

Mississippi's Business

October 2013

Monitoring The State's Economy

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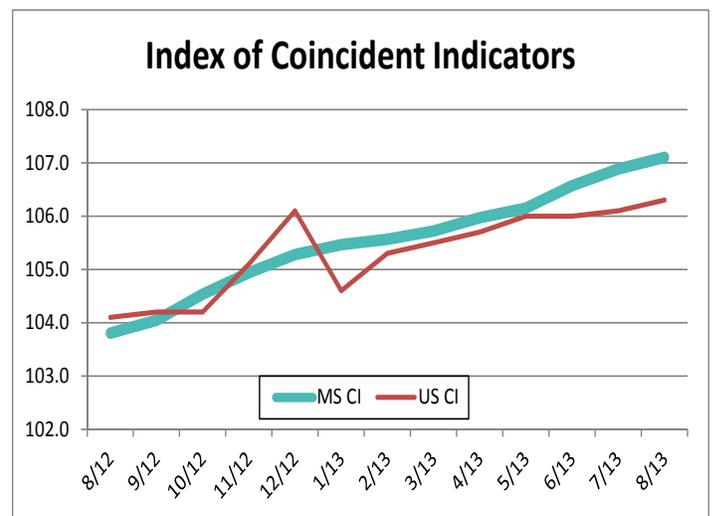
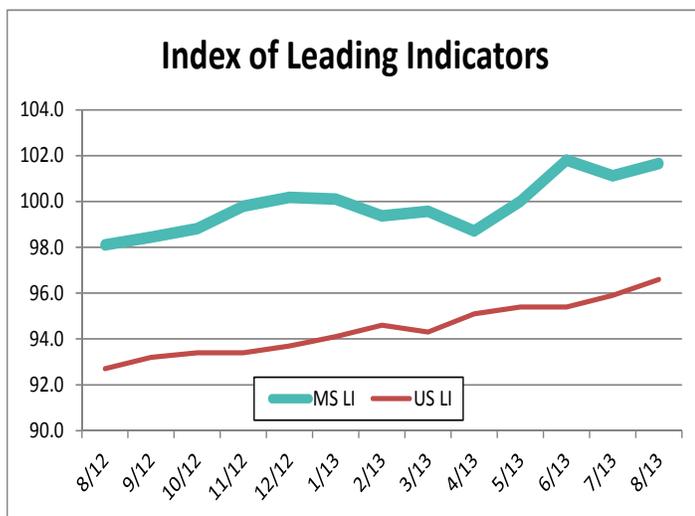
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ECONOMY AT A GLANCE

The Mississippi Index of Leading Indicators increased in August regaining some of the decline that occurred in July. With six of the eight components contributing positively, the recovery was widespread. The Coincident Index increased as well. The State's economy appears to be growing at a modest pace. The labor market in particular is doing quite well relative to the past few years. Many of the jobs being added are likely part-time or temporary, but growth remains in positive territory. Incomes are rising, although not at the pace of 2012.

The National economy is also growing slowly. It is likely that growth moderated the third quarter relative to the second and will be even slower in the fourth quarter. This slowing of activity is especially evident in the month-to-month employment gains which have decreased with each consecutive quarter this year. Consumer spending also gives evidence of a slow economy. Outside of the pent-up demand for automobiles, retail sales have been relatively mild.

Washington successfully avoided a crisis over the debt ceiling, but the fix is temporary, lasting only until after the first of the year. A long-term fix for the fiscal policies in Washington does not appear to be coming anytime soon. With the temporary fix and the sluggish economy, the Fed's plans to begin tapering in late 2013 seems unlikely. It is increasingly probable that tapering will not occur until 2014.



The Mississippi Coincident Index is constructed by the Federal Reserve Bank of Philadelphia and re-indexed to 2004. The Index is based on changes in nonfarm employment, the unemployment rate, average manufacturing workweek length and wage and salary disbursements. The Mississippi Leading Index is constructed by the Mississippi University Research Center. The U.S. Indices are both from the Conference Board. All series are indexed to a base year of 2004.

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LEADING AND COINCIDENT INDICATORS, AUGUST 2013

The August **Mississippi Index of Leading Economic Indicators** regained much of the ground lost with the July decline. The index rose 0.6 percent from the revised July figure and reached a level of 101.7. This was slightly behind the June level of 101.8. The six-month growth rate improved as well, reaching an annualized rate of 4.6 percent, the strongest since January 2013. The recovery from last month's decline is encouraging, but should be viewed with a degree of caution as the National economy remains weak. Nevertheless, we expect continued modest growth in the coming months.

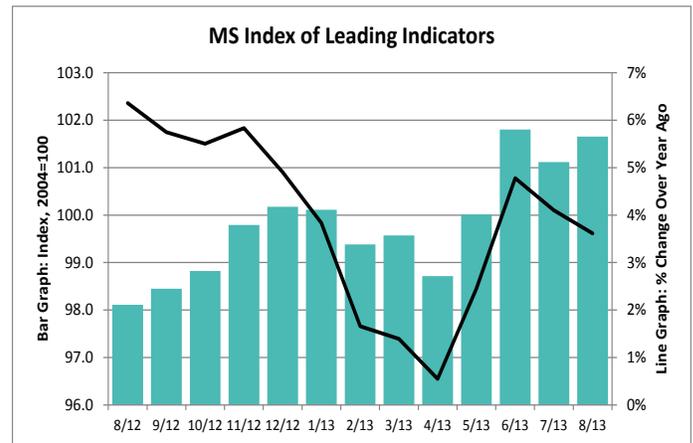
Of the eight components of the Index, six contributed positively to the August Index, while two contributed negatively. The components of the Leading Index will be discussed in order of their contributions to the August gain.

The **value of Mississippi residential building permits**¹ rose 10.3 percent in August. The substantial gain more than offset the declines that have taken place off and on over the past few months. The August level for this series was the highest since August 2009. Despite the gain, permits remain low by historical standards.

The **Mississippi Manufacturing Employment Intensity Index** rose 1.6 percent in August, regaining nearly all of the ground lost in the July decline. The series appears to be struggling to return to an upward trend after declining through much of the first half of the year. Both hours worked and total manufacturing employment improved in August.

Mississippi's initial unemployment claims fell 6.1 percent in August relative to July. Despite the up and down pattern that has taken place lately, the series has really not changed significantly in terms of magnitude. Claims are generally trending down at a modest pace. This is consistent with a gradually improving economy.

The **Institute for Supply Management Index of U.S. Manufacturing Activity** continued to improve in September with a 0.9 percent gain over August. The Index reached 56.2, the highest level since April 2011. The manufacturing sector looks strong going into



the fourth quarter. Although not a component in the Mississippi Leading Index, the ISM Nonmanufacturing activity fell substantially for September. The index remains above 50 however, indicating the industry continues to expand.

U.S. retail sales rose a very mild 0.2 percent in August. This was down from the upwardly revised 0.4 percent in July. This was the weakest growth since April. Auto sales led the modest gain. Excluding autos, retail sales grew a negligible 0.1 percent.

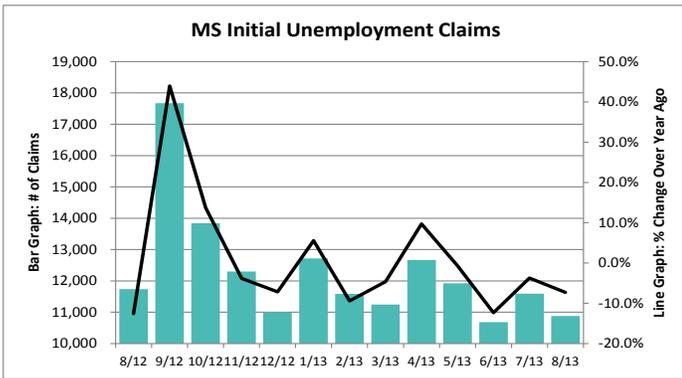
Inflation adjusted **Mississippi income tax withholdings** rose a very modest 0.2 percent in August. Withholdings in first nine months of 2013 were up 2.1 percent over the year ago. For the same period of 2012, the rate of growth was 5.8 percent.

The **Mississippi Diesel Fuel Consumption Index**¹ fell 1.6 percent in August. The series had seen negligible gains in each of the previous four months. The August decline was large and brought the series to the lowest level since October 2012.

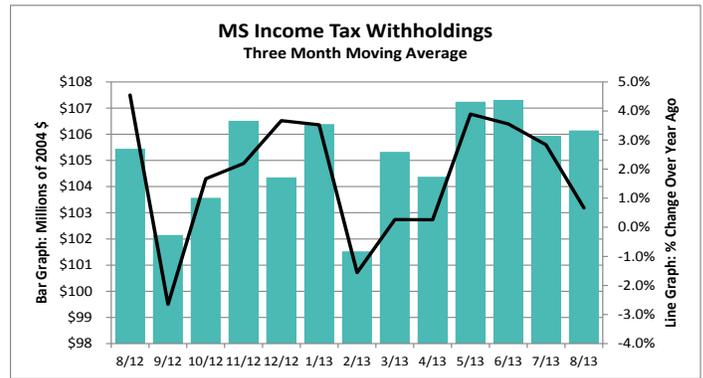
The **U.S. Index of Consumer Expectations**¹ fell a strong 4.4 percent in August to a level of 72.7. This was the second consecutive decline in the series. The August three-month moving average was the lowest since April. Expectations remain relatively high. The Optimism Index from the National Federation of Independent Businesses was unchanged for the month of August.

1. Three Month Moving Average

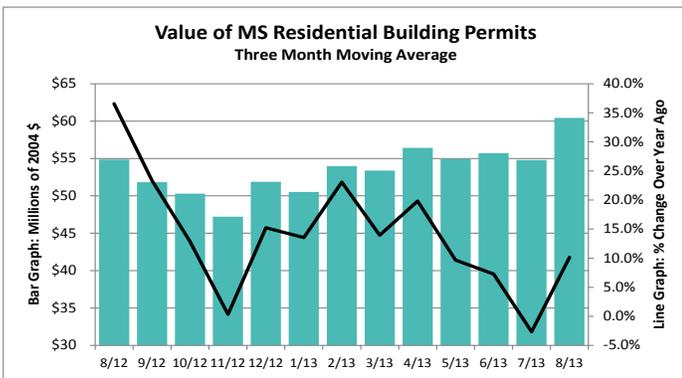
LEADING ECONOMIC INDICATORS



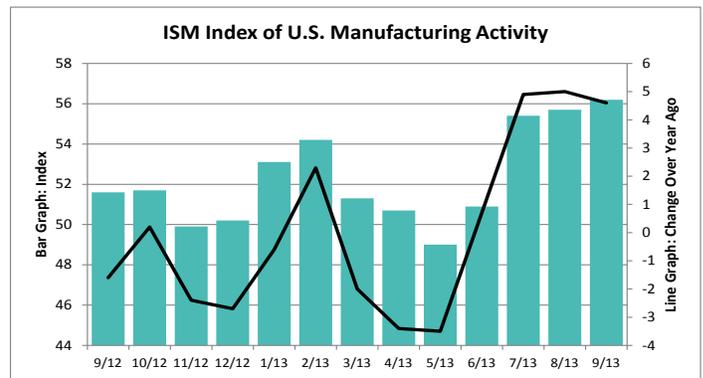
Source: Mississippi Department of Employment Security



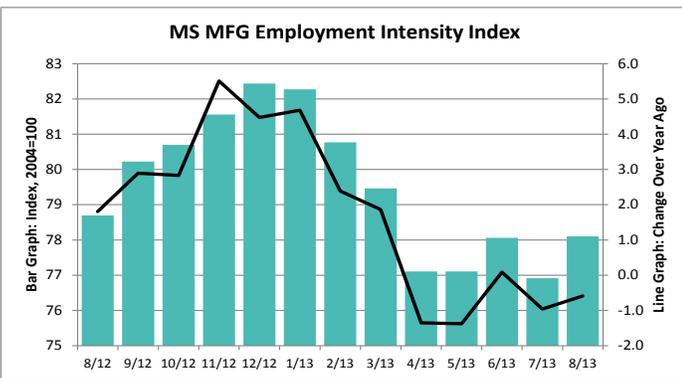
Source: Mississippi Department of Revenue



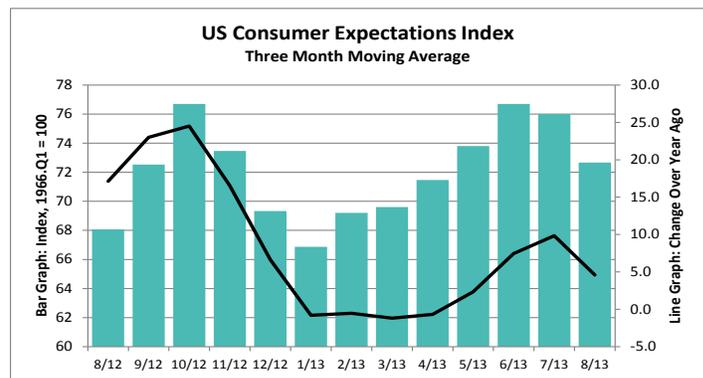
Source: Bureau of the Census



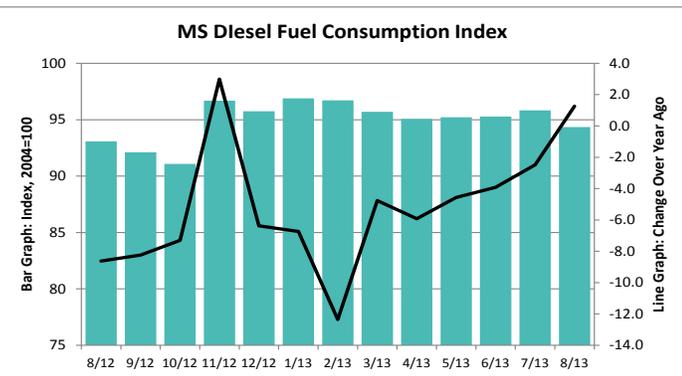
Source: Institute For Supply Management



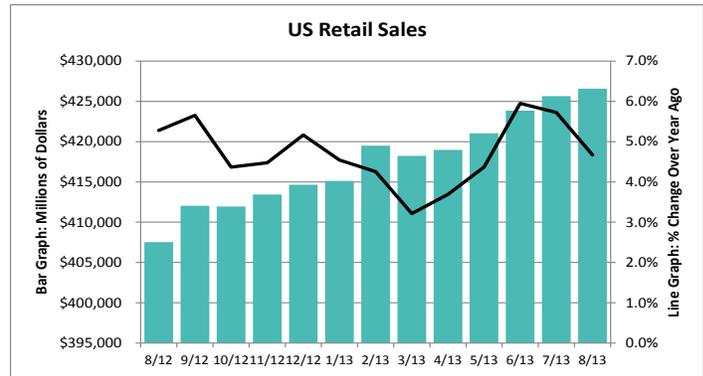
Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan



Source: URC using Data from Mississippi Department of Revenue

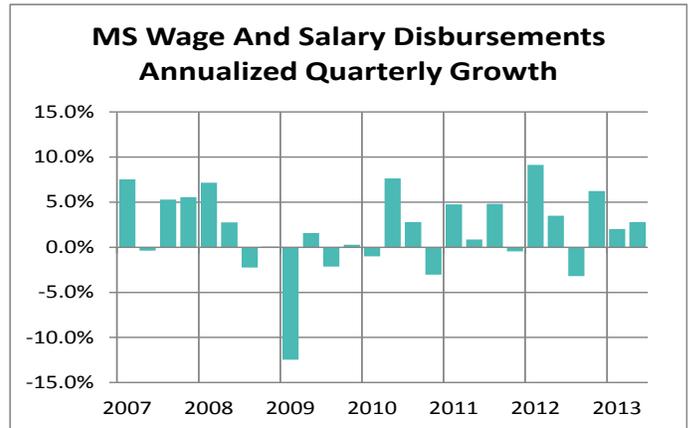
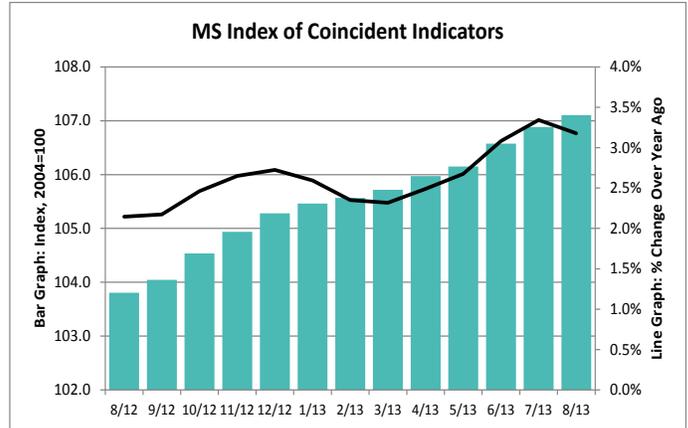


Source: Bureau of the Census

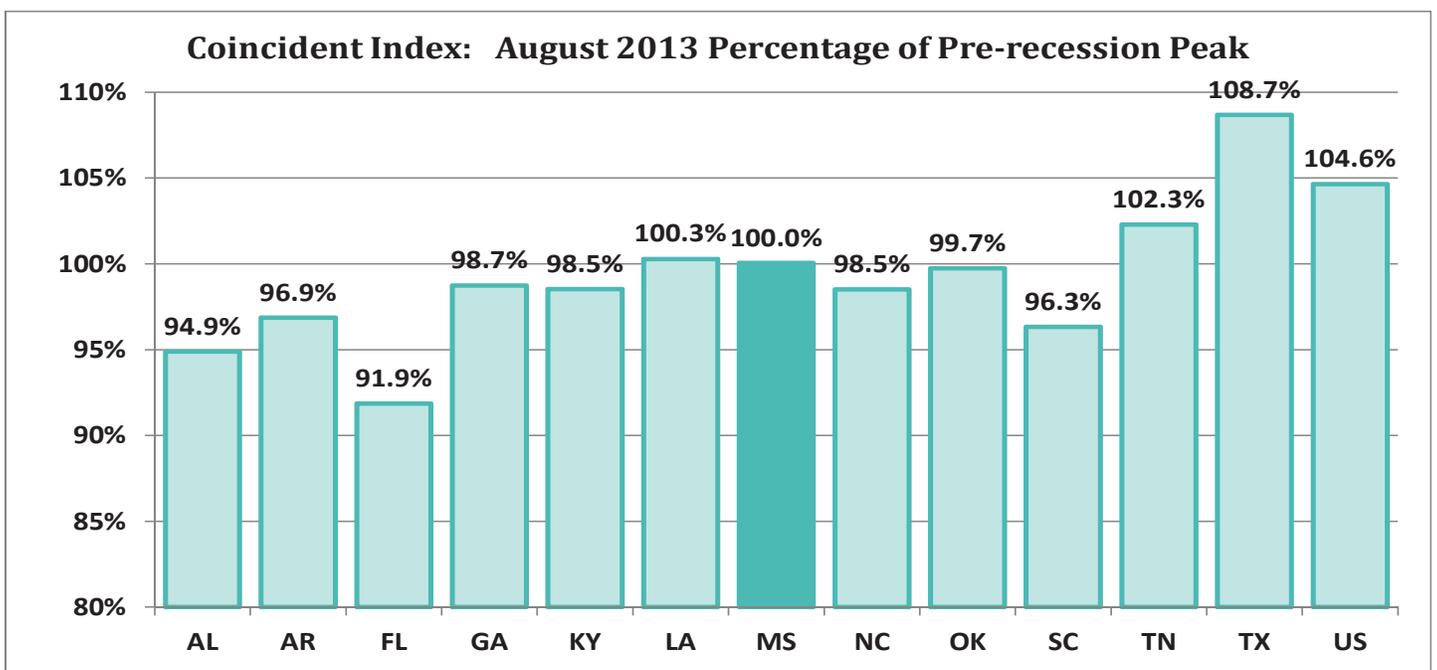
The **Mississippi Index of Coincident Indicators**, for August was 107.1, or 0.2 percent above the downwardly revised July index. The Index continues to show the state growing at a steady pace.

The Index is constructed with four components. These include manufacturing workweek length, nonfarm employment, the unemployment rate and wage and salary disbursements. This last component is released on a quarterly basis and is converted to a monthly series when new data are available. When the data are not available, the Index excludes this component. Recently, the Bureau of Economic Analysis released data for the second quarter. The wage and salary disbursement data are depicted in the graph to the right. Notice that growth remains positive, but is below that experienced in the first, second and fourth quarters of 2012. However, growth accelerated in the second quarter of 2013 relative to that of first.

The figure below shows a comparison of the August Index to the pre-recession peak for the 12 Southeastern States and the Nation. States that reach 100 percent of peak have fully recovered from the "Great Recession" at least as measured by the Coincident Index. Four southeastern states have regained their peak. Oklahoma is approaching full restoration. Florida, Alabama and South Carolina remain low relative to other states.



The map on page 5 shows the August index for each state compared to the level three months prior. Mississippi's index rose 0.9 percent. The U.S. average growth was 0.7 percent. Most of the Southeastern States are seeing relatively strong gains.



National Trends

The U.S. Index of Leading Indicators rose 0.7 percent in August. The gain was driven by improvement in the interest rate spread, the ISM new orders average work week and declining initial unemployment claims. The Coincident Index increased 0.2 percent. The Conference Board expects growth to continue through the end of the year and could moderately increase.

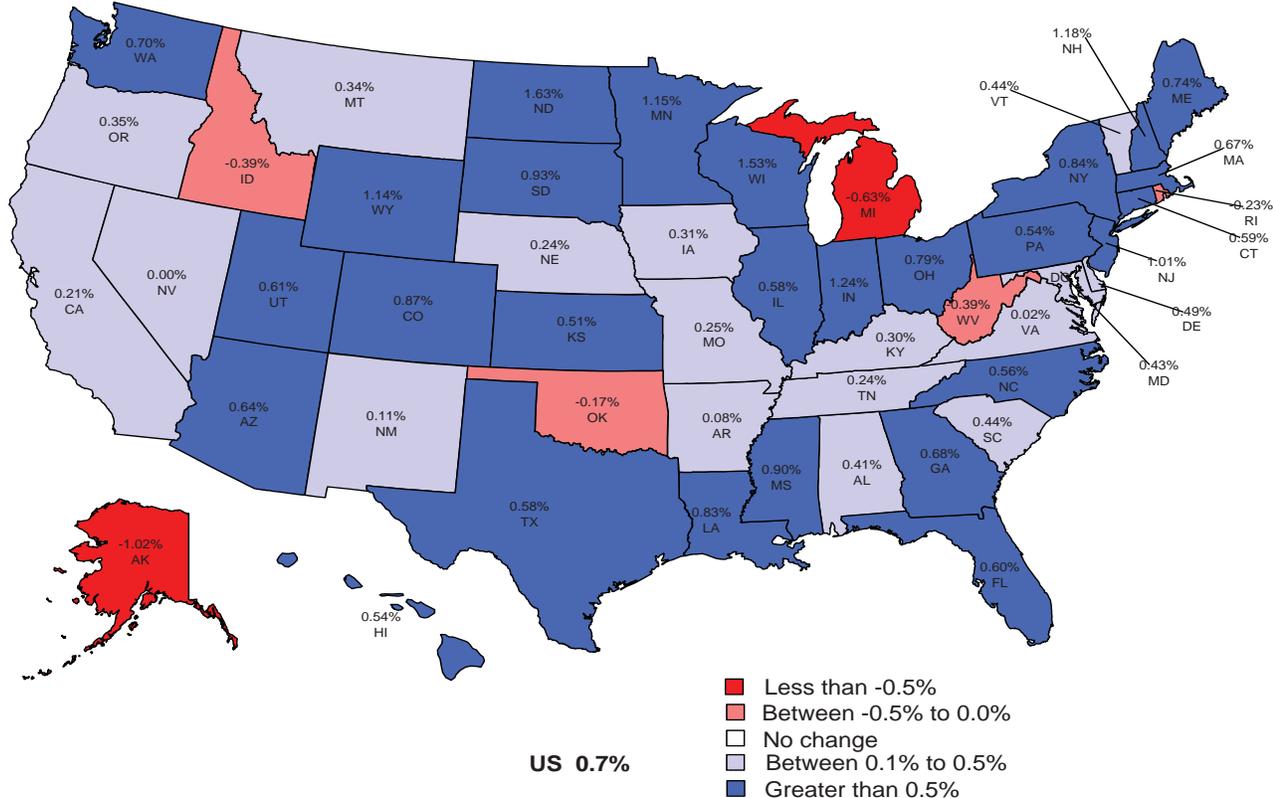
Growth remains relatively modest and it appears to have slowed in the second half the year. The Bureau of Economic Analysis estimates second quarter real GDP growth at 2.5 percent. IHS Global Insight expects the third quarter was a more modest 1.8 percent. They expect growth will slow further in the fourth quarter to 1.6 percent.

Job growth across the nation has been modest. Average monthly job gains during the first quarter were 207 thousand. For the second quarter the average fell to 182 thousand. So far, the average for the third quarter is a meager 137 thousand.

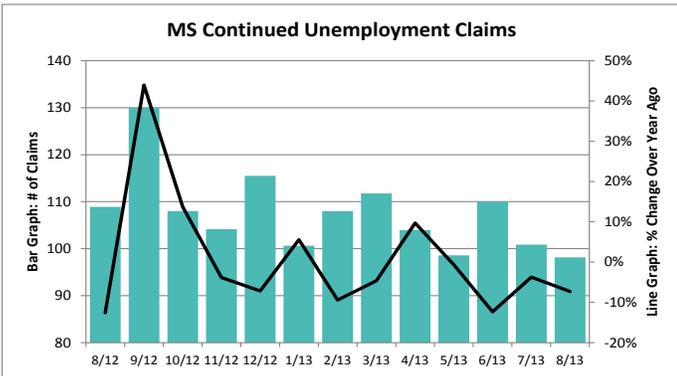
Washington has passed a temporary fix for the Federal budget woes. The federal government will be funded until January 15, 2014 at current spending levels. The sequester remains in place. The debt ceiling is suspended until February 7, 2014. While these measures avoid the immediate crisis, they do not address the long-term problems of the Federal budget. Furthermore, the Nation remains stuck in the wait and see status. From all indications both sides remain far apart regarding fiscal policy and it seems likely we will hear the same rhetoric from both sides in January. This crisis-to-crisis management of the Nation's fiscal house is not conducive to growth. Business leaders and consumers need to know the rules of the game before they will play.

With a relatively slow growing economy, and the temporary fix of the fiscal woes, the Fed tapering is probably on hold. It seems increasingly unlikely that any tapering will occur until after the new year.

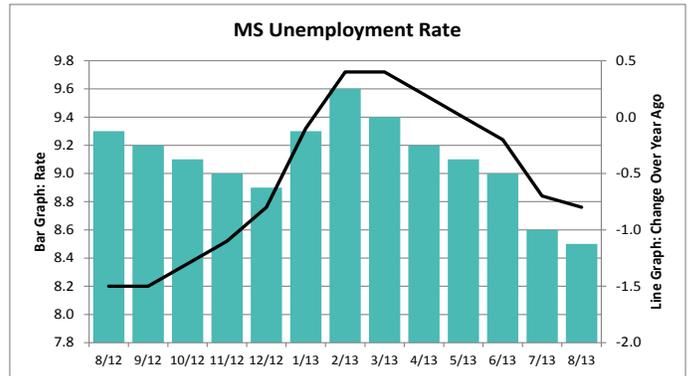
Three Month Growth in The Index of Coincident Economic Indicators, August 2013



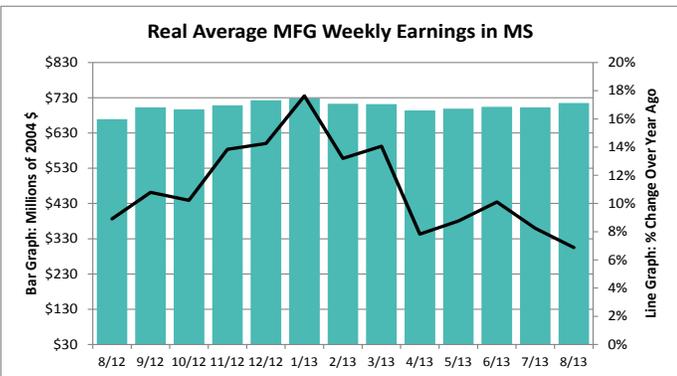
MISCELLANEOUS ECONOMIC INDICATORS



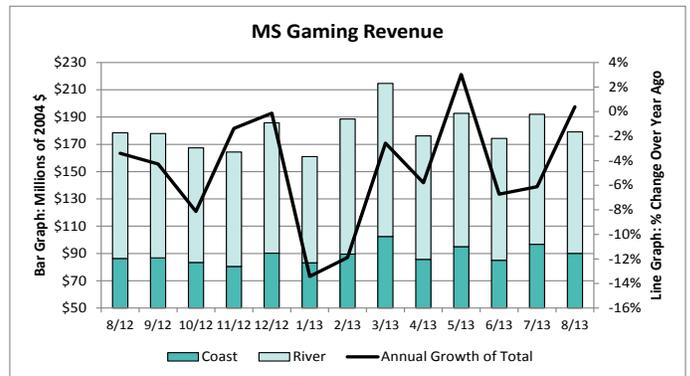
Source: Mississippi Department of Employment Security; Seasonally Adjusted



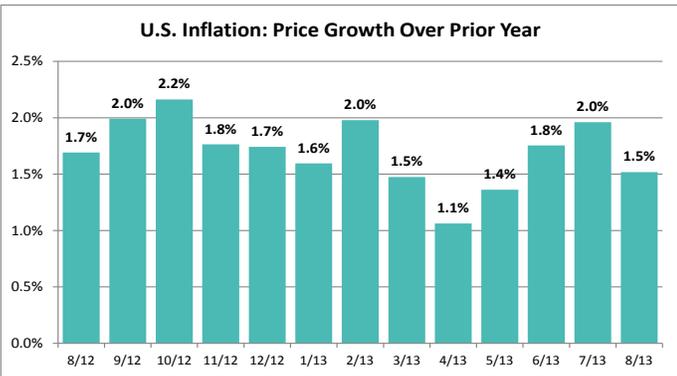
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



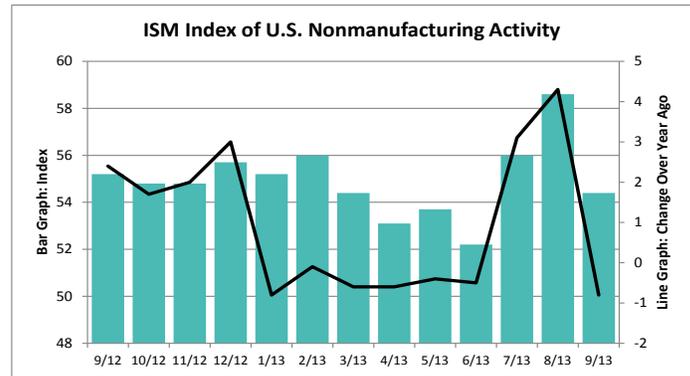
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



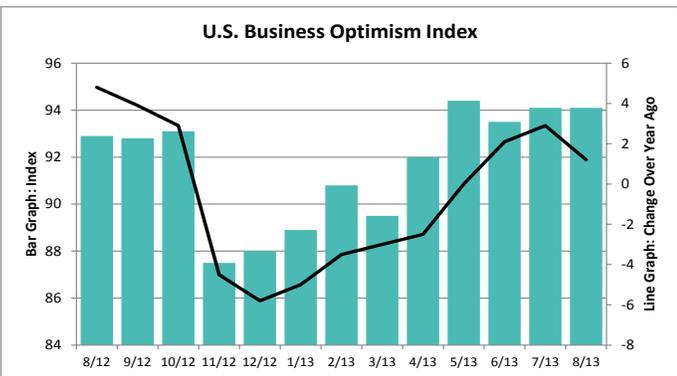
Source: MS Department of Revenue; Nonseasonally Adjusted



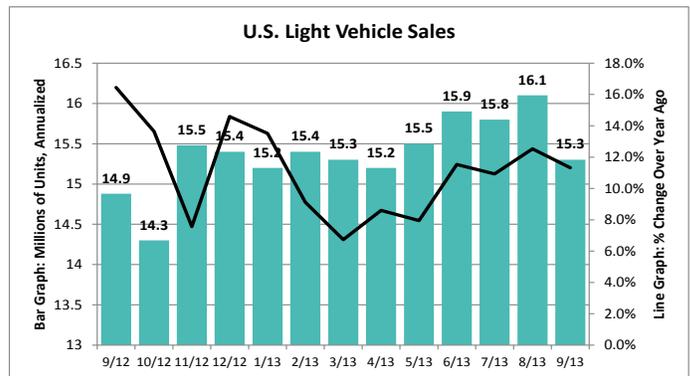
Source: U.S. Bureau of Labor Statistics



Source: Institute For Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

SELECTED ECONOMIC INDICATORS

Indicator	August 2013	July 2013	August 2012	Change from Last Mo. Last YR.	
US Index of Coincident Indicators 2004=100, Source: The Conference Board	106.3	106.1	104.1	0.2%	2.1%
MS Index of Coincident Indicators 2004=100, Source: Federal Reserve Bank of Philadelphia	107.1	106.9	103.8	0.2%	3.2%
US Index of Leading Indicators 2004=100, Source: The Conference Board	96.6	95.9	92.7	0.7%	4.2%
MS Index of Leading Indicators 2004=100, Source: University Research Center	101.7	101.1	98.1	0.6%	3.7%
MS Initial Unemployment Claims Source: Mississippi Department of Employment Security	10,883	11,596	11,739	-6.1%	-7.3%
MS Value Of Res. Building Permits 3 Mo. Moving Avg., Millions of 2004 Dollars, Source: Bureau of Census	60.4	54.8	54.9	10.3%	10.1%
MS Income Tax Withholdings 3 Mo. Moving Avg., Millions of 2004 Dollars, Source: MS Department of Revenue	106.1	105.9	105.4	0.2%	0.7%
MS MFG Emp. Intensity Index Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	78.1	76.9	78.7	1.5%	-0.8%
MS Diesel Fuel Consumption Index 3 Mo. Moving Avg. 2004=100, Source: URC using data from MS Department of Revenue	94.3	95.8	93.1	-1.6%	1.4%
US Index of Consumer Expectations 3 Mo. Moving Avg. Index 1996 q1=100, Source: University of Michigan	72.7	76.0	68.1	-4.4%	6.8%
US ISM Index of MFG Activity Advanced 1 Month, Source: Institute For Supply Management	56.2	55.7	51.6	0.9%	8.9%
US Retail Sales Millions of Dollars, Source: Bureau of Census	426,563	425,657	407,534	0.2%	4.7%
US Consumer Price Index 2004=100, Source: URC using data from Bureau of Labor Statistics	123.8	123.7	122.0	0.1%	1.5%
MS Unemployment Rate Source: Bureau of Labor Statistics	8.5%	8.6%	9.3%	-0.1%	-0.8%
MS Continued Unemp. Claims Source: Mississippi Department of Employment Security	98,171	100,862	108,877	-2.7%	-9.8%
US Mortgage Rates 30 Yr. Conventional, Source: Federal Reserve	4.5%	4.3%	3.6%	0.2%	0.9%
MS Avg. Hourly Wage for MFG 2004 Dollars, Source: Bureau of Labor Statistics	17.34	17.19	16.21	0.9%	6.9%
MS Avg. Wkly Earnings for MFG 2004 Dollars, Source: Bureau of Labor Statistics	715.00	702.92	669.01	1.7%	6.9%
Business Optimism Index 1986=100, Source: National Federation of Independent Businesses	94.1	94.1	92.9	0.0%	1.3%
Gaming Revenue	179.2	192.0	178.4	-6.7%	0.4%
Coast Counties	90.1	96.8	86.3	-7.0%	4.3%
River Counties	89.1	95.2	92.1	-6.4%	-3.3%
Nonseasonally adjusted, Millions of Dollars, Source: MS Department of Revenue					

Economic Indicators

Components of the MS Index of Leading Indicators

Miscellaneous Indicators

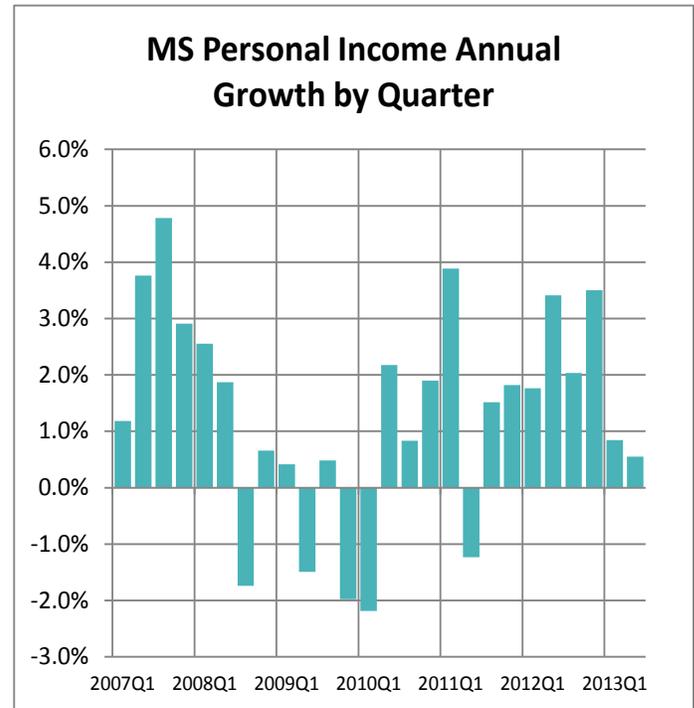
MISSISSIPPI EMPLOYMENT TRENDS

Mississippi employment fell for the second consecutive month in August. The 1,000 job decline was relatively modest but adds to the 4,100 job loss occurring in July. The August decline was concentrated in education and health services, leisure and hospitality and the government. All other sectors saw gains. Manufacturing added 600 jobs while retail trade added 1,400. (See the table below and the graphs on page 9).

Despite the declines of the past two months, employment in 2013 is up substantially ahead of the year ago. August employment was up 1.9 percent ahead of the year ago level. For the first eight months of 2013, employment was up 18,700 jobs over the same period of 2012. This is a gain of 1.7 percent. If we manage to maintain this rate of growth for the year, 2013 will have experienced the strongest job gains since 1999.

While the job gains are encouraging, we have cautioned that they likely overstate the recovery of the economy as a whole. Many of the jobs being added are part-time or temporary. Recently released income data from the Bureau of Economic Analysis shows total personal income growth slowing relative to the year ago. (See

figure below). Growth was 0.7 percent in the first six months of 2013 over the same period of 2012. This was below that of the nation which grew 1.0 percent.



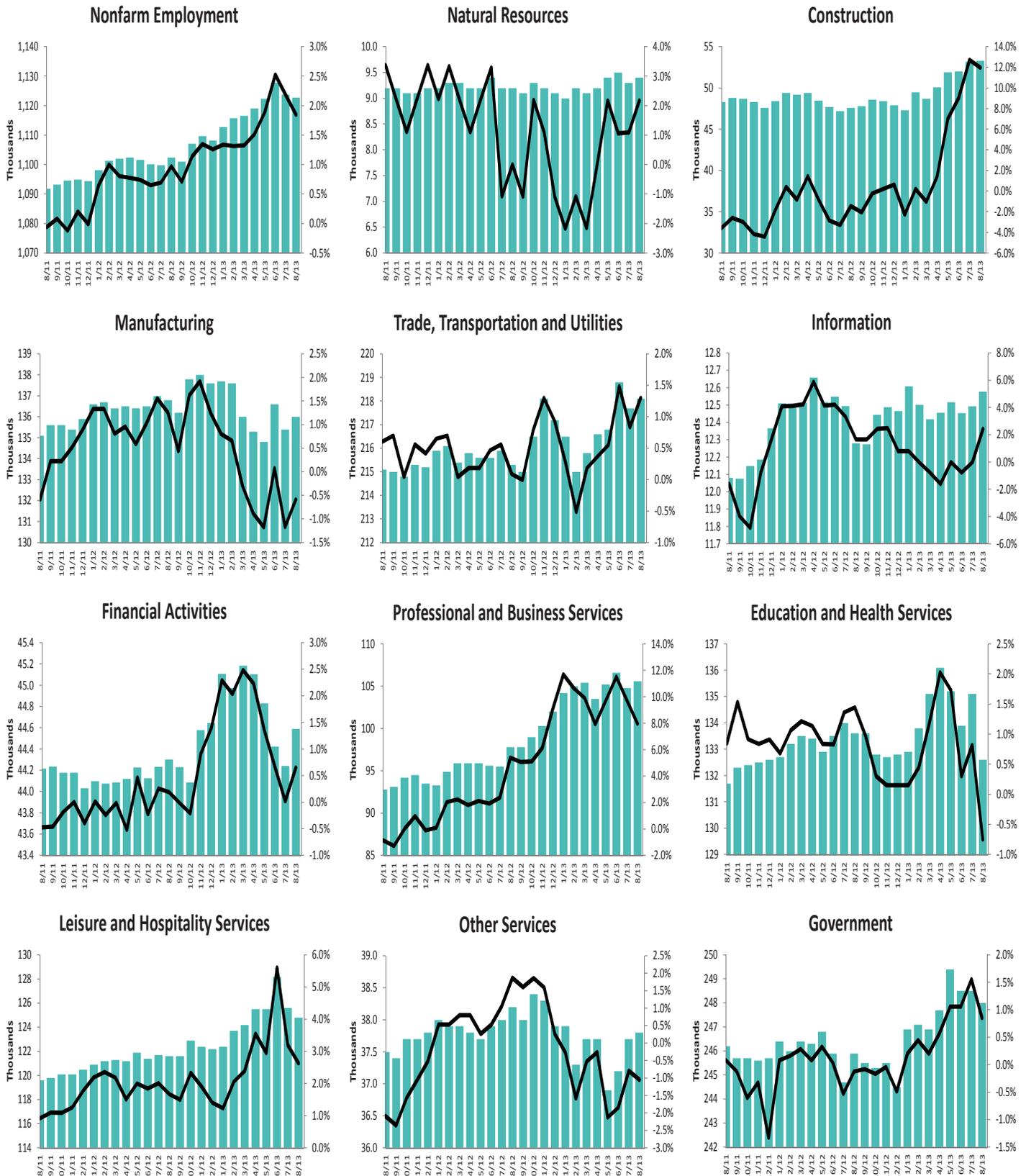
Mississippi Employment by Sector, Seasonally Adjusted

	Relative Share of Total*	August 2013	July 2013	August 2012	Change from Prior Month		Change from Prior Year	
					Level	%	Level	%
Total Nonfarm	100.0%	1,122,800	1,123,800	1,102,400	(1,000)	-0.1%	20,400	1.9%
Mining and Logging	0.8%	9,400	9,300	9,200	100	1.1%	200	2.2%
Construction	4.5%	53,300	53,200	47,600	100	0.2%	5,700	12.0%
Manufacturing	12.2%	136,000	135,400	136,800	600	0.4%	(800)	-0.6%
Trade, Transportation & Utilities	19.4%	218,100	217,700	215,300	400	0.2%	2,800	1.3%
Retail Trade	12.0%	135,300	133,900	133,000	1,400	1.0%	2,300	1.7%
Information	1.1%	12,579	12,494	12,280	85	0.7%	299	2.4%
Financial Activities	4.0%	44,590	44,241	44,301	348	0.8%	289	0.7%
Services	35.8%	400,800	403,200	391,200	(2,400)	-0.6%	9,600	2.5%
Professional & Business Serv.	9.3%	105,600	104,800	97,800	800	0.8%	7,800	8.0%
Education & Health Services	12.0%	132,600	135,100	133,600	(2,500)	-1.9%	(1,000)	-0.7%
Leisure & Hospitality	11.1%	124,800	125,600	121,600	(800)	-0.6%	3,200	2.6%
Other Services	3.4%	37,800	37,700	38,200	100	0.3%	(400)	-1.0%
Government	22.1%	248,000	248,500	245,900	(500)	-0.2%	2,100	0.9%

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

Source: U.S. Bureau of Labor Statistics

MISSISSIPPI EMPLOYMENT TRENDS



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