



Economic Summary: 1Q2017



Wyoming Department of Administration & Information

Economic Analysis Division

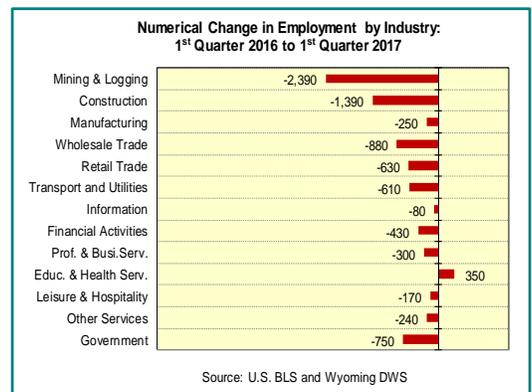
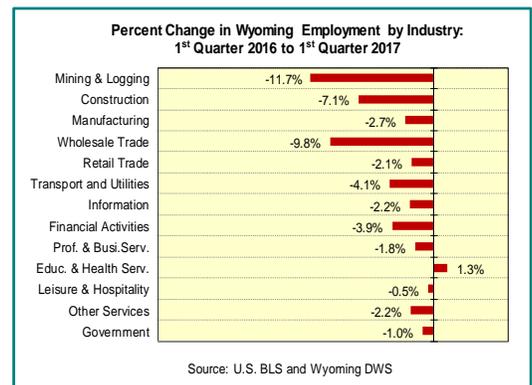
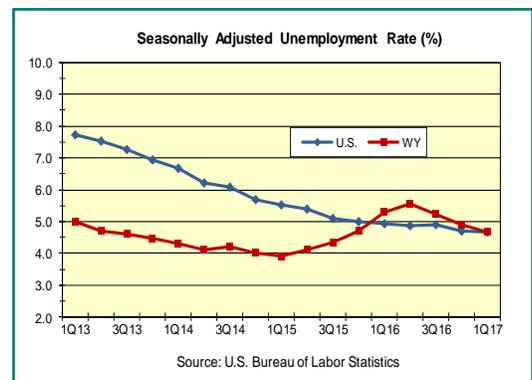
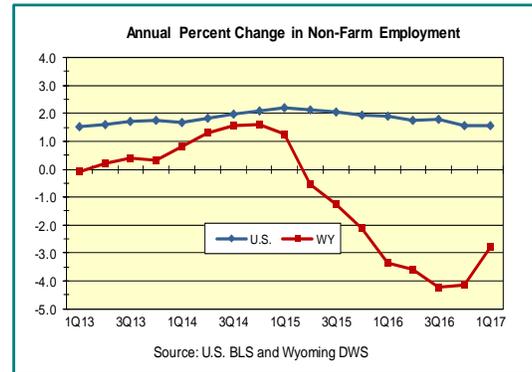
Current Global and U.S. Economy

According to Moody's Analytics, expect global economic growth to accelerate in 2017, driven primarily by recovery in trade, investment and manufacturing plus renewed fiscal spending in developed economies. Lower energy costs primarily driven by continued lower oil prices are boosting real income and consumer spending. The recovery in Europe appears to be firming up, supported by both domestic and external demand. The South American economies have possibly turned the corner, but the future will depend in large part on stronger growth in the global economy and commodity price cycles bottoming out.

The U.S. economic expansion enters its eighth consecutive year, the third-longest expansion in history. Moreover, the current growth appears broad based and rooted in strong fundamentals. Even employment in the energy and other commodity-based industries is on the rise again. However, there are a number of factors that are concerning looking at future growth. In fact, the economy may already be at or above its potential (the sum of the growth rate in labor force and productivity). The labor force growth rate will be slow as a large number of baby boomers retire, coupled with a historically low fertility rate and possibly a weak international immigration. This leaves productivity growth as the only path toward higher growth potential. But the persistent slow productivity growth in recent years may still reflect the long dark shadow of the Great Recession in terms of investment, risk-taking, and labor mobility.

Employment

Wyoming's unemployment rate continued to fall in the first quarter of 2017 to 4.7 percent, the same level as in the U.S. However, Wyoming still experienced a decline of 2.8 percent (or 7,770 jobs) in total employment in the quarter compared to one year earlier. On a positive note, this is a smaller decrease than any quarter in 2016. Nearly all industrial sectors in the state experienced job decreases during the period. The private education & health services was the only sector that demonstrated an increase. Amid the substantially depressed energy prices, the state's pivotal industry, mining (including oil & gas extraction) suffered an annual employment contraction of 2,390 jobs or 11.7 percent in the first quarter. Construction and wholesale trade also endured substantial job losses, respectively. Even the traditionally stable industries: retail trade, leisure & hospitality, and government (includes both public education and public hospitals) experienced declines. As supply and demand rebalancing continues, prices for both oil and natural gas, though still depressed, have rebounded significantly from early 2016. Accordingly, Wyoming's mineral activities have picked up their pace moderately, resulting in an addition of a couple of thousands jobs since the fourth quarter of 2016.



Personal Income and Earnings

Wyoming's total personal income declined 0.5 percent in the first quarter of 2017 from the previous year. U.S. personal income increased 3.7 percent during the same period. Personal income is the income received by all residents from all sources. It is the sum of wage & salary and proprietors' earnings; property income (dividends, interest, and rent); and personal transfer receipts, such as Social Security Income, Medicare and Medicaid benefits. Total earnings in the state, however, contracted 3.7 percent annually in the quarter, while both property income and personal transfer receipts grew around 3.5 percent. The earnings for most industries experienced decreases from a year ago. The construction industry and farm sector were the largest drag on total earnings, contracting 10.1 and 99.3 percent, respectively, from the first quarter of 2016. Earnings from utilities grew the fastest, at 2.5 percent.

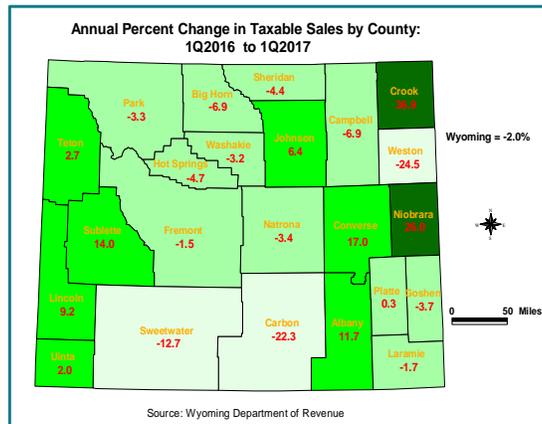
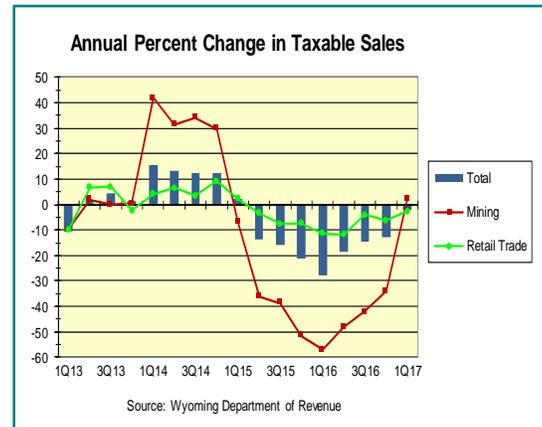
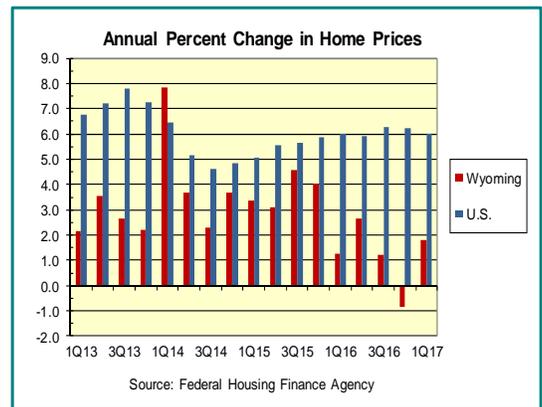
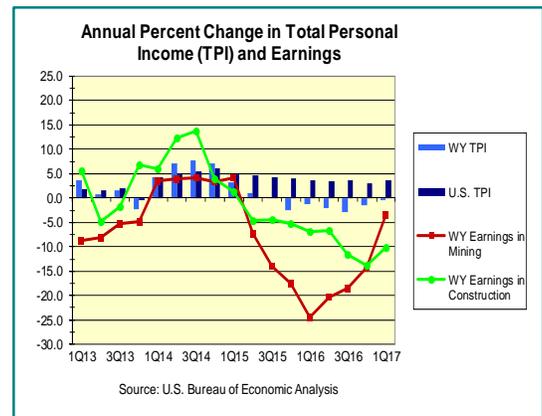
Housing

The statewide home price increased moderately in the first quarter of 2017 from one year ago, compare to a decline in the previous quarter, while the national average price appreciated 6.0 percent during the same period. In Wyoming, single family building permits for new privately-owned residential construction in the first quarter of 2017 were 6.2 percent higher than the previous year's level.

The U.S. housing market remains healthy, moving along at a stable pace. Total home sales exceed 6 million annualized, which is back to the pre-housing bubble average in the early 2000s. U.S. house price indexes have been rising steadily at around 6 percent for the year. Median single-family house price is above its prerecession peak nationally. The pace of single family construction was agonizingly slow, but continued to pick up speed in recent months. Low U.S. unemployment, rising wages, and low interest rates are underpinning demand for housing. However, inventories have been steadily declining since June 2015, making affordability a serious issue.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$3.3 billion in the first quarter of 2017, a decrease of 2.0 percent from the first quarter of 2016. The scale of the contraction was the smallest in two years. Declines occurred in most economic industries, with the largest drop in construction and retail trade, which, together, accounted for 82.5 percent of the total decrease. On a positive note, due to the new energy exploration and production activity, sales of equipment, supplies, and services in the mining sector (Wyoming does not impose sales tax on the production of minerals) experienced a year-over-year expansion of 2.0 percent for the first quarter of 2017, the first increase in more than two years. Traditionally, over one-fifth of collections are from the mining industry, therefore the changes in total sales and use tax collections in Wyoming have been greatly affected by the fluctuation in mineral activities.



The public administration sector, which reflects automobile sales, showed the largest increase of 12.6 percent over the year. Wholesale trade, machinery & equipment leasing, and accommodation & food services still experienced sizable declines.

Across the state, 14 out of 23 counties experienced declines in taxable sales, led by Weston County (-24.5%). Two other counties, Carbon and Sweetwater, endured over 10.0 percent declines, respectively. Crook and Niobrara counties showed the fastest increase of 36.9 and 26.0 percent, respectively, while the double-digit increases in Converse and Sublette are attributable to added activities in drilling.

Tourism

The number of recreational visitations to Yellowstone National Park reached 85,690 in the first quarter of 2017, down 4.7 percent from the previous year, and 143,140 visits in Grand Teton National Park also declined 8.2 percent during the same period. Most visitors during the winter months are snowmobilers. The huge fluctuations in visitations for the fourth quarters of 2013 and 2014 were attributed to the 16-day Federal government shutdown in October 2013. Lodging sales for the first quarter were 0.2 percent lower than a year ago in Teton County. However, the total lodging sales in Wyoming showed a year-over-year decrease of 5.5 percent. The primary drivers for the fluctuation in lodging sales are visitation to the national parks and mineral activities in the state.

Agriculture

The index of prices received by farmers for all U.S. livestock and products increased in the first quarter of 2017, but was still lower than a year ago level. Since the fourth quarter of 2014, farm earnings in Wyoming have been experiencing a dramatic downward trend amid strong supply and weak global demand in beef products. American beef production is expected to climb another 4.0 percent this year to 26.2 billion pounds, the highest since 2011, according to USDA estimates.

The January 1, 2017 inventory of all cattle and calves in Wyoming totaled 1.33 million head, up 2 percent from the January 1, 2016 inventory, according to the Mountain Regional Field Office of National Agricultural Statistics Service. Beef cows, at 714,000 head, were up 10,000 head from the previous year.

Revenue

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$64.8 million in the first quarter of 2017, which was 8.6 percent higher than the amount recorded a year ago. The huge boosts in previous second quarters were due to the net realized capital gains being distributed at the end of each fiscal year, which ends on June 30. The \$140.2 million in mineral severance taxes generated in the first quarter of 2017, was 6.6 percent lower than the fourth quarter of 2016, but was 27.4 percent higher than the previous year level.

