Mississippi Economic Review and Outlook

Dear Readers,

Great civilizations of the past flourished or failed based on their environment: the fertility of their land, their access to water and to other natural resources. Economic development today usually depends less on a region's natural resource base than on its people. Educated and enterprising people one day may even create a prosperous enclave on Mars. This is not to deny the importance of the environment. On the contrary, environmental issues are of increasing importance. On Mars, of course, careful attention to ecosystems will be basic to survival. While the environment on earth is suited to us humans, the protection of ecosystems, while simpler, is also vital.

Today's environmental issues are more urgent than those of our ancestors. This *Review* looks at some of these issues in the state, focusing on what is required to protect ecosystems so that future generations can meet their needs and enjoy a standard of living at least comparable to that of their parents. The goal, in brief, is that of sustainable economic development, or sustainability.

Planning for sustainability involves translating scientific information on the environment into information on the economic costs and benefits of decisions impacting ecosystems. This is a task that is only beginning to be done, whether at the local, national or global levels. This *Review* concentrates on presenting the data and information that are available – information on the services of ecosystems and on the effects of damages to those systems. Unfortunately, this information does not translate easily into dollar estimates of benefits and costs. It is, however, background information vital to economic decisionmaking and we are careful to place environmental issues in their economic context. It is hoped that this special issue will stimulate interest on the economics of the environmental policy choices facing us -- policy decisions that will have a major impact on the future of the state.

Comments and feedback on this special issue are welcomed, and may be published as letters to the editor. To subscribe to this *Review*, see the form on the next page. National projections are based on the forecast of Global Insight, Inc. As always, the views expressed in the *Review* are those of the authors and do not necessarily represent the official position of the Center for Policy Research and Planning or the Mississippi Institutions of Higher Learning.

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NATIONAL ECONOMIC OUTLOOK:
LABOR MARKET PICKS UP – JUST IN TIME

● **Finally, employment is picking up. There were 360,000 more persons on U.S. payrolls in the first quarter (Q1) of 2004 than in the previous quarter. Including April, payroll employment has now increased for six consecutive months.**

● **The recovery in the labor market will bolster wages and push up consumer demand, just as federal and state governments slow their rates of spending.**

● **On the down side, rising oil prices are pushing up energy and transportation costs, and threaten to increase overall rates of inflation, which would lead to higher interest rates. High demand, stagnant refinery capacity and a jittery market are behind the higher prices.**

● **The rate of inflation remains below 3%, but increasing pressures on prices this summer are likely to convince the Federal Reserve to hike the federal funds rate by 0.25. The rising federal deficit, fueled by the U.S. military presence in Iraq, is another factor contributing to the potential for higher interest rates.**

● **The world economy is picking up steam. A growth rate of 3.9% is expected this year, led by a 6.5% increase in Asia (excluding Japan). Although U.S. imports continue to exceed exports, export growth has begun to outpace the increase in imports.**

The national economy is in high gear, with output growing a revised 4.2% in the first quarter (Q1). Investment, the prime culprit behind the initial downturn in 2001, posted double-digit growth in Q3 and Q4 of 2003, and a respectable 7.0% increase in Q1 of this year. The stock market had a bullish first quarter, following strong corporate profits in Q3 and Q4 of 2003.

The labor market is finally showing some strength. There were 360,000 more persons on payrolls in Q1 of 2004 than in the previous quarter. Including April, payroll employment has now increased for six consecutive months, ending a decline that lasted over two years.

However, two years into the recovery, the labor market still has a way to go: there were 2.2 million fewer persons on payrolls in Q1 2004 than in Q1 of 2001. The number of those unemployed but actively seeking work is higher: 8.2 million in April of 2004 versus 6.4 million in April of 2001. The number of those who want work but are not actively applying for jobs is also higher.

Rising Employment Welcome News

The slow growth of employment has meant a slow growth of wages and salaries paid. This has been a cause of concern for analysts, who worry that consumer demand could flag and stall the economy. **Consumer spending** accounts for over two-thirds of total expenditures, and any slowdown would be clearly felt. Table 1 shows the recent and forecast spending rates for the four components of demand. Consumer expenditures grew

3.7% in the first quarter, up from an average annual growth rate of 3.1% in 2003. This increase was critical to the GDP growth rate achieved: government purchases grew a modest 2.0% due to a drop in state and local government spending, and net exports improved little. The 7.0% increase in investment spending was the strongest growth rate among the four components of demand; without it, GDP growth would have been below 3.0%.

Increasing wages are expected to fuel a 4.0% increase in consumer spending in Q2 and a 3.4% increase in Q3. Federal spending, Congress works to reduce the federal deficit, which will hit $462 billion this year. While state and local government spending has again been increasing, the rate of growth will be modest for a while. Investment spending is peaking, and will moderate considerably in 2005 as residential investment drops.

The improved outlook for labor, then, comes at a good time. Much of the increase in consumer spending since 2001 has been financed by rising levels of consumer debt. Total wages and salaries paid in Q1 of 2004 were 0.6% lower than in the first quarter of 2001, if measured in constant dollars, while consumer credit outstanding was 17% higher.

High productivity growth has made possible the rapid growth of output, with only modest increases in employment. The 4.9% increase in productivity recorded in 2002 was the highest in 50 years. A gap between the growth rates of corporate income and wage and salary income has been the result. In constant dollars, before-tax corporate profits rose 17%, and after-tax profits 25%, between 2001 Q1 and 2004 Q1, while wage and salary ompensation fell slightly. Over the next four quarters, profits are again expected to outpace wage and salary increases, but wage gains will move ahead of advances in productivity.

Outsourcing and Insourcing of Jobs

In addition to productivity growth, the outsourcing of jobs has often been cited as one of the reasons behind the slow growth of jobs before this year. The **outsourcing** of jobs has indeed hurt job growth, but newly released data from the U.S. Commerce Department show that outsourcing only accounts for a small part of recent job loss. Between 2000 and 2002, U.S. multinational parent companies cut 1.5 million jobs at home. At the same time, they added 62,000 jobs, net, in their foreign affiliates, which amounts to about 4% of the decline in parent company employment.

Insourcing -- jobs brought to the U.S. by foreign companies -- has the potential to offset some of the job loss due to outsourcing, but this has not happened in recent years. The number of persons employed by foreign affiliates in the U.S. fell 0.7% in 2001, and by 3.0% in 2002, after rising steadily from 1992 to 2000. At the same time, U.S. corporations did add jobs abroad, making the U.S. a net job exporter over the two-year period.

Other Trends in Demand

The world economy is picking up steam, which will increase demand for U.S. exports and so help the U.S. economy. A growth rate of 3.9% is expected this year for the global economy, led by a 6.5% increase in Asia (excluding Japan). Although U.S. imports will continue to exceed exports for the foreseeable future, the trade gap will gradually narrow as export growth outpaces the increase in imports.

Housing starts have remained strong in the first half of this year, but will gradually slow as interest rates rise. Industrial production is expected to continue its rapid growth in response to high domestic and foreign demand, and the stock market will remain on an upward path. .

Oil Prices Threaten Inflation

Rising oil prices are pushing up energy and transportation costs, and threaten to increase overall rates of inflation, which would lead to higher interest rates. High demand, stagnant refinery capacity and a jittery market are behind the higher prices. The average price of gasoline in the U.S. shot to over $2 per gallon in May, and countries around the globe are expressing their concern that high prices of crude could derail their fledgling recoveries. Although OPEC has produced above its announced quotas, worries about instability in the Middle East and high global demand have combined with a lack of refining capacity in the U.S. to drive prices up. (U.S. refinery capacity has remained virtually unchanged for 20 years.) Barring any deterioration of the situation in the Middle East, oil prices are expected to gradually decline over the rest of the year from the peak in Q2. Table 2 presents the forecast of crude oil prices.

Consumer and Producer Prices

The consumer price index (CPI) is showing the effects of higher energy costs. While the core CPI, which excludes food and energy costs, increased at the low average annual rate of 1.8% in Q1, the overall rate of increase was 3.5%. A 2.2% rise in consumer prices is forecast for 2004 as a whole.

Producer prices of finished goods, which increased 3.2% last year, were fairly stable in the first quarter. The recent spike in commodity prices is reversing, and food prices are leveling off. A modest rise of 2.6% is expected for the year, with the rate of increase even lower in 2005, as world industrial production expands.

Despite some increase in inflationary pressures as the economy picks up steam, the overall rate of inflation should remain under 2.5% this year, whether measured by the CPI or the GDP deflator -- hardly a cause for alarm. This prediction rests on gradually declining oil prices, beginning this summer. Some increase in the federal funds rate is expected, however. The Federal Reserve Board is likely to hike this rate by 0.25 this summer, to rein in any “over-exuberance” on the part of borrowers.

On the Horizon

By fall, interest rates will be rising, tax rates will have stabilized after a series of cuts, and spending by the federal government will slow. Increasing employment levels, however, will lead to restoring state funding cuts, as shown in Table 1. Nonresidential construction is expected to pick up as residential activity declines in 2005.

Global Insights predicts another year of near-20% growth in **corporate** profits in 2004, with book profits soaring in 2005 due to the sharp reduction in tax depreciation. By 2007, however, the increase in the federal deficit will mean higher federal personal taxes, and the pace of the world economy will slow, reducing the growth rate of net exports. U.S. growth rates will drop to the more moderate 2.5% - 3.0% range, according to Global Insight.

Baseline and Alternative Forecasts

Real gross domestic product (GDP) will climb an estimated 4.8% in 2004, the highest rate in over a decade. The pace will moderate somewhat in 2005, dropping to a 3.6% rate of growth, with a similar growth rate anticipated in 2006. Despite robust economic activity, inflation will remain low, given ample industrial capacity, high productivity, and cautious monetary policies.

Rising employment levels will bring the unemployment rate down, and will enable increases in personal income of 5% or more from 2004 to 2006. The rate of increase in payroll employment will go from 1.0% this year to 1.9% in 2005, and then decline to 1.7% in 2006. Job growth will be most rapid in business and professional services, while manufacturing will at least show positive growth.

Two **alternative forecasts** are offered by Global Insight. Under the baseline forecast, is that the rapid growth of GDP in the first quarter accelerates in the spring and summer before gradually settling into an average annual rate of about 3.5% in mid-2005. Under the optimistic scenario, with a probability of 20%, high growth rates persist throughout the year, and only begin to taper off to a more sustainable rate in 2005. The pessimistic alternative, assigned a 25% probability, shows growth rates dropping before the end of the summer, and the economy slowing to a near halt by mid-2005.

The **optimistic alternative** is based on an unexpectedly high growth rate of productivity and a strong world economy. Productivity growth in 2002 was 4.9%, and a rate of 4% or more is not out of the question. High productivity enables higher wages and employment, and profits, even with only a moderate increase in demand. A strong world economy would boost U.S. exports as well in this scenario.

The slightly more probable pessimistic alternative is based on the assumption that a growing federal deficit and inflationary pressures push up interest rates, resulting in a slump in the housing market and a slowdown of investment. A continuing rise in gasoline and commodity prices would drive up costs, forcing businesses to hold down expenses through cutting labor costs. A slowdown in the labor market would in turn negatively affect consumption. A worsening of the situation in Iraq and the Middle East could be the trigger for this pessimistic scenario, through the effect on oil prices and the deficit.

Written by Marianne Hill, with input from members of the Center of Policy Research and Planning.

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MISSISSIPPI ECONOMIC OUTLOOK:
SLOW BUT STEADY PROGRESS

● Payroll employment in the state in the first quarter (Q1) was not much higher than in Q1 a year ago. The trend, however, has been upward. Since October, the total number employed has been above that of the same month of the previous year. The unemployment rate has been lower than in the previous year since August.

● Employment growth has been concentrated in the services-producing industries, with the greatest number of new jobs in the government sector. Manufacturing and construction employment were lower in Q1 of this year than in Q1 of 2003, although the number of manufacturing jobs has been slowly increasing.

● High gasoline prices contributed to the drop in employment in transportation services; other sectors as well have been hurt by the record prices. The average price of a gallon of regular in Mississippi was $1.94 as of May 25 (the national average was $2.05).

● Total Tax Commission collections this fiscal year through May were $3.2 billion, or $154 million higher than the total for last year over the same period. Even with the 5.1% growth of revenues, the squeeze on the state budget continues. ● A drop in consumer confidence in the first quarter can be linked to consumer anxieties, which were fueled by news reports of possible cuts in school funding and stories on the situation in Iraq. Business confidence dipped only slightly.

The long-awaited recovery in the U.S. labor market and the upturn in U.S. industrial production have begun to energize the state's economy. Some telling employment numbers were reported in April for Mississippi: employment in durables manufacturing was 3,700 higher in April than a year ago, an increase of 3.3%, and business and professional services employment was up 2,800 jobs, an increase of 3.6%. Initial unemployment claims were down 25% in March compared to the same month in 2003, and residential building permits were 24% higher.

As heartening as these numbers are, the structure of the state economy will make it difficult for the growth rate here to reach the national average. The relatively small base in high-growth, high-skill businesses, along with the heavy reliance on the government sector, places the state at a disadvantage. In addition, for a while at least, the high cost of gasoline will adversely impact the tourism and transportation sectors. Nonetheless, a significant upswing in employment and output appears to be underway.

Payroll employment in the state has been trending upward, with employment levels above those of the same month of the previous year since October. The gradually improving employment level in manufacturing, a critical sector in the state, is especially welcome news Figures available as the *Review* goes to press show continued improvement. Builders continue to take advantage of low interest rates, with the value of residential building permits above levels of a year ago General Fund Revenues have gradually been improving Personal income tax revenues were 3.7% ahead of FY2003 collections (as of

May 31), while sales tax revenues were essentially the same. However, total collections for April and May (not shown)were strong, with revenues in May up 9% compared to May of 2003. Overall, Tax Commission collections have grown 5.1% this fiscal year.

Retail sales have been somewhat sluggish, though they have been above year ago levels for several months. Since there has been little increase in wage and salary income, much of consumer expenditures have been financed by increasing debt levels. Some consumer constraint, accordingly, is to be expected.

Gaming revenues, both on the Coast and on the Mississippi River, have been significantly above levels of a year ago in Q1 Revenues in Q2 are likely to be affected by higher travel expenses due to the higher cost of gasoline.

Employment Trends by Sector

Total payroll employment in the state in the first quarter (Q1) was not much higher than in Q1 a year ago. The trend, however, has been positive: since October, employment levels have been above those of the same month of the previous year. The unemployment rate as well has been lower since August, averaging 5.5% in the first quarter, compared to 6.8% in Q1 of 2003. In March and April, the unemployment rate was down to 4.6%, a full percentage point lower than the national rate of unemployment, which was 5.6% in April.

Transportation equipment showed the strongest growth rate at 16%. Though most of the 3,800 new jobs in this industry are linked to the new Nissan auto plant and its suppliers, the ship and boat building group in this industry added 1,500 jobs. The greatest job loss was in **construction**, with 2,600 fewer persons employed, for a drop of 5%.

The **service sector** is the largest sector of the state economy, providing 31% of total wage and salary employment. Government employs 21%, manufacturing 16%, and retail & wholesale trade 16%. All of these sectors, except manufacturing, had more persons employed in Q1 of 2004 than in Q1 of 2003. Among the **service** industries, the growth of professional and business services at 3.8%, and of real estate, rental and leasing at 3.4%, stand out. The added jobs in these industries are linked to improved levels of business activity. The increase of 2,400 in health care and social assistance employment continues the strong job growth expected in this area as the population ages.

The loss of 800 jobs in the **information services**, representing a drop of 5%, is a considerably steeper drop than the 0.2% drop for the U.S. as a whole.

Transportation, warehousing and utilities also lost jobs, with 2,100 fewer persons employed in Q1 of 2004 than in Q1 a year ago, while the national trend has been slowly upward. **Trucking**, a key part of this industry in the state, has been hurt by the high gasoline prices. The average price of a gallon of regular here was $1.94 as of May 25 (the national average was $2.05). The relatively slow growth of employment in leisure and hospitality services is related to shaky consumer confidence, slow growth of income, and gasoline prices. Wholesale trade payrolls were up 4%, while retail trade payrolls remained largely unchanged in comparison to Q1 of 2003.

Employment in government grew a surprisingly strong 1.9%. State government employed 1,000 more persons and local government 3,700 more persons in Q1 of this year than in Q1 of 2003. These new jobs were largely in education, and jobs on the Choctaw reservations are included. Nonetheless, the size of the increase is difficult to square with the pressures on the state budget, which have resulted in hiring freezes in several agencies. This rate of increase is not expected to continue.

Manufacturing Gradually Improving

U.S. industrial production has increased for three quarters, in response to growing business and export demand. Nationally, manufacturing employment increased in March and April, the first upturn since 2000. In Mississippi, these positive trends translated into an increase of 0.3% in durables employment in Q1 of 2004 over Q1 of 2003. Employment in nondurable goods was down 4.7%.

Within **durables**, employment in furniture is adding jobs as consumer demand for home furnishings rises in conjunction with the strong housing market. The sharp increase in transportation equipment employment was mentioned earlier. The other durable goods industries, including wood products, machinery, and fabricated metal, posted lower employment levels than a year ago, but the trend since January has been positive.

The only **nondurables** industry to employ more persons in Q1 of 2004 than a year ago was food manufacturing. Employment levels in plastics & rubber, chemicals, paper and apparel were all down. The number of jobs in apparel continues to slide slowly, but jobs in plastics & rubber appear to be increasing in recent months.

Confidence Wavered in Spring

Consumer anxieties related to such news as possible cuts in school budgets and the situation in Iraq contributed to a drop in consumer confidence in the first quarter. Business confidence dipped only slightly, however. Most executives surveyed thought that conditions would improve over the next six months for the state as a whole, in contrast to consumers, who did not voice much optimism for improvement.

Total Tax Commission collections this fiscal year through May were $3.19 billion, adjusted for accelerated collections last summer, or $154 million over the $3.04 billion collected last year over the same period. Even with this 5.1% increase in revenues, the highest increase in five years, the squeeze on the state budget continues, due to the fiscal pressures built up during recent years.

Regional Trends

Employment recovery in the central U.S. has been lagging that of the country as a whole, while growth along the coasts is accelerating. Nonetheless, Global Insight predicts that employment growth in the four state South East Central (SEC) region will exceed the U.S. average over the 2003-2005 period, and that Mississippi in particular will exceed the U.S. average growth rate in 2004, though not in 2005. (The other states in the region are Alabama, Kentucky and Tennessee.) The turnaround will come as industrial production picks up, with the automobile industry having significant ripple effects in the region. The housing market in the region has also been strong, and demand will remain high as employment improves. The transportation/communications/ utilities sector will benefit as well from these positive trends.

Increasing **incomes** in the region are strengthening demand. Nationally, Q3 of 2003 was the first time in more than two years that wage and salary earnings increased in all private, nonagricultural industries. The 4.1% increase in regional per capita income in Q4 of 2003 was the second highest of the nine census divisions, although the region is expected to slip back towards the bottom in rankings of income growth as wage and salary employment picks up.

A growth rate of 3.7% is predicted for the U.S. aggregate of gross state products (GSP) from 2004-2006, with a rate of 3.4% predicted for the South East Central region, and for Mississippi as well. Employment growth is forecast to be 1.7% for the U.S. and for the SEC region, with a 1.3% increase predicted for the state. The other southern regions are predicted to have even high growth rates of real GSP and employment on average.

By contrast, the Economic Forecasting Center of Georgia State University (GSU) is more circumspect in its predictions, with the 2004 growth rates for its 13-state southern region expected to be about 2.4% for real GSP and 1.0% for payroll employment. Employment growth is expected to reach 1.4% in 2005. The Center's April report makes no prediction for GSP growth in 2005, but a 3.4% growth rate of real GSP would be in line with its employment forecast, however.

The Center's projected growth rate of payroll employment for Mississippi is 0.6% in 2004 and 0.7% in 2005. The growth rate of real GSP this year is projected to be 1.8%, notably lower than the Global Insight projection.

The Center's guarded forecast for the region is due to its concerns regarding **job growth**. It mentions recent high productivity growth, which has reduced the demand for labor, the outsourcing of jobs, and lagging state revenues which have hurt government spending. The GSU report worries that outsourcing policies and practices, a response to competitive pressures, pose a threat to U.S. labor, including to workers in high wage manufacturing and in service occupations.

It singles out slow sales tax collections which have been adversely affected by **ecommerce**. "E-commerce takes a large chunk out of state sales tax revenue, since online retailers are not required to collect sales taxes on behalf of states where they have no legal physical presence," notes the Center's Report. In 2003, seven out of 13 states in the region experienced negative sales tax growth. In 2002, the number was eight. The declining **sales tax revenues** force states to respond through trimming budgets, which in turn may dampen employment gains.

The forecast of the Mississippi Center for Policy Research and Planning, given below, matches the GSU employment forecast for Mississippi in 2004, but is more optimistic about the growth rate of GSP for the state based on recent **productivity** trends here. The Mississippi forecast, however, incorporates a lower growth rate of productivity than that of Global Insight for the 2004-2006 period: while the employment forecasts are similar, the growth rate of GSP is expected to be 2.7% in the Mississippi forecast, compared to the 3.4% rate predicted by Global Insight.

State Economic Forecast for 2004-2006

The 2.4% growth rate of real gross state product forecast for 2004, while modest, is a significant improvement over the estimated growth rate of 1.2% in 2003. The increased pace is tied to the improved U.S. economy, and especially to the positive trend in U.S. industrial output. The growth rate in 2005 and 2006 will be even higher, as gains in employment add momentum. See Table 2.

Payroll employment in the state will grow about 0.6% this year, rising to 1.3% in 2005 and 1.2% in 2006. The unemployment rate will fall this year as well, despite expected increases in the labor force as improved job prospects attract discouraged workers back to the labor market. An unemployment rate of 5.6% is forecast for 2004 and 2005, falling to 5.5% in 2006.

Rising **personal incomes** will accompany the tightening of the labor market. Total personal income is expected to increase 4.1% in 2004, 4.4% in 2005, and 4.9% by 2006. After this year, total wages and salaries paid will rise at an annual rate of over 4.0%, at least until 2009, although the gain in 2004 will be a moderate 3.2%. The growth rate of transfer payments will slow in 2004 and 2005 as unemployment and welfare rolls shrink. The rate of **inflation**, as measured by the consumer price index for the South, will reach 2.3% in 2004, due largely to higher energy prices. Oil prices will begin to fall during the summer, and, by 2005, the increase in consumer prices will be down to about 1.9%. A similar rate of inflation is likely in 2006.

The growth rates of employment and output in the state will be lower than for the U.S. as a whole. The disproportionate dependence of the state on the government and manufacturing sectors, which are adding jobs more slowly than other sectors, helps to explain the slower growth of employment here: 37% of Mississippi's workforce is employed by either the government sector (21%) or the manufacturing sector (16%). For the U.S., the percentages are 17% in government and 11% in manufacturing, for a total of 27%. In addition, industries which require high-skilled workers are expected to be the pace-setters in the labor market as demand picks up steam. Mississippi's base in these industries is smaller, which will tend to slow the overall increase in jobs, and in personal income.

The slower growth of output here compared to the U.S. is due in part to the slower growth of employment, but the **distribution of industries** here is also important. The relatively high concentration in manufacturing has a positive impact on the state's productivity level, but the concentration in leisure and recreation, and other lower-wage industries tends to have the opposite effect. Overall, output per worker, a loose measure of productivity, is $83,200 for the U.S., compared to $52,700 for Mississippi, in 2000 dollars. As the five-year forecast below shows, employment gains are expected to be greatest in services and government, whose productivity levels, although they are rising, remain below the state average. Thus, the productivity gap with the U.S. is expected to continue, and may even widen.

Five-Year Trends

The gap between the growth rates of the U.S. and Mississippi economies is forecast to narrow over the 2004-2009 period. As the recovery takes hold in the state, the growth rate of GSP will more than double, rising from an average annual rate of 1.0% over the 1998-2003 period to 2.7% over the coming five years. See Figure 2. The improvement in employment will be just as dramatic, increasing from an average annual drop of 0.3% to an average annual rise of 1.1%.

While the U.S. will also experience more rapid growth of output and employment over the coming period, the change will not be as marked. The recession had a greater impact on Mississippi than on the rest of the nation because of the state's heavy reliance on manufacturing and lower-skill manufacturing in particular. The return of the state to its long-run growth path constitutes a steep climb, even though this growth rate lies somewhat below the nation's.

Trends in **individual sectors** in the state are indicated in Figure 4, which shows the average annual growth of rates of employment by sector. The outlook for manufacturing and mining has improved slightly since the December forecast, while recent numbers on trade and on transportation/communications/utilities (TCU) have resulted in a slight drop in the growth rates forecast for those sectors.

When the growth rates of employment by sector predicted for the state are compared to those forecast for the U.S., there is a striking difference in the growth rates of **construction employment**. During the1990s, this sector was booming in Mississippi: from 1995-2000, jobs in construction grew at an average annual rate of 4.2%. The number of persons employed in construction in thestate peaked in 1999, fell slightly in 2000, and dropped sharply in 2001 and 2003 with a brief recovery in 2002. So far in 2004, employment is again down.

Residential building appears to be strong, however, based on trends in permits. The drop in construction employment in the first half of 2004 is likely linked to the slowdown of construction by the **gaming and hospitality** industries. This slowdown, along with the squeeze on public sector construction due to the tight state budget, accounts for the lower growth rates forecast for the coming five years. Overall, however, a positive increase in construction employment averaging 1.0% annually is expected. This growth will bring the state near, if somewhat below, the historical high of 1999. The growth rate forecast for the U.S., however, is a stronger 2.1%.

Written by Marianne Hill, with input from members of the Center for Policy Research and Planning.

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HIGHLIGHTS FROM RECENT NEWS ON MISSISSIPPI'S ECONOMY

See the website of the Mississippi Development Authority, www.mississippi.org, for more information about recent economic developments in the state, or contact Scott Hamilton, Communications Division, at 359-3041.

New Businesses and Expanded Facilities

Investments in new and expanded facilities of **$650 million** have been announced for the January through April period of 2004. Although this amount represents about half the total for the same period in 2003, the number of facilities and the estimated number of new jobs are both greater. This year, the facilities announced are expected to provide 3,195 jobs – a 36% increase compared to last year's total for the same period.

The two largest investments, at $70 million and $65.6 million, will be in **shopping centers**, namely, Lakeland Commons and Dogwood Promenade, both in Rankin County. The largest manufacturing investments announced were a $50.8 million plant for Trex Company, DeSoto County, which will produce plastic products, and a $38 million facility for EI Dupont DeNemours & Co., Harrison County, which will produce inorganic pigments.

The **top jobs creator** among the investments listed was the $35 million facility that Textron Fastening System will construct in Washington County. It is expected to provide 500 jobs. Other investments include $18 million by Rolls Royce Naval Marine, in Jackson County, and $9.5 million by Biodiesel of Mississippi, in Quitman County.

Mississippi Moves

The Atlanta Braves will move its **Double-A franchise** to Pearl, Mississippi, beginning with the 2005 season. The team will be known as the "Mississippi Braves". The Atlanta Braves has been Major League Baseball's "winningest" franchise since 1991, earning a record 12 consecutive division championships, five National League pennants, and a World Series title. The Braves are a division of Turner Broadcasting System, Inc. VT Halter Marine Inc., a subsidiary of Vision Technologies Systems Inc., will relocate its **corporate office** to its Pascagoula Operations location in Jackson County as of July 1, moving from Gulfport. The company currently owns six shipyards in Mississippi, two of which are fully operational. The firm is a leader in the design and construction of small- to medium-sized ships in the U.S., including patrol vessels, oil recovery vessels, ferries, logistic support vessels and research ships.

The U.S. Department of Energy's Million Solar Roof Initiative is moving the country towards greater use of solar energy. The Initiative will finance the installation of 500 **solar technology systems** in Mississippi, along with required training. The Energy Division of the Mississippi Development Authority is overseeing the initiative in the state. The Town of Coahoma received the first award of funds, $18,300, to install two thermo siphon passive systems in the town's administrative and dormitory buildings.

Mississippi and the Nation

Three cities in Mississippi are home to T**op Twenty-Five** U.S. business projects, according to the May edition of *Plants Sites and Parks*. The cities and projects are: 1. Olive Branch, where FedEx Ground has decided to build a package distribution hub as part of its $1.8 billion plan to build nine hubs. The expected number of jobs is 385. 2. Gulfport, which will be home to two new facilities for Future Pipe Industries, which will employ 300 workers. The first phase of the threestage project involves a $15 million investment. 3. Cleveland. The French automotive supplier Faurecia will open a manufacturing facility to assemble seat frames. The plant will employ 250 persons by mid-2005.

The Defense Energy Support Center, Missile Fuels Division, Lackland AFD, San Antonio has awarded **SpaceChem LLC** a 20-year contract with an estimated value of $89 million to produce hydrazine (rocket fuel) and perform related services. The facility, which will be constructed for this job, will take three years to build, and will be located in Iuka, Tishomingo County.

Readers of the *Toronto Sun* voted Mississippi the "Favorite Travel Destination of the Year" in the paper's third annual Golfers' Choice Awards competition. The new **Magnolia Golf Trail** contributed to the state's win. Readers also cited the state's other attractions and its weather.