



# Economic Summary: 3Q2016



Wyoming Department of Administration & Information

Economic Analysis Division

## Current Global and U.S. Economy

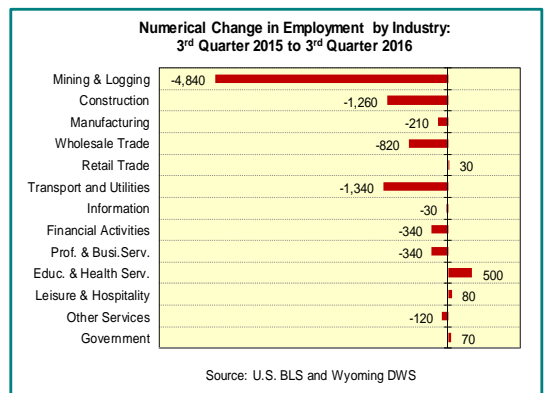
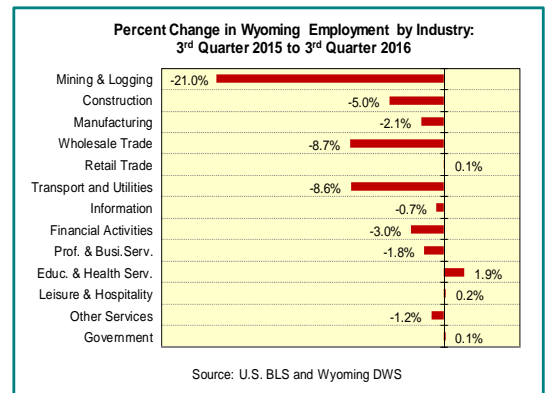
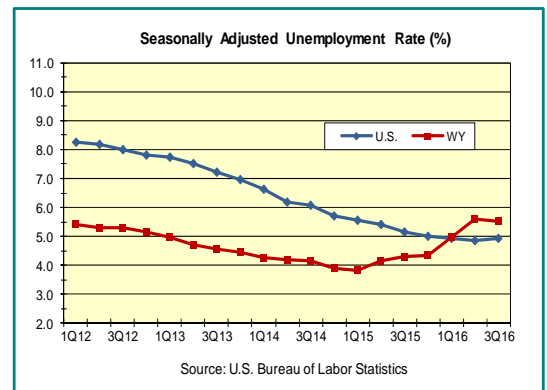
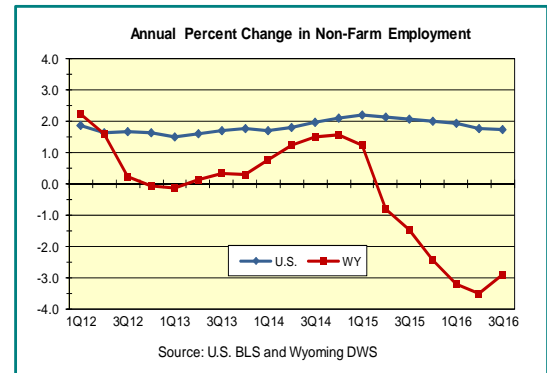
According to Moody's Analytics, the global economy is facing anemic growth. Euro zone recovery remains on shaky grounds, beset by rising political uncertainty. China is going through a structural adjustment but is expanding at a steady clip as consumption and housing support economic activity. Commodity exporters such as Latin American economies may face a cloudy future because of continuing weak global demand and capital flight, sending their currencies and equity markets to multi-decade lows. The only bright spot is lower oil price, which is providing a stimulus to the global economy by lowering energy costs, boosting real income and consumer spending.

The U.S. economy rebounded in the third quarter as real GDP rose 3.2 percent, the best result in two years. Growth from consumer spending slowed from its robust second quarter pace, but still made the largest contribution. Exports also contributed strongly to the GDP increase. The labor market continues to generate jobs at a solid pace. Total payrolls rose by 178,000 in November, and the combined revision for the previous two months was slightly negative. So far this year, job gains have averaged 180,000 monthly, somewhat less than during the past two years as some industries face challenges and the availability of qualified workers diminishes. At 4.6%, the November unemployment rate was the lowest since May 2007. However, the labor underutilization, still exceeds the prerecession level and for the most part only improved slightly this year.

## Employment

Wyoming experienced a decline of 2.9 percent (or 8,620 jobs) in total employment in the third quarter of 2016 compared to one year earlier, a smaller decrease than the previous quarter. Wyoming's unemployment rate, fell slightly to 5.5 percent in the quarter, while in the U.S., it remained at 4.9 percent. Most industrial sectors in the state experienced job decreases during the period. The private education & health services sector demonstrated the fastest growth at 1.9 percent. Retail trade, leisure & hospitality, and government (includes both public education and public hospitals) increased marginally. Amid the substantially depressed energy prices, the state's pivotal industry, mining (including oil & gas extraction) suffered an annual employment contraction of 4,840 jobs or 21.0 percent in the third quarter. Construction, wholesale trade, and transportation & utilities also endured heavy job losses.

However, as supply and demand rebalancing continues, prices for both oil and natural gas have rebounded significantly since early spring. Consequently, exploration activities follow, as evidenced by the increase of oil and gas drilling rigs. These signs indicate stabilization in the energy industry although at a greatly reduced level.



## Personal Income and Earnings

Wyoming's total personal income declined 2.3 percent in the third quarter of 2016 from the previous year. U.S. personal income increased 3.5 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; property income (dividends, interest, and rent); and personal transfer receipts, such as SSI (Social Security Income), Medicare and Medicaid benefits. Total earnings in the state, however, contracted 4.3 percent annually in the quarter, while personal transfer receipts grew 4.0 percent. The earnings for half of the industries experienced decreases from a year ago. The mining industry and farm sector were the largest drag on total earnings, contracting 17.7 and 73.8 percent, respectively, from the third quarter of 2015. Earnings from leisure & hospitality, and health services sectors grew the fastest, at 5.4 and 4.1 percent, each.

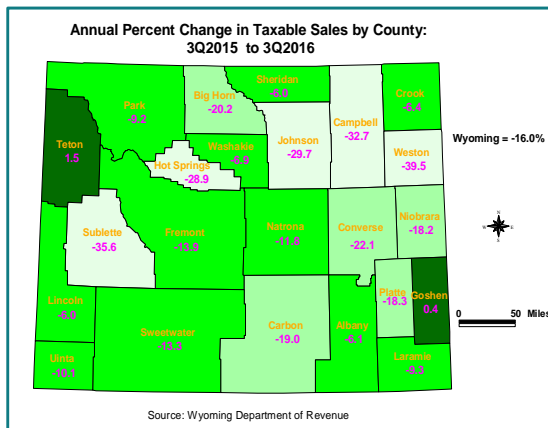
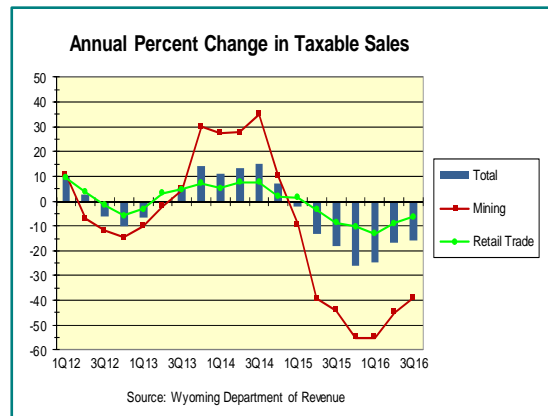
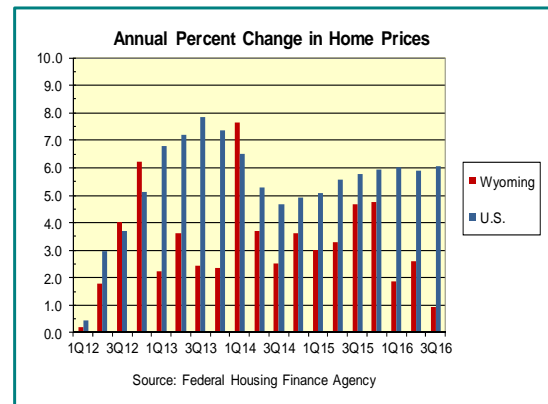
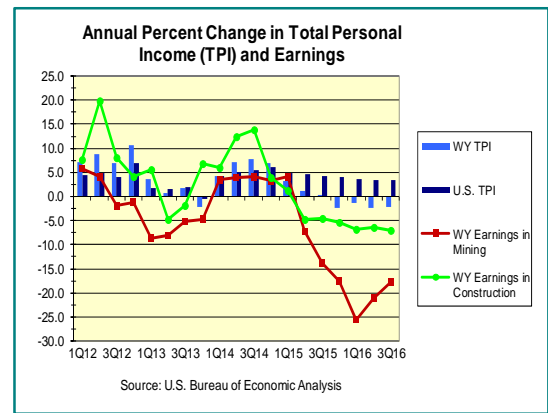
## Housing

The statewide home price continued to grow in the third quarter of 2016, but at a much slower speed. The year-over-year appreciation rate of 0.9 percent was just a portion of the national average pace of 6.1 percent during the same period. In Wyoming, single family building permits for new privately-owned residential construction in the third quarter of 2016 were 10.8 percent lower than previous year level.

The U.S. housing market remains stable, moving along at a healthy pace. Total home sales exceed 6 million annualized, which is back to the pre-housing bubble average in early 2000s. U.S. house price indexes have been rising steadily at around 6 percent for the year. Median single-family house price is above its prerecession peak nationally. The pace of single family construction was agonizingly slow, but has picked up speed in recent months. Low U.S. unemployment, rising wages, and still lower mortgage rates are underpinning demand for housing. Single-family starts are also getting a boost from a chronic shortage of existing homes available for sale.

## Taxable Sales

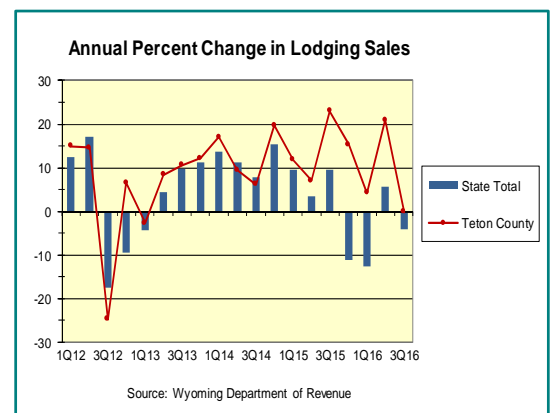
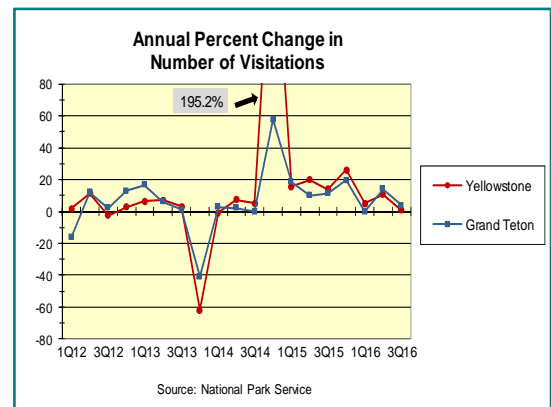
Based on sales and use tax collections, total taxable sales in the state amounted to \$3.9 billion in the third quarter of 2016, a decrease of 16.0 percent from the third quarter of 2015. The scale of the contraction was slightly smaller than the previous quarter. Declines occurred in nearly every economic industry, with the largest drop in the mining (including oil and gas extraction) sector, which accounted for 38.4 percent of the total decrease. Traditionally, 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 exploration and extraction caused by the dramatic downturn of both oil and natural gas prices, 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 contraction of 39.0 percent for the third quarter of 2016, a slight improvement from the previous quarter.



Other industries that are closely associated with the mining sector, such as construction, and machinery & equipment leasing also experienced sizable declines of more than 35.0 percent. The public administration sector, which reflects automobile sales, bore an 8.3 percent over the year decline. Across the state, 21 out of 23 counties experienced declines in taxable sales, led by Weston County (-39.5%). Four other counties - Campbell, Hot Springs, Johnson, and Sublette endured around 30.0 percent declines, respectively. Most counties with steep drops are associated with reduced activities in mineral exploration. Teton and Goshen were the only counties demonstrating annual growth.

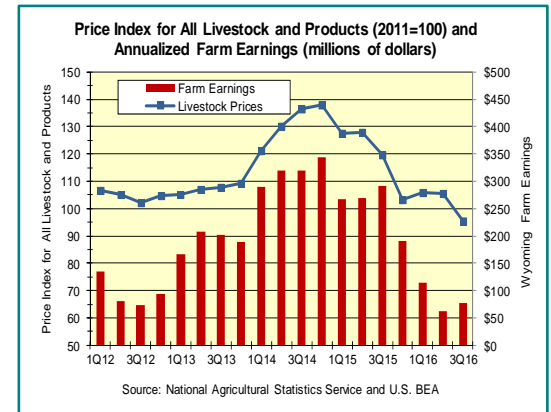
## Tourism

The number of recreational visitations to Yellowstone National Park reached 2,538,707 in the third quarter of 2016, up 0.9 percent from the previous year, and 1,936,774 visits in Grand Teton National Park grew 3.9 percent during the same period. Reduced gasoline prices and the robust nationwide labor market drew more people to the Parks. 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 third quarter were 0.1 percent lower than a year ago in Teton County. However, the total lodging sales in Wyoming showed a year-over-year decrease rate of 4.0 percent. The statewide decline would have been steeper without the contribution from Teton County.



## Agriculture

The index of prices received by farmers for all U.S. livestock and products fell sharply in the third quarter of 2016, and was substantially lower than a year ago level. Reduced cattle inventory from the multi-year 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 \$344 million in that quarter. However, both livestock prices and farm earnings decreased significantly in 2015, and the downward trend has continued in 2016. Weak demand for beef and overwhelming supplies of cattle are causing meat packers to lower the price they will pay cattle producers, driving the futures market lower. But the continuation of low corn prices should lead to reduced feed costs and improved profitability for livestock producers.



## Revenue

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$64.2 million in the third quarter of 2016, which was 4.3 percent higher than the amount recorded a year ago. The huge boosts in previous 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 \$144.4 million in mineral severance taxes generated in the third quarter of 2016, was 32.0 percent higher than the second quarter figure, but was still 11.8 percent lower than the previous year level.

