

ECONOMY AT A GLANCE

For the last nine months, the Mississippi Leading Index has not incurred consecutive months of increases or decreases in value. That trend continued in June as the index declined by 0.9 percent due to broad-based decreases in its components. As indicated in Figure 1 below, the leading index fell back to a value of 103.2 but remains 1.6 percent higher than in June 2013.

Conversely, the value of the Mississippi Coincident Index rose 0.2 percent in June as seen in Figure 2 below. The gain in June marked the third straight monthly increase.

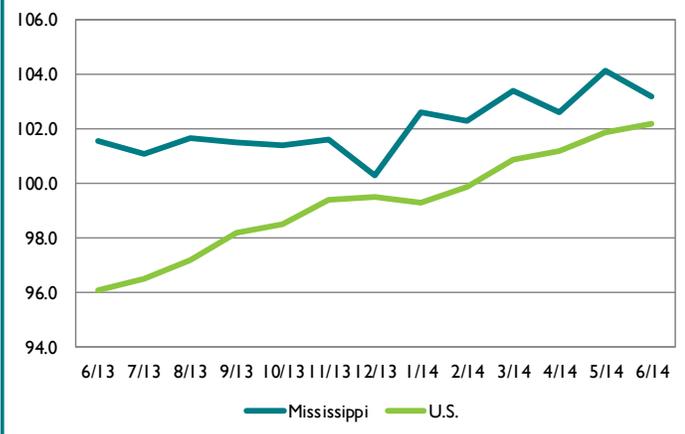
U.S. GDP expanded by 3.95 percent in the second quarter according to the initial estimate of the Bureau of Economic Analysis (BEA). The increase was well above the expectations of most analysts and was driven primarily by contributions from consumption and inventories. Government, due to increases at the state and local levels, grew by the most in nearly two years. Net exports were the

only negative component of second quarter GDP. In addition, BEA revised the change in first quarter GDP up to a contraction of 2.11 percent from its third estimate of a decline of 2.93 percent.

Most economists expected the U.S. economy to rebound in the second quarter and BEA's initial estimate of GDP growth did not disappoint. Job growth also has been more robust in the last six months than at any time since the recovery began.

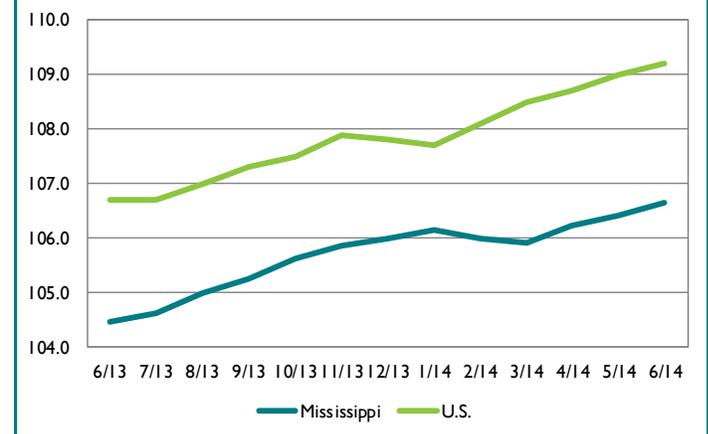
However, U.S. GDP still only grew by about 1 percent in the first half of 2014, and many of the jobs gained have been part-time or temporary positions. Inflation is also becoming more of a concern, particularly as wages continue to stagnate. For the U.S. economy to gain momentum it needs to consistently register several months and quarters of significant growth—something it has yet to achieve in the current recovery.

Figure 1. Leading indices



Sources: University Research Center and The Conference Board

Figure 2. Coincident indices



Sources: Federal Reserve Bank of Philadelphia and The Conference Board

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 of 2004.

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MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, JUNE 2014

As Figure 3 indicates, the **Mississippi Leading Index of Economic Indicators** lost 0.9 percent in June. The index dropped to 103.2 after reaching an almost seven-year high in May. Compared to a year ago, the index was 1.6 percent higher in June and is up 2.9 percent for the year.

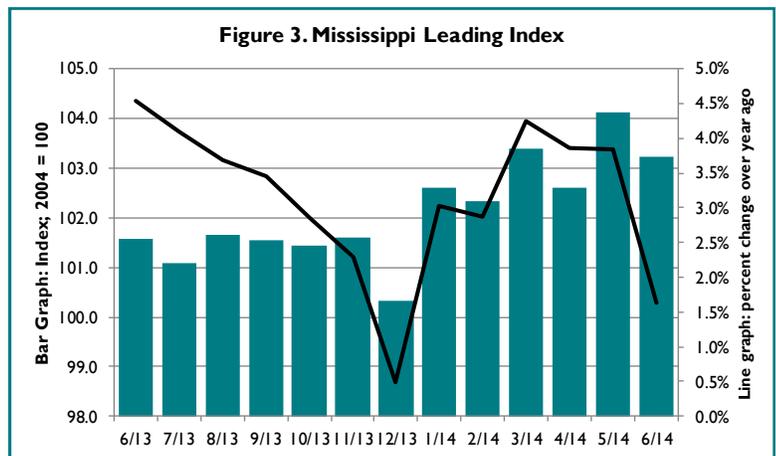
Only two of the eight components of the index contributed positively in June. Discussion of each component appears below in order of smallest to largest contribution.

Following increases in April and May, the **Mississippi Manufacturing Employment Intensity Index** fell 1.5 percent in June as seen in Figure 4. While both the average hourly wage and average weekly earnings in manufacturing rose in June, employment in manufacturing fell for the month, pushing the index value lower. The index remains 2.9 percent higher than one year ago despite the decline, however.

For the first time in 2014, seasonally-adjusted **initial unemployment claims** in Mississippi totaled more than 10,000 in June. Total initial claims jumped 13.4 percent for the month to their highest level since July 2013, as seen in Figure 5. The value was also 2.9 percent higher than one year ago. Figure 15 on page 6 indicates that, similarly, seasonally-adjusted continued unemployment claims spiked 17.9 percent in June. While continued claims reached their highest level since December, the June value remained 9.2 percent below that of one year ago. The seasonally-adjusted unemployment rate in Mississippi also rose to 7.9 percent in June as seen in Figure 16 on page 6. The increase brought the rate to its highest level since November 2013.

Mississippi income tax withholdings (three-month moving average) fell in June and have declined in four of the last five months. As Figure 6 indicates, the value of withholdings decreased 1.1 percent for the month. Even so, the average value for the last six months exceeds the average value of the previous six months. In addition, despite another decline in June the average value of withholdings was 0.4 percent higher than one year ago.

The **value of Mississippi residential building permits** (three-month moving average) dropped 4.6 percent in June as indicated by Figure 7. In addition, the value of permits in June was 3.2 percent lower compared to one



Source: University Research Center

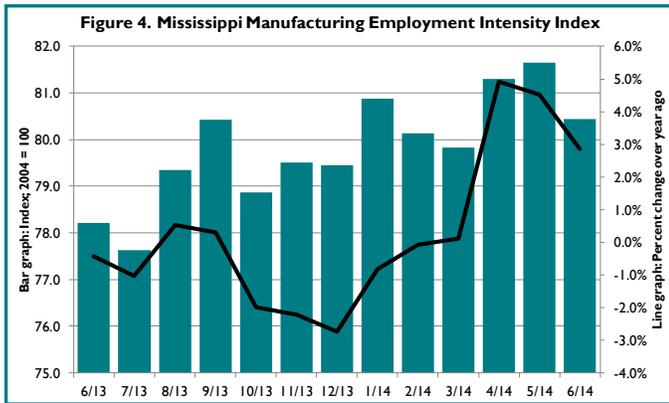
year ago. The seasonally-adjusted number of units for which building permits were issued (three-month moving average) in Mississippi also declined 8.1 percent in June. Nationwide, the number of permits for new privately-owned housing units issued in June fell 4.2 percent from May; the rate was still 2.7 percent above the level of one year ago, however.

After three consecutive monthly increases, the **University of Michigan Index of Consumer Expectations** (three-month moving average) declined in June as seen in Figure 8. The June value dropped 1.3 percent from May and also stands 4.8 percent lower than one year ago. One reason for consumers' pessimism stems from rising inflation and the belief that prices will continue to rise, at least in the near term. Consumers may also have concerns that ongoing international conflicts will adversely affect the U.S. economy.

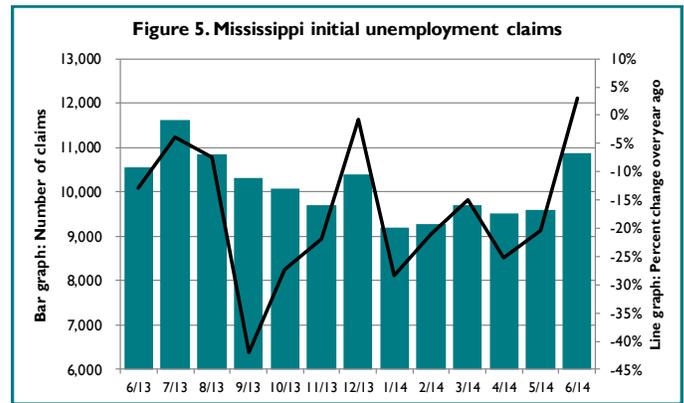
Figure 9 indicates the **Mississippi Diesel Fuel Consumption Index** (three-month moving average) lost 1.4 percent in June. The June decline means the index continues the up-and-down movement from month-to-month it has displayed over the past year. Despite the decrease, the index stands 0.3 percent higher than one year ago. According to the U.S. Energy Information Administration, in June the average price of a gallon of diesel fuel in the Gulf Coast district (which includes Mississippi) fell 0.2 percent to \$3.79 per gallon. While the average price in June declined for the second consecutive month, it remained 1.1 percent higher than one year ago.

(Continued on page 4)

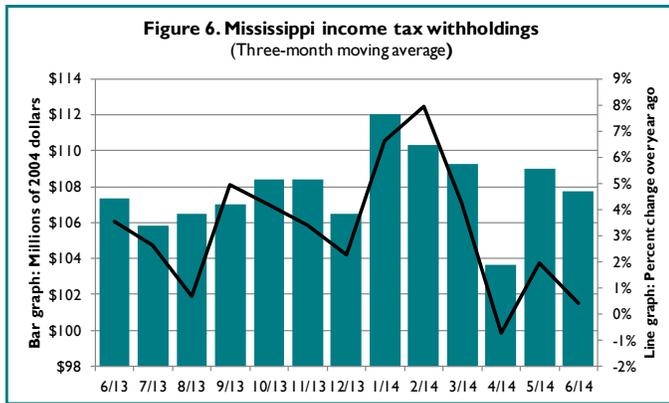
COMPONENTS OF MISSISSIPPI LEADING INDEX, IN FIGURES



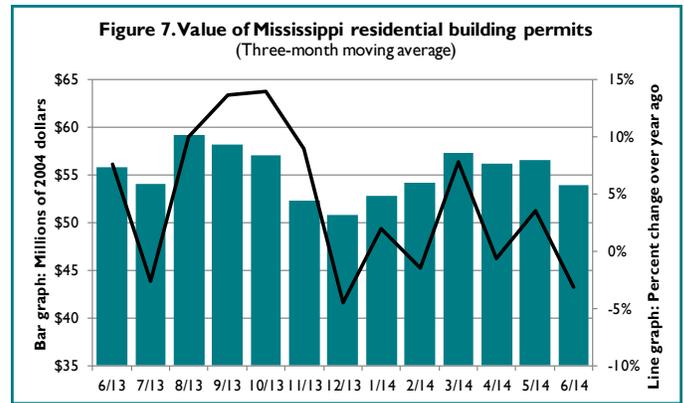
Source: URC using data from Bureau of Labor Statistics



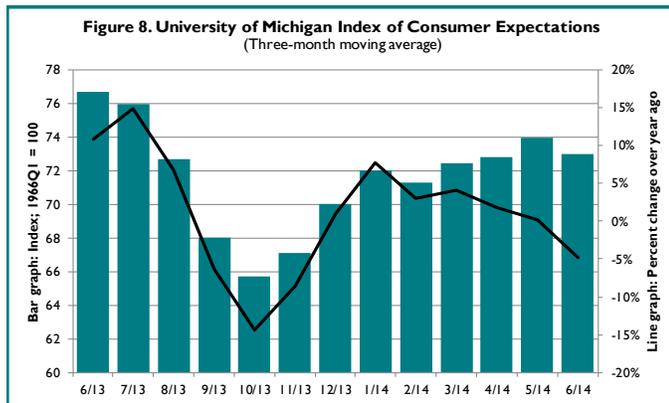
Source: U.S. Department of Labor; seasonally adjusted



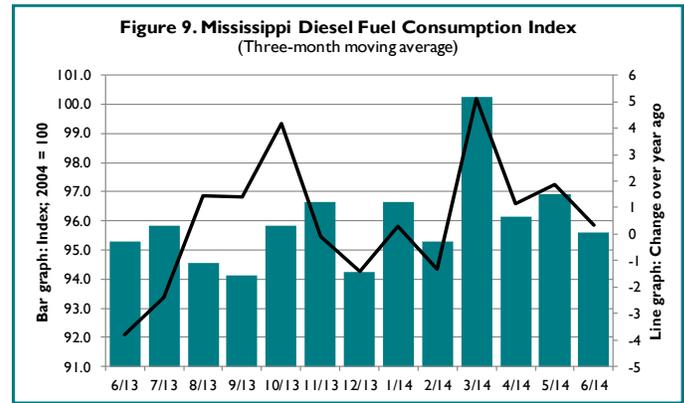
Source: Mississippi Department of Revenue; seasonally adjusted



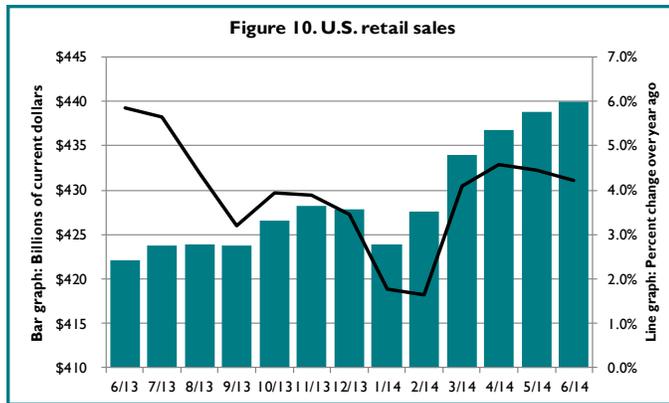
Source: Bureau of the Census; seasonally adjusted



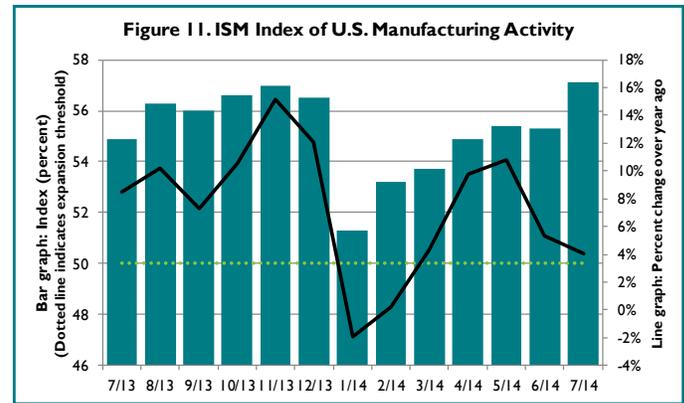
Source: Thomson Reuters/University of Michigan Surveys of Consumers



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



Source: Bureau of the Census



Source: Institute for Supply Management

MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, JUNE 2014 (CONTINUED)

One of the two leading indicators to increase in June was **U.S. retail sales**, which rose 0.25 percent as indicated in Figure 10. Sales were 4.2 percent higher compared to one year ago and increased for the fifth straight month. Sales have risen more than 4 percent compared to a year ago for four consecutive months. In addition, both April and May sales were revised up by the Census Bureau. Despite the upturn, the June retail sales increase was below the expectations of most analysts. Specifically, sales by building materials dealers fell markedly. Automobile sales also declined, which was particularly surprising because of the increase in unit vehicle sales for the month.

Nevertheless, retail sales growth appears solid if uninspiring.

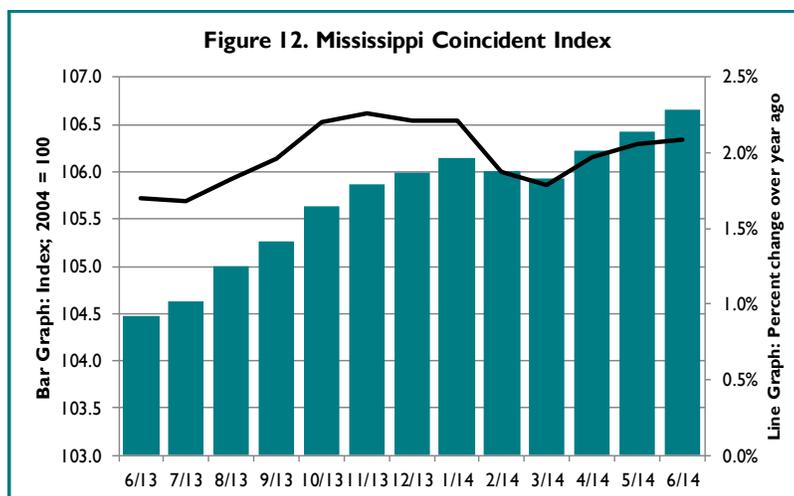
Unexpectedly, the **Institute for Supply Management Index of U.S. Manufacturing Activity** climbed 3.3 percent in July as seen in Figure 11. The index reached its highest level since April 2011, led by an increase in new orders as well as the employment component. The difference between inventories and new orders also increased in July, indicating production may increase. However, both the imports and new export orders components of the index fell in July.

MISSISSIPPI COINCIDENT INDEX, JUNE 2014

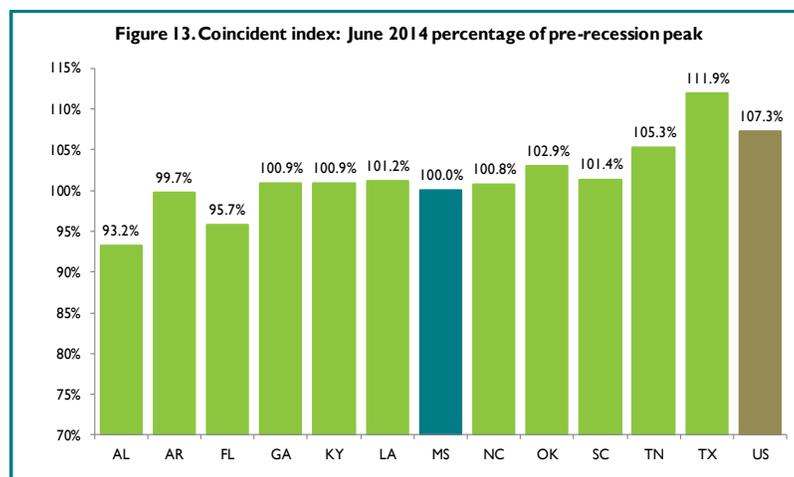
For the third consecutive month, the **Mississippi Coincident Index of Economic Indicators** increased in June. The value of the index rose 0.2 percent as indicated in Figure 12, and the value of the index stands 2.1 percent higher than one year ago.

Figure 13 indicates the value of the Mississippi Coincident Index returned to exactly 100.0 percent of its pre-recession peak in June. As measured by the index only three of the twelve southeastern states were not fully recovered as of June: Alabama, Arkansas, and Florida. The value of the coincident index for Arkansas was only slightly below its pre-recession peak, but values of the indices for Alabama and Florida remain much lower compared to the other southeastern states. As it has for quite some time, the value of the index for Texas continues to be considerably above its pre-recession peak compared to the rest of the region.

Also in June the values of the coincident indices increased in 46 states compared to three months prior. In 37 states the indices rose more than 0.5 percent, including Mississippi, where the index increased 0.68 percent relative to March. In the Southeast, Alabama was one of the four states in the nation with indices that declined in June compared to three months ago while Georgia and Louisiana were the only states in the region with indices that increased less than 0.5 percent.



Source: Federal Reserve Bank of Philadelphia



Source: Federal Reserve Bank of Philadelphia

NATIONAL TRENDS

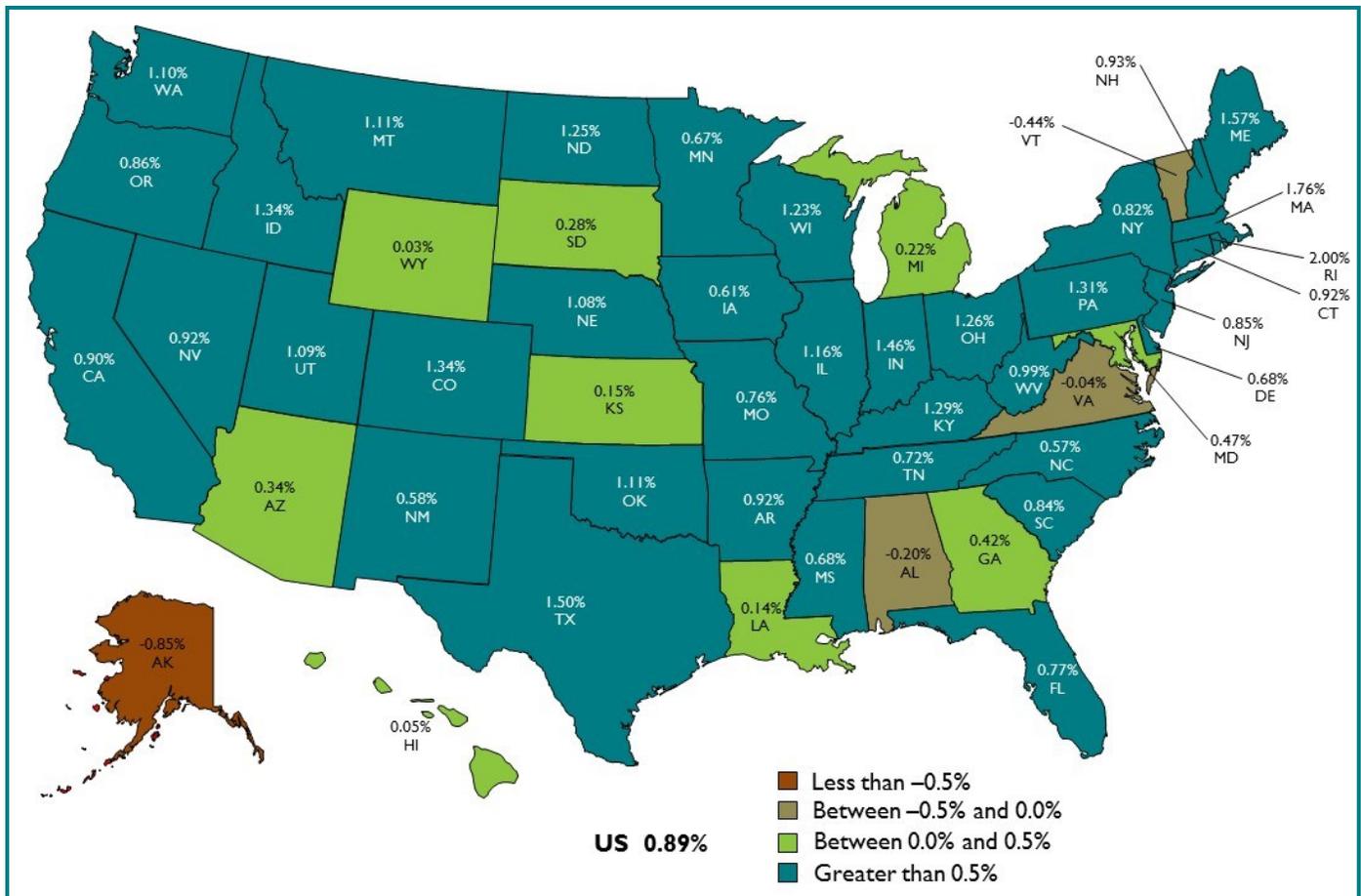
The Conference Board reported its U.S. Leading Economic Index (LEI) rose 0.3 percent in June, the fifth consecutive monthly increase. Six of the ten components increased for the month. While building permits and components related to the labor market fell in June, these declines were more than offset by the positive contributions from the interest rate spread, other financial components, and new orders. The LEI rose 2.7 percent in the first six months of 2014, a slower rate of growth than in the previous six months.

The U.S. Coincident Economic Index (CEI) reported by The Conference Board gained 0.2 percent in June, also its fifth consecutive monthly increase. All components of the index contributed positively for the month and the component with the largest contribution was employees on nonagricultural payrolls. The CEI is up 1.3 percent in the first half of 2014 and all of its components have increased over the last six months.

After three consecutive months of increases, the National Federation of Independent Businesses (NFIB) Small Business Optimism Index slumped 1.7 percent in June. The only two components of the index that increased in June were “Plans to Increase Employment” and “Current Job Openings.” However, the value of the index only fell to 95.0, a level not seen during the recovery until two months ago. NFIB Chief Economist William Dunkelburg maintains fiscal policy uncertainty at the federal level continues to prevent a resurgence in the U.S. economy.

In testimony before Congress in July, Federal Reserve Chair Janet Yellen indicated the Fed remains positioned to raise interest rates sometime in the second half of 2015. She stated the central bank’s forecast expects the federal funds rate to be 1 percent at the end of next year. Yellen also noted, “We need to be careful to make sure the economy is on a solid trajectory before we consider raising interest rates.”

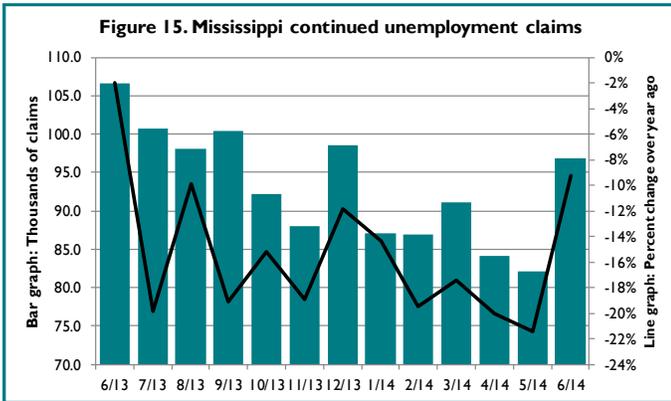
Figure 14. Three-month growth in the index of coincident economic indicators by state, June 2014



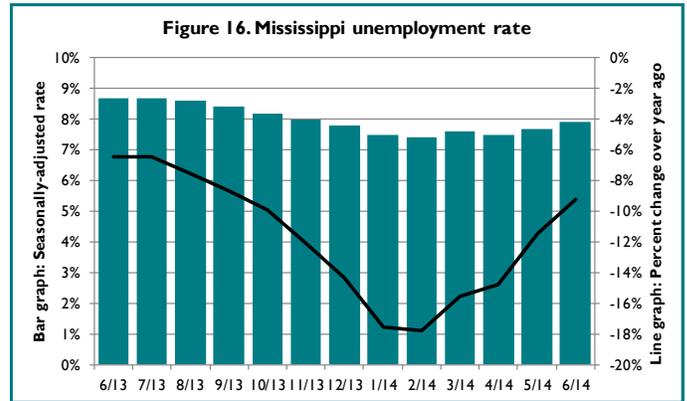
Source: Federal Reserve Bank of Philadelphia

MISSISSIPPI'S BUSINESS

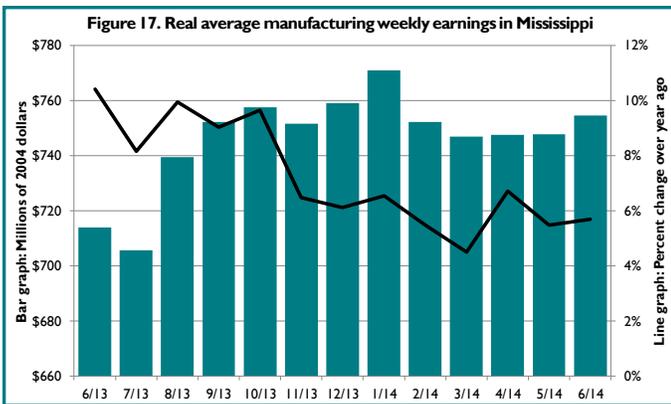
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



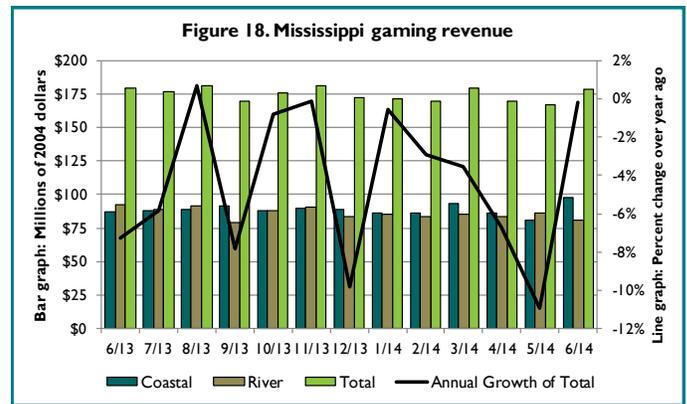
Source: U.S. Department of Labor; seasonally adjusted



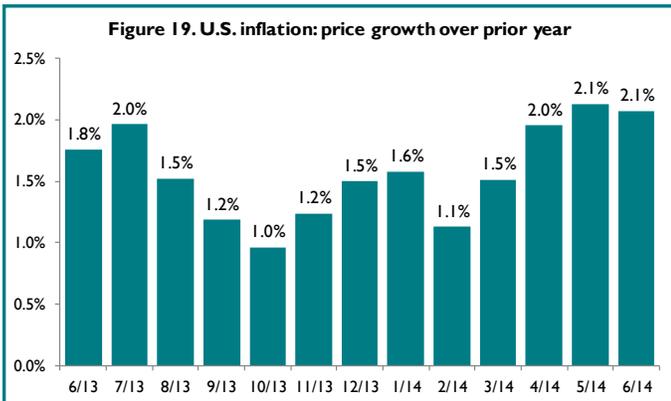
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



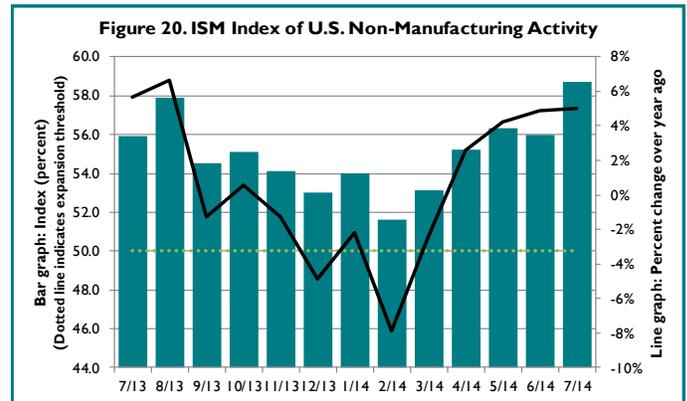
Source: U.S. Bureau of Labor Statistics; non-seasonally adjusted



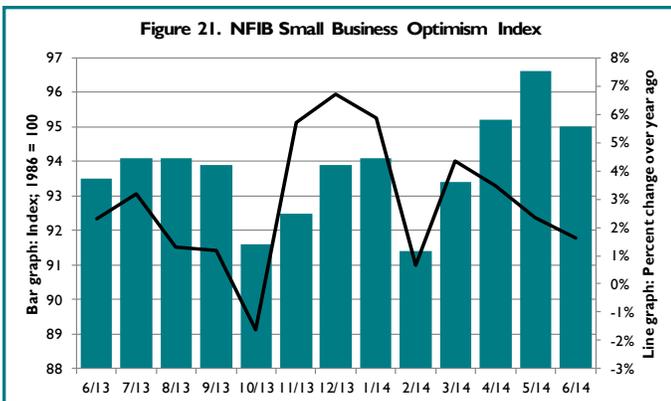
Source: Mississippi Department of Revenue; seasonally adjusted



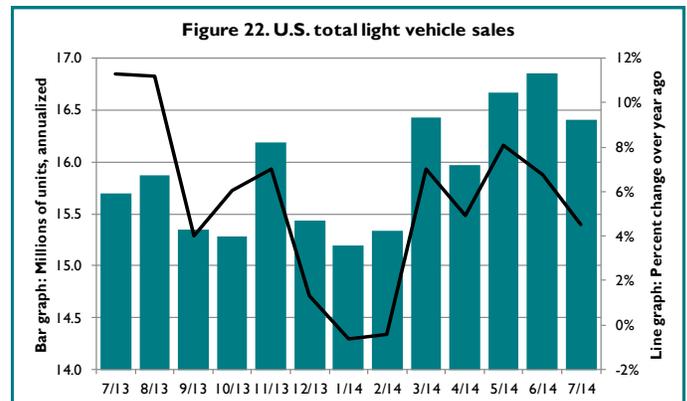
Source: U.S. Bureau of Labor Statistics



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	June 2014	May 2014	June 2013	Percent change from May 2014 June 2013		
U.S. Leading Economic Index 2004 = 100. Source: The Conference Board	102.2	101.9	96.1	+0.3%	+6.3%	Economic Indices
U.S. Coincident Economic Index 2004 = 100. Source: The Conference Board	109.2	109.0	106.7	+0.2%	+2.3%	
Mississippi Leading Index 2004 = 100. Source: University Research Center	103.2	104.1	101.6	-0.9%	+1.6%	
Mississippi Coincident Index 2004 = 100. Source: Federal Reserve Bank of Philadelphia	106.6	106.4	104.5	+0.2%	+2.0%	
Mississippi initial unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	10,870	9,582	10,559	+13.4%	+2.9%	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	54.0	56.6	55.7	-4.6%	-3.2%	
Mississippi income tax withholdings Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	107.8	109.0	107.3	-1.1%	+0.4%	
Mississippi Manufacturing Employment Intensity Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	80.4	81.7	78.2	-1.5%	+2.9%	
Mississippi Diesel Fuel Consumption Index Three-month moving average; 2004 = 100. Source: URC using data from Mississippi Department of Revenue	95.6	96.9	95.3	-1.4%	+0.4%	
University of Michigan Index of Consumer Expectations Three-month moving average; index 1966Q1 = 100. Source: Thomson Reuters/University of Michigan Surveys of Consumers	73.0	74.0	76.7	-1.3%	-4.8%	
ISM Index of U.S. Manufacturing Activity Advanced one month. Source: Institute For Supply Management	57.1	55.3	54.9	+3.3%	+4.0%	
U.S. retail sales Current dollars, in billions. Source: Bureau of the Census	439.9	438.8	422.1	+0.2%	+4.2%	
U.S. Consumer Price Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	126.2	126.0	123.6	+0.2%	+2.1%	
Mississippi unemployment rate Seasonally-adjusted. Source: Bureau of Labor Statistics	7.9%	7.7%	8.7%	+2.6%	-9.2%	
Mississippi continued unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	96,831	82,100	106,654	+17.9%	-9.2%	
ISM Index of U.S. Non-Manufacturing Activity Advanced one month. Source: Institute For Supply Management	58.7	56.0	55.9	+4.8%	+5.0%	Miscellaneous Indicators
U.S. mortgage rates Seasonally adjusted; 30-year conventional. Source: U.S. Federal Reserve	4.12%	4.18%	4.04%	-1.3%	+2.0%	
Mississippi average hourly wage for manufacturing Seasonally adjusted; 2004 dollars. Source: Bureau of Labor Statistics	18.04	17.95	17.15	+0.5%	+5.2%	
Mississippi average weekly earnings for manufacturing Seasonally adjusted; 2004 dollars. Source: Bureau of Labor Statistics	754.53	747.88	713.91	+0.9%	+5.7%	
NFIB Small Business Optimism Index 1986 = 100. Source: National Federation of Independent Businesses	95.0	96.6	93.5	-1.7%	+1.6%	
U.S. total light vehicle sales Millions of units seasonally adjusted at annual rates. Source: Bureau of Economic Analysis	16.40	16.85	15.69	-2.7%	+4.5%	
Gaming revenue	179.0	167.3	179.3	+7.0%	-0.2%	
Coastal counties	97.8	81.1	87.2	+20.7%	+12.2%	
River counties Seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	81.1	86.2	92.1	-5.9%	-12.0%	

MISSISSIPPI'S BUSINESS

MISSISSIPPI EMPLOYMENT TRENDS

After increases in April and May, total nonfarm employment in Mississippi slipped by 0.04 percent in June according to the U.S. Bureau of Labor Statistics. For the month 400 fewer people were employed in the state than in May. As Table 2 below indicates job losses were concentrated in four industries: Professional & Business Services; Manufacturing; Trade, Transportation, & Utilities; and Construction. Most losses occurred in the subcategory of Professional & Business Services, which lost 2,000 positions, and Manufacturing, which lost 1,800 jobs. Both of these industries posted gains in previous months, however, and on net have added jobs in the first half of 2014. Prior to June, manufacturing had not lost any jobs for eleven consecutive months.

On the other hand, sizable job gains occurred in the subcategory of Leisure & Hospitality, which added 2,200 jobs in June, and in Government, which across all levels (federal, state, and local) increased employment by 1,600. The subcategory of Education & Health Services also added 300 jobs in the state in June.

Including the slight decline in June, total nonfarm employment in Mississippi rose 0.12 percent in the first half of 2014. Compared to one year ago, total nonfarm employ-

ment was 1.2 percent higher in the state in June. Government across all levels has added the largest number of positions so far in 2014, as government employment has grown by 2,600 jobs or just over 1 percent. The Trade, Transportation, & Utilities sector has lost the most positions in absolute terms over the last six months, shedding 4,400 jobs or 2 percent. The Construction industry has experienced the most job losses in relative terms since the first of the year, with employment falling by over 6 percent or 3,200 jobs. As Table 2 indicates, employment in Construction is down 1.8 percent compared to one year ago, a development that also reflects national trends. Other sectors with fewer jobs than one year ago include Information, Other Services, and Retail Trade.

Mississippi's seasonally-adjusted unemployment rate rose to 7.9 percent in June; however, 2,100 more individuals were employed in the state during June than in January. This situation likely indicates that more people in the state are looking for work, possibly because they believe the prospects for find a job have improved.

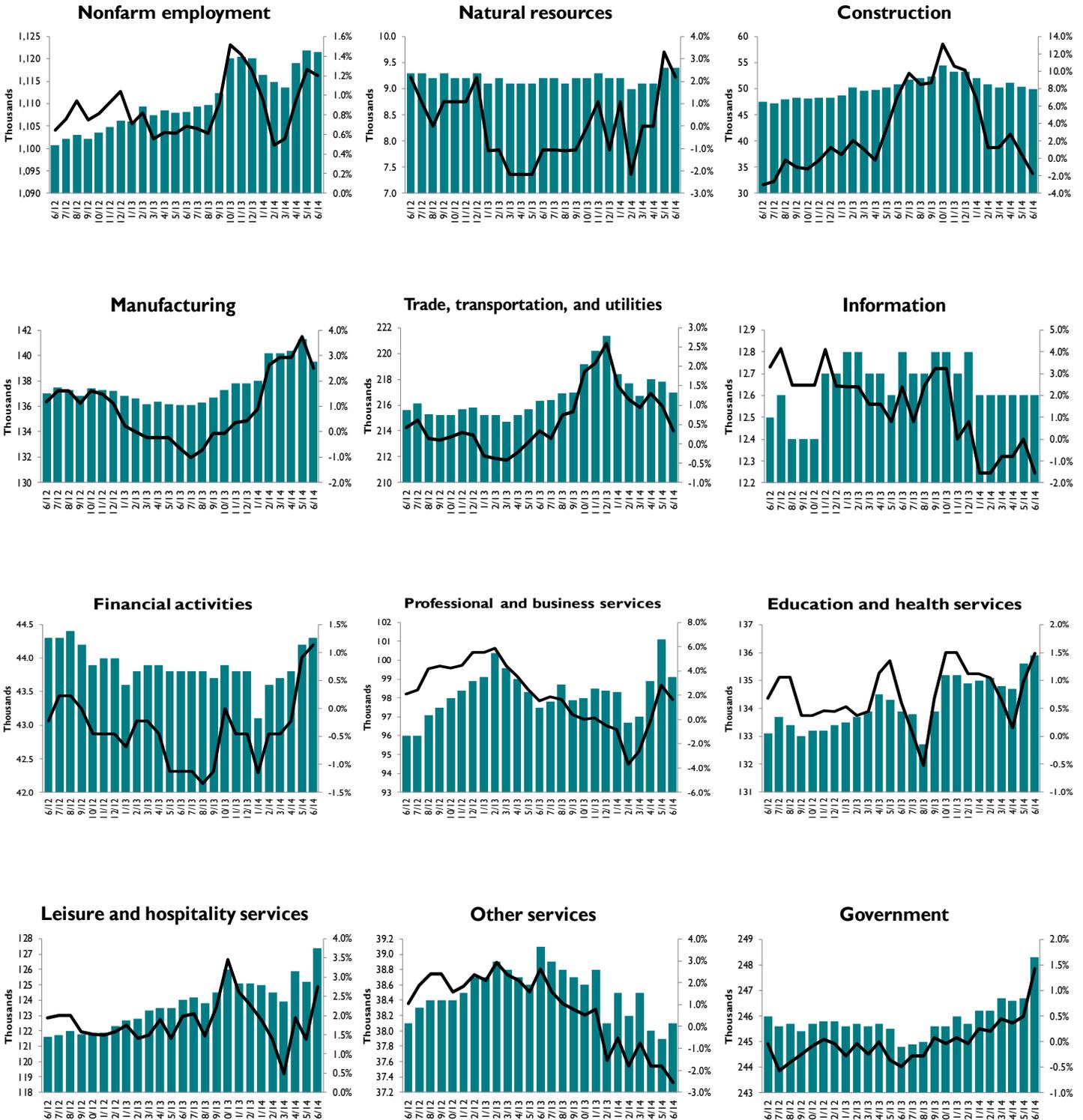
Nevertheless, in order to achieve more than flat employment growth for the year, the state's economy will require relatively robust job gains during the remainder of 2014.

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

	Relative share of total ^a	June 2014	May 2014	June 2013	Change from May 2014 Level	Change from June 2013 Level	Percent	Percent
Total Nonfarm	100.0%	1,121,500	1,121,900	1,108,200	(400)	13,300	-0.04%	+1.2%
Mining and Logging	0.8%	9,400	9,400	9,200	-	200	0.0%	+2.2%
Construction	4.6%	50,000	50,400	50,900	(400)	(900)	-0.8%	-1.8%
Manufacturing	12.4%	139,500	141,300	136,100	(1,800)	3,400	-1.3%	+2.5%
Trade, Transportation, & Utilities	19.5%	217,000	217,800	216,300	(800)	700	-0.4%	+0.3%
Retail Trade	12.0%	133,000	132,900	133,300	100	(300)	+0.1%	-0.2%
Information	1.1%	12,600	12,600	12,800	-	(200)	0.0%	-1.6%
Financial Activities	3.9%	44,300	44,200	43,800	100	500	+0.2%	+1.1%
Services	35.5%	400,500	399,800	394,500	700	6,000	+0.2%	+1.5%
Professional & Business Services	8.8%	99,100	101,100	97,500	(2,000)	1,600	-2.0%	+1.6%
Education & Health Services	12.1%	135,900	135,600	133,900	300	2,000	+0.2%	+1.5%
Leisure & Hospitality	11.2%	127,400	125,200	124,000	2,200	3,400	+1.8%	+2.7%
Other Services	3.4%	38,100	37,900	39,100	200	(1,000)	+0.5%	-2.6%
Government	22.0%	248,300	246,700	244,800	1,600	3,500	+0.6%	+1.4%

^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)

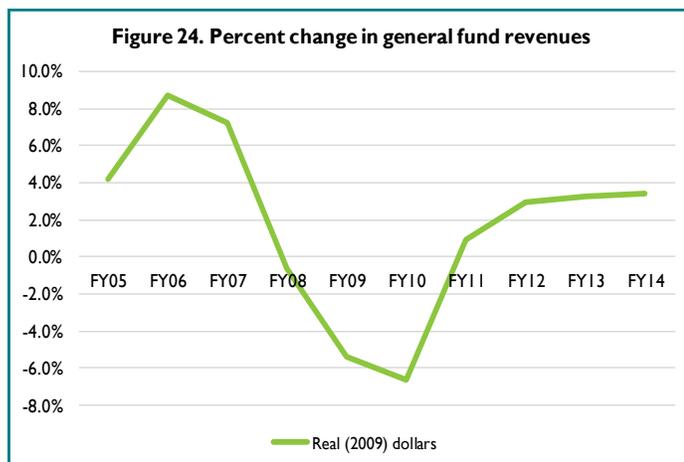
MISSISSIPPI'S BUSINESS

MISSISSIPPI GENERAL FUND RECEIPTS IN FY 2014

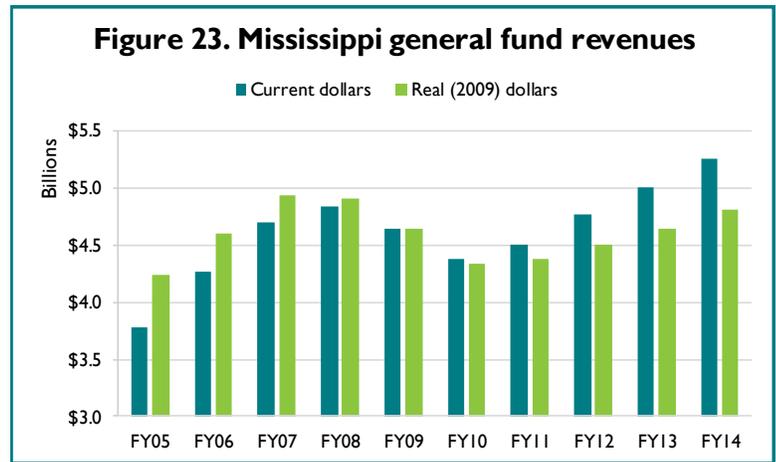
General fund revenues for Mississippi rose 4.9 percent during fiscal year (FY) 2014 according to the Department of Revenue. FY2014 ended on June 30 and general fund receipts for the state totaled \$5.25 billion, the highest nominal amount ever collected. Total receipts increased for the fourth consecutive year as seen in Figure 23.

However, Figure 23 also indicates revenue growth after adjusting for inflation has not been as robust compared to nominal dollars. After adjusting the value of receipts to 2009 dollars, revenues in FY2014 increased by 3.4 percent. The average increase in revenues for each of the last four years after adjusting for inflation is 2.6 percent. More significantly, despite the four consecutive years of increases, revenues for FY2014 remain below the levels of FY2007 and FY2008 when adjusted to 2009 dollars. Real revenues for FY2014 equaled 98 percent of the real value of collections in FY2008 and 97 percent of those in 2007. Thus, revenues will require additional and continued growth just to return to the purchasing power they had prior to the recession. The protracted recovery in state revenues speaks to the depth and severity of the Great Recession, similar to the prolonged recovery of employment, income growth, and consumer demand experienced nationwide.

The largest source of growth in general fund revenues in FY2014 was corporate taxes, which after adjusting for inflation accounted for almost 80 percent of the increase. Insurance premium taxes represented the second-largest



Sources: Mississippi Department of Revenue, U.S. Bureau of Economic Analysis, and URC calculations



Sources: Mississippi Department of Revenue, U.S. Bureau of Economic Analysis, and URC calculations

source, as its rise accounted for 26 percent of the real increase in general fund revenues. Sales taxes followed with an inflation-adjusted 9 percent of the increase, while individual income taxes actually contributed a negative 4 percent. Gaming fees and taxes also accounted for a negative 8 percent of the increase after adjusting for inflation. On a positive note, the increases in real revenues have grown larger in each of the last four years as indicated in Figure 24. Real revenues have increased almost 11 percent since 2010.

Sales taxes continue to be the largest source of general fund receipts for the state, accounting for just over 37 percent of total receipts in FY2014. Individual income taxes represent the second-largest source of general fund receipts for Mississippi at about 32 percent of total receipts in FY2014.

Both of these major sources of revenue continue to endure the negative impacts of the Great Recession. Even when measured in current dollars sales tax revenue in FY2013 was essentially the same (100.4 percent) as in FY2008. In addition, their contribution to general fund receipts is down from 43 percent of the total in FY2006. Individual income taxes have fared similarly; after adjusting for inflation collections from individual income taxes in FY2014 were 2.5 percent less than in FY2008.

The state of Mississippi will appropriate billions of dollars in addition to those in its general fund; in FY2015, this amount will include almost \$8.9 billion from the federal government. Total appropriations for FY2015 are expected to exceed \$20 billion.

BUILDING PERMITS AS AN ECONOMIC INDICATOR

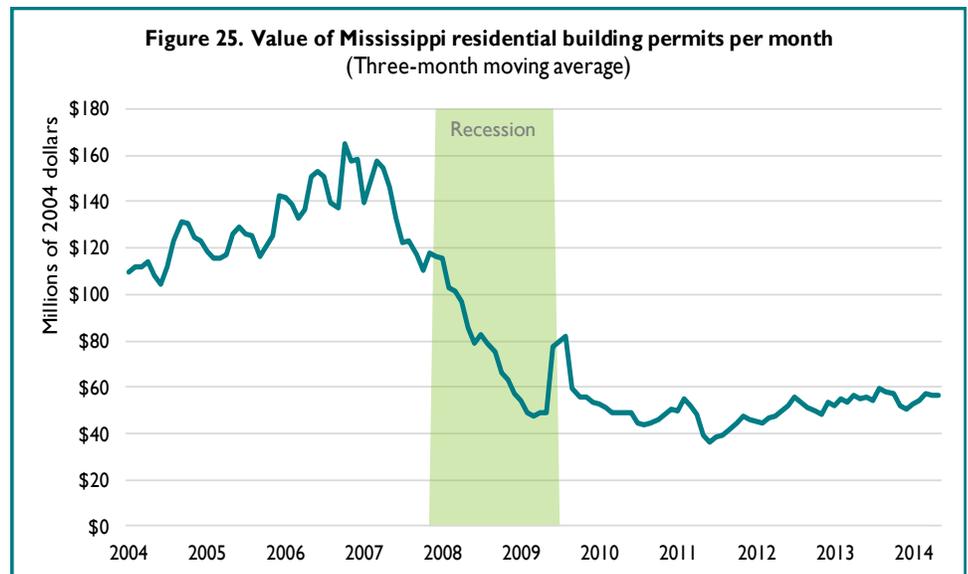
One of the current eight components of the Mississippi Leading Index (see page 2) computed by the University Research Center each month is the value of building permits issued in the state. The U.S. Leading Economic Index computed by The Conference Board each month also includes building permits data and a number of similar indices of leading indicators at both the state and national levels contain the measure. But what do building permit data mean and why are they an important economic indicator?

First, the U.S. Bureau of the Census is the primary source of building permit data at the state, regional, and national levels as well as for a number of metropolitan areas. The term “building permits” is actually used by the Census Bureau to refer to the value of “New Privately Owned Housing Units Authorized.” The Census Bureau also reports the number of units for which permits were issued. As the full name implies, a building permit provides authorization from a local government to begin construction on one or more new residential housing units that will be owned by private individuals. Generally, most jurisdictions require inspections during and after construction is completed to ensure the structure complies with local building codes. Most building permits in the U.S. are issued by cities and other municipalities while others are issued by counties. Each month the Census Bureau surveys a sample of 8,500 places throughout the country that issue permits from a total pool of 19,000 such places. The annual data reported by the Census Bureau uses information from all 19,000 locations. Any missing information is replaced with other survey data or is imputed (estimated from previous data observations).

Second, economists and other analysts view an increase in the number of building permits issued as important because it signals significant economic activity should begin soon. Construction of a residential unit(s) usually starts within one to two months once a permit is issued and

continues for several months. As with the construction industry in general, the building of new homes often involves an increase in related economic activities such as financing and can lead to a rise in local employment.

Conversely, a decline in building permits issued over time may represent one signal that the economy is weakening. Because the construction of most new residences is financed through institutional lending, changes in interest rates affect the cost of borrowing funds. Changes in the costs of funds can affect the number of units constructed,



which in turn is reflected in the building permit data. Thus, building permit data can provide an indication of broader economic conditions. Figure 25 indicates that the (seasonally-adjusted) value of building permits issued in Mississippi over the last ten years clearly declined during the Great Recession and briefly tumbled again in late 2011. While the value of building permits has risen slightly since the end of the recession, this amount remains much smaller than it was before the recovery began. In fact, the average monthly value of building permits in Mississippi over the five years since the end of the recession is about 59 percent lower than over the five years prior to the start of the recession.

Figure 26 reveals an equally stark contrast between the pre- and post-recession housing markets. This graph depicts the number of units that building permits were is-

MISSISSIPPI'S BUSINESS

BUILDING PERMITS AS AN ECONOMIC INDICATOR (CONTINUED)

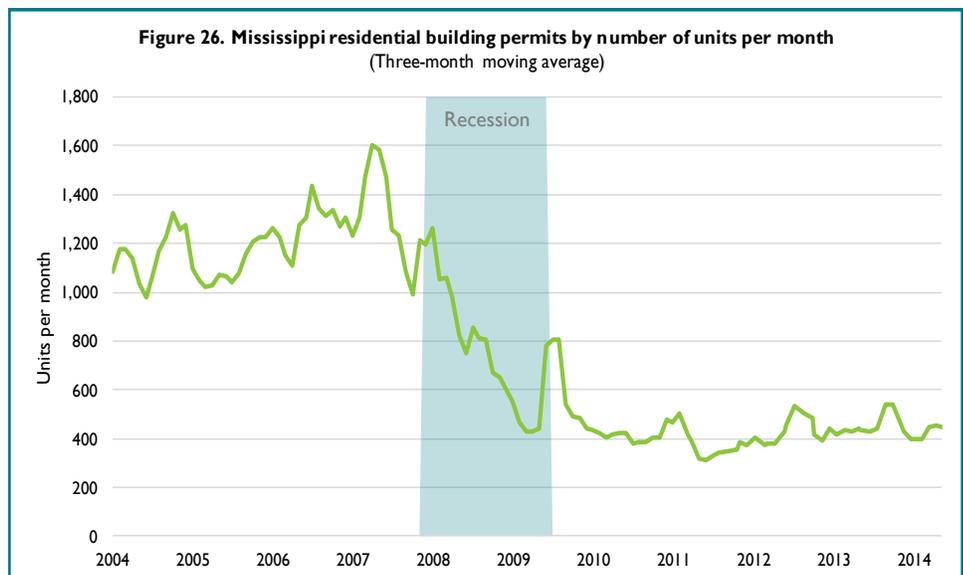
sued for in Mississippi over the last ten years. The number of units permits were issued for per month fell markedly during the Great Recession and remains well below the pre-recession level. Similar to the average value of building permits, the average number of units building permits were issued for in Mississippi over the five years since the end of the recession is over 62 percent lower than over the five years prior to the start of the recession.

Also noticeable in Figure 26 is how the number of permits issued in Mississippi slumped before the start of the recession. Similarly, the number of units spiked immediately prior to the official end of the recession (although the number did decline to around its current level very soon after the recovery began). Thus, Figure 26 demonstrates how building permits data—when used along with other leading indicators—can provide signals about which direction the economy is headed, both at the state and national levels.

Figures 25 and 26 when viewed together can also provide information about the housing market in Mississippi. As noted above, since 2009 the number of units for which permits have been issued has fallen more relative to the value of these permits—about 4 percent more. This type of differential indicates that while the total number of units for which permits have been issued has declined since the end of the recession, these units are relatively higher-priced—even as housing prices overall have declined. Intuitively, such a finding makes sense as institutions have tightened their standards for lending and the market for subprime loans for housing is much smaller as a result.

As the Census Bureau notes, only a portion of new housing construction is measured by building permit data. The reason is a number of residences are built in unincorporated areas not subject to the requirements of local permits. However, the Census Bureau claims that nation-

wide, “less than 5 percent of all privately-owned housing units built are constructed in areas that do not require building permits.” In Mississippi, compared to other areas of the country, building permit data likely understate the number of new homes under construction because most of the state’s population lives in rural areas. Many of these areas are unincorporated, do not have building codes, and therefore do not require permits. However, the number of areas requiring building permits could increase in the near future due to a new state law that took effect August 1. Under S.B. 2378, cities and counties in Mississippi must adopt one of the last three editions of the International Building Code or pass a resolution within the first 120 days of the enactment of the new law that states no building codes are required by the jurisdiction. Thus, depending on how many municipalities decide to adopt some type of building codes and how many elect to “opt out” altogether, what the ultimate impact of the new law will be remains unclear as of this writing. Re-



Source: U.S. Bureau of the Census; seasonally-adjusted.

ardless, data on building permits will remain one important measure of economic conditions at both the state and national levels that economists will continue to closely monitor.