



## MISSISSIPPI ECONOMY EXPECTED TO CONTINUE SLOW BUT STEADY GROWTH

Mississippi's economy experienced another year of modest growth in 2014. While the U.S. Bureau of Economic Analysis (BEA) will release its estimates of annual gross state product (GSP) in a few months, URC estimates Mississippi GSP grew 1.3 percent in 2014. This rate represents a slightly lower rate of growth than in 2013, when GSP for the state grew by 1.6 percent. Similarly, according to the U.S. Bureau of Labor Statistics (BLS), average monthly nonfarm employment in the state grew by 0.8 percent in 2014, a slight decline from 2013 when employment grew by 0.9 percent. Employment decreased in 2014 in four of Mississippi's major industries: Construction, Wholesale and Retail Trade, Information, and Other Services. Construction employment declined throughout 2014 as a number of large construction projects in the state that boosted employment in 2013 ended. Employment increased in all other industries in the state in 2014 except in Finance, Insurance, and Real Estate, which did not change. Employment across all levels of Government—the largest employer of Mississippians—remained relatively flat in 2014. Information sustained the largest percentage increase in employment among all industries in Mississippi last year of 2.3 percent, while Trade, Transportation, and Utilities incurred the largest absolute increase of 3,400 jobs. The average work week length in manufacturing among production employees in Mississippi equaled 41.6 hours per week in 2014, near its average values for 2012 and 2013. The average value of the Institute for Supply Management (ISM) Index of U.S. Manufacturing Activity in 2014 reached 55.7, an improvement from the previous year's average value of 53.8. However, the value of the ISM manufacturing index began declining in November as U.S. manufacturing slowed, falling to 51.5 in March, its lowest level in almost two years.

According to BEA, personal income in Mississippi grew 1.3 percent in 2014, a slight decrease from the 1.6 percent rate of 2013. The rates are considerably lower than in the years immediately following the Great Recession, as personal income in the state grew by 4.4 percent and 4.5 percent in 2011 and 2012, respectively.

U.S. gasoline prices descended relatively rapidly last August and in early 2015 prices remain only slightly above five-year lows. However, in general these lower prices have yet to translate into increased consumer spending, as consumers appear to be saving the money they are not spending on gasoline. The fall in petroleum prices has led to reduced investment in the oil and gas industries, disproportionately affecting states that have benefitted from the shale oil boom. However, the lower prices for oil also have contributed to the slowdown in the manufacturing industry as demand for heavy equipment has waned.

In 2014 U.S. employment grew the most since the late 1990s, as the economy added over 3.1 million jobs. However, job growth diminished in the first quarter of 2015, as the average monthly increase in employment fell to less than 200,000 jobs and previous months' numbers were revised lower.

In terms of forecasts, the U.S. economy should continue to expand moderately over the next four to eight quarters, as seen in the last section of Table 1 on page 3. Based on current expectations, growth in U.S. real GDP likely will slow in the first quarter of 2015 but rebound during the remainder of the year. Such a situation resembles how the U.S. economy performed in 2014; however, overall the U.S. economy should improve more in 2015. Quarterly growth in real U.S. GDP in 2016 is forecast to range from 2.5 percent to just over 3.0 percent. Mississippi's economy is expected to move in a similar manner, but lag behind the U.S. somewhat in terms of percentage growth in quarterly real GSP. Significantly, the U.S. economy is not expected to "break out" over the next three years. In fact, annual rates of U.S. real GDP growth likely will remain under 3.0 percent through 2017, which historically characterizes relatively low annual growth for an economy in recovery. Nevertheless, these rates would represent an improvement over real GDP growth in 2012, 2013, and 2014. The state's economy likely will perform similarly, but, again, lag behind the nation's.

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**MISSISSIPPI ECONOMIC OUTLOOK****SHORT-TERM FORECASTS**

As discussed on page 1, URC estimates Mississippi real GDP grew 1.3 percent in 2014. Table 1 on page 3 lists projections for annual growth in Mississippi real GDP from 2015 to 2017, which range from 1.9 to 2.2 percent. Each of these annual growth rates is at least 0.5 percentage point less than the forecasted change in U.S. real GDP. In terms of individual industries, Table 1 indicates a majority of sectors in the Mississippi economy expanded in 2014. Nevertheless, several sectors including Government—the largest single sector of the state’s economy—contracted. However, more industries are projected to expand in 2015 and in 2016 negative annual growth is forecast only for Natural Resources and Mining. All sectors of Mississippi’s economy should expand in 2017.

As noted on page 1, average monthly nonfarm employment grew by 0.8 percent in 2014. The second section of Table 1 forecasts average monthly nonfarm employment in Mississippi to increase by 1.1 percent in 2015, which would represent the first year of employment growth of at least 1.0 percent since 2007. Growth in average monthly nonfarm employment is projected to remain at 1.1 percent in 2016 and decrease slightly to 1.0 percent in 2017. Employment in most industries in the state should increase from 2015 to 2017. Notably, the Construction sector is expected to add jobs in 2016 and 2017 after declining in employment in 2014 and 2015. Declines in employment are also forecast in Natural Resources and Mining in 2015. In 2016, declines in employment are projected in Natural Resources and Mining; Finance, Insurance, and Real Estate; Educational Services; and Other Services (which consists of a number of temporary and low-skill service jobs). In 2017, Wholesale and Retail Trade; Finance, Insurance, and Real Estate; Educational Services; and Other Services are expected to lose jobs. Job growth in Government is not anticipated to exceed 0.5 percent through 2017.

The third section of Table 1 indicates an upward trend in personal income in Mississippi is forecast through 2017. Accordingly, most sources of income are forecast to grow over the next five years. One exception is farm proprietors’ income, which is expected to decline in 2015 as it did in 2014 before experiencing relatively small annual growth rates from 2016 to 2017. Table 1 also indicates per capita income is projected to rise 2.8 percent in 2015. Moreover, annual growth rates in 2016 and 2017 are expected to increase to 3.6 and 4.2 percent, respectively.

The final section of Table 1 indicates annual growth in U.S. real GDP is projected to outpace annual growth in

Mississippi real GSP through 2017. Since the end of the Great Recession, U.S. real GDP has grown at a higher rate than real GSP in Mississippi every year except 2012, when real GSP rose at a rate of 3.5 percent compared to the 2.3 percent gain in U.S. real GDP.

Rates of growth in U.S. personal income are projected to increase in the next two years. U.S. personal income is projected to grow at a rate of 3.9 percent in 2015 compared to an increase of 3.0 percent for Mississippi personal income. In 2016 and 2017, however, rates of growth in personal income between the state and the nation are expected to be more similar. Mississippi personal income should rise by 3.8 percent and U.S. personal income by 4.5 percent in 2016, while in 2017 Mississippi personal income should increase 4.5 percent and U.S. personal income by 5.3 percent. The annual growth rate of 5.3 percent forecast for 2017 if realized would result in the highest rate since 2011 when U.S. personal income grew by 6.2 percent.

In assessing the remainder of 2015, the U.S. economy will continue to benefit from extremely low historic inflation rates driven largely by lower oil prices. In January and February of 2015 annualized U.S. rates of inflation were –0.1 percent and 0.0 percent, respectively. While not only increasing consumers’ purchasing power, lower inflation and oil prices have provided an important psychological boost, leading to ten-year highs in consumer sentiment. The U.S. automobile industry continues gaining from lower oil and gasoline prices as consumer demand for larger vehicles grows. Not all impacts of lower oil prices have been positive, however, as investment has slowed along with a fall in rig counts. Mississippi should experience a net benefit from lower gasoline prices since its residents spend a higher proportion of their income on fuel than in any other state.

Wages may finally witness an increase in 2015 as new state minimum wage laws take effect across the country. As of January 1, 2015, a total of 29 U.S. states—Mississippi not among them—have enacted a minimum wage higher than the federal minimum wage. A number of major U.S. employers including Walmart have announced increases in their employees’ wages that will occur in 2015. As employment continues to increase and the unemployment rate falls, firms will face pressure to increase wages in order recruit and retain workers. Mississippi’s economy should benefit from these trends in 2015 and beyond.

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

Variable	2014	%	Annual Forecasts			Annualized Quarterly Forecasts							
	Value	Change	2015	2016	2017	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4
<b>Mississippi Forecast</b>													
Gross State Product (projected)													
In current dollars	108,157	2.8	3.2	4.1	4.3	2.3	4.0	3.6	3.7	4.0	4.4	4.1	4.4
In millions of 2009 dollars	98,209	1.3	1.9	2.0	2.2	1.6	2.1	1.6	1.7	2.1	2.3	2.1	2.3
Natural Resources and Mining	3,502	-9.4	5.9	-3.1	0.0	9.1	-4.4	-9.5	-7.8	-0.7	0.9	0.8	-4.1
Contract Construction	6,091	7.2	1.1	2.3	5.0	-1.4	3.1	2.0	0.5	1.4	2.6	4.8	5.1
Manufacturing	14,320	4.0	1.3	2.5	2.4	-0.1	1.3	2.1	2.7	2.8	2.6	2.3	2.5
Durable Goods	8,620	3.5	3.0	3.6	3.3	1.3	2.9	3.3	3.5	4.0	3.6	3.4	3.3
Nondurable Goods	5,764	4.6	-1.7	1.0	0.9	-4.5	-1.0	0.4	1.6	1.3	0.9	0.6	1.3
Transportation and Utilities	7,130	2.6	2.6	3.0	2.6	2.8	1.4	2.6	3.4	3.3	2.9	2.8	3.1
Wholesale and Retail Trade	12,919	3.1	3.7	2.8	2.3	3.2	3.8	3.6	2.8	2.7	2.3	2.2	2.2
Information	2,198	3.0	4.9	3.9	4.1	3.0	6.9	1.0	3.6	3.3	5.4	5.0	3.1
Finance, Insurance, and Real Estate	13,782	1.3	3.0	2.7	1.9	3.8	4.6	3.5	2.5	2.3	2.6	2.0	2.2
Professional and Business Services	7,276	4.7	1.6	3.8	3.9	1.3	3.3	3.8	2.6	4.0	4.4	4.0	4.6
Health Care and Social Assistance	7,333	0.2	1.5	2.8	3.1	0.8	2.1	1.5	1.4	3.1	4.1	3.0	3.3
Leisure and Hospitality	4,319	-1.7	-1.2	1.6	2.0	-1.7	2.1	-1.3	3.4	3.0	0.6	-0.5	3.7
Educational Services	700	-4.9	-1.9	0.4	1.6	-1.4	-0.1	-1.3	-0.5	0.6	1.2	0.9	2.5
Other Services	2,228	-1.6	-1.2	0.3	0.0	-1.6	0.2	0.4	0.2	0.4	0.2	0.4	0.4
Government	16,496	-1.3	0.1	0.1	0.3	-0.1	-0.3	-0.1	-0.1	0.4	0.1	-0.2	0.4
Payroll Employment (thousands)													
Residents†	1,135	-1.8	0.7	0.9	0.9	2.8	0.0	1.1	0.7	1.0	0.3	2.1	0.0
Payroll†	1,119.5	0.7	1.1	1.1	1.0	1.1	1.4	1.1	1.1	0.7	1.4	1.1	1.0
Natural Resources and Mining	9	1.1	-5.0	-3.7	1.3	-13.7	-8.0	-8.6	-5.1	-3.8	-2.8	1.9	0.9
Contract Construction	49	-4.5	-4.7	4.6	5.4	-2.4	3.3	5.3	3.7	4.7	4.2	4.9	6.6
Manufacturing	139	1.8	1.0	1.0	0.7	2.6	1.4	-0.3	1.7	1.4	0.8	0.6	0.6
Durable Goods	93	3.0	0.9	1.7	1.1	2.5	2.3	0.2	2.6	2.3	1.0	1.3	1.3
Nondurable Goods	46	-0.3	0.9	-0.4	-0.1	2.1	-0.2	-1.5	-0.1	-0.3	-0.2	-0.7	-0.3
Transportation and Utilities	50	2.9	3.5	2.2	2.1	2.5	2.1	2.8	2.4	1.7	2.3	2.0	1.9
Wholesale and Retail Trade	170	1.2	1.6	0.4	-0.2	2.8	1.9	2.1	0.7	-0.2	-0.2	-0.2	0.0
Information	13	2.3	2.1	0.1	0.3	3.3	2.1	0.9	-0.3	-2.4	2.7	1.8	-3.6
Finance, Insurance, and Real Estate	44	-0.6	1.5	-0.5	-1.5	0.1	0.8	-0.2	-0.7	0.1	-1.1	-1.5	-0.6
Professional and Business Services	101	1.8	2.3	3.2	2.8	-1.2	1.6	3.1	3.1	3.1	3.8	3.0	3.0
Health Care and Social Assistance	123	1.0	1.5	1.9	1.9	0.0	2.2	1.3	-0.3	1.6	4.8	2.2	1.9
Leisure and Hospitality	126	1.5	1.8	1.0	1.2	2.2	1.9	1.3	0.6	1.9	0.3	0.6	0.6
Educational Services	12	-0.2	2.4	-0.3	-0.6	-1.0	1.3	0.3	-0.3	-0.7	-0.7	-0.7	-0.3
Other Services	39	-0.2	0.7	-0.4	-0.5	3.9	0.0	-0.9	0.3	-1.0	0.0	-0.8	-0.4
Government	245	0.0	0.3	0.2	0.5	0.3	0.2	0.2	0.2	0.2	0.0	0.3	0.5
Unemployment Rate (%)†	7.6	-10.8	-4.6	-1.9	-2.1	-5.0	4.5	2.2	-1.7	-3.9	-4.5	-2.3	-1.7
Personal Income (millions of current \$)													
Wages and Salaries	45,277	1.9	3.1	3.8	4.2	3.5	3.7	3.4	3.3	4.1	3.6	3.7	3.9
Other Labor Income	10,549	-1.2	2.2	3.7	4.4	3.0	2.9	3.2	3.1	4.1	3.6	3.7	3.9
Proprietors' Income	9,955	-6.2	2.2	5.2	5.5	2.2	4.2	5.3	6.4	4.7	4.3	5.2	5.2
Farm Proprietors	1,117	-46.8	-10.9	1.5	2.7	4.5	-1.6	4.1	18.2	-2.7	-14.4	11.3	-3.9
Non-farm Proprietors	8,838	3.9	3.9	5.7	5.6	2.1	5.0	5.5	4.7	6.4	5.6	6.0	5.4
Property Income	15,261	2.9	1.9	3.5	5.7	1.8	-0.2	1.5	3.0	3.9	4.0	4.8	6.0
Transfer Payments	26,163	3.3	3.7	3.5	4.2	5.6	1.7	2.0	2.5	6.1	3.1	2.8	3.2
Less: Social Security Payments	7,683	2.1	2.9	4.1	5.0	4.2	3.7	3.1	3.0	5.6	4.9	2.2	4.4
Plus: Residence Adjustment	3,274	6.0	5.0	5.0	4.9	3.7	4.7	4.0	4.4	5.2	5.4	5.0	5.8
Equals: Total Personal Income	102,795	1.3	3.0	3.8	4.5	3.6	2.6	3.0	3.4	4.6	3.6	4.0	4.5
Less: Individual IRS Collections	6,335	3.6	2.7	6.0	4.8	-0.7	6.7	3.8	6.5	8.4	5.1	3.5	3.6
Less: Individual State and Local Taxes	2,009	-4.7	0.3	4.6	4.9	-6.7	2.6	4.6	3.9	5.9	3.9	4.6	4.5
Equals: Disposable Personal Income	94,452	1.3	3.1	3.7	4.6	4.3	2.2	2.8	3.2	4.4	3.5	4.0	4.5
Per Capita Personal Income (thousands of \$)	34,330	1.3	2.8	3.6	4.2	3.5	2.5	2.7	3.1	4.3	3.4	3.7	4.2
Population (thousands)	2,994	0.1	0.2	0.3	0.3	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3
<b>U.S. Forecast</b>													
Gross Domestic Product (billions of current \$)	17,419	3.9	4.0	4.7	4.6	2.0	5.0	4.9	4.1	4.6	4.7	4.4	5.0
Gross Domestic Product (billions of 2009 \$)	16,086	2.4	2.8	2.7	2.7	1.2	3.4	2.9	2.2	2.8	2.5	2.5	3.1
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	108	1.5	1.2	1.9	2.0	0.7	1.5	2.2	1.8	1.8	1.8	2.2	1.8
Total Employment, Residents (millions)†	146	1.7	2.0	1.6	1.5	2.7	1.1	2.2	1.6	1.9	1.3	1.6	1.6
Total Payroll Employment (millions)†	139	1.9	2.1	1.5	1.3	2.3	2.0	1.7	1.4	1.4	1.4	1.1	1.4
Unemployment Rate (%)†	6.2	-16.6	-11.2	-4.0	-1.3	-9.1	-5.0	-5.8	-3.7	-5.2	-3.0	-2.3	-3.8
Personal Income (billions of current \$)	14,729	4.0	3.9	4.5	5.3	4.1	3.1	3.5	3.9	5.3	4.3	4.5	5.1
Per Capita Personal Income (thousands of \$)	46	3.4	3.0	3.6	4.5	3.4	2.5	2.5	3.4	4.2	3.3	4.1	4.0
Consumer Price Index (1982-84 = 100)	237.0	1.7	-0.4	2.1	2.5	-3.4	0.0	1.7	3.4	0.0	3.4	3.3	1.7
Prime Rate (%)	3.3	0.0	2.5	26.4	41.3	0.0	0.0	4.9	30.4	27.1	27.5	24.8	39.2

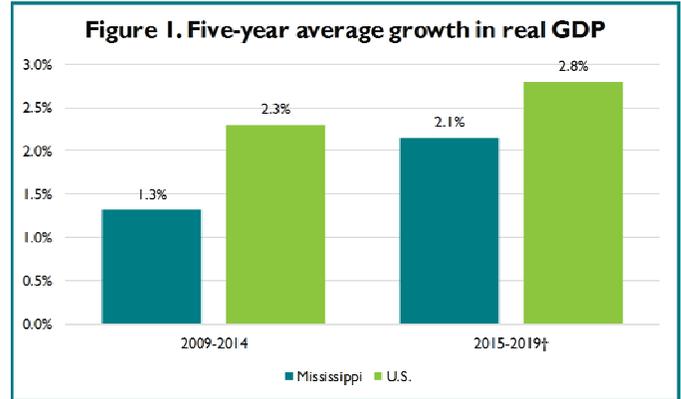
†Seasonally-adjusted. Sources: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis (levels), and URC (forecasts).

MISSISSIPPI ECONOMIC OUTLOOK

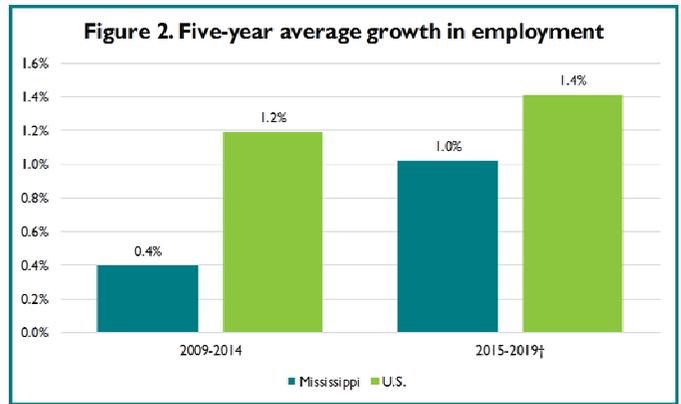
FIVE-YEAR FORECASTS

Longer-term forecasts project both the U.S. and Mississippi economies to continue modest growth through 2019 as seen in Figure 1. Baseline forecasts project average annual rate increases in real GDP from 2015-2019 of 2.8 percent for the U.S. and 2.1 percent for Mississippi. These average rates, if realized, would represent an improvement for the U.S. and state economies from the previous five years. From 2009-2014 U.S. real GDP grew an average of 2.3 percent per year while Mississippi GDP increased an average of 1.3 percent annually.

Payroll employment in the U.S. is expected to continue growing over the next five years, as seen in Figure 2. The average annual growth rate in U.S. employment from 2015-2019 is forecast at 1.4 percent, a slight improvement from the average growth rate from 2009-2014 of 1.2 percent. Employment growth in Mississippi should continue each year through 2019. The average annual growth rate is projected to reach 1.0 percent from 2015-2019, more than double the average growth rate from 2009-2014 of 0.4 percent. Annual total nonfarm employment in the state is projected to finally surpass the pre-recession peak sometime in 2018. While the rate will likely fluctuate, by 2019 the annual unemployment rate in the state should decline to 6.7 percent. If realized, this rate would mark the lowest annual rate since 2008 when Mississippi's unemployment rate equaled 6.5 percent.



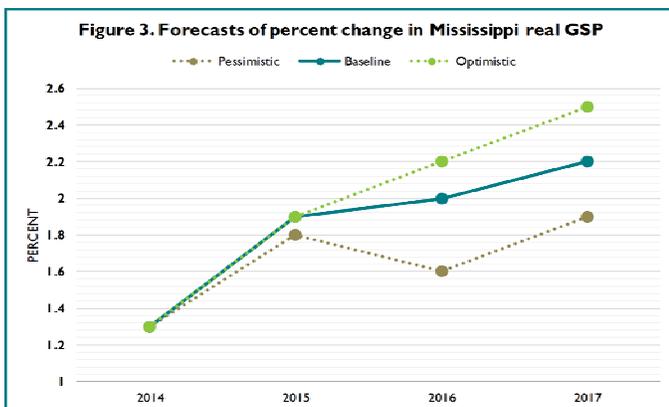
†Projected. Source: University Research Center



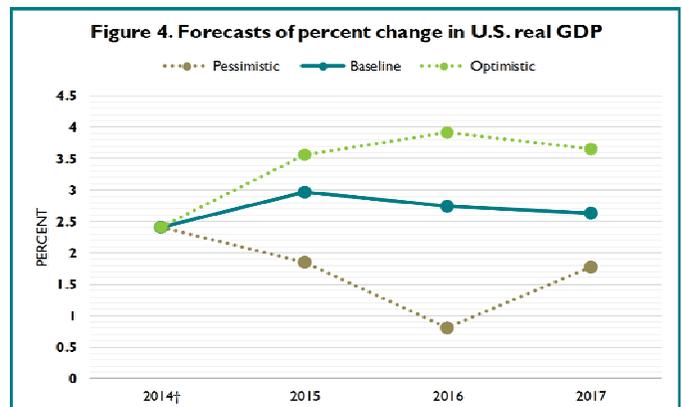
†Projected. Source: University Research Center

ALTERNATIVE FORECASTS

Based on scenarios defined by IHS Global Insight, Figures 3 and 4 depict alternatives to the baseline forecasts in terms of real GDP. Under the pessimistic scenario, to which IHS Global Insight assigns a 15 percent probability, employment and wage growth slows. The aging U.S. population leads to continued sluggishness in the housing sector and domestic sales and exports fall. In Mississippi under this scenario, real GSP growth remains well under 2 percent annually. Under the optimistic scenario, to which IHS Global Insight also assigns a 15 percent probability, oil prices fall to \$40 per barrel. Quantitative easing by European central banks leads to growth in emerging markets that translates to employment and income gains in the U.S. In Mississippi under this scenario, real GSP growth reaches 2.5 percent annually by 2017.



Source: University Research Center and IHS Global Insight



†Actual. Source: University Research Center and IHS Global Insight