



Economic Summary: 4Q2013



Economic Analysis Division

State of Wyoming

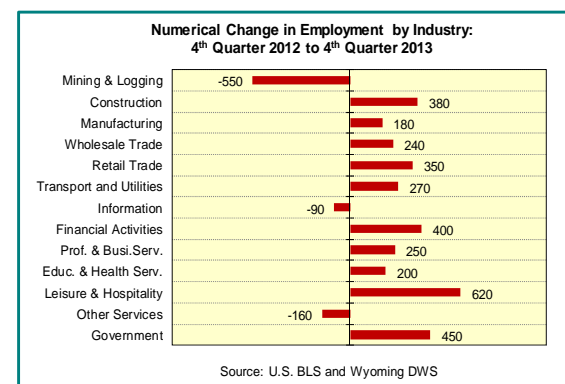
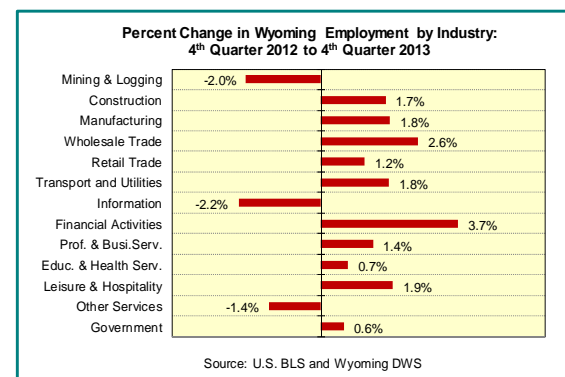
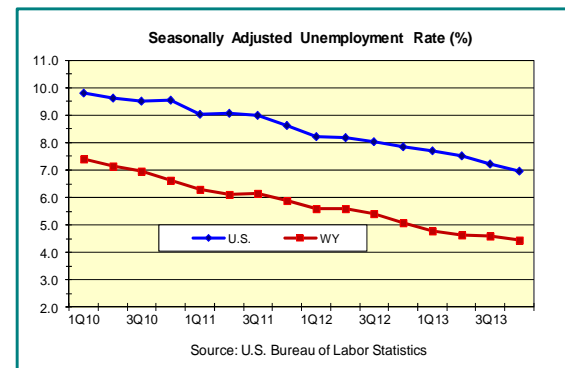
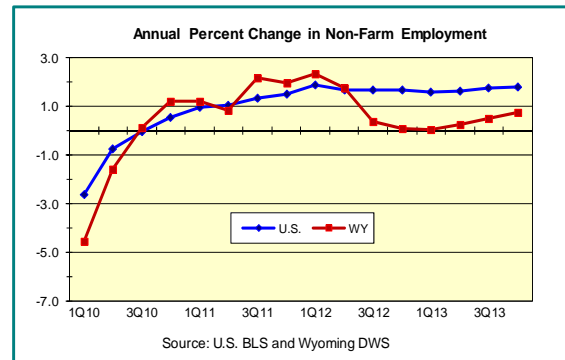
Current Global and U.S. Economy

The global economy remains on the mend, with Europe as a whole out of recession, though still recovering slowly. Capital outflows have hit emerging market currencies, but the adjustment was expected as global interest rates rebalanced, which should not halt the global recovery. Emerging markets are in better shape today than in the past, with more reserves and more flexible exchange rates. Easing fiscal drag and improving credit conditions will support growth in developed countries, which are expected at last to pull their weight and contribute about half of the global economy's output growth in 2014.

Extraordinary winter weather, the expiration of the emergency unemployment insurance program, and a drop in inventory accumulation have weighed down on U.S. economic growth recently. But the slowdown will be temporary. The U.S. economy's fundamentals are still strong. Short-term unemployment (out of work for less than 6 months) is falling rapidly, and formerly discouraged workers are returning to the job market. Household debt burdens have fallen significantly. Businesses are flush with cash and profit margins are very high. The banking system is well-capitalized and highly liquid. As a result, real GDP is expected to grow nearly 3 percent through 2014, a sharp improvement over the 2 percent pace that has prevailed in recent years.

Employment

Mainly hindered by the decline of natural gas prices in early 2012, Wyoming's economic recovery slowed down in the second half of 2012 and the first half of 2013. The mineral extraction industry lost jobs, and total employment growth was weak during this period. However, the state's economy appeared to regain some strength starting in the third quarter, thanks to rebounding natural gas prices, and the strength of the construction, financial activities, and tourism industries. Compared to a year ago, total employment increased by 0.9 percent, or 2,540 jobs in the fourth quarter of 2013, a continued improvement from the previous quarter. Wyoming's unemployment rate dropped slightly to 4.5 percent in the quarter, while in the U.S., it fell to 7.0 percent. Most industrial sectors in the state exhibited job growth during the period, with the financial activities and wholesale trade industries demonstrating the fastest annual increase, at 3.7 and 2.6 percent, respectively. The state's pivotal industry, mining, continued to suffer job losses in the fourth quarter, but at a slower speed than in the third quarter of 2013. Natural gas prices in 2013 were about 35.0 percent higher than a year ago. As a result, the number of drilling rigs for natural gas exploration stabilized. Both production and spot prices for Powder River Basin coal are showing signs of recovery. In addition, oil drilling continues to be quite active and has the potential to expand further.



Personal Income and Earnings

Wyoming's total personal income grew 0.6 percent in the fourth quarter of 2013 from the previous year. U.S. personal income increased 1.4 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 2.0 percent annually in the quarter, while dividends, interest, and rental income declined 1.3 percent. The earnings for a vast majority of the state's industries demonstrated increases from a year ago. The mining industry increased 5.6 percent, the fastest growth since the second quarter of 2012, and it contributed over half of all earnings growth. However, retail trade and educational & health services experienced decreases of 3.8 and 3.5 percent, respectively, in the quarter.

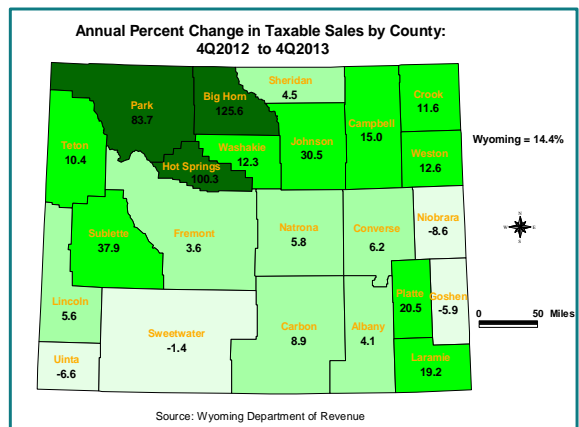
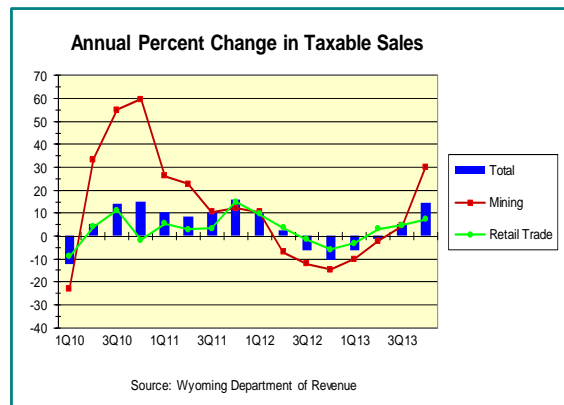
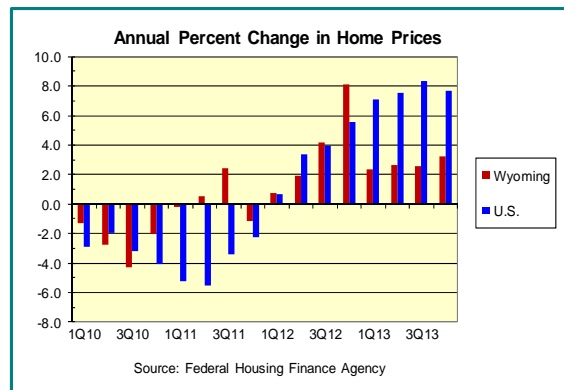
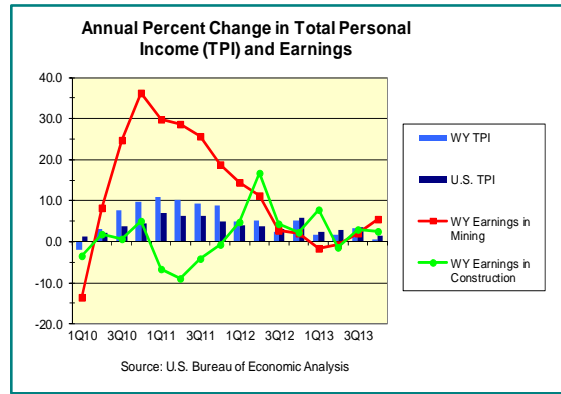
Housing

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 with increases in home sales, construction, and prices. Meanwhile, Wyoming's housing prices appeared to be less robust than the national market in 2013, partly due to slower population and employment growth than the previous year. In addition, residential building permits for single family housing in the state for the fourth quarter of 2013 were only 6.6 percent higher than a year ago.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$4.8 billion in the fourth quarter of 2013, an increase of 14.4 percent from the fourth quarter of 2012, the fastest annual growth in two years. Increases occurred across nearly all economic industries, with the fastest growth in the construction sector, at 67.3 percent. About 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 increased energy activities driven by the price rebound of natural gas, the stabilization of coal production, and continued expansion of oil exploration, sales of equipment and services in the mining sector demonstrated year over year growth of 29.9 percent for the fourth quarter of 2013, the



fastest increase since the fourth quarter of 2010. Retail trade taxable sales also grew 7.3 percent, while the leisure & hospitality industry increased 7.5 percent. For the financial activities sector, taxes are primarily generated through machinery and equipment rental and leasing, and it showed 22.2 percent annual increase in the quarter. Oil exploration in the state continued to be quite active in the quarter. Both active rig counts and applications for permits to drill were up from a year ago. Most counties experienced growth in taxable sales, led by Big Horn, Hot Springs, and Park, where the big boosts were largely attributed to a state audit for a three year period on a mining business. Southwest Wyoming continued to show improvement, evidenced by Sublette county's 37.9 percent annual growth in the fourth quarter, possibly reflecting a rebound in natural gas exploration.

Tourism

Mainly due to the 16-day Federal government shutdown in October, the number of recreational visitations to Yellowstone National Park dropped to 76,107 in the fourth quarter of 2013, down 61.9 percent from the previous year, while it also decreased 40.8 percent to 143,331 in Grand Teton National Park during the same period. Lodging sales in the state during the fourth quarter were 11.2 percent higher than a year ago. Despite the national parks' partial closure in October, Teton County's lodging sales still experienced a significant annual increase of 12.2 percent for the quarter. Steady progress in the national labor market recovery and rising asset prices are good 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 2013 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 an elevated level. Benefiting from high livestock prices, total farm earnings in the state for the quarter reached \$327 million, which was slightly lower than the previous quarter, but was 32.4 percent higher than the level in the fourth quarter of 2012. In the past few years, livestock producers have experienced sharply higher feed costs. However, expectation of a record crop yield for 2013 has pushed down prices substantially – to the lowest level in about four years. Lower crop prices should lead to lower 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 (PWMTF) and state agency pooled income accounts, reached \$47.6 million in the fourth quarter of 2013, 20.0 percent less than the amount recorded a year ago. 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 \$219.2 million in mineral severance taxes generated in the fourth quarter of 2013 was lower than the previous quarter, but it was 4.8 percent higher than a year ago.

