



# Economic Summary: 1Q2016



Department of Administration and Information

Economic Analysis Division

State of Wyoming

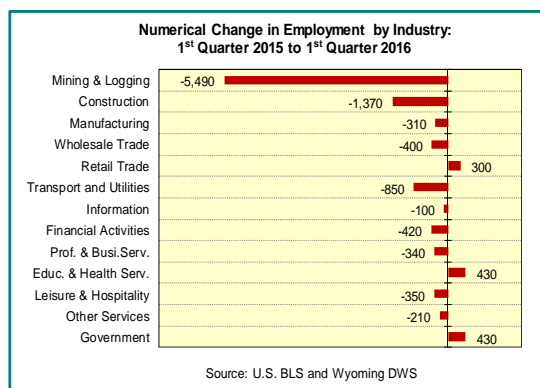
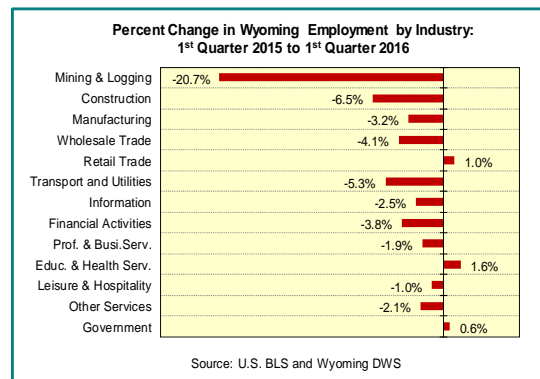
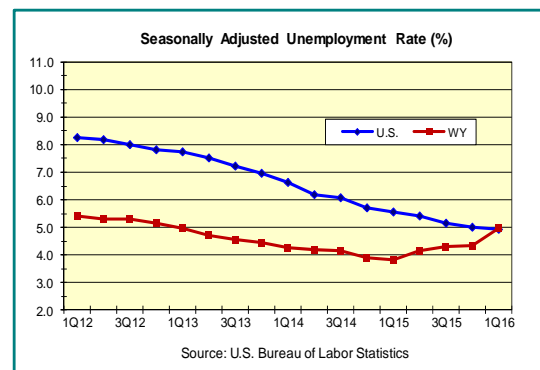
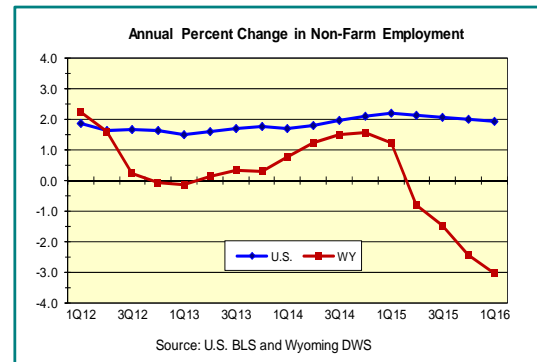
## Current Global and U.S. Economy

According to Moody's Analytics, global economic activity appears to be gradually strengthening after disappointing start of the year. Global GDP will be below trend this year, but is expected to accelerate in 2017. The U.S. economy will assume a stronger locomotive role. Improving global demand, weak currencies, and targeted policy stimulus will support a pick up in the Asia-Pacific region. South America's economy will continue to struggle through 2016, but a moderate rebound in commodity prices and easing domestic imbalances will provide some relief. However, Japan and the euro zone have been struggling to try to lift business investment, as well as boost domestic demand and the export sector by pursuing negative interest rate policies.

Job growth in the U.S. in recent months was far short of the average of more than 200,000 monthly experienced for the last five years. However, recession concerns are probably overdone. The report of slow employment may have partially attributed to measurement issues. Warm winter weather likely pulled seasonally adjusted job gains into the first quarter, especially in construction, retail trade, and leisure & hospitality industries. The tightening labor market may have also affected hiring. The number of unemployed workers per job opening is historically low, but hiring lags job openings and has slowed in recent months. Businesses are looking to expand their workforce, but may have troubles finding qualified workers to fill positions. As a result, employers will be forced to raise wages. Indeed, wage gains have picked up some speed across all demographic groups, industries, and regions in the country since late 2015.

## Employment

Wyoming experienced a decline of 3.0 percent (or 8,680 jobs) in total employment in the first quarter of 2016 compared to one year earlier, the worst performance since the first quarter of 2009. Wyoming's unemployment rate climbed to 5.0 percent in the quarter, while in the U.S., it fell slightly to 4.9 percent. Most industrial sectors in the state experienced job decreases during the period. The education & health services demonstrated the fastest growth at 1.6 percent, followed by retail trade (1.0%), and government (0.6%) which includes both public education and public hospitals. Amid the substantially depressed oil and natural gas prices, the state's pivotal industry, mining suffered an annual employment contraction of nearly 5,500 jobs or 20.7 percent in the first quarter. Construction and transportation & utilities also endured heavy job losses. As a result of global oversupply and weak demand for oil, warmer weather and increases in domestic supply for natural gas, low prices continue to take their toll on the energy industry nationwide, and Wyoming is one of the worst affected. However, prices for both commodities have been rising since early spring.



## Personal Income and Earnings

Wyoming's total personal income declined 1.2 percent in the first quarter of 2016 from the previous year. U.S. personal income increased 4.4 percent during the same period. Personal income is the income received by all residents from all sources. It is the sum of wage & salary and proprietors' earnings; property income (dividends, interest, and rent); and personal transfer receipts, such as SSI (Social Security Income), Medicare and Medicaid benefits. Total earnings in the state, however, contracted 4.9 percent annually in the quarter, while property income and personal transfer receipts grew 3.0 percent and 4.6 percent, respectively. The earnings for most industries experienced decreases from a year ago. The mining industry and farm sector were the largest drag on total earnings, contracting 18.8 and 62.5 percent, respectively, from the first quarter of 2015. The utility sector grew the fastest, at 10.9 percent over the year.

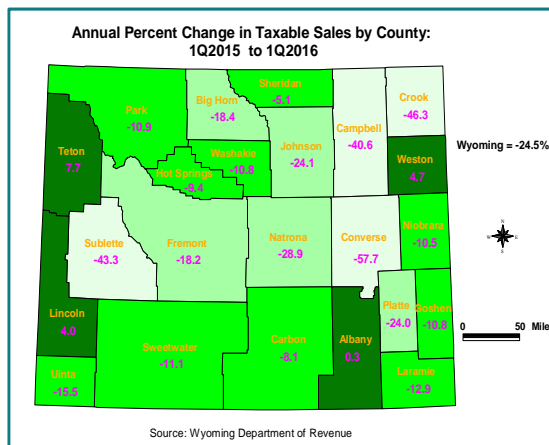
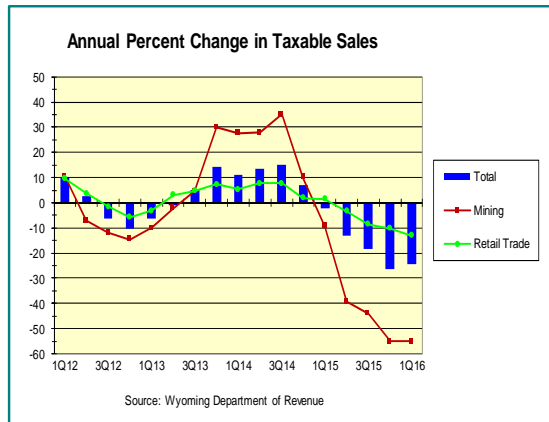
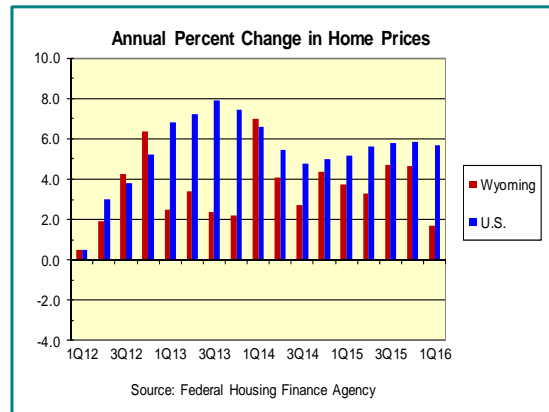
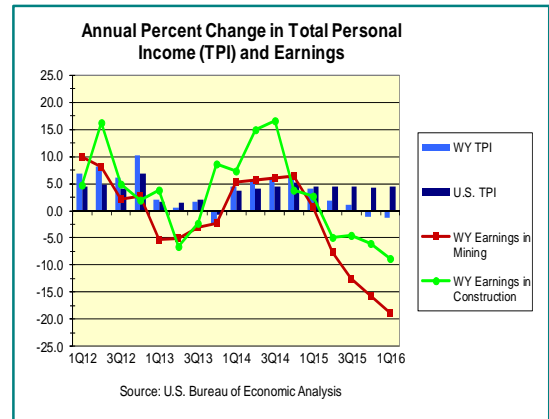
## Housing

The statewide home price continued to grow moderately in the first quarter of 2016, but at a slower speed. The year-over-year appreciation rate of 1.7 percent was less than one-third of the national average pace of 5.7 percent during the same period. In Wyoming, single family building permits for new privately-owned residential construction in the first quarter of 2016 were 17.0 percent lower than previous year level, while multi-family permits were twice as much as last year.

The U.S. housing market is gaining ground steadily but shows few signs of acceleration. Total home sales continued to increase, but were still slightly below last decade's pre-housing boom average. The rental market is in danger of overheating despite accelerating multifamily construction. The rental vacancy rate is at a 30-year low of 7.0 percent, while the real median rent is at record high. A long-term concern, though, is affordability. A sustained period of real wage growth, increasing single family construction, and potential debt relief for younger households would likely be necessary to bring more home buyers into the housing market.

## Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$3.3 billion in the first quarter of 2016, a decrease of 24.5 percent from the first quarter of 2015. The scale of the contraction was close to the level experienced during the Great Recession. Declines occurred in nearly every economic industry, with the largest drop in the mining (including oil and gas extraction) sector, which alone contributed nearly half of the total decrease. Traditionally, over one-fifth of collections are from the mining industry, therefore the changes in total sales and use tax collections in Wyoming have been greatly affected by the fluctuation in mineral activities. Due to the reduction in energy activities caused by the dramatic downturn of both oil and natural gas prices, sales of equipment, supplies, and services, the mining sector experienced a year-over-year contraction of 55.1 percent for the first quarter of 2016, the steepest drop ever in Wyoming's history.



Other industries that are closely associated with the mining sector, such as manufacturing, wholesale trade, and machinery & equipment leasing also experienced sizable declines of around 30.0 percent. The public administration sector, which reflects automobile sales, bore a 20.2 percent over the year decline. Across the state, 19 out of 23 counties experienced declines in taxable sales, led by Converse County (-57.7%). Three other counties - Campbell, Crook, and Sublette endured over 40.0 percent declines, respectively. Most counties with steep drops are associated with reduced activities in mineral exploration. Teton, Weston, Lincoln, and Albany were the only counties demonstrating annual growth.

**Tourism**

The number of recreational visitations to Yellowstone National Park reached 89,872 in the first quarter of 2016, up 5.2 percent from the previous year, but 155,934 visits in Grand Teton National Park barely changed during the same period. Reduced gasoline prices and the strong nationwide labor market drew more people to the Parks. The huge fluctuations in visitations for the fourth quarters of 2013 and 2014 were attributed to the 16-day Federal government shutdown in October 2013. Lodging sales for the first quarter were higher than a year ago in Teton County. However, they dropped substantially in Wyoming, most likely due to dramatically reduced activities statewide in mineral extraction, resulting in a decline in energy workers staying in hotels or motels for temporary shelters during a project.

**Agriculture**

The index of prices received by farmers for all U.S. livestock and products rose slightly in the first quarter of 2016, but still substantially lower than a year ago level. Reduced cattle inventory from the multiyear drought, strong beef exports, and recovery in domestic demand pushed livestock prices to an all-time high in the fourth quarter of 2014. Consequently, farm earnings in the state also reached a record of \$391 million in that quarter, but decreased significantly in 2015 and the downward trend continued in early 2016. Before mid-2013, livestock producers experienced high feed costs. However, consecutive record crop yields in 2013 and 2014 pushed feed prices down substantially in 2015 – close to the lowest level in ten years. A continuation of lower crop prices in 2016 should lead to reduced feed costs and improved profitability for livestock producers, but at the expense of crop growers.

**Revenue**

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$59.6 million in the first quarter of 2016, which was 0.1 percent lower than the amount recorded a year ago. Please note that the huge boosts in the second quarters were due to the net realized capital gains being distributed at the end of each fiscal year, which ends on June 30. The \$110.0 million in mineral severance taxes generated in the first quarter of 2016, was the smallest amount since the fourth quarter of 2002, and was 36.5 percent lower than the previous year level.

