

The Economic Outlook for Montana

Patrick M. Barkey, Director
Bureau of Business and Economic Research
University of Montana



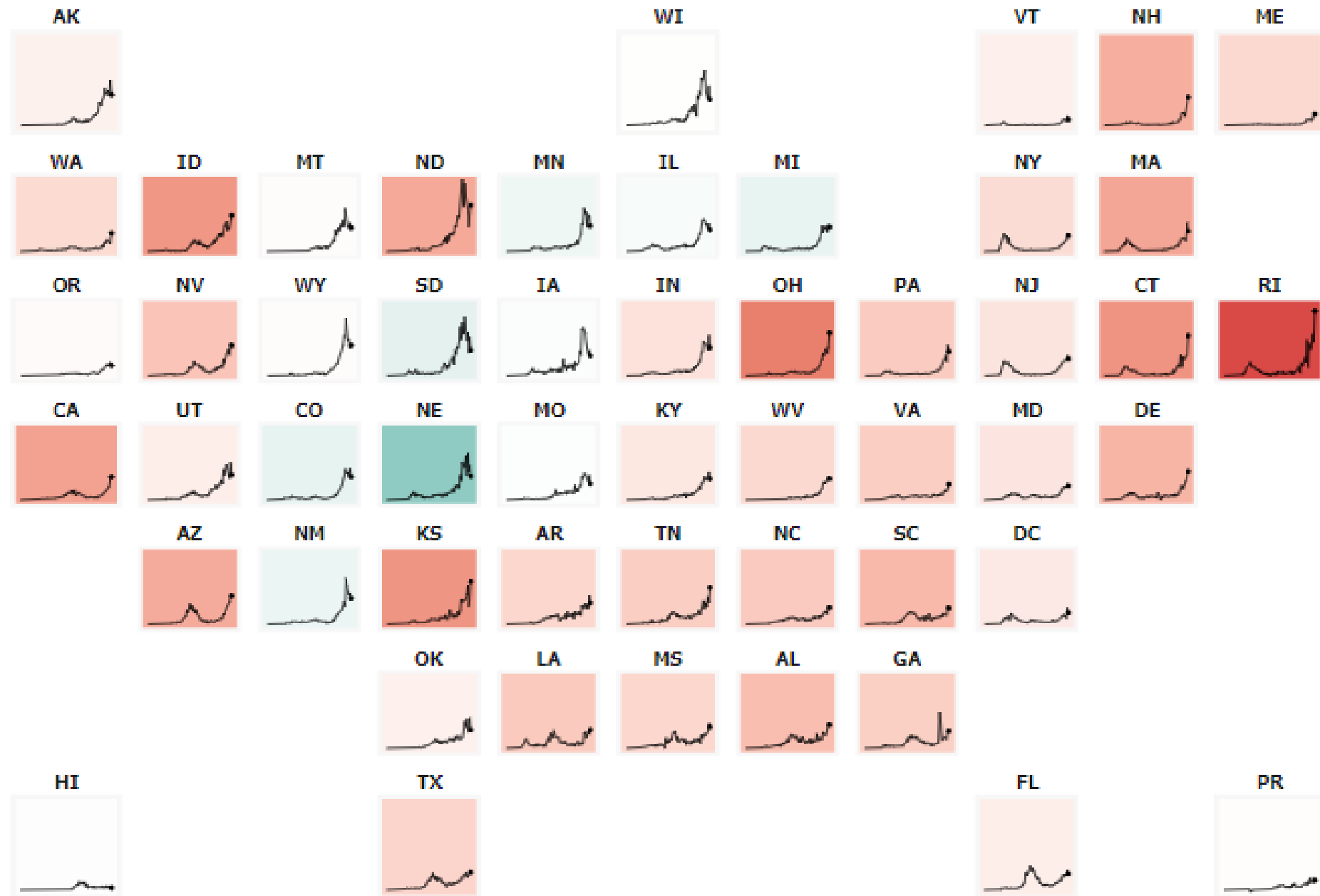
**BUREAU OF BUSINESS AND
ECONOMIC RESEARCH**
UNIVERSITY OF MONTANA

Montana Economic Outlook

The Covid-19 Recession One Year Later

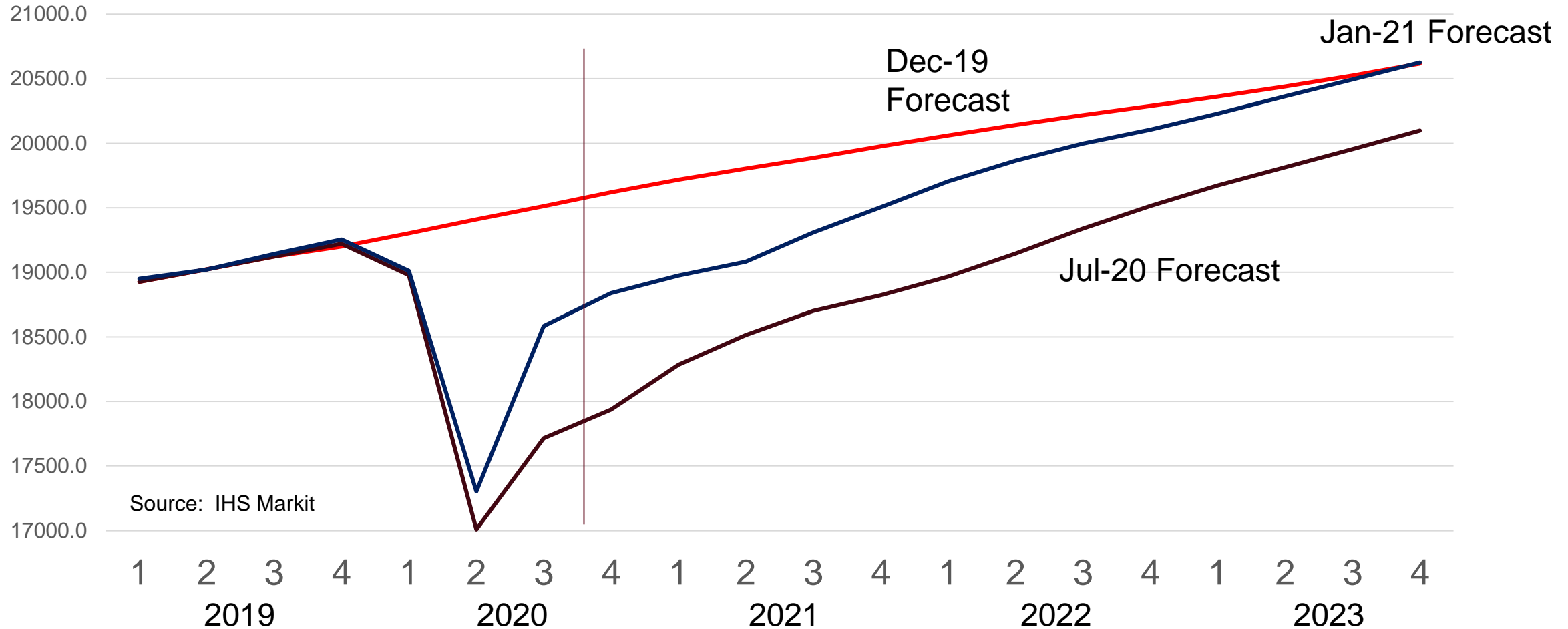
- Unprecedented downturn, followed by a unprecedented recovery
- March-April saw most economic indicators in uncharted territory
- Policy actions were swift, decisive, and effective
- Most surprises since mid-summer have been positive
- Aggregate economic measures fail to capture substantial swings in consumption, investment and trade patterns
- Parts of the economy have more than recovered, others face daunting challenges
- Montana is emerging as a state less affected than others

Daily New Cases per 100k people. Data shown from 1/22/20 to 12/9/20.

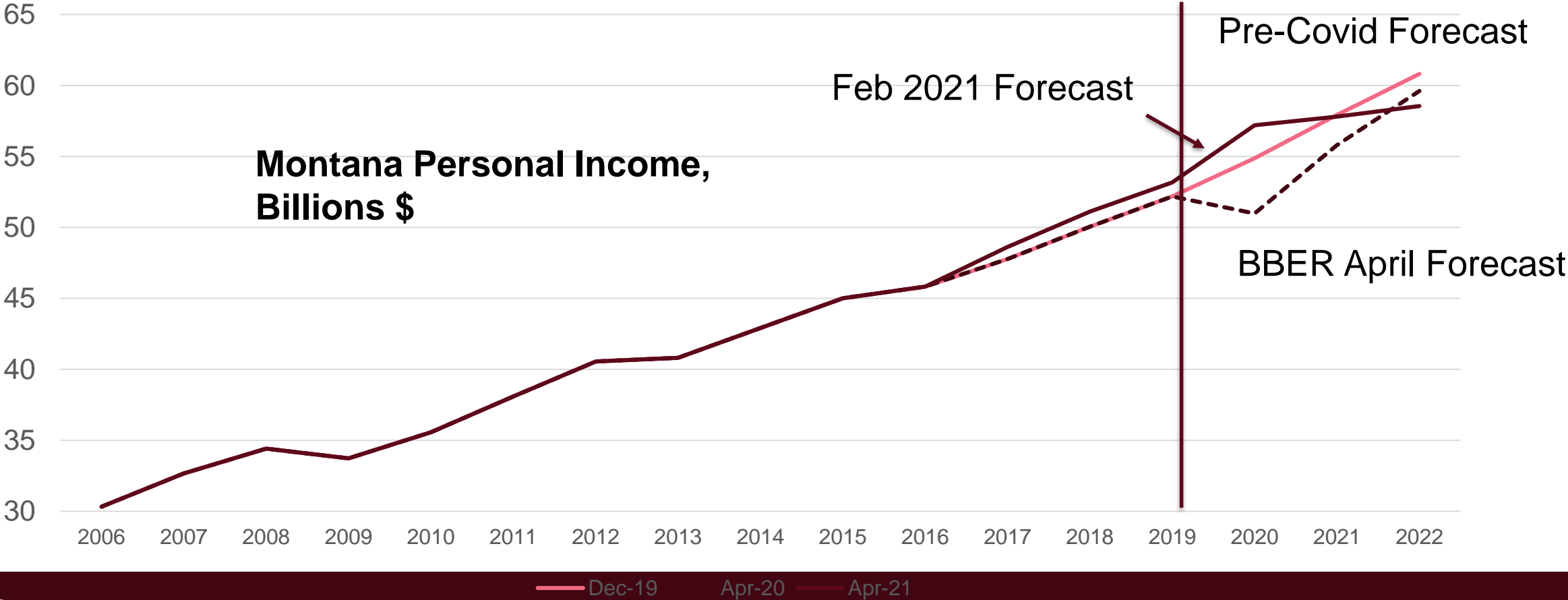


Real GDP, U.S., Actual and Forecast

Billions of Dollars



A Tough Year for Economic Predictions: What Made This Forecast So Wrong?



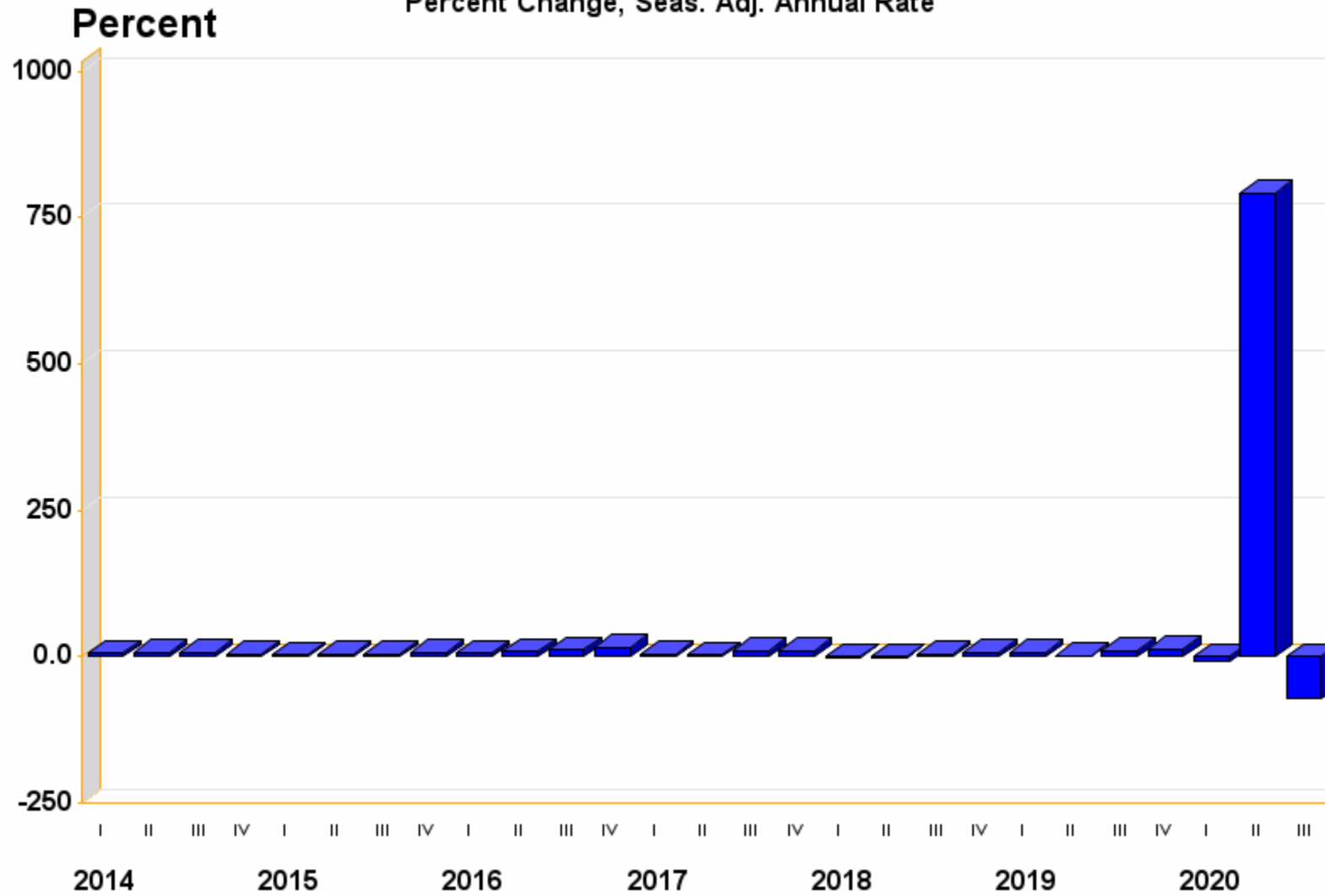
Three Answers Come to Mind

- The forecast is correct! The data are wrong!
- It was not an economic downturn – it was a public health crisis with economic consequences
- No one anticipated the speed and strength of the policy response

Montana Personal Income

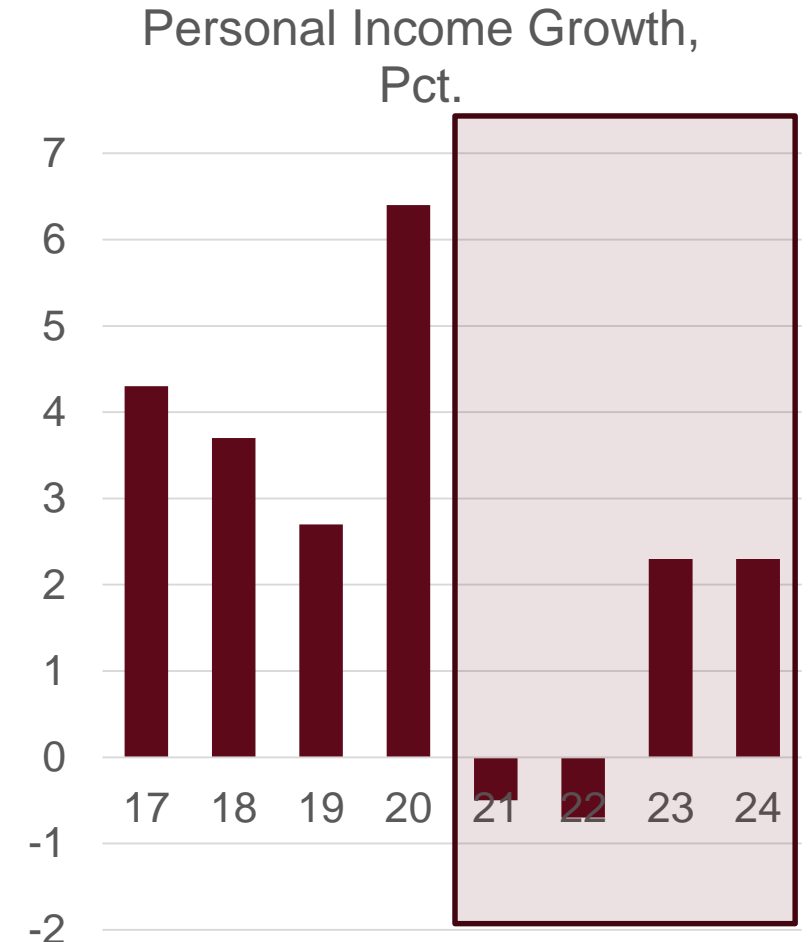
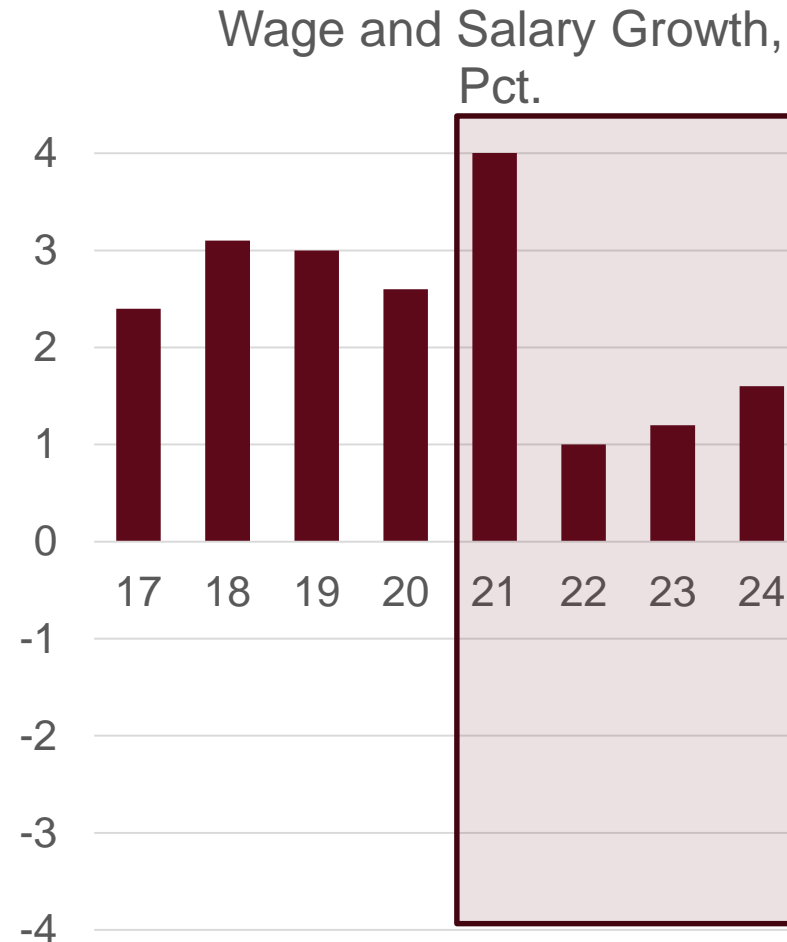
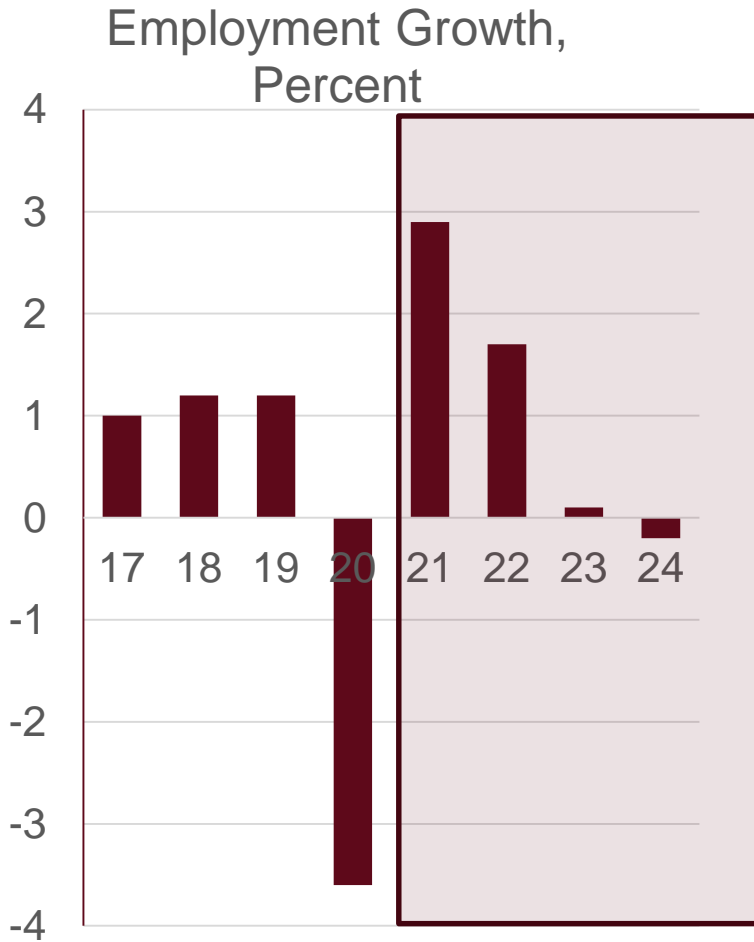
Transfer Payments

Percent Change, Seas. Adj. Annual Rate



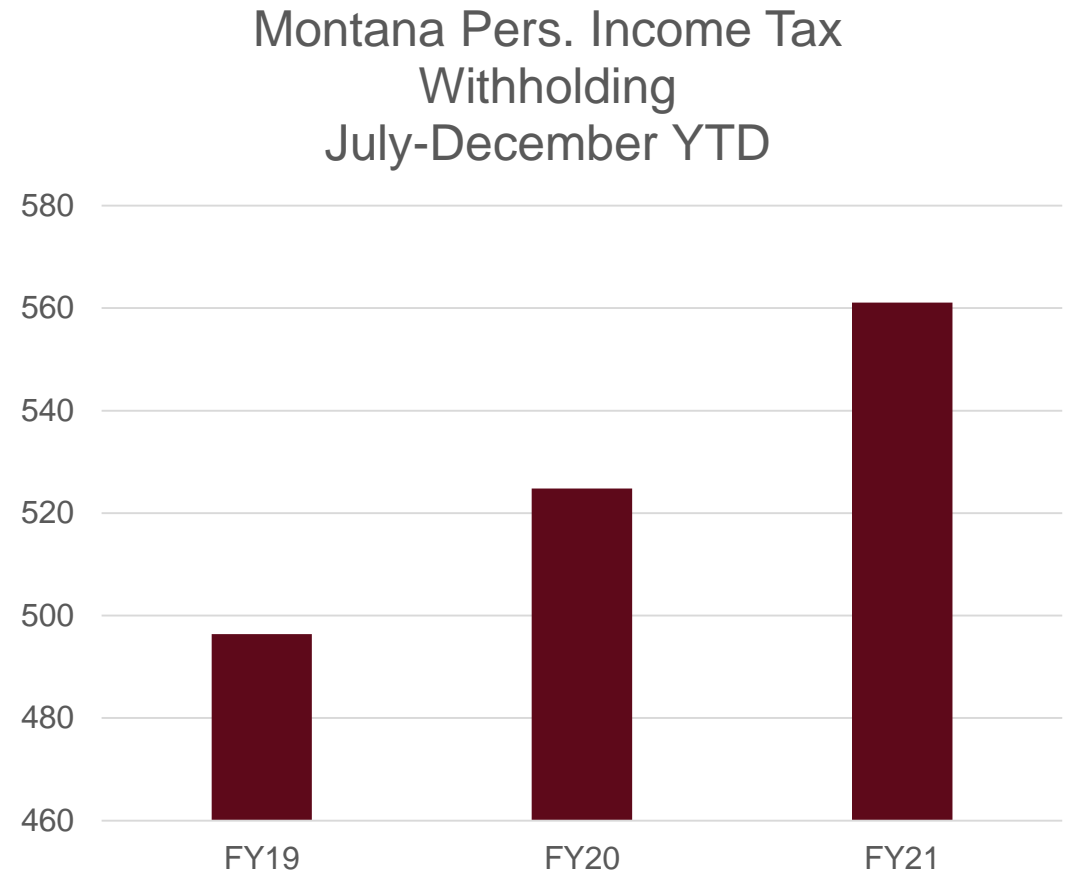
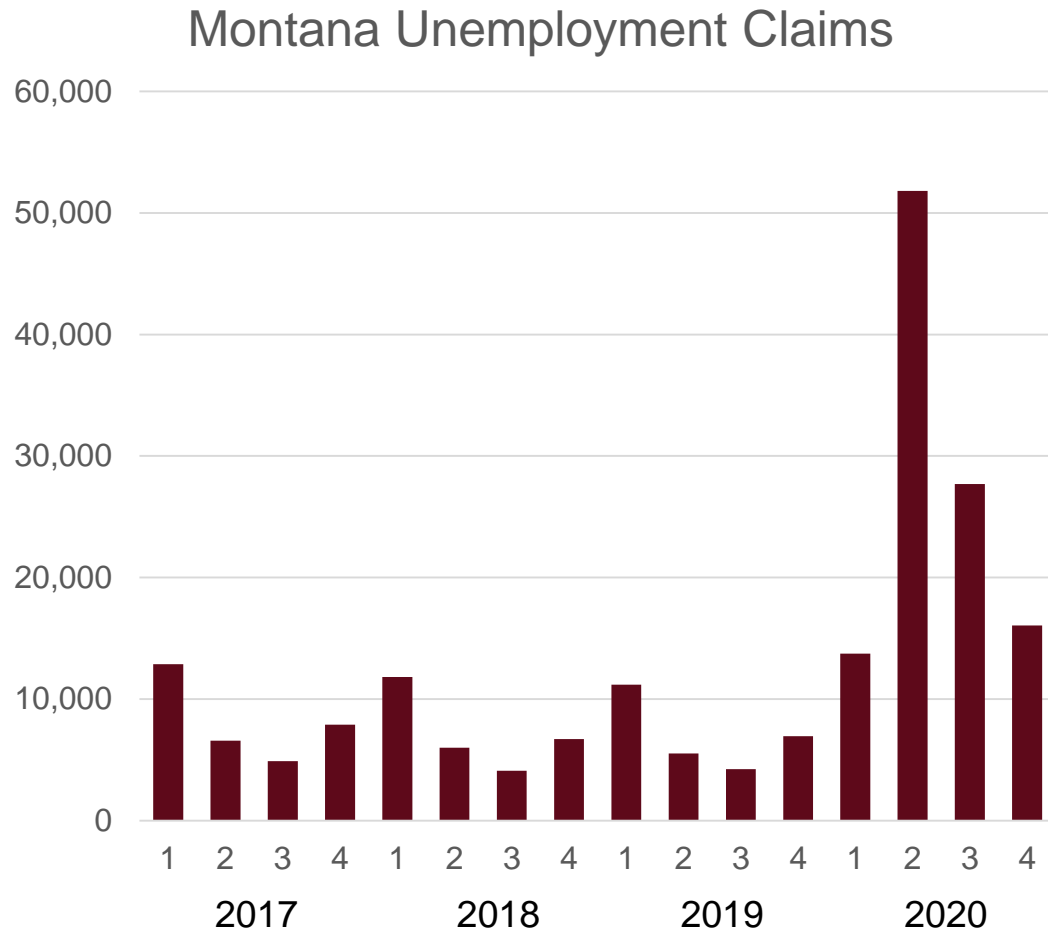
Montana's Recession Experience

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



Source: IHS Markit

How Can We Reconcile These Two Trends?



Categories	2016	2017	2018	2019	2020	2021
Top Seven Sources	\$677,253,977	\$682,377,573	\$715,730,022	\$776,705,525	\$823,064,611	\$904,920,586
Corporation Tax	\$46,535,587	\$45,865,342	\$45,260,366	\$59,342,041	\$62,941,646	\$71,248,762
Individual Income Tax	\$553,783,568	\$563,044,770	\$590,980,067	\$630,477,738	\$676,400,337	\$747,359,070
510101 Withholding Tax	\$336,433,483	\$351,076,082	\$374,253,387	\$402,283,396	\$423,488,446	\$441,630,280
510102 Estimated Tax	\$107,625,440	\$98,685,245	\$101,947,276	\$108,261,770	\$113,868,691	\$180,618,230
510103 Current Year I/T	\$17,979,147	\$18,796,645	\$19,186,780	\$20,011,035	\$26,247,935	\$28,597,421
510104 Prior Years to Income Tax	\$1,639,839	\$1,438,901	\$1,284,479	\$2,490,520	\$1,522,065	\$1,199,115
510105 Income Tax - Audit Collections	\$10,888,227	\$7,440,287	\$8,497,522	\$8,562,722	\$9,600,631	\$12,695,055
510106 Income Tax Refunds	\$69,715,413	\$71,679,017	\$77,069,501	\$80,472,891	\$82,567,457	\$68,913,560
510109 Income Tax-Penalties & Interes	\$2,851,634	\$2,659,655	\$2,322,753	\$2,305,050	\$2,309,957	\$2,567,660
510110 Accrual Individual Inc Tax	\$0	\$0	\$0	\$0	\$0	\$0
510111 Pass Thru Entity Tax	\$3,820,492	\$3,378,919	\$4,298,026	\$3,572,901	\$6,642,258	\$9,277,787
510482 Mineral Royalty WH Tax	\$2,829,892	\$7,890,018	\$2,120,344	\$2,517,453	\$10,152,898	\$1,859,962
Insurance Tax	\$14,524,054	\$17,961,645	\$15,413,266	\$15,910,511	\$16,463,399	\$16,657,899
Oil & Natural Gas Tax	\$0	\$0	\$0	\$0	\$0	\$0
Property Tax	\$8,320,187	\$9,458,618	\$10,062,368	\$15,656,701	\$9,799,361	\$12,813,214
Vehicle Fee	\$38,838,387	\$31,146,942	\$39,086,037	\$39,528,775	\$41,212,502	\$38,767,952
Video Gaming Tax	\$15,252,193	\$14,900,257	\$14,927,917	\$15,789,759	\$16,247,365	\$18,073,689
Other Sources	\$16,795,840	\$19,219,698	\$80,134,672	\$27,997,873	\$33,768,084	\$26,268,795
Natura Resource Sources	\$14,300,379	\$12,259,923	\$10,327,738	\$9,568,061	\$12,219,076	\$6,181,749
Interest Earnings Sources	\$5,296,431	\$9,229,528	\$8,267,181	\$11,900,960	\$13,952,466	\$6,708,637
Consumption Sources	\$23,515,324	\$23,254,332	\$22,117,758	\$23,395,166	\$23,526,150	\$25,977,574
Business Sources	\$22,955,709	\$20,857,117	\$23,195,611	\$24,503,592	\$26,182,944	\$22,604,869
Total	\$760,117,660	\$767,198,171	\$859,772,981	\$874,071,177	\$932,713,331	\$992,662,209



Wages and Employment, Montana, 2018Q1 – 2020Q2

Seasonally Adjusted Index, 2017Q1 = 100

Percent

108

106

104

102

100

98

96

94

1

2

3

4

1

2

3

4

1

2

2018

2019

2020

Wages

Employment



BUREAU OF BUSINESS AND
ECONOMIC RESEARCH

Source: Quarterly Census of Employment and Wages
UNIVERSITY OF MONTANA

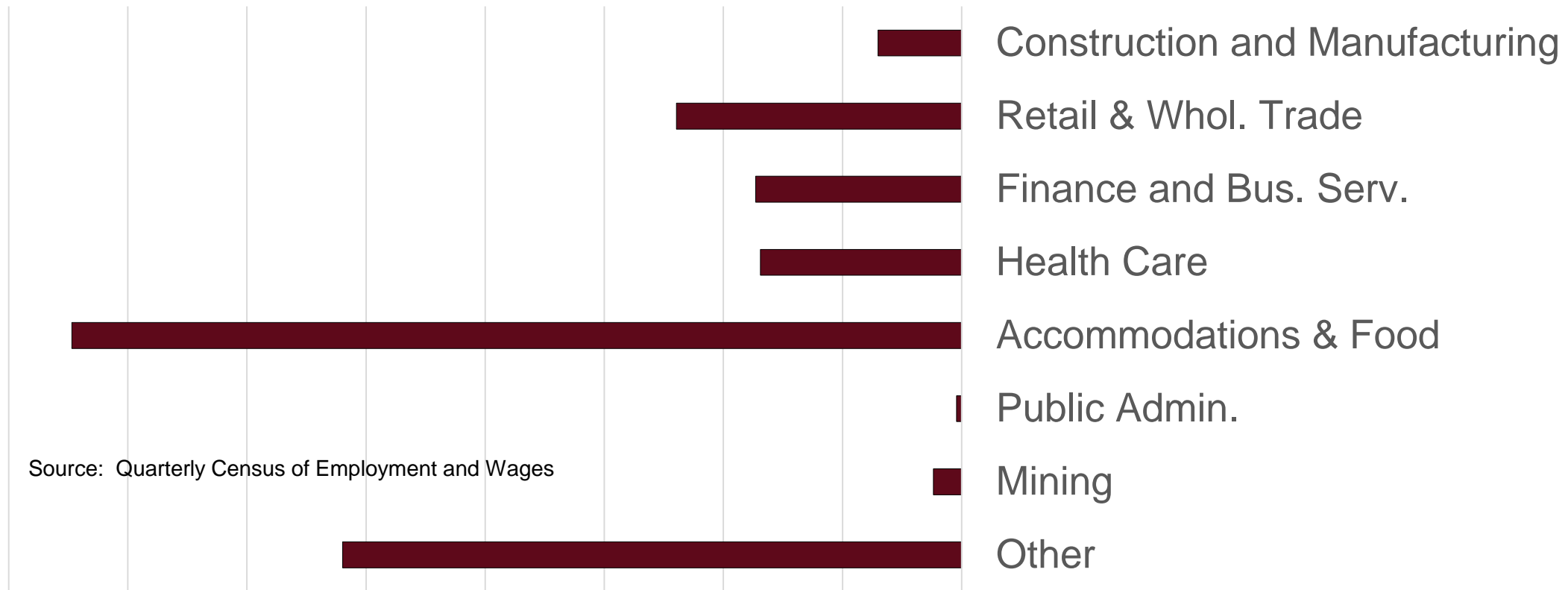
Montana Economic Outlook

Job Losses by Sector, Montana, 2019Q4 – 2020Q2

Seasonally Adjusted

Jobs

-16,000 -14,000 -12,000 -10,000 -8,000 -6,000 -4,000 -2,000 0



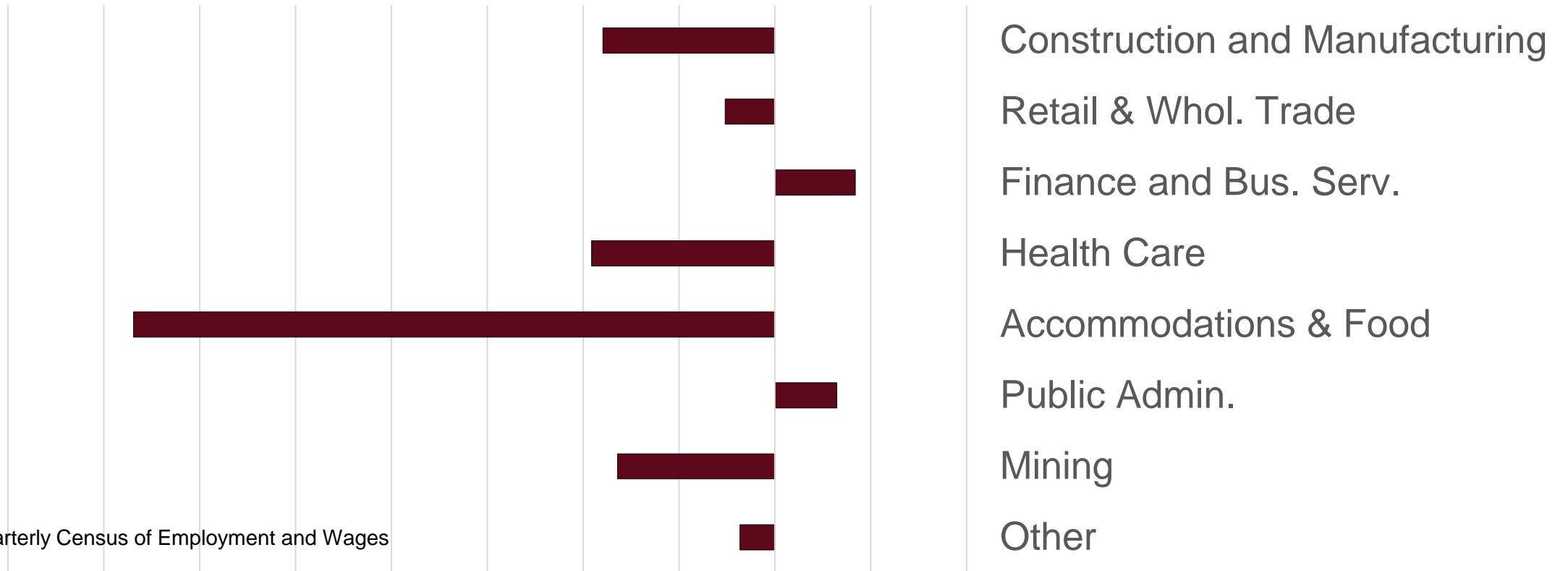
Source: Quarterly Census of Employment and Wages

Wage Loss/Growth by Sector, Montana, 2019Q4 – 2020Q2

Seasonally Adjusted

Millions of Dollars


-80 -70 -60 -50 -40 -30 -20 -10 0 10 20



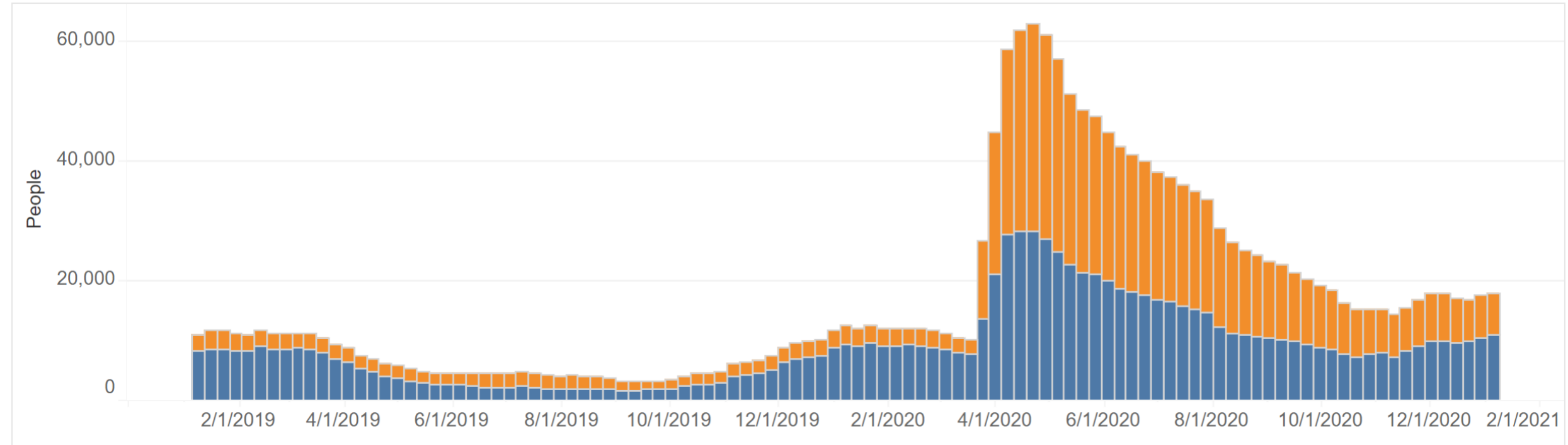
Source: Quarterly Census of Employment and Wages

UI Claimants by Gender

View graphs by:

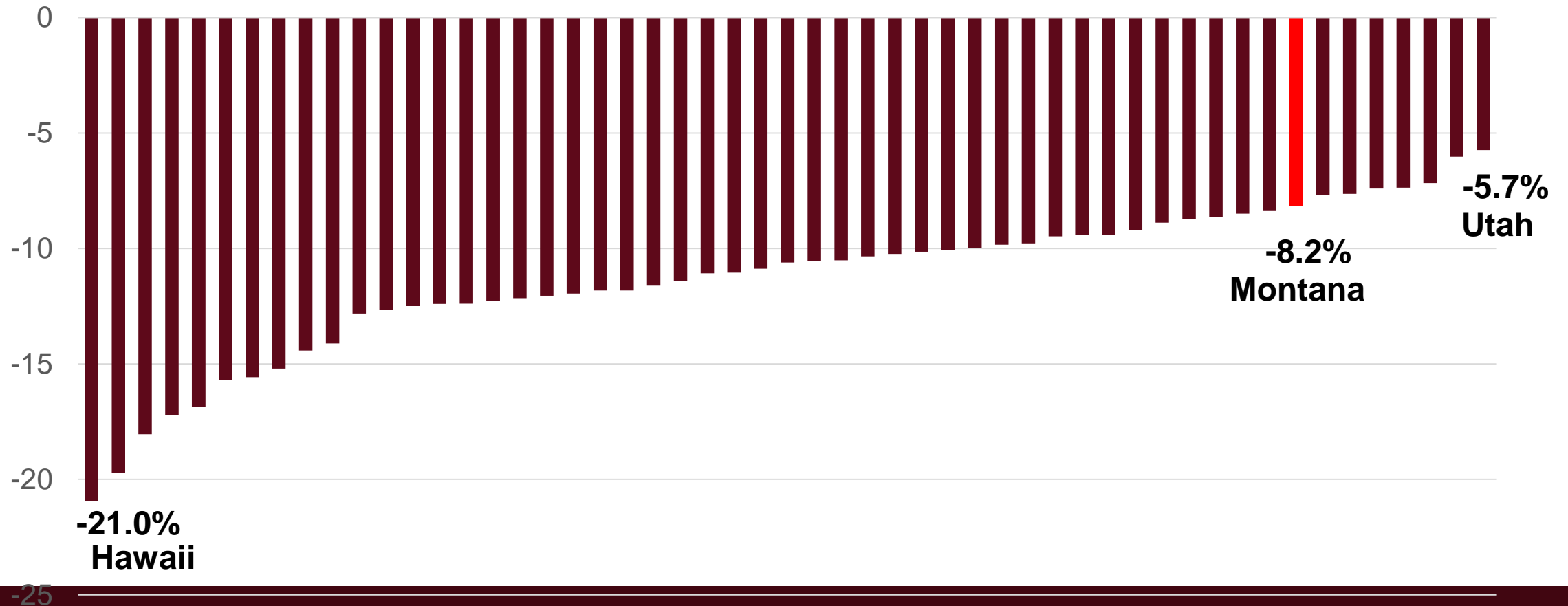
Filter by date: 

Dashboard legend: ■ Female ■ Male



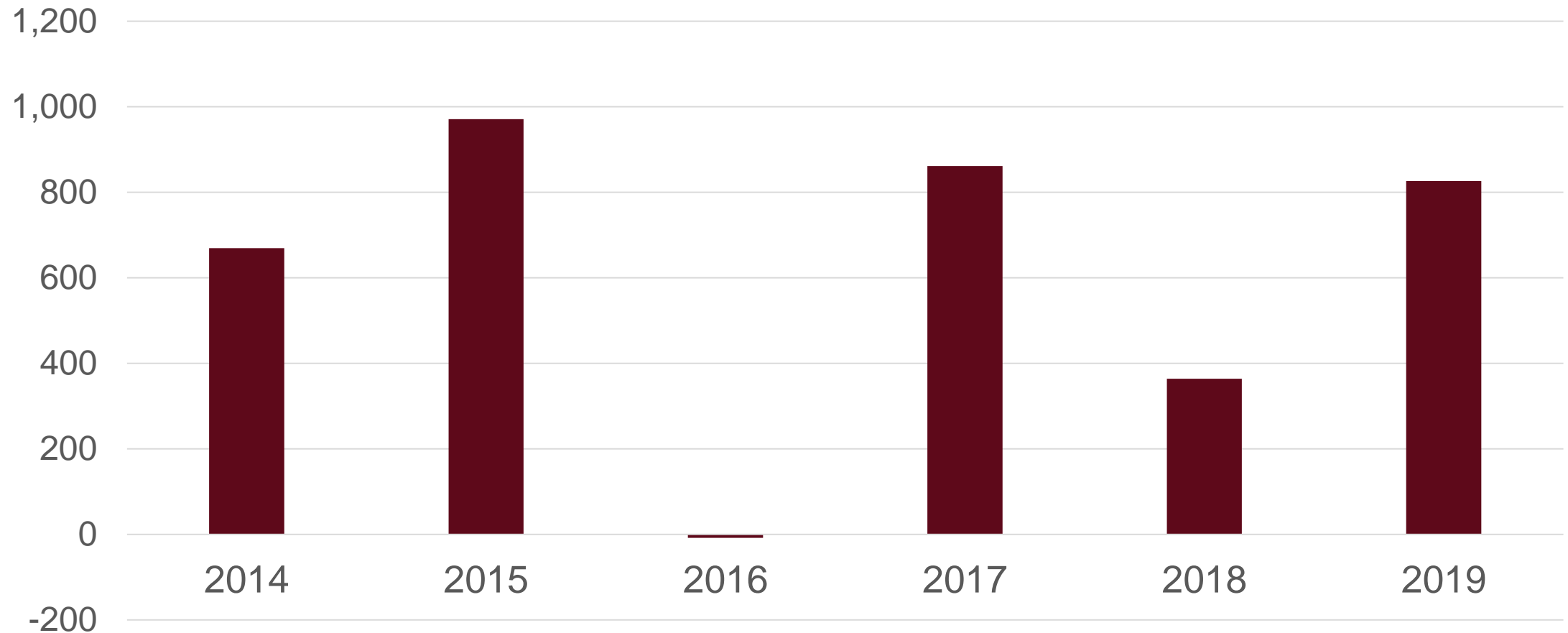
Employment Decline by State, Percent, 2019Q4 – 2020Q2

Seasonally Adjusted



Growth in Inflation-Corrected Nonfarm Income, Montana

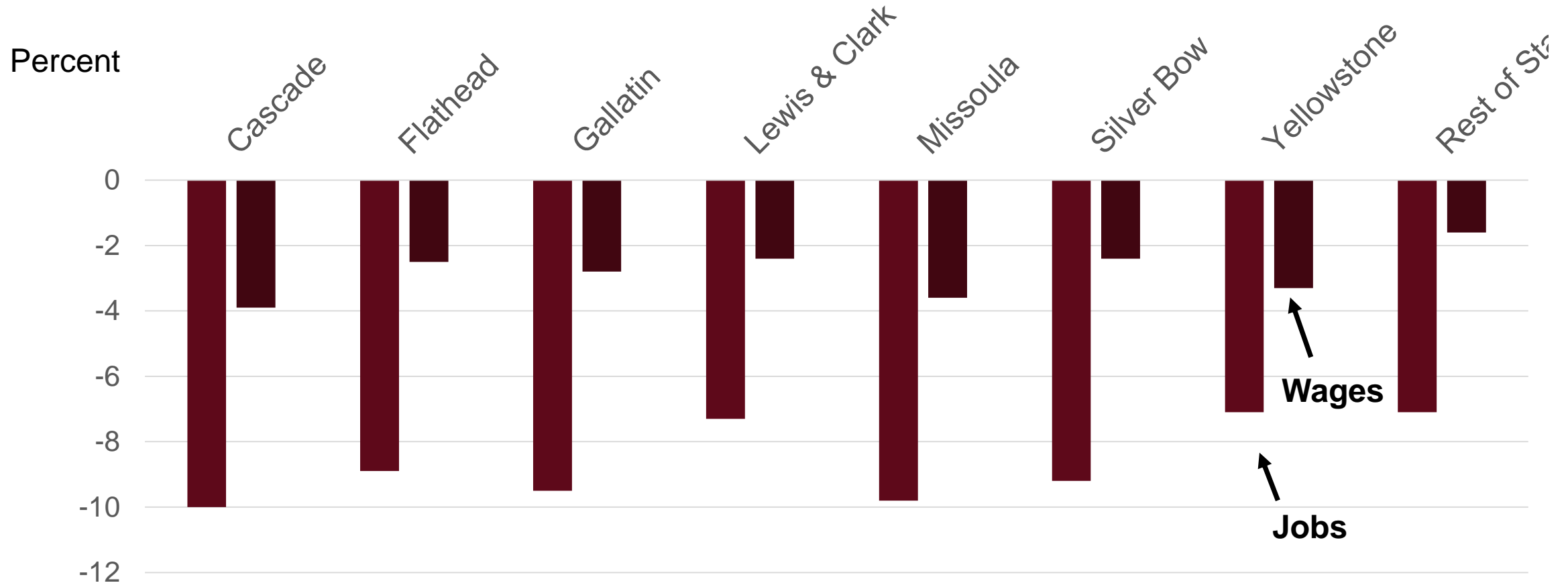
Millions of Dollars



Source: U.S. Bureau of Economic Analysis

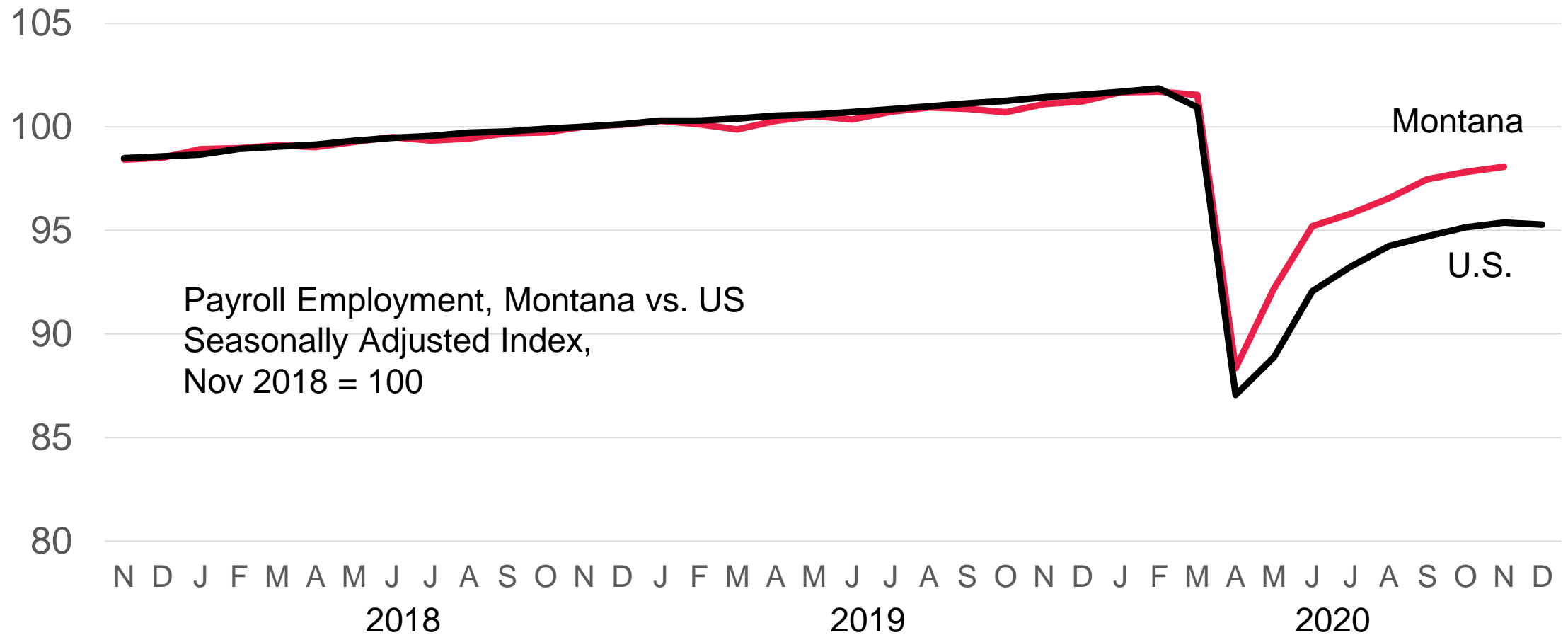
Job Losses and Wage Losses Between 2019Q4 and 2020Q2, Montana

Percent Change, Selected Counties



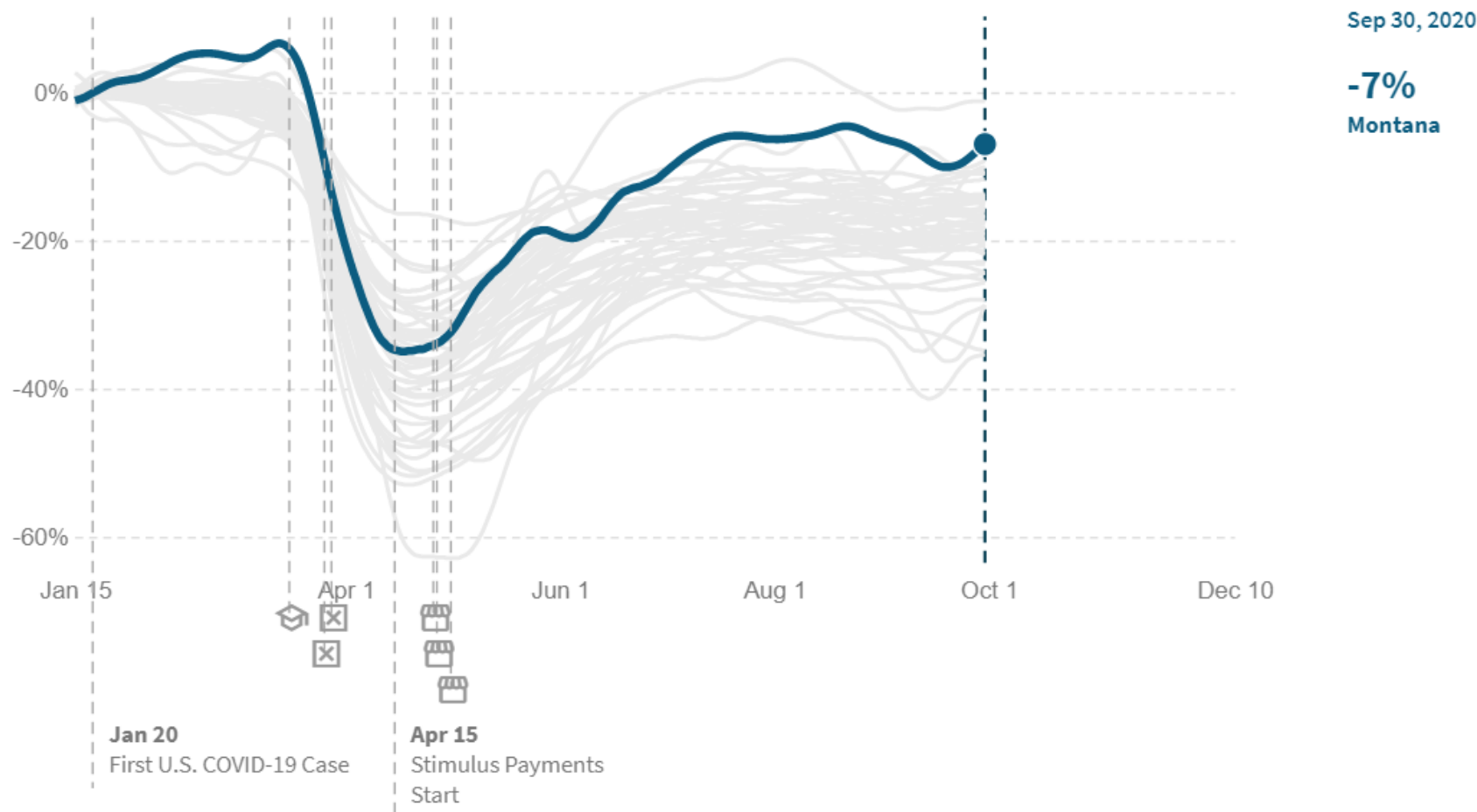
Source: Quarterly Census of Employment and Wages

Montana's Employment Recovery Slightly Stronger



Percent Change in Employment*

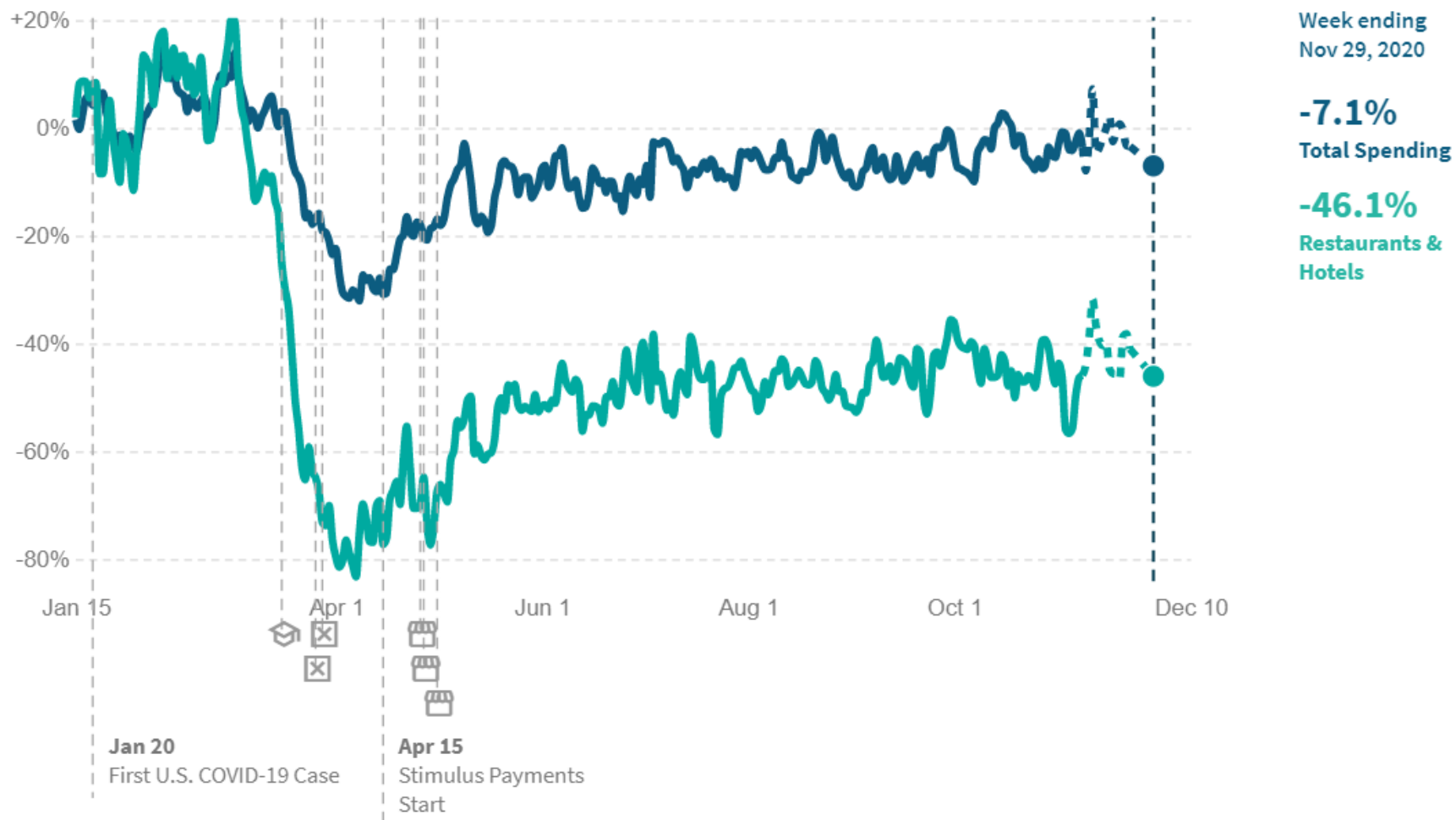
In **Montana**, as of **September 30 2020**, employment rates among workers in the bottom wage quartile **decreased** by **7%** compared to January 2020 (not seasonally adjusted).



*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.

Percent Change in All Consumer Spending*

In **Montana**, as of **November 29 2020**, total spending by all consumers **decreased** by **7.1%** compared to January 2020.



*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

last updated: **December 08, 2020** next update expected: **December 16, 2020**

visit tracktherecovery.org to explore

Which Changes We've Experienced Will Stick?

- High savings rates
- Strong spending on durables
- Eating at home
- Re-shoring or near-shoring supply chains
- Exit from major cities
- Technology adoption
- Whither commercial real estate?
- High government debt levels
- Larger government role in the economy



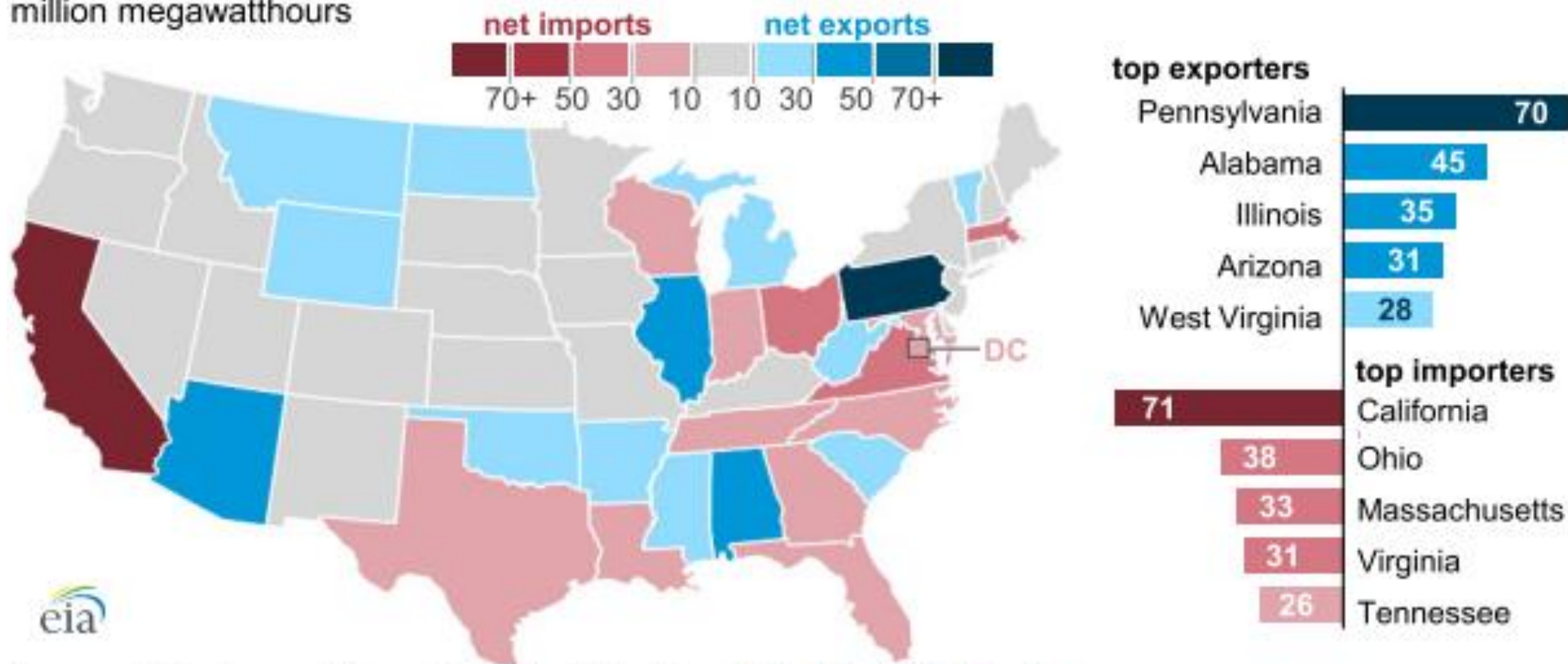
Montana Implications of Major Events

- Further stimulus from Washington
- Low inventories, high froth in housing markets
- Rising lumber prices
- Legacy of supply chain disruptions of 2020
- Closure of Colstrip Units 1 & 2

California was the largest net electricity importer of any state in 2019

State net electricity exports and imports (2019)

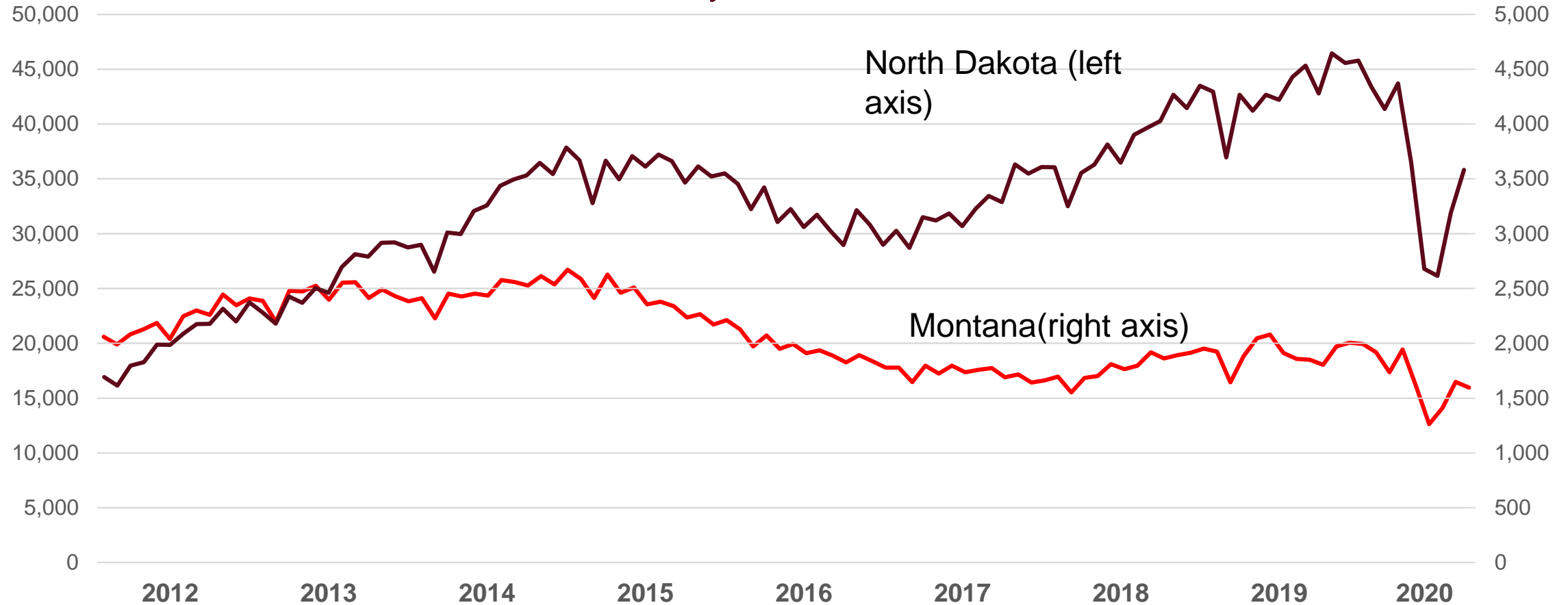
million megawatthours



Source: U.S. Energy Information Administration, *State Electricity Profiles*

Bakken Oil Production Recovers From Record Fall

Montana and North Dakota Monthly Crude Oil Production, Thousand Barrels



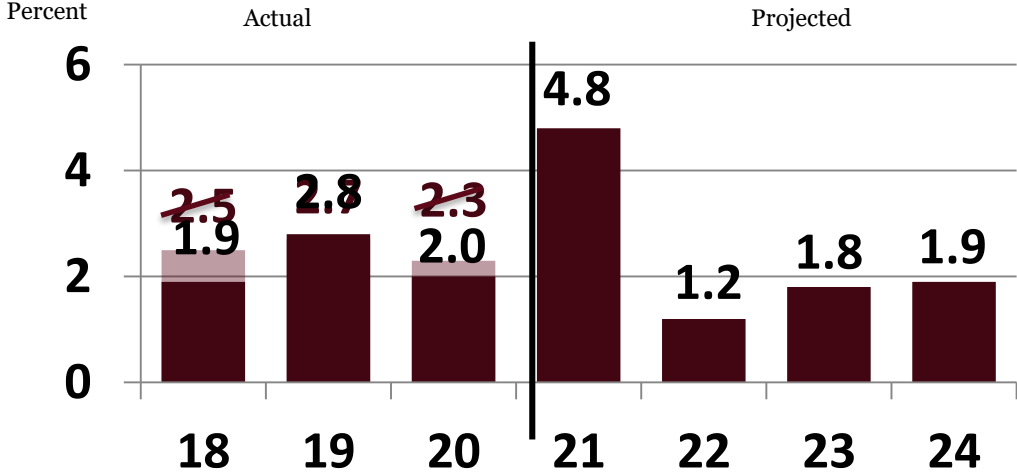
Source: U.S. Energy Information Administration

Outlook for Montana's Key Industries

- Post-pandemic future is the wild card
- Harder times ahead for coal and oil
- Brighter prospects for agriculture
- Tech's star is shining brighter
- Will 2021 be a year when home building breaks out?



Growth in Nonfarm Earnings, Montana, 2018-24



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