



ECONOMIC GROWTH MODERATES, BUT EXPECTED TO CONTINUE

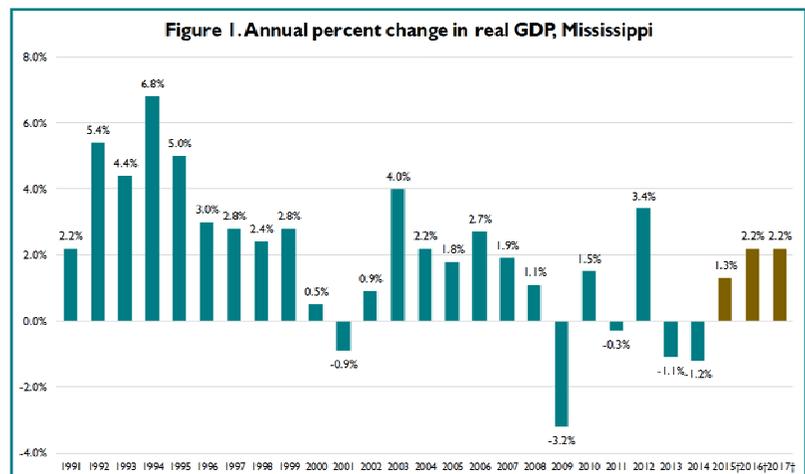
Mississippi is forecast to experience a modest increase in real gross domestic product (GDP) of 1.3 percent in 2015. This estimate is 0.6 percent lower than in the April issue of *Mississippi Economic Outlook*. Both the national and state economies slowed in the first quarter, leading to lower forecasts for growth in 2015.

According to the preliminary estimate of GDP released by the U.S. Bureau of Economic Analysis (BEA) in June, Mississippi's economy contracted 1.2 percent in 2014. Moreover, revised data indicate GSP also shrank 1.1 percent in 2013. Thus, based on the BEA data the state's economy spent the last two years in recession; additionally, Mississippi real GDP has contracted in four of the last six years. However, BEA's 2014 estimates of state-level GDP are based on limited data and methodology and could face considerable revisions next year. For example, the initial estimate of real GDP growth in Mississippi for 2013 was revised from an increase of 1.6 percent to the decline of 1.1 percent found in BEA's June release. An upward revision to Mississippi real GDP for 2014 is at least plausible, as income tax withholdings in the state grew nearly twice as fast in 2014 as in 2013, suggesting stronger growth than reflected by the BEA data.

Over the remainder of 2015, growth in the U.S. economy is expected to rebound from the negative first quarter. Second quarter U.S. real GDP growth is estimated at 2.4 percent. The forecast for the Mississippi economy also reflects these expectations. An increase in retail consumer spending is expected to drive much of the growth in the U.S. economy in the last three quarters of 2015. The U.S. housing market appears to be improving based on recent trends in building permits, sales of existing homes, and home prices. While oil prices have rebounded somewhat from the lows reached in late 2014, these lower prices have resulted in a reduction in energy-related capital spending. Therefore, the energy sector will likely contribute less to economic growth than in recent years. A stronger U.S. dollar is also weighing

on demand for exports. The effects of lower oil prices and the stronger dollar negatively impacted the U.S. manufacturing industry early in 2015, but the sector is beginning to show signs of improvement. The U.S. economy is expected to grow 2.2 percent in 2015, which represents a slight decline from the 2.4 percent growth experienced in 2014. Annual U.S. real GDP growth is expected to improve to 3.1 percent in 2016 and fall slightly to 2.7 percent in 2017.

As noted above, Mississippi's economy is forecast to grow 1.3 percent in 2015. For 2016, real GDP growth in Mississippi is expected to rise to 2.2 percent as the U.S. economy improves. The state is forecast to maintain the growth rate of 2.2 percent in 2017. An increase of 2.2 percent in the state's real GDP would represent the largest annual growth since 2012. Moreover, realization of the 2015 and 2016 forecasts would result in the first consecutive years of expansion in the state's economy since 2007 and 2008. Clearly, Mississippi's economy continues to recover from the effects of the Great Recession. Figure 1 below depicts the annual percent change in real GDP for Mississippi since 1991 along with the forecasts for growth through 2017. The projections for the next three years would represent a marked improvement from recent history.



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

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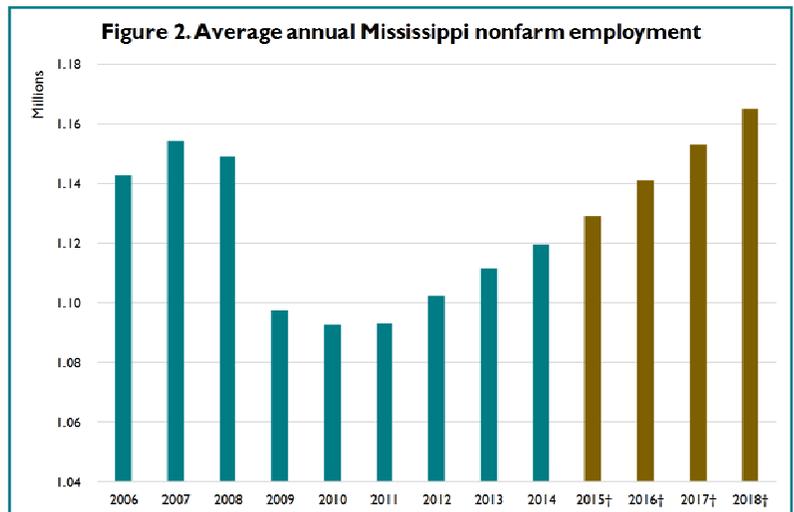
MISSISSIPPI ECONOMIC OUTLOOK

SHORT-TERM FORECASTS

The first section of Table I on page 3 indicates most sectors of the Mississippi economy should expand in 2015. In 2014, only Manufacturing, Trade, Transportation and Warehousing, Information, Professional and Business Services, and Health Care and Social Assistance increased among the state's industries. The Construction industry is expected to contract in 2015 as it continues to recover from the completion of large projects in the state as well as the lingering effects of the Great Recession. The Leisure and Hospitality and Educational Services industries are forecast to shrink in 2015 as well. These three industries are forecast to expand in 2016 and 2017, however. The only industry in the state anticipated to contract in 2016 is the Natural Resources and Mining sector, which will likely decline because of the pullback in investment that began in early 2015 following the drop in oil prices. A similar story is expected to play out in 2017 as only Natural Resources and Mining and Other Services are expected to both decline slightly.

The second section of Table I indicates average monthly employment in Mississippi is projected to rise by 0.9 percent in 2015. For 2016, growth in employment in the state is forecast to rise to 1.1 percent. The state's economy is expected to maintain this rate of job growth in 2017. This rate of growth would be notable, as the last year average annual nonfarm employment in Mississippi grew at least 1.0 percent was 2007. Figure 2 depicts average annual employment in the state since 2006. As this graph illustrates, total nonfarm employment in Mississippi declined in 2008, 2009, and 2010 before returning to growth in 2011. For the first six months of 2015, average monthly nonfarm employment in the state is up 0.8 percent compared to the same period in 2014. In May, employment in Mississippi reached its highest level since November 2008. Nevertheless, this level remains 2.8 percent or almost 33,000 jobs below the highest level of employment in the state prior to the U.S. recession. While a number of sectors have more than recovered the jobs lost during the Great Recession, such as a number of service industries and state government, others such as Construction and Manufacturing remain well below their pre-recession peaks.

In terms of individual sectors, the only industries not expected to experience an increase in jobs in 2015 in Mississippi are Natural Resources and Mining and Construction. A number of industries are expected to experience de-



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

creases in jobs in 2016, despite the projection for a slightly larger increase in overall employment. As in 2015, the largest percentage decrease is forecast for Natural Resources and Mining. Financial Services and Real Estate, Educational Services, and Other Services (which consists of a number of temporary and low-skill service jobs) are forecast to decline slightly as well. For 2017, the Financial Services and Real Estate sector is projected to experience the largest percentage decrease in employment, followed again by Educational Services and Other Services. Wholesale and Retail Trade also is expected to decline slightly in 2017. Notably, employment in Government did not change in 2014 and annual growth in this sector is anticipated to remain under 0.5 percent per year through 2017.

The third section of Table I indicates Mississippi personal income is projected to grow 3.3 percent in 2015, an increase from the forecast in the April issue of *Mississippi Economic Outlook*. This rate of increase is considerable because the income growth rate in the state in 2013 and 2014 was below 2.0 percent. U.S. personal income is expected to grow 4.3 percent in 2015, which is also an increase from the April forecast. Both state and national personal income growth rates are expected to increase in 2016 and again in 2017. Total personal income in Mississippi is forecast to grow by 4.0 percent in 2016 and 4.6 percent in 2017. The 2017 forecast would represent the largest increase in annual personal income in Mississippi since 2008. U.S. personal income is projected to increase 4.6 percent in 2016 and 5.2 percent in 2017. The annual growth rate of 5.2 percent for 2017, if realized, would mark the highest rate since 2011 when U.S. personal income rose 6.3 percent.

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

Variable	2014 Percent		Annual Forecasts			Annualized Quarterly Forecasts							
	Value	Change	2015	2016	2017	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4
Mississippi Forecast													
Gross State Product (projected)													
In current dollars	104,851	0.7	2.7	4.2	4.1	4.7	3.2	4.2	3.9	4.5	4.2	4.3	3.7
In millions of 2009 dollars	94,466	-1.2	1.3	2.2	2.2	2.1	1.3	2.0	2.3	2.7	2.3	2.2	2.0
Natural Resources and Mining	3,565	-9.3	5.6	-2.6	-0.3	0.1	-10.2	-3.1	-1.1	-0.4	-2.3	-2.6	1.0
Contract Construction	4,683	-10.0	-7.5	2.2	4.4	2.2	0.9	-0.6	1.9	3.7	5.1	4.4	3.9
Manufacturing	13,963	2.0	1.8	2.2	2.4	2.2	1.1	2.2	2.1	2.4	2.7	2.7	2.5
Durable Goods	8,274	2.2	1.1	3.2	3.9	3.4	1.7	3.0	2.9	3.6	4.2	4.1	4.3
Nondurable Goods	5,719	1.8	2.6	0.8	0.3	-0.1	0.4	1.4	0.7	1.0	0.5	0.6	0.1
Transportation and Utilities	6,388	-2.3	3.3	3.0	2.8	0.2	1.8	3.9	2.9	3.6	2.9	3.3	2.7
Wholesale and Retail Trade	12,279	0.6	3.0	3.0	2.2	3.2	3.7	2.9	3.0	3.1	2.1	2.2	1.5
Information	2,143	1.6	2.6	4.3	5.3	1.8	3.7	3.1	4.5	5.9	5.1	4.2	7.4
Finance, Insurance, and Real Estate	13,998	-1.1	2.7	3.1	2.1	5.7	2.5	3.0	2.9	3.4	2.6	2.3	1.8
Professional and Business Services	6,905	1.0	2.4	4.6	4.2	4.8	2.4	3.3	5.1	5.5	5.1	4.8	3.8
Health Care and Social Assistance	7,150	0.8	1.9	3.1	3.0	1.6	4.2	1.1	4.0	3.8	3.3	2.4	3.5
Leisure and Hospitality	4,230	-1.4	-4.1	1.3	1.6	-5.0	-1.2	4.4	1.7	0.3	2.2	3.4	0.0
Educational Services	675	-4.0	-3.5	1.2	1.4	-0.3	1.2	1.1	1.1	1.4	1.4	1.5	1.6
Other Services	2,216	-0.4	2.4	0.4	-0.1	0.4	0.5	0.2	0.5	0.7	0.2	0.2	-0.4
Government	16,257	-1.6	0.1	0.3	0.3	-0.2	-0.4	0.9	0.4	0.6	0.0	0.2	0.2
Payroll Employment (thousands)													
Residents†	1,135	-1.8	2.7	1.3	1.0	7.0	0.7	1.0	0.7	1.0	1.0	2.0	0.0
Payroll†	1,119	0.7	0.9	1.1	1.1	1.4	1.1	1.1	1.1	1.1	0.7	1.1	1.0
Natural Resources and Mining	9	1.1	-7.6	-5.6	1.0	-11.3	-12.5	-7.7	-4.9	-3.0	-2.0	1.5	2.0
Contract Construction	49	-4.5	-3.6	4.7	5.4	-0.3	4.5	4.2	4.8	5.4	6.0	5.6	5.5
Manufacturing	139	1.8	1.1	0.4	1.1	1.7	0.3	0.6	0.0	-0.3	0.9	1.1	1.7
Durable Goods	93	3.0	0.8	0.5	1.6	2.1	0.4	0.6	-0.1	-0.1	1.4	1.6	2.1
Nondurable Goods	46	-0.3	1.5	-0.1	0.2	0.7	0.5	-0.3	0.1	-0.4	-0.5	0.0	0.8
Transportation and Utilities	50	2.9	3.7	2.2	2.1	4.2	2.3	2.4	1.8	1.9	2.3	1.9	1.9
Wholesale and Retail Trade	170	1.2	1.0	0.3	-0.2	-0.9	2.8	1.4	-0.2	-0.5	-0.5	0.0	-0.9
Information	13	2.3	1.9	0.1	2.2	1.8	0.6	1.2	-3.9	3.0	0.9	-0.6	6.0
Finance, Insurance, and Real Estate	44	-0.6	1.6	-0.4	-1.4	3.0	0.9	0.1	-0.7	-1.4	-1.4	-1.3	-1.5
Professional and Business Services	101	1.8	1.3	4.0	2.8	0.4	2.0	3.9	5.4	4.2	4.5	3.7	2.2
Health Care and Social Assistance	123	1.0	1.1	1.9	1.5	2.9	3.2	-0.3	2.2	3.5	1.6	0.6	1.3
Leisure and Hospitality	126	1.5	1.5	0.5	1.4	2.5	-2.2	2.5	-0.6	1.6	0.3	0.9	0.9
Educational Services	12	-0.2	2.7	-0.4	-0.7	2.3	-0.3	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Other Services	39	-0.2	1.0	-0.5	-0.7	-3.4	0.2	0.8	-1.8	1.1	-2.3	0.8	-3.0
Government	245	0.0	0.4	0.3	0.4	1.6	0.0	0.3	0.2	0.2	0.6	-0.2	0.3
Unemployment Rate (%)‡	7.6	-1.0	6.9	6.9	6.7	7.0	6.8	6.9	7.0	7.0	6.9	6.8	6.8
Personal Income (millions of current \$)													
Wages and Salaries	45,340	2.0	3.4	3.9	4.4	2.5	3.5	3.7	4.0	4.3	4.0	4.1	4.5
Other Labor Income	10,561	-1.1	2.6	3.5	4.2	2.8	3.2	3.1	3.5	3.4	4.3	3.9	4.7
Proprietors' Income	9,933	-6.4	0.3	5.1	5.4	4.0	5.9	6.3	4.8	3.6	5.2	5.5	6.0
Farm Proprietors	1,117	-46.8	-17.1	-5.7	1.2	0.2	0.7	14.4	-12.7	-30.0	5.3	-3.0	11.2
Non-farm Proprietors	8,816	3.6	2.5	6.2	5.9	4.4	6.4	5.6	6.5	6.5	5.5	6.3	5.9
Property Income	15,261	2.9	3.0	3.0	5.2	5.5	1.8	1.7	2.7	3.2	4.3	4.6	6.0
Transfer Payments	26,158	3.3	4.4	4.1	4.3	4.1	2.6	3.3	5.5	4.6	3.0	3.3	6.3
Less: Social Security Payments	7,693	2.2	3.0	3.9	4.5	2.8	3.2	3.5	4.3	3.7	5.2	3.2	6.5
Plus: Residence Adjustment	3,275	6.1	4.9	4.9	5.0	3.5	4.1	4.6	5.4	4.9	5.0	5.1	5.8
Equals: Total Personal Income	102,835	1.4	3.3	4.0	4.6	3.6	3.2	3.5	4.4	4.1	3.9	4.1	5.7
Less: Individual IRS Collections	6,341	3.7	5.7	4.4	5.3	-5.6	4.7	2.6	7.9	5.8	3.7	0.7	12.7
Less: Individual State and Local Taxes	2,009	-4.7	1.3	3.1	4.9	-8.2	3.4	4.3	3.3	3.5	4.6	4.6	5.8
Equals: Disposable Personal Income	94,485	1.4	3.2	3.9	4.5	4.6	3.1	3.4	4.2	4.1	3.9	4.1	5.6
Per Capita Personal Income (thousands of \$)	34,340	1.3	3.1	3.7	4.3	3.3	3.0	3.3	4.1	3.9	3.5	3.9	5.4
Population (thousands)	2,994	0.1	0.2	0.3	0.3	0.3	0.3	0.1	0.3	0.3	0.4	0.3	0.3
U.S. Forecast													
Gross Domestic Product (billions of current \$)	17,419	3.9	3.4	5.0	4.6	5.0	4.5	4.8	5.1	5.1	5.1	4.7	4.3
Gross Domestic Product (billions of 2009 \$)	16,086	2.4	2.2	3.1	2.7	2.4	2.8	2.8	3.3	3.2	3.2	2.7	2.6
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	108	1.5	1.1	1.9	1.9	2.2	1.8	1.8	1.8	1.8	2.2	1.8	1.8
Total Employment, Residents (millions)†	146	1.7	2.0	1.8	1.4	1.3	2.2	1.6	1.9	1.6	1.8	1.6	1.3
Total Payroll Employment (millions)†	139	1.9	2.2	1.5	1.3	2.0	1.7	1.7	1.4	1.4	1.4	1.1	1.4
Unemployment Rate (%)‡	6.2	-1.2	5.4	5.1	5.0	5.6	5.5	5.4	5.3	5.2	5.1	5.0	5.0
Personal Income (billions of current \$)	14,734	4.0	4.3	4.6	5.2	4.5	3.9	3.9	5.0	4.6	4.6	4.7	5.9
Per Capita Personal Income (thousands of \$)	46	3.4	3.5	3.8	4.2	3.4	3.4	3.3	4.1	3.3	4.1	4.0	4.8
Consumer Price Index (1982-84 = 100)	237.0	1.7	0.0	1.7	2.5	3.4	1.7	1.7	0.0	3.3	1.7	3.3	1.6
Prime Rate (%)‡	3.3	0.0	3.3	4.2	5.7	3.3	3.3	3.3	3.5	3.8	4.0	4.3	4.5

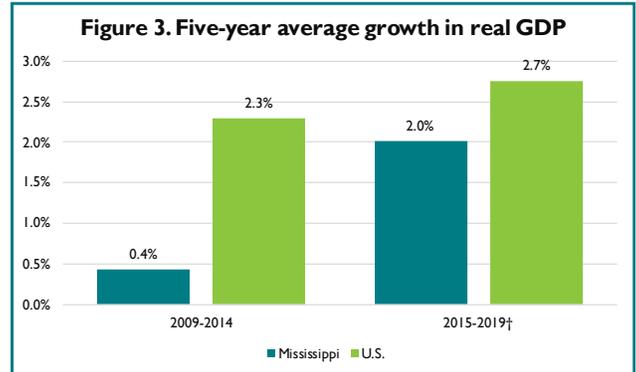
†Seasonally-adjusted. ‡Projected rates. Sources: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis (levels), and URC (forecasts).

MISSISSIPPI ECONOMIC OUTLOOK

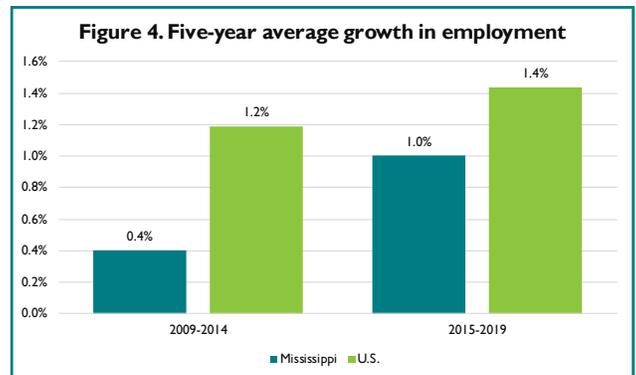
FIVE-YEAR FORECASTS

Figure 3 at right indicates the longer-term forecasts for both the U.S. and Mississippi economies have changed little from the April issue of *Mississippi Economic Outlook*. As in April, both forecasts project relatively moderate growth for the state and national economies. Real GDP growth in Mississippi is expected to average 2.0 percent annually from 2015 to 2019. This forecast is 0.1 percentage point lower than in April. While this average annual growth rate is relatively modest, it would mark a five-fold improvement from the previous five years according to the latest estimates by BEA. Incorporating the estimates BEA released in June for the change in Mississippi real GDP for 2013 and 2014—declines of 1.1 and 1.2 percent, respectively—resulted in average annual growth of 0.4 percent over the past five years.

At a national level, the forecast for the average annual increase in U.S. GDP over the next five years is 2.7 percent. This estimate, like the Mississippi forecast, is 0.1 percentage point lower than the estimate in April. The previous projection of the annual change in U.S. real GDP from 2009-2014 remains unchanged at 2.3 percent. Thus, the forecast for growth in the U.S. economy over the next five years, if realized, represents a small improvement from the previous five years. Since 2000, the average annual change in real U.S. GDP has hovered just under 2.0 percent, which demonstrates the significance of the impacts of the Great Recession on economic growth.

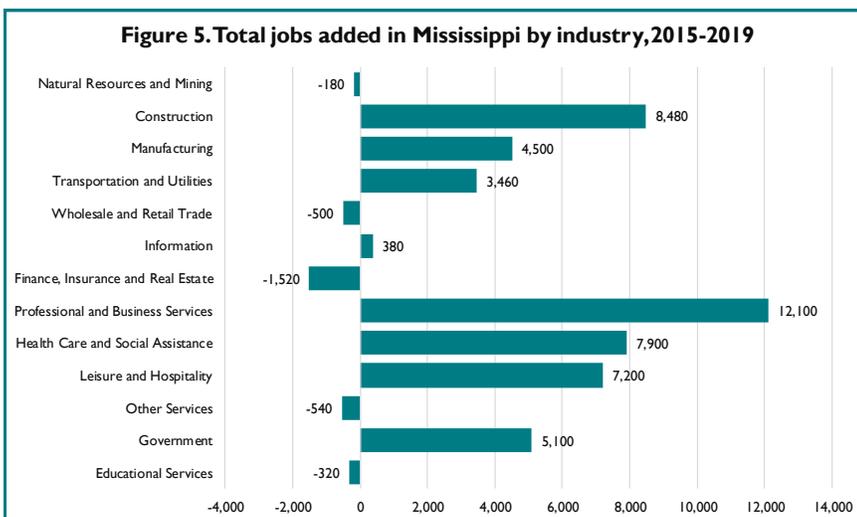


†Projected. Source: University Research Center



†Projected. Source: University Research Center

Five-year forecasts for growth in payroll employment in Mississippi and the U.S. remain unchanged from April as seen in Figure 4. The average annual growth rate in U.S. employment from 2015-2019 is forecast at 1.4 percent, which reflects a slight increase in the average annual growth rate from 2009-2014 of 1.2 percent. In contrast to employment in Mississippi, total U.S. employment surpassed the pre-recession peak in mid-2014. The average rate of annual employment growth in Mississippi is forecast to equal 1.0 percent from 2015-2019. As Figure 4 indicates, if realized this rate of growth would more than double the average annual increase in employment from 2009-2014 of 0.4 percent. Based on these projections, average total nonfarm employment in Mississippi should finally surpass the pre-recession peak sometime in early 2018—almost nine years after the official end of the Great Recession. Figure 5 below lists the jobs the Mississippi economy is projected to add by sector over the next five years. The total number of jobs forecast across all



Projected. Source: University Research Center

industries is 50,600. Almost one-fourth of these jobs (23.9 percent) are expected to come from the Professional and Business Services sector. The next largest share of jobs added (16.8 percent) should come from the Construction industry. While Construction jobs are forecast to decline in 2015, as the housing market in the state recovers the industry should experience job growth from 2016-19. Health Care and Social Assistance and Leisure and Hospitality are expected to add the next largest number of jobs. Several industries are forecast to lose a small number of jobs over the next five years, with the largest number coming from the Finance, Insurance, and Real Estate sector.