



ECONOMY AT A GLANCE

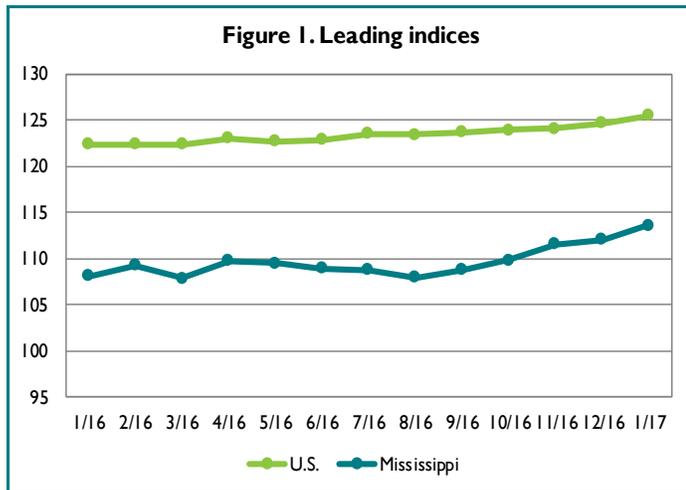
For the fifth consecutive month the Mississippi Leading Index (MLI) increased in value in January. As seen in Figure 1 below the value rose 1.4 percent, the third increase of 1.0 percent or more in the last four months. The value of the MLI was 5.1 percent higher in January compared to one year ago. Over the last six months the value of the MLI rose 4.5 percent.

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 0.1 percent in January.

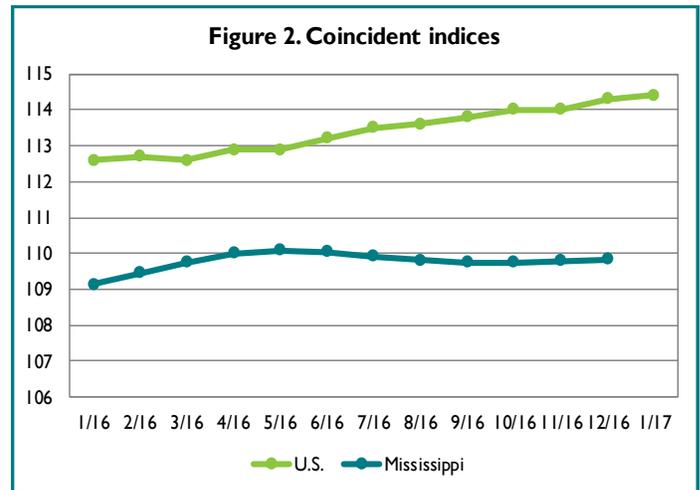
The second estimate by the U.S. Bureau of Economic Analysis (BEA) of the change in U.S. real gross domestic product (GDP) in the fourth quarter of 2016 remained

the same as its initial estimate of an increase of 1.9 percent. In addition, BEA's estimate of a 3.5 percent increase in real GDP in the third quarter did not change. Thus, the change in U.S. real GDP for all of 2016 remained an increase of 1.6 percent. According to BEA, average annual U.S. real GDP growth since 2008 equaled 1.5 percent.

The MLI turned in another relatively strong performance to begin 2017 as building permits led the way. Gains were widespread in January; the increase in the MLI was somewhat less reliant on national measures than in prior months. Another positive development came with the revised employment data from the Bureau of Labor Statistics (BLS), as employment growth in the state in 2016 improved following the agency's revisions. The question remains if the state economy can achieve any momentum in 2017, particularly if early optimism fades.



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.

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MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, JANUARY 2016

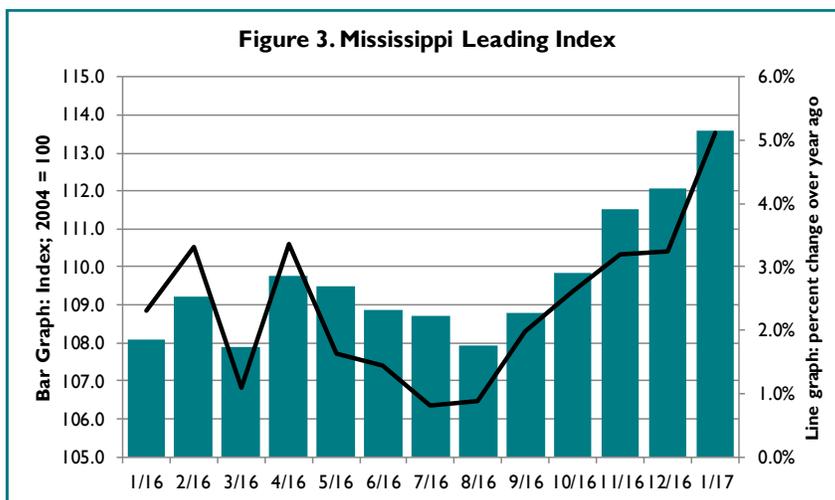
As Figure 3 indicates, the value of the **Mississippi Leading Index of Economic Indicators (MLI)** increased in January for the fifth consecutive month. The value rose 1.4 percent for the month. Compared to one year ago the value of the MLI was 5.1 percent higher in January, the largest year-over-year increase since October 2014. The MLI increased in value by 4.5 percent over the last six months.

Six of the seven components of the MLI contributed positively in January. Building permits made the largest contribution while only initial unemployment claims contributed negatively. Each component is discussed below in order of largest to smallest contribution.

As Figure 4 indicates, the value of **Mississippi residential building permits** (three-month moving average) rose for the fourth consecutive month in January. The value climbed 10.6 percent from December. The value in January was 36.1 percent higher compared to one year ago, the largest year-over-year increase since November 2015. The seasonally-adjusted number of units for which building permits were issued (three-month moving average) in Mississippi increased 20.4 percent in January, the largest monthly increase since July 2014. Compared to one year ago the number of units January was 43.1 percent higher. The number of privately-owned housing units in the U.S. authorized by building permits in January was 4.6 percent higher than the revised December value. The number of units in the U.S. in January was 8.2 percent higher compared to one year ago.

The value of **Mississippi income tax withholdings** (three-month moving average) rose 1.4 percent in January as seen in Figure 5. However, compared to one year ago the value of withholdings for the month remained lower by 0.2 percent. The three-month moving average of withholdings fell 0.3 percent over the last six months.

As seen in Figure 6, the value of the **Institute for Supply Management Index of U.S. Manufacturing Activity** climbed 3.0 percent in February, marking the sixth consecutive monthly increase. The value of the Index was 16.6 percent higher compared to one year ago in February. The only component of the Index that declined in February was Employment, which gave back some of its gain of the previous month. The values of all components were above their expansion thresholds of 50, however.



Source: University Research Center

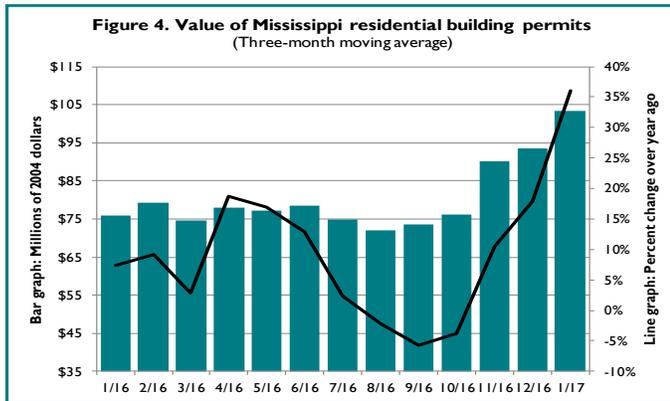
As seen in Figure 7 the value of the **Mississippi Manufacturing Employment Intensity Index** increased 1.0 percent in January. However, compared to one year ago the value remained 1.9 percent lower. Both Manufacturing employment and the average weekly hours of production employees increased in January. The value of the Index fell 2.8 percent over the last six months.

The value of **U.S. retail sales** rose more than expected in January, climbing 0.4 percent. The increase marked the fifth consecutive month with a gain as seen in Figure 8. Moreover, the December value was revised up from a 0.6 percent increase to a 1.0 percent increase. Compared to one year ago U.S. retail sales were 5.6 percent higher for the month, which reflects a comparison with the relatively low sales during early 2016. The only industry with a decline in sales in January was automobiles, which experienced its largest decline since last March. The largest increase in sales for the month occurred at gasoline stations, which rose 2.3 percent. This increase was smaller than in December, however.

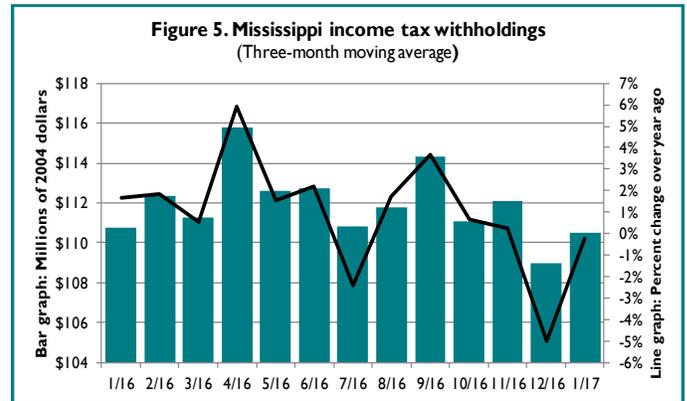
For the fourth consecutive month, the value of the **University of Michigan Index of Consumer Expectations** (three-month moving average) increased in January. As seen in Figure 9 the increase in value was 0.5 percent, considerably smaller than the gains of the previous three months. Nevertheless, the Index reached its highest level since August 2004. Compared to one year ago the value of the Index was 7.7 percent higher in January. Consumers continue to feel positively about the financial situation of their households. Notably, short-term expectations for

(Continued on page 4)

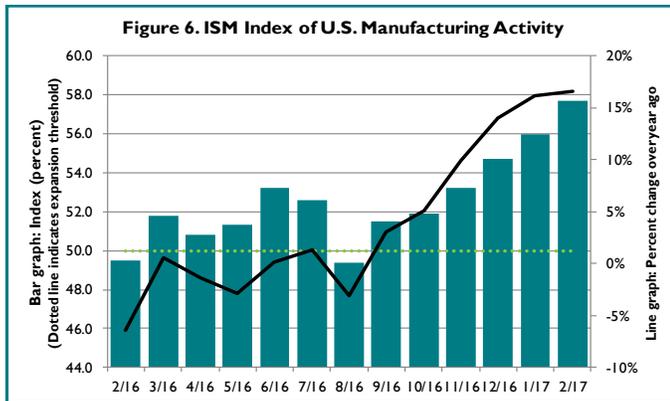
COMPONENTS OF MISSISSIPPI LEADING INDEX, IN FIGURES



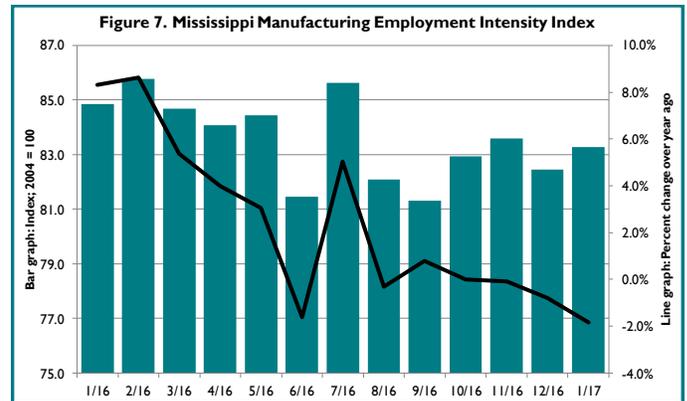
Source: Bureau of the Census; seasonally adjusted



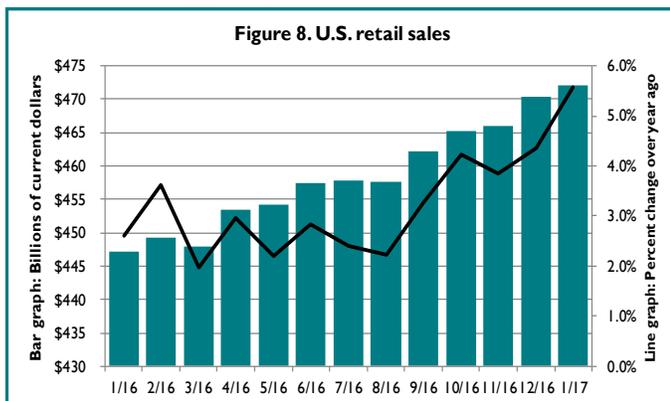
Source: Mississippi Department of Revenue; seasonally adjusted



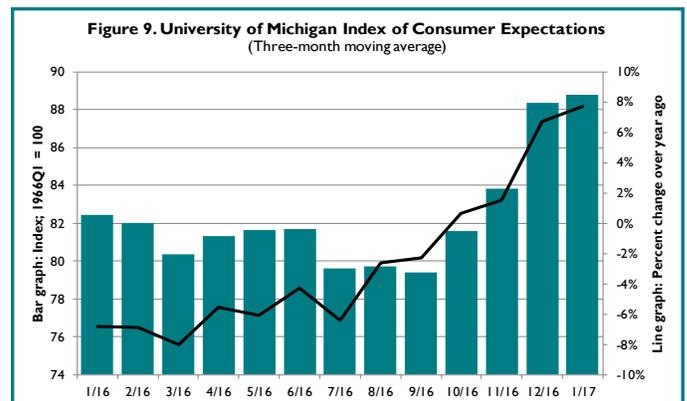
Source: Institute for Supply Management



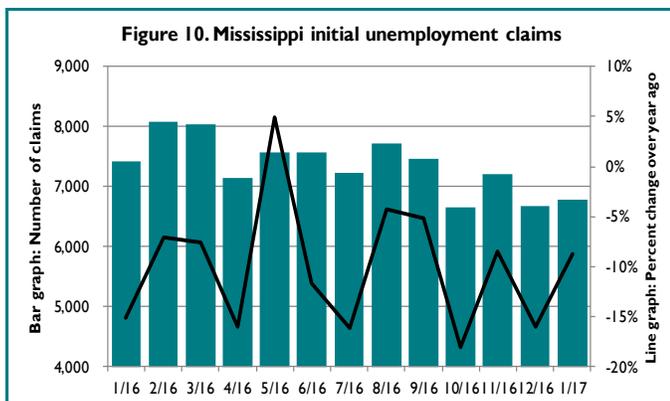
Source: URC using data from Bureau of Labor Statistics



Source: Bureau of the Census



Source: Thomson Reuters/University of Michigan Surveys of Consumers



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

The value of the Mississippi Leading Index (MLI) rose 1.4 percent in January, its fifth consecutive monthly increase.

MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, JANUARY 2016 (CONTINUED)

inflation increased slightly in January while long-term expectations fell slightly.

The value of seasonally-adjusted **initial unemployment claims** in Mississippi increased 1.5 percent in January as seen in Figure 10. The value of initial claims for the month was 8.7 percent lower compared to one year ago. The value of seasonally-adjusted continued unemployment claims in Mississippi climbed 12.9 percent in January as Figure 14 on page 5 indicates. However, the number of

continued claims in Mississippi in January compared to one year ago was 5.0 percent lower. Figure 15 on page 5 indicates the seasonally-adjusted unemployment rate in Mississippi in January equaled 5.5 percent. Following revisions to December this rate was unchanged. The Mississippi unemployment rate in January was 0.6 percentage point lower compared to one year ago. Prior to December, the last time the state's unemployment rate was 5.5 percent was in 2003.

NATIONAL TRENDS

Similar to the Mississippi Leading Index, the value of the U.S. Leading Economic Index (LEI) increased in January for the fifth consecutive month. According to The Conference Board the value rose 0.6 percent. The value of the Index was 2.5 percent higher for the month compared to one year ago as seen in Figure 1 on page 1. In January growth in the LEI was relatively widespread as eight of the ten components made positive contributions. As it has in recent months the interest rate spread made the largest contribution. The value of average weekly manufacturing hours did not change while the only negative contribution came from manufacturers' new orders for nondefense capital goods. In the last six months the value of the LEI increased 1.6 percent.

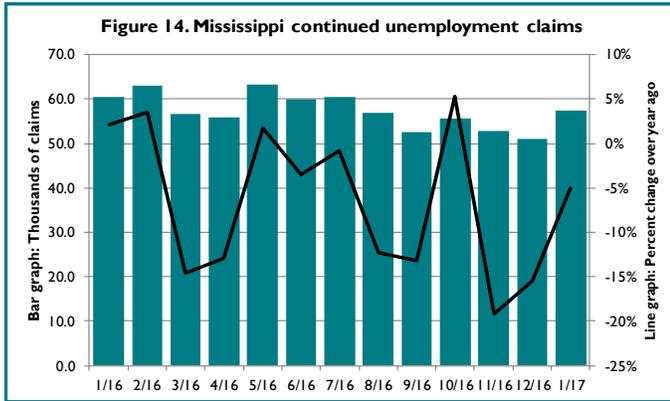
The Conference Board reported the value of the U.S. Coincident Economic Index (CEI) increased 0.1 percent in January as seen in Figure 2 on page 1. The value was up 1.6 percent for the month compared to one year ago. Three of the four components of the Index increased in January and the largest contribution came from employees on nonagricultural payrolls. The only negative contribution came from industrial production. The value of the CEI increased 0.8 percent over the last six months.

The value of the National Federation of Independent Businesses (NFIB) Small Business Optimism Index increased for the fourth consecutive month in January. However, the gain in January was smaller than in the previous two months as the value edged higher by 0.1 percent as seen in Figure 20 on page 5. Compared to one year ago the value in January was 12.8 percent higher. Both the "plans to increase employment" and "now is a good time to expand" components rose for the month. The value of the "expect economy to improve" component slipped slightly after rising by 38 percentage point in

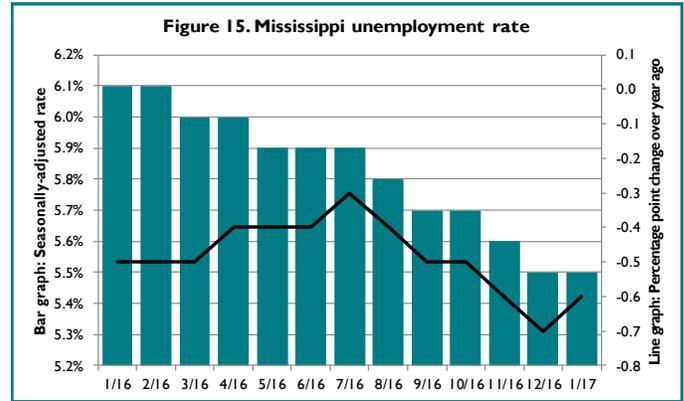
December. The "plans to raise prices" and "plans to raise compensation" components also fell slightly in January.

In a reversal from as recently as late January, observers widely believe the Federal Reserve is poised to raise interest rates at its March meeting. Much of the change in outlook resulted from recent U.S. economic data, particularly regarding inflation. The personal consumption expenditure price index (PCE), the Federal Reserve's preferred measure of inflation, increased 1.9 percent in January compared to one year ago—a rate very close to the central bank's target of 2 percent annual inflation. In addition, Federal Reserve Chair Janet Yellen declared earlier this month that the mandate of full employment has been "essentially met." Similar comments came this month from Federal Reserve Vice Chair Stanley Fischer who said, "there is almost no economic indicator that's come in badly in the last three months." Thus, most observers now believe the Federal Open Market Committee (FOMC) will increase the federal funds rate by another 0.25 basis points this month as it did in December. Previous guidance from the Federal Reserve signaled the FOMC would raise rates by a total of 0.75 basis points in 2017 in the form of three 0.25-point increases; Federal Reserve Chair Janet Yellen's public comments earlier this month indicated that guidance has not changed. If the FOMC follows through on that guidance its target for the federal funds rate would reach 1.0 percent by the end of the year. Of course, the Federal Reserve signaled its intentions to raise interest rates four times in 2016 but ultimately only one rate increase occurred in December. However, unlike the previous year the pace of inflation has already quickened in 2017 and the world economy appears stronger than it did a year ago.

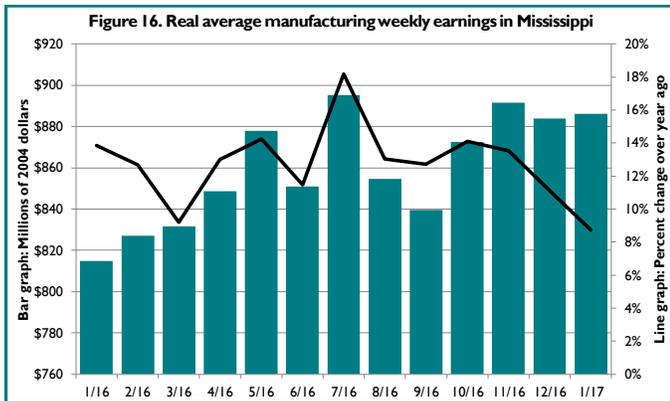
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



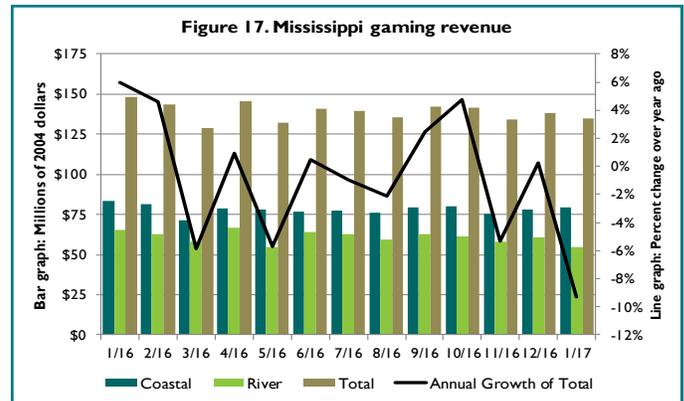
Source: U.S. Department of Labor; seasonally adjusted



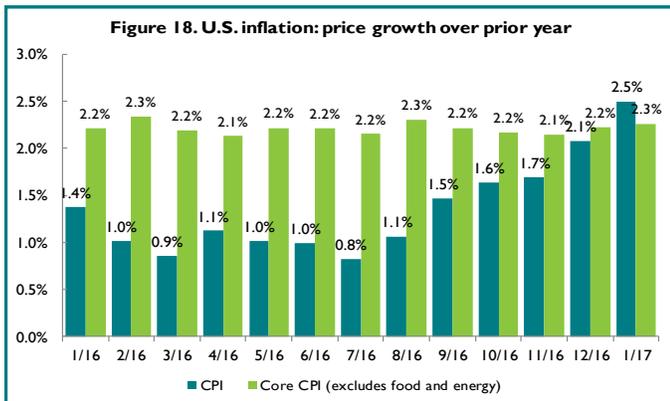
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



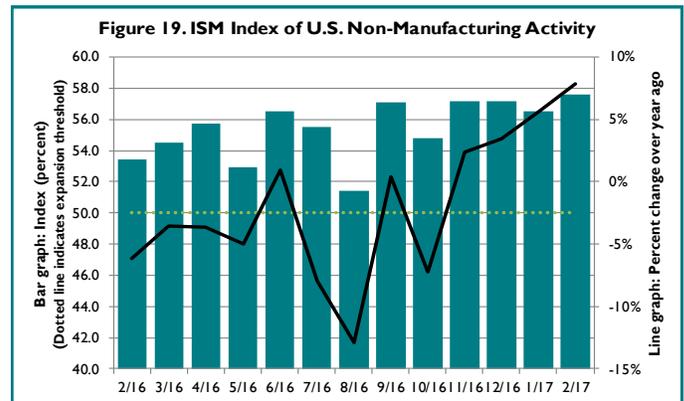
Source: U.S. Bureau of Labor Statistics; non-seasonally adjusted



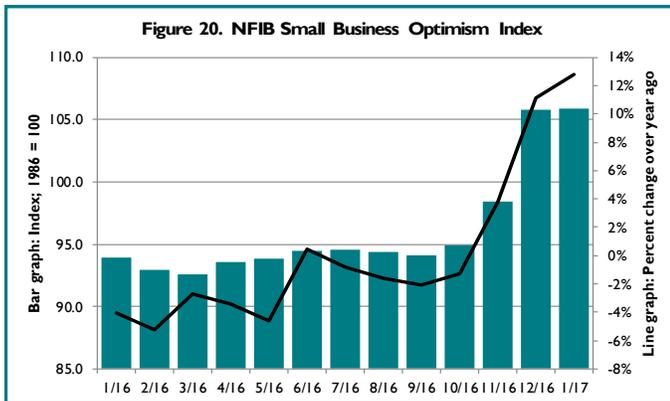
Source: Mississippi Department of Revenue; seasonally adjusted



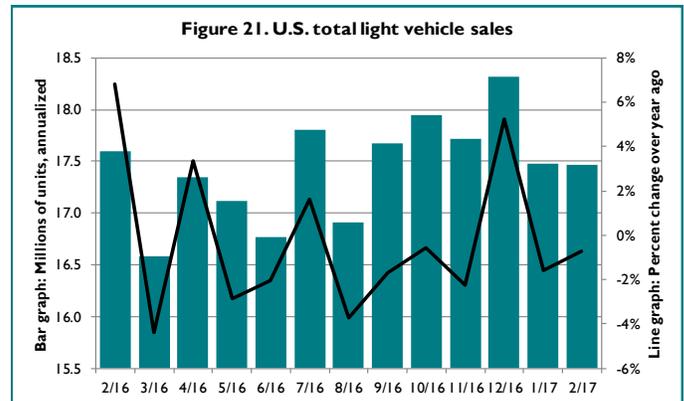
Source: U.S. Bureau of Labor Statistics



Source: Institute for Supply Management



Source: National Federation of Independent Businesses



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

MISSISSIPPI'S BUSINESS

TABLE I. SELECTED ECONOMIC INDICATORS

| Indicator | January | December | January | Percent change from | | |
|--|------------|----------|---------|---------------------|--------------|---|
| | 2017 | 2016 | 2016 | December 2016 | January 2016 | |
| U.S. Leading Economic Index <small>2004 = 100. Source: The Conference Board</small> | 125.5 | 124.7 | 122.4 | ▲0.6% | ▲2.5% | Economic Indices |
| U.S. Coincident Economic Index <small>2004 = 100. Source: The Conference Board</small> | 114.4 | 114.3 | 112.6 | ▲0.1% | ▲1.6% | |
| Mississippi Leading Index <small>2004 = 100. Source: University Research Center</small> | 113.6 | 112.0 | 108.1 | ▲1.4% | ▲5.1% | |
| Mississippi Coincident Index <small>2004 = 100. Source: Federal Reserve Bank of Philadelphia</small> | <i>n/a</i> | 109.8 | 109.1 | <i>n/a</i> | <i>n/a</i> | |
| Mississippi initial unemployment claims <small>Seasonally adjusted. Source: U.S. Department of Labor</small> | 6,784 | 6,685 | 7,431 | ▲1.5% | ▼8.7% | Components of the Mississippi Leading Index |
| Value of Mississippi residential building permits <small>Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Bureau of the Census</small> | 103.4 | 93.5 | 75.9 | ▲10.6% | ▲36.1% | |
| Mississippi income tax withholdings <small>Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue</small> | 110.5 | 109.0 | 110.7 | ▲1.4% | ▼0.2% | |
| Mississippi Manufacturing Employment Intensity Index <small>2004 = 100. Source: URC using data from U.S. Bureau of Labor Statistics</small> | 83.3 | 82.4 | 84.9 | ▲1.0% | ▼1.9% | |
| University of Michigan Index of Consumer Expectations <small>Three-month moving average; index 1966Q1 = 100. Source: Thomson Reuters/University of Michigan Surveys of Consumers</small> | 88.8 | 88.3 | 82.4 | ▲0.5% | ▲7.7% | |
| ISM Index of U.S. Manufacturing Activity <small>Advanced one month. Source: Institute for Supply Management</small> | 57.7 | 56.0 | 49.5 | ▲3.0% | ▲16.6% | |
| U.S. retail sales <small>Current dollars, in billions. Source: Bureau of the Census</small> | 472.1 | 470.5 | 447.3 | ▲0.4% | ▲5.6% | |
| U.S. Consumer Price Index (CPI) | 128.6 | 127.8 | 125.4 | ▲0.6% | ▲2.5% | Miscellaneous Indicators |
| U.S. Core CPI (excludes food and energy) <small>2004 = 100. Source: URC using data from Bureau of Labor Statistics</small> | 127.5 | 127.1 | 124.7 | ▲0.3% | ▲2.3% | |
| Mississippi unemployment rate <small>Percentage point change. Seasonally-adjusted. Source: U.S. Bureau of Labor Statistics</small> | 5.5% | 5.5% | 6.1% | ◀▶0.0 | ▼0.6 | |
| Mississippi continued unemployment claims <small>Seasonally adjusted. Source: U.S. Department of Labor</small> | 57,458 | 50,905 | 60,495 | ▲12.9% | ▼5.0% | |
| ISM Index of U.S. Non-Manufacturing Activity <small>Advanced one month. Source: Institute for Supply Management</small> | 57.6 | 56.5 | 53.4 | ▲1.9% | ▲7.9% | |
| U.S. mortgage rates <small>Percentage point change. Seasonally adjusted; 30-year conventional. Source: Federal Home Loan Mortgage Corporation</small> | 4.12% | 4.15% | 3.85% | ▼0.03 | ▲0.27 | |
| Mississippi average hourly wage for manufacturing <small>Seasonally adjusted; 2004 dollars. Source: U.S. Bureau of Labor Statistics</small> | 21.02 | 21.02 | 19.14 | ◀▶0.0% | ▲9.8% | |
| Mississippi average weekly earnings for manufacturing <small>Seasonally adjusted; 2004 dollars. Source: U.S. Bureau of Labor Statistics</small> | 886.04 | 883.83 | 814.81 | ▲0.2% | ▲8.7% | |
| NFIB Small Business Optimism Index <small>1986 = 100. Source: National Federation of Independent Businesses</small> | 105.9 | 105.8 | 93.9 | ▲0.1% | ▲12.8% | |
| U.S. total light vehicle sales <small>Millions of units seasonally adjusted at annual rates. Source: U.S. Bureau of Economic Analysis</small> | 17.47 | 17.48 | 17.60 | ▼0.1% | ▼0.7% | |
| Gaming revenue | 134.7 | 138.5 | 148.5 | ▼2.8% | ▼9.3% | |
| Coastal counties | 79.7 | 77.8 | 83.3 | ▲2.5% | ▼4.3% | |
| River counties <small>Seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue</small> | 54.9 | 60.7 | 65.2 | ▼9.4% | ▼15.8% | |

MISSISSIPPI EMPLOYMENT TRENDS

The U.S. Bureau of Labor Statistics (BLS) completed its annual benchmark revisions to regional and state unemployment data last month. Average monthly employment in Mississippi in 2016 following these revisions was higher by 10,875 jobs compared to 2015. Annual employment in the state increased 1.0 percent in 2016, the second consecutive year of a gain of 1.0 percent or more and only the second such increase in Mississippi since 1999.

As seen in Table 2 below, Mississippi's economy added 500 jobs in January according to BEA, in percentage terms essentially unchanged from the previous month. Total nonfarm employment was also unchanged from a year ago.

BEA reported thirteen states experienced statistically significant increases in total nonfarm employment in January while only Alaska experienced a statistically significant decrease. Compared to one year ago, employment in twenty-eight states was significantly higher in January. Alaska and Wyoming were the only two states to experience statistically significant decreases in employment compared to one year ago in January.

The Construction sector added 1,500 jobs in January, the most among all industries in the state. The gain of 3.5 percent was also the largest percentage increase among all sectors. Trade, Transportation, and Utilities followed with an increase of 1,400 jobs for the month. The largest decrease in employment in Mississippi in January occurred in Accommodation and Food Services, which fell by 2,300 jobs. The largest percentage decline of 2.7 percent occurred in Professional and Business Services, which lost 1,800 jobs for the month.

The largest increase in employment in January compared to one year ago occurred in Trade, Transportation, and Utilities, which added 3,900 jobs. The largest percentage gain of 3.5 percent occurred in Arts and Entertainment; however, this gain represented an increase of only 400 jobs. Professional and Business Services experienced the largest decrease in employment compared to one year ago among all industries in Mississippi of 4,800 jobs, a decline of 4.4 percent. The largest percentage decline among all industries in January compared to one year ago occurred in Construction, which was down 4.8 percent.

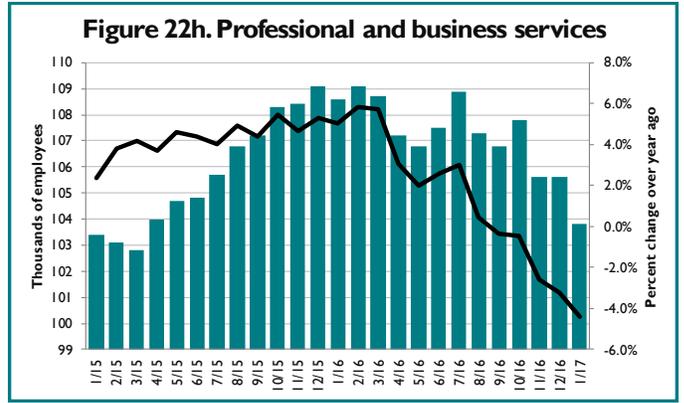
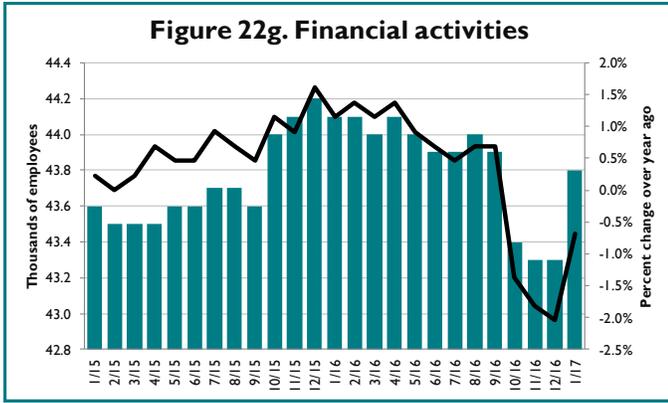
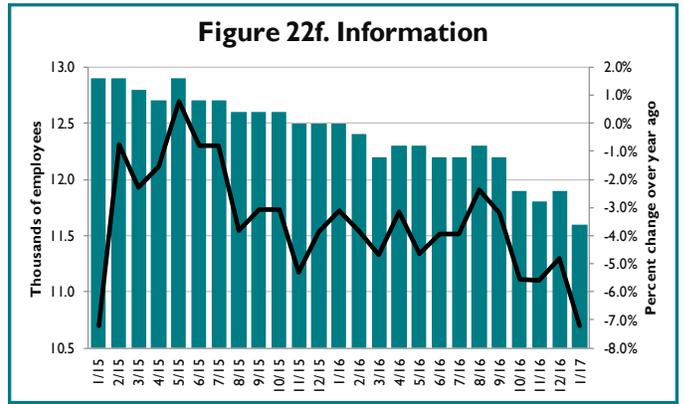
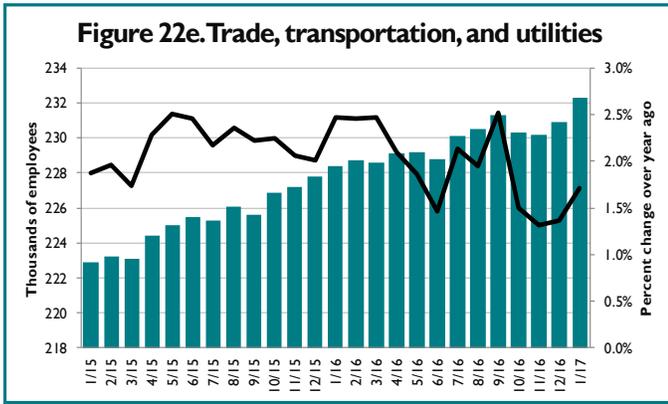
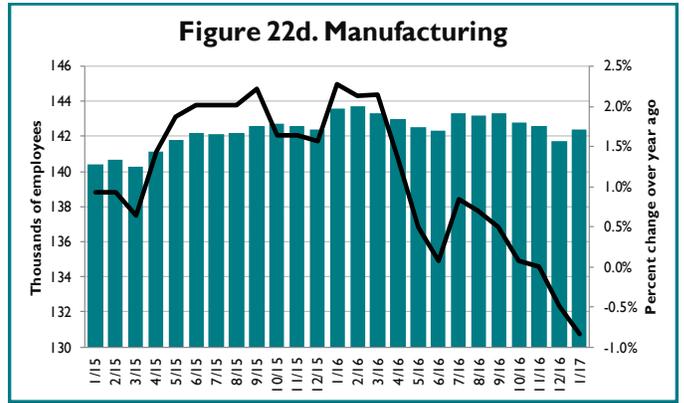
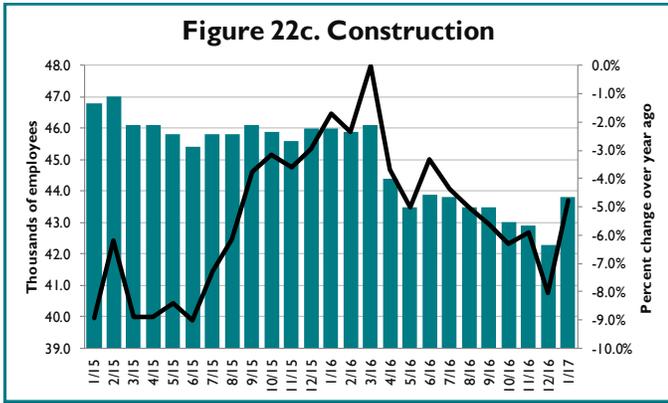
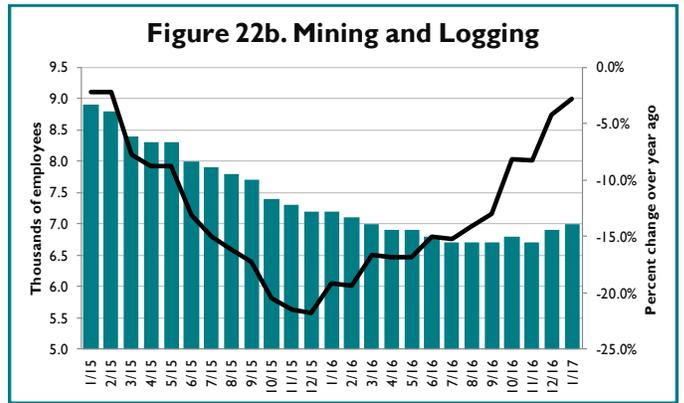
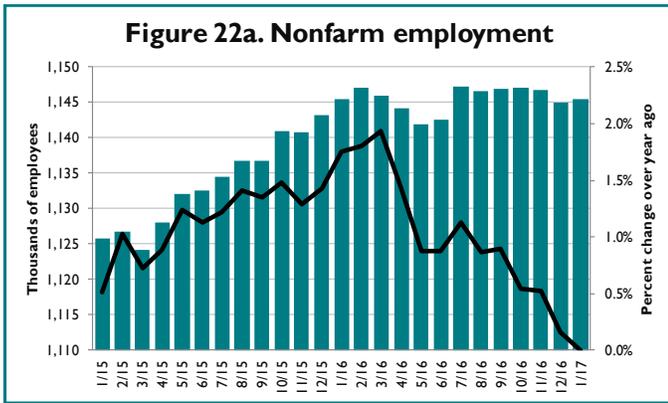
Table 2. Change in Mississippi employment by industry, January 2017

| | Relative share of total ^a | January December | | January 2016 | Change from December 2016 | | Change from January 2016 | |
|------------------------------------|--------------------------------------|------------------|-----------|--------------|---------------------------|---------|--------------------------|---------|
| | | 2017 | 2016 | | Level | Percent | Level | Percent |
| Total Nonfarm | 100.0% | 1,145,500 | 1,145,000 | 1,145,500 | ▲500 | ◀▶0.0% | ◀▶0 | ◀▶0.0% |
| Mining and Logging | 0.6% | 7,000 | 6,900 | 7,200 | ▲100 | ▲1.4% | ▼200 | ▼2.8% |
| Construction | 3.8% | 43,800 | 42,300 | 46,000 | ▲1,500 | ▲3.5% | ▼2,200 | ▼4.8% |
| Manufacturing | 12.5% | 142,400 | 141,700 | 143,600 | ▲700 | ▲0.5% | ▼1,200 | ▼0.8% |
| Trade, Transportation, & Utilities | 20.1% | 232,300 | 230,900 | 228,400 | ▲1,400 | ▲0.6% | ▲3,900 | ▲1.7% |
| Retail Trade | 12.3% | 141,000 | 140,100 | 140,000 | ▲900 | ▲0.6% | ▲1,000 | ▲0.7% |
| Information | 1.1% | 11,600 | 11,900 | 12,500 | ▼300 | ▼2.5% | ▼900 | ▼7.2% |
| Financial Activities | 3.8% | 43,800 | 43,300 | 44,100 | ▲500 | ▲1.2% | ▼300 | ▼0.7% |
| Services | 36.8% | 419,000 | 423,100 | 419,700 | ▼4,100 | ▼1.0% | ▼700 | ▼0.2% |
| Professional & Business Services | 9.3% | 103,800 | 105,600 | 108,600 | ▼1,800 | ▼1.7% | ▼4,800 | ▼4.4% |
| Educational Services | 1.0% | 12,000 | 12,000 | 11,900 | ◀▶0 | ◀▶0.0% | ▲100 | ▲0.8% |
| Health Care & Social Assistance | 11.2% | 128,700 | 129,100 | 127,300 | ▼400 | ▼0.3% | ▲1,400 | ▲1.1% |
| Arts & Entertainment | 1.0% | 11,700 | 11,600 | 11,300 | ▲100 | ▲0.9% | ▲400 | ▲3.5% |
| Accommodation and Food Services | 10.7% | 122,600 | 124,900 | 120,300 | ▼2,300 | ▼1.8% | ▲2,300 | ▲1.9% |
| Other Services | 3.5% | 40,200 | 39,900 | 40,300 | ▲300 | ▲0.8% | ▼100 | ▼0.2% |
| Government | 21.4% | 245,600 | 244,900 | 244,000 | ▲700 | ▲0.3% | ▲1,600 | ▲0.7% |

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

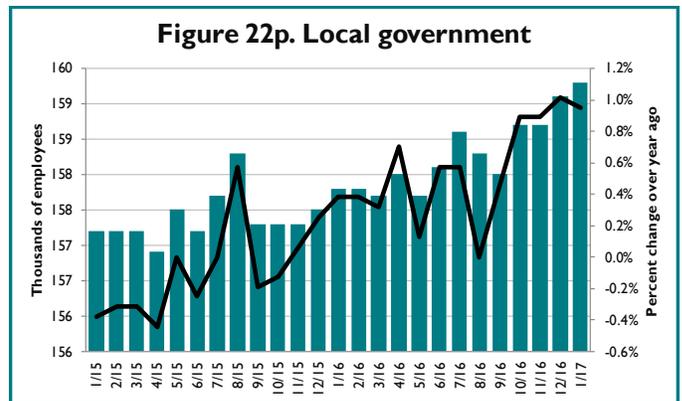
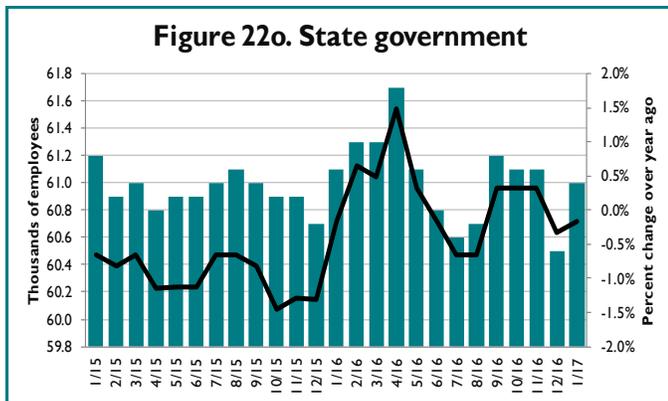
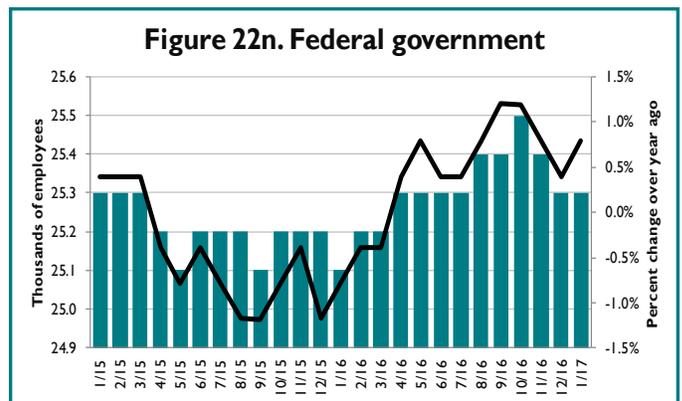
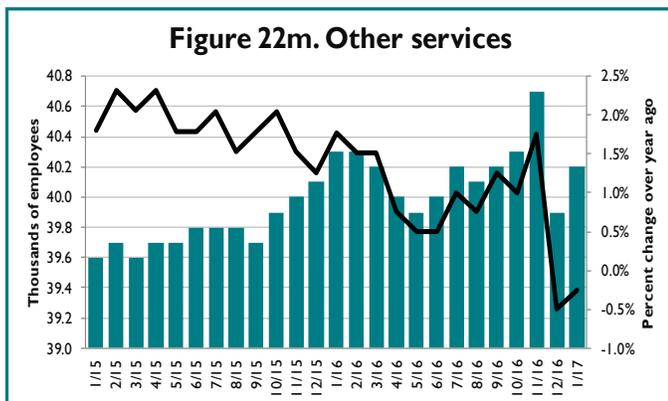
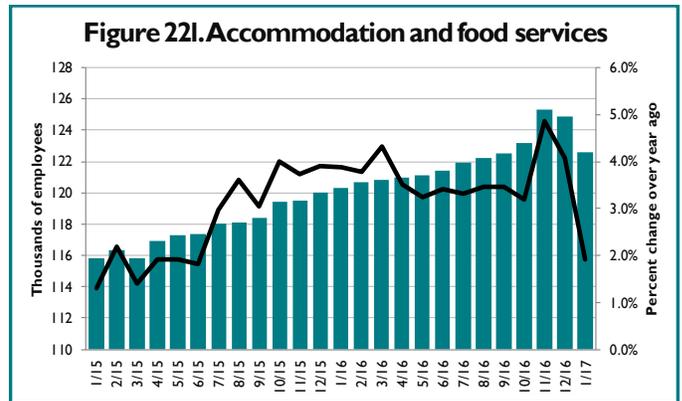
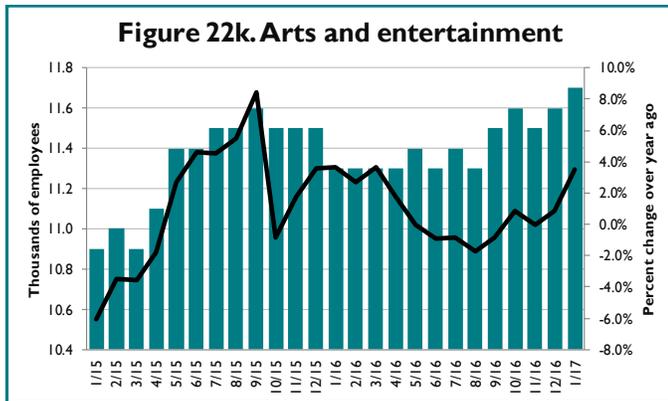
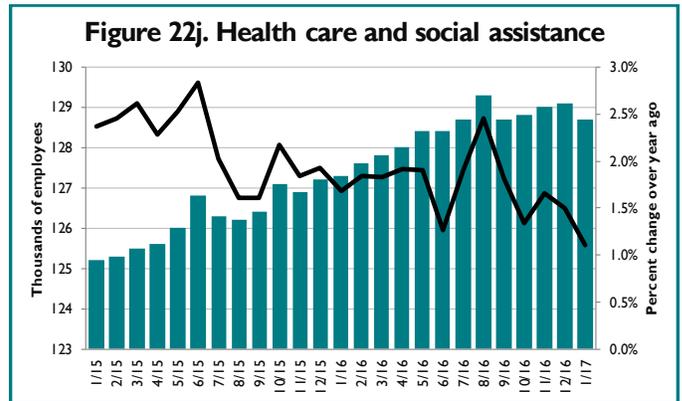
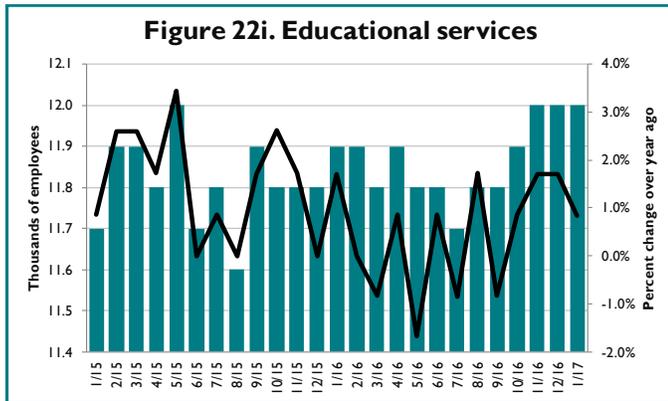
MISSISSIPPI'S BUSINESS

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

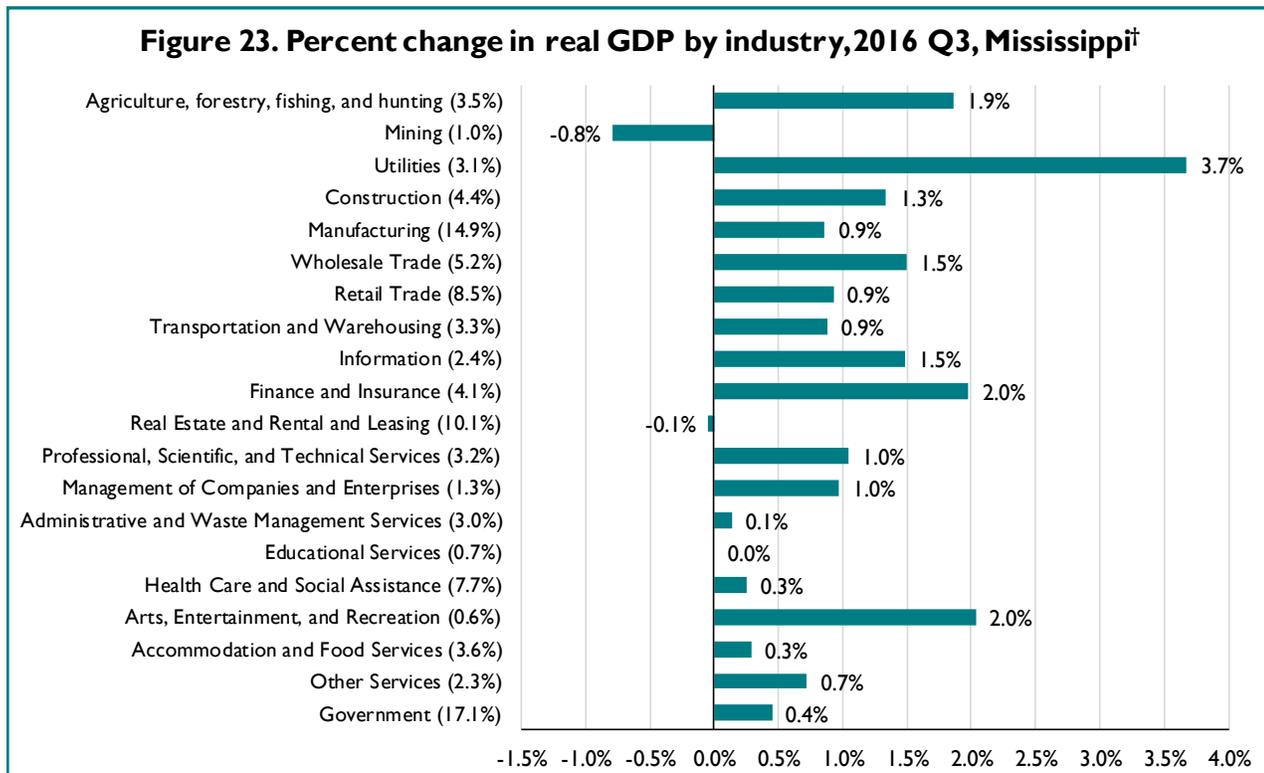
MISSISSIPPI'S BUSINESS

CHANGE IN THIRD QUARTER MISSISSIPPI REAL GDP

Last month the U.S. Bureau of Economic Analysis (BEA) released its estimates of real GDP for the third quarter of 2016 for all states. According to these estimates real GDP for Mississippi increased 0.8 percent in the third quarter. This increase ranked thirty-second among all states. Real GDP increased in forty-eight states in the third quarter, declining in both Alaska and New Mexico by less than 0.1 percent. The largest increase occurred in South Dakota, where real GDP climbed 1.9 percent in the third quarter.

Figure 23 below depicts the percent change in real GDP in the third quarter for Mississippi by industry. Output in most sectors in the state increased in the third quarter. The only declines occurred in Mining and Real Estate and Rental and Leasing. Real GDP in Educational Services did not change. The largest decline of 0.8 percent took place in Mining, a sector where real output and employment have declined over the last several quarters due to the downturn in the energy industry. The largest percentage increase in third quarter real GDP occurred in Utilities, which rose 3.7 percent. The next largest percentage increases took place in Finance and Insurance and Arts, Entertainment, and Recreation, both of which rose 2.0 percent. While Manufacturing output rose 0.9 percent in the third quarter, it was the sector responsible for the largest share of the increase in total real GDP in Mississippi. The rise in output from Manufacturing accounted for 15.5 percent of the total increase in real GDP in the third quarter. The next largest share resulted from the increase in output from the Utilities sector, which accounted for 13.2 percent of the total increase in real GDP in the third quarter. Finance and Insurance and Retail Trade accounted for 9.6 percent and 9.5 percent, respectively, of the total increase in output in the third quarter in Mississippi. Mining was responsible for -1.0 percent of the total increase in real GDP in the third quarter while Real Estate and Rental and Leasing accounted for -0.6 percent of the total.

As is typically the case, in the third quarter Government was responsible for the largest share of Mississippi's economy in terms of real GDP, accounting for 17.1 percent of total output. Manufacturing and Real Estate and Rental and Leasing, with shares of 14.9 percent and 10.1 percent, respectively, were the only other industries in the state to account for more than 10 percent of total output in the third quarter.



[†]Percent of Q3 total real GDP in parentheses. Source: U.S. Bureau of Economic Analysis