



Economic Summary: 3Q2012



Economic Analysis Division

State of Wyoming

Current Global and U.S. Economy

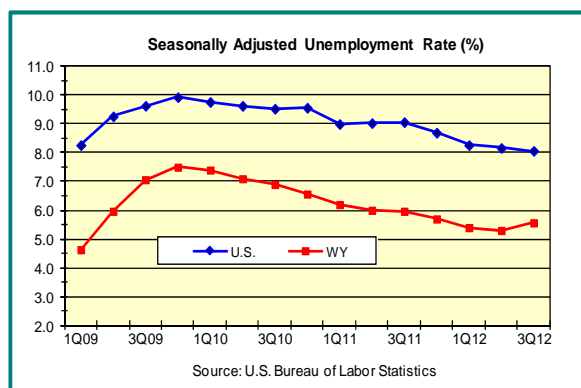
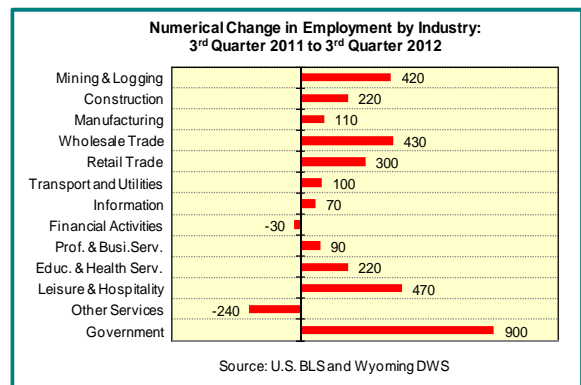
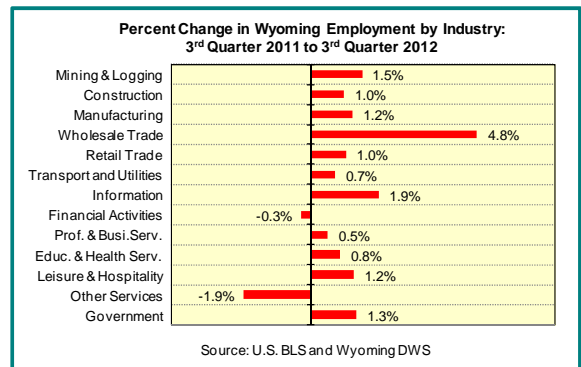
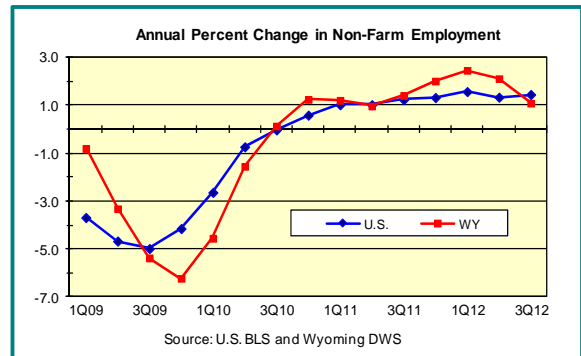
The global economy is taking small steps in the right direction, but it is still expected to grow below potential in 2012 and 2013. Europe remains the world economy's weak link, and too much austerity could backfire and slowdown its domestic demand. Economic growth appears to be moderating in the U.S., stabilizing in China and India, and reviving in Brazil. Europe's economic woes are continuing to depress the outlook for the rest of the world. Weak consumer and producer confidence is a major weight on the global economy.

Even though Europe's turmoil is hurting, the U.S. economy is increasingly making progress. Real GDP grew at a 3.1% annualized rate in the third quarter of 2012, up from a growth rate of 1.2% in the second quarter. Most importantly, the job market is gaining traction, Monthly payroll job gains have been nearly 158,000 since July, more than double the number in the second quarter. The housing market is finally getting its bearings. Home sales, construction, and prices have all improved in 2012. The biggest threat to the U.S. economy would be a failure by lawmakers to settle key tax and spending issues. If the fiscal cliff is scaled back and a comprehensive budget plan is agreed upon, the U.S. economy is expected to be back to a healthy growth pace by 2014.

Employment

After a short, but severe recession, Wyoming's economy turned around in the beginning of 2010, thanks to the robust rebound of the energy industry. The state's employment growth was generally faster than the U.S. average since the recovery began. For the third quarter of 2012, Wyoming's recovery was still on track albeit at a slower pace. Compared to the third quarter of 2011, employment grew by 3,060 jobs, or 1.1 percent, much weaker than the previous quarter. The unemployment rate rose to 5.6 percent in the third quarter, but it fell slightly to 8.1 percent for the U.S. Most industries displayed job growth during the period. Wholesale trade demonstrated the fastest increase, at 4.8 percent, while the mining, wholesale trade, leisure & hospitality, and government sectors added more than 400 jobs, respectively, between the third quarter of 2011 and the third quarter of 2012. Financial activities and other services were the only sectors that suffered annual employment declines during the third quarter.

Wyoming's economic recovery continued at a moderate pace, as weak prices for coal and natural gas put the brakes on the state's energy extraction industry. However, natural gas prices have rebounded modestly after bottoming out in April, and drillers may also respond in the near future to renew exploration. Both shipments and spot price for Powder River Basin coal are showing some signs of recovery.



Personal Income and Earnings

Wyoming's total personal income grew 3.3 percent in the third quarter of 2012 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 by place-of-residence, rental income, dividend income, interest income, and current transfer receipts. Total earnings in the state also grew at 3.3 percent for the year. Most industries showed expansions, but it was the construction industry that contributed the largest. Earnings in this sector increased 13.3 percent, the second consecutive quarter that demonstrated a double-digit year over year growth rate. However, the state's pivotal industry, mining, dropped 1.5 percent from a year ago, the first earnings decline since the first quarter of 2010.

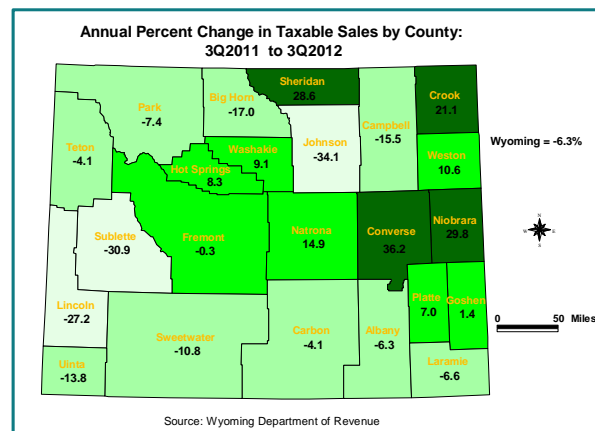
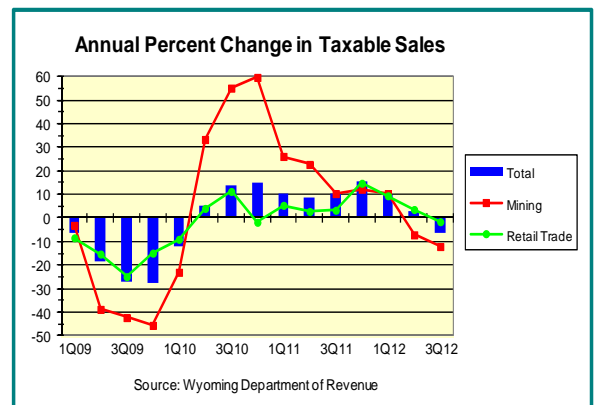
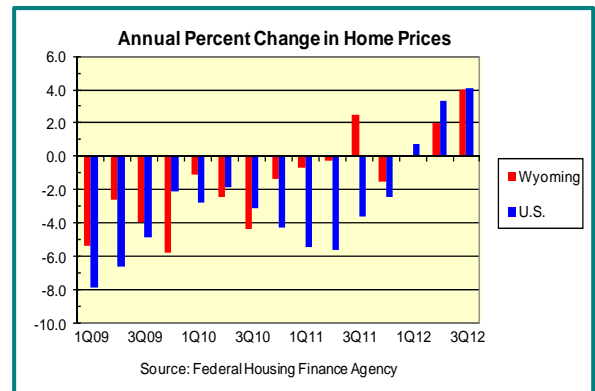
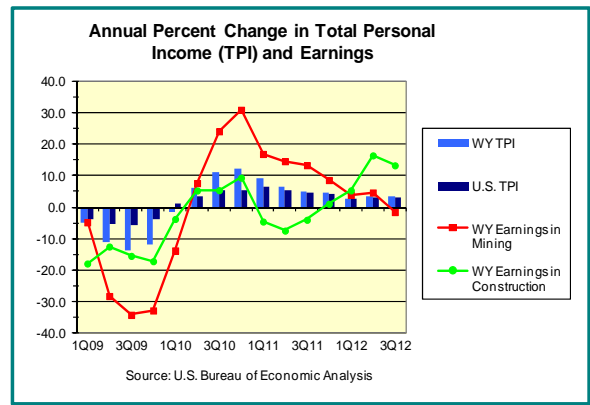
Housing

The slump of Wyoming's real estate market was not as steep as that of the U.S., as a whole, during the recent recession, and it also turned around faster than the national market. Inventory build-up and weak demand led home sellers to accept lower prices since the second quarter of 2008. Since the beginning of 2009, home construction and existing home prices dropped even further. The price contraction of 4.4 percent in 2009 in the state was the deepest since the late 1980s. Tight credit standards and high unemployment, combined with a large stock of unsold homes 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 2.3 percent. However, while it continued to decline in the U.S., Wyoming's housing market turned around in the third quarter of 2011, the first time in over two years. While the U.S. housing market finally turned around at the beginning of 2012, Wyoming's housing prices continued the upward trend in the third quarter of 2012, thanks to extremely low mortgage rates. In addition, residential building permits for single family housing in the state for the third quarter of 2012 were 26.5 percent higher than the same period in the previous year.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$4.7 billion in the third quarter of 2012, a decrease of 6.3 percent from the third quarter of 2011, the first year over year decline since the first quarter of 2010. Contractions were spread across most economic industries, with the largest decline in the mining sector. Only the financial activities and public administration sectors showed 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 steady growth in energy activities, sales of equipment and services in the mining sector improved substantially since the beginning of 2010. However, they have



been decelerating since the fourth quarter of 2010. For the third quarter of 2012, sales in the mining sector dropped 12.1 percent from a year earlier, the worst annual decline since the first quarter of 2010. Retail trade taxable sales also fell slightly, -1.5 percent. The transportation & warehousing, and leisure & hospitality industries suffered heavy declines in the quarter. Oil exploration in Converse County continued to be quite active in the quarter, and as a provider for many types of services, Natrona County definitely benefited from its neighbor's development. Johnson, Lincoln, and Sublette counties experienced significant declines in taxable sales, likely associated with a re-focusing of drilling activity from natural gas to oil production.

Tourism

The number of recreational visitations to Yellowstone Park reached 2,196,231 in the third quarter of 2012, down 2.3 percent from the previous year, while it increased 2.3 percent to 1,652,540 in Grand Teton National Park during the same period. Lodging sales in the state during the third quarter of 2012 were 17.4 percent lower than a year ago. As the state's main tourism attraction area, Teton County's lodging sales experienced a significant annual decrease of 24.7 percent for the quarter, the steepest decline since the fourth quarter of 2009. The higher gasoline prices in the late summer may have dampened tourists' spending and lodging behavior.

Agriculture

The index of prices received by farmers for all U.S. livestock and products in the third quarter of 2012 was slightly higher than the previous quarter, but lower than one year ago. Reduced cattle inventory, strong beef exports, and some recovery in domestic demand continued to keep livestock prices at a high level. Benefiting from high livestock prices, total farm earnings in the state for the quarter amounted to \$246 million, which was close to the record set in the first quarter of 2012, and a boost from the previous quarter. Agricultural prices plummeted when the financial crisis started in 2008, but have increased significantly since early 2010.

Prices for crops surged during the summer on concerns that the dry weather in the Midwest would lead to a reduced harvest nationally. Rising commodity prices result in higher feed costs for beef producers.

Revenue

Investment income to the state general fund, including income from the Permanent Wyoming Mineral Trust Fund (PWMTF) and state agency pooled income accounts, reached \$59.8 million in the third quarter of calendar year (CY) 2012, a decrease of 9.8 percent from a year ago. The huge boosts in the second quarters of CY 2011 and CY 2012 were due to the net realized capital gains being distributed at the end of each fiscal year, which ends on June 30 (the end of fiscal year occurs at the end of CY second quarter). The \$206.0 million in mineral severance taxes received for the third quarter of CY 2012 was 17.6 percent lower than a year ago, but it's a significant improvement from the previous quarter.

