



Economic Summary: 3Q2017



Wyoming Department of Administration & Information

Economic Analysis Division

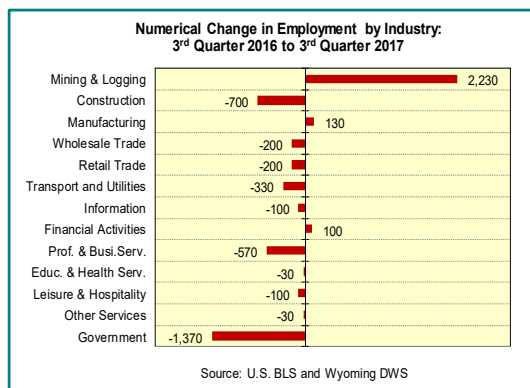
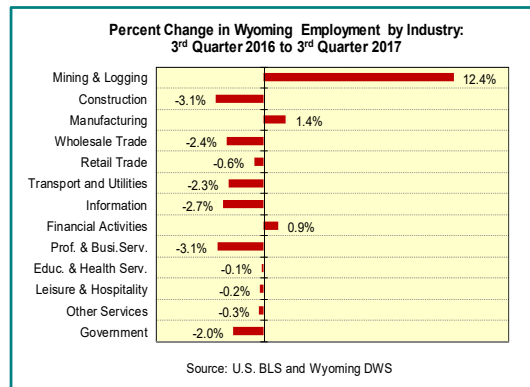
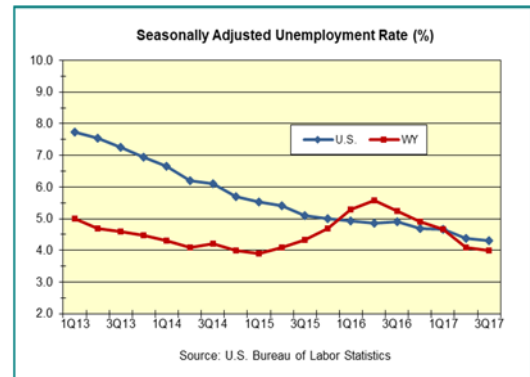
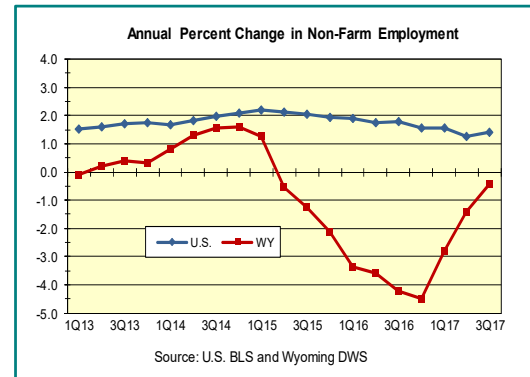
Current Global and U.S. Economy

According to Moody's Analytics, the global expansion is gaining momentum as growth continues to synchronize across both developed and emerging economies. Monetary policy in the U.S. and the euro area will also remain supportive as the normalization of interest rates and the removal of extraordinary accommodation put in place during the global financial crisis follows a gradual path. Stronger than expected growth in China and the European Union will continue to strengthen global aggregate demand, boosting the external accounts of export-oriented emerging markets such as Brazil and Russia that have also benefited from recovering commodity prices.

The U.S. economy continues to power forward. Real GDP growth remains just above 2.0 percent, and job growth at over 2 million per year. The pace of growth remains firmly above the economy's potential, and underutilized resources are being quickly absorbed. The unemployment rate, just over 4.0 percent, was the lowest since the beginning of the 21st century. The overall housing vacancy rate, including both homeowner and renter, is as low as it has been in 30 years. Buoyed by strong job market and solid balance sheet, consumers have been the strongest and most consistent source of growth in the current economic expansion. The household debt-to-income ratio is close to a quarter-century low and stable. Credit quality on mortgage and consumer loans is as good as it has ever been. The increase in household wealth has been stunning as stock and house prices surged. However, with Fed now winding down its quantitative easing and the prospects for higher interest rates, asset prices may come under pressure, and the wealth effect fades.

Employment

Wyoming's unemployment rate continued to fall in the third quarter of 2017 to 4.0 percent, lower than the U.S. level of 4.3 percent. However, Wyoming still experienced a decline of 0.4 percent (or 1,170 jobs) in total employment in the quarter compared to one year earlier, though it's the smallest year-over-year decrease since the second quarter of 2015. Most industrial sectors in the state experienced job decreases during the period. The government sector, which includes both public education and public hospitals, suffered a loss of 1,370 payroll jobs or 2.0 percent in the third quarter of 2017. Employment in construction industry and professional & business services declined 3.1 percent, respectively. As supply and demand rebalancing continues, prices for both oil and natural gas, though still depressed, have rebounded significantly from early 2016, and have been fluctuating in a much narrower range. The state's mineral extraction industry, therefore, increased their drilling activities, experienced an annual employment growth of 2,230 jobs or 12.4 percent in the third quarter.



Personal Income and Earnings

Wyoming's total personal income grew 2.6 percent in the third quarter of 2017 from the previous year, the fastest increase since the first quarter of 2015. U.S. personal income also increased 2.6 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 2.6 percent annually in the quarter, while property income increased 3.6 percent. The earnings for most industries experienced increases from a year ago. The mining industry showed the largest growth of 9.7 percent, contributed 42.2 percent of the total earnings increase in the state. However, the construction industry and farm sector continued to decline from the third quarter of 2016.

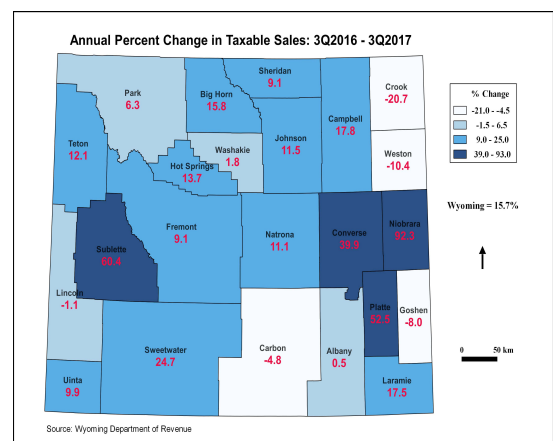
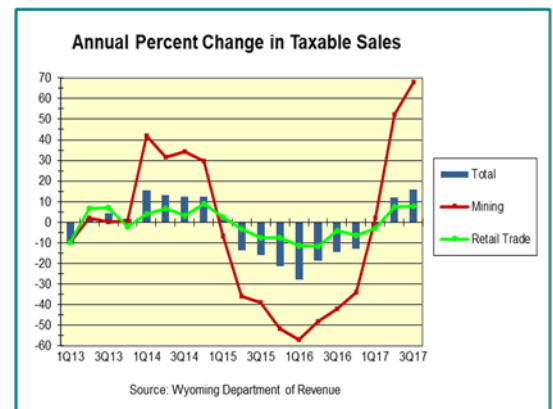
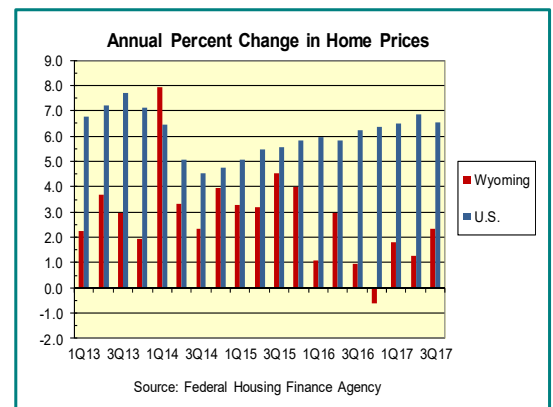
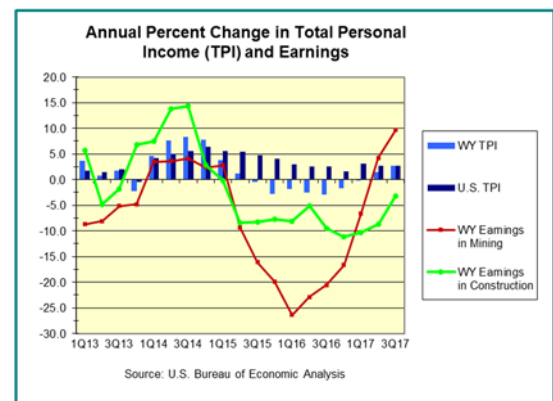
Housing

The statewide home price increased 2.3 percent in the third quarter of 2017 from one year ago, an improvement from the prior 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 third quarter of 2017 were only 2.3 percent higher than the previous year level. Both mortgage delinquency rate and foreclosure rate in September were lower than last year.

The U.S. housing market is characterized by continuing to rise prices and tight supply which have led to a slowdown in existing-home sales in 2017. The persistent shortage of skilled and specialty construction labor has prevented new-home buildings 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 much stronger rebound of multifamily construction than single-family homebuilding.

Taxable Sales

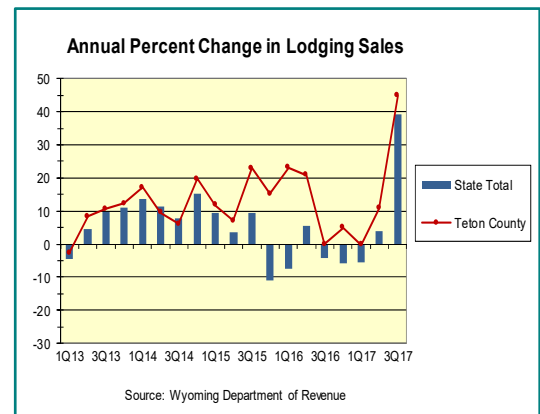
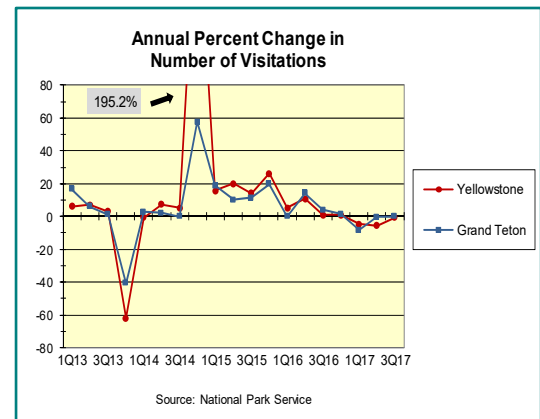
Based on sales and use tax collections, total taxable sales in the state grew 15.7 percent to \$4.8 billion in the third quarter of 2017, the fastest annual increase since the first quarter of 2012. Increases occurred in most economic industries, with the largest boost in mining (including oil & gas extraction), which accounted for nearly half of the total increase. 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 68.1 percent for the third quarter of 2017, the fastest recorded in recent decades. However, the third quarter amount was still 42.8 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, manufacturing, and transportation & warehousing sectors, which are closely related to mineral extraction, each increased over 35.0 percent. The public administration sector, which reflects automobile sales, showed an increase of 8.4 percent over the year. The retail trade industry, the largest in terms of sales tax contribution, grew 7.8 percent. Across the state, 18 out of 23 counties experienced increases in taxable sales, led by Niobrara County (92.3%). Three other counties, Sublette, Platte, and Converse, demonstrated around 50.0 percent expansions, respectively. Increased drilling activities in mineral exploration mostly contributed to the faster growths in these counties.

Tourism

The number of recreational visitations to Yellowstone National Park reached 2,518,638 in the third quarter of 2017, down 0.8 percent from the previous year, but 1,938,397 visits in Grand Teton National Park increased 0.1 percent. Visitation figures in 2016 were the highest ever, due mostly to national parks' centennial celebration. 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 third quarter were 44.8 percent higher than a year ago in Teton County, and were 39.3 percent higher for the state a whole. Drawn by the August 21, 2017 solar eclipse, visitors to several Wyoming places apparently boosted lodging sales, and many visitors to Jackson Hole may have also made a trip to national parks in the state.



Agriculture

The index of prices received by farmers for all U.S. livestock and products decreased in the third quarter of 2017, but the price level was 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 in beef products. Alfalfa hay production in Wyoming is expected to climb 10.0 percent, but sugarbeet production is forecast to decline 8.0 percent this year from 2016, according to USDA survey.



Nationwide, January to September 2017 commercial red meat production was 38.4 billion pounds, up 4 percent from 2016. Accumulated beef production was up 5 percent from last year, veal was down 1 percent, pork was up 3 percent from last year, and lamb and mutton production was down 5 percent.

Revenue

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$63.8 million in the third quarter of 2017, which was 0.6 percent lower 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 \$152.7 million in mineral severance taxes generated in the third quarter of 2017 was 10.3 percent higher than the previous quarter, and it was the highest amount in two years.

