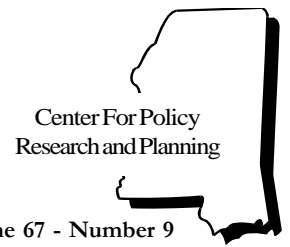


Mississippi's Business



September 2009

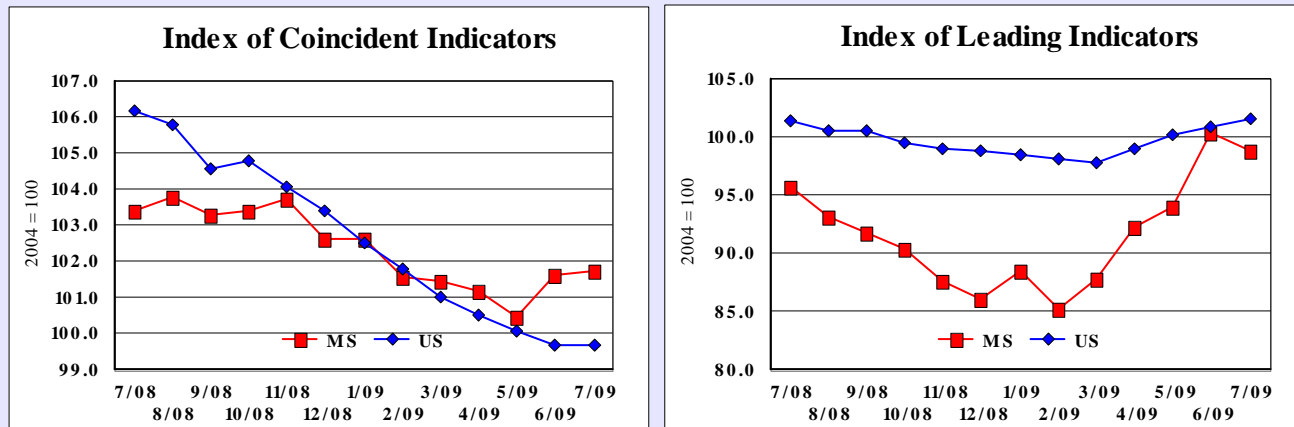
Monitoring the State's Economy

Volume 67 - Number 9

ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators rose modestly in July relative to June. The increase followed a substantial gain in June. The upward trend may prove to be temporary as many of the jobs gained in June and July were due to non-typical summer jobs. The Mississippi Index of Leading Indicators fell in July after four months of increases. Nationally, the Leading Index rose while the coincident index remained flat. There is growing optimism that the economy is beginning to turn around. While the data do show some improvement, it remains to be seen if a sustainable recovery has actually begun. Caution is the better part of wisdom in this changing environment. Consumers and business investors remain cautious and, even if recovery has begun, the recovery will likely be slow. In Mississippi we may be years from regaining the ground lost in employment since the downturn began in December 2007.

Figure 1. Index of Leading and Coincident Indicators



MISSISSIPPI'S BUSINESS

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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>

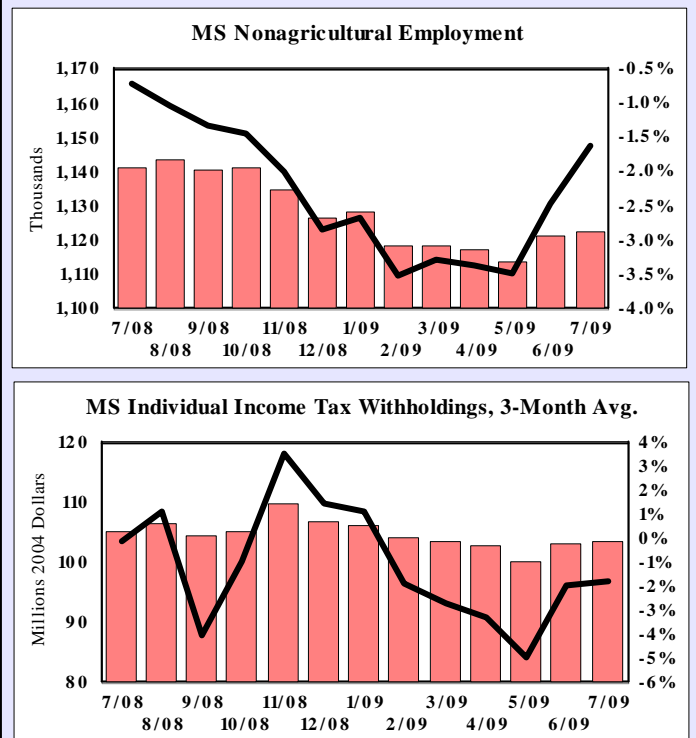
Coincident Index

The Mississippi Index of Coincident Economic Indicators was 101.7 in July, a 0.1 percent increase over the June level. This was the second consecutive increase. Both components of the index inched upward after relatively large increases in June (See Figure 2). The index remained below the level six-months prior, a condition that has persisted since March of 2008. The six-month growth rate has become less negative in recent months. Figure 2 shows that the growth relative to the prior year has improved for both components, yet neither is in positive territory.

The upward movement in the index suggests Mississippi's economy has stabilized and perhaps begun to move upward. But this may be temporary. The recent rise in the index is due in part to job gains which were temporary. The elimination of these jobs will put downward pressure on the index. Furthermore, there remains tremendous uncertainty in the economy which is undermining both consumer spending and business investment and will have a dampening effect on the economy.

Indeed, Mississippi consumers appear to be especially cautious with retail sales in the state down 8.5 percent for first half of 2009 relative to the same period in 2008 (See Figure 3 below). Furthermore, the declines relative to the year ago are deepening rather than

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. Mississippi Retail Sales By Quarter

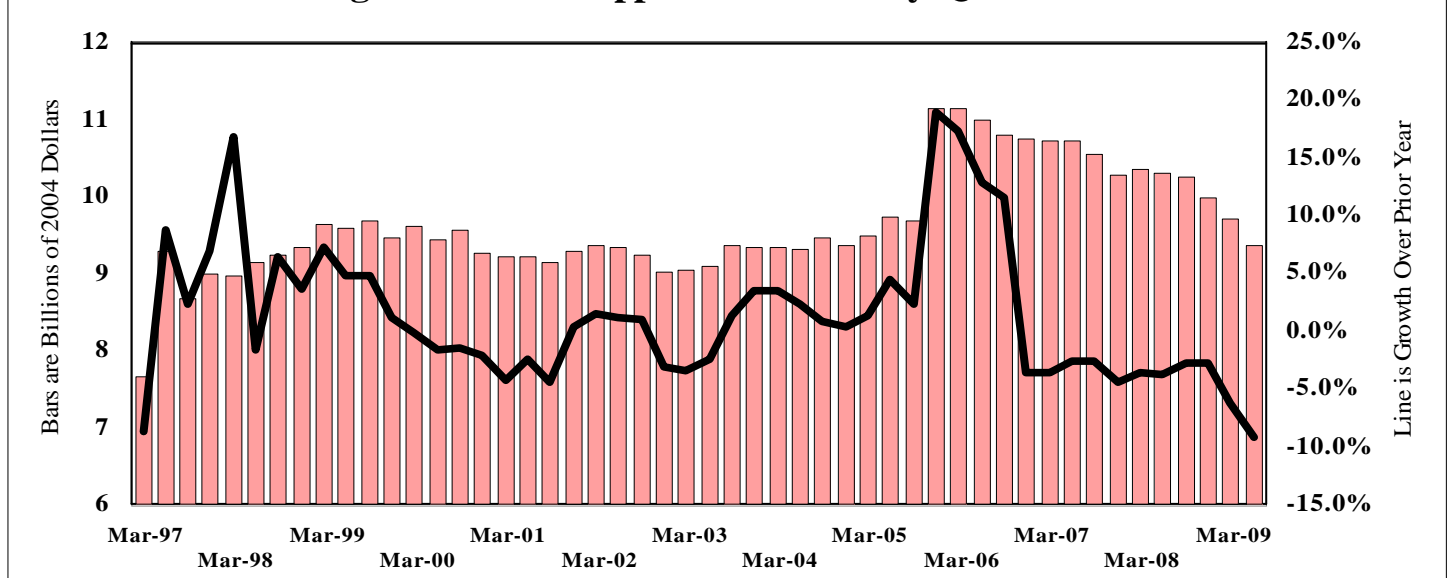


Table 1. Mississippi Employment By Sector

Seasonally Adjusted

	July 2009	June 2009	July 2008	Change from Prior Month		Change from Prior Year	
				Jobs	%	Jobs	%
Nonfarm	1,122,672	1,121,573	1,141,100	1,099	0.1%	-18,427	-1.6%
Natural Resources	9,486	9,452	9,380	35	0.4%	107	1.1%
Construction	60,986	60,411	60,207	575	1.0%	779	1.3%
Manufacturing	144,247	144,269	158,387	-23	0.0%	-14,140	-8.9%
Trade, Transportation and Utilities	216,317	217,134	223,909	-818	-0.4%	-7,592	-3.4%
Retail	137,332	137,781	139,332	-449	-0.3%	-2,000	-1.4%
Information	13,001	13,067	13,500	-66	-0.5%	-499	-3.7%
Financial Activities	44,096	44,229	46,857	-134	-0.3%	-2,762	-5.9%
Services	376,118	376,057	384,018	61	0.0%	-7,900	-2.1%
Professional and Business Services	85,966	86,244	94,694	-278	-0.3%	-8,729	-9.2%
Education and Health Services	131,399	131,031	128,327	368	0.3%	3,072	2.4%
Leisure and Hospitality	121,757	121,896	124,207	-139	-0.1%	-2,450	-2.0%
Other Services	36,996	36,886	36,789	110	0.3%	206	0.6%
Total Government	259,074	257,083	244,741	1,992	0.8%	14,333	5.9%
Federal Government	26,156	26,194	26,555	-37	-0.1%	-399	-1.5%
State Government	62,643	62,554	60,652	89	0.1%	1,991	3.3%
Local Government	174,691	167,981	161,451	6,709	4.0%	13,240	8.2%

becoming less negative. Retail sales in Mississippi rose dramatically following Katrina and has since trended downward. But retail sales in the second quarter of 2009 were below the level observed in 2004. This implies that recent declines in sales have less to do with Katrina and more to do with a cautious consumer. Today consumers are facing fewer jobs, declining wealth, reduced wages and growing uncertainty. As a consequence, consumers are spending less, paying down debt and increasing savings.

On the surface, the recent report for National retail sales seems to refute this assessment. This report shows strong retail sales nationally for the month of August. But much of these sales were due to the cash-for-clunkers program and back-to-school shopping. Consumers are still not buying furniture or building materials as they would if spending had indeed had a resurgence. Restaurant and catalog and on-line retail sales were also sluggish. Consumers remains cautious.

Once the recovery begins, it is expected to be sluggish. Given the depth of the current crisis and a sluggish recovery, Mississippi is years from regaining the economic ground that has been lost in the past seventeen months. For some perspective consider that Mississippi

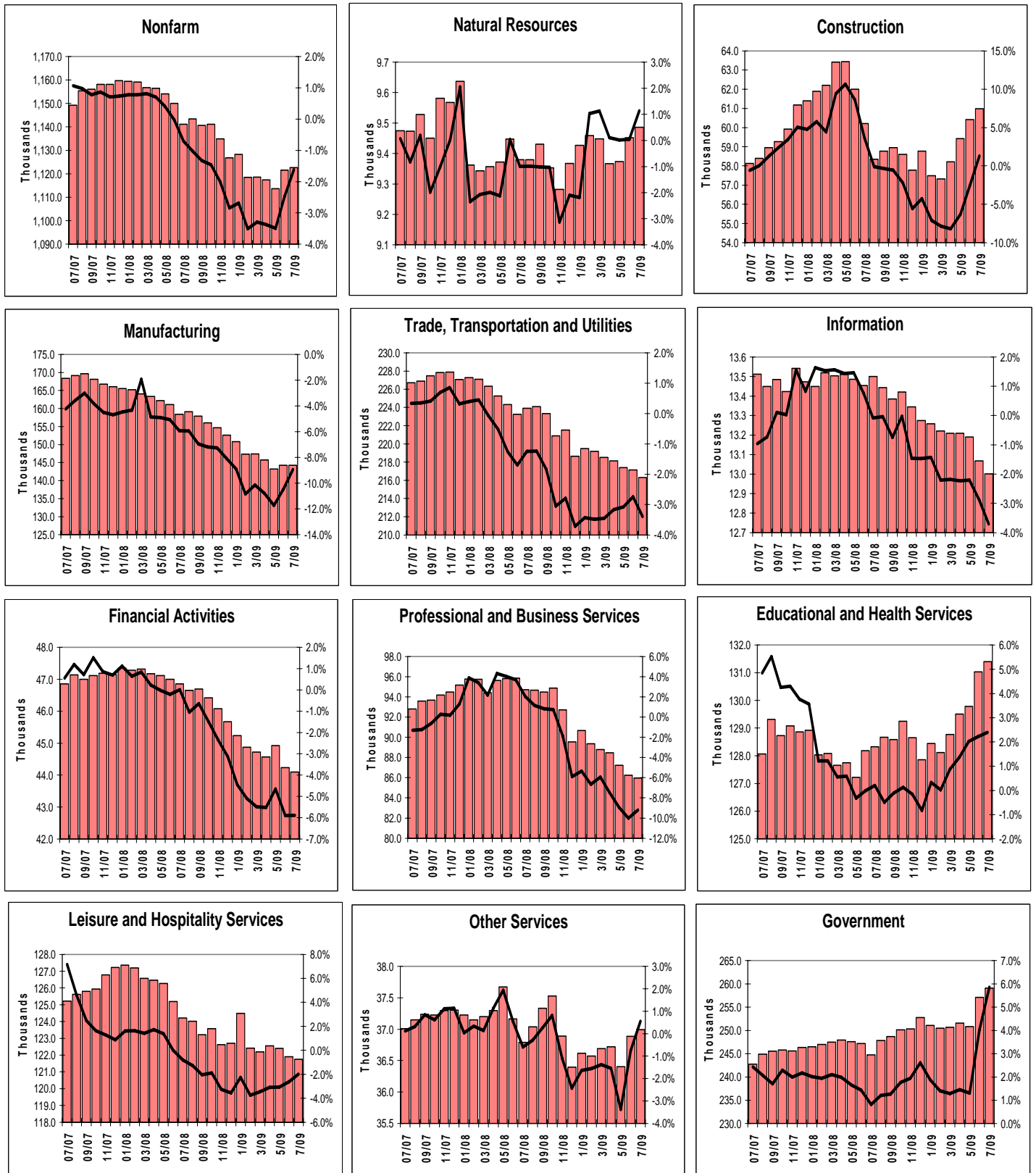
has not yet fully recovered to the peak level of employment which occurred in May 2000.

The three-month-average in Mississippi individual income tax withholdings rose a slight 0.2 percent in July relative to June. This represents only the second increase since November 2008. The small July increase followed a much more substantial increase in June. This series is considered a proxy for Mississippi income levels. For the first seven months of 2009, withholdings are down 2.4 percent from the year ago level.

Mississippi nonfarm employment rose a slight 0.1 percent or 1,099 jobs in July relative to June. The job gains were primarily in government and construction. If we exclude the government jobs and focus instead on private jobs, the state saw a 0.1 percent decline in jobs for the month. The job gains in government during the months of June and July are in part due to a summer youth program. Future jobs reports will show these jobs have ended.

For the first seven months of 2009, nonfarm employment is 3.0 percent or 34,000 jobs below the same period in 2008. Nearly every sector has lost employment in 2009 relative to 2008. The largest decline

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.

occurred in manufacturing which lost 16,800 or 10.3 percent. Construction declined 3,100 percent or 5.0 percent. Retail trade declined 2,100 jobs or 1.8 percent. The only sectors gaining employment were government which rose 5,900 jobs, or 2.4 percent and education and health services which added 1,700 jobs or 1.3 percent

Leading Indicators

The Mississippi Index of Leading Economic Indicators fell 1.6 percent in July relative to June, reaching a level of 98.9. The index had risen for four consecutive months. Three out of the five components contributed to the monthly decline.

The index has been above the level six months prior for four consecutive months. Under normal circumstances such a trend would indicate an improvement in the economy in the coming months. The Nation has undergone the most severe downturn in the economy since the great depression. The Federal government has taken unprecedented action in order to shore up the faltering economy. The economy is showing signs of improvement because billions of dollars have been pumped into the economy to prop up segments of the financial sector and the automobile industry. The recent surge in retail sales is largely due to the subsidization of car purchases. These are not sustainable developments. The cash-for-clunkers program illustrates the point. Instead of jump-starting auto sales, the program more likely pulled purchases forward. Sales will contract in the future.

While the economy appears to be improving, there is reason to think it is a false start, especially in Mississippi. The state was hit especially hard in the 2001 recession and has experienced only modest growth since recovery began in 2003. The state's housing sector has not been hit as hard as in other states, but the general slowdown of the economy is taking a toll on Mississippians. Over 37,000 jobs have been lost in this recession. Real wage and salary income grew a meager 0.3 percent in 2008 and declined in the first quarter of 2009 relative to the year ago. Mississippi consumers remain very cautious and, as already indicated, the recent improvements in employment were largely temporary.

By far the largest contributor to the July decline in the

Leading Index was the value of residential building permits. This series fell sharply in July after rising abruptly in June. The July decline did not erase all of the June increase. Nationally, the housing market is beginning to show signs of stabilizing. Low mortgage rates and the credit for first time home buyers are expected to fuel some gains in sales through November. Home values continue to fall, however.

Declining consumer expectations also took a toll on the July Index. The U.S. Consumer Expectations Index fell sharply in July to 63.2. Strong declines in employment in June contributed to the increased pessimism.

Mississippi average manufacturing workweek length fell to 40.7 hours in July. The series had risen to 41.0 hours in June. The June increase was only the second increase in eight months. Despite the July decline, the series is above its recent trend.

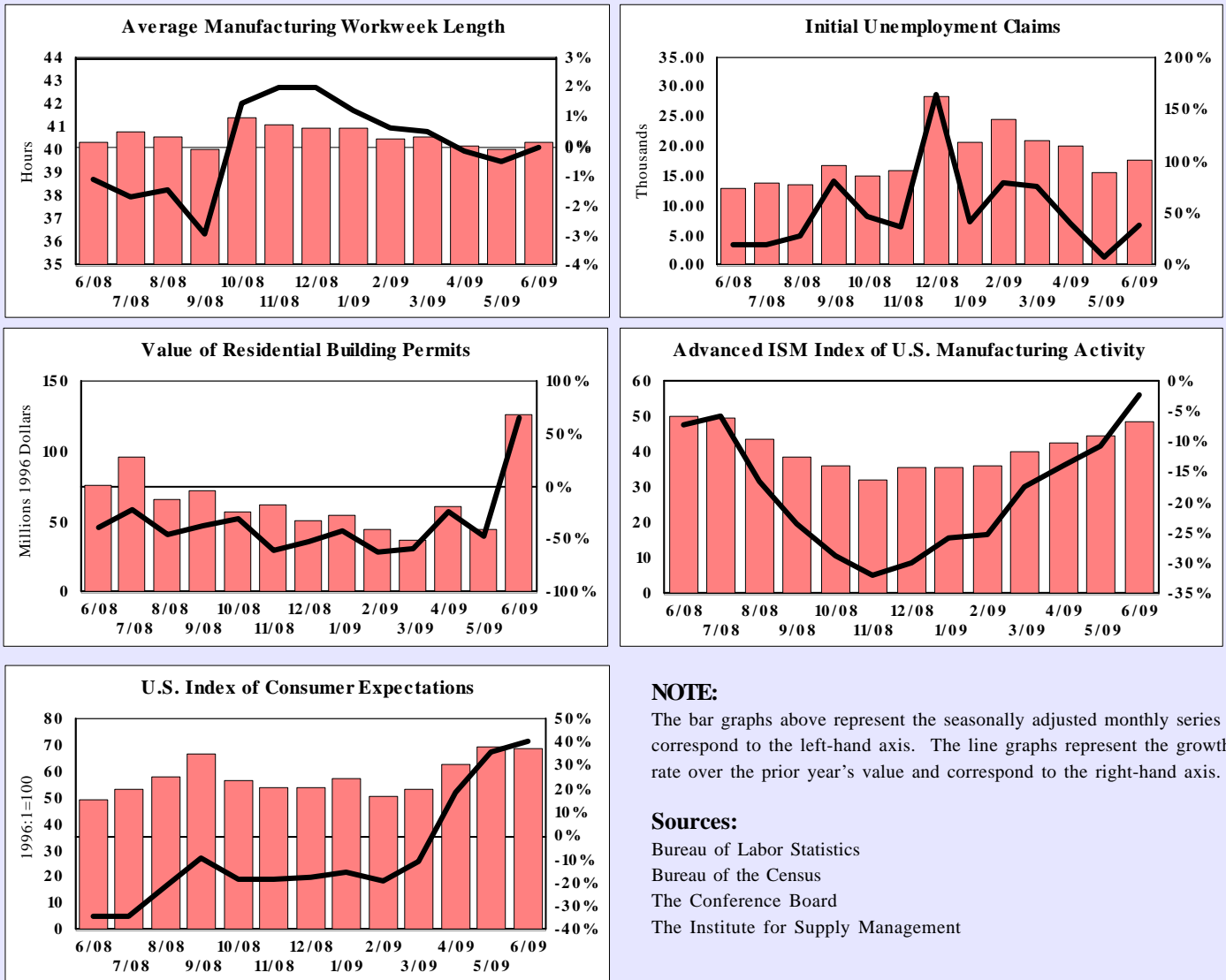
Contributing positively to the July Leading Index was a sharp increase in the Institute for Supply Management (ISM) Index of U.S. Manufacturing Activity. The Index reached 52.9 in August, the highest level since August 2007. An index above 50 indicates the industry is expanding. According to the ISM, the manufacturing industry had been contracting since August 2008. The August 2009 gain was due slower inventory reduction, increase automobile production, and improved foreign demand.

Also contributing positively to the July Index was a steep decline in Mississippi initial unemployment claims. This series fell 19 percent in July relative to June. The series peaked in December 2008 and has trended downward since. The continued claims series also declined in July, but remains high by historical standards. The implication is that Mississippi job losses are moderating, but the state has not yet begun to recover the lost jobs.

U.S. Economy

The U.S. Index of Coincident Indicators was unchanged for July. The index had declined for the eight previous months. Between January and July the index fell an annualized 5.4 percent. The U.S. Index of Leading Indicators rose for the fourth consecutive month in July.

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

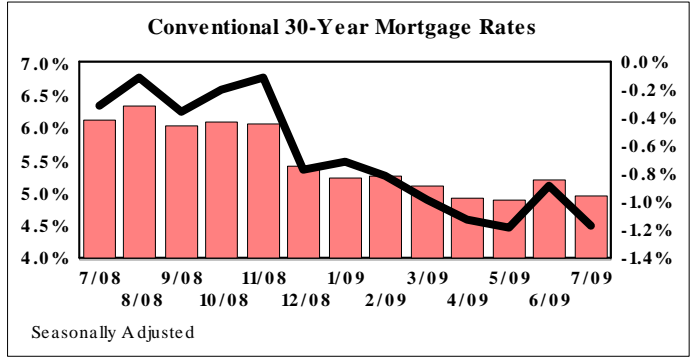
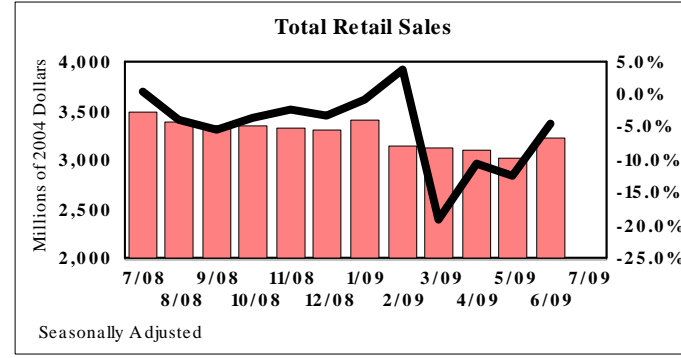
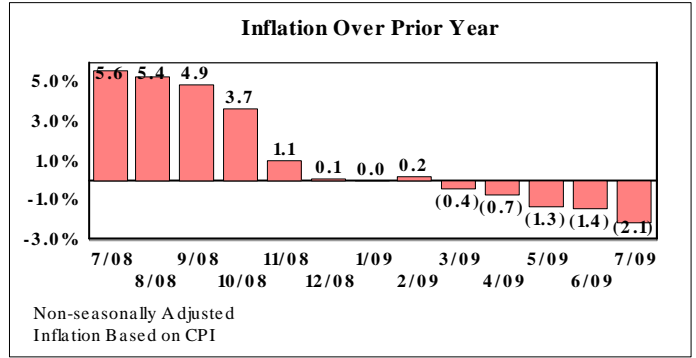
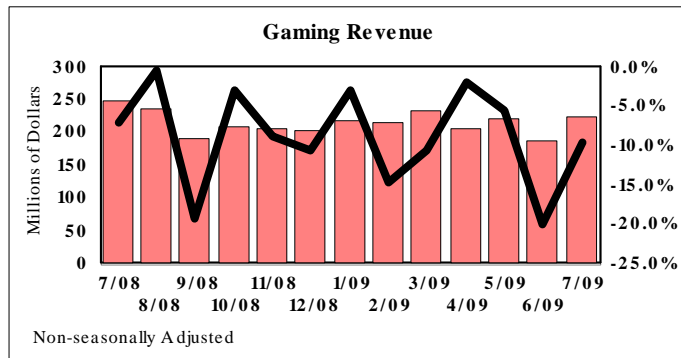
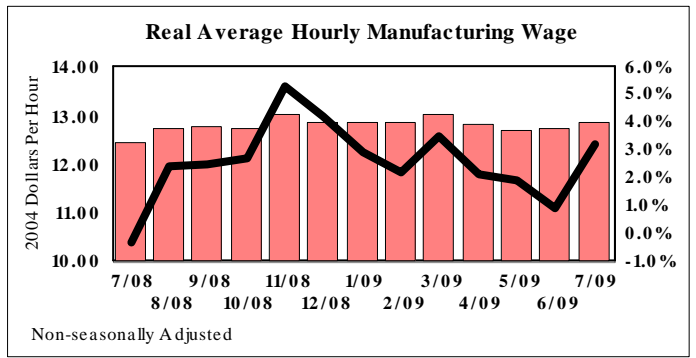
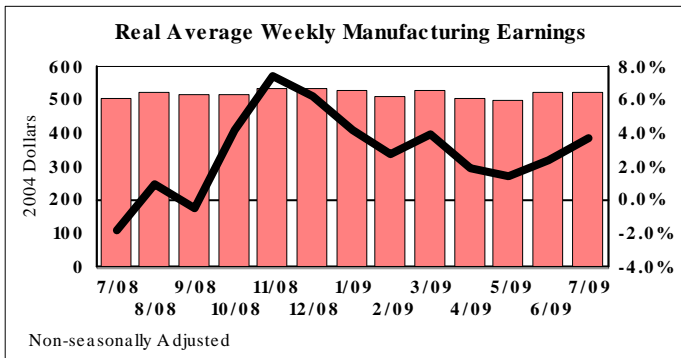
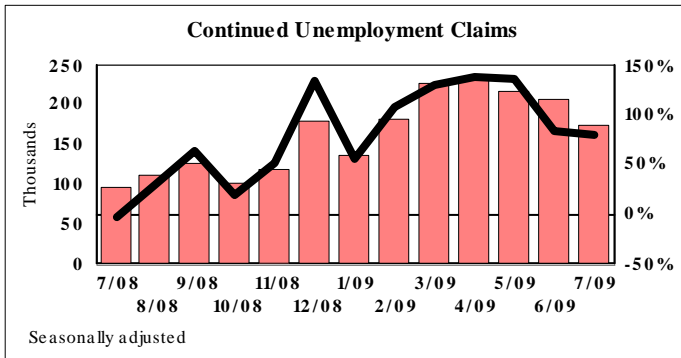
This series was up an annualized 6.2 percent from the level six months prior. The Conference Board interprets the indices to say the recession is bottoming out and will soon begin to recover.

Some economist, looking at the improvements in manufacturing sector and better home sales, say the recession has ended. Inventory reductions have slowed in the manufacturing sector and are fueling optimism that producers will soon be increasing production. Additionally, the world economy seems to be showing signs of improving, particularly in Asia and Europe giving rise to a more optimistic outlook for exports. If this happens, the low value of the U.S. dollar will help fuel exports.

Amidst this optimism is the cold reality of sluggish consumer spending. Consumers are much more careful than in the past, paying down debt and saving. With the continued decline in employment and falling wages along with continued tight consumer credit, the consumer is being prudent. The problem is further compounded when we consider the that the business investor appears equally cautious.

There appears to be a tendency by some to squeeze as much optimism out of the data as possible. Part of this comes by assuming that this recovery will be similar to that of the past. But the consumer and the investor has changed, which means a much slower recovery period.

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

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	July 2009	June 2009	July 2008	Percent Change From Last Month Last Year	
Coincident Indicator Index (2004=100)	101.7	101.6	103.4	0.1%	-1.6%
Nonagricultural Employment (thousands)	1,122.7	1,121.6	1,141.1	0.1%	-1.6%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	103.4	103.2	105.3	0.2%	-1.8%
Leading Indicator Index (2004=100)	98.9	100.4	95.8	-1.6%	3.3%
Initial Unemployment Claims	14,342	17,701	14,315	-19.0%	0.2%
Value of Residential Building Permits (millions of 2004 \$)	71.9	126.8	96.4	-43.3%	-25.4%
Average Manufacturing Workweek Length (hours)	40.7	41.0	40.5	-0.9%	0.3%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the August index is reported for July.	52.9	48.9	49.9	8.2%	6.0%
U.S. Index of Consumer Expectations	63.2	69.2	53.5	-8.7%	18.1%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	114.0	114.2	116.5	-0.2%	-2.1%
Unemployment Rate (percentage)					
Non-seasonally adjusted	10.5%	9.9%	8.0%	0.6%	2.5%
Seasonally adjusted	9.7%	9.1%	7.3%	0.6%	2.4%
Continued Unemployment Claims	175,757	208,018	97,578	-15.5%	80.1%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.65	14.57	14.50	0.5%	1.0%
2004 Dollars per Hour	12.85	12.76	12.45	0.7%	3.2%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	600.65	597.37	591.60	0.5%	1.5%
2004 Dollars	526.83	523.12	508.01	0.7%	3.7%
U.S. Mortgage Rates (30-year conventional)	5.0%	5.2%	6.1%	-0.3%	-1.2%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	104.3	84.2	115.6	23.9%	-9.8%
River counties (millions of current \$)	121.4	105.5	133.6	15.1%	-9.1%
Total	225.6	189.6	249.2	19.0%	-9.4%
	June 2009	May 2009	June 2008	Percent Change From Last Month Last Year	
Total Retail Sales (Millions of 2004 \$)	3,231.64	3,028.89	3,381.25	6.7%	-4.4%

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