



ECONOMY AT A GLANCE

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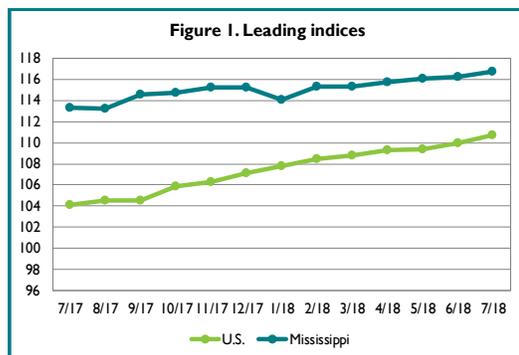
The value of the Mississippi Leading Index (MLI) rose 0.4 percent in July as seen in Figure 1 below, the fourth consecutive monthly increase. Compared to one year ago the value of the MLI was 3.1 percent higher for the month.

Figure 2 indicates the value of the Mississippi Coincident Index (MCI) was essentially unchanged in July. The value for the month was 2.1 percent higher compared to one year ago.

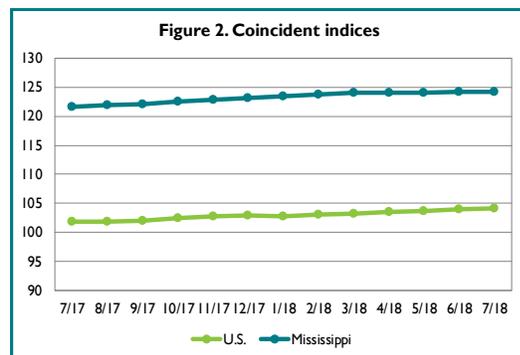
The U.S. Bureau of Economic Analysis (BEA) reported in its second estimate U.S. real gross domestic product (GDP) increased 4.2 percent in the second quarter of 2018. This second estimate was 0.1 percentage point higher than BEA's initial estimate. The revision resulted from higher nonresidential fixed investment and private inventory investment than initially

reported, as well as lower imports. However, these gains were partially offset by lower consumer spending than initially reported. BEA's estimate of the change in first quarter real GDP of a 2.2 percent increase remained unchanged.

The MLI increased in July for the fourth straight month but the gain was largely the result of national measures. The only component specific to Mississippi that rose in July was building permits. Notably the Mississippi Manufacturing Employment Intensity Index fell for the fifth consecutive month as both manufacturing employment and average weekly hours in the state have been weak in 2018. Nonfarm employment in the state fell to its lowest level since February. Thus, while growth in the U.S. economy accelerated in the second quarter, the Mississippi economy appeared to lack momentum as of July.



Sources: University Research Center and The Conference Board



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 work-week 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.

MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, JULY 2018

In July the value of the **Mississippi Leading Index of Economic Indicators** (MLI) increased for the fourth consecutive month, primarily due to the relatively large increase in the value of the Institute for Supply Management (ISM) Index of U.S. Manufacturing Activity. As seen in Figure 3 the value rose 0.4 percent for the month. The value for July was 3.1 percent higher compared to one year ago. Over the last six months the value of the MLI increased 2.3 percent.

Only three of the seven components of the MLI increased in value in July, as the gain in the ISM Index of Manufacturing Activity more than offset decreases in the other components. Each component is discussed below in order of largest to smallest contribution.

As seen in Figure 4 the value of the **ISM Index of U.S. Manufacturing Activity** surged 5.5 percent in August, the largest monthly gain since May 2011. The value was 3.4 percent higher for the month compared to one year ago. All five components of the Purchasing Managers' Index increased in August, led by the rise in the Production component. The value of the prices paid index declined for the third consecutive month.

U.S. retail sales rose 0.5 percent in value in July as seen in Figure 5. However, the values of both June and May sales were revised lower, as the change in June became 0.2 percent rather than 0.5 percent. Nevertheless, the gain in July marked the sixth consecutive monthly increase. Compared to one year ago U.S. retail sales in July were 6.5 percent higher. The largest increase in sales for the month occurred in clothing and accessories and food service and drinking places. The largest decrease in sales for the month occurred in sporting goods and hobbies, as sales in the category decreased for the fourth consecutive month.

For the fourth consecutive month the value of **Mississippi residential building permits** (three-month moving average) increased in July as seen in Figure 6. The value of permits rose 2.7 percent, reaching the highest level since December 2017. The value of permits in July was 7.1 percent higher compared to one year ago. The seasonally-adjusted number of units for which building permits were issued (three-month moving average) in Mississippi climbed 3.5 percent in July, also the fourth consecutive monthly increase. The number of units for the month was 10.8 percent higher compared to one year ago. The number of privately-owned housing units in the U.S. author-

ized by building permits in July was up 1.5 percent from the revised June value. The number of units in the U.S. in June was 4.2 percent higher compared to one year ago.

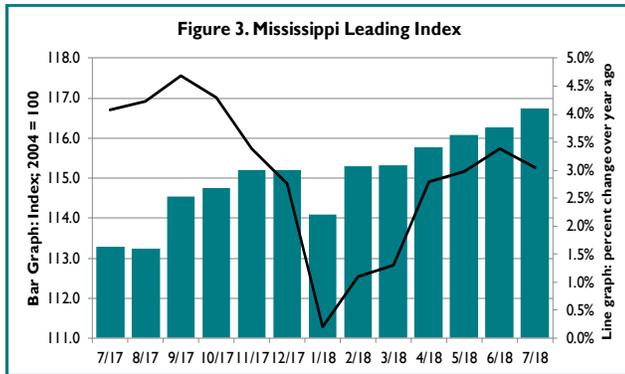
The value of seasonally-adjusted **initial unemployment claims** in Mississippi edged higher by 0.2 percent in July as Figure 7 indicates. The value for the month was down 11.0 percent compared to one year ago. The value of seasonally-adjusted continued unemployment claims in Mississippi rose 6.7 percent in July as seen in Figure 14 on page 6, the third increase in the last four months. The number of continued unemployment claims in Mississippi for the month was down 18.0 percent compared to one year ago. The seasonally-adjusted unemployment rate in Mississippi increased 0.1 percentage point in July to 4.8 percent as seen in Figure 15 on page 6. The increase was the third in the last four months. The unemployment rate was 0.3 percentage point lower in July compared to one year ago.

The value of the **University of Michigan Index of Consumer Expectations** (three-month moving average) declined in July for the fourth consecutive month as seen in Figure 8. The value decreased 0.8 percent for the month but remained 3.4 percent higher compared to one year ago. Also in July present economic conditions sentiment (three-month moving average) decreased for the fourth consecutive month. Fewer consumers in the most recent survey believe now is a good time to buy a house or vehicle, suggesting rising interest rates are beginning to impact purchases of big-ticket items. In the most recent survey short-term (twelve-month) and long-term (five- to ten-year) inflation expectations rose as both returned to their June levels.

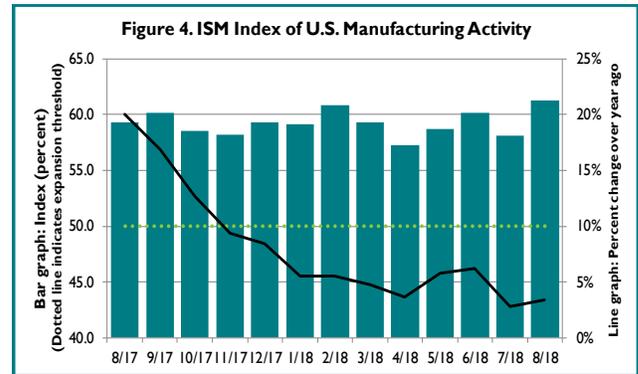
As seen in Figure 9, the value of **Mississippi income tax withholdings** (three-month moving average) fell 0.5 percent in July, the largest monthly decrease since December 2017 and only the third decline in 2018. The value for the month was 1.5 percent higher compared to one year ago. The value increased 1.6 percent over the last six months.

Figure 10 indicates the value of the **Mississippi Manufacturing Employment Intensity Index** fell 0.7 percent in July. Moreover, data revisions indicate the value for June declined as well, and as a result July marked the fifth consecutive monthly decrease. Compared to one year ago, the July value was down 2.4 percent. Both Manufacturing employment in Mississippi and average weekly hours of production employees decreased for the month.

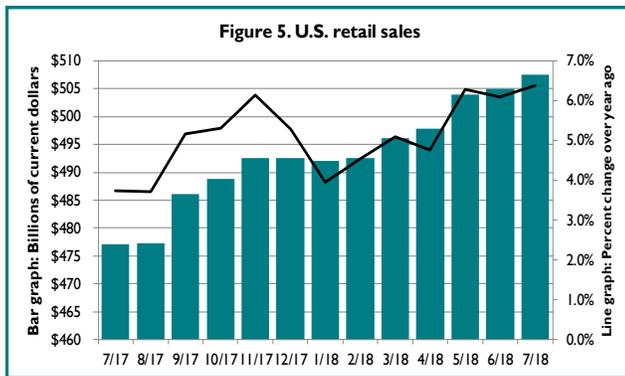
MISSISSIPPI LEADING INDEX AND COMPONENTS, IN FIGURES



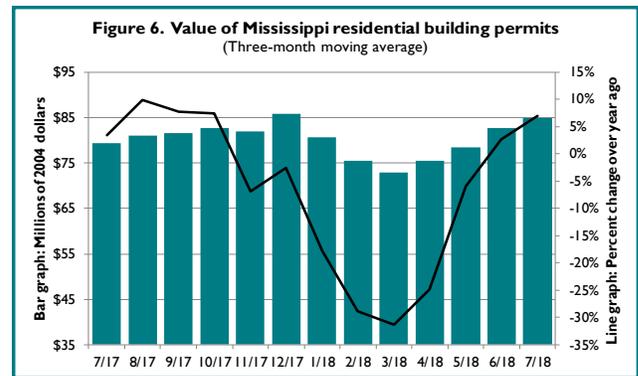
Source: University Research Center



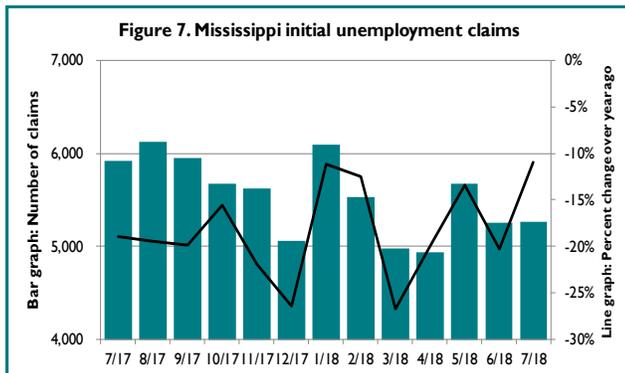
Source: Thomson Reuters/University of Michigan Surveys of Consumers



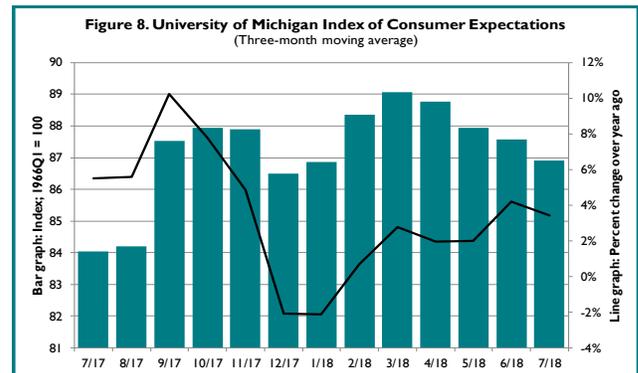
Source: U.S. Bureau of the Census



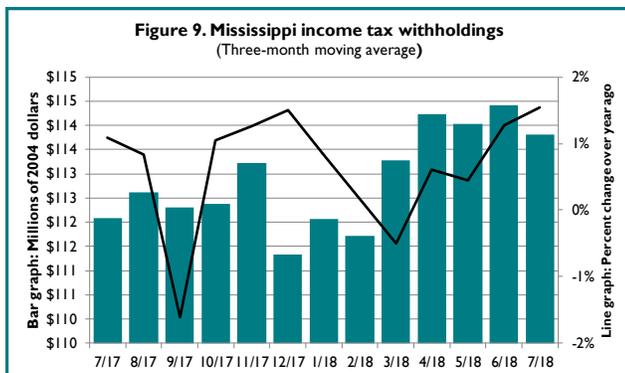
Source: U.S. Bureau of the Census; seasonally adjusted



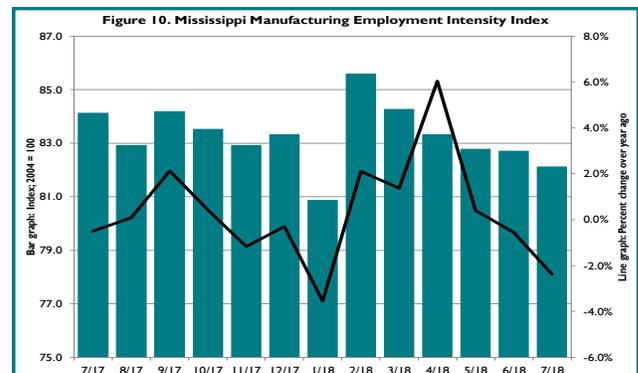
Source: U.S. Department of Labor; seasonally adjusted



Source: Institute for Supply Management



Source: Mississippi Department of Revenue; seasonally adjusted



Source: URC using data from U.S. Bureau of Labor Statistics

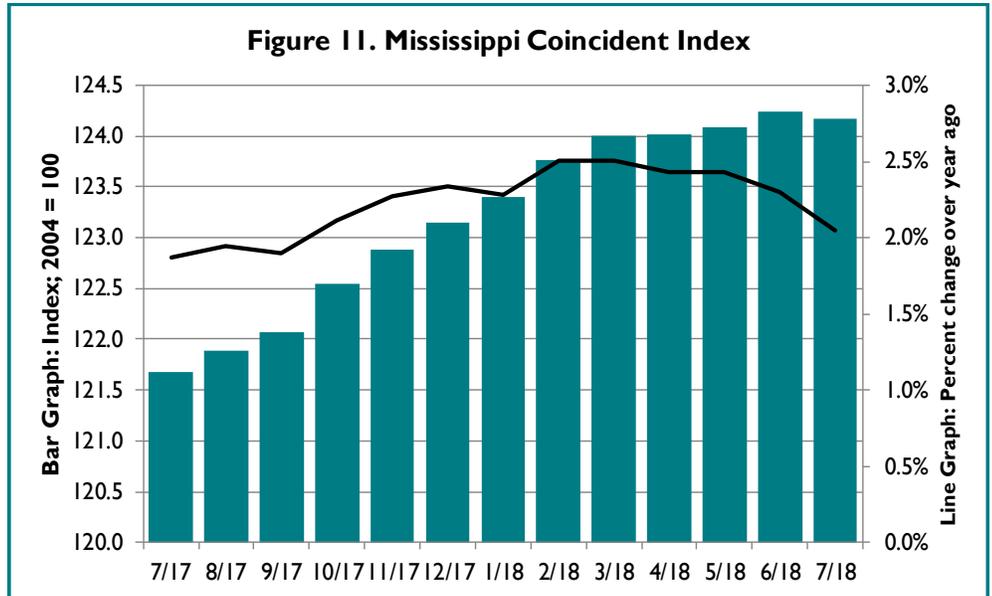
MISSISSIPPI'S BUSINESS

MISSISSIPPI COINCIDENT INDEX, JULY 2018

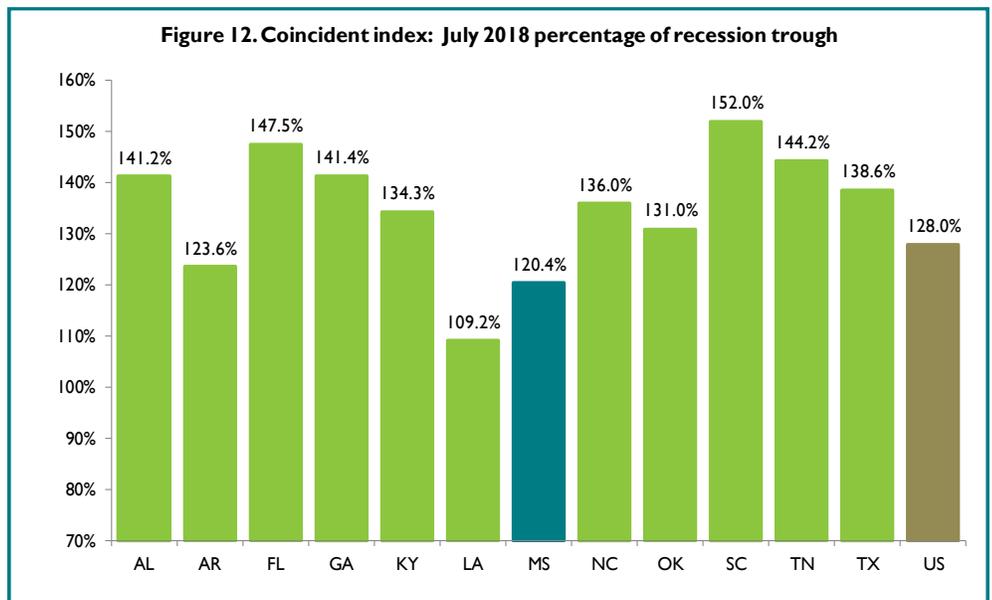
The Federal Reserve Bank of Philadelphia reported the value of the **Mississippi Coincident Index of Economic Indicators (MCI)** was essentially unchanged in July as seen in Figure 11. Compared to one year ago the value of the MCI for the month was 2.1 percent higher.

As seen in Figure 12 among southeastern states the smallest increase in the value of a coincident index from its recession trough once again occurred in Louisiana in July. This value decreased for the second month in a row. The second-smallest increase in the value of a coincident index from its recession trough among southeastern states as of July was again in Mississippi, as the value was up 20.4 percent. This value decreased from the previous month. The values of the coincident indices in all other states in the Southeast were up from their respective recession troughs by more than 30.0 percent as of July. The largest increase in the value of a coincident index from its recession trough among southeastern states in July again occurred in South Carolina, where the coincident index was up 52.0 percent.

The values of the coincident indices increased in forty-seven states in July compared to three months prior as seen in Figure 13 on page 5. In eight states including Mississippi the values of the coincident indices increased by less than 0.5 percent. The values of the coincident indices increased by more than 0.5 percent in July compared to April in thirty-nine states. The value of the coincident index in Louisiana was unchanged in July compared to three months prior.



Source: Federal Reserve Bank of Philadelphia



Source: Federal Reserve Bank of Philadelphia; URC calculations

NATIONAL TRENDS

The Conference Board reported the value of the U.S. Leading Economic Index (LEI) increased 0.6 percent in July. The value of the LEI was 5.8 percent higher compared to one year ago as seen in Figure 1 on page 1. Nine of the ten components of the LEI increased in value in July as the largest contribution came from average weekly initial claims for unemployment insurance. Over the last six months the LEI rose 2.7 percent in value.

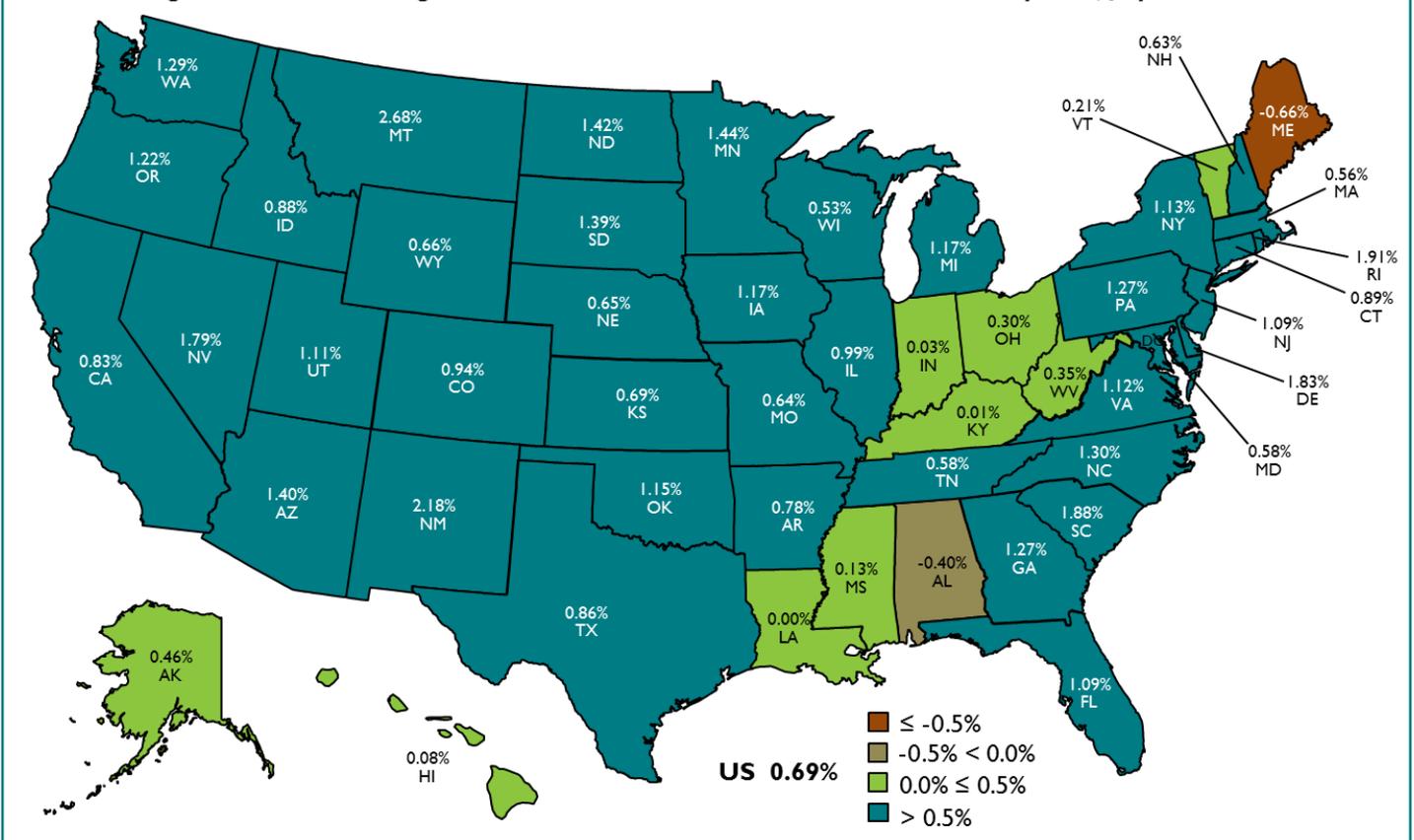
The value of the U.S. Coincident Economic Index (CEI) rose 0.2 percent in July according to The Conference Board as seen in Figure 2 on page 1. The value of the CEI was 2.4 percent higher for the month compared to one year ago. Employees on agricultural payrolls made the largest contribution to the increase as all four components of the CEI rose in July. The value of the CEI rose 1.4 percent over the last six months.

As seen in Figure 20 on page 6 the value of the National Federation of Independent Businesses (NFIB) Small Business Optimism Index reached a new all-time high in July.

Despite concerns about trade, the value climbed 0.7 percent for the month. Compared to one year ago the value of the Index in July was 2.6 percent higher. The largest increase occurred in the “plans to increase employment” component followed by the “expect real sales higher” component. The only declines were in the “plans to increase inventories” and “current inventory” components. The “plans to raise prices” component did not change.

The Federal Open Market Committee (FOMC) is widely expected to raise the federal funds rate target by another 0.25 basis points at its meeting in late September. Such an increase would place the benchmark rate at a range of 2.00 to 2.25 percent. Some analysts have expressed concerns that continued rate hikes will lead to an inverted yield curve—a situation in which short-term interest rates exceed long-term interest rates and historically has presaged recessions. However, as growth in inflation has begun to meet the Fed’s target, the FOMC has given no indications it plans to pause interest rate increases.

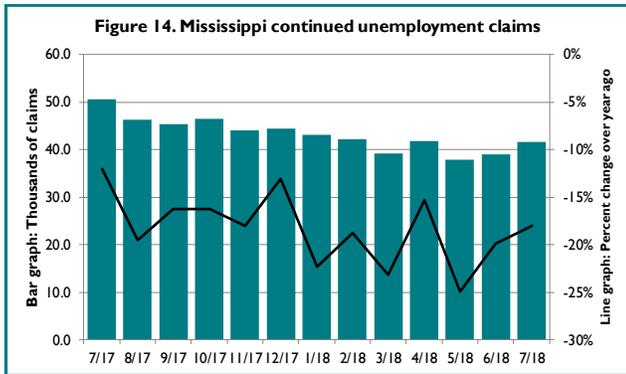
Figure 13. Three-month growth in the coincident index of economic indicators by state, July 2018



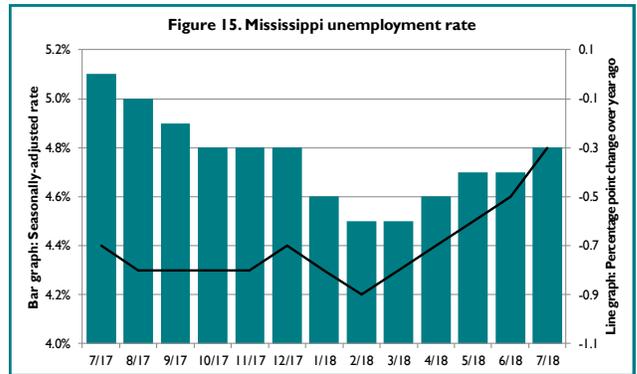
Source: Federal Reserve Bank of Philadelphia

MISSISSIPPI'S BUSINESS

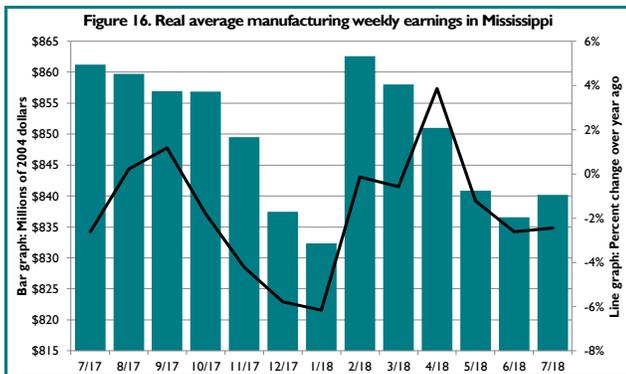
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



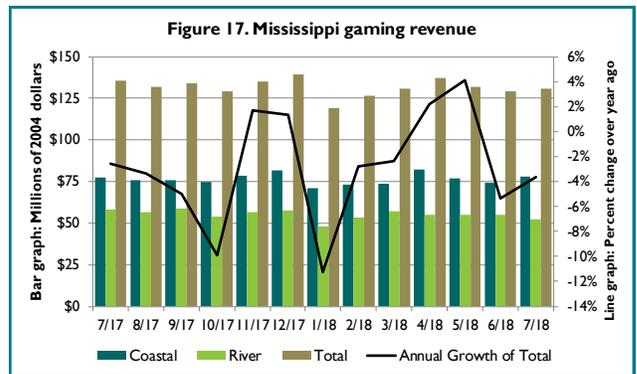
Source: U.S. Department of Labor; seasonally adjusted



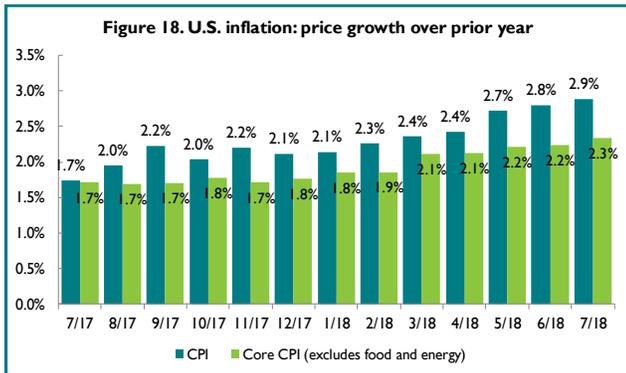
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



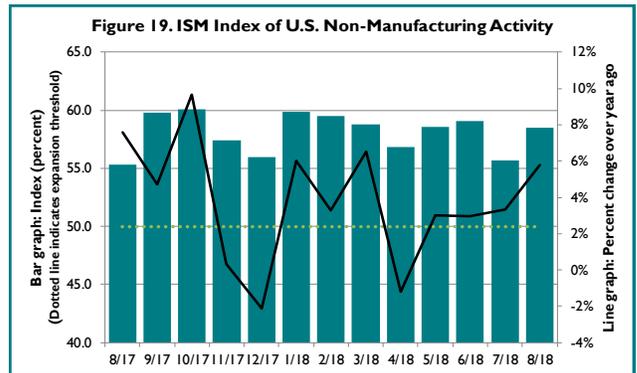
Source: U.S. Bureau of Labor Statistics; non-seasonally adjusted



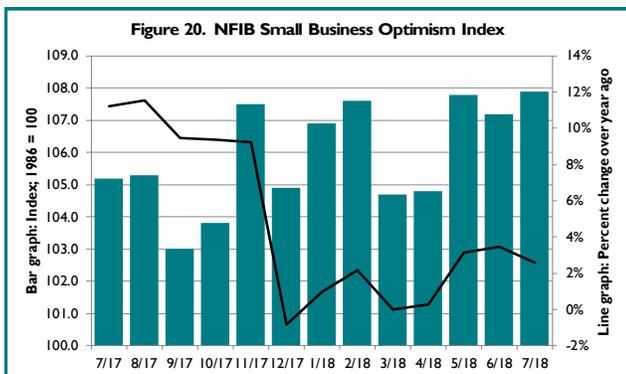
Source: Mississippi Department of Revenue; seasonally adjusted



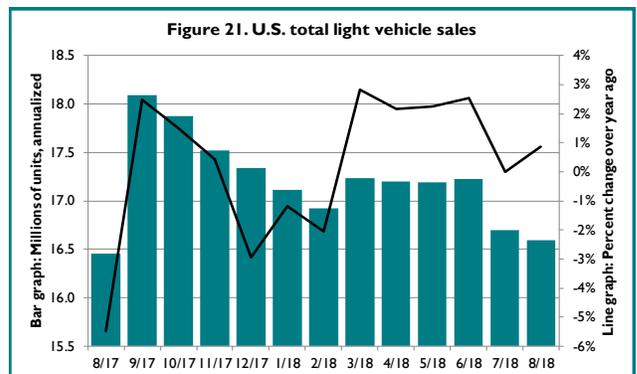
Source: U.S. Bureau of Labor Statistics



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	July 2018	June 2018	July 2017	Percent change from June 2018 July 2017		
U.S. Leading Economic Index 2004 = 100. Source: The Conference Board	110.7	110.0	104.1	▲0.6%	▲6.3%	Economic Indices
U.S. Coincident Economic Index 2004 = 100. Source: The Conference Board	104.2	104.0	101.8	▲0.2%	▲2.4%	
Mississippi Leading Index 2004 = 100. Source: University Research Center	116.8	116.3	113.3	▲0.4%	▲3.1%	
Mississippi Coincident Index 2004 = 100. Source: Federal Reserve Bank of Philadelphia	124.2	124.2	121.7	◀0.0%	▲2.1%	
Mississippi initial unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	5,267	5,258	5,918	▲0.2%	▼11.0%	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	85.0	82.7	79.4	▲2.7%	▲7.1%	
Mississippi income tax withholdings Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	113.8	114.4	112.1	▼0.5%	▲1.5%	
Mississippi Manufacturing Employment Intensity Index 2004 = 100. Source: URC using data from U.S. Bureau of Labor Statistics	82.1	82.7	84.1	▼0.7%	▼2.4%	
University of Michigan Index of Consumer Expectations Three-month moving average; index 1966Q1 = 100. Source: Thomson Reuters/University of Michigan Surveys of Consumers	86.9	87.6	84.0	▼0.8%	▲3.4%	
ISM Index of U.S. Manufacturing Activity Advanced one month. Source: Institute for Supply Management	61.3	58.1	59.3	▲5.5%	▲3.4%	
U.S. retail sales Current dollars, in billions. Source: Bureau of the Census	507.5	504.9	477.1	▲0.5%	▲6.4%	
U.S. Consumer Price Index (CPI)	133.0	132.8	129.3	▲0.2%	▲2.9%	
U.S. Core CPI (excludes food and energy) 2004 = 100. Source: URC using data from Bureau of Labor Statistics	131.2	130.8	128.2	▲0.2%	▲2.3%	
Mississippi unemployment rate Percentage point change. Seasonally-adjusted. Source: U.S. Bureau of Labor Statistics	4.8%	4.7%	5.1%	▲0.1	▼0.3	Miscellaneous Indicators
Mississippi continued unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	41,529	38,924	50,667	▲6.7%	▼18.0%	
ISM Index of U.S. Non-Manufacturing Activity Advanced one month. Source: Institute for Supply Management	58.5	55.7	55.3	▲5.0%	▲5.8%	
U.S. mortgage rates Percentage point change. Seasonally adjusted; 30-year conventional. Source: Federal Home Loan Mortgage Corporation	4.56%	4.57%	3.98%	▼0.01	▲0.58	
Mississippi average hourly wage for manufacturing Seasonally adjusted; 2004 dollars. Source: U.S. Bureau of Labor Statistics	20.39	20.28	20.33	▲0.5%	▲0.3%	
Mississippi average weekly earnings for manufacturing Seasonally adjusted; 2004 dollars. Source: U.S. Bureau of Labor Statistics	840.16	836.58	861.24	▲0.4%	▼2.4%	
NFIB Small Business Optimism Index 1986 = 100. Source: National Federation of Independent Businesses	107.9	107.2	105.2	▲0.7%	▲2.6%	
U.S. total light vehicle sales Millions of units seasonally adjusted at annual rates. Source: U.S. Bureau of Economic Analysis	16.60	16.70	16.45	▼0.6%	▲0.9%	
Gaming revenue	130.6	129.4	135.6	▲0.9%	▼3.6%	
Coastal counties	78.0	74.3	77.6	▲5.0%	▲0.6%	
River counties Seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	52.6	55.1	58.0	▼4.5%	▼9.3%	

MISSISSIPPI'S BUSINESS

MISSISSIPPI EMPLOYMENT TRENDS

Total nonfarm employment in Mississippi fell 0.2 percent in July according to the U.S. Bureau of Labor Statistics (BLS) as seen in Table 2 below. The number of jobs in the state fell by 2,800, the largest monthly decline since February 2014. Total employment in Mississippi was 1.2 percent higher in July compared to one year ago. Moreover, BLS revised June employment in the state down by 1,400 jobs, reducing the previously-reported gain by half.

Statistically significant increases in total nonfarm employment occurred in six states in July according to BLS. California, Florida, and New Jersey added the most jobs. The largest percentage increase in employment for the month among all states was the 0.7 percent gain in Nevada. The only statistically significant decrease in employment in July occurred in Vermont, which lost 2,200 jobs for the month, a decline of 0.7 percent.

BLS reported higher employment in thirty-four states in July compared to one year ago. Once again Texas, California, and Florida added the most jobs among all states over the last twelve months. The largest percentage increase in employment occurred in Utah, where employment rose 3.5 percent; employment also increased 3.4 percent in both Idaho and Nevada.

Job losses in the state were broad-based in July as employment increased in only four sectors. The largest gain occurred in Accommodation and Food Services, which added 1,300 jobs. The other three sectors with job gains for the month added a total of 400 jobs. The largest percentage increase in employment was the 1.0 percent gain in both Accommodation and Food Services and Arts and Entertainment. The largest decrease in employment among all sectors in July was the 1,400 jobs lost in the Construction industry. The sector also experienced the largest percentage decrease in employment of 3.1 percent. Trade, Transportation, and Utilities also lost 1,100 jobs for the month.

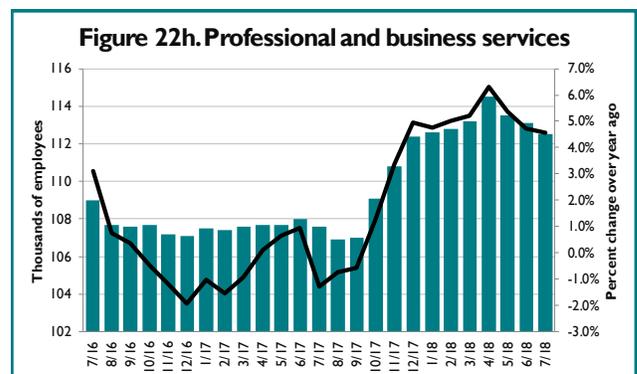
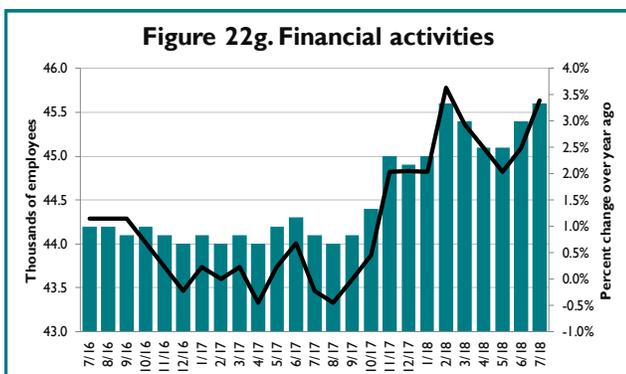
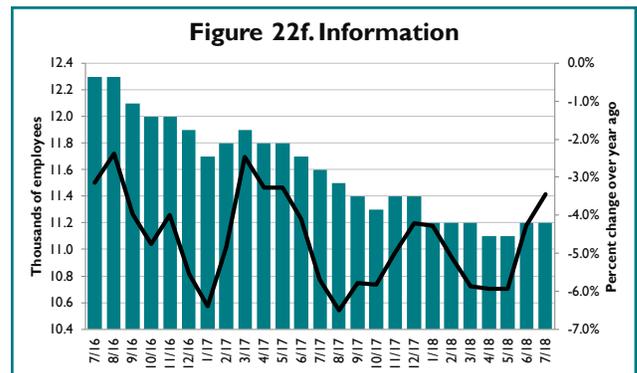
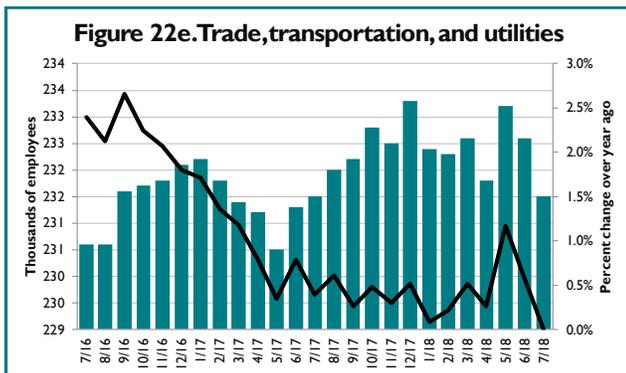
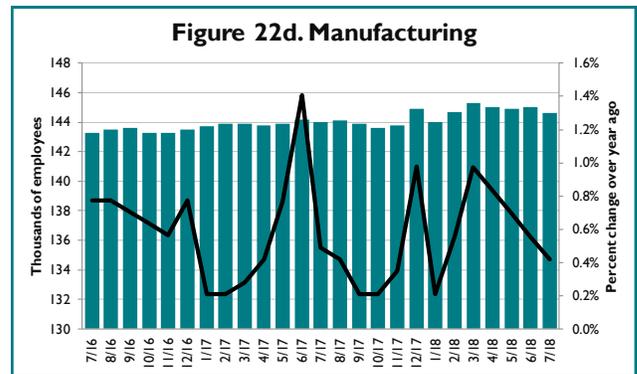
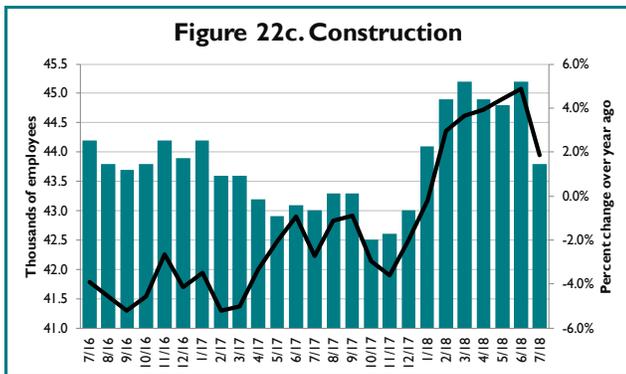
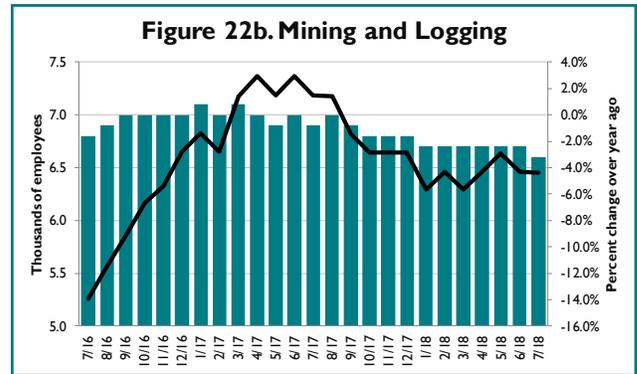
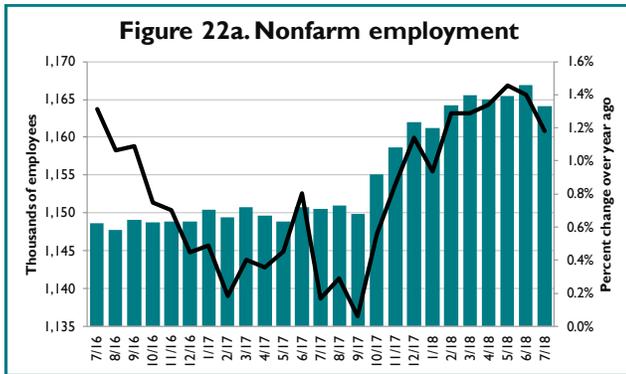
As of July the largest increase in employment among all sectors in the state over the last twelve months was once again in Professional and Business Services, which added 4,900 jobs. The sector also had the largest percentage increase over the last year of 4.6 percent. Employment in the Retail Trade subsector was down by 1,100 jobs in July compared to one year ago, the most among all sectors. Mining and Logging experienced the largest percentage decrease for the month compared to one year ago of 4.3 percent. The only other sector to lose jobs over the last twelve months was Information.

Table 2. Change in Mississippi employment by industry, July 2018

	Relative share of total ^a	July 2018	June 2018	July 2017	Change from June 2018		Change from July 2017	
					Level	Percent	Level	Percent
Total Nonfarm	100.0%	1,164,100	1,166,900	1,150,500	▼2,800	▼0.2%	▲13,600	▲1.2%
Mining and Logging	0.6%	6,600	6,700	6,900	▼100	▼1.5%	▼300	▼4.3%
Construction	3.8%	43,800	45,200	43,000	▼1,400	▼3.1%	▲800	▲1.9%
Manufacturing	12.4%	144,600	145,000	144,000	▼400	▼0.3%	▲600	▲0.4%
Trade, Transportation, & Utilities	20.0%	231,500	232,600	231,500	▼1,100	▼0.5%	◀0	◀0.0%
Retail Trade	12.1%	139,500	140,300	140,600	▼800	▼0.6%	▼1,100	▼0.8%
Information	1.0%	11,200	11,200	11,600	◀0	◀0.0%	▼400	▼3.4%
Financial Activities	3.9%	45,600	45,400	44,100	▲200	▲0.4%	▲1,500	▲3.4%
Services	37.4%	438,200	438,300	426,800	▼100	◀0.0%	▲11,400	▲2.7%
Professional & Business Services	9.6%	112,500	113,100	107,600	▼600	▼0.5%	▲4,900	▲4.6%
Educational Services	1.1%	12,200	12,200	12,100	◀0	◀0.0%	▲100	▲0.8%
Health Care & Social Assistance	11.5%	133,600	134,100	132,200	▼500	▼0.4%	▲1,400	▲1.1%
Arts & Entertainment	0.8%	9,700	9,600	9,500	▲100	▲1.0%	▲200	▲2.1%
Accommodation and Food Services	10.9%	129,700	128,400	125,100	▲1,300	▲1.0%	▲4,600	▲3.7%
Other Services	3.5%	40,500	40,900	40,300	▼400	▼1.0%	▲200	▲0.5%
Government	20.9%	242,600	242,500	242,600	▲100	◀0.0%	◀0	◀0.0%

^aRelative shares are for the most recent twelve-month average. Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

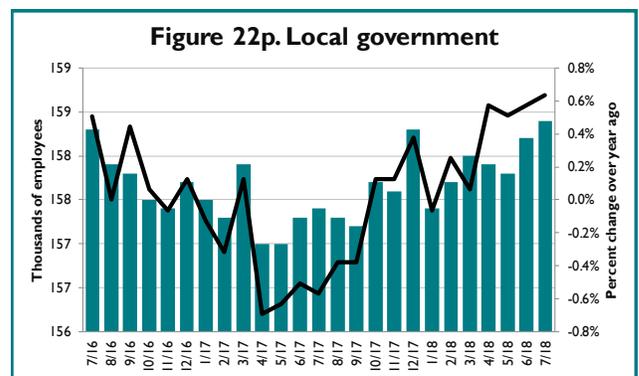
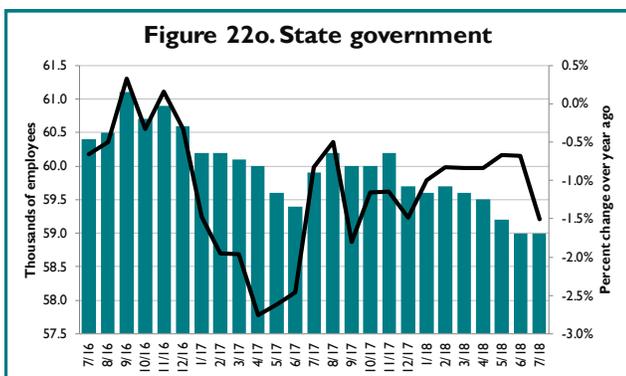
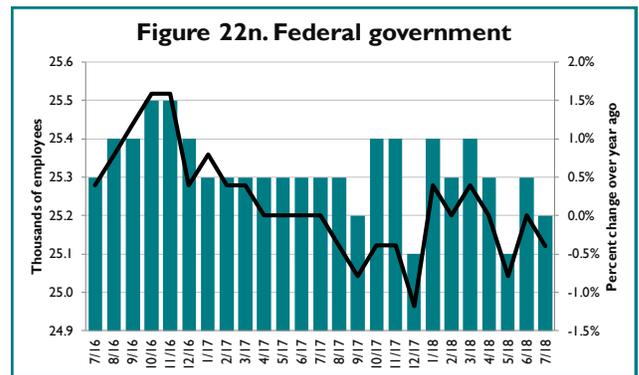
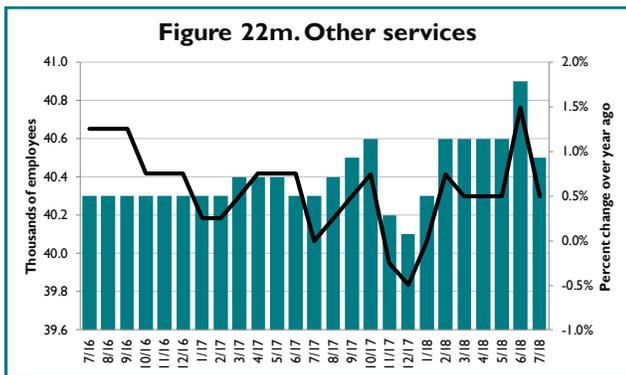
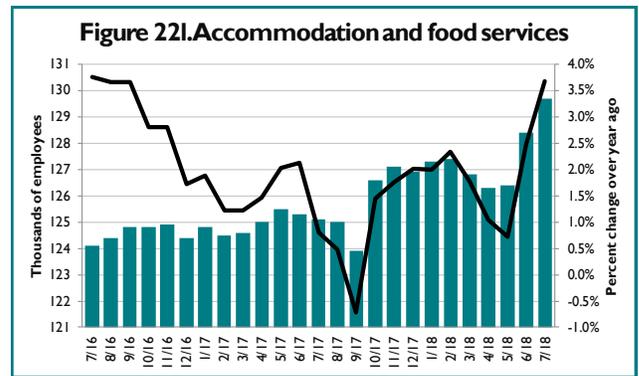
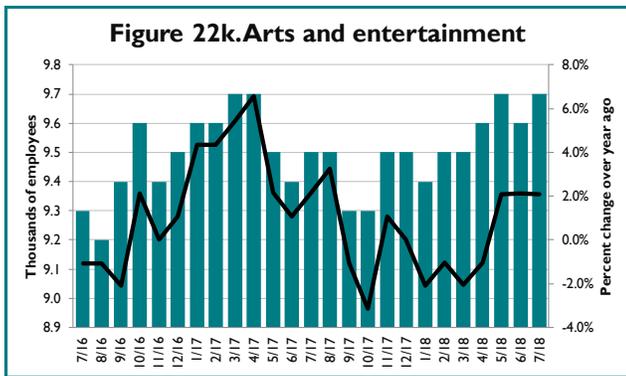
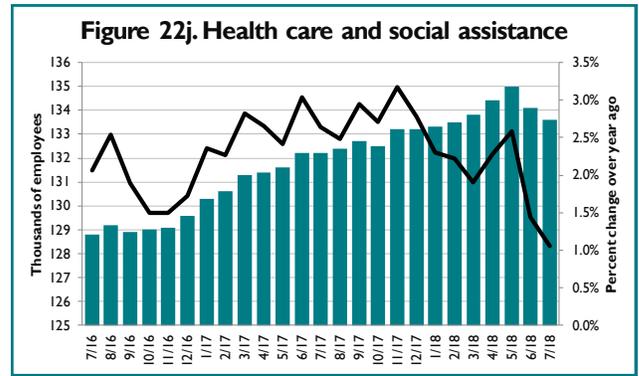
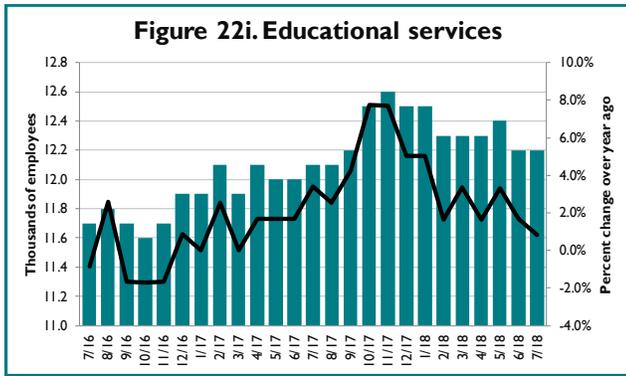
MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES



Source: U.S. Bureau of Labor Statistics (all figures); seasonally adjusted

MISSISSIPPI'S BUSINESS

MISSISSIPPI EMPLOYMENT TRENDS BY SECTOR, IN FIGURES (CONTINUED)

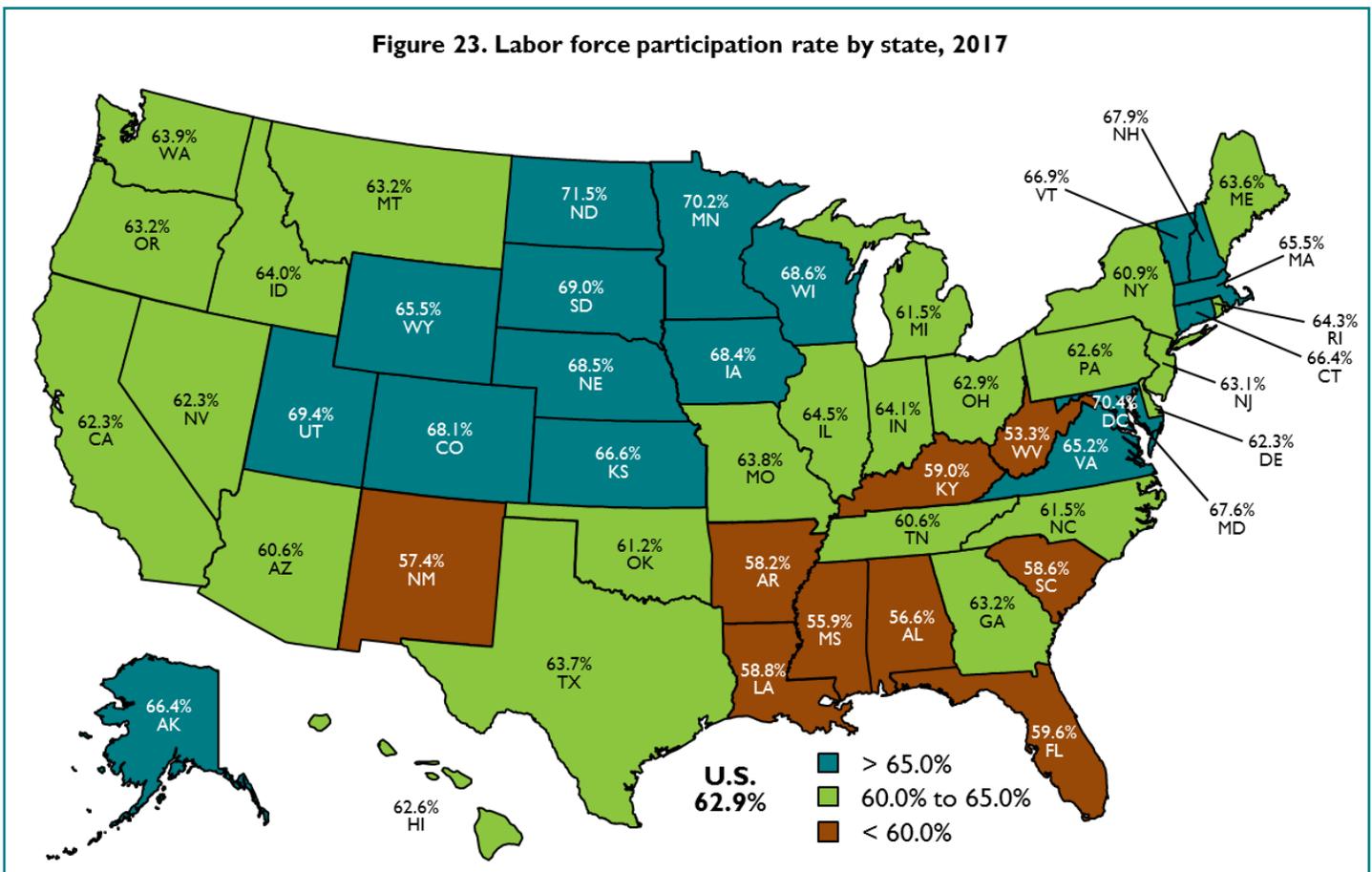


Source: U.S. Bureau of Labor Statistics (all figures); seasonally adjusted

LABOR FORCE PARTICIPATION IN MISSISSIPPI

The labor force participation rate, as calculated by the U.S. Bureau of Labor Statistics (BLS), is the percentage of the population age 16 and over that is currently employed or actively looking for a job. The rate represents a measure of labor force utilization and can provide information about the overall condition of an economy. A February 2018 Congressional Budget Office (CBO) report entitled *Factors Affecting the Labor Force Participation of People Ages 25 to 54* notes, “Greater labor force participation is associated with higher tax revenues because the number of employed people, and therefore the number of people paying income and payroll taxes, tends to rise.” Similarly, CBO finds a higher rate also means fewer people are receiving various forms of public assistance because they are earning income. Furthermore, the CBO report notes, “A lower labor force participation rate is associated with lower gross domestic product (GDP)”

Figure 23 below depicts the labor force participation rate for each state on an annual basis in 2017. The rate for Mississippi was 55.9 percent, lower than in every other state except the 53.3 percent rate in West Virginia. The highest rate in 2017 among all states was 71.5 percent in North Dakota. In about half the states the rate ranged between 60 and 65 percent; the highest rates were mostly found in the Plains states. Mississippi was one of nine states with a labor force participation rate below 60 percent in 2017, and these states were found almost exclusively in the southern U.S. with the exception of New Mexico. (The relatively low rates in Arizona and Florida primarily result from the disproportionately large concentrations of retirees in these states.) Similarly, Figure 24 on page 12 depicts the annual labor force participation rate for Mississippi and the U.S. since 1976, the earliest year of state-level data from BLS. While following a similar historical pattern, the rate for Mississippi was lower than the rate for the U.S. in each of these years. The highest annual labor force participation rate reached in Mississippi was 63.2 percent in 1994.



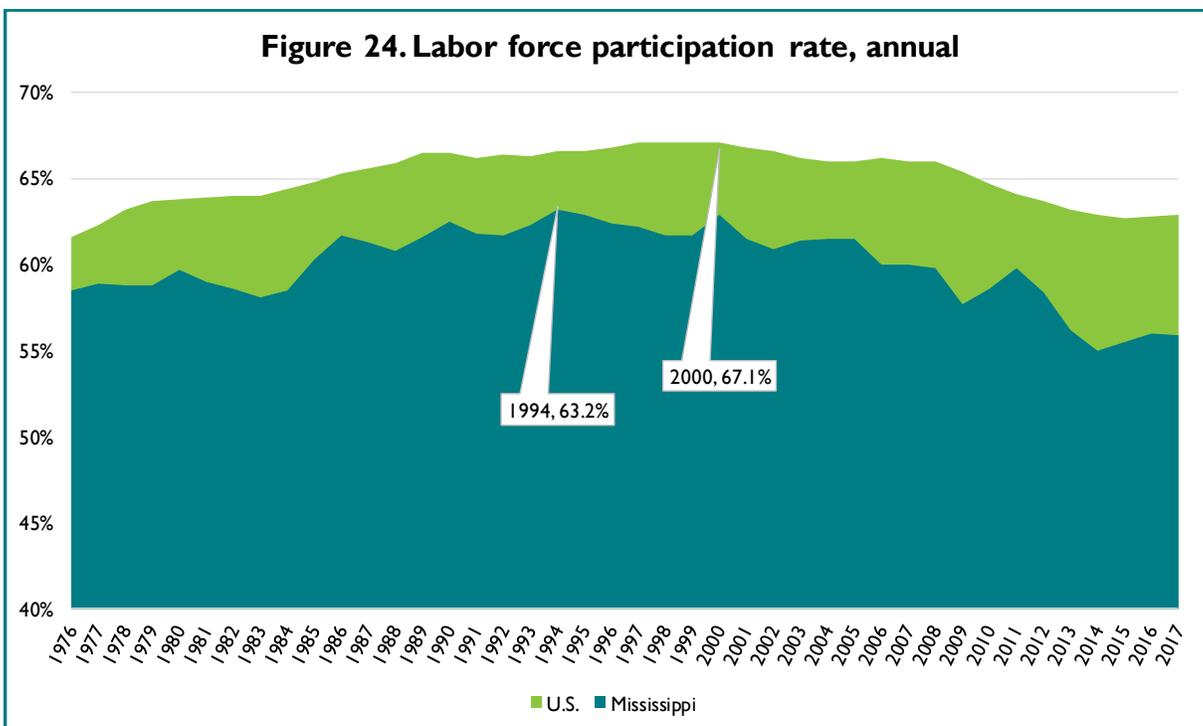
Source: U.S. Bureau of Labor Statistics

MISSISSIPPI'S BUSINESS

LABOR FORCE PARTICIPATION IN MISSISSIPPI, CONTINUED

Why is the labor force participation rate for Mississippi persistently lower than for most of the U.S.? This question cannot be answered directly, because in its surveys BLS does not ask any respondents why they are not in the labor force; the agency only asks if an individual is employed or looking for work. Nevertheless, other surveys and research can help provide insight into this question. The CBO report lists a number of factors that can reduce the labor force participation rate. One is education, as higher rates of educational attainment tend to be associated with higher labor force participation. Educational attainment in Mississippi is lower than for the U.S. as a whole, as the state's high school graduation rate for adults age 25 and older was about 4.4 percentage point below the U.S. rate in 2014. Moreover, only about 20 percent of Mississippians age 25 and older held a bachelor's degree in 2014, compared to about 29 percent of the U.S. population of the same age. Disability is another important factor noted by CBO that reduces labor force participation. According to the Census Bureau the disability rate in Mississippi for individuals ages 16 to 64 was 9.9 percent in 2016, compared to 6.1 percent for the same population in the U.S. The CBO report also cites race as a factor affecting labor force participation, as it found black men ages 25 to 54 were less likely to participate in the labor force than men of other races in the same age range. Census Bureau data for 2016 indicate black men ages 25 to 54 made up 3.2 percent of the U.S. population age 18 and older, compared to 8.9 percent of the population age 18 and older in Mississippi. Each of these factors as well as others likely contribute to lower labor force participation in the state. Nationally, the aging of the Baby Boomer cohort—currently those individuals ages 54 to 72—has reduced the labor force participation rate as more and more members of this generation retire and leave the workforce. However, this particular factor likely impacts Mississippi less than the nation, as the state's population is on average slightly younger than the U.S. population as a whole.

What would a higher labor force participation rate in Mississippi mean for the state's economy? The U.S. rate was 62.9 percent in 2017. If Mississippi had a labor force participation rate in 2017 that equaled the U.S. rate—assuming the same unemployment rate for the year of 5.1 percent—then the number of employed in the state would have been higher by almost 87,000 more individuals. Such a scenario would result in a higher GDP and tax revenues, less spending on social programs, and a healthier population.



Source: U.S. Bureau of Labor Statistics