

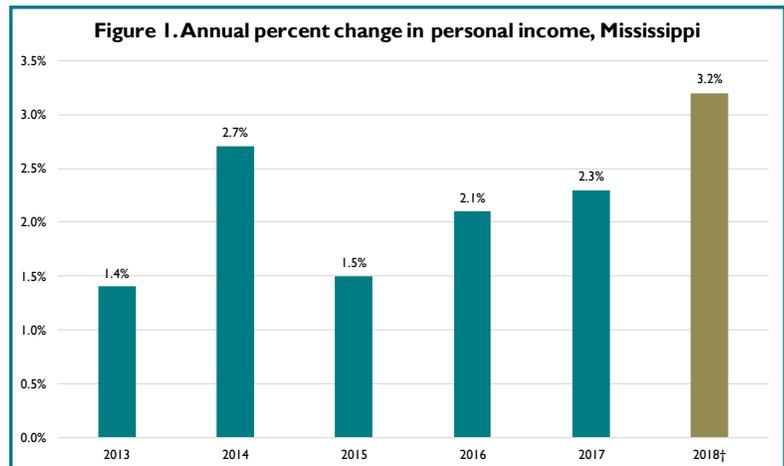


FORECASTS FOR EMPLOYMENT IMPROVE

Mississippi's economy is projected to grow 1.9 percent in 2018 according to the latest URC forecast. This estimate represents a decrease of 0.1 percentage point compared to the forecast of the previous quarter. Nevertheless, this forecast represents an increase of 0.3 percentage point over the URC estimate of real GDP growth in the state for 2017. (The U.S. Bureau of Economic Analysis will release preliminary estimates of real GDP for 2017 for all states in May.) In 2019 the Mississippi economy is projected to grow 2.0 percent, an improvement of 0.2 percentage point from the forecast of the previous quarter. If realized this growth would represent the largest increase in state real GDP since 2012, when the state's economy expanded by 2.2 percent. The forecast of a 1.7 percent increase in real GDP for 2020 remains the same as in the previous quarter.

U.S. real GDP is projected to grow 2.7 percent in 2018, the same as in the forecast of the previous quarter. If realized, this forecast represents a gain of 0.4 percentage point over the 2.3 percent increase in U.S. real GDP in 2017. In 2019, U.S. real GDP is expected to expand by 2.9 percent, an improvement of 0.3 percentage point from the forecast of the previous quarter. Moreover, if realized this forecast would equal the largest annual growth in real GDP since the end of the Great Recession, as the U.S. economy also grew 2.9 percent in 2015.

Figure 1 above depicts the annual change in personal income in Mississippi since 2013 and the projected change for 2018. The projected increase of 3.2 percent for 2018 is the same as in the forecast of the previous quarter. Personal income is expected to grow by 4.5 percent in 2019, which reflects a decrease of 0.1 percentage point from the forecast of the previous quarter. Nonetheless, if realized this forecast would equal the largest increase in personal income in Mississippi since 2008, when incomes grew 5.2 percent. Similarly, URC projects personal income will increase 4.3 percent in 2020, which reflects a decrease of



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

0.2 percentage point from the forecast of the previous quarter.

The forecasts of annual personal income growth in Mississippi for 2018, 2019, and 2020 are all lower than the respective forecasts for U.S. personal income growth as seen in Table 1 on page 3. U.S. personal income is expected to increase 4.5 percent in 2018, which if realized represents an improvement of 1.4 percentage point over income growth in 2017. The latest forecast is an improvement of 0.1 percentage point from the forecast of the previous quarter. The forecast for 2019 of a 5.4 percent increase in U.S. personal income reflects a gain of 0.2 percentage point from the forecast of the previous quarter. If realized, this increase in personal income would equal the largest annual growth since 2011, when personal income rose 6.2 percent. In 2020, U.S. personal income is projected to grow 5.1 percent, which represents an increase of 0.1 percentage point from the forecast of the previous quarter. Annual personal income growth in Mississippi has exceeded 4.0 percent only once since the end of the Great Recession while U.S. personal income has increased more than 5.0 percent annually in four different years over the same period.

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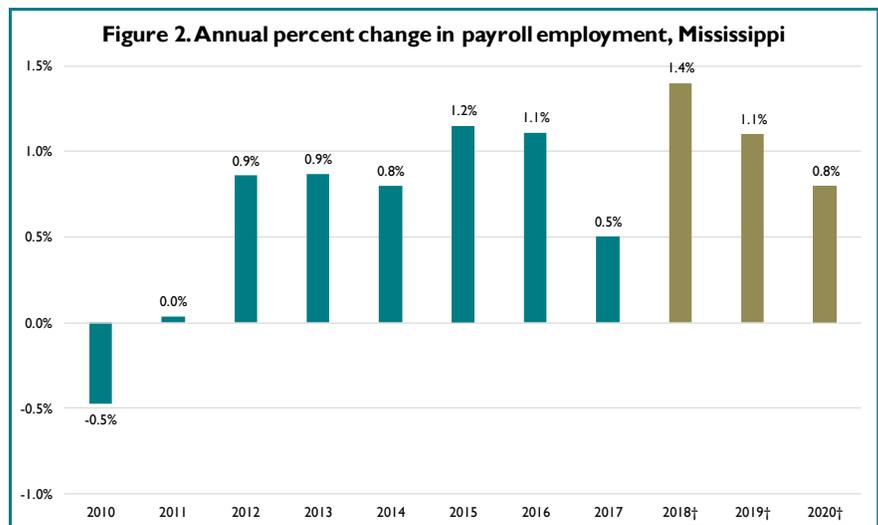
MISSISSIPPI ECONOMIC OUTLOOK

SHORT-TERM FORECASTS

The largest growth in output among all sectors in Mississippi forecast for 2018 is the 3.7 percent increase in Information as seen in Table 1 on page 3. URC projects Professional and Business Services and Health Care and Social Assistance will both increase 3.1 percent in output in 2018, while Wholesale and Retail Trade output are projected to expand by 3.0 percent. The only sector forecast to contract in 2018—as well as in 2019 and 2020—is Other Services, which is expected to decline by 0.2 percent. In 2019 Professional and Business Services is expected to experience the largest growth in output among all sectors, an increase of 4.5 percent. The Information sector is expected to expand by 3.5 percent while output in Manufacturing is forecast to grow 3.4 percent in 2019. Other Services is projected to contract by 0.4 percent. Natural Resources and Mining, which was projected to contract slightly in the previous forecast, is expected to expand by 0.7 percent in 2019. Professional and Business Services is forecast to experience the largest growth among all sectors again in 2020, as the industry is expected to expand 3.1 percent. Growth in Information is expected to reach 3.0 percent, while the state's Manufacturing sector is expected to expand by 2.9 percent. Other Services is forecast to decline in output by 0.3 percent in 2020.

Figure 2 depicts the annual percentage change in employment in Mississippi since 2010, along with projections for 2018 through 2020. Payroll employment grew 0.5 percent in 2017, the smallest increase since 2011. However, employment growth is projected to increase almost three-fold in 2018, as growth is forecast to reach 1.4 percent. This estimate represents an improvement of 0.2 percentage point from the forecast of the previous quarter. If realized, this forecast would mark the largest annual increase in employment in the state since 1999, when job growth equaled 1.7 percent. A smaller increase in employment of 1.1 percent is forecast for 2019; nevertheless, it represents a gain of 0.2 percentage point from the forecast of the previous quarter. If realized, the 2018 and 2019 forecasts would become only the third and fourth annual increases in employment in Mississippi of 1.0 percent or more since 1999. In 2020, job growth is expected to slow to an increase of 0.8 percent. Once again, however, this forecast represents a slight improvement of 0.1 percentage point from the previous quarter.

The second section of Table 1 on page 3 lists the latest URC projections of employment growth by sector for each year from 2018 to 2020. Employment in Professional and Business Services is forecast to grow 4.9 percent in 2018, the largest increase expected among all sectors. The next largest increase forecast for 2018 is the 2.5 percent growth in Transportation and Utilities. The largest decrease in employment forecast for 2018 is the 3.2 percent decline in jobs in the Information sector. Other sectors expected to decline slightly in employment include Natural Resources and Mining, Wholesale and Retail Trade, and Other Services. Once again the largest gain in employment among all sectors in the state expected in 2019 is the 4.2 percent increase in Professional and Business Services employment. Construction employment is projected to increase 2.1 percent in 2019, the next largest increase among all sectors. The largest decline in employment among all sectors forecast for 2019 is the 1.5 percent decrease in Educational Services. The only other sector in the state expected to experience a decrease in employment in 2019 is Other Services, as employment in the sector is expected to fall 0.6 percent. In 2020 Construction employment is expected to experience the largest increase among all sectors in Mississippi of 2.5 percent. Professional and Business Services employment is forecast to grow 2.3 percent, the next largest increase. The largest decrease in employment in the state forecast for 2020 is in Educational Services, once again expected to decline 1.5 percent. Other sectors projected to lose jobs in 2020 are Transportation and Utilities, Wholesale and Retail Trade, and Other Services. Other Services is also the only sector in the state expected to lose jobs each year from 2018 to 2020.



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

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

Variable	2017 [†] Percent		Annual Forecasts			Annualized Quarterly Forecasts							
	Value	Change	2018	2019	2020	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4
Mississippi Forecast													
Gross State Product (projected)													
In current dollars	112,311	3.5	4.0	4.5	4.5	3.1	3.9	4.4	4.3	4.7	4.5	4.6	4.2
In millions of 2009 dollars	97,468	1.6	1.9	2.0	1.7	0.9	2.2	2.0	2.0	2.0	1.9	2.0	1.6
Natural Resources and Mining	4,016	22.3	0.6	0.7	0.5	-2.4	2.2	1.8	0.7	-0.1	0.0	1.3	0.4
Contract Construction	3,551	-2.6	1.6	1.3	2.1	2.1	0.6	1.7	1.0	1.3	1.0	2.3	1.7
Manufacturing	15,454	1.4	2.7	3.4	2.9	1.0	3.5	3.3	3.1	2.7	4.4	3.5	3.1
Durable Goods	8,681	3.2	4.8	4.5	3.6	3.8	5.2	5.0	3.8	3.8	5.7	4.1	4.1
Nondurable Goods	6,717	-0.8	0.4	2.0	1.7	-1.0	1.3	1.0	2.2	1.6	2.7	2.5	1.8
Transportation and Utilities	6,280	1.8	2.1	1.5	1.0	2.1	2.6	1.1	1.5	1.7	1.0	1.4	1.3
Wholesale and Retail Trade	13,981	3.3	3.0	2.3	1.7	2.7	2.2	2.5	2.3	2.7	2.0	2.2	1.8
Information	2,214	-1.3	3.7	3.5	3.0	2.5	6.0	1.2	3.8	3.6	4.4	2.7	2.5
Finance, Insurance, and Real Estate	13,810	-0.5	1.9	1.8	1.6	1.0	2.3	1.9	1.8	1.8	1.7	2.0	1.8
Professional and Business Services	7,092	1.0	3.1	4.3	3.1	2.5	4.1	3.8	4.5	4.4	4.3	4.1	3.1
Health Care and Social Assistance	7,513	3.1	3.1	2.4	2.2	3.3	2.6	2.6	3.3	2.0	2.1	2.0	2.1
Leisure and Hospitality	4,149	-2.5	1.6	0.8	0.9	0.9	1.8	1.8	0.5	0.8	0.2	0.7	0.3
Educational Services	637	1.9	2.1	0.6	1.2	2.7	0.8	1.2	0.6	0.6	0.3	0.2	1.6
Other Services	2,174	0.7	-0.2	-0.4	-0.3	-1.1	-0.2	-0.4	-0.6	-0.4	-0.6	-0.2	-0.2
Government	16,441	0.4	0.3	0.6	0.6	-0.8	0.3	0.7	0.4	1.0	0.3	0.4	0.2
Payroll Employment (thousands)													
Residents [†]	1,215	0.9	0.5	1.0	0.6	0.0	0.7	1.3	0.7	1.3	1.3	1.0	0.0
Payroll [†]	1,152	0.5	1.4	1.1	0.8	1.0	1.4	1.0	1.4	1.4	1.0	0.7	0.7
Natural Resources and Mining	7	-0.3	-0.7	1.2	1.0	-0.6	4.1	5.2	1.7	-0.6	-0.6	0.0	1.7
Contract Construction	43	-2.8	2.1	2.1	2.5	11.6	0.6	1.0	1.4	3.4	1.3	2.8	3.7
Manufacturing	144	0.5	1.5	1.8	0.9	1.4	3.3	2.7	1.9	0.8	2.7	0.8	1.3
Durable Goods	95	0.0	0.7	2.2	1.2	1.1	4.1	3.0	2.2	1.2	3.4	0.9	1.7
Nondurable Goods	49	1.5	3.0	0.8	0.3	2.2	1.6	0.9	1.5	0.6	0.7	0.0	0.6
Transportation and Utilities	56	2.2	2.5	1.0	-0.1	-0.7	2.4	1.0	1.3	1.2	0.1	0.7	0.3
Wholesale and Retail Trade	176	0.2	-0.1	0.3	-0.4	-0.2	0.5	0.0	0.5	1.4	-0.2	-0.2	-0.5
Information	12	-4.8	-3.2	0.2	0.4	-2.5	-1.4	-2.1	0.0	1.4	2.8	-1.8	-2.5
Finance, Insurance, and Real Estate	44	0.4	2.0	0.6	0.7	2.9	0.1	0.6	0.5	0.6	0.4	1.0	1.0
Professional and Business Services	108	0.5	4.9	4.2	2.3	4.7	2.9	3.5	5.6	4.2	4.5	3.7	1.7
Health Care and Social Assistance	132	2.7	1.9	1.4	0.7	1.2	2.1	2.4	1.8	0.6	1.8	1.2	0.9
Leisure and Hospitality	135	1.4	1.6	0.7	0.7	1.2	0.9	1.2	0.3	1.2	0.3	0.3	0.6
Educational Services	12	3.2	1.6	-1.5	-1.5	-3.2	-0.6	-1.9	-1.0	-1.9	-1.0	-2.6	-0.7
Other Services	40	0.3	-0.1	-0.6	-0.6	0.6	-0.2	-0.5	-0.6	-0.4	-1.0	-0.7	-0.9
Government	243	-0.6	0.2	0.5	1.0	-0.3	0.2	0.3	0.7	0.5	0.7	0.5	0.5
Unemployment Rate (%) ^{†‡}	5.1	-0.7	4.8	4.7	4.7	4.7	4.8	4.9	4.9	4.8	4.7	4.6	4.7
Personal Income (millions of current \$)													
Wages and Salaries	47,856	1.1	3.9	4.1	4.1	4.4	3.7	3.8	3.9	4.7	3.6	3.8	3.5
Other Labor Income	11,712	1.9	2.9	3.5	3.6	3.3	2.4	3.5	3.5	4.0	3.5	3.0	3.2
Proprietors' Income	8,726	10.6	-0.9	7.2	6.2	-10.4	3.1	5.3	7.1	6.7	8.8	8.4	7.0
Farm Proprietors	1,440	81.4	-33.4	11.4	18.2	-108.0	-7.5	-16.4	35.0	-19.3	35.6	32.5	22.8
Non-farm Proprietors	7,285	2.7	5.3	6.6	5.0	5.8	4.6	7.1	6.8	6.5	6.4	6.4	5.5
Property Income	16,506	2.5	3.8	4.4	4.3	3.8	3.4	4.3	4.7	4.5	4.2	4.2	4.2
Transfer Payments	28,824	1.7	2.7	4.0	4.4	4.0	2.8	3.4	3.7	4.9	3.7	3.9	4.0
Less: Social Security Payments	8,306	2.3	3.7	3.7	3.9	4.7	2.7	3.3	3.4	4.7	3.7	2.7	3.6
Plus: Residence Adjustment	3,140	3.9	5.0	5.8	5.3	6.0	5.3	5.4	5.8	6.3	5.5	5.2	5.1
Equals: Total Personal Income	108,460	2.3	3.2	4.5	4.3	2.9	3.5	4.1	4.3	4.9	4.2	4.4	4.7
Less: Individual IRS Collections	6,885	3.3	1.6	3.2	5.1	-8.0	5.1	3.2	5.5	-1.4	5.9	2.7	5.5
Less: Individual State and Local Taxes	2,278	5.3	7.7	5.2	5.2	3.2	4.3	5.1	5.4	5.0	5.2	5.1	4.9
Equals: Disposable Personal Income	99,297	2.1	3.2	4.5	4.3	3.7	3.4	4.0	4.3	5.4	4.1	4.3	4.8
Per Capita Personal Income (thousands of \$)	36,340	2.3	3.1	4.2	4.0	2.7	3.4	4.0	4.0	4.8	3.9	4.1	4.3
Population (thousands)	2,984	0.0	0.1	0.2	0.3	0.1	0.1	0.1	0.3	0.1	0.3	0.3	0.4
U.S. Forecast													
Gross Domestic Product (billions of current \$)	19,391	4.1	4.8	5.5	4.9	3.9	4.5	5.5	5.5	5.7	5.3	5.1	5.0
Gross Domestic Product (billions of 2009 \$)	17,096	2.3	2.7	2.9	2.1	1.7	2.9	3.2	3.1	3.1	2.7	2.5	2.3
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	113	1.8	2.0	2.5	2.7	2.1	1.4	2.4	2.4	2.4	2.7	2.7	2.4
Total Employment, Residents (millions) [†]	153	1.3	1.6	1.7	0.9	2.6	1.0	2.1	2.0	1.8	1.5	1.0	1.0
Total Payroll Employment (millions) [†]	147	1.6	1.7	1.7	1.1	1.9	1.9	1.9	1.9	1.9	1.6	1.3	1.1
Unemployment Rate (%) ^{†‡}	4.4	-10.7	3.9	3.6	3.6	4.1	4.0	3.9	3.8	3.6	3.6	3.6	3.6
Personal Income (billions of current \$)	16,427	3.1	4.5	5.4	5.1	5.1	4.0	5.1	5.3	5.9	5.2	5.0	5.0
Per Capita Personal Income (thousands of \$)	50	2.4	3.8	4.6	4.4	3.9	3.1	4.6	4.6	5.3	4.5	4.4	4.4
Consumer Price Index (1982-84 = 100)	245.0	2.1	2.4	1.6	2.7	3.2	1.6	1.6	1.6	1.6	1.6	3.1	3.1
Prime Rate (%) ^{†‡}	4.1	16.8	4.9	5.8	6.4	4.5	4.8	5.0	5.3	5.5	5.8	6.0	6.0

[†]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

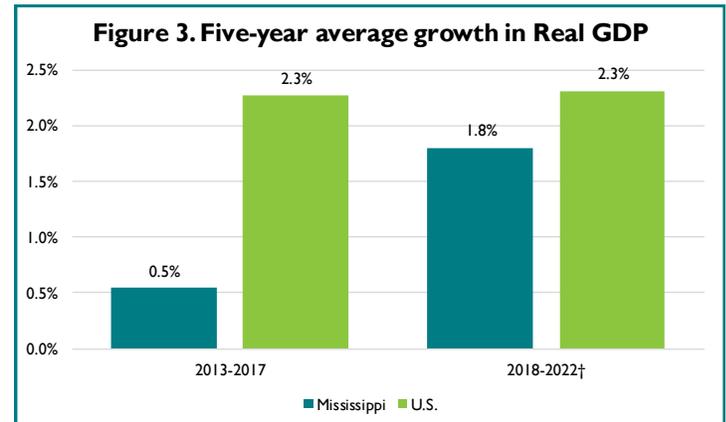
Figure 3 indicates the forecasts for five-year average annual growth in real GDP for both Mississippi and the U.S. are the same as in the previous quarter. Mississippi's economy is expected to grow an average of 1.8 percent annually from 2018 to 2022. If realized, this forecast represents more than three times the average annual growth in output from 2013 to 2017. U.S. real GDP is forecast to grow at an average annual rate of 2.3 percent from 2018 to 2022, which equals the same average annual growth experienced from 2013 to 2017. While 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, compared to the previous five years this gap is smaller by more than a percentage point.

Average annual employment growth in Mississippi over the next five years is expected to be similar to the previous five years, as seen in Figure 4. Employment is projected to grow an average of 0.8 percent per year, which represents an increase of 0.1 percentage point from the forecast of the previous quarter. U.S. employment is expected to grow an average of 1.1 percent per year from 2018 to 2022, which reflects an increase of 0.2 percentage point from the previous quarter's forecast. However, this rate is 0.8 percentage point less compared to the previous five years as the U.S. economy nears full employment.

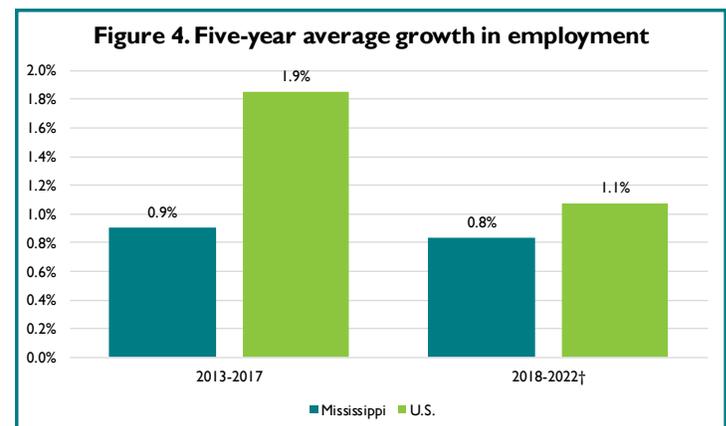
ALTERNATIVE FORECASTS

IHS Markit maintains the probability of recession at 20 percent as the firm expects the second-longest economic expansion in U.S. history to continue. Under this scenario expectations for the future deteriorate, which leads to a fall in fixed residential and nonresidential investment. The economy enters recession in the second quarter of 2019 and fails to tie the record for expansion of 120 consecutive months. The U.S. housing market experiences a correction under this scenario as prices collapse. Consumers lose confidence and housing starts fall. Recession persists for two quarters under this scenario. The differences in real GDP and employment between the baseline and pessimistic forecasts for both Mississippi and the U.S. are unchanged from the previous quarter. The average rate of growth in U.S. real GDP over the next five years under the pessimistic 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.

As in the previous quarter the probability of the latest optimistic scenario according to IHS Markit is 15 percent. Housing starts rise under this scenario and productivity improves, which prevents inflation from climbing. Interest rates rise more slowly over the next two years compared to the baseline forecast. U.S. real GDP grows an average of about 3.0 percent per year under the optimistic scenario, almost 0.7 percentage point more per year compared to the baseline forecast. In Mississippi, real GDP growth under the optimistic scenario is an average of 0.2 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. In Mississippi payroll employment increases slightly, growing by an average of 0.2 percentage point more annually compared to the baseline forecast.



†Projected. Sources: Bureau of Economic Analysis; URC



†Projected. Sources: Bureau of Labor Statistics; URC