



Economic Summary: 2Q2010



Economic Analysis Division

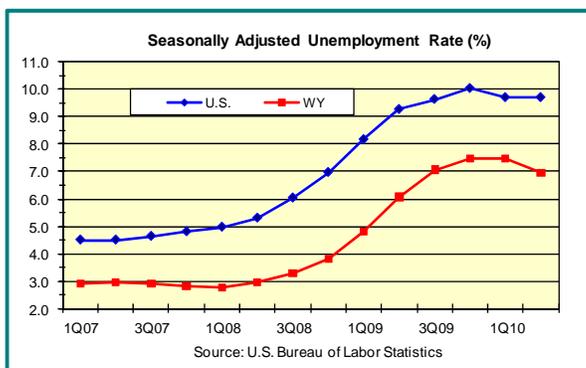
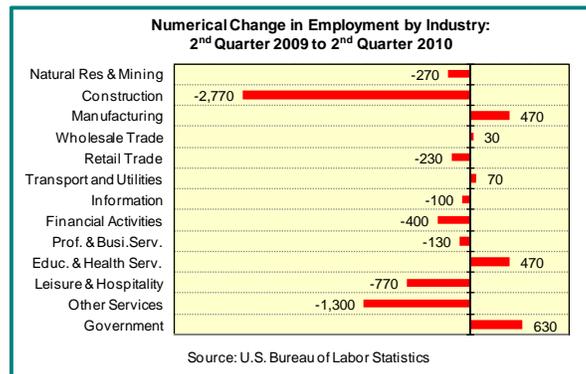
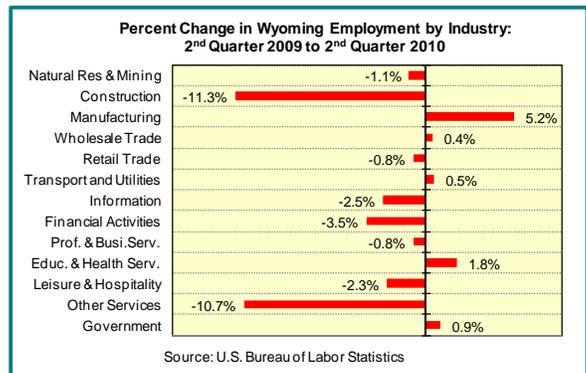
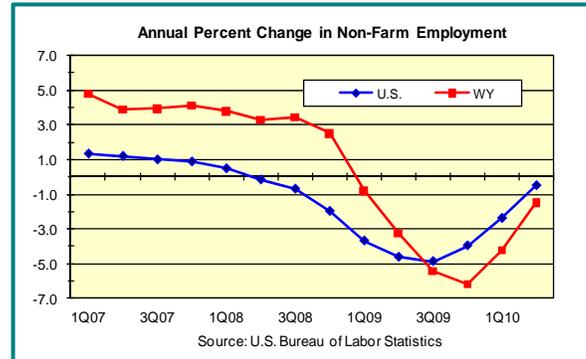
State of Wyoming

Employment

The global economic recovery has diverged into two different paths. Emerging economies in South America and Asia are experiencing output and employment growth rebounds so strongly that overheating is a policy concern and challenge. On the other hand, the threat of deflation and persistent high unemployment trouble the major developed economies. The recovery in the U.S. continues, but has lost momentum since the spring. Growth in retail, housing, business investment, and industrial activities have all been weakening. Real GDP (Gross Domestic Product) grew at a paltry 1.6 percent annual rate in the second quarter, which slowed significantly from the 3.7 percent of the first quarter. The job market is not deteriorating, but it is not improving much either. Without stronger hiring, the job market will not improve enough to generate the income households need to support spending growth. With the unemployment rate stuck near double-digits, the nation's economic recovery remains vulnerable.

Wyoming's economic recession did not start until the end of 2008 – lagging the U.S. recession by about one year. However, the State's slow recovery is somewhat faster than the U.S. average, thanks to the rebound of the energy industries. For the second of quarter 2010, Wyoming's recovery continued. Compared to the second quarter of 2009, employment decreased by 4,300 jobs, or 1.5 percent, a significant improvement from the previous quarter and it's the smallest annual contraction since the first quarter of 2009. The unemployment rate dropped to 7.0 percent in the second quarter, while it remained at 9.7 percent in the U.S. for the same period. Similar to the nation, Wyoming's job growth occurred only in a few industries. Manufacturing demonstrated the fastest increase among private industries with 5.2 percent, or 470 jobs, while Educational & Health Services also added 470 jobs, or 1.8 percent over the year. Government continued to add jobs, at a 0.9 percent annual rate. With improvement in energy demand, it was the mining industry that has turned around the most since January 2010. The annual employment decline for this sector was just 1.1 percent in the second quarter, compared to the 12.4 percent and 20.0 percent contraction in the first quarter of 2010 and the fourth quarter of 2009, respectively. Due to the fading Federal stimulus, reduced state and local government revenue, and a decline in commercial and industrial spending, construction is the weakest industry and continued to trend down significantly in the second quarter.

Led by energy exploration, Wyoming's economy is recovering as the labor market slowly adds jobs. Higher natural gas prices have spurred hiring in the mining industry. Elevated coal prices bode well for the Green and Powder River Basin mines and state revenue. However, a faster economic recovery for the State will have to come from a stronger U.S. recovery with increasing energy demand.



Personal Income and Earnings

After four consecutive quarters of decline, Wyoming's total personal income grew 1.8 percent in the second quarter of 2010 from the previous year, the first annual increase since the first quarter of 2009. U.S. personal income increased 2.2 percent from the second quarter of 2009. Personal income is the income received by all residents from all sources. It is the sum of net earnings by place of residence, rental income, dividend income, interest income, and current transfer receipts. Total earnings in the State grew at 1.6 percent for the year. This was mainly attributed to growth in the State's most important industry - mining. Earnings from this sector climbed 6.7 percent, the first over the year increase since the first quarter of 2009. However, construction earnings continued to be lower than year earlier levels, the 7th consecutive annual declines.

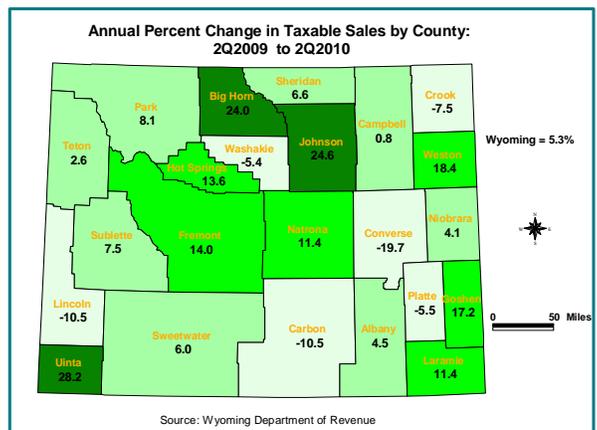
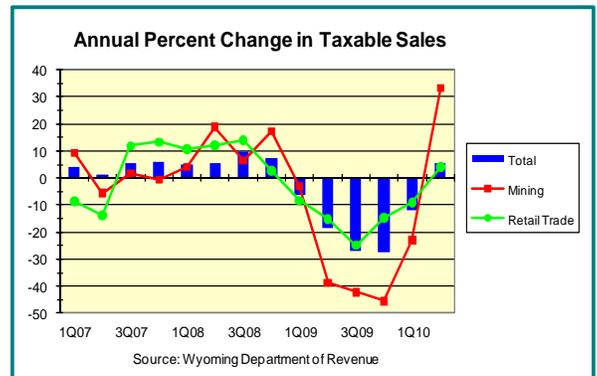
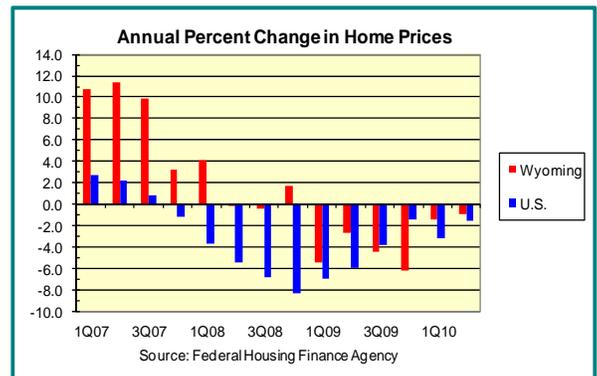
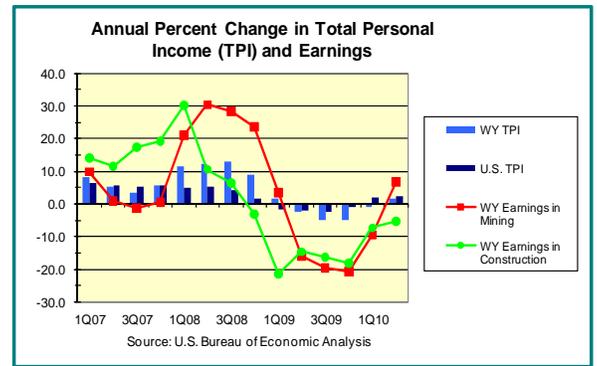
Housing

Lagging the national trend, Wyoming's hot residential real estate markets have eased somewhat since late 2007 with increased inventories and lower transactions in many communities. Layoffs and tight credit have made homebuilders cautious. Inventory build-up and weak demand have led home sellers to accept lower prices. However, Wyoming was still one of only a few states in the nation where home prices showed appreciation in 2008. Since the beginning of 2009, home construction and existing home prices have dropped even further. Residential construction permits have shrunk back to a level last seen at the beginning of the decade. As a result, the price contraction in 2009 for the State was the deepest since the late 1980s. However, with less pressure from foreclosures and overall economic improvement, prospects for residential construction may look better for the State. Residential building permits in the first half of 2010 increased significantly from a year ago. Home prices in the State are stabilizing. The annual decline of just 1 percent for the second quarter of 2010 was the smallest contraction since the first quarter of 2009, and was also lower than the 1.6 percent drop for the U.S.

Strong gains in population and income, and the lack of reliance upon non-prime lending to sustain home sales in recent years should leave Wyoming with few cracks in the foundation of its housing market. Indeed, Wyoming was still in first place across the country in home price appreciation during the 5-year period, 2Q05 to 2Q10.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the State reached approximately \$4.2 billion in the second quarter of 2010, an increase of 5.3 percent from the second quarter of 2009, the first annual growth since the fourth quarter of 2008. Increases were spread across many sectors of the economy, from mining, retail trade, to restaurant and lodging. Over 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 the robust growth in mining activities, sales of equipment and services in the mining sector have improved substantially since the beginning of 2010. For the second quarter of 2010, sales in the mining sector escalated 33.4 percent from a year earlier, the fastest increase in more than three years. Retail trade taxable sales grew at an annual rate of 4.1 percent for the quarter. Statewide, 17 out of the 23 counties experienced expansions in total taxable sales.

Tourism

After a significant decline in the fourth quarter, the number of recreational visitations to Yellowstone and Grand Teton National Parks were 978,049 and 659,545 in the second quarter of 2010, up 5.1 percent, but down 0.3 percent, respectively, from the previous year level. The lodging sales in the State for the second quarter of 2010 were 4.0 percent higher than one year ago, the first annual growth since the fourth quarter of 2008. As the State's main tourism attraction area, Teton County's lodging sales experienced a slight annual increase of 0.8 percent for the quarter. Visitation to the nation's first national park – Yellowstone broke another record in the second quarter. Tourists probably prefer national parks instead of metro centers during economic downturns.

As the global and national economic recovery continues, the tourism industry should benefit. However, the weakening euro may reduce the spending ability of European travelers.

Agriculture

The index of prices received by farmers for all Wyoming livestock and products in the second quarter of 2010 was higher than that of the previous quarter and significantly higher than the prices of a year ago. The U.S. average livestock price was also higher than the previous quarter, and was also slightly higher than the State's level. With the increasing cost of feeding livestock due to high corn and fuel prices, Wyoming's farm proprietors have experienced negative income growth in nearly every quarter since 2006. However, for the second quarter of 2010, total farm earnings in the State amounted to \$77 million, lower than the previous quarter, but much higher than previous year level. Agricultural prices have plummeted since the financial crisis started, but have recently increased. Amid the global economic recovery, the improving demand for quality beef should benefit prices.

Revenue

Investment income, including the Permanent Wyoming Mineral Trust Fund (PWMTF) and pooled income accounts, amounted to \$50.0 million in the second quarter of 2010. This was 11.3 percent less than the amount received one year ago. Much of the increase before the recession was attributed to the infusion of additional severance taxes into the PWMTF principal. The collection of \$260.6 million in mineral severance taxes in the second quarter of 2010 was substantially higher than a year ago, the highest annual growth since the fourth quarter of 2008. The improvement was mainly due to the price increase in energy resources, particularly natural gas since the fall of 2009.

