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

The 4th quarter was the strongest of 2011.

Darker Bars Represent National Recessions,
The 2011q4 figure is an estimate by IHS Global Insight.
US Nonfarm Employment

Jobs added(subtracted) by Month

Job growth during the summer months was particularly anemic.
US Nonfarm Employment

Peak-to-trough loss 8.8 million Jobs or 6.3%

Gains since trough 2.7 million jobs. We remain 4.4% below peak

January 19, 2012

MS University Research Center, IHL
An ISM Index above 50 says the industry is expanding. Below 50 indicates a contraction. The ISM for MFG came close to 50 during the summer, but rose in the fourth quarter. The Nonmanufacturing index trended downward as well, but rose in December.
After adjusting for inflation, sales are still below the pre-recession level. Retailers saw slower growth in the 2011 Christmas shopping season than in 2010.
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
Small Businesses are less pessimistic than during the summer months, but have not yet returned to their pre-recession optimism.
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.
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.
Employment has risen for three consecutive months. Employment remains well below the peak of February.
Employment Gained (Lost) By County 2010-2011*

46 Counties Lost Employment

* The average employment for the January to November period is compared for both years.

[Map of Mississippi showing employment gains and losses by county.]
MS Residential Building Permits

Three Month Moving Average Number of Units

7,615 Permits were issued in the 1st seven months of 2005. During the same period of 2011, only 2,580 were issued. This is a 66% decrease.

Permits trended upward in the second half of 2011.
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

Annualized Percentage Growth

Baseline (55% probability)  High (15% probability)  Low (30% probability)
US Jobs Lost Since January 2008

The depth of the recession means full recovery will take years.
MS Jobs Lost Since February 2008

-76,800

Jan. 13, 2011
Annual Growth in Real GDP

Mississippi’s growth was below that of the Nation and Region in 9 out of the past 13 years.
Three Sources of Income, 2010

MS is relatively dependent upon transfer payments

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>MS</th>
<th>SE</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>60.8%</td>
<td>64.7%</td>
<td>64.8%</td>
</tr>
<tr>
<td>Dividends, Interest and Rent</td>
<td>13.1%</td>
<td>16.1%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Transfer Payments</td>
<td>26.1%</td>
<td>19.1%</td>
<td>18.5%</td>
</tr>
</tbody>
</table>
$1.00 of Income In Mississippi by Source
2010

Government and government enterprises, $0.15

Personal current transfer receipts, $0.26

Dividends, interest, and rent, $0.13

Farm earnings, $0.01

Utilities, $0.01

Construction, $0.04

Transportation and warehousing, $0.02

Wholesale/Retail, $0.07

Manufacturing, $0.08

Professional, scientific, and technical services, $0.03

Management of companies and enterprises, $0.01

Real estate and rental and leasing, $0.01

Finance and insurance, $0.02

Information, $0.01

Educational services, $0.01

Administrative and waste management services, $0.02

Health care and social assistance, $0.07

Liesure and Hospitality, $0.03

Other services, except public administration, $0.02
Federal Expenditures as a share of Gross Domestic Product, By State, 2010

Federal expenditures represent almost a third of Mississippi’s GDP
### Fiscal Year to Date Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>2.5%</td>
</tr>
<tr>
<td>1991</td>
<td>1.3%</td>
</tr>
<tr>
<td>1992</td>
<td>2.9%</td>
</tr>
<tr>
<td>1993</td>
<td>9.7%</td>
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<td>1994</td>
<td>9.1%</td>
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<td>1995</td>
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<tr>
<td>1996</td>
<td>5.9%</td>
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<tr>
<td>1997</td>
<td>6.5%</td>
</tr>
<tr>
<td>1998</td>
<td>7.6%</td>
</tr>
<tr>
<td>1999</td>
<td>2.8%</td>
</tr>
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<td>2000</td>
<td>2.1%</td>
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<td>2001</td>
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<td>2002</td>
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<td>2003</td>
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<td>2004</td>
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<tr>
<td>2005</td>
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<td>2006</td>
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<tr>
<td>2007</td>
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<tr>
<td>2008</td>
<td>-4.2%</td>
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<tr>
<td>2009</td>
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<tr>
<td>2010</td>
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<tr>
<td>2011</td>
<td>-0.6%</td>
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<tr>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
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</table>

### Growth Needed Rest of Year to Make November Revised Estimate

<table>
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<tr>
<th>Year</th>
<th>Needed Growth</th>
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</thead>
<tbody>
<tr>
<td>2013</td>
<td>3.9%</td>
</tr>
<tr>
<td>2012</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Black Bars Represent National Recessions
Transfers To The General Fund

Unless revenue growth is extraordinarily strong in the next few years, the General Fund will not soon reach FY 2008 level.
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