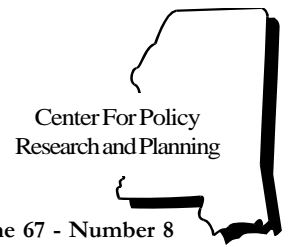


Mississippi's Business



August 2009

Monitoring the State's Economy

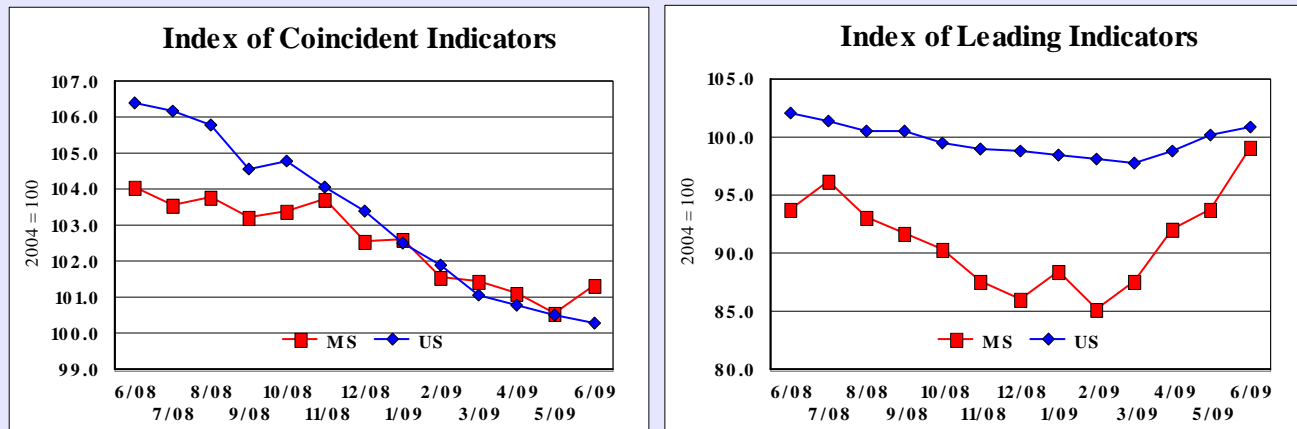
Volume 67 - Number 8

ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators rose substantially in June relative to May. The strong upturn suggests the economy may be beginning to recover from the very deep recession which began in December 2007. If so, this would be in keeping with projections for a recovery in the second half of 2009. Given the anticipation of a modest recovery and the depth of the current recession, it will be years before the state fully recovers. The Mississippi Index of Leading Indicators rose for the fourth consecutive month. The June increase relied heavily on improvement in building permit data. It is uncertain that the growth in that series will be sustained.

The U.S. Index of Coincident Indicators continued to decline while the Leading Index rose for the third straight month. Some economist are saying the Nation is no longer in recession. Even if recovery has begun, they expect continued job declines through the rest of the year.

Figure 1. Index of Leading and Coincident Indicators



MISSISSIPPI'S BUSINESS

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In This Issue

Economy at a Glance 1

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 101.3 in June, an astounding 0.8 percent increase over the May level. This was only the fifth increase since October 2007. It was also the strongest monthly gain during this period. Despite the gain, the index remained below the level six-months prior showing the depth of the current slump. Both components contributed to the gain (see figure 2).

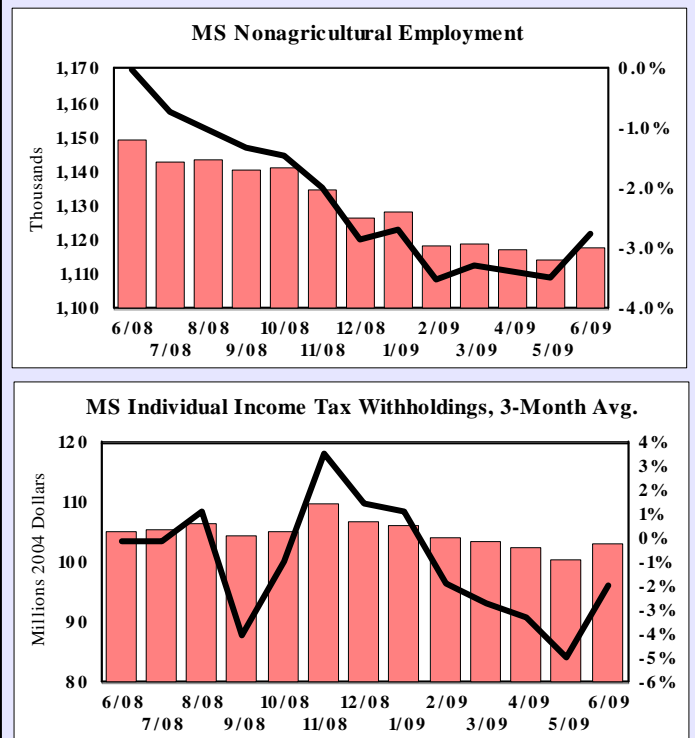
The upturn in the Index of Coincident Indicators suggest the economy has begun to show improvement. This is consistent with the projections of most economist for a turnaround in the second half of 2009. It is also in keeping with the upward trend that has occurred in the Mississippi Index of Leading Indicators over the last four months. It remains uncertain how strong the recovery will be or how long it will last. Most economist anticipate a very modest recovery with full recovery to pre-recession levels not expected for next few years.

The three month moving average of Mississippi individual income tax withholdings rose 2.9 percent in June relative to May. This was the first increase since November 2008. The June increase more than offset the decline that occurred in May. Relative to the level six-months prior, June withholdings were down an annualized 6.6 percent.

Mississippi employment rose 3,422 job or 0.3 percent in June relative to May (see table 1). The increase came from substantial gains in government (2,503 jobs or 1.0 percent), other services (1,188 jobs or 3.3 percent), construction (1,811 jobs or 3.1 percent), and manufacturing (1,204 jobs or 0.8 percent). The increase in manufacturing jobs was only the fourth monthly gain since October 2006. The improvement in manufacturing, should it continue, is especially encouraging since this sector has accounted for the largest share of job losses. Nationally, the manufacturing industry appears to be poised for a recovery (see the discussion of the ISM index under Leading Indicators).

Six months into 2009, Mississippi has lost 37,100 jobs compared to the same period of 2008, a decline of 3.2 percent. Mississippi has rarely seen this deep of a

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

decline in jobs. Declines of 3.2 percent or greater were observed in 1975, 1982 and 1983. Prior to these periods the state had not experienced such a decline since the mid 1940s. Average nonfarm employment for the six months ending in June 2009 was 1,118,500 jobs. This level of employment is comparable to that observed in 2004.

Figure 3 shows that the majority (46.1 percent) of the jobs lost in 2009 have been in manufacturing. Within the manufacturing sector, the transportation equipment and the furniture industries have been hit especially hard. Large declines have also occurred in trade transportation and public utilities as well as professional and business services. The only sectors gaining jobs in 2009 were the government and education and health services. Within the education and health services, the bulk of the jobs gained were in health care and social assistance.

Table 1. Mississippi Employment By Sector

Seasonally Adjusted

	June 2009	May 2009	June 2008	Change from Prior Month Jobs	%	Change from Prior Year Jobs	%
Nonfarm	1,117,788	1,114,366	1,149,496	3,422	0.3%	-31,708	-2.8%
Natural Resources	9,444	9,371	9,440	74	0.8%	5	0.0%
Construction	61,130	59,319	62,215	1,811	3.1%	-1,084	-1.7%
Manufacturing	144,299	143,095	160,942	1,204	0.8%	-16,643	-10.3%
Trade, Transportation and Utilities	217,337	217,429	223,430	-93	0.0%	-6,094	-2.7%
Retail	137,896	137,713	139,117	183	0.1%	-1,221	-0.9%
Information	13,077	13,190	13,465	-114	-0.9%	-388	-2.9%
Financial Activities	44,236	44,930	47,007	-694	-1.5%	-2,771	-5.9%
Services	375,826	375,699	386,510	127	0.0%	-10,684	-2.8%
Professional and Business Services	86,100	87,224	95,795	-1,124	-1.3%	-9,695	-10.1%
Education and Health Services	130,516	129,664	128,262	852	0.7%	2,254	1.8%
Leisure and Hospitality	121,636	122,424	125,293	-788	-0.6%	-3,658	-2.9%
Other Services	37,575	36,387	37,160	1,188	3.3%	415	1.1%
Total Government	253,429	250,926	247,213	2,503	1.0%	6,216	2.5%
Federal Government	25,808	26,858	26,491	-1,050	-3.9%	-683	-2.6%
State Government	62,434	61,298	60,232	1,136	1.9%	2,202	3.7%
Local Government	164,729	162,491	160,045	2,238	1.4%	4,684	2.9%

Figure 4 on page 4 shows the employment growth over the prior year for the six-months ending in June 2009 by county. Over half of Mississippi counties lost employment in 2009 relative to 2008. The counties losing employment are dispersed throughout the state.

Industry level employment trends are depicted in figure 5.

Leading Indicators

The Mississippi Index of Leading Economic Indicators rose 5.7 percent to a level of 99.3 in June. This was the highest index since November 2007. The June increase was the fourth consecutive increase. Relative to the level six months prior, the index is up an annualized 30.6 percent. This is the third consecutive month of a

Figure 3 Mississippi Employment Growth January - June, 2008 Verses 2009

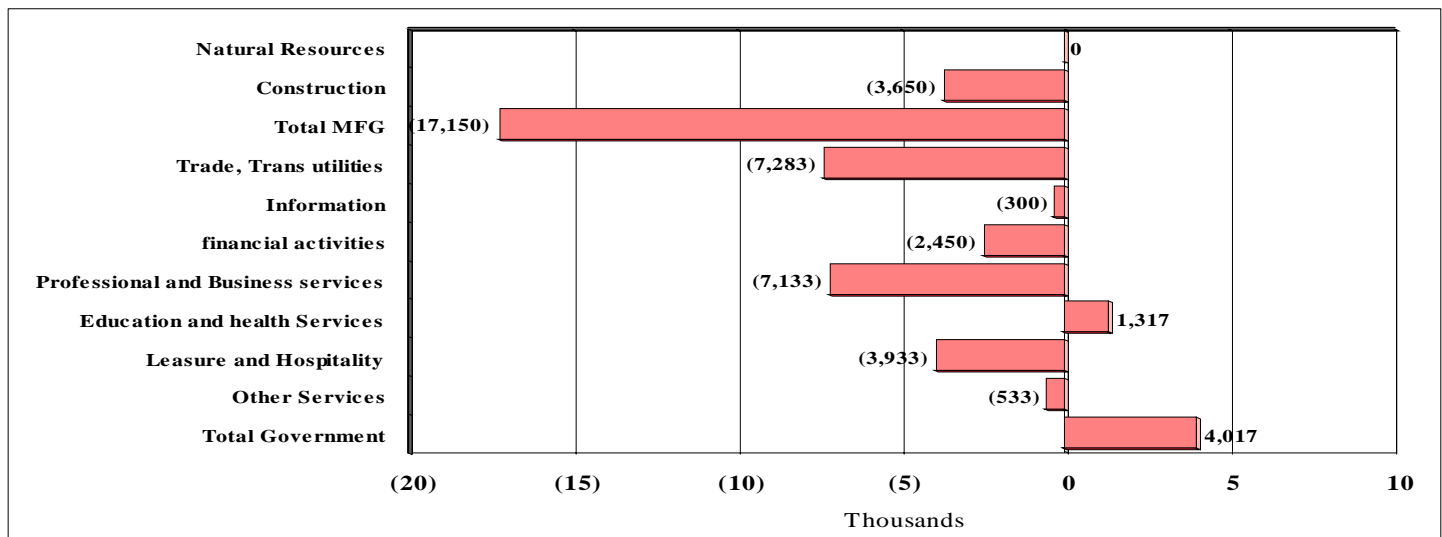
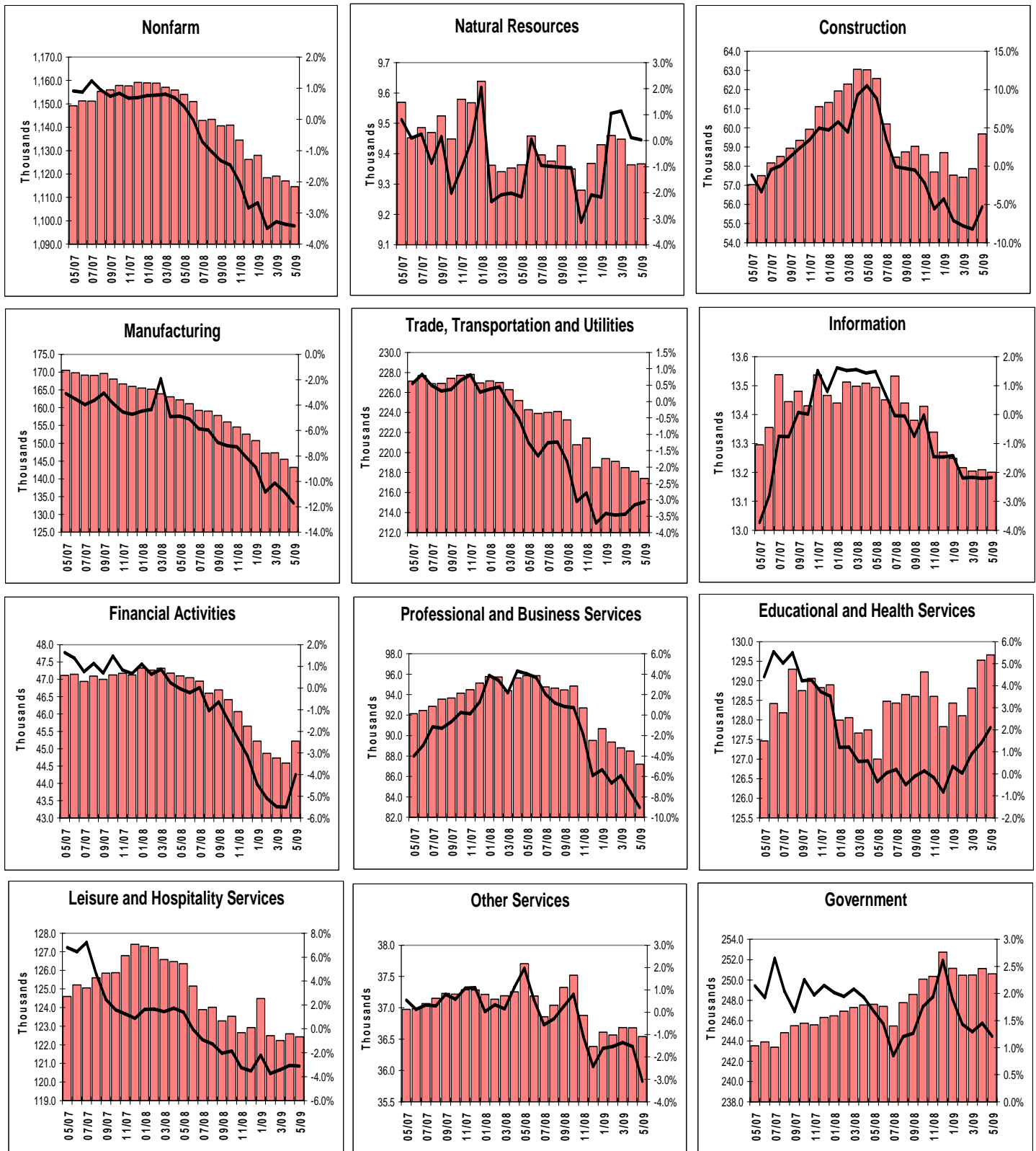


Figure 5. Mississippi Employment Trends



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.

positive six-month growth rate after being negative since October 2007. The index is pointing to an improvement in the economy. Three of the five components contributed to the June increase

Improvements in state level trends contributed significantly to the June increase in the Mississippi Leading Index. In particular, there was an extremely large increase in the value of residential building permits (185.9 percent in June relative to May) in Mississippi. Low mortgage rates obviously contributed to the increase. After nearly two and half years of declining trends, perhaps there was also pent-up demand for home construction. The value of Mississippi residential building permits for June was the highest since November 2007. The June increase in the Mississippi Index of Leading Indicators was driven largely by the building permit series. The outlook then rests heavily on a the housing sector being on the upswing. This is tenuous at best.

The Institute for Supply Management Index (ISM) of U.S. Manufacturing Activity rose to 48.9 in July. The ISM has been rising since October 2008 but has not yet gone above 50. An ISM index above 50 suggest the industry is expanding rather than contracting. The ISM shows the U.S. manufacturing industry to be improving and suggest the downturn is nearly over. Manufacturing inventories have dwindled while new orders have increased recently suggesting future growth. The improved demand, both foreign and domestic, along with freer credit is helping fuel optimism for this industry.

The Mississippi average manufacturing workweek length increased to 40.4 hours in June. The gain was modest but did erase most of the decline that occurred over the previous two months.

The Mississippi initial unemployment claims rose 14.9 percent in June relative to May. The level of claims has been moderating in recent months. However, initial claims remained 38.3 percent above the year ago in June. The unemployment rate for Mississippi was 9.0 percent in June (seasonally adjusted).

The U.S. Index of Consumer Expectations fell a modest 0.3 percent in June relative to May. The series had

increased the previous three months. The July figure has been released and shows a much steeper decline in consumer expectations. The decline was fueled by continued house price declines and foreclosures as well as a lack of continued stock market gains.

U.S. Economy

The U.S. Index of Coincident Economic Indicators continued its declining trend in June with a 0.2 percent drop. The decline was driven by further contractions in employment and industrial production. The annualized six-month growth rate was -5.9 percent. The U.S. Index of Leading Economic Indicators increased for the third consecutive month in June. The six-month annualized growth rate was 4.1 percent. This index was below the level six months prior between August 2007 and April 2009.

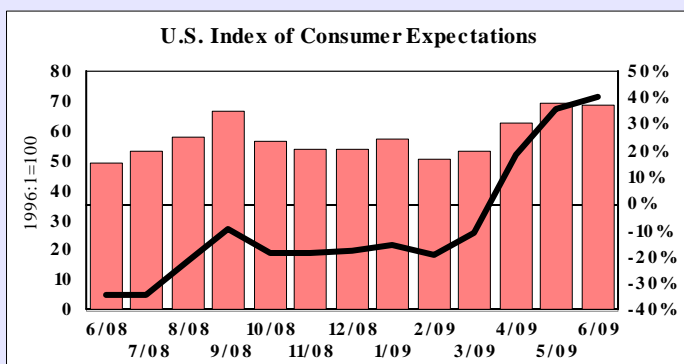
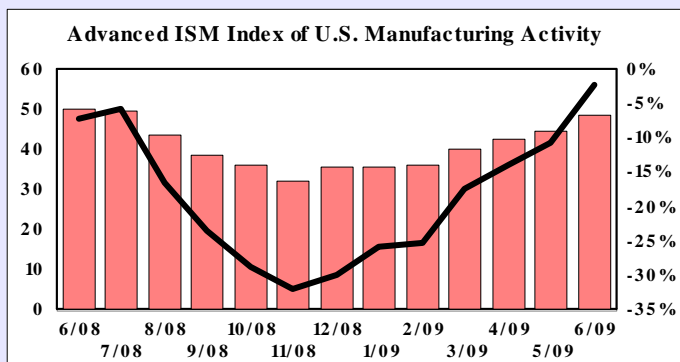
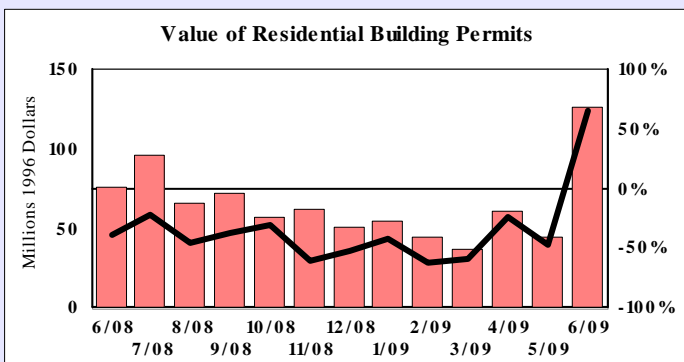
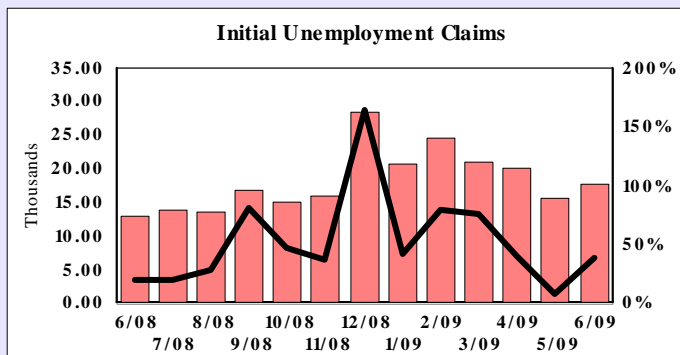
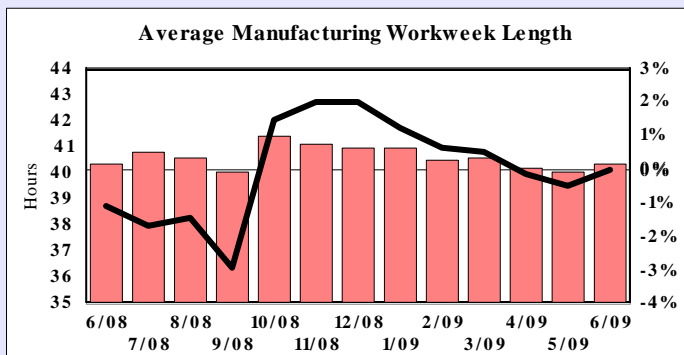
The Conference Board, looking at their June indices, expects the recession will continue to ease and may begin to recover in the near term. Most economist polled in a recent Wall Street Journal survey think the recession is already over (Phil Izzo, "Economists Call for Bernanke to Stay, Say Recession Is Over" *Wall Street Journal* August 11, 2009). Optimism was buoyed by better than expected jobs report in July. The economy shed fewer jobs than in previous months and the unemployment rate fell for the first time in fifteen months. While those surveyed think the worst is behind us they continue to expect a modest recovery. Specifically unemployment is still expected to rise to 9.9 percent by year's end.

Consumers have been hit hard by this recession and are very cautious. As the economy begins to recover they will likely rebuild savings rather than make new purchases. The result will be historically low spending for the next few years.

While the housing sector has shown some signs of stabilizing, national home values continue to fall. Additionally the inventory of available housing is historically high.

Business investment continues to fall but some economist think it will improve in the second half of 2009. Business confidence appears to be improving, giving credence to this outlook.

Figure 6. 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.

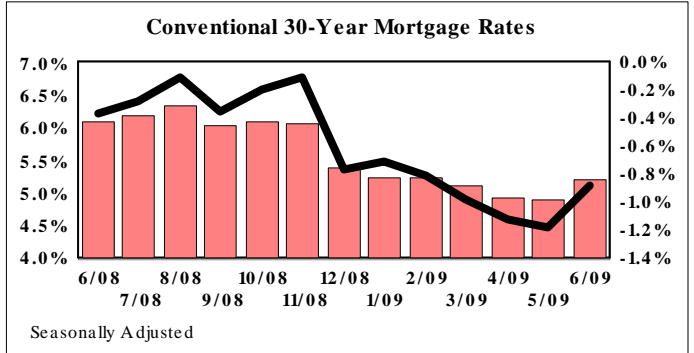
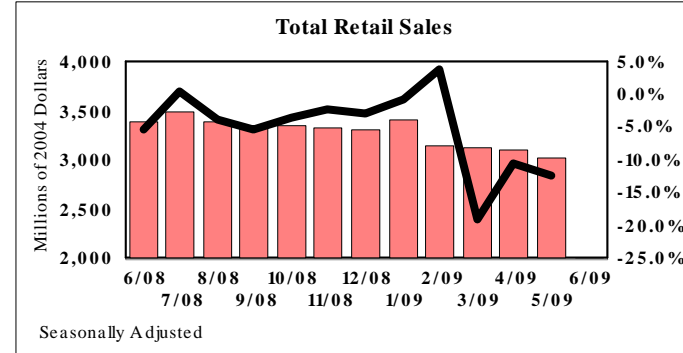
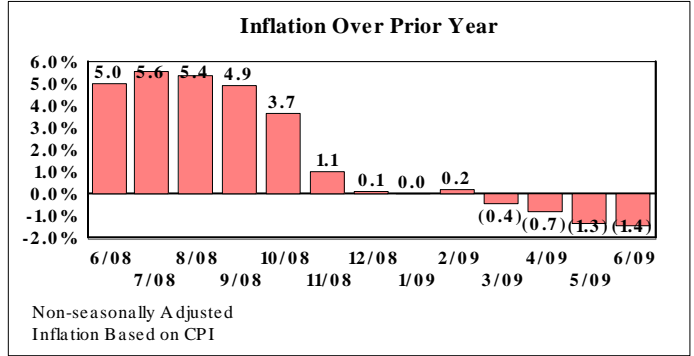
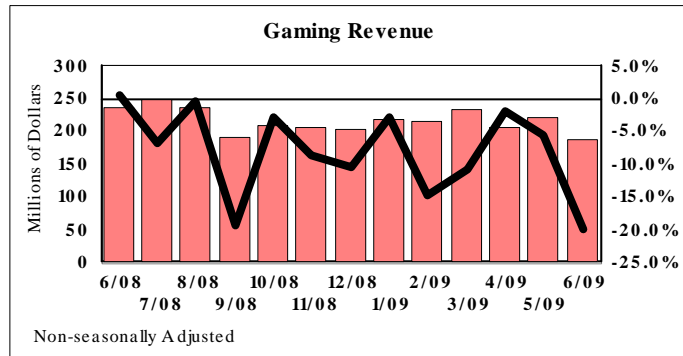
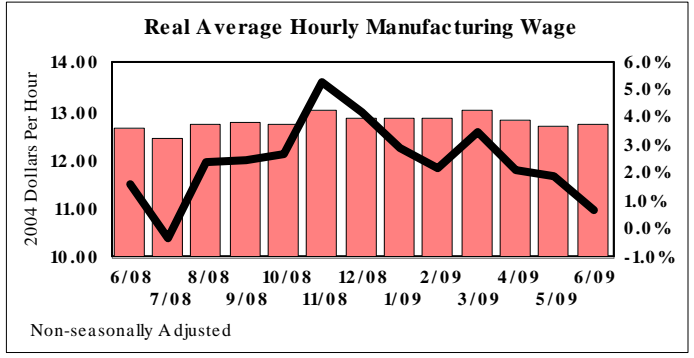
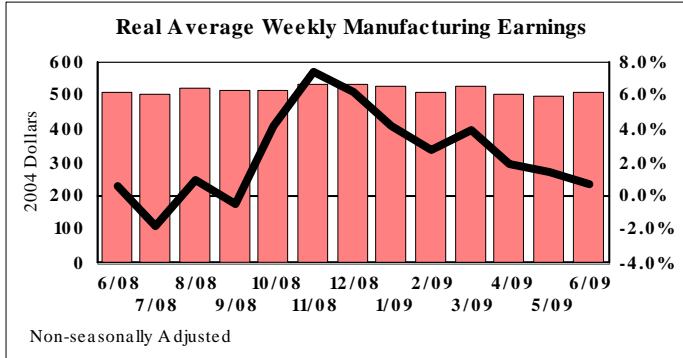
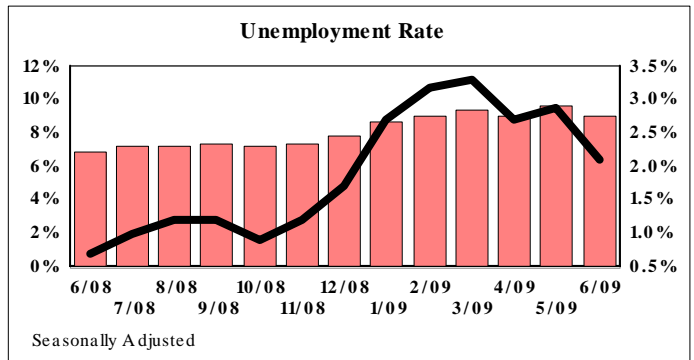
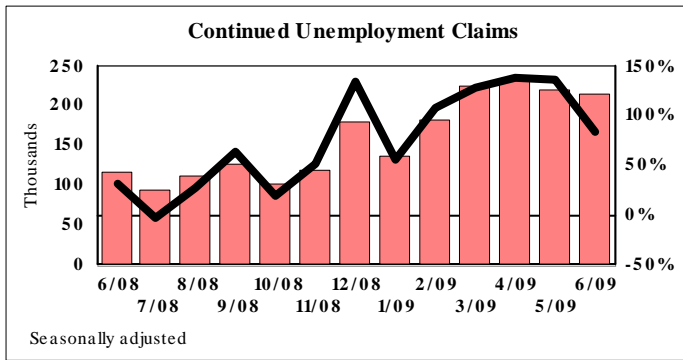
Sources:

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

Interesting Facts:

In 2007, the top 1.0% of taxpayers paid 40.4 percent of all federal individual income taxes. The share of the tax burden borne by these top 1.0% exceeded the combined share of the lowest 95.0% of taxpayers. -- The Tax Foundation

Figure 7. 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

	June 2009	May 2009	June 2008	Percent Change From Last Month Last Year	
Coincident Indicator Index (2004=100)	101.3	100.6	104.1	0.8%	-2.6%
Nonagricultural Employment (thousands)	1,117.8	1,114.4	1,149.5	0.3%	-2.8%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	103.2	100.4	105.3	2.9%	-2.0%
Leading Indicator Index (2004=100)	99.3	93.9	93.9	5.7%	5.7%
Initial Unemployment Claims	17,883	15,562	12,929	14.9%	38.3%
Value of Residential Building Permits (millions of 2004 \$)	126.6	44.3	76.8	185.9%	64.8%
Average Manufacturing Workweek Length (hours)	40.4	40.1	40.4	0.7%	-0.0%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the June index is reported for May.	48.9	44.8	50.0	9.2%	-2.2%
U.S. Index of Consumer Expectations	69.2	69.4	49.2	-0.3%	40.7%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	114.2	113.2	115.8	0.9%	-1.4%
Unemployment Rate (percentage)					
Non-seasonally adjusted	9.8%	9.7%	7.7%	0.1%	2.1%
Seasonally adjusted	9.0%	9.7%	6.9%	-0.7%	2.1%
Continued Unemployment Claims	215,583	220,221	116,985	-2.1%	84.3%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.54	14.40	14.65	1.0%	-0.8%
2004 Dollars per Hour	12.73	12.72	12.65	0.1%	0.7%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	587.42	570.24	591.86	3.0%	-0.8%
2004 Dollars	514.41	503.65	510.90	2.1%	0.7%
U.S. Mortgage Rates (30-year conventional)	5.2%	4.9%	6.1%	0.3%	-0.9%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	84.1	97.7	116.4	-13.9%	-27.7%
River counties (millions of current \$)	105.6	125.0	120.9	-15.5%	-12.6%
Total	189.7	222.7	237.3	-14.8%	-20.0%
	May 2009	April 2009	May 2008	Percent Change From Last Month Last Year	
Total Retail Sales (Millions of 2004 \$)	3,021.74	3,114.46	3,447.23	-3.0%	-12.3%

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