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TRACKING THE ECONOMIC IMPACT
OF COVID-19 ON TOURISM

FALL 2020

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The Bureau of Business and Economic Research has been providing information about Montana’s state and local economies for more than 70 years. Housed on the Missoula campus of the University of Montana, the bureau is the research and public service branch of the College of Business. On an ongoing basis the bureau analyzes local, state and national economies; provides annual income, employment and population forecasts; conducts extensive research on forest products, manufacturing, health care and child well-being; designs and conducts comprehensive survey research at its on-site call center; presents annual economic outlook seminars in cities throughout Montana; and publishes the award-winning Montana Business Quarterly.

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Suitcase with mask and ticket. (Shutterstock)

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Visitors walk away from Old Faithful as a sign about COVID-19 safety sits in the sidewalk in Yellowstone National Park after reopening in 2020. (AP Photo, Ryan Berry)

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MESSAGE FROM THE DIRECTOR OF THE BUREAU OF BUSINESS AND ECONOMIC RESEARCH

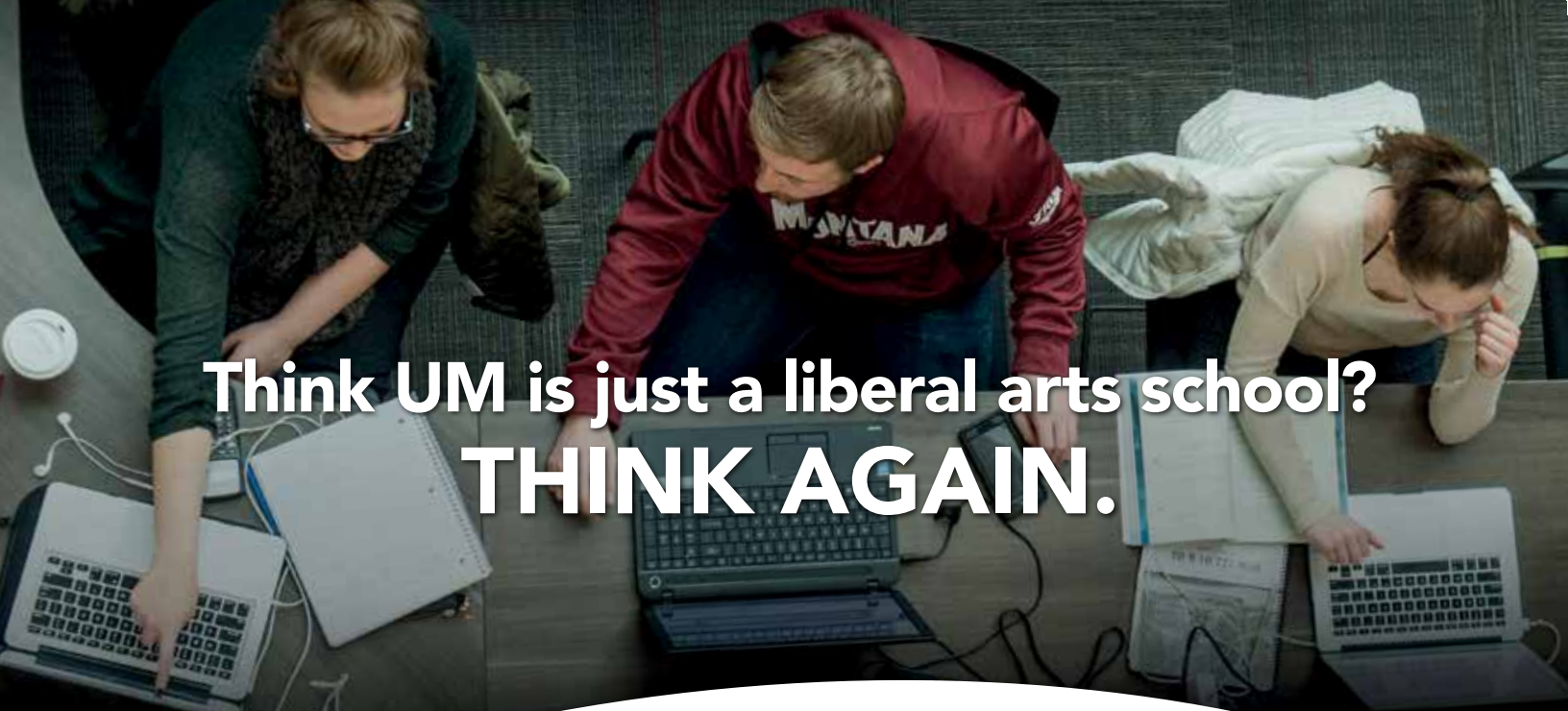
As we move through fall in one of the most eventful years of recent memory, I am reminded of the things that remain constant and steadfast in the midst of the chaos and tumult that is all around us. One of the most important of those is the need for information – not just data or numbers, but information that helps us understand issues and make rational decisions.

At the Bureau of Business and Economic Research, we've been working to address that need. Getting a handle on how this recession is unfolding and how it has affected key pieces of the economy is what we're known best for. And we're happy to bring some of those insights to you in this issue of the Montana Business Quarterly.

But getting information on issues that are hiding in plain sight is also a big part of what we do. We're particularly proud of our recent survey work addressing the impacts of the shortage of affordable child care across our state, which are reported in this issue. Partnering with the Federal Reserve Bank of Minneapolis, we've produced the first comprehensive, statewide assessment of the availability of child care that we are aware of. It's the kind of information we need to understand the nature of this challenge.

Stay well, and I hope to see you around the state as soon as that is possible.

Patrick M. Barkey
Director
Bureau of Business and Economic Research



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THE LOOMING VOTE ON RECREATIONAL MARIJUANA IN MONTANA

Is the Cost Greater Than the Benefit?

BY ROBERT SONORA

This November, Montanans will have the opportunity to vote on whether or not to legalize recreational marijuana. There are two items on the ballot this election season. The first is CI-118, which amends the Montana Constitution to include language to establish the legal age for owning, consuming, and/or possessing marijuana; making it the same as for alcohol. The second ballot initiative is the Marijuana Legalization and Tax Initiative (I-190), which legalizes marijuana for consumption and possession of marijuana for adults over the age of 21.

If these ballot measures pass, Montana would join 11 states and the District of Columbia that have already legalized recreational marijuana. The list of other states wishing to fully legalize includes Arizona, New Jersey and South Dakota. South Dakota has two ballot measures: one to legalize medical and one to fully legalize recreational marijuana. Should the latter initiative pass, South Dakota will be the first state to move from fully illegal to fully legal, as it is not yet decriminalized. A further three states have

medicinal cannabis on the ballot this year. Eight states have yet to decriminalize the legal use of marijuana for any purpose, including medicinal. In Oregon, there is a ballot initiative decriminalizes all drugs.

Montana is one of more than 30 states with legal medical marijuana, which became legal in 2004, when measure the Montana Medical Marijuana Act (I-148) passed. It was later amended in 2011 (SB 423) and 2016 (I-182). Currently, there are roughly 40,000 Montana residents with medical



Cannabis consultant Juan Aguilar assists customers shopping for cannabis products in the Herban Legends store in Seattle. (AP Photo, Elaine Thompson)

marijuana cards. These users consume roughly \$18 million worth of cannabis products annually, generating \$400,000 in tax revenues.

Changing Attitudes

According to a poll by the Pew Research Center, public attitudes toward marijuana legalization have changed dramatically since the turn of the century. In 2000, approximately 63% of surveyed Americans believed recreational marijuana should be illegal. By 2019, the most recent poll, that percentage had flipped. Now, about 67% of Americans believe cannabis should be legal.

In Montana, a 2017 survey conducted by the Montana Department of Public Health and Human Services found that less than half of Montanans believed recreational marijuana should be legal for adults. However, the University of Montana's spring 2020 Big Sky Survey found that 54% believed that recreational marijuana should be legal, compared to 37% who did not.

While the positive respondents in the Pew Research Center's national poll tilted to the left, 78% saying it should be legal, 55% of right-of-center respondents also favored legalization. They also found a person's education level does

not impact their beliefs – all education levels from high school or less, to post-graduate degrees fell in the 63% to 68% range. Millennials favored legalizing marijuana (76%) with support from both Republicans (71%) and Democrats (78%). Only the silent generation disapproved with 64% saying no.

Economics

The most fundamental tool economists reach for to determine the efficacy or cost of any given decision, whether it be a policy or household decision, is a cost-benefit analysis. If the cost is greater than the benefit, then the policy/decision should be abandoned. Of course, this simple calculation is complicated by a decision having an impact over time and by uncertainty. Also problematic is how and what should be measured to perform the necessary analysis.

As with other economic decisions, there are costs and benefits of legalizing recreational marijuana, which for our purposes will be cannabis – that includes the intoxicating compound THC. Like other drugs and alcohol, there are costs with marijuana from physical and mental health issues, to lost productivity to legal and enforcement costs. Also the probability of being involved in an automobile crash, compared to drivers with no evidence of marijuana use, is

Figure 1. Opioid overdose deaths, U.S., 2000-18. Source: National Institute on Drug Abuse.

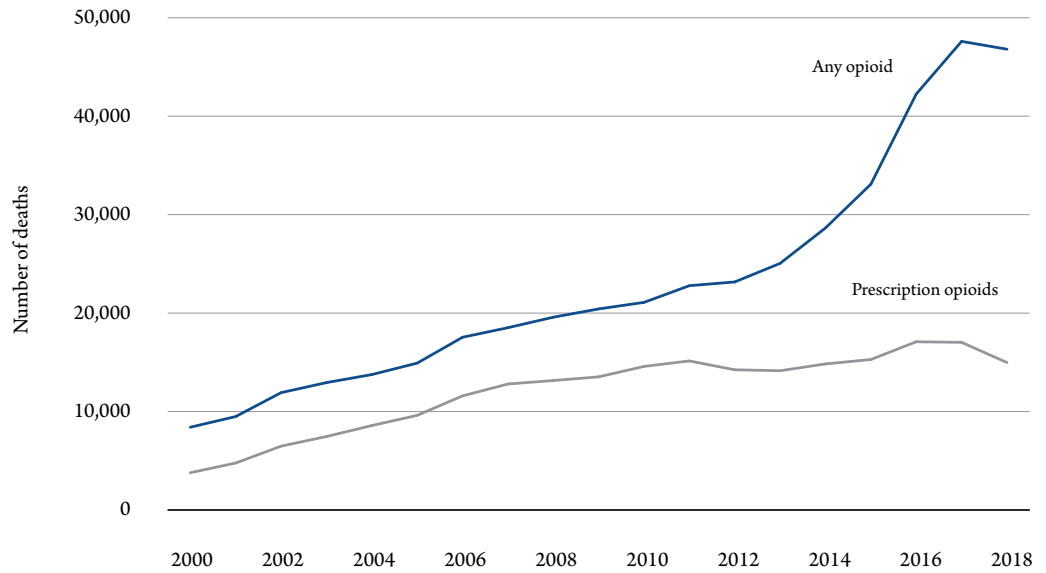
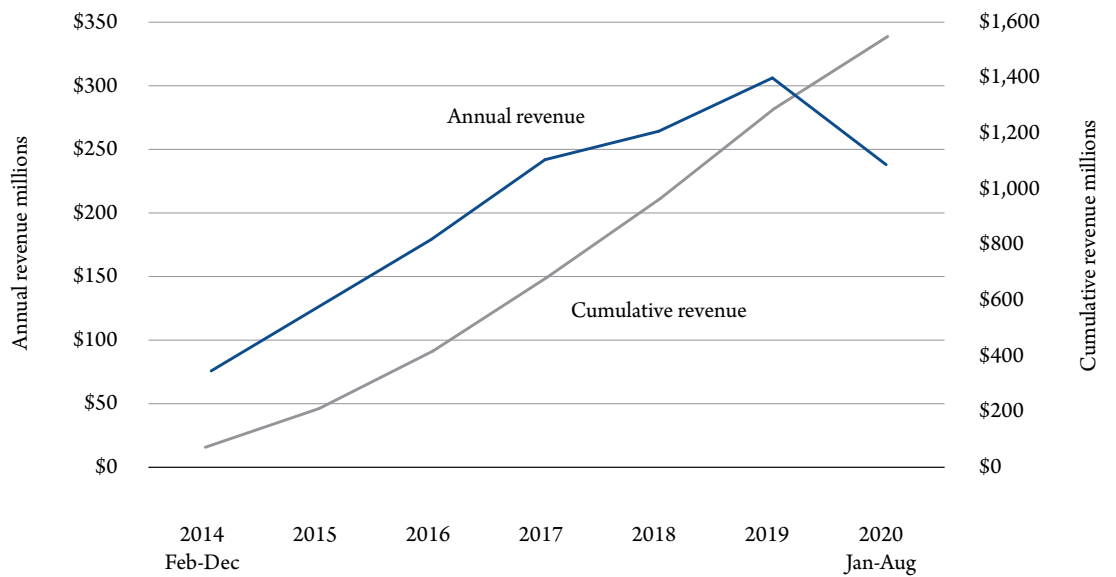


Figure 2. Colorado annual and cumulative cannabis tax revenue.



about 25% higher. However other factors, such as age, time of day, and other drugs and alcohol, may account for the increased crash risk.

These are undoubtedly real costs, but let's put them in context beginning with health, and more specifically the leading causes of death in the United States. A study in the *Journal of the American Medical Association* (2004) verified the leading causes of death in the U.S. were heart disease, diabetes, accidents and cancer. But the study took the analysis a step further by relating the leading causes of death to the actual causes of death. To put it another way, what led up to the death?

The leading killers are tobacco (18%), and poor diet and physical activity (16.6%). Alcohol was a distant third at 3.5% and vehicle crashes accounted for 1.8%. According to the National Highway Traffic Safety Administration, alcohol was involved in 28% of vehicle fatalities at a cost of \$44 billion in 2010.

Illicit drug use accounted for 0.7%, right behind sexual behavior (0.8%). Deaths associated with drug use included all illegal drugs, mental and physical health, violence and accidents. The authors concluded that roughly half of all deaths in the U.S. could be attributed to behavioral choices – one-third of preventable deaths can be attributed to cigarettes, and diet and exercise alone.

This research was conducted before the frightening escalation of opioids, legal and otherwise, which accelerated deaths after the Great Recession. Figure 1 shows the number of opioid related overdose deaths in the United States. Prescription deaths rose until 2010, and have stabilized since. But non-prescription deaths have been on the rise since 2010, with some leveling off since 2016. Research on the economic costs of prescription opioid use in 2013 was figured to be about \$78.5 billion.

Similarly, research shows the economic cost of cigarettes to be in the \$320 billion range. Direct health costs account for \$170 billion and \$156 billion is associated with lost productivity. Of the lost productivity, secondhand smoke adds about \$6 billion to the tally.

From an economic perspective, we can use taxes to help internalize the external costs. If the tax revenues generated

by sales of cigarettes are used to finance the health costs of smokers, then cigarette consumers contribute to the full cost of their behavior. In 2019, sin taxes for alcohol, tobacco and gambling contributed about \$85.5 million (about 3%) to Montana's general fund.

Another cost of illegal marijuana is the substantial social and economic cost of incarceration and enforcement. Since its launch in 1971 by former President Richard Nixon, the war on drugs has cost American taxpayers over \$1 trillion. The federal government spends almost \$10 million per day on drug related incarceration and states spend roughly \$70 billion per year.

One incentive for Montana to consider from the revenue side of recreational marijuana is the experience Colorado has had since legalization in 2014. In mid-2019, Colorado passed the \$1 billion tax revenue milestone (Figure 2). While it is unlikely that Montana will see that level of success, legalizing could recapture some lost tax revenues from Montanans who travel to legal states and tourists who chose to vacation elsewhere.

A recent study completed by the Bureau of Business and Economic Research found that legalizing recreational marijuana could contribute an additional \$43 million to Montana's general fund in 2022, increasing sin tax revenues by 50%. Given the current economic environment, with slowing household income and increases in transfer payments, a new revenue stream could help reduce red ink.

As a cautionary note, there is some evidence suggesting that cannabis tax revenues might not be the panacea several states predicted. Both Massachusetts and California, which have legalized recreational marijuana, fell substantially short of their revenue projections in the first year. As more states legalize both recreational and medical marijuana, the monopoly power enjoyed by states like Colorado and Washington is being watered down.

On the spending side, Montana initiative I-180 dictates that 10.5% of the recreational cannabis tax revenue go to the state general fund. The remaining revenues are dispersed to accounts for conservation programs, substance abuse treatment, veterans services, health care costs and localities where marijuana is sold.

While we do not support nor oppose the legislation, the general consensus seems to be that the costs of criminalizing cannabis outweigh its benefits. Clearly, marijuana legalization has some growing pains. Fortunately, if Montanans choose to legalize recreational marijuana this year, the state can walk in the footsteps of others and learn from their costly mistakes while improving upon their successes.

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CHILD CARE GAP IS COSTING MONTANA MILLIONS

The Impact of Inadequate Child Care on Families, Employers and the State

BY ROBERT SONORA, THALE DILLON AND JOHN BALDRIDGE

If you are a parent, you are keenly aware of the difficulties in providing inadequate child care for your young children. It's no secret that child care can be costly and inadequate child care can contribute to a host of issues, including job selection, absenteeism and work performance. That can in turn can affect one's earning potential, as well as the earning potential of employers and the greater state economy. Put it all together and Montana loses \$232 million a year due to inadequate child care.

Parents in the state struggle with this issue and their options for providing child care before their children reach school age vary broadly. It can be as clear-cut as one parent staying home with the child full time, arranging care with a relative, or something more complex – utilizing a combination of several child care alternatives, such as a child care center.

At least 73% of Montana households with children ages 0 to 5 years old require some form of child care. These types of arrangements allow parents to earn a pay check, but they

often do not fully meet their needs. Child care is costly and the younger the child, the greater the cost.

During the winter and spring of 2020, the Bureau of Business and Economic Research conducted a Federal Reserve Bank of Minneapolis-sponsored survey to examine issues related to inadequate child care in the state. Most respondents replied prior to the impact of the COVID-19 pandemic, but responses received after the start of the pandemic were not substantially different than those received before.



Jameson Webb, 5, creates a rocket during play time at Rhiannon Shook's early childhood care program in Bozeman. (AP Photo, Rachel Leathe)

The survey found that a majority of households used more than one form of child care. About 58% of respondents said they have their children stay at home with a parent, stepparent or guardian at least some of the time. One-quarter (25%) of households had children who attended pre-K or kindergarten, while nearly as many (24%) had children staying with a family member other than a parent. Twenty-three percent of households had children attending a licensed child care center, and 11% had children attending a licensed home-based family or group care provider. The remainder included households with children in Head Start, a child staying with an unlicensed, unrelated person who cares for a few children, or those who employed a babysitter or nanny.

Respondents reported experiencing a number of challenges with 57% saying that finding affordable child care was their greatest issue. A large percentage (41%) have faced problems with finding care when their primary arrangement is not an option, such as when their child is sick. This has led to 46% of respondents reporting that they had to leave work early and 44% missing a full day of work in the past month due to inadequate child care.

Finding high-quality care and care that accommodates a parent's work schedule has posed significant challenges as

well – 35% of Montana households deal with these issues. Less than one-quarter (22%) of respondents indicated that they experienced no challenges when it came to accessing child care.

Scope of the Issue

When examining the financial impact of child care in Montana, the average annual cost for all households with children ages 5 years and younger (regardless of their child care arrangements) equaled \$4,850. If averaging only for households that pay for child care, those expenses rise to \$7,900, and for center-based infant care (the costliest option) expenses top \$12,750. As a point of comparison, average in-state tuition at a Montana university is \$7,281 for an academic year.

Inadequate child care affects Montana workers in a variety of ways, all leading to a loss of productivity. Between parents having to leave work early or missing a day of work, households lost an average of 13 working hours per month – equivalent to 5% of total hours worked.

In the year leading up to the survey, close to two-thirds (62%) of responding parents experienced time missed from work, 26% declined to pursue further education or training

Figure 1. Households that have experienced challenges in accessing child care.

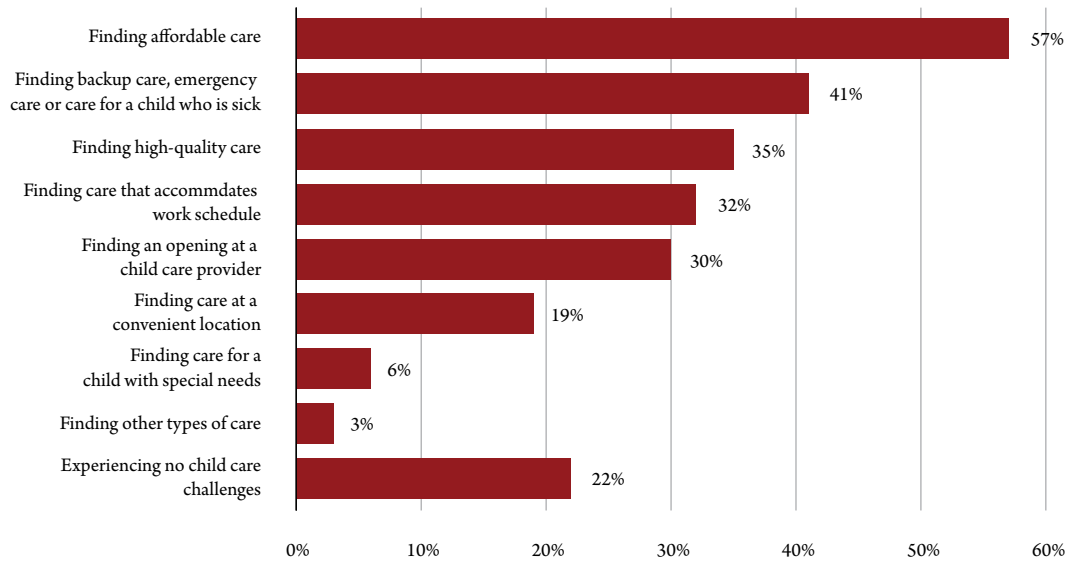


Figure 2. Average annual child care expenditures.

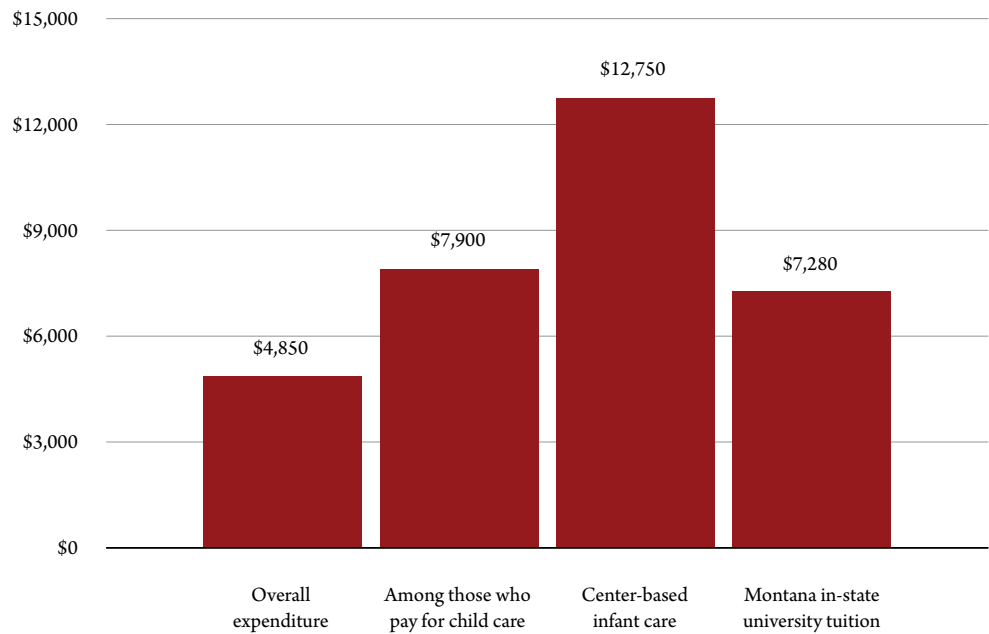
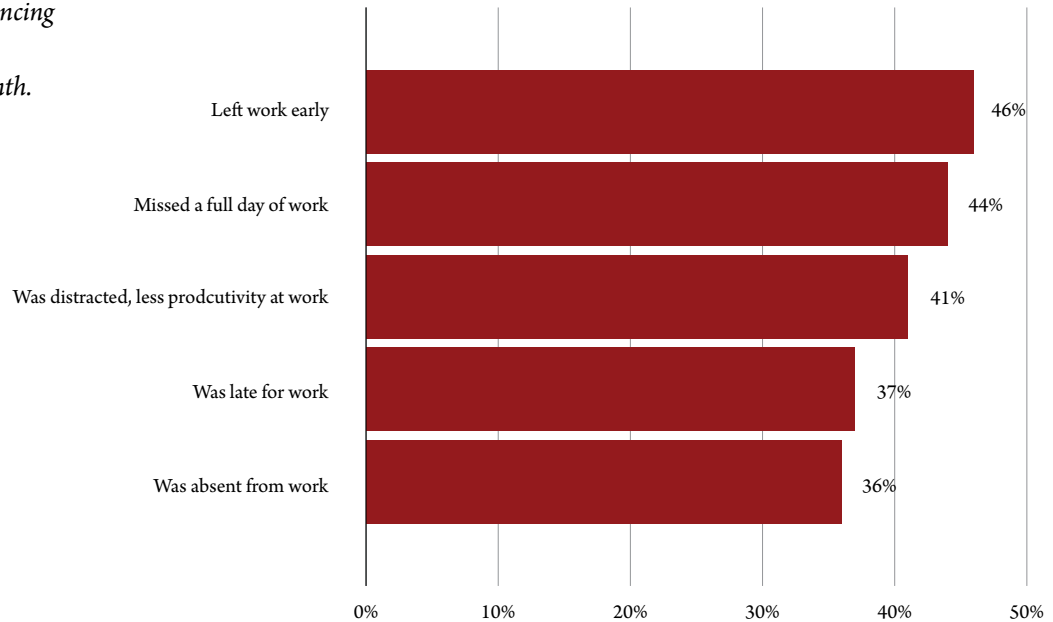


Figure 3. Parents experiencing child care-related work problems in the past month.



to advance their career, 22% declined a job offer and 6% declined a promotion. Only 1% of responding households indicated they had experienced losing their job due to child care-related issues. However, 15% of surveyed parents changed from full-time to part-time work, 12% quit their jobs, and 8% chose to not change from part-time to full-time work.

Household Impact

The primary economic impact of inadequate child care on Montana families is the loss of wages. Montana parents lose more than \$145 million in wages annually because of inadequate child care. Individual parents of children 5 years old or younger lose \$3,110 annually, while Montana households lose an average of \$5,700 in wages annually.

It is important to explore the annual wage burden of Montana parents not just in summary, but by specific household characteristics. Households earning \$30,000 or less lost on average about \$3,400 in wages per year due to issues related to inadequate child care, which is more than 10% of their income. Families with fewer economic resources are likely to face greater challenges in the child care market, which can present a substantial barrier to economic opportunities.

Native American parents, the second largest racial group in the state, were more likely than white respondents to decline further training (47% versus 24%), turn down job offers (37% versus 22%) or quit their jobs (27% to 10%).

Parents in Montana's urban households face almost the same annual wage burden (\$5,580) from inadequate child care as parents in rural households (\$5,900). While these two types of households do not see substantial differences on employment and income, urban households reported a greater difficulty finding affordable child care than rural households (60% versus 49%).

Business Impact

Montana businesses also bear a burden caused by inadequate child care, mainly from reduced revenue due to lower employee productivity and increased employee recruitment costs caused by unwanted employee turnover.

In estimating the economic burden, Montana businesses lose nearly \$55 million annually. Work problems experienced by parents with young children caused Montana businesses to lose \$2,140 per household and \$1,170 per parent.

Table 1. Losses to the Montana economy caused by inadequate child care (2019).

	Loss to households	Loss to businesses	Loss to taxpayers
Average per household	\$5,700	\$2,150	\$1,260
Total	\$145,146,000	\$54,562,000	\$32,036,000

Tax Impact

Taxpayers also carry a major economic burden due to inadequate child care. Specifically, the federal government and Montana state government obtain lower income tax receipts because of foregone wages. According to estimates, lost income reduces combined tax revenues paid to state and federal governments by \$32 million dollars annually. Of that, tax revenues lost by the federal government are nearly \$23 million annually, while the state of Montana loses \$9 million. Tax-paying parents pay \$1,260 less taxes annually per household or approximately \$700 per parent. This a cost to other taxpayers as their tax revenues must compensate for these losses.

The average economic impacts of inadequate child care borne by parents, businesses and taxpayers in Montana are very similar to the most recent estimates found for the United States as a whole.

Clearly, Montana families must make difficult choices when it comes to caring for their young children. The choice between spending a significant portion of their income on child care or leaving the workforce to care for their child is a hard decision. These working families face economic barriers that impact their earnings and long-term economic security.

Creating greater access to high-quality, low cost, child care and learning programs in Montana will help grow our state's economy and provide a stable future for our children.

Robert Sonora is director of health care research and associate director at the Bureau of Business and Economic Research at the University of Montana. Thale Dillon is a research economist at the Bureau of Business and Economic Research. John Baldrige is a survey researcher at the Bureau of Business and Economic Research.

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TRACKING THE ECONOMIC IMPACT OF COVID-19 ON TOURISM

The Travel Industry Struggles to Rebound in Montana

BY JEREMY SAGE

2020 was poised to be a good year for tourism in Montana. The industry came off a banner year in 2019, which garnered \$3.75 billion from 12.6 million visitors – 2.2% more visitors than 2018. As the year began, unemployment rates were at all-time lows; rates hovering around 3.5 percent, consumer sentiment was the highest it had been since 2005, and the economy was continuing its record months of expansion. In preparing for the summer peak travel season – about half of all visitors arrive between July and September – the biggest worry seemed to be the potential severity of the fire season. But 2020 has proved to be anything but a normal year.

The University of Montana's Institute for Tourism and Recreation Research (ITRR) routinely monitors the tourism and recreation industries of Montana. They largely do this via on the ground surveyors stationed throughout the state. These efforts result in the ability to provide estimates of the

number of visitors to the state, how much they spend, and how that spending impacts the state's economy.

Recognizing a massive upheaval was on the horizon for tourism in Montana, and the impending inability to interact with visitors face-to-face, ITRR began a series of secondary



The Roosevelt Arch standing at the entrance to Yellowstone National Park in Gardiner. (NPS, Jacob W. Frank)

information surveys. Its purpose was to gauge the potential impacts of the pandemic to Montana's tourism industry, as felt by travelers and businesses. The series showed how concerns over health and the economy impacted the tourism industry, as the virus spread and governmental actions took hold.

The Traveler

March 11-15

The first round of surveys took place just as the first identified cases were being reported in the state. At the time, 59% of the 1,460 non-Montana resident respondents indicated they were at least somewhat concerned about their own health. Meanwhile, a larger portion (72%) indicated concerns for the health of their community. While these were moderately high levels of concern, they were small compared to the 88% who indicated concern over the economy. Forty percent indicated they were extremely concerned and 43% strongly agreed with the sentiment that the outbreak could increase the likelihood of a recession. However, likely attributable to the lack of confirmed COVID-19 cases in the state, Montanans were less likely to be concerned about their own health. Only 50% voiced concern about their own health and 66% for the health of their community.

Concerns about both one's own health and the future health of the economy were likely to impact travel decisions, so respondents were asked to indicate changes to their upcoming travel plans. Prior to reports of the outbreak in the U.S., two-thirds of Montanans and non-Montana residents surveyed had already booked trips – including flights, hotels, or special events – more than 50 miles from home. At the time of the survey, 20% had canceled at least one of these booked trips due to the pandemic. In total, non-Montana respondents indicated they had canceled 10% of their booked trips and were still considering canceling an additional 17%. Booked trips to Montana fared better as only 3% had been canceled and another 8% were under consideration. Montanans, who contribute substantially to the travel economy, appeared equally unlikely to cancel their trips, with almost half of their booked trips planned to take place within the state.

With the typical opening of Yellowstone National Park still a month out from this first survey and the opening of

the Going-to-the-Sun Road in Glacier even further out, early indicators suggested if the pandemic remained at bay and actions to flatten the curve were taken quickly, Montana may pull through. However, while the cancellations to Montana remained in the single digits, the changing nature of the pandemic necessitated continued monitoring.

March 26-31

Two weeks later, the travel and economic environment both within Montana and across the country had noticeably changed. The 59% of non-Montana respondents and 50% of Montanans who had previously indicated concern for their own health were now at 84% and 76% respectively. Similarly, concerns for the health of their communities was also on the rise, with 93% of non-Montanans and 88% of Montanans now concerned. Nearly unanimous concern, in excess of 90%, across both groups was now being expressed for the state of the economy and the likelihood of a recession.

The combination of health and economic concerns, as well as the shutdown of major portions of the economy with stay-at-home orders, began to impact the upcoming travel season – kicking off following Memorial Day. At the end of March, the bulk of planned trips had been for May and June. While many respondents were canceling trips in March and April, they were holding off on fully canceling trips for later in the summer.

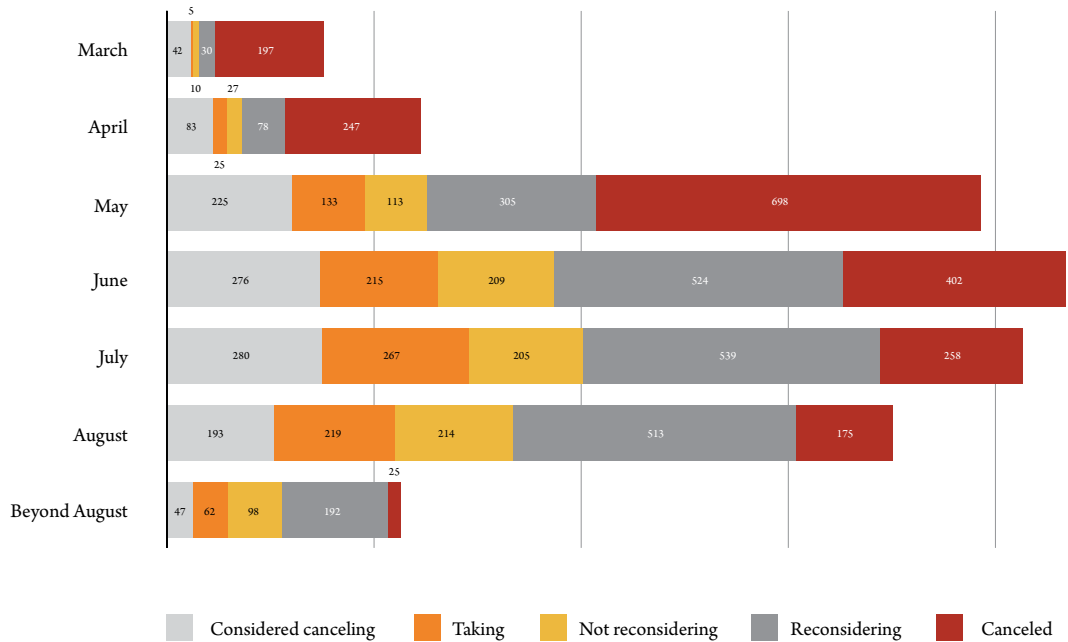
As of the end of March, it appeared the fate of the 2020 travel season in Montana was dependent upon how quickly the ability to travel could return to normal.

May 8-12

Just over a month passed between survey efforts and a lot unfolded during that period. Students at the University of Montana, Montana State University and other schools did not return to their respective campuses following spring break; younger students took up remote learning, residents began working from home or were laid off; a 14-day quarantine period was initiated in Montana for those arriving in the state; and the border between U.S. and Canada closed to nonessential travel.

While economic concerns remained high among the respondents, concerns over one's own health and that of their communities eased somewhat, though still above 75%,

Figure 1. Status of booked and/or planned trips.



even in the midst of all the disruption. This coincided with a phased reopening of Montana businesses and an end to the 14-day required quarantine. When asked about traveling to Montana following the lifting of the quarantine, over a third of nonresident respondents indicated they planned to make a trip to the state. Additionally, 81% of Montanans indicated they planned to travel around the state, more than 50 miles from home, at some point during the summer.

The eagerness to travel to and around Montana was evident, but not overwhelming. A second piece of data began to back up these responses. Visitation to Montana State Parks was up 25% over 2019 in June – this includes a 39% increase in May alone. However, this desire to visit and travel ran counter to the observations coming from larger destinations, and even from local businesses dependent upon these travelers.

The Tourism Dependent Businesses

Coinciding with the traveler surveys, ITRR reached out to tourism-dependent businesses to better understand the impacts the pandemic was having on their businesses. The late March survey found 63% of businesses reported zero

bookings for April, 61% percent had zero for May, 49% for June, and 21% said they had zero bookings for July and beyond. The good news at that time was the numbers were declining as summer progressed.

However, it wasn't just changes in actual bookings that were seeing a dive – 91% percent of the accommodation sector reported their inquiries were down, followed by 87% of outfitters and guides. As one survey respondent stated, basically by the middle of March, the phone just stopped ringing. Additional data showed that 66% of tourism-related businesses had to temporarily reduced their workforce, and 57% temporarily closed some or part of their business.

Respondents were asked if they would permanently close their business due to COVID-19: 79% percent disagreed with the statement, 18% neither agreed nor disagreed, and 3% reported that they would close. This included eight hotels, five outfitters/guides, eight tourism service businesses and two tourism support service businesses.

Businesses took the same wait-and-see attitude observed with visitors. However, due to high expenses and a reliance on contract-styled labor, this led to financial stress with

uncertainties about the duration of the impact and the ability to receive continued assistance.

Looking Back on the Summer of 2020

With Labor Day now in the rear view and schools back in session, the data will soon be in on the toll the pandemic has taken on businesses and communities this summer. COVID-19 remains an ever-present part of daily lives, but the catastrophe that could have been the economic case for Montana may have been averted for some and at least reduced for others.

Montana may have been fortunate in its abundance of wide-open spaces as its major draw, and the willingness of visitors to see and experience it. In normal years, roughly 85% of visitors arrive in the state via car, truck or RV. So while the airline industry continued to struggle, many visitors found a way to get to Montana and escape their urban spaces.

The typical visitor to Montana was likely different this year, as travelers canceled their flights to large urban destinations and instead visited places like Yellowstone National Park. In fact, visitation to Yellowstone was up 2% in July and over 7% in August of 2020, compared to the same months last year. However, visitation to Glacier National Park was down more than a third in both months, as portions on the east side of the park remained closed. Undoubtedly, the spending profile of visitors this summer will have changed too, as visitors flocked to campgrounds rather than hotels and shopped for groceries versus dining in restaurants.

While the economic data is still coming in, health concerns remain rightfully high, even if tempered somewhat by time. A majority of residents typically understand and agree with the importance of tourism to the state's economic well-being. Not since the aftermath of 9/11 has the average perception of the benefits of tourism compared to the costs been as low as it has this summer.

Prior to this summer, the average respondent disagreed that the state was becoming overcrowded because of more tourists. However, that has now changed to an agreement

on average. Perhaps our sense of what is and is not a crowd has changed as social distancing has expanded our comfort bubbles. Whatever the reason, it demonstrates a potential fracture in need of rebuilding.

As Montana plans for a post COVID-19 economic recovery, bringing communities and residents together – those who are often the first line in welcoming visitors – will be vital if a robust tourism economy is to be reestablished and maintained.

Jeremy Sage is an economist and associate director at the Institute for Tourism and Recreation Research at the University of Montana.

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MAPPING THE COVID-19 RECESSION

How Are Montana and Its Metropolitan Areas Fairing?

BY PAUL E. POLZIN

Economists are sometimes accused of having little foresight, like a driver traveling at 90 mph with their eyes on the rearview mirror. But accurate economic analysis requires up-to-date information, and therein lies the rub. It takes time to gather, compile, verify and publish the data. By the time these steps are taken, it may appear that the figures are already out-of-date.

The current COVID-19 crisis is a prime example. The economy was barreling along in January and February of 2020, with record low unemployment and respectable growth. Then the world stopped in mid-March. When it resumed, it was on a different course. Much of the economic data, which is released annually or perhaps quarterly, simply can't describe recent events.

There is one source of timely up-to-date data that can provide information; the Current Employment Survey (CES). Each month the U.S. Bureau of the Labor Statistics surveys about 697,000 work sites in the country and tallies the number of workers, as of the 12th of the month. The number of workers are reported nationwide, statewide and for each major metropolitan statistical area (MSA).

This data source is not perfect, because the figures are based on samples and are frequently revised. But if we are careful, and do not try to be too precise, the CES data can provide a picture of the latest trends. The following sections use the monthly CES data to track the COVID-19 recession

in the U.S., Montana and several of the state's major urban areas, since February 2020. Later data for gross domestic product and income will provide further information.

The U.S. Economy

The seasonally adjusted monthly data for U.S. nonfarm employment are shown in Figure 1. Nonfarm employment is the best overall indicator of short-run trends. Data for wages and income may be skewed by the massive income payments made by the federal government since the onset of the COVID-19 crisis.

The rapid COVID-19 shutdowns during March and April of 2020 are clearly shown in the data. Total U.S. nonfarm employment declined by more than 22 million jobs from February to April, a decline of about 14.5%. We haven't done an extensive historical search, but such a decrease has to be among the greatest month-to-month declines in recent history. There is no question that the U.S. economy went into a free fall in the spring of 2020.



Glen Buhlmann, lower left, fills out a job application during a walk- and drive-up job fair in Seattle. (AP Photo, Ted S. Warren)

Since the decline, the U.S. has posted a number of months of employment growth. By August 2020, the number of nonfarm jobs increased by almost 10.6 million. This job growth was impressive, but not close to erasing the 22 million decline from February to April, and the upward trend appears to moderate in July and August.

The National Bureau of Economic Research (NBER) is the semiofficial agency for dating of business cycles. They announced that February 2020 was the business cycle peak. This was bit surprising, because in the past it would take the NBER months or even years to determine when a business cycle began and ended. In any case, February 2020 provides a convenient starting point to analyze the COVID-19 recession and compare it to previous downturns.

Figure 2 compares the first few months of the COVID-19 recession with the Great Recession of 2007-09. Both recessions may be plotted on the same graph by starting with the respective cycle peaks (February 2020 for COVID-19 and December 2007 for the Great Recession) and plotting the following months relative to the cycle peak.

The differences between the two recessions are immediately obvious. The Great Recession was 18 months of slow but persistent declines. By June 2009, nonfarm employment

was down slightly more than 5%. The COVID-19 recession so far has had larger declines over a much shorter period of time. As mention earlier, the two-month decline in 2020 was roughly 14.5%.

The distribution of employment losses and gains provides further insight into the characteristics of the COVID-19 recession. Figure 3 shows the nonfarm industry employment changes from February to April (those on the left) and the corresponding industry figures from April to August (those on the right).

All of the industries shown in Figure 3 experienced employment declines during the spring of 2020. The greatest decreases were in the hospitality and leisure sectors (hotels, motels, restaurants and bars). These industries lost more than 8 million jobs or almost 50% of its February figure. Retail trade and health care also saw significant job losses. Taken together, hospitality, retail trade and health care accounted for almost 59% of the total job losses.

The greatest increases between April and August of 2020 were in the industries that experienced the largest declines. Taken together, hospitality and leisure, retail trade and health care accounted for more than 66% of the job growth between April and August. This suggests that much of the decreases

Figure 1. Nonfarm employment, seasonally adjusted, U.S., 2020. Source: U.S. Bureau of Labor Statistics, Current Employment Survey (Accessed September 2020).



Figure 2. Nonfarm employment, seasonally adjusted, U. S., 2020. Source: U.S. Bureau of Labor Statistics, Current Employment Survey (Accessed September 2020).

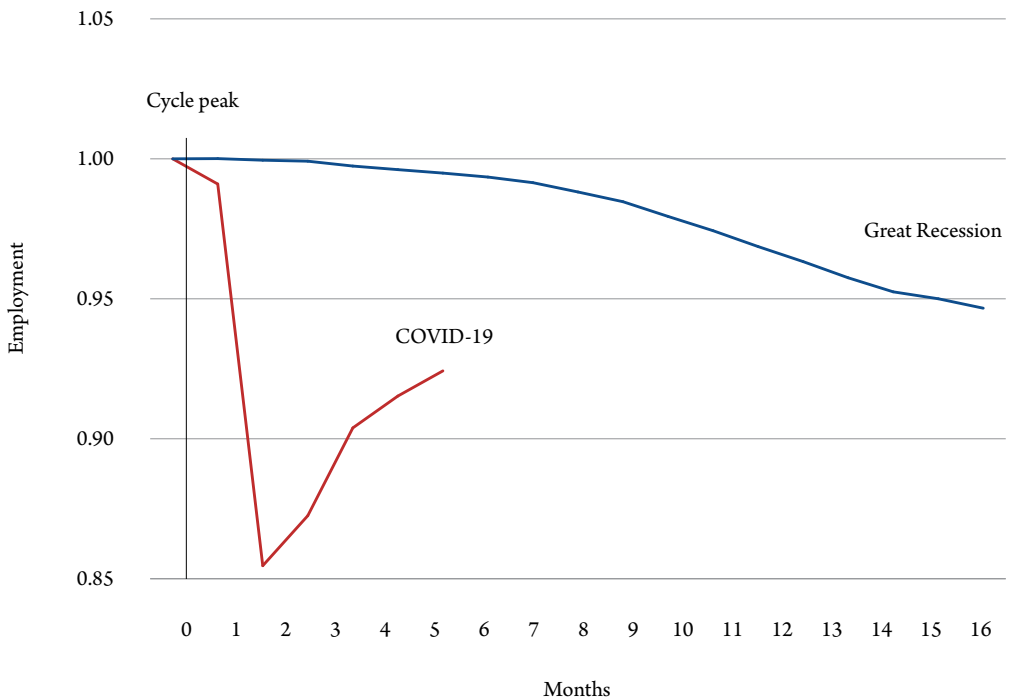
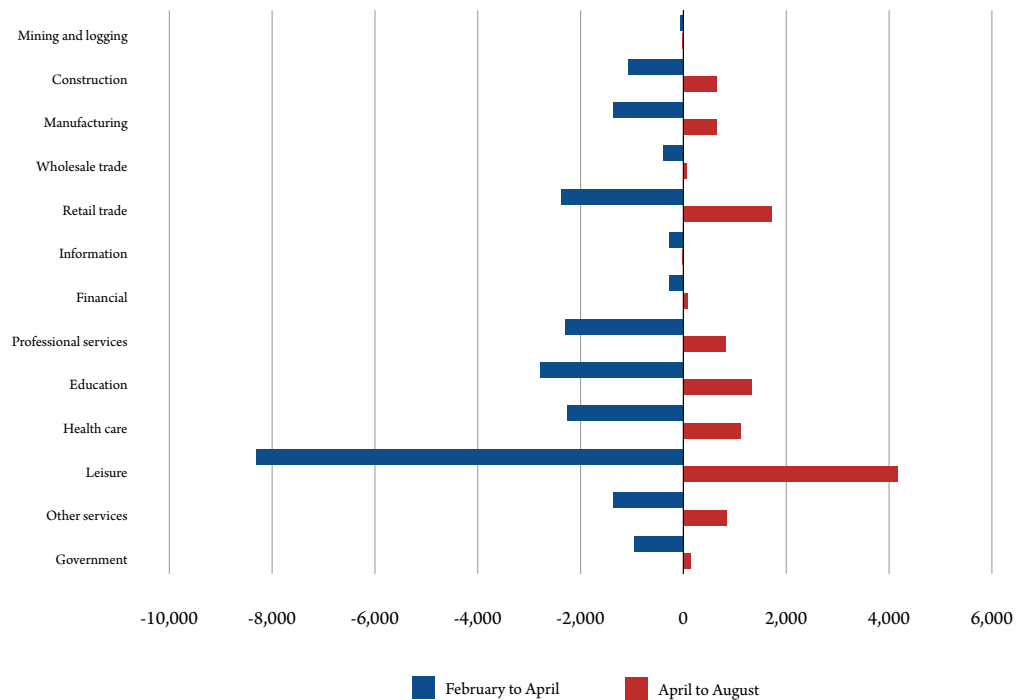


Figure 3. Change in nonfarm employment, seasonally adjusted, U.S., 2020. Source: U.S. Bureau of Labor Statistics, Current Employment Survey (Accessed September 2020).



and subsequent increases were associated with the shutdowns and (partial) reopenings due to stay-at-home orders.

The Montana Economy

Figures 4 to 6 present the monthly CES data for Montana in the same format as the U.S. figures. This allows quick comparisons between COVID-19 trends in the state and the nation.

As shown in Figure 4, seasonally adjusted nonfarm employment in Montana declined sharply during the spring of 2020. The number of workers decreased from 489,400 in February to about 425,100 in April, down about 13.1%. The corresponding drop in U.S. employment was 14.5%. As with the nation, Montana experienced sizable increases in the April to August period, but the latest employment figures were still slightly more than 5% below the February peak, and the July and August growth was modest.

The Montana COVID-19 trends are compared to those during the Great Recession in Figure 5. As with the U.S. economy, the COVID-19 data is far more volatile than for the nation. The February to April Montana decline was greater

than experienced during the entire Great Recession, as were the April to August increases.

The industry distribution of the 2020 Montana employment changes can be seen in Figure 6. As in the nation, both the February to April declines and the subsequent April to August increases were concentrated in just a few industries. Leisure, health care and retail trade accounted for 73.4% of the declines and roughly 86.8% of the increases.

Montana's Major Urban Areas

The U.S. Bureau of Labor Statistics also gathers and publishes CES employment data for metropolitan statistical areas (MSA). There are three in Montana; Missoula, Great Falls and Billings. Unfortunately, the fast growing Flathead and Gallatin counties are not yet designated as MSAs and data for them is not available. As mentioned earlier, CES figures are based on samples and should be taken with a grain of salt and the MSA data should be taken with the most salt. MSA sample sizes are small, meaning that the figures may be imprecise and could be revised when more information becomes available.

Figure 4. Nonfarm employment, seasonally adjusted, Montana, 2020. Source: U.S. Bureau of Labor Statistics, Current Employment Survey (Accessed September 2020).



Figure 5. Nonfarm employment, seasonally adjusted, Montana, 2020. Source: U.S. Bureau of Labor Statistics, Current Employment Survey (Accessed September 2020).

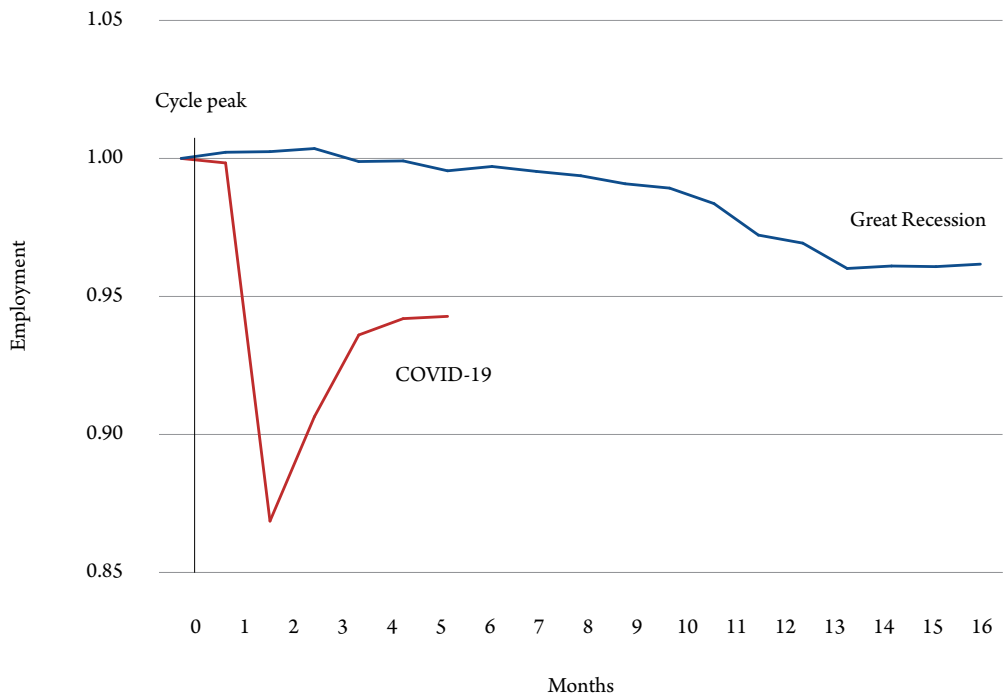
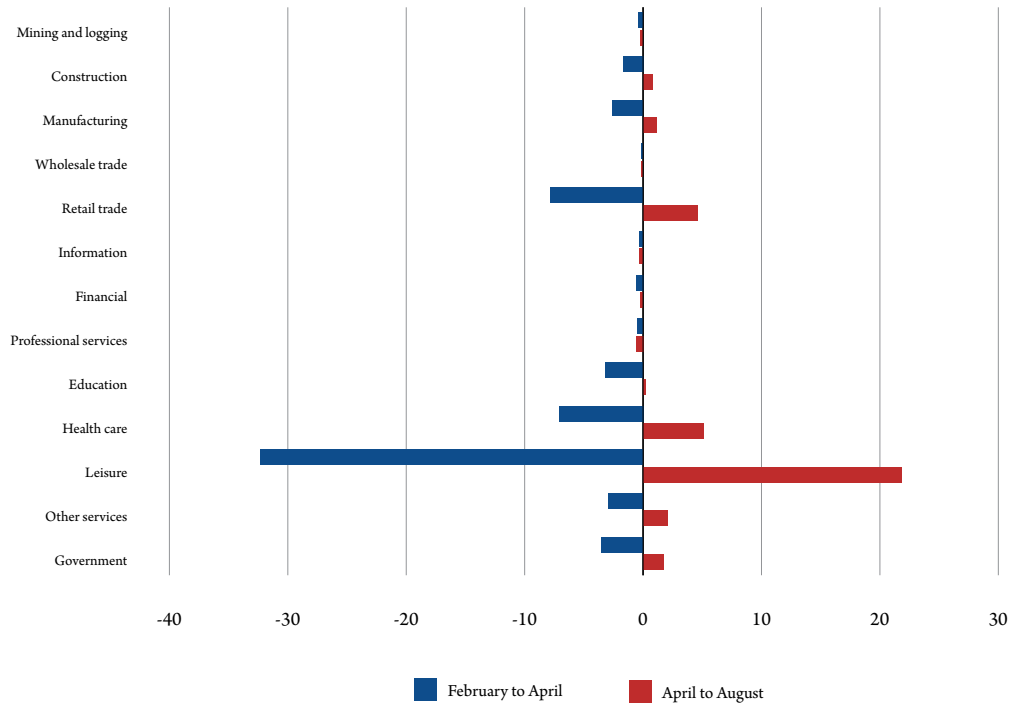


Figure 6. Change in nonfarm employment, seasonally adjusted, Montana, 2020. Source: U.S. Bureau of Labor Statistics, Current Employment Survey (Accessed September 2020).



Seasonally adjusted nonfarm employment for Missoula, Billings and Great Falls are presented in Figure 7. All three MSAs are shown on the same graph in the interest of brevity and because their trends are so similar. The declines from February to April are simultaneous in all three cities and almost equal in magnitude. They range from an 11.6% decline in Missoula to a 12.7% decrease in Great Falls. Similarly, nonfarm employment turned upward in April 2020. By August, employment in Missoula regained its February peak, while the figures for Great Falls and Billings remained about 5% below the cycle maximums. All three MSAs experienced moderating growth in July and August of 2020.

Small sample sizes limit the amount of detailed employment available for MSAs. Of the categories reported in Figures 3 and 6, only employment in leisure is reported for the three Montana MSAs. But even so, this category accounted for large portion of the 2020 changes in Montana urban areas.

As reported in Table 1, leisure was 42.7% to 52.7% of the February to April declines, and 44.2% to 65.0 % of the April to August increases in total nonfarm employment in Montana’s three MSAs.

Summary

The COVID-19 crisis has had significant repercussions throughout the economy. Using Current Employment Survey data published by the U.S. Bureau of Labor Statistics (one of the few monthly economic data sources) reveals the following:

- The U.S., Montana and three of the state’s urban areas experienced sharp declines from February to April 2020 and increases from April to August, with moderating growth in July and August. Current employment levels remain mostly below peak values.
- The employment declines in the U.S., Montana and the urban areas were much greater than were experienced during the Great Recession. These decreases were probably larger than at any time in recent history.
- The changes in employment in the U.S., Montana and the MSAs were concentrated in a few industries. Leisure, health care and retail trade accounted for most of the declines and subsequent increases during 2020.

Figure 7. Nonfarm employment, seasonally adjusted, metropolitan statistical areas, Montana, 2020. Source: U.S. Bureau of Labor Statistics, Current Employment Survey (Accessed September 2020).

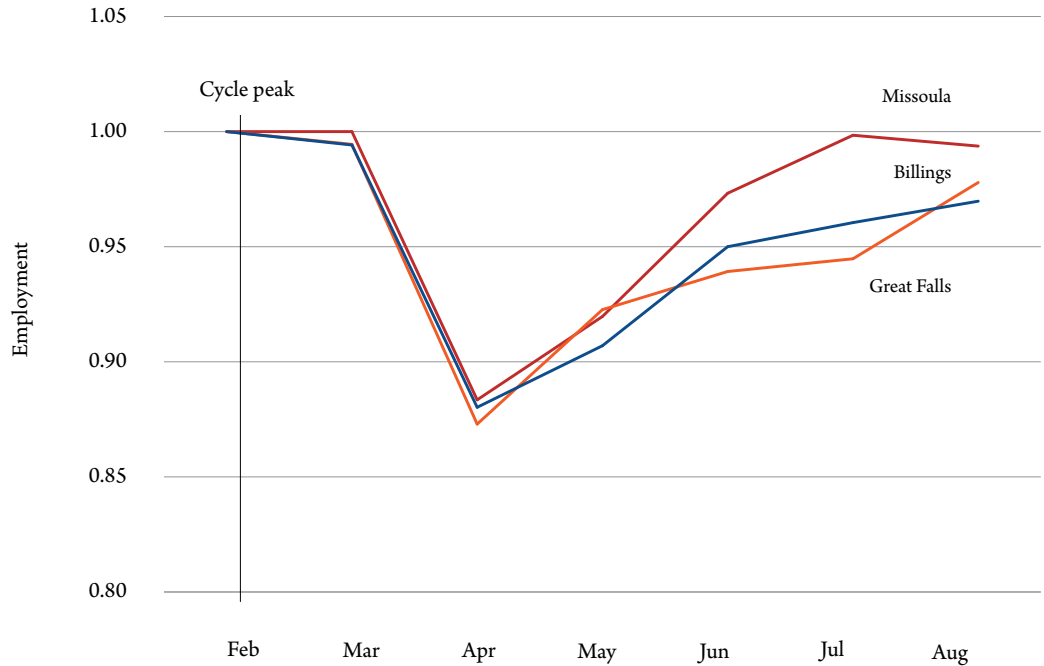


Table 1. Change in leisure employment as percent of change in total nonfarm employment by metropolitan statistical areas, Montana, 2020 (not seasonally adjusted). Source: U.S. Bureau of Labor Statistics, Current Employment Survey (Accessed September 2020).

	Feb. to April 2020	April to Aug. 2020
Billings, MSA	42.7	61.0
Great Falls, MSA	50.0	65.7
Missoula, MSA	52.7	44.2

The concentration of 2020 impacts in a few industries suggests that they may mostly reflect the lockdowns and subsequent (partial) reopenings associated with the pandemic. Recessions, on the other hand, usually involve simultaneous trends in a wide variety of industries. If the events identified here spread to the rest of the economy, the COVID-19 recession may have a long way to go. If the impacts are confined to several industries (perhaps due to government fiscal and monetary policies), the recession may be shorter.

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