



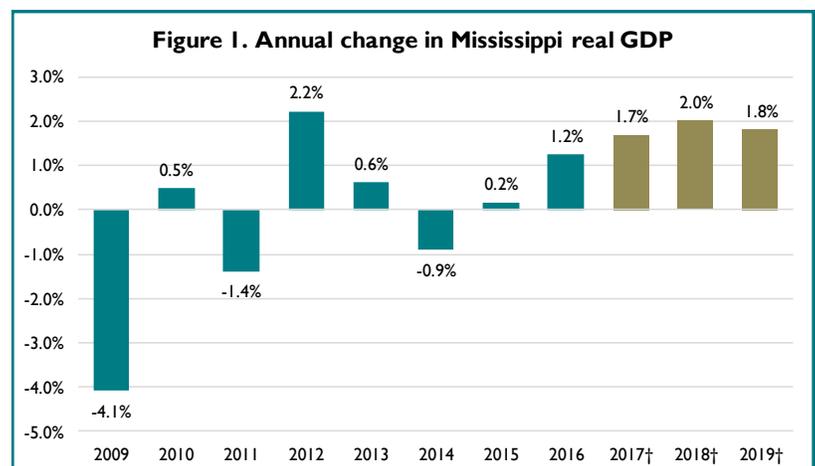
FORECASTS IMPROVE AS U.S., STATE ECONOMIES STRENGTHEN

As seen in Figure 1 below the latest URC forecast projects Mississippi's economy grew 1.7 percent in 2017, which represents an improvement of 0.5 percentage point from the forecast of the previous quarter. The increase to the forecast resulted from revisions to the estimate of real GDP growth in Mississippi for 2016 by the U.S. Bureau of Economic Analysis (BEA) to 1.2 percent; in addition, stronger employment growth in the state and a more robust national economy in the second half of 2017 contributed to the upward adjustment. Forecasts for 2018 and 2019 improved as well, as URC projects Mississippi real GDP will grow 2.0 percent in 2018 and 1.8 percent in 2019. These estimates represent increases of 0.4 and 0.1 percentage point, respectively, from the forecasts of the previous quarter.

The forecast of the change in U.S. real GDP for 2017 is 2.2 percent, the same as the projection of the previous quarter. Such growth, if realized, would equal a gain of 0.7 percentage point over the 1.5 percent increase in real GDP in 2016. In 2018 and 2019, U.S. real GDP is forecast to expand by 2.7 percent and 2.6 percent, respectively. These forecasts represent respective gains of 0.3 and 0.4 percentage point. IHS Markit revised its most recent forecasts up to reflect the impact of the Tax Cuts and Jobs Act (TCJA) signed into law in December. The firm's forecast assumes moderate growth in consumer spending over this period as a result of the TCJA.

Figure 2 on page 2 depicts the change in personal income in Mississippi since 2009 as well as the projected changes through 2019. The latest URC forecast projects personal income in the state grew 2.0 percent in 2017, which represents a decline of 0.5 percentage point from the forecast of the previous quarter. Similarly, the estimate of personal income growth in Mississippi for 2018 of 3.2 percent represents a downward revision of 0.1 percentage point from the forecast of the previous quarter. However, the forecast for 2019

of personal income growth in the state equals 4.6 percent, which represents an increase of 0.5 percentage point from the forecast of the previous quarter. These forecasts reflect the relatively lackluster growth in withholdings in Mississippi since the first quarter of 2017 and the relatively smaller effects of the TCJA on income in Mississippi that will not be fully realized until 2019. Nevertheless, if realized the 2018 forecast would represent the highest rate of personal income growth in the state since 2012, and income would experience the largest growth since 2008 if the 2019 estimate is realized. Table 1 on page 2 indicates the forecasts for personal income growth in Mississippi for 2017, 2018, and 2019 are all lower than the comparable forecasts for the U.S. In 2017 personal income in the U.S. was projected to increase 3.1 percent, which is the same as in the previous quarter. For 2018, personal income is forecast to grow 4.4 percent, which represents an improvement of 0.4 percentage point from the estimate of the previous quarter. Similarly, the forecast of U.S. personal income growth for 2019 equals 5.2 percent, which also represents a gain of 0.4 percentage point from the previous quarter's forecast. The growth for 2019, if realized, would equal the largest increase in U.S. personal income since 2014.



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

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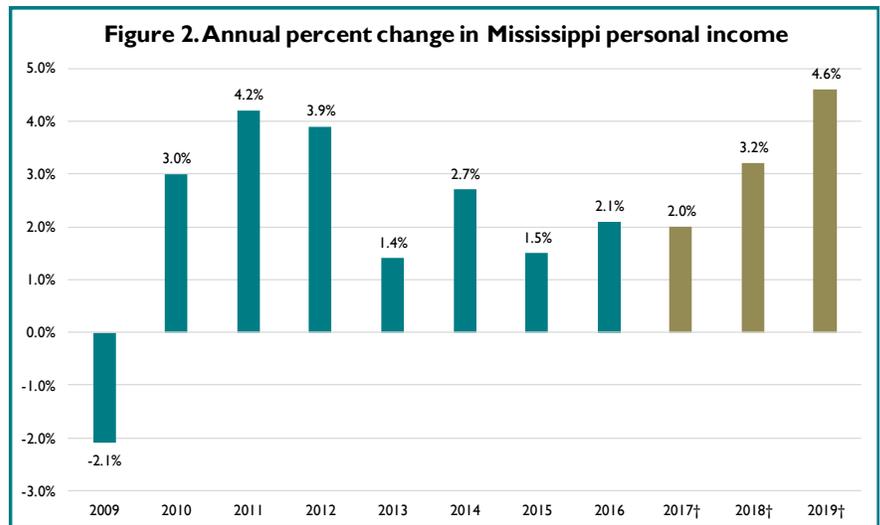
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MISSISSIPPI ECONOMIC OUTLOOK

SHORT-TERM FORECASTS

Table 1 on page 3 indicates URC forecasts three sectors in the state contracted in 2017: Construction, Information, and Leisure and Hospitality. The 23.6 percent growth forecast for Natural Resources and Mining, an often volatile sector in terms of output, represents the largest increase in output among all sectors. The next largest increase is forecast for Wholesale and Retail Trade, which URC expects expanded 3.0 percent in 2017. All sectors in the Mississippi economy are projected to expand in 2018. The largest growth is forecast for Professional and Business Services, predicted to expand by 3.6 percent. The Information sector closely follows with an expected increase of 3.5 percent. In 2019 declines in output are forecast for Natural Resources and Mining and Other Services, which are expected to contract by 0.1 percent and 0.2 percent, respectively. Similar to 2018, Professional and Business Services is expected to experience the largest growth among all sectors of 4.2 percent, and Information is expected to experience the second-largest increase in output of 4.1 percent. Manufacturing output is also expected to grow 3.3 percent in 2019. Real GDP of Government, the largest sector in the state in terms of both output and employment, is projected to remain unchanged in 2019.

In the second section of Table 1 URC forecasts payroll employment in Mississippi grew 0.4 percent in 2017. While the Bureau of Labor Statistics (BLS) has released employment data for the state through December, these data remain preliminary and subject to revisions and therefore Table 1 includes the estimates forecasted for 2017. The latest estimate reflects an improvement of 0.1 percentage point from the forecast of the previous quarter. Nevertheless, if realized this 0.4 percent increase would represent the smallest employment growth in the state since 2011, when the total number of jobs did not change. The largest decline in employment in 2017 is the 6.4 percent decrease expected in Information; this decrease represents a relatively small number of jobs as Information is not a large industry in the state in terms of employment. Construction and Professional and Business Services are also expected to lose jobs in 2017 as seen in Table 1. Educational Services is projected to grow the most among all sectors in 2017 at 5.7 percent. However, this sector is relatively small in the state in terms of total jobs. The next largest increase is forecast for Transporta-



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

tion and Utilities, which is expected to grow by 4.4 percent. Growth in employment in the state is expected to improve to 1.2 percent in 2018. If realized this rate of growth would equal the largest increase since 2015, when employment also grew 1.2 percent. Moreover, it would mark only the third year with employment growth of 1.0 percent or more since the end of the Great Recession. The largest increase in employment is the 2.8 percent gain forecast for Professional and Business Services. Other sectors expected to grow by more than 2.0 percent include Construction, Manufacturing, Transportation and Utilities, and Health Care and Social Assistance. The largest decline in employment in 2018 is again expected in the Information sector at 1.6 percent. Employment in Other Services is forecast to fall 0.6 percent, the only other sector in the state projected to lose jobs. In 2019 employment growth is expected to slow to 0.9 percent, a reflection of the number of jobs already added by the state and national economies during the current expansion. The largest increase in employment among all sectors in Mississippi is the 3.8 percent gain forecast for Professional and Business Services. The next largest increase in employment is forecast for Construction, which is expected to grow by 2.3 percent. Notably, Health Care and Social Assistance is forecast to grow 1.2 percent in 2019 and is the only sector in the state expected to grow by more than 1.0 percent each year from 2017 to 2019. The only sectors forecast to lose jobs in 2019 are Educational Services and Other Services, where employment is expected to decline by 1.4 percent and 0.3 percent, respectively. Employment in Wholesale and Retail Trade in the state is projected to remain unchanged in 2019.

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

Variable	2017 [†] Percent		Annual Forecasts			Annualized Quarterly Forecasts							
	Value	Change	2018	2019	2020	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3
Mississippi Forecast													
Gross State Product (projected)													
In current dollars	112,418	3.6	4.1	4.1	4.2	2.9	3.8	4.2	3.9	4.0	4.2	4.1	4.0
In millions of 2009 dollars	97,530	1.7	2.0	1.8	1.7	0.8	1.8	2.1	1.7	1.7	1.8	1.8	1.8
Natural Resources and Mining	4,060	23.6	1.0	-0.1	0.6	2.0	-3.1	1.6	-0.7	-1.2	-0.4	0.3	0.7
Contract Construction	3,559	-2.3	1.4	2.0	2.3	2.7	0.9	1.1	1.9	1.8	2.0	2.1	2.5
Manufacturing	15,449	1.4	3.0	3.3	2.8	0.7	4.6	3.0	2.8	2.9	3.6	3.5	3.4
Durable Goods	8,626	2.6	4.4	4.3	3.8	2.3	6.6	5.1	3.8	4.0	4.4	4.4	4.3
Nondurable Goods	6,773	0.1	1.6	2.0	1.5	0.4	2.2	0.5	1.5	2.1	2.5	2.1	2.3
Transportation and Utilities	6,308	2.3	2.1	1.4	1.1	0.9	1.5	2.4	1.6	1.2	1.2	1.2	1.5
Wholesale and Retail Trade	13,943	3.0	2.5	2.1	1.8	1.9	2.0	2.1	2.3	2.0	2.1	2.0	2.2
Information	2,212	-1.4	3.5	4.1	3.6	2.5	1.8	6.0	0.9	3.7	4.7	5.5	4.4
Finance, Insurance, and Real Estate	13,819	-0.5	1.9	1.7	1.7	1.7	1.4	2.4	1.6	1.6	1.5	1.6	1.9
Professional and Business Services	7,111	1.3	3.6	4.2	3.1	1.5	2.4	4.5	4.2	4.2	4.1	4.3	3.8
Health Care and Social Assistance	7,501	2.9	2.8	2.3	2.1	2.3	2.7	2.6	2.3	3.1	2.1	2.0	2.1
Leisure and Hospitality	4,154	-2.4	1.4	1.0	1.3	0.3	1.2	1.5	1.0	0.8	1.3	1.0	0.5
Educational Services	635	1.6	1.6	0.8	1.4	1.3	2.5	1.3	0.8	0.2	0.9	0.6	1.4
Other Services	2,177	0.9	0.2	-0.2	0.0	-0.2	-0.4	-0.4	0.0	-0.6	-0.4	0.0	0.0
Government	16,466	0.5	0.5	0.0	0.5	-1.1	0.9	0.1	0.3	-0.3	0.4	-0.3	0.1
Payroll Employment (thousands)													
Residents [†]	1,222	1.2	-1.3	0.6	0.3	-3.0	-0.7	0.3	0.0	1.0	0.7	0.7	0.0
Payroll [†]	1,151	0.4	1.2	0.9	0.7	1.7	1.0	1.0	1.4	1.0	1.0	1.0	0.7
Natural Resources and Mining	7	0.1	0.9	0.6	1.6	5.9	0.6	2.3	0.0	0.0	0.0	0.6	1.1
Contract Construction	43	-3.4	2.4	2.3	2.6	2.1	1.9	0.5	1.1	1.5	3.0	2.7	3.2
Manufacturing	143	0.1	2.1	1.8	1.1	0.6	2.8	2.8	2.2	0.8	2.5	1.9	1.1
Durable Goods	95	0.1	2.5	2.4	1.5	-1.7	3.2	4.7	2.6	0.9	3.5	2.4	1.3
Nondurable Goods	48	0.0	1.4	0.8	0.2	5.1	1.2	1.2	0.2	1.0	0.8	1.1	0.4
Transportation and Utilities	57	4.4	2.2	0.6	-0.3	2.4	2.0	1.7	1.0	1.0	0.3	0.3	0.2
Wholesale and Retail Trade	175	0.2	0.2	0.0	-0.6	-0.9	0.9	-0.7	0.2	0.5	0.2	0.0	-0.5
Information	11	-6.4	-1.6	1.6	1.2	-2.5	-0.4	-2.1	-2.5	1.4	2.9	6.0	0.3
Finance, Insurance, and Real Estate	44	0.7	0.9	0.5	0.2	3.5	-0.4	0.7	0.1	0.6	0.4	0.7	0.6
Professional and Business Services	106	-1.8	2.8	3.8	1.8	6.5	2.6	3.7	4.8	3.3	4.0	4.3	2.5
Health Care and Social Assistance	131	2.3	2.1	1.2	0.1	1.8	1.5	2.4	2.1	1.5	0.6	1.5	0.3
Leisure and Hospitality	135	1.0	1.9	0.6	0.8	6.2	-0.6	1.8	-0.6	1.7	0.0	0.9	0.0
Educational Services	13	5.7	1.1	-1.4	-1.5	-6.2	0.9	-2.2	-0.9	-1.6	-0.6	-2.5	-1.0
Other Services	40	0.4	-0.6	-0.3	-0.6	1.9	-0.5	-0.7	0.5	-0.8	0.0	-0.4	-0.5
Government	246	0.4	0.2	0.5	1.0	-1.0	0.3	0.3	0.5	0.5	0.5	0.6	0.5
Unemployment Rate (%) ^{†‡}	5.1	-0.7	5.3	5.2	5.3	5.1	5.3	5.3	5.3	5.3	5.2	5.3	5.2
Personal Income (millions of current \$)													
Wages and Salaries	47,723	0.8	3.4	4.1	4.0	3.2	3.7	3.9	3.8	4.3	4.2	4.2	3.7
Other Labor Income	11,683	1.7	2.5	3.1	3.2	2.6	3.1	2.6	2.9	2.8	3.5	2.9	3.2
Proprietors' Income	8,565	8.6	-0.1	7.1	5.7	-13.4	5.1	5.0	7.0	6.8	7.6	7.4	6.3
Farm Proprietors	1,276	60.7	-26.6	21.8	10.4	-128.9	4.9	9.7	44.0	-4.3	24.5	29.1	21.4
Non-farm Proprietors	7,281	2.6	4.4	5.6	5.1	5.3	5.2	4.1	5.1	6.1	5.7	5.7	4.6
Property Income	16,491	2.4	3.7	4.6	4.7	4.8	3.6	4.3	5.2	4.3	4.3	4.6	5.1
Transfer Payments	28,849	1.8	3.2	4.6	5.2	2.1	4.1	3.4	4.1	4.2	5.2	4.0	4.7
Less: Social Security Payments	8,286	2.1	3.1	3.9	3.8	3.5	3.9	2.8	3.2	3.5	5.3	3.1	4.1
Plus: Residence Adjustment	3,147	4.1	5.2	5.7	5.0	4.9	5.2	5.6	5.5	5.8	6.0	5.4	4.9
Equals: Total Personal Income	108,168	2.0	3.2	4.6	4.5	1.7	4.1	4.0	4.4	4.4	4.6	4.6	5.3
Less: Individual IRS Collections	6,830	2.5	-1.2	3.1	4.9	1.1	-9.2	-0.2	3.9	3.2	3.8	-0.8	5.9
Less: Individual State and Local Taxes	2,247	3.8	4.4	5.6	5.5	1.8	3.7	4.9	6.5	5.9	4.3	5.8	6.0
Equals: Disposable Personal Income	99,093	1.9	3.5	4.7	4.4	1.8	5.2	4.1	4.5	4.6	4.8	4.6	5.7
Per Capita Personal Income (thousands of \$)	36,250	2.0	3.0	4.4	4.1	1.7	3.9	3.9	4.3	4.1	4.4	4.3	5.0
Population (thousands)	2,984	0.0	0.1	0.2	0.3	0.0	0.1	0.1	0.1	0.3	0.1	0.3	0.3
U.S. Forecast													
Gross Domestic Product (billions of current \$)	19,382	4.1	4.7	4.9	4.5	4.5	4.4	4.7	5.0	4.9	4.9	4.6	4.5
Gross Domestic Product (billions of 2009 \$)	17,092	2.2	2.7	2.6	2.0	2.4	2.3	2.7	2.7	2.6	2.6	2.4	2.4
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	113	1.8	2.0	2.2	2.4	2.1	2.1	1.7	2.4	2.1	2.4	2.4	2.0
Total Employment, Residents (millions) [†]	153	1.3	1.5	1.5	0.9	0.8	1.8	1.6	1.5	1.8	1.5	1.3	1.3
Total Payroll Employment (millions) [†]	147	1.5	1.6	1.5	0.7	1.4	1.6	1.6	1.9	1.6	1.6	1.6	1.1
Unemployment Rate (%) ^{†‡}	4.4	-10.1	3.9	3.7	3.8	4.1	4.0	3.9	3.8	3.8	3.7	3.7	3.7
Personal Income (billions of current \$)	16,416	3.1	4.4	5.2	5.0	4.3	4.5	4.9	5.1	5.0	5.5	5.1	5.0
Per Capita Personal Income (thousands of \$)	50	2.4	3.6	4.4	4.0	4.0	3.1	4.7	3.9	4.6	4.5	4.5	3.7
Consumer Price Index (1982-84 = 100)	245.0	2.1	1.6	2.0	2.8	3.3	1.6	0.0	3.2	1.6	1.6	1.6	3.2
Prime Rate (%) ^{†‡}	4.1	16.8	4.9	5.6	6.2	4.3	4.5	4.8	5.0	5.3	5.3	5.6	5.8

[†]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

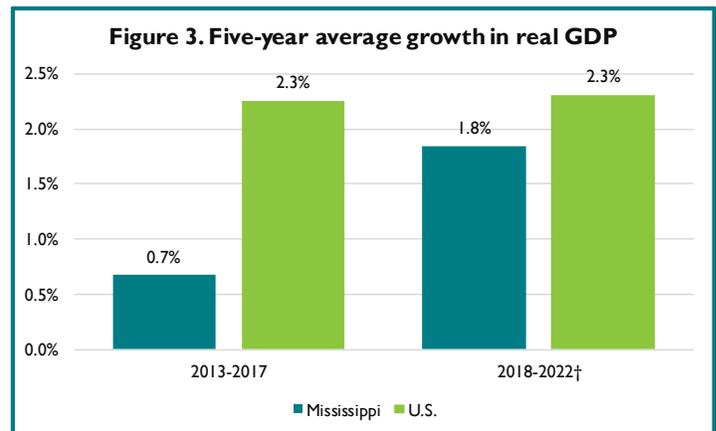
Real GDP for Mississippi is forecast to grow an average of 1.8 percent annually from 2018 to 2022 as seen in Figure 3. This forecast, if realized, represents more than double the average annual growth in output of 0.7 percent from 2013 to 2017. In contrast, U.S. real GDP is forecast to grow at an average annual rate of 2.3 percent from 2018 to 2022. This rate reflects the same average annual growth experienced from 2013 to 2017. Despite the expected improvement in the growth of real output in Mississippi, the state's economy is anticipated to grow by 0.5 percentage point less per year than the U.S. economy from 2018 to 2022. However, this gain represents notable progress relative to the previous five years.

Employment growth is expected to slow in both the U.S. and Mississippi economies over the next five years. As Figure 4 indicates, the average annual gain in employment in Mississippi is expected to decline from 0.9 percent to 0.7 percent from 2018 to 2022. The average annual increase in U.S. employment from 2013 to 2017 of 1.9 percent is expected to fall by a full percentage point to 0.9 percent over 2018 to 2022. Both of these declines, particularly for the U.S., reflect how the respective economies are approaching full employment after a decade of recovery from the Great Recession. Thus, labor markets will have less room to expand over the next five years.

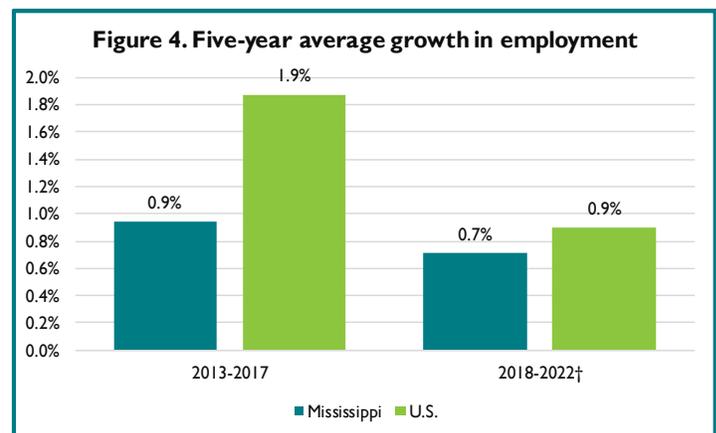
ALTERNATIVE FORECASTS

In its pessimistic alternative to its latest baseline forecast IHS Markit maintains the probability of recession at 20 percent as it expects the third-longest economic expansion in U.S. history to continue. This scenario is similar to its pessimistic forecast of the previous quarter, wherein a decline occurs in the commercial real estate market, which has recently experienced a rise in values. In turn, this decrease leads to a loss of confidence as interest rates rise, and the stock market retreats from its record highs. These factors lead to a recession where the U.S. economy contracts in the third and fourth quarters of 2018. The average rate of growth in U.S. real GDP over the next five years under this scenario is 0.5 percentage point less per year compared to the baseline forecast. The Mississippi economy under the pessimistic scenario is affected only slightly, as real GDP for the state on average is 0.1 percentage point lower each year from 2018 to 2022 compared to the baseline forecast. The pessimistic scenario reduces average annual U.S. payroll employment growth by just over 0.3 percentage point compared to the baseline forecast. As with real GDP, under the pessimistic scenario payroll employment growth in Mississippi from 2018 to 2022 falls by an average of 0.1 percentage point per year compared to the baseline forecast.

IHS Markit assigns a probability of 15 percent to its latest optimistic scenario under which housing starts improve over 2017 and interest rates, oil prices, and inflation all remain subdued compared to the baseline forecast. The global economy improves as well under this scenario, which leads to a stronger U.S. dollar. Under the optimistic scenario U.S. real GDP grows an average of about 3.0 percent per year, an average rate nearly 0.8 percentage point more per year compared to the baseline forecast. In Mississippi, the upside in real GDP growth under the optimistic scenario is an average of 0.4 percentage point more per year compared to the baseline forecast. Payroll employment for the U.S. grows an average of 0.4 percentage point more per year under the optimistic scenario compared to the baseline forecast. Under the optimistic scenario payroll employment in Mississippi increases slightly by an average of 0.1 percentage point annually compared to the baseline forecast.



†Projected. Sources: Bureau of Economic Analysis; URC



†Projected. Sources: Bureau of Labor Statistics; URC