



Economic Summary: 1Q2012



Economic Analysis Division

State of Wyoming

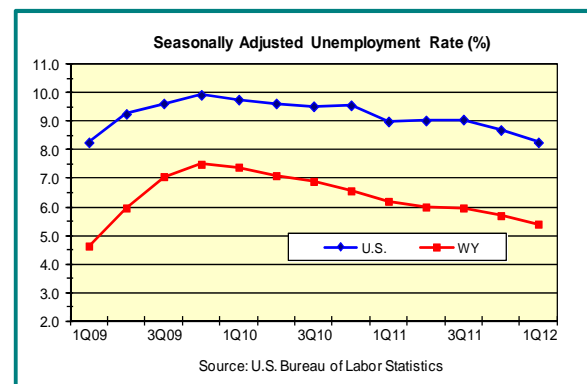
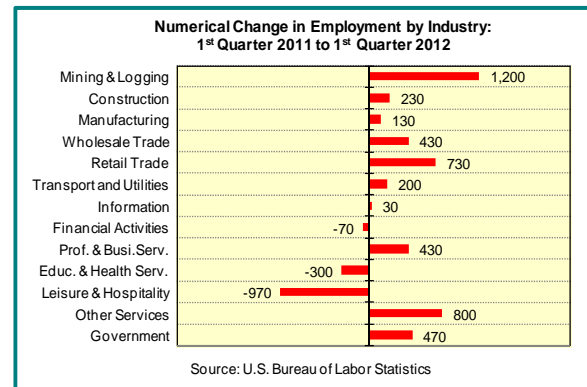
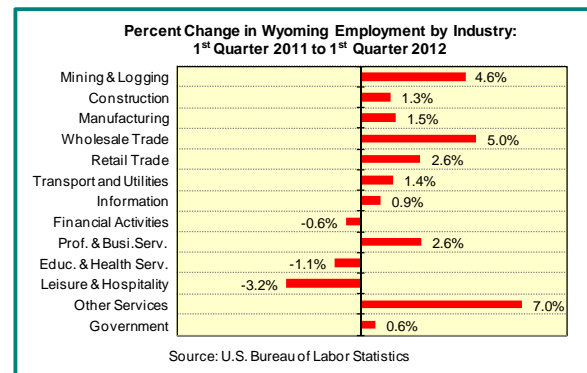
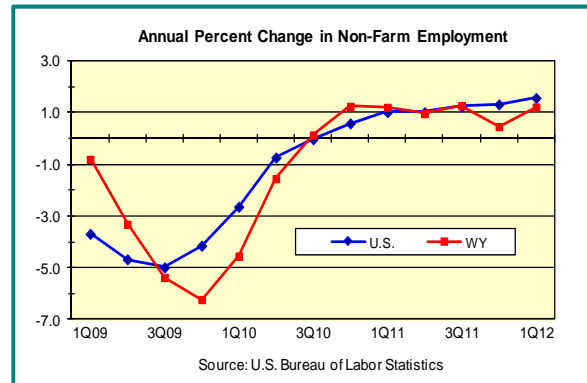
Employment

Emerging-market powerhouses are succumbing to the ongoing European debt crisis and a sluggish U.S. recovery. Brazil, China, India, and Russia helped to lead the global economy out of recession in the wake of the 2008 financial crisis, but have struggled recently. Europe's currency union is threatened by Spain's teetering banking system which was associated with a housing crash, and the possibility that Greece will leave euro zone.

Europe's turmoil and the emerging world's economic slowdown are hurting the U.S. economy. Global trade and bank lending are weakening. Stock and credit markets are sliding, undermines business confidence. Hiring has weakened significantly since this spring. Monthly payroll job gains were less than 100,000 since March, compared to the average of 250,000 between December and February. Firms have not increased layoffs, but are not actively hiring while they wait for the unraveling of the European debt crisis, the political battle on fiscal policy, and the statutory debt ceiling. Real GDP grew 1.9% annualized in the first quarter of 2012, down from a growth rate of 3.0% in the fourth quarter of 2011. For the U.S. economy to grow at over 2% in real GDP, the Euro zone must hang together and China may provide more monetary and fiscal stimulus.

After a short, but severe recession, Wyoming's economy has turned around since the beginning of 2010, thanks to the robust rebound of the energy industry. The State's employment growth was faster than the U.S. average in 2010, but has been at a similar pace since the beginning of 2011. For the first quarter of 2012, Wyoming's recovery was still on track. Compared to the first quarter of 2011, employment grew by 3,310 jobs, or 1.2 percent, faster than the previous quarter. The unemployment rate dropped to 5.4 percent in the first quarter, while it also fell to 8.3 percent in the U.S. Most industries displayed job growth during the period. Wyoming's pivotal mining industry experienced the most job addition of 1,200, or a 4.6 percent growth rate between the first quarter of 2011 and the first quarter of 2012. Wholesale trade and other services increased 5.0 and 7.0 percent, respectively, over the year. Leisure & hospitality is the weakest sector, and continued to cut payrolls in the first quarter 2012 from a year ago. The construction industry has finally turned around, it grew 1.3 percent, the first annual increase since the third quarter of 2008.

Wyoming's economic recovery continued at a moderate pace. The State's healthier housing market supports a continuous recovery. However, the employment gains in the energy industry have slowed, due to the declines in natural gas and coal prices. The ten-year low natural gas price, if it persists, could not only slash government's revenue, but consequently, affect its overall economy to a great extent.



Personal Income and Earnings

Wyoming's total personal income grew 5.0 percent in the first quarter of 2012 from last year, the 2nd fastest in the nation. U.S. personal income increased 2.9 percent from the first quarter of 2011. 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 at 6.7 percent for the year. This was largely attributed to growth in the State's most important industry - mining. Earnings from this sector grew 13.7 percent from a year ago, albeit the slowest growth rates since the second quarter of 2010. Construction earnings, however, increased 10.4 percent from a year ago, the fastest in nearly four years. Earnings from farm sector surged 51 percent during the year.

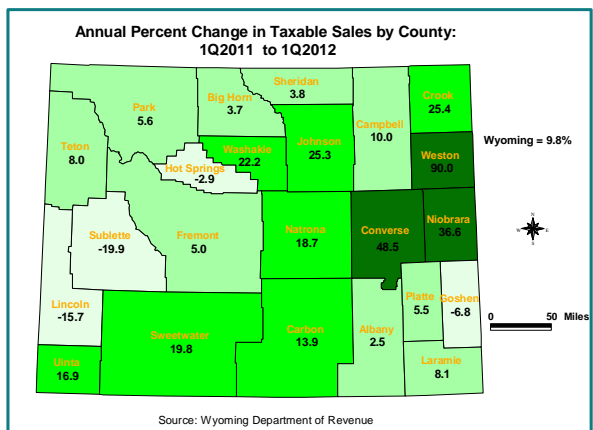
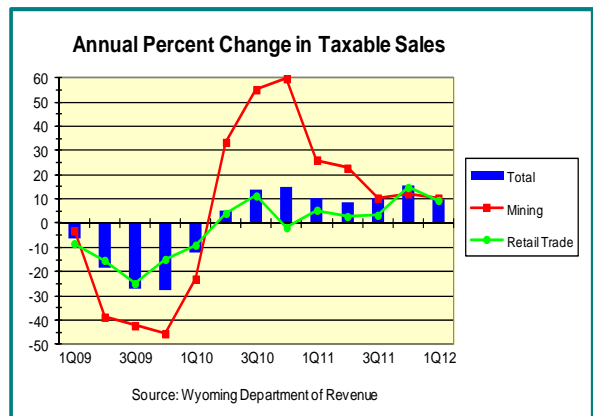
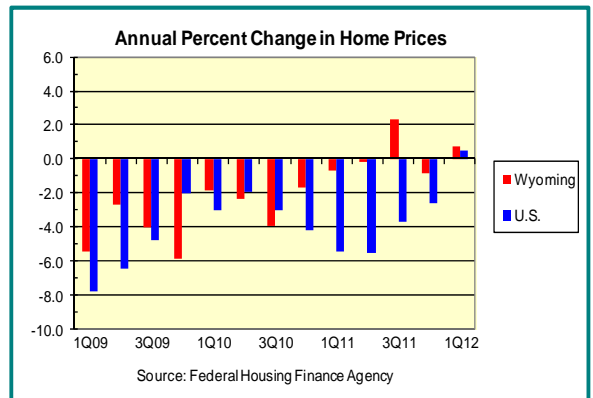
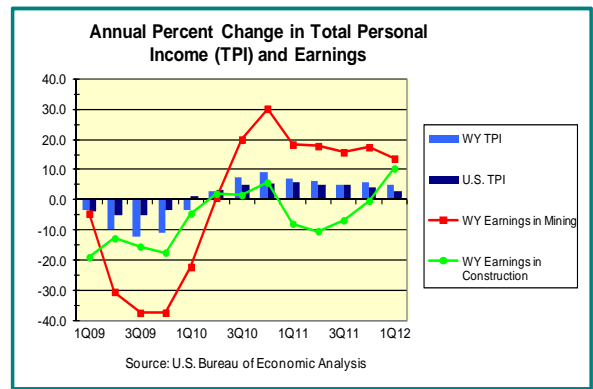
Housing

Similar to the overall economy, Wyoming's real estate market also lagged the nation in entering the slump. Inventory build-up and weak demand led home sellers to accept lower prices since the second quarter of 2008. From the beginning of 2009, home construction and existing home prices have dropped even further. The price contraction of 4.5 percent in 2009 for the State was the deepest since the late 1980s. The expiration of Federal tax credits for home buyers, problems in foreclosure processing, and continued high unemployment kept buyers at bay and prompted sellers to cut prices. These drawbacks, combined with a large stock of unsold homes and distressed sales that hold down prices, left new home sales and construction at a low level. As a result, home prices dropped again in 2010, but at a lower rate of 2.5 percent. However, while it continued to decline in the U.S., the housing market in the State turned around in the third quarter of 2011. As a result, the home price in 2011 was slightly higher than that of 2010, the first annual growth in three years. Wyoming's housing market continued the upward trend in the first quarter of 2012.

Lack of reliance upon non-prime lending to sustain home sales in recent years left Wyoming with few cracks in the foundation of its housing market. Stellar income growth is helping the demand side of the housing equation. Minute foreclosure inventory and scant new construction over the past a few years should support a potentially healthy building recovery once demand picks up.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the State reached approximately \$4.3 billion in the first quarter of 2012, an increase of 9.8 percent from the first quarter of 2011, slower than the pace in the previous two quarters. Increases were spread across nearly all sectors of the economy, with the faster growth in construction, manufacturing, and wholesale trade sectors. 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, equipment, and services used in mineral extraction.



Due to the steady growth in mining activities, sales of equipment and services in the mining sector have improved substantially since the beginning of 2010. However, it has been decelerating since the fourth quarter of 2010. For the first quarter of 2012, sales in the mining sector grew 10.4 percent from a year earlier. Retail trade taxable sales grew strong, at 9.5 percent. Utilities, and transportation & warehousing are the only two industries suffering an annual decline in the quarter. Oil exploration in the Converse and Niobrara counties was quite active in the quarter. Only Goshen, Hot Springs, Lincoln, and Sublette counties experienced annual declines in taxable sales.

Tourism

The number of recreational visitations to Yellowstone and Grand Teton National Parks amounted to 72,766 and 109,735 in the first quarter of 2012, up 1.9 percent, but down 16.3 percent, respectively, from the previous year level. Lodging sales in the State for the first quarter of 2012 were 12.5 percent higher than one year ago. As the State's main tourism attraction area, Teton County's lodging sales enjoyed a significant annual increase of 14.9 percent for the quarter, the second highest since the first quarter of 2006. The improvement of national economy in the winter benefited tourists' spending and lodging options.

Agriculture

The index of prices received by farmers for all U.S. livestock and products in the first quarter of 2012 was higher than the previous quarter and one year ago. Reduced cattle inventory, strong beef exports, and some recovery in domestic demand continue to help break livestock price records. Benefiting from the high livestock prices, Wyoming's farm proprietors recorded an annualized income of \$148 million in the first quarter of 2012, and continued to trend up since the second quarter of 2010. Total farm earnings in the State in the quarter also increased, amounting to \$287 million, the highest since the second quarter of 2005, in real terms. Agricultural prices plummeted since the financial crisis started, but have increased significantly since early 2010.

Prices for crops have particularly surged recently on concerns the dry weather in Midwest will lead to a lower harvest. Rising commodity prices results in higher food costs for beef producers.

Revenue

Investment income, including income from the Permanent Wyoming Mineral Trust Fund (PWMTF) and pooled income accounts, amounted to \$61.5 million in the first quarter of 2012, an increase of 39.5 percent from one year ago, compared with a decline in the previous quarter. The reason for the huge boost in the second quarter of 2011 was that the net realized capital gains from funds that are invested in equities are only distributed at the end of each fiscal year. The collection of \$259.9 million in mineral severance taxes in the first quarter of 2012 was 9.7 percent higher than a year ago, continuing the trend of the previous quarter.

