

Mississippi's Business

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Monitoring The State's Economy

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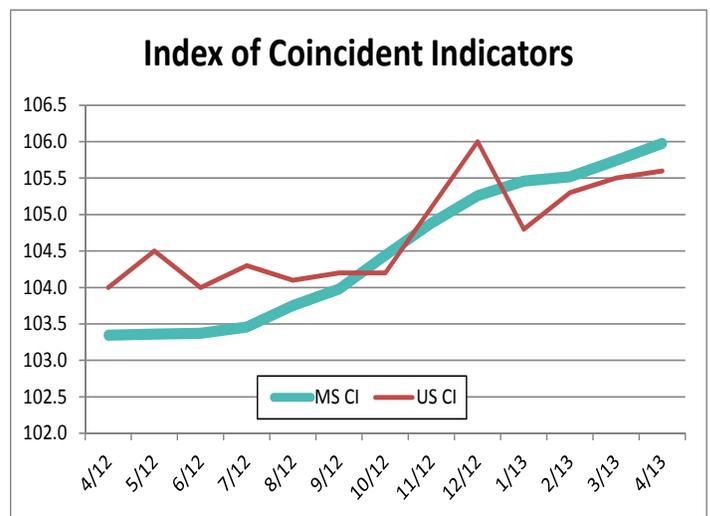
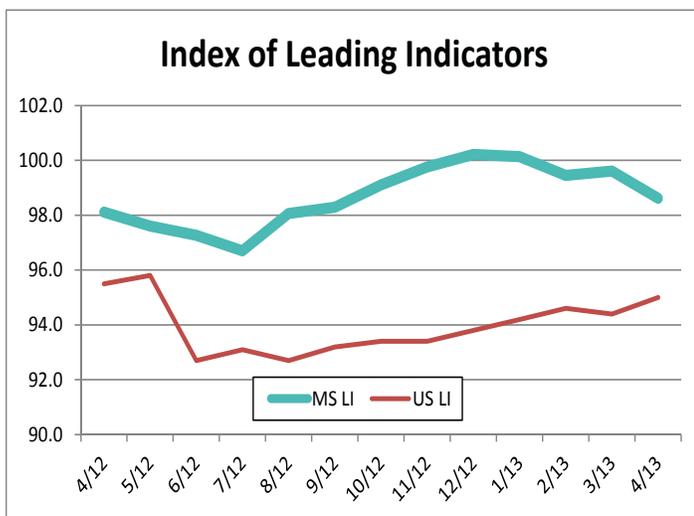
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ECONOMY AT A GLANCE

The Mississippi Index of Leading Indicators fell for the month of April. This was the third and steepest decline in four months. The Index may be warning of another summer lull in economic growth for the state. Interestingly, the Mississippi Index of Coincident Indicators continued its upward climb in April. The gains in this series have been fueled by the strongest job growth since before the recession. It is not uncommon for employment to lag the business cycle, so there may be a softening of employment growth in the coming months. The Mississippi Diesel Fuel Consumption Index continues to decline and Mississippi manufacturing activity appears to have slowed. Given that the National economy appears to have moderated in the second quarter, a slowdown in the state growth is likely.

Nationally, the ISM Index of Manufacturing Activity has fallen below 50 indicating that industry is contracting. However, the U.S. Leading and Coincident Indices rose for the month and the Conference Board thinks growth could pick up toward the end of the year. The initial impact of the sequester and the payroll tax hike are being felt in the second quarter. These will be less noticeable toward the end of 2013.

The Bureau of Economic Analysis recently released their 2012 estimate for state level gross domestic product as well as revisions for the previous years. The 2012 estimate is preliminary and will almost certainly be revised. But the general story behind the data will likely remain -- 2012 was the strongest growth since before the recession. Surprisingly, the 2011 estimate was revised down, indicating growth for that year was much weaker than initially thought.



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 2013

The **Mississippi Index of Leading Economic Indicators** fell 1.0 percent in April. This was the third and steepest decline in four months. The index also fell below the level six-months prior for the first time since October 2011. The index suggests another summer lull in economic activity. This has occurred in the previous two years. Rising payroll taxes, higher fuel prices and the sequester are all dampening growth.

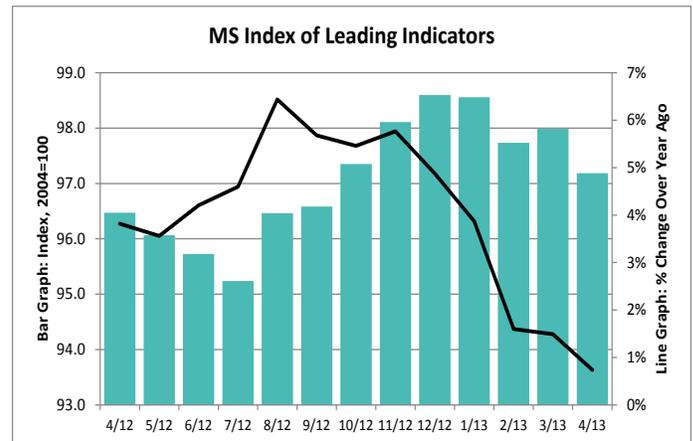
The components of the Leading Index will be discussed in order of their contributions to the April Index. There were only three components contributing positively and five contributing negatively in April.

The **Mississippi Manufacturing Employment Intensity Index**, continued to slide with a 3.7 percent decline in April. This marked the fourth consecutive monthly decrease. The index is comprised of employment and hours worked and both are deteriorating. The employment however is taking the larger toll. The hours worked remains relatively high.

The **Institute for Supply Management Index of U.S. Manufacturing Activity** fell 3.4 percent in May bringing the index to 49.0. By crossing the threshold of 50, the index indicates U.S. manufacturing is contracting. The index has not been below 50 since November 2012.

Mississippi's initial unemployment claims rose a steep 12.9 in April. The series was 9.6 percent ahead of the year ago level. A rise in this series suggests an increase in layoffs. It represents individuals requesting unemployment compensation and does not reflect whether they actually qualify for benefits. The April increase could have been a temporary spike and not an upward trend. The Continued claims declined for April. This series reflects those actually receiving benefits.

Inflation adjusted **Mississippi income tax withholdings**¹ fell 1.0 percent in April. The decline was relatively small. This three month average includes the March to May collections and therefore is not affected by the decline in April that was apparently collected in May. The 2013 collections for this period was 0.3 percent above the same period of 2012. This is meager growth. For the first five months of 2013, withholdings are 0.9



percent ahead of the 2012 level. The 2012 withholdings were 4.7 percent ahead of the 2010 level.

The **Mississippi Diesel Fuel Consumption Index**¹ fell 0.7 percent in April. The index has been on a declining trend since the spring of 2012. The index has been below the year ago level for ten of the last eleven months. A negative year-over-year growth in this series has accompanied the previous two recessions. While the current trend does not conclude a recession, it adds to the evidence that economy may struggle to maintain momentum in the coming months.

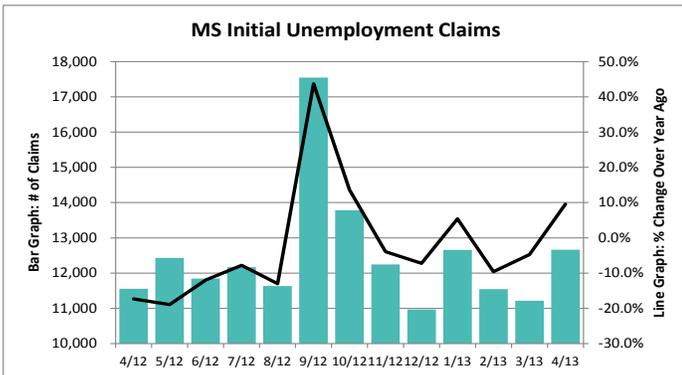
The **U.S. retail sales** rose 0.1 percent in April relative to March. The increase more than overcame the decline that took place in March. Much of this growth was supported by auto sales. Excluding autos, retail sales saw a decline of 0.1 percent. Generally, consumer spending has softened in 2013. Auto sales have remained strong with an annualized average of 15.2 million units during the first five months.

The **U.S. Index of Consumer Expectations**¹ rose a slight 2.6 percent to a level of 71.5 in April. This was the highest level since November 2012. The NFIB Optimism Index also improved for the month.

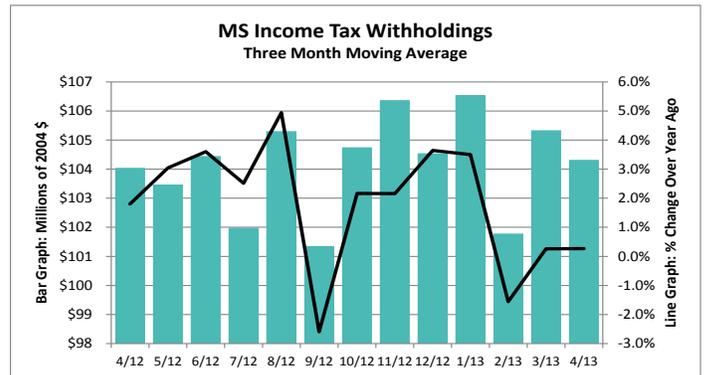
The **value of Mississippi residential building permits**¹ rose 7.2 percent in April. This series is showing gradual improvement, rising three of the past five months. Despite the gains, the series remains near historical lows.

1. Three Month Moving Average

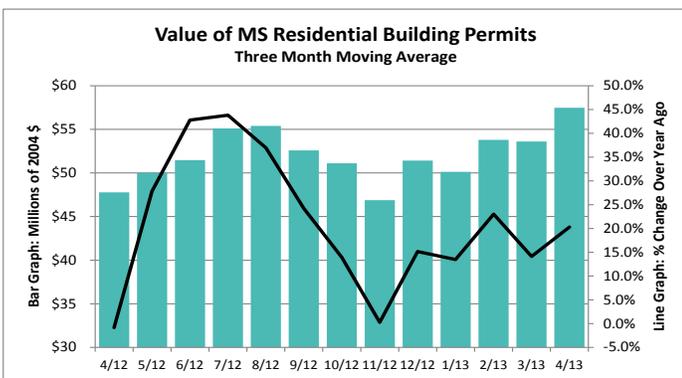
LEADING ECONOMIC INDICATORS



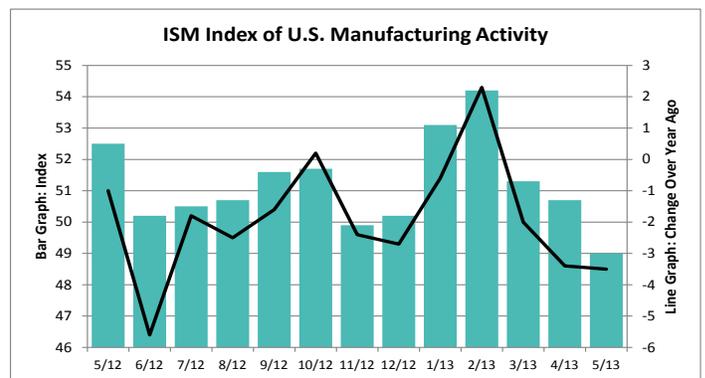
Source: Mississippi Department of Employment Security



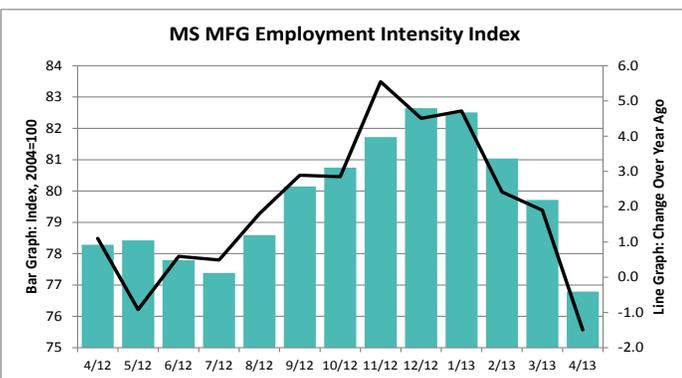
Source: Mississippi Department of Revenue



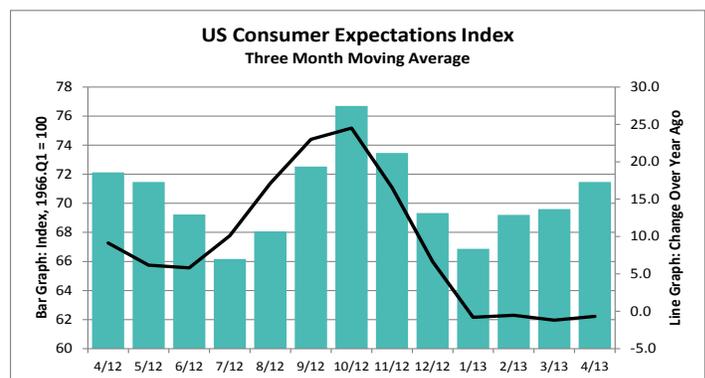
Source: Bureau of the Census



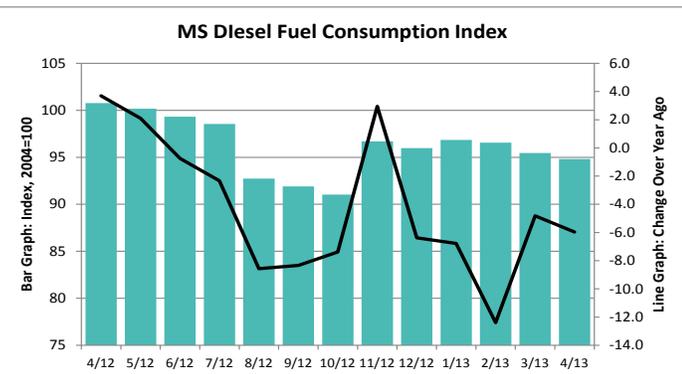
Source: Institute For Supply Management



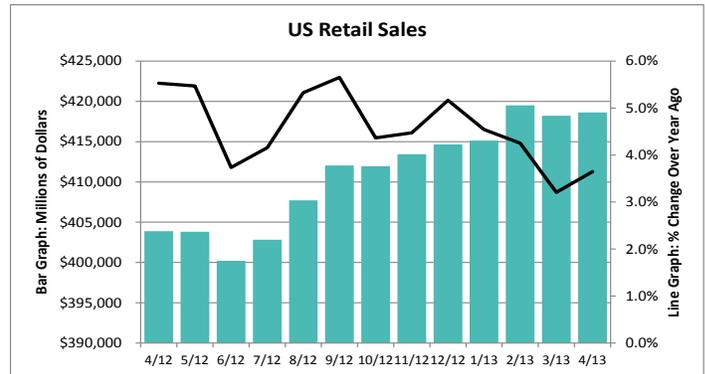
Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan



Source: URC using Data from Mississippi Department of Revenue



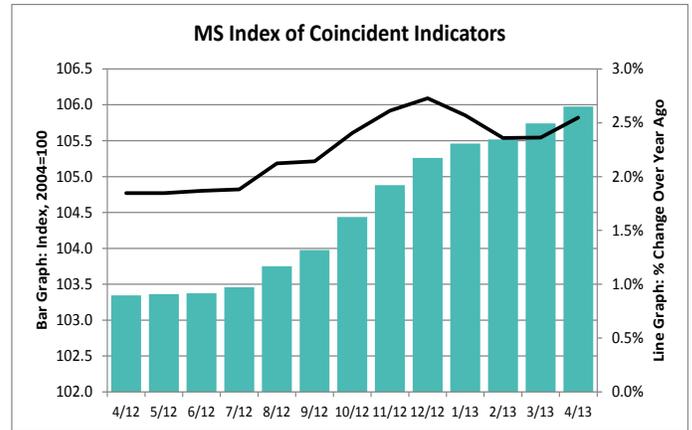
Source: Bureau of the Census

The **Mississippi Index of Coincident Indicators**, rose 0.3 percent in April to a level of 106.0. Except for a pause in February, the index has climbed at a steady pace since August 2012. The gains are fueled by the improvements in the labor market. Employment was stalled in the first half of 2012, but showed remarkable improvement in the latter half. This strength has continued in 2013.

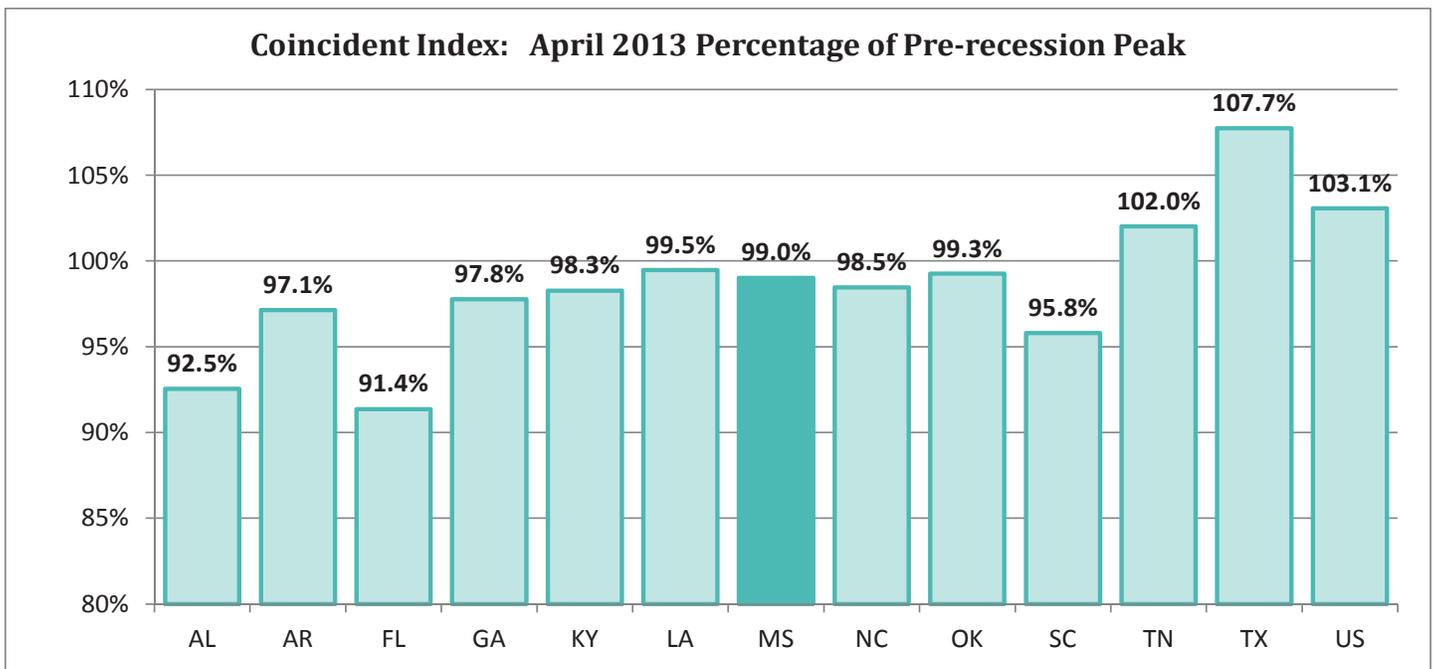
The index is up 2.5 percent from the year ago level. In fact, the growth relative to the year ago has exceeded 2.0 percent since August 2012. Prior to this, the state had not experienced 2.0 percent annual growth since before the recession.

The figure below shows a comparison of the April 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 remain the only southeastern states that are fully recovered. Mississippi was at 99.0 percent of its pre-recession peak.

The map on page 5 shows the April index for each state compared to the level three months prior. Mississippi's index rose 0.5 percent. The U.S. average growth was 0.8 percent. Wyoming and Wisconsin were the only states experiencing decline.



The Bureau of Economic Analysis (BEA) released estimates for state level Gross Domestic Product (GDP). According to the BEA, Mississippi real GDP increased 2.4 percent in 2012, the fastest pace since 2007. This is BEA's first estimates for 2012 and it is subject to revisions. It is probably not wise to focus too much on the number itself, but, the story behind the number will likely remain intact through the revision process. That is, 2012 was the strongest growth since before the recession. Perhaps most surprising in the newest data was the downward revision to the 2011 growth. The early estimate said the state declined 0.8 percent. The revised data show a 1.1 percent decline. This is much lower growth than we would have expected given the flat (but not declining) employment trends for the year. It suggest the state lost productivity in 2011.



National Trends

The U.S. Index of Leading Indicators increased 0.6 percent in April. The decline more than overcame the decline in March. The Coincident Index increased 0.1 percent in April. According to the Conference Board the indices suggests "...the pace of economic growth will remain positive in the upcoming months and may even pick up slightly toward the end of the year"

Growth is currently dampened by the initial impacts of the sequester and the payroll tax hike. These will have less of an effect going forward. Growth in real GDP is running about 1.5 percent in the second quarter and is expected to average 1.8 percent for 2013. It would be a percentage higher if not for the sequester and tax hike. Consumer sentiment does not appear to be negatively impacted by the sequester. It will therefore likely remain in place at least through the end of 2013.

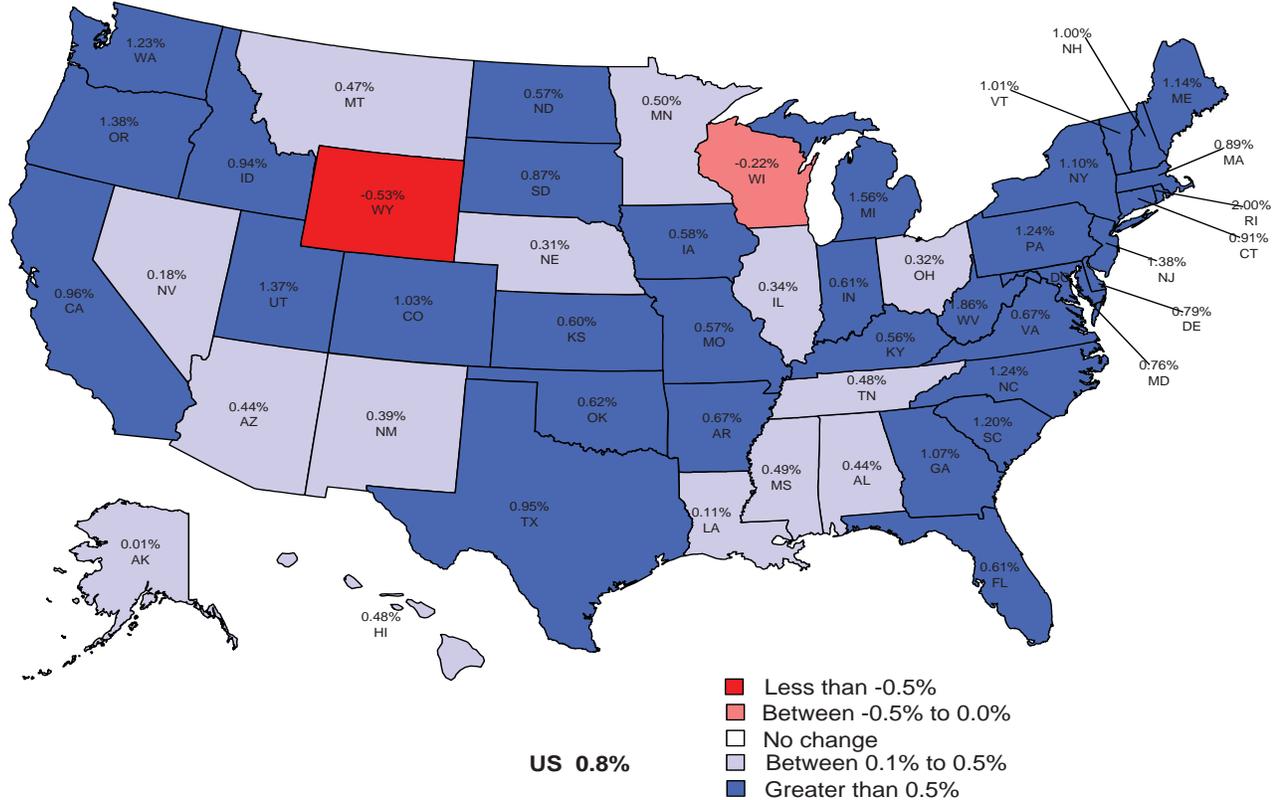
The continued recession in Europe and slower growth in the emerging markets two factors that are hurting

U.S. Manufacturing. The ISM Manufacturing Index fell below 50 in May, indicating the industry is contracting. The ISM Nonmanufacturing Index rose in May. U.S. Employment growth is averaging just under 200,000 per month in 2013. Ideally this would be much stronger, but the steady upward climb is encouraging.

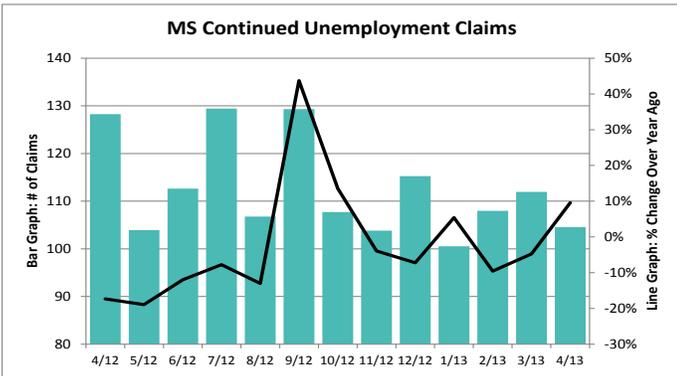
Housing and vehicle sales remain the brightest spots in the economy The housing recovery has softened slightly with builder confidence declining, but increasing household formation should buoy the sector going forward. There is also evidence the housing recovery is spreading beyond the rental units to the owner-occupied sector. Vehicle sales are averaging over 15 million units for 2013.

The Fed has suggested they may begin tapering back bond purchases this year. This seems unlikely as long as the unemployment rate remains elevated, which is likely at least into 2014.

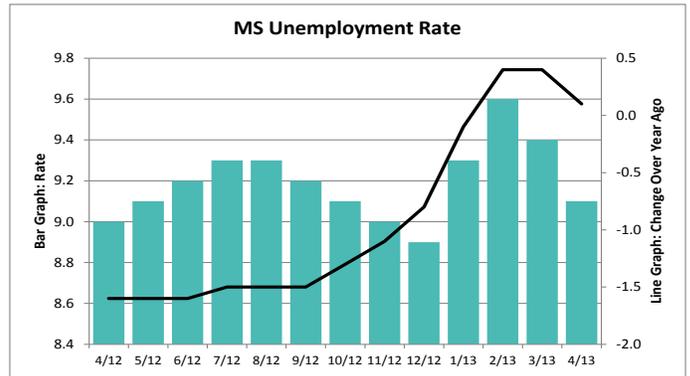
Three Month Growth in The Index of Coincident Economic Indicators, April 2013



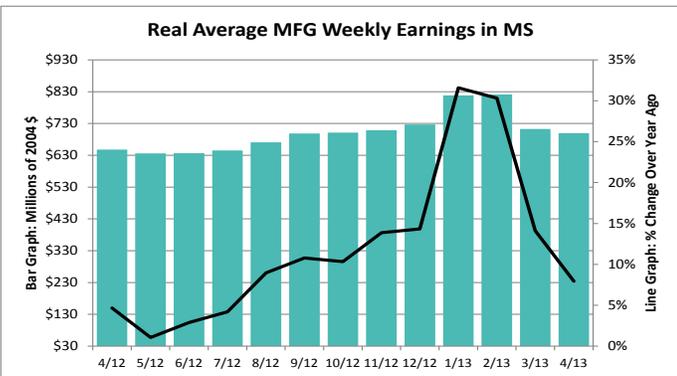
MISCELLANEOUS ECONOMIC INDICATORS



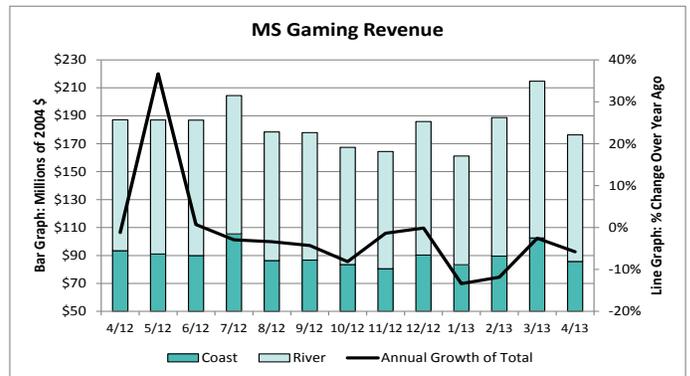
Source: Mississippi Department of Employment Security; Seasonally Adjusted



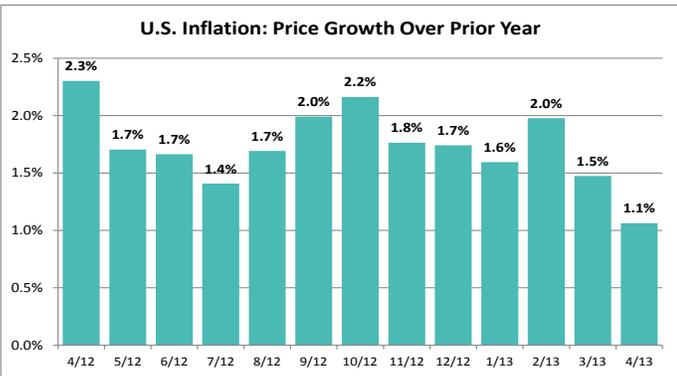
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



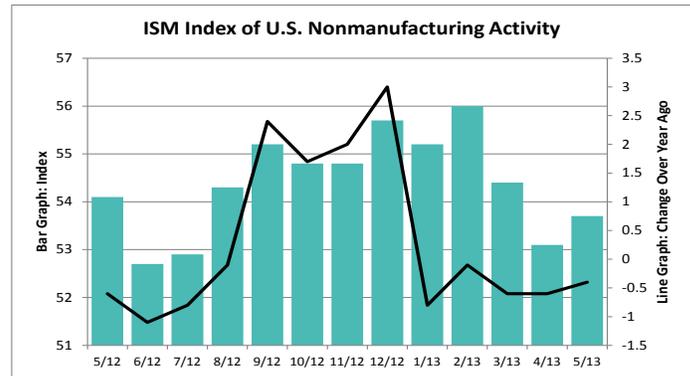
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



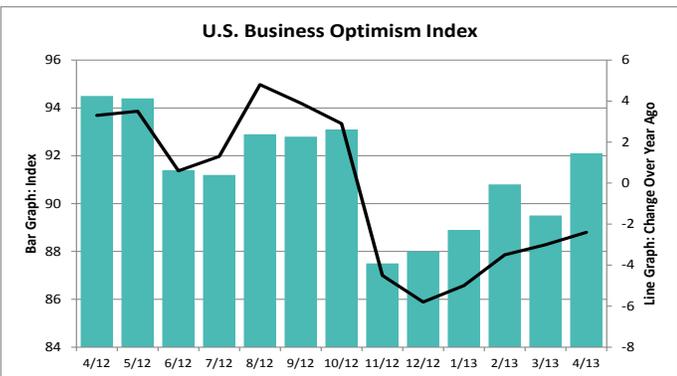
Source: MS Department of Revenue; Nonseasonally Adjusted



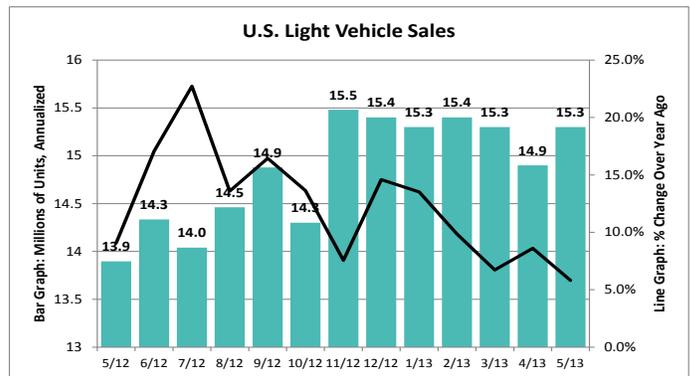
Source: U.S. Bureau of Labor Statistics



Source: Institute For Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

SELECTED ECONOMIC INDICATORS

Indicator	April 2013	March 2013	April 2012	Change from Last Mo. Last YR.	
US Index of Coincident Indicators 2004=100, Source: The Conference Board	105.6	105.5	104	0.1%	1.5%
MS Index of Coincident Indicators 2004=100, Source: Federal Reserve Bank of Philadelphia	106.0	105.7	103.3	0.3%	2.6%
US Index of Leading Indicators 2004=100, Source: The Conference Board	95.0	94.4	95.5	0.6%	-0.5%
MS Index of Leading Indicators 2004=100, Source: University Research Center	98.6	99.6	98.1	-1.0%	0.5%
MS Initial Unemployment Claims Source: Mississippi Department of Employment Security	12,662	11,216	11,556	12.9%	9.6%
MS Value Of Res. Building Permits 3 Mo. Moving Avg., Millions of 2004 Dollars, Source: Bureau of Census	57.5	53.6	47.8	7.2%	20.3%
MS Income Tax Withholdings 3 Mo. Moving Avg., Millions of 2004 Dollars, Source: MS Department of Revenue	104.3	105.3	104.0	-1.0%	0.3%
MS MFG Emp. Intensity Index Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	76.8	79.7	78.3	-3.7%	-1.9%
MS Diesel Fuel Consumption Index, 3 Mo. Moving Avg. 2004-100, Source: URC using data from MS Department of Revenue	94.8	95.5	100.8	-0.7%	-5.9%
US Index of Consumer Expectations 3 Mo. Moving Avg. Index 1996 q1=100, Source: University of Michigan	71.5	69.6	72.1	2.7%	-0.9%
US ISM Index of MFG Activity Advanced 1 Month, Source: Institute For Supply Management	49	50.7	52.5	-3.4%	-6.7%
US Retail Sales Millions of Dollars, Source: Bureau of Census	418,614	418,208	403,892	0.1%	3.6%
US Consumer Price Index 2004=100, Source: URC using data from Bureau of Labor Statistics	123.1	123.2	121.8	-0.1%	1.1%
MS Unemployment Rate Source: Bureau of Labor Statistics	9.1%	9.4%	9.0%	-0.3%	0.1%
MS Continued Unemp. Claims Source: Mississippi Department of Employment Security	104,543	111,955	128,276	-6.6%	-18.5%
US Mortgage Rates 30 Yr. Conventional, Source: Federal Reserve	3.3%	3.4%	3.8%	-0.1%	-0.5%
MS Avg. Hourly Wage for MFG 2004 Dollars, Source: Bureau of Labor Statistics	17.01	16.92	15.61	0.5%	9.0%
MS Avg. Wkly Earnings for MFG 2004 Dollars, Source: Bureau of Labor Statistics	699.50	712.87	648.05	-1.9%	7.9%
Business Optimism Index 1986=100, Source: National Federation of Independent Businesses	92.1	89.5	94.5	2.9%	-2.5%
Gaming Revenue	176.3	214.8	187.1	-17.9%	-5.8%
Coast Counties	85.7	102.5	93.4	-16.4%	-8.2%
River Counties	90.6	112.3	93.7	-19.3%	-3.3%
Nonseasonally adjusted, Millions of Dollars, Source: MS Department of Revenue					

Economic Indicators

Components of the MS Index of Leading Indicators

Miscellaneous Indicators

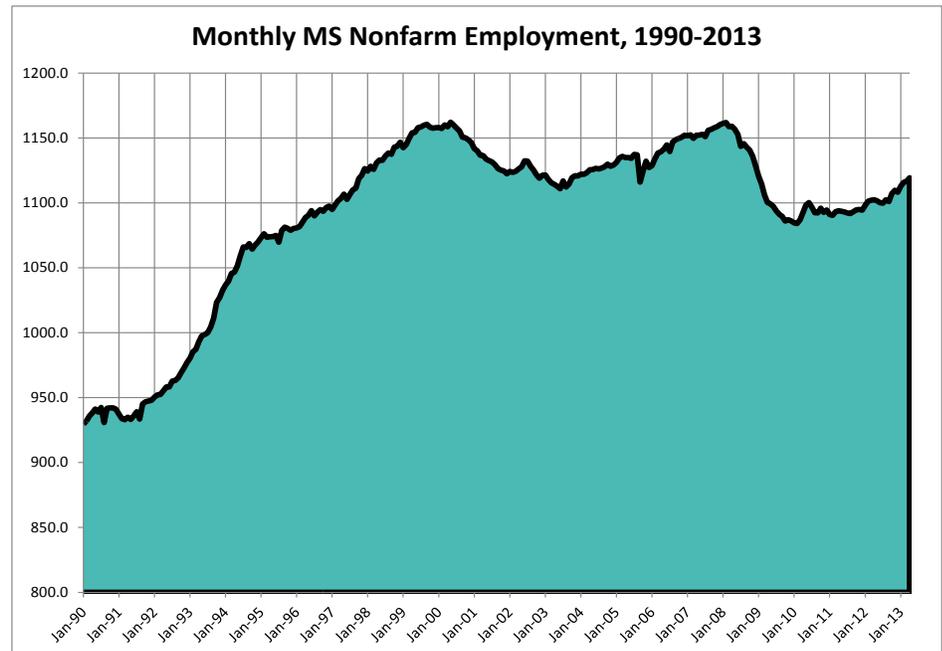
MISSISSIPPI EMPLOYMENT TRENDS

Mississippi added 2,700 jobs in April or 0.2 percent. The sectors adding the most jobs were construction, leisure and hospitality, government and the trade, transportation and utilities sector. Manufacturing declined for the fourth time in five months. Professional and business services as well as "other services" also saw declines for the month.

Relative to the year ago, employment rose 1.5 percent or 16,900 jobs. Most of the jobs added were in the service sector. Manufacturing jobs declined relative to the year ago.

The figure to the right shows total nonfarm employment by month back to 1990. The State's employment since 2000 has been modest relative to the fast pace of the

1990s. Despite the strong gains since mid 2012, employment remains well below the pre-recession peak. However, if the state were to maintain its current pace of job growth, it would be back to the pre-recession level of employment in 2015. With the Leading Index suggesting a softening of growth in the coming months, this date will likely be pushed out further.



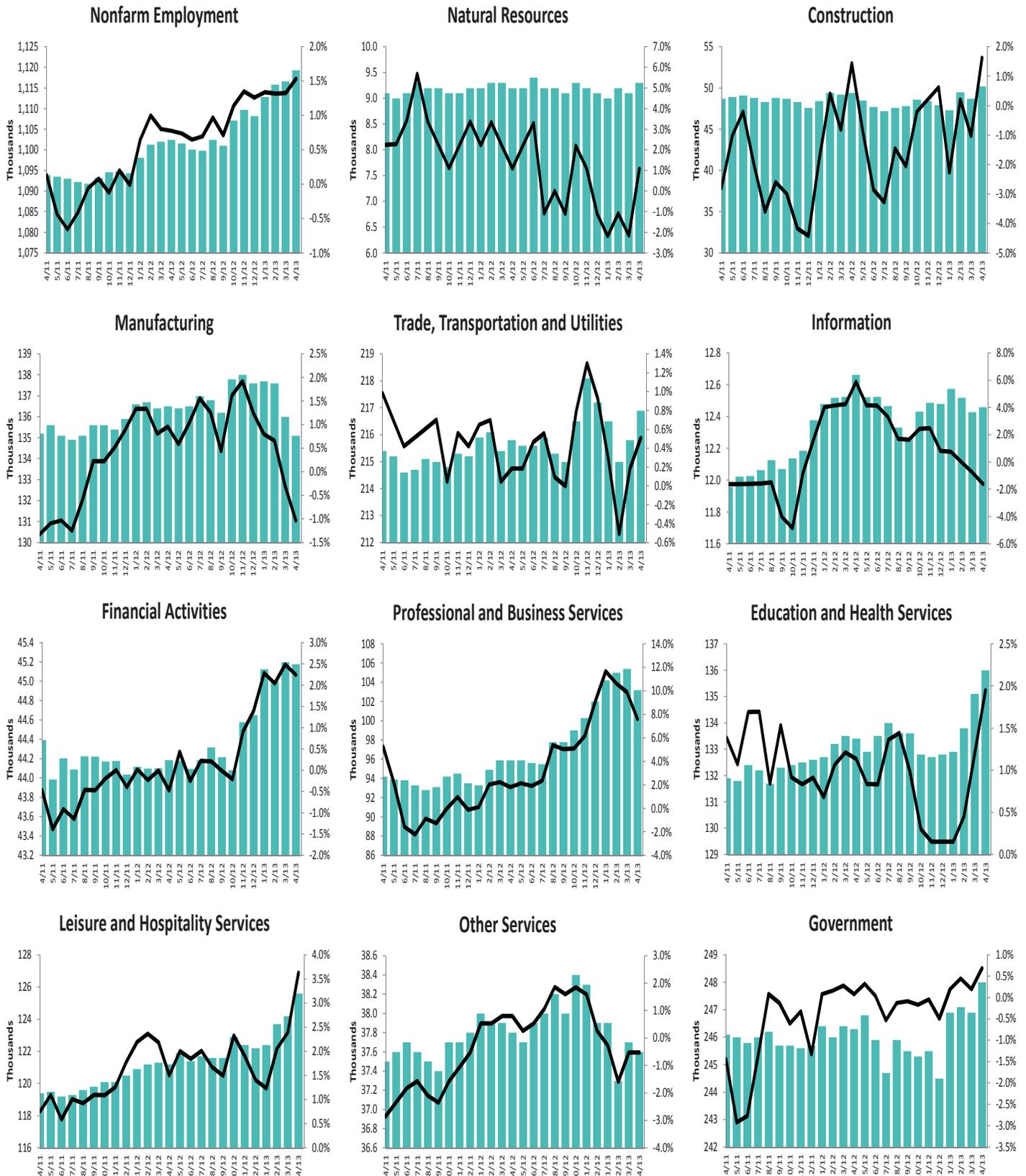
Mississippi Employment by Sector, Seasonally Adjusted

	Relative Share of Total*	April 2013	March 2013	April 2012	Change from Prior Month Level %		Change from Prior Year Level %	
Total Nonfarm	100.0%	1,119,300	1,116,600	1,102,400	2,700	0.2%	16,900	1.5%
Mining and Logging	0.8%	9,300	9,100	9,200	200	2.2%	100	1.1%
Construction	4.4%	50,200	48,700	49,400	1,500	3.1%	800	1.6%
Manufacturing	12.4%	135,100	136,000	136,500	(900)	-0.7%	(1,400)	-1.0%
Trade, Transportation & Utilities	19.5%	216,900	215,800	215,800	1,100	0.5%	1,100	0.5%
Retail Trade	12.0%	132,900	132,800	133,700	100	0.1%	(800)	-0.6%
Information	1.1%	12,461	12,428	12,663	32	0.3%	(202)	-1.6%
Financial Activities	4.0%	45,179	45,199	44,185	(20)	-0.0%	994	2.2%
Services	35.6%	402,400	402,400	388,300	-	0.0%	14,100	3.6%
Professional & Business Serv.	9.0%	103,200	105,400	95,900	(2,200)	-2.1%	7,300	7.6%
Education & Health Services	12.1%	136,000	135,100	133,400	900	0.7%	2,600	1.9%
Leisure & Hospitality	11.1%	125,600	124,200	121,200	1,400	1.1%	4,400	3.6%
Other Services	3.4%	37,600	37,700	37,800	(100)	-0.3%	(200)	-0.5%
Government	22.2%	248,000	246,900	246,300	1,100	0.4%	1,700	0.7%

* 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.