Wyoming Economic Update

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Employment growth slowed in the second quarter but remains well above year ago levels in the U.S.

Nonfarm Employment Growth

Index 100 = August 2002, Seasonally Adjusted

Private Sector
Total Nonfarm
Year-over-Year Change

Wyoming
0.9% Private Sector
-0.3% Total July 2012

United States
1.8% Private Sector
1.4% Total August 2012

Source: Bureau of Labor Statistics
Over the past year, employment gains were widespread across industries.

**Nonfarm Employment Over the Past Year, July 2012**

*Seasonally Adjusted*

- Natural Resources & Mining
- Professional & Business Services
- Private Educational Services
- Leisure & Hospitality
- Health Care & Social Assistance
- Wholesale Trade
- Transportation & Utilities
- Manufacturing
- Financial Activities
- Other Services
- Retail Trade
- Construction
- State Government
- Local Government
- Information
- Federal Government

*Percent Change*

*Share of Total Jobs*

*Source: Bureau of Labor Statistics*
However, employment is still below pre-recession levels in many industries.

**Nonfarm Employment since the Recession Started (Dec. 2007 to July 2012)**

*Seasonally Adjusted*

- Natural Resources & Mining
- Private Educational Services
- Health Care & Social Assistance
- Federal Government
- Leisure & Hospitality
- Professional & Business Services
- State Government
- Other Services
- Local Government
- Transportation & Utilities
- Retail Trade
- Financial Activities
- Wholesale Trade
- Manufacturing
- Information
- Construction

United States

Wyoming

*Source: Bureau of Labor Statistics*
Although unemployment rates have fallen, rates remain high across much of the country.

**July 2012 Unemployment Rate**

*Seasonally Adjusted*

United States  
8.1% **August**

Source: Bureau of Labor Statistics
Wyoming relies more heavily on government expenditures due in part to federal spending on national parks and its small population size.
Job losses in the government sector lagged private sector job losses by more than a year.

**Government Contributions to Total Job Growth**
*Seasonally Adjusted, Contribution to Percent Change*

**United States**

- Federal
- Local
- State

**Wyoming**

*Source: Bureau of Labor Statistics*
After outpacing national wage gains for almost two years, real wages have fallen slightly in recent months.

**Real Average Hourly Earnings**

*Seasonally Adjusted, Percent Change over Prior Year*

Source: Bureau of Labor Statistics
Residential construction activity is picking up but remains well below pre-recession levels.

Value of Residential Construction Contracts

*Index 100 = July 2002, Seasonally Adjusted, Three-Month Moving Average*

Source: McGraw Hill/F.W. Dodge
Home prices have stabilized over the past year across most of the nation.

**Change in Home Prices Year-over-Year, 2012Q2**

FHFA Purchase-Only Index

United States

3.0%

Source: Federal Housing Finance Agency
Improvements in non-residential construction activity have varied across the country.

Value of Non-Residential & Non-Building Construction
Percent Change, Cumulative Year-to-Date January through July 2012

United States
-5.4%

Source: McGraw Hill/F.W. Dodge
Drilling activity is responding to prices with oil drilling up and natural gas drilling down.

**Active Drilling Rig Counts**

*Monthly Average*

**United States**

- **Crude Oil**
- **Natural Gas**

**Wyoming**

- **Crude Oil**
- **Natural Gas**

Source: Baker Hughes
Wyoming is heavily reliant on severance tax revenues.

**Wyoming State Government Revenue Structure**

*Fiscal Year 2011*

**Severance Tax Distribution**

- **General Fund**: 24.4%
- **Budget Reserve**: 28.5%
- **Permanent Wyoming Mineral Trust Fund (PWMTF)**: 39.9%
- **All Other**: 7.3%

**General Fund Revenue**

- **Severance Tax**: 19.6%
- **Sales & Use Tax**: 40.1%
- **PWMTF Income**: 18.4%
- **Pooled Income**: 7.7%
- **All Other**: 14.2%

**Severance Tax Distribution** $945.3 million

**General Fund Revenue** $1,175.0 million

*Source: Wyoming Department of Revenue & Consensus Revenue Estimating Group*
Severance tax revenue is projected to decline slightly due to lower natural gas prices.

**Wyoming State Severance Tax Revenue**

*Billions*

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<th>Fiscal Year</th>
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<th>Coal</th>
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Source: Wyoming Department of Revenue & Consensus Revenue Estimating Group
Despite the worst drought in three decades, U.S. net farm incomes are projected to reach record highs in 2012.

**U.S. REAL NET FARM INCOME**

*Constant 2005 Dollars (Billions)*

![Chart showing U.S. real net farm income from 2000 to 2012 with a forecast for 2012. The chart indicates a significant increase in income, particularly in 2012.]*

*Source: U.S. Department of Agriculture*

*Note: Forecast is denoted with an ‘F’.*
The livestock industry continues to struggle with higher feed costs and drought conditions.

**U.S. Livestock Prices & Breakeven Costs**

*Dollars per Hundredweight*

Source: U.S. Department of Agriculture & Iowa State University
The manufacturing sector continues to expand in the Tenth District.

Manufacturing Activity
Diffusion Index, Seasonally Adjusted, Month-over-Month

August 2012
Kansas City District 54.2
United States (ISM) 49.6

Note: Federal Reserve Surveys are computed on an ISM Basis (50 = no change)

Source: Institute for Supply Management & Federal Reserve Bank of Kansas City
Manufacturers in the Tenth District expect higher levels of activity over the next six months.

**Tenth District Manufacturing Expectations**

*Diffusion Index, Seasonally Adjusted, Six Months Ahead*

Manufacturers in the Tenth District expect higher levels of activity over the next six months.
Wyoming exports have increased this year despite the global economic slowdown.

**Wyoming Exports by Trade Partner**

<table>
<thead>
<tr>
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<th>Total Trade YTD through July</th>
<th>Percent Change</th>
<th>SHARE*</th>
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<tr>
<td>All Other</td>
<td>22.4%</td>
<td>40.5</td>
<td>42.0%</td>
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<tr>
<td>Australia</td>
<td>55.8</td>
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<td>Eurozone</td>
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<td>9.2</td>
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*2011 Shares

Note: The Eurozone includes the 27 European Union member countries.
Conclusions

• The Wyoming economy continues to expand at a modest pace.

• Construction activity is increasing in both residential and non-residential sectors. Housing conditions are also improving with more sales, higher prices and lower inventories.

• Growth in the energy sector has slowed somewhat due to low natural gas prices and less coal production. The agriculture sector remains strong for crop producers but the livestock sector continues to struggle.
Wyoming Economic Update

This presentation will be available at http://www.kc.frb.org/denver/

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