



**2023 ECONOMIC OUTLOOK SEMINAR**

**THE FUTURE OF MONTANA:**

**What the New Wave of In-Migration Means for the State**

***Bryce Ward***

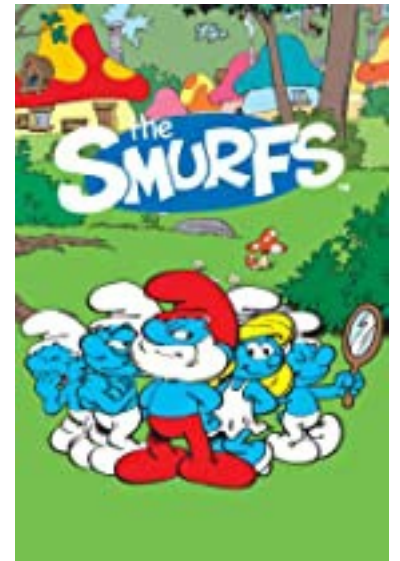
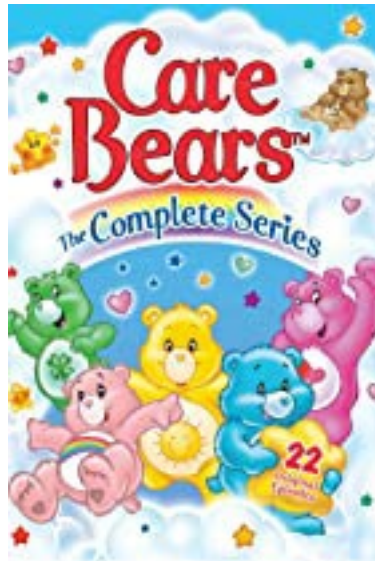
***[bward@abmjconsulting.com](mailto:bward@abmjconsulting.com)***

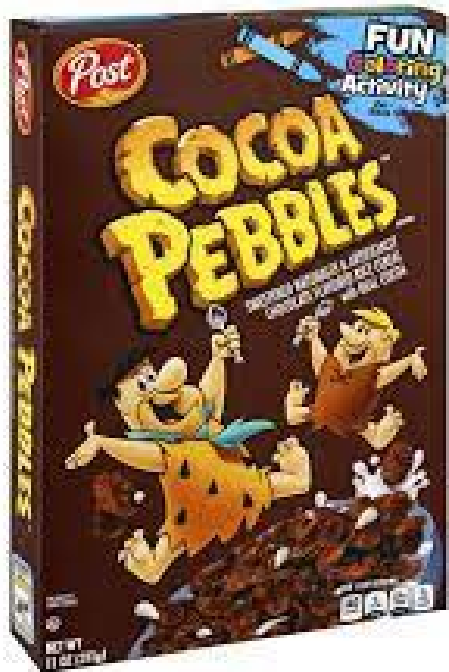
***@bryceaward***

***2023***

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# The future of Montana

Growing demand for Montana means more (or at least different) scarcity. This leads to the two big questions:

- (1) How much do we (can we) increase the “supply” of Montana?
- (2) How do we allocate Montana among competing demands?

How Montanans collectively answer these questions will fundamentally shape Montana’s future, create winners and losers, and, likely, long-term resentments.

Scarcity is inevitable. Scarcity exists everywhere, but we have some control.

*The*  
**HIGH WAGE JOBS  
PUZZLE**

Finding Montana's Place in the New Geography of Jobs



**OUTLOOK 2017**

42nd Annual Economic Outlook Seminar

Presented by NorthWestern Energy and the Bureau of Business and Economic Research

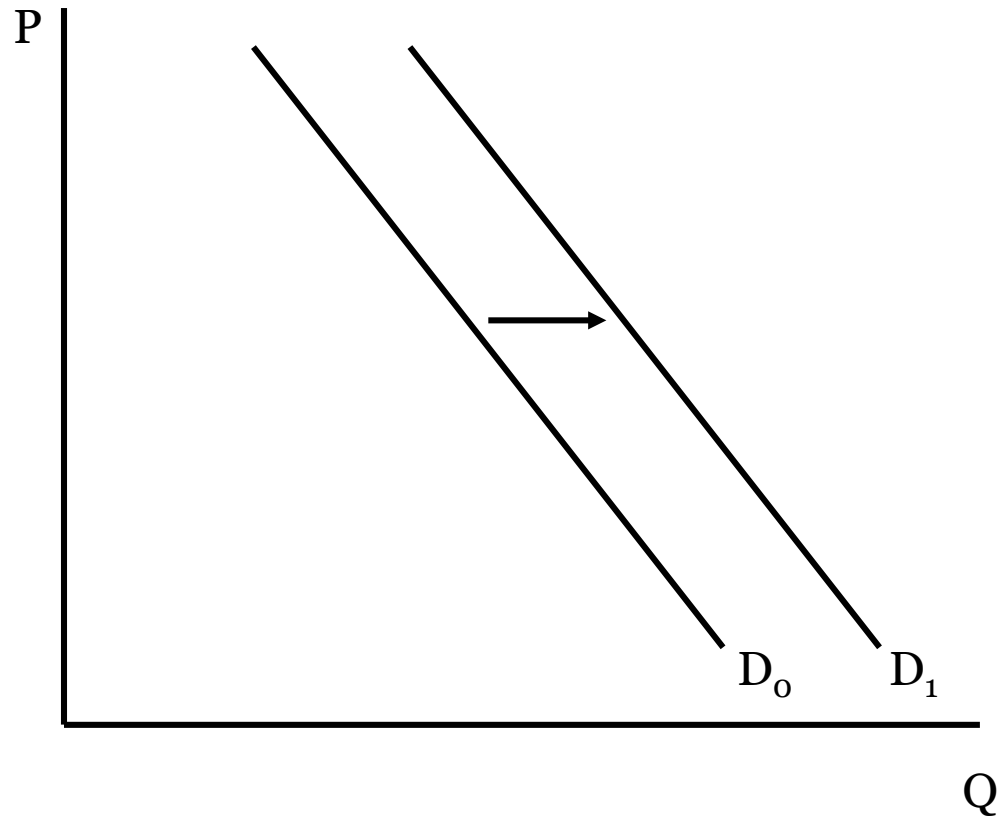
# Outline

(1) What changed?

(2) Why did it change and will changes persist?

(3) What do these changes mean for Montana?

# Montana changed over the past few years.



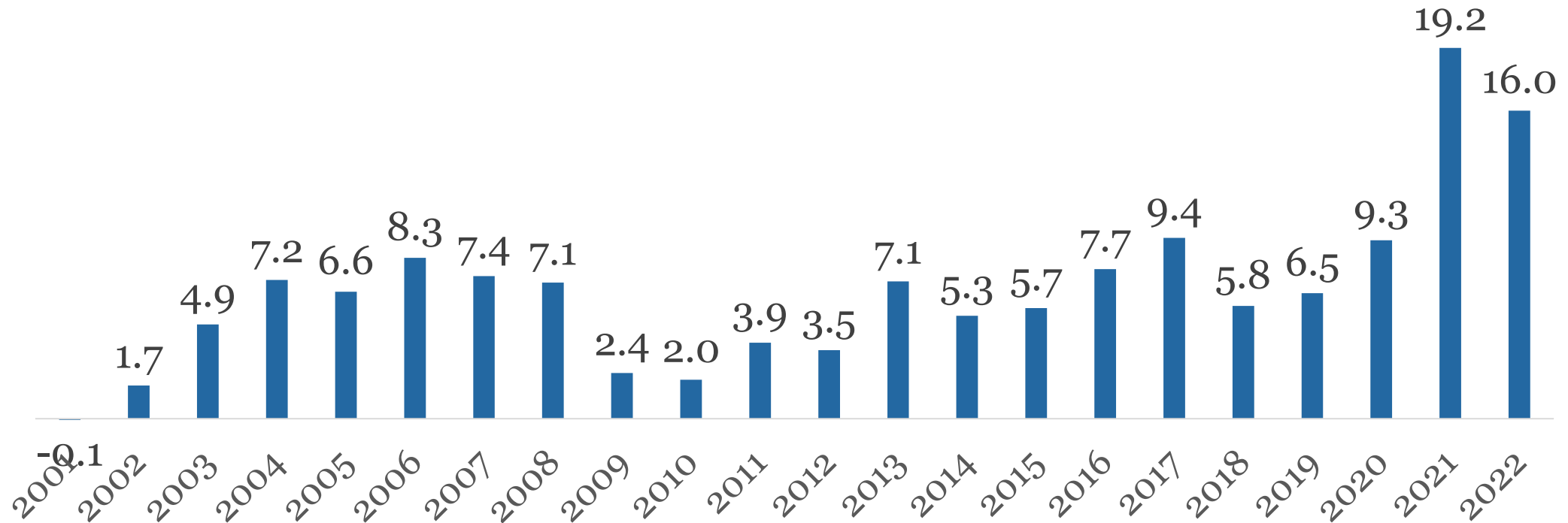
Demand for Montana increased, as evidence by:

- (1) More people moving in (and fewer moving out)
- (2) Different people moving in
- (3) Higher prices, particularly for housing



Montana's net migration rate from July 1, 2020-July 1, 2022 was 3.3 times higher than the 2000-2019 average.

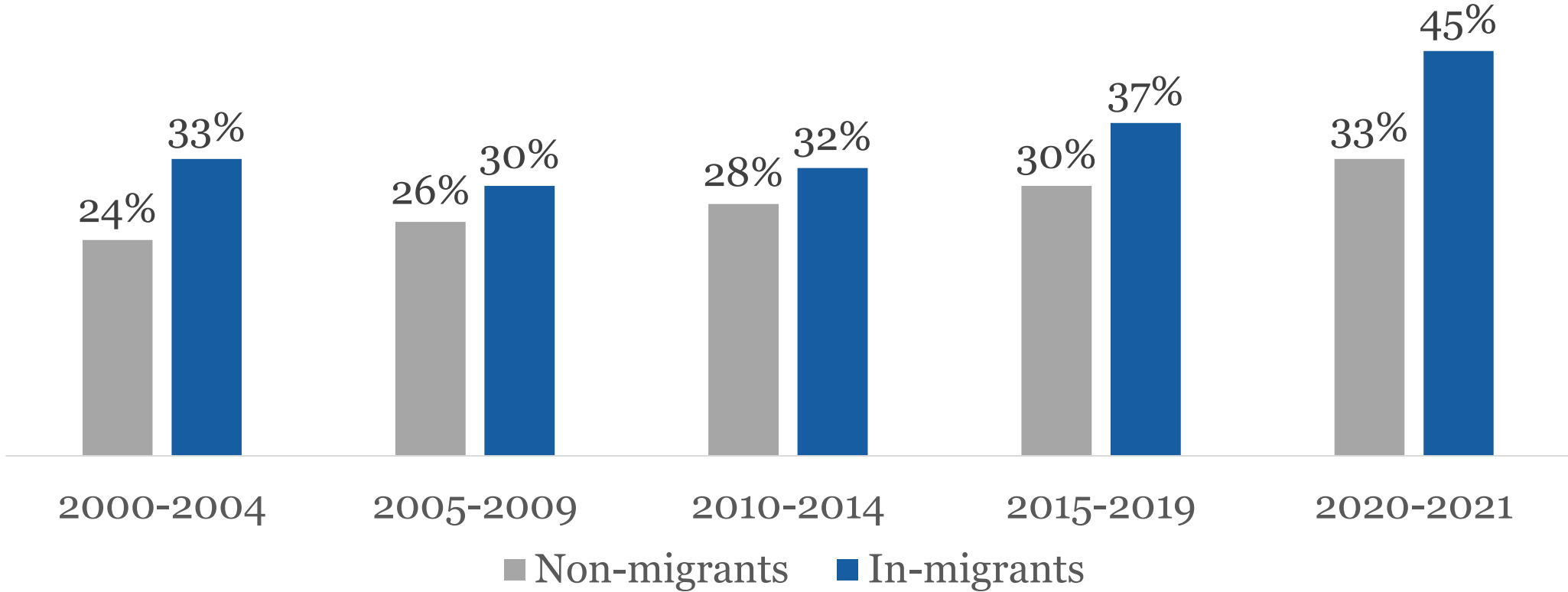
Montana's net migration rate, 2001-2022



Source: Census Components of Population Change

# Different people moved to Montana. The share with a college-degree increased.

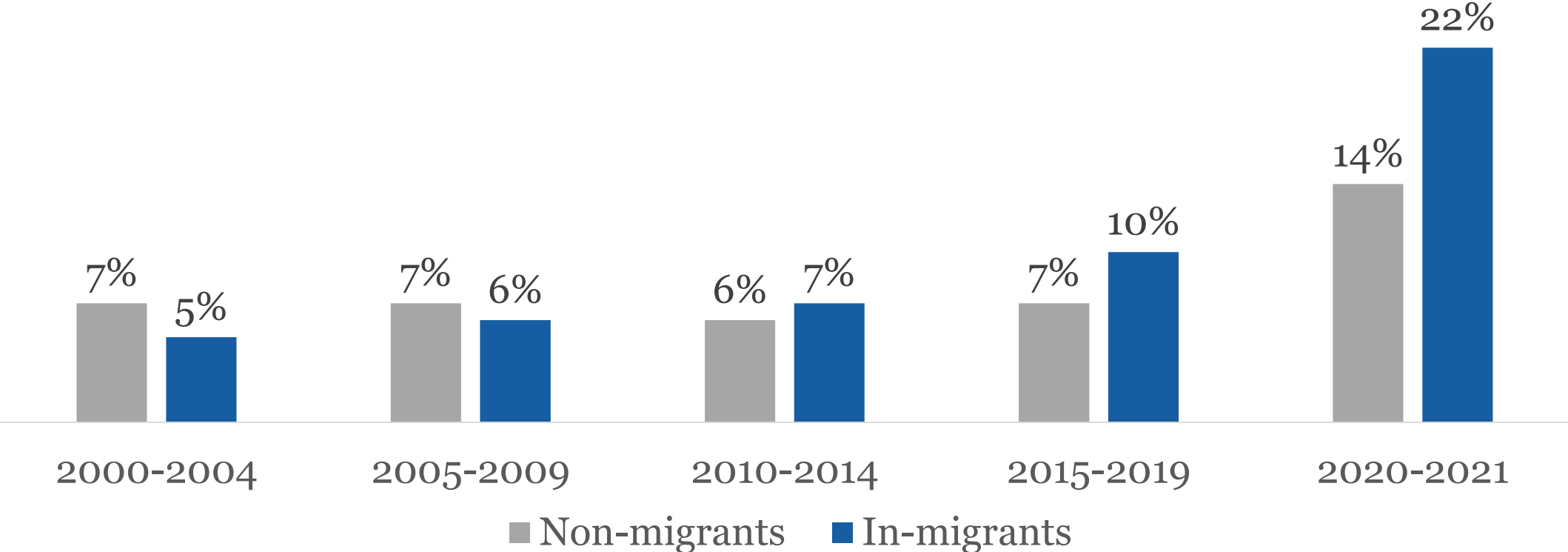
Share of Montana in-migrants and non-migrants with college degrees (age >20)



Source: Analysis of American Community Survey microdata for 2000-2021 obtained from IPUMS-USA

# The share of in-migrants working from home increased.

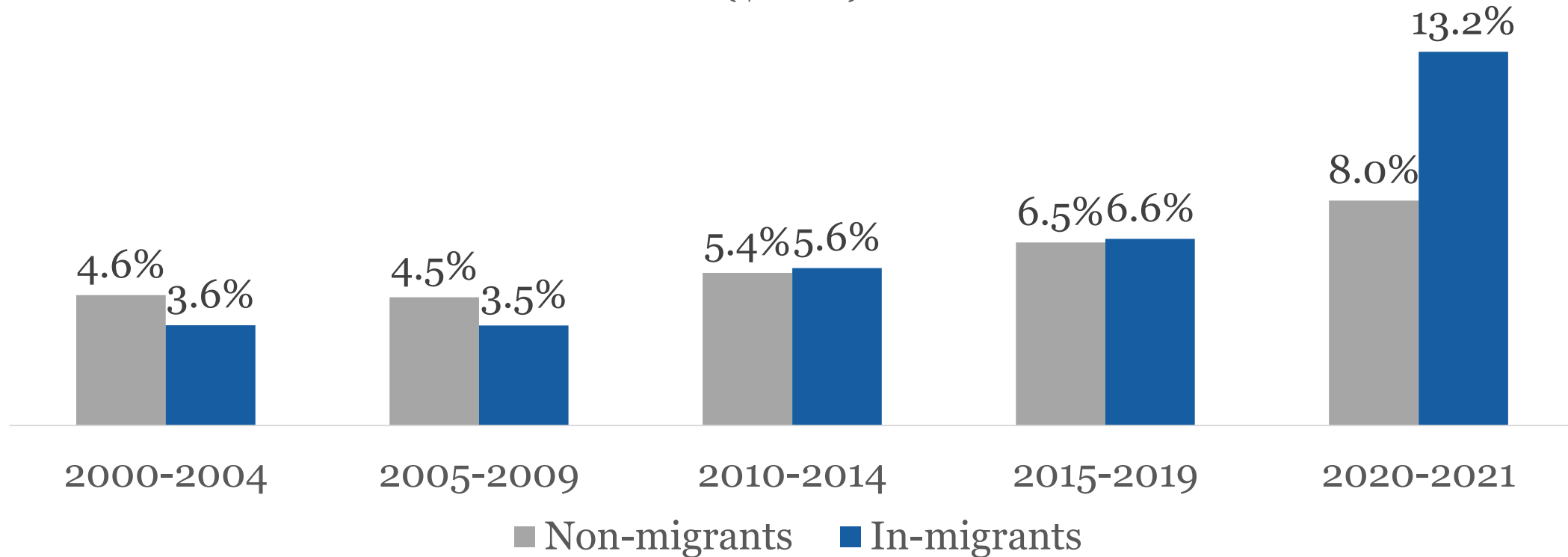
Share of employed in-migrants and non-migrants who work from home (age >20)



Source: Analysis of American Community Survey microdata for 2000-2021 obtained from IPUMS-USA

# The share of in-migrants in high-income HH's increased.

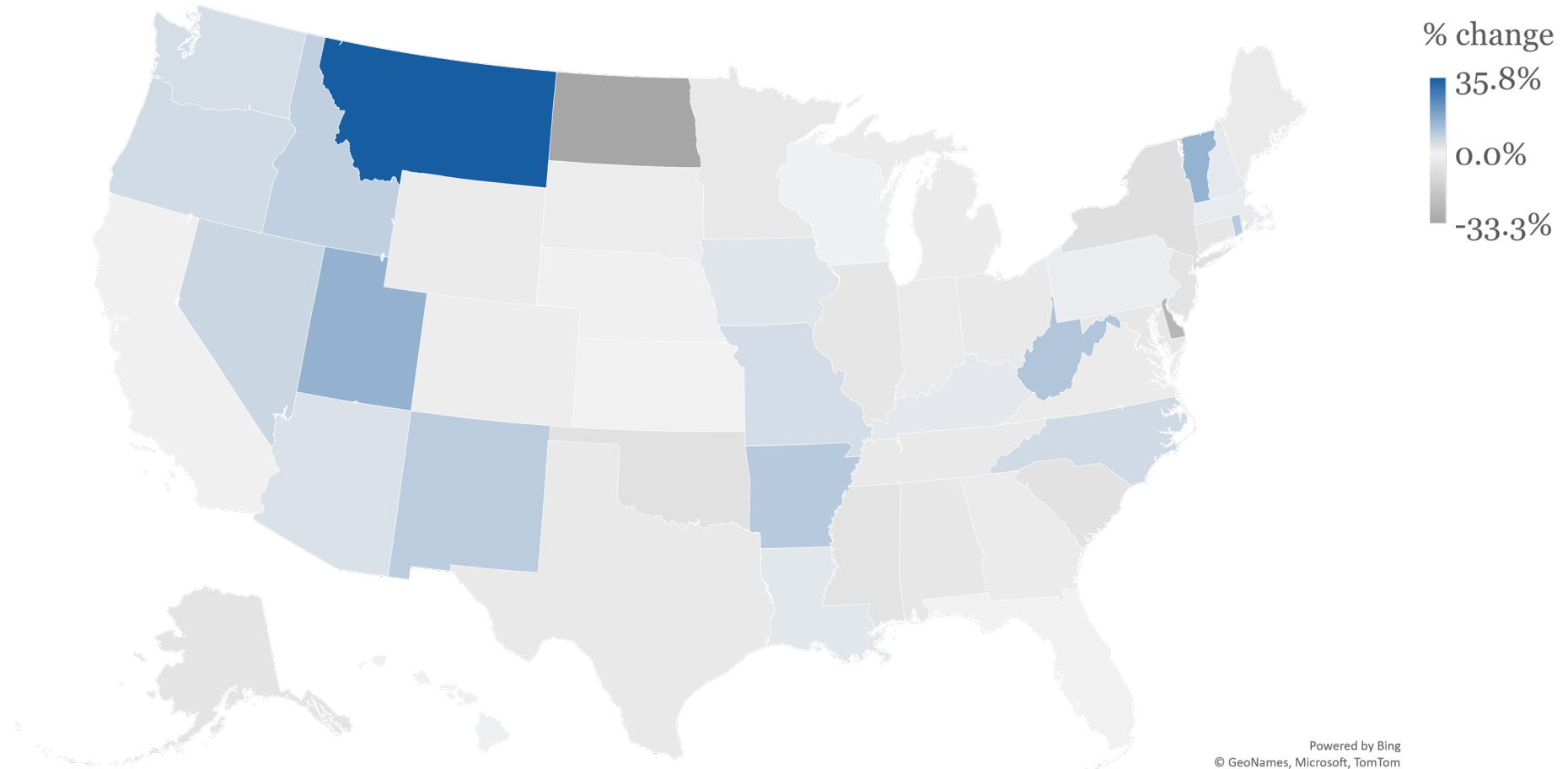
Share of in-migrants and non-migrants in HH's earning over \$200K  
(\$2021)



Source: Analysis of American Community Survey microdata for 2000-2021 obtained from IPUMS-USA

The share of Montana households with income >\$200K (\$2021) increased by 1.9pp (or 36%) between 2019-2021.

% Change in share of HH's with income >\$200K (\$2021), 2019-2021



Source: Analysis of American Community Survey microdata for 2000-2021 obtained from IPUMS-USA

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# Home prices skyrocketed.

	% change 2019q4- 2022q3	% change adjusted for inflation	Minus US % change	Rank (out of 882)
590- South Central excluding Billings	48%			178th
591 - Billings	48%			168th
592/593/595 - Eastern	57%			55th
594 - North Central/Great Falls	48%			172nd
596 - Helena	58%			51st
597- Southwest/Bozeman	61%			33rd
598 - West/Missoula	63%			24th
599 - Northwest/Kalispell	68%			5th
Montana	54%			6 <sup>th</sup> /51

Source: Federal Home Finance Agency All Transactions House Price Index

## Key context 1: Effects are large relative to other states' recent experience.

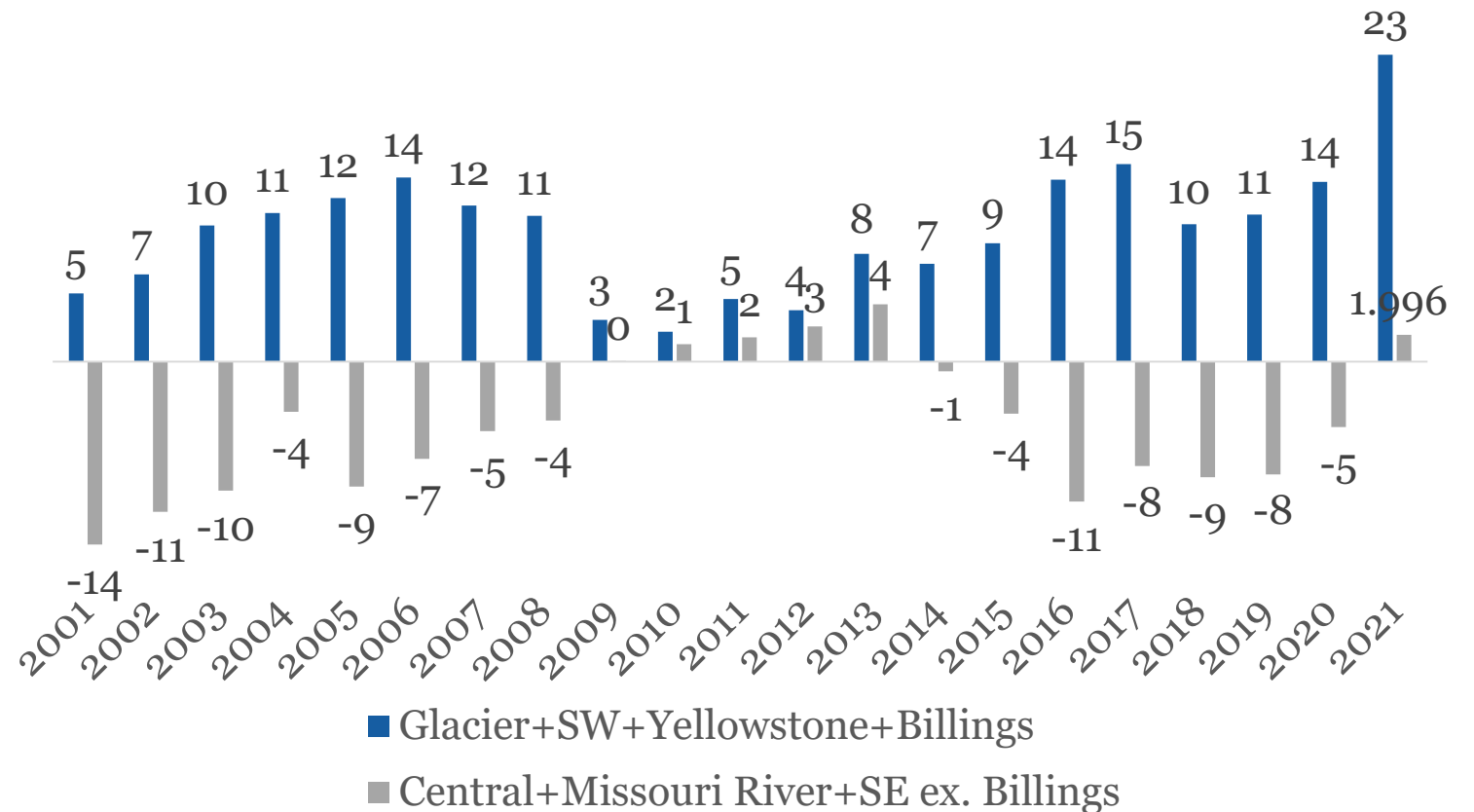
- Montana's net migration rate since the pandemic ranks in the 98<sup>th</sup> percentile (or 21<sup>st</sup>) among 1,173 2-year-state periods since 1999, roughly comparable to Florida during 2016-2017, North Dakota during 2013-2014, and Arizona during 2003-2004.
- Montana's 32% increase in inflation-adjusted home values between 2019-2022 ranks in the 96<sup>th</sup> percentile of all state's three year growth rates since 1999. Montana's inflation-adjusted home values increased by 11 percent more than US inflation-adjusted home values over this period. This ranks in the 88<sup>th</sup> percentile of all state-3-year periods.

# Key context 2: Effects are not uniform across the state.

Using Montana's tourism regions, Glacier, SW, Yellowstone, plus Billings experienced strong net migration for decades. If this region were a state, its net migration rate would have ranked 5<sup>th</sup> just below FL & AZ during the five years pre-pandemic, and it would have ranked second in 2021, slightly below ID.

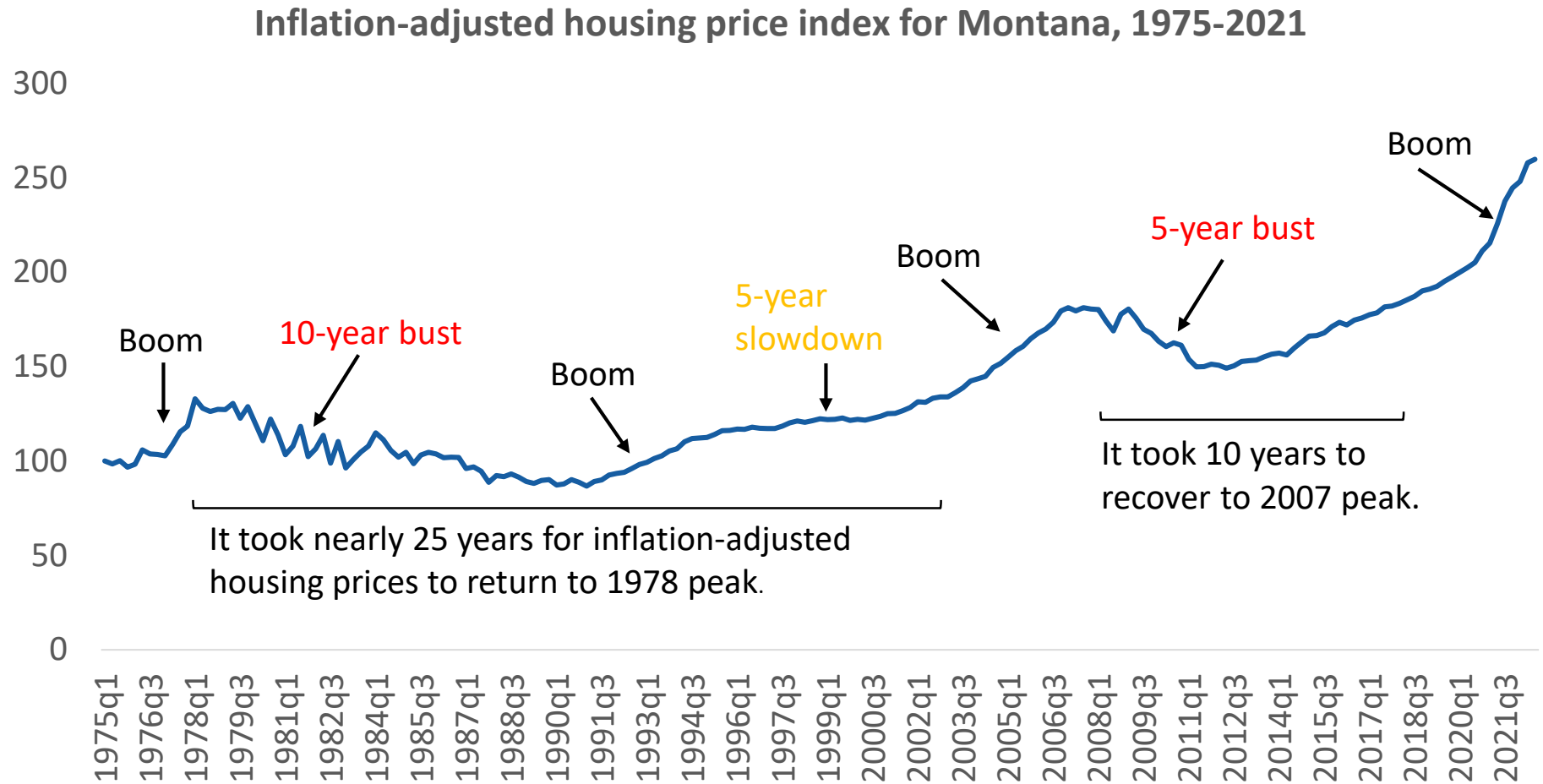
If Central, Missouri River, SE excluding Billings were a state, it would've ranked second from last during five years pre-pandemic, but 27<sup>th</sup> in 2021.

Net Migration Rate by Region



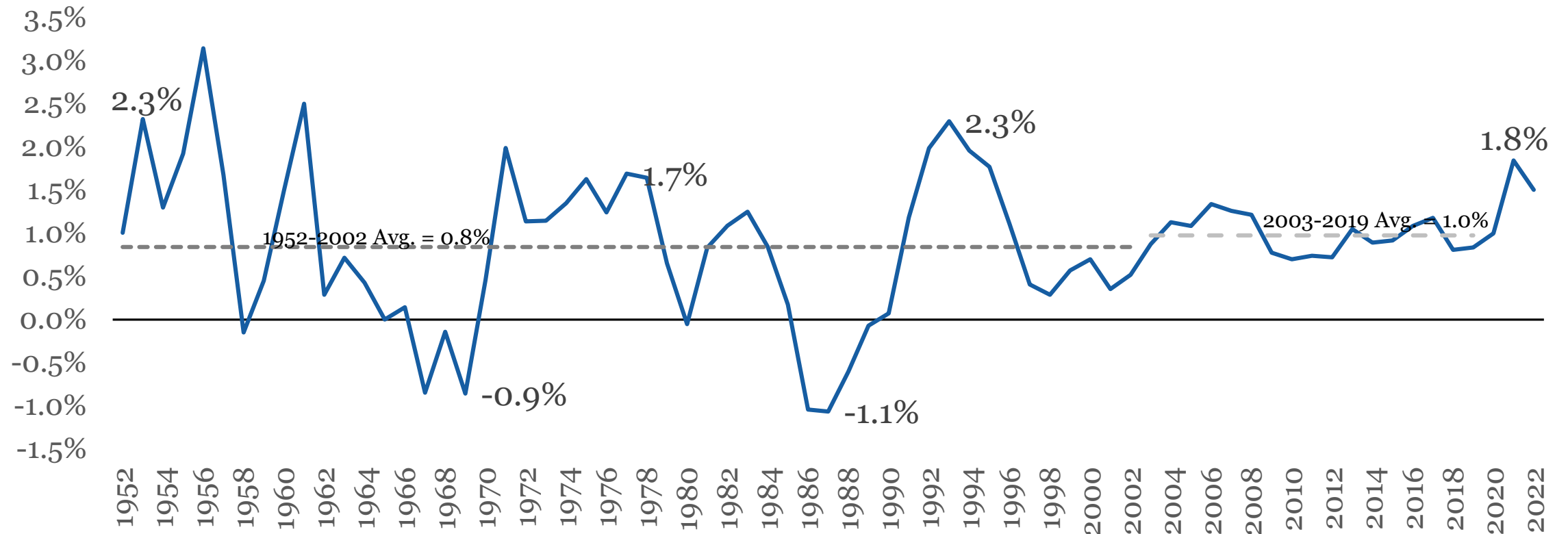


# Key context 3: Montana's been through booms and busts before.



Montana's been through booms and busts before; however, variance in population change shrank during past 20 years (as average increased).

Annual % Change in MT Population, 1952-2022



Source: Analysis of population data from Bureau of Economic Analysis regional accounts (1950-2021). 2022 data from Census Population Estimates.

# Will this boom go bust, or is increase in demand for Montana likely to persist?

Predictions of life in 2023 from 1923:

- Everyone will be beautiful;
- Newspapers will have been out of business for 50 years (replaced by radio);
- Cancer will be eradicated;
- Flights from Chicago to Hamburg will take 18 hours;
- US population will be 300 million;
- People will communicate using watch-size radio telephones.

Source: <https://twitter.com/paulisci/status/1609597531251703809>

*No More Hard  
Work by 2023!*

*DR. CHARLES P. STEIN-  
METZ, the electrical expert,  
believes that the time is coming  
when there will be no long drudgery  
and that people will toil not more  
than four hours a day, owing to the  
work of electricity.*

*He visualizes an amazing trans-  
formation in life in 2023. Every  
city will be a "spotless town." That  
is to be the work of electricity, also.*

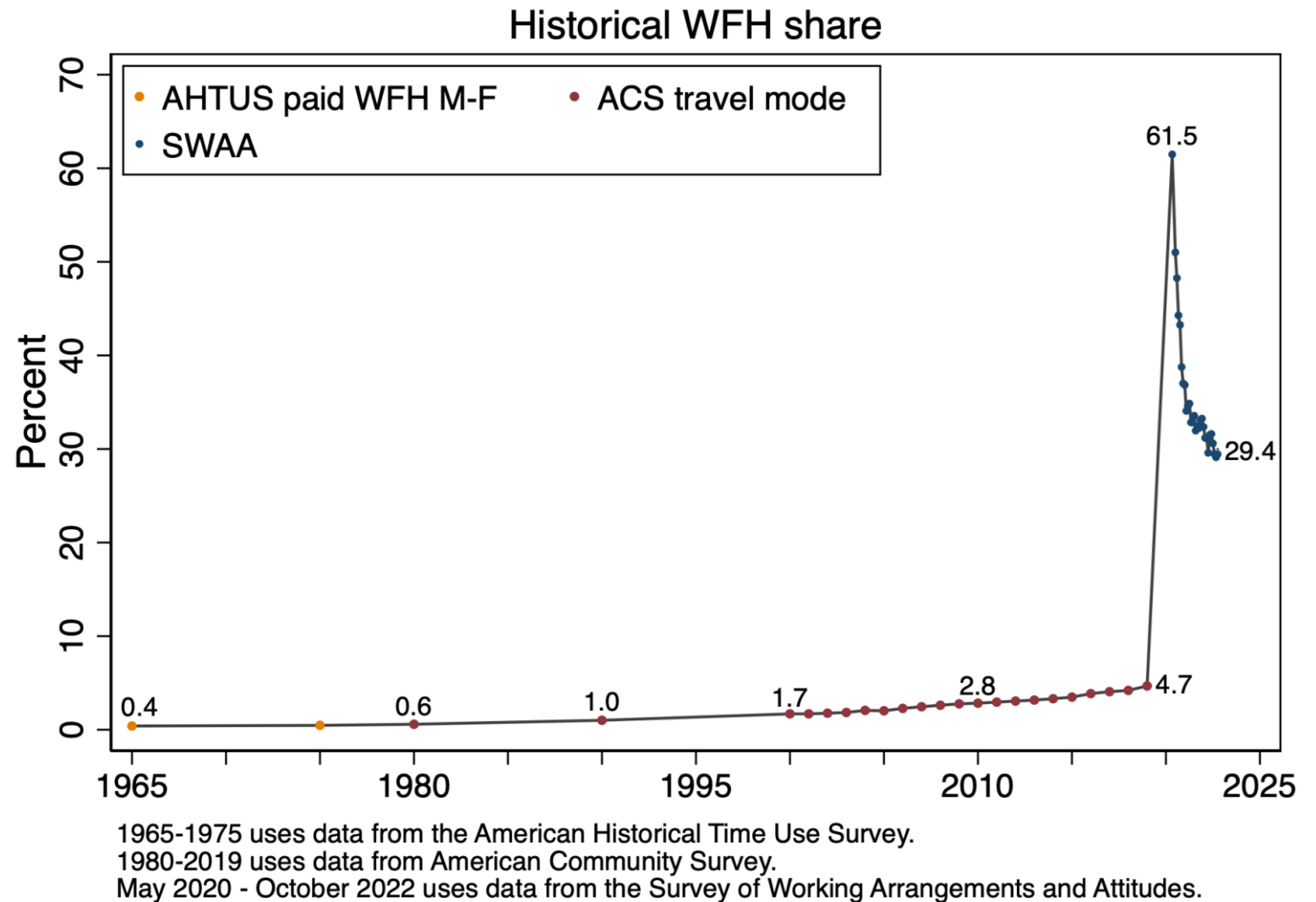
COVID induced shifts in the location of economic activity could persistently boost demand for Montana.

# Simple model of regional economy

- Households like economic opportunity, reasonable cost of living, high quality of life, and pick where to live based on the expected access to these things. Wages, cost of living, quality of life adjust so that marginal residents are indifferent across places (spatial equilibrium).
- Sources of growth in demand for place:
  - Increased economic opportunity – jobs first, people follow
  - Improvements in relative cost of living/quality of life – people first, jobs follow
- Historic models assume households live and work in same region. As such, demand for place was strongly limited by local economic opportunity.

However, pre-pandemic, the share of households constrained by the need for a local job fell as number of retirees, capitalists, and remote workers increased.

The spike in WFH further weakens the need for a local job. There share of paid days worked from home has increased roughly 6x, equaling roughly 30 percent for all of 2022.



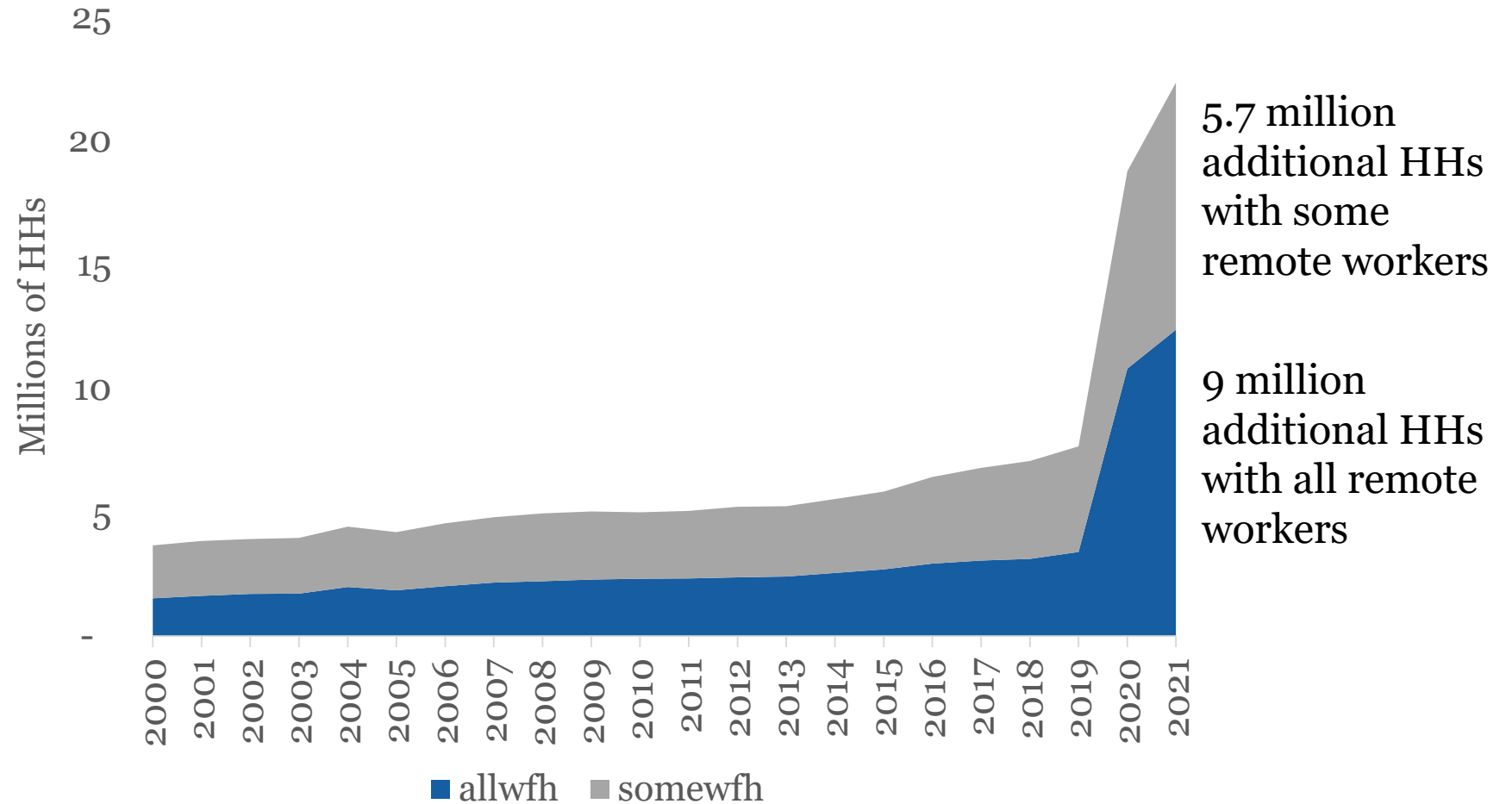
Source: WFH Research

In 2021, the number of HH's with at least one remote worker was 15 million higher than in 2019.

HH's with remote workers are 40-50% more likely to move across state lines than HH's with no remote workers.

Thus, rising remote work represents a large potential increase in demand for Montana.

US remote working households, 2000-2021



# Will demand remain high/increase further?

- Will work from home persist?
- Will accumulation of remote workers attract additional firms and increase in person/hybrid work?
- Will smoke or other exogenous shocks make MT less desirable?
- Will shocks related to increase in demand for Montana ripple back and put downward pressure on demand for MT?



Trying to reduce demand for Montana probably is not the best strategy for coping with the shock to demand.



**Flathead Beacon**

@FlatheadBeacon



### Police Blotter:

10:10 a.m. A recent transplant called 911 to ask what to do about the drivers who keep flipping him off and telling him to go back to Texas.

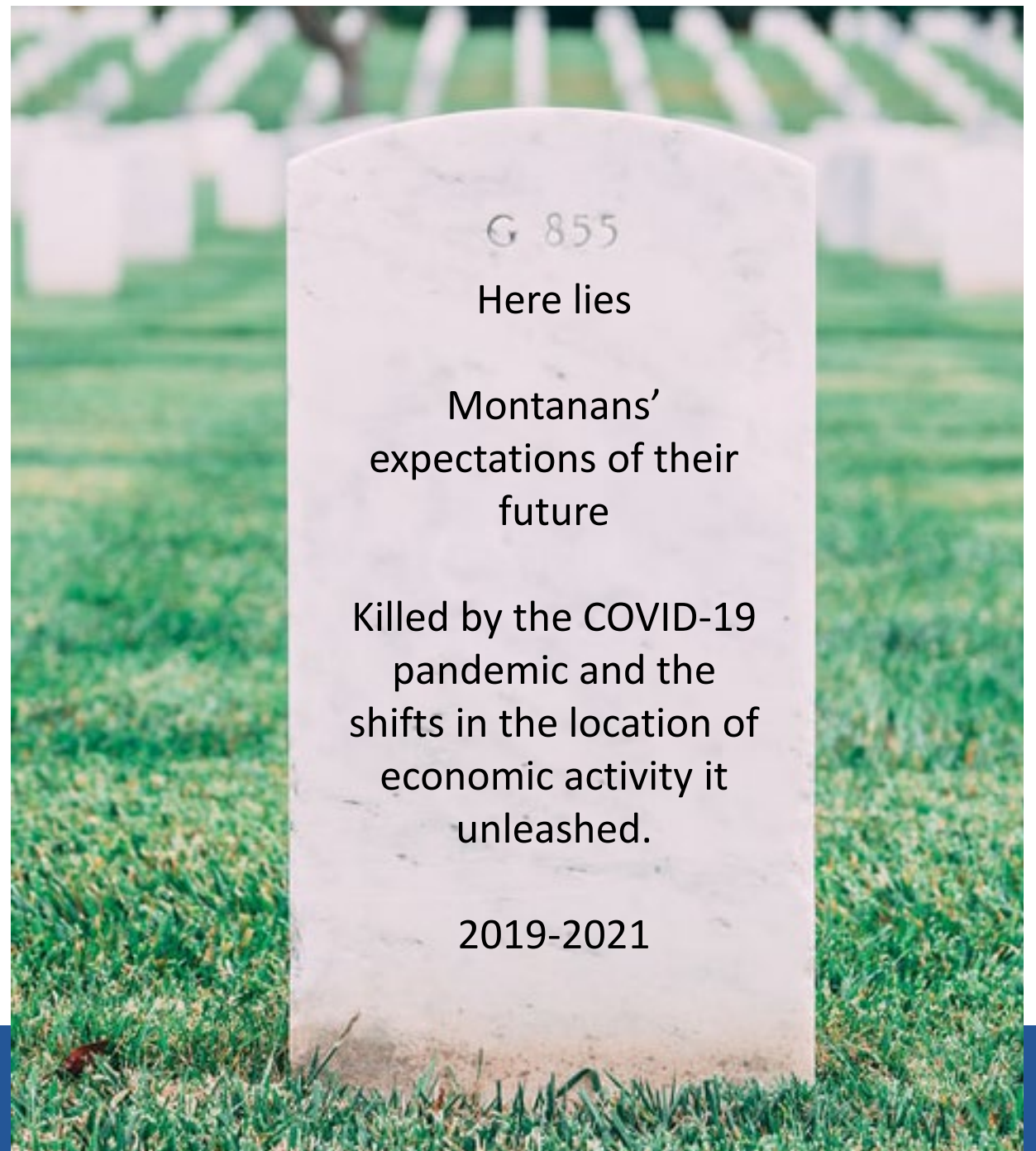
[#beaconblotter](#)

12:18 PM · Jan 3, 2023

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**7,309** Views   **27** Retweets   **9** Quote Tweets   **111** Likes

If more people have the desire and ability to spend more time in Montana—as full-time residents, part-time residents, or visitors—how Montanans experience scarcity will change.



The future of Montana is a weird game of musical chairs. How many chairs in our circle? Who gets to have one?



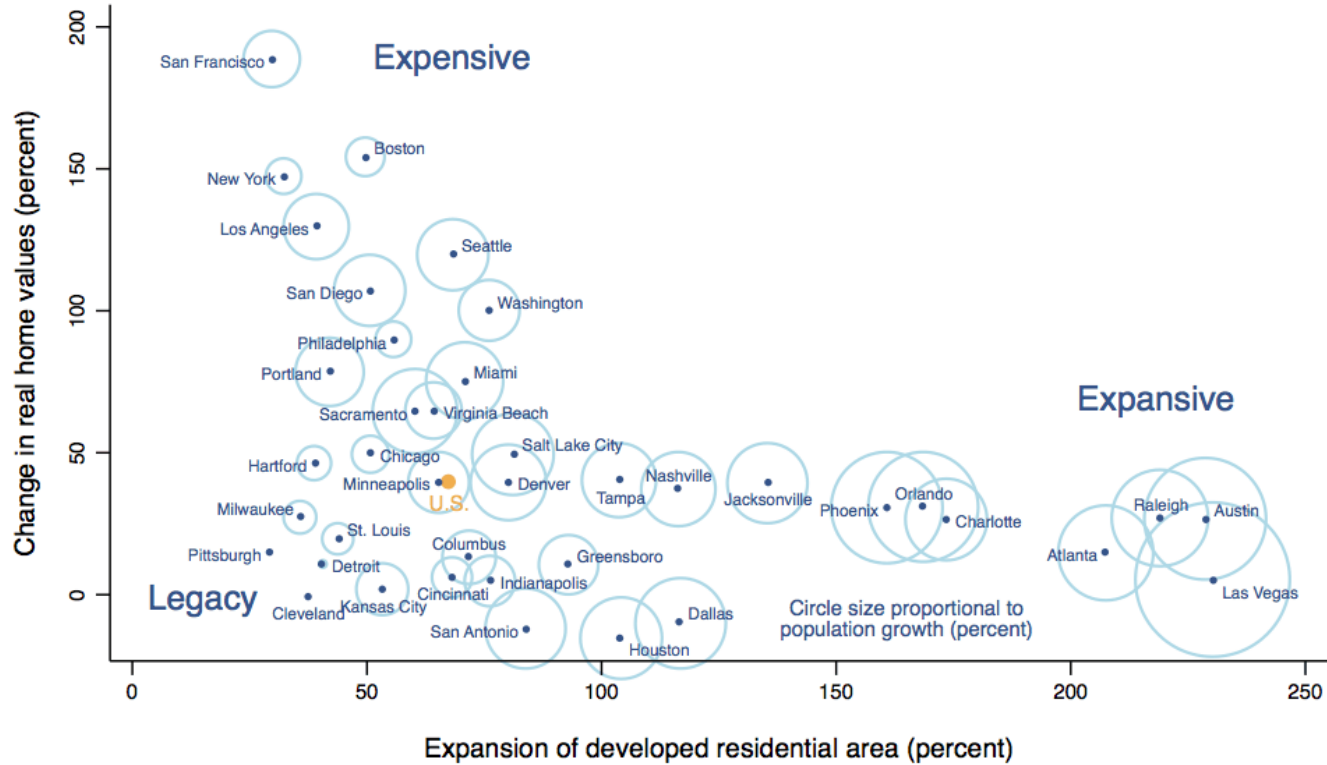
How we answer these questions matters. How many people are here and who is here affects the **resources** available to address our collective and individual problems and the **relationships** that affect how we tap into, assemble, and employ the available resources to efficiently and successfully address them. These forces also change the set of problems we are likely to encounter.

# The impact of rising demand ultimately depends on supply

If supply rises with demand (e.g., Montana builds more houses, infrastructure, etc. to accommodate demand), then strong demand leads to more people. Montana enjoys the benefits and suffers the **consequences of size**.

If supply does not rise with demand (e.g., Montana does not build houses, infrastructure, etc. to accommodate demand), then strong demand leads to higher prices (and thus different people). Montana must cope with the **consequences of cost**.

## A Classification of American Cities 1980-2010

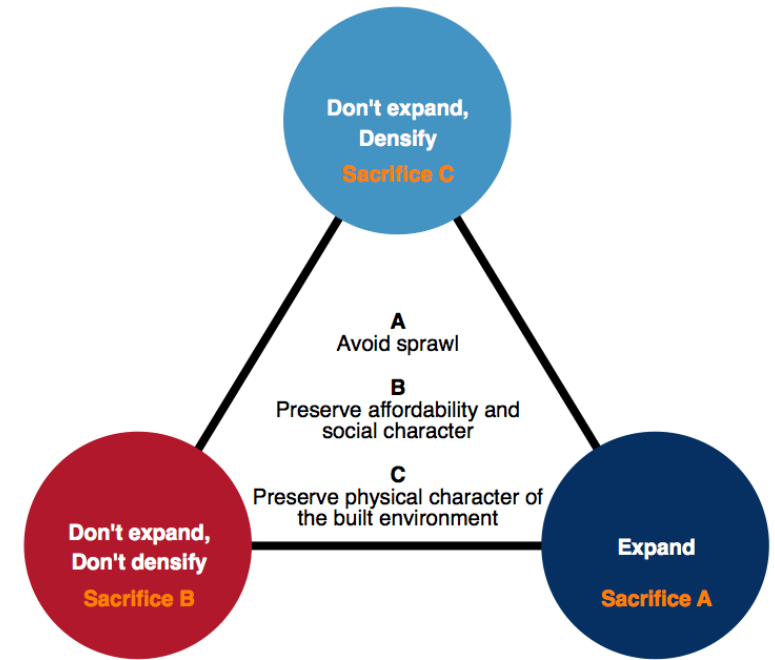


Source: BuildZoom.

Notes: Observations include the 40 most populated U.S. conurbations. This chart considers residential areas as developed when they exceed a density of 200 existing homes per square mile. Developed areas correspond to CSAs, or to CBSAs that are not part of a CSA. Housing prices are always at the CBSA level. The change in housing prices is the percent change in average inflation-adjusted quarterly housing prices during the decades spanning 2005-2014 and 1975-1984.

## The Land Use Trilemma

Cities facing growth pressure can achieve any two items in the trio, *but not all three*.



Notes: Municipalities, districts or neighborhoods *within* cities that face growth pressure may be geographically bounded and therefore unable to expand, in which case they face a land use *dilemma*.

Source: BuildZoom

# Expand = Benefits and consequences of size

## Pros

- More people = more demand for local goods and services and therefore more economic opportunity for the providers of those goods and services
- More people = wider range of job opportunities and better odds that workers can match to preferred job
- More people = wider range of consumer amenities
- More people = more resources available to solve problems

## Cons

- Accommodating more people requires expanding capacity (more houses, more roads, more schools, more healthcare, more services, more trails, ...). Adding capacity is often controversial and/or difficult.
- If capacity does not rise with demand prices and/or congestion increase.
- In some cases, expanding capacity is effectively impossible (e.g., rivers, lakes), so rising population guarantees more congestion/conflict for these increasingly scarce resources.

Effect on composition: People who don't like size and its adverse effects leave. People who like/don't mind size come/remain.

# Limit expansion = Consequences of cost

Pros: Slower population growth

=> less change to physical environment;

=> less congestion, particularly for resources where expanding is difficult/impossible

Cons

- Traded sector firms face rising costs without commiserate increase in demand. Some become unviable and have to shutdown/leave MT.
- Fewer opportunities for workers who need local job.
- Fewer resources to address problems.
- Fewer consumer amenities.

Effect on composition: Places in Montana are available only to those who can afford to stay. People without means leave (and others connected to them follow).



Rising demand means that Montana will change. Montanans have some power to shape these changes. However, there is no easy choice. How Montana chooses to accommodate demand generates different benefits and costs. The costs of different options are significant and undesirable.

Montanans need to reach a consensus (or at least a compromise) about which path is likely to yield the greatest benefits so they can work to minimize the expected costs along this path. Stumbling along without choosing a path will likely impose larger costs (and yield fewer benefits).