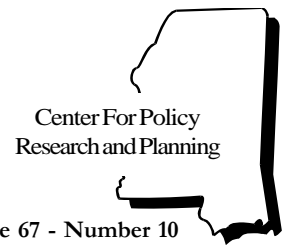


# Mississippi's Business



October 2009

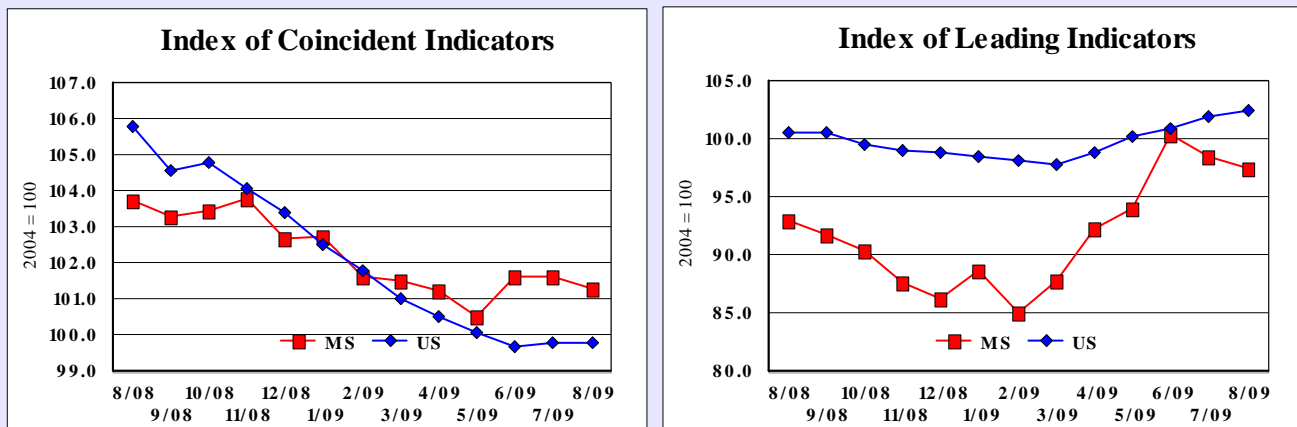
Monitoring the State's Economy

Volume 67 - Number 10

## ECONOMY AT A GLANCE

After a two month rise, the Mississippi Index of Coincident Indicators fell in August relative to July. The Mississippi Index of Leading Indicators fell for the second straight month. Together these indices reveal a fragile Mississippi economy that has not yet begun to recover. The state's economy appears to be struggling more than the Nation's. Mississippi has lost over 50,000 jobs since the recession began in December 2007. Some forecasters are saying the recession has ended nationally and that the third quarter will see a significant bounce. The strong quarterly growth, however, is not expected to be sustainable and the Nation will enter a long slow period of recovery. At both the National and state levels, job growth is expected to be weak at least through the first half of 2010. Consumer debt remains high, jobs are scarce and wealth has been destroyed. This does not bode well for this Christmas shopping season. Business investors also remain cautious.

**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 101.3 in September, a 0.3 percent decrease from the July level. This decline followed two months of increase. The prior months gain was helped by temporary jobs that have since ended. The two components of the index were split in terms of their contribution to the August level. Nonagricultural employment fell while individual income tax withholdings inched upward. (See Figure 2).

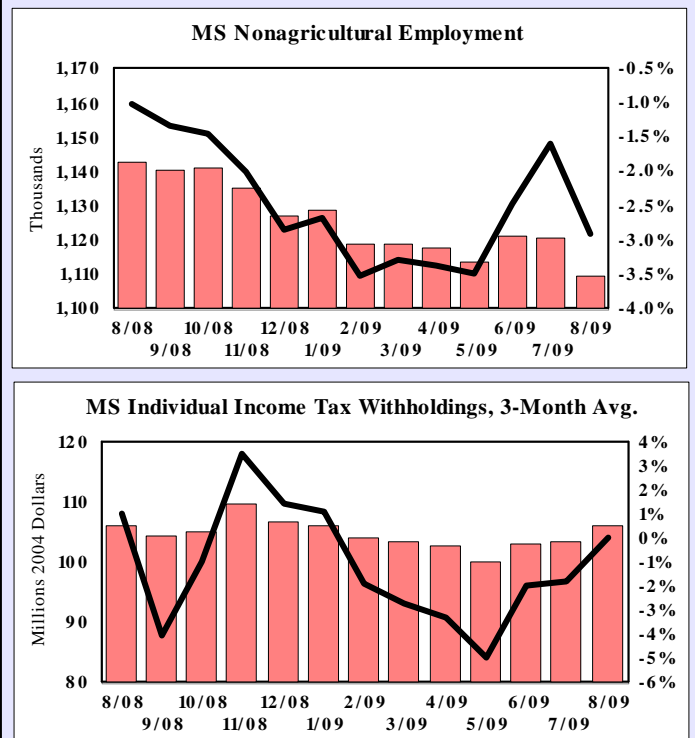
Once again the index was below the level six-months prior, a condition that has persisted since March of 2008. Although the six-month growth rate has become less negative in recent months we do not think this trend will continue. We expect the coincident index to continue to fall in the coming months.

Last month we cautioned that the upturn in the coincident index might prove temporary. The decline in August, while small, is the beginning of further declines in our view. In offering this outlook last month we cited the cautious consumer and business investor which we believed would continue to put downward pressure on economic activity in the state. We have not seen anything that would change that outlook and the coincident index appears to be confirming our view. Indeed there growing evidence which further confirms our outlook.

After adjusting for seasonality, Mississippi individual income tax withholdings rose 2.6 percent for the three months ending in August relative to the three months ending in July. This represents the third consecutive increase after declining since November 2008. However, the September figures have been released and show the series declined substantially erasing all of the gains made in the prior three months. It is to be expected that withholding would decline given the deep contractions taking place with employment. The first jobs to be lost in a downturn are generally lower paying jobs, But if the downturn persist, higher wage jobs are also affected. August marked the twentieth month of the current recession.

After adjusting for seasonality, Mississippi nonfarm employment fell a staggering 1.0 percent or over

**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

11,000 jobs in August relative to July. The number of people employed in the state of Mississippi in August was on par with that observed in 1997. The state has lost over 50,000 jobs since the recession began in December 2007.

Relative to July, the largest decline in August employment occurred in government and reflects the elimination of the temporary job that have already been mentioned. The manufacturing sector, retail trade, education and health services and leisure and hospitality all suffered large declines. While some economist are saying the recession has ended, the recovery has not produced job gains nationally or at the state level.

### Leading Indicators

The Mississippi Index of Leading Economic Indicators fell 1.2 percent in August relative to July, reaching a level of

Table 1. Mississippi Employment By Sector

Seasonally Adjusted

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

97.4. August marked the second consecutive monthly decrease following four monthly increases. Three out of five components contributed negatively to the August level, one contributed positively and one had no change.

The largest contributor to the August decline in the Leading Index was once again the value of residential building permits. After rising abruptly in June the series has fallen two consecutive months erasing all of the June gain. While there is some evidence the housing market may be stabilizing at the national level, this does not appear to be the case in Mississippi. During the first half of 2009, existing home sales were down less than 4.0 percent nationally, while sales were down over 30.0 percent in the state for the same time period. This may indicate the state entered the housing slump later than the nation. Home prices however have not fallen as much in Mississippi as compared to the nation. The price for existing homes during the first half of 2009 was 5.7 percent below that of the year prior in Mississippi. Nationally the figure was over 15.0 percent. New home prices fell 4.3 percent in the state and almost 10.0 percent in the nation.

Also contributing negatively to the August Index was rising initial unemployment claims. The 4.6 percent gain

was relatively modest. It followed a sizable decline in July. Initial claims have been trending downward since reaching a peak in December. Continued claims rose as well in August relative to July. The State's August unemployment rate was 9.5 percent slightly below the National figure of 9.7 percent.

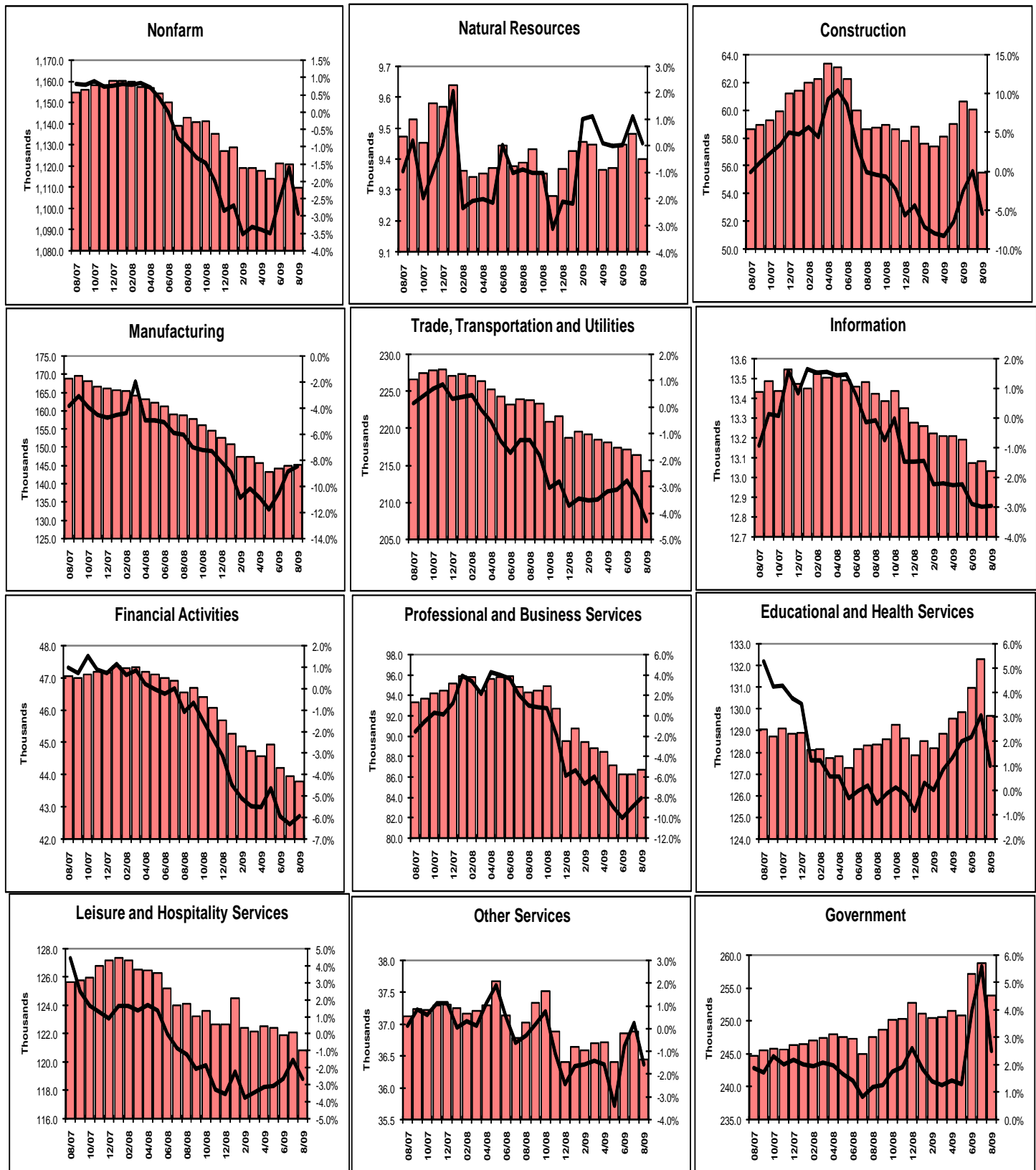
The Institute for Supply Management Index of U.S. Manufacturing Activity fell to 52.6 in September from the August level of 52.9. The decline was small but was the first dip since December 2008. The index remained above 50 indicating the U.S. manufacturing industry remains in an expansion phase.

In Mississippi, average manufacturing workweek length was unchanged in August. The series jumped up in June and declined in July. A rising workweek length is generally thought to lead an increase in employment.

The one component contributing positively to the Leading Index was U.S. Consumer Expectations Index which rose 2.8 points in August over July. The increase followed two months of decline. The series is well above the year ago level reflecting the relatively lower fuel prices this summer.

Continued on page 5

Figure 5. Mississippi Employment Trends

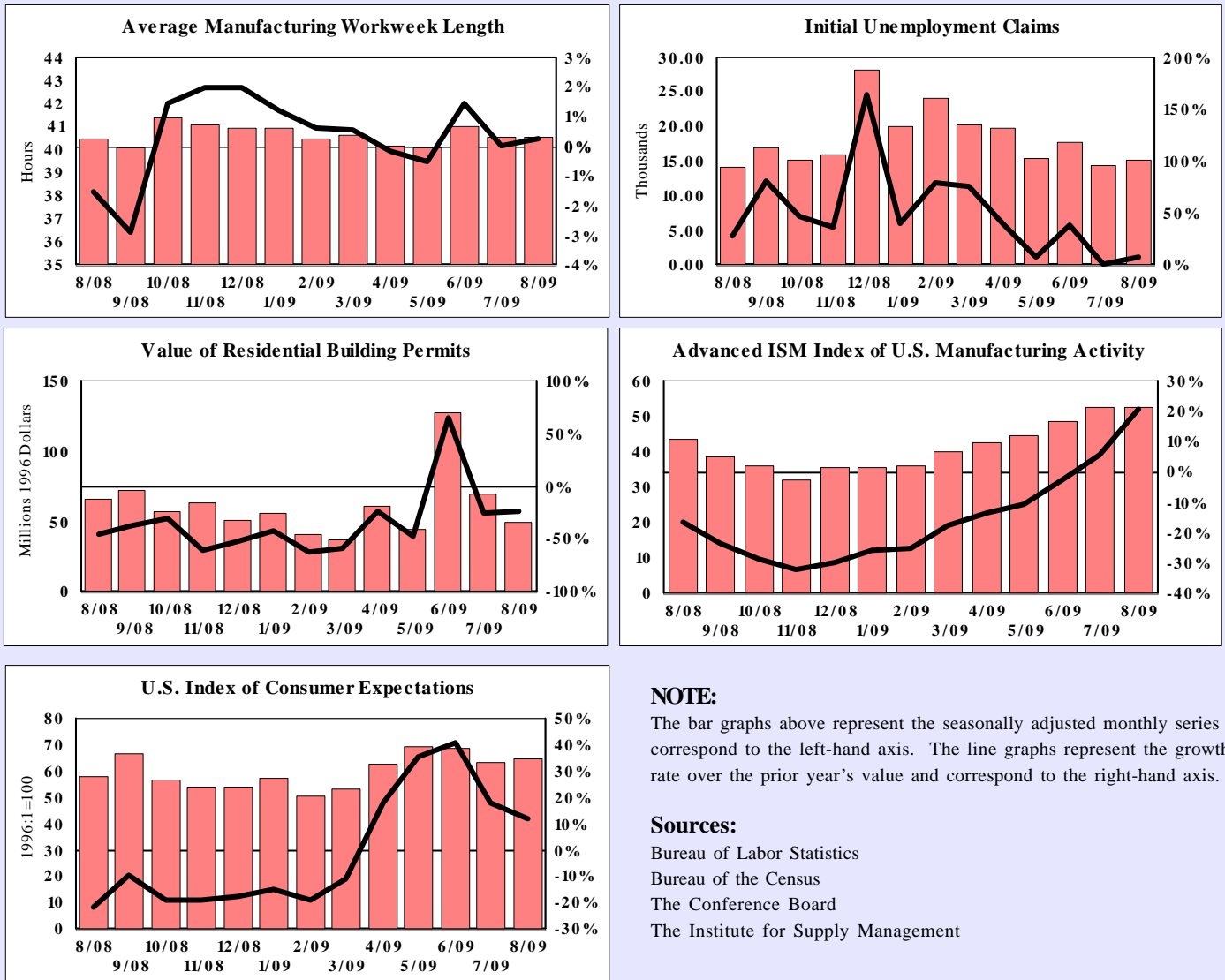


Note: The Bar Graphs above represent seasonally adjusted monthly employment and correspond to the left-hand axis.

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.

**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

**U.S. Economy**

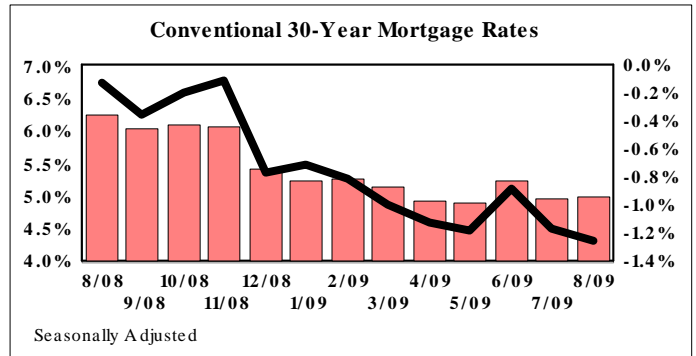
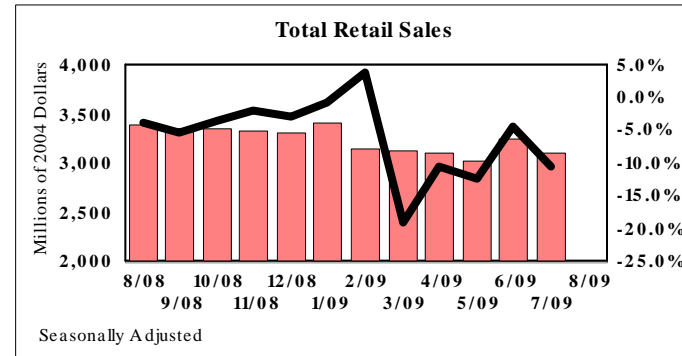
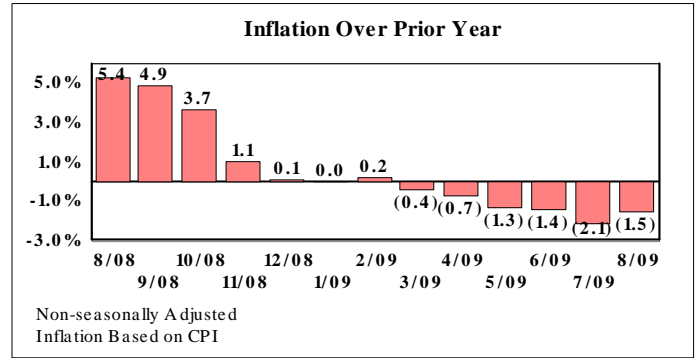
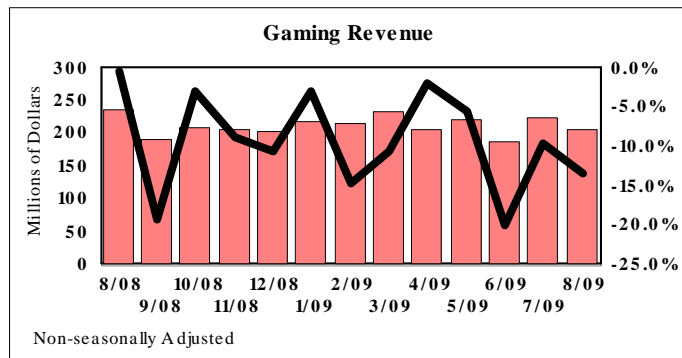
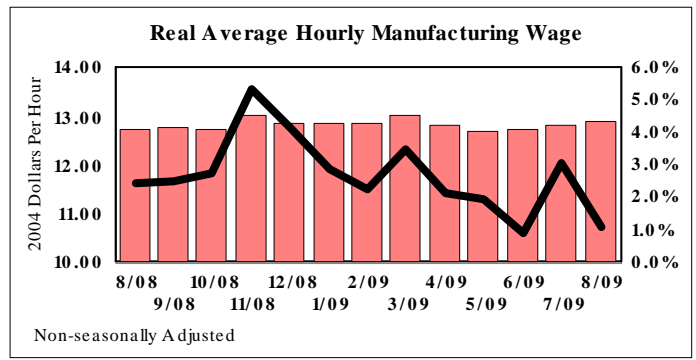
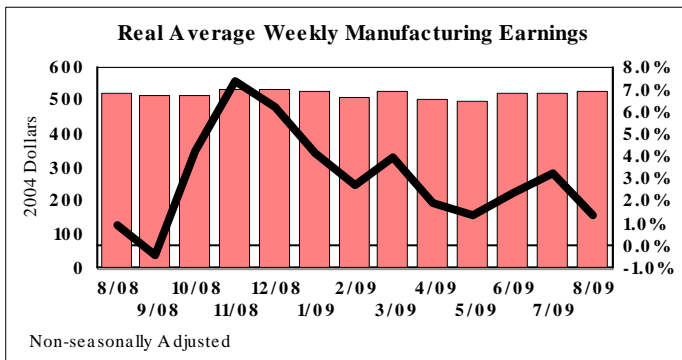
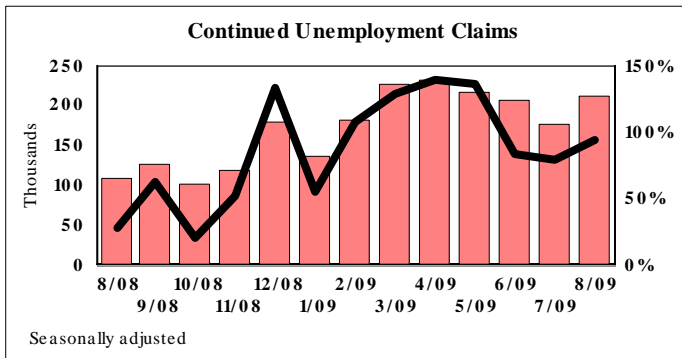
The U.S. Index of Coincident Indicators was unchanged for August. The six month growth rate was an annualized 3.9 percent decline. The U.S. Index of Leading Indicators continued its upward climb suggesting growth in the coming months. Relative to the level six months prior, the Index rose an annualized 8.9 percent.

IHS Global Insight, a national forecasting agency, says the recession ended in June. They anticipate a nice bounce in the third quarter Gross Domestic Product fueled by the Cash-for-Clunkers and the housing credit for first time home buyers. This bounce will dissipate in the coming quarters and the economy will begin the long,

slow road to recovery. Rather than a V-shaped recovery where the economy slows then recovers, IHS Global Insight anticipates a mild W (decline, gain, slowdown, gain). They do not anticipate a double dip recession.

Despite the anticipated recovery, significant private job gains are not anticipated until the second half of 2010. With so much wealth destroyed in the stock market and through home values, the slow job growth and debt levels still high, consumers spending is expected to remain anemic. Business investment continues to decline, but less so than in previous quarters. The outlook for exports is improving with the strengthening Asian economies and a falling dollar.

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

	August 2009	July 2009	August 2008	Percent Change From Last Month Last Year	
<b>Coincident Indicator Index (2004=100)</b>	<b>101.3</b>	<b>101.6</b>	<b>103.8</b>	<b>-0.3%</b>	<b>-2.4%</b>
Nonagricultural Employment (thousands)	1,109.6	1,120.6	1,142.9	-1.0%	-2.9%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	106.2	103.5	106.2	2.6%	0.0%
<b>Leading Indicator Index (2004=100)</b>	<b>97.4</b>	<b>98.6</b>	<b>92.9</b>	<b>-1.2%</b>	<b>4.8%</b>
Initial Unemployment Claims	15,256	14,582	14,151	4.6%	7.8%
Value of Residential Building Permits (millions of 2004 \$)	50.0	70.1	66.0	-28.7%	-24.3%
Average Manufacturing Workweek Length (hours)	40.6	40.6	40.5	0.0%	0.3%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the September index is reported for August.	52.6	52.9	43.5	-0.6%	20.9%
U.S. Index of Consumer Expectations	65.0	63.2	57.9	2.8%	12.3%
<b>Miscellaneous</b>					
Consumer Price Index U.S. (2004=100)	114.3	114.0	116.0	0.2%	-1.5%
Unemployment Rate (percentage)					
Non-seasonally adjusted	9.5%	10.5%	7.4%	-1.0%	2.1%
Seasonally adjusted	9.5%	9.7%	7.3%	-0.2%	2.2%
Continued Unemployment Claims	213,267	176,901	109,167	20.6%	95.4%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.74	14.63	14.80	0.8%	-0.4%
2004 Dollars per Hour	12.90	12.83	12.76	0.5%	1.1%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	607.29	598.37	608.28	1.5%	-0.2%
2004 Dollars	531.46	524.83	524.42	1.3%	1.3%
U.S. Mortgage Rates (30-year conventional)	5.0%	5.0%	6.3%	0.0%	-1.3%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	96.4	104.3	111.5	-7.5%	-13.5%
River counties (millions of current \$)	109.7	121.4	126.8	-9.6%	-13.5%
Total	206.1	225.6	238.3	-8.7%	-13.5%
	July 2009	June 2009	July 2008	Percent Change From Last Month Last Year	
Total Retail Sales (Millions of 2004 \$)	3,112.55	3,246.05	3,479.88	-4.1%	-10.6%

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