



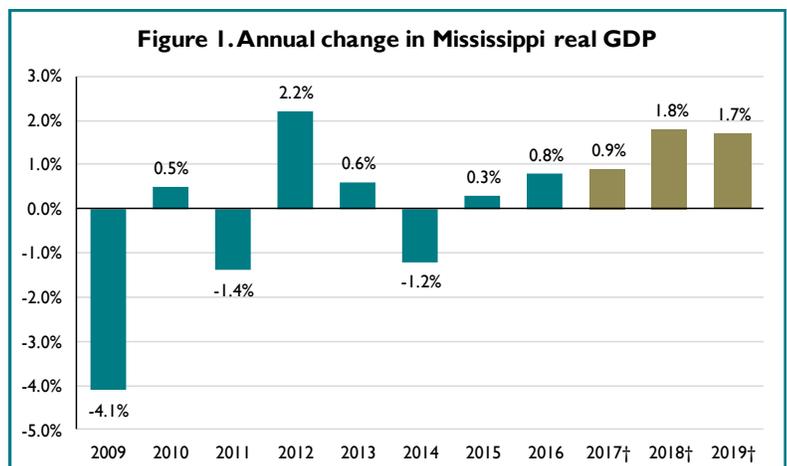
2017 U.S., MISSISSIPPI FORECASTS WEAKEN

The latest URC forecast projects Mississippi's economy will grow 0.9 percent in 2017 as seen in Figure 1 below. Compared to the forecast of the previous quarter this estimate is lower by 1.0 percentage point. Factors contributing to the downgraded forecast include the essentially unchanged employment in 2017 as well as the disappearance of the relatively strong income growth that began in early 2016. Despite the lower forecast for 2017, URC projects the Mississippi economy will expand 1.8 percent in 2018 and 1.7 percent in 2019. Both of the 2018 and 2019 estimates are only slightly lower than the forecasts of real GDP in the previous quarter.

The latest forecast of the change in the U.S. economy for 2017 projects an increase of 2.3 percent. This estimate represents a slight decrease of 0.1 percentage point from the projection of the previous quarter. Nevertheless, if realized this forecast would mark an improvement of 0.7 percentage point over real GDP growth in 2016. U.S. consumer spending softened somewhat in the first half of 2017, but this retrenchment is expected to be temporary. The forecast of U.S. real GDP growth for 2018 improves to 2.7 percent, but IHS Markit cautions that unless Washington provides incentives in the form of tax cuts and infrastructure spending, such growth will not materialize. The improvement in both business and consumer sentiment is beginning to show signs of fading as the prospects for reforms appear more problematic than first thought.

As discussed on page 2 payroll employment in Mississippi is expected to grow only 0.2 percent in 2017. This projection marks a decrease of 0.3 percentage point from the forecast of the previous quarter. Moreover, if realized this rate of job growth would be the smallest change in payroll employment in the state since 2011. Forecasts for employment growth in Mississippi for 2018 and 2019 equal 0.7 percent and 0.9 percent, respectively, similar to the rates experienced in recent years.

Personal income in Mississippi is projected to grow 2.5 percent in 2017 as seen in Table 1 on page 3. This estimate represents a decrease of 0.5 percentage point from the forecast of the previous quarter and a decline of 0.7 percentage point from the 2016 growth of 3.2 percent. Similarly, the latest forecast of the change in personal income for 2018 is 3.9 percent, a reduction of 0.5 percentage point from the previous quarter. In 2019, however, personal income is expected to grow 4.4 percent, only slightly less than in the forecast of the previous quarter. If realized the 2019 forecast would mark the largest annual increase in personal income in the state since the 4.2 percent increase in 2011. U.S. personal income is expected to grow at higher rates than in Mississippi each year from 2017 to 2019. However, the forecasts for U.S. personal income growth for each of these years are lower than in the previous quarter. Income growth is expected to reach 3.6 percent in 2017, a slight improvement over 2016. In 2018 U.S. personal income is expected to increase 4.7 percent and in 2019 by 5.2 percent. If realized the 2019 forecast of 5.2 percent personal income growth would equal the largest increase since 2011, when U.S. personal income also grew 5.2 percent.



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

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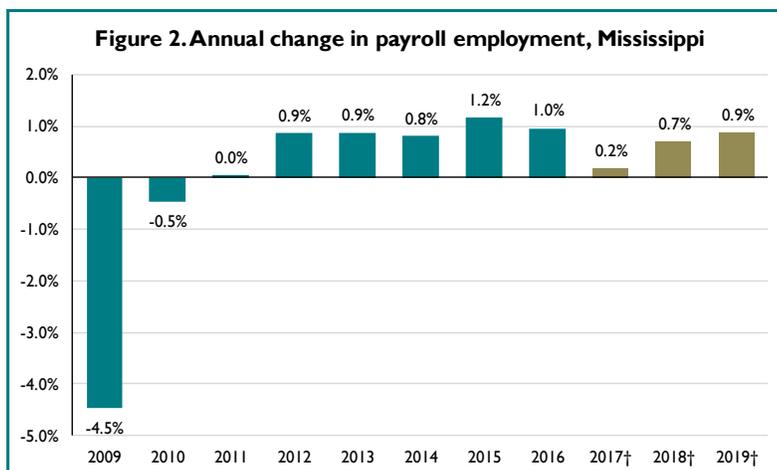
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MISSISSIPPI ECONOMIC OUTLOOK

SHORT-TERM FORECASTS

As seen in the first section of Table I on page 3, BEA reported output in the Transportation and Utilities sector increased 3.0 percent in 2016, the largest percentage growth in output among all sectors in the state. The largest percentage decline in output among all sectors occurred in Natural Resources and Mining, which fell 4.5 percent. In the latest URC forecast of real GDP by sector both of these patterns are expected to continue in 2017. The largest percentage increase in output among all industries is projected for Transportation and Utilities at 4.1 percent, while the largest percentage decline is expected in Natural Resources and Mining at 3.8 percent. The Construction sector, which according to BEA contracted 2.5 percent in 2016, is forecast to decline 1.3 percent in 2017 as well. Notably, URC projects Government—the largest sector in Mississippi in terms of GDP—will contract 0.7 percent in 2017. In 2018, URC forecasts Government will not act as a drag on the economy but that its output will remain unchanged from 2017. The largest percentage increase in output among all sectors projected for 2018 is the 4.0 percent increase in Information, a relatively small sector. Notable increases in real GDP among larger sectors forecast for 2018 include Professional and Business Services, which is expected to grow 3.7 percent, and Manufacturing, which is projected to increase 2.9 percent. In addition, if the 2018 forecast for Construction is realized it will mark the first increase in real output for the sector since 2013 and only the second increase since 2008. In 2019 growth is expected to be driven by Manufacturing and Professional and Business Services as output in both sectors is forecast to increase 3.5 percent. Output in the Information sector is also projected to increase 3.5 percent. However, in 2019 the 0.2 percent decline in output forecast for Government is expected to inhibit growth. The other sectors projected to contract in output in 2019 are Natural Resources and Mining, which is expected to decline by 0.1 percent, and Other Services, which is forecast to contract 0.2 percent. Natural Resources and Mining is the only sector in the state expected to contract in output each year from 2017 to 2019. If this forecast is realized, output in this sector will contract for at least six consecutive years, as Natural Resources and Mining last expanded in 2013.

In the second section of Table I URC forecasts payroll employment in Mississippi will increase 0.2 percent in 2017, as previously mentioned. This slower growth in employment is driven by several sectors, including Profes-



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

sional and Business Services, which is expected to contract 1.7 percent in 2017 after increasing 1.7 percent in 2016. Employment in Manufacturing, the third-largest sector in the state in terms of jobs, is expected to decline by 0.3 percent compared to the 0.8 percent increase in 2016. Employment growth in Leisure and Hospitality, another relatively large sector in terms of employment, is forecast to slow from 3.4 percent in 2016 to 0.3 percent in 2017. Figure 2 indicates the employment growth forecast for 2018 and 2019 is similar to the growth experienced in the years following the Great Recession. Employment in most sectors in the state is expected to rebound in 2018, leading to the overall increase of 0.7 percent forecast for the year. Significantly, if forecasted growth trends are realized, total nonfarm employment in Mississippi should reach and surpass its pre-recession level sometime in 2018. Only Educational Services and Government are projected to decline in 2018, while employment in Professional and Business Services is expected to increase 2.9 percent. Employment in the Construction industry is projected to increase 2.2 percent in 2018. If realized this gain would be significant as the last increase in employment in Construction occurred in 2013, which is also the only year the industry has added jobs in the state since 2008. Employment growth in Mississippi is forecast to improve to 0.9 percent in 2019, although more sectors are expected to contract than in 2018. The largest percentage increase in growth forecast for 2019 is in Construction at 2.9 percent while Professional and Business Services employment is expected to grow 2.8 percent and Manufacturing employment by 2.1 percent. Declines in employment forecast for 2019 are generally limited to the relatively small sectors of Natural Resources and Mining, Information, Educational Services, and Other Services.

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

Variable	2016 Percent		Annual Forecasts			Annualized Quarterly Forecasts							
	Value	Change	2017	2018	2019	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4
Mississippi Forecast													
Gross State Product (projected)													
In current dollars	107,680	1.7	2.6	4.0	3.9	3.1	3.5	4.3	3.8	4.2	3.8	3.9	3.8
In millions of 2009 dollars	95,282	0.8	0.9	1.8	1.7	1.7	1.8	1.8	1.7	1.9	1.7	1.8	1.6
Natural Resources and Mining	3,330	-4.5	-3.8	-0.6	-0.1	3.9	1.8	0.3	-3.6	-0.5	-0.8	0.3	-0.9
Contract Construction	3,776	-2.5	-1.3	2.3	2.2	1.4	2.7	2.2	2.1	2.2	2.6	3.1	1.9
Manufacturing	14,910	1.6	0.7	2.9	3.5	2.0	2.5	2.5	2.8	3.6	3.2	3.4	3.6
Durable Goods	8,417	0.9	1.8	4.0	4.5	3.7	3.7	3.3	3.5	5.3	4.2	4.0	4.6
Nondurable Goods	6,443	2.6	-0.3	1.7	2.3	1.2	1.1	1.4	2.0	1.9	1.8	2.5	2.6
Transportation and Utilities	6,035	3.0	4.1	1.7	1.3	1.2	2.0	2.2	1.5	1.5	1.4	1.5	1.2
Wholesale and Retail Trade	13,190	1.5	1.7	2.3	2.0	2.7	2.5	2.5	2.2	2.0	2.0	2.1	2.0
Information	2,324	-1.0	2.9	4.0	3.5	6.0	3.5	3.3	3.5	5.1	3.7	3.2	3.3
Finance, Insurance, and Real Estate	13,616	-0.5	1.8	1.7	1.5	2.5	1.5	1.6	1.8	1.6	1.7	1.6	1.3
Professional and Business Services	7,187	2.1	1.6	3.7	3.5	2.9	2.9	3.3	4.0	4.2	3.7	3.5	3.6
Health Care and Social Assistance	7,415	2.0	2.7	2.5	2.3	2.8	2.1	2.8	2.8	2.2	2.3	2.6	2.3
Leisure and Hospitality	4,006	-0.7	0.7	1.3	0.6	2.9	0.6	2.6	0.7	0.6	0.9	2.1	-0.2
Educational Services	639	-1.1	-0.1	1.7	1.4	2.4	1.9	1.2	1.9	1.7	1.5	1.2	1.5
Other Services	2,210	0.5	-0.3	-0.2	-0.2	-0.7	0.2	-0.2	0.0	-0.4	-0.2	-0.4	-0.2
Government	16,423	0.6	-0.7	0.0	-0.2	1.1	0.7	-0.1	-0.2	-0.2	-0.2	-0.3	-0.2
Payroll Employment (thousands)													
Residents†	1,207	1.5	2.4	0.5	0.6	2.9	0.3	0.3	0.0	0.0	0.6	0.6	1.0
Payroll†	1,146	1.1	0.2	0.7	0.9	0.0	1.0	0.7	0.3	1.0	0.7	0.7	1.0
Natural Resources and Mining	7	-14.1	2.9	1.4	-0.7	1.1	7.4	3.9	0.0	0.0	-2.2	-0.6	-0.6
Contract Construction	44	-4.3	-4.8	2.2	2.9	-5.2	2.0	2.5	2.9	2.6	3.3	3.1	3.1
Manufacturing	143	0.8	-0.3	0.9	2.1	-0.6	0.8	0.6	0.8	1.7	1.4	1.7	2.2
Durable Goods	95	0.1	-0.4	1.4	2.3	0.5	1.1	1.0	0.8	2.6	1.8	1.8	2.3
Nondurable Goods	48	2.4	-0.2	0.0	1.7	-2.6	0.4	-0.4	0.2	0.0	0.2	1.5	2.8
Transportation and Utilities	55	4.0	3.5	0.8	0.5	-0.9	1.1	0.7	0.9	1.3	0.7	0.8	0.3
Wholesale and Retail Trade	175	1.3	0.2	0.2	0.1	0.0	0.5	0.9	-0.2	-0.2	0.0	0.2	0.5
Information	12	-4.1	-6.1	0.0	-0.1	-6.9	0.7	-2.8	0.7	4.6	-1.0	-0.7	-1.4
Finance, Insurance, and Real Estate	44	0.3	0.3	0.2	0.1	1.5	0.0	-0.1	0.3	0.3	0.0	0.2	0.1
Professional and Business Services	108	1.7	-1.7	2.9	2.8	2.3	1.5	2.3	3.4	3.7	3.3	2.6	2.9
Health Care and Social Assistance	128	1.7	2.3	1.1	0.8	3.7	1.5	1.2	0.9	0.9	0.9	0.6	0.6
Leisure and Hospitality	134	3.4	0.3	0.7	0.6	-3.3	2.1	0.6	1.2	0.6	0.6	0.9	0.6
Educational Services	12	0.4	2.2	-0.7	-0.8	-1.6	-0.3	-0.7	-0.7	-1.3	0.0	-1.3	-0.3
Other Services	40	1.0	1.2	0.0	-0.3	4.7	-0.1	-0.5	0.1	-0.8	0.1	-0.4	-0.2
Government	245	0.5	0.3	-0.2	0.2	-0.3	0.2	-0.3	-0.3	-0.5	-0.5	0.2	0.5
Unemployment Rate (%)‡	5.9	-0.5	5.3	5.6	5.5	5.0	5.3	5.5	5.6	5.6	5.6	5.5	5.5
Personal Income (millions of current \$)													
Wages and Salaries	47,882	3.1	2.2	3.8	4.1	2.9	3.8	3.6	3.8	4.1	3.5	4.2	4.1
Other Labor Income	11,505	3.6	2.2	2.9	3.1	2.7	3.0	2.6	3.4	2.3	2.9	2.6	3.6
Proprietors' Income	9,071	5.7	2.2	3.1	5.1	-17.5	6.5	1.8	5.7	4.4	4.0	5.4	5.2
Farm Proprietors	1,123	29.4	-21.7	-23.4	-0.7	-162.4	-4.7	-48.3	56.6	-66.8	-0.6	4.7	14.5
Non-farm Proprietors	7,949	3.0	5.1	5.9	5.7	3.7	6.9	5.9	5.5	6.0	5.4	6.5	5.8
Property Income	15,891	1.4	2.5	3.8	5.0	2.7	2.2	3.6	4.3	3.0	4.7	5.9	5.4
Transfer Payments	28,183	3.1	3.0	4.1	4.8	2.5	2.9	3.7	5.3	4.2	4.0	3.9	5.7
Less: Social Security Payments	8,168	3.0	2.9	3.7	4.2	2.9	3.4	2.4	5.1	3.2	4.5	2.8	6.7
Plus: Residence Adjustment	2,966	3.8	5.2	5.5	5.5	4.8	4.8	5.5	5.8	5.5	5.4	5.3	5.8
Equals: Total Personal Income	107,330	3.2	2.5	3.9	4.5	0.9	3.8	3.7	4.3	3.8	4.1	4.4	5.2
Less: Individual IRS Collections	6,762	0.8	1.8	2.1	5.1	0.9	4.2	3.3	-2.4	3.9	5.1	2.1	8.4
Less: Individual State and Local Taxes	2,172	1.4	2.6	4.4	5.4	0.9	3.8	3.8	6.4	4.0	4.3	4.6	7.8
Equals: Disposable Personal Income	98,396	3.4	2.5	4.0	4.5	0.9	3.7	3.7	4.9	3.9	4.1	4.4	5.1
Per Capita Personal Income (thousands of \$)	35,910	3.2	2.4	3.7	4.3	0.7	3.6	3.6	4.2	3.7	4.0	4.1	4.9
Population (thousands)	2,989	0.0	0.0	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3
U.S. Forecast													
Gross Domestic Product (billions of current \$)	18,569	2.9	4.2	4.9	4.5	4.2	4.9	4.9	5.1	4.9	4.7	4.5	4.5
Gross Domestic Product (billions of 2009 \$)	16,662	1.6	2.3	2.7	2.3	2.6	3.0	2.6	2.8	2.7	2.6	2.5	2.3
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	112	1.4	1.8	2.1	2.2	1.4	1.8	2.5	2.1	2.4	2.1	1.7	2.4
Total Employment, Residents (millions)†	151	1.7	1.3	1.3	1.3	1.8	1.3	1.3	1.0	1.6	1.0	1.5	1.3
Total Payroll Employment (millions)†	144	1.8	1.5	1.2	1.1	1.1	1.4	1.1	1.1	1.4	1.1	1.1	1.3
Unemployment Rate (%)‡	4.9	-7.8	4.4	4.1	3.9	4.4	4.3	4.2	4.2	4.1	4.0	4.0	3.9
Personal Income (billions of current \$)	15,987	3.4	3.6	4.7	5.2	3.4	4.2	4.6	5.0	4.4	4.8	5.2	5.5
Per Capita Personal Income (thousands of \$)	49	2.7	2.8	3.9	4.4	3.2	3.2	3.9	3.9	3.8	3.8	4.5	4.5
Consumer Price Index (1982-84 = 100)	240.0	1.3	2.1	1.6	2.0	0.0	1.6	1.6	1.6	1.6	1.6	1.6	3.2
Prime Rate (%)‡	3.5	7.7	4.1	4.7	5.7	4.0	4.3	4.3	4.5	4.5	4.8	5.1	5.3

†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

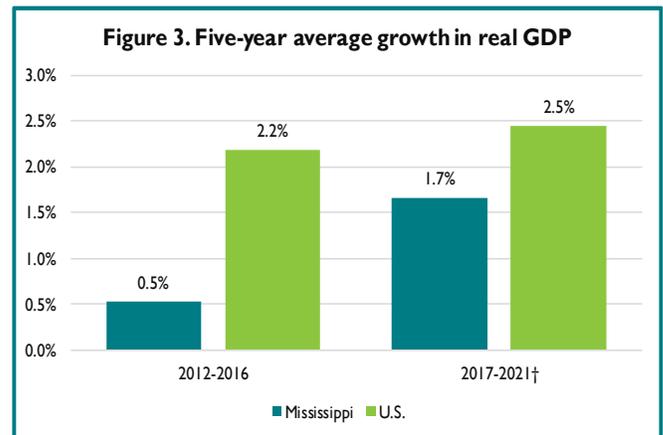
Figure 3 indicates the forecast for average annual growth in real GDP for the U.S. is unchanged from the previous quarter. The average five-year forecast for U.S. real GDP growth, if realized, represents an increase of 0.3 percentage point over the average annual growth rate of the U.S. economy from 2012-2016. However, the latest forecast for average annual growth in Mississippi from 2017 to 2021 is 1.7 percent, down 0.2 percentage point from the previous forecast. Nevertheless, if realized this growth rate represents more than a threefold increase over the average annual rate of the previous five years; according to BEA the Mississippi economy expanded an average of 0.5 percent from 2012 to 2016.

The latest forecasts for average annual employment growth in Mississippi and the U.S. are slightly lower than in the previous quarter. U.S. employment is expected to grow 1.1 percent annually over the next five years, a decrease of 0.1 percentage point from the forecast of the previous quarter. This average annual growth rate, if realized, represents a decrease of 0.8 percentage point from the previous five years. In Mississippi employment is projected to grow an average of 0.6 percent per year from 2017 to 2021, which is 0.2 percentage point lower than the forecast of the previous quarter. If realized this average growth rate represents a decrease of 0.3 percentage point from the rate of the previous five years.

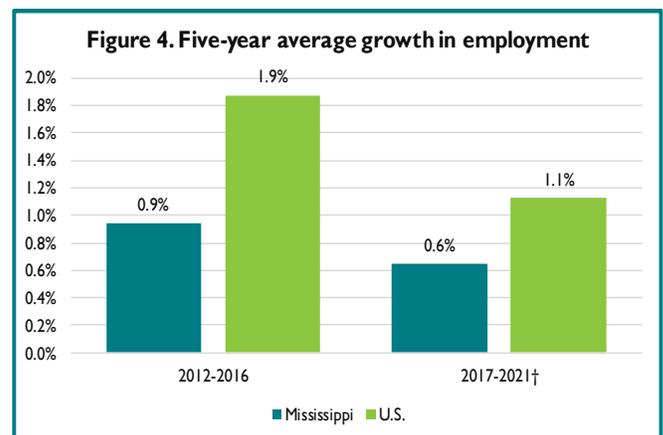
ALTERNATIVE FORECASTS

The probability IHS Markit assigns to its latest pessimistic alternative to the baseline forecast is 25 percent, an increase of 5 percentage point from the previous quarter. This scenario assumes Congress does not produce health care reform or tax reform or an infrastructure spending package. As a result businesses and consumers lose confidence, the stock market declines and consumer spending falls. This pessimistic scenario does not result in a recession, however, as IHS Markit places the odds of a recession over roughly the next two years at only 10 percent. As a result, the average rate of growth in U.S. real GDP over the next five years is only 0.2 percentage point lower than in the baseline forecast. The growth of the Mississippi economy is similarly affected under the pessimistic scenario, as real GDP for the state on average is only 0.1 percentage point lower each year from 2017 to 2021 compared to the baseline forecast. U.S. payroll employment increases an average of 0.9 percent per year under the pessimistic scenario, compared to the average 1.1 percent annual increase under the baseline forecast. In Mississippi, payroll employment grows an average of 0.5 percent per year from 2017 to 2021, compared to 0.6 percent per year under the baseline forecast.

IHS Markit assigns a probability of 15 percent to its latest optimistic scenario, which is 5 percentage point lower than in the previous quarter. Under this scenario the federal government eases regulations and reduces corporate taxes, leading to an increase in fixed investment. The growth in fixed investment leads to gains in productivity. U.S. real GDP grows an average of 2.9 percent per year under the optimistic scenario, an improvement of 0.6 percentage point per year compared to the baseline forecast. In Mississippi, real GDP grows at a rate of 1.9 percent each year under the optimistic scenario, 0.2 percentage point higher than under the baseline forecast. Similarly, under the optimistic scenario U.S. payroll employment is projected to increase an average of 1.4 percent per year, which is 0.3 percentage point higher than under the baseline forecast. Payroll employment in Mississippi under the optimistic scenario increases on average to 0.7 percent per year, which is slightly higher than the 0.6 percent increase expected each year under the baseline forecast.



†Projected. Sources: Bureau of Economic Analysis; URC



†Projected. Sources: Bureau of Labor Statistics; URC