

ECONOMY AT A GLANCE

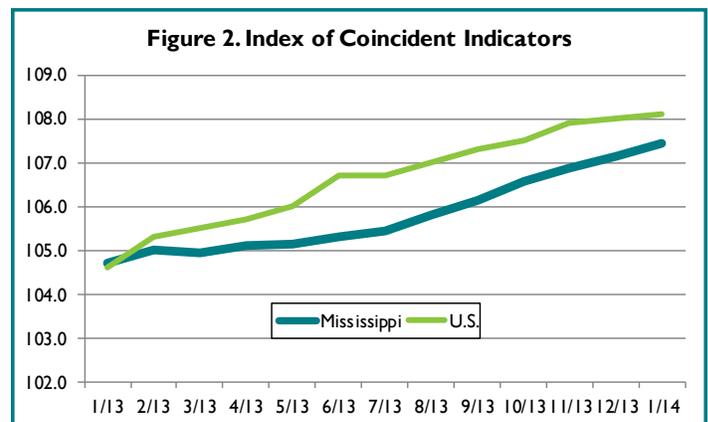
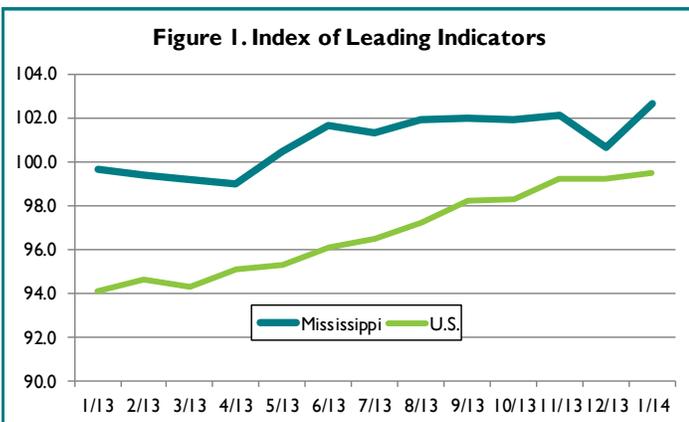
The Mississippi Index of Leading Indicators rose in January, the largest monthly increase since June 2009. The December value was also revised upward. The increase in the January index reflects improvements in several measures of the broader economy during the month (discussed on page 2).

The Mississippi Index of Coincident Indicators also rose slightly in January, the thirteenth increase in the last fourteen months. The fall in the unemployment rate likely pushed the index higher. The performance of the coincident index over the last year indicates consistent if not particularly robust growth in the economy.

The revised estimate of the Bureau of Economic

Analysis (BEA) lowered real U.S. GDP growth in the fourth quarter of 2013 to 2.4 percent, compared to the 4.1 percent increase in the third quarter. The estimate of real GDP growth for all of 2013 remained at 1.9 percent, almost a full percentage point lower than growth in 2012.

While the U.S. economy got off to a relatively rough start in 2014, expectations remain mostly upbeat for the rest of the year. Most analysts primarily attribute the variety of relatively weak economic data reported for the past two months to the severe winter weather that affected much of the country. If this characterization holds true, then the data released in the next two to three months should begin to document an improving economic situation.



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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MISSISSIPPI'S BUSINESS

LEADING INDICATORS, JANUARY 2014

The **Mississippi Index of Leading Economic Indicators** climbed higher in January due to broad-based improvements in its components, as seen in Figure 3. The index reached 102.7—its highest level since January 2008—and more than recovered the drop in December. Following the rise in the value for January, the index stands 3 percent higher than one year ago.

Seven of the eight components of the index added to its value for January, with only U.S. retail sales negatively impacting the value. The components are discussed below in descending order of positive contribution.

As denoted in Figure 4, inflation-adjusted **Mississippi income tax withholdings** (three-month moving average) increased markedly in January. The average rose 4.4 percent for the month and more than recovered December's decline. The value of withholdings is 6.5 percent greater than a year ago and has increased in five of the last six months.

Following the relatively large decline in January, the **Institute for Supply Management Index of U.S. Manufacturing Activity** increased in February to 53.2 as indicated in Figure 5. Most observers primarily ascribed the January plunge in the value of the index to winter weather, which likely extended into February as well. However, new orders in February rose from 51.2 to 54.5 while production fell from 54.8 to 48.2, reflecting the accumulation of inventories. The index remains below the levels of the last six months of 2013.

As indicated by Figure 6, **initial unemployment claims** in Mississippi tumbled 28.4 percent in January, marking the fifth decline in the last six months. Continued claims dropped in January as well, falling 14.3 percent to return to their November level as seen in Figure 16 on page 6. Both initial and continued unemployment claims rose in December. In addition, Figure 17 on page 6 depicts the seasonally-adjusted unemployment rate for Mississippi in January of 7.5 percent, a level last observed in November 2008.

The **U.S. Index of Consumer Expectations** (three-month moving average) rose 2.8 percent in January as seen in Figure 7, increasing for the third straight month. Despite the relatively unfavorable conditions of the past two months, consumers continue to look more positively to the rest of 2014.

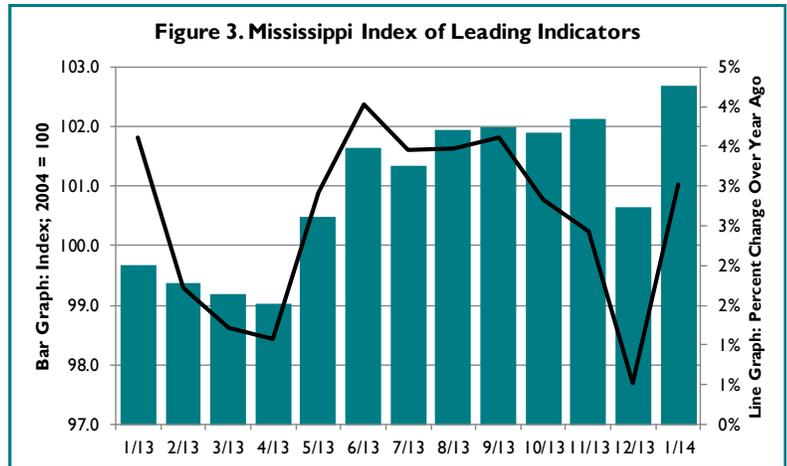


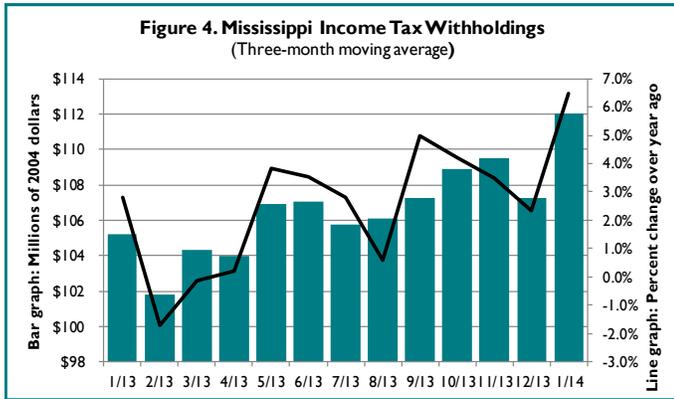
Figure 8 indicates the **Mississippi Diesel Fuel Consumption Index** rebounded in January, increasing 2.6 percent after declines in November and December. Furthermore, according to the U.S. Energy Information Administration, the price of a gallon of diesel fuel in the Gulf Coast district (which includes Mississippi) remained essentially flat in January, increasing by 0.1 percent.

The **Mississippi Manufacturing Employment Intensity Index** moved slightly higher in January, increasing by 0.7 percent as seen in Figure 9. Manufacturing was one of only three sectors in Mississippi to add jobs in January. The index is 1.6 percent below its value of one year ago.

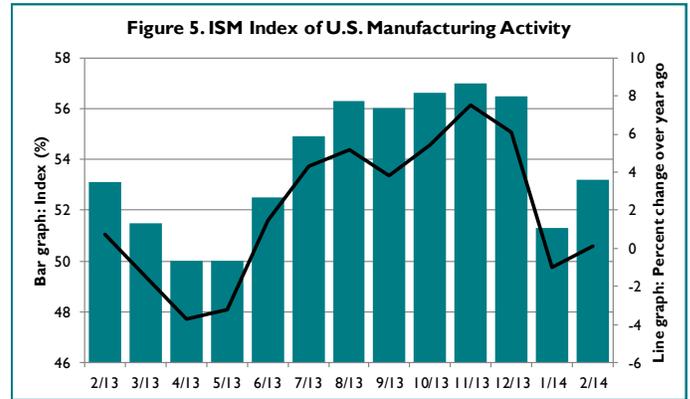
Figure 10 depicts the increase in the **value of Mississippi residential building permits** (three-month moving average) in January. This increase was the first since August 2013, and the January value of permits was 3.2 percent higher than the previous month. Nationally, sales of new single-family homes rose in January, increasing 9.6 percent from December.

U.S. retail sales fell sharply in January, dropping 0.6 percent from December as indicated in Figure 11. The January decline was accentuated by downward revisions by the Census Bureau to figures for both November and December 2013. After the revisions, December sales actually fell 0.3 percent rather than increasing by 0.2 percent as initially reported. Weather likely played a substantial role in the January decline, as sales in the restaurant segment fell for the second consecutive month while sales at building material and supply stores increased. Analysts expect sales to resume their growth once the effects of winter diminish across most of the country. Year-over-year retail sales for January were 1.9 percent higher.

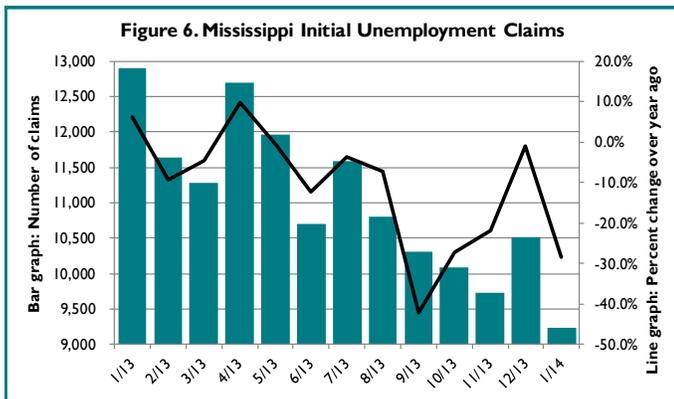
LEADING ECONOMIC INDICATORS, IN FIGURES



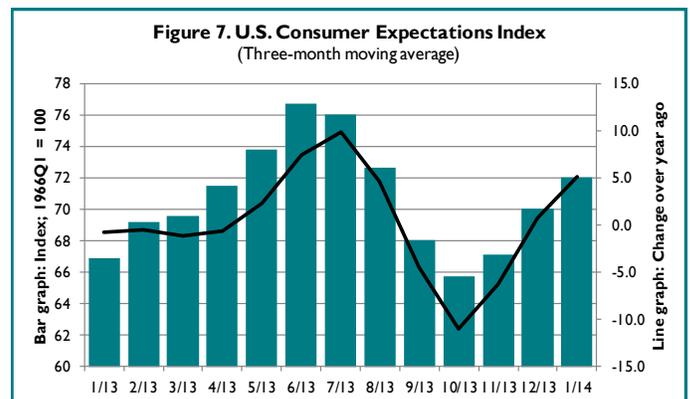
Source: Mississippi Department of Revenue



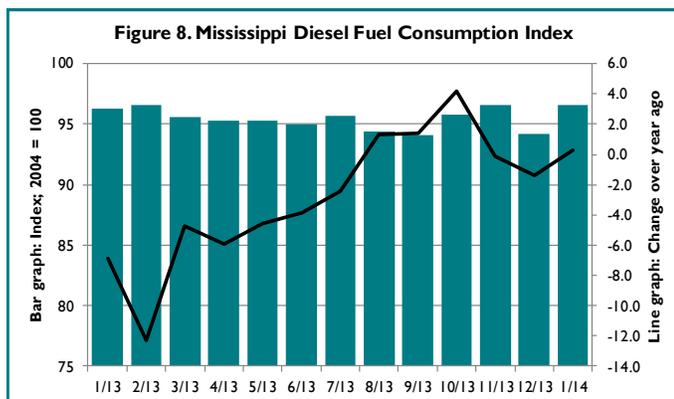
Source: Institute for Supply Management



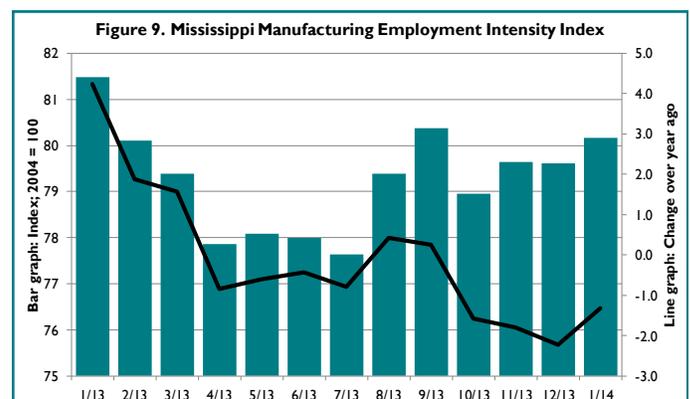
Source: Mississippi Department of Employment Security



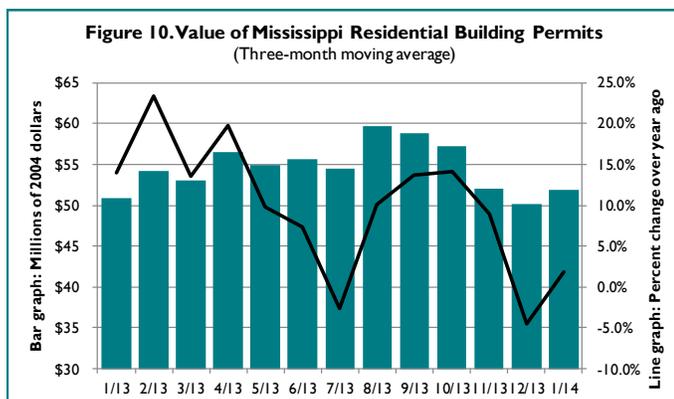
Source: University of Michigan Consumer Sentiment Survey



Source: URC using data from Mississippi Department of Revenue



Source: URC using data from Bureau of Labor Statistics



Source: Bureau of the Census



Source: Bureau of the Census

MISSISSIPPI'S BUSINESS

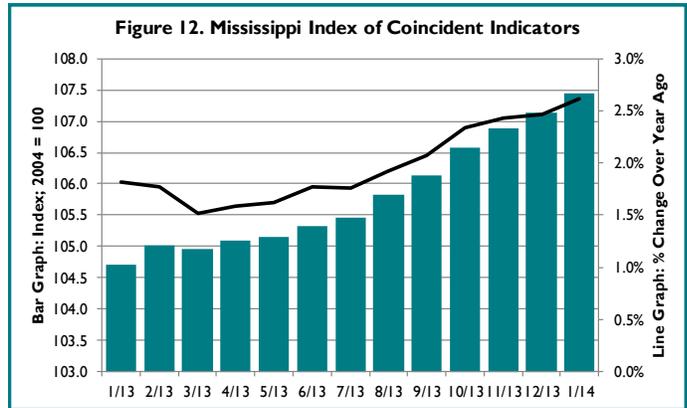
COINCIDENT INDICATORS, JANUARY 2014

January marked the fourth consecutive month the Mississippi Index of Coincident Indicators increased in value, as displayed in Figure 12. The index was up 0.3 percent and has risen in thirteen of the last fourteen months.

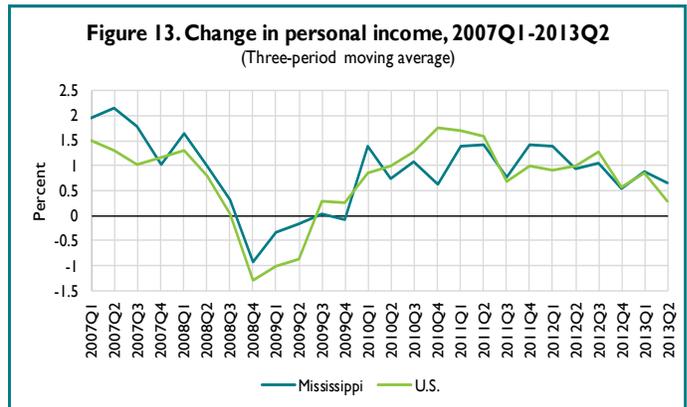
Also at right, Figure 13 reveals income growth in both the U.S. and Mississippi has been relatively flat since the end of the "Great Recession." While income growth in Mississippi has remained positive since the third quarter of 2009, the rate of growth has yet to reach 1.5 percent. These data suggest many of the jobs created since 2009 have been part-time and/or low-paying.

Figure 14 below indicates Mississippi remains slightly above the level of the "Great Recession" of 2007-09, as measured by the coincident index. Eight of the twelve southeastern states have fully recovered, as South Carolina reached 100.0 percent in January. While the values for Alabama and Florida both improved last month, they remain considerably below the rest of the region. Texas continues to distance itself from the other southeastern states.

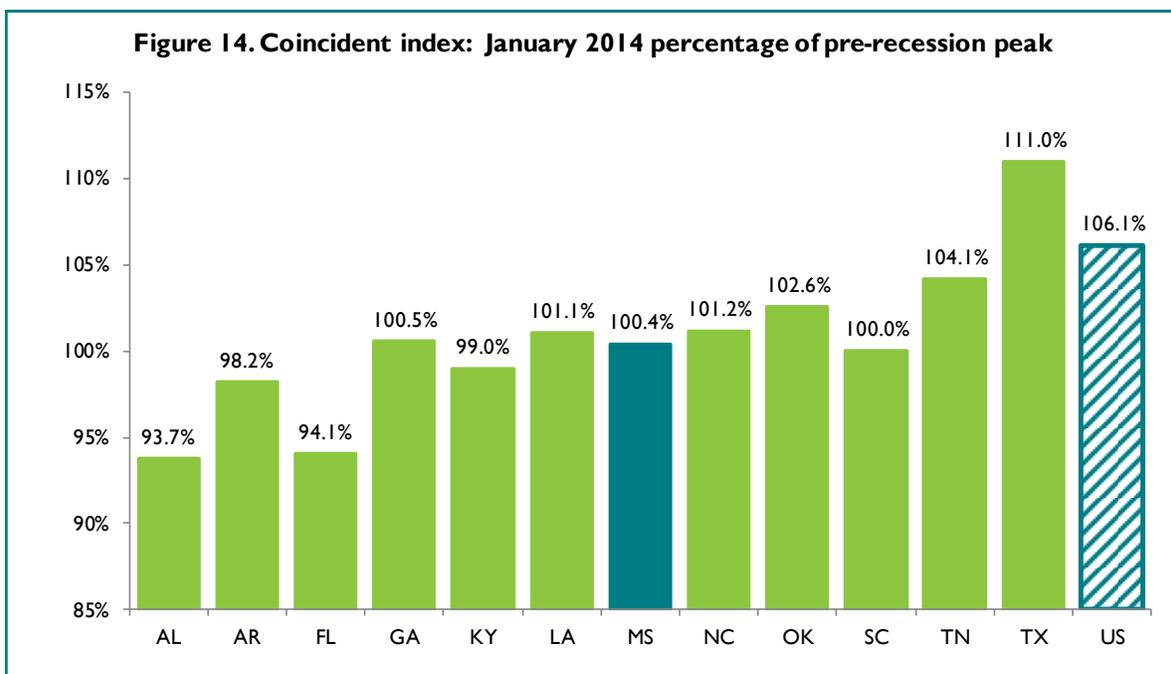
Figure 15 on page 5 indicates every state experienced an increase in the value of the January index compared to three months prior. The last month when no state's three-month growth in the coincident index was negative was March 2012.



Source: Federal Reserve Bank of Philadelphia



Source: Bureau of Economic Analysis



Source: Federal Reserve Bank of Philadelphia

NATIONAL TRENDS

The U.S. Leading Economic Index (LEI) increased 0.3 percent and the U.S. Coincident Economic Index (CEI) rose 0.1 percent in January, according to The Conference Board. Following revisions, the LEI for December was unchanged from the November value. The Conference Board believes the recent movements in both indices indicate economic growth should continue at its present rate into 2014, possibly becoming more robust in the short-term.

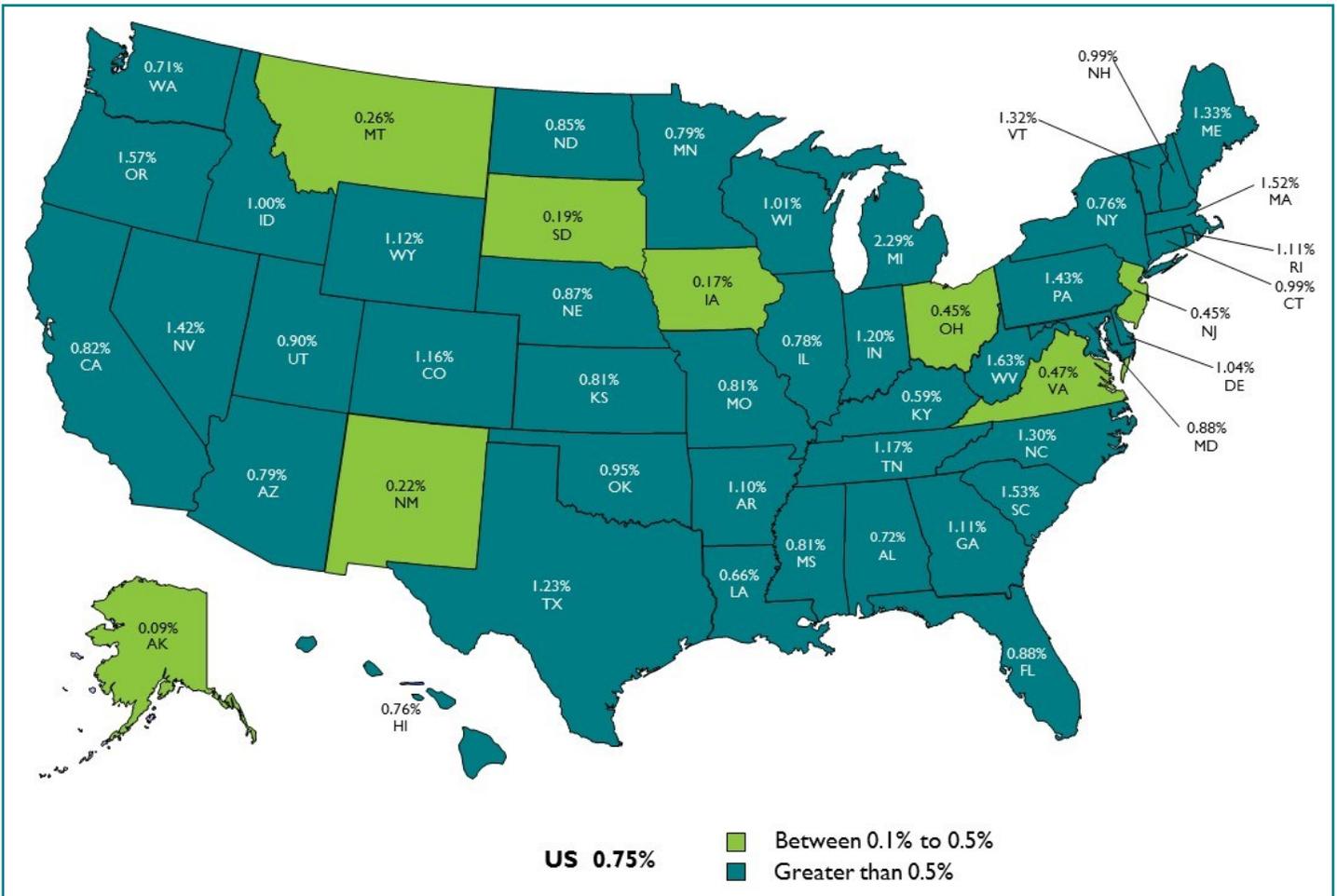
The Small Business Optimism Index compiled by the National Federation of Independent Businesses (NFIB) rose slightly in January to 94.1. The index climbed only 0.2 percent, but nonetheless January marked the third consecutive monthly increase. The index also reached its highest value since August and is 5.8 percent higher than one year ago. However, due in part to the uncertainty a number of

small businesses have about the economy, the index remains below its pre-recession levels.

Also during February the Federal Reserve indicated that, despite the weakness in the U.S. economy during the last two months, it is prepared to continue with its tapering program of reducing the amount of its bond purchases. The Federal Reserve reduced its bond purchases by \$10 billion at each of its last two policy meetings. Nevertheless, the central bank also signaled it will slow or stop the reduction in its bond purchases if additional data indicate the slowdown in the economy is due to significantly more than unusually harsh winter weather.

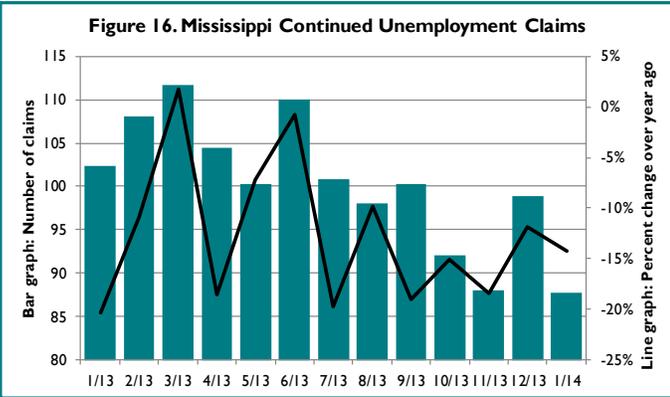
In addition, the Federal Reserve is not expected to take action to increase short-term interest rates until the second quarter of 2015 at the earliest.

Figure 15. Three-month growth in the index of coincident economic indicators by state, January 2014

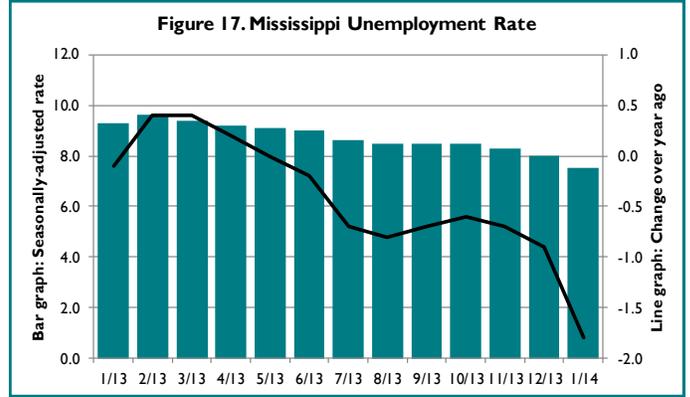


MISSISSIPPI'S BUSINESS

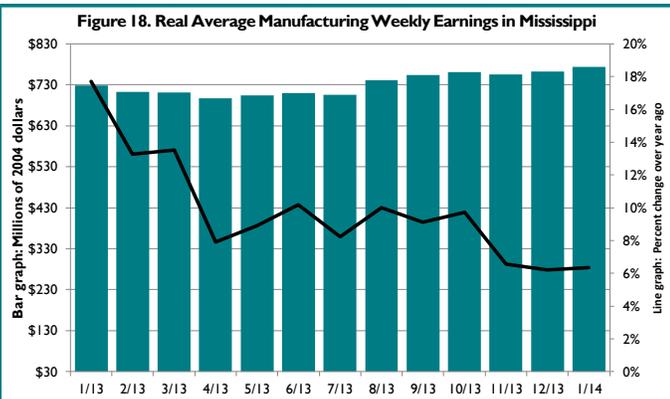
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



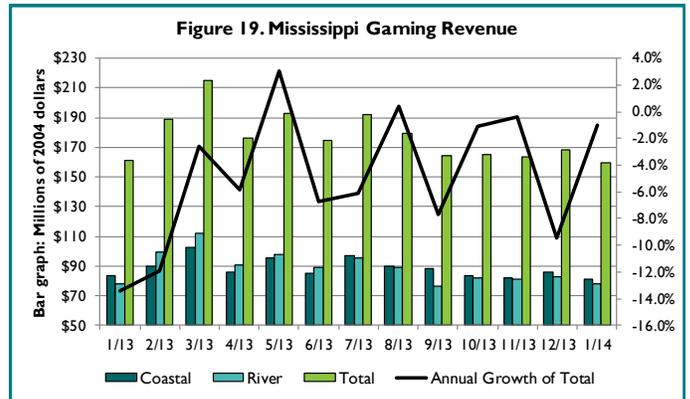
Source: Mississippi Department of Employment Security; Seasonally Adjusted



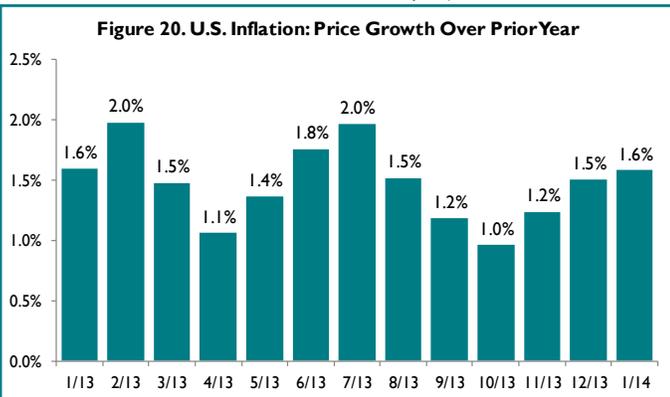
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



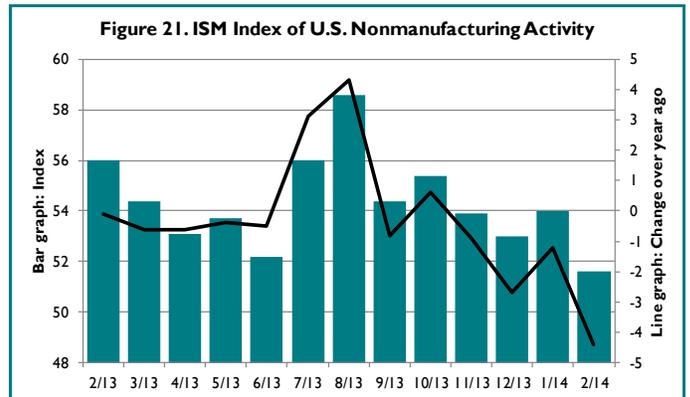
Source: U.S. Bureau of Labor Statistics; Non-seasonally Adjusted



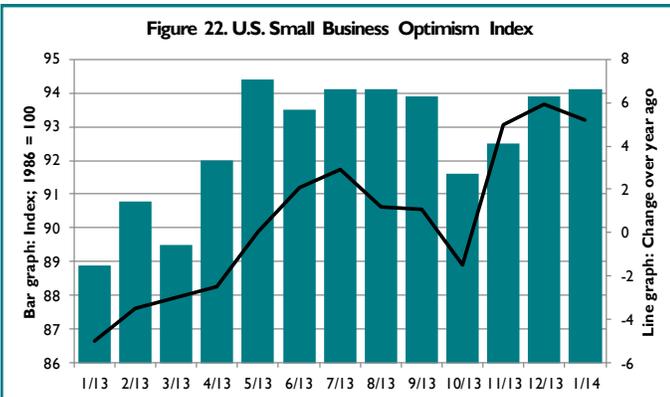
Source: Mississippi Department of Revenue; Non-seasonally Adjusted



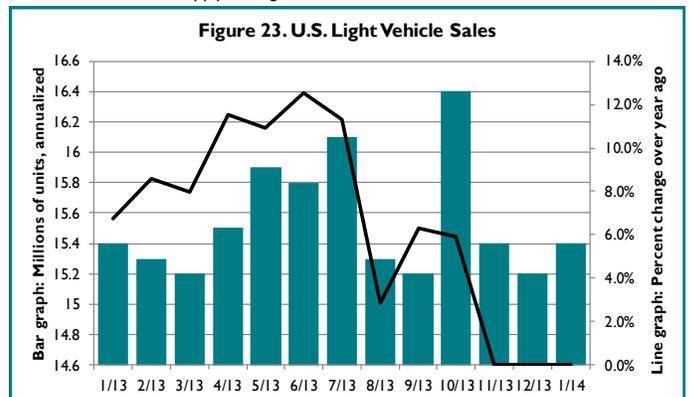
Source: U.S. Bureau of Labor Statistics



Source: Institute for Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

MARCH 2014

TABLE I. SELECTED ECONOMIC INDICATORS

Indicator	January 2014	December 2013	January 2013	Percent change from last month last year		
U.S. Index of Coincident Indicators 2004 = 100. Source: The Conference Board	108.1	108.0	104.6	0.1%	3.3%	Economic Indices
Mississippi Index of Coincident Indicators 2004 = 100. Source: Federal Reserve Bank of Philadelphia	107.4	107.1	104.7	0.3%	2.6%	
U.S. Index of Leading Indicators 2004 = 100. Source: The Conference Board	99.5	99.2	94.1	0.3%	5.7%	
Mississippi Index of Leading Indicators 2004 = 100. Source: University Research Center	102.7	100.6	99.7	2.1%	3.0%	
Mississippi Initial Unemployment Claims Source: Mississippi Department of Employment Security	9,239	10,506	12,905	-12.1%	-28.4%	Components of the Mississippi Index of Leading Indicators
Mississippi Value of Residential Building Permits Three-month moving average; millions of 2004 dollars. Source: Bureau of Census	51.8	50.2	50.9	3.2%	1.8%	
Mississippi Income Tax Withholdings Three-month moving average; millions of 2004 dollars. Source: Mississippi Department of Revenue	112.0	107.3	105.2	4.4%	6.5%	
Mississippi Manufacturing Employment Intensity Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	80.2	79.6	81.5	0.7%	-1.6%	
Mississippi Diesel Fuel Consumption Index Three-month moving average; 2004 = 100. Source: URC using data from Mississippi Department of Revenue	96.6	94.2	96.3	2.6%	0.3%	
U.S. Index of Consumer Expectations Three-month moving average; index 1966Q1 = 100. Source: University of Michigan Consumer Sentiment Survey	72.0	70.0	66.9	2.8%	7.7%	
U.S. ISM Index of Manufacturing Activity Advanced 1 month. Source: Institute For Supply Management	53.2	51.3	53.1	1.9%	0.1%	
U.S. Retail Sales Millions of dollars. Source: Bureau of Census	426,054	428,789	417,931	-0.6%	1.9%	
U.S. Consumer Price Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	123.8	123.4	121.9	0.4%	1.6%	
Mississippi Unemployment Rate Seasonally-adjusted. Source: Bureau of Labor Statistics	7.5%	8.0%	9.3%	-0.5%	-1.8%	
Mississippi Continued Unemployment Claims Source: Mississippi Department of Employment Security	87,713	98,844	102,334	-11.3%	-14.3%	Miscellaneous Indicators
U.S. Mortgage Rates 30-year conventional. Source: Federal Reserve	4.45%	4.50%	3.42%	-0.05%	1.0%	
Mississippi Average Hourly Wage for Manufacturing 2004 dollars. Source: Bureau of Labor Statistics	18.41	18.30	16.90	0.6%	8.9%	
Mississippi Average Weekly Earnings for Manufacturing 2004 dollars. Source: Bureau of Labor Statistics	773.86	762.84	727.64	1.4%	6.4%	
Small Business Optimism Index 1986 = 100. Source: National Federation of Independent Businesses	94.1	93.9	88.9	0.2%	5.8%	
Gaming Revenue	159.5	168.3	161.1	-5.2%	-1.0%	
Coastal Counties	81.4	85.6	83.2	-4.9%	-2.2%	
River Counties	78.1	82.7	77.9	-5.6%	0.3%	

Non-seasonally adjusted, millions of dollars. Source: Mississippi Department of Revenue

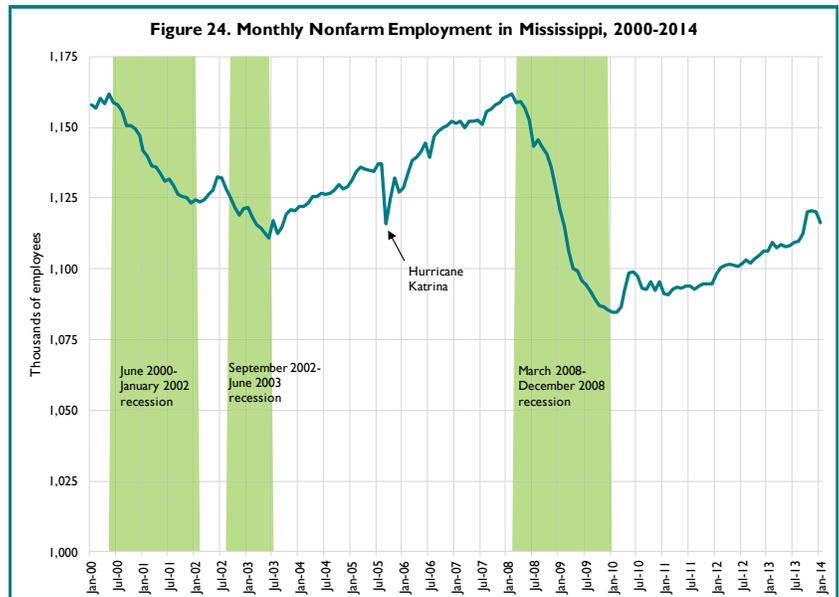
MISSISSIPPI'S BUSINESS

MISSISSIPPI EMPLOYMENT TRENDS

Mississippi's economy lost 4,000 jobs in January, breaking a run of three consecutive months of employment gains. Losses occurred across almost all sectors, with only manufacturing, government, and other services eking out small gains. Over half of the jobs losses took place in retail trade and construction, two industries that may have been particularly hard-hit by severe winter weather in the state during January. Nevertheless, total non-farm employment remains 0.9 percent higher than one year ago.

For perspective on the state's current employment situation, Figure 24 at right depicts monthly nonfarm employment in Mississippi since 2000. Clearly, employment in Mississippi declined considerably during the three recessionary periods experienced since 2000. Furthermore, recovery of employment numbers

to pre-recession levels can require a prolonged length of time. For example, the peak level of employment in the state immediately prior to the beginning of the "Great Recession" in March 2008 was still slightly below the peak level immediately before the recession that began in June 2000. While the rate of growth in employment in Mississippi quickened in 2013, as of January the total number employed remains almost 46,000 below the pre-recession peak—indicating recovering the jobs lost during the "Great Recession" will require still more sizable growth.



Source: U.S. Bureau of Labor Statistics

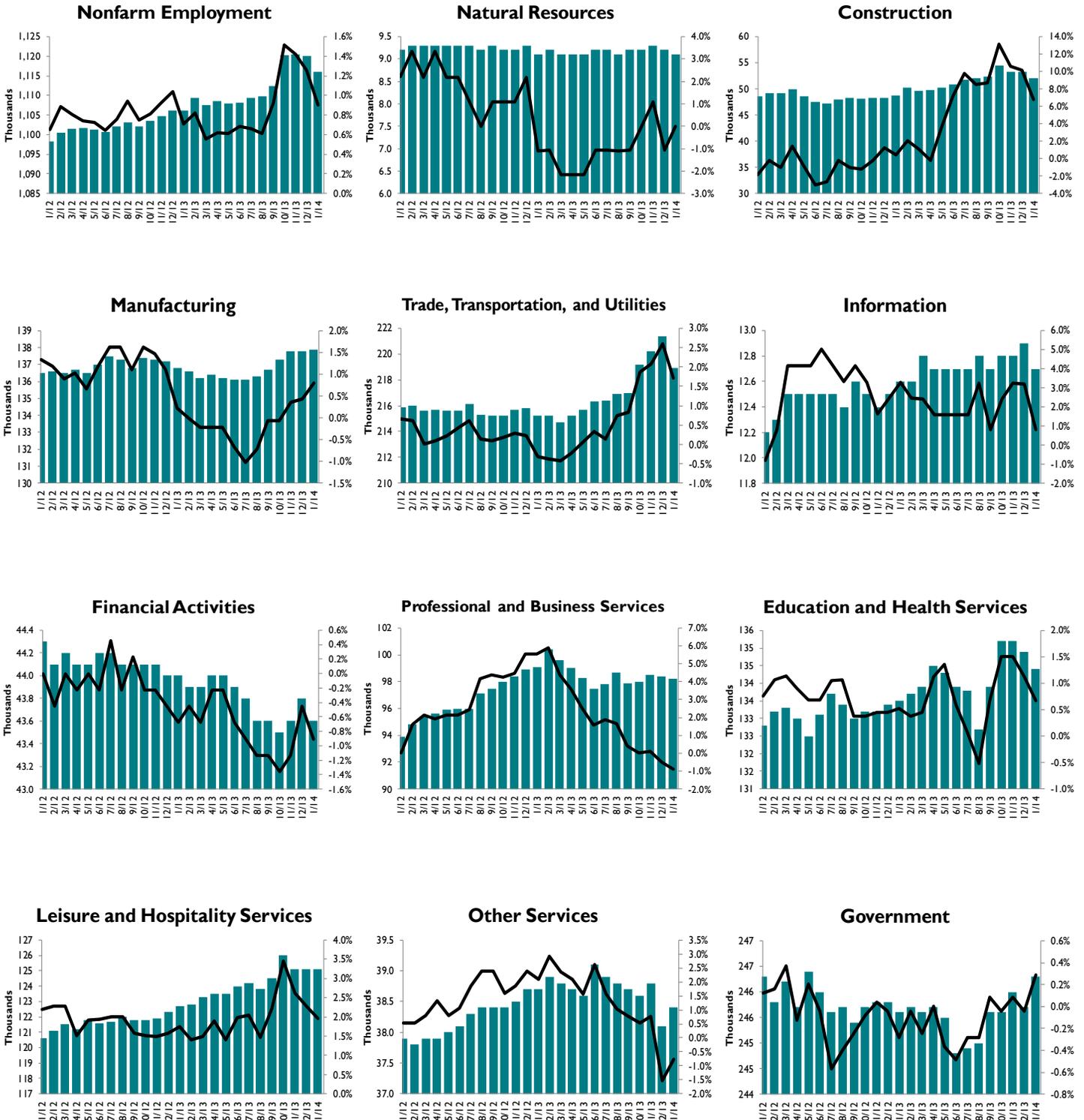
Table 2. Change in Mississippi Employment by Industry, January 2014

	Relative Share of Total ^a	January 2014	December 2013	January 2013	Change from Prior Month Level	Change from Prior Month Percent	Change from Prior Year Level	Change from Prior Year Percent
Total Nonfarm	100.0%	116,100	1,120,100	1,106,100	(4,000)	(0.36%)	10,000	0.9%
Mining and Logging	0.8%	9,100	9,200	9,100	(100)	(1.1%)	—	0.0%
Construction	4.6%	52,000	53,200	48,700	(1,200)	(2.3%)	3,300	6.8%
Manufacturing	12.3%	137,900	137,800	136,800	100	0.1%	1,100	0.8%
Trade, Transportation, & Utilities	19.5%	218,900	221,400	215,200	(2,500)	(1.1%)	3,700	1.7%
Retail Trade	12.0%	133,900	135,600	132,500	(1,700)	(1.3%)	1,400	1.1%
Information	1.1%	12,700	12,900	12,600	(200)	(1.6%)	100	0.8%
Financial Activities	3.9%	43,600	43,800	44,000	(200)	(0.5%)	(400)	(0.9%)
Services	35.6%	396,100	396,500	394,000	(400)	(0.1%)	2,100	0.5%
Professional & Business Services	8.9%	98,200	98,400	99,100	(200)	(0.2%)	(900)	(0.9%)
Education & Health Services	12.1%	134,400	134,900	133,500	(500)	(0.4%)	900	0.7%
Leisure & Hospitality	11.2%	125,100	125,100	122,700	—	0.0%	2,400	2.0%
Other Services	3.5%	38,400	38,100	38,700	300	0.8%	(300)	(0.8%)
Government	22.1%	246,300	245,700	245,600	600	0.2%	700	0.3%

^aRelative shares are for the most recent 12-month average.

Source: Bureau of Labor Statistics

MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES



Left axes: Bar graphs of employment levels Right axes: Line graphs of annual growth

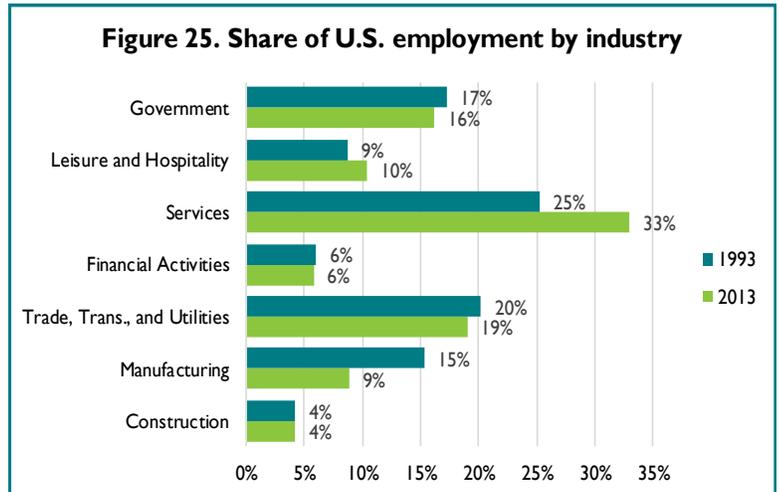
Source: Bureau of Labor Statistics (all figures)

MISSISSIPPI'S BUSINESS

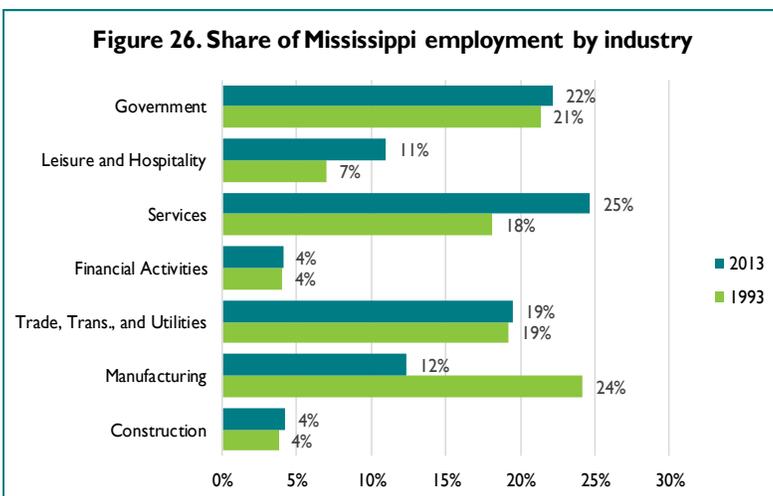
EVOLUTION OF THE MANUFACTURING AND SERVICE ECONOMIES

Over time, the economies of nations, regions, and cities change due to a variety of factors. Advances in technology, shifts in population, and changes in government policies are some of the events that can transform economic systems. A case in point is how the economy of the United States has become much more services-oriented. As seen in Figure 25, in 1993 about one-fourth of all jobs in the U.S. were in the services sector; this share grew to approximately one-third by 2013. Simultaneously, the number of jobs in the U.S. manufacturing sector declined. Over the same period, the share of jobs in manufacturing fell from 15 percent to 9 percent, also depicted in Figure 25. Other sectors saw little change over the same two decades.

The story is much the same—if not more pronounced—in Mississippi. As Figure 26 below indicates, in 1993 approximately 18 percent of jobs in Mississippi were service jobs; by 2013 this share was 25 percent. Conversely, manufacturing jobs fell from 24 percent of the state's employment to 12 percent over the same period—a 50 percent reduction. The only other industry in Mississippi with a substantial change was the leisure and hospitality industry, which increased from 7 percent of the state's total employment in 1993 to 11 percent by 2013, again as depicted in Figure 26 below. Many leisure and hospitality jobs can also be considered very similar to those in the services sector.



Source: Bureau of Economic Analysis.



Source: Bureau of Labor Statistics.

The general public typically presumes U.S. manufacturing jobs have declined solely because firms have moved production to other countries with lower costs of labor. While jobs in some industries that are labor-intensive—such as textiles—have largely left the U.S., the complete picture for manufacturing is more complicated. Other nations have made investments in capital and equipment and numerous manufacturing processes have become more automated, reducing the need for labor as individual workers have become more productive. Such a situation is not without precedent in the U.S. economy. In agriculture, for example, during the late nineteenth and early twentieth centuries increasing

mechanization pushed rural workers into major cities to seek jobs in factories. In both agriculture and manufacturing, total output has increased over time as firms continue to substitute capital for labor. Figure 27 indicates how—after adjusting for inflation—the value of manufacturing output in the U.S. increased over the last fifteen years as employment in manufacturing continually declined. In fact, although manufacturing accounted for a smaller share of U.S. GDP in 2012 than in 1992, after adjusting for inflation the value of total GDP was 73 percent larger in 2012.

EVOLUTION OF THE MANUFACTURING AND SERVICE ECONOMIES (CONTINUED)

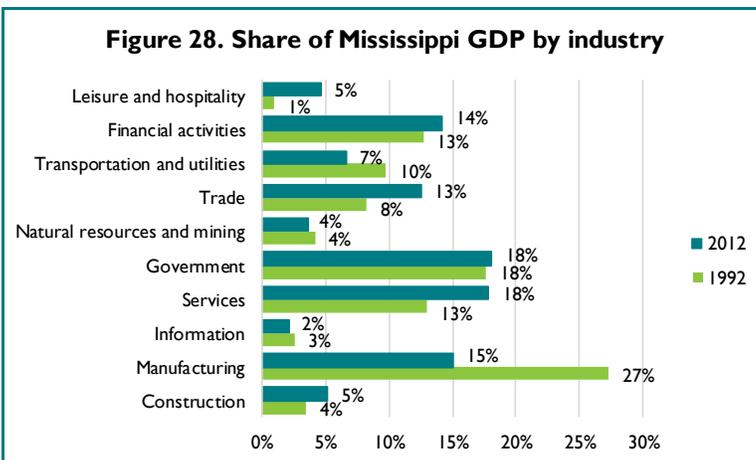
Figure 28 indicates how manufacturing as a share of GDP in Mississippi also fell over the same period, while the proportions from services and other industries grew. Yet real GDP for the state was almost 50 percent larger in 2012 than in 1992.

Following another historical pattern, demand for jobs in services has grown with increases in individual wealth. As the demand for more manufactured goods increased relative to the demand for agricultural goods, so has the demand for services increased relative to the demand for manufactured goods. Similarly, in nations such as China that have experienced growth in their manufacturing sectors, individual wealth is increasing, leading to a demand for more services. Thus, demand for more services tends to occur as the populace of a nation becomes more affluent.



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

Jobs in the services sector clearly dominate the current U.S. economy. As other nations with manufacturing sectors primarily dependent on labor become more automated and individual wages rise, what role the services sector will continue to play in the U.S. economy relative to the manufacturing sector becomes an important question. Very likely, a number of manufacturing jobs that use relatively unskilled labor will not return to the U.S.—these jobs will reside in countries with comparatively low-cost labor. On the other hand, the potential exists for jobs that require relatively highly-skilled labor to develop in the U.S. in what is known as the “advanced manufacturing” sector.



Source: Bureau of Economic Analysis.

While definitions vary widely, most descriptions of advanced manufacturing involve such terms as “innovation,” “technology,” and “highly-skilled workforce.” In turn, the primary vehicle for developing such a workforce is education. In its 2012 report *Capturing Domestic Competitive Advantage in Advanced Manufacturing*, the President’s Council of Advisors on Science and Technology states, “The community college-level of education is the ‘sweet spot’ for reducing the skills gap in manufacturing.” The report also recommends universities create programs and courses to focus on advanced manufacturing.

Will increasing automation and growing wages in other nations foster an advanced manufacturing industry in the U.S.? Or will the decades-long trend of service sector jobs rising as manufacturing jobs decline continue? Regardless of the outcome, for states like Mississippi that historically have had a higher proportion of employment in the manufacturing sector, the implications are the same. The state will require a well-trained and educated workforce in order to best position its economy.