

Mississippi's Business

June 2011

Monitoring The State's Economy

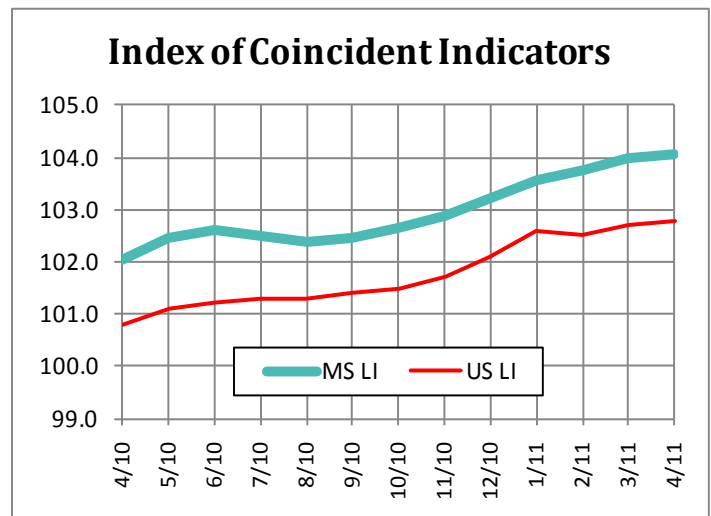
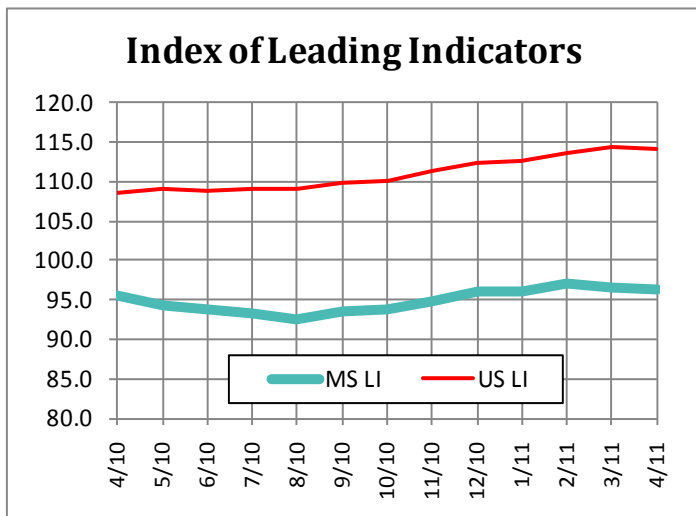
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ECONOMY AT A GLANCE

Evidence of a slowing economy continue to mount. After three months of gaining over 220,000 jobs per month, the U.S. added only 54,000 jobs in May. The ISM index of Manufacturing Activity, which had been above 60 for the previous four months, took a dramatic plunge in May. Light vehicle sales went from over 13 million units per month to under 12 in April. In Mississippi, the Index of Leading Indicators has declined for two consecutive months, initial unemployment claims are rising again, and building permits are falling. The Coincident Index had its slowest gain since September 2010 in April. Employment, which has added an averaged 1,000 jobs per month for the past 14 months, rose only 600 jobs in April. The private sector was more robust, adding 2000 jobs for the month.

While growth has slowed, it remains positive. Furthermore, there is good reason to expect the second half of 2011 to be stronger than the first. Much of the recent sluggishness stems from the spike in oil prices and the disasters in Japan. Oil prices have moderated and the further removed we are from the disasters in Japan, the less of a role they will play in the recovery. Further increases in oil prices remains a serious threat, but economists think it is more likely prices will remain at their current level for the remainder of 2011. Economists expect the National economy to strengthen moderately in the second half of 2011, but remain slow by historical averages. Growth will be helped not only by distance from the twin shocks of the spring, but also expanding exports. Mississippi's economy will be helped by an improved national economy, but will also see a boost from rebuilding after the storms and flooding of the spring.



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, APRIL 2011

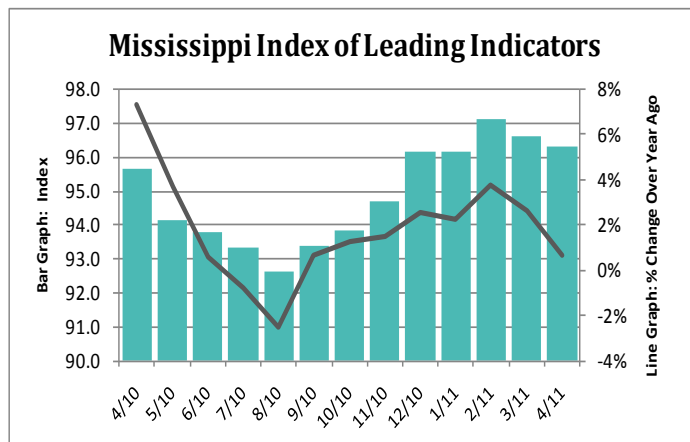
The **Mississippi Index of Leading Economic Indicators** fell 0.3 percent in April relative to the revised March level. This was the second consecutive monthly decline. The April index rose 5.3 percent over October and the six-month diffusion index remained strong. A high diffusion index says most components are gaining relative to the level six months ago. Taken together, these measures suggest a recession is not imminent.

It is concerning, however that the index has declined for two months and that five out of eight components contributed negatively to the monthly decline in April.

Monthly changes can be volatile and it is not uncommon for many components to contribute negatively to a given monthly change. With the national economy weakening in May, the state's economy is likely softening as well. Despite the softening, we expect growth to remain positive and increase slightly in the second half of 2011. The state's economy will be helped by a moderately stronger national economy as well as the rebuilding efforts from the storms and floods occurring in recent months. The components of the Leading Index will be discussed in order of their contribution to the monthly decline.

The **ISM Index of U.S. Manufacturing Activity** fell 6.9 points to 53.5 in May. This was the lowest level since August 2009 and the first time the index was below 60 since January 2010. That the index was above 50 indicates the industry remains in an expansionary phase, but the steep decline says activity has diminished. The disaster in Japan and rising oil prices are the most likely suspects behind the decline. The Japanese disaster has created supply disruptions that are believed to be affecting

U.S. manufacturers more than was initially expected. Coupled with the spike in oil prices, businesses faced a double shock in the spring. Both shocks are expected to have less of an impact in the second half of the year. In fact, the non-manufacturing ISM Index, which fell a month ahead



It was noticeably below the level observed in January through March in which the series was above 100.

Mississippi Initial Unemployment Claims rose 9.2 percent in April relative to March. This was the second consecutive gain. The gains

Despite the softening, we expect growth to remain positive and increase slightly in the second half of 2011.

of the manufacturing index, has since rebounded slightly.

The **value of Mississippi residential building permits**¹ fell 8.3 percent in April. This was the second consecutive monthly decline. The series had trended up between July 2010, when the series hit bottom, and February 2011. Bad weather likely played a large role in the recent declines.

The **Mississippi Diesel Fuel Consumption Index**¹ fell 4.1 percent in April. The April Index of 96.2 was the lowest since November 2010.

are relatively small compared to the declines that occurred between August 2010 and February 2011. The continued claims series rose a modest 4.5 percent in April after a steep decline in March. The upward trend in unemployment claims is expected to be temporary.

U.S. Index of Consumer Expectations¹ fell a slight 1.1 percent in April relative to March. This was the third consecutive decline for the series. It should be noted however,

1. Three Month Moving Average

that this series enters our leading index as a three month moving average. It is this three month average which has declined for the past three months. Those declines are due to a sharp decrease in March. The monthly series reveals that expectations have risen every month except March since October 2010. The earthquake that hit Japan occurred on March 11, 2011.

The **Mississippi Manufacturing Employment Intensity Index** rose a sharp 4.0 percent in April relative to March. The series has increased for three consecutive months, with the April being the strongest by far. The gains are the result of longer workweeks and stable employment levels. The implication is that Mississippi manufacturers have had enough orders to keep them busy.

Mississippi income tax withholdings¹ rose 2.3 percent in April relative to March. This was the third consecutive increase with the most recent increase being the strongest. Withholdings have been relatively flat over the past several months.

U.S. Retail Sales rose a slow 0.5 percent in April over March. This was the slowest monthly increase since December 2010. While consumers have showed a willingness to spend through the spring, it is clear the rising cost of gasoline is crowding out sales of other items. For February through April, light vehicle sales were over 13 million

units per month. This dropped to under 12 million units in May, the lowest since September 2010. Part of the decline, but certainly not all, may be due to reduced inventories of Japanese-made vehicles as a result of earthquake related supply disruptions.

The Mississippi Index of Coincident Economic Indicators rose an almost negligible 0.1 percent in April relative to March, reaching a level of 104.1. The Index has not declined on a monthly basis since August 2010. The April gain was the smallest since September 2010 and reveals a loss of momentum for the state's economy.

The Federal Reserve Bank of Philadelphia calculates the index for all 50 states. Mississippi ranked 46th in growth relative to the level three months prior in April. Five other southeastern states were in the lower one third of the states in terms of growth, but Mississippi was the lowest ranked among them.

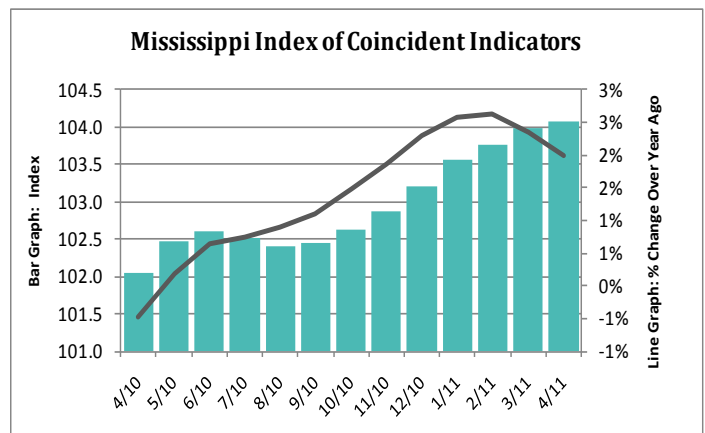
National Economy

The U.S. Index of Leading Indicators declined for the first time since June 2010 in April. The majority of the components contributed to the 0.3 percent decline. The U.S. Index of Coincident Indicators rose 0.1 percent in April. The Conference Board expects the continued modest growth in the coming months.

Negative economic news sent the stock market retreating in the first few days of June. The two biggest stories were the steep plunge of the ISM Manufacturing Index and the anemic employment gains in May. The ISM index is a serious concern, but it does not mean the sky is falling. The index shows a tremendous loss of momentum, but the industry remains in an expansion phase and above the historical average.

After adding an average of over 220,000 jobs per month between February and April, U.S. Employment rose a meager 54,000 jobs in May. Initial unemployment claims have also inched upward, signaling a weakening of an already weak labor sector.

The figure on the top of page five offers some historical perspective

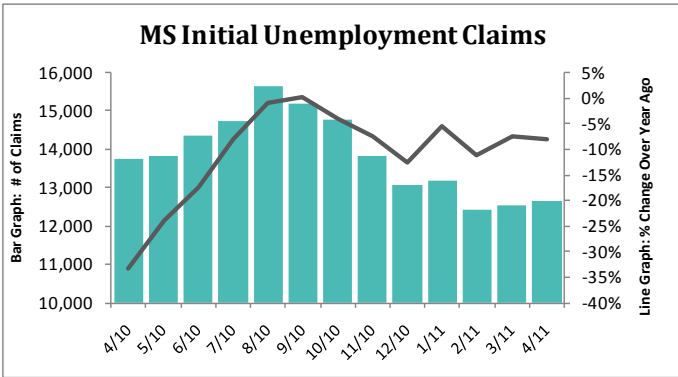


on monthly jobs gains. A gain of 220,000 jobs per month is certainly not high, but did suggest the economy was strengthening. A gain of 54,000, on the other hand, is meager in light of the heavy losses incurred throughout the recession.

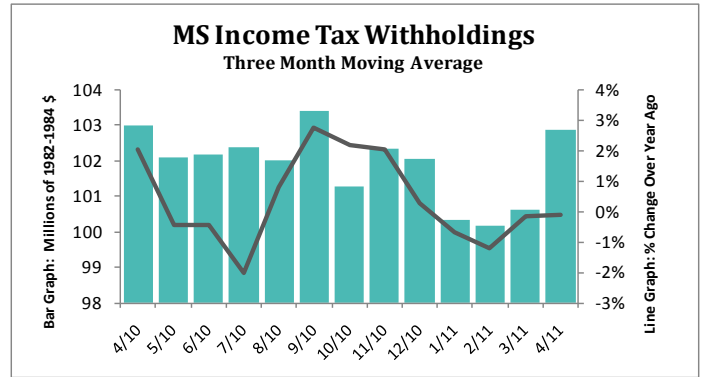
The loss of momentum in economic growth is troublesome, but it is a slowdown of growth, not another

Mississippi Employment Trends are Presented on Pages 7 and 8

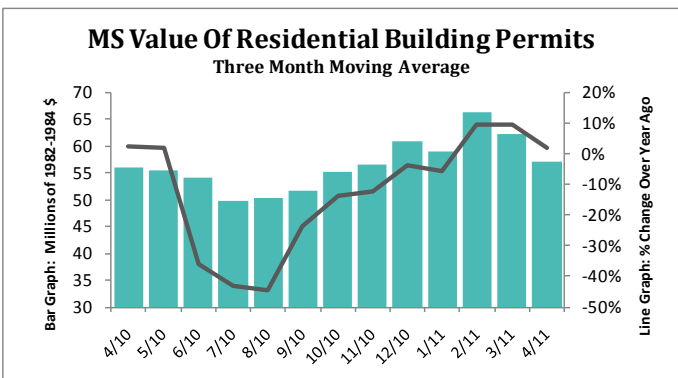
LEADING ECONOMIC INDICATORS



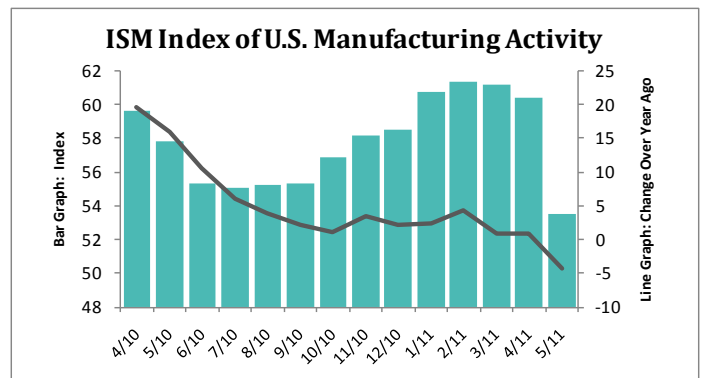
Source: Mississippi Department of Employment Security



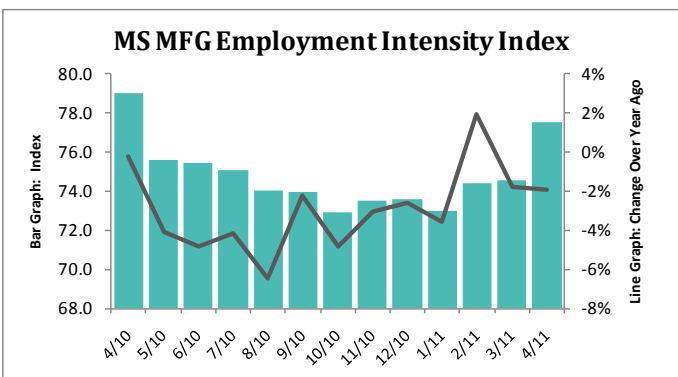
Source: Mississippi Department of Revenue



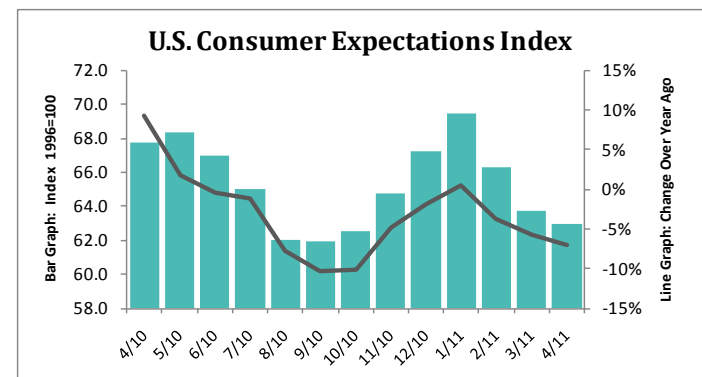
Source: Mississippi Department of Employment Security



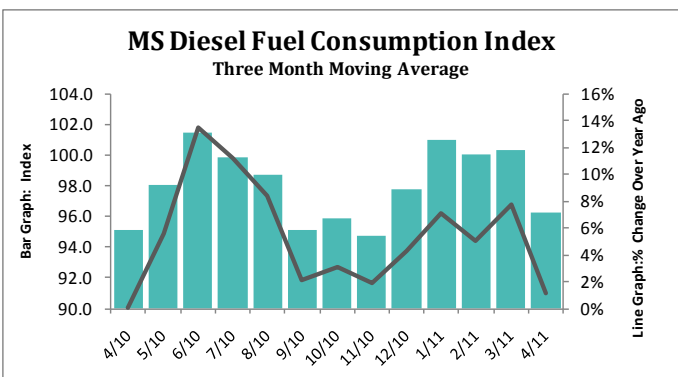
Source: Institute For Supply Management



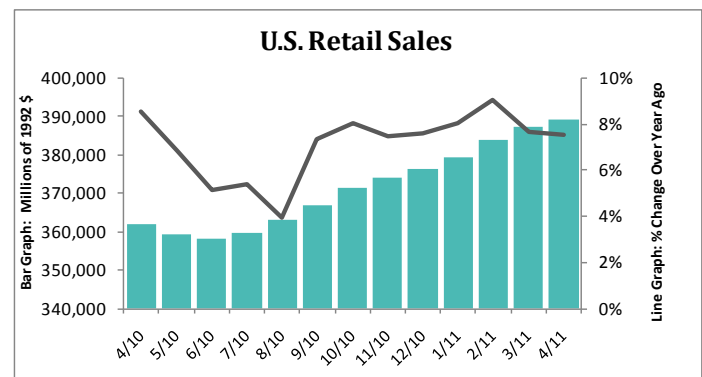
Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan



Source: URC using Data from Mississippi Department of Revenue



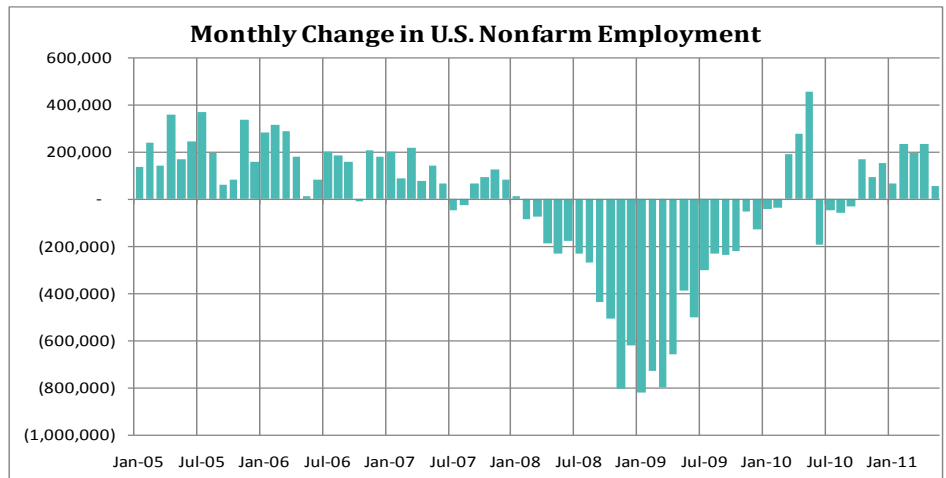
Source: Bureau of the Census

recession. With the slowdown, the recovery is more fragile, as it takes less of a shock to drive the economy negative. But while the threat of a double-dip has increased, it is not the most likely scenario. It is more likely that growth will moderate a few months, then pick up as we move into the second half of 2011.

The slowing growth can be linked largely to the twin shocks occurring in the spring -- a spike in oil prices and the disasters in Japan. As we move away from these events they will become less of an influence on the U.S. economy and growth should improve.

Oil prices have already moderated from their highs and will be less of a drag on the recovery going forward. The Middle East troubles remain volatile and another oil spike is a possibility. But economists believe oil prices will more likely hover around \$100 per barrel (West Texas Intermediate) over the rest of 2011 and into 2012. The economy can withstand this level without falling into a recession. Current supply is tight and political issues in the Middle East seem to be a roadblock to increased production. As a result, prices are not likely to fall significantly further in the near future.

Growth in the second quarter is shaping up to be very similar to that of the first -- around 1.8 percent. Forecasters are predicting growth rates for calendar year 2011 ranging from 2.0 to 2.5 percent. The lower end of that range seems the better bet. The point however is that growth will be positive, not negative.

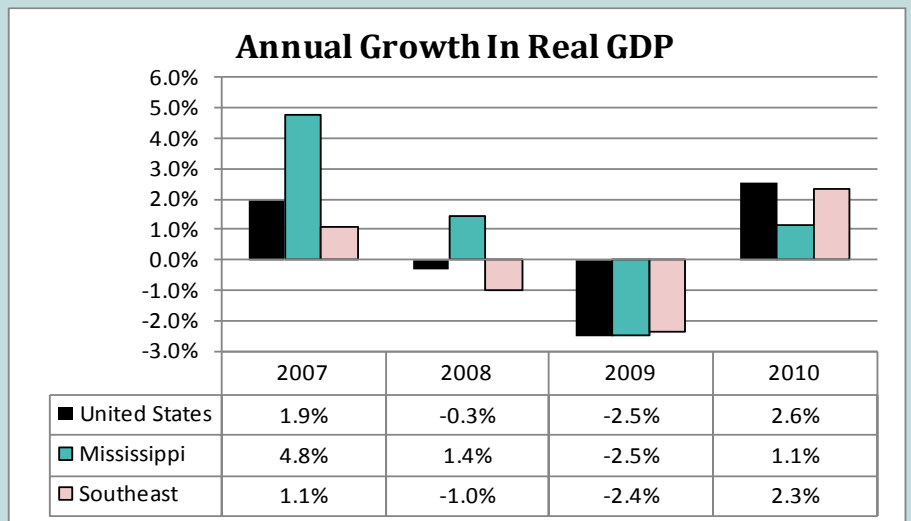


MISSISSIPPI AMONG THE SLOWEST GROWING STATES IN 2010

The Bureau of Economic Analysis (BEA) released their latest estimates for State level Gross Domestic Product (GDP) on June 7, 2011. The release included a revision to the 2007-2009 data and an advanced estimate for 2010.

Mississippi Real GDP grew an estimated 1.1 percent for 2010. There were forty eight states that saw an increase. Mississippi was among the slowest. The U.S. grew at a rate of 2.6 percent and the southeast region grew 2.3 percent. Among the southeastern states, Tennessee, Kentucky, North Carolina and West Virginia were among the fastest.

The revised data showed that Mississippi, the Southeast and the U.S. had similar growth rates for 2009, but Mississippi grew stronger in both 2007 and 2008. Mississippi continued to expand in 2008, while both the U.S. and the Southeast declined for that year. For more information go to <http://www.bea.gov>.



SELECTED ECONOMIC INDICATORS

Indicator	April	March	April	Change from		
	2011	2011	2010	Last Month	Last Year	
US Index of Coincident Indicators Index 2004=100, Source: The Conference Board	102.8	102.7	100.8	0.1%	2.0%	Economic Indices
MS Index of Coincident Indicators Index 2004=100, Source: Federal Reserve Bank of Philadelphia	104.1	104.0	102.0	0.1%	2.1%	
US Index of Leading Indicators Index 2004=100, Source: The Conference Board	114.0	114.3	108.6	-0.3%	5.0%	
MS Index of Leading Indicators Index 2004=100, Source: University Research Center	96.3	96.6	95.6	-0.3%	0.7%	
MS Initial Unemployment Claims Source: Mississippi Department of Employment Security	13,820	12,657	13,233	9.2%	4.4%	Components of the MS Index of Leading Indicators
MS Value Of Res. Building Permits 3 Mo. Moving Average, Millions of 2004 Dollars, Source: Bureau of Census	48.3	52.8	48.6	-8.5%	-0.8%	
MS Income Tax Withholdings 3 Mo. Moving Average, Millions of 2004 Dollars, Source: MS Department of Revenue	102.90	100.61	102.99	2.3%	-0.1%	
MS MFG Emp. Intensity Index Average workweek length times employment, Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	77.5	74.5	79.0	4.0%	-1.9%	
MS Diesel Fuel Consumption Index 3 Mo. Moving Average, Index 2004-100, Source: URC using data from MS Department of Revenue	96.2	100.4	95.1	-4.1%	1.1%	
US Index of Consumer Expectations 3 Mo. Moving Average, Index 1996=100, Source: University of Michigan	63.0	63.7	67.7	-1.1%	-7.0%	
US ISM Index of MFG Activity Advanced 1 Month (May Index appears as April), Source: Institute For Supply Management	53.5	60.4	59.6	-11.4%	-10.2%	
US Retail Sales Millions of 1992 Dollars, Source: Bureau of Census	389,355	387,371	361,942	0.5%	7.6%	
US Consumer Price Index 2004=100, Source: URC using data from Bureau of Labor Statistics	119.1	118.3	115.2	0.6%	3.3%	
MS Unemployment Rate Source: Bureau of Labor Statistics	10.4%	10.2%	10.8%	0.2%	-0.4%	
MS Continued Unemp. Claims Source: Mississippi Department of Employment Security	122,978	117,703	159,184	4.5%	-22.7%	Miscellaneous Indicators
U.S. Mortgage Rates 30 Yr. Conventional, Source: Federal Reserve	5.0%	4.9%	5.1%	0.1%	-0.1%	
MS Avg. Hourly Wage for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	12.59	12.64	12.47	-0.5%	0.9%	
MS Avg. Wkly Earnings for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	514.8	508.3	499.9	1.3%	3.0%	
Gaming Revenue	189.4	212.1	212.5	-10.7%	-10.8%	
Coast Counties	87.5	96.9	95.6	-9.8%	-8.5%	
River Counties	102.0	115.2	116.9	-11.5%	-12.7%	
Business Optimism Index Index 1986=100, Source: National Federation of Independent Businesses	91.2	91.9	86.8	-0.8%	5.1%	

MISSISSIPPI EMPLOYMENT BY SECTOR

Sector	April 2011	March 2011	April 2010	Change from Prior Month		Change from Prior Year	
				Level	%	Level	%
Total Nonfarm	1,097,400	1,096,800	1,090,700	600	0.1%	6,700	0.6%
Mining and Logging	8,800	8,700	8,700	100	1.1%	100	1.1%
Construction	49,700	50,500	50,100	(800)	-1.6%	(400)	-0.8%
Manufacturing	133,800	133,700	137,200	100	0.1%	(3,400)	-2.5%
Trade	214,800	213,800	213,200	1,000	0.5%	1,600	0.8%
Retail Trade	133,400	133,400	132,600	-	0.0%	800	0.6%
Information	12,358	12,415	12,152	(57)	-0.5%	207	1.7%
Financial Activities	44,737	44,330	45,035	407	0.9%	(298)	-0.7%
Services	388,500	387,200	375,100	1,300	0.3%	13,400	3.6%
Professional and Business Services	97,700	97,700	89,600	-	0.0%	8,100	9.0%
Education and Health Services	135,600	135,400	132,100	200	0.1%	3,500	2.6%
Leisure and Hospitality	120,400	119,400	118,600	1,000	0.8%	1,800	1.5%
Other Services	34,800	34,700	34,800	100	0.3%	-	0.0%
Government	244,900	246,300	249,400	(1,400)	-0.6%	(4,500)	-1.8%

Source: U.S. Bureau of Labor Statistics

MS Employment Trends

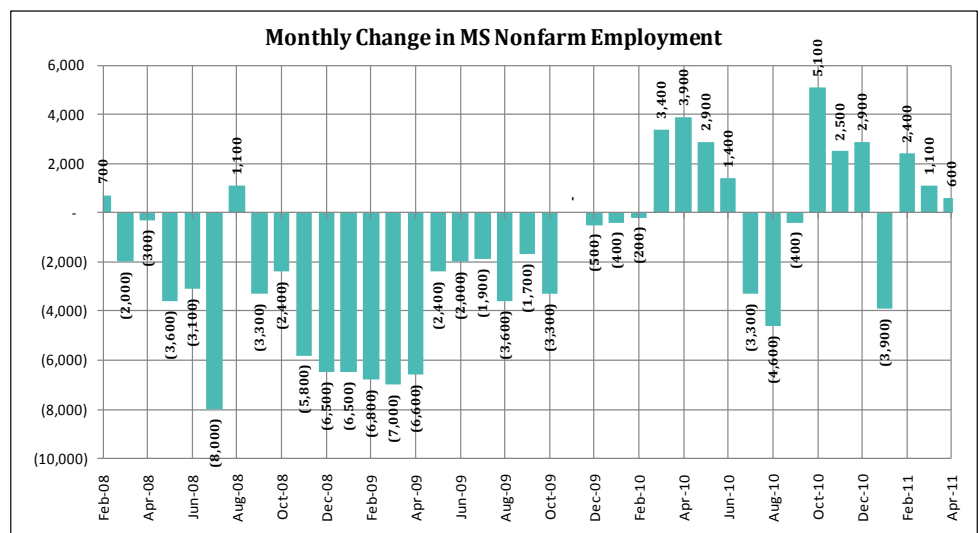
Mississippi nonfarm employment rose 600 jobs in April relative to March. The 0.1 percent gain was meager, and was below the 1,100 job gain reflected in the revised March figures. The April gains were led by leisure and hospitality and wholesale trade jobs. Both sectors added 1,000 jobs for the month. Construction jobs fell a noticeable 800 jobs, while manufacturing squeaked out a gain of 100 jobs. The losses in construction were likely weather related. Once rebuilding from the storms and flooding begin, this sector should see a boost.

Government continued to shed jobs with a 1,400 loss. Excluding government, the state added 2000 jobs in April.

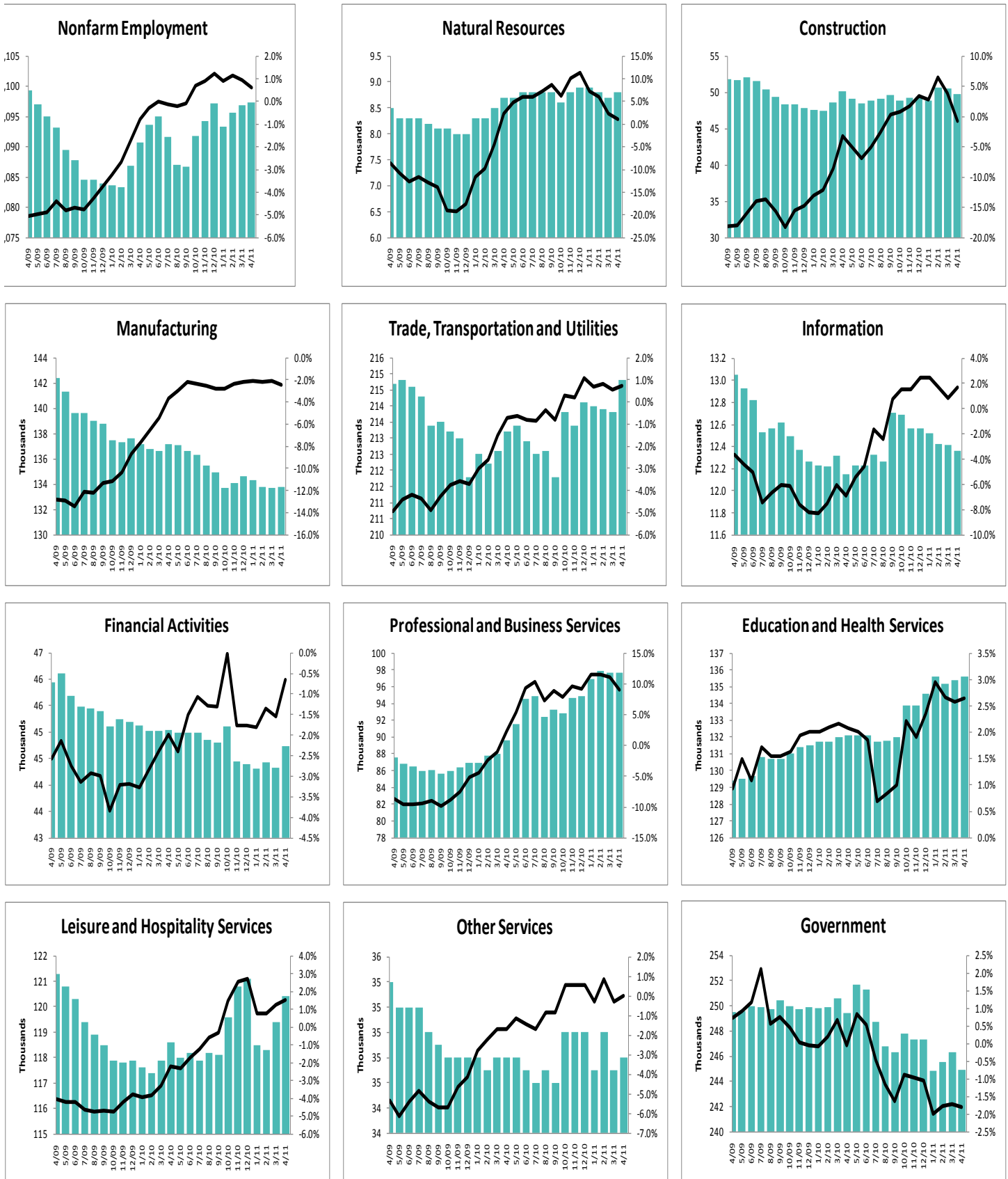
Employment reached a low in February 2010. Since then, growth has been generally upward rising ten out of the last fourteen months. The state has added 14,000 jobs or about 1,000 jobs per month since the employment recovery began.

The figure below shows the monthly changes in the Mississippi employment.

Notice the softening of growth in recent months. This reflects the continued fragile nature of this recovery. While the economy is improving, it is doing so at a snails pace. With such sluggish growth, it will not take much of a shock to drive the economy back into negative territory.



MISSISSIPPI EMPLOYMENT TRENDS



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

THE GREAT RECESSION'S IMPACT ON MISSISSIPPI OCCUPATIONAL SECTORS: EMPLOYMENT CHANGES 2007 TO 2009

By Pete Walley

In the March issue of Mississippi Business, an analysis of Mississippi's economic sectors' performance during the 2007 to 2009 "great recession" was presented. How did Mississippi's occupational sectors perform during this same time period?

Using total full and part-time job data from Econometric Modeling Specialists, Inc., Figure 1 lists the 23 major occupational sectors of Mississippi's economy in order from most jobs gained to most jobs lost over the 2 year time frame.

To no one's surprise, production sector jobs, mainly in the economic manufacturing sector, had the greatest number of job losses and the highest percentage of all sectors job losses. Reflecting the nation's sector trends, Mississippi production occupations continued to decline.

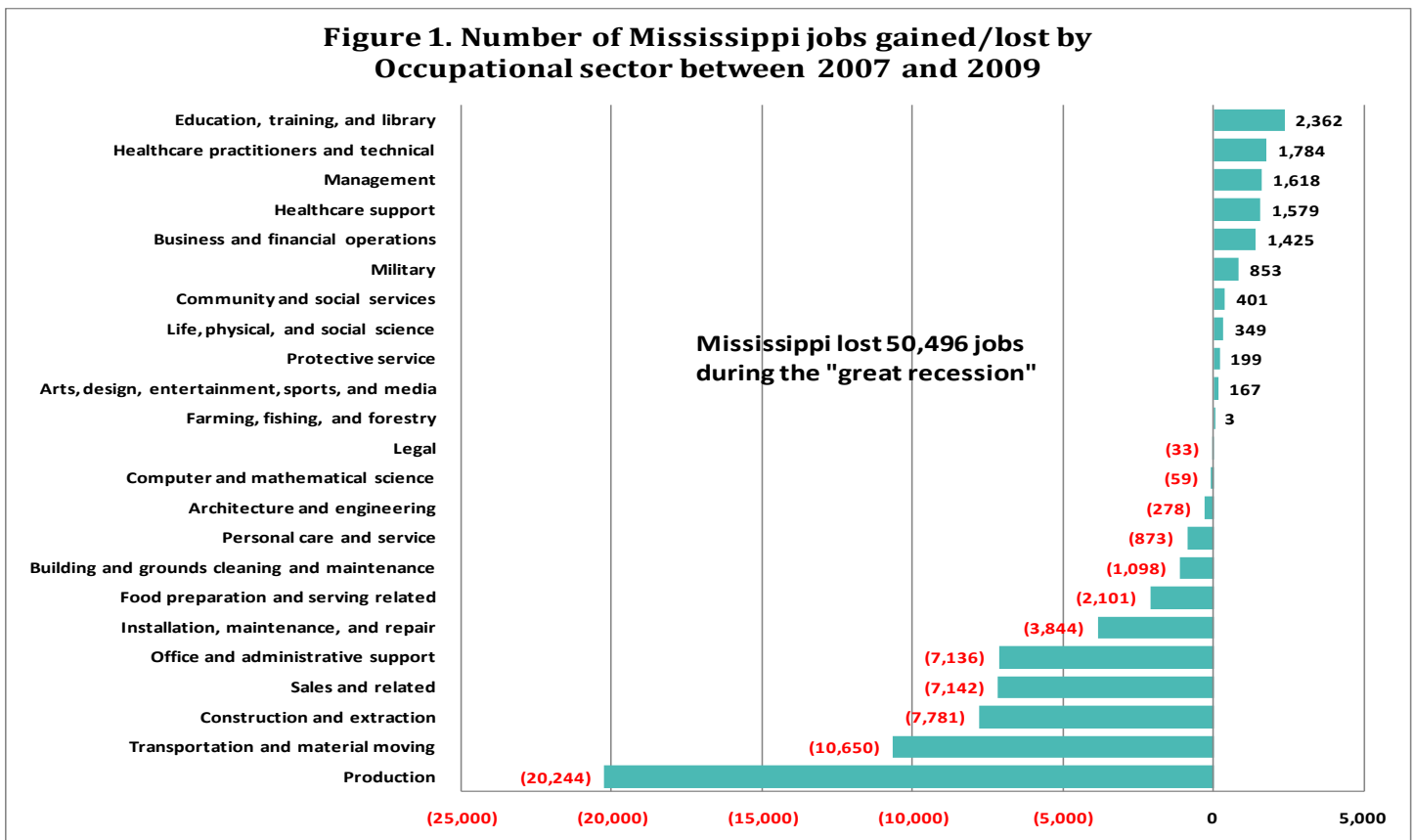
Five occupational sectors (production, transportation and material moving, construction and extraction,

sales, and office and administration) together had total jobs losses greater than the state's net job losses (52,953 verses 50,496 for the state total job loss). Five occupational sectors (education, training and library, health care practitioners, management, health care support, and business and financial operations) increased total jobs by about 8,800.

Note that 12 of the 23 occupational sectors representing about two-thirds of the state's total full and part-time jobs experienced declines in number of jobs during the recession period.

Figure 2 displays, in order of largest to smallest percentage, total employment by occupational sector. Mississippi is dependent on four occupational sectors of the economy which comprise 40.0 percent of all jobs. These include office and administrative support, sales, management, and production

Figure 1. Number of Mississippi jobs gained/lost by Occupational sector between 2007 and 2009



Economic Sector Location Quotients

Location quotients are ratios that allow an area's (Mississippi) distribution of employment by occupational sector to be compared to a reference area's (United States) distribution. A location quotient of 1 means that Mississippi has about the same percentage of jobs in a sector as does the nation. Location quotients smaller than 1 imply that the state is less specialized in those economic sectors than the nation. Similarly, location quotients greater than 1 imply that the state is more specialized in those sectors compared to the nation.

For example, the office and administrative support sector comprises almost one out of every eight jobs (12.7 percent) in Mississippi and has a location quotient relative to the US of 0.91. Mississippi has fewer office and administrative support jobs relative to the US.

Similarly, Mississippi's Military occupational sector employs about 1 in 50 jobs (2.1 percent) and has a location quotient of 1.73. Mississippi has more military jobs compared to the Nation.

Figure 3 displays the location quotients for each Mississippi economic sector listed from least to highest

Figure 4 is another visual method to analyze Mississippi's occupational sectors. Each bubble represents one of the 23, 2-digit occupational sectors. The placement of each bubble along the horizontal axis indicates percent change in employment from 2007 to 2009 while bubble placement along the vertical axis indicates the national location quotient in 2009, and the size of each bubble represents the number of employees in a sector in 2009.

Figure 2. Percentage of All Mississippi Jobs by Occupational Sector, 2009

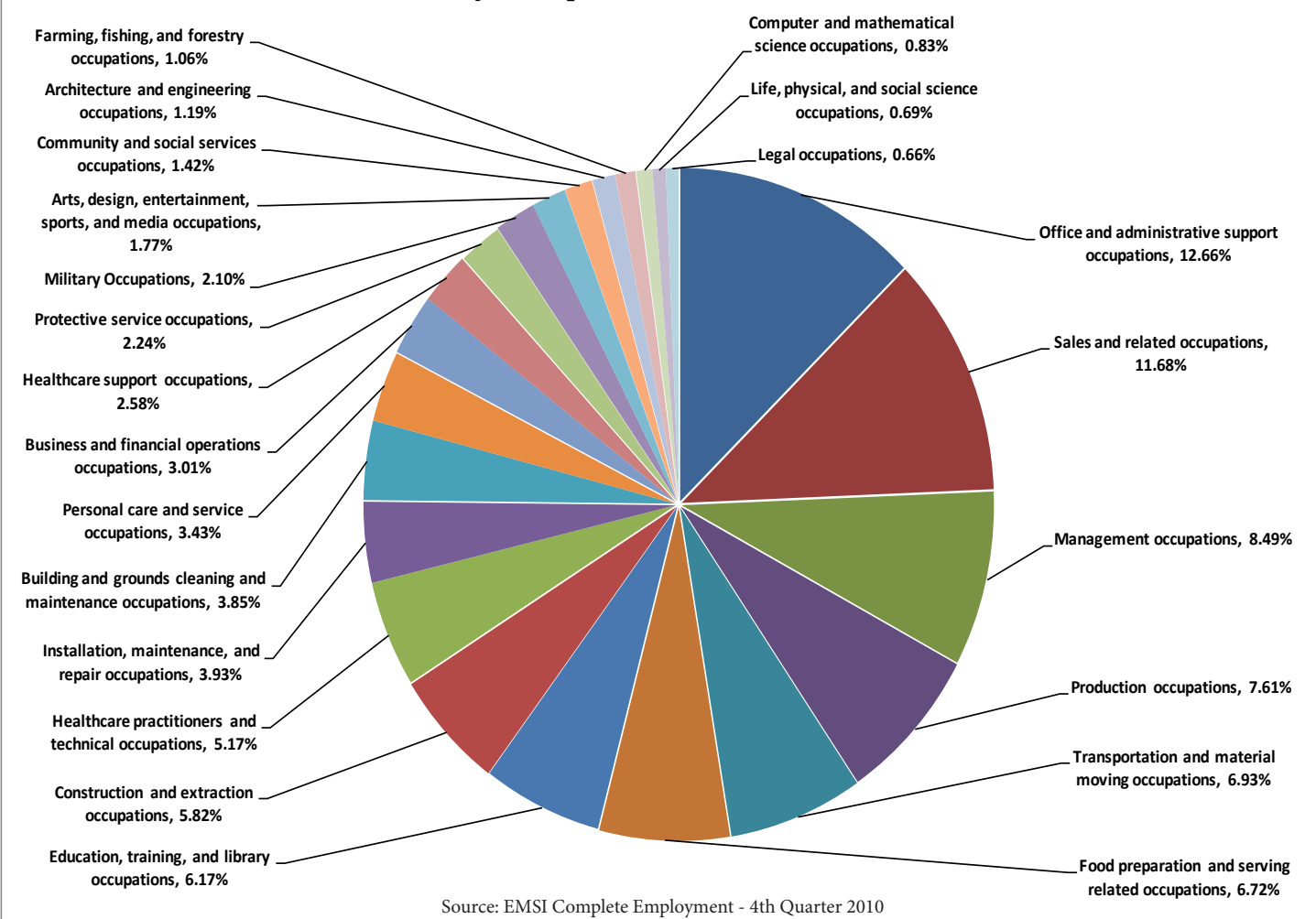
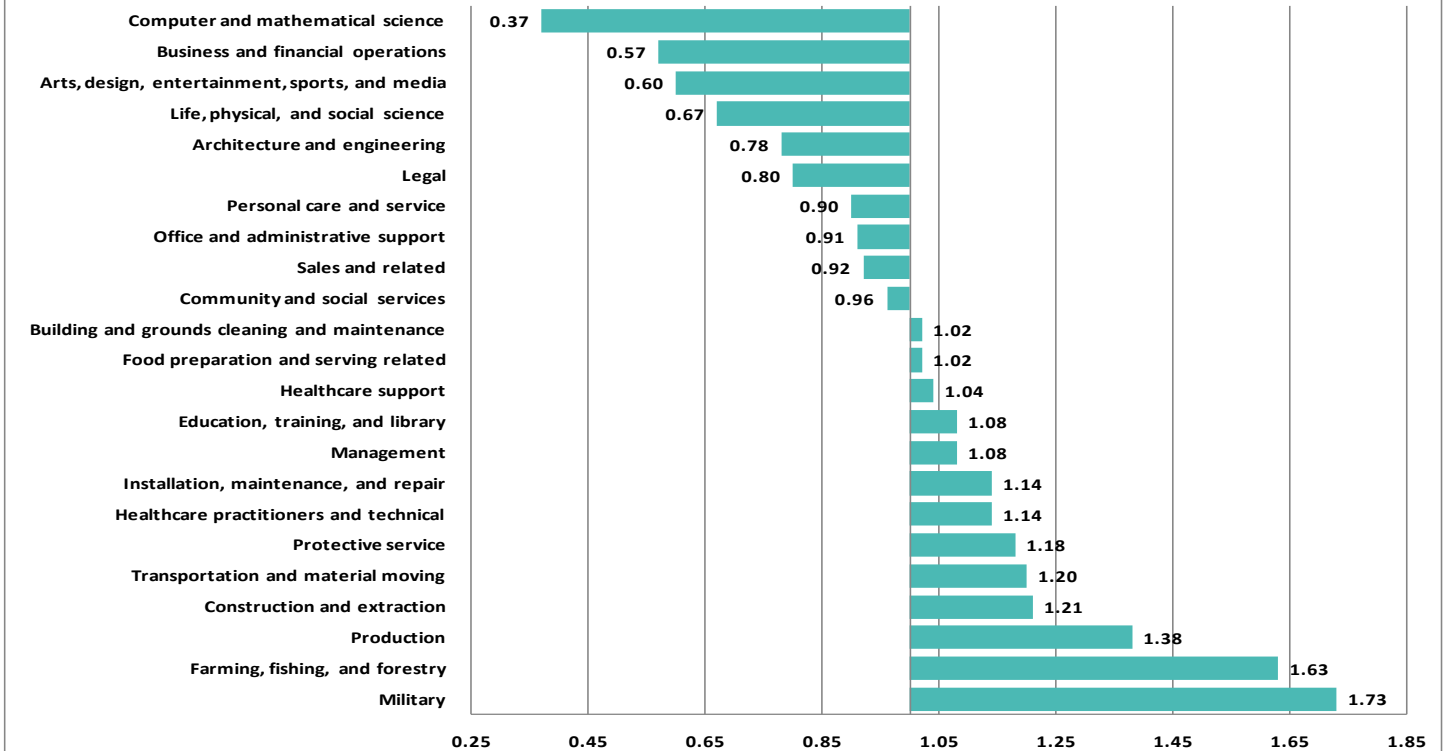
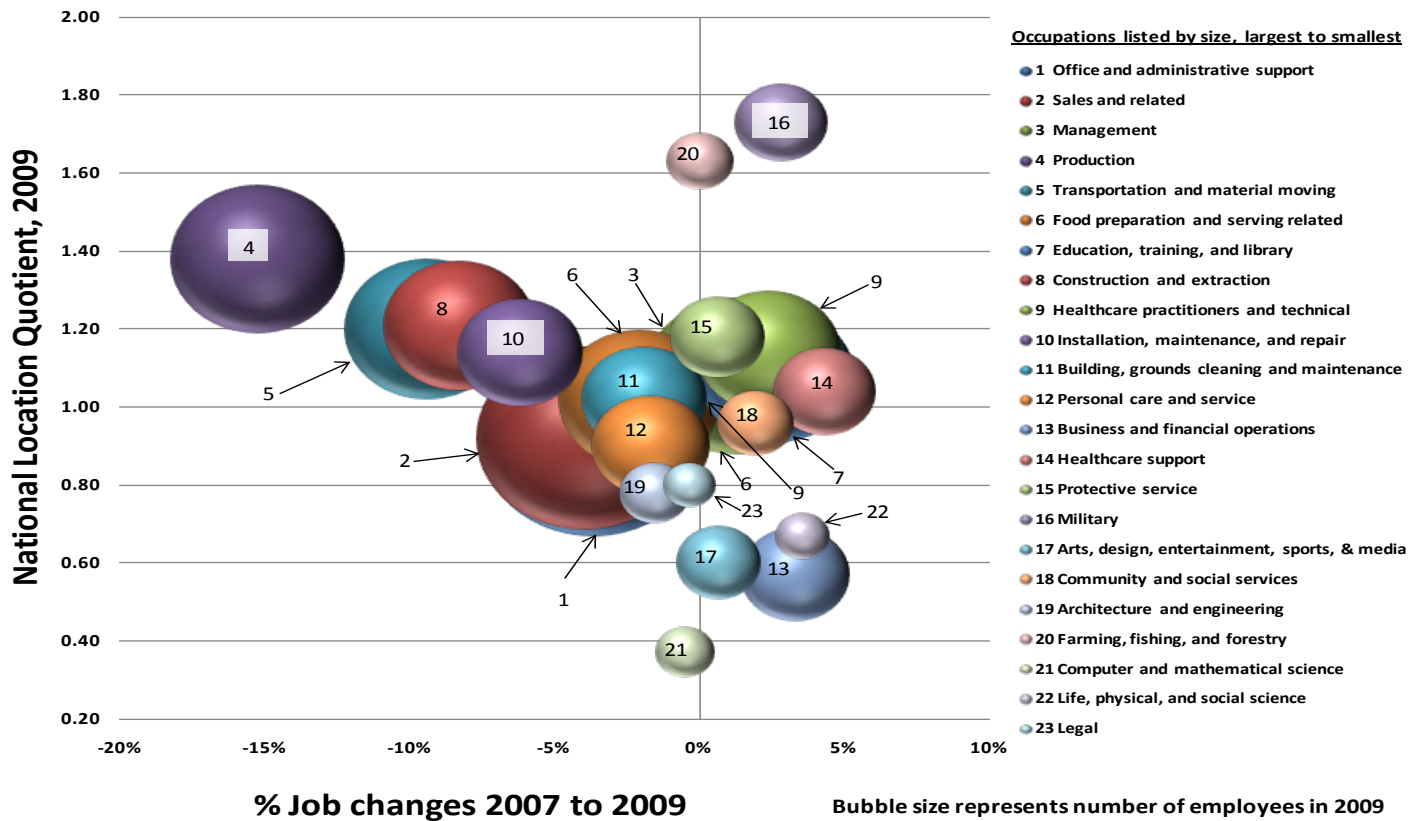


Figure 3. U.S. Location Quotient for Mississippi Occupational Sectors, 2009



Source: EMSI Complete Employment - 4th Quarter 2010

Figure 4. Mississippi Occupational Sectors



One quick analysis, for example might be to understand better those economic sectors that had a positive percentage jobs change between 2007 and 2009 and had a national location quotient less than one.

Average Hourly Earnings In Each Occupation

Mississippi's average hourly earnings per worker, \$16.01, is about 79% of the average US average hourly

earnings. Only one of Mississippi's occupational sectors pay as much or more than the equivalent US occupational sector based on average hourly earnings. For example, average hourly earnings per worker in the Protective Service sector is only about two thirds of the US average hourly earnings, while agriculture, forestry, fishing and hunting pay is over 110% of the U.S. average hourly earnings per worker.

Average Hourly Earnings, By Occupation

Occupation Description	2010 MS Avg Hourly Wage	2010 US Avg Hourly Earnings	2010 MS % of US Avg Hourly Earnings
Legal	\$30.31	\$41.57	72.9%
Healthcare practitioners and technical	\$29.03	\$33.70	86.1%
Architecture and engineering	\$28.44	\$34.60	82.2%
Life, physical, and social science	\$26.26	\$29.75	88.3%
Computer and mathematical science	\$23.60	\$34.18	69.0%
Management	\$22.23	\$31.36	70.9%
Education, training, and library	\$21.71	\$27.89	77.8%
Business and financial operations	\$19.97	\$27.83	71.8%
Military	\$18.82	\$22.59	83.3%
Installation, maintenance, and repair	\$16.75	\$19.96	83.9%
Construction and extraction	\$16.45	\$21.78	75.5%
Arts, design, entertainment, sports, and media	\$14.41	\$18.55	77.7%
Production	\$14.37	\$16.17	88.9%
Transportation and material moving	\$14.25	\$16.24	87.7%
Community and social services	\$13.87	\$17.78	78.0%
Protective service	\$13.31	\$19.62	67.8%
Office and administrative support	\$13.29	\$15.79	84.2%
Sales and related	\$13.09	\$16.30	80.3%
Farming, fishing, and forestry	\$12.99	\$11.78	110.3%
Healthcare support	\$10.70	\$13.03	82.1%
Personal care and service	\$10.33	\$11.54	89.5%
Building and grounds cleaning and maintenance	\$9.06	\$10.80	83.9%
Food preparation and serving related	\$8.94	\$10.13	88.3%
Average hourly wage for all workers	\$16.01	\$20.20	79.3%

Source: EMSI Complete Employment - 4th Quarter 2010