



## FORECASTS MODERATE SLIGHTLY AS TRENDS CONTINUE

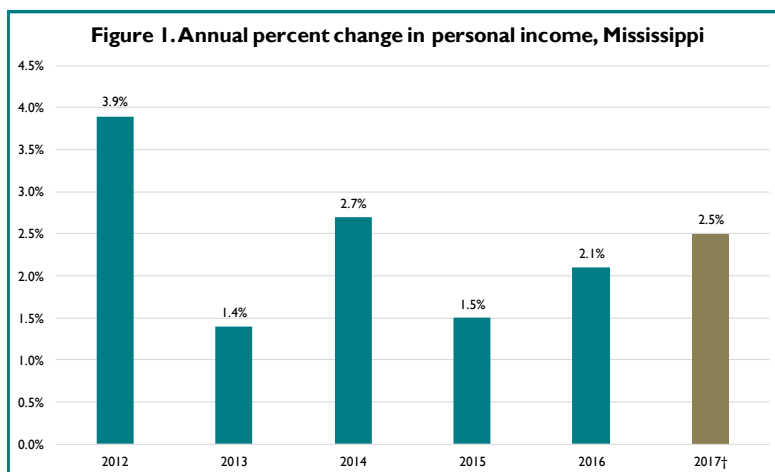
URC's latest forecast projects Mississippi's economy will expand 1.2 percent in 2017, an increase of 0.3 percentage point from the forecast of the previous quarter. The improvement to the forecast results from a slight upturn in employment in the state as well as the gains the national economy is expected to make in the fourth quarter as rebuilding from the September hurricanes accelerates and consumer spending rises. URC projects Mississippi real GDP will increase 1.6 percent in 2018 and 1.7 percent in 2019. The 2018 forecast is 0.2 percentage point lower from the previous quarter while the 2019 forecast is unchanged.

The U.S. economy is forecast to expand 2.2 percent in 2017, a decrease of 0.1 percentage point from the projection of the previous quarter. This forecast, if realized, would mark an improvement of 0.7 percentage point over the 1.5 percent increase in real GDP in 2016. The slight decline in the forecast results primarily from the effects of Hurricanes Harvey and Irma. U.S. real GDP is forecast to grow 2.4 percent in 2018 and 2.2 percent in 2019, both of which represent slight downgrades from the forecast of the previous quarter. IHS Markit no longer incorporates any impacts resulting from tax reform into its forecasts, as

its analysts view passage of such legislation as unlikely given the present situation in Washington.

Payroll employment in Mississippi is expected to grow only 0.3 percent in 2017 as seen in Table 1 on page 3. This forecast actually represents an improvement of 0.1 percentage point from the previous quarter, but if realized would result in a decline of 0.8 percentage point from 2016. However, the forecasts for employment growth in Mississippi for 2018 and 2019 improve to 1.0 percent and 0.9 percent, respectively, which are rates of growth similar to the rates experienced in 2015 and 2016.

Figure 1 below depicts the change in personal income in Mississippi since 2012 as well as the projected change for 2017. The forecast of 2.5 percent growth in 2017 is the same as in the previous quarter. If realized this growth would be the highest since the 2.7 percent increase in 2014. However, the latest forecast of the change in personal income for 2018 projects growth of 3.3 percent, which is 0.6 percentage point lower than the forecast of the previous quarter. Personal income is expected to grow 4.1 percent in 2019, which represents a reduction of 0.4 percentage point from the forecast of the previous quarter. Nevertheless, 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. Nationally, personal income is projected to increase at higher rates than in Mississippi each year from 2017 to 2019. Similar to the state, the forecasts for U.S. personal income growth for each of these years are lower than in the previous quarter. In 2017 income is expected to increase 3.1 percent, a reduction of 0.5 percentage point from the forecast of the previous quarter. The forecast of a 4.0 percent increase for 2018 represents a reduction of 0.7 percentage point from the previous quarter, while the latest projection for 2019 of a 4.8 percent increase in U.S. personal income is a reduction of 0.4 percentage point from the previous quarter.



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

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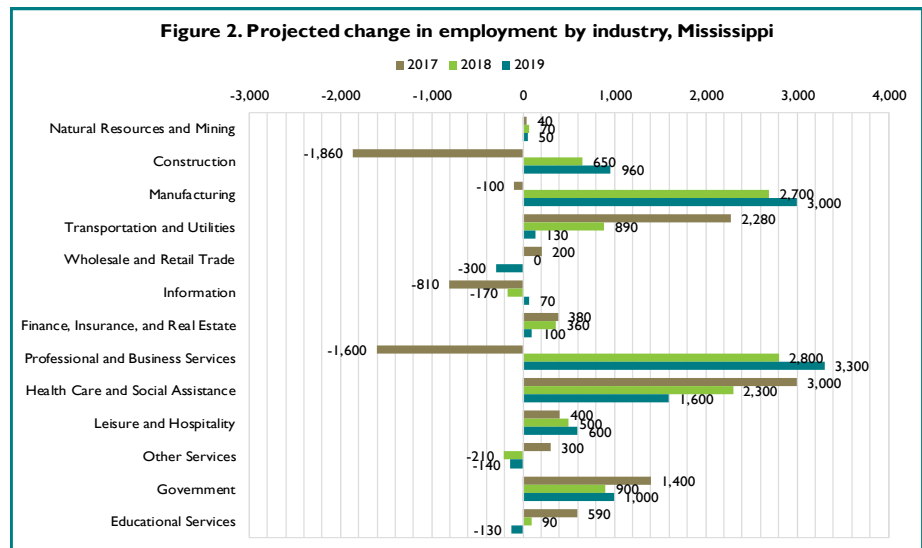
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## SHORT-TERM FORECASTS

The first section of Table 1 on page 3 indicates URC forecasts most sectors in the state will expand in 2017. The largest gain in output is the 4.1 percent increase expected in Transportation and Utilities. The Health Care and Social Assistance sector is also expected to grow by 3.0 percent in 2017. The only sectors projected to contract in 2017 are Construction, which is expected to decline by 1.6 percent, and Government, which is expected to fall by 0.1 percent. In 2018 the largest growth is projected for Information, which is expected to increase by 3.6 percent, followed by Professional and Business Services, which is forecast to expand by 3.3 percent. In 2018 the only declines forecast among all sectors in Mississippi are in Natural Resources and Mining and Other Services, which are expected to contract by 0.2 percent and 0.4 percent, respectively. As in 2018, Information and Professional and Business Services are expected to experience the largest growth among all sectors in 2019. Output in Information is expected to increase by 3.7 percent while Professional and Business Services is projected to expand by 3.6 percent. The state's Manufacturing sector is also expected to grow by 3.3 percent in 2019. Similar to 2018, the only sectors in the state forecast to contract in 2019 are Natural Resources and Mining and Other Services, which are expected to contract by 0.1 percent and 0.3 percent, respectively.

As previously mentioned, in the second section of Table 1 URC forecasts payroll employment in Mississippi will increase 0.3 percent in 2017. The projections of 1.0 percent and 0.9 percent growth in 2018 and 2019, respectively, remain slightly below the 2015 and 2016 increases in employment.

Figure 2 depicts the URC forecasts for the change in employment by industry in Mississippi for 2017, 2018, and 2019. The Health Care and Social Assistance sector is projected to add 3,000 jobs in 2017, the most of any industry in the state. If realized this increase would mark the largest for the sector since 2007 when it added 4,200 jobs for the year. The next largest increase in employment is forecast for the Transportation and Utilities sector, which is expected add 2,280 jobs in 2017, followed by Government, which is projected to increase in employment by 1,400 jobs. The Construction industry is ex-



†Projected. Source: URC

pected to lose 1,860 jobs in 2017, the most among all sectors in the state, followed by employment in Professional and Business Services, which is expected to decline by 1,600 jobs. Construction employment in Mississippi last increased in 2013.

The largest increase in employment forecast for 2018 is in Professional and Business Services, which is expected to add 2,800 jobs. This gain is closely followed by the 2,700 jobs the Manufacturing sector is projected to add. The Health Care and Social Assistance sector in the state is also expected to increase by 2,300 jobs in 2018. Only two sectors in Mississippi are expected to lose jobs in 2018, Information and Other Services, and the total decline of employment in these industries is less than 400 jobs.

In 2019 Professional and Business Services and Manufacturing are again expected to add the most jobs among all sectors in the state. Professional and Business Services is forecast to add 3,300 jobs while Manufacturing employment is projected to increase by 3,000 jobs. URC forecasts the Health Care and Social Assistance sector will add 1,600 jobs in 2019; the industry is expected to add a net total of 6,900 jobs from 2017 to 2019, the most among all sectors in the state for the period. Government is projected to add 1,000 jobs in the state in 2019, closely followed by Construction employment, which is expected to increase by 960 jobs. The sectors in Mississippi forecast to lose jobs in 2019 are Wholesale and Retail Trade, Other Services, and Educational Services. However, the total decline in employment across these three sectors is less than 600 jobs. Over the 2017-2019 period, Information is expected to lose a net total of 910 jobs, the most among all sectors in the state.

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
<b>Mississippi Forecast</b>													
Gross State Product (projected)													
In current dollars	107,680	1.7	2.9	3.7	3.9	2.9	3.0	3.7	3.7	4.2	4.0	3.8	3.7
In millions of 2009 dollars	95,282	0.8	1.2	1.6	1.7	1.5	1.3	1.5	1.5	1.5	1.7	1.8	1.7
Natural Resources and Mining	3,330	-4.5	2.0	-0.2	-0.1	2.8	1.1	-3.4	-0.5	-1.1	-1.1	0.1	0.0
Contract Construction	3,776	-2.5	-1.6	1.7	2.1	3.0	1.3	1.7	0.7	1.9	2.3	2.3	2.2
Manufacturing	14,910	1.6	1.2	2.7	3.3	2.4	1.3	3.3	3.1	2.8	3.2	3.4	3.6
Durable Goods	8,417	0.9	1.6	4.0	4.3	4.7	1.7	5.0	4.6	4.4	3.7	4.2	4.7
Nondurable Goods	6,443	2.6	1.0	1.3	2.0	1.0	1.0	0.9	1.2	1.3	2.3	2.2	2.2
Transportation and Utilities	6,035	3.0	4.1	1.6	1.2	2.2	2.5	0.2	1.6	1.2	1.1	0.9	1.2
Wholesale and Retail Trade	13,190	1.5	1.2	1.8	1.8	2.4	1.5	1.7	1.3	1.8	1.7	1.8	1.9
Information	2,324	-1.0	2.1	3.6	3.7	7.1	2.8	1.8	5.3	2.6	3.4	3.4	4.6
Finance, Insurance, and Real Estate	13,616	-0.5	1.5	1.5	1.5	1.7	1.4	0.9	1.5	1.4	1.6	1.2	1.4
Professional and Business Services	7,187	2.1	1.6	3.3	3.6	2.3	2.6	3.5	3.8	3.1	3.3	3.6	4.0
Health Care and Social Assistance	7,415	2.0	3.0	2.5	2.4	2.0	2.3	2.6	2.1	2.0	3.3	2.1	2.3
Leisure and Hospitality	4,006	-0.7	0.4	1.1	0.9	-0.2	0.9	1.5	0.7	0.3	1.0	1.2	0.8
Educational Services	639	-1.1	0.4	1.1	1.2	2.6	-0.2	1.3	1.0	0.7	1.1	1.0	1.6
Other Services	2,210	0.5	0.3	-0.4	-0.3	0.9	-0.5	-0.5	-0.9	-0.4	-0.5	-0.5	0.0
Government	16,423	0.6	-0.1	0.2	0.0	0.9	0.2	-0.1	-0.2	0.0	-0.1	0.4	-0.2
Payroll Employment (thousands)													
Residents†	1,207	1.5	1.8	-0.2	0.4	-4.2	0.7	0.0	0.0	0.0	0.7	0.3	1.0
Payroll†	1,146	1.1	0.3	1.0	0.9	1.7	0.7	1.0	1.0	0.7	1.0	0.7	1.0
Natural Resources and Mining	7	-14.1	0.6	1.0	0.7	-1.2	5.3	0.6	2.9	-0.6	-0.6	1.7	1.7
Contract Construction	44	-4.3	-4.2	1.5	2.2	5.5	1.8	1.4	0.4	1.9	1.6	3.0	2.9
Manufacturing	143	0.8	-0.1	1.9	2.1	1.7	0.8	2.0	3.6	2.2	1.6	2.5	1.9
Durable Goods	95	0.1	0.1	2.7	2.3	2.7	1.3	2.9	4.3	3.3	1.6	2.3	2.1
Nondurable Goods	48	2.4	-0.5	0.3	1.9	-0.4	0.2	0.3	1.8	0.6	1.7	3.2	1.9
Transportation and Utilities	55	4.0	4.2	1.6	0.2	3.5	2.7	1.5	0.9	0.1	0.6	0.0	-0.1
Wholesale and Retail Trade	175	1.3	0.1	0.0	-0.2	0.7	0.5	0.0	-0.7	-0.2	0.0	0.2	-0.5
Information	12	-4.1	-6.7	-1.5	0.6	-1.4	-1.8	-2.1	1.4	-0.4	-0.4	1.1	0.7
Finance, Insurance, and Real Estate	44	0.3	0.9	0.8	0.2	2.0	0.6	0.1	0.5	0.6	0.7	-0.1	-0.1
Professional and Business Services	108	1.7	-1.5	2.6	3.0	-1.9	1.9	4.1	3.3	2.6	2.2	3.3	3.6
Health Care and Social Assistance	128	1.7	2.3	1.8	1.2	3.1	2.1	0.9	1.8	1.5	1.5	0.3	1.5
Leisure and Hospitality	134	3.4	0.3	0.4	0.4	3.6	-0.6	0.6	0.0	0.9	0.3	0.6	0.6
Educational Services	12	0.4	5.0	0.7	-1.0	11.7	-2.5	0.6	-2.9	0.0	-2.2	0.3	-1.6
Other Services	40	1.0	0.7	-0.5	-0.3	-5.0	0.0	0.3	-1.7	1.1	-1.8	0.5	-1.8
Government	245	0.5	0.6	0.4	0.4	1.8	0.0	0.2	0.2	0.3	1.0	0.2	0.0
Unemployment Rate (%)‡	5.9	-0.5	5.2	5.6	5.7	5.2	5.4	5.6	5.7	5.7	5.7	5.7	5.7
Personal Income (millions of current \$)													
Wages and Salaries	47,323	2.0	2.2	3.8	3.9	3.7	3.3	4.3	3.6	3.9	3.3	4.5	3.6
Other Labor Income	11,491	3.8	2.9	2.8	2.9	2.6	2.4	3.2	2.5	2.6	2.6	3.2	2.9
Proprietors' Income	7,888	-3.5	8.8	-0.3	4.1	-19.6	2.5	4.4	4.7	2.4	3.5	4.8	3.2
Farm Proprietors	794	-7.5	57.2	-26.8	-2.2	-139.9	-15.3	-0.7	46.0	-59.1	6.6	-1.4	-0.8
Non-farm Proprietors	7,094	-3.0	3.1	4.0	5.2	2.8	3.9	4.5	4.1	5.1	5.2	5.7	4.7
Property Income	16,098	1.5	2.4	2.9	4.5	0.9	2.7	3.5	2.0	3.9	4.7	5.1	4.2
Transfer Payments	28,348	3.4	1.0	3.3	4.2	2.3	2.2	4.7	3.8	3.7	3.5	4.5	4.0
Less: Social Security Payments	8,118	2.1	3.3	3.5	3.8	3.2	3.3	4.4	2.5	2.9	4.2	4.1	4.3
Plus: Residence Adjustment	3,022	2.1	4.0	5.3	5.5	4.4	5.1	5.6	5.6	5.2	5.4	5.8	5.1
Equals: Total Personal Income	106,053	2.1	2.5	3.3	4.1	0.9	3.0	4.3	3.5	3.7	3.7	4.5	4.4
Less: Individual IRS Collections	6,662	0.0	3.0	4.2	4.5	5.5	2.8	5.8	3.5	3.9	3.5	6.5	3.7
Less: Individual State and Local Taxes	2,164	1.1	3.3	4.5	5.2	0.2	4.8	6.0	4.7	5.2	4.9	5.2	5.0
Equals: Disposable Personal Income	97,226	2.2	2.4	3.2	4.1	0.6	2.9	4.3	3.5	3.6	3.8	4.5	4.4
Per Capita Personal Income (thousands of \$)	35,480	2.1	2.4	3.1	3.9	0.8	2.9	4.2	3.4	3.6	3.5	4.3	4.1
Population (thousands)	2,989	0.0	0.0	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3
<b>U.S. Forecast</b>													
Gross Domestic Product (billions of current \$)	18,624	2.8	3.9	4.4	4.5	3.8	4.7	4.3	4.2	4.8	5.0	4.2	4.2
Gross Domestic Product (billions of 2009 \$)	16,716	1.5	2.2	2.4	2.2	2.3	2.8	2.1	2.0	2.2	2.6	2.1	2.2
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	111	1.3	1.7	2.0	2.2	1.4	2.1	2.1	2.1	2.8	2.4	2.1	1.7
Total Employment, Residents (millions)†	151	1.7	1.3	1.2	1.2	1.3	1.3	1.3	1.0	1.0	1.5	1.0	1.0
Total Payroll Employment (millions)†	144	1.8	1.5	1.2	1.1	1.1	1.9	1.1	1.1	1.4	1.1	1.1	1.1
Unemployment Rate (%)‡	4.9	-7.8	4.4	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Personal Income (billions of current \$)	15,929	2.4	3.1	4.0	4.8	2.6	3.6	4.9	3.9	4.2	4.7	5.1	4.6
Per Capita Personal Income (thousands of \$)	49	1.7	2.4	3.2	4.0	1.6	2.4	4.7	3.1	3.1	3.8	4.6	3.8
Consumer Price Index (1982-84 = 100)	240.0	1.3	2.1	1.6	2.4	1.6	3.3	1.6	0.0	3.2	1.6	1.6	3.2
Prime Rate (%)‡	3.5	7.7	4.1	4.7	5.7	4.3	4.3	4.5	4.5	4.8	5.1	5.3	5.5

†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

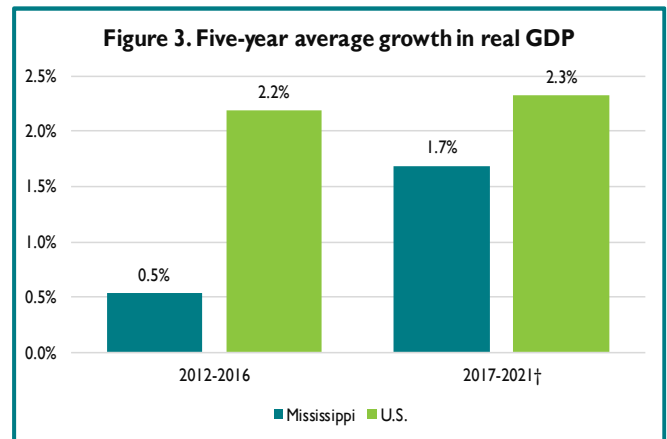
The forecasts for average annual growth in real GDP for the U.S. and Mississippi have changed little from the previous quarter. As Figure 3 indicates, the forecast for average five-year growth for U.S. real GDP is 2.3 percent from 2017-2021. This latest forecast is 0.2 percentage point lower than in the previous quarter. The projection for average annual growth in Mississippi from 2017 to 2021 is 1.7 percent, which is identical to the forecast of the previous quarter. However, according to BEA the Mississippi economy expanded an average of 0.5 percent from 2012 to 2016, which means if realized this forecast represents more than a three-fold increase over the average annual rate of the previous five years.

Similarly, the latest forecasts for average annual employment growth in Mississippi and the U.S. are little changed from the previous quarter. U.S. employment is expected to grow 1.1 percent annually over the next five years, which is unchanged from the previous forecast. This average annual growth rate, if realized, represents a decrease of 0.8 percentage point from the previous five years. Average annual employment in Mississippi is projected to grow 0.7 percent per year from 2017 to 2021, which is an improvement of 0.1 percentage point per year from the forecast of the previous quarter. If realized this average growth rate represents a decrease of 0.2 percentage point from the rate of the previous five years.

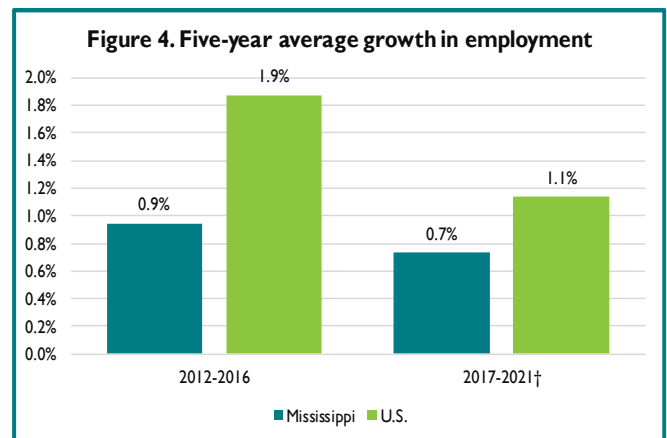
### ALTERNATIVE FORECASTS

IHS Markit assigns a probability of 20 percent to its latest pessimistic alternative to the baseline forecast, which is a decrease of 5 percentage point from the previous quarter. Under this scenario, a downturn occurs in the commercial real estate market, which has recently experienced a rise in values. As a result of this downturn, confidence falls, interest rates rise, and the stock market declines. The housing market also weakens as the number of starts falls through 2018 and 2019. Recession occurs under this scenario as the economy contracts in the third and fourth quarters of 2018. As a result of this recession, the average rate of growth in U.S. real GDP over the next five years is just over 0.4 percentage point less per year than in the baseline forecast. The impact to the Mississippi economy under the pessimistic scenario is considerably less, 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. Similarly, payroll employment in Mississippi grows an average of 0.1 percentage point less per year from 2017 to 2021 under the pessimistic scenario compared to the baseline forecast. U.S. payroll employment is just over 0.3 percentage point less per year compared to the baseline forecast.

Under the latest optimistic scenario, to which IHS Markit assigns a probability of 15 percent, a reduction in both regulations and corporate tax rates occurs. As a result business fixed investment and capital spending increase, which leads to new technologies that cause productivity gains and thereby greater economic growth. Interest rates, oil prices, and inflation all remain lower under the optimistic scenario compared to the baseline forecast. U.S. real GDP grows an average of 2.8 percent per year under the optimistic scenario, as annual growth exceeds 3.0 percent in 2018 and 2019. This average rate is over 0.5 percentage point more per year compared to the baseline forecast. In Mississippi, the increase in real GDP growth under the optimistic scenario is 0.2 percentage point more per year compared to the baseline forecast. U.S. payroll employment increases an average of 1.4 percent per year under the optimistic scenario, which is 0.3 percentage point higher than under the baseline forecast. In Mississippi under the optimistic scenario, payroll employment is an average of only 0.1 percentage point higher per year compared to the baseline forecast.



†Projected. Sources: Bureau of Economic Analysis; URC



†Projected. Sources: Bureau of Labor Statistics; URC