



Economic Summary: 1Q2010



Economic Analysis Division

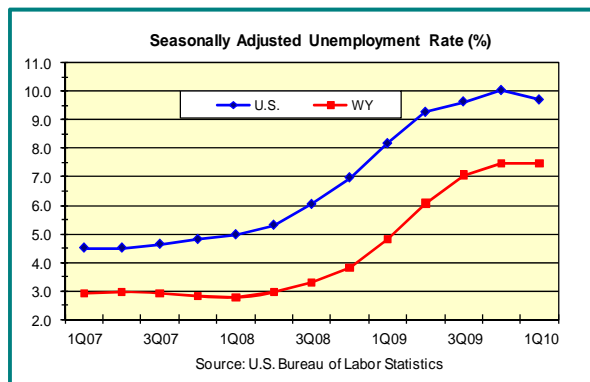
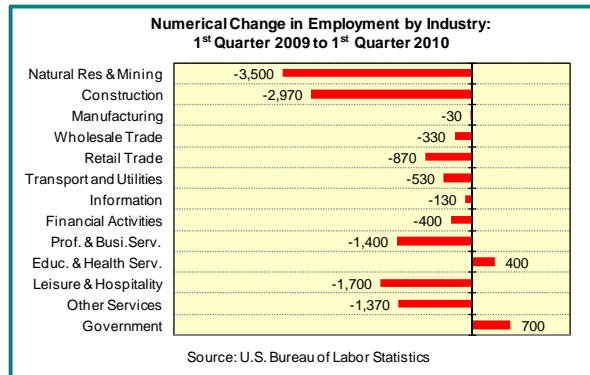
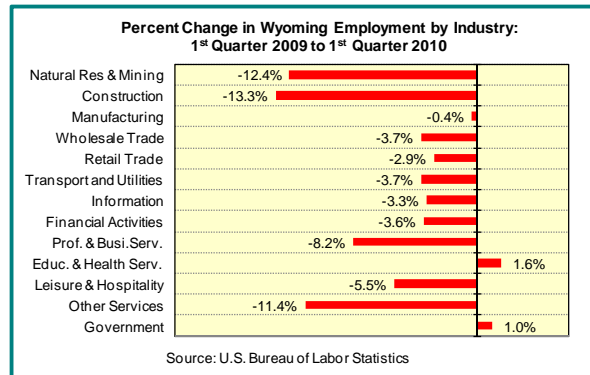
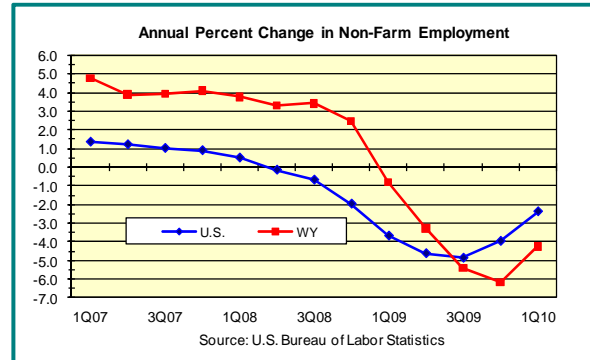
State of Wyoming

Employment

Despite the stalling recovery in Europe, the global economic recovery remains on track, attributing to robust growth in the emerging economies of Asia and Latin America. The recovery in the U.S. is continuing, with real GDP (Gross Domestic Product) advancing to a 3 percent annual pace. Recovery has reached both coasts and all regions of the country. However, the transition from a government-aided recovery to a self-sustaining expansion is still slow. While layoffs have slowed, the housing market and business hiring remain in the doldrums. Without strong hiring, the job market will not improve enough to generate the income households need to support spending growth. With the unemployment rate stuck near double-digits, the nation's economic expansion remains vulnerable.

Wyoming's economic recession did not start until the end of 2008 – lagging the U.S. recession by about one year. However, the recovery of the State's economy is not that far behind, thanks to the improvement of energy prices. For the first quarter 2010, the recession in the State continued, but the worst appeared to be over, and the overall job market was stabilizing, which was attributed mainly to the stabilization of the mining sector with improved prices. Compared to the first quarter of 2009, employment in the State decreased by 12,130 jobs, or 4.2 percent, a notable improvement from the previous quarter. The unemployment rate remained at 7.5 percent in the first quarter, while it dropped to 9.7 percent in the U.S. for the same period. Similar to the nation, Wyoming's job growth occurred only in a few industries. Educational & Health Services demonstrated the only increase among private industries with 1.6 percent, or 400 jobs, while Government added 700 jobs, or 1.0 percent over the year. Faced with weak energy demand, the mining industry (including oil and gas extraction) lost 3,500 jobs, or 12.4 percent on an annual basis. With energy related industries no longer able to provide the support they once did, momentum in other industries also waned. Construction struggled with job losses of 2,970, or 13.3 percent from last year. However, as defining sectors in Wyoming's economy, both the Mining and the Construction industry demonstrated significant improvement from the fourth quarter of 2009.

Wyoming's recession is moderating as the labor market is stabilizing. Higher commodity prices have spurred some hiring in the mining industry. Elevated coal prices augur well for the Green and Powder River Basin mines and state revenue. Natural gas prices also held well during the low demand of spring, and are rising again with upcoming summer demand. Consequently, this may help to sustain other industries in the near future. In addition, the unemployment rate should have peaked, thanks to fewer layoffs. However, it is expected to take a few years before it falls to pre-recession levels.



Personal Income and Earnings

After five consecutive quarters of decline, Wyoming's total personal income grew 0.9 percent in the first quarter of 2010 from the previous quarter, but was 1.5 percent lower than that in the first quarter of 2009. U.S. personal income also increased 0.9 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 grew quite strong for the quarter, at 1.6 percent. This was mainly attributed to growth in the State's most important industry - mining. Earnings from this sector climbed 3.7 percent, the first increase since the fourth quarter of 2008, while farm earnings more than doubled in the quarter, the fastest growth since the first quarter of 2008.

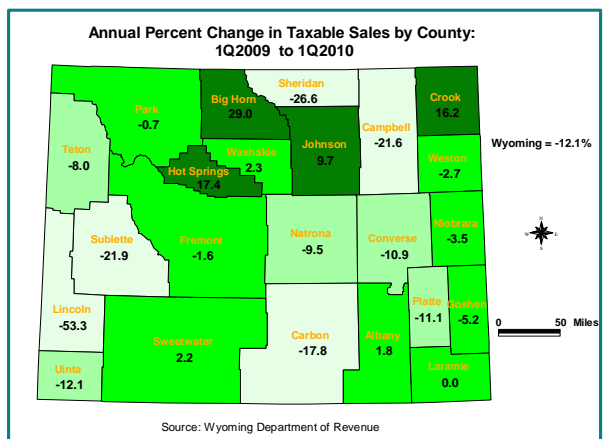
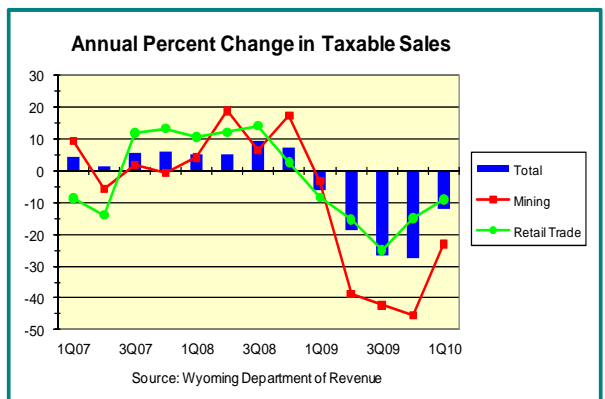
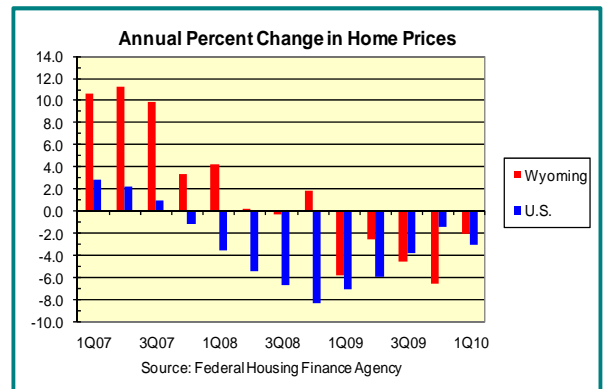
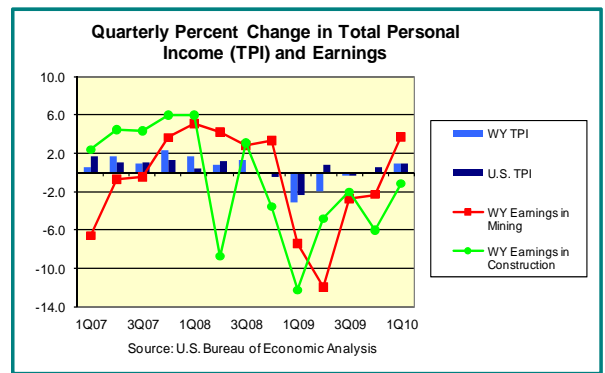
Housing

Lagging the national trend, Wyoming's hot residential real estate markets have eased somewhat since late 2007 with increased inventories and lower transactions in many communities. Layoffs and tight credit have made homebuilders cautious. Inventory build-up and weak demand have led home sellers to accept lower prices. However, Wyoming was still one of only a few states in the nation where home prices showed appreciation in 2008. Since the beginning of 2009, home construction and existing home prices have dropped even further. Residential construction permits have shrunk back to a level last seen at the beginning of the decade. As a result, the price contraction in 2009 for the State was the deepest since the late 1980s. However, with less pressure from foreclosures, prospects for residential construction may look better for the State. Residential building permits in the first quarter increased substantially from a year ago. The first quarter existing home sales also grew 12.5 percent from the fourth quarter of 2009, only one of a few states showing an increase over the quarter. Although home prices in the State continued to trend down, the annual decline of 2% for the first quarter of 2010 was the smallest contraction in a year and was also lower than the 3.1% drop for the U.S.

Strong gain in population and income, and the lack of reliance upon non-prime lending to sustain home sales in recent years should leave Wyoming with few cracks in the foundation of its housing market.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the State reached approximately \$3.5 billion in the first quarter of 2010, a decline of 12.1 percent from the first quarter of 2009, the smallest annual contraction in a year. Declines spread to nearly every sector of the economy, from mining, construction, retail trade, to restaurant and lodging. Over 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, equipment, and services used in mineral extraction.



Due to the slowdown of mining activities, sales of equipment and services in the mining sector have decelerated dramatically since the beginning of 2009. For the first quarter of 2010, sales decreased 23.0 percent from a year earlier. Retail trade taxable sales dropped at an annual rate of 9.0 percent for the quarter. Statewide, most counties suffered declines in total taxable sales, with even deeper drops in areas with heavy mineral exploration.

Tourism

After a significant decline in the fourth quarter, the number of recreational visitations to Yellowstone and Grand Teton National Parks were 75,731 and 128,746 in the first quarter of 2010, up 7.5 percent, but down 1.9 percent, respectively, from the previous year level. The lodging sales in the State for the first quarter of 2010 were 9.5 percent lower than one year ago - the fifth consecutive quarter that recorded an annual contraction. As the State's main tourism attraction area, Teton County's lodging sales also experienced a substantial annual decrease of 6.0 percent for the quarter. During an economic recession, the decline in the expenditures from tourists is usually larger than the decline in the number of visitations because tourists are also tightening their belts, perhaps by shortening their stay or downgrading their hotel choices.

As the global and national economic recovery continues, the tourism industry should benefit. However, the weakening euro may reduce the spending ability from European travelers.

Agriculture

The index of prices received by farmers for all Wyoming livestock and products in the first quarter of 2010 was significantly higher than that of the previous quarter and the first quarter of 2009. The U.S. average livestock price was also higher than the previous quarter, and was also slightly higher than the State's level. With the increasing cost of feeding livestock due to high corn and fuel prices, Wyoming's farm proprietors have experienced negative income growth in nearly every quarter since 2006. However, the first quarter's total annual farm earnings in the State surpassed \$100 million, the first time in two years. Agricultural prices have plummeted since the financial crisis started, but remained above the long-term average. Amid the global economic recovery, the improving demand for quality beef should benefit prices.

Revenue

Investment income, including the Permanent Wyoming Mineral Trust Fund (PWMTF) and pooled income accounts, increased slightly to \$53.0 million in the first quarter of 2010. This was still 5.9 percent less than the amount received one year ago. Much of the increase before the recession was attributed to the infusion of additional severance taxes into the PWMTF principal. The collection of \$210.1 million in mineral severance taxes in the first quarter of 2010 was slightly higher than a year ago, the first annual growth since the fourth quarter of 2008. The improvement was mainly due to the price increase in energy resources, particularly natural gas since the fall of 2009.

