Economic Outlook

Presented to the House Appropriations Committee

February 4, 2016
Mississippi University Research Center
Mississippi Institutions of Higher Learning
Darrin Webb, State Economist
dwebb@mississippi.edu
(601)432-6556
Growth In Real US GDP

Historical and IHS Global Insight Baseline Projections

February 2016

MS University Research Center, IHL
Growth In Real MS GDP

Historical and University Research Center Projections

February 2016

MS University Research Center, IHL
The MFG Index was 48.2 in December, the lowest level since mid 2009. The Non-MFG Index remains strong.
US Jobs Added By Month

Job Growth has improved in recent years & ended 2015 on a strong note.

Average Monthly Gain By Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>166,000</td>
<td>188,000</td>
<td>225,000</td>
<td>330,000</td>
<td>260,000</td>
<td>249,000</td>
<td>213,000</td>
<td>250,000</td>
<td>221,000</td>
<td>423,000</td>
<td>329,000</td>
<td>266,000</td>
</tr>
<tr>
<td>1990</td>
<td>259,667</td>
<td>220,833</td>
<td>234,667</td>
<td>320,917</td>
<td>180,000</td>
<td>235,333</td>
<td>284,000</td>
<td>253,917</td>
<td>264,750</td>
<td>162,083</td>
<td>145,000</td>
<td>253,917</td>
</tr>
<tr>
<td>2000</td>
<td>88,833</td>
<td>173,333</td>
<td>188,083</td>
<td>199,000</td>
<td>259,667</td>
<td>220,833</td>
<td>319,000</td>
<td>342,000</td>
<td>364,000</td>
<td>500,000</td>
<td>200,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Job Growth has improved in recent years & ended 2015 on a strong note.

February 2016

MS University Research Center, IHL
U.S. Employment Cost Index

Wage and Salaries for All Civilian Workers
Growth Over The Prior Year by Quarter

Despite gains in 2014 and 2015 we continue to have below “normal” wage growth.
The Mississippi Index of Coincident Indicators reflects economic conditions existing in a given month. The index is constructed by the Federal Reserve Bank of Philadelphia and re-indexed to 2004. The Index is based on changes in nonfarm employment, the unemployment rate, average manufacturing workweek length and wage and salary disbursements.

The MSCI showed tremendous upward momentum in 2015. This is largely due to a falling unemployment rate. Due to limitations in the unemployment rate, this index exaggerates the improvement in the MS economy.
Unemployment Rate
(2014Q4-2015Q3 Average)

<table>
<thead>
<tr>
<th></th>
<th>MS</th>
<th>SE (Exc. MS)</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>U-6: With All Marginally Attached Workers and Those Working Part-Time for Economic Reasons</td>
<td>12.3%</td>
<td>11.4%</td>
<td>10.8%</td>
</tr>
<tr>
<td>U-5: With Discouraged workers and Other Marginally Attached Workers</td>
<td>6.5%</td>
<td>6.0%</td>
<td>5.4%</td>
</tr>
<tr>
<td>U-4: With Discouraged Workers</td>
<td>4.3%</td>
<td>4.1%</td>
<td>4.1%</td>
</tr>
<tr>
<td>U-3: Unemployment Rate</td>
<td>0.9%</td>
<td>0.7%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

February 2016
MS Unemployment Rates
4-Qtr Moving Average

Gap Between U-6 and U-3  U-3  U-4  U-5  U-6

February 2016  MS University Research Center, IHL
Workforce Participation Rate
Percentage of Civilian Population 16 Yrs. And Over in the Labor Force
Generally speaking, Mississippi was not hit as hard in the recession as other states. However, the state’s recovery has been much slower.
The Mississippi Index of Leading Indicators reflects economic conditions expected for the coming months. The index is constructed by the University Research Center and indexed to 2004. There are 8 components of the Index: MS Initial Unemployment Claims; MS Income Tax Withholdings; MS Value of Residential Building Permits; MS MFG Employment Intensity Index, MS Diesel Fuel Consumption Index; ISM Index of US MFG Activity; US Consumer Expectations Index and US Retail Sales.

The MSLI showed very little upward momentum in late 2015.
Despite growing since 2010, employment remains almost 27 thousand jobs below the pre-recession peak. Annual Job growth has been fairly stable between 0.7% and 0.9% for the past four years.
Where are the Jobs?

Mississippi added an average 10,075 jobs in 2015 over 2014
Employment Gained (Lost) By County, 2014-2015

Mississippi Added 10,200 (0.9%)
MS MFG has proven to be fairly resilient in recent years. After years of decline employment increased in 2014 and 2015. Hours worked have been at a relatively high level as well. We are however beginning to feel the US slowdown.
We finally began to see some upward momentum in 2015. Annual average for 2015 was 565 Units, the highest since 2008. Graph may understate improvement as permits are not required in the county.
Year-Over-Year Growth in Real Personal Income Less Transfer Payments: Mississippi

by Quarter

Declines are characteristic of recessions. The series showed weakness in 2013 and 2014, but has been positive for four consecutive quarters.
MS Withholdings Y/Y Growth By QTR
(Not Adjusted for Inflation)
MS Sales Tax Transfers to the GF

Y/Y Growth By QTR (Not Adjusted for Inflation)
## Economic Outlook of Key Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS Real GDP</td>
<td>0.0%</td>
<td>1.0%</td>
<td>2.2%</td>
<td>2.2%</td>
</tr>
<tr>
<td>US Real GDP</td>
<td>2.4%</td>
<td>2.4%</td>
<td>2.7%</td>
<td>2.9%</td>
</tr>
<tr>
<td>MS Employment (Est. Based)</td>
<td>0.7%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>US Employment (Est. Based)</td>
<td>1.9%</td>
<td>2.1%</td>
<td>1.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>MS Real Total Personal Income</td>
<td>1.6%</td>
<td>2.7%</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>US Real Total Personal Income</td>
<td>3.0%</td>
<td>4.2%</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>US Inflation as measured by CPI</td>
<td>1.6%</td>
<td>0.1%</td>
<td>1.2%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Excluding Food &amp; Energy</td>
<td>1.7%</td>
<td>1.8%</td>
<td>1.9%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>