



EMPLOYMENT FORECASTS FOR MISSISSIPPI WEAKEN SLIGHTLY

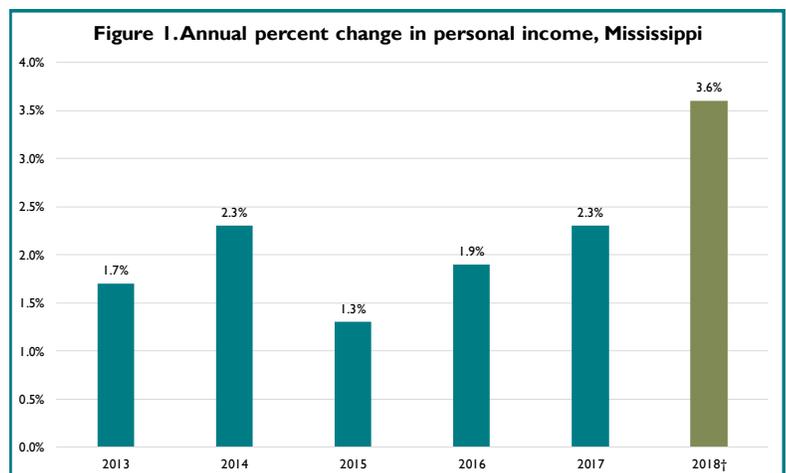
The latest URC forecast projects Mississippi's economy will grow 1.8 percent in 2018. This estimate is unchanged from the forecast of the previous quarter. The Mississippi economy is projected to grow 1.7 percent in 2019 and 1.6 percent in 2020; both of these forecasts are unchanged from the previous quarter as well. If these forecasts are realized, the Mississippi economy will experience six consecutive years of expansion, which last occurred from 2003 to 2008 according to the U.S. Bureau of Economic Analysis (BLS). Moreover, if the 2018 to 2020 forecasts are realized, the three-year average annual growth of 1.7 percent will be the largest since 2006 to 2008, when average annual growth was over 2.9 percent.

U.S. real GDP is expected to grow 2.9 percent in 2018 as seen in the fourth section of Table 1 on page 3. This forecast is also unchanged from the previous quarter. The U.S. economy last grew at an annual rate of 2.9 percent in 2015 according to the most recent BEA estimates. The projected increase in growth for 2018 reflects a stronger U.S. economy in the first half of the year. The U.S. economy is expected to largely maintain the pick up in growth into next year; the latest forecast projects real GDP will grow 2.8 percent in 2019. This forecast represents a slight improvement of 0.1 percentage point from the previous quarter. However, growth is expected to slow by the following year, as U.S. real GDP is forecast to expand by 2.0 percent in 2020. Nevertheless, the latest forecast for 2020 reflects a slight improvement of 0.1 percentage point from the forecast of the previous quarter.

Payroll employment in Mississippi is expected to increase 1.3 percent in 2018 as seen in Table 1 on page 3. This forecast is 0.1 percentage point lower from the forecast of the previous quarter. Nevertheless, if realized it will represent the largest annual increase in employment in Mississippi since 1999. The latest forecasts of payroll employment growth for 2019 and 2020 are 0.9 percent and 0.7 percent,

respectively. Both of these forecasts are lower by 0.1 percentage point compared to the forecasts of the previous quarter.

Figure 1 below depicts the change in personal income in Mississippi since 2013 as well as the projected change for 2018. Personal income is forecast to grow 3.6 percent in 2018, an increase of 0.7 percentage point from the forecast of the previous quarter. The latest forecast of the change in personal income for 2019 projects growth of 3.6 percent, the same as in the forecast of the previous quarter. In 2020, personal income is expected to grow 4.3 percent, which represents an increase of 0.3 percentage point from the forecast of the previous quarter. If realized the 2020 forecast would mark the largest annual increase in personal income in the state since 2011, when personal income also grew by 4.3 percent. The forecast of U.S. personal income growth for 2018 is 4.5 percent, an increase of 0.1 percentage point from the forecast of the previous quarter. The 2019 forecast of U.S. income growth is unchanged at 4.7. Personal income is expected to grow 4.8 percent in 2020, which represents an increase of 0.2 percentage point from the forecast of the previous quarter.



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

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MISSISSIPPI ECONOMIC OUTLOOK

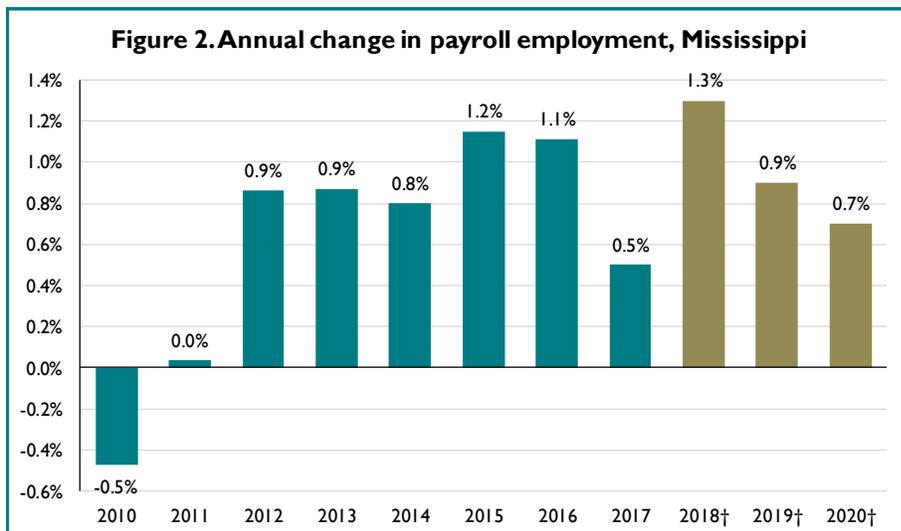
SHORT-TERM FORECASTS

As seen in the first section of Table I on page 3, output in most sectors in Mississippi is projected to expand in 2018. The largest percentage increase in output is forecast for Health Care and Social Assistance, which is expected to grow by 4.2 percent. Output in the Information sector is expected to increase by 4.0 percent, the next largest growth among all sectors. Construction, Manufacturing, Transportation and Utilities, Professional and Business Services, and Educational Services are all projected to expand in output by 3.0 percent or more in 2018. The largest contraction in output forecast for all sectors in 2018 is in Natural Resources and Mining, which is projected to decrease by 9.5 percent. Other Services and Government are also expected to decline in output in 2018.

Information is forecast to experience the largest increase in output among all sectors in the state of 3.3 percent in 2019. No other sectors are projected to increase by 3.0 percent, as the next largest expansion in output of 2.9 percent is forecast for Professional and Business Services. The only sector expected to decline in output in 2019 is Other Services, which is anticipated to decrease 0.1 percent.

Output in Professional and Business Services is projected to expand by 3.3 percent in 2020, the largest growth among all sectors in the state. The next largest increase in output is the 3.0 percent growth forecast for the Information sector. No other sectors are forecast to expand by 3.0 percent or more in 2020. As in 2019, Other Services is projected to decrease 0.3 percent in 2020, the only sector forecast to decline in output. Other Services is the only sector in the state forecast to decline in output in 2018, 2019, and 2020.

Figure 2 above depicts the annual change in payroll employment in Mississippi since 2010, along with the forecasts for 2018 to 2020 as discussed on page 1. The second section of Table I on page 3 lists the forecasts for the change in employment by sector. In 2018, the Professional and Business Services sector is projected to experience the largest increase in employment of 4.9 percent. The next largest increase is the 3.3 percent growth in employment forecast for the Construction industry, followed by the 2.7 percent increase in employment in Finance, Insurance, and Real Estate. The largest decrease in em-



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

ployment among all sectors forecast for 2018 is in Natural Resources and Mining, which is expected to decline by 3.7 percent. The expected decrease in employment in the Information sector of 3.6 percent closely follows. No other sectors in the state are projected to lose jobs in 2018.

As in 2018, Professional and Business Services is projected to experience the largest increase in employment among all industries in the state in 2019. Employment in the sector is expected to grow by 2.5 percent. The next largest increase in employment is expected in Health Care and Social Assistance, which is forecast to grow by 1.5 percent. Finance, Insurance, and Real Estate is projected to grow in employment by 1.1 percent, the only other sector forecast to increase in employment by 1.0 or more in 2019. Educational Services is the only sector in Mississippi forecast to lose jobs in 2019, as employment in the sector is anticipated to fall by 1.6 percent.

Professional and Business Services is once again expected to experience the largest increase in employment among all industries in the state in 2020. Employment in the sector is projected to rise by 2.7 percent. The increase in employment of 2.6 percent in the Construction industry closely follows. Educational Services is again projected to experience the largest decline in employment among all sectors in the state in 2020, as employment in the sector is forecast to fall by 1.4 percent. Employment is forecast to decrease in several sectors in 2020, including Other Services, Wholesale and Retail Trade, and Transportation and Utilities. Notably, Government, the sector that employs the most Mississippians, is expected to add jobs each year 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	4.2	4.2	2.9	4.4	4.4	3.8	4.0	4.1	4.4	4.2
In millions of 2009 dollars	96,824	0.3	1.8	1.7	1.6	1.4	1.6	1.6	1.5	1.7	1.6	1.6	1.7
Natural Resources and Mining	3,187	-5.0	-9.5	1.0	0.3	-0.6	-0.4	1.9	1.4	1.4	-0.1	-0.5	0.5
Contract Construction	3,582	-1.7	3.4	0.8	2.0	2.1	0.1	-0.1	0.5	1.3	1.9	2.6	1.9
Manufacturing	15,411	-0.3	3.3	2.7	2.2	2.1	3.1	2.4	2.3	2.1	2.5	2.5	1.9
Durable Goods	8,831	1.8	4.3	3.6	3.2	4.0	3.7	3.0	3.0	3.1	3.8	3.6	2.8
Nondurable Goods	6,533	-2.9	2.2	1.6	0.9	1.0	2.3	1.5	1.4	1.1	0.8	1.1	0.7
Transportation and Utilities	6,328	2.8	3.2	1.4	0.9	3.0	1.5	0.9	0.5	1.0	1.1	0.8	0.8
Wholesale and Retail Trade	14,028	2.6	2.4	2.1	1.7	2.5	1.7	2.2	1.9	2.3	1.8	1.5	1.6
Information	2,383	0.8	4.0	3.3	3.0	2.6	5.5	2.4	2.7	3.0	2.5	2.9	3.7
Finance, Insurance, and Real Estate	14,050	0.6	2.2	1.8	1.6	2.0	1.3	2.1	1.7	1.7	1.7	1.7	1.6
Professional and Business Services	7,117	0.4	3.1	2.9	3.3	2.2	2.4	2.9	2.9	3.5	3.5	3.7	2.8
Health Care and Social Assistance	7,564	2.9	4.2	2.6	2.0	3.0	2.7	2.9	2.4	1.8	1.7	1.8	2.8
Leisure and Hospitality	4,166	-0.3	0.3	0.7	1.3	-0.1	1.0	1.5	-0.4	0.1	0.7	1.0	2.4
Educational Services	630	1.3	3.0	1.2	0.9	2.7	1.0	0.7	1.3	0.9	1.0	0.1	1.8
Other Services	2,177	0.2	-0.5	-0.1	-0.3	0.2	-0.2	-0.2	-0.4	-0.2	-0.4	-0.4	0.0
Government	16,029	-1.8	-0.3	0.2	0.5	0.1	0.0	-0.4	0.5	0.6	0.5	0.4	1.2
Payroll Employment (thousands)													
Residents†	1,215	0.9	0.4	0.7	0.7	1.3	0.0	0.7	0.3	1.3	1.0	0.6	0.3
Payroll†	1,152	0.5	1.3	0.9	0.7	1.0	0.7	0.7	1.0	0.7	0.7	0.7	1.4
Natural Resources and Mining	7	-0.3	-3.7	0.9	1.0	-2.4	0.0	2.4	2.4	2.4	-1.8	1.2	3.0
Contract Construction	43	-2.8	3.3	0.6	2.6	-5.6	1.3	1.0	1.6	1.8	3.3	2.6	2.2
Manufacturing	144	0.5	0.6	0.9	0.1	-0.6	1.4	1.9	0.8	-0.8	0.8	0.8	-0.3
Durable Goods	95	0.0	-0.3	1.1	0.3	-0.2	1.2	2.3	1.5	-1.0	1.4	0.9	-0.1
Nondurable Goods	49	1.5	2.6	0.4	-0.1	-0.5	1.3	1.3	-0.2	-0.5	0.2	0.2	-0.1
Transportation and Utilities	56	2.2	0.6	0.4	-0.3	0.4	1.6	0.5	0.1	0.6	0.1	-0.5	-0.8
Wholesale and Retail Trade	176	0.2	0.2	0.2	-0.4	0.0	0.2	0.2	0.0	0.2	-0.2	-0.5	-0.9
Information	12	-4.8	-3.6	0.4	0.2	2.5	1.1	0.0	2.5	-1.4	-2.5	0.4	0.7
Finance, Insurance, and Real Estate	44	0.4	2.7	1.1	0.5	4.3	-0.2	1.3	0.7	1.0	1.0	0.8	-0.3
Professional and Business Services	108	0.5	4.9	2.5	2.7	0.0	1.4	3.2	3.1	3.5	3.1	3.1	2.4
Health Care and Social Assistance	132	2.7	1.9	1.5	0.7	0.3	2.1	1.5	2.1	0.9	0.9	0.3	0.0
Leisure and Hospitality	135	1.4	2.0	0.9	1.2	5.3	0.0	1.2	-1.2	0.6	0.6	1.2	2.0
Educational Services	12	3.2	0.5	-1.6	-1.4	-5.5	0.7	-2.0	-1.0	-1.7	-0.3	-3.0	-0.7
Other Services	40	0.3	0.9	0.2	-0.6	1.0	0.5	0.0	-0.5	-0.2	-0.9	-0.6	-0.9
Government	243	-0.6	0.1	0.4	0.9	1.8	-0.2	0.2	0.2	0.7	0.7	1.3	4.2
Unemployment Rate (%)‡	5.1	-0.7	4.7	4.7	4.6	4.8	4.9	4.8	4.7	4.6	4.6	4.5	4.6
Personal Income (millions of current \$)													
Wages and Salaries	48,366	2.2	2.7	3.4	3.8	2.9	3.1	3.4	3.4	3.5	3.5	4.1	4.0
Other Labor Income	11,834	2.6	1.9	3.1	3.4	2.8	2.6	3.4	3.2	3.1	3.3	3.8	3.6
Proprietors' Income	7,391	3.6	13.2	1.1	6.0	-11.0	-2.9	0.2	5.4	5.2	6.6	6.1	4.0
Farm Proprietors	528	45.5	114.0	-18.6	34.7	-101.6	-63.5	-42.2	87.8	-14.7	32.5	40.1	34.1
Non-farm Proprietors	6,863	1.3	5.3	4.2	2.8	5.6	4.7	3.5	3.4	3.8	3.2	3.0	0.1
Property Income	18,045	3.8	3.8	4.0	4.4	2.8	2.5	4.8	4.4	4.8	4.3	4.8	4.6
Transfer Payments	28,632	1.0	2.8	4.1	4.4	3.6	3.1	5.5	4.1	3.8	3.8	5.3	4.0
Less: Social Security Payments	8,302	2.8	3.3	3.4	3.5	3.6	3.4	3.7	2.6	2.8	3.6	3.9	3.8
Plus: Residence Adjustment	3,358	3.0	5.1	5.0	5.2	5.0	4.5	5.1	5.2	5.2	5.4	5.5	5.0
Equals: Total Personal Income	109,324	2.3	3.6	3.6	4.3	1.9	2.6	4.2	3.9	3.9	4.2	4.7	4.4
Less: Individual IRS Collections	7,062	2.1	-0.6	3.1	4.0	1.5	3.1	1.7	4.0	4.0	4.2	3.0	4.8
Less: Individual State and Local Taxes	2,097	2.5	4.3	2.9	4.8	1.8	2.9	4.0	4.2	4.3	4.6	4.9	5.2
Equals: Disposable Personal Income	100,165	2.3	3.8	3.6	4.3	2.0	2.6	4.4	3.9	3.8	4.1	4.8	4.3
Per Capita Personal Income (thousands of \$)	36,630	2.3	3.5	3.4	4.0	1.8	2.5	4.0	3.6	3.6	3.8	4.4	4.1
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	5.3	4.6	4.7	5.4	5.3	4.9	4.8	4.8	4.6	4.3
Gross Domestic Product (billions of 2009 \$)	18,051	2.2	2.9	2.8	2.0	3.4	2.7	2.4	2.6	2.5	2.3	1.9	1.8
GDP Deflator (Nominal GDP ÷ Real GDP × 100)	108	1.9	2.3	2.4	2.6	1.5	2.9	2.9	2.1	2.1	2.8	2.5	2.4
Total Employment, Residents (millions)†	153	1.3	1.5	1.3	1.0	1.0	1.5	1.3	1.3	1.0	1.0	1.3	1.3
Total Payroll Employment (millions)†	147	1.6	1.6	1.4	1.1	1.6	1.6	1.3	1.3	1.3	1.1	1.1	1.6
Unemployment Rate (%)‡	4.4	-10.7	3.9	3.5	3.6	3.9	3.7	3.6	3.6	3.5	3.5	3.5	3.5
Personal Income (billions of current \$)	16,831	4.4	4.5	4.7	4.8	4.0	3.6	5.3	4.8	4.9	4.9	5.2	4.6
Per Capita Personal Income (thousands of \$)	52	3.6	3.7	3.9	4.1	3.0	3.0	4.4	4.4	4.3	3.6	5.0	3.5
Consumer Price Index (1982-84 = 100)	245.0	2.1	2.4	2.4	2.7	3.2	3.2	3.1	1.6	1.6	3.1	3.1	1.5
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

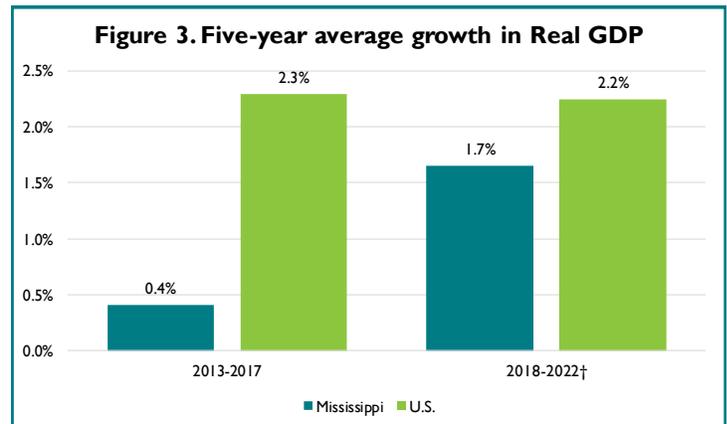
†Seasonally-adjusted. ‡Projected rates. Sources: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis (levels), and URC (forecasts).

MISSISSIPPI ECONOMIC OUTLOOK

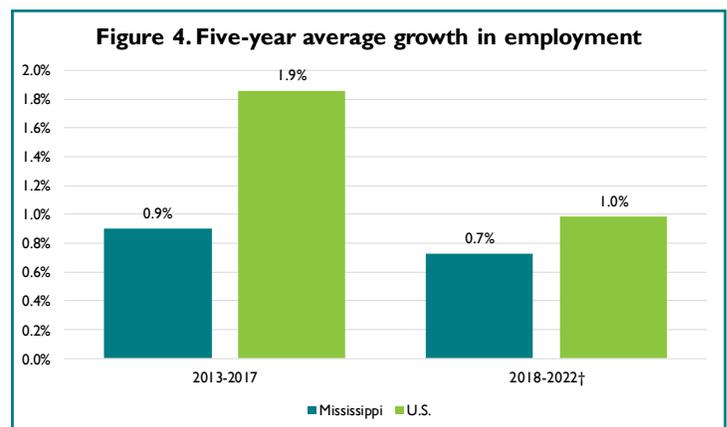
FIVE-YEAR FORECASTS

The forecasts for five-year average annual growth in real GDP are largely unchanged from the previous quarter as Figure 3 indicates. The Mississippi forecast is unchanged. Real GDP in Mississippi is expected to grow an average of 1.7 percent annually from 2018 to 2022, the same as the forecast of the previous quarter. If realized this forecast 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 2.2 percent from 2018 to 2022, a decrease of 0.1 percentage point from the forecast of the previous quarter.

The forecasts of average annual employment growth over the next five years as seen in Figure 4 are largely unchanged from the previous quarter as well. Employment in Mississippi is projected to grow an average of 0.7 percent per year from 2018 to 2022, a decrease of 0.1 percentage point from the forecast of the previous quarter. If realized this forecast represents a decrease of 0.2 percentage point from the average annual increase of the previous five years. The forecast for U.S. employment is unchanged from the previous quarter. Employment is projected to grow an average of 1.0 percent per year from 2018 to 2022. This rate is 0.9 percentage point less compared to the average annual growth from 2013 to 2017. The U.S. economy is expected to add jobs at a slower rate as it approaches full employment.



†Projected. Sources: Bureau of Economic Analysis; URC



†Projected. Sources: Bureau of Labor Statistics; URC

ALTERNATIVE FORECASTS

IHS Markit sets the probability of a recession in the next two years at 25 percent, up from 20 percent in the forecast of the previous quarter. Under this scenario, the firm expects the current economic expansion to set a record of 123 months. A general loss of confidence and less tolerance for risk lead to decreases in investment and consumer spending. U.S. housing prices fall under this scenario and confidence drops as well. A decline in business investment becomes widespread under this scenario as firms feel apprehensive. The pessimistic scenario generates a recession for three quarters beginning in 2019. Compared to the baseline forecast average growth in U.S. real GDP over the next five years is slightly more than 0.6 percentage point less per year under the pessimistic scenario, as real GDP for 2020 contracts from the previous year. Employment growth is almost 0.5 percentage point less per year from 2018-2022. The impacts to the Mississippi economy under the pessimistic scenario relative to the baseline forecast are not as severe compared to the U.S., as real GDP is an average of approximately 0.2 percentage point less per year. Employment in the state is also an average of 0.2 percentage point less per year under this scenario.

As in the previous quarter IHS Markit maintains the probability of its optimistic scenario at 15 percent. This scenario assumes an increase in productivity growth and a higher neutral federal funds rate. Under the optimistic scenario U.S. real GDP grows an average of over 0.7 percentage point more per year from 2018 to 2022 compared to the baseline forecast. Under the optimistic scenario compared to the baseline forecast the rate of employment growth is an average of just over 0.1 percentage point more per year over the next five years. The benefits to the Mississippi economy under the optimistic scenario are relatively small compared 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. Payroll employment growth is the same under the optimistic scenario as it is under the baseline forecast, increasing an average of 0.7 percent per year over the next five years.