



Economic Summary: 2Q2011



Economic Analysis Division

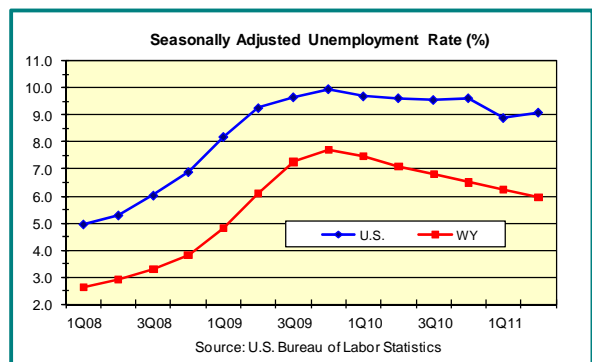
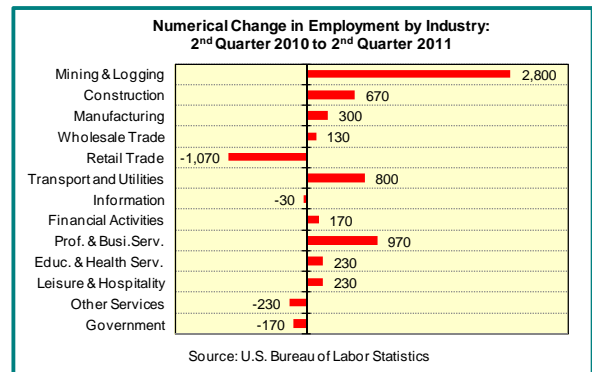
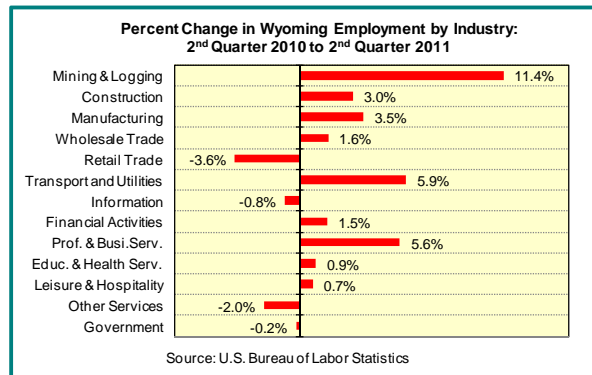
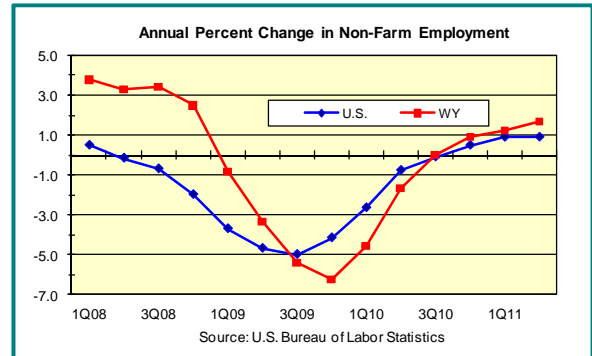
State of Wyoming

Employment

The global economy hit a soft patch in the first half this year. Its recovery is under elevated threat due to the financial conundrum in the Europe zone. Powered by China's and India's demand for commodities, Asian, Latin American, Middle Eastern, and African economies are continuing to advance, but the speed is moderating. While weak domestic demand in both Europe and the U.S. are dragging the recovery, the economic and monetary union in Europe is particularly facing foreseen challenges. A string of shocks through the spring and summer undercut business, consumer and investor confidence. As a result, U.S. economic growth has nearly come to a standstill. Real GDP during the first half of 2011 increased at only 0.7 percent annual rate, which was much lower than the 3.1 percent last year. The growth is not expected to be much better in the third quarter. Suffering an extraordinary reversal trend from the early months of the year, businesses have stopped hiring, households are spending more tentatively, and investors are also losing faith. To avoid another downturn, U.S. and European policymakers must respond aggressively to stabilize consumers' confidence.

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 industries. The State's gradual recovery continued to be faster than the U.S. average. For the second quarter of 2011, Wyoming's recovery was still on track, even picked up some speed. Compared to the second quarter of 2010, employment grew by 4,800 jobs, or 1.7 percent, the fastest annual increase since the fourth quarter of 2008. The unemployment rate dropped to 6.0 percent in the second quarter, while it climbed to 9.1 percent in the U.S. More industries showed job growth during the period. Wyoming's pivotal mining industry demonstrated the fastest recovery, with an addition of 2,800 jobs, or 11.4 percent between the second quarter of 2010 and the second quarter of 2011. Transportation & utilities, and professional & business services grew more than 5 percent over the year. Attributed to temporary 2010 census hiring by U.S. Census Bureau, the government sector, as a whole, experienced a slight over-the-year job decline in the second quarter. Retail trade continues to be the weakest sector, and continued to cut payrolls in the second quarter 2011 from a year ago, which has already lasted three consecutive years.

Driven by a rebounding energy industry, Wyoming is among the fastest recovering states in the U.S. Growth in mining supporting activities, such as transportation and professional services, is sturdy. In addition, the State's relatively low debt level and healthier housing market should support continuous economic recovery. However, consumers' confidence and consumption remain weak among global economic slowdown, which is also dampening demand for Wyoming's energy resources.



Personal Income and Earnings

Wyoming's total personal income grew 6.3 percent in the second quarter of 2011 from last year, slightly slower than the previous quarter. U.S. personal income increased 5.4 percent from the second quarter of 2010. 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 5.4 percent for the year. This was mainly attributed to growth in the State's most important industry - mining. Earnings from this sector climbed 22.0 percent from a year ago, reaching the highest level since the first quarter of 2009. Construction earnings shrunk 10.5 percent from a year ago, worse than the annual decrease for the first quarter of 2011.

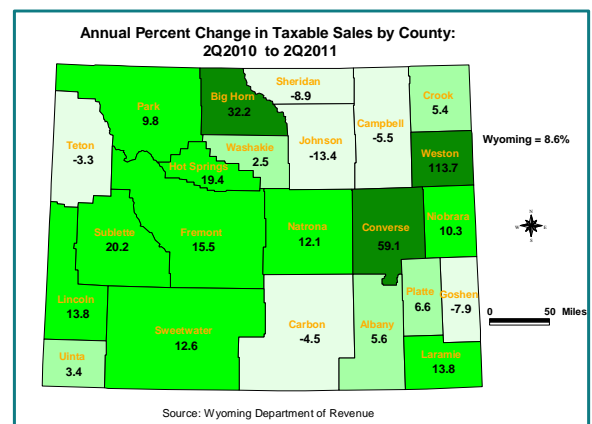
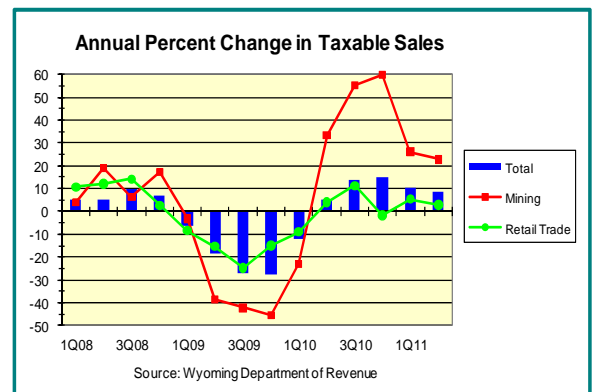
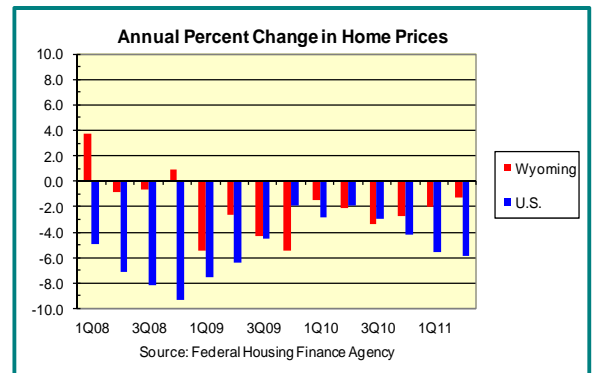
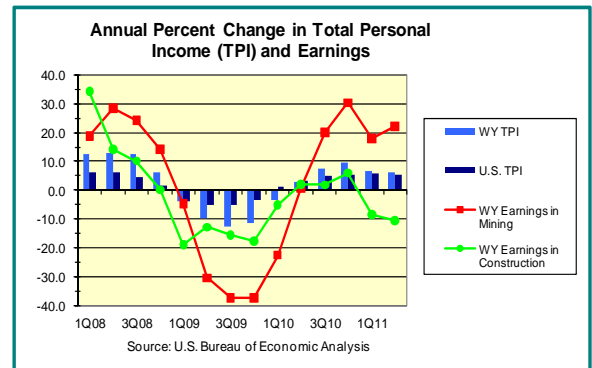
Housing

Similar to the overall economy, Wyoming's real estate market also lagged the nation in entering the slump. Inventory build-up and weak demand have led home sellers to accept weak prices. 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. The price contraction of 4.4 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 have 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, have left new home sales and construction at a low level. As a result, the home price dropped again in 2010, but at a lower rate of 2.5 percent. However, while it deteriorated in the U.S., the housing market in the State continued to improve in the second quarter of 2011. The annual home price decline of 1.3 percent in Wyoming was the smallest in over two years. In fact, Wyoming's housing market was one of the best in the nation, in terms of both sales and prices, for the quarter.

Strong gains 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. Indeed, Wyoming was in fifth place across the country in home price appreciation during the 5-year period, 2Q06 to 2Q11.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the State reached approximately \$4.5 billion in the second quarter of 2011, an increase of 8.6 percent from the second quarter of 2010, slower than the annual growth rate for the previous quarter. Though increases were spread across many sectors of the economy, the mining industry alone contributed approximately one-half of the total growth. 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 robust growth in mining activities, sales of equipment and services in the mining sector have improved substantially since the beginning of 2010. For the second quarter of 2011, sales in the mining sector escalated 22.8 percent from a year earlier. Retail trade taxable sales grew just 2.8 percent. Statewide, the Southwest and Northeast regions experienced stronger growth, and the Southeast is benefiting from the Niobrara Shale development.

Tourism

Continued from the slump in the first quarter, the number of recreational visitations to Yellowstone and Grand Teton National Parks amounted to 870,305 and 626,547 in the second quarter of 2011, down 11.0 percent and 5.0 percent, respectively, from the previous year level. Poor weather, struggling economy, and high gasoline prices are believed responsible for the change in visitation. The lodging sales in the State for the second quarter of 2011 were 3.7 percent lower than one year ago. As the State's main tourism attraction area, Teton County's lodging sales experienced a significant annual decline of 8.0 percent for the quarter, not much an improvement from the previous quarter. The weak national economy apparently affected tourists' spending ability and decisions on lodging options and length of stay.

Agriculture

The index of prices received by farmers for all U.S. livestock and products in the second quarter of 2011 was significantly higher than prices of both the previous quarter and a year ago. Stable production, increased exports and some recovery in domestic demand helped break the livestock price record since last year. Despite the high livestock prices, Wyoming's farm proprietors recorded an income loss of \$35 million in the second quarter of 2011, and reversed the trend of the previous three quarters. Total farm earnings in the State in the quarter declined, amounting to \$102 million, the lowest since the second quarter of 2010. Agricultural prices had plummeted since the financial crisis started, but have increased significantly since early 2010.

For livestock producers, the surging feed prices, particularly corn prices will continue to be a challenge and an important component of production decisions in the future.

Revenue

Investment income, including the Permanent Wyoming Mineral Trust Fund (PWMTF) and pooled income accounts, amounted to \$146.5 million in the second quarter of 2011. This was nearly three times as much as the amount received one year ago, and it's the second highest amount the State ever collected. 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 \$225.0 million in mineral severance taxes in the second quarter of 2011 was 8.7 percent lower than a year ago, the second annual decline since the fourth quarter of 2009, mainly due to the weak natural gas prices.

