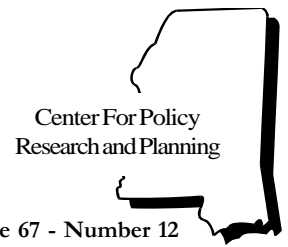


Mississippi's Business



December 2009

Monitoring the State's Economy

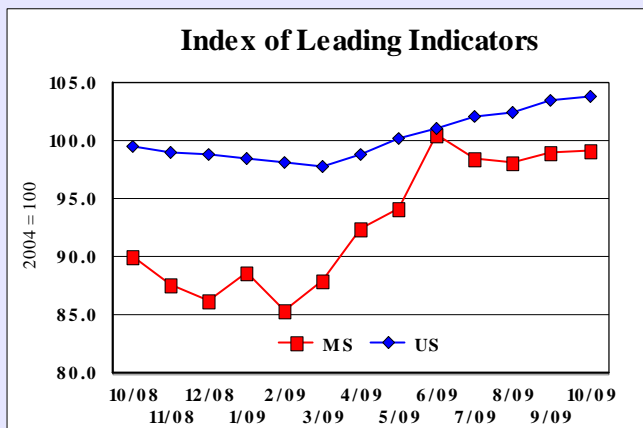
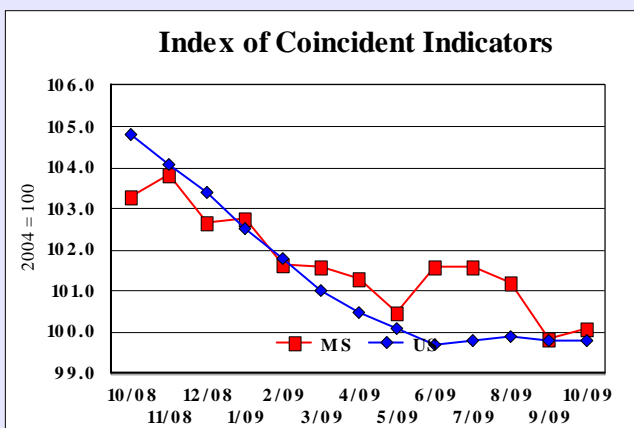
Volume 67 - Number 12

ECONOMY AT A GLANCE

Both the Mississippi Index of Coincident Indicators and the Mississippi Index of Leading Indicators rose in October relative to September. In both cases, the increase was modest. Digging into the details show the economic data is mixed. Recent Mississippi employment data show an increase in most sectors. But this may reflect problems with adjusting for seasonality rather than an expanding employment base. On the other hand the national employment figures are starting to look much less negative and initial unemployment claims for Mississippi have fallen in recent months, suggesting the employment outlook might actually be improving. Withholdings continue to show a downward trend and retail sales are anemic. The GDP figures for the third quarter were revised downward and some expect further downward revisions. The national housing sector has shown some positive trends in recent months. Manufacturing activity remains positive, although it did moderate in October. Early indications are that the Christmas shopping will not be strong.

Such a diversity of signals is expected as an economy slowly begins to recover from a deep recession. The economy clearly remains weak and is vulnerable to further shocks. Consumers, in particular remain fearful, of the future. This is not helped by the uncertainty surrounding large ticket legislation such as cap and trade and health care reform. The mounting debt levels and the certainty of rising taxes have both consumers and business leaders hesitant to spend. The new found fiscal restraint may not help our measures of economic activity, but, after years of living off of credit, may be the best course of action for consumers, business leaders and the long-run health of the economy.

Figure 1. Index of Leading and Coincident Indicators



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Coincident Index

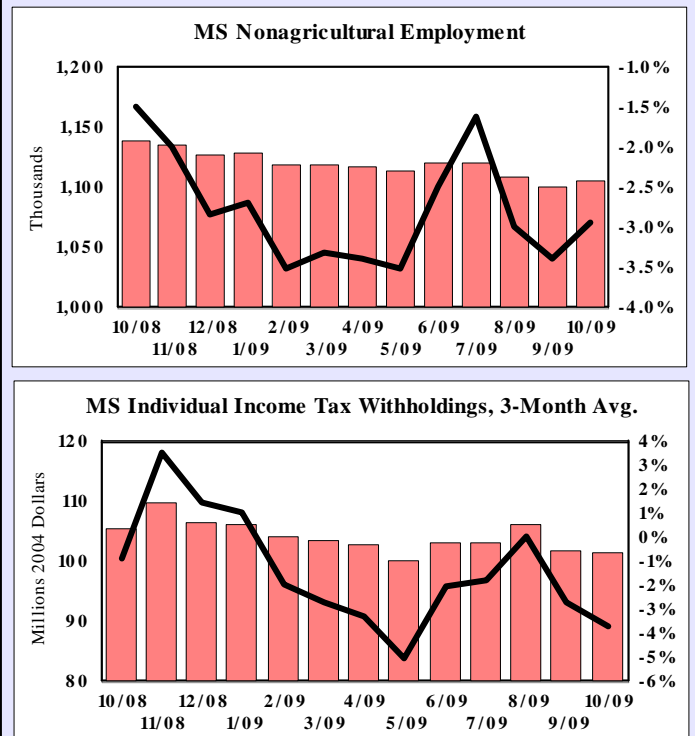
The Mississippi Index of Coincident Economic Indicators rose 0.2 percent in October to a level of 100.1. The increase was not enough to offset the declines in the previous two months. The October index was an annualized 2.4 percent below the level six months prior. The six-month growth rate has been negative since May 2008. The two components split in terms of their contribution to the October Index with nonagricultural employment rising and individual income tax withholdings falling.

Nonagricultural employment rose 0.4 percent or 3,890 jobs in October over September. Gains relative the prior month occurred in every sector except construction, manufacturing and financial activities. Manufacturing, which rose for the previous four months had a negligible decline of 25 jobs. The nearly across the board increase in employment is surprising. The gains can be explained in part by the seasonally adjustment procedure. In some sectors, actual employment declined but not as much as is usual for the month of October. The leisure and hospitality industry is one example. The seasonally adjusted series shows a 950 job increase for the month while the nonseasonally adjusted series fell 1,200 jobs. For the previous two years, the October decline was over twice that amount. Without the usual build up that occurs in the summer months it was not necessary for this sector to make as deep of cuts as is typical for October.

The current data show the State has lost an average of 3.0 percent or 34,000 jobs in 2009 relative to 2008, these data are subject to revisions. The decline is likely to be revised downward rather than upward since we tend to overestimate in declines and underestimate in expansions. For further employment trends see page 4.

In the three months ending in October, Mississippi Individual Income Tax Withholdings was 0.3 percent below the level for the three months ending in September. This series has decline for the past two months. In the first ten months of 2009, real withholdings have been 2.8 percent below the year ago, comparable to the decline in employment.

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

The retail sales level is not a component of the coincident index, but does show something about the current economy. Inflation adjusted retail sales for the third quarter of 2009 were down 9.9 percent from the prior year. For the first nine months of 2009, retail sales are down 8.4 percent from the prior year. Sales rose dramatically following Katrina and has declined relative to the year ago every quarter since the fourth quarter of 2006. But the declines in recent months go well beyond a diminishing Katrina effect. The level of real retail sales in the third quarter of 2009 was 5.0 percent below the level of the third quarter of 2005, the last quarter before any Katrina effect took place. Mississippi consumers have been hit hard by this recession and have dramatically curtailed spending.

Table 1. Mississippi Employment By Sector

Seasonally Adjusted

	October	September	October	Change from		Change from	
	2009	2009	2008	Prior Month	%	Prior Year	%
Nonfarm	1,105,187	1,101,298	1,138,723	3,890	0.4%	-33,536	-2.9%
Natural Resources	9,457	9,414	9,347	43	0.5%	110	1.2%
Construction	53,353	54,909	59,045	-1,556	-2.8%	-5,692	-9.6%
Manufacturing	145,807	145,832	155,708	-25	0.0%	-9,901	-6.4%
Trade, Transportation and Utilities	213,173	213,047	220,482	126	0.1%	-7,309	-3.3%
Retail	135,164	134,746	137,597	418	0.3%	-2,433	-1.8%
Information	13,084	13,077	13,383	7	0.1%	-299	-2.2%
Financial Activities	43,385	43,549	46,363	-164	-0.4%	-2,978	-6.4%
Services	373,725	370,751	384,265	2,974	0.8%	-10,540	-2.7%
Professional and Business Services	86,050	85,375	94,606	675	0.8%	-8,556	-9.0%
Education and Health Services	131,583	130,368	128,720	1,215	0.9%	2,863	2.2%
Leisure and Hospitality	119,914	118,964	123,458	950	0.8%	-3,544	-2.9%
Other Services	36,178	36,044	37,480	134	0.4%	-1,302	-3.5%
Total Government	252,992	251,290	249,978	1,701	0.7%	3,013	1.2%
Federal Government	26,413	26,187	26,707	226	0.9%	-295	-1.1%
State Government	62,955	61,929	61,605	1,026	1.7%	1,351	2.2%
Local Government	163,141	162,671	161,233	469	0.3%	1,908	1.2%

Leading Indicators

The Mississippi Index of Leading Economic Indicators was 99.2 in October, effectively flat with September. The index has moved very little after rising sharply between March and June. Only two out of five components contributed to the monthly gain.

The largest contributor to the October increase was average Mississippi manufacturing workweek length which rose to 40.7 hours. The revised September length was 39.5. The series fell substantially in September, and the October gain did not recover all of the loss.

Initial unemployment claims fell 3.7 percent in October, suggesting a slowdown in layoffs. The series was also 4.0 percent below the year ago level. The continued claims series fell 3.7 percent in October but remained 48 percent ahead of the year ago. While layoffs are declining, new hires remain slow.

The value of Mississippi residential building permits fell 16.0 percent in October relative to September. The series had increased in September, but the October decline eliminated much of that gain. Nationally, housing

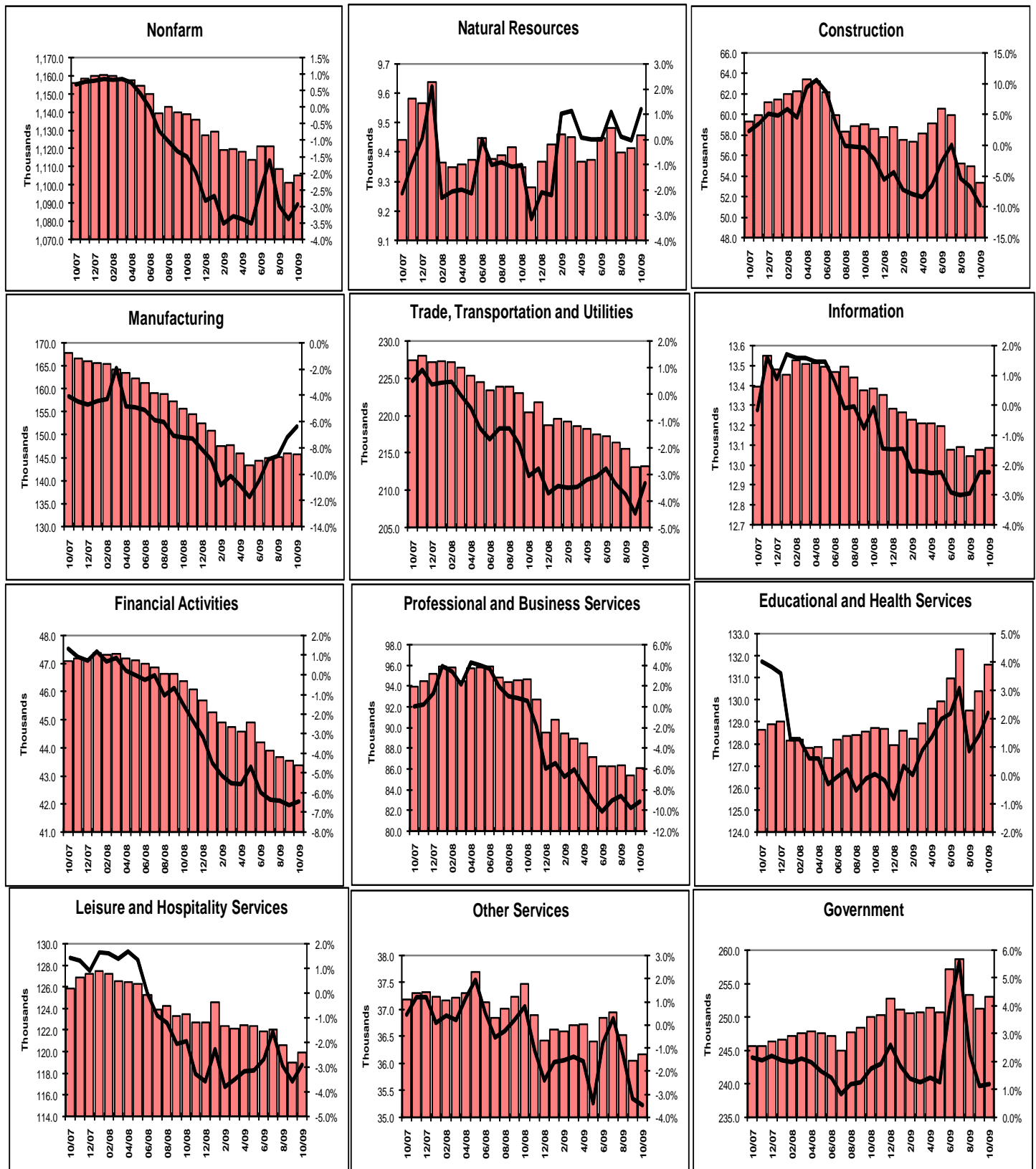
starts fell unexpectedly in October. The decline may have been due to the impending end to the first time home buyers' tax credit. Buyers may have feared that construction would not be completed before the November 30th deadline. If so, the extension and expansion of the credit should fuel growth in the coming months. The recent data on home sales (new and existing) has been positive.

The Institute for Supply Management Index for U.S. manufacturing activity, (ISM) fell to 53.6 in November. The 2.1 point decline reflects a moderation in the growth of manufacturing and not a contraction. The outlook for the manufacturing remains upbeat with industrial production expected to rise.

The U.S. Consumer Expectations Index fell 4.9 points to 68.6 in October relative to September. The index remains low historically. Concern over rising fuel prices helped drive the recent dip in expectations. Uncertainty about major legislation such as Cap and Trade and Health Care Reform is also helping to fuel uneasiness about the future.

Continued on page 5

Figure 4. Mississippi Employment Trends

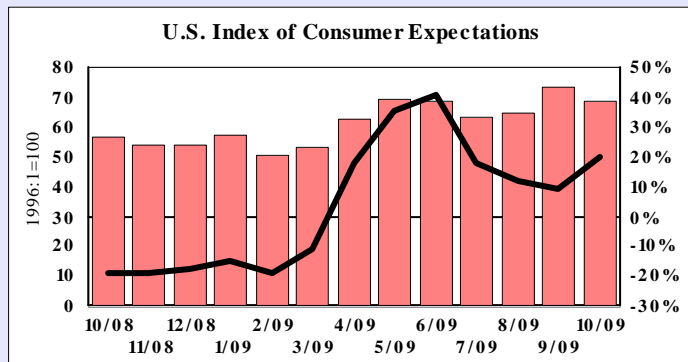
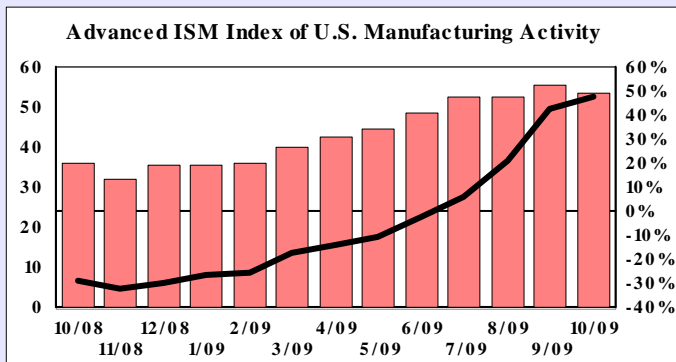
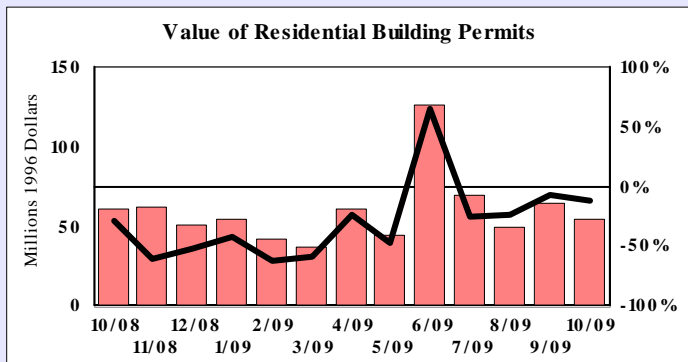
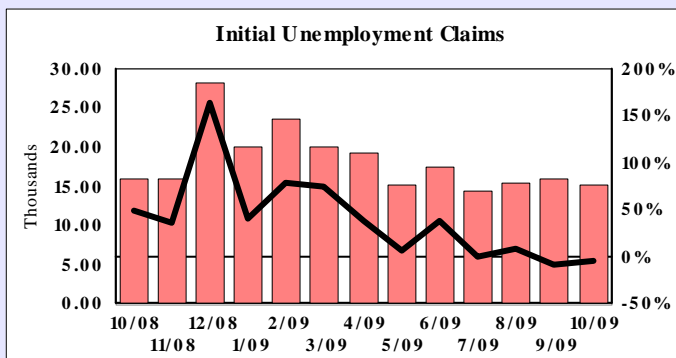
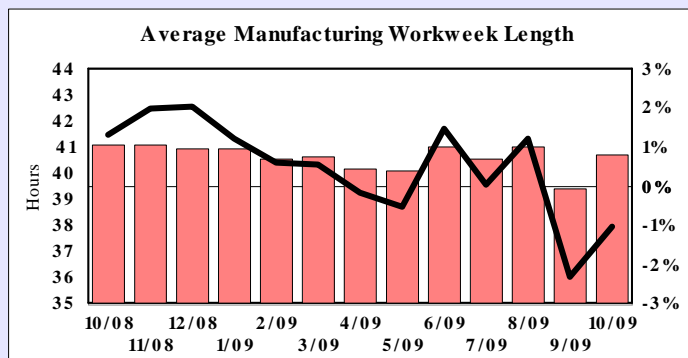


Note: The Bar Graphs above represent seasonally adjusted monthly employment and correspond to the left-hand axis.

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

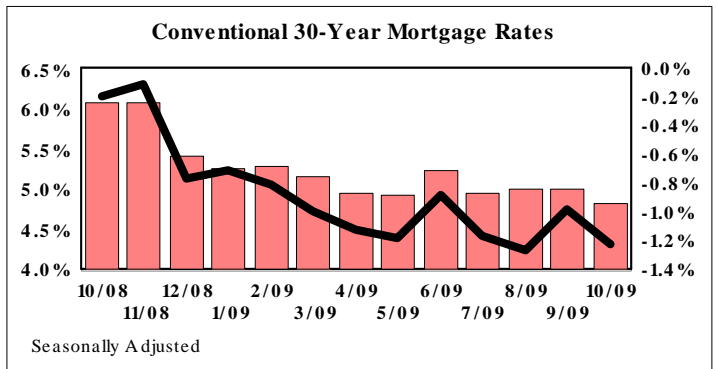
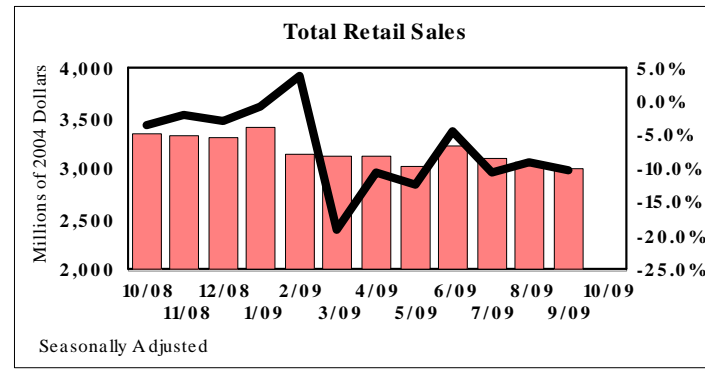
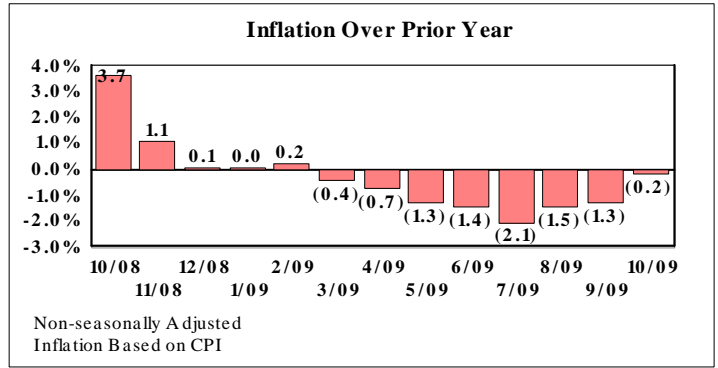
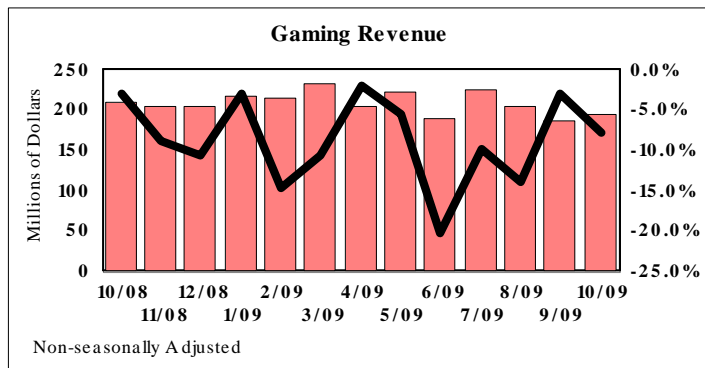
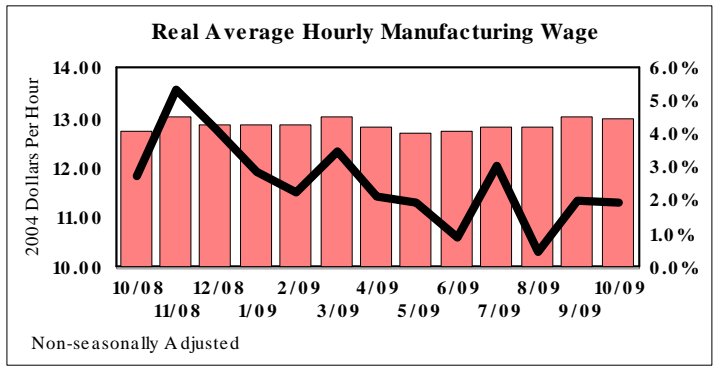
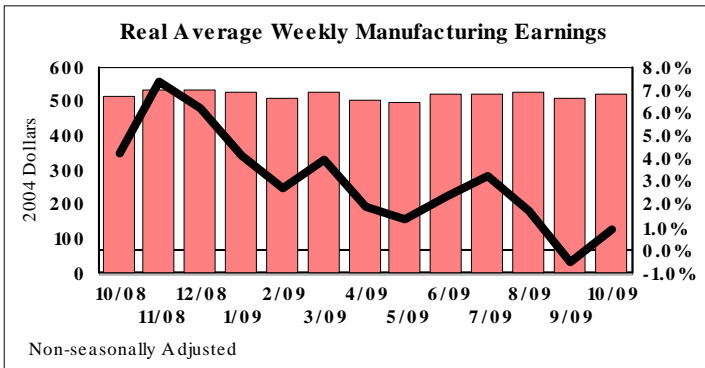
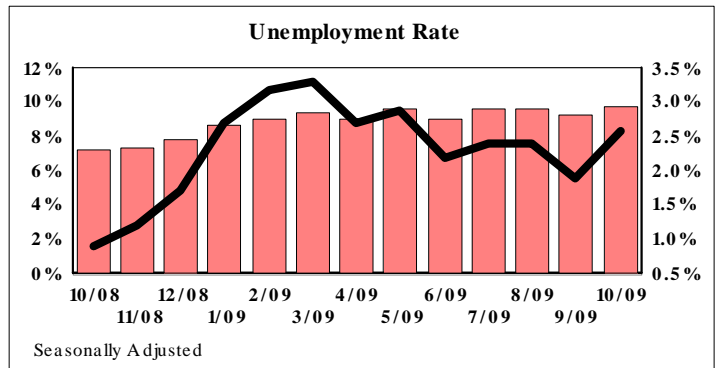
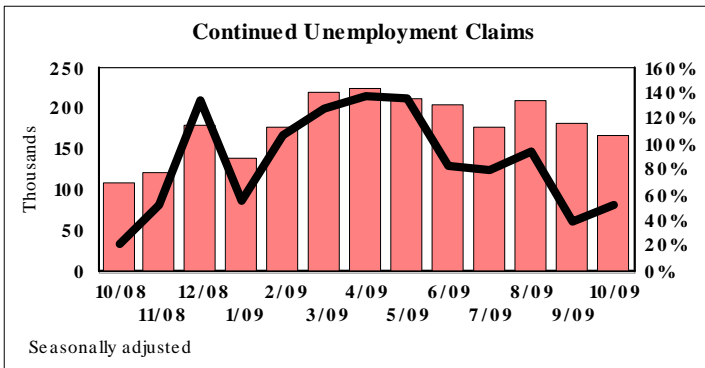
U.S. Economy

The U.S. Index of Coincident Indicators was unchanged in October from the level in September. The index has been effectively flat since June. The six-month growth rate was an annualized -1.4 percent. The U.S. Index of Leading Indicators rose 0.3 percent in October over September. This was the seventh consecutive monthly leading index increase reversing the downward trend that dates back to mid 2007. The Conference Board believes the indices point to a bottoming out in the recession and that economic conditions will continue to improve in the coming months.

Recently revised GDP data suggests the recovery in the third quarter was slower than initially thought. The third quarter GDP is now reported to have grown 2.8 percent rather than the originally thought 3.5 percent. Further downward revisions are likely based on upcoming construction data.

The outlook remains positive, but with a smaller than previously expected bounce. IHS Global Insight expects a 2.5 percent decline for 2009 followed by a modest 2.3 percent gain in 2010. The consumer remains the weakest link in the recovery. Faced with poor job prospects, a major loss of wealth and continued tight credit, consumers are watching their shopping dollars closely.

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

	October 2009	September 2009	October 2008	Percent Change From Last Month Last Year	
Coincident Indicator Index (2004=100)	100.1	99.9	103.3	0.2%	-3.1%
Nonagricultural Employment (thousands)	1,105.2	1,101.3	1,138.7	0.4%	-2.9%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	101.4	101.7	105.3	-0.3%	-3.7%
Leading Indicator Index (2004=100)	99.2	99.1	90.1	0.1%	10.1%
Initial Unemployment Claims	15,356	15,942	15,995	-3.7%	-4.0%
Value of Residential Building Permits (millions of 2004 \$)	54.3	64.7	61.2	-16.0%	-11.2%
Average Manufacturing Workweek Length (hours)	40.7	39.5	41.1	3.2%	-1.0%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the November index is reported for October.	53.6	55.7	36.2	-3.8%	48.1%
U.S. Index of Consumer Expectations	68.6	73.5	57.0	-6.7%	20.4%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	114.5	114.3	114.7	0.1%	-0.2%
Unemployment Rate (percentage)					
Non-seasonally adjusted	9.5%	8.9%	6.9%	0.6%	2.6%
Seasonally adjusted	9.8%	9.3%	7.2%	0.5%	2.6%
Continued Unemployment Claims	168,075	181,987	110,282	-7.6%	52.4%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.88	14.90	14.62	-0.1%	1.8%
2004 Dollars per Hour	13.00	13.03	12.75	-0.2%	2.0%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	602.64	587.06	597.96	2.7%	0.8%
2004 Dollars	526.55	513.43	521.51	2.6%	1.0%
U.S. Mortgage Rates (30-year conventional)	4.8%	5.0%	6.1%	-0.2%	-1.2%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	86.8	85.3	96.8	1.8%	-10.3%
River counties (millions of current \$)	107.6	101.2	114.2	6.3%	-5.8%
Total	194.4	186.5	211.0	4.3%	-7.9%
	September 2009	August 2009	September 2008	Percent Change From Last Month Last Year	
Total Retail Sales (Millions of 2004 \$)	3,018.93	3,075.37	3,355.75	-1.8%	-10.0%

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