

Mississippi's Business

April 2012

Monitoring The State's Economy

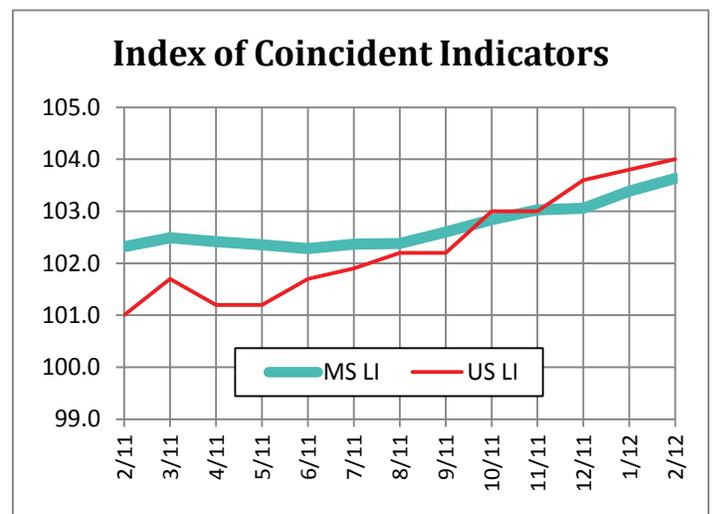
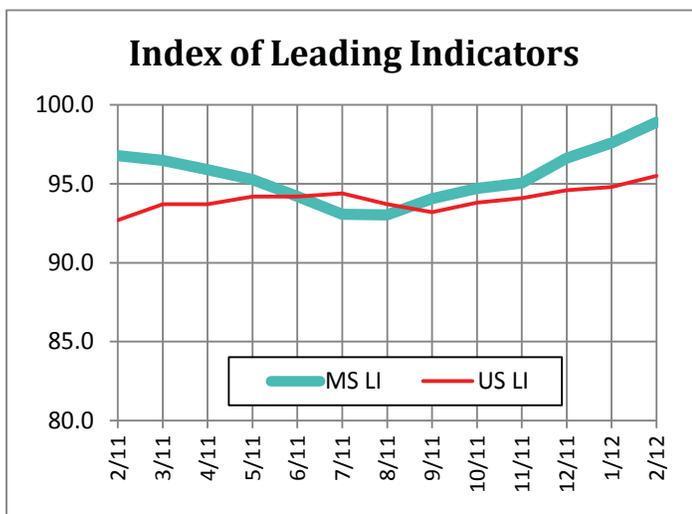
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ECONOMY AT A GLANCE

The Mississippi Index of Leading and Coincident Indicators have been revised. These annual updates reflect revised employment data and a re-calibration of adjustment factors. The revised indices show that Mississippi dodged the recession bullet in 2011. A very weakened economy is evident in both graphs below. The coincident index declined during the summer months but improved during the second half of the year. The Leading Index followed a similar, albeit more dramatic, pattern. The state's economy has improved in 2012. Both indices show positive growth, with the Leading Index reaching its highest point since June 2008.

The strengthening State economy is reflective of what is happening nationally. The revised coincident index for February was above the level three months prior in all fifty states. National employment data were particularly encouraging in the January and February. The disappointing March report however, reminds us that while conditions have improved, the jobs situation remains weak and growth will be slow. Gross domestic product likely slowed in the first quarter relative to the fourth. While 2012 is expected to be stronger than 2011, growth will be below historical averages. In addition to the oft-mentioned headwinds of high debt -levels, rising fuel prices and the sluggish housing sector, the Nation also faces uncertain fiscal policy for 2013. Dramatic spending cuts and tax increases are currently scheduled for January 1, 2013. Dealing with these issues will almost certainly be postponed until after the election, leaving very little time to do much more than "kick-the-can" down the road. The uncertainty of a long-term solution will likely dampen economic growth.



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 both from the Conference Board. All series are indexed to a base year of 2004.

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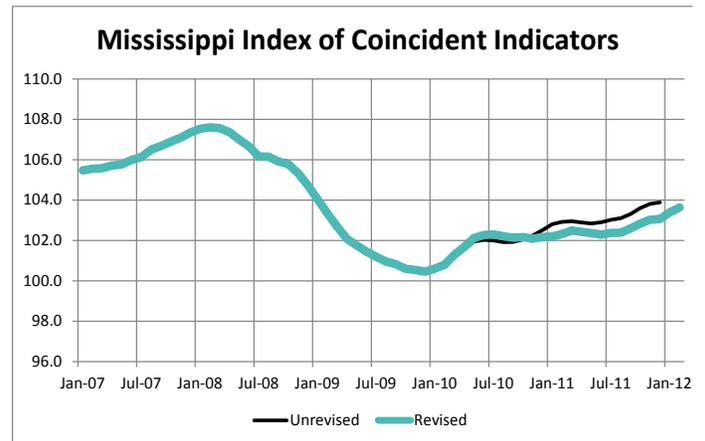
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GROWTH IN 2011 LESS THAN PREVIOUSLY THOUGHT

Each year the Bureau of Labor Statistics (BLS) revises their employment figures. This in turn can significantly affect the Mississippi Index of Coincident Indicators. We take this opportunity to re-calibrate adjustment factors for the Mississippi Index of Leading Indicators. The changes to the Leading Index are negligible. The changes to the employment data and the Coincident Indicators are significant, offering a revised look at 2011.

Figure 1 below shows the revised and unrevised employment data for Mississippi. While there were only minor adjustments to 2010, the revised data show a much weaker improvement in the latter half of 2011 than previously indicated. As evidenced by the annual data in Figure 2, the state saw the fourth consecutive year of jobs decline in 2011 (a slight 0.1 percent dip). Before the revision, the data had indicated a slight gain (0.6 percent) for the year. The BLS data goes back to 1939, and since that time the state has not experienced four consecutive years of declining employment.

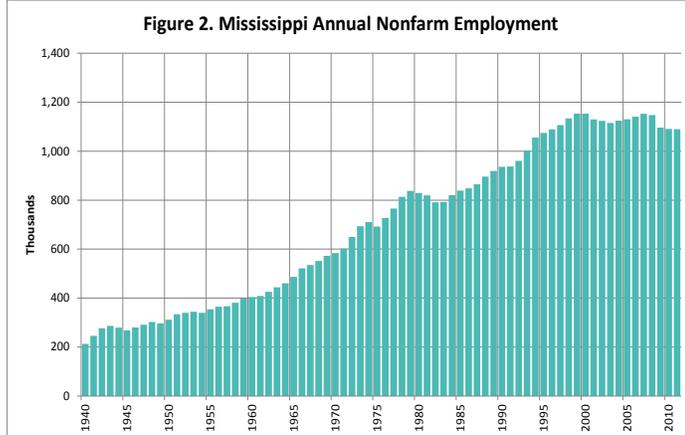
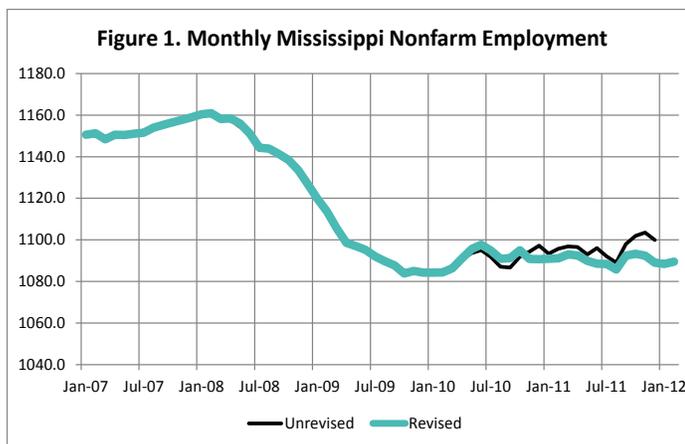
Employment fell for three consecutive years in the early 1980s. This was followed by a period of relatively rapid growth. In the early 2000s the state saw another three year period of decline. This was followed by a period of relatively mild growth. In the current jobs contraction, employment dipped in 2008 and fell dramatically in 2009. While 2012 shows promise of being a year in which the state adds jobs, it is not expected to be a period of strong growth.



Like the employment data, the revised Index of Coincident Indicators shows the state's performance in 2011 was weaker than previously thought (Figure 3 above). In fact, Mississippi came nearer going into recession than previously indicated. The revised data shows three consecutive months of a declining index (April - June) whereas the unrevised series showed only one month of decline (April).

The revised data indicate the State has improved. In fact growth in the last half of 2011 and early 2012 is the strongest since early 2010. But growth remains relatively mild by historical standards.

The threat of recession was evident throughout much of the year in the Mississippi Index of Leading Indicators. The six-month growth rate fell negative in late 2010 and again in the second half of 2011. The index showed particular weakness during the last half of 2011. During this period, the six-month growth rate was negative and most components were showing weakness. This tempers our enthusiasm about the recent gains in the Coincident Index. However, the Leading Index has shown marked improvement in recent months.

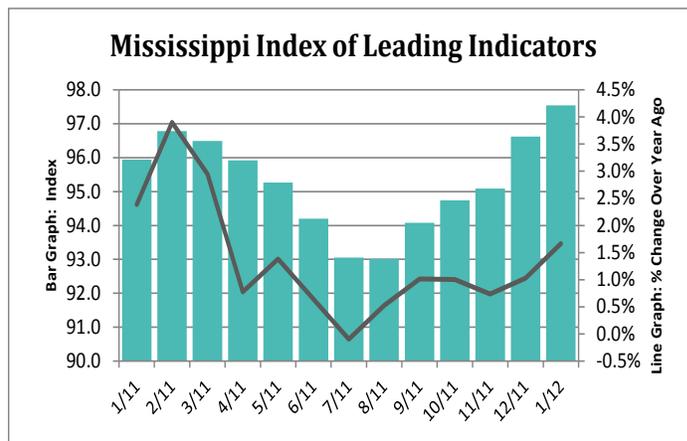


LEADING AND COINCIDENT INDICATORS, FEBRUARY 2012

The **Mississippi Index of Leading Economic Indicators** has risen for five consecutive months as of February. The February gain of 1.3 percent, places the Index at its highest point since June 2008 to a level of 98.9. The six-month growth rate, after declining for six months, has been positive for three months and strengthening. It appears the State has dodged the recession bullet. While threats remain, the risk of recession has fallen substantially with the strengthening economy. Growth remains relatively slow, but the recovery is on firmer footing.

The February gain was broadly supported with seven out of eight components contributing positively. The components will be discussed in order of their contribution to the gain.

The **Mississippi Diesel Fuel Consumption Index**¹ rose 5.2 percent in February relative to January. February marked the third consecutive monthly increase. The February index was the highest since February 2008.



The **U.S. Index of Consumer Expectations**¹ rose 3.1 percent to 69.7 in February. The index has risen for five consecutive months and reflects the emerging news that the recovery has strengthened. The better jobs reports in early 2012 boosted confidence. The improvement has thus far been made in spite of rising fuel prices. Small business confidence has also improved in 2012.

While threats remain, the risk of recession has fallen substantially with the strengthening economy. Growth remains relatively slow, but the recovery is on firmer footing.

U.S. Retail Sales rose 1.1 percent in February over January -- the fastest growth since September. Warmer weather and pent-up demand drove the relatively strong growth. Sales were up across most components, including gasoline stations, auto dealers and clothing stores. The only sectors showing a decline were furniture and general merchandise. In a separate report, light vehicles sold in February were an annualized 15.1 million units, a level not seen since February 2008. Light vehicle sales have averaged 14.8 million units in the first three months of 2012.

The **Mississippi Manufacturing Employment Intensity Index** rose 0.7 percent in February relative to January. Manufacturing hours worked and employment improved for the month. The monthly fluctuations of this series masks the fact that the index has been relatively flat for the past two years.

The **Institute for Supply Management Index of U.S. Manufacturing Activity** rose to 53.4 in March. The

unexpected gain recovered part of the loss that occurred in February. It is believed that pent-up demand fueled manufacturing growth during the last quarter of 2011. This along with the fact that the European economy is expected to soften further, suggests a slowdown in manufacturing activity.

Inflation adjusted **Mississippi income tax withholdings**¹ rose a modest 0.3 percent in February over January. The series dropped substantially in December and

1. Three Month Moving Average

recovered in January and February. Despite the volatility, the series has yet to establish any real upward momentum since the beginning of the recovery.

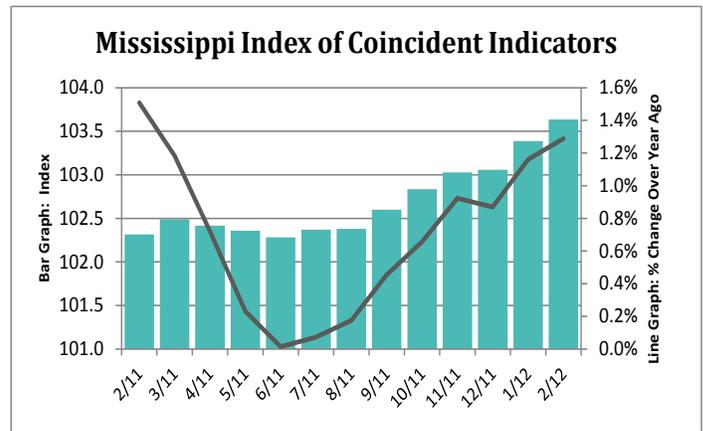
After declining for two months, the value of Mississippi residential building permits¹ rose a modest 0.4 percent in February. Building permits remain very low by historical standards. The average monthly number of building permits for the month ending May 2007 was 550. The three month average in June 2011 was just 103 units -- the lowest level on record. For the three months ending in February 2012, the level was only slightly higher at 125 units. This reflects the relatively poor general economic conditions in the State.

Mississippi's initial unemployment claims rose a slight 1.8 percent in February over January. The gain was the second consecutive increase following the deep decline in December. By-in-large the series has shown a generally declining trend since May 2011. The continued unemployment claims series has trended down since early 2009, but remains elevated. Mississippi's unemployment rate was 10.4 percent in February, down only slightly from January.

National trends are discussed on page 5, Mississippi employment trends on pages 8 and 9.

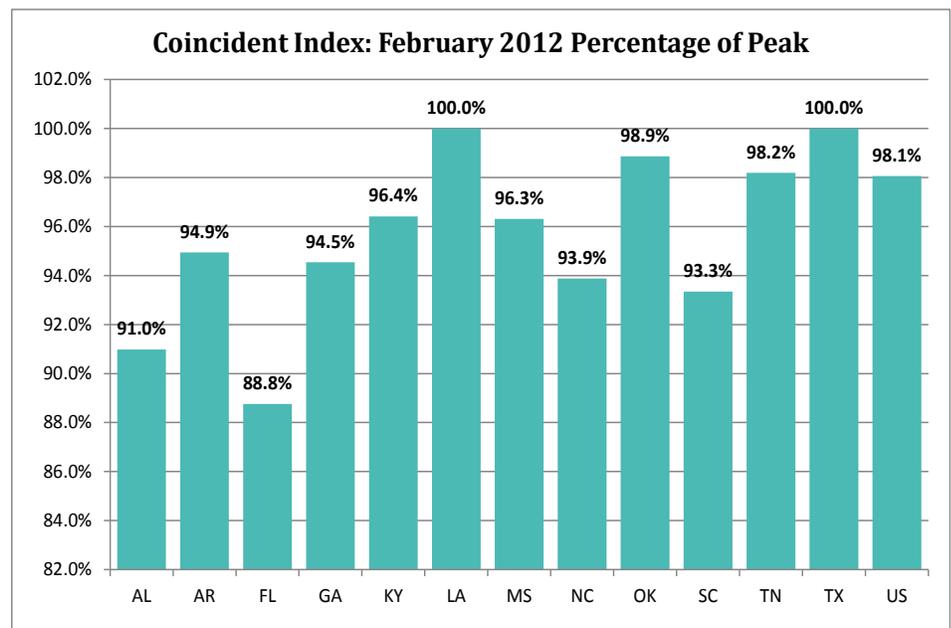
The **Mississippi Index of Coincident Indicators** was 103.6 in February, the highest level since January 2009. The February index was 0.2 percent above the revised January level. The recently revised series has increased for six consecutive months. The economy appears to be improving but remains below the pre-recession peak.

A comparison of the February index to the recent peak ap-

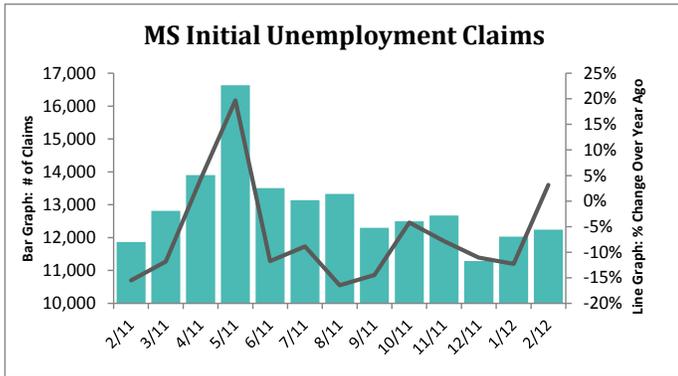


pears below for the 12 southeastern states and the Nation. States that reach 100 percent of peak have fully recovered from the "Great Recession". Mississippi was at 96.3 percent. Oklahoma, Tennessee and Kentucky were slightly ahead of Mississippi on the path to recovery, while Louisiana and Texas were the only southeastern states that were fully recovered.

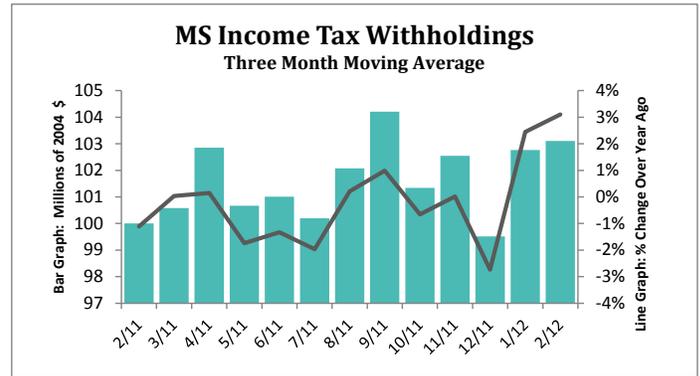
The map on page five shows the relative performance of the fifty states. The February index is compared to the level three months prior. All fifty states were ahead of the level three months prior. Mississippi saw a growth of 0.6 percent, which was relatively slow compared to other states. The U.S. average was 1.5 percent. The fastest growing state was North Dakota which is experiencing an oil boom. Also growing at a relatively fast clip were West Virginia, Michigan, Idaho, Ohio and Indiana.



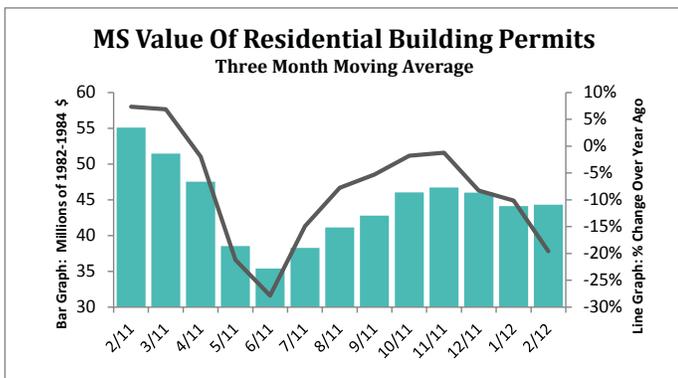
LEADING ECONOMIC INDICATORS



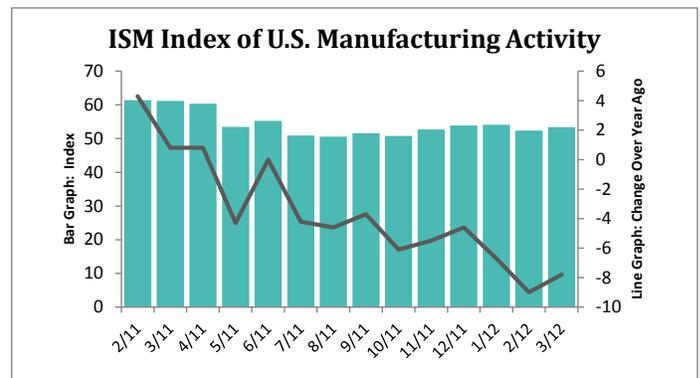
Source: Mississippi Department of Employment Security



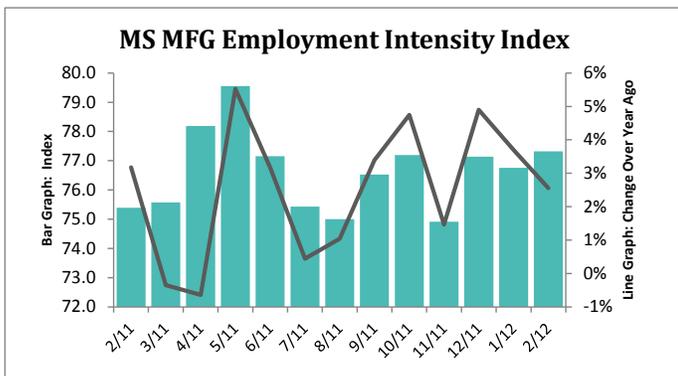
Source: Mississippi Department of Revenue



Source: Bureau of the Census



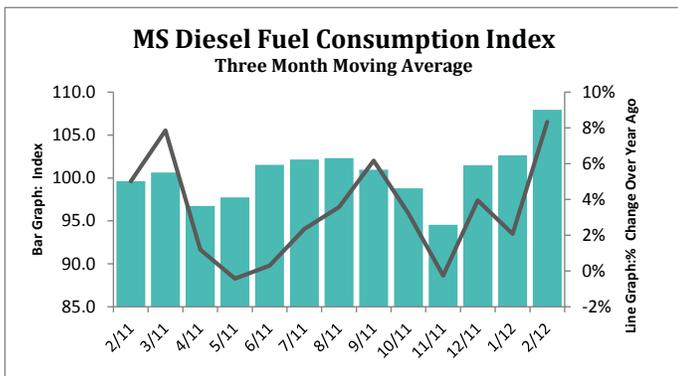
Source: Institute For Supply Management



Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan

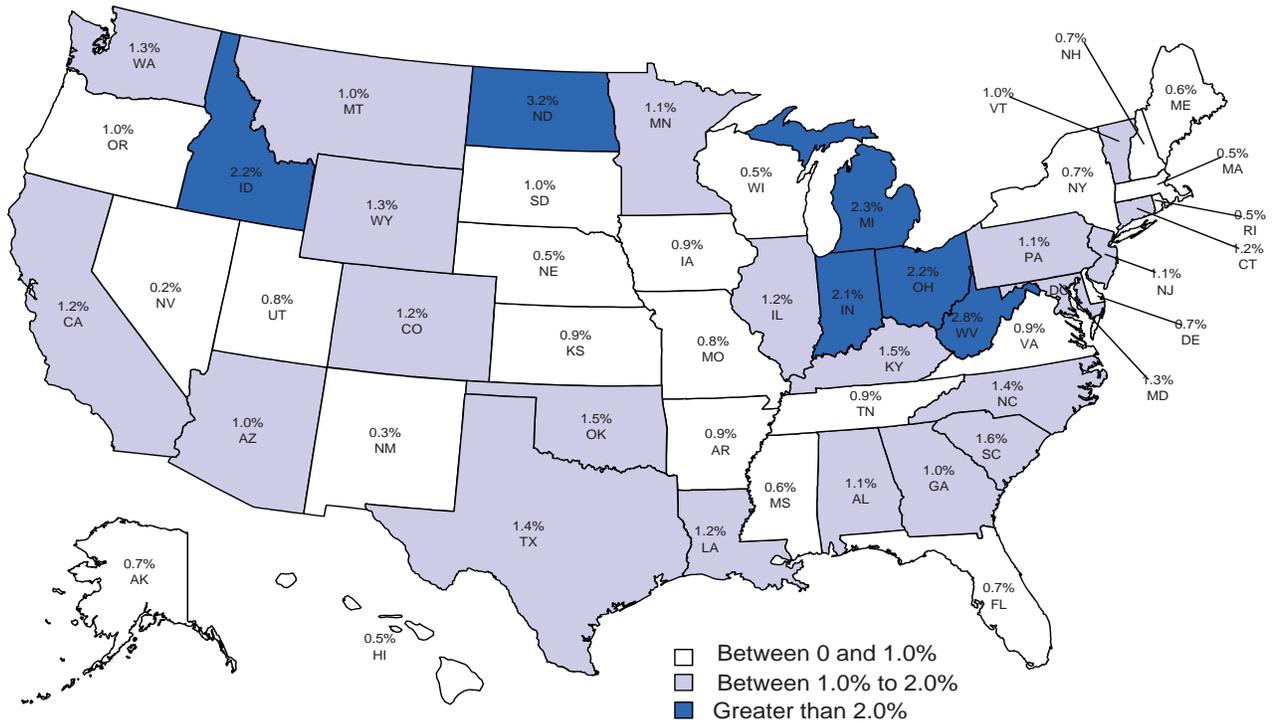


Source: URC using Data from Mississippi Department of Revenue



Source: Bureau of the Census

Three Month Growth in The Index of Coincident Economic Indicators, January 2011



National Trends

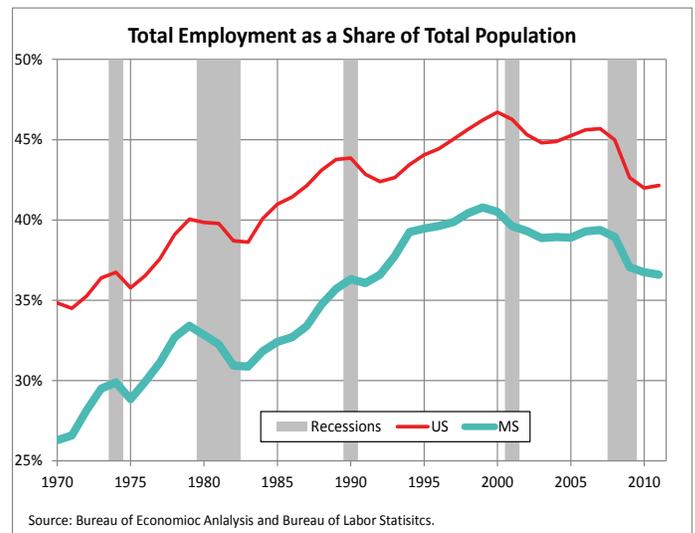
The U.S. Index of Leading Indicators rose 0.7 percent in February relative to January. The index has increased for five consecutive months and the strength among the components has become more widespread. The Coincident Index gained 0.2 percent for the month. The Conference Board expects the expansion to continue in the coming months. With the economic news being increasingly positive, the Federal Reserve has indicated it is not likely to launch any more quantitative easing. While the markets have not responded well to this news, it does suggest that the Fed views the recovery as increasingly self-sustaining.

National employment data was particularly encouraging in January and February. The March report was less so -- a reminder that the jobs picture while improved from 2011, remains weak.

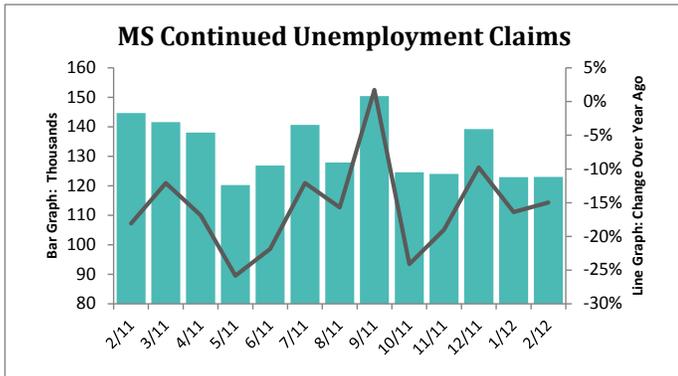
Noted on several economic blogs, is the fact that total employment as a share of population remains very depressed from the pre-recession level. This is a more useful measure than the unemployment rate which tends to understate the jobless problem as it leaves out

those who have quite looking for a job. The measure appears below for both Mississippi and the Nation. There has been a general downward trend since 2000 for both regions.

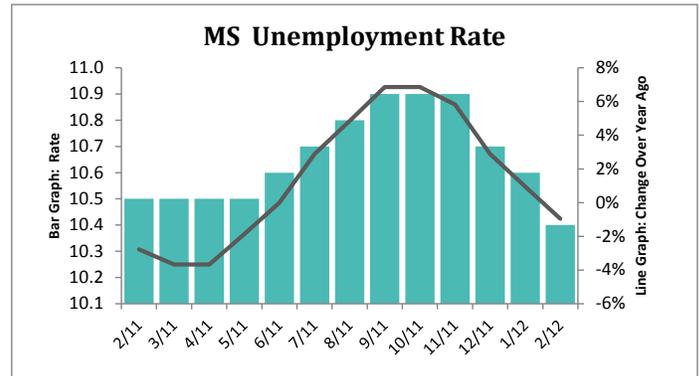
The positive news notwithstanding, gross domestic product likely posted a slower growth in the first quarter of 2012 than in the fourth quarter of 2011. The strong growth of the fourth quarter was fueled by inventory build-up that will not be repeated in the first quarter.



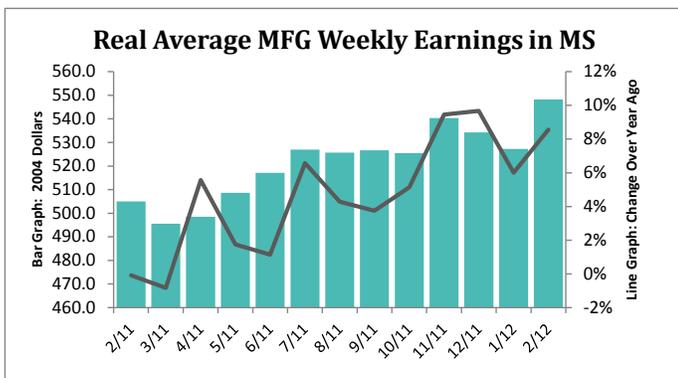
MISCELLANEOUS ECONOMIC INDICATORS



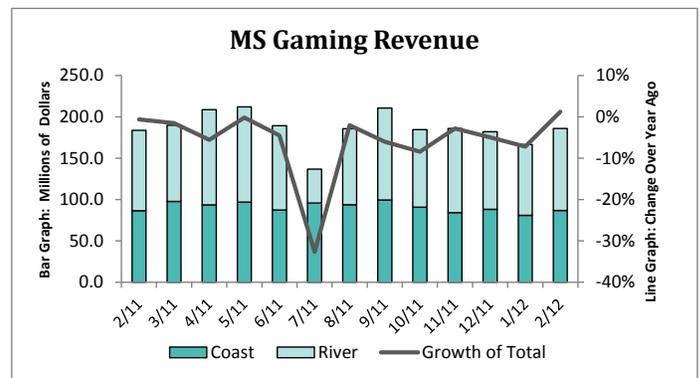
Source: Mississippi Department of Employment Security; Seasonally Adjusted



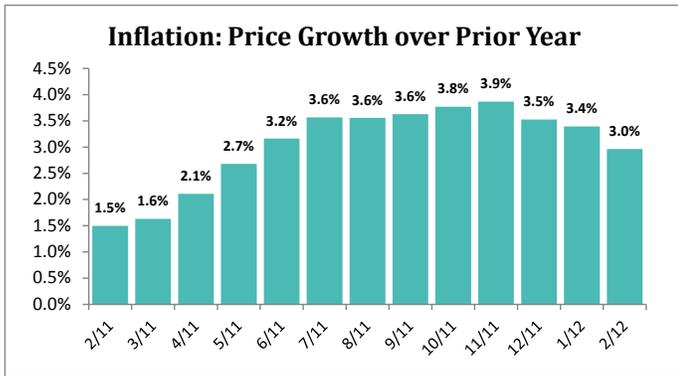
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



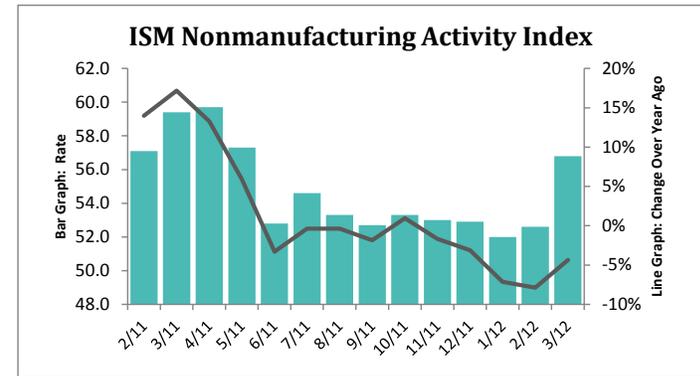
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



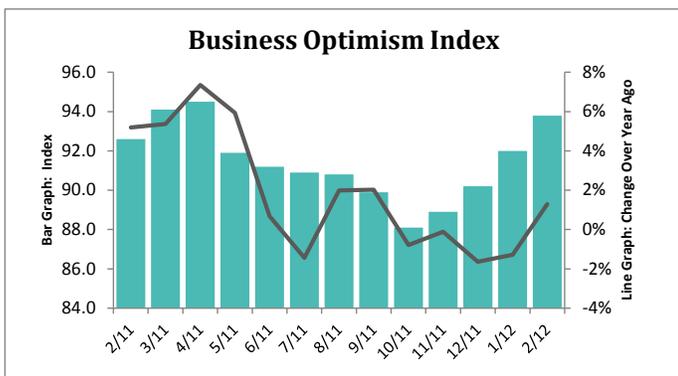
Source: MS Department of Revenue; Nonseasonally Adjusted



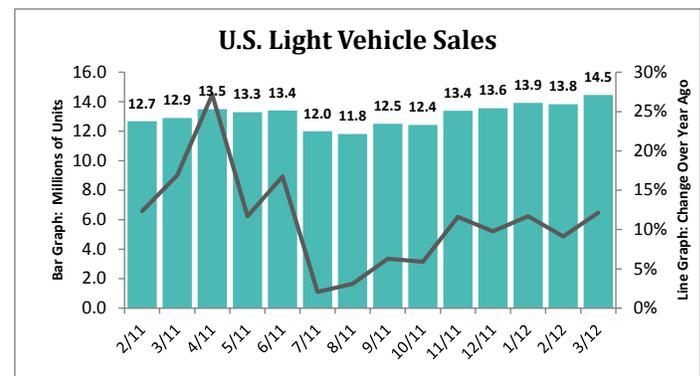
Source: U.S. Bureau of Labor Statistics



Source: Institute For Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

SELECTED ECONOMIC INDICATORS

Indicator	February 2012	January 2012	February 2011	Change from Last Month	Change from Last Year	
US Index of Coincident Indicators Index 2004=100, Source: The Conference Board	104	103.8	101	0.2%	3.0%	Economic Indices
MS Index of Coincident Indicators Index 2004=100, Source: Federal Reserve Bank of Philadelphia	103.6	103.4	102.3	0.2%	1.3%	
US Index of Leading Indicators Index 2004=100, Source: The Conference Board	95.5	94.8	92.7	0.7%	3.0%	
MS Index of Leading Indicators Index 2004=100, Source: University Research Center	98.9	97.6	96.8	1.3%	2.2%	
MS Initial Unemployment Claims Source: Mississippi Department of Employment Security	12,239	12,026	11,866	1.8%	3.1%	Components of the MS Index of Leading Indicators
MS Value Of Res. Building Permits 3 Mo. Moving Average, Millions of 2004 Dollars, Source: Bureau of Census	44.3	44.1	55.1	0.4%	-19.6%	
MS Income Tax Withholdings 3 Mo. Moving Average, Millions of 2004 Dollars, Source: MS Department of Revenue	103.11	102.77	100.01	0.3%	3.1%	
MS MFG Emp. Intensity Index Average workweek length times employment, Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	77.3	76.8	75.4	0.7%	2.6%	
MS Diesel Fuel Consumption Index 3 Mo. Moving Average, Index 2004-100, Source: URC using data from MS Department of Revenue	107.9	102.7	99.6	5.2%	8.3%	
US Index of Consumer Expectations 3 Mo. Moving Average, Index 1996=100, Source: University of Michigan	69.7	67.7	66.3	3.1%	5.2%	
US ISM Index of MFG Activity Advanced 1 Month (March Index appears as February), Source: Institute For Supply Management	53.4	52.4	61.4	1.9%	-13.0%	
US Retail Sales Millions of Dollars, Source: Bureau of Census	407,805	403,508	382,974	1.1%	6.5%	
US Consumer Price Index 2004=100, Source: URC using data from Bureau of Labor Statistics	119.5	119.8	116.0	-0.2%	3.0%	
MS Unemployment Rate Source: Bureau of Labor Statistics	10.4%	10.6%	10.5%	-0.2%	-0.1%	
MS Continued Unemp. Claims Source: Mississippi Department of Employment Security	123,017	122,939	144,675	0.1%	-15.0%	Miscellaneous Indicators
US Mortgage Rates 30 Yr. Conventional, Source: Federal Reserve	4.0%	4.1%	4.7%	-0.1%	-0.8%	
MS Avg. Hourly Wage for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	52.60	52.00	57.10	1.2%	-7.9%	
MS Avg. Wkly Earnings for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	548.2	527.2	505.0	4.0%	8.6%	
Gaming Revenue	186.1	166.7	183.8	11.7%	1.2%	
Coast Counties	86.9	81.1	86.6	7.2%	0.4%	
River Counties	99.2	85.6	97.2	15.9%	2.0%	
Nonseasonally adjusted, Millions of Dollars, Source: MS Department of Revenue						
Business Optimism Index Index 1986=100, Source: National Federation of Independent Businesses	93.8	92.0	92.6	2.0%	1.3%	

MISSISSIPPI EMPLOYMENT BY SECTOR

Sector	February 2012	January 2012	February 2011	Change from Prior Month		Change from Prior Year	
				Level	%	Level	%
Total Nonfarm	1,089,500	1,088,400	1,091,100	1,100	0.1%	(1,600)	-0.1%
Mining and Logging	9,400	9,300	9,000	100	1.1%	400	4.4%
Construction	49,600	48,000	49,600	1,600	3.3%	-	0.0%
Manufacturing	134,800	134,700	135,400	100	0.1%	(600)	-0.4%
Trade, Transportation & Utilities	213,200	213,700	214,800	(500)	-0.2%	(1,600)	-0.7%
Retail Trade	131,400	132,000	133,000	(600)	-0.5%	(1,600)	-1.2%
Information	11,542	11,683	12,038	(142)	-1.2%	(496)	-4.1%
Financial Activities	44,323	44,684	44,616	(361)	-0.8%	(293)	-0.7%
Services	379,200	380,000	379,800	(800)	-0.2%	(600)	-0.2%
Professional and Business Services	92,200	92,800	93,400	(600)	-0.6%	(1,200)	-1.3%
Education and Health Services	137,500	137,700	133,800	(200)	-0.1%	3,700	2.8%
Leisure and Hospitality	115,800	115,300	118,600	500	0.4%	(2,800)	-2.4%
Other Services	33,700	34,200	34,000	(500)	-1.5%	(300)	-0.9%
Government	247,500	246,300	245,900	1,200	0.5%	1,600	0.7%

Source: U.S. Bureau of Labor Statistics

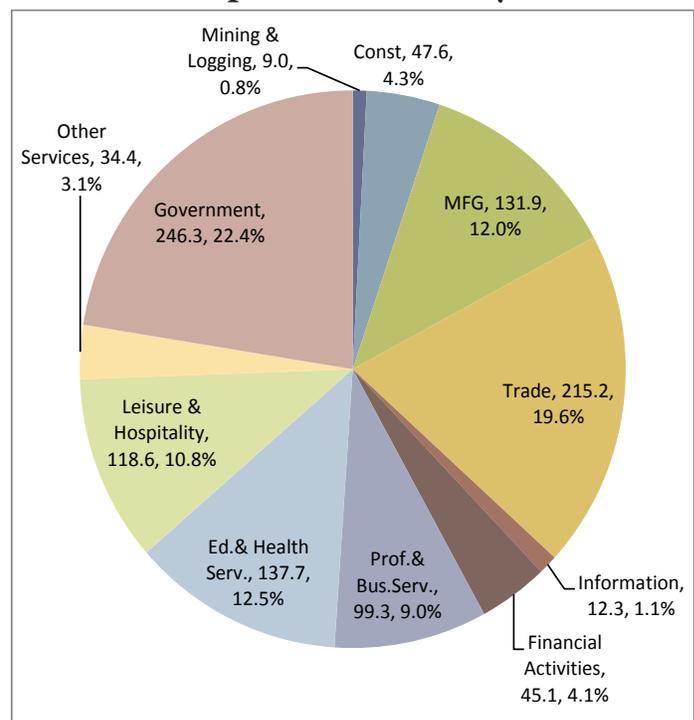
Mississippi Employment Trends

Mississippi nonfarm employment rose 1,000 jobs or 0.1 percent in February relative to January. The February gain followed three months of decline. Employment in the December to February period was well below the level observed in the three months ending in November. Employment peaked in February 2008 and hit a low in October 2009. The state had lost over 77,000 jobs or 6.6 percent. Recovery has been slow. As of February, the State had added only 5,700 jobs and therefore remained 6.2 percent below the February 2008 peak level.

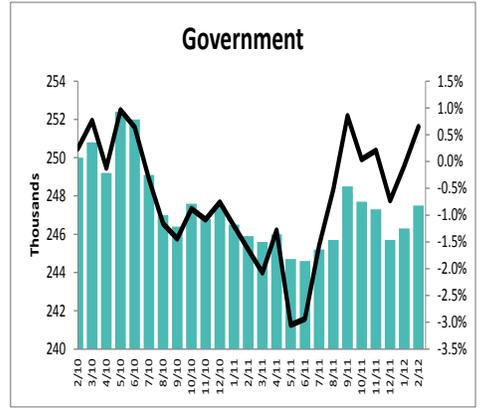
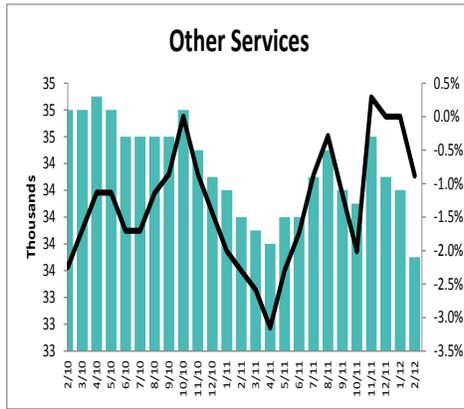
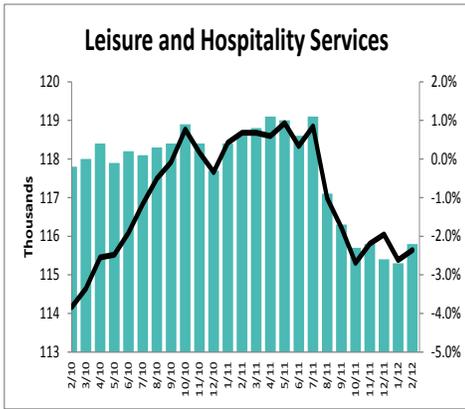
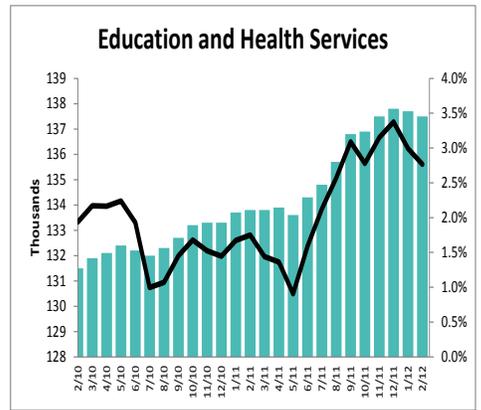
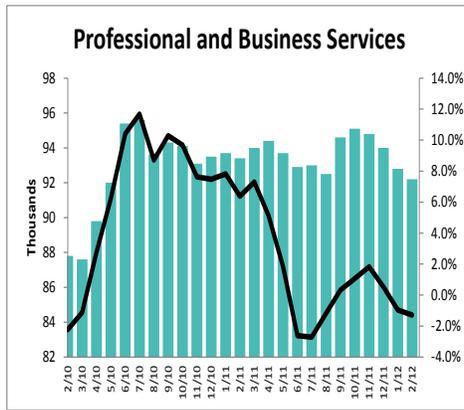
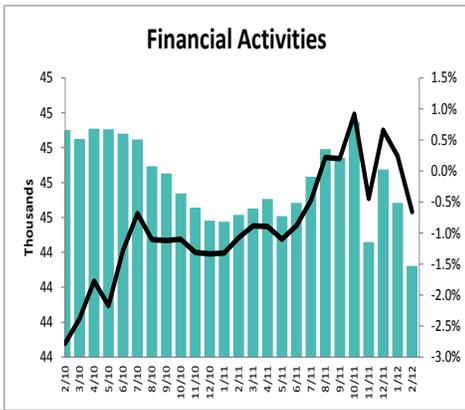
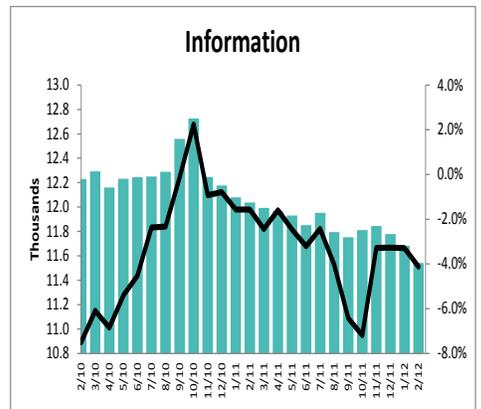
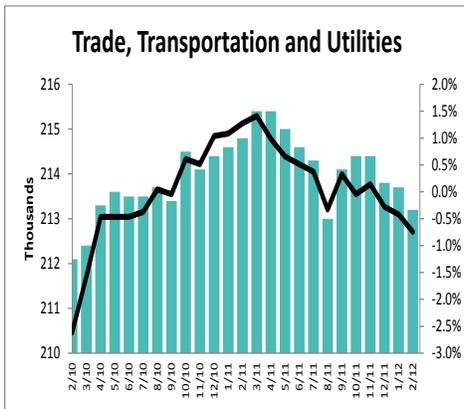
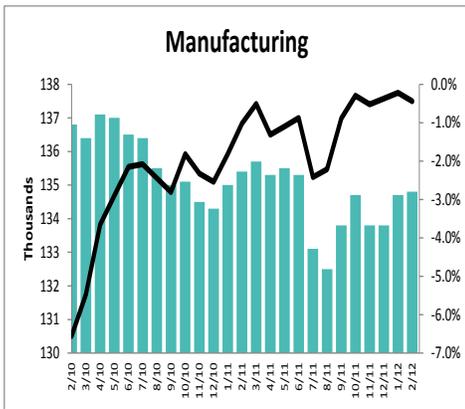
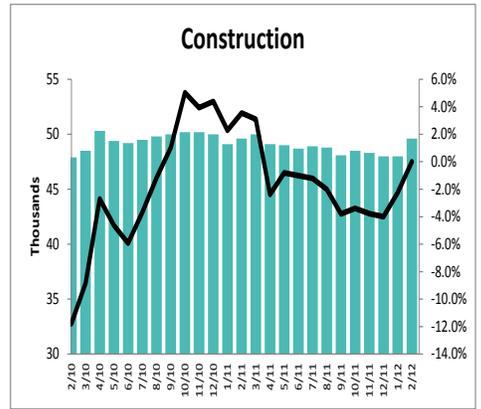
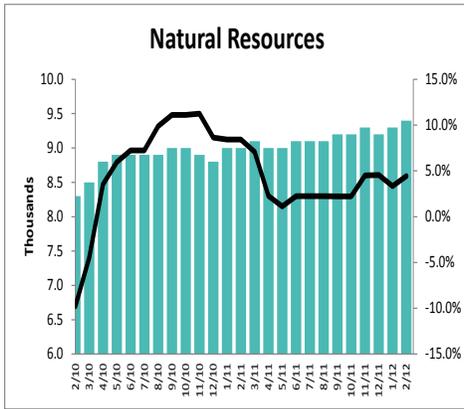
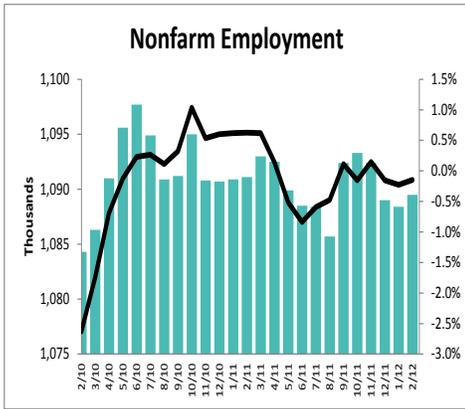
The largest gain in February relative to January, was in construction which added 1,600 jobs. The warm weather probably helped that industry. Government also added 1,200 jobs while 500 jobs were added to the leisure and hospitality sector. Several sectors saw declines including retail trade (600 jobs), professional services (600 jobs), and other services (500 jobs).

February employment was below the year ago by 1,600 jobs or 0.1 percent. Employment had been below the year ago level in eight of the past ten months. The annual declines highlight the continued weakness of the jobs market.

Percentage of Total Employment by Sector for the September-February Period



MISSISSIPPI EMPLOYMENT TRENDS



Left Axis: Bar Graphs - Employment Levels. Right Axis: Line graphs - Annual Growth. Source: U.S. Bureau of Labor Statistics.