

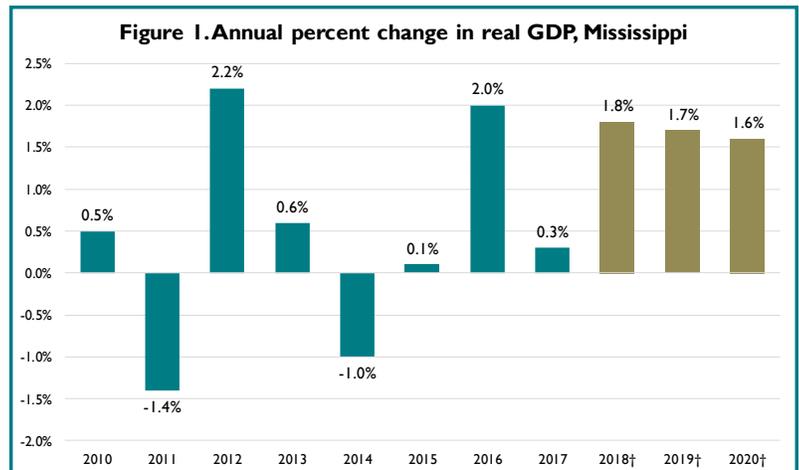


REAL GDP FORECASTS FOR MISSISSIPPI WEAKEN SLIGHTLY

As seen in Figure 1, the latest URC forecast projects Mississippi's economy will grow 1.8 percent in 2018. This estimate represents a decrease of 0.1 percentage point compared to the forecast of the previous quarter. However, if realized this forecast represents an increase of 1.5 percentage point over the real GDP growth for the state for 2017 the U.S. Bureau of Economic Analysis (BLS) reported in its estimate released in May. The Mississippi economy is projected to grow 1.7 percent in 2019, a decline of 0.3 percentage point from the forecast of the previous quarter. This computation reflects an anticipated slowdown in the U.S. economy in 2019. The 1.6 percent increase in real GDP forecast for the state for 2020 is 0.1 percentage point lower than the estimate of the previous quarter.

The fourth section of Table 1 on page 3 indicates U.S. real GDP is expected to grow 2.9 percent in 2018, which reflects an increase of 0.2 percentage point from the forecast of the previous quarter. If realized this forecast would equal the largest annual growth in real GDP since 2015, when the U.S. economy also grew 2.9 percent. This latest forecast accounts for the stronger economic growth that occurred in the first half of 2018, which likely was driven in part by the effects of the tax cuts enacted in late 2017. However, these effects are expected to fade next year; real GDP is forecast to grow 2.7 percent in 2019, a decrease of 0.2 percentage point from the estimate of the previous quarter. Similarly, U.S. real GDP is expected to expand by 1.9 percent in 2020, a decline of 0.2 percentage point from the previous quarter's forecast.

As seen in the second section of Table 1, payroll employment in Mississippi is expected to grow 1.4 percent in 2018, the same as in the forecast of the previous quarter. If realized, this forecast would represent only the third time annual employment growth has exceeded 1.0 percent since 1999. In 2019, payroll employment in the state



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

is projected to grow 1.0 percent, which represents a decrease of 0.1 percentage point from the forecast of the previous quarter. Similarly, in 2020 payroll employment is expected to grow 0.7 percent, a reduction of 0.1 percent from the previous forecast. The slight reductions to these forecasts incorporate the somewhat slower growth anticipated in the state economy discussed above.

Personal income in Mississippi is expected to grow 2.9 percent in 2018 as seen in the third section of Table 1. This forecast is 0.3 percentage point lower than in the previous quarter. Nevertheless, if realized this increase would represent the strongest growth in personal income in the state since 2012, when income increased 3.9 percent. Similarly, projected personal income growth in 2019 equals 3.6 percent, a decline of 0.9 percentage point from the previous quarter's forecast. In 2020, personal income in Mississippi is anticipated to increase 4.0 percent, which is 0.3 percentage point less than in the forecast of the previous quarter. Despite this reduction in the forecast, if realized this estimate would mark the first annual growth in personal income of 4.0 percent since 2011, when personal income in the state increased 4.2 percent.

To download the current issue of *Mississippi Economic Outlook* as well as other URC publications, please visit:
www.mississippi.edu/urc/publications.asp

Follow the University Research Center on Twitter:

@MississippiURC 

MISSISSIPPI ECONOMIC OUTLOOK

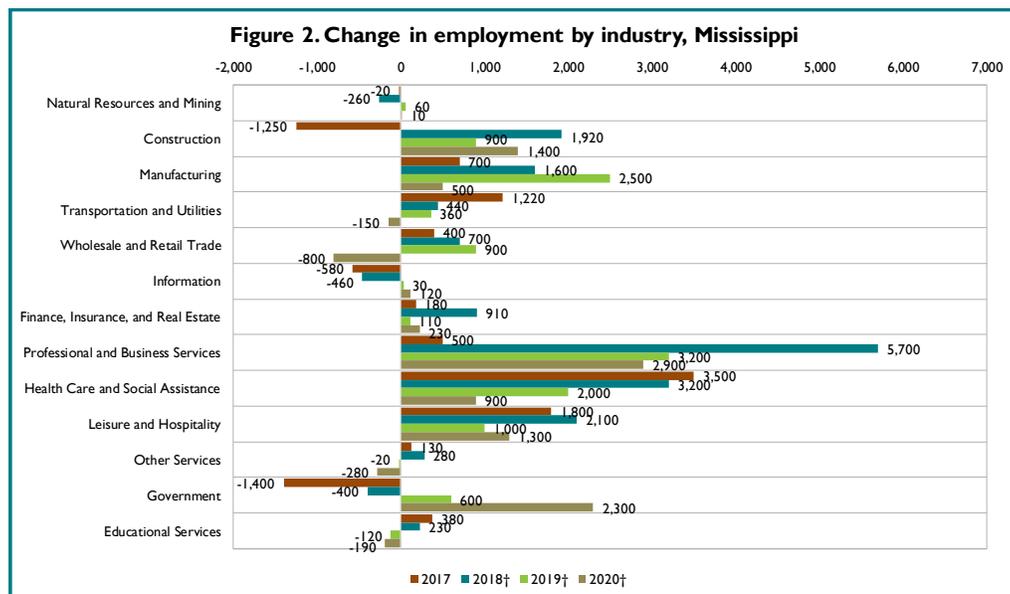
SHORT-TERM FORECASTS

Output of most sectors of the state's economy is expected to expand from 2018 to 2020 as seen in the first section of Table 1. In 2018 the largest growth is forecast for Health Care and Social Assistance, which is expected to increase in output by 4.1 percent. The Information sector closely follows with anticipated growth of 4.0 percent. The only sectors projected to contract in 2018 are Natural Resources and Mining, which is expected to decline by 9.5 percent; Other Services, which is expected to decrease by 0.5 percent; and Government, which is expected to fall by 0.2 percent. The largest growth forecast for 2019 is in the Information sector, which is expected to expand by 3.4 percent. The state's Manufacturing sector is also anticipated to grow 3.2 percent for the year. The only sector forecast to contract in output in 2019 is Other Services, which is projected to decline by 0.3 percent. In 2020 the highest rates of growth are expected in the Information and Professional and Business Services sectors, both of which are expected to expand by 3.2 percent. The next-highest rate of growth forecast for 2020 is the 2.5 percent increase expected in Manufacturing. Two sectors are projected to decline in 2020. Other Services is expected to contract by 0.4 percent while Natural Resources and Mining is forecast to decline by 0.1 percent. Other Services is the only sector projected to contract each year from 2018 to 2020.

The URC forecasts for the change in employment by industry in Mississippi for 2018, 2019, and 2020 are depicted in Figure 2, along with the actual changes in 2017. Professional and Business Services is projected to add 5,700 jobs in 2018, the most of any sector in the state. The next-largest increase in employment in 2018 is expected in the Health Care and Social Assistance sector, which is forecast to add 3,200 jobs for the year. The largest decrease in employment among all sectors is projected to occur in the Information sector, which is expected to lose 460 jobs for the year. The forecast of the decline in employment in Government closely follows, as the sector is projected to lose 400 jobs in 2018. The only other sector in the state that is expected to experience a decline in em-

ployment in 2018 is Natural Resources and Mining, which is projected to lose 20 jobs for the year.

In 2019 the largest increase in employment among all sectors in Mississippi is again expected in Professional and Business Services, which is forecast to add 3,200 jobs for the year. Manufacturing is anticipated to add the next-largest number of jobs in 2019, as the sector is projected to grow by 2,500 jobs for the year. Employment in Health Care and Social Assistance is also expected to increase by 2,000 jobs in 2019. The largest decrease in employment in 2019 is forecast for the Educational Services sector, which is expected to lose 120 jobs. The only other sector expected to decrease in employment in 2019 is Other Services, which is projected to lose 20 jobs for the year.



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

URC forecasts the Professional and Business Services sector will again add the most jobs among all sectors in Mississippi in 2020, a gain of 2,900 jobs. Employment in Government is expected to increase by 2,300 jobs in 2020, the next-largest gain in employment. The largest decline in employment is anticipated in Wholesale and Retail Trade, as the sector is projected to lose 800 jobs for the year. Other sectors projected to decrease in employment in 2020 include Other Services, which is forecast to lose 280 jobs, Educational Services, which is expected to fall by 190 jobs, and Transportation and Utilities, which is expected to decline by 150 jobs. The Information, Natural Resources and Mining, Educational Services, and Other Services sectors in the state are expected to experience a net decline in employment from 2018 to 2020.

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

Variable	2017 Percent		Annual Forecasts			Annualized Quarterly Forecasts							
	Value	Change	2018	2019	2020	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2
Mississippi Forecast													
Gross State Product (projected)													
In current dollars	111,708	2.5	4.3	4.1	4.1	3.5	4.2	4.0	3.8	4.0	3.8	4.2	4.4
In millions of 2009 dollars	96,824	0.3	1.8	1.7	1.6	1.4	1.9	1.6	1.5	1.6	1.6	1.6	1.7
Natural Resources and Mining	3,187	-5.0	-9.5	1.0	-0.1	-0.7	-0.2	1.8	2.0	1.1	0.1	-1.6	-0.5
Contract Construction	3,582	-1.7	3.4	1.1	2.1	1.7	1.4	0.4	0.1	1.4	1.8	2.9	2.3
Manufacturing	15,411	-0.3	3.4	3.2	2.5	2.8	3.7	3.1	2.6	2.5	2.8	2.6	2.3
Durable Goods	8,831	1.8	4.4	4.2	3.4	4.5	4.4	4.1	3.1	3.8	4.0	3.7	3.2
Nondurable Goods	6,533	-2.9	2.3	2.1	1.3	1.9	3.0	2.0	1.8	1.3	1.1	1.3	1.2
Transportation and Utilities	6,328	2.8	3.1	1.2	0.8	2.1	1.6	0.7	0.6	0.8	1.0	0.7	0.8
Wholesale and Retail Trade	14,028	2.6	2.3	2.0	1.6	2.2	2.0	2.2	1.8	2.1	1.6	1.5	1.5
Information	2,383	0.8	4.0	3.4	3.2	3.7	4.0	2.1	4.0	3.3	3.1	3.2	3.1
Finance, Insurance, and Real Estate	14,050	0.6	2.1	1.6	1.6	1.7	1.3	1.6	1.4	1.6	1.5	1.6	1.6
Professional and Business Services	7,117	0.4	3.1	2.9	3.2	2.1	2.8	2.7	3.2	3.4	3.2	3.6	3.0
Health Care and Social Assistance	7,564	2.9	4.1	2.3	2.0	2.4	3.1	2.3	2.1	1.4	1.8	1.6	2.8
Leisure and Hospitality	4,166	-0.3	0.5	1.0	1.1	1.1	1.7	1.0	0.2	0.2	0.5	0.7	2.3
Educational Services	630	1.3	2.8	0.9	0.8	1.8	1.3	0.7	0.7	0.7	0.9	0.0	1.3
Other Services	2,177	0.2	-0.5	-0.3	-0.4	0.0	0.0	-0.4	-0.6	-0.4	-0.6	-0.4	0.0
Government	16,029	-1.8	-0.2	0.4	0.4	0.3	0.5	-0.1	0.4	0.5	0.5	0.5	1.1
Payroll Employment (thousands)													
Residents†	1,215	0.9	0.4	0.9	0.6	0.7	1.0	1.0	0.7	1.3	0.6	0.6	0.3
Payroll†	1,152	0.4	1.4	1.0	0.7	1.4	1.0	1.0	1.0	0.7	0.7	0.7	1.4
Natural Resources and Mining	7	-0.3	-3.7	0.9	0.1	-1.2	-3.0	3.0	4.2	1.2	0.0	-1.2	-0.6
Contract Construction	43	-2.8	4.4	2.0	3.0	1.9	1.9	1.7	1.4	3.0	2.8	3.4	3.5
Manufacturing	144	0.5	1.1	1.7	0.3	2.5	2.7	2.2	1.1	0.0	0.8	0.3	0.5
Durable Goods	95	0.0	0.3	2.3	0.7	3.1	3.6	2.7	1.8	0.1	1.3	0.8	0.7
Nondurable Goods	49	1.5	2.8	0.5	-0.1	1.0	1.3	1.1	-0.2	-0.2	0.1	-0.1	0.0
Transportation and Utilities	56	2.2	0.8	0.6	-0.3	1.3	1.6	1.0	0.1	0.4	0.1	-0.4	-0.7
Wholesale and Retail Trade	176	0.2	0.4	0.5	-0.5	0.5	0.7	0.9	0.0	0.0	-0.2	-0.5	-0.7
Information	12	-4.8	-4.0	0.3	1.1	0.7	-1.1	-1.1	3.2	1.1	0.7	1.1	-0.4
Finance, Insurance, and Real Estate	44	0.4	2.1	0.2	0.5	-0.5	-0.1	0.8	0.4	1.0	0.6	0.4	0.4
Professional and Business Services	108	0.5	5.3	2.8	2.5	1.8	2.1	2.4	4.1	2.7	2.4	3.0	2.3
Health Care and Social Assistance	132	2.7	2.4	1.5	0.7	2.1	1.8	0.9	1.8	0.6	0.9	0.3	0.0
Leisure and Hospitality	135	1.4	1.6	0.7	0.9	2.1	1.2	0.6	0.3	0.3	0.6	0.9	1.4
Educational Services	12	3.2	1.9	-1.0	-1.5	-0.6	-0.6	-1.3	-1.3	-1.9	-1.0	-2.3	-1.0
Other Services	40	0.3	0.7	0.0	-0.7	0.4	0.3	0.0	-0.6	-0.4	-1.0	-0.7	-0.9
Government	243	-0.6	-0.2	0.2	0.9	0.3	0.3	0.3	0.3	0.5	0.7	1.3	4.4
Unemployment Rate (%)‡	5.1	-0.7	4.6	4.6	4.6	4.7	4.7	4.7	4.6	4.5	4.5	4.5	4.6
Personal Income (millions of current \$)													
Wages and Salaries	47,772	0.9	3.6	3.4	3.8	2.7	3.5	3.4	3.3	3.6	3.4	4.0	3.9
Other Labor Income	11,694	1.8	2.4	2.7	3.1	2.7	1.9	2.8	2.7	2.8	3.0	3.3	3.3
Proprietors' Income	8,726	10.6	0.6	2.7	4.7	1.3	-1.3	2.3	5.6	5.2	5.5	4.7	2.9
Farm Proprietors	1,440	81.4	-20.3	-11.5	14.9	-22.5	-47.8	-31.1	44.1	3.1	16.2	16.7	13.5
Non-farm Proprietors	7,286	2.7	4.6	4.8	3.5	4.8	5.0	5.7	4.0	4.1	4.0	3.8	1.6
Property Income	16,507	2.5	3.2	3.6	3.5	2.9	2.8	4.0	3.7	3.8	3.4	3.9	3.0
Transfer Payments	28,815	1.6	2.7	4.1	4.2	2.7	2.8	6.0	3.8	3.9	3.9	4.8	3.8
Less: Social Security Payments	8,292	2.1	4.6	3.0	3.3	3.1	2.3	3.4	2.6	2.8	3.1	4.0	3.5
Plus: Residence Adjustment	3,141	3.9	4.7	5.1	5.1	4.6	4.7	5.1	5.1	5.0	5.1	5.6	5.0
Equals: Total Personal Income	108,362	2.2	2.9	3.6	4.0	2.7	2.8	4.2	3.7	3.9	3.8	4.3	4.1
Less: Individual IRS Collections	6,878	3.2	0.0	3.3	3.9	2.7	3.9	1.8	3.8	4.1	3.8	3.3	4.2
Less: Individual State and Local Taxes	2,275	5.1	7.1	3.7	4.8	3.5	4.4	3.7	4.7	4.6	4.9	4.5	5.1
Equals: Disposable Personal Income	99,209	2.0	3.0	3.6	4.0	2.6	2.7	4.4	3.7	3.8	3.8	4.3	4.0
Per Capita Personal Income (thousands of \$)	36,310	2.2	2.8	3.4	3.7	2.5	2.7	3.9	3.5	3.6	3.3	4.0	3.9
Population (thousands)	2,984	0.0	0.1	0.2	0.3	0.1	0.1	0.3	0.3	0.3	0.4	0.3	0.3
U.S. Forecast													
Gross Domestic Product (billions of current \$)	19,485	4.2	5.3	5.1	4.5	5.0	5.5	4.8	4.7	4.5	4.6	4.5	4.4
Gross Domestic Product (billions of 2009 \$)	18,051	2.2	2.9	2.7	1.9	3.2	3.2	2.5	2.4	2.2	2.2	1.9	1.9
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	108	1.9	2.3	2.4	2.5	1.8	2.5	2.2	2.5	2.1	2.5	2.5	2.4
Total Employment, Residents (millions)†	153	1.3	1.6	1.4	0.9	1.8	1.8	1.3	1.3	1.0	1.0	1.0	1.5
Total Payroll Employment (millions)†	147	1.6	1.6	1.5	1.0	1.9	1.6	1.6	1.3	1.1	1.1	1.3	1.3
Unemployment Rate (%)‡	4.4	-10.7	3.9	3.5	3.6	3.8	3.6	3.5	3.5	3.4	3.4	3.5	3.5
Personal Income (billions of current \$)	16,831	4.4	4.4	4.7	4.6	3.6	4.0	5.5	4.7	4.7	4.7	4.8	4.6
Per Capita Personal Income (thousands of \$)	52	3.6	3.7	3.9	4.0	3.0	3.0	5.2	3.6	4.3	3.6	4.3	3.5
Consumer Price Index (1982-84 = 100)	245.0	2.1	2.4	2.4	2.3	3.2	3.2	3.1	1.6	1.6	1.6	3.1	3.1
Prime Rate (%)‡	4.1	16.8	4.9	5.9	6.5	5.0	5.3	5.5	5.8	6.0	6.3	6.3	6.5

†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

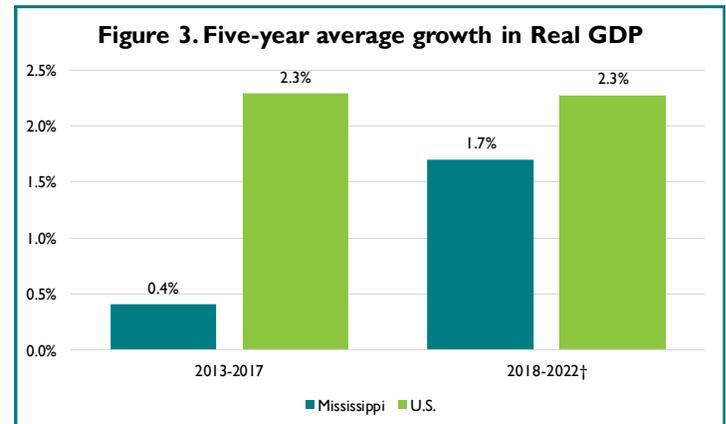
Figure 3 indicates the forecast for five-year average annual growth in real GDP for Mississippi is slightly lower than in the previous quarter. The U.S. forecast is unchanged. Real GDP in Mississippi is expected to grow an average of 1.7 percent annually from 2018 to 2022, a decrease of 0.1 percentage point from the previous quarter. This forecast for Mississippi, if realized, represents more than four 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 average annual growth experienced from 2013 to 2017.

The forecast of average annual employment growth in Mississippi over the next five years as seen in Figure 4 is unchanged from the previous quarter. Employment is projected to grow an average of 0.8 percent per year from 2018 to 2022, which if realized represents a decrease of 0.1 percentage point from the average annual increase of the previous five years. U.S. employment is projected to grow an average of 1.0 percent per year from 2018 to 2022, which reflects a decrease of 0.1 percentage point from the forecast of the previous quarter. This rate is 0.9 percentage point less compared to the average annual growth from 2013 to 2017 as the number of jobs added slows as the U.S. economy approaches full employment.

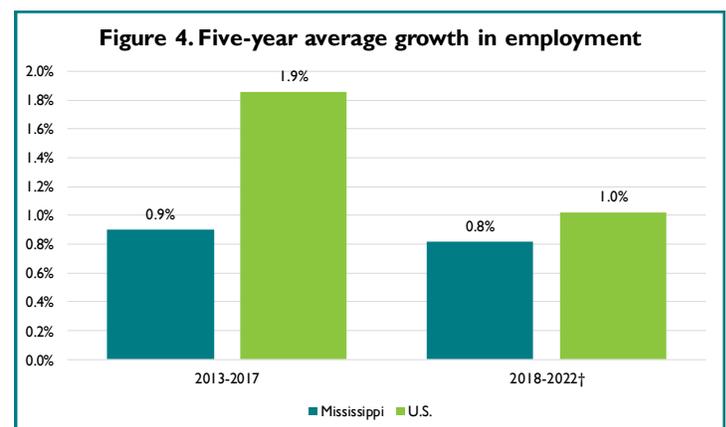
ALTERNATIVE FORECASTS

The probability of a recession in the next two years remains at 20 percent according to IHS Markit. Even under such a scenario, the firm expects the current economic expansion will match the longest in U.S. history of 120 months. In the pessimistic set of circumstances a fall in consumer confidence leads to less fixed residential and nonresidential investment and results in a six-month recession beginning in the third quarter of 2019. Under this scenario the U.S. housing market experiences a fall in prices and generates fewer housing starts as interest rates rise. Firms cut back their spending for a time as well under this scenario. Average growth in U.S. real GDP over the next five years is slightly over 0.4 percentage point less per year compared to the baseline forecast; employment growth is just over 0.2 percentage point less per year from 2018-2022. The relatively moderate downturn in 2019 affects the Mississippi economy only slightly as the average annual growth in both real GDP and employment over the next five years is just 0.1 percentage point lower under the pessimistic scenario compared to the baseline forecast.

IHS Markit estimates the probability of its optimistic scenario at 15 percent as in the previous quarter. More young adults create households under the optimistic scenario and productivity improves. Both oil prices and inflation remain relatively subdued under this scenario and confidence increases, leading to more spending by consumers and firms. U.S. real GDP grows an average of over 0.8 percentage point more per year from 2018 to 2022 under the optimistic scenario compared to the baseline forecast. The rate of employment growth is an average of just over 0.4 percentage point more per year over the next five years under the optimistic scenario compared to the baseline forecast. The Mississippi economy experiences less of an upside under the optimistic scenario relative to the U.S. economy, as real GDP growth is an average of 0.2 percentage point more per year from 2018 to 2022 compared to the baseline forecast. Similarly, payroll employment growth is only slightly improved under the optimistic scenario compared to the baseline forecast, an average increase of 0.1 percentage point per year over the next five years.



†Projected. Sources: Bureau of Economic Analysis; URC



†Projected. Sources: Bureau of Labor Statistics; URC