



Economic Summary: 2Q2015



Economic Analysis Division

State of Wyoming

Current Global and U.S. Economy

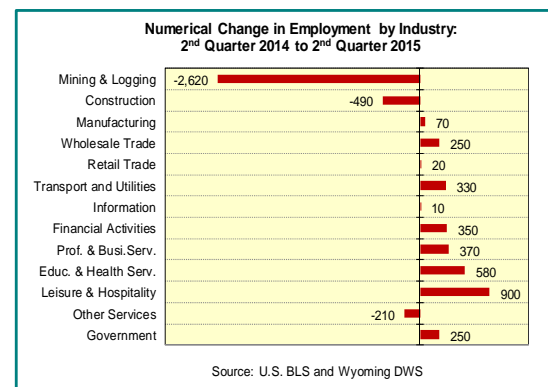
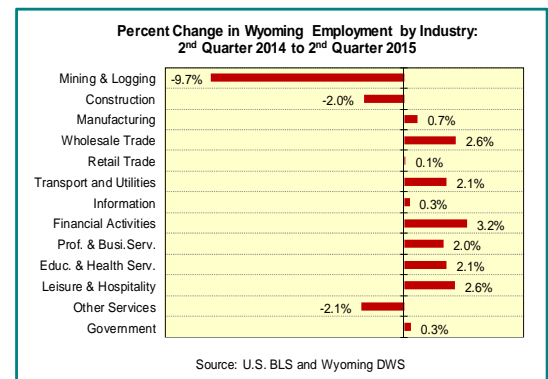
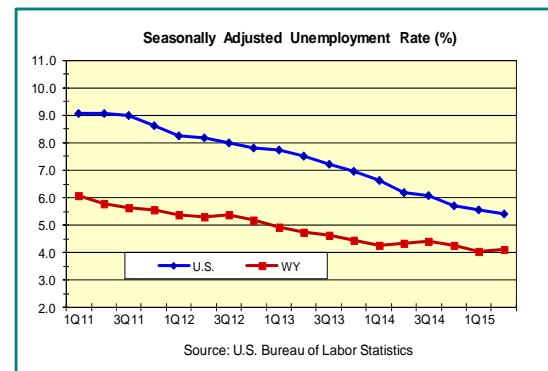
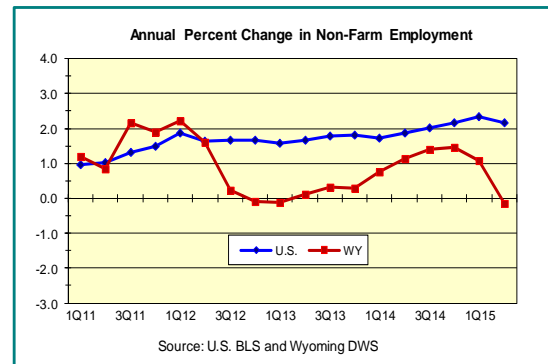
According to Moody's Analytics, the currencies of commodity exporting countries have weakened sharply over the past year amid slumping commodity prices, concern about China's deteriorating economic outlook, and the anticipation of normalization in U.S. monetary policy. Capital has been flowing out of many emerging market countries and their equity markets have plummeted. However, a resilient U.S. expansion will somewhat help bolster global growth. The regional sources of global growth will also be more balanced compared with previous years when the euro area stagnated or fell back into recession.

The economic recovery in the U.S. has lasted six years and continues to expand. The economy is performing well, and its prospects are good, notwithstanding the weaker performance earlier this year. Job growth is robust at over 200,000 per month. Despite the current solid growth, which is rapidly absorbing the unemployed, labor market slack remains. This includes the number of long-term unemployed, those part-timers who want to work full time, and those who have stepped out of the workforce believing there are no suitable jobs. However, if the current job growth pace is sustained, the slack in labor market will disappear and the economy will be at full employment within a year. There is little reason to believe that job growth will slow down any time soon given the recent surge in job openings and extremely low number of layoffs.

Employment

Compared to a year ago, total employment for the state decreased by 0.1 percent, or 190 jobs in the second quarter of 2015, the first decline since the first quarter of 2013. Wyoming's unemployment rate moved up slightly to 4.1 percent in the quarter, while in the U.S., it fell to 5.4 percent. Most industrial sectors in the state exhibited job growth during the period, with the financial activities industry demonstrating the fastest annual increase, at 3.2 percent. The wholesale trade and leisure & hospitality sectors also experienced growth rates of 2.6 percent, respectively. Amid the substantially depressed oil and natural gas prices, the state's pivotal industry, mining (including oil & gas extraction) suffered an annual employment contraction of 2,620 jobs or nearly 10 percent in the second quarter. Other services (including repair and maintenance) and the construction industry also endured job losses during the period.

As a result of global oversupply and weak demand, the low oil prices continue to take their toll on the energy industry nationwide, and Wyoming is no exception. However, after eight months of consecutive declines, the number of drilling rigs exploring for oil and natural gas in the state went up slightly in August.



Personal Income and Earnings

Wyoming's total personal income grew 2.4 percent in the second quarter of 2015 from the previous year. U.S. personal income 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 only 0.3 percent annually in the quarter, while dividends, interest, and rental income grew 5.3 percent. The earnings for most industries demonstrated increases from a year ago. The utilities, manufacturing, and transportation & warehousing sectors grew the fastest, each at more than 6.0 percent over the year. The mining industry and farm sector were the largest drags on total earnings, contracting 6.4 and 37.6 percent, respectively, from the second quarter of 2014.

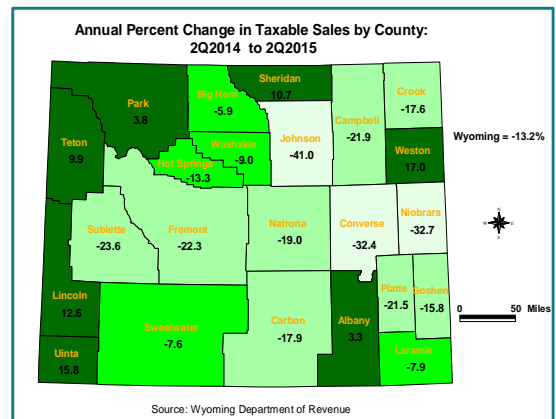
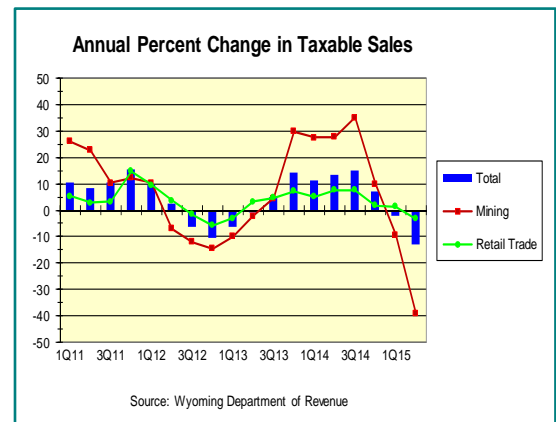
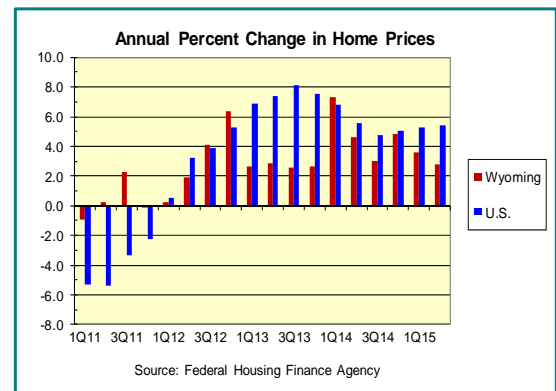
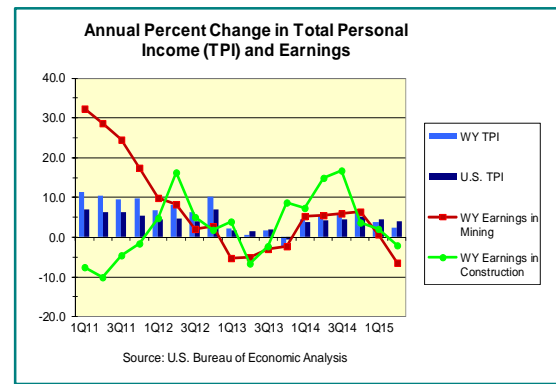
Housing

The statewide home price continued to grow moderately in the second quarter of 2015, but only 2.8 percent higher than the previous year, and the speed was slower than the national average of 5.4 percent 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. After more than two years of declines, it turned around in 2011. However, the downturn of the U.S. housing market lasted four years, from 2008 to 2011. After the market finally turned around at the beginning of 2012, it 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. Wyoming home prices in 2014 were higher than the previous year level, but still lower than the national average.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$4.5 billion in the second quarter of 2015, a decrease of 13.2 percent from the second quarter of 2014. It was the worst performance since the great recession. Declines occurred in majority of economic industries, with the largest contraction in the mining sector, which alone contributed nearly two-thirds of the total decrease 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 the reduction in energy activities caused by the dramatic downturn of both oil and natural gas prices, sales of equipment and services in the mining sector experienced year-over-year contraction of 39.3 percent for the second quarter of 2015, the steepest drop since the fourth quarter of 2009.



Other industries that are closely associated with the mining sector, such as manufacturing, wholesale trade, and machinery & equipment rental and leasing also experienced sizable declines of at 20.0 percent, each. Leisure & hospitality services showed a 4.7 percent annual increase, in the quarter.

Across the state, over two-thirds of counties experienced declines in taxable sales, led by Johnson (-41.0%), Niobrara (-32.7%) and Converse (-32.4%). Most counties with steep drops are associated with reduced activities in mineral exploration. Three counties, Lincoln, Uinta, and Weston, demonstrated double-digit annual growth rates in the quarter.

Tourism

The number of recreational visitations to Yellowstone National Park reached 1,213,432 in the second quarter of 2015, up 20.0 percent from the previous year, and it also increased 10.0 percent to 837,040 in Grand Teton National Park. Reduced gasoline prices and the strong nationwide labor market drew more people to the Parks. The huge increases showed in the fourth quarter of 2014 were attributed to the 16-day Federal government shutdown in October 2013. Lodging sales in both the state and Teton County for the second quarter were higher than a year ago. Because of a one-time back tax payment in the fourth quarter 2014 from online travel businesses due to a court decision, the lodging sales showed an expansion rate of 104.1 percent in Teton County, and 49.1 percent for the state from fourth quarter of 2013.

Agriculture

The index of prices received by farmers for all U.S. livestock and products remained the same in the second quarter of 2015, but was slightly lower than one year ago. 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 new record of \$391 million in the fourth quarter, but decreased significantly in 2015. In the last few years, before mid-2013, livestock producers experienced high feed costs. However, consecutive record crop yields in 2013 and 2014 pushed feed prices down substantially – close to the lowest level in more than five years. A continuation of lower crop prices 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 \$437.3 million in the second quarter of 2015, which was 30.2 percent higher 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 \$159.3 million in mineral severance taxes generated in the second quarter of 2015, was 29.6 percent lower than the previous year level, and was the lowest amount since the second quarter of 2012.

