

Mississippi's Business

January 2012

Monitoring The State's Economy

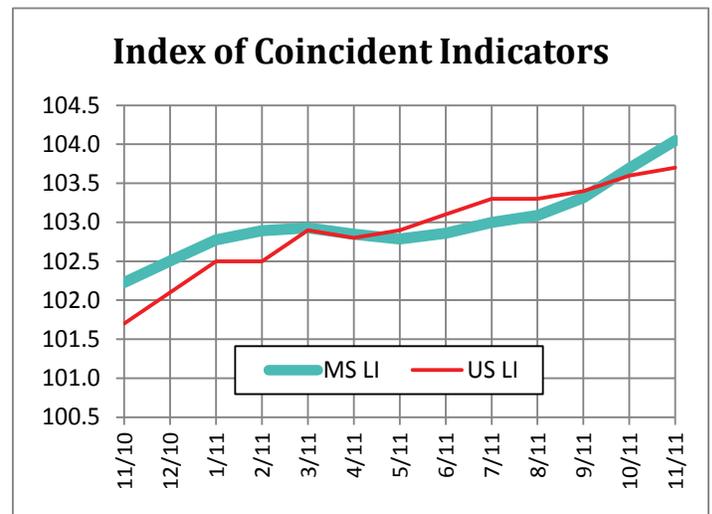
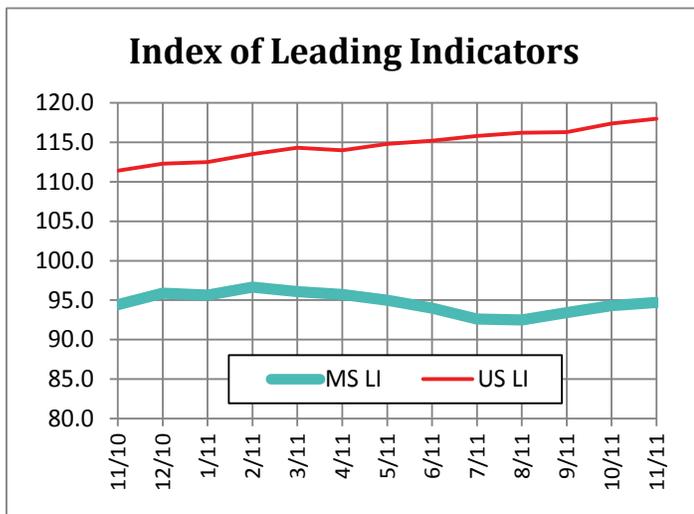
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ECONOMY AT A GLANCE

The Mississippi Index of Leading Indicators has increased for three consecutive months. The latest monthly gain was relatively mild, but the index managed to reach the highest level since May 2011. The Mississippi Index of Coincident indicators rose as well. This was the sixth consecutive increase for this series. The coincident index is being helped by rising employment in the State. Mississippi's November employment was the highest since March 2009, although still well below the pre-recession peak. Mississippi, along with the Nation, appears to have ended 2011 with an improved economy. It appears that real Gross Domestic Product growth for the fourth quarter may have reached an annualized 3.4 percent. If so, it was the strongest quarter since the second quarter of 2010. Light vehicle sales were above the 13 million mark on an annualized basis for the fourth consecutive month in December. The ISM Index for Manufacturing and Nonmanufacturing rose in November.

Not all of the news is good. Retail sales growth for the 2011 Christmas shopping appears to have been relatively mild and much of the growth in the fourth quarter GDP was driven by inventory build-up which is likely to wane in the coming months. As we move into 2012, we can also expect the fundamental weakness of the economy to take a toll on growth. High debt levels, a struggling housing sector and a slower global economy will dampen growth. The risk of recession remains high, but has declined due to the strong finish in 2011 for the U.S. Economy. IHS Global Insight puts the risk of recession at 30 percent. It is substantial, but less than the 35 percent predicted last month. The source of the risk continues to be Europe and their sovereign debt issues.



The Mississippi Coincident Index is constructed by the Federal Reserve Bank of Philadelphia and re-indexed to 2004. The Index is based on changes in nonfarm employment, the unemployment rate, average manufacturing workweek length and wage and salary disbursements. The Mississippi Leading Index is constructed by the Mississippi University Research Center. The U.S. Indices are both from the Conference Board. All series are indexed to a base year of 2004.

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LEADING AND COINCIDENT INDICATORS, NOVEMBER 2011

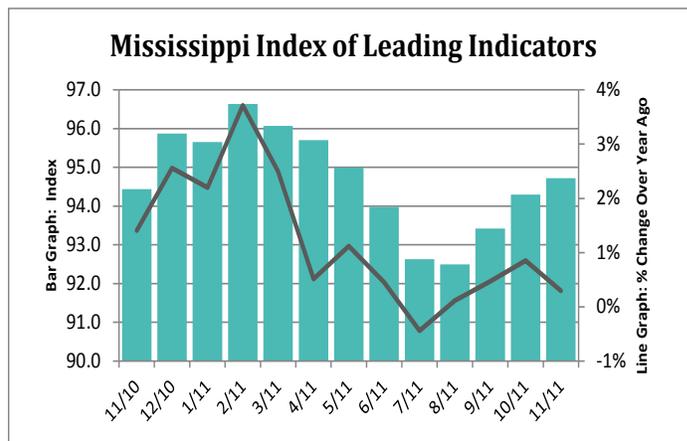
The **Mississippi Index of Leading Economic Indicators** rose for the third consecutive month in November. The gain of 0.1 percent over the revised October level, was modest, but puts the index of 94.7 at its highest point since May 2011. The index declined for six months after reaching a peak in February 2011. The growth over the prior six months has been negative since June 2011. A negative six-month growth rate is generally not a good sign for the coming months. In November, this measure was a negative 0.6 percent, the smallest decline since June. In fact, the measure has been improving for the last three months. On the other hand, the six-month diffusion index showed broad weakness among the components for the last two months. Taken together, these measures suggest that while the Mississippi economy improved in the fourth quarter, risks remain elevated.

The November gain came on the strength of five components. Three components contributed negatively. The components will be discussed in order of the contribution to the gain.

Taken together these measures suggest that while the Mississippi economy improved in the fourth quarter, risks remain elevated.

The **U.S. Index of Consumer Expectations**¹ rose 9.1 percent to 56.9 in November. Expectations hit a low in August and have improved every month through December. Declining fuel prices, improved stock prices, and better economic news has fueled the gains. The series remains low by historical standards.

Inflation adjusted **Mississippi income tax withholdings**¹ rose 1.0 percent in November over October. The series has been fairly volatile, rising one month and falling the next, but as stated last month has shown very little significant upward momentum since recovery began.



The **Institute for Supply Management Index of U.S. Manufacturing Activity** rose for a second consecutive month in December reaching a level of 53.9 in December. The index trended downward between the early spring and late summer and appeared headed below 50. An index below 50 would indicate the industry was in contraction. The December gain was fueled by employment, production and orders. A rebounding automotive industry was a strong force in the improved manufacturing sector.

The value of **Mississippi residential building permits**¹ rose 3.3 percent in November. The series has risen for five consecutive months. Building activity remains at a low level historically and national housing prices continue to fall. The industry continues to suffer from distressed home sales and upside-down mort-

gages. It will take years to work through these problems. The housing sector is a big reason economists believe slow growth is the “new normal”.

U.S. Retail Sales rose a meager 0.2 percent in November. This follows a 0.6 percent gain in October and 1.3 percent gain in September -- respectable growth in both months. The November gain was the lowest since June. Sales growth was also more limited than in recent months. Only electronics and appliances along with non-store retailers had growth over 2.0 percent. There

1. Three Month Moving Average

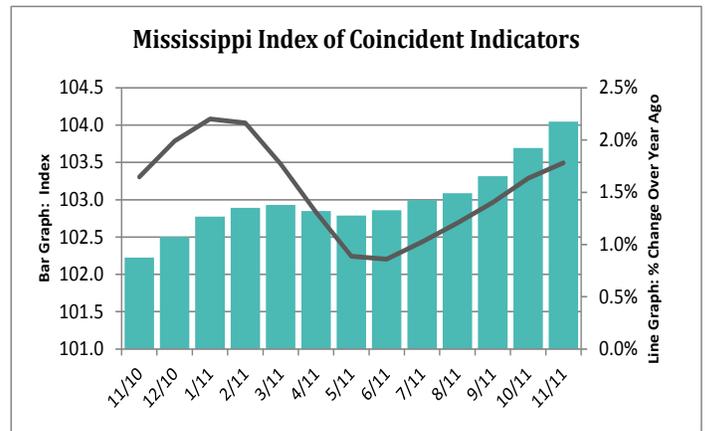
were several sectors where growth was negative. Despite reports of strong sales on Black Friday, the Christmas shopping season was relatively mild. Chain store sales for November and December together were up 3.3 percent over the same period of 2010. This compares to a 3.8 percent growth in 2010. Light vehicle sales were an annualized 13.6 million units in November. This marked the fourth month of sales above 13 million units.

Mississippi's initial unemployment claims rose a modest 1.2 percent in November relative to October. This was the second consecutive gain. The series declined sharply in September and despite the two months of increase, remains below the September level.

The **Mississippi Diesel Fuel Consumption Index**¹ fell 3.3 percent in November relative to October. This marked the fourth and steepest decline in as many months. The index is at its lowest level since September 2010. The declining series suggests a slowing economy.

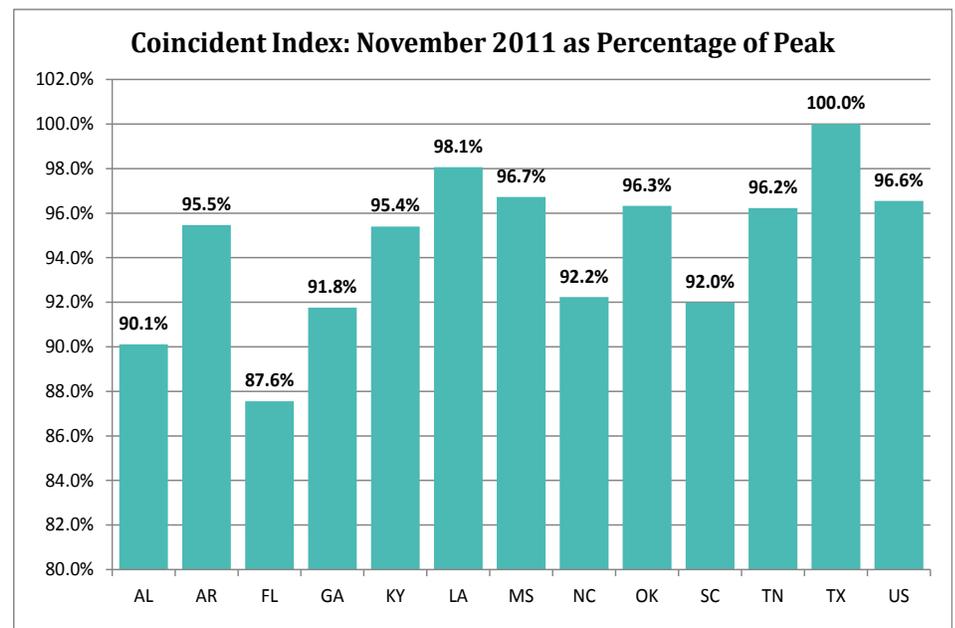
The **Mississippi Manufacturing Employment Intensity Index** fell 3.2 percent in November relative to October. Both hours worked and employment declined for the month. The decline erases all of the gain from the previous two months.

The **Mississippi Index of Coincident Indicators** was 104.0 in November, the highest level since December 2008. The series has increased for six consecutive months. Relative to six-months prior the series was up a strong 2.5 percent in November, the highest six-month growth rate since July 2010. Recent employment gains are fueling much of the increase. Recall that the index is comprised of employment, the unemployment rate, average workweek length for manufacturing and wage and salary income.



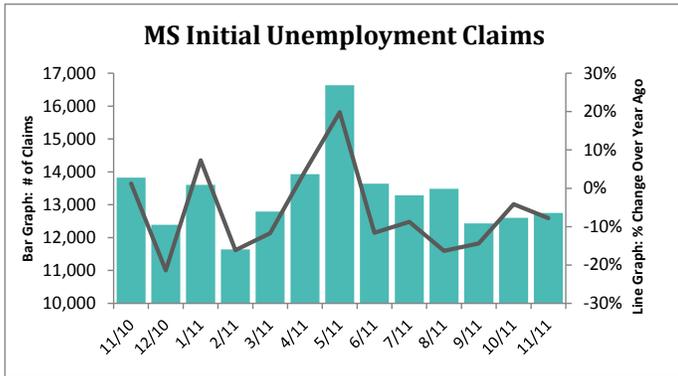
A comparison of the November index to the recent peak appears below for the 12 southeastern states and the Nation. States that reach 100 percent of peak have fully recovered from the “Great Recession”. Mississippi was at 96.7 percent. Texas and Louisiana are the only southeastern states further along in recovery. Mississippi's better position is due to our having not fallen as much as other states during the recession.

The map on page five shows the relative performance of the fifty states. The November index is compared to the level three months prior. Red states are states in decline. Blue states are gaining. The map has been getting more blue each month, indicating more states in recovery.

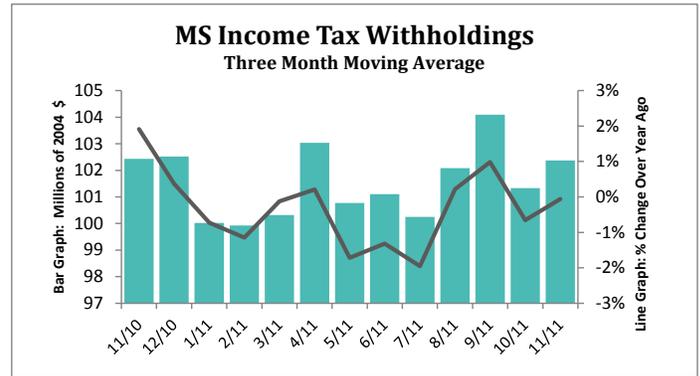


National trends are discussed on page 5, Mississippi employment trends on pages 8 and 9.

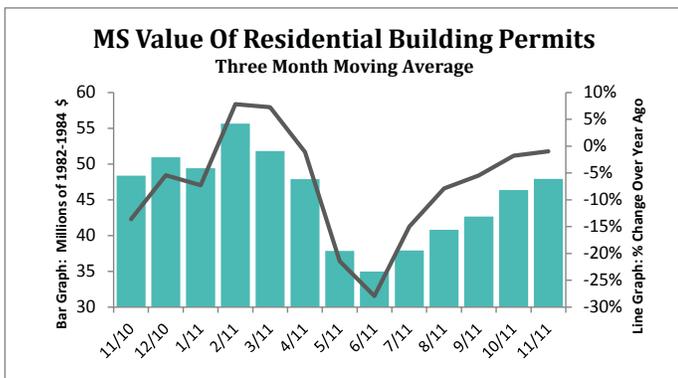
LEADING ECONOMIC INDICATORS



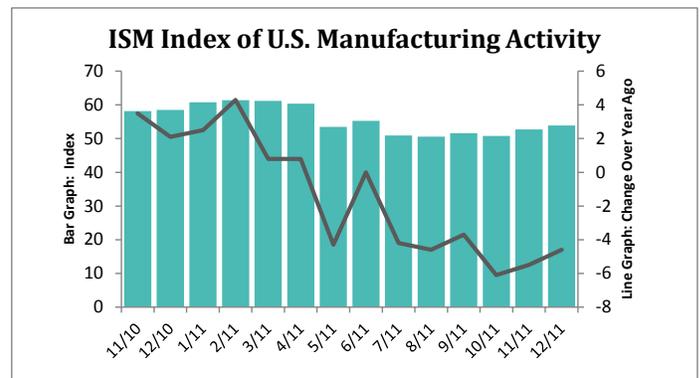
Source: Mississippi Department of Employment Security



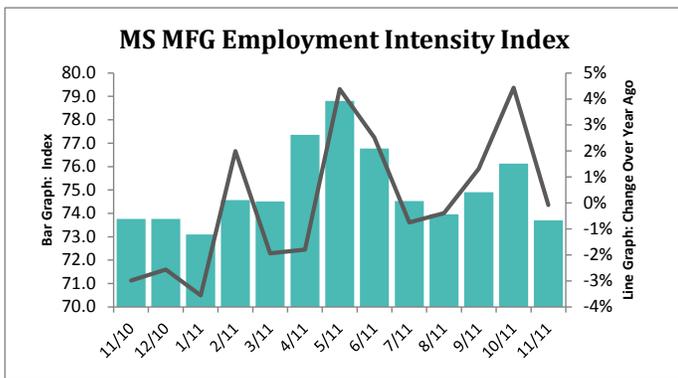
Source: Mississippi Department of Revenue



Source: Mississippi Department of Employment Security



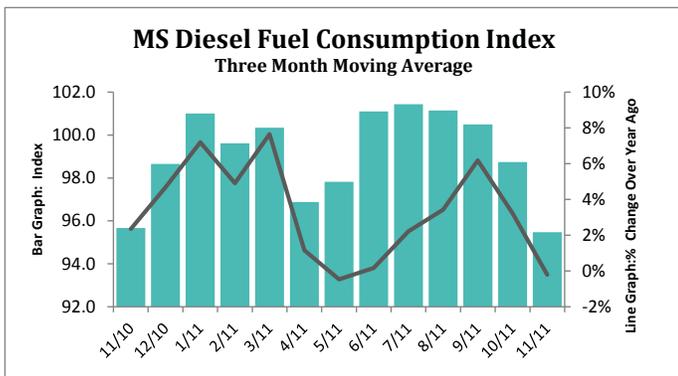
Source: Institute For Supply Management



Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan

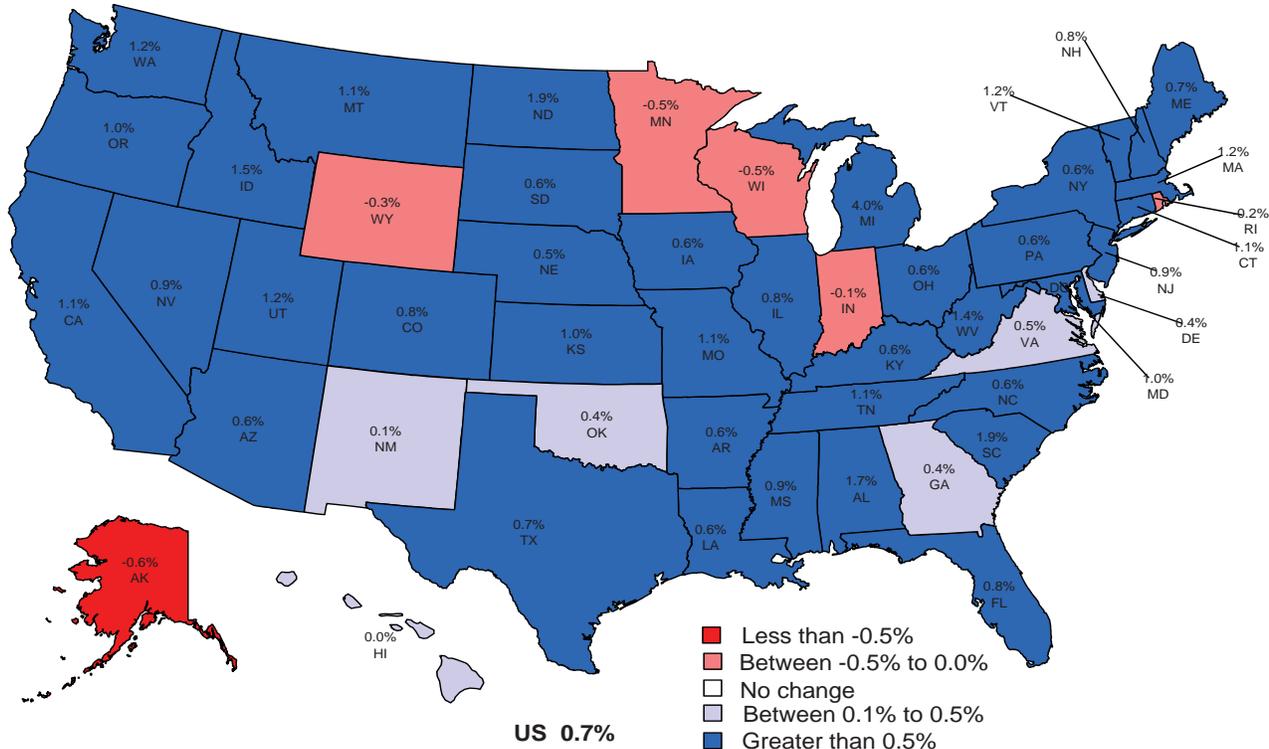


Source: URC using Data from Mississippi Department of Revenue



Source: Bureau of the Census

Three Month Growth in The Index of Coincident Economic Indicators, November 2011



National Trends

The U.S. Index of Leading Indicators rose 0.5 percent in November relative to October. This was the seventh consecutive gain in the series. The Coincident Index gained 0.1 percent for the month. The Conference Board continues to expect modest growth in the coming months.

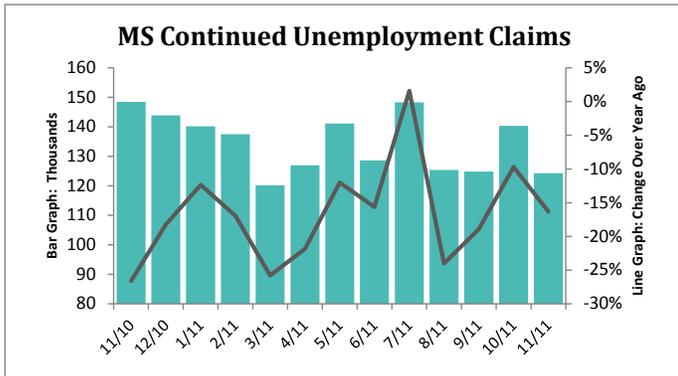
The fourth quarter appears to have been the strongest of 2011. Growth in real gross domestic product may have reached 3.4 percent. This is nearly twice the growth of the third quarter (1.8 percent). Inventory build-up is credited with much of the gain. Businesses looking for a poor fourth quarter were not prepared for the increase in demand. This caused manufacturers to increase production to rebuild the inventories, which boosted GDP. This is not expected to continue into 2012.

In fact, growth will moderate in the first half of the year as the fundamental weaknesses again drive the

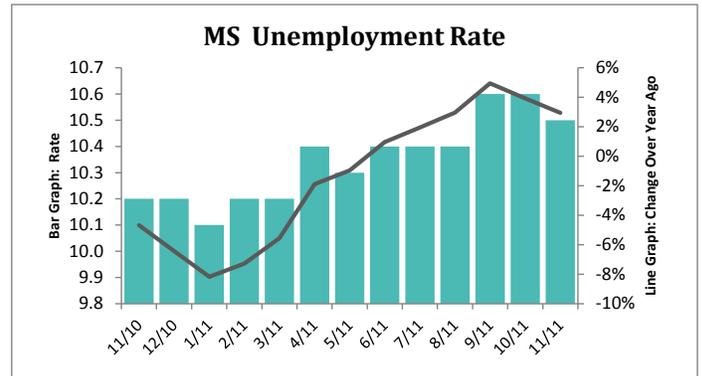
economy. High debt levels (public and private), a sluggish housing sector, and a slower global economy will work against growth in the 2012 U.S. economy. The economy is expected to grow about 2.0 percent for 2012, slightly ahead of the expected 1.8 percent for 2011. This is slow growth historically speaking.

Because the domestic economy improved in the fourth quarter, IHS Global Insight has again reduced their risk of recession. The group gives a 30 percent chance of recession. While lower than the previous risk level, it remains elevated. The threat continues to stem from the troubles in Europe. Troubles there are no longer at a fever pitch, but nor are they resolved. This will be a lingering problem in 2012. A slow economy is particularly vulnerable to shocks.

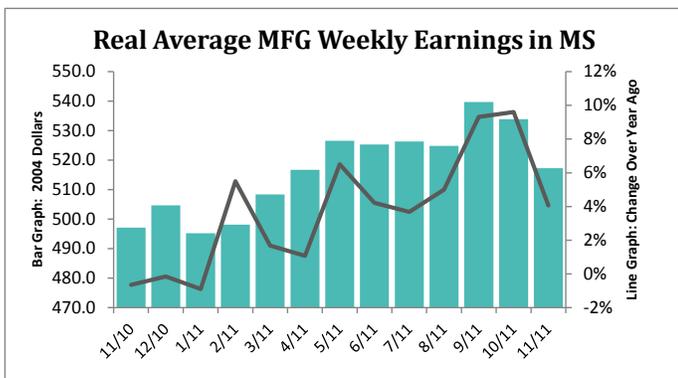
MISCELLANEOUS ECONOMIC INDICATORS



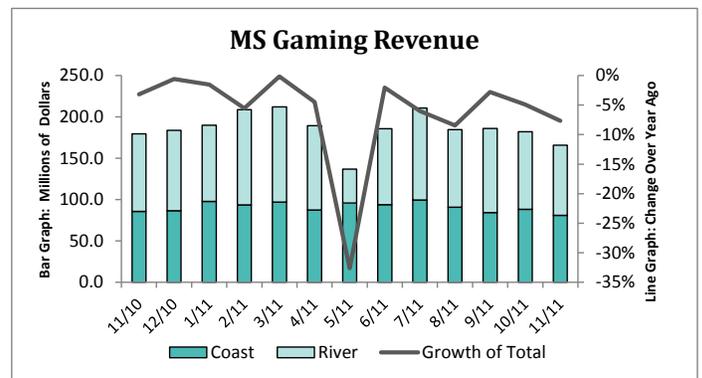
Source: Mississippi Department of Employment Security; Seasonally Adjusted



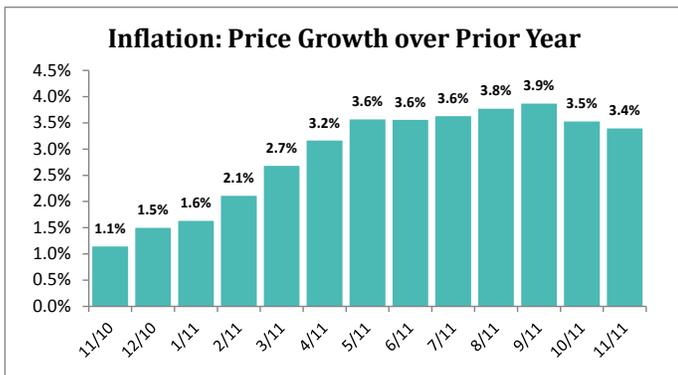
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



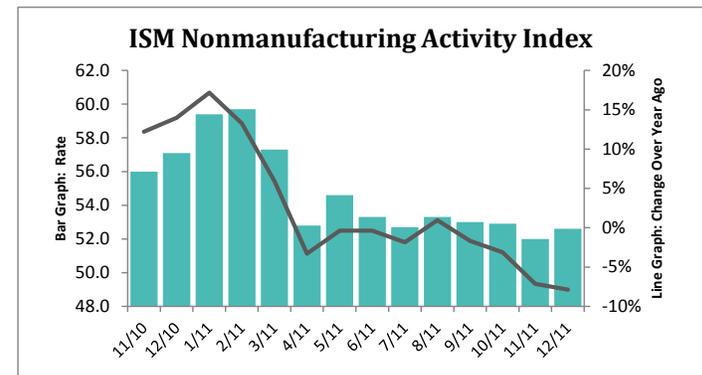
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



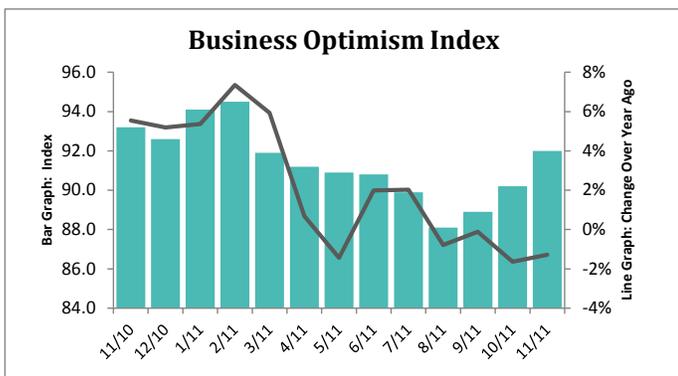
Source: MS Department of Revenue; Nonseasonally Adjusted



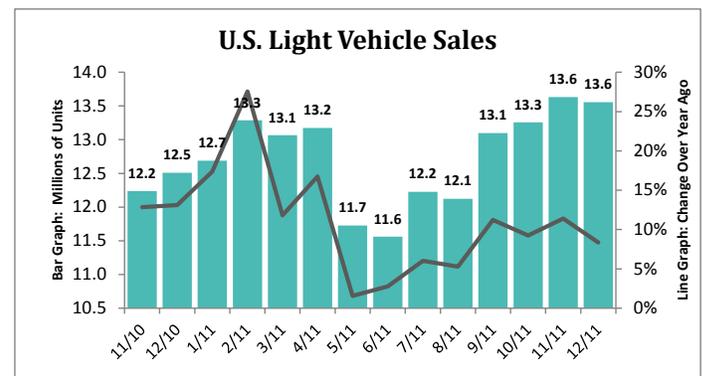
Source: U.S. Bureau of Labor Statistics



Source: Institute For Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

SELECTED ECONOMIC INDICATORS

Indicator	November 2011	October 2011	November 2010	Change from Last Month Last Year	
US Index of Coincident Indicators Index 2004=100, Source: The Conference Board	103.7	103.6	101.7	0.1%	2.0%
MS Index of Coincident Indicators Index 2004=100, Source: Federal Reserve Bank of Philadelphia	104.0	103.7	102.2	0.3%	1.8%
US Index of Leading Indicators Index 2004=100, Source: The Conference Board	118.0	117.4	111.4	0.5%	5.9%
MS Index of Leading Indicators Index 2004=100, Source: University Research Center	94.7	94.3	94.4	0.4%	0.3%
MS Initial Unemployment Claims Source: Mississippi Department of Employment Security	12,749	12,600	13,825	1.2%	-7.8%
MS Value Of Res. Building Permits 3 Mo. Moving Average, Millions of 2004 Dollars, Source: Bureau of Census	47.9	46.4	48.4	3.3%	-1.0%
MS Income Tax Withholdings 3 Mo. Moving Average, Millions of 2004 Dollars, Source: MS Department of Revenue	102.37	101.33	102.43	1.0%	-0.1%
MS MFG Emp. Intensity Index Average workweek length times employment, Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	73.7	76.1	73.8	-3.2%	-0.1%
MS Diesel Fuel Consumption Index 3 Mo. Moving Average, Index 2004-100, Source: URC using data from MS Department of Revenue	95.5	98.7	95.7	-3.3%	-0.2%
US Index of Consumer Expectations 3 Mo. Moving Average, Index 1996=100, Source: University of Michigan	56.9	52.2	64.7	9.1%	-12.0%
US ISM Index of MFG Activity Advanced 1 Month (December Index appears as November), Source: Institute For Supply Management	53.9	52.7	58.2	2.3%	-7.4%
US Retail Sales Millions of Dollars, Source: Bureau of Census	399,349	398,466	374,105	0.2%	6.7%
US Consumer Price Index 2004=100, Source: URC using data from Bureau of Labor Statistics	119.8	119.9	115.8	-0.1%	3.4%
MS Unemployment Rate Source: Bureau of Labor Statistics	10.5%	10.6%	10.2%	-0.1%	0.3%
MS Continued Unemp. Claims Source: Mississippi Department of Employment Security	124,224	140,299	148,452	-11.5%	-16.3%
US Mortgage Rates 30 Yr. Conventional, Source: Federal Reserve	4.1%	4.1%	4.4%	0.0%	-0.3%
MS Avg. Hourly Wage for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	52.00	52.90	56.00	-1.7%	-7.1%
MS Avg. Wkly Earnings for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	517.2	533.9	497.1	-3.1%	4.1%
Gaming Revenue	165.8	182.2	179.6	-9.0%	-7.7%
Coast Counties	81.1	88.2	85.6	-8.1%	-5.3%
River Counties	84.7	93.9	93.9	-9.8%	-9.8%
Nonseasonally adjusted, Millions of Dollars, Source: MS Department of Revenue					
Business Optimism Index Index 1986=100, Source: National Federation of Independent Businesses	92.0	90.2	93.2	2.0%	-1.3%

Economic Indices

Components of the MS Index of Leading Indicators

Miscellaneous Indicators

MISSISSIPPI EMPLOYMENT BY SECTOR

Sector	November 2011	October 2011	November 2010	Change from Prior Month		Change from Prior Year	
				Level	%	Level	%
Total Nonfarm	1,104,800	1,101,900	1,094,300	2,900	0.3%	10,500	1.0%
Mining and Logging	9,000	9,100	8,800	(100)	-1.1%	200	2.3%
Construction	48,000	47,300	49,200	700	1.5%	(1,200)	-2.4%
Manufacturing	132,300	132,900	134,100	(600)	-0.5%	(1,800)	-1.3%
Trade, Transportation & Utilities	216,400	215,900	213,400	500	0.2%	3,000	1.4%
Retail Trade	134,300	133,900	131,500	400	0.3%	2,800	2.1%
Information	12,333	12,439	12,537	(106)	-0.9%	(204)	-1.6%
Financial Activities	44,882	45,210	44,476	(329)	-0.7%	405	0.9%
Services	393,800	391,200	384,400	2,600	0.7%	9,400	2.4%
Professional and Business Services	101,200	100,700	94,700	500	0.5%	6,500	6.9%
Education and Health Services	139,400	138,900	133,900	500	0.4%	5,500	4.1%
Leisure and Hospitality	118,400	117,500	120,800	900	0.8%	(2,400)	-2.0%
Other Services	34,800	34,100	35,000	700	2.1%	(200)	-0.6%
Government	248,000	247,800	247,300	200	0.1%	700	0.3%

Source: U.S. Bureau of Labor Statistics

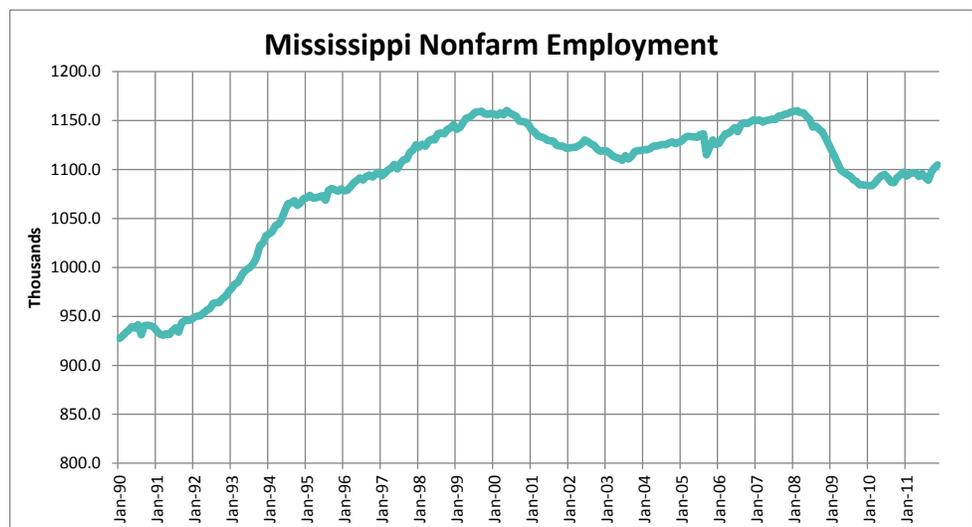
Mississippi Employment Trends

Mississippi nonfarm employment rose 2,900 jobs or 0.3 percent in November relative to October. The gain was the third in as many months. The November employment in Mississippi was the highest since March 2009. Strong gains occurred in construction, retail trade, other services and leisure and hospitality. The government sector managed a slight gain as well. The largest decline occurred in Manufacturing. Employment was 1.0 percent ahead of the year ago level in November. A similar annual growth rate was observed in October.

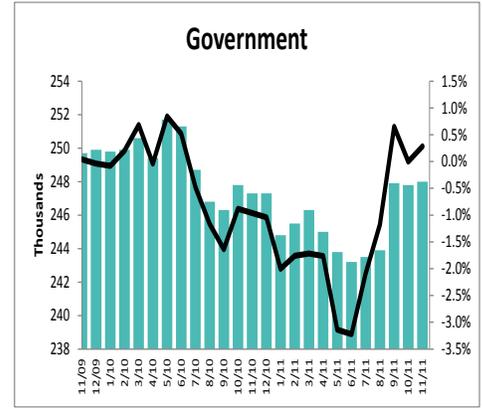
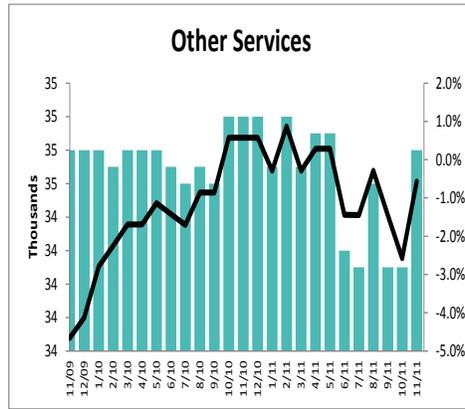
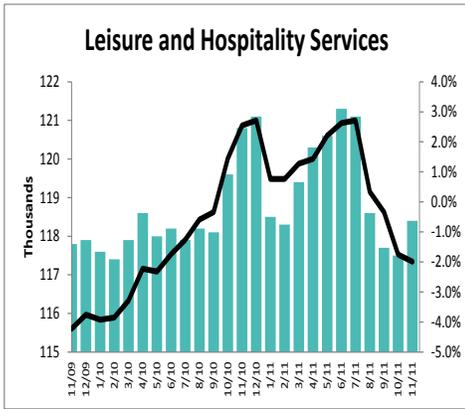
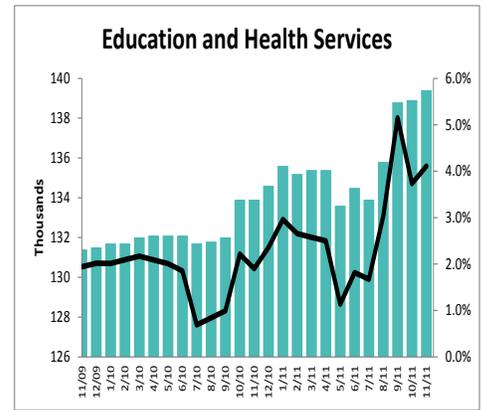
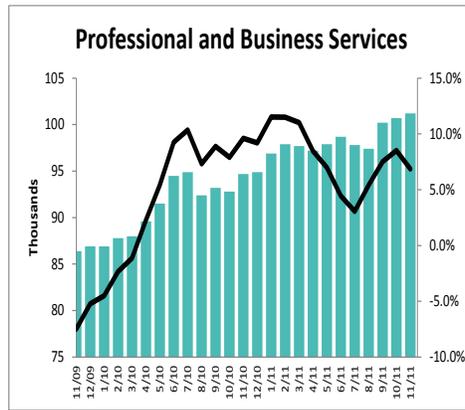
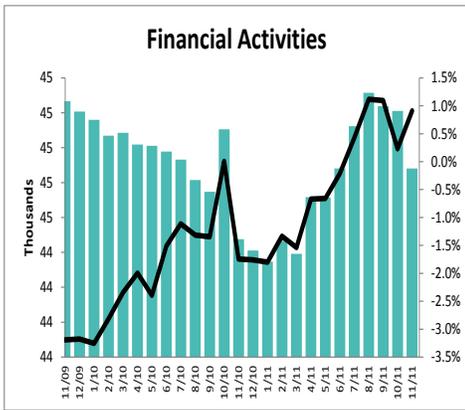
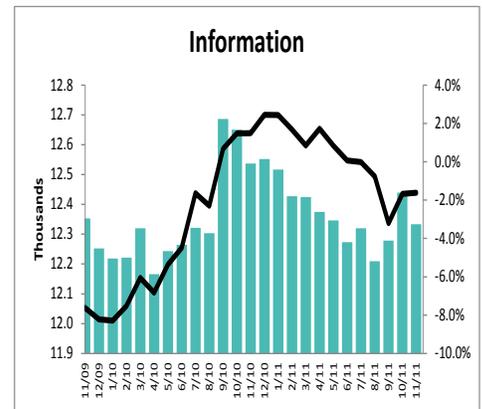
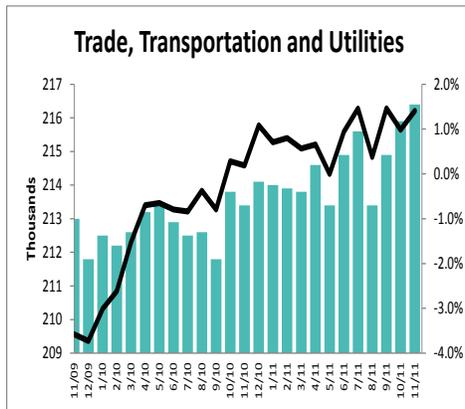
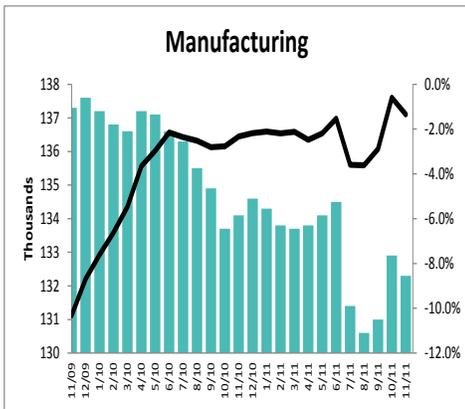
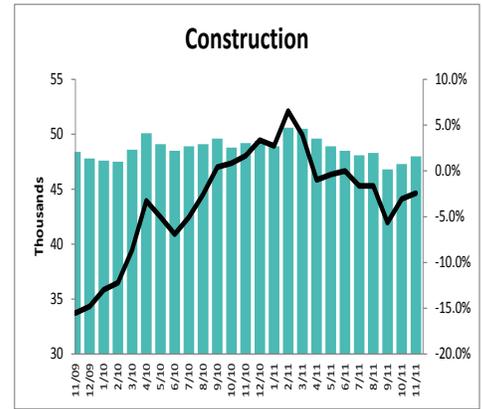
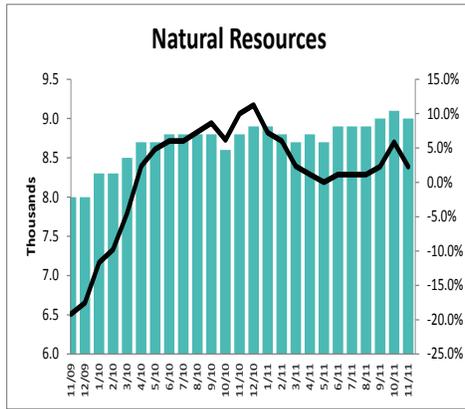
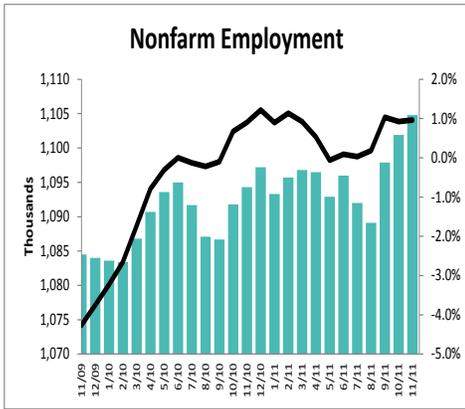
On average, employment was up 0.6 percent in 2011 over 2010. In 2010, employment fell 0.6 percent. In 2009, employment declined 4.5 percent. The State has not experienced a gain for the year in employment since 2007.

The figure to the right shows the historical employment for the State. Despite the gains of recent

months, employment in MS is well below the level prior to the recession. As the figure displays, growth during the recovery has been modest by historical standards. The State lost almost 77,000 jobs during the recession and has gained only 21,000 back. As of November, Mississippi employment was 55,000 jobs or 4.8 percent from the peak employment of February 2008.



MISSISSIPPI EMPLOYMENT TRENDS



Left Axis: Bar Graphs - Employment Levels. Right Axis: Line graphs - Annual Growth. Source: U.S. Bureau of Labor Statistics.