



Economic Summary: 1Q2023



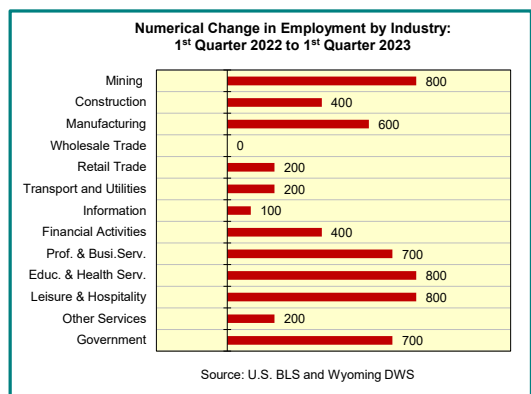
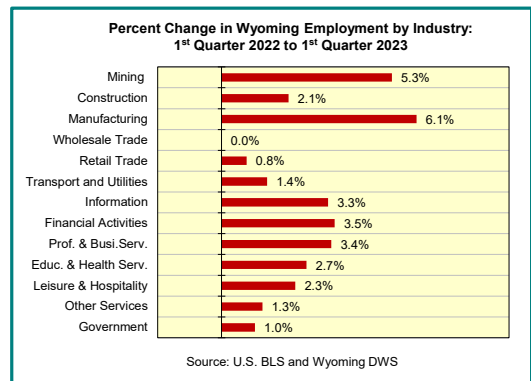
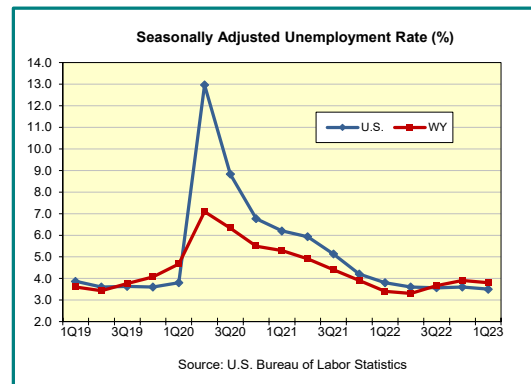
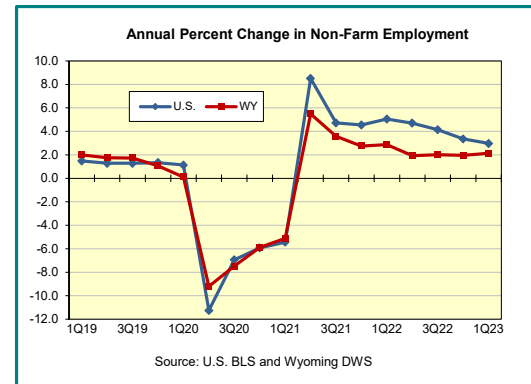
Current Global and U.S. Economy

The global economy will slow down in 2023, but recession odds have receded slightly, according to Moody’s Analytics. As the pandemic moved into the rear-view mirror, different challenges have arisen. Central banks in most countries aggressively tightened rates in 2022. The combination of higher interest rates and still-elevated inflation is affecting purchasing powers for both businesses and households, which could increasingly result in a slower demand condition. Global GDP growth is forecast to slow to 2.2 percent in 2023, markedly weaker than the 3.0 percent reached in 2022. However, the odds of a recession are still high. The U.S. economy is resilient, but vulnerable. Europe may escape a recession, but will perform weakly this year. China’s post-COVID rebound was short of expectations, particularly the property market and industrial production are sluggish.

Ever since the Federal Reserve started to hike interest rates aggressively last year, recession has always been a concern for consumers and businesses. Historically, a recession typically follows if the economy experienced a high inflation and high interest rates. The U.S. economy is growing slowly at below-potential pace, and is vulnerable. Recession risks remain quite high into 2024, and even a small shock could cause damages. However, a continuous healthy labor market (with sturdy hiring, plentiful job openings, and low layoffs), the excess savings (due to pandemic), and a relatively firm financial system may possibly avoid a full-blown recession. The assessment from Moody’s Analytics is that the baseline forecast remains recession free through 2024. Real GDP (growth rate of 1.6%) and payroll jobs (addition of 280,000 monthly) continue to grow, but at a lower speed. The unemployment rate is expected to remain below 4.0 percent throughout 2023.

Employment

As energy businesses maintain their drilling activities, 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 2022’s first quarter conditions were still heavily affected by the pandemic. Total employment increased 2.1 percent (or 5,900 jobs) compared to the previous year, while the U.S. growth rate slowed down to 3.0 percent. The state’s unemployment rate decreased a touch to 3.8 percent, which was slightly higher than the national average of 3.5 percent. Payroll jobs increased in nearly all industrial sectors, led by manufacturing (6.1 %). Wyoming’s pivotal industry, mining, has been rebounding since the first quarter of 2021, and grew 5.3 percent annually in the first quarter. Leisure & hospitality services and private education & health services gained 800 jobs, respectively. Professional & business services added 700 jobs, or 3.4 percent during the year.



Personal Income and Earnings

Wyoming’s total personal income increased 5.7 percent in the first quarter of 2023 compared to the first quarter of 2022. The growth rate for the first quarter of 2023 was slightly higher than the previous quarter. U.S. personal income increased 5.6 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 4.7 percent annually in the quarter while property income grew 6.6 percent. Earnings in most sectors demonstrated expansions from a year ago, led by the mining (11.2%) and construction (11.8 %). The largest decline was financial activities (-3.7%), possibly due to the slowdown in the housing market.

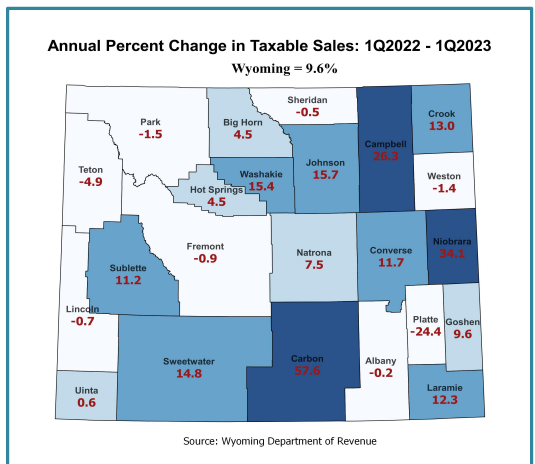
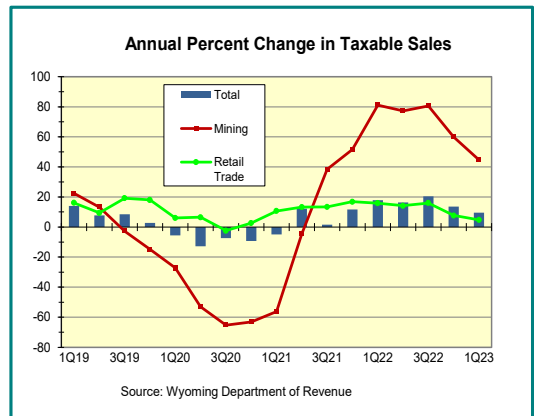
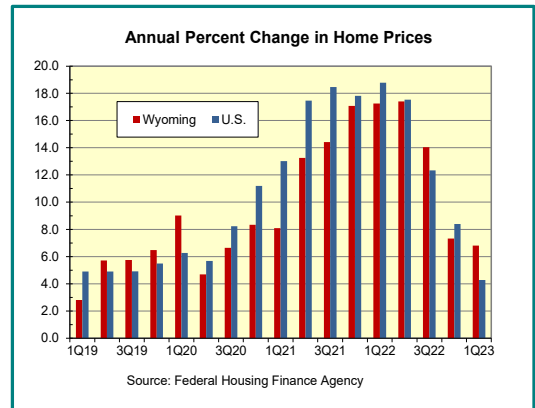
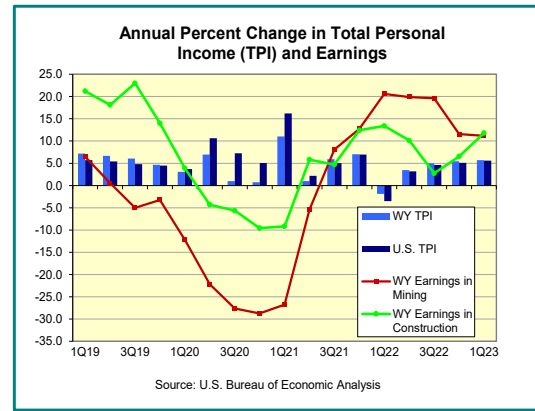
Housing

The statewide single-family home price increased 6.8 percent in the first quarter of 2023 compared to one year ago, a slightly lower increase than the previous quarter. The national average price appreciation, however, decelerated to 4.3 percent during the same period, the weakest increase in more than ten years. In Wyoming, single-family building permits for new privately-owned residential construction in the first quarter of 2023 were 55.6 percent lower than the previous year, while multi-family units decreased 33.0 percent.

The U.S. housing market entered a slump last summer after the Federal Reserve quickly ended the real-estate boom that was driven by the pandemic and record-low interest rates. Many indicators continued to be weak, but the trends such as home sales, permits, and starts appear to be recovering. This indicates a possible rebounding of residential construction along with an improvement in homebuilder confidence. Though demand has tumbled, the supply of homes is still low except multifamily units where both permits and construction are robust. Home prices have slid but are still well above their pre-pandemic levels. Strength of the labor market and household income are key factors to prevent a significant housing market decline.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state expanded 9.6 percent to \$5.1 billion in the first quarter of 2023, in a year-over-year comparison. This strong growth was mostly attributed to the ongoing rebound in mining and expansion in retail trade. Increases occurred in a vast majority of economic sectors. The mining industry demonstrated robust growth, 44.7 percent. However, the first quarter amount in the mining sector was still 16.6 percent less than the taxable sales for the first quarter of 2019. The retail trade industry, the largest in terms of sales tax contribution, increased 4.8 percent. Persistent inflation has also played a role in the strong growth. The leisure & hospitality sector showed a slow growth of 0.6 percent. Partially fueled by the pent up demand and price hikes for new vehicles, automobile sales increased 6.6 percent.



Across the state, 15 out of 23 counties experienced increases in taxable sales in a year over year comparison, led by Carbon (57.6%). Niobrara and Campbell counties also showed expansions of 34.1 and 26.3 percent, respectively. However, counties without considerable mineral extraction in their economies displayed smaller increases or declines.

Tourism

The number of recreational visitations to Yellowstone National Park reached 121,470 in the first quarter of 2023, down 5.4 percent from the previous year, while 167,426 visits to Grand Teton National Park showed a decrease of 11.4 percent. The oldest national park, Yellowstone, was closed on June 13, 2022 due to severe flooding, and it reopened nine days later with limited admission through the fall. Most visitors to the national parks during the winter months are snowmobilers.

Lodging sales for the first quarter were 5.1 percent lower than a year ago in Teton County, and declined 2.9 percent for the state as a whole. In general, the primary drivers for the fluctuation in lodging sales are visitation to the national parks and mineral activities in the state, but the change of sales in Teton County’s winter season mainly depends on ski activities.

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 125.3 in the first quarter, 8.3 percent higher than a year ago. Farm earnings in Wyoming have demonstrated a rebound since the second quarter of 2022. The first quarter of 2023 amount was 8.9 percent higher than the previous quarter, and 37.6 percent higher than the prior year, perhaps attributed to reduced production expenses.

According to the Federal Reserve Bank of Kansas City, the outlook for the U.S. farm economy in 2023 remained favorable as prices of key commodities were at multi-year highs. With elevated production expenses, higher interest rates and drought, many producers continued to face challenges. However, with current commodity prices, farm operators are still able to maintain profitability though higher production costs may force certain producers to increase credit lines.

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 \$72.1 million in the first quarter of 2023, a growth of 34.7 percent from 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 \$301.8 million in mineral severance taxes generated in the first quarter of 2023, was 33.1 percent higher than the previous year, and the amount was the largest since the third quarter of 2008, attributed to the extraordinary surge of natural gas prices due to unusually high demand for heating in the western U.S., particularly California in the winter.

