

MISSISSIPPI ECONOMIC OUTLOOK

VOLUME 9, ISSUE 1

WINTER 2023

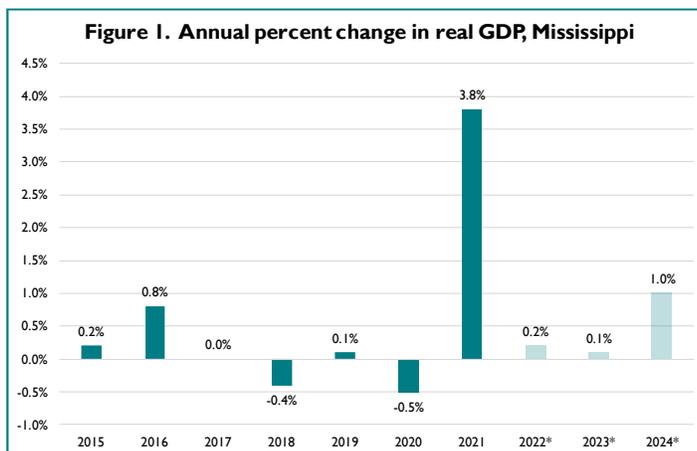
A Publication of the University Research Center, Mississippi Institutions of Higher Learning

U.S., MISSISSIPPI FORECASTS IMPROVE BUT RECESSION STILL EXPECTED

Real gross domestic product (GDP) for Mississippi increased 0.2 percent in 2022 according to the latest forecast by URC as seen in Figure 1. This estimate remains unchanged from the forecast of the previous quarter. The forecast for 2022 reflects contractions in Mississippi real GDP in the second and third quarters as reported in the most recent estimates of the U.S. Bureau of Economic Analysis. The Mississippi economy is expected to expand 0.1 percent in 2023 in the latest forecast as seen in the third section of Table 1 on page 3. This projection represents an improvement of 0.5 percentage point from the forecast of the previous quarter. The improvement in the 2023 forecast for real GDP in Mississippi results from stronger net exports and inventory investment in the U.S. economy in the fourth quarter of 2022 than previously expected. Nevertheless, a mild recession in the U.S. economy remains in the latest forecast during the first two quarters of 2023. Real GDP for Mississippi is projected to increase 1.0 percent in 2024, an increase of 0.2 percentage point from the forecast of the previous quarter.

U.S. real GDP expanded 2.0 percent in 2022 according to the latest forecast as seen in the fourth section of Table 1 on page 3. This estimate represents an increase of 0.2 percentage point from the forecast of the previous quarter and reflects an improvement in U.S. financial conditions over the past three months. The latest forecast projects U.S. real GDP will contract in both the first and second quarters of 2023. However, the U.S. economy is projected to grow 0.5 percent for all of 2023, which represents an increase of 1.0 percentage point from the forecast of the previous quarter. Improved financial conditions are expected to lead to a stronger recovery in the second half of 2023. In 2024, U.S. real GDP is expected to expand 1.8 percent, an improvement of 0.5 percentage point from the previous quarter's forecast.

Figure 2 on page 2 indicates personal income in Mississippi fell 0.3 percent in 2022 according to URC's latest forecast. This rate is unchanged from the forecast of the previous



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

quarter. Although URC forecasts wages and salaries in the state grew 7.3 percent in 2022, the latest forecast also indicates transfer payments likely fell 14.6 percent. Personal income in the state is projected to increase 3.6 percent in 2023, an increase of 0.3 percentage point from the forecast of the previous quarter. URC forecasts personal income in Mississippi will grow 4.0 percent in 2024, an estimate unchanged from the forecast of the previous quarter.

URC's latest forecast projects payroll employment in Mississippi increased 1.7 percent in 2022. This rate represents a decrease of 0.1 percentage point compared to the forecast of the previous quarter. Nevertheless, if this forecast is realized 2021 and 2022 will mark the first consecutive years of annual employment growth in the state of more than 1.0 percent since 2015 and 2016. However, employment in the state is projected to decrease 0.5 percent in 2023. This estimate represents an increase of 0.2 percentage point from the forecast of the previous quarter. URC forecasts total employment in Mississippi will decrease by 0.8 percent in 2024, a projection that is unchanged from the forecast of the previous quarter.

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](https://twitter.com/MississippiURC)

SHORT-TERM FORECASTS

Real GDP likely contracted in a majority of sectors in Mississippi in 2022 as seen in the first section of Table 1. URC projects output in the Mining and Oil and Gas Extraction sector shrank 16.5 percent in 2022, the largest decrease among all sectors. This sector is relatively small in terms of output, however. The next largest decrease in real GDP is the 7.2 percent contraction forecast for the Construction sector. Real GDP in the Information sector likely expanded 12.2 percent in 2022, the largest increase among all sectors in the state. This sector is also relatively small in terms of output, however. Notably, output in Government, the second-largest sector in Mississippi in terms of GDP, likely did not change in 2022.

Fewer sectors in the state are forecast to contract in output in 2023. Real GDP in the Mining and Oil and Gas Extraction sector is forecast to decrease 18.0 percent in 2023, the largest contraction among all sectors. Output in the Construction sector is expected to contract 5.4 percent in 2023, again the second-largest decrease among all sectors. Notably, real GDP in both Manufacturing and Government—the largest two sectors in Mississippi in terms of output—is projected to contract in 2023. The Information sector is expected to expand in output by 2.5 percent in 2023, the largest increase among all sectors.

In 2024 most sectors in the state are projected to expand in output. The Information sector is forecast to increase in output by 3.6 percent in 2024, again the largest percentage increase among all sectors. Output in both the Mining and Oil and Gas Extraction and Educational Services sectors is forecast to expand 2.7 percent in 2024, the next largest increases in real GDP. Real GDP in the Leisure and Hospitality sector is expected to contract 1.0 percent in 2024, the largest decrease in output among all sectors. As in 2023 real GDP in both Manufac-

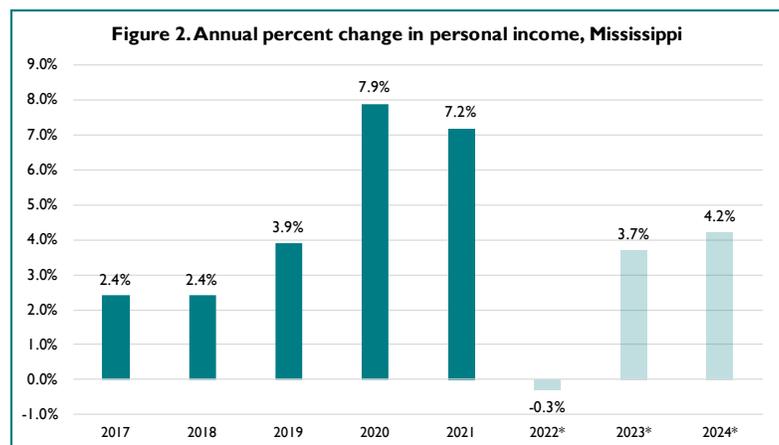
turing and Government is forecast to contract in 2024. Construction is the only sector projected to decrease in output each year from 2022 to 2024.

As noted on page 1, URC forecasts payroll employment in Mississippi increased 1.7 percent in 2022. The second section of Table 1 lists the percentage changes by sector. Almost all sectors in the state likely added jobs in 2022. The largest percentage increase in employment among all sectors is forecast for the Construction sector, a gain of 6.5 percent. The increase in employment forecast for the Educational Services sector is 6.0 percent, the next largest increase. The only sectors in the state URC forecasts lost jobs in 2022 are Other Services and Government. The decreases in employment forecast for these sectors are 1.6 percent and 0.1 percent, respectively.

Conversely, employment in most sectors of the state is projected to decrease in 2023. Employment in the Construction sector is forecast to decrease 2.3 percent in 2023, the most among all sectors in Mississippi. Employment in the Manufacturing sector is expected to fall 1.5 percent, the next largest decrease. The largest increase in employment among all sectors is forecast for the Mining and Oil and Gas Extraction sector, which is projected to grow by 2.8 percent. Employment in the Health Care and Social Assistance sector is projected to increase 2.5 percent in 2023, the next largest increase.

The only other sectors in the state projected to add jobs in 2023 are Other Services and Government.

Although the decrease in total employment forecast for 2024 is slightly larger than in 2023, fewer sectors in Mississippi are forecast to lose jobs. Employment in the Manufacturing sector is expected to tumble 4.7 percent, the largest decrease among all sectors in the state. Construction employment is forecast to fall 2.3 percent, the next largest decrease. Employment in Wholesale and Retail Trade is projected to decline 1.7 percent, the next larg-



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

est decrease. The largest increase in employment among all sectors in 2024 is forecast for Mining and Oil and Gas Extraction, a gain of 4.5 percent. Employment in Health Care and Social Assistance is projected to grow 1.8 percent in 2024, the next largest increase among all sectors, followed by the 1.3 percent increase forecast for the Transportation and Utilities sector. The increases in employment forecast for all other sectors in 2024 are less than 1.0 percent. Notably, the only two sectors forecast to add jobs each year from 2022 through 2024 are Mining and Oil and Gas Extraction and Health Care and Social Assistance. No sector is expected to lose jobs each year from 2022 through 2024.

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

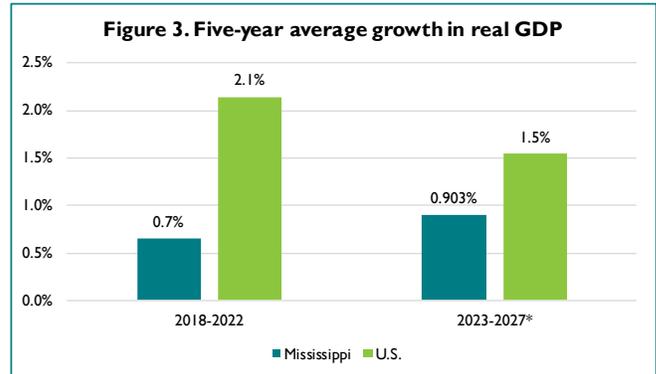
Variable	2022† Percent Value Change	Annual Forecasts			Annualized Quarterly Forecasts								
		2023	2024	2025	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	
Mississippi Forecast													
Gross State Product (millions of current \$)	138,697	8.9	4.2	3.4	3.5	6.0	3.0	2.6	3.3	3.5	3.1	3.7	3.4
Gross State Product (millions of 2012 \$)	104,552	0.2	0.1	1.0	1.3	1.8	-0.6	-0.5	0.7	1.0	0.9	1.4	1.3
Agriculture, Forestry, Fishing, and Hunting	2,931	4.7	3.4	0.9	0.9	10.7	1.0	-0.9	1.7	1.0	1.0	0.7	0.7
Mining and Oil and Gas Extraction	901	-16.5	-18.0	2.7	3.8	12.2	-0.6	3.2	8.0	8.2	6.3	2.5	0.7
Contract Construction	2,613	-7.2	-5.4	-0.7	-0.1	2.7	-3.6	-2.9	-2.7	0.4	-1.0	-0.4	-0.1
Manufacturing	17,732	1.5	-1.4	-0.3	1.1	1.4	-2.4	0.4	-0.6	-1.2	-0.9	0.3	0.5
Durable Goods	10,155	4.6	-0.4	-0.3	1.5	3.5	-1.8	1.4	-0.2	-1.8	-1.0	0.8	0.5
Nondurable Goods	7,558	-2.0	-2.5	-0.5	0.5	-0.8	-3.2	-0.9	-0.8	-0.6	-0.9	-0.3	0.5
Transportation and Utilities	6,464	-2.0	1.0	2.3	1.4	-0.2	1.9	0.2	2.5	2.7	3.0	2.1	2.0
Wholesale and Retail Trade	13,915	-2.4	1.4	1.8	1.4	0.8	1.2	0.9	1.2	2.9	1.9	1.3	1.6
Information	3,393	12.2	2.5	3.6	4.9	2.4	-1.0	2.2	2.3	1.2	4.0	5.7	5.2
Finance, Insurance, and Real Estate	16,038	-0.9	0.1	1.9	2.2	2.2	0.0	-1.2	0.4	2.7	2.0	2.2	2.6
Professional and Business Services	8,685	4.1	0.0	1.1	2.3	1.4	-0.3	-2.6	-1.7	1.5	1.1	2.8	2.2
Health Care and Social Assistance	8,192	-0.5	1.0	1.7	1.5	0.3	1.0	-1.1	2.5	2.0	1.5	2.4	1.2
Leisure and Hospitality	4,666	5.8	-1.2	-1.0	-0.5	-1.1	-2.1	-1.8	-0.9	-0.7	-3.9	0.7	-0.7
Educational Services	668	1.7	2.4	2.7	0.8	3.8	2.1	0.4	4.2	4.3	3.4	2.1	0.4
Other Services	2,014	-2.5	-0.6	0.2	0.4	-1.2	-1.2	-1.1	0.1	0.7	0.2	0.1	0.1
Government	16,561	0.0	-1.1	-0.1	-0.1	-0.6	-2.7	-0.9	0.3	0.5	-0.9	0.2	0.0
Payroll Employment (thousands)													
Residents†	1,212.0	2.4	-1.4	-0.8	0.2	-3.4	-1.2	-2.8	-2.3	-1.7	-0.6	0.4	0.1
Payroll†	1,157.0	1.7	-0.5	-0.7	-0.1	-0.3	0.3	-0.4	-1.6	-1.4	-0.9	-0.1	0.0
Mining and Oil and Gas Extraction	6.1	2.8	2.8	4.5	1.1	-0.5	0.9	4.1	5.5	6.4	4.7	4.6	2.1
Contract Construction	47.7	6.5	-2.3	-2.3	-0.6	4.3	-3.2	-5.0	-5.0	-1.6	-2.4	-1.8	-1.4
Manufacturing	149.6	4.0	-1.5	-4.7	-1.7	-1.0	-0.5	1.4	-5.5	-8.8	-5.7	-2.7	-3.0
Durable Goods	98.4	3.9	-1.7	-5.9	-2.1	0.1	-0.4	2.2	-6.3	-11.0	-7.4	-3.5	-3.8
Nondurable Goods	51.1	4.2	-1.2	-2.4	-0.7	-3.9	-0.4	-0.1	-3.9	-4.7	-2.2	-1.7	-1.0
Transportation and Utilities	67.7	3.1	-0.9	1.3	1.0	-6.1	2.9	-1.5	0.5	1.1	2.7	1.7	0.7
Wholesale and Retail Trade	170.6	0.1	-1.0	-1.7	-1.6	-0.9	0.1	2.1	-3.5	-0.9	-1.4	-3.3	-1.3
Information	9.7	1.3	-0.4	0.1	1.4	0.9	-1.8	-1.3	-1.6	-4.8	1.4	3.4	1.6
Finance, Insurance, and Real Estate	43.7	3.0	-0.5	0.4	0.8	0.7	0.4	-3.7	-2.2	0.4	1.5	1.4	0.9
Professional and Business Services	116.0	1.0	-0.8	0.1	1.9	0.5	0.1	-3.7	-3.4	-0.8	0.7	2.1	1.8
Health Care and Social Assistance	128.5	0.1	2.5	1.8	0.1	3.9	4.1	0.6	2.7	0.9	2.1	2.8	1.3
Leisure and Hospitality	132.2	4.8	-1.0	-1.4	-0.4	-2.4	-0.4	-1.4	0.3	-3.1	-4.9	1.3	1.4
Educational Services	12.7	6.0	-0.2	0.7	0.8	1.6	-1.3	-1.0	-0.7	0.1	-1.2	-0.8	-2.9
Other Services	38.3	-1.6	0.1	0.2	0.1	-0.7	1.1	-0.8	0.8	1.3	1.0	-0.5	2.0
Government	234.2	-0.1	1.2	-1.1	-2.0	-0.4	0.4	0.1	0.1	0.5	0.3	0.3	-0.1
Unemployment Rate (%)*	3.7	-1.7‡	0.9	0.2	-0.3	0.1	0.1	0.7	0.4	0.3	-0.1	-0.2	-0.1
Personal Income (millions of current \$)													
Wages and Salaries	59,608	7.3	3.4	3.2	3.7	4.0	4.2	2.7	2.2	2.6	3.3	4.0	3.8
Other Labor Income	14,034	4.9	2.9	3.2	3.5	4.1	4.0	2.0	2.0	2.5	3.6	3.9	3.6
Proprietors' Income	10,921	7.6	-1.3	-0.3	3.7	-5.9	-4.3	-3.4	-3.7	-1.5	3.5	-3.8	1.8
Farm Proprietors	2,543	85.5	-14.7	-10.2	12.8	-19.3	-31.7	-17.9	-34.2	-4.7	-10.2	-8.7	9.9
Non-farm Proprietors	8,390	-4.5	1.0	2.6	3.6	1.2	-2.5	-0.1	3.3	4.4	3.1	-0.6	2.9
Property Income	20,522	3.2	4.5	4.8	4.0	6.0	4.0	4.2	4.7	4.2	6.0	4.9	4.1
Transfer Payments	35,901	-14.6	4.9	5.9	4.8	0.6	11.8	1.6	8.6	5.2	8.8	4.3	4.1
Less: Social Security Payments	10,313	6.8	3.1	3.3	3.8	3.5	5.0	1.7	1.5	2.4	4.9	3.6	3.6
Plus: Residence Adjustment	4,361	10.4	4.8	3.9	4.2	5.0	5.1	1.6	3.8	3.9	3.7	4.5	4.7
Equals: Total Personal Income	135,009	-0.3	3.6	4.0	4.0	2.3	5.8	2.4	3.5	3.4	5.0	4.2	3.9
Less: Individual IRS Collections	9,974	23.4	-1.2	-2.0	0.4	4.1	-5.0	-2.8	-5.1	-3.6	0.0	-5.6	-0.8
Less: Individual State and Local Taxes	2,843	6.2	3.4	3.8	4.3	3.9	4.2	3.0	2.8	3.2	3.9	4.8	4.2
Equals: Disposable Personal Income	122,201	-1.9	4.4	4.5	3.9	2.3	7.5	2.4	5.6	4.1	5.4	4.3	3.9
Per Capita Personal Income (thousands of \$)	45.9	0.0	3.8	4.1	4.1	2.5	5.9	2.5	3.6	3.5	5.1	4.3	4.0
Population (thousands)	2,939	-0.3	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
U.S. Forecast													
Gross Domestic Product (billions of current \$)	25,457	9.2	4.2	4.1	4.1	6.3	1.5	2.1	4.0	4.4	4.1	4.2	4.1
Gross Domestic Product (billions of 2012 \$)	20,010	2.0	0.5	1.8	2.0	2.3	-1.6	-0.8	1.4	1.9	1.9	2.1	2.0
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	127.2	7.0	3.6	2.3	2.1	3.9	3.2	3.0	2.6	2.5	2.1	2.1	2.1
Total Employment, Residents (millions)*	158.3	3.7	-0.3	0.1	0.7	-0.1	0.1	-0.5	-0.3	-0.2	0.2	0.3	0.3
Total Payroll Employment (millions)*	152.0	4.1	0.7	-0.2	0.5	2.1	1.2	-1.6	-1.7	-1.1	0.2	0.8	0.7
Unemployment Rate (%)*	3.7	-1.7‡	0.9	0.3	-0.4	0.2	0.1	0.7	0.4	0.3	-0.1	-0.2	-0.1
Personal Income (billions of current \$)	21,738	2.1	4.3	4.7	4.7	6.2	3.7	2.5	4.3	4.5	5.5	4.8	4.7
Per Capita Personal Income (thousands of \$)	65.3	1.8	3.9	4.2	4.2	5.8	3.3	2.0	3.8	4.0	5.0	4.3	4.2
Consumer Price Index (1982-84 = 100)	2.93	8.0	3.9	2.2	2.0	3.2	3.2	3.3	2.7	2.7	1.7	1.8	2.1
Prime Rate (%)	4.85	1.6‡	3.1	-0.5	-1.4	1.5	0.9	0.3	0.0	0.0	0.0	-0.2	-0.5

*Seasonally-adjusted. †Projected. ‡Percentage point change. Sources: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, and URC (forecasts).

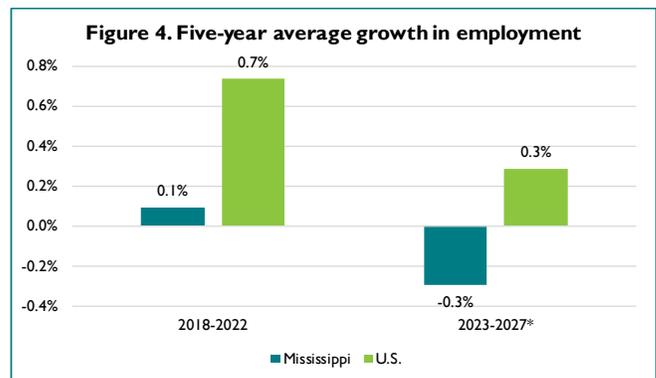
FIVE YEAR FORECASTS

The Mississippi economy is forecast to expand by an average of 0.9 percent per year from 2023 through 2027 as seen in Figure 3. This estimate represents an increase of 0.2 percentage point per year compared to the 2018 to 2022 period. In contrast, U.S. real GDP is projected to increase by 1.5 percent per year over the next five years, which represents a decrease of 0.6 percentage point per year compared to the 2018 to 2022 period. Nevertheless, the U.S. economy is projected to grow by an average of 0.6 percentage point per year more than the Mississippi economy over the next five years. This rate represents a decrease from the 1.4 percentage point difference per year between the U.S. and Mississippi from 2018 to 2022.

Figure 4 indicates annual payroll employment in Mississippi is expected to decrease by an average of 0.3 percent per year from 2023 to 2027. This estimate represents a decrease of 0.4 percentage point per year compared to the average change of 0.1 percent per year from 2018 to 2022. U.S. payroll employment is expected to increase by an average of 0.3 percent per year over the next five years. This estimate represents a decrease of 0.4 percentage point per year compared to the 2018 to 2022 period. Despite this decrease, the average change in U.S. employment is expected to exceed the change in Mississippi employment over the next five years by an average of 0.6 percentage point per year compared to the 2018 to 2022 period.



*Projected. Sources: Bureau of Economic Analysis and URC (forecast).



*Projected. Sources: Bureau of Labor Statistics and URC (forecast).

ALTERNATIVE FORECASTS

The firm IHS Markit estimates a probability of 25 percent for its latest pessimistic alternative scenario. This probability is down 5 percentage points from the forecast of the previous quarter. The probability of the baseline scenario remains 55 percent. In the pessimistic scenario consumer spending is weaker and the recession deeper than in the baseline forecast. The peak-to-trough decrease in real GDP is 1.2 percent under this scenario compared to 0.6 percent in the baseline forecast. The Russia-Ukraine conflict escalates under this scenario, which leads to higher energy prices. Supply chain disruptions take longer to resolve under this scenario as well.

U.S. real GDP contracts 0.2 percent in 2023 under this scenario. Over the next five years U.S. real GDP increases by an average of 1.3 percent per year compared to 1.5 percent in the baseline forecast. Real GDP for Mississippi expands by an average of almost 0.9 percent per year from 2023 through 2027 under this scenario, essentially the same as under the baseline forecast.

IHS Markit estimates the probability of its latest optimistic scenario at 20 percent, an increase of 5 percentage points from the forecast of the previous quarter. Under this scenario consumer spending and productivity are stronger than in the baseline forecast. Compared to the baseline

forecast, this scenario assumes the Infrastructure Investment and Jobs Act stimulates more economic activity by businesses and consumers. A resolution to the Russia-Ukraine conflict is achieved more quickly under the optimistic scenario, which leads to lower energy prices. Supply chain disruptions are resolved sooner under this scenario as well. U.S. real GDP expands at an average annual rate of 1.7 percent from 2023 to 2027 under this scenario compared to 1.5 percent in the baseline forecast. Real GDP for Mississippi expands at an average annual rate over the next five years of slightly more than 0.9 percent, essentially the same as in the baseline forecast.