



# Economic Summary: 1Q09



Economic Analysis Division

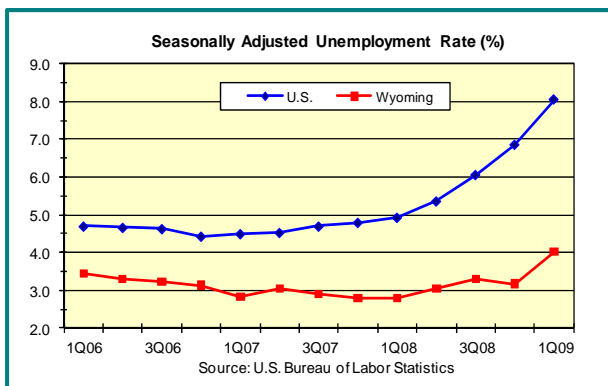
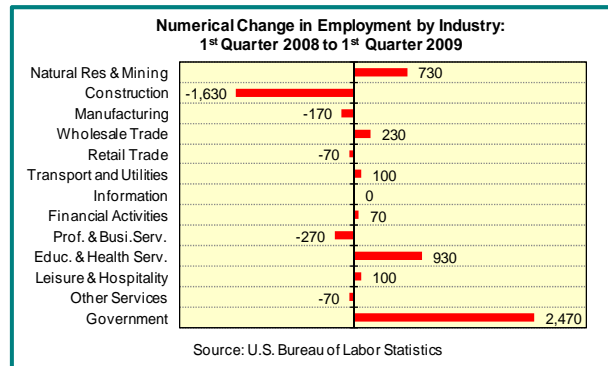
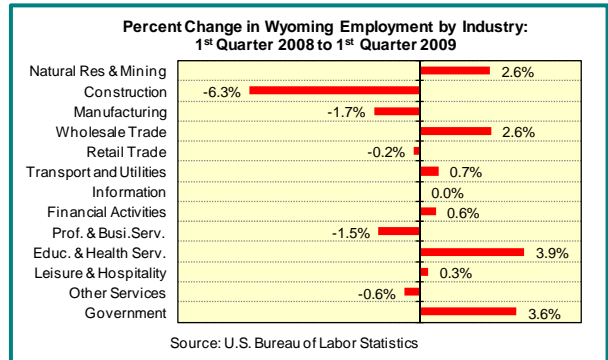
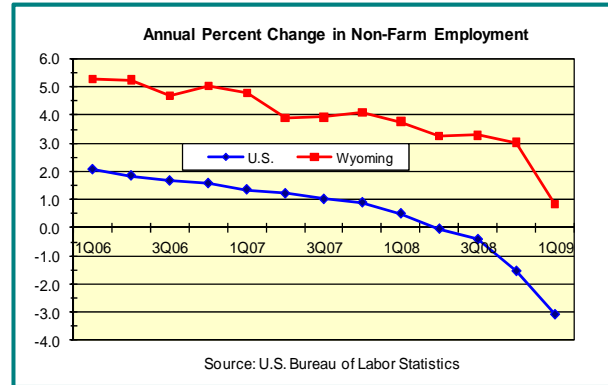
State of Wyoming

## Employment

Both the global and the U.S. economic downturn intensified in the first quarter of 2009, resulting in the largest job and output losses since World War II. Though the global economy remains in a synchronized recession, the free fall in demand and output is over now, and the worst of the economic and financial crisis has probably ended too. The severity of the economic decline has abated in recent months. The aggressive and concerted monetary and fiscal stimulus has helped to improve consumer and business confidence, as well as shore up the financial market. The global recession is expected to ease in coming quarters, leading to a gradual leveling out and stabilization of the major economies by the end of the year.

The current U.S. recession has been among the broadest on record, reaching more states and metropolitan areas than any of the previous downturns. Driven by the mining and construction industries, and government sector, Wyoming finished 2008 with the employment growth of 3.4 percent, the highest in the nation. However, the Cowboy State's economy has finally succumbed to the deep recession that engulfs the U.S. and the world. Mainly due to the precipitous drop in natural gas prices, falling employment in mining and construction activities are the key reasons for the rapid job shrinkage. Compared to the first quarter of 2008, employment in the State increased by 2,420 jobs or just 0.8 percent. It was the slowest growth since 2003, but still the fastest in the nation. The unemployment rate climbed quickly to 4.0 percent in the quarter, while it jumped to 8.1 percent in the U.S. for the same period. Wyoming's employment change was spread out across many industries. The educational and health services sector demonstrated the fastest increase with 3.9 percent, or 930 jobs, while government added 2,470 jobs, or 3.6 percent over the year. Though they declined from the fourth quarter of 2008, the mining and wholesale trade industries still grew 2.6 percent, respectively, from the first quarter of 2008. With energy related industries no longer able to provide the support they once did, momentum in other industries is also slowing. Construction is struggling with the annual job loss of 1,630 or 6.3 percent in the quarter. Residential permits were at the lowest level since early 1990s, and were over 40 percent less than the first quarter of 2008.

Wyoming's driving industry, energy, is contracting at a rapid rate, and overall unemployment is rising. Low energy prices are deterring exploration and development. Both the application for permits and the number of active rigs were down tremendously. The statewide initial unemployment insurance claims in the first quarter of 2009 were the highest in decades, and were 2.3 times as much as the figure recorded in the first quarter of 2008, with a fivefold increase in mining industry. Continuing claims also rose as sharply, suggesting laid-off workers were having difficulty securing new jobs. The job market appears unlikely to firm in the coming months.



## Income and Earnings

Wyoming's total personal income declined 1.6 percent in the first quarter of 2009. This quarterly contraction was the steepest since the first quarter of 1988, and a contrast with a 1.4 percent increase in the third quarter of 2008. U.S. personal income declined 0.5 percent from the previous quarter. Personal income is the income received by all residents from all sources. It is the sum of net earnings by place of residence, rental income, dividend income, interest income, and current transfer receipts. Total earnings in the State dropped 1.0 percent for the quarter. The dramatic decline in personal income for Wyoming was mainly attributed to the tremendous drop of nearly \$374 million, or 5.0 percent, in dividend, interest, and rental income, and the decline of earnings in the State's most important industries - mining and construction. Earnings from these two industries suffered contraction of 4.5 and 4.4 percent, respectively, in the quarter.

## Housing

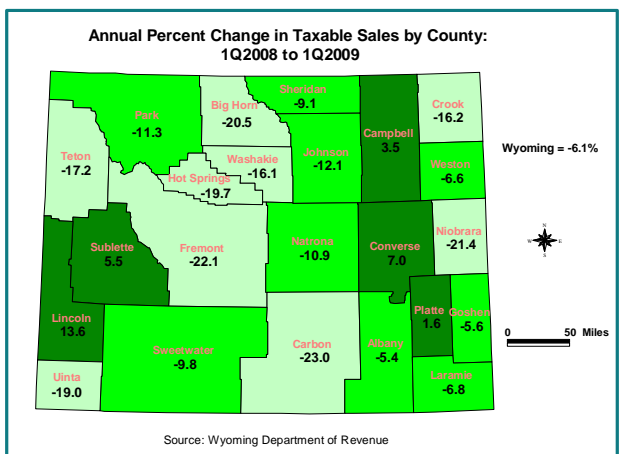
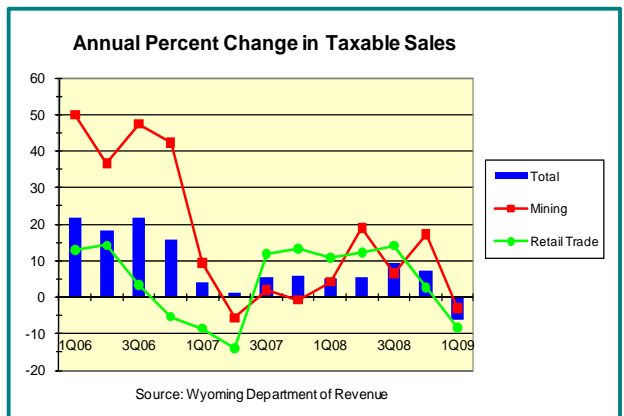
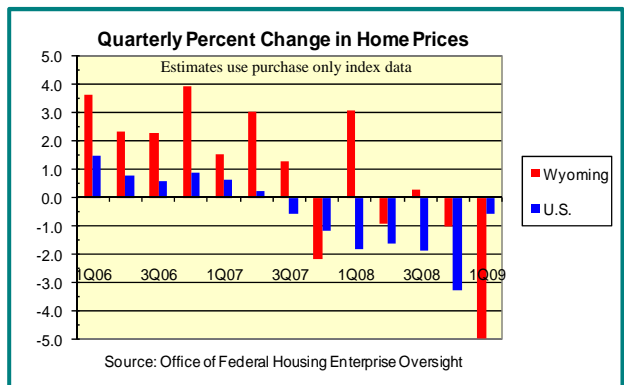
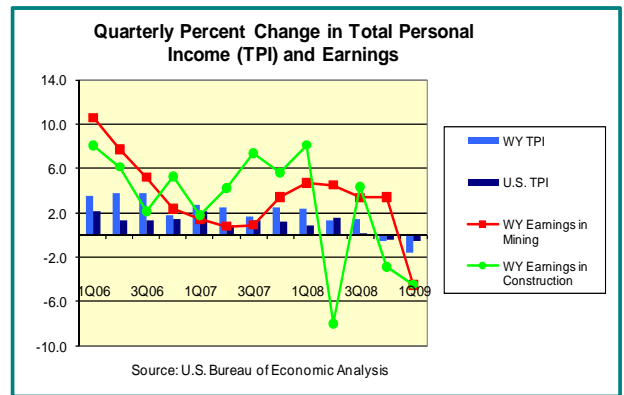
Driven by booming energy exploration, Wyoming's housing market thrived along with the strong economy from 2002 to 2007. During this span, residential building permits more than doubled, and home prices increased nearly 70 percent, making the housing affordability degrade fast, particularly for workers in low paying industries.

The hot residential real estate markets in the State have eased somewhat since late 2007 with increased inventories and lower transactions in many communities. Both building permits and existing home sales declined over 20 percent in 2008 from the previous year level. Inventory build-up and weak demand have led home sellers to accept lower prices. Since the beginning of 2009, home construction and existing home prices have dropped even further. The 5 percent price contraction between the fourth quarter of 2008 and the first quarter of 2009 in the State was the deepest decline since the late 1980s.

Thanks to the minimal exposure of subprime mortgages, low levels of household debt, and a tolerable labor market, Wyoming's delinquency and foreclosure rates continue to rank low in the nation for the quarter. However, both figures are higher than one year ago level.

## Taxable Sales

Based on sales and use tax collections, total taxable sales in the State reached approximately \$4.0 billion in the first quarter of 2009, a decline of 6.1 percent from the first quarter of 2008, the steepest since 1987. Decline in sales of automobiles, particularly luxury ones, and the fall in energy exploration mainly caused the overall contraction. Nearly half of sales occurred in the mining (including oil and gas extraction) and retail trade industries. The State does not impose a sales tax on the production of minerals, but rather on the supplies and equipment used in extracting the minerals. Additionally, certain services rendered within an oil or gas well site are subject to sales and use taxation as well as services rendered under contract for mining and crushing minerals. Due to the



slowdown of mining activities, sales of equipment and services in the mining sector have decelerated dramatically since the fourth quarter 2006. For the first quarter of 2009, sales decreased 3.1 percent from a year earlier. The retail trade taxable sales dropped at an annual rate of 8.4 percent for the quarter. The declines during the period between the third quarter 2006 and second quarter 2007 for the retail trade sector were mainly caused by the exemption of the sales tax on grocery food, which was implemented in July 2006.

### Tourism

The State's winter tourism activities were affected by the national recession. The number of recreational visitations to Yellowstone and Grand Teton National Parks were 70,442 and 131,280 in the first quarter of 2009, down 11.5 percent, but up 0.5 percent, respectively, from the previous year level. The lodging sales in the State for the first quarter of 2009 were 11.7 percent lower than one year ago. As the State's main tourism attraction area, Teton County's lodging sales experienced a notable annual decline of 20.7 percent during the quarter. During an economic recession, the drop in the expenditures from tourists is usually higher than the drop in the number of visitations. Apparently, tourists are also tightening their belts. In addition, the slowdown on energy development has forced some transient mining workers out, and they were not occupying blocks of lodging spaces in certain areas like they used to.

### Agriculture

The price index received by ranchers for all Wyoming livestock and products in the first quarter of 2009 was up slightly from the previous quarter, but it was still 10.0 percent lower than the first quarter of 2008. The U.S. average livestock price was, however, much lower than the previous quarter, but was a bit higher than the level in Wyoming. With the increasing cost of feeding livestock due to high corn and fuel prices, Wyoming farmers have suffered negative earnings in every quarter since the second quarter of 2008, ranging from \$18 million to \$56 million. Agriculture prices have plummeted since financial crisis started, but remain above the long-term average. Amid the global recession, the weak demand for quality beef continues to hamper prices.

### Revenue

Investment income, including the Permanent Wyoming Mineral Trust Fund (PWMTF) and pooled income accounts, remained at \$52.6 million in the first quarter of 2009. This was nearly one-half of the amount received one year ago. There was a one-time capital gain of \$65 million realized in July 2007, which boosted the income figure for the third quarter of 2007. Much of the increase in the past several years was attributed to the infusion of the additional severance taxes into the PWMTF principal. The collection of \$208.6 million in mineral severance taxes in the first quarter of 2009 was 6.0 percent lower than a year ago. This was the first decline since the fourth quarter of 2007. The contraction was mainly due to the dramatic price drop for energy resources, particularly natural gas during the fall of 2008.

