

ECONOMY AT A GLANCE

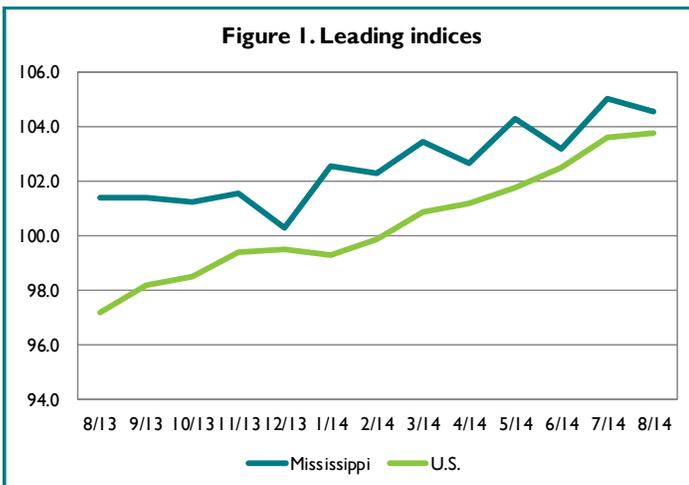
In August, the Mississippi Leading Index (MLI) edged lower by 0.5 percent as seen in Figure 1 below. As discussed on page 2, following data revisions the value of the MLI declined to 104.6 in August but remained 3.2 percent higher than one year ago.

The value of the Mississippi Coincident Index increased in August as seen in Figure 2 below, its fifth consecutive monthly increase. The Index rose 0.7 percent for the month and is 2.7 percent higher than in August 2013.

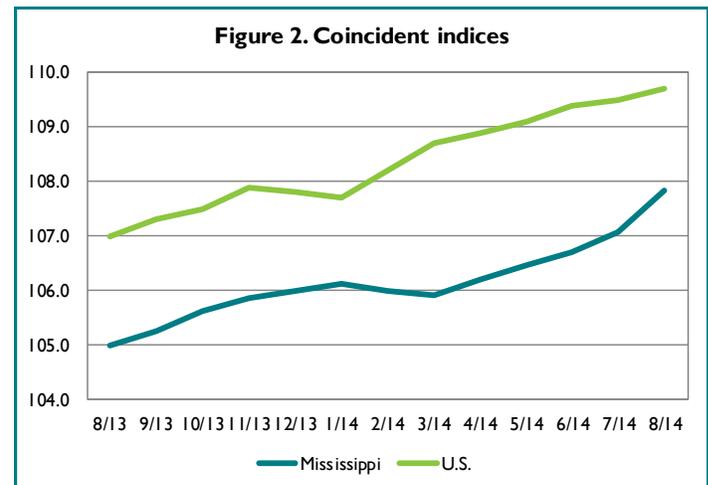
The U.S. Bureau of Economic Analysis (BEA) reported in its third and final estimate that U.S. real GDP increased 4.6 percent in the second quarter. Based on this latest estimate, the gain in the second quarter was the largest rise in real GDP since the fourth quarter of 2011. Significantly, consumer spending—the source of most U.S. economic output—was responsible for a majority of the second quarter's increase.

As the second quarter GDP number reflects, positive developments in the U.S. economy have occurred in recent weeks, particularly on the consumer side (see page 12). Unemployment claims have totaled just under 300,000 in each of the last three months and new home sales rose substantially in August. While all economic news has not been good, to be sure, the latest forecasts of annual real GDP growth in 2015 are around 3.0 percent, which would be a high since the start of the recovery. In Mississippi, the positive developments are happening at a slower pace as employment growth continues to languish. However, as the national economy improves, the state's economy—eventually—will begin to show more progress as well.

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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 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, AUGUST 2014

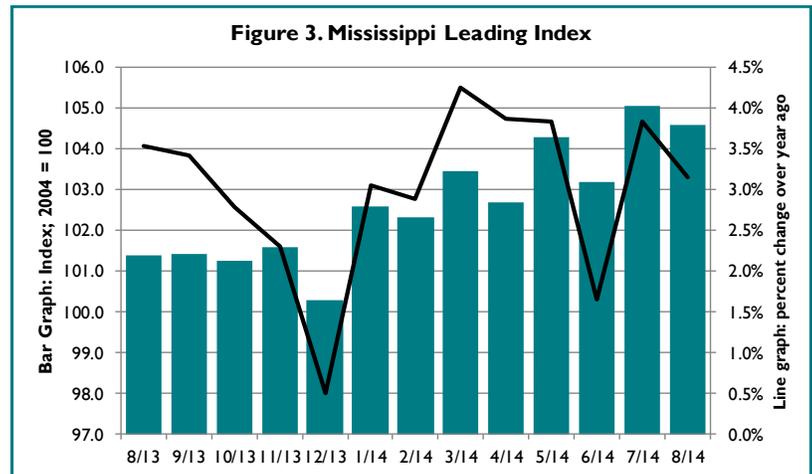
As seen in Figure 3, the **Mississippi Leading Index of Economic Indicators** fell 0.5 percent in August. The value declined to 104.6, which was 3.2 percent higher than one year ago. However, because of data revisions, the July value of the MLI now stands at 105.1, an increase of 1.8 percent and slightly more than the gain of 1.5 percent reported in last month's *Mississippi's Business*.

Five of the eight components of the index contributed positively in August. Discussion of each component appears below in order of largest to smallest contribution.

Seasonally-adjusted **initial unemployment claims** in Mississippi fell for the second consecutive month in August. Total initial claims decreased by 13.2 percent as indicated in Figure 4 and were 28.3 percent below the value of August 2013. In fact, the seasonally-adjusted number of initial claims in August was slightly above 8,000—the lowest monthly level in Mississippi in over 30 years. However, as seen in Figure 15 on page 6, seasonally-adjusted continued unemployment claims rose 6.7 percent in August compared to the previous month. Nevertheless, the number of continued claims for August remained 9.2 percent below the level of one year ago. The seasonally-adjusted unemployment rate in Mississippi declined by 0.1 percentage points in August to 7.9 percent as seen in Figure 16 on page 6.

Figure 5 indicates **U.S. retail sales** rose 0.6 percent in August, the seventh consecutive month with an increase. Furthermore, the Census Bureau revised June and July sales figures higher. About half of the August gain was due to automobile sales, but the remainder of the increase was wide-ranging. As a result of revisions, year-over-year increases in retail sales have exceeded 4.0 percent for six straight months. August sales were 4.8 percent higher than one year ago. Combined with the higher revisions to previous months, the August retail sales figure denotes solid if not spectacular growth in consumer spending throughout 2014.

The **Mississippi Diesel Fuel Consumption Index** (three-month moving average) climbed 1.9 percent in August as indicated in Figure 6. Compared to one year ago, the index was 1.5 percent higher in August. According to the U.S. Energy Information Administration, the average price of a gallon of diesel fuel in the Gulf Coast district (which includes Mississippi) was \$3.744 per gallon in August, a decline of 1.0 percent from July. This average price



has declined for four consecutive months and is 2.2 percent lower than in August 2013.

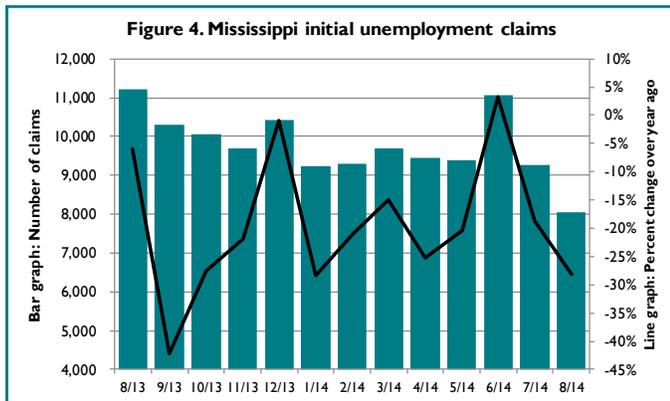
Figure 7 indicates the **Mississippi Manufacturing Employment Intensity Index** increased for the second consecutive month in August. The Index edged 0.6 percent higher and has increased in four of the last five months. A 1.0 percent increase in average weekly earnings in manufacturing in Mississippi during August more than offset the relatively small declines in manufacturing employment and the average hourly wage in manufacturing. Compared to one year ago, the Index was 3.7 percent higher.

After declining in each of the previous two months, the **University of Michigan Index of Consumer Expectations** (three-month moving average) rebounded in August as seen in Figure 8. The August value rose 0.9 percent from July and is slightly above its level of one year ago. The increase was well ahead of most analysts' expectations, and the survey indicated consumers were somewhat less concerned about inflation in August compared to earlier in the summer.

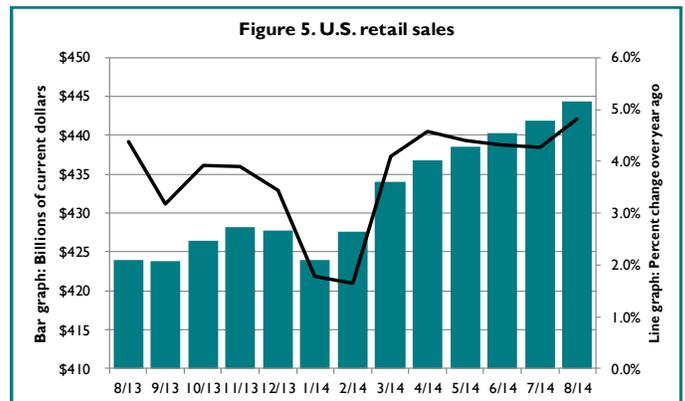
The **value of Mississippi residential building permits** (three-month moving average) fell in August as seen in Figure 9. The value declined 1.8 percent, which was not unexpected following the relatively large increase in July. Despite the decline, the value in August was 6.6 percent higher than one year ago. The seasonally-adjusted number of units for which building permits were issued (three-month moving average) in Mississippi also declined 0.5 percent in August. Nationally, the number of permits issued in August for new privately-owned housing units declined 5.6 percent from the previous month; however,

(Continued on page 4)

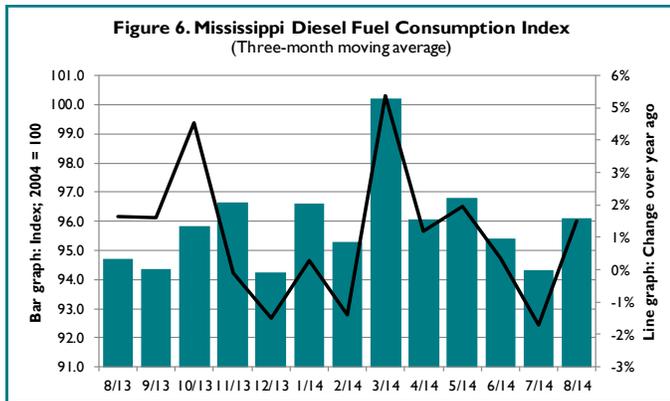
COMPONENTS OF MISSISSIPPI LEADING INDEX, IN FIGURES



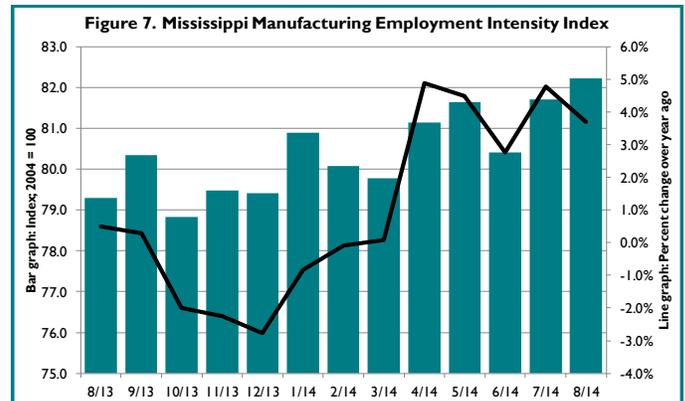
Source: U.S. Department of Labor; seasonally adjusted



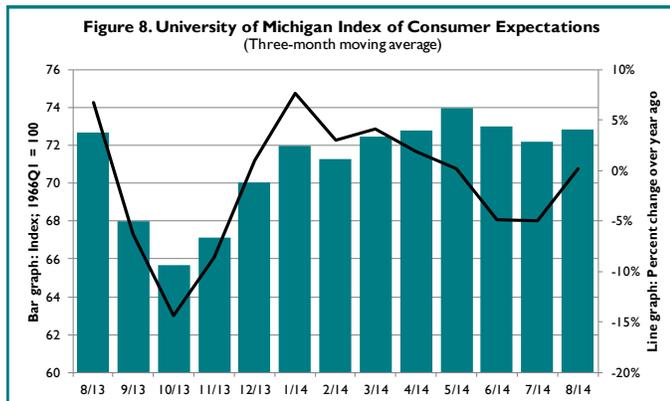
Source: Bureau of the Census



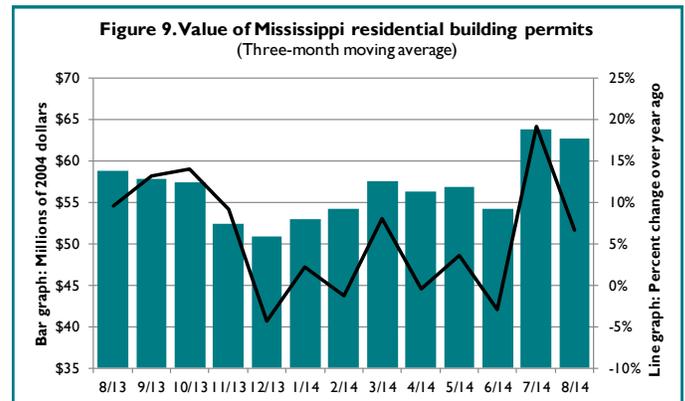
Source: URC using data from Mississippi Department of Revenue; seasonally adjusted



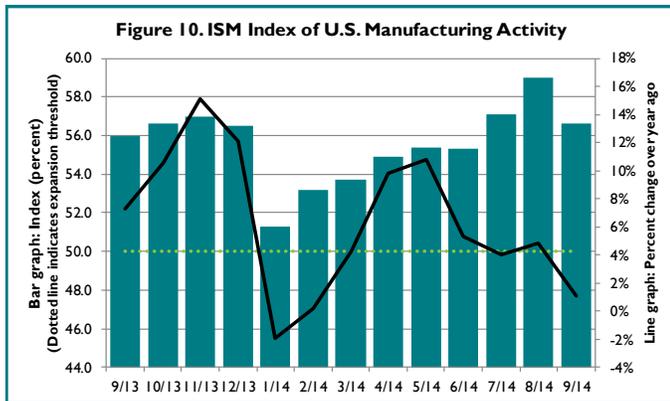
Source: URC using data from Bureau of Labor Statistics



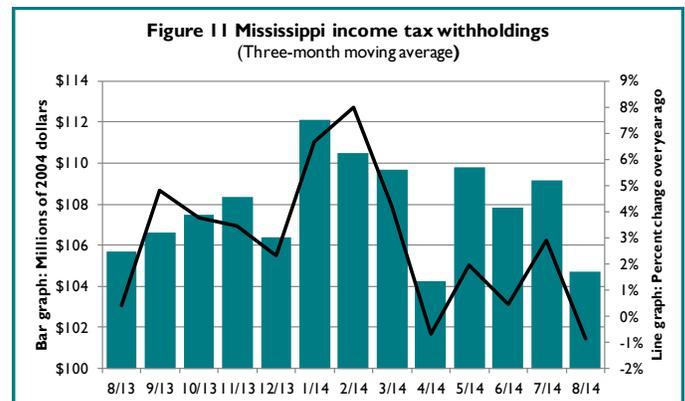
Source: Thomson Reuters/University of Michigan Surveys of Consumers



Source: Bureau of the Census; seasonally adjusted



Source: Institute for Supply Management



Source: Mississippi Department of Revenue; seasonally adjusted

MISSISSIPPI'S BUSINESS

MISSISSIPPI LEADING INDEX, AUGUST 2014 (CONTINUED)

this value was 5.3 percent higher than the August 2013 estimate.

In September, the **Institute for Supply Management Index of U.S. Manufacturing Activity** lost 4.1 percent as seen in Figure 10. The value fell from 59.0 the previous month to 56.6 and marked only the third decline in the Index in 2014. Most analysts anticipated a pullback from the August level, which was a more than three-year high, but the decline was more than expected. The drop in the New Orders component, which reached a ten-year high in August, drove much of the decline. The

Employment component also fell to its lowest level since June.

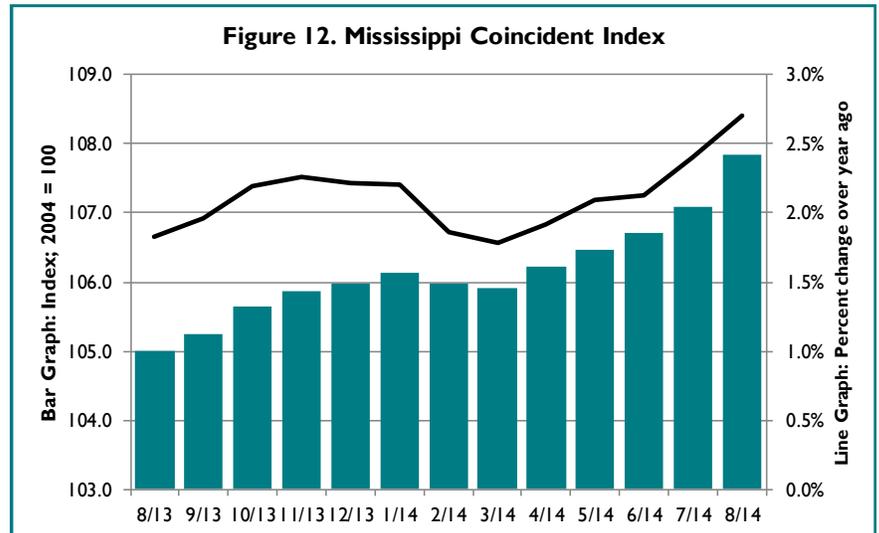
Mississippi income tax withholdings (three-month moving average) fell in August as indicated in Figure 11, the fifth decline in the first eight months of 2014. The value of withholdings decreased 4.0 percent from the previous month and dropped to its lowest level since April. Compared to one year ago, the value of withholdings in August was 0.9 percent lower. The decrease in the value of withholdings was largely responsible for the fall in the MLI in August.

MISSISSIPPI COINCIDENT INDEX, AUGUST 2014

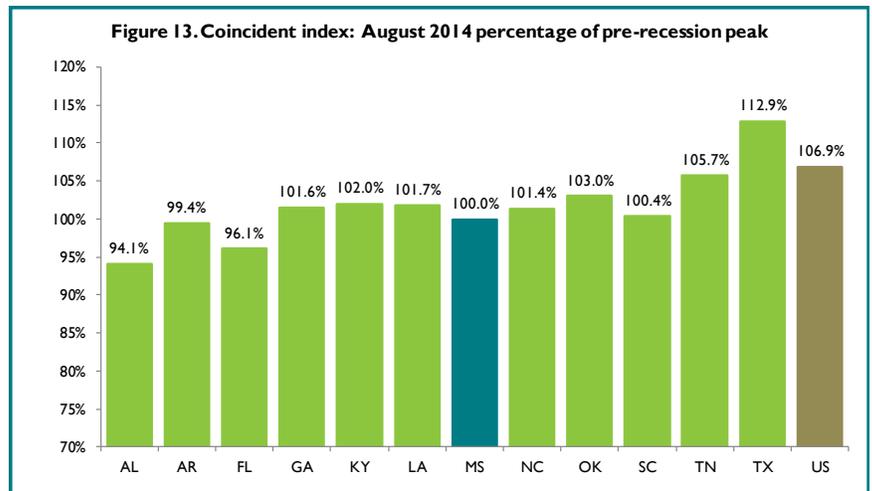
As seen in Figure 12, the **Mississippi Coincident Index of Economic Indicators** increased in value for the fifth consecutive month in August, rising 0.7 percent. The value of the index is 2.7 percent higher than in August 2013.

Figure 13 indicates the value of the Mississippi Coincident Index equaled exactly 100.0 percent of its pre-recession peak in August, down slightly compared to July. For the third consecutive month, three states in the region were not fully recovered as measured by their respective coincident indices: Alabama, Arkansas, and Florida. In contrast to the other southeastern states and the nation as a whole, the values of the indices for Alabama and Florida remain considerably below their respective pre-recession peaks. The value of the coincident index for Arkansas remains slightly below 100 percent. The value of the index for Texas, on the other hand, was about 13 percent above its pre-recession peak in August.

In August the values of the coincident indices increased in 45 states compared to three months prior, as Figure 14 on page 5 indicates. South Carolina was the only state in the Southeast with an index that decreased in August compared to May. Among the other states in the region, five had indices that increased more than 0.5 percent and five had indices that rose less than 0.5 percent, including Mississippi. The state's index rose 0.15 percent relative to three months ago.



Source: Federal Reserve Bank of Philadelphia



Source: Federal Reserve Bank of Philadelphia

NATIONAL TRENDS

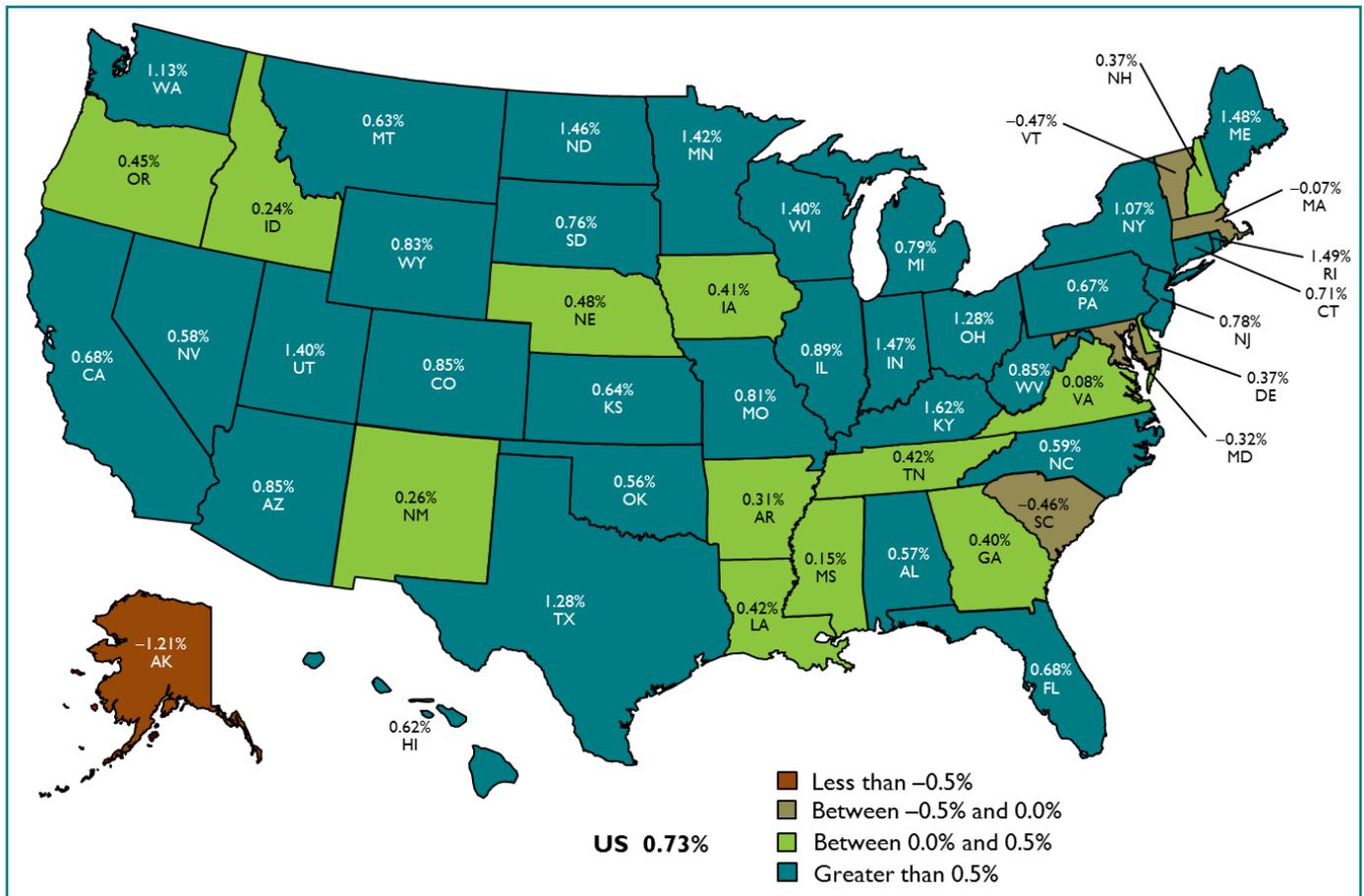
The Conference Board reported its U.S. Leading Economic Index (LEI) gained 0.2 percent in August, the seventh consecutive month with an increase. Only three of the ten indicators that make up the LEI increased in August, but these gains more than offset the declines in other components. The largest contributors in August were the interest rate spread and the ISM New Orders Index. Over the past six months, the LEI has increased 3.9 percent, less than the 4.3 percent increase of the previous six months.

The U.S. Coincident Economic Index (CEI) reported by The Conference Board also rose 0.2 percent in July, which is its seventh consecutive monthly increase. Three of the four components of the CEI increased in August, with industrial production the only negative contributor. Following revisions the CEI increased 0.1 percent in July and in June increased 0.3 percent. Over the last six months the Index is up 1.4 percent, down slightly from the 1.7 percent increase of the previous six months.

For the second month in a row, the National Federation of Independent Businesses (NFIB) Small Business Optimism Index increased in August, rising 0.4 percent. The slight increase placed the August value as the second-highest level since October 2007. Respondents reported a slight rise in employment in August, the eleventh consecutive month with an increase. However, in total the index lacked momentum, indicating small business owners remain cautious about world geopolitical risks to the U.S. economy.

In September, the Federal Reserve essentially affirmed it will not raise interest rates “for a considerable time.” Most analysts believe this language translates to a rate hike in mid-2015; had the Fed removed the phrase “for a considerable time” from its statement, some observers thought it might signal a rate increase as soon as March 2015. However, with a decline in inflation and a uninspiring jobs report in August, apparently the Federal Reserve does not as yet believe a course change is necessary.

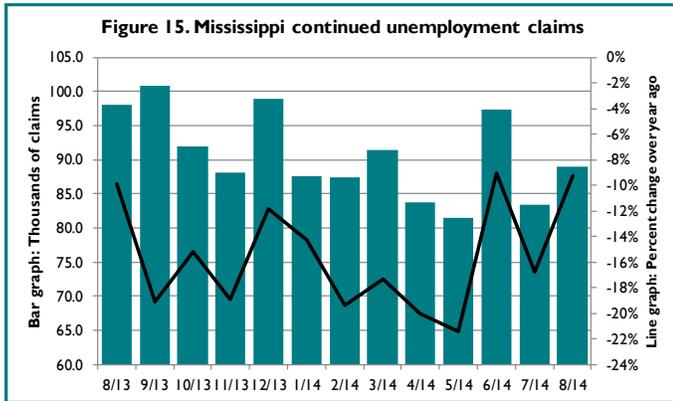
Figure 14. Three-month growth in the coincident index of economic indicators by state, August 2014



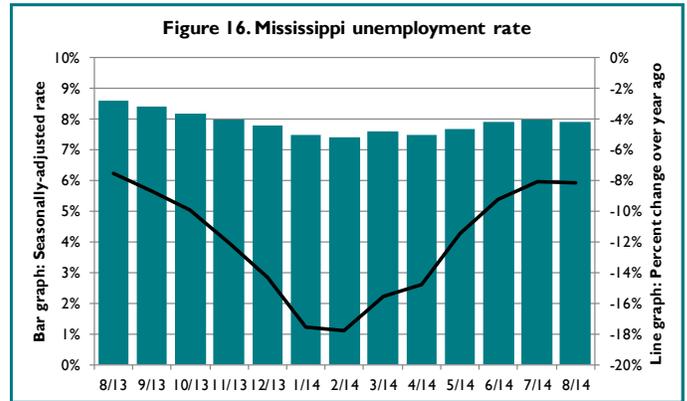
Source: Federal Reserve Bank of Philadelphia

MISSISSIPPI'S BUSINESS

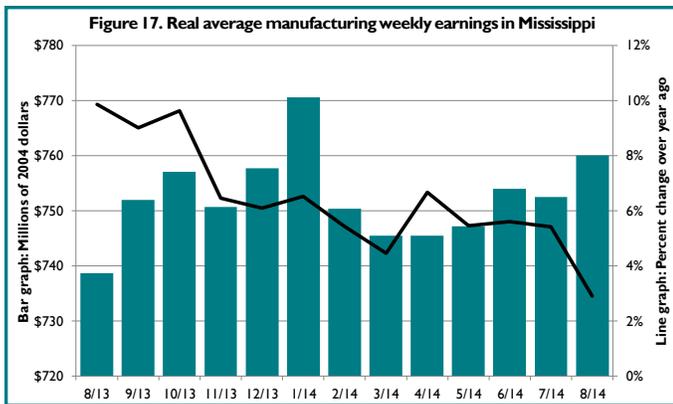
MISCELLANEOUS ECONOMIC INDICATORS, IN FIGURES



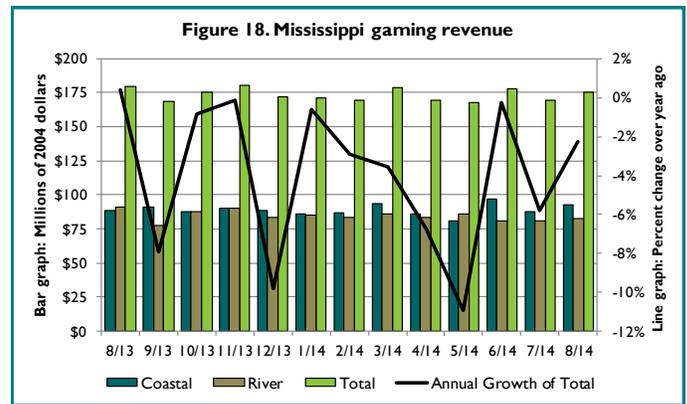
Source: U.S. Department of Labor; seasonally adjusted



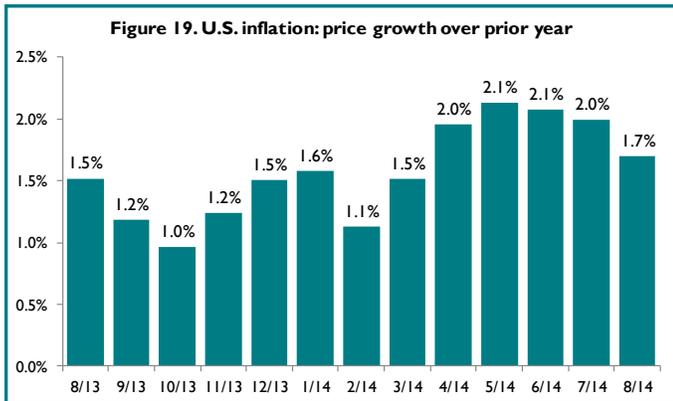
Source: U.S. Bureau of Labor Statistics; seasonally adjusted



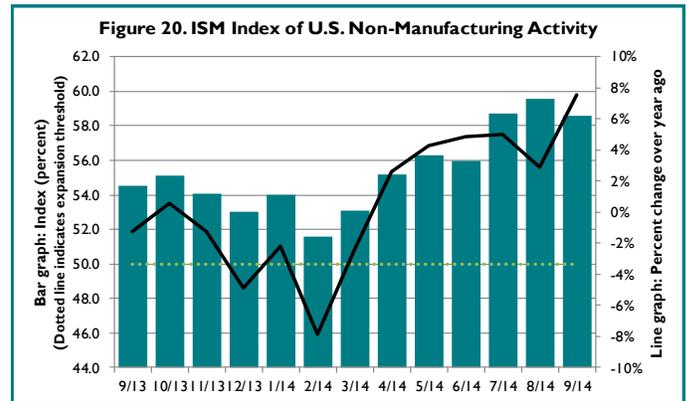
Source: U.S. Bureau of Labor Statistics; non-seasonally adjusted



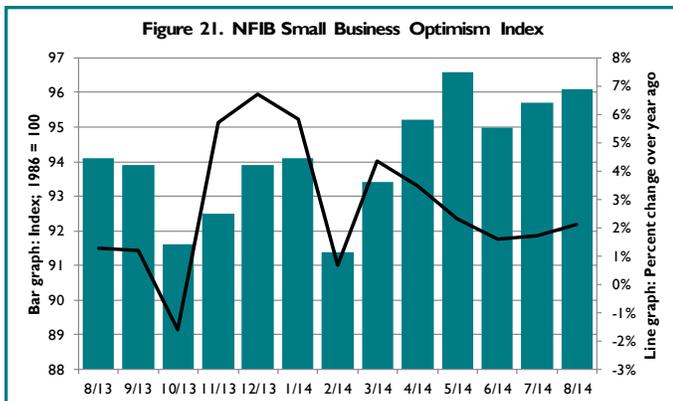
Source: Mississippi Department of Revenue; seasonally adjusted



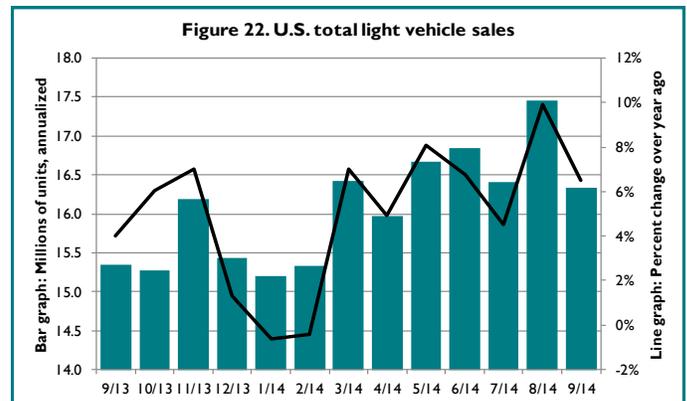
Source: U.S. Bureau of Labor Statistics



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	August	July	August	Percent change from		
	2014	2014	2013	July 2014	August 2013	
U.S. Leading Economic Index 2004 = 100. Source: The Conference Board	103.8	103.6	97.2	+0.2%	+6.8%	Economic Indices
U.S. Coincident Economic Index 2004 = 100. Source: The Conference Board	109.7	109.5	107.0	+0.2%	+2.5%	
Mississippi Leading Index 2004 = 100. Source: University Research Center	104.6	105.1	101.4	-0.5%	+3.2%	
Mississippi Coincident Index 2004 = 100. Source: Federal Reserve Bank of Philadelphia	107.8	107.1	105.0	+0.7%	+2.7%	
Mississippi initial unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	8,051	9,274	11,224	-13.2%	-28.3%	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	62.7	63.9	58.8	-1.8%	+6.6%	
Mississippi income tax withholdings Three-month moving average; seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	104.7	109.1	105.7	-4.0%	-0.9%	
Mississippi Manufacturing Employment Intensity Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	82.2	81.7	79.3	+0.6%	+3.7%	
Mississippi Diesel Fuel Consumption Index Three-month moving average; 2004 = 100. Source: URC using data from Mississippi Department of Revenue	96.1	94.3	94.7	+1.9%	+1.5%	
University of Michigan Index of Consumer Expectations Three-month moving average; index 1966Q1 = 100. Source: Thomson Reuters/University of Michigan Surveys of Consumers	72.8	72.2	72.7	+0.9%	+0.2%	
ISM Index of U.S. Manufacturing Activity Advanced one month. Source: Institute For Supply Management	56.6	59.0	56.0	-4.1%	+1.1%	
U.S. retail sales Current dollars, in billions. Source: Bureau of the Census	444.4	441.8	423.9	+0.6%	+4.8%	
U.S. Consumer Price Index 2004 = 100. Source: URC using data from Bureau of Labor Statistics	125.9	126.1	123.8	-0.2%	+1.7%	
Mississippi unemployment rate Seasonally-adjusted. Source: Bureau of Labor Statistics	7.9%	8.0%	8.6%	-1.3%	-8.1%	
Mississippi continued unemployment claims Seasonally adjusted. Source: U.S. Department of Labor	88,980	83,418	97,987	+6.7%	-9.2%	Miscellaneous Indicators
ISM Index of U.S. Non-Manufacturing Activity Advanced one month. Source: Institute For Supply Management	58.6	59.6	54.5	-1.7%	+7.5%	
U.S. mortgage rates Seasonally adjusted; 30-year conventional. Source: U.S. Federal Reserve	3.99%	4.02%	4.35%	-0.7%	-8.2%	
Mississippi average hourly wage for manufacturing Seasonally adjusted; 2004 dollars. Source: Bureau of Labor Statistics	18.00	18.06	17.58	-0.3%	+2.4%	
Mississippi average weekly earnings for manufacturing Seasonally adjusted; 2004 dollars. Source: Bureau of Labor Statistics	760.10	752.48	738.70	+1.0%	+2.9%	
NFIB Small Business Optimism Index 1986 = 100. Source: National Federation of Independent Businesses	96.1	95.7	94.1	+0.4%	+2.1%	
U.S. total light vehicle sales Millions of units seasonally adjusted at annual rates. Source: Bureau of Economic Analysis	16.34	17.45	15.34	-6.4%	+6.5%	
Gaming revenue	175.7	169.1	179.8	+3.9%	-2.3%	
Coastal counties	93.2	88.1	88.7	+5.8%	+5.1%	
River counties Seasonally adjusted; millions of 2004 dollars. Source: Mississippi Department of Revenue	82.6	81.1	91.1	+1.9%	-9.4%	

MISSISSIPPI'S BUSINESS

MISSISSIPPI EMPLOYMENT TRENDS

According to the U.S. Bureau of Labor Statistics (BLS), total nonfarm employment in Mississippi declined 0.4 percent in August. The decrease represents 4,600 jobs lost in August, the most in a single month since April 2009. As a result of the August decline, the state has lost 3,000 jobs through the first eight months of 2014.

Job losses in August were widespread across sectors in Mississippi as indicated in Table 2 below. In fact, the only two sectors that added jobs in August were Government and Mining and Logging. Most of the jobs added in Government were at the local level. The largest absolute change by industry took place in Education and Health Services, which lost 1,500 jobs, a decrease of 1.1 percent.

The largest percentage change by industry in August occurred in Construction, which declined by 2.4 percent or 1,200 jobs. Mississippi's Construction industry has lost 4,800 jobs so far in 2014. The number of people in the state employed in Construction in August was the lowest for the sector since December 2012.

The declines in employment in service industries in Mississippi were considerable in August. In addition to the 1,500 jobs lost in Education and Health Services mentioned

above, Professional and Business Services lost 1,000 jobs, or 1.0 percent. Leisure and Hospitality shed 500 jobs or 0.4 percent in August, its second consecutive month of job losses.

Despite the declines in August, most industries in the state employ more people compared to a year ago. Mining and Logging employment is up 6.6 percent while Manufacturing employment remains 3.2 percent higher than in August 2013. Education and Health Services employs 1.8 percent more workers than a year ago, the August decline notwithstanding. Government continues to add workers slowly and is up 1.0 percent over the last twelve months.

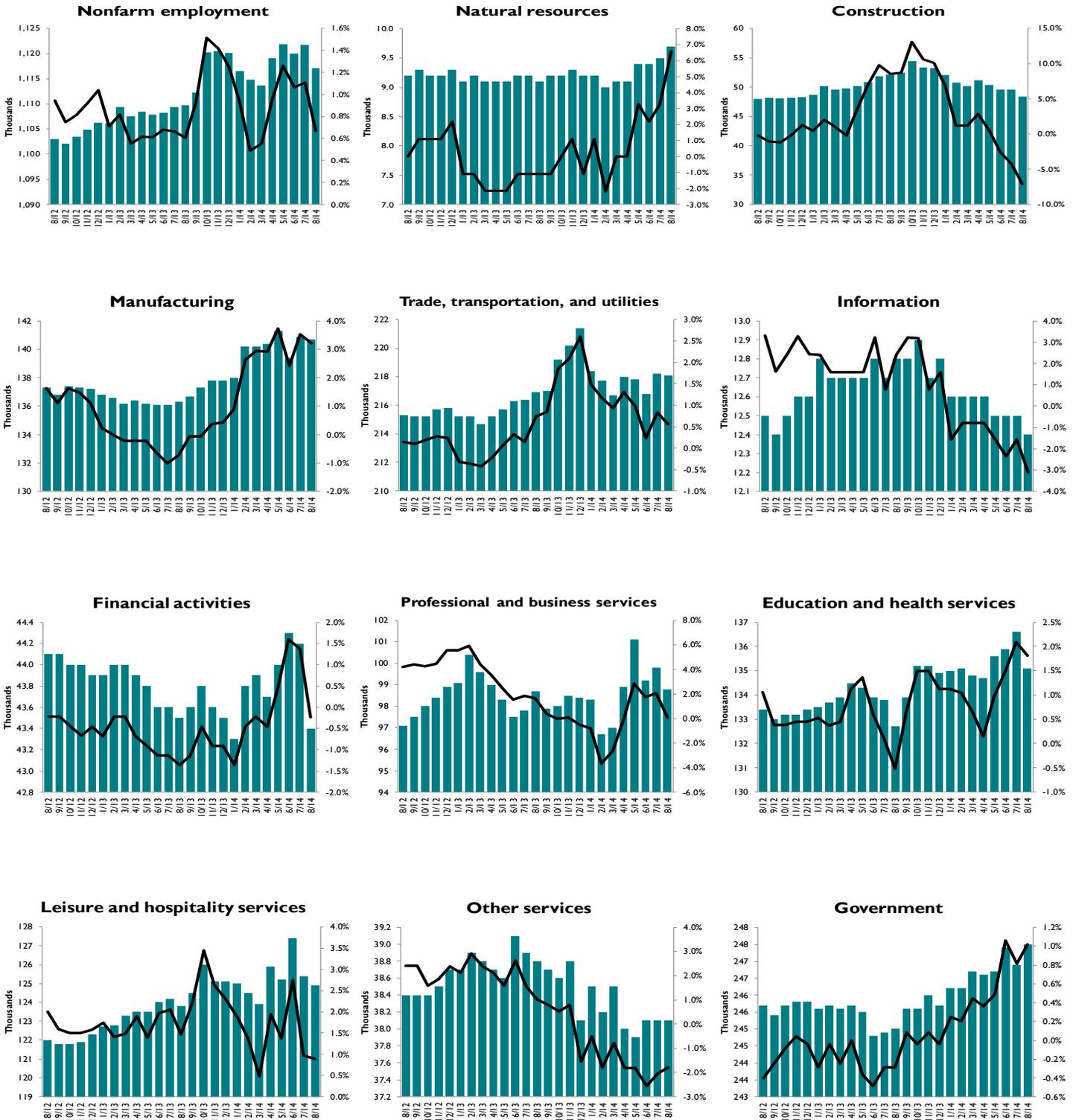
Mississippi was one of fifteen states to lose jobs in August, while thirty-five states reported increases to payrolls. Mississippi's economy has struggled to maintain job gains as over the last nine months the state has followed increases with almost offsetting decreases. While some industries in the state are adding jobs, few are doing so consistently and other sectors continue to shed positions. The recent spate of relatively positive economic news has yet to impact employment in the state, and with four months remaining job growth for 2014 in Mississippi appears flat at best.

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

	Relative share of total ^a	August 2014	July 2014	August 2013	Change from July 2014 Level	Change from July 2014 Percent	Change from August 2013 Level	Change from August 2013 Percent
Total Nonfarm	100.0%	1,117,100	1,121,700	1,109,700	(4,600)	-0.41%	7,400	+0.7%
Mining and Logging	0.8%	9,700	9,500	9,100	200	+2.1%	600	+6.6%
Construction	4.6%	48,400	49,600	52,100	(1,200)	-2.4%	(3,700)	-7.1%
Manufacturing	12.5%	140,700	140,900	136,300	(200)	-0.1%	4,400	+3.2%
Trade, Transportation, & Utilities	19.5%	218,100	218,200	216,900	(100)	0.0%	1,200	+0.6%
Retail Trade	12.0%	132,600	133,200	134,000	(600)	-0.5%	(1,400)	-1.0%
Information	1.1%	12,400	12,500	12,800	(100)	-0.8%	(400)	-3.1%
Financial Activities	3.9%	43,400	44,200	43,500	(800)	-1.8%	(100)	-0.2%
Services	35.5%	396,900	399,900	394,000	(3,000)	-0.8%	2,900	+0.7%
Professional & Business Services	8.8%	98,800	99,800	98,700	(1,000)	-1.0%	100	+0.1%
Education & Health Services	12.1%	135,100	136,600	132,700	(1,500)	-1.1%	2,400	+1.8%
Leisure & Hospitality	11.2%	124,900	125,400	123,800	(500)	-0.4%	1,100	+0.9%
Other Services	3.4%	38,100	38,100	38,800	-	0.0%	(700)	-1.8%
Government	22.0%	247,500	246,900	245,000	600	0.2%	+2,500	+1.0%

^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

GDP BY METROPOLITAN AREA

In September, the U.S. Bureau of Economic Analysis (BEA) released its advanced estimates of GDP for metropolitan statistical areas (MSAs) in the U.S. for 2013. MSAs are county-based measures defined by the Office of Management and Budget that contain “a core urban area of 50,000 or more population.” According to BEA, real GDP increased in 292 of 381 MSAs in 2013. The increase in real GDP across all U.S. metropolitan areas in 2013 was 1.7 percent, down from the increase of 2.6 percent in 2012. The primary drivers of the increase in GDP in 2013 included the finance, insurance, real estate, rental, and leasing sector; non-durable goods manufacturing, and professional and business services.

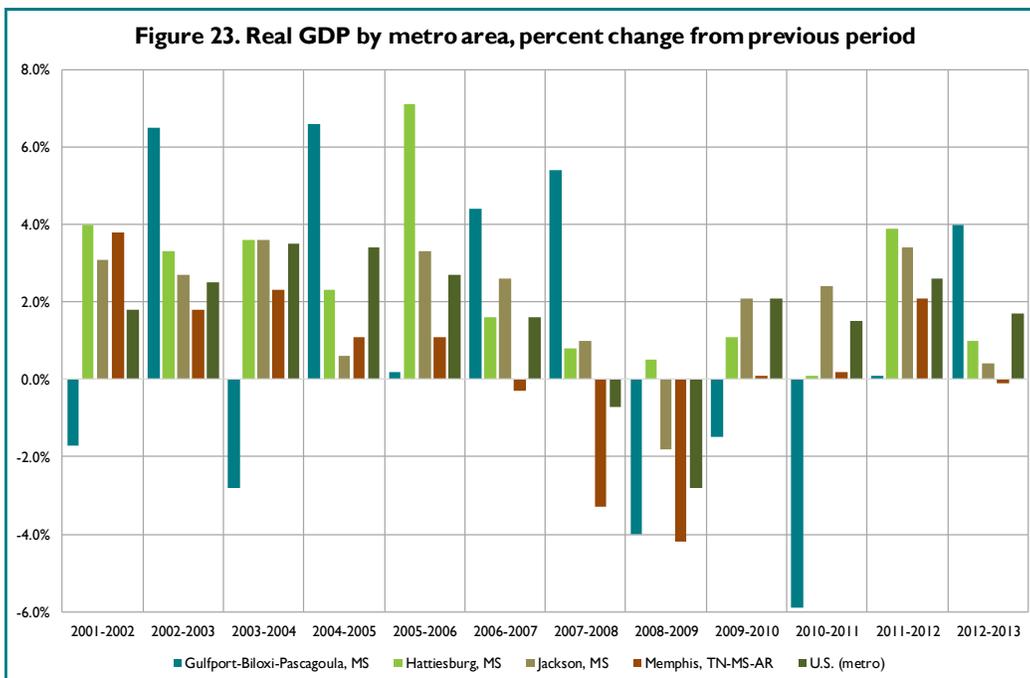
Mississippi contains four MSAs and BEA reported real GDP increased in all four. The largest increase occurred in the Gulfport-Biloxi-Pascagoula MSA, where real GDP rose 4.0 percent in 2013. This increase ranked 53rd among all MSAs. Figure 26 depicts the annual change in real GDP for the MSAs in Mississippi since 2001. These data reveal a number of observations. First, real GDP in the Gulfport-Biloxi-Pascagoula MSA appears rather volatile, as relatively large swings in GDP growth occurred from year to year and often did not follow the other MSAs in the state. Second, real GDP in the Hattiesburg MSA appears particularly robust, as it was the only MSA in the state where GDP did not decrease during the period—despite two recessions and the effects of Hurricane

Katrina. Third, the economies of the MSAs in Mississippi as well as metropolitan areas in the U.S. as a whole continue to recover from the effects of the Great Recession. For example, real GDP from 2012 to 2013 in the Memphis MSA—which includes several counties in Mississippi—contracted 0.1 percent.

The sources of real GDP growth also vary considerably across the MSAs in the state. For example, in the Gulfport-Biloxi-Pascagoula MSA, the largest contributors to the increase in real GDP from 2012 to 2013 were the manufacturing (durable and non-durable combined) and construction sectors. In the Hattiesburg MSA, the trade and the transportation and utilities sectors were the primary sources of the 1.0 percent growth in real GDP in 2012-13. Professional and business services and trade were the largest contributors to the 0.4 percent increase in real GDP in the Jackson MSA. As these data indicate, different sectors drive the local economies in Mississippi's urban areas. Similarly, different industries also reduced real GDP growth from 2012 to 2013 in these areas. In the Jackson MSA, the natural resources and mining sector reduced real GDP by 0.82 percent. The finance, insurance, real estate, rental, and leasing industry reduced GDP in the Memphis MSA by 0.44 percent. While growth in the Hattiesburg MSA was generally widespread, the natural resources and mining sector contributed -0.23 percent to real GDP growth. Finally, in the Gulfport-Biloxi-

Pascagoula MSA, government reduced real GDP by 0.65 percent from 2012 to 2013. Interestingly, government—the sector that employs the most Mississippians—contributed negatively to real GDP growth in all four MSAs in the state from 2012 to 2013.

In sum, the data from BEA indicate that the economies of Mississippi's most populated areas continue to slowly recover from the Great Recession. Moreover, each has substantial room to grow once the fiscal drag resulting from reductions in government expenditures dissipates.



Source: U.S. Bureau of Economic Analysis

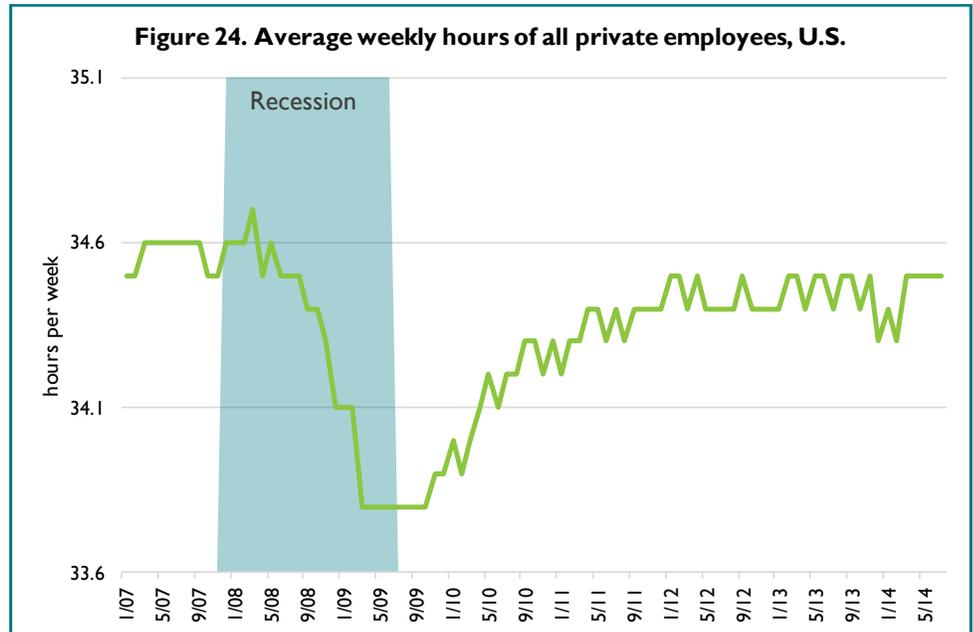
AVERAGE WEEKLY HOURS

One of the measures economists use to assess the state of the labor market is average weekly hours worked. Generally, hours worked will increase before employment increases as firms utilize existing employees more before hiring additional workers. In turn, wages generally do not increase as long as slack remains in the labor market—firms must increase wages in order to hire more workers or to retain current employees.

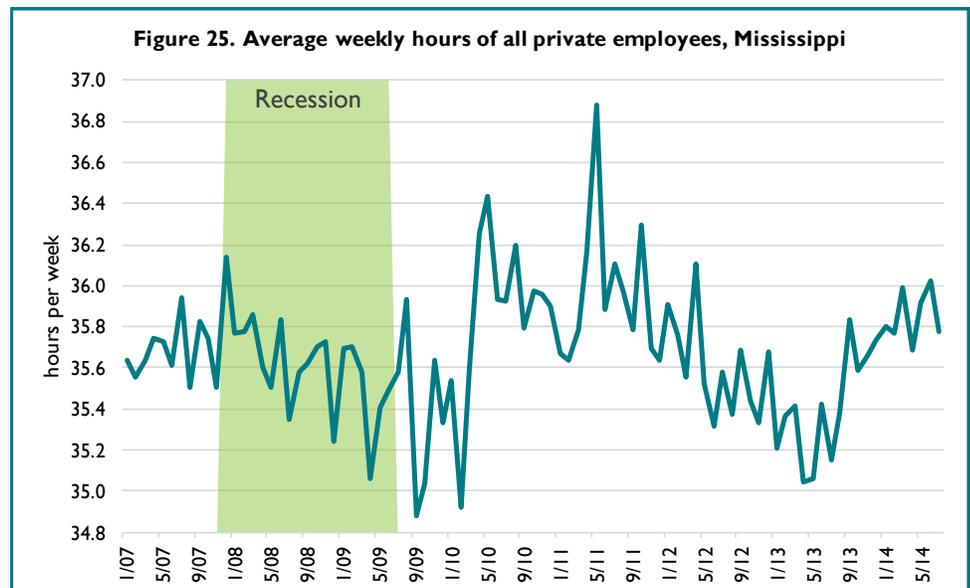
Figures 24 and 25 depict average weekly hours for private employees in the U.S. and Mississippi, respectively. As Figure 24 indicates, average weekly hours in the U.S. declined during the Great Recession, reaching an all-time low in mid-2009. Average weekly hours have since increased but remain slightly below the pre-recession level. In fact, average weekly hours rose to 34.5 in early 2012 and have yet to move higher, remaining in a relatively narrow range for going on three years. Thus, average weekly hours indicates room for employment growth remains and also explains the lack of wage pressure.

Figure 25 depicts a similar story for Mississippi. However, while average weekly hours declined during the Great Recession, its pre-recession level was surpassed by mid-2010. Yet hours began trending down again in 2011 and continued until mid-2013. Average weekly hours in Mississippi did not return to pre-recession levels until earlier this year. Clearly, this measure is more volatile for the state compared to the U.S. One reason is the Mississippi economy is not as broad-based as the U.S. economy and hours can be impacted more by a given industry. On the other hand, because a smaller share of the total labor force is employed in the service sector, average weekly hours in Mississippi exceed the U.S. average. Service sec-

tor employees tend to work fewer hours per week than employees in other sectors such as manufacturing. The greater volatility in average weekly hours in Mississippi complicates drawing conclusions about the state's employment situation; however, when considered together with other factors employment in the state clearly has room to grow, much as it did compared to the U.S. even prior to the onset of the Great Recession.



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



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

MISSISSIPPI'S BUSINESS

RETAIL SALES AS AN ECONOMIC INDICATOR

One of the current eight components of the Mississippi Leading Index computed by the University Research Center each month (see page 2) is U.S. retail sales. Among the more well known economic indicators, the U.S. Census Bureau releases advanced estimates of U.S. retail and food services sales around the middle of each month. In fact, retail sales are among the most timely indicators available because the estimate for a given month is released only about two weeks into the following month. Each month's value is seasonally adjusted by the Census Bureau but is not adjusted for inflation. The University Research Center incorporates this value into each month's Mississippi Leading Index without adjusting for inflation since the number is current for a particular month.

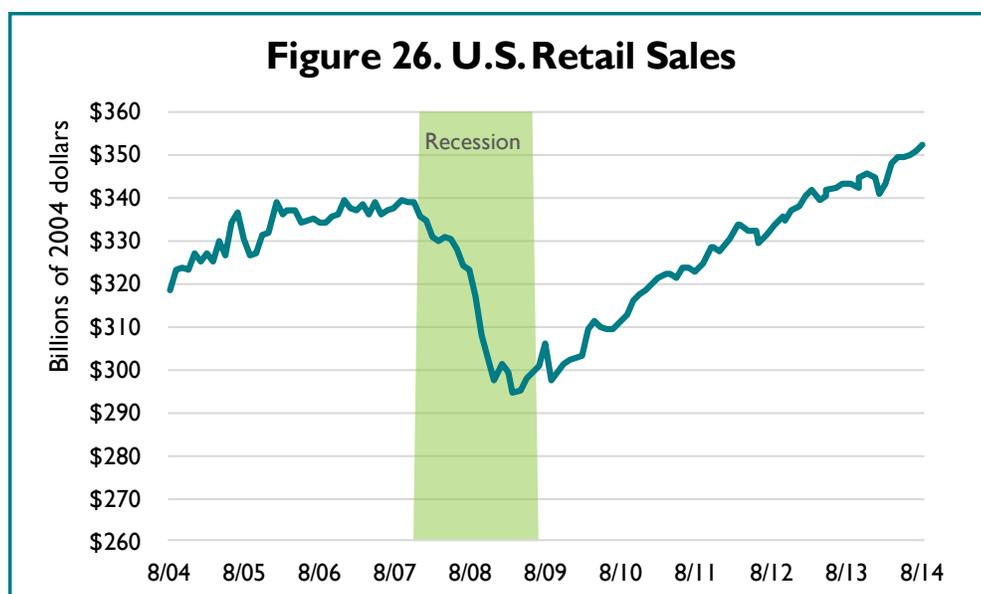
The value of retail sales as an economic indicator is intuitively obvious, as consumer spending drives much of the modern U.S. economy. About 70 percent of the output of the U.S. economy consists of consumer spending; in turn, retail sales comprise around a third of consumer spending. Thus, monitoring retail sales along with other indicators represents a way to track the performance of the economy, as Figure 2* illustrates for the past ten

years. Note that real retail sales began to fall at the start of the Great Recession and did not sustain an increase until shortly before the downturn ended. Moreover, the change in real retail sales demonstrates the depth and severity of the Great Recession, as real retail sales did not return to pre-recession levels until early 2013.

The Census Bureau calculates its advanced estimate each month by surveying a subset of its full retail and food services sample, which consists of more than 3 million firms. The Census Bureau surveys around 4,900 firms that are weighted and benchmarked in order to represent the full sample. The agency states that the firms responding to its survey each month account for about 65 percent of its total U.S. retail sales estimate. Because the Bureau uses a sample survey, the total sales figure each month is reported with a margin of error, typically less than 1 percent.

Previous months' advanced estimates of sales are usually revised to account for any sampling errors.

The Census Bureau breaks down retail sales for each month by business type, generally according to the North American Industry Classification System (NAICS) codes used by federal agencies. One of the more important distinctions is reported as the value of retail sales with and without automobile sales. Because of the volatility in such sales from month to month, sometimes they are excluded from retail sales. In addition, the value of automobile sales



Source: U.S. Bureau of the Census

included in the monthly retail sales figure is different from the light vehicle sales reported in *Mississippi's Business* (see pages 6 and 7). The former is a dollar amount while the latter is number of units. The two estimates are also reported by two different federal agencies, the Census Bureau and the Bureau of Economic Analysis, respectively.

As noted above, advantages of using retail sales as an economic indicator include its timeliness, that it is a relatively straightforward figure, and that it includes a breakdown by industries. However, the U.S. retail sales figure is not without its shortcomings. One disadvantage mentioned above is retail sales is not adjusted for inflation. Other disadvantages include revisions that can take place up to two months later, the general volatility of the monthly number, and that retail sales does not capture the value of services, a significant part of the modern U.S. economy.