



Economic Summary



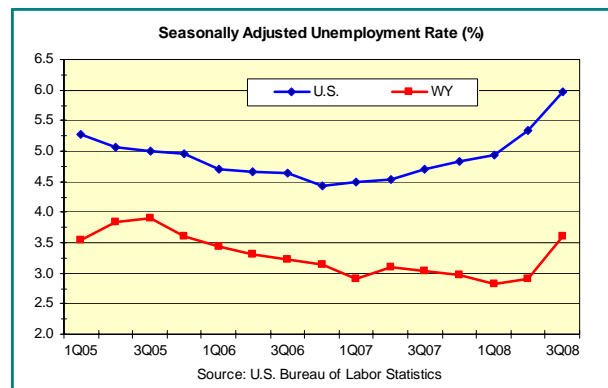
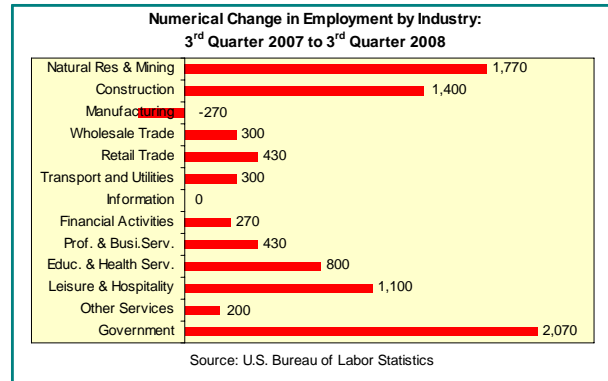
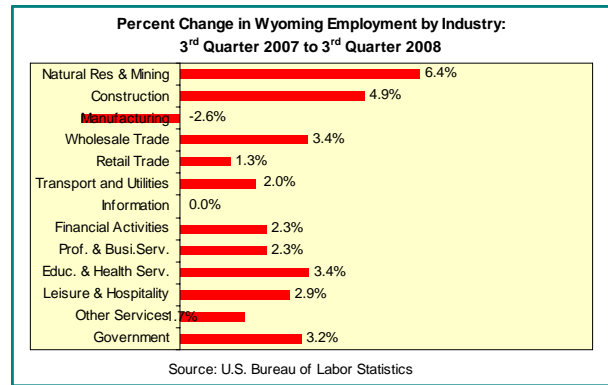
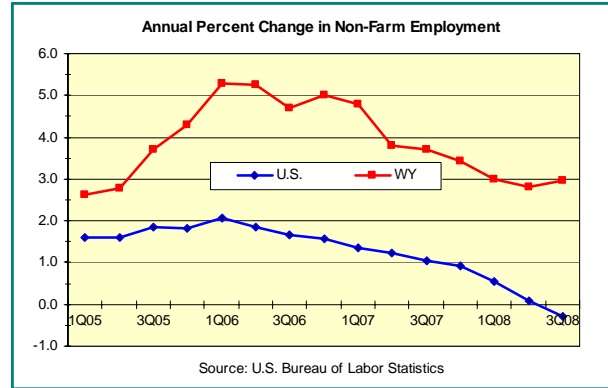
Employment

As the global economy is contracting, the U.S. economy is probably suffering its worst setback since the Great Depression. Job losses are accelerating, and real GDP is contracting sharply. As a result of declining house and stock prices, household wealth is rapidly falling. With extremely low confidence, plus having trouble borrowing, consumers continue to cut back on spending, particularly on motor vehicles. They are reluctant to take the savings from lower gasoline and automobile prices to purchase other retail goods. The current downturn in the U.S. economy could be longer, more severe, and broader than any recession since the 1930s.

As the recession is hurting most regions in the country, the Cowboy State's job market growth continued to hold well for the third quarter of 2008. Compared to third quarter 2007, employment in the State increased by 8,800 jobs or 3.0 percent, still the fastest in the nation. The unemployment rate climbed up to 3.6% in the quarter, while it jumped to 6.0 percent in the U.S. for the same period. Wyoming's employment growth was spread out across many industries. Natural resources & mining sector demonstrated the fastest increase with 6.4 percent, or 1,770 jobs, while government added 2,070 jobs, or 3.2 percent over the year. All, but the manufacturing and information industrial super sectors recorded annual job growth during the third quarter 2008. Construction, wholesale trade, educational & health services industries also experienced a growth rate of over 3.0 percent, respectively. Despite the slowdown in residential building, commercial construction and public projects in the State have been continuing at a strong pace.

Wyoming's employment growth continues, and labor demand is still robust. This will prevent a sizeable downturn in consumer spending. The jobless rate is still low by historical standards, and employers remain willing to absorb job seekers. However, as oil and gas prices fall sharply, drilling activity in many areas of the nation is slowing more than expected. If the current depressed energy prices continue to fall, this could put pressure on jobless claims with weaker growth in the construction and mining industries, and may therefore deteriorate wage growth in the State.

Although the State's economy is currently being dominated by strong gains in the energy and construction industries, the limitations of Wyoming's 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 was 1.4 percent in the third quarter of 2008, the fastest in the nation, and it was the only state with over 1 percent growth. U.S. personal income remained unchanged from the second quarter, which had been boosted by economic stimulus payments. 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. Despite the significant loss of \$88 million in farm earnings as a consequence of raised production expenses for livestock growers due to high grain prices, total earnings in the State still increased 2.6 percent for the quarter. The strong income growth for Wyoming in the third quarter was mainly attributed to the tremendous earnings growth in the mining industry.

Housing

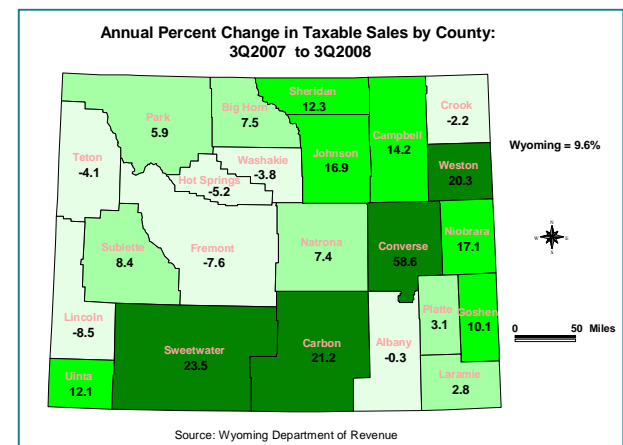
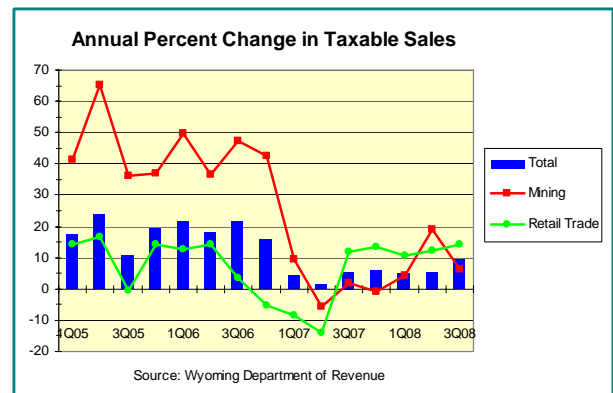
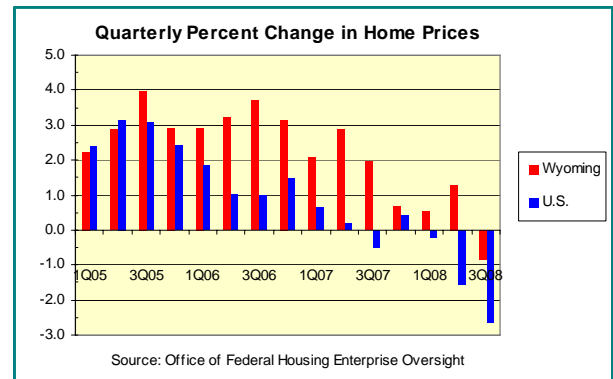
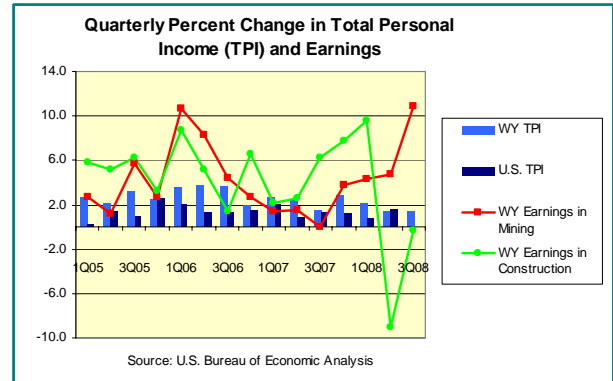
Wyoming communities with booming energy exploration faced severe housing shortages prior to 2008, despite speedy home construction. Home prices have more than doubled in some of these communities in the last 5 years, making the affordability degrade fast, particularly for workers in low paying industries.

The hot residential real estate markets in the State eased 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 in 2008 from the previous year level. Particularly, the home price appreciation quickly slowed down. By the third quarter of 2008, the overall price level in the State contracted 0.8 percent from the second quarter. This was the first home price decline since the second quarter of 1998, and the fastest quarterly price drop since the fourth quarter of 1990.

Thanks to the minimal exposure to subprime mortgages, low levels of household debt, and a robust labor market, Wyoming's delinquency and foreclosure rates continue to rank among the lowest in the nation for the quarter. As home prices in many parts of the nation face a historical double-digit decline in 2008, Wyoming's homeowners may still enjoy a slight growth for the year.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the State reached approximately \$5.4 billion in the third quarter of 2008, an increase of 9.6 percent from the third quarter of 2007. This expansion was highest since the fourth quarter of 2006. 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 the 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 decelerated dramatically since the fourth quarter 2006. For the third quarter of 2008, it expanded 6.5 percent from a year earlier. The retail trade taxable sales continued to show strong annual growth of 14.1 percent in the third quarter of 2008. The 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

Despite the surge of gasoline prices, the State's tourism activities held well during the summer. The number of recreational visitations to Yellowstone and Grand Teton National Parks amounted to about 1,999,852 and 1,461,819 in the third quarter of 2008, up 0.1 percent and down 4.1 percent, respectively, from the previous year level. The lodging sales in the State for the third quarter of 2008, however, were 1.9 percent lower than one year ago. As the State's main tourism attraction area, Teton County's lodging sales experienced a notable annual contraction of 8.1 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 third quarter of 2008 was up substantially from the previous quarter, but only 1.0 percent higher than the third quarter of 2007. The U.S. average livestock price, on the other hand, was slightly higher than the previous quarter, and is the same level as that of Wyoming. With the increasing cost of feeding livestock due to high corn and fuel prices during the summer, earnings at Wyoming farms nosedived, resulting in a big loss of \$88 million in the third quarter of 2008. However, the commodity prices have plummeted since financial crisis started. As a result, reduced input costs for ranchers will help their operation.

Revenue

Investment income, including the Permanent Wyoming Mineral Trust Fund (PWMTF) and pooled income accounts, declined to \$28.5 million in the third quarter of 2008. This was just one fifth of the amount received one year ago. There was a one-time capital gain of \$65 million realized in July 2007, 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 \$362.1 million in mineral severance taxes in the third quarter of 2008 was 76.6 percent higher than a year ago. This was the highest increase since the oil boom in the early 1980s. The growth was mainly due to the surged prices for energy resources, particularly natural gas in the summer.

