



Economic Summary: 2Q2018



Wyoming Department of Administration & Information

Economic Analysis Division

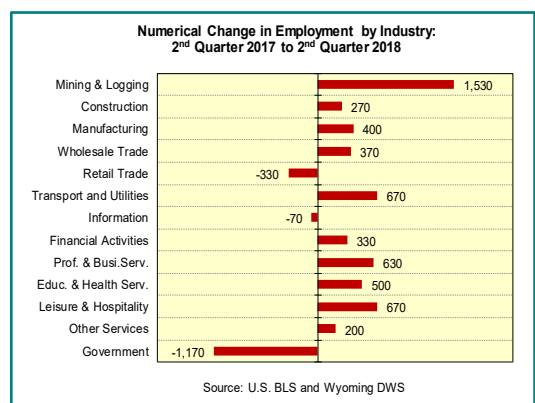
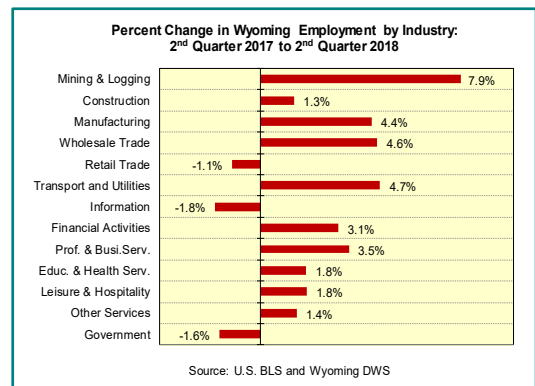
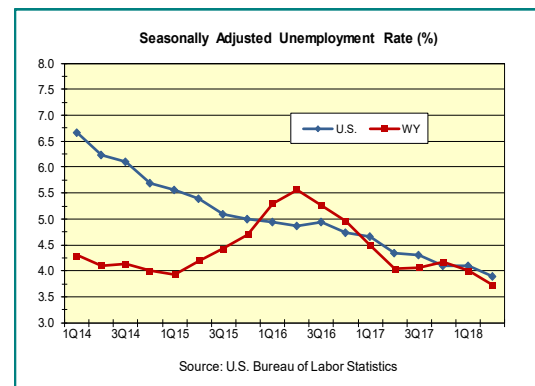
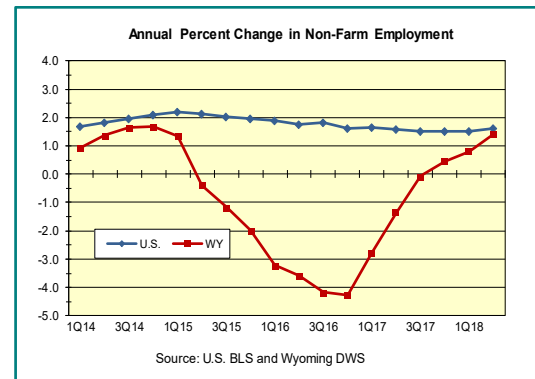
Current Global and U.S. Economy

According to Moody's Analytics, the global economic environment remains upbeat, but has likely passed its peak for this cycle as financial conditions and capacity constraints tighten. Escalating trade tensions have stressed the economic relationship between the U.S. and China, and there are rising adverse implications for the global economy and heightened downside risks to the outlook. Despite the mounting headwinds, key support to global growth will continue to come from these two largest economies, keeping global GDP growth above potential this year at around 3.2 percent. However, the U.K.'s exit from the European Union and political unpredictability in Italy add uncertainty to the region's outlook. Emerging market outflows have stepped up and contagion fears could intensify as global monetary policy tighten.

The U.S. economy is growing strong. A massive dose of fiscal stimulus measures, including both deficit-financed tax cuts and federal government spending, are powering this growth. 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 about 3.0 percent for 2018. The labor market keeps chugging along with 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. However, inflation has revived as unemployment heads lower and wage growth accelerates. Higher interest rates and a depleted labor supply may eventually slow job growth in 2019. In addition, a developing trade war between the U.S. and its trading partners is also a mounting threat to economic expansion.

Employment

Wyoming experienced an increase of 1.4 percent (or 4,000 jobs) in total employment in the second quarter compared to one year earlier, the largest year-over-year growth since the fourth quarter of 2014. The state's unemployment rate dropped slightly in the quarter to 3.7 percent, marginally lower than the U.S. level of 3.9 percent. 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 drilling activities, adding 1,530 jobs or 7.9 percent from last year. Employment in wholesale trade and transportation & utilities grew about 4.6 percent. The retail trade industry continued to lose jobs, at -1.1 percent. The government sector, which includes both public education and hospitals, suffered a decrease of 1,170 payroll jobs or 1.6 percent in the second quarter of 2018.



Personal Income and Earnings

Wyoming's total personal income grew 4.3 percent in the second quarter of 2018 from the previous year, faster than the previous quarter. U.S. personal income increased 4.6 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 3.7 percent annually in the quarter, while property income increased 5.3 percent. The earnings for most industries experienced increases from a year ago. The mining industry showed the largest growth of 12.7 percent, and contributed nearly 39.0 percent of the total earnings increase in the state. However, earnings from the utilities, information, and government sectors declined from the second quarter of 2017.

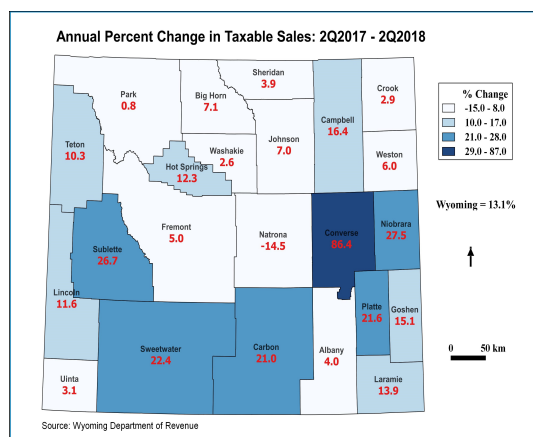
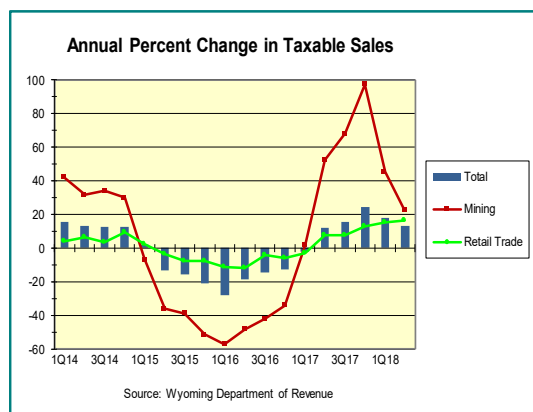
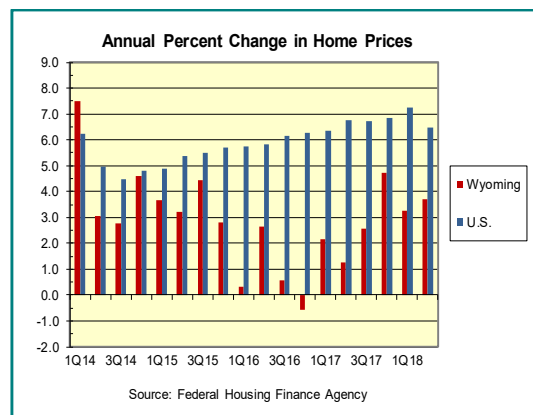
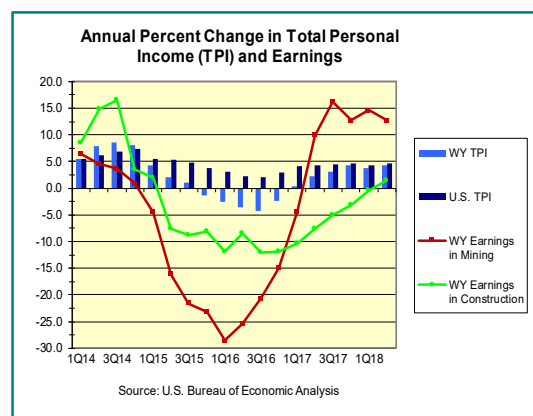
Housing

The statewide home price increased 3.7 percent in the second quarter of 2018 from one year ago, slightly faster than the pace for the previous quarter, while the national average price appreciated 6.5 percent during the same period. In Wyoming, single-family building permits for new privately-owned residential construction in the second quarter of 2018 were 2.3 percent lower than the previous year level. Both mortgage delinquency rate and foreclosure rate in June 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. However, the increase in mortgage rates and reduced federal tax deductibility of homeownership over the next two years are putting downward pressure on home price gains. Indeed, the housing market is leveling out, and home prices are rising at a slower rate than they were earlier this year.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state grew 13.1 percent to \$4.4 billion in the second quarter of 2018. Increases occurred in most economic industries, with the fastest growth in the transportation and warehousing industry, which nearly doubled. The mining sector (including oil & gas extraction) experienced a year-over-year expansion of 22.6 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 second quarter amount in the mining was still 47.1 percent less than the figure 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. Utilities was the only industry that experienced decline.



Manufacturing and machinery & equipment leasing 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 5.0 percent over the year. The retail trade industry, the largest in terms of sales tax contribution, grew 16.6 percent. Across the state, 22 out of 23 counties experienced increases in taxable sales, led by Converse County (86.4%). Five other counties, Niobrara, Sublette, Sweetwater, Platte, and Carbon demonstrated over 20.0 percent expansions, respectively. Counties with large numbers of mineral activities experienced faster growth.

Tourism

The number of recreational visitations to Yellowstone National Park reached 1,295,525 in the second quarter of 2018, up 2.1 percent from the previous year, while 984,481 visits in Grand Teton National Park showed an increase of 3.4 percent. Visitation figures in 2016 were the highest ever, due mostly to national parks' centennial celebration. The huge increase in visitations for the fourth quarter of 2014 was attributed to the 16-day Federal government shutdown in October 2013. Lodging sales for the second quarter were 17.6 percent higher than a year ago in Teton County, and were 14.3 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 decreased slightly in the second quarter of 2018, and the price level was also lower 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. Based on August 1 conditions, barley production in Wyoming is forecast at 4.85 million bushels, according to Mountain Regional Field Office of the National Agricultural Statistics Service, USDA. This forecast is down 25 percent from last year's crop. Alfalfa production is forecast at 1.74 million tons, up 9 percent from 1.60 million tons produced in 2017. Sugarbeet production is forecast at 992,000 tons, up 11 percent from 891,000 tons produced in 2017. Yields are expected to average 32.3 tons per acre, up from 28.2 tons per acre a year ago.

Revenue

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$331.8 million in the second quarter of 2018, which was 65.2 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 \$150.6 million in mineral severance taxes generated in the second quarter of 2018 was 8.8 percent higher than the previous year, but it was slightly lower than the amount recorded in the previous quarter.

