

Mississippi's Business

July 2013

Monitoring The State's Economy

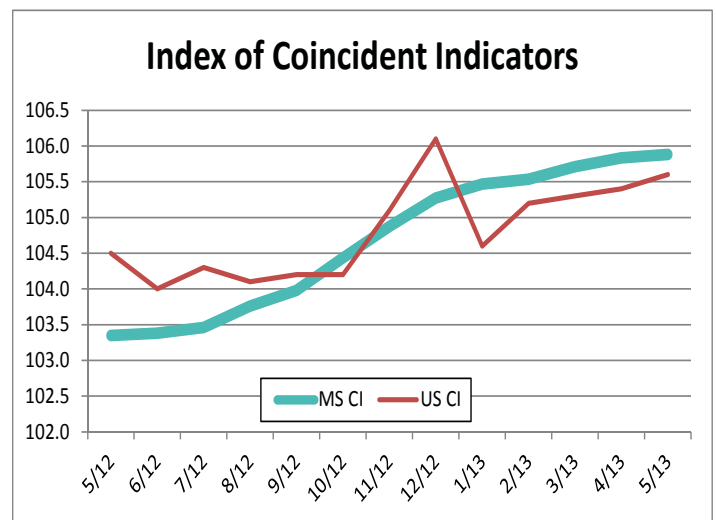
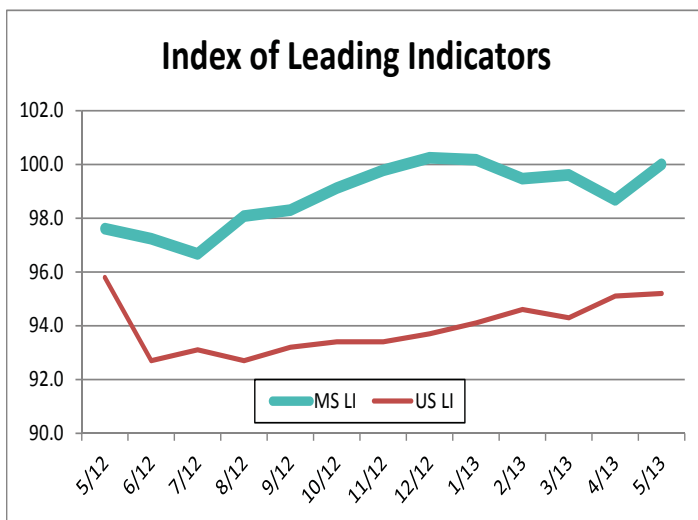
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ECONOMY AT A GLANCE

The Mississippi Index of Leading Indicators made a strong recovery in May after declining in April. The improvement was widespread with seven out of eight components contributing positively. The Mississippi Coincident Index improved as well, fueled primarily by increased employment in the State. Indeed, Mississippi appears to be experiencing the strongest job gains since before the recession. Despite the discussion of a national recovery in the housing market, Mississippi building permits remain relatively low. In fact, the series declined in the most recent month; This was the only component of the Leading Index which contributed negatively to the May Index.

The national economy is improving, but signals are mixed. Housing, auto sales, and job growth are the bright spots. The sequester, the payroll tax hike and the slow global economy are the dismal reminders that growth could be dampened in the coming months. The Bureau of Economic Analysis lowered their estimate of real GDP growth in the first quarter. The change was significant and was largely driven by slower than expected consumer spending. Consumer finances are improving and sentiment is high for the post recession period. Consumer spending is then likely to improve in the coming months. The Fed has signaled its interest in beginning to taper its purchase of bonds. The markets did not like this announcement. IHS Global Insight expects that despite the recent improvement in the employment picture, the Fed will hold off tapering until 2014. They do acknowledge however that the improved job market raises the risk of tapering in 2013.



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, MAY 2013

The **Mississippi Index of Leading Economic Indicators** rose a strong 1.3 percent in May, more than recovering the decline of April. The May index is the highest since January. The six month growth rate was back in positive territory after turning negative in April. The growth relative to the prior year rose as well, reaching 2.4 percent and reversing a declining trend that dates back to November 2012 (see the line graph to the right).

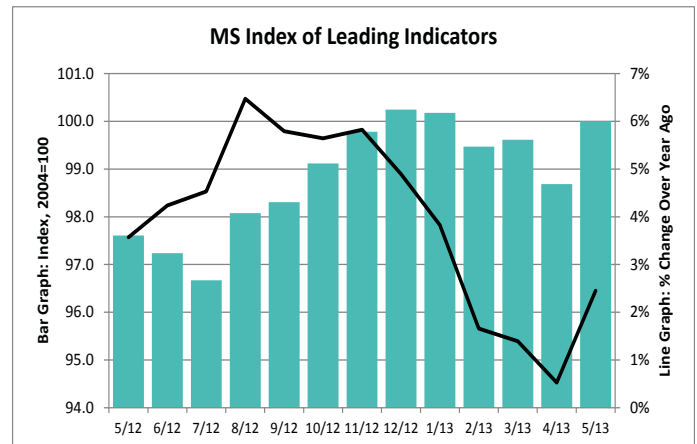
Improvement was widespread with seven out of eight components contributing to the May gain. The components of the Leading Index will be discussed in order of their contributions to the May Index.

Inflation adjusted **Mississippi income tax withholdings**¹ rose a steep 2.9 percent in May, more than recovering the decline of April. Recall that this series is a three month moving average. The latest data is based on the April-to-June period. Looking at the monthly series we see that much of the increase was due to June. It remains to be seen if this upward trend can be maintained.

The **Institute for Supply Management Index of U.S. Manufacturing Activity** rebounded 3.9 percent in June bringing the index back up to 50.9. This is a relatively low index but since it is above 50 suggests the industry is expanding. The ISM Nonmanufacturing Index fell to 52.2, the lowest level since February 2010. Taken together, these indices show the National economy struggling to gain momentum.

The **U.S. Index of Consumer Expectations**¹ rose 2.8 percent to a level of 73.4 in May. This was the fourth consecutive increase. The NFIB Optimism Index also improved for the month. This was the fifth gain in six months for the NFIB Index. Confidence is slowly making a comeback to the pre-recession highs. The improved jobs picture is a likely contributor to the more positive outlook.

The **U.S. retail sales** rose 0.6 percent in May relative to April. Excluding autos, growth was 0.3 percent. Retail sales have been volatile this year. Gasoline price fluctuations are to blame in part, but perhaps the mixed



economic signals are also playing a role. Consumers remain somewhat cautious but despite the headwinds of the sequester and the higher payroll tax, spending is rising slowly.

Mississippi's initial unemployment claims fell 5.3 percent in May relative to April. The decline partially offset the steep increase that occurred in April. Although initial claims appear to be somewhat higher in the second quarter than the first, this is not expected to be a harbinger of things to come. The continued claims series declined for the month. The unemployment rate for Mississippi has fallen for three consecutive months.

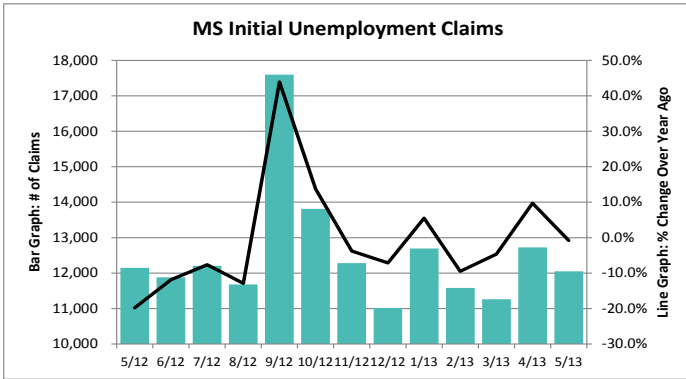
The **Mississippi Diesel Fuel Consumption Index**¹ rose 0.3 percent in May. This marked only the fourth monthly gain in 15 months for this series.

After four consecutive declines, **Mississippi Manufacturing Employment Intensity Index** rose 0.3 percent in May. The index is comprised of employment and hours worked. Both have been deteriorating but hours worked increased in May.

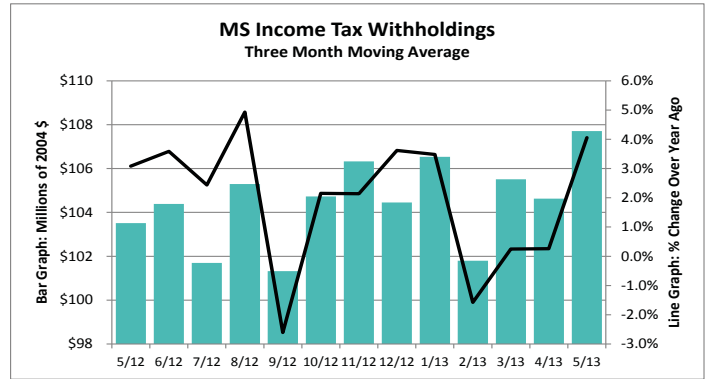
The only component contributing negatively to the May Leading Index was the **value of Mississippi residential building permits**¹. This series fell 2.7 percent in May. Much is being said about the recovery of the U.S. housing sector. The Mississippi permit data shows only modest gains. Permits remain substantially below the pre-recession levels.

1. Three Month Moving Average

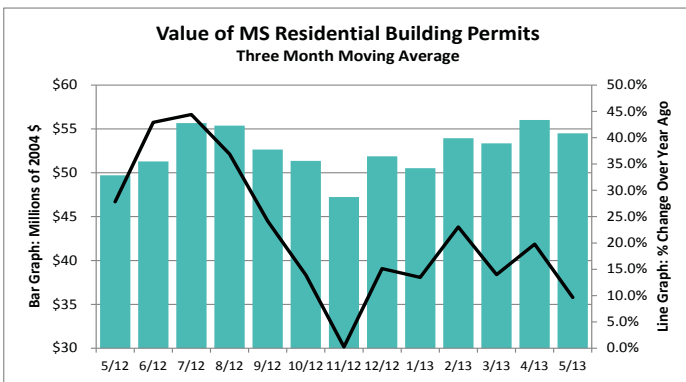
LEADING ECONOMIC INDICATORS



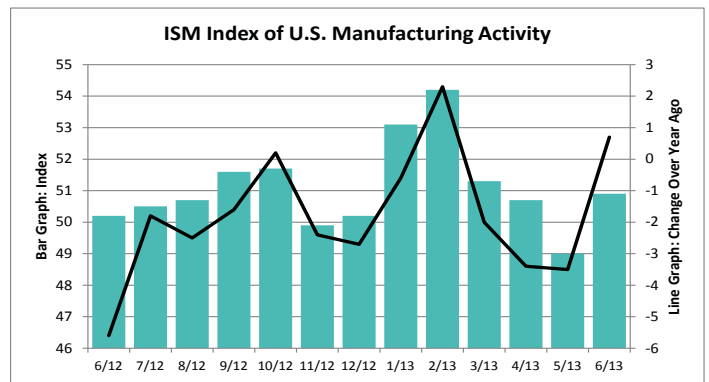
Source: Mississippi Department of Employment Security



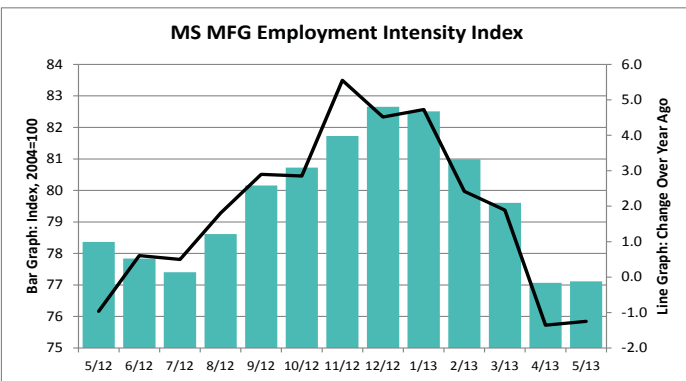
Source: Mississippi Department of Revenue



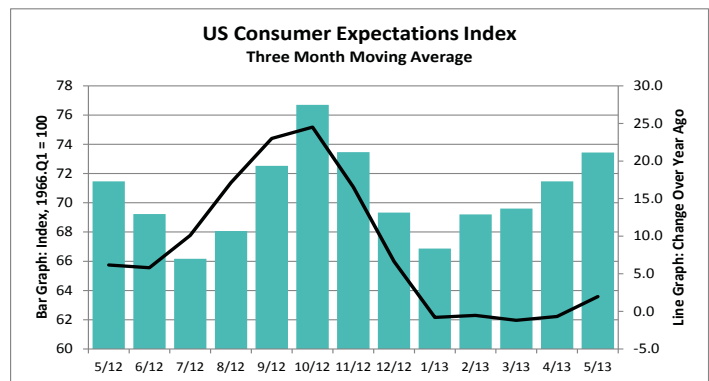
Source: Bureau of the Census



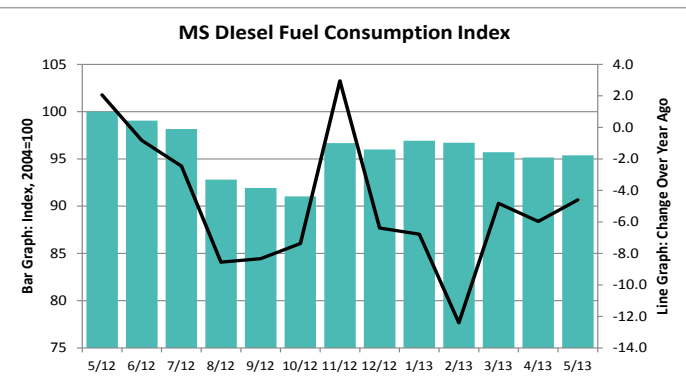
Source: Institute For Supply Management



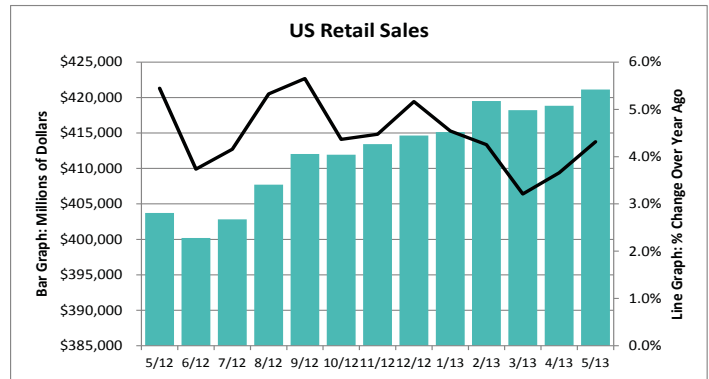
Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan



Source: URC using Data from Mississippi Department of Revenue

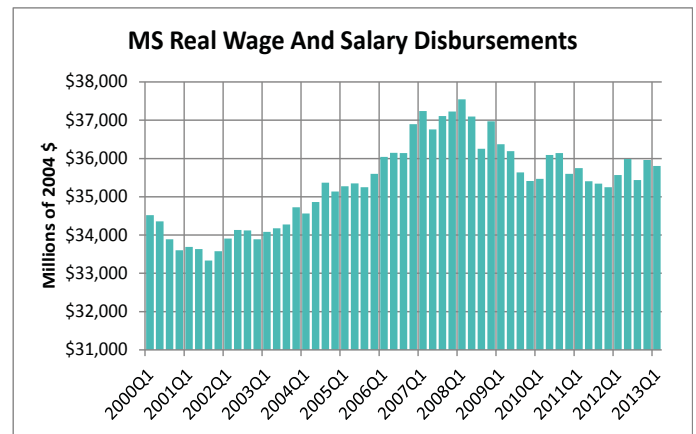
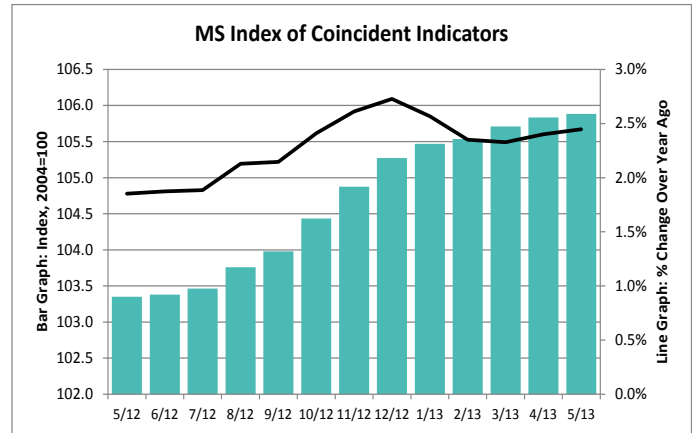


Source: Bureau of the Census

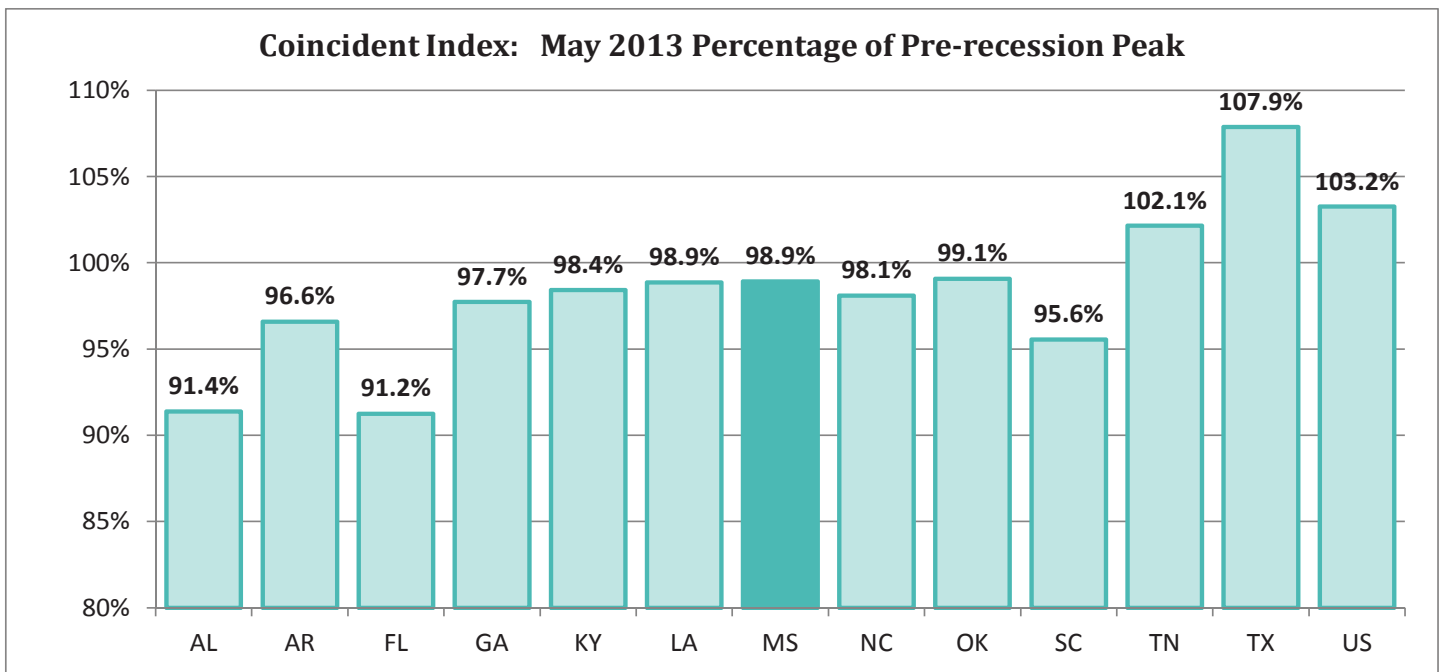
The **Mississippi Index of Coincident Indicators**, for May was 105.9, up 0.1 percent from the revised April number. Growth has moderated in 2013 relative to the pace of late 2012, but has remained positive. For the year, the Coincident Index is up a strong 2.4 percent. The annual growth of the index has not fallen below 2.0 percent since July 2012.

Strong employment growth is pushing the Index upward. Most of the gains occurred in late 2012, corresponding to the steep upward climb of the Coincident Index. Longer manufacturing workweek length is also helping. This series rose sharply last fall, and while moderating in recent months, remains relatively high. Wage and salary disbursements (right) improved in 2012 as well. The Mississippi unemployment rate climbed modestly in late 2012 and has declined in recent months.

The figure below shows a comparison of the May 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. Tennessee and Texas have reached their pre-recession peak. With revised data, the Mississippi Index was at 98.9 percent of its pre-recession peak in May. This was even with Louisiana and slightly below Oklahoma.



The map on page 5 shows the May index for each state compared to the level three months prior. Mississippi's index rose 0.3 percent. The U.S. average growth was 0.7 percent. Most of the Southeastern states are seeing relatively strong gains.



National Trends

The U.S. Index of Leading Indicators increased 0.1 percent in May. The series has been on an upward trend in recent months despite a small dip in March. The Coincident Index increased 0.2 percent. The Conference Board continues to expect improved economic growth toward the end of the year. But according to Conference Board Economist Ken Goldstein "Growth will depend on continued improvement in the housing market and an easing of consumer and business caution which would allow overall consumption and investment to gain traction. Cutbacks in public spending programs and the drag from foreign trade remain headwinds."

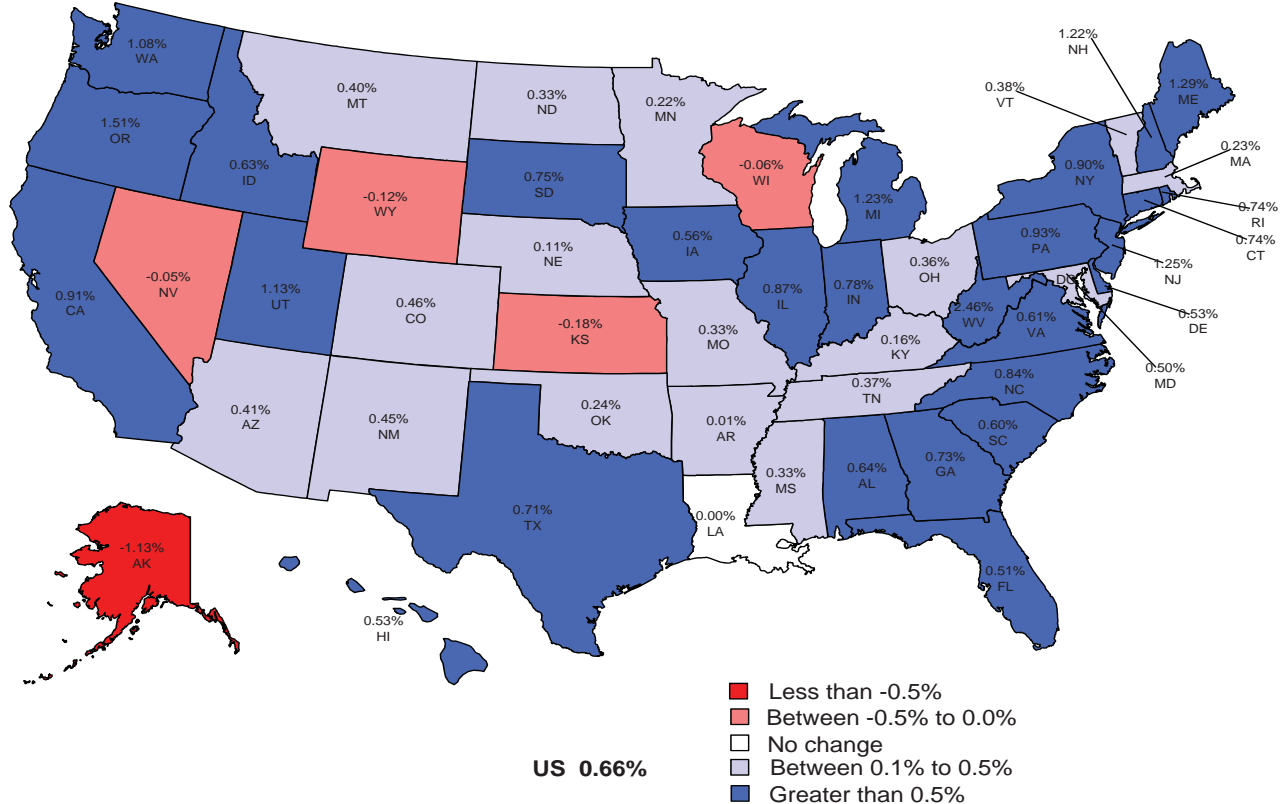
Indeed there are mixed signals in the economy as of late. On the one hand the housing market continues to show improvement; Vehicle sales have reached the highest level since 2007; And average monthly employment gains in the second quarter were just under 200,000. On the other hand, the sequester and the payroll tax hike will continue to dampen growth

through the remainder of the year and the global economy remains sluggish. The slower global economy means dampened export growth which is taking a toll on manufacturing activity.

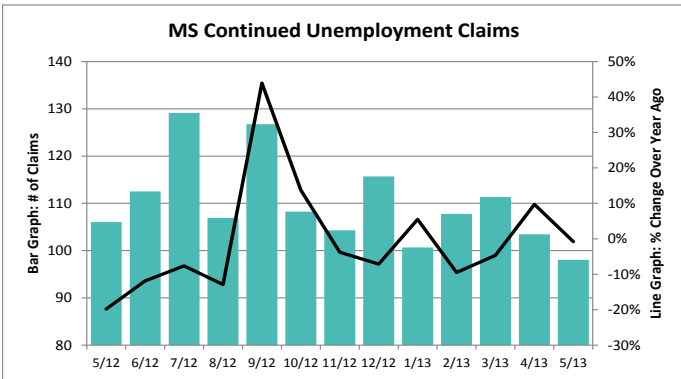
The Fed has signaled it may begin tapering its bond purchases. This sent the financial markets reeling. With the unemployment rate remaining stubbornly high it is not likely the Fed will take action in 2013. However the recent employment gains does raise the risk of this happening.

The Bureau of Economic Analysis has revised down their estimate for the first quarter real GDP growth. The revised figure of 1.8 percent is significantly below the 2.4 percent originally estimated. Most of the revision was in the area of slower than expected consumer spending. But with household formation on the rise and consumer financing improving, Consumer spending is expected to continue to improve.

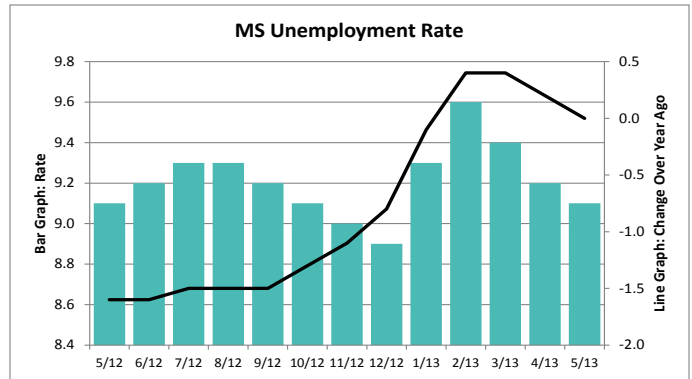
Three Month Growth in The Index of Coincident Economic Indicators, May 2013



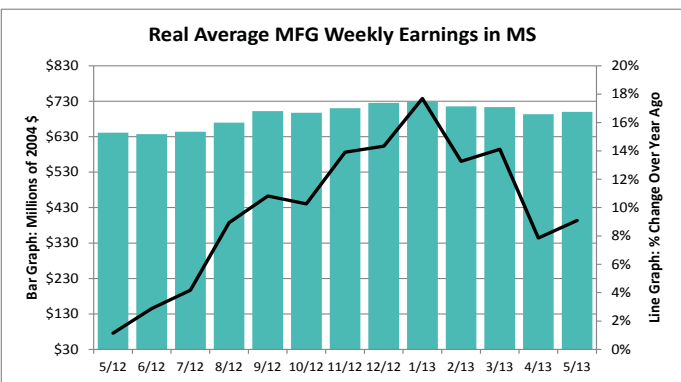
MISCELLANEOUS ECONOMIC INDICATORS



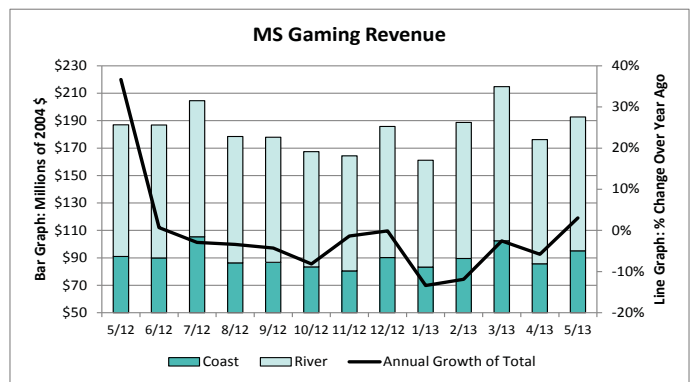
Source: Mississippi Department of Employment Security; Seasonally Adjusted



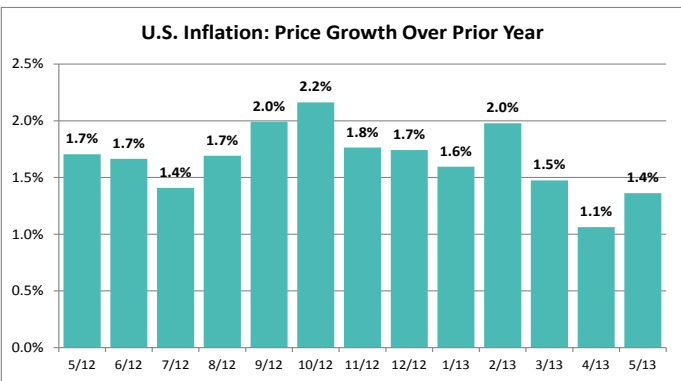
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



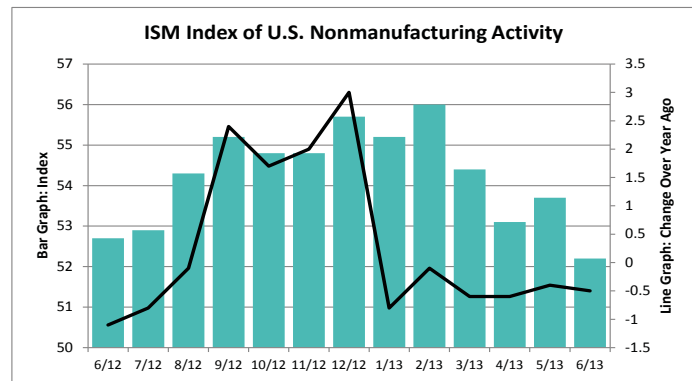
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



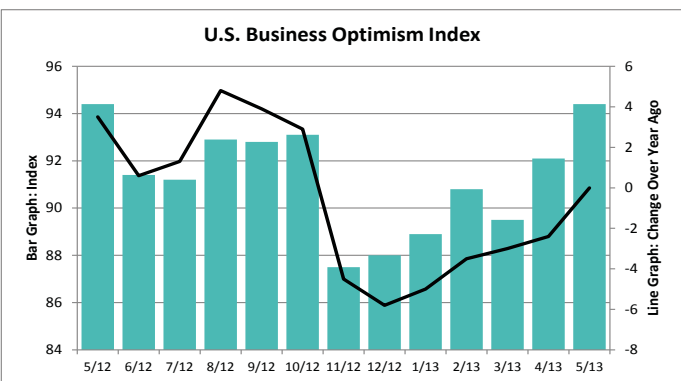
Source: MS Department of Revenue; Nonseasonally Adjusted



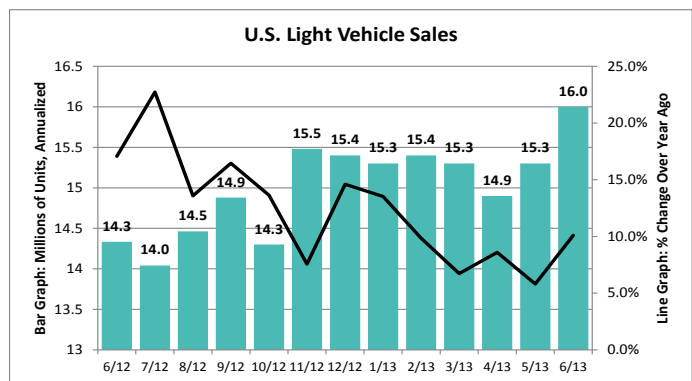
Source: U.S. Bureau of Labor Statistics



Source: Institute For Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

SELECTED ECONOMIC INDICATORS

Indicator	May 2013	April 2013	May 2012	Change from Last Mo. Last YR.	
US Index of Coincident Indicators 2004=100, Source: The Conference Board	105.6	105.4	104.5	0.2%	1.1%
MS Index of Coincident Indicators 2004=100, Source: Federal Reserve Bank of Philadelphia	105.9	105.8	103.4	0.1%	2.4%
US Index of Leading Indicators 2004=100, Source: The Conference Board	95.2	95.1	95.8	0.1%	-0.6%
MS Index of Leading Indicators 2004=100, Source: University Research Center	100.0	98.7	97.6	1.3%	2.5%
MS Initial Unemployment Claims Source: Mississippi Department of Employment Security	12,048	12,724	12,145	-5.3%	-0.8%
MS Value Of Res. Building Permits 3 Mo. Moving Avg., Millions of 2004 Dollars, Source: Bureau of Census	54.5	56.0	49.7	-2.7%	9.6%
MS Income Tax Withholdings 3 Mo. Moving Avg., Millions of 2004 Dollars, Source: MS Department of Revenue	107.7	104.6	103.5	2.9%	4.1%
MS MFG Emp. Intensity Index Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	77.1	77.1	78.4	0.1%	-1.6%
MS Diesel Fuel Consumption Index, 3 Mo. Moving Avg. 2004-100, Source: URC using data from MS Department of Revenue	95.4	95.1	100.0	0.3%	-4.6%
US Index of Consumer Expectations 3 Mo. Moving Avg. Index 1996 q1=100, Source: University of Michigan	73.4	71.5	71.5	2.8%	2.8%
US ISM Index of MFG Activity Advanced 1 Month, Source: Institute For Supply Management	50.9	49	50.2	3.9%	1.4%
US Retail Sales Millions of Dollars, Source: Bureau of Census	421,147	418,840	403,728	0.6%	4.3%
US Consumer Price Index 2004=100, Source: URC using data from Bureau of Labor Statistics	123.3	123.1	121.7	0.2%	1.4%
MS Unemployment Rate Source: Bureau of Labor Statistics	9.1%	9.2%	9.1%	-0.1%	0.0%
MS Continued Unemp. Claims Source: Mississippi Department of Employment Security	98,059	103,442	106,031	-5.2%	-7.5%
US Mortgage Rates 30 Yr. Conventional, Source: Federal Reserve	3.5%	3.3%	3.7%	0.1%	-0.3%
MS Avg. Hourly Wage for MFG 2004 Dollars, Source: Bureau of Labor Statistics	16.97	16.99	15.50	-0.1%	9.5%
MS Avg. Wkly Earnings for MFG 2004 Dollars, Source: Bureau of Labor Statistics	699.91	693.56	641.60	0.9%	9.1%
Business Optimism Index 1986=100, Source: National Federation of Independent Businesses	94.4	92.1	94.4	2.5%	0.0%
Gaming Revenue	192.7	176.3	187.0	9.3%	3.0%
Coast Counties	95.1	85.7	91.0	11.0%	4.5%
River Counties	97.6	90.6	96.1	7.8%	1.6%
Nonseasonally adjusted, Millions of Dollars, Source: MS Department of Revenue					

Economic Indicators

Components of the MS Index of Leading Indicators

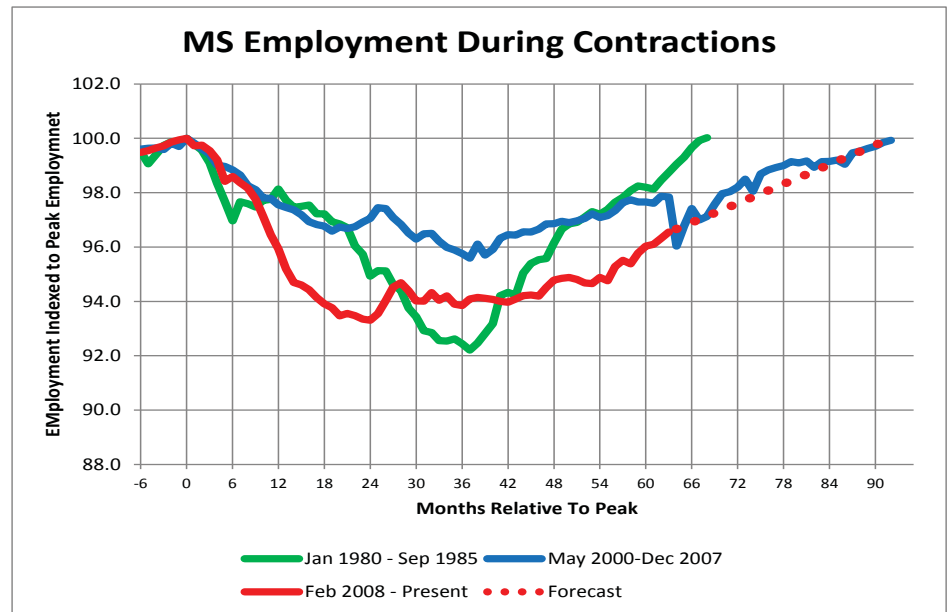
Miscellaneous Indicators

MISSISSIPPI EMPLOYMENT TRENDS

Mississippi added another 2,700 jobs in May or 0.2 percent. Since September 2012, the state has added nearly 20,800 jobs. This is the strongest employment growth in the state since before the recession. The professional and business services sector accounts for the majority of these jobs (7,400 jobs). This is followed by the leisure and hospitality sector (4,100 jobs), construction (3,500) and government (3,400). Manufacturing saw a decline of 1,500 jobs while “other services” fell 1,200. (These data are not depicted, but monthly and annual changes by sector appear below).

For the first five months of 2013, the State is up 1.5 percent over the year ago. If the state continues to grow at this pace, we will regain the pre-recession peak employment in

late 2015. This is depicted in the figure to the right. Three employment contraction periods are displayed. In each case the monthly employment level is indexed to the pre-contraction peak. The 1980-1985 contraction was the deepest contraction of the three, but recovery was relatively fast. The 2000 recession was the most shallow, but recovery took 91 months. The current contraction will take nearly as long. The dotted line assumes a 1.5% growth rate over the next few years.



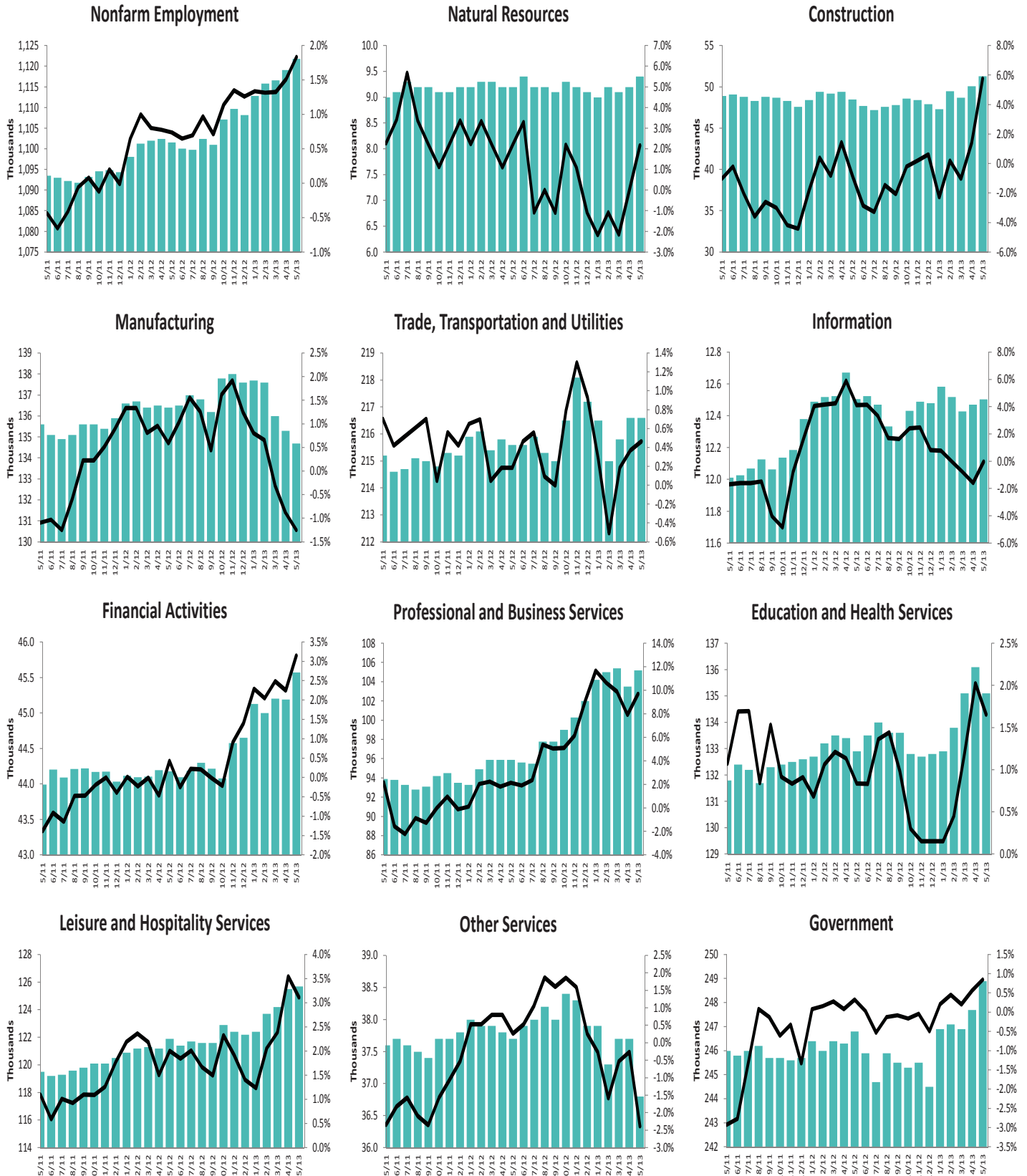
Mississippi Employment by Sector, Seasonally Adjusted

	Relative Share of Total*	May 2013	May 2013	May 2012	Change from Prior Month Level	%	Change from Prior Year Level	%
Total Nonfarm	100.0%	1,121,800	1,119,100	1,101,600	2,700	0.2%	20,200	1.8%
Mining and Logging	0.8%	9,400	9,200	9,200	200	2.2%	200	2.2%
Construction	4.4%	51,300	50,100	48,500	1,200	2.4%	2,800	5.8%
Manufacturing	12.3%	134,700	135,300	136,400	(600)	-0.4%	(1,700)	-1.2%
Trade, Transportation & Utilities	19.5%	216,600	216,600	215,600	-	0.0%	1,000	0.5%
Retail Trade	12.0%	132,800	132,700	133,400	100	0.1%	(600)	-0.4%
Information	1.1%	12,503	12,471	12,506	33	0.3%	(2)	-0.0%
Financial Activities	4.0%	45,573	45,190	44,181	384	0.8%	1,392	3.2%
Services	35.7%	402,800	402,800	388,400	-	0.0%	14,400	3.7%
Professional & Business Serv.	9.1%	105,200	103,500	95,900	1,700	1.6%	9,300	9.7%
Education & Health Services	12.1%	135,100	136,100	132,900	(1,000)	-0.7%	2,200	1.7%
Leisure & Hospitality	11.1%	125,700	125,500	121,900	200	0.2%	3,800	3.1%
Other Services	3.4%	36,800	37,700	37,700	(900)	-2.4%	(900)	-2.4%
Government	22.2%	248,900	247,700	246,800	1,200	0.5%	2,100	0.9%

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

Source: U.S. Bureau of Labor Statitiscs

MISSISSIPPI EMPLOYMENT TRENDS



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