

The Economic Outlook for the U.S. and Montana Economies - 2025

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50 YEARS MONTANA ECONOMIC OUTLOOK SEMINAR

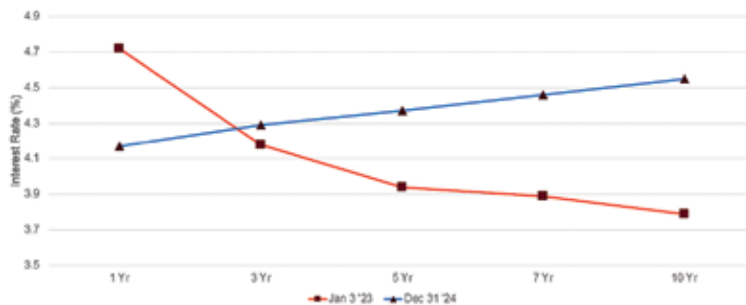
U.S. Outlook: Soft Landing Meets Policy Uncertainty

- Growth Beats Forecasts.
- Inflation is Down, but Not Defeated
- Policy Uncertainty: Tariffs, Immigration, Tax Cuts.
- Fed signals pause to rate cuts in 2025.
- Global Risks



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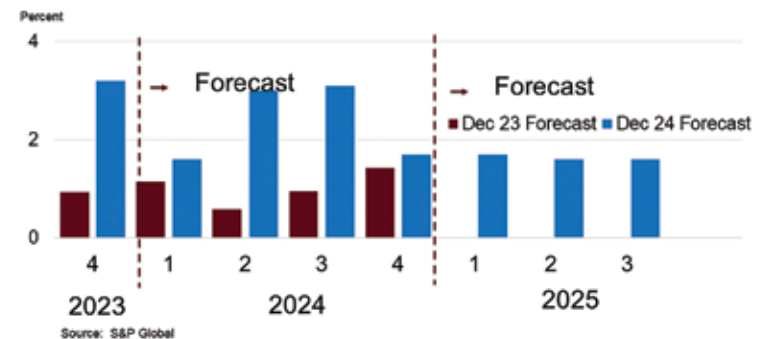
Yield Curve Inverted in 2022: Wrongly Predicting a Recession in 2023 or 2024



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U.S. Growth Beat The Forecast in 2023 & 2024

Percent Growth, Real Gross Domestic Product, 2023Q4 – 2025Q3

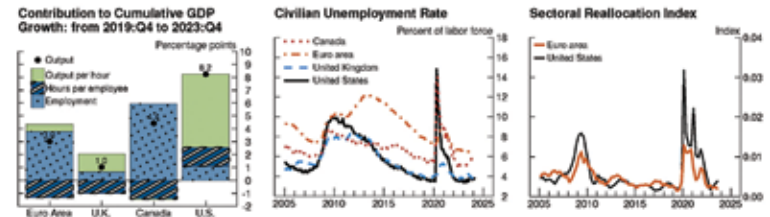


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Recent US GDP Growth

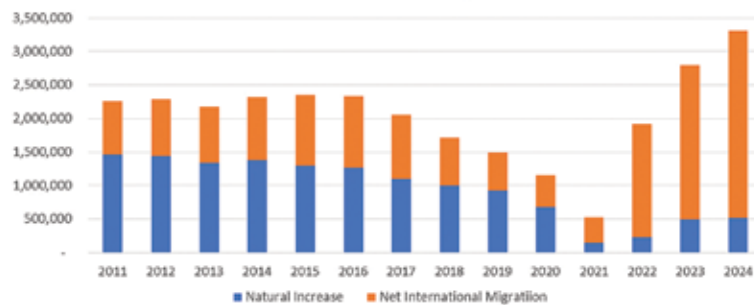
- Unsnarling of pandemic disrupted supply-chains
- More dynamic labor and business adjustment
- Technology-driven productivity? AI?
- Increased Population Growth

U.S. Economy Has Been More Dynamic Than Other Developed Nations: Labor Market Flexibility, New Businesses, Productivity

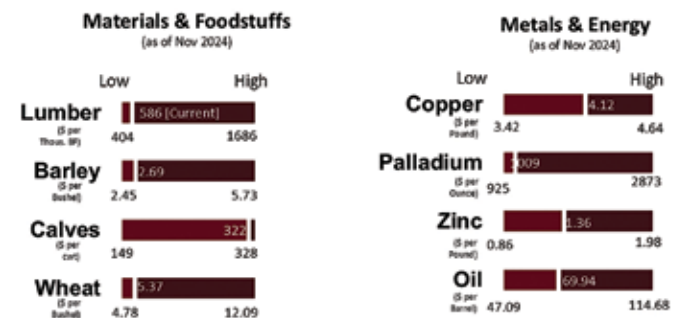


Source: Federal Reserve, "Why US GDP is Recovering Faster Than Other Advanced Economies"

U.S. Population Growth Surge Driven By International Migration



Commodity Prices Have Softened Mostly



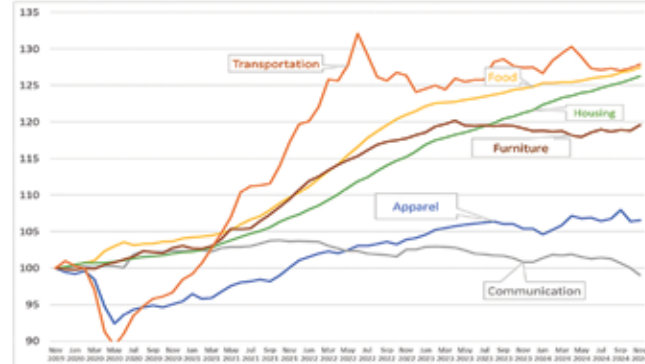
Inflation has decreased...for now (year ago % change)



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5-year price change in selected goods and services



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Trump Policy Agenda & Economic Outlook

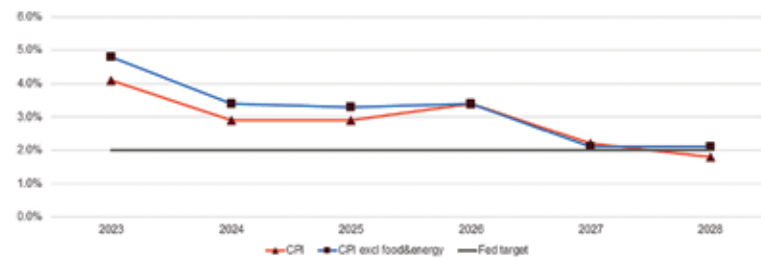
- Tariffs
- Deportations & Reduced Immigration
- Tax Cuts
- Less Regulation
- Spending Cuts
- Federal Reserve

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Inflation Forecast

Trump policy projected to increase inflation by 1 percentage point in 2025&2026.



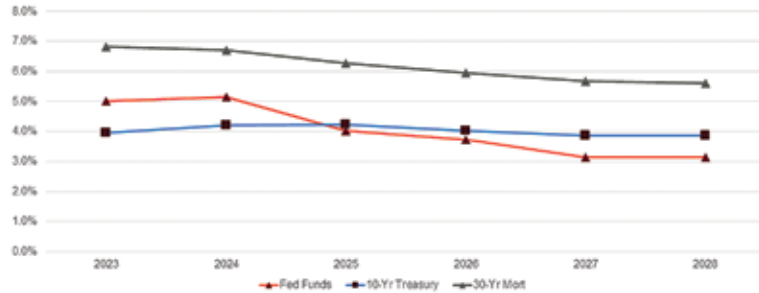
Source: S&P Global

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Interest Rate Forecast

Fed expected to pause rate cuts in 2025 due to persistent inflation. Interest rates expected to be 0.5-1.0% higher than earlier forecast.



Source: S&P Global



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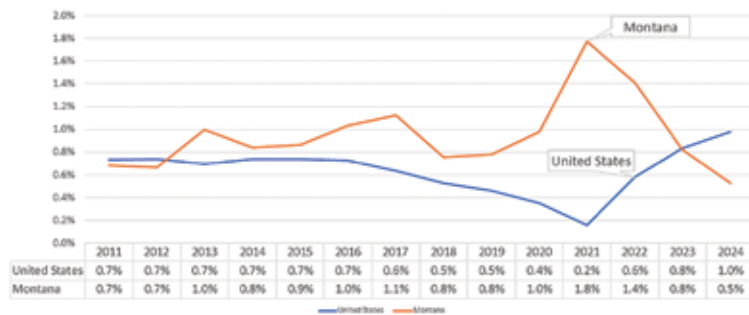
The Montana Economy in 2024

- NAR ranks Montana as the “least affordable” state
 - Based on current home listings compared to local incomes
- Population growth rate is lowest in two decades
 - In-migration has fallen 75% from 2021 peak
- Job growth remains very strong – top 5 state
 - Strong visitation year drives gains in hospitality & retail
- Construction maintains strong earnings growth
 - Other pandemic boom sectors moderate
- A challenging year for resource-based industries
 - Major facility closures in mining and wood products



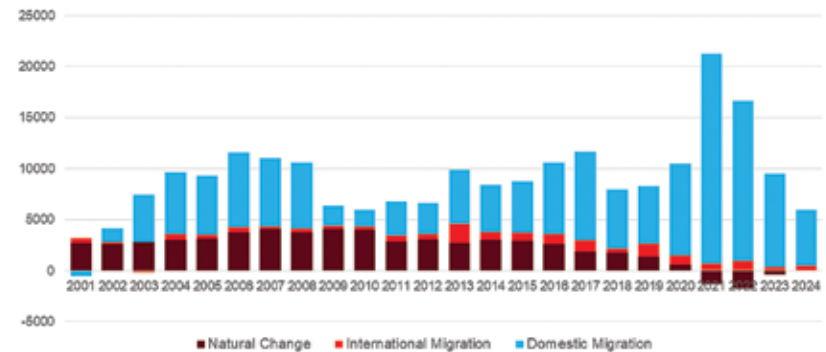
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Montana and US Population Growth



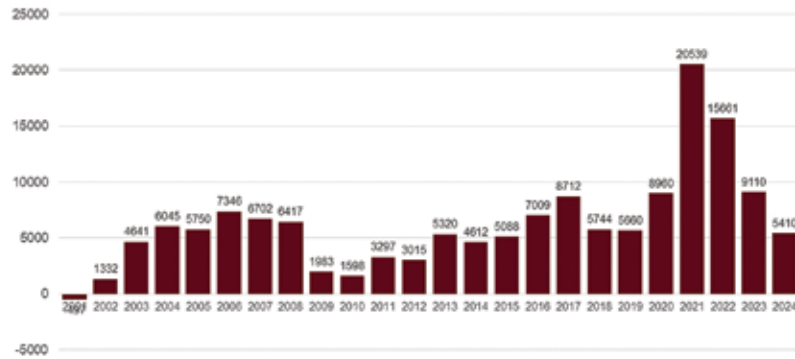
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Montana Population Change by Components



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Net Domestic Migration to Montana



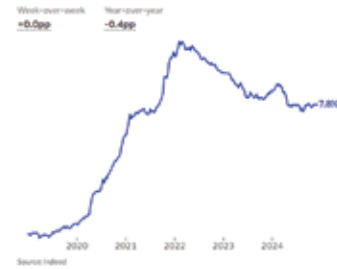
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Job postings mentioning remote work or AI

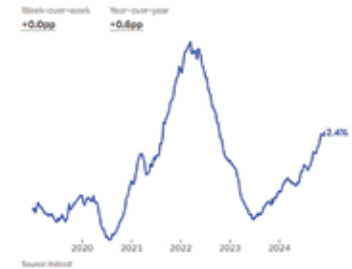
Remote work

Share (%) of job postings mentioning remote/hybrid terms
Up to and including November 30, 2024

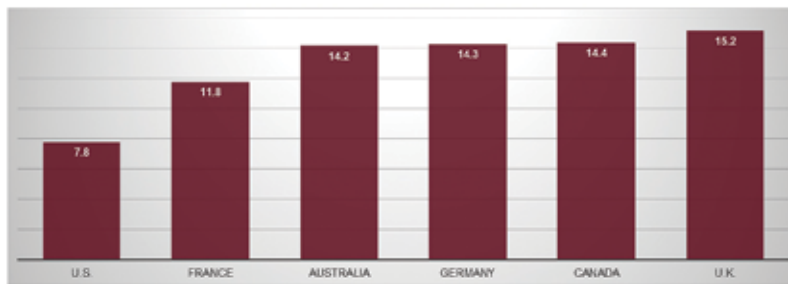


Artificial Intelligence (AI)

Share (%) of job postings mentioning AI terms
Up to and including November 30, 2024



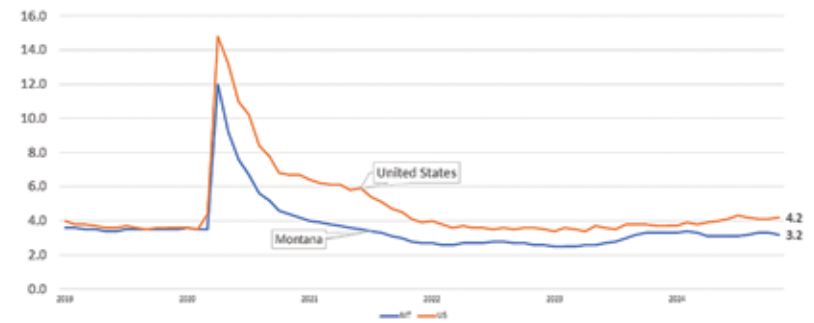
Job Postings Remote/Hybrid Work: U.S. only nation tracked by Indeed with decline



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Unemployment Rate (%)



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Job Growth And Wages

(June 2023 – June 2024)
Source: BLS OCEW

Overall Top 5 in the U.S. for Job Growth
(1.6% MT vs. 0.8% US)

But Bottom Tier in Average Wage Growth
(3.8% MT vs. 4.4% US, not inflation adjusted)

Job Growth in 2024 Was Skewed Towards Lower-Paying Service Sectors

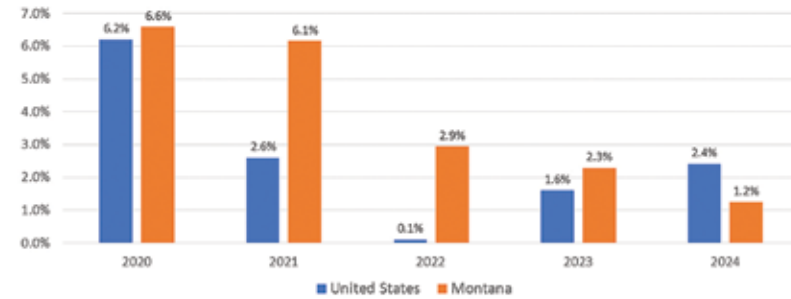
Industry	Employment Change	% Change	Avg Weekly Wage
Trade, Transportation, and Utilities	1,690	1.7%	\$1,003
Leisure and Hospitality	1,359	1.7%	\$511
Education and Health Services	1,351	1.7%	\$1,198
Construction	1,064	2.8%	\$1,292
Government	1,064	1.2%	\$1,265
Professional and Business Services	1,016	1.9%	\$1,430
Other Services	800	4.2%	\$812
Goods-Producing	373	0.5%	\$1,290
Manufacturing	-27	-0.1%	\$1,253
Information	-148	-2.6%	\$1,593
Financial Activities	-431	-1.8%	\$1,449
Natural Resources and Mining	-684	-4.7%	\$1,348



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Total Real Personal Income Growth

(Q3 to Q3 change, source BEA)



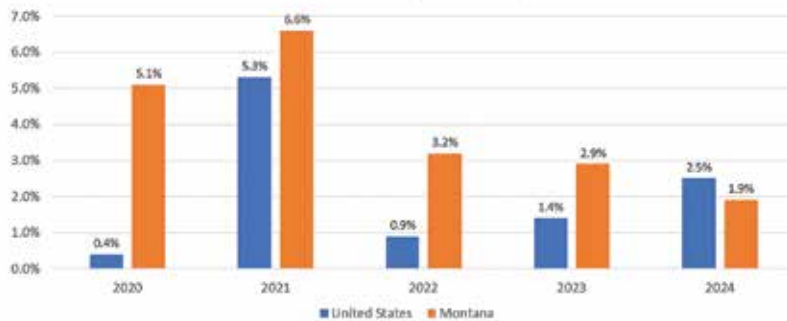
Total personal income: broad measure of income that includes government transfers and investment earnings



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Total Real Non-Farm Earnings Growth

(Q3 to Q3 change, source BEA)



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Five Year Growth Non-Farm Earnings By Industry Sector (thousands \$, annual avg.)

Biggest Contributors to Montana's Income Growth Compared to Pre-Pandemic

- Professional, Scientific, Tech Services
- Construction and Real Estate
- Health care
- Hospitality

Sectors with Little to No Growth

- State and Local Government
- Military
- Forestry
- Mining and Energy

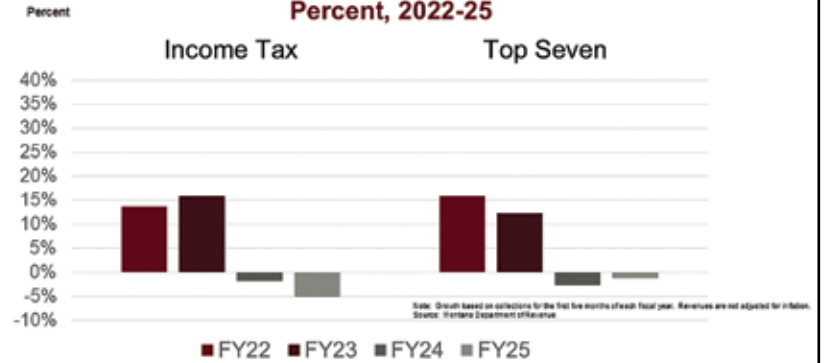
	2019-24 (annual avg.)	2019-24 (avg %)
Prof., scientific, and tech services	\$ 239,759	8.5%
Construction	\$ 226,152	6.5%
Real estate	\$ 210,851	19.1%
Health care	\$ 168,725	3.0%
Accommodation and food	\$ 126,802	6.9%
Admin. and support services	\$ 107,588	9.3%
Wholesale trade	\$ 91,389	5.7%
Retail trade	\$ 78,270	2.4%
Finance and insurance	\$ 63,549	3.5%
Federal civilian	\$ 60,231	3.7%
Other services (priv)	\$ 57,236	3.7%
Manufacturing	\$ 50,826	2.9%
Information	\$ 31,948	5.4%
Arts, entertainment, recreation	\$ 30,470	5.7%
Transportation and warehousing	\$ 28,506	1.7%
Educational services (priv.)	\$ 17,806	6.1%
State and local govt.	\$ 16,485	0.3%
Management of companies	\$ 15,774	6.6%
Military	\$ 5,678	1.0%
Forestry and related activities	\$ 4,220	1.5%
Mining, oil and gas	\$ 2,167	0.2%
Utilities	\$ (1,184)	-0.3%

One-Year Change in Non-Farm Earnings By Industry Sector (thousands \$, 2024Q3-2023Q3)

- Construction, Tourism, Health Care Maintaining Strong Growth
 - Slowdown in Professional, Scientific, Tech Services
 - Largest income decline in Mining
- Compared to Five-Year Average
- Largest Gain: Construction
 - Largest Drop: Real Estate

	2023Q3 to 2024Q3	%
Construction	\$ 272,387	6.3%
Health care	\$ 146,707	2.3%
Retail trade	\$ 101,382	2.9%
Federal civilian	\$ 97,494	5.3%
Admin. and support services	\$ 94,117	5.9%
Wholesale trade	\$ 84,561	4.3%
Other services (priv)	\$ 70,892	4.1%
Prof., scientific, and tech services	\$ 61,262	1.6%
Arts, entertainment, recreation	\$ 55,375	8.7%
Accommodation and food	\$ 55,318	2.3%
Management of companies	\$ 44,774	16.3%
Finance and insurance	\$ 41,565	2.0%
Utilities	\$ 39,170	9.8%
Transportation and warehousing	\$ 34,521	2.0%
State and local govt.	\$ 25,127	0.5%
Educational services (priv.)	\$ 15,463	4.2%
Military	\$ 9,255	1.6%
Manufacturing	\$ (18,272)	-0.9%
Forestry and related activities	\$ (19,129)	-5.9%
Real estate	\$ (82,982)	-3.7%
Information	\$ (84,017)	-10.0%
Mining, oil and gas	\$ (190,004)	-14.1%

Year over Year Growth in Montana Tax Revenue, Percent, 2022-25



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Montana is among the lowest states for export dependence.



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Trump Administration Policy Changes and Montana's Economy

- Montana has relatively low dependence on exports
- Montana will be relatively unimpacted by immigration changes
- Strong support for energy sector
- Federal spending uncertainty
 - Medicaid
 - Military
 - Civilian Jobs and agencies

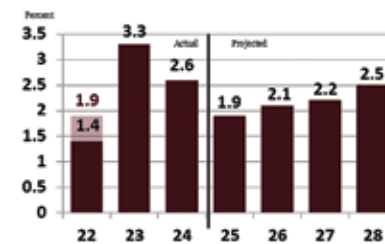
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Montana: Looking Ahead

- **Slower Growth In 2025**
 - Population growth slows further
 - Interest rate sensitive sectors will get little relief
 - Full impact of mining & wood products closures/layoffs
- **Growth Improves After 2025**
 - Moderate population growth
 - Tech industry continues to mature & scale
 - New investment likely in mining, energy, tourism

Growth in Nonfarm Earnings,
Montana, 2022-2028



Source: BBER and U.S. Bureau of Economic Analysis