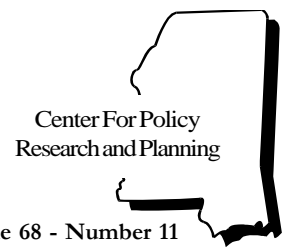


Mississippi's Business



December 2010

Monitoring the State's Economy

Volume 68 - Number 11

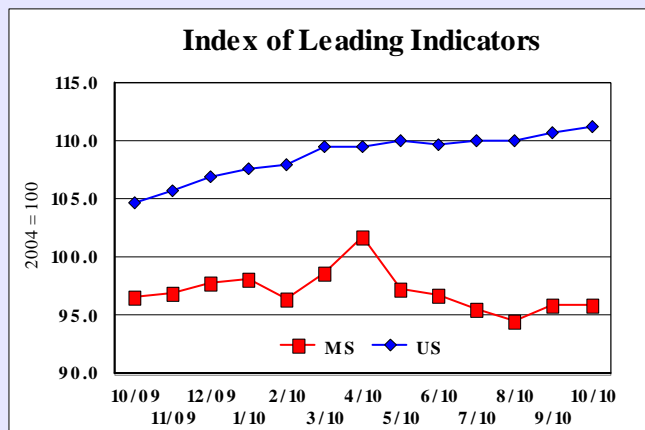
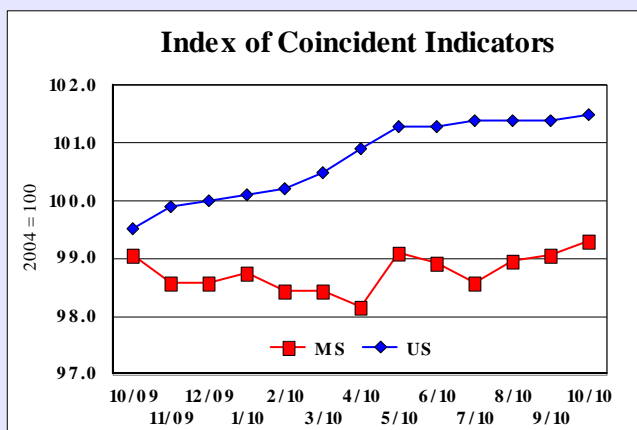
ECONOMY AT A GLANCE

The Mississippi Index of Coincident Indicators rose modestly in October on top of an upwardly revised September index. The Mississippi Index of Leading Indicators was unchanged for October. The State's economy appears to be slowly improving. Both income and employment are trending upward. As suggested by the Coincident index, the National economy appears to be further along the recovery road than Mississippi.

The outlook remains mixed. On the one hand, the National economy is showing strength. Business activity appears to be strong, and the early signs for the Christmas shopping season are positive. On the other hand, the six-month growth rate in the Mississippi Index of Leading Indicators has been negative for five consecutive months. This is generally an indication of a weakening economy.

Nationally, forecasters are becoming more optimistic about growth but not to the point of expecting a soaring economy. GDP growth could reach 3.0 percent in the fourth quarter. This is an improvement from the 2.5 percent observed in the third quarter, but below long-term trends. Likewise growth projections for 2011 and 2012 are expected to be below trend. The sluggish housing market, along with the vast government debt will hinder growth for the foreseeable future. Growth in 2011 is currently projected to be 2.4 percent while 2012 is only modestly better at 3.0 percent.

Index of Coincident and Leading Indicators



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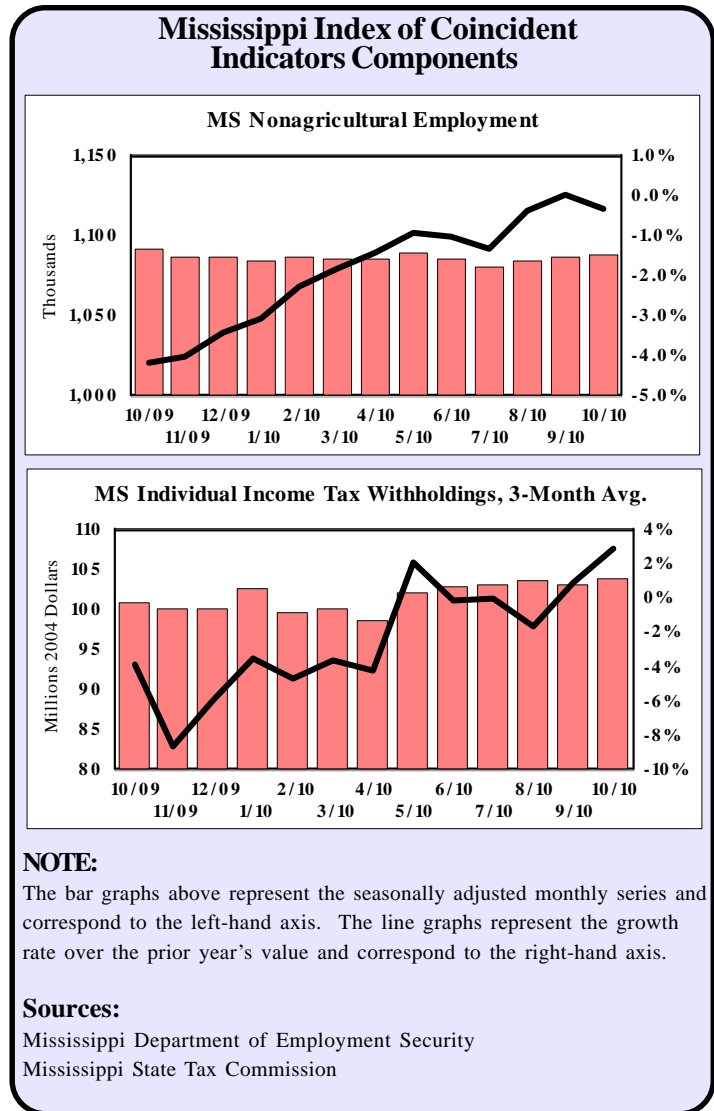
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Coincident Index

The Mississippi Index of Coincident Indicators rose 0.3 percent in October relative to an upwardly revised September level. The October index of 99.3, was above the year ago by 0.3 percent as well. This marked the second consecutive month for which the index exceeded the year ago level since May 2008. The index was an annualized 2.3 percent ahead of the level six months prior. This is the strongest such growth since January 2007. With the revised September level and the gain in October, the index suggests the economy is slowly improving. Both components contributed positively to the October index.

The three month moving average of Mississippi individual income tax withholdings was up 0.9 percent in October relative to the September level. Gains in series have been slow but steady with monthly improvement occurring in five of the last six months.

Nonfarm employment rose a modest 0.1 percent or 1,300 jobs in October relative to September. The largest gains occurred in trade and government. Construction and manufacturing as well as professional and business services saw substantial declines for the month. Employment has risen for three consecutive months, although the gains have been modest.



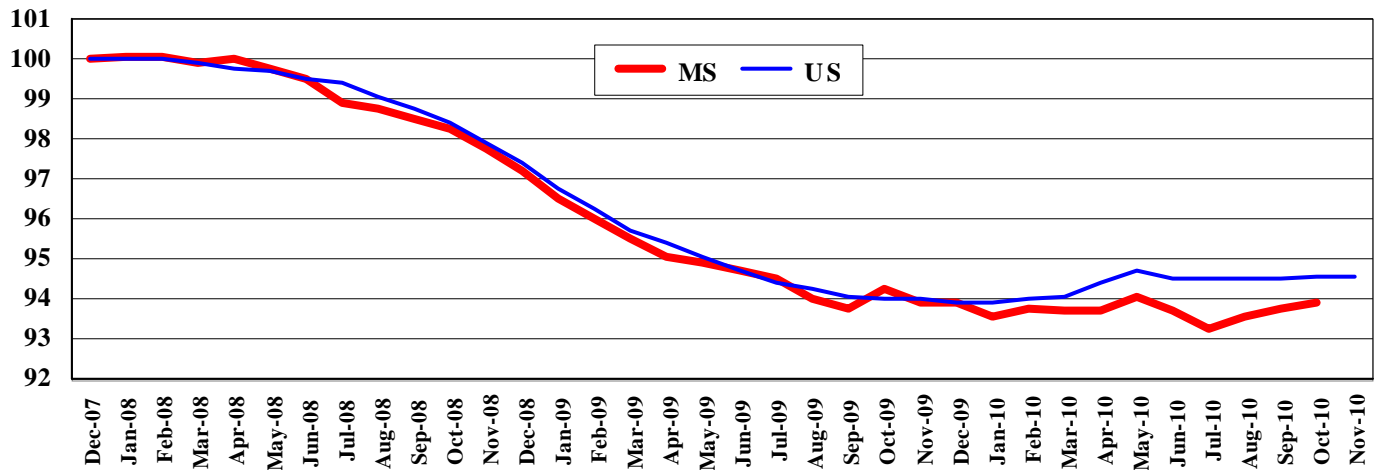
Mississippi Employment By Sector

Seasonally Adjusted

	October 2010	September 2010	October 2009	Change from Prior Month Level	Change from Prior Month %	Change from Prior Year Level	Change from Prior Year %
Total Nonfarm	1,088,100	1,086,800	1,091,700	1,300	0.1%	(3,600)	-0.3%
Mining and Logging	8,900	8,700	7,900	200	2.3%	1,000	12.7%
Construction	45,000	46,300	47,900	(1,300)	-2.8%	(2,900)	-6.1%
Manufacturing	134,200	135,100	138,200	(900)	-0.7%	(4,000)	-2.9%
Trade	214,500	213,000	213,400	1,500	0.7%	1,100	0.5%
Retail Trade	132,900	132,700	133,200	200	0.2%	(300)	-0.2%
Information	12,326	12,335	12,725	(9)	-0.1%	(399)	-3.1%
Financial Activities	45,127	44,855	45,416	273	0.6%	(289)	-0.6%
Services	380,800	380,400	373,500	400	0.1%	7,300	2.0%
Professional and Business Services	88,500	89,400	86,000	(900)	-1.0%	2,500	2.9%
Education and Health Services	135,600	135,000	133,500	600	0.4%	2,100	1.6%
Leisure and Hospitality	120,300	119,500	118,500	800	0.7%	1,800	1.5%
Other Services	36,400	36,500	35,500	(100)	-0.3%	900	2.5%
Government	247,200	246,200	252,600	1,000	0.4%	(5,400)	-2.1%

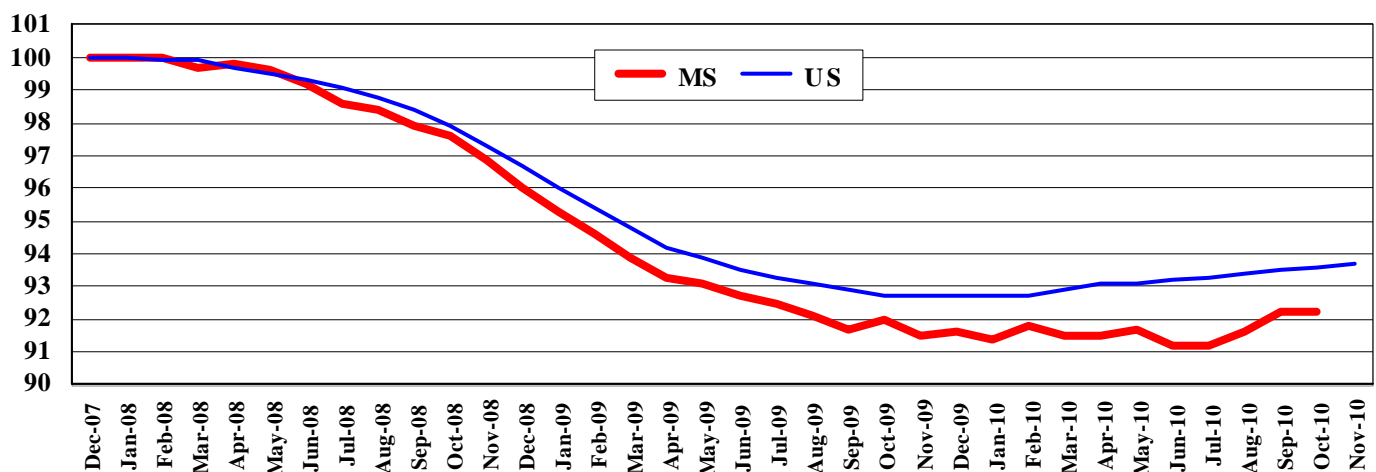
Total Employment Index

December 2007 = 100



Private Sector Employment Index

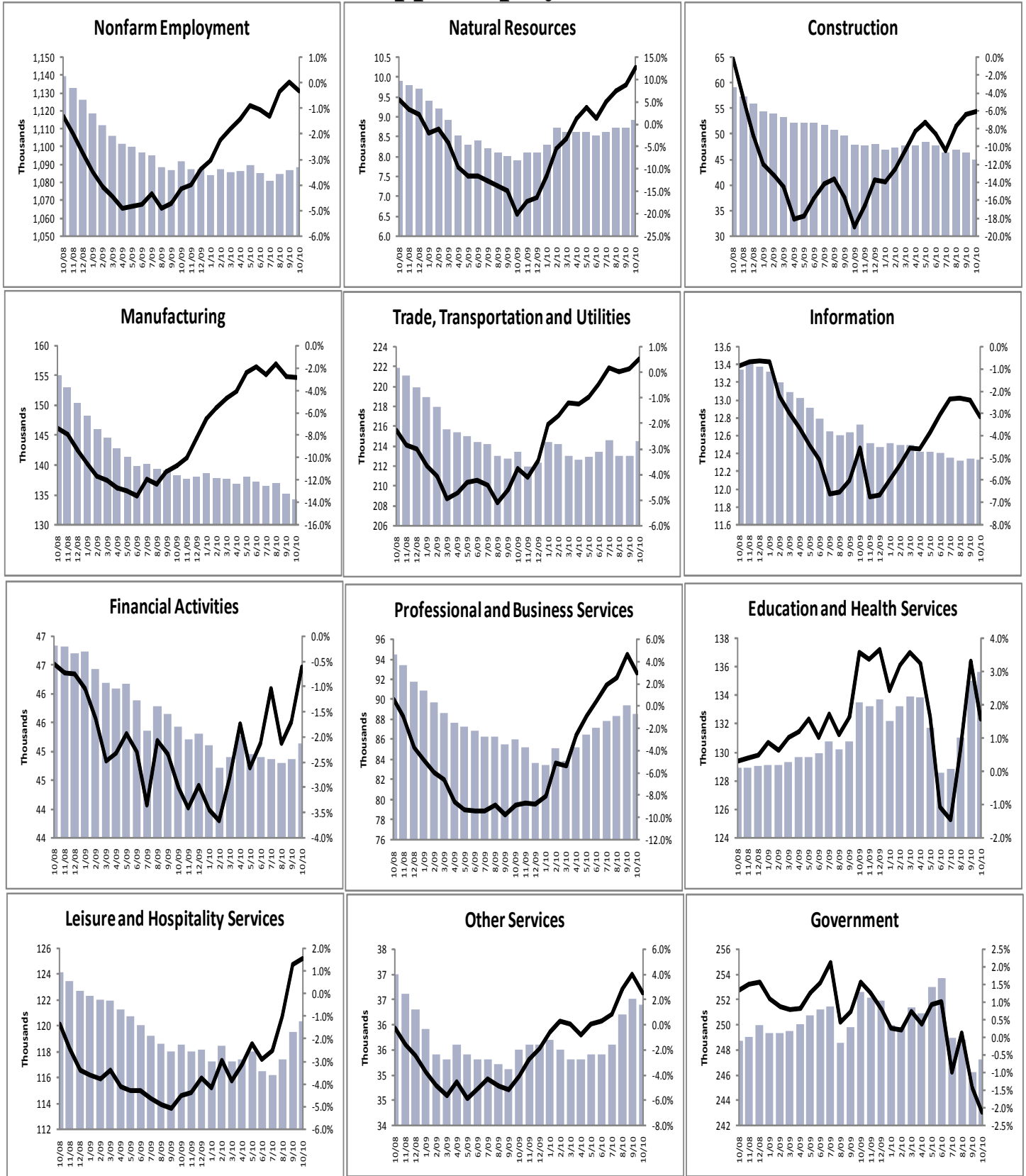
December 2007 = 100



The two figures above show Mississippi and the U.S. employment since the beginning of the recession. In both graphs employment is indexed to the December 2007 level. The top figure compares total employment in Mississippi and the U.S., while the bottom figure excludes government. In the top figure it is apparent that Mississippi and the U.S. have moved more or less together in relation to their levels before the recession. Mississippi appears to have continued to lose jobs after the Nation began to add jobs. In fact, throughout 2010, the Nation has upwardly diverged from the State in total jobs. The gap has narrowed however in recent months, as Mississippi recovered from a steep loss of jobs in July 2010.

The bottom graph excludes government jobs. It is apparent that the gap between Mississippi and the U.S. appears much earlier in the business cycle. Relative to the nation, Mississippi has lost more private sector jobs throughout the downturn. When the nation began to slowly add jobs in 2010, the State continued to lose jobs. Only in the recent months has the State begun to add private sector jobs. Government jobs account for roughly 23 percent of the total nonfarm employment in Mississippi. Government employment is less exposed to the fluctuating business cycle. Comparing these two graphs shows that these government jobs have had a stabilizing effect on the State's employment level.

Mississippi Employment Trends



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

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

Source: U.S. Bureau of Labor Statistics. Seasonal adjustment of the financial activities and information industries done by IHL.

Leading Index

The Mississippi Index of Leading Indicators was unchanged in October from September. The index rose to 95.9 in September after four consecutive months of decline. After being positive for twelve out of thirteen months, the growth relative to the level six-months prior has been negative for five consecutive months. This trend might improve in the next few months as we see growth relative to the declining summer months. The monthly changes in the components of the index were relatively small. Three components contributed negatively to the October index, while two contributed positively.

Mississippi's average manufacturing workweek length declined modestly in October to a level of 39.2 hours. The series has fallen four of the most recent six months although all of the declines have been small. The series spiked in April.

The Institute for Supply Management (ISM) Index of U.S. Manufacturing Activity fell slightly in November to 56.6 from 56.9 in October. Despite the dip, the index continues to suggest a favorable outlook for the U.S. manufacturing sector. Inventories were up. New orders declined but remained above the third quarter average.

The Mississippi value of residential building permits edged lower by 0.1 percent in October relative to September. The decline was negligible. The series had increased for the previous two months. The housing sector remains troubled. Housing starts are historically low and show no sign of any substantial increase in the near term.

Initial unemployment claims for Mississippi fell 10.1 percent in October. After creeping upward during the first eight months of the year, claims have trended down the past two months. The series has not yet returned to the pre-recession level.

The U.S. Index of Consumer Expectations rose to 61.9 in October, from the September level of 60.9. The very small increase was likely driven by an improved stock market. It was dampened however by rising fuel prices. Consumers remain very cautious about the future.

Miscellaneous Indicators

The Mississippi diesel fuel consumption index dipped in October. After rising in the spring, then declining in the summer, the index has been relatively flat the past three months.

Mississippi retail sales data are not yet available, but Nationally retail sales rose sharply in October. The growth however was concentrated in a few sectors, most notably autos. Chain store sales were very strong in November, reaching a four year high. The story emerging is that consumers are beginning to spend. Deep discounts are thought to have fueled the growth and sales remain below their pre-recession levels.

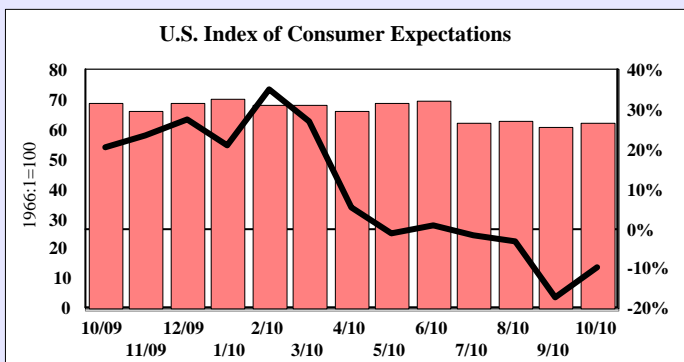
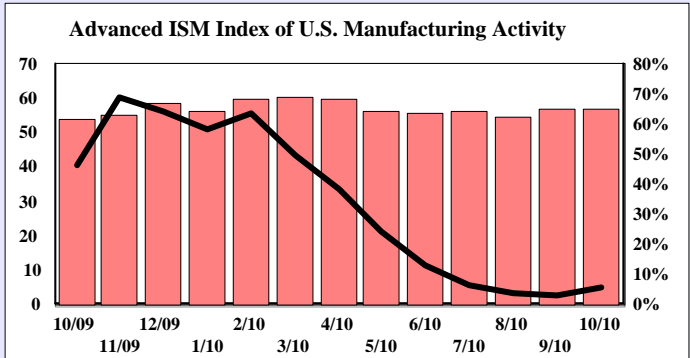
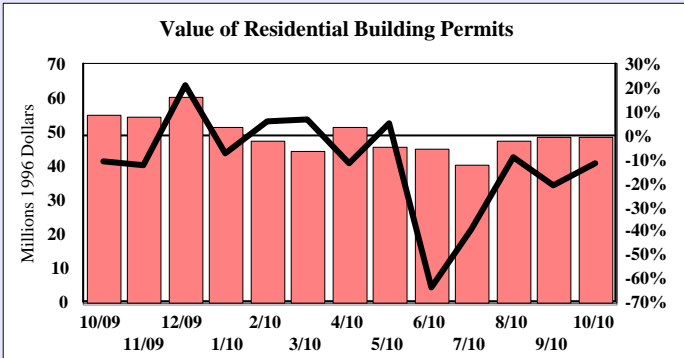
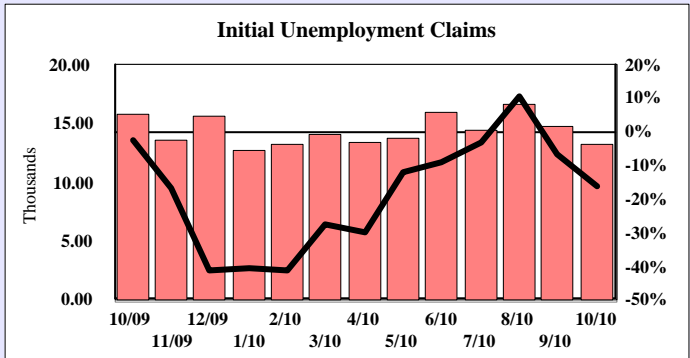
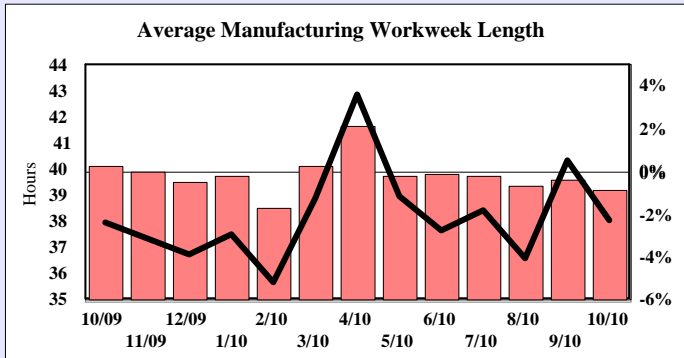
U.S. Economy

The U.S. Index of Coincident Indicators rose 0.1 percent in October, while the Index of Leading Indicators rose 0.5 percent. The Conference Board continues to expect a slowly expanding economy in the coming months.

The outlook has turned more positive in recent weeks. The ISM index of U.S. manufacturing activity turned up in October and held most of that gain in November. The ISM nonmanufacturing index has similarly moved higher. The small business optimism index showed improvement in October as well. On December 6, a framework for a compromise on the Bush tax cuts was announced. Should this deal be put in place there will be a two year extension of tax cuts for all taxpayers. This will be well received in the business community. Much of the uncertainty of the past several months has surrounded these tax cuts.

IHS Global Insight now expects the fourth quarter GDP growth to reach 3.0 percent. This is by no means a strong growth but it is higher than previously expected and higher than the 2.5 percent observed in the third quarter. Growth in 2011 is still expected to moderate as inventory buildup will no longer fuel strong gains. IHS Global Insight expects 2011 GDP growth to be 2.4 percent. This will be followed by a slightly higher growth of 3.0 percent in 2012. These growth rates are below long-term trends and reflect an economy weighted down by a sluggish housing sector and government debt.

Mississippi Index of Leading Indicators Components



NOTE:

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

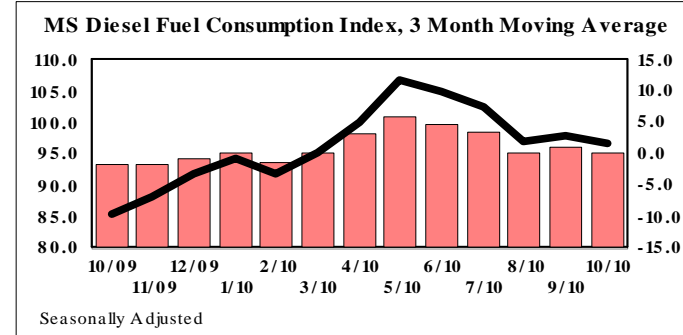
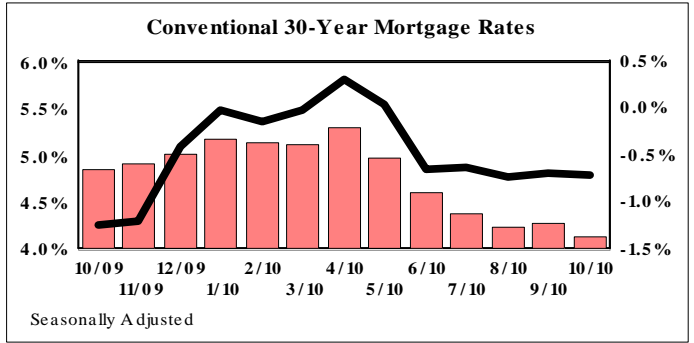
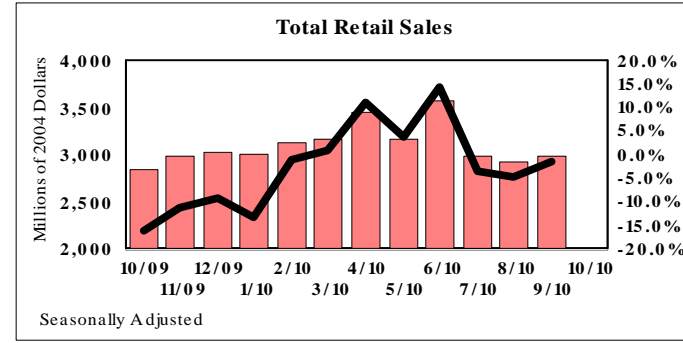
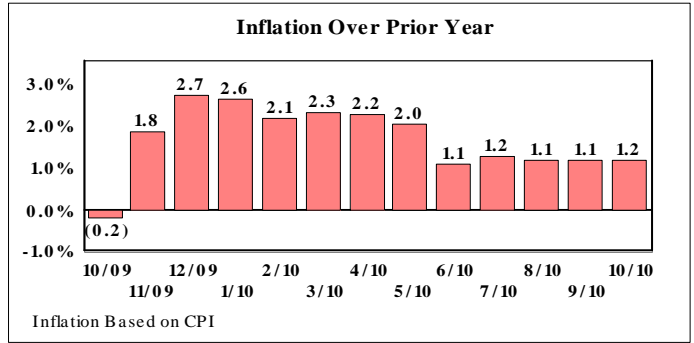
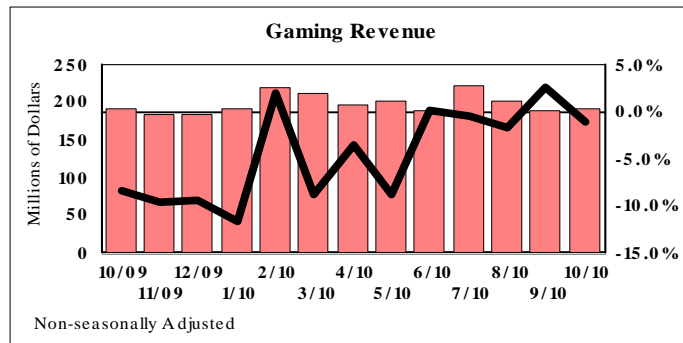
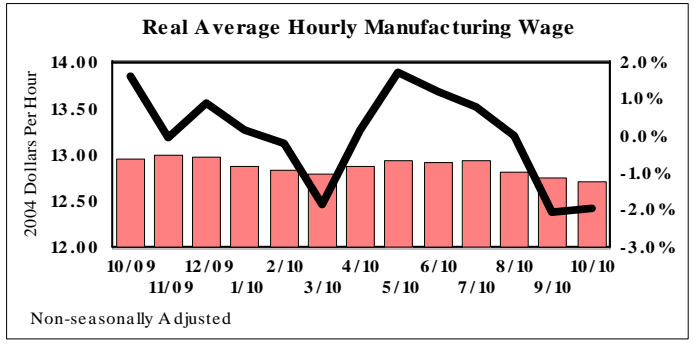
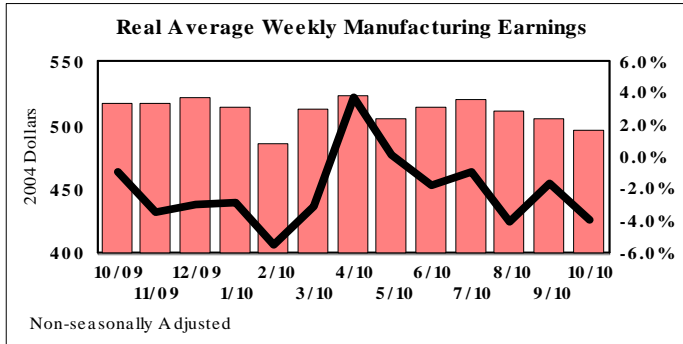
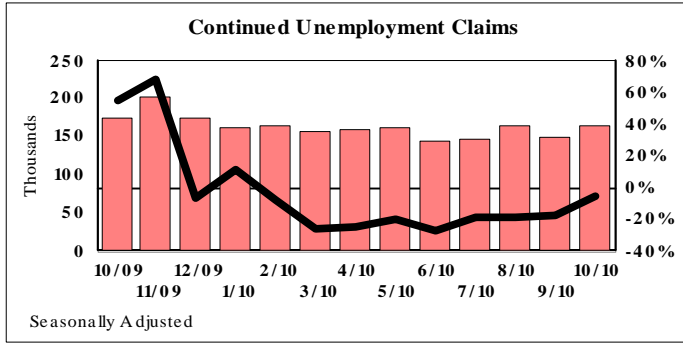
Sources:

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

Quips and Quotes:

The economy depends about as much on economists as the weather does on weather forecasters.

Miscellaneous Indicators



NOTE:

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

Sources:

- Mississippi Department of Employment Security
- Mississippi Tax Commission
- Mississippi Gaming Commission
- Federal Home Mortgage Corporation
- Bureau of Labor Statistics
- University Research Center

SELECTED MISSISSIPPI ECONOMIC INDICATORS

	October 2010	September 2010	October 2009	Change From	
				Last Month	Last Year
Coincident Indicator Index (2004=100)	99.3	99.1	99.0	0.3%	0.3%
Nonagricultural Employment (thousands)	1,088.1	1,086.8	1,091.7	0.1%	-0.3%
Individual Income Tax Withholdings, 3-Month Average (millions of 2004 \$)	104.0	103.1	101.0	0.9%	2.9%
Leading Indicator Index (2004=100)	95.9	95.9	96.7	0.0%	-0.8%
Initial Unemployment Claims	13,258	14,742	15,766	-10.1%	-15.9%
Value of Residential Building Permits (millions of 2004 \$)	48.2	48.3	54.8	-0.1%	-12.0%
Average Manufacturing Workweek Length (hours)	39.2	39.5	40.1	-0.9%	-2.3%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus, the October index is reported for September.	56.6	56.9	53.7	-0.5%	5.4%
U.S. Index of Consumer Expectations	61.9	60.9	68.6	1.6%	-9.8%
Miscellaneous					
Consumer Price Index U.S. (2004=100)	115.8	115.6	114.5	0.1%	1.2%
Unemployment Rate (percentage)					
Non-seasonally adjusted	9.7%	9.7%	10.0%	0.0%	-0.3%
Seasonally adjusted	9.7%	9.8%	10.2%	-0.1%	-0.5%
Continued Unemployment Claims	165,210	150,420	174,838	9.8%	-5.5%
Average Manufacturing Wage (non-seasonally adjusted)					
Current Dollars per Hour	14.71	14.75	14.83	-0.3%	-0.8%
2004 Dollars per Hour	12.70	12.75	12.96	-0.4%	-2.0%
Average Weekly Manufacturing Earnings (non-seasonally adjusted)					
Current Dollars	575.16	584.10	591.72	-1.5%	-2.8%
2004 Dollars	496.72	505.07	517.01	-1.7%	-3.9%
U.S. Mortgage Rates (30-year conventional)	4.1%	4.3%	4.8%	-0.1%	-0.7%
Gaming Revenues (non-seasonally adjusted)					
Coast counties (millions of current \$)	88.1	90.6	86.3	-2.9%	2.0%
River counties (millions of current \$)	103.5	100.6	107.2	2.9%	-3.5%
Total	191.6	191.3	193.5	0.2%	-1.0%
MS Diesel Fuel Consumption Index (3 Month Moving Average)	95.01	96.10	93.17	-1.1%	2.0%
	September 2010	August 2010	September 2009	Percent Change From	
				Last Month	Last Year
Total Retail Sales (millions of 2004 \$)	2,989.58	2,925.81	3,035.91	2.2%	-1.5%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.