



Economic Summary: 1Q2019



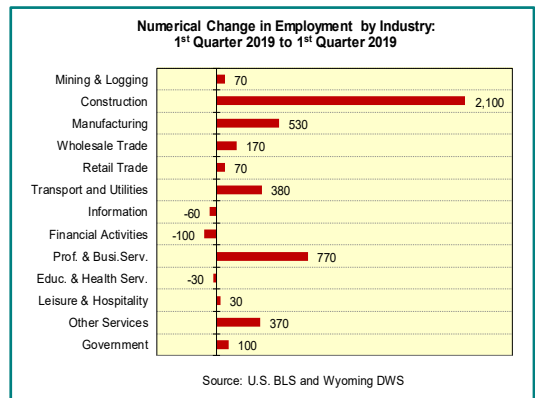
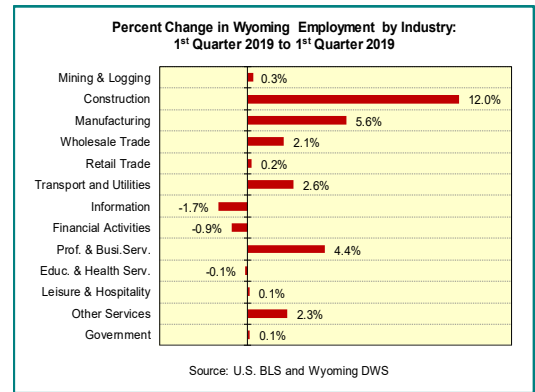
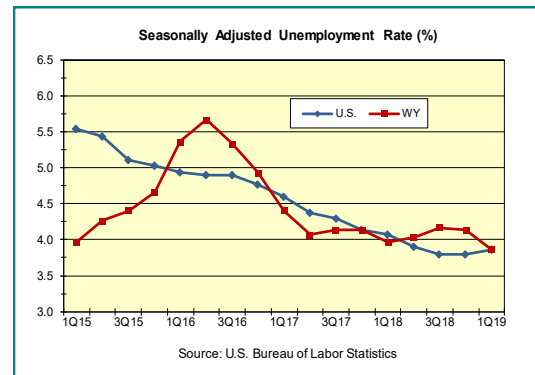
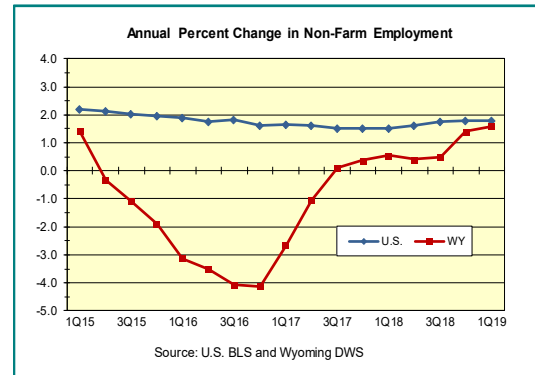
Current Global and U.S. Economy

According to Moody's Analytics, global economic growth has passed its prime time and is transitioning to a slower pace after an upswing for more than two years. Global GDP growth is forecast to slow to 2.7 percent in 2019 from 3.0 percent in 2018. The economic environment worldwide is deteriorating as trade policies and Brexit weigh on business sentiment. The trade war has become a major threat to growth once again with rising adverse implications for the global economy and heightened downward risks to the outlook. Major central banks, led by the Federal Reserve, have paused interest rate normalization plans in response to the slower growth outlook alongside slowing world trade, elevated geopolitical threats, and the subdued outlook for core inflation. Most regions are projected to slow in the coming quarters. Global business confidence is hovering around its lowest point since the aftermath of the financial crisis.

Just as the U.S. economic expansion is set to become the longest in history, recession fears have come to the surface. Economic growth appears to have recently fallen below its potential. Real GDP, which grew almost 3.0% last year, is tracking around 2.0 percent in the current quarter. The slower growth is also showing up in the job market. Average monthly employment growth, which was close to 225,000 last year, has fallen to 165,000 so far this year. However, because of the Fed's response to the slower growth, long-term-rates have declined and the stock market has rebounded. In addition, the current low unemployment and continuing wage growth are the exact financial factors needed to revive consumer spending. Recession should remain at bay as long as consumers stay upbeat.

Employment

Wyoming's economy continued to rebound from the severe downturn in 2015 and 2016, and has somewhat accelerated since the third quarter of 2018. Total employment grew 1.6 percent (or 4,400 jobs) in the first quarter compared to one year earlier, the largest year-over-year growth since the fourth quarter of 2014. The state's unemployment rate also dropped in the quarter to 3.9 percent, same as the U.S. average. Job gains were broad-based, and most private industrial sectors experienced increases. However, about half of the job addition occurred in the construction industry alone where it was mainly driven by utility construction such as oil & gas pipelines and wind power projects. Manufacturing and professional services also experienced faster growths, at 5.6 and 4.4 percent, respectively. Employment in services where large number of jobs are located such as retail trade, health care, accommodation & food, and government (inc. public education and hospital) showed minimal changes in a year-over-year comparison. The state's pivotal industry, mining, did not show as much job fluctuation from the previous year.



Personal Income and Earnings

Wyoming's total personal income grew 3.8 percent in the first quarter of 2019 from the previous year, slower than the previous quarter. U.S. personal income also increased 3.8 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 4.0 percent annually in the quarter, while property income and transfer receipts increased 2.1 and 7.2 percent, each. Earnings in nearly all sectors experienced expansions from a year ago, led by the construction industry's growth rate of 14.4 percent. Utilities and professional & business services sectors also showed increases of around 9.0 percent, respectively. Farm earnings declined by 4.5 percent.

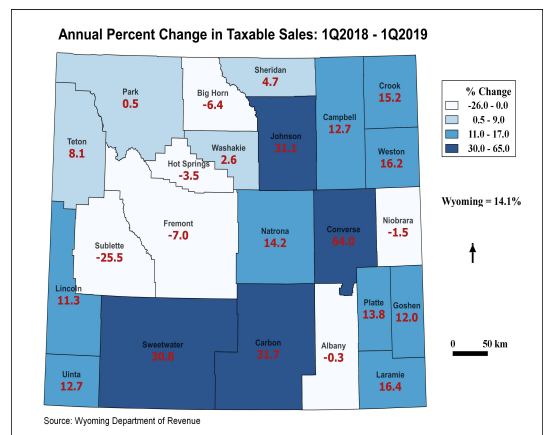
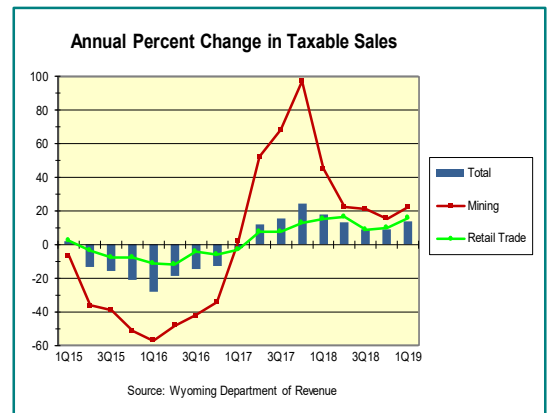
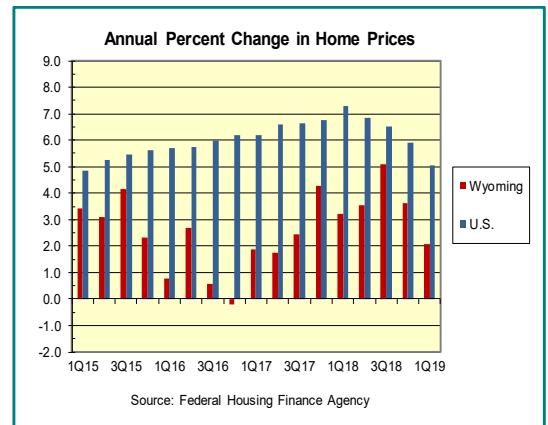
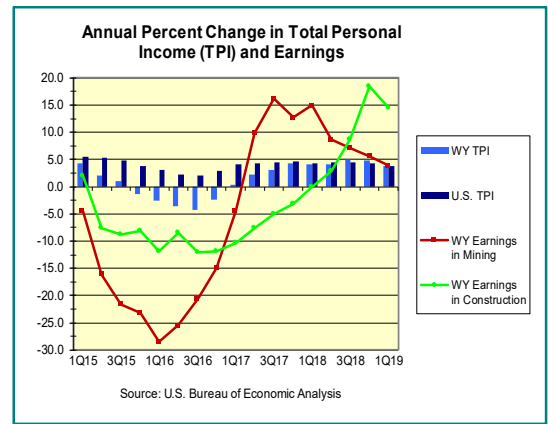
Housing

The statewide home price increased 2.1 percent in the first quarter of 2019 from one year ago, slower than the pace for the previous quarter, while the national average price appreciation also slowed down to 5.1 percent during the same period. In Wyoming, single-family building permits for new privately-owned residential construction in the first quarter of 2019 were 13.2 percent lower than the previous year level. Both mortgage delinquency rates and foreclosure rates in March were lower than last year, according to CoreLogic.

The U.S. house price appreciation has decelerated in four consecutive quarters on an annual basis. The first quarter of 2019 showed some signs of rebound in home sales amid the continued decline in mortgage rates. Still, many households are facing affordability challenges because of the sharp runup in prices over the past several years. The supply-side constraints on the housing market remain tight, and inventory-to-sales ratio for existing homes are still extremely low. The current low supply environment means that prices are unlikely to fall very far even as the economy slows down.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state grew 14.1 percent to \$4.4 billion in the first quarter of 2019. Increases occurred in most economic industries, with the fastest growth in the transportation & warehousing sector which experienced a year-over-year expansion of 99.5 percent. The mining sector (including oil & gas extraction) grew 22.5 percent due to increased sales of equipment, supplies, and services from new energy exploration and production activity. However, the first quarter amount in mining was still 33.0 percent less than the figure for the fourth quarter of 2014 – before the energy downturn. Traditionally, about 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. Construction industry, which benefited from mineral extraction development through oil & gas pipeline installment,



also showed strong growth of 42.3 percent. The retail trade industry, the largest in terms of sales tax contribution, grew 16.1 percent. The public administration sector, which reflects automobile sales, grew 4.7 percent over the year. Across the state, 17 out of 23 counties experienced increases in taxable sales, led by Converse County (64.0%). Three other counties, Carbon, Johnson, and Sweetwater, demonstrated over 30.0 percent expansions, respectively. Sublette County suffered the largest decline, at -25.5 percent, possibly reflecting a slowdown in conventional natural gas exploration.

Tourism

The number of recreational visitations to Yellowstone National Park reached 94,241 in the first quarter of 2019, up 9.3 percent from the previous year, while 166,412 visits in Grand Teton National Park showed an increase of 4.6 percent. Visitation figures in 2016 were the highest ever, due mostly to national parks' centennial celebration.

Lodging sales for the first quarter were 5.1 percent higher than a year ago in Teton County, and were 10.3 percent higher for the state as a whole. Visitation to the state during the August 21, 2017 solar eclipse probably compromised the comparison for the third quarter of 2018. In general, the primary drivers for the fluctuation in lodging sales are visitations to the national parks and mineral activities in the state, but the sales change in Teton County's winter season is mainly driven by ski activities.

Agriculture

The index of prices received by farmers for all U.S. livestock and products increased in the first quarter of 2019, but the price level was still lower than a year ago. Between the fourth quarter of 2014 and 2016, farm earnings in Wyoming experienced a dramatic downward trend amid strong supply and weak global demand for beef products, but they have somewhat stabilized since then. The January 1, 2019 inventory of all cattle and calves in Wyoming totaled 1.3 million head, down 2 percent from the January 1, 2018 inventory, according to the Cattle Survey conducted by the Mountain Regional Field Office of the National Agricultural Statistics Service, USDA. Total red meat production for the United States totaled 53.5 billion pounds in 2018, 3 percent higher than the previous year. Red meat includes beef, veal, pork, lamb, and mutton.

Revenue

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$75.1 million in the first quarter of 2019, which was 7.6 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 \$163.4 million in mineral severance taxes generated in the first quarter of 2019 was 3.4 percent higher than the previous year, but it was still about 39.0 percent less than the amount recorded in the first quarter of 2014.

