Mississippi's Business

Center For Policy Research and Planning

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Monitoring the State's Economy

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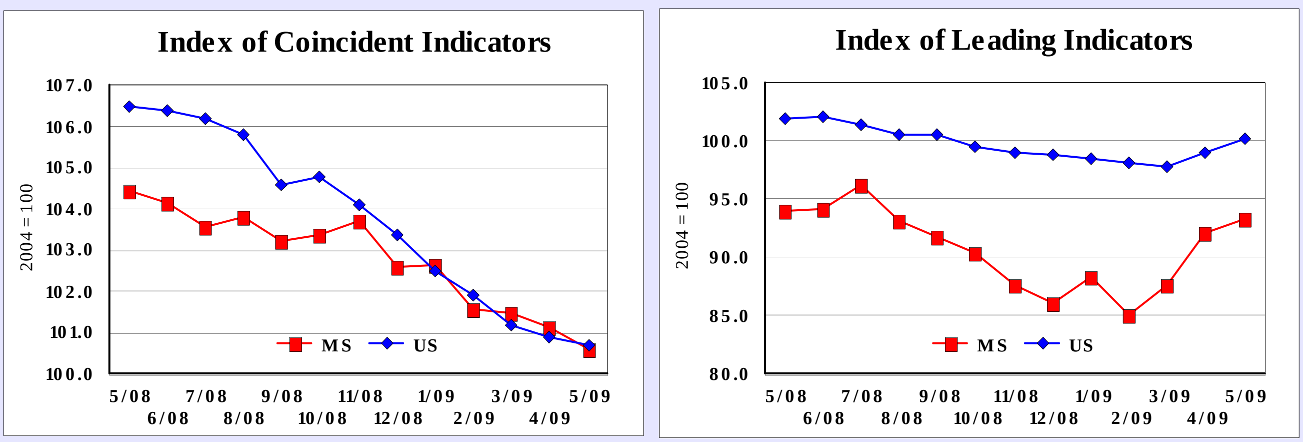
ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators continued to decline in May (figure 1). Both employment and withholdings declined for the month. State tax revenue reflects contracting income in the State. The Mississippi Index of Leading Indicators rose for the third consecutive month. The U.S. Indices showed a similar pattern (declining coincident index with a strong increase in the leading). The Conference Board speculates the end of the recession is on the horizon. We remain less optimistic for conditions in Mississippi, despite the improved leading index. Even if recovery begins in the second half of the year, most economist predict only modest gains. The depth of the current recession means it will take some time before we are back to the pre-recession levels. Employment in particular has been hit hard. Most economist expect the economy to continue shedding jobs through much of the remainder of 2009.

Figure 1. Index of Leading and Coincident Indicators



MISSISSIPPI'S BUSINESS

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In This Issue

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**

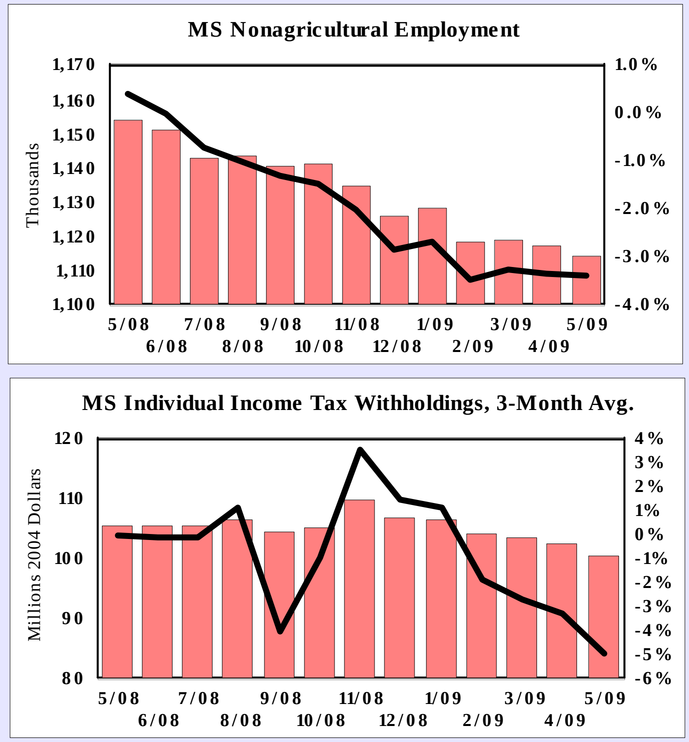
In order to make ***Mississippi's Business*** *available earlier in the month, we have dropped Mississippi merchandise retail sales as a component of the Coincident Index. This does not significantly alter the trends of the series. We will continue to report total retail sales for the most recent month available. Ocasionally we will highlight major retail sales trends in Mississippi.*

Coincident Index

The Mississippi Index of Coincident Economic Indicators was 100.6 in May, 0.5 percent below the April level. The May index was an astounding 6.1 percent (annualized) below the level six-months prior. This was the strongest six-month decline since the series began in 1993. Both components contributed to the decline (figure 2).

The three month moving average of Mississippi individual income tax withholdings continued its downward trend in May, falling 2.0 percent from the April level. This was the sixth consecutive monthly decline, meaning the series has not increased since November 2008. Incomes in Mississippi are falling. This is also supported by declines in other state tax revenues. Figure 3 shows the growth over the prior year of the five largest tax sources in Mississippi. Both sales and income tax transfers have been below the year ago for the first and second quarters of 2009. Corporate and gaming tax transfers have been below the year ago level for the past five quarters, while use tax transfers have been below the year ago level for all but two of

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

Figure 3. MS General Fund Transfers By Five Largest Tax Sources
Growth Over Prior Year By Quarter

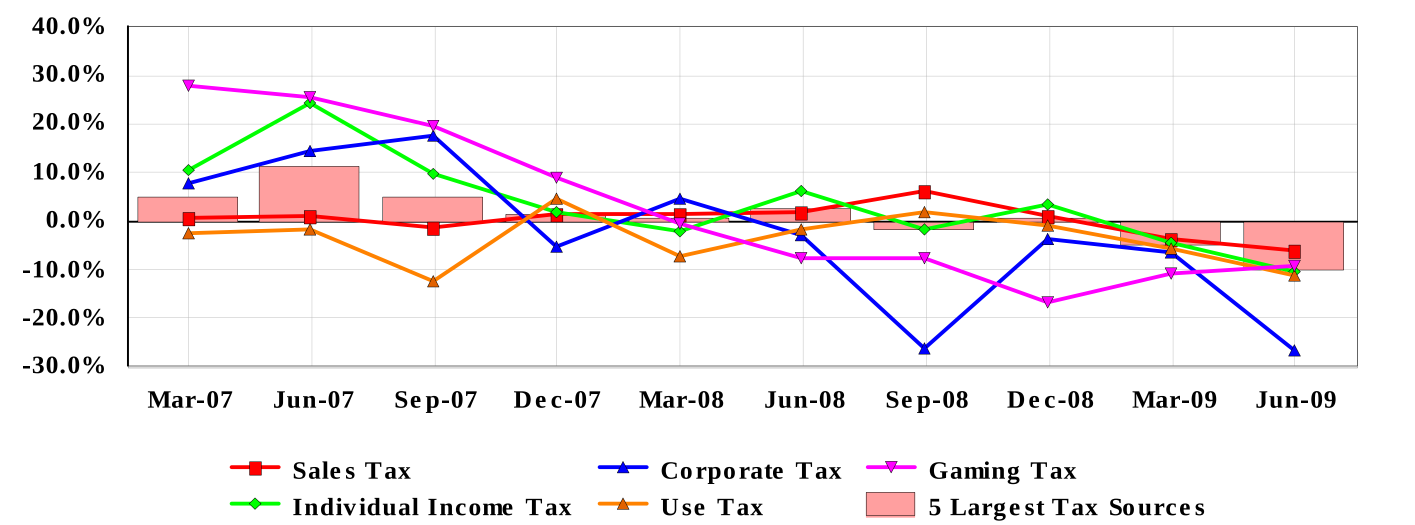


Table 1. Mississippi Employment By Sector

Seasonally Adjusted

	April 2009	March 2009	April 2008	Change from Prior Month Jobs	Change from Prior Month %	Change from Prior Year Jobs	Change from Prior Year %
Nonfarm	1,114,576	1,117,010	1,153,956	-2,434	-0.2%	-39,380	-3.4%
Natural Resources	9,366	9,363	9,363	3	0.0%	3	0.0%
Construction	59,683	57,871	63,034	1,813	3.1%	-3,351	-5.3%
Manufacturing	143,225	145,478	162,203	-2,253	-1.5%	-18,978	-11.7%
Trade, Transportation and Utilities	217,398	218,124	224,271	-726	-0.3%	-6,873	-3.1%
Retail	137,773	137,879	139,525	-106	-0.1%	-1,752	-1.3%
Information	13,201	13,210	13,494	-9	-0.1%	-294	-2.2%
Financial Activities	45,217	44,587	47,100	630	1.4%	-1,883	-4.0%
Services	375,839	377,265	386,925	-1,426	-0.4%	-11,085	-2.9%
Professional and Business Services	87,208	88,471	95,868	-1,263	-1.4%	-8,660	-9.0%
Education and Health Services	129,661	129,522	126,997	138	0.1%	2,664	2.1%
Leisure and Hospitality	122,430	122,591	126,357	-161	-0.1%	-3,926	-3.1%
Other Services	36,540	36,680	37,702	-140	-0.4%	-1,162	-3.1%
Total Government	250,599	251,121	247,606	-521	-0.2%	2,993	1.2%
Federal Government	26,280	26,921	26,471	-641	-2.4%	-191	-0.7%
State Government	61,295	62,533	60,700	-1,238	-2.0%	595	1.0%
Local Government	162,609	161,571	160,053	1,038	0.6%	2,556	1.6%

the last eleven quarters. Use tax increased substantially following Katrina. Taken together the five largest revenue sources have been below the year ago level for three out of the last four quarters. These five revenue sources accounted for 90.0 percent of the FY 2009 tax transfers to the General Fund.

Mississippi employment fell 2,434 job or 0.2 percent in May relative to April (see table 1). As has been the trend, manufacturing was hit especially hard, loosing 2,253 jobs for the month. Other sectors loosing a significant number of jobs were professional business services, and State Government. Interestingly construction jobs rose by 1,813 jobs or a 3.1 percent increase over the prior month. Employment trends by sector are depicted on page 4.

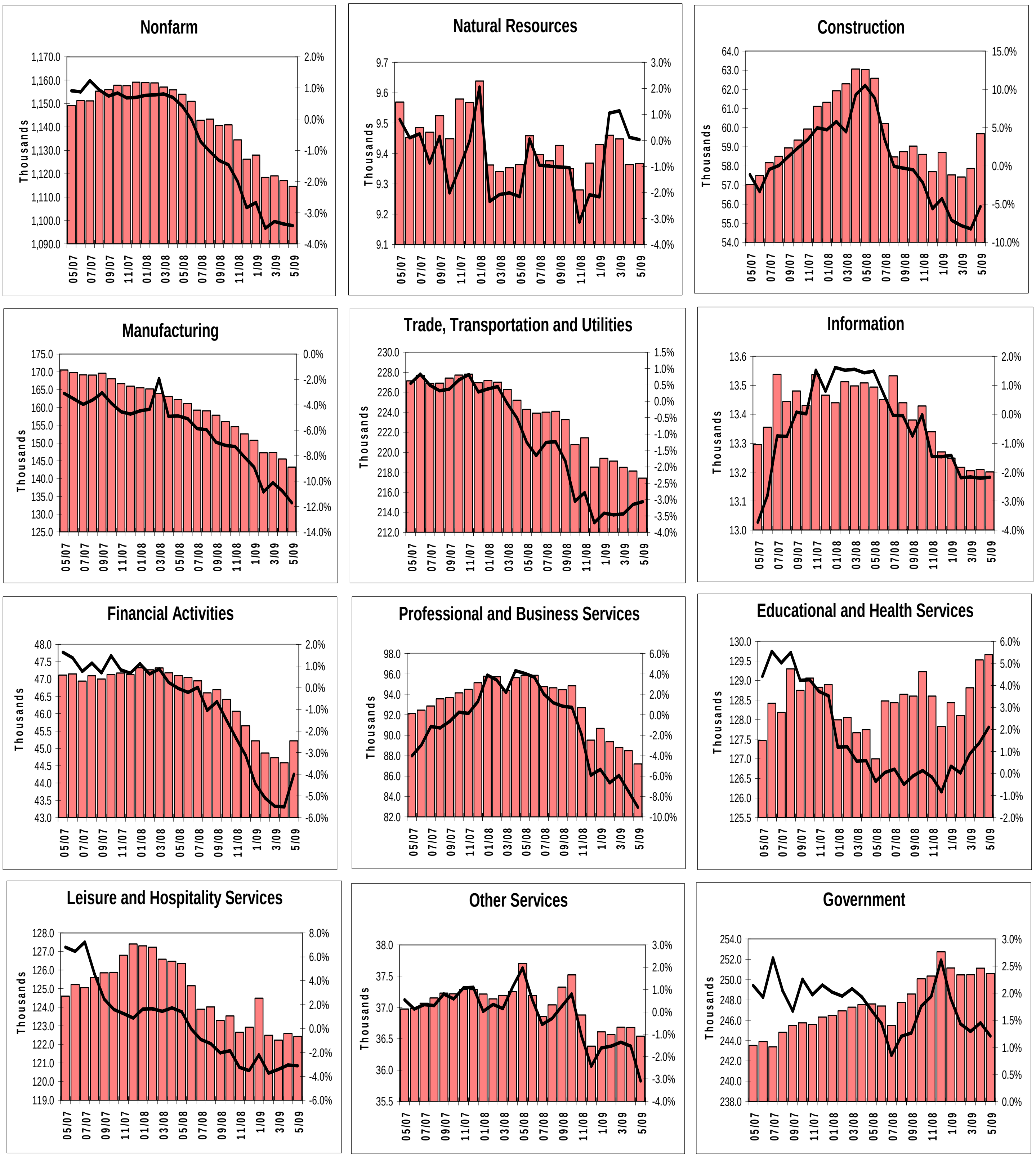
Leading Indicators

The Mississippi Index of Leading Economic Indicators rose 1.3 percent to a level of 93.3 in May. The index has not been this high since July 2008. The May rise was the third consecutive increase. The growth over the prior six months is an annualized 12.9 percent. The growth is astonishingly strong. Three out of the five components contributed to the May increase.

The leading index is suggesting a turn around in the economy in the coming months. However, the gains occurring over the past three months in the Mississippi index has largely been due to improvements in the U.S. Consumer Expectations Index and the US Manufacturing Activity Index. Both of these series have shown marked improvement, as will be discussed shortly, but they remain at deep recession levels. The gains in consumer expectations are tenuous at best as will be shown. Thus, our improvement is based on a shaky foundation. Additionally, the scarcity of Mississippi specific improvement is worrisome as is the extreme weakness in the Coincident Index. These factors dampen the expectations that would normally accompany the kind of rise we have seen in the Leading Index.

A rise in U.S. consumer expectations was the largest contributor to the May increase in the Leading Index. This series rose 10.0 percent in May. Increased government transfers supported the increase as did relatively low fuel prices. More recent data show expectations fell modestly in June in response to rising fuel prices and falling stock prices. The deteriorating jobs reports that have come out in recent weeks will also take a toll on consumer expectations.

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 Institute for Supply Management (ISM) Index of U.S. Manufacturing Activity rose to 44.8 in June (we utilize the June ISM for our May Leading Index). The ISM Index has risen for six consecutive months. It remains below 50 indicating a contracting industry. But the recent gains suggest the U.S. industry could see expansion in the second half of 2009.

Initial unemployment claims in Mississippi fell 22.8 percent for the month of May. This was the third consecutive decline suggesting a slowdown in layoffs for the state. The conclusion is supported by a decline in continued unemployment claims for the month of May. Initial claims represent the number of people requesting unemployment benefits, while the continued claims represent those actually receiving benefits.

The Mississippi average manufacturing workweek length continued its decline in May. After adjusting for seasonality the workweek length fell to 39.8 in may. May marked the first time the series has been below 40 since March 2007. The series has been on a downward trend since October 2008. This declining trend and that of manufacturing employment offers little encouragement that the Mississippi manufacturing industry will soon be turning around, the ISM index notwithstanding.

After a sharp increase in April, the value of Mississippi residential building permits fell 30.0 percent in May. The decline erased much but not all of the April gains. The series has been trending downward since the spring of 2007. The value of building permits in the first five months of 2009 were slightly more than half the value for the same period in 2008.

U.S. Economy

The U.S. Index of Coincident Indicators fell 0.2 percent in May. The six-month growth rate was an annualized 6.4 percent, slightly worse than that observed in the Mississippi Index. The U.S. series and the Mississippi series have been tracking together for several months. Like the State, the U.S. leading Index has shown marked improvement. The U.S. series increased a sharp 1.2 percent in May. For the first time since July 2007, the May U.S. Leading Index was above the level six-months prior, a threshold the Mississippi series reached in April.

The Conference Board anticipates the recession which began in December 2007 to ease in the near term. This is consistent with many economic forecasts which predicted a return to growth in the second half of 2009. The economy has taken a large hit with this recession especially with regard to jobs (figure 5). The recovery period, once it begins, will be long. The Nation has lost 6.5 million jobs since this recession began. We will likely continue to lose jobs throughout much of the remainder of 2009.

Figure 5. U.S. Employment Growth Over Prior Year

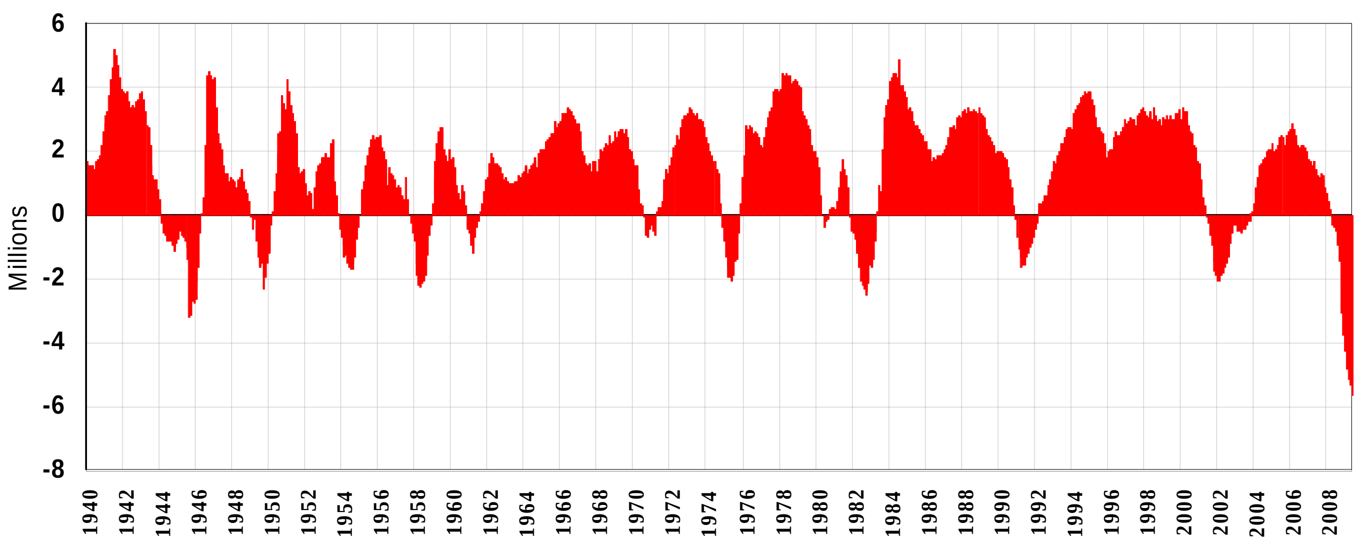
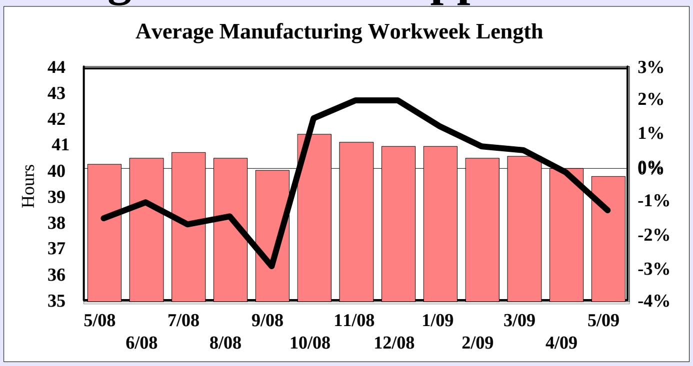
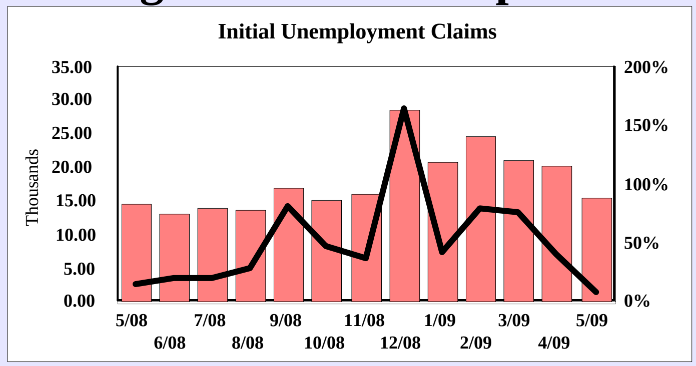
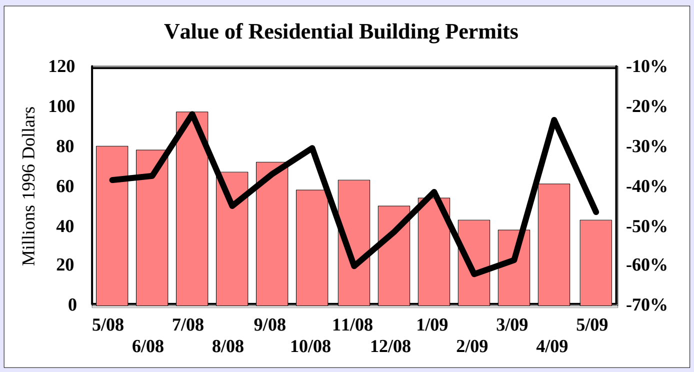
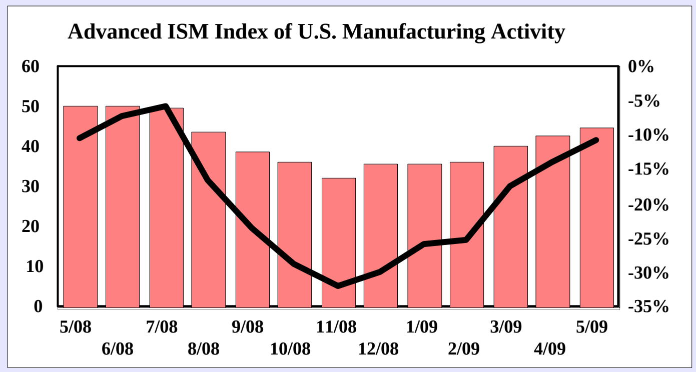


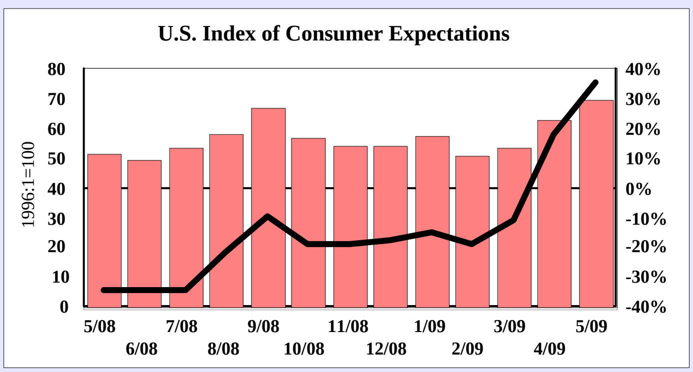
Figure 5. Mississippi Index of Leading Indicators Components











NOTE:
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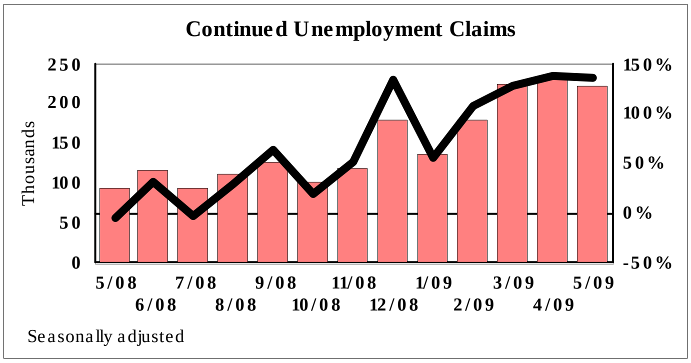
Sources:
Bureau of Labor Statistics
Bureau of the Census
The Conference Board
The Institute for Supply Management

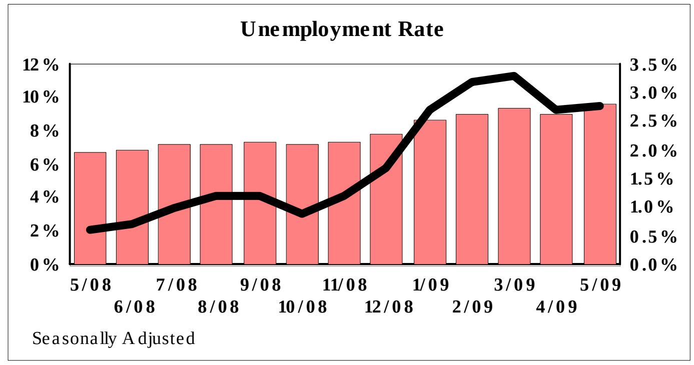
Quips and Quotes:

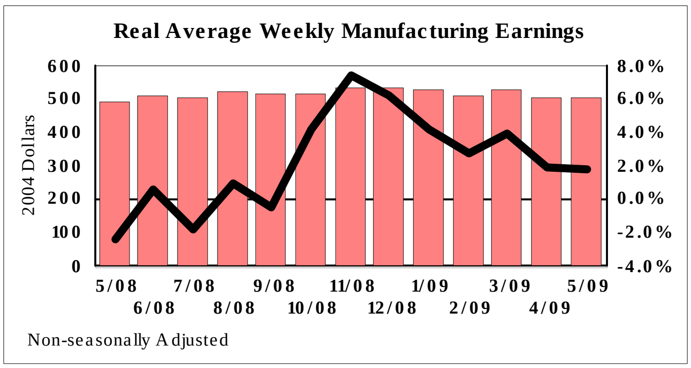
"If we can prevent the Government from wasting the labors of the people, under the pretense of taking care of them, they must become happy."

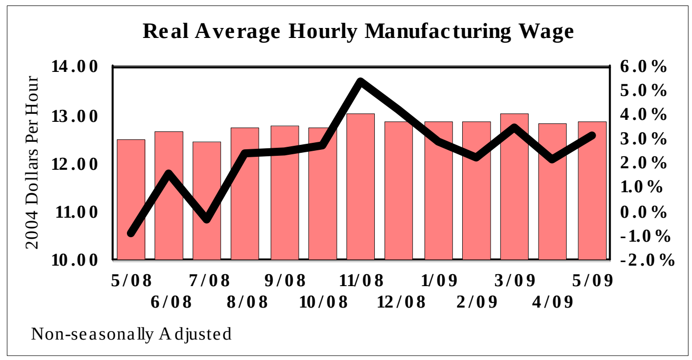
-- Thomas Jefferson

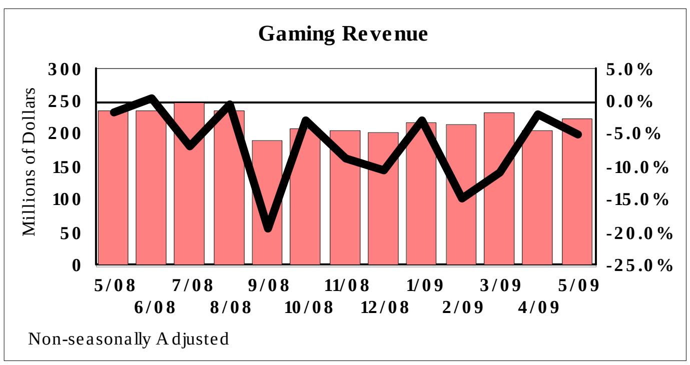
Figure 6. Miscellaneous Indicators

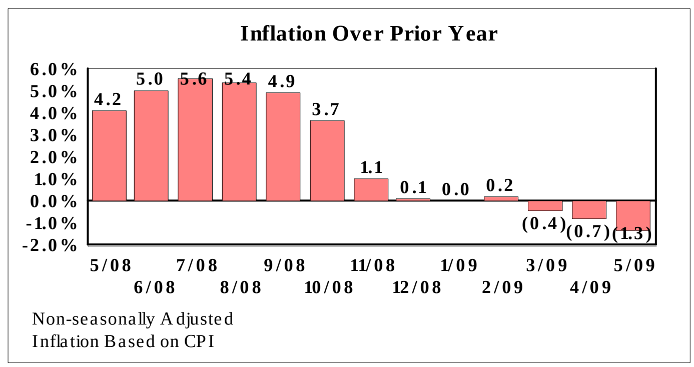


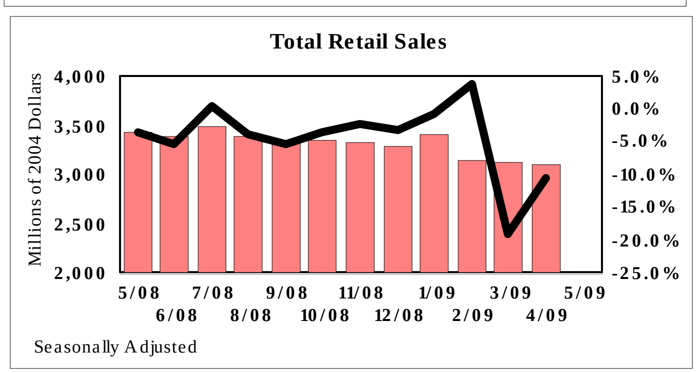


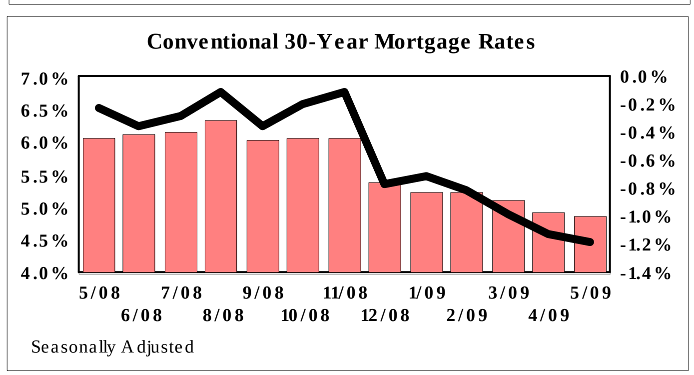












NOTE:
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Sources:
Mississippi Employment Security Commission
Mississippi Tax Commission
Mississippi Gaming Commission
Federal Home Mortgage Corporation
Bureau of Labor Statistics

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	May 2009	April 2009	May 2008	Percent Change From Last Month	Percent Change From Last Year
Coincident Indicator Index (2004=100)	**100.6**	**101.1**	**104.4**	**-0.5%**	**-3.7%**
Nonagricultural Employment (thousands)	1,114.6	1,117.0	1,154.0	-0.2%	-3.4%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 $)	100.4	102.4	105.6	-2.0%	-4.9%
Leading Indicator Index (2004=100)	**93.3**	**92.1**	**94.0**	**1.3%**	**-0.7%**
Initial Unemployment Claims	15,531	20,114	14,409	-22.8%	7.8%
Value of Residential Building Permits (millions of 2004 $)	42.9	61.3	80.7	-30.0%	-46.8%
Average Manufacturing Workweek Length (hours)	39.8	40.1	40.3	-0.9%	-1.3%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the June index is reported for May.	44.8	42.8	50.2	4.7%	-10.8%
U.S. Index of Consumer Expectations	69.4	63.1	51.1	10.0%	35.8%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	113.2	112.9	114.7	0.3%	-1.3%
Unemployment Rate (percentage)					
Non-seasonally adjusted	9.6%	8.6%	6.9%	1.0%	2.7%
Seasonally adjusted	9.6%	9.1%	6.8%	0.5%	2.8%
Continued Unemployment Claims	222,541	235,357	93,940	-5.4%	136.9%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.57	14.50	14.31	0.5%	1.8%
2004 Dollars per Hour	12.87	12.84	12.48	0.2%	3.1%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	572.60	569.85	569.54	0.5%	0.5%
2004 Dollars	505.74	504.76	496.59	0.2%	1.8%
U.S. Mortgage Rates (30-year conventional)	4.9%	4.9%	6.1%	-0.0%	-1.2%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current $)	98.8	92.6	107.5	6.7%	-8.0%
River counties (millions of current $)	125.5	112.5	128.2	11.5%	-2.1%
Total	224.3	205.1	235.7	9.4%	-4.8%

	April 2009	March 2009	April 2008	Percent Change From Last Month	Percent Change From Last Year
Total Retail Sales (Millions of 2004 $)	3,121.07	3,132.51	3,481.15	-0.4%	-10.3%

Note: The data are seasonally adjusted unless otherwise noted.
Unless otherwise noted all data refer to Mississippi.