



## NEAR-TERM ECONOMIC GROWTH MODERATES AGAIN

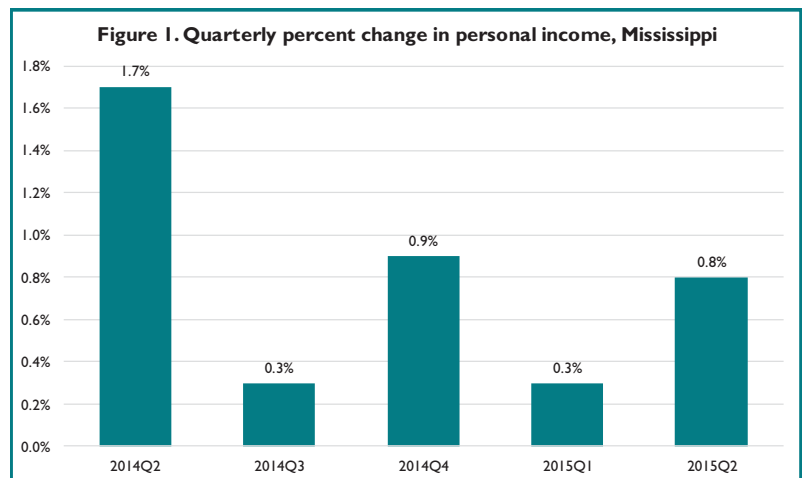
The forecast for growth in real gross domestic product (GDP) in Mississippi in 2015 now stands at 0.5 percent. This revised estimate represents a reduction of 0.8 percentage point from the Summer issue of *Mississippi Economic Outlook*. Income growth in the state likely slowed in the first three quarters of 2015, leading to this lower estimate of real GDP growth. Figure 1 below depicts the percent change in personal income in Mississippi for the last five quarters. Income growth has remained below 1.0 percent in each of the last four quarters, falling to 0.3 percent in the third quarter of 2014 and the first quarter of 2015. The personal income growth of 0.8 percent in the second quarter of 2015 ranked 35th among all states.

As expected, the national economy rebounded from a first quarter where U.S. real GDP grew 0.6 percent. Second quarter U.S. real GDP grew 3.9 percent according to the third estimate from the U.S. Bureau of Economic Analysis (BEA). As a result, the forecast for growth in the U.S. economy for all of 2015 stands at 2.5 percent. This rate is 0.3 percentage point higher than the forecast in the Summer issue of *Mississippi Economic Outlook*. The final estimate for the first quarter also contributed to the increase in the forecast. This estimate reflects positive growth, unlike the previous three estimates that indicated either a contraction or no change. Reasons for the improved second quarter estimate include retail consumer spending that has slowly but steadily risen over the last six months. The U.S. housing market continues to improve, and capital spending—outside of the energy sector—is also driving growth.

The U.S. economy is expected to grow at lower rates in the third and fourth quarters compared to the second quarter. As the buildup of inventories by firms in the first half of the year is cleared in the third and fourth quarters, real GDP growth will slow. Export markets, due to weak global demand and a relatively strong U.S. dollar, will continue to weigh on growth as well. International markets

also continue to negatively impact the U.S. manufacturing sector. The ISM Manufacturing Index has declined for three consecutive months and indicates the industry remains in expansion territory by the slimmest of margins. Although oil prices rose earlier in 2015, their values have fallen again in recent weeks. The decline in prices has curtailed growth in U.S. oil output and led to a reduction in energy-related capital spending, which also has hit the manufacturing sector.

While Mississippi's economy is now forecast to grow 0.5 percent in 2015 as noted above, the forecast for real GDP growth in 2016 remains at 2.2 percent. The forecast for growth in 2017 is up slightly from last quarter to 2.3 percent. Although the forecasted rate of 0.5 percent represents a relatively low rate of growth in the state's economy, it would mark the first positive annual change since 2012 according to BEA. Moreover, real GDP in Mississippi has not grown in consecutive years since 2007 and 2008; according to BEA the state's economy contracted in 2009, 2011, 2013, and 2014. Thus, realization of consecutive years of growth in 2015, 2016, and 2017, even at the relatively low rates projected, would mark a significant turning point in Mississippi's economy as it continues to recover from the Great Recession.



Source: U.S. Bureau of Economic Analysis

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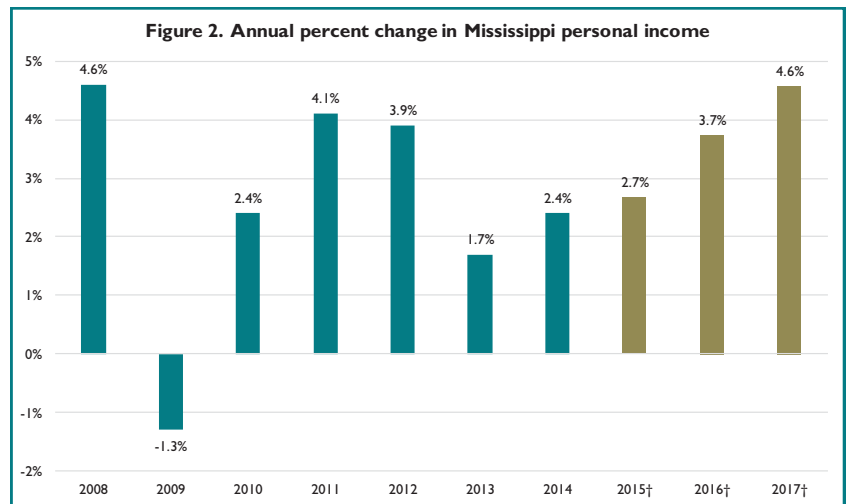
## MISSISSIPPI ECONOMIC OUTLOOK

## SHORT-TERM FORECASTS

Based on the latest forecast of the change in Mississippi real GDP in 2015, the first section of Table I on page 3 indicates a number of industries are projected to contract. Despite improvements in the housing market this year the Construction sector remains the industry expected to experience the largest percentage contraction in 2015. The industry continues to recover from the effects of the completion of several large projects in the state. The Educational Services industry is also expected to experience a larger contraction in 2015 than previously forecast. Notably, Manufacturing, Information, Other Services, and Government are projected to contract this year, a change from earlier forecasts. While the Leisure and Hospitality industry is expected to contract, this decline is slightly smaller than previously forecast. Natural Resources and Mining is the industry forecast to experience the largest growth in the state in 2015; however, this growth is driven by the Natural Resources sector and not the Mining sector. In 2016 and 2017, all industries in the state are expected to expand with the exception of the Natural Resources and Mining sector. The Information and Professional and Business Services industries are projected to expand by the largest percentages in 2016 and 2017, as these are the only sectors forecast to grow by more than 4.0 percent.

Despite the lower forecast for real GDP growth in Mississippi in 2015, the projected growth in payroll employment remains at 0.9 percent as seen in the second section of Table I. Similarly, employment is forecast to increase 1.1 percent in 2016 and the state's economy is projected to maintain this rate of job growth in 2017. As with the forecasts of growth in real GDP, these latter rates, if realized, would mark the first time annual employment in Mississippi grew at least 1.0 percent since 2006. Unlike the U.S., however, employment in Mississippi remains well below the peak reached prior to the Great Recession. Through September, the total number of people employed in the state was slightly 30,000 less compared to February 2008.

Natural Resources and Mining, Construction, and Other Services are the only industries not expected to add jobs in the state in 2015. The largest percentage increase in employment among all industries in Mississippi forecast for 2015 is in the Transportation and Utilities industry, which is projected to grow by 3.3 percent. In 2016, the industries projected to lose jobs for the year include Natural Resources and Mining; Finance, Insurance, and Real



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

Estate; Educational Services; and Other Services. Notably, projections for the annual change in Construction employment in the state are positive in 2016 for the first time since 2013. The sector expected to experience the largest growth in 2016 is Health Care and Social Assistance, which is projected to grow by 2.9 percent, followed by Professional and Business Services at 2.8 percent. In 2017, the industries in the state that are forecast to lose jobs include Wholesale and Retail Trade; Finance, Insurance and Real Estate; Educational Services; and Other Services. The Construction sector is projected to experience the largest increase in employment in 2017 at 5.0 percent.

The forecast for changes in personal income in Mississippi is found in the third section of Table I. The projections for growth in personal income for 2015 and 2016 are both lower than in the previous issue of *Mississippi Economic Outlook*. Nevertheless, as Figure 2 above indicates, if realized these rates of growth represent improvements over the increase in income in the state in 2014. The forecast for growth in personal income in 2017 is 4.6 percent, a rate of increase that last occurred in 2008. The forecast for the percent change in U.S. personal income in 2015 decreased slightly from last summer to 4.2 percent. However, both the 2016 and 2017 projections for U.S. personal income increased to 4.7 percent and 5.4 percent, respectively. The 2017 forecast, if realized, would mark the largest increase in U.S. personal income since the 6.2 percent increase in 2011. Over the last five years, the average annual growth in personal income in Mississippi equaled 2.9 percent, over a full percentage point less than the average annual growth rate in U.S. personal income of 4.0 percent.

TABLE I. BASELINE MISSISSIPPI AND U.S. FORECASTS

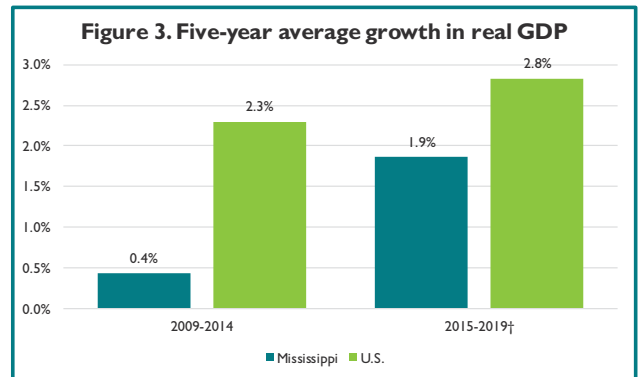
Variable	2014 Percent		Annual Forecasts			Annualized Quarterly Forecasts							
	Value	Change	2015	2016	2017	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4
<b>Mississippi Forecast</b>													
Gross State Product (projected)													
In current dollars	104,852	0.7	1.9	4.3	4.3	3.2	3.7	5.1	3.6	4.4	4.3	4.3	4.3
In millions of 2009 dollars	94,466	-1.2	0.5	2.2	2.3	0.9	2.1	2.3	2.2	2.5	2.5	2.2	2.2
Natural Resources and Mining	3,565	-9.3	6.8	-2.7	-0.6	-4.0	-1.7	-4.6	-3.5	0.0	0.1	-2.4	1.2
Contract Construction	4,683	-10.0	-7.4	0.7	3.8	-1.0	-2.4	-0.5	3.6	4.7	4.0	3.1	3.9
Manufacturing	13,963	2.0	-0.8	2.3	2.9	1.4	2.5	1.6	2.6	2.9	3.3	2.8	2.9
Durable Goods	8,274	2.2	-3.3	2.5	4.2	2.6	2.5	2.0	2.9	3.8	4.9	4.1	4.5
Nondurable Goods	5,719	1.8	2.5	2.0	1.1	-0.1	2.5	1.1	2.1	1.9	1.3	0.9	1.0
Transportation and Utilities	6,388	-2.3	3.0	3.2	2.7	2.2	2.7	2.9	3.1	3.3	2.8	2.6	2.7
Wholesale and Retail Trade	12,280	0.6	1.0	3.2	2.3	2.1	3.7	3.2	3.1	2.7	2.1	2.3	2.0
Information	2,143	1.6	-2.4	4.4	4.8	3.3	4.0	5.3	4.8	3.3	2.6	6.0	6.2
Finance, Insurance, and Real Estate	13,998	-1.1	2.9	3.2	2.1	2.8	3.2	4.2	2.3	2.2	2.5	2.0	2.3
Professional and Business Services	6,905	1.0	2.3	4.1	4.5	0.8	2.9	4.0	4.9	4.6	5.0	4.5	4.2
Health Care and Social Assistance	7,150	0.8	2.7	3.6	3.1	3.0	3.6	3.2	4.6	3.5	3.1	3.2	2.7
Leisure and Hospitality	4,230	-1.4	-3.8	2.0	2.4	-1.6	2.1	4.9	1.0	1.4	3.6	3.3	1.5
Educational Services	675	-4.1	-5.6	1.0	1.7	0.7	2.3	0.5	0.5	2.0	1.6	1.8	1.8
Other Services	2,216	-0.4	-2.6	0.7	0.2	0.2	0.9	0.6	1.1	0.4	0.4	0.0	0.0
Government	16,257	-1.6	-1.0	0.3	0.5	0.1	0.7	0.5	0.0	0.6	0.4	0.5	0.6
Payroll Employment (thousands)													
Residents†	1,135	-1.8	3.7	2.3	1.0	4.4	2.4	1.3	1.0	1.0	1.3	1.0	1.0
Payroll†	1,119	0.7	0.9	1.1	1.1	1.1	0.7	1.1	1.4	0.7	1.4	1.0	0.7
Natural Resources and Mining	9	1.1	-6.9	-6.3	0.5	-9.7	-8.5	-7.7	-5.4	-0.5	0.5	1.5	1.5
Contract Construction	49	-4.5	-5.0	2.4	5.0	-2.8	1.2	2.4	5.3	5.6	5.4	4.9	4.9
Manufacturing	139	1.8	1.4	0.4	1.2	1.1	-0.3	-0.8	0.3	0.6	2.0	1.4	1.1
Durable Goods	93	3.0	0.9	0.5	1.9	-1.8	0.3	0.2	0.2	0.9	3.3	2.3	1.5
Nondurable Goods	46	-0.3	2.2	0.4	0.1	8.0	-2.7	-0.5	-0.3	0.3	0.3	0.5	-0.4
Transportation and Utilities	50	2.9	3.3	1.8	2.2	0.1	1.7	1.9	2.0	2.0	2.3	2.2	1.9
Wholesale and Retail Trade	170	1.2	0.5	0.7	-0.3	0.9	1.4	1.6	0.7	-0.2	-0.2	-0.5	-0.7
Information	13	2.3	2.4	0.3	1.0	1.8	0.3	0.3	1.8	-2.4	-5.3	4.5	4.2
Finance, Insurance, and Real Estate	44	-0.6	1.6	-0.1	-1.3	1.4	0.1	0.1	-0.9	-1.9	-1.1	-1.3	-1.4
Professional and Business Services	101	1.8	1.2	2.8	3.4	2.8	2.0	2.3	4.3	3.5	4.9	3.8	1.9
Health Care and Social Assistance	123	1.0	1.6	2.9	1.3	2.2	2.5	3.2	3.8	1.9	1.2	0.6	1.2
Leisure and Hospitality	126	1.5	2.2	1.6	1.2	1.9	0.9	2.5	-0.3	1.5	0.9	1.5	1.2
Educational Services	12	-0.2	2.6	-0.3	-0.7	0.3	-0.7	-0.3	-0.7	-0.7	-0.7	-1.0	-0.7
Other Services	39	-0.2	-1.0	-2.0	-0.8	-7.5	-0.7	-0.1	-1.3	0.1	-1.6	-0.1	-1.9
Government	245	0.0	0.8	0.6	0.5	1.9	0.3	0.2	0.0	0.2	1.3	0.3	0.2
Unemployment Rate (%)‡	7.6	-1.0	6.6	6.6	6.4	6.4	6.6	6.7	6.7	6.6	6.5	6.4	6.4
Personal Income (millions of current \$)													
Wages and Salaries	45,443	2.8	1.2	3.6	4.4	2.7	3.2	3.8	3.6	4.7	4.3	4.5	4.3
Other Labor Income	10,939	2.4	1.5	3.2	4.0	2.9	2.1	3.5	3.0	4.0	4.3	4.3	3.8
Proprietors' Income	10,084	-1.7	1.1	2.7	4.9	-9.6	8.4	3.0	4.7	2.6	4.4	6.4	5.3
Farm Proprietors	1,747	-26.1	-10.6	-16.9	-2.5	-84.7	21.2	-24.3	11.3	-46.6	6.2	4.2	11.2
Non-farm Proprietors	8,337	5.7	3.5	5.9	6.1	5.1	5.6	6.8	6.7	5.6	6.2	6.4	5.9
Property Income	15,214	3.2	3.6	3.7	5.4	4.2	2.9	3.6	2.1	4.6	5.2	6.4	6.0
Transfer Payments	26,367	3.3	5.0	4.1	4.3	4.1	3.6	4.8	4.1	3.8	3.3	5.6	4.0
Less: Social Security Payments	7,751	2.8	0.7	3.6	4.5	3.0	2.4	4.6	3.4	3.9	5.8	4.3	5.5
Plus: Residence Adjustment	2,794	1.9	4.3	4.9	5.5	4.0	4.5	5.6	5.2	5.1	5.6	5.6	5.6
Equals: Total Personal Income	103,091	2.4	2.7	3.7	4.6	2.1	3.9	4.0	3.7	4.3	4.2	5.3	5.0
Less: Individual IRS Collections	6,435	4.7	6.7	3.8	5.0	1.9	3.7	4.6	4.1	3.0	5.3	5.6	5.8
Less: Individual State and Local Taxes	2,061	0.5	5.0	3.5	4.6	2.6	3.1	4.9	2.3	3.2	4.5	5.1	5.0
Equals: Disposable Personal Income	94,594	2.3	2.3	3.8	4.6	2.1	3.9	4.0	3.7	4.4	4.2	5.2	5.0
Per Capita Personal Income (thousands of \$)	34,430	2.4	2.5	3.5	4.3	1.8	3.8	3.8	3.4	4.0	3.9	4.9	4.7
Population (thousands)	2,994	0.1	0.1	0.2	0.3	0.3	0.1	0.3	0.3	0.3	0.3	0.4	0.3
<b>U.S. Forecast</b>													
Gross Domestic Product (billions of current \$)	17,348	4.1	3.7	4.9	4.9	4.0	4.2	5.4	4.7	5.0	5.0	4.9	5.0
Gross Domestic Product (billions of 2009 \$)	15,962	2.4	2.5	2.9	2.9	1.9	2.7	2.9	2.8	3.2	3.2	3.0	2.8
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	109	1.7	1.1	2.0	2.0	2.2	1.1	2.5	2.2	1.8	1.8	1.8	2.1
Total Employment, Residents (millions)†	146	1.7	1.8	1.7	1.5	0.3	2.7	1.9	1.9	1.6	1.6	1.6	1.3
Total Payroll Employment (millions)†	139	1.9	2.1	1.6	1.3	1.7	1.4	1.7	1.7	1.1	1.7	1.4	1.1
Unemployment Rate (%)‡	6.2	-1.2	5.3	5.1	4.9	5.6	5.4	5.2	5.1	5.1	5.1	5.0	5.0
Personal Income (billions of current \$)	14,694	4.4	4.2	4.7	5.4	4.5	4.2	5.0	4.3	5.0	5.1	6.1	5.4
Per Capita Personal Income (thousands of \$)	46	3.6	3.5	3.8	4.5	4.2	3.3	4.1	3.3	4.1	4.0	5.6	4.7
Consumer Price Index (1982-84 = 100)	237.0	1.7	0.0	1.7	2.5	1.7	-1.7	3.4	1.7	3.3	1.7	1.6	3.3
Prime Rate (%)‡	3.3	0.0	3.3	3.9	4.9	3.3	3.3	3.3	3.3	3.5	3.8	4.0	4.3

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

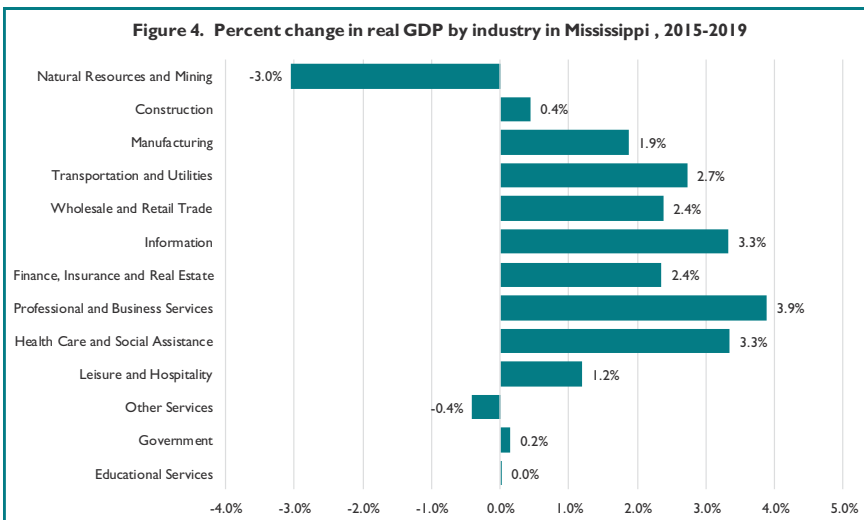
MISSISSIPPI ECONOMIC OUTLOOK

FIVE-YEAR FORECASTS

The longer-term forecasts for the U.S. and Mississippi economies have changed only slightly since the previous issue of *Mississippi Economic Outlook*. Both state and national forecasts project modest growth over the next five years. In Figure 3, annual growth in real GDP is expected to average 1.9 percent from 2015 to 2019, a decline of 0.1 percentage point from the forecast of the previous quarter. Although 1.9 percent represents a relatively moderate increase, if realized this average would equal almost five times the average rate of growth from 2009 to 2014 based on BEA estimates. The latter period includes three years of contractions in real GDP for Mississippi, whereas each year’s forecast from 2015 to 2019 reflects growth from the previous year.



†Projected. Sources: Bureau of Economic Analysis; URC



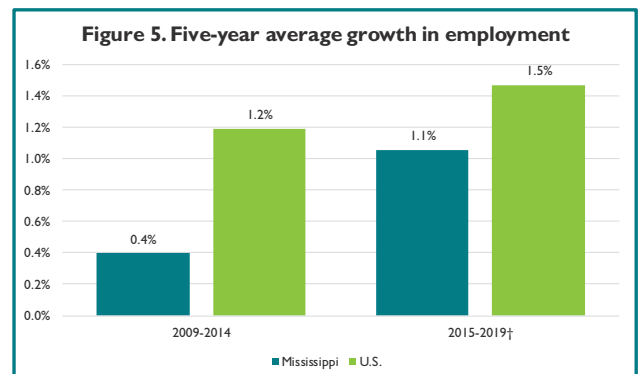
Projected. Source: URC

The average annual increase in U.S. real GDP over the next five years equals 2.8 percent as seen in Figure 3. This forecast represents a 0.1 percentage point increase from the previous forecast. If realized, this average rate of growth would reflect a measure of improvement from the previous five-year period when the average annual increase was 2.3 percent. Nevertheless, annual rates of increase in real GDP of less than 3.0 percent historically characterize a relatively slow-growth economy. Over the last fifteen years, a period that includes two recessions, the average annual increase in U.S. real GDP was slightly less than 2.0 percent.

Figure 4 depicts the average annual change in real GDP in Mississippi by industry from

2015 to 2019. As the graphs indicate, only Natural Resources and Mining and Other Services are projected to contract over the next five years. The economic growth in Educational Services is expected to remain unchanged. All other sectors are forecast to grow, with the largest expansion occurring in Professional and Business Services at 3.9 percent. Wholesale and Retail Trade and Healthcare and Social Assistance follow with average increases of 3.3 percent each. The growth depicted in Figure 4 reflects the increasing importance of the service sectors to the state’s economy.

The average annual rates of growth in payroll employment in the U.S. and Mississippi are indicated in Figure 5. As with real GDP, these forecasts have changed only slightly from the previous quarter. The projected average annual increase in employment in Mississippi from 2015 to 2019 equals 1.1 percent, an increase of 0.1 percent from the previous forecast. This rate of increase, if realized, would be almost three times the average annual growth in employment from 2009 to 2014. Unlike this period, positive employment growth in the state is expected each year from 2015 to 2019. U.S. employment growth is forecast to increase an average of 1.5 percent each year from 2015 to 2019. As with Mississippi employment growth, this rate represents an increase from the previous forecast of 0.1 percentage point. However, this average rate of increase is only a slight improvement from the rate of the previous five years, when the average rate was 1.2 percent.



†Projected. Sources: Bureau of Labor Statistics; URC