

Wyoming Economic Outlook



Outlook 2006 Forum
Casper, Wyoming
May 9, 2006

Current Economic Conditions

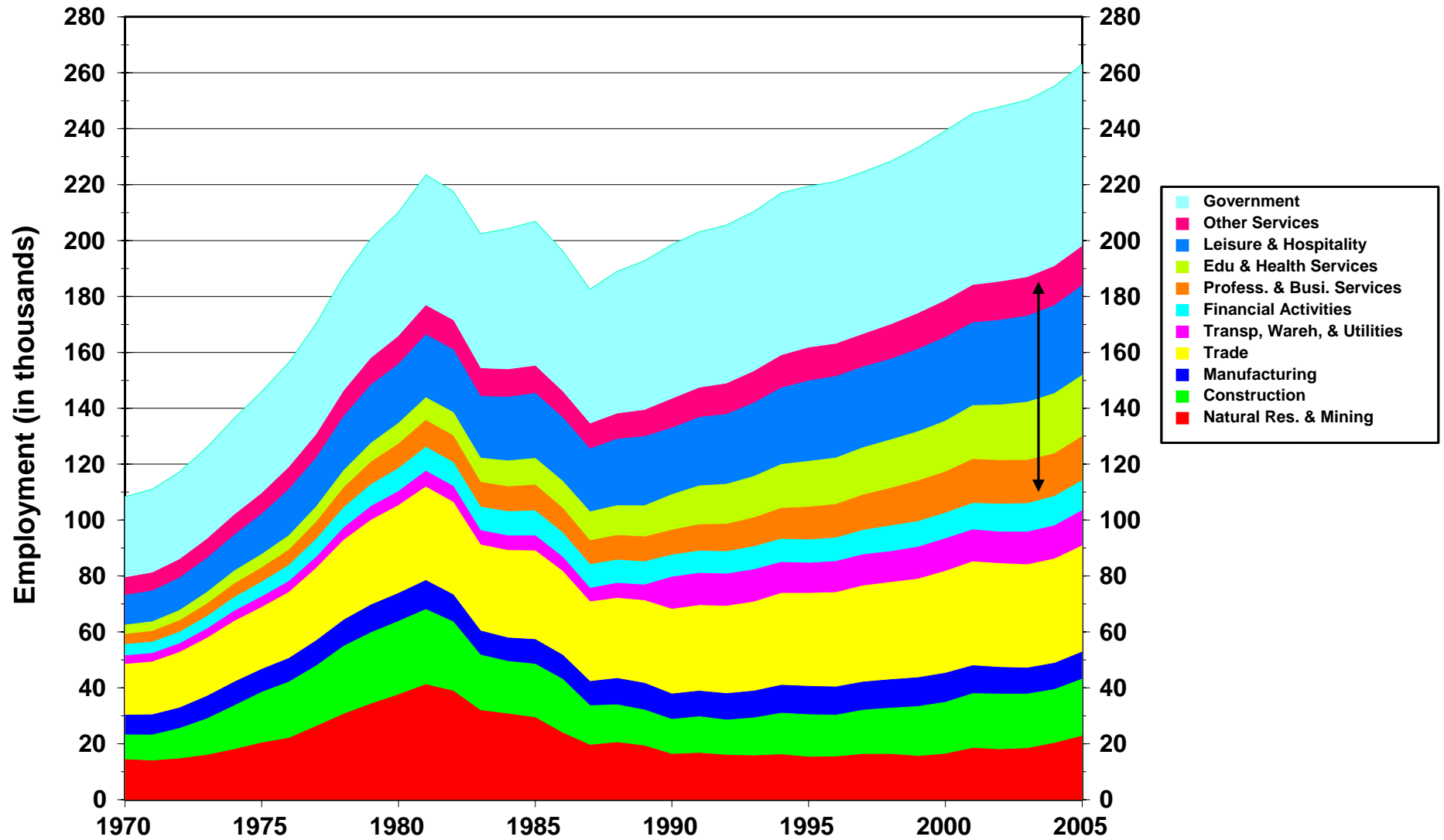
Upside - Energy continues to bolster the economy!

- Net population in-migration last 4 years.
- Jobs, jobs, jobs!!!
 - 8,700 (3.4%) between Mar. 05 to Mar. 06.
 - 3,300 (15.3%) in Natural Resources & Mining from Mar. 05 to Mar. 06.
 - 2.9% unemployment (lowest since 1979); U.S. at 4.7%.
- Year-over-year income growth continues in 2005.
 - TPI increased 8.0% to \$18.7 billion; ranked 4th in U.S.
 - PCI increased 7.3% (1st in U.S.) to \$36,778.
- Consumer spending continues to climb.
 - Retail sales taxes up 14% from year ago.
- State revenue out-pacing forecast.
 - General Fund ahead 7.8% (\$68 million).
- Gross State Product soars in 2004.
 - GSP increased 7.6% to \$24 billion; ranked 12th in U.S. (6.7%).

Current Economic Conditions

- **Downside: Influx of workers stress communities.**
 - Increases traffic, domestic violence, drug use, 911 emergency services.
 - Housing shortage: escalating property values, affordable housing becoming non-existent.
 - Lodging shortage – accommodations for travelers short supply.
- Population: low growth and net in-migration.
 - Transient versus permanent population.
- Uneven growth: energy boom is spreading wealth unevenly across state.
- Low industrial diversification.
- Workforce availability: strong regional competition for construction labor/ in-state competition from growing mining industry.
- 4Q05 inflation hits 5%; U.S. at 3.4%

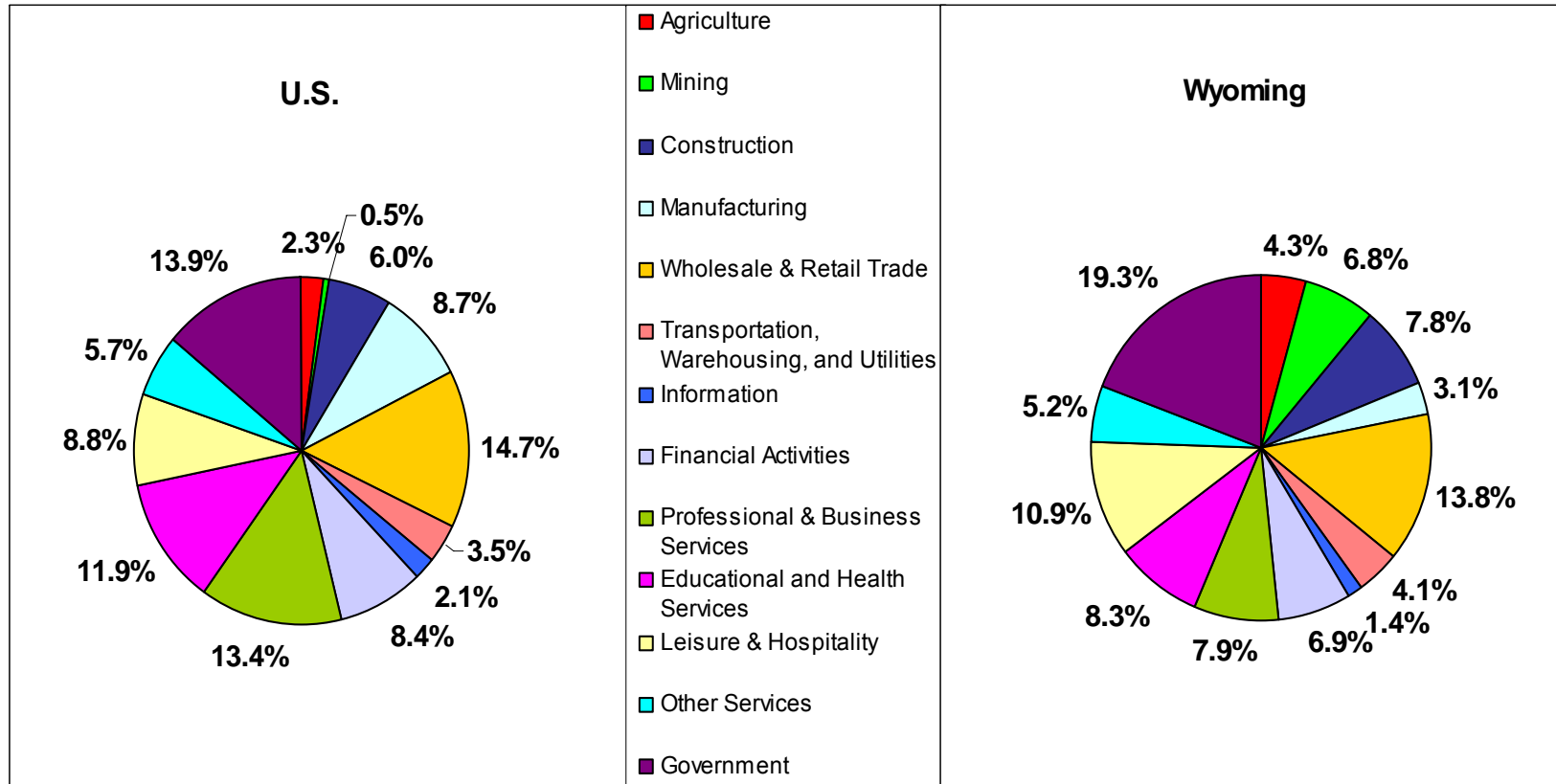
Non-Farm Employment by Industry (NAICS) for Wyoming 1970 to 2005



Source: U.S. Bureau of Labor Statistics, Economy.Com, and Wyoming Economic Analysis Division

Employment by Industry (NAICS) for Wyoming and U.S.: 2004

(Includes: full and part-time wage and salary jobs, and proprietors employment.)



Ranking in U.S.

- Mining - 1st**
- Construction - 2nd**
- Leisure & Hospitality - 4th**
- Government - 4th**

- Manufacturing - 49th**
- Prof. & Business Services - 48th**
- Education & Health Services - 49th**

How important is mining employment to Wyoming's economy?

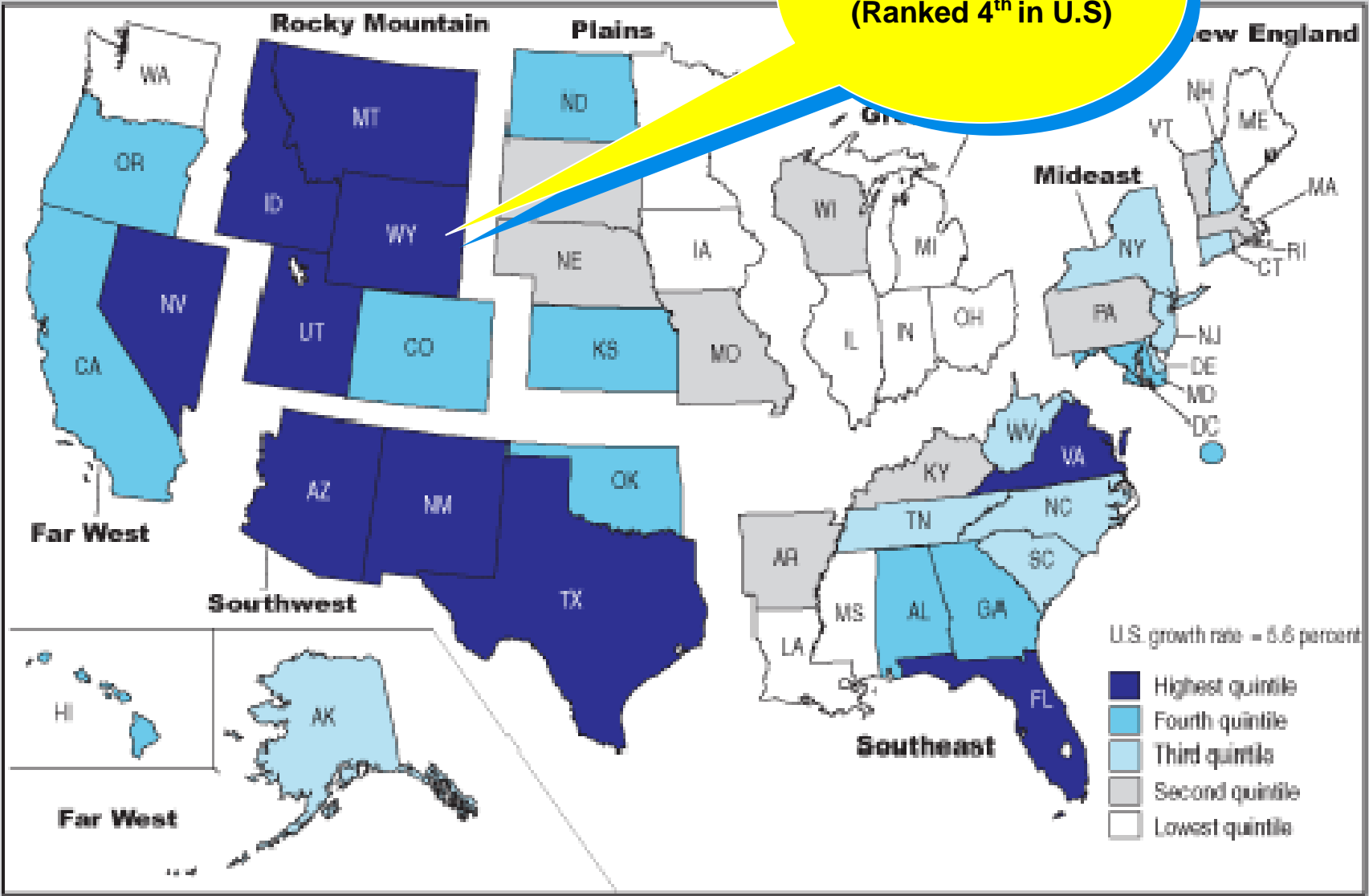
- For every job loss in the mining sector, it would spawn an additional loss of 1.3 jobs in the economy.
- The total job loss resulting from a 10% reduction in mining employment is 5,750, or over 2% of total Wyoming employment.

Effect of 10% reduction in Mining Employment:	
Sector	2006
Total Employment	-5,750
Mining	-2,500
Construction	-600
Trade (Wholesale & Retail)	-730
Services (Business, Hospitality, Health Care)	-1,390
Other (Manufacturing, Transport, Utilities, Info, Financial)	-360
State & Local Government	-170

Source: REMI

Personal Income: Percent Change, 2004–2005

**\$18.7 Billion
8.0% Growth
(Ranked 4th in U.S.)**

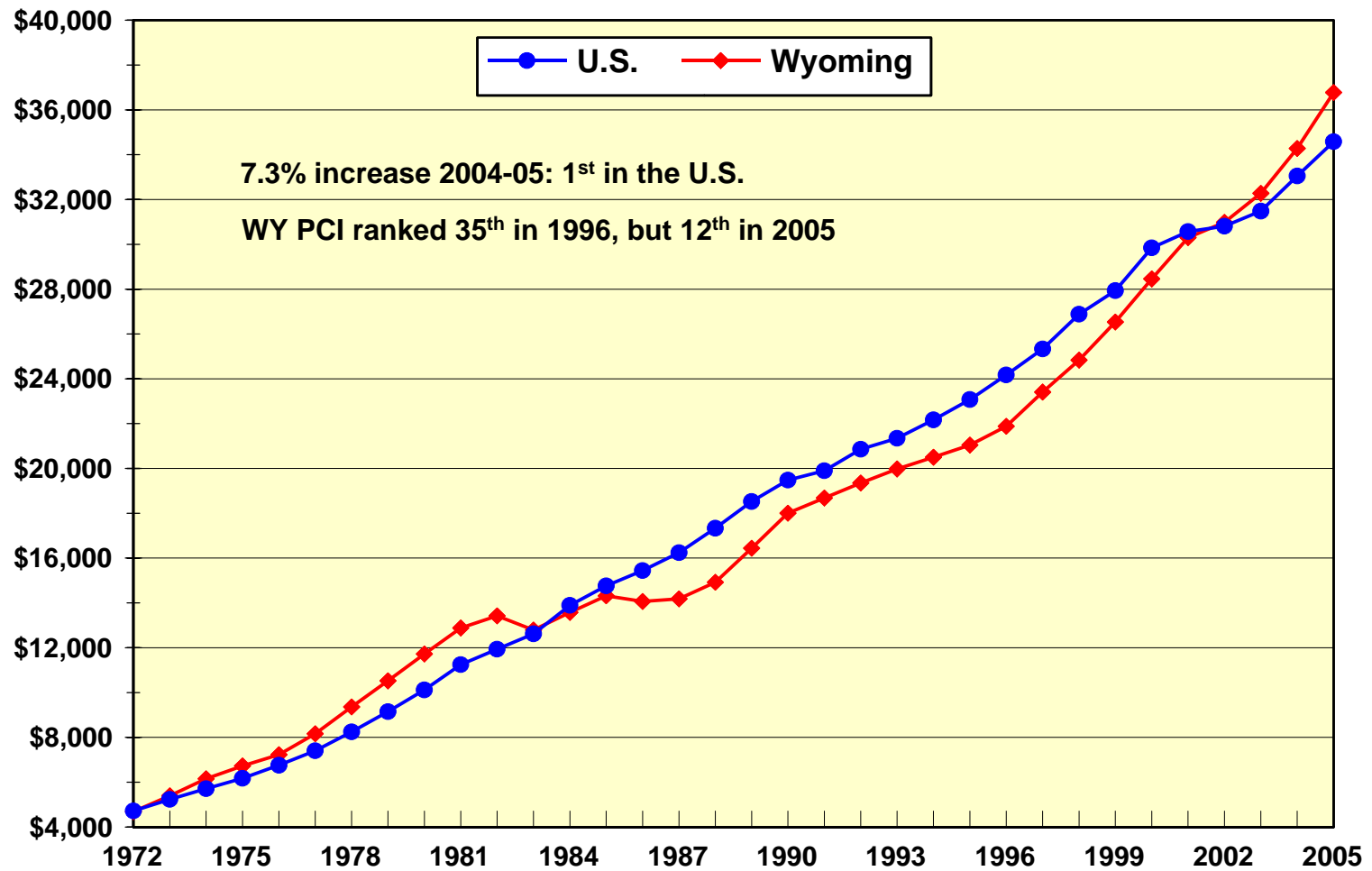


Per Capita Personal Income

Per Capita PI	2005	2004	% Change Year Ago
Wyoming ¹	\$36,778 (12)	\$34,279 (14)	+7.3% (1)
Rocky Mountain	\$33,250	\$31,578	+5.3%
U.S.	\$34,586	\$33,050	+4.6%

¹Numbers in parentheses are U.S. rankings.

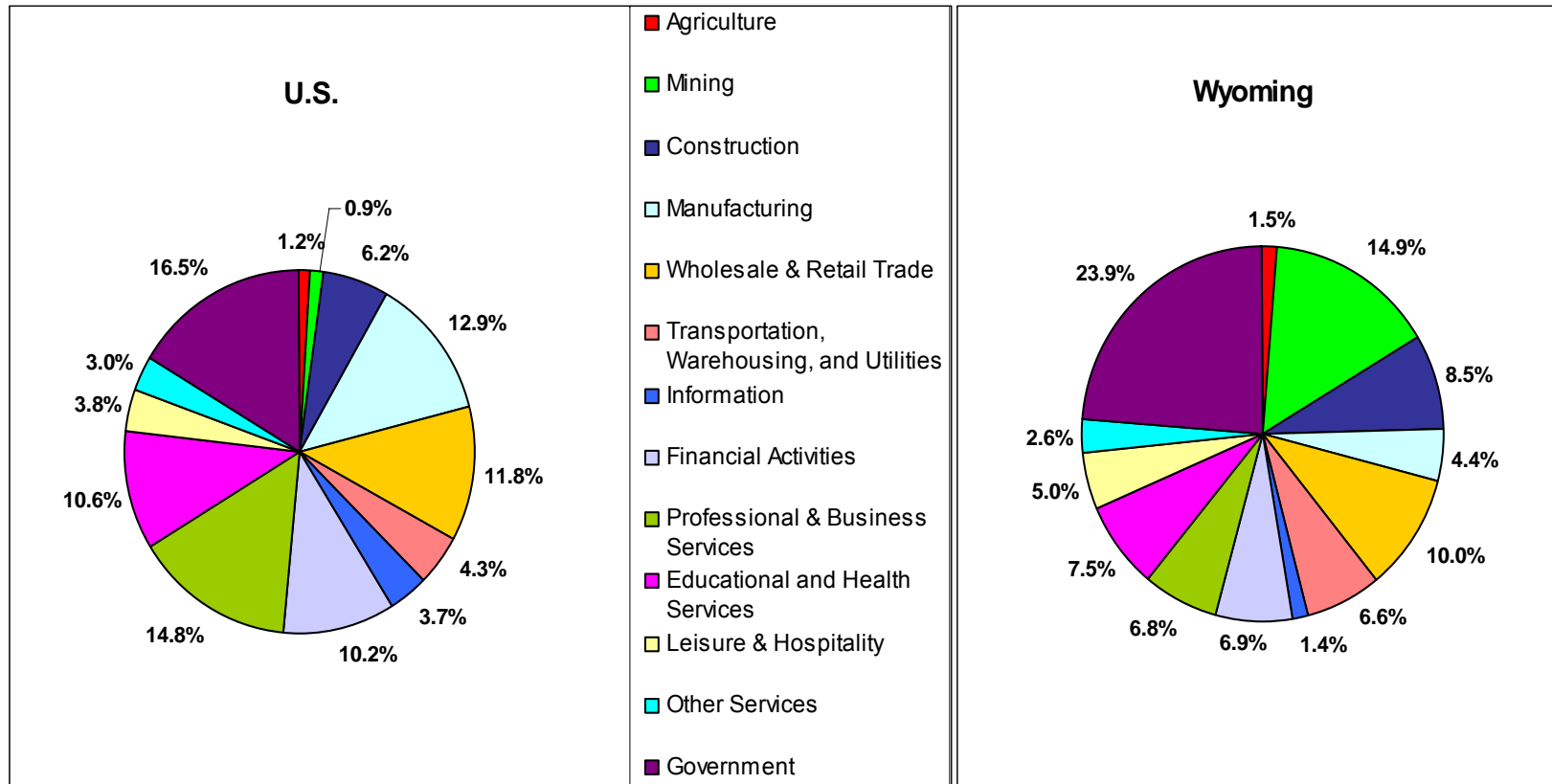
Per Capita Personal Income for US and Wyoming: 1972 - 2005



Source: U.S. Bureau of Economic Analysis

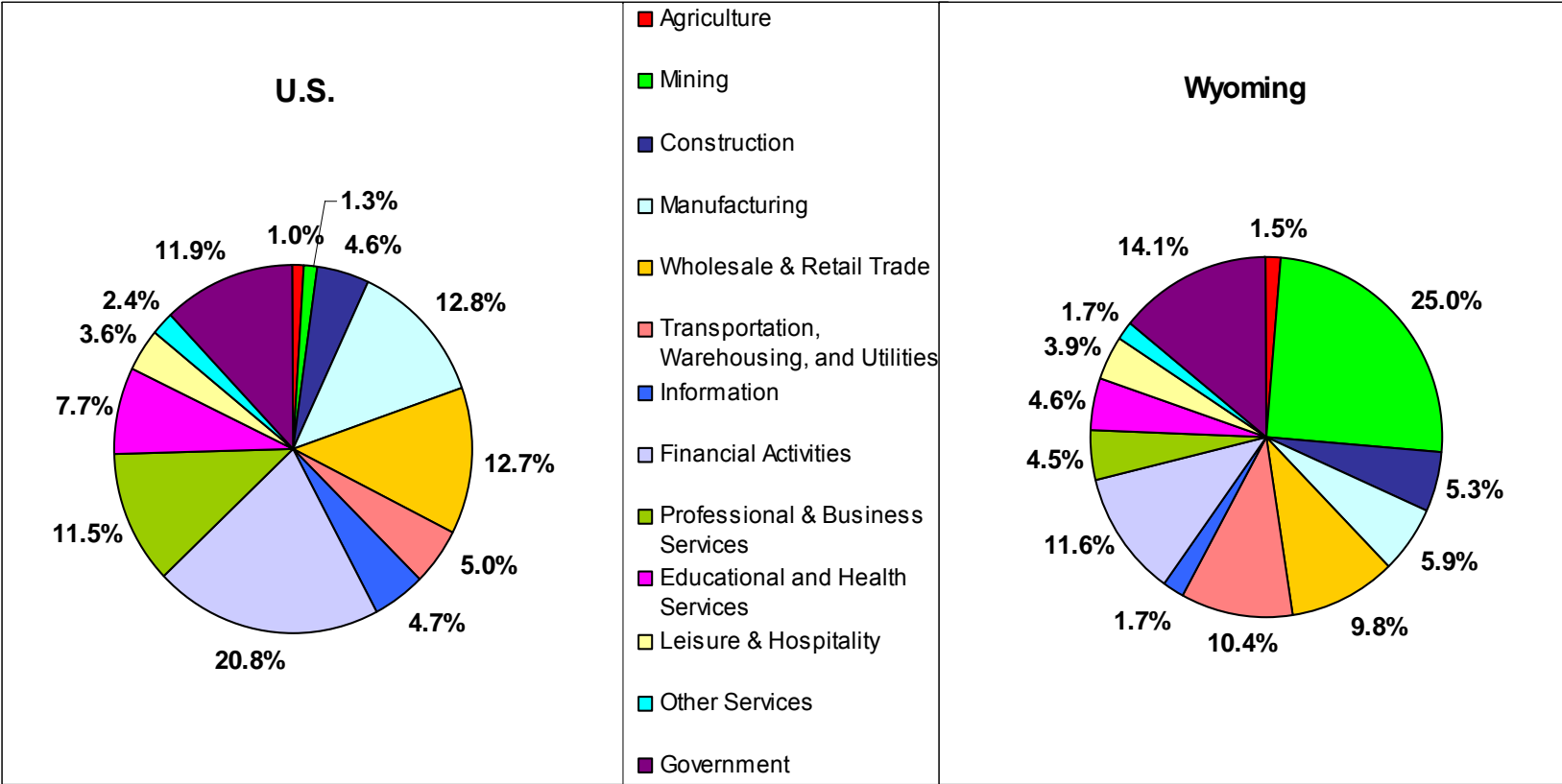
Prepared by Wyoming Economic Analysis Division

Earnings by Industry (NAICS) for Wyoming and U.S.: 2004



Note: Earnings include wage and salary disbursements, employer contributions for employee pension and insurance funds, employer contributions for government social insurance, and proprietors' income.

Gross State Product by Industry (NAICS) for Wyoming and U.S.: 2004



Note: GDP is often referred to as its "value added", is equal to its gross output (sales or receipts and other operating income, plus inventory change) minus its intermediate inputs (consumption of goods and services purchased from other industries or imported).

Stronger economy, yes. More diversified?

Industrial Diversification Index

- **Measure of state employment by major industry relative to national counterpart.**
- **The lower the index value the closer the industry mix is to U.S. industry mix.**

Industrial Diversification Index

1995

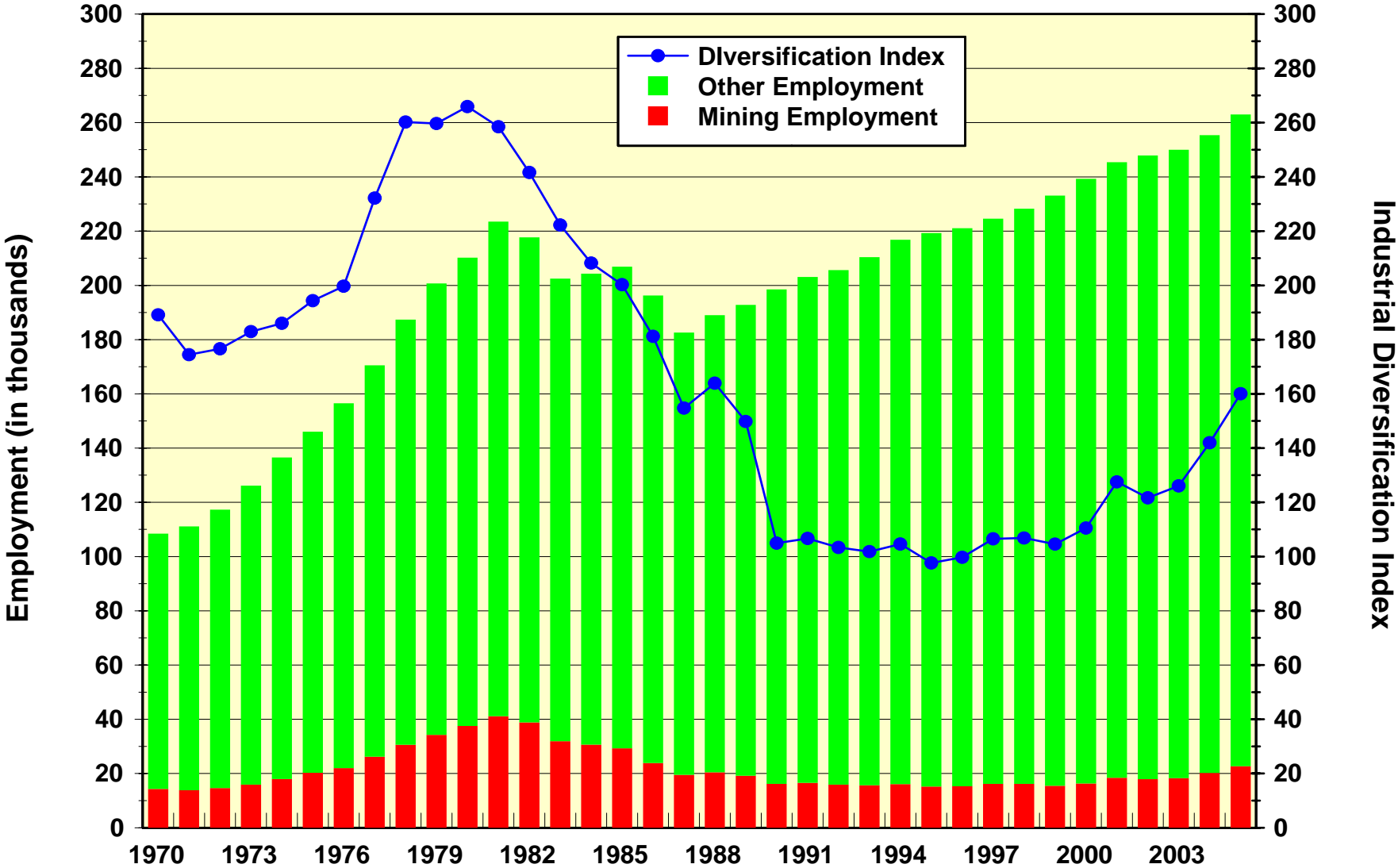
➤ California	0.64	➤ No. Dakota	15.18
➤ Nebraska	2.17	➤ New Mexico	22.83
➤ So. Dakota	2.78	➤ Nevada	32.56
➤ Idaho	3.14	➤ Alaska	47.09
➤ Colorado	4.74	➤ Wyoming	132.56

Source: Federal Reserve Bank of Kansas City

Industrial Diversification Index

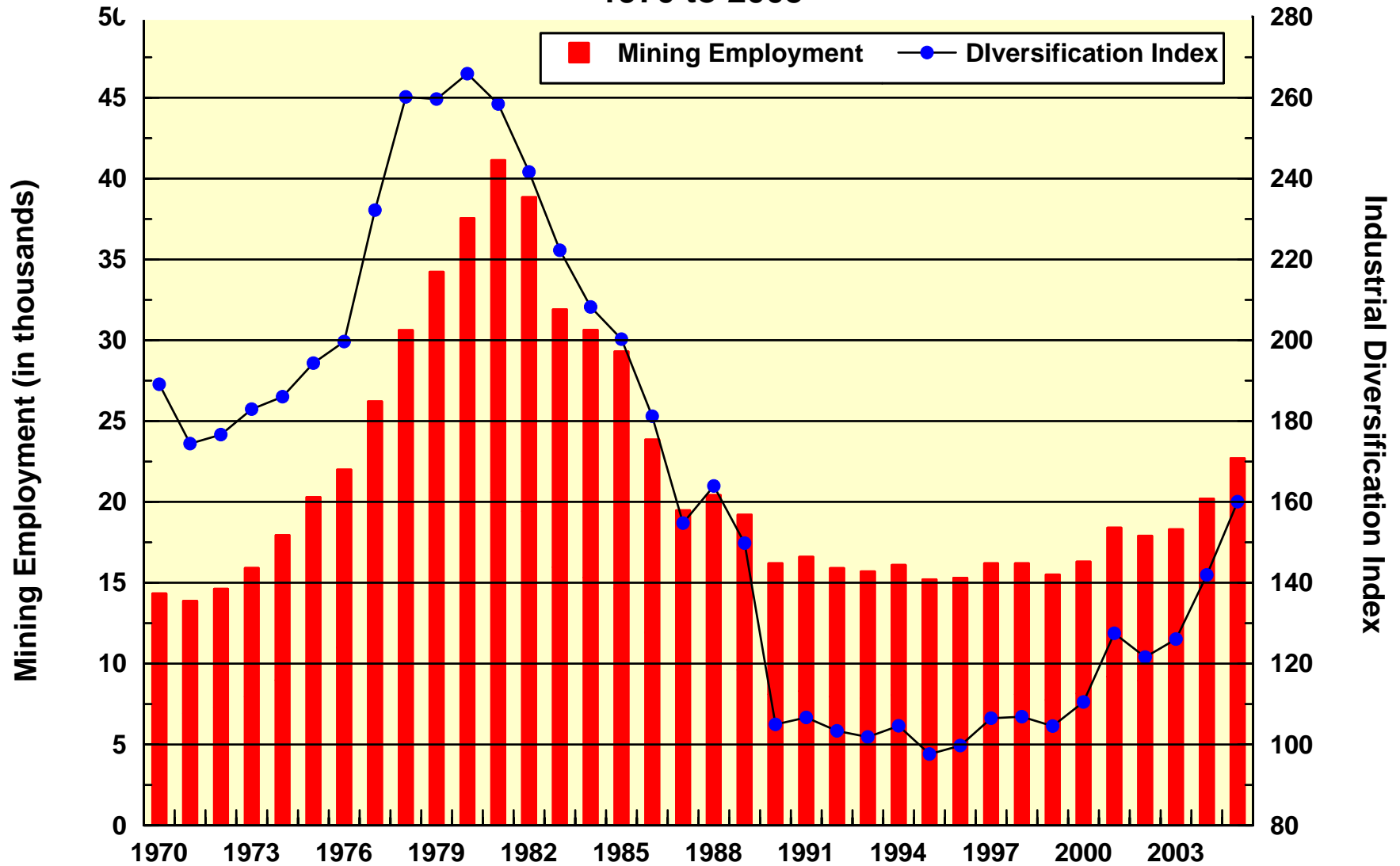
	1970	1980	1990	1995	2000	2005
Nat. Resource & Mining	157.84	233.59	73.70	74.60	88.91	142.29
Construction	1.77	11.60	0.46	1.32	1.29	0.97
Manufacturing	13.83	12.28	8.29	6.93	5.85	4.56
Retail Trade	1.66	0.06	0.03	0.05	0.08	0.00
Prof. & Bus. Services	2.26	2.08	2.97	2.88	3.34	3.49
Government	4.44	0.53	7.25	5.79	5.88	4.38
Total	187.69	265.75	104.52	97.44	110.40	160.05

Employment vs. Industrial Diversification for Wyoming: 1970 to 2005



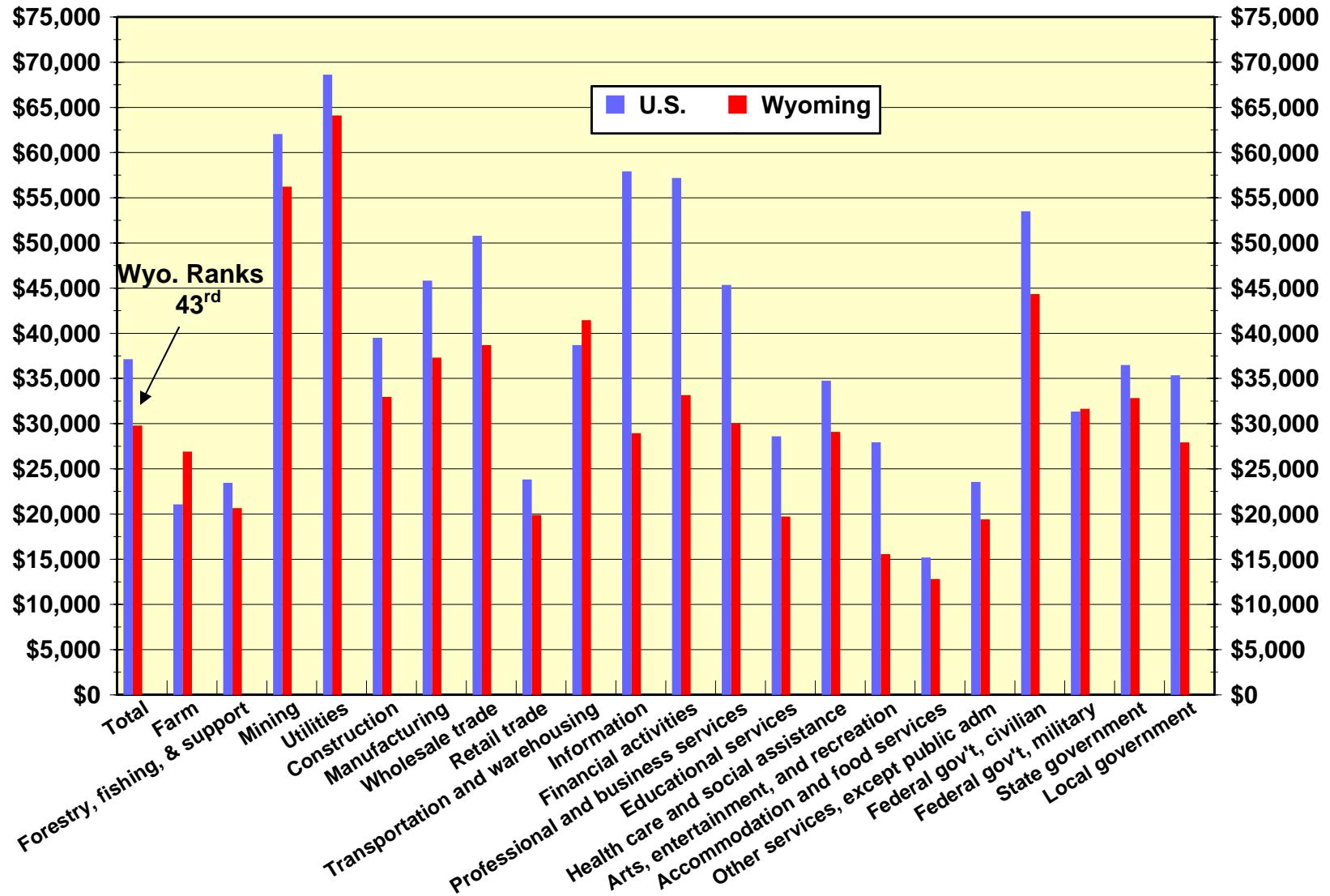
Source: U.S. Bureau of Labor Statistics, Economy.Com, and Wyoming Economic Analysis Division

Mining Employment vs. Industrial Diversification for Wyoming: 1970 to 2005



Source: U.S. Bureau of Labor Statistics, Economy.Com, and Wyoming Economic Analysis Division

Average Wage Per Job by Industry for U.S. and Wyoming: 2003



Source: U.S. Bureau of Economic Analysis

Prepared by Wyoming Economic Analysis Division

The Road Ahead

- ▶ Energy production is the key in the near-term.
 - Low business costs.
 - Favorable tax structure.
 - Employment, earnings will remain strong.
- ▶ Low industrial diversification will continue to hamper payroll growth potential.
- ▶ Tight labor market will continue to temper economic growth.
- ▶ Long-term outlook (through 2014):
 - Population to average 0.6% per year.
 - Employment to average 1.3% per year.
(3 out of every 4 jobs created will be in Services & Trade.)
 - Income to average 3.9% per year.

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