Legislative Economic Briefing

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Highlights

• The US economy is growing but lacks momentum
• The MS economy is growing as well, but much slower
• There are several factors limiting growth which will persist in 2013 and beyond
• IHS-Global Insight gives a 20% risk of recession
• On track to make 2013 GF Estimate and assuming no recession, the 2014 GF Estimate is also attainable
Growth likely slowed substantially in the 4th quarter. This was due to hurricane Sandy as well as corrections in defense spending and inventories.

Darker Bars Represent National Recessions.
The 2012q4 figure is an estimate by IHS Global Insight.
US Jobs Added (Subtracted) By Month

Added average of 153,000 jobs per month in the last two years. This is low historically.

Average Monthly by Year, 1980-2012
US Nonfarm Employment

Gains since trough 4.7 million jobs. We remain 2.9% below peak

Peak-to-trough loss 8.8 million jobs or 6.4%
An ISM Index above 50 says the industry is expanding. Below 50 indicates a contraction. The ISM for MFG has been below 50 four of the last seven months.
Retail sales remain relatively modest. Christmas sales were above the year ago, but growth was slower than in the previous two years.
Light vehicle sales have been a bright spot in the economy with average sales of 14.5 million units in 2012.
US Consumer Sentiment

Historically low and falling
The Index plummeted in November and improved negligibly in December.
Year-Over-Year Growth in Real Personal Income Less Transfer Payments by Quarter

Declines are characteristic of recessions. Growth trended downward in 2011 and early 2012, but did not go negative. The second and third quarters of 2012 saw modest improvement.
After declining through the summer months, the MSCI has risen for 4 consecutive months.

The Mississippi Index of Coincident Indicators reflects economic conditions existing in a given month. The 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 Index of Leading Indicators reflects economic conditions expected for the coming months. The index is constructed by the University Research Center and indexed to 2004. There are 8 components of the Index: MS Initial Unemployment Claims; MS Income Tax Withholdings; MS Value of Residential Building Permits; MS MFG Employment Intensity Index, MS Diesel Fuel Consumption Index; ISM Index of US MFG Activity; US Consumer Expectations Index and US Retail Sales.

The Index fell significantly during the summer months. After rising for three consecutive months, the index has now dipped. The outlook is for continued modest growth in the coming months.
Employment has improved modestly in the past three months, but has been relatively flat throughout the “recovery”. Average employment for 2012 was the lowest since 1995.
Percentage Change in Nonfarm Employment By State, 2011-2012*

- Data includes January through November for each year.

U.S. Average 1.4%
MS Employment Trends By Major Industry

![Graph showing employment trends by major industry from 1990 to 2012. The graph compares different industries such as Construction, MFG, Professional Services, Education and Health Services, Trade, Trans and Utilities, Leisure and Hospitality, and Government. The y-axis represents thousands of employees, and the x-axis represents years from 1990 to 2012.](image-url)
Decline
Less than 125 Jobs Gained
Greater than 125 Jobs Gained

* The average employment for the January to November period is compared for both years.
Permits trended upward in the second half of 2011 and the first half of 2012. Permits have trended downward since mid 2012.
Sales in MS have trended downward through most of 2012, though not as steeply as in 2011.
Growth has slowed since early 2011, but remains positive.
After improving in the first half of 2012, withholdings were more volatile in the second half, but annual growth in second half was stronger than in the first. For CY 2012 withholdings were up 3.1% after adjusting for inflation. This compares to 0.7 decline in CY 2011.
Growth in Wage And Salary Disbursements, By State, 2011-2012*

- North Dakota
- Texas
- Montana
- South Dakota
- Oklahoma
- Utah
- Washington
- Tennessee
- Ohio
- Wyoming
- Indiana
- Iowa
- Oregon
- Colorado
- Arizona
- Michigan
- California
- Vermont
- Kentucky
- Minnesota
- West Virginia
- Alaska
- Mississippi
- Maryland
- South Carolina
- Kansas
- Hawaii
- Pennsylvania
- Georgia
- Illinois
- Nebraska
- Wisconsin
- Alabama
- Louisiana
- Florida
- Missouri
- Arkansas
- North Carolina
- New Mexico
- Maine
- New Jersey
- Virginia
- Massachusetts
- New Hampshire
- Idaho
- Rhode Island
- District of Columbia
- Nevada
- Delaware
- Connecticut
- New York

U.S. Average 3.0%

* The first three quarters of each year are compared.
Other Mississippi Trends

• Initial unemployment claims trended down in 2012, but increased following Hurricane Isaac
• Mississippi manufacturing workweek length increased in the second half of 2012
• Diesel fuel consumption declined toward the end of 2012
The Economic Outlook

• The Good News
  – U.S. Housing Sector appears on the mend
  – Vehicle Sales remain relatively strong
  – Fiscal Cliff was at least partially avoided

• The Bad News
  – High debt levels for consumer and government
  – Consumers and businesses remain cautious
  – Increasing regulatory environment
  – Looming debate over debt ceiling/spending cuts
Growth In Real US GDP

Historical and IHS Global Insight Baseline Projections
Growth In Real MS GDP

Historical and University Research Center Projections

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MS University Research Center, IHL
MS General Fund
Growth Over Prior Year

Fiscal Year to Date Growth: 2.9%
Growth Needed Rest of Year to Make November Revised Estimate: 0.3%

Black Bars Represent National Recessions
* FY 2013 and FY 2014 reflect November Revised Estimate. FY 2014 estimate would be 1.6% if not for scheduled changes in the accelerated tax program.
Transfers To The General Fund
Highlights

• The US economy is growing but lacks momentum
  – Housing and vehicle sales remain the brightest spots

• The MS economy is growing as well, but much slower
  – We expect 2013 to be an improvement over 2012, but historically slow

• Factors limiting growth in 2013 and beyond
  – Expiration of the payroll tax cut
  – The debt ceiling/spending cut debate
  – Low level of confidence
  – Increased regulatory environment
  – Slow global economy

• IHS-Global Insight gives a 20% risk of recession
  – Threats: debt ceiling impasse, China slowdown, Europe debt crisis, etc.

• If no recession, should make 2013 and 2014 General Fund Estimate