

Mississippi's Business

May 2013

Monitoring The State's Economy

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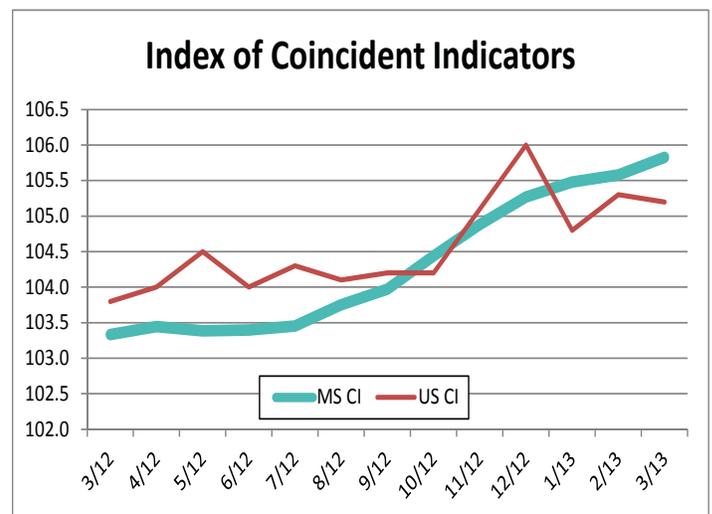
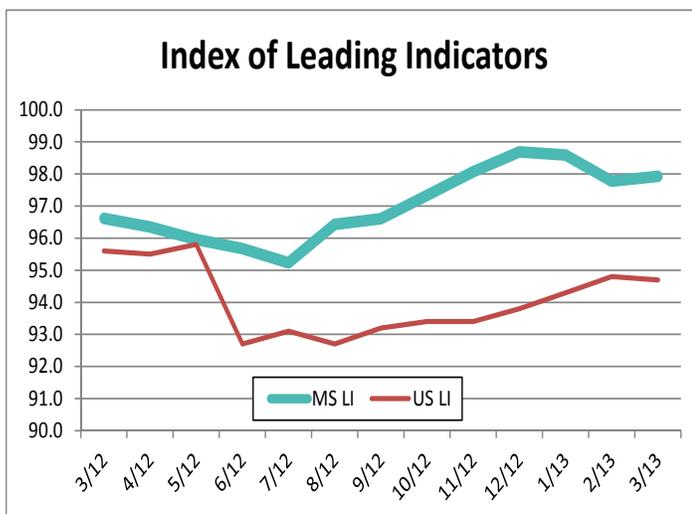
ECONOMY AT A GLANCE

Both the Mississippi Index of Coincident Indicators and Leading Indicators rose in the month of March. The economy continues to expand, although there appears to be a slight softening of activity. Another spring lull is expected as the economy endures the payroll tax hike and the sequester. These are not expected to lead to recession, but are having a dampening effect on growth.

In Mississippi, the Diesel Fuel Consumption Index continues to decline indicating fewer goods being transported across the highways. The growth relative to the year ago has been negative for nine of the last twelve months. Both manufacturing workweek length and manufacturing employment have declined in 2013. Workweek length remains at a high level however.

Nationally, the ISM Indices of Manufacturing and Nonmanufacturing Activity have declined for two months. Consumer spending has cooled as well. Monthly employment gains, while not strong enough to significantly reduce unemployment, are, on average, above that observed in 2012. The U.S. Leading and Coincident Index declined for the month of March.

The economy will feel more of the sequester as we move through the second quarter. Growth for the year however is expected to be 1.8 percent. This is slightly below the 2.2 percent seen in 2012. Without the sequester and the payroll tax hike, growth for 2013 would be in the 2.8 to 3.0 percent range.



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 2013

The **Mississippi Index of Leading Economic Indicators** rose 0.1 percent in March. This follows two months of decline which followed five months of gain. The March gain was not enough to overcome the declines of the previous two months. Growth appears to have softened modestly in the first quarter of 2013, the slight uptick in March notwithstanding. With rising payroll taxes and higher fuel prices, a modest slowdown is expected.

The components of the Leading Index will be discussed in order of their contributions to the March Index. There were three components contributing positively and five contributing negatively to the March index.

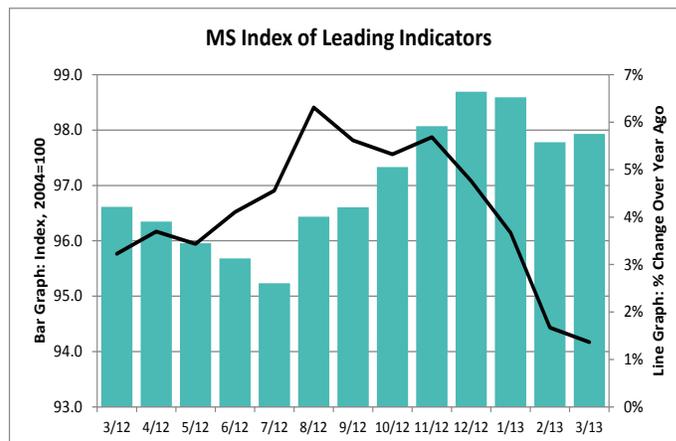
Inflation adjusted **Mississippi income tax withholdings**¹ rose 3.3 percent in March. This is a three month average and includes the period February through April. The gain in the average is largely due to February collections. The April withholdings were quite weak, although this may be due to technical reasons in collections. The series has been relatively volatile lately but has clearly softened in 2013.

Mississippi's initial unemployment claims declined 3.7 percent in March. The series was 4.9 percent below the year ago level. Continued claims actually rose 3.8 percent in March. There has been significant improvement in the Mississippi job market over the past eight months, but the momentum has slowed slightly in 2013.

The **U.S. Index of Consumer Expectations**¹ rose a slight 0.6 percent to a level of 69.6 in March. The series remains at an historically low level. The NFIB Optimism Index shows a similar improvement in small business's attitudes. It too remains at an historically low level.

The **value of Mississippi residential building permits**¹ fell 1.0 percent in March. The decline is negligible. The series was up 14.0 percent in the first quarter of 2013, relative to the same period in 2012.

The **Mississippi Diesel Fuel Consumption Index**¹ fell 1.1 percent in March. The decline is relatively modest, but the series has shown weakness since early 2012. The Index fell significantly in the summer of 2012 before



rebounding in November. But since that time the series has slowly eroded to the point that the March index is the lowest since October 2012.

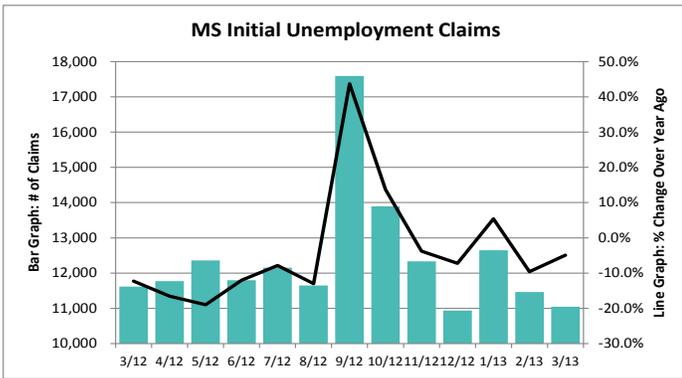
The **U.S. retail sales** fell 0.6 percent in March relative to February. Lower gas prices and fewer auto sales contributed to the decline, but there was a slight decline even with these items excluded. The January and February numbers were revised down as well. Revised January data show a decline for the month. This is consistent with a softening of economic activity in the first quarter.

The **Institute for Supply Management Index of U.S. Manufacturing Activity** fell 1.2 percent in April bringing the index to 50.7, the lowest level since December. This was the second consecutive decline. The April Index is below the first quarter average of 53.9, giving further proof of a slowdown of activity.

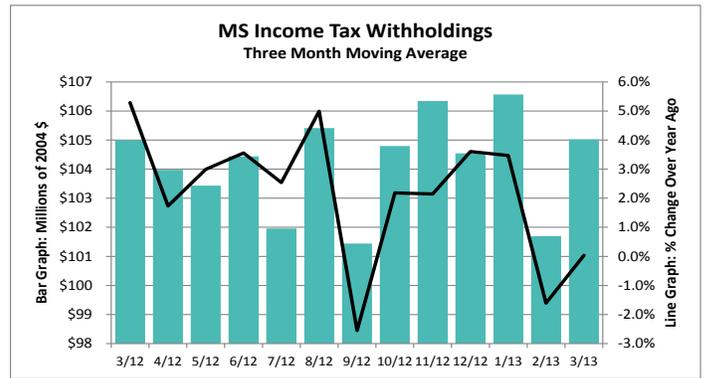
The **Mississippi Manufacturing Employment Intensity Index**, fell 1.6 percent in March. The Index has declined for three consecutive months and reached the lowest level since August 2012. The index is comprised of employment and hours worked. Both components have been declining but hours worked remains relatively high at 42 hours per week. Manufacturing employment however, fell dramatically in March. It is not yet clear if this was a temporary dip or something more long term.

1. Three Month Moving Average

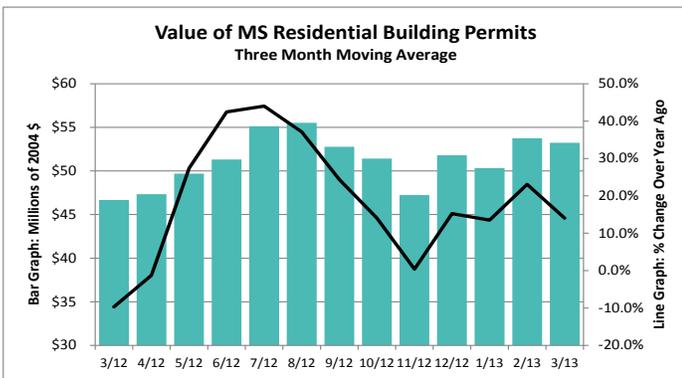
LEADING ECONOMIC INDICATORS



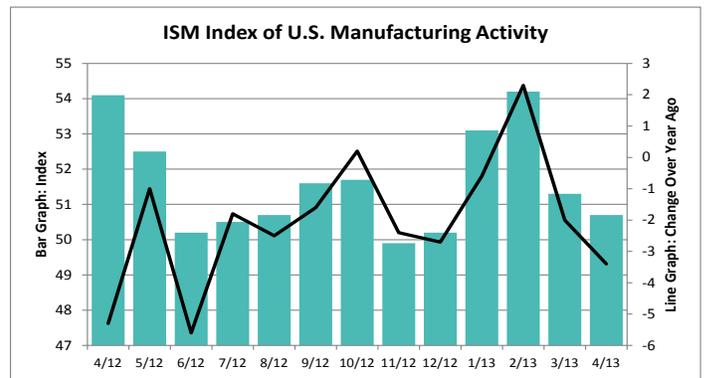
Source: Mississippi Department of Employment Security



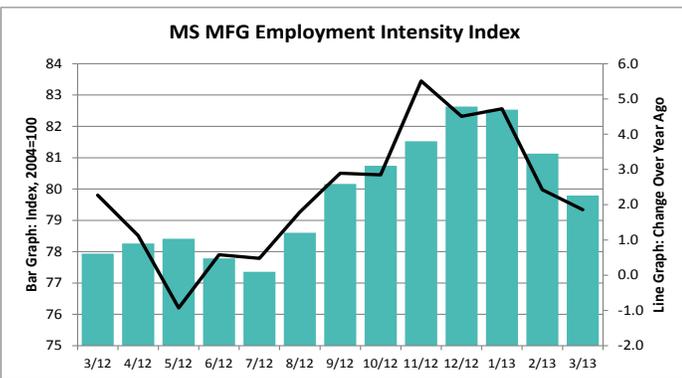
Source: Mississippi Department of Revenue



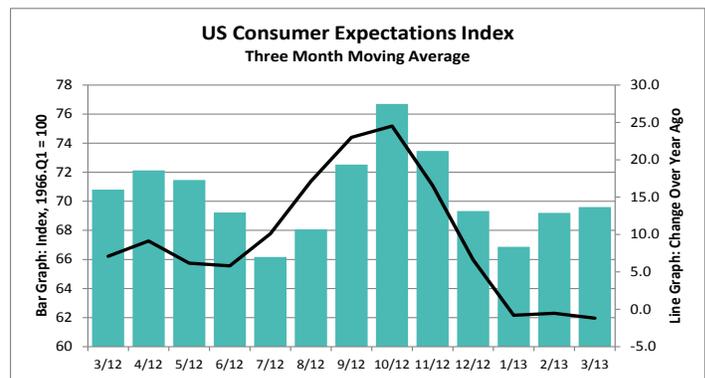
Source: Bureau of the Census



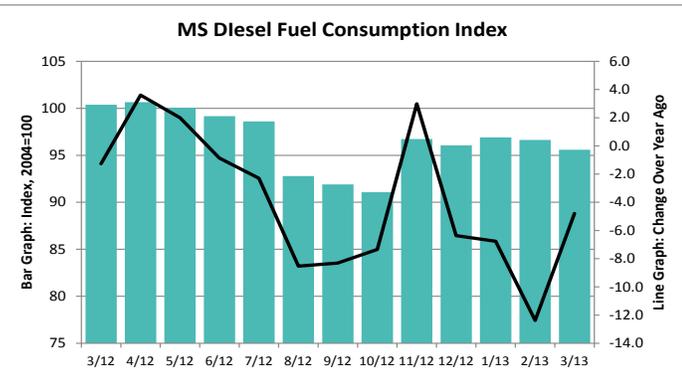
Source: Institute For Supply Management



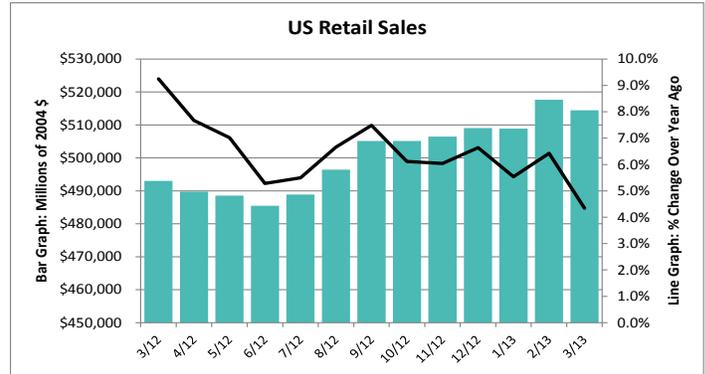
Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan



Source: URC using Data from Mississippi Department of Revenue

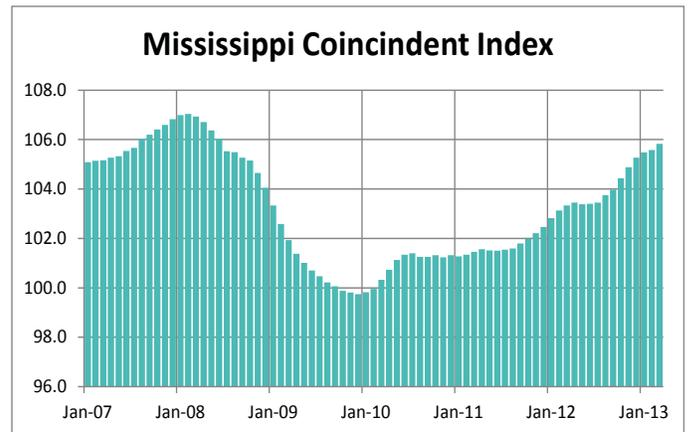
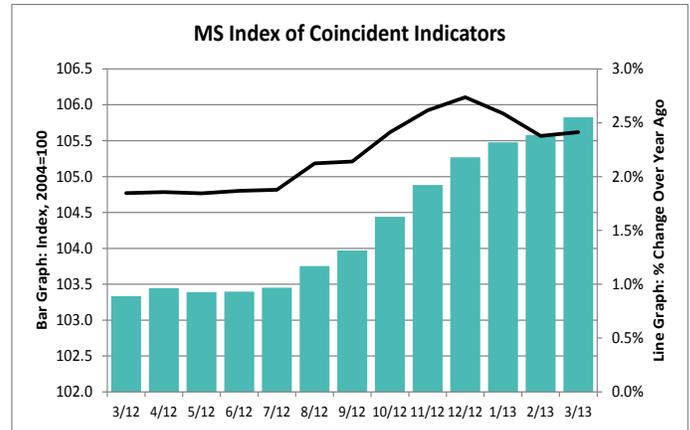


Source: Bureau of the Census

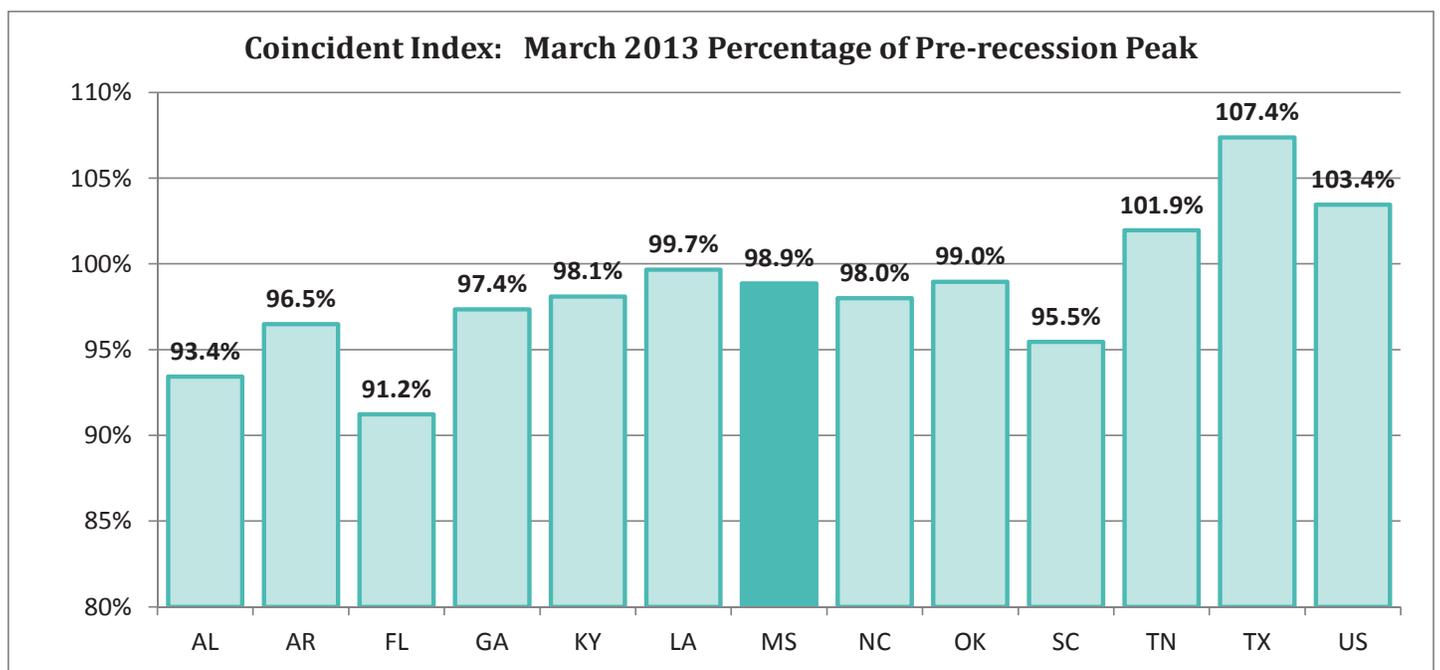
The **Mississippi Index of Coincident Indicators**, continued to rise in March. At 105.8 the index is at the highest rate since June 2008. The Index began to gain momentum in late 2012 as employment began to improve significantly. That momentum has moderated slightly in 2013, but the economy continues to expand. The Index was up an annualized 3.6 percent relative to the level six months prior.

The lower figure to the right offers a little more history and in particular offers a revised view of 2012. With the revisions to the employment numbers, it is apparent that 2012 was better than previously reflected by the Index. On average, the index rose 2.1 percent in 2012. That was the strongest growth since 2007. There was a brief lull in growth, as we expected, but it was relatively short lived and not as dramatic as reflected in the unrevised data. Also the figure shows that much of the growth occurring in 2012 was in the last several months of the year.

The figure below 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" at least as measured by the Coincident Index. Texas and Tennessee are fully recovered, while Oklahoma and Louisiana are fast approaching. Mississippi was at 98.9 percent of its pre-recession peak. South Carolina, Alabama and Florida are well below their peak level.



The map on page 5 shows the March index for each state compared to the level three months prior. Mississippi's index rose 0.53 percent. The U.S. average growth was 0.79 percent. Arkansas was the only state experiencing a decline.



National Trends

Both the U.S. Index of Leading Indicators and Coincident Indicators declined 0.1 percent in March. This was the first monthly decline since August 2012 for the Leading index. The Coincident Index declined in January 2013 as well. The Conference Board expects the economy to continue to expand, "...but the pace of growth is not likely to accelerate in the second half of the year."

The impact of the sequester and the payroll tax hike is being felt as we move through the second quarter. Both the Manufacturing and Nonmanufacturing ISM Indices have declined for the past two months. Consumer spending has moderated as well, this is especially apparent when looking at core spending (excluding autos and gasoline purchases).

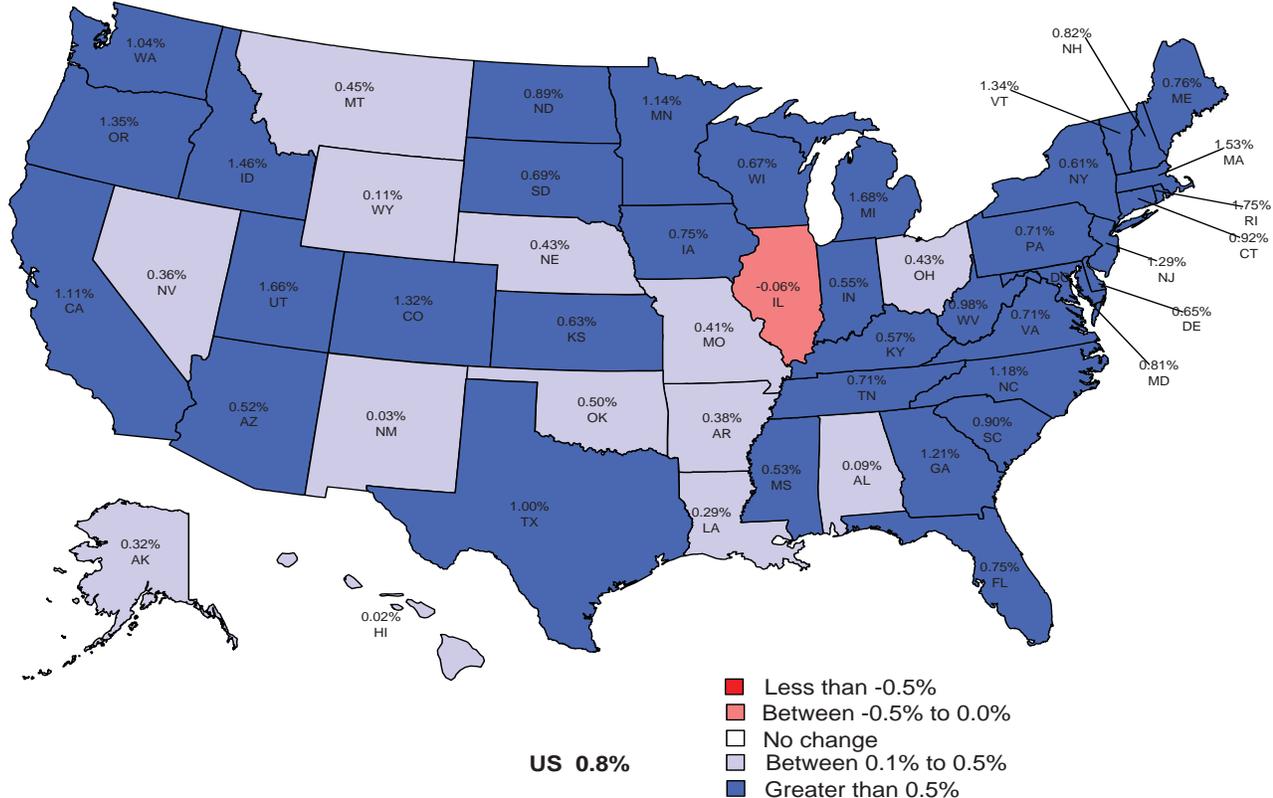
Employment growth has not been significantly affected by the sequester yet. Average monthly jobs gains have been slightly below 196,000 in 2013. That compares to

an average of just under 183,000 in 2012. The March jobs report was disappointing but April showed improvement.

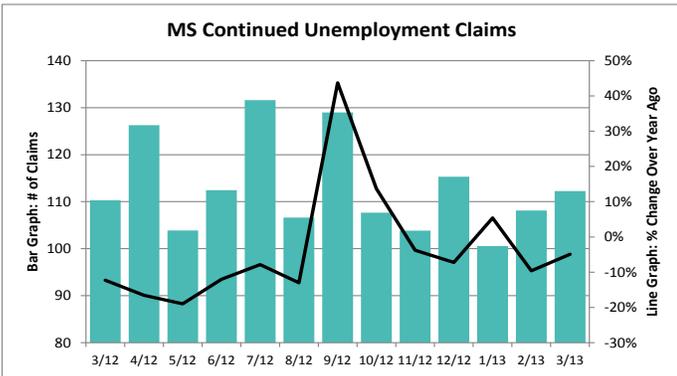
Housing continues to improve. Household formation is on the upswing and both prices and building starts are increasing. Vehicle sales dipped below the 15 million mark in April, but remain strong relative to that seen during the past few years.

Real GDP growth for the first quarter was 2.5 percent. That growth is expected to moderate to 1.4 percent in the second according to IHS Global Insight. This up-down-up quarterly pattern has become familiar. IHS Global Insight expects 2013 Real GDP growth to reach 1.8 percent. This compares to 2.2 percent in 2012. Growth is expected to continue to improve in 2014 with a growth rate of 2.8 percent. The Federal Reserve has said it will continue its bond-buying program through the end of 2013 and into 2014.

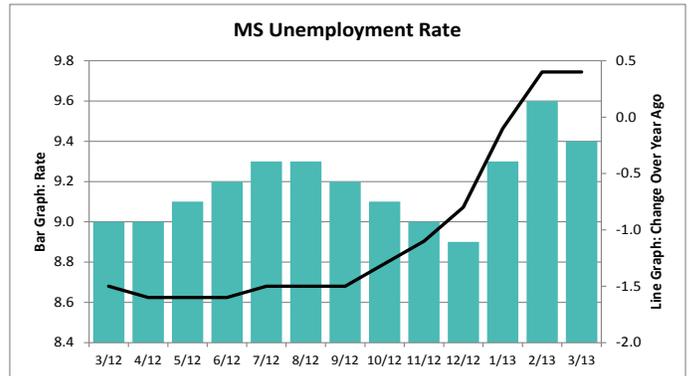
Three Month Growth in The Index of Coincident Economic Indicators, December 2012



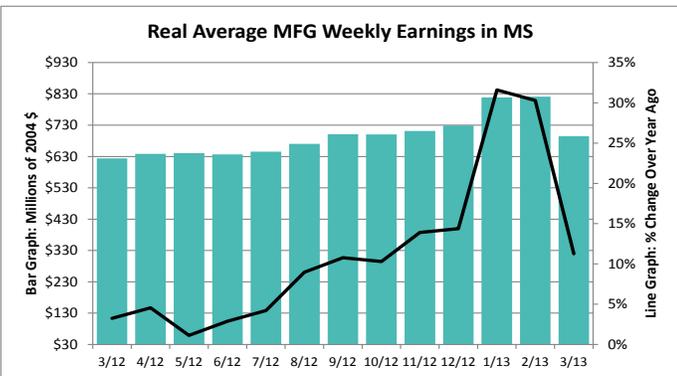
MISCELLANEOUS ECONOMIC INDICATORS



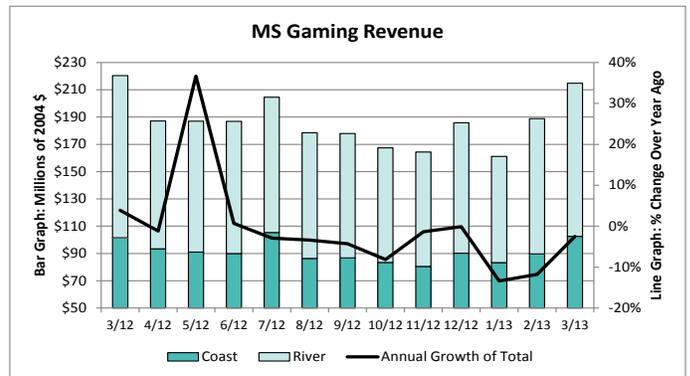
Source: Mississippi Department of Employment Security; Seasonally Adjusted



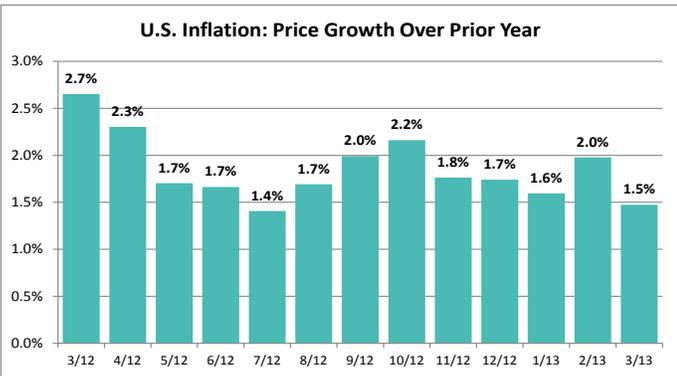
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



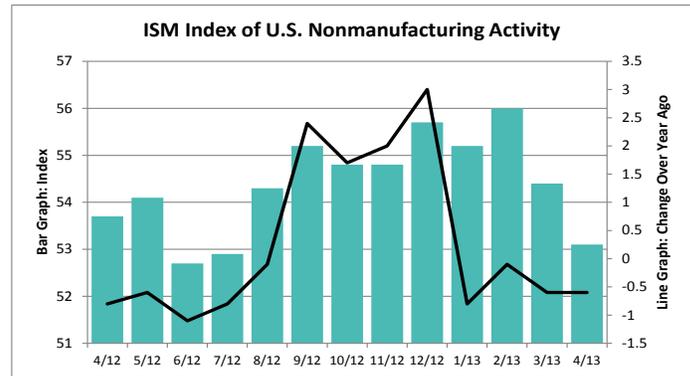
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



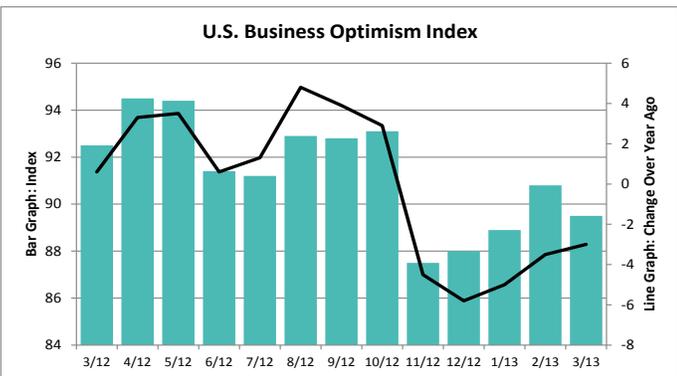
Source: MS Department of Revenue; Nonseasonally Adjusted



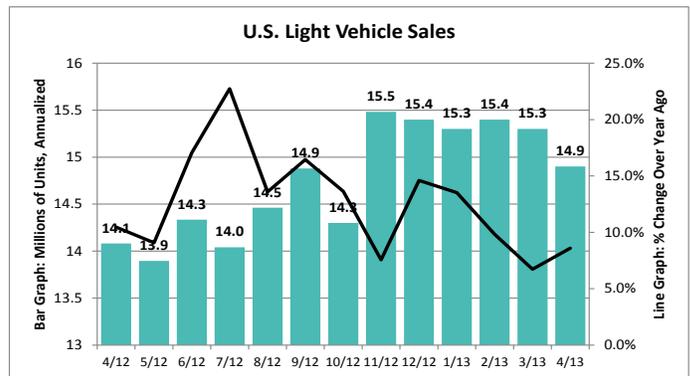
Source: U.S. Bureau of Labor Statistics



Source: Institute For Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

SELECTED ECONOMIC INDICATORS

Indicator	March 2013	February 2013	March 2012	Change from Last Mo. Last YR.	
US Index of Coincident Indicators 2004=100, Source: The Conference Board	105.2	105.3	103.8	-0.1%	1.3%
MS Index of Coincident Indicators 2004=100, Source: Federal Reserve Bank of Philadelphia	105.8	105.6	103.3	0.2%	2.4%
US Index of Leading Indicators 2004=100, Source: The Conference Board	94.7	94.8	95.6	-0.1%	-0.9%
MS Index of Leading Indicators 2004=100, Source: University Research Center	97.9	97.8	96.6	0.1%	1.3%
MS Initial Unemployment Claims Source: Mississippi Department of Employment Security	11,044	11,463	11,616	-3.7%	-4.9%
MS Value Of Res. Building Permits 3 Mo. Moving Avg., Millions of 2004 Dollars, Source: Bureau of Census	53.2	53.7	46.7	-1.0%	14.0%
MS Income Tax Withholdings 3 Mo. Moving Avg., Millions of 2004 Dollars, Source: MS Department of Revenue	105.0	101.7	105.0	3.3%	0.0%
MS MFG Emp. Intensity Index Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	79.8	81.1	77.9	-1.6%	2.4%
MS Diesel Fuel Consumption Index, 3 Mo. Moving Avg. 2004-100, Source: URC using data from MS Department of Revenue	95.6	96.6	100.4	-1.1%	-4.8%
US Index of Consumer Expectations 3 Mo. Moving Avg. Index 1996 q1=100, Source: University of Michigan	69.6	69.2	70.8	0.6%	-1.7%
US ISM Index of MFG Activity Advanced 1 Month, Source: Institute For Supply Management	50.7	51.3	54.1	-1.2%	-6.3%
US Retail Sales Millions of 2004 Dollars, Source: Bureau of Census	340,391	341,303	335,466	-0.3%	1.5%
US Consumer Price Index 2004=100, Source: URC using data from Bureau of Labor Statistics	123.2	122.9	121.4	0.3%	1.5%
MS Unemployment Rate Source: Bureau of Labor Statistics	9.4%	9.6%	9.0%	-0.2%	0.4%
MS Continued Unemp. Claims Source: Mississippi Department of Employment Security	112,254	108,142	110,301	3.8%	1.8%
US Mortgage Rates 30 Yr. Conventional, Source: Federal Reserve	3.5%	3.4%	3.8%	0.0%	-0.4%
MS Avg. Hourly Wage for MFG 2004 Dollars, Source: Bureau of Labor Statistics	16.51	16.89	15.25	-2.2%	8.3%
MS Avg. Wkly Earnings for MFG 2004 Dollars, Source: Bureau of Labor Statistics	694.53	820.88	624.20	-15.4%	11.3%
Business Optimism Index 1986=100, Source: National Federation of Independent Businesses	89.5	90.8	92.5	-1.4%	-3.2%
Gaming Revenue	214.8	188.9	220.4	13.7%	-2.5%
Coast Counties	102.6	89.7	101.6	14.3%	1.0%
River Counties	112.3	99.1	118.8	13.2%	-5.5%
Nonseasonally adjusted, Millions of Dollars, Source: MS Department of Revenue					

Economic Indicators

Components of the MS Index of Leading Indicators

Miscellaneous Indicators

MISSISSIPPI'S INCOME GROWTH TRENDS

The Bureau of Economic Analysis recently released income data by state. The data includes preliminary estimates for the fourth quarter of 2012 as well as revised historical data.

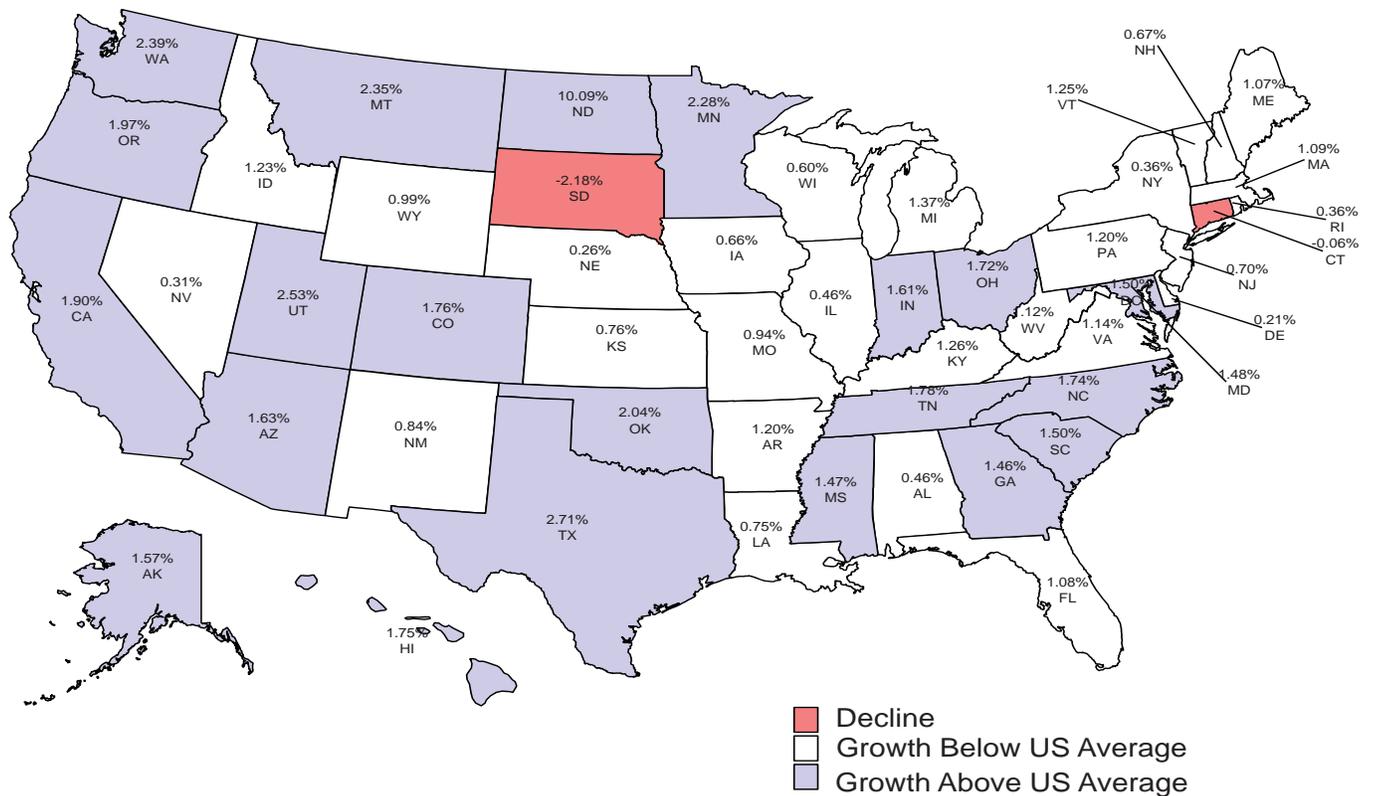
The 2012 annual growth in real income by State is depicted in Figure 1 below. North Dakota saw the strongest gain for the year with 10.1 percent. Texas followed distantly with a 2.7 percent growth rate. Mississippi ranked 21st among the States, with a 1.5 percent growth rate, slightly above the national average of 1.4 percent. Only two states saw a decline for the year, South Dakota and Connecticut.

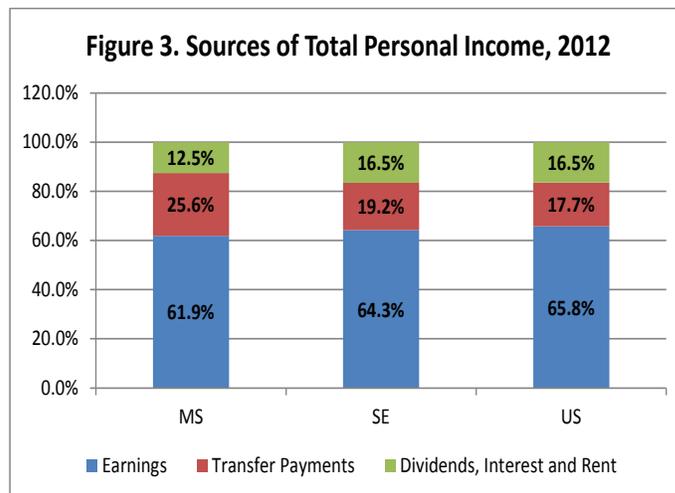
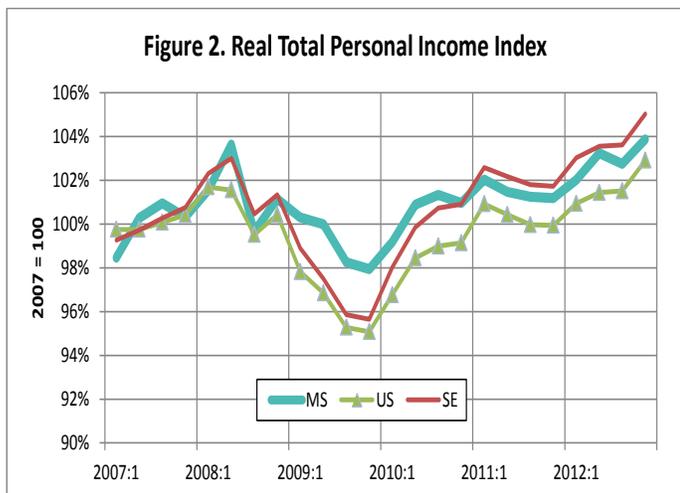
Figure 2 at the top of page 9 shows real personal income indexed to 2007 for Mississippi, the U.S. and the southeast. As we have reported before, Mississippi did not fall as far during the recession as either the U.S. or the sur-

rounding states relative to the position before the recession. The recovery in Mississippi however has been more subdued which allowed the Southeastern states to reach the pre-recession level sooner than Mississippi. However, due to a very deep decline during the great recession, the National Index remains below that of the State's. Given the strong relative growth in recent quarters, the National level will likely surpass the state's in the 2013.

There are three sources of income. Income is either earned through a job, received from the government or earned on investment. In the nomenclature of the BEA, these three sources are earnings, transfer payments and dividends interest and rent. Because it is relatively poor, Mississippi is much more dependent on transfer payments than either the Nation or the Southeast as evidenced in figure 3.

Figure 1. Real Income Growth in 2012 by State





Mississippi earnings rose 1.9 percent in 2012. Table 1 shows which sectors drove that growth. The first column is the growth rate for 2012. The second column shows the sector's share of total earnings in 2012. The third column shows each sector's contribution to the 1.9 percent. The largest contributor to earnings growth was the farm sector. There was a 55.5 percent increase in farm earnings in 2012. The sector only accounts for 2.8 percent of total earnings, but it accounted for 1.0 percent of the 1.9 percent growth in the total. Nonfarm earnings accounted for the other 0.9 percent.

Utilities grew 10.3 percent, but because it constitutes only 1.3 percent of the total earnings, it accounted for only 0.1 percent of the 1.9 percent growth in total earnings. Using this table, one can quickly see where the growth occurred. Manufacturing was a substantial contributor, but only the durable goods sector. Nondurable goods declined. Government likewise was a drag on growth, as was finance and insurance.

Table 1. Mississippi Earnings Growth by Sector

	2011-2012 Growth	2012 Share of Total	Contribution to 2012 Growth
Total Earnings	1.9%	100.0%	1.9%
Farm earnings	55.5%	2.8%	1.0%
Nonfarm earnings	1.0%	97.2%	0.9%
Private nonfarm earnings	1.7%	73.0%	1.2%
Forestry, fishing, and related activities	5.4%	0.9%	0.0%
Mining	0.0%	1.4%	0.0%
Utilities	10.3%	1.3%	0.1%
Construction	2.9%	6.6%	0.2%
Manufacturing	2.9%	12.8%	0.4%
Durable goods	5.4%	8.5%	0.4%
Nondurable goods	-1.6%	4.2%	-0.1%
Wholesale trade	-0.3%	3.5%	0.0%
Retail trade	2.8%	7.5%	0.2%
Transportation and warehousing	0.3%	3.9%	0.0%
Information	5.9%	1.2%	0.1%
Finance and insurance	-1.7%	3.6%	-0.1%
Real estate and rental and leasing	-3.6%	1.0%	0.0%
Professional, scientific, and technical services	1.1%	4.4%	0.0%
Management of companies and enterprises	4.8%	1.5%	0.1%
Administrative and waste management services	3.4%	3.1%	0.1%
Educational services	6.6%	1.1%	0.1%
Health care and social assistance	-0.3%	10.9%	0.0%
Arts, entertainment, and recreation	-3.3%	0.5%	0.0%
Accommodation and food services	-0.1%	3.9%	0.0%
Other services, except public administration	1.9%	3.9%	0.1%
Government and government enterprises	-1.1%	24.3%	-0.3%

MISSISSIPPI EMPLOYMENT TRENDS

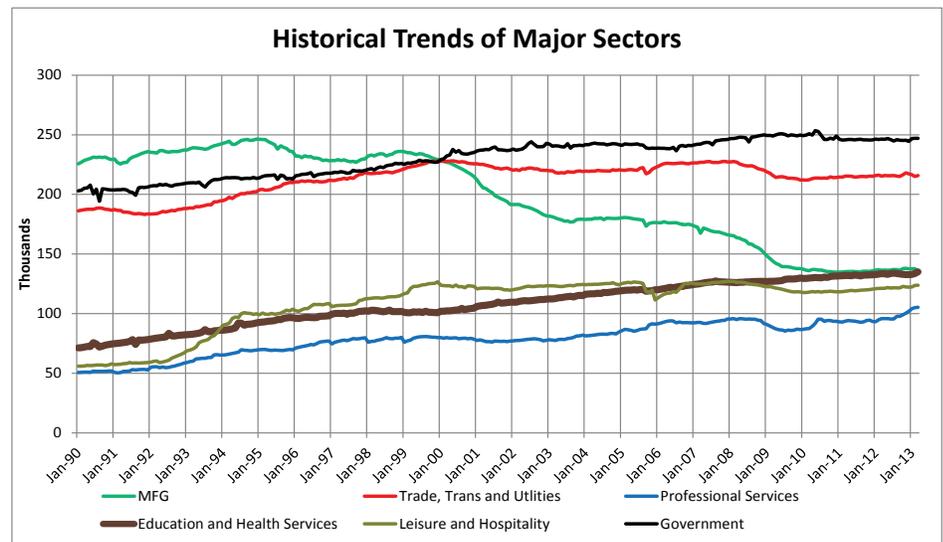
Mississippi added 800 jobs in March. This was the fifth gain in six months. The 0.1 percent gain was fairly weak compared to that experienced in the past several months.

Total employment in Mississippi was the highest it has been since January 2009. The state remains 46,100 jobs below the pre-recession peak however.

Most of the March gain occurred in the service sector, with education and health services leading the way. Significant gains were also observed in the trade, transportation and public utilities sector. Manufacturing however saw a significant downturn for the month. The decline brought the sector to its lowest level since December 2011.

Relative to the year ago, employment was up 1.3 percent or 14,600 jobs. Most of these jobs were in the service sector with professional and business services comprising the majority of these jobs. Construction, manufacturing and retail trade all saw declines relative to the year ago.

The figure below offers some historical perspective on the major sectors of employment. These six sectors comprise over 86 percent of the total employment. The reader can quickly see how these various sectors have fared during and after the Great Recession.



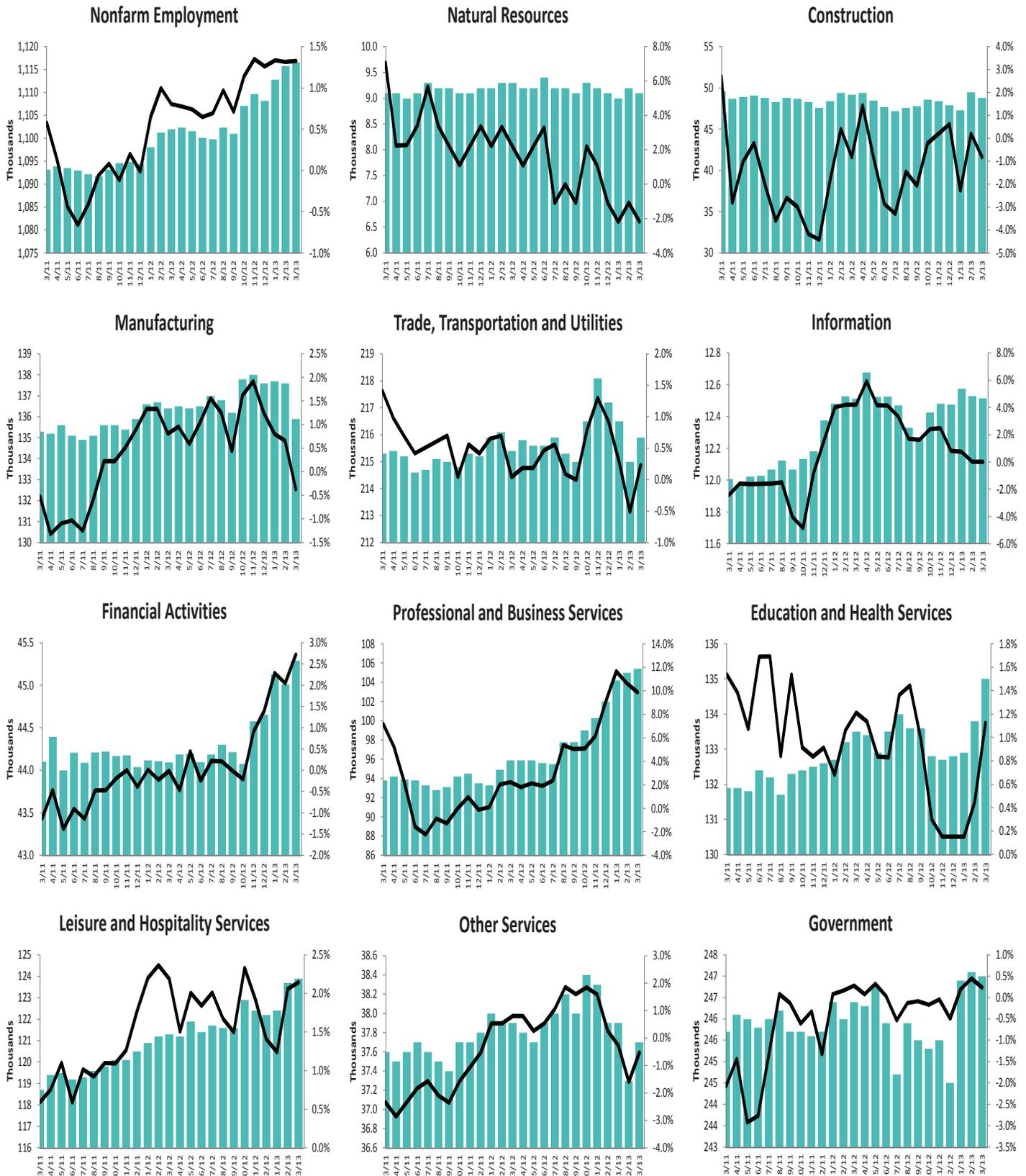
Mississippi Employment by Sector, Seasonally Adjusted

	Relative Share of Total*	March 2013	February 2013	March 2012	Change from Prior Month Level	%	Change from Prior Year Level	%
Total Nonfarm	100.0%	1,116,600	1,115,800	1,102,000	800	0.1%	14,600	1.3%
Mining and Logging	0.8%	9,100	9,200	9,300	(100)	-1.1%	(200)	-2.2%
Construction	4.4%	48,800	49,500	49,200	(700)	-1.4%	(400)	-0.8%
Manufacturing	12.4%	135,900	137,600	136,400	(1,700)	-1.2%	(500)	-0.4%
Trade, Transportation & Utilities	19.5%	215,900	215,000	215,400	900	0.4%	500	0.2%
Retail Trade	12.0%	132,900	132,500	133,400	400	0.3%	(500)	-0.4%
Information	1.1%	12,516	12,529	12,513	(14)	-0.1%	3	0.0%
Financial Activities	4.0%	45,289	45,010	44,093	279	0.6%	1,197	2.7%
Services	35.5%	402,000	399,800	388,600	2,200	0.6%	13,400	3.4%
Professional & Business Serv.	9.0%	105,400	105,000	95,900	400	0.4%	9,500	9.9%
Education & Health Services	12.1%	135,000	133,800	133,500	1,200	0.9%	1,500	1.1%
Leisure & Hospitality	11.0%	123,900	123,700	121,300	200	0.2%	2,600	2.1%
Other Services	3.4%	37,700	37,300	37,900	400	1.1%	(200)	-0.5%
Government	22.2%	247,000	247,100	246,400	(100)	-0.0%	600	0.2%

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

Source: U.S. Bureau of Labor Statistics

MISSISSIPPI EMPLOYMENT TRENDS



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