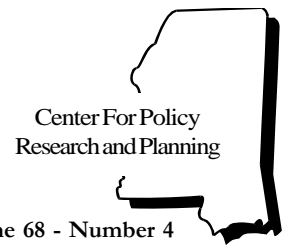


Mississippi's Business



May 2010

Monitoring the State's Economy

Volume 68 - Number 4

ECONOMY AT A GLANCE

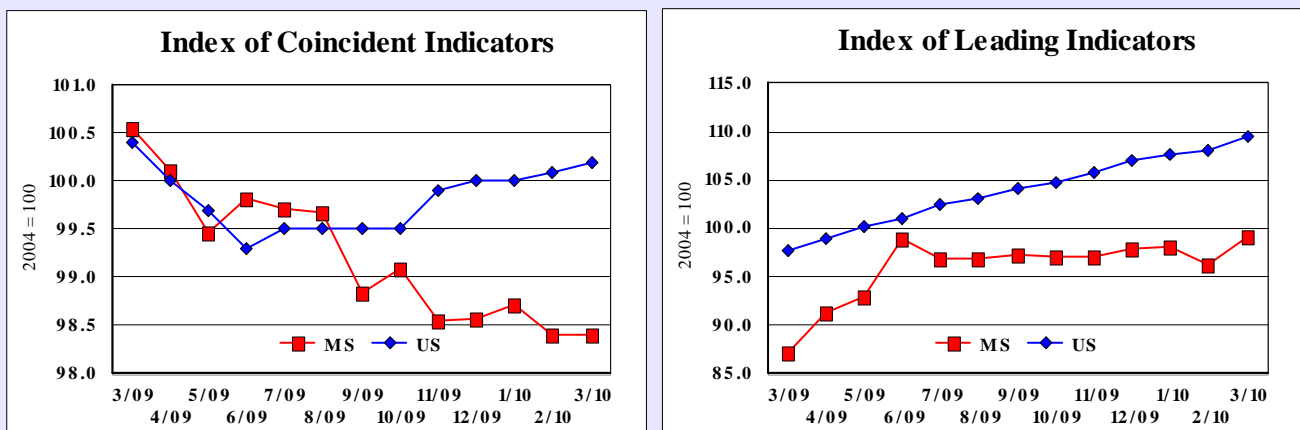
The Mississippi Index of Coincident Indicators was unchanged in March from February. Both employment and individual income tax withholdings remain below the year ago level, but are becoming less negative suggesting improving conditions. Until recently the National economy has been showing signs of recovery only in the non-jobs related segments of the economy. Such recovery may be taking place in the state as well. If so, it would not be captured by the coincident index.

There is positive news buried in the detailed employment data for the State. Manufacturing, construction and a few other industries saw small gains for the month of March relative to February. This follows the pattern of the Nation which also saw small gains in March. The Nation followed these small gains with much stronger gains in April.

The Mississippi Index of Leading Indicators rose a strong 3.0 percent in March relative to February. The gain was the result of improvements in the state and national manufacturing sector. The increase was not however broadly supported by the index components. The State's housing sector has weakened over the past few months and initial unemployment claims have been climbing upward. Caution is then the better part of wisdom when considering the economic outlook.

The recovery at the National level is beginning to look sustainable, at least in the short term. The manufacturing sector, in particular, is strengthening. The most recent jobs report was very robust with gains occurring across nearly every sector. The economic sky is not all clear, however, and storms may be on the way. The troubles in Greece has the potential to adversely affect the United States, although some experts think the fallout will be small.

Figure 1. Index of Leading and Coincident Indicators



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Coincident Index

Mississippi Index of Coincident Economic Indicators was unchanged in March relative to February. The monthly gains that have occurred over the past year have all been slight, while the declines have generally been steep, yielding a downward trend in the index. In March the index was 2.2 percent below the year ago and an annualized 1.0 percent below the level six-months prior. The flat growth for March offers hope that a bottom to the decline may be materializing. It is, however, too early to make that call.

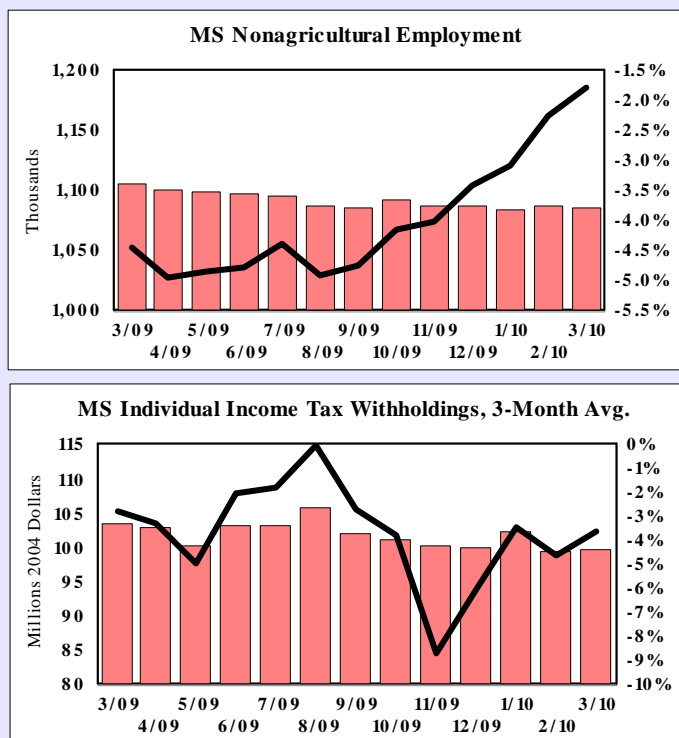
The State's economy, as indicated by employment and income tax withholdings, remains weak but is improving (see figure 2). Both series are jobs related. The National economy has been showing signs of recovery over the past several months, but until recently, not in the area of jobs. Instead the recovery has been more focused on such measures as new manufacturing orders, or business equipment and software spending. Such measures are not available at the state level. The state may then be experiencing more of the recovery than is captured by the index.

For the three months ending in March, individual income tax withholdings rose 0.3 percent relative to the three months ending in February and was 3.6 percent below the prior year's level. After adjusting for inflation and seasonality, the level of withholdings observed over the past few months is comparable to that which was observed in the early months of 2006.

The "Great Recession" is taking a toll on earned income. According to recently released data, Mississippi wage and salary disbursements declined 2.5 percent in 2009. As indicated in Figure 3, negative wage and salary growth is rare. The 2009 decline while large, is not the largest in the state's history. Steeper declines were observed in 1975, 1980 and 1982. The 2009 decline however is the steepest decline in 27 years and marks the first time in that period in which there were 2 consecutive years of decline. Many in the workforce today have never experienced this kind of setback.

Employment fell 900 jobs or 0.1 percent in March relative to February (Table 1). There has been clear

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:

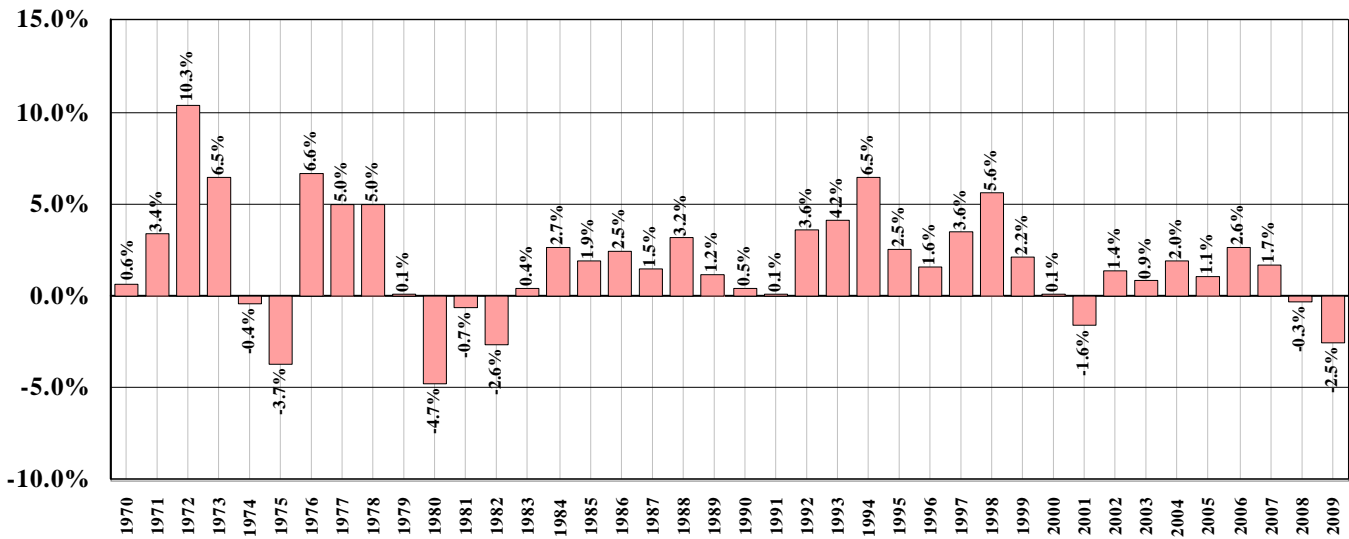
Mississippi Department of Employment Security
Mississippi State Tax Commission

improvement in the annual growth rate over the past six to ten months (Figure 4). For example, in August 2009, the state lost 54,000 jobs or 4.9 percent relative to the prior year. In March the annual decline was 18,100 or 1.8%. Since the Nation entered the recession in December 2007, the State has lost a total of 72,200 jobs or 6.2 percent.

Despite the small decline in total nonfarm employment, the March jobs picture is encouraging. Employment in both construction and manufacturing increased in March relative to February. Also gaining jobs for the month were government, education and health services, financial activities and information. These last two sectors saw only a 0.1 percent gain.

March retail sales are not yet available, however, the early indications are that retail sales have made modest im-

Figure 3. MS Real Wage and Salary Growth by Year



provement in the state relative to the prior year. The June issue of Mississippi's Business will report the retail sales for the first quarter of 2010.

Leading Indicators

The Mississippi Index of Leading Indicators rose a strong 3.0 percent in March relative to February to an index of 99.2. This is the highest index since September 2007. The index had fallen in February. The March increase more than offset that loss.

The increase was due to two related components: average Mississippi manufacturing workweek length and the Institute for Supply Management (ISM) index of U.S. Manufacturing activity. The remaining three components contributed negatively to the March index.

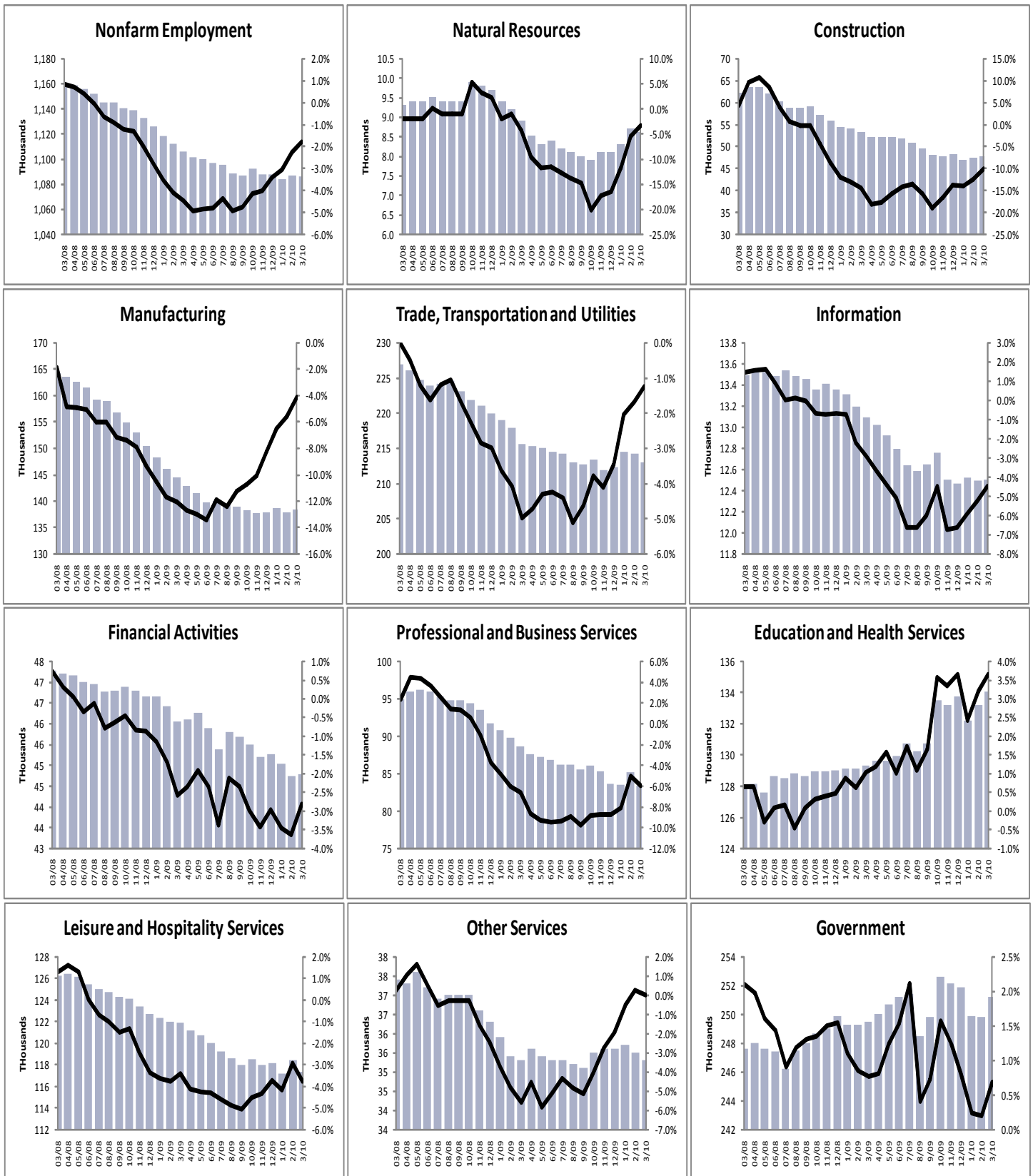
While the strong gain is encouraging, the evidence of a recovery is not yet broadly supported by the components. The outlook is one of cautious optimism that a recovery may be beginning to materialize.

Table 1. Mississippi Employment By Sector
Seasonally Adjusted

	March 2010	February 2010	February 2009	Change from Prior Month Level	Change from Prior Month %	Change from Prior Year Level	Change from Prior Year %
Total Nonfarm	1,086,000	1,086,900	1,105,800	(900)	-0.1%	(19,800)	-1.8%
Mining and Logging	8,600	8,700	8,900	(100)	-1.1%	(300)	-3.4%
Construction	47,800	47,200	53,200	600	1.3%	(5,400)	-10.2%
Manufacturing	138,400	137,800	144,400	600	0.4%	(6,000)	-4.2%
Trade	212,900	214,200	215,600	(1,300)	-0.6%	(2,700)	-1.3%
Retail Trade	132,000	133,300	132,900	(1,300)	-1.0%	(900)	-0.7%
Information	12,501	12,494	13,092	7	0.1%	(592)	-4.5%
Financial Activities	44,768	44,737	46,055	31	0.1%	(1,287)	-2.8%
Services	369,900	372,200	375,100	(2,300)	-0.6%	(5,200)	-1.4%
Professional and Business Services	83,300	85,100	88,600	(1,800)	-2.1%	(5,300)	-6.0%
Education and Health Services	134,000	133,200	129,300	800	0.6%	4,700	3.6%
Leisure and Hospitality	117,300	118,400	121,900	(1,100)	-0.9%	(4,600)	-3.8%
Other Services	35,300	35,500	35,300	(200)	-0.6%	-	0.0%
Government	251,200	249,800	249,500	1,400	0.6%	1,700	0.7%

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Figure 4. Mississippi Employment Trends

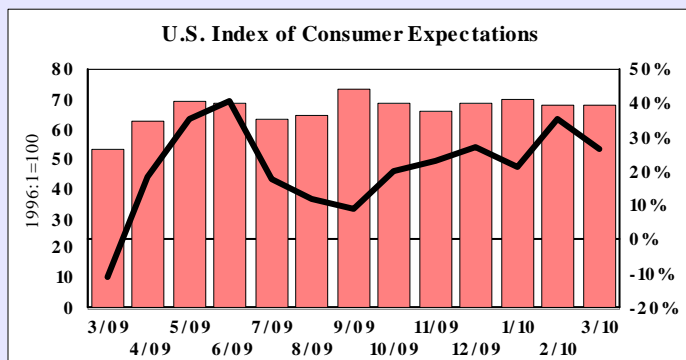
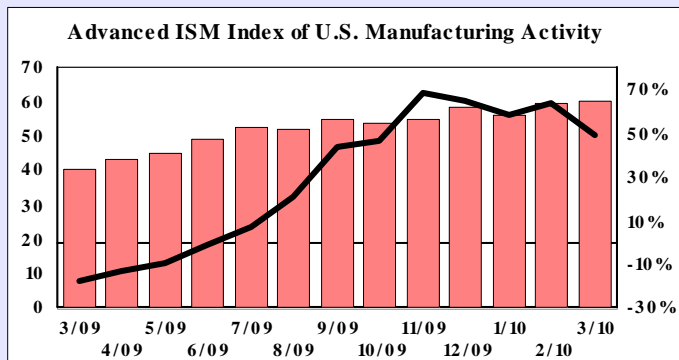
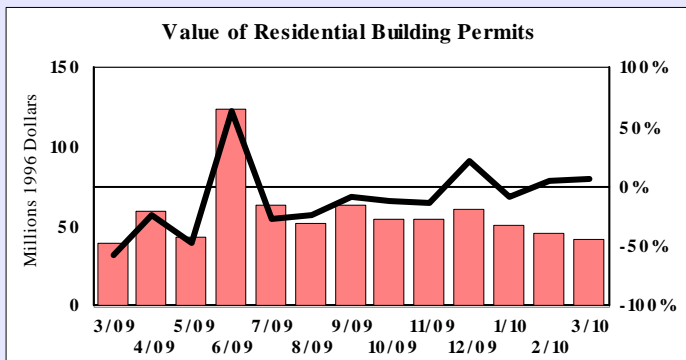
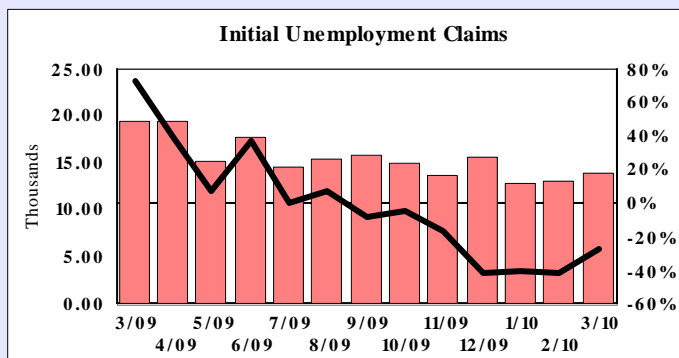
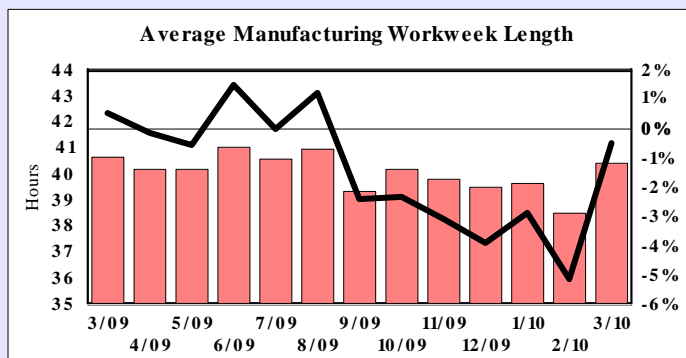


Note: The Bar Graphs above represent seasonally adjusted monthly employment and correspond to the left-hand axis.

The line graphs represent the growth over the prior year's value and correspond to the right-hand axis.

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

Figure 5. 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

Average workweek length rose to 40.4 hours in March. The series had fallen to 38.5 hours in February. Workweek length had been trending downward over the past six months. The March gain in the series along with the gains in manufacturing jobs, suggests manufacturers in the state may be beginning to experience some of the recovery being felt at the National level.

The ISM Index of U.S. Manufacturing Activity continued its steady upward climb in April. The April Index was 60.4. The series has not been above 60 since 2004. The detailed report suggests the recovery is sustainable with new orders and employment up for the month and the gap between new orders and inventories

widening. This last measure suggest production will remain strong in the coming months.

Initial unemployment claims rose 6.5 percent in March relative to February. This marked the second consecutive monthly gain. Despite the gain, the series is well below the year ago and is even below the level observed in the closing months of 2009.

The value of Mississippi residential building permits fell 9.2 percent in March relative to February. The decline was the third in as many months. The series had shown some signs of improvement in the last half of 2009, but these recent declines show continued weakness. Rising

unemployment and continued uncertainty is hammering new construction.

The U.S. Index of Consumer Expectations fell slightly to 67.9 in March. This level was down from 68.4 observed in February. Consumers remain cautious in the wake of rising unemployment.

U.S. Economy

The U.S. Index of Coincident Indicators rose 0.1 percent in March relative to February. The Index was an annualized 1.4 percent above the level six-months prior. The U.S. Index of Leading Indicators rose 1.4 percent in March relative to February. The Leading Index has increased for a year now. The gains are widespread among the components of the index. The Conference Board believes the economy will continue to improve in the near term.

The latest employment data shows the Nation added 290,000 jobs in April relative to March. Prior months were updated to show stronger than expected gains. Perhaps most encouraging is the surge in private employment which rose by 231,000 in April relative to March. Nearly every sector added jobs for the month. Manufacturing gained 44,000 jobs, while construction rose by 14,000. Excluding temporary workers, the professional and business service sector added 54,000 jobs -- the strongest gain since December 2007. Leisure and hospitality added 45,000 jobs.

The unemployment rate rose, but this was due to a rising participation rate. This is not uncommon. Once the economy begins to add jobs, discouraged workers who had left the labor force return. Average hourly earning

was unchanged for April after falling in March. The April figure is a relatively low 1.6 percent above the level a year ago. This suggests some of the gains in employment might have been triggered by workers lowering their wage expectations.

Small businesses leaders are becoming more optimistic according the National Federation of Independent Business (NFIB). The Small Business Optimism Index rose 3.8 percent in April to a level of 90.6. This marked the first time the index was above 90 in seven quarters. The gains, while encouraging, reflect attitudes not actions. In particular, respondents were upbeat about the outlook for general business conditions and sales. But the outlook for capital expenditures was unchanged and job gain measures moved only modestly. NFIB Chief Economist William Dunkelberg said "Owners are feeling a little better about things, but not enough to turn them into concrete action." He went on to say "Bottom line, the recovery will be subpar in comparison to the recoveries we experienced following past severe recessions such as 1980-82." Construction related business make up a large portion of small businesses and these have suffered greatly in this recession.

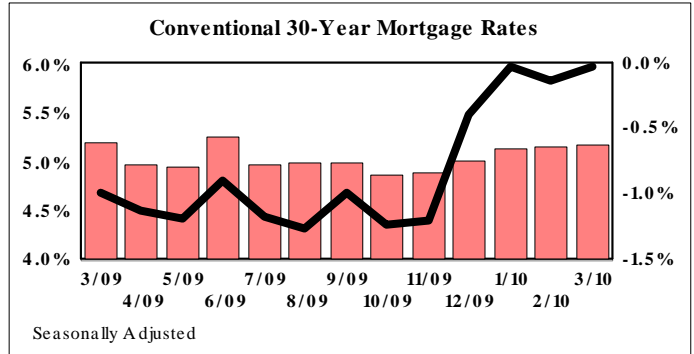
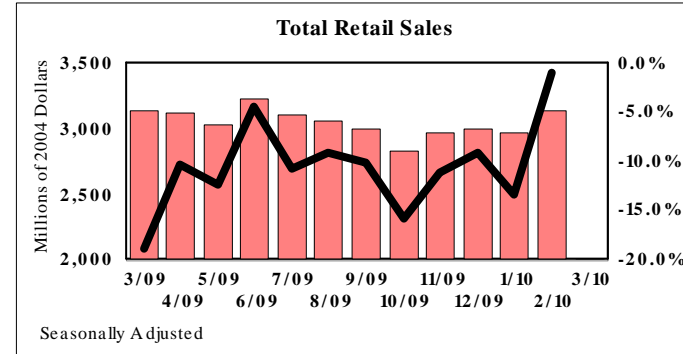
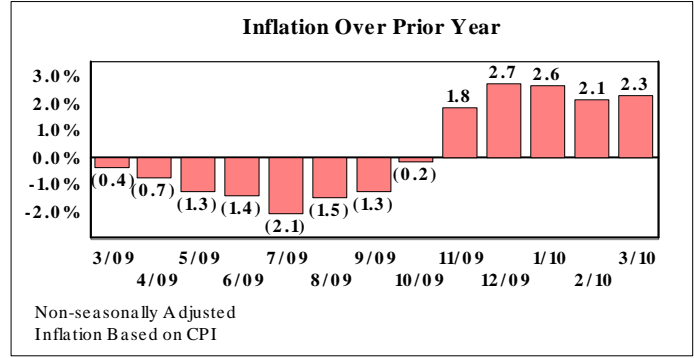
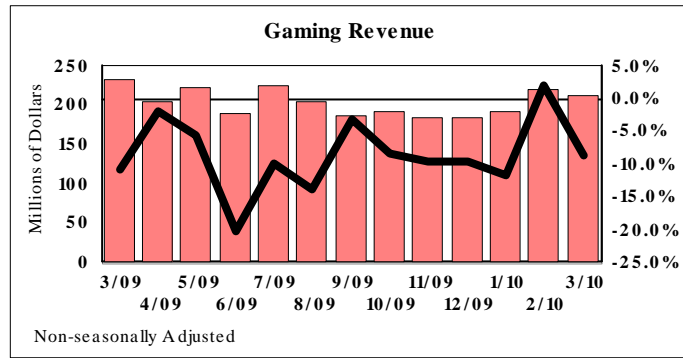
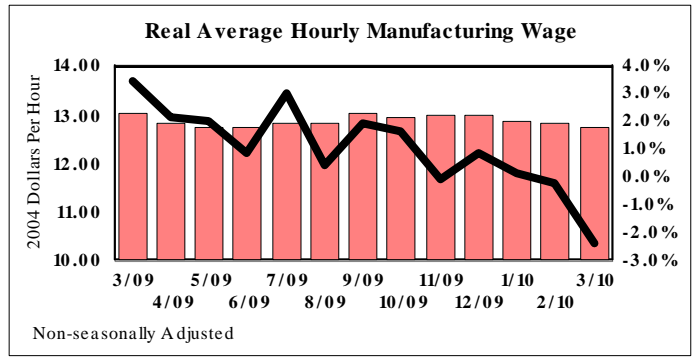
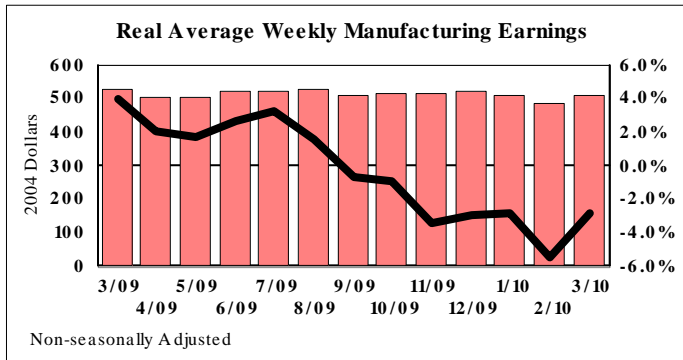
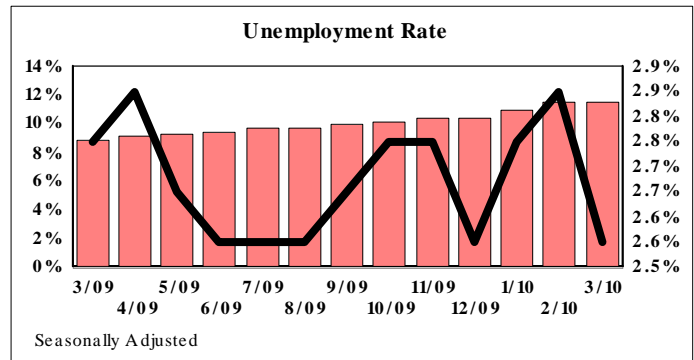
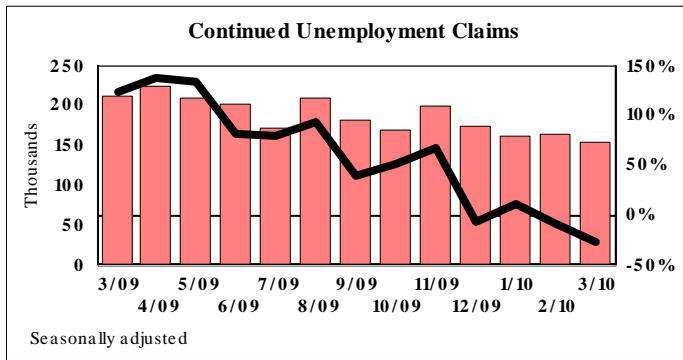
While positive economic news is encouraging, the recovery is not without very real threats. The full fallout from the troubles in Greece are yet to be determined. State and local government finances face large hurdles now and over the next few years. The rising debt remains at least a weight on growth if not a genuine threat to any real recovery. Add to this list the high degree of uncertainty that remains in the areas of financial regulations and taxes and it becomes clear that the recovery is vulnerable.

Quips and Quotes:

"We can't solve problems by using the same kind of thinking we used when we created them"

-- Albert Einstein

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

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	March 2010	February 2010	March 2009	Change From	
				Last Month	Last Year
Coincident Indicator Index (2004=100)	98.4	98.4	100.5	-0.0%	-2.1%
Nonagricultural Employment (thousands)	1,086.0	1,086.9	1,105.8	-0.1%	-1.8%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	99.7	99.4	103.5	0.3%	-3.6%
Leading Indicator Index (2004=100)	99.2	96.3	87.3	3.0%	13.7%
Initial Unemployment Claims	14,096	13,240	19,487	6.5%	-27.7%
Value of Residential Building Permits (millions of 2004 \$)	42.1	46.3	39.5	-9.2%	6.4%
Average Manufacturing Workweek Length (hours)	40.4	38.5	40.6	5.1%	-0.5%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the March index is reported for February.	60.4	59.6	40.4	1.3%	49.5%
U.S. Index of Consumer Expectations	67.9	68.4	53.5	-0.7%	26.9%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	115.2	114.7	112.6	0.4%	2.3%
Unemployment Rate (percentage)					
Non-seasonally adjusted	11.1%	12.1%	8.9%	-1.0%	2.2%
Seasonally adjusted	11.5%	11.5%	8.9%	0.0%	2.6%
Continued Unemployment Claims	156,504	164,597	213,013	-4.9%	-26.5%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.66	14.73	14.68	-0.5%	-0.1%
2004 Dollars per Hour	12.72	12.84	13.04	-0.9%	-2.4%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	592.26	558.27	596.01	6.1%	-0.6%
2004 Dollars	514.03	486.52	529.25	5.7%	-2.9%
U.S. Mortgage Rates (30-year conventional)	5.2%	5.2%	5.2%	0.0%	-0.0%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	95.7	95.8	101.9	-0.1%	-6.0%
River counties (millions of current \$)	116.8	125.1	130.9	-6.6%	-10.7%
Total	212.5	220.9	232.8	-3.8%	-8.7%
	February 2009	January 2009	February 2008	Percent Change From	
				Last Month	Last Year
Total Retail Sales (Millions of 2004 \$)	3,133.44	2,966.77	3,160.16	5.6%	-0.8%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.