



Economic Summary: 4Q2020



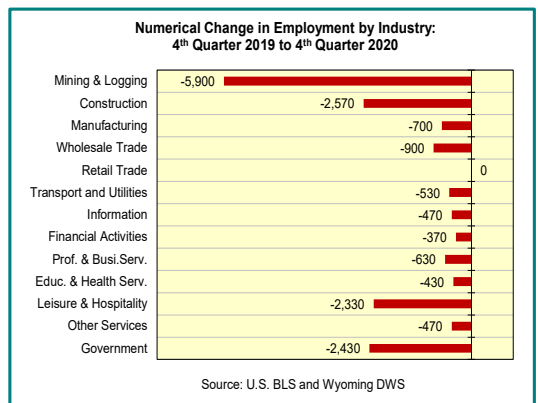
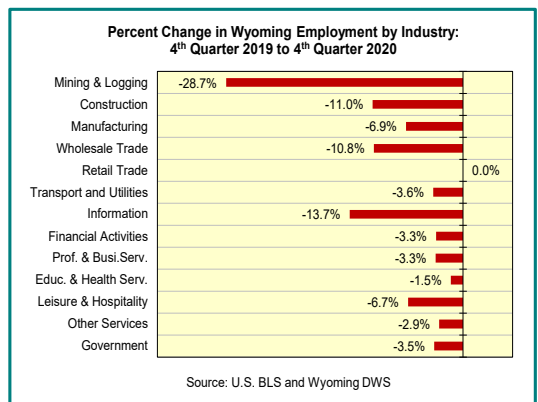
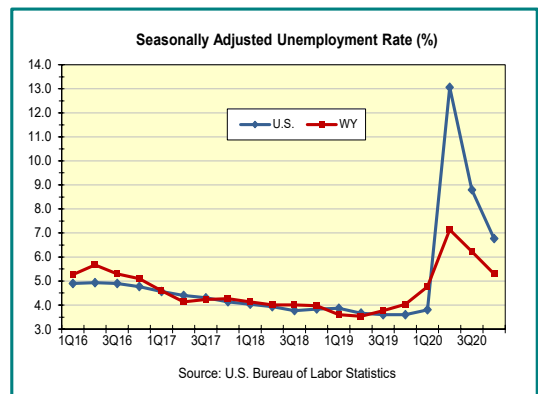
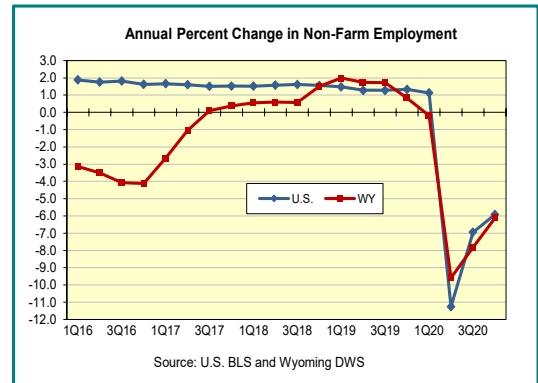
Current Global and U.S. Economy

After a soft end of 2020 and a difficult start to the new year, the outlook for the global economy is clearly improving. It is expected to carry the momentum through 2021, supported by the gradual wide deployment of coronavirus vaccines. In addition, ongoing and increased stimulus from governments and monetary policy from central banks will also be critically beneficial to popping up domestic demand as economies navigate the recovery in 2021. Moody's Analytics projects global real GDP to rebound by more than 5.0 percent in 2021 after a record 4.0 percent contraction in 2020. However, after a dramatic decline in the first month of the year, the global daily COVID-19 infection cases have been surging again since mid-February, resulting in the reinstatement of local lockdown restrictions in travel and business in some countries. The risks to the global outlook remain depend on the virus trajectory including mutation, and the timeline of widespread vaccinations and their continued efficacy.

Overall, the U.S. economy is performing better than anticipated during the winter. The passage of the \$1.9 trillion American Rescue Plan Act will provide an additional boost to the economy. Moreover, as the pandemic is winding-down, in particular the mortality rate, this could lead to GDP with the highest growth rate in many decades. Nonfarm employment rose by 379,000 in February despite temporary negative effects from the unusual weather, and unemployment rate dipped to 6.2 percent. Moody's Analytics now forecasts the monthly payroll job growth will be 414,000 this year, real GDP will increase 5.7 percent in 2021, and the economy will fully recover from the pandemic with unemployment rate of below 4.0 percent in less than three years.

Employment

Despite the ferocious resurgence of the virus, Wyoming's economy continued to rebound in the fourth quarter, similar to the U.S. average. However, the year over year comparison was still much disconcerting for the state's labor market. Total employment decreased 6.1 percent (or 17,730 jobs) compared to one year earlier, while the job decline rate for the U.S was 5.9 percent. The state's unemployment rate decreased significantly to 5.3 percent, lower than the national average of 6.8 percent. Payroll job declines occurred in nearly all industrial sectors, led by the mining (including oil & gas extraction). This pivotal industry lost about 5,900 jobs, or 28.7 percent of its employees in a year-over-year comparison, and it did not show any improvement in the quarter due to continuing depressed oil and natural gas activities. The construction, leisure & hospitality (mostly restaurant & lodging), and government sectors lost around 2,400 jobs, respectively. Retail trade was the only industry that showed minimal effects from the COVID-19 pandemic, and the employment in this sector changed little during the year.



Personal Income and Earnings

Wyoming's total personal income grew 0.4 percent in the fourth quarter of 2020 from the previous year, the slowest growth since the first quarter of 2017. U.S. personal income increased 4.0 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 shrunk 3.0 percent annually in the quarter, while transfer receipts increased 16.7 percent, attributed to the government relief payment from the CARES Act. Earnings in more than half of the sectors experienced contractions from a year ago, led by the mining industry's decline of 26.7%.

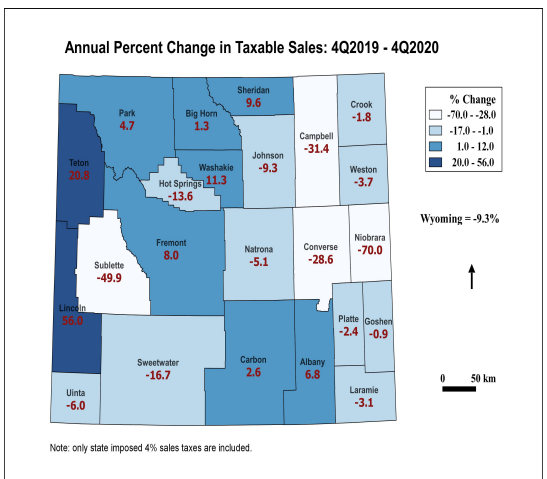
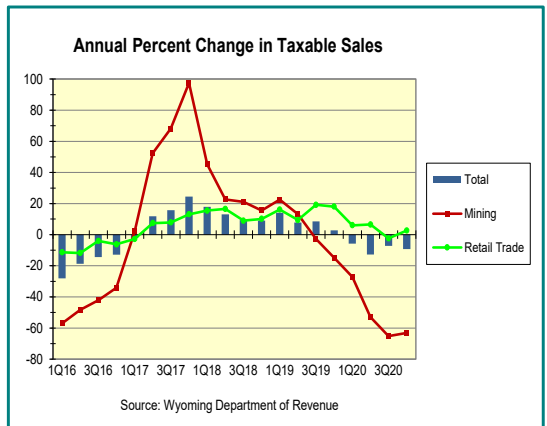
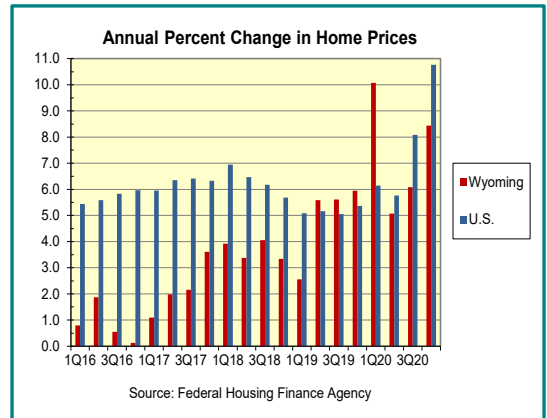
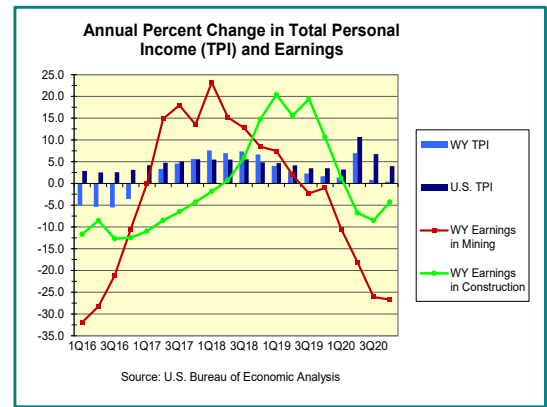
Housing

The statewide single-family home price increased 8.4 percent in the fourth quarter of 2020 from one year ago, faster than the previous quarter. The national average price appreciation accelerated to 10.8 percent during the same period, the fastest in recent decades. In Wyoming, single-family building permits for new privately-owned residential construction in the fourth quarter of 2020 were 21.5 percent higher than the previous year level. Mortgage delinquency rates in December were higher 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 hit a new all-time low, decreasing costs associated with buying a home and increasing housing demand. However, the red-hot housing market is expected to slow down in 2021 because of lower affordability and higher mortgage rates, which may contribute to a cool-down in housing demand. Indeed, there are signs that show some softness in housing market such as new home sales and mortgage applications.

Taxable Sales

Based on sales and use tax collections, total taxable sales in the state shrunk 9.3 percent to \$4.5 billion in the fourth quarter of 2020, in a year-over-year comparison. Decreases occurred in most economic sectors. The mining industry (including oil & gas extraction) contracted substantially, at -63.1 percent, due to declining sales of equipment, supplies, and services from energy exploration and production activity. This was one of the largest year-over-year drop in Wyoming's history. The manufacturing, transportation, and auto & machinery leasing industries that act in tandem with mineral extraction operations, also declined around 30.0 percent, each. The retail trade industry, the largest in terms of sales tax contribution, increased 2.7 percent, reversing the trend shown in the previous quarter. The wholesale trade industry and other services (mostly repair and maintenance) experienced year-over-year growth of 17.6 and 19.1 percent, respectively,



mostly as a result of robust activities in wind power projects. Automobile sales also showed a moderate increase of 3.8 percent over the year. Across the state, 14 out of 23 counties experienced decreases in taxable sales in a year over year comparison, led by Niobrara's -70.0 percent, followed by the -49.9 percent in Sublette. However, Lincoln (56.0%) and Teton (20.8%) counties experienced large growth, reflecting boosts in outdoor activities.

Tourism

The number of recreational visitations to Yellowstone National Park reached 412,664 in the fourth quarter of 2020, up 94.2 percent from the previous year, while 469,628 visits in Grand Teton National Park showed an increase of 67.1 percent. Visitation figures for both national parks were the highest recorded for the fourth quarter in history, partially attributed to visitors' preference of outdoor sightseeing during the COVID-19 outbreak.

Lodging sales for the fourth quarter were 35.4 percent higher than a year ago in Teton County, but were down 3.2 percent for the state as a whole. 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 lodging sales change in Teton County's winter season is mostly driven by ski activities.

Agriculture

After dropping to the lowest level in about 10 years, the index of prices received by farmers for all U.S. livestock and products rebounded to 91, just slightly lower than a year ago. The COVID-19 pandemic not only disrupted supply chain, but also severely affected demand patterns from consumers. Farm earnings in Wyoming experienced a downward trend in 2016 and 2017, but has since been recovering. By the fourth quarter of 2020, it reached a new record, partially attributed to the broad support from government payment.

The January 2021 inventory of all cattle and calves in Wyoming totaled 1.3 million head, down 2.0 percent from a year ago, according to the survey conducted by the Mountain Regional Field Office of the National Agricultural Statistics Service, USDA. Beef cows, at 702,000 head, were down 22,000 head from the previous year. The calf crop, at 660,000 head, is down 1.0 percent from 2019.

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 \$67.5 million in the fourth quarter of 2020, which was 25.0 percent higher 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 \$126.7 million in mineral severance taxes generated in the fourth quarter of 2020 was substantially higher than the previous quarter, but was still 21.1 percent lower than a year ago level.

