



Economic Summary: 3Q2014



Economic Analysis Division

State of Wyoming

Current Global and U.S. Economy

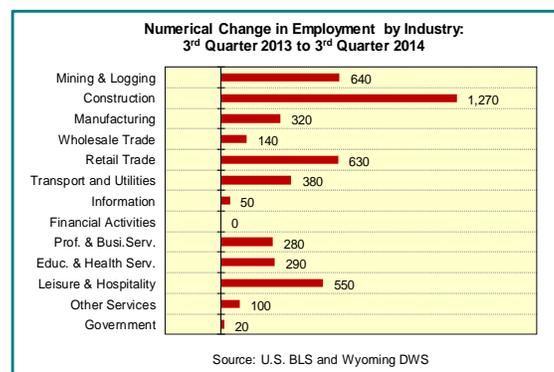
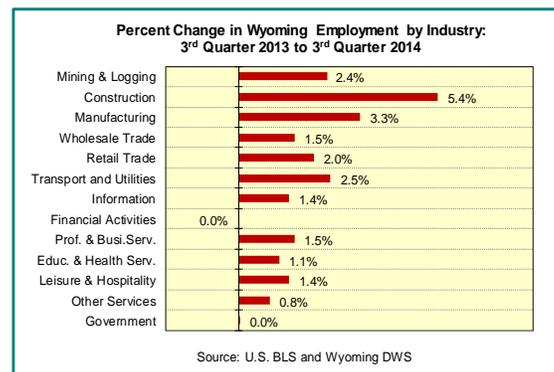
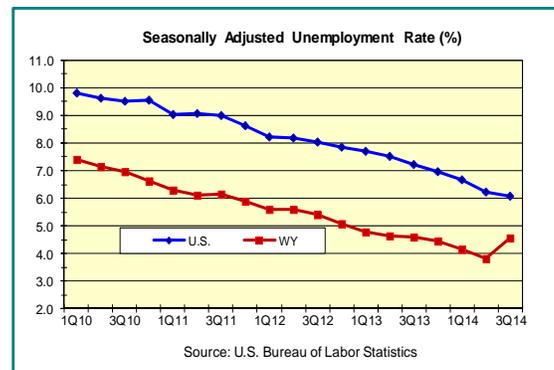
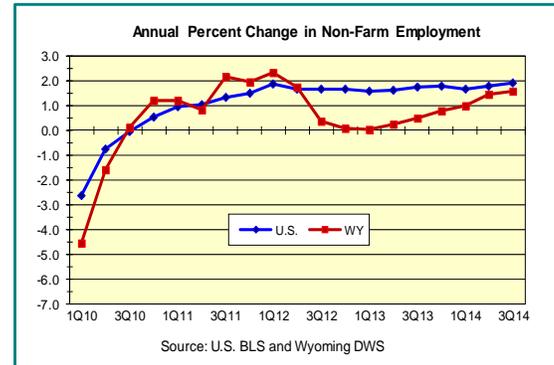
According to Moody's Analytics, the global economy remains fragile, but is expected to gradually gain traction through 2015. Global GDP growth is expected to be above 3.0% in the next a couple of years compared to a tepid growth of around 2.5% in 2014. The U.S. will assume a stronger locomotive role as its expansion speeds up. Improving global demand, weaker currencies, and stimulus efforts will support emerging economies. The Euro zone recovery is still shaky, but is slowly gaining strength. Yet the domestic demand in major European countries remains stagnant.

The divergence between the U.S. economy and much of the rest of the world is somewhat striking. The U.S. economy is in a self-sustaining expansion, and businesses are finally hiring and investing with enthusiasm. The job market is quickly tightening and wage growth is reviving. Payroll employment growth in 2014 is a strong 240,000 per month, the highest since 1999. More of the new jobs were across nearly all industries and regions, and they were also across all pay scales. High stock values and record low debt burdens are also supporting consumer spending. Although the slack in the labor market remains considerable, the unemployment and underemployment are rapidly diminishing. The number of long-term unemployed is now falling, and more part-timers are finding full-time jobs.

Employment

Compared to a year ago, total employment for the state increased by 1.6 percent, or 4,670 jobs in the third quarter of 2014, the fastest growth rate since the second quarter of 2012. Wyoming's unemployment rate, however, tipped up to 4.6 percent in the quarter, while in the U.S., it fell slightly to 6.1 percent. Nearly all industrial sectors in the state exhibited job growth during the period, with the construction and manufacturing industries demonstrating the fastest annual increase, at 5.4 and 3.3 percent, respectively. The state's pivotal industry, mining (including oil & gas extraction) showed a healthy job addition in the third quarter. In particular, oil drilling in the state continued to expand, and even appeared to accelerate, backed by about twice as many applications to drill as the previous year. However, the oil price has been dropping precipitously since September, to the lowest level in 5 years. If the price continues to drop or remains at the low level for a long period of time, the drilling and exploration activities will definitely be affected.

Mainly hindered by the decline in natural gas prices in early 2012, Wyoming's economic recovery slowed down in the second half of 2012 and the first half of 2013. However, it regained strength gradually starting in the third quarter of 2013, thanks to rebounding natural gas prices, expansion of oil drilling, and the strength of service providing industries.



Personal Income and Earnings

Wyoming's total personal income grew 4.8 percent in the third quarter of 2014 from the previous year. U.S. personal income increased 3.9 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 6.2 percent annually in the quarter, while dividends, interest, and rental income grew 2.5 percent. The earnings for nearly all the state's industries demonstrated increases from a year ago. The earnings for mining and construction industries grew 9.4 and 18.1 percent over the year, respectively, and together contributed more than half of the total earnings growth. Only other services and the government sectors experienced slight decreases from a year ago.

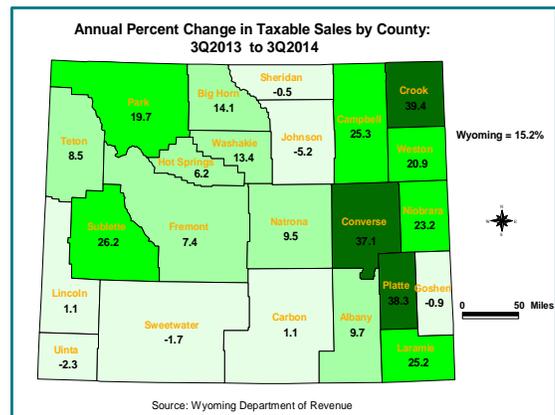
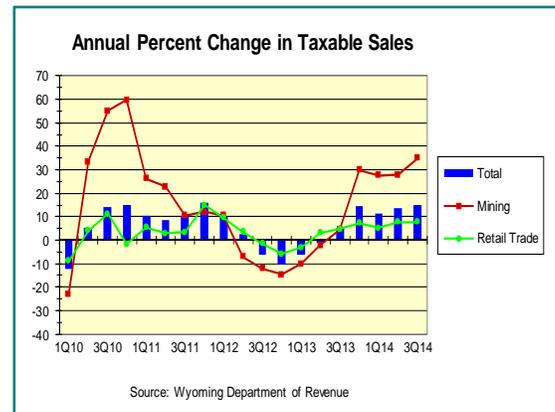
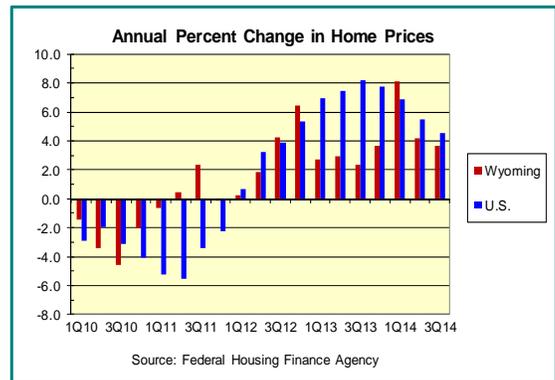
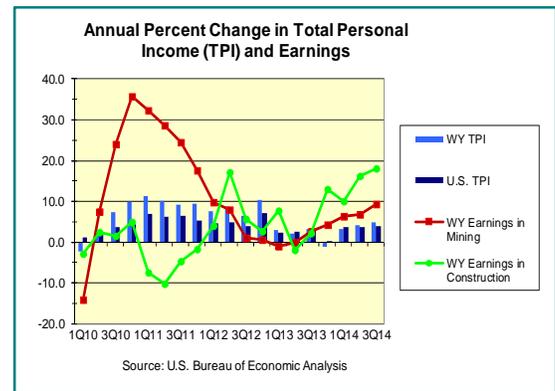
Housing

The state's home price appreciation rate appears to be higher in 2014 than the previous year, while it is decelerating for the national average 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. The housing market was down further in 2009 when the price contraction of 4.6 percent in the state was the deepest since the late 1980s. Along with the national trend, home prices dropped again in 2010, but at a lower rate of 2.4 percent. While it continued to decline in the U.S., Wyoming's housing market, turned around in the third quarter of 2011, after more than two years of decline. The U.S. housing market finally turned around at the beginning of 2012 and 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 than the previous year.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$5.7 billion in the third quarter of 2014, an increase of 15.2 percent from the third quarter of 2013, the fastest year-over-year growth since the fourth quarter of 2011. Increases occurred across nearly all economic industries, with the largest growth in the mining sector which contributed 45.5 percent of the total increase 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 increased energy activities driven by the strong expansion of oil exploration and the rebound of natural gas price, sales of equipment and services in the mining sector demonstrated year over year growth of 35.1 percent for the



third quarter of 2014, the fastest increase since the fourth quarter of 2010. Retail trade taxable sales grew 7.8 percent, while the construction industry increased 61.0 percent. For the public administration sector, taxes are primarily generated through automobile sales, and it showed 10.8 percent annual increase in the quarter.

Across the state, twenty counties experienced growth in taxable sales, led by Crook (39.4%), Platte (38.3%) and Converse (37.1%). Most counties with strong growth in taxable sales were associated with increased activities in mineral extraction and exploration, such as in the Northeast, Central, and Southeast regions. Southwest Wyoming showed improvement, but still lagged behind the rest of the state in the third quarter, possibly reflecting a stabilization in natural gas exploration and development activity in the area.

Tourism

The number of recreational visitations to Yellowstone National Park reached 2,203,978 in the third quarter of 2014, up 5.2 percent from the previous year, while it barely changed for Grand Teton National Park during the same period remaining at 1,673,249. The lodging sales in the state during the third quarter were 7.7 percent higher than a year ago. As the state's main tourism attraction area, Teton County's lodging sales also experienced a notable annual increase of 6.2 percent for the quarter. Continued strengthening in the national labor market is good for Wyoming tourism.

Agriculture

The index of prices received by farmers for all U.S. livestock and products in the third quarter of 2014 was higher than the previous quarter and 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. Consequently, total farm earnings in the state also reached a new record, \$460 million in the third quarter, which was significantly higher than the previous quarter and prior year levels. In the last few years before mid-2013, livestock producers experienced sharply higher feed costs. However, a record crop yield for 2013, and again in 2014 has pushed prices down substantially – to the lowest level in five years. Lower crop prices should lead to lower feed costs and improved profitability for livestock producers, but this directly hurts 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 \$58.3 million in the third quarter of 2014, which was 18.9 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 \$244.1 million in mineral severance taxes generated in the third quarter of 2014, was 7.9 percent higher than the previous quarter, but was slightly lower than the previous year level.

