



Economic Summary: 4Q2016



Wyoming Department of Administration & Information

Economic Analysis Division

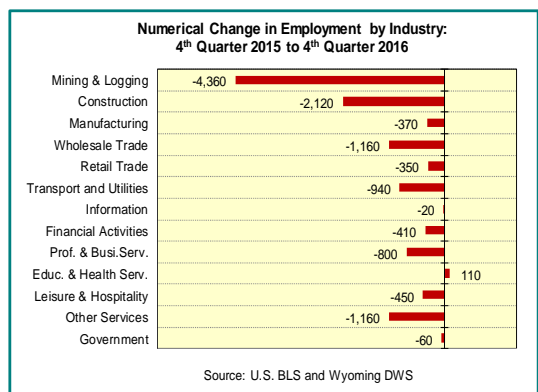
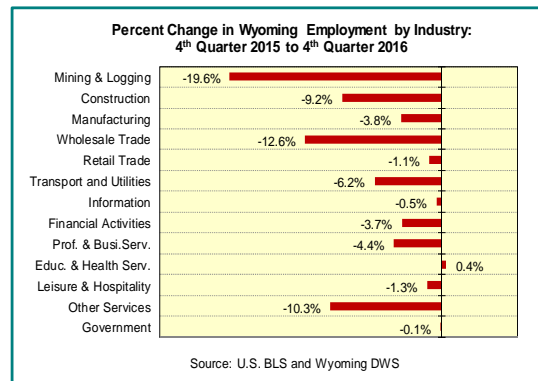
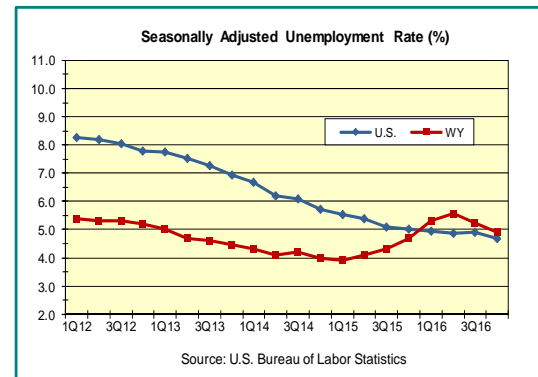
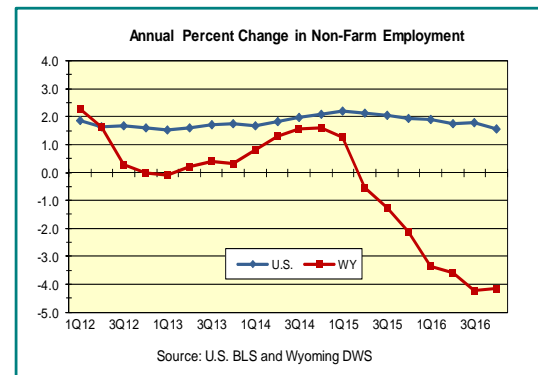
Current Global and U.S. Economy

According to Moody's Analytics, growth in the world economy, particularly in Europe, Japan and China, will likely accelerate on expectations of greater fiscal stimulus and continuing economic expansion in the U.S. However, the U.S. dollar strength and higher global interest rates may tighten financial conditions worldwide. The recovery in Europe appears to be firming up, supported by both domestic and external demand. The future of South American economies depends in large part on stronger growth in global economy and commodity price cycles bottoming out.

The U.S. economy is off to a good start for the year with the economy enjoying the longest period of consecutive monthly job gains in history. Though warm winter weather may be a factor, employment growth significantly outpaced the growth in labor force. As a result, the labor market appears to be closer to "full employment", and is continuing to tighten as evidenced by the near-record number of open job recruitments and accelerating wage growth. The increase in workers quitting their jobs-presumably because they feel they can easily find another at a higher wage is another important indicator the labor market is nearing "full employment". In addition, the recent surge in consumer, business and investor confidence is also consistent with a strong economy. However, the acceleration in inflation is undermining growth in consumers' real disposable income. Year-over-year gains, which briefly topped 4 percent around the start of 2015, have steadily slowed to less than 2.5 percent.

Employment

Wyoming experienced a decline of 4.2 percent (or 12,090 jobs) in total employment in the fourth quarter of 2016 compared to one year earlier, the same pace of decrease as the previous quarter. Wyoming's unemployment rate, however, continued to fall in the quarter to 4.9 percent, while in the U.S., it dropped to 4.7 percent. Nearly all industrial sectors in the state experienced job decreases during the period. The private education & health services were the only sector that demonstrated an increase. Amid the substantially depressed energy prices, the state's pivotal industry, mining (including oil & gas extraction) suffered an annual employment contraction of 4,360 jobs or 19.6 percent in the fourth quarter. Construction, wholesale trade, and other services endured roughly double-digit job losses, each. Even the traditionally stable industries: retail trade, leisure & hospitality, and government (includes both public education and public hospitals) which together cover nearly half of all Wyoming employment experienced slight declines. However, as supply and demand rebalancing continues, prices for both oil and natural gas have rebounded significantly since early 2016. Accordingly, Wyoming's economy is stabilizing recently although at a greatly reduced level.



Personal Income and Earnings

Wyoming's total personal income declined 0.4 percent in the fourth quarter of 2016 from the previous year. U.S. personal income increased 3.7 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 Social Security Income, Medicare and Medicaid benefits. Total earnings in the state, however, contracted 3.2 percent annually in the quarter, while both property income and personal transfer receipts grew around 3.0 percent. The earnings for most industries experienced decreases from a year ago. The mining industry and farm sector were the largest drag on total earnings, contracting 14.7 and 84.3 percent, respectively, from the fourth quarter of 2015. Earnings from private health care & social assistance grew the fastest, at 5.4 percent.

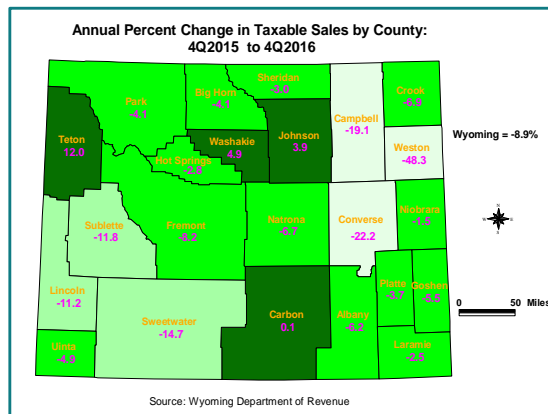
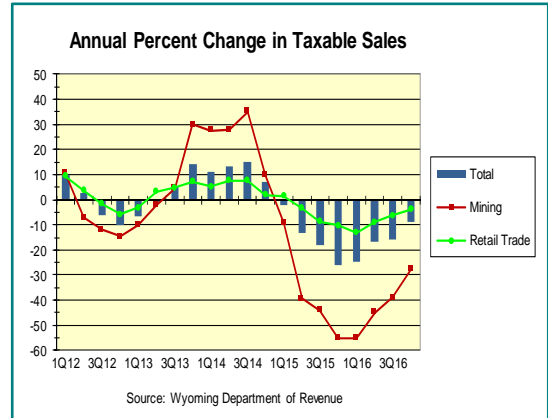
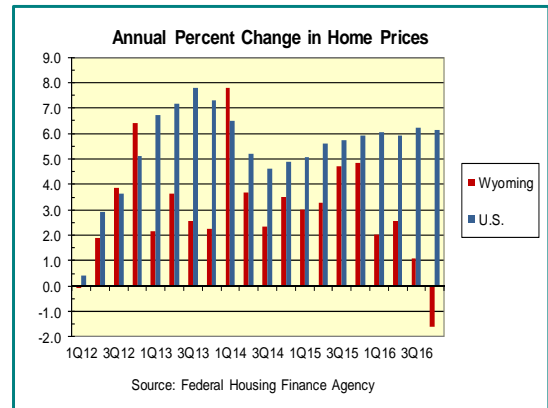
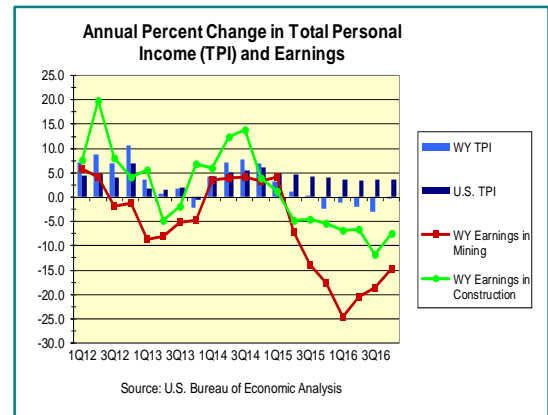
Housing

The statewide home price decreased in the fourth quarter of 2016 from one year ago, the first decline since the first quarter of 2012, while the national average price appreciated 6.1 percent during the same period. In Wyoming, single family building permits for new privately-owned residential construction in the fourth quarter of 2016 were slightly higher than the previous year's level.

The U.S. housing market remains healthy, moving along at a stable pace. Total home sales exceed 6 million annualized, which is back to the pre-housing bubble average in early 2000s. U.S. house price indexes have been rising steadily at around 6 percent for the year. Median single-family house price is above its prerecession peak nationally. The pace of single family construction was agonizingly slow, but continued to pick up speed in recent months. Low U.S. unemployment, rising wages, and low interest rates are underpinning demand for housing. However, inventories have been steadily declining since June 2015, and already reduced affordability continues to fall.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$3.5 billion in the fourth quarter of 2016, a decrease of 8.9 percent from the fourth quarter of 2015. The scale of the contraction was smaller than the previous quarter. Declines occurred in nearly every economic industry, with the largest drop in the mining (including oil and gas extraction) sector, which accounted for 48.1 percent of the total decrease. Traditionally, 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 exploration and extraction caused by the dramatic downturn of both oil and natural gas prices, sales of equipment, supplies, and services in the mining sector (Wyoming does not impose sales tax on the production of minerals) experienced a year-over-year contraction of 27.7 percent for the fourth quarter of 2016, an improvement from the previous quarter.



Other industries that are closely associated with the mining sector, such as construction, and machinery & equipment leasing also experienced sizable declines of more than 25.0 percent. The public administration sector, which reflects automobile sales, showed a slight increase of 0.4 percent over the year. Across the state, 19 out of 23 counties experienced declines in taxable sales, led by Weston County (-48.3%). Two other counties, Campbell and Converse, endured around 20.0 percent declines, respectively. Most counties with steep drops are associated with reduced activities in mineral exploration. Teton was the only county demonstrating double-digit annual growth.

Tourism

The number of recreational visitations to Yellowstone National Park reached 286,399 in the fourth quarter of 2016, up 1.0 percent from the previous year, and 275,022 visits in Grand Teton National Park grew 1.7 percent during the same period. Reduced gasoline prices and the robust nationwide labor market drew more people to the Parks. The huge fluctuations in visitations for the fourth quarters of 2013 and 2014 were attributed to the 16-day Federal government shutdown in October 2013. Lodging sales for the fourth quarter were 5.0 percent higher than a year ago in Teton County. However, the total lodging sales in Wyoming showed a year-over-year decrease of 5.7 percent. The statewide decline would have been steeper without the contribution from Teton County.

Agriculture

The index of prices received by farmers for all U.S. livestock and products continued to fall sharply again in the fourth quarter of 2016, and was substantially lower than a year ago level. Since the fourth quarter of 2014, both livestock prices and farm earnings have been experiencing downward trend amid strong supply and weak global demand.

The January 1, 2017 inventory of all cattle and calves in Wyoming totaled 1.33 million head, up 2 percent from the January 1, 2016 inventory, according to the Mountain Regional Field Office of National Agricultural Statistics Service. Beef cows, at 714,000 head, were up 10,000 head from the previous year. All sheep and lambs totaled 360,000 head, up 1 percent from January 2016. All hay production for 2016 is estimated at 2.28 million tons, down 1 percent from the 2015 total.

Revenue

Investment income into the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$55.0 million in the fourth quarter of 2016, which was 3.9 percent lower than the amount recorded a year ago. The huge boosts in previous 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 \$150.1 million in mineral severance taxes generated in the fourth quarter of 2016, was 3.9 percent higher than the third quarter figure, and was 3.3 percent higher than the previous year level.

