



Economic Summary: 4Q2021



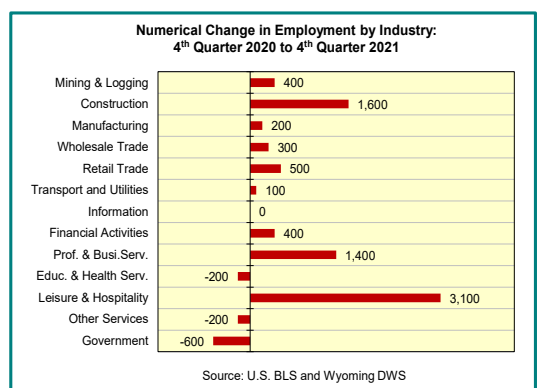
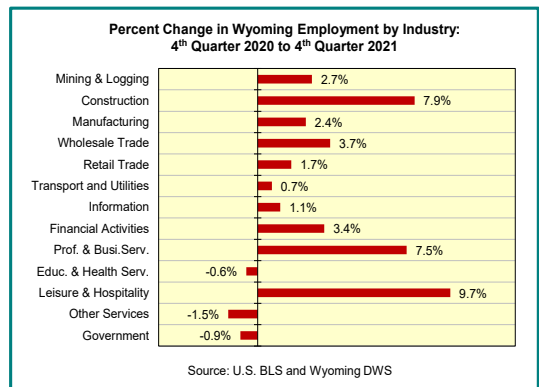
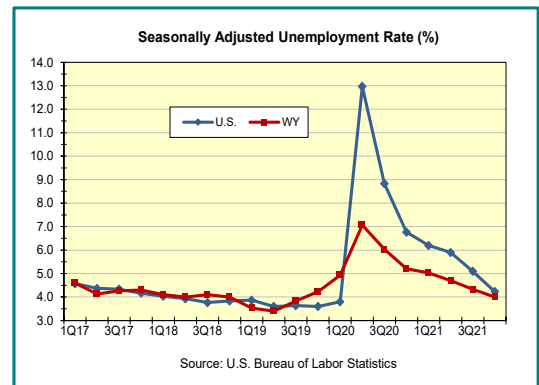
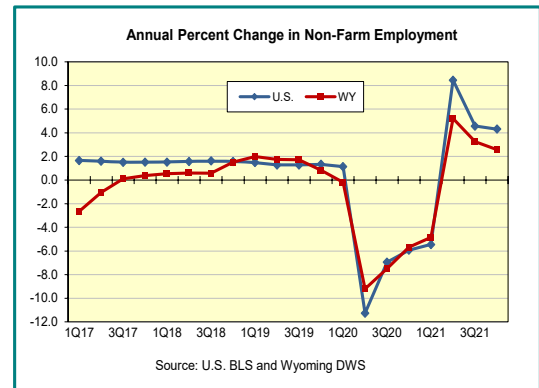
Current Global and U.S. Economy

Supply chain bottlenecks, the global semiconductor shortage, rising energy prices, and inflation pressures add uncertainty to the timing and pace of global economic recovery. In addition, reopening international borders increases exposure to newer and potentially vaccine-resistant strains of COVID-19. Monetary policy normalization will be an important fixture of the economic landscape, and United States Federal Reserve is leading the charge with aggressive asset tapering as well as increasing the federal fund rate this year. Moody's Analytics expects global real GDP growth will steadily decelerate - close to 4.0 percent in 2022 and less than 3.5 percent in 2023 as policy support fades, pent-up demand cools, and supply-chain stress lingers. However, the extension of the military conflict between Russia and Ukraine, and China's zero-tolerance policy in dealing with waves of the virus will weigh the forecasting risks to the downside.

The U.S. banking and trade exposure to either Russia or Ukraine is very small, according to Moody's Analytics. The primary impact of the Russian invasion to the U.S. economy is channeling through heightened oil prices and financial market conditions. After a strong performance (7.0%) in the fourth quarter of 2021, real GDP in the U.S. is tracking below 1.0 percent annualized in the first quarter of 2022. While inventories played an enormous role in the gain of fourth quarter GDP, they, along with net exports, are expected to be a significant drag on growth early this year. Moody's Analytics forecasts 3.5 percent GDP growth for the full year of 2022, monthly job gains to average 367,000, and the unemployment rate to end the year at 3.3 percent. Oil prices, financial market, inventories, and supply-chain issues remain downside risks to the forecast.

Employment

As the Delta wave of the pandemic faded, Wyoming's economy continued to rebound in the fourth 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 fourth quarter conditions were still devastated. Total employment increased 2.6 percent (or 7,000 jobs) compared to the previous year, while the U.S. growth rate was 4.3 percent. The state's unemployment rate decreased to 4.0 percent, which is still lower than the national average of 4.2 percent. Payroll jobs increased in most industrial sectors, led by leisure & hospitality. This service industry recovered about 3,100 jobs, 9.7 percent of its employees, in a year-over-year comparison. Wyoming's pivotal industry, mining, improved moderately since the first quarter, growing 2.7 percent annually for the fourth quarter, because of the slow rebound in oil and natural gas activities. Construction and professional & business services also gained 7.9 and 7.5 percent of jobs, respectively.



Personal Income and Earnings

Wyoming's total personal income increased 5.8 percent in the fourth quarter of 2021 compared to the fourth quarter of 2020. The growth rate for the fourth quarter of 2021 was slightly lower than the previous quarter. U.S. personal income increased 7.2 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 5.5 percent annually in the quarter while transfer receipts grew 12.9 percent. Earnings in nearly all sectors experienced expansions from a year ago, led by leisure & hospitality (18.6%), followed by mining (16.2%) and then construction (14.0%). Farm (-42.8%) is the only sector that experienced an over the year decline.

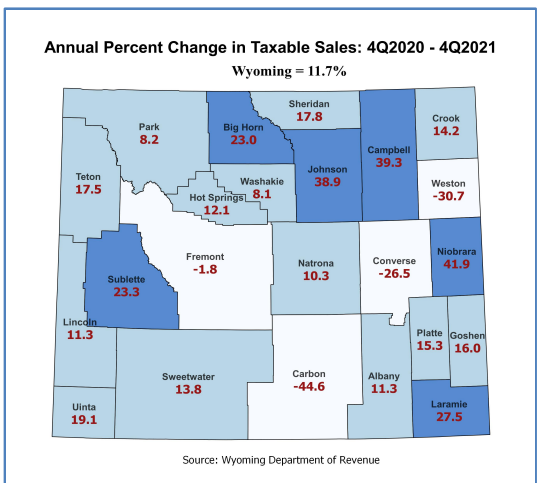
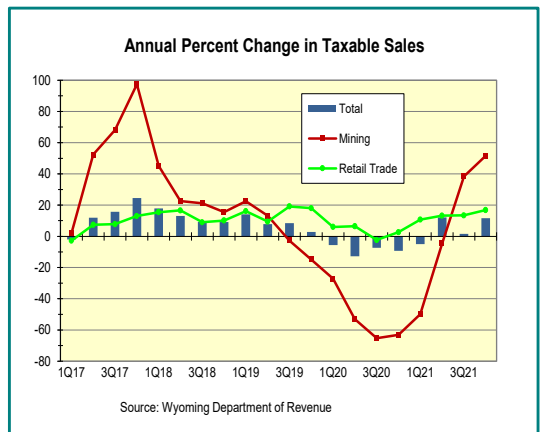
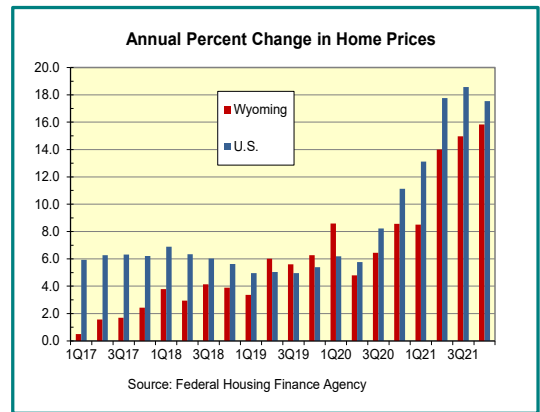
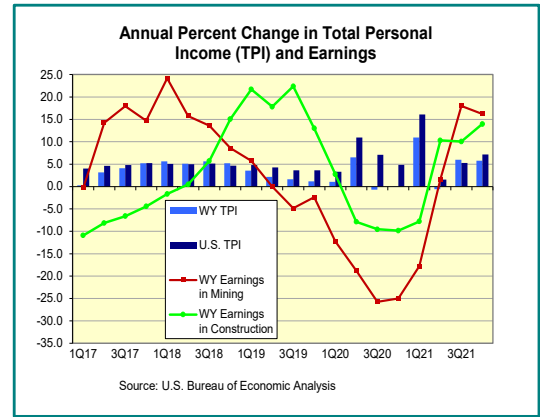
Housing

The statewide single-family home price increased 15.8 percent in the fourth quarter of 2021 compared to one year ago, a greater increase than the previous quarter. The national average price appreciation decelerated to 17.5 percent during the same period, and remained one of the fastest rates in recent decades. In Wyoming, single-family building permits for new privately-owned residential construction in the fourth quarter of 2021 were 2.1 percent higher than the previous year. Mortgage delinquency rates in December 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. 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 might slowdown in 2022 because housing supply is expected to catch up with demand to some extent. In addition, the reduced affordability and the federal rate hike 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 11.7 percent to \$5.0 billion in the fourth quarter of 2021, 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. Leisure & hospitality grew substantially (26.2 percent), thanks to the decline in COVID cases and booming travel & tourism activities. The mining industry (including oil & gas extraction) also demonstrated a strong rebound, 51.6 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 16.9 percent. Heightened inflation has also played a role for the



strong growth in taxable sales. Across the state, 19 out of 23 counties experienced increases in taxable sales in a year over year comparison, led by Niobrara’s 41.9 percent. Campbell, Johnson, Laramie, Sublette, and Big Horn counties also showed expansions over 20.0 percent. The fading activities in wind energy construction compromised the comparisons for Carbon and Converse counties.

Tourism

The number of recreational visitations to Yellowstone National Park reached 387,555 in the fourth quarter of 2021, down 6.1 percent from the previous year, while 361,419 visits to Grand Teton National Park showed a greater decrease of 23.0 percent. Despite the retreat, visitation figures for both national parks were still the second highest recorded for the fourth quarter in history, only lower than the fourth quarter of 2020 level. This robust 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 fourth quarter were 41.4 percent higher than a year ago in Teton County, and grew 34.7 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 roughly 10 years, the index of prices farmers received for all U.S. livestock and products rebounded quickly since the third quarter of 2020. The index reached 108 in the fourth quarter, 18.7 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 in 2016 and 2017, but have since been recovering. For the fourth quarter of 2021, the amount was lower than both the previous quarter and the prior year because of decreases in payments from COVID-19 programs. According to the Federal Reserve Bank of Kansas City, farmland values continued to increase at a rapid pace through the end of 2021 - the value of all types of farmland in the Tenth District was more than 20% higher than a year ago. Strong demand, historically low interest rates, and vastly improved conditions in the farm economy have supported the strength in agricultural real estate markets.

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 \$56.3 million in the fourth quarter of 2021, 16.6 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 \$213.6 million in mineral severance taxes generated in the fourth quarter of 2021, was 68.6 percent higher than the previous year, and the amount was the largest since the third quarter of 2014, reflecting surging energy prices - the highest fourth quarter for petroleum since 2013 and the highest fourth quarter for natural gas since 2008.

