



Economic Summary: 2Q2014



Economic Analysis Division

State of Wyoming

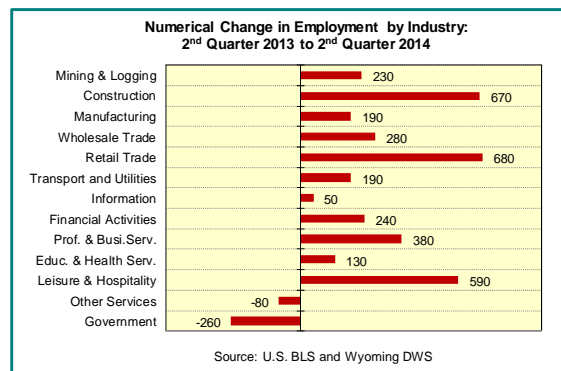
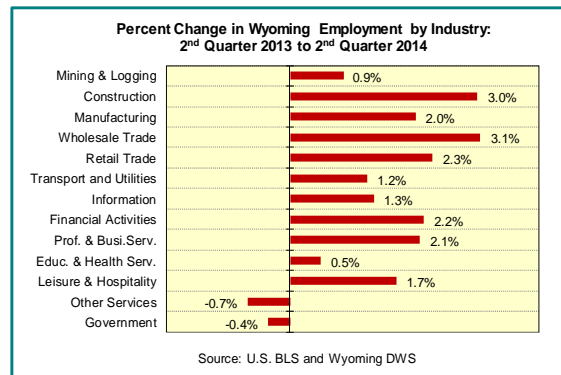
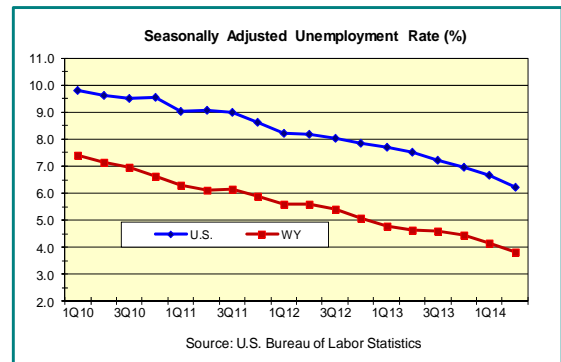
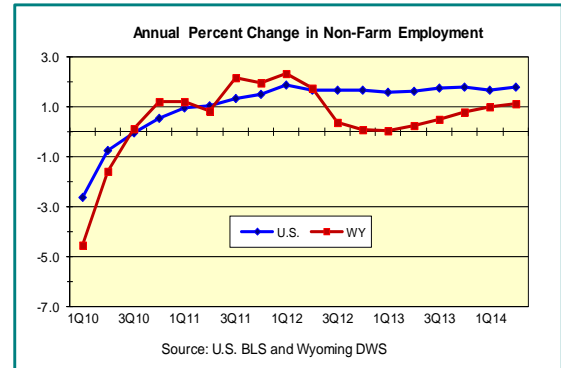
Current Global and U.S. Economy

According to Moody's Analytics, the global economic environment remains mixed, but the broad picture still points to an acceleration in 2015. Global GDP growth is expected to be above 3.0% in the next a couple of years compared to around 2.5% this year. The U.S. will assume a stronger locomotive role as its expansion speeds up. Improving global demand, weaker currencies, and moderate fiscal stimuli will support emerging economies. Europe's long-term prospects largely depend on policymakers' commitment to structural reforms to increase investment and productivity.

Recent economic data have been encouraging for the U.S. economy. GDP rebounded sharply from its first quarter slump which was mainly caused by the extraordinary winter weather. The underlying growth drivers remain solid and GDP appears to have accelerated from the 2.0% pace that has prevailed throughout the recovery to about 3.0 percent. Payroll employment growth rate has been the highest since 2006, and more of the new jobs are also higher paying than those created earlier in the recovery. High stock values, record low debt burdens, and rebounding house prices are supporting consumer spending. However, the labor market still has considerable slack, particularly, underemployment remains high. A large number of people were out of work for more than six months and many of them left the labor force.

Employment

Compared to a year ago, total employment for the state increased by 1.1 percent, or 3,290 jobs in the second quarter of 2014, a continued improvement from the previous quarter. Wyoming's unemployment rate dropped to 3.8 percent in the quarter, while in the U.S., it fell to 6.2 percent. A vast majority of industrial sectors in the state exhibited job growth during the period, with wholesale trade and the construction industries demonstrating the fastest annual increase, at 3.1 and 3.0 percent, respectively. The state's pivotal industry, mining (including oil & gas extraction) showed a slight job addition in the second quarter, which was the first year-over-year growth since the second quarter of 2012. Though natural gas spot price has been sliding since the past winter spike, it was stabilizing recently and was still higher than a year ago. Most importantly, oil drilling in the state continued to expand, and even appeared to accelerate, backed by about twice as many applications to drill as the previous year. Mainly hindered by the decline in natural gas prices in early 2012, Wyoming's economic recovery slowed down in the second half of 2012 and the first half of 2013. The mineral extraction industry lost jobs and total employment growth was weak during that period. However, the state's economy regained strength gradually starting in the third quarter of 2013, thanks to rebounding natural gas prices, expansion of oil drilling, and the strength of service providing industries.



Personal Income and Earnings

Wyoming's total personal income grew 3.6 percent in the second quarter of 2014 from the previous year. U.S. personal income also increased 4.1 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; dividends, interest, and rental income; and personal transfer receipts, such as SSI (Social Security Income), Medicare and Medicaid benefits. Total earnings in the state grew 3.9 percent annually in the quarter, while dividends, interest, and rental income grew 2.9 percent. The earnings for nearly all the state's industries demonstrated increases from a year ago. The farm sector increased fastest, at 25.2 percent. The earnings for construction and manufacturing industries also grew 11.4 and 11.7 percent over the year, respectively. Only other services and the government sector experienced slight decreases from a year ago in the quarter.

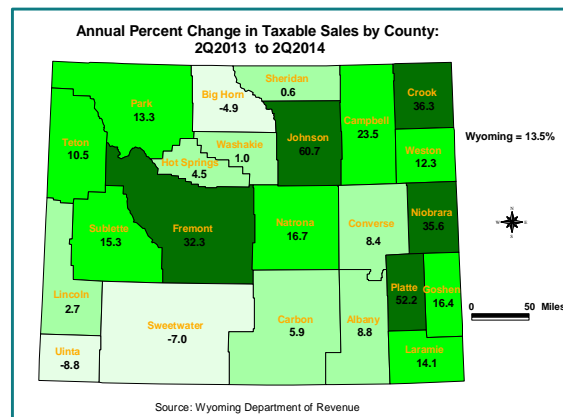
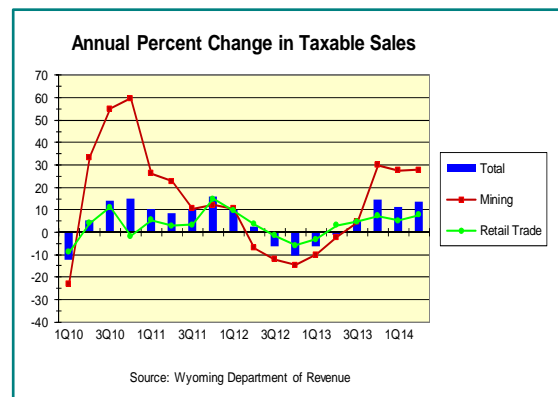
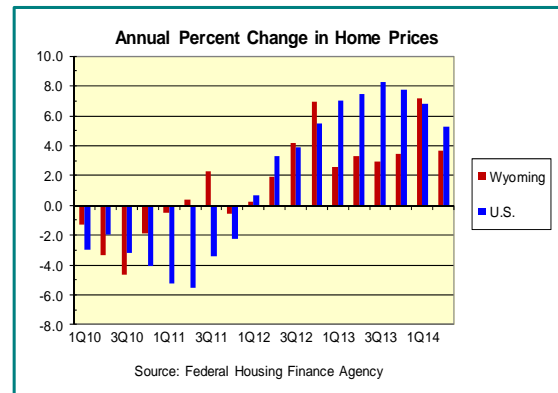
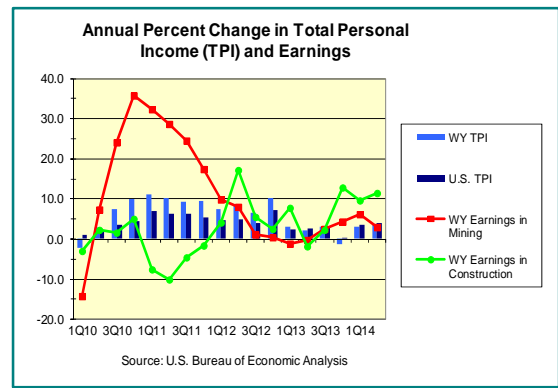
Housing

The state's home price appreciation rate appears to be higher in 2014 than previous year, while it is decelerating for the national average during the same period. During the recent recession, the slump in Wyoming's real estate market was not as steep as that of the U.S. as a whole, and it also turned around faster than the national market. Due to inventory build-up and weak demand, Wyoming's home prices started to decline in the second quarter of 2008. The housing market was down further in 2009 when the price contraction of 4.6 percent in the state was the deepest since the late 1980s. Along with the national trend, home prices dropped again in 2010, but at a lower rate of 2.4 percent. While it continued to decline in the U.S., Wyoming's housing market, turned around in the third quarter of 2011, after more than two years of decline. The U.S. housing market finally turned around at the beginning of 2012 and performed strongly throughout 2013 with increases in home sales, construction, and prices. Meanwhile, Wyoming's housing market was less robust than the national market in 2013, partly due to slower population and employment growth than the previous year.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$5.2 billion in the second quarter of 2014, an increase of 13.5 percent from the second quarter of 2013, the third consecutive quarter of double-digit growth. Increases occurred across nearly all economic industries, with the largest growth in the mining sector which contributed 39.1 percent of the total increase for the quarter. About half of taxable 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 increased energy activities driven by the strong expansion of oil exploration and the rebound of natural gas price, sales of equipment and services in the mining sector demonstrated year over year growth of 27.9 percent for the



second quarter of 2014, the second fastest increase since the fourth quarter of 2010. Retail trade taxable sales grew 7.7 percent, while the leisure & hospitality industry increased 9.5 percent. For the public administration sector, taxes are primarily generated through automobile sales, and it showed 9.7 percent annual increase in the quarter.

Across the state, twenty counties experienced growth in taxable sales, led by Johnson (60.7%) and Platte (52.2%). Most counties with strong growth in taxable sales were associated with increased activities in mineral extraction and exploration, such as in Northeast, Central, and Southeast regions. Southwest Wyoming showed improvement, but still lagged behind the rest of the state in the second quarter, possibly reflecting a continued slowing in natural gas exploration and production activity in the area.

Tourism

The number of recreational visitations to Yellowstone National Park reached 1,011,037 in the second quarter of 2014, up 7.3 percent from the previous year, while it increased 2.2 percent to 760,653 in Grand Teton National Park during the same period. The lodging sales in the state during the second quarter were 11.4 percent higher than a year ago. As the state's main tourism attraction area, Teton County's lodging sales experienced another notable annual increase of 9.5 percent for the quarter. Steady improvement in the national labor market and rising asset prices are good for Wyoming tourism.

Agriculture

The index of prices received by farmers for all U.S. livestock and products in the second quarter of 2014 was higher than the previous quarter and one year ago. Reduced cattle inventory from the multiyear drought, strong beef exports, and recovery in domestic demand pushed livestock prices to all-time high. Consequently, total farm earnings in the state also reached a new record, \$435 million in the second quarter, which was significantly higher than the previous quarter and prior year levels. In the last few years, livestock producers have experienced sharply higher feed costs. However, a record crop yield for 2013 has pushed prices down substantially – to the lowest level in four years recently. Lower crop prices should lead to lower feed costs and improved profitability for livestock producers, but it directly hurts 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 \$335.9 million in the second quarter of 2014, which was less than the amount recorded a year ago, but still nearly double the amount set two years ago. 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 \$226.2 million in mineral severance taxes generated in the second quarter of 2014, was lower than the previous quarter, but was 12.1 percent higher than the previous year level.

