



Economic Summary: 3Q2011



Economic Analysis Division

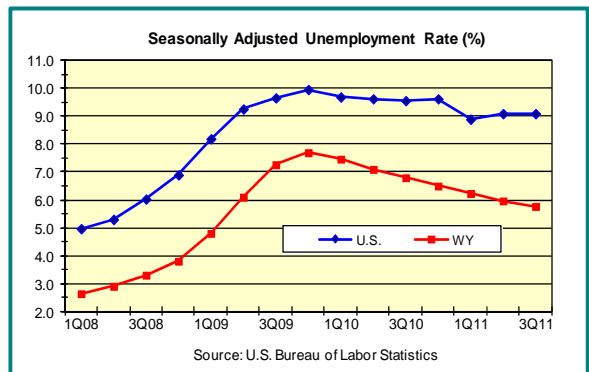
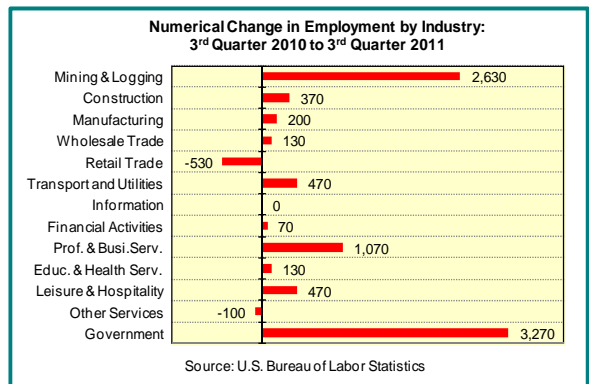
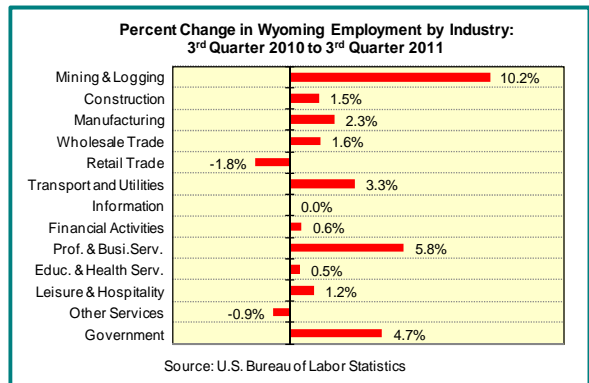
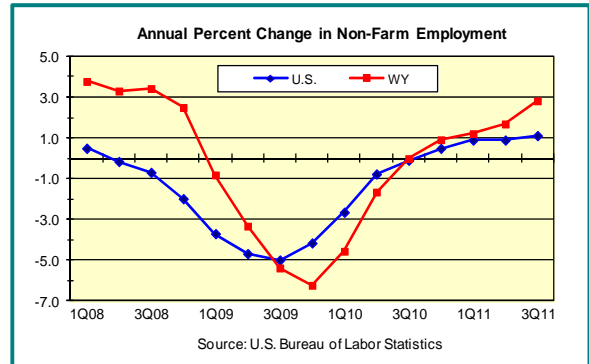
State of Wyoming

Employment

The Euro zone's debt crisis has become a headwind for the global economy. Sentiment in Europe has fallen off sharply since early in the year, indicating a growing pessimism about the state of the economy and policy makers' handling of it. Continued fiscal austerity, tight credit conditions, and dour sentiment has probably tipped the euro zone into another recession. In addition, weakening global demand is weighing on emerging market growth. Prolonged high unemployment will lower the global economy's potential growth rate. U.S. economic data have shown some bright signs recently. After decelerating sharply this past spring and summer, growth appears to have stabilized. Real GDP for the fourth quarter is tracking near 3.0 percent. The risk of another U.S. recession is receding. Households have benefited from the recent decline in gasoline prices. U.S. vehicle sales and the manufacturing sector are gaining ground. Consumer sentiment has somewhat improved. Customers are willing to draw down their saving in order to maintain spending in the face of slow job and income growth. However, the U.S. economy is still not free from the threat of a renewed recession. To avoid another downturn, U.S. and European policymakers must address critical issues aggressively.

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 third quarter of 2011, Wyoming's recovery was still on track, and may have picked up speed. Compared to the third quarter of 2010, employment grew by 8,180 jobs, or 2.8 percent, the fastest annual increase since the third quarter of 2008. The unemployment rate dropped to 5.8 percent in the third quarter, while it remained 9.1 percent in the U.S. More industries displayed job growth during the period. Wyoming's pivotal mining industry demonstrated the fastest recovery, with an addition of 2,630 jobs, or 10.2 percent between the third quarter of 2010 and the third quarter of 2011. Transportation & utilities, and professional & business services grew 3.3 and 5.8 percent, respectively, over the year. Due to a change in reporting methodology, the government sector showed an over-the-year job boost in the third quarter. Retail trade continues to be the weakest sector, and continued to cut payrolls in the third quarter 2011 from a year ago, which has suffered three consecutive years of contraction.

Driven by a rebounding energy industry, Wyoming is among the fastest recovering states in the U.S. In addition, the State's relatively low debt level and healthier housing market should support a continuous economic recovery. However, one of the State's most important economic variables - natural gas spot price is at its lowest winter level in nine years, mostly due to a supply glut. Data users should also be cautious that the State's employment growth for 2011 is probably over estimated.



Personal Income and Earnings

Wyoming's total personal income grew 3.7 percent in the third quarter of 2011 from last year, much slower than the previous quarter. U.S. personal income increased 4.1 percent from the third 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 2.0 percent for the year. This was mainly attributed to growth in the State's most important industry - mining. Earnings from this sector climbed 10.0 percent from a year ago, but was slightly lower than the level in previous quarter. Construction earnings shrunk 11.2 percent from a year ago, worse than the annual decrease for the second quarter of 2011.

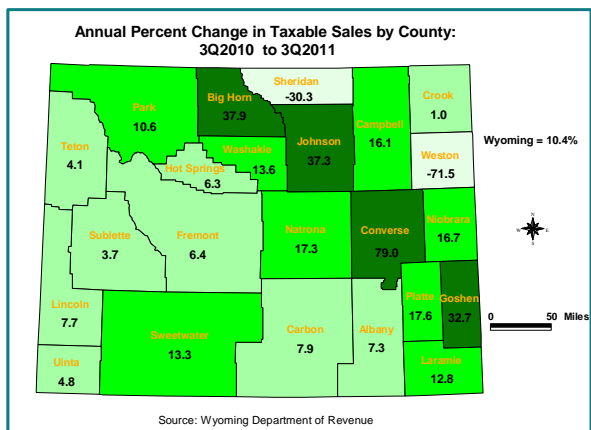
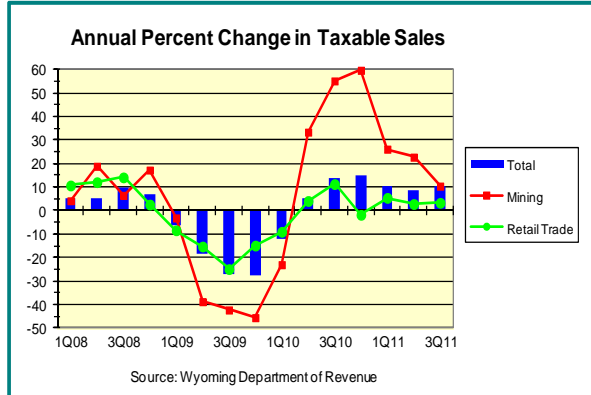
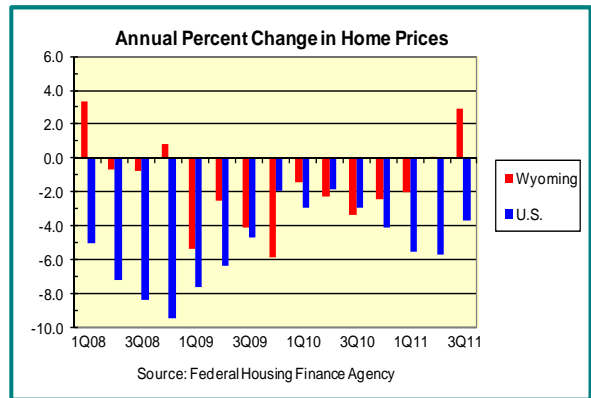
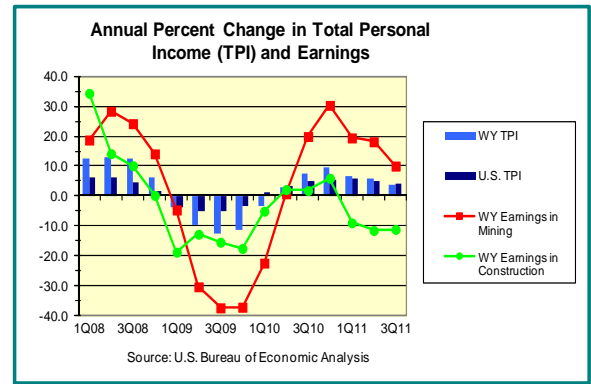
Housing

Similar to the overall economy, Wyoming's real estate market also lagged the nation in entering the economic 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 4.5 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 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, left new home sales and construction at a low level. As a result, home prices dropped again in 2010, but at a lower rate of 2.4 percent. However, while it continued to decline in the U.S., the housing market in the State turned around in the third quarter of 2011. The annual home price increase of 2.9 percent in Wyoming was the first growth in nearly three years. In fact, Wyoming's housing market was one of the best in the nation, in terms of 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 left Wyoming with few cracks in the foundation of its housing market. Indeed, Wyoming was in third place across the country in home price appreciation during the 5-year period, 3Q06 to 3Q11.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the State reached approximately \$5.0 billion in the third quarter of 2011, an increase of 10.4 percent from the third quarter of 2010, which was faster than the growth rate for the previous quarter. Though increases were spread across many sectors of the economy, the mining industry alone contributed to approximately one-fifth 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. However, it has been decelerating since the fourth quarter of 2010. For the third quarter of 2011, sales in the mining sector grew 10.4 percent from a year earlier. Retail trade taxable sales grew 3.3 percent. In contrast, sales in the wholesale trade industry demonstrated the strongest annual expansion of 40.4 percent in the third quarter of 2011.

Tourism

Improved from the slow start in the first half of the year due to poor weather, the number of recreational visitations to Yellowstone and Grand Teton National Parks amounted to 2,248,457 and 1,615,693 in the third quarter of 2011, down 4.9 percent and 2.0 percent, respectively, from the previous year level. Lodging sales in the State for the third quarter of 2011 were 5.7 percent higher than one year ago. As the State's main tourism attraction area, Teton County's lodging sales enjoyed a significant annual increase of 6.3 percent for the quarter, the highest since the fourth quarter of 2008. Despite the weak national economy and high gasoline prices, consumers showed resilience in tourism spending and lodging options.

Agriculture

The index of prices received by farmers for all U.S. livestock and products in the third quarter of 2011 was higher than the previous quarter and one year ago. Stable production, increased exports, and some recovery in domestic demand have helped break the livestock price records since last year. Despite the high livestock prices, Wyoming's farm proprietors recorded an income gain of merely \$4 million in the third quarter of 2011, and continued to trend down since the fourth quarter of 2010. Total farm earnings in the State in the quarter also declined, amounting to \$141 million, the lowest since the second quarter of 2010. Agricultural prices had plummeted since the financial crisis started, but increased significantly since early 2010.

For livestock producers, surging feed prices, particularly corn 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 \$66.2 million in the third quarter of 2011, an increase of 41.7 percent from one year ago, slower growth than the previous quarter. The reason for the huge boost in the second quarter of 2011 was that 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 \$253.1 million in mineral severance taxes in the third quarter of 2011 was 13.0 percent higher than a year ago, which reversed the trend of the previous two quarters. Slightly higher natural gas prices may have attributed to the growth.

