

Mississippi's Business

January 2013

Monitoring The State's Economy

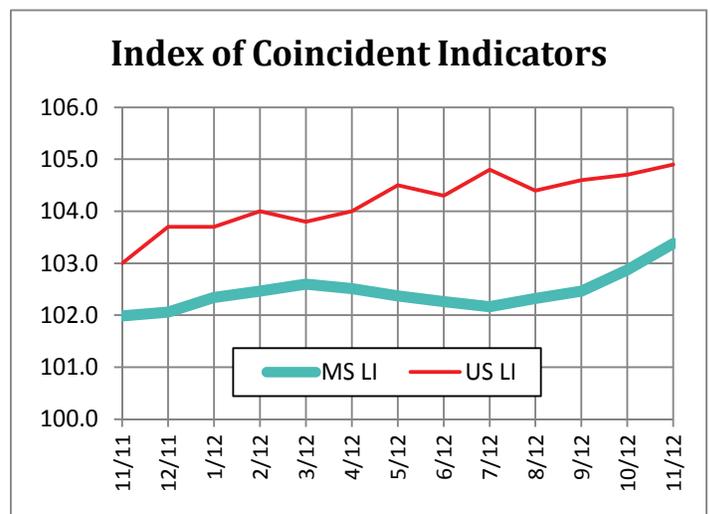
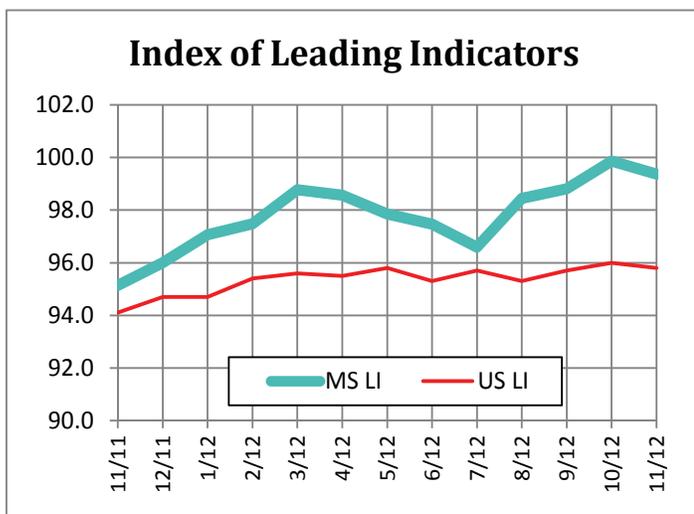
Volume 71 - Number 1

A Publication of the University Research Center, Mississippi Institutions of Higher Learning

ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators rose for the month of November, while the Index of Leading Indicators declined. The decline was supported by only three of the eight components -- Mississippi building permits, US consumer expectations, and Mississippi diesel fuel consumption. In the case of both the coincident and leading index, the six-month growth rate has improved. Taken together, the indices suggest continued slow growth in the coming months. Employment rose for the third consecutive month in November. The University Research Center's revised forecast for 2013 expects a 1.6 percent gain in real GDP for the State. This is historically slow, but if realized would be much stronger than the 0.8 percent decline reported for 2011 or the 0.4 percent gain estimated for 2012.

The National economy continues to grow but with little momentum. The fiscal cliff was at least partially avoided. The tax cuts were extended for most taxpayers, while the spending cuts were postponed. The fact that the tax relief was made permanent for most taxpayers is a positive for the economy. However, the postponing of the spending cuts, along with the debate over raising the debt ceiling ensures that the economy faces continual drama and a lack of a long-term economic plan. This will in turn continue to undermine confidence and dampen growth. Also, dampening growth will be the end of the 2.0 percent payroll tax cut. With smaller paychecks, consumers will curtail spending. IHS Global Insight thinks the payroll tax cut will shave about 0.4 percent from 2013 real GDP growth. They expect only 1.7 percent growth for 2013, down from the 2.3 percent observed in 2013.



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.

IN THIS ISSUE:

Economy at a Glance	1
Index of Leading Indicators for November 2012	2
Index of Coincident Indicators for November 2012.....	4
National Trends	5
Mississippi Employment Trends	8

LEADING AND COINCIDENT INDICATORS, OCTOBER 2012

The **Mississippi Index of Leading Economic Indicators** fell slightly to 99.4 in November. The decline followed three consecutive monthly increases. Relative to six months prior, the November index was up an annualized 3.1 percent, a relatively strong gain. Despite the monthly dip, the State's economy appears to be gradually improving.

The components of the Leading Index will be discussed in order of their contributions to the November decline. Five components contributed positively to the November index, three contributed negatively.

The **value of Mississippi residential building permits**¹ fell 9.1 percent in November, reaching the lowest level since February 2012. The series has declined for three consecutive months after rising for seven straight months. Part of the recent weakness was due to Hurricane Isaac. But this does not explain the weak November figure.

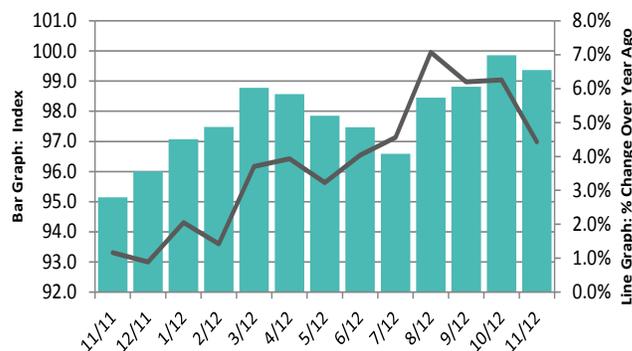
The **U.S. Index of Consumer Expectations**¹ fell 4.2 percent in November. Although not a component of the Leading Index, the NFIB Optimism Index shows growing concern among small businesses (See page 6). Fear and uncertainty over the fiscal cliff likely undermined confidence. It will be interesting to see if the deal reached on the cliff stops the hemorrhaging of confidence.

The **Mississippi Diesel Fuel Consumption Index**¹ dipped slightly by 0.7 percent in November. The series rose sharply in October after trending down during much of 2012.

Inflation adjusted **Mississippi income tax withholdings**¹ rose a negligible 0.3 percent in November. Calendar year 2012 marked the first year of positive growth in real withholdings since 2007 with a gain of 3.0 percent. Withholdings growth softened toward the end of 2012 however.

The **U.S. retail sales** rose 0.3 percent in November, regaining the loss that occurred in October. The gain was due to improved vehicle sales. Excluding autos, there was no change in sales. Light vehicle sales rose by 15.4 million units. According to the Chain Store Sales

Mississippi Index of Leading Indicators



Report, November and December sales were up 3.1 percent over the prior year. This is modest holiday sales growth, but below the previous two years. Anecdotal evidence suggests consumers were bargain hunting which forced retailers to slash prices.

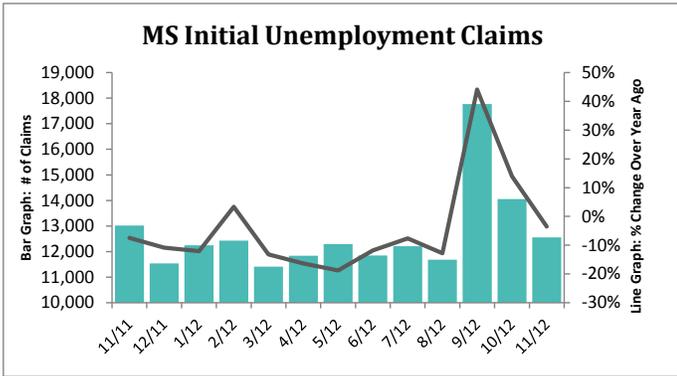
Mississippi's initial unemployment claims fell 10.7 percent in November. The series was elevated following Hurricane Isaac and is returning to more normal levels.

The **Mississippi Manufacturing Employment Intensity Index**, rose 0.9 percent in November. The series has improved for four consecutive months, suggesting improved conditions among Mississippi manufacturers. The index is comprised of employment and hours worked. The November gain was characterized by a longer average workweek length and a slight dip in employment. A rising workweek length suggests manufacturers face growing demand for their product.

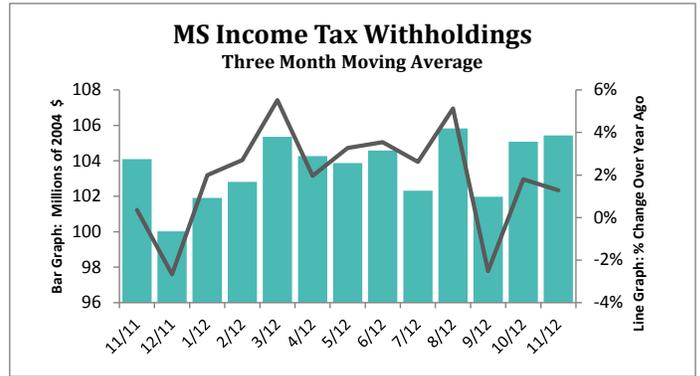
The **Institute for Supply Management Index of U.S. Manufacturing Activity** rose 2.4 percent in December bringing the index to 50.7 and reversing about half of the November decline. The is above the expansion threshold of 50, indicating that the US manufacturing industry is once again expanding, but modestly so. The Index has been below 50 for four of the last seven months. The December gain could be a temporary boost from a return to production following Hurricane Sandy. The details of the index suggests the industry will continue to expand at a slow pace in the months ahead.

1. Three Month Moving Average

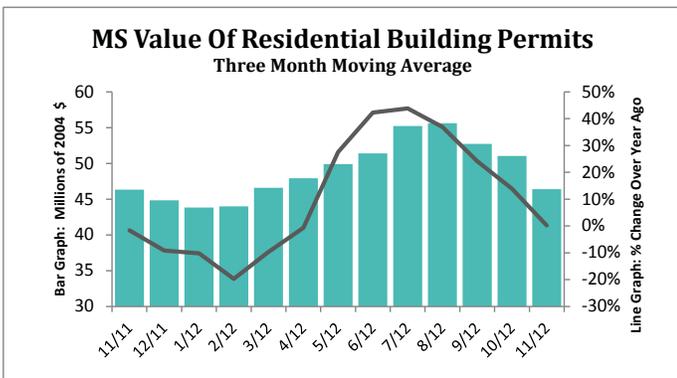
LEADING ECONOMIC INDICATORS



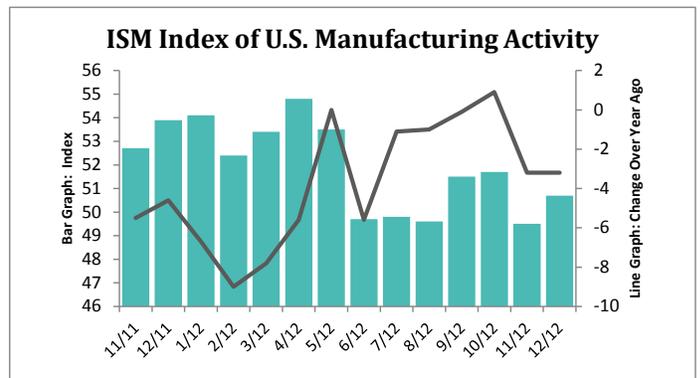
Source: Mississippi Department of Employment Security



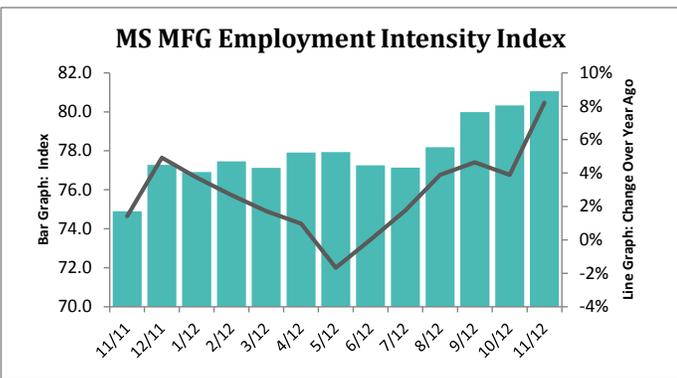
Source: Mississippi Department of Revenue



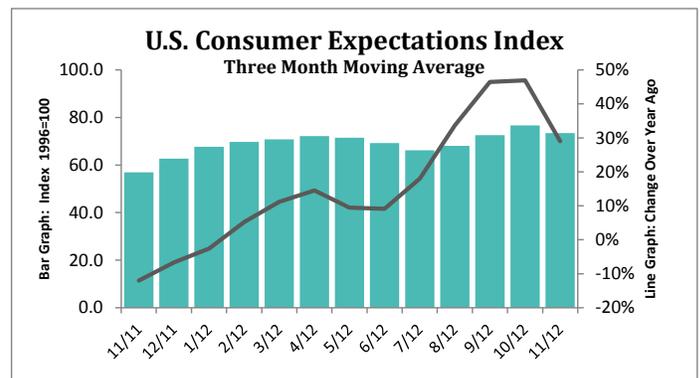
Source: Bureau of the Census



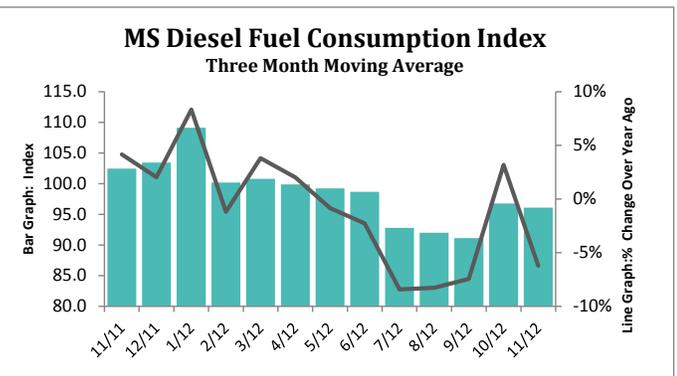
Source: Institute For Supply Management



Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan



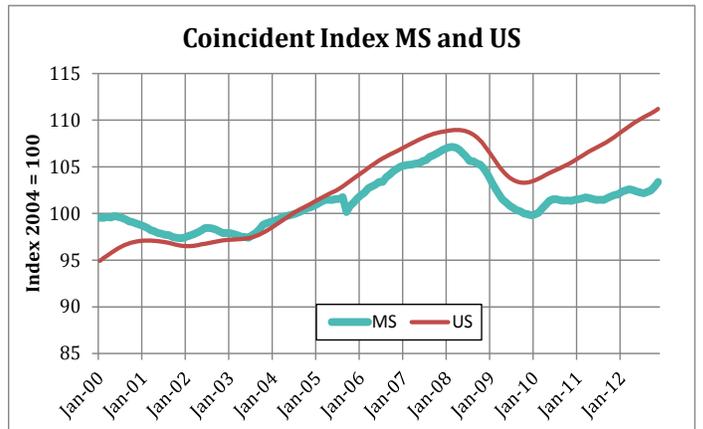
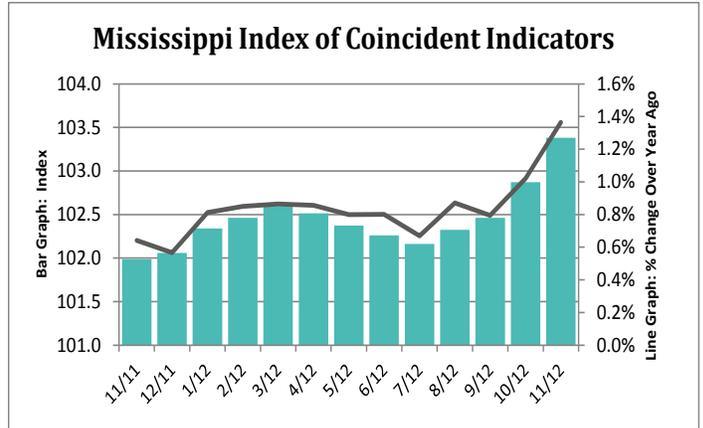
Source: URC using Data from Mississippi Department of Revenue



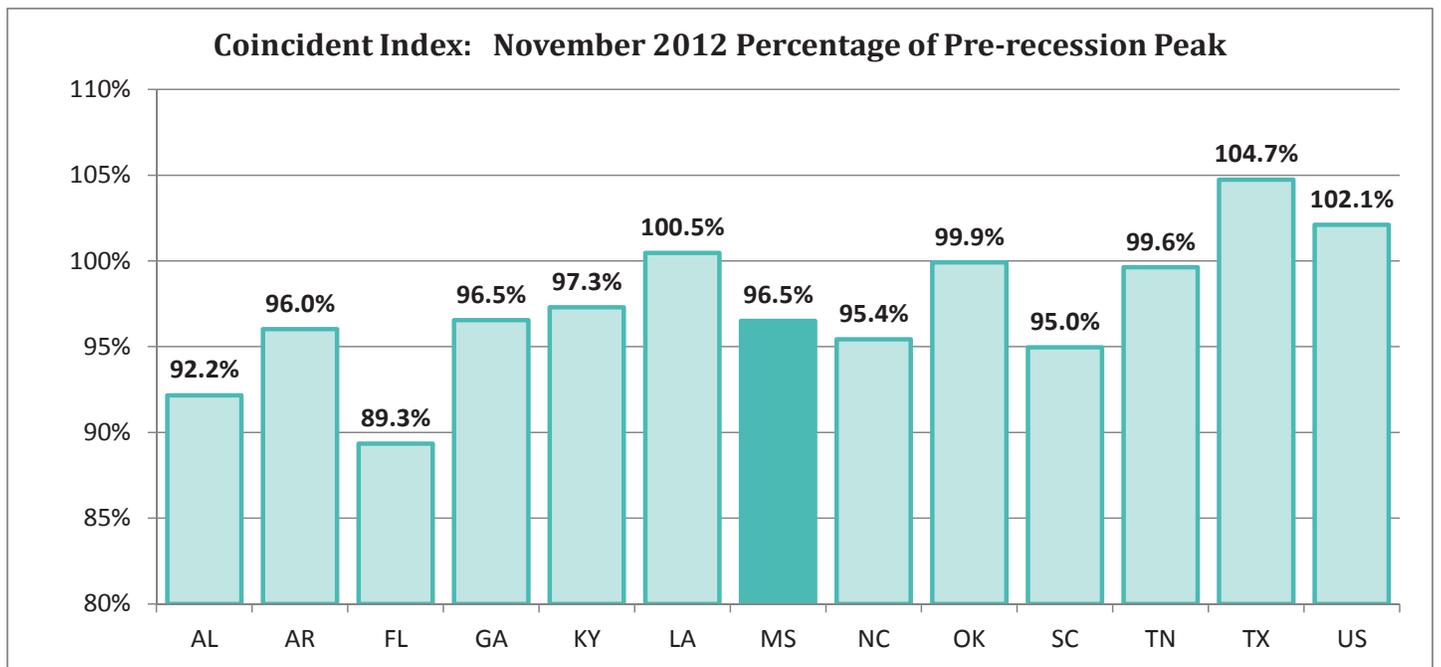
Source: Bureau of the Census

According to the **Mississippi Index of Coincident Indicators**, the State's economy continued to strengthen in November. The November Index was 103.4, a level not seen since January 2009. The index has increased for four consecutive months. The year over year growth (1.4 percent) was the strongest since February 2011 and the annualized six month growth rate (2.0 percent) was the strongest since February 2012. This upward trend is very encouraging. It is being supported primarily by improvement in the state's employment situation. Employment has risen for three consecutive months. The unemployment rate is gradually improving and manufacturing workweek length has exceeded 42 hours for the past three months. As indicated in the lower figure to the right, the level of the index remains relatively disappointing compared to that of the US, but the improved growth is encouraging. The State's economy has clearly improved from the doldrums of the summer months.

The figure below shows a comparison of the October Index to the pre-recession peak for the 12 Southeastern States and the Nation. States that reach 100 percent of peak have fully recovered from the "Great Recession" at least as measured by the Coincident Index. By this criteria, Louisiana and Texas are fully recovered, and Oklahoma and Tennessee are nearly recovered. Mississippi was at 96.5 percent of its pre-recession peak.



The map on page 5 shows the November index for each state compared to the level three months prior. Mississippi's index rose 1.03 percent. This was ahead of most surrounding states. The U.S. average growth was 0.61 percent.



National Trends

The U.S. Index of Leading Indicators fell 0.2 percent in November while the Coincident Index rose 0.2 percent. The Leading index has been relatively flat since May 2012, while the Coincident Index has been trending upward. The six-month growth rate has slowed sharply for both indices. As a result the Conference Board expects growth to moderate in the near term.

The economy continues to grow but with little momentum. Growth fell to an estimated 1.0 percent in the fourth quarter after 3.2 percent gain in the third. IHS Global Insight expects growth to remain at 1.0 percent in the first quarter of 2013 and gradually improve as the housing market gains strengthen. The risk of recession remains at 20 percent.

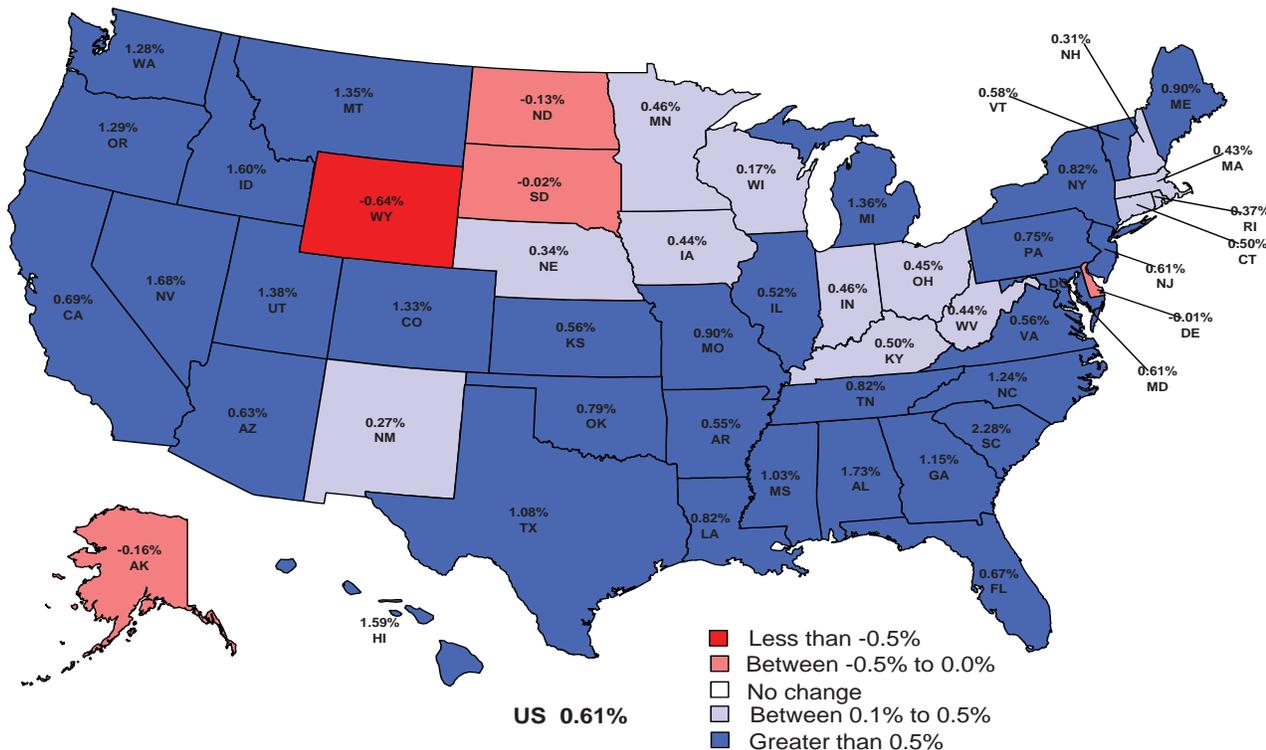
As expected, a last minute deal was reached to avoid the fiscal cliff. The tax cuts were extended for most taxpayers while the spending cuts were postponed for two months. This sets the country up for more drama over another "crisis". This one will be exacerbated

by the argument over raising the debt ceiling. This constant drama and lack of a long-term economic plan only serves to further erode confidence and therefore dampen growth.

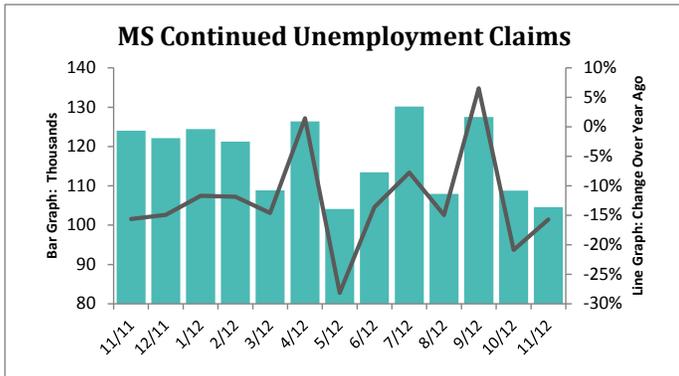
The 2.0 percent cut on the payroll tax was allowed to expire. This means that most people will see a smaller take home check which will reduce growth from what it would otherwise be. IHS Global insight expects it will shave about 0.4 percent off of real GDP growth in 2013. This means a growth rate of 1.7% compared to the 2.3 percent in 2012. Households are still facing large debt levels, low house prices (many remain upside down on their mortgages), and modest employment growth. Consequently, consumer spending is expected to remain sluggish.

Across the country, state and local revenues have improved. This should lead to at least some moderation in the tightening that has been taking place over the past few years. Municipalities remain the weakest link in the government sector.

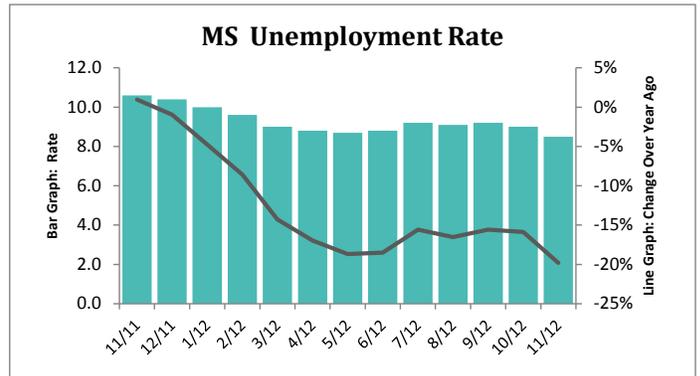
Three Month Growth in The Index of Coincident Economic Indicators, November 2012



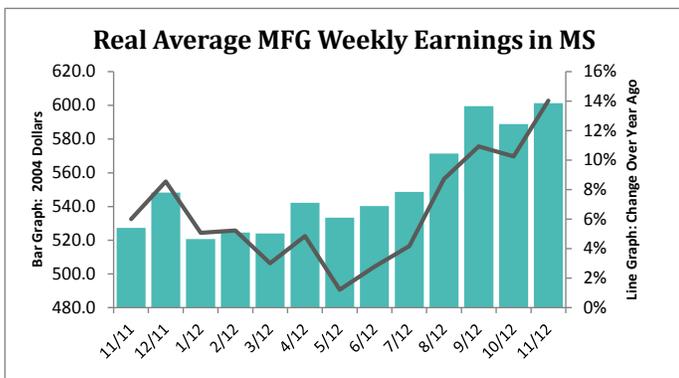
MISCELLANEOUS ECONOMIC INDICATORS



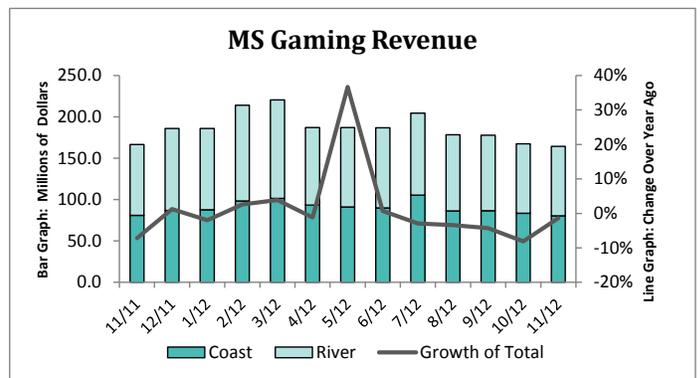
Source: Mississippi Department of Employment Security; Seasonally Adjusted



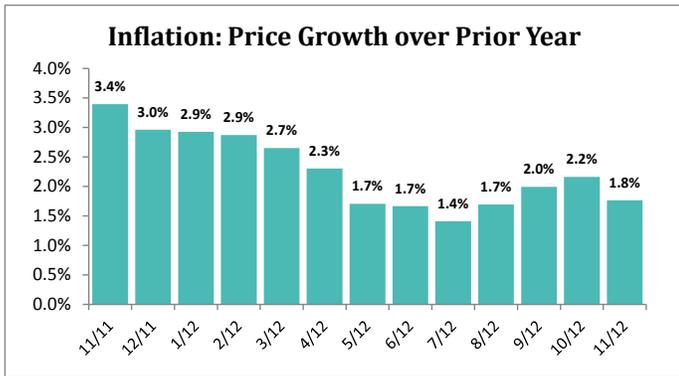
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



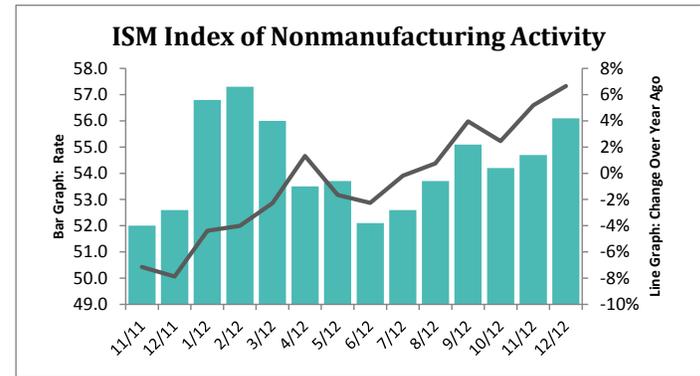
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



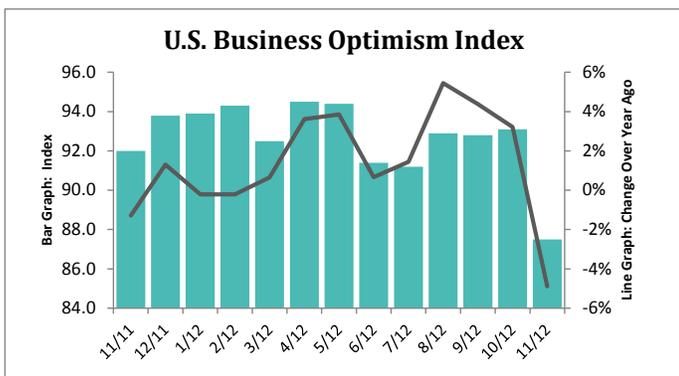
Source: MS Department of Revenue; Nonseasonally Adjusted



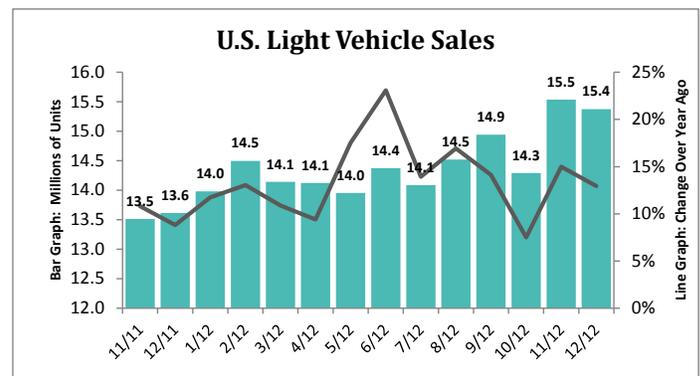
Source: U.S. Bureau of Labor Statistics



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	October	November	Change from		
	2012	2012	2011	Last Month	Last Year	
US Index of Coincident Indicators Index 2004=100, Source: The Conference Board	104.9	104.7	103	0.2%	1.8%	Economic Indices
MS Index of Coincident Indicators Index 2004=100, Source: Federal Reserve Bank of Philadelphia	103.4	102.9	102.0	0.5%	1.4%	
US Index of Leading Indicators Index 2004=100, Source: The Conference Board	95.8	96.0	94.1	-0.2%	1.8%	
MS Index of Leading Indicators Index 2004=100, Source: University Research Center	99.4	99.9	95.1	-0.5%	4.5%	
MS Initial Unemployment Claims Source: Mississippi Department of Employment Security	12,553	14,053	13,012	-10.7%	-3.5%	Components of the MS Index of Leading Indicators
MS Value Of Res. Building Permits 3 Mo. Moving Average, Millions of 2004 Dollars, Source: Bureau of Census	46.4	51.0	46.3	-9.1%	0.2%	
MS Income Tax Withholdings 3 Mo. Moving Average, Millions of 2004 Dollars, Source: MS Department of Revenue	105.44	105.09	104.10	0.3%	1.3%	
MS MFG Emp. Intensity Index Average workweek length times employment, Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	81.1	80.3	74.9	0.9%	8.2%	
MS Diesel Fuel Consumption Index 3 Mo. Moving Average, Index 2004-100, Source: URC using data from MS Department of Revenue	96.1	96.8	102.4	-0.7%	-6.2%	
US Index of Consumer Expectations 3 Mo. Moving Average, Index 1996=100, Source: University of Michigan	73.5	76.7	56.9	-4.2%	29.0%	
US ISM Index of MFG Activity Advanced 1 Month (December Index appears as November), Source: Institute For Supply Management	50.7	49.5	52.7	2.4%	-3.8%	
US Retail Sales Millions of Dollars, Source: Bureau of Census	412,403	411,308	397,678	0.3%	3.7%	
US Consumer Price Index 2004=100, Source: URC using data from Bureau of Labor Statistics	121.9	122.5	119.8	-0.5%	1.8%	
MS Unemployment Rate Source: Bureau of Labor Statistics	8.5%	9.0%	10.6%	-0.5%	-2.1%	
MS Continued Unemp. Claims Source: Mississippi Department of Employment Security	104,544	108,740	124,016	-3.9%	-15.7%	Miscellaneous Indicators
US Mortgage Rates 30 Yr. Conventional, Source: Federal Reserve	3.5%	3.5%	4.2%	0.0%	-0.7%	
MS Avg. Hourly Wage for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	54.70	54.20	52.00	0.9%	5.2%	
MS Avg. Wkly Earnings for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	601.3	588.9	527.2	2.1%	14.0%	
Gaming Revenue	164.4	167.4	166.7	-1.8%	-1.4%	
Coast Counties	80.5	83.5	81.1	-3.5%	-0.7%	
River Counties	83.9	83.9	85.6	-0.1%	-2.0%	
Nonseasonally adjusted, Millions of Dollars, Source: MS Department of Revenue						
Business Optimism Index Index 1986=100, Source: National Federation of Independent Businesses	87.5	93.1	92.0	-6.0%	-4.9%	

MISSISSIPPI EMPLOYMENT BY SECTOR

Sector	Relative Share of Total*	November 2012	October 2012	November 2011	Change from Prior Month		Change from Prior Year	
					Level	%	Level	%
Total Nonfarm	100.0%	1,093,200	1,089,500	1,092,400	3,700	0.3%	800	0.1%
Mining and Logging	0.9%	9,200	9,100	9,300	100	1.1%	(100)	-1.1%
Construction	4.2%	46,100	46,200	48,300	(100)	-0.2%	(2,200)	-4.6%
Manufacturing	12.5%	137,000	137,200	133,800	(200)	-0.1%	3,200	2.4%
Trade, Transportation & Utilities	19.7%	217,300	214,900	214,400	2,400	1.1%	2,900	1.4%
Retail Trade	12.1%	133,700	131,300	132,300	2,400	1.8%	1,400	1.1%
Information	1.1%	11,788	11,686	11,798	103	0.9%	(10)	-0.1%
Financial Activities	4.1%	44,047	44,042	44,442	5	0.0%	(395)	-0.9%
Services	35.0%	382,900	381,200	382,700	1,700	0.4%	200	0.1%
Professional and Business Services	8.5%	94,200	92,000	94,800	2,200	2.4%	(600)	-0.6%
Education and Health Services	12.6%	137,400	137,700	137,500	(300)	-0.2%	(100)	-0.1%
Leisure and Hospitality	10.7%	116,200	116,500	115,800	(300)	-0.3%	400	0.3%
Other Services	3.2%	35,100	35,000	34,600	100	0.3%	500	1.4%
Government	22.6%	244,800	245,100	247,300	(300)	-0.1%	(2,500)	-1.0%

* Relative shares are for the most recent 12 month average.

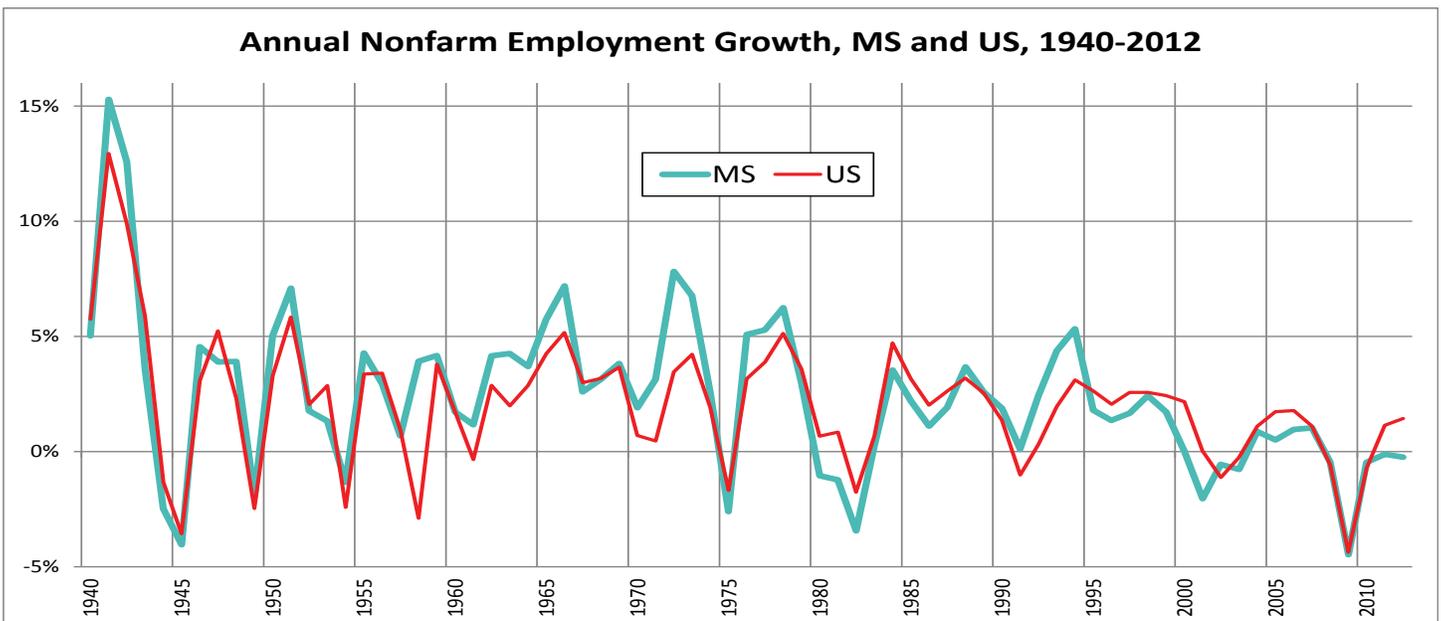
Source: U.S. Bureau of Labor Statistics

Mississippi Employment Trends

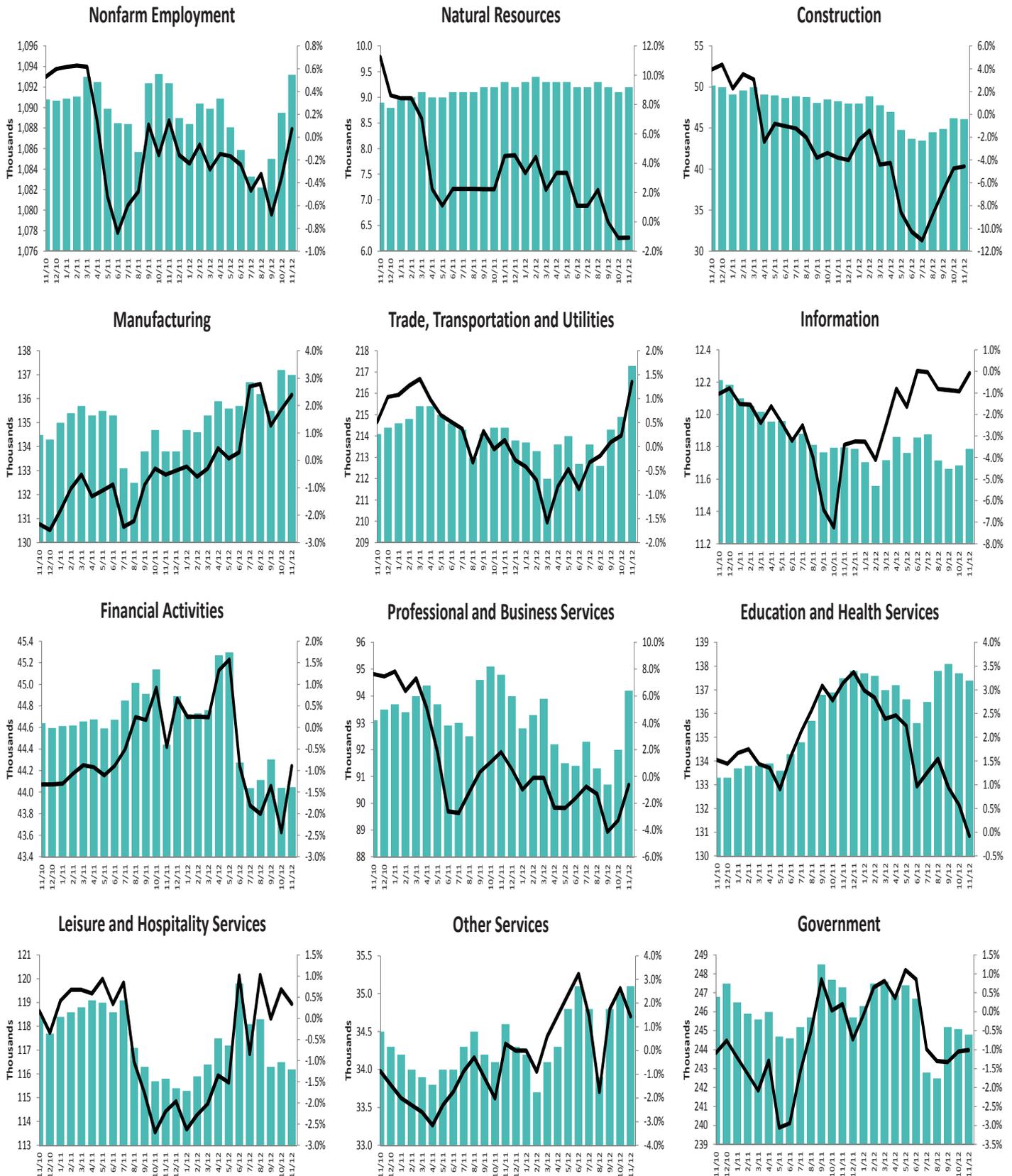
Mississippi employment rose for the third consecutive month in November. Employment rose 3,700 jobs in the state. Private employment actually rose 4,000 jobs. The government lost 300 jobs. The

largest gains occurred in professional and business services (2,200) and retail trade (2,400). Despite the recent gains, the average employment for 2012 was 0.2 percent below the same period in 2011.

The figure below offers some historical perspective. Employment growth since 2000 has, on average, been slower than in the prior 60 years. The State has rarely outpaced the Nation since the mid 1990s. The State has struggled to recover from the passage of NAFTA in 1994 and the off-shoring trend of the last decade.



MISSISSIPPI EMPLOYMENT TRENDS



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