

# Legislative Economic Briefing

January 19, 2012

Mississippi University Research Center

Mississippi Institutions of Higher Learning

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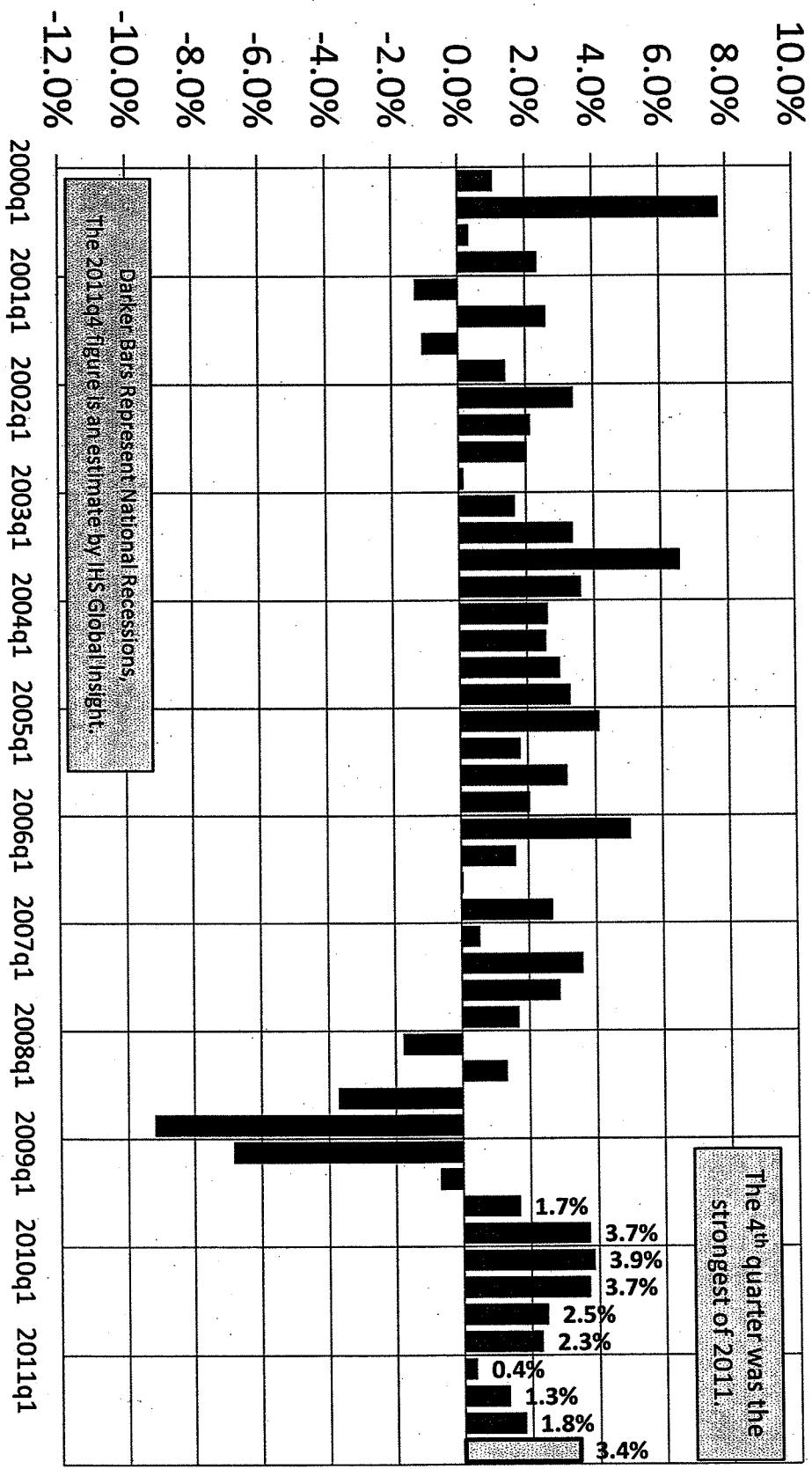
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# Highlights

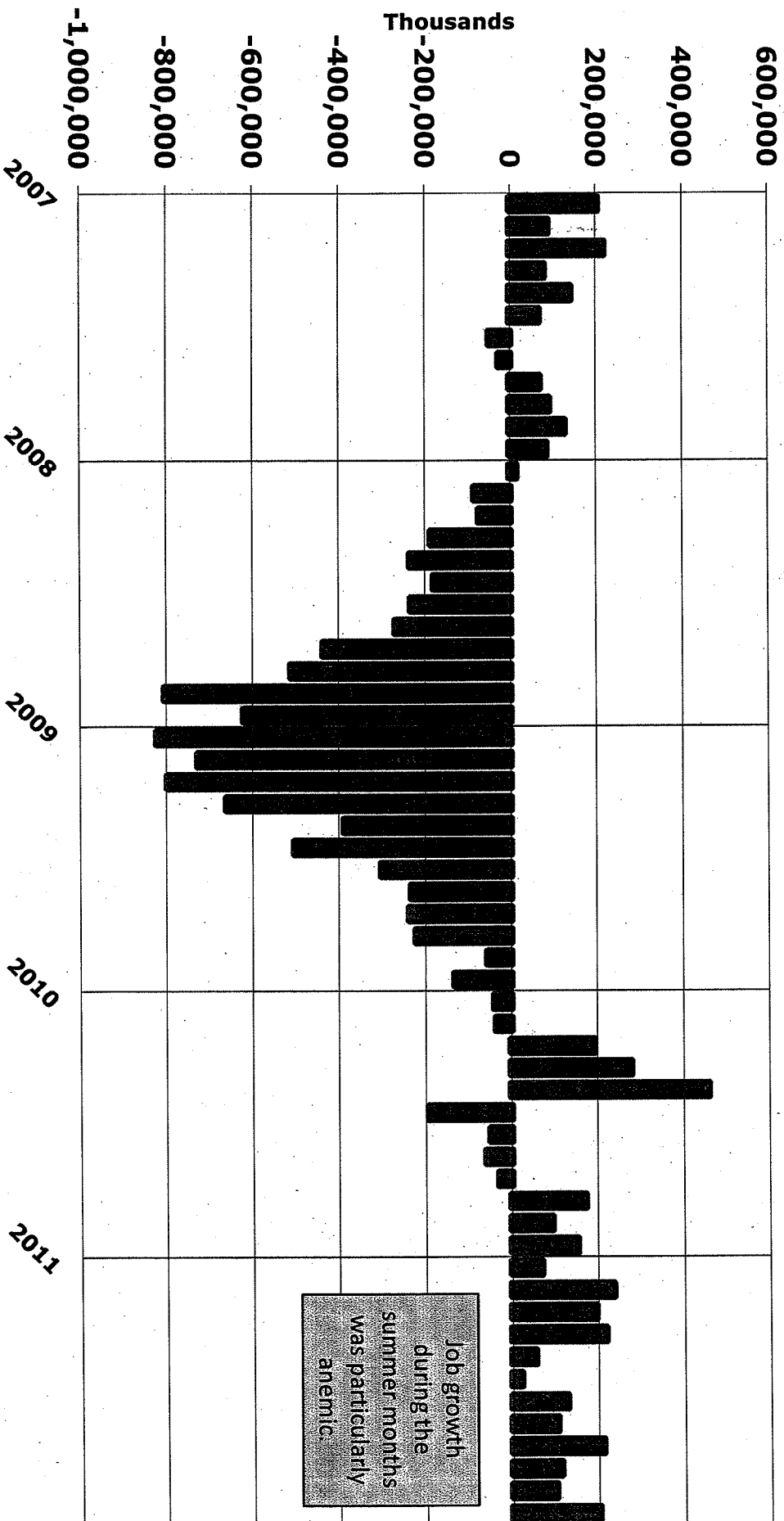
- Ended 2011 on a strong note
- Economy will likely slow in the coming months
- Slow growth is the new norm
  - MS will be particularly challenged
- On track to make 2012 General Fund Estimate

# Annualized Quarterly Growth in Real GDP

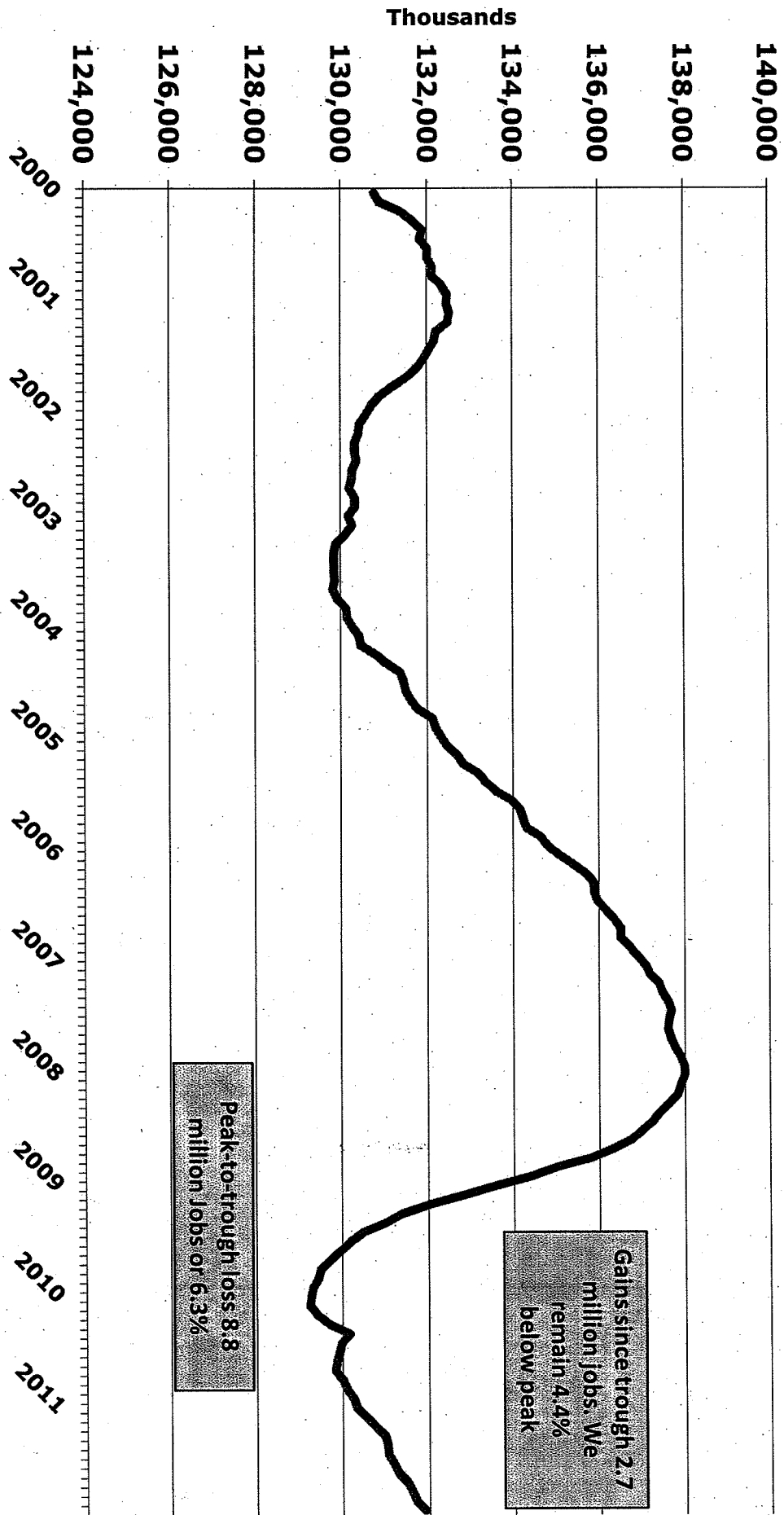


# US Nonfarm Employment

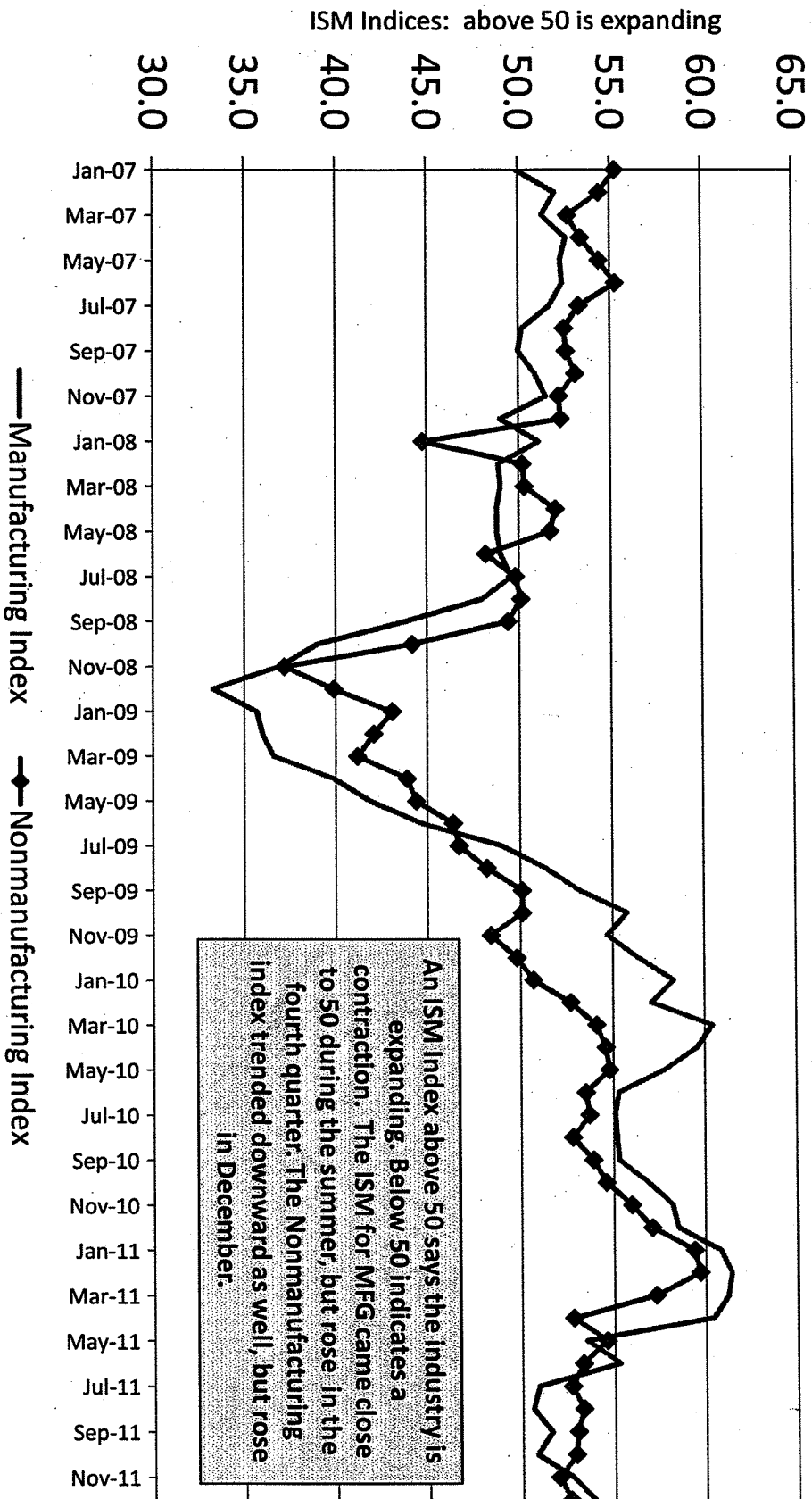
Jobs added(subtracted) by Month



# US Nonfarm Employment

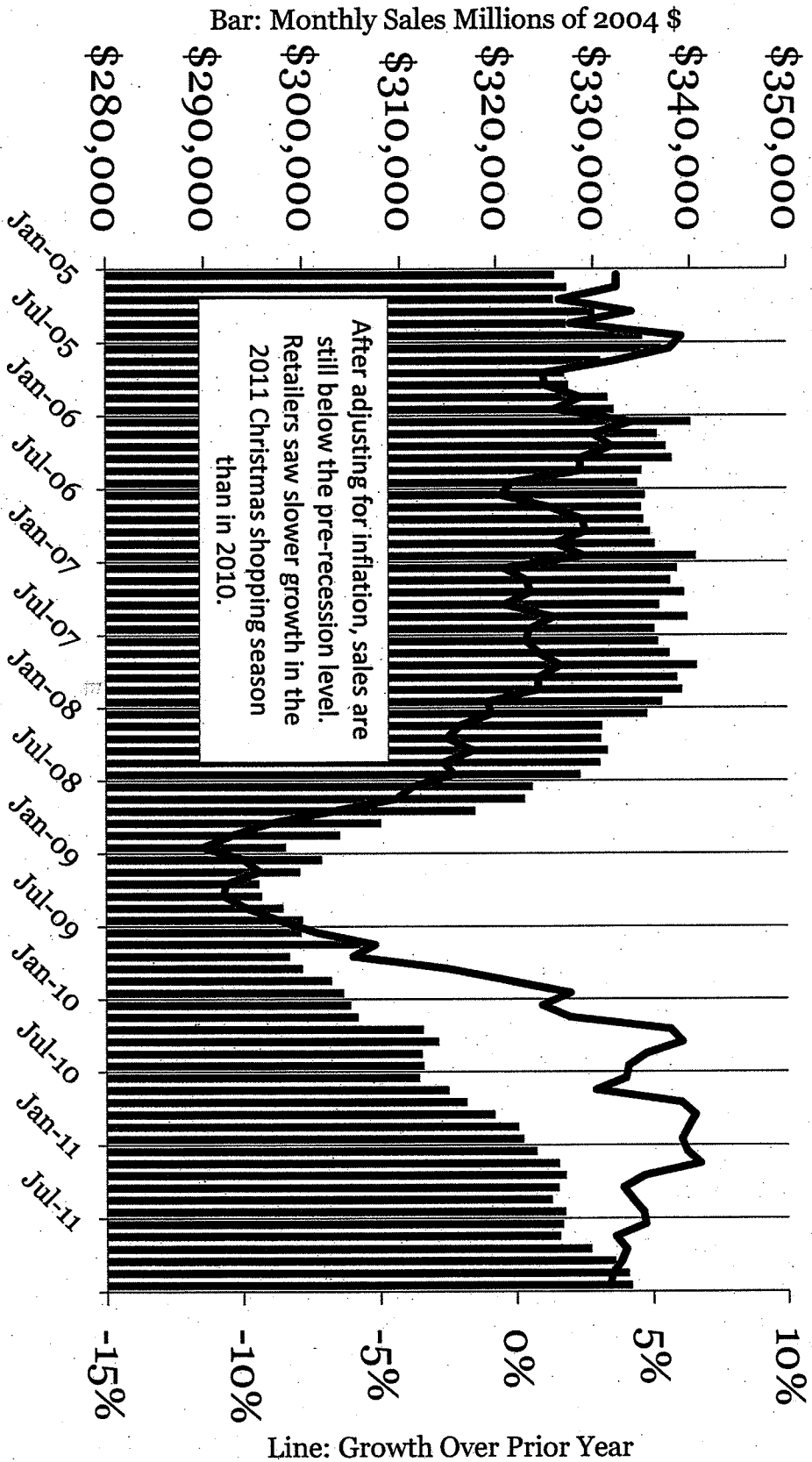


# Institute For Supply Management Indices



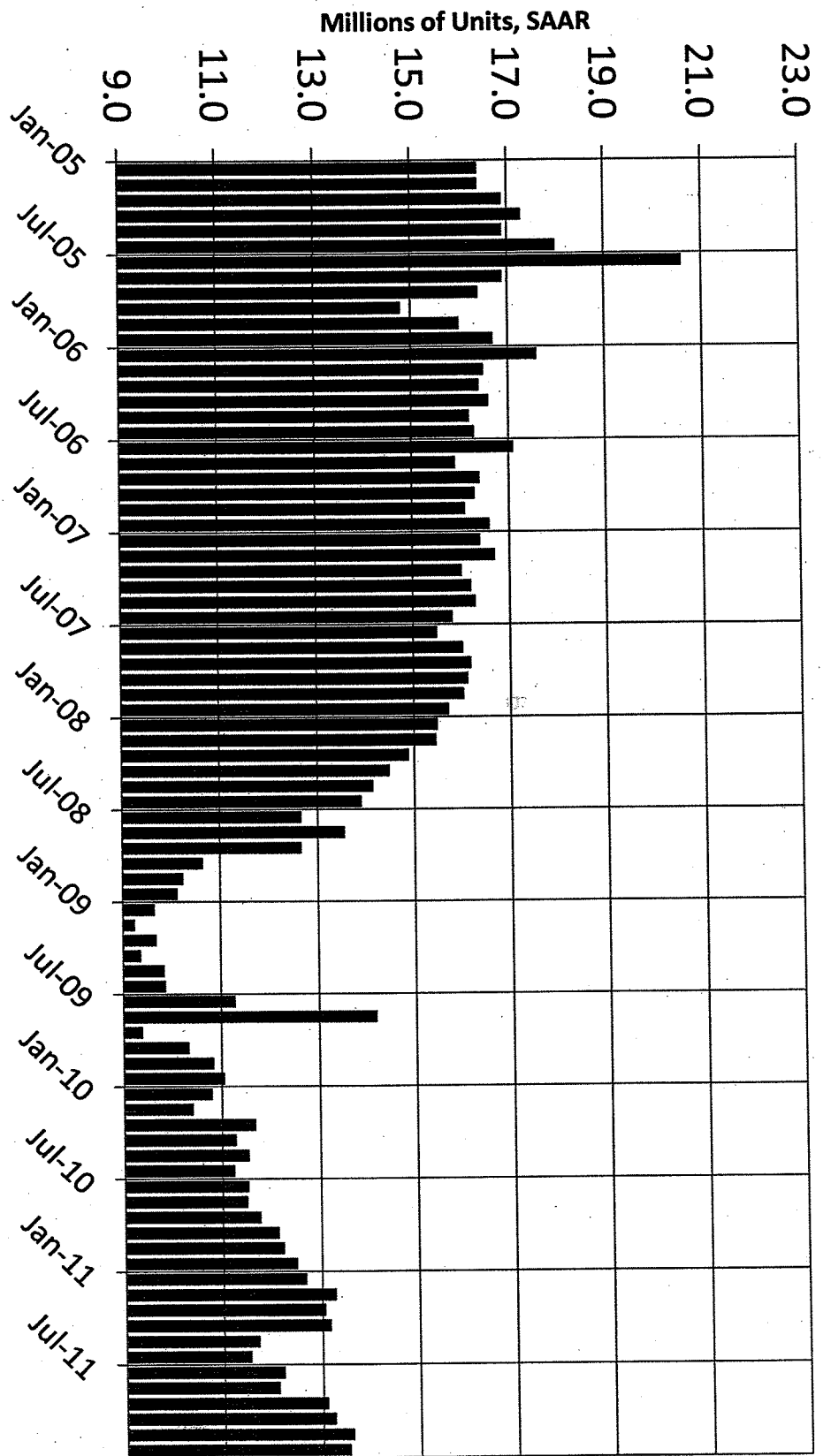
# Real US Retail Sales

Adjusted for Inflation



# U.S. Light Vehicle Sales

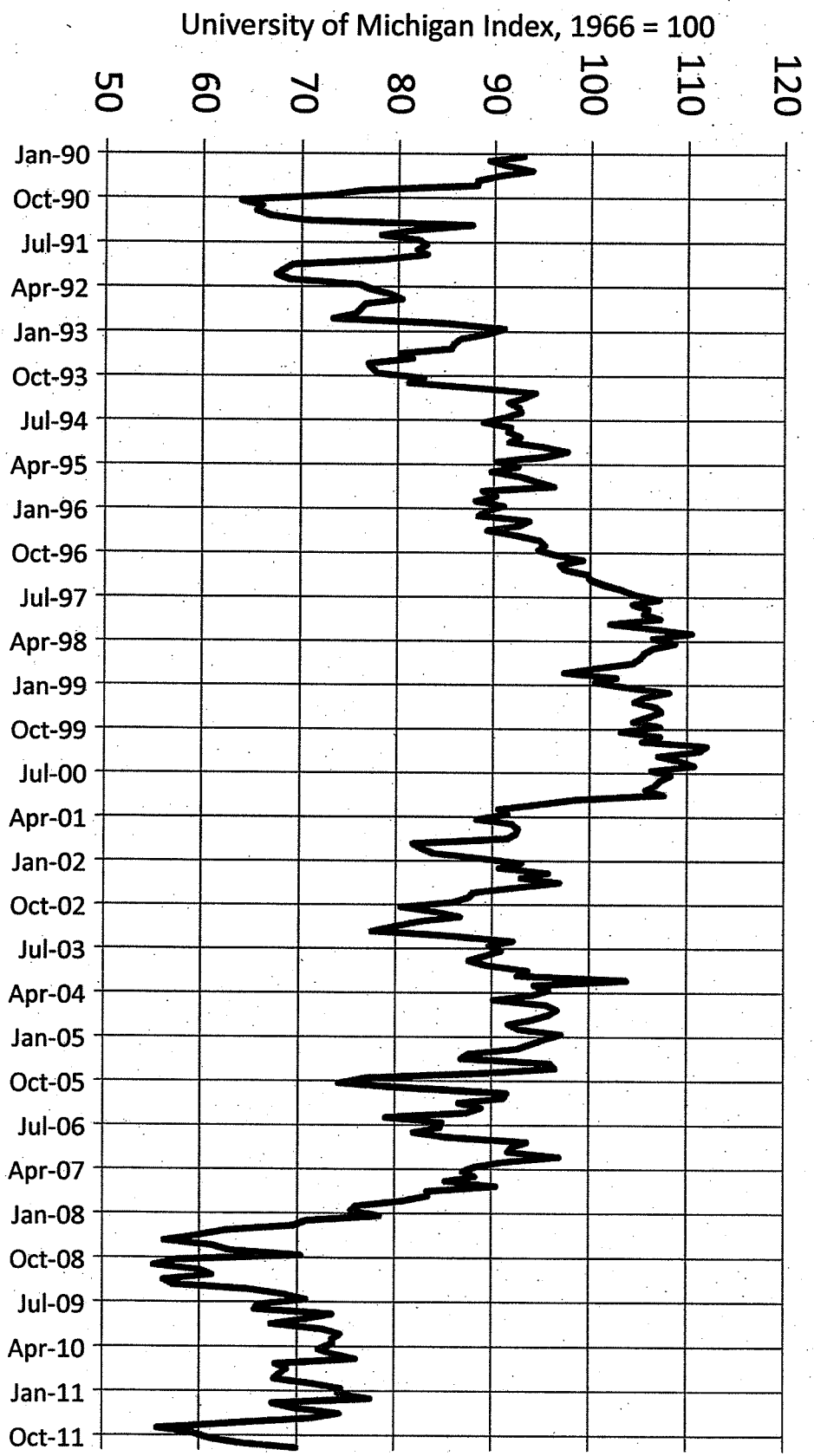
Over 13 million units sold (annualized rate) for the past 4 months



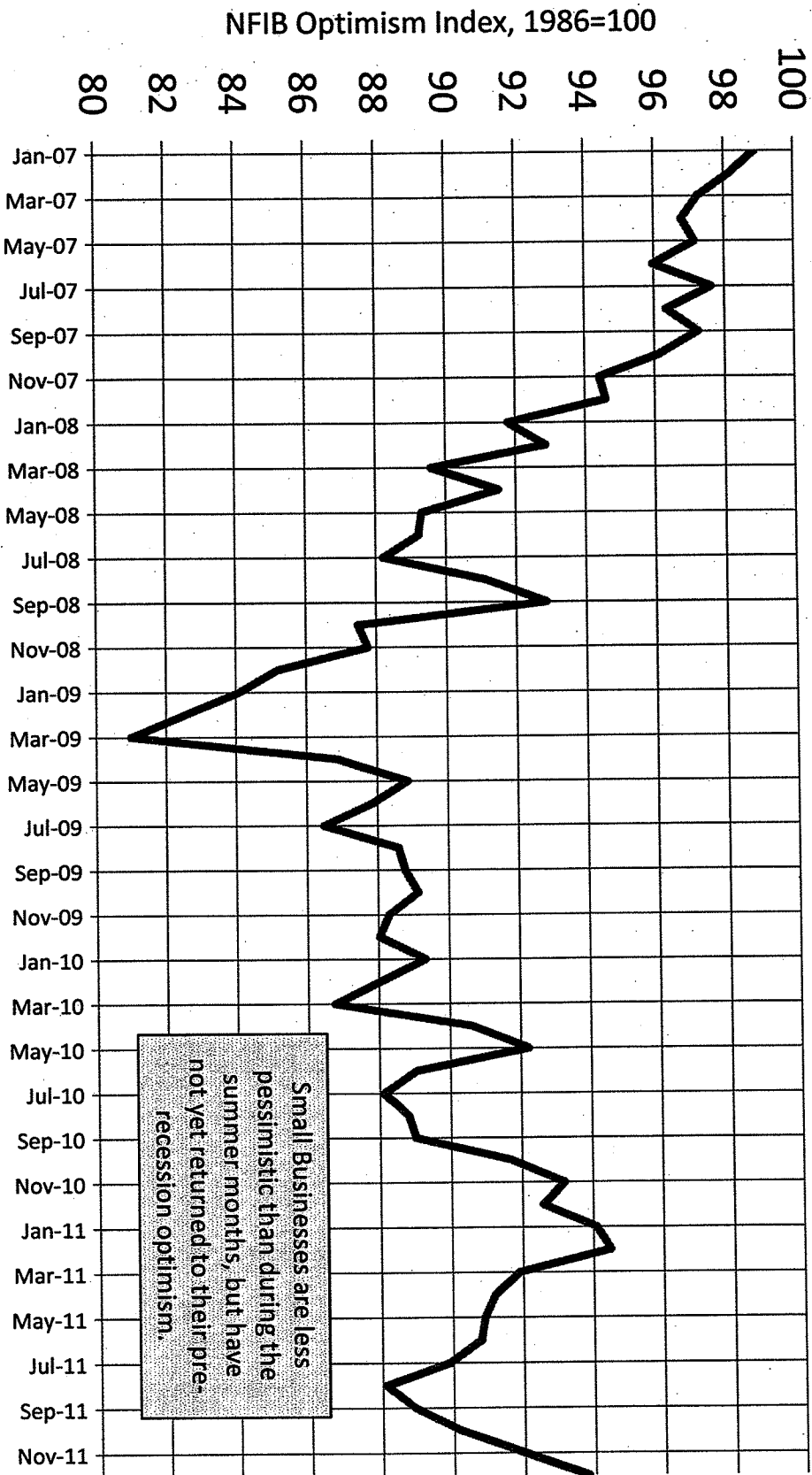


# U.S. Consumer Sentiment

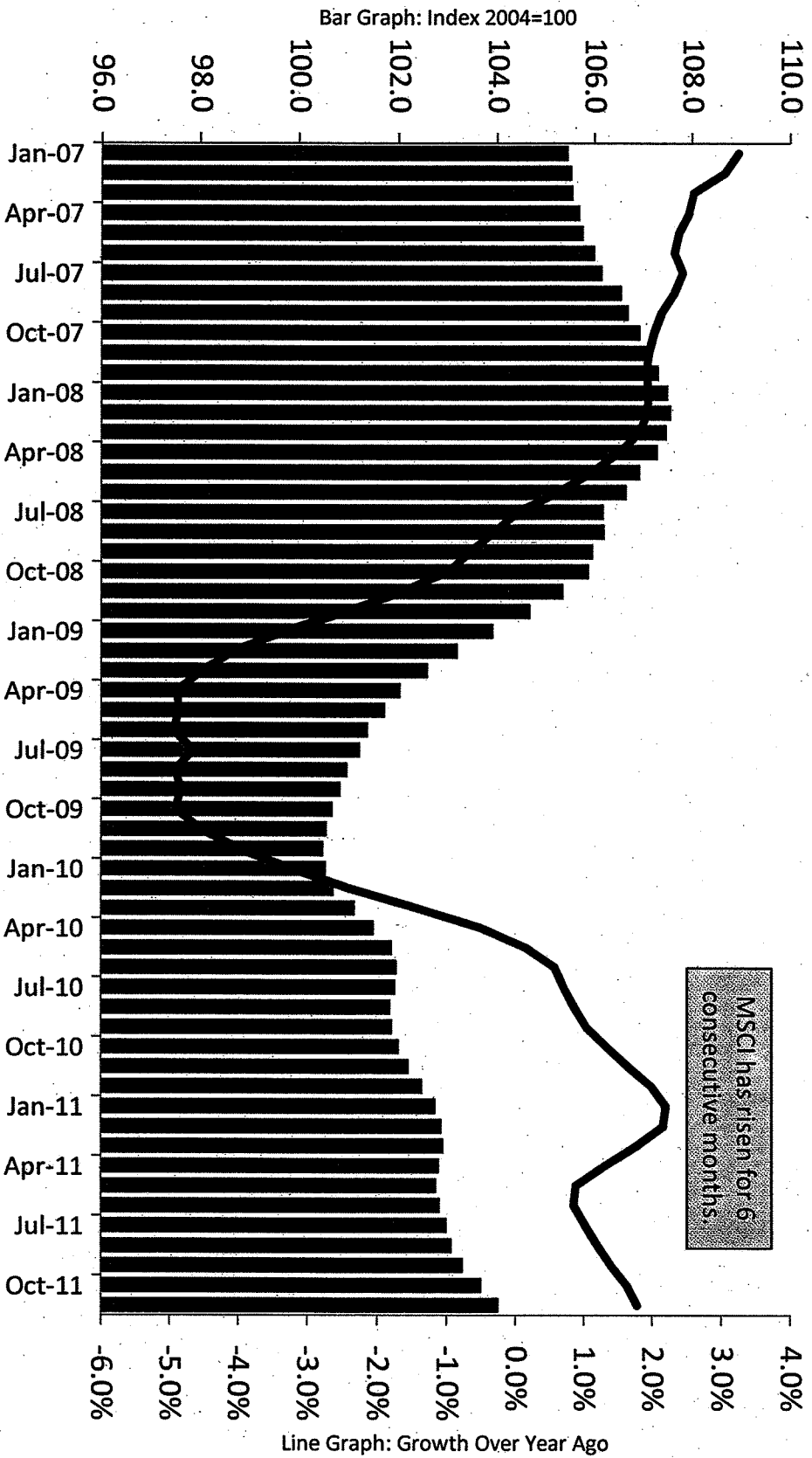
Up from the low of August, but still low historically



# National Federation of Independent Businesses Optimism Index



# Mississippi Index of Coincident Indicators

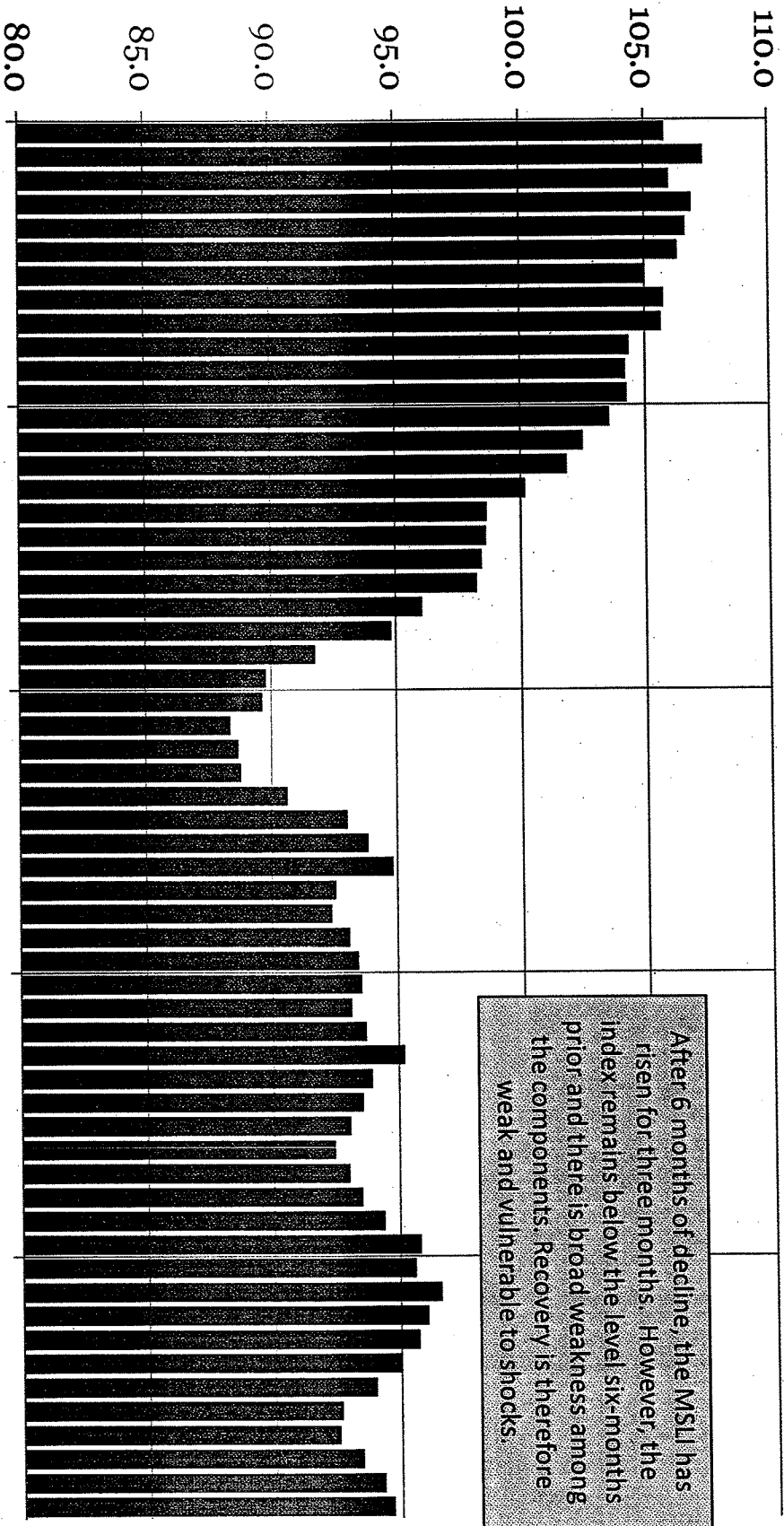


The Mississippi Index of Coincident Indicators reflects economic conditions existing a given month. The index is constructed by the Federal Reserve Bank of Philadelphia and re-indexed to 2004. The index is based on changes in nonfarm employment, the unemployment rate, average manufacturing workweek length and wage and salary disbursements.

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# Mississippi Index of Leading Economic Indicators



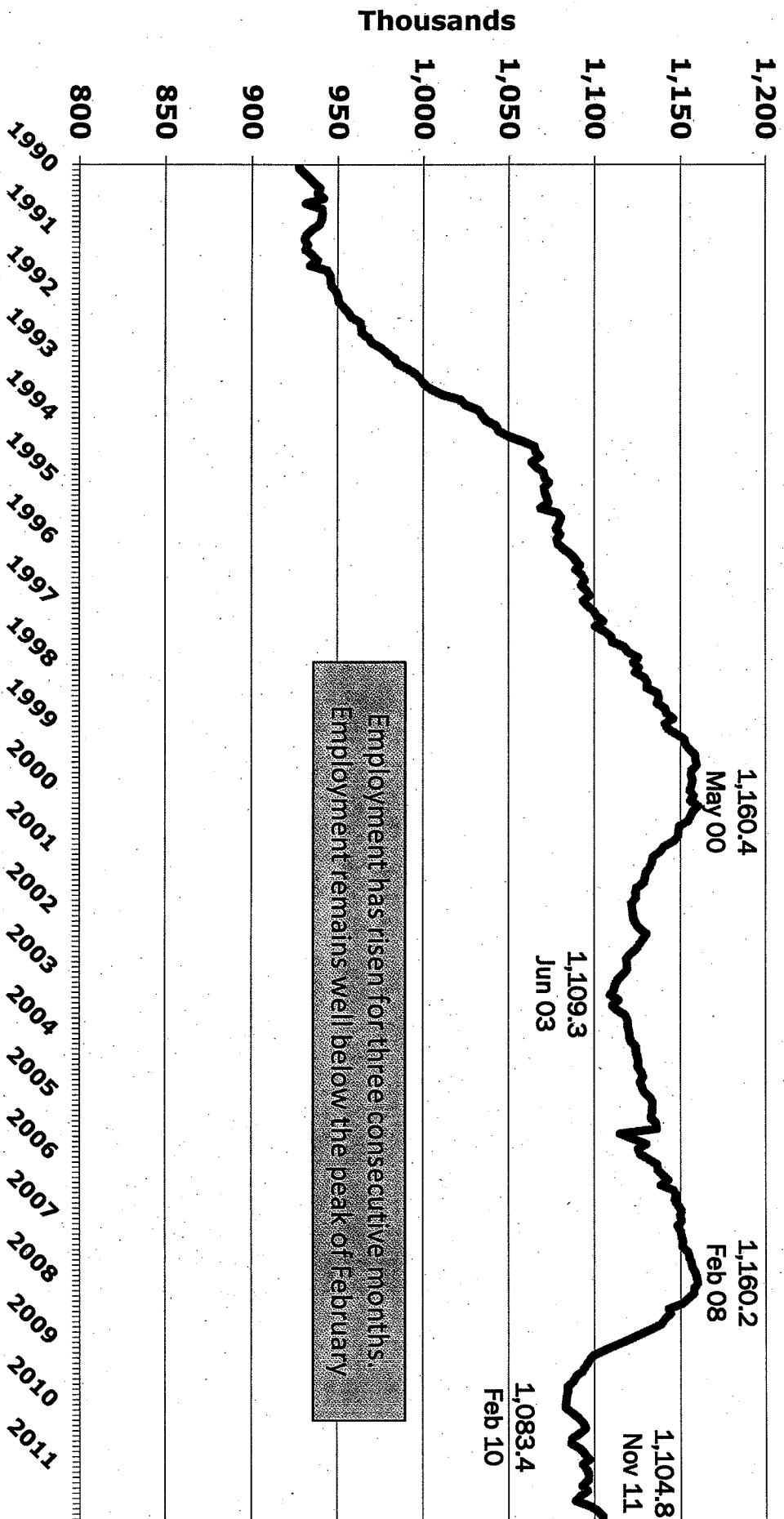
After 6 months of decline, the MSLI has risen for three months. However, the index remains below the level six-months prior and there is broad weakness among the components. Recovery is therefore weak and vulnerable to shocks.

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.

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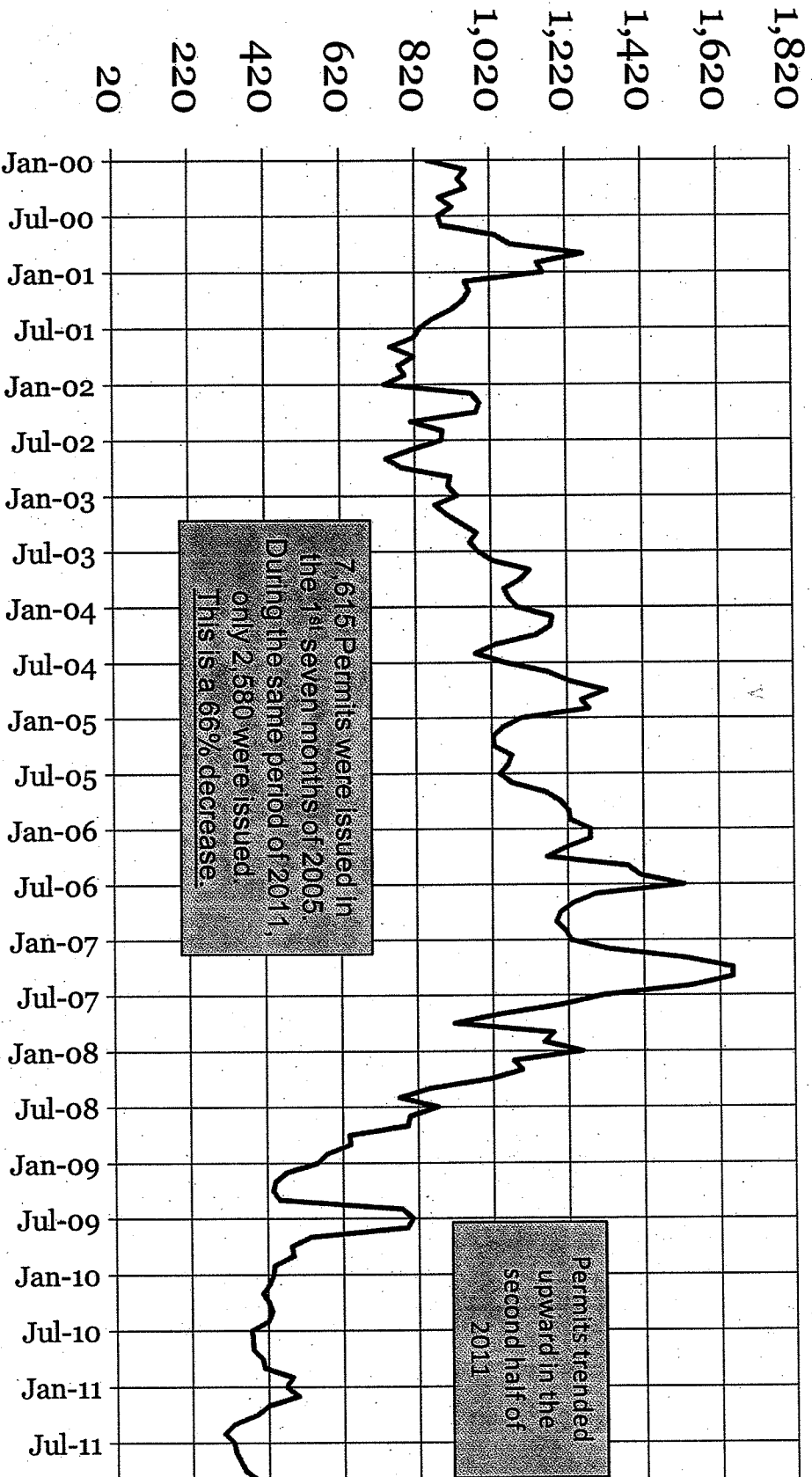
# MS Nonfarm Employment





# MS Residential Building Permits

## Three Month Moving Average Number of Units



## Other Mississippi Trends

- Real Withholdings have trended up in 2011, but are below pre-recession levels
- Initial and continued unemployment claims trended down in second half of 2011, after rising in the first half; Remain high by historical standards
- Diesel fuel consumption declined toward the end of 2011



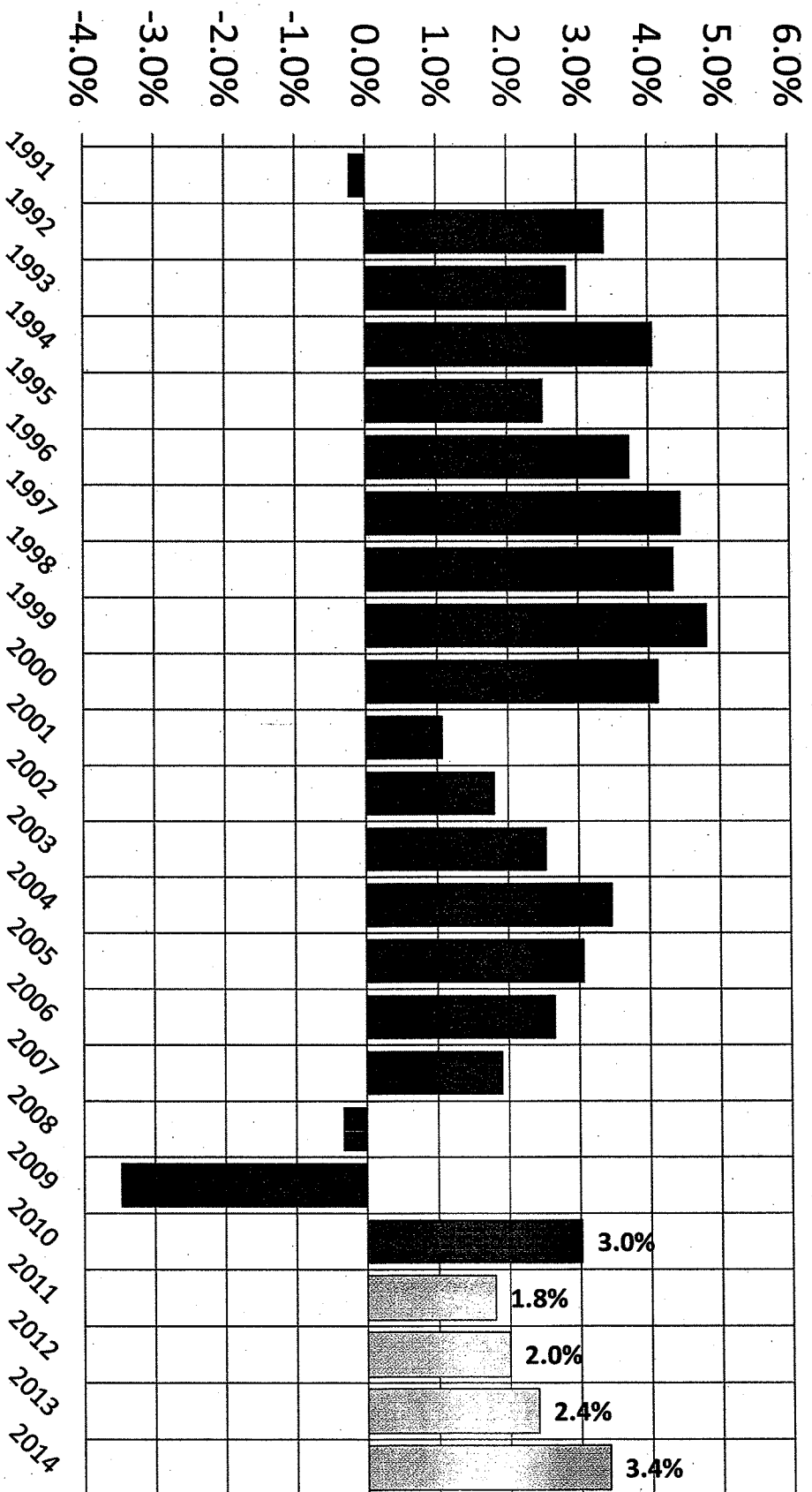
# **The U.S. Economy**

## **Will Slow In first Half of 2012**

- **Inventory Boost will Fade**
- **Fundamental Weakness in the Economy**
  - **Weak housing sector**
  - **High debt levels for consumer and government**
  - **Consumers and businesses remain cautious**
  - **Eurozone financial troubles may lead to some credit tightening in the U.S.**
- **Slower Global Economy**

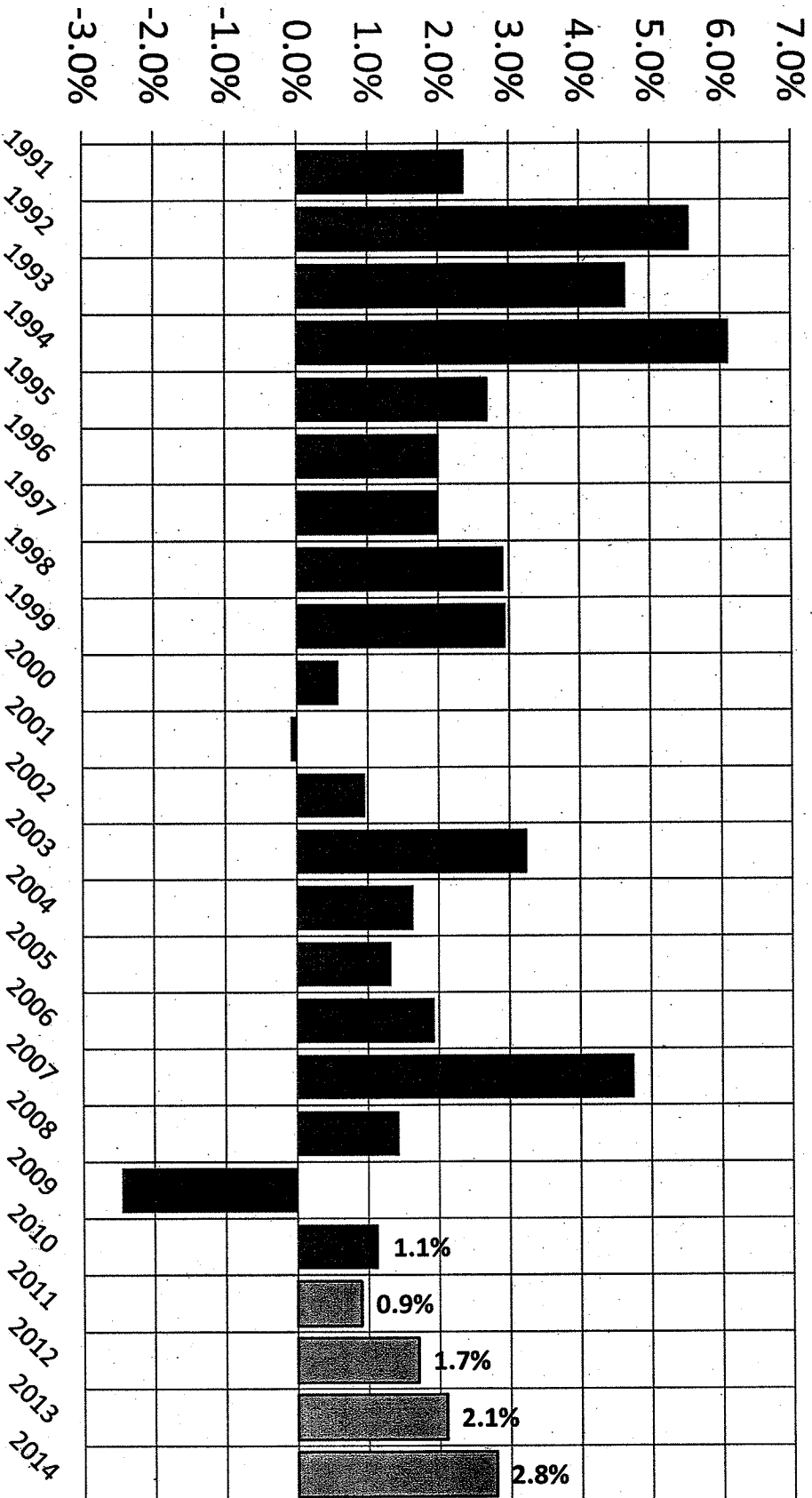
# Growth In Real U.S. GDP

Historical and IHS Global Insight Baseline Projections



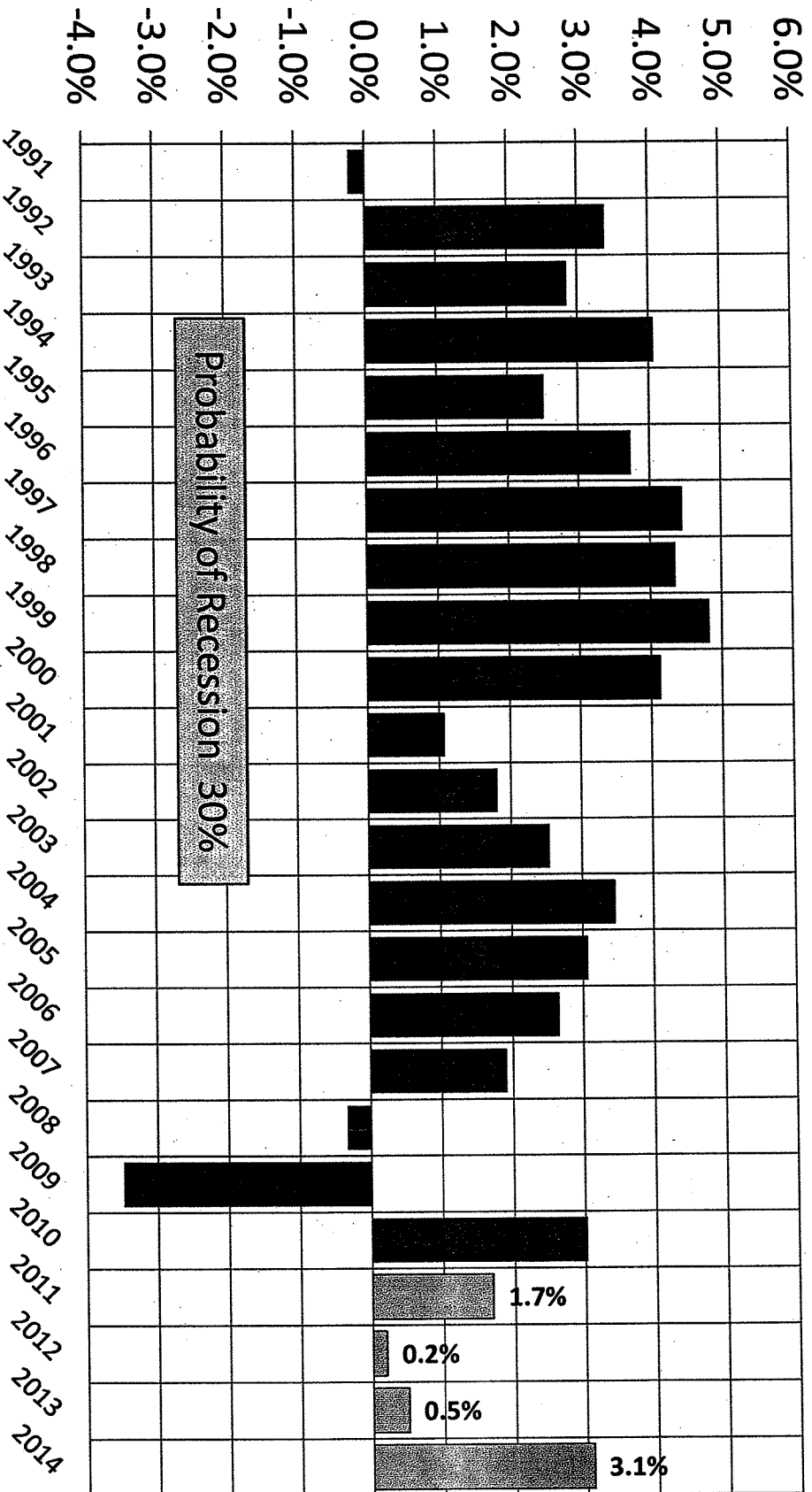
# Growth In Real MS GDP

Historical and University Research Center Projections

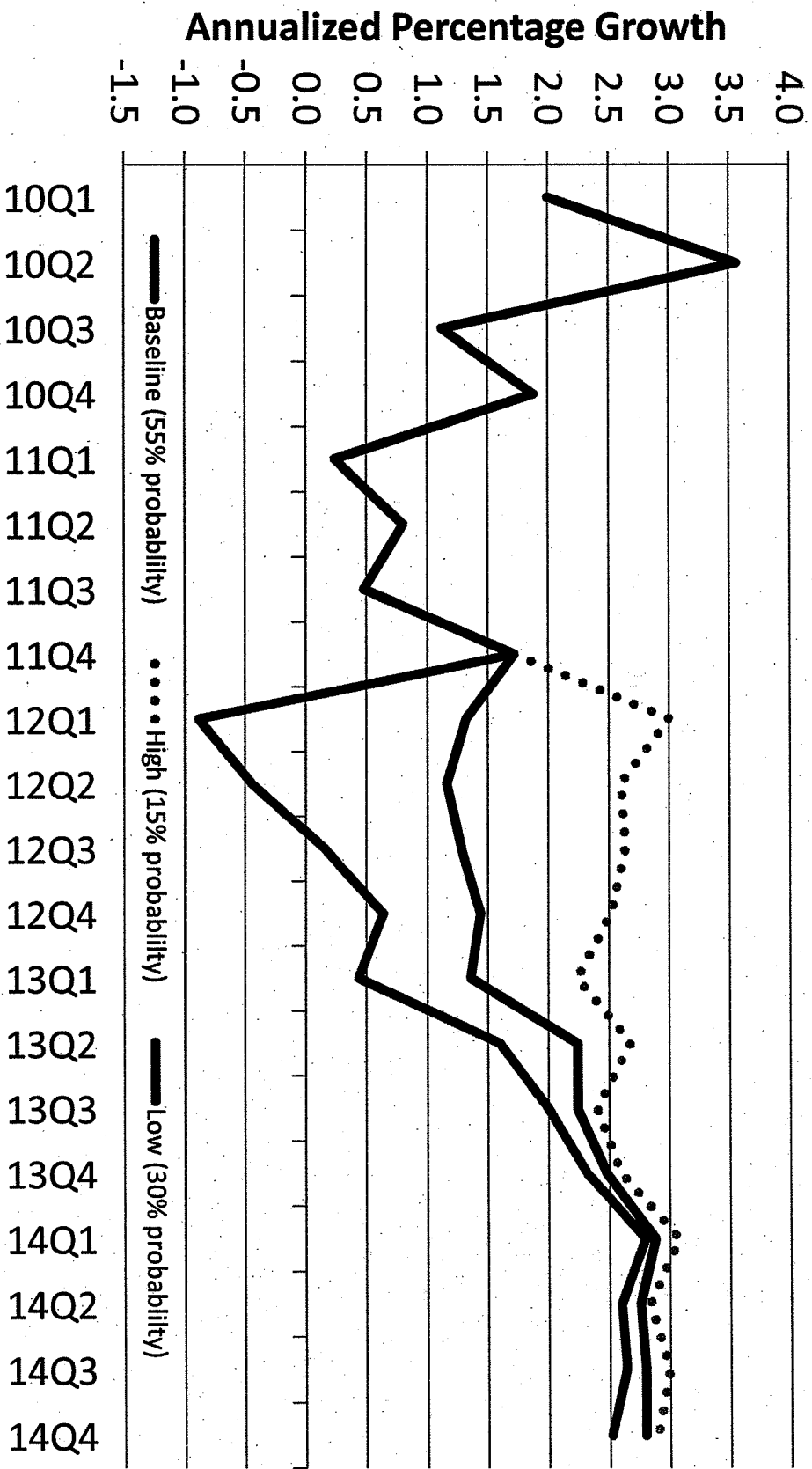


# Growth In Real U.S. GDP: Pessimistic

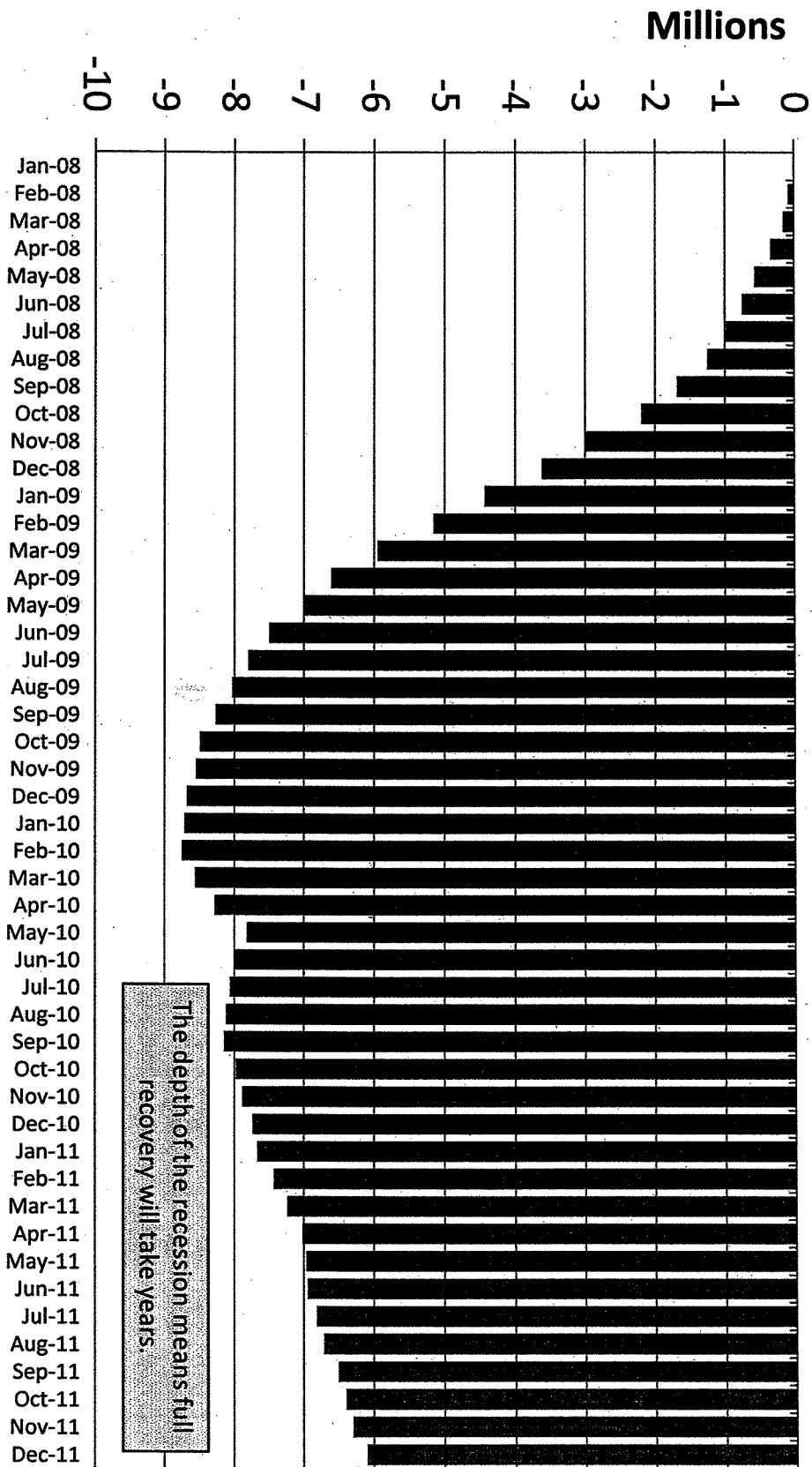
NOTE: Pessimistic does not imply worst case



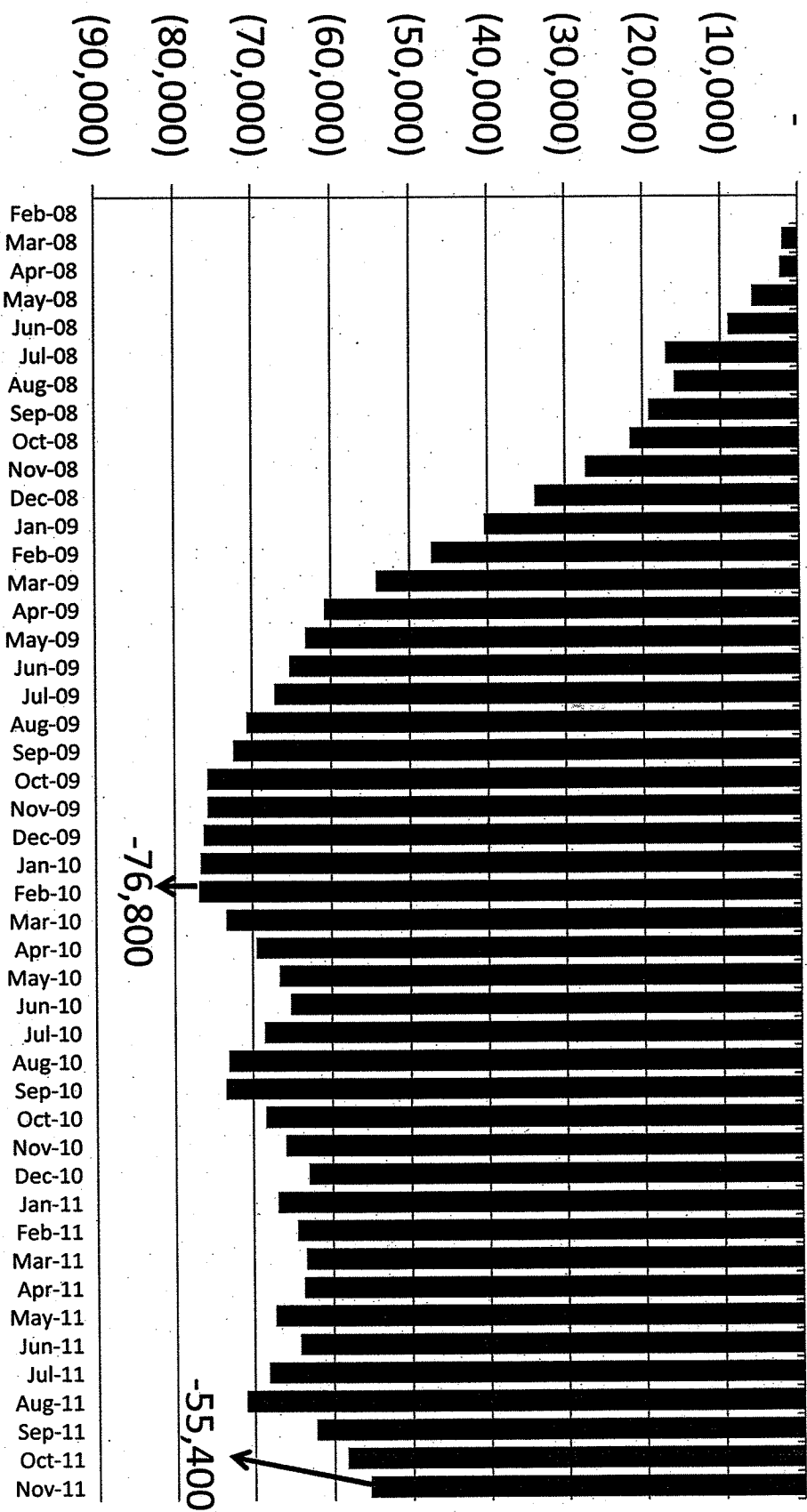
# Alternative Forecasts for MS Gross Domestic Product



# US Jobs Lost Since January 2008



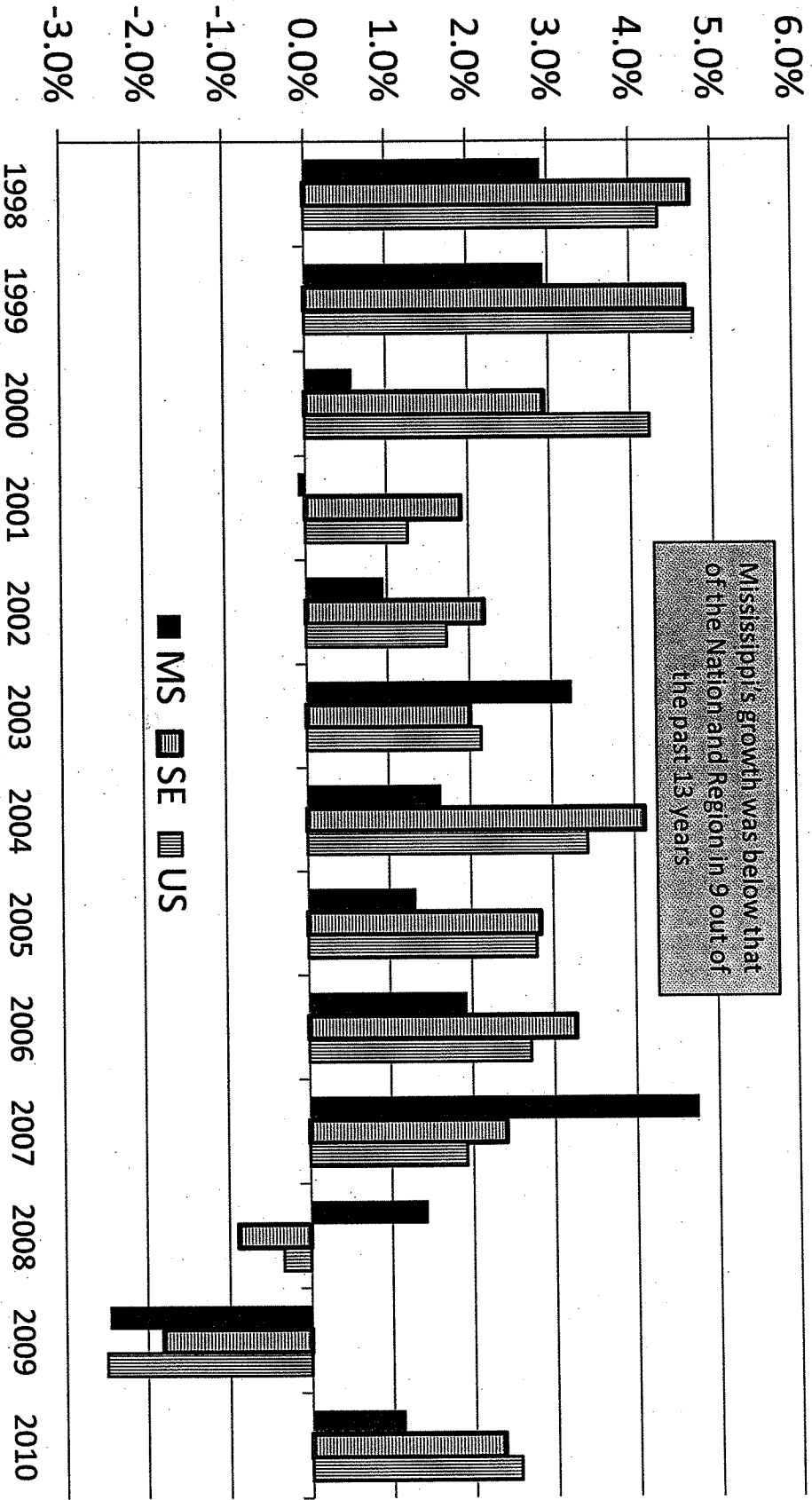
# MS Jobs Lost Since February 2008



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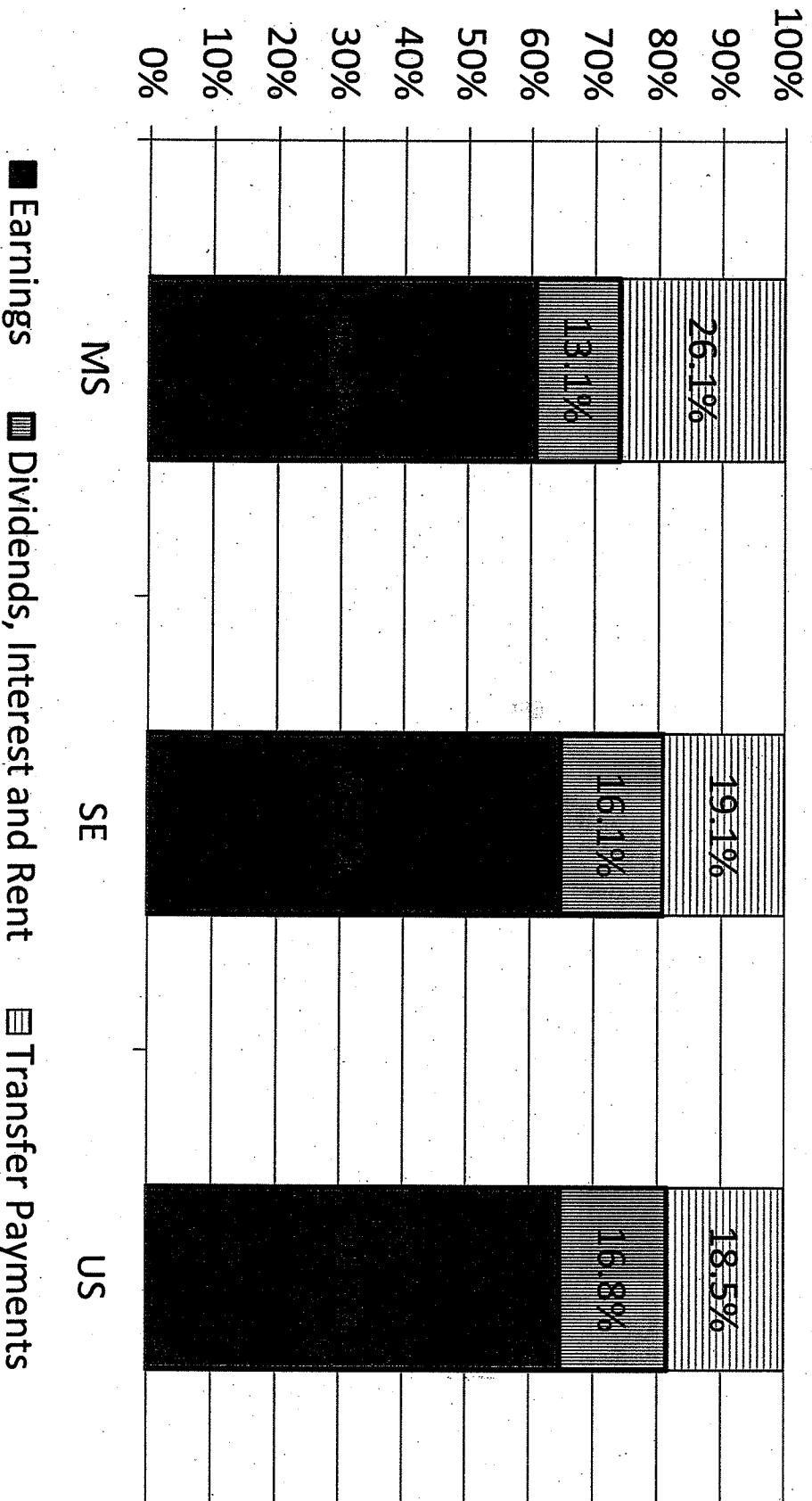
# Annual Growth in Real GDP



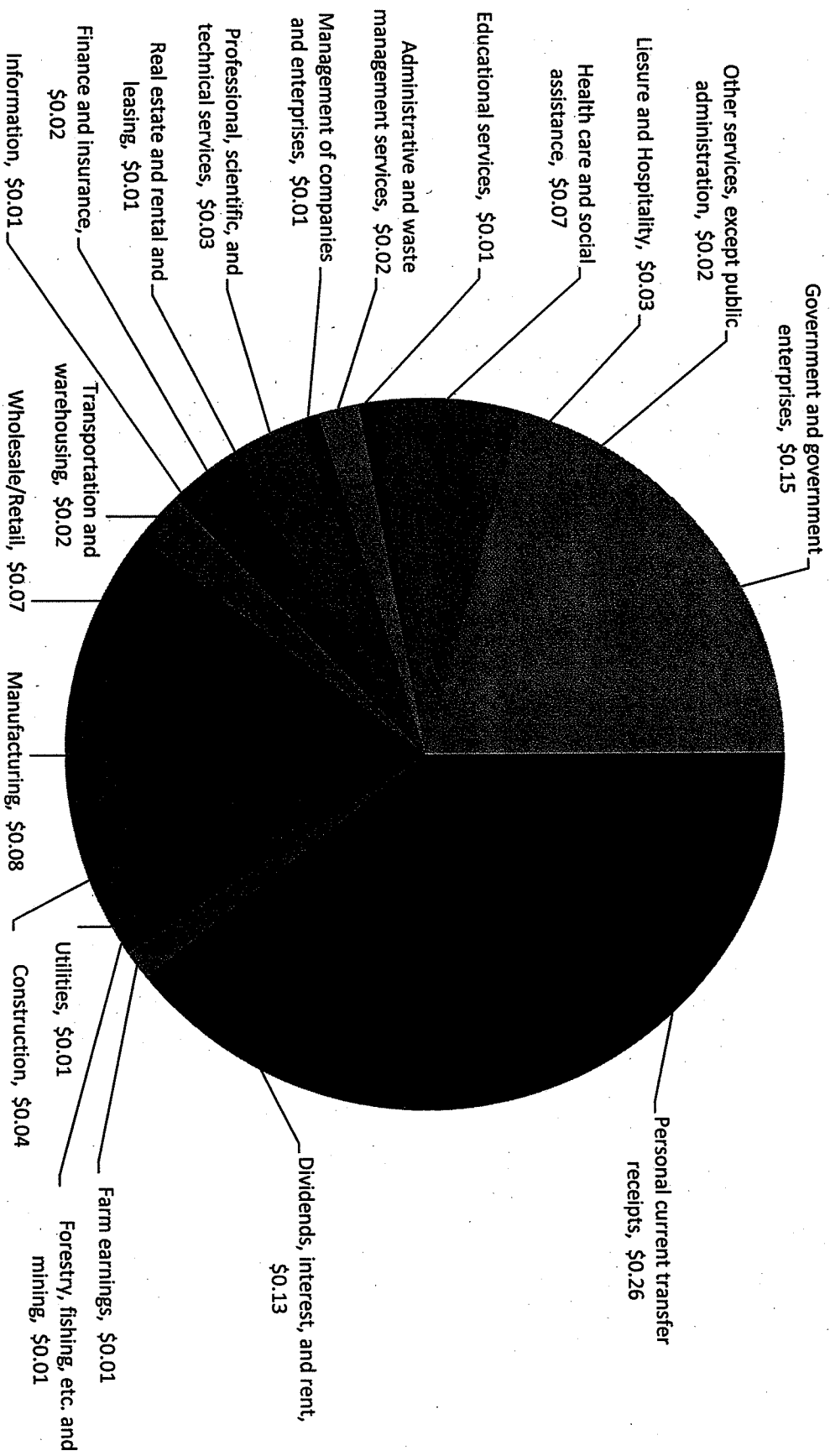


# Three Sources of Income, 2010

MS is relatively dependent upon transfer payments



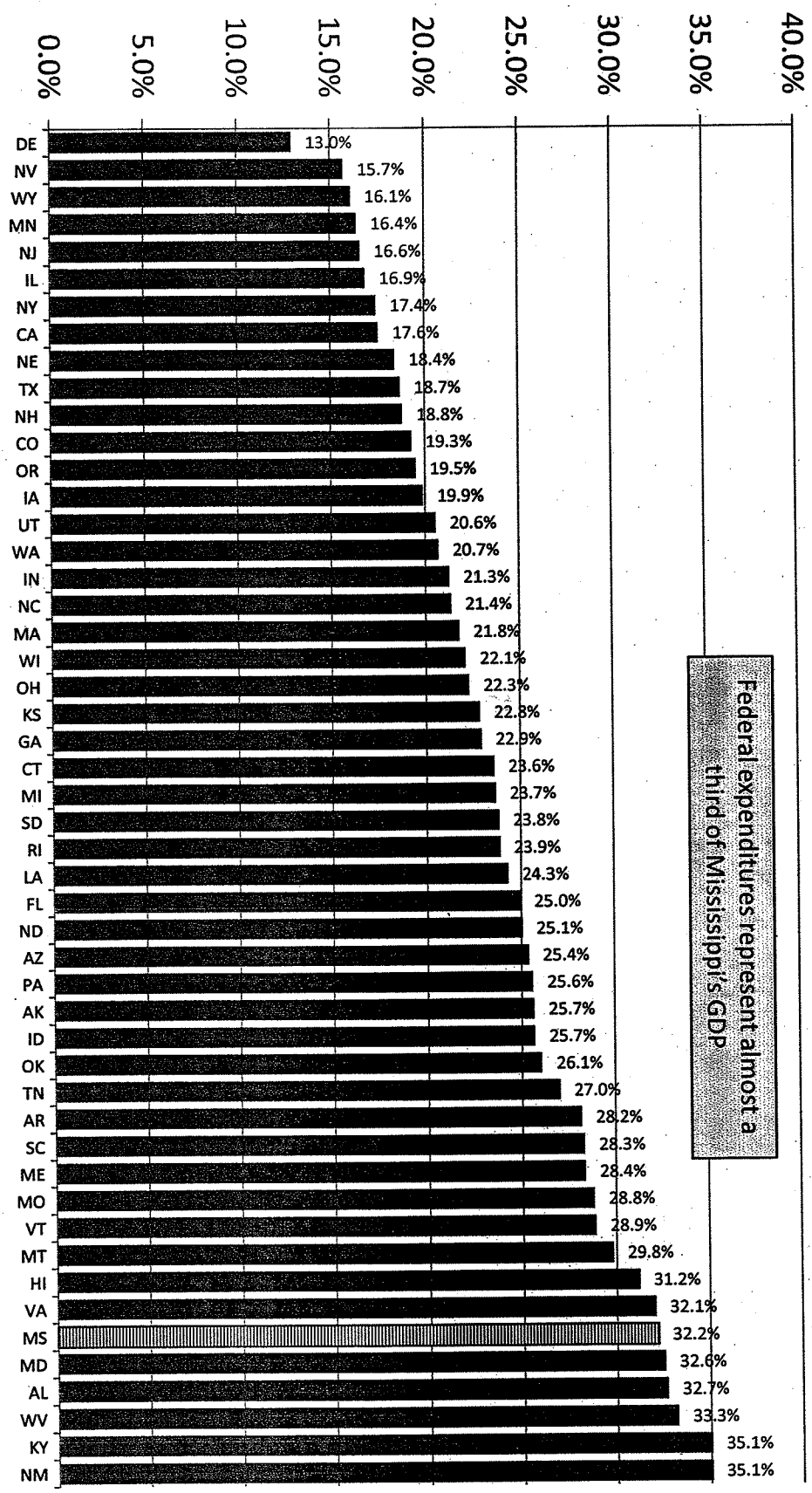
# \$1.00 of Income In Mississippi by Source 2010



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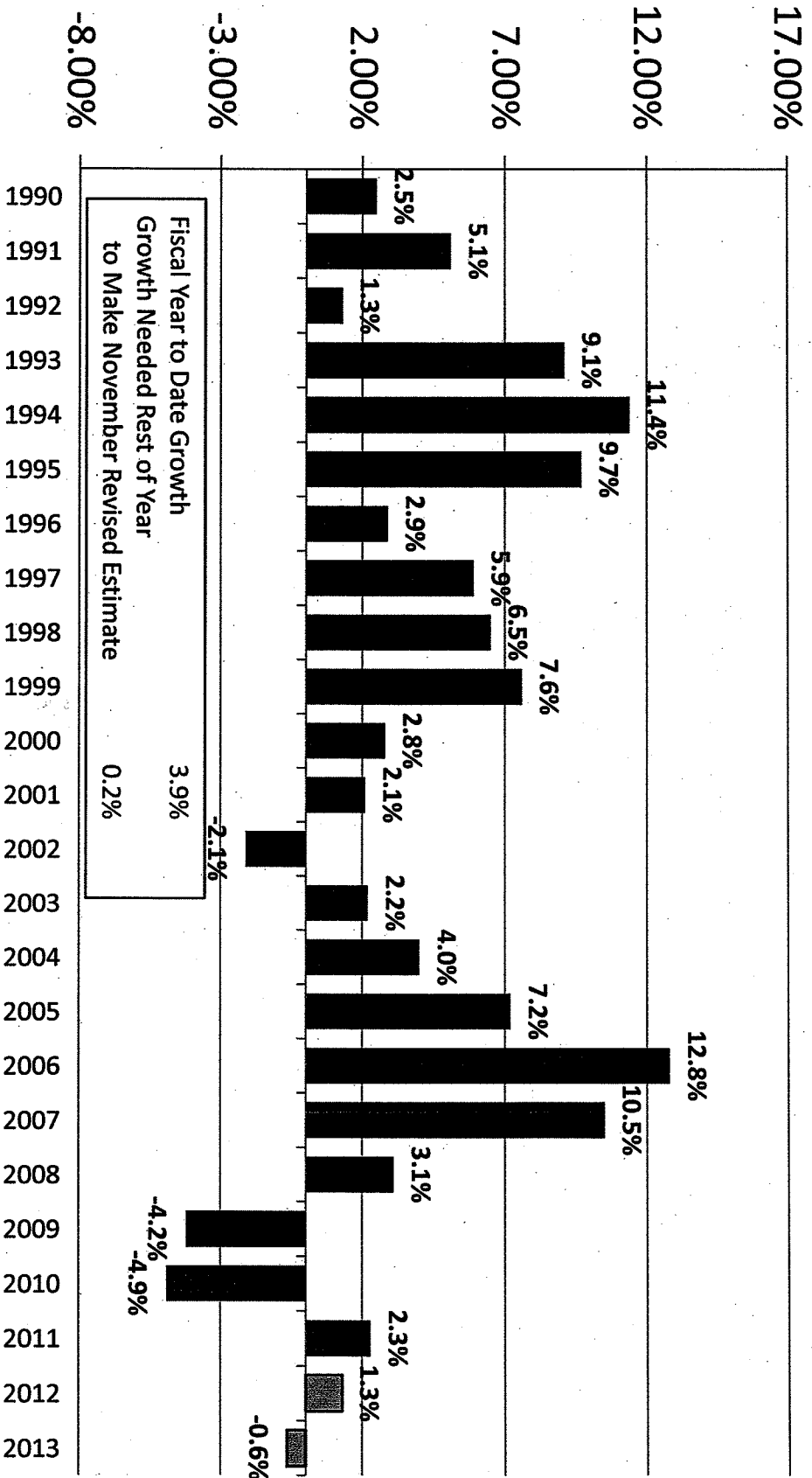
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# Federal Expenditures as a share of Gross Domestic Product, By State, 2010



# MS General Fund

Growth Over Prior Year

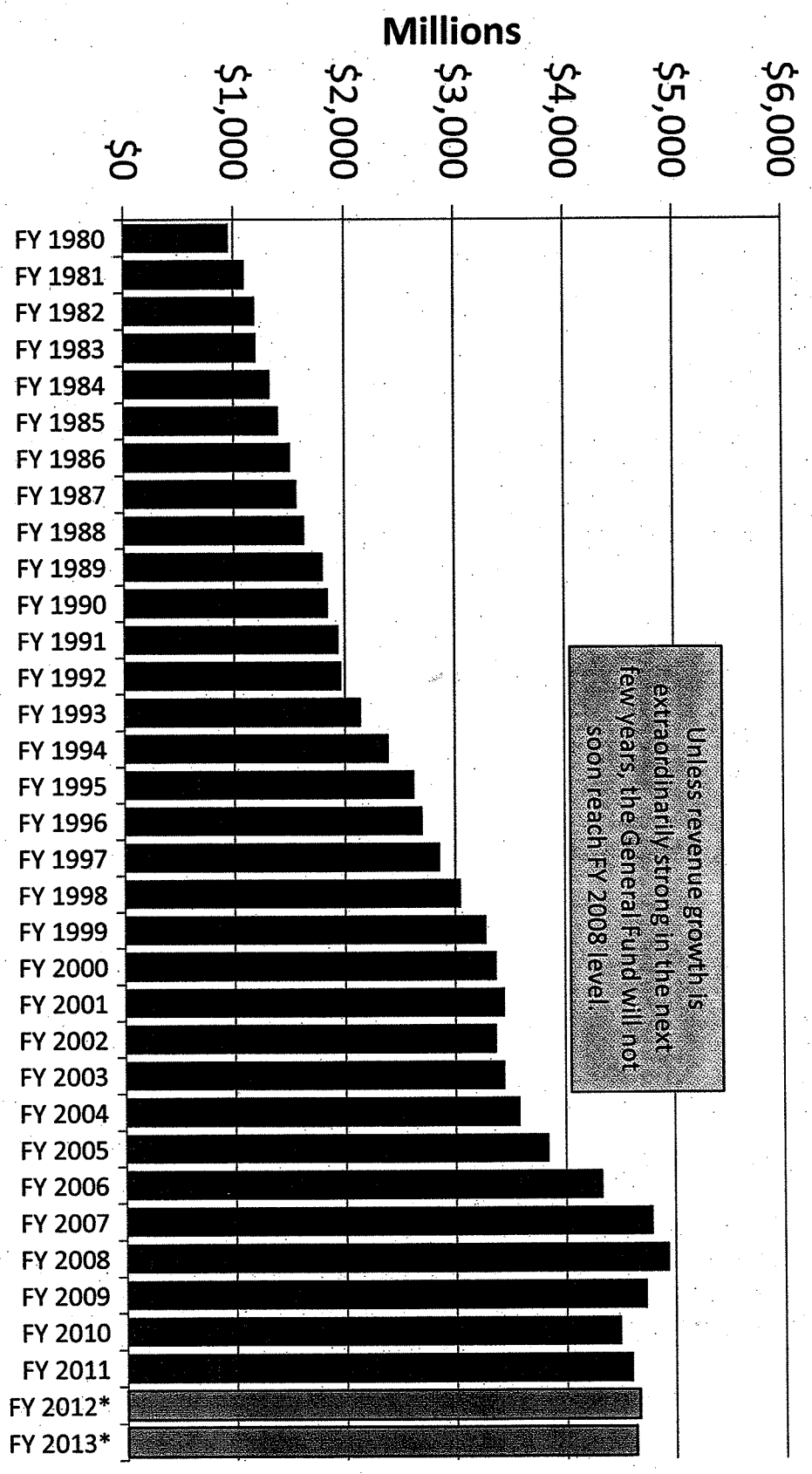


Black Bars Represent National Recessions

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# Transfers To The General Fund



# Highlights

- Ended 2011 on a strong note
- Economy will likely slow in the coming months
- Slow growth is the new norm
- MS will be particularly challenged
  - (1) Lower human capital
  - (2) Higher concentration in slow-growth industries
  - (3) Heavily dependent on federal expenditures which will likely grow slowly in the coming years
- On track to make 2012 General Fund Estimate