



Economic Summary: 2Q2023



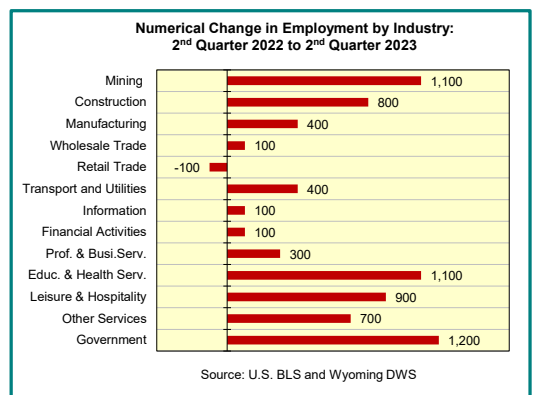
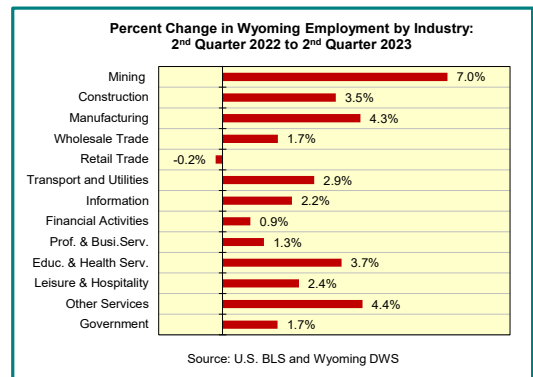
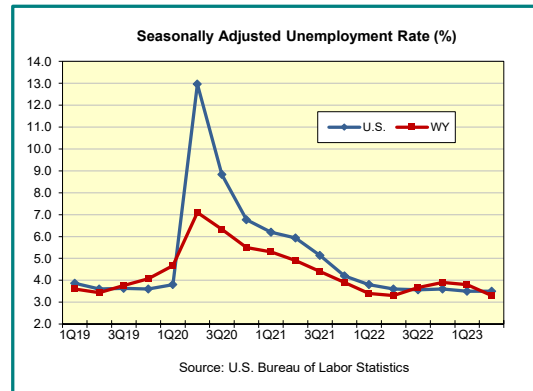
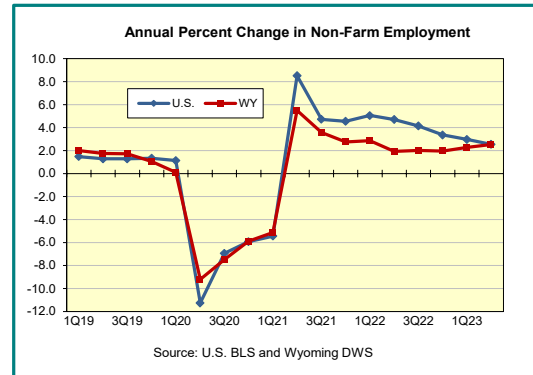
Current Global and U.S. Economy

The global economic outlook has somewhat improved recently as inflation passed its peak and the process of monetary tightening is nearing its end, according to Moody’s Analytics. COVID related supply-side shocks continue to recede, and business and consumer sentiment has started to improve after the slowdown experienced in 2022. As household consumption and business investment remain burdened by elevated borrowing expenses, global GDP growth is forecast to slow to around 2.4 percent in both 2023 and 2024, markedly weaker than the 3.0 percent reached in 2022. The odds of a recession have receded in the U.S., but is still uncomfortably high for the euro zone where the economy remains the most vulnerable. China’s post-pandemic recovery has been disappointing. In addition, across the Asian-Pacific, exports of goods have been a persistent area of weakness.

Even with the aggressive rate hikes by the Federal Reserve, the U.S. economy continued to perform well. Growth has been close to the potential, with real GDP expanding 2.1 percent during the first half of 2023. The labor market is slowing down somewhat but still resilient, and the labor force participation rate of prime-age (25-54) workers has fully recovered from the pandemic. It is uplifting that the slower employment growth is mostly due to business hiring deceleration instead of laying off workers. Recession risks still exist but have retreated. Inflation remains elevated but is gradually easing. However, rising oil prices may potentially have a highly detrimental impact to the economy. The assessment from Moody’s Analytics is that the baseline forecast remains recession free in the coming year. Both real GDP and payroll jobs continue to grow, but at a much lower speed. The unemployment rate is expected to be just over 4.0 percent in 2024.

Employment

As energy businesses uphold their drilling activities, Wyoming’s economy continued to grow in the second quarter, and the pace of expansion accelerated moderately. Total employment increased faster, at 2.5 percent (or 7,100 jobs) compared to the previous year, while the U.S. growth rate slowed down to 2.5 percent. The state’s unemployment rate decreased to 3.3 percent, which was slightly lower than the national average of 3.5 percent. Payroll jobs increased in nearly all industrial sectors, led by Wyoming’s pivotal industry - mining. This industry has been rebounding since the first quarter of 2021, and grew 7.0 percent annually in the second quarter. However, the mining industry still had 3,800 or 18.1 percent less jobs than pre-COVID period of the second quarter of 2019. Construction, manufacturing, private education & health services, and other services increased at least 3.5 percent, respectively. One of the largest private employers, retail trade, was the only sector that experienced a slight decline.



Personal Income and Earnings

Wyoming's total personal income increased 7.6 percent in the second quarter of 2023 compared to the second quarter of 2022. The growth rate for the second 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 7.8 percent annually in the quarter while property income grew 8.0 percent. Earnings in most sectors demonstrated expansions from a year ago, led by professional & business services (18.3%). The largest decline was real estate and rental (-1.1%), possibly due to the slowdown in the housing market.

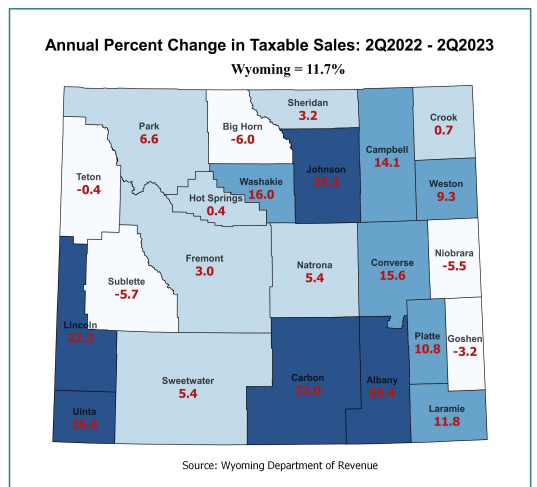
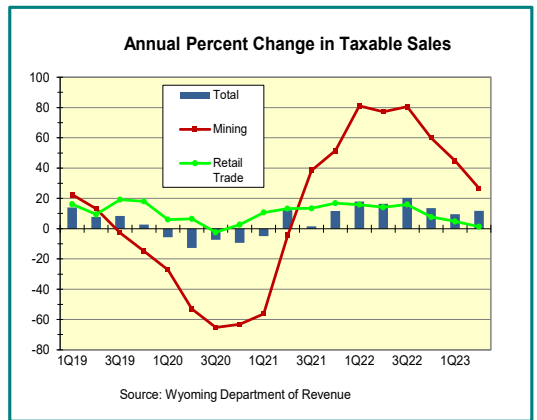
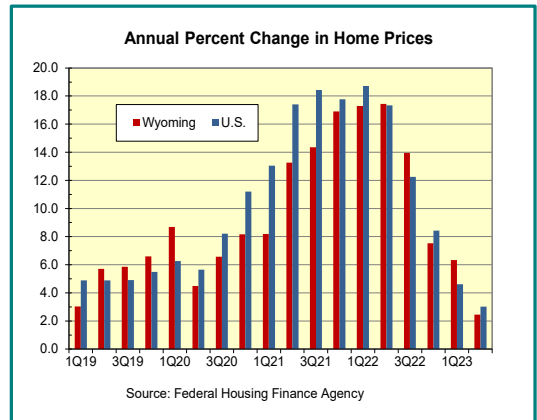
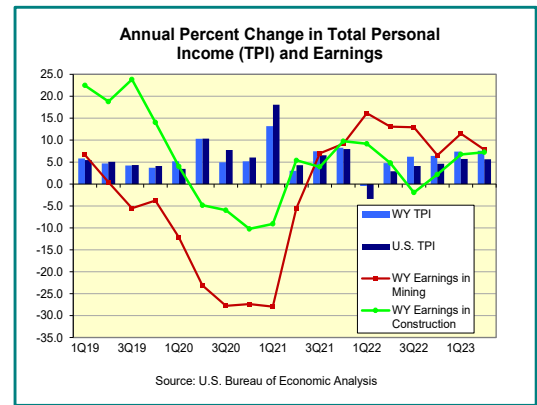
Housing

The statewide single-family home price increased 2.4 percent in the second quarter of 2023 compared to one year ago, a lower increase than the previous quarter. The national average price appreciation also decelerated to 3.0 percent during the same period, the weakest growth since the second quarter of 2012. In Wyoming, single-family building permits for new privately-owned residential construction in the second quarter of 2023 were 33.5 percent lower than the previous year, while multi-family units decreased 48.3 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 stabilizing. This indicates a possible rebounding of residential construction along with an improvement in homebuilder confidence. Though demand is weak with heightened mortgage rates, the inventory of homes for sale is still well below the pre-pandemic average. After falling in the second half of 2022, home prices have recently rebounded a bit due to the tight supply. However, the key factor influencing the outlook is the substantial challenge presented by an unaffordable and overpriced housing market.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state expanded 11.7 percent to \$6.0 billion in the second quarter of 2023, in a year-over-year comparison. This strong growth was mostly attributed to the ongoing rebound in mining and expansion in utilities. Increases occurred in a vast majority of economic sectors. The mining industry demonstrated a robust growth, 26.7 percent. However, the second quarter amount in the mining sector was still 10.0 percent less than the taxable sales for the third quarter of 2019. The utilities sector increased 74.7 percent, attributing it to the increased activities in wind power projects and general rate increase in utility gas service. The leisure & hospitality sector showed a growth of 12.7 percent. Partially fueled by the pent up demand and price hikes for new vehicles, automobile sales increased 6.9 percent.



Across the state, 18 out of 23 counties experienced increases in taxable sales in a year over year comparison, led by Albany (85.4%). Uinta, Johnson, Lincoln, and Carbon counties also showed expansions of more than 20.0 percent, respectively. Only five counties experienced moderate declines in a year-over-year comparison.

Tourism

The number of recreational visitations to Yellowstone National Park reached 1,375,693 in the second quarter of 2023, up 20.7 percent from the previous year, while 912,910 visits to Grand Teton National Park showed an increase of 14.1 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. Though the annual comparison was affected by the weather incident last year, the second quarter Yellowstone park visitation was still the second highest in history, only lower than the COVID impacted second quarter of 2021 figure.

Lodging sales for the second quarter were 39.8 percent higher than a year ago in Teton County, and increased 19.7 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 jumped to 136.3 in the second quarter, 12.9 percent higher than a year ago. Farm earnings in Wyoming have demonstrated a robust trend since the fourth quarter of 2021. The second quarter of 2023 amount was 12.9 percent higher than the previous quarter, and 25.8 percent higher than the prior year, perhaps attributed to reduced production expenses.

According to the Federal Reserve Bank of Kansas City, U.S. farm debt continued to increase. Supported by strength in farm finances, farm loan performance remained strong and delinquency rates slid downward for the third consecutive year. With elevated production expenses and higher interest rates, many producers continued to face challenges and may be forced to increase credit needs. Certain lenders may expect farm income to soften 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 (PWMTF) and state agency pooled income accounts amounted to \$140.0 million in the second quarter of 2023, a decrease of 62.7 percent from the amount recorded a year ago. The net realized capital gains from PWMTF for fiscal year 2023 which was distributed at the end of fiscal year (June 30th), were only \$19.4 million, compared to \$280.7 million for fiscal year 2022. The \$173.1 million in mineral severance taxes generated in the second quarter of 2023, was 37.4 percent lower than the previous year, and the amount was the smallest since the second quarter of 2021, reflecting the retreat of both petroleum and natural gas prices.

