by 0.9 percent. Merchandise retail sales includes department stores such as Wal-Mart. Declining new car sales have contributed substantially to the decline in total retail sales.

Mississippi employment rose a modest 891 jobs (0.1 percent) in March relative to February. Employment peaked in Mississippi in December 2007. In the fifteen months since that peak, employment has declined 11 months. The few months of increase have been modest, while the declines have been large. As of March, the state had lost over 40,000 jobs since the peak of December 2007.

Table 1 shows employment data by sector. Lost manufacturing jobs have accounted for the largest declines relative to the year ago. Manufacturing employment was down over 16,664 jobs or 10.2 percent in March relative to the year ago. Large

Figure 2. Mississippi Index of Coincident Indicators Components



NOTE:

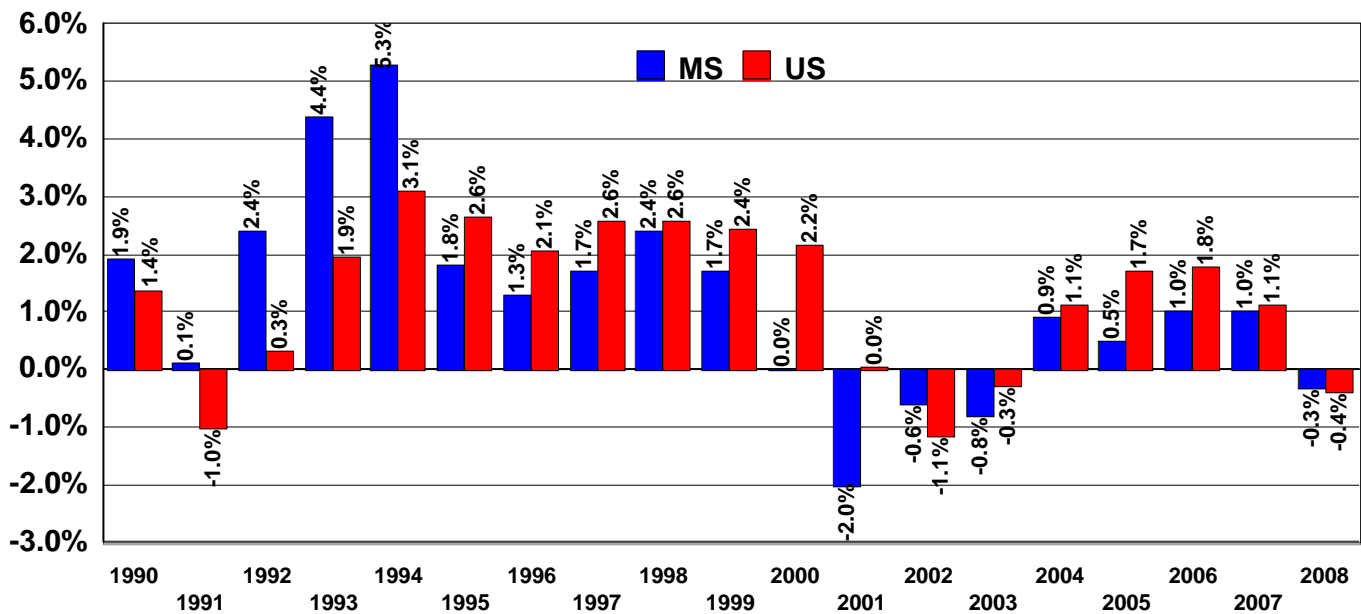
The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graphs represent the growth rate over the prior year's value and correspond to the right-hand axis.

Sources:

Mississippi Department of Employment Security
Mississippi State Tax Commission

declines also occurred in construction, professional and business services, leisure and hospitality services and retail trade. The only sector gaining a significant number of jobs relative to the year ago was government. This trend is likely to continue.

Figure 1 shows Mississippi and U.S. annual employment growth from 1990 to 2008. Mississippi has had much

Figure 3. Annual Employment Growth in Mississippi and the U.S.

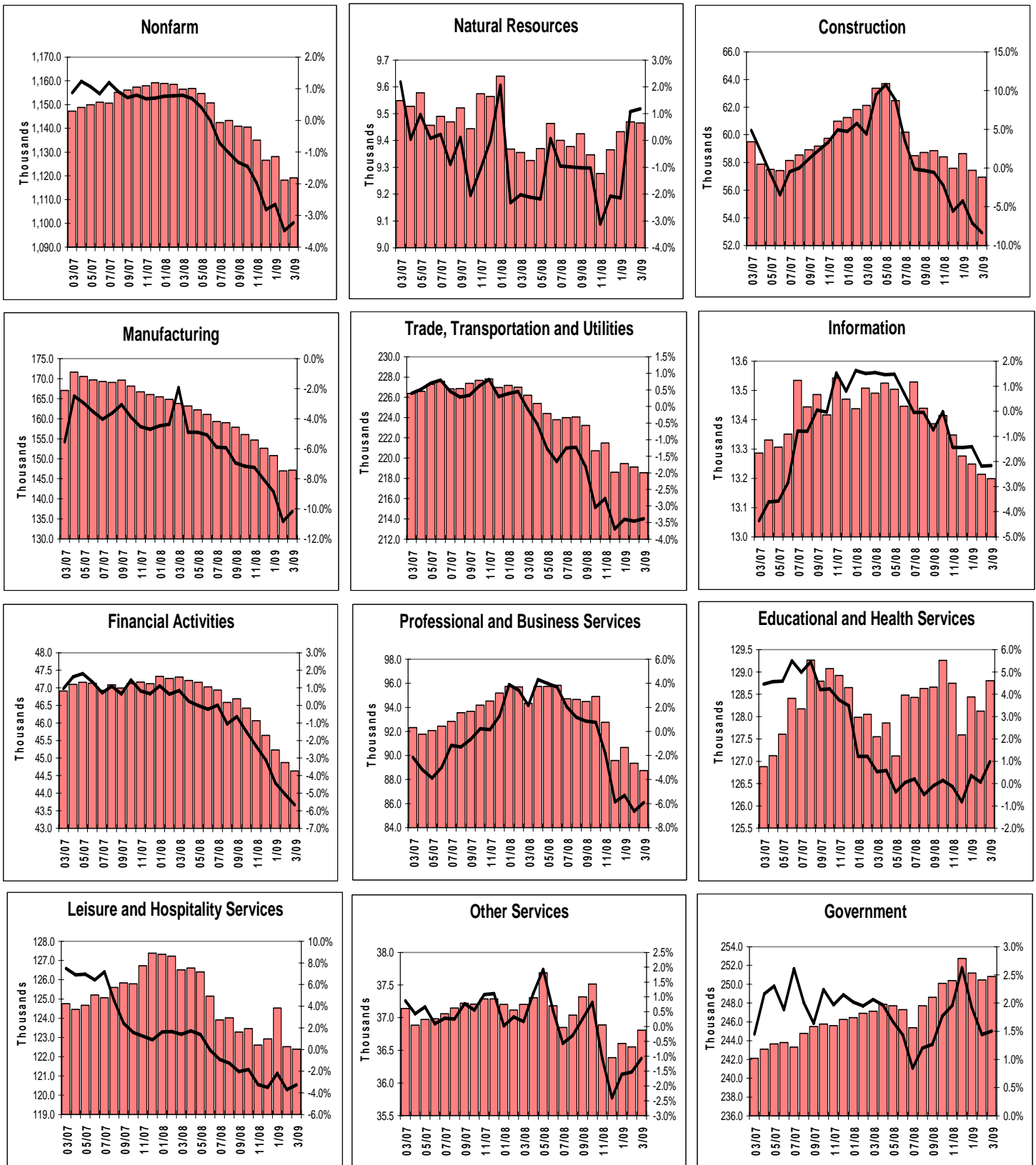
slower growth in the current decade than the Nation, generally speaking. The recession which occurred in 2001 was especially hard on Mississippi employment. The state entered the recession early, was hit harder and longer than the nation. But Mississippi seems to have fared better than the Nation thus far in the current

recession. The state lost 0.3 percent of its employment in 2008 where the Nation lost 0.4 percent. Between December 2007 and March 2009, Mississippi has lost 3.5 percent of its employment. The Nation has lost 4.2 percent in the same period.

**Table 1. Mississippi Employment By Sector
Seasonally Adjusted**

	March 2009	February 2009	March 2008	Change from Prior Month Jobs	%	Change from Prior Year Jobs	%
Nonfarm	1,119,101	1,118,210	1,156,428	891	0.1%	-37,327	-3.2%
Natural Resources	9,466	9,470	9,356	-4	0.0%	110	1.2%
Construction	56,935	57,430	62,118	-495	-0.9%	-5,183	-8.3%
Manufacturing	147,176	147,001	163,841	175	0.1%	-16,664	-10.2%
Trade, Transportation and Utilities	218,552	219,134	226,207	-582	-0.3%	-7,655	-3.4%
Retail	137,426	138,205	141,119	-780	-0.6%	-3,694	-2.6%
Information	13,199	13,214	13,490	-15	-0.1%	-292	-2.2%
Financial Activities	44,629	44,870	47,310	-241	-0.5%	-2,681	-5.7%
Services	376,763	376,542	385,608	221	0.1%	-8,845	-2.3%
Professional and Business Services	88,749	89,347	94,334	-597	-0.7%	-5,585	-5.9%
Education and Health Services	128,805	128,124	127,549	681	0.5%	1,256	1.0%
Leisure and Hospitality	122,400	122,519	126,520	-119	-0.1%	-4,120	-3.3%
Other Services	36,808	36,552	37,205	256	0.7%	-397	-1.1%
Total Government	250,825	250,470	247,115	355	0.1%	3,710	1.5%
Federal Government	26,136	26,236	26,322	-100	-0.4%	-185	-0.7%
State Government	62,391	62,101	60,558	289	0.5%	1,833	3.0%
Local Government	161,989	161,860	159,938	129	0.1%	2,052	1.3%

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.

Leading Indicators

Mississippi's Index of Leading Economic Indicators increased 3.9 percent in March relative to February, bringing the March index to 87.8. The monthly increase regained almost all of the ground lost in February. The index has not experienced an increase of this magnitude since December 2005. It was the second increase in three months. Four out of five components contributed to the monthly gain. While these trends are encouraging, they have not been sustained long enough to indicate a turning point in the economy.

Contributing the most to the monthly index was a 10.5 percent gain in the April Institute for Supply Management Index of U.S. Manufacturing Activity (ISM). The ISM Index has increased for four consecutive months. The March increase was fueled by improvement in new orders, employment and production. The index remains below 50, indicating the U.S. manufacturing industry is still in contraction. The ISM, however, supports the argument that the worst is over for this industry and that growth will resume later this year.

The Index of U.S. Consumer Expectations rose 5.9 percent in March relative to February. The increase was relatively small and the index remained well below the year ago level. Rising consumer expectations are encouraging nonetheless. Improved expectations were likely driven by gas prices that were below their year ago levels and stock market rallies.

Average manufacturing workweek length in Mississippi rose slightly to 40.9 hours. The modest increase follows four consecutive declines.

Initial unemployment claims fell 13.8 percent in March relative to February. This series increased sharply in December, and remained high in March despite the decline. Falling initial claims suggests some moderation may be occurring in the economic downturn. However, this news is tempered by a sharp increase in continued claims for the month of March.

The one component contributing negatively in March was the value of Mississippi building permits. This series fell 7.4 percent in March relative to February. The March value was the lowest since December 1992.

U.S. Economy

The U.S. Index of Coincident Indicators fell 0.4 percent in March relative to February. The U.S. Index of Leading Indicators fell 0.3 percent in March relative to February. The Leading Index has not risen since June 2008.

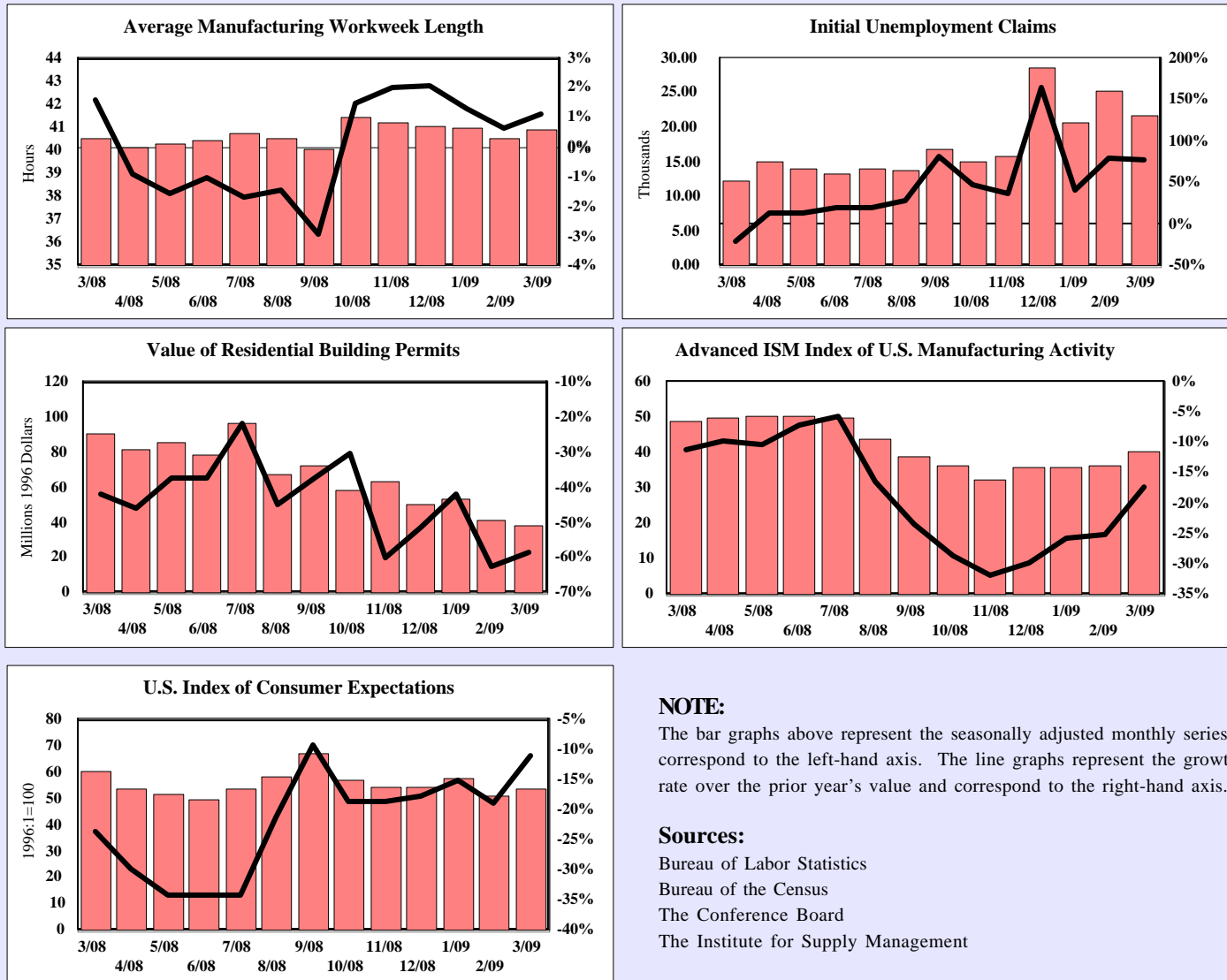
There is some evidence that the economic free-fall is moderating. Consumer spending has improved. After falling a dramatic 4.1 percent in the second half of 2008, consumer spending rose 2.2 percent in the first quarter. Strong cost of living adjustments for social security and large tax refunds are being credited with boosting incomes. Reduced tax withholdings began in April which will increase incomes for the second quarter. But the employment picture continues to be bleak which will have a dampening effect on spending. The outlook is for essentially flat spending through the second quarter. Conditions are expected to gradually improve in the second half of the year.

The housing industry continues to be a drag on the economy. Housing is becoming increasingly affordable for those with credit. Housing starts, home sales and building permits are showing modest signs of stabilizing.

These trends suggest an economy that is contracting, but at a somewhat slower pace. The outlook, especially with regard to jobs, remains dismal. Job losses will continue through this year with the unemployment rate exceeding 10 percent. Recovery is still expected to be slow. Global Insight, a National forecasting agency expects GDP to decline 3.1 percent in 2009 and growing a modest 1.5 percent in 2010.

Once the economy does begin to recover the threat will turn toward inflation. There has been a tremendous influx of liquidity into the market. Once the economy begins to recover, the Fed will need to reduce this liquidity or else face inflation. This task will prove difficult, and some economist are not optimistic that it can be done. Furthermore, some doubt the federal governments willingness to curb spending in order to bring the budget back into line. The result will be very large budget deficits and reduced economic growth in the long-run.

Figure 5. Mississippi Index of Leading Indicators Components

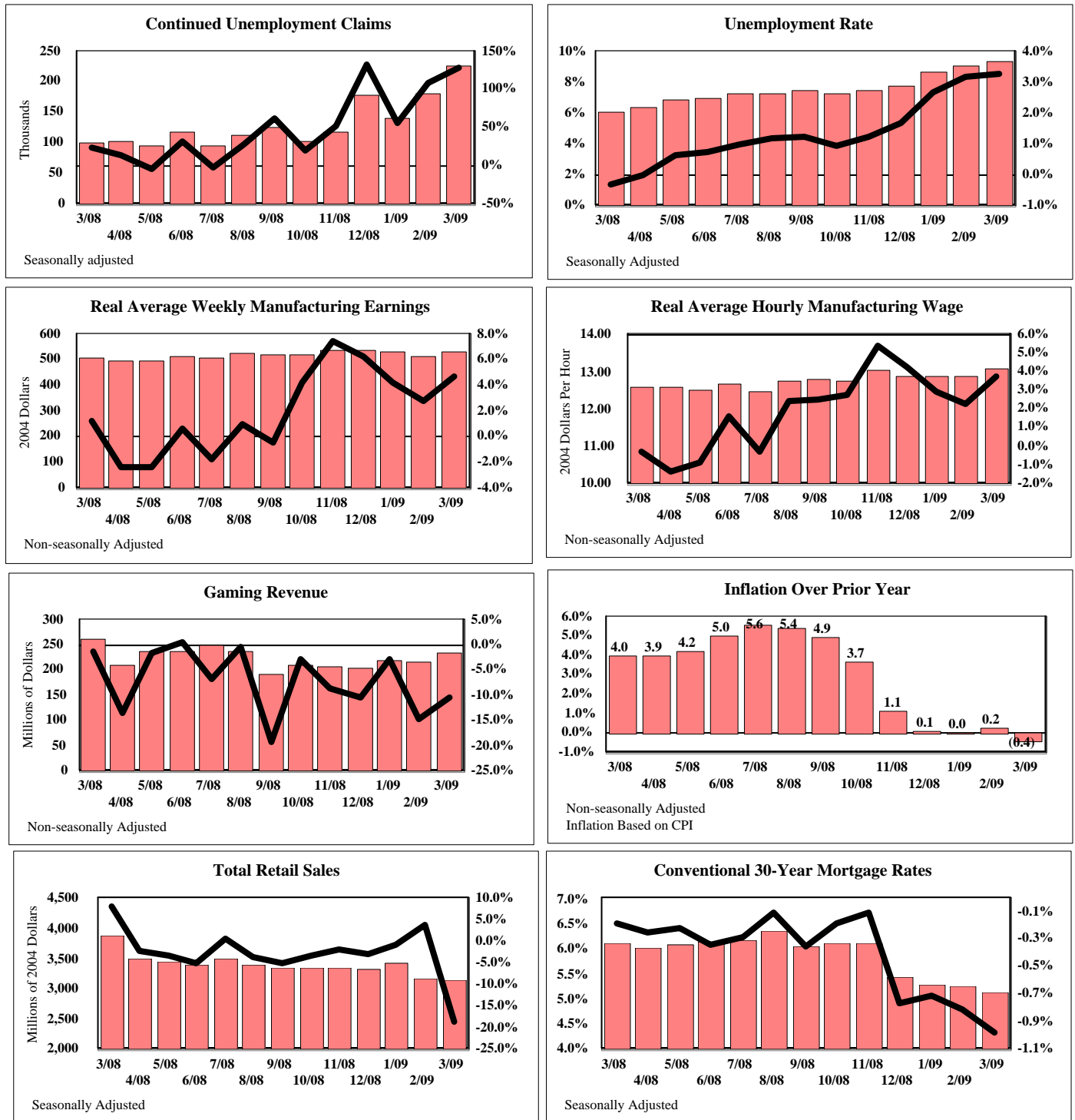


Quips and Quotes:

“Nobody spends somebody else’s money as carefully as he spends his own. Nobody uses somebody else’s resource as carefully as he uses his own. So if you want efficiency and effectiveness, if you want knowledge to be properly utilized, you have to do it through the means of private property.”

-- Milton Friedman

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

	March 2009	February 2009	March 2008	Percent Change From Last Month Last Year	
Coincident Indicator Index (2004=100)	101.6	101.9	105.1	-0.3%	-3.3%
Nonagricultural Employment (thousands)	1,119.1	1,118.2	1,156.4	0.1%	-3.2%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	103.7	104.4	106.6	-0.6%	-2.7%
Merchandise Retail Sales (millions of 2004 \$)	553.8	584.0	596.6	-5.2%	-7.2%
Leading Indicator Index (2004=100)	87.8	84.6	96.5	3.9%	-9.0%
Initial Unemployment Claims	21,668	25,143	12,280	-13.8%	76.5%
Value of Residential Building Permits (millions of 2004 \$)	37.6	40.6	90.7	-7.4%	-58.5%
Average Manufacturing Workweek Length (hours)	40.9	40.5	40.5	1.0%	1.1%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the January index is reported for December.	40.1	36.3	48.6	10.5%	-17.5%
U.S. Index of Consumer Expectations	53.5	50.5	60.1	5.9%	-11.0%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	112.6	112.3	113.0	0.2%	-0.4%
Unemployment Rate (percentage)					
Non-seasonally adjusted	9.4%	9.3%	6.1%	0.1%	3.3%
Seasonally adjusted	9.4%	9.1%	6.1%	0.3%	3.3%
Continued Unemployment Claims	225,867	179,729	98,563	25.7%	129.2%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.71	14.45	14.24	1.8%	3.3%
2004 Dollars per Hour	13.06	12.86	12.60	1.6%	3.7%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	600.17	578.00	575.30	3.8%	4.3%
2004 Dollars	532.94	514.51	508.90	3.6%	4.7%
U.S. Mortgage Rates (30-year conventional)	5.1%	5.2%	6.1%	-0.1%	-1.0%
Total Retail Sales Millions of 2004 Dollars	3,133.84	3,157.69	3,865.14	-0.8%	-18.9%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	101.8	99.6	120.8	2.2%	-15.7%
River counties (millions of current \$)	131.2	116.9	139.8	12.2%	-6.2%
Total	232.9	216.5	260.5	7.6%	-10.6%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.

EDUCATIONAL ATTAINMENT: IMPROVEMENTS IN MISSISSIPPI, 1990, TO 2005-2007

By Barbara J. Logue, Ph.D.

The educational shortcomings of many of its citizens have long been a major concern in Mississippi. Low levels of education are associated with lower labor force participation rates, health problems, unemployment, low earnings, a higher risk of poverty, and dependence on social programs. This report looks at new data on educational achievements in the state, compares Mississippi with other states and the nation, and considers how the number of college graduates may be increased.

It is encouraging to find that recently released data from the U.S. Census Bureau's American Community Survey show substantial improvements in educational attainment in Mississippi since 1990. The data were collected over the three-year period of 2005 to 2007 and refer to the highest level of schooling completed by adults aged 25 and over. Table 1 shows the numbers and percentage changes over time.

Improvements occurred at both ends of the educational spectrum. The number of adults with less than a 9th grade education fell by nearly 41.0 percent as many older, less educated residents died or moved to another state since 1990. The number and proportion of high school dropouts also declined. At the same time, the number of people with a high school diploma or GED rose by a robust 37.7 percent.

In higher education, the number of people with degrees rose substantially: a 71.7 percent increase in those with Associate degrees, a 50.2 percent rise in those with Bachelor's degrees, and a 49.7 percent rise in those with graduate/professional degrees. The number of people who earned at least some college credit but had not yet received a degree rose by 41.3 percent since 1990.

Table 1. **EDUCATIONAL ATTAINMENT OF MISSISSIPPIANS (AGES 25+), 1990 AND 2005 - 2007**

<u>Level</u>	<u>1990</u>		<u>2005-2007</u>		<u>Change Since 1990</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade	240,267	15.6	142,032	7.8	98,235	-40.9
9th - 12th grade, no diploma	309,418	20.1	261,311	14.3	48,107	-15.5
H.S. graduate/GED	423,624	27.5	583,128	31.9	159,504	37.7
Some college, no degree	259,477	16.9	366,586	20.0	107,109	41.3
Associate degree	79,264	5.1	136,134	7.4	56,870	71.7
Bachelor's degree	149,109	9.7	223,939	12.2	74,830	50.2
Graduate/Professional degree	77,838	5.1	116,550	6.4	38,712	49.7
TOTAL	1,538,997	100.0%	1,829,680	100.0%		

Sources: U.S. Census Bureau, *1990 Census of Population and Housing*, Public Use Microdata Sample (5%), Mississippi; American Community Survey, 2005-2007.

Mississippi in Comparative Perspective

While these changes are certainly in the right direction, the state cannot afford to become complacent about education improvements. Table 2 shows how educational attainment in Mississippi compares to national averages. The state still lags the nation when it comes to the fraction of residents with a Bachelor's or advanced degree. In order to match the 2005-2007 national percentage with Bachelor's degrees, the state would need to immediately produce an additional 88,936 college graduates, a daunting task in a state that currently grants fewer than 12,000 Bachelor's degrees annually.

Comparisons with other states likewise illustrate Mississippi's disadvantaged situation. In 2007, Mississippi ranked last in the percentage of people over 25 with at least a high school diploma or GED, with an estimated 78.5 percent in that category. As for the percentage of adults over 25 with at least a Bachelor's degree, the state's fraction (18.9 percent) exceeded only West Virginia's 17.3 percent and was barely half of the 37.9 percent reported for Massachusetts; ten additional states had percentages exceeding 30.0.¹

Increasing the Number of Bachelor's Degrees

Assuming that increasing the number of Bachelor's degree holders is an appropriate goal for Mississippi, what is the most efficient way to go about it? It seems logical to first turn to two groups of people in the state with at least some demonstrated interest in and capability for higher education. The first group consists of those who have already earned an Associate degree. The second category is made up of people who started to attend college, perhaps completed a year or more, and then dropped out before earning a degree.

The 2005-2007 American Community Survey data indicate that an estimated 80,061 Mississippians between the ages of 25 and 49 have an Associate degree and are not currently enrolled in college. An additional 188,060 state residents in that age group embarked on a college career but failed to complete even an Associate degree; none of these were enrolled in school at the time of the survey. The age range of 25 to 49 was chosen because it seems unlikely that many people over 50 would return to college long enough to earn a Bachelor's degree and, if they did, would long remain in the work force following graduation.

Table 2. **EDUCATIONAL ATTAINMENT, MISSISSIPPI AND THE U.S. (AGES 25+), 2005 - 2007**

<u>Level</u>	<u>U.S. (%)</u>	<u>Mississippi (%)</u>	<u>Difference</u>
Less than 9th grade	6.5	7.8	1.3
9 - 12th grade, no diploma	9.5	14.3	4.8
H.S. graduate/GED	30.0	31.9	1.9
Some college, no degree	19.6	20.0	0.4
Associate degree	7.4	7.4	0
Bachelor's degree	17.1	12.2	-4.9
Graduate/Professional degree	9.9	6.4	-3.5
TOTAL	100.0%	100.0%	

Sources: U.S. Census Bureau, American Community Survey, 2005-2007.

Table 3 shows some key characteristics of these two groups. Of greatest interest to policy makers are those characteristics which might inhibit a return to school, assuming motivation to do so. Clearly, a majority of these people have compelling work and family responsibilities which can make it difficult or impossible to further their education.

Of the college dropouts, one in four has children under age 6 (those most in need of substantial parental time and energy) to care for. Nearly one in five is a single mother, with no spouse on hand to share childcare duties. About six in ten work full-time, whereas 4.8 percent are actively seeking work. One in seven lives in poverty. Median earnings (in 2007 dollars) were \$31,335 for full-time workers.

Holders of an Associate degree are equally constrained by the presence of very young children. The proportion

of single mothers, however, is somewhat lower among the Associate degree holders. More of the latter are currently married, so presumably have the support of a spouse (economic and otherwise) that can be crucial to those wishing to return to school. Proportionally fewer people with an Associate degree are unemployed or have incomes below the poverty line. Median earnings for full-time workers, however, are only slightly higher than for college dropouts. One incentive for a return to school might be the fact that holders of a terminal Bachelor's degree in Mississippi in the same age range (25 to 49) earned a median \$41,780 for full-time work.

We do not know why people choose to end their formal education with an Associate degree, or why they start college only to drop out before earning any degree. But it is likely that at least some of them found that their background and abilities were lacking.

Table 3. **KEY CHARACTERISTICS OF COLLEGE DROPOUTS AND ASSOCIATE DEGREE HOLDERS, AGES 25 TO 49, MISSISSIPPI, 2005-2007**

Characteristic	College Dropouts	Associate Degree
Number	188,060	80,061
Median Age (years)	38.0	38.0
Sex		
Male (%)	47.9	40.2
Female (%)	52.1	59.8
Race		
White (%)	61.2	66.7
Nonwhite (%)	38.8	33.3
Marital Status		
Currently married (%)	58.2	64.8
Divorced, widowed or separated (%)	20.1	18.3
Never married (%)	21.7	16.9
Has children under 6 (%)	24.1	25.0
Single mother (%)	18.5	14.9
Works full-time, year-round (%)	58.9	66.3
Median earnings of full-time workers (2007)	\$31,335	32,474
Unemployed (%)	4.8	3.8
Below poverty (%)	14.6	9.4

Sources: U.S. Census Bureau, American Community Survey, 2005-2007, Public Use Microdata Sample, Mississippi.

A 2008 report, "Diploma to Nowhere," found that 29.0 percent of students admitted to public four-year colleges required remediation, at an average cost per student of \$2,500.²

For the unknown proportion of college dropouts who left school despite their colleges' efforts at remediation, encouraging them to try again is hardly feasible. On the other hand, the American College Testing Service reports that greater academic selectivity in the first place is associated with lower dropout rates.³

Obviously, if more capable dropouts and Associate degree holders are to return to school, a variety of other needs must be addressed. Courses must not conflict with work and family responsibilities, financial aid may be required for some, and childcare arrangements might be necessary, especially for single parents. Distance learning opportunities and an expansion of on-line services such as counseling, technical support, and library resources would be helpful. This all assumes that people want to return to school, see advantages to doing so (in terms of increased earnings and greater occupational prestige, for example), and have the necessary ability to succeed.

Conclusion

Education affects every aspect of life. Informed citizens are crucial for managing the complex problems of a modern society. Increasing worker productivity and attracting new, highly skilled jobs to Mississippi necessitate that learning be ongoing, both to upgrade existing skills and to acquire new ones. Labor force participation rates tend to rise steadily with increases in education. Greater demand for more educated workers helps to explain the tendency for unemployment rates to fall as educational attainment rises. And, of course, higher levels of schooling are associated with increased lifetime earnings. Improvements in education are also associated with far-reaching benefits, such as better health and higher levels of civic participation.⁴

In a future characterized by leaner corporations and intense global competition for good jobs, and the high quality of life those good jobs make possible, continued investments in schooling will make all the difference for individuals, families, and the state. Although substantial improvements have occurred in Mississippi's educational profile, challenges remain. Clearly, if Mississippians are to compete in today's world, ways must be found to encourage more to stay in school longer

Notes:

1. U.S. Census Bureau, American Community Survey, 2007 @ www.census.gov.
 2. "Colleges Spend Billions on Remedial Classes to Prep Freshmen," *USA Today*, September 22, 2008.
 3. Ron Feemster, "Going the Distance," *American Demographics*, September, 1999.
 4. Sandy Baum and Jennifer Ma, "Education Pays: The Benefits of Higher Education for Individuals and Society," College Board, Trends in Higher Education Series, 2007.
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