



# Economics Group

**Mark Vitner, Senior Economist**  
[mark.vitner@wellsfargo.com](mailto:mark.vitner@wellsfargo.com) • (704) 410-3277  
**Charlie Dougherty, Economist**  
[charles.dougherty@wellsfargo.com](mailto:charles.dougherty@wellsfargo.com) • (704) 410-6542

## Rising Energy Output Drove State GDP Growth in Q1-2019

*Real GDP grew in all 50 states and the District of Columbia, as soaring energy output easily offset losses associated with the federal government shutdown earlier this year. Energy states posted the strongest gains.*

### Rising Energy Production Provided a Big Boost to Q1 Growth

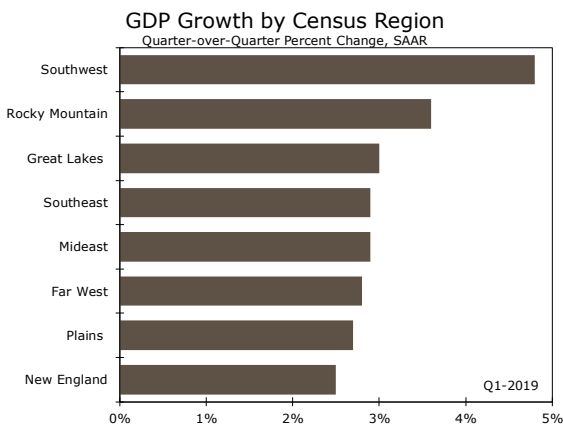
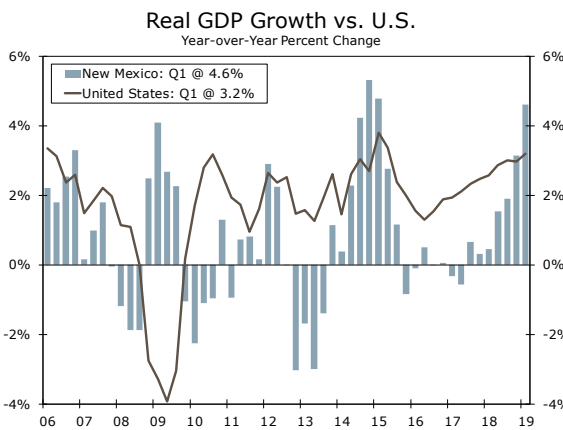
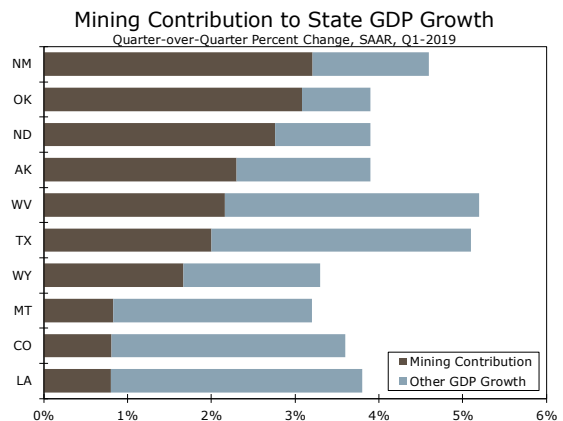
Output in mining, quarries & energy extraction surged at a 26.5% annual rate during the first quarter, which follows a 38% annualized gain during the fourth quarter. Production of oil rose 3% during this six-month period, rising to 11.9 million barrels per day from 11.6 million barrels per day previously. Production of natural gas and coal also increased. The gains are evident in the state GDP data for many energy-producing states. West Virginia posted the strongest real GDP growth during the first quarter, with total output climbing at a 5.2% annual rate. Just over 40% of that growth came from the energy sector. Rising energy output also played a major role in the next two fastest growing states—Texas and New Mexico—which saw output climb at a 5.1% and 4.6% pace, respectively.

The upturn in energy production has been good news for several long-struggling states. New Mexico is the only state that has seen real GDP rise at a better than 4% annual rate during each of the past four quarters. Growth in New Mexico had previously been much more challenged, having averaged just a 0.6% pace from 2010 to 2017. Alaska’s GDP growth has also perked up, outpacing the nation in each of the past two quarters. Growth has also gained momentum in North Dakota and Wyoming—two former high flyers that were hit particularly hard by the mid-decade collapse in energy prices.

Finance & insurance, retail trade and health care & social assistance were the leading contributors to real GDP growth nationally, with output rising 9.5%, 11.9% and 6.2%, respectively. The three broad industry categories contributed to growth in all 50 states. Finance & insurance made a three percentage point contribution in Delaware, which is home to a number of bank subsidiaries. The gain accounted for more than three-fourths of Delaware’s 3.9% first quarter real GDP growth. Other states with outsized gains from financial services include New York and South Dakota, another state with several financial subsidiaries.

The strength in retail trade is somewhat surprising. Retail sales were weak in December and did not rebound until March. Retail trade accounted for 0.63 percentage points of first quarter growth, with Maine and Washington receiving the largest contributions. Catalog and online retailing likely contributed to gains in both states, with L.L. Bean in Maine and Amazon in Washington. Healthcare & social services rose solidly in nearly every state.

The tech sector did not contribute as much to growth as in previous quarters. Professional & technical services contributed just 0.16 percentage points to first quarter growth, and information services added another quarter percentage point. Washington, home to Microsoft and its rapidly growing Azure cloud computing unit, as well as Amazon Web Services, is a notable outlier. The information sector accounted for 1.65 percentage points, or just over half of Washington’s 3.1% Q1 real GDP growth.



## Wells Fargo Securities Economics Group

Jay H. Bryson, Ph.D.	Acting Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Macro Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Erik Nelson	Macro Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	Macro Strategist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Matthew Honnold	Economic Analyst	(704) 410-3059	matthew.honnold@wellsfargo.com
Jen Licis	Economic Analyst	(704) 410-1309	jennifer.licis@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

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