



# Economic Summary: 4Q2015



Economic Analysis Division

State of Wyoming

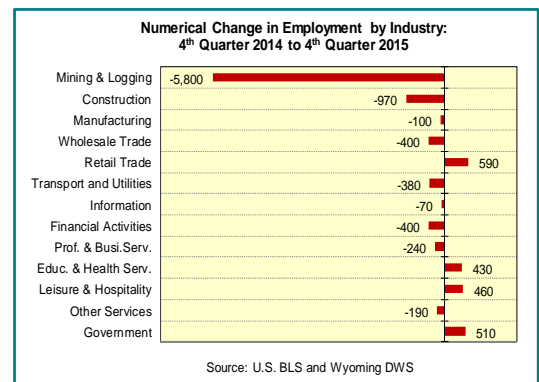
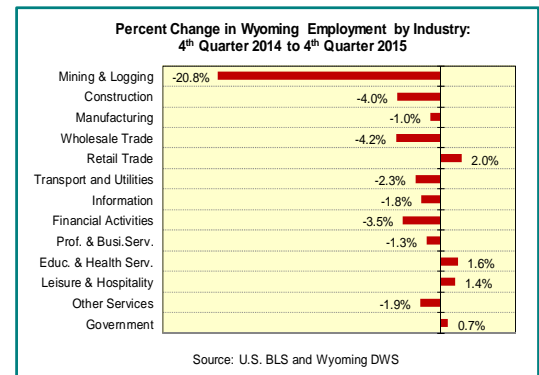
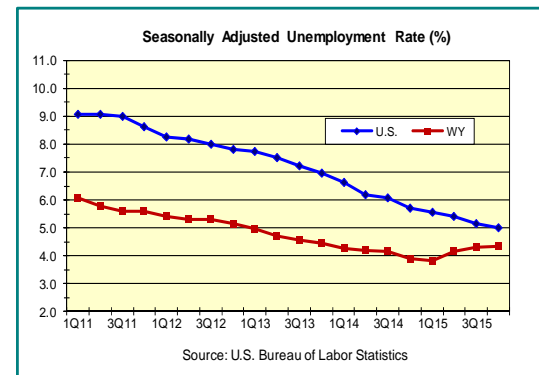
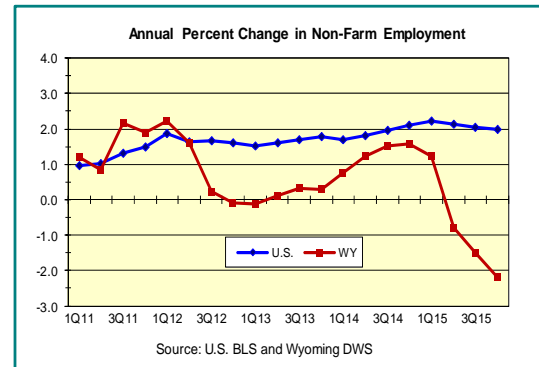
## Current Global and U.S. Economy

According to Moody's Analytics, the global economy still faces headwinds from financial market instability and a slowdown in a number of important emerging market economies. The commodity-exporting countries will continue to feel the effects of weaker demand from China. Weak global aggregate demand is making ultra-low inflation tougher to recede. Amid signs of a deepening slowdown, China took further easing measures aimed at stimulating domestic demand. Europe probably needs a stronger fiscal response to firm up growth in the long run, according to Moody's Analytics. However, greater distress in large emerging market economies and deepening geopolitical conflicts could increase global financial market turbulence.

U.S. businesses are adding jobs at a consistent and prodigious rate. Payrolls expanded by almost 3 million jobs in 2015, and continue to show a robust 200,000 plus average monthly pace so far in 2016. After almost a decade, the economy is on track to return to full employment sometime in 2016. The oil price collapse, the stronger U.S. dollar, and weakening in trade-sensitive manufacturing have limited employment growth. But job creation in the rest of the economy shows no signs of slowing. Higher-paying professional, information and financial services have been adding strongly to payrolls. Most encouraging are the recent surge in job openings and extremely low number of layoffs. The tightening job market is evident from the recent firming in wage growth, which is expected to accelerate as the economy nears full employment. However, the downside is persistently weak productivity growth in recent years.

## Employment

Wyoming experienced a decline of 2.2 percent (or 6,560 jobs) in total employment in the fourth quarter of 2015 compared to one year earlier, the worst performance since the second quarter of 2010. Wyoming's unemployment rate remained 4.3 percent in the quarter, while in the U.S., it fell to 5.0 percent. Most industrial sectors in the state experienced job decreases during the period. The retail trade industry demonstrated the fastest growth at 2.0 percent, followed by education & health services (1.6%), and leisure & hospitality (1.4%). Amid the substantially depressed oil and natural gas prices, the state's pivotal industry, mining (including oil & gas extraction) suffered an annual employment contraction of over 5,800 jobs or 20.8 percent in the fourth quarter. Construction and wholesale trade also endured heavy job losses. As a result of global oversupply and weak demand for oil, and warmer weather and increases in domestic supply for natural gas, low prices continue to take their toll on the energy industry nationwide, and Wyoming is one of the worst affected where the active oil & gas drilling rigs fell from about 60 in the fourth quarter of 2014 to the current level of 9.



## Personal Income and Earnings

Wyoming's total personal income declined 0.1 percent in the fourth quarter of 2015 from the previous year. U.S. personal income increased 4.0 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 3.2 percent annually in the quarter, while property income and personal transfer receipts grew 4.3 percent and 4.2 percent, respectively. The earnings for most industries demonstrated increases from a year ago. The utility sector grew the fastest, at 9.3 percent over the year. The mining industry and farm sector were the largest drag on total earnings, contracting 16.7 and 74.5 percent, respectively, from the fourth quarter of 2014.

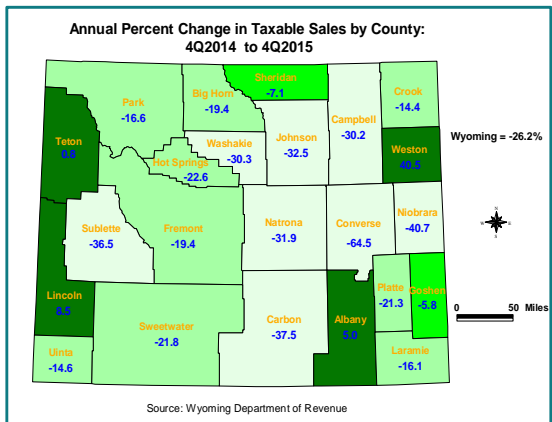
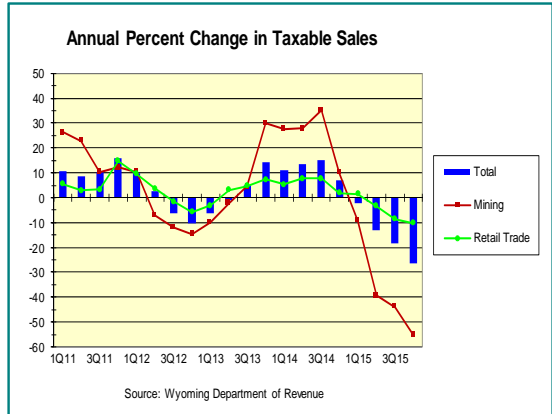
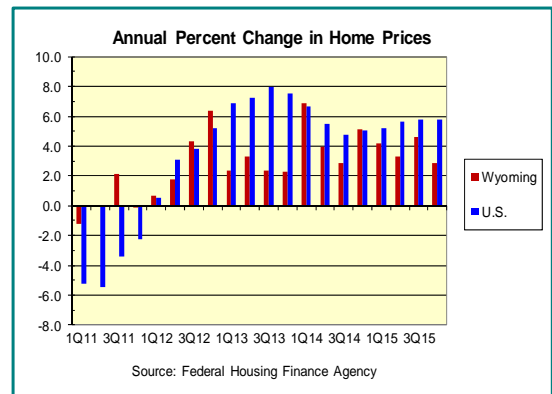
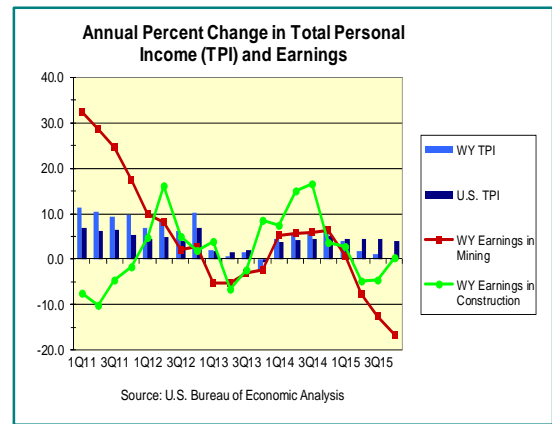
## Housing

The statewide home price continued to grow moderately in the fourth quarter of 2015, but at a slower speed. The year-over-year appreciation rate of 2.9 percent was only half of the national average pace of 5.8 percent during the same period.

The U.S. housing market is gaining ground steadily but shows few signs of acceleration. Total home sales continued to increase, but were still slightly below last decade's pre-housing boom average. The rental market is in danger of overheating despite accelerating multifamily construction. The rental vacancy rate is at a 30-year low of 7.0 percent, while the real median asking rent is at record high. A long-term concern, though, is affordability. A sustained period of real wage growth, increasing single family construction, and potential debt relief for younger households would likely be necessary to bring more home buyers into the housing market. In Wyoming, the single family building permits for new privately-owned residential construction in the fourth quarter of 2015 was 7.8 percent higher than previous year level. The statewide rental vacancy rate increased in 2015.

## Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$3.8 billion in the fourth quarter of 2015, a decrease of 26.2 percent from the fourth quarter of 2014. The scale of the contraction was close to the level experienced during the Great Recession. Declines occurred in nearly every economic industry, with the largest drop in the mining (including oil and gas extraction) sector, which alone contributed over 52 percent of the total decrease. 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 activities caused by the dramatic downturn of both oil and natural gas prices, sales of equipment, supplies, and services in the mining sector experienced year-over-year contraction of 55.0 percent for the fourth quarter of 2015, the steepest drop ever in Wyoming's history.



Other industries that are closely associated with the mining sector, such as wholesale trade, and machinery & equipment leasing also experienced sizable declines of around 30.0 percent. Public administration sector, which reflects automobile sales, also bore a 20.5 percent over the year decline. Across the state, 19 out of 23 counties experienced declines in taxable sales, led by Converse County (-64.5%) and Niobrara (-40.7%). Five other counties endured over 30.0 percent declines, respectively. Most counties with steep drops are associated with reduced activities in mineral exploration. Weston, Lincoln, and Albany were the only counties that showed annual growth in the quarter.

## Tourism

The number of recreational visitations to Yellowstone National Park reached 283,532 in the fourth quarter of 2015, up 26.2 percent from the previous year, and it also increased 19.7 percent to 270,548 in Grand Teton National Park. Reduced gasoline prices and the strong nationwide labor market drew more people to the Parks. The huge percentage change in visitation in the fourth quarter of 2014 was attributed to the 16-day Federal government shutdown in October 2013. Lodging sales for the fourth quarter were significantly higher than a year ago in Teton County. However, they dropped substantially in Wyoming, most likely due to dramatically reduced activities in mineral extraction statewide, resulting in a decline of energy workers staying in hotels or motels for temporary shelters during a project.

## Agriculture

The index of prices received by farmers for all U.S. livestock and products fell sharply in the fourth quarter of 2015, substantially lower than both one year ago and the previous quarter figures. Reduced cattle inventory from the multiyear 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 \$391 million in that quarter, but decreased significantly in 2015. Before mid-2013, livestock producers experienced high feed costs. However, consecutive record crop yields in 2013 and 2014 pushed feed prices down substantially – close to the lowest level in ten years. A continuation of lower crop prices should lead to reduced feed costs and improved profitability for livestock producers, but at the expense of 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 \$57.2 million in the fourth quarter of 2015, which was 7.4 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 \$145.2 million in mineral severance taxes generated in the fourth quarter of 2015, was 30.4 percent lower than the previous year level, and was 11.3 percent lower than the previous quarter.

