

ECONOMY AT A GLANCE

Both the Mississippi Index of Leading Indicators and the Mississippi Index of Coincident Indicators fell slightly in February. Most of the components of the leading index varied marginally, leading to the narrow decline.

While the Mississippi Index of Coincident Indicators moved lower by only 0.1 percent, the decline is notable as it is the first for the index in over a year. Employment in the state also fell slightly in February for the second consecutive month (discussed on page 8), which likely contributed to the drop in the coincident index.

The Bureau of Economic Analysis (BEA) revised its estimate of real U.S. GDP growth in the fourth quar-

ter of 2013 upward to 2.6 percent. This revised estimate remains below the initial estimate of 3.2 percent, however, and indicates growth slowed considerably from the third quarter when the rate was 4.1 percent.

After relatively large swings in value the last two months, Mississippi's leading index appeared more settled in February. Winter weather likely continued to affect measures such as consumer expectations and diesel fuel consumption. However, these effects were mostly offset by other variables such as initial unemployment claims and building permits, which continue to trend positively. Once the effects of winter dissipate, positive trends should become more broad-based in the indicators.

Figure 1. Index of Leading Indicators

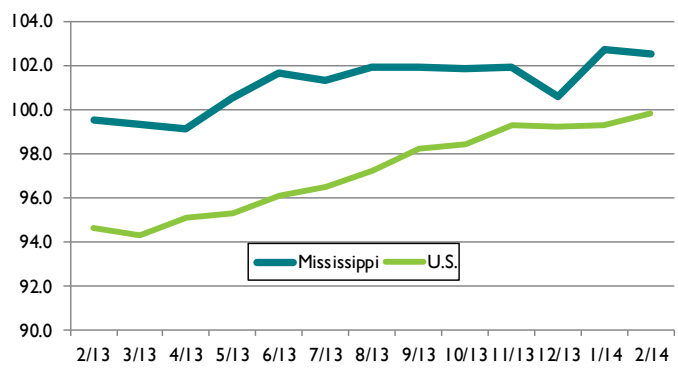
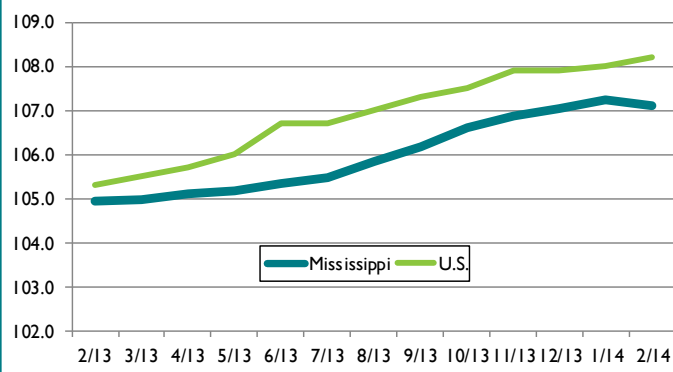


Figure 2. Index of Coincident Indicators



Notes: The Mississippi Coincident Index is constructed by the Federal Reserve Bank of Philadelphia and re-indexed to 2004. The Index is based on changes in nonfarm employment, the unemployment rate, average manufacturing workweek length, and wage and salary disbursements. The Mississippi Leading Index is constructed by the Mississippi University Research Center. The U.S. Indices are from The Conference Board. All series are indexed to a base year of 2004.

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MISSISSIPPI'S BUSINESS

LEADING INDICATORS, FEBRUARY 2014

Following the largest monthly increase in six years in January, the **Mississippi Index of Leading Economic Indicators** edged lower in February by 0.2 percent. As seen in Figure 3, the index slipped to 102.5, reflecting the relatively small changes in its components for the month. The index remains 3.0 percent higher than a year ago.

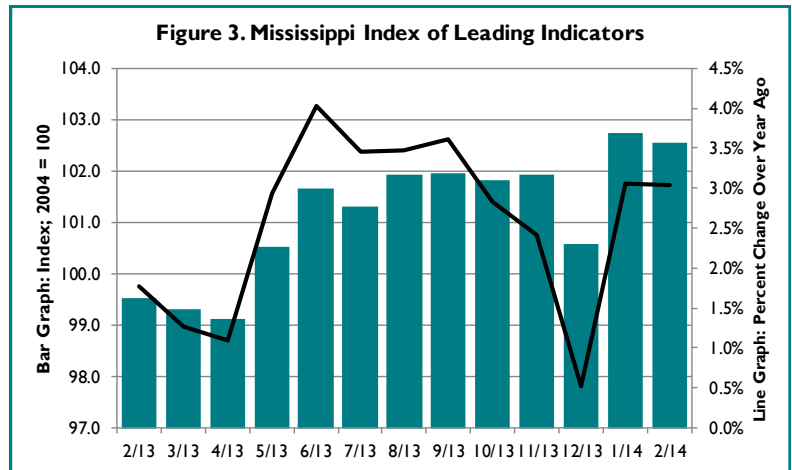
Four of the eight components of the index were positive in February. The components are discussed below in descending order of positive contribution.

The **value of Mississippi residential building permits** (three-month moving average) rose in February as seen in Figure 4, the second consecutive monthly increase. The February value of permits was 2.5 percent higher than in January, but 1.6 percent less than a year ago. U.S. sales of new single-family homes, however, fell 3.3 percent in February, the third decline in the last four months.

Figure 12 on page 4 uses the value of building permits data to provide some additional insight into the state's economy, and also demonstrates how the recovery remains relatively languid in historical terms. The value of permits in Mississippi reached a post-recession low of just over \$50 million in February 2012, and then for the last 24 months has generally trended upward. Despite the steady growth of the last two years, the value of permits remains far from the high of over \$163 million reached in April 2007. The current 12-month average value of \$67 million is much closer to the 20-year low of about \$44 million experienced in February 1994.

February **U.S. retail sales** rose slightly following their large drop in January as indicated in Figure 5. The value edged up 0.3 percent for the month, but retail sales for February were only 1.5 percent higher than a year ago, the slowest rate of growth since 2009. Once again harsh winter weather curtailed February's sales across most retail segments in a large part of the country. Despite the relatively poor numbers in retail the last three months, most analysts continue to maintain growth will escalate once the effects of winter finally subside. If this assertion is correct, then March sales data should exhibit noticeable improvement.

Figure 6 indicates the **Institute for Supply Management Index of U.S. Manufacturing Activity** edged slightly higher in March to 53.7. This second consecutive monthly increase, albeit small, is another sign of the di-



Source: University Research Center

minishing effects of the relatively severe winter that hit most of the country. Following three straight months of declines, production rebounded from 48.2 in February to 55.9 for March. In addition, new orders rose slightly while inventories did not change.

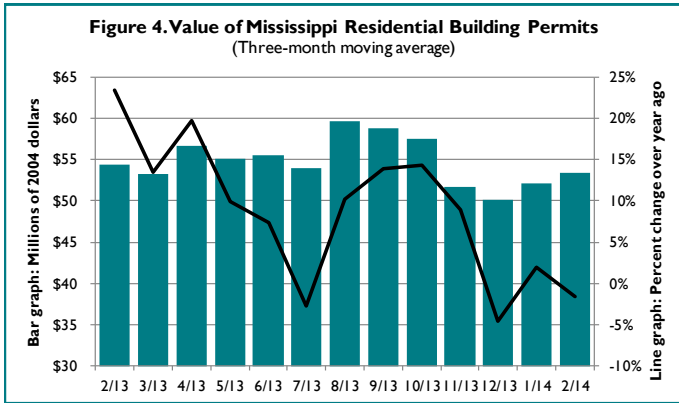
For the second month in a row, the **Mississippi Manufacturing Employment Intensity Index** edged up in February by 0.2 percent as seen in Figure 7. The index continues to be positively influenced by the rising employment in manufacturing in Mississippi. The index stands essentially where it did a year ago at 0.1 percent higher.

Both **initial unemployment claims** and continued claims in Mississippi remained basically flat in February. As seen in Figure 8, initial claims rose 0.5 percent for the month. This level is still over 21 percent below the level of February 2013. Continued claims, on the other hand, fell 0.1 percent in February as depicted in Figure 16 on page 6, a level almost 20 percent less than a year ago. The seasonally-adjusted unemployment rate for Mississippi in February, displayed in Figure 17 on page 6, fell to 7.4 percent. The last month the unemployment rate attained this level was October 2008.

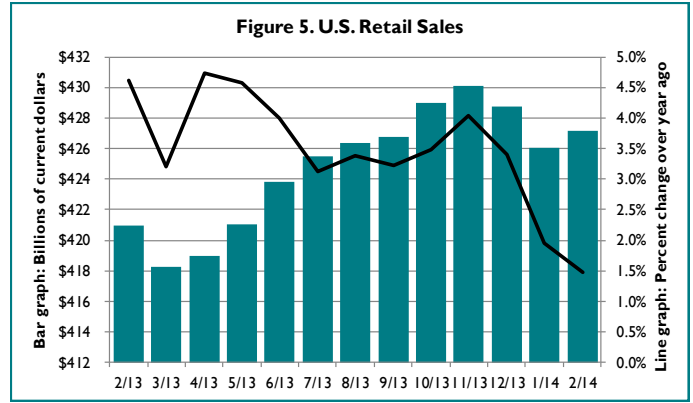
After three consecutive months of increases, the **U.S. Index of Consumer Expectations** (three-month moving average) fell 1.0 percent in February as seen in Figure 9. This small decline is not entirely unexpected given the relative weakness in the economy over the past three to four months, much of which is believed to be weather-driven. Thus, the outlook of consumers should improve as the effects of winter diminish across the country.

(Continued on page 4)

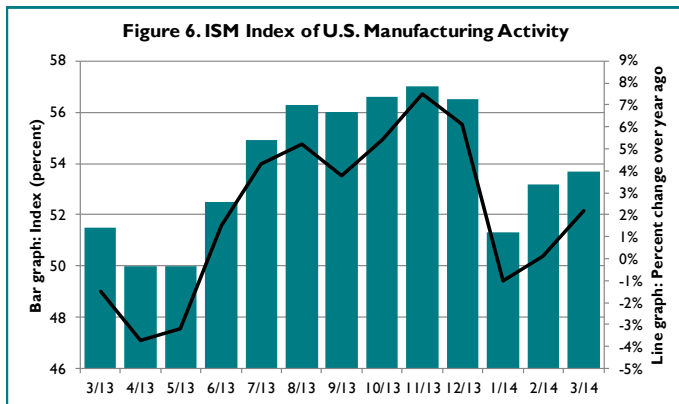
LEADING ECONOMIC INDICATORS, IN FIGURES



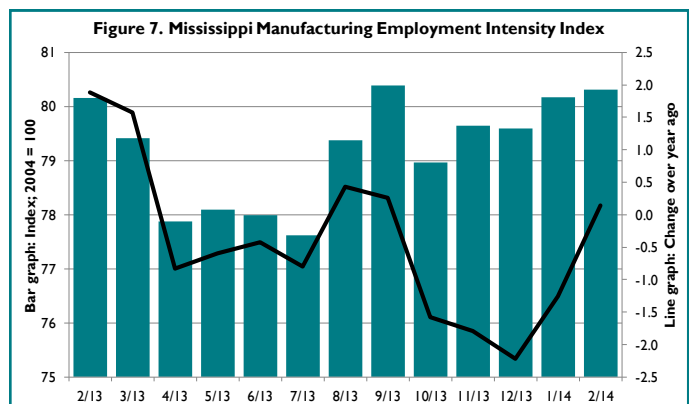
Source: Bureau of the Census



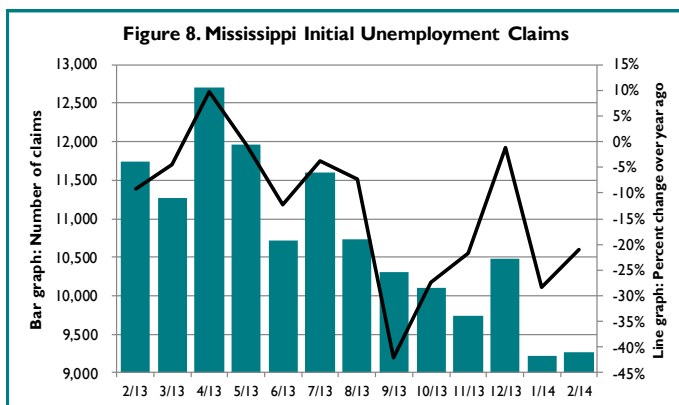
Source: Bureau of the Census



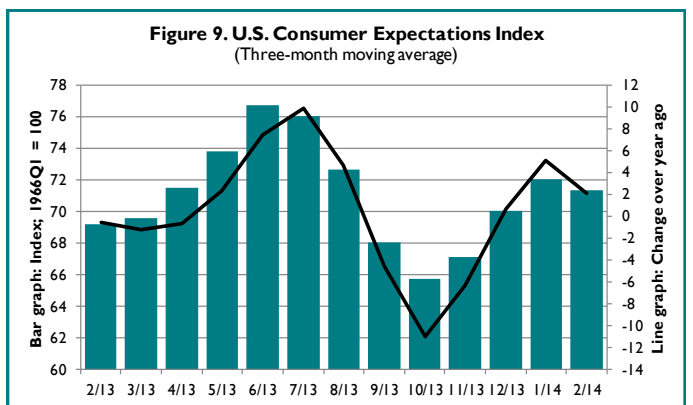
Source: Institute for Supply Management



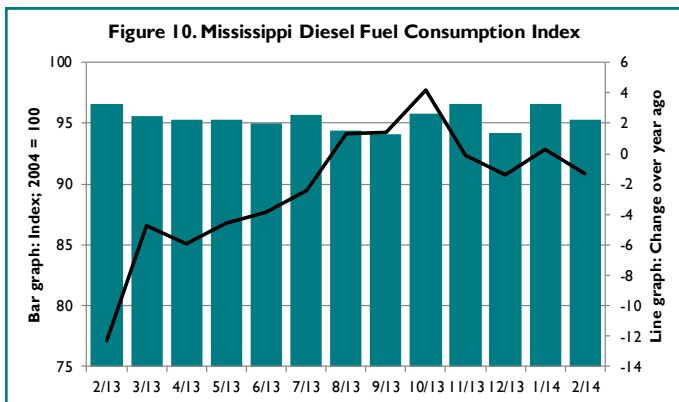
Source: URC using data from Bureau of Labor Statistics



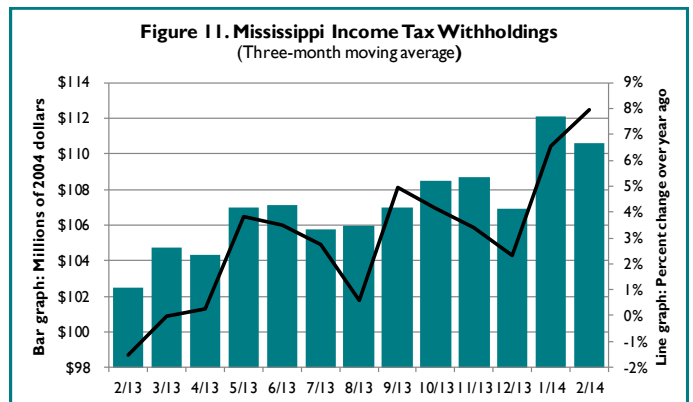
Source: Mississippi Department of Employment Security



Source: University of Michigan Consumer Sentiment Survey



Source: URC using data from Mississippi Department of Revenue



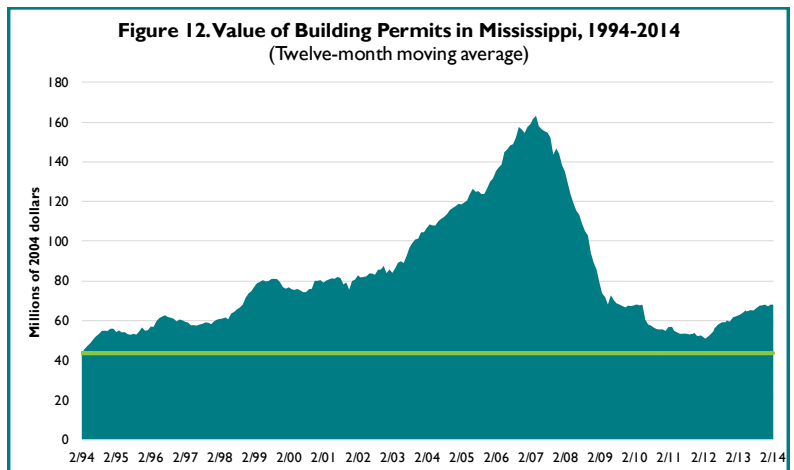
Source: Mississippi Department of Revenue

MISSISSIPPI'S BUSINESS

LEADING INDICATORS, FEBRUARY 2014 (CONTINUED)

The **Mississippi Diesel Fuel Consumption Index** slipped 1.3 percent in February, as indicated in Figure 10. In addition, the price of a gallon of diesel fuel in the Gulf Coast district (which includes Mississippi) changed little in February, increasing by 0.2 percent according to the U.S. Energy Information Administration.

Mississippi income tax withholdings (three-month moving average) fell slightly in February following the relatively large increase in January. As seen in Figure 11, the average dropped 1.3 percent for the month but remains 7.9 percent greater than a year ago. February's decline is only the second monthly decrease since July 2013.



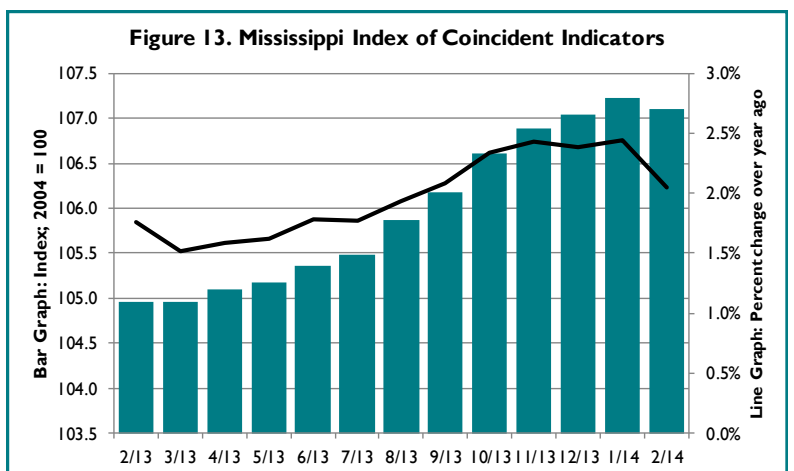
Source: Bureau of the Census

COINCIDENT INDICATORS, FEBRUARY 2014

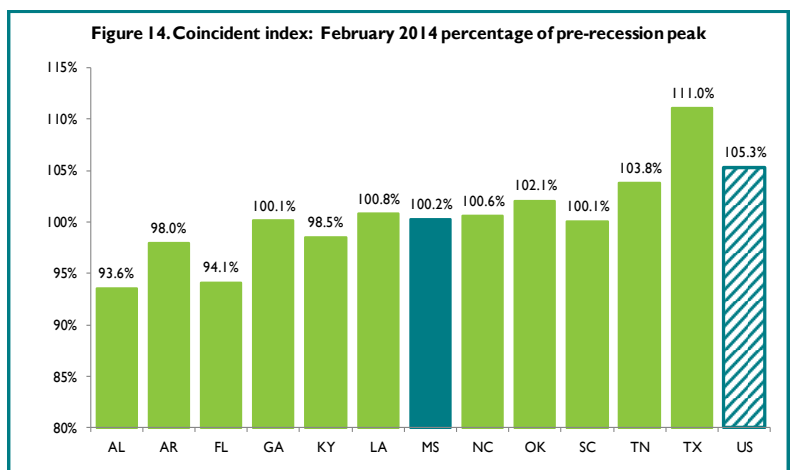
The Mississippi Index of Coincident Indicators declined slightly in value in February, as indicated by Figure 13. Based on revised data, this decline was the first decrease in the index in over a year. The index fell only 0.1 percent, however, and remains 2.0 percent above its level of a year ago.

The decline in the February value of the Mississippi coincident index means it is above the level of the “Great Recession” of 2007-09 by only the slightest of margins at 100.2 percent. Despite the declines in the values of the indices for Mississippi and other states, eight of the twelve southeastern states remain fully recovered. The values for Alabama and Florida both fell slightly in February and these states continue to lag behind the rest of the region. Arkansas and Kentucky also have index values below those of their pre-recession levels. The value of the index for Texas did not change in February, but remains above its pre-recession level by a greater margin than any other southeastern state.

As Figure 15 on page 5 indicates, every state with the exception of Kansas experienced an increase in the value of its February index compared to three months prior. Mississippi was one of twelve states with three-month growth between 0.1 and 0.5 percent in February, while growth in all other states exceeded 0.5 percent for the month.



Source: Federal Reserve Bank of Philadelphia



Source: Federal Reserve Bank of Philadelphia

NATIONAL TRENDS

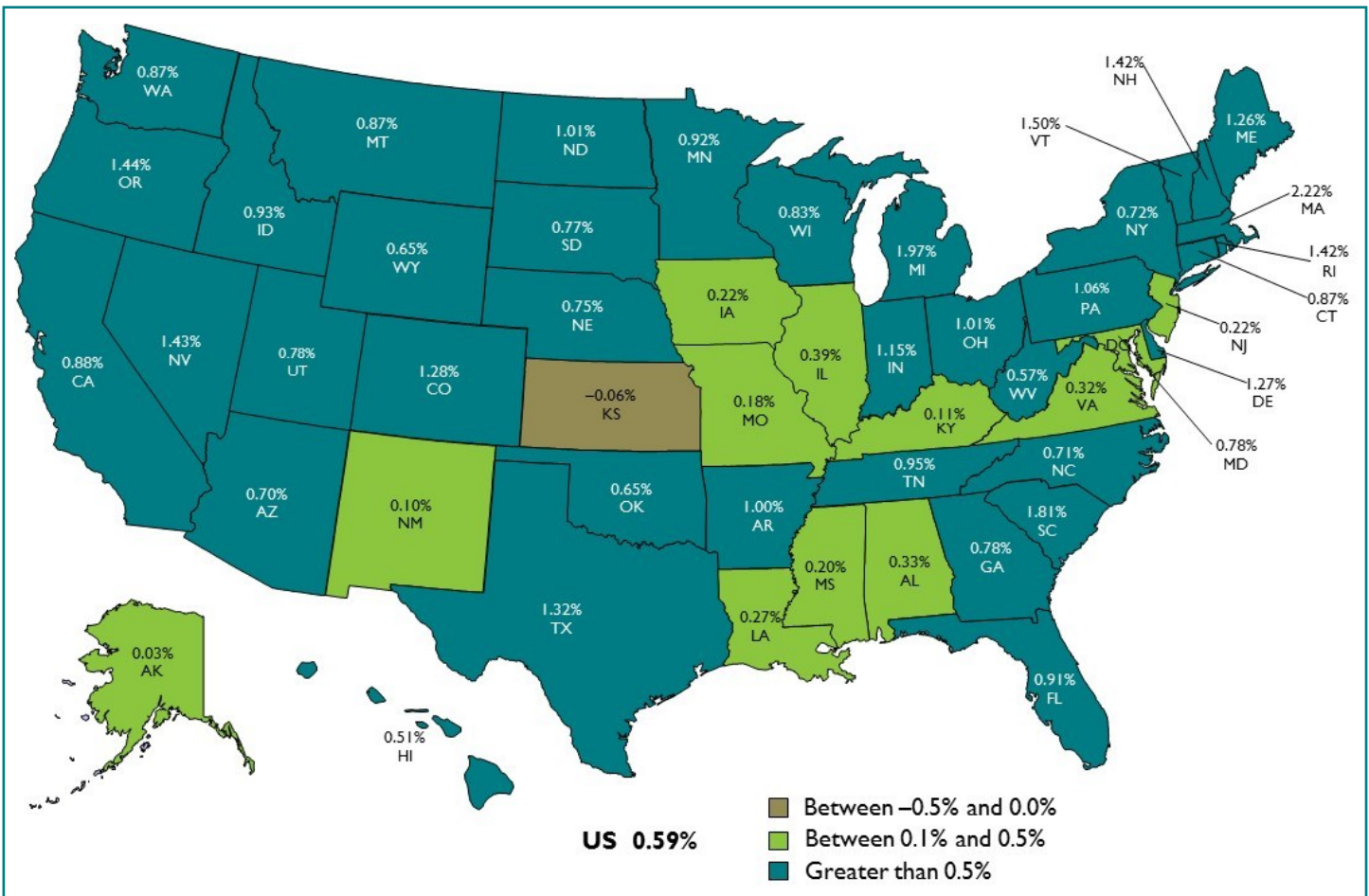
The Conference Board reported the U.S. Leading Economic Index (LEI) increased 0.5 percent in February and the U.S. Coincident Economic Index (CEI) moved higher by 0.2 percent. Additionally, revisions by The Conference Board mean the LEI for January inched up 0.1 percent while the December value of the LEI actually slipped 0.1 percent. Reiterating last month's view, The Conference Board believes both indices signal continued economic growth that may accelerate later in 2014.

The Small Business Optimism Index compiled by the National Federation of Independent Businesses (NFIB) fell markedly in February, declining 2.9 percent to a level of 91.4. Relatively low sales in recent months as well as continued uncertainty about a number of policy-related issues—including the continued impact of health care reform and a potential increase in the minimum wage—kept

outlooks mostly negative. However, a net 24 percent of firms surveyed stated they intend to raise prices in 2014.

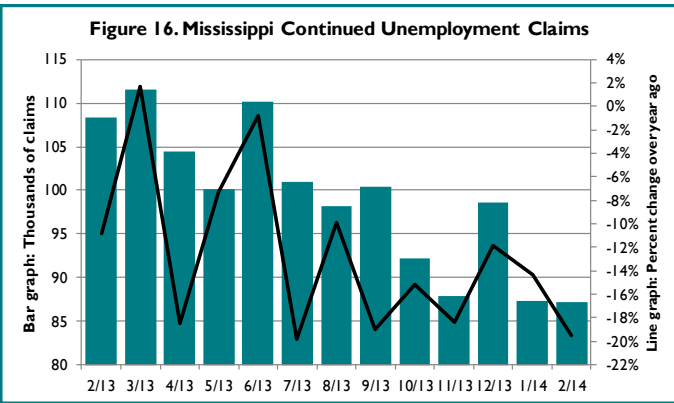
At her first policy meeting in February, new Federal Reserve Chair Janet Yellen indicated going forward the central bank will take what is described as a more *qualitative* as opposed to a *quantitative* approach to monetary policy. Such a shift means the Federal Reserve will not solely use specific levels of the unemployment rate and inflation to guide its decisions about increasing interest rates and the federal funds rate. Rather, its monetary policy decisions will be influenced more by a broader array of factors and conditions in the economy. This approach gives the Federal Reserve more freedom and flexibility in the outlook it provides. Assuming the economy continues to strengthen according to expectations, the central bank will complete its tapering program and likely begin edging interest rates upward around mid-2015.

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

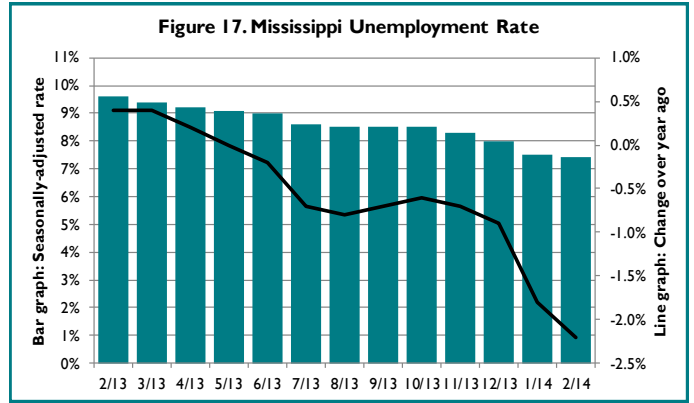


MISSISSIPPI'S BUSINESS

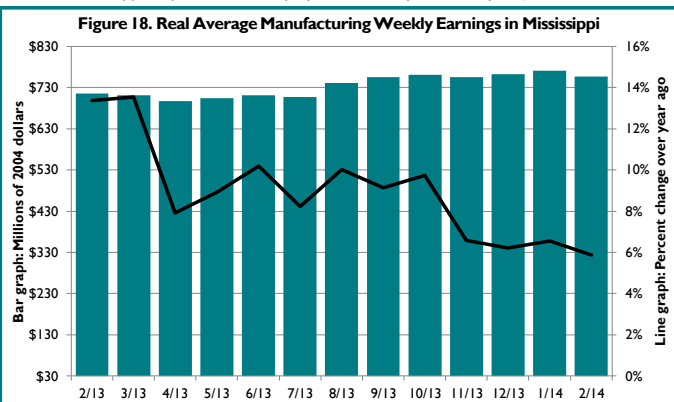
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



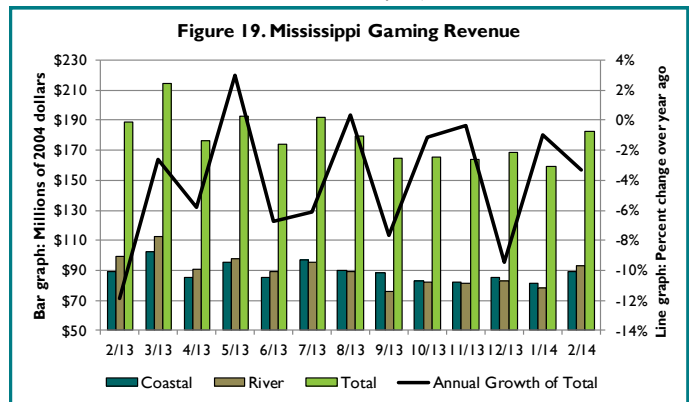
Source: Mississippi Department of Employment Security; Seasonally Adjusted



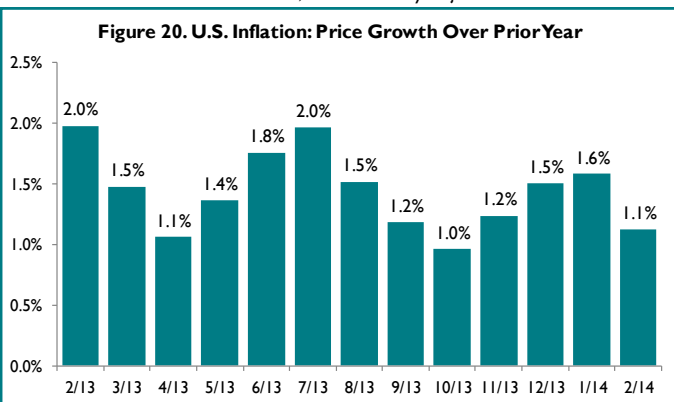
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



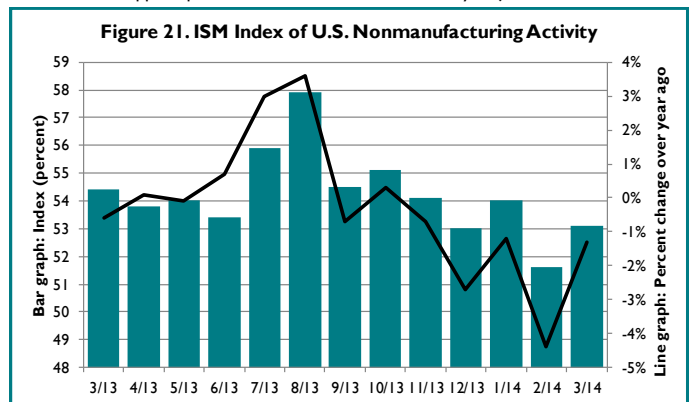
Source: U.S. Bureau of Labor Statistics; Non-seasonally Adjusted



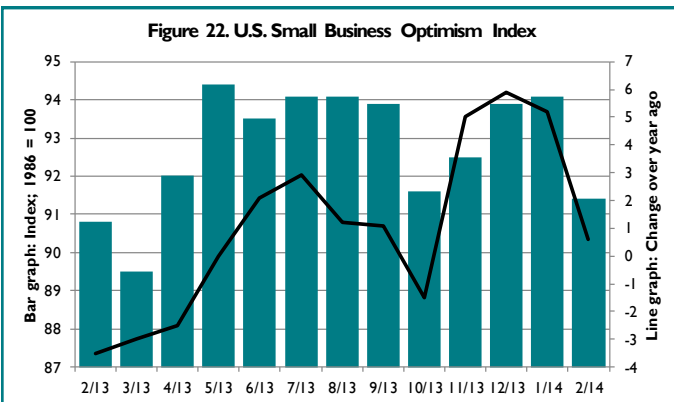
Source: Mississippi Department of Revenue; Non-seasonally Adjusted



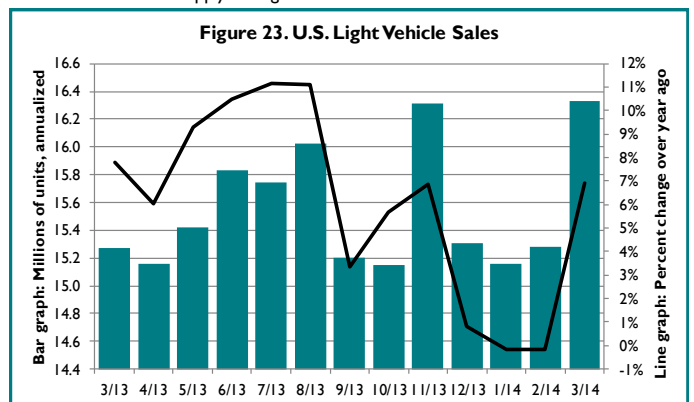
Source: U.S. Bureau of Labor Statistics



Source: Institute for Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

TABLE I. SELECTED ECONOMIC INDICATORS

Indicator	February 2014	January 2014	February 2013	Percent change from last month last year		
U.S. Index of Coincident Indicators 2004 = 100. Source: The Conference Board	108.2	108.0	105.3	0.2%	2.8%	Economic Indices
Mississippi Index of Coincident Indicators 2004 = 100. Source: Federal Reserve Bank of Philadelphia	107.1	107.2	105.0	-0.1%	2.0%	
U.S. Index of Leading Indicators 2004 = 100. Source: The Conference Board	99.8	99.3	94.6	0.5%	5.5%	
Mississippi Index of Leading Indicators 2004 = 100. Source: University Research Center	102.5	102.7	99.5	-0.2%	3.0%	
Mississippi Initial Unemployment Claims Source: Mississippi Department of Employment Security	9,263	9,217	11,740	0.5%	-21.1%	Components of the Mississippi Index of Leading Indicators
Value of Mississippi Residential Building Permits Three-month moving average; millions of 2004 dollars. Source: Bureau of the Census	53.5	52.2	54.3	2.5%	-1.6%	
Mississippi Income Tax Withholdings Three-month moving average; millions of 2004 dollars. Source: Mississippi Department of Revenue	110.6	112.1	102.5	-1.3%	7.9%	
Mississippi Manufacturing Employment Intensity Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	80.3	80.2	80.2	0.2%	0.2%	
Mississippi Diesel Fuel Consumption Index Three-month moving average; 2004 = 100. Source: URC using data from Mississippi Department of Revenue	95.3	96.6	96.6	-1.4%	-1.4%	
U.S. Index of Consumer Expectations Three-month moving average; index 1966Q1 = 100. Source: University of Michigan Consumer Sentiment Survey	71.3	72.0	69.2	-1.0%	3.0%	
U.S. ISM Index of Manufacturing Activity Advanced one month. Source: Institute For Supply Management	53.7	53.2	51.5	0.5%	2.2%	
U.S. Retail Sales Current dollars, in billions. Source: Bureau of Census	427.2	426.1	421.0	0.3%	1.5%	
U.S. Consumer Price Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	124.3	123.8	122.9	0.4%	1.1%	
Mississippi Unemployment Rate Seasonally-adjusted. Source: Bureau of Labor Statistics	7.4%	7.5%	9.6%	-0.1%	-2.2%	
Mississippi Continued Unemployment Claims Source: Mississippi Department of Employment Security	87,252	87,323	108,410	-0.1%	-19.5%	Miscellaneous Indicators
U.S. Mortgage Rates 30-year conventional. Source: Federal Reserve	4.25%	4.46%	3.49%	-0.2%	0.8%	
Mississippi Average Hourly Wage for Manufacturing 2004 dollars. Source: Bureau of Labor Statistics	18.32	18.32	16.90	0.0%	8.4%	
Mississippi Average Weekly Earnings for Manufacturing 2004 dollars. Source: Bureau of Labor Statistics	756.65	770.68	714.77	-1.8%	5.9%	
Small Business Optimism Index 1986 = 100. Source: National Federation of Independent Businesses	91.4	94.1	90.8	-2.9%	0.7%	
Gaming Revenue	182.4	159.5	188.6	14.3%	-3.3%	
Coastal Counties	89.4	81.4	89.5	9.8%	-0.1%	
River Counties	93.0	78.1	99.1	19.1%	-6.2%	

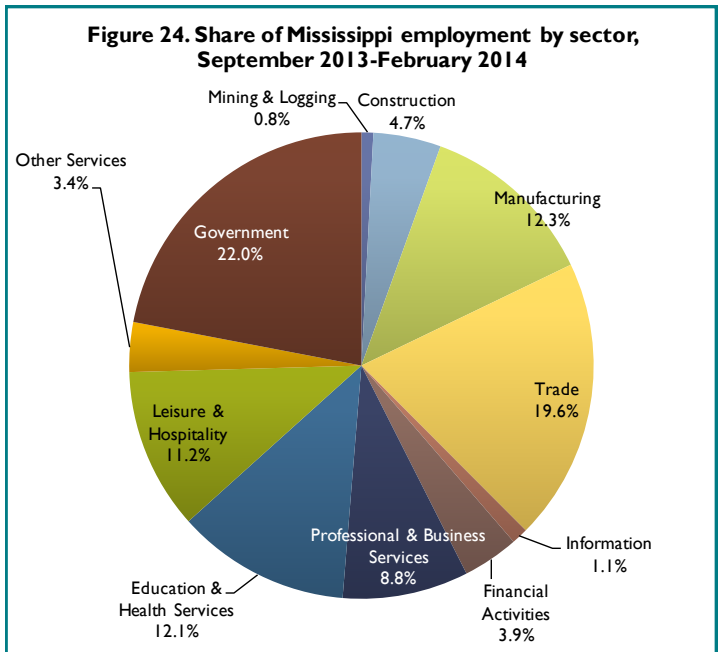
Non-seasonally adjusted, millions of dollars. Source: Mississippi Department of Revenue

MISSISSIPPI'S BUSINESS

MISSISSIPPI EMPLOYMENT TRENDS

For the second consecutive month, total nonfarm employment fell in Mississippi. Job losses in February totaled 2,200 or 0.2 percent, about half the number lost in January. Only three sectors added jobs in February: manufacturing, financial activities, and education & health services. The manufacturing sector continues to be a boon for employment in the state, adding or maintaining jobs for seven consecutive months.

Figure 24 provides more details about the nature of employment in Mississippi. The values reflect the average share of employment by industry over the previous six months. The single largest sector employing the most individuals is government—including federal, state, and local levels. While the share of workers in government grew slightly during the last recession, this share has begun to fall as other sectors add jobs. Government is closely followed by the trade industry, which consists of wholesale and retail trade. Together these firms resell goods both to businesses and the general public. The next three largest sectors—manufacturing, education & health services, and leisure & hospitality—each employ 11 to 12 percent of the state's workforce. Professional & business services is the next largest category, employing almost 9 percent of Mississippi's workforce. All other industries each employ less than 5 percent of working individuals and include construction, financial activities, and information, among others.



Source: U.S. Bureau of Labor Statistics

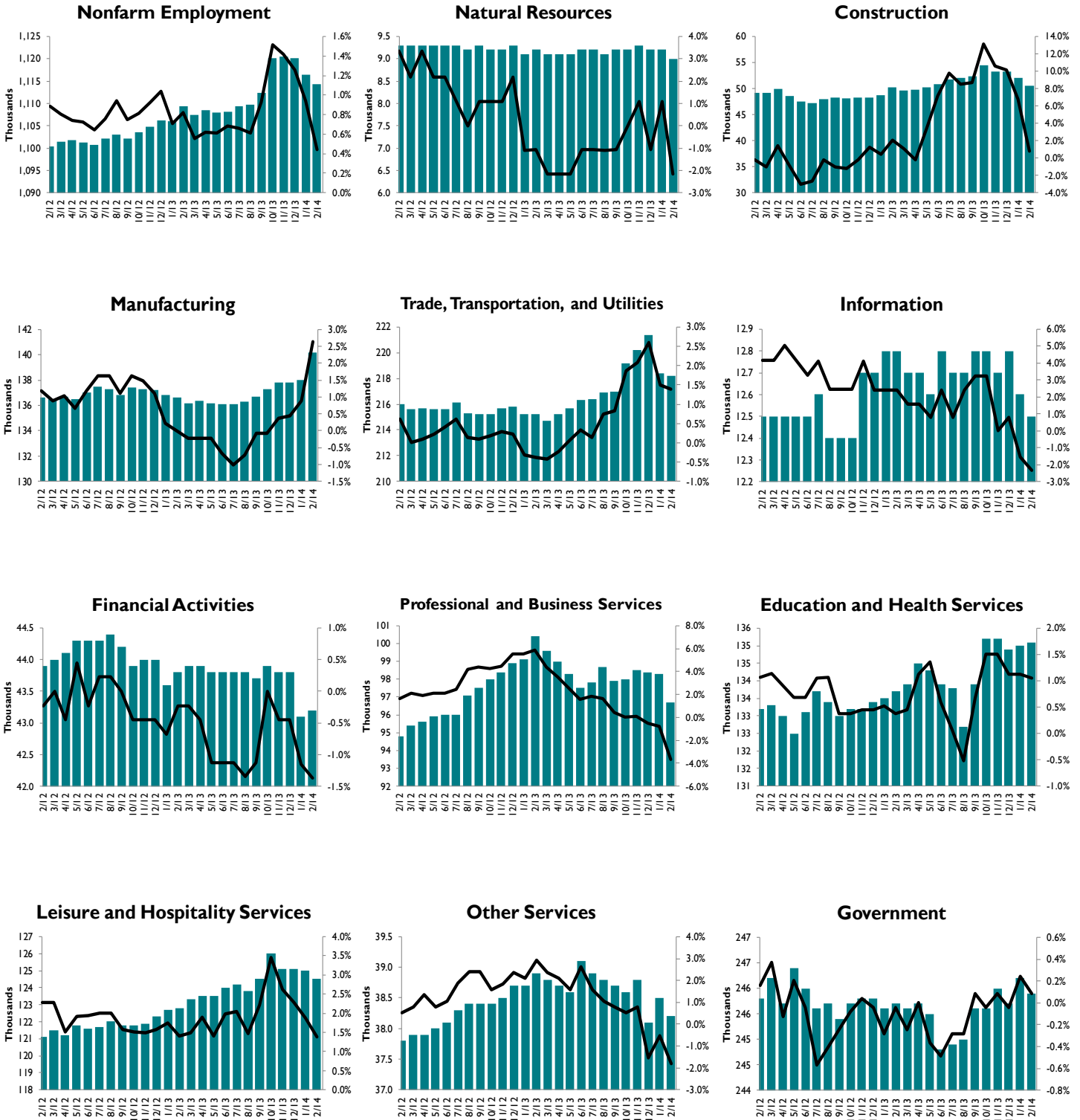
Table 2. Change in Mississippi Employment by Industry, February 2014

	Relative Share of Total ^a	February 2014	January 2014	February 2013	Change from Prior Month	Change from Prior Year		
					Level	Level	Percent	Percent
Total Nonfarm	100.0%	1,114,300	1,116,500	1,109,400	(2,200)	4,900	(0.20%)	0.4%
Mining and Logging	0.8%	9,000	9,200	9,200	(200)	(200)	(2.2%)	(2.2%)
Construction	4.6%	50,600	52,000	50,200	(1,400)	400	(2.7%)	0.8%
Manufacturing	12.3%	140,200	138,000	136,600	2,200	3,600	1.6%	2.6%
Trade, Transportation, & Utilities	19.5%	218,200	218,400	215,200	(200)	3,000	(0.1%)	1.4%
Retail Trade	12.0%	133,400	134,000	132,500	(600)	900	(0.4%)	0.7%
Information	1.1%	12,500	12,600	12,800	(100)	(300)	(0.8%)	(2.3%)
Financial Activities	3.9%	43,200	43,100	43,800	100	(600)	0.2%	(1.4%)
Services	35.6%	394,500	396,800	395,800	(2,300)	(1,300)	(0.6%)	(0.3%)
Professional & Business Services	8.9%	96,700	98,300	100,400	(1,600)	(3,700)	(1.6%)	(3.7%)
Education & Health Services	12.1%	135,100	135,000	133,700	100	1,400	0.1%	1.0%
Leisure & Hospitality	11.2%	124,500	125,000	122,800	(500)	1,700	(0.4%)	1.4%
Other Services	3.5%	38,200	38,500	38,900	(300)	(700)	(0.8%)	(1.8%)
Government	22.1%	245,900	246,200	245,700	(300)	200	(0.1%)	0.1%

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

Source: Bureau of Labor Statistics

MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES



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

Source: Bureau of Labor Statistics (all figures)

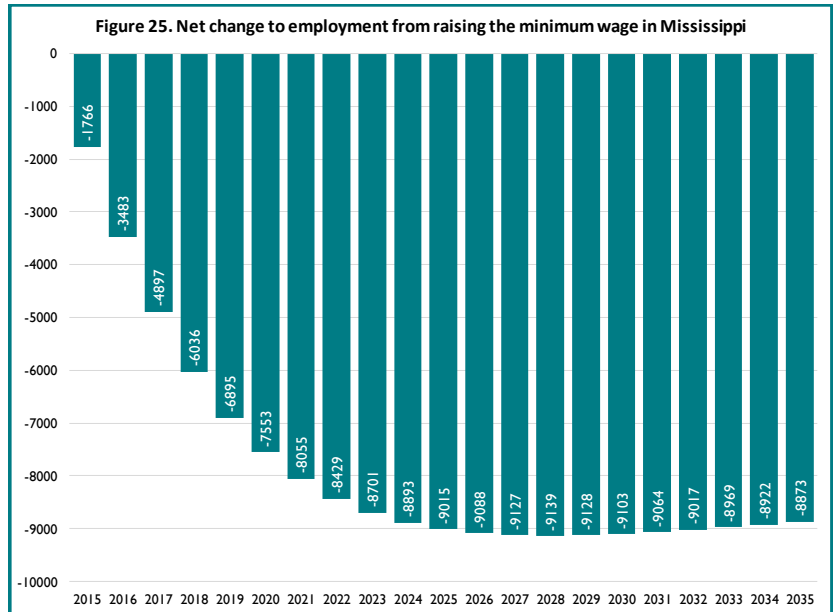
MISSISSIPPI'S BUSINESS

RAISING THE MINIMUM WAGE IN MISSISSIPPI

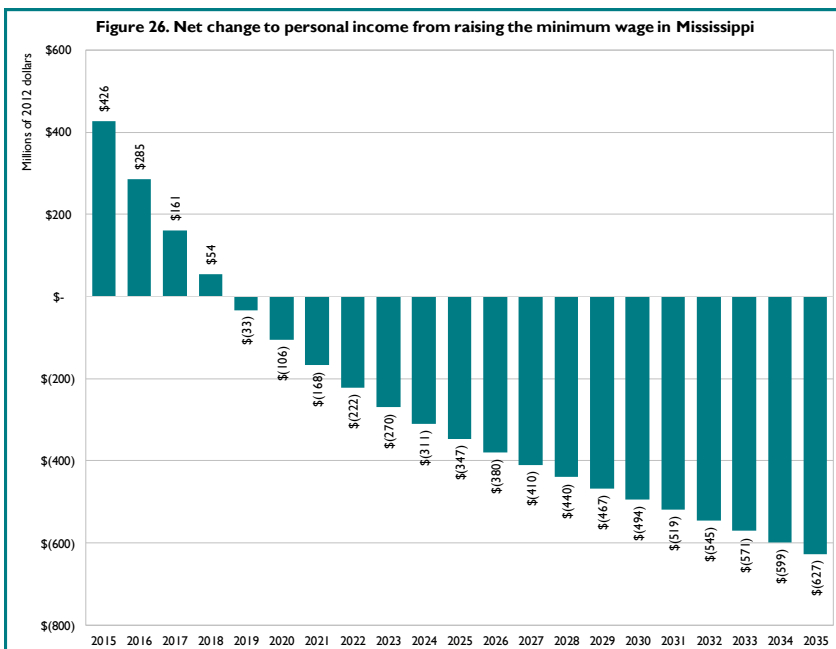
Since the Fair Labor Standards Act (FLSA) of 1938 established the initial federal minimum wage, it has been raised 22 separate times, most recently in July 2009 to the current rate of \$7.25 an hour. In his State of the Union address in January, President Obama called for increasing the federal minimum wage to \$10.10 per hour. In response, a number of bills have been introduced in the current session of Congress, but to date no proposed changes have been enacted. The President also issued an executive order raising the minimum wage for federal contractors to \$10.10 per hour.

Mississippi is one of five states with no established state minimum wage, which means the federal minimum applies in these locations. According to the U.S. Department of Labor currently 21 states and the District of Columbia have minimum wages above the federal minimum wage.

The U.S. Bureau of Labor Statistics (BLS) estimated in 2012 that 21,000 hourly workers in Mississippi received the minimum wage of \$7.25 per hour and 24,000 were paid a rate less than minimum wage. Together these workers represent about 6.4 percent of workers in Mississippi paid hourly rates. Furthermore, according to the BLS the median hourly wage in Mississippi ranges from \$13.01 to \$14.00 per hour—tied with Arkansas, South Dakota, and West Virginia for the lowest in the nation.



Source: University Research Center



Source: University Research Center

The University Research Center (URC) analyzed the economic impact of increasing Mississippi’s minimum wage from \$7.25 to \$10.10 beginning in 2014. The analysis utilizes a dynamic economic and demographic simulation model of the Mississippi economy constructed by Regional Economy Models, Inc. (REMI). Essentially, this model estimates across many different sectors numerous measures of the economy including GDP, employment, and personal income for a specific period; the model is then “shocked” by an increase in the minimum wage. The model re-estimates these measures over the same period to determine the impacts to the state’s economy. The model assumes a minimum wage increase to \$10.10 per hour in Mississippi while leaving

RAISING THE MINIMUM WAGE IN MISSISSIPPI (CONTINUED)

other locations unchanged, including surrounding states.

Using the Mississippi REMI economic model with estimates for total annual wage increases for each industry sector while omitting any inflation increases in future years, URC finds raising the minimum wage in Mississippi to \$10.10 per hour will: (1) increase the price of consumer goods, (2) reduce employment and personal income, and (3) slow the growth of gross state product.

Specifically, the REMI model predicts that raising the minimum wage in Mississippi from \$7.25 to \$10.10 per hour beginning in 2015 results in a loss of 9,139 jobs and generates losses in real personal income totaling \$274 million by 2028. This loss of jobs and personal income will be reflected in slower economic growth that lowers the gross state product \$589 million by 2028. Figures 25 and 26 on the previous page depict the predicted changes in jobs and income, respectively, over the next twenty years from raising the state's minimum wage to \$10.10 per hour. Table 3 below lists the 9,139 jobs predicted to be lost in 2028 by major economic sector.

While the REMI model predicts in the first year of the minimum wage increase total wages and salary disbursements will increase by \$719 million and real personal income will increase by \$426 million, it calculates that by 2019 the change in total real personal income will be negative by \$33 million and the change in real disposable personal income will be negative by \$31 million.

Although the very short-term effect of a minimum wage increase might appeal to many people—particularly those who would receive higher wages—based on the results above, in the long run lower-wage jobs will be lost, personal income reduced, and gross state product lowered.

This article is adapted from *Raising the Minimum Wage in Mississippi: An Econometric Analysis*, March 2014, by Pete Walley, Director of the Economic Development Planning Bureau. The complete report is available online at http://www.mississippi.edu/urc/downloads/pwalley_140321.pdf.

Table 3. Job losses by sector from raising the minimum wage in Mississippi.

Major Economic Sector (in 2028)	Jobs Lost
Accommodation and Food Services	2,047
Other Services, except Public Administration	1,278
Administrative and Waste Management Services	1,084
Retail Trade	934
State and Local	861
Health Care and Social Assistance	633
Construction	568
Professional, Scientific, and Technical Services	394
Real Estate and Rental and Leasing	291
Arts, Entertainment, and Recreation	245
Finance and Insurance	175
Manufacturing	165
Transportation and Warehousing	157
Educational Services	95
Wholesale Trade	85
Forestry, Fishing, and Related Activities	59
Information	23
Management of Companies and Enterprises	17
Utilities	15
Mining	13

Source: University Research Center