



MISSISSIPPI ECONOMY LIKELY EXPANDED IN 2015

In the latest forecast URC projects real gross domestic product (GDP) in Mississippi increased by 1.0 percent in 2015. This assessment represents a considerable increase from the estimate of the previous quarter, as real GDP was projected to rise by 0.5 percent. The primary contributor to this increase in the forecast is better than expected income growth in the latest estimate from the U.S. Bureau of Economic Analysis (BEA). The latest forecast of total current personal income in Mississippi projects growth of 3.0 percent in 2015, an increase from the forecast of the previous quarter of 2.7 percent. The forecast of the change in real GDP for the state in 2016 is unchanged at 2.2 percent, while the forecast for real GDP in 2017 of 2.2 percent growth is slightly lower than the 2.3 percent forecast in the previous quarter.

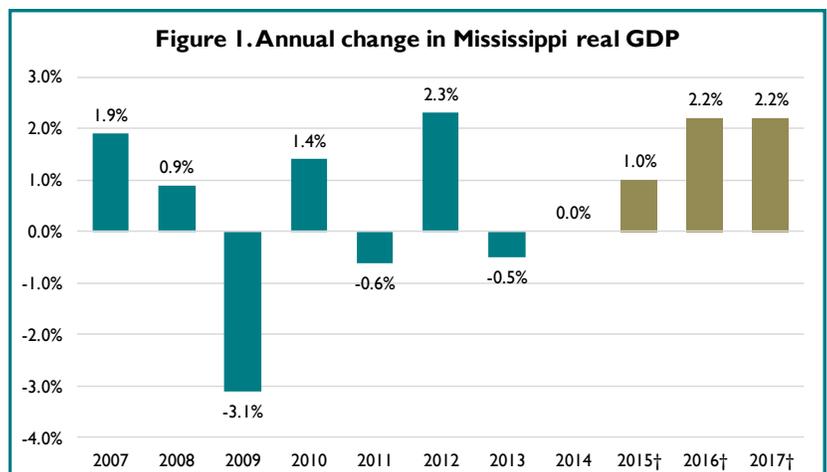
The latest BEA estimate of the change in U.S. real GDP in the third quarter equals 2.0 percent, a slight reduction of 0.1 percentage point from the previous estimate. BEA determined real GDP growth slowed considerably in the third quarter compared to the second quarter, when real GDP rose 3.9 percent. Based on these latest estimates, the forecast of U.S. real GDP growth for 2015 now stands at 2.4 percent, down slightly from the forecast of 2.5 percent in the Fall issue of *Mississippi Economic Outlook*.

As previously projected, the buildup of inventories in the first half of the year resulted in less private inventory investment, leading to the reduced estimates of U.S. real GDP growth. The forecast for the change in real GDP for the fourth quarter stands at 1.2 percent, a result of the clearing out of accumulated inventories. Consumption continues to drive much of the increase in real GDP and the U.S. housing sector continues to perform relatively well. At the same time, the U.S. manufacturing industry contracted in November and December according to the ISM Manufacturing Index. U.S. manufacturing faces a number of challenges, including the

inventories mentioned above and a strong dollar that is inhibiting exports. The decline in petroleum prices has hurt the industry, reducing energy-related investment. Conversely, consumers continue to benefit from lower gasoline prices and U.S. light vehicle sales experienced a record year with 17.5 million cars and trucks sold in 2015.

Figure 1 below depicts the annual change in Mississippi real GDP since 2007, including the annual projections from 2015-2017. This graph reflects the recent revisions by BEA to the state's real GDP for 2013 and 2014, as the changes in both years were revised up to -0.5 percent and 0.0 percent, respectively.

Despite the upward revisions to real GDP for 2013 and 2014 by BEA, Mississippi's economy grew in only two of the last six years according to the latest data. Thus, the URC forecast for 2015 of a 1.0 percent increase in real GDP for the state, if realized, would mark the first expansion since 2012. Moreover, the forecasts for growth of 1.0 percent in 2015 and 2.2 percent in 2016 would result in the first consecutive years of growth in the state's economy since 2007 and 2008. Annual real GDP growth in Mississippi has exceeded 2.0 percent in only five years since 2000.



†Projected. Source: U.S. Bureau of Economic Analysis and URC

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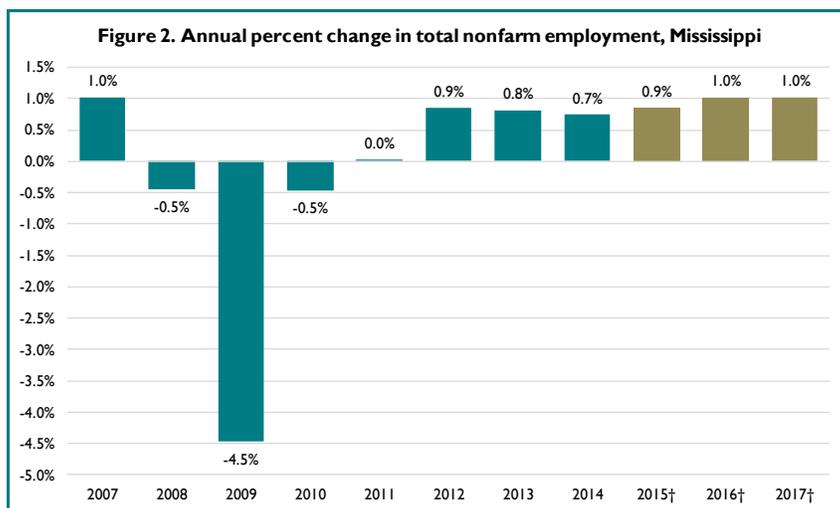
MISSISSIPPI ECONOMIC OUTLOOK

SHORT-TERM FORECASTS

The first section of Table 1 on page 3 indicates six industries in the state are projected to contract in 2015 based on the latest forecast of the change in real GDP, one less industry than in the forecast of the previous quarter. Moreover, in four of these six industries, the latest forecast projects a smaller decline than in the previous quarter's forecast. The largest growth is projected to occur in the Natural Resources and Mining sector, which is forecast to increase by 23.0 percent—a substantial increase from the previous quarter's forecast of 6.8 percent. The next largest percentage change forecast is for the Professional and Business Services sector at 2.6 percent, followed by Health Care and Social Assistance at 2.2 percent, and Information at 2.0 percent. Notably, the Information sector was previously forecast to contract in 2015. With the exception of Natural Resources and Mining, all industries in Mississippi are expected to expand in 2016, and no industries in the state are forecast to decline in 2017. While the overall increases in real GDP forecast for 2016 and 2017 are the same, the percentage increases across industries are somewhat more dispersed in 2017. The Information sector is expected to expand by the largest percentage in 2016 at 5.3 percent, while in 2017 the largest percentage expansion is anticipated in the Professional and Business Services industry.

The second section of Table 1 indicates the forecast for the change in payroll employment in Mississippi for 2015 is an increase of 0.9 percent, the same as in the forecast of the previous quarter. However, the forecasts for 2016 and 2017 both equal growth of 1.0 percent, down slightly from the previous quarter. Figure 2 above indicates a realization of the forecast of a 0.9 percent increase in employment in 2015 is in line with the gains in employment in the state over the past three years, when employment growth ranged from 0.7 to 0.9 percent. Similarly, the forecasts for 2016 and 2017, if realized, would mark a continuation of this consistent but relatively slow growth in employment.

In terms of sectors, the largest percentage increase in employment for 2015 is forecast for the Transportation and Utilities industry, which is projected to grow by 3.3 percent. The next largest percentage gains are forecast for Educational Services and Leisure and Hospitality, which are expected to grow by 2.8 and 2.5 percent, respectively. The largest percentage decrease in employment for 2015 is forecast for the Natural Resources and Mining sector,



†Projected. Source: U.S. Bureau of Labor Statistics and URC

which is expected to decline 7.4 percent. The reduction in employment is largely due to the continued difficulties of the energy sector. Employment in the Construction industry is projected to fall 4.9 percent in 2015, and Other Services employment is expected to contract by 0.7 percent. The largest percentage increase in employment expected in both 2016 and 2017 is for the Construction industry, which is projected to grow 4.0 percent and 3.9 percent, respectively. Employment in the sector began to rise in the last months of 2015. The Natural Resources and Mining sector is expected to experience the largest decline in employment in 2016 of 9.6 percent, followed by a decrease of 1.3 percent in Other Services and a decrease in Information of 0.4 percent. Sectors forecast to experience a decline in employment in 2017 are Finance, Insurance, and Real Estate; Educational Services; and Other Services.

The third section of Table 1 lists the forecasts for changes in personal income in Mississippi. For 2015, personal income is projected to grow 3.0 percent, a small increase from the forecast of the previous quarter. Personal income is forecast to rise by 3.5 percent in 2016, a slight decline from last quarter's forecast. Similarly, a 4.5 percent increase is projected for 2017, slightly lower than the forecast of the previous quarter. Nevertheless, if realized the latter forecast represents the largest percentage increase in personal income in Mississippi since 2008. The forecast for growth in U.S. personal income for 2015 is 4.5 percent, up slightly from the estimate of the previous quarter. Forecasts for U.S. personal income growth in 2016 and 2017 are both slightly lower than in the previous quarter.

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

Variable	2015 [†] Percent		Annual Forecasts			Annualized Quarterly Forecasts							
	Value	Change	2016	2017	2018	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3
Mississippi Forecast													
Gross State Product (projected)													
In current dollars	107,260	2.4	3.9	4.2	4.2	2.7	3.9	4.1	3.8	4.4	3.8	4.6	4.1
In millions of 2009 dollars	95,617	1.0	2.2	2.2	2.1	1.0	2.3	2.4	2.0	2.5	2.0	2.6	2.0
Natural Resources and Mining	4,804	23.0	-2.4	0.6	0.1	-3.2	-2.7	-4.1	-0.3	1.6	0.5	0.5	2.5
Contract Construction	4,355	-8.0	1.1	2.9	3.0	0.0	1.9	2.8	2.6	3.1	1.9	3.9	3.6
Manufacturing	13,865	-0.1	1.7	2.7	2.7	1.2	1.5	1.7	1.9	3.2	2.7	3.0	2.8
Durable Goods	7,999	-1.3	2.5	3.6	4.0	2.5	2.3	1.9	2.1	3.9	3.9	4.1	4.2
Nondurable Goods	5,858	1.4	0.7	1.5	0.9	-0.3	0.3	1.3	1.7	2.4	1.1	1.4	1.0
Transportation and Utilities	6,248	1.1	3.9	2.7	2.4	2.5	4.0	3.1	2.8	3.0	2.3	2.7	2.5
Wholesale and Retail Trade	12,611	1.4	3.6	2.6	2.5	3.4	3.9	3.3	2.9	2.9	1.8	2.9	2.2
Information	2,312	2.0	5.3	4.3	4.8	3.2	5.9	4.8	4.1	2.9	6.5	3.0	3.0
Finance, Insurance, and Real Estate	13,962	0.9	3.8	2.1	1.5	3.2	3.9	4.2	2.3	1.8	1.6	2.5	1.7
Professional and Business Services	6,963	2.6	4.0	4.3	3.9	2.5	4.4	4.2	4.3	4.7	3.8	4.5	4.2
Health Care and Social Assistance	7,257	2.2	3.7	3.4	3.0	3.0	3.7	4.0	3.6	3.4	3.7	3.2	2.6
Leisure and Hospitality	4,156	-2.6	0.5	1.6	2.0	-1.2	-0.6	2.3	1.1	1.1	1.5	4.5	-0.4
Educational Services	647	-7.0	0.7	1.8	1.9	1.1	0.8	0.7	0.8	2.1	2.1	2.2	1.8
Other Services	2,162	-2.1	0.6	0.2	-0.1	0.4	0.9	0.9	0.6	0.2	-0.2	0.2	0.2
Government	16,050	-0.7	0.4	0.5	0.5	-0.4	0.5	0.4	0.1	0.6	0.3	1.0	0.4
Payroll Employment (thousands)													
Residents [†]	1,179	3.9	2.5	0.7	0.7	5.4	0.3	1.0	0.0	0.7	1.0	1.3	0.3
Payroll [†]	1,129	0.9	1.0	1.0	1.0	0.4	1.1	1.1	1.1	0.7	1.0	1.0	0.7
Natural Resources and Mining	9	-7.4	-9.6	0.5	1.4	-12.3	-15.2	-8.1	-3.1	1.0	-0.5	4.2	3.6
Contract Construction	46	-4.9	4.0	3.9	2.8	9.8	4.4	5.1	4.2	5.9	2.8	2.4	4.9
Manufacturing	141	1.4	0.4	0.8	1.1	0.8	-0.3	-0.3	-0.3	1.1	1.7	0.3	0.8
Durable Goods	94	0.8	-0.2	1.1	1.5	0.6	-0.3	-1.1	-0.3	1.9	1.7	0.8	1.4
Nondurable Goods	47	2.5	1.4	0.0	0.3	1.1	0.4	-0.2	-0.2	0.3	0.3	-0.4	0.3
Transportation and Utilities	52	3.3	1.7	2.3	1.7	3.8	0.6	1.9	2.2	2.0	2.8	1.9	2.0
Wholesale and Retail Trade	170	0.2	0.4	0.1	-0.2	-1.2	1.9	0.7	0.7	0.2	-0.2	0.0	-0.5
Information	13	1.2	-0.4	0.0	0.9	-2.7	1.5	1.8	-0.3	-1.5	5.2	-4.5	-3.3
Finance, Insurance, and Real Estate	44	1.9	1.1	-1.2	-1.3	4.6	0.0	0.2	-0.8	-1.2	-1.3	-1.3	-1.6
Professional and Business Services	103	1.9	2.6	3.3	2.7	-0.4	2.3	1.9	3.1	3.8	3.8	3.0	2.6
Health Care and Social Assistance	125	1.2	2.4	1.7	1.4	-0.3	3.2	4.8	2.2	0.6	1.9	1.9	0.9
Leisure and Hospitality	129	2.5	1.1	0.8	1.5	1.5	-0.3	0.6	-0.6	1.5	0.6	1.2	1.2
Educational Services	12	2.8	0.2	-0.8	-0.6	3.0	-1.0	-0.7	-1.0	-0.7	-0.7	-1.0	-0.7
Other Services	39	-0.7	-1.3	-0.7	-0.4	3.9	-0.6	-1.6	0.4	-1.9	-0.1	-1.2	-0.2
Government	247	0.7	0.3	0.3	0.6	-1.0	0.3	0.3	0.3	0.2	0.2	0.6	0.5
Unemployment Rate (%) ^{†‡}	6.5	-1.1	6.4	6.3	6.3	6.1	6.3	6.5	6.5	6.5	6.3	6.3	6.3
Personal Income (millions of current \$)													
Wages and Salaries	46,418	2.1	3.9	4.4	4.4	3.5	3.1	3.7	3.7	4.7	4.3	4.5	4.2
Other Labor Income	11,148	1.9	3.4	3.9	3.7	3.1	3.1	2.9	3.8	3.7	4.9	3.3	3.9
Proprietors' Income	10,136	0.5	1.7	4.3	5.1	-1.9	0.5	0.5	2.8	4.0	5.4	4.8	3.5
Farm Proprietors	1,539	-11.9	-16.5	-6.4	1.3	-37.5	-26.3	-30.5	2.5	-39.6	13.0	-11.6	14.0
Non-farm Proprietors	8,595	3.1	4.7	5.8	5.5	4.7	4.4	4.8	5.2	6.6	5.5	6.4	4.9
Property Income	15,751	3.5	2.5	4.5	5.6	2.0	1.9	1.1	2.3	3.9	5.3	5.3	5.4
Transfer Payments	27,642	4.8	3.7	4.4	4.4	3.2	3.7	4.1	4.1	4.2	4.9	4.5	3.7
Less: Social Security Payments	7,871	1.5	3.7	4.6	4.6	3.7	3.6	3.3	3.3	3.8	7.2	3.1	5.1
Plus: Residence Adjustment	2,942	5.3	5.1	5.7	5.3	4.9	4.9	5.0	5.6	5.7	6.0	5.6	4.8
Equals: Total Personal Income	106,163	3.0	3.5	4.5	4.5	2.6	3.0	3.3	3.7	4.3	4.8	4.6	4.8
Less: Individual IRS Collections	6,939	7.8	3.7	4.3	3.6	3.4	3.3	3.2	2.8	4.4	6.1	2.8	4.0
Less: Individual State and Local Taxes	2,162	4.9	3.9	4.7	4.7	3.7	4.0	2.7	3.2	5.2	5.1	4.8	4.8
Equals: Disposable Personal Income	97,062	2.6	3.5	4.5	4.5	2.6	2.9	3.3	3.8	4.3	4.8	4.7	5.0
Per Capita Personal Income (thousands of \$)	35,480	3.0	3.4	4.3	4.2	2.5	2.8	3.1	3.5	4.1	4.7	4.4	4.5
Population (thousands)	2,993	0.0	0.1	0.2	0.3	0.1	0.1	0.1	0.1	0.3	0.1	0.3	0.3
U.S. Forecast													
Gross Domestic Product (billions of current \$)	17,951	3.5	4.4	4.9	4.7	2.7	4.6	4.9	5.3	5.2	4.4	5.0	4.8
Gross Domestic Product (billions of 2009 \$)	16,347	2.4	2.7	2.9	2.6	1.2	3.0	2.9	3.3	3.3	2.7	3.0	2.6
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	110	1.0	1.7	2.0	2.0	1.5	1.8	1.8	2.2	1.8	1.8	2.1	2.1
Total Employment, Residents (millions) [†]	149	1.8	1.7	1.5	1.2	3.0	1.6	1.9	1.9	1.3	1.6	1.3	1.3
Total Payroll Employment (millions) [†]	142	2.1	1.7	1.3	1.2	2.0	2.0	1.4	1.4	1.4	1.4	0.8	1.4
Unemployment Rate (%) ^{†‡}	5.3	-14.0	4.9	4.9	4.9	5.0	5.0	5.0	4.9	4.9	4.9	4.9	4.9
Personal Income (billions of current \$)	15,360	4.5	4.2	5.2	5.2	3.8	3.5	3.7	4.5	5.0	5.6	5.3	5.0
Per Capita Personal Income (thousands of \$)	48	3.7	3.4	4.3	4.5	3.3	2.5	2.5	4.1	4.0	4.8	4.7	3.9
Consumer Price Index (1982-84 = 100)	237.0	0.0	1.3	2.5	2.8	0.0	-1.7	3.4	3.3	3.3	1.6	1.6	3.3
Prime Rate (%) ^{†‡}	3.3	0.3	3.9	4.9	5.9	3.3	3.5	3.8	4.0	4.3	4.5	4.8	5.0

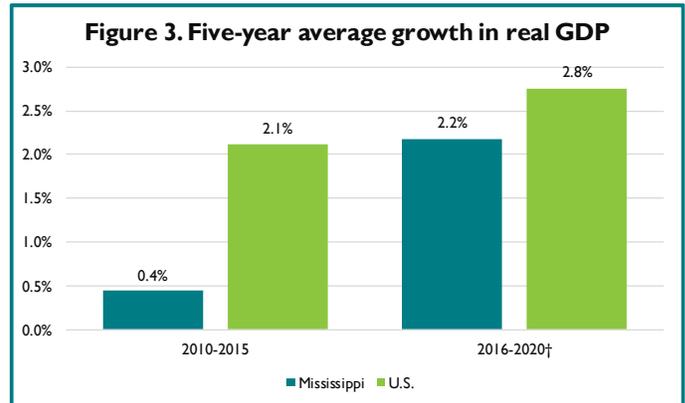
[†]Seasonally-adjusted. [‡]Projected rates. Sources: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis (levels), and URC (forecasts).

MISSISSIPPI ECONOMIC OUTLOOK

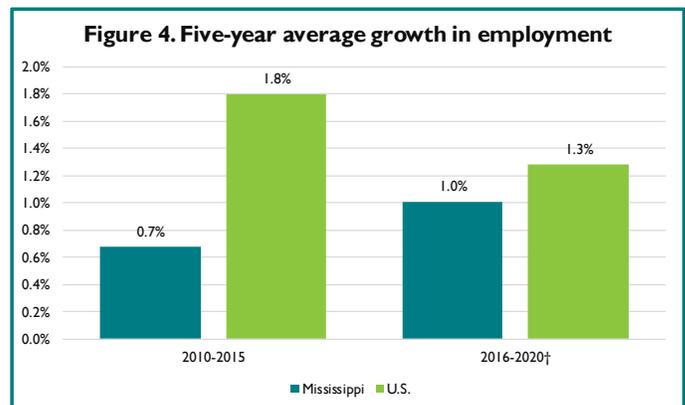
FIVE-YEAR FORECASTS

Real GDP in Mississippi is projected to grow an average of 2.2 percent annually over the next five years as seen in Figure 3. This forecast is an improvement from the previous quarter's forecast of 1.9 percent. Moreover, if realized this rate of growth represents a more than five-fold increase from the annual average of 2010-2015. The long-term forecast for the average annual growth in U.S. real GDP remains the same as in the previous quarter at 2.8 percent. The five-year average annual value from 2010-2015, however, is slightly lower than the same value from 2009-2014. If realized, average annual growth of U.S. real GDP of 2.8 percent would mark a substantial improvement, as real GDP has not increased by 2.8 percent or more since 2005.

The long-term forecasts for the average annual percent change in employment have declined slightly from the previous quarter for both Mississippi and the U.S. As Figure 4 indicates, the average annual change in employment in Mississippi from 2016-2020 is projected at 1.0 percent, down from 1.1 percent. The forecast for the average annual percent change in U.S. employment for the same period is 1.3 percent, down from 1.5 percent in the previous quarter. At the same time, the five-year average annual percent change from 2010-2015 improved for both Mississippi and the U.S. from the 2009-2014 period.



†Projected. Sources: Bureau of Economic Analysis; URC



†Projected. Sources: Bureau of Labor Statistics; URC

ALTERNATIVE FORECASTS

Alternatives to the baseline forecasts in terms of real GDP were estimated for both Mississippi and the U.S. based on scenarios defined by IHS Economics. Under the pessimistic scenario, to which IHS Economics assigns a 20 percent probability, declines in the global economy and the U.S. construction sector lead to a mild recession. U.S. assets become more attractive to investors, increasing the strength of the dollar which causes exports to fall further. This pessimistic scenario hits the U.S. economy hardest in 2016 and 2017, while in Mississippi the smallest growth occurs from 2017 through 2019. U.S. real GDP grows only 0.9 percent in 2016 and 1.3 percent in 2017 under the pessimistic scenario. From 2018-2020, the U.S. economy grows at an annual rate of 2.2 to 2.4 percent under the pessimistic scenario. Real GDP in Mississippi grows from the 1.0 percent increase forecast for 2015 to an increase of 2.0 percent projected for 2016 under the pessimistic scenario. In fact, the lowest annual rate of real GDP growth forecast for Mississippi from 2016-2020 under the pessimistic scenario is the 1.7 percent increase projected for 2017, a rate considerably higher than the average growth in real GDP of 0.4 percent as seen in Figure 3. Thus, compared to the U.S. the pessimistic scenario represents a relatively smaller decline from the baseline forecast for the Mississippi economy.

IHS Economics assigns a 15 percent probability to the optimistic scenario, under which the global economy improves more quickly and the U.S. construction sector benefits from a rise in household formation. U.S. real GDP grows 3.4 percent and 3.9 percent in 2016 and 2017, respectively, compared to the baseline forecasts of 2.7 percent and 2.9 percent growth. Projections of U.S. real GDP growth under the optimistic scenario move closer to the baseline forecast from 2018-2020, exceeding it by 0.3 percentage point in 2018, by 0.2 percentage point in 2019, and by 0.1 percentage point in 2020. Growth in Mississippi's economy benefits only slightly more under the optimistic scenario than in the baseline forecast except in 2017. In 2017 under the optimistic scenario real GDP in Mississippi grows by 2.5 percent compared to the 2.2 percent growth of the baseline forecast and the 1.7 percent growth of the pessimistic scenario. In 2018 and 2019, the forecast of growth in real GDP for Mississippi under the optimistic scenario exceeds the baseline forecast by 0.1 percentage point in both years; in 2020, the forecast under the optimistic scenario equals the rate of increase of the baseline forecast.