MISSISSIPPI'S BUSINESS

Center For Policy Research and Planning

May 2008

Monitoring the State's Economy

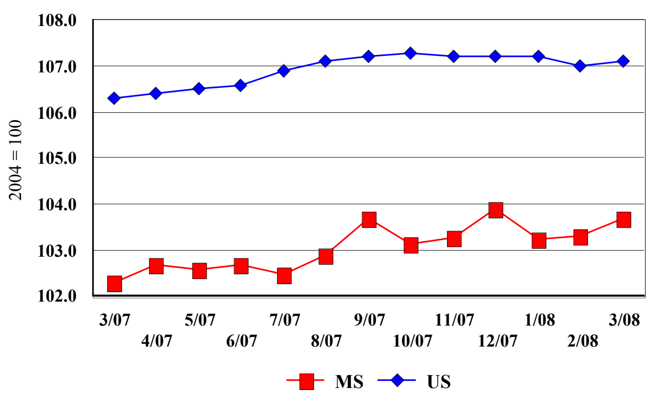
Volume 66 - Number 4

ECONOMY AT A GLANCE

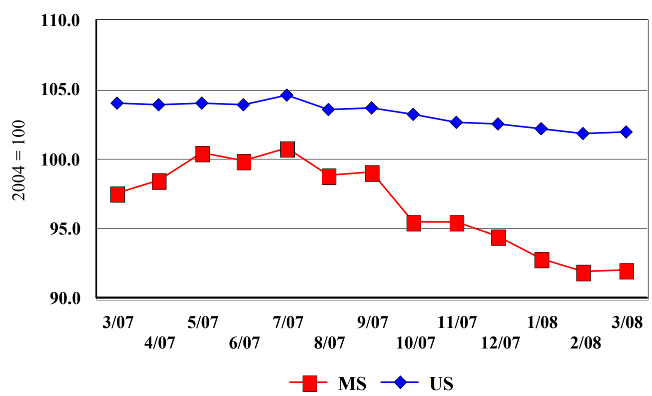
The State's economy is slowing but continues to grow, although the pace is meager. Like the Nation, Mississippians are facing rising prices for energy and food, a continued tightening of credit and declining housing market. Employment growth in the state is highly concentrated in a few areas, most notably the areas affected by Katrina. Incomes, as indicated by income tax withholdings, are slowing. The leading index has been on a declining trend since mid 2007 and the coincident index, while at a high level, is below the level six-months prior. The indices suggest continued economic sluggishness for the state.

Nationally, consumer sentiment is weak and weakening. The outlook is for a modest boost from the rebate checks followed by a return to sluggish growth. Even if the nation avoids a recession, the growth will be below the long-term average. Despite a modest gain in GDP during the first quarter of 2008, a dip into territory is still possible. The economy is expected to continue in this malaise until mid 2009.

Index of Coincident Indicators



Index of Leading Indicators



MISSISSIPPI'S BUSINESS

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In This Issue

Visit us on the web

http://www.ihl.state.ms.us/urc/planning/econdept.htm

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.

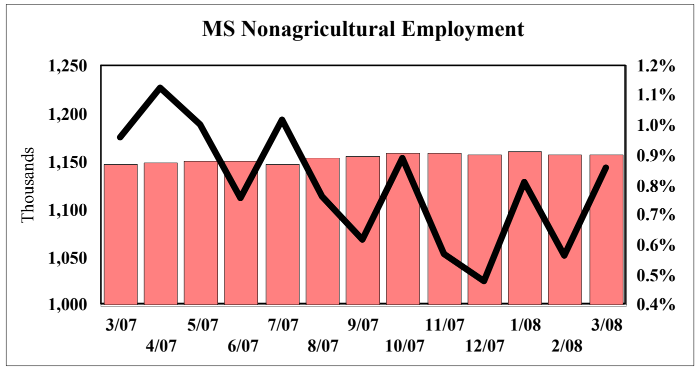
The Mississippi Index of Leading and Coincident Indicators have been revised to reflect a 2004 base year. This was done to make the data comparable to the revised U.S. Indices.

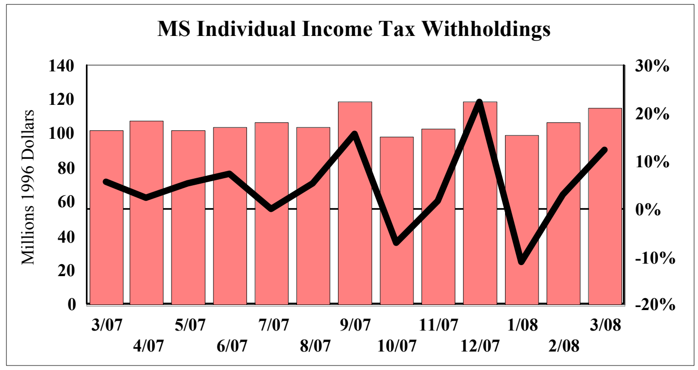
Coincident Indicators

The Mississippi Index of Coincident Indicators was 103.7 in March, 0.3 percent above the February level. The graph below depicts the growth over the prior year, by quarter for both the national and state coincident indices. Both indices are declining, with the state growth below the National. To the extent that these two indices accurately reflect the general economic conditions in their respective regions, we can draw some inferences about the economy. It appears that both economies are continuing to expand, but at a declining rate. This coincided with recent reports that the Nation has avoided a recession during the first quarter, but that growth was slow. The state has seemingly followed a similar path. It is further implied that the National growth exceeds that of the state, which is consistent with our assessment that outside of Katrina recovery, the state's economy is struggling.

Interestingly, the March index of 103.7 is near its all time high. But this high level masks the absence of any real momentum for growth. To put this in more tangible terms, the State's employment level reached an all time peak in January 2008. But this peak is only slightly higher than the peak which

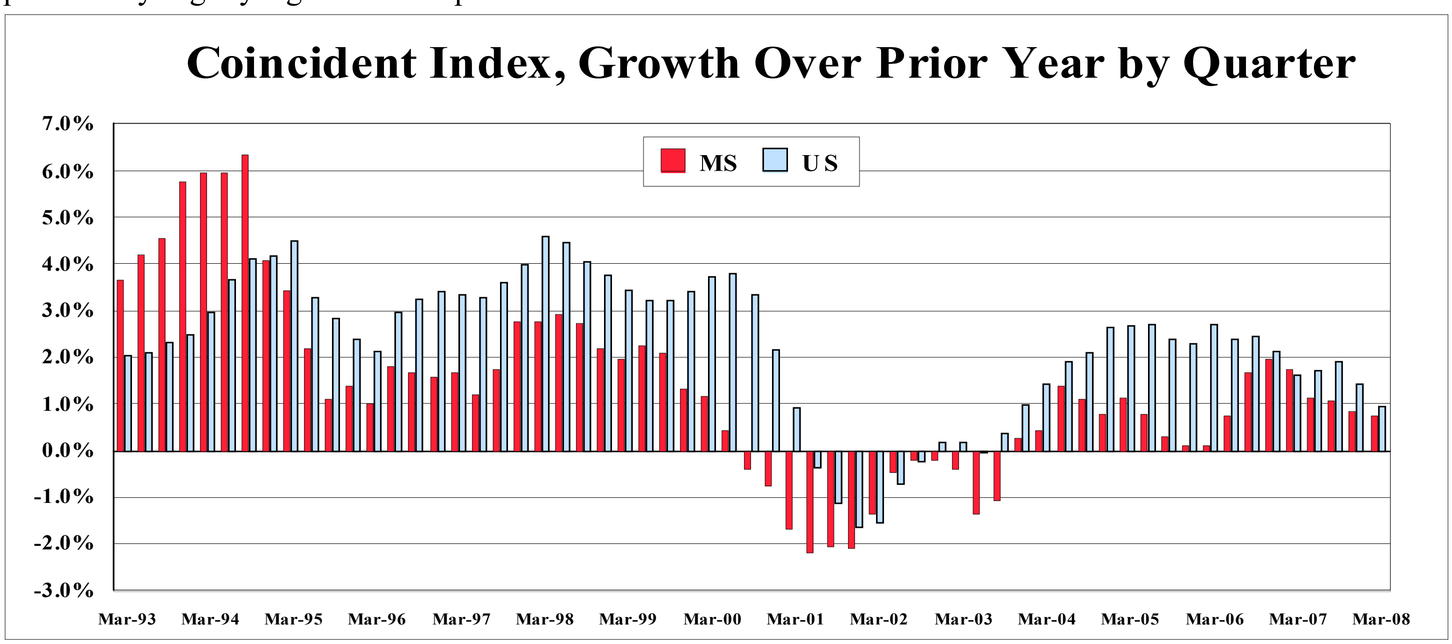
Mississippi Index of Coincident Indicator Components





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.



Mississppi Employment By Sector

Seasonally Adjusted

	March 2008	February 2008	March 2007	Change from Prior Month Jobs	%	Change from Prior Year Jobs	%
Nonfarm	1,156,616	1,156,640	1,146,752	-24	0.0%	9,864	0.9%
Natural Resources	9,636	9,669	9,524	-33	-0.3%	111	1.2%
Construction	59,031	58,714	59,615	317	0.5%	-583	-1.0%
Manufacturing	165,776	166,465	166,890	-690	-0.4%	-1,115	-0.7%
Trade, Transportation and Utilities	228,632	228,547	226,449	85	0.0%	2,183	1.0%
Retail	142,476	142,482	141,618	-6	0.0%	858	0.6%
Information	13,091	13,197	13,282	-105	-0.8%	-191	-1.4%
Financial Activities	46,839	46,796	46,920	42	0.1%	-81	-0.2%
Services	388,248	388,075	380,971	173	0.0%	7,277	1.9%
Professional and Business Services	93,984	94,446	94,216	-462	-0.5%	-232	-0.2%
Educationand Health Services	127,376	127,353	124,855	23	0.0%	2,521	2.0%
Leasure and Hospitality	129,159	128,613	124,672	545	0.4%	4,487	3.6%
Other Services	37,729	37,662	37,228	67	0.2%	500	1.3%
Total Government	245,729	245,709	242,297	21	0.0%	3,432	1.4%
Federal Government	25,776	25,820	25,871	-44	-0.2%	-95	-0.4%
State Government	59,659	59,463	58,875	196	0.3%	784	1.3%
Local Government	160,218	160,374	157,466	-156	-0.1%	2,752	1.7%

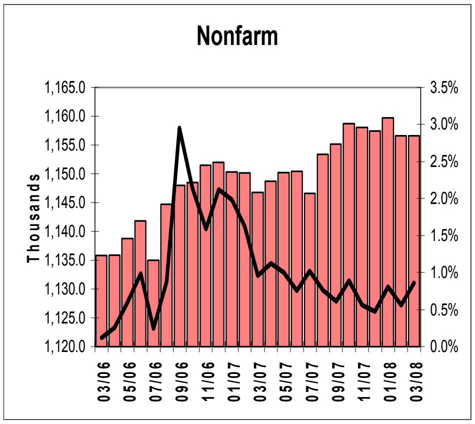
occurred in May 2000. After 8 years of rising costs of living and increased population, the number of wage-earners has only modestly increased. The state's economy took a drastic downturn in the 2000-2003 period and recovery has been slow. The most significant boost to the state's economy since the downturn has been the result of rebuilding from Katrina.

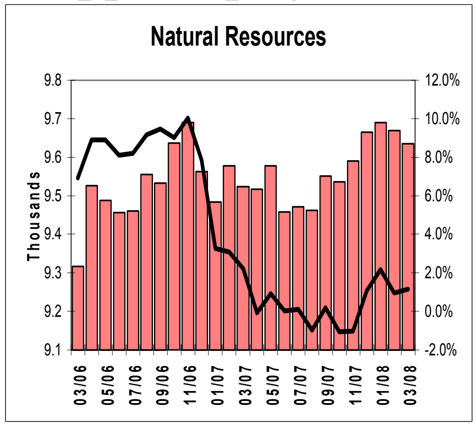
Nonagricultural employment was unchanged in March relative to February. As was the case in February, the *nonseasonally* adjusted employment level increased in March. By historical standards the increase was small for March, leading to the flat growth in the *seasonally* adjusted series. The largest monthly gains in employment occurred in leisure and hospitality services (545 jobs). Another 317 jobs were gained in the construction sector. This suggests Katrina recovery continues to drive much of the state's gain.

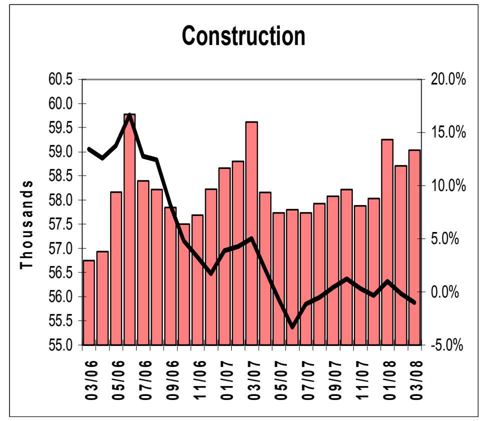
This point is made more clear by the map on page 5 which shows the average increase in jobs, by county during the first quarter of 2008 relative to the same period in 2007. During this period the state gained 8,167 jobs. This level of growth represents a 0.7 percent gain and compares to a 1.5 percent gain during the first quarter of 2007 relative to 2006. But job growth is highly concentrated. There were 6,167 jobs gained in Pearl River, Hancock and Harrison counties alone. If we exclude these three counties, the state job growth for the first quarter was only 0.2 percent. Jackson County gained 5,300 jobs, but the 2007 figures for Jackson County were artificially low due to a strike. The only other county with a gain of at least 1,000 jobs was Desoto County. The problem at the state level was the 46 counties which posted losses during this period and 12 counties with less that 100 jobs gained. In terms of generating jobs, Katrina recovery is the primary force in Mississippi.

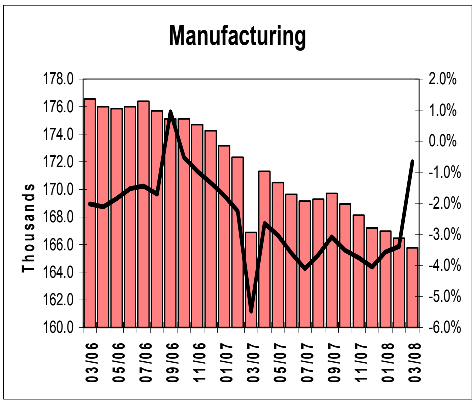
Individual income tax withholdings were up 8.0 percent in March relative to February. For the quarter ending in March, withholdings were up only 1.4 percent from the year ago level. For the quarter ending in December, the growth rate was 5.3%. The quarter ending in September 2007 saw a 7.0 percent growth rate. Growth in withholdings are slowing.

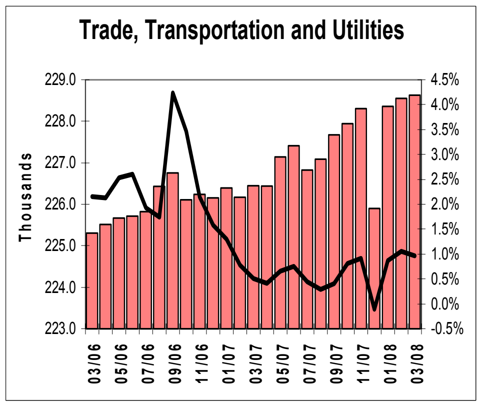
Mississippi Employment Trends

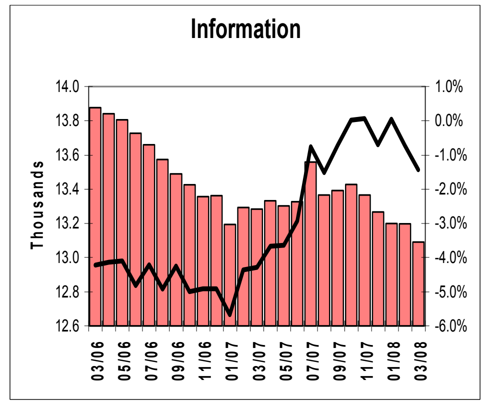


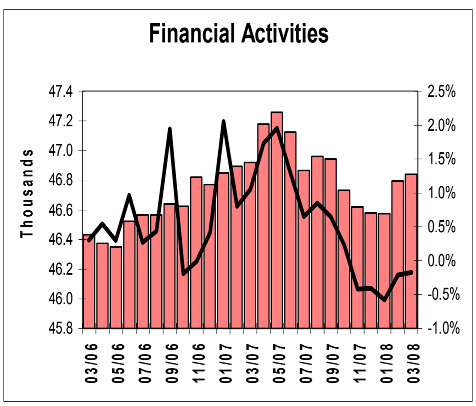


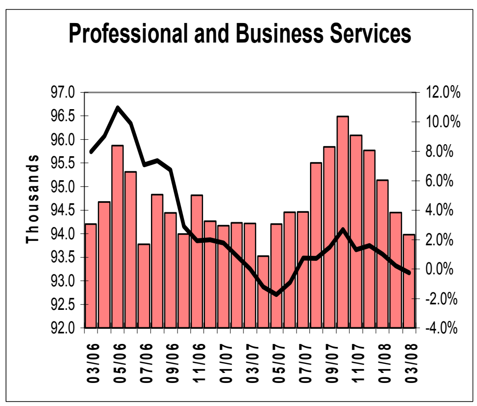


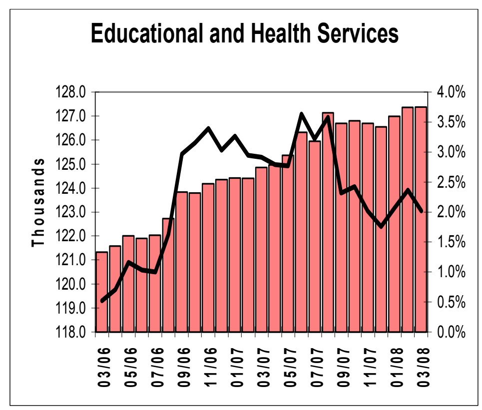


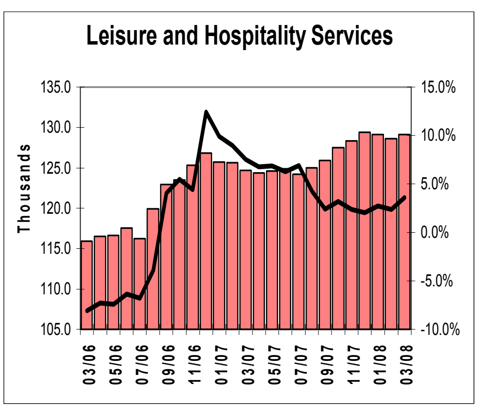


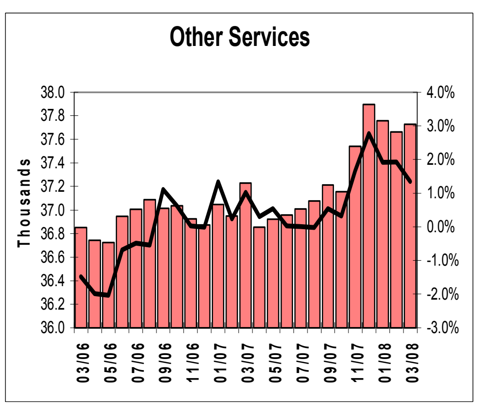


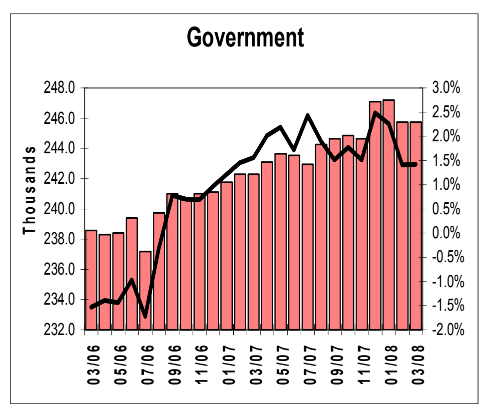








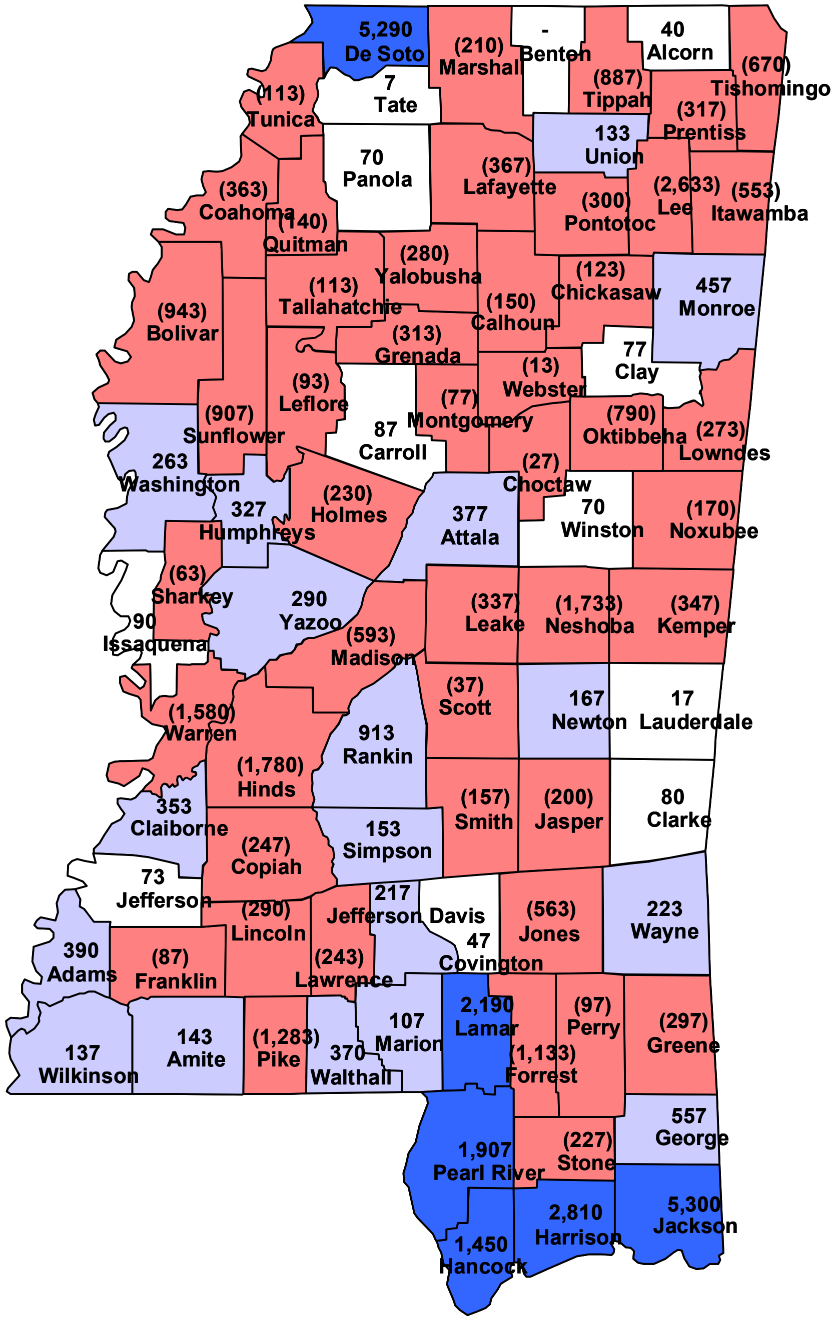




Note: The Bar Graphs above represent seasonally adjusted monthly employment and correspond to the left-hand axis. The line graphs represent the growth over the prior year's vale and correspond to the right-hand axis.

Source: Department of Mississippi Employment Security and IHL.

First Quarter Employment Growth Over Prior Year, 2008



Declining Employment (46 Counties)

Less than 100 Jobs Gained (12 Counties)

Between 100 and 1,000 Jobs Gained (18 Counties)

More than 1,000 Jobs Gained (6 Counties)

Leading Indicators

The Mississippi Index of Leading Economic Indicators was 92.0 in March, an almost imperceptible 0.1 percent above the February level. The slight increase nothwithstanding, the index has plummeted since last summer. The March index is 8.8 percent below the July level of 100.8. That is a sizable decline in a relatively short period. The behavior of the index suggests continued weakeness for the economy. Of the five components, two drove the increase, two contributed negatively and one had no effect.

The initial unemployment claims fell by 16.1 percent in March relative to February. The series had been on an upward trend since September. The continued unemployment claims increased sharply in March and has been on an upward trend since November. The unemployment rate for March was 6.0 percent.

Average manufacturing workweek length increased to 40.5 hours in March. The February level was 40.2 hours. The increase is fairly small. The series has been relatively flat for the past six months.

The Institute for Supply Management Index of U.S. Manufacturing Activity was 48.6 for April, unchanged from the March level. The index has been below 50 for four of the last five months. An index below 50 indicated the national manufacturing industry is contracting.

The Value of Residential building permits fell 16.6 percent in March relative to February. The index has been trending downward for over a year now. The series was growing almost steadily between 2002 through 2007. The recent declines have erased most all of these gains.

The U.S. Index of Consumer Expectations fell 3.7 percent in March relative to February. Driven by rising prices at the pump and the grocery store as well as the mortgage problems, the series has been trending downward since Mid 2007. Data released since the March figures show that expectations have continued to fall in April and May.

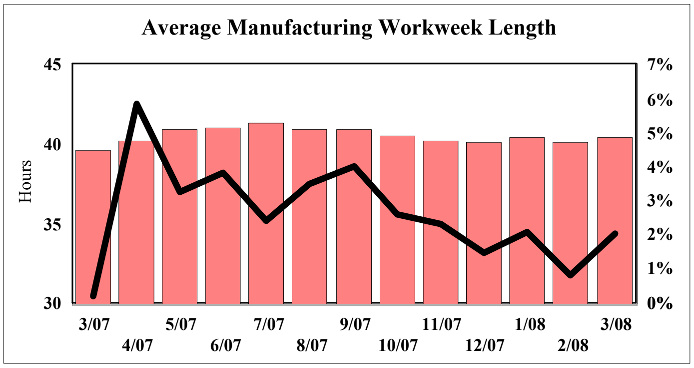
U.S. Economy

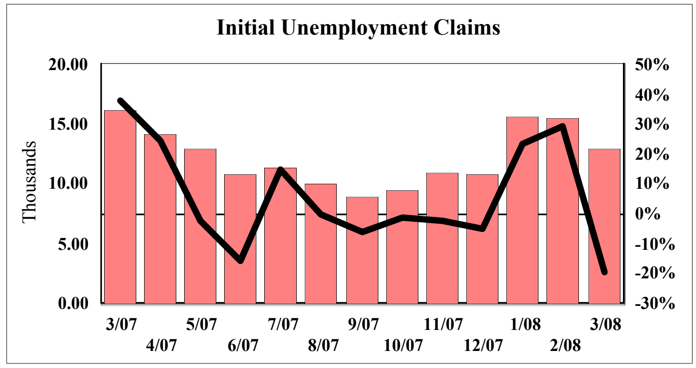
The U.S. Index of Coincident Economic Indicators increased slightly (0.1 percent) in March following a decline in February. The growth relative to the prior six months was an annualized -0.2 percent. This is down from the 1.1 percent observed through December. The weakness among the components of the index is widespread. The U.S. Index of Leading Economic Indicators saw a 0.1 percent increase as well. Like the state index, the U.S. index has been trending downward since mid 2007. According to the Conference Board the indices suggest economic weakness is likely to continue for the near term.

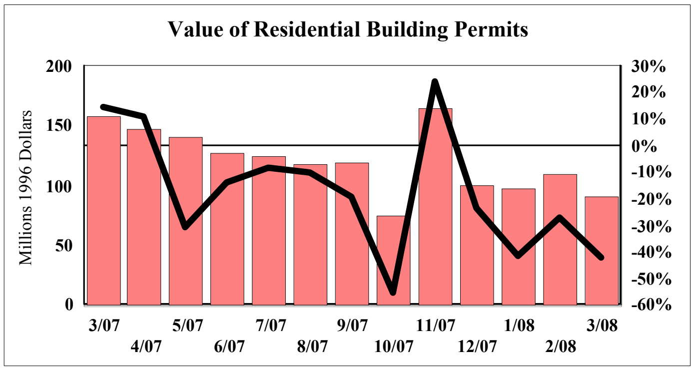
The good news is that the Nation appears to have avoided a recession. Real Gross Domestic Product (GDP) growth in the first quarter of 2008 and the fourth quarter of 2007 was a slow but positive 0.6 percent. This compared to 4.9 percent observed in the third quarter of 2007 and a 2.2 percent observed for the first half of 2007. Growing numbers of economist view the worst of the financial turmoil as being behind us but concede the effects will linger in the economy.

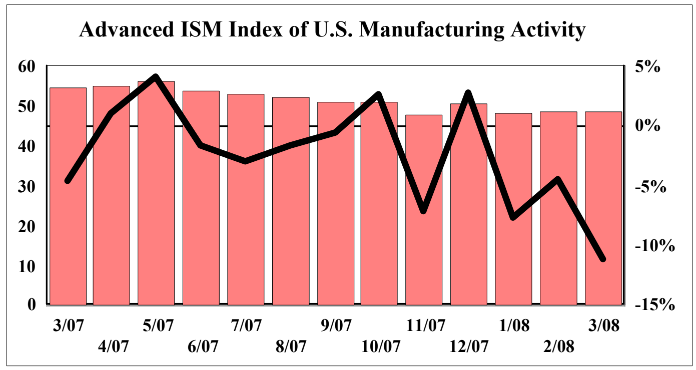
The economy remains weak and vulnerable. The continued rise of crude prices is a dark cloud over the economy. The housing market has not yet bottomed and consumers are feeling the pinch of rising prices. While a deep recession is not likely, growth below the long-term average seems almost certain. The rebate checks are expected to give a modest boost, but the effects will soon dissipate. The subpar growth will likely continue through the first half of 2009.

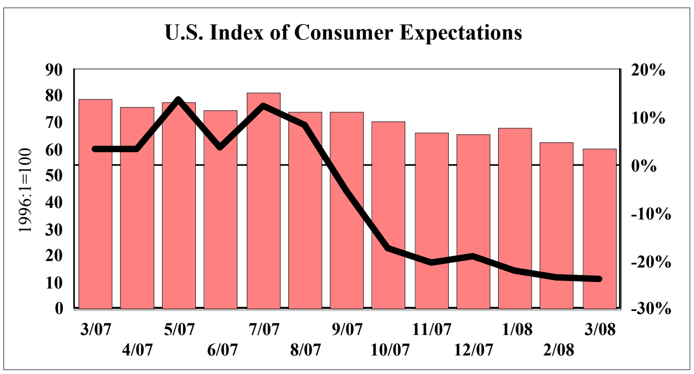
Mississippi Index of Leading Indicator Components











NOTE:

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SOURCES:

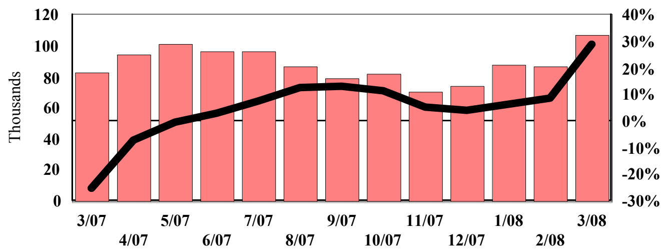
Bureau of Labor Statistics.
Bureau of the Census.
The Conference Board.
The Institute for Supply Management.

Quips and Quotes:

"I have had my solutions for a long time, but I do not yet know how I am to arrive at them"
-- Carl Freidrich Gauss

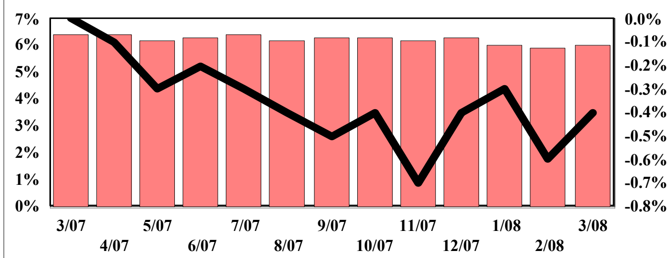
Miscellaneous Economic Indicators

Continued Unemployment Claims



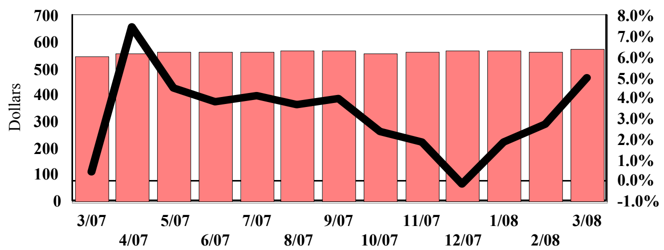
Seasonally adjusted

Unemployment Rate



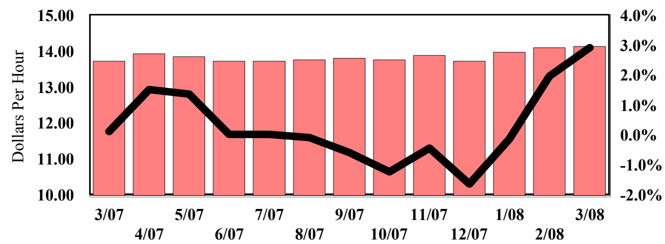
Seasonally Adjusted

Average Weekly Manufacturing Earnings



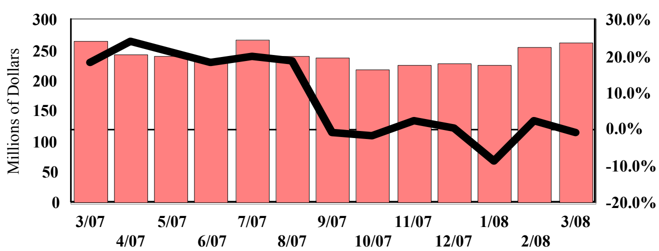
Non-seasonally Adjusted

Average Hourly Manufacturing Wage



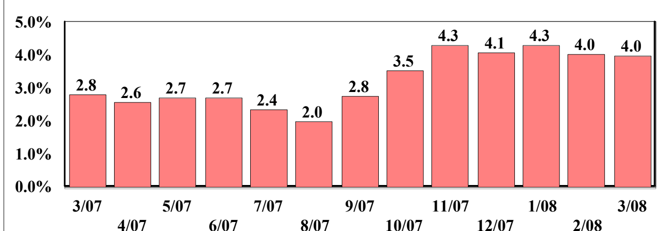
Non-seasonally Adjusted

Gaming Revenue



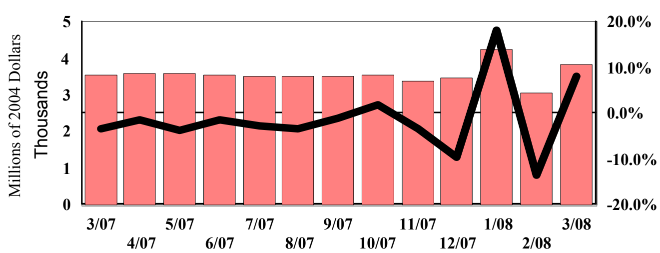
Non-seasonally Adjusted

Inflation Over Prior Year



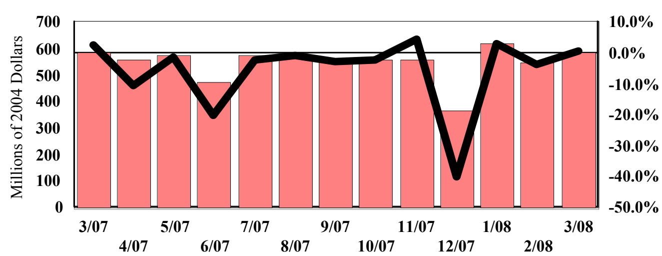
Non-seasonally Adjusted
Inflation Based on CPI

Total Retail Sales



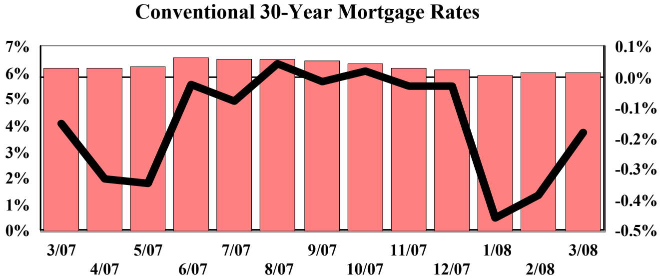
Seasonally Adjusted

Merchandise Retail Sales



Seasonally Adjusted

Conventional 30-Year Mortgage Rates



Seasonally Adjusted

NOTE:

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SOURCES:

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

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	March 2008	February 2008	March 2006	Percent Change From Last Month	Percent Change From Last Year
Coincident Indicator Index (2004=100)	**103.7**	**103.3**	**102.3**	**0.3%**	**1.4%**
Nonagricultural Employment (thousands)	1,156.6	1,156.6	1,146.8	-0.0%	0.9%
Individual Income Tax Withholdings (millions of 2004 $)	115.2	106.7	102.4	8.0%	12.5%
Leading Indicator Index (2004=100)	**92.0**	**91.9**	**97.6**	**0.1%**	**-5.8%**
Initial Unemployment Claims	13,015	15,519	16,226	-16.1%	-19.8%
Value of Residential Building Permits (millions of 2004 $)	91.1	109.2	157.8	-16.6%	-42.2%
Average Manufacturing Workweek Length (hours)	40.5	40.2	39.7	0.8%	2.1%
Advanced ISM Index of U.S. Manufacturing Activity	48.6	48.6	54.7	0.0%	-11.2%
Index is advanced one month. Thus, the April index is reported for March.					
U.S. Index of Consumer Expectations	60.1	62.4	78.7	-3.7%	-23.6%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	113.0	112.1	108.7	0.9%	4.0%
Unemployment Rate (percentage)					
Non-seasonally adjusted	5.9%	5.9%	6.8%	0.0%	-0.9%
Seasonally adjusted	6.0%	5.9%	6.4%	0.1%	-0.4%
Continued Unemployment Claims	107,093	86,237	83,119	24.2%	28.8%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.13	14.10	13.73	0.2%	2.9%
2004 Dollars per Hour	12.50	12.58	12.63	-0.6%	-1.0%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	573.68	561.18	546.45	2.2%	5.0%
2004 Dollars	507.47	500.71	502.63	1.3%	1.0%
U.S. Mortgage Rates (30-year conventional)	6.0%	6.0%	6.2%	0.0%	-0.2%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current $)	120.9	110.5	117.6	9.5%	2.9%
River counties (millions of current $)	140.7	143.3	146.5	-1.8%	-3.9%
Total	261.7	253.8	264.0	3.1%	-0.9%

Note: The data are seasonally adjusted unless otherwise noted.
Unless otherwise noted all data refer to Mississippi.