



Economic Summary: 4Q2011



Economic Analysis Division

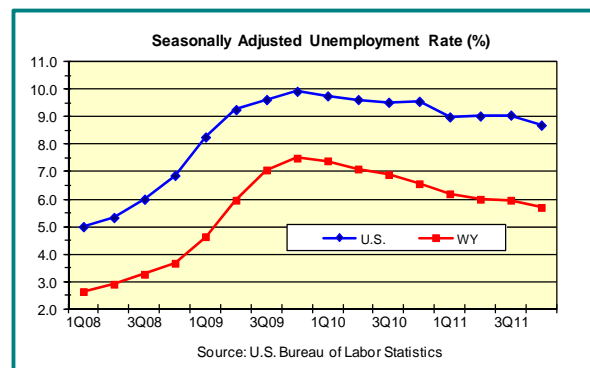
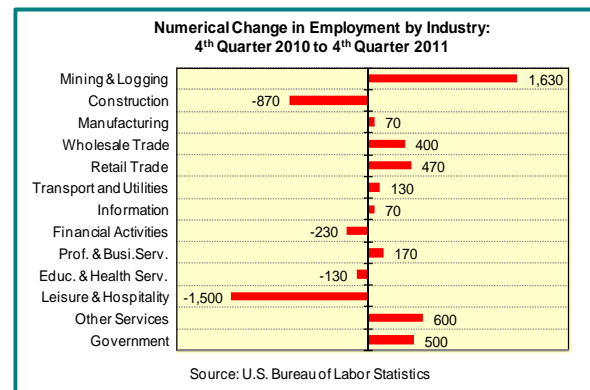
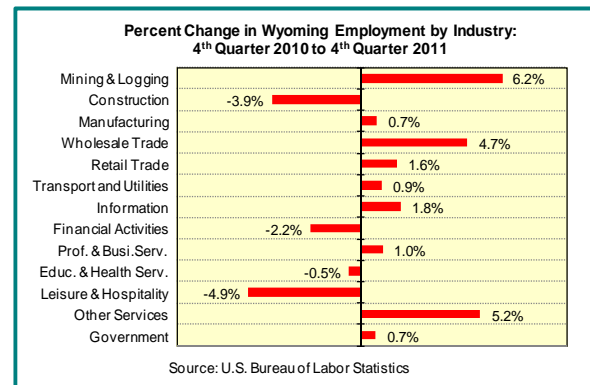
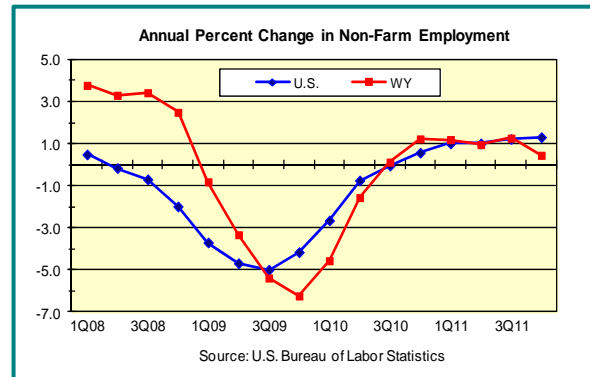
State of Wyoming

Employment

Large emerging economies have fueled global growth for much of the last decade. Faster growth has been accompanied by higher inflation in the four largest emerging economies – Russia, India, Brazil, and China, while inflation in the U.S. and Euro zone has hovered near 2 percent. Austerity policies among the troubled Euro zone countries will keep the region in a mild recession in 2012. Asia’s growth is threatened by a property bubble in China and tight monetary policy in India. Latin America’s growth looks stable, but it may potentially slow. The U.S. economy appears increasingly solid. Manufacturing is growing stronger, construction has turned the corner, and vehicle sales are posting healthy gains. Most importantly, the job market is gaining traction. Over 2.3 million payroll jobs were added since the beginning of 2011, and the unemployment rate has fallen quickly. The job gains are increasingly broad, occurring across industries, occupations, and regions of the country. Real GDP grew 3% annualized in the fourth quarter of 2011 and is on track for a 2.5% growth rate in the current quarter. U.S. companies are in excellent financial shape, and the banking system is well capitalized and profitable. Credit is flowing more normally. However, the most serious immediate threat to the economic recovery is a recent surge in gasoline prices.

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 industry. The State’s employment growth was faster than the U.S. average in 2010, but somewhat slower in 2011. For the fourth quarter of 2011, Wyoming’s recovery was still on track, but lost some steam. Compared to the fourth quarter of 2010, employment grew by 1,310 jobs, or 0.5 percent, the slowest annual increase since the third quarter of 2010. The unemployment rate, however, dropped to 5.7 percent in the fourth quarter, while it also fell to 8.7 percent in the U.S. Most industries displayed job growth during the period. Wyoming’s pivotal mining industry demonstrated the fastest recovery, with an addition of 1,630 jobs, or 6.2 percent between the fourth quarter of 2010 and the fourth quarter of 2011. Wholesale trade and other services grew 4.7 and 5.2 percent, respectively, over the year. Leisure & hospitality, and construction are the weakest sectors, and continued to cut payrolls in the fourth quarter 2011 from a year ago. The retail trade industry has finally turned around, it grew 1.6 percent, the first annual increase since the third quarter of 2008.

Driven by a rebounding energy industry, Wyoming’s economic recovery continued, albeit at a slower pace. In addition, the State’s relatively low debt level and healthier housing market should support a continuous economic recovery. However, the persistence of a ten-year low natural gas spot price could not only slash government’s revenue, but consequently, affect its overall economy to a great extent.



Personal Income and Earnings

Wyoming's total personal income grew 5.2 percent in the fourth quarter of 2011 from last year, the 5th fastest in the nation. U.S. personal income increased 4.6 percent from the fourth 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 5.6 percent for the year. This was mainly attributed to growth in the State's most important industry - mining. Earnings from this sector surged 20.6 percent from a year ago, faster than the growth rates in any of the previous three quarters. Construction earnings, however, shrank 5.3 percent from a year ago, the fourth quarter in a row with an annual decline.

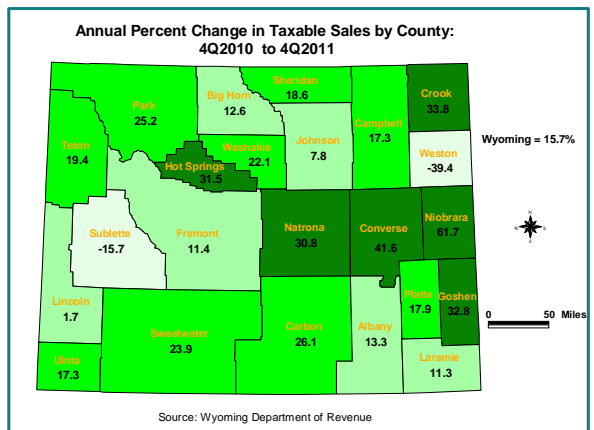
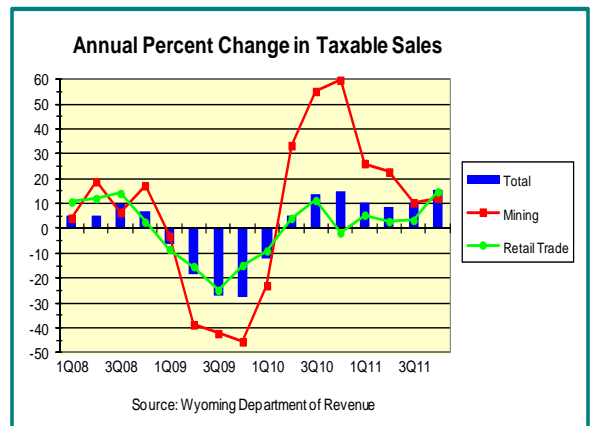
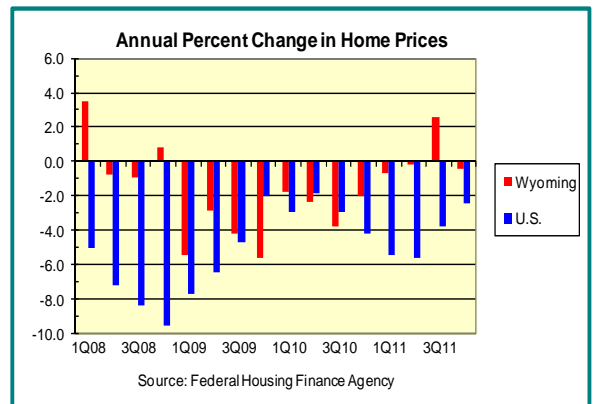
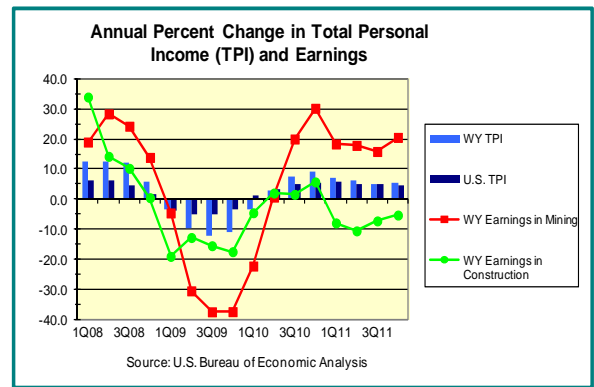
Housing

Similar to the overall economy, Wyoming's real estate market lagged the nation in entering the economic slump. Inventory build-up and weak demand led home sellers to accept lower prices. From 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 2.5 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. As a result, the home price in 2011 was slightly higher than that of 2010, the first annual growth in three years.

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. House prices are near a bottom, as stellar wage growth are helping the demand side of the housing equation. Minute foreclosure inventory and scant new construction over the past a few years should support a potentially healthy building recovery once demand picks up.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the State reached approximately \$4.7 billion in the fourth quarter of 2011, an increase of 15.7 percent from the fourth quarter of 2010, the fastest pace since the fourth quarter of 2006. Increases were spread across nearly all sectors of the economy, with the fastest growth in automobile sales. 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 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 fourth quarter of 2011, sales in the mining sector grew 12.2 percent from a year earlier. Retail trade taxable sales grew substantially, at 14.8 percent. Construction, and transportation & warehousing are the only two industries suffering an annual decline in the quarter. It appears that the oil exploration in the eastern region of the State was quite active in the quarter.

Tourism

The number of recreational visitations to Yellowstone and Grand Teton National Parks amounted to 204,145 and 214,077 in the fourth quarter of 2011, down 8.6 percent and 7.9 percent, respectively, from the previous year level. However, the visitation figure for Yellowstone park was still the only other fourth quarter that broke the 200,000 visitation mark. Lodging sales in the State for the fourth quarter of 2011 were 20.8 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 26.2 percent for the quarter, the highest since the first quarter of 2006. The improvement of national economy and declining gasoline prices in the quarter benefited tourists' spending and lodging options.

Agriculture

The index of prices received by farmers for all U.S. livestock and products in the fourth quarter of 2011 was higher than the previous quarter and one year ago. Reduced cattle inventory, strong beef exports, and some recovery in domestic demand continue to help break livestock price records. Benefiting from the high livestock prices, Wyoming's farm proprietors recorded an annualized income of \$65 million in the fourth quarter of 2011, and continued to trend up since the third quarter of 2010. Total farm earnings in the State in the quarter also increased, amounting to \$202 million, the highest since the fourth quarter of 2005. Agricultural prices had plummeted since the financial crisis started, but increased significantly since early 2010.

For livestock producers, high feed and fuel prices will continue to be a challenge and an important component of production decisions in the future.

Revenue

Investment income, including income from the Permanent Wyoming Mineral Trust Fund (PWMTF) and pooled income accounts, amounted to \$43.2 million in the fourth quarter of 2011, a decline of 8.4 percent from one year ago, compared with the strong growth rates in the previous two quarters. 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 \$250.1 million in mineral severance taxes in the fourth quarter of 2011 was 9.5 percent higher than a year ago, continuing the trend of the previous quarter. Higher natural gas prices may have attributed to the growth.

