



Economic Summary: 1Q2020



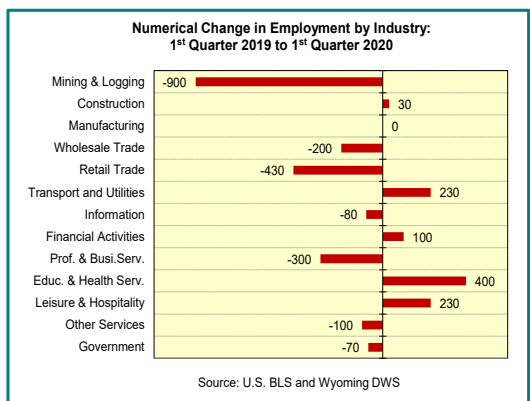
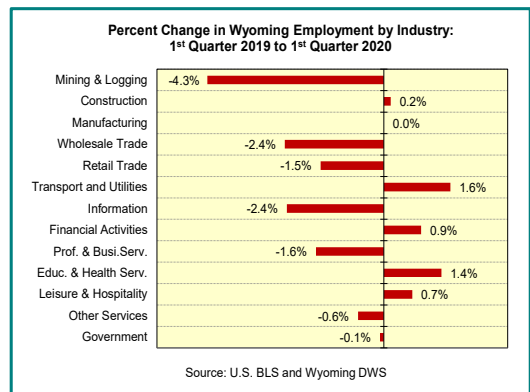
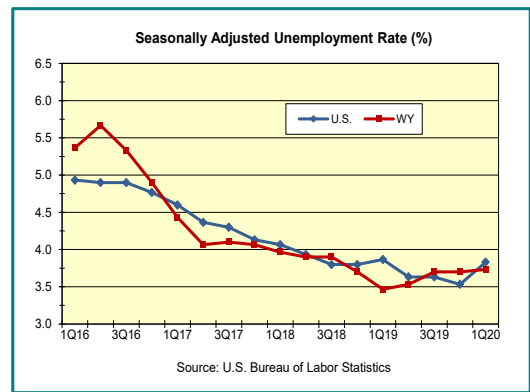
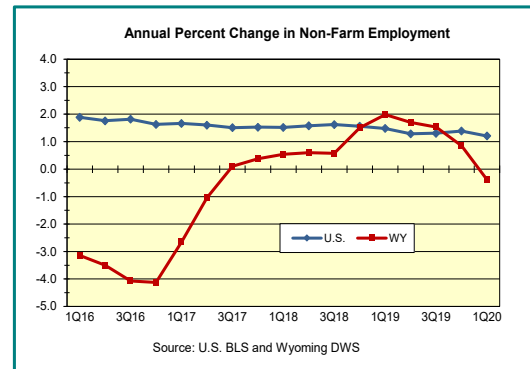
Current Global and U.S. Economy

The COVID-19 pandemic has devastated the global economy by inducing historic supply and demand shocks that will not be easily remediated. Lockdown measures to contain the virus have created a sudden stop in economic activity that has brought one of the deepest and swiftest global recessions on record. However, the negative effects of the disease have broadly peaked, according to Moody’s Analytics. The global economy is now at the start of a slow and uncertain recovery that may take years to unwind and is fraught with downside risks. In particular, a durable second wave of outbreak could bring another round of protective measures that would drive world economies into a protracted downturn. Global real GDP is expected to fall by 4.8 percent year-over-year in 2020. Emerging markets have withstood March’s extreme selloff, but portfolio inflows are still tepid. The Chinese economy is stabilizing, although recovery signals have been mixed. Japan will enter a deep recession as its key external demand withers. Growth prospects in Europe have been devastated and the region will be among the hardest hit.

After hitting its nadir in May, the U.S. economic recession may be over, according to Moody’s Analytics. The quick reopening of businesses across the country catalyzed the turnaround, and the three-month downturn – March through May – will be the shortest in recession-dating history, but it will be among the most severe. Real GDP is expected to decline by more than 12 percent peak to trough between the fourth quarter of 2019 and the second quarter of 2020, approximately three times the loss experienced during the Great Recession. The annual real GDP is forecast to contract by 5.6 percent in 2020.

Employment

After the severe downturn in 2015 and 2016, Wyoming’s economy rebounded with a year of strong growth from the fourth quarter of 2018 to the fourth quarter of 2019. However, the recovery already slowed down in the first quarter of 2020 before the COVID-19 pandemic. Total employment decreased 0.4 percent (or 1,090 jobs) compared to one year earlier, while the job growth rate for the U.S. was still 1.2 percent. The state’s unemployment rate increased to 3.8 percent, slightly higher than the national average. Job declines occurred in about half of industrial sectors where the mining (including oil & gas extraction) lost the largest number of jobs, mainly due to the reduced drilling activities because of declining oil and natural gas prices. Wholesale trade and information also experienced declines of 2.4 percent, respectively. In a year-over-year comparison, only a few sectors of the economy showed moderate employment growth, led by education & health services (400 jobs, or 1.4%). Transportation, warehousing, and utilities, and leisure & hospitality sectors added 230 jobs, each.



Personal Income and Earnings

Wyoming's total personal income grew 2.8 percent in the first quarter of 2020 from the previous year, slower than the previous quarter. U.S. personal income increased 3.3 percent during the same period. Personal income is the income received by all residents from all sources. It is the sum of wage & salary and proprietors' earnings; property income (dividends, interest, and rent); and personal transfer receipts such as Social Security Income, Medicare and Medicaid benefits, veterans benefits, and other income benefits and assistance. Total earnings in the state grew 2.4 percent annually in the quarter, while property income and transfer receipts increased 1.8 and 6.3 percent, each. Earnings in most sectors demonstrated expansions from a year ago, led by the farm sector's growth rate of 32.6 percent. The only sectors that experienced declines were mining (-5.9%) and leisure & hospitality (-3.0%) due to impact of the COVID-19 pandemic.

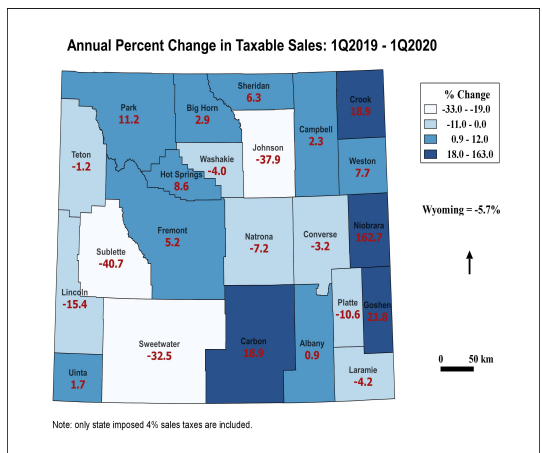
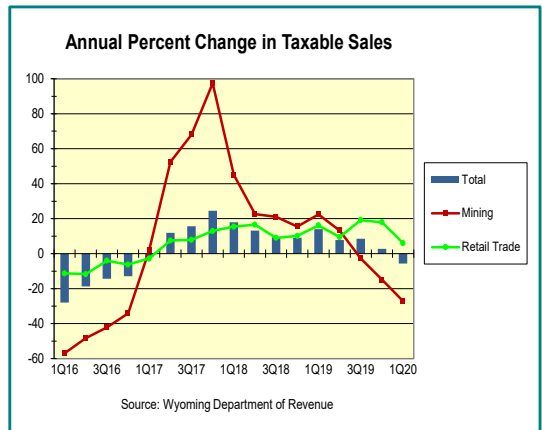
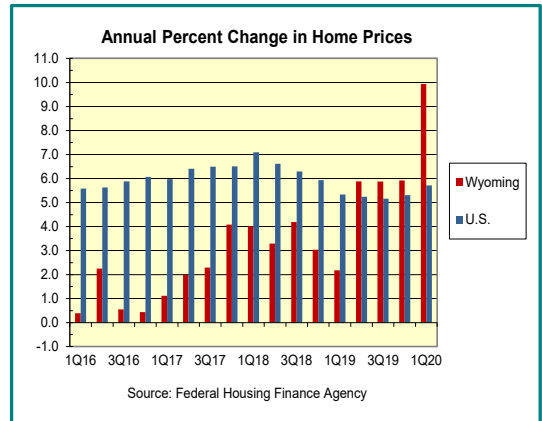
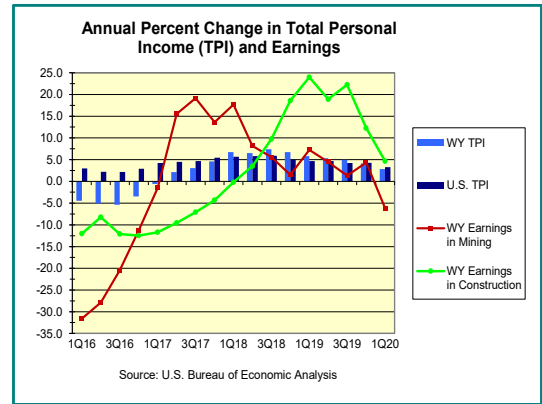
Housing

The statewide single-family home price increased 9.9 percent in the first quarter of 2020 from one year ago, the fastest pace since the third quarter of 2007, while the national average price appreciation inched up to 5.7 percent during the same period. In Wyoming, single-family building permits for new privately-owned residential construction in the first quarter of 2020 were 3.5 percent lower than the previous year level. Both mortgage delinquency rates and foreclosure rates in March were lower than last year, according to CoreLogic.

The U.S. house price market has outperformed previous expectations and remained much more resilient than the labor market. The CARES Act and the Fed's expansionary monetary policy actions are key contributors to the resilience. The 30-year fixed mortgage rate has hit a new all-time low, decreasing costs associated with buying a home and increasing housing demand. However, the resilient housing market could change direction as foreclosure proceedings return and more foreclosed properties enter the market. House prices may still experience a downturn albeit the scale is expected to be substantially less than during the Great Recession.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state shrunk 5.7 percent to \$4.2 billion in the first quarter of 2020. Decreases occurred in most economic industries. The mining sector (including oil & gas extraction) contracted substantially, at -27.2 percent, due to declining sales of equipment, supplies, and services from energy exploration and production activity, and this was the largest year-over-year drop since the fourth quarter of 2016 – before the economic recovery. Utilities, construction, and transportation & warehousing industries, which are closely related to mineral development and production, also experienced double-digit declines. Automotive, machinery and equipment rental & leasing demonstrated a year-over-year expansion of 19.8 percent. The retail trade industry, the largest in terms of sales tax contribution, grew 6.0 percent. However, this increase was



mostly attributed to the increasing number of tax submissions from remote sellers, as a result of new legislation on collections of sales tax by market facilitators.

Across the state, 13 out of 23 counties experienced increases in taxable sales, led by Niobrara’s 162.7 percent, followed by the 21.8 percent in Goshen. Sublette, Johnson, and Sweetwater counties suffered the largest declines of more than 30.0 percent, each, mostly reflecting a slowdown in conventional natural gas exploration.

Tourism

The number of recreational visitations to Yellowstone National Park reached 89,369 in the first quarter of 2020, down 5.2 percent from the previous year, while 158,300 visits in Grand Teton National Park showed a decrease of 4.9 percent. The complete closure of these two national parks in late March may be a factor for the visitation change.

Lodging sales for the first quarter were 2.2 percent lower than a year ago in Teton County, and were down 9.9 percent for the state as a whole. Visitation to the state during the August 21, 2017 solar eclipse probably compromised the comparison for the third quarter of 2018. In general, the primary drivers for the fluctuation in lodging sales are visitations to the national parks and mineral activities in the state, but the sales change in Teton County’s winter season is mostly driven by ski activities.

Agriculture

The index of prices received by farmers for all U.S. livestock and products was higher in the first quarter of 2020 compared to the previous quarter, but it was slightly lower than a year ago. Between the fourth quarter of 2014 and 2016, farm earnings in Wyoming experienced a dramatic downward trend amid strong supply and weak global demand for beef products, but they have stabilized, and then accelerated starting in 2019.

Commercial red meat production for the United States totaled 3.86 billion pounds in April, down 15 percent from the 4.55 billion pounds produced in April 2019, according to Mountain Regional Field Office of the National Agricultural Statistics Service, USDA. However, the January to April 2020 cumulative production was still 2.0 percent higher than 2019.

Revenue

The amount of investment income distributed to the state general fund, including income from the Permanent Wyoming Mineral Trust Fund and state agency pooled income accounts, reached \$55.3 million in the first quarter of 2020, which was 26.4 percent lower than the amount recorded a year ago. The huge boosts in the second quarters were due to the net realized capital gains being distributed at the end of each fiscal year, which ends on June 30. The \$112.7 million in mineral severance taxes generated in the first quarter of 2020 was substantially lower than the previous quarter or the previous year, and it was the smallest since the second quarter of 2016.

