



Economic Summary: 4Q2017



Wyoming Department of Administration & Information

Economic Analysis Division

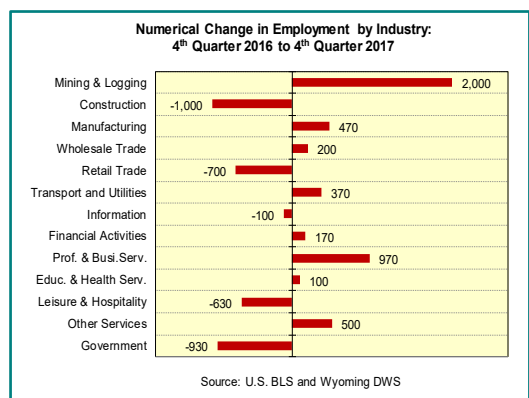
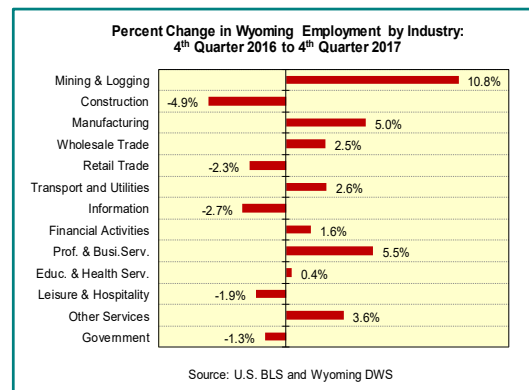
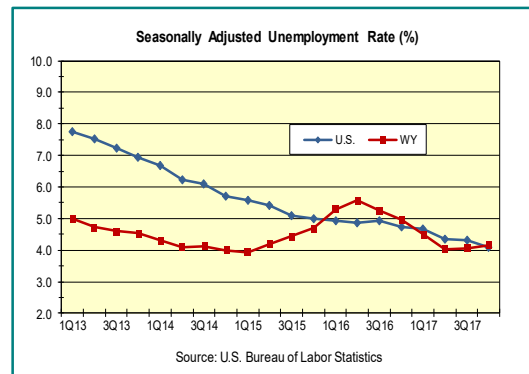
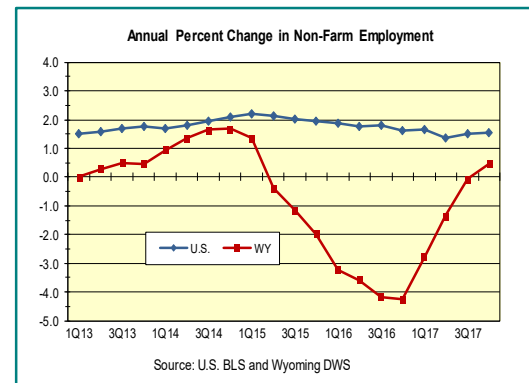
Current Global and U.S. Economy

According to Moody's Analytics, synchronized global expansion will continue into 2018, driven primarily by renewed fiscal spending in developed economies, as well as a cyclical recovery in trade and investment. Central banks will continue to gradually scale back the extraordinary monetary policy measures put in place during the global financial crisis. Together with still-modest core inflation, the world economic environment is in good shape to maintain its 3.0 percent growth rate in 2018. However, the largest downside risk on the horizon is the Trump administration's recent decision to impose tariffs on imported steel and aluminum, solar panels and washing machines, as well as Chinese imports. These actions may increase the likelihood of a trade war, and potentially destabilize the market.

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, 4.0 percent, was the lowest since the beginning of the 21st century. The strong economic growth may soon accelerate, resulting in an overheated economy. A massive dose of fiscal stimulus measures, including both deficit-financed tax cuts and a federal government spending increase, has just begun to hit the economy. The best way to avoid the potential overheating is to speed up the labor force and productivity growth. However, neither one is expected to return to their pre-recession pace, largely due to the fast aging of U.S. population. Across the country, the large metro areas have been experiencing a lion's share of growth at the expense smaller areas in terms of either employment or income.

Employment

Wyoming's unemployment rate rose slightly in the fourth quarter of 2017 to 4.2 percent, marginally higher than the U.S. level of 4.1 percent. However, Wyoming experienced an increase of 0.5 percent (or 1,420 jobs) in total employment in the quarter compared to one year earlier, the first year-over-year growth since the first quarter of 2015. Most industrial sectors in the state experienced job increases during the period. As supply and demand rebalancing continues, energy prices, 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, adding 2,000 jobs or 10.8 percent from last year. Employment in manufacturing industry and professional & business services also grew 5.0 and 5.5 percent, respectively. Construction industry lost 1,000 jobs, or 4.9 percent. The government sector, which includes both public education and hospitals, suffered a decrease of 930 payroll jobs or 1.3 percent in the fourth quarter of 2017.



Personal Income and Earnings

Wyoming's total personal income grew 3.7 percent in the fourth quarter of 2017 from the previous year, the fastest increase since the first quarter of 2015. U.S. personal income also increased 4.0 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 3.9 percent annually in the quarter, while property income increased 4.0 percent. The earnings for most industries experienced increases from a year ago. The mining industry showed the largest growth of 12.9 percent, and contributed 37.5 percent of the total earnings increase in the state. However, earnings from utilities industry and farm sector declined significantly from the fourth quarter of 2016.

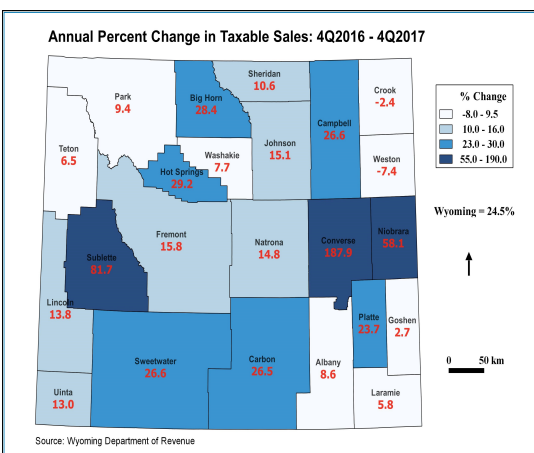
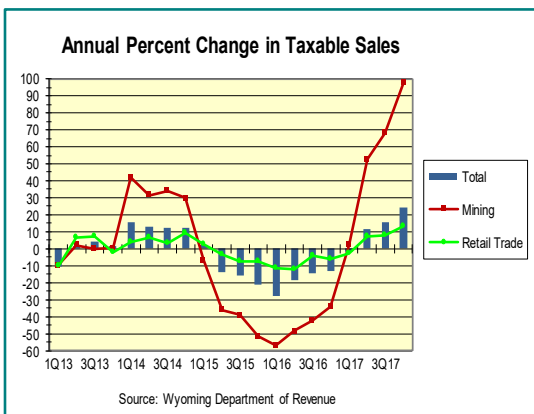
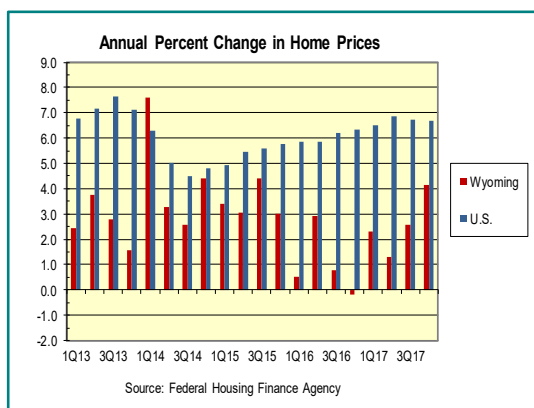
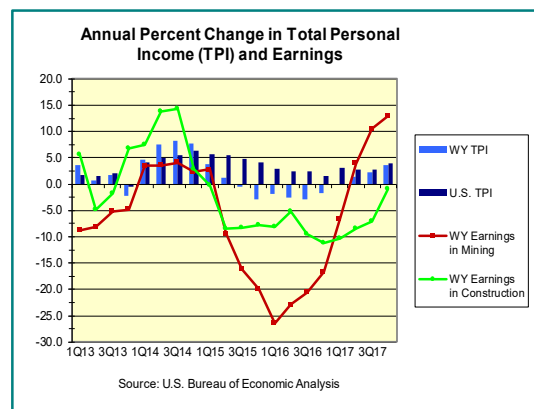
Housing

The statewide home price increased 4.1 percent in the fourth quarter of 2017 from one year ago, an improvement from the past a couple of years, while the national average price appreciated 6.7 percent during the same period. In Wyoming, single-family building permits for new privately-owned residential construction in the fourth quarter of 2017 were 5.0 percent lower than the previous year level. Both mortgage delinquency rate and foreclosure rate in December were lower than last year.

The U.S. housing market is characterized by tight supply and rising prices, 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 building 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 a much stronger rebound of multi-family construction than single-family homebuilding.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state grew 24.5 percent to \$4.4 billion in the fourth quarter of 2017, the fastest annual increase in recent years. 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. The mining sector experienced a year-over-year expansion of 97.4 percent, the fastest recorded in recent decades, 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 fourth quarter amount was still 37.0 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.



Manufacturing, wholesale trade, and machinery & equipment leasing, and other services sectors, which are closely related to mineral extraction, each increased over 15.0 percent. The public administration sector, which reflects automobile sales, showed an increase of 13.6 percent over the year. The retail trade industry, the largest in terms of sales tax contribution, grew 13.0 percent. Across the state, 21 out of 23 counties experienced increases in taxable sales, led by Converse County (187.9%). Two other counties, Sublette and Niobrara, demonstrated over 58.0 percent expansions, respectively. Counties with large numbers of mineral activities experienced faster growth due to increased drilling.

Tourism

The number of recreational visitations to Yellowstone National Park reached 243,749 in the fourth quarter of 2017, down 14.9 percent from the previous year, but 283,794 visits in Grand Teton National Park showed an increase of 3.2 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 fourth quarter were 2.6 percent higher than a year ago in Teton County, and were 6.6 percent higher for the state 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.

Agriculture

The index of prices received by farmers for all U.S. livestock and products decreased slightly in the fourth quarter of 2017, but the price level was noticeably 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 for beef products. The January 1, 2018 inventory of all cattle and calves in Wyoming totaled 1.32 million head, down 1 percent from the January 1, 2017, according to the Mountain Regional Field Office of the National Agricultural Statistics Service. Nationwide, January to December 2017 commercial red meat production was 52.0 billion pounds, up 3 percent from 2016. Accumulated beef production was up 4 percent from last year, veal was down 1 percent, pork was up 3 percent from last year, and lamb and mutton production was down 3 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 \$58.2 million in the fourth quarter of 2017, which was 5.8 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 \$162.7 million in mineral severance taxes generated in the fourth quarter of 2017 was 6.5 percent higher than the previous quarter, and it was the highest amount since the third quarter of 2015.

