

# The US and Montana Economic Outlook

**Midyear Economic Update July-August 2025**

Jeffrey A. Michael, Director  
Bureau of Business and Economic Research  
University of Montana



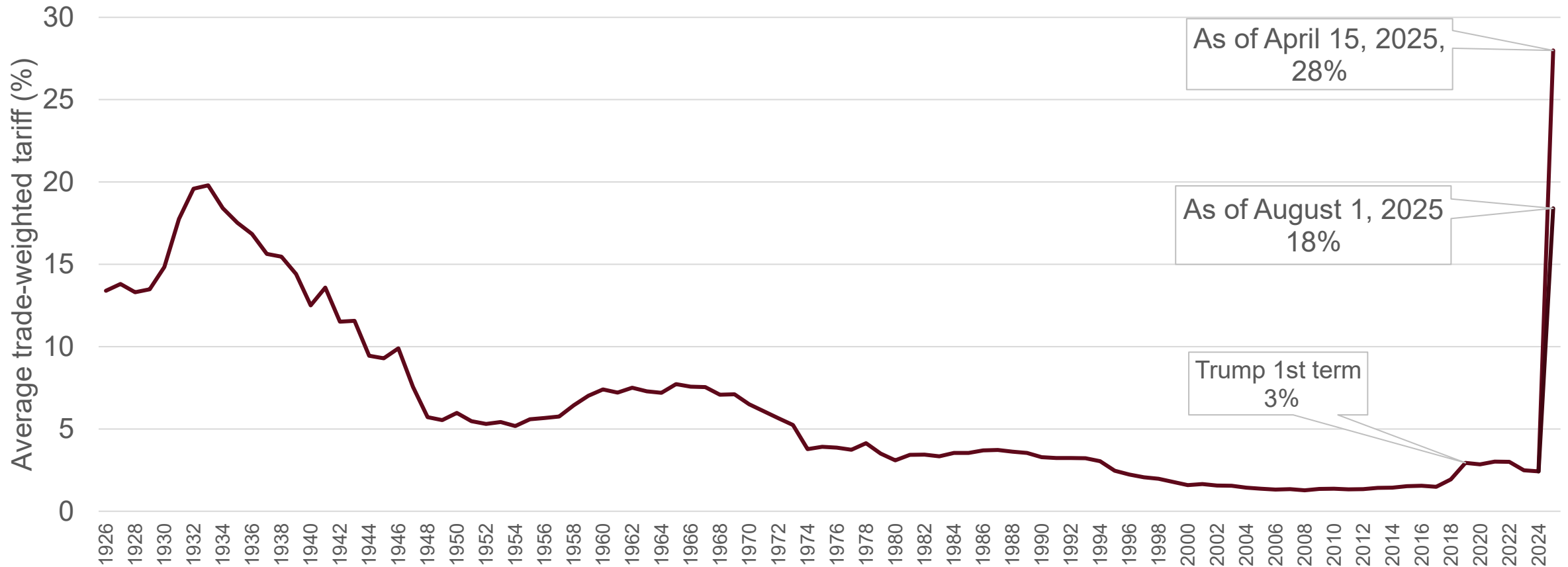
**BUREAU OF BUSINESS AND  
ECONOMIC RESEARCH**  
UNIVERSITY OF MONTANA

**50**  
YEARS

**MONTANA ECONOMIC  
OUTLOOK SEMINAR**

# Tariffs Are An Economic Shock

Average tariff rate is highest in over 90 years.



Source: Yale Budget Lab.



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

**50**  
YEARS

**MONTANA ECONOMIC  
OUTLOOK SEMINAR**

# Tariffs Only Apply Directly to 11% of US Consumer Spending

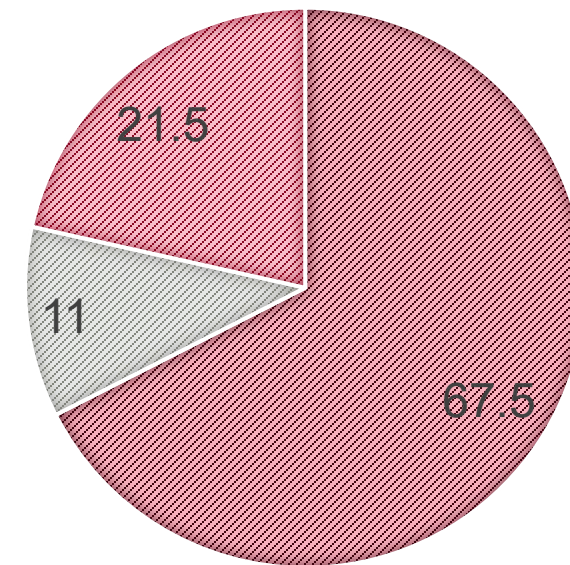
(does not include imported content embedded in US Goods)

Inflation Impact Is Less Than The Hype

And Tariff Revenue Can't Replace Taxes With a Broad Base.

## US CONSUMER SPENDING

■ Services ■ Imported Goods ■ US Goods



# Tariff Volatility and Uncertainty Is Problematic

**Figure 3. U.S Average Effective Tariff Rate Since January 1, 2025**

Policy as of July 22  
Pre-Substitution  
Percent of goods import

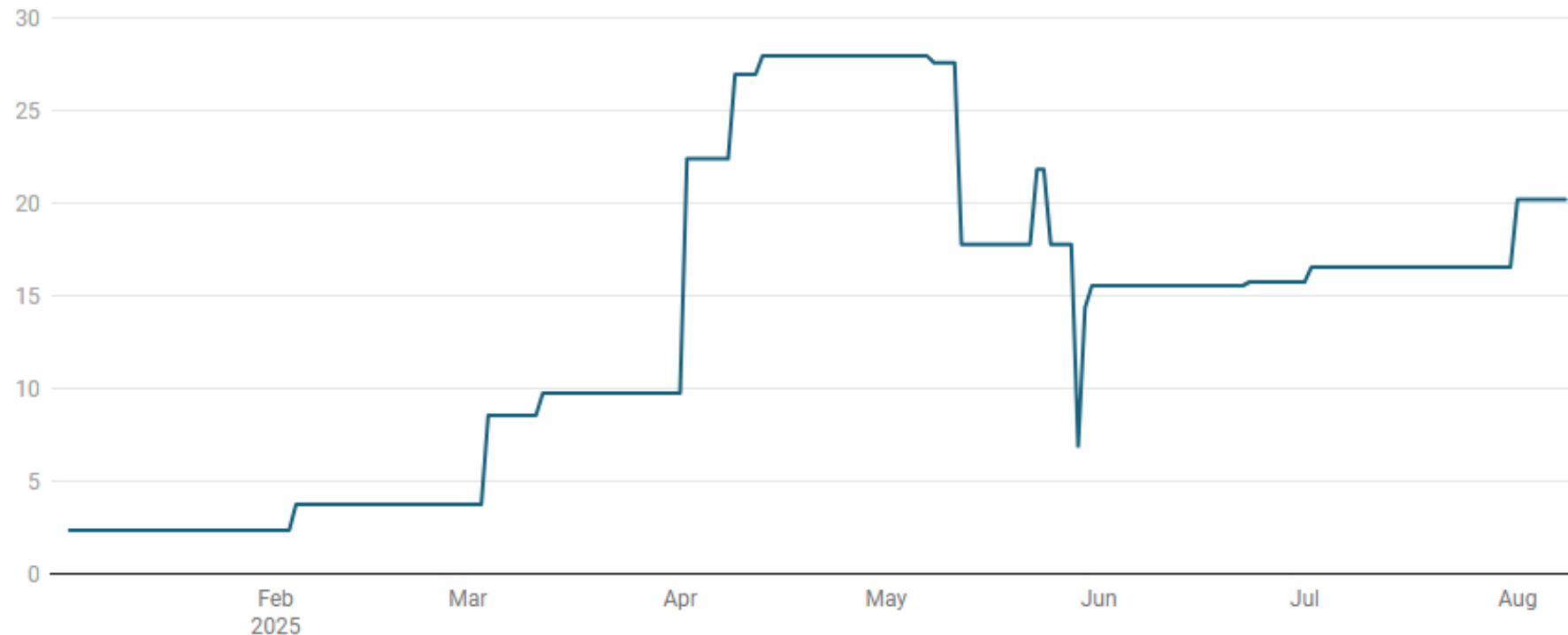


Chart: The Budget Lab • Source: The Budget Lab analysis. • Created with [Datawrapper](#)

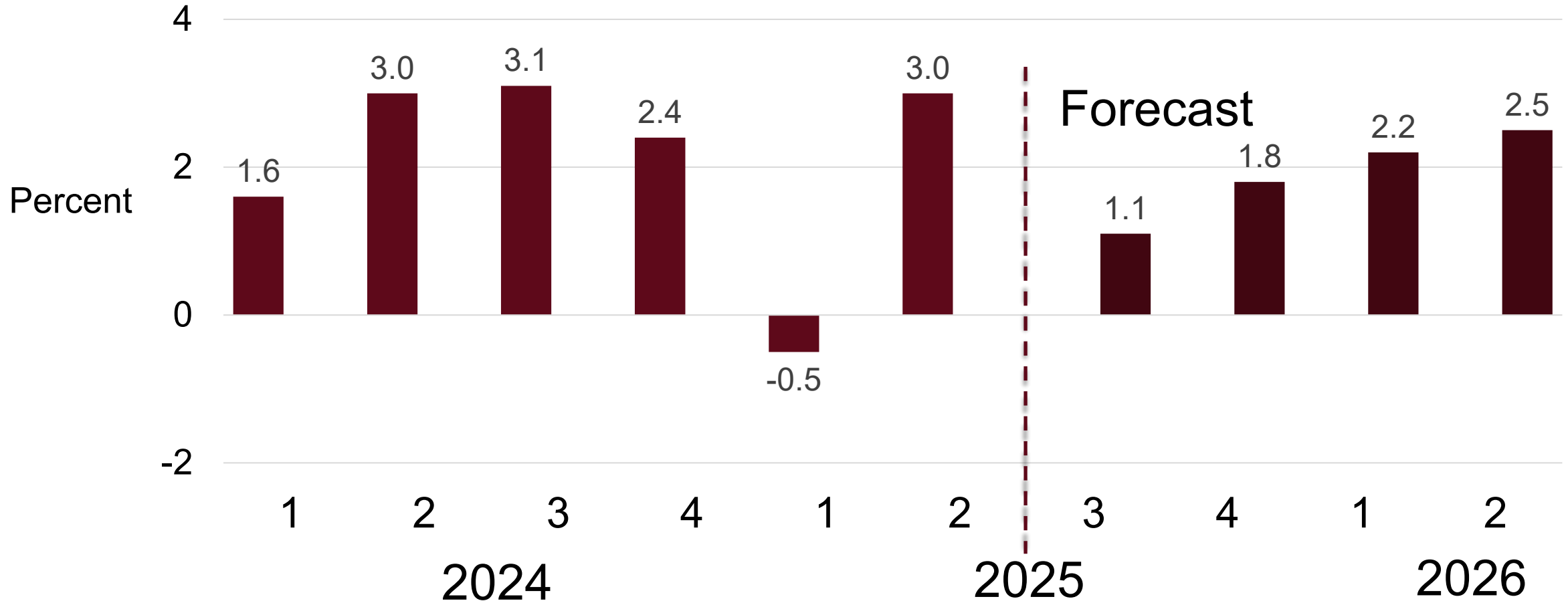


**BUREAU OF BUSINESS AND  
ECONOMIC RESEARCH**  
UNIVERSITY OF MONTANA

**50**  
YEARS

**MONTANA ECONOMIC  
OUTLOOK SEMINAR**

# U.S. GDP Growth Dropped in 1<sup>st</sup> Quarter, Surged in 2<sup>nd</sup> Quarter of 2025 Due to Import Swings



Source: S&P Global



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

**50**  
YEARS

**MONTANA ECONOMIC  
OUTLOOK SEMINAR**

# Inflation And Interest Rate Forecast

- Inflation
  - Tariffs create 1.5% to 2% one-time boost to inflation over the next 12-18 months.
  - Inflation rate will briefly rise over 3%.
- Interest Rates
  - Long-rates stubbornly high.
  - 10-year bond >4% and mortgage rates >6% should persist through most of 2026. High uncertainty.
  - Fed?



# Trump Administration Policy Changes and Montana's Economy

- Tariffs: more negative to Montana than other states.
- Immigration: Montana is relatively unimpacted.
- Taxes: Montanans may benefit more from some changes.
  - new deductions transmit directly to state taxes.
- Federal spending reductions:
  - Federal Government Is Part of Montana's Economic Base
- Regulations: Can help lagging resource-based sectors.



# Industry Impacts of Tariffs

(Source: Yale Budget Lab, BBER calculations of BEA data)

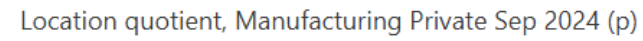
	US GDP long-run change	MT GDP LQ
Agriculture	-0.9 %	3.86
Manufacturing	2.1 %	0.49
Construction	-3.5 %	1.54
Services	-0.1 %	0.96

Industry impacts of tariffs are not aligned with Montana's competitive advantage.

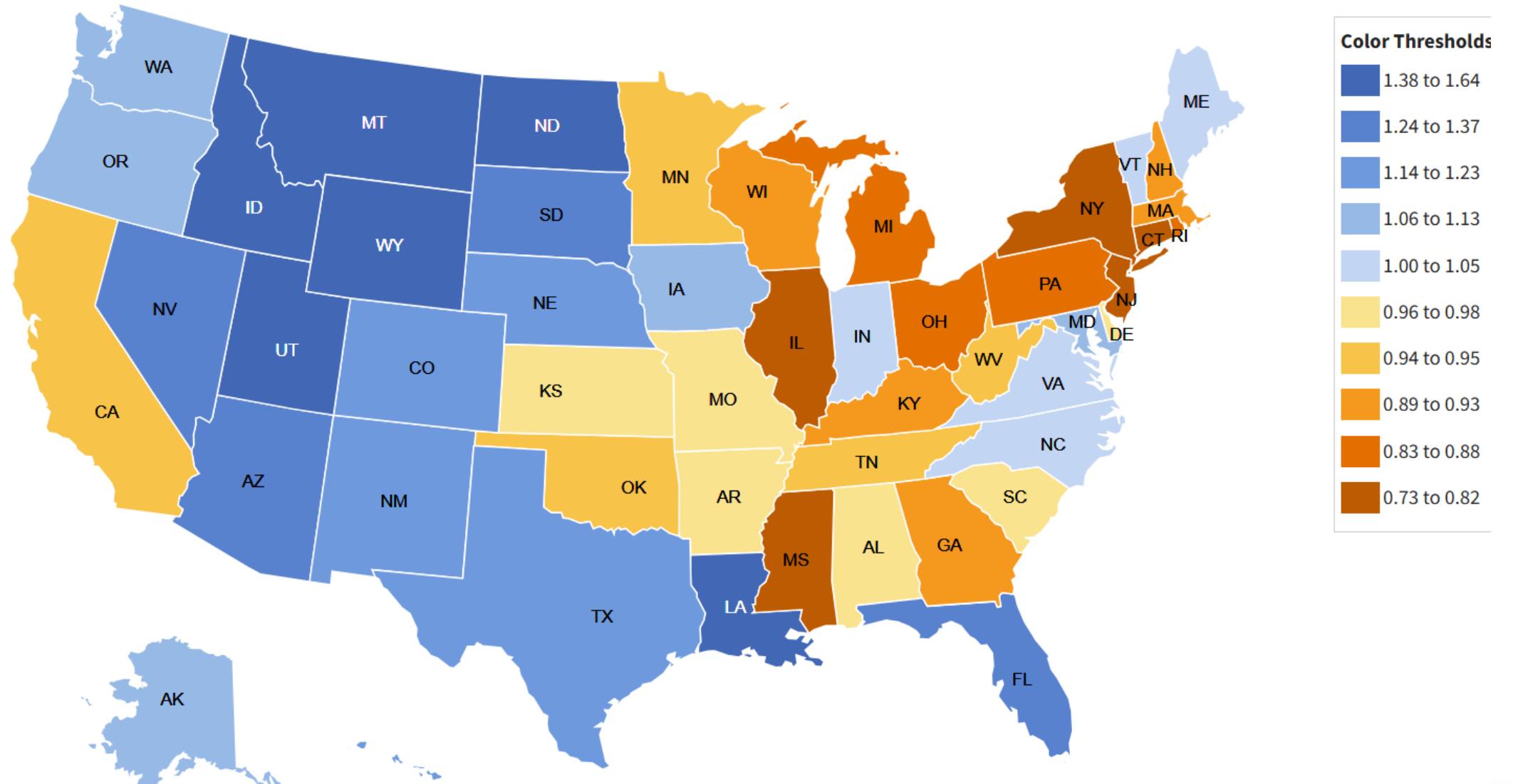




Location quotient, Manufacturing Private Sep 2024 (p)



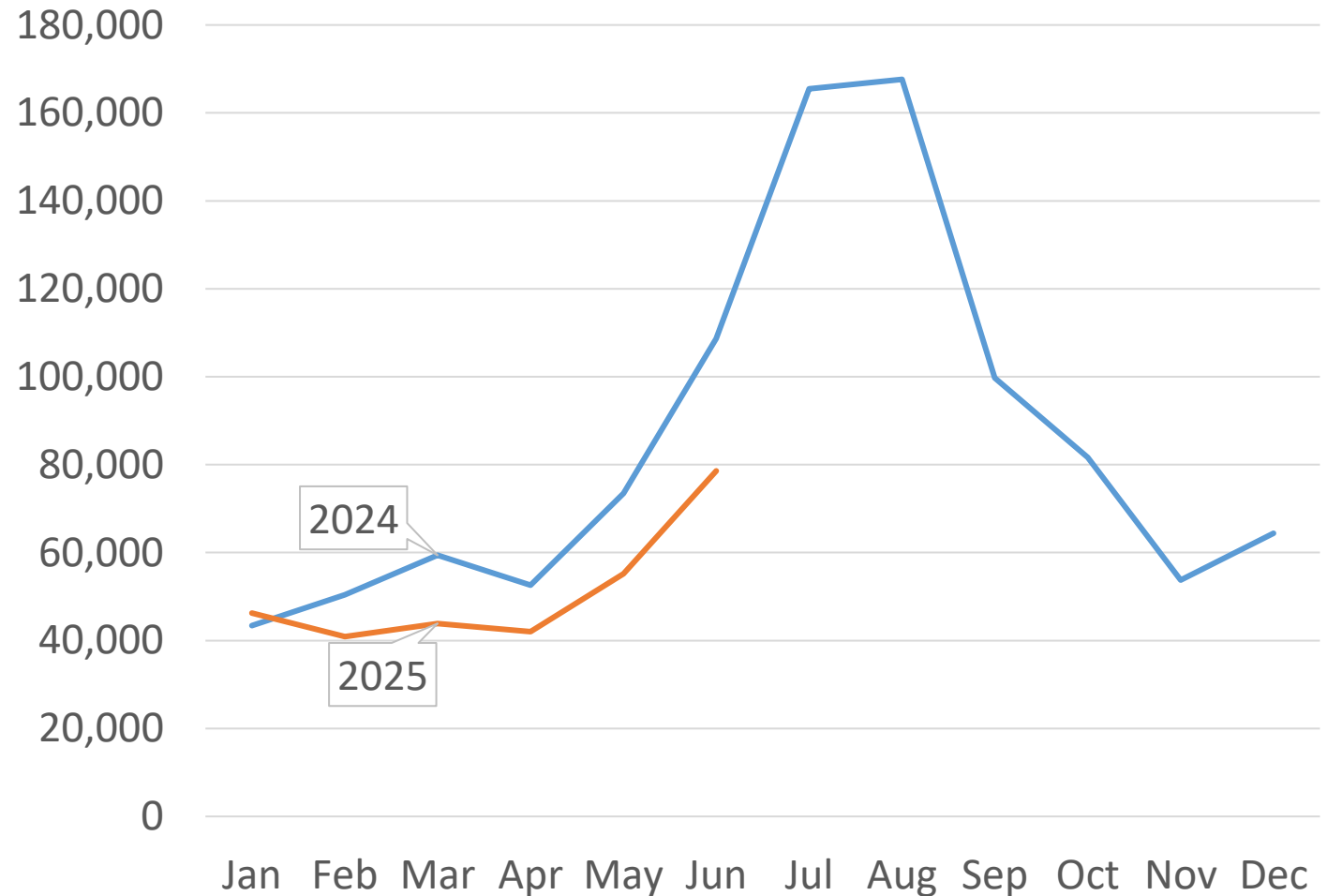
# Location quotient, Construction Private Sep 2024 (p)



# Tourism Impacts to Montana?

- Canadian border crossings are down 20-25% so far in 2025, but only 8% of MT visitors.
- U.S. Residents are 90% of MT visitors, and fewer are traveling abroad
  - A 2% boost to US visitors offsets Canadian decrease.
- Montana Airport Passengers +12% in first half of 2025 compared to 2024.
- Lodging Tax Collections Have Not Declined.

Canadian Border Crossings Into Montana  
(passenger vehicle individuals)



# Montana Consumer Exposure to Tariffs

Per Capita Personal Consumption Expenditures (2023)	US	Montana	MT-US	MT/US ratio
Total Per Capita Expenditures	\$ 56,202	\$ 55,264	\$ (938)	0.98
Services	\$ 37,917	\$ 36,127	\$ (1,790)	0.95
Goods	\$ 18,285	\$ 19,136	\$ 851	1.05

Montanans spend more on goods that are tariff-impacted, and less on services that are not.

# Montanans Spend 36% More on Motor Vehicles and Parts Than Other Americans

## Tariffs = Truck Tax

Per Capita Personal Consumption Expenditures (2023)	US	Montana	MT-US	MT/US ratio	Potential Price Inc
Motor vehicles and parts	\$ 2,239	\$ 3,053	\$ 814	1.36	10-17%
Clothing and footwear	\$ 1,523	\$ 1,185	\$ (338)	0.78	18-40%

Montanans spend much more on cars & trucks & parts, but do not produce them!

Source: Yale Budget Lab and BEA



# Federal Fiscal Policy (OBBB) – MT Impacts

- 2017 Tax Rate Cuts Permanent
  - Pass-Through Business Deduction: MT is small-business
- Tax Changes in the OBBB Are Deductions Not Rate Cuts
  - Less economic benefit, and some fairness issues.
  - State budget impact
- Spending Reductions
  - High Concentration of Federal Employees, 1.4x U.S. Average
  - Medicaid Expansion State
  - Low SNAP Enrollment



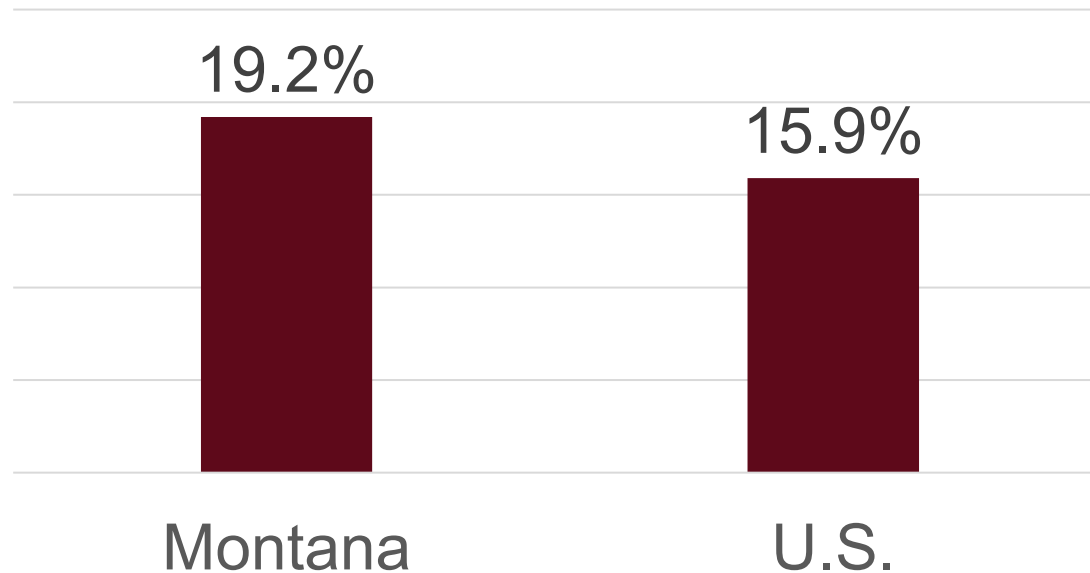
# OBBB Changes That Benefit Montanans: New \$6,000 Deduction for Seniors

Taxable Social Security Benefits:  
Share of Tax Returns (2022)

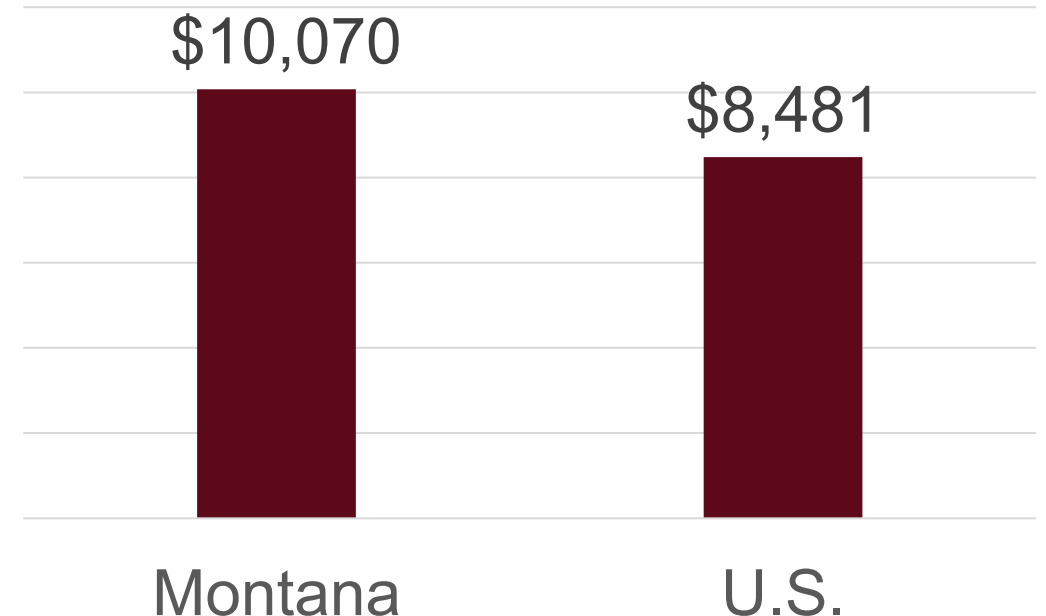


# OBBB Changes That Benefit Montanans: 20% Qualified Business Income Deduction

QBI Deduction:  
Share of Tax Returns (2022)



Avg. QBI Deduction (2022)





# OBBB Changes That Benefit Montanans: No Tax on Tips?

States with the highest concentration of jobs and location quotients in Bartenders:

State	Employment <a href="#">(1)</a>	Employment per thousand jobs	Location quotient <a href="#">(9)</a>
<a href="#">Montana</a>	5,430	10.83	2.31
<a href="#">Nevada</a>	15,730	10.61	2.27
<a href="#">North Dakota</a>	4,370	10.46	2.23
<a href="#">Wisconsin</a>	27,660	9.58	2.05

# Montana Income Tax Reduction

- Income Tax Bills reduced by about \$400 million per year
  - Top rate cut from 5.9% to 5.4% over next 2 years
  - 4.7% rate threshold more than doubled
  - Earned Income Tax Credit increased
  - New Federal tax deductions flow through to reduce MT taxable income (over \$100 million of the total cut)



# Montana Property Tax Changes

- **Cuts** tax value of primary residence/long-term rental
- **Increases** for non-residential, 2<sup>nd</sup> homes, short-term rentals.
- Adds progressivity - tax rate rises with property value



# Property Tax Changes Have Big Differences Across Community Types

(Source: MT Dept. of Revenue)

	<b>Primary Res/LTR Share of Tax Base</b>	<b>Primary Res Tax Change</b>	<b>2<sup>nd</sup> Home/STR Tax Change</b>	<b>Industrial Tax Change</b>
Statewide	41%	-18%	+68%	+10%



# Which County in Montana Has The Highest Share of It's Property Tax Base In Owned Primary Residences and Long-Term Rentals?

- A. Cascade County
- B. Gallatin County
- C. Meagher County
- D. Missoula County
- E. Stillwater County



# Property Tax Changes Have Big Differences Across Community Types

(Source: MT Dept. of Revenue)

	Primary Res/LTR Share of Tax Base	Primary Res Tax Change	2 <sup>nd</sup> Home/STR Tax Change	Industrial Tax Change
Statewide	41%	-18%	+68%	+10%
<i>County With The Lowest Homeowner Tax Decrease</i>				
Missoula	63%	-9%	+105%	+20%



# Which County in Montana Is Projected to Have the Largest % Decrease In Property Taxes on Owned Primary Residences?

- A. Cascade County
- B. Gallatin County
- C. Madison County
- D. Meagher County
- E. Silver Bow County



# Property Tax Changes Have Big Differences Across Community Types

(Source: MT Dept. of Revenue)

	Primary Res/LTR Share of Tax Base	Primary Res Tax Change	2 <sup>nd</sup> Home/STR Tax Change	Industrial Tax Change
Statewide	41%	-18%	+68%	+10%
<i>County With The Lowest Homeowner Tax Decrease</i>				
Missoula	63%	-9%	+105%	+20%
<i>County With the Highest Homeowner Tax Decrease</i>				
Meagher	15%	-40%	+45%	+1%





# The Montana Economy in 2024

1. NAR ranks Montana as the “least affordable” state.
2. Population growth rate is lowest in two decades, 0.52%.
3. Job growth remained strong through summer.
4. Tech continues to lead earnings growth.
5. A challenging year for resource-based industries, especially mining and wood products.

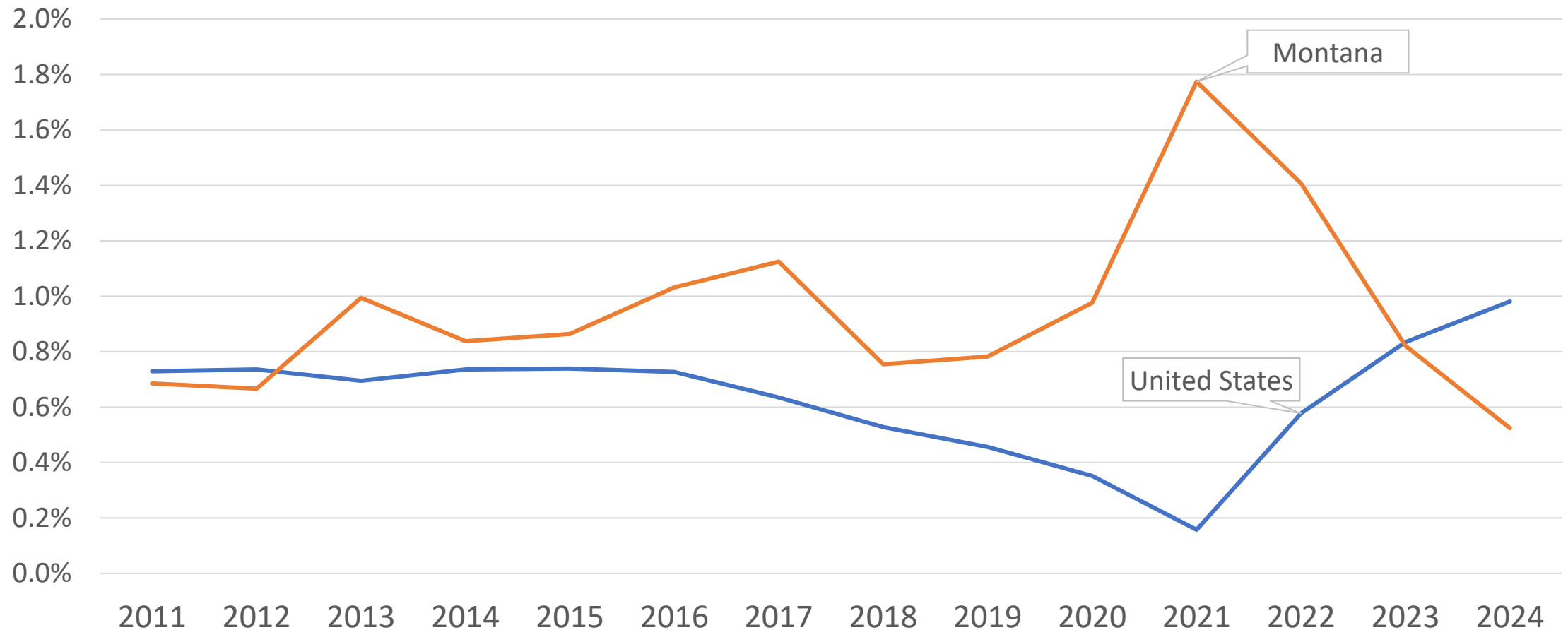


# The Montana Economy in First Half of 2025: Preliminary Data

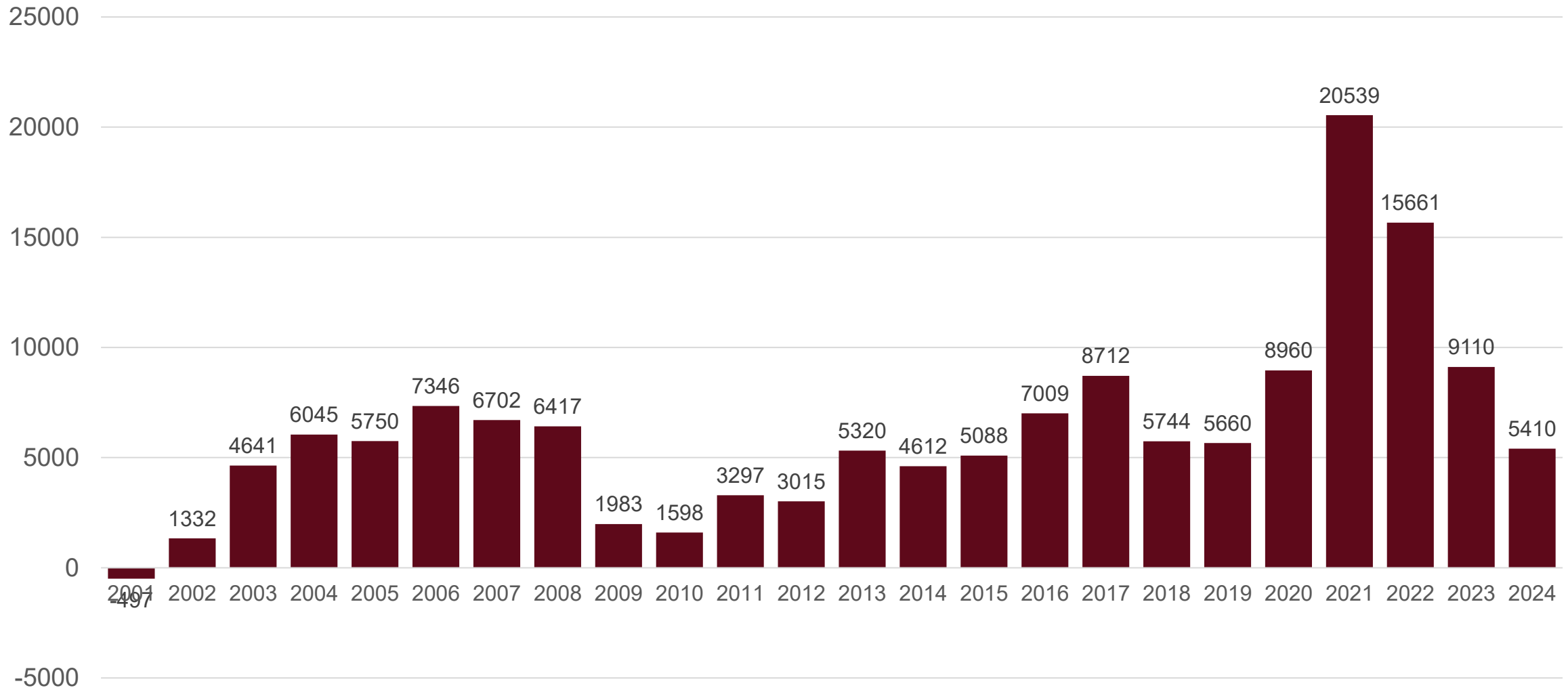
- Signs of a slow down
  - Population Growth
  - Jobs and Labor Force
  - Real Estate
  - Preliminary GDP and Personal Income Data for Q1
- Positive Signs
  - State Income Tax Receipts
  - New Business Filings
  - Tourism Indicators



# Montana and US Population Growth

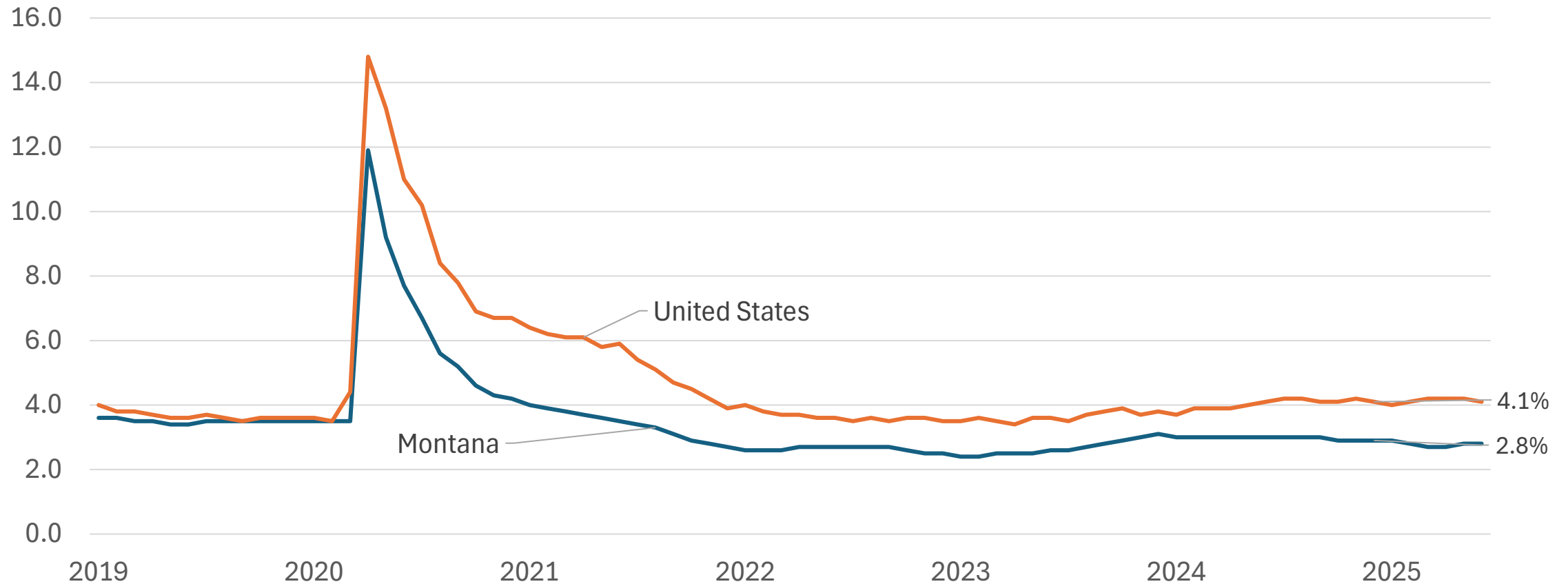


# Net Domestic Migration to Montana



# Unemployment Rate (%)

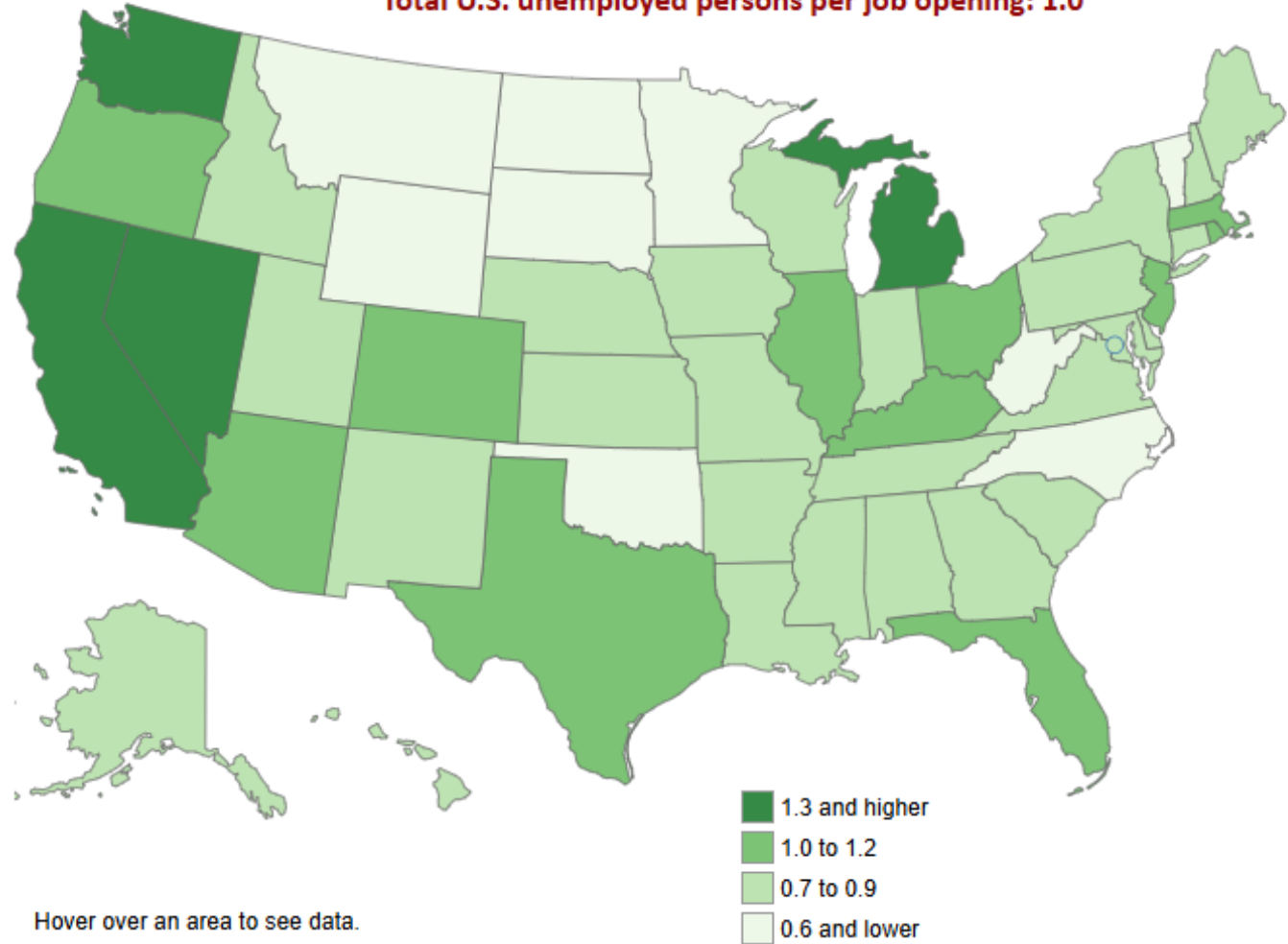
through June 2025



Montana Has  
Two Open  
Jobs For Every  
Unemployed  
Worker.

Number of unemployed persons per job opening by state, April 2025, seasonally  
adjusted

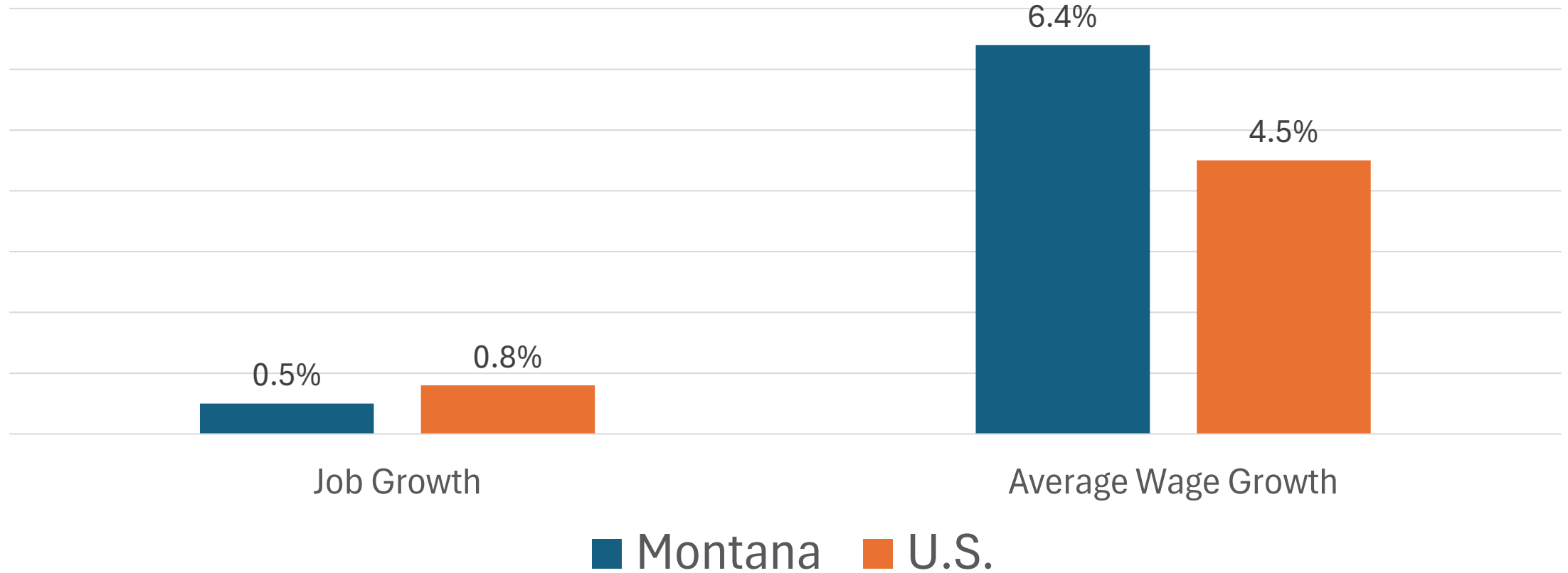
Total U.S. unemployed persons per job opening: 1.0



# MT Job Growth Falls Behind US, But Average Wage Growth Is Strong

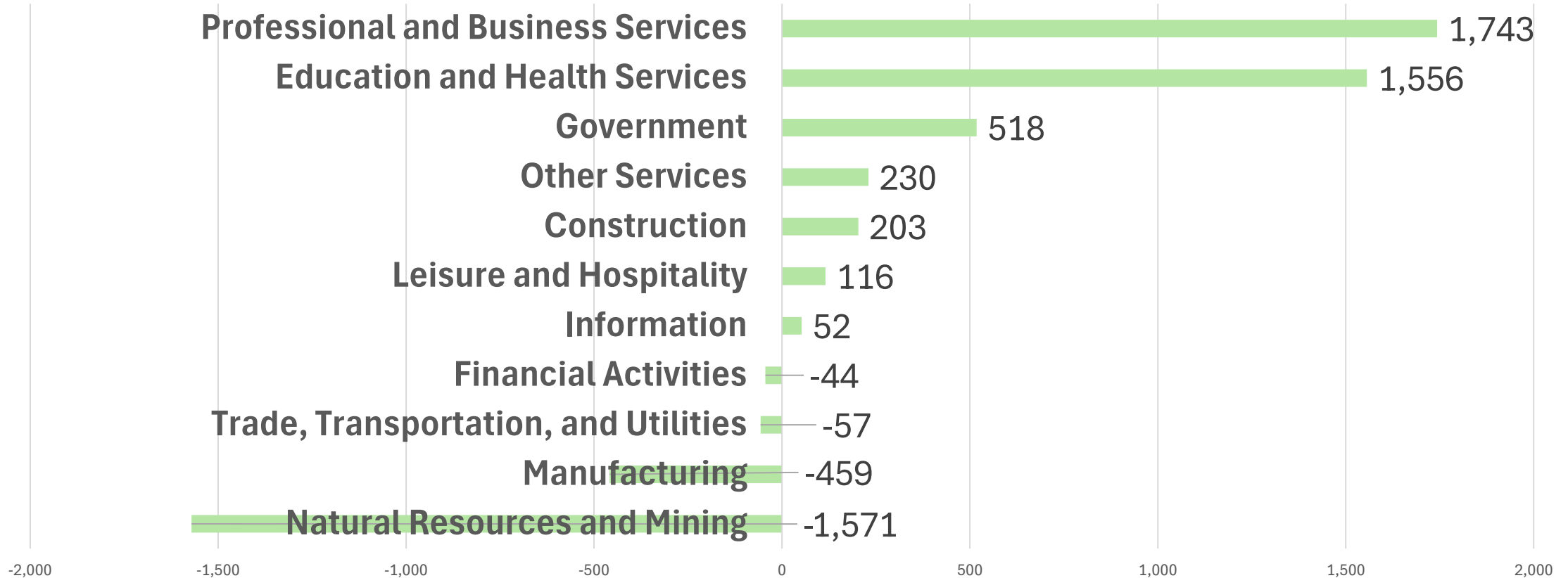
(6.4% overall and >5% every private sector industry)

Dec 2023 – Dec 2024 (BLS QCEW Data)



# Montana Job Growth By Major Industry

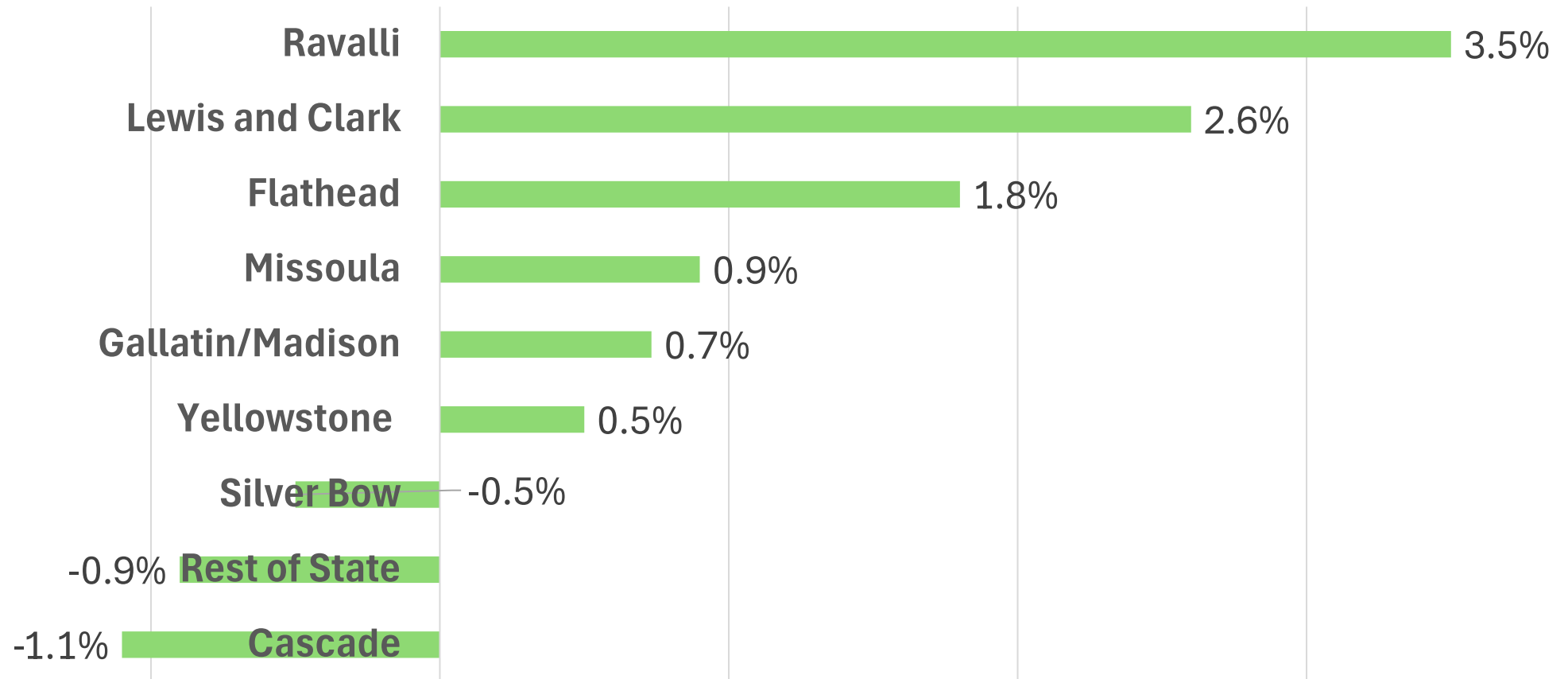
Dec 2023 – Dec 2024





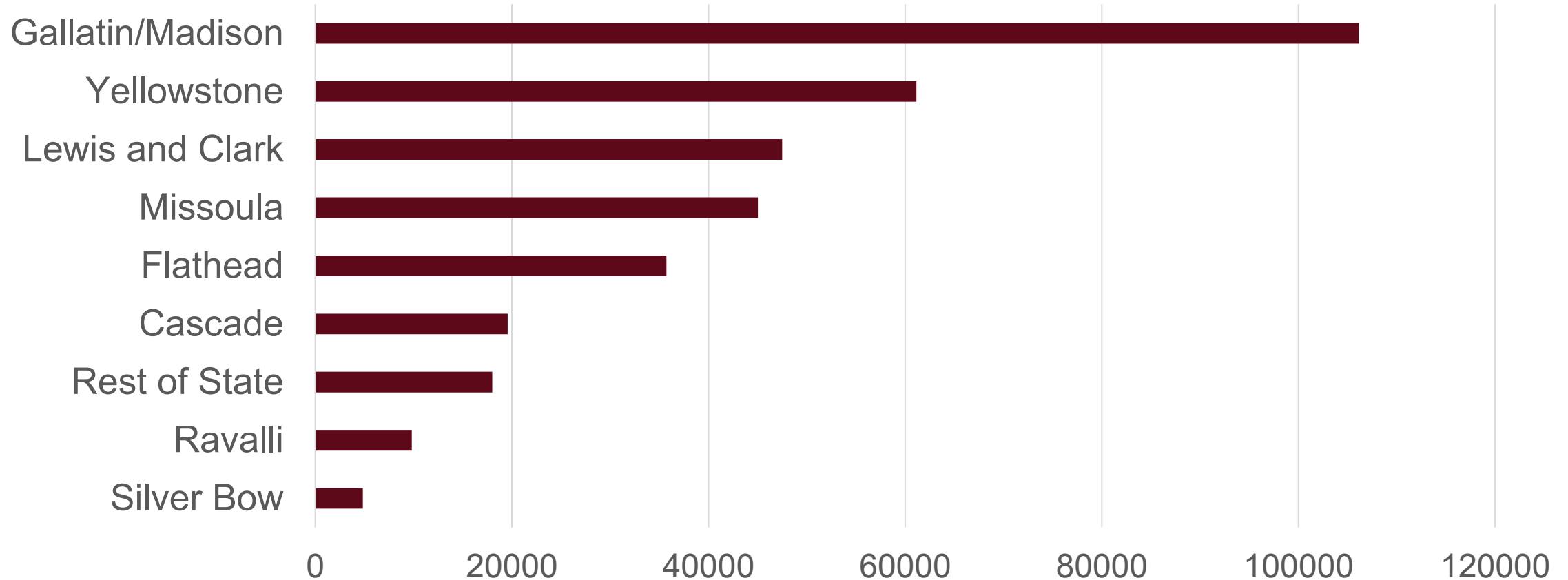
# Job Growth By County

## Dec 2023 – Dec 2024 %change



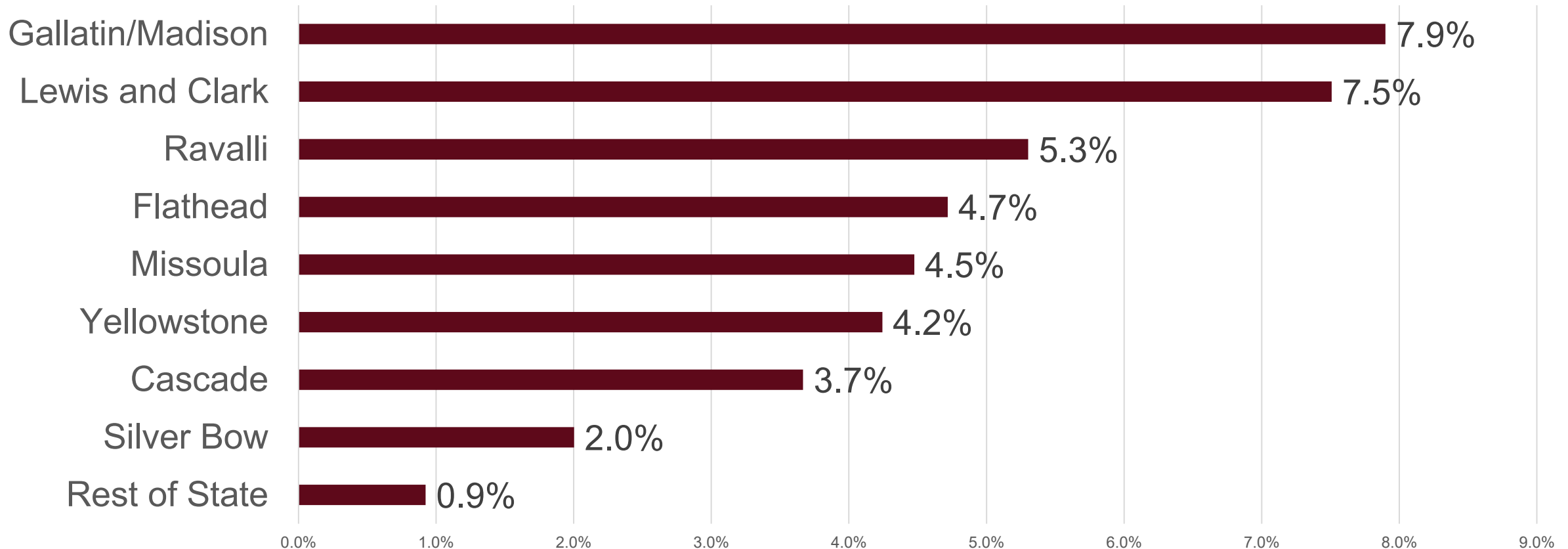
# Gallatin Still Leads Total Earnings Growth

Dec 2023 – Dec 2024 (Inflation Adjusted, thousands\$)



# Gallatin Leads Earnings Growth Rate

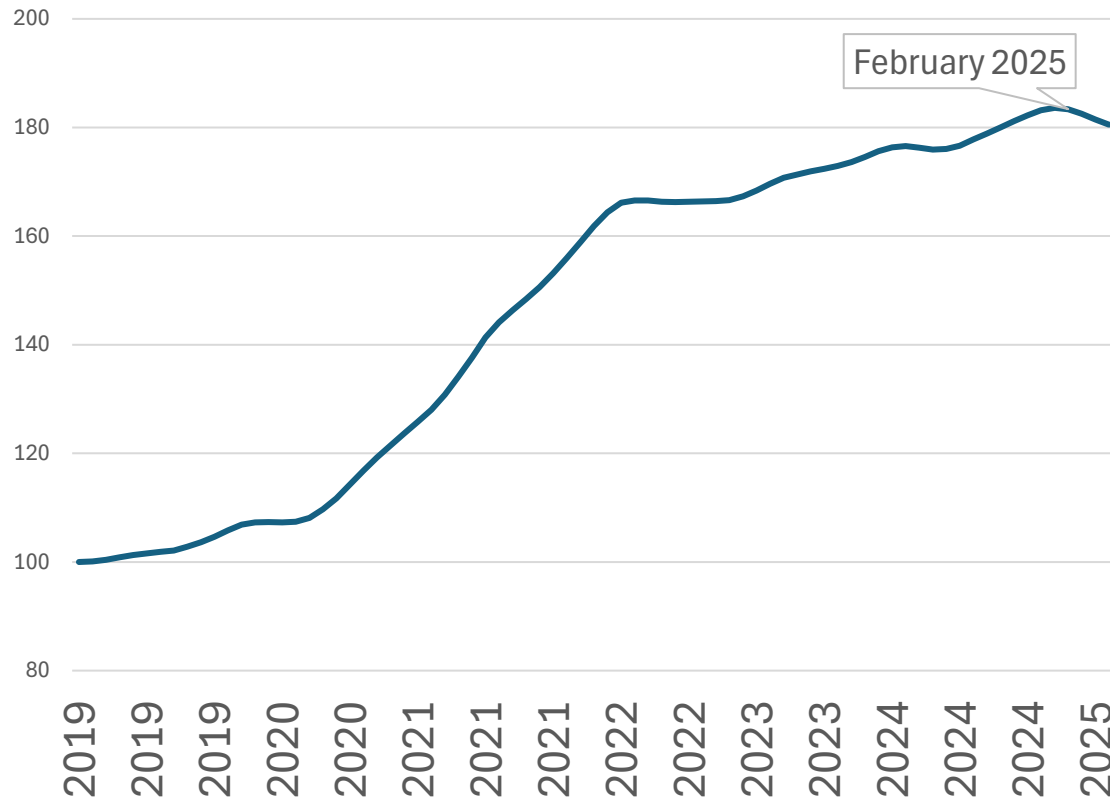
Dec 2023 – Dec 2024 (Inflation Adjusted, % change)



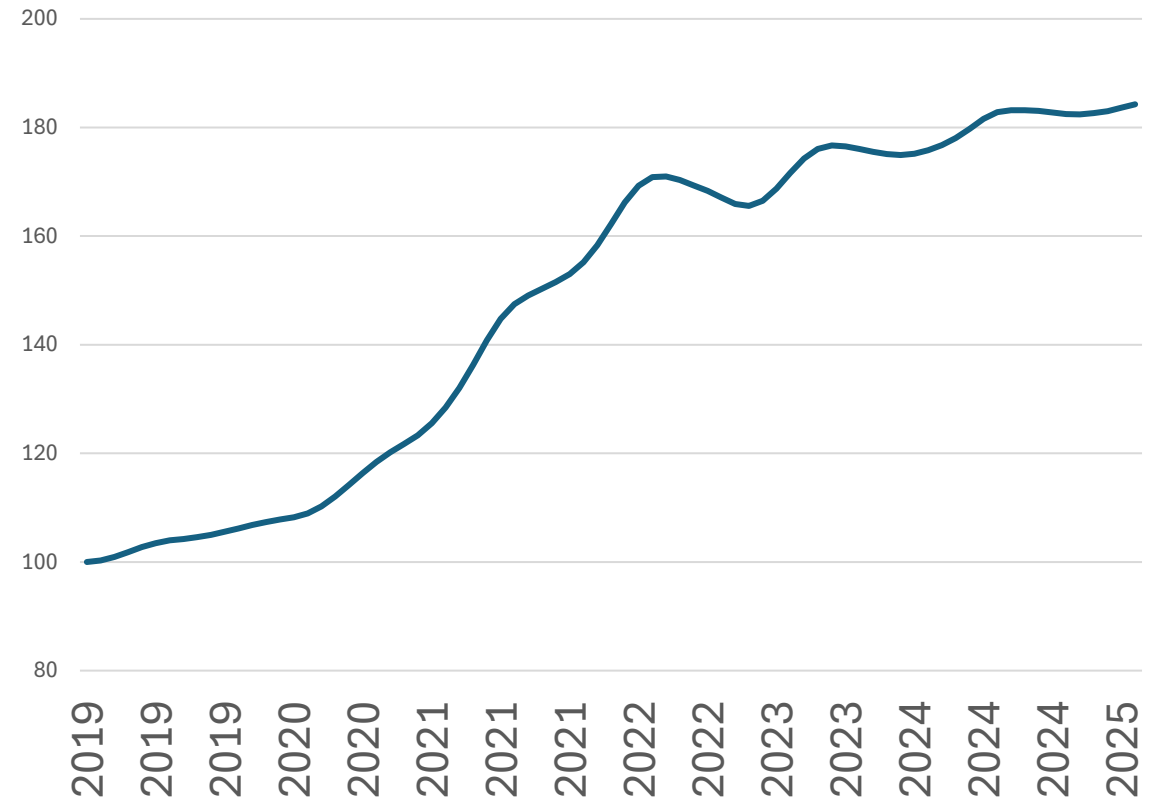
# Home Prices May Have Peaked

Active Listings Up 18% in June 2025 compared to June 2024.  
For-sale inventory is still below pre-Covid levels.

**Seasonally-Adjusted** FreddieMac Home  
Price Index

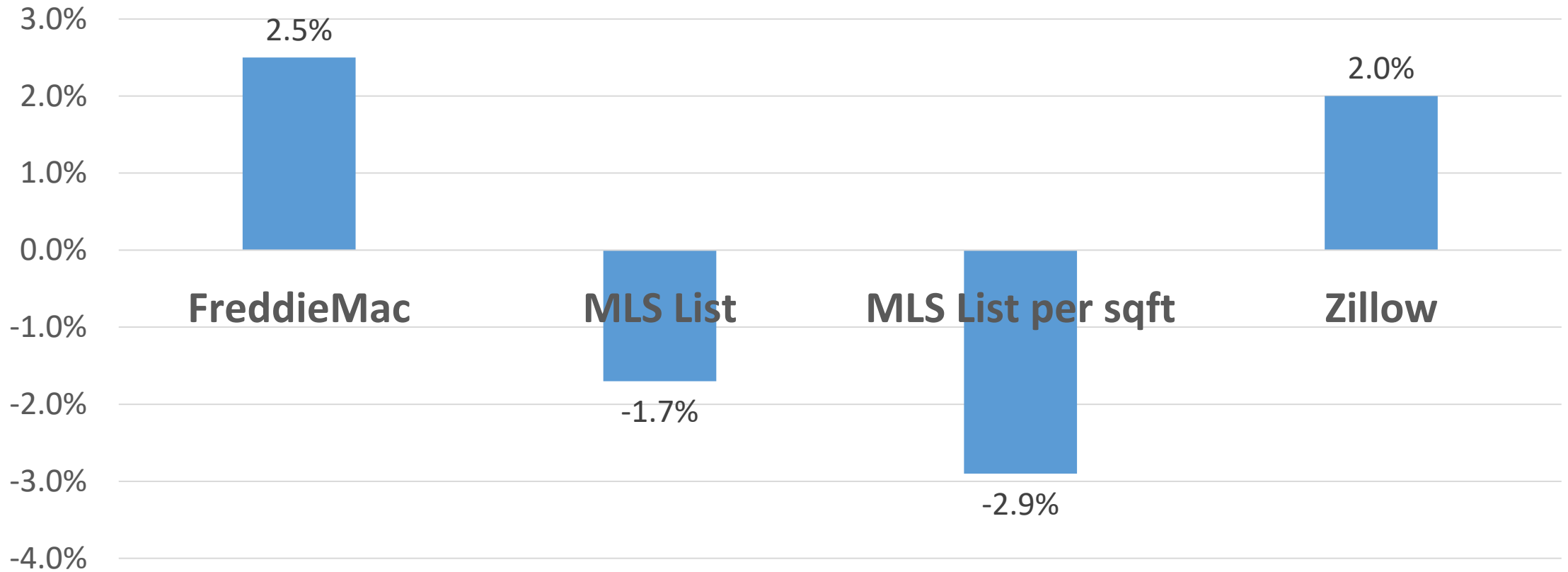


**Not Seasonally-Adjusted** FreddieMac  
Home Price Index



# One-Year Change in Montana Home Prices

(2025 May/Q2 – 2024 May/Q2)



# Main Takeaways

- Tariffs Will Slow Growth But Unlikely to Trigger Recession
  - More negative for Montana
- Big, Complex Changes to Tax Policy in U.S. and MT
  - Mostly positive for Montana
- Slower Growth Ahead For Montana
  - Inflation-adjusted income should continue to rise = incremental progress on affordability

