



Economic Summary: 3Q2021



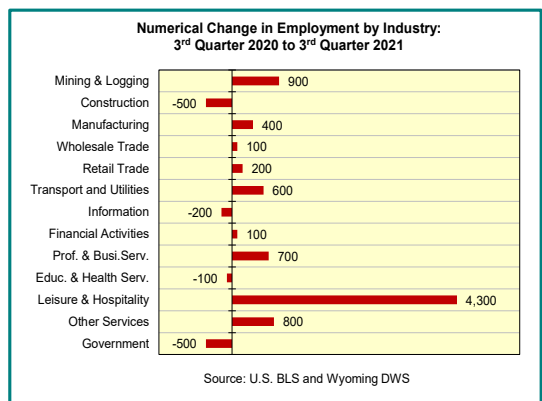
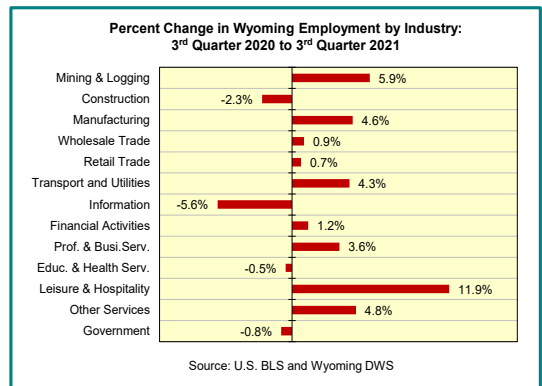
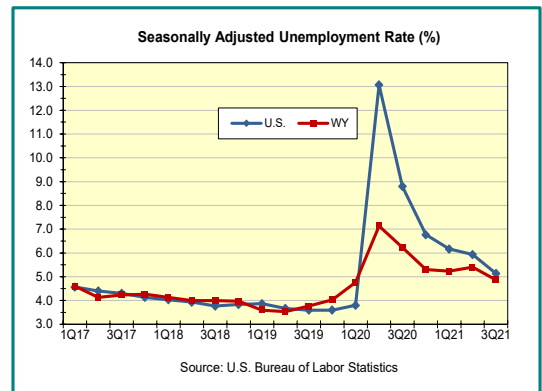
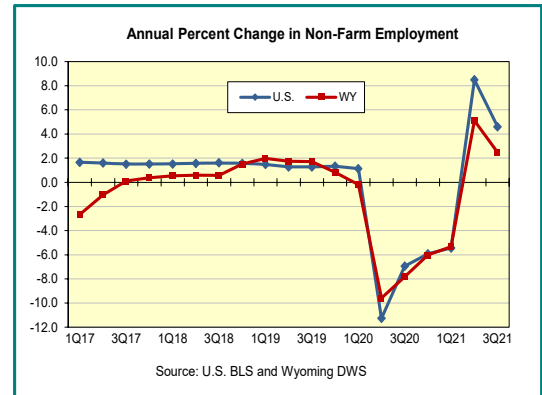
Current Global and U.S. Economy

The pandemic continues to challenge the global economic recovery. The Omicron variant increases not only uncertainty but also the downside risk for the near-term outlook, according to Moody's Analytics. Supply-chain issues continue to adversely impact worldwide economic performance but are expected to ease over 2022. Monetary policy normalization will be an important fixture of the economic landscape in 2022. The United States Federal Reserve is leading the charge with more aggressive asset tapering as well as preparing to increase the federal fund rate in 2022. Moody's Analytics expects global real GDP to grow 5.5 percent in 2021 and decelerate to 4.1 percent in 2022 as policy support fades, pent-up demand cools, and supply-chain stress lingers. However, performance divergence across countries will proceed throughout 2022, depending on vaccination coverage, effectiveness of outbreak management, and policy support.

After an unexpectedly speedier recovery in the second quarter, the U.S. overall rebound pace decelerated in the third quarter, due in part to the aggressive surge of the Delta variant, and fading Federal assistance payments to businesses and social benefits to households. However, as Delta receded, fast growth quickly returned. Real GDP is tracking around 8.0 percent annualized in the fourth quarter, and Moody's Analytics forecasts 5.6 percent GDP growth for the full year of 2021. The current wave of the fast-spreading Omicron variant is expected to be less disruptive to the healthcare system and the economy. For 2022, the U.S. real GDP is forecast to grow 4.4 percent, monthly job gains to average 325,000, and the unemployment rate to end the year at 3.5 percent. Inflation should also moderate significantly.

Employment

Despite the Delta wave of the pandemic, Wyoming's economy continued to rebound in the third 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 2020's third quarter conditions were utterly devastating. Total employment increased 2.4 percent (or 6,800 jobs) compared to the previous year, while the rate of job growth for the U.S. was 4.6 percent. The state's unemployment rate decreased to 4.9 percent, which is still lower than the national average of 5.1 percent. Payroll jobs increased in most industrial sectors, led by leisure & hospitality (mostly restaurant & lodging). This service industry recovered about 4,300 jobs, 11.9 percent of its employees, in a year-over-year comparison. Wyoming's pivotal industry, mining, improved moderately since the first quarter, growing 5.9 percent annually for the third quarter, due to the rebound in oil and natural gas activities. Manufacturing and other services also regained 4.6 and 4.8 percent of jobs, respectively.



Personal Income and Earnings

Wyoming's total personal income increased 6.2 percent in the third quarter of 2021 compared to the third quarter of the previous year, which is a much greater increase than the previous quarter. U.S. personal income increased 5.2 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 9.7 percent annually in the quarter while transfer receipts decreased 5.0 percent. The expiration of Pandemic Unemployment Compensation Payment benefits caused a reduction in state unemployment insurance compensation, which in turn led to this decline in transfer receipts. Other transfers such as Economic Impact Payments were also lower.

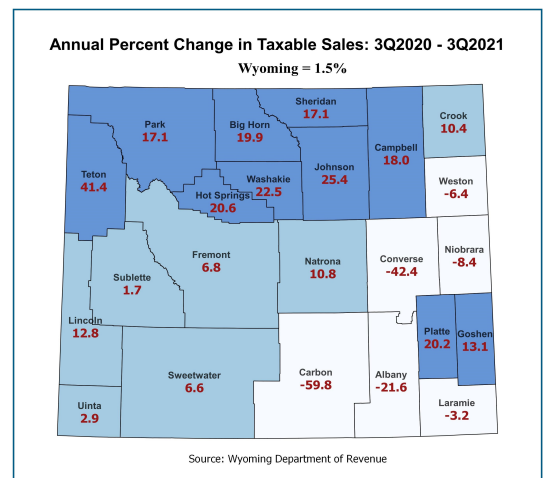
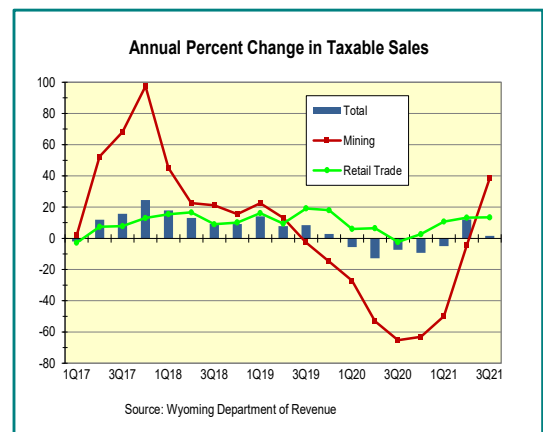
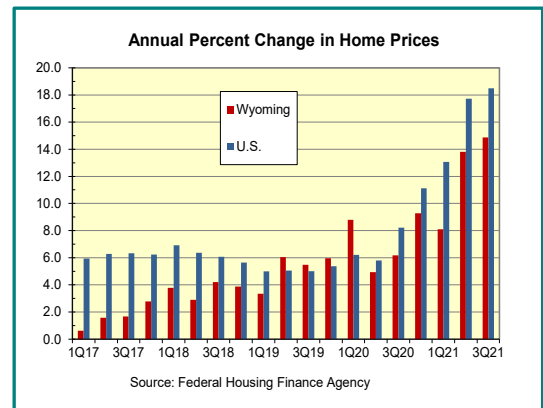
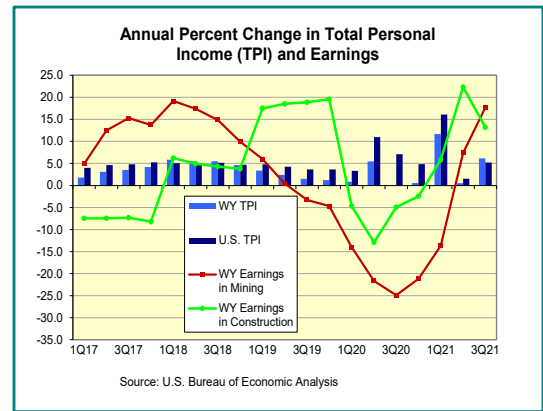
Housing

The statewide single-family home price increased 14.9 percent in the third quarter of 2021 compared to one year ago, a greater increase than the previous quarter. The national average price appreciation accelerated to 18.5 percent during the same period, the fastest in recent decades. In Wyoming, single-family building permits for new privately-owned residential construction in the third quarter of 2021 were 8.9 percent higher than the previous year level. Mortgage delinquency rates in September were lower than last year, according to CoreLogic.

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. The 30-year mortgage rate increased a bit, but was still close to the all-time low. 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 will possibly slowdown in 2022 because housing supply is expected to catch up with demand to some extent. In addition, the reduced affordability and the anticipation of federal rate hike may 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 1.5 percent to \$5.3 billion in the third quarter of 2021, in a year-over-year comparison. This weak growth was mostly attributed to reduced activities in wind power construction compared to last year. Increases occurred in most economic sectors. The leisure & hospitality grew substantially (38.8 percent), thanks to businesses reopening and the booming travel & tourism activities. The mining industry (including oil & gas extraction) also demonstrated a strong rebound, at 38.4 percent, due to increasing sales of equipment, supplies as well as services from energy exploration and production activities. The retail trade industry, the largest in terms of sales tax contribution, increased 13.4 percent. Consumer spending in retail stores such as furniture & home furnishings, liquor,



sporting goods, and through online-shopping continued to demonstrate strong growth. Across the state, 17 out of 23 counties experienced increases in taxable sales in a year over year comparison, led by Teton’s 41.4 percent. Hot Springs, Johnson, Platte, and Washakie counties also showed expansions of over 20.0 percent. The fading activities in wind energy construction compromised the comparisons for Carbon, Converse, Albany, and Laramie counties.

Tourism

The number of recreational visitations to Yellowstone National Park reached 2,884,984 in the third quarter of 2021, up 7.9 percent from the previous year, while 2,095,925 visits in Grand Teton National Park showed an increase of 1.3 percent. Despite the negative effect from the highly infectious Delta variant, visitation figures for both national parks were the highest recorded for the third quarter in history. This record visitation was mostly attributed to visitors’ preference for outdoor sightseeing during the COVID-19 outbreak as well as pent-up demand for travel and vacation.

Lodging sales for the third quarter were 56.2 percent higher than a year ago in Teton County and were up 55.7 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 about 10 years, the index of prices farmers received for all U.S. livestock and products continued to rebound since the third quarter of 2020. The index reached 109 in the third quarter, nearly 30.0 percent higher than a year ago. The COVID-19 pandemic not only disrupted supply chain, but also severely affected consumption demand patterns. Farm earnings in Wyoming experienced a downward trend in 2016 and 2017, but has since been recovering. For the third quarter of 2021, the amount was still robust, only slightly lower than both the previous quarter and the prior year levels. However, the pace of increase in farm income was slower in areas most significantly impacted by drought.

According to the Federal Reserve Bank of Kansas City, though many risks remain, the agricultural sector will be well positioned heading into 2022 alongside the persistent strength in commodity prices and double-digit gains in land values.

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 \$56.5 million in the third quarter of 2021, which was 24.9 percent 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 \$185.4 million in mineral severance taxes generated in the third quarter of 2021, was 25.8 percent higher than the previous quarter, and the amount was the largest since the fourth quarter of 2014, reflecting a strong rebound in both petroleum and natural gas prices.

