

ECONOMY AT A GLANCE

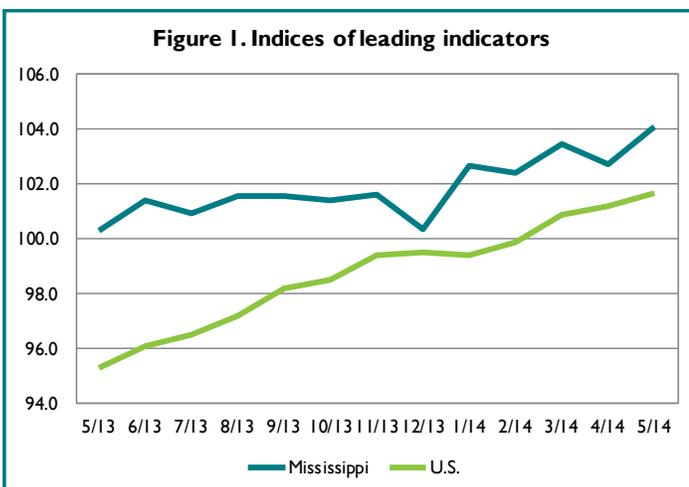
The Mississippi Leading Index gained 1.3 percent in May as seen in Figure 1 below. The index reached a value of 104.1, its highest level in almost seven years. The increase also means the index continued its up-and-down performance in May, as it has not posted two consecutive months of increases or decreases in the past twelve months.

The Mississippi Coincident Index also increased for the second consecutive month, rising 0.2 percent in May as seen in Figure 2 below.

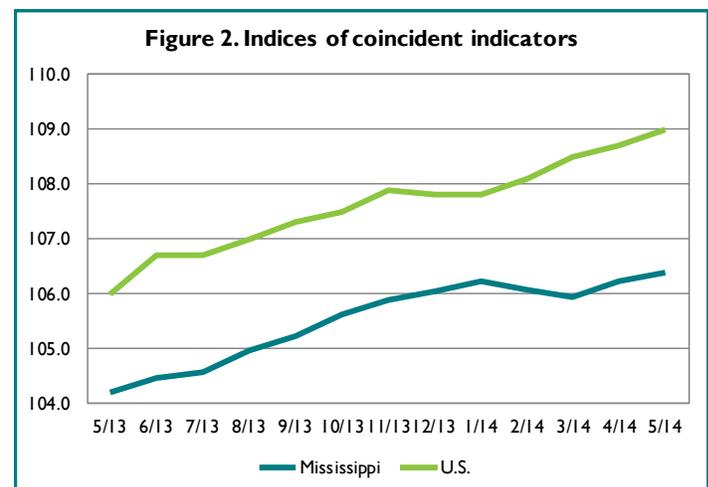
The Bureau of Economic Analysis (BEA) released its third and final estimate of real GDP for the first quarter of 2014, determining GDP contracted by 2.9 percent. This contraction represents the largest decline in GDP since the first quarter of 2009 and is almost three times larger than in BEA's second estimate. Consumer spending was much lower in the first quarter than initially reported.

Health care spending, originally believed to have contributed positively to GDP, actually reduced GDP by 0.16 percent in the first quarter. Combined with the other negative numbers reported, such as the declines in inventories and exports, few components of real GDP moved in a positive direction during the first quarter.

Despite the relatively large and somewhat surprising decline in GDP in the first quarter, the performance of the economy appears much better in the last three months. However, growth for all of 2014 will likely be considerably less than most analysts anticipated prior to the final GDP estimate. The effects of a harsh winter combined with other factors during the first quarter demonstrate the U.S. economy remains relatively weak five years after the end of the Great Recession. BEA's initial estimate of second quarter GDP released later this month will be watched even more closely given the performance of the first quarter.



Sources: University Research Center and The Conference Board



Source: Federal Reserve Bank of Philadelphia

Notes: 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 from The Conference Board. All series are indexed to a base year

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MISSISSIPPI'S BUSINESS

INDEX OF LEADING INDICATORS, MAY 2014

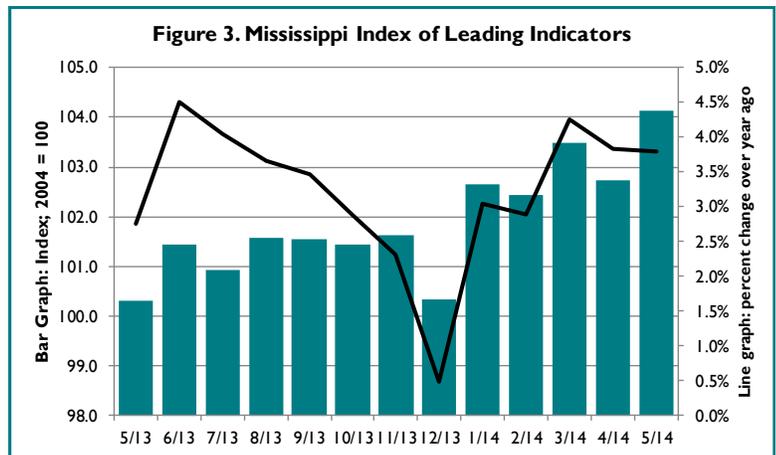
The **Mississippi Leading Index of Economic Indicators** climbed 1.3 percent in May to a value of 104.1, as seen in Figure 3. After data revisions the May value of the index was the highest since November 2007. The index was also up 3.8 percent compared to one year ago and has risen 4.9 percent over the last six months.

Improvements to the index were broad-based in May as seven of the eight components contributed positively. Discussion of each component appears below in order of smallest to largest contribution.

The **Institute for Supply Management Index of U.S. Manufacturing Activity** slipped in value in June, as indicated by Figure 4. The index lost 0.1 percent in value after increasing in each of the previous four months. The average value of the index for the second quarter of 2014 exceeded that of the first quarter—likely indicating a rebound in U.S. manufacturing from the effects of winter. In addition, the index remains 2.8 percent higher compared to June 2013.

Seasonally-adjusted **initial unemployment claims** in Mississippi changed little in May from the previous month, declining by 0.2 percent. As Figure 5 indicates, the seasonally-adjusted number of initial claims last month was 21 percent lower than one year ago. Furthermore, the total number of initial claims has remained below 10,000 in each of the first five months of 2014. The seasonally-adjusted number of continued claims in Mississippi also fell in May, the fourth decline in the last five months. Figure 15 on page 6 indicates the number of continued claims dropped 3.2 percent from the previous month. Total seasonally-adjusted continued claims in the state were 22 percent lower in May than one year ago and fell to their lowest level since April 2007. As seen in Figure 16 on page 6, the seasonally-adjusted unemployment rate for Mississippi rose 0.2 percent to 7.7 percent. This rate is at its highest level since December but remains 1.0 percent lower than in May 2013.

As indicated by Figure 6, for the fourth time in the last five months the **value of Mississippi residential building permits** (three-month moving average) increased in May. The value of permits rose 1.3 percent in May over April. The value of permits in May was also 3.6 percent greater than one year ago. The seasonally-adjusted number of units for which building permits were issued (three-month moving average) in Mississippi, however, fell 1.0 percent in May.



Source: University Research Center

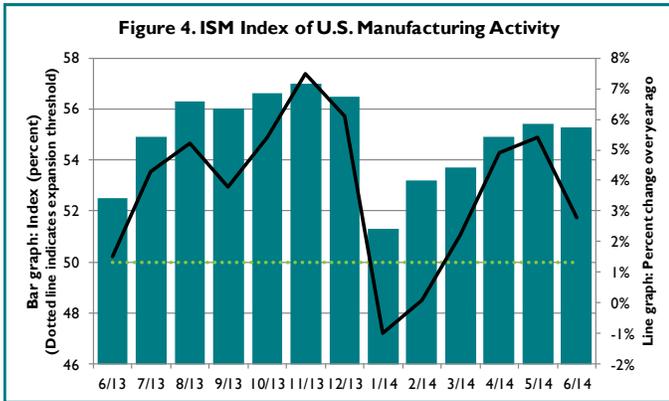
The **Mississippi Diesel Fuel Consumption Index** (three-month moving average) rose 0.8 percent in May as seen in Figure 7. While this increase did not offset the relatively large decline of the previous month, the value of the Index stands 2.0 percent higher than one year ago. The price of a gallon of diesel fuel in the Gulf Coast district (which includes Mississippi) fell 0.3 percent in May according to the U.S. Energy Information Administration. The decline marked the first price decrease in diesel fuel in five months; however, the May price was 1.1 percent higher than one year ago.

For the fourth consecutive month **U.S. retail sales** rose in May as indicated by Figure 8. Sales climbed 0.3 percent for the month and were 4.2 percent higher compared to May 2013. For three consecutive months, sales have risen more than 4 percent compared to a year ago. Most of the May increase was due to an increase in automobile sales. Building materials also gained during the month while a number of other sectors incurred small declines during May. While the increase in May fell below most analysts' expectations, the Census Bureau revised the value of April sales higher. As a result, April sales climbed 0.5 percent rather than 0.1 percent as initially reported.

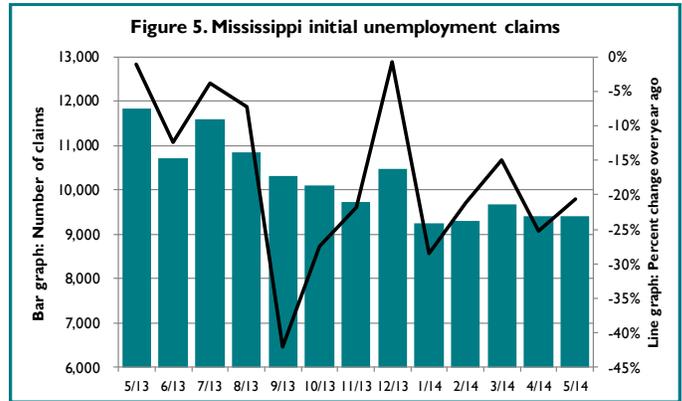
The **Mississippi Manufacturing Employment Intensity Index** increased for the second consecutive month in May, rising 0.5 percent as seen in Figure 9. The May value of the index, 81.7, was last reached in December 2012. The value of the index rose as employment in the manufacturing sector, the average hourly wage for manufacturing, and the average weekly earnings for manufacturing all increased slightly during May.

(Continued on page 4)

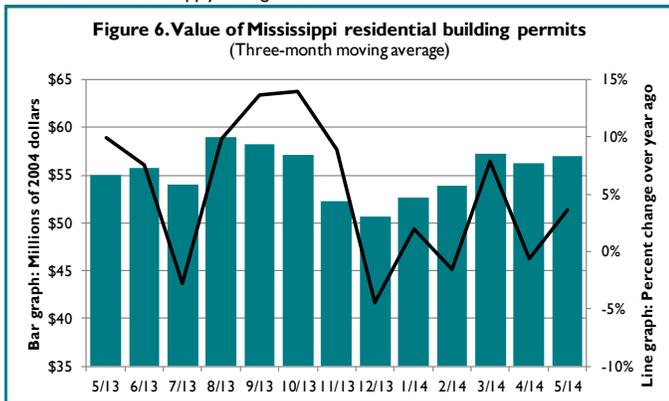
LEADING ECONOMIC INDICATORS, IN FIGURES



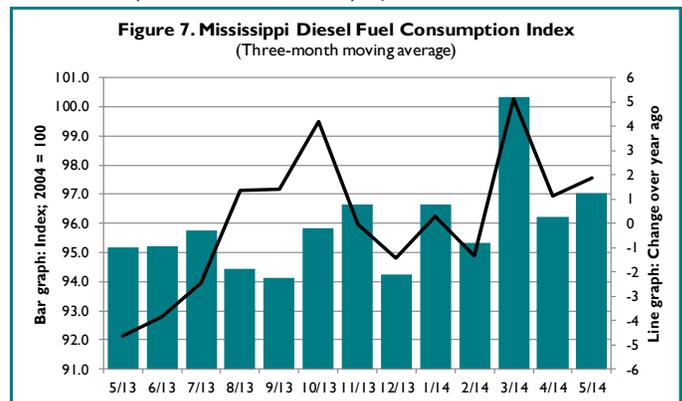
Source: Institute for Supply Management



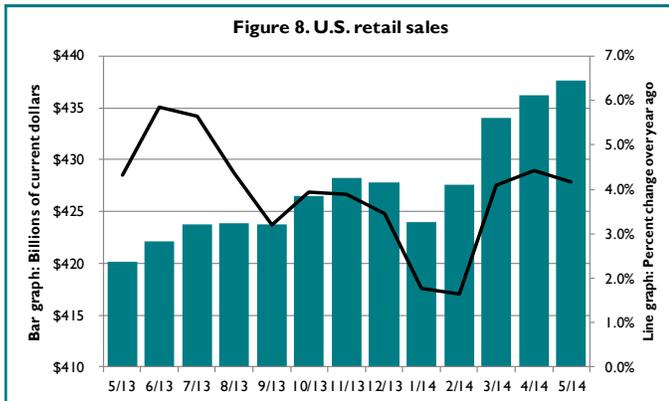
Source: U.S. Department of Labor; seasonally adjusted



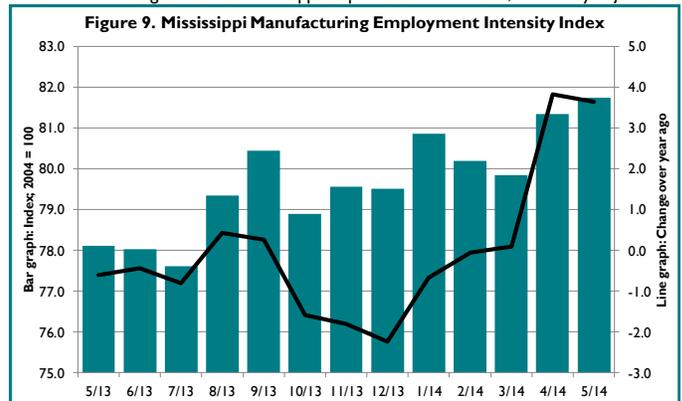
Source: Bureau of the Census; seasonally adjusted



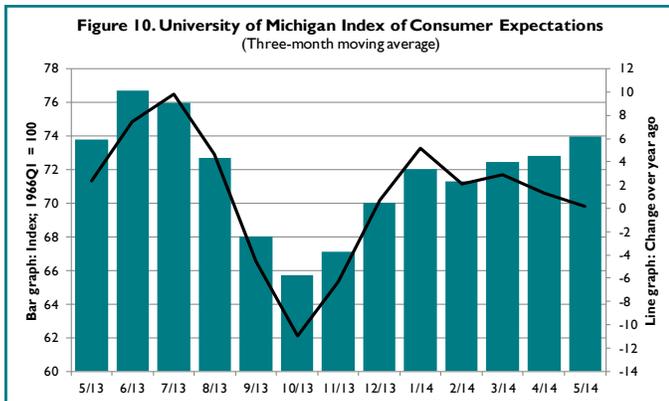
Source: URC using data from Mississippi Department of Revenue; seasonally adjusted



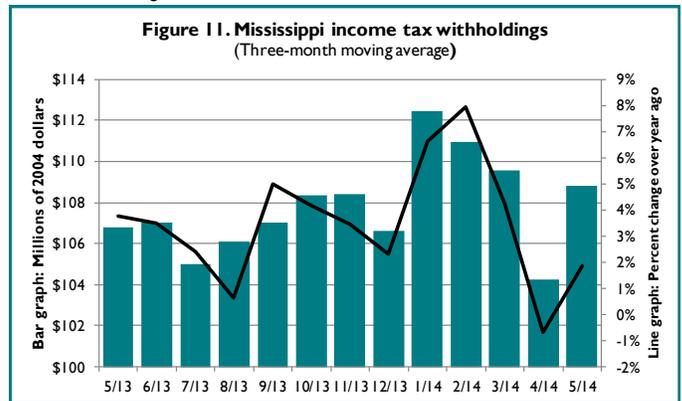
Source: Bureau of the Census



Source: URC using data from Bureau of Labor Statistics



Source: Thomson Reuters/University of Michigan Surveys of Consumers



Source: Mississippi Department of Revenue; seasonally adjusted

MISSISSIPPI'S BUSINESS

INDEX OF LEADING INDICATORS, MAY 2014 (CONTINUED)

The **University of Michigan Index of Consumer Expectations** (three-month moving average) rose for the third month in a row as seen in Figure 10. The three-month moving average rose 1.6 percent in May from the previous month and stands 0.2 percent above its value of one year ago. In addition, within the survey 40 percent of respondents stated their finances improved in the past year, the highest level in about seven years. Prices for energy and food may affect expectations most in the near term. However, an improving labor market along with an increase in home values could offset any negative impacts in terms of consumer outlooks.

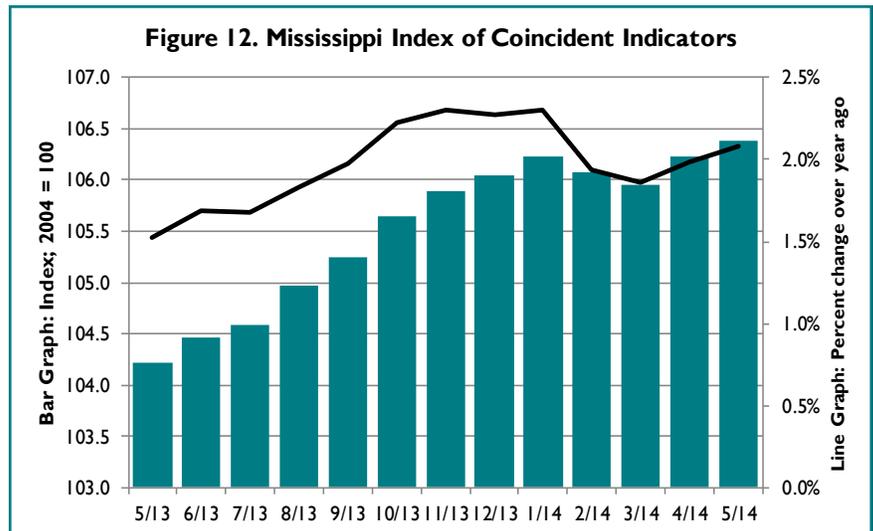
After three consecutive months of declines, **Mississippi income tax withholdings** (three-month moving average) increased in May. Figure 11 indicates the average rose 4.4 percent for the month. While withholdings increased in May for only the second month since last October, the average value for the last six months exceeds the average of the previous six months. The increase in May also means the average value of withholdings is 1.9 percent higher than one year ago.

INDEX OF COINCIDENT INDICATORS, MAY 2014

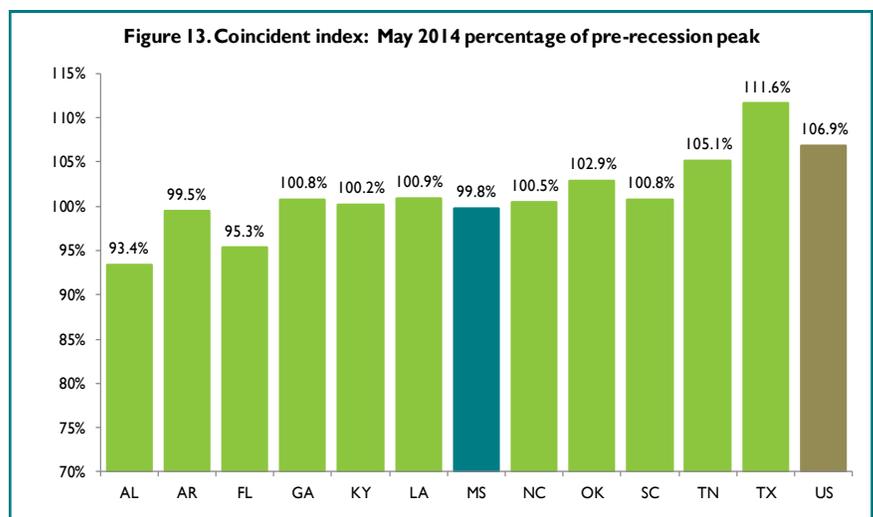
The **Mississippi Coincident Index** rose 0.2 percent in May, the second consecutive monthly increase. As Figure 12 indicates, values for previous months were revised lower and following these revisions the index increased 0.3 percent in April.

The value of the Mississippi Coincident Index for May fell slightly below its pre-recession peak to 99.8 percent, as seen in Figure 13. Eight of the twelve southeastern states were fully recovered in May as measured by the Index. This number was also the same as in April, but in May the states were different. The values of the indices for Alabama and Florida continue to linger well below their pre-recession peaks compared to the other southeastern states. Conversely, the level of the index for Texas remains substantially higher than its pre-recession peak relative to the rest of the region.

Figure 14 denotes how the values of the coincident indices increased in 46 states in May compared to three months prior. Mississippi was one of ten states with indices that rose between 0.1 and 0.5 percent. In the southeast, Alabama and Louisiana were among the four states with indices that declined in May relative to their values for February. Nine states in the region experienced increases of more than 0.5 percent compared to three months prior. Alaska was the only state with a decrease in value of more than 0.5 percent in May relative to February.



Source: Federal Reserve Bank of Philadelphia



Source: Federal Reserve Bank of Philadelphia

NATIONAL TRENDS

For the fourth straight month, The Conference Board reported its U.S. Leading Economic Index (LEI) increased, rising 0.5 percent in May. While the LEI increased in May, revisions did lower the values for each of the previous four months. Most components of the LEI rose in May, with the interest rate spread and initial unemployment claims representing the largest positive contributions. The lone negative contribution came from building permits. The value of the U.S. LEI stands 6.7 percent higher than one year ago.

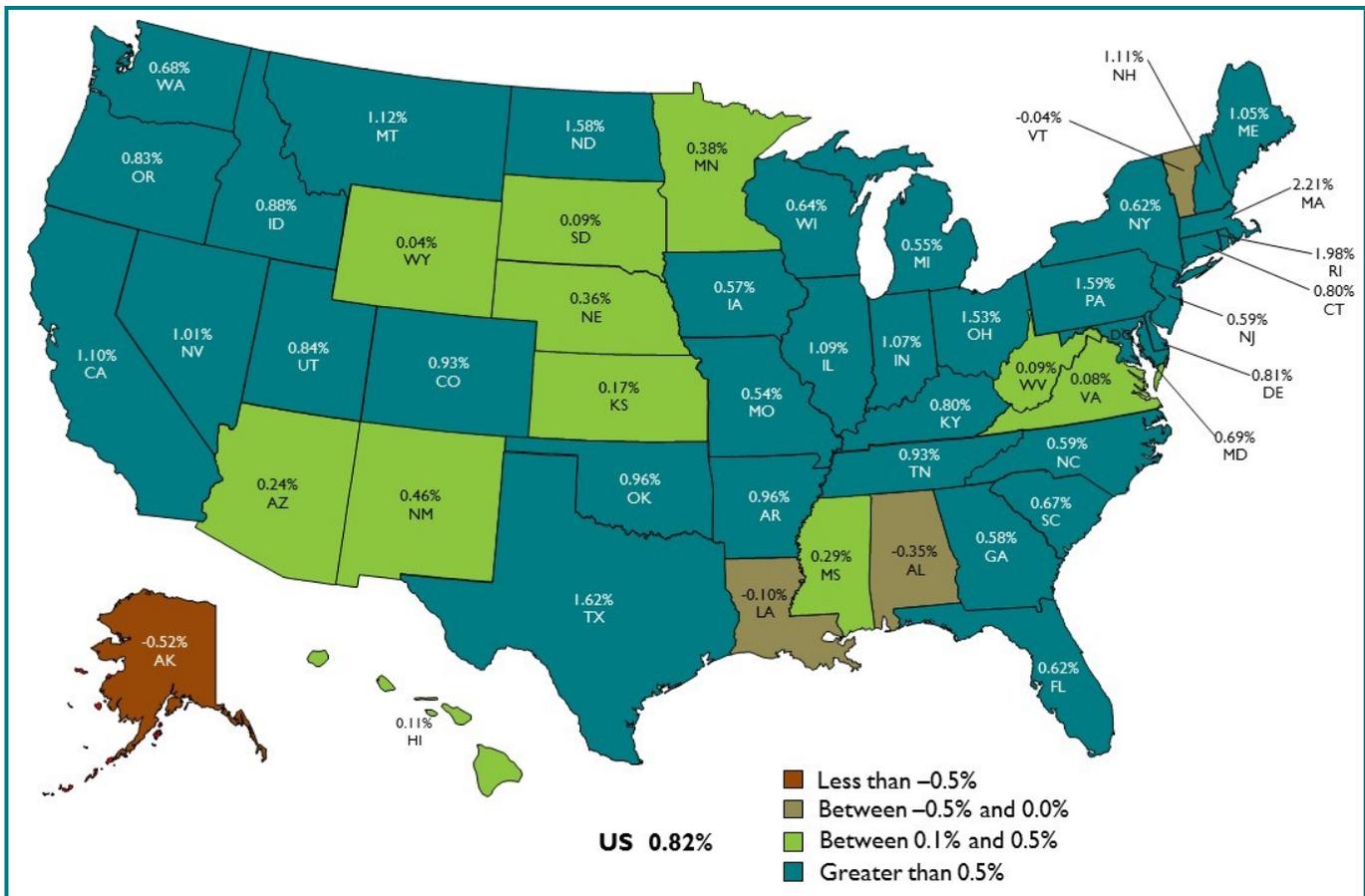
The Conference Board reported the U.S. Coincident Economic Index (CEI) also increased in May, rising 0.3 percent. All components of the CEI contributed positively for the month and the value of the U.S. CEI has risen 1.0 percent over the last six months.

The National Federation of Independent Businesses (NFIB) reported its Small Business Optimism Index increased for the third month in a row, climbing 1.4 percent

in May. The value of the index reached 96.6, its highest level since September 2007. Notable upturns occurred in the share of respondents who expect the economy to improve and those who expect higher real sales in the coming months. The share of firms that expect to increase employee compensation also rose in May to its highest level in six years.

At its June policy meeting, the Federal Reserve revised its forecast for U.S. annual GDP growth to 2.2 percent for 2014. Also in June, the World Bank and the International Monetary Fund lowered their estimates of U.S. annual GDP growth for 2014 to 2.1 and 2.0 percent, respectively. However, all of these revised forecasts were released prior to the BEA's third estimate of a contraction in GDP for the first quarter of 2.9 percent. Thus, most forecasts for GDP in 2014 will likely be downgraded further. The U.S. economy will require a relatively strong performance in the final three quarters of the year to exceed last year's growth in real GDP of 1.8 percent (see page 10).

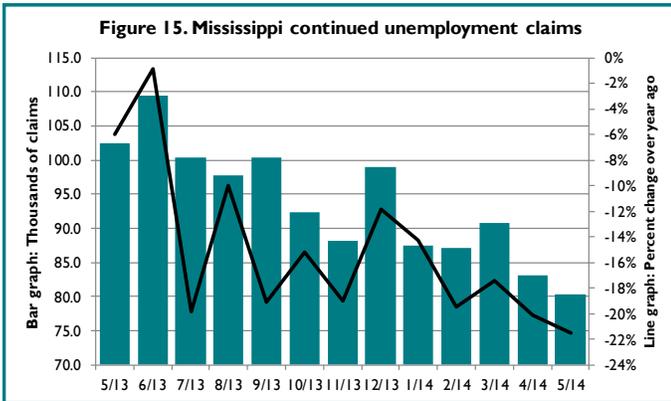
Figure 14. Three-month growth in the index of coincident economic indicators by state, May 2014



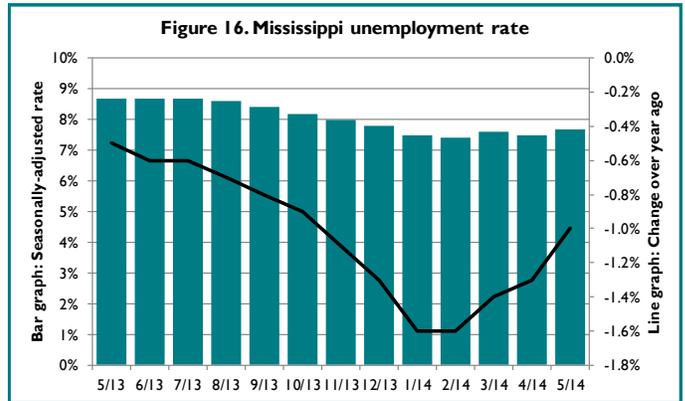
Source: Federal Reserve Bank of Philadelphia

MISSISSIPPI'S BUSINESS

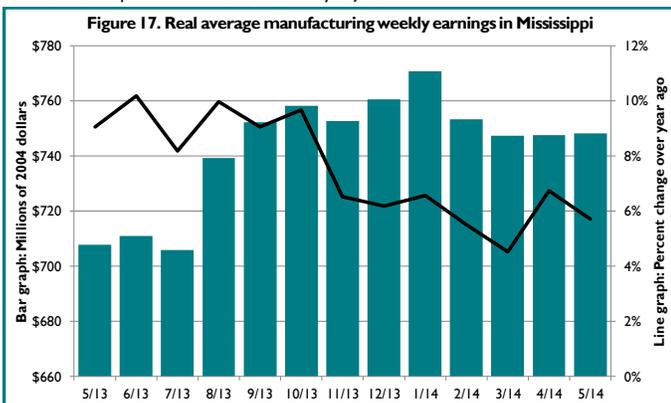
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



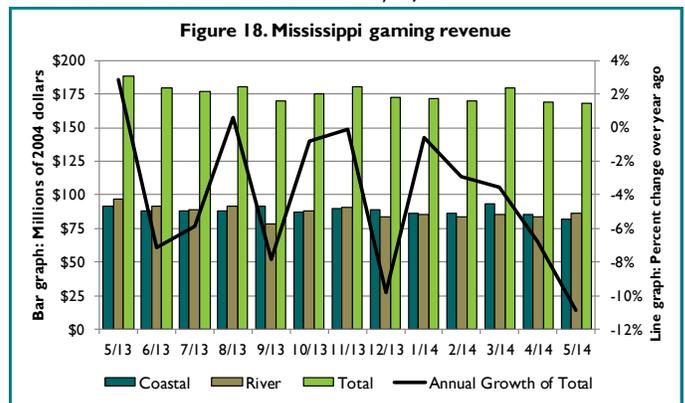
Source: U.S. Department of Labor; seasonally adjusted



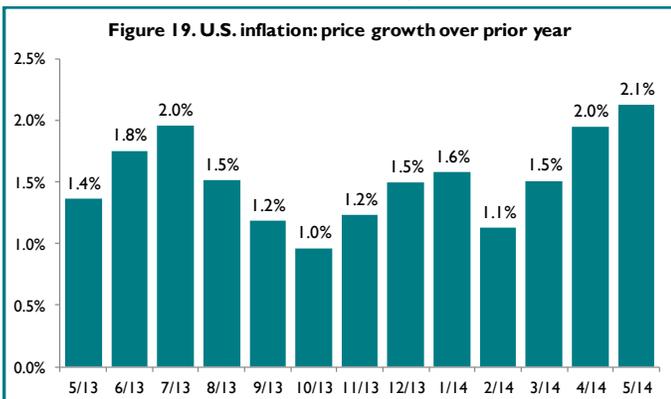
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



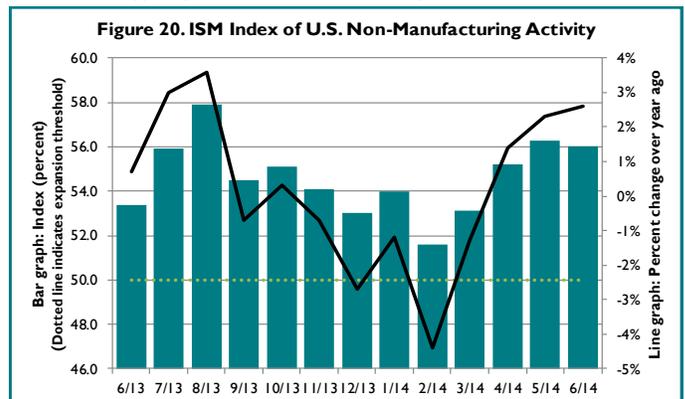
Source: U.S. Bureau of Labor Statistics; non-seasonally adjusted



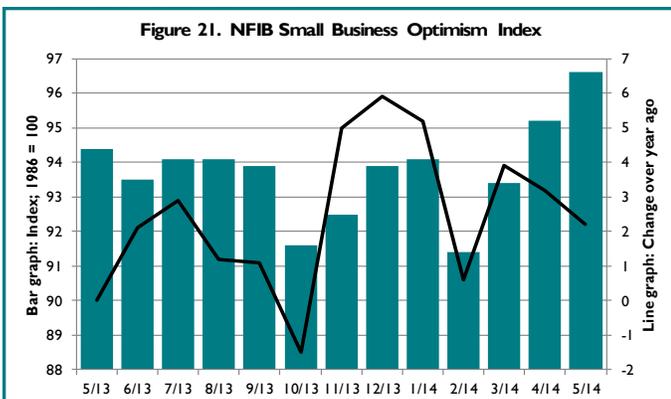
Source: Mississippi Department of Revenue; seasonally adjusted



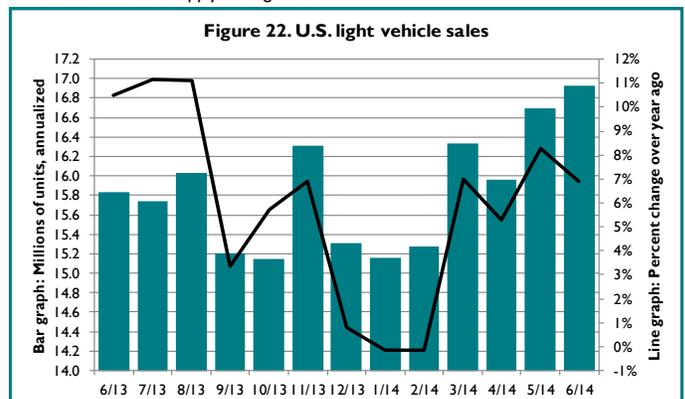
Source: U.S. Bureau of Labor Statistics



Source: Institute for Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; seasonally adjusted at annual rates

TABLE I. SELECTED ECONOMIC INDICATORS

Indicator	May	April	May	Percent change from		
	2014	2014	2013	April 2014	May 2013	
U.S. Leading Economic Index 2004 = 100. Source: The Conference Board	101.7	101.2	95.3	0.5%	6.7%	Economic Indices
U.S. Coincident Economic Index 2004 = 100. Source: The Conference Board	109.0	108.7	106.0	0.3%	2.8%	
Mississippi Index of Leading Indicators 2004 = 100. Source: University Research Center	104.1	102.7	100.3	1.4%	3.8%	
Mississippi Index of Coincident Indicators 2004 = 100. Source: Federal Reserve Bank of Philadelphia	106.4	106.2	104.2	0.2%	2.1%	
Mississippi initial unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	9,406	9,422	11,834	-0.2%	-20.5%	Components of the Mississippi Leading Index
Value of Mississippi residential building permits Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Bureau of the Census	57.0	56.3	55.0	1.3%	3.6%	
Mississippi income tax withholdings Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	108.8	104.2	106.8	4.4%	1.9%	
Mississippi Manufacturing Employment Intensity Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	81.7	81.3	78.1	0.5%	4.7%	
Mississippi Diesel Fuel Consumption Index Three-month moving average; 2004 = 100. Source: URC using data from Mississippi Department of Revenue	97.1	96.2	95.2	0.9%	2.0%	
University of Michigan Index of Consumer Expectations Three-month moving average; index 1966Q1 = 100. Source: Thomson Reuters/University of Michigan Surveys of Consumers	74.0	72.8	73.8	1.6%	0.2%	
ISM Index of U.S. Manufacturing Activity <i>Advanced one month.</i> Source: Institute For Supply Management	55.3	55.4	52.5	-0.1%	2.8%	
U.S. retail sales Current dollars, in billions. Source: Bureau of the Census	437.6	436.2	420.1	0.3%	4.2%	
U.S. Consumer Price Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	126.0	125.5	123.3	0.4%	2.1%	
Mississippi unemployment rate Seasonally-adjusted. Source: Bureau of Labor Statistics	7.7%	7.5%	8.7%	0.2%	-1.0%	
Mississippi continued unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	80,412	83,051	102,482	-3.2%	-21.5%	Miscellaneous Indicators
ISM Index of U.S. Non-Manufacturing Activity <i>Advanced one month.</i> Source: Institute For Supply Management	56.0	56.3	53.4	-0.3%	2.6%	
U.S. mortgage rates Seasonally adjusted; 30-year conventional. Source: U.S. Federal Reserve	4.18%	4.25%	3.52%	-0.08%	0.65%	
Mississippi average hourly wage for manufacturing Seasonally adjusted; 2004 dollars. Source: Bureau of Labor Statistics	17.95	17.81	17.11	0.8%	4.9%	
Mississippi average weekly earnings for manufacturing Seasonally adjusted; 2004 dollars. Source: Bureau of Labor Statistics	748.21	747.53	707.71	0.1%	5.7%	
NFIB Small Business Optimism Index 1986 = 100. Source: National Federation of Independent Businesses	96.6	95.2	94.4	1.5%	2.3%	
Gaming revenue	168.3	169.1	188.8	-0.5%	-10.9%	
Coastal counties	81.7	85.3	91.9	-4.2%	-11.1%	
River counties Seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	86.6	83.8	96.9	3.4%	-10.6%	

MISSISSIPPI'S BUSINESS

MISSISSIPPI EMPLOYMENT TRENDS

Total nonfarm employment in Mississippi increased for the second consecutive month in May according to the U.S. Bureau of Labor Statistics. The number of individuals employed in the state for the month grew by 4,100, an increase of 0.37 percent. However, Table 2 below indicates job gains were not as widespread compared to April. The Services sector was responsible for most of the increase in employment, particularly in the sub-categories of Professional & Business Services and Education & Health Services. Jobs in these industries increased in May by 2.8 and 1.1 percent, respectively. Manufacturing, Financial Activities, Mining and Logging, and Government also added jobs in May. The Construction industry lost the most jobs last month in both absolute and percentage terms, as the sector declined by 800 jobs or 1.6 percent. Construction represents an industry where employment can vary considerably from month to month, however. The sub-category of Leisure & Hospitality also lost 600 jobs in May, a decrease of 0.5 percent from April. Nevertheless, the industry is up 1.5 percent compared to one year ago.

Employment in Mississippi in May was up 1.4 percent from a year ago, representing a total increase of 15,300 jobs.

The only industry in the state with fewer jobs than one year ago is the relatively broad sub-category of Other Services, which was off 1.8 percent from May 2013. Employment in the Information sector is unchanged from a year ago. The industry with the largest percentage gain over the last twelve months is Manufacturing, which was higher in May by 3.9 percent for a total of 5,300 jobs. In fact, the manufacturing sector in Mississippi has added or maintained jobs for eleven consecutive months. The sub-category of Professional & Business Services follows closely with an increase of 3.5 percent compared to one year ago, a total of 3,400 jobs. In addition, employment in the mining and logging industry, while relatively small, increased 2.2 percent compared to a year ago. All of this gain occurred in the previous month, however, as Table 2 indicates.

After the gains of the last two months employment in Mississippi is up 0.3 percent so far in 2014. Nationally, employment is expected to continue to slowly improve during the remainder of the year. The state employment situation should perform similarly over the rest of the summer, barring a severe weather event or other disruption.

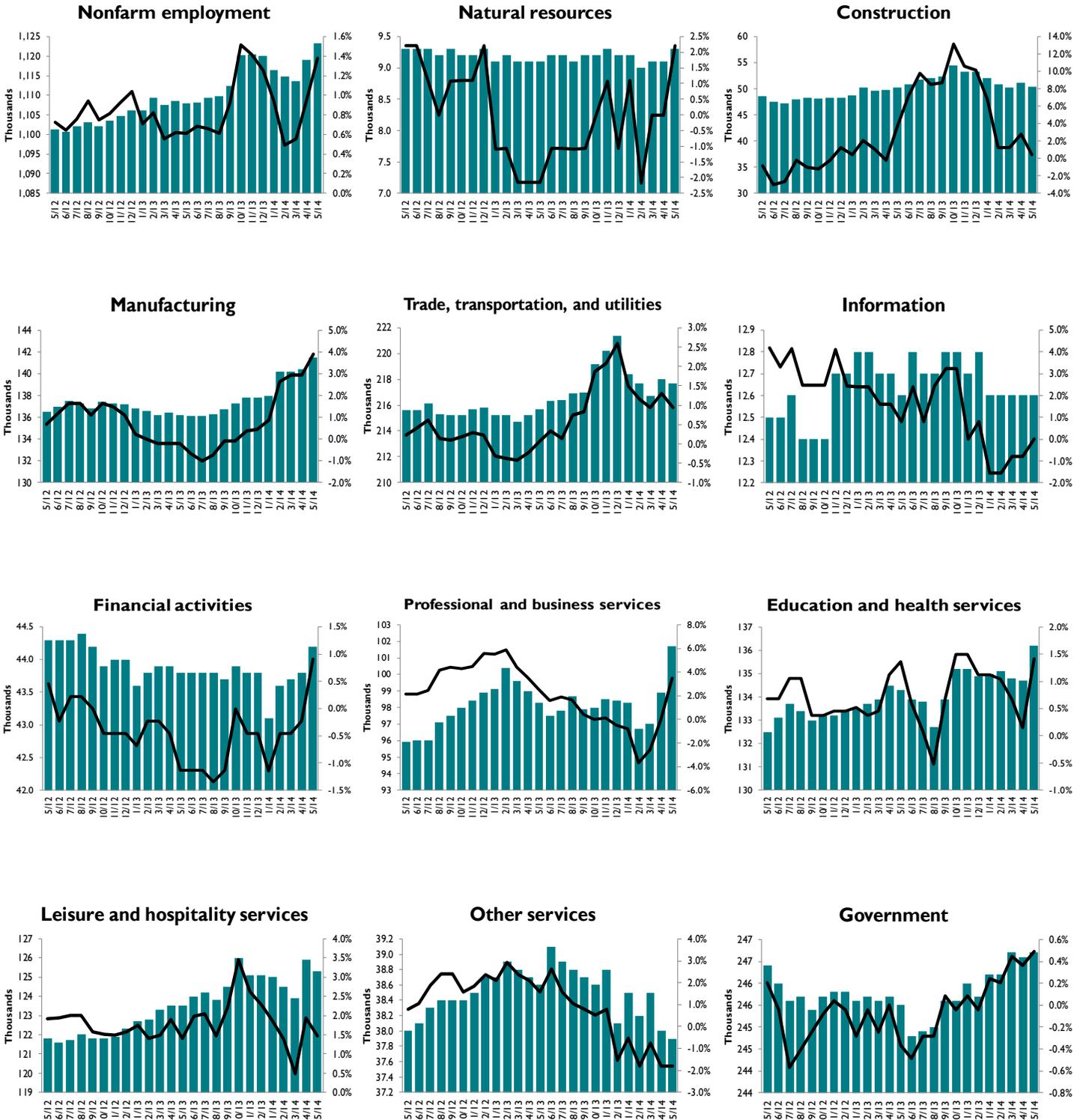
Table 2. Change in Mississippi employment by industry, May 2014

	Relative share of total ^a	May 2014	April 2014	May 2013	Change from April 2014	Change from May 2013	Level	Percent	Level	Percent
Total Nonfarm	100.0%	1,123,200	1,119,100	1,107,900	4,100	0.37%	15,300	1.4%		
Mining and Logging	0.8%	9,300	9,100	9,100	200	2.2%	200	2.2%		
Construction	4.7%	50,400	51,200	50,200	(800)	-1.6%	200	0.4%		
Manufacturing	12.4%	141,500	140,400	136,200	1,100	0.8%	5,300	3.9%		
Trade, Transportation, & Utilities	19.5%	217,700	218,000	215,700	(300)	-0.1%	2,000	0.9%		
Retail Trade	12.0%	133,000	133,500	132,700	(500)	-0.4%	300	0.2%		
Information	1.1%	12,600	12,600	12,600	—	0.0%	—	0.0%		
Financial Activities	3.9%	44,200	43,800	43,800	400	0.9%	400	0.9%		
Services	35.5%	401,100	397,500	394,700	3,600	0.9%	6,400	1.6%		
Professional & Business Services	8.8%	101,700	98,900	98,300	2,800	2.8%	3,400	3.5%		
Education & Health Services	12.1%	136,200	134,700	134,300	1,500	1.1%	1,900	1.4%		
Leisure & Hospitality	11.2%	125,300	125,900	123,500	(600)	-0.5%	1,800	1.5%		
Other Services	3.5%	37,900	38,000	38,600	(100)	-0.3%	(700)	-1.8%		
Government	22.0%	246,700	246,600	245,500	100	0.0%	1,200	0.5%		

^aRelative shares are for the most recent 12-month average.

Source: Bureau of Labor Statistics

MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES



Left axes: Bar graphs of employment levels Right axes: Line graphs of annual growth

Source: Bureau of Labor Statistics (all figures)

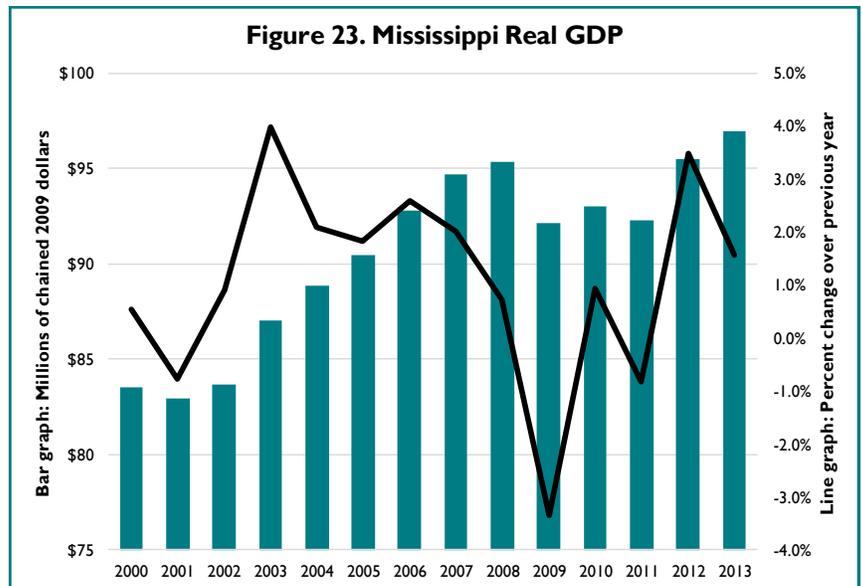
MISSISSIPPI'S BUSINESS

MISSISSIPPI GDP GROWTH IN 2013

Real GDP for Mississippi grew 1.6 percent in 2013 according to the preliminary estimate of the U.S. Bureau of Economic Analysis (BEA). While 2013 marked the second consecutive year the state's economy grew as seen in Figure 23, this expansion occurred at a substantially slower rate than in 2012 when growth equaled 3.5 percent. Since 2007, a period that includes the entirety of the Great Recession, real GDP for Mississippi has increased a total of 2.4 percent. The change in Mississippi's real GDP in 2013 was comparable to the change in real GDP for the southeast region, which grew at a rate of 1.6 percent, and for the U.S., which increased 1.8 percent. Similarly, real GDP growth in both the Southeast and the U.S. was lower than in 2012 when the rates of growth totaled 1.9 and 2.5 percent, respectively.

As indicated by Figure 24 real GDP for Mississippi also grew at a faster rate than in the surrounding states of Alabama (0.8 percent), Louisiana (1.3 percent), and Tennessee (0.8 percent), but at a slower rate than in neighboring Arkansas (2.4 percent). Real GDP increased in 49 states in 2013 with only Alaska experiencing a decline (-2.5 percent). The fastest rate of growth occurred in North Dakota where real GDP expanded at a rate of 9.7 percent.

Table 3 at right lists the contributions to the percent change in real GDP growth for Mississippi in 2013 by sector. The largest contributor to real GDP growth in Mississippi in 2013 was the construction industry, which raised real GDP by 0.47 percent. The manufacturing sector closely followed, increasing real GDP by 0.42 percent. Agriculture, forestry, fishing, and hunting also contributed substantially in 2013, raising real GDP by 0.32 percent. Most other sectors, however, grew at slower rates than in 2012, which



Source: U.S. Bureau of Economic Analysis

Table 3. Contribution to percent change in Mississippi real GDP by sector, 2012-2013

Sector	Contribution
Agriculture, forestry, fishing, and hunting	0.32%
Mining	-0.41%
Utilities	0.12%
Construction	0.47%
Manufacturing	0.42%
Wholesale trade	0.07%
Retail trade	0.19%
Transportation and warehousing	0.06%
Information	0.10%
Finance, insurance, real estate, rental, and leasing	0.14%
Professional, scientific, and technical services	-0.03%
Management of companies and enterprises	0.03%
Administrative and waste management services	0.18%
Educational services	0.00%
Health care and social assistance	0.11%
Arts, entertainment, and recreation	0.01%
Accommodation and food services	0.04%
Other services, except government	-0.01%
Government	-0.26%
Total	1.55%

Source: U.S. Bureau of Economic Analysis

MISSISSIPPI GDP GROWTH IN 2013, CONTINUED

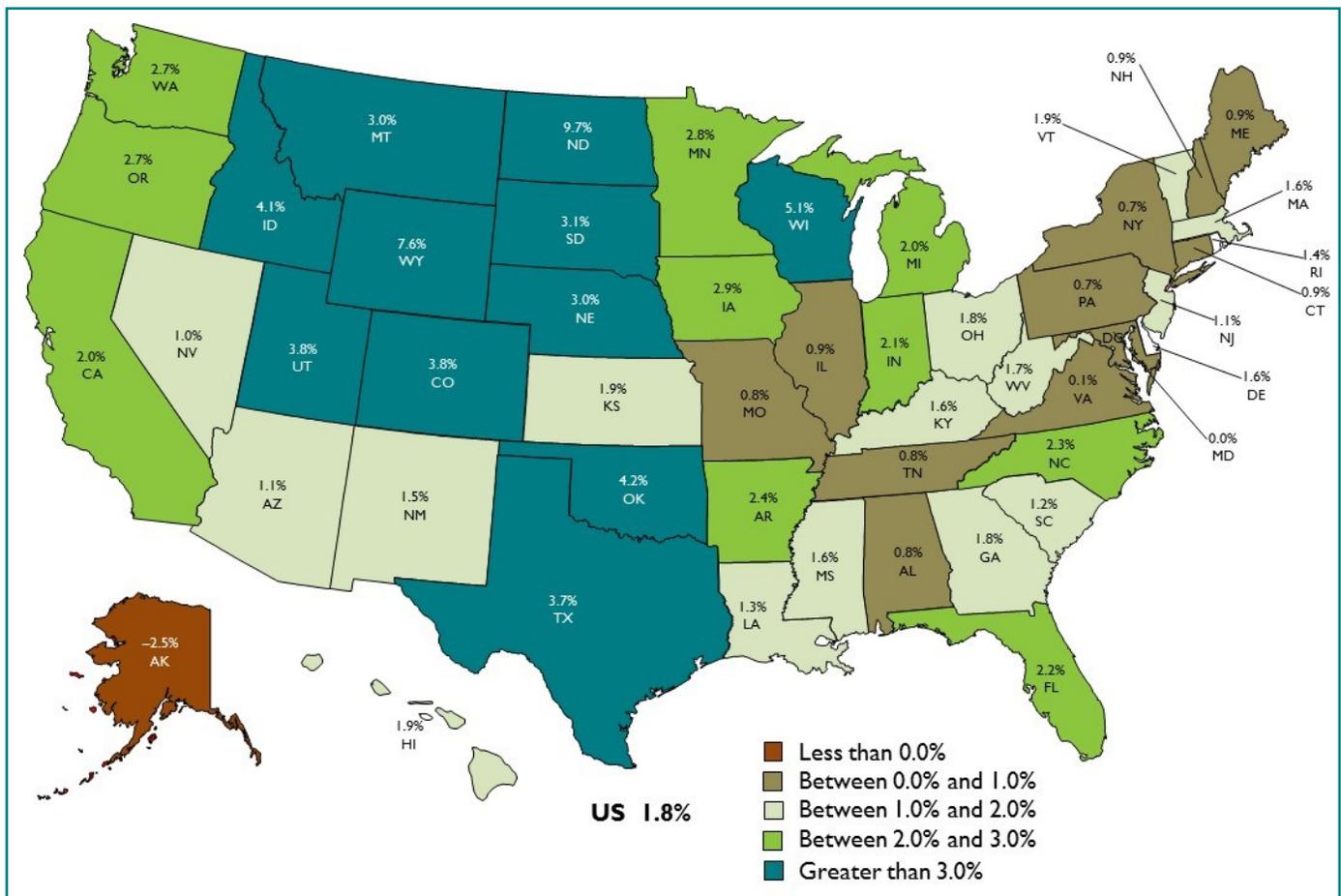
resulted in smaller contributions to real GDP growth. The mining industry; professional, scientific, and technical services; other services; and government at all levels were sectors that contracted in 2013, diminishing real GDP growth in Mississippi. In particular, the mining sector reduced real GDP by 0.41 percent while government reduced real GDP by 0.26 percent. The shutdown of the federal government in the fall of 2013 likely affected the size of the contraction in government, but more broadly, state and local governments have reduced or maintained flat budgets in recent years.

The release of real state GDP data by BEA also included substantial revisions to previous years for Mississippi. The updated estimate of 3.5 percent growth in real GDP for 2012—higher than the change in U.S. real GDP in 2012 of 2.5 percent—reflects an upward adjustment of 1.1 percent. In fact, the revised data mean 2012 becomes only

the fourth year in the last fifteen years real GDP growth in Mississippi outpaced U.S. real GDP growth. The 2011 change in real GDP was also revised upward from -1.1 percent to -0.8 percent.

As noted above, the estimate released by BEA for 2013 is preliminary and subject to revision. However, rather than delay the release of the estimate for eighteen months as the agency did historically, BEA now uses a more limited set of data in order to provide state GDP figures each June. Thus, a “final” estimate of 2013 real GDP for Mississippi will not be released until next year. Regardless, the data indicate the economy in Mississippi and in most states clearly slowed in 2013 as did the national economy. Given last year’s slowdown and the significant contraction in the first quarter, as of this writing most analysts do not anticipate a substantial improvement in the rate of growth in U.S. real GDP for 2014.

Figure 24. Change in real GDP (chained 2009 dollars) by state, 2013



Source: U.S. Bureau of Economic Analysis