

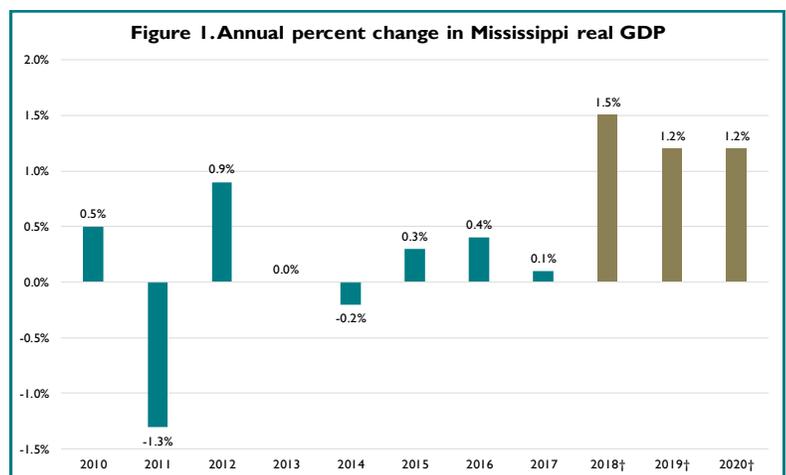


U.S., MISSISSIPPI ECONOMIES EXPECTED TO SLOW IN 2019 AND 2020

Real gross domestic product for Mississippi increased 1.5 percent in 2018 according to the latest URC forecast. Compared to the estimate of the previous quarter this assessment is lower by 0.3 percentage point. The reduction in the forecast results largely from a national economy that was expected to slow in the fourth quarter of 2018. (Estimates of U.S. real GDP for the fourth quarter and all of 2018 were unavailable from the U.S. Bureau of Economic Analysis [BEA] at press time because of the federal government shutdown.) As Figure 1 below indicates, in both 2019 and 2020 the Mississippi economy is expected to grow 1.2 percent. These forecasts reflect reductions of 0.5 and 0.4 percentage point, respectively, from the forecasts of the previous quarter. Again these decreases are primarily the result of a U.S. economy that is expected to grow at a slower rate beginning in 2019. Table 1 on page 3 indicates real GDP growth for Mississippi is projected to improve slightly in 2021 to 1.3 percent. If this forecast is realized, the Mississippi economy will experience its highest rate of annual growth since 2008, when real GDP increased by 4.2 percent. In addition, if the 2018 to 2021 forecasts are realized, Mississippi's economy will expand for seven consecutive years, which last occurred in the 2002 to 2008 period.

The fourth section of Table 1 on page 3 indicates the latest forecast projects U.S. real GDP expanded 2.9 percent in 2018. This forecast is unchanged from the previous quarter. However, as noted above the latest projections expect slower growth in the U.S. economy in 2019 due to a number of factors; as a result, the change in U.S. real GDP forecast for 2019 is 2.5 percent. This estimate represents a decrease of 0.3 percentage point from the forecast of the previous quarter. Similarly, the U.S. economy is expected to further slow to a growth rate of 2.0 percent in 2020. This forecast is unchanged from the previous quarter. In 2021, U.S. real GDP is projected to grow at a rate of 1.5 percent.

The annual change in personal income in Mississippi since 2010 as well as projections through 2020 are depicted in Figure 2 on page 2. Personal income in the state is forecast to grow 3.3 percent in 2018. This projection marks a decrease of 0.3 percentage point from the forecast of the previous quarter. Nevertheless, if realized this rate of growth would represent a 1.0 percentage point increase over the 2017 rate. In 2019, personal income is expected to increase at a rate of 2.9 percent, which represents a reduction of 0.7 percentage point from the forecast of the previous quarter. Personal income in Mississippi is expected to grow 3.6 percent in 2020, which also represents a reduction of 0.7 percentage point from the forecast of the previous quarter. As with real GDP, the reductions in the growth forecasts of personal income in Mississippi for 2018 through 2020 reflect a national economy that began to slow in late 2018. In 2021, growth in personal income in the state is expected to improve slightly to 3.7 percent. As seen in Figure 2, if realized this increase would mark the highest annual growth in personal income in Mississippi since 2012, when personal income also increased 3.7 percent. Personal income in Mississippi last grew at an annual rate of 4.0 percent or more in 2011.



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

To download the current issue of *Mississippi Economic Outlook* as well as other URC publications, please visit:
www.mississippi.edu/urc/publications.asp

Follow the University Research Center on Twitter:

@MississippiURC

MISSISSIPPI ECONOMIC OUTLOOK

SHORT-TERM FORECASTS

The first section of Table 1 on page 3 indicates output in most sectors of Mississippi's economy is projected to expand in 2018. The Natural Resources and Mining sector is forecast to expand by 13.0 percent in 2018, by far the largest percentage increase among all sectors. The next largest increase is expected in Manufacturing, which is forecast to grow 3.0 percent. No other sectors are projected to grow by 3.0 percent or more in 2018. The Leisure and Hospitality sector is forecast to contract 1.8 percent in 2018, the largest decrease among all sectors. Output is also forecast to decline in Educational Services, Government, and Other Services.

In 2019 output in Information is forecast to expand by 5.3 percent, the largest increase in output among all sectors in the state. The next largest expansion in output of 2.7 percent is forecast for Health Care and Social Assistance. Once again the largest decrease in output in 2019 is forecast for Leisure and Hospitality, which is expected to contract by 1.1 percent. Other sectors anticipated to decline in output in 2019 include Construction and Government.

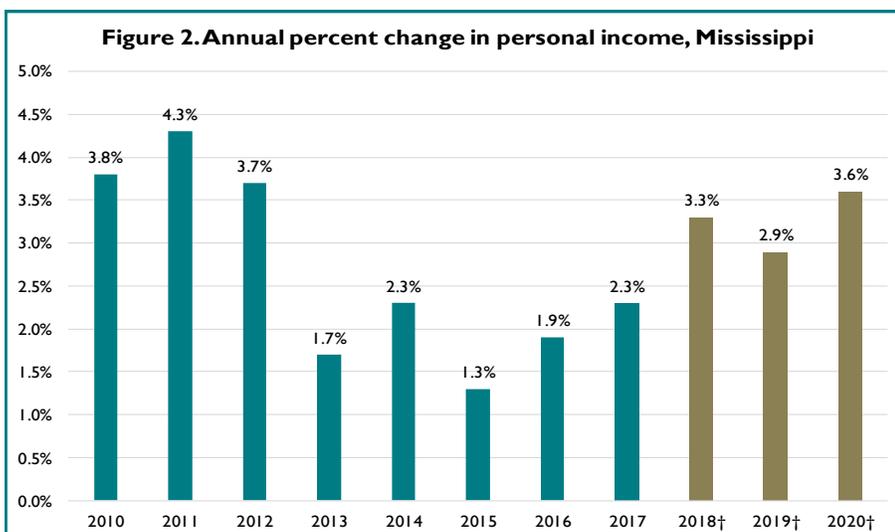
Information is also expected to experience the largest increase in output among all sectors in the state in 2020, as real GDP for the sector is forecast to expand by 4.9 percent. The next largest increase in output is the 3.0 percent growth forecast for the Health Care and Social Assistance sector. No other sectors are forecast to expand by 3.0 percent or more in 2020. Output in the Leisure and Hospitality sector is projected to decrease 1.3 percent in 2020, again the largest decrease forecast for all sectors. Other sectors in the state expected to decline in output in 2020 include Construction and Government. Notably, the Leisure and Hospitality and Government

sectors are expected to decline in output each year from 2018 to 2020.

The second section of Table 1 on page 3 indicates URC forecasts payroll employment in Mississippi grew 1.3 percent in 2018. 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 2018. Most significant is if realized this growth would mark the largest annual increase in employment in the state since 1999, when employment grew 1.7 percent. The largest increase in employment among all sectors in 2018 is forecast for Professional and Business services, which is expected to grow 4.8 percent. Natural Resources and Mining is projected to experience the largest decline in employment among all sectors in the state of 4.3 percent. The only other sector expected to lose jobs in 2018 is Information, as employment in the sector is forecast to fall 3.8 percent.

Employment in Mississippi in 2019 is forecast to grow 0.4 percent, which would mark the smallest annual increase since 2011, when employment was unchanged. Employment in Finance, Insurance, and Real Estate is expected to grow 1.4 percent, the most among all sectors. The next largest gain in employment among all sectors is forecast for Health Care and Social Assistance, which is expected to increase in employment by 1.3 percent. The Construction sector is expected to experience the largest decline in employment among all sectors in the state of 1.6 percent. The only other sector in Mississippi projected to lose jobs in 2019 is Educational Services, as employment in the sector is anticipated to fall 1.0 percent.

Employment in Mississippi in 2020 is also expected to increase by 0.4 percent. The Natural Resources and Mining sector is forecast to experience an increase in employment of 1.8 percent, the most among all sectors. Professional and Business Services employment is projected to grow 1.2 percent, the next largest increase. The largest decrease in employment among all sectors in the state forecast for 2020 is in Information, which is projected to decline by 1.0 percent. Other sectors in the state expected to lose jobs in 2020 include Wholesale and Retail Trade, Leisure and Hospitality, and Educational Services.



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

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

Variable	2018 [†] Percent		Annual Forecasts			Annualized Quarterly Forecasts							
	Value	Change	2019	2020	2021	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3
Mississippi Forecast													
Gross State Product (projected)													
In current dollars	113,637	3.9	3.5	3.8	3.9	2.8	3.5	2.6	3.4	3.8	4.0	3.8	3.8
In millions of 2009 dollars	101,648	1.5	1.2	1.2	1.3	0.8	0.9	0.3	1.1	1.2	1.4	1.3	1.1
Natural Resources and Mining	3,929	13.0	1.6	1.2	-0.1	-0.2	0.9	-1.7	2.0	2.2	2.1	1.1	-0.8
Contract Construction	3,349	0.2	-0.7	-0.3	0.9	-0.7	-1.3	-1.8	-2.3	-1.0	0.2	1.0	0.6
Manufacturing	16,420	3.0	0.6	1.1	0.9	-0.6	-1.0	0.8	1.2	1.4	1.4	0.8	0.6
Durable Goods	9,379	3.4	2.3	2.2	1.7	4.4	-0.6	2.0	1.7	2.6	2.7	1.9	1.8
Nondurable Goods	6,984	2.9	-1.0	-0.4	-0.3	-2.9	-1.4	-0.9	0.4	-0.2	-0.5	-0.8	-0.9
Transportation and Utilities	6,426	2.2	1.4	0.6	0.6	1.1	2.0	-1.0	0.6	0.6	0.8	0.9	0.6
Wholesale and Retail Trade	14,855	2.3	1.4	1.7	1.9	0.7	1.4	1.0	1.5	1.6	1.7	1.9	1.8
Information	2,755	1.7	5.3	4.9	4.9	5.3	5.9	0.7	6.4	4.0	5.2	5.2	4.8
Finance, Insurance, and Real Estate	14,269	0.1	1.7	1.7	1.5	1.2	2.0	1.2	1.4	1.6	1.9	1.9	1.6
Professional and Business Services	7,512	2.2	2.5	2.2	2.3	3.5	1.7	0.7	2.1	2.0	2.5	2.6	2.1
Health Care and Social Assistance	8,295	2.9	2.7	3.0	3.0	3.0	2.4	2.3	3.4	2.4	3.5	2.8	2.7
Leisure and Hospitality	4,186	-1.8	-1.1	-1.3	-0.1	-4.6	-0.2	-2.1	-1.6	-1.5	-1.7	-1.2	-0.4
Educational Services	774	-1.2	1.1	2.5	2.4	1.9	1.3	1.4	1.0	3.5	2.4	3.0	2.6
Other Services	2,160	-0.1	0.2	0.1	0.1	-0.2	0.2	0.0	0.0	0.0	0.2	0.2	0.2
Government	16,798	-0.8	-0.4	-0.3	-0.2	-2.3	-0.4	-1.0	-0.5	-0.2	-0.3	-0.2	-0.2
Payroll Employment (thousands)													
Residents [†]	1,222	0.6	0.9	0.4	0.0	1.0	0.3	0.7	0.6	0.3	0.3	0.6	0.0
Payroll [†]	1,167	1.3	0.4	0.4	0.3	0.7	0.3	0.3	0.3	0.3	0.3	1.0	-0.3
Natural Resources and Mining	7	-4.3	0.2	1.8	1.0	1.8	2.4	0.0	0.6	0.0	3.0	4.2	1.8
Contract Construction	44	2.2	-1.6	1.0	1.8	-1.2	0.5	0.2	-0.3	0.4	1.2	1.7	1.8
Manufacturing	145	0.6	0.7	0.2	-0.7	1.9	0.8	0.3	0.3	1.1	0.5	-0.3	-0.5
Durable Goods	95	-0.4	0.8	0.6	-0.7	1.2	1.0	1.1	0.6	1.8	0.9	0.0	-0.5
Nondurable Goods	50	2.8	0.4	-0.5	-0.7	2.8	0.6	-1.0	-0.5	-0.1	0.0	-0.9	-1.2
Transportation and Utilities	57	0.4	0.8	-0.1	-0.3	3.0	2.0	0.5	0.5	-0.1	-0.2	-0.4	-0.2
Wholesale and Retail Trade	176	0.2	0.1	-0.4	-0.3	-0.2	0.5	0.2	-0.2	-0.2	-0.7	-0.5	-0.2
Information	11	-3.8	0.4	-1.0	1.9	-0.4	1.4	1.8	-0.7	-3.2	-1.4	-2.9	2.2
Finance, Insurance, and Real Estate	46	2.9	1.4	1.0	0.3	1.0	0.6	1.0	1.6	1.4	1.1	0.6	0.7
Professional and Business Services	114	4.8	0.9	1.2	1.5	2.1	0.4	0.4	1.0	1.0	1.4	1.4	1.4
Health Care and Social Assistance	134	1.6	1.3	1.0	1.2	1.8	2.1	1.5	1.2	0.9	0.6	1.2	1.2
Leisure and Hospitality	138	2.1	0.2	-0.3	0.4	-1.4	-0.6	-0.9	-0.6	-0.6	-0.3	-0.3	0.0
Educational Services	12	0.5	-1.0	-0.2	-0.2	0.0	-0.3	-0.3	-0.3	0.0	-0.3	0.0	-0.3
Other Services	41	1.0	0.6	0.2	0.1	0.7	0.4	0.2	0.1	0.2	0.2	0.1	0.1
Government	244	0.3	0.4	0.6	-0.2	0.0	0.0	0.0	0.2	0.2	1.0	4.4	-3.4
Unemployment Rate (%) ^{†‡}	4.7	-0.4	4.9	4.9	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Personal Income (millions of current \$)													
Wages and Salaries	49,489	2.3	2.5	3.1	3.1	2.2	2.5	2.1	2.8	3.1	3.3	3.4	2.8
Other Labor Income	12,003	1.4	2.1	2.6	2.7	2.0	2.2	1.9	2.3	2.5	2.8	2.9	2.6
Proprietors' Income	8,481	14.7	3.4	5.4	5.9	3.0	3.7	4.7	4.9	5.3	5.9	4.5	6.1
Farm Proprietors	1,225	132.0	-5.3	1.9	0.3	0.0	1.7	0.3	1.7	1.4	4.8	0.7	0.0
Non-farm Proprietors	7,257	5.7	4.9	6.0	6.7	3.4	4.1	5.4	5.3	5.8	6.1	5.0	7.0
Property Income	18,656	3.4	3.2	3.5	3.0	2.8	3.0	3.9	3.4	3.7	3.8	3.4	2.9
Transfer Payments	29,342	2.5	3.0	3.9	4.4	2.3	3.0	3.2	3.6	3.8	3.8	3.1	4.9
Less: Social Security Payments	8,536	2.8	2.4	3.0	3.0	2.0	2.6	1.9	2.6	2.8	3.7	3.1	2.5
Plus: Residence Adjustment	3,525	5.0	4.9	5.4	5.0	4.6	4.8	5.1	5.4	5.4	5.5	5.5	4.5
Equals: Total Personal Income	112,961	3.3	2.9	3.6	3.7	2.4	2.9	2.9	3.3	3.6	3.7	3.5	3.7
Less: Individual IRS Collections	7,008	-0.8	2.3	2.7	2.8	2.4	0.2	2.3	3.2	3.6	0.4	4.0	3.2
Less: Individual State and Local Taxes	2,185	4.2	2.4	4.0	4.0	3.3	3.3	3.3	3.6	4.1	3.9	4.4	3.8
Equals: Disposable Personal Income	103,768	3.6	2.9	3.6	3.7	2.4	3.0	3.0	3.3	3.6	3.9	3.4	3.7
Per Capita Personal Income (thousands of \$)	37,820	3.4	2.9	3.4	3.5	2.4	2.9	2.9	3.2	3.6	3.6	3.3	3.5
Population (thousands)	2,986	-0.1	0.0	0.1	0.2	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1
U.S. Forecast													
Gross Domestic Product (billions of current \$)	20,503	5.2	4.8	4.4	4.1	4.7	4.1	4.6	4.4	4.8	4.4	4.2	4.1
Gross Domestic Product (billions of 2009 \$)	18,574	2.9	2.5	2.0	1.5	2.8	1.6	2.3	2.3	2.3	1.9	1.9	1.5
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	110	2.2	2.3	2.5	2.5	1.8	2.5	2.1	2.1	2.5	2.5	2.4	2.4
Total Employment, Residents (millions) [†]	156	1.6	1.3	1.0	0.4	2.3	1.3	1.0	1.3	0.8	1.0	1.5	0.0
Total Payroll Employment (millions) [†]	149	1.6	1.3	1.0	0.5	1.6	1.3	1.1	1.1	1.3	0.8	1.6	0.3
Unemployment Rate (%) ^{†‡}	3.9	-10.8	3.6	3.7	3.9	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.7
Personal Income (billions of current \$)	17,565	4.4	4.4	4.5	4.2	4.2	4.3	4.9	4.5	4.5	4.7	4.4	4.0
Per Capita Personal Income (thousands of \$)	54	3.7	3.6	3.8	3.5	3.7	3.7	4.4	3.6	3.6	4.3	3.5	3.5
Consumer Price Index (1982-84 = 100)	251.0	2.4	2.0	2.3	2.7	1.6	0.0	3.2	3.1	3.1	1.5	1.5	3.1
Prime Rate (%) ^{†‡}	4.9	19.5	5.8	6.4	6.5	5.3	5.5	5.8	6.0	6.1	6.3	6.3	6.5

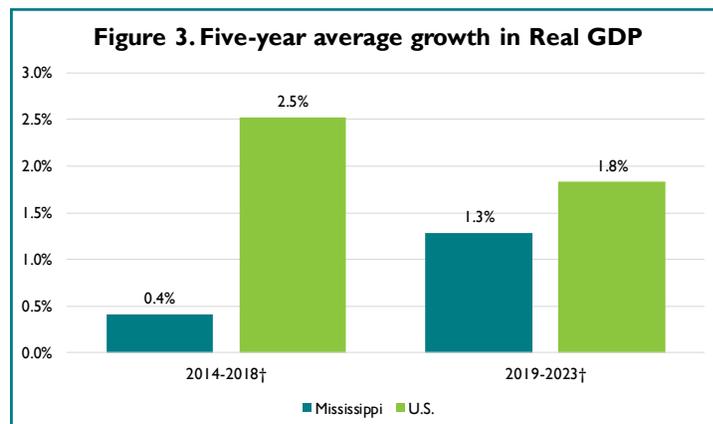
[†]Seasonally-adjusted. [‡]Projected rates. Sources: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis (levels), and URC (forecasts).

MISSISSIPPI ECONOMIC OUTLOOK

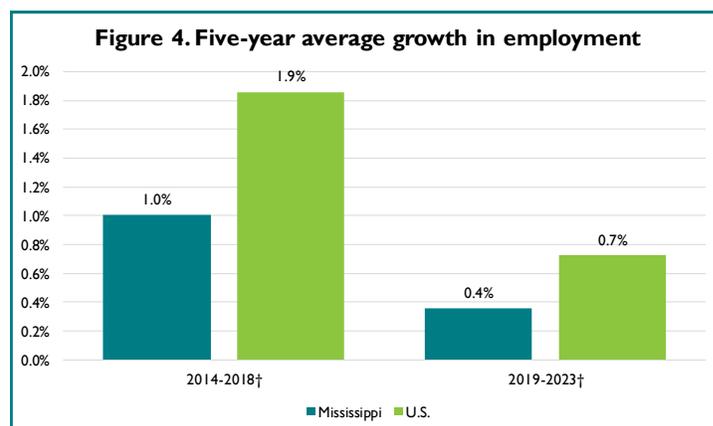
FIVE-YEAR FORECASTS

Figure 3 indicates real GDP for Mississippi is expected to grow an average of 1.3 percent per year from 2019 to 2023. If realized, this average rate of growth represents more than three times the average annual increase in real GDP from 2014 to 2018. U.S. real GDP is forecast to grow an average of 1.8 percent annually from 2019 to 2023. In contrast to Mississippi, if realized this rate of growth reflects a decrease of 0.7 percentage point per year compared to the previous five years.

The average annual growth rates in employment over the next five years are expected to decline for both Mississippi and the U.S. as seen in Figure 4. In Mississippi, employment is forecast to increase an average of 0.4 percent per year from 2019 to 2023. This rate is less than half the average annual growth experienced from 2014 to 2018, when employment in the state increased by an average of 1.0 percent per year. Similarly, U.S. employment is forecast to grow 0.7 percent per year from 2019 to 2023. If realized this forecast represents a decline of 1.2 percentage point per year compared to the previous five years. The forecasts for Mississippi and the U.S. reflect lower rates of employment growth due to both economies likely being near full employment at the end of 2018 as well as a slowing of the state and national economies that is expected in 2019 and 2020.



†Projected. Sources: Bureau of Economic Analysis; URC



†Projected. Sources: Bureau of Labor Statistics; URC

ALTERNATIVE FORECASTS

The probability of a recession in the next two years remains at 25 percent in the most recent pessimistic scenario from IHS Markit. The firm anticipates the current economic expansion will set a record of 127 months. Essentially a slowdown in the economy deteriorates into a recession under this scenario, as a general loss of confidence and less tolerance for risk lead to decreases in investment and consumer spending. The housing market slows further and prices fall. Anxious consumers curb their spending, and a recession lasting three quarters begins in the first quarter of 2020. U.S. real GDP over the next five years is slightly more than 0.6 percentage point less per year under the pessimistic scenario compared to the baseline forecast. In 2020, real GDP contracts 0.6 percent under this scenario and the economy only grows 0.8 percent in 2021. From 2019 to 2023 employment grows slightly more than 0.3 percent per year, almost 0.4 percentage point less per year compared to the baseline scenario. Mississippi's economy grows an average of 1.0 percent annually under the pessimistic scenario, which is 0.3 percentage point less per year compared to the baseline forecast. Even under this scenario average annual real GDP growth is more than double than in the previous five years. While Mississippi employment grows at an average annual rate of only 0.2 percent under the pessimistic scenario, this rate is an average of only 0.2 percentage point less per year compared to the baseline forecast.

IHS Markit maintains the probability of its optimistic scenario at 15 percent. Productivity grows more under this scenario while inflation remains subdued. U.S. real GDP grows an average of just over 0.8 percentage point more per year from 2019 to 2023 compared to the baseline forecast. The average annual rate of employment growth is also just over 0.8 percentage point more per year from 2019 to 2023 under the optimistic scenario compared to the baseline forecast. Mississippi's economy improves slightly under the optimistic scenario as real GDP growth is an average of 0.2 percentage point more per year from 2019 to 2023 compared to the baseline forecast. Under the optimistic scenario average annual payroll employment is essentially the same as it is under the baseline forecast.