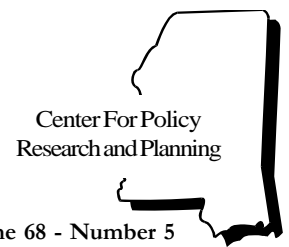


Mississippi's Business



June 2010

Monitoring the State's Economy

Volume 68 - Number 5

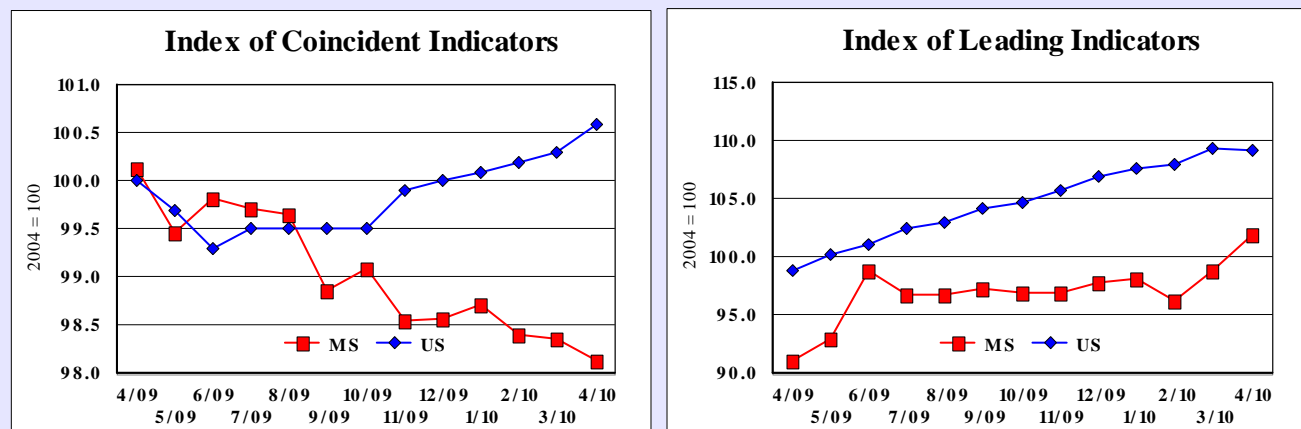
ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators continued its declining trend in April. This is in contrast to an upward trend in the U.S. Index of Coincident Indicators. While the two series are not comparable in an absolute sense, they both attempt to measure their respective economies. The diverging indices, therefore, suggest the National economy is recovering while the state continues to struggle. The recovery at the national level is considered sustainable, but remains feeble. This feebleness was seen in the U.S. employment report for May. The U.S. economy added 431,000 jobs in May, the fifth consecutive increase. But 411,000 were temporary Census jobs. The "real economy" added only 20,000 jobs. This was a much weaker report than April, revealing that at least with respect to jobs, the economy remains weak. In Mississippi, employment declines have slowed, but the state has not yet seen sustained job gains. Both components of the Mississippi Coincident Index are tied to jobs. If recovery is occurring in other segments of the economy, the index will be slow to pick that up.

On a positive note, the Mississippi Index of Leading Indicators rose strongly for the second consecutive month. The gain was supported by three out of the five components. The April gain was led by a longer manufacturing workweek length. Nationally, the manufacturing industry has been strengthening for months. The longer workweek length for Mississippi manufacturers suggests they may be beginning to participate in this recovery. Nationally, the recovery began with manufacturing and has spread to other sectors in recent months. Perhaps the state will follow suit. The strong gains in the leading index support this outlook as does the recent up tick in retail sales.

Nationally, the economy is recovering, albeit weakly. Nonetheless the recession has been deep and the outlook is that this recovery will be much slower than has historically been the case.

Figure 1. Index of Leading and Coincident Indicators



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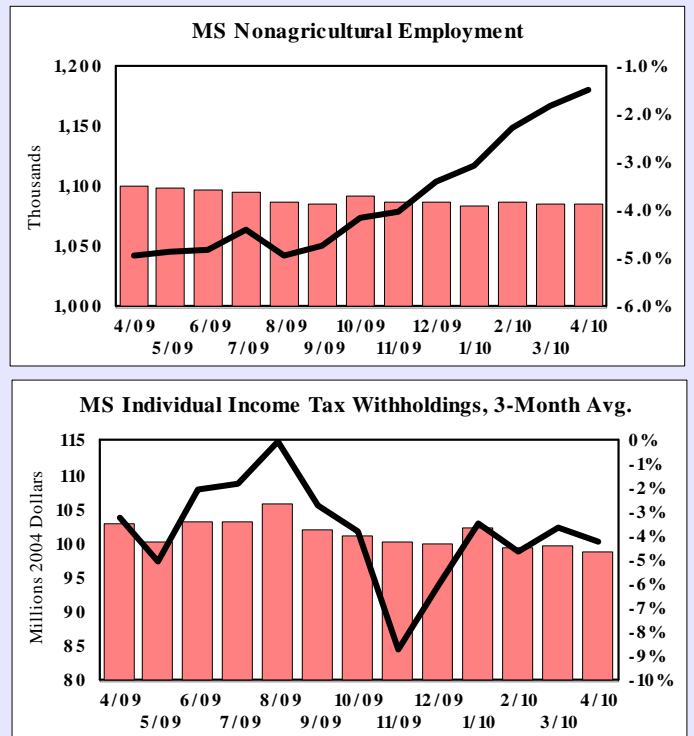
Coincident Index

Mississippi Index of Coincident Economic Indicators fell 0.2 percent in April relative to March. The April index was 98.1. The decline continues a downward trend that had paused in March. It is a reminder that the economy remains weak and that any recovery that may be occurring is tenuous at best. The April decline was driven by falling income tax withholdings.

The three-month moving average of Mississippi individual income tax withholdings fell 1.0 in April relative to March. This was the sixth decline in eight months. The downward trend says that any recovery that may be taking place, has not yet produced gains in earned income in the state. This point is more evident by looking at recent trends in light of a longer history. Figure 3 below shows the series since 2001. Withholdings have been declining since the recession began in December 2007. The level of withholdings in recent months is comparable to that observed in late 2005 and early 2006. The growth relative to the prior year, while improved from the first half of 2009, remains negative and is not trending toward positive territory.

Nonfarm employment fell a 500 jobs in April relative to March, essentially unchanged for the month. Manufacturing employment fell 900 jobs from a downwardly revised March level. The change is modest and manufacturing employment has been relatively flat in

Figure 2. Mississippi Index of Coincident Indicators Components



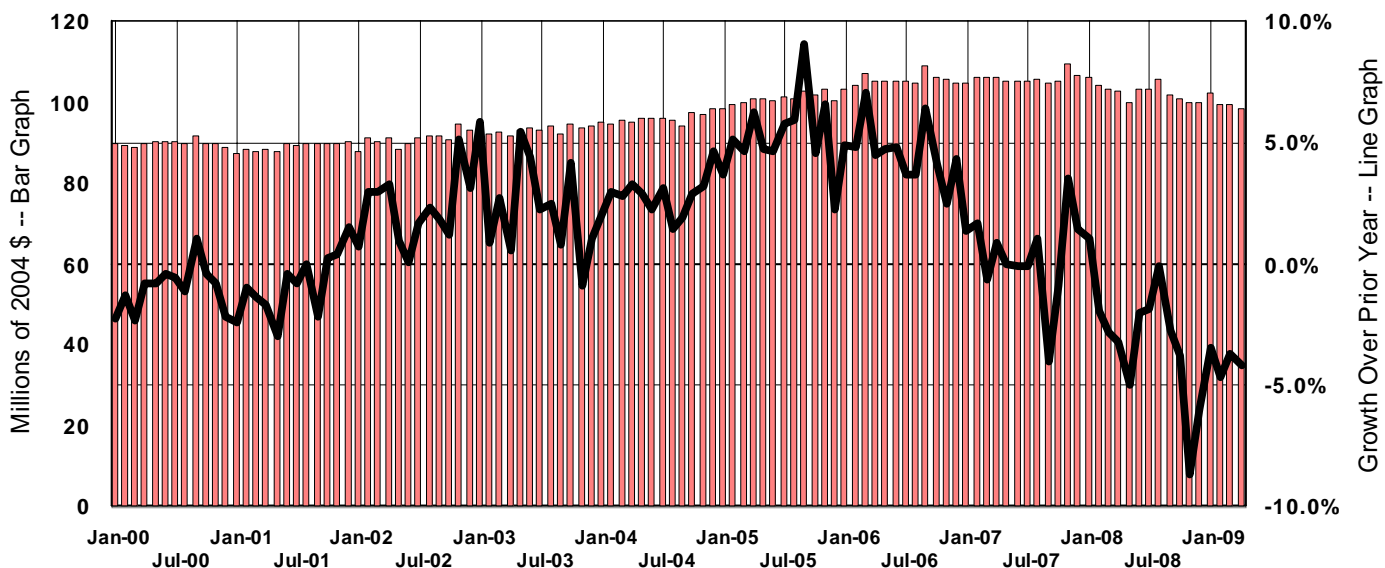
NOTE:

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

Sources:

Mississippi Department of Employment Security
Mississippi State Tax Commission

Figure 3. Three Month Moving Average of MS Individual Income Tax Withholdings



recent months. Countering the loss in manufacturing was a 900 jobs increase in construction rose 900 jobs. This was the third monthly gain for this industry.

Retail sales, while not a component of the coincident index, is an indication of the current state of the economy. After seven consecutive quarters of decline, retail sales rose in the first quarter of 2010 relative to the fourth quarter of 2009 (see figure 4.). The increase was an annualized 20.0 percent gain for the month.

Leading Index

The Mississippi Index of Leading Economic Indicators

rose a sharp 3.1 percent in April relative to March. The April index was 101.9. The April gain followed a strong gain in March and is the fourth gain in five months. The series is trending upward giving support to the theory that recovery is underway. The April increase was supported by three out of five components contributing to the gain. The index suggests the economy will improve in the coming months.

The largest contributor to the April gain in the Leading Index was Mississippi's average workweek length, which rose to 41.7 hours in April after adjusting for seasonality. This was up substantially from the March level of 40.1

Table 1. Mississippi Employment By Sector

Seasonally Adjusted

	April 2010	March 2010	April 2009	Change from Prior Month Level	%	Change from Prior Year Level	%
Total Nonfarm	1,085,100	1,085,600	1,101,400	(500)	0.0%	(16,300)	-1.5%
Mining and Logging	8,600	8,600	8,500	-	0.0%	100	1.2%
Construction	48,600	47,700	52,000	900	1.9%	(3,400)	-6.5%
Manufacturing	136,700	137,600	142,700	(900)	-0.7%	(6,000)	-4.2%
Trade	212,500	213,000	215,300	(500)	-0.2%	(2,800)	-1.3%
Retail Trade	132,300	132,300	133,400	-	0.0%	(1,100)	-0.8%
Information	12,417	12,491	13,011	(74)	-0.6%	(594)	-4.6%
Financial Activities	45,448	44,847	46,031	601	1.3%	(583)	-1.3%
Services	370,200	370,200	374,000	-	0.0%	(3,800)	-1.0%
Professional and Business Services	84,300	83,800	87,600	500	0.6%	(3,300)	-3.8%
Education and Health Services	133,400	133,900	129,600	(500)	-0.4%	3,800	2.9%
Leisure and Hospitality	117,200	117,200	121,200	-	0.0%	(4,000)	-3.3%
Other Services	35,300	35,300	35,600	-	0.0%	(300)	-0.8%
Government	250,800	251,300	250,000	(500)	-0.2%	800	0.3%

Figure 4. MS Retail Sales by Quarter

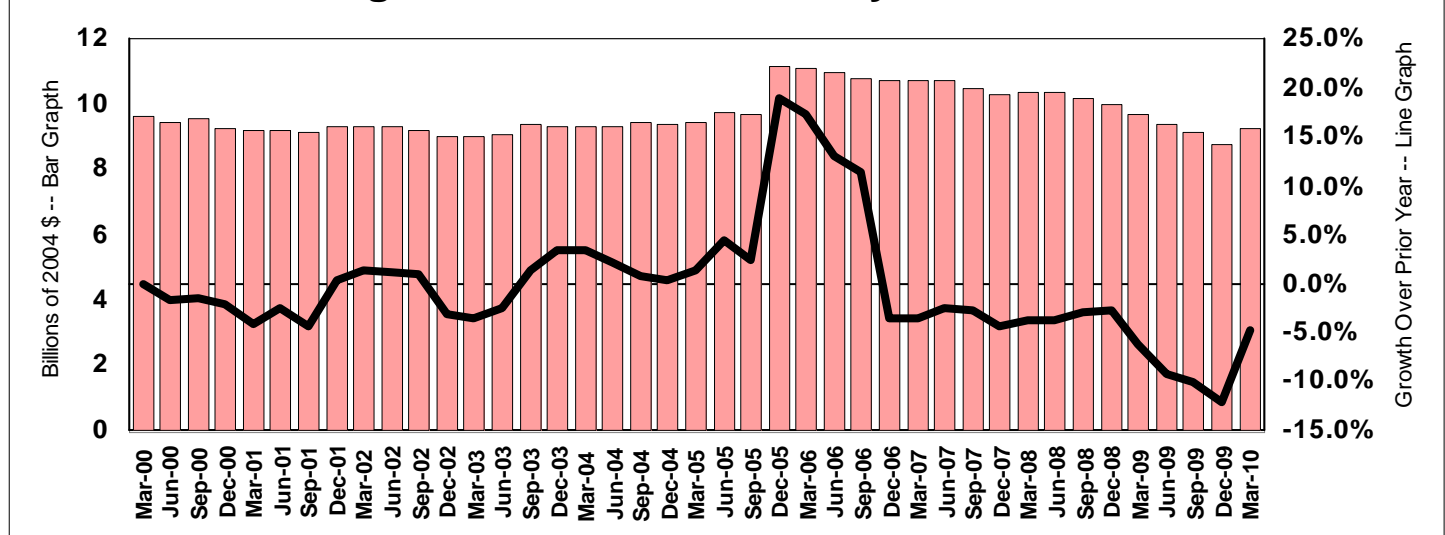
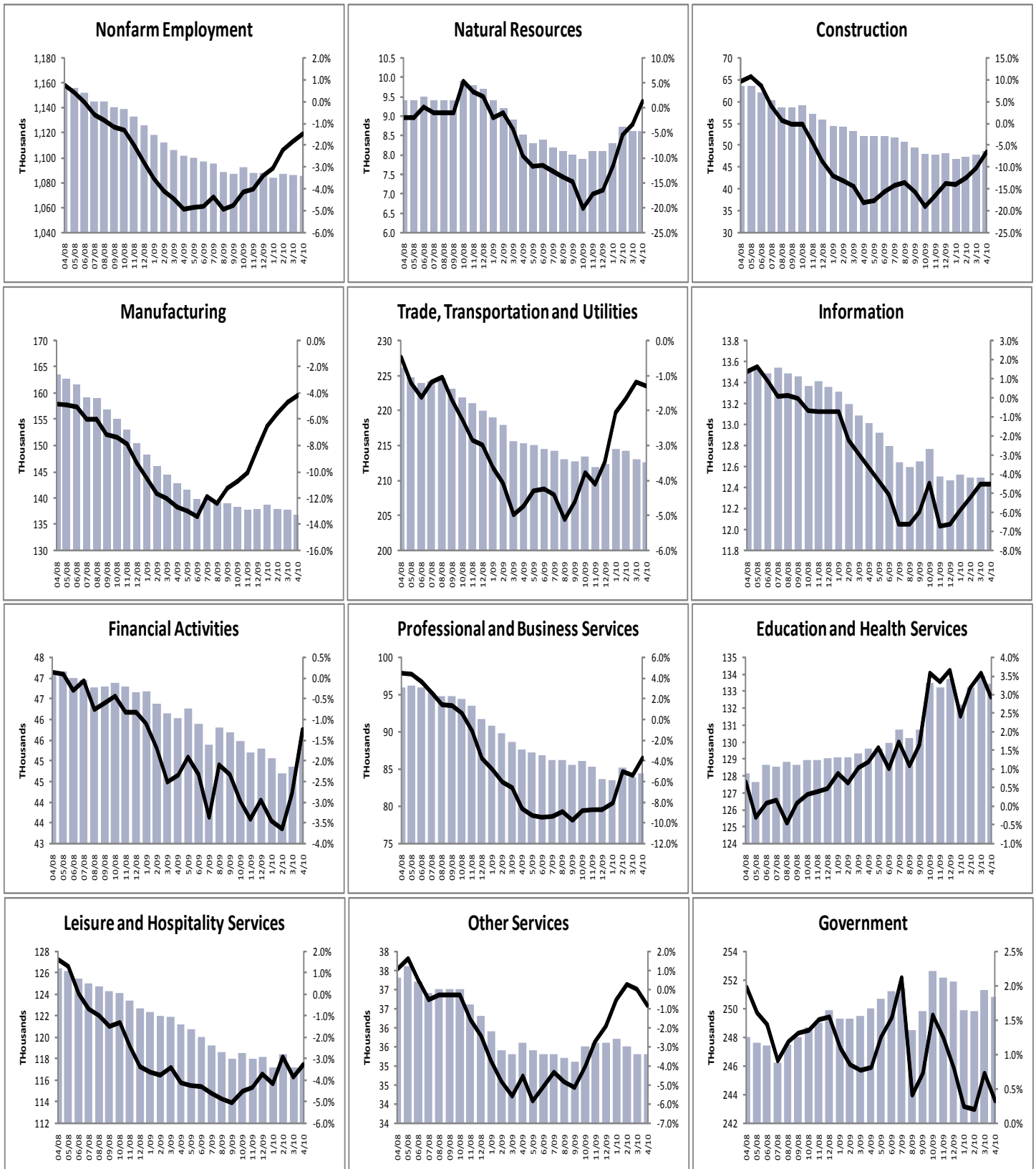


Figure 5. Mississippi Employment Trends

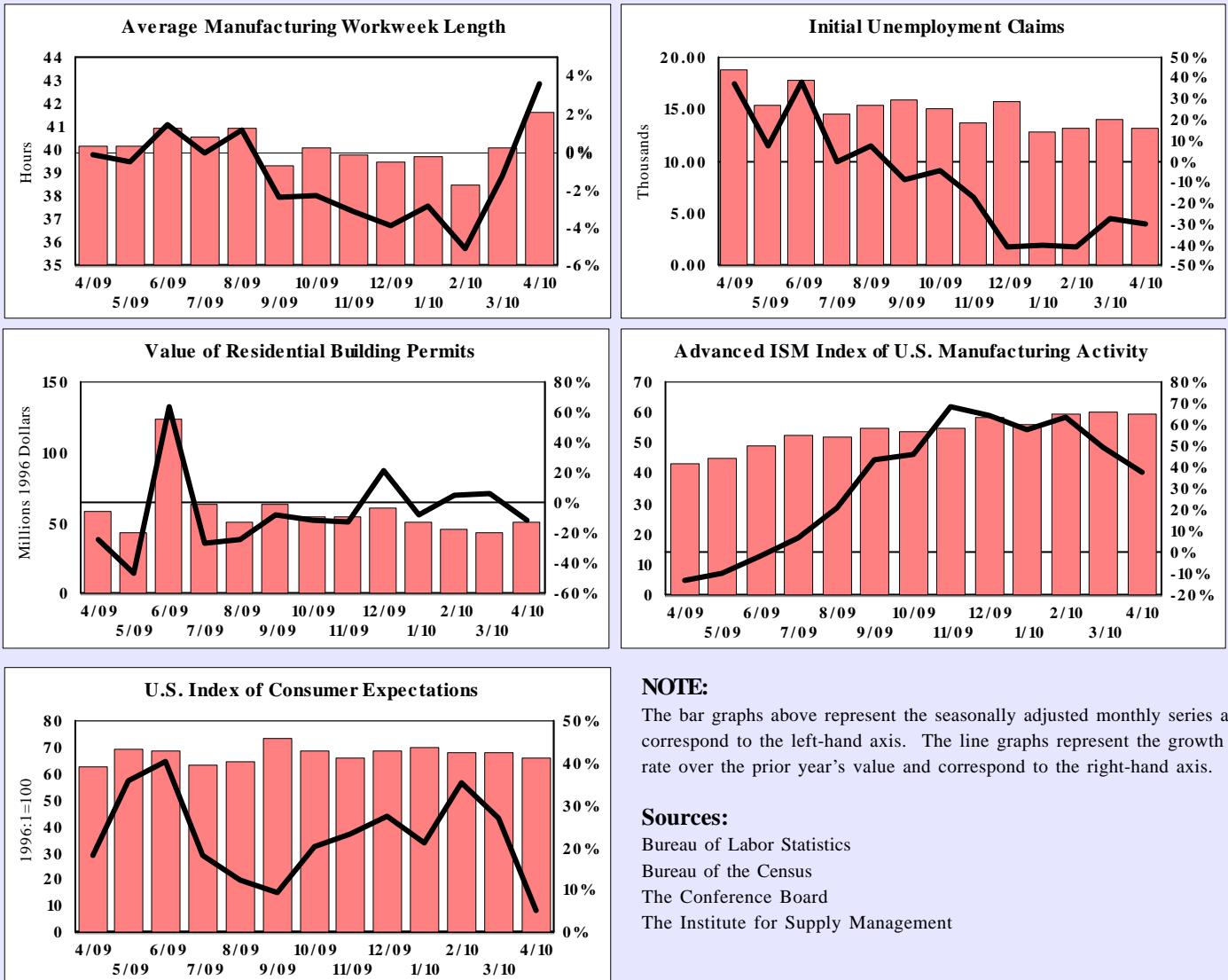


Note: The Bar Graphs above represent seasonally adjusted monthly employment and correspond to the left-hand axis.

The line graphs represent the growth over the prior year's value and correspond to the right-hand axis.

Source: U.S. Bureau of Labor Statistics. Seasonal adjustment of the financial activities and information industries done by IHL.

Figure 6. Mississippi Index of Leading Indicators Components



hours. April marked the second consecutive increase for the series. At 41.7 hours, Mississippi manufacturers had their longest workweek length since October 1998. While the data are subject to revision, a substantial gain is in keeping with the trend of an improved U.S. manufacturing sector.

The value of residential building permits rose 18.1 percent in April relative to March. The increase regained almost all of the ground lost in the declines of February and March. The series remains low by historical standards.

Mississippi initial unemployment claims fell 6.0 percent in April relative to March. The change was modest for the

series. April claims were almost 30 percent below the year ago level but were above the level observed in the months before the recession. Continued claims rose modestly in April but have trended downward over the past year. Figure 7 shows both initial claims and continued claims indexed to their December 2007 level. Initial claims represent the number of people applying for unemployment compensation, while continued claims represent the number of people actually receiving benefits. While both series have fallen since last spring, the continued claims have been much slower to decline. In April continued claims were twice the level of December 2007, while initial claims were only 30.0 percent above the December 2007 level. The graph reveals that while

the economy is not shedding jobs as it once did, it is not adding jobs either. The unemployment rate in April was 11.5% after adjusting for seasonality.

The Institute for Supply Management Index of U.S. Manufacturing Activity (ISM) fell a modest 0.7 points to 59.7 in May relative to April. The index has been on an upward trend since hitting an historical low in December 2008. The series has been above 50 since August 2009. An index above 50 indicates the U.S. manufacturing industry is expanding. The dip in May is considered minor and is not a threat to the expansion. Even with the decline the series remains at an historically high level. The new orders component of the index remained high in May, offering a positive outlook for future production.

The U.S. Consumer Expectations Index declined 1.4 points to 66.5 in April relative to March. Consumers remain worried about jobs, a loss of wealth and the policy changes taking place. Despite the declining expectations, retail sales are on the rise. This may indicate the consumer is beginning to release some of the pent up demand that has accumulated over the past two years. However conditions have not yet improved enough for the consumer to go back to the pre-recession buying habits. In fact, it is doubtful the consumer will soon forget this recession and will likely remain a cautious buyer for quite sometime.

U.S. Economy

The U.S. Index of Coincident Indicators rose 0.3 percent in April relative to March. The April index was an annualized 2.2 percent above the level of October 2009. The increase was broadly supported with each component showing improvement. The U.S. Index of Leading Economic Indicators declined a slight 0.1 percent in April relative to March. This was the first decline since March 2009. The Conference Board believes the economy will continue to improve in the coming months, but perhaps at a more moderate pace.

The fallout from the troubles in Greece are expected to have only limited impact on the U.S. economy. The Nation's recovery is broadening and appears resilient enough to withstand the shock. On the one hand, exports will be hurt by the strengthening dollar. On the other hand, the strengthening dollar will have a dampening effect on oil prices and inflation in general. Investors are seeking safety in U.S. Bonds which in turn is lowering mortgage rates. The underlying problems in Greece, however, serves as a reminder for governments across the globe to reflect on the conditions of their own financial conditions.

The Bureau of Labor Statistics reports that the U.S. Economy added 431,000 jobs in May. Unfortunately 411,000 of these were temporary jobs with the Census. The economy really only generated 20,000 jobs. This is a very weak jobs report and reflects a feeble recovery.

Figure 7. Unemployment Claims Index
December 2007 = 100

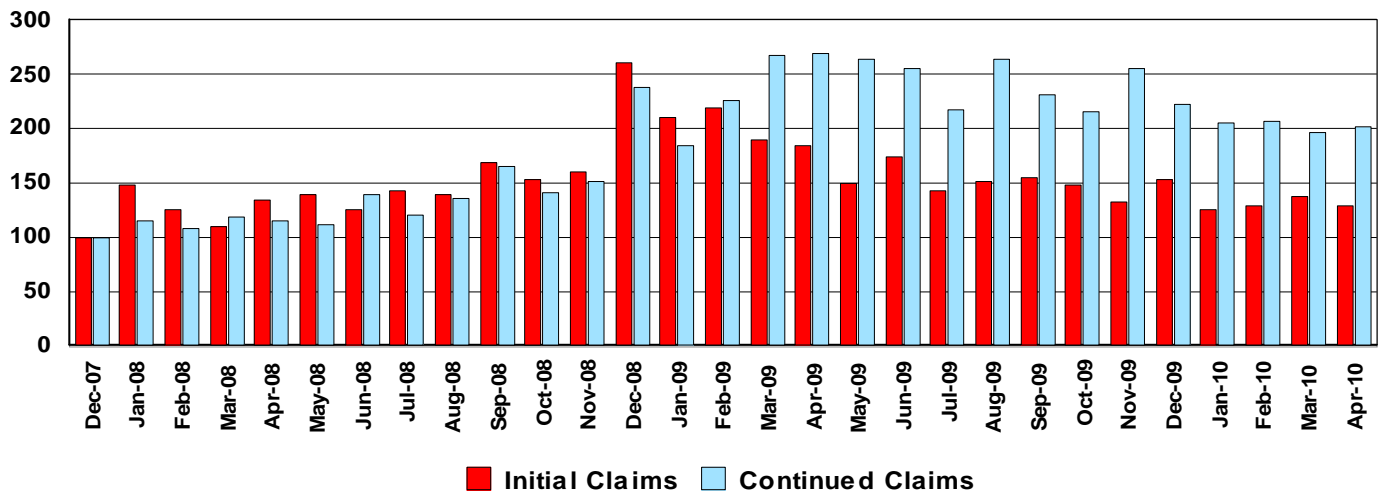
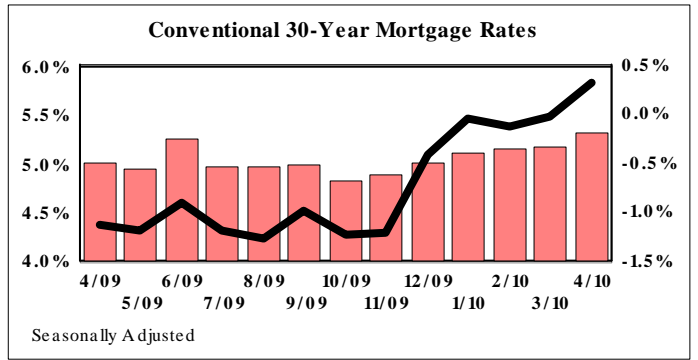
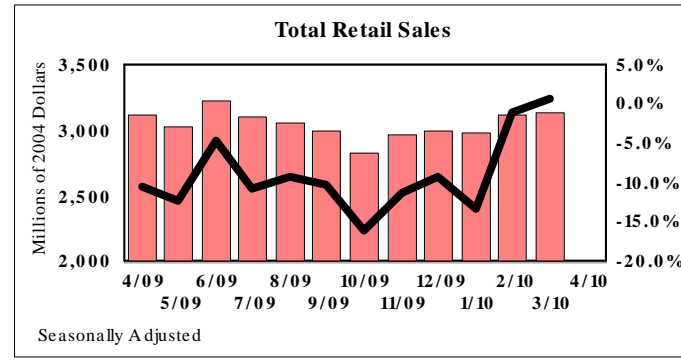
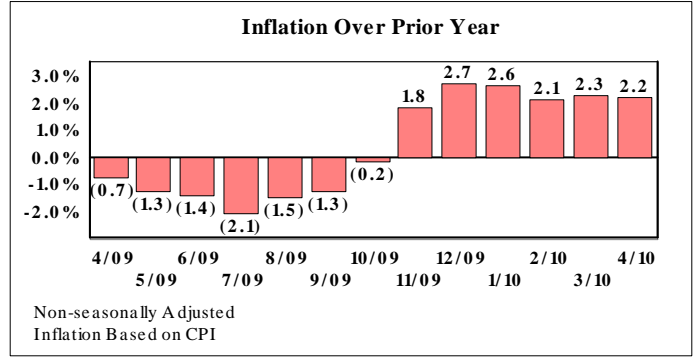
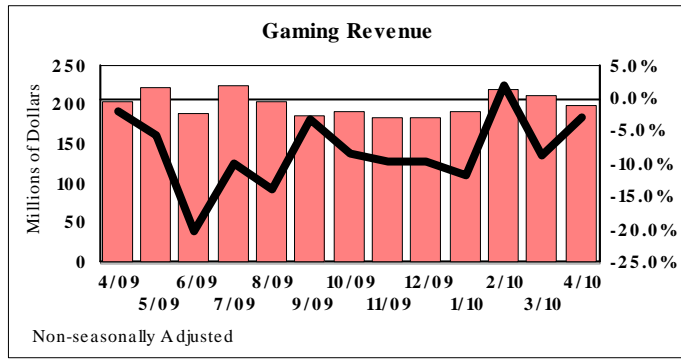
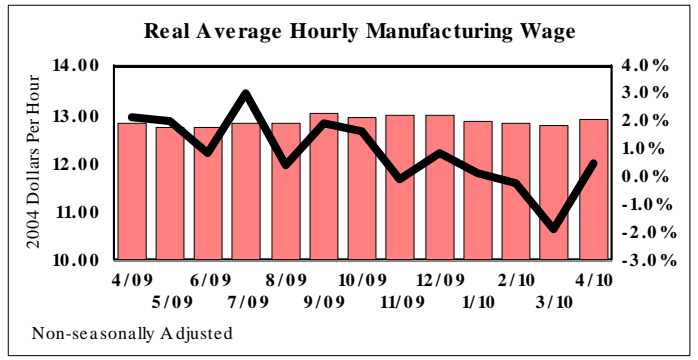
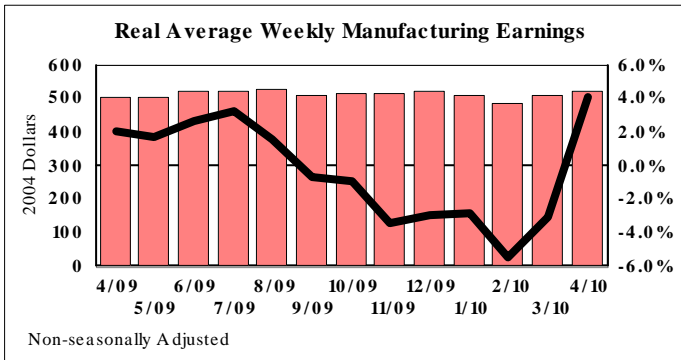
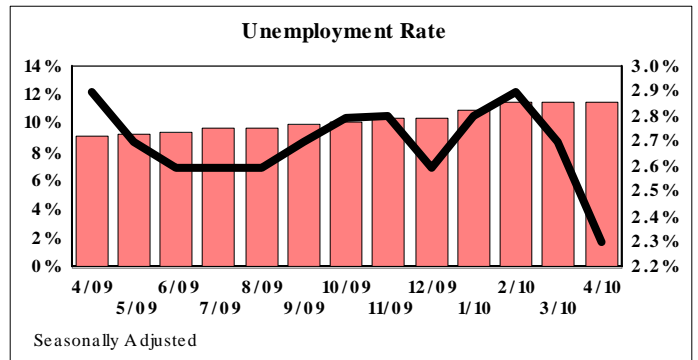
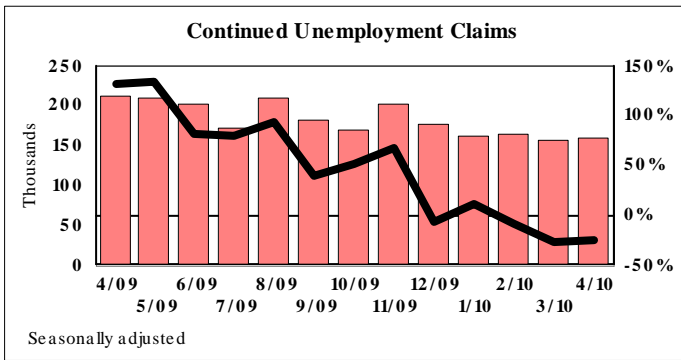


Figure 8. Miscellaneous Indicators



NOTE:

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

Sources:

- Mississippi Department of Employment Security
- Mississippi Tax Commission
- Mississippi Gaming Commission
- Federal Home Mortgage Corporation
- Bureau of Labor Statistics

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	April 2010	March 2010	April 2009	Change From Last Month	Change From Last Year
Coincident Indicator Index (2004=100)	98.1	98.4	100.1	-0.2%	-2.0%
Nonagricultural Employment (thousands)	1,085.1	1,085.6	1,101.4	-0.0%	-1.5%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	98.7	99.7	103.0	-1.0%	-4.2%
Leading Indicator Index (2004=100)	101.9	98.9	91.2	3.1%	11.8%
Initial Unemployment Claims	13,324	14,179	18,919	-6.0%	-29.6%
Value of Residential Building Permits (millions of 2004 \$)	51.4	43.5	58.3	18.1%	-11.7%
Average Manufacturing Workweek Length (hours)	41.7	40.1	40.2	3.8%	3.7%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the March index is reported for February.	59.7	60.4	43.2	-1.2%	38.2%
U.S. Index of Consumer Expectations	66.5	67.9	63.1	-2.1%	5.4%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	115.4	115.2	112.9	0.2%	2.2%
Unemployment Rate (percentage)					
Non-seasonally adjusted	10.7%	11.2%	8.5%	-0.5%	2.2%
Seasonally adjusted	11.5%	11.6%	9.2%	-0.1%	2.3%
Continued Unemployment Claims	160,143	156,694	214,466	2.2%	-25.3%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.90	14.74	14.50	1.1%	2.8%
2004 Dollars per Hour	12.91	12.79	12.84	0.9%	0.5%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	606.43	591.07	569.85	2.6%	6.4%
2004 Dollars	525.41	512.99	504.76	2.4%	4.1%
U.S. Mortgage Rates (30-year conventional)	5.3%	5.2%	5.0%	0.2%	0.3%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	93.3	95.6	92.6	-2.4%	0.7%
River counties (millions of current \$)	105.8	116.9	112.5	-9.5%	-6.0%
Total	199.1	212.5	205.1	-6.3%	-3.0%
	March 2010	February 2010	March 2009	Percent Change From Last Month	Percent Change From Last Year
Total Retail Sales (Millions of 2004 \$)	3,147.85	3,118.03	3,119.86	1.0%	0.9%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.