



Economic Summary: 3Q2019



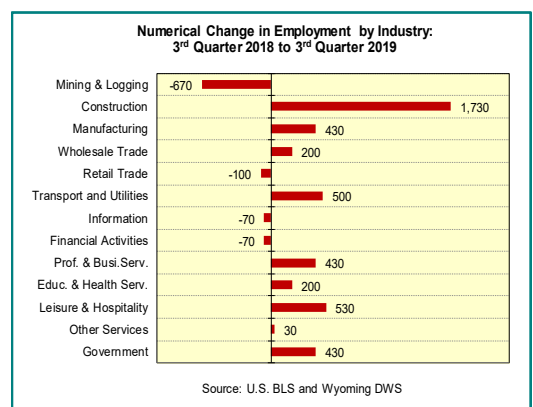
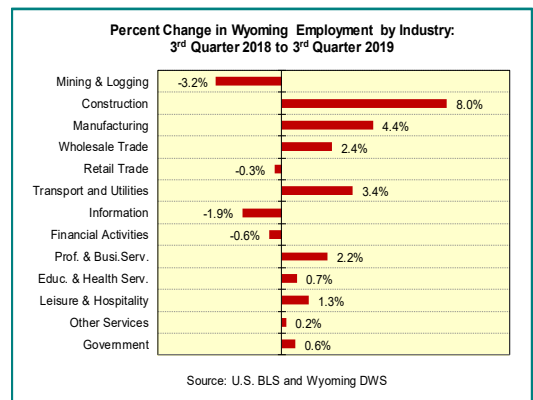
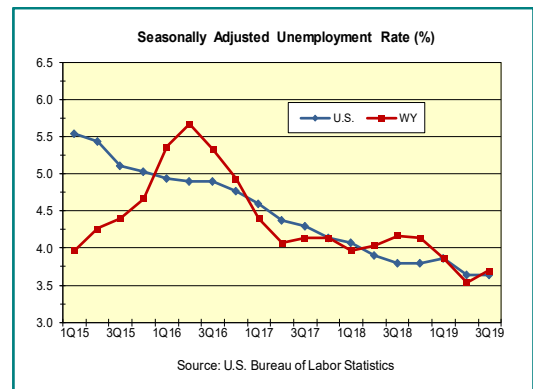
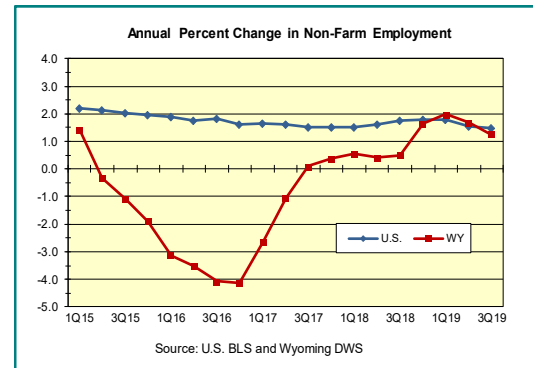
Current Global and U.S. Economy

According to Moody's Analytics, the momentum of the world economy has been easing significantly this year as heightened geopolitical risks still darkened trade and investment. Global GDP growth is expected to slow to 2.4 percent in 2019 from 3.0 percent in 2018. The slowdown will be broad-based across countries. The main drivers are a significant easing in China's growth and fading fiscal stimulus in the U.S. economy. In addition, the trade war has not only hurt Chinese and U.S. activity, which depressed global demand, but it has also taken a heavy toll on business confidence across the globe. The lower confidence has translated into jitteriness of financial markets and lower investment, particularly in manufacturing. In response, many central banks, led by the Federal Reserve, tried to get ahead of the curve by easing monetary policy before the weakness becomes entrenched and before it is too late.

U.S. real GDP growth has been slowing for more than a year and is ending 2019 at just below the economy's 2.0 percent growth potential. The slower growth is also showing up in the job market which has moderated commensurately. Average monthly employment growth, which was about 223,000 last year, has fallen to less than 180,000 this year. Unemployment is low and stable near 3.5 percent but could begin to rise if GDP growth does not pick up pace. However, because of the Fed's response to the slower growth, long-term-rates have declined and the stock market is still strong. In addition, the low unemployment and continuing wage growth are the exact financial factors needed for consumers to continue to spend. Nonetheless, weak business investment is still the principal headwind due to geopolitical uncertainty.

Employment

Wyoming's economy continued to rebound from the severe downturn in 2015 and 2016, but has decelerated since the first quarter of 2019. Total employment grew 1.2 percent (or 3,570 jobs) in the third quarter compared to one year earlier, slower than the job growth rate for the U.S. The state's unemployment rate increased marginally in the quarter to 3.7 percent, slightly higher than the national average. Job gains were broad-based, and most industrial sectors experienced increases. However, approximately 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 transportation & utilities also experienced faster growth, 4.4 and 3.4 percent, respectively. Employment in services where a large number of jobs are located such as retail trade and private health care showed minimal changes in a year-over-year comparison. The state's pivotal industry, mining (including oil & gas extraction), lost 670 jobs, or 3.2 percent from the previous year.



Personal Income and Earnings

Wyoming's total personal income grew 4.3 percent in the third quarter of 2019 from the previous year, slower than the previous quarter. U.S. personal income increased 4.5 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, veterans benefits, and other income benefits and assistance. Total earnings in the state grew 5.0 percent annually in the quarter, while property income and transfer receipts increased 1.4 and 7.4 percent, each. Earnings in most sectors demonstrated expansions from a year ago, led by the farm sector's growth rate of 189.4 percent. Construction also showed strong growth of 16.4 percent. The mining industry, however, experienced a slight decline from the previous year.

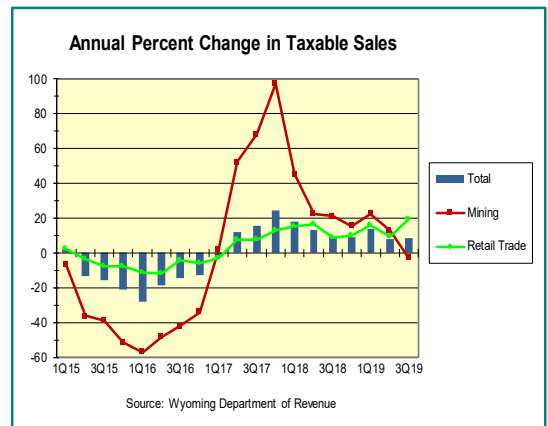
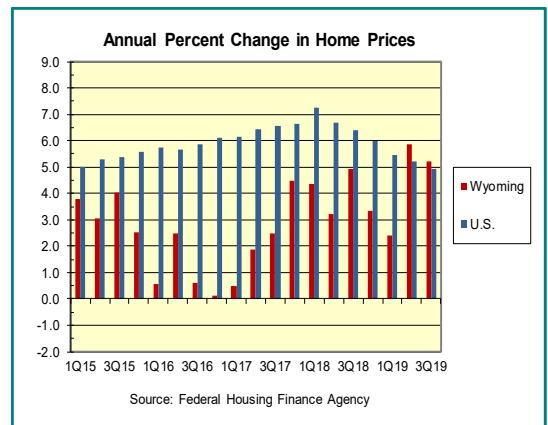
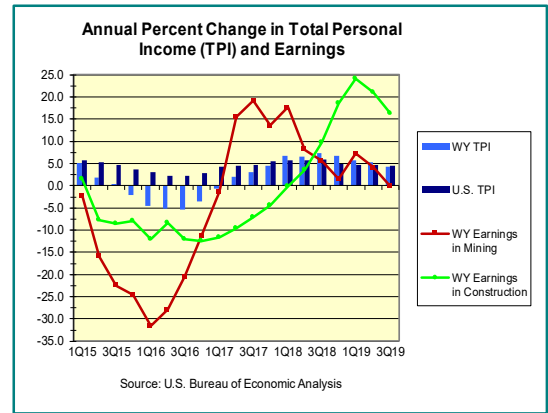
Housing

The statewide home price increased 5.2 percent in the third quarter of 2019 from one year ago, lower than the pace for the previous quarter, while the national average price appreciation slowed down to 4.9 percent during the same period. In Wyoming, single-family building permits for new privately-owned residential construction in the third quarter of 2019 were 8.6 percent higher than the previous year level. Both mortgage delinquency rates and foreclosure rates in September were lower than last year, according to CoreLogic.

The U.S. house price appreciation has decelerated in six consecutive quarters on an annual basis. Home sales and housing construction have revived as mortgage rates have fallen firmly below 4.0 percent. 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, particularly in lower-priced markets, 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 8.5 percent to \$5.7 billion in the third quarter of 2019. Increases occurred in most economic industries, with the fastest growth in the construction industry, 44.3 percent. The financial activities sector which mostly reflects sales in automotive, machinery and equipment rental and leasing, experienced a year-over-year expansion of 27.8 percent. The mining sector (including oil & gas extraction), however, contracted 2.7 percent due to declining sales of equipment, supplies, and services from energy exploration and production activity, and this was the first year-over-year drop since the fourth quarter of 2016 – before the economic recovery. The manufacturing, wholesale trade, and utilities industries, which are closely related to mineral development, also showed moderate decreases of around 4.0 percent, respectively.



The retail trade industry, the largest in terms of sales tax contribution, grew 19.2 percent, and this strong increase was mostly attributed to tax submissions from more remote sellers. Across the state, 18 out of 23 counties experienced increases in taxable sales, led by Converse County (39.2%). Two other counties, Carbon and Hot Springs, demonstrated about 28.0 percent expansions, respectively. Platte, Sublette, and Niobrara counties suffered the largest declines, ranging from -31.2 to -18.7 percent, possibly reflecting a slowdown in conventional natural gas exploration and pipeline construction.

Tourism

The number of recreational visitations to Yellowstone National Park reached 2,449,186 in the third quarter of 2019, down 1.2 percent from the previous year, while 1,995,075 visits in Grand Teton National Park showed a decrease of 2.5 percent. Visitation figures in 2016 were the highest ever, due mostly to the national parks' centennial celebration.

Lodging sales for the third quarter were 22.3 percent higher than a year ago in Teton County, and were 13.0 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 decreased in the third quarter of 2019, but the price level was slightly higher 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 stabilized since then, and even accelerated in 2019. Based on October 1 conditions, alfalfa hay production in Wyoming is forecast to total 1.4 million tons in 2019, down from 1.59 million tons produced in 2018, according to Mountain Regional Field Office of the National Agricultural Statistics Service, USDA. Sugarbeet production is forecast at 838,000 tons, down 11 percent from 946,000 tons produced in 2018. Dry bean production is forecast at 415,000 hundredweight, down 32 percent from a year earlier.

Revenue

The amount of investment income distributed to the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, was not available for the third quarter of 2019, but was assumed to be the same amount as 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 \$147.7 million in mineral severance taxes generated in the third quarter of 2019 was slightly lower than the previous quarter, but it was a decline of 15.5 percent comparing to the third quarter of 2018.

