



Economic Summary: 2Q2016



Department of Administration & Information

Economic Analysis Division

State of Wyoming

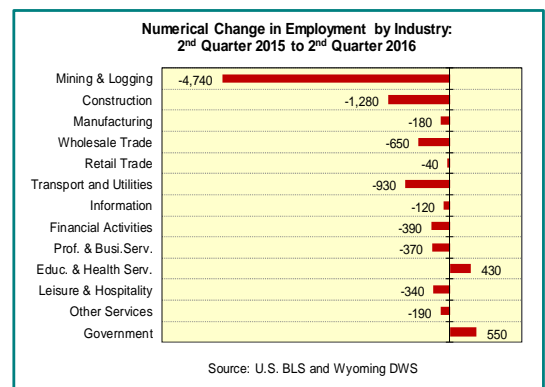
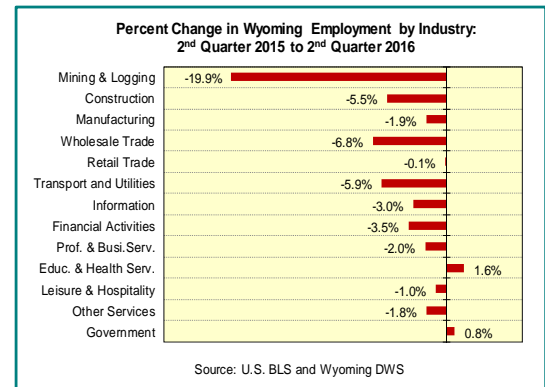
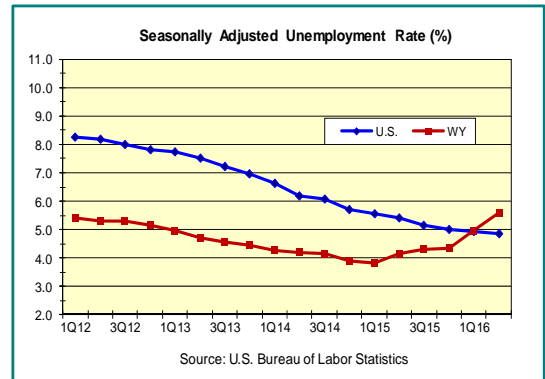
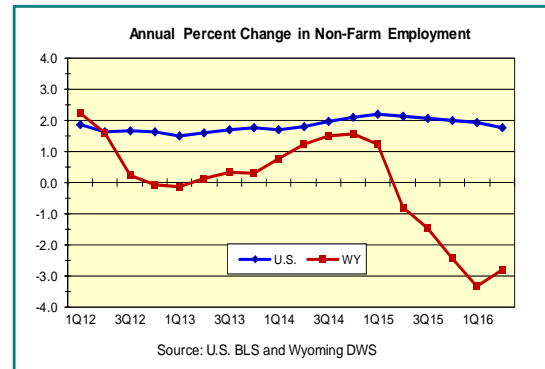
Current Global and U.S. Economy

According to Moody's Analytics, the global economy is facing anemic growth. Euro zone recovery remains on shaky grounds, beset by rising political uncertainty. China is going through a structural adjustment and faces a period of slower growth and the possibility of wrenching financial correction. Commodity exporters such as Latin American economies may face a cloudy future because of continuing weak global demand. The only bright spot is lower oil price, which is providing a stimulus to the global economy by lowering energy costs, boosting real income and consumer spending, and improving oil importers' trade balance.

Concerns over the U.S. economy's performance appear overstated, economic expansion remains firmly intact. The job market continues to post impressive gains, vehicle sales are very strong, home sales and house prices have largely recovered from the bust, and stock markets hit new highs. Currency and commodity markets are relatively stable. The optimism also rests in the economy's strong balance sheet. Household debt loads are about as low as they have ever been, and business and home owners have locked in the historical low interest rates. Most impressive is the balance sheet of the financial system. Since the financial crisis, banks have raised substantial amounts of capital to improve liquidity, and vastly upgraded their risk management practices. In addition, with wage growth picking up as the job market tightens, consumers should have financial firepower to maintain their willing spending despite the anticipated slowing in job growth.

Employment

Wyoming experienced a decline of 2.8 percent (or 8,050 jobs) in total employment in the second quarter of 2016 compared to one year earlier, a smaller decrease than the previous quarter. Wyoming's unemployment rate, climbed to 5.6 percent in the quarter, the highest since the fourth quarter of 2011, while in the U.S., it remained at 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 government (0.8%) which includes both public education and public hospitals. Amid the substantially depressed energy prices, the state's pivotal industry, mining (including oil & gas extraction) suffered an annual employment contraction of 4,740 jobs or 19.9 percent in the second quarter. Construction, wholesale trade, and transportation & utilities also endured heavy job losses. However, as a result of supply and demand rebalancing for oil, hotter than usual summer weather and therefore increased domestic demand for natural gas to generate more electricity, prices for both commodities have increased more than 40.0 percent since early spring. These signs indicate stabilization in the energy industry, and should lead to a gradual recovery in the near future.



Personal Income and Earnings

Wyoming's total personal income declined 1.5 percent in the second quarter of 2016 from the previous year. U.S. personal income increased 3.2 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 3.3 percent annually in the quarter, while personal transfer receipts grew 4.4 percent. The earnings for half of the industries experienced decreases from a year ago. The mining industry and farm sector were the largest drag on total earnings, contracting 22.4 and 47.1 percent, respectively, from the second quarter of 2015. Earnings from manufacturing, and educational & health services sectors grew the fastest, at 5.5 and 5.6 percent, each.

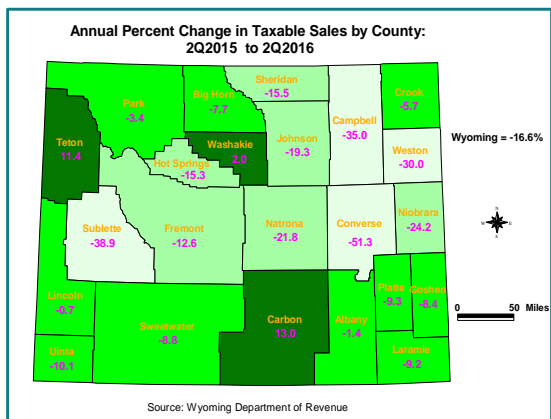
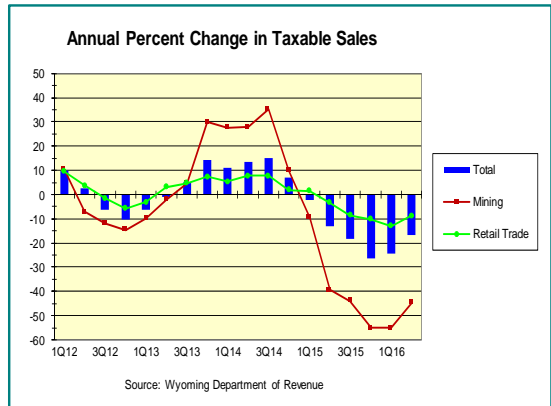
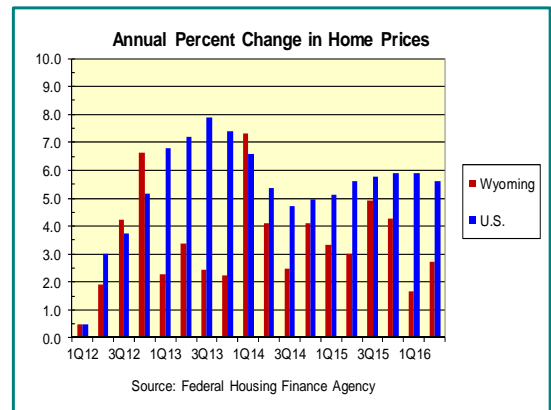
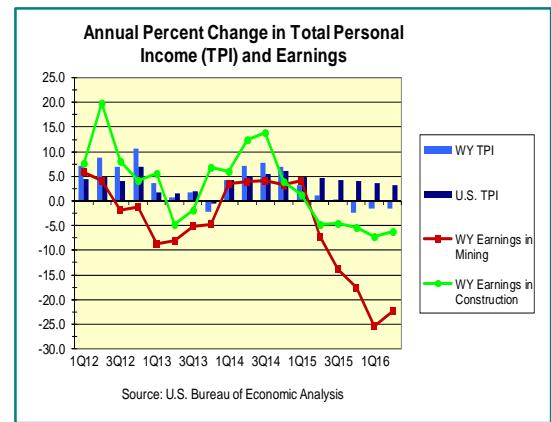
Housing

The statewide home price continued to grow moderately in the second quarter of 2016, but at a slightly faster speed. The year-over-year appreciation rate of 2.7 percent was less than half of the national average pace of 5.6 percent during the same period. In Wyoming, single family building permits for new privately-owned residential construction in the second quarter of 2016 were 6.9 percent higher than previous year level, while multi-family permits were only 58.1 percent of last year's level.

The U.S. housing market is steadily gaining ground. Total home sales continued to increase, and are back to the pre-housing boom average. Single-family construction continues to edge up slowly. The rental market is in danger of overheating despite accelerating multifamily construction. The rental vacancy rate is below a 30-year low of 7.0 percent, while the real median hit a record high. A sustained period of real wage growth, increased single family construction, and a debt relief for younger households would likely be necessary to bring more home buyers into the housing market.

Taxable Sales

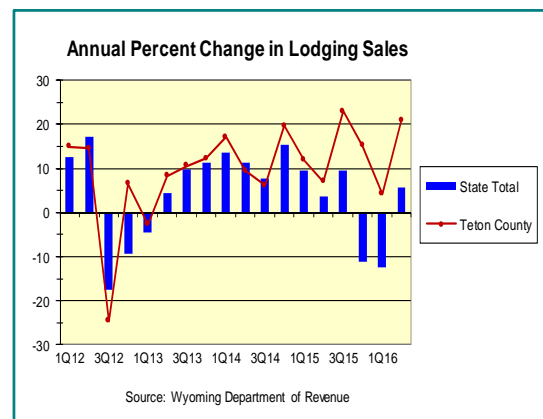
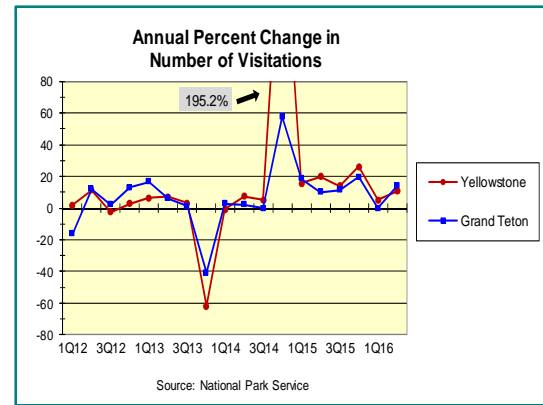
Based on sales and use tax collections, total taxable sales in the state amounted to \$3.8 billion in the second quarter of 2016, a decrease of 16.6 percent from the second quarter of 2015. The scale of the contraction was smaller than the previous quarter. Declines occurred in nearly every economic industry, with the largest drop in the mining (including oil and gas extraction) sector, which alone contributed more than 40.0 percent 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 exploration and extraction caused by the dramatic downturn of both oil and natural gas prices, sales of equipment, supplies, and services in the mining sector experienced a year-over-year contraction of 44.9 percent for the second quarter of 2016, a slight improvement from the previous quarter.



Other industries that are closely associated with the mining sector, such as construction, manufacturing, and machinery & equipment leasing also experienced sizable declines of close to 30.0 percent. The public administration sector, which reflects automobile sales, bore a 16.6 percent over the year decline. Across the state, 20 out of 23 counties experienced declines in taxable sales, led by Converse County (-51.3%). Three other counties - Campbell, Sublette, and Weston endured at least 30.0 percent declines, respectively. Most counties with steep drops are associated with reduced activities in mineral exploration. Carbon, Teton, and Washakie were the only counties demonstrating annual growth.

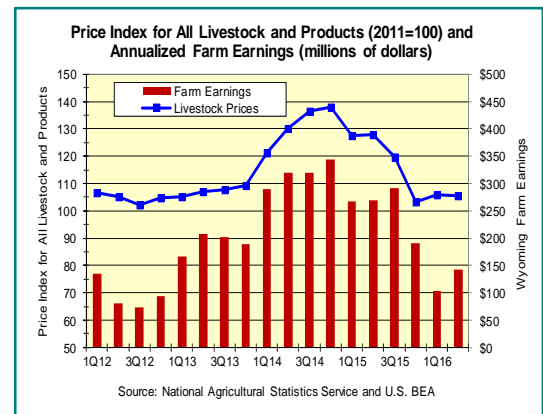
Tourism

The number of recreational visitations to Yellowstone National Park reached 1,342,199 in the second quarter of 2016, up 10.6 percent from the previous year, and 954,759 visits in Grand Teton National Park grew 14.0 percent during the same period. Reduced gasoline prices and the robust 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 second quarter were 20.9 percent higher than a year ago in Teton County. As a result, the total lodging sales in Wyoming showed a year-over-year growth rate of 5.6 percent. The statewide change would have been negative without the contribution from Teton County.



Agriculture

The index of prices received by farmers for all U.S. livestock and products remained the same in the second quarter of 2016, but still substantially lower than a year ago level. Reduced cattle inventory from the multi-year 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 \$344 million in that quarter. However, both livestock prices and farm earnings decreased significantly in 2015, and the downward trend has continued in 2016. Weak demand for beef and overwhelming supplies of cattle are causing meat packers to lower the price they will pay cattle producers, driving the futures market lower. But the continuation of low corn prices should lead to reduced feed costs and improved profitability for livestock producers.



Revenue

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$60.3 million in the second quarter of 2016, which was 86.2 percent lower than the amount recorded a year ago. The huge boosts in previous 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 \$109.4 million in mineral severance taxes generated in the second quarter of 2016, was slightly higher than the first quarter figure, but was 31.4 percent lower than the previous year level.

