

ECONOMY AT A GLANCE

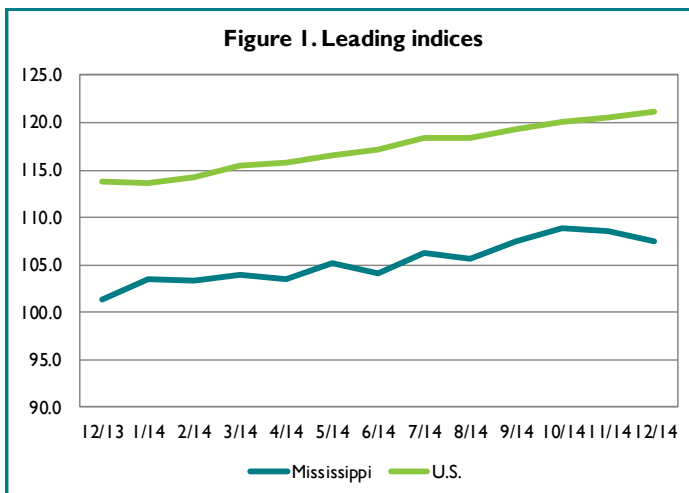
As Figure 1 below indicates, the value of the Mississippi Leading Index (MLI) fell 1.0 percent in December, the second consecutive monthly decline. The MLI remained 6.1 percent higher compared to December 2013.

The value of the Mississippi Coincident Index was essentially unchanged in December as Figure 2 below indicates. The value of the index is up 0.7 percent compared to six months ago and is up 1.0 percent compared to one year ago.

Real U.S. gross domestic product (GDP) for the fourth quarter grew 2.6 percent according to the first estimate of the U.S. Bureau of Economic Analysis (BEA). This estimate is almost half of the increase in the third quarter of 5.0 percent. While the increase in consumer spending in the fourth quarter was the largest in eight years, business

investment grew at lower rate, leading to the smaller growth in GDP. For all of 2014, real U.S. GDP grew 2.4 percent, the largest annual increase since 2010 but still a historically low growth rate during an economic expansion. The slowing global economy has started to impact U.S. firms as exports fall in part due to a stronger dollar, which has led to the reduction in investment. Thus, while the U.S. economy is expected to continue its growth in 2015, this growth may be inhibited by the difficulties experienced by the economies of Europe and Asia.

“Stagnant” seemingly describes Mississippi’s economy at present. Employment growth remains relatively flat (see page 8) and manufacturing hours, wages, and earnings declined in December. Although Mississippi is better positioned economically than one year ago, as of February momentum in the state’s economy appears to be lacking.

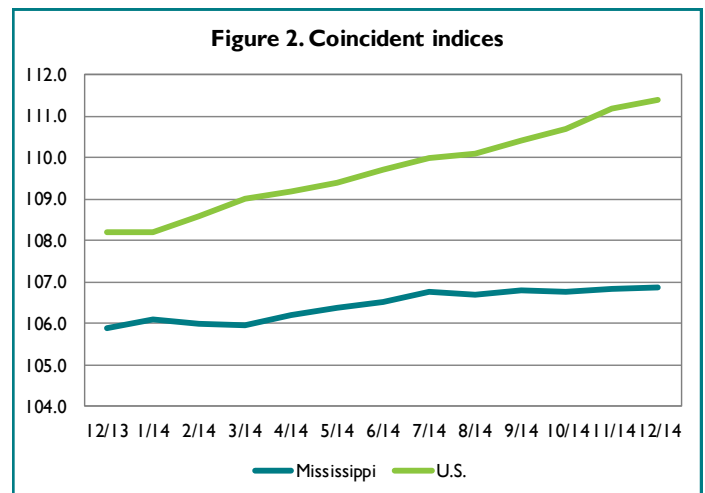


Sources: University Research Center and The Conference Board

Notes: 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 from The Conference Board. All series are indexed to a base year of 2004.

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Sources: Federal Reserve Bank of Philadelphia and The Conference Board

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MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, DECEMBER 2014

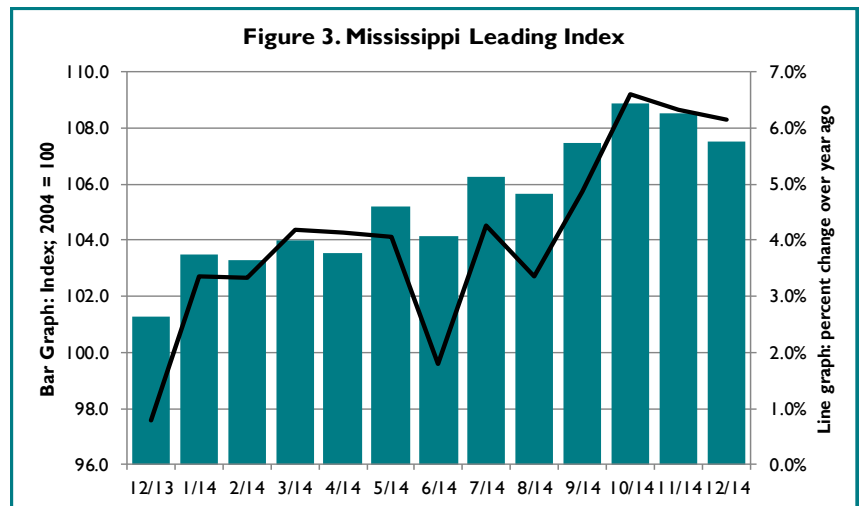
The **Mississippi Leading Index of Economic Indicators (MLI)** fell for the second consecutive month in December. The Index last declined for two consecutive months in April 2013. As Figure 3 indicates, the MLI lost 1.0 percent of its value but remained 6.1 percent higher compared to one year ago. Over the last six months the Index is up 6.5 percent.

Five of the seven components of the index contributed negatively in December. Discussion of each component appears below in order of smallest to largest contribution.

As Figure 4 indicates, the **Mississippi Manufacturing Employment Intensity Index** fell 2.2 percent in December. The November value of the Index was also revised slightly lower. However, the value of the Index remained 3.7 percent higher compared to December 2013. Although employment in manufacturing in Mississippi increased slightly in December, average weekly hours of production employees fell by 1 hour, more than offsetting the relatively small gain in manufacturing jobs for the month. Average weekly hours of production employees in manufacturing in Mississippi dropped to its lowest level since July 2014, an increase of 0.8 percent compared to one year ago.

U.S. retail sales fell 0.9 percent in December as indicated in Figure 5, only the third decline in 2014. Lower retail gasoline prices drove a majority of the decrease as sales at gasoline stations were down 6.5 percent. However, sales excluding gasoline stations fell 0.4 percent, indicating sales declines were broad-based. Electronics and appliance stores and building materials stores had the largest decreases. Compared to one year ago, retail sales were 3.6 percent higher, the first month since last February the year-over-year increase in sales was less than 4.0 percent.

The value of the **Institute for Supply Management Index of U.S. Manufacturing Activity** fell 3.6 percent in January, its third consecutive monthly decline. As Figure 6 indicates, the Index decreased for the fourth time in the last five months, dropping to its lowest level since February 2014. Despite the decline the value of the Index remained 4.3 percent above its value compared to January 2014. Both the Production and New Orders components fell for the third consecutive month. The slowdown in the global economy continues to negatively impact U.S. manufacturing. The sector also includes a number of firms that



Source: University Research Center

have been hurt by a stronger dollar and lower oil prices.

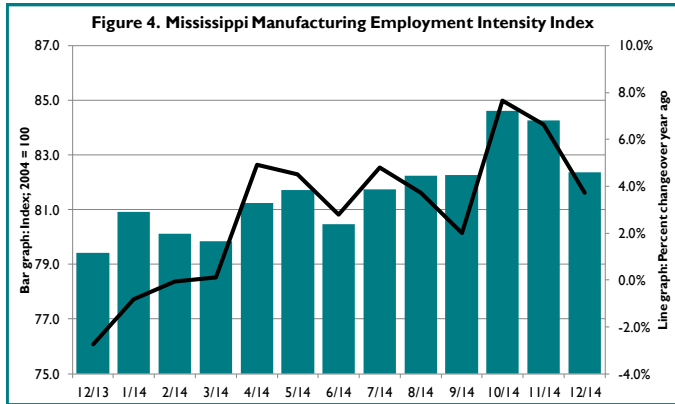
Seasonally-adjusted **initial unemployment claims** in Mississippi spiked 14.9 percent in December, the third increase in the last four months as seen in Figure 7. Total initial claims reached their highest level since last June and were 2.7 percent below the value of one year ago. Seasonally-adjusted continued unemployment claims, on the other hand, fell to their lowest level since 1999 in December. Figure 14 on page 6 indicates the number of continued claims dropped 7.4 percent from the previous month and were a full 32 percent lower than the level of one year ago. Mississippi's seasonally-adjusted unemployment rate decreased 0.1 percentage point in December to 7.2 percent, a level last seen in September 2008.

Mississippi income tax withholdings (three-month moving average) were essentially unchanged in December, as the value declined 0.1 percent. Figure 8 indicates this slight fall was the second consecutive monthly decrease. Compared to one year ago, the value of withholdings remained 4.3 percent higher in December. In addition, the average monthly value of withholdings in 2014 was 3.1 percent higher than in 2013.

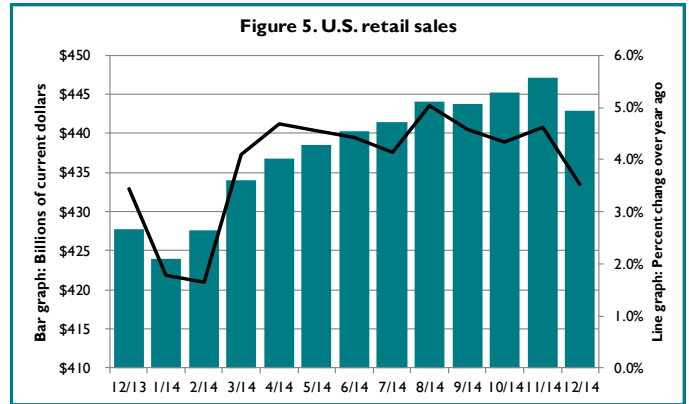
The **value of Mississippi residential building permits** (three-month moving average) increased for the second consecutive month in December, climbing 2.0 percent as seen in Figure 9. Compared to December 2013, the value of permits for the month was 17.8 percent higher. In contrast, the seasonally-adjusted number of units for which building permits were issued (three-month moving aver-

(Continued on page 4)

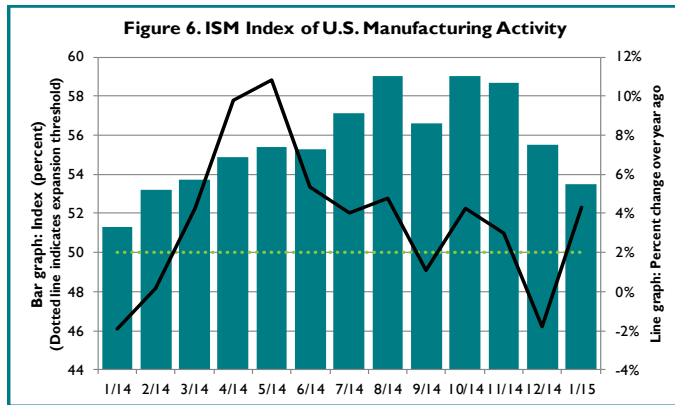
COMPONENTS OF MISSISSIPPI LEADING INDEX, IN FIGURES



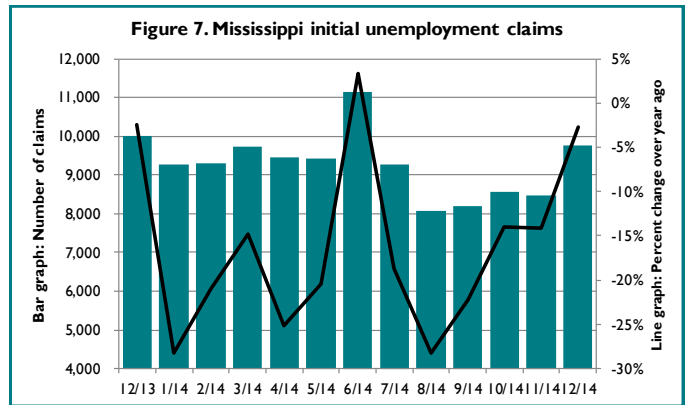
Source: URC using data from Bureau of Labor Statistics



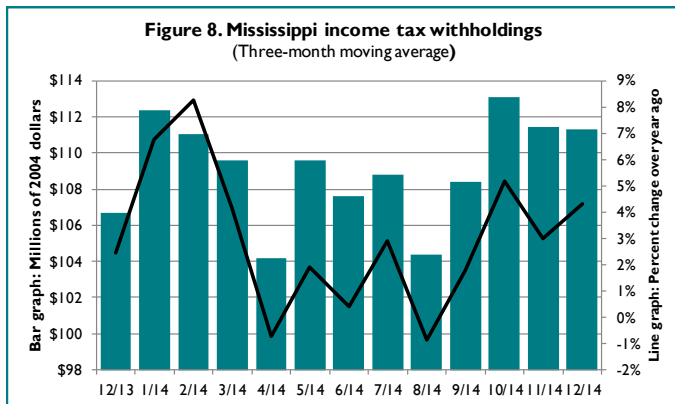
Source: Bureau of the Census



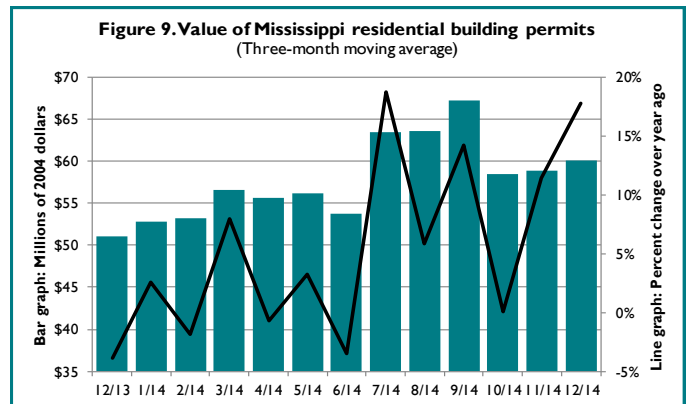
Source: Institute for Supply Management



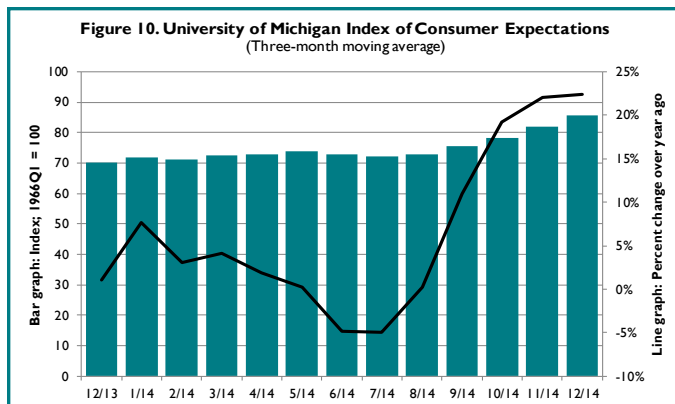
Source: U.S. Department of Labor; seasonally adjusted



Source: Mississippi Department of Revenue; seasonally adjusted



Source: Bureau of the Census; seasonally adjusted



Source: Thomson Reuters/University of Michigan Surveys of Consumers

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MISSISSIPPI LEADING INDEX, DECEMBER 2014 (CONTINUED)

age) in Mississippi declined slightly in December, falling 0.4 percent. The number remained 12.7 percent higher than one year ago, however. Nationally, the number of privately-owned housing units authorized by building permits in the U.S. declined 1.9 percent compared to the revised November rate. However, this value was 1.0 percent higher than in December 2013.

The **University of Michigan Index of Consumer Expectations** (three-month moving average) surged again

in December, the third consecutive monthly increase. As indicated in Figure 10, the value of the index jumped 4.6 percent from the previous month to its highest level in ten years. The December value was 27.8 percent higher compared to one year ago. Significantly, the share of consumers who stated their incomes were higher compared to one year ago rose from the previous month. In addition, lower gasoline prices pushed down consumers' views about short-term inflation.

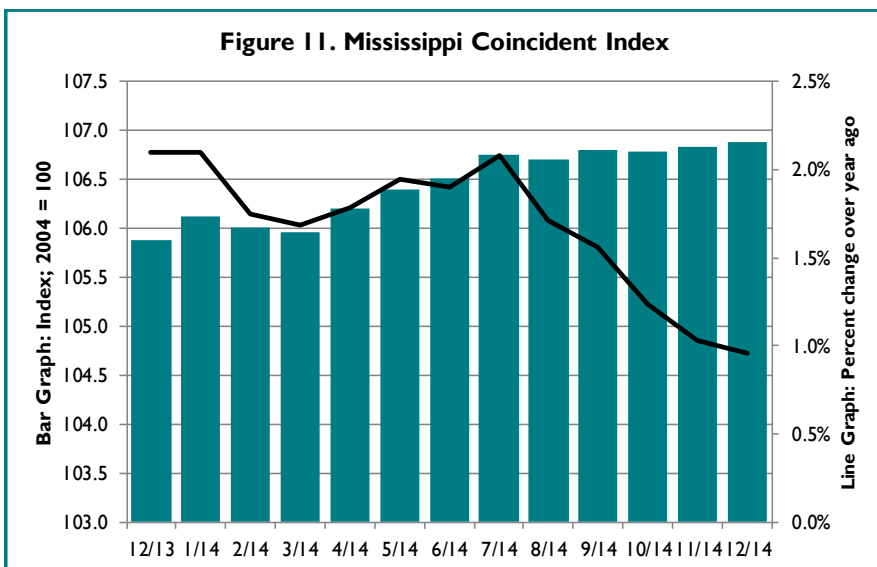
MISSISSIPPI COINCIDENT INDEX, DECEMBER 2014

For the fourth consecutive month, the value of the **Mississippi Coincident Index of Economic Indicators** was effectively flat in December. The index reached 106.9 as Figure 11 indicates, but increased only 0.05 percent for the month.

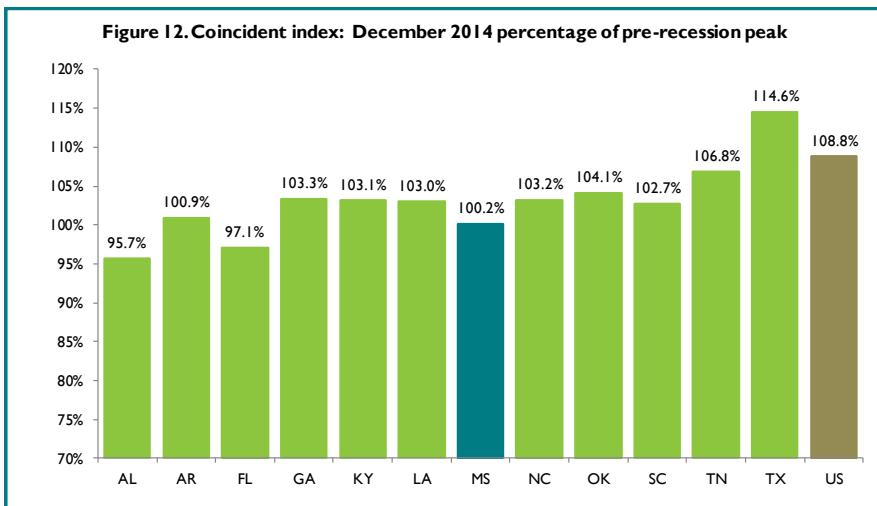
The value of the Mississippi Coincident Index was at 100.2 percent of its pre-recession peak in December as seen in Figure 12. Following data revisions this level was unchanged from the previous month. As they have throughout most of the recovery, Alabama and Florida remained the only two states in the Southeast where the values of their respective coincident indices were below pre-recession peaks in December. However, for the second consecutive month the value of Mississippi's coincident index relative to its pre-recession peak was the third-smallest among the states in the Southeast region.

All 50 states experienced increases in the value of their coincident indices in December compared to three months prior as Figure 13 on page 5 indicates. January 2014 was the last month the three-month changes in the coincident indices of all 50 states were positive.

Mississippi was one of eight states with indices that increased between 0.0 and 0.5 percent in December compared to September. Thus, the indices of 42 states increased more than 0.5 percent in December compared to three months prior.



Source: Federal Reserve Bank of Philadelphia



Source: Federal Reserve Bank of Philadelphia

NATIONAL TRENDS

The Conference Board completed its annual benchmark revisions to the U.S. Leading Economic Index (LEI) and the U.S. Coincident Economic Index (CEI) in January and the values reported in this issue reflect these data revisions.

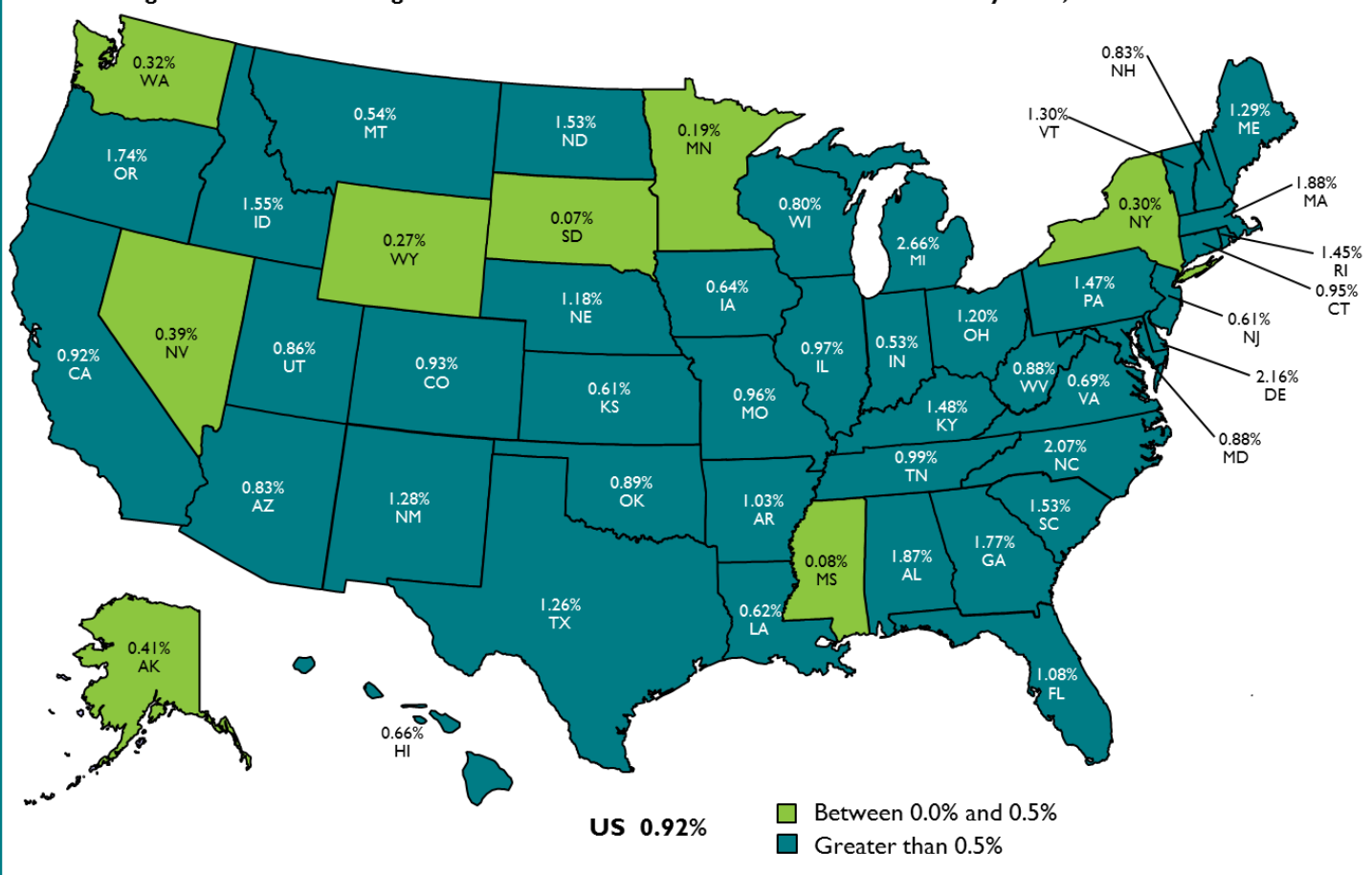
The LEI rose for the fourth consecutive month as the December value increased 0.5 percent while the November value of the LEI was revised slightly lower. Compared to December 2013, the LEI was 6.4 percent higher. For the third consecutive month, eight of the ten components of the LEI increased in December. The only component contributing negatively for the month was building permits.

The value of the CEI gained 0.2 percent in December and was 3.0 percent higher compared to one year ago. Values for October and November were also revised higher. December marked the eleventh consecutive month the CEI has risen. Three of the four components of the CEI increased in December as only industrial production contributed negatively.

In December, the National Federation of Independent Businesses (NFIB) Small Business Optimism Index rose for the third consecutive month. The 2.3 percent gain propelled the Index to 100.4, its highest level since October 2006. Compared to December 2013, the value of the Index was 6.9 percent higher. Significantly, the share of respondents who plan to raise compensation in the next three months was the highest since the end of the recession.

The U.S. Federal Reserve finally removed the phrase “considerable time” from its January statement. As in its December statement, the central bank said it will remain “patient” with regard to when the first increase in interest rates since 2006 will occur. Effectively, the January statement signals the earliest a rate increase could occur is June. A stronger dollar and lower oil prices have kept the U.S. inflation rate well below the Federal Reserve’s target of 2.0 percent annually. Thus, the Fed will continue to monitor international developments to help determine the timing of a rate increase.

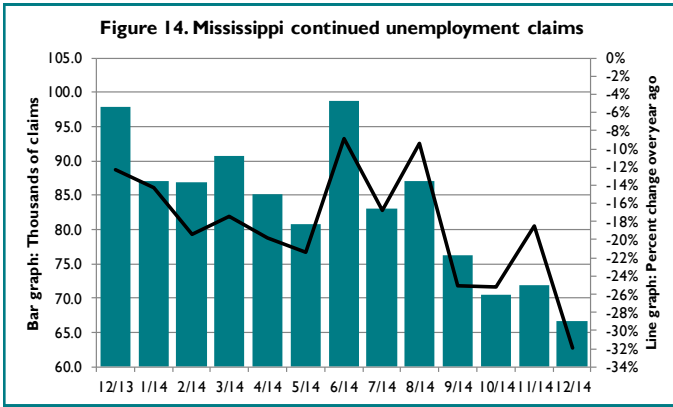
Figure 13. Three-month growth in the coincident index of economic indicators by state, December 2014



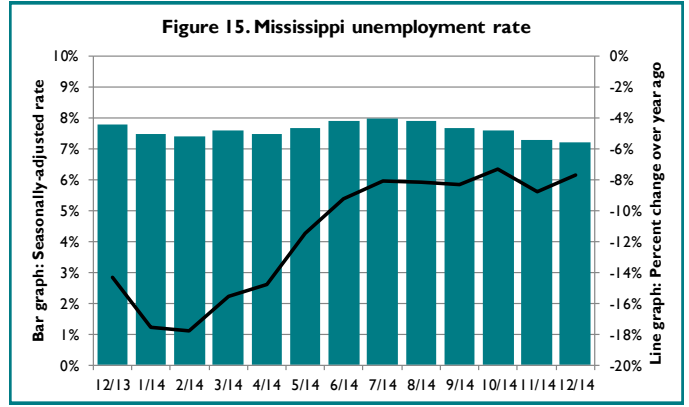
Source: Federal Reserve Bank of Philadelphia

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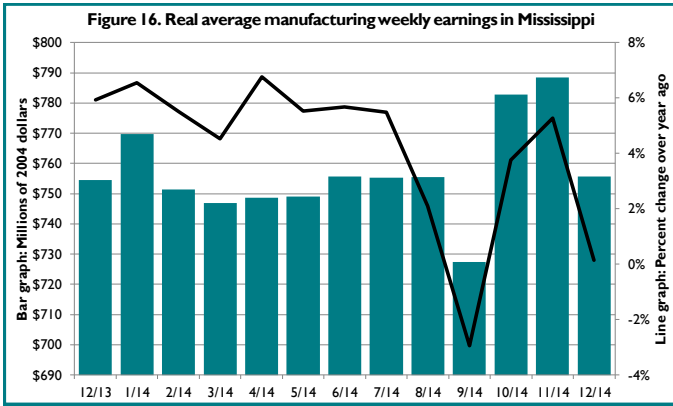
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



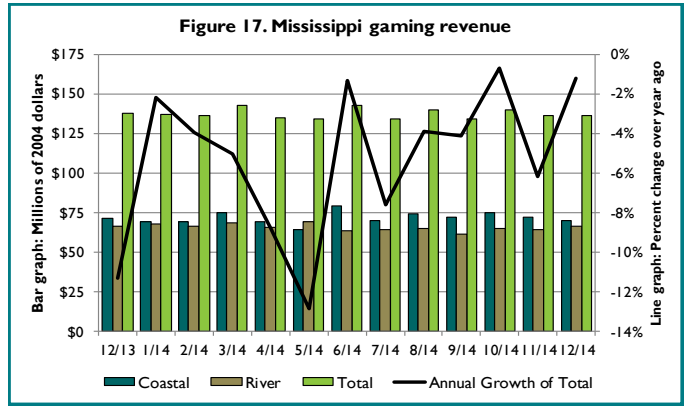
Source: U.S. Department of Labor; seasonally adjusted



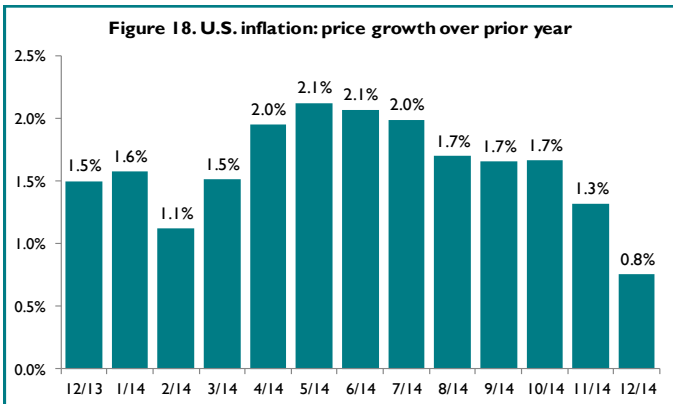
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



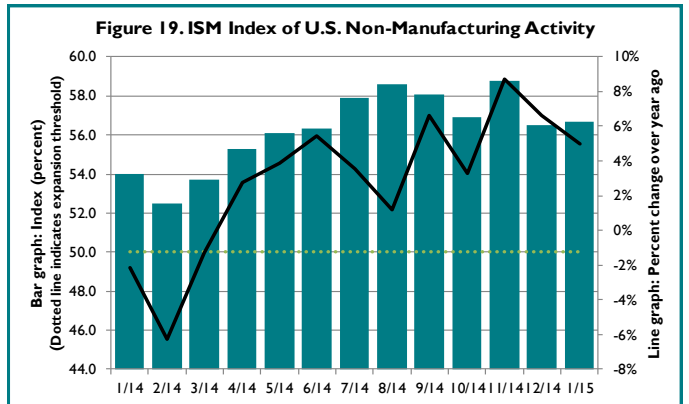
Source: U.S. Bureau of Labor Statistics; non-seasonally adjusted



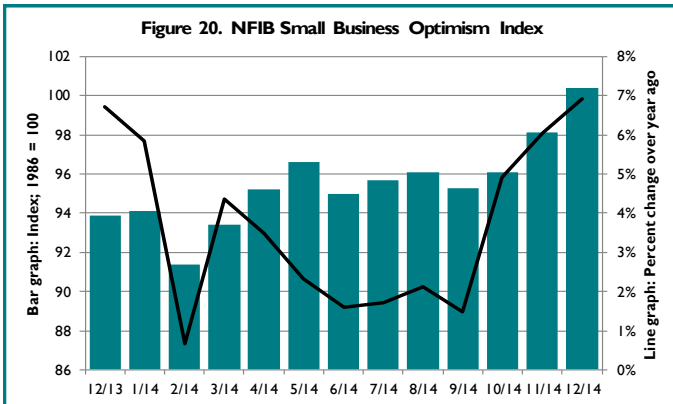
Source: Mississippi Department of Revenue; seasonally adjusted



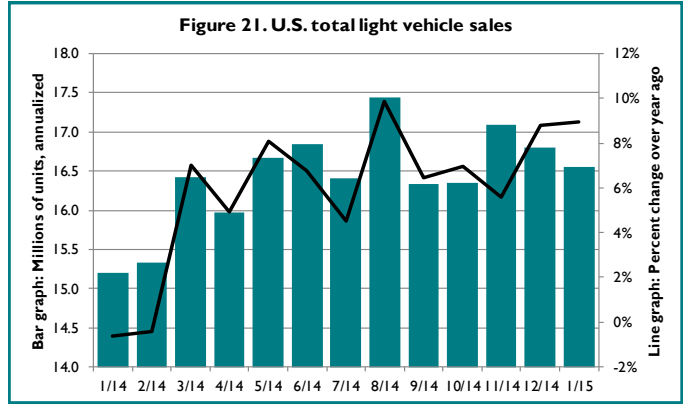
Source: U.S. Bureau of Labor Statistics



Source: Institute for Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; seasonally adjusted at annual rates

TABLE I. SELECTED ECONOMIC INDICATORS

Indicator	December	November	December	Percent change from		
	2014	2014	2013	November 2014	December 2013	
U.S. Leading Economic Index 2004 = 100. Source: The Conference Board	121.1	120.5	113.8	▲0.5%	▲6.4%	Economic Indices
U.S. Coincident Economic Index 2004 = 100. Source: The Conference Board	111.4	111.2	108.2	▲0.2%	▲3.0%	
Mississippi Leading Index 2004 = 100. Source: University Research Center	107.5	108.5	101.3	▼1.0%	▲6.1%	
Mississippi Coincident Index 2004 = 100. Source: Federal Reserve Bank of Philadelphia	106.9	106.8	105.9	▲0.1%	▲0.9%	
Mississippi initial unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	9,750	8,488	10,023	▲14.9%	▼2.7%	Components of the Mississippi Leading Index
Value of Mississippi residential building permits Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Bureau of the Census	60.1	58.9	51.0	▲2.0%	▲17.8%	
Mississippi income tax withholdings Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	111.3	111.4	106.7	▼0.1%	▲4.3%	
Mississippi Manufacturing Employment Intensity Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	82.4	84.3	79.4	▼2.2%	▲3.7%	
University of Michigan Index of Consumer Expectations Three-month moving average; index 1966Q1 = 100. Source: Thomson Reuters/University of Michigan Surveys of Consumers	85.8	82.0	67.1	▲4.6%	▲27.8%	
ISM Index of U.S. Manufacturing Activity Advanced one month. Source: Institute for Supply Management	53.5	55.5	51.3	▼3.6%	▲4.3%	
U.S. retail sales Current dollars, in billions. Source: Bureau of the Census	442.9	447.1	427.8	▼0.9%	▲3.5%	
U.S. Consumer Price Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	124.3	125.0	123.4	▼0.6%	▲0.8%	Miscellaneous Indicators
Mississippi unemployment rate Seasonally-adjusted. Source: Bureau of Labor Statistics	7.2%	7.3%	7.8%	▼1.4%	▼7.7%	
Mississippi continued unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	66,604	71,957	97,878	▼7.4%	▼32.0%	
ISM Index of U.S. Non-Manufacturing Activity Advanced one month. Source: Institute for Supply Management	56.7	56.5	54.0	▲0.4%	▲5.0%	
U.S. mortgage rates Seasonally adjusted; 30-year conventional. Source: U.S. Federal Reserve	3.94%	4.11%	4.53%	▼4.2%	▼13.1%	
Mississippi average hourly wage for manufacturing Seasonally adjusted; 2004 dollars. Source: Bureau of Labor Statistics	18.08	18.26	18.19	▼1.0%	▼0.6%	
Mississippi average weekly earnings for manufacturing Seasonally adjusted; 2004 dollars. Source: Bureau of Labor Statistics	755.58	788.42	754.48	▼4.2%	▲0.1%	
NFIB Small Business Optimism Index 1986 = 100. Source: National Federation of Independent Businesses	100.4	98.1	93.9	▲2.3%	▲6.9%	
U.S. total light vehicle sales Millions of units seasonally adjusted at annual rates. Source: Bureau of Economic Analysis	16.56	16.80	15.20	▼1.4%	▲9.0%	
Gaming revenue	136.4	136.5	138.1	◀0.0%	▼1.2%	
Coastal counties	70.3	72.3	71.7	▼2.8%	▼2.0%	
River counties Seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	66.1	64.1	66.3	▲3.1%	▼0.3%	

MISSISSIPPI'S BUSINESS

MISSISSIPPI EMPLOYMENT TRENDS

As Table 2 below indicates, total nonfarm employment in Mississippi was essentially flat in December, rising 0.08 percent according to the U.S. Bureau of Labor Statistics (BLS). The state's economy added 900 jobs in December and employment in November was revised slightly higher. Employment in Mississippi was also flat compared to one year ago, with a net 200 jobs added since December 2013.

Mississippi was one of 41 states along with the District of Columbia where nonfarm employment increased in December. Texas, New York, and Illinois added the most jobs for the month, while Minnesota, Idaho, and New Mexico recorded the most jobs lost.

Gains in employment in December were concentrated in Professional & Business Services and Government. All other sectors posted losses or relatively small increases.

The largest absolute and percentage increases in employment in December occurred in Professional & Business Services, which added 1,100 jobs for an increase of 1.1 percent. Employment in the sector remained 0.7 percent higher compared to December 2013. Government added

700 jobs for the month, an increase of 0.3 percent. Following revisions, this gain was the second consecutive monthly increase in government employment in Mississippi after relatively large losses in September and October.

The largest absolute decrease in employment in Mississippi in December occurred in the Retail Trade sector, which lost 800 jobs, a decline of 0.6 percent. The largest percentage decrease in employment for the month occurred in Mining and Logging, which fell 1.0 percent, a loss of 100 jobs.

In 2014, Manufacturing and Services added the most jobs among all sectors in the state. However, these gains were more than offset by losses in Construction and Retail Trade. Government together with a few other industries added enough jobs to post a small gain for the year.

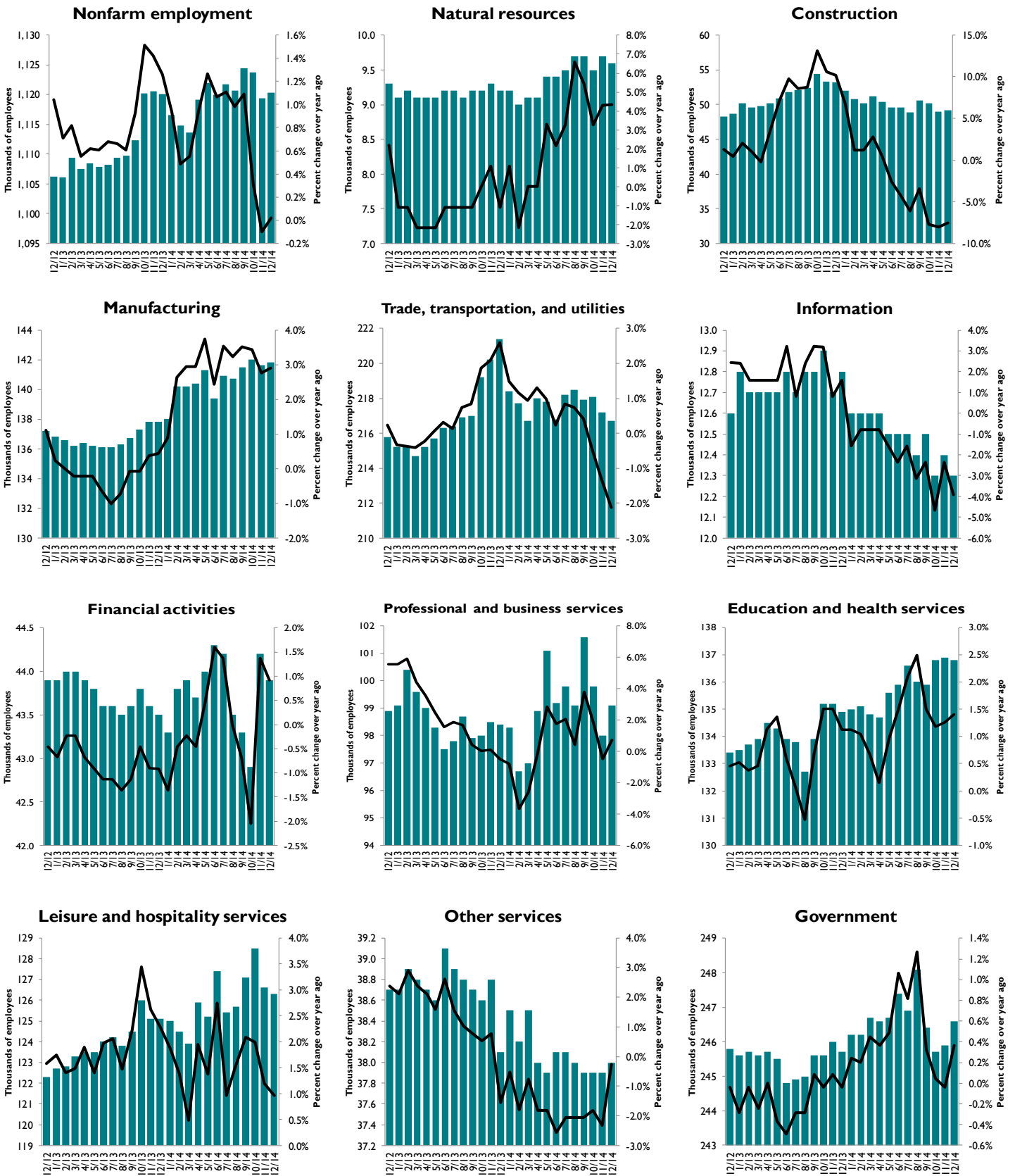
Employment grew relatively little in Mississippi in 2014 as seen in Table 2. Average monthly employment was higher by 8,000 jobs in 2014 compared to 2013, an increase of 0.7 percent. In 2015, relatively flat growth in employment likely will continue. One positive is job losses in Construction should begin to ebb as employment in the sector approaches a more typical level.

Table 2. Change in Mississippi employment by industry, December 2014

	Relative share of total ^a	December 2014	November 2014	December 2013	Change from November 2014	Change from December 2013
					Level Percent	Level Percent
Total Nonfarm	100.0%	1,120,300	1,119,400	1,120,100	900 ▲0.1%	200 ◀0.0%
Mining and Logging	0.8%	9,600	9,700	9,200	(100) ▼1.0%	400 ▲4.3%
Construction	4.5%	49,200	49,000	53,200	200 ▲0.4%	(4,000) ▼7.5%
Manufacturing	12.6%	141,800	141,600	137,800	200 ▲0.1%	4,000 ▲2.9%
Trade, Transportation, & Utilities	19.4%	216,700	217,200	221,400	(500) ▼0.2%	(4,700) ▼2.1%
Retail Trade	11.9%	131,400	132,200	135,600	(800) ▼0.6%	(4,200) ▼3.1%
Information	1.1%	12,300	12,400	12,800	(100) ▼0.8%	(500) ▼3.9%
Financial Activities	3.9%	43,900	44,200	43,500	(300) ▼0.7%	400 ▲0.9%
Services	35.6%	400,200	399,400	396,500	800 ▲0.2%	3,700 ▲0.9%
Professional & Business Services	8.8%	99,100	98,000	98,400	1,100 ▲1.1%	700 ▲0.7%
Education & Health Services	12.1%	136,800	136,900	134,900	(100) ▼0.1%	1,900 ▲1.4%
Leisure & Hospitality	11.2%	126,300	126,600	125,100	(300) ▼0.2%	1,200 ▲1.0%
Other Services	3.4%	38,000	37,900	38,100	100 ▲0.3%	(100) ▼0.3%
Government	22.0%	246,600	245,900	245,700	700 ▲0.3%	900 ▲0.4%

^aRelative shares are for the most recent twelve-month average. Source: Bureau of Labor Statistics

MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES



Source: Bureau of Labor Statistics (all figures); seasonally adjusted

MISSISSIPPI'S BUSINESS

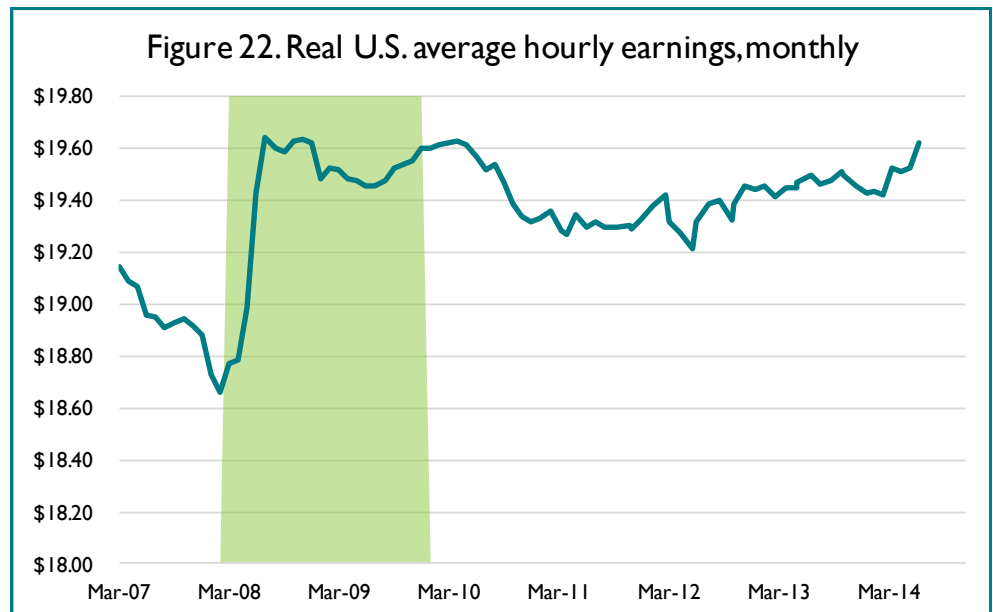
WAGE GROWTH FOLLOWING THE GREAT RECESSION

The Great Recession continues to affect U.S. wage growth. Figure 22 illustrates real U.S. hourly wages per month since 2007. While wages fell to a low immediately prior to the start of the recession before recovering, they fell again in the months after the recession officially ended. Real wages managed to reach the same level as at the end of the recession only in late 2014. Perhaps Figure 23 better illustrates the lack of wage growth. Since late 2009, U.S. wage growth has remained consistently around 2.0 percent on a year-over-year basis—almost six years after the end of the Great Recession. Prior to the downturn, wage growth was around 3.5 percent.

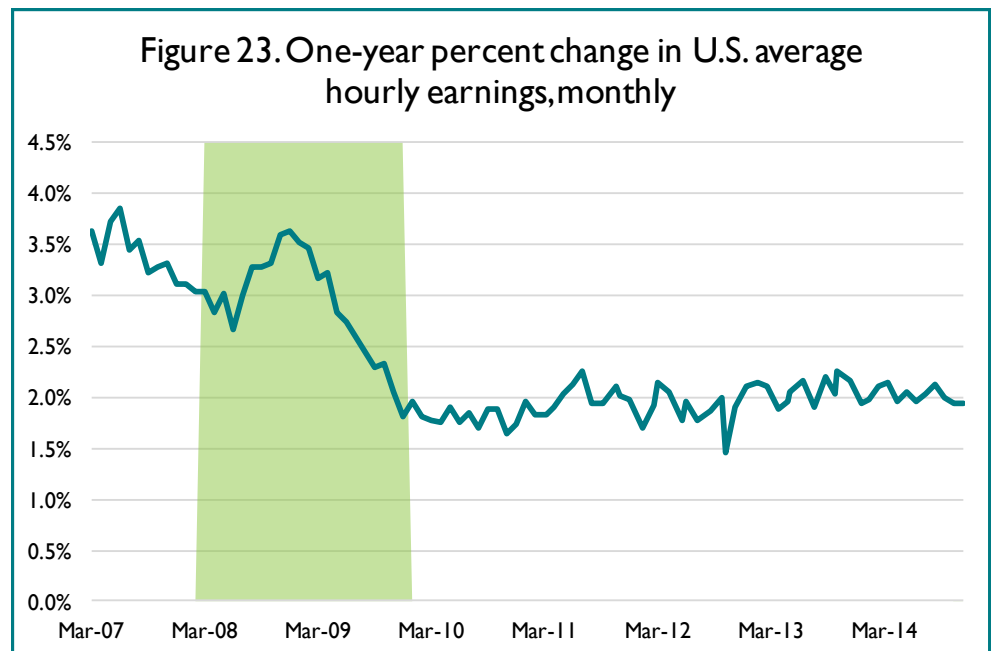
Figure 24 depicts a similar story for wage growth in Mississippi. Like U.S. wages, Mississippi wages fell to a low immediately prior to the start of the recession and then recovered, only to fall again once the recession officially ended. However, wages in Mississippi rebounded and by the third quarter of 2013 returned to near their level at the end of the recession. Yet for reasons unclear, wages fell at the end of 2013 and continue to exhibit little upward momentum. The rise in wages may have been associated with the temporary increase in construction employment that coincided with the period when wages fell, but such a relationship cannot definitively be established. A primary difference between Figures 22 and 24 that should be kept in mind is the latter depicts real wages only for private employees in Mississippi and therefore excludes government workers. Figure 25 on page 12, which depicts average weekly wages in Mississippi by county, in fact includes government employees.

The lack of wage growth even as unemployment continues to decrease remains one of the more frustrating as-

pects of the recovery. The U.S. Bureau of Labor Statistics (BLS) reported the national unemployment rate in December fell to 5.6 percent—a level approaching what many economists consider full employment. Federal Reserve officials believe a national unemployment rate between 5.2 and 5.5 percent currently represents full employment. However, in general economists expect wages to rise as unemployment falls because employers must pay higher wages in order to attract or retain more workers.

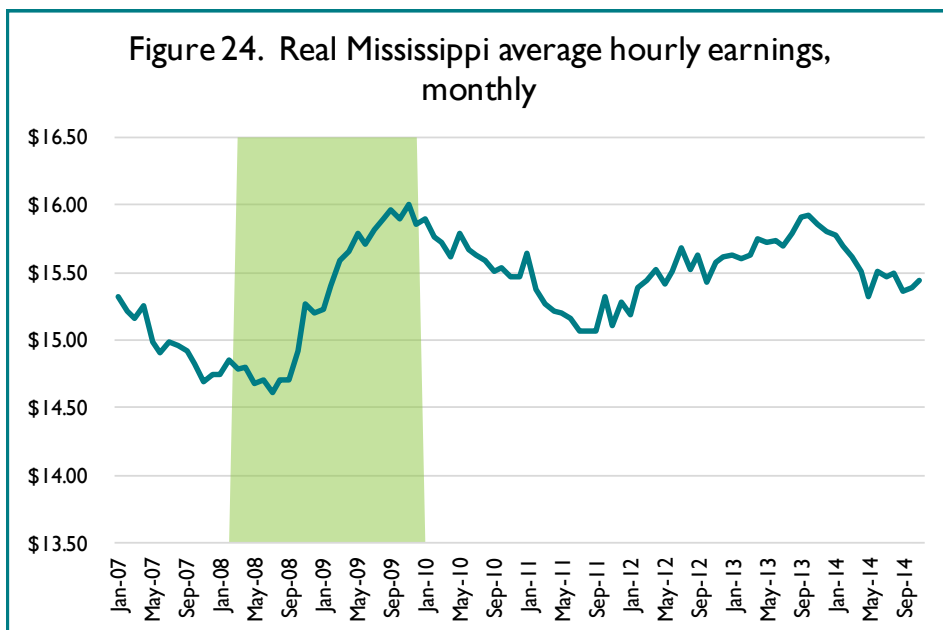


Source: URC using data from Bureau of Labor Statistics and Bureau of Economic Analysis



Source: URC using data from Bureau of Labor Statistics

WAGE GROWTH FOLLOWING THE GREAT RECESSION, CONTINUED



Seasonally adjusted; all private employees. Source: URC using data from Bureau of Labor Statistics and Bureau of Economic Analysis

Why hasn't this pattern occurred during the present recovery? Analysts have offered a number of explanations. One rationale is employers, for whatever reason, were reluctant to reduce wages during the Great Recession, as Figures 22 and 23 reflect. As a result, so far employers remain equally reluctant to increase wages during the recovery.

Another possible explanation is much more slack exists in the labor market than the most common employment data reflect. For example, the labor force participation rate in December was 62.7 percent—the lowest level since 1978. Some of this decline in labor force participation represents a generational shift as Baby Boomers age out of the labor force. Still others in the economy have simply given up looking for work. Regardless of the reasons, the same effect persists: employers feel little pressure to raise wages. Similarly, alternative measures of the unemployment rate may indicate the presence of more slack in the labor market. The U-6 unemployment rate, reported by BLS in addition to the official unemployment rate (known as the U-3 rate), includes all individuals unemployed as a percent of the labor force as well as “all persons marginally attached to the labor force, plus total employed part time for economic reasons.” This rate in December was 11.2 percent, which some analysts contend is closer to “true” unemployment. Additionally, oth-

er economists note the full or natural U.S. unemployment rate in fact may lie below 5.0 percent, which could partially explain the lack of pressure on wages.

Still other observers maintain that many of the recent hires filled primarily entry-level positions that do not command higher wages or salaries. Similarly, the hiring of part-time employees results in few impacts on wages.

A lack of real wage growth also has important monetary policy implications. In 2012, the Federal Reserve stated no increase in short-term interest rates would occur until the unemployment rate fell to 6.5 percent and inflation reached 2.5 percent. However, as unemployment fell higher inflation did not material-

ize and the Federal Reserve abandoned its unemployment rate target in early 2014. Indeed, most measures find the current annual rate of inflation at less than 1.0 percent, driven down in no small part by the decline in gasoline prices that began last summer. Thus, no significant rise in wages or prices has occurred during the decline of the U.S. unemployment rate. As a result, the Federal Reserve appears to believe the economy will gain little from an increase in interest rates until mid-2015 if not later, depending on developments in the U.S. and elsewhere.

Given the slower-than-expected wage growth following the Great Recession, when might wages finally begin to rise? Some signs have emerged in recent months that wage gains may be picking up speed. The most recent Job Openings and Labor Turnover Survey (JOLTS) reported by the U.S. Department of Labor indicated almost 5 million job openings occurred in November, the highest number since January 2001. More job openings should result in wage pressure, although to date the recovery has generated a smaller effect than anticipated. Economists expect the U.S. unemployment rate to continue to fall, and if at some point in 2015 or early 2016 the full employment rate occurs higher wages should follow. In the end, the delayed revitalization of wage growth may be simply another example of the impact of the depth and severity of the Great Recession.

