



Economic Summary: 4Q2012



Economic Analysis Division

State of Wyoming

Current Global and U.S. Economy

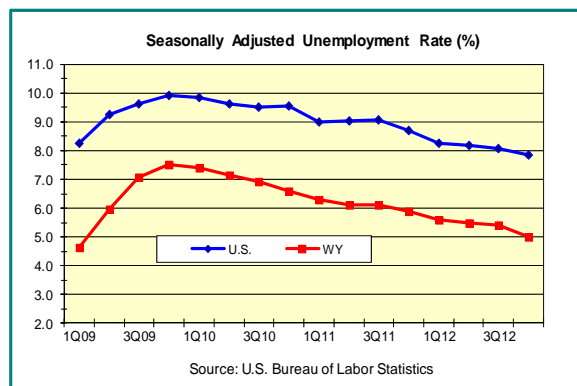
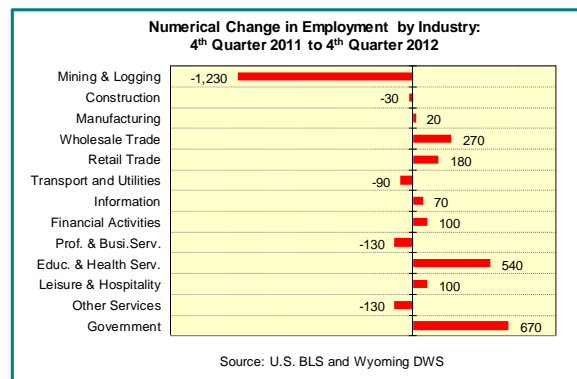
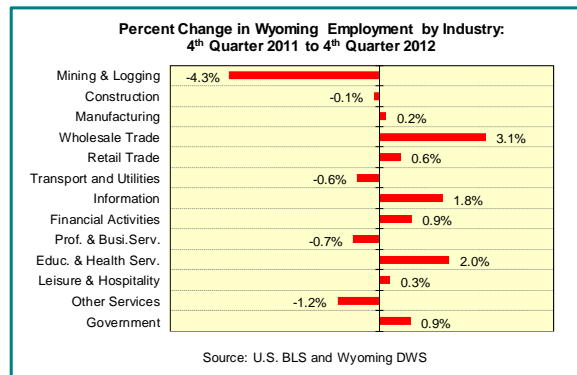
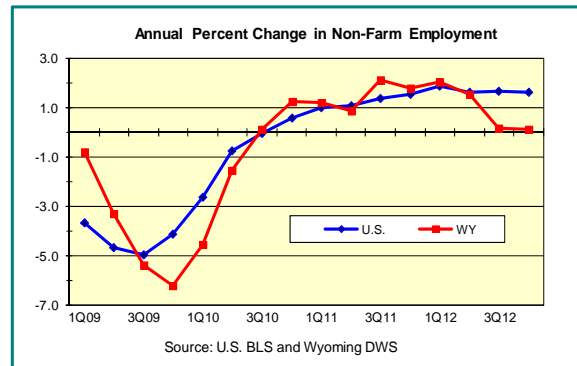
The global economy continues to take steps in the right direction, but it is still expected to grow moderately, and below potential in 2013. Europe remains the world economy's main risk, and too much austerity could backfire and slowdown its domestic demand. Its economy continues to do poorly, and the near-term outlook is not promising. The U.S. economy is on the mend, China is on track for a soft landing, Brazil is poised for recovery supported by fiscal monetary stimulus, and policy innovations in Japan are expected to grow the economy again.

A strengthening private sector is helping the U.S. economy withstand the drag from fiscal policy. Real GDP grew at a 0.4% annualized rate in the fourth quarter of 2012 (mainly dragged by the decrease in military spending), but is tracking close to 2.0 percent in the first quarter of 2013. Most encouraging, the job market is gaining strength. Monthly payroll job gains have been nearly 200,000 in 2012, the highest in six years. Even long-struggling construction is adding jobs at an increasing pace because of housing market recovery. The expiration of payroll tax holiday and the Federal spending reduction will soften economic growth in the near term. However, the recovery will remain intact and even gain traction by year's end.

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. However, Wyoming's economic recovery has been slowing down since the second quarter of 2012. Compared to a year ago, employment grew by only 320 jobs, or 0.1 percent in the fourth quarter of 2012, much weaker than the first half of 2012. However, the unemployment rate dropped to 5.0 percent in the quarter, and it fell to 7.8 percent for the U.S. Many sectors displayed weak job growth during the period. Wholesale trade demonstrated the fastest increases, at 3.1 percent, while the government sector (including local hospitals) and educational & health services showed the most additions of 670 and 540 jobs, respectively, between the fourth quarter of 2011 and the fourth quarter of 2012. Wyoming's pivotal industry, mining, experienced the largest employment decline of 4.3 percent.

Wyoming's economic recovery slowed down in the second half of 2012, as weak prices for coal and natural gas put the brakes on the state's energy extraction industry. However, natural gas prices continued to rebound after bottoming out in April last year, and drillers may also respond in the near future to renew exploration. Both shipments and spot price for Powder River Basin coal are showing signs of recovery.



Personal Income and Earnings

Wyoming's total personal income grew 4.3 percent in the fourth quarter of 2012 from the previous year. U.S. personal income increased 4.9 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; dividend, interest, and rental income; and personal transfer receipts, such as SSI, Medicare and Medicaid benefits. Total earnings in the state only grew at 1.4 percent for the year. The growth in the state's personal income was mostly driven by the expansion of unearned income sources—dividend, interest, and rental income, which increased 11.6 percent on year over year basis in the fourth quarter of 2012. However, the earnings from the state's pivotal industry, mining, dropped 2.9 percent from a year ago.

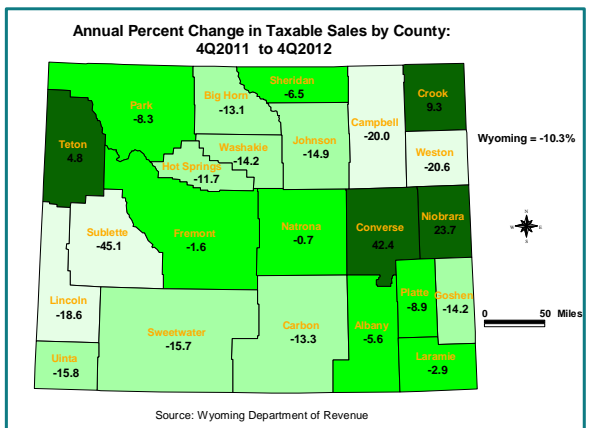
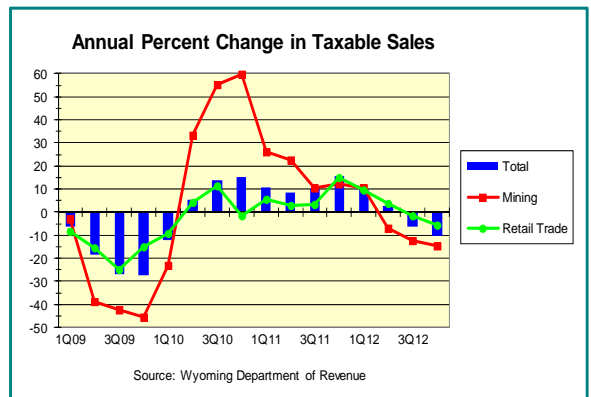
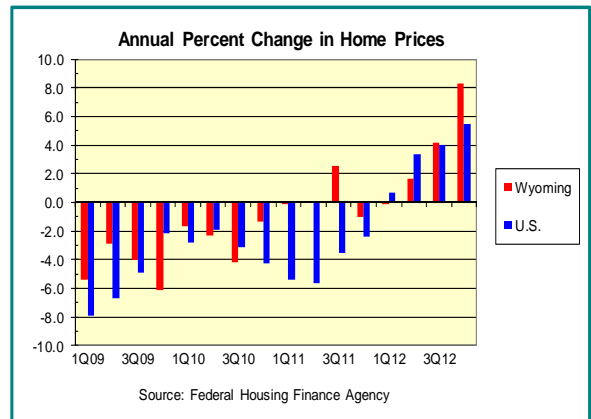
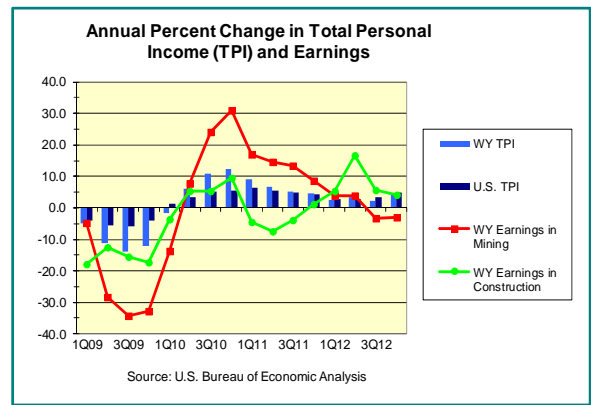
Housing

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. The housing market was down further in 2009. The price contraction of 4.4 percent 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 held down prices, and 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. 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 with increases in home sales, construction, and prices. Meanwhile, Wyoming's housing prices continued its upward trend in the fourth quarter of 2012, even accelerated, thanks to extremely low mortgage rates and strong growth of immigration in early 2012. In addition, residential building permits for single family housing in the state for the fourth quarter of 2012 were 14.4 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 \$4.2 billion in the fourth quarter of 2012, a decrease of 10.3 percent from the fourth quarter of 2011, the largest 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 transportation & warehousing sector showed growth. Over 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 reduced energy activities caused by weak prices of natural gas and coal, sales of equipment and services in the mining sector have been declining, year over year, since the



first quarter of 2012. For the fourth quarter of 2012, sales in the mining sector dropped 14.6 percent from a year earlier, the worst annual decline since the first quarter of 2010. Retail trade taxable sales also fell noticeably, -5.8 percent. The construction, wholesale trade, information, and public administration sectors also 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. Campbell, Lincoln, Sublette, and Weston 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 209,600 in the fourth quarter of 2012, up 2.7 percent from the previous year, while it decreased 3.5 percent to 206,687 in Grand Teton National Park during the same period. Lodging sales in the state during the fourth quarter of 2012 were 9.4 percent lower than a year ago. As the state's main tourism attraction area, Teton County's lodging sales experienced an annual increase of 6.6 percent for the quarter, in contrast to the decline in the previous quarter. The continued strengthening of the national economy bodes well for Wyoming's tourism industry.

Agriculture

The index of prices received by farmers for all U.S. livestock and products in the fourth quarter of 2012 was higher than the previous quarter and one year ago. Reduced cattle inventory, strong beef exports, and 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 \$242 million, which was 12.0 percent higher than the previous quarter, and was close to the record set in the fourth quarter of 2011. Agricultural prices plummeted when the financial crisis started in 2008, but have increased significantly since early 2010.

Rising commodity prices result in higher feed costs for beef producers. Heightened feed and fuel prices will continue to be a challenge and an important component of production decisions in the future.

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 \$60.2 million in the fourth quarter of calendar year (CY) 2012, an increase of 39.4 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 \$209.2 million in mineral severance taxes generated for the fourth quarter of CY 2012 was 12.4 percent lower than a year ago, but it's slightly higher than the previous quarter.

