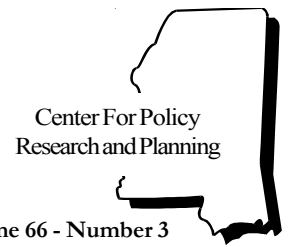


# MISSISSIPPI'S BUSINESS



April 2008

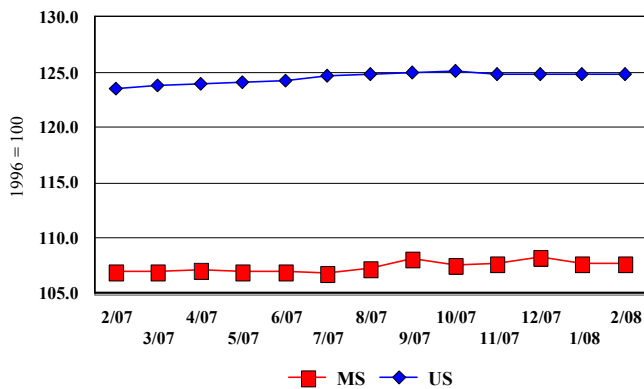
*Monitoring the State's Economy*

Volume 66 - Number 3

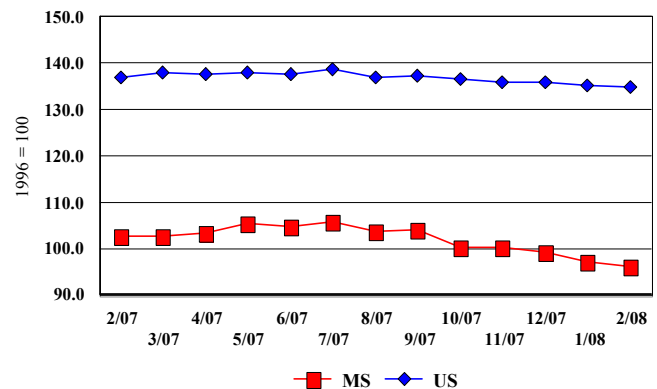
## ECONOMY AT A GLANCE

This month's issue of Mississippi Business reflects revisions to employment data as well as the Mississippi Index of Leading and Coincident Indicators. The February Mississippi Index of Coincident Indicators was unchanged from the January level. The Index of Leading Indicators, however, continued its steep decline. The leading index has revealed a declining pattern reminiscent of recessionary periods. The State's economic growth over the past couple of years has been fueled largely by Katrina rebuilding. The momentum however is waning. Nationally, the credit crunch is spreading to the rest of the economy leading to declining confidence and slowing consumer spending. Nearly every aspect of the economy is showing signs of a slowdown. It is increasingly likely that the Nation has entered a recession. The State's economy is being affected by this slowdown. In the previous recession, the state was much more affected by the recession than the nation due to the relatively large presence of manufacturing. The National recession is expected to end with a modest recovery in the second half of 2008. The outlook for 2009 is for continued improvement, but below long-term growth. The State will likely follow a similar pattern.

**Index of Coincident Indicators**



**Index of Leading Indicators**



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**In This Issue**

*Economy at a Glance* ..... 1  
*Why The "System" is Going to Get Johnny* ..... 9

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The last twelve issues of Mississippi Business are available on our web site. On this web site you will also find copies of some of our other publications, including *Population Projections*, *Mississippi Economic Review and Outlook*, and *The Handbook of Selected Data*. You will also find links to other useful data sources.

**Coincident Indicators**

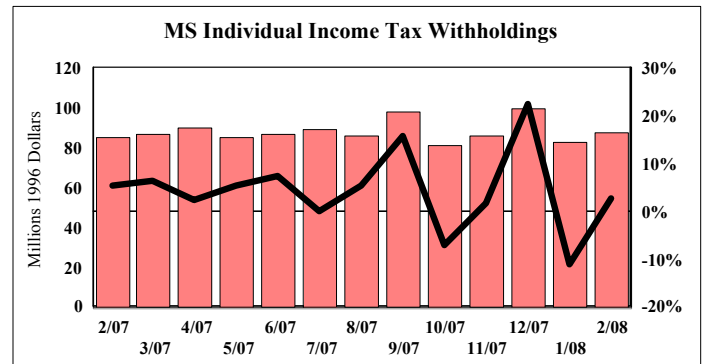
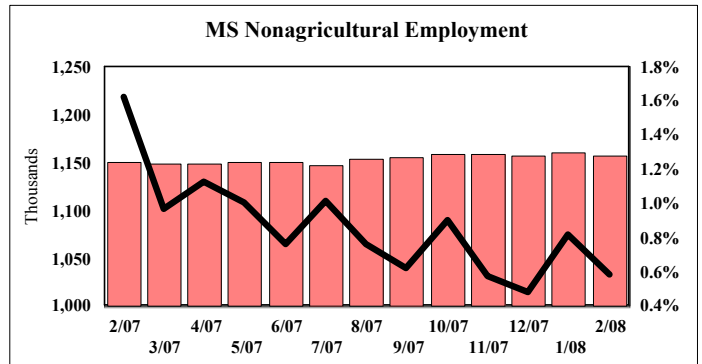
The Mississippi Index of Coincident Indicators was 107.7 in February, essentially equal to the January level. The recently revised series, while at an historical high, is nonetheless losing momentum (see figure at the bottom of the page). The average growth in February relative to the level six months ago was under 0.4 percent. During the same period last year the growth was over 1.0 percent.

Nonagricultural employment fell slightly by 0.3 percent or 2,989 jobs in February relative to January. The decline in jobs was a function of seasonally adjusting the data. In other words, employment actually increased in February, but not as much as is historically the case.

Most sectors had only modest changes relative to the prior month, but in some cases the decline was indicative of the industry trends. Professional and business services accounted for a loss of 682 jobs in February. Employment in this sector has been falling precipitously since October 2007. Another 539 jobs were lost in the leisure and hospitality industry. This industry had been a major driver of growth during the second half of 2007, but has declined now for two consecutive months.

Manufacturing continued its decline in February. Employment in this industry has essentially been

Mississippi Index of Coincident Indicator Components



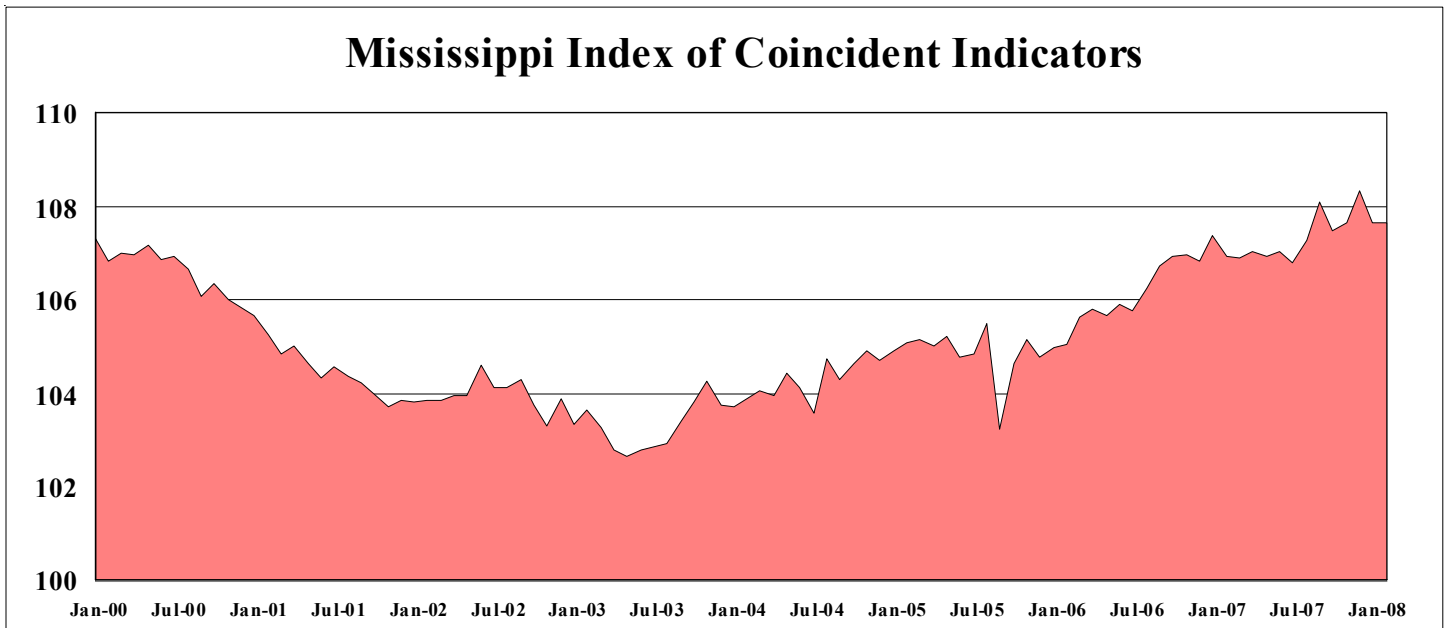
**NOTE:**

The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graphs represents the growth rate over the prior year's value and correspond to the right-hand axis.

**SOURCES:**

Mississippi Employment Security Commission.  
Mississippi State Tax Commission.

**Mississippi Index of Coincident Indicators**



## Mississippi Employment By Sector Seasonally Adjusted

	February 2008	January 2008	February 2007	Change from Prior Month		Change from Prior Year	
				Jobs	%	Jobs	%
<b>Nonfarm</b>	1,156,611	1,159,600	1,149,939	-2,989	-0.3%	6,671	0.6%
<b>Natural Resources</b>	9,676	9,694	9,583	-18	-0.2%	93	1.0%
<b>Construction</b>	58,827	59,270	58,710	-443	-0.7%	116	0.2%
<b>Manufacturing</b>	166,342	166,931	172,292	-589	-0.4%	-5,950	-3.5%
<b>Trade, Transportation and Utilities</b>	228,395	228,289	226,107	107	0.0%	2,288	1.0%
<b>Retail</b>	142,449	142,299	141,294	150	0.1%	1,155	0.8%
<b>Information</b>	13,287	13,216	13,283	71	0.5%	4	0.0%
<b>Financial Activities</b>	46,602	46,534	46,896	68	0.1%	-294	-0.6%
<b>Services</b>	388,044	388,986	381,189	-942	-0.2%	6,855	1.8%
<b>Professional and Business Services</b>	94,427	95,109	94,212	-682	-0.7%	214	0.2%
<b>Education and Health Services</b>	127,343	126,968	124,389	375	0.3%	2,954	2.4%
<b>Leisure and Hospitality</b>	128,608	129,147	125,636	-539	-0.4%	2,972	2.4%
<b>Other Services</b>	37,666	37,763	36,952	-97	-0.3%	714	1.9%
<b>Total Government</b>	245,939	247,038	242,384	-1,100	-0.4%	3,555	1.5%
<b>Federal Government</b>	25,736	25,788	25,927	-51	-0.2%	-191	-0.7%
<b>State Government</b>	59,568	60,080	59,161	-512	-0.9%	407	0.7%
<b>Local Government</b>	160,536	160,920	157,203	-384	-0.2%	3,333	2.1%

gradually declining since 1995. In 2004 and 2005 it appeared the decline was subsiding, But since January 2007, the industry has lost an average of 563 jobs per month. The decline in Mississippi manufacturing is broad-based, with nearly every manufacturing subsector in a downward trend. The two exceptions are ship and boat building (which has been rising since September 2006) and wood product manufacturing (which has been increasing since October 2007). There has been a slight uptick in the growth for sawmill and wood preservation manufacturing in recent months as well.

Mississippi individual income tax withholdings were up 6.1 percent in February relative to January. Growth is slowing in withholdings. Growth for the past six months relative to the level a year ago has been 3.6 percent. This is slower growth than 5.9 percent growth observed during the first half of 2007.

The slowing income levels coupled with rising prices for fuel and groceries are having an impact on retail sales. Correcting for inflation, retail sales declined 1.3 percent for the six months ending in February

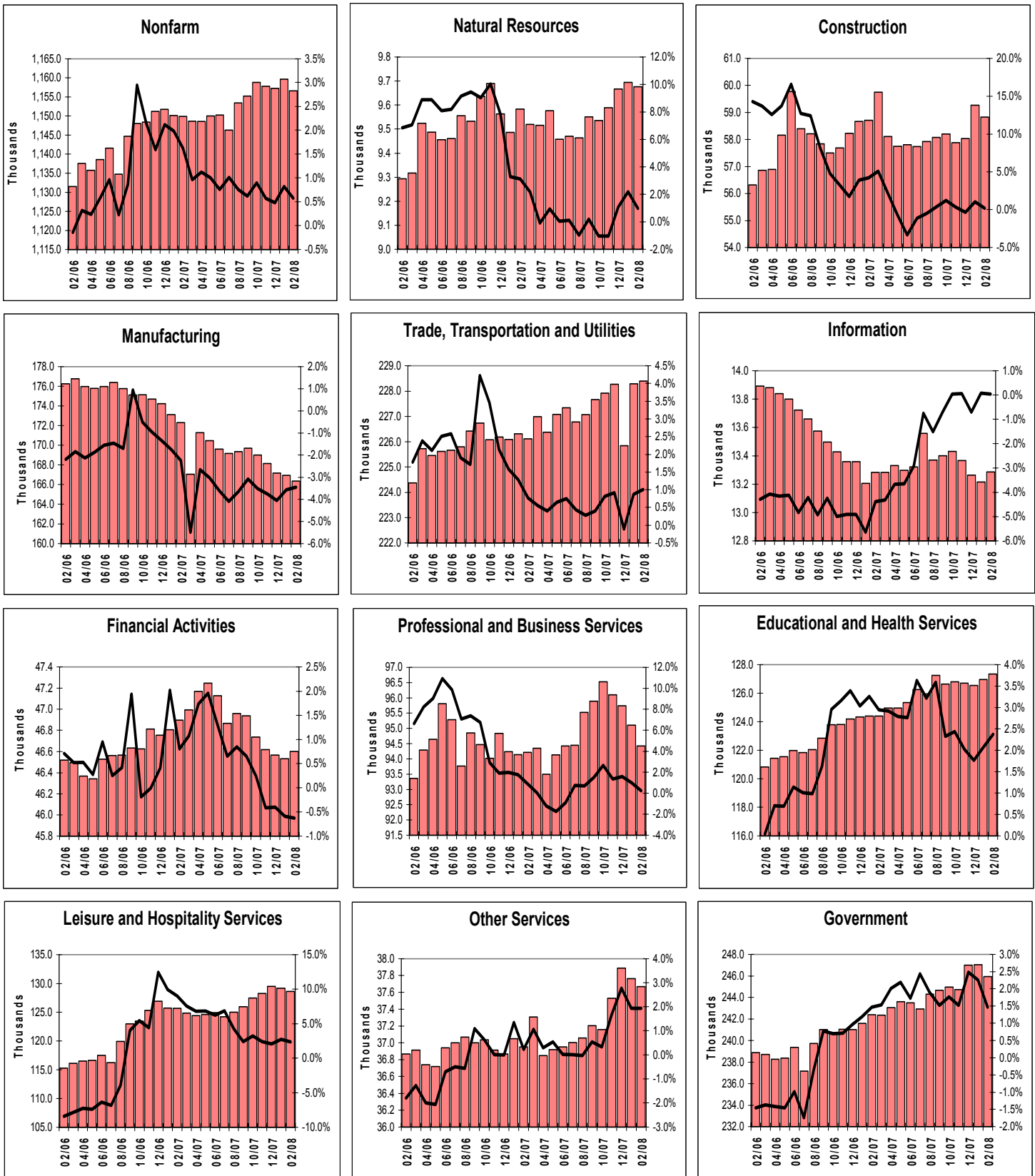
relative to the same period in the prior year.

### Leading Indicators

The Mississippi Index of Leading Economic Indicators fell 1.0 percent in February relative to January. The Index stood at 96.2 in February. The index briefly dipped below this level immediately following Katrina, but otherwise has not been this low since the spring of 2003. The index has declined now for seven of the last nine months. The growth relative to six months ago has been negative for five consecutive months. Historically, this pattern of decline has corresponded with recessions.

The largest contributor to the February decline in the Mississippi Index of Leading Economic Indicators was a decline in the U.S. Index of Consumer Expectations. This index fell to 62.4 in February from 68.1 in January. The index has been trending downward since July 2007. The February level is the lowest since January 1992. Since the release of the February index, expectations have fallen further. The estimate for the first half of April is 53.4. Rising food and energy prices appear to be major contributors to the decline in optimism. Also contributing are the contin-

# Mississippi Employment Trends



**Note:** The Bar Graphs above represent seasonally adjusted monthly employment and correspond to the left-hand axis.

The line graphs represent the growth over the prior year's value and correspond to the right-hand axis.

**Source:** Department of Mississippi Employment Security and IHL.

ued housing market woes which are leading to increased job losses and reduced availability of credit. Lower interest rates are helping those with good credit, but tighter lending practices are limiting the benefit for many consumers.

The Mississippi manufacturing workweek length fell to 40.1 in February. The workweek length remains above 40 hours, but it has been trending down since reaching a peak of 41.3 hours in July 2007. The declining workweek length coupled with the falling manufacturing employment suggest a contracting industry in Mississippi. If this is in fact the case, then it is consistent with what is happening nationally.

The Institute for Supply Management (ISM) Index of Manufacturing Activity was 48.6 in March. This level is up slightly from the February level, but below 50, indicating the industry is in a contraction phase. The index has been below 50 for two consecutive months and for three of the last four months. The most recent index suggest activity is stabilizing, but also reveals the absence of any real momentum going into the second quarter.

Initial unemployment claims rose a slight 0.3 percent in February over the already elevated January level. Initial claims increased sharply in January after modest increases in the previous three months. Claims had fallen during much of 2007 but that trend has been reversed since October. Continued unemployment claims have followed a similar pattern.

The value of residential building permits rose 12.8 percent in February relative to January. The increase is noticeable but not outstanding. The level remains below the average of the past twelve months, but it looks like the trough may have occurred in October 2007. If so, this is good news for the state's economy.

### U.S. Economy

The U.S. Index of Coincident Indicators remained unchanged in February for the third consecutive month. The index suggest a stalled U.S. economy.

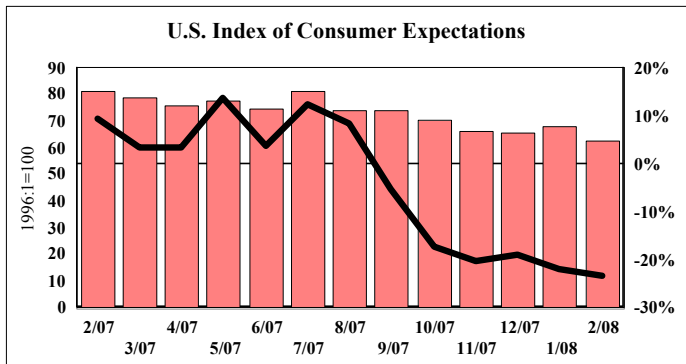
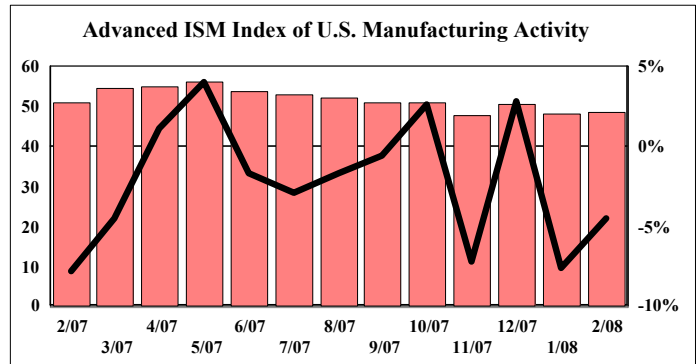
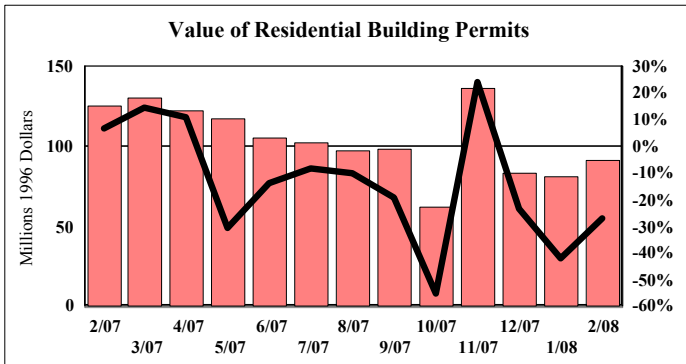
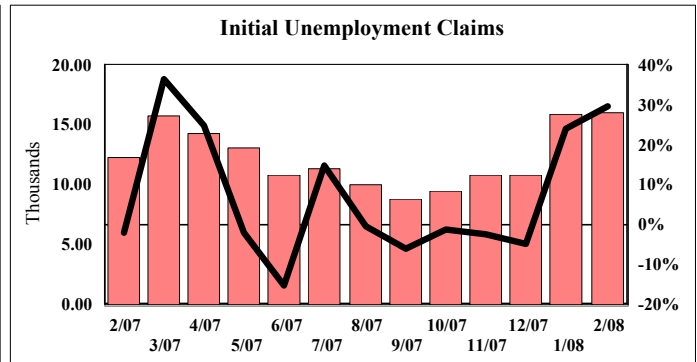
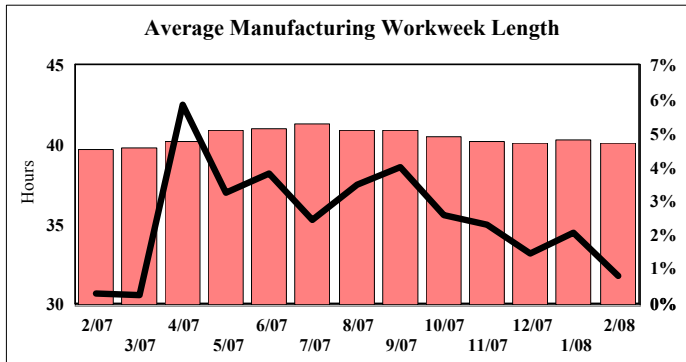
The U.S. Index of Leading Indicators fell for the fifth consecutive month in February. For the six months ending in February, the leading index was down 1.5 percent or approximately a 3.0 percent annual rate. The leading index has not fallen for five consecutive months since early 2001.

The slowdown which began in the housing sector has spread to the rest of the economy. Most notable is the sharp decline in consumer spending growth. Also showing signs of weakness is nonresidential construction and business investment. Consumer and business confidence are at their lowest level in almost 30 years. The only segment of the economy not slowing is export growth. Exports are being fueled by the falling dollar.

The Fed believes the U.S. will contract in the first half of 2008 followed by a modest recovery in the second half. At least some members of the Fed are concerned for a more prolonged and severe economic downturn. Future rate cuts are highly likely.

Expectations are for continued declines in home sales, home prices and construction in general. Likewise rising prices for oil and groceries, coupled with the rest of the negative news, will lead to cautious consumers. Business investment will also be sluggish. The stimulus package will fuel spending, but not enough to avoid a recession. It is estimated that real GDP growth in 2007 was 2.2 percent. The forecast for 2008 is for 1.2 percent. In 2009 growth will be marginally stronger, but under 2.0 percent.

Mississippi Index of Leading Indicator Components



**NOTE:**

The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graph represents the growth rate over the prior year's value and corresponds to the right-hand axis.

**SOURCES:**

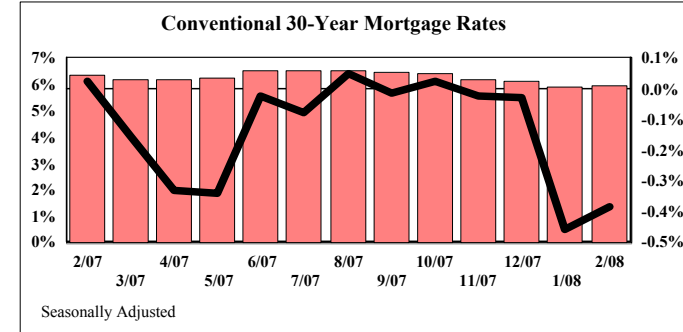
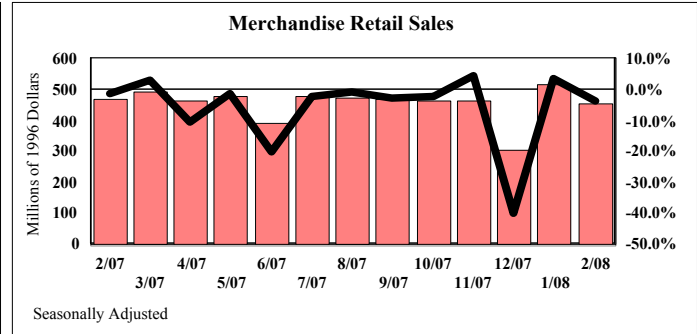
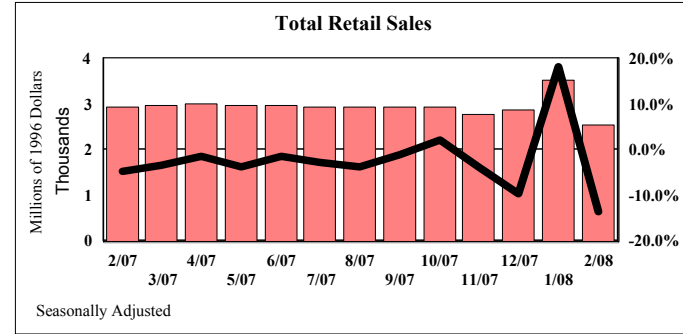
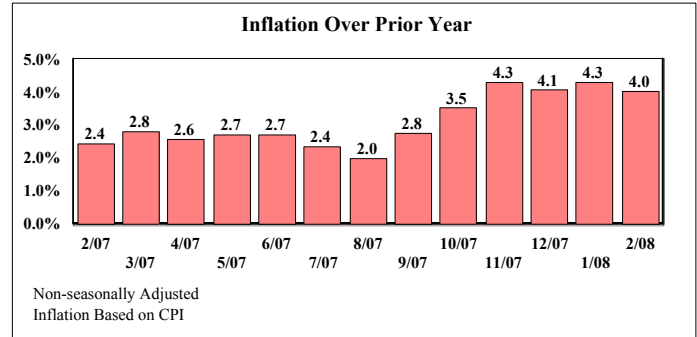
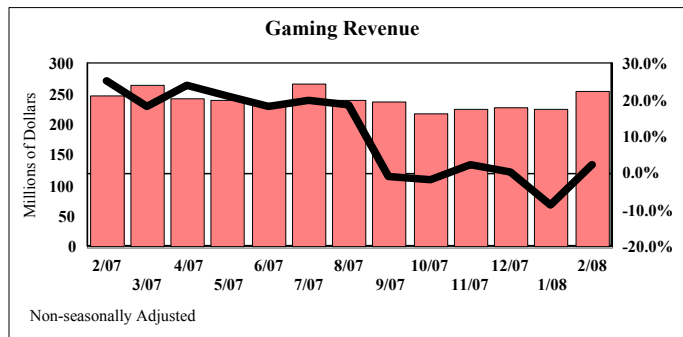
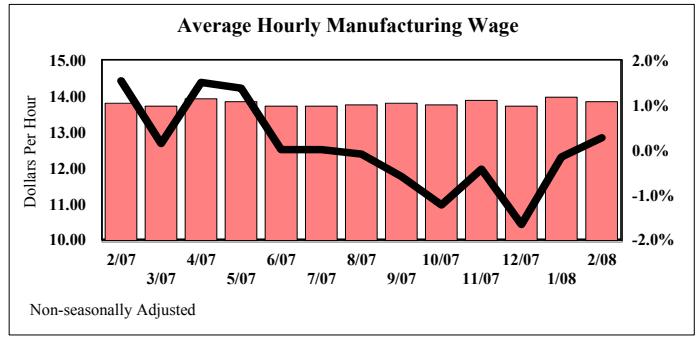
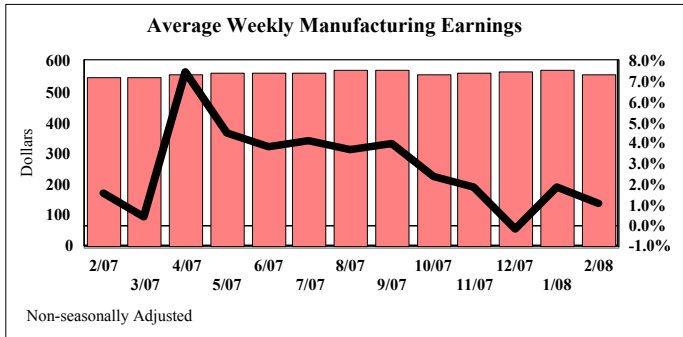
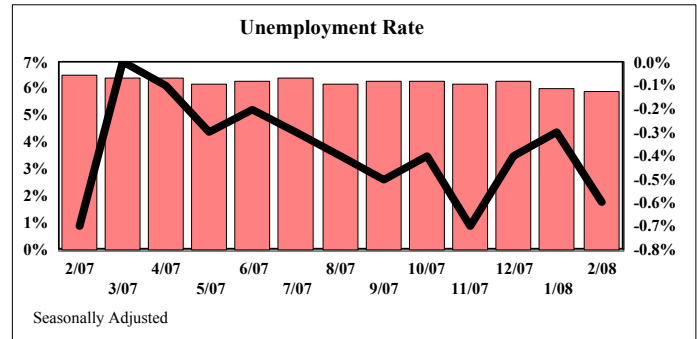
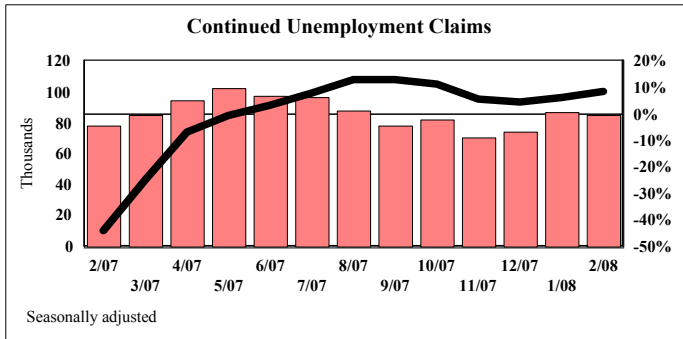
- Bureau of Labor Statistics.
- Bureau of the Census.
- The Conference Board.
- The Institute for Supply Management.

# Quips and Quotes:

*“I would like to electrocute everyone who uses the word ‘fair’ in connection with income tax policies”*

*-- William F. Buckley, Jr.*

Miscellaneous Economic Indicators



**NOTE:**  
The bar graphs above represent the monthly series and correspond to the left-hand axis. The line graphs represents the growth rate over the prior year's value and correspond to the right-hand axis.

**SOURCES:**  
Mississippi Employment Security Commission.  
Mississippi State Tax Commission.  
Mississippi Gaming Commission.  
Federal Home Mortgage Corporation.  
Bureau of Labor Statistics.

## SELECTED MISSISSIPPI ECONOMIC INDICATORS

	February 2007	January 2007	February 2006	Percent Change From Last Month Last Year	
<b>Coincident Indicator Index</b>	<b>107.7</b>	<b>107.6</b>	<b>106.9</b>	<b>0.0%</b>	<b>0.7%</b>
Nonagricultural Employment (thousands)	1,156.6	1,159.6	1,149.9	-0.3%	0.6%
Individual Income Tax Withholdings (millions of 1996 \$)	87.6	82.6	85.2	6.1%	2.8%
<b>Leading Indicator Index</b>	<b>96.2</b>	<b>97.2</b>	<b>102.8</b>	<b>-1.0%</b>	<b>-6.4%</b>
Initial Unemployment Claims	15,983	15,934	12,303	0.3%	29.9%
Value of Residential Building Permits (millions of 1996 \$)	91.1	80.7	125.2	12.8%	-27.3%
Average Manufacturing Workweek Length (hours)	40.1	40.4	39.8	-0.7%	0.8%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the March index is reported for February.	48.6	48.3	50.9	0.6%	-4.5%
U.S. Index of Consumer Expectations	62.4	68.1	81.5	-8.4%	-23.4%
<b>Miscellaneous</b>					
Consumer Price Index U.S. (1996=100)	135.0	134.6	129.7	0.3%	4.0%
Unemployment Rate (percentage)					
Non-seasonally adjusted	5.9%	6.5%	6.8%	-0.6%	-0.9%
Seasonally adjusted	5.9%	6.0%	6.5%	-0.1%	-0.6%
Continued Unemployment Claims	84,426	86,326	77,800	-2.2%	8.5%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	13.87	13.97	13.83	-0.7%	0.3%
1996 Dollars per Hour	10.28	10.38	10.66	-1.0%	-3.6%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	552.03	568.58	546.29	-2.9%	1.1%
1996 Dollars	409.02	422.50	421.06	-3.2%	-2.9%
U.S. Mortgage Rates (30-year conventional)	6.0%	5.9%	6.4%	0.1%	-0.4%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	110.5	106.7	109.7	3.6%	0.7%
River counties (millions of current \$)	143.5	118.0	138.2	21.6%	3.8%
Total	254.0	224.7	247.9	13.0%	2.4%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.

## WHY THE SYSTEM IS GOING TO GET JOHNNY

By Debra Anderson

Since 1955, Rudolf Flesch's book, "Why Johnny Can't Read" has initiated a wave of books, articles, and opinions with piggy back titles, all asking why Johnny *can't* do something: Why Johnny can't write, think, or do arithmetic; why he can't choose, or even share his faith.

While we ponder the question of "why?" there is an "alternate system"; another way of life that traps unsuspecting individuals like Johnny, and bars them from a life of productivity and participation in mainstream America.

Among the answers to "*why Johnny can't*" do well in school are: government involvement in education, teaching methodologies, teachers who can't teach and lack of teacher training, dilapidated school buildings, not enough books, need for more computers and more sophisticated technology, lack of spending per pupil, discipline issues and lack of parental involvement.

There have been many studies to indicate that each of these answers has merit, some more than others. All of the reasons given contribute to *why* Johnny can't do what he needs to do.

With that said, there is alternate "system" outside conventional institutions and practices, waiting for those like Johnny who cannot function within the social order. The "system" is web of despair that strangles human potential, suffocates the ability to dream and quietly puts to death the desire to be productive. It is a system populated by those who simply give up. Subsequently, their experiences will include one or more of the following: unemployment, a life of poverty and dependency, crime, incarceration, poor health and early death.

This "system" is a few years away from engulfing Johnny and many of his elementary school aged friends who are just like him.

There is something fundamental missing in Johnny's life. Based on numerous studies and reports and my

personal experience from years of working directly with children as a volunteer in public elementary schools, it becomes readily apparent that what is missing is "nurturing" by the parents. Society does not know how to deal with it. Society is limited or feels limited in what it can do to "nurture" other people's children. There are no easy answers.

Webster's dictionary defines nurture as "*promoting and sustaining development.*"<sup>1</sup> In others words, "*nurture*" is the combination of encouragement, help, guidance, support, protection, and demonstrated love.

Nurturing is clearly the moral, legal and responsible job of parents and families. But, too many parents are not doing their job. As a result, Johnny and his friends aren't motivated about education. As a child, Johnny doesn't have the proper view of education. Neither he, nor his parents truly understand the link between education and quality of life. They don't understand the commitment that must be made to achieve academically.

Never-the-less, the alternate system will "get" Johnny because he *can't do what he needs to do* to fit into conventional society and be productive. He cannot read well enough to comprehend or reason well enough to process information required to improve himself. He can't write or speak well enough to articulate his views. Johnny can't communicate in the positive way needed to get the results that will enable him to have a good quality of life. He doesn't fit in. He is vulnerable. Eventually, the "system" will demote him in the social order.

While policy makers, school boards and others haggle over funding, bureaucracy and procedures, Johnny (and his friends) remain unmotivated to do well in school; completely unaware of the need to do their part to have a productive life and promising future.

These children are lost. They have no education goals or expectations of achievement. They have no source of solid values to help them do what they need

to do or sustain them in life. They have low expectations of life. These are the fundamental problems that society fails to address.

Karl Zinsmeister, Director of the Domestic Policy Council under President George W. Bush and former Director of the American Enterprise Institute has said, "There is a mountain of scientific evidence showing that when families disintegrate, children often end up with intellectual, physical and emotional scars that persist for life. We talk about the drug crisis, the education crisis, and the problem of teen pregnancy and juvenile crime. But all these ills trace back predominantly to one source: broken families."<sup>2</sup>

School children like Johnny are seemingly frustrated and probably don't know why. They act out their frustrations in school and their first introduction to being demoted from the social order manifests itself in In-school suspension (ISS) or a "special education" label.

Too many children's lives (and their parents' lives) are so unstable that formal education is not a real concern. Until we figure out ways to help the parents understand the value of education and nurturing and the priority it should be given, we will not effectively help the children.

The problem is more fundamental than state funding, per pupil expenditures, or teacher pay raises.

We must focus on parents; find ways of helping parents have a better understanding of what they must do to increase their children's potential and academic success.

We must help parents know and understand that their children's needs extend beyond food, clothing and shelter. They need a strong system of standards and family values to live by. Parents need to be taught how to nurture their children.

Can parents be taught to nurture their children and if so, *how* to reach them are the big questions. These are very sensitive areas. However, waiting for

parents to fail, costs too much. Programs that strengthen families and family values are needed.

When we come to terms with the fact that family structure affects child well-being,<sup>3</sup> including school performance, we can begin to re-direct our efforts to deal with the root causes of why Johnny can't do a lot of things. And why, unless something begins to change in the home, it is inevitable: the alternate system is going to get Johnny.

There are too many "Johnnies" in our schools. Classrooms consist of too many students like Johnny.

We must focus on finding practical, workable solutions to keeping little Johnny from being lost. The consequence of not acting is a waste of human potential. The only means by which societies can better themselves is through investments in education.<sup>4</sup>

The basic institutions (churches, businesses, schools, government, and community) can't solve these problems alone or without the help of each other. Therefore, they must interact and formulate specific and agreed upon recommendations that clearly defines each institution's role.

While there is no "one-size-fits-all" solution, the following suggestions should be considered to help reverse the trends that lead to the entrapment of too many students into a system limits their ability to have a good quality of life.

- Form local study groups to understand and address the problem, now.
- Government should set policies to create the kind of environment that encourages family unity and parental involvement with their children
- Businesses should commit resources to support and promote values and character building programs.
- Schools should find more effective ways to (1.) inform and train parents to support learning at

home, (2.) develop outreach strategies to communicate with parents; and (3.) restructure schools to support parental involvement

■ Schools and communities should enlist the help of retired teachers and volunteers to train parents of failing students, in practical ways to provide academic assistance at home and offer workshops that teach and demonstrate hands-on teaching techniques (drills, flashcards, memorization, checking home work, etc.) that can be used at home.

■ Schools should provide one-on-one assistance to parents in setting academic goals for their children and enlist the help of volunteers to follow up with parents on a regular basis

■ Churches must have a more clearly defined and visible role for working with schools to stress the importance of teaching values, parental responsibility and character development in homes, schools and community

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For specific ideas on local approaches that have been successfully used to increase family involvement in children's education go online to:  
[www.ed.gov/pubs/FamInvolve/local5.html](http://www.ed.gov/pubs/FamInvolve/local5.html)

### **Endnotes**

<sup>1</sup> Webster's Ninth New Collegiate Dictionary, p 812

<sup>2</sup> Quote from article written by Kerby Anderson, "Broken Homes, Broken Hearts," Leadership U Website ([www.leaderu.com](http://www.leaderu.com))

<sup>3</sup> Wendy Sigle-Rushton and Sara McLanahan, "Father Absence and child well-being: A critical review", Center for Research on Child Wellbeing Working Paper #02-20. November 2002.

<sup>4</sup> Houston Davis and Brian Noland, "Understanding Human capital Through Multiple Disciplines: The education needs index. February, 2003

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McLanahan, S.S., & Sandefur, G. (1994). Growing up with a single Parent: What Hurts, What Helps. Cambridge, MA: Harvard University Press.

Sigle-Rushton, W. and McLanahan, S.S. Father Absence and Child Well-Being: A Critical Review. Center for Research on Child Wellbeing Working Paper #02-20. November 2002.