



# Economic Summary: 4Q2014



Economic Analysis Division

State of Wyoming

## Current Global and U.S. Economy

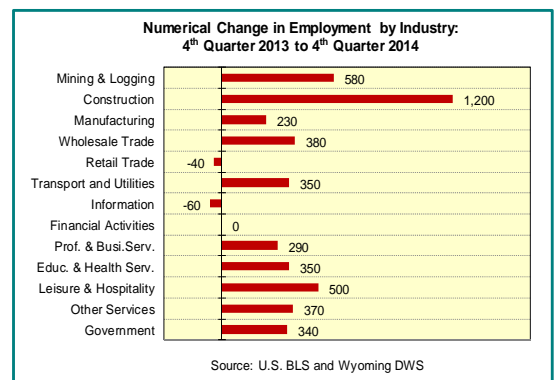
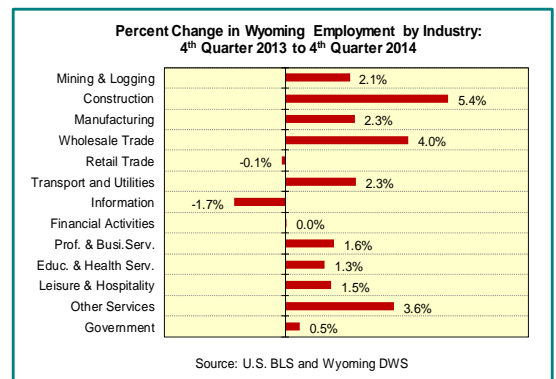
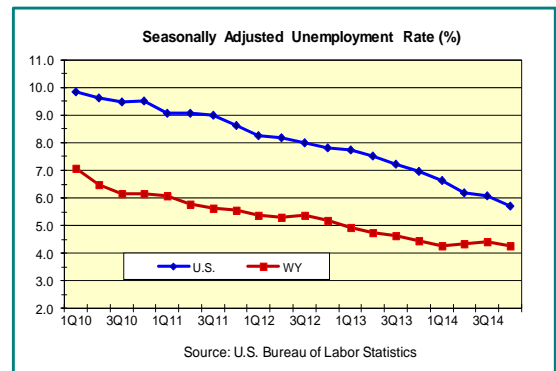
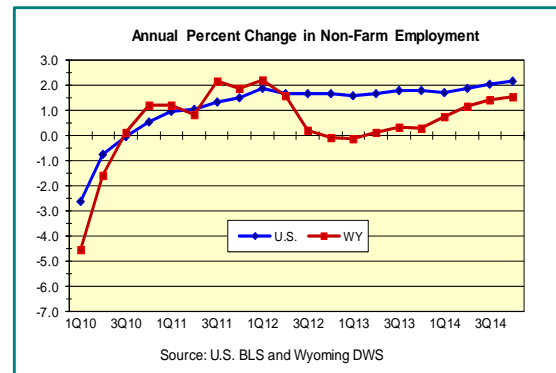
According to Moody's Analytics, the global economy remains fragile, but is expected to gradually gain traction through 2016. Global trade is slowly recovering but the pace of recovery is still anemic. Low oil prices are providing a powerful stimulus by reducing energy costs, and boosting real income and consumer spending. This year, global GDP growth is expected to be close to 3.0% compared to a tepid growth of around 2.5% in 2014. There is evidence of a turnaround in core European economies. Weaker currencies, falling inflation, and monetary stimulus efforts should continue to support emerging economies.

The divergence between the U.S. economy and much of the rest of the world is striking. The U.S. economy is breaking free of the Great Recession's drag, and continuing a self-sustaining expansion. The job market is quickly tightening and wage growth is reviving. More than 3 million jobs have been created over the past year, the strongest growth since the technology boom 15 years ago. Aside from energy, employment gains span nearly all industries and regions, and were also across all pay scales. Although the slack (unemployment and underemployment) in the labor market remains considerable and wage gains have been slower than expected, household debt burdens have fallen significantly, businesses are highly profitable, and the banking system is on strong financial ground.

## Employment

Compared to a year ago, total employment for the state increased by 1.5 percent, or 4,490 jobs in the fourth quarter of 2014, the fastest growth rate since the second quarter of 2012. Wyoming's unemployment rate dropped slightly to 4.3 percent in the quarter, while in the U.S., it fell to 5.7 percent. Nearly all industrial sectors in the state exhibited job growth during the period, with the construction industry demonstrating the fastest annual increase, 5.4 percent. The wholesale trade and other services sectors also experienced growth rates of 4.0 and 3.6 percent, respectively. The state's pivotal industry, mining (including oil & gas extraction) showed moderate job additions in the fourth quarter. Mainly caused by the decline in natural gas prices in early 2012, Wyoming's economic recovery slowed down in the second half of 2012 and most of 2013. However, it regained strength gradually in 2014, thanks to rebounding natural gas prices, expansion of oil drilling, and the strength of service providing industries.

Currently, the depressed oil price is taking its toll on energy industry with no exception in Wyoming. By mid-March of 2015, the number of drilling rigs exploring for oil and gas in the state declined more than 50 percent since November 2014, and has reached its lowest point in decades.



## Personal Income and Earnings

Wyoming's total personal income grew 4.5 percent in the fourth quarter of 2014 from the previous year. U.S. personal income also increased 4.5 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; 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 5.1 percent annually in the quarter, while dividends, interest, and rental income grew 4.0 percent. The earnings for nearly all the state's industries demonstrated increases from a year ago. The earnings in the agriculture sector and professional & business services grew the fastest, at 22.9 and 11.7 percent over the year, respectively. Other services and the Federal government were the only sectors to experience decreases from the fourth quarter of 2013.

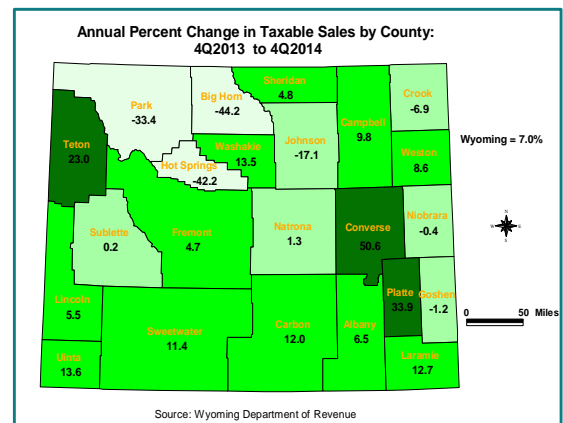
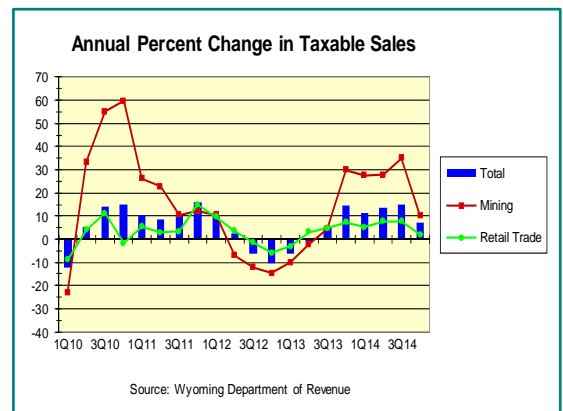
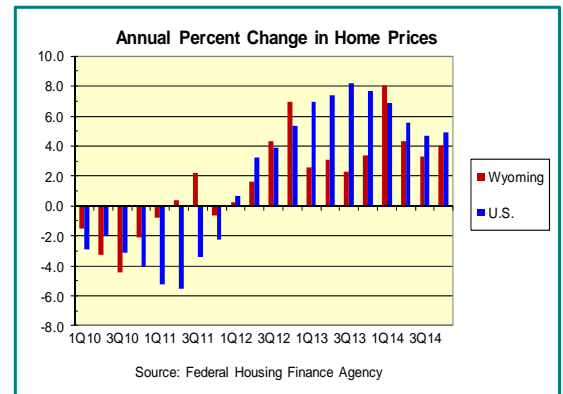
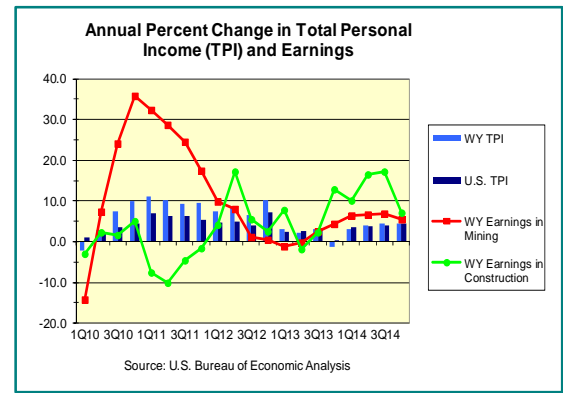
## Housing

The state's home price appreciation rate appeared to be higher in 2014 than the previous year, while the national average decelerated 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. 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 and performed strongly 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.

## Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$5.1 billion in the fourth quarter of 2014, an increase of 7.0 percent from the fourth quarter of 2013. It was the slowest year-over-year growth since the third quarter of 2013. Increases occurred across nearly all economic industries, with the largest growth in the mining sector, which contributed 34.8 percent of the total increase for the quarter. About half of taxable 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, but decelerating energy activities driven by the expansion of oil exploration and steady natural gas price, sales of equipment and services in the mining sector demonstrated year over year growth of 10.0 percent for the



fourth quarter of 2014, a slower increase than the past four quarters. Retail trade taxable sales grew only 1.9 percent, while the construction industry decreased 14.1 percent. For the public administration sector, taxes are primarily generated through automobile sales, and it showed 20.2 percent annual increase in the quarter.

Across the state, twenty counties experienced growth in taxable sales, led by Converse (50.6%), Platte (33.9%) and Teton (23.0%). Most counties with strong growth in taxable sales were associated with increased activities in mineral extraction and exploration, such as in the Northeast, Central, and Southeast regions. The large year-over-year declines in Big Horn, Hot Springs, and Park counties were attributed to one-time boost in the fourth quarter of 2013 from a back tax payment received due to a state audit on a mining business.

### Tourism

The number of recreational visitations to Yellowstone National Park reached 224,681 in the fourth quarter of 2014, up 195.2 percent from the previous year, and it also increased 57.7 percent to 226,045 in Grand Teton National Park. The large increases were both attributed to the 16-day Federal government shutdown in October 2013. Because of a one-time back tax payment in the fourth quarter 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 a year ago.

### Agriculture

The index of prices received by farmers for all U.S. livestock and products continued to rise in the fourth quarter of 2014, and was significantly higher than one year ago. Reduced cattle inventory from the multiyear drought, strong beef exports, and recovery in domestic demand pushed livestock prices to an all-time high. Consequently, total farm earnings in the state also reached a new record, \$467 million in the fourth quarter, which was significantly higher than the previous quarter and prior year levels. In the last few years before mid-2013, livestock producers experienced sharply higher feed costs. However, a record crop yield for 2013, and again in 2014 has pushed prices down substantially – close to the lowest level in more than five years. Lower crop prices should lead to lower feed costs and improved profitability for livestock producers, but this directly hurts 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 \$53.3 million in the fourth quarter of 2014, which was 11.9 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 \$208.7 million in mineral severance taxes generated in the fourth quarter of 2014, was slightly lower than the previous quarter, and was 4.8 percent lower than the previous year level.

