



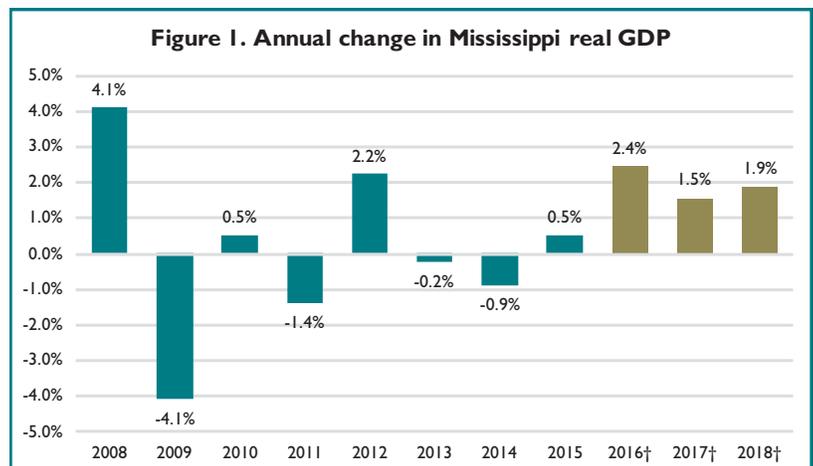
FORECAST FOR 2016 GROWTH IMPROVES

The latest URC forecast projects Mississippi's economy grew 2.4 percent in 2016, as Figure 1 indicates. Compared to the forecast of the previous quarter, this estimate represents a considerable improvement of 0.9 percentage point. This latest forecast incorporates the estimates of the U.S. Bureau of Economic Analysis (BEA) of real GDP growth in Mississippi for the first two quarters of 2016. URC believes growth in Mississippi's economy slowed in the second half of 2016. BEA will release its official estimate of real GDP in 2016 for all states in mid-2017. In contrast, the latest forecast for the U.S. economy was revised downward by a full percentage point. While BEA reported U.S. real GDP increased 3.5 percent in the third quarter of 2016, the forecast for growth in the fourth quarter is only 1.5 percent.

The latest forecast for the change in real GDP in Mississippi in 2017 is an increase at an annual rate of 1.5 percent, slightly less than the forecast of the previous quarter. However, the 2017 forecast reflects a considerable decline in growth from 2016. Employment growth is projected to curtail in 2017 as discussed on page 2. The slower growth in Mississippi's economy in 2017 is forecast despite the improvement expected in U.S. real GDP growth. Real GDP in Mississippi for 2018 is projected to grow 1.9 percent, the same as the forecast of the previous quarter.

As noted above, the latest forecast projects the U.S. economy grew 1.6 percent in 2016, which if realized represents a decline of 1.0 percentage point from the growth rate of 2015. For 2017, the forecast of U.S. real GDP growth improves to 2.3 percent. In its latest analysis IHS Markit attributes the improvement in the forecast for 2017 to a waning inventory correction and an increase in energy-related investment. Real GDP growth for 2018 is forecast to increase to 2.6 percent, which should reflect the bulk of growth that results from any significant policy changes enacted at the federal level in 2017.

The URC forecast of the growth in personal income in Mississippi for 2016 is 3.1 percent as seen in Figure 2 on page 2. This estimate is the same as in the previous forecast. For 2017, however, the projected growth in personal income has declined from the previous quarter. The latest forecast anticipates growth in personal income in the state of 3.3 percent in 2017, which is 0.5 percentage point less than in the prior forecast. Personal income growth in Mississippi for 2018 is expected to equal 4.4 percent, which equals the value from the previous forecast. As Figure 2 indicates, the 2018 forecast, if realized, would mark the strongest income growth in the state since 2008 when personal income increased by 5.2 percent. However, some of the growth is the result of higher inflation, as the income data are reported in current dollars. The forecasts for personal income growth in Mississippi for 2016, 2017, and 2018 are all lower than the comparable forecasts for the U.S. The forecast for growth in U.S. personal income for 2016 equals 3.5 percent, slightly higher than the forecast for the state. U.S. personal income in 2017 is expected to grow 4.6 percent, 1.3 percentage point higher than for Mississippi. In 2018, U.S. personal income is projected to grow 5.2 percent, 0.8 percentage point higher than personal income growth in Mississippi.



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

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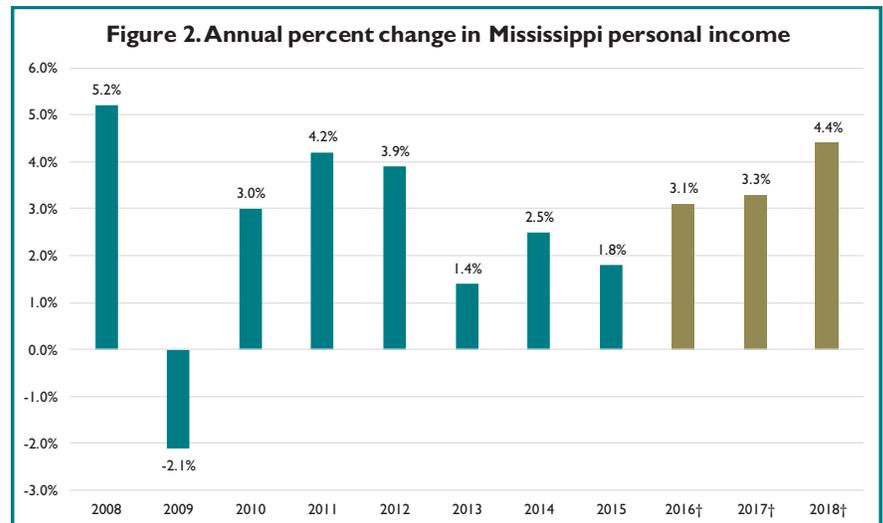
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MISSISSIPPI ECONOMIC OUTLOOK

SHORT-TERM FORECASTS

In the latest forecast, URC projects that Information and Finance, Insurance, and Real Estate were the sectors in Mississippi's economy that contracted in 2016. These changes are found in the first section of Table 1 on page 3. URC projects Natural Resources and Mining experienced the largest increase in real GDP in 2016. Most of this increase was driven by the increase in the value of output from the state's agriculture industry. Other sectors that URC expects grew substantially in 2016 in terms of real GDP include Construction with an increase of 4.5 percent and Professional and Business Services with growth of 3.4 percent. No sectors are forecast to contract in 2017, but considerably smaller growth in the state's overall economy is projected. The largest increases in real GDP are forecast for Health Care and Social Assistance and Information, both at 3.2 percent. In 2018, overall growth in Mississippi's economy is expected to increase, but output in two sectors, Natural Resources and Mining and Other Services, is forecast to decline slightly. Professional and Business Services is expected to experience the largest real GDP growth in 2018 of 4.0 percent.

The forecasts of the changes in payroll employment in Mississippi are found in the second section of Table 1. While the Bureau of Labor Statistics (BLS) has released employment data for the state through December, these data remain preliminary and subject to revisions; therefore, the table includes the forecast for 2016. URC anticipates employment in Mississippi increased 0.8 percent in 2016, which if realized represents less growth than the 1.2 percent increase in 2015. URC forecasts employment in Educational Services grew 4.0 percent in 2016, the largest percentage increase among all sectors. However, it is a relatively small industry in the state in terms of employment. Similarly, URC projects employment in Natural Resources and Mining fell 9.0 percent, although this sector is also relatively small in terms of total jobs. Other sectors URC forecasts declined in employment in 2016 include Information; Finance, Insurance, and Real Estate; Professional and Business Services; and Other Services. Growth in payroll employment in Mississippi is projected to slow again in 2017, as URC forecasts an increase of only 0.3 percent. If realized, this increase would represent the smallest growth in employment in the state since 2011, when the number of jobs was essentially unchanged. Nev-



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

ertheless, the declines in individual sectors forecast for 2017 are smaller than the decreases expected in 2016. The largest percentage decline in employment is expected in Information at 1.3 percent. Finance, Insurance, and Real Estate employment is forecast to fall 1.0 percent in 2017, which also represents the largest number of jobs a sector in the state is expected to lose. Other industries projected to lose jobs in 2017 include Manufacturing, Wholesale and Retail Trade, Professional and Business Services, and Other Services. The largest percentage increase in employment in the state in 2017 is anticipated for Natural Resources and Mining, which is expected to rebound to 2.6 percent growth from the decline of 2016. However, this increase represents less than 200 jobs. Health Care and Social Assistance is forecast to add 1,700 jobs in 2017, the most of any sector. Growth in payroll employment in Mississippi is expected to improve in 2018, reaching 0.8 percent. The largest percentage increase in employment is forecast for Professional and Business Services, expected to grow by 3.5 percent, which also represents the largest increase in the number of jobs among all sectors. Employment in the Construction industry is projected to increase by 2.2 percent in 2018. The largest decline in employment is forecast for Educational Services, which is expected to decrease 1.0 percent. However, this decline represents less than 200 jobs. Employment in both Information and Other Services is forecast to fall by 0.6 percent. The declines in employment forecast for 2018 represent less than 250 jobs lost in any particular sector, however.

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

Variable	2016 [†] Percent		Annual Forecasts			Annualized Quarterly Forecasts							
	Value	Change	2017	2018	2019	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3
Mississippi Forecast													
Gross State Product (projected)													
In current dollars	109,609	3.6	3.9	4.0	4.1	2.8	4.4	4.3	3.7	3.9	4.1	4.2	3.8
In millions of 2009 dollars	96,559	2.4	1.5	1.9	1.8	0.4	1.4	2.0	1.7	1.7	2.0	1.9	1.8
Natural Resources and Mining	4,324	25.8	2.0	-0.2	0.0	2.9	-1.5	1.8	1.8	0.8	-2.3	-0.5	-0.5
Contract Construction	4,219	4.5	0.5	2.0	1.9	2.3	0.4	0.9	1.7	1.2	2.6	2.3	2.1
Manufacturing	14,414	2.8	1.6	2.9	3.2	-0.3	1.5	2.4	2.2	2.6	3.2	3.1	3.0
Durable Goods	8,304	3.6	2.1	3.9	4.2	0.2	1.7	3.1	2.8	3.9	4.2	4.2	4.1
Nondurable Goods	6,098	1.7	1.0	1.7	1.7	-0.5	1.4	1.6	1.3	1.4	2.1	1.5	1.6
Transportation and Utilities	6,022	1.2	2.4	1.8	1.5	0.8	1.3	1.8	1.7	1.5	1.9	1.9	1.8
Wholesale and Retail Trade	13,224	0.8	1.7	2.1	2.2	1.4	1.9	1.9	1.8	1.9	2.2	2.2	2.1
Information	2,304	-0.5	3.2	3.6	3.6	-0.2	4.1	5.3	1.5	3.7	3.2	4.1	4.4
Finance, Insurance, and Real Estate	13,835	-0.8	1.9	1.8	1.7	1.4	2.0	1.8	1.6	1.6	1.9	1.7	1.9
Professional and Business Services	7,233	3.4	3.0	4.0	3.3	2.5	1.4	4.0	3.9	3.8	4.1	4.2	3.8
Health Care and Social Assistance	7,444	2.5	3.2	2.8	2.6	2.2	4.3	2.9	2.9	2.4	3.3	2.4	2.3
Leisure and Hospitality	4,041	0.4	0.3	0.8	1.2	-1.9	0.1	2.1	-0.2	0.1	1.1	2.4	-0.2
Educational Services	647	0.4	1.3	1.8	1.7	0.5	1.7	2.5	1.8	1.5	2.0	1.6	2.2
Other Services	2,210	0.3	0.0	-0.1	0.0	0.0	-0.5	0.0	-0.2	-0.2	0.0	-0.2	0.2
Government	16,498	2.0	0.3	0.3	0.2	-0.7	0.2	0.6	0.4	0.3	0.4	0.1	0.3
Payroll Employment (thousands)													
Residents [†]	1,206	1.5	-0.5	1.1	0.7	2.0	-1.3	0.7	0.0	2.3	0.7	2.0	-0.3
Payroll [†]	1,143	0.8	0.3	0.8	1.0	-0.3	0.7	0.7	0.7	0.7	0.7	1.0	0.7
Natural Resources and Mining	7	-9.0	2.6	1.2	0.1	6.7	6.6	3.2	3.7	2.6	1.0	-1.0	-0.5
Contract Construction	47	1.8	1.7	2.2	2.2	-4.0	2.8	1.8	1.6	0.7	3.2	2.6	2.3
Manufacturing	144	1.1	-0.1	1.2	1.8	-1.7	-0.3	1.4	0.8	0.8	1.4	1.1	1.1
Durable Goods	96	1.0	-0.3	1.8	2.2	-1.8	-0.8	1.7	1.6	1.7	2.0	1.8	1.4
Nondurable Goods	48	1.6	0.2	-0.1	1.4	-2.0	1.0	0.5	-0.3	-0.6	-0.2	-0.1	0.2
Transportation and Utilities	54	2.9	1.3	1.2	0.6	3.6	1.2	1.0	1.0	0.7	1.5	1.8	0.7
Wholesale and Retail Trade	175	1.3	-0.5	-0.1	0.2	-3.2	1.1	-1.1	-0.5	-0.7	-0.2	0.9	-0.2
Information	13	-1.5	-1.3	-0.6	0.2	-3.3	0.6	0.9	-2.7	-0.3	-2.1	0.9	0.3
Finance, Insurance, and Real Estate	43	-2.4	-1.0	-0.3	-0.1	-2.6	0.8	-0.6	-0.8	-0.3	-0.1	-0.6	0.3
Professional and Business Services	101	-3.3	-0.2	3.5	2.4	-1.6	-0.4	3.2	3.2	3.6	3.9	3.5	2.7
Health Care and Social Assistance	128	1.5	1.3	1.3	1.4	1.3	2.2	2.5	1.5	0.9	1.5	1.2	0.6
Leisure and Hospitality	132	2.7	1.1	0.5	1.3	2.4	-0.6	1.8	-0.6	1.5	-0.3	0.9	0.6
Educational Services	13	4.0	0.2	-1.0	-1.0	7.0	-1.9	-0.6	-1.9	-0.6	-1.9	0.0	-1.0
Other Services	40	-0.9	-0.3	-0.6	-0.4	1.7	-0.6	-1.1	-0.8	-0.7	-0.8	-0.1	-0.7
Government	247	0.9	0.4	0.1	0.4	0.0	0.2	0.3	0.2	0.2	-0.2	0.0	0.3
Unemployment Rate (%) ^{†‡}	6.1	-0.4	6.2	6.0	5.9	5.9	6.2	6.3	6.3	6.2	6.1	6.0	6.0
Personal Income (millions of current \$)													
Wages and Salaries	47,994	3.4	3.4	4.3	4.5	1.8	3.5	4.2	3.9	4.1	4.0	4.5	4.2
Other Labor Income	11,532	3.8	3.0	3.3	3.6	2.9	3.3	3.1	3.0	3.0	3.8	2.8	3.5
Proprietors' Income	8,960	4.4	1.9	4.5	5.4	-6.5	5.1	4.7	4.8	3.8	4.7	4.3	4.0
Farm Proprietors	1,022	17.8	-28.0	-7.7	3.9	-103.9	-18.9	-8.6	7.3	-40.1	4.2	-19.7	10.0
Non-farm Proprietors	7,934	2.9	5.4	5.8	5.8	5.9	6.6	6.2	6.1	5.3	5.8	5.4	5.1
Property Income	15,904	1.5	3.5	4.6	5.1	4.0	3.0	3.7	4.3	4.7	3.9	5.4	5.4
Transfer Payments	28,149	3.0	3.3	4.5	4.7	2.7	3.4	3.8	3.8	3.9	5.7	4.0	4.2
Less: Social Security Payments	8,197	3.3	3.4	4.6	4.5	3.3	4.2	3.5	3.3	3.5	7.7	2.4	5.4
Plus: Residence Adjustment	2,947	3.2	5.5	5.6	5.5	4.6	5.7	5.6	5.1	5.5	5.7	5.6	5.5
Equals: Total Personal Income	107,286	3.1	3.3	4.4	4.6	1.7	3.6	4.1	4.0	4.1	4.5	4.5	5.0
Less: Individual IRS Collections	6,786	1.2	4.1	1.6	4.9	3.5	4.4	4.7	4.0	5.1	-5.9	1.1	5.6
Less: Individual State and Local Taxes	2,175	1.5	2.6	6.1	5.7	-2.7	3.1	4.2	5.1	4.8	6.2	7.1	6.6
Equals: Disposable Personal Income	98,325	3.3	3.3	4.7	4.6	1.7	3.6	4.1	4.0	4.0	5.4	4.5	5.1
Per Capita Personal Income (thousands of \$)	35,900	3.1	3.3	4.3	4.3	1.7	3.5	4.1	3.8	3.9	4.2	4.4	4.7
Population (thousands)	2,989	0.0	0.1	0.2	0.3	0.0	0.1	0.0	0.1	0.1	0.3	0.1	0.3
U.S. Forecast													
Gross Domestic Product (billions of current \$)	18,565	2.9	4.6	4.8	4.4	3.8	5.4	4.6	4.3	4.3	5.2	4.9	4.7
Gross Domestic Product (billions of 2009 \$)	16,656	1.6	2.3	2.6	2.3	1.5	2.4	2.3	2.2	2.2	3.1	2.8	2.6
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	112	1.4	2.3	2.1	2.1	2.1	2.8	2.5	2.1	2.1	2.1	2.1	2.1
Total Employment, Residents (millions) [†]	152	1.8	1.3	1.6	1.3	1.1	1.6	1.6	1.3	1.3	1.8	1.5	1.5
Total Payroll Employment (millions) [†]	144	1.8	1.3	1.2	1.1	1.4	1.4	1.1	1.1	0.8	1.4	1.4	1.4
Unemployment Rate (%) ^{†‡}	4.9	-8.0	4.6	4.3	4.1	4.7	4.7	4.6	4.6	4.5	4.4	4.3	4.2
Personal Income (billions of current \$)	16,007	3.5	4.6	5.2	5.3	3.9	4.4	4.9	4.7	4.8	5.3	5.4	5.2
Per Capita Personal Income (thousands of \$)	49	2.7	3.9	4.3	4.5	2.4	4.0	4.0	3.9	3.9	4.6	4.6	4.5
Consumer Price Index (1982-84 = 100)	240.0	1.3	2.5	2.0	2.4	3.3	3.3	1.6	3.3	1.6	1.6	1.6	3.2
Prime Rate (%) ^{†‡}	3.5	7.7	4.0	4.7	5.7	3.5	3.8	3.8	4.0	4.3	4.5	4.5	4.8

[†]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

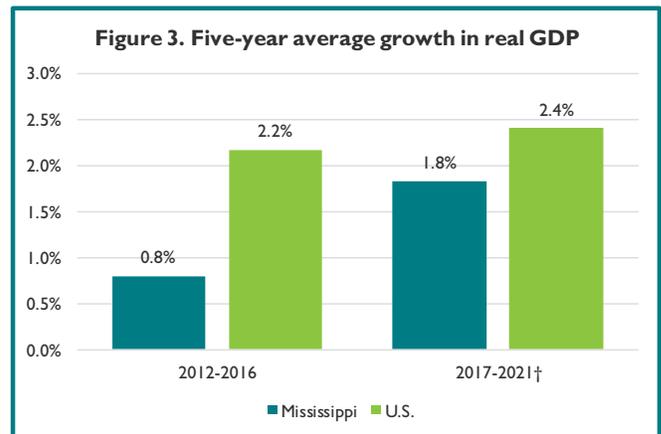
Real GDP in Mississippi is projected to grow an average of 1.8 percent annually over the next five years as seen in Figure 3. This forecast is the same as in the previous quarter. The average five-year forecast for U.S. real GDP growth is 2.4 percent, which reflects an increase of 0.3 percentage point from the previous estimate. This latest U.S. forecast, if realized, would represent a slight increase of 0.2 percentage point over the average growth rate of the U.S. economy of the previous five years. The forecast for the Mississippi economy, if realized, represents a full percentage point increase from the growth rate experienced from 2012 to 2016.

The forecasts for average annual growth in employment over the next five years in both Mississippi and the U.S. edged slightly lower from the previous quarter's estimates. As Figure 4 indicates, average annual employment in Mississippi is expected to increase 0.7 percent over the next five years. This projection is 0.2 percentage point lower than the forecast of the previous quarter. U.S. employment is expected to grow an average of 1.1 percent per year over the next five years. This forecast is 0.1 percentage point lower than the forecast of the previous quarter. If realized, this average annual growth in employment in the U.S. represents a decrease of 0.7 percentage point from the growth rate of the previous five years.

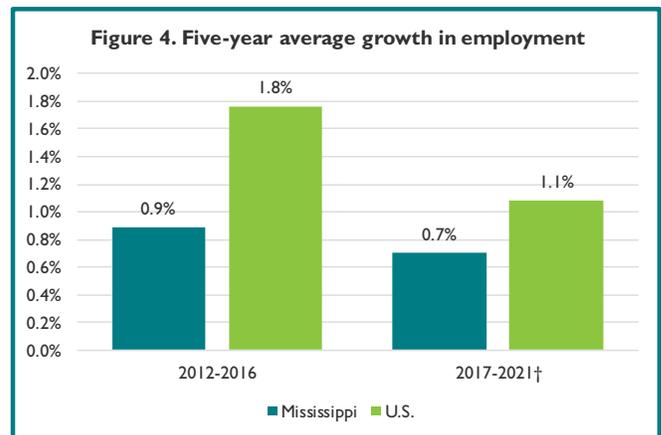
ALTERNATIVE FORECASTS

While IHS Markit maintains the same probabilities of alternatives to the baseline forecast as in the previous quarter, the scenarios it defines are somewhat different. As before, the probability of recession is estimated at 20 percent under the pessimistic scenario. However, a recession under this scenario results from trade fights with China and Mexico. The uncertainty created by trade disputes reduces business confidence and lowers capital spending. These events, in turn, cause both the stock market and consumer confidence to fall considerably. Such a recession would last for six months during the first two quarters of 2018. The adverse effects to the Mississippi economy under this pessimistic scenario appear to be minimized in terms of real GDP, as the average rate of growth over the next five years is only 0.1 percentage point lower than the baseline. Most of the impact under this scenario occurs in 2017. In contrast, U.S. real GDP growth under the pessimistic scenario compared to the baseline is substantially lower. The average rate of U.S. real GDP growth is 0.6 percentage point lower under the pessimistic scenario. The rate of job growth in Mississippi is lower under the pessimistic scenario as the average annual increase in employment from 2017 to 2021 is 0.3 percentage point less than under the baseline scenario. In contrast to the baseline scenario, U.S. employment grows 0.5 percentage point less per year under the pessimistic scenario.

As in the previous quarter the probability of the optimistic scenario is 15 percent according to IHS Markit. Growth above the baseline forecast, however, results from an increase in capital spending caused by corporate tax cuts and the elimination of some regulations. Productivity improves as a result of an increase in fixed investment and new technologies. Gains to the Mississippi economy are relatively small under the optimistic scenario in terms of real GDP. The average rate of growth in real GDP over the next five years is only 0.3 percentage point higher than under the baseline scenario. Alternatively, average U.S. real GDP growth is approximately 0.8 percentage point higher each year from 2017 to 2021 under the optimistic scenario compared to the baseline forecast. Annual employment growth in Mississippi is only about 0.1 percentage point higher under the optimistic scenario compared to the baseline forecast for 2017 to 2021. U.S. employment growth is on average 0.4 percentage point higher each year under the optimistic scenario compared to the baseline forecast.



†Projected. Sources: Bureau of Economic Analysis; URC



†Projected. Sources: Bureau of Labor Statistics; URC