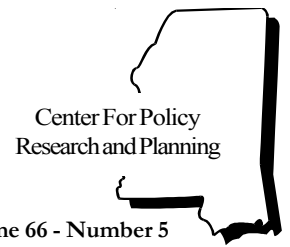


# MISSISSIPPI'S BUSINESS



June 2008

*Monitoring the State's Economy*

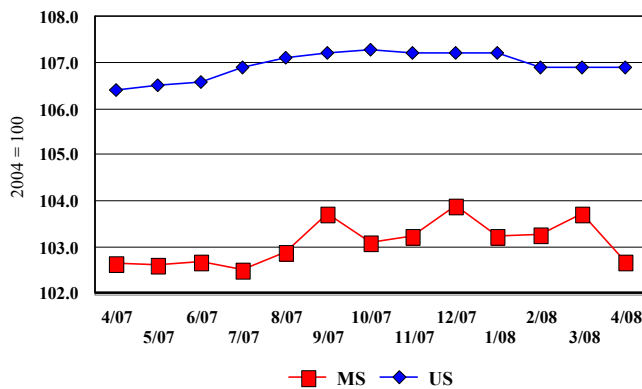
Volume 66 - Number 5

## ECONOMY AT A GLANCE

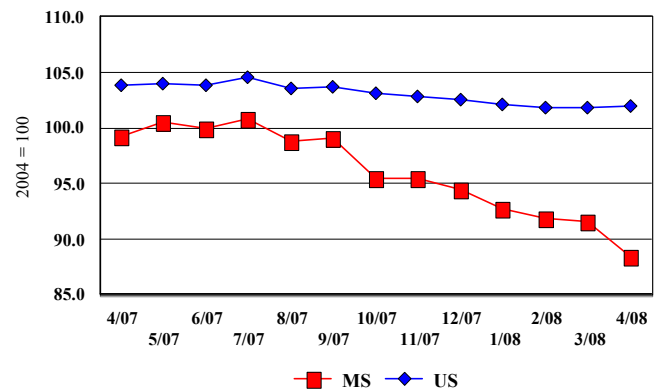
The Mississippi Leading and Coincident Indicators for April suggest a weak state economy in the months ahead. Both indices declined sharply in April. The decline in the coincident index erased the gains made since July 2007. The April leading index was the lowest since October 2001. By almost any measure, Mississippi's economy is slowing. Like the Nation, the State is impacted by the housing market troubles and rising fuel prices.

The national economy is showing some modest signs of stabilizing, but continues to be weak. The National Coincident Index has not changed for three months. The U.S. Leading Index has increased for two consecutive months. The outlook remains for a weak economy for the coming months. The housing market woes and the rising fuel prices continue to shape the economy.

**Index of Coincident Indicators**



**Index of Leading Indicators**



### MISSISSIPPI'S BUSINESS

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## In This Issue

*Economy at a Glance* ..... 1

### 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.

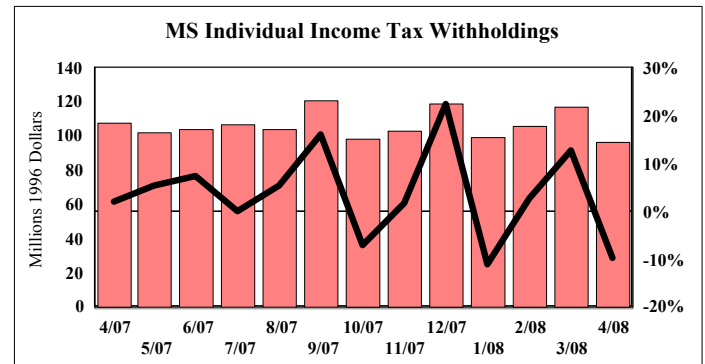
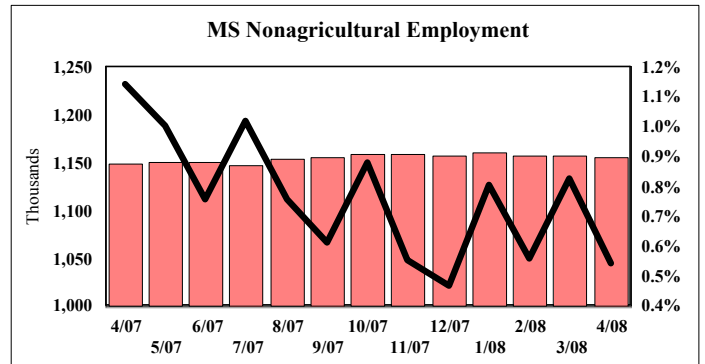
**Coincident Indicators**

The Mississippi Index of Coincident Indicators was 102.7 in April, a strong 1.0 percent decline from the February level. The decline erases the gains made since July 2007. Relative to the level six months prior, the index is down an annualized 0.8 percent. Both components contributed to the monthly decline.

Individual income tax withholdings were down 17.4 percent in April from March. During the first four months of 2008 the series was down 1.6 percent from the same period in 2007. The first four months of 2007 were 5.6 percent ahead of the same period in 2006. The graph below shows the six-month moving average of withholdings. The series has declined in recent months.

Nonagricultural employment fell 0.2 percent in April relative to March. This was the third consecutive decline. As in the previous two months, the decline is related to seasonally adjusting the data. Actual employment increased, but increased less than historically expected for these months. The table on page 3 shows that most of the decline was in the leisure and hospitality services and manufacturing. Professional and business services saw a strong increase.

Mississippi Index of Coincident Indicator Components



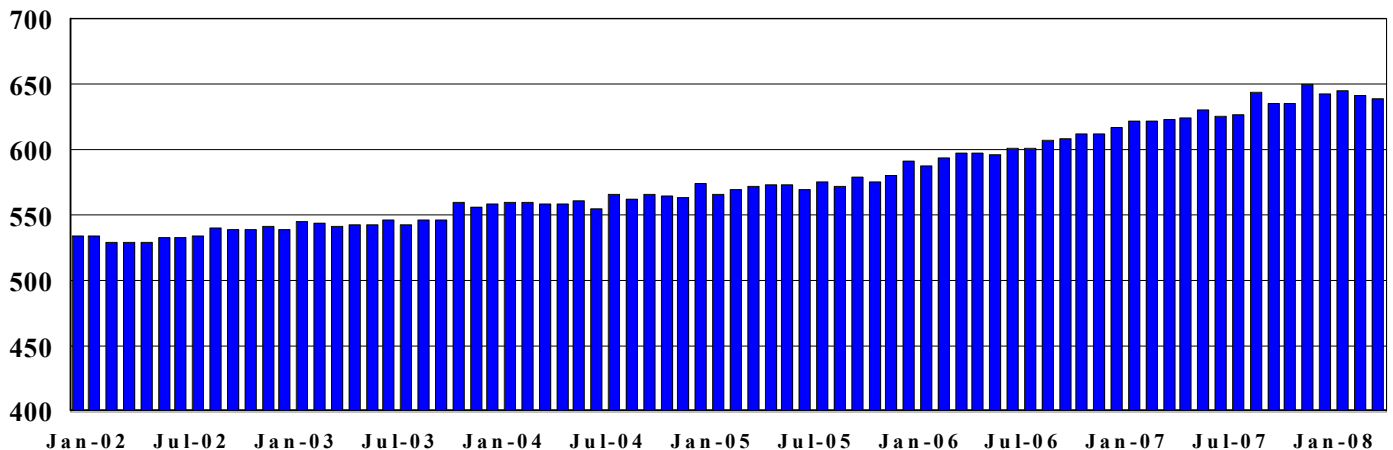
**NOTE:**

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.

**Mississippi Individual Income Tax Withholdings**  
6-Month Moving Average Growth



Adjusted for Inflation and Seasonality

## Mississippi Employment By Sector Seasonally Adjusted

	April 2008	March 2008	April 2007	Change from Prior Month		Change from Prior Year	
				Jobs	%	Jobs	%
<b>Nonfarm</b>	1,154,440	1,156,242	1,148,238	-1,802	-0.2%	6,202	0.5%
<b>Natural Resources</b>	9,524	9,621	9,523	-97	-1.0%	1	0.0%
<b>Construction</b>	58,716	58,894	58,153	-179	-0.3%	563	1.0%
<b>Manufacturing</b>	164,905	165,721	171,333	-817	-0.5%	-6,428	-3.8%
<b>Trade, Transportation and Utilities</b>	228,837	228,665	226,237	171	0.1%	2,599	1.1%
<b>Retail</b>	142,504	142,477	141,264	27	0.0%	1,240	0.9%
<b>Information</b>	13,126	13,182	13,325	-56	-0.4%	-199	-1.5%
<b>Financial Activities</b>	46,945	46,852	47,116	93	0.2%	-171	-0.4%
<b>Services</b>	387,051	386,931	379,572	120	0.0%	7,479	2.0%
<b>Professional and Business Services</b>	95,225	94,112	93,352	1,114	1.2%	1,873	2.0%
<b>Education and Health Services</b>	127,735	127,239	124,879	496	0.4%	2,856	2.3%
<b>Leisure and Hospitality</b>	126,418	127,860	124,499	-1,442	-1.1%	1,919	1.5%
<b>Other Services</b>	37,673	37,721	36,843	-48	-0.1%	830	2.3%
<b>Total Government</b>	245,396	245,585	243,032	-189	-0.1%	2,364	1.0%
<b>Federal Government</b>	25,686	25,762	25,872	-76	-0.3%	-186	-0.7%
<b>State Government</b>	59,636	59,708	59,190	-72	-0.1%	446	0.8%
<b>Local Government</b>	159,859	159,953	157,800	-95	-0.1%	2,059	1.3%

### Leading Indicators

The Mississippi Index of Leading Economic Indicators fell a strong 3.5 percent in April relative to March. The decline was the largest since October 2007 and puts the index at a level not seen since September 2001, following the 9-11 terrorists attack. The growth relative to the level six-months prior has been negative for seven consecutive months as of April. This does not bode well for the state. In the past, such a prolonged negative six-month growth rate has characterized major downturns in the state's economy. The monthly decline was broadly supported with four of the five components contributing to the decline.

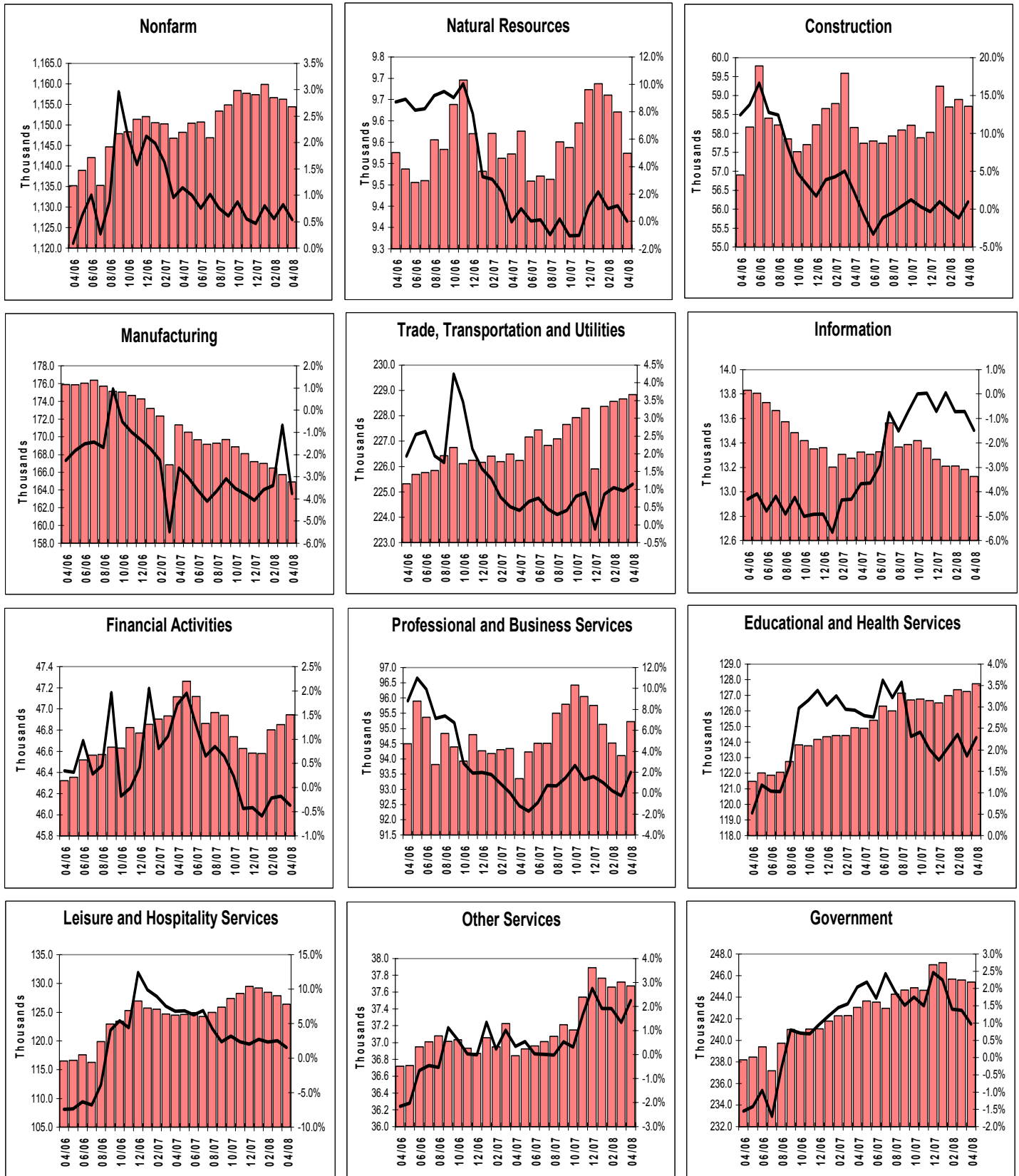
Contributing significantly to the April decline was falling U.S. consumer expectations. Expectations have been declining since mid 2007. The decline in April relative to March was especially sharp. The April Index of U.S. Consumer Expectations was the lowest since November 1990. Record breaking gasoline prices are undermining expectations. Gas-

line prices and declining expectations are all taking a toll on Mississippi's gambling industry. Casino revenues have been slowing relative to the prior year since August 2007. In April 2008, casino revenue was 13 percent below the year ago.

The Mississippi manufacturing work week length fell to 39.6 hours in April. Manufacturers have not worked this short of a week since March 2007. Additionally, the inflation adjusted weekly earnings for Mississippi Manufacturer's has been below the year ago level for five of the last six months. The real hourly wage has been below the year ago level every month since February 2007.

Initial unemployment claims increased 22.4 percent. This series has been trending upward in recent months. The continued claims series has followed a similar pattern. The unemployment rate, however has trended downward. In April the nonseasonally adjusted unemployment rate was a relatively low 5.5 percent. A year earlier, the rate was 5.9 percent.

# 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 value and correspond to the right-hand axis.

**Source:** Department of Mississippi Employment Security and IHL.

Relative to last year we have more people in the workforce and fewer people unemployed.

The apparent conflict between the falling number of unemployed and the rising number of claims may, in part, be explained by discouraged workers. Once a person stops looking for a job, they are no longer counted in the labor force. One can imagine a scenario where workers having exhausted their unemployment benefits decide to quit looking for a job. If this is indeed happening, the "real" unemployment rate would be higher than depicted by the data and thus coincide with the rising unemployment claims.

The value of residential building permits fell 9.5 percent in April relative to March. The series has been trending downward since the beginning of 2007. During the first four months of 2008, the value of building permits were almost 40 percent below the value over the same period of 2007. The most recent Mortgage Bankers Association Survey shows Mississippi leading the nation in delinquency rates. Mississippi's rate was 9.4 percent compared to the national average of 6.4 percent. The delinquency rate is the total number of delinquent loads as a percentage of the total number of loans services. A mortgage is considered delinquent if it is 30 days past due.

The only positively contributing component to the April Index was the Institute for Supply Management (ISM) Index of U.S. Manufacturing Activity. The ISM rose to 49.6 in May (The May ISM Index is used in our April Leading Index). The May ISM was up by one point from the 48.6 observed in April. The index remains below 50 indicating a contracting U.S. manufacturing industry.

### **U.S. Economy**

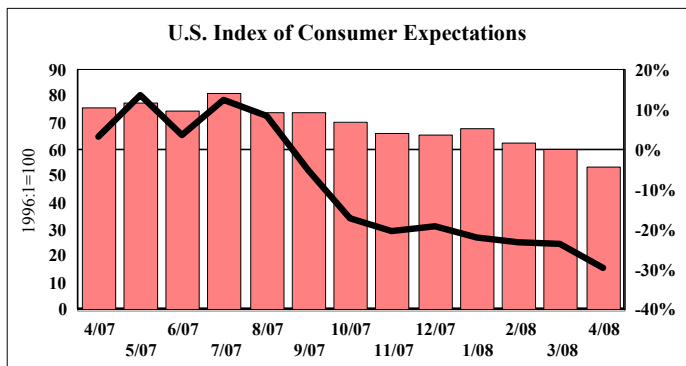
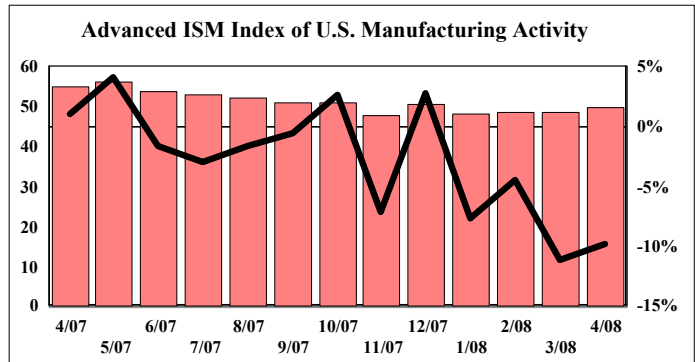
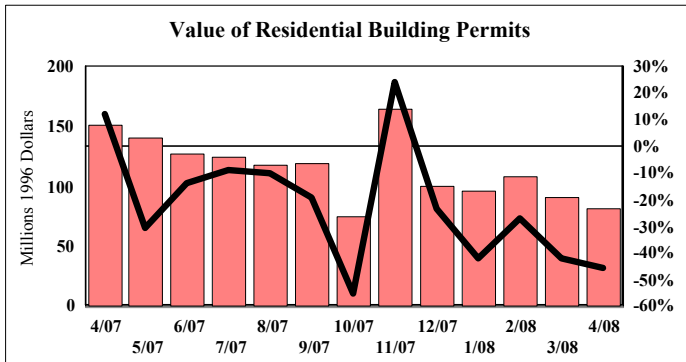
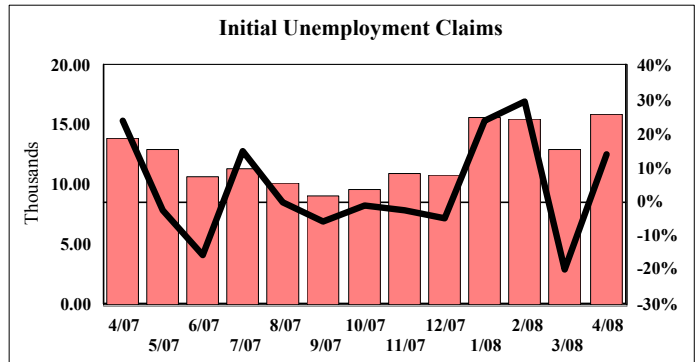
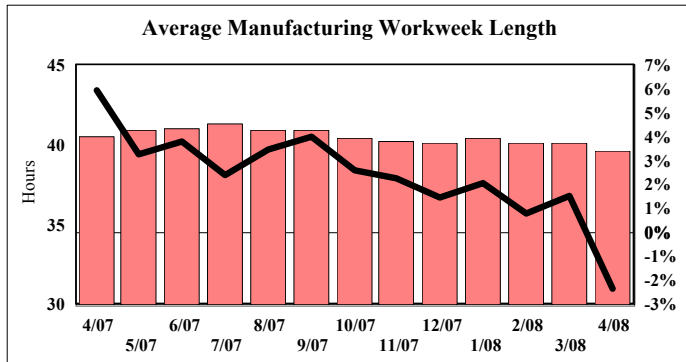
The U.S. Coincident Index was unchanged in April. The index has not moved for three months now and has not increased since October 2007. The six-month change continued to fall in April reaching a -0.7 percent annualized. The U.S. Leading Index is showing signs of stabilizing. The index has increased for two consecutive months after declining for five months. The six-month growth rate, while still negative, is improving. Despite this encouraging

news, the Conference Board says the indices continue to point to a weak economy in the near term.

Although overshadowed by high gasoline prices in recent news, the home mortgage crisis continues. The latest survey by the Mortgage Bankers Association shows the U.S. delinquency rate during the first quarter of 2008 as the highest on record (6.4 percent). The problem is largely, but not exclusively, in the subprime market. Delinquencies in the subprime market were 18.8 percent. In the prime market, delinquencies were 3.7 percent. Both, however, were record setting. Foreclosures are up as well, setting records in both prime and subprime mortgages. If the data are seasonally adjusted, foreclosures are up in 40 states and at a record highs in 20 states.

High oil prices continue to be the other major force shaping the economy. There are at least four forces driving oil prices: (1) limited supply (2) growing demand (3) falling dollar (4) speculative action. The relative importance of each is debatable, but clearly these four factors are at play. Improvement in these will likely be gradual over the coming months such that we will see a modest improvement at the pump rather than a steep decline. Saudi Arabia has agreed to increase production by 200,000 barrels per day beginning in July. The country had increased production by 300,000 barrels in May. The futures market responded with a slight dip in prices, but that has since been erased. While U.S. demand may follow its traditional track and gradually decline in the coming months, demand in countries such as India and China continues to expand. The dollar's value relative to other currencies remains depressed. Despite recent improvements, it will likely not increase as fast as it decreased. The speculative action is the wild card, anything and everything seems to impact the market. Recently, prices have held more steady than in previous weeks. This seems more a function of general market trends than any one factor. There is growing support for increasing domestic production, which can impact prices in the long-term, but not the short-term. The bottom line, is that high gas prices will be with us for the next several months. This will continue to limit discretionary spending and curb economic activity.

Mississippi Index of Leading Indicator Components



**NOTE:**

The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graph represents the growth rate over the prior year's value and corresponds to the right-hand axis.

**SOURCES:**

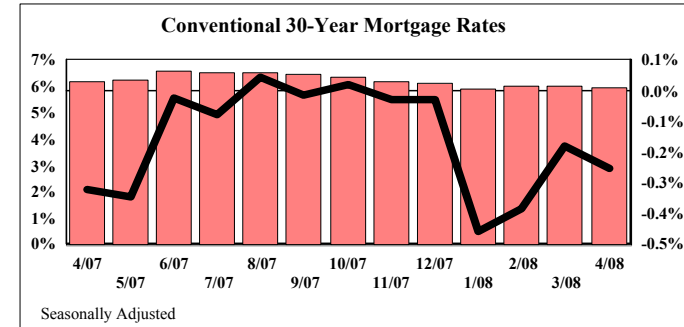
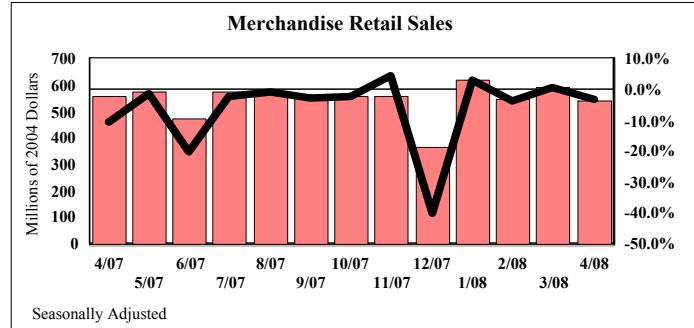
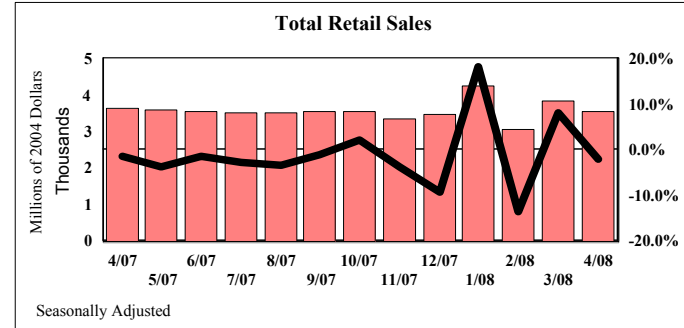
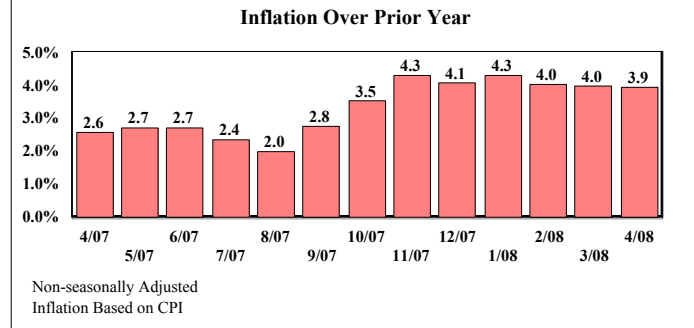
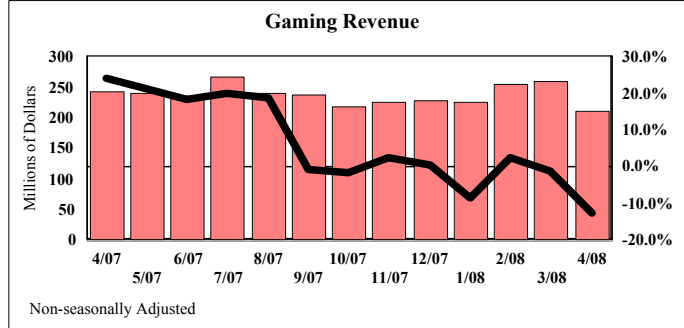
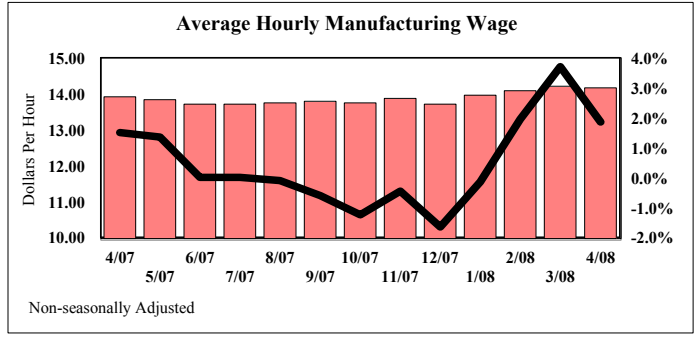
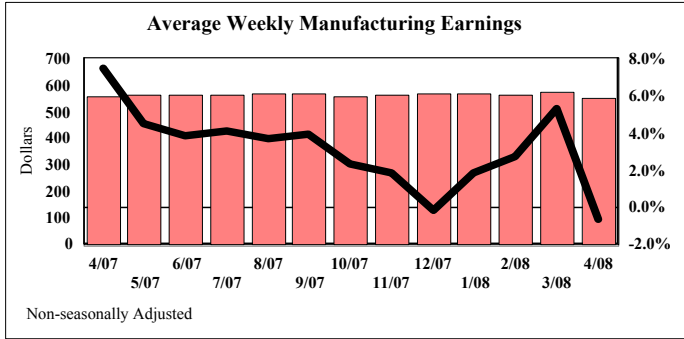
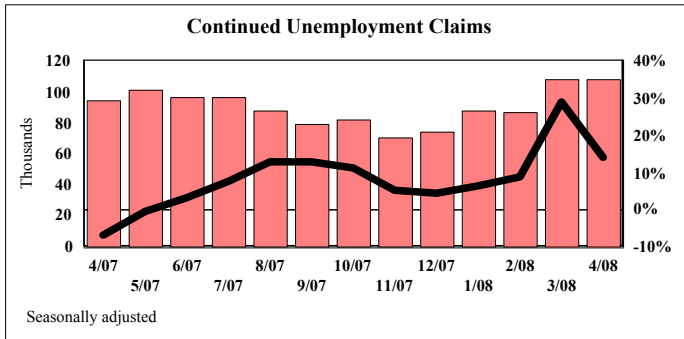
- Bureau of Labor Statistics.
- Bureau of the Census.
- The Conference Board.
- The Institute for Supply Management.

# Quips and Quotes:

*“I guess I should warn you, If I turn out to be particularly clear, you’ve probably misunderstood what I’ve said”*

*-- Alan Greenspan*

Miscellaneous Economic Indicators



**NOTE:**  
The bar graphs above represent the 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.  
Mississippi Gaming Commission.  
Federal Home Mortgage Corporation.  
Bureau of Labor Statistics.

## SELECTED MISSISSIPPI ECONOMIC INDICATORS

	April 2008	March 2008	April 2006	Percent Change From Last Month Last Year	
<b>Coincident Indicator Index (2004=100)</b>	<b>102.7</b>	<b>103.7</b>	<b>102.6</b>	<b>-1.0%</b>	<b>0.1%</b>
Nonagricultural Employment (thousands)	1,154.4	1,156.2	1,148.2	-0.2%	0.5%
Individual Income Tax Withholdings (millions of 2004 \$)	96.7	117.0	107.3	-17.4%	-9.8%
<b>Leading Indicator Index (2004=100)</b>	<b>88.4</b>	<b>91.5</b>	<b>99.2</b>	<b>-3.5%</b>	<b>-10.9%</b>
Initial Unemployment Claims	15,867	12,965	13,937	22.4%	13.8%
Value of Residential Building Permits (millions of 2004 \$)	81.8	90.3	150.5	-9.5%	-45.7%
Average Manufacturing Workweek Length (hours)	39.6	40.1	40.6	-1.4%	-2.4%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the April index is reported for March.	49.6	48.6	55.0	2.1%	-9.8%
U.S. Index of Consumer Expectations	53.3	60.1	75.9	-11.3%	-29.8%
<b>Miscellaneous</b>					
Consumer Price Index U.S. (2004=100)	113.7	113.0	109.4	0.6%	3.9%
Unemployment Rate (percentage)					
Non-seasonally adjusted	5.5%	6.0%	6.4%	-0.5%	-0.9%
Seasonally adjusted	5.9%	6.0%	6.4%	-0.1%	-0.5%
Continued Unemployment Claims	Ju 107,665	107,699	94,285	-0.0%	14.2%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.20	14.24	13.94	-0.3%	1.9%
2004 Dollars per Hour	12.49	12.60	12.74	-0.9%	-2.0%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	550.96	575.30	554.81	-4.2%	-0.7%
2004 Dollars	484.43	508.90	507.02	-4.8%	-4.5%
U.S. Mortgage Rates (30-year conventional)	5.9%	6.0%	6.2%	-0.1%	-0.3%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	97.1	120.8	107.2	-19.6%	-9.4%
River counties (millions of current \$)	113.0	139.8	134.1	-19.2%	-15.8%
Total	210.1	260.6	241.3	-19.4%	-13.0%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.