

|  |  |
|--|--|
|  |  |
|--|--|

## Wyoming's Defining Industries:

A Source of Strength This Decade

---



Wyoming Economic Forums 2008

Chad Wilkerson

Oklahoma City Branch Executive  
Federal Reserve Bank of Kansas City

|  |  |
|--|--|
|  |  |
|--|--|

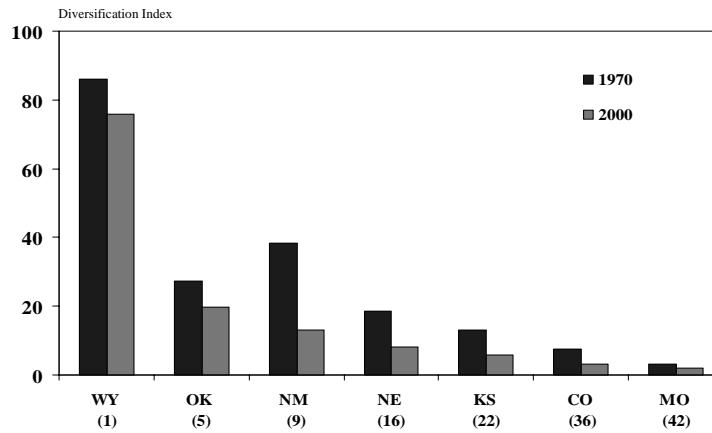
## What are defining industries?

---

- Those that are heavily concentrated in a state relative to the nation
- A common measure is location quotient (LQ), or the ratio of an industry's share of state employment to its share of U.S. employment
- The higher its LQ, the more defining an industry is
- Data are available for nearly 300 industries

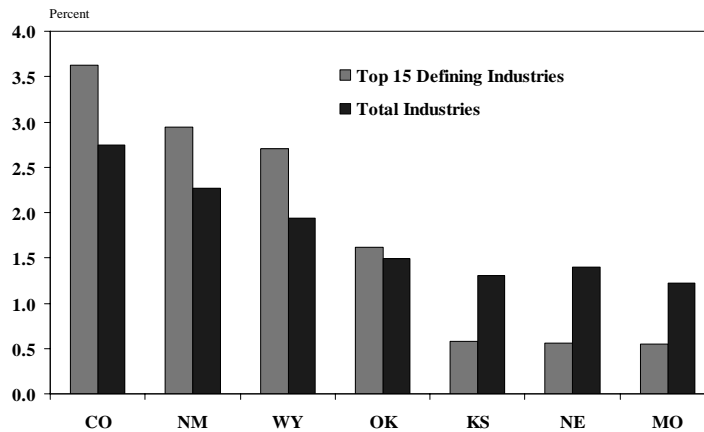
## Wyoming's industrial structure remains the most unique in the country

Tenth District States' Differences from U.S. Industrial Structure  
1970-2000



## A small group of defining industries still drives most state economies

Average Annual State Job Growth, 1990-2005  
Tenth Federal Reserve District States



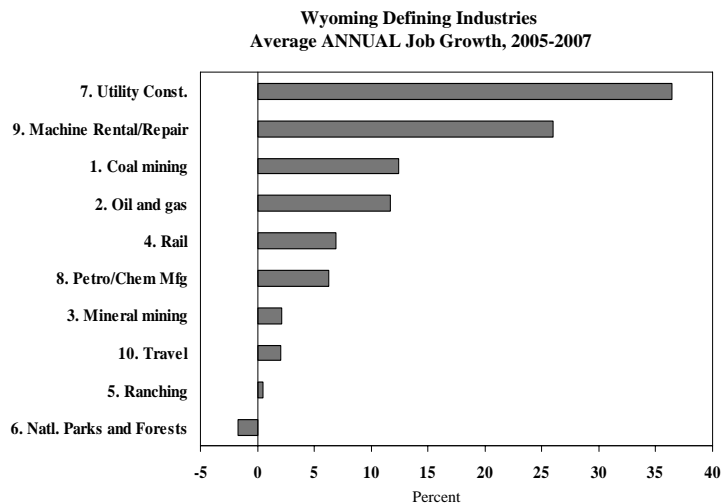
Source: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Railroad Retirement Board

## The Ten Industries that Most Define Wyoming

| Rank | Industry                    | LQ 2005 | 2005<br>Employment | Avg. Pay<br>2005 |
|------|-----------------------------|---------|--------------------|------------------|
| 1    | Coal Mining                 | 32.5    | 5,011              | \$69,454         |
| 2    | Oil and Gas Extraction      | 20.6    | 14,914             | \$59,112         |
| 3    | Nonmetallic Mineral Mining  | 11.5    | 2,566              | \$63,495         |
| 4    | Rail Transportation         | 6.0     | 2,900              | N/A              |
| 5    | Cattle Ranching             | 5.3     | 1,329              | \$24,523         |
| 6    | National Parks and Forests  | 5.2     | 3,516              | \$43,253         |
| 7    | Utility Construction        | 4.1     | 3,375              | \$44,592         |
| 8    | Petroleum/Chemical Mfg      | 3.4     | 1,837              | \$66,580         |
| 9    | Machinery Rental and Repair | 3.2     | 1,840              | \$48,102         |
| 10   | Travel Accommodation        | 2.9     | 10,943             | \$17,557         |

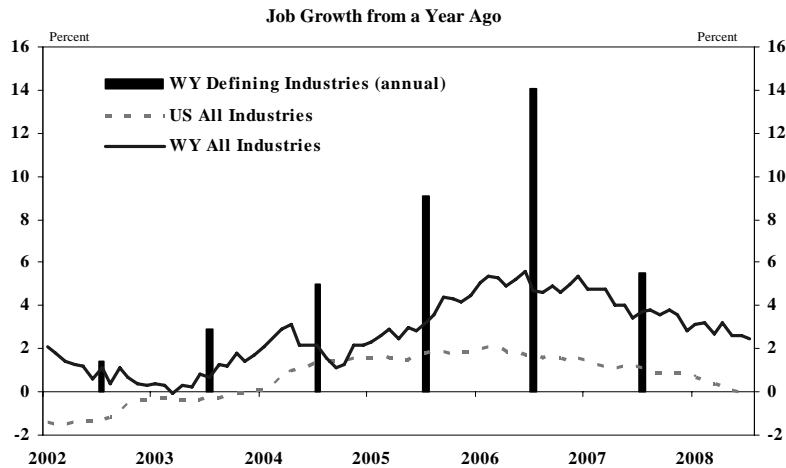
Sources: Bureau of Labor Statistics, Bureau of Economic Analysis

## Growth in the state's defining industries has been very strong in recent years



Sources: Bureau of Labor Statistics, Bureau of Economic Analysis

## And together, they help explain Wyoming's overall strong performance this decade



Source: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics

## So far in 2008, only Texas is posting better job growth readings than Wyoming

### State Job Growth (Aug-07 to Aug-08)

- 0.8 to 2.4%
- 0.2 to 0.8%
- -0.4 to 0.2%
- -2.6 to -0.4%



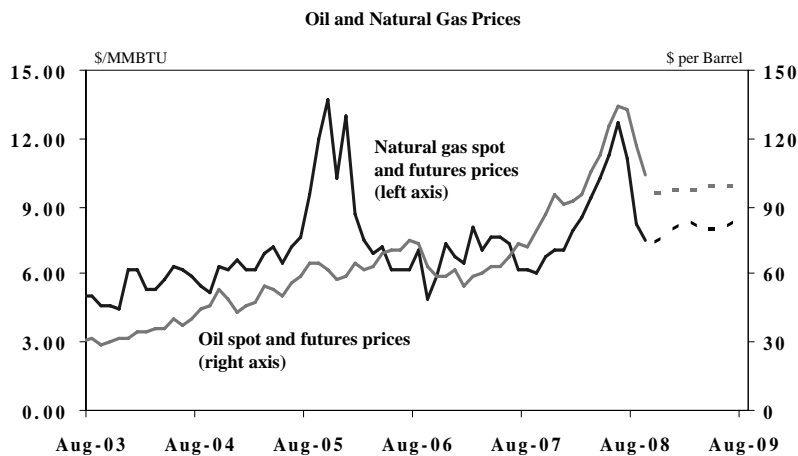
Source: Economy.com

Source: Dismal Scientist

## The near-term outlook for the state's defining industries is modestly positive

- Oil and gas prices remain high, which should provide support to many energy-related industries
- Coal and related industries will likely feel some impact from national economic difficulties
- The cattle industry should benefit from expanded foreign markets and some reduction in feed costs
- Tourism could slow with a weaker U.S. economy

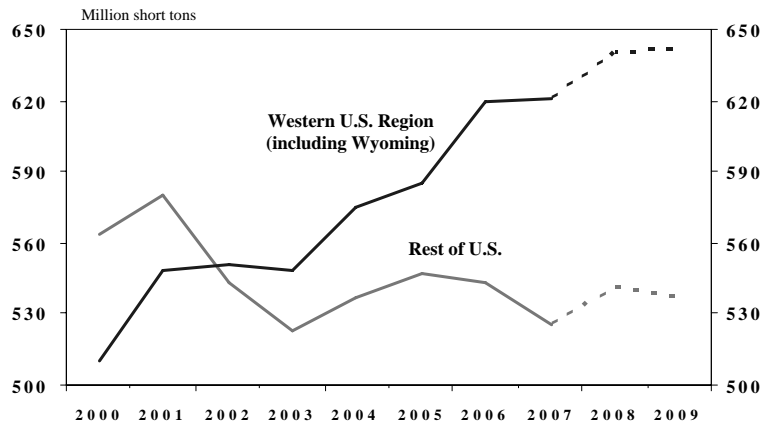
## Oil and gas prices remain supportive of further exploration and production



Source: Baker-Hughes

## Coal production is expected level off with weaker U.S. economic growth

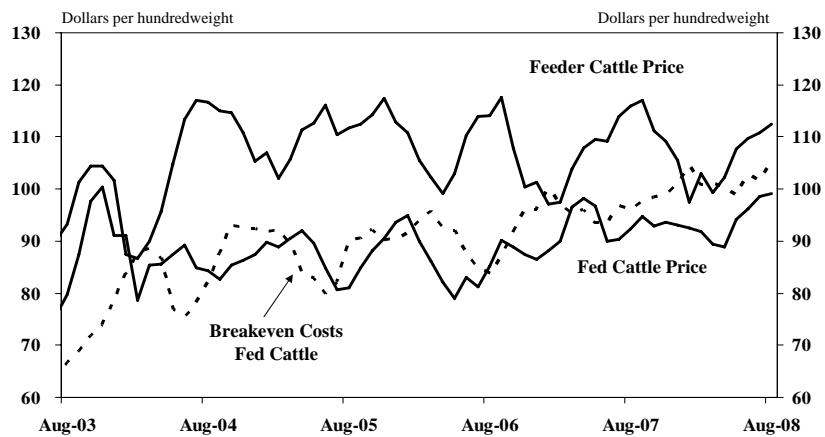
U.S. Coal Production



Source: EIA Short-Term Energy Outlook, September 2008

## Cattle prices remain solid, and the industry should benefit from some reduction in feed costs

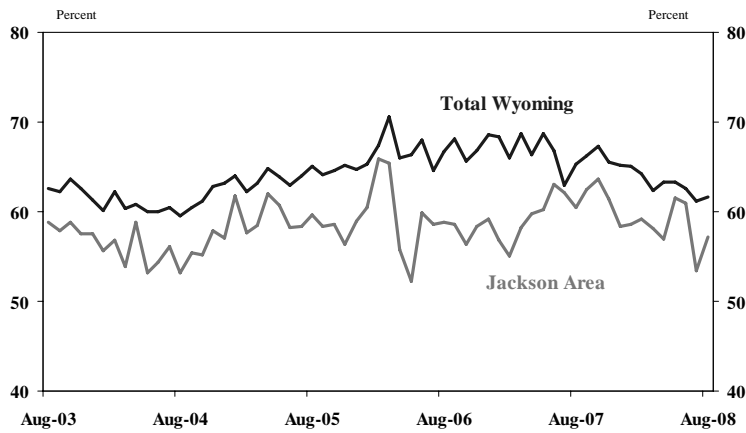
U.S. Livestock Prices and Breakeven Costs



Source: USDA

## Wyoming tourism has held up fairly well despite high gasoline prices

Wyoming Hotel Occupancy Rates  
Seasonally Adjusted



Source: Rocky Mountain Lodging Report

## While 2009 job growth will be slower than in 2008, Wyoming still ranks near the top

Projected 2009  
Job Growth  
(as of Aug-08)

- 1.0 to 1.9%
- 0.5 to 0.9%
- 0.0 to 0.4%
- -0.9 to -0.1%



Source: Economy.com

Source: Dismal Scientist

|  |  |
|--|--|
|  |  |
|--|--|

## The longer-term outlook for the state's defining industries is mixed

---

- Growth in mining and oil and gas jobs is expected to be somewhat restrained by technology gains and environmental concerns, though output will be high
- The long-term outlook for cattle-related jobs is somewhat weak due to productivity, increasing urbanization, and potentially higher food imports
- Long-term prospects for travel and tourism jobs are good, with solid growth driven by rising incomes

|  |  |
|--|--|
|  |  |
|--|--|

## What About Housing?

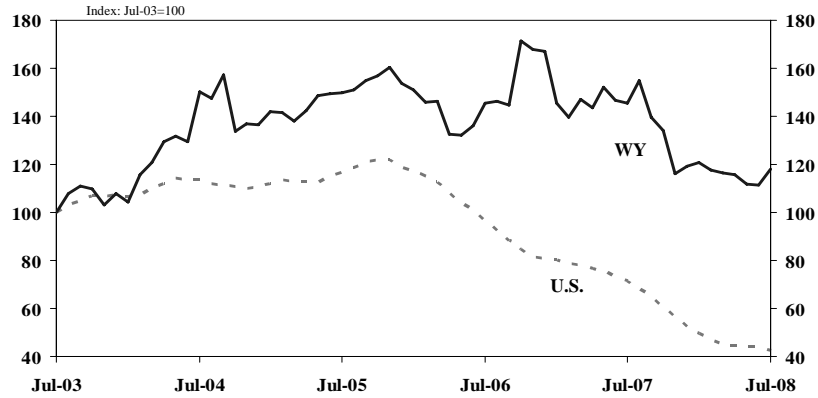
---

- The U.S. housing sector remains in a prolonged slump
- Home prices are falling in many places, driving up foreclosures
- How does Wyoming compare?



## New home construction has dropped sharply in the U.S., but much less so in Wyoming

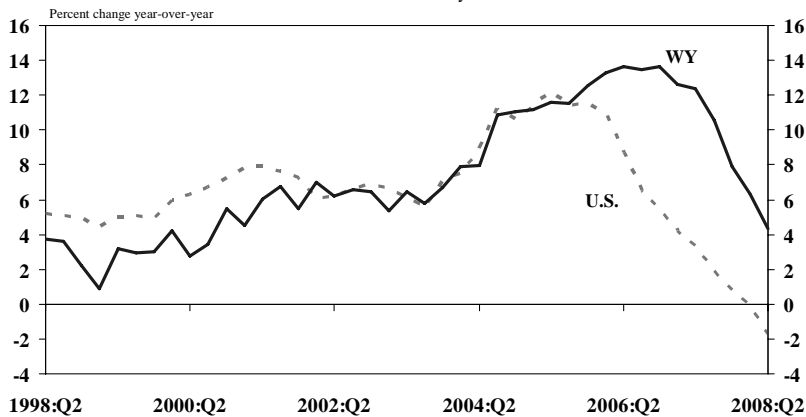
Single-Family Housing Permits  
Seasonally Adjusted



Source: Census Bureau

## U.S. home prices are falling, while Wyoming prices are holding up better

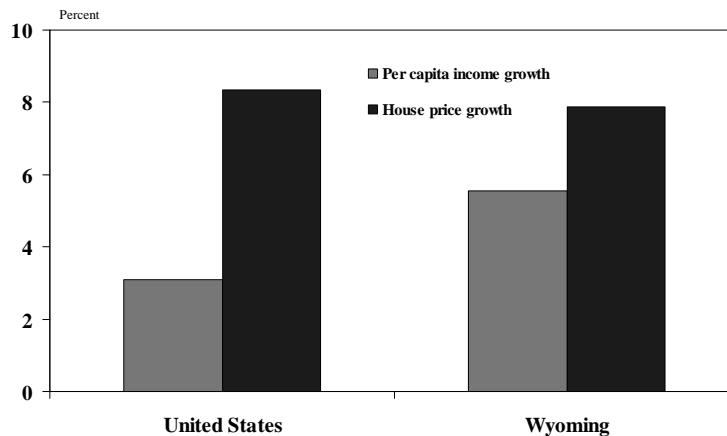
Quality-Adjusted Home Price Growth  
Purchase-Only



Source: OFHEO

## House price fundamentals were more in line in Wyoming from 2000 to 2005

Annual Growth in Per Capita Incomes and Home Prices  
2000 - 2005

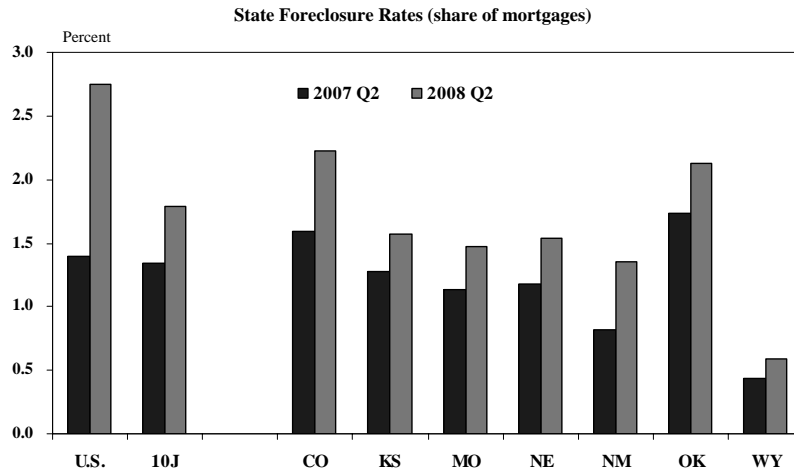


Source: U.S. Bureau of Economic Analysis, OFHEO

## Foreclosure Trends in the U.S.

- **4 million homeowners were either behind on their payments or in foreclosure at the end of 2Q08.**
- **Foreclosure activity up 14% in 2Q08 - 121% increase from 2Q07**
- **Almost 500,000 homeowners entered the foreclosure process in 2Q08**
- **Subprime ARMs represent 6% of the loans outstanding but represent 39% of the foreclosures started during 1Q08.**
- **Prime ARMs represent 15% of the outstanding loans but represent 23% of the foreclosures started during 1Q08.**
- **95 out of the nation's 100 largest metro areas experienced year-over-year increases in foreclosure activity.**
- **Foreclosure rates are predicted to grow through 2009.**

Wyoming's foreclosure rate is the lowest in the Tenth District, and well below the U.S. rate



Source: MBA National Delinquency Survey

Questions?