



ECONOMY AT A GLANCE

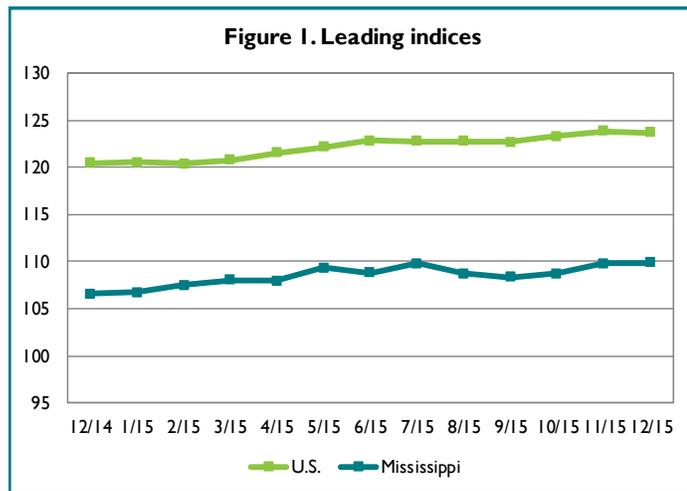
Figure 1 below indicates the value of the Mississippi Leading Index (MLI) rose 0.1 percent in December. The slight gain was mainly due to a relatively large increase in the value of withholdings, although four components of the MLI increased for the month. The value of the MLI was 3.1 percent higher in December compared to one year ago.

The value of the Mississippi Coincident Index (MCI) fell 0.3 percent in December as Figure 2 below indicates. The value of the MCI was 2.2 percent higher in December compared to one year ago. December was the only month in 2015 the value of the MCI declined.

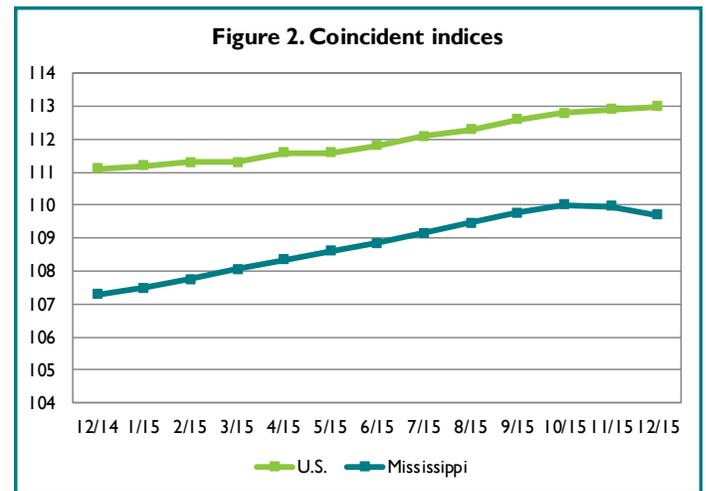
Real U.S. gross domestic product (GDP) grew 0.7 percent in the fourth quarter of 2015 according to the first estimate of the U.S. Bureau of Economic Analysis (BEA). The

increase was driven by consumer spending, but a decline in business spending and investment held back overall growth in the U.S. economy. Based on BEA's latest estimates, real U.S. GDP grew 2.4 percent for all of 2015, the same rate as in 2014. The only relatively strong rate of growth in the U.S. economy in 2015 occurred in the second quarter when real GDP rose 3.9 percent. The rates of growth in each of the other quarters were 2.0 percent or less.

The economy in Mississippi continues to demonstrate some relative strength despite weakness in the U.S. manufacturing sector. Withholdings increased for the second consecutive month and consumer expectations appear to be improving, likely due in part to the continued decline in gasoline prices. However, these lower prices are also inhibiting growth in consumer spending.



Sources: University Research Center and The Conference Board



Sources: Federal Reserve Bank of Philadelphia 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.

To download the current issue of *Mississippi's Business* as well as view an archive of past issues, visit:

www.mississippi.edu/urc/publications.asp

Inside this issue:

Mississippi Leading Index, December 2015	2
Mississippi Coincident Index, December 2015	4
National Trends	5
Mississippi Employment Trends	8
U.S. and Mississippi Labor Force Participation Rates	11

MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, DECEMBER 2015

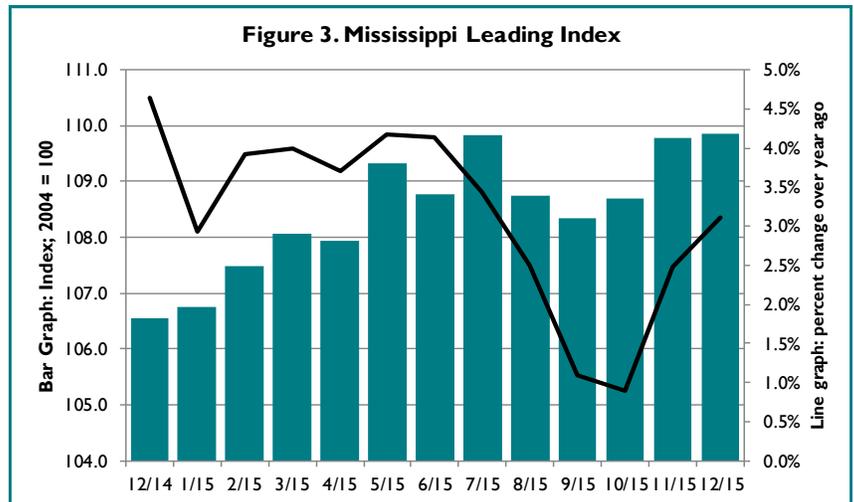
For the third consecutive month, the value of the **Mississippi Leading Index of Economic Indicators** (MLI) increased in December. As seen in Figure 3, the value of the MLI edged higher by 0.1 percent. The value of the MLI was 3.1 percent higher in December compared to one year ago and over the last six months the value of the MLI is up 2.0 percent.

For the month, four of the seven components of the MLI contributed positively and the increase in the value of withholdings was primarily responsible for the slight gain in December. Discussion of each component appears below in order of largest to smallest contribution.

Figure 4 indicates the value of **Mississippi income tax withholdings** (three-month moving average) grew 2.5 percent in December, the second consecutive monthly increase. The value of withholdings also reached its highest level of 2015. The December value of withholdings was 4.2 percent higher compared to one year ago. The three-month moving average of withholdings over the last six months is up 2.1 percent compared to the previous six months.

The value of the **Institute for Supply Management Index of U.S. Manufacturing Activity** increased in January for the first time since June 2015. As seen in Figure 5, the value rose 0.4 percent from the previous month; however, the increase occurred after the December value was revised lower. The value of the Index was 9.9 percent lower in January compared to one year ago, which represents the largest year-over-year change since July 2015. Employment was the only component of the Index to decrease in January, declining for the second consecutive month. The Inventory component was unchanged, as the accumulation of inventories remains a challenge for U.S. manufacturing.

The value of seasonally-adjusted **initial unemployment claims** in Mississippi fell in December as seen in Figure 6. After increasing in each of the previous two months the value declined 1.4 percent in December. Compared to one year ago the number of initial claims was 18.6 percent lower for the month. The number of seasonally-adjusted continued unemployment claims in Mississippi also decreased in December, falling 10.7 percent. The value was 13.1 percent lower compared to one year ago. As Figure



Source: University Research Center

15 on page 6 indicates, the seasonally-adjusted unemployment rate in Mississippi increased in December for the second consecutive month, rising 0.4 percentage point to 6.4 percent, its highest level since July 2015.

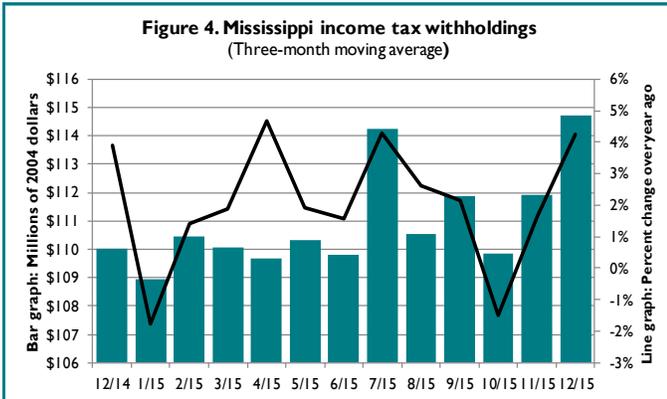
The value of the **University of Michigan Index of Consumer Expectations** (three-month moving average) rose for the second consecutive month in December as seen in Figure 7. The Index edged higher by 0.3 percent from November, marking the first consecutive months of increases in expectations in 2015. The December value was 3.5 percent lower compared to one year ago, the first year-over-year decrease in the Index since July 2014. The value of the expectations index remained in a relatively narrow range during the last five months of 2015.

Figure 8 indicates the value of **U.S. retail sales** fell slightly in December after increasing in each of the previous two months. The value declined by 0.1 percent; however, compared to one year ago sales were up 2.4 percent. As in previous months, falling gasoline prices contributed to the decline, as sales excluding automobiles and gasoline were unchanged in December. After gasoline stations, the component with the largest decline was general merchandisers, followed by clothing and accessories. The largest gains for the month were in sporting goods and hobbies and food and drinking places.

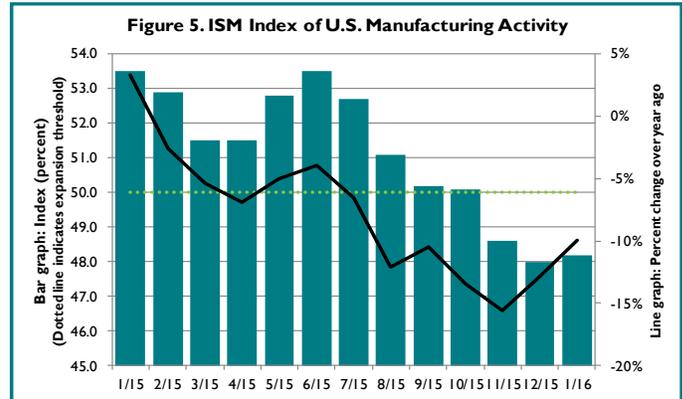
After three consecutive months of increases, Figure 9 indicates the value of **Mississippi residential building permits** (three-month moving average) fell 3.5 percent in December. Nevertheless, the value of permits in the state

(Continued on page 4)

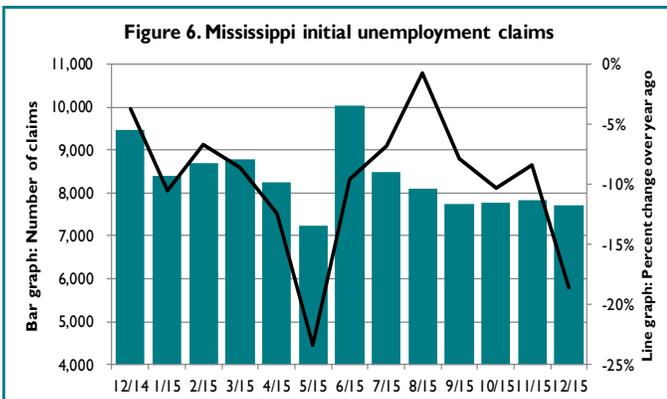
COMPONENTS OF MISSISSIPPI LEADING INDEX, IN FIGURES



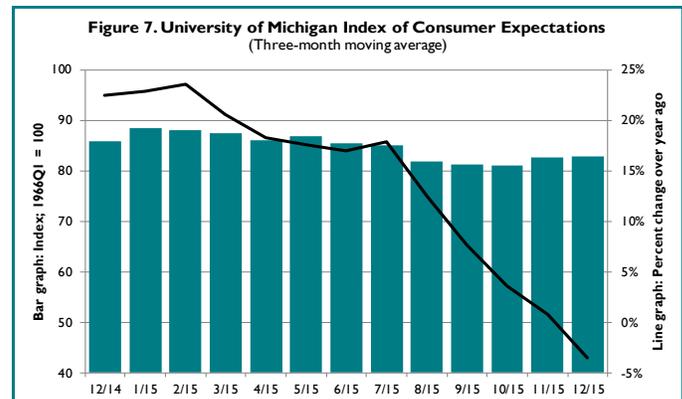
Source: Mississippi Department of Revenue; seasonally adjusted



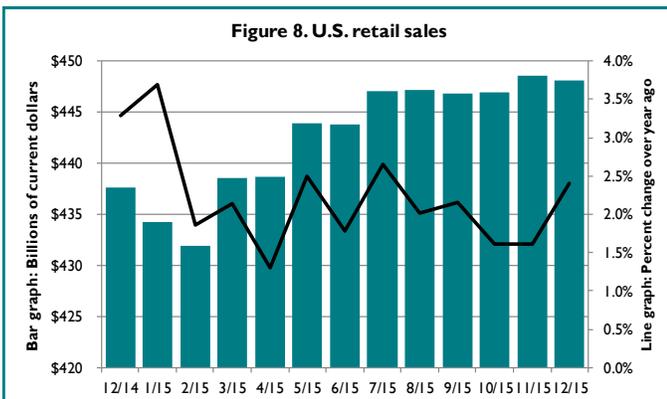
Source: Institute for Supply Management



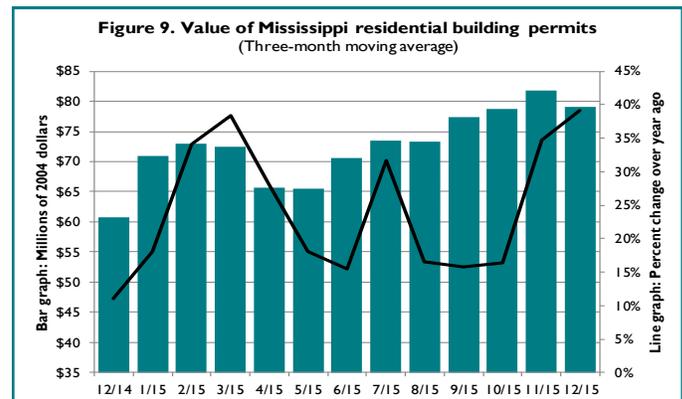
Source: U.S. Department of Labor; seasonally adjusted



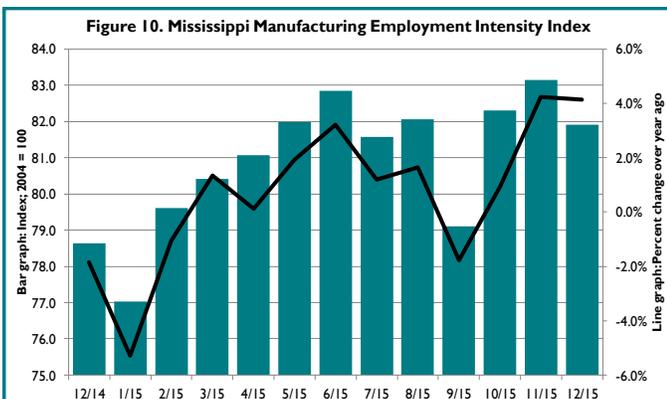
Source: Thomson Reuters/University of Michigan Surveys of Consumers



Source: Bureau of the Census



Source: Bureau of the Census; seasonally adjusted



Source: URC using data from Bureau of Labor Statistics

In December the value of the Mississippi Leading Index (MLI) rose 0.1%, its third consecutive monthly increase.

MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, DECEMBER 2015 (CONTINUED)

remained at a relatively high level. Compared to one year ago the value in December was 30.1 percent higher. For the first time since May, the seasonally-adjusted number of units for which building permits were issued (three-month moving average) in Mississippi declined in December, falling 9.0 percent. The number of units remained relatively high despite the decrease, as compared to one year ago the December value was 30.5 percent higher. Compared to the revised November value the number of privately-owned housing units in the U.S. authorized by

building permits declined 3.9 percent in December. The number in December was 14.4 percent higher compared to one year ago.

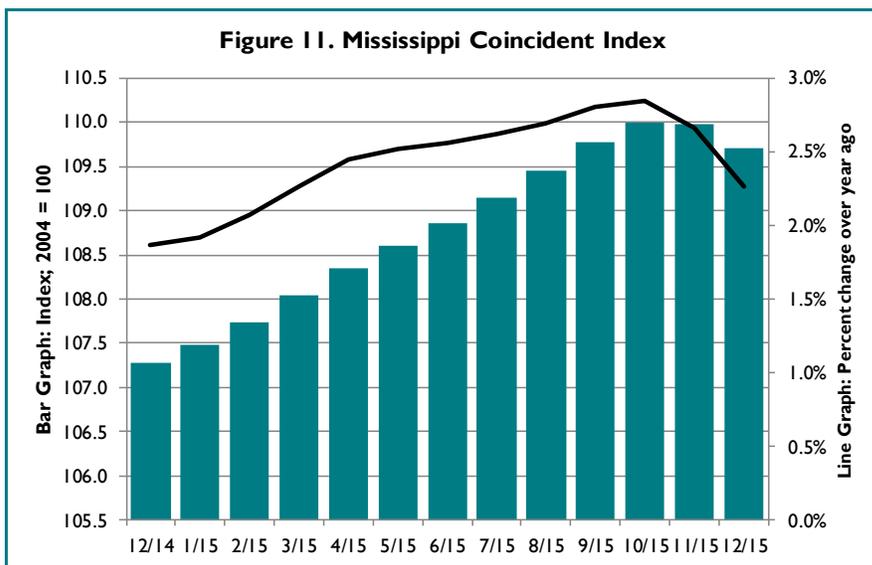
Figure 10 indicates the value of the **Mississippi Manufacturing Employment Intensity Index** fell 1.5 percent in December. Compared to one year ago, the value of the Index was 4.1 percent higher in December. While employment in manufacturing increased slightly, average weekly hours of production employees in Mississippi fell 1.6 percent for the month.

MISSISSIPPI COINCIDENT INDEX, DECEMBER 2015

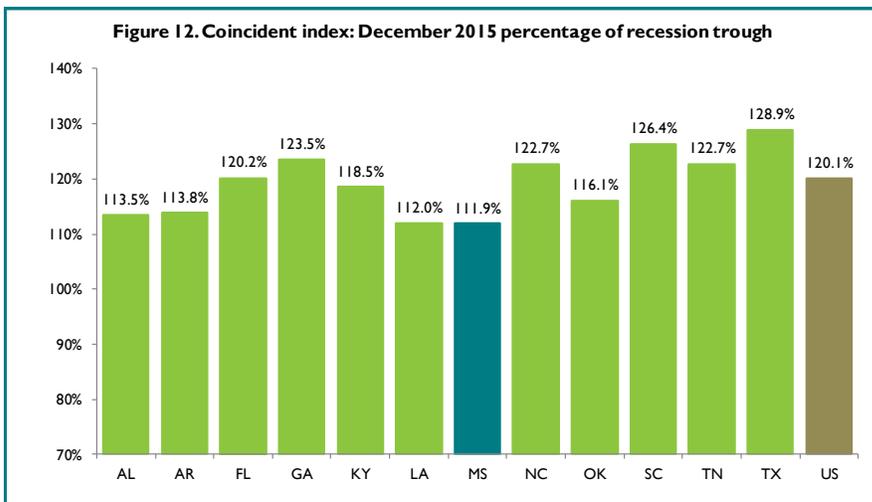
Figure 11 indicates the value of the **Mississippi Coincident Index of Economic Indicators (MCI)** fell 0.3 percent in December according to the Federal Reserve Bank of Philadelphia, its first and only decline in 2015. The value of the MCI was 2.2 percent higher in December compared to one year ago.

While the coincident indices of all states in the Southeast region have grown more than 10 percent from their respective recession troughs through December, the growth of the Mississippi index was the lowest at 111.9 percent of its trough. However, the index for Louisiana was only slightly higher at 112.0 percent of its trough. Figure 12 indicates the percentage the coincident index of each state in the Southeast region exceeded its recession trough in December. Florida, Georgia, North Carolina, South Carolina, Tennessee, and Texas all outpaced the U.S. value of 120.1 percent of the recession trough.

The value of the coincident indices in forty-two states increased in December compared to three months prior as Figure 13 on page 5 indicates. Mississippi and Louisiana were two of the eight states where the value declined for the same period. The coincident indices for thirty-two states grew more than 0.5 percent in December compared to three months prior, while ten states experienced increases in their coincident indices of less than 0.5 percent.



Source: Federal Reserve Bank of Philadelphia



Source: Federal Reserve Bank of Philadelphia

NATIONAL TRENDS

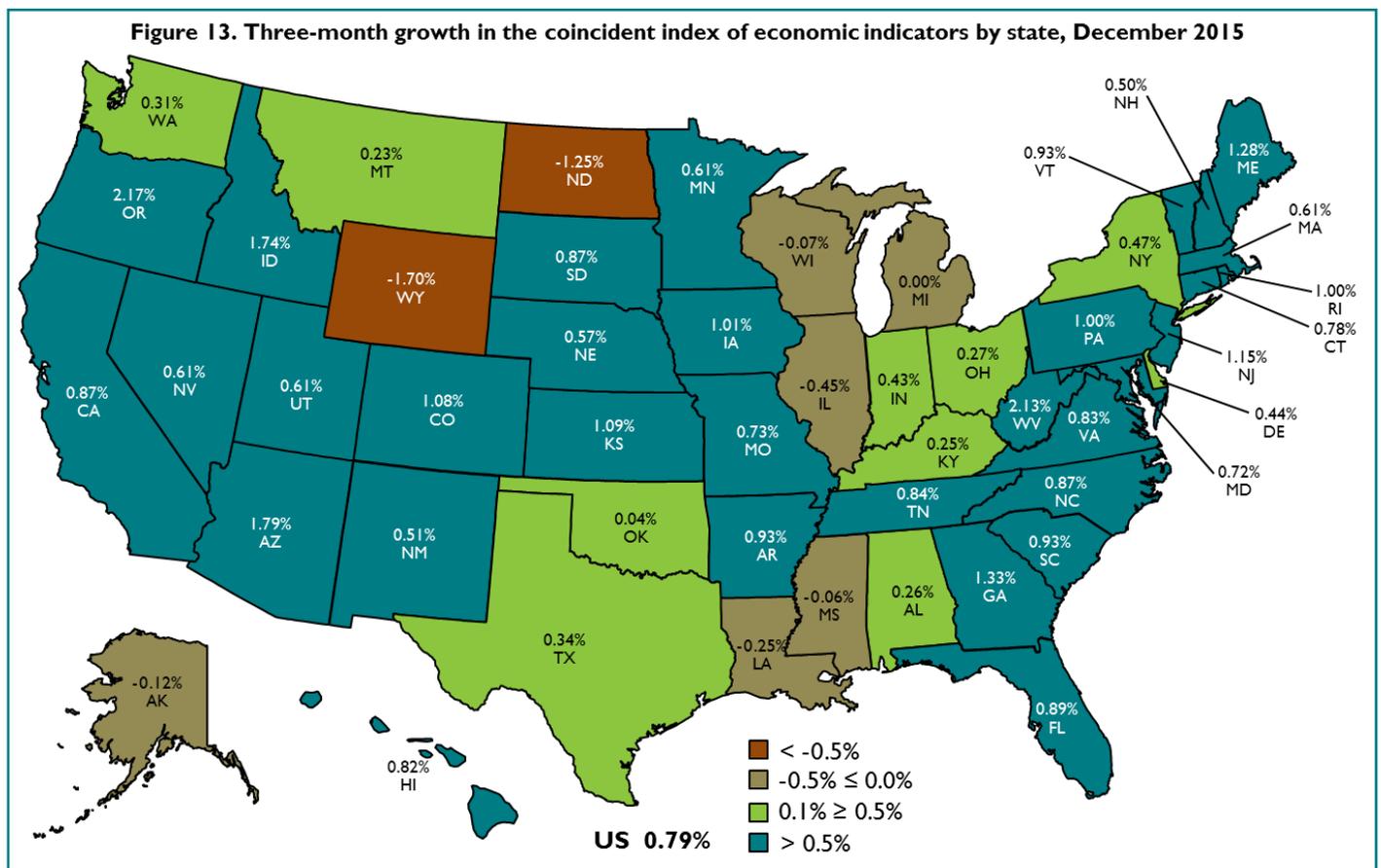
The Conference Board reported the value of the U.S. Leading Economic Index (LEI) fell 0.2 percent in December as seen in Figure 1 on page 1. Moreover, the values of previous months were revised lower. The value of the LEI in December was 2.2 percent higher compared to one year ago. Six of the ten components of the LEI decreased in value for the month, with the ISM New Orders Index making the smallest contribution. Following data revisions the value of the LEI is up 0.7 percent over the last six months, less than half of the 1.6 percent increase for the previous six months.

The value of the U.S. Coincident Economic Index (CEI) rose 0.1 percent in December according to The Conference Board as seen in Figure 2 on page 1. Previous months' values were revised lower, however. Compared to one year ago the value of the CEI in December was 1.3 percent higher. Employees on nonagricultural payrolls made the largest contribution to December's gain as three of the four components of the CEI increased.

As seen in Figure 20 on page 6 the value of the National Federation of Independent Businesses (NFIB) Small Busi-

ness Optimism Index increased in December, rising 0.4 percent from the previous month. Despite the increase, the value for December was 5.2 percent lower compared to one year ago. While the share of respondents who expects higher real sales improved considerably, the gain was essentially offset by a decline in the share who expects the economy to improve. The growth in the plans to increase employment component also pushed the Index higher, another sign of a tightening labor market, although the share with plans to increase compensation did not change from the previous month.

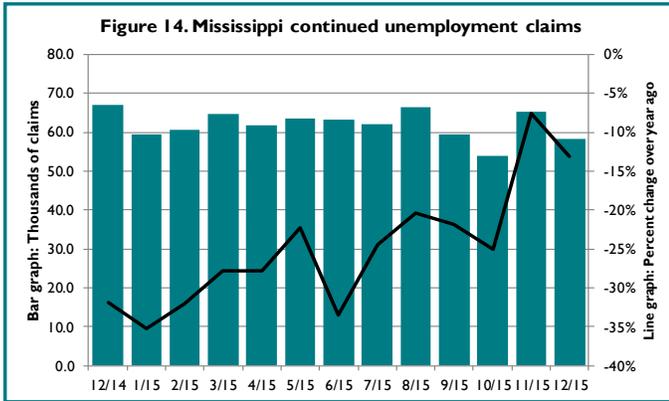
As expected, the Federal Reserve declined to take any action on interest rates at its meeting in January. However, following the first increase in the federal funds rate in almost a decade in December, members of the Federal Open Market Committee (FOMC) expressed renewed concern about inflation reaching its target of 2 percent annually, as well as how volatility in economies around the world might affect its decisions. Thus, while the potential to raise rates in March remains, its latest statement calls into question the Federal Reserve's previously announced intentions to implement four rate increases in 2016.



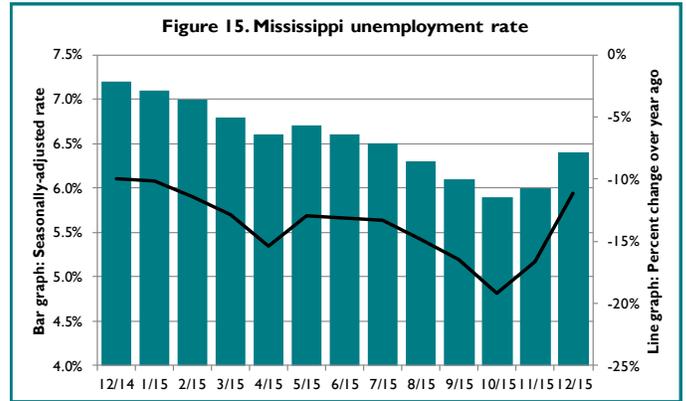
Source: Federal Reserve Bank of Philadelphia

MISSISSIPPI'S BUSINESS

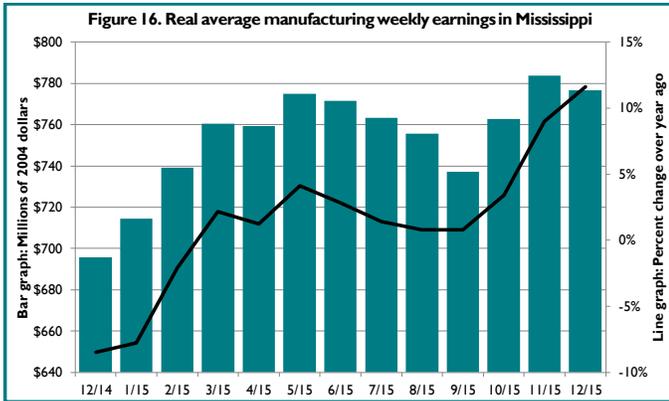
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



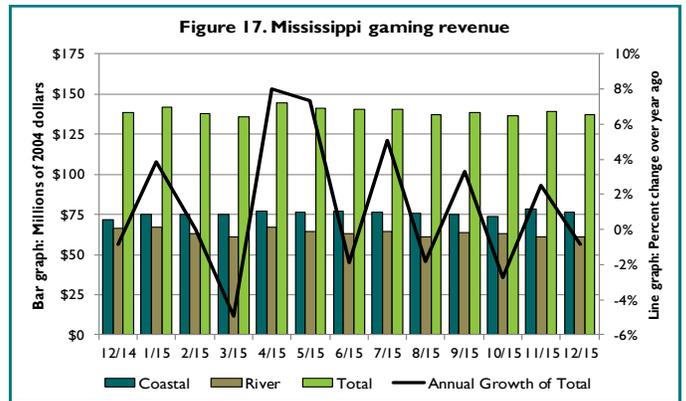
Source: U.S. Department of Labor; seasonally adjusted



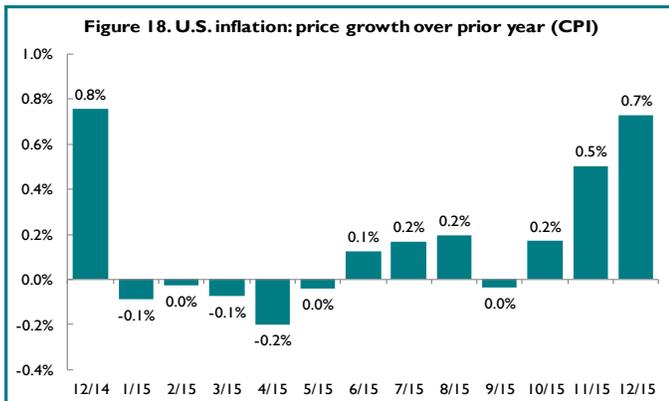
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



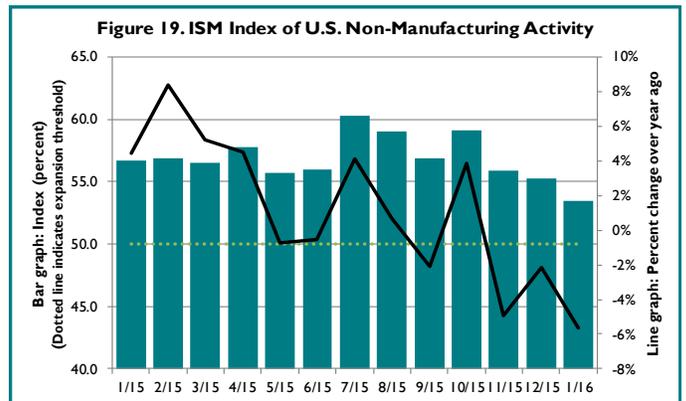
Source: U.S. Bureau of Labor Statistics; non-seasonally adjusted



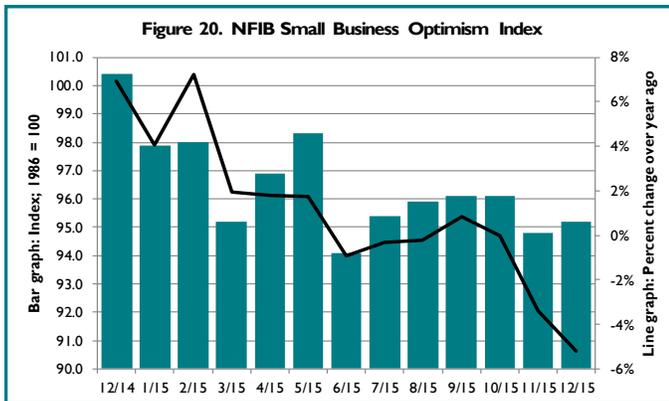
Source: Mississippi Department of Revenue; seasonally adjusted



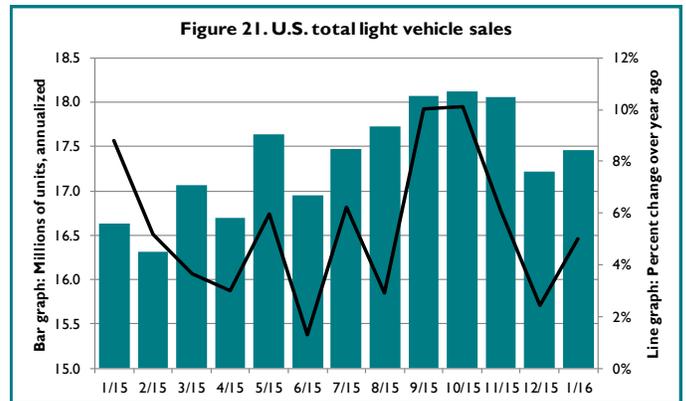
Source: U.S. Bureau of Labor Statistics



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			Percent change from		
	2015	November 2015	December 2014	November 2015	December 2014	
U.S. Leading Economic Index 2004 = 100. Source: The Conference Board	123.7	123.9	121.0	▼0.2%	▲2.2%	Economic Indices
U.S. Coincident Economic Index 2004 = 100. Source: The Conference Board	113.0	112.9	111.5	▲0.1%	▲1.3%	
Mississippi Leading Index 2004 = 100. Source: University Research Center	109.9	109.8	106.6	▲0.1%	▲3.1%	
Mississippi Coincident Index 2004 = 100. Source: Federal Reserve Bank of Philadelphia	109.7	110.0	107.3	▼0.3%	▲2.2%	
Mississippi initial unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	7,727	7,836	9,490	▼1.4%	▼18.6%	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	79.0	81.9	60.7	▼3.5%	▲30.2%	
Mississippi income tax withholdings Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	114.7	111.9	110.0	▲2.5%	▲4.2%	
Mississippi Manufacturing Employment Intensity Index 2004 = 100. Source: URC using data from U.S. Bureau of Labor Statistics	81.9	83.1	78.6	▼1.5%	▲4.1%	
University of Michigan Index of Consumer Expectations Three-month moving average; index 1966Q1 = 100. Source: Thomson Reuters/University of Michigan Surveys of Consumers	82.8	82.6	85.8	▲0.2%	▼3.5%	
ISM Index of U.S. Manufacturing Activity Advanced one month. Source: Institute for Supply Management	48.2	48.0	53.5	▲0.4%	▼9.9%	
U.S. retail sales Current dollars, in billions. Source: Bureau of the Census	448.1	448.6	437.6	▼0.1%	▲2.4%	
U.S. Consumer Price Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	125.2	125.7	124.3	▼0.3%	▲0.7%	Miscellaneous Indicators
Mississippi unemployment rate Seasonally-adjusted. Source: U.S. Bureau of Labor Statistics	6.4%	6.0%	7.2%	▲6.7%	▼11.1%	
Mississippi continued unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	58,291	65,240	67,051	▼10.7%	▼13.1%	
ISM Index of U.S. Non-Manufacturing Activity Advanced one month. Source: Institute for Supply Management	53.5	55.3	56.7	▼3.3%	▼5.6%	
U.S. mortgage rates Seasonally adjusted; 30-year conventional. Source: U.S. Federal Reserve	3.99%	3.98%	3.89%	▲0.4%	▲2.6%	
Mississippi average hourly wage for manufacturing Seasonally adjusted; 2004 dollars. Source: U.S. Bureau of Labor Statistics	18.78	18.55	17.20	▲1.2%	▲9.2%	
Mississippi average weekly earnings for manufacturing Seasonally adjusted; 2004 dollars. Source: U.S. Bureau of Labor Statistics	776.56	783.84	695.76	▼0.9%	▲11.6%	
NFIB Small Business Optimism Index 1986 = 100. Source: National Federation of Independent Businesses	95.2	94.8	100.4	▲0.4%	▼5.2%	
U.S. total light vehicle sales Millions of units seasonally adjusted at annual rates. Source: U.S. Bureau of Economic Analysis	17.46	17.22	16.63	▲1.4%	▲5.0%	
Gaming revenue	137.1	139.3	138.3	▼1.6%	▼0.9%	
Coastal counties	76.2	78.5	71.6	▼3.0%	▲6.4%	
River counties Seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	61.0	60.8	66.7	▲0.2%	▼8.6%	

MISSISSIPPI'S BUSINESS

MISSISSIPPI EMPLOYMENT TRENDS

According to the U.S. Bureau of Labor Statistics (BLS), total nonfarm employment in Mississippi increased 0.1 percent in December. As seen in Table 2 below, the state's economy added 1,500 jobs from the previous month. Moreover, November employment in Mississippi was revised up by 900 jobs. Compared to one year ago total employment in Mississippi was 0.9 percent higher in December. For all of 2015, Mississippi's economy added 10,500 jobs, up from the 6,700 jobs added in 2014.

BLS reported total nonfarm employment increased in thirty-six states and the District of Columbia in December. The states of California, Texas, and Florida experienced the largest increases in employment for the month. The largest percentage increase in employment in December occurred in Alaska, closely followed by Arkansas, South Carolina, and Tennessee. The largest decreases in employment for the month occurred in Illinois, Oklahoma, and North Dakota, and the latter state also experienced the largest percentage decrease in employment in December. A total of seven states employed fewer people in December compared to one year ago.

Professional and Business Services added the most jobs among all industries in Mississippi in December, as the number of employed rose by 1,500. The largest absolute decrease in employment in December occurred in Health Care and Social Assistance, which lost 5,400 jobs for the month. Health Care and Social Assistance also experienced the largest percentage decrease in employment in the state in December, falling 4.1 percent for the month. The largest percentage increase in employment in Mississippi in December occurred in Educational Services, which increased by 7.3 percent, a gain of 900 jobs.

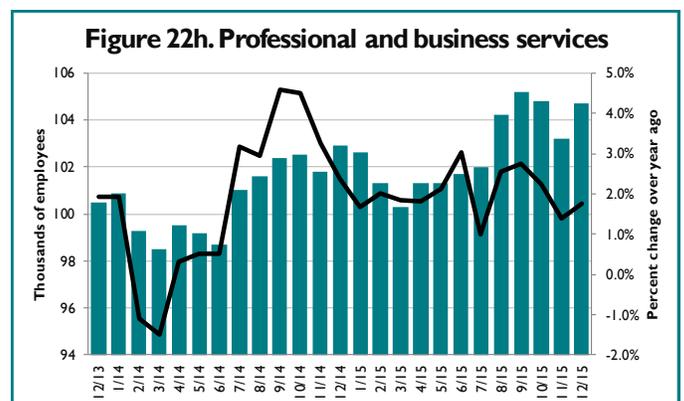
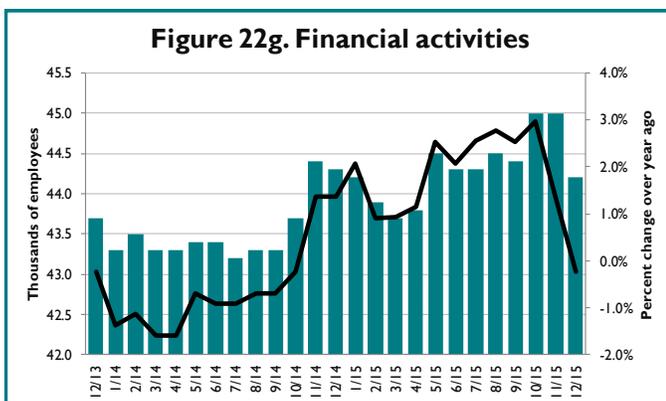
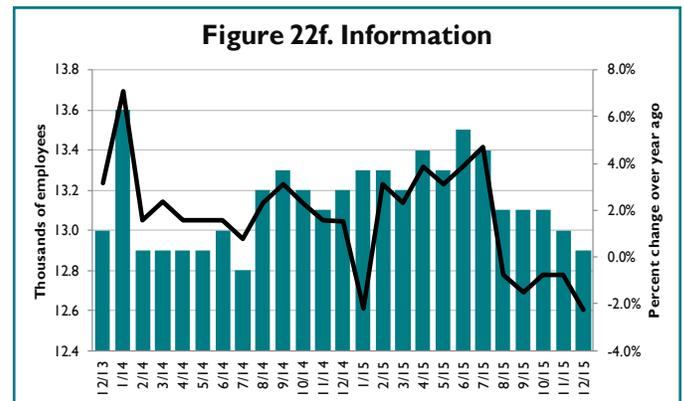
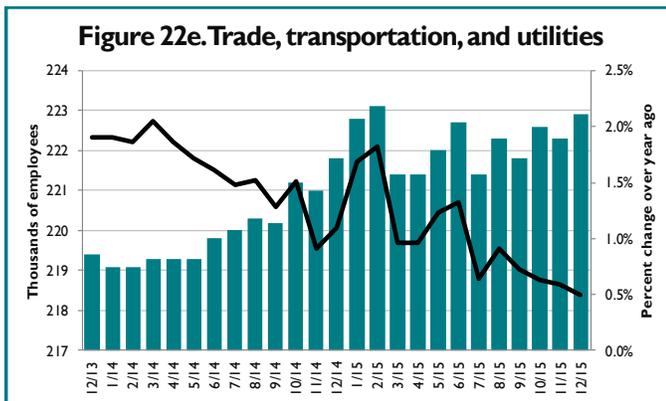
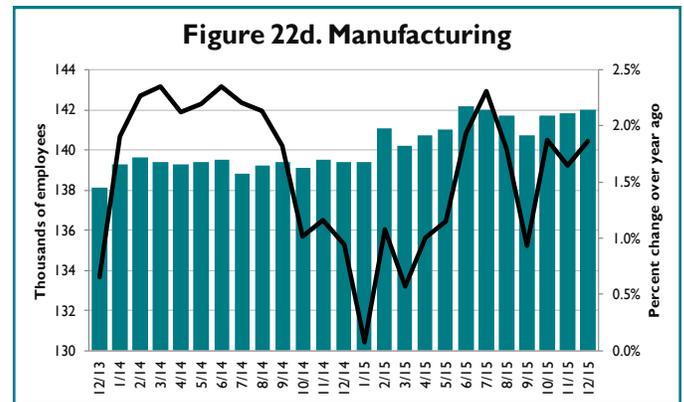
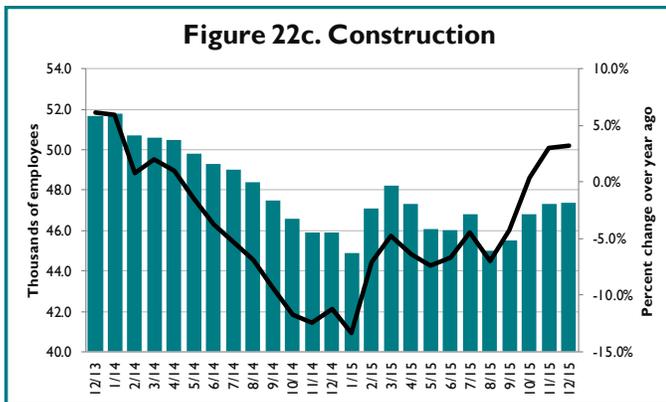
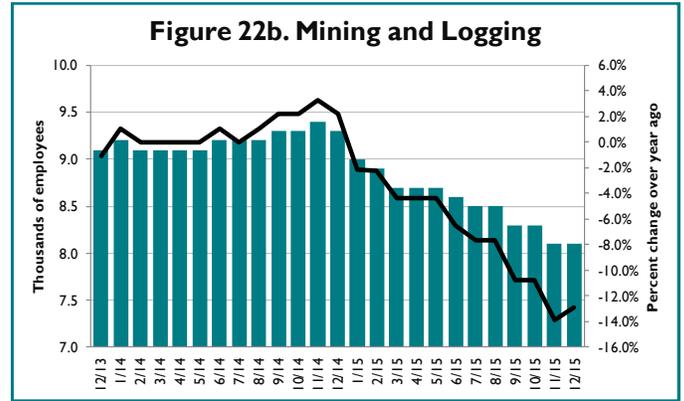
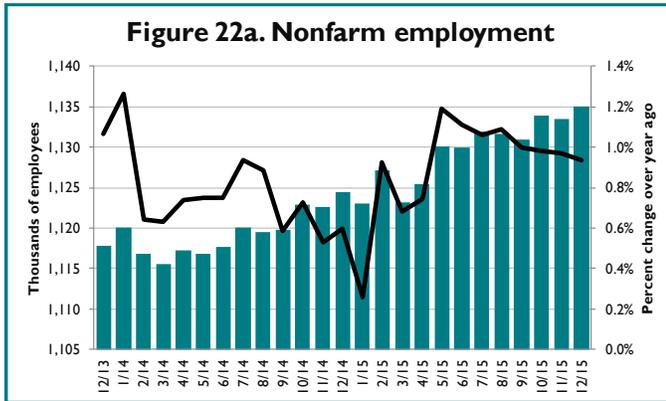
For all of 2015, the largest increase in employment occurred in the Accommodation and Food Services sector, which added 3,800 jobs. The largest decrease in employment in the state for the year occurred in Mining and Logging, which lost 1,200 jobs in 2015, a 12.9 percent decline. All sectors in the state added jobs for the year with the exception of Mining and Logging, Information, Other Services, Arts and Entertainment, and Financial Activities. Notably, the Construction sector in Mississippi added 1,500 jobs for the year, a 3.3 percent increase; in 2014, the industry lost 5,800 jobs, an 11.2 percent decline.

Table 2. Change in Mississippi employment by industry, December 2015

	Relative share of total ^a	December 2015	November 2015	December 2014	Change from November 2015 Level	Change from November 2015 Percent	Change from December 2014 Level	Change from December 2014 Percent
Total Nonfarm	100.0%	1,135,000	1,133,500	1,124,500	▲1,500	▲0.1%	▲10,500	▲0.9%
Mining and Logging	0.8%	8,100	8,100	9,300	–	◀0.0%	▼1,200	▼12.9%
Construction	4.1%	47,400	47,300	45,900	▲100	▲0.2%	▲1,500	▲3.3%
Manufacturing	12.5%	142,000	141,800	139,400	▲200	▲0.1%	▲2,600	▲1.9%
Trade, Transportation, & Utilities	19.7%	222,900	222,300	221,800	▲600	▲0.3%	▲1,100	▲0.5%
Retail Trade	12.0%	136,700	136,500	135,800	▲200	▲0.1%	▲900	▲0.7%
Information	1.2%	12,900	13,000	13,200	▼100	▼0.8%	▼300	▼2.3%
Financial Activities	3.9%	44,200	45,000	44,300	▼800	▼1.8%	▼100	▼0.2%
Services	36.0%	411,800	414,700	405,100	▼2,900	▼0.7%	▲6,700	▲1.7%
Professional & Business Services	9.1%	104,700	103,200	102,900	▲1,500	▲1.5%	▲1,800	▲1.7%
Educational Services	1.1%	13,200	12,300	12,100	▲900	▲7.3%	▲1,100	▲9.1%
Health Care & Social Assistance	11.0%	124,900	130,300	124,500	▼5,400	▼4.1%	▲400	▲0.3%
Arts & Entertainment	1.0%	11,100	11,000	11,200	▲100	▲0.9%	▼100	▼0.9%
Accommodation and Food Services	10.4%	119,300	119,300	115,500	–	◀0.0%	▲3,800	▲3.3%
Other Services	3.4%	38,600	38,600	38,900	–	◀0.0%	▼300	▼0.8%
Government	21.8%	245,700	246,800	245,500	▼1,100	▼0.4%	▲200	▲0.1%

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

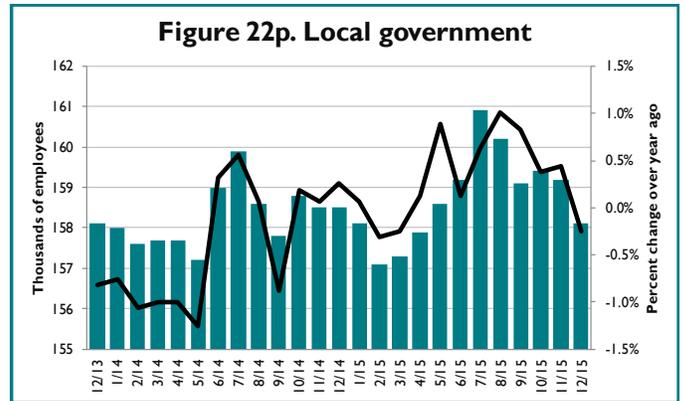
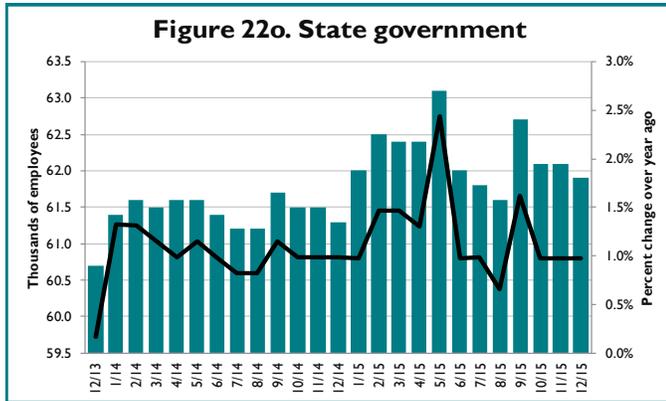
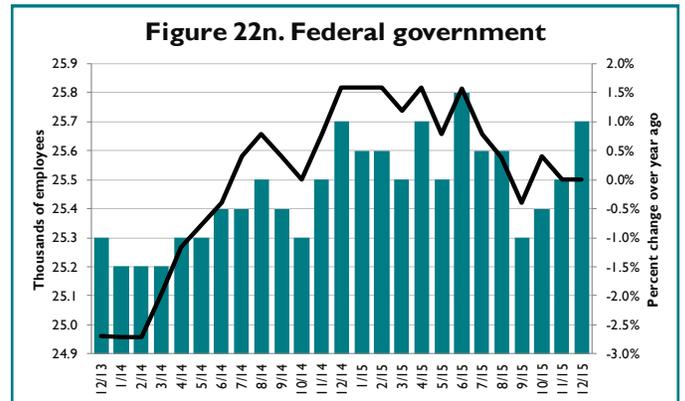
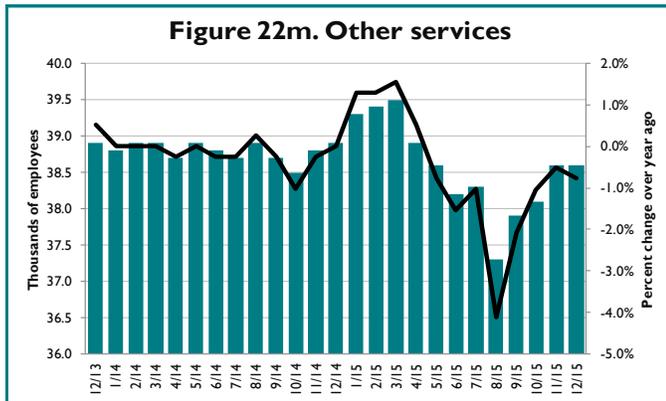
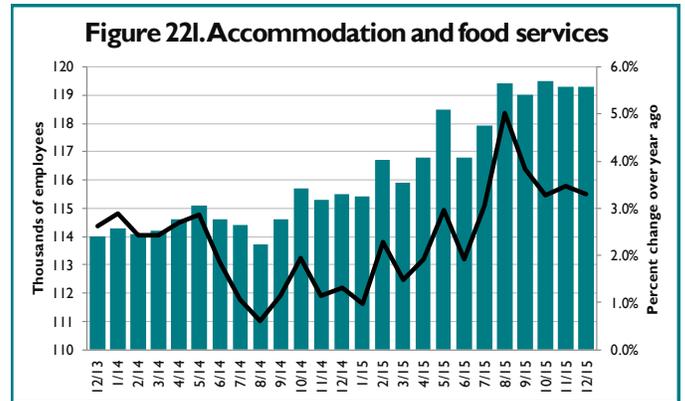
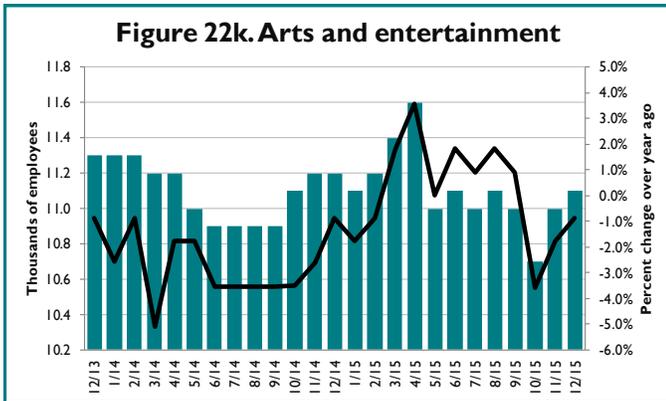
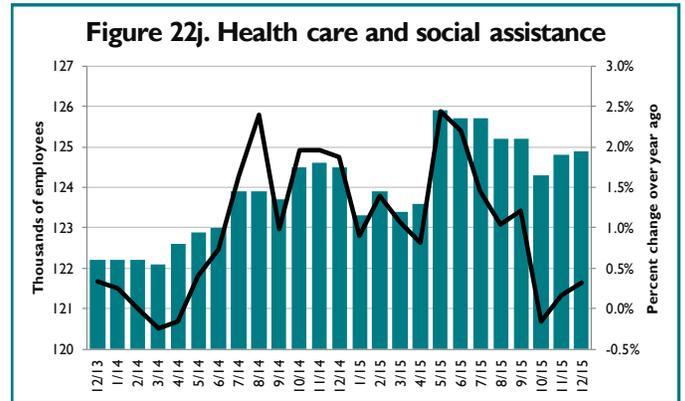
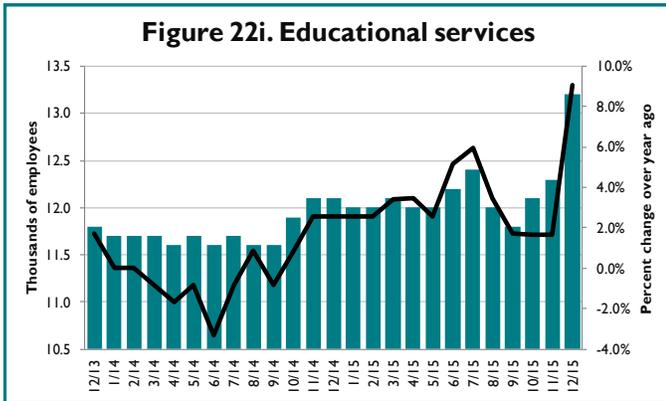
MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES



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

MISSISSIPPI'S BUSINESS

MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES (CONTINUED)



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

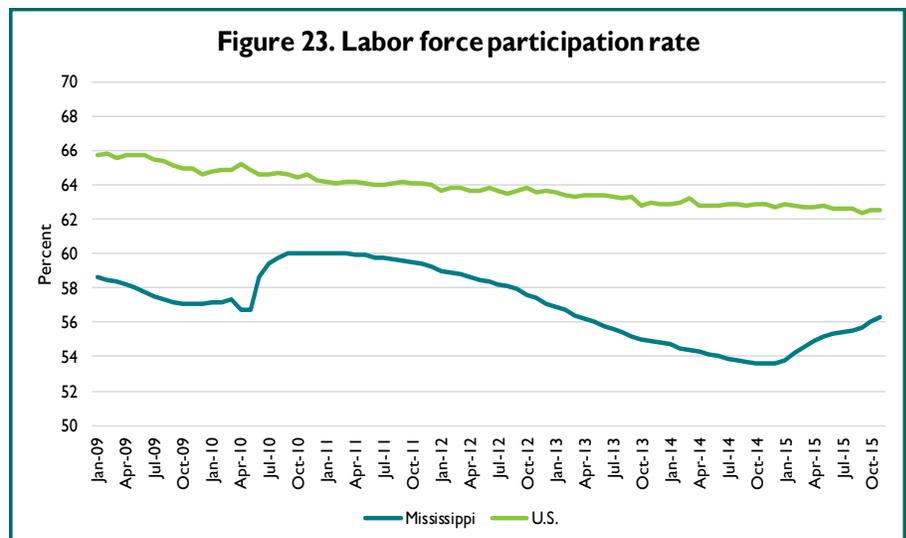
U.S. AND MISSISSIPPI LABOR FORCE PARTICIPATION RATES

The U.S. labor force participation rate—the percentage of the U.S. population that is either employed or unemployed—continues to make headlines, primarily because of the low level to which the rate has fallen. The lower the labor force participation rate, the larger the share of the population that is neither working nor actively seeking work. While the rate consistently declined over most of the last fifteen years, it began a precipitous fall at the end of 2008 in the middle of the Great Recession. Figure 23 below depicts the U.S. labor force participation rate since 2009. The rate continuously fell over most of the last six years; however, some analysts speculate it reached a potential bottom in late 2015 after dropping below 62.5 percent.

In Mississippi, the rate has exhibited more volatility over the last decade and a half. The rate began falling quickly in mid-2008 as the Great Recession worsened. The rate continued falling until early 2010 when it rose slightly, then dipped again before quickly rising to 60.0 percent in September 2010. The rate remained at 60.0 percent for seven consecutive months before it began to decline again in April 2011. While difficult to prove with complete certainty, the participation rate in Mississippi very likely rose due to an increase in the number of available weeks for unemployment benefits provided by Congress in response to the recession. The participation rate likely fell as these benefits expired, as the individuals who had received unemployment benefits were no longer part of the labor force. In any event, the rate fell steadily for more than three years until October 2014, when it reached 53.6 percent, the lowest monthly value for Mississippi recorded by BLS in data going back to 1976. For reasons not yet entirely understood, the rate began to rise in January 2015 and continued to rise through last November, reaching its highest level since March 2013. The increase in the labor force participation rate coincided with an increase in the number of employed individuals in Mississippi according to the Current Population Survey (CPS), or the household survey of the U.S. Bureau of Labor Statistics (BLS). However, employment in Mississippi according to the Current Employment Statistics (CES) survey of BLS over the same period has not grown at a comparable rate. Thus, without more detail than provided by the CPS, the reasons for the increase in the labor force that began early in 2015 remain unclear at this time.

Nationally, the U.S. labor force participation rate fell to 62.4 percent in September 2015, its lowest level since late 1977 and still well below the level prior to the recession of 66.2 percent in 2007. While varying at different times, the rate steadily increased from the late 1960s until it reached a peak during the first four months of 2000 of 67.3 percent. As noted above, at that time the rate began a downward trend. What reasons do economists provide for the decline in the U.S. labor force participation rate?

One of the primary culprits cited is an aging population. As a larger proportion of the population gets older and retires, particularly the Baby Boom generation, the labor force becomes a smaller share of the total population. Another age-related reason cited occurs at the other end of the spectrum as more younger Americans are attending college and taking longer to complete their degrees. Individuals who attend school full-time with no outside employment are not considered part of the labor force. De-



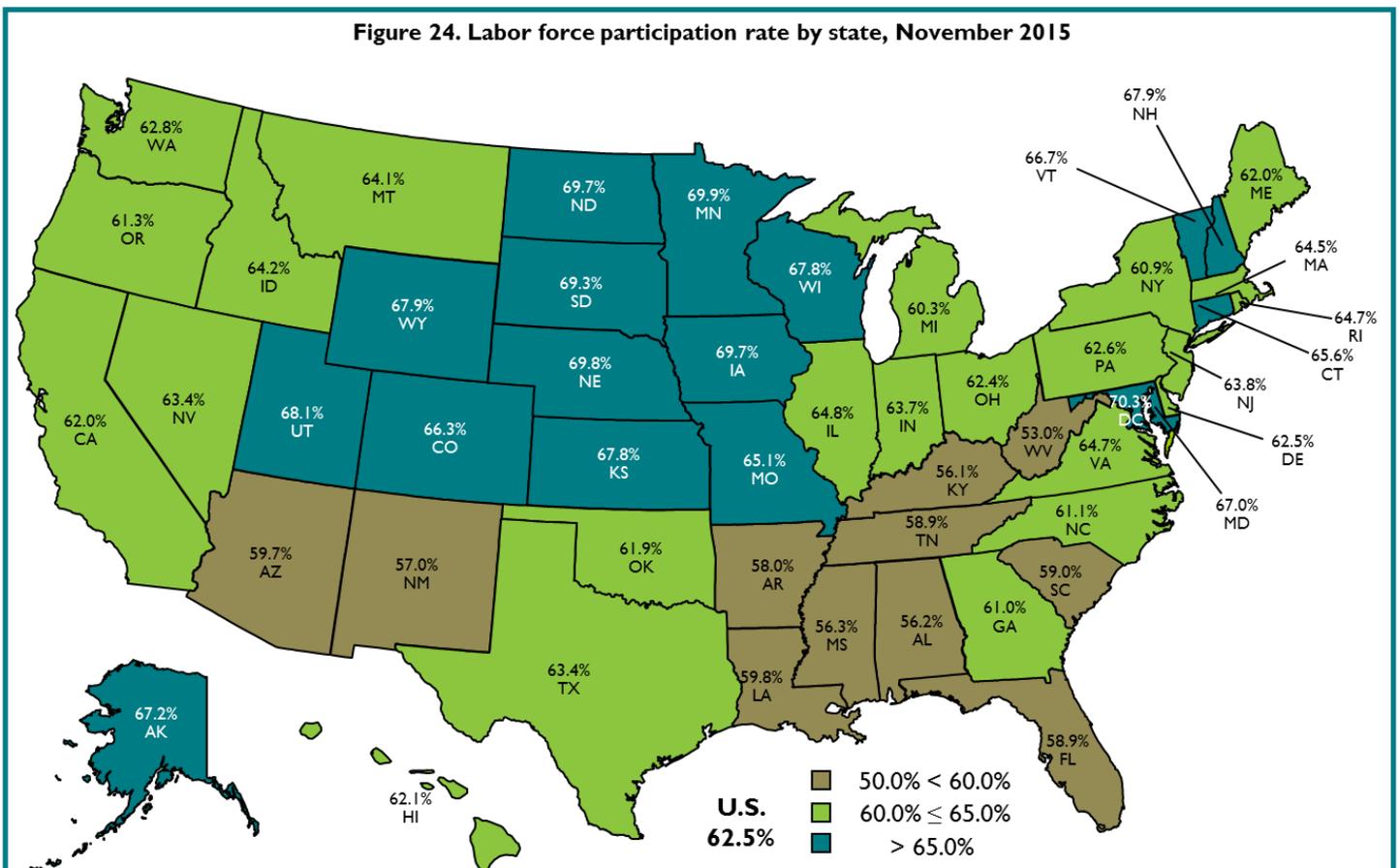
Source: U.S. Bureau of Labor Statistics; seasonally adjusted.

MISSISSIPPI'S BUSINESS

U.S. AND MISSISSIPPI LABOR FORCE PARTICIPATION RATES, CONT'D

mographic changes do not explain all of the decline, however, as the participation rate among individuals age 25-54—the so-called prime working age bracket—also declined over the same period, albeit at a slower rate. Analysts speculate as to what the other causes might be, some citing cultural factors, particularly with regard to the decline in labor force participation among men in the 25-54 age range. Research by the Federal Reserve Bank of Atlanta that focuses on the years since 2007 points to disability and education and training as the primary drivers of the decline.

Figure 24 below depicts the most recent labor force participation rates by state released by the U.S. Bureau of Labor Statistics for November 2015. An obvious conclusion from this map is almost all of the states with the lowest labor force participation rates—below 60 percent—are found in the South. For states with relatively large populations of retired individuals, such as Arizona and Florida, such rates are not unexpected. However, the participation rates for Mississippi and surrounding states are considerably lower than those of most other states, particularly the states in the Great Plains. Reasons for the relatively low rates of participation in southern states likely include the fewer years of education among residents, a larger share of residents with illnesses or disabilities that prevent them from working or working regularly, and a relatively larger proportion of residents who receive public assistance. These reasons are not mutually exclusive, however. For example, individuals with less education may work jobs with a greater risk of injury, leading to a higher incidence of disability, and individuals with less education are more likely to receive public assistance. While the labor force participation rate for the U.S. and most states likely will continue its decline because of demographic changes, the rates for states such as Mississippi will probably continue to lag because of longstanding systemic issues.



Source: U.S. Bureau of Labor Statistics