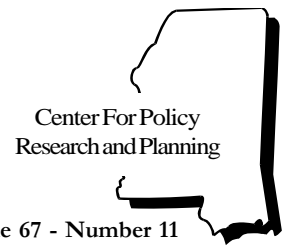


Mississippi's Business



November 2009

Monitoring the State's Economy

Volume 67 - Number 11

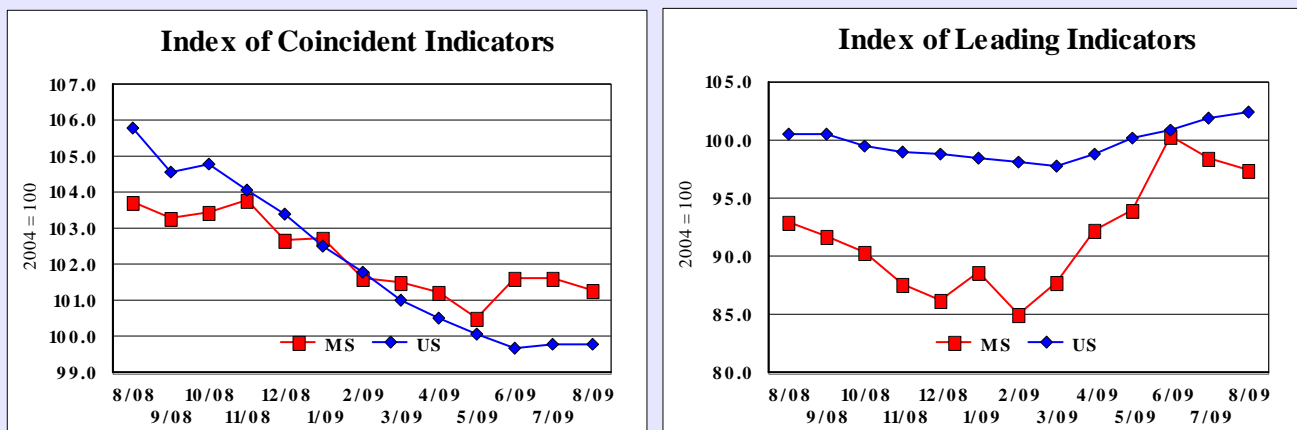
ECONOMY AT A GLANCE

Both the Mississippi Index of Coincident Indicators and the Mississippi Index of Leading Indicators fell in September relative to August. This marked the second consecutive decline for both series. The state's economy remains weak. This is especially true for the employment sector. Like the nation Mississippi continues to lose jobs. One interesting exception is the modest growth in the manufacturing sector that has occurred for the past four months. Data suggest the US manufacturing industry has been expanding for the past three months. Retail sales continues to fall, however, as consumers pull back spending. The value of residential building permits issued suggests the state's housing sector got a boost in the third quarter. This would be consistent with some national trends which indicate the troubles in housing sector have stabilized. The Pending Home Sales Index rose for the eighth consecutive month in September, which points to growing demand. Prices have begun to improve in some markets as well. The housing sector has been helped by the tax credit for first-time home buyers. This credit was recently expanded and so we can expect to pull sales from the future into the coming months.

It was recently announced that Real Gross Domestic Product rose 3.5 percent in the third quarter. A growing number of economist believe the recession that began in December 2007 has ended, perhaps in June. But these same economist expect the recovery period to be slow. Helping to fuel this slow-growth outlook is the fact that much of the growth occurring in the third quarter was due to government spending rather than say business investment. Consumers are expected to remain slow in spending given the large debt levels and the still-deteriorating labor market.

The state likely entered the recession about six months after the nation. It is possible we will be slow in recovering as well. Mississippi was especially slow in recovering from the 2001 recession.

Figure 1. Index of Leading and Coincident Indicators



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Coincident Index

The Mississippi Index of Coincident Economic Indicators was 99.8 in September, a steep 1.5 percent decrease from the August level. This was the second monthly decline and together they erased all of the gain made in June and July. The boost in June and July volatility can be attributed to the temporary jobs created by a summer program that had not been implemented in several years. The index has now resumed its downward trend. The September level was an annualized 3.5 percent below the level six-months prior. The index has been below the six-month level since March 2008. Both components contributed to the monthly decline. (See Figure 2).

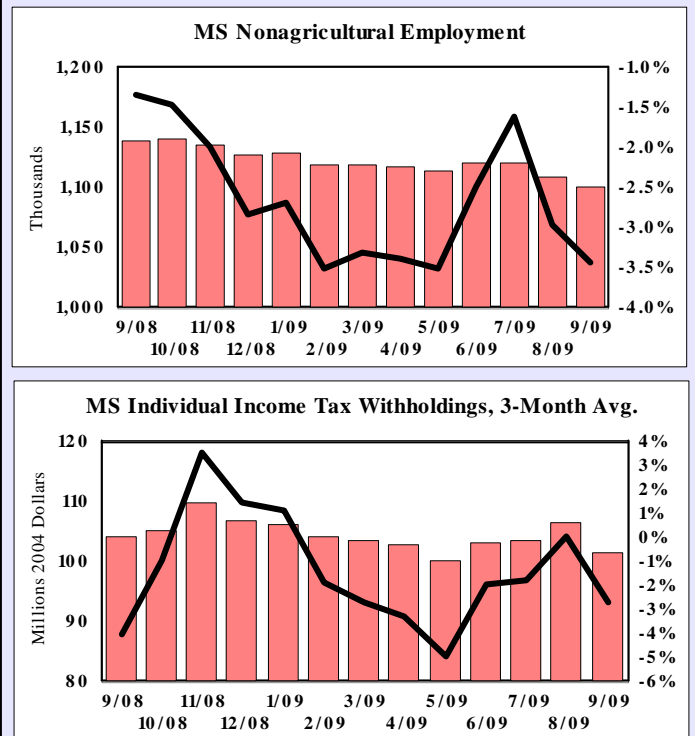
It was recently announced that real GDP grew 3.5 percent in the third quarter, suggesting the recession may have ended in June. Judging from the Mississippi Coincident Index, this is probably not the case for the state.

After adjusting for seasonality, the Mississippi individual income tax withholdings fell 4.6 percent for the three months ending in September relative to the three months ending in August. This ended a trend of monthly gains which had lasted three months.

After adjusting for seasonality, Mississippi nonfarm employment fell 0.8 percent or 8,358 jobs in September relative to August. Since December 2007, the state has lost almost 60,000 jobs. There is some indication the depth of the downturn is moderating. Mississippi employment fell 2.7 percent in the third quarter relative to the year ago. This figure was a much steeper 3.1 percent in the second quarter. Figure 3 depicts these trends along with similar trends for income tax withholdings. Both series declined in the third quarter, but the steepest declines appear to be behind us.

Additional detailed employment data appear in table 1 and figure 4. One trend of interest is the four month rise in manufacturing employment. This follows an almost steady decline in manufacturing employment dating back to 2006. In fact before turning upward, manufacturing employment had declined in 30 of the last 34 months.

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:

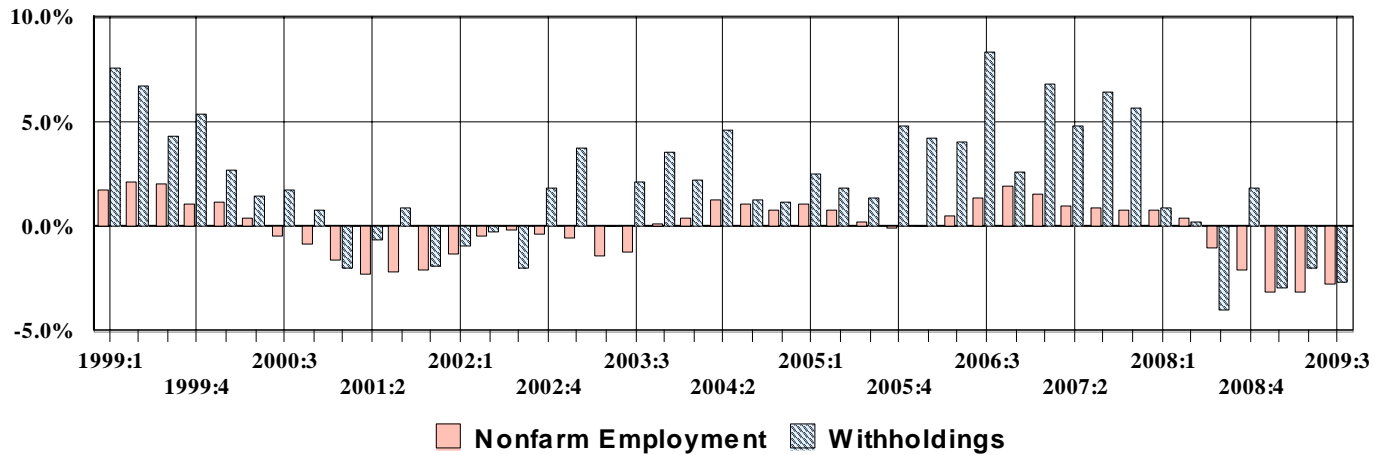
Mississippi Department of Employment Security
Mississippi State Tax Commission

Leading Indicators

The Mississippi Index of Leading Economic Indicators was 100.8 in September, up 3.0 percent from August. The increase regains ground lost in the declines that occurred in July and August. Three out of five components contributed to the monthly gain.

The largest contributor to the September increase was the 8.5 point gain in the U.S. Index of Consumer Expectations. The increase is surprising given the consumer's weak position. An improved stock market and increased talk of recovery probably fueled the increase. Expectations have since moderated, but have not eliminated all of the gain. Historically speaking, the index remains at a low level, despite the increase, suggesting a relatively pessimistic consumer.

Figure 3. MS Nonfarm Employment And Income Tax Withholdings Growth Over Prior Year, by Quarter



The second largest contributor to the September index gain was a 31.9 percent gain in the value of residential building permits issued. The series spiked in June and declined in July and August. The September gain is encouraging. Nationally the housing industry appears to be stabilizing. The expanded tax credit for home buyers will probably pull some sales forward and help boost the industry.

The Institute for Supply Management (ISM) Index of U.S. Manufacturing Activity rose a substantial 3.1 points

to 55.7 in October. The index has been above 50 for three consecutive months, indicating the industry is expanding. The index has increased on the strength of both employment and production indicators. The index is pointing toward continued expansion for manufacturing in the coming months.

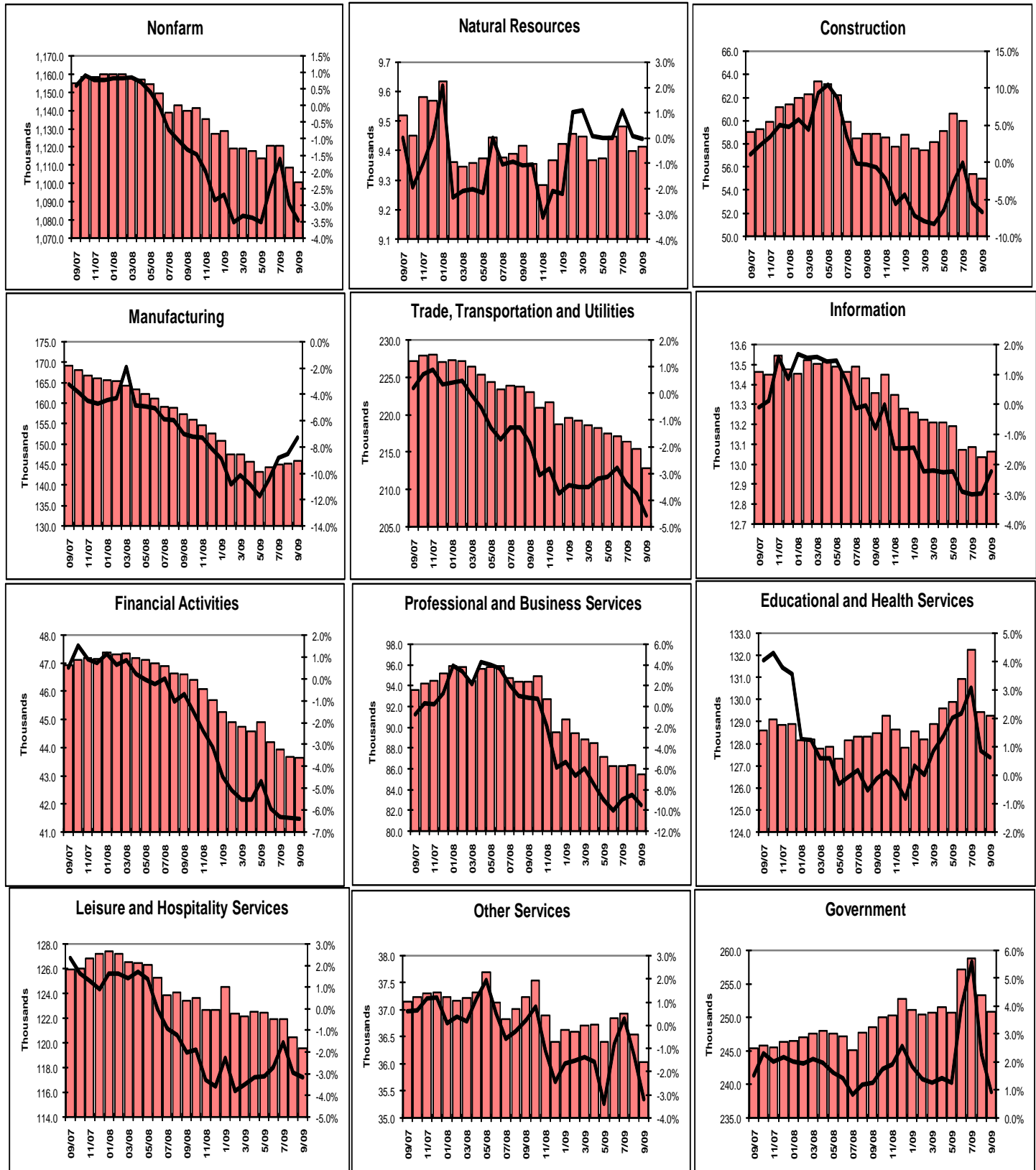
Mississippi manufacturing workweek length decreased to 40.4 hours in September relative to August. The decline was small.

Table 1. Mississippi Employment By Sector
Seasonally Adjusted

	September 2009	August 2009	September 2008	Change from Prior Month Jobs	%	Change from Prior Year Jobs	%
Nonfarm	1,100,435	1,108,793	1,139,755	-8,358	-0.8%	-39,320	-3.4%
Natural Resources	9,415	9,399	9,417	16	0.2%	-3	0.0%
Construction	55,022	55,368	58,889	-346	-0.6%	-3,867	-6.6%
Manufacturing	145,817	145,188	157,239	629	0.4%	-11,422	-7.3%
Trade, Transportation and Utilities	212,855	215,465	222,987	-2,609	-1.2%	-10,131	-4.5%
Retail	134,842	136,814	138,799	-1,972	-1.4%	-3,957	-2.9%
Information	13,062	13,037	13,359	26	0.2%	-297	-2.2%
Financial Activities	43,630	43,674	46,611	-43	-0.1%	-2,980	-6.4%
Services	370,308	372,777	383,518	-2,469	-0.7%	-13,210	-3.4%
Professional and Business Services	85,457	86,337	94,409	-880	-1.0%	-8,952	-9.5%
Education and Health Services	129,277	129,425	128,462	-149	-0.1%	814	0.6%
Leisure and Hospitality	119,539	120,480	123,415	-942	-0.8%	-3,877	-3.1%
Other Services	36,036	36,535	37,231	-499	-1.4%	-1,196	-3.2%
Total Government	250,894	253,323	248,512	-2,429	-1.0%	2,382	1.0%
Federal Government	26,178	26,215	26,568	-37	-0.1%	-390	-1.5%
State Government	62,200	62,590	61,033	-390	-0.6%	1,167	1.9%
Local Government	162,039	164,265	160,335	-2,226	-1.4%	1,704	1.1%

Continued on page 5

Figure 4. Mississippi Employment Trends

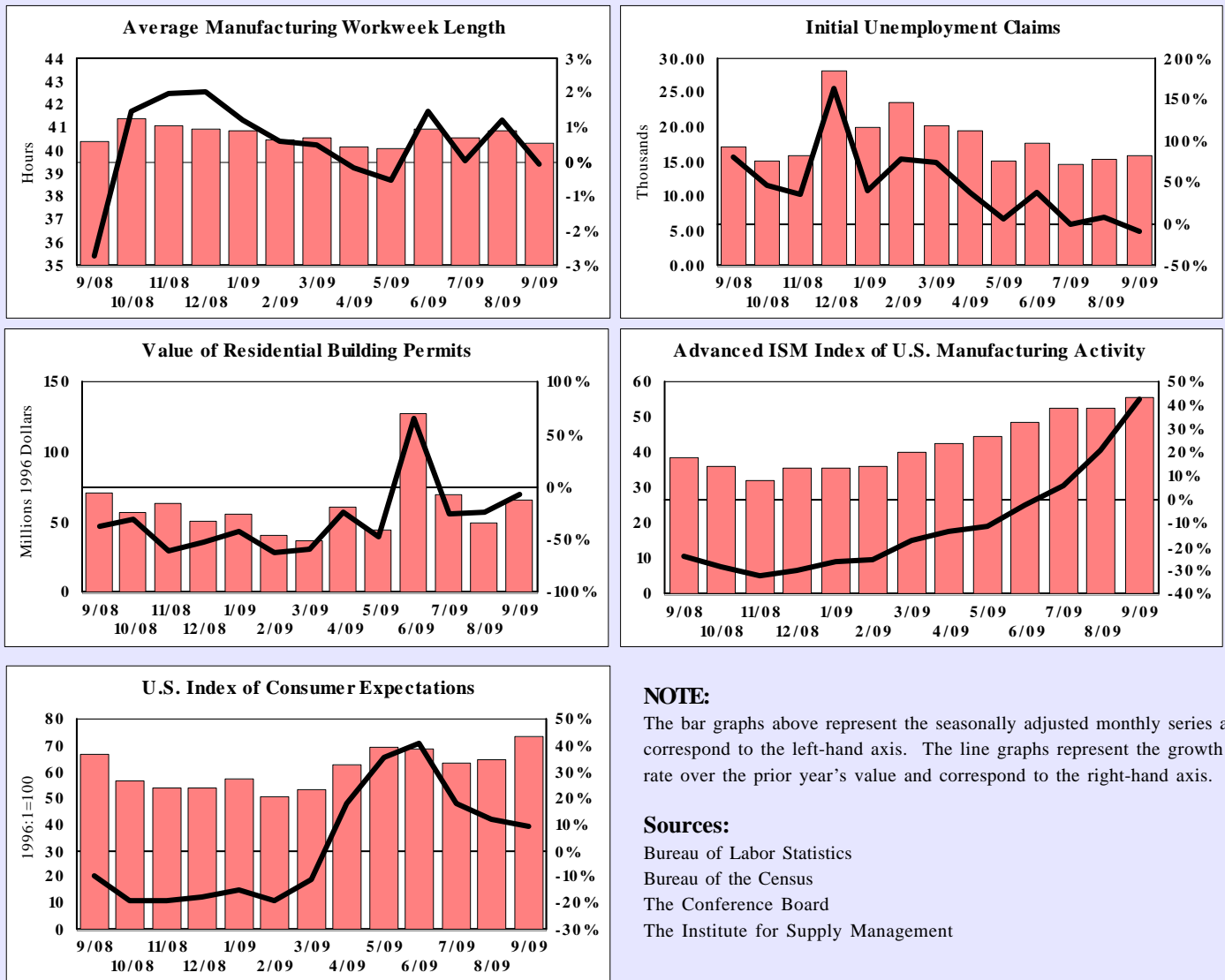


Note: The Bar Graphs above represent seasonally adjusted monthly employment and correspond to the left-hand axis.

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.

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

Mississippi initial unemployment claims rose 3.1 percent in September relative to August. The increase reminds us any recovery that might be taking place has not included jobs. This was the second consecutive increase in unemployment claims.

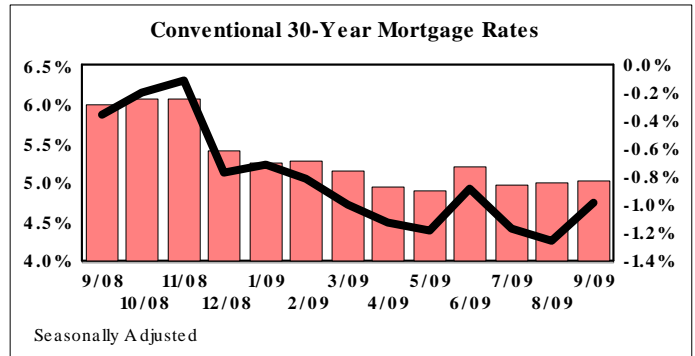
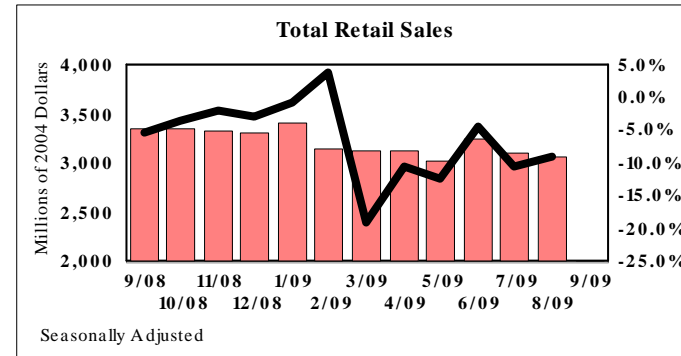
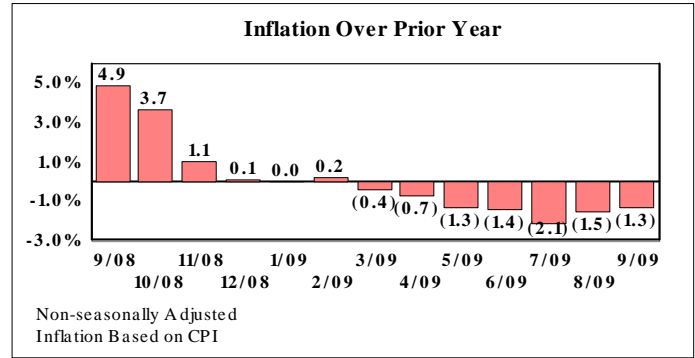
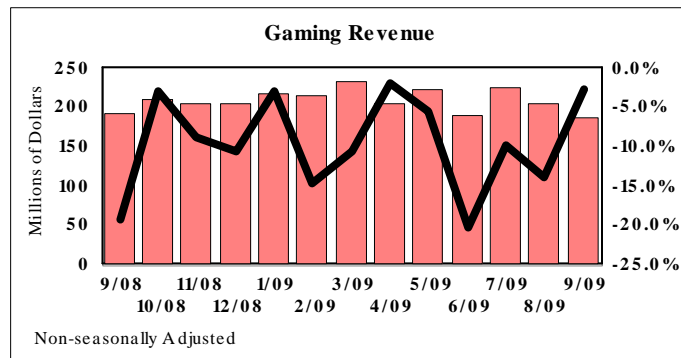
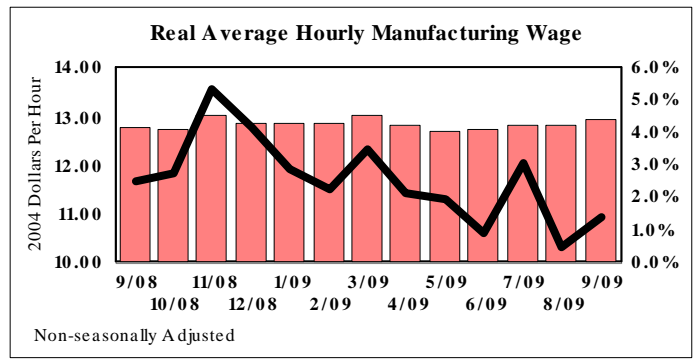
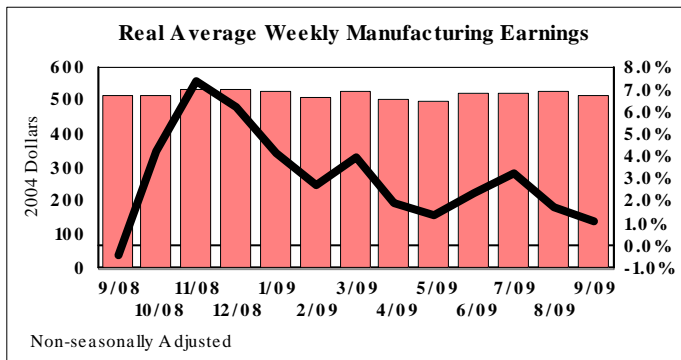
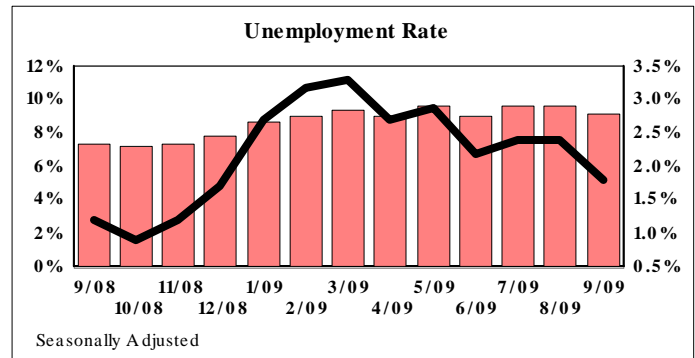
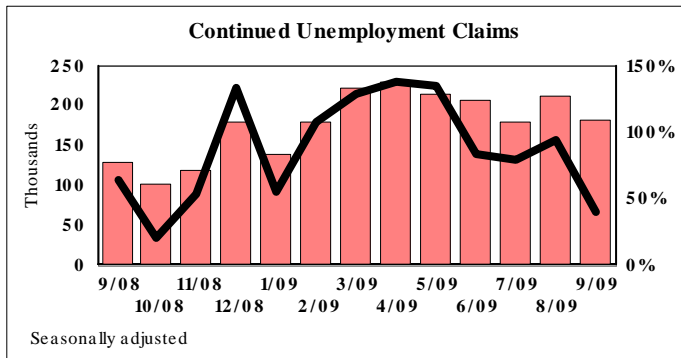
U.S. Economy

The U.S. Index of Coincident Indicators was unchanged in September following small increases in July and August. The index was down an annualized 2.2 percent from the prior six month level. This is a moderation of the decline observed in August. The Index of Leading Indicators continued to increase in September. The Leading Index has now increased for six consecutive

months, fueling the idea that the recession has bottomed and that conditions will improve in the near term.

It was recently announced that real Gross Domestic Product (GDP) rose 3.5 percent in the third quarter. The expansion was helped by the Cash-For-Clunkers program which likely brought sales forward. There will then be a payback in the fourth quarter in terms of growth. Given the continued tight credit markets, the depth of the recession and the cautious consumer and business leader, the outlook is that this recovery will be exceedingly slow.

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

	September 2009	August 2009	August 2008	Percent Change From Last Month Last Year	
Coincident Indicator Index (2004=100)	99.8	101.3	103.2	-1.5%	-3.3%
Nonagricultural Employment (thousands)	1,100.4	1,108.8	1,139.8	-0.8%	-3.4%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	101.5	106.4	104.3	-4.6%	-2.7%
Leading Indicator Index (2004=100)	100.8	97.9	92.3	3.0%	9.2%
Initial Unemployment Claims	15,910	15,430	17,362	3.1%	-8.4%
Value of Residential Building Permits (millions of 2004 \$)	66.3	50.2	71.7	31.9%	-7.5%
Average Manufacturing Workweek Length (hours)	40.4	40.9	40.4	-1.2%	-0.1%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the October index is reported for September.	55.7	52.6	38.9	5.9%	43.2%
U.S. Index of Consumer Expectations	73.5	65.0	67.2	13.1%	9.4%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	114.3	114.3	115.8	0.1%	-1.3%
Unemployment Rate (percentage)					
Non-seasonally adjusted	8.8%	9.5%	7.1%	-0.7%	1.7%
Seasonally adjusted	9.2%	9.7%	7.4%	-0.5%	1.8%
Continued Unemployment Claims	183,185	212,454	131,024	-13.8%	39.8%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.81	14.65	14.80	1.1%	0.1%
2004 Dollars per Hour	12.95	12.82	12.78	1.0%	1.4%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	596.84	609.44	597.92	-2.1%	-0.2%
2004 Dollars	521.99	533.34	516.21	-2.1%	1.1%
U.S. Mortgage Rates (30-year conventional)	5.0%	5.0%	6.0%	0.0%	-1.0%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	85.3	95.9	84.7	-11.0%	0.7%
River counties (millions of current \$)	101.5	109.4	107.5	-7.2%	-5.6%
Total	186.8	205.3	192.2	-9.0%	-2.8%
	August 2009	July 2009	August 2008	Percent Change From Last Month Last Year	
Total Retail Sales (Millions of 2004 \$)	3,079.00	3,113.23	3,385.66	-1.1%	-9.1%

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