



Economics Group

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Mining and Manufacturing Recovery Supports State GDP

Real GDP rose in 47 states in both the fourth quarter of 2017 and over the year as a whole. Real GDP is growing fastest in the Far West and Rocky Mountain States but has picked up notably in Texas and the Southwest.

West Still Best, Mining States are Reenergized, Ag Drag Lessening

Real GDP growth ramped up across the country during the fourth quarter of 2017. The latest GDP by state figures show the national economy growing at a 2.7 percent annual rate during the fourth quarter, which was well ahead of the 2.1 percent annual average gain for the year. Every region, except the Mid-Atlantic states, saw economic growth accelerate during the quarter.

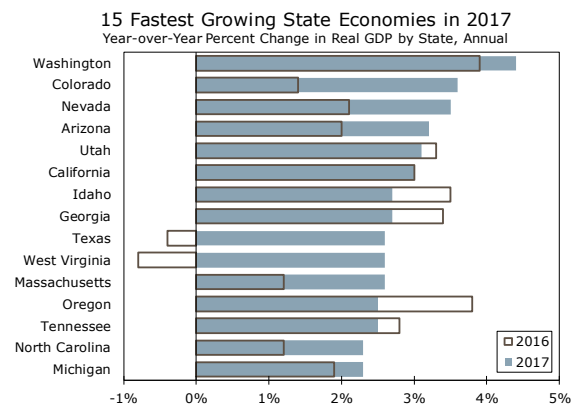
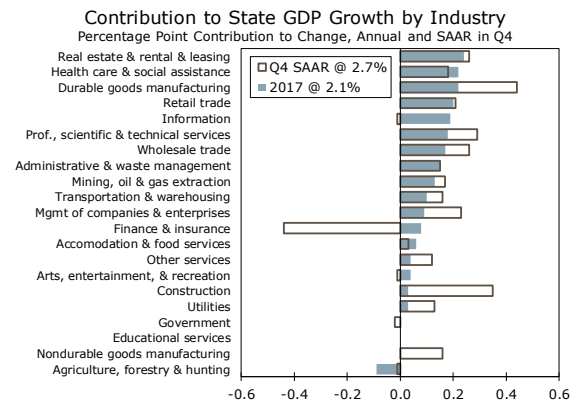
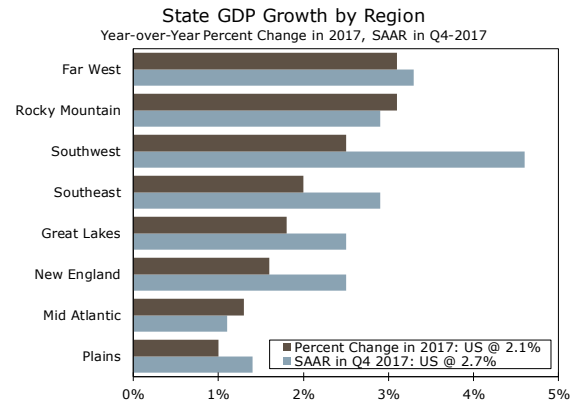
The West continues to see the strongest economic gains. Construction and manufacturing were strong contributors in both the Far West and the Rocky Mountain regions. The information sector, which includes software publishing, data processing, data hosting and media and entertainment, posted strong gains in the West, particularly in Washington and California.

Washington's GDP growth was the strongest in 2017 by a notable margin, with real GDP rising 4.4 percent on an annual average basis. The information sector was a major contributor to the state's gain, accounting for a full percentage point of overall growth. Retail trade was the real standout, however, accounting for 1.4 percentage points of real GDP growth. Amazon is headquartered in Seattle, which explains why retail added so much more to Washington's growth than any other state and also why so many cities are competing for that rapidly growing online retailer's second headquarters.

While the tech sector gets most of the attention, a good part of the improvement in real GDP growth during the fourth quarter came from durable goods manufacturers. Durable goods output accounted for 0.2 percentage points of the nation's 2.1 percent real GDP growth in 2017 (measured on a comparable basis to the state data) and 0.4 points of real GDP growth during the fourth quarter of 2017. Moreover, every state saw gains in durable goods output during Q4. On an annual basis the greatest boost to output was in Michigan, Indiana, Idaho, Iowa and Wisconsin.

The mining sector turned around in a major way in 2017. The rebound added 2 percentage points to economic growth in Wyoming, North Dakota and West Virginia. Texas and West Virginia were among the ten fastest growing states in 2017, with Texas seeing a resurgence in oil production and West Virginia benefitting from rising exports of coal and increased natural gas output. The mining sector gained strength in the fourth quarter and appears to have held up strong in the first quarter of this year as well, based on the preliminary first quarter GDP report. Higher energy prices have spurred exploration and production activity, particularly in West Texas.

The Mid-Atlantic and Plains remain the slowest growing regions. The Mid-Atlantic region is struggling with slow population growth, an outflow of corporate headquarters and declines in construction. The Plains continue to struggle with low commodity prices and sluggish global demand, which both perked up late last year. Trade remains a question mark for 2018, however, with ongoing discussions with China likely to weigh heavily on the region.



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