



Economic Summary: 2Q2022



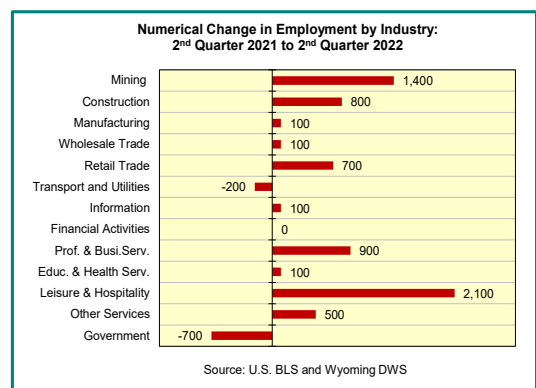
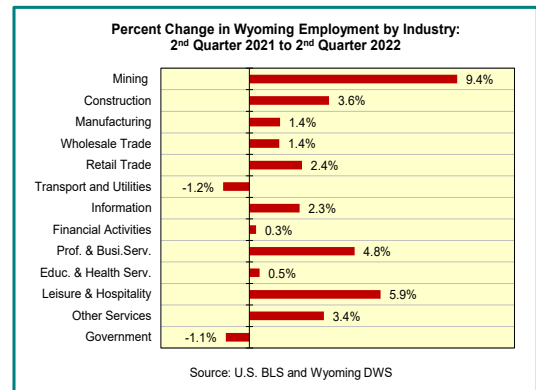
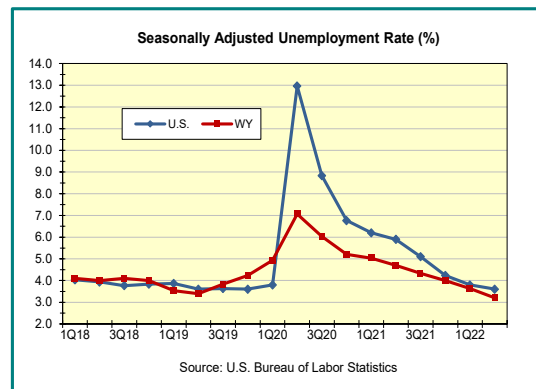
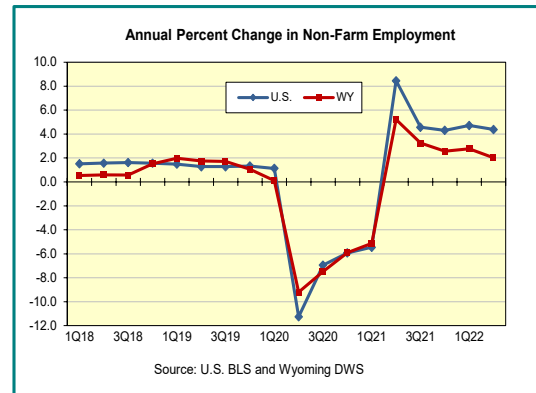
Current Global and U.S. Economy

The threat of global economic recession is broadening. Moody's Analytics expects global real GDP growth to decelerate in 2022 to 2.6 percent, and 2.5 percent in 2023. The loss of momentum will be broad-based and cross many countries. The U.S. will lead the deceleration. The odds of a global recession is hovering around 50 percent, and inflation is the most important factor. Inflation is currently at record levels across both developed and developing economies, and the key is whether it is going to decline quickly enough to prevent central banks from over tightening. The good news is that the worst of the effect from supply shocks because of the pandemic and the war seems to be behind us. Most countries around the world have reopened their economies and most commodity prices have come down from the peak, in particular, oil, metal, and agricultural prices. However, the current situation is still fragile and the global economy is extremely vulnerable to any negative shocks.

Given the current robust and resilient labor market, a recession in the U.S. starting in the next three or six months is probably unlikely, according to Moody's Analytics. However, the real serious threat for a recession in 12 to 18 months is that the economy continues to add vigorous number of jobs, which will push unemployment lower but wage growth and inflation higher. This will thwart the Fed's effort to tame the inflation, forcing even more aggressive monetary policy response than current financial markets' expectation. After two consecutive quarters of declines, real GDP in the U.S. is expected to grow in the second half of 2022. With Fed's action in September (hike of fund rate by 75 basis points), Moody's Analytics forecasts a positive GDP change for the full year of 2022 and around 1.0 percent GDP growth for 2023.

Employment

As the impact from the COVID-19 pandemic gradually fade, Wyoming's economy continued to rebound in the second 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 second quarter conditions were devastated by the pandemic. Total employment increased 2.2 percent (or 5,900 jobs) compared to the previous year, while the U.S. growth rate was 4.4 percent. The state's unemployment rate decreased to 3.2 percent, which is lower than the national average of 3.6 percent. Payroll jobs increased in most industrial sectors, led by leisure & hospitality. This service industry recovered about 2,100 jobs, 5.9 percent of its employees in the year. Wyoming's pivotal industry, mining, improved since the first quarter of 2021, growing 9.4 percent annually, because of moderate rebound in oil and natural gas activities. Professional & business services and construction gained 4.8 and 3.6 percent of jobs, respectively.



Personal Income and Earnings

Wyoming's total personal income increased 4.2 percent in the second quarter of 2022 compared to the second quarter of 2021, which reversed the trend shown in the previous month. U.S. personal income increased 3.4 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 7.6 percent annually in the quarter while transfer receipts dropped 7.1 percent. Earnings in most sectors demonstrated expansions from a year ago, led by manufacturing (18.9%), professional & business services (17.9%), and the mining (16.1%). The only sector that experienced decline was agriculture (-36.0%), possibly due to heightened inflation in input costs.

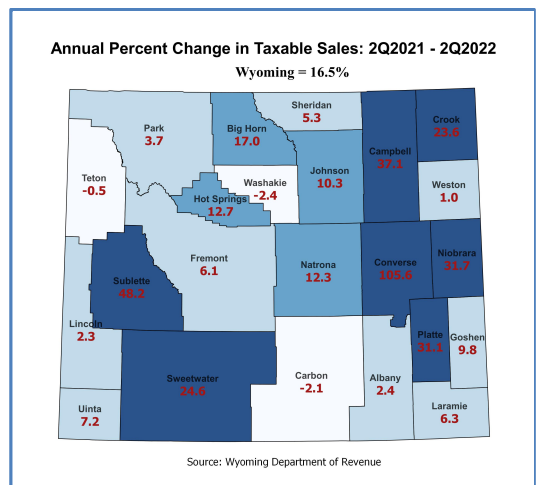
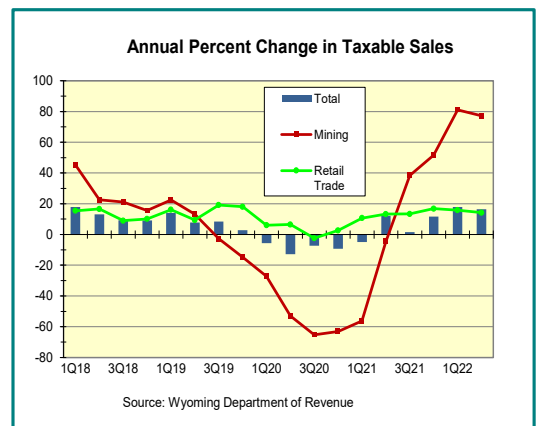
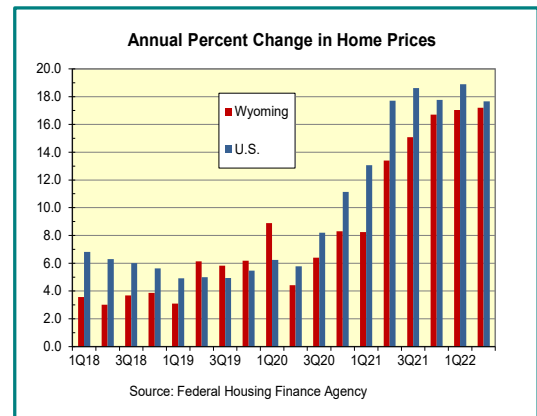
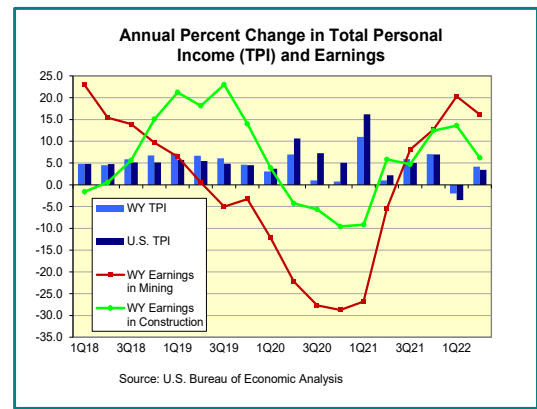
Housing

The statewide single-family home price increased 17.2 percent in the second quarter of 2022 compared to one year ago, a slightly greater increase than the previous quarter. The national average price appreciation decelerated to 17.7 percent during the same period, still one of the fastest increases in many decades. In Wyoming, single-family building permits for new privately-owned residential construction in the second quarter of 2022 were 3.7 percent higher than the previous year. Mortgage delinquency rates in June 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. 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 16.5 percent to \$5.4 billion in the second 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. The mining industry (including oil & gas extraction) demonstrated a strong rebound, 77.2 percent. However, the second quarter amount was still 20.5 percent less than the taxable sales in the second quarter of 2019. The retail trade industry, the largest in terms of sales tax contribution, increased 14.2 percent. Heightened inflation has also played a role in the strong growth. Leisure & hospitality, on the other hand, declined 3.6 percent, mostly attributing to the temporary closure and the following limited



admission to the Yellowstone National Park. Across the state, 20 out of 23 counties experienced increases in taxable sales in a year over year comparison, led by Converse's 105.6 percent. Sublette and Campbell counties also showed expansions of 48.2 and 37.1 percent, respectively. However, counties without considerable mineral extraction in their economies displayed smaller increases or decreases.

Tourism

The number of recreational visitations to Yellowstone National Park reached 1,139,765 in the second quarter of 2022, down 23.0 percent from the previous year, while 800,092 visits to Grand Teton National Park showed a decrease of 33.9 percent. However, visitation figures in the second quarter of 2021 for both national parks were the highest recorded for any second quarter in history. The oldest national park, Yellowstone, was closed on June 13th due to the rare severe flooding, and it reopened nine days later with alternative license plates through the end of the month.

As a result, lodging sales for the second quarter were 30.4 percent lower than a year ago in Teton County, and declined 11.9 percent for the state as a whole.

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 121 in the second quarter, 12.2 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 second quarter of 2022, the amount was lower than the previous quarter and prior year because of decreases in payments from COVID-19 programs and increasing costs in farm input.

According to the Federal Reserve Bank of Kansas City, the U.S. agricultural economy remained strong in the second quarter. The prices of most commodities were notably higher, exports continued to increase, and credit conditions remained solid. However, input costs remain elevated, and persistent drought in the West may significantly limit production in those areas.

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 \$375.5 million in the second quarter of 2022, slightly 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 \$273.9 million in mineral severance taxes generated in the second quarter of 2022, was 87.5 percent higher than the previous year, and the amount was the largest since the third quarter of 2008, reflecting surging energy prices – also the highest for both petroleum and natural gas since the third quarter of 2008.

