

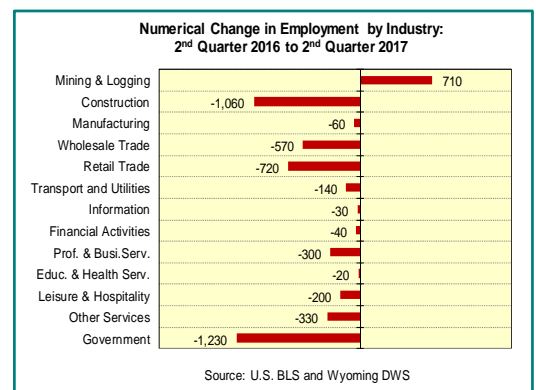
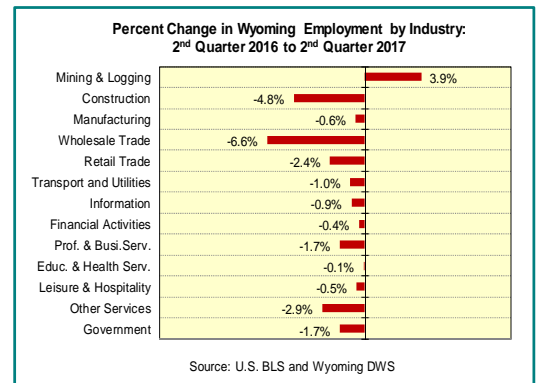
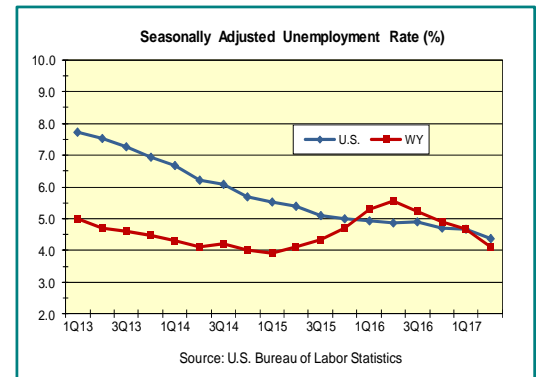
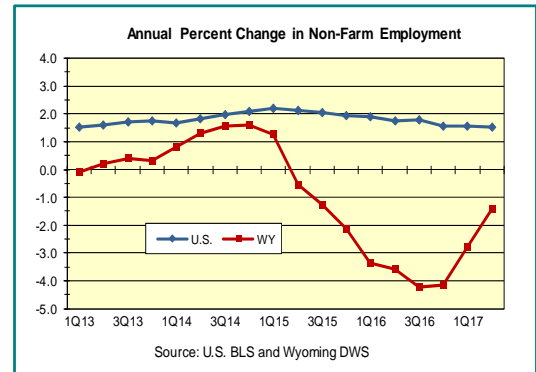
Current Global and U.S. Economy

According to Moody's Analytics, the global economy is firing on all cylinders, supported by stronger domestic demand and rising exports. All regions in the world, with few exceptions, are expected to post robust growth in 2017. Commodity exporters are benefitting from improving economic prospects as global demand firms. Rising employment and higher disposable income are fueling growth in consumption spending. Export growth is being helped by rising global demand and the strong U.S. dollar. Another stimulant is lower energy costs, which are also boosting real income and consumers' spending ability.

The U.S. economy is continuing to perform well. There are few apparent constraints on growth. Real GDP is on track to come in just above 2.0 percent this year, and well more than two million jobs are expected to be created. Consumers are benefitting from the strong job market, their balance sheets are healthy, and credit is flowing freely. A revival in profitability, record stock prices, and rock-bottom borrowing costs are buoying businesses. However, there are factors that are concerning looking at long term growth. In fact, the economy may already be at or above its potential (the sum of the growth rate in labor force and productivity). The labor force growth rate will be slow as a large number of baby boomers retire, coupled with a historically low fertility rate and possibly weak international immigration. This leaves productivity growth as the only path toward higher growth potential. But the persistent slow productivity growth in recent years may still reflect the long dark shadow of the Great Recession in terms of investment, risk-taking, and labor mobility.

Employment

Wyoming's unemployment rate continued to fall in the second quarter of 2017 to 4.1 percent, lower than the U.S. level of 4.4 percent. However, Wyoming still experienced a decline of 1.4 percent (or 3,990 jobs) in total employment in the quarter compared to one year earlier, though it's the smallest year-over-year decrease since the third quarter of 2015. Nearly all industrial sectors in the state experienced job decreases during the period. The mining industry (including oil & gas extraction) was the only sector that demonstrated an increase. As supply and demand rebalancing continues, prices for both oil and natural gas, though still depressed, have rebounded significantly from early 2016, and have been fluctuating in a much narrower range. The state's mineral extraction industry, therefore, increased their drilling activities, experienced an annual employment growth of 710 jobs or 3.9 percent in the second quarter. However, all other sectors showed employment declines, led by the wholesale trade (-6.6%) and construction (-4.8%). The government sector, which includes both public education and public hospitals, suffered a loss of 1,230 payroll jobs or 1.7 percent in the second quarter of 2017.



Personal Income and Earnings

Wyoming's total personal income grew 1.2 percent in the second quarter of 2017 from the previous year, the first increase in two years. U.S. personal income increased 2.9 percent during the same period. Personal income is the sum of wage & salary and proprietors' earnings; property income (dividends, interest, and rent); and personal transfer receipts, such as Social Security Income, Medicare and Medicaid benefits. Total earnings in the state, however, contracted 0.2 percent annually in the quarter, while property income increased 3.8 percent. The earnings for most industries experienced increases from a year ago. However, the construction industry and farm sector were the largest drag on total earnings, contracting 9.1 and 75.2 percent, respectively, from the second quarter of 2016. Earnings from manufacturing grew the fastest, at 4.4 percent.

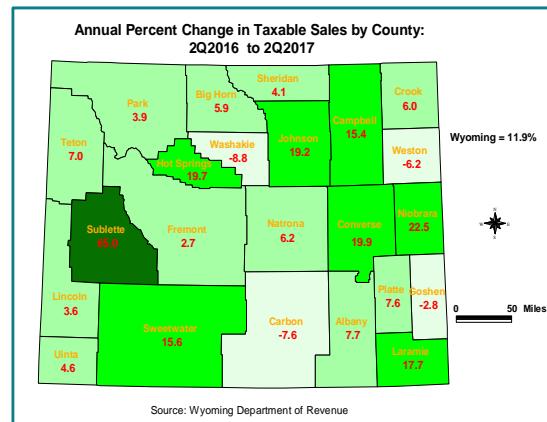
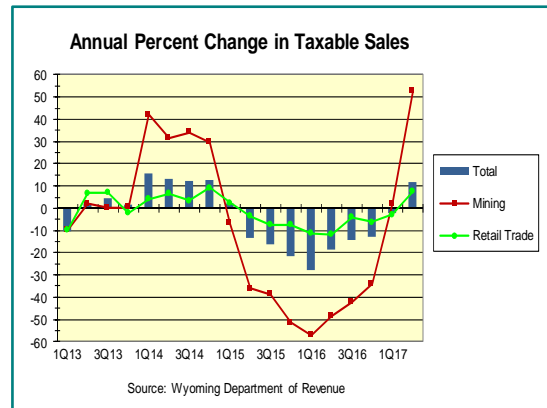
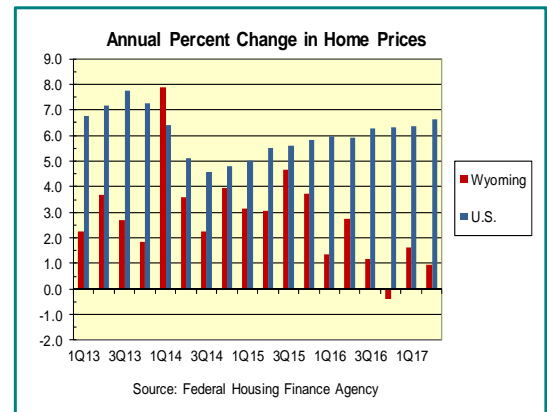
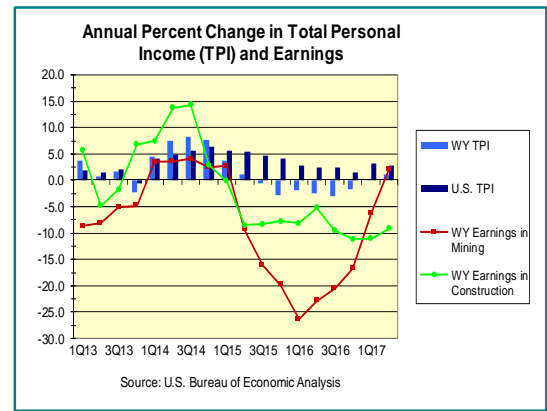
Housing

The statewide home price increased slightly in the second quarter of 2017 from one year ago, while the national average price appreciated 6.6 percent during the same period. In Wyoming, single family building permits for new privately-owned residential construction in the second quarter of 2017 were 8.0 percent lower than the previous year level. Contraction in the labor force is dampening housing demand in the state.

The U.S. housing market remains healthy, moving along at a stable pace. Total home sales exceed 6 million annualized, which is back to the pre-housing bubble average in the early 2000s. U.S. house price indexes have been rising steadily over 6 percent for the year. Median single-family house price is well above its prerecession peak nationally. The pace of single family construction was agonizingly slow, but trend up again recently. Low U.S. unemployment, rising wages, and low interest rates are underpinning demand for housing. However, the biggest threat to the housing market remains supply-side constraints, including difficulty finding develop-ready lots and capable labor.

Taxable Sales

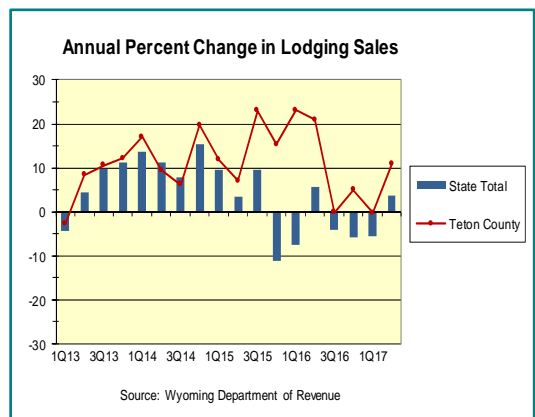
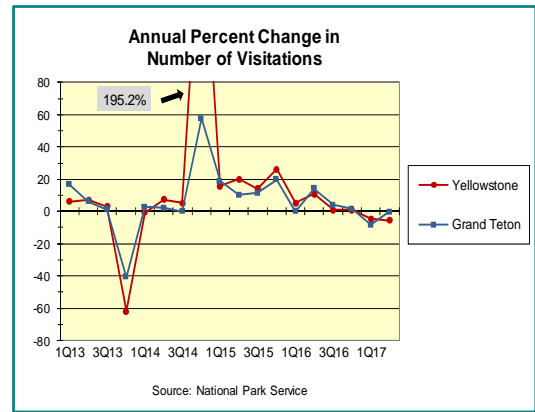
Based on sales and use tax collections, total taxable sales in the state grew 11.9 percent to \$3.9 billion in the second quarter of 2017, the first annual increase since the first quarter of 2015. Increases occurred in most economic industries, with the largest boost in the mining (including oil & gas extraction), which accounted for nearly half of the total increase. Due to the new energy exploration and production activity, sales of equipment, supplies, and services in the mining sector (Wyoming does not impose sales tax on the production of minerals) experienced a year-over-year expansion of 52.4 percent for the second quarter of 2017, the fastest since the fourth quarter of 2010. However, the second quarter amount was still less than half as much as the fourth quarter of 2014 - before the energy downturn. Traditionally, over one-sixth 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.



The public administration sector, which reflects automobile sales, showed a significant increase of 19.2 percent over the year. The retail trade industry, the largest in terms of sales tax contribution, grew 7.5 percent. Construction and transportation & warehousing sectors still experienced declines. Across the state, 19 out of 23 counties experienced increases in taxable sales, led by Sublette County (65.0%). Four other counties, Niobrara, Converse, Hot Springs and Johnson, demonstrated around 20.0 percent expansions, respectively. Increased drilling activities in mineral exploration mostly contributed to the faster growths in these counties.

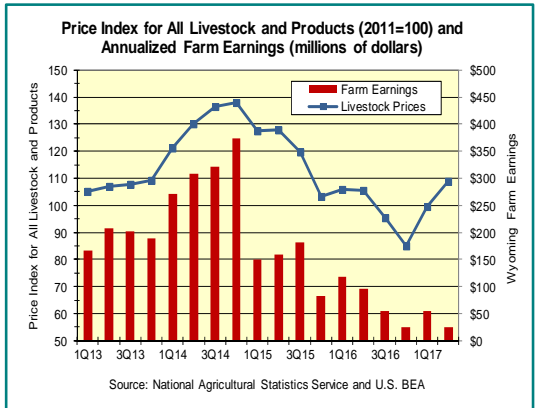
Tourism

The number of recreational visitations to Yellowstone National Park reached 1,268,447 in the second quarter of 2017, down 5.5 percent from the previous year, and 951,669 visits in Grand Teton National Park declined only 0.3 percent. Visitation figures in 2016 were the highest ever, due mostly to national parks' centennial celebration. 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 10.8 percent higher than a year ago in Teton County. However, the total lodging sales in Wyoming showed a year-over-year increase of 3.8 percent. The primary drivers for the fluctuation in lodging sales are visitation to the national parks and mineral activities in the state.



Agriculture

The index of prices received by farmers for all U.S. livestock and products increased again in the second quarter of 2017, and the price level was also higher than a year ago. Since the fourth quarter of 2014, farm earnings in Wyoming have been experiencing a dramatic downward trend amid strong supply and weak global demand in beef products. American beef production is expected to climb another 4.0 percent this year to 26.2 billion pounds, the highest since 2011, according to USDA estimates.



Nationwide, January to June 2017 commercial red meat production was 25.4 billion pounds, up 4 percent from 2016. Accumulated beef production was up 5 percent from last year, veal was down 2 percent, pork was up 3 percent from last year, and lamb and mutton production was down 5 percent.

Revenue

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$200.8 million in the second quarter of 2017, which was 233.0 percent higher than the amount recorded a year ago. The huge boosts in 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 \$138.5 million in mineral severance taxes generated in the second quarter of 2017, was slightly lower than the previous quarter, but was 26.6 percent higher than the level for the second quarter of 2016.

