



Economic Summary: 3Q2022



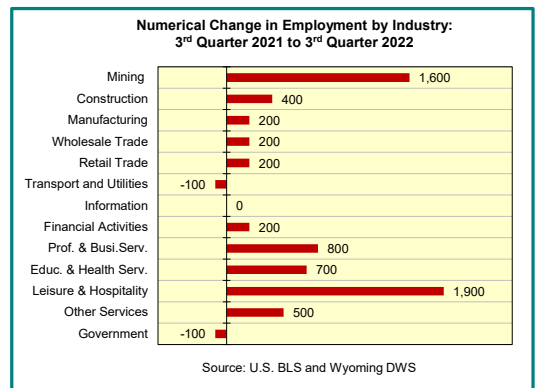
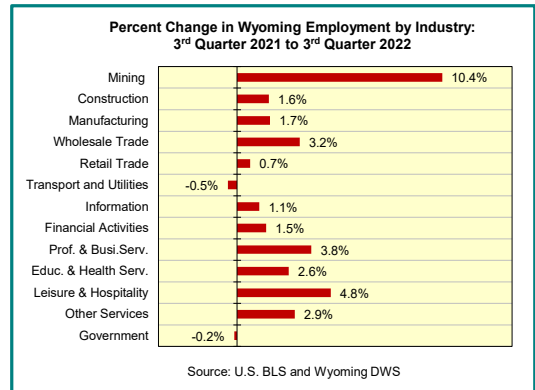
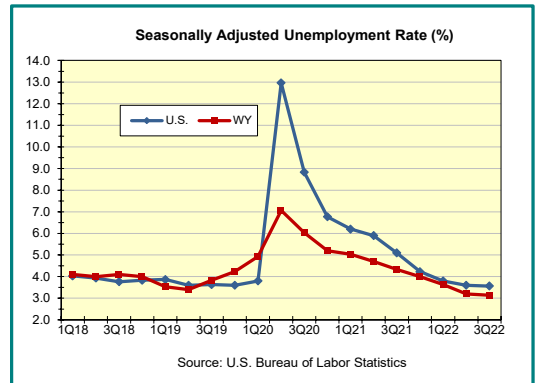
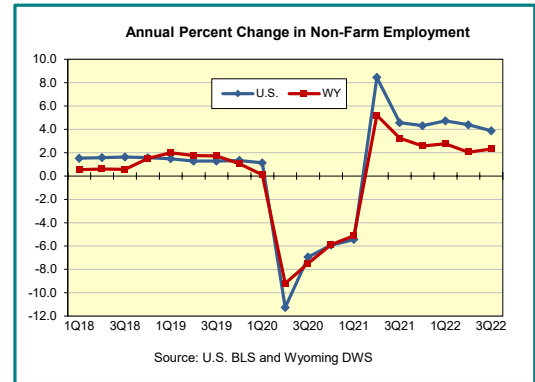
Current Global and U.S. Economy

The global economy had a rough run, and conditions are not expected to improve in 2023, according to Moody’s Analytics. While the economic fallout from the pandemic continues to fade, high inflation along with rising borrowing costs is taking a toll. Central banks across most of the world are moving aggressively to tame inflation. As a result, expansion will be increasingly tempered. Global GDP growth is forecast to slow to 1.8 percent in 2023, markedly weaker than the estimated 2.9 percent in 2022. Regional differences are obvious. Europe is unlikely to escape recession in early 2023, while Asia is still benefiting from recovering domestic demand. The global export will drag economic growth over the next year. Besides the fading windfall of technology export from Asia, Latin America is also facing weaker commodity prices in 2023 as oil and broader energy prices recede amid weaker demand.

The Conference Board’s index of leading economic indicators, which intends to forecast future economic activities, declined significantly in October. The steep drop was mainly from weaker consumer confidence, softer new orders from purchasing managers, the stock market trend, and the slide in permits to build new homes. Assessment of Moody’s Analytics is that there is a 50 percent probability of recession. Their baseline forecast remains recession free. Real GDP (increasing rate of 0.9%) and payroll jobs (addition of 175,000 monthly) struggle to grow next year, and the unemployment rate is expected to be above 4.0 percent by the end of 2023, but the economy is able to avoid a full-blown downturn. Besides the persistently sturdy job growth and low unemployment, most households still have substantial excess savings built up during the pandemic. Moreover, households have notably light debt burden.

Employment

As the impact from the COVID-19 pandemic gradually fade, 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 2021’s third quarter conditions were still devastated by the pandemic. Total employment increased 2.3 percent (or 6,500 jobs) compared to the previous year, while the U.S. growth rate was 3.9 percent. The state’s unemployment rate decreased slightly to 3.1 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 added about 1,900 jobs, or 4.8 percent during the year. Wyoming’s pivotal industry, mining, improved since the first quarter of 2021, growing 10.4 percent annually, because of moderate rebound in oil and natural gas activities. Professional & business services and education & health services gained 800 and 700 jobs, respectively.



Personal Income and Earnings

Wyoming's total personal income increased 4.6 percent in the third quarter of 2022 compared to the third quarter of 2021. The growth rate for the third quarter of 2022 was slightly higher than the previous quarter. U.S. personal income increased 4.1 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 6.2 percent annually in the quarter while transfer receipts dropped 0.7 percent. Earnings in most sectors demonstrated expansions from a year ago, led by professional & business services (18.0%) and the mining (17.8 %). The only sector that experienced decline was agriculture (-22.7 %), possibly due to heightened inflation in input costs.

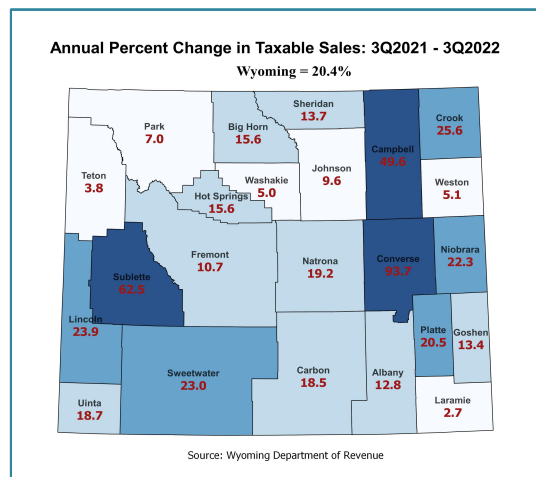
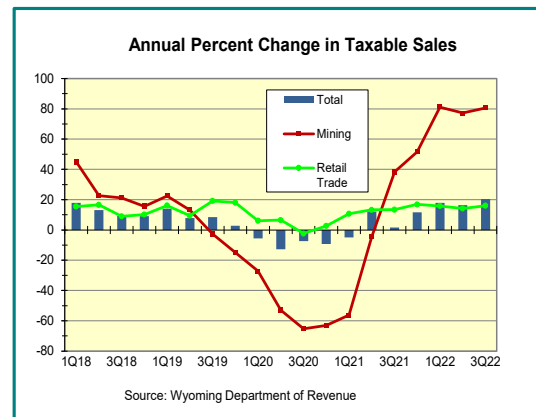
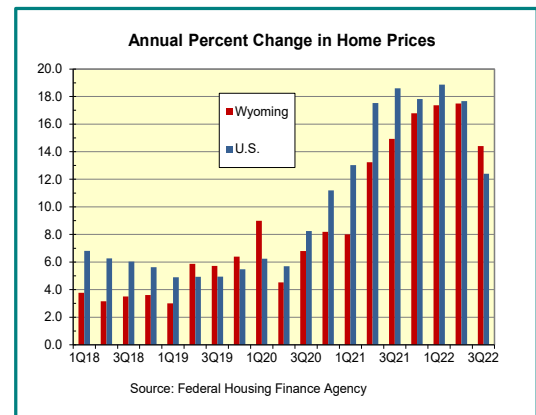
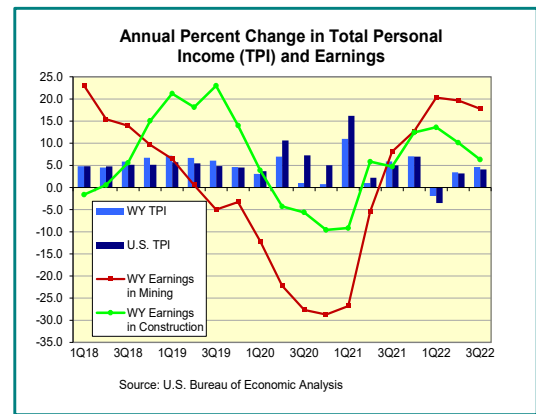
Housing

The statewide single-family home price increased 14.4 percent in the third quarter of 2022 compared to one year ago, a notably slower increase than the previous quarter. The national average price appreciation decelerated to 12.4 percent during the same period, the weakest increase since the fourth quarter of 2020. In Wyoming, single-family building permits for new privately-owned residential construction in the third quarter of 2022 were 11.4 percent lower than the previous year, while multi-family units increased 142.8 percent.

U.S. housing market entered a sharp slump this summer after the Federal Reserve quickly ended a real-estate boom which was fueled by the pandemic and record-low interest rates. Many indicators continued their downward trajectory with home sales and single-family construction pointing to further weakness along with a precipitous fall in homebuilder confidence. Though demand has tumbled, the supply of homes are still low except multifamily units where both permits and construction are robust. Home prices have somewhat slid but are still well above their pre-pandemic levels. Strength of labor market and household income would be key factors to prevent a significant housing decline.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state expanded 20.4 percent to \$6.4 billion in the third quarter of 2022, in a year-over-year comparison. This strong growth was mostly attributed to continued expansion in retail trade and a rebound in mining. Increases occurred in a vast majority of economic sectors. The mining industry (including oil & gas extraction) demonstrated a robust rebound, 80.3 percent. However, the third quarter amount was still 13.0 percent less than the taxable sales in the third quarter of 2019. The retail trade industry, the largest in terms of sales tax contribution, increased 16.0 percent. Heightened inflation has also played a large role in the strong growth. Despite the limited admission to the Yellowstone National Park after the historical flooding, the leisure & hospitality still showed a growth of 3.3 percent.



Across the state, all 23 counties experienced increases in taxable sales in a year over year comparison, led by Converse's 93.7 percent. Sublette and Campbell counties also showed expansions of 62.5 and 49.6 percent, respectively. However, counties without considerable mineral extraction in their economies displayed smaller increases.

Tourism

The number of recreational visitations to Yellowstone National Park reached 1,746,360 in the third quarter of 2022, down 39.5 percent from the previous year, while 1,548,066 visits to Grand Teton National Park showed a decrease of 26.9 percent. 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, but only for the East, South, and West entrances. The North and Northeast entrances remained closed to visitor vehicle traffic for the third quarter. In addition to the admission limitation in Yellowstone, many tourists had a lot more options for vacation in 2022 than last year other than national parks and outdoor recreations. Lodging sales for the third quarter were 2.1 percent lower than a year ago in Teton County, and declined 1.1 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 124 in the third quarter, 13.0 percent higher than a year ago. The COVID-19 pandemic not only disrupted the supply chain, but it also severely affected consumption demand patterns. After four consecutive quarters of declines, farm earnings in Wyoming demonstrated somewhat a rebound for the third quarter, but the amount was 24.8 percent lower than 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, farm loan interest rates in the U.S. increased sharply in the third quarter. With higher production expenses, broad inflation, and higher financing costs, household spending by borrowers is growing faster than capital spending. Credit conditions remained strong, but the pace of improvement has slowed.

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 \$54.8 million in the third quarter of 2022, moderately 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 \$271.8 million in mineral severance taxes generated in the third quarter of 2022, was 46.6 percent higher than the previous year, and the amount was only slightly lower than the previous quarter which was the highest amount since the third quarter of 2008, reflecting heightened energy prices including petroleum, natural gas, and coal.

