



Economic Summary: 1Q2018



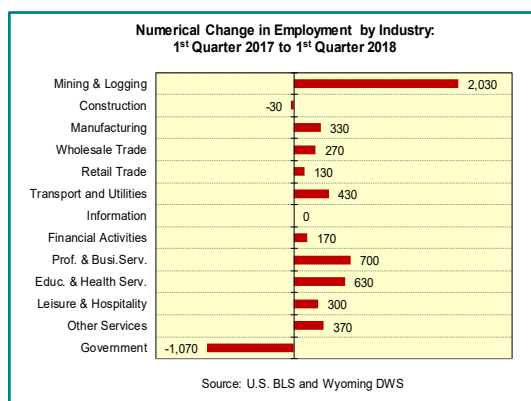
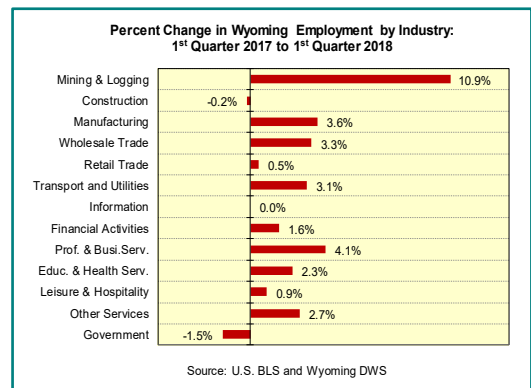
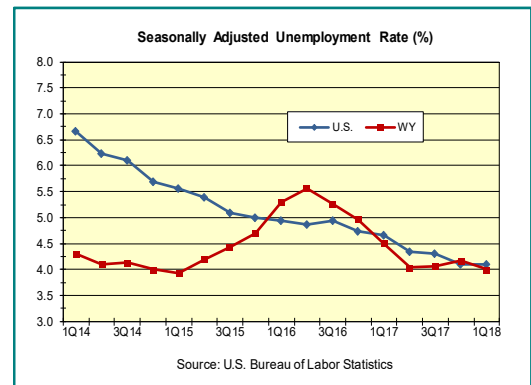
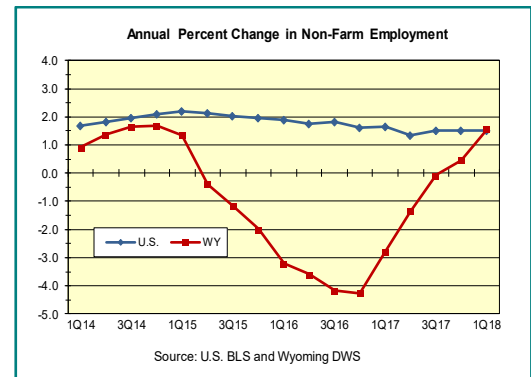
Current Global and U.S. Economy

According to Moody’s Analytics, global growth will continue to accelerate in 2018, supported by a recovery in trade and investment, renewed fiscal spending in developed economies, as well as a gradual rebound in commodity prices that will stabilize commodity exporters. Developed economies as a whole will grow beyond their potential this year, and core inflation will remain subdued, but the global economic environment is reaching peak growth for this cycle as capacity constraints tighten. Euro area growth has been downshifting, and Japan has lost momentum amid weak wage growth and slower consumption. China’s growth is expected to decelerate only modestly. However, trade tensions are creating downside risks, weighing down manufacturing sentiment in certain countries such as Mexico.

The U.S. economy is growing strongly. A massive dose of fiscal stimulus measures, including both deficit-financed tax cuts and federal government spending are powering this growth where its pace remains firmly above the economy’s potential, and underutilized resources are being quickly absorbed. The stimulus could pump up real GDP growth to near 3.0 percent for 2018 and next year. The labor market keeps chugging along with nearly 8 years of uninterrupted gains, continuing to generate over 200,000 jobs monthly. The unemployment rate, below 4.0 percent, was the lowest since the beginning of the 21st century. Layoffs are at multidecade lows and the duration of unemployment is steadily declining. However, higher interest rate and a depleted labor supply may eventually slow job growth in 2019. A developing trade war between the U.S. and its trading partners is a mounting threat to economic expansion. Its impact of uncertainty on businesses is particularly difficult to gauge.

Employment

Wyoming’s unemployment rate dropped slightly in the first quarter of 2018 to 4.0 percent, marginally lower than the U.S. level of 4.1 percent. The state experienced an increase of 1.6 percent (or 4,260 jobs) in total employment in the quarter compared to one year earlier, the largest year-over-year growth since the fourth quarter of 2014. Nearly all private industrial sectors experienced job increases. As supply and demand rebalancing continues, energy prices have rebounded significantly from early 2016, and have been fluctuating in a much narrower range. Oil prices, in particular, have reached the highest level since the fourth quarter of 2014. The state’s mineral extraction industry increased their drilling activities, adding 2,030 jobs or 10.9 percent from last year. Employment in professional & business services grew 4.1 percent. The construction industry continued to lose jobs, but only slightly. The government sector, which includes both public education and hospitals, suffered a decrease of 1,070 payroll jobs or 1.5 percent in the first quarter of 2018.



Personal Income and Earnings

Wyoming's total personal income grew 3.0 percent in the first quarter of 2018 from the previous year, slower than the previous quarter. U.S. personal income increased 3.6 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 grew 3.3 percent annually in the quarter, while property income increased 3.4 percent. The earnings for most industries experienced increases from a year ago. The mining industry showed the largest growth of 12.8 percent, and contributed 44.3 percent of the total earnings increase in the state. However, earnings from the construction industry, farm and government sectors declined from the first quarter of 2017.

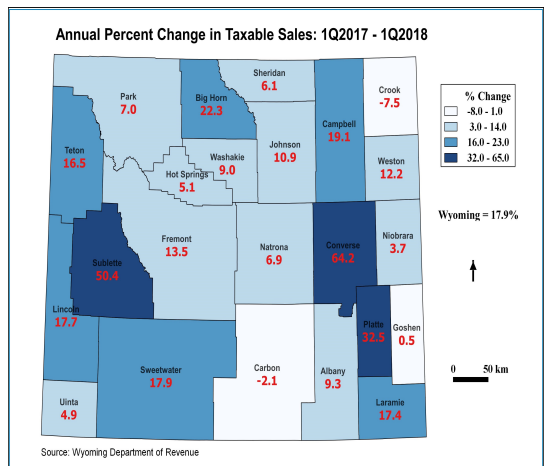
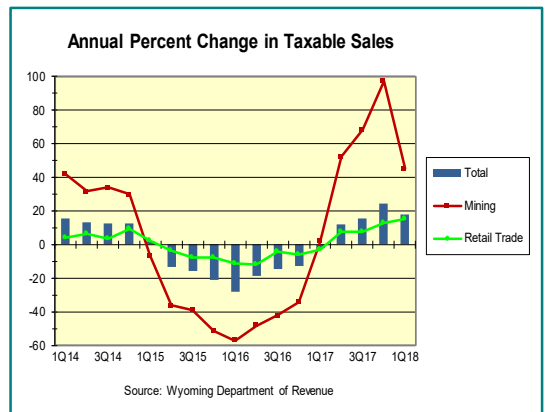
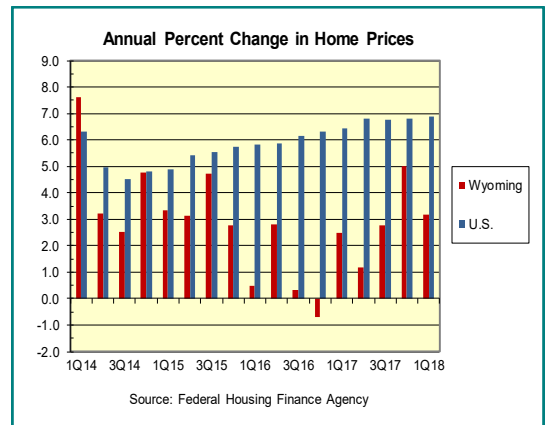
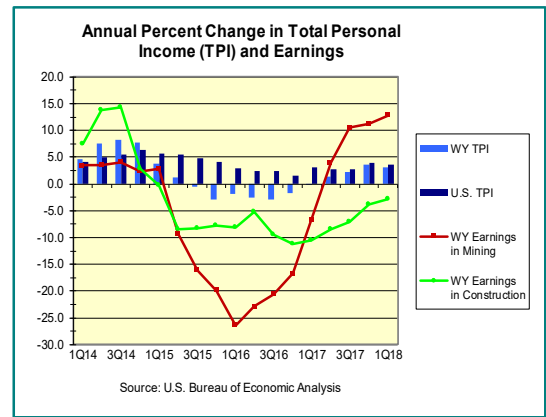
Housing

The statewide home price increased 3.2 percent in the first quarter of 2018 from one year ago, slower than the pace for the previous quarter, while the national average price appreciated 6.9 percent during the same period. In Wyoming, single-family building permits for new privately-owned residential construction in the first quarter of 2018 were 6.3 percent higher than the previous year level. Both mortgage delinquency rate and foreclosure rate in March were lower than last year, according to CoreLogic.

The U.S. housing market continues to face tight supply, rising prices, and reduced affordability, which have likely hurt existing-home sales. The persistent shortage of skilled and specialty construction labor has prevented new-home building from meeting the increasing demand. Meanwhile, U.S. cities are making a comeback, and housing price appreciation is the strongest in the most densely populated metro areas. The outperformance of central cities has intensified in recent years, resulting in a much stronger rebound of multi-family construction than single-family homebuilding.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state grew 17.9 percent to \$3.9 billion in the first quarter of 2018. Increases occurred in most economic industries, with the largest boost in mining (including oil & gas extraction), which accounted for over one-third of the total increase. The mining sector experienced a year-over-year expansion of 45.1 percent due to increased sales of equipment, supplies, and services from new energy exploration and production activity (Wyoming does not impose sales tax on the production of minerals). However, the first quarter amount was still 45.3 percent less than the figures for the fourth quarter of 2014 - before the energy downturn. Traditionally, over one-sixth 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. Construction and information were the only industries that experienced declines.



Manufacturing, wholesale trade, and machinery & equipment leasing, and other services sectors, which are closely related to mineral extraction, each increased around 20.0 percent. The public administration sector, which reflects automobile sales, showed an increase of 7.1 percent over the year. The retail trade industry, the largest in terms of sales tax contribution, grew 15.5 percent. Across the state, 21 out of 23 counties experienced increases in taxable sales, led by Converse County (64.2%). Two other counties, Sublette and Platte, demonstrated over 30.0 percent expansions, respectively. Counties with large numbers of mineral activities generally experienced faster growth due to increased drilling.

Tourism

The number of recreational visitations to Yellowstone National Park reached 86,183 in the first quarter of 2018, up 0.6 percent from the previous year, while 159,098 visits in Grand Teton National Park showed an increase of 11.1 percent. Visitation figures in 2016 were the highest ever, due mostly to national parks' centennial celebration. The huge increase in visitations for the fourth quarters of 2014 was attributed to the 16-day Federal government shutdown in October 2013. Lodging sales for the first quarter were 33.3 percent higher than a year ago in Teton County, and were 25.9 percent higher for the state as a whole. In general, the primary drivers for the fluctuation in lodging sales are visitation to the national parks and mineral activities in the state, but the sales boost in Teton County's winter season is mainly from ski activities.

Agriculture

The index of prices received by farmers for all U.S. livestock and products increased in the first quarter of 2018, and the price level was also slightly higher than a year ago. Since the fourth quarter of 2014, farm earnings in Wyoming have been experiencing a dramatic downward trend amid strong supply and weak global demand for beef products. The January 1, 2018 inventory of all cattle and calves in Wyoming totaled 1.32 million head, down 1 percent from the January 1, 2017, according to the Mountain Regional Field Office of the National Agricultural Statistics Service. Nationwide, total 2017 production of cattle and calves, and hogs and pigs totaled 81.7 billion pounds, up 4 percent from 2016. Production increased 4 percent for cattle and calves and 3 percent for hogs and pigs. Cash receipts from marketing of cattle and calves increased 6 percent from 2016 to 2017.

Revenue

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$69.9 million in the first quarter of 2018, which was 7.9 percent higher than the amount recorded a year ago. The huge boosts in 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 \$195.3 million in mineral severance taxes generated in the first quarter of 2018 was 39.3 percent higher than the previous year, and it was the highest amount since the fourth quarter of 2014.

