

2023 MIDYEAR ECONOMIC UPDATE

MONTANA'S ELECTRICITY SUPPLY Adequate for How Long?

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The Economic Outlook for the U.S. and Montana

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Montana Economic Outlook

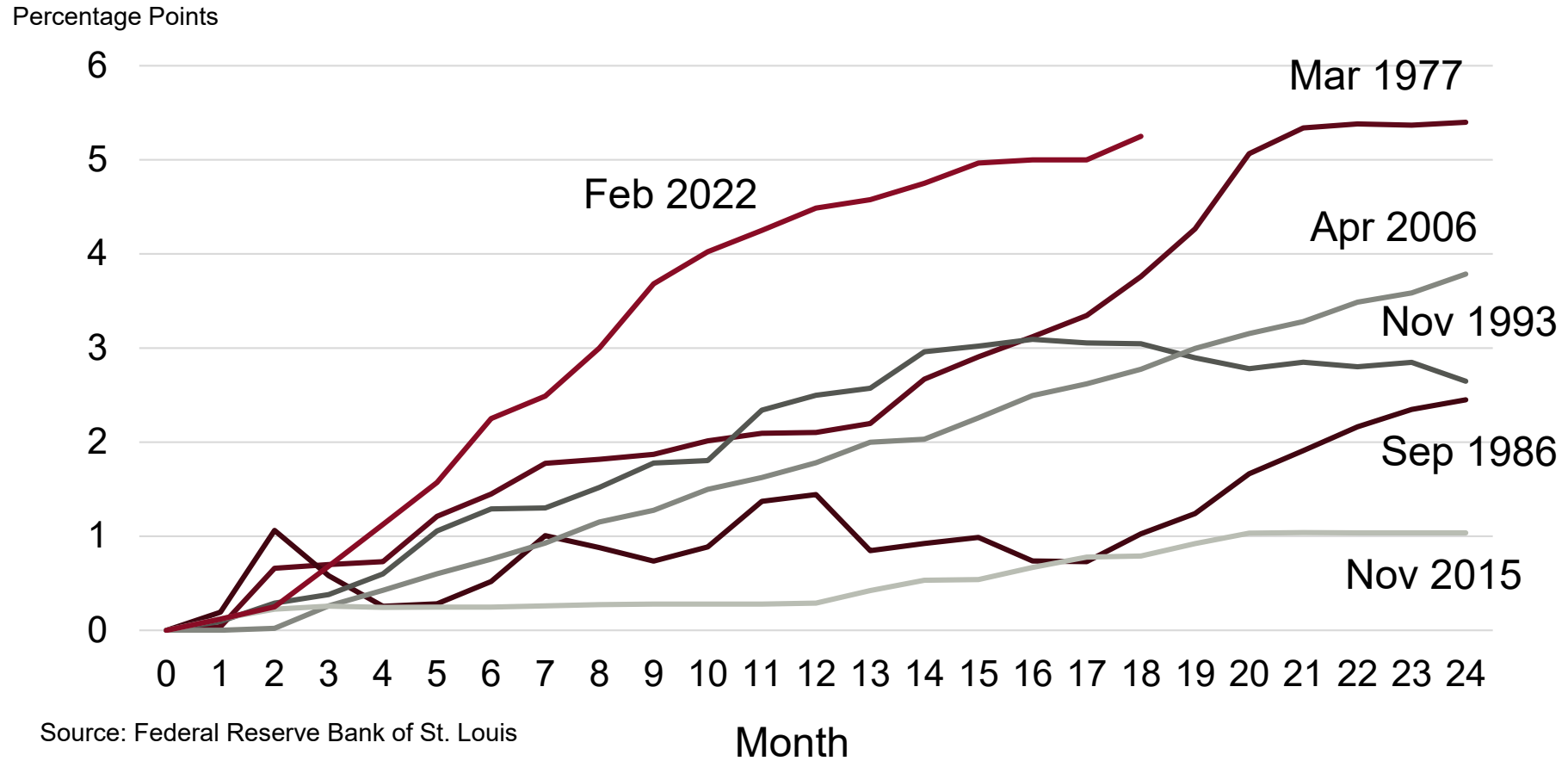
The Riddle of the Mid-Year Economy

- Recession threat fades
- Inflation falls, is this a soft landing?
- Labor markets still tight
- Some sectors of the economy are recovering
- Montana's growth among fastest in U.S.
- Cold water in the face for state revenues
- Global economy is fragile
- Eastern Montana not invited to party

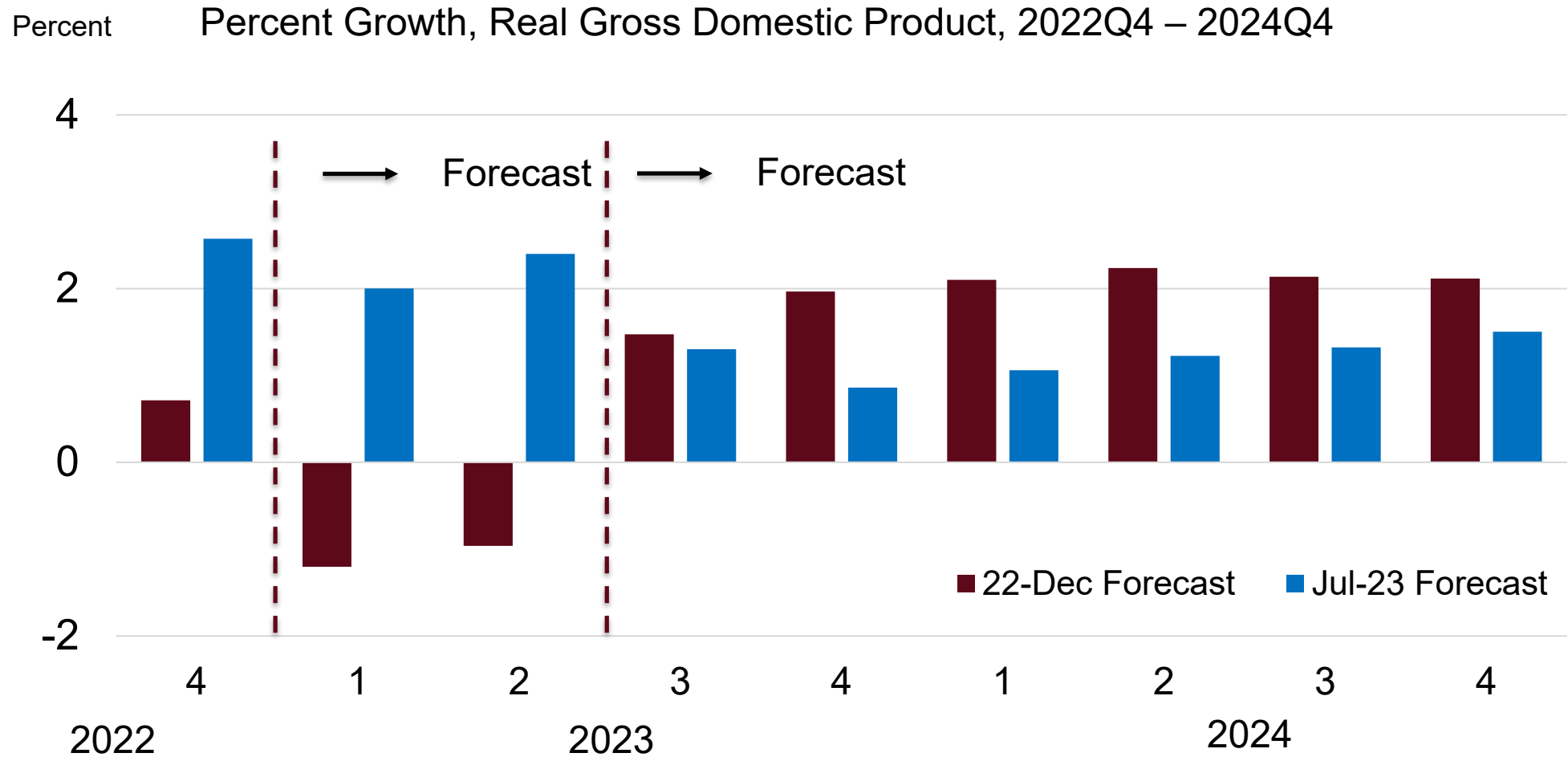


Federal Reserve Raising Rates Faster

Federal Funds Rate Increase Since Beginning of Policy Change, Percentage Points



Recession Disappears from U.S. Outlook

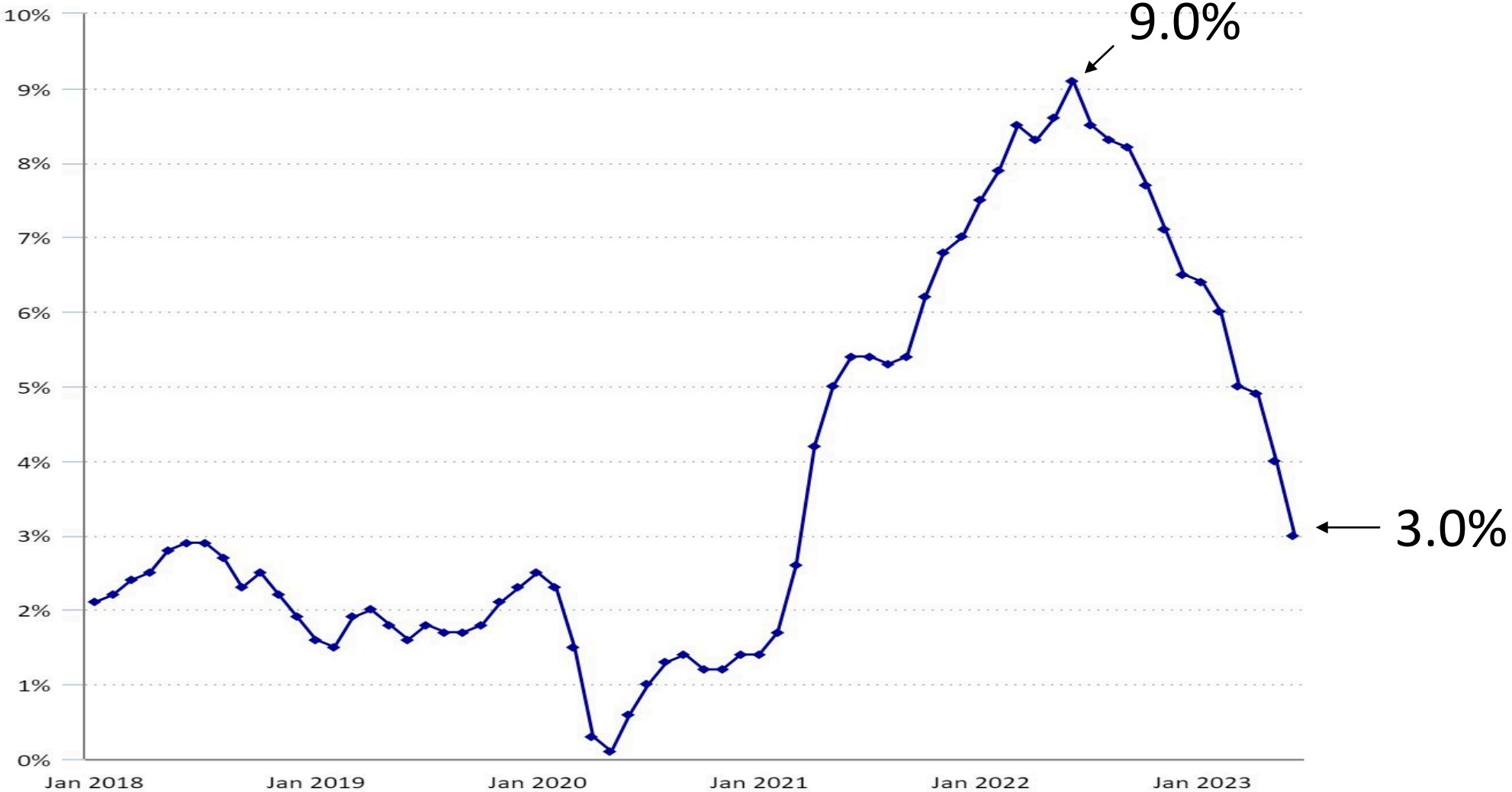


Source: S&P Global



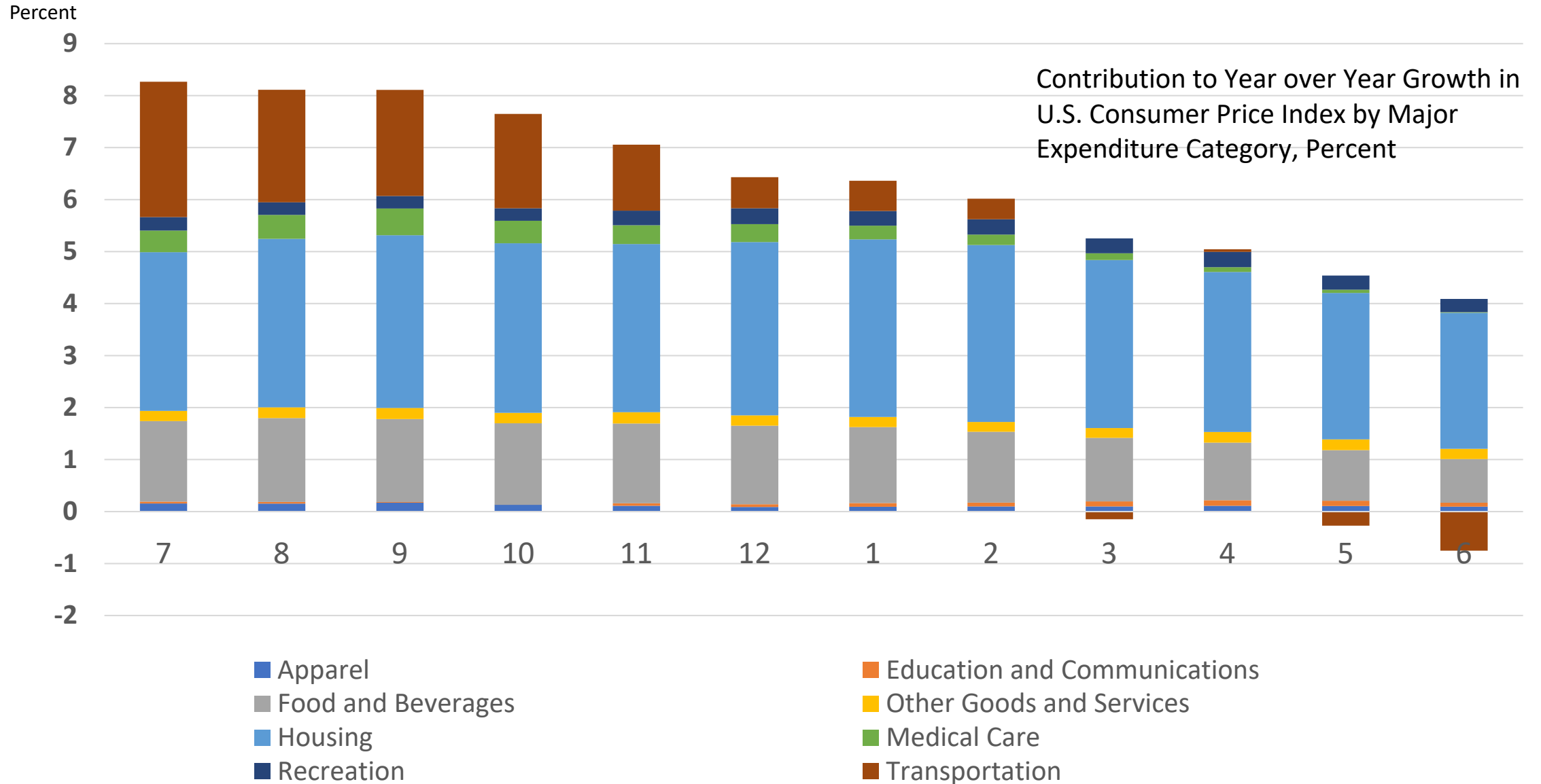
Headline Inflation Has Fallen Impressively

12-month percent change, Consumer Price Index, All Items



Source: U.S. Bureau of Labor Statistics

Swing in Energy Prices is Behind Inflation's Fall



Inflation Since October 2020, percent

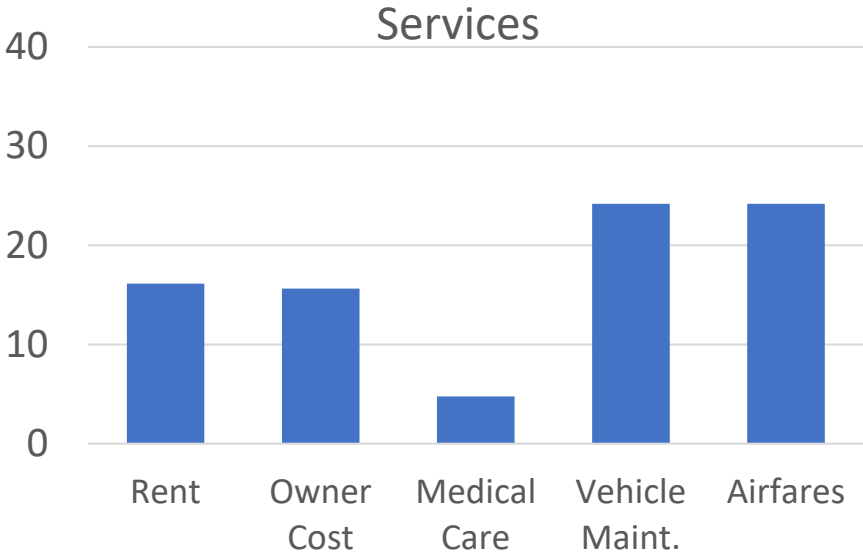
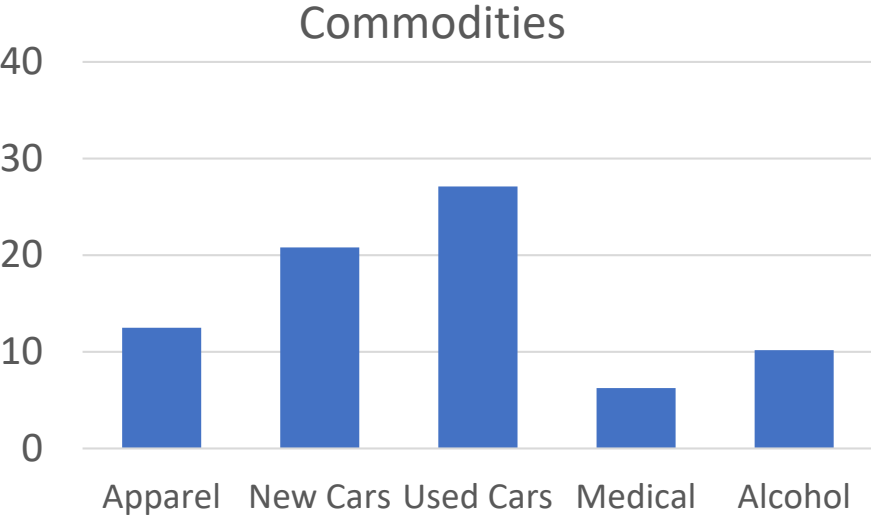
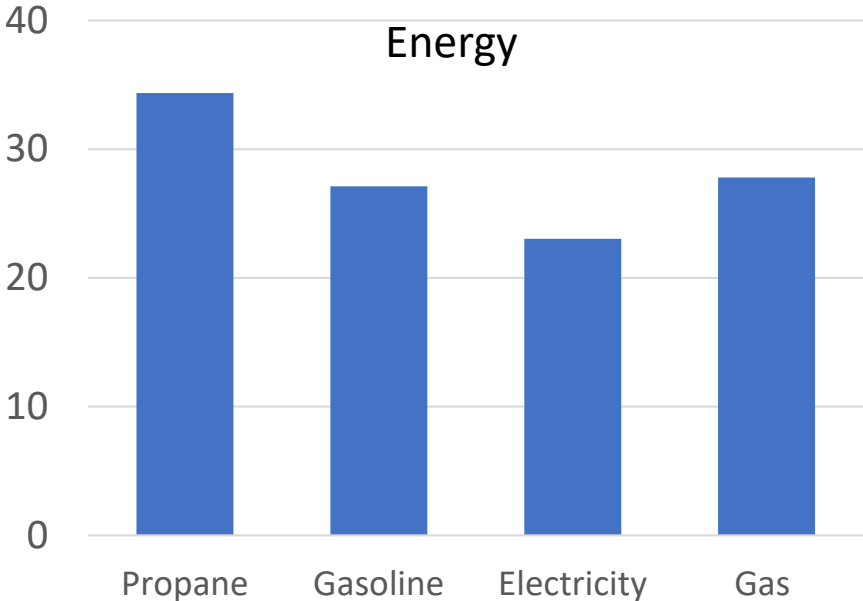
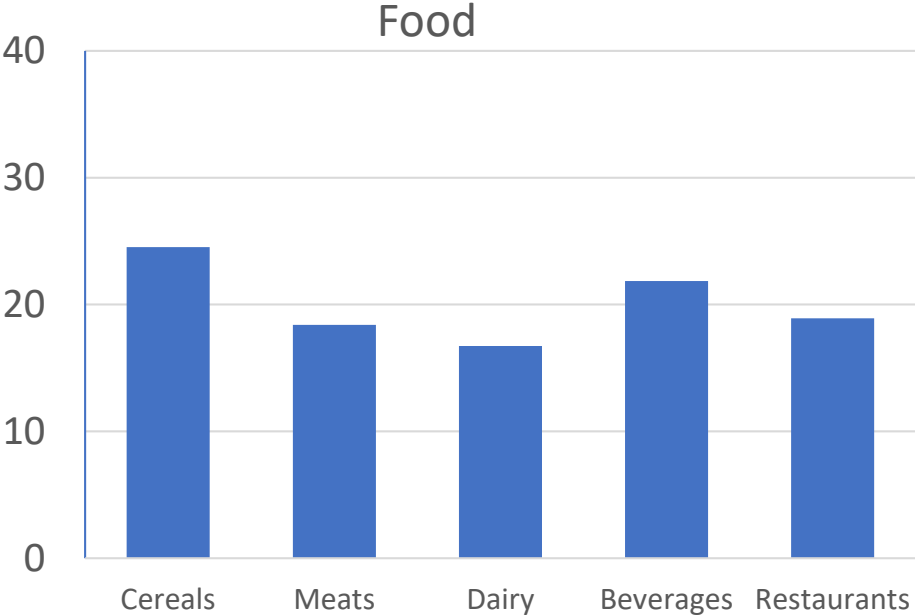
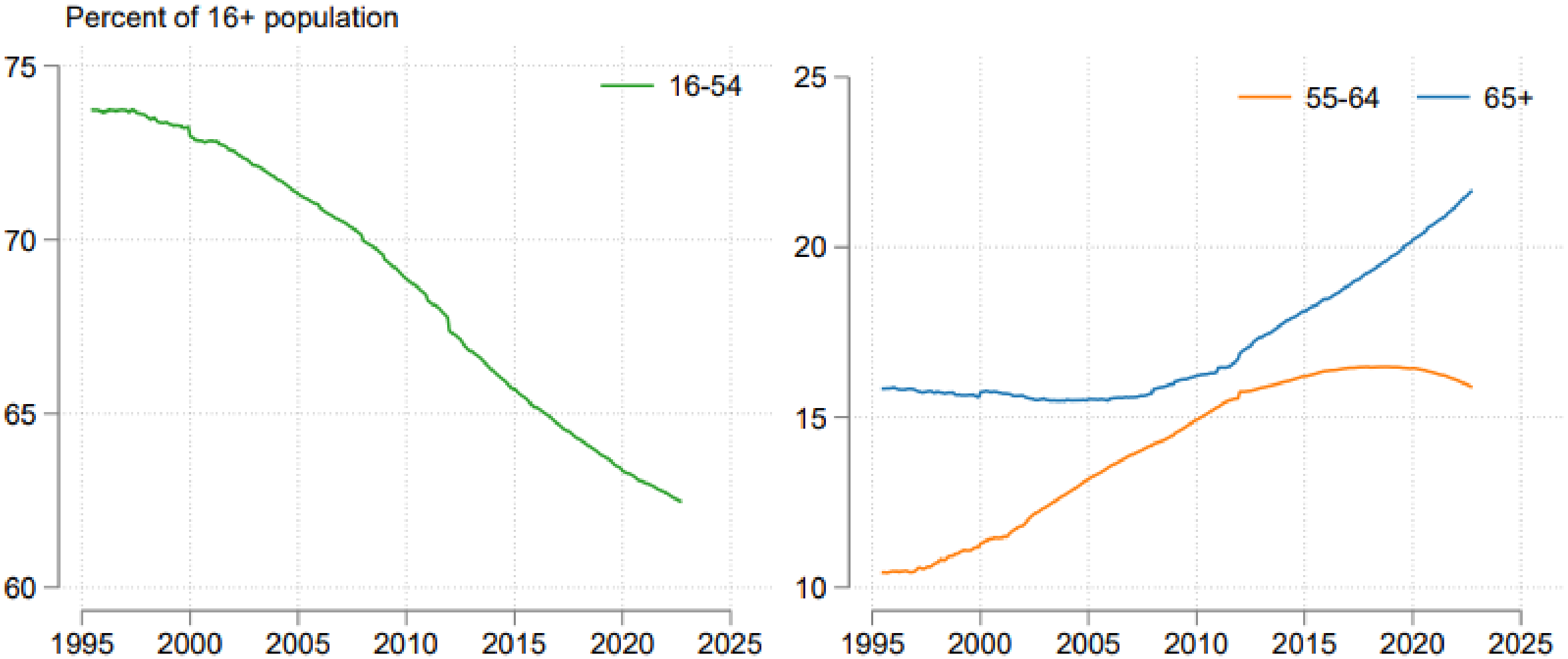
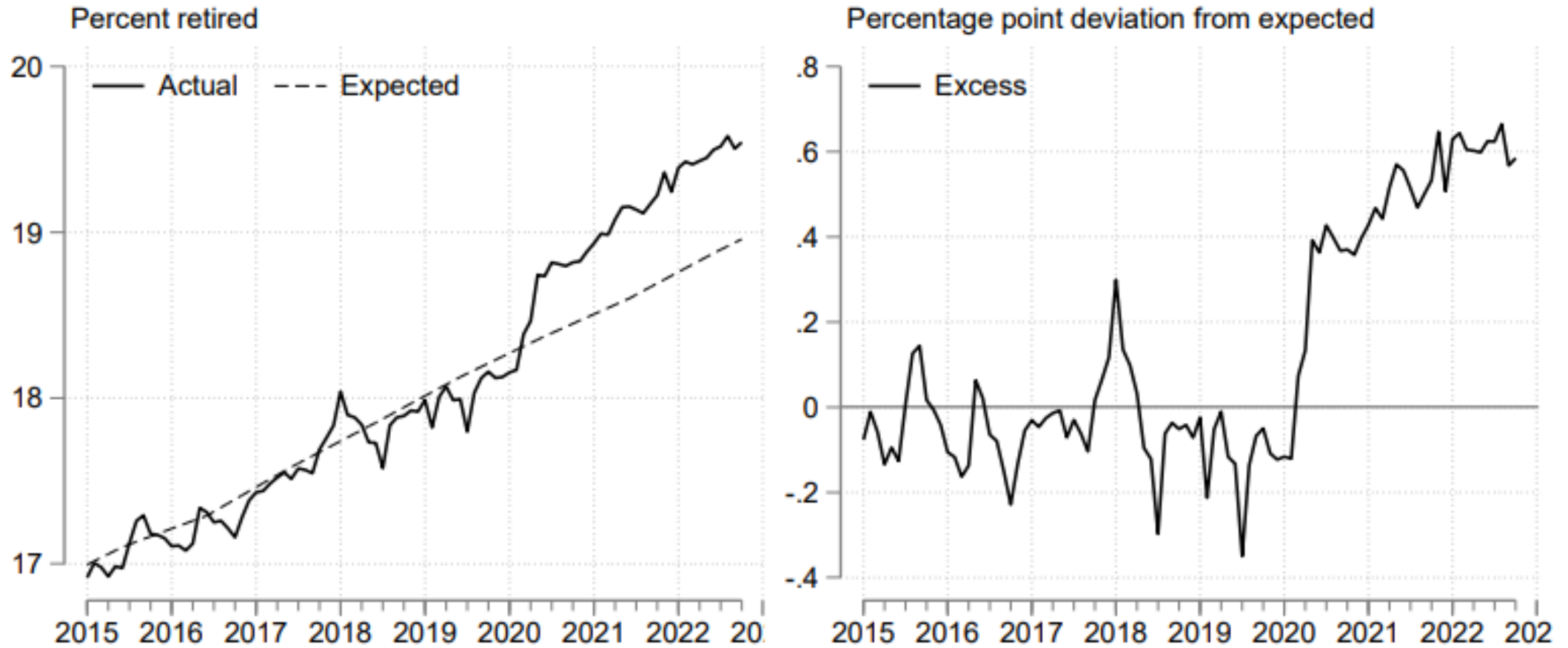


Figure 5. Age distribution of the population age 16 and older



Source: Federal Reserve Bank of Richmond

Figure 7. The percent of the 16+ population retired compared to the expected percent retired, and excess retirements as a percent of the population



Source: Federal Reserve Bank of Richmond

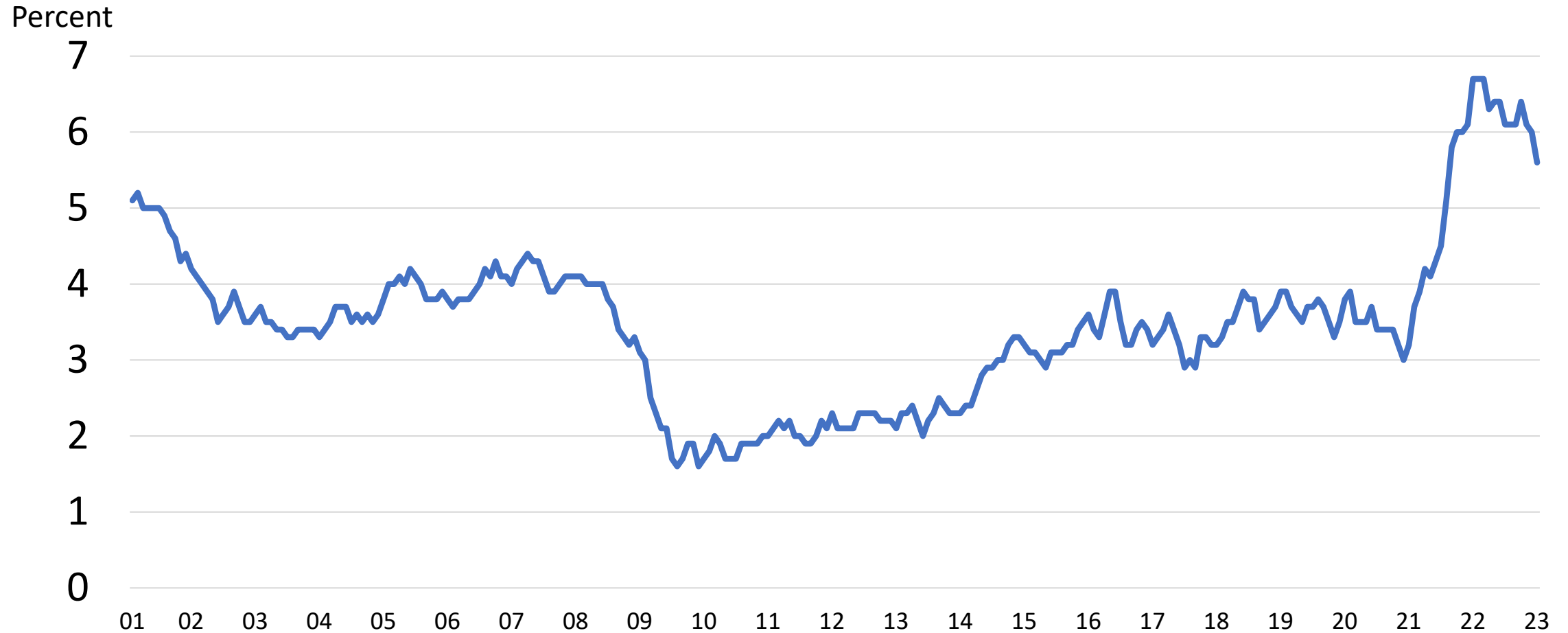
Hours Worked is Declining

Average Weekly Hours, U.S.



Wage Growth Remains Much Higher Than Pre-Covid

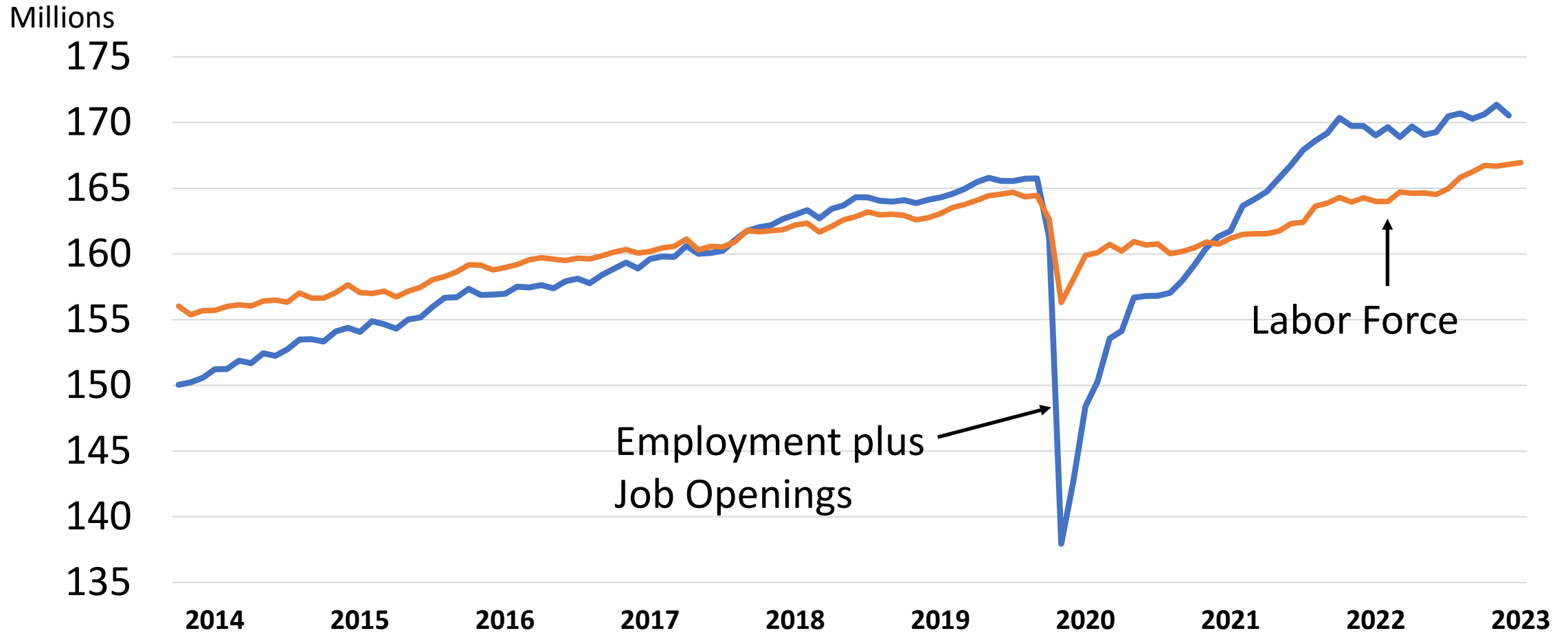
Atlanta Federal Reserve Wage Growth Tracker, 2001-23, Percent Growth



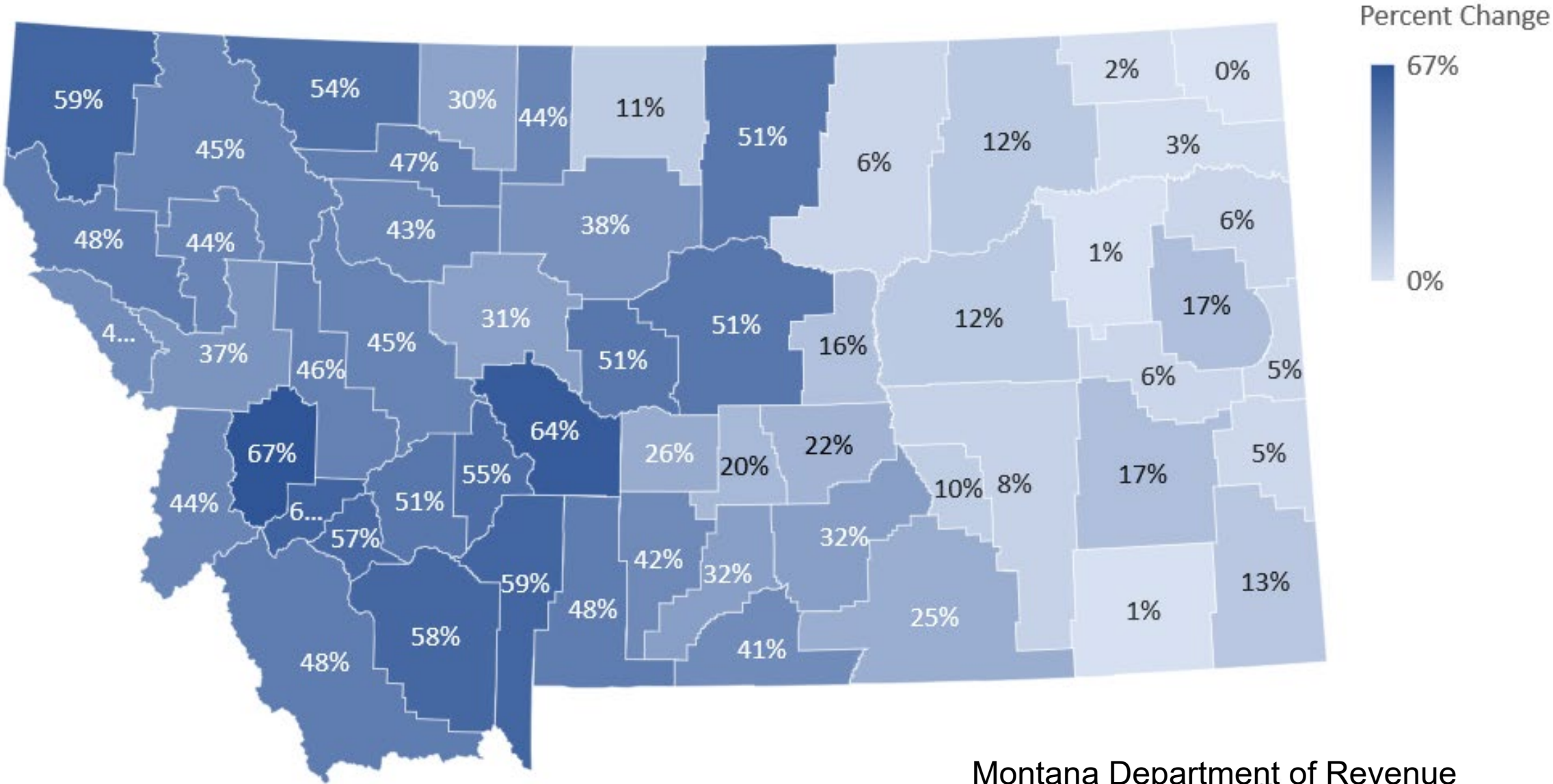
Source: Federal Reserve Bank of Atlanta

Labor Shortages Are Easing, But Only Slightly

Employment + Job Openings vs. Labor Force, 2014-23, Millions

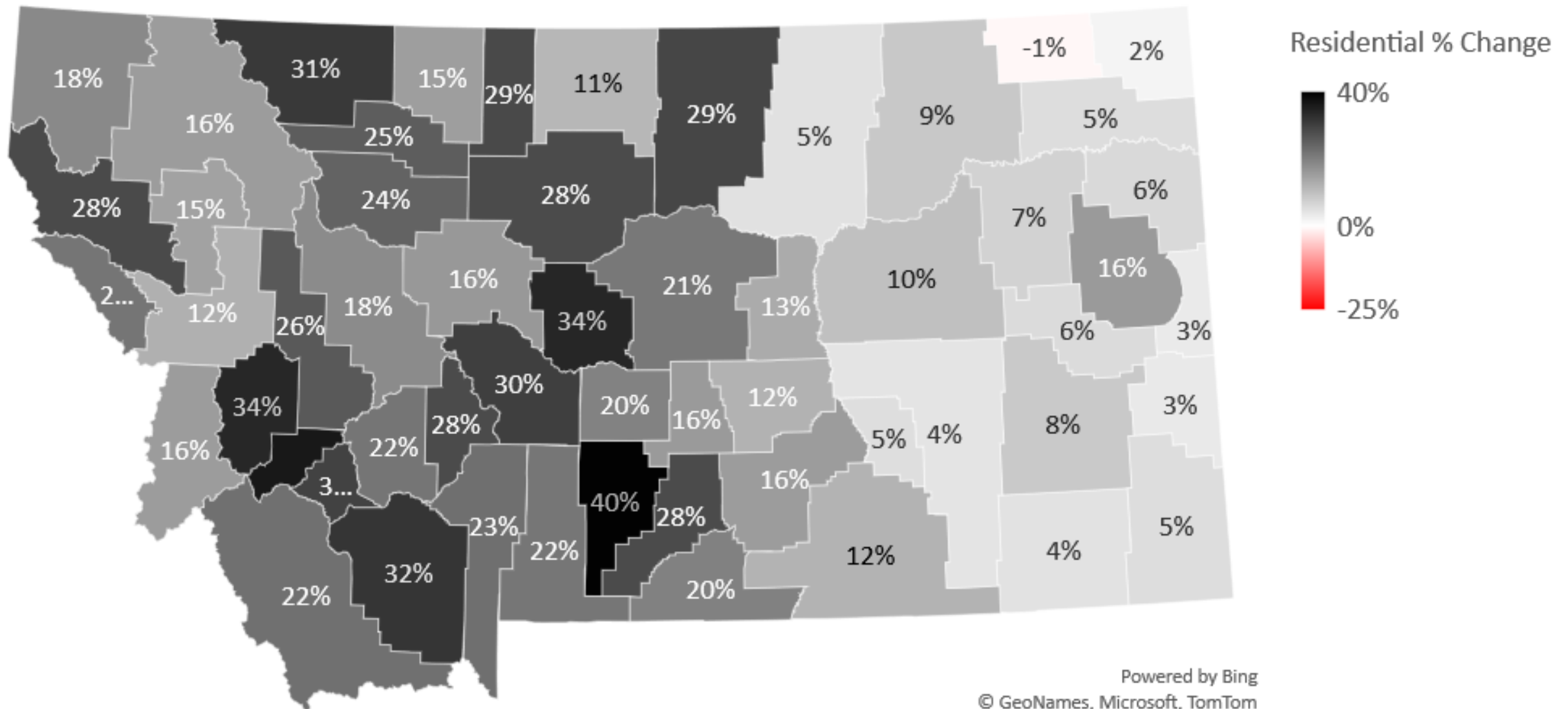


Change in Residential Market Value



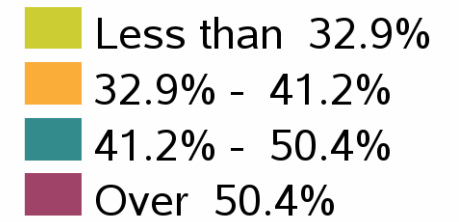
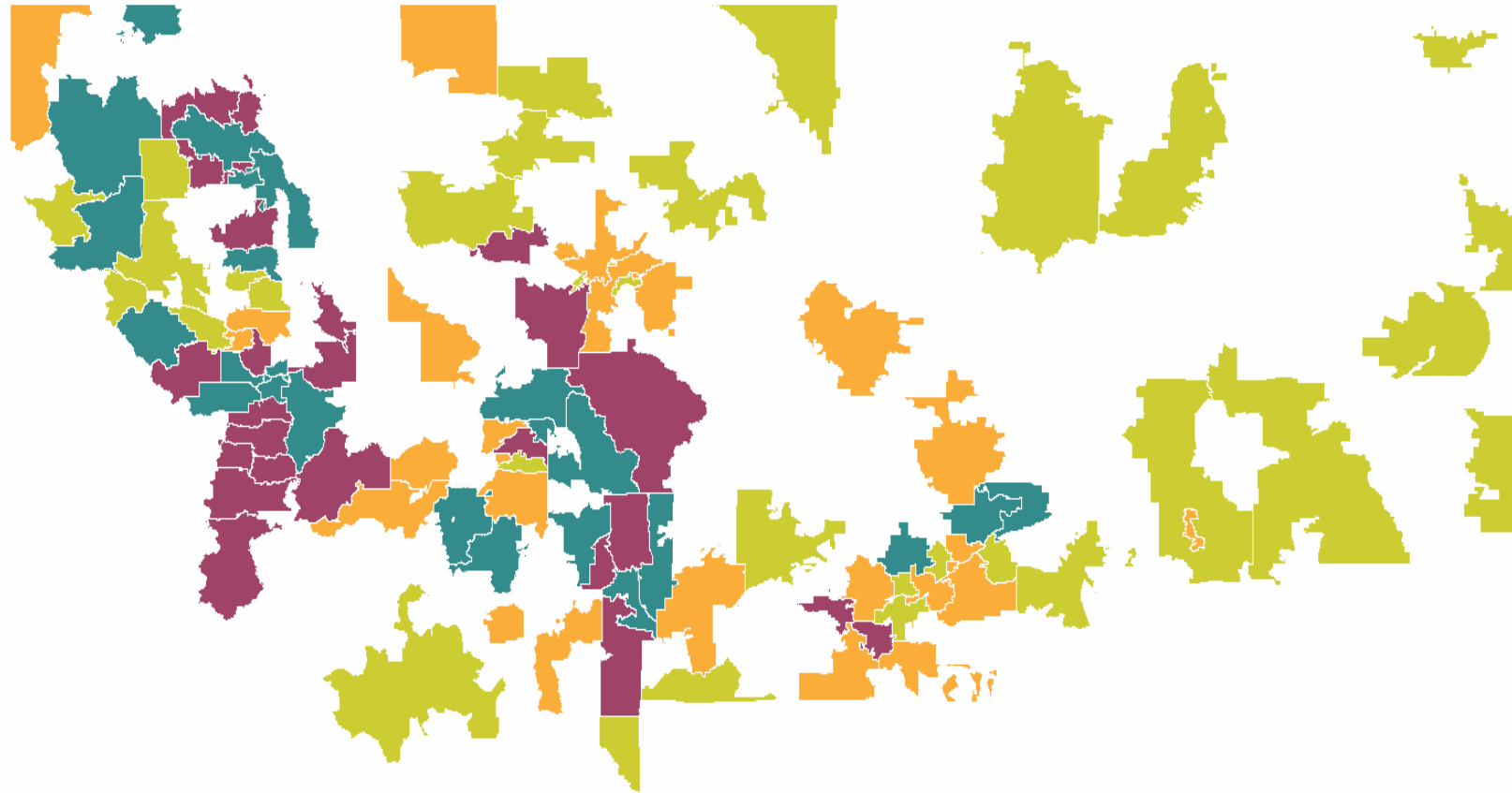
Montana Department of Revenue

Estimated Change in Taxes - Residential



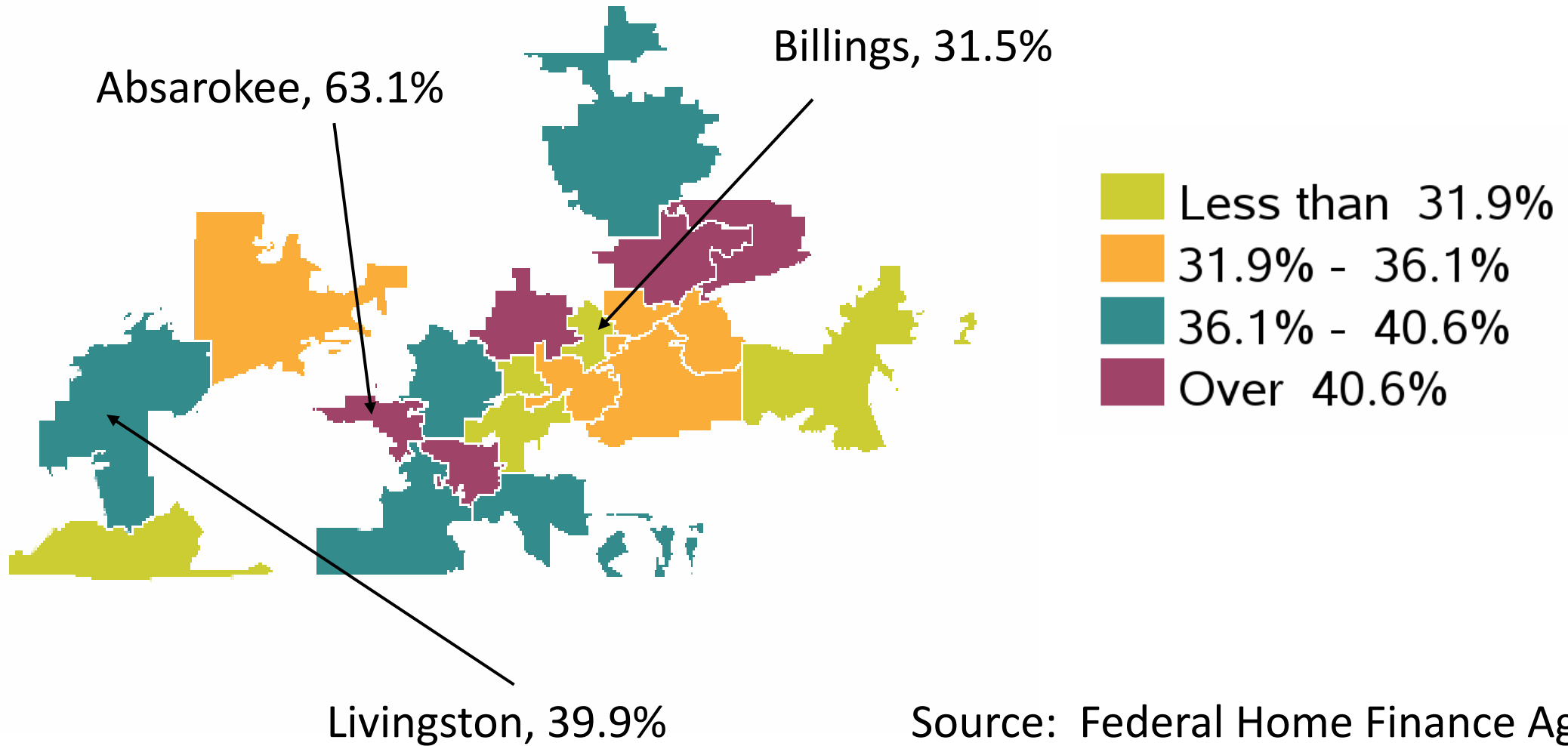
Housing Price Increases Since 2020 Have Been Robust

Percent Change, Housing Price Index, 2022 vs. 2020



Billings Home Prices Grew But Below State Average

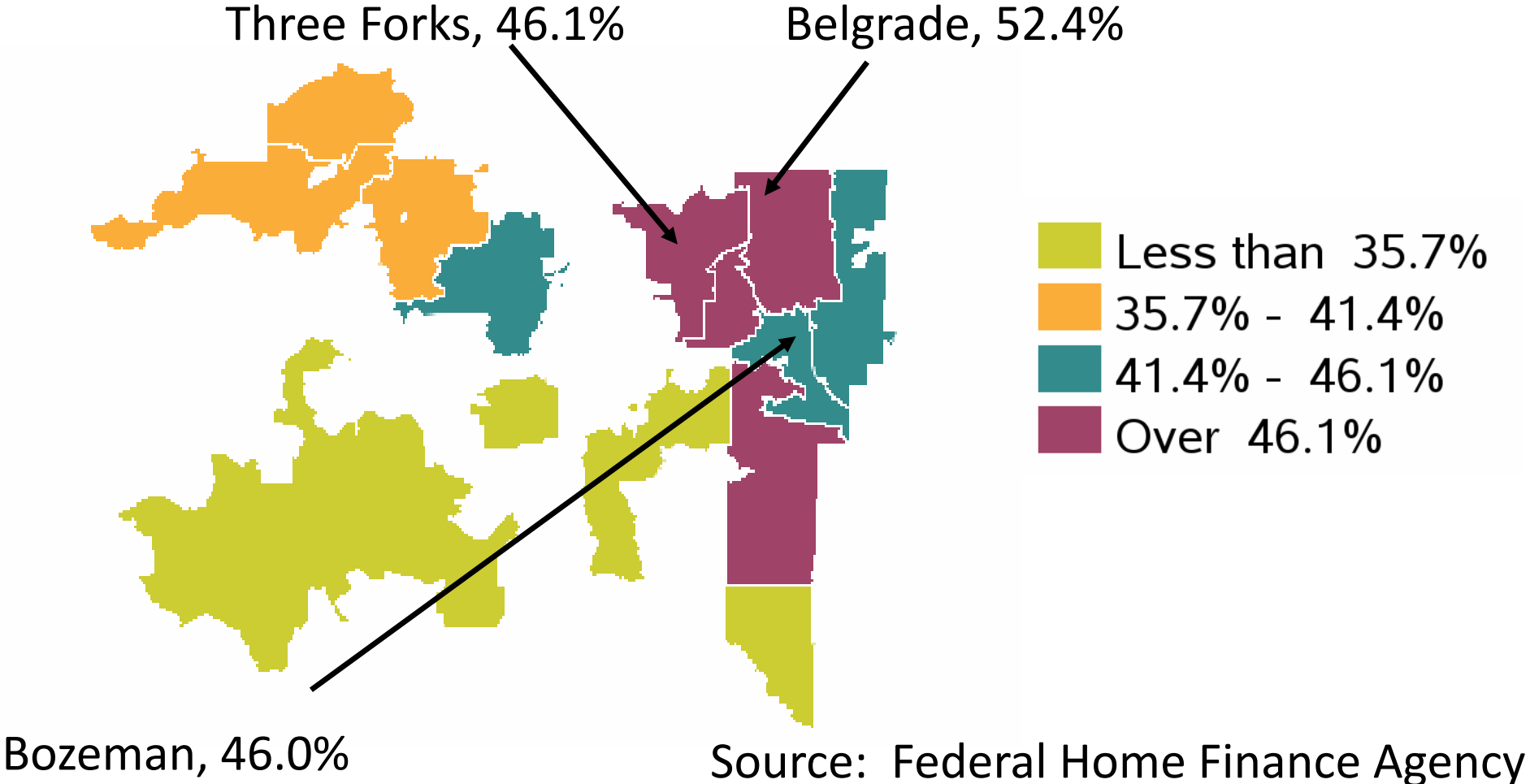
Percent Growth in Housing Price Index by Zip Code 2020-22



Source: Federal Home Finance Agency

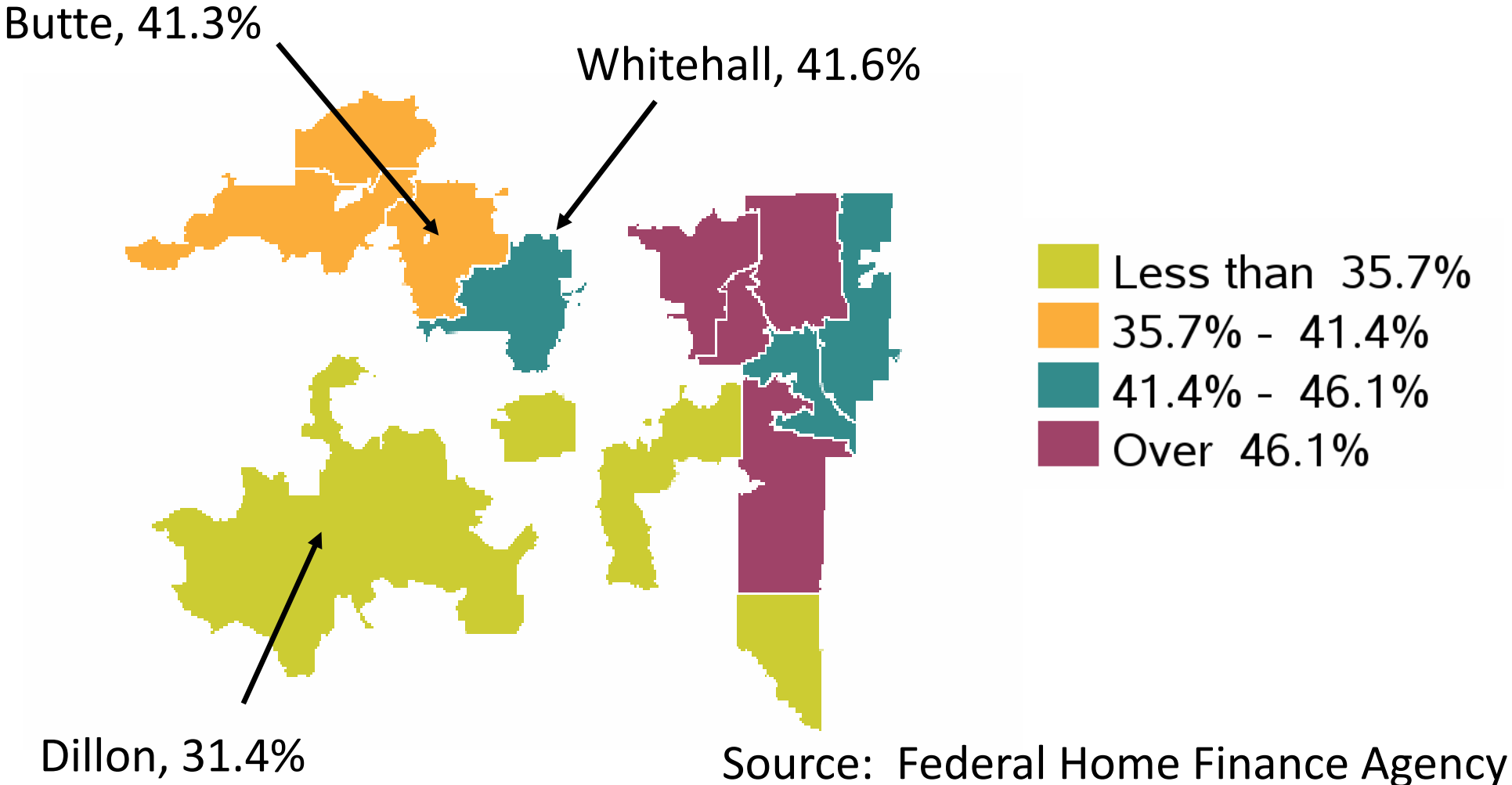
Strong Price Acceleration in Bozeman

Percent Growth in Housing Price Index by Zip Code 2020-22



Strong Housing Price Growth in Butte Region

Percent Growth in Housing Price Index by Zip Code 2020-22



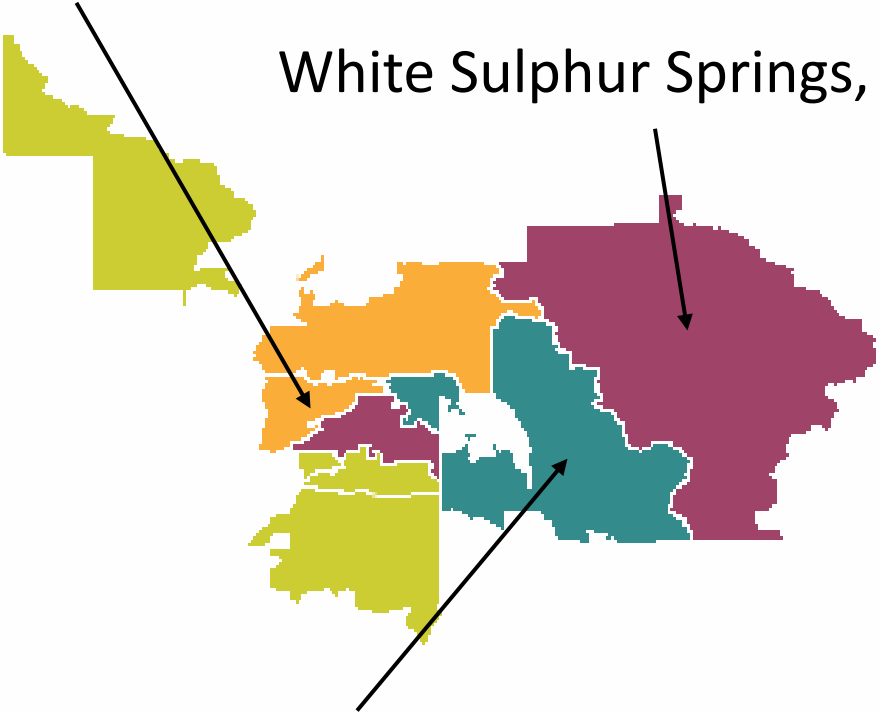
Rapid Home Price Growth in Helena

Percent Growth in Housing Price Index by Zip Code 2020-22

Helena, 39.6%

White Sulphur Springs, 57.6%

Townsend, 44.3%

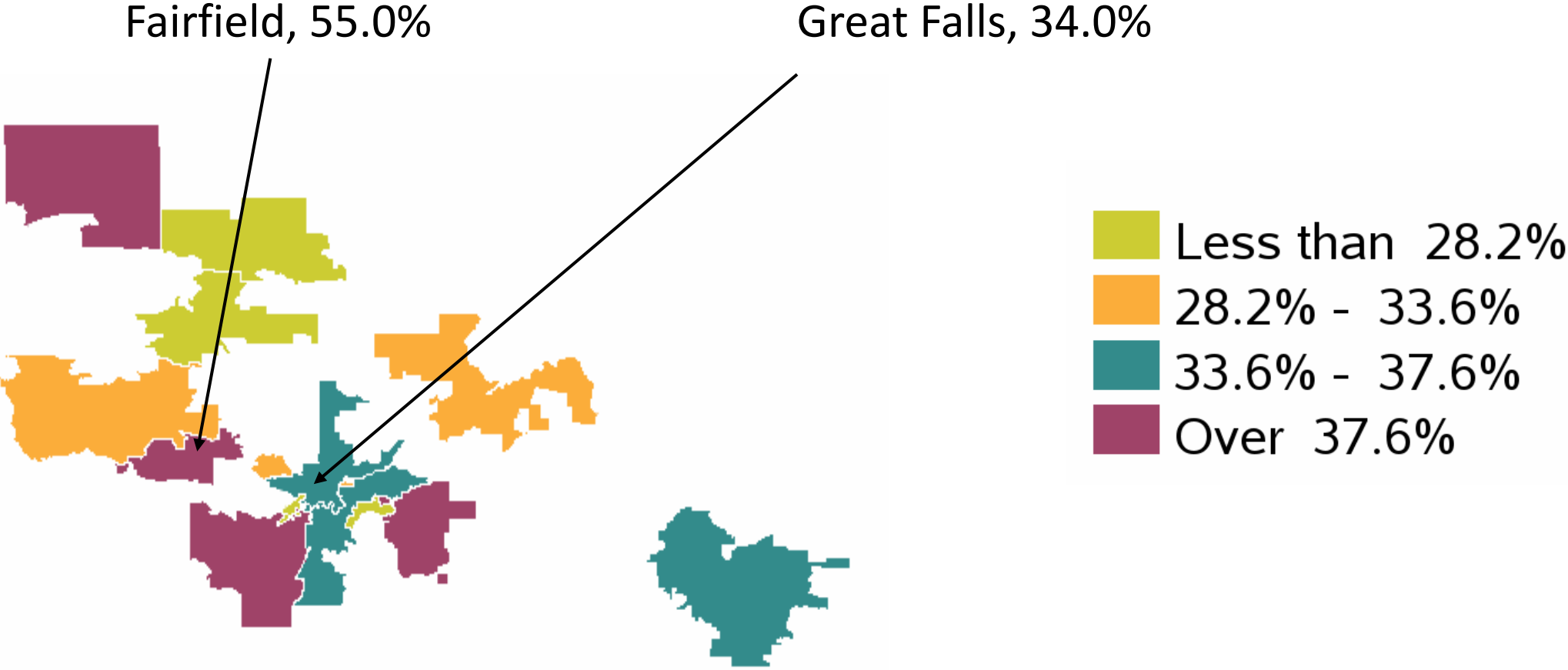


- Less than 39.1%
- 39.1% - 43.3%
- 43.3% - 48.8%
- Over 48.8%

Source: Federal Home Finance Agency

Great Falls Region Prices Rise, But By Less Than State Average

Percent Growth in Housing Price Index by Zip Code 2020-22

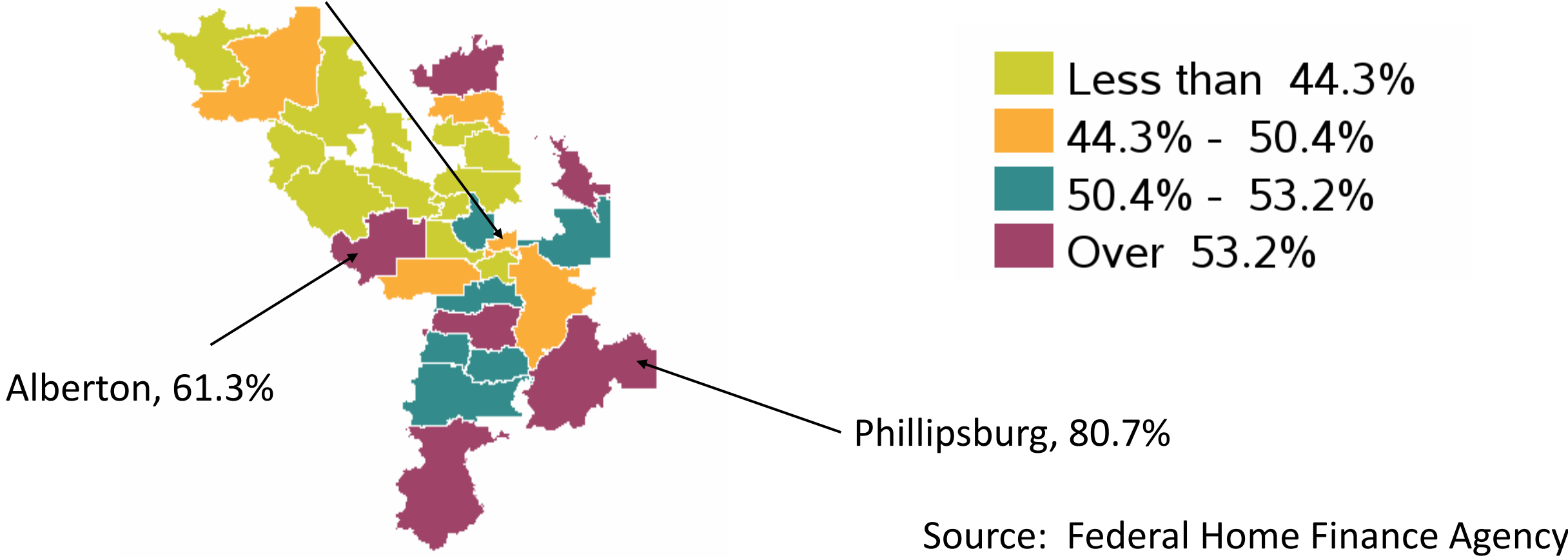


Source: Federal Home Finance Agency

Half of Missoula Area Zip Codes Saw 50% Housing Price Growth

Percent Growth in Housing Price Index by Zip Code 2020-2022

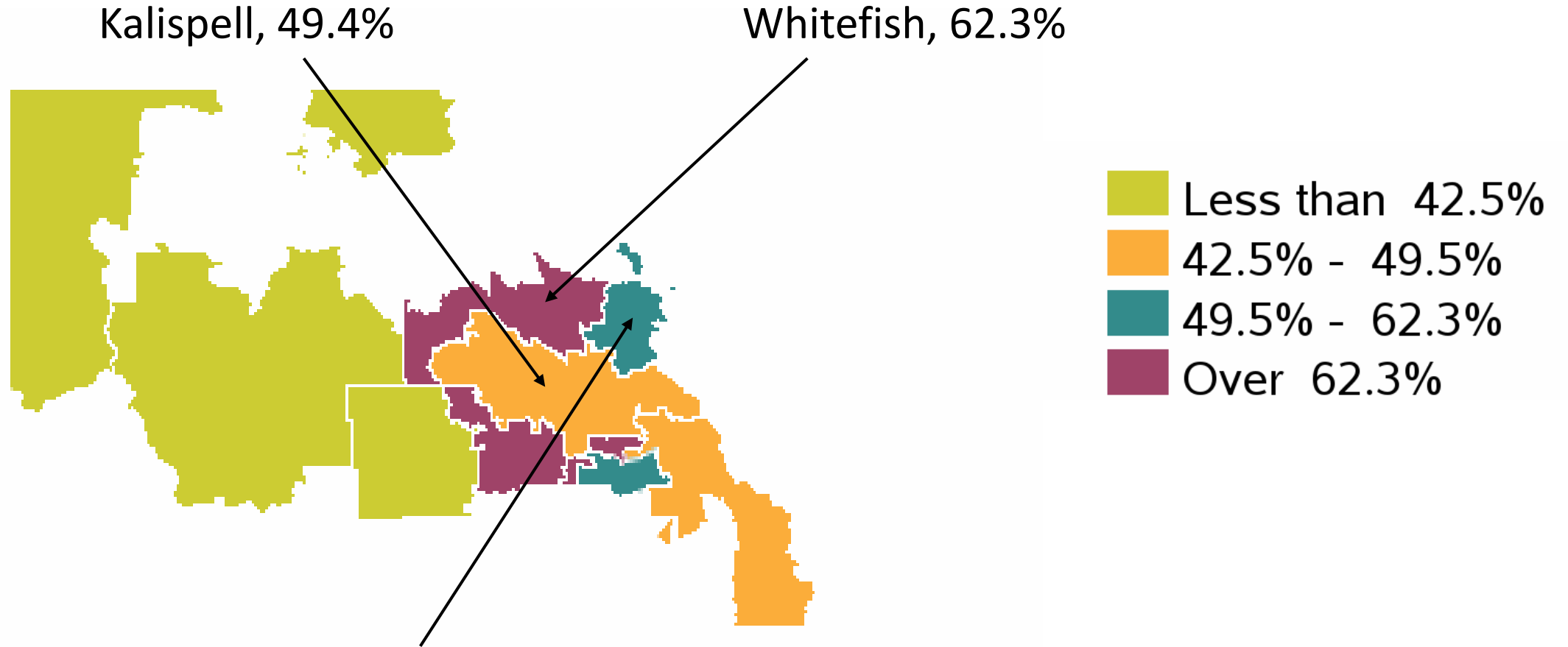
Missoula (Rattlesnake), 49.8%



Source: Federal Home Finance Agency

Blistering Growth in Flathead Area Housing Prices

Percent Growth in Housing Price Index by Zip Code 2020-22

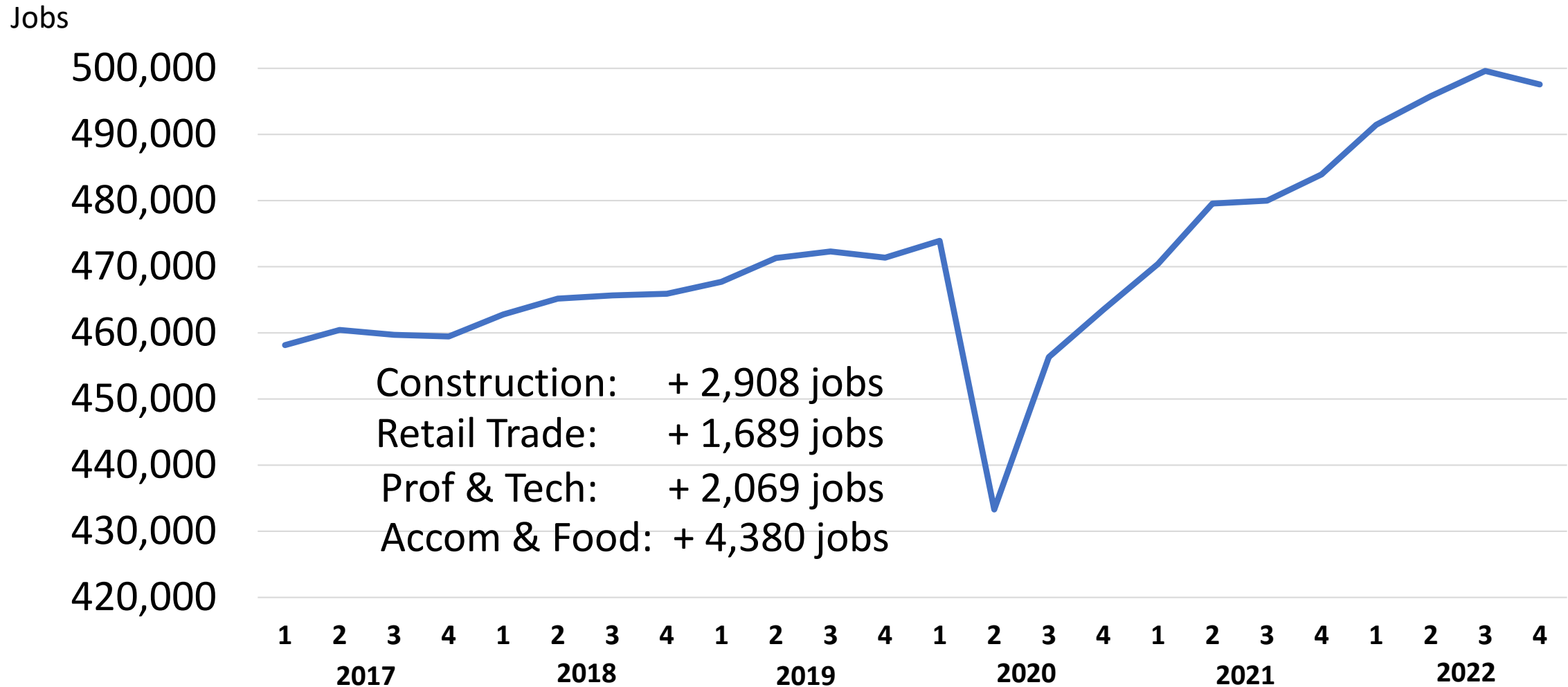


Columbia Falls, 57.9%

Source: Federal Home Finance Agency

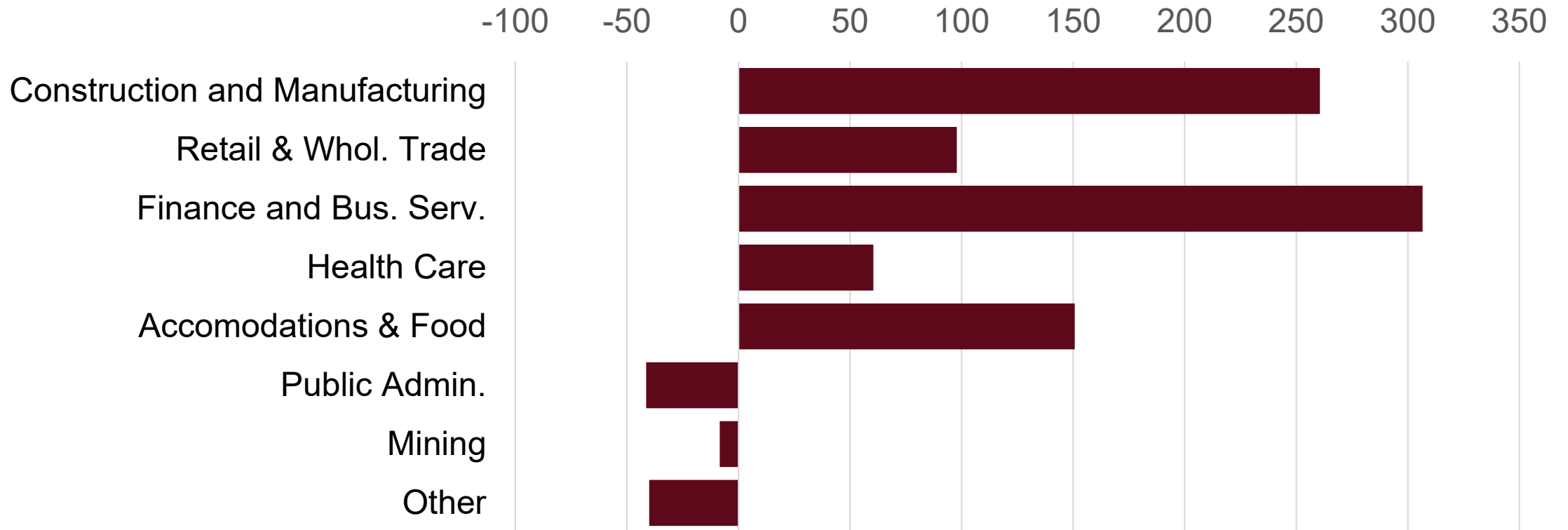
Montana Added 17,590 Jobs Last Year

Seasonally Adjusted Covered Employment, 2017-22



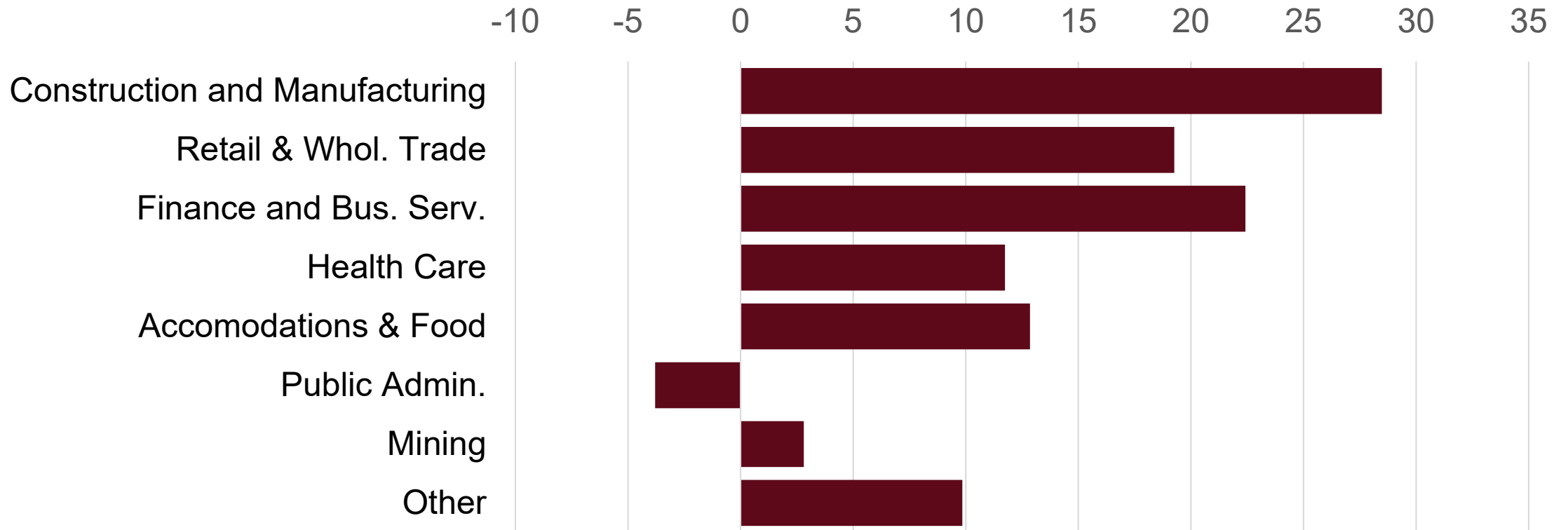
Montana Had a Strong Year in 2022

Inflation-corrected Total Wage Growth, Montana, \$ Millions, 2021-22



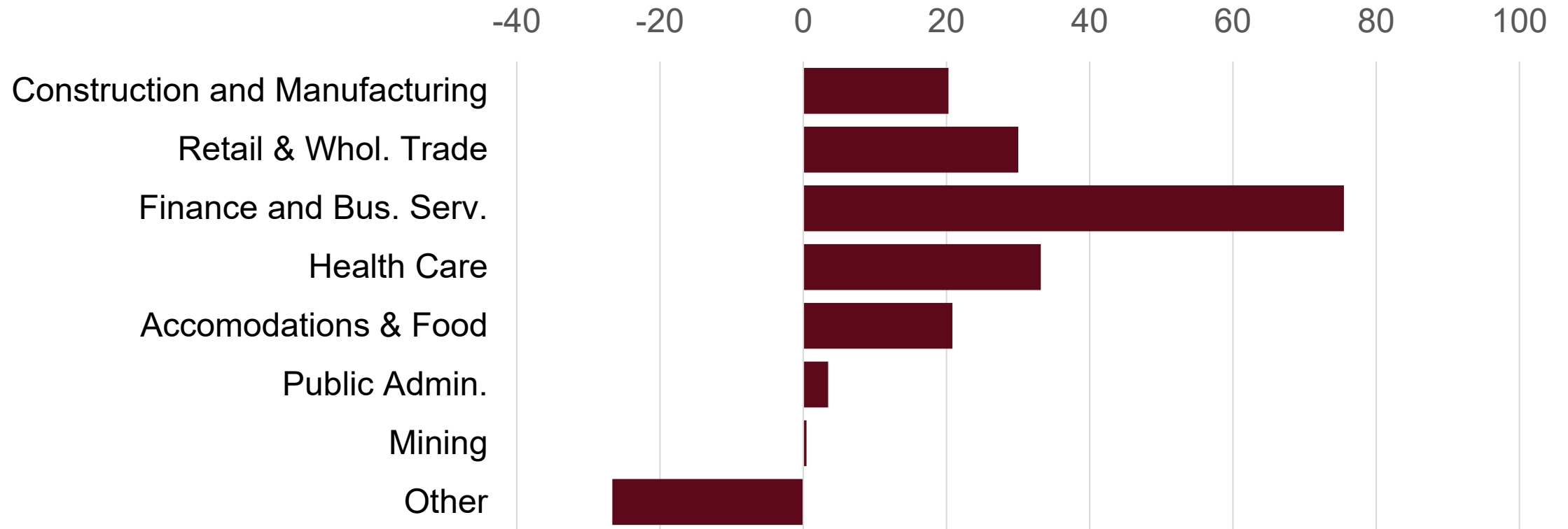
Billings Growth Ticked Up in 2022

Inflation-corrected Total Wage Growth, Yellowstone County, \$ Millions, 2021-22



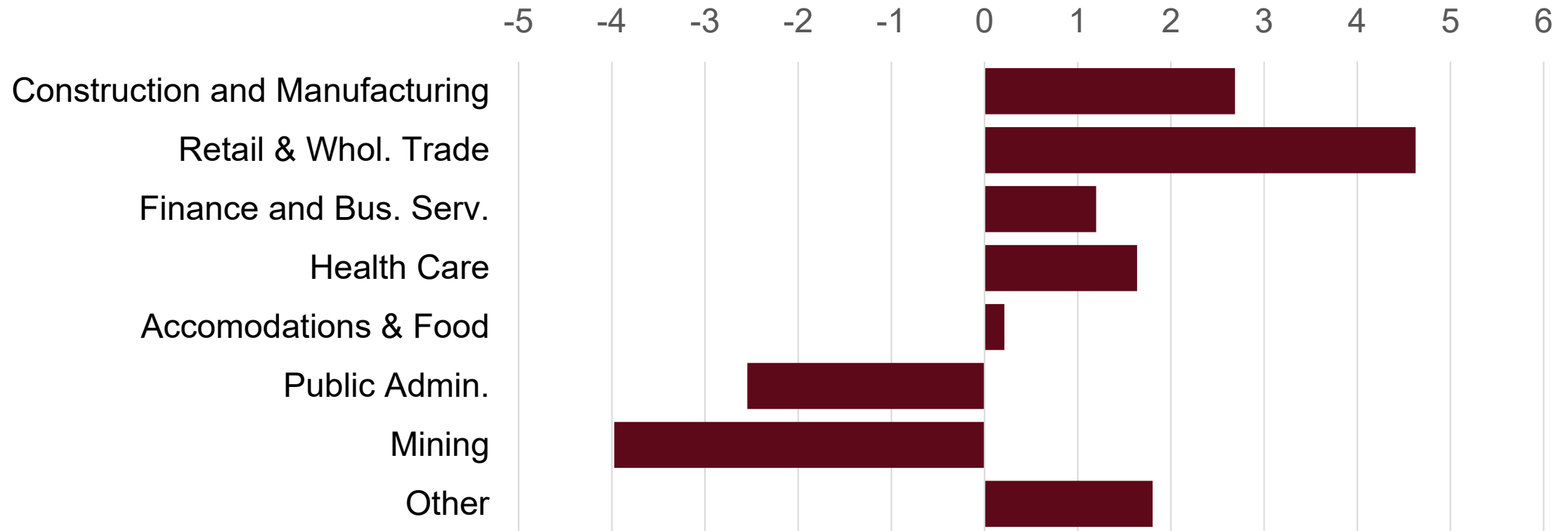
Tech Downturn Was Felt in Bozeman

Inflation-corrected Total Wage Growth, Gallatin County, \$ Millions, 2021-22



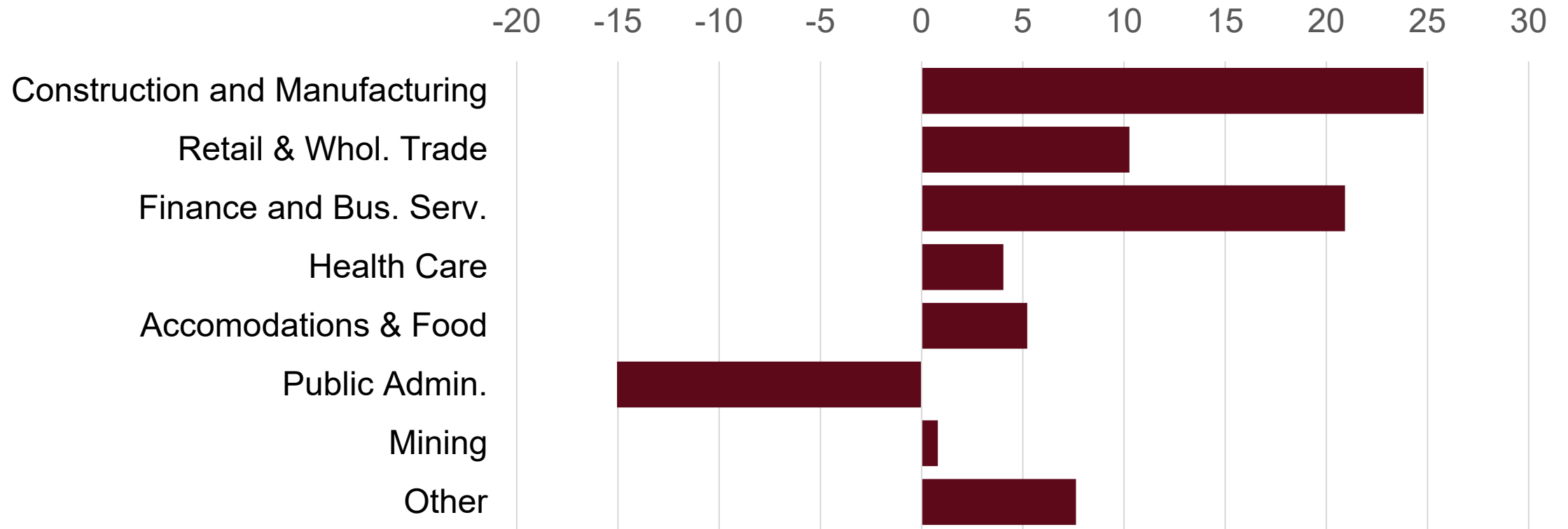
Swing in Mining Earnings in 2022

Inflation-corrected Total Wage Growth, Silver Bow County, \$ Millions, 2021-22



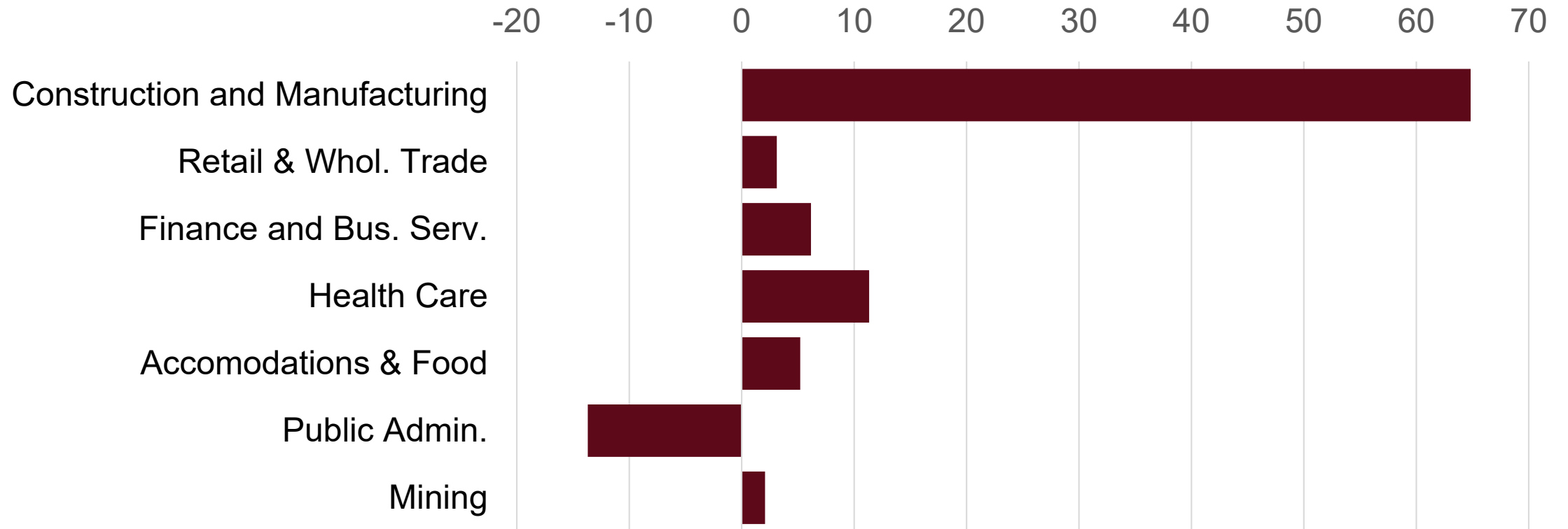
Uptick in Construction Fueled Growth in 2022

Inflation-corrected Total Wage Growth, Lewis & Clark County, \$ Millions, 2021-22



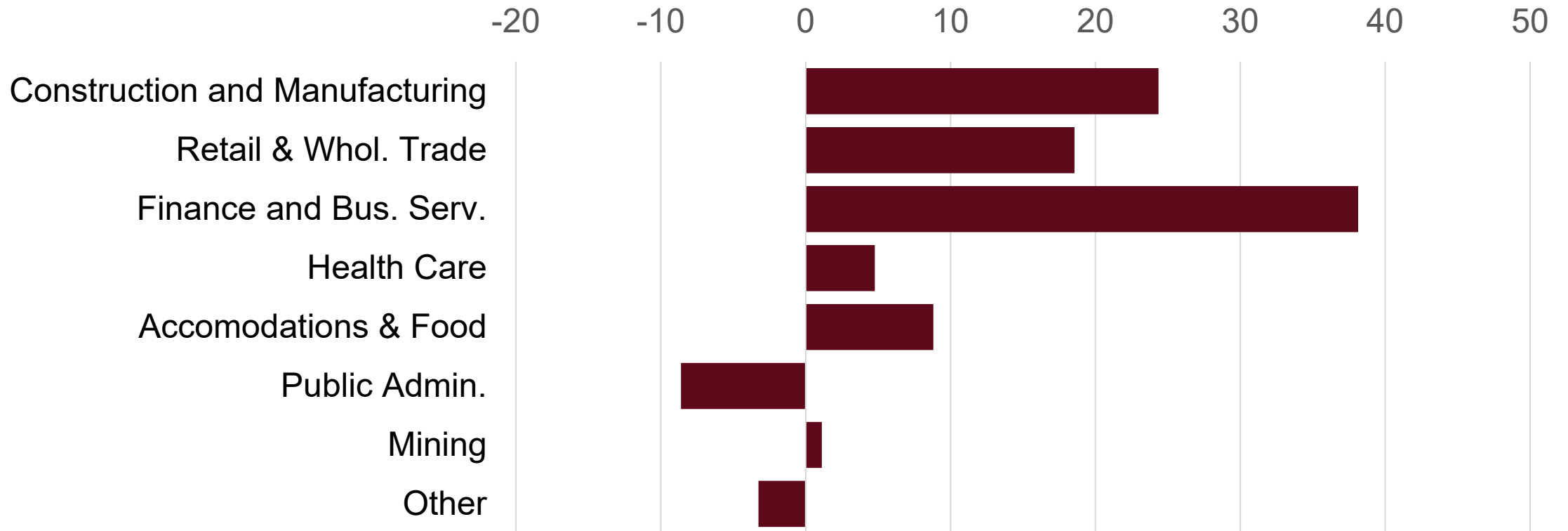
Construction Boom Fueled Growth in 2022

Inflation-corrected Total Wage Growth, Cascade County, \$ Millions, 2021-22



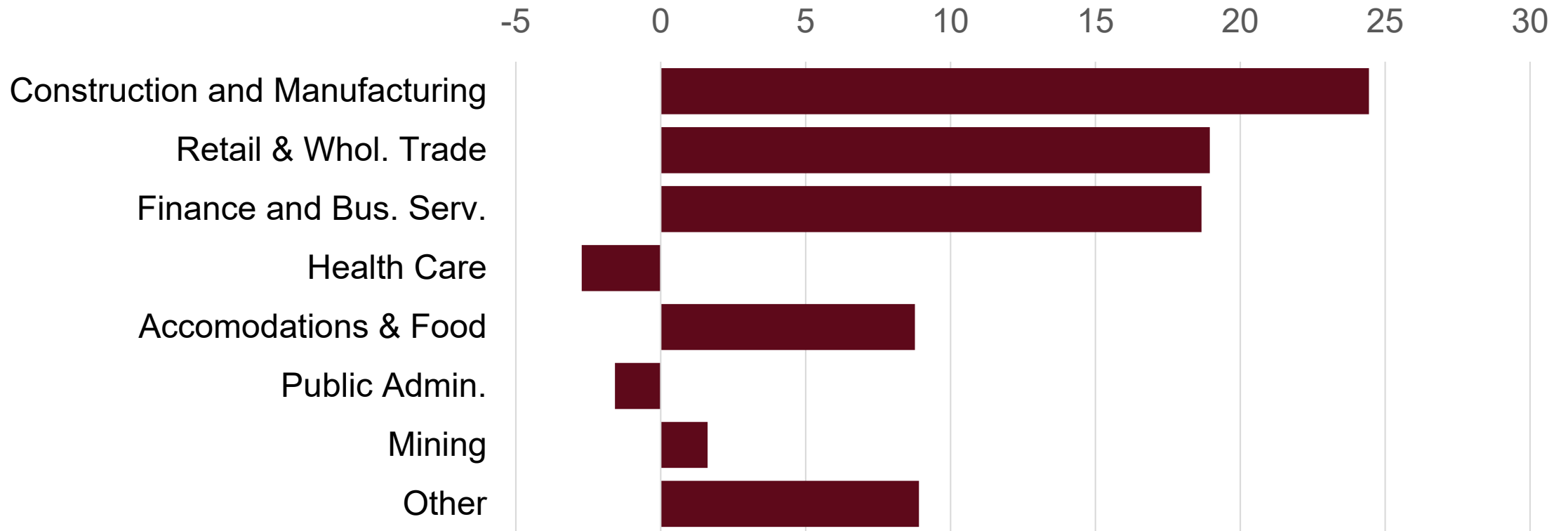
Construction Fueled Growth in 2022

Inflation-corrected Total Wage Growth, Missoula County, \$ Millions, 2021-22



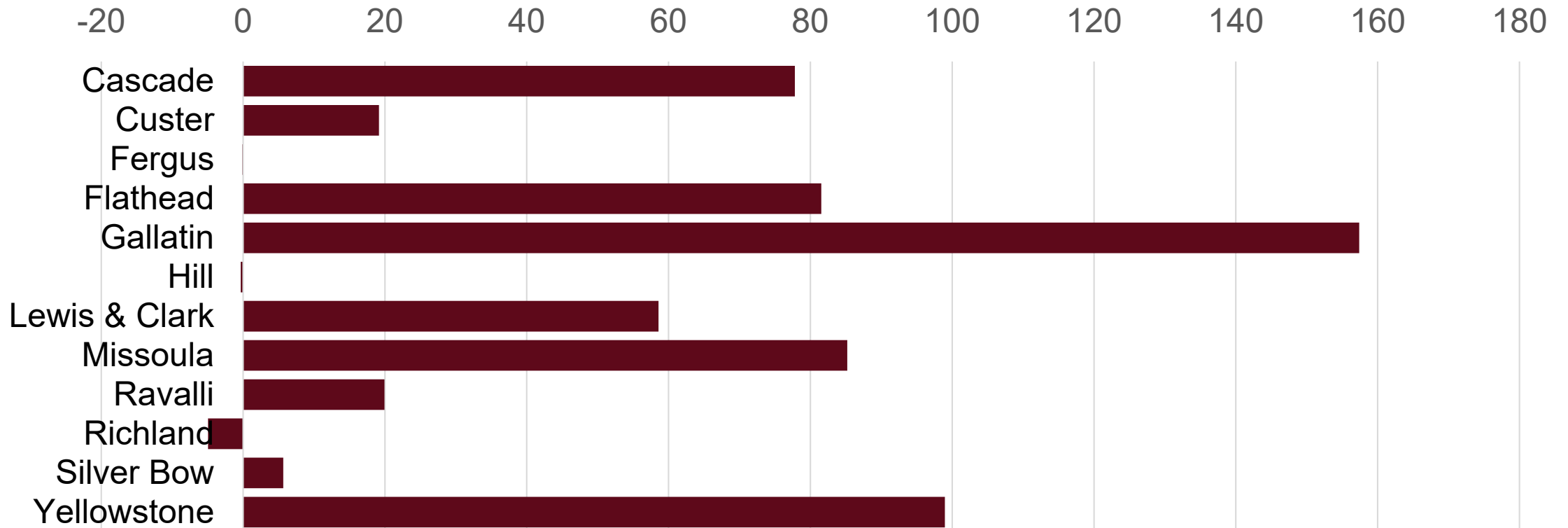
Construction Fueled Growth in 2022

Inflation-corrected Total Wage Growth, Flathead County, \$ Millions, 2021-22

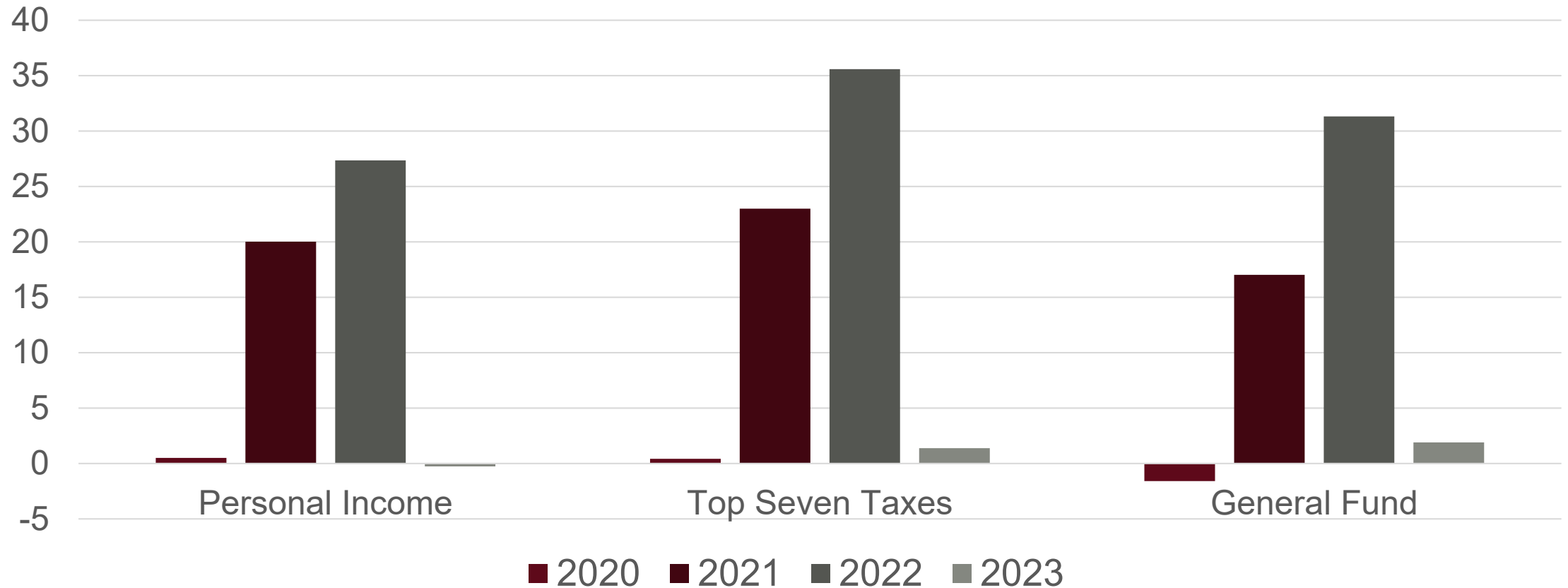


Total Wage Growth Was More Balanced in 2022

Inflation-corrected Total Wage Growth, Percent, 2021-22

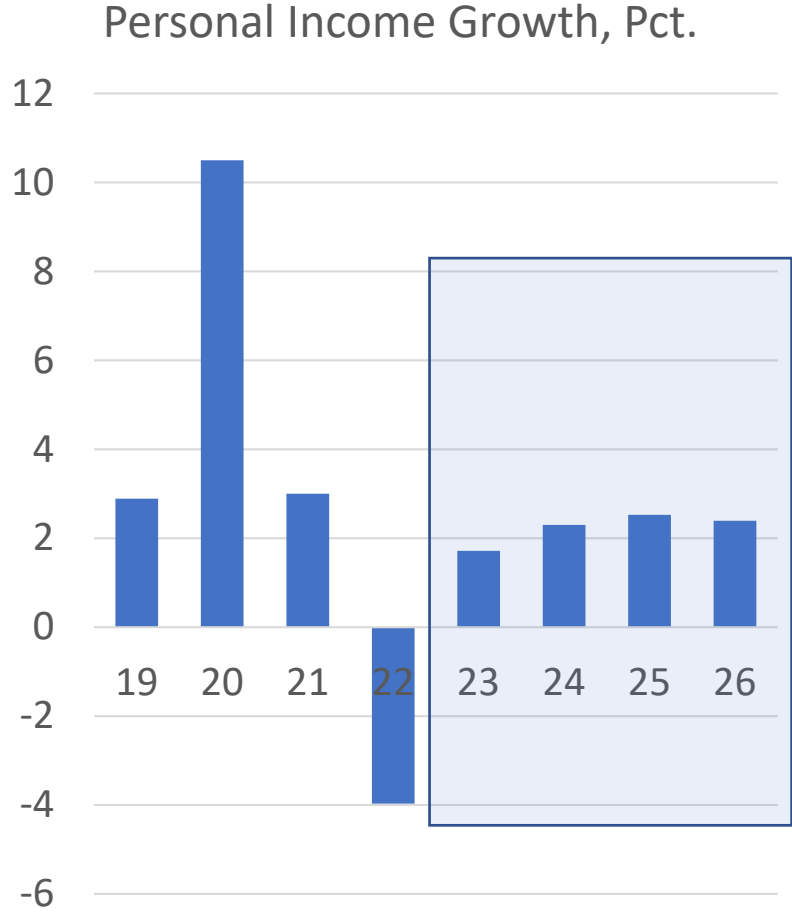
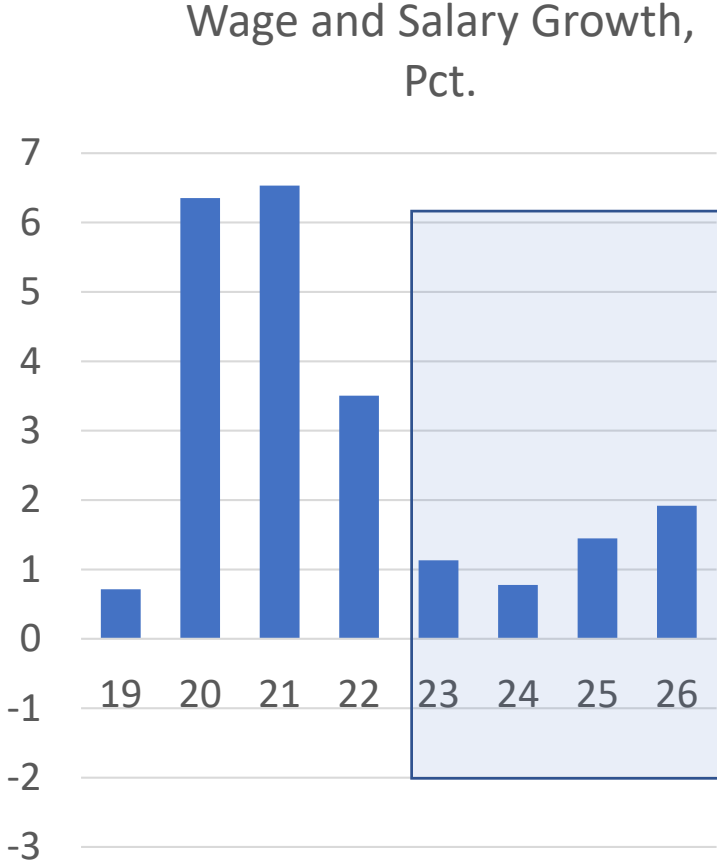
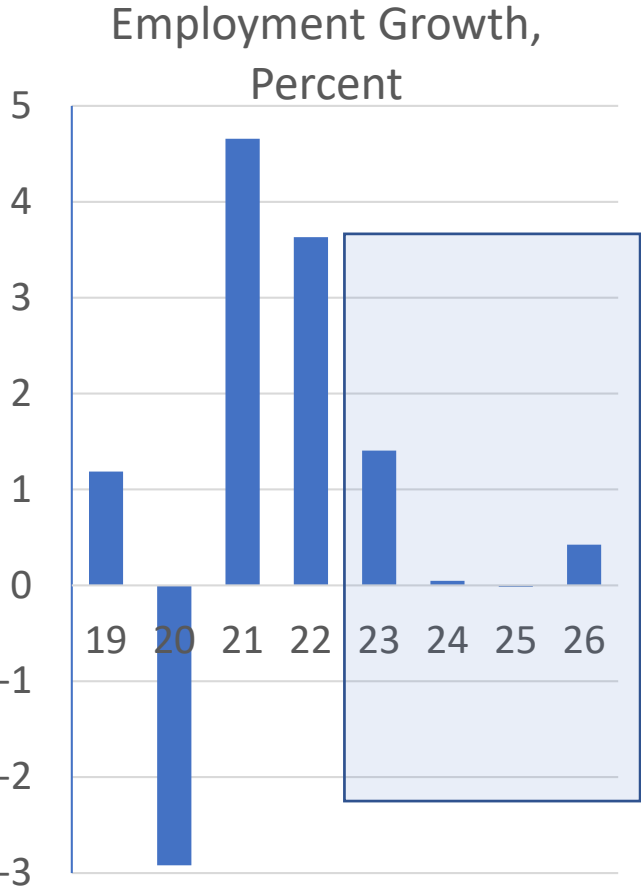


FY 2023 Montana Tax Collections Fall to Earth



Montana's Disappearing Recession

Employment, Real Wages and Salary and Real Income Growth, Actual and Forecast, Percent



Source: IHS Markit