



Economic Summary



Economic Analysis Division

State of Wyoming

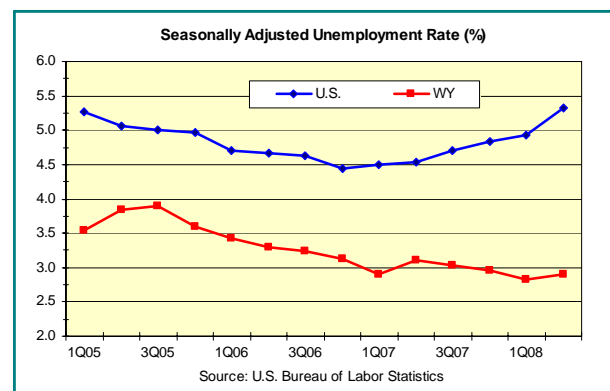
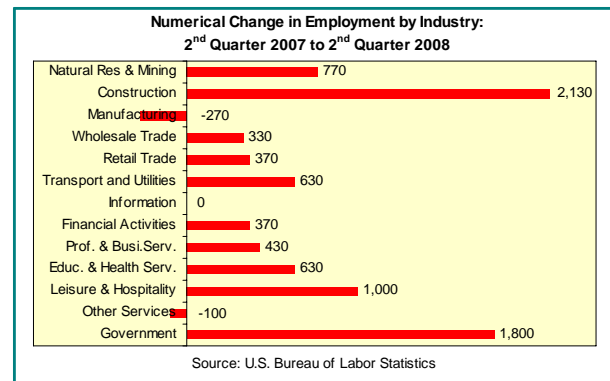
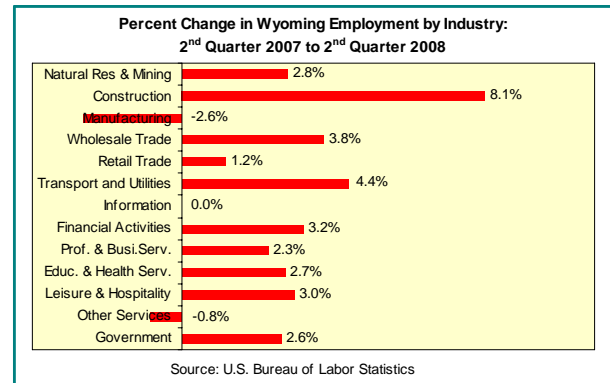
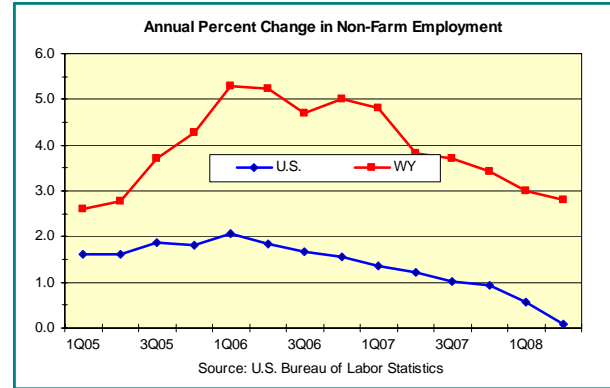
Employment

The recent financial and credit turbulence has clearly diminished the economic growth in the U.S. Falling employment, low stock prices and house prices, and still-high energy and food costs are dampening consumers' confidence. Consumer spending is contracting as the impact of tax rebates fades. Business investment may also weaken as borrowing grows more difficult because of credit crunch. The outlook for U.S. exports has softened due to the weakening global economy. Overall, most indicators are consistent with a national economy that is on the edge of recession. For the financial system to stabilize, and for the U.S. economy to regain its footing, the housing market is the critical factor.

As the national economy is weakened further, the Cowboy State's job market growth continued a pace of deceleration for the second quarter of 2008. Compared to second quarter 2007, employment in the State increased by 8,090 jobs or 2.8 percent, still the fastest in the nation. The unemployment rate tipped up to 2.9% in the quarter, while it climbed to 5.3 percent in the U.S. for the same period. Wyoming's employment growth was spread out across many industries. Construction was leading with a growth of 2,130 jobs, or 8.1 percent. Despite the slowdown in residential building, commercial construction and public projects in the State have been continuing at a strong pace. All, but 3 (manufacturing, information, and other services) industrial super sectors, recorded annual job growth during the second quarter 2008. Wholesale trade, transportation & utilities, financial activities, and leisure & hospitality industries experienced a growth rate of at least 3.0 percent, respectively.

Wyoming's employment growth is slowing, but labor demand remains strong. This will prevent a sizeable downturn in consumer spending. The jobless rate is low by historical standards, and employers remain willing to absorb job seekers. Despite the extension of federal unemployment benefits, continuing jobless claims have risen only modestly from a year ago. The lack of restructuring or declining industries in Wyoming, along with continuing growth in construction and mining, will keep jobless claims low and prevent wage growth from deteriorating in the near term.

Although the state's economy is currently dominated by strong gains in the energy and construction industries, the limitations of the poor industrial diversity may become apparent over the long run. The industrial structure is well suited for an environment of rising energy prices, but the State possesses few other growth drivers. The large share of government employment helps cushion fallout from layoffs in private industries. However, Wyoming's low concentration of manufacturing, financial, and business services may cause the State to fail in catching the tailwinds of the national economy's eventual rebound.



Income and Earnings

The quarterly growth rate for Wyoming's total personal income slowed down to just 1.5 percent in the second quarter of 2008, below the 1.8 percent for the U.S. A large portion of the income growth was attributed to the cash rebates taxpayers received from the federal government during the spring. 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 increased 0.9 percent in the quarter. The below average income growth for Wyoming in the second quarter of 2008 was mainly caused by the slowdown of earnings growth in the construction and mining industries, and the significant loss of \$79 million in farm earnings as a consequence of raised production expenses for livestock growers due to high grain prices.

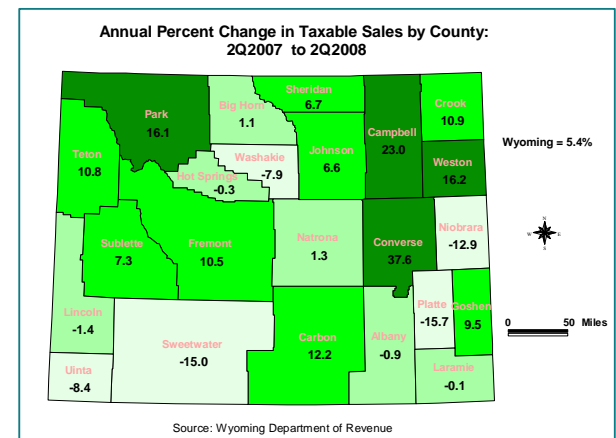
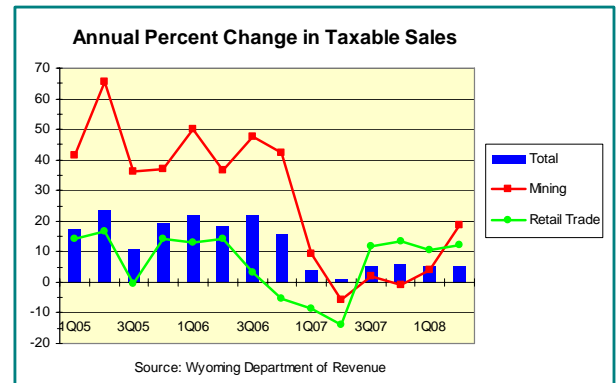
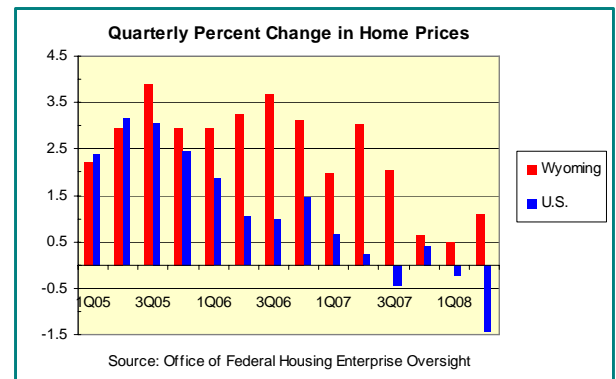
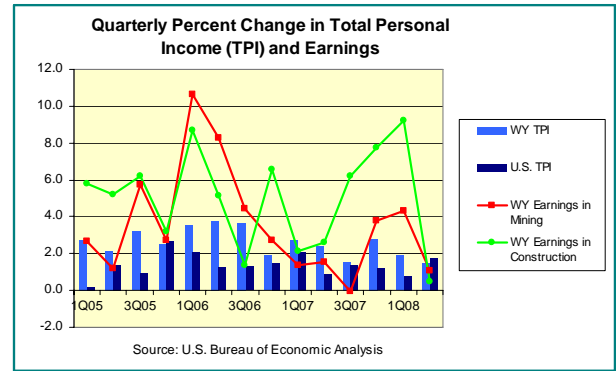
Housing

Wyoming communities with booming energy exploration faced severe housing shortages prior to 2008, despite speedy home construction. Home prices have more than doubled in some of these communities in the last 5 years, making the affordability degrade fast, particularly for workers in low paying industries.

The hot residential real estate markets in the State were relieved somewhat since late 2007 with increased inventories and lower transactions in many communities. Both building permits and the existing home sales in the State were down significantly in 2008 from last year level. Particularly, the home price appreciation quickly slowed down. After surging around 2.5 percent (the highest in the country) in both second and the third quarter of 2007, home prices grew only 0.6 and 0.5 percent in the fourth quarter 2007 and first quarter of 2008, respectively, the slowest since the third quarter of 1999. However, the growth rate came back to 1.1 percent between first and second quarter of 2008, the second fastest in the nation. Thanks to the minimal exposure to subprime mortgages and low levels of household debt, Wyoming's foreclosure rate continues to rank as one of the lowest in the nation for the quarter.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the State reached approximately \$4.9 billion in the second quarter of 2008, an increase of 5.4% from the second quarter of 2007. The expansion was still below the average of recent years. Nearly 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 production of minerals, but rather on the supplies and equipment used in extracting the minerals. Additionally, certain services rendered within an oil or gas well site are subject to sales and use taxation as well as services rendered under contract for mining and crushing minerals. Due to the slowdown of mining activities, sales of equipment and services in the mining sector have declined dramatically since the fourth quarter 2006. After a



small increase in the first quarter 2008, sales in the mining sector surged 18.9 percent in the second quarter of 2008 from a year earlier. The retail trade taxable sales also continued to show strong growth of 12.1 percent in the second quarter of 2008. The annual declines during the period between the third quarter 2006 and second quarter 2007 for the retail trade sector were mainly caused by the exemption of the sales tax on grocery food, which was implemented in July 2006.

Tourism

After a strong summer in 2007 for the State's travel and tourism industry, the number of recreational visitations to Yellowstone and Grand Teton National Parks amounted to about 868,100 and 669,800 in the second quarter of 2008, down 3.7 percent and down 3.3 percent, respectively, from the previous year level. A cold and wet spring may have kept some potential visitors at home. The lodging sales in the State for the second quarter of 2008, however, were 10.9 percent higher than one year ago. As the State's main tourism attraction area, Teton County's lodging sales experienced a substantial annual growth of 19.3 percent during the quarter. Some of the lodging sales in mineral rich areas such as Carbon, Natrona, and Sweetwater counties were not attributed to tourism, but rather to out-of-state mining workers who occupied blocks of lodging spaces on a regular basis, which has been the case in recent years of energy development.

Agriculture

The price index received by ranchers for all Wyoming livestock and products in the second quarter of 2008 was down 7.5 percent from the previous quarter and down 4.0 percent from the second quarter of 2007. The U.S. average livestock price, on the other hand, was slightly higher than the previous quarter, and still much higher than that of Wyoming. After enduring a severe drought in 2007, the spring snowpack in much of the State was above normal. However, with the increasing cost of feeding livestock due to high corn prices, plus the sky-rocketing fuel prices, earnings at Wyoming farms nosedived, resulting in a big loss of over \$79 million in the second quarter of 2008. Input costs for ranchers are expected to remain high in the near future, so the farm sector will have difficulty turning a profit.

Revenue

Investment income, including the Permanent Wyoming Mineral Trust Fund (PWMTF) and pooled income accounts, reached \$79.7 million in the second quarter of 2008, 13.8 percent higher than one year ago. There was a one-time capital gain of \$65 million realized in July, which boosted the income figure for the third quarter of 2007. Much of the increase in the past several years was attributed to the infusion of the additional severance taxes into the PWMTF principal. The collection of \$307.4 million in mineral severance taxes in the second quarter of 2008 was 34.6 percent higher than a year ago. This was the highest increase since the second quarter of 2006. The growth was mainly due to the sharp increase in prices for energy resources, particularly natural gas.

