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S&P: Oil And Gas Prices Fuel U.S. Mineral-Producing States' Coffers As Economic Momentum Slows

Key Takeaways

- On the tail of elevated oil and natural gas prices, mineral-producing states' severance taxes and mineral royalties are surging, although the inflationary pressures they have in part caused could stymie broader economic momentum across other sectors.
- Oil and gas-producing states are poised to lead economic (real gross state product [GSP]) growth in calendar 2023, with seven ranking among the top-15 for real GSP growth nationally after a sluggish 2022.
- Among the eight states surveyed, forecast median GSP growth is 75 basis points (bps) and 16 bps higher than the median growth rate for all states in 2023 and 2024, respectively.
- Mining sector employment remains well below levels from a decade ago despite an uptick in mining activities following the onset of the pandemic. Regional economies that rely more heavily on mining activities will likely experience the most benefit from increased production and high prices, though sector concentration poses longer-term credit risks when boom cycles turn to bust.

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