

WYOMING BUSINESS REPORT

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SE forecast: Job slowdown ahead

By David A. Robotcek

CHEYENNE - The more than 250 attendees at the Wyoming Business Report's inaugural Southeast Wyoming Economic Forecast luncheon heard in-depth analyses of economic conditions throughout the state from a variety of experts, who shared a mostly positive outlook for 2008.

Speakers at the event, held Dec. 13 at Cheyenne Little America, included Buck McVeigh, administrator of the Economic Forecasts Division for the state of Wyoming; Rob Godby, chair of the UW Department of Economics; former economist Stig Hallingbye, regional president of American National Bank; and Charlie Harms, CEO of Cheyenne Regional Medical Center. Brent Hathaway, dean of the University of Wyoming College of Business, served as the program's moderator.

McVeigh said that, overall, Wyoming's job growth and per capita income growth last year ranked second in the nation at 4.9 percent and 9 percent respectively. Consumer spending for the year rose 12 percent and state revenues exceeded expectations. On the downside, inflation of 4.4 percent outpaced the U.S. average of 2.5 percent.

McVeigh said Wyoming is at its highest ever population level - 515,004.

Focusing in on Laramie County, McVeigh noted that population growth there lagged the state's 1.2 percent rate, coming in at 0.4 percent. And job growth in the county was 2.6 percent, just over half of the state's robust job growth figure.

McVeigh predicts a general slowdown in job growth in 2008 both for Laramie County and for the state as a whole.

Wages in Laramie County grew by nearly 10 percent, consumer spending was up more than 6 percent and sales and use tax collections grew by 7.5 percent. Inflation in the county was 3.5 percent, nearly a full percentage point lower than the state average, but a point higher than the U.S. average.

McVeigh said that energy prices and production are the key components to continued increases in Wyoming's economic growth, and he predicts above average growth in the near term. He expects employment to average 2 percent growth per year and said the energy sector will drive job increases, which will in turn benefit other sectors, such as construction, trades and transportation.

He predicted Wyoming's rate of inflation will continue to outpace the U.S. rate and

said work-force availability and housing affordability are still at issue.

"Jobs will continue to grow at a rate of four-to-one on population growth," he said. "We can expect the tight labor market to continue and, as long as it does, we can expect it to have a tempering effect on economic growth."

He said Laramie County's economy is more diversified than the rest of Wyoming due to its small mining sector, but is much less diversified than the U.S. average due to the large number of government jobs

Laramie, Albany counties in focus

Focusing on Albany County, UW's Godby cited both similarities and differences between the two counties.

Where Laramie County has a disproportionate number of jobs in government, Albany County has a disproportionate number in education. The county is dominated by one large employer in UW.

Godby said Albany County is smaller, younger and poorer than its neighbor to the east, but its proximity to Cheyenne and the Colorado Front Range affords it solid growth potential.

He cited growth potential in the UW School of Energy Resources, the future National Center for Atmospheric Research supercomputer in Cheyenne and potentially large energy projects in Carbon County.

He said major expansion of UW and its facilities, the availability of a highly educated work-force and favorable housing and labor costs relative to the Front Range are cause for optimism.

Hallingbye, an economist turned banker, said the banking industry is strong in southeast Wyoming and in the state as a whole. Wyoming's 54 chartered banks have 226 locations. He said 10 of the 54 are out-of-state banks and they represent about 40 percent of the deposits. He said his bank, American National, headquartered in Denver, counts about 20 percent of its total assets in Wyoming.

Hallingbye said the energy sector is a huge factor in the state's strong deposits. At the end of June, there were \$6 billion in deposits in the state's banks. By the end of the year, that had grown to \$11.6 billion, an 11 percent increase over 2006. Cheyenne's 18 banks held \$1.2 billion in deposits for the year, a 6 percent increase year-to-year.

He said that while there has been a slight downturn in the housing market, real estate remains strong. Mortgage lending is tightening due to the subprime mortgage mess across the nation.

"Availability of financing is definitely an issue," Hallingbye said. "The secondary mortgage market is drying up a little bit, so it's not available for everybody like it used to be. "

He said foreclosures in Wyoming have not been nearly as bad as the record levels in

Colorado and elsewhere across the nation, but lenders have tightened requirements.

Residential building permits across Wyoming are down slightly; in Laramie County building permits are about half the level of the previous year. Hallingbye attributes that to market saturation and the strong availability of existing homes.

Hallingbye said it is a seller's market for homes in the \$100,000 to \$200,000 price range, but a buyer's market at all other prices.

Health care substantial sector

Harms said Cheyenne Regional Medical Center is an important factor in the region's economy with its 218 beds, 1,700 employees and 300 volunteers.

He said that nationally, health care represented more than \$12 trillion, or 16 percent, of gross national product in 2006. Hospitals accounted for \$1.9 trillion in 2006, or nearly 5 percent of GNP.

Harms said Wyoming's 24 hospitals have just over 2,000 beds and admitted more than 52,000 patients in 2006. Inpatient and outpatient hospital charges that year were more than \$813 million, "a fairly substantial part of Wyoming's economy."

The problem for hospitals is the disparity between what they bill and what they actually collect.

"Of the \$1.2 billion charges for patients in Wyoming in 2006, hospitals collected only \$750 million, because of charity care, bad debt and the difference between actual charges and payments made by Medicaid, Medicare and private insurance companies," Harms said.

He said CRMC collected just \$199 million of the \$414 million it billed.

Another issue, especially in Cheyenne, is leakage to out-of-state hospitals.

"In 2006, \$238 million was spent by Wyoming inpatients at hospitals outside the state," Harms said. "You can figure another 50 percent of that amount was spent outside the state by Wyoming outpatients."

Business Report Publisher Phil Noble said that future economic forecast events will be held around the state, with specifics announced at a later date.

Sponsors of Economic Forecast 2008 included the Wyoming Business Council, University of Wyoming College of Business, American National Bank and Cheyenne Light, Fuel and Power.