

# Mississippi's Business

May 2012

Monitoring The State's Economy

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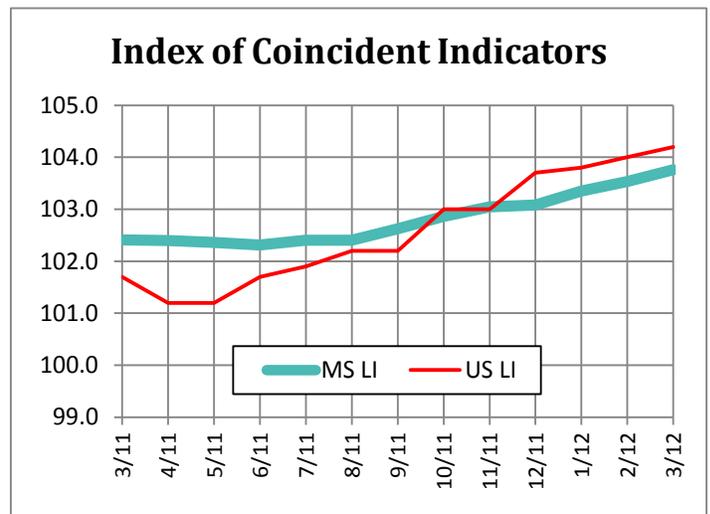
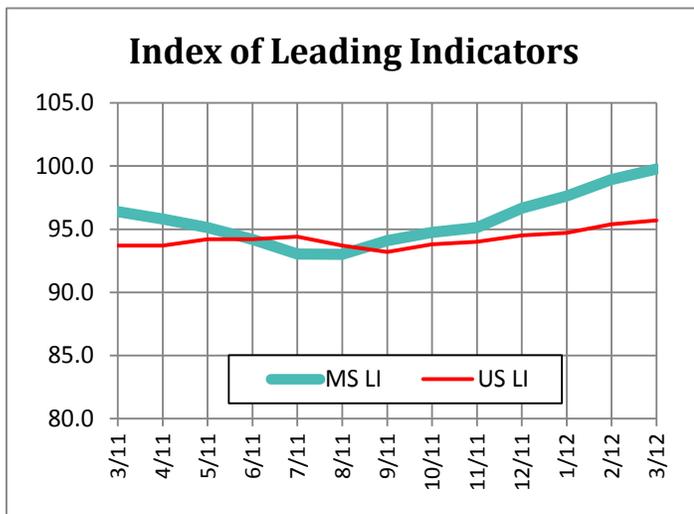
A Publication of the University Research Center, Mississippi Institutions of Higher Learning

## ECONOMY AT A GLANCE

Mississippi's Leading and Coincident Indices continued to improve in the March. The Leading Index reached the highest level since April 2008. The growth relative to six-months prior shows a strengthening economy. The Coincident Index is similarly showing strength. Mississippi income tax withholdings are beginning to show strength. U.S. retail sales is another bright spot. Possibly fueled by pent-up demand, light vehicle sales in the U.S. have averaged 14.5 million annualized units in the first four months of 2012. Building permits continue to improve for the state, but remain at historical lows. Consumers continued to grow more optimistic in March, but the gain was the weakest in six months, possibly reflecting some uneasiness about the future. There was growing concern on the part of small businesses in March.

We expect the state to show modest improvement in 2012 with growth averaging 1.8 percent for the year as measured by real gross domestic product. The Nation is expected to grow slightly stronger at 2.2 percent.

The state avoided a recession in 2011, but the economy nearly stalled. Surrounding states appear to have had a better 2011 than Mississippi. Despite having been hit harder than Mississippi during the recession, Tennessee, Oklahoma and Kentucky appear have passed Mississippi in the race to return to the pre-recession peak. Texas and Louisiana are the only states to have fully recovered as measured by the coincident index. The state's relative weakness goes beyond 2011, as the state had the slowest first quarter growth in employment among the 12 southeastern states. Mississippi's economy is improving, but surrounding states are improving faster.



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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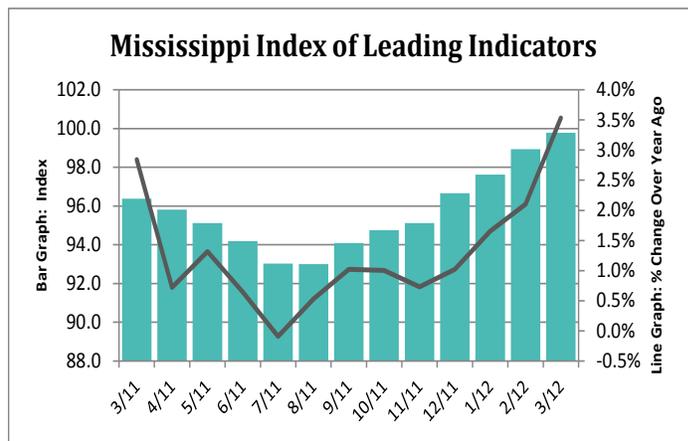
## LEADING AND COINCIDENT INDICATORS, MARCH 2012

The **Mississippi Index of Leading Economic Indicators** rose 0.9 percent in March over the revised February figure. The index of 99.8 was the highest since April 2008. Relative to six-month prior, the March index was up a strong 12.1 percent on annualized basis. The six-month growth rate has been positive for four consecutive months. Although growth remains subdued the State's recovery appears on much more solid ground than was the case just a few months ago. Slow growth is expected to persist due to a struggling housing market, high debt levels, a sluggish global economy and uncertainty over government regulations as well as taxing and spending policy.

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

Inflation adjusted **Mississippi income tax withholdings**<sup>1</sup> rose a sturdy 2.5 percent in March over February. With three consecutive monthly gains, the series was at the highest level since January 2009. The series is finally beginning to show signs of upward momentum.

Strong growth in **U.S. Retail Sales** continued into March. Retail sales rose 0.8 percent for the month, only slightly below the downwardly revised February growth rate of 1.0 percent. Sales were strong across most sectors, but building supply stores were an especially strong contributor.



Warmer weather and pent-up demand are thought to be contributing factors in the surge of retail sales. Light vehicles sold in April were an annualized 14.4 million units. For the first four months of 2012, vehicle sales have been over 11.0 percent higher than in 2011.

The **Institute for Supply Management Index of U.S. Manufacturing Activity** rose to 54.8 in April. This was the fifth gain in six months. The April Index was the highest since June 2011. New orders helped fuel the April gain suggesting strength going forward. Producers are seeing stable to strong demand but some were concerned over oil prices and the European economy. The ISM Nonmanufacturing Index fell for the second consecutive month in April.

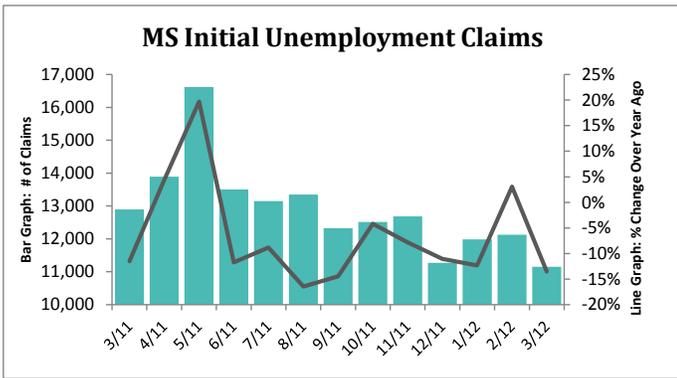
**Value of MS Residential Building Permits**  
12 Month Moving Average, Inflation Adjusted



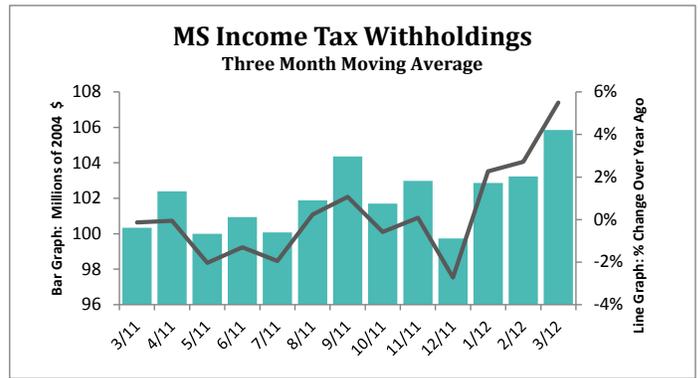
The **value of Mississippi residential building permits**<sup>1</sup> rose 5.0 percent in March. This was the second monthly gain after a two month slide. For those struggling to understand the sluggishness of the economy, the historically low building permit data might help. The figure to the left shows building permits are at an almost 20 year low. The value of permits issued in Mississippi for 2011 is the lowest since 1992.

1. Three Month Moving Average

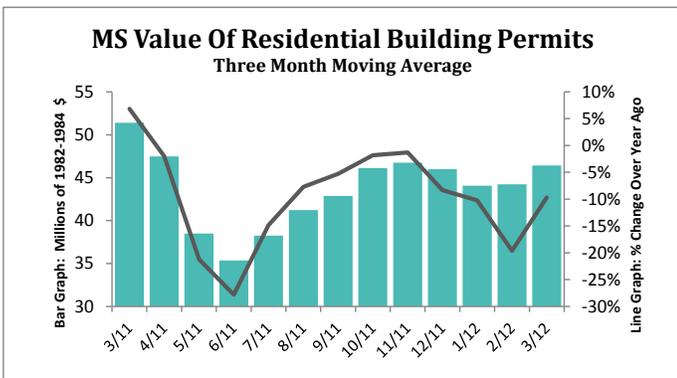
LEADING ECONOMIC INDICATORS



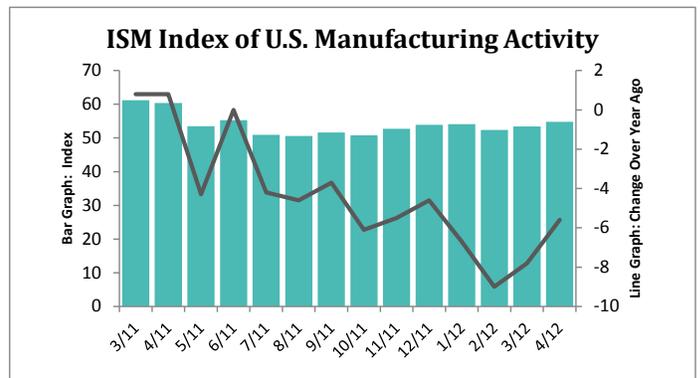
Source: Mississippi Department of Employment Security



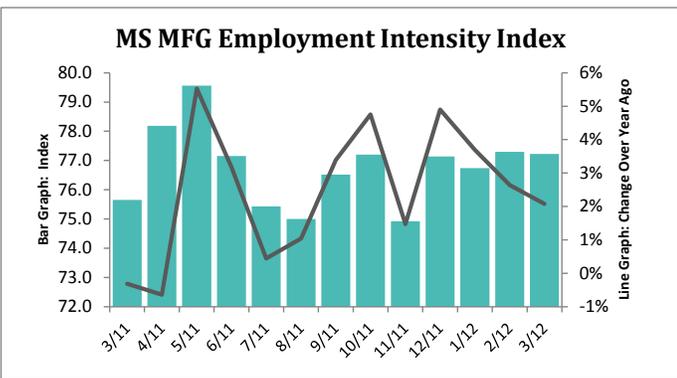
Source: Mississippi Department of Revenue



Source: Bureau of the Census



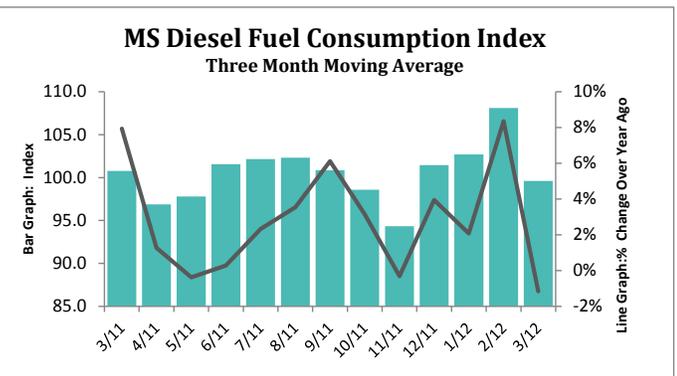
Source: Institute For Supply Management



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

**Mississippi's initial unemployment claims** fell 8.1 percent in March relative to February. Despite some monthly volatility, the series is trending down as fewer employees are laid-off. The continued claims series is similarly declining, but has been slower to fall as a large number of people continue to rely on unemployment compensation. The State's unemployment rate for March was 9.0 percent, down from 9.6 percent in February.

The **U.S. Index of Consumer Expectations**<sup>1</sup> continued its gradual

upward climb with a 1.5 percent gain in March. Although March was the sixth monthly increase it was the weakest. The relatively mild gain may reflect concern over fuel prices for the month. The Optimism Index from the National Federation of Independent Businesses declined in March, signaling the growing concern of small businesses.

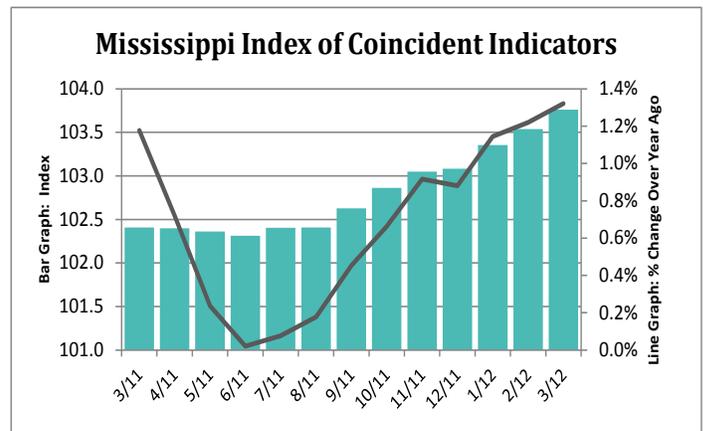
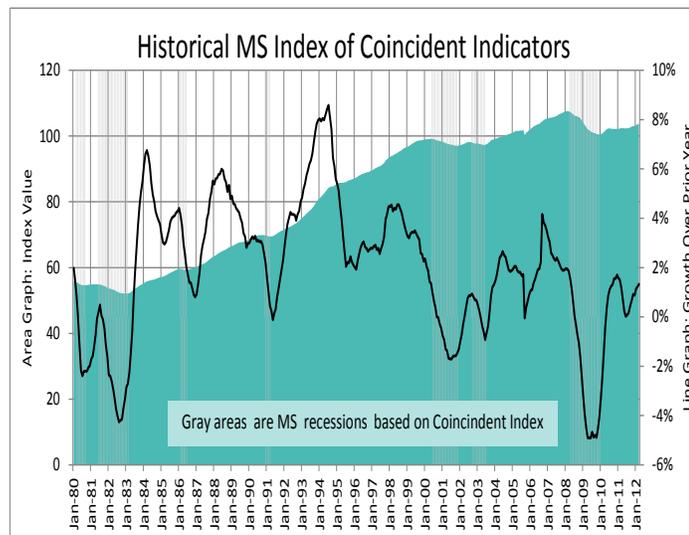
One of the two components contributing negatively to the March Leading Index was the **Mississippi Manufacturing Employment Intensity Index** which dipped 0.1

percent for the month. Manufacturing employment actually rose for the month. The decline was due to a slightly shorter work-week length.

The other negatively contributing component for March was the **Mississippi Diesel Fuel Consumption Index**<sup>1</sup> which fell 7.9 percent. Prior to March, the series had increased for three consecutive months, with a particularly strong gain in February. The March decline erased much of these gains.

The **Mississippi Index of Coincident Indicators** was 103.8 in March, up 0.2 percent above the revised February level. The economy appears to have shown marked improvement beginning in the fall. The growth relative to six months prior was 2.2 percent in February and March, the strongest since since August 2010.

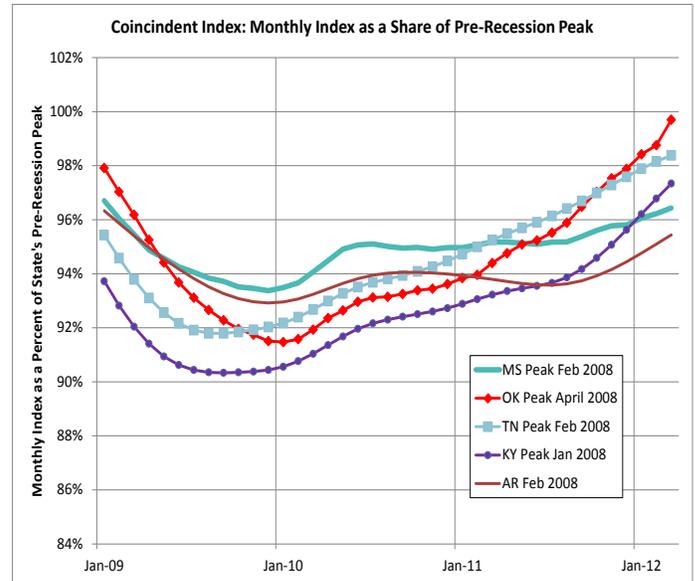
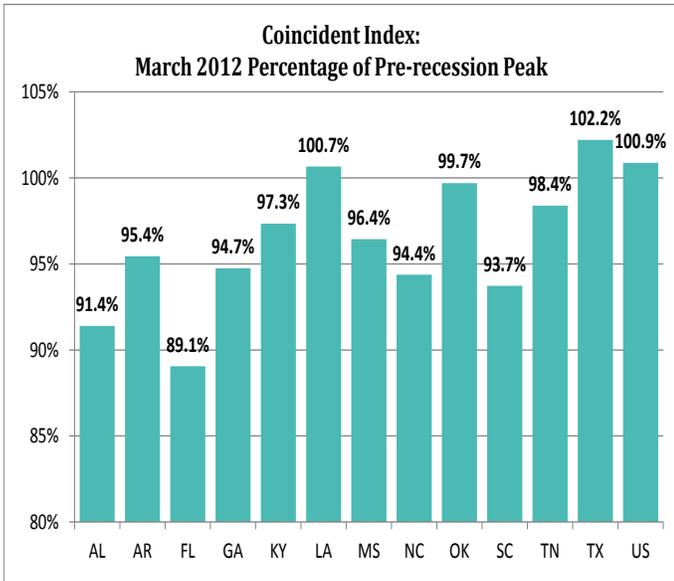
The figure below offers some historical perspective for the State's economy. Compared to the growth during the 1980s and 1990s, the economy has been relatively flat since 2000. The recovery from the 2008 recession has been particularly sluggish. Growth stalled in the first half of 2011. It is this stalled growth that has enabled some of Mississippi's neighbors to get ahead of the state on the road to recovery.



The figure on the top of page 5 shows a comparison of the March index to the pre-recession peak for the 12 southeastern states and the Nation. States that reach 100 percent of peak have fully recovered from the “Great Recession”. Louisiana and Texas were the only southeastern states that were fully recovered. Mississippi was at 96.4 percent. Oklahoma, Tennessee and Kentucky were all further along the path to recovery than Mississippi.

Page 5 also features a graph comparing the relative performance since 2009 of these four states along with Arkansas. Each state's Coincident Index is shown as a percentage of the pre-recession peak. The month in which each state peaked is provided in the legend.

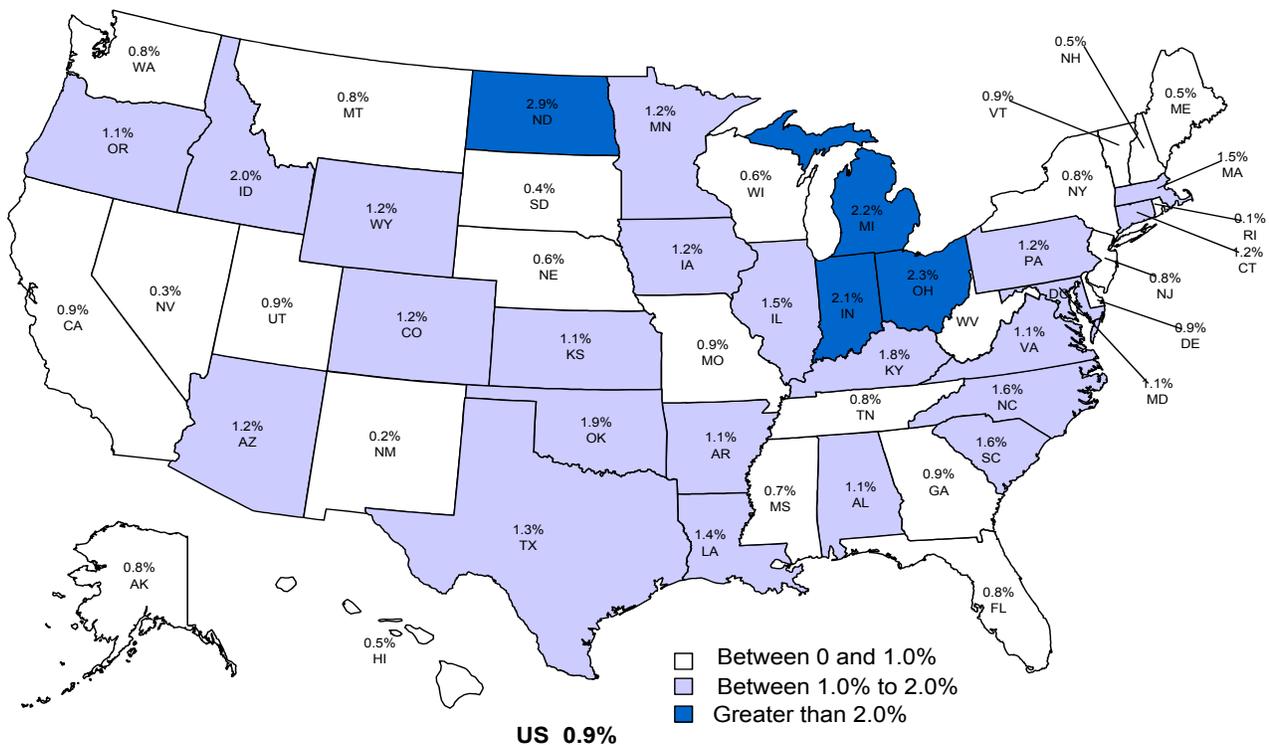
Notice that each of the states, experienced a deeper decline in the Coincident Index than did Mississippi. Notice too that Tennessee and Oklahoma overtook



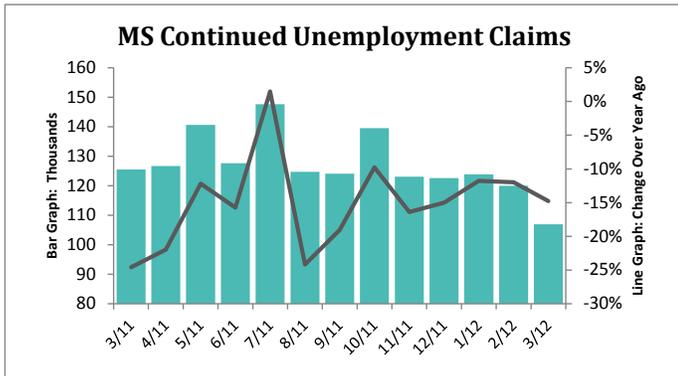
Mississippi in early 2011 as the State faced anemic economic growth. Oklahoma overtook the state as the year ended. At the current trajectory, Arkansas is gaining on Mississippi and could soon overtake the state on the road to recovery. These trends highlight the relatively slow recovery Mississippi has experienced. This point is also apparent in the employment trends on page 9.

The map below shows the relative performance of the fifty states. The March index is compared to the level three months prior. All fifty states showed improvement. Mississippi saw a relatively slow growth of 0.7 percent. The U.S. average was 0.9 percent. The fastest growing state was North Dakota at 2.9 percent. Also growing at a relatively fast clip were Ohio, Michigan and Indiana.

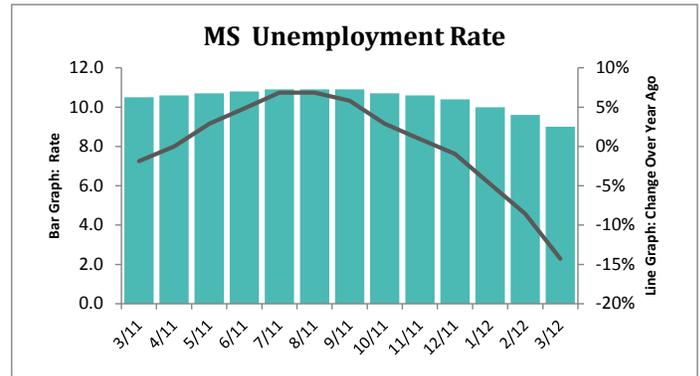
### Three Month Growth in The Index of Coincident Economic Indicators, March 2012



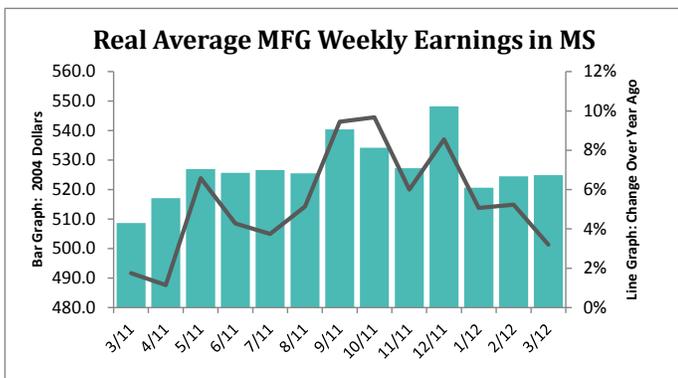
MISCELLANEOUS ECONOMIC INDICATORS



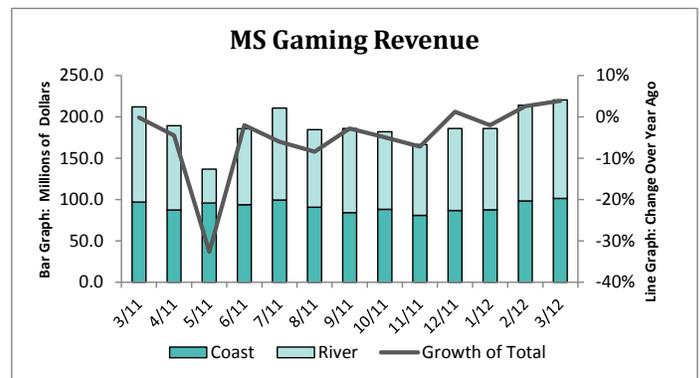
Source: Mississippi Department of Employment Security; Seasonally Adjusted



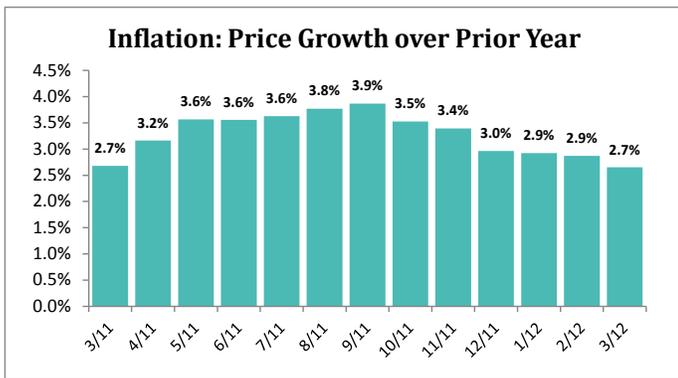
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



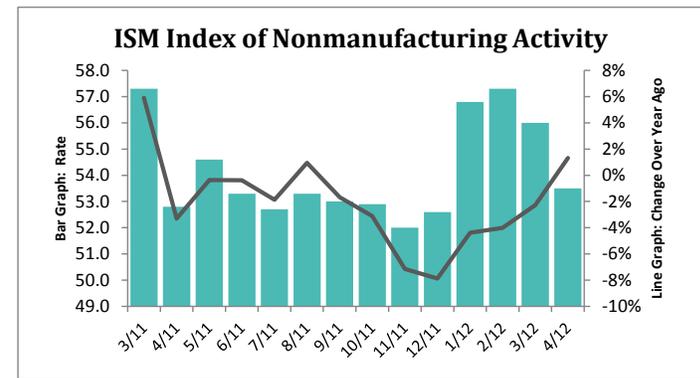
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



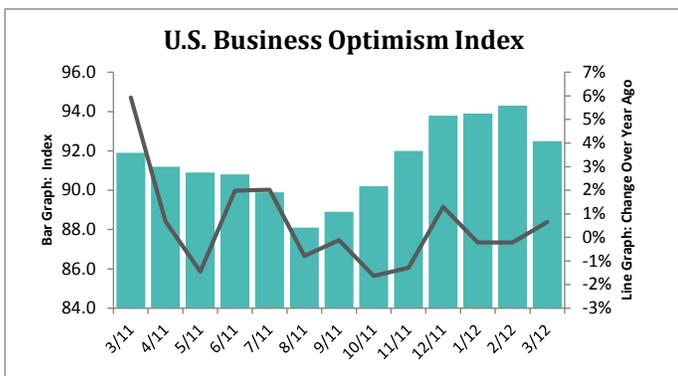
Source: MS Department of Revenue; Nonseasonally Adjusted



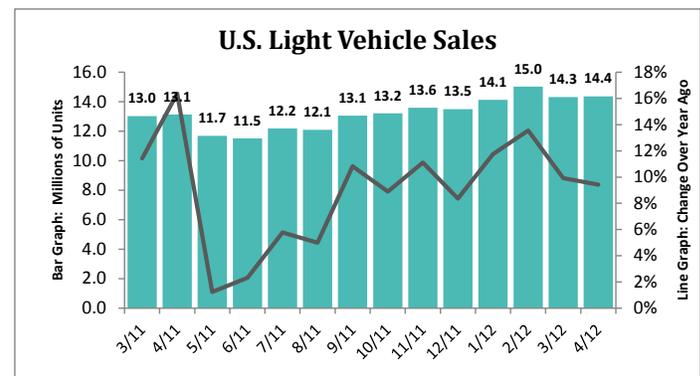
Source: U.S. Bureau of Labor Statistics



Source: Institute For Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

## National Trends

The U.S. Index of Leading Indicators rose 0.3 percent in March relative to February. The index has increased for six consecutive months and the growth relative to six months prior has strengthened. The Coincident Index gained 0.2 percent for the month. The index has increased for five of the last six months with broad based gains among the components. The Conference Board expects the expansion to continue in the coming months.

Recent National employment gains have been weak. After strong gains in January and February, in which the Nation added in excess of 250,000 jobs per month, March and April showed much slower growth, with gains averaging only 135,000 per month. This has led some to speculate that the Nation faces another summertime slowdown in the recovery. While this is certainly a possibility, there is nothing inherent in

government budget problems are easing somewhat as revenues are improving. Problems remain in Europe, but it seems less likely that a financial meltdown will occur. But these conditions lay the foundation for slow growth, not a robust recovery. Optimism continues to be checked by the high debt levels, prices that are rising faster than wages and a high degree of uncertainty about the future.

This last factor will likely intensify as the year progresses. The Nation faces a one-two punch in the form of tax hikes and spending cuts on January 1, 2013. While most economists expect these two shocks will ultimately be avoided, it is not clear how that will be accomplished. Moreover, it is not likely to be dealt with until after the election, leaving very little time for a long-term solution. It seems far more likely that Washington will find a way to kick-the-can down the road. This will then mean the environment of uncertainty will continue.

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**Fundamentally, the economy is in better shape than a year ago...  
But these conditions lay the foundation for slow growth and not  
a robust recovery.**

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the employment numbers to indicate this will be the outcome. IHS Global Insight says "... the underlying path of growth was never that robust to begin with". The winter surge that appears to have ended in February, had more to do with unseasonably warm weather than an acceleration in the recovery. As we have stated several times in the past few months, the relatively strong growth in the fourth quarter of 2011 was never viewed as sustainable by most economists. The more subdued employment growth in recent months is a reflection of the modest growth taking place in gross domestic product.

Fundamentally, the economy is in better shape than a year ago. Pent-up demand is fueling consumer spending, particularly vehicle sales. The housing sector is making modest progress with recent data suggesting housing prices are beginning to stabilize. State and local

### ATTENTION: MISSISSIPPI OUTLOOK RELEASED

The University Research Center (URC) recently released the Mississippi Economic Outlook. This quarterly publication presents URC's latest state and national forecasts. The publication is available at [www.mississippi.edu/urc](http://www.mississippi.edu/urc). Click on publications.

Real gross domestic product for the Nation is expected to grow 2.2 percent in 2012. The Nation appears to have grown around 2.2 percent in the first quarter of 2012. The forecast is then for similar growth through the remainder of the year. The State is expected to be grow at a slightly slower rate of 1.8 percent for 2012. Growth is expected to improve modestly throughout the forecast period of 2013-2017. Growth for the State is expected to average 2.8 percent in 2012-2017. The Nation is expected to be slightly higher at 3.0 percent.

## SELECTED ECONOMIC INDICATORS

Indicator	March	February	March	Change from		
	2012	2012	2011	Last Month	Last Year	
<b>US Index of Coincident Indicators</b> Index 2004=100, Source: The Conference Board	104.2	104	101.7	0.2%	2.5%	Economic Indices
<b>MS Index of Coincident Indicators</b> Index 2004=100, Source: Federal Reserve Bank of Philadelphia	103.8	103.5	102.4	0.3%	1.4%	
<b>US Index of Leading Indicators</b> Index 2004=100, Source: The Conference Board	95.7	95.4	93.7	0.3%	2.1%	
<b>MS Index of Leading Indicators</b> Index 2004=100, Source: University Research Center	99.8	98.9	96.4	0.9%	3.5%	
<b>MS Initial Unemployment Claims</b> Source: Mississippi Department of Employment Security	11,150	12,127	12,893	-8.1%	-13.5%	Components of the MS Index of Leading Indicators
<b>MS Value Of Res. Building Permits</b> 3 Mo. Moving Average, Millions of 2004 Dollars, Source: Bureau of Census	46.4	44.2	51.4	5.0%	-9.7%	
<b>MS Income Tax Withholdings</b> 3 Mo. Moving Average, Millions of 2004 Dollars, Source: MS Department of Revenue	105.86	103.23	100.33	2.5%	5.5%	
<b>MS MFG Emp. Intensity Index</b> Average workweek length times employment, Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	77.2	77.3	75.7	-0.1%	2.1%	
<b>MS Diesel Fuel Consumption Index</b> 3 Mo. Moving Average, Index 2004-100, Source: URC using data from MS Department of Revenue	99.6	108.1	100.8	-7.9%	-1.2%	
<b>US Index of Consumer Expectations</b> 3 Mo. Moving Average, Index 1996=100, Source: University of Michigan	70.8	69.7	63.7	1.5%	11.1%	
<b>US ISM Index of MFG Activity</b> Advanced 1 Month (March Index appears as February), Source: Institute For Supply Management	54.8	53.4	61.2	2.6%	-10.5%	
<b>US Retail Sales</b> Millions of Dollars, Source: Bureau of Census	411,069	407,872	386,149	0.8%	6.5%	
<b>US Consumer Price Index</b> 2004=100, Source: URC using data from Bureau of Labor Statistics	121.4	120.5	118.3	0.8%	2.7%	
<b>MS Unemployment Rate</b> Source: Bureau of Labor Statistics	9.0%	9.6%	10.5%	-0.6%	-1.5%	
<b>MS Continued Unemp. Claims</b> Source: Mississippi Department of Employment Security	106,945	119,994	125,488	-10.9%	-14.8%	Miscellaneous Indicators
<b>US Mortgage Rates</b> 30 Yr. Conventional, Source: Federal Reserve	3.9%	3.9%	4.8%	0.0%	-0.9%	
<b>MS Avg. Hourly Wage for MFG</b> Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	56.00	57.30	57.30	-2.3%	-2.3%	
<b>MS Avg. Wkly Earnings for MFG</b> Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	524.9	524.5	508.7	0.1%	3.2%	
<b>Gaming Revenue</b>	220.4	214.1	212.1	3.0%	3.9%	
<b>Coast Counties</b>	101.6	98.4	96.9	3.3%	4.8%	
<b>River Counties</b>	118.8	115.7	115.2	2.7%	3.1%	
<b>Business Optimism Index</b> Index 1986=100, Source: National Federation of Independent Businesses	92.5	94.3	91.9	-1.9%	0.7%	

MISSISSIPPI EMPLOYMENT BY SECTOR

Sector	Relative Share of Total*	March 2012	February 2012	March 2011	Change from Prior Month		Change from Prior Year	
					Level	%	Level	%
<b>Total Nonfarm</b>	<b>100.0%</b>	<b>1,089,500</b>	<b>1,090,400</b>	<b>1,093,000</b>	<b>(900)</b>	<b>-0.1%</b>	<b>(3,500)</b>	<b>-0.3%</b>
Mining and Logging	0.8%	9,300	9,400	9,100	(100)	-1.1%	200	2.2%
Construction	4.5%	47,900	48,900	50,000	(1,000)	-2.0%	(2,100)	-4.2%
Manufacturing	12.3%	135,500	134,600	135,700	900	0.7%	(200)	-0.1%
Trade, Transportation & Utilities	19.6%	212,000	213,300	215,400	(1,300)	-0.6%	(3,400)	-1.6%
Retail Trade	12.1%	130,800	131,400	133,200	(600)	-0.5%	(2,400)	-1.8%
Information	1.1%	11,585	11,548	11,987	37	0.3%	(402)	-3.4%
Financial Activities	4.1%	44,754	44,717	44,650	37	0.1%	104	0.2%
Services	35.0%	380,900	380,500	380,500	400	0.1%	400	0.1%
Professional and Business Services	8.6%	93,600	93,300	94,000	300	0.3%	(400)	-0.4%
Education and Health Services	12.5%	136,700	137,600	133,800	(900)	-0.7%	2,900	2.2%
Leisure and Hospitality	10.7%	116,500	115,900	118,800	600	0.5%	(2,300)	-1.9%
Other Services	3.1%	34,100	33,700	33,900	400	1.2%	200	0.6%
Government	22.6%	247,500	247,500	245,600	-	0.0%	1,900	0.8%

\* Relative shares are for the most recent 12 month average.

Source: U.S. Bureau of Labor Statistics

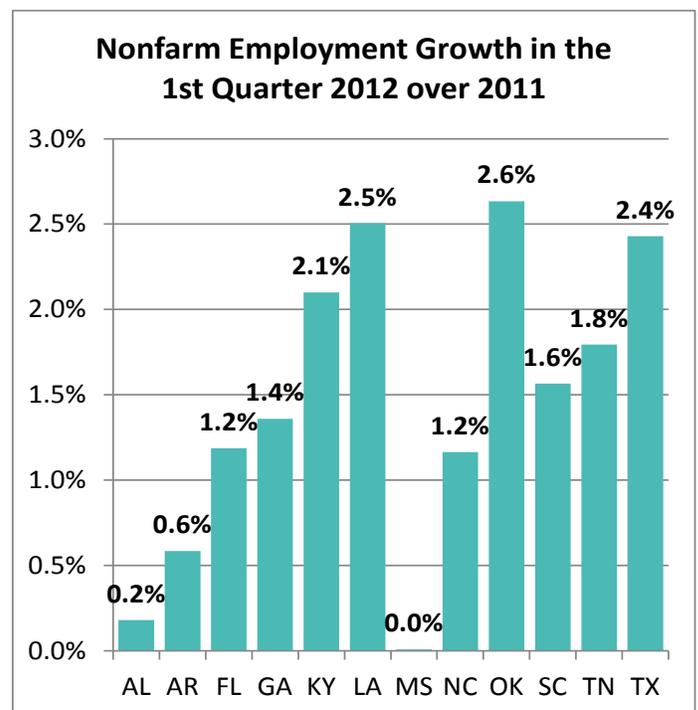
Mississippi Employment Trends

Mississippi nonfarm employment declined 900 jobs or 0.1 percent in March relative to February. The decline almost completely eliminated the gain in February. Employment has fallen for four of the past five month. Trade transportation and public utilities accounted for the largest share of the decline with a loss of 1,300 jobs. Construction saw a loss of 1,000 jobs while education and health services lost 900 jobs. Manufacturing managed a respectable gain of 900 jobs while leisure and hospitality saw a gain of 600 jobs.

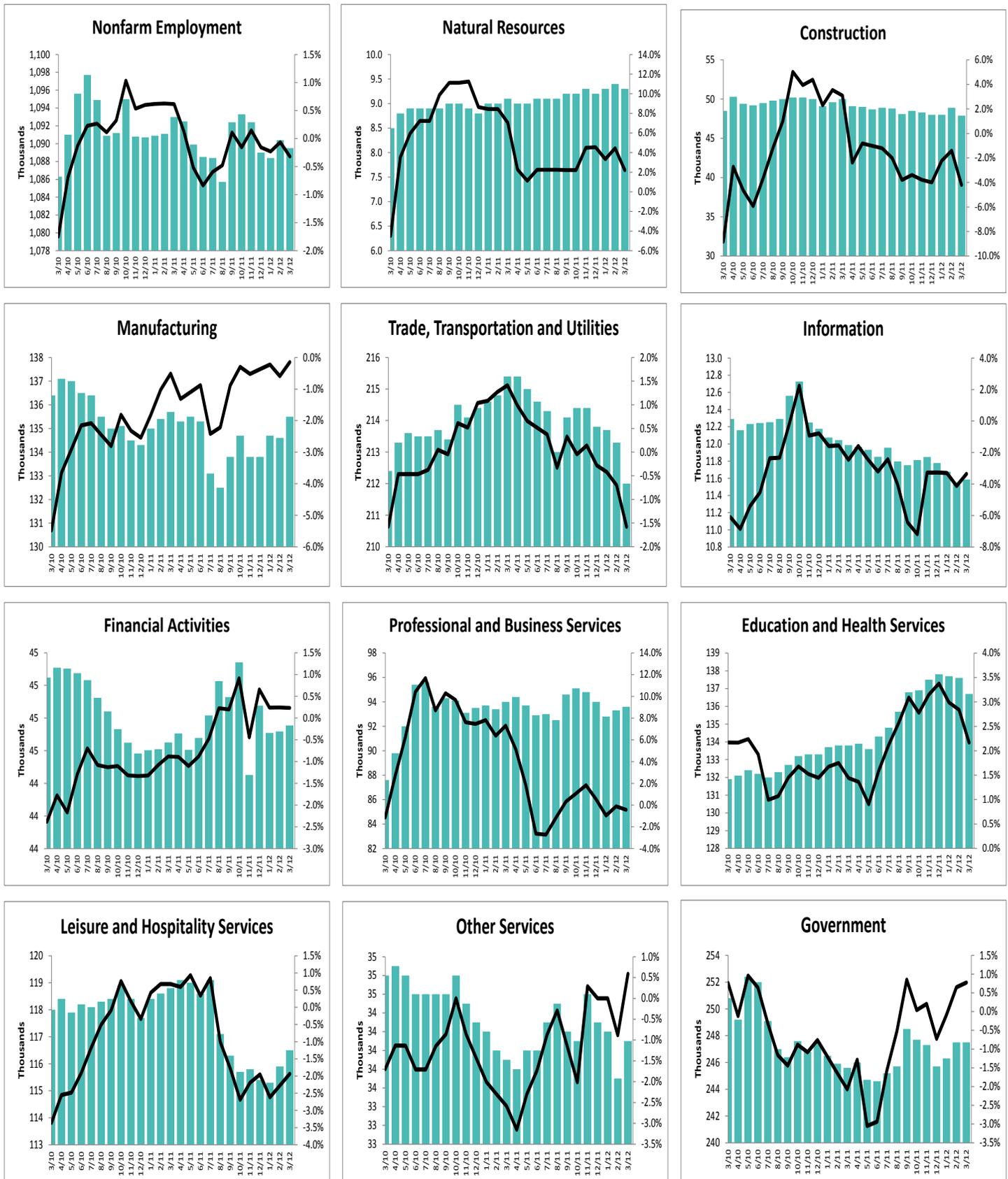
Relative to the year ago, employment was down 3,500 or 0.3 percent. Employment has declined relative to the year ago level in nine of the past eleven months. A common misconception is that private sector jobs are gaining while government jobs are in decline. But this is not the case based on the revised employment data. Private sector employment in Mississippi has declined in four of the past six months.

It was previously mentioned that Tennessee, Oklahoma and Kentucky have surpassed Mississippi on the road to recovery as measured by the coincident index. Part of the explanation for this is the relatively rapid rise of

employment in these states. For example, in the first quarter of 2012, employment in Tennessee was up 1.8 percent relative to the year ago. In Mississippi the first quarter growth was flat. Of the twelve southeastern states, Mississippi had the slowest employment growth in the first quarter.



MISSISSIPPI EMPLOYMENT TRENDS



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