

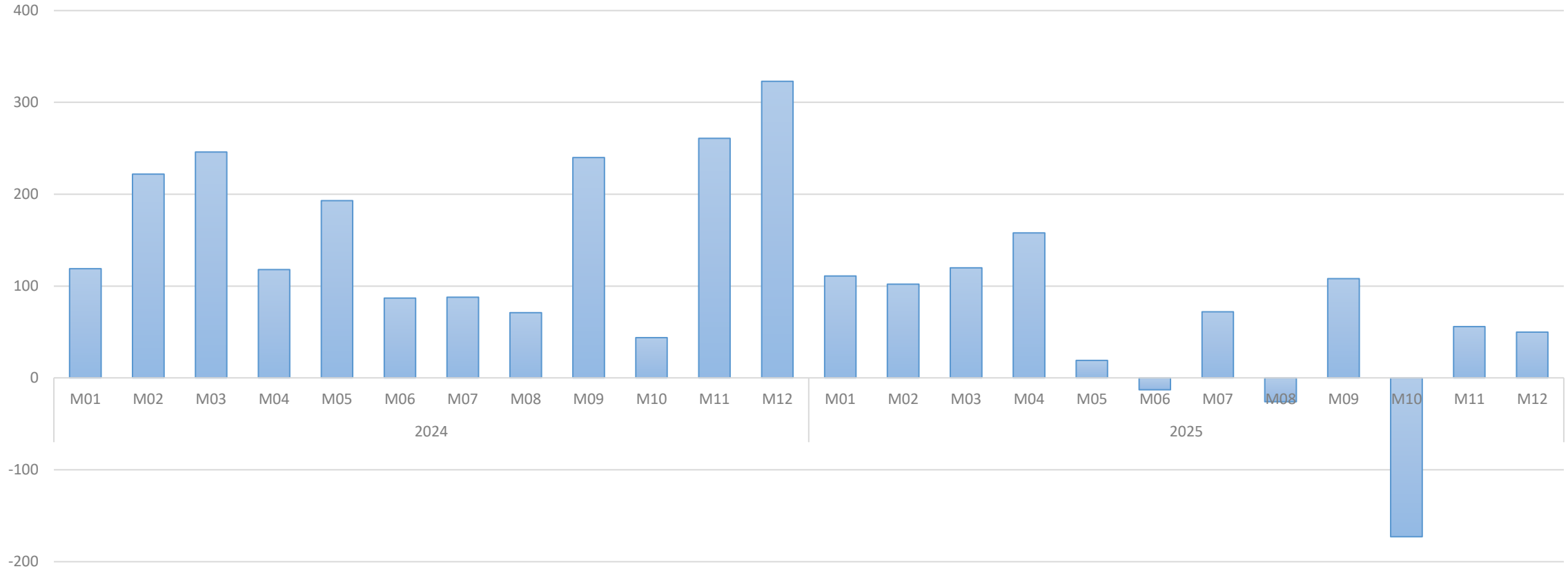
The US and Montana Economic Outlook: January 2026

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Start With The Bad News

2nd Half of 2025, U.S. Averaged Only 11,000 New Jobs Per Month

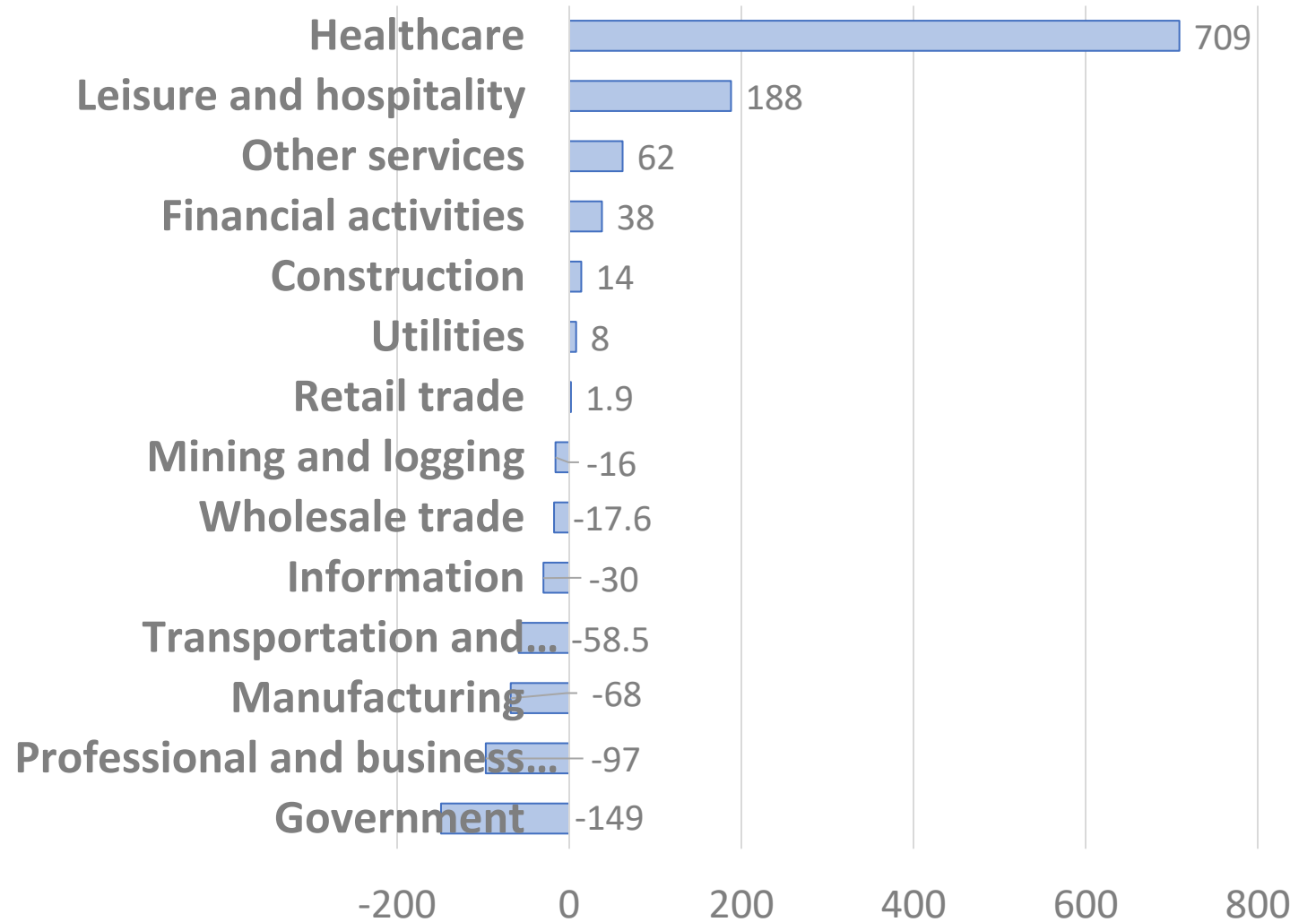
Monthly Change In U.S. Employment
(1000s of jobs, Source: Bureau of Labor Statistics)



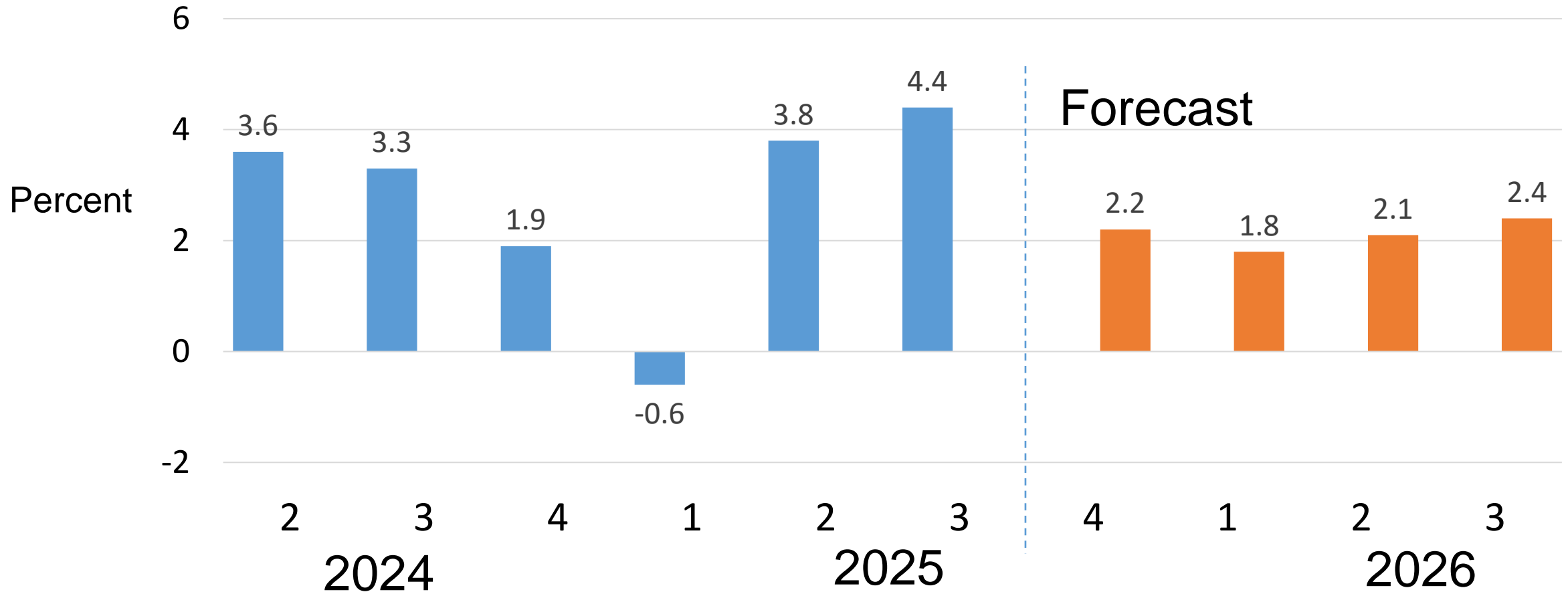
12 Month Change In U.S. Jobs, Dec 2025

Over the past year, Healthcare has gained 709,000 jobs in the U.S.

All other industries combined are -120,000 jobs over the past year.



U.S. GDP Growth: Performing Well Despite Tariff Uncertainty and Sluggish Labor Market



Source: BEA and S&P Global Forecast

Why has growth been good?

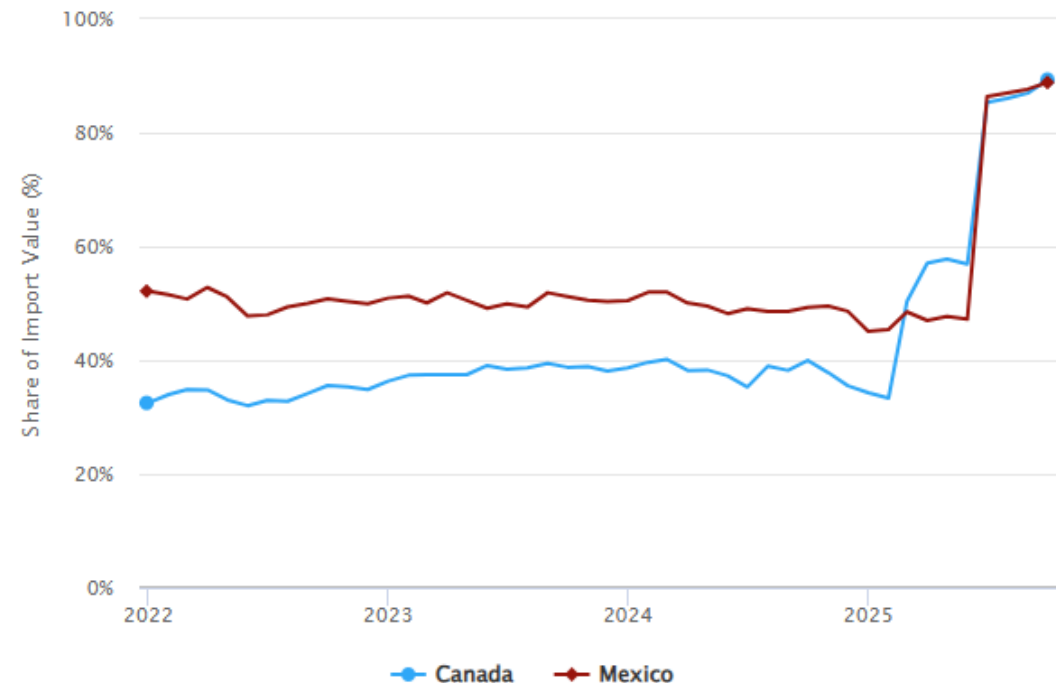
- AI has spurred investment and productivity.
 - Investment: AI-related investments boosted GDP nearly 1 percentage point.
 - Productivity: Overall productivity increased 4.7% in Q2 & Q3. AI?
 - Even with limited early adoption, St. Louis Fed research estimates AI usage has cut average worker time to complete task by 1.5%.
 - Likely to continue in 2026.
- Consumer Spending
 - Can it be sustained? Savings rate decreasing.
- Tariffs did not spark a global trade war
 - So far...

Tariff Impacts Less Than Feared

Tariffs in 2025

- Most trading partners chose not to retaliate.
- Many companies are absorbing the initial costs.
- Many tariffs reduced after initial announcements.
- Fewer tariffs paid than expected.
 - Effective tariffs based on actual payments was 10.9% in October.

Share of Canada/Mexico Imports Claiming USMCA Tariff Exemption

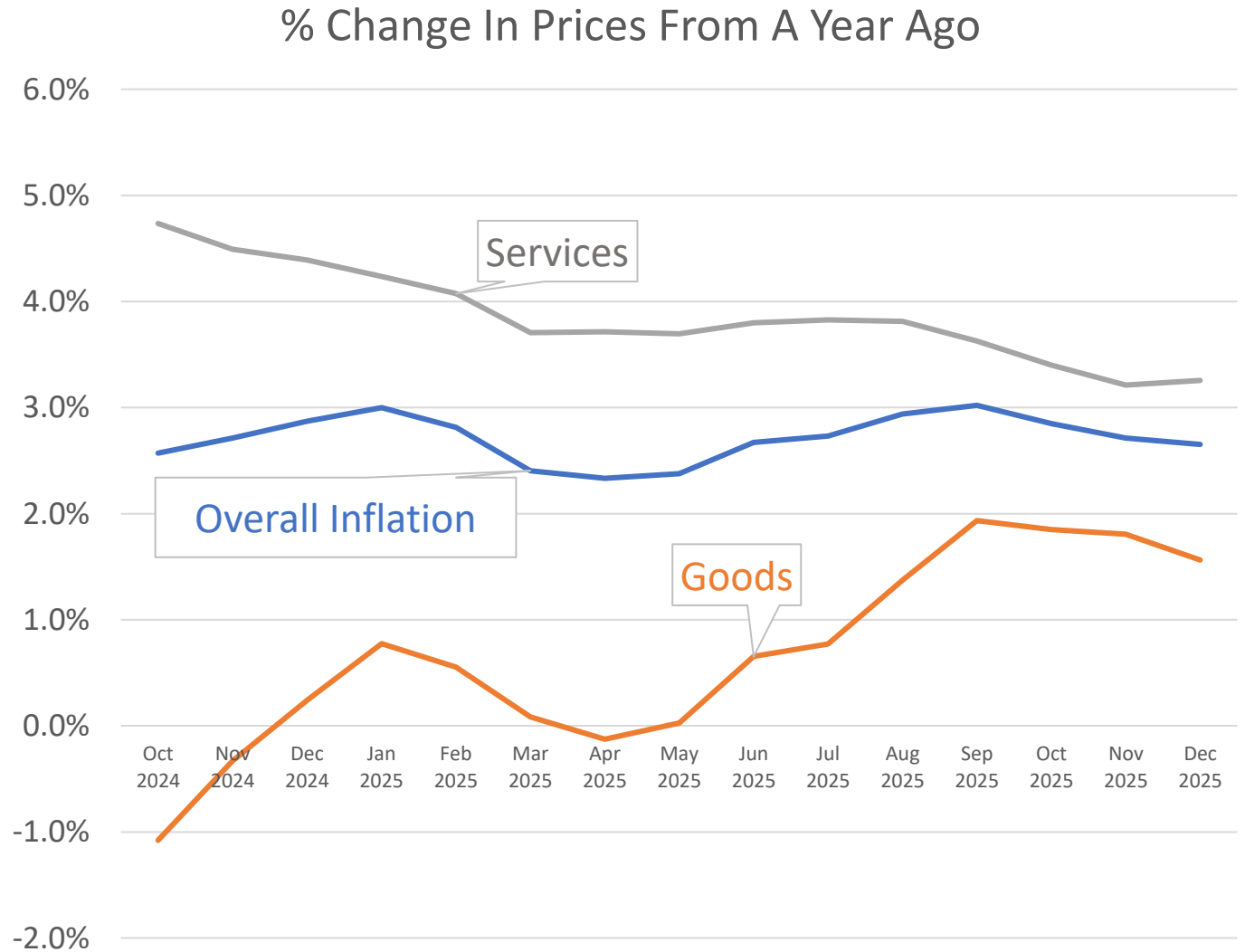


Source: Penn Wharton Budget Model calculations based on data from U.S. International Trade Commission (USITC) DataWeb.

Tariffs Starting to Push Inflation Higher

But Impact is Slightly Smaller and Slower to Arrive Than Anticipated...

Inflation Should Stay Near 3% in 2026, about a percentage point higher than it would be without tariffs.

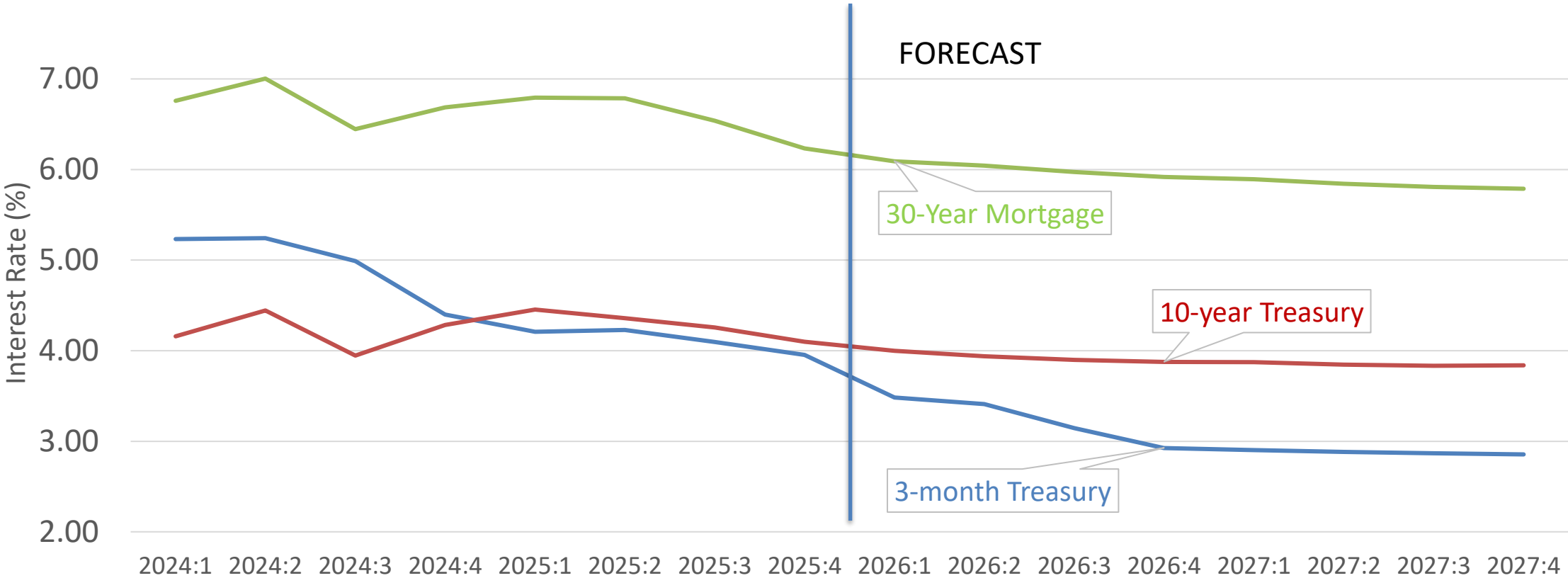


Tariff, Inflation and Interest Rates: What will 2026 bring?

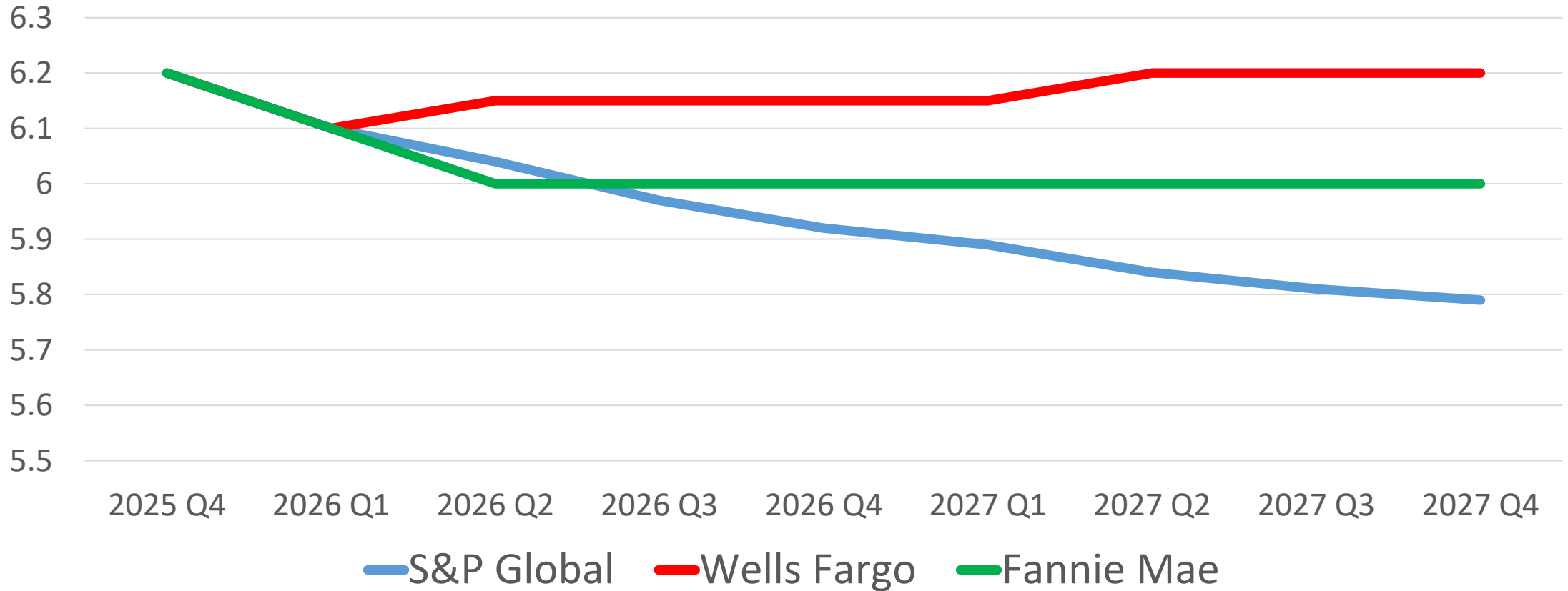
- Inflation is likely to remain near 3% in 2026.
- However, tariffs seem likely to decrease in 2026.
 - Targeted tariff reductions to address affordability could expand.
 - Supreme Court could strike down “reciprocal tariffs” that most impact consumer goods.
- As tariffs fade, Fed independence and fiscal policy will emerge as the new inflation risks.
 - Long-term rates staying stubbornly high even as the Fed cuts short-term rates.

Key Interest Rates 2024-2027

(Source: S&P Global)



Some Alternative Mortgage Rate Forecasts



2026 U.S. Outlook Summary

- Real GDP Growth Forecast: 2.2%
 - AI Continues To Fuel Business Investment and Productivity Growth
 - Fiscal Stimulus
 - OBBB Provides Double Boost To Households In 2026
 - Most OBBB Spending Cuts Do Not Hit Until 2027
- Some moderate headwinds
 - Housing Market: Residential Investment Is Soft
 - Weak Consumer Sentiment
 - Labor Shortages
- Risk Factors: Global Conflict, Long-Run Interest Rates

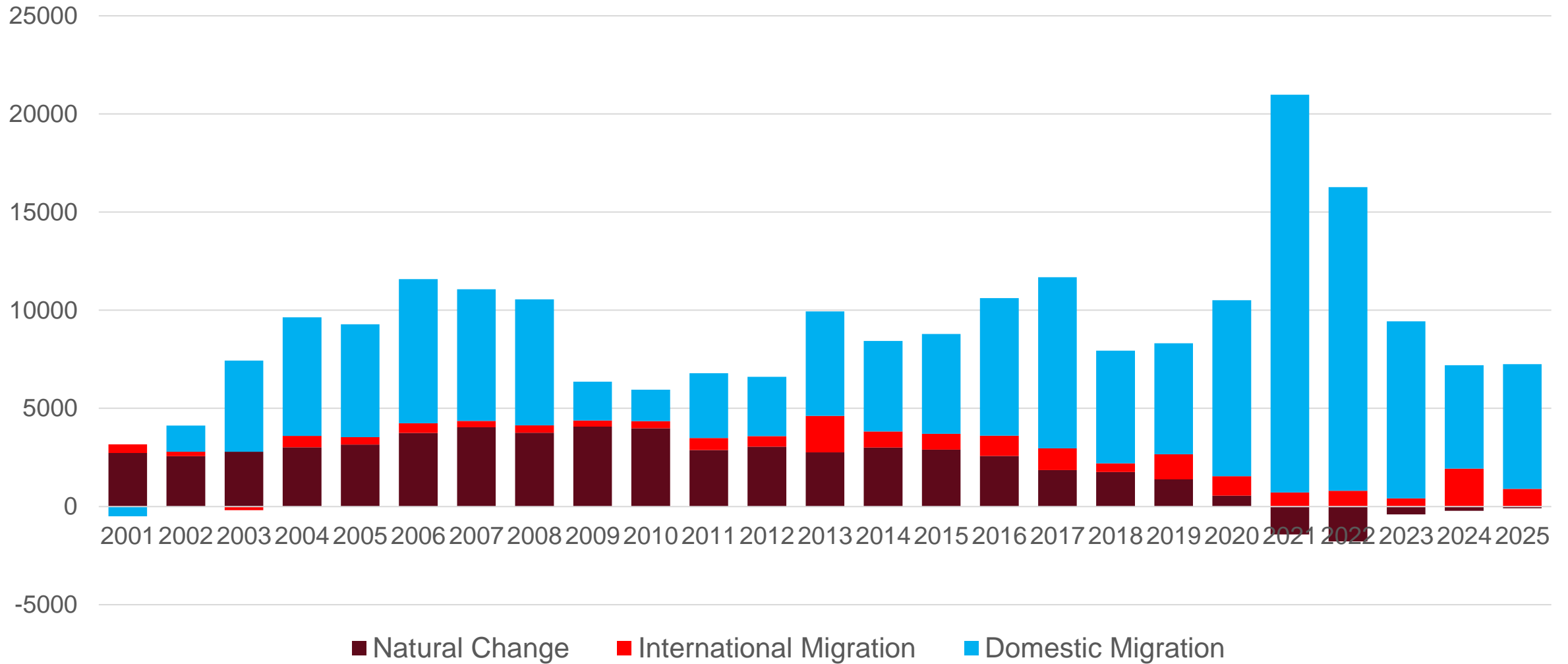
The Montana Economy in ~~2024~~ 2025

1. NAR ranks Montana as the “least affordable” state.
 - 2025: same, marginal improvement (incomes up, housing costs flat)
2. Population growth lowest in ~~22~~ 12 years, ~~0.52%~~ 0.61%.
 - 2025: almost identical, 0.63%.
3. Job growth strong through summer 2024, stalled late.
 - 2025: jobs remain flat
4. Tech continues to lead earnings growth.
 - 2025: same
5. 2024: Bad year for resources: mining, wood and crops.
 - 2025: mostly the same

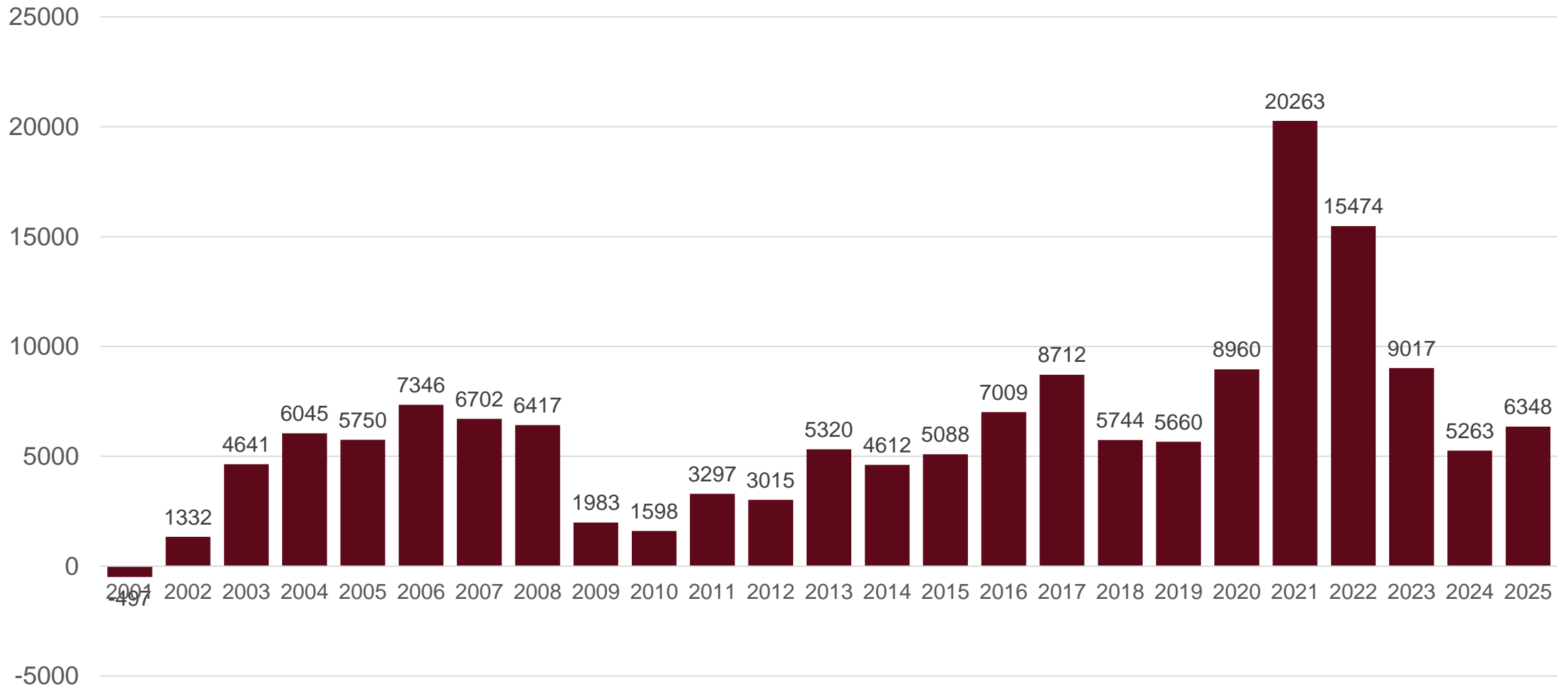
New Developments In 2025

- Legislative Year
 - Major Property Tax Reform
 - Income Tax Cut
 - SB 535, Expanded “Right To Try”: Experimental Treatment Centers
- Federal Government RIFs
 - Preliminary estimate: 1500 fewer jobs than previous year in November
- Optimism About Policy in Mining and Energy Sectors
- Tariffs
- Data Center Announcements

Montana Population Change by Components

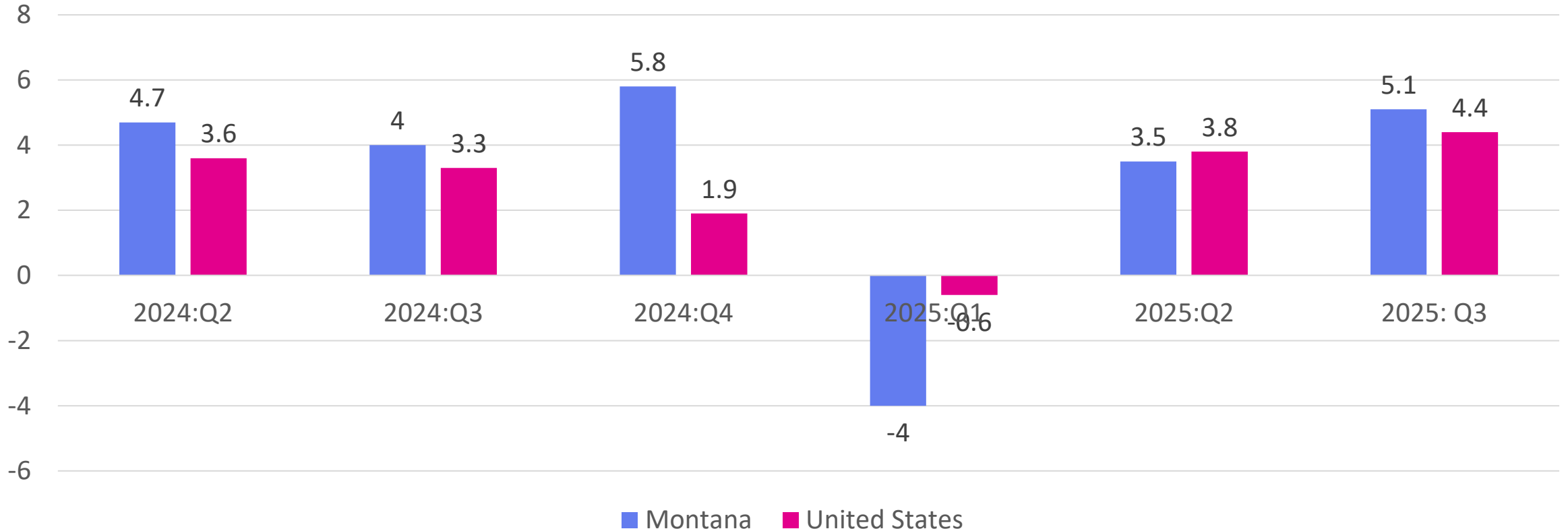


Net Domestic Migration to Montana



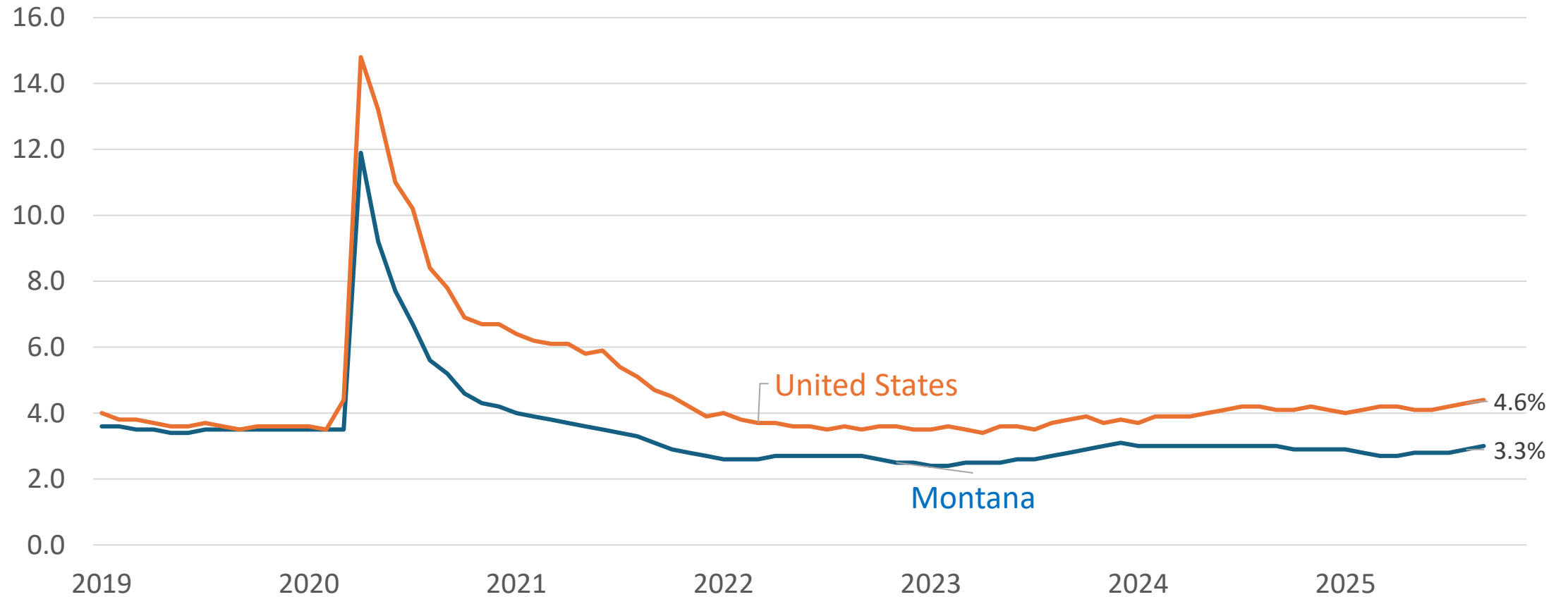
Montana vs. U.S. Real GDP Growth

(% change annual rate, source: BEA)



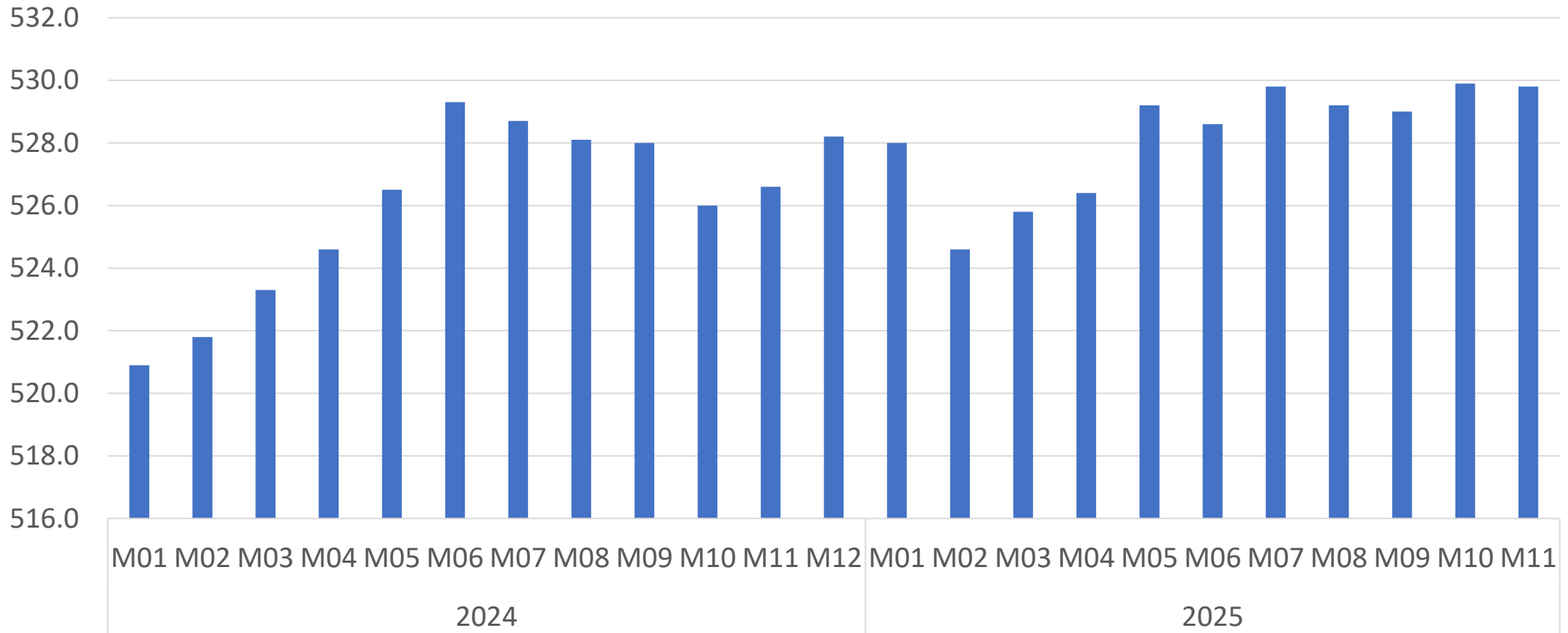
Unemployment Rate (%)

through November 2025



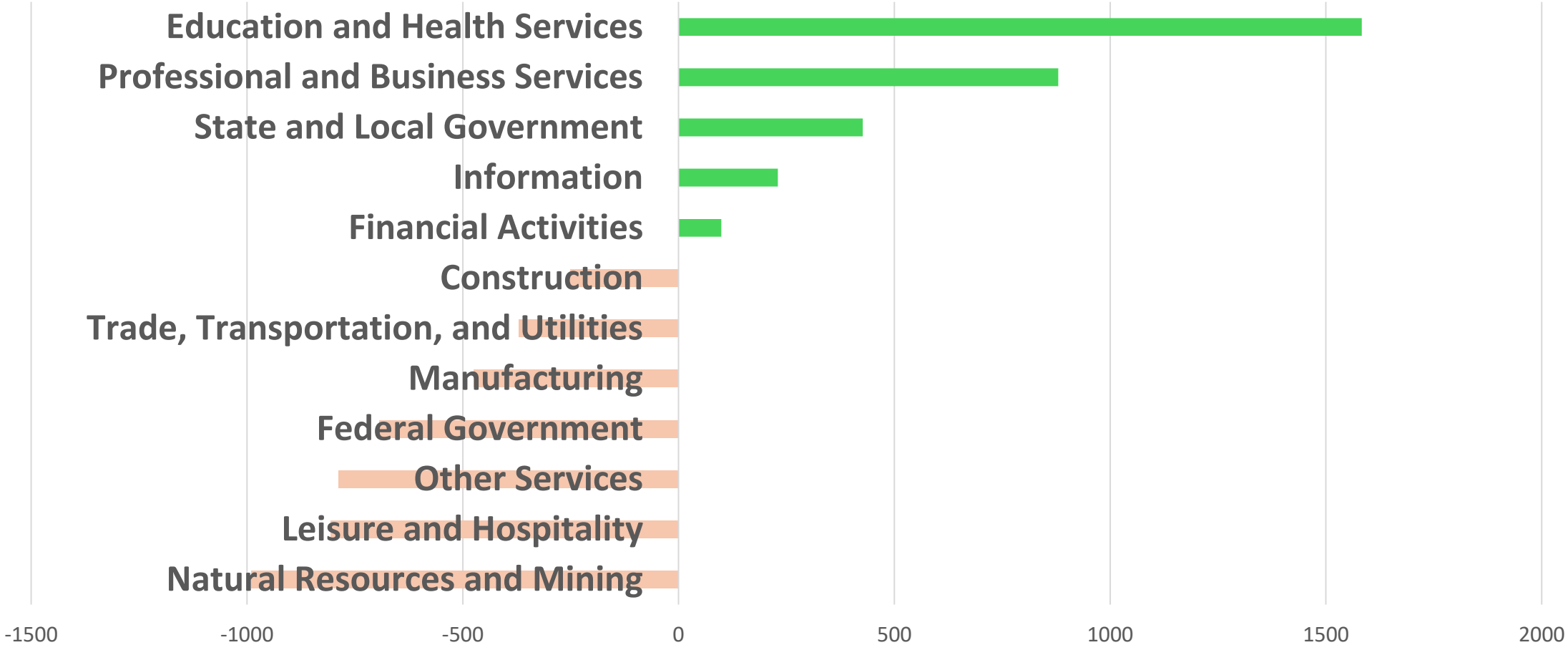
Montana Jobs: Little Change Since mid-2024

(Source: Bureau of Labor Statistics/Montana DLI, CES Survey)



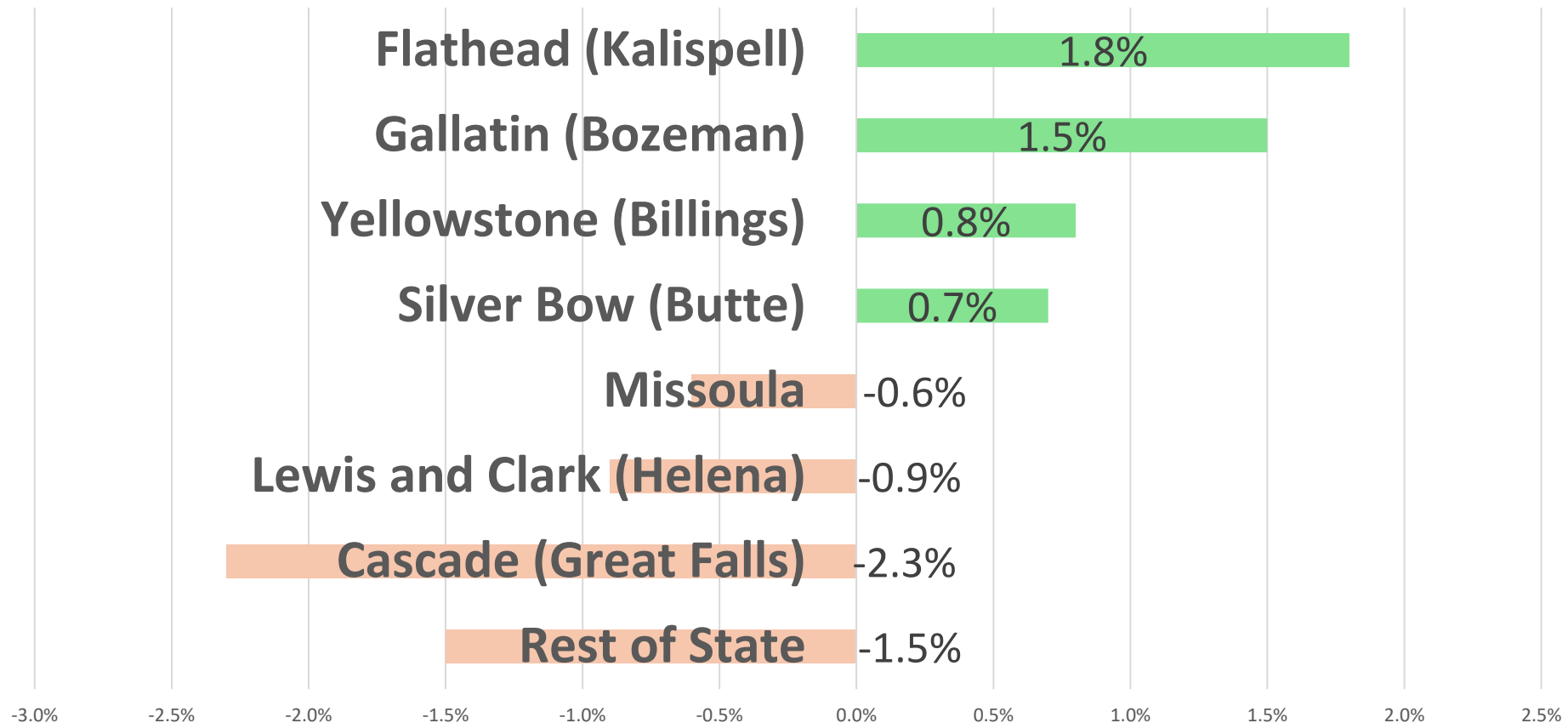
Montana Job Growth By Major Industry

June 2024 – June 2025 (BLS QCEW)



Job Growth By County

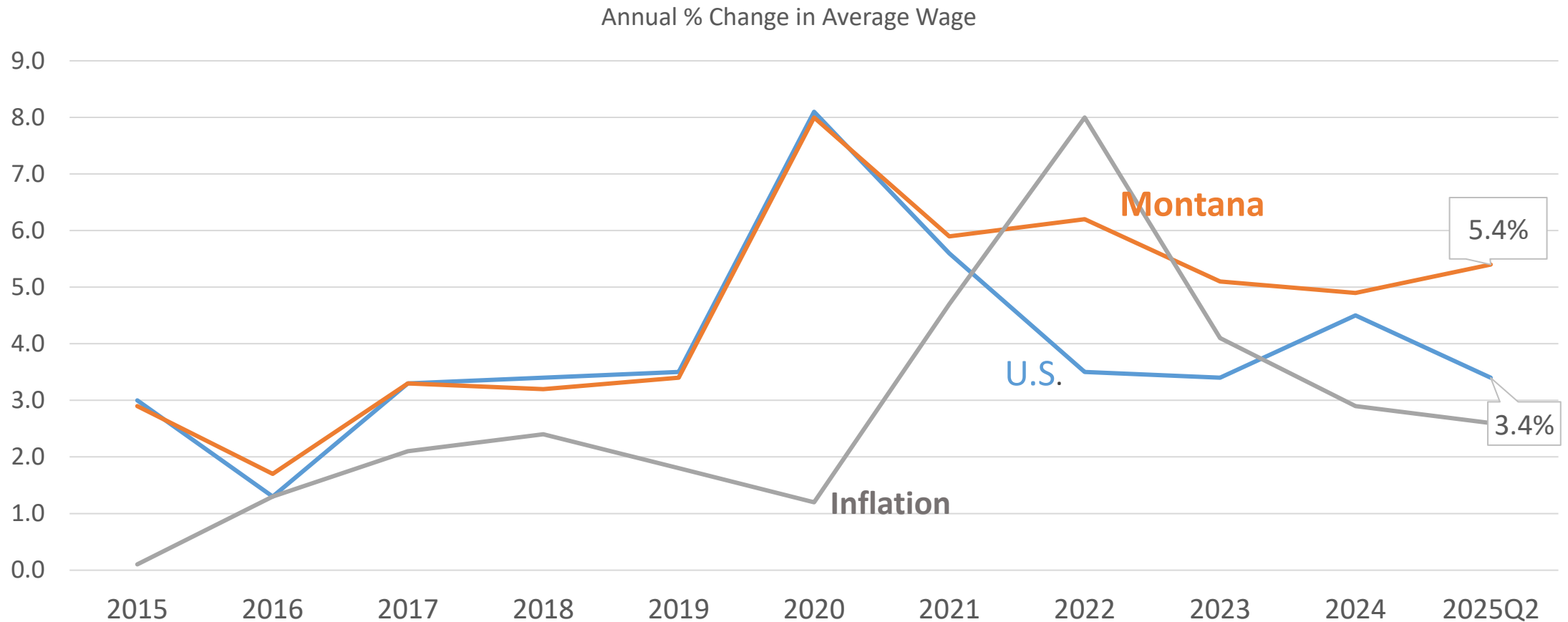
June 2024 – June 2025 (Source: BLS QCEW)



Montana is top state for wage growth in 2025.

Beat U.S. Average For Past 4 Years.

State ranking moved from 46th to 41st since 2021.



Real Personal Income, 2025Q3.

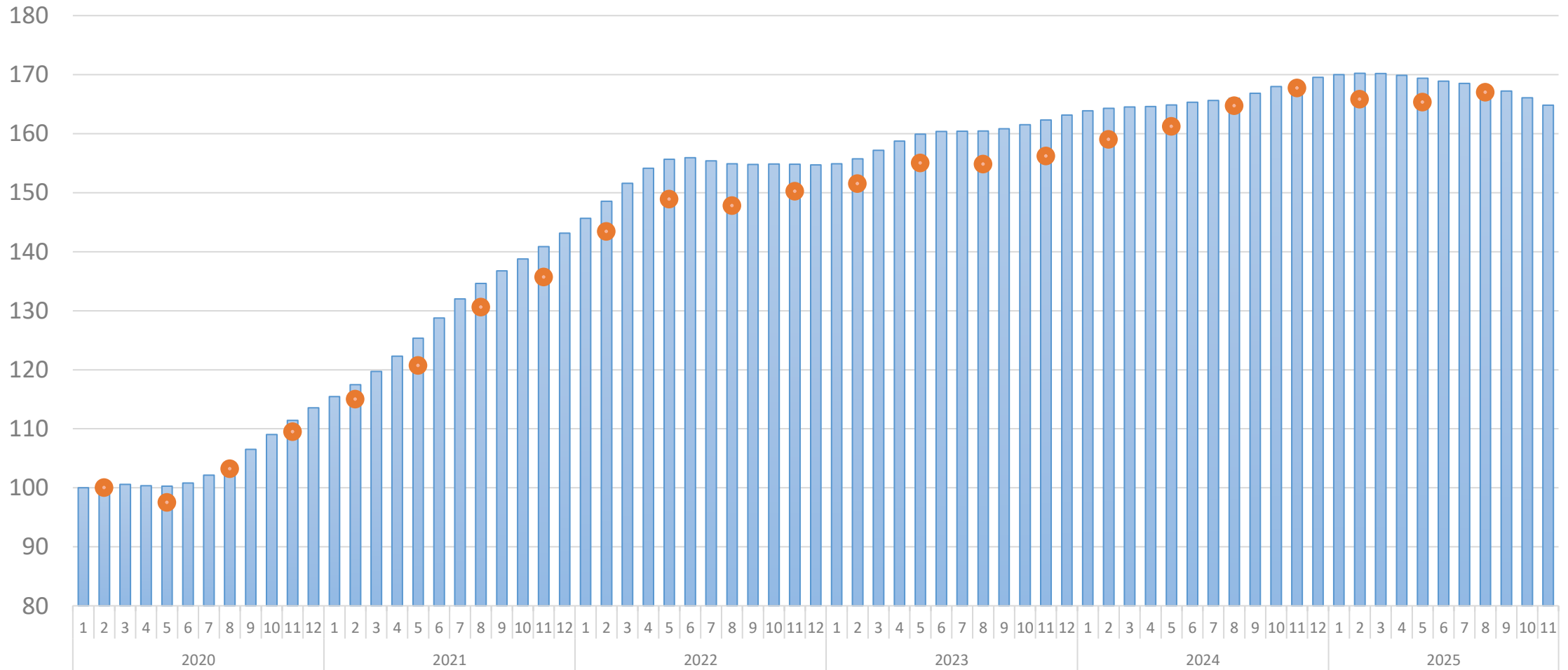
(2.7% growth over 12 months)

Fastest Growing Industries	\$ Millions	%
Health care and social assistance	\$301	4.5%
Information	\$241	28.0%
Professional, Scientific, and Technical Services	\$190	4.4%

Fastest Declining Industries	\$ Millions	%
Manufacturing	-\$42	-2.0%
Accommodation and Food Services	-\$70	-2.7%
Mining	-\$155	-12.9%

Have Home Prices Peaked In Montana?

FreddieMac Home Price Index (Bars): Peak Feb 2025. -3.2% from peak
FHFA Home Price Index (Dots): Peak Nov 2024. -0.4% from peak



Montana Outlook for 2026

- Population Growth and In-Migration Stabilize
- Income Growth Continues, But Slows With Sluggish Job Market
 - Areas with larger government concentration are lagging.
 - Can healthcare and tech continue to lead?
- Will Big Data Center Projects Break Ground?
- Watching the Real Estate Market
 - Home prices and rents show recent declines in certain markets
 - Slow Progress on Affordability: 1) Incomes rising faster than housing costs, 2) property tax cuts on most homes, 3) no help from mortgage rates
 - Second-home tax impacts