



Economic Summary: 4Q2018



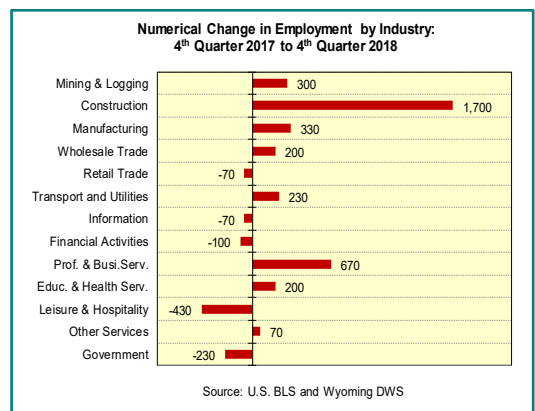
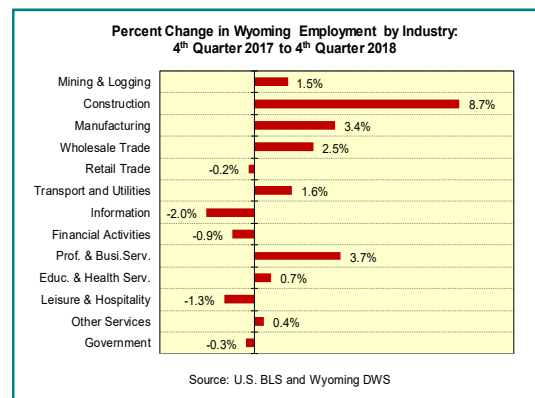
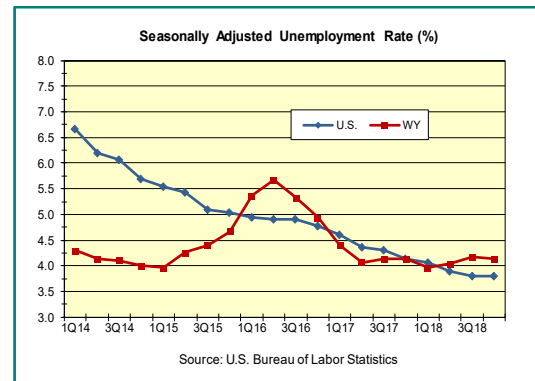
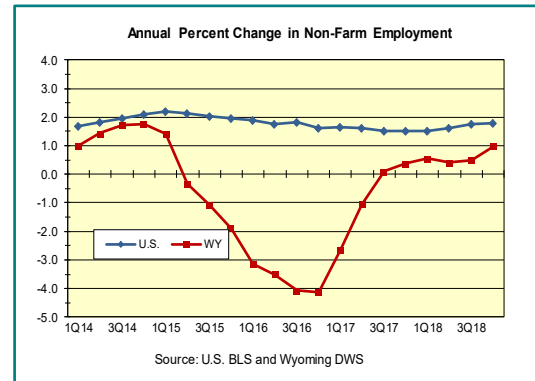
Current Global and U.S. Economy

According to Moody's Analytics, global economic growth has passed the peak and is transitioning to a slower pace after an upswing for more than two years. Global GDP growth is forecast to slow to 3.0 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 somewhat tighter financial conditions are behind the cooling trend. Elevated geopolitical risks threaten to accelerate the slowdown in global demand. China's stimulus this cycle is trying to stabilize the growth at a lower target range. The European Central Bank has loosened the stimulus taps, responding to the weaker economic conditions and looming downside risks. Monetary policy settings in major central banks are far from normalized, limiting ammunition to respond to a renewed downturn. The U.S. will keep propping up global growth through 2019, but the earlier expansionary fiscal policy is losing steam.

The U.S. economy in early 2019 seemed stalled out. The first-quarter GDP is barely growing. Both home sales and construction have been largely unchanged for the past year. Business investment has also been flat since last summer. Even the robust job market appears to have retreated. However, the growth slowdown may be somewhat overstated, and the economy is not expected to sink. Because of the Fed's response to the slower growth, long-term-rates have declined and the stock market has rebounded. In addition, the current low unemployment and accelerating wage growth are the exact financial factors needed to revive consumer spending. The U.S. economic expansion is expected to revive, and could become the longest in history advancing this summer.

Employment

Wyoming's economy continued to rebound from the severe downturn in 2015 and 2016 albeit at a moderate pace. Total employment grew 1.0 percent (or 2,800 jobs) in the fourth quarter compared to one year earlier, the largest year-over-year growth since the first quarter of 2015. The state's unemployment rate dropped slightly in the quarter to 4.1 percent, marginally higher than the U.S. level of 3.8 percent. Job gains were broad-based, and most private industrial sectors experienced increases. Although oil prices contracted nearly 30 percent in the later months of 2018 from the summer, it did not notably dampen the mineral extraction business' confidence and drilling activities, particularly in the Powder River Basin. This pivotal industry still added about 300 jobs or 1.5 percent from last year. Employment in industries that are related to the drilling such as construction, manufacturing, and professional services grew faster. The leisure & hospitality industry lost most jobs, or 1.3 percent. The government sector continued to show a smaller number of jobs than the previous year.



Personal Income and Earnings

Wyoming's total personal income grew 4.8 percent in the fourth quarter of 2018 from the previous year, slightly slower 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 5.2 percent annually in the quarter, while property income and transfer receipts increased 4.3 percent, each. Earnings in nearly all sectors experienced expansions from a year ago, led by the construction industry's growth rate of 14.9 percent. Professional & business services, mining, utilities, and leisure & hospitality sectors also showed increases of around 8.0 percent, respectively.

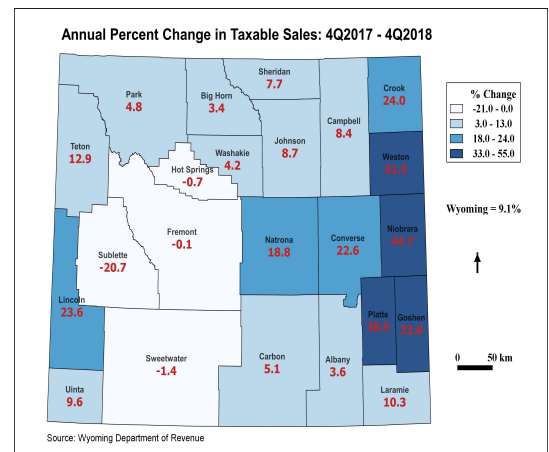
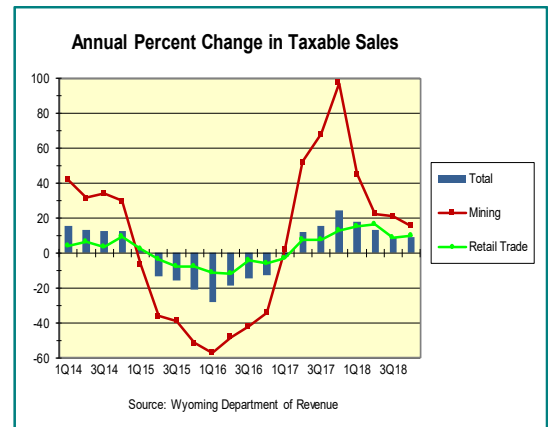
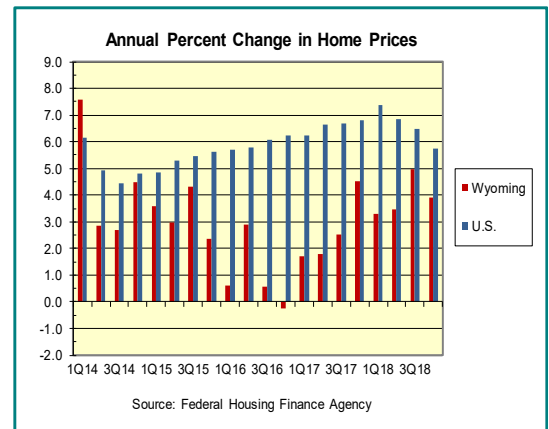
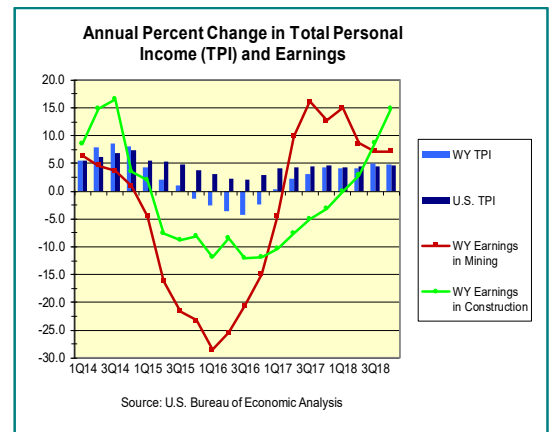
Housing

The statewide home price increased 3.9 percent in the fourth quarter of 2018 from one year ago, slower than the pace for the previous quarter, while the national average price appreciation also slowed down to 5.7 percent during the same period. In Wyoming, single-family building permits for new privately-owned residential construction in the fourth quarter of 2018 were 2.3 percent lower than the previous year level. Both mortgage delinquency rates and foreclosure rates in December were lower than last year, according to CoreLogic.

The U.S. house price appreciation has decelerated in three consecutive quarters on a year-ago basis. Declining housing affordability and rising mortgage rates were shackling housing demand. Mortgage applications were flat from their previous year level, and overall home sales have been trending lower since the beginning of 2018. However, the supply-side constraints on the housing market remain tight, and inventory-to-sales ratio for existing homes has fallen to its historical low. The current low supply environment means that prices 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 9.1 percent to \$4.8 billion in the fourth quarter of 2018. Increases occurred in most economic industries, with the fastest growth in the construction sector which experienced a year-over-year expansion of 32.5 percent. The mining sector (including oil & gas extraction) grew 15.5 percent due to increased sales of equipment, supplies, and services from new energy exploration and production activity. However, the fourth quarter amount in mining was still 27.2 percent less than the figure for the fourth quarter of 2014 – before the energy downturn. Traditionally, about one-fifth 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. Machinery & equipment leasing, which support mineral extraction, also showed strong growth of 30.1 percent. The public administration sector, which reflects automobile sales,



showed an increase of 9.1 percent over the year. The retail trade industry, the largest in terms of sales tax contribution, grew 10.1 percent. Wholesale trade, transportation & warehousing, and other services showed declines. Across the state, 19 out of 23 counties experienced increases in taxable sales, led by Weston County (51.5%). Six other counties, Niobrara, Platte, Goshen, Crook, Lincoln, and Converse demonstrated over 20.0 percent expansions, respectively. Sublette County suffered the largest decline, at -20.7 percent, possibly reflecting a slowdown in conventional natural gas exploration.

Tourism

The number of recreational visitations to Yellowstone National Park reached 254,305 in the fourth quarter of 2018, up 4.3 percent from the previous year, while 300,985 visits in Grand Teton National Park showed an increase of 6.1 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 fourth quarter were 15.1 percent higher than a year ago in Teton County, and were 10.5 percent higher for the state as a whole. Visitation to the state during the August 21, 2017 solar eclipse has probably compromised the comparison for the third quarter. 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 increased slightly in the fourth quarter of 2018, but the price level was 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. The January 1, 2019 inventory of all cattle and calves in Wyoming totaled 1.30 million head, down 2 percent from the January 1, 2018 inventory, according to the Cattle Survey conducted by the Mountain Regional Field Office of the National Agricultural Statistics Service, USDA. Beef cows, at 714,000 head, were unchanged from the previous year. Milk cows were unchanged from last year at 6,000 head. Wyoming's 2018 calf crop, at 670,000 head, is up 2 percent from 2017.

Revenue

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$62.6 million in the fourth quarter of 2018, which was 7.7 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 \$182.7 million in mineral severance taxes generated in the fourth quarter of 2018 was 12.3 percent higher than the previous year, and it was the highest amount recorded since the fourth quarter of 2014.

