

# Mississippi's Business

January 2014

Monitoring The State's Economy

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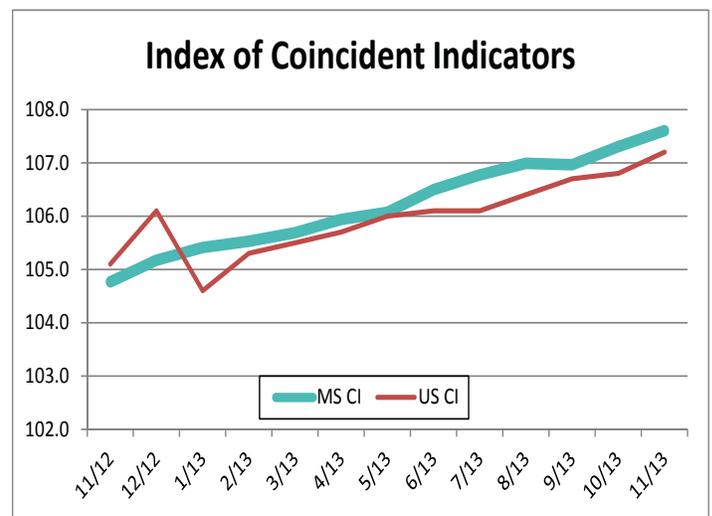
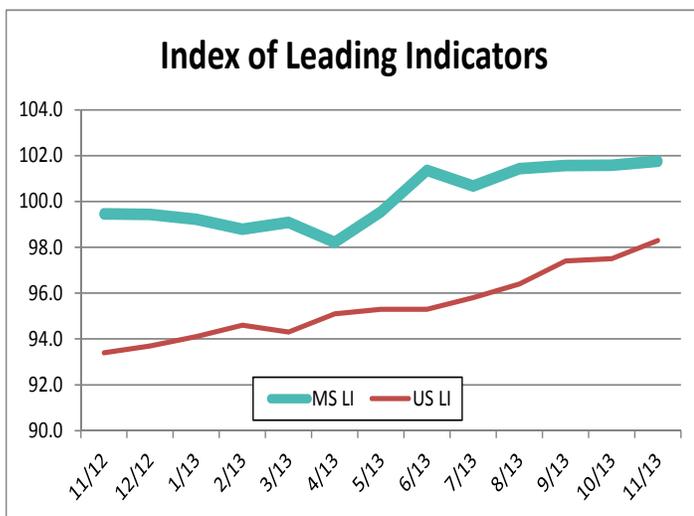
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## ECONOMY AT A GLANCE

The Mississippi Index of Leading and Coincident Indicators improved in November relative to October. The Leading Index has been relatively flat with only a slight upward trend for the past several months. This suggests the economy will likely continue along its current path of slow growth for the next several months.

The coincident index has risen almost nonstop since mid 2012. This measure is largely an indication of the labor market. Employment growth in 2013 averaged 1.6 percent which is the strongest since 1999. However, many of the jobs being added are temporary, part-time and/or low paying. This is resulting in relatively mild income growth for the state.

GDP growth in 2013 for Mississippi was probably not significantly different than the Nation's. Growth in both the state and the nation is thought to have slowed in 2013 relative to 2012. Higher payroll taxes and continued drama surrounding the budget and the credit limit is believed to have contributed to this slowdown. The economy is expected to improve in 2014 and indeed appears to be on firm footing as we begin the new year. Consumer spending, business investment, the housing sector and energy prices all appear favorable for growth in 2014. Growth will remain somewhat low by historical standards however, barely above the average growth observed in the 1990-2012 period. Growth is expected to improve further in 2015 and 2016.



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 2013 .....	2
Index of Coincident Indicators for November 2013.....	4
National Trends .....	5
Mississippi Employment Trends .....	8

## LEADING AND COINCIDENT INDICATORS, NOVEMBER 2013

The November **Mississippi Index of Leading Economic Indicators** rose slightly to 101.9. The index has made very slow progress over the last several months suggesting the state's economy will likely continue along its current path of slow modest growth in the short-term.

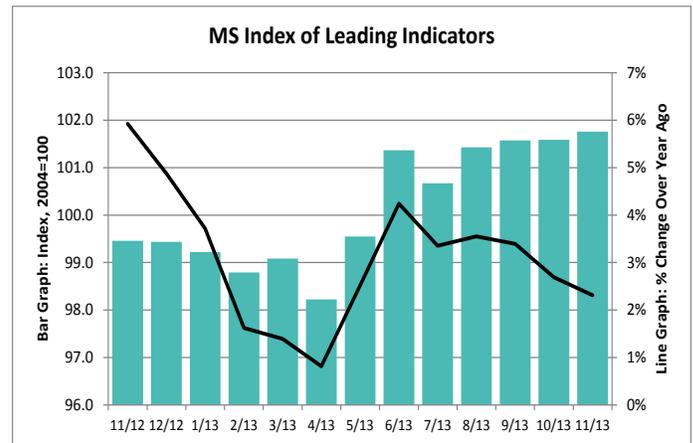
Of the eight components of the Index, six contributed positively to the November Index. The components will be discussed in order of positive contribution.

After declining during the government shutdown, the **U.S. Index of Consumer Expectations**<sup>1</sup> has begun to recover. The November index was 2.2 percent ahead of the October level. Expectations remain low historically speaking. Despite the gain in November, the index was below the average for the rest of 2013.

**U.S. retail sales** rose 0.4 percent in November. Again auto sales drove much of the increase. Christmas sales were above the year ago, but probably grew at the slowest pace since 2009. Low expectations by retailers led to deep and early discounting which reduced sales figures. For the year, retail sales were up 2.4 percent in 2013. This is below the 3.0 percent observed in 2012. Slower sales is not surprising given the higher payroll taxes and the drama surrounding the budget and the credit limit in 2013.

Inflation adjusted **Mississippi income tax withholdings**<sup>1</sup> rose a modest 0.5 percent in November over October. The series has risen for four consecutive months. For the year, withholdings were up 1.6 percent. That is more than half of the 3.1 percent observed in 2012. Many of the jobs being added to the state's economy appear to be part-time and low pay, which is contributing to lower income growth.

The **Mississippi Manufacturing Employment Intensity Index** inched upward by 0.3 percent in November. The series fell sharply in October after a spike in September. The small November gain did not put the index back to the September high, but it was above the August level. Despite the volatility, the Mississippi manufacturing activity was higher in the August-November period than during the mid-summer months.



The November gain was fueled by employment expansion and not workweek length, which fell slightly. The workweek length has fallen through 2013 but remains relatively high.

**Mississippi's initial unemployment claims** continued its decline with a fall of 3.5 percent in November. Continued claims were down 4.8 percent for the same month. The seasonally adjusted unemployment rate for November was 8.3 percent. That is the lowest level since January 2009 but still above the pre-recession level.

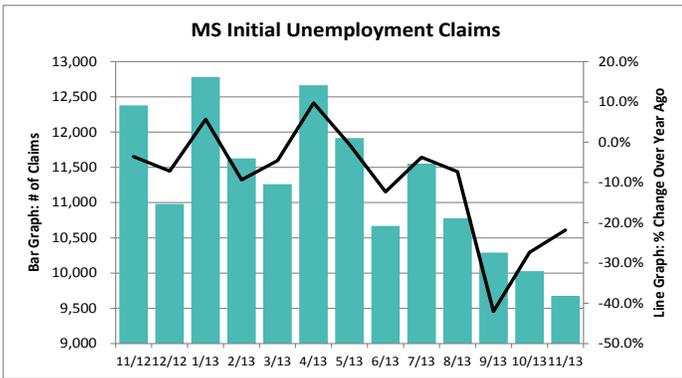
The **Mississippi Diesel Fuel Consumption Index**<sup>1</sup> rose 0.9 percent in November. It was the third consecutive monthly gain. The November index was the highest since November 2012. The gains suggest more goods are being transported.

The **Institute for Supply Management Index of U.S. Manufacturing Activity** fell to a level of 57.0 in December. Despite the decline the index remains at a relatively high level. The ISM Index of Nonmanufacturing Activity fell in December and has in fact been trending down in recent months. Both series remain above the critical 50 mark and therefore appear to be expanding.

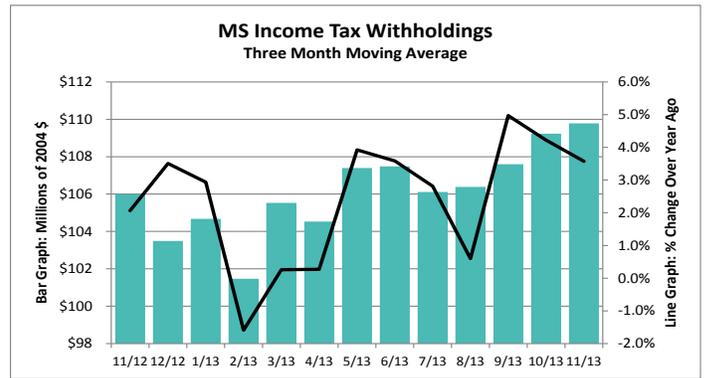
The **value of Mississippi residential building permits**<sup>1</sup> fell 9.3 percent in November. This was the third consecutive decline and the lowest level since January 2013 for the series. The National housing sector softened in the second half of 2013 but the outlook remains positive.

1. Three Month Moving Average

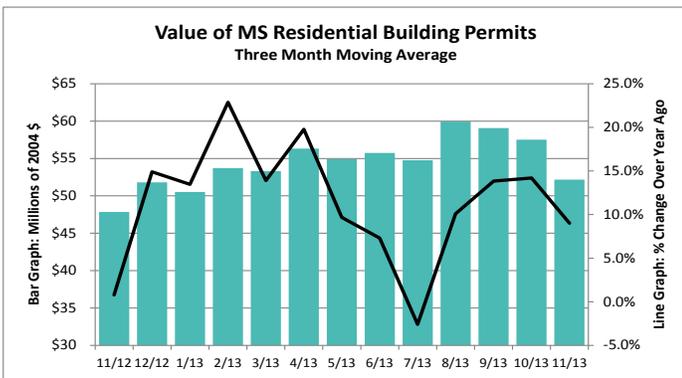
## LEADING ECONOMIC INDICATORS



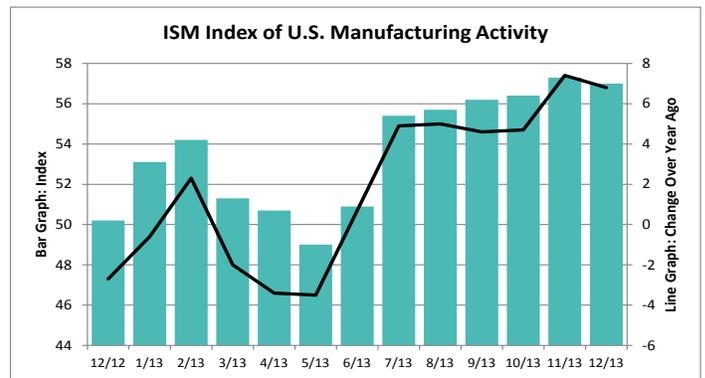
Source: Mississippi Department of Employment Security



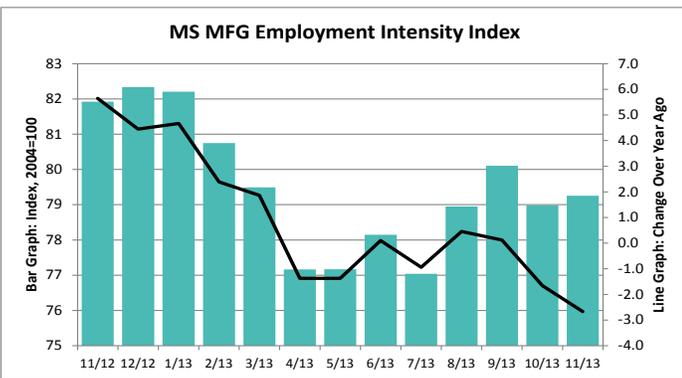
Source: Mississippi Department of Revenue



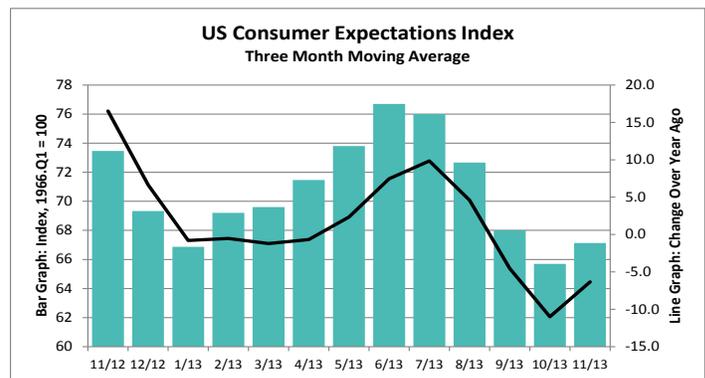
Source: Bureau of the Census



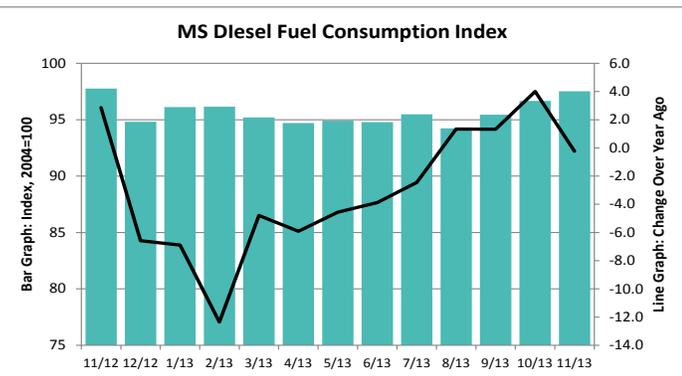
Source: Institute For Supply Management



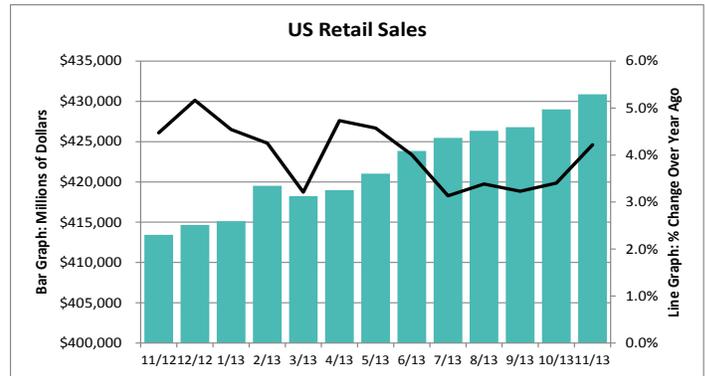
Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan



Source: URC using Data from Mississippi Department of Revenue

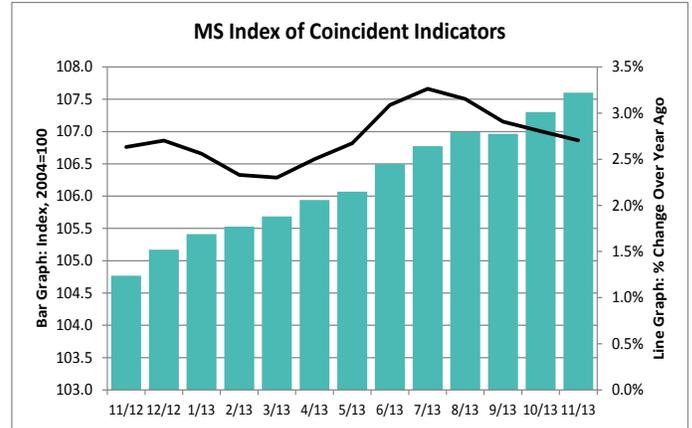


Source: Bureau of the Census

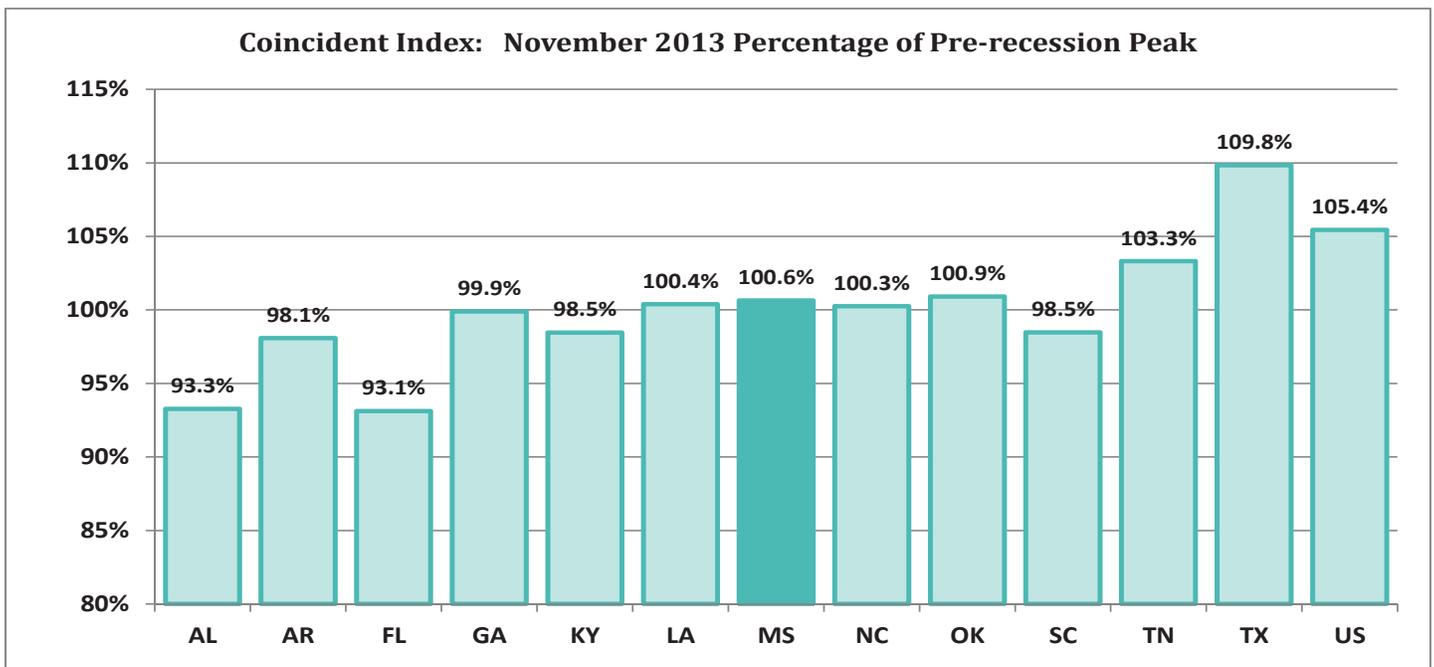
The **Mississippi Index of Coincident Indicators**, for November was 107.6, or 0.3 percent above the October Index. The index has risen all but one month since July 2012. The decline in September 2013 was negligible. Relative to the year ago, the Index is up 2.7 percent. The annual growth rate has declined in recent months but remains positive. The index continues to show an economy growing at a modest pace nonetheless.

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. Six southeastern states have regained their pre-recession Coincident Index peak. The southeastern states struggling that are farthest from their peak are Alabama and Florida. Florida was hit hard in the recession but is making strong improvement. Alabama however continues to struggle to gain momentum.

The map on page 5 shows the November index for each state compared to the level three months prior. With each month, more states are falling into the upper growth level. Mississippi's index rose 0.57 percent. The U.S. average growth was 0.75 percent. Alabama, Alaska, Ohio and Wyoming were the only states that declined relative to the level three months prior.



The Bureau of Economic Analysis will not release their estimate of state level gross domestic product (GDP) until next summer. However, we believe Mississippi ended 2013 with an annual growth of 1.8 percent in real gross domestic product (GDP). If true, 2013 was below the 2.4 percent growth of 2012 but well above the 1.1 percent decline in 2011. The national economy similarly slowed in 2013. In fact, our estimate for 2013 state growth is not significantly different than the estimate for National growth. The year 2013 was characterized by strong employment growth but very limited income growth in the state. We expect growth will improve in 2014 and reach a level comparable to that observed in 2012. Growth should continue to improve in 2015 as the national economy strengthens.



### National Trends

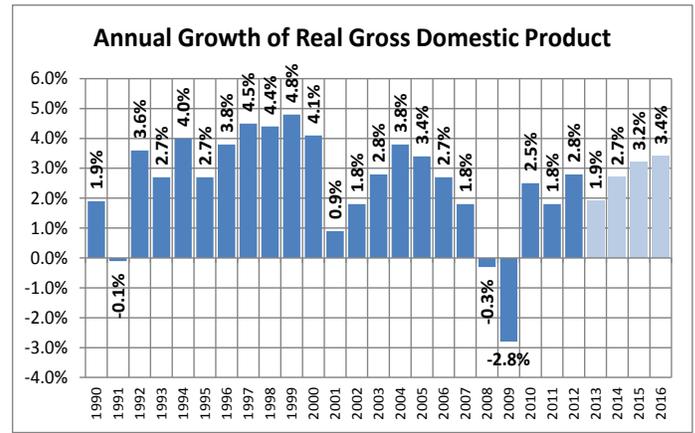
The U.S. Index of Leading Indicators rose a strong 0.8 percent in November while the Coincident Index rose 0.4 percent. The strengths among the components of both indices are becoming more widespread. The Conference Board expects growth to continue in 2014 and may gain momentum early in the year.

The Bureau of Economic Analysis (BEA) again released a revised estimate for the third quarter real GDP growth. This most recent estimate shows the economy expanded 4.1 percent in the third quarter relative to the second. This is the strongest quarterly growth since the fourth quarter of 2011. The revision was due in part to stronger consumer spending. Growth likely softened in the fourth quarter. This was due largely to technical issues and is not expected to have a limiting impact on 2014 growth.

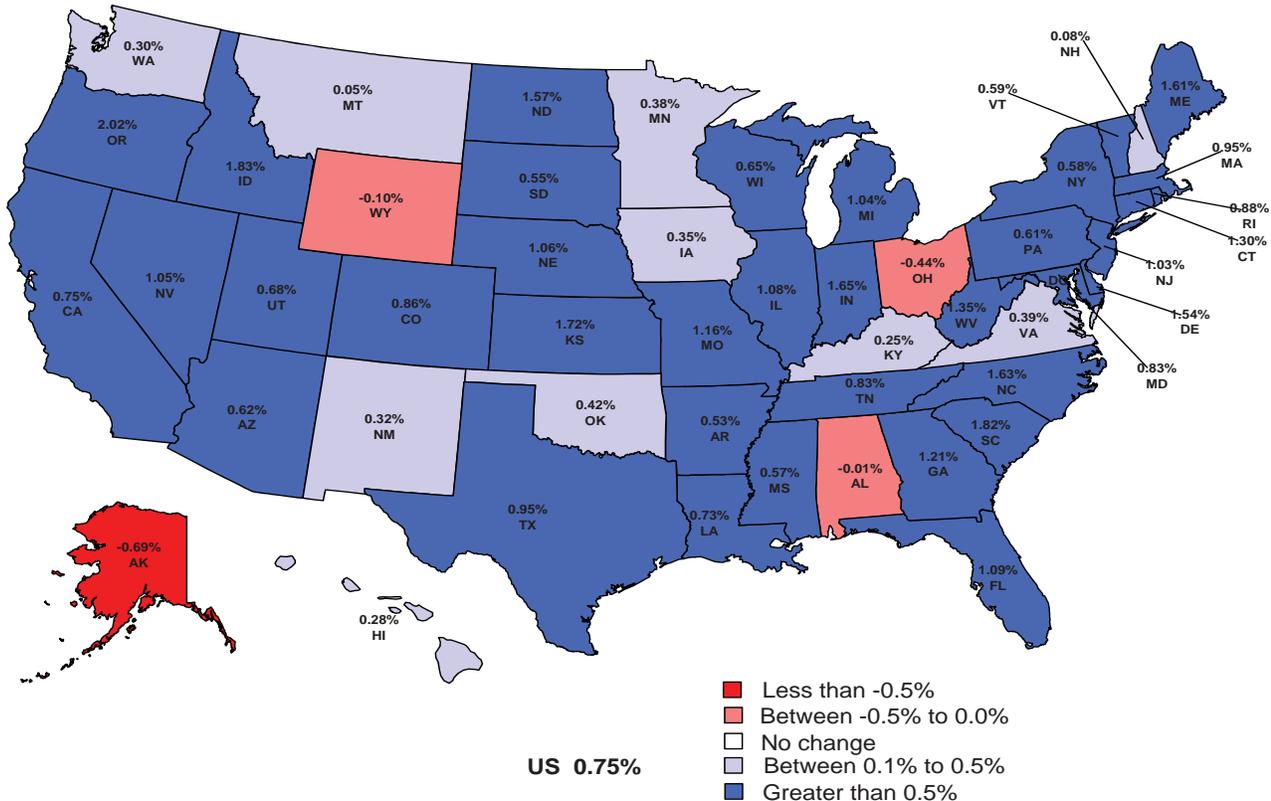
Fundamentally the economy is on firm footing going into 2014. Consumer spending, business investment, the housing market and energy prices all appear favorable for growth. Uncertainty, while diminished,

remains a factor, but the longer we successfully avoid a falling sky, the more people are learning to cope. The gradually improving jobs picture and housing sector is supporting this less pessimistic outlook.

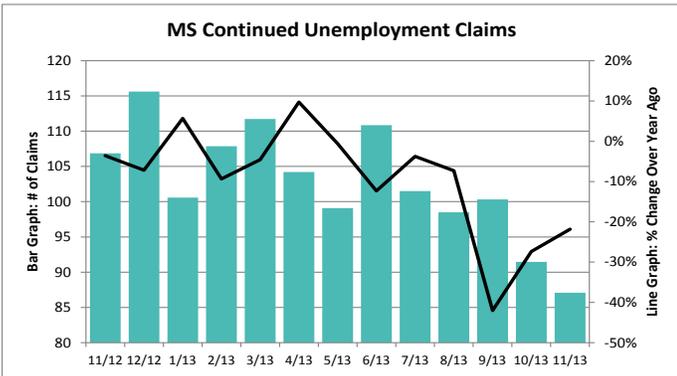
While growth appears to be firming and the risk of recession diminishing, growth is not expected to be strong from an historical perspective. The current forecast for 2014 is for a 2.7 percent growth in real GDP. This is only slightly ahead of the 2.5 percent average growth for the 1990-2012 period.



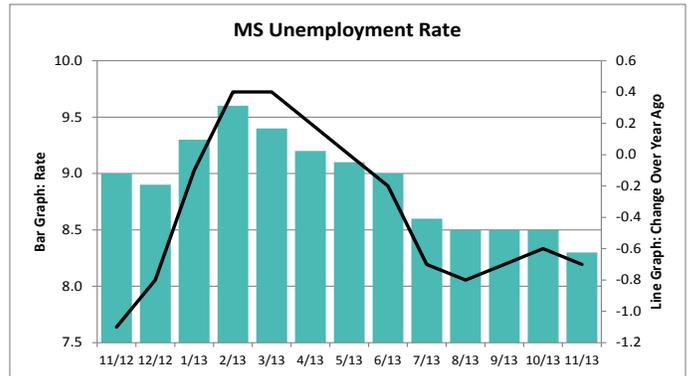
### Three Month Growth in The Index of Coincident Economic Indicators, November 2013



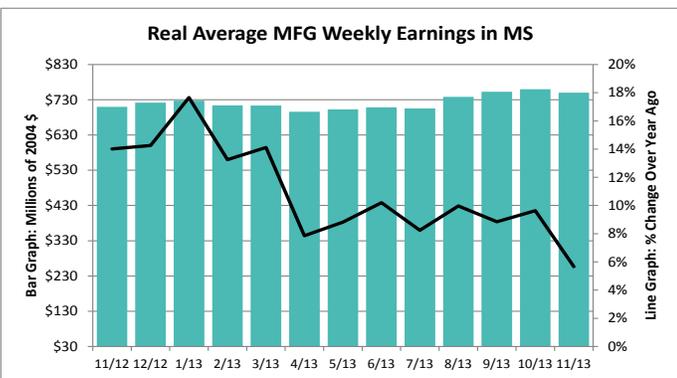
MISCELLANEOUS ECONOMIC INDICATORS



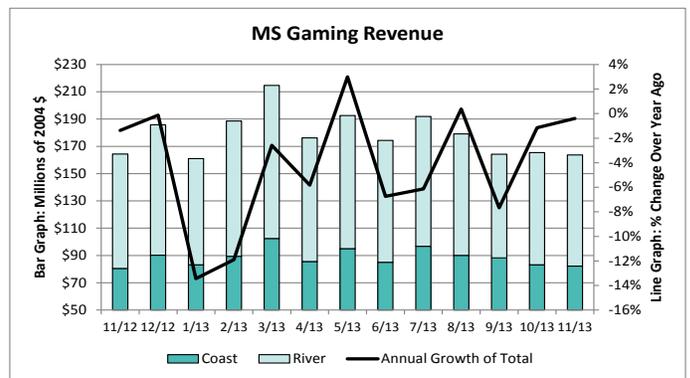
Source: Mississippi Department of Employment Security; Seasonally Adjusted



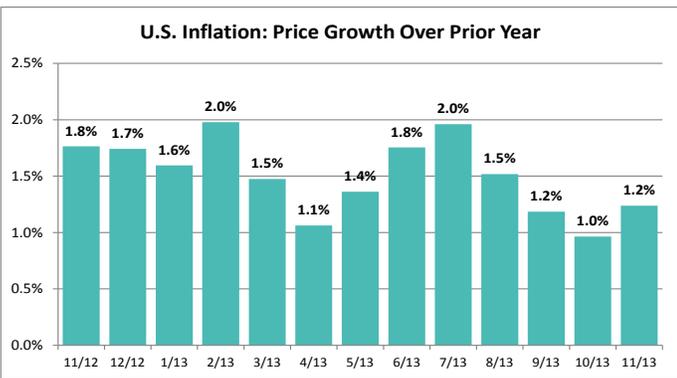
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



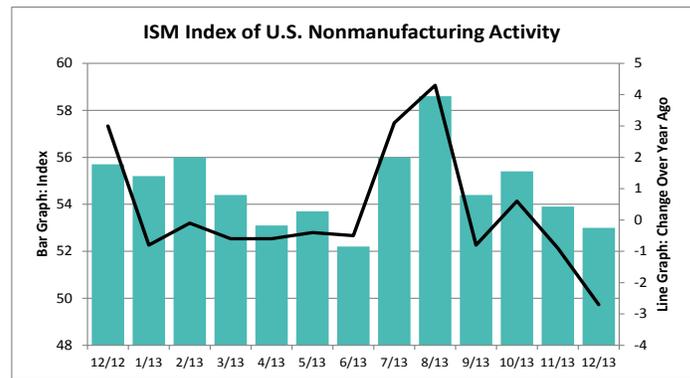
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



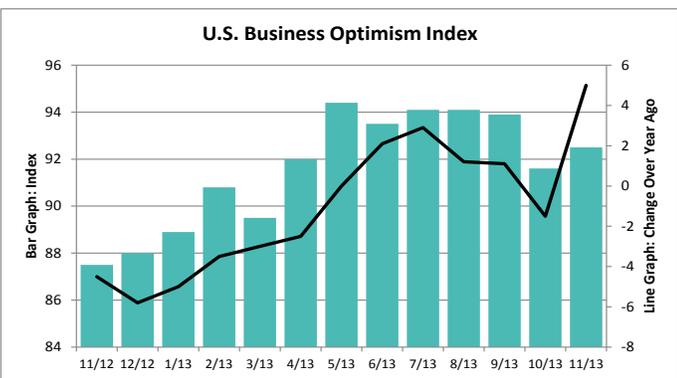
Source: MS Department of Revenue; Nonseasonally Adjusted



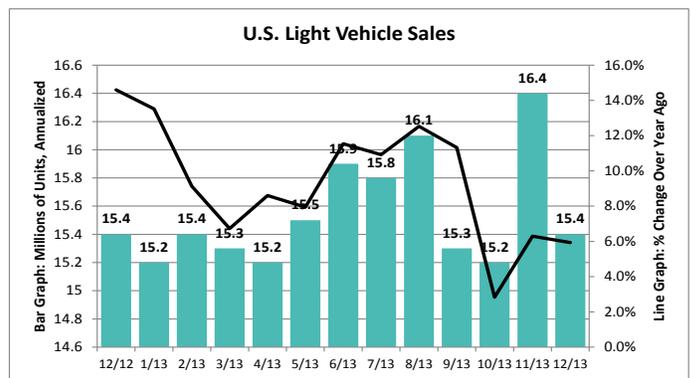
Source: U.S. Bureau of Labor Statistics



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 2013	October 2013	November 2012	Change from Last Mo. Last YR.		
<b>US Index of Coincident Indicators</b> 2004=100, Source: The Conference Board	107.2	106.8	105.1	0.4%	2.0%	Economic Indicators
<b>MS Index of Coincident Indicators</b> 2004=100, Source: Federal Reserve Bank of Philadelphia	107.6	107.3	104.8	0.3%	2.7%	
<b>US Index of Leading Indicators</b> 2004=100, Source: The Conference Board	98.3	97.5	93.4	0.8%	5.2%	
<b>MS Index of Leading Indicators</b> 2004=100, Source: University Research Center	101.8	101.6	99.5	0.2%	2.3%	
<b>MS Initial Unemployment Claims</b> Source: Mississippi Department of Employment Security	9,678	10,028	12,379	-3.5%	-21.8%	Components of the MS Index of Leading Indicators
<b>MS Value Of Res. Building Permits</b> 3 Mo. Moving Avg., Millions of 2004 Dollars, Source: Bureau of Census	52.2	57.5	47.8	-9.3%	9.0%	
<b>MS Income Tax Withholdings</b> 3 Mo. Moving Avg., Millions of 2004 Dollars, Source: MS Department of Revenue	109.8	109.2	106.0	0.5%	3.6%	
<b>MS MFG Emp. Intensity Index</b> Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	79.3	79.0	81.9	0.3%	-3.3%	
<b>MS Diesel Fuel Consumption Index</b> 3 Mo. Moving Avg. 2004=100, Source: URC using data from MS Department of Revenue	97.5	96.7	97.8	0.9%	-0.2%	
<b>US Index of Consumer Expectations</b> 3 Mo. Moving Avg. Index 1996 q1=100, Source: University of Michigan	67.1	65.7	73.5	2.2%	-8.6%	
<b>US ISM Index of MFG Activity</b> Advanced 1 Month, Source: Institute For Supply Management	57	57.3	50.2	-0.5%	13.5%	
<b>US Retail Sales</b> Millions of Dollars, Source: Bureau of Census	430,881	429,004	413,435	0.4%	4.2%	
<b>US Consumer Price Index</b> 2004=100, Source: URC using data from Bureau of Labor Statistics	123.4	123.6	121.9	-0.2%	1.2%	
<b>MS Unemployment Rate</b> Source: Bureau of Labor Statistics	8.3%	8.5%	9.0%	-0.2%	-0.7%	
<b>MS Continued Unemp. Claims</b> Source: Mississippi Department of Employment Security	87,083	91,465	106,850	-4.8%	-18.5%	Miscellaneous Indicators
<b>US Mortgage Rates</b> 30 Yr. Conventional, Source: Federal Reserve	4.4%	4.4%	3.5%	0.0%	0.9%	
<b>MS Avg. Hourly Wage for MFG</b> 2004 Dollars, Source: Bureau of Labor Statistics	18.12	18.45	16.55	-1.8%	9.5%	
<b>MS Avg. Wkly Earnings for MFG</b> 2004 Dollars, Source: Bureau of Labor Statistics	750.18	759.68	709.96	-1.3%	5.7%	
<b>Business Optimism Index</b> 1986=100, Source: National Federation of Independent Businesses	92.5	91.6	87.5	1.0%	5.7%	
<b>Gaming Revenue</b>	163.7	165.5	164.4	-1.1%	-0.4%	
<b>Coast Counties</b>	82.2	83.2	80.5	-1.2%	2.1%	
<b>River Counties</b>	81.5	82.3	83.9	-0.9%	-2.8%	
Nonseasonally adjusted, Millions of Dollars, Source: MS Department of Revenue						

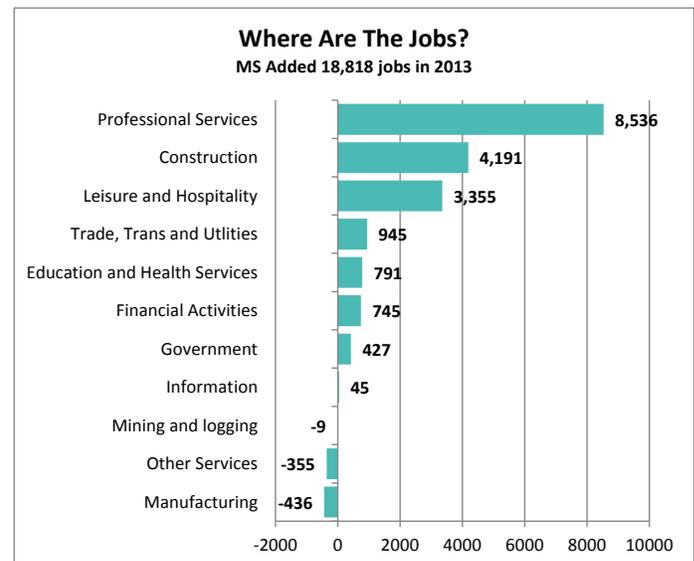
### MISSISSIPPI EMPLOYMENT TRENDS

Mississippi employment rose 1,900 jobs in November or 0.2 percent. Professional and business services and trade, transportation and utilities accounted for 1700 jobs each. Manufacturing employment increased 700 jobs and education and health services added 500. These gains were offset by declines in construction (1,300) and leisure and hospitality (700).

On average employment is up 1.6 percent in 2013 relative to 2012. These data are subject to revision and the revisions have been substantial in the past. Assuming this rate of growth survives the revision, it will be the strongest annual gain since 1999. Growth has been especially slow since 2000.

While the job growth has been strong for 2013, the picture is not as bright as it might otherwise appear. Many of the jobs being added are temporary or part-time and /or low wage. This is evident in the graph to the right which breaks down the job gains by sector. The professional services sector added the most jobs in 2013. But most of those were actually in the administrative support and waste management subsector. These are thought to be largely temporary jobs. The second

largest contributor to 2013 growth was the construction sector. The Kemper county power plant factors heavily in these gains. This plant is scheduled to be completed by late 2014. The third largest contributor to growth was the leisure and hospitality sector. Most of the gains within this sector were due to eating places which are often relatively low wage jobs. These top three sectors accounted for 85 percent of the jobs added in 2013.

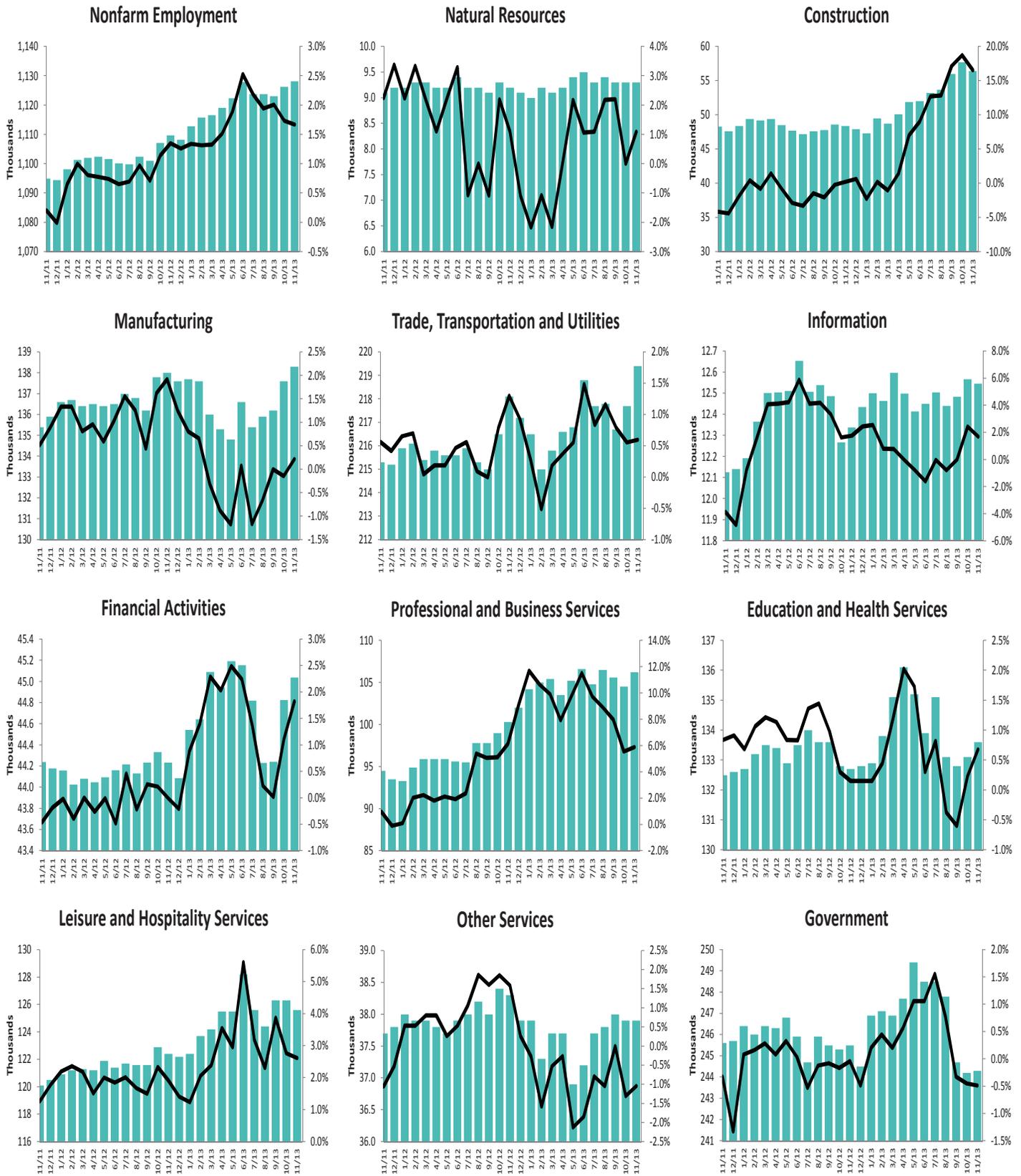


### Mississippi Employment by Sector, Seasonally Adjusted

	Relative Share of Total*	November 2013	October 2013	November 2012	Change from Prior Month Level	%	Change from Prior Year Level	%
Total Nonfarm	100.0%	1,128,200	1,126,300	1,109,700	1,900	0.2%	18,500	1.7%
Mining and Logging	0.8%	9,300	9,300	9,200	-	0.0%	100	1.1%
Construction	4.6%	56,400	57,700	48,400	(1,300)	-2.3%	8,000	16.5%
Manufacturing	12.2%	138,300	137,600	138,000	700	0.5%	300	0.2%
Trade, Transportation & Utilities	19.4%	219,400	217,700	218,100	1,700	0.8%	1,300	0.6%
Retail Trade	11.9%	134,900	134,300	134,500	600	0.4%	400	0.3%
Information	1.1%	12,547	12,566	12,338	(20)	-0.2%	209	1.7%
Financial Activities	4.0%	45,039	44,824	44,234	215	0.5%	805	1.8%
Services	35.8%	403,300	401,800	393,700	1,500	0.4%	9,600	2.4%
Professional & Business Serv.	9.4%	106,200	104,500	100,300	1,700	1.6%	5,900	5.9%
Education & Health Services	12.0%	133,600	133,100	132,700	500	0.4%	900	0.7%
Leisure & Hospitality	11.2%	125,600	126,300	122,400	(700)	-0.6%	3,200	2.6%
Other Services	3.4%	37,900	37,900	38,300	-	0.0%	(400)	-1.0%
Government	23.0%	244,300	244,200	245,500	100	0.0%	(1,200)	-0.5%

\* Relative shares are for the current 12-month average.

### MISSISSIPPI EMPLOYMENT TRENDS



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