

Mississippi's Business

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Monitoring The State's Economy

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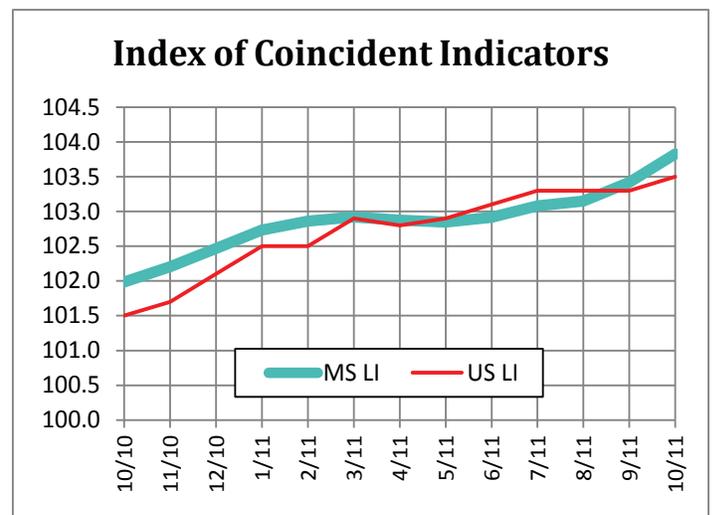
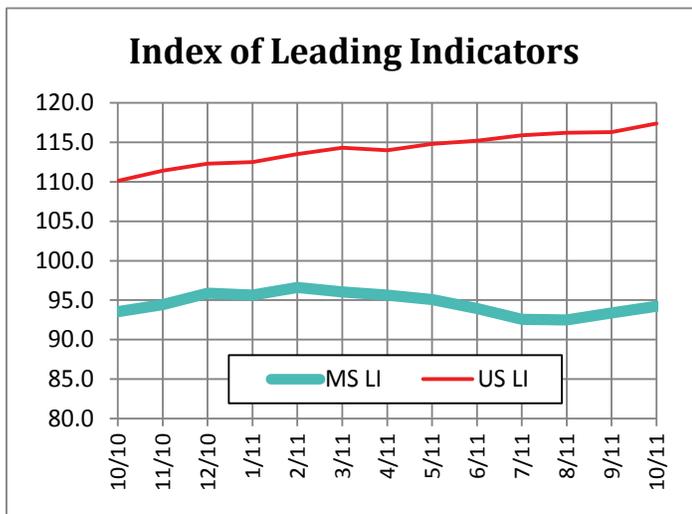
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ECONOMY AT A GLANCE

The Mississippi Index of Leading Indicators has now increased for two consecutive months. The growth relative to six-months prior remains negative, but less so than in previous months. Fueled by rising employment and longer manufacturing workweek length, the Mississippi Index of Coincident Indicators also strengthened in September and October. The State's economy is showing signs of life again.

The National economy is improving as well. The ISM Index of Manufacturing rose significantly in November. Vehicle sales are up and consumer confidence has improved. These measures remain low by historical standards, but at least are up from the malaise of summer. It now appears likely that the fourth quarter will be stronger than any other in 2011. However, growth for the year is still expected to be only 1.7 percent -- slow by historical standards. Incomes remain relatively flat and consumers still face high debt levels, falling house prices and a poor labor market. The economy is improving, but growth remains mild and will likely slow in 2012.

Despite the better domestic economic news, the threat of recession remains a substantial 35 percent. This is down from the 40 percent offered in previous months, but remains substantial. The risk continues to be with Europe. While a severe downturn in Europe appears to have been avoided for now, a mild recession is almost certain, and may already be underway. This will have a dampening effect on the U.S. economy in 2012, but is not expected to cause a U.S. recession. We expect to end 2012 with growth that is not significantly different from 2011.



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, OCTOBER 2011

The **Mississippi Index of Leading Economic Indicators** rose for the second consecutive month in October. The index of 94.2 was the highest since May 2011 and was up 0.9 percent above the revised September level. The index was 3.0 percent below the level six months prior. While October was the fifth decline relative to six month prior, it was the smallest, meaning the series is improving. The economy is still at risk of falling back into recession, but the state has improved.

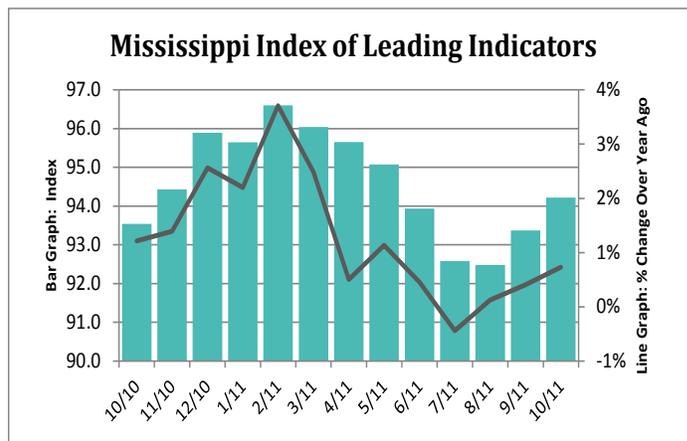
The October gain came on the strength of four components. The components will be discussed in order of the contribution to the monthly gain in October.

The **U.S. Index of Consumer Expectations**¹ rose 5.4 percent to 52.2 in October. The gain follows four consecutive months of decline. The series hit a low in August during the debate over raising the debt ceiling and the S&P bond rating downgrade. The series remains historically low. The improvement comes amid modestly better economic data, lower fuel prices and higher stock prices.

The economy is still at risk of falling back into recession, but the state has improved.

The **Mississippi Manufacturing Employment Intensity Index** has risen for two consecutive months. The October level was 1.7 percent above the September level. The series is based on the number of jobs and average hours worked in the State's manufacturing sector. Both hours and employment have improved in the past two months. The workweek length was above 41 hours in five of the past seven months. Employment has generally trended down for the past several years, but has grown incrementally for the past two months.

The **value of Mississippi residential building permits**¹ has risen for four consecutive months. The series gained



a strong 8.8 percent in October relative to September. Despite the gains, the series remains below the April 2011 level. In fact the series remains at a low level historically.

The **Institute for Supply Management Index of U.S. Manufacturing Activity** rose and unexpected 3.7 percent to a level of 52.7 in November. This was the highest ISM Manufacturing Index since July 2011. The

index suggests the U.S. Manufacturing industry is on firmer ground than has been feared over the past few months. We had expected the economy to slow in the fourth quarter. This report suggests that may no longer be the case. The details within the report reveal higher new orders, new exports and production. All of these are encouraging

signs. The economy remains weak, but this report offers evidence of modest gains.

U.S. Retail Sales rose 0.5 percent in October. This was down from the September gain, but was still the second largest monthly gain since March. The strongest gain occurred in electronics and appliances.

Consumers have shown a willingness to spend in recent months. Early reports suggest strong sales for Black-Friday and Cyber-Monday shopping. Light vehicle sales for November exceeded 13 million units for the third month in a row and in fact reached the highest

1. Three Month Moving Average

level since August 2009. But recent spending has been fueled by a declining savings rate and declining gasoline prices, not economic growth. The consumer continues to face a weak labor market, high debt level, declining home prices and slow wage growth. This is not a recipe for sustainable sales growth. Consumers are facing pent-up demand, but these harsh economic realities will likely prohibit a stellar Christmas shopping season.

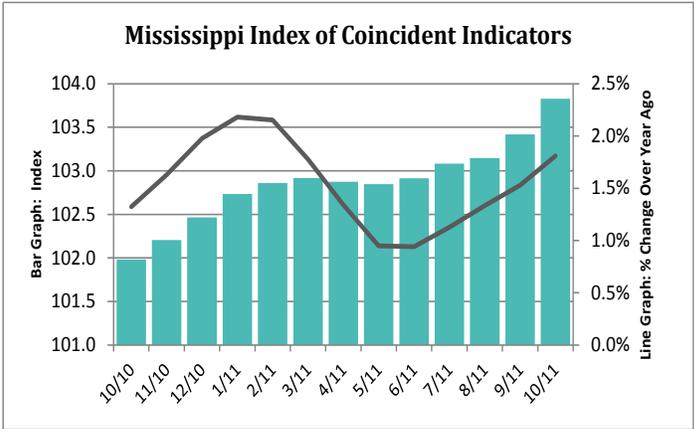
Mississippi's initial unemployment claims rose a modest 0.8 percent in October relative to September. The State's unemployment rate was unchanged in October.

The **Mississippi Diesel Fuel Consumption Index**¹ fell 2.2 percent in October relative to September. This marked the third and steepest decline in as many months. The series is based on gallons of over-the-road diesel fuel purchased in the state. A declining series suggests a slowing economy.

Inflation adjusted **Mississippi income tax withholdings**¹ fell 2.6 percent in October relative to September. The monthly fluctuations are relatively mild. The series has shown very little significant upward momentum since recovery began. This series serves as a proxy for income.

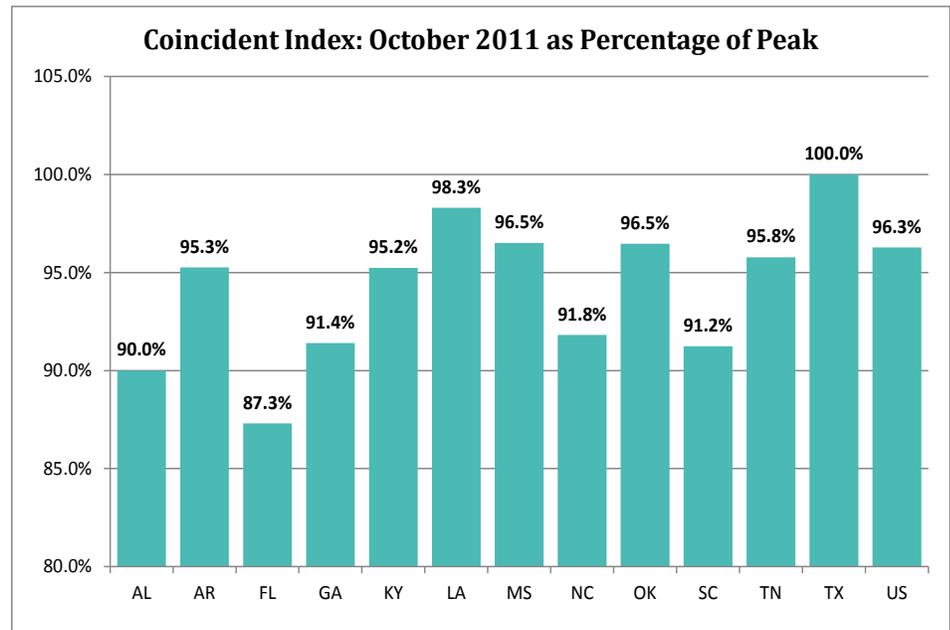
National trends are discussed on page 5, Mississippi employment trends on pages 8 and 9.

The **Mississippi Index of Coincident Indicators** was 103.8 in October. With revised data the series is beginning to show some upward movement. The October 0.4 percent gain was the strongest monthly gain since April 2010. Relative to six-months prior the series was up 1.9 percent in October, the highest rate since August 2010. The series has been helped greatly by the gains in employment that have occurred in the past two months as well as the lengthening manufacturing workweek length.

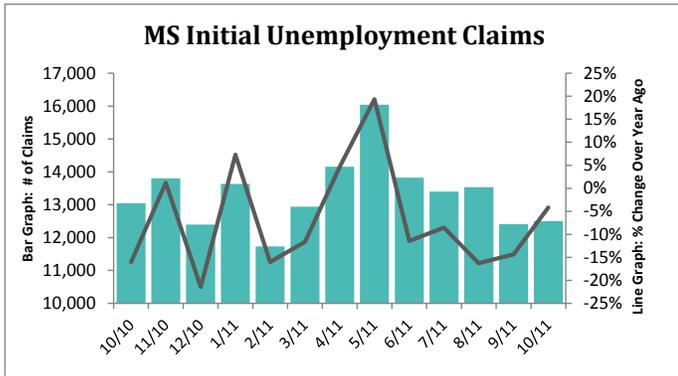


A comparison of the October index to the recent peak appears below for the 12 southeastern states and the Nation. States that reach 100 percent of peak have fully recovered from the "Great Recession". Mississippi was at 96.5 percent, as was Oklahoma. Texas and Louisiana are the only southeastern states further along in recovery. Mississippi's better position is due to our having not fallen as much as other states during the recession.

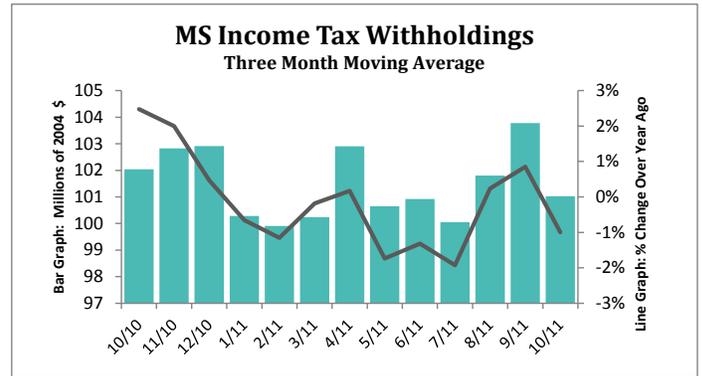
The Map on page five shows the relative performance of the fifty states. The October index is compared to the level three months prior. Red states are states in decline. There were only eight states with an index below the level three months prior in October. There were twice that many in September.



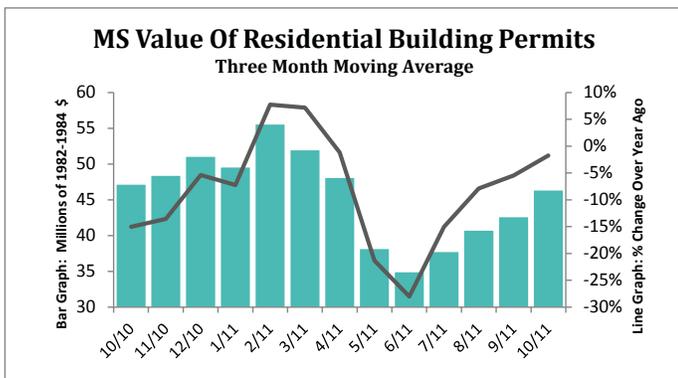
LEADING ECONOMIC INDICATORS



Source: Mississippi Department of Employment Security



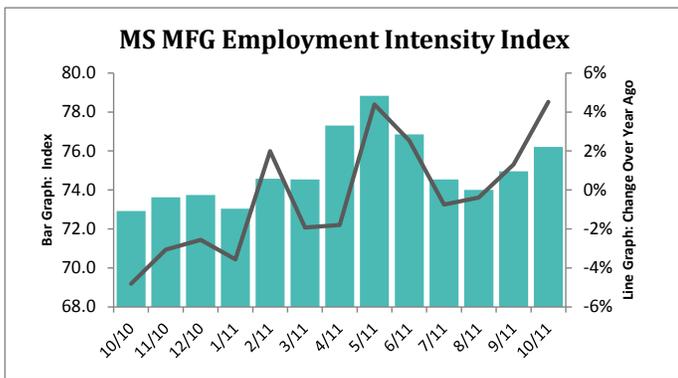
Source: Mississippi Department of Revenue



Source: Mississippi Department of Employment Security



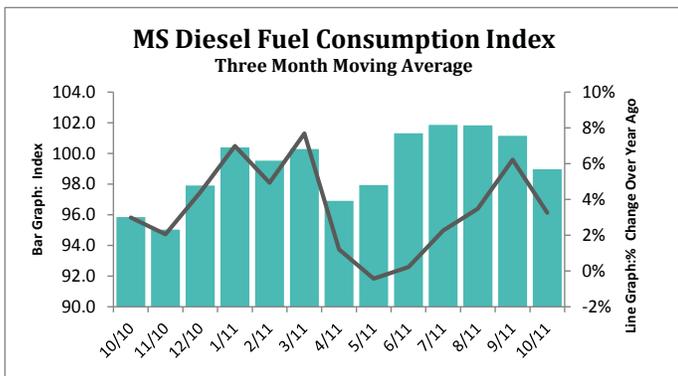
Source: Institute For Supply Management



Source: URC using data from Bureau of Labor Statistics



Source: University Of Michigan

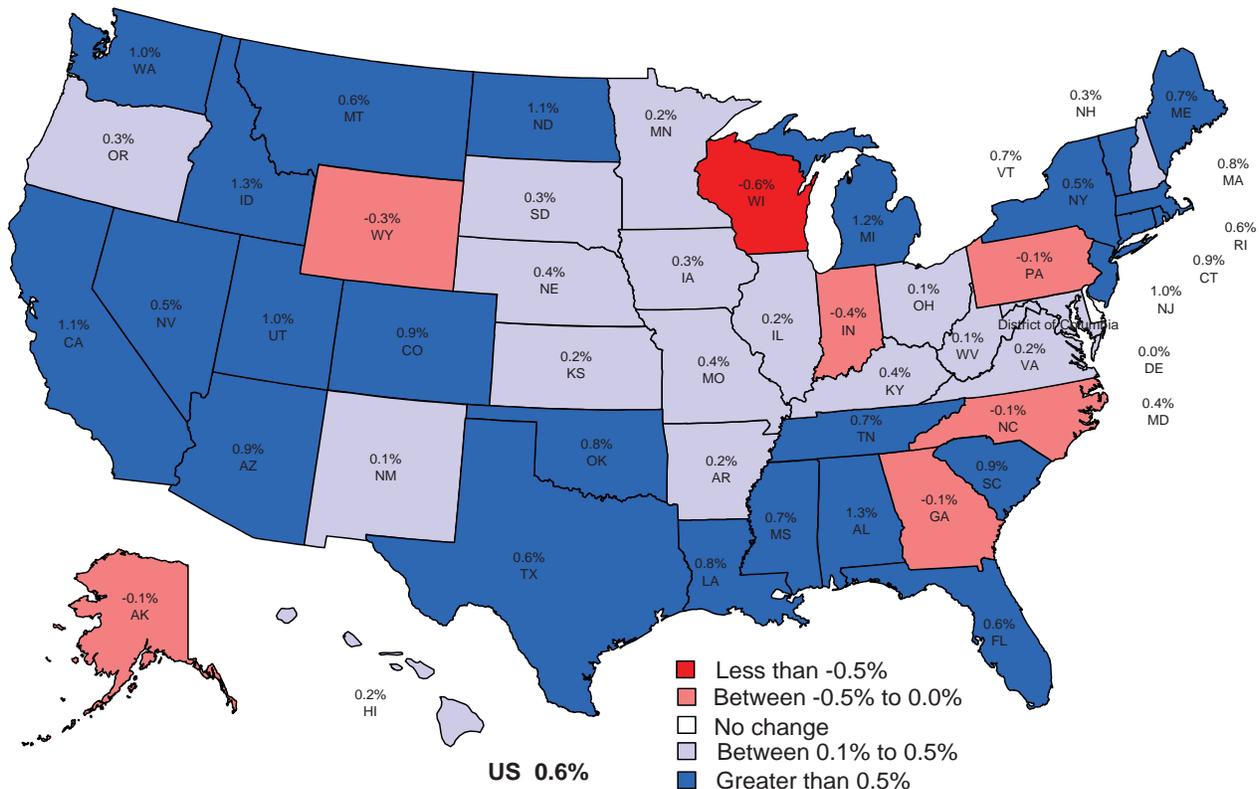


Source: URC using Data from Mississippi Department of Revenue



Source: Bureau of the Census

Three Month Growth in The Index of Coincident Economic Indicators, October 2011



National Trends

The U.S. Index of Leading Indicators rose 0.9 percent in October relative to September. This was the sixth consecutive gain in the series. The Coincident Index gained 0.2 percent for the month. The Conference Board continues to expect modest growth in the coming months.

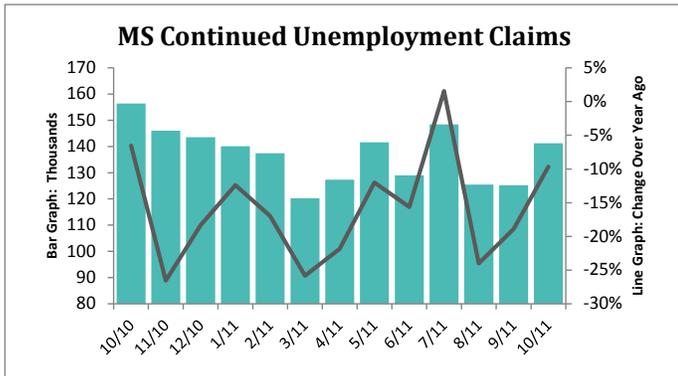
The domestic economy appears to be showing greater signs of growth even as international conditions worsen. As an example, the ISM Manufacturing Index shows a strengthening U.S. Manufacturing industry while similar indices for Europe and China show contractions. The general economic outlook has turned more positive at least for the near term. Revised data show real GDP grew 2.0 percent in the third quarter and the outlook for the fourth quarter has greatly improved. IHS Global Insight expects the fourth quarter to reach 2.6 percent. If this is realized, it will be the strongest quarter of 2011.

Based on better economic data, IHS Global Insight has reduced their risk of recession to 35 percent. They had been at 40 percent for several months. The risk stems from the troubles in Europe.

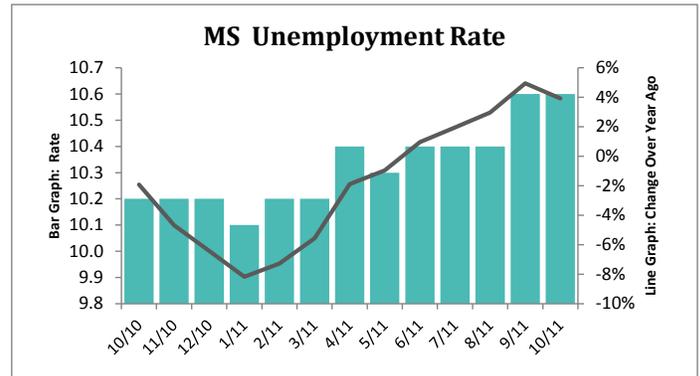
While conditions have not really improved in Europe, a domino collapse does not appear to be eminent. The Federal Reserve and the European Central Bank have moved to improve liquidity which offers at least the appearance of addressing the problems. The markets have responded favorably. In truth, the underlying problems remain and this is the source of threat to the U.S. economy. Europe is likely already in at least a mild recession which will slow U.S. growth in 2012.

Regardless of the European recession, growth in the U.S. would likely remain subdued. The high debt levels (public and private) and the troubled housing sector will likely stunt growth for the next several years.

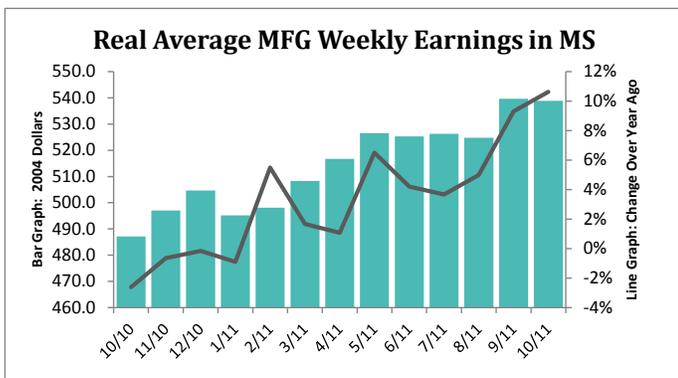
MISCELLANEOUS ECONOMIC INDICATORS



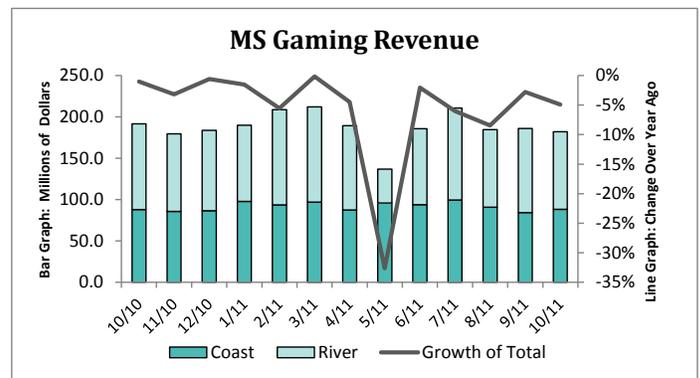
Source: Mississippi Department of Employment Security; Seasonally Adjusted



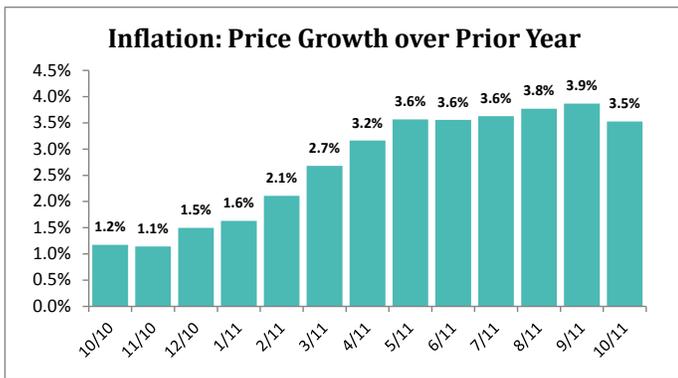
Source: U.S. Bureau of Labor Statistics; Seasonally Adjusted



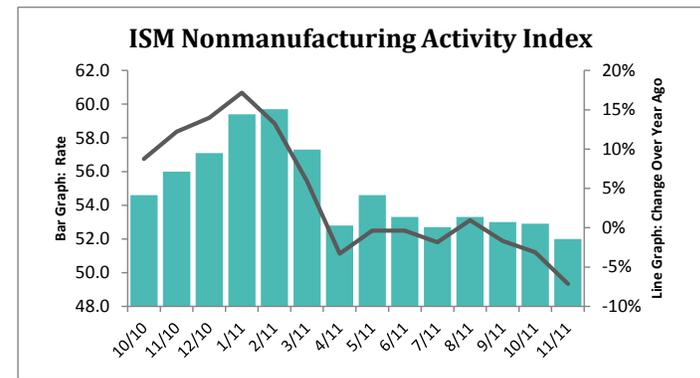
Source: U.S. Bureau of Labor Statistics; Nonseasonally Adjusted



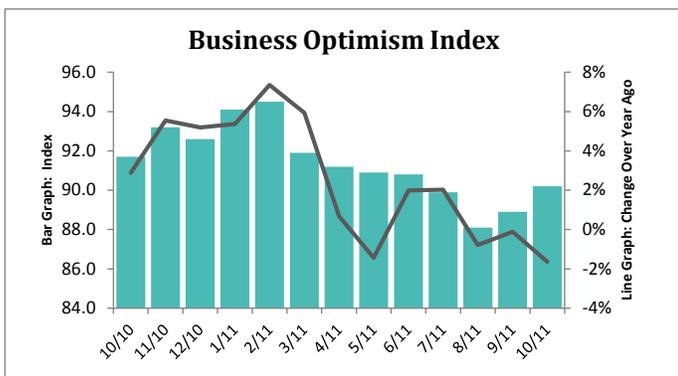
Source: MS Department of Revenue; Nonseasonally Adjusted



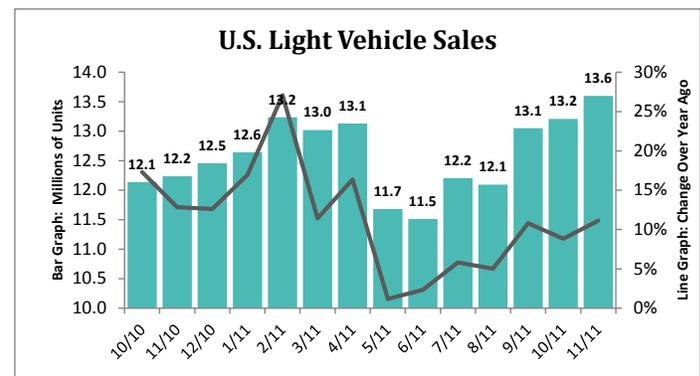
Source: U.S. Bureau of Labor Statistics



Source: Institute For Supply Management



Source: National Federation of Independent Businesses



Source: Bureau of Economic Analysis; Seasonally Adjusted Annual Rate

SELECTED ECONOMIC INDICATORS

Indicator	October 2011	September 2011	October 2010	Change from	
				Last Month	Last Year
US Index of Coincident Indicators Index 2004=100, Source: The Conference Board	103.5	103.3	101.5	0.2%	2.0%
MS Index of Coincident Indicators Index 2004=100, Source: Federal Reserve Bank of Philadelphia	103.8	103.4	102.0	0.4%	1.8%
US Index of Leading Indicators Index 2004=100, Source: The Conference Board	117.4	116.3	110.1	0.9%	6.6%
MS Index of Leading Indicators Index 2004=100, Source: University Research Center	94.2	93.4	93.5	0.9%	0.7%
MS Initial Unemployment Claims Source: Mississippi Department of Employment Security	12,500	12,405	13,045	0.8%	-4.2%
MS Value Of Res. Building Permits 3 Mo. Moving Average, Millions of 2004 Dollars, Source: Bureau of Census	46.3	42.6	47.1	8.8%	-1.7%
MS Income Tax Withholdings 3 Mo. Moving Average, Millions of 2004 Dollars, Source: MS Department of Revenue	101.03	103.78	102.04	-2.6%	-1.0%
MS MFG Emp. Intensity Index Average workweek length times employment, Indexed 2004 =100, Source: URC using data from Bureau of Labor Statistics	76.2	75.0	72.9	1.7%	4.5%
MS Diesel Fuel Consumption Index 3 Mo. Moving Average, Index 2004-100, Source: URC using data from MS Department of Revenue	99.0	101.1	95.8	-2.2%	3.3%
US Index of Consumer Expectations 3 Mo. Moving Average, Index 1996=100, Source: University of Michigan	52.2	49.5	62.5	5.4%	-16.5%
US ISM Index of MFG Activity Advanced 1 Month (November Index appears as October), Source: Institute For Supply Management	52.7	50.8	56.9	3.7%	-7.4%
US Retail Sales Millions of Dollars, Source: Bureau of Census	397,666	395,533	370,790	0.5%	7.2%
US Consumer Price Index 2004=100, Source: URC using data from Bureau of Labor Statistics	119.9	120.1	115.8	-0.2%	3.5%
MS Unemployment Rate Source: Bureau of Labor Statistics	10.6%	10.6%	10.2%	0.0%	0.4%
MS Continued Unemp. Claims Source: Mississippi Department of Employment Security	141,251	125,201	156,367	12.8%	-9.7%
U.S. Mortgage Rates 30 Yr. Conventional, Source: Federal Reserve	4.1%	4.1%	4.2%	-0.1%	-0.1%
MS Avg. Hourly Wage for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	52.90	53.00	54.60	-0.2%	-3.1%
MS Avg. Wkly Earnings for MFG Nonseasonally adjusted, 2004 Dollars, Source: Bureau of Labor Statistics	538.8	539.7	487.1	-0.2%	10.6%
Gaming Revenue	182.2	185.9	191.6	-2.0%	-4.9%
Coast Counties	88.2	84.3	88.1	4.6%	0.2%
River Counties	93.9	101.6	103.5	-7.5%	-9.3%
Nonseasonally adjusted, Millions of Dollars, Source: MS Department of Revenue					
Business Optimism Index Index 1986=100, Source: National Federation of Independent Businesses	90.2	88.9	91.7	1.5%	-1.6%

Economic Indices

Components of the MS Index of Leading Indicators

Miscellaneous Indicators

MISSISSIPPI EMPLOYMENT BY SECTOR

Sector	October 2011	September 2011	October 2010	Change from Prior Month		Change from Prior Year	
				Level	%	Level	%
Total Nonfarm	1,102,400	1,097,900	1,091,800	4,500	0.4%	10,600	1.0%
Mining and Logging	9,100	9,000	8,600	100	1.1%	500	5.8%
Construction	47,300	46,800	48,800	500	1.1%	(1,500)	-3.1%
Manufacturing	133,000	131,000	133,700	2,000	1.5%	(700)	-0.5%
Trade, Transportation & Utilities	215,700	214,900	213,800	800	0.4%	1,900	0.9%
Retail Trade	133,600	133,800	131,900	(200)	-0.1%	1,700	1.3%
Information	12,308	12,286	12,622	21	0.2%	(314)	-2.5%
Financial Activities	45,369	45,420	45,158	(51)	-0.1%	211	0.5%
Services	391,900	390,800	381,300	1,100	0.3%	10,600	2.8%
Professional and Business Services	100,900	100,200	92,800	700	0.7%	8,100	8.7%
Education and Health Services	139,100	138,800	133,900	300	0.2%	5,200	3.9%
Leisure and Hospitality	117,700	117,700	119,600	-	0.0%	(1,900)	-1.6%
Other Services	34,200	34,100	35,000	100	0.3%	(800)	-2.3%
Government	247,700	247,900	247,800	(200)	-0.1%	(100)	0.0%

Source: U.S. Bureau of Labor Statistics

Mississippi Employment Trends

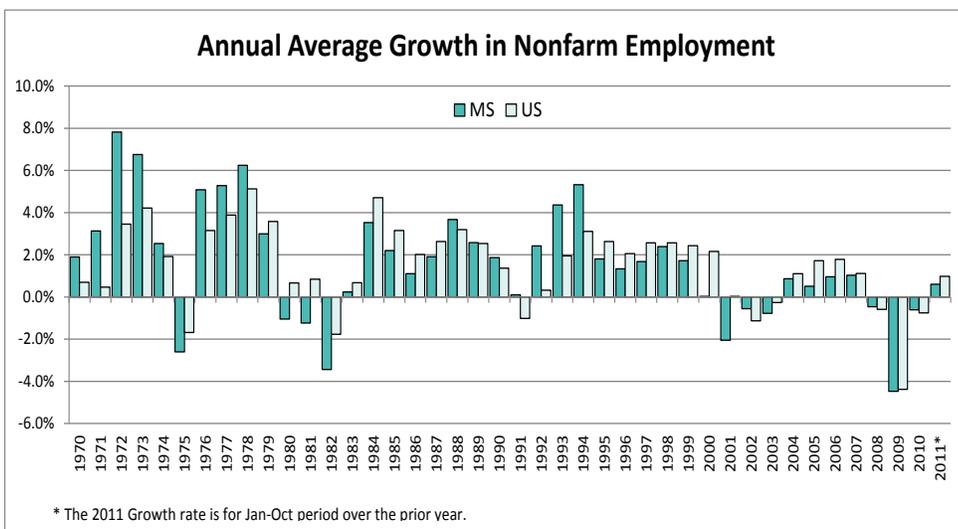
Mississippi nonfarm employment rose 4,500 jobs or 0.4 percent in October relative to September. The gain was on top of a strong increase in September. The October employment in Mississippi was the highest since March 2009. In September the monthly gain was largely due to government jobs. In October, the gain was due largely to manufacturing. The opening of the Toyota plant in Blue Springs likely drove this increase.

Other sectors with substantial gains in October included professional and business services, trade transportation and utilities, and construction. The only sectors declining were retail trade and government. Both saw a modest decline in October.

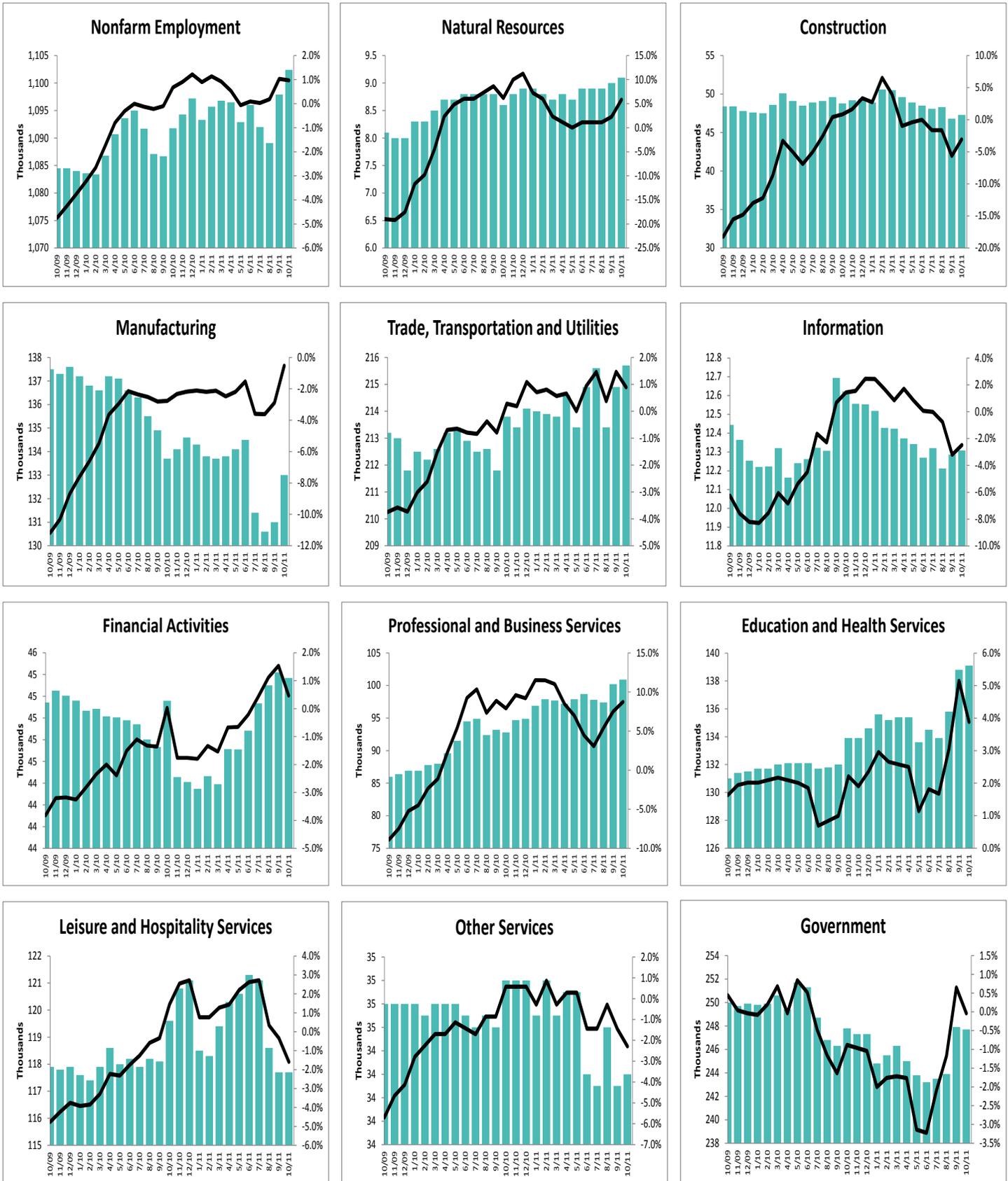
Relative to the year ago, October employment was up 10,500 jobs or 1.0 percent. The strongest annual gains have occurred in the professional and business services sector and retail trade. The strongest

annual declines have occurred in construction (See Chart above).

On average, 2011 employment is up an average of 0.6 percent. The figure below provides historical annual average growth rates for Mississippi and U.S. employment. The annual gains have been modest over the past decade compared to longer term history. The 2011 gain is the strongest since 2007, but falls short of the U.S. average.



MISSISSIPPI EMPLOYMENT TRENDS



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