



Economic Summary: 1Q2022



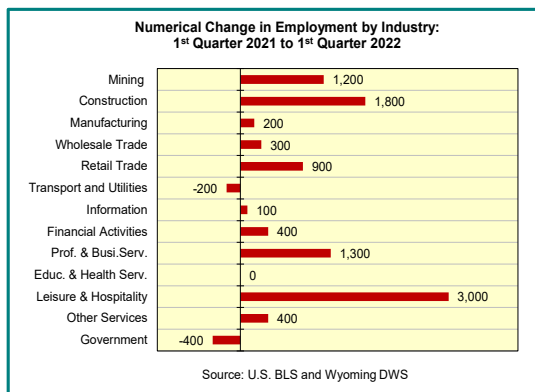
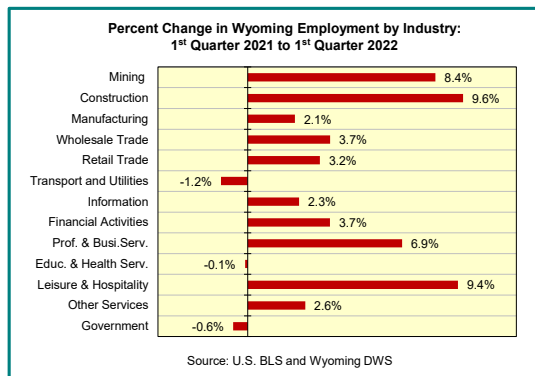
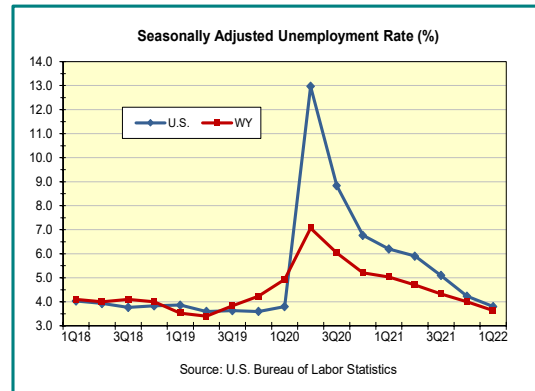
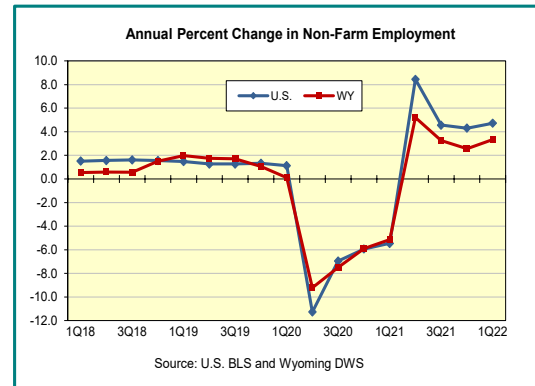
Current Global and U.S. Economy

The global economy faces shifting headwinds with the outlook darkened since Russia’s invasion of Ukraine. The volatility in global oil and other commodity markets and an increasingly risk-averse trading environment fueled inflation into the second quarter and are likely to sustain above normal levels throughout this year, weighing on global expansion. For the near future, central banks will continue to withdraw extraordinary pandemic-driven stimulus and tighten rates aggressively. Moody’s Analytics expects global real GDP growth to decelerate in 2022 to 2.8 percent, and 3.1 percent in 2023 as policy support fades, pent-up demand cools, and supply-side inflation remains elevated. The negative supply shock and bottlenecks from the pandemic and the war remains the key downside risk to global growth this year, potentially resulting in reduced sentiment, real spending, and capital expenditures.

The U.S. banking and trade exposure to either Russia or Ukraine is very small, according to Moody’s Analytics. The primary impact of the Russian invasion to the U.S. economy is channeling through heightened energy prices and financial market conditions. After a strong performance (6.9%) in the fourth quarter of 2021 and a decline of 1.6 percent in the first quarter of 2022, real GDP in the U.S. is tracking below 1.0 percent annualized for the second quarter of 2022. While inventories played an enormous role in the gain of fourth quarter GDP, they, along with net exports, were also a significant drag on growth early this year. Moody’s Analytics forecasts around 2.0 percent GDP growth for the full year of 2022, monthly job gains to average 373,000, and the unemployment rate to end the year at 3.3 percent. Oil prices, financial market, inventories, and supply-chain issues remain downside risks to the forecast.

Employment

As the Omicron wave of the pandemic quickly faded, Wyoming’s economy continued to rebound in the first quarter, though slower than the U.S. average. The year over year comparison may overstate the strength of the economy and the state’s labor market because 2021’s first quarter conditions were devastated by the pandemic. Total employment increased 3.3 percent (or 9,000 jobs) compared to the previous year, while the U.S. growth rate was 4.7 percent. The state’s unemployment rate decreased to 3.6 percent, which is lower than the national average of 3.8 percent. Payroll jobs increased in most industrial sectors, led by leisure & hospitality. This service industry recovered about 3,000 jobs, 9.4 percent of its employees in the year. Wyoming’s pivotal industry, mining, improved since the first quarter of 2021, growing 8.4 percent annually, because of moderate rebound in oil and natural gas activities. Construction and professional & business services also gained 9.6 and 6.9 percent of jobs, respectively.



Personal Income and Earnings

Wyoming's total personal income decreased 2.6 percent in the first quarter of 2022 compared to the first quarter of 2021. The decline was the largest since the fourth quarter of 2016 when the state's economy was in a deep downturn due to depressed energy prices. U.S. personal income decreased 2.8 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, unemployment insurance compensation, and other income benefits and assistance. Total earnings in the state grew 9.3 percent annually in the quarter while transfer receipts dropped 33.7 percent. Government pandemic relief payments from the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Rescue Plan (ARP) Act in early 2021 compromised the year over year comparison.

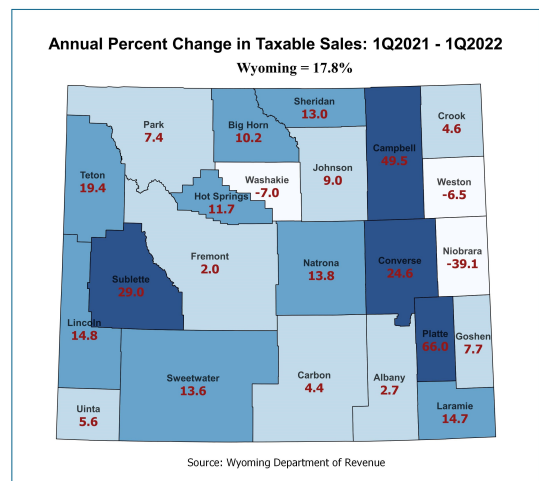
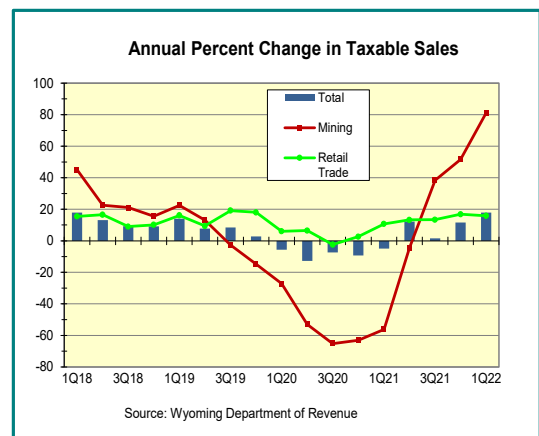
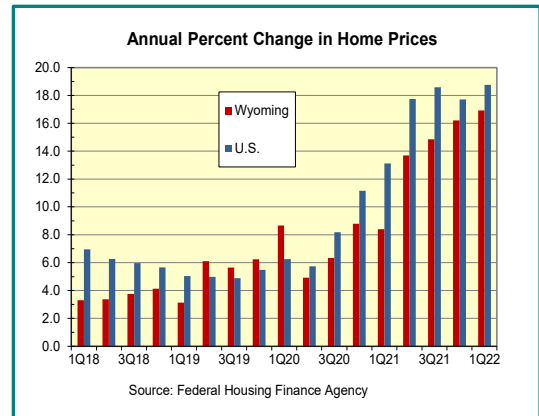
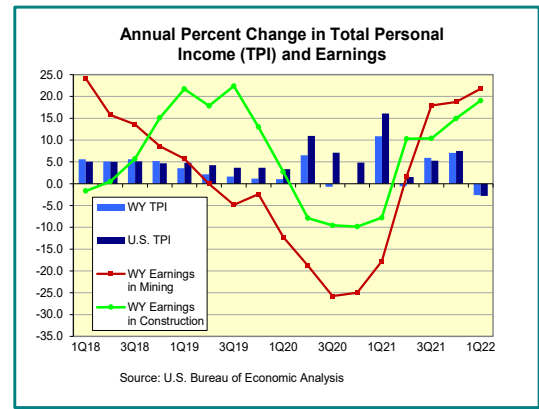
Housing

The statewide single-family home price increased 16.8 percent in the first quarter of 2022 compared to one year ago, a greater increase than the previous quarter. The national average price appreciation also accelerated to 18.8 percent during the same period, the fastest increase in many decades. In Wyoming, single-family building permits for new privately-owned residential construction in the first quarter of 2022 were 29.9 percent higher than the previous year. Mortgage delinquency rates in March were lower than last year.

U.S. home values continue to outperform expectations, supported by resilient demand and increasingly constrained supply. The Fed's expansionary monetary policy actions are key contributors to this resilience. Expected rising mortgage rates drove buyer urgency and price boosts. Demographics support the demand as younger millennials enter the market in droves while older millennials look to upgrade and upsize their homes. However, the red-hot housing market is expected to slow down in the second half of 2022 because of higher mortgage rates. This will likely dampen buyers' enthusiasm and wane their activity. In addition, the reduced affordability will also contribute to a cool-down in housing demand.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state expanded 17.8 percent to \$4.7 billion in the first quarter of 2022, in a year-over-year comparison. This strong growth was mostly attributed to continued expansion in retail trade and leisure & hospitality, as well as a rebound in mining. Increases occurred in a vast majority of economic sectors. Leisure & hospitality grew substantially (20.8 percent), thanks to the decline in COVID cases and booming travel & tourism activities. The mining industry (including oil & gas extraction) also demonstrated a strong rebound, 81.1 percent. However, the first quarter amount was still 20.8 percent less than the taxable sales in the first quarter of 2020. The retail trade industry, the largest in terms of sales tax contribution, increased 15.8 percent. Heightened inflation has also played a role in the



strong growth. Across the state, 20 out of 23 counties experienced increases in taxable sales in a year over year comparison, led by Platte's 66.0 percent. Campbell, Sublette, and Converse counties also showed expansions over 20.0 percent. Niobrara (-39.1%), Washakie (-7.0%), and Weston (-6.5%) are the only counties that experienced decline.

Tourism

The number of recreational visitations to Yellowstone National Park reached 128,444 in the first quarter of 2022, up 19.1 percent from the previous year, while 188,980 visits to Grand Teton National Park showed a slight decrease of 2.8 percent. Visitation for Yellowstone was the highest ever recorded for the first quarter in history, while the figure for Grand Teton was still the second highest, only lower than the first quarter of 2021 level. This robust visitation was mostly attributed to visitors' preference for outdoor sightseeing during the COVID-19 outbreak as well as pent-up demand for travel and recreation.

Lodging sales for the first quarter were 40.5 percent higher than a year ago in Teton County, and grew 35.0 percent for the state as a whole. Lodging rate inflation definitely played a big role in the large increase.

Agriculture

After dropping to the lowest level in roughly 10 years, the index of prices farmers received for all U.S. livestock and products has rebounded quickly since the third quarter of 2020. The index reached 116 in the first quarter, 21.0 percent higher than a year ago. The COVID-19 pandemic not only disrupted the supply chain, but it also severely affected consumption demand patterns. Farm earnings in Wyoming experienced a downward trend since the fourth quarter of 2020. For the first quarter of 2022, the amount was lower than both the previous quarter and the prior year because of decreases in payments from COVID-19 programs and heightened input costs.

According to the Federal Reserve Bank of Kansas City, the outlook for agricultural credit conditions remained optimistic alongside persistently strong commodity prices. However, pressures to profit margins from higher input costs and harsh drought conditions in large portions of the country are concerns for many lenders in the near future.

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 \$52.3 million in the first quarter of 2022, 3.9 percent higher 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 \$223.9 million in mineral severance taxes generated in the first quarter of 2022, was 46.4 percent higher than the previous year, and the amount was the largest since the third quarter of 2014, reflecting surging energy prices - the highest for petroleum since the second quarter of 2014 and the highest for natural gas since the third quarter of 2008.

