



# Economic Summary: 2Q2020



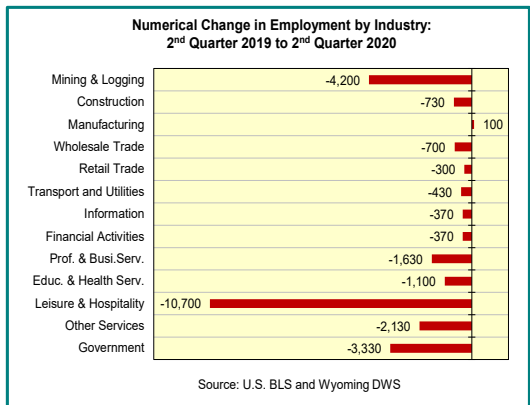
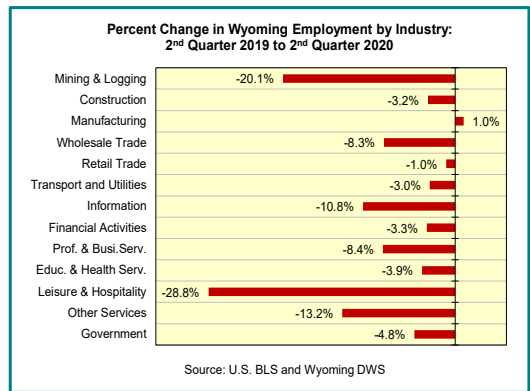
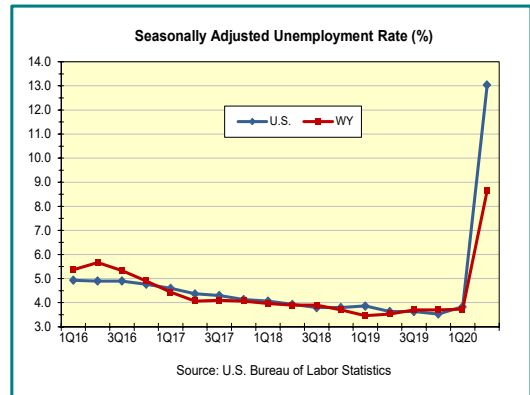
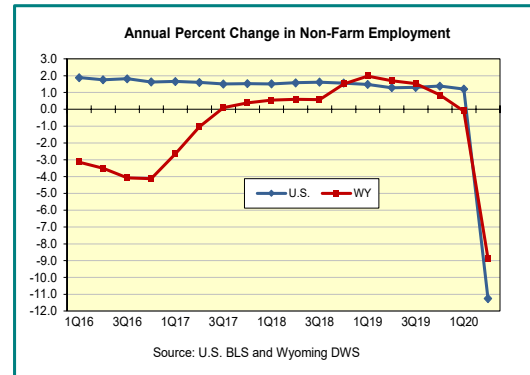
## Current Global and U.S. Economy

The COVID-19 pandemic has devastated the global economy by inducing historic supply and demand shocks. As most countries imposed various lockdown measures to fight the spread of the virus, the sudden and sharp recession resulted in massive business closures and job losses. However, Moody's Analytics expects that the worst effect of the pandemic occurred in the second quarter of 2020. Since then, the global economy has begun the long road to recovery, aided by aggressive fiscal and monetary stimulus. The global real GDP is projected to decline 4.5 percent year-over-year in 2020, compared to the 1.8 percent contraction in 2009. This uncertain recovery may take years to unwind, but support from governments and central banks will be critical to determine the speed of the rebound once the virus is contained. Interest rates are expected to remain rock bottom for the coming years and the odds of a policy error by a major central bank are likely low. However, the outlook is still on the downside due to threat of further waves of infections in a number of countries and upsurge in bankruptcies, particularly among small businesses, according to Moody's Analytics.

The U.S. recovery appears to be reaching a plateau. After rallying early in the summer, the economy has since been slowing down amid the end of Federal stimulus and the resurgence of the virus in some places. Through August, payroll employment has recovered approximately half of the jobs lost in March and April, while the unemployment rate has fallen to 8.4 percent, still much higher than the pre-COVID rate of 3.5 percent. The improvement in manufacturing is broadening. Construction spending, the resurgent automotive industry, and housing market are also supporting the recovery.

## 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 slowed down in the first quarter of 2020. During the peak effect of the pandemic in the second quarter, total employment decreased 8.9 percent (or 25,890 jobs) compared to one year earlier, while the job decline rate for the U.S. was 11.3 percent. The state's unemployment rate increased dramatically to 8.9 percent, the highest since the first quarter of 1987. Job declines occurred in nearly all industrial sectors where the leisure & hospitality industry (mostly restaurant & lodging) lost the largest number of jobs (-10,700). The state's pivotal industry, mining (including oil & gas extraction) also lost about one-fifth of its employees as a result of plunging oil and natural gas prices due to falling energy demand from the restrictions on business and travel. Manufacturing was the only industry that showed little effect from the COVID-19 pandemic, and the employment increased slightly in a year-over-year comparison.



## Personal Income and Earnings

Wyoming's total personal income grew 7.7 percent in the second quarter of 2020 from the previous year, fastest since the first quarter of 2018. U.S. personal income increased 10.4 percent during the same period. Personal income 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 shrunk 5.5 percent annually in the quarter, while transfer receipts increased 80.2 percent, attributed to the economic impact payment to individuals from the CARES Act. Earnings in most sectors experienced contractions from a year ago, led by leisure & hospitality service (-26.8%) and followed by the mining industry (-18.6%), due to impact of the pandemic.

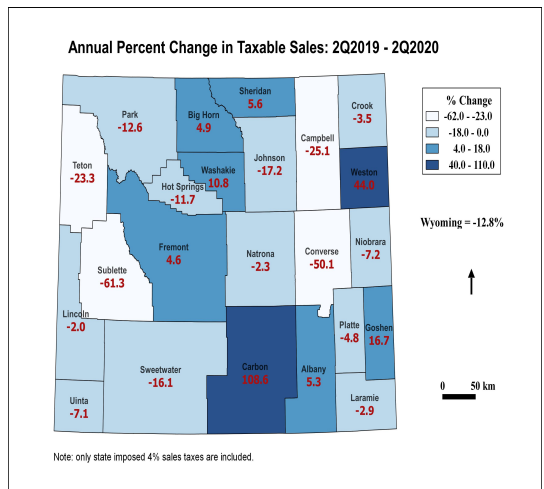
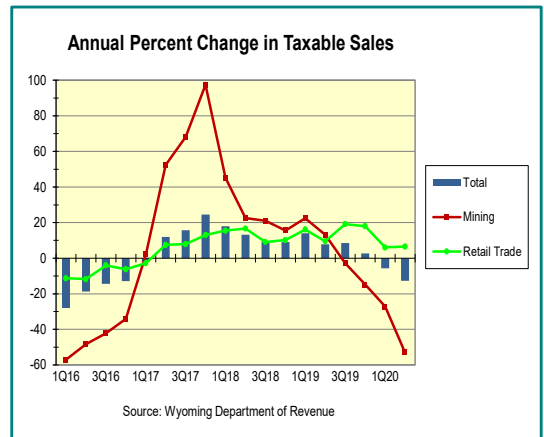
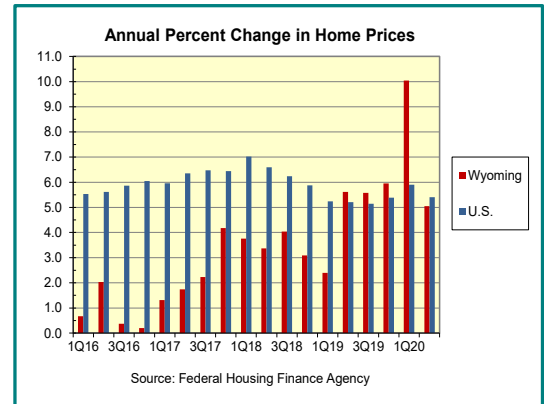
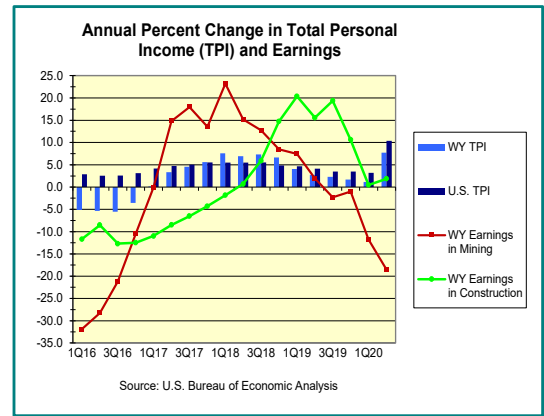
## Housing

The statewide single-family home price increased 5.0 percent in the second quarter of 2020 from one year ago, slower than the previous quarter. The national average price appreciation also slowed down to 5.4 percent during the same period. In Wyoming, single-family building permits for new privately-owned residential construction in the second quarter of 2020 were 7.9 percent lower than the previous year level. Both mortgage delinquency rates and foreclosure rates in June were higher than last year, according to CoreLogic.

The U.S. housing 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 this resilience. The 30-year fixed mortgage rate 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 weaken 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 12.8 percent to \$4.1 billion in the second quarter of 2020. Decreases occurred in most economic sectors. The mining industry (including oil & gas extraction) contracted substantially, at -53.0 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 first quarter of 2016 – middle of the previous downturn. The leisure & hospitality industry declined 34.6 percent. Manufacturing, and financial activities (mostly automotive, machinery and equipment rental & leasing) also experienced a year-over-year contraction of around 20.0 percent, respectively. The retail trade industry, the largest in terms of sales tax contribution, grew 6.5 percent. However, this increase was mostly attributed to the increasing amount of submission from remote sellers, which is a result of



a new legislation on collections of sales tax by marketplace facilitators. The utilities industry showed an increase of 12.1 percent over the year.

Across the state, 15 out of 23 counties experienced decreases in taxable sales in a year over year comparison, led by Sublette's -61.3 percent, followed by the -50.1 percent in Converse. However, Carbon county experienced the largest growth of 108.6 percent, mostly reflecting a boost in activities of a wind power project.

### Tourism

The number of recreational visitations to Yellowstone National Park reached 619,816 in the second quarter of 2020, down 51.0 percent from the previous year, while 591,945 visits in Grand Teton National Park showed a decrease of 38.5 percent. The complete closure of these two national parks in late March through early May as a result of mitigation measure in managing the COVID-19 outbreak, was the main factor for the visitation change.

Lodging sales for the second quarter were 53.6 percent lower than a year ago in Teton County, and were down 49.6 percent for the state as a whole. 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 considerably lower in the second quarter of 2020, down 7.3 percent compared to the previous quarter, and down 10.7 percent from a year ago. In 2016, farm earnings in Wyoming experienced a significant downward trend amid strong supply and weak global demand for beef products, but they have since somewhat stabilized.

According to the Federal Reserve Bank of Kansas City, the effects of the COVID-19 pandemic added pressure to the agricultural economy in the second quarter and weighed on farm finances in its Tenth District, which includes Wyoming. Weak market conditions for key agricultural commodities limited profit opportunities. Lower farm revenues also put downward pressure on liquidity among farm borrowers.

### 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 \$147.4 million in the second quarter of 2020, which was 38.6 percent lower 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 \$72.2 million in mineral severance taxes generated in the second quarter of 2020 was substantially lower than the previous quarter or the previous year, and it was the smallest since the second quarter of 2002.

