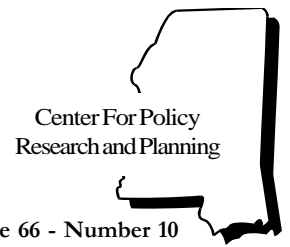


MISSISSIPPI'S BUSINESS



December 2008

Monitoring the State's Economy

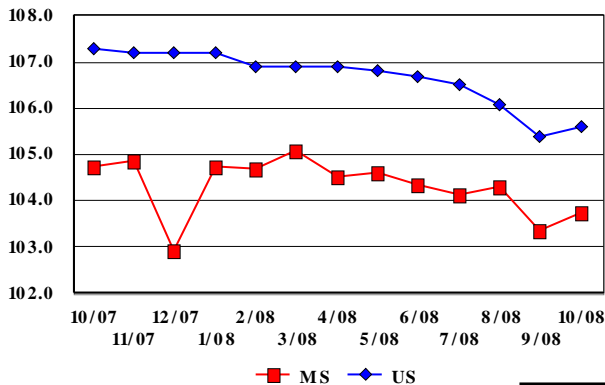
Volume 66 - Number 10

ECONOMY AT A GLANCE

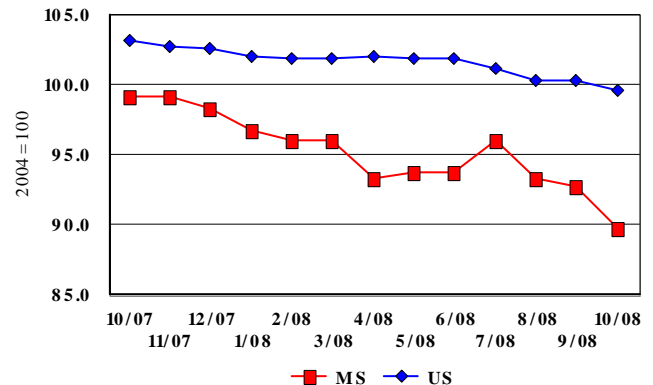
The Mississippi Index of Coincident Indicators increased slightly in October relative to September. Employment levels continued to decline in October, while incomes, as indicated by withholdings data, remained stable. The Mississippi Index of Leading Indicators fell sharply in October, relative to September. Much of the decline can be traced to deteriorating national trends in manufacturing activity and consumer expectations. The state's weakening housing market also contributed to the decline. Mississippi manufacturers are working longer hours. Usually this is an encouraging sign for the economy, but with the negative tone of the rest of the news one eyes this trend with suspicion. Taken together, the indices continue to show a weakening state economy.

The Nation officially went into a recession in December 2007. Experts expect this recession to be deeper and longer lasting than any since World War II. Recovery is not expected until the second half of 2009 and will likely be sluggish. Christmas sales are expected to be slow as consumers face declining wealth and higher joblessness. Declining oil prices are offering some encouraging news, and along with a slowing economy could lead to deflation.

Index of Coincident Indicators



Index of Leading Indicators



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In This Issue

Economy at a Glance 1

Visit us on the web

<http://www.ihl.state.ms.us/urc/planning/econdept.htm>

The last twelve issues of Mississippi Business are available on our web site. On this web site you will also find copies of some of our other publications, including *Population Projections*, *Mississippi Economic Review and Outlook*, and *The Handbook of Selected Data*. You will also find links to other useful data sources.

Coincident Index

The Mississippi Index of Coincident Economic Indicators managed a slight monthly gain of 0.4 percent, reaching a level of 103.7. The index has declined in five out of the ten months of 2008, leaving the October index 1.0 percent below the January level. The index continues to show weakness in the state's economy particularly in the area of jobs.

Mississippi nonfarm employment fell 0.1 percent in October relative to September. The monthly decline was small, only 975 jobs. But the decline continues a downward trend that has occurred throughout most of 2008. Between January and October the state lost 17,000 jobs or 1.5 percent. Mississippi employment reached its historical peak in January and in fact, is the only month where employment has exceeded the state's previous peak which occurred in May 2000. The figure on the bottom of page 3 shows the change in employment between January and October by sector. Manufacturing accounted for the largest portion of the lost jobs. Large declines also occurred in leisure and hospitality and government. The only sectors gaining employment were education and health services and professional and business services.

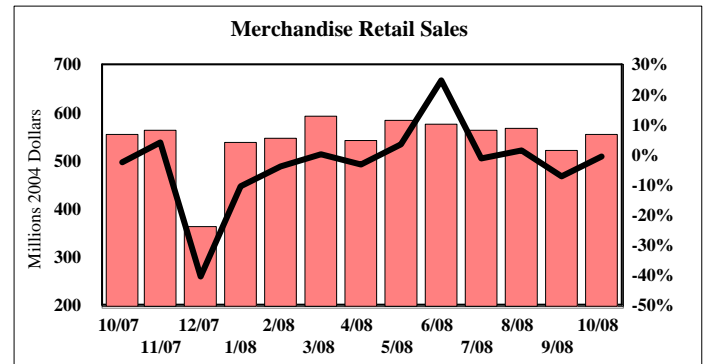
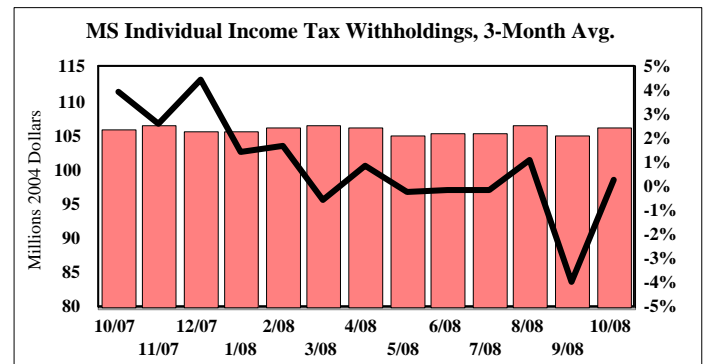
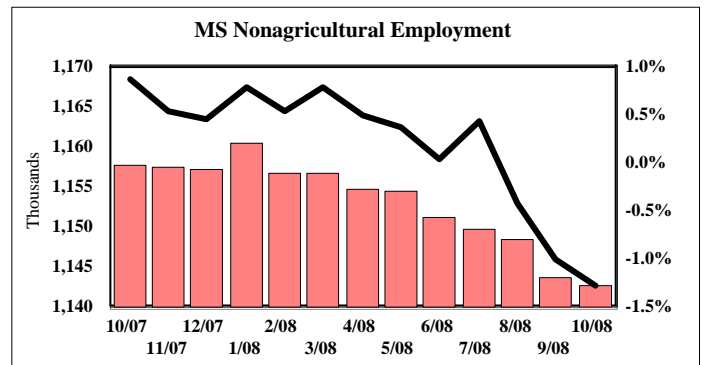
The three-month moving average in Mississippi individual income tax withholdings gained 1.1 percent in October relative to September. The change is modest. This series has been fairly flat after sharply increasing following Katrina. In fact, withholding levels have remained steady despite substantial employment declines in 2008.

Mississippi's inflation adjusted merchandise retail sales were up 6.1 percent in October over September. However, this series has trended downward in 2008. Comparing the first ten months of 2008 to 2007 shows a slight decline in sales (0.1 percent). Early indications are that consumer spending will be slow this Christmas season.

Leading Indicators

The Mississippi Index of Leading Economic Indicators was 89.8 in October, a sharp 3.2 percent decline from the September level which was also revised down. The October index was the lowest since March 2003. It

Mississippi Index of Coincident Indicator Components



NOTE:

The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graphs represents the growth rate over the prior year's value and correspond to the right-hand axis.

SOURCES:

Mississippi Employment Security Commission.
Mississippi State Tax Commission.

was 9.5 percent below the year ago level. Three out of five components supported the monthly decline.

The strongest contributor to the October decline in the leading index was the 10.2 point drop in the U.S. Index of Consumer Expectations. Falling gasoline prices were not enough to offset the negative news in the financial sector.

Mississippi Employment By Sector Seasonally Adjusted

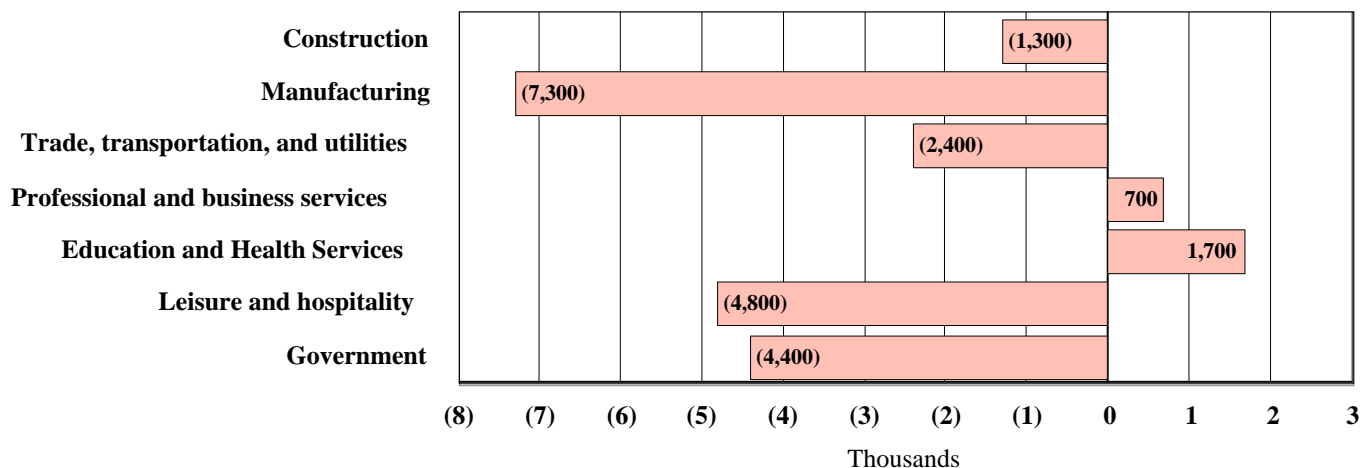
	October 2008	September 2008	October 2007	Change from Prior Month		Change from Prior Year	
				Jobs	%	Jobs	%
Nonfarm	1,142,687	1,143,662	1,157,550	-975	-0.1%	-14,863	-1.3%
Natural Resources	9,917	9,859	9,518	57	0.6%	398	4.2%
Construction	57,983	57,437	58,247	546	1.0%	-264	-0.5%
Manufacturing	161,303	162,833	168,861	-1,529	-0.9%	-7,557	-4.5%
Trade, Transportation and Utilities	225,968	227,202	228,081	-1,234	-0.5%	-2,113	-0.9%
Retail	139,610	140,711	142,181	-1,101	-0.8%	-2,571	-1.8%
Information	13,297	13,272	13,395	25	0.2%	-98	-0.7%
Financial Activities	46,949	46,879	46,717	70	0.1%	232	0.5%
Services	384,059	383,703	387,451	357	0.1%	-3,392	-0.9%
Professional and Business Services	95,594	95,486	96,189	107	0.1%	-595	-0.6%
Education and Health Services	128,507	127,906	126,672	600	0.5%	1,835	1.4%
Leisure and Hospitality	121,905	122,503	127,466	-598	-0.5%	-5,560	-4.4%
Other Services	38,053	37,807	37,124	247	0.7%	929	2.5%
Total Government	242,822	241,930	244,932	892	0.4%	-2,110	-0.9%
Federal Government	26,181	25,983	25,861	198	0.8%	321	1.2%
State Government	59,338	58,992	59,303	346	0.6%	35	0.1%
Local Government	157,080	156,430	159,534	650	0.4%	-2,454	-1.5%

Consumers were increasingly worried about their jobs and falling wealth associated with housing and the stock market.

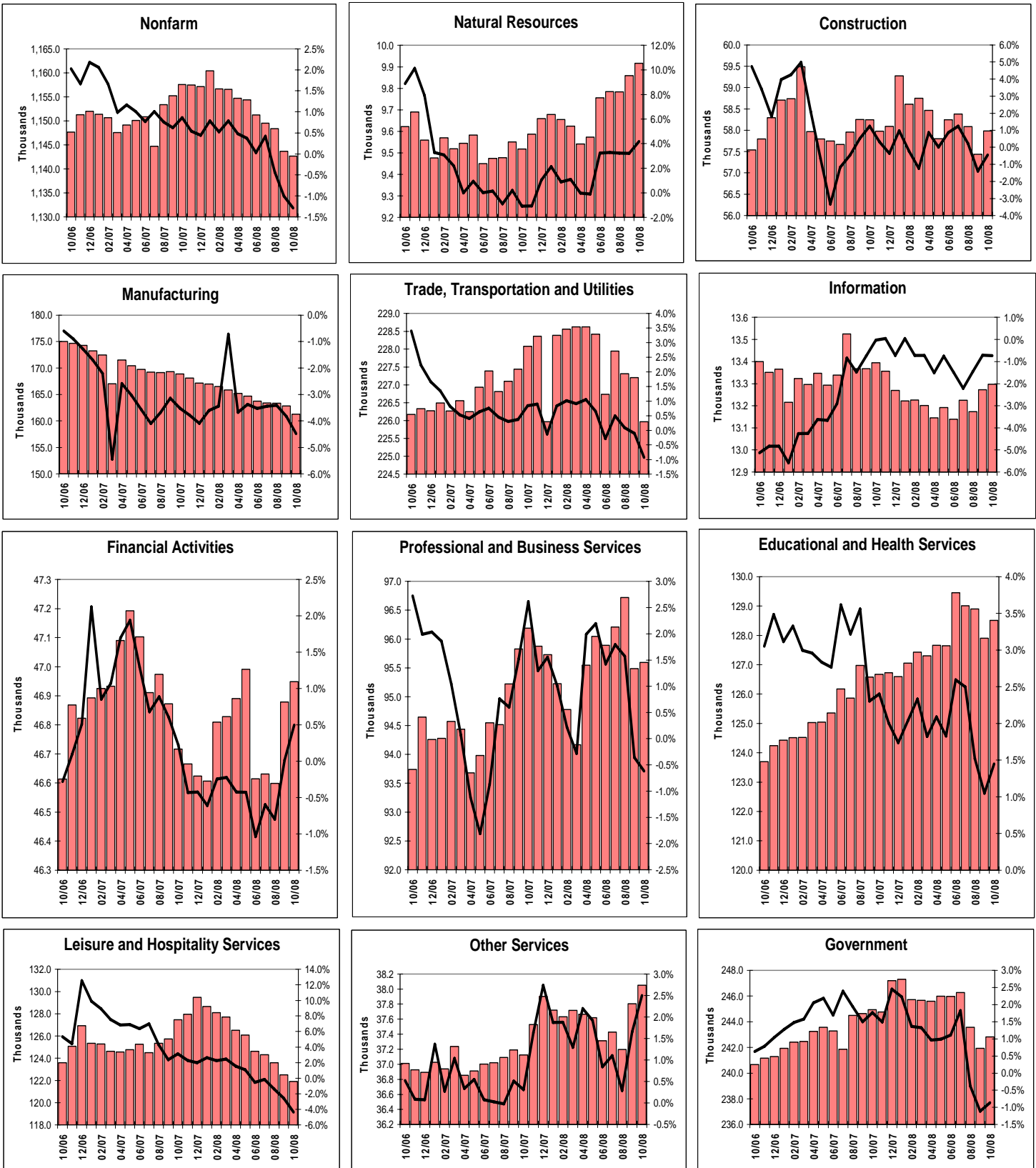
The Institute for Supply Management Index of U.S. Manufacturing Activity (ISM) fell another 2.7 points in November relative to October. (The November ISM is used in the October Mississippi Index of Leading Eco-

nomics Indicators). The ISM index is in a tailspin falling 13.8 points over the past year to levels not seen since the early 1980s. The Index suggests that manufacturing is in a deep contraction phase. New orders are in decline. Inventories are falling and restocking is not a priority as producers face tough credit conditions and an uncertain outlook.

Mississippi Nonfarm Employment Change by Major Sector January - October 2008



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 Mississippi value of residential building permits fell a strong 19.8 percent in October relative to September. The October value of permits was the lowest since December 1995 with the exception of September 2001 when terrorist attacked the United States. Through most of 2008, this series has been between 30 and 50 percent below the prior year's level.

Not all the news was negative in October. The Mississippi initial unemployment claims fell 10.9 percent in October from the September level. The decline erased part of the sharp increase which had occurred in September. The series remains elevated. Continued claims fell sharply as well as did the unemployment rate. The unemployment rate fell to 7.2 percent after adjusting for seasonality. This was the lowest level since June 2008.

Also contributing positively to the October leading index was an increase in the average manufacturing workweek length in Mississippi. The workweek length increased to 41.3 hours in October. The revised series shows the workweek length has not declined since April. Historically, a rising workweek length has been indicated future hires in the manufacturing industry. Currently, the national data suggest the industry is in steep decline. It may be that, in light of the dismal economic outlook, Mississippi manufacturers are resisting new hires despite production demand. In other words, Mississippi manufacturers may be attempting to get by with the workers they have to meet existing contracts.

U.S. Economy

The U.S. Index of Coincident Indicators increased 0.2 percent in October over November. The increase followed five consecutive declines. The U.S. Index of Leading Indicators fell a sharp 0.8 percent. Declining stock prices, building permits and consumer expectations drove the decline. The annualized six-month growth rate was a negative 4.7 percent. The deterioration of the indices suggest further contraction in the National economy.

Consumers are scaling back purchases. Real consumption declined an annual 3.7 percent in the third quarter over the second. Steeper declines are expected in the

fourth quarter. The International Council of Shopping Centers reports chain store sales increased 0.6 percent in the week ending December 13, only partially offsetting the 0.8 percent decline the previous week. Compared to the year ago, chain store sales were down 0.4 percent for the week.

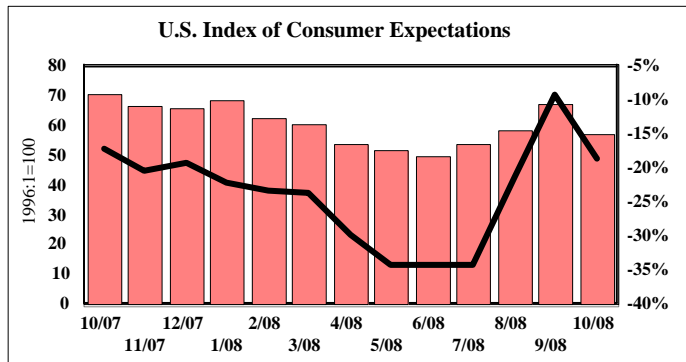
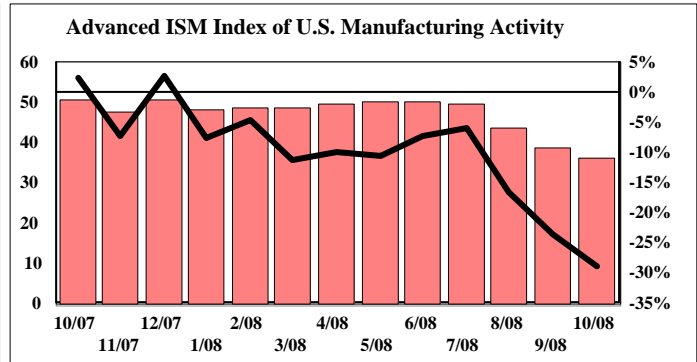
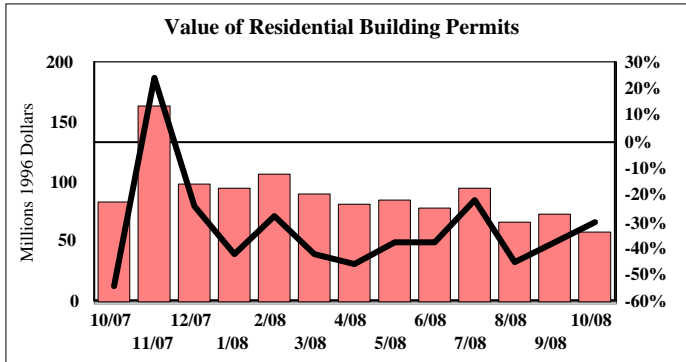
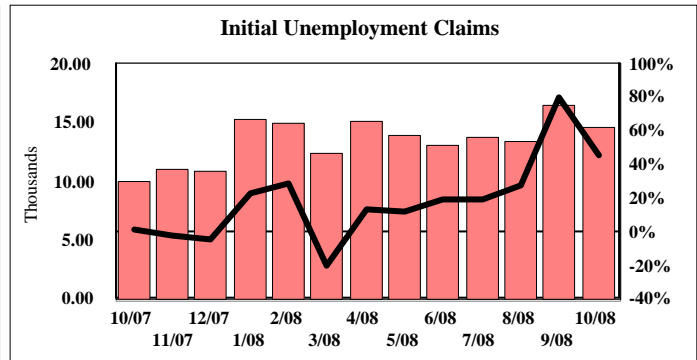
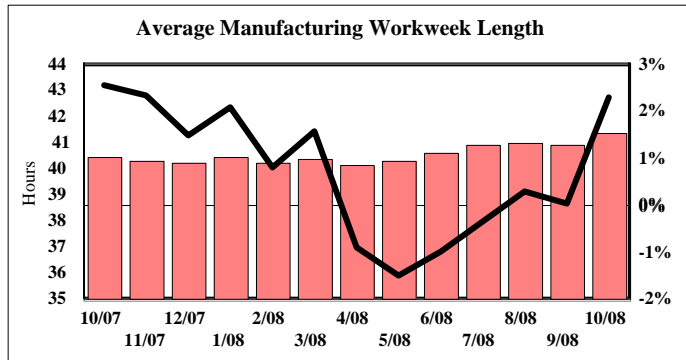
Declining oil prices are expected to help stabilize consumer spending. Prices dropped below \$40 in December. Global Insight, a national forecasting agency, compares the decline of oil prices from the third quarter peak to a \$230 billion tax cut.

Lower oil prices has a dampening effect on inflation. This is good in the short run since it boost purchasing power and consumer confidence. But these days it seems every silver lining has a dark cloud. In this case, some experts are concerned that the lower prices could lead to deflation which is the opposite of inflation. The danger of deflation is that consumers hold off on purchases in anticipation of even lower prices. This leads to lower production, which in turn leads to declining income and a downward spiral occurs. In the 1990s, Japan found that once deflation sets in, it can be more difficult to get rid of than inflation

Just a few months ago, we pointed to export growth as a possible support for the National economy. This bright light appears to be dimming. The global economy is cooling and now the outlook is for declining exports in 2009.

The National Bureau of Economic Research has announced the Nation officially went into a recession in December 2007. Experts are increasingly saying that in terms of length and depth, this recession will be the worst in the post WWII period. Real gross domestic Product (GDP) is expected to decline through the first half of 2009 and to grow sluggishly once the recovery begins. A large stimulus package is being discussed. It is expected to increase infrastructure investment, aid to state and local governments and employment benefits as well as provide tax relief to the "middle class".

Mississippi Index of Leading Indicator Components



NOTE:
The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graph represents the growth rate over the prior year's value and corresponds to the right-hand axis.

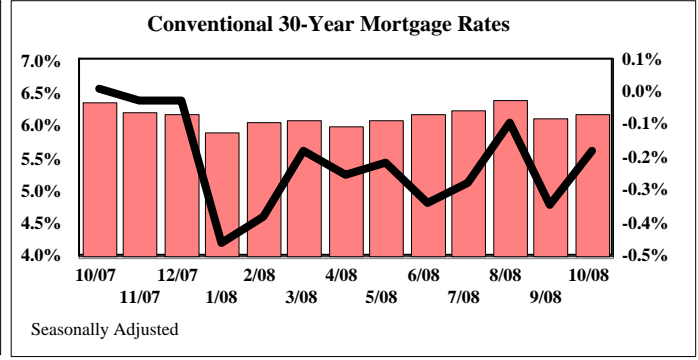
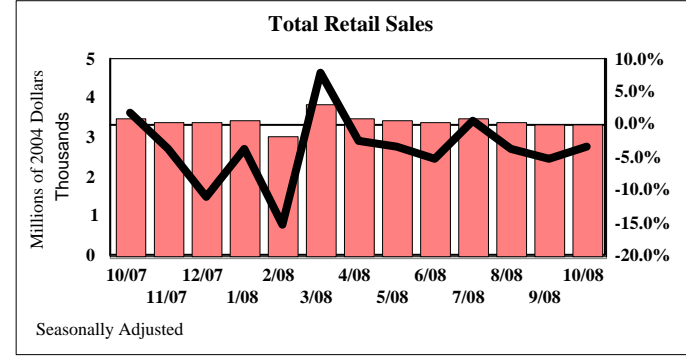
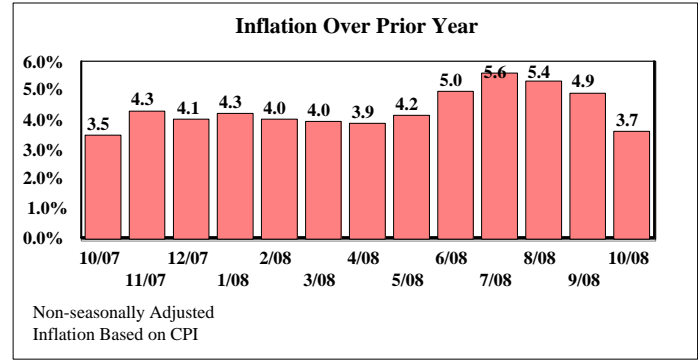
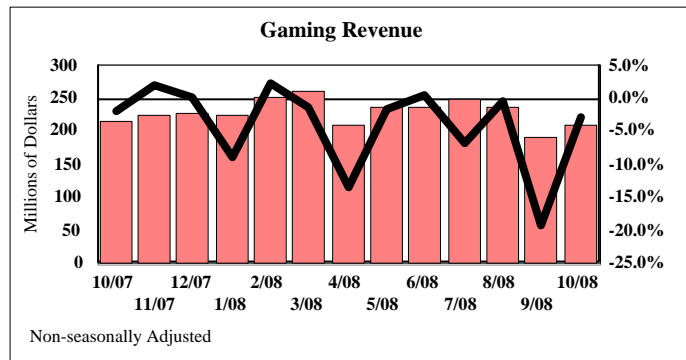
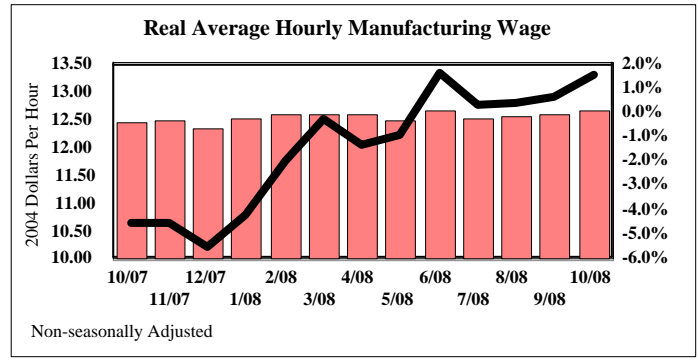
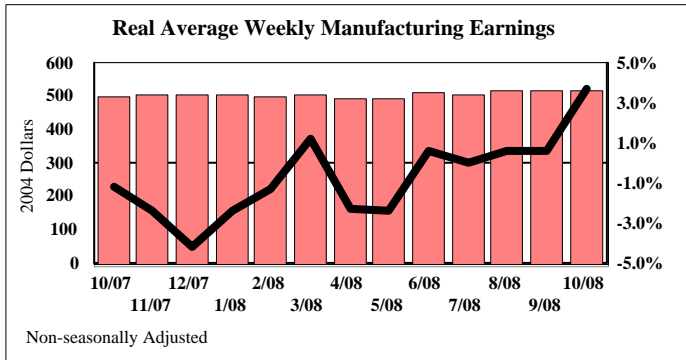
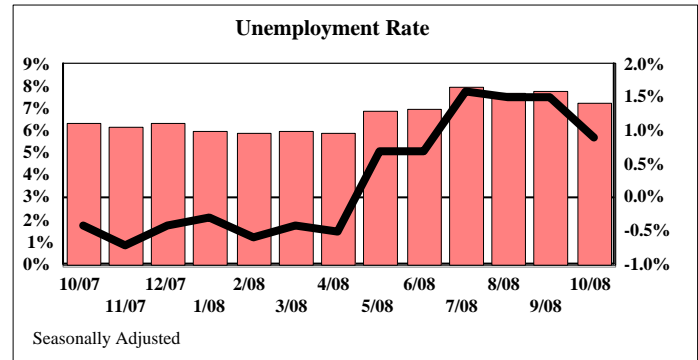
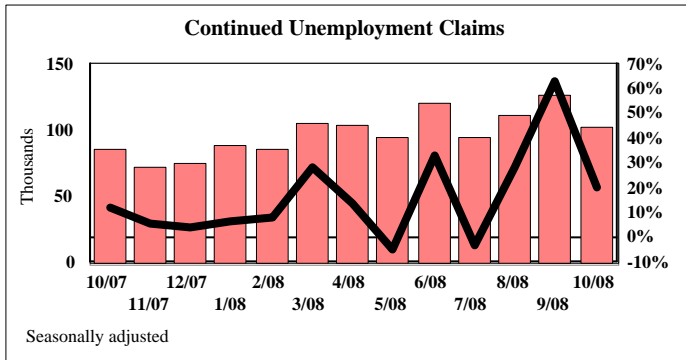
SOURCES:
Bureau of Labor Statistics.
Bureau of the Census.
The Conference Board.
The Institute for Supply Management.

Quips and Quotes:

“I am indeed rich, since my income is superior to my expense, and my expense equal to my wishes.”

-- Edward Gibbon

Miscellaneous Economic Indicators



NOTE:

The bar graphs above represent the monthly series and correspond to the left-hand axis. The line graphs represents 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

	October 2008	September 2008	October 2006	Percent Change From Last Month Last Year	
Coincident Indicator Index (2004=100)	103.7	103.4	104.8	0.4%	-1.0%
Nonagricultural Employment (thousands)	1,142.7	1,143.7	1,157.6	-0.1%	-1.3%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	106.1	105.0	105.8	1.1%	0.3%
Merchandise Retail Sales (millions of 2004 \$)	554.4	522.5	557.2	6.1%	-0.5%
Leading Indicator Index (2004=100)	89.8	92.7	99.2	-3.2%	-9.5%
Initial Unemployment Claims	14,643	16,438	10,024	-10.9%	46.1%
Value of Residential Building Permits (millions of 2004 \$)	58.2	72.3	83.5	-19.6%	-30.3%
Average Manufacturing Workweek Length (hours)	41.3	40.9	40.4	1.0%	2.3%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the November index is reported for October.	36.2	38.9	50.8	-6.9%	-28.7%
U.S. Index of Consumer Expectations	57.0	67.2	70.1	-15.2%	-18.7%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	114.7	115.8	110.6	-1.0%	3.7%
Unemployment Rate (percentage)					
Non-seasonally adjusted	6.9%	7.5%	5.9%	-0.6%	1.0%
Seasonally adjusted	7.2%	7.8%	6.3%	-0.6%	0.9%
Continued Unemployment Claims	102,387	126,178	85,344	-18.9%	20.0%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.49	14.57	13.77	-0.5%	5.2%
2004 Dollars per Hour	12.64	12.58	12.45	0.5%	1.5%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	595.54	600.28	553.55	-0.8%	7.6%
2004 Dollars	519.40	518.24	500.42	0.2%	3.8%
U.S. Mortgage Rates (30-year conventional)	6.2%	6.1%	6.3%	0.1%	-0.2%
Total Retail Sales Millions of 2004 Dollars	3,362.17	3,348.45	3,479.49	0.4%	-3.4%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	96.9	84.7	96.9	14.4%	-0.0%
River counties (millions of current \$)	114.3	107.5	120.3	6.3%	-5.0%
Total	211.1	192.2	217.2	9.8%	-2.8%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.