



Economic Summary: 4Q2019



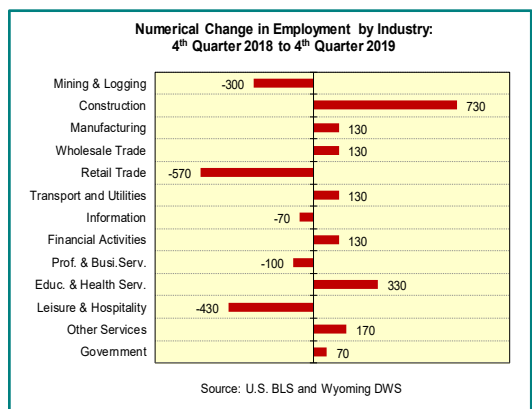
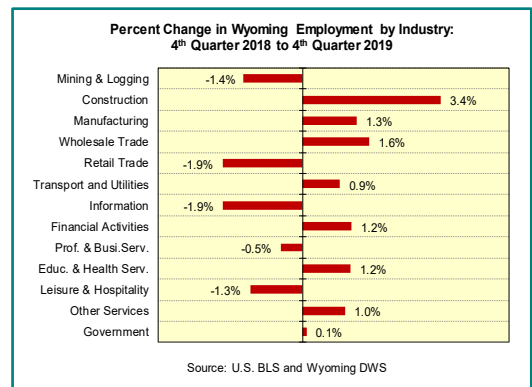
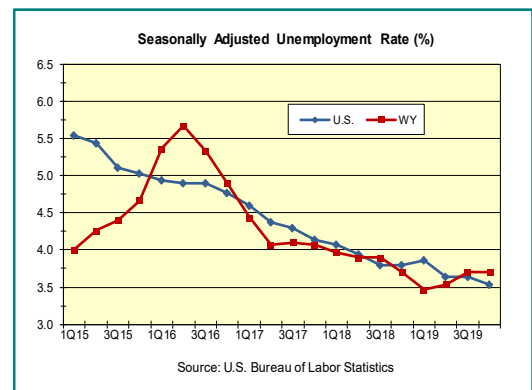
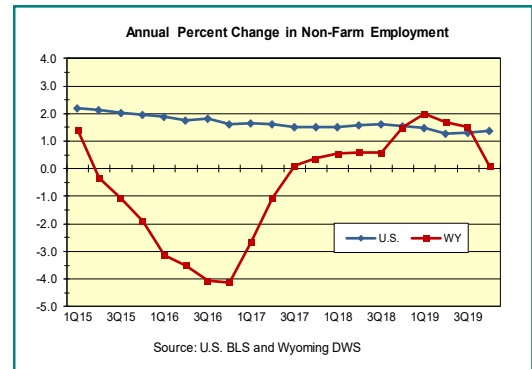
Current Global and U.S. Economy

According to Moody’s Analytics, COVID-19 has created a worldwide economic tsunami. The global economy was already engulfed in a serious downturn. Just how severe and how long the global pandemic will turn into is still highly uncertain, but it is clear that the more widespread and virulent the virus, the greater a global downturn. In the midst of the global pandemic, businesses worldwide are disrupted, and many schools and daycare centers are closed, making it difficult for parents to work. International travel and trade are impaired, and stock prices decline. Global central banks and governments are increasingly aggressive in responding to the health and economic crisis by slashing interest rates, engaging in additional quantitative easing, reducing capital requirements to their banks, appropriating funds to address the crisis, and providing discretionary fiscal stimulus that includes more government spending and tax cuts. The malicious virus is not only a personal health threat, but also a supply and demand shock to the economy.

The fallout from coronavirus pandemic is expected to have a significant negative impact on the U.S. economic prospects. Millions of jobs will be lost and the drop in economic output may surpass a trillion dollars in 2020. A recession is now all but certain, according to leading economists across the country, including Wall Street Journal survey of 34 economists, and the GDP could plunge in the second quarter. Nevertheless, the extent of the downturn remains unclear given uncertainties stemming from the unknown trajectory of the pandemic, volatility in financial markets, the unknown duration of various restrictions on routine economic activity, and the government response to the crisis.

Employment

After the severe downturn in 2015 and 2016, Wyoming’s economy experienced a year of strong rebound from the fourth quarter of 2018 to the third quarter of 2019. However, the recovery slowed down tremendously in the fourth quarter of 2019. Total employment barely grew (only 350 jobs) compared to one year earlier, much slower than the job growth rate for the U.S. The state’s unemployment rate remained at 3.7 percent, slightly higher than the national average. Job gains occurred in most industrial sectors. The construction industry added the largest number of jobs, mainly due to activities in utility construction such as oil pipelines and wind power projects. Manufacturing, wholesale trade, financial activities, and private education & health services experienced moderate growth, about 1.0 percent, respectively. Employment in services where a large number of jobs are located such as retail trade and leisure & hospitality showed larger losses in a year-over-year comparison. The state’s pivotal industry, mining (including oil & gas extraction), lost 300 jobs, or 1.4 percent from the previous year.



Personal Income and Earnings

Wyoming's total personal income grew 4.2 percent in the fourth quarter of 2019 from the previous year, slower 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, veterans benefits, and other income benefits and assistance. Total earnings in the state grew 5.4 percent annually in the quarter, while property income and transfer receipts increased 0.4 and 7.5 percent, each. Earnings in most sectors demonstrated expansions from a year ago, led by the farm sector's growth rate of 129.8 percent. Construction also showed strong growth of 14.8 percent. The mining industry experienced a moderate increase from the previous year.

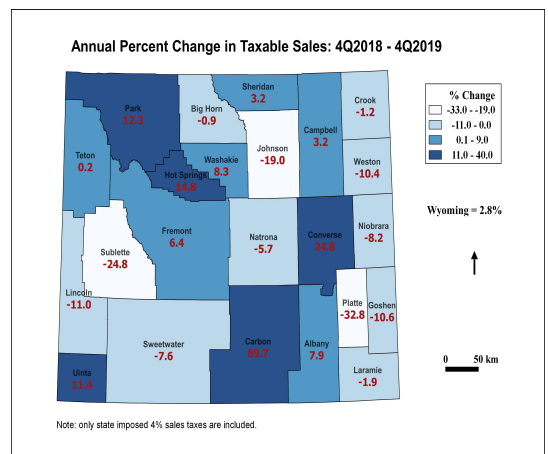
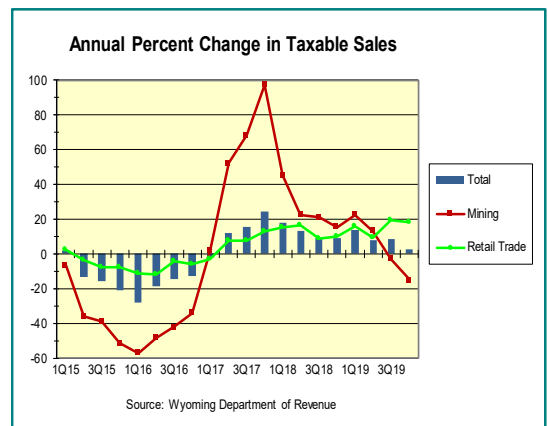
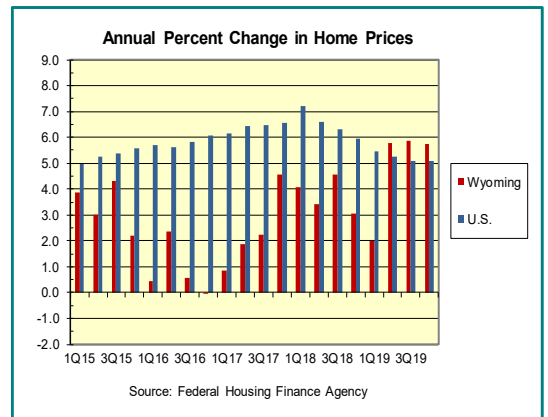
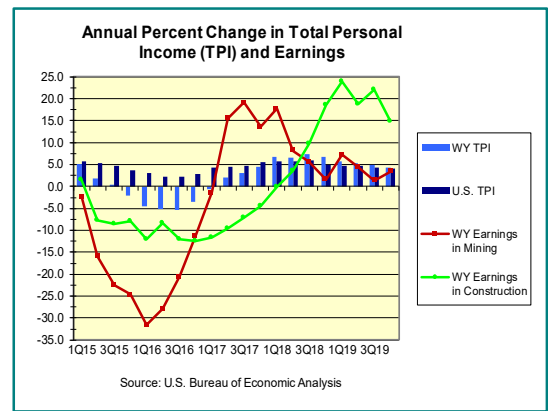
Housing

The statewide home price increased 5.8 percent in the fourth quarter of 2019 from one year ago, slightly lower than the pace for the previous quarter, while the national average price appreciation slowed down to 5.1 percent during the same period. In Wyoming, single-family building permits for new privately-owned residential construction in the fourth quarter of 2019 were 6.0 percent higher than the previous year level. Both mortgage delinquency rates and foreclosure rates in December were lower than last year, according to CoreLogic.

The U.S. house price appreciation remained the same after decelerating in six consecutive quarters on an annual basis. The decline in mortgage rates, down more than one percentage point for fixed-rate loans from last year, has supported rise in sales activities and home prices. Still, many households are facing affordability challenges because of the sharp run-up in prices over the past several years. The supply-side constraints on the housing market remain tight, and inventory-to-sales ratio for existing homes are still extremely low. However, the sharp downtick in both near-term housing demand and supply will mirror the economic shock inflicted by COVID-19.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state grew 2.8 percent to \$4.9 billion in the fourth quarter of 2019. Increases occurred in most economic industries, with double-digit growth rates in wholesale trade and professional & business services. Information and automotive, machinery and equipment rental & leasing also experienced a year-over-year expansion of around 8.0 percent. The mining sector (including oil & gas extraction), however, contracted 14.9 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 fourth quarter of 2016 – before the economic recovery. The utilities and construction sectors, which are closely related to mineral development and production, also showed significant decreases of over 10.0 percent, respectively.



The retail trade industry, the largest in terms of sales tax contribution, grew 18.0 percent. However, this strong increase was mostly attributed to the increasing number of tax submissions from remote sellers. Across the state, 10 out of 23 counties experienced increases in taxable sales, led by Carbon County's 89.7 percent, followed by the 24.8 percent in Converse. Platte and Sublette counties suffered the largest declines, -32.8 and -24.8 percent, each, possibly reflecting a slowdown in conventional natural gas exploration and pipeline construction.

Tourism

The number of recreational visitations to Yellowstone National Park reached 212,473 in the fourth quarter of 2019, down 16.4 percent from the previous year, while 281,052 visits in Grand Teton National Park showed a decrease of 6.6 percent. Visitation figures in 2016 were the highest ever, due mostly to the national parks' centennial celebration.

Lodging sales for the fourth quarter were 20.1 percent lower than a year ago in Teton County, and were down 3.6 percent for the state as a whole. Visitation to the state during the August 21, 2017 solar eclipse probably compromised the comparison for the third quarter of 2018. 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 remained the same in the fourth quarter of 2019, but the price level was slightly lower than a year ago. Between the fourth quarter of 2014 and 2016, farm earnings in Wyoming experienced a dramatic downward trend amid strong supply and weak global demand for beef products, but they have stabilized since then, and even accelerated in 2019. The January 1, 2020 inventory of all cattle and calves in Wyoming totaled 1.32 million head, up 2 percent from the January 1, 2019 inventory, according to the Cattle Survey by the Mountain Regional Field Office of the National Agricultural Statistics Service, USDA. Beef cows, at 724,000 head, were up 10,000 from the previous year. Milk cows were unchanged from last year at 6,000 head. Wyoming's 2019 calf crop, at 670,000 head, is unchanged from 2018.

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, was not available for the fourth quarter of 2019, but was 13.0 percent lower from the third quarter of 2018 to the third quarter of 2019. The huge boosts in 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 \$160.4 million in mineral severance taxes generated in the fourth quarter of 2019 was higher than the previous quarter, but it was a decline of 12.2 percent compared to the fourth quarter of 2018.

