



# Economic Summary: 3Q2015



Economic Analysis Division

State of Wyoming

## Current Global and U.S. Economy

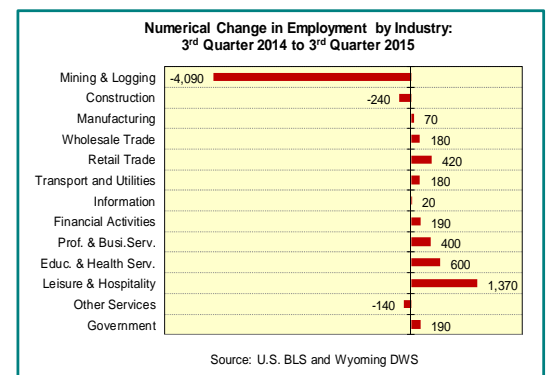
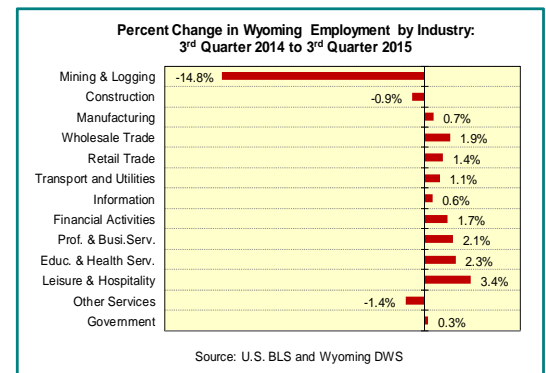
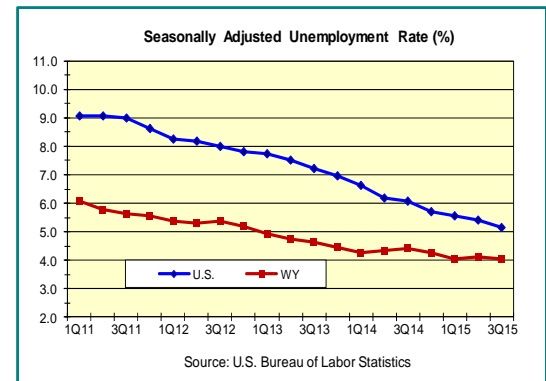
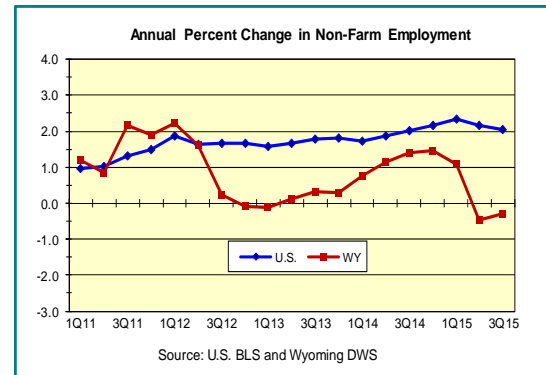
According to Moody's Analytics, the global economy continues to face headwinds and its growth remains below trend. Resiliency in the U.S. and U.K. will support growth in 2016, but uncertainty from geopolitical risks and weakness in China will create substantial drag. The euro area recovery continues at a moderate pace, but uncertainty stemming from terrorism and the migrant crisis will hamper growth in the near term. Emerging market economies also look quite negative for the near future amid weakening global demand and slumping commodity prices. In addition, many countries will face the prospect of higher borrowing costs and heightened capital outflows as U.S. interest rates increase.

U.S. businesses are adding jobs at a consistent and prodigious rate. Payrolls are expanding by almost 3 million jobs in 2015, about the same as in the recent a couple of years. After almost a decade, the economy is on track to return to full employment again sometime in 2016. The oil price collapse and the stronger U.S. dollar and weakening in trade-sensitive manufacturing may limit employment growth. But job creation in the rest of the economy shows no signs of slowing. Most encouraging are the recent surge in job openings and extremely low number of layoffs. The tightening job market is evident from the recent firming in wage growth, which is expected to accelerate as the economy nears full employment. However, the downside is persistently weak productivity growth in recent years. Also, oil prices have taken another leg down and could cause more layoffs in energy-related industries.

## Employment

Wyoming experienced a decline of 0.3 percent (or 860 jobs) in total employment in the third quarter of 2015 compared to one year earlier, the second consecutive quarter of year over year decrease. Wyoming's unemployment rate moved down slightly to 4.0 percent in the quarter, while in the U.S., it fell to 5.2 percent. Most industrial sectors in the state exhibited job growth during the period, with the leisure & hospitality industry demonstrating the fastest annual increase, at 3.4 percent. The professional & business services, and educational & health services sectors also experienced growth rates of more than 2.0 percent, respectively. Amid the substantially depressed oil and natural gas prices, the state's pivotal industry, mining (including oil & gas extraction) suffered an annual employment contraction of over 4,000 jobs or nearly 15.0 percent in the third quarter. Other services and the construction industry also endured job losses.

As a result of global oversupply and weak demand for oil, and warmer than normal weather and increases in domestic supply for natural gas, low prices continue to take their toll on the energy industry nationwide, and Wyoming is no exception.



## Personal Income and Earnings

Wyoming's total personal income grew 1.4 percent in the third quarter of 2015 from the previous year. U.S. personal income increased 4.6 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, however, contracted 1.5 percent annually in the quarter, while dividends, interest, and rental income grew 5.5 percent. The earnings for most industries demonstrated increases from a year ago. The educational & health services, and leisure & hospitality sectors grew the fastest, each at around 6.0 percent over the year. The mining industry and farm sector were the largest drag on total earnings, contracting 10.2 and 34.5 percent, respectively, from the third quarter of 2014.

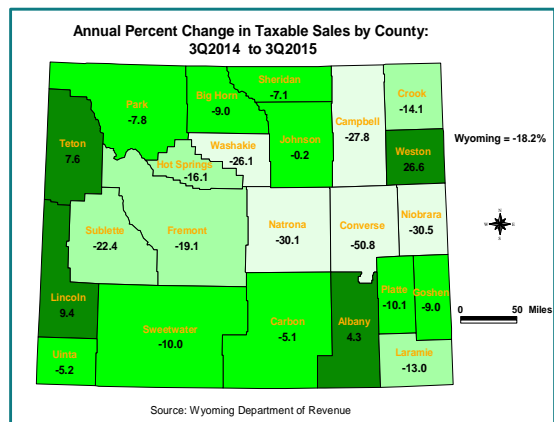
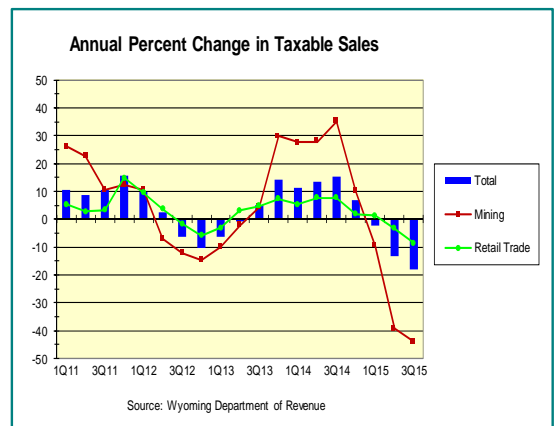
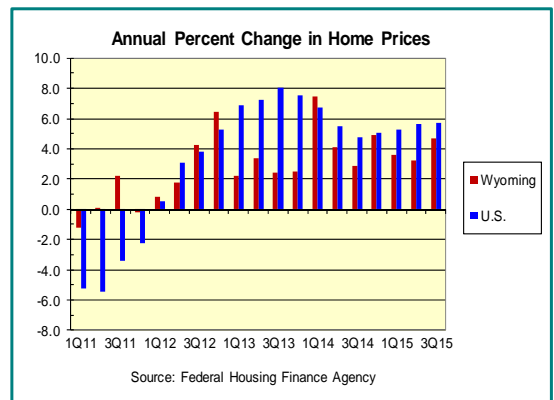
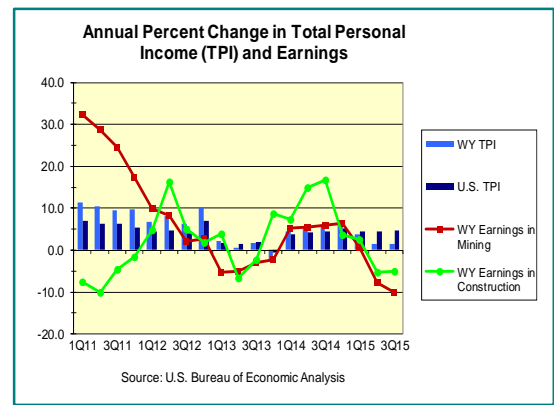
## Housing

The statewide home price continued to grow moderately in the third quarter of 2015, 4.7 percent higher than the previous year, and the speed was slightly slower than the national average of 5.7 percent 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. After more than two years of declines, it turned around in 2011. However, the downturn of the U.S. housing market lasted four years, from 2008 to 2011. After the market finally turned around at the beginning of 2012, it performed robustly 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. Wyoming home prices in 2014 were higher than the previous year level, but still lower than the national average.

## Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$4.6 billion in the third quarter of 2015, a decrease of 18.2 percent from the third quarter of 2014. It was the worst performance since the Great Recession. Declines occurred in a majority of economic industries, with the largest contraction in the mining (including oil and gas extraction) sector, which alone contributed nearly 60 percent of the total decrease. 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 activities caused by the dramatic downturn of both oil and natural gas prices, sales of equipment, supplies, and services in the mining sector experienced year-over-year contraction of 44.1 percent for the third quarter of 2015, the steepest drop since the fourth quarter of 2009.



Other industries that are closely associated with the mining sector, such as manufacturing, wholesale trade, and machinery & equipment rental and leasing also experienced sizable declines of at 20.0 percent, each. Leisure & hospitality services showed a 3.9 percent annual increase, in the quarter.

Across the state, over two-thirds of counties experienced declines in taxable sales, led by Converse (-50.8%), Niobrara (-30.5%) and Natrona (-30.1%). Most counties with steep drops are associated with reduced activities in mineral exploration. Albany, Lincoln, Teton, and Weston were the only counties that showed annual growth in the quarter.

**Tourism**

The number of recreational visitations to Yellowstone National Park reached 2,515,324 in the third quarter of 2015, up 14.1 percent from the previous year, and it also increased 11.4 percent to 1,863,278 in Grand Teton National Park. Reduced gasoline prices and the strong nationwide labor market drew more people to the Parks. The huge increases showed in the fourth quarter of 2014 were attributed to the 16-day Federal government shutdown in October 2013. Lodging sales in both the state and Teton County for the third quarter were significantly higher than a year ago. Because of a one-time back tax payment in the fourth quarter 2014 from online travel businesses due to a court decision, the lodging sales showed an expansion rate of 104.1 percent in Teton County, and 49.1 percent for the state from fourth quarter of 2013.

**Agriculture**

The index of prices received by farmers for all U.S. livestock and products fell in the third quarter of 2015, lower than both one year ago and the previous quarter figures. Reduced cattle inventory from the multiyear 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 \$391 million in the fourth quarter, but decreased significantly in 2015. In the last few years, before mid-2013, livestock producers experienced high feed costs. However, consecutive record crop yields in 2013 and 2014 pushed feed prices down substantially – close to the lowest level in six years. A continuation of lower crop prices should lead to reduced feed costs and improved profitability for livestock producers, but at the expense of 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 \$61.6 million in the third quarter of 2015, which was 5.7 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 \$163.7 million in mineral severance taxes generated in the third quarter of 2015, was 32.9 percent lower than the previous year level, but was slightly higher than previous quarter.

