



# Economic Summary: 3Q2018



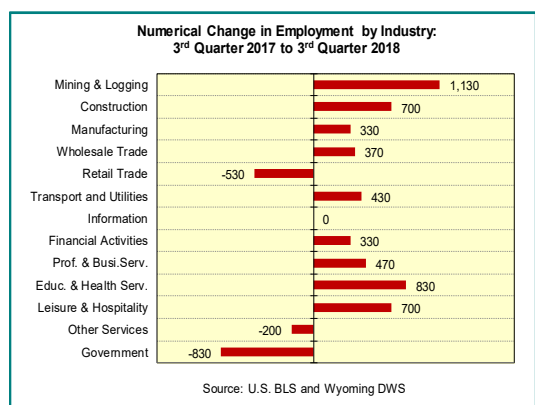
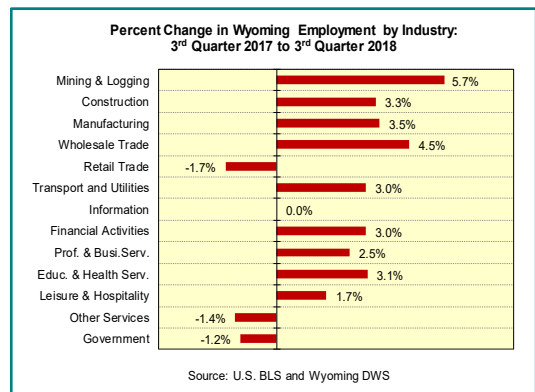
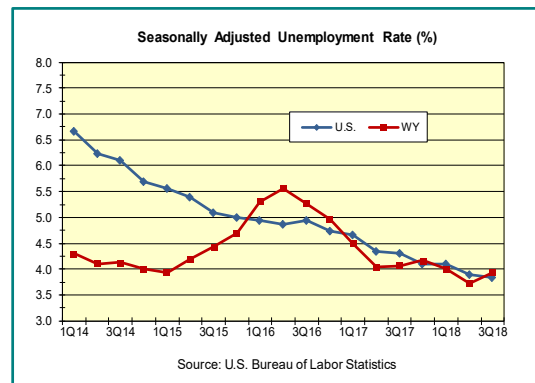
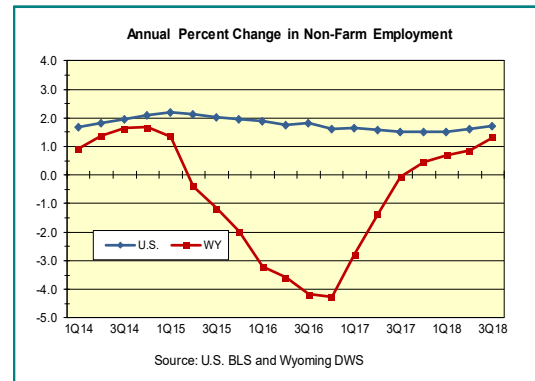
## Current Global and U.S. Economy

According to Moody's Analytics, the global economic conditions are favorable for most economies that are at or close to full employment, and inflation tame for the most part. But, the growth peak has passed and global growth is transitioning to a slower pace after being on an upswing for more than two years. Global GDP growth is forecast to slow to 3 percent in 2019 and 2.7 percent in 2020, after an expected 3.1 percent in 2018. The combination of slowing world trade, capacity constraints, and tighter financial conditions are behind the cooling trend. The U.S will prop up global growth through 2019, thanks to the generous fiscal stimulus. However, most other regions are forecast to cool over the next year. Emerging markets have been under pressure in 2018. With elevated global trade tensions alongside tighter U.S. monetary policy, emerging markets with economic weak spots and governance issues have been the most affected by the portfolio outflows and remain the most vulnerable.

The U.S. economy is expanding robustly and near-term growth prospects remain good. 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 late 1960s. Fiscal stimulus will continue to juice up growth through much of 2019, but the strong pace may not be sustainable and the stimulus will fade soon thereafter, and the economy would slow down.

## Employment

Wyoming experienced an increase of 1.3 percent (or 3,730 jobs) in total employment in the third quarter compared to one year earlier, the largest year-over-year growth since the fourth quarter of 2014. The state's unemployment rate ticked up slightly in the quarter to 3.9 percent, marginally higher than the U.S. level of 3.8 percent. Job gains were broad-based, and nearly all private industrial sectors experienced increases. As supply and demand rebalancing continues, energy prices have rebounded significantly from early 2016. Oil prices, in particular, have reached the highest level since the fourth quarter of 2014. The state's mineral extraction industry boosted drilling activities, adding 1,130 jobs or 5.7 percent from last year. Employment in sectors that support the drilling such as wholesale trade, manufacturing, and transportation also grew faster. The retail trade industry continued to lose jobs, -1.7 percent. The government sector, which includes both public education and hospitals, suffered a decrease of 830 payroll jobs or 1.2 percent from the third quarter of 2017.



## Personal Income and Earnings

Wyoming's total personal income grew 4.5 percent in the third quarter of 2018 from the previous year, slightly faster than the previous quarter. U.S. personal income increased 4.4 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 3.5 percent annually in the quarter, while property income increased 6.1 percent. The earnings for all private industries experienced increases from a year ago. The utilities industry showed the fastest growth of 20.7 percent. Construction, financial activities, and professional & business services also showed increases of more than 7.0 percent, respectively. State and local government was the only sector that declined over the year.

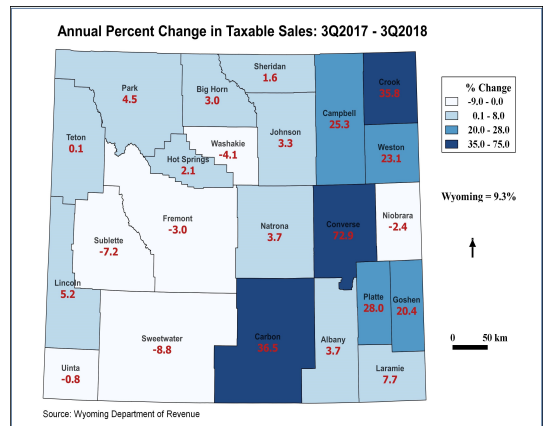
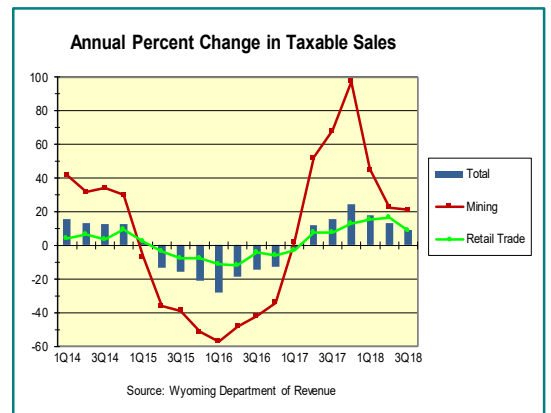
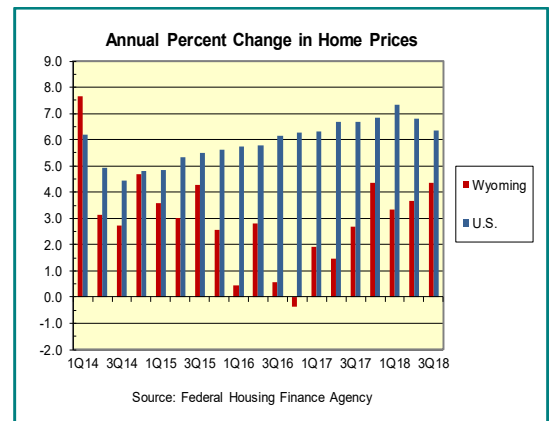
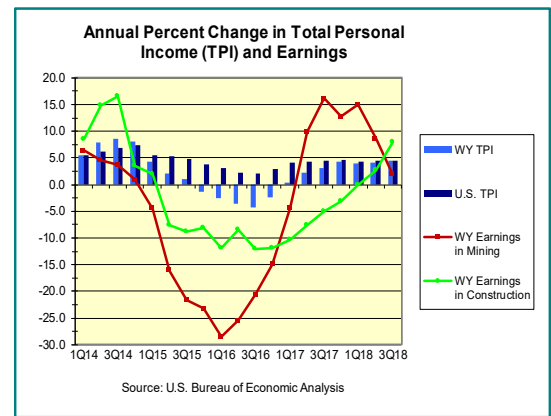
## Housing

The statewide home price increased 4.4 percent in the third quarter of 2018 from one year ago, faster than the pace for the previous quarter, while the national average price appreciation slowed down to 6.3 percent during the same period. In Wyoming, single-family building permits for new privately-owned residential construction in the third quarter of 2018 were 2.5 percent lower than the previous year level. Both mortgage delinquency rate and foreclosure rate in September 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

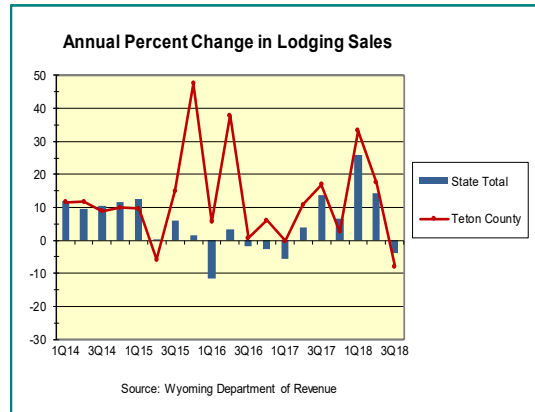
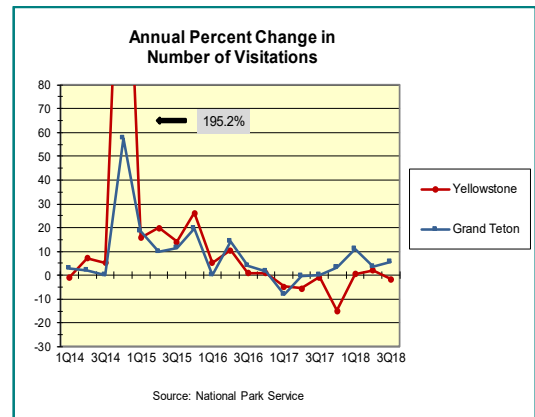
Based on sales and use tax collections, total taxable sales in the state grew 9.3 percent to \$5.2 billion in the third quarter of 2018. Increases occurred in most economic industries, with the largest growth in the mining sector (including oil & gas extraction) which experienced a year-over-year expansion of 21.1 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 third quarter amount in mining was still 30.7 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. The transportation & warehousing sector also showed fast growth of 28.7 percent. Construction was the only industry that experienced a decline.



Machinery & equipment leasing, and other services sectors, which support mineral extraction, also increased around 20.0 percent. The public administration sector, which reflects automobile sales, showed an increase of 10.2 percent over the year. The retail trade industry, the largest in terms of sales tax contribution, grew 9.0 percent. Across the state, 17 out of 23 counties experienced increases in taxable sales, led by Converse County (72.9%). Six other counties, Carbon, Crook, Platte, Campbell, Weston, and Goshen demonstrated over 20.0 percent expansions, respectively. Generally, counties with more oil drilling activities experienced faster growth.

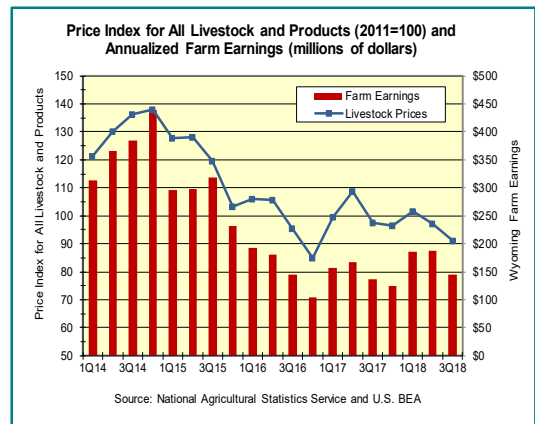
### Tourism

The number of recreational visitations to Yellowstone National Park reached 2,478,987 in the third quarter of 2018, down 1.6 percent from the previous year, while 2,046,587 visits in Grand Teton National Park showed an increase of 5.6 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 third quarter were 7.9 percent lower than a year ago in Teton County, and were 3.9 percent lower for the state as a whole. Apparently, the one-time visit to the state during the August 21, 2017 solar eclipse has compromised the comparison. In general, the primary drivers for the fluctuation in lodging sales are visitations 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 decreased slightly in the second quarter of 2018, and the price level was also 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. Alfalfa hay production in Wyoming is expected to total 1.74 million tons this year, up from 1.60 million tons produced in 2017, according to USDA survey. Sugarbeet production is forecast at 998,000 tons, up 12 percent from 2017. Nationwide, January to September 2018 accumulated beef production was up 3 percent from last year, veal was up 1 percent, pork was up 3 percent from last year, and lamb and mutton production was up 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 \$73.9 million in the third quarter of 2018, which was 15.8 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 \$174.9 million in mineral severance taxes generated in the third quarter of 2018 was 14.5 percent higher than the previous year, and it was the highest amount recorded since the fourth quarter of 2014.

