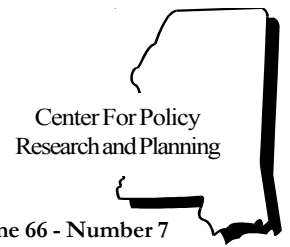


MISSISSIPPI'S BUSINESS



August 2008

Monitoring the State's Economy

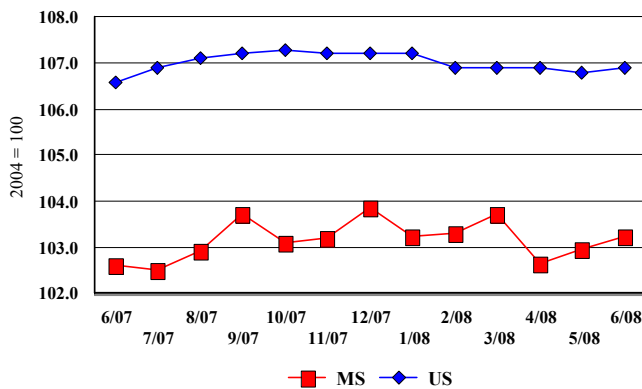
Volume 66 - Number 7

ECONOMY AT A GLANCE

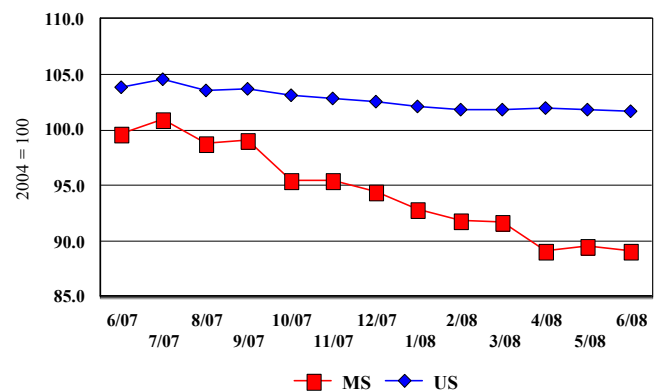
The Mississippi Index of Coincident Indicators rose slightly in June over May. The revised May level also showed an increase. Despite the two months of increase, the index continues to show a slowing economy. The six-month growth rate has been negative for four consecutive months. The Index of Leading Indicators continued its downward trend in June, albeit the rate of decline was minor for the month. The downward trend appears to be leveling off, as the graph below reveals. Growth for the past three months has been nearly flat. The economy remains weak, and the outlook continues to be for a sluggish economy.

The National economy grew better than expected during the first half of the year. The economic stimulus package appears to have boosted spending. Fueled by increased consumer spending and export growth, gross domestic product appears to have grown 3.3 percent in the second quarter. The economy will likely slow during the remainder of 2008, as the effects of the stimulus package dissipate. Oil prices have moderated recently. The storm Gustav may create some temporary upward pressure on price.

Index of Coincident Indicators



Index of Leading Indicators



MISSISSIPPI'S BUSINESS

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In This Issue

Economy at a Glance 1

Visit us on the web

<http://www.ihl.state.ms.us/urc/planning/econdept.htm>

The last twelve issues of Mississippi Business are available on our web site. On this web site you will also find copies of some of our other publications, including *Population Projections*, *Mississippi Economic Review and Outlook*, and *The Handbook of Selected Data*. You will also find links to other useful data sources.

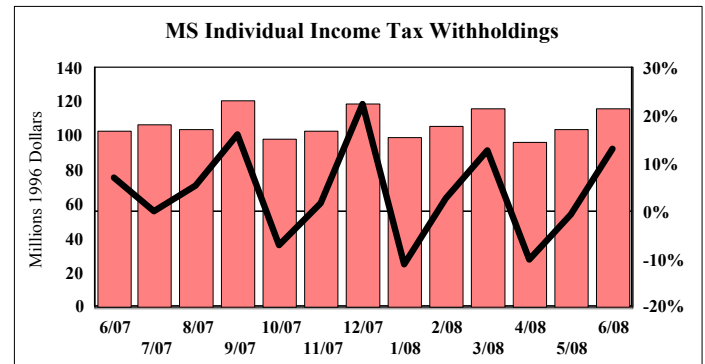
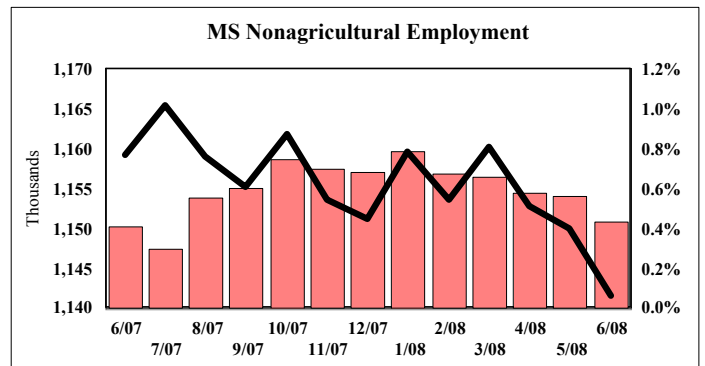
Coincident Indicators

The Mississippi Index of Coincident Indicators rose a slight 0.3 percent in June over the revised May level. The June index was 103.2 and marks the second consecutive increase. However, the index remained below the level of the prior six-months, a condition that has persisted now for four consecutive months. The index continues to reveal a weak Mississippi economy. The gain in June was driven by improved income tax withholdings. Mississippi nonagricultural employment fell for the month of June.

The individual income tax withholdings rose 12.2 percent in June relative to May. The series is volatile as the chart to the right portrays. The figure below shows the data by quarter and provides a better indication of direction. After a post-Katrina rise, withholdings are trending downward. The growth over the year prior has fallen for each of the last three quarters. For the quarter ending in June, withholdings were only 0.6 percent above the year ago. The annual growth rate has not been that low since June 2003.

Nonagricultural employment fell 0.3 percent in June relative to May. With the exception of January, the series has declined from the previous month every month since November 2007. In terms

Mississippi Index of Coincident Indicator Components



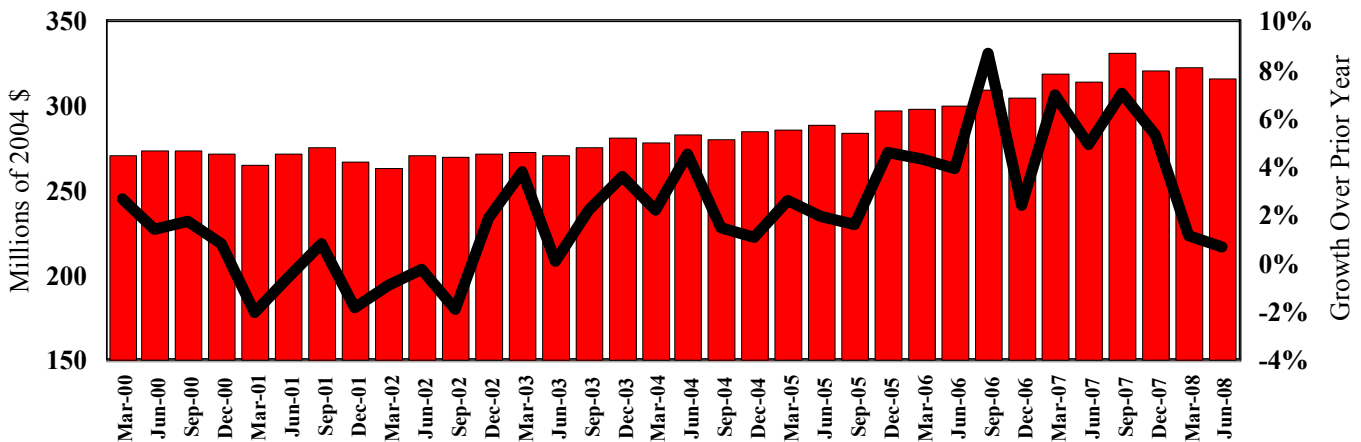
NOTE:

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

SOURCES:

Mississippi Employment Security Commission.
Mississippi State Tax Commission.

Mississippi Quarterly Individual Income Tax Withholdings



Bar graph corresponds to left axis.
Line graph corresponds to right axis.

Mississippi Employment By Sector

Seasonally Adjusted

	June 2008	May 2008	June 2007	Change from Prior Month		Change from Prior Year	
				Jobs	%	Jobs	%
Nonfarm	1,150,864	1,153,973	1,150,194	-3,109	-0.3%	670	0.1%
Natural Resources	9,771	9,548	9,458	223	2.3%	313	3.3%
Construction	58,426	57,830	57,624	595	1.0%	802	1.4%
Manufacturing	164,007	164,711	169,654	-703	-0.4%	-5,646	-3.3%
Trade, Transportation and Utilities	226,529	228,477	227,307	-1,948	-0.9%	-778	-0.3%
Retail	140,169	142,059	142,476	-1,891	-1.3%	-2,307	-1.6%
Information	13,132	13,184	13,328	-52	-0.4%	-196	-1.5%
Financial Activities	46,517	46,965	47,090	-448	-1.0%	-573	-1.2%
Services	386,770	387,392	382,437	-622	-0.2%	4,333	1.1%
Professional and Business Services	96,395	96,038	94,512	357	0.4%	1,883	2.0%
Education and Health Services	128,321	127,685	125,951	636	0.5%	2,370	1.9%
Leisure and Hospitality	124,788	126,033	125,023	-1,245	-1.0%	-235	-0.2%
Other Services	37,266	37,636	36,951	-370	-1.0%	315	0.9%
Total Government	245,747	245,903	243,264	-157	-0.1%	2,482	1.0%
Federal Government	25,565	25,825	26,038	-260	-1.0%	-473	-1.8%
State Government	59,180	59,317	58,642	-137	-0.2%	538	0.9%
Local Government	160,832	160,706	158,419	126	0.1%	2,413	1.5%

of the number of jobs, the state lost over 3,100 jobs in June relative to May. Most of these jobs (1,891) were in the retail trade sector. An additional 1,245 jobs were lost in the leisure and hospitality sector. These losses highlight the slowdown in the economy. With rising prices and little to no wage growth, the consumer is being squeezed. Retail sales and gaming suffer as a consequence. Construction gained 595 jobs for the month. This substantial increase was a rebound from the strong decline observed in May. Not all of the jobs lost in May were regained in June, suggesting a slowing construction sector.

Although not a component in the Index of Coincident Indicators, retail sales are a good measure of economic performance. The figure on the top of page 5 shows Mississippi quarterly retail sales from June 1998 to June 2008. The bar graph highlights the rise in retail sales following Katrina and the downward trend that has been occurring. The line graph is the average for the pre-Katrina period of June 1998

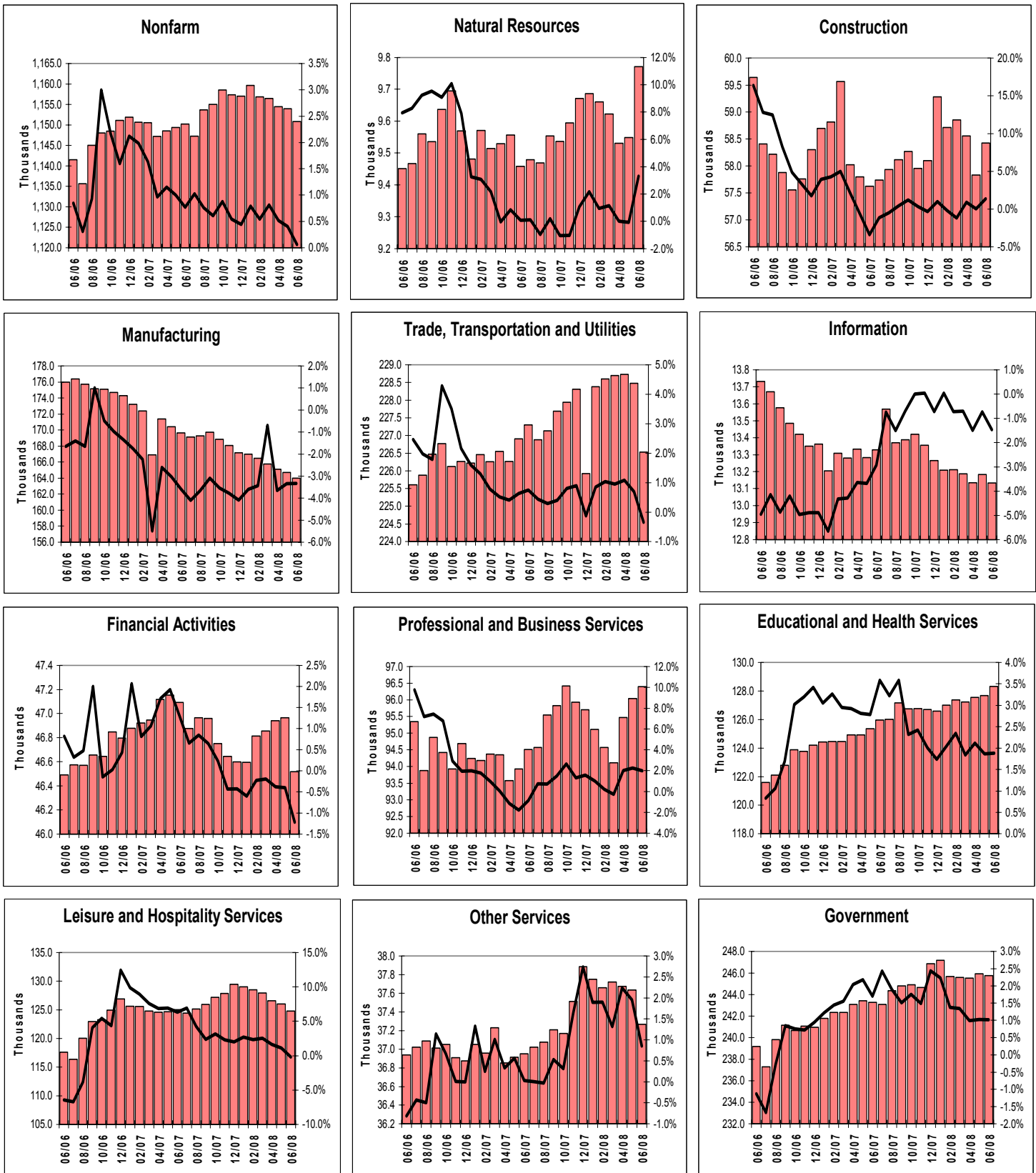
through September 2005. Growth during this period was relatively flat after correcting for inflation and seasonality. As in the case with income tax withholdings, the Katrina effect is gradually diminishing.

Leading Indicators

The Mississippi Index of Leading Economic Indicators fell 0.6 percent in June relative to May. With this decline, the June index is a return to the 89.1 level observed in April. The May index had increased slightly. At this level, the index is the lowest since October 2001. The index is 5.4 percent below the level six months prior, and 10.6 percent below the year ago level. Such slow growth gives no encouragement for a near-term rebound in the economy. Four out of five components contributed to the decline.

The strongest contributor to the June decline was falling consumer expectations. The U.S. Index of Consumer Expectations fell 3.7 percent. The index has been declining since July 2007. Rising fuel

Mississippi Employment Trends

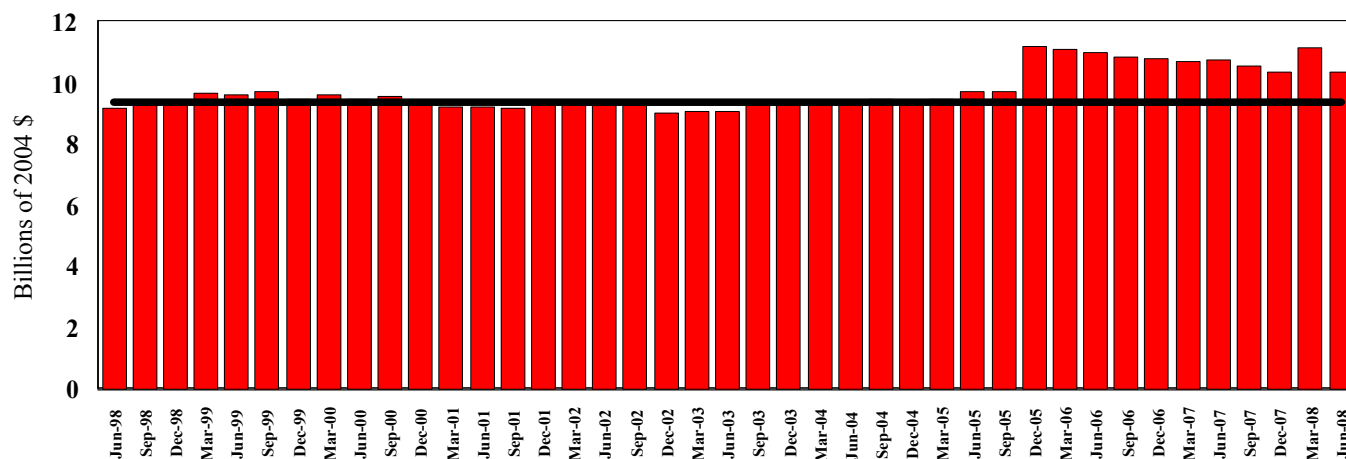


Note: The Bar Graphs above represent seasonally adjusted monthly employment and correspond to the left-hand axis.

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

Source: Department of Mississippi Employment Security and IHL.

Mississippi Quarterly Retail Sales, June 1998 - June 2008



The dark line represents average retail sales June 1998-September 2005

prices and the credit market troubles have driven the decline. Data for July and early August show an uptick in consumer expectations. The improved fuel prices have likely contributed to this improvement. It should be noted that despite the improvement, expectations remain low.

The second largest contributor to the June decline in the leading index was falling value of residential building permits. This series declined 7.8 percent in June relative to May. The value of building permits for the first six months of 2008 is 38.8 percent below the level for the same period of 2007. The housing problems are not resolved.

A decline in the average Mississippi manufacturing workweek also contributed the June decline in the leading index. The workweek fell slightly to 40.1 hours in June. The workweek length fell in the last quarter of 2007 and has generally remained flat since.

The Institute for Supply Management Index of Manufacturing Activity fell to 50.0 in July from 50.2 in June. The index measures U.S. manufacturing activity, and reveals the industry is expanding but at a slow pace.

The only component contributing positively to the June leading index was initial unemployment claims. This series fell 8.5 percent in June relative to May.

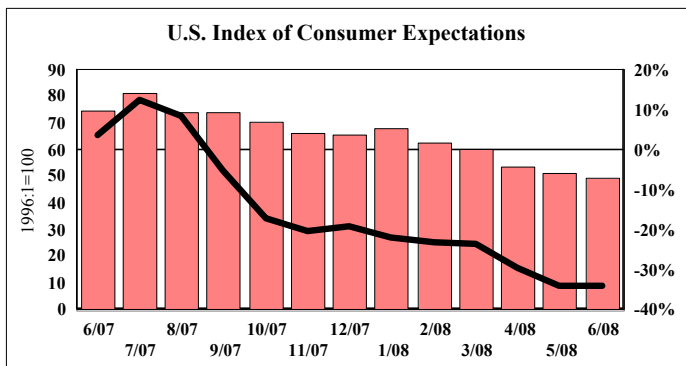
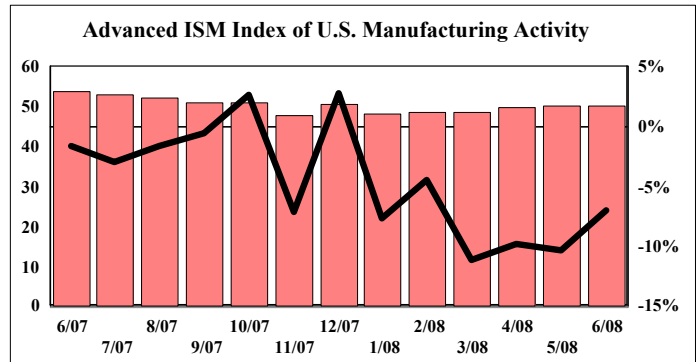
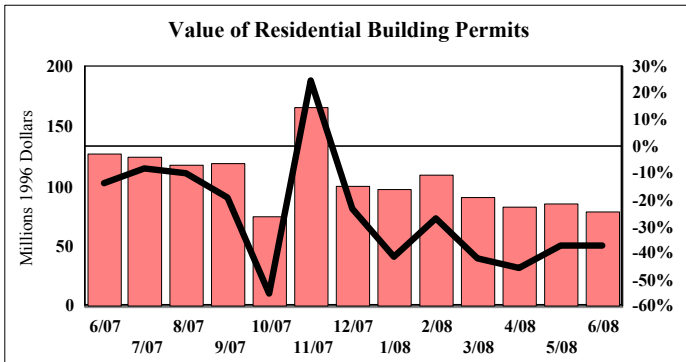
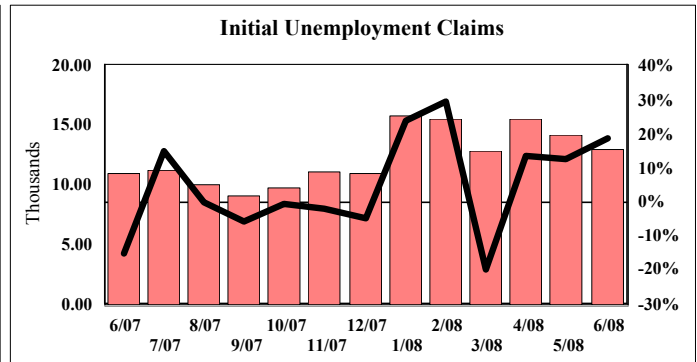
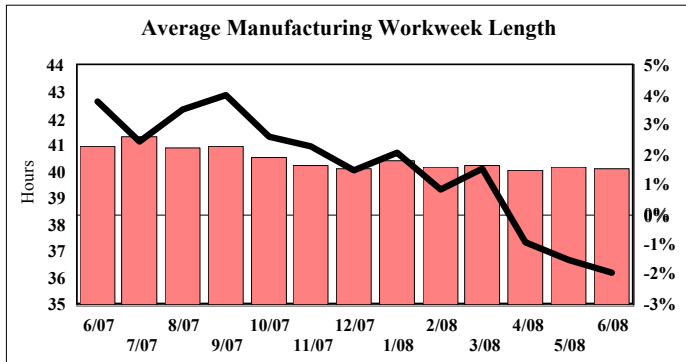
Despite the decline, the series is at a high level relative to the year ago. In June, initial claims were 18.8 percent ahead of the prior year level.

U.S. Economy

The U.S. Index of Coincident Indicators rose 0.1 percent in June relative to May. This small increase followed a small decline in the revised May figure. During the first six months of 2008 the index has fallen an annualized 0.6 percent. In recent months the Coincident Index has been flat. The U.S. Index of Leading Economic Indicators declined 0.1 percent in June relative to May. This was the second consecutive decline. For the first half of 2008 the index has fallen an annualized 1.7 percent. These indices continue to point to a weak economy in the near term.

For the first half of 2008, the economy appears to have done better than feared. Growth during the second quarter was 3.3 percent. The economic stimulus package appears to have helped spending modestly. This boost will fade going into the second half of the year and spending growth will likely turn negative. There has been some moderation in oil prices. Improvement in the value of the dollar, better than expected supplies, and declining demand have all contributed to the price decline.

Mississippi Index of Leading Indicator Components



NOTE:

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

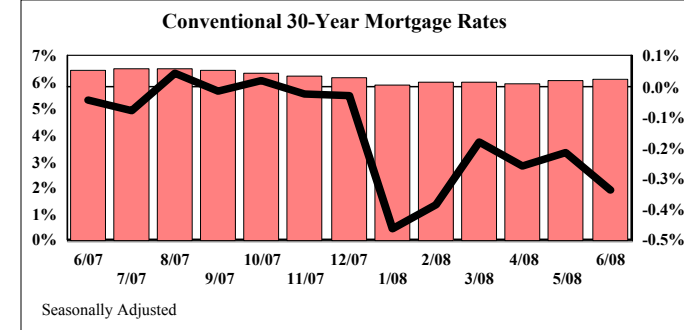
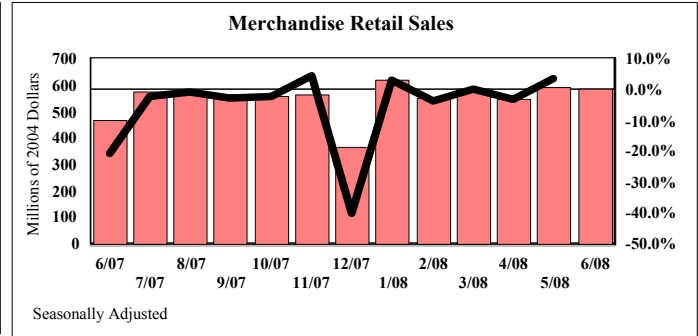
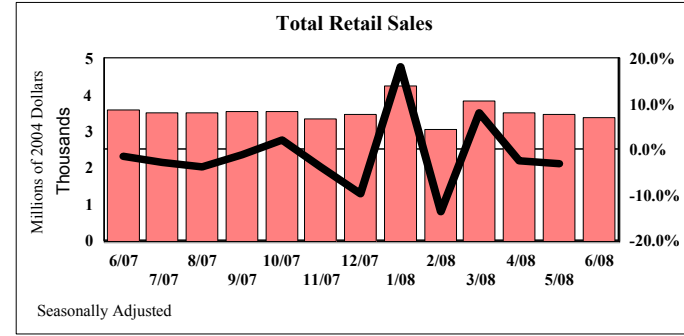
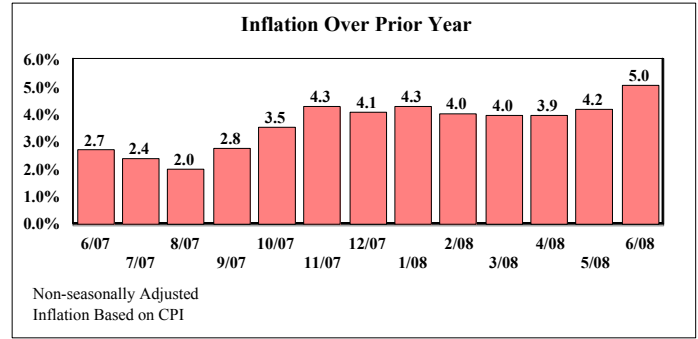
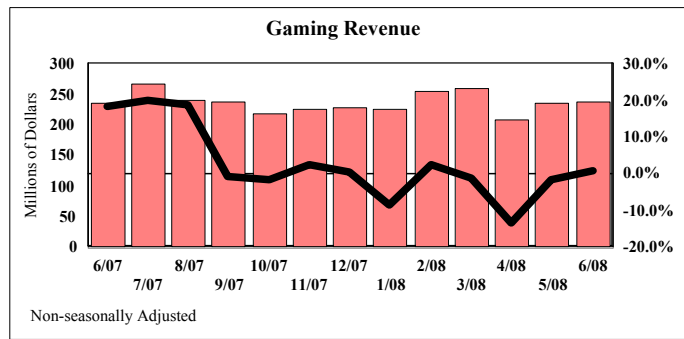
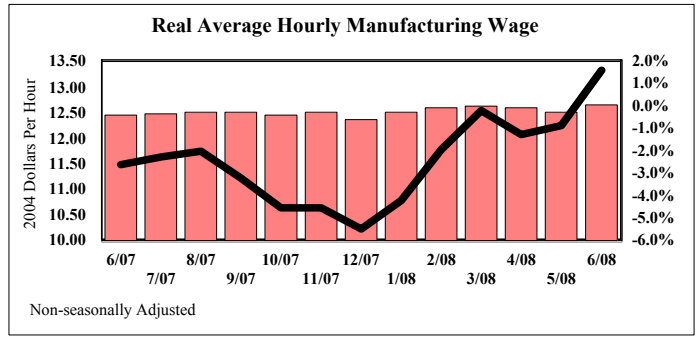
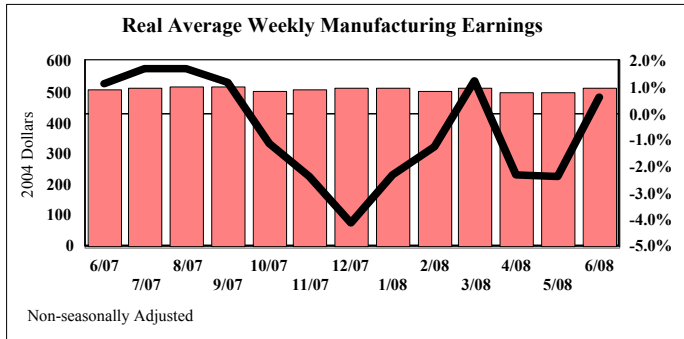
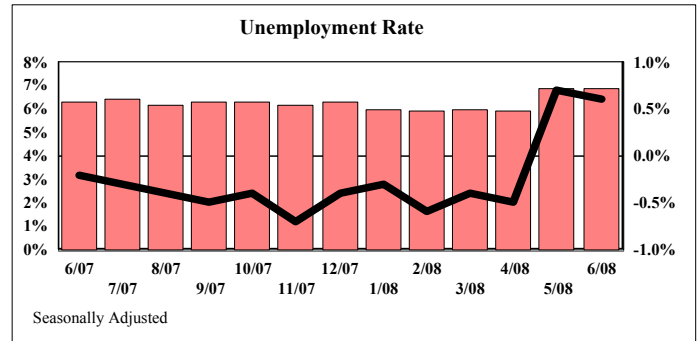
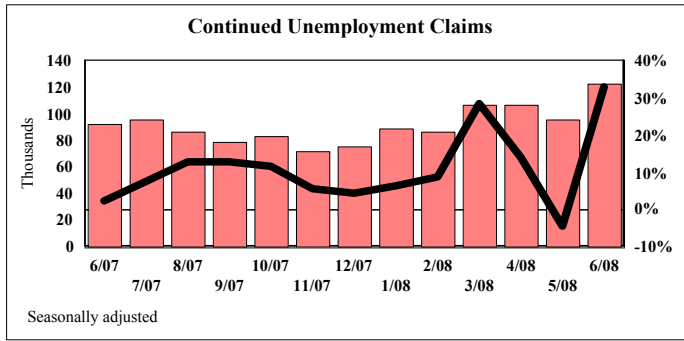
SOURCES:

- Bureau of Labor Statistics.
- Bureau of the Census.
- The Conference Board.
- The Institute for Supply Management.

Quips and Quotes:

“I am not worried about the deficit. It’s big enough to take care of itself.”
 -- Ronald Reagan

Miscellaneous Economic Indicators



NOTE:

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

SOURCES:

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

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	June 2008	May 2008	June 2006	Percent Change From Last Month Last Year	
Coincident Indicator Index (2004=100)	103.2	103.0	102.6	0.3%	0.6%
Nonagricultural Employment (thousands)	1,150.9	1,154.0	1,150.2	-0.3%	0.1%
Individual Income Tax Withholdings (millions of 2004 \$)	116.2	103.6	102.8	12.2%	13.0%
Leading Indicator Index (2004=100)	89.1	89.6	99.6	-0.6%	-10.6%
Initial Unemployment Claims	12,962	14,163	10,908	-8.5%	18.8%
Value of Residential Building Permits (millions of 2004 \$)	79.2	85.9	126.5	-7.8%	-37.4%
Average Manufacturing Workweek Length (hours)	40.1	40.2	40.9	-0.1%	-2.0%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the June index is reported for May.	50.0	50.2	53.8	-0.4%	-7.1%
U.S. Index of Consumer Expectations	49.2	51.1	74.7	-3.7%	-34.1%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	115.8	114.7	110.3	1.0%	5.0%
Unemployment Rate (percentage)					
Non-seasonally adjusted	7.9%	6.9%	6.9%	1.0%	1.0%
Seasonally adjusted	6.9%	6.9%	6.3%	0.0%	0.6%
Continued Unemployment Claims	122,557	95,888	92,060	27.8%	33.1%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	14.65	14.32	13.73	2.3%	6.7%
2004 Dollars per Hour	12.65	12.49	12.45	1.3%	1.6%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	591.86	569.94	560.18	3.8%	5.7%
2004 Dollars	510.90	496.94	507.84	2.8%	0.6%
U.S. Mortgage Rates (30-year conventional)	6.1%	6.0%	6.5%	0.1%	-0.3%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	116.4	107.5	107.7	8.3%	8.1%
River counties (millions of current \$)	120.9	128.2	128.2	-5.8%	-5.7%
Total	237.3	235.7	235.9	0.7%	0.6%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.