



ECONOMY AT A GLANCE

The value of the Mississippi Leading Index (MLI) fell 0.6 percent in January as seen in Figure 1 below. While four components of the MLI decreased for the month, the decrease primarily resulted from a relatively large decline in the value of withholdings. Compared to one year ago the value of the MLI was 2.1 percent higher in January.

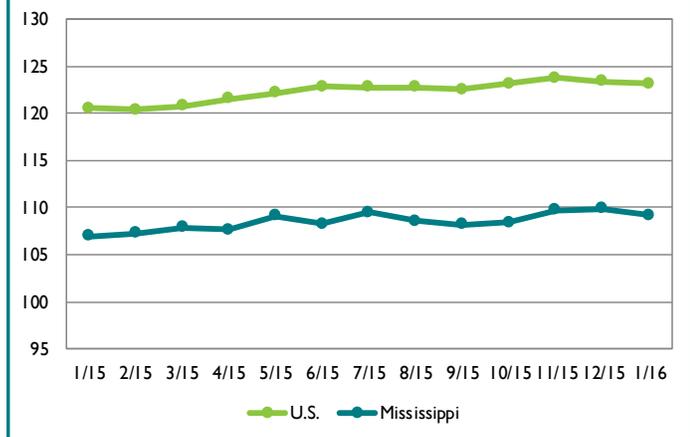
Due to annual revisions by the Philadelphia Federal Reserve, values of the Mississippi Coincident Index for January are unavailable until April. As discussed on page 4 and as seen in Figure 2 below, the value of the U.S. Coincident Economic Index increased 0.3 percent in January.

The second estimate by the U.S. Bureau of Economic Analysis (BEA) found real U.S. gross domestic product (GDP) increased 1.0 percent in the fourth quarter of 2015. This second estimate marked an unexpected in-

crease from the 0.7 percent growth reported by BEA in its first estimate. BEA stated the reason for the higher growth was a smaller decline in private inventory investment than reported in its first estimate. Growth in the fourth quarter was still a full percentage point less than in the third quarter, primarily because of a decrease in business investment and the balance of trade.

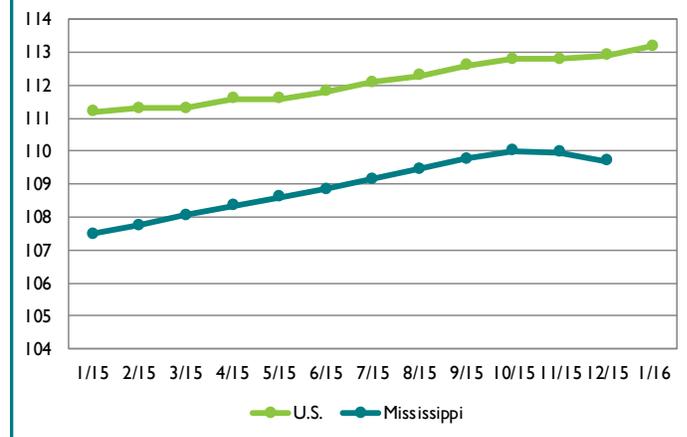
Despite the signs of improvement in the U.S. manufacturing sector, the outlook for Mississippi's economy stumbled in January, mainly due to the decline in withholdings. In addition, consumer spending slipped for the month and activity in building permits has receded from its relatively brisk pace in 2015. However, unemployment claims remain relatively low and the revised employment data indicate greater job growth in the state in the fourth quarter of 2015 than previously reported.

Figure 1. Leading indices



Sources: University Research Center and The Conference Board

Figure 2. Coincident indices



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.

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MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, JANUARY 2016

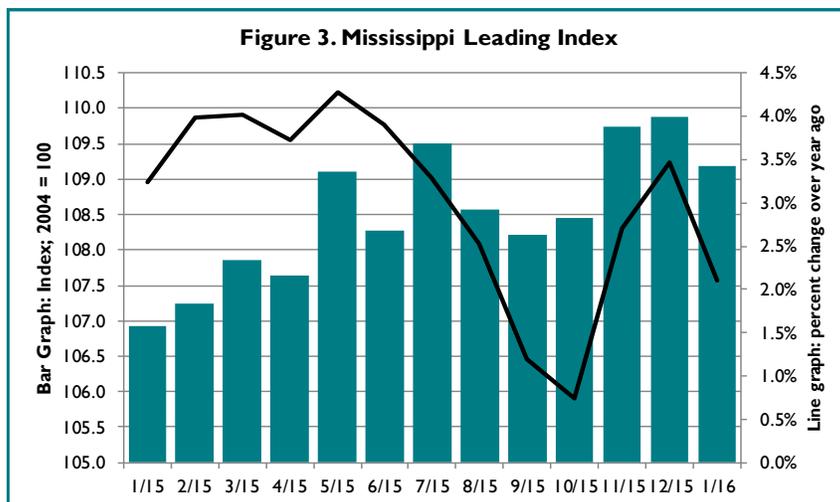
After three consecutive monthly increases, the value of the **Mississippi Leading Index of Economic Indicators (MLI)** fell in January. The value of the MLI declined 0.6 percent as seen in Figure 3, its largest decline since August 2015. Compared to one year ago the value of the MLI was 2.1 percent higher in January. However, following the January decrease the value of the MLI is down 0.6 percent over the last six months.

Four of the seven components of the MLI contributed negatively for the month. The relatively large decline in the value of withholdings was primarily responsible for the January decline in the value of the MLI. Discussion of each component appears below in order of smallest to largest contribution.

After two consecutive monthly increases the value of **Mississippi income tax withholdings** (three-month moving average) fell 3.4 percent in January as seen in Figure 4. The decline more than gave back the gain of the previous month. Compared to one year ago the value of withholdings in January was 1.4 percent higher. Over the last six months the three-month moving average of withholdings is up 0.5 percent compared to the previous six months.

The value of **U.S. retail sales** decreased 0.4 percent in January as seen in Figure 5. However, December sales were revised higher, indicating the value rose 0.2 percent for the month instead of the 0.1 percent decline previously reported. Following the revisions, the January decline marked the first decrease in the value of sales since September 2015. Despite the decline, the value of retail sales was 3.0 percent higher in January compared to one year ago. Most retail sectors declined for the month with the exceptions of food and beverages and clothing and accessories. Sales at gasoline stations experienced their largest decline since last September.

The value of **Mississippi residential building permits** (three-month moving average) fell in January for the second consecutive month. As Figure 6 indicates, the value decreased 2.8 percent from the previous month. The value in January was 7.5 percent higher compared to one year ago. The seasonally-adjusted number of units for which building permits were issued (three-month moving average) in Mississippi, in contrast, increased slightly in January, rising 0.5 percent. Compared to one year ago the



Source: University Research Center

number of permits was 4.4 percent higher in January. The number of privately-owned housing units in the U.S. authorized by building permits declined 0.2 percent in January from the revised value of the previous month. The number of units in January was 13.5 percent above the value of one year ago.

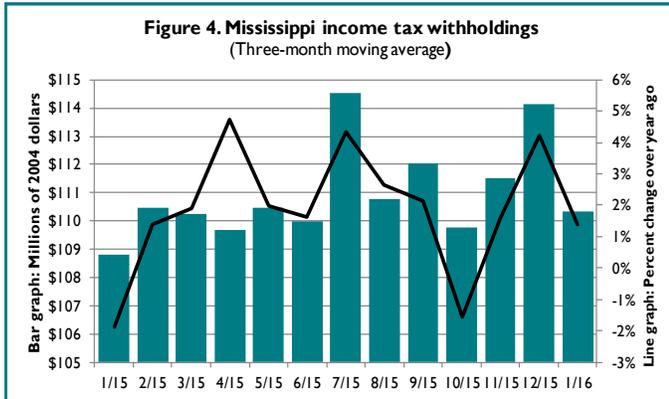
After two consecutive months of increases, the value of the **University of Michigan Index of Consumer Expectations** (three-month moving average) fell in January. As Figure 7 indicates, the Index lost 0.4 percent of its value from December. Compared to one year ago, the value of the Index was 6.8 percent lower in January, marking the second consecutive month with a year-over-year decrease. Short-term inflation expectations were unchanged, while longer-term inflation expectations fell slightly.

The value of the **Mississippi Manufacturing Employment Intensity Index** rose by 0.1 percent in January as seen in Figure 8. The value of the Index was 6.1 percent higher for the month compared to one year ago. Employment in manufacturing grew slightly while average weekly hours of production employees in Mississippi were down 0.3 percent for the month.

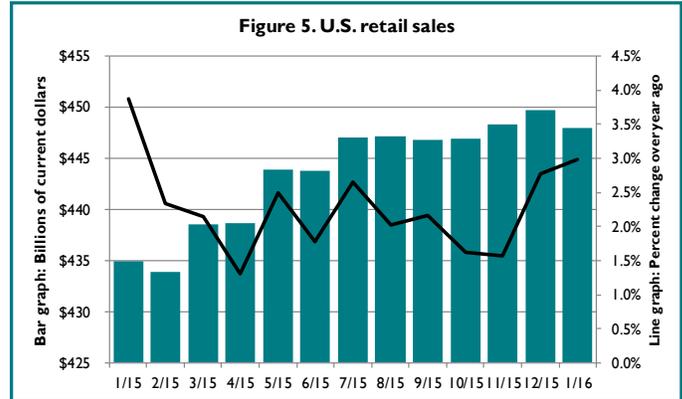
Figure 9 indicates the value of seasonally-adjusted **initial unemployment claims** in Mississippi declined in January for the second consecutive month. The number of claims fell 6.4 percent from the previous month. The number of initial claims was 15.6 percent lower in January compared to one year ago. Conversely, the number of seasonally-adjusted continued unemployment claims in Mississippi

(Continued on page 4)

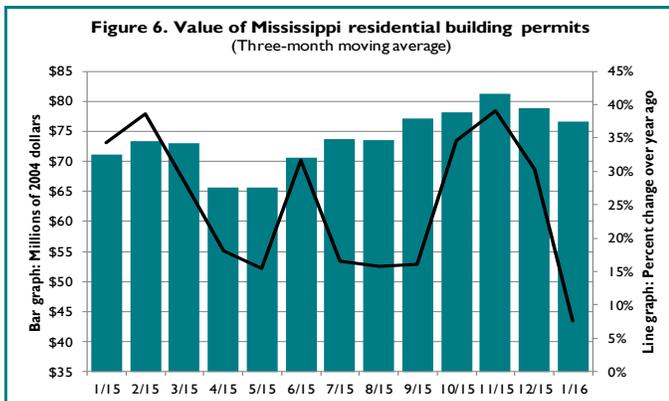
COMPONENTS OF MISSISSIPPI LEADING INDEX, IN FIGURES



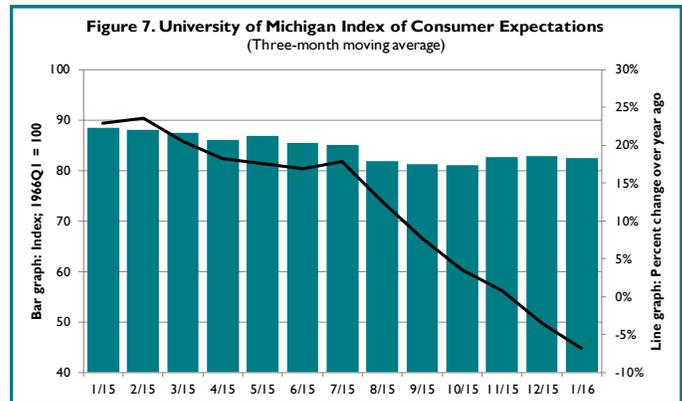
Source: Mississippi Department of Revenue; seasonally adjusted



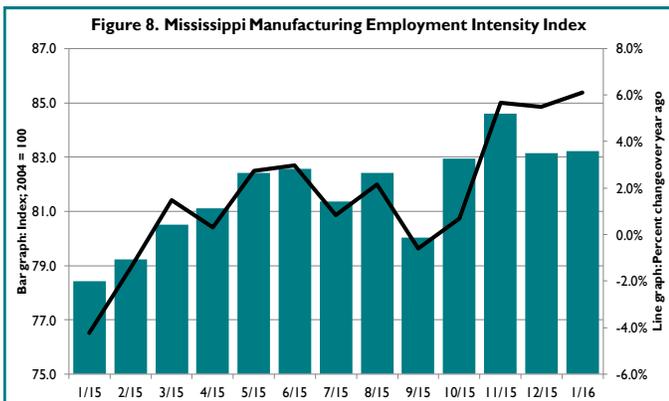
Source: Bureau of the Census



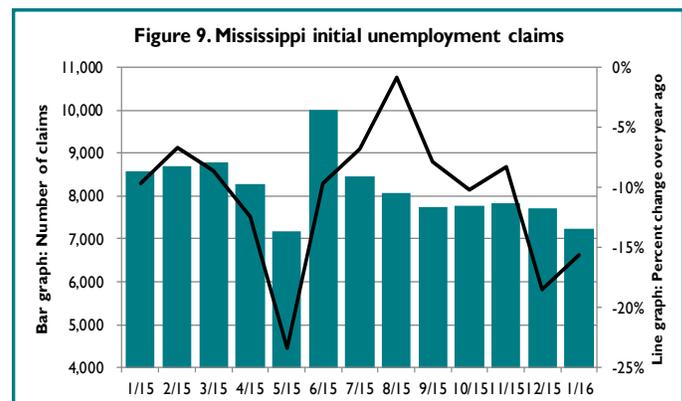
Source: Bureau of the Census; seasonally adjusted



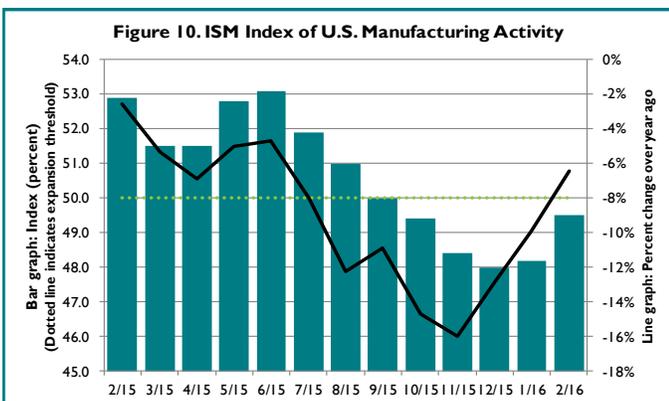
Source: Thomson Reuters/University of Michigan Surveys of Consumers



Source: URC using data from Bureau of Labor Statistics



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



Source: Institute for Supply Management

The value of the Mississippi Leading Index (MLI) fell 0.6% in January, its first decline since September 2015.

MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, JANUARY 2016 (CONTINUED)

increased 5.8 percent in January as seen in Figure 12 on page 5. Moreover, compared to January 2015 the value was 2.7 percent higher for the month. Following the annual benchmark revisions by BLS, the seasonally-adjusted unemployment rate in Mississippi decreased by 0.1 percentage point in January to 6.7 percent as Figure 13 on page 5 indicates. This rate was the highest among all states and the District of Columbia in January.

For the second consecutive month, the value of the **Institute for Supply Management Index of U.S. Man-**

ufacturing Activity rose in February, only its second increase since June 2015. The Index gained 2.7 percent to 49.5, the highest level since October, leaving it only slightly in contractionary territory (below 50.0). The gains were mostly widespread as supplier deliveries was the only component that declined for the month. As Figure 10 indicates compared to one year ago the value was 6.4 percent lower in February; the year-over-year change in the Index has been negative for thirteen consecutive months.

NATIONAL TRENDS

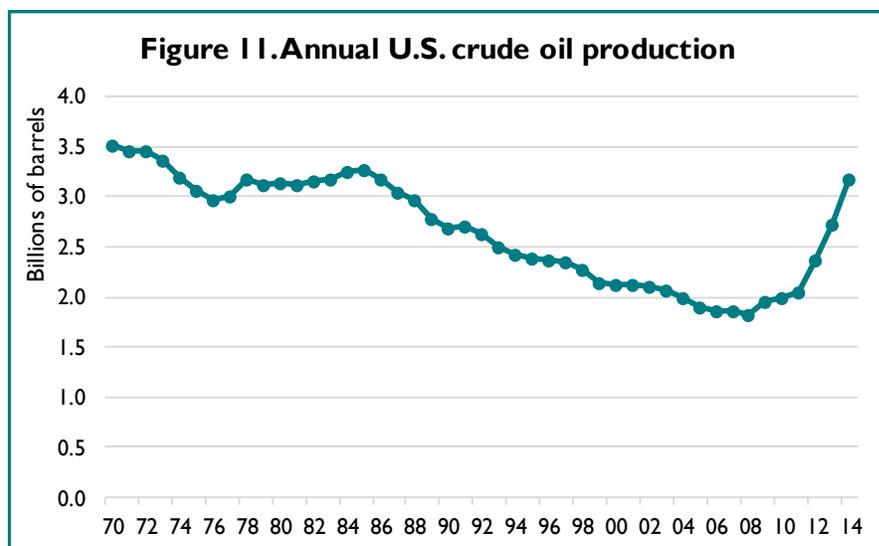
For the second consecutive month, the value of the U.S. Leading Economic Index (LEI) declined in January according to The Conference Board. The value of the LEI fell 0.2 percent in January as seen in Figure 1 on page 1. Furthermore, the values of each of the last four months of 2015 were revised lower. Compared to one year ago the value of the LEI was 2.2 percent higher in January, the smallest year-over-year increase in the LEI since May 2013. Four of the ten components of the LEI decreased in value for the month with one component unchanged. The largest negative contribution came from stock prices.

The Conference Board reported the value of the U.S. Coincident Economic Index (CEI) rose 0.3 percent in January. The value of the CEI in January was 1.8 percent higher compared to one year ago. All four components of the CEI increased for the month as industrial production made the largest contribution to January's gain.

The value of the National Federation of Independent Businesses (NFIB) Small Business Optimism Index fell to 93.9 in January, its lowest level since March 2014. As Figure 18 on page 5 indicates, the value of the Index fell 1.4 percent from the previous month. Compared to one year ago the January value was 4.1 percent lower. The downturn in U.S. financial markets since the first of the year likely diminished the outlooks of many small businesses. Most components of the NFIB Index decreased, as the share that expects the economy to improve fell markedly. The "plans to raise compensation" component also declined substantially from December. However, the "job openings" and "now is a good time to expand components" did increase slightly.

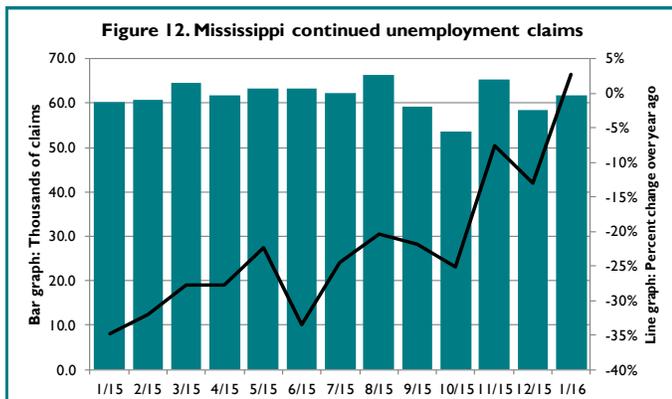
The weakness in the global economy and U.S. financial markets in early 2016 caused many observers to believe the Federal Reserve could take interest rate increases off the table entirely in 2016. However, with indications inflation is approaching the central bank's 2.0 percent annual target, as well as other signs the U.S. economy remains stable, interest rate increases may only take a pause in March before resuming later in the year.

Figure 11 below depicts annual U.S. crude oil production since 1970, when output peaked at just over 3.5 billion barrels. Relatively large increases in output occurred each year from 2012 to 2014 with the rise in production from shale oil deposits. The U.S. produced almost 3.2 billion barrels of crude oil in 2014, the highest level since 1985. The increase in world oil supply as a result of higher U.S. production led in part to the lower prices as discussed on page 10.

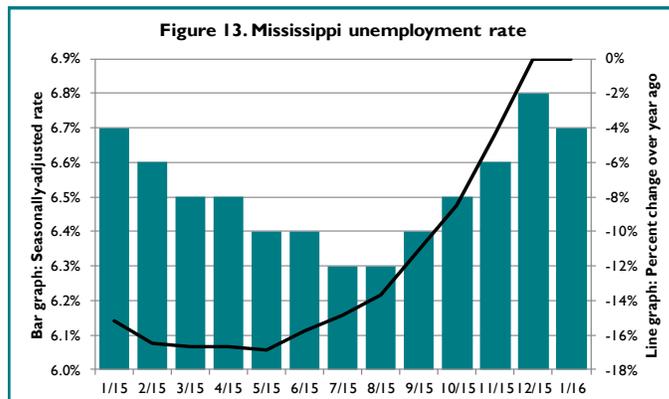


Source: U.S. Energy Information Administration

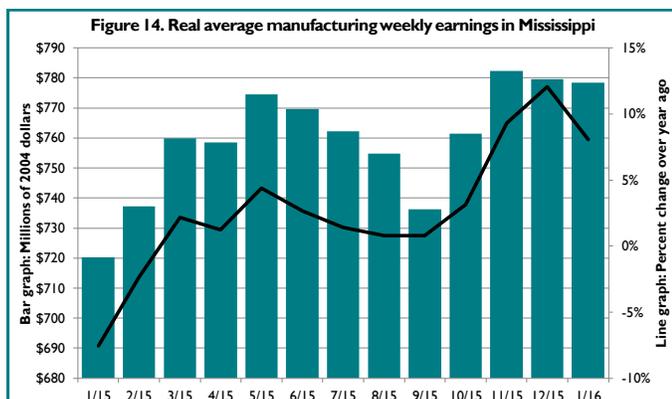
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



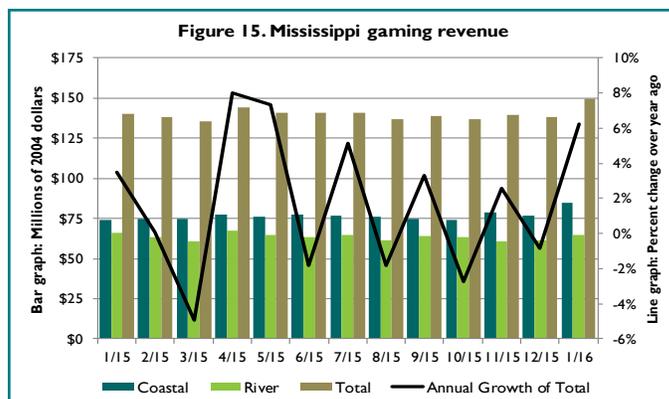
Source: U.S. Department of Labor; seasonally adjusted



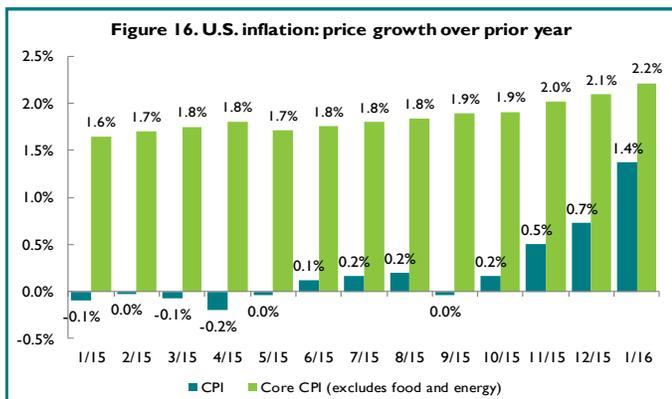
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



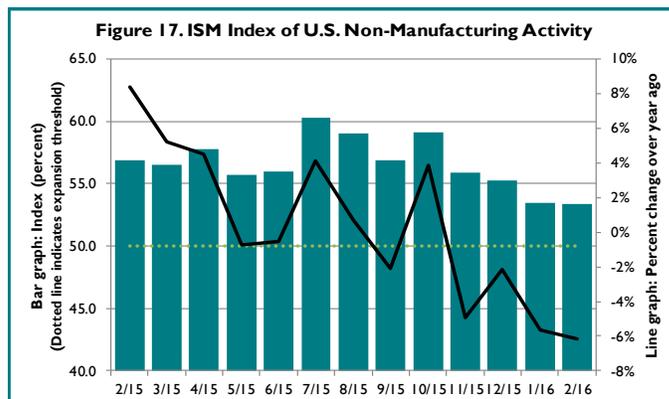
Source: U.S. Bureau of Labor Statistics; non-seasonally adjusted



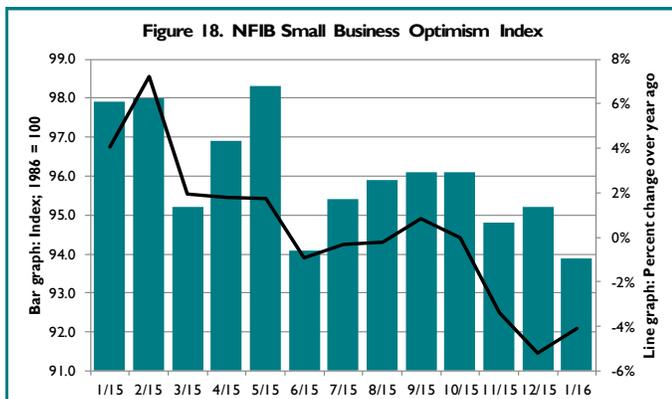
Source: Mississippi Department of Revenue; seasonally adjusted



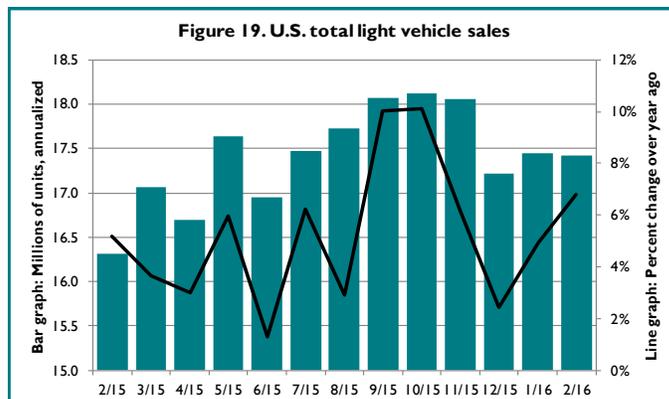
Source: U.S. Bureau of Labor Statistics



Source: Institute for Supply Management



Source: National Federation of Independent Businesses



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

MARCH 2016

TABLE I. SELECTED ECONOMIC INDICATORS

Indicator	January	December	January	Percent change from		
	2016	2015	2015	December 2015	January 2015	
U.S. Leading Economic Index 2004 = 100. Source: The Conference Board	123.2	123.4	120.6	▼0.2%	▲2.2%	Economic Indices
U.S. Coincident Economic Index 2004 = 100. Source: The Conference Board	113.2	112.9	111.2	▲0.3%	▲1.8%	
Mississippi Leading Index 2004 = 100. Source: University Research Center	109.2	109.9	106.9	▼0.6%	▲2.1%	
Mississippi Coincident Index 2004 = 100. Source: Federal Reserve Bank of Philadelphia	<i>n/a</i>	109.7	107.5	<i>n/a</i>	<i>n/a</i>	
Mississippi initial unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	7,236	7,729	8,575	▼6.4%	▼15.6%	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	76.6	78.8	71.2	▼2.8%	▲7.5%	
Mississippi income tax withholdings Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	110.3	114.2	108.8	▼3.4%	▲1.4%	
Mississippi Manufacturing Employment Intensity Index 2004 = 100. Source: URC using data from U.S. Bureau of Labor Statistics	83.2	83.1	78.4	▲0.1%	▲6.1%	
University of Michigan Index of Consumer Expectations Three-month moving average; index 1966Q1 = 100. Source: Thomson Reuters/University of Michigan Surveys of Consumers	82.4	82.8	88.5	▼0.4%	▼6.8%	
ISM Index of U.S. Manufacturing Activity <i>Advanced one month.</i> Source: Institute for Supply Management	49.5	48.2	52.9	▲2.7%	▼6.4%	
U.S. retail sales Current dollars, in billions. Source: Bureau of the Census	448.0	449.7	434.2	▼0.4%	▲3.0%	
U.S. Consumer Price Index (CPI)	125.4	125.2	123.7	▲0.2%	▲1.4%	Miscellaneous Indicators
U.S. Core CPI (excludes food and energy) 2004 = 100. Source: URC using data from Bureau of Labor Statistics	124.7	124.3	122.0	▲0.3%	▲2.2%	
Mississippi unemployment rate Seasonally-adjusted. Source: U.S. Bureau of Labor Statistics	6.7%	6.8%	6.7%	▼1.5%	◀0.0%	
Mississippi continued unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	61,756	58,349	60,120	▲5.8%	▲2.7%	
ISM Index of U.S. Non-Manufacturing Activity <i>Advanced one month.</i> Source: Institute for Supply Management	53.4	53.5	56.9	▼0.2%	▼6.2%	
U.S. mortgage rates Seasonally adjusted; 30-year conventional. Source: U.S. Federal Reserve	3.97%	3.99%	3.79%	▼0.6%	▲4.6%	
Mississippi average hourly wage for manufacturing Seasonally adjusted; 2004 dollars. Source: U.S. Bureau of Labor Statistics	18.57	18.74	17.78	▼0.9%	▲4.4%	
Mississippi average weekly earnings for manufacturing Seasonally adjusted; 2004 dollars. Source: U.S. Bureau of Labor Statistics	778.47	779.57	720.27	▼0.1%	▲8.1%	
NFIB Small Business Optimism Index 1986 = 100. Source: National Federation of Independent Businesses	93.9	95.2	97.9	▼1.4%	▼4.1%	
U.S. total light vehicle sales Millions of units seasonally adjusted at annual rates. Source: U.S. Bureau of Economic Analysis	17.43	17.45	16.32	▼0.1%	▲6.8%	
Gaming revenue	149.3	138.0	140.5	▲8.2%	▲6.3%	
Coastal counties	84.7	76.8	74.4	▲10.2%	▲13.8%	
River counties Seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	64.6	61.2	66.1	▲5.7%	▼2.2%	

MISSISSIPPI EMPLOYMENT TRENDS

The U.S. Bureau of Labor Statistics (BLS) completed its annual benchmark revisions to regional and state unemployment data last month. Based on these revisions, average monthly employment in Mississippi in 2015 was higher by 13,200 jobs compared to 2014. The 1.2 percent increase in annual employment for 2015 was the largest for the state since 1999.

BLS reported the state's economy lost 2,400 jobs in January from the previous month, a decline of 0.2 percent, as seen in Table 2 below. Following the benchmark revisions employment for the month rose 1.3 percent compared to one year ago, an increase of 15,100 jobs.

Thirty states and the District of Columbia experienced an increase in total nonfarm employment in January according to BLS. The largest increases in employment for the month occurred in Florida, Texas, and North Carolina. The largest percentage increase in employment in January occurred in the District of Columbia and Vermont, and then Nevada. The states of Pennsylvania, New Jersey, and South Carolina experienced the largest decreases in employment for the month. The largest percentage decreases in employment in January occurred in South Carolina, Ar-

kansas, and then Alabama, Kansas, Kentucky, New Jersey, Pennsylvania, and West Virginia. Compared to one year ago six states employed fewer people in January.

Among all industries in Mississippi, Financial Activities added the most jobs in January as the number of employed increased by 600. Professional and Business Services lost the most jobs for the month, closely followed by Health Care and Social Assistance, as employment in each sector fell by 2,900 and 2,700 jobs, respectively. The largest percentage decrease in employment in the state in January occurred in Educational Services, which fell 3.2 percent, a decline of 400 jobs. The largest percentage increase in employment for the month occurred in Mining and Logging, which increased by 2.7 percent, a total of 200 jobs.

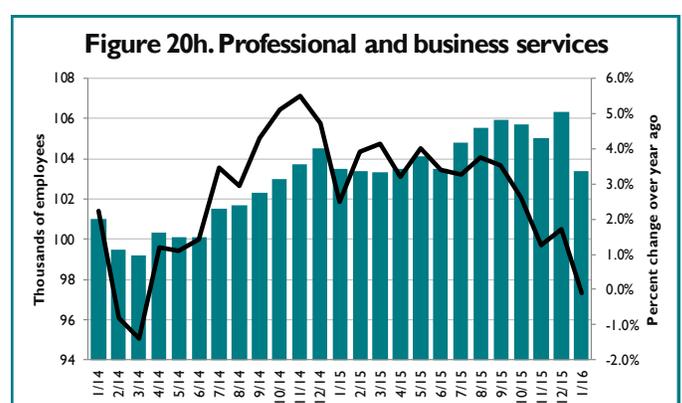
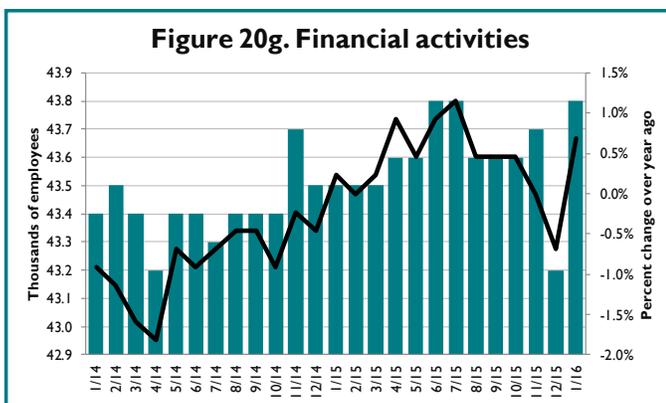
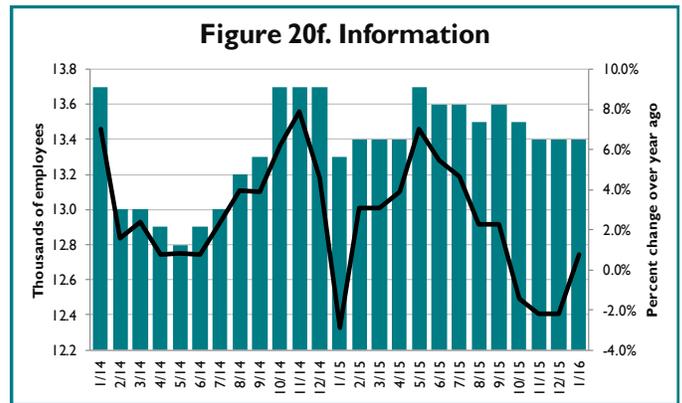
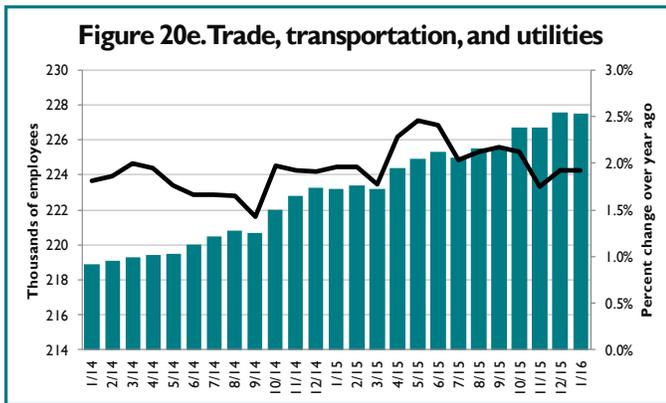
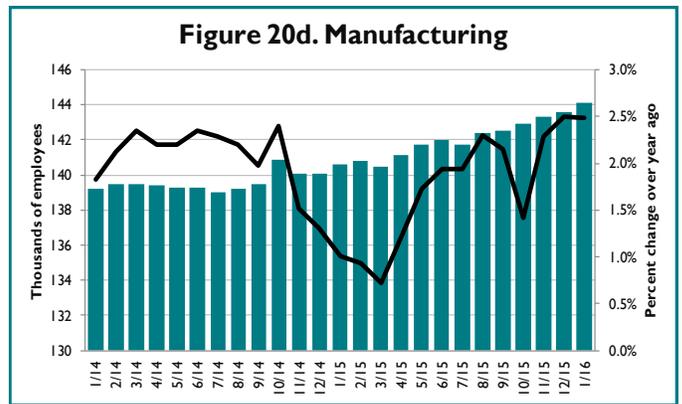
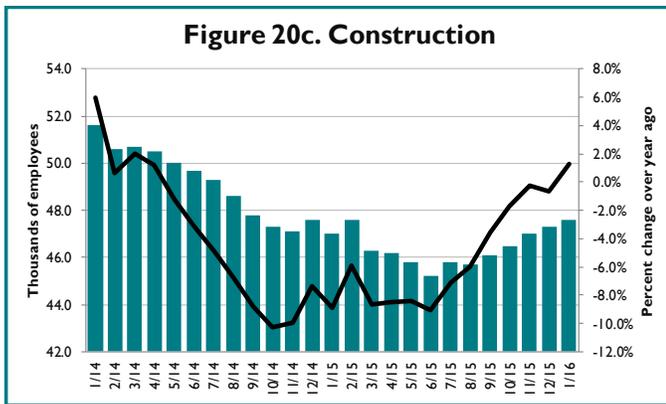
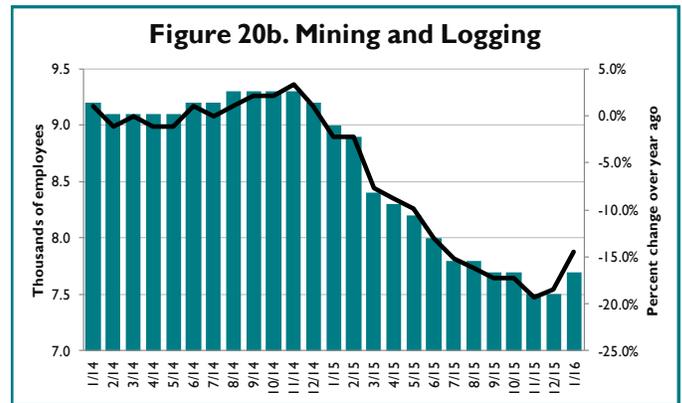
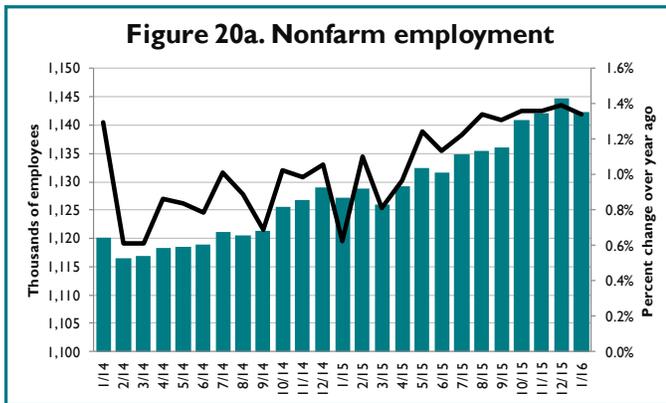
As of January the Trade, Transportation, and Utilities sector added the most jobs over the last twelve months, as employment increased by 4,300 jobs. Two industries employed fewer people than one year ago as of January. Mining and Logging employment remained off by 1,300 jobs, a 14.4 percent decline, while Professional and Business Services lost 100 jobs over the last twelve months, a 0.1 percent decline.

Table 2. Change in Mississippi employment by industry, January 2016

	Relative share of total ^a	January 2016	December 2015	January 2015	Change from December 2015		Change from January 2015	
					Level	Percent	Level	Percent
Total Nonfarm	100.0%	1,142,300	1,144,700	1,127,200	▼2,400	▼0.2%	▲15,100	▲1.3%
Mining and Logging	0.7%	7,700	7,500	9,000	▲200	▲2.7%	▼1,300	▼14.4%
Construction	4.1%	47,600	47,300	47,000	▲300	▲0.6%	▲600	▲1.3%
Manufacturing	12.5%	144,100	143,600	140,600	▲500	▲0.3%	▲3,500	▲2.5%
Trade, Transportation, & Utilities	19.9%	227,500	227,600	223,200	▼100	0.0%	▲4,300	▲1.9%
Retail Trade	12.2%	140,300	139,900	137,100	▲400	▲0.3%	▲3,200	▲2.3%
Information	1.2%	13,400	13,400	13,300	◀0	◀0.0%	▲100	▲0.8%
Financial Activities	3.8%	43,800	43,200	43,500	▲600	▲1.4%	▲300	▲0.7%
Services	36.3%	413,300	420,700	406,800	▼7,400	▼1.8%	▲6,500	▲1.6%
Professional & Business Services	9.2%	103,400	106,300	103,500	▼2,900	▼2.7%	▼100	▼0.1%
Educational Services	1.1%	12,200	12,600	11,800	▼400	▼3.2%	▲400	▲3.4%
Health Care & Social Assistance	11.1%	127,900	130,600	125,200	▼2,700	▼2.1%	▲2,700	▲2.2%
Arts & Entertainment	1.0%	12,000	11,900	10,800	▲100	▲0.8%	▲1,200	▲11.1%
Accommodation and Food Services	10.4%	117,600	118,700	115,900	▼1,100	▼0.9%	▲1,700	▲1.5%
Other Services	3.5%	40,200	40,600	39,600	▼400	▼1.0%	▲600	▲1.5%
Government	21.6%	244,900	245,900	243,800	▼1,000	▼0.4%	▲1,100	▲0.5%

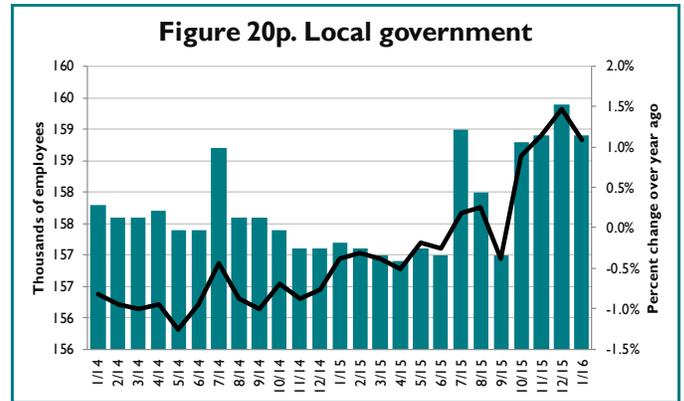
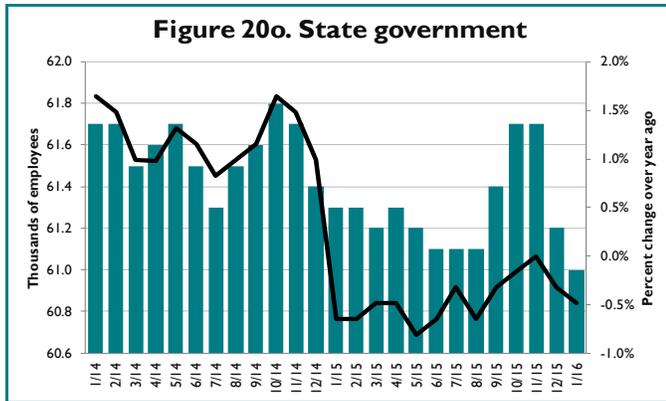
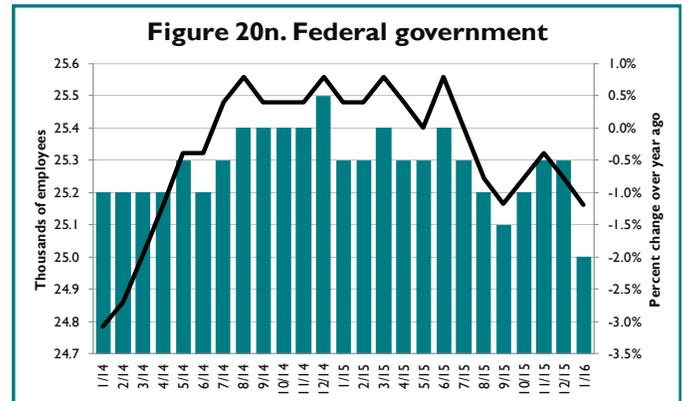
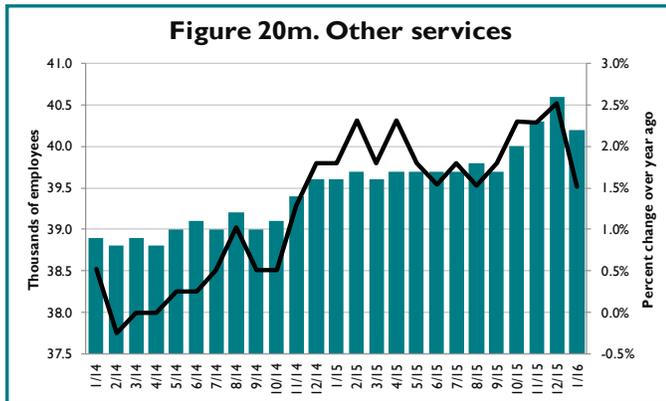
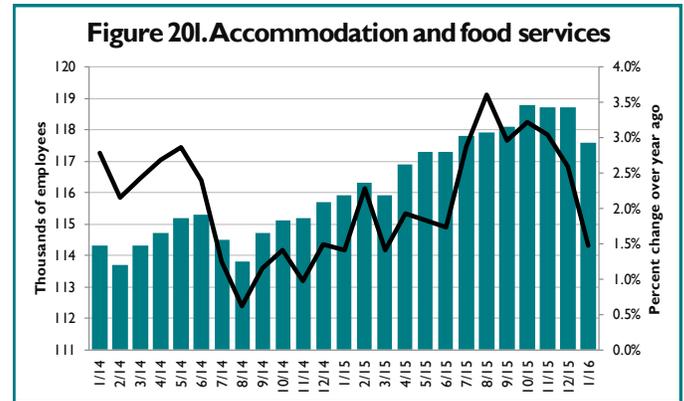
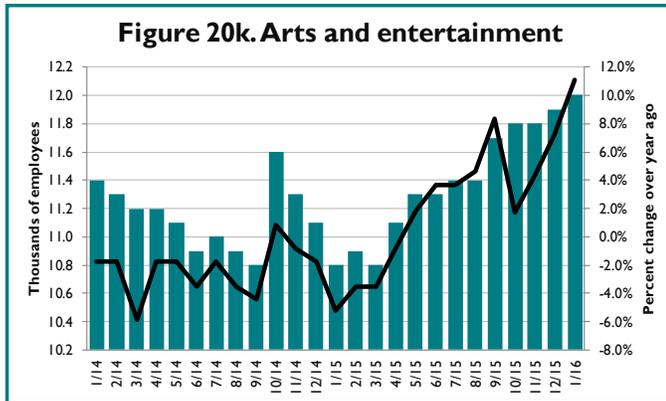
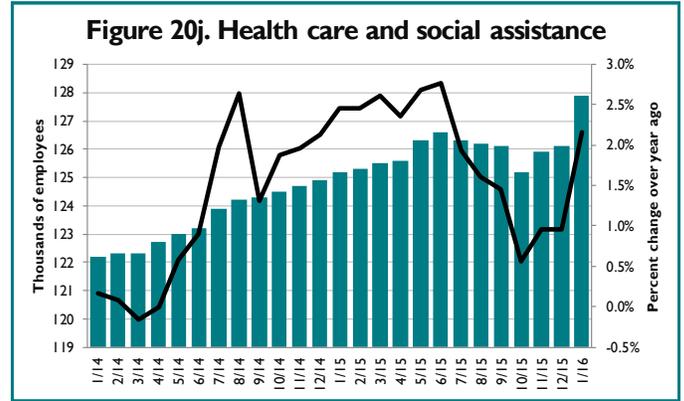
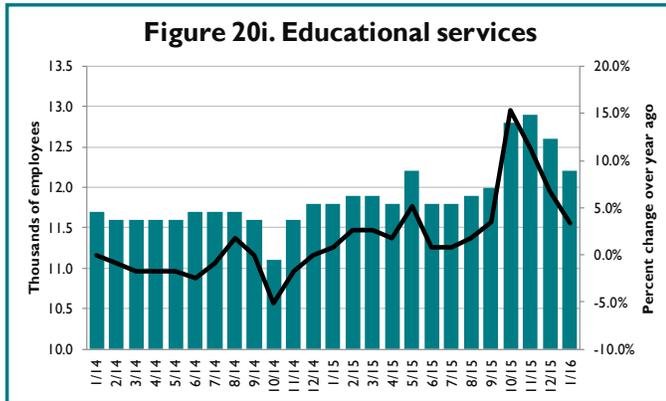
^aRelative shares are for the most recent twelve-month average. Source: U.S. Bureau of Labor Statistics

MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES



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

MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES (CONTINUED)



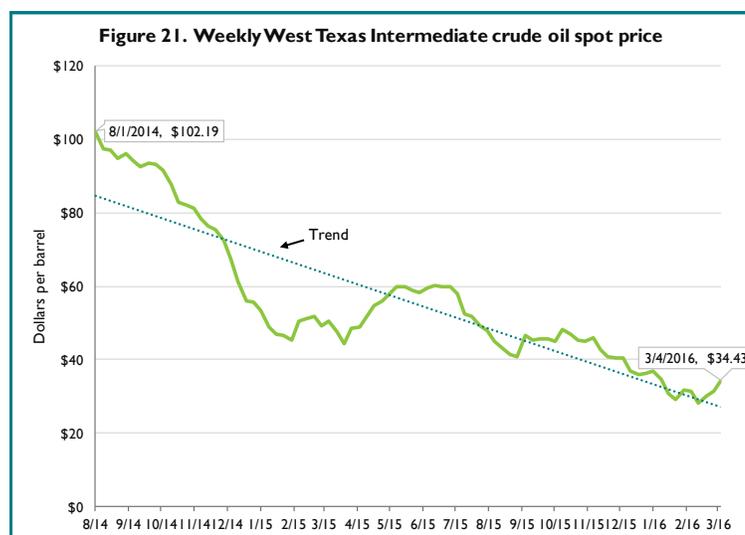
Source: U.S. Bureau of Labor Statistics (all figures); seasonally adjusted

THE DOWNSIDE OF LOWER OIL PRICES

When crude oil prices began falling in the summer of 2014, most economists and analysts expected the U.S. economy would receive a substantial boost from the resulting lower gasoline and diesel fuel prices. In fact, an article in the December 2014 issue of *Mississippi's Business* discussed how the decline in petroleum prices represented a “positive development affecting the U.S. economy.” However, after more than eighteen months of prices trending substantially lower, the case for a definitive positive impact on the U.S. economy seems much less compelling.

Figure 21 below depicts the weekly spot price of crude oil since August 2014. The price dropped from over \$100 per barrel to around \$45 per barrel by the end of January 2015. The price briefly rebounded to \$60 per barrel during the summer months of 2015 before resuming its downward trend. As of early March, the price ranged between \$30 and \$35 per barrel.

Analysts expected consumers would spend the money they saved at the pump—a significant consequence, as consumer spending accounts for around two-thirds of U.S. economic output. However, this spending did not occur immediately, as consumers adopted a wait-and-see approach to assessing how long lower gasoline and fuel prices would last.



Source: U.S. Energy Information Administration

Other consumers used the money they saved on gasoline to pay down debt. As of 2016, a number of economists—but not all—believe consumers have spent the majority of their savings from lower gasoline prices. What happened to the boost to the U.S. economy? The economy likely did receive a lift in the form of higher consumer spending, which some analysts estimate added as much as 0.5 percentage point to GDP growth. However, a resulting decrease in business investment likely offset much of this increase in growth. Historically, the U.S. imported crude oil that domestic facilities then refined into gasoline. But with the rise of hydraulic fracturing technology, or fracking, relatively large investments in equipment and other capital were made in areas with previously un-

developed shale oil deposits such as North Dakota. As a result, U.S. oil production increased to near-record monthly levels in recent years. This increase in supply, along with OPEC states and other nations that did not curtail their oil output, led to the fall in oil prices that began in 2014. These lower prices made additional development of shale oil deposits unprofitable and by some estimates investment fell as much as \$70 billion in 2015.

The pullback in energy investment has been concentrated in areas of shale oil and conventional oil production, reducing employment in these areas. Employment in the Mining and Logging sector in Mississippi, while relatively small, fell almost 12 percent in 2015, a decline of 1,100 jobs. However, an indeterminate number of Mississippians also work in the energy sector in other states such as Louisiana, so the total number of Mississippi residents employed by the industry is likely higher. Louisiana's Mining and Logging sector also experienced a decline in employment of 13.5 percent in 2015; however, this decrease represents a loss of almost 7,500 jobs to that state.

In conclusion, while U.S. consumers may benefit from lower oil prices, these prices also negatively impact the growing oil production industry in the U.S. Areas home to this relatively newer production will continue to disproportionately bear the negative effects on employment and investment.