



## CORONAVIRUS PANDEMIC UPENDS U.S., MISSISSIPPI ECONOMIES

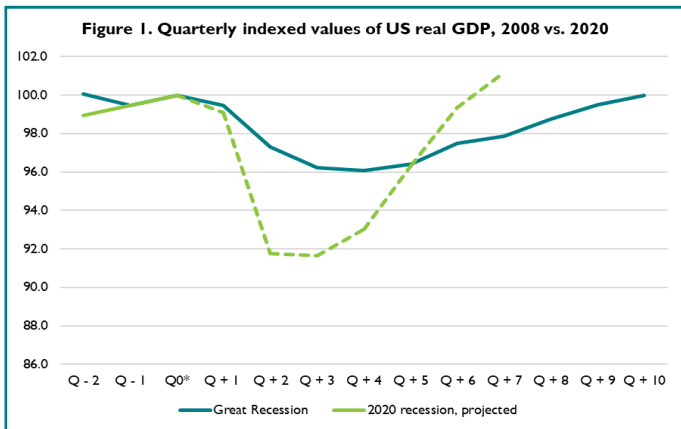
The unprecedented responses to mitigate the coronavirus outbreak have wreaked havoc on the national and state economies. Given this exceptional situation the format and content of this issue of *Mississippi Economic Outlook* have been modified to provide the most relevant and timely information. As is always the case, the forecasts presented in this publication are based on the best available data and assumptions, which are subject to change. However, the coronavirus outbreak has created much more uncertainty than is typically encountered, which means the potential for significant changes to the estimates is higher than normal. As a result readers should keep in mind the fluidity of the situation when viewing these forecasts.

The projected forecasts for the U.S. economy over the next three years are listed in the first section of Table 1 on page 2. U.S. real GDP is forecast to contract by over \$1 trillion in 2020, a decrease of almost 5.4 percent from the previous year. During the Great Recession the U.S. economy contracted 0.1 percent in 2008 and 2.5 percent in 2009. Therefore, during the Great Recession the total contraction in U.S real GDP was almost 2.7 percent, or

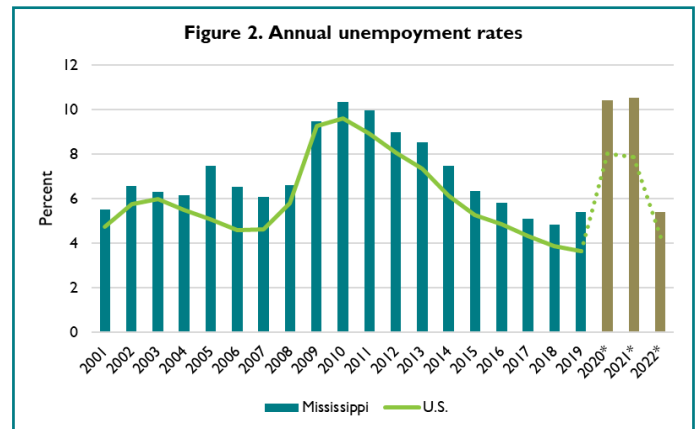
slightly less than half of the decrease in the U.S. economy forecast for 2020.

In 2021 the U.S. economy is expected to rebound and real GDP is forecast to expand by over \$1.1 trillion, an increase of 6.3 percent. This projected growth contrasts with the recovery following the Great Recession as real GDP increased 2.5 percent in 2010; moreover, the largest annual increase in real GDP since the end of the Great Recession has been 2.9 percent, reached in 2015 and again in 2018. If the 2021 forecast is realized the 6.3 percent increase in real GDP would mark the largest annual percentage gain since 1984, when the U.S economy expanded by 7.0 percent. The rebound is expected to continue in 2022 as the U.S. economy is forecast to grow 4.0 percent, an increase of \$800 million. If the 2022 forecast is realized it will mark the first time the U.S. economy has expanded by 3.0 percent or more in consecutive years since 2004 and 2005 when real GDP grew at annual rates of 3.8 percent and 3.5 percent, respectively.

Figure 1 below illustrates graphically how the forecasts for recession in 2020 and recovery in 2021 are expected to differ from the Great Recession and the recovery that



\*Q<sub>0</sub> = Peak quarter prior to recession.  
Sources: U.S. Bureau of Economic Analysis and URC



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

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## MISSISSIPPI ECONOMIC OUTLOOK

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

Variable	2019	Annual Forecasts			Annualized Quarterly Forecasts								
	Value	2020	2021	2022	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
<b>U.S. Forecast</b>													
Gross Domestic Product (real) <sup>*</sup>	19,073	18,047	19,189	19,955	19,222	19,050	17,637	17,620	17,880	18,518	19,095	19,451	19,690
Gross Domestic Product (nominal) <sup>**</sup>	21,427	20,578	22,181	23,412	21,729	21,603	20,070	20,135	20,502	21,298	22,035	22,519	22,870
Total Payroll Employment (millions) <sup>***</sup>	150.9	144.1	142.7	150.9	151.8	152.6	145.1	140.2	138.6	139.2	141.3	143.9	146.6
Unemployment rate (%) <sup>***, ****</sup>	3.7	8.0	7.9	4.3	3.5	3.6	8.4	9.9	10.3	9.8	8.6	7.2	6.0
Personal Income (nominal) <sup>*</sup>	18,602	18,913	19,494	20,405	18,821	19,022	18,929	18,980	18,721	19,010	19,366	19,663	19,935
Consumer Price Index (1982-84 = 100)	2.6	2.6	2.6	2.7	4.8	4.4	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Prime Rate (%) <sup>****</sup>	5.28	3.54	3.25	3.25	2.58	2.59	2.55	2.57	2.59	2.61	2.62	2.63	2.65
<b>Mississippi Forecast</b>													
Gross State Product (real) <sup>†</sup>	104,209	98,147	101,095	104,006	105,004	103,955	96,046	95,928	96,657	98,617	100,646	102,116	102,999
Annualized percentage change <sup>‡</sup>	1.3	-5.8	3.0	2.9	2.1	-4.0	-30.4	-0.5	3.0	8.1	8.2	5.8	3.5
Total Payroll Employment <sup>§</sup>	1,158	1,085	1,065	1,110	1,168	1,153	1,081	1,059	1,046	1,044	1,055	1,072	1,091
Annualized percentage change <sup>‡</sup>	0.4	-6.3	-1.8	4.2	4.7	-4.9	-25.0	-8.1	-5.1	-0.8	4.1	6.6	7.0
Unemployment rate (%) <sup>***, ****</sup>	5.4	10.4	10.6	5.4	5.6	5.7	11.0	12.2	12.8	12.6	11.4	9.9	8.3
Percentage point change	0.6	5.0	0.2	-5.2	0.1	0.1	5.3	1.2	0.6	-0.2	-1.2	-1.3	-1.6
Personal Income (nominal) <sup>¶</sup>	117,165	120,521	123,406	128,347	118,549	119,288	120,821	122,091	119,885	121,074	122,759	124,245	125,545
Annualized percentage change <sup>‡</sup>	3.7	2.9	2.4	4.0	2.4	2.5	5.1	4.2	-7.2	4.0	5.6	4.8	4.2

\*Billions of 2012 dollars. \*\*Billions of dollars. \*\*\*Seasonally-adjusted. \*\*\*\*Projected rates. †Millions of 2012 dollars. ‡Quarterly forecasts only. §In thousands. ¶Millions of dollars.

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

followed. The point  $Q_0$  represents the peak quarter prior to the recession in each time period, the second quarter of 2008 and the fourth quarter of 2019. While the declines in the following quarter in both time periods are expected to be similar as seen at point  $Q + 1$ , a much steeper decline is projected for the second quarter of 2020 than in the fourth quarter of 2008 as represented in both graphs at point  $Q + 2$ . However, real GDP is expected to increase in the fourth quarter of 2020 and increase sharply in the first quarter of 2021 as seen at points  $Q + 4$  and  $Q + 5$ . In contrast, recovery during the Great Recession did not begin until the third quarter of 2009, represented by point  $Q + 5$ , and growth in subsequent quarters occurred at relatively restrained rates. Growth is forecast to continue at a relatively brisk pace in 2021 and real GDP is expected to reach its prerecession level by the third quarter of 2021, given at point  $Q + 7$ . Conversely, real GDP did not return to its pre-Great Recession level until the fourth quarter of 2010, represented at point  $Q + 10$ .

The first section of Table I also includes the latest forecasts for U.S. payroll employment. In 2020 the nation is projected to lose 6.8 million jobs, a decline of 4.5 percent. U.S. employment is forecast to fall by an additional 1.4 million jobs in 2021, a decrease of almost 1.0 percent. In 2022 payroll employment is expected to return to its 2019 level with growth of 5.7 percent, recovering the 8.2 million jobs lost the previous two years. During the Great Recession just over 7.6 million jobs were lost over a three-year period from 2008 to 2010 and U.S. employment returned to its 2007 level in 2011.

As depicted in Figure 2 on the previous page the U.S. unemployment rate is forecast to reach 8.0 percent in 2020, which if realized would mark the highest annual rate since 2012 when the rate was 8.1 percent. The highest annual unemployment rate reached during the Great Recession was the 9.6 percent rate in 2010. In 2021 the U.S. unemployment rate is projected to fall slightly to 7.9 percent. The forecasted rate for 2022 is 4.3 percent, above the 3.9 percent and 3.7 percent annual rates in 2018 and 2019, respectively.

Nominal U.S. personal income is forecast to increase each year from 2020 to 2022. However, the slight increase in income forecast for 2020 is less than the expected rate of inflation. Larger increases in personal income are projected for both 2021 and 2022 and these gains are expected to outpace the forecasted annual rates of inflation in both years.

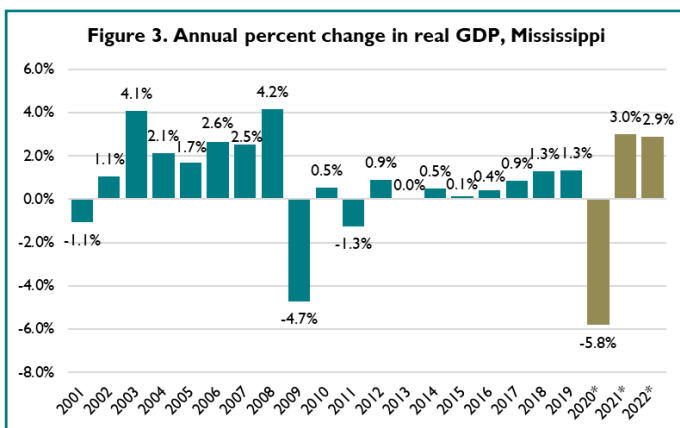
## MISSISSIPPI FORECASTS

The second section of Table I depicts the latest forecasts for the Mississippi economy. A slightly larger contraction in real GDP compared to the U.S. is expected for Mississippi in 2020 as the state's economy is projected to decrease 5.8 percent. If realized this decline represents a considerably larger contraction than the 4.7 percent decrease that occurred in 2009. Real GDP for the state is expected to increase 3.0 percent in 2021, which is less than half of the 6.3 growth rate forecast for U.S. real GDP. If realized this rate would mark the largest annual growth in real GDP for Mississippi since 2008 when the state's economy expanded 4.2 percent. Similar growth is forecast for 2022 as real GDP for the state is projected to expand 2.9 percent, again well below the expected increase in U.S. real GDP of 4.0 percent. This forecast means Mississippi real GDP in 2022 is expected to remain slightly below its 2019 level. Thus, the recession in 2020 is expected to impact the Mississippi economy slightly more than the U.S. economy and the state is projected to take more time to return to its 2019 levels. This situation reflects the difference in the relative strength of the Mississippi economy compared to the national economy. Figure 3 below depicts the annual percent change in real GDP for the state since 2001 along with URC's projected changes for 2020 through 2022. Figure 4 depicts the levels of real GDP since 2001 along with the projected levels for 2020 through 2022.

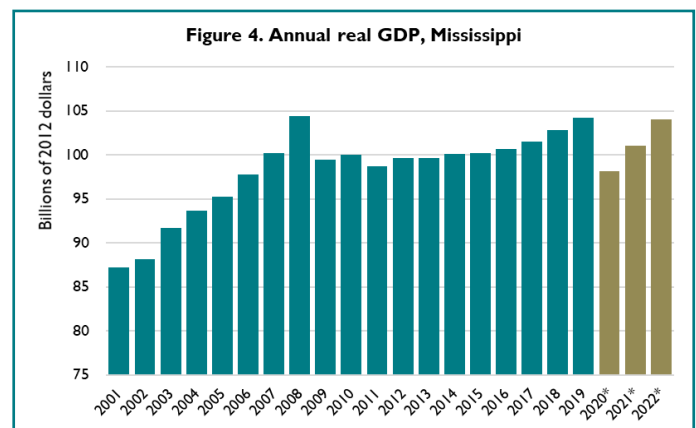
The second section of Table I also indicates Mississippi is projected to lose around 73,000 jobs in 2020, a decrease of 6.3 percent. As with real GDP this forecasted decline is considerably larger than the 4.5 percent decrease in employment in 2009. Payroll employment is expected to fall by about 20,000 jobs in 2021, a decline of 1.8 percent. The roughly 93,000 total jobs expected to be lost in 2020 and 2021 compares to the almost 62,000 jobs lost from 2008 to 2010. Job growth is forecast to resume in 2022 as employment in Mississippi is expected to add 45,000 jobs, a 4.2 percent increase. However, if realized this forecast means total employment in 2022 will remain about 48,000 jobs below the 2019 level. Notably, on an annual basis total employment in Mississippi did not surpass its 2007 level until 2019.

URC projects the unemployment rate for the state will surge to 10.4 percent in 2020, equaling the rate reached in 2010. The unemployment rate is forecasted to increase slightly to 10.6 percent in 2021. The rate is expected to fall to 5.4 percent in 2022, a return to its 2019 level.

Nominal personal income in Mississippi is projected to increase in each year from 2020 to 2022. Despite expected contractions in both real GDP and employment in 2020 and 2021, nominal personal income for the state is forecast to grow 2.9 percent in 2020 and 2.4 percent in 2021—slightly above the expected rate of inflation in 2020 but slightly below it in 2021. This growth is largely due to unprecedented transfer payments from the federal government authorized by Congress and the President earlier this year. In 2022 nominal personal income in Mississippi is projected to increase 4.0 percent.



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



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