



# Economic Summary: 1Q2015



Economic Analysis Division

State of Wyoming

## Current Global and U.S. Economy

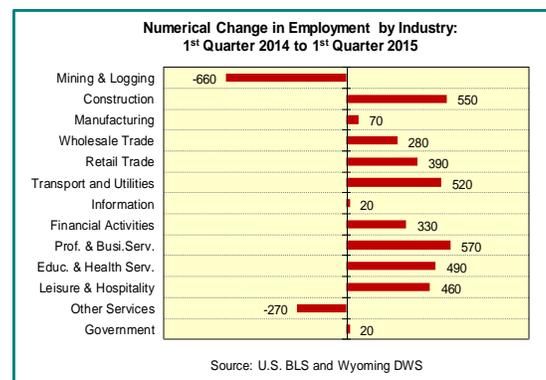
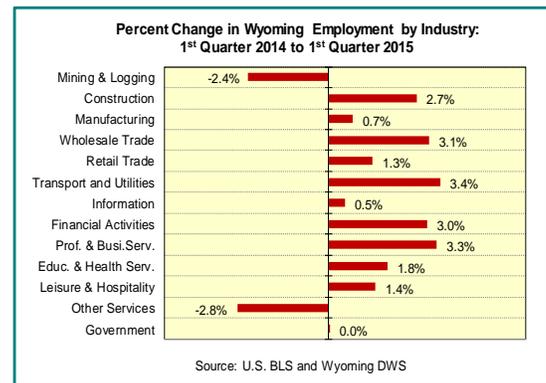
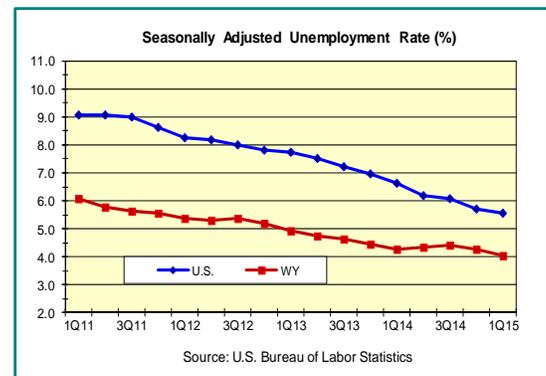
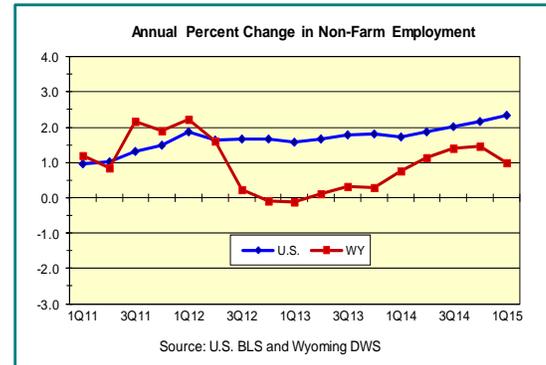
According to Moody's Analytics, the global economy remains fragile because underinvestment and insufficient aggregate demand are constraining its growth. However, the pace is expected to pick up, as a result of low energy prices, economic expansion in the U.S., less fiscal drag, and massive liquidity support provided by the worlds' central banks. A strong policy commitment to increase public investment, especially infrastructure, will also boost global demand and set the world economy on a higher growth path. A deal to resolve Greece's debt crisis would help clear the air, reduce policy uncertainty, and encourage a faster recovery in the euro area.

The economic recovery in the U.S. has lasted six years and continues to expand. The economy is performing well, and its prospects are good, notwithstanding the weaker growth earlier this year. The job market is quickly tightening and wage growth is reviving. More than 2.6 million jobs have been created over the past year. The annual growth rate of 1.9 percent was the strongest since 2000, the height of the technology boom. And the economy is on track to create a remarkable 2.5 million jobs this year. Aside from energy, employment gains span nearly all industries and regions, and were also across all pay scales. Although the slack 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 a stronger financial ground.

## Employment

Compared to a year ago, total employment for the state increased by 1.0 percent, or 2,770 jobs in the first quarter of 2015, the slowest growth rate since the first quarter of 2014. Wyoming's unemployment rate dropped to 4.0 percent in the quarter, while in the U.S., it fell slightly to 5.6 percent. Nearly all industrial sectors in the state exhibited job growth during the period, with the transportation & utilities and professional & business services industries demonstrating the fastest annual increase, 3.4 and 3.3 percent, respectively. The wholesale trade and financial activities sectors also experienced growth rates of at least 3.0 percent. Amid the precipitous declines in oil and natural gas prices, the state's pivotal industry, mining (including oil & gas extraction) suffered annual employment contraction (660 jobs or 2.4 percent) in the first quarter. Other services (including repair and maintenance) was the only other sector that endured job losses during the period.

Currently, the depressed but relatively less volatile oil and natural gas prices continue to take their toll on the energy industry, and Wyoming is no exception. By mid-June of 2015, the number of drilling rigs exploring for oil and natural gas in the state declined by more than 60 percent since November 2014, and has reached its lowest point in decades.



## Personal Income and Earnings

Wyoming's total personal income grew 4.1 percent in the first quarter of 2015 from the previous year. U.S. personal income increased 4.4 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 3.5 percent annually in the quarter, while dividends, interest, and rental income grew 4.9 percent. The earnings for nearly all the state's industries demonstrated increases from a year ago. The earnings in the farm sector and wholesale trade service grew the fastest, at 27.0 and 13.0 percent over the year, respectively. The annual growth rate for the mining industry was only 0.3 percent. Federal government was the only sector to experience decrease from the first quarter of 2014.

## Housing

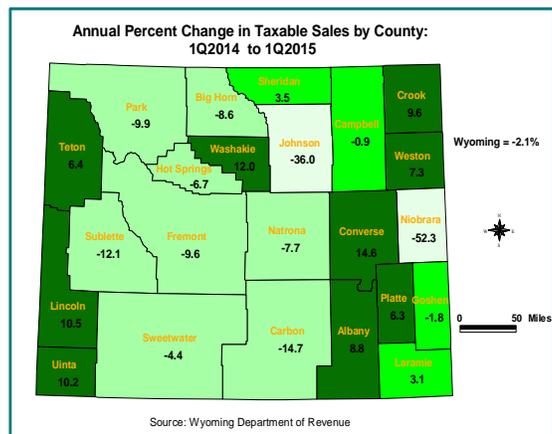
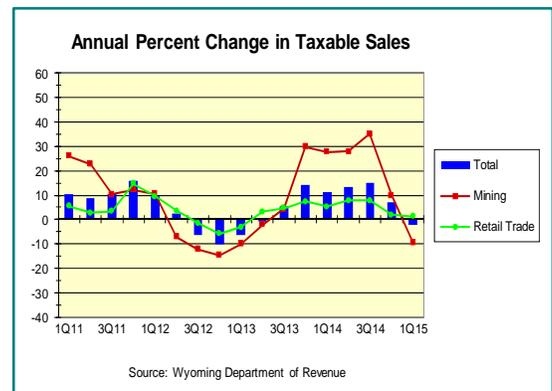
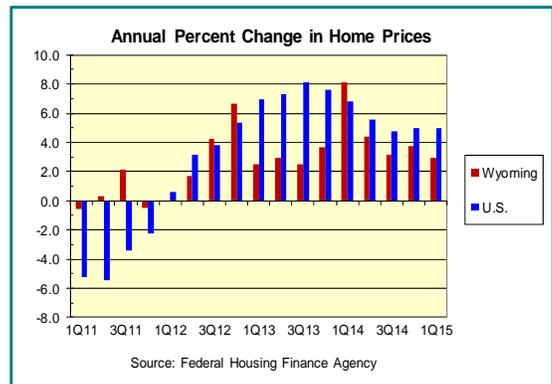
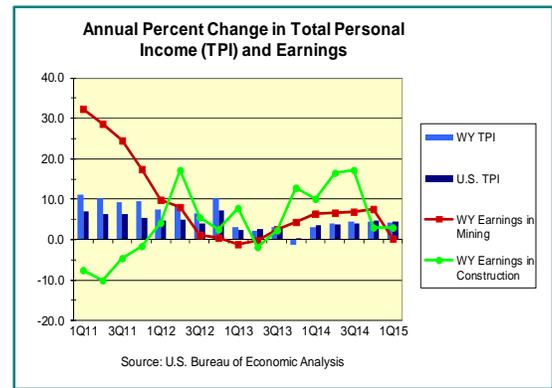
The statewide home price continued to grow moderately in the first quarter of 2015, only 3.0 percent higher than the previous year, and the speed was slower than the national average of 5.0 percent during the same period.

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. After more than two years of declines, it turned around in 2011. However, the downturn of the U.S. housing market lasted four years, from 2008 to 2011. After the market finally turned around at the beginning of 2012, it 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. Wyoming home prices in 2014 were higher than the previous year level, but still lower than the national average.

## Taxable Sales

Based on sales and use tax collections, total taxable sales in the state amounted to \$4.3 billion in the first quarter of 2015, a decline of 2.1 percent from the first quarter of 2014. It was the worst performance in two years. Decreases occurred in majority of economic industries, with the largest contraction in the mining sector, which contributed nearly all the total decrease 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 the reduction in energy activities caused by the dramatic downturn of both oil and natural gas prices, sales of equipment and services in the mining sector demonstrated year over year contraction of 9.4 percent for the first quarter of 2015, the steepest drop since the first quarter of 2013. Other



industries that are closely associated with the mining sector, such as construction, wholesale trade, and machinery & equipment rental and leasing also experienced sizable declines. Accommodation & food services, and automobile sales showed nearly 12.0 percent annual increases, in the quarter.

Across the state, over half of counties experienced declines in taxable sales, led by Niobrara (-52.3%) and Johnson (-36.0%). Most counties with deep drop were associated with decreased activities in mineral extraction and exploration. Four counties, Converse, Lincoln, Uinta, and Washakie, demonstrated double digit growth rates during the year.

## Tourism

The number of recreational visitations to Yellowstone National Park reached 85,423 in the first quarter of 2015, up 15.8 percent from the previous year, and it also increased 18.7 percent to 155,982 in Grand Teton National Park. A mild winter and early spring, and reduced gasoline prices drew more people to the parks. The huge increases shown in the fourth quarter of 2014 were attributed to the 16-day Federal government shutdown in October 2013. Lodging sales in both the state and Teton County for the first quarter were more than 20.0 percent higher than a year ago. Because of a one-time back tax payment in the fourth quarter 2014 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 fourth quarter of 2013.

## Agriculture

The index of prices received by farmers for all U.S. livestock and products fell in the first quarter of 2015, but remained 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 in the fourth quarter of 2014. Consequently, farm earnings in the state also reached a new record of \$467 million in the fourth quarter, but decreased in the first quarter of 2015. In the last few years before mid-2013, livestock producers experienced high feed costs. However, consecutive record crop yields for 2013 and 2014 pushed feed prices down substantially – close to the lowest level in more than five years. Continued lower crop prices should lead to lower 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 \$59.7 million in the first quarter of 2015, which was 21.3 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 \$173.3 million in mineral severance taxes generated in the first quarter of 2015, was 35.1 percent lower than the previous year level, and was the lowest amount since the second quarter of 2012.

