

The Economic Outlook for the U.S. and Montana

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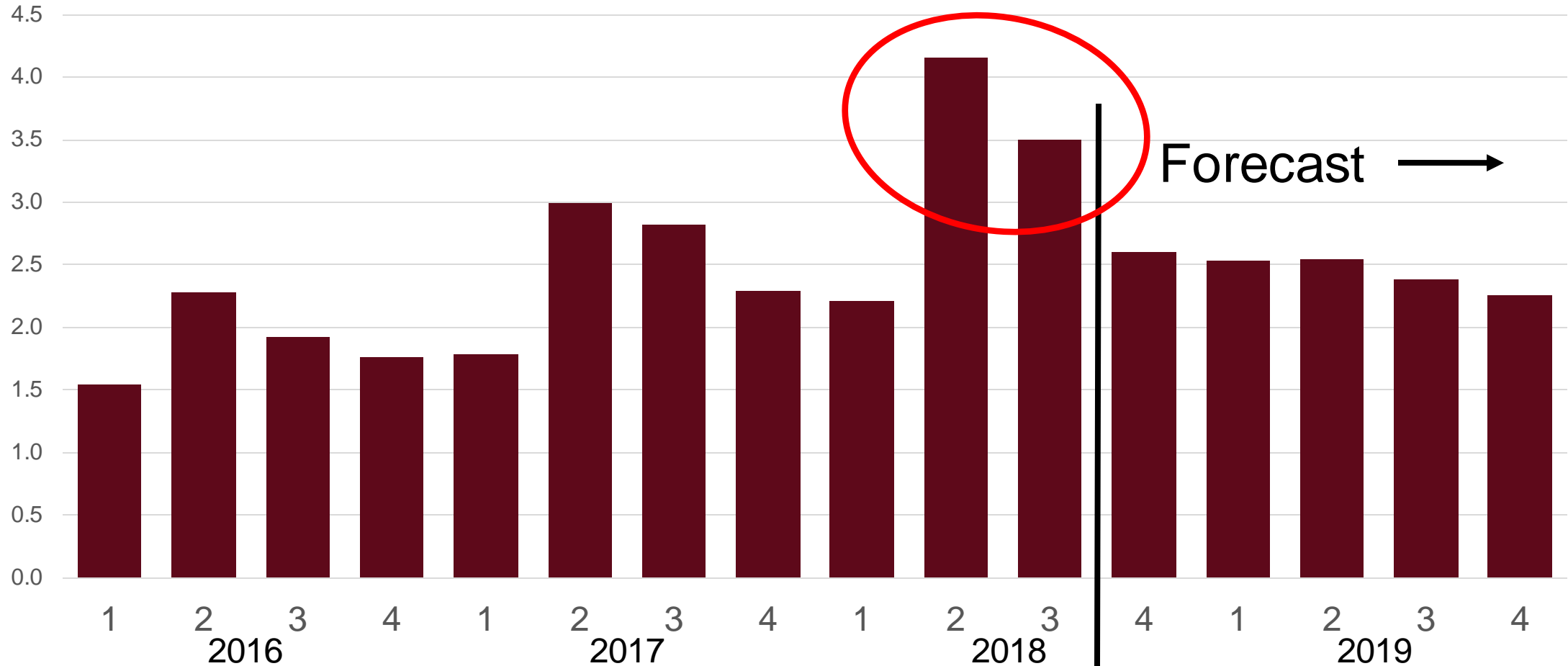


The U.S. Economic Expansion: Nine Years and Counting

- U.S. growth surge is a global outlier
- Taxes and spending: higher growth, bigger deficits
- Inflation nowhere in sight
- Trade and housing are laggards, consumer and business spending carrying the load
- Interest rates have moved up, the dollar remains strong
- Markets close out the year with increased volatility

There Was an Acceleration in U.S. Growth Last Year

Real Gross Domestic Product (GDP) Growth, Percent, Actual and Forecast



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

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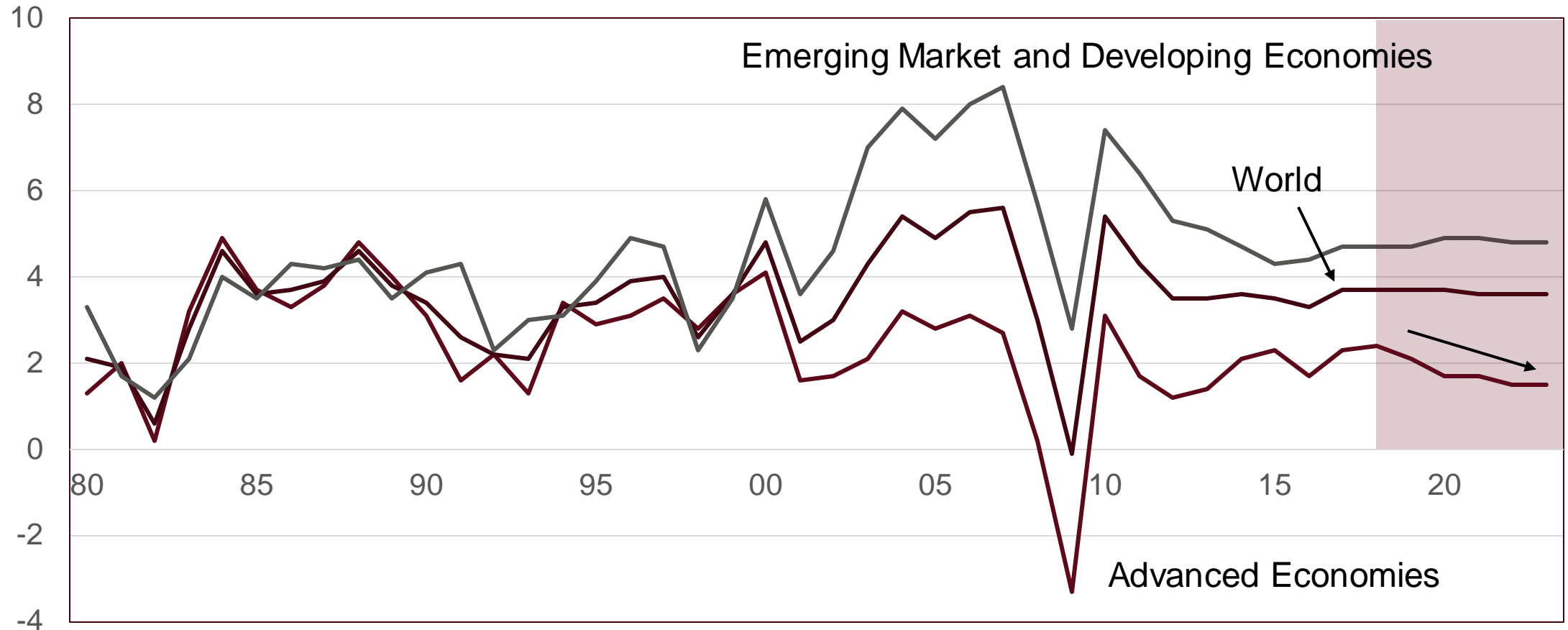


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U.S. and Montana Economic Outlook

Advanced Economies Expected to Decelerate as Global Growth Levels Off

Percent

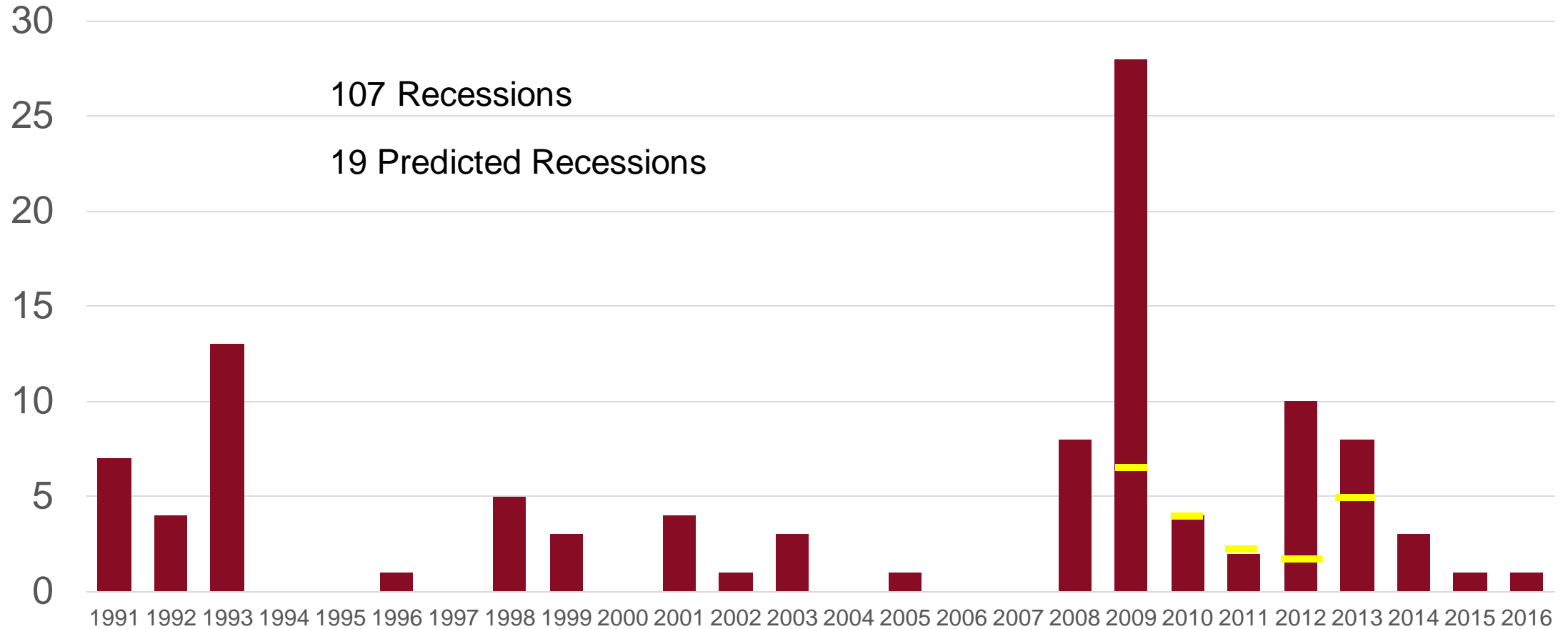


Percent Change in Real Gross Domestic Product, Actual and Forecast

Source: International Monetary Fund

Global Growth Has Been Good, But Challenges Emerge

Number of Advanced Economies in Recession, by Year, 1991-2016

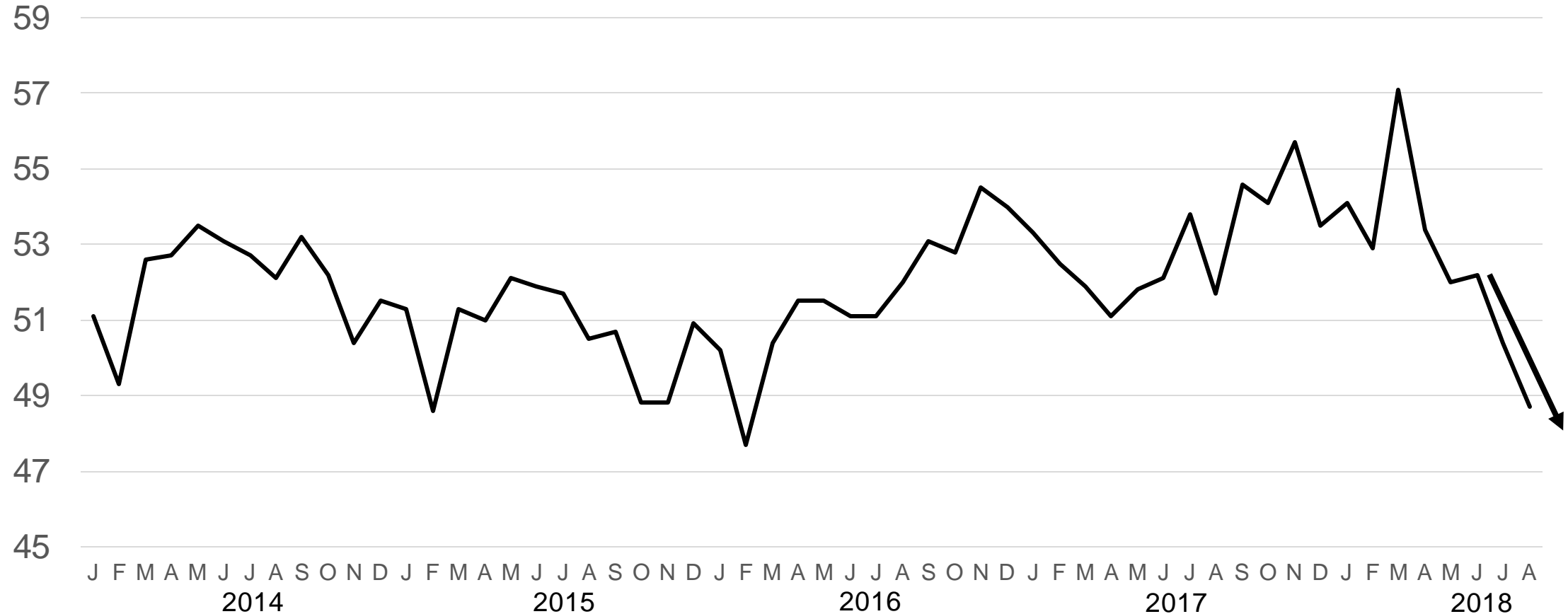


Source: International Monetary Fund

Evidence of a Chinese Slowdown

Guangdong Manufacturing Purchasing Managers Index, New Orders

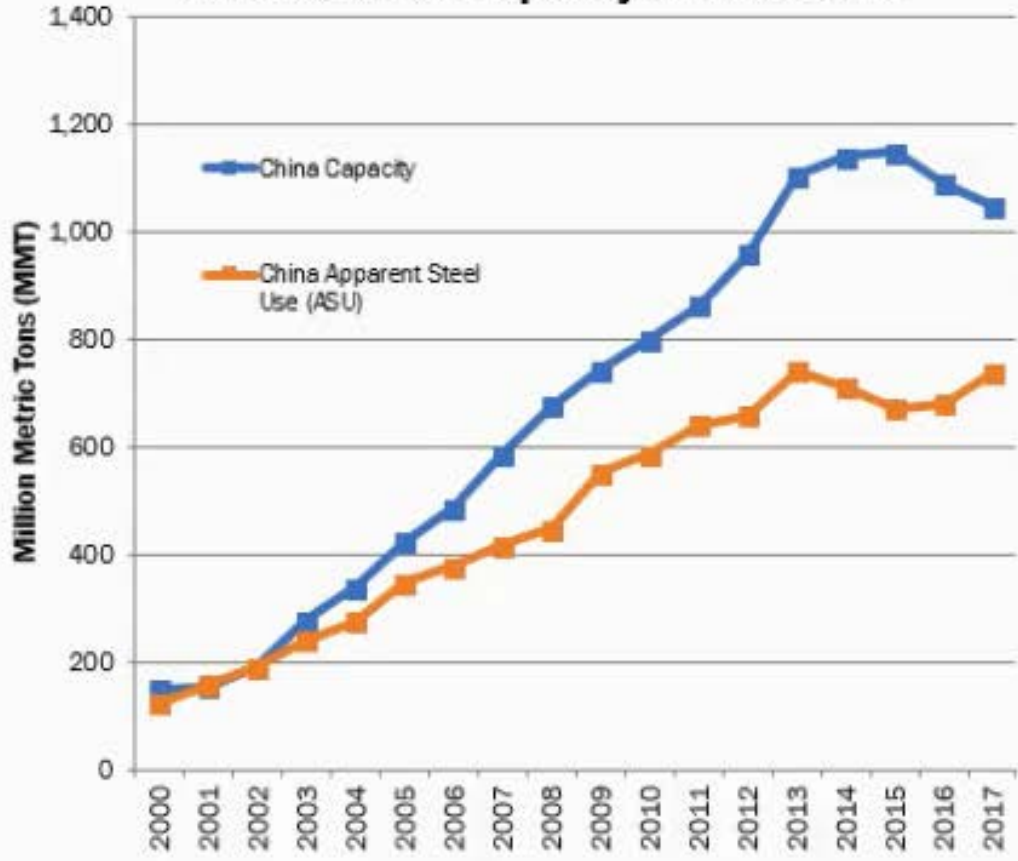
Percent



Source: The Economic and Information Commission of Guangdong Province

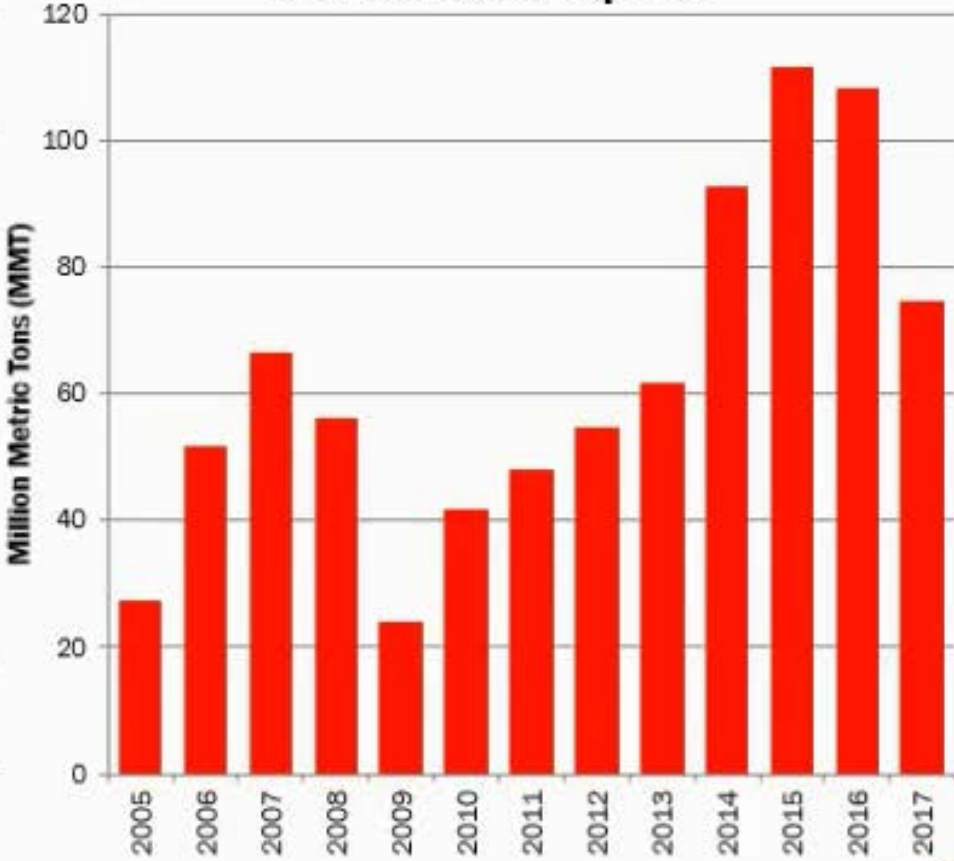
Chinese Steel Exports Have Soared in Recent Years

Chinese Steel Capacity and Demand



Source: Worldsteel, OECD

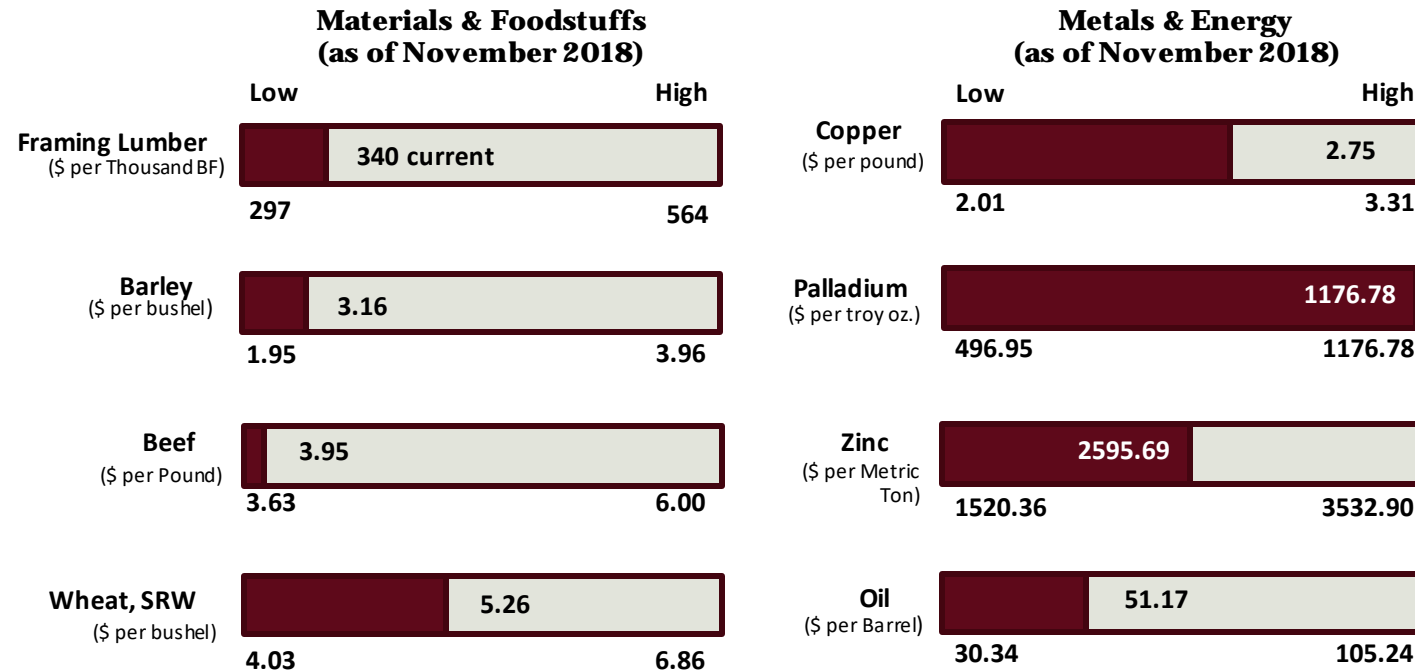
Chinese Steel Exports



Mixed Story for Most Important Commodities

Select Commodity Prices

November 2018 vs. 5-Year High and Low

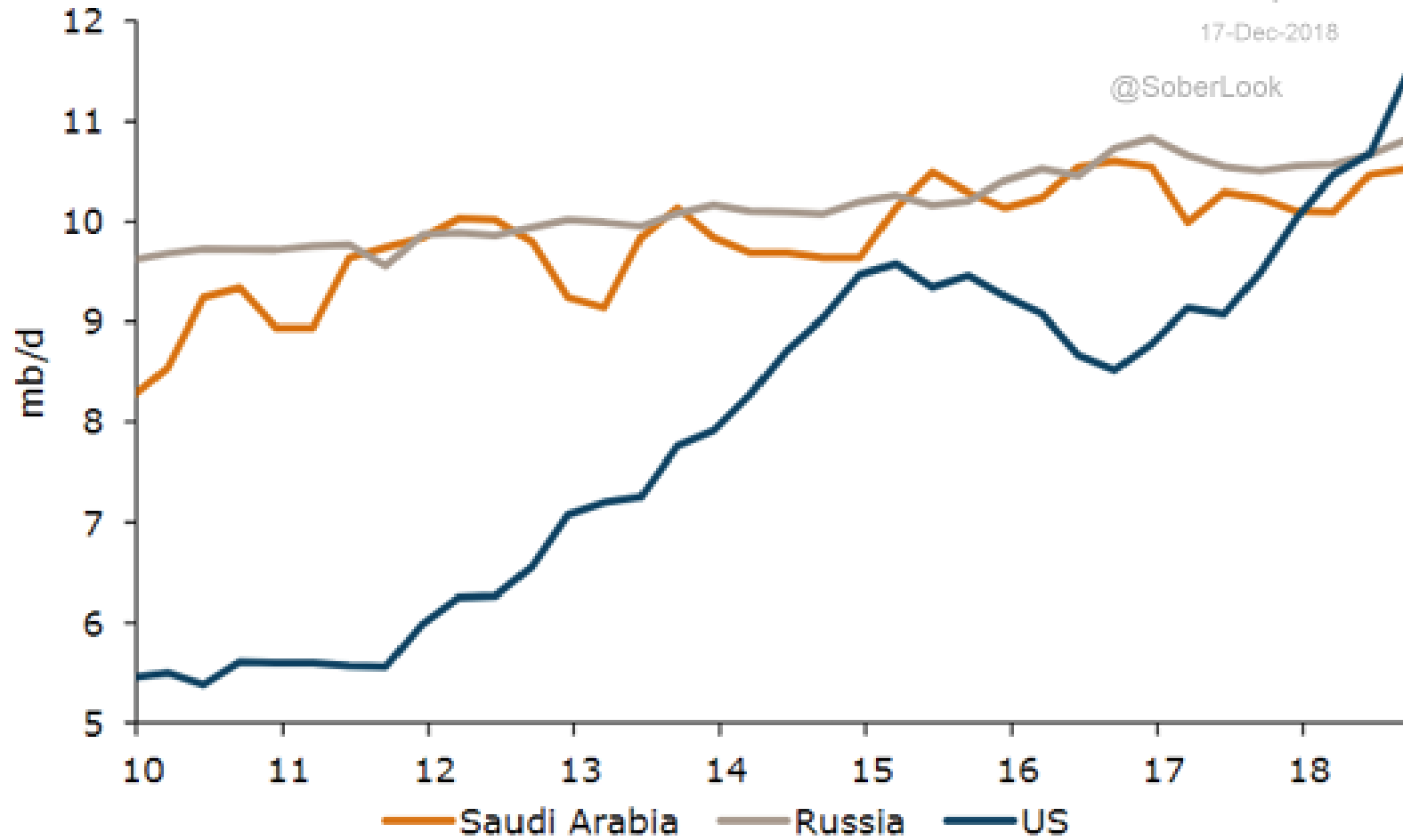


Source: World Bank, USDA, Random Lengths

Figure 4. The US has now become the world's largest oil producer

Posted on
WSJ: The Daily Shot
17-Dec-2018

@SoberLook



Source: DOE, OPEC, PIRA, Bloomberg, ANZ Research

Decline in Crude Oil Prices Not Yet as Severe as 2014

Crude Oil Prices, West Texas Intermediate (WTI), Weekly, 2011-2018

Dollars per Barrel



Source: U.S. Energy Information Administration

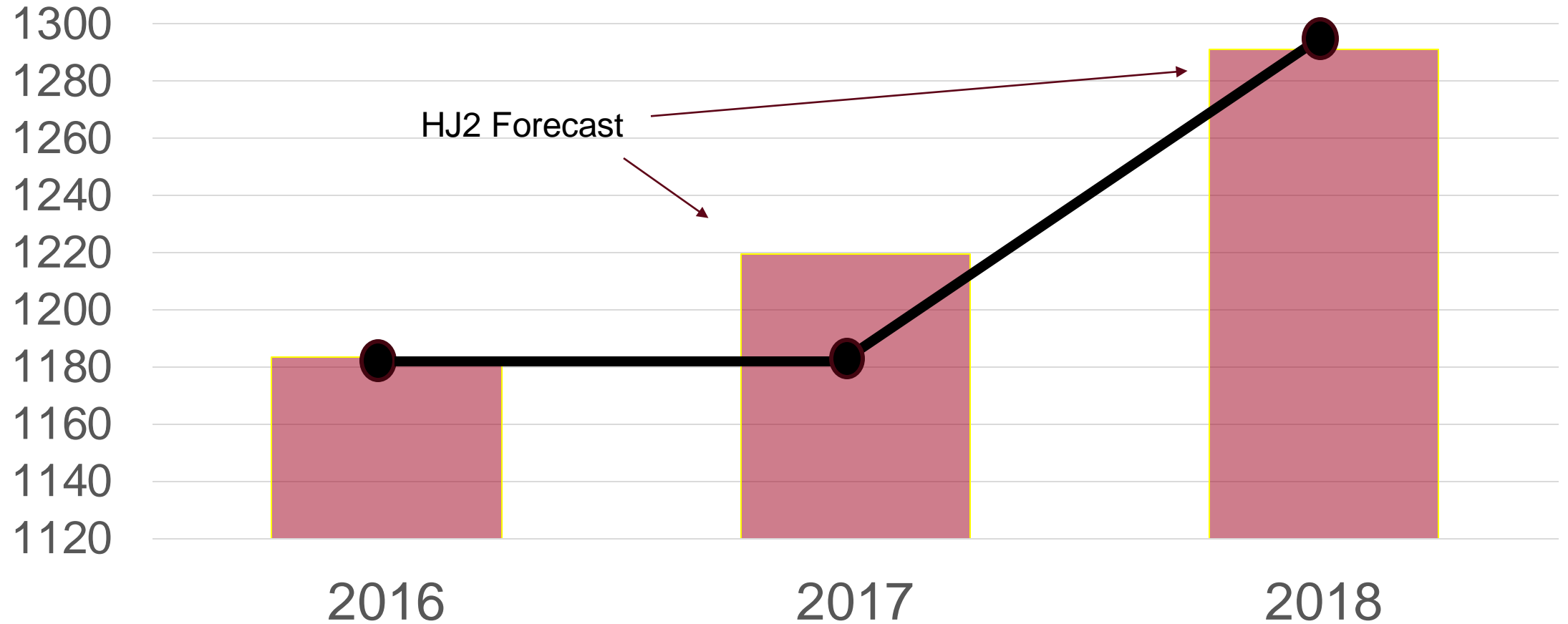
Has Faster U.S. Economic Growth Shown Up in Montana?

- Partial data suggest 2018 has seen continued growth
- Labor market continues to tighten
- State revenue off to a good start in FY19
- Global economic environment has worsened
- Higher interest rates another challenge for residential construction
- Recovery for Montana's agriculture and energy producers has not been smooth
- What explains Montana's economic malaise in 2016?



Income Tax Collections Back on Track with 2017 Legislative Forecast

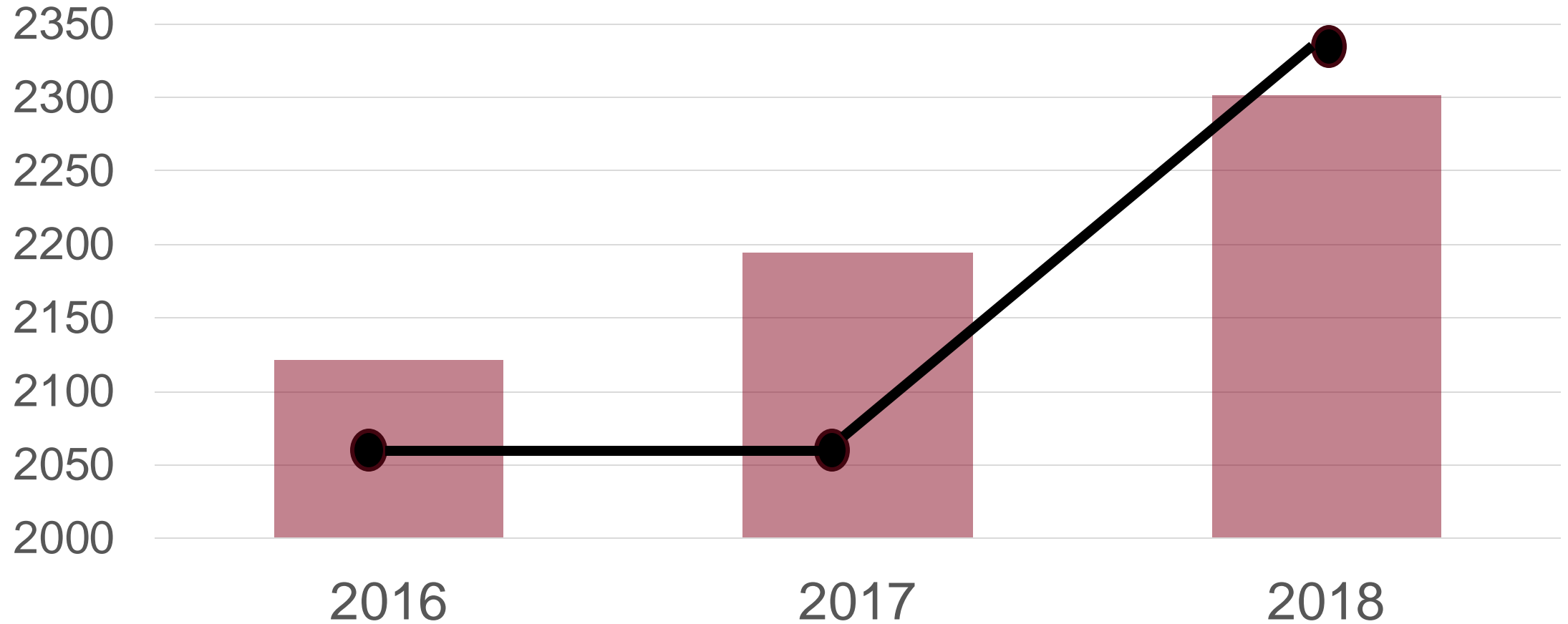
\$ Millions



Source: Montana Department of Revenue

General Fund Collections Also Back on Track

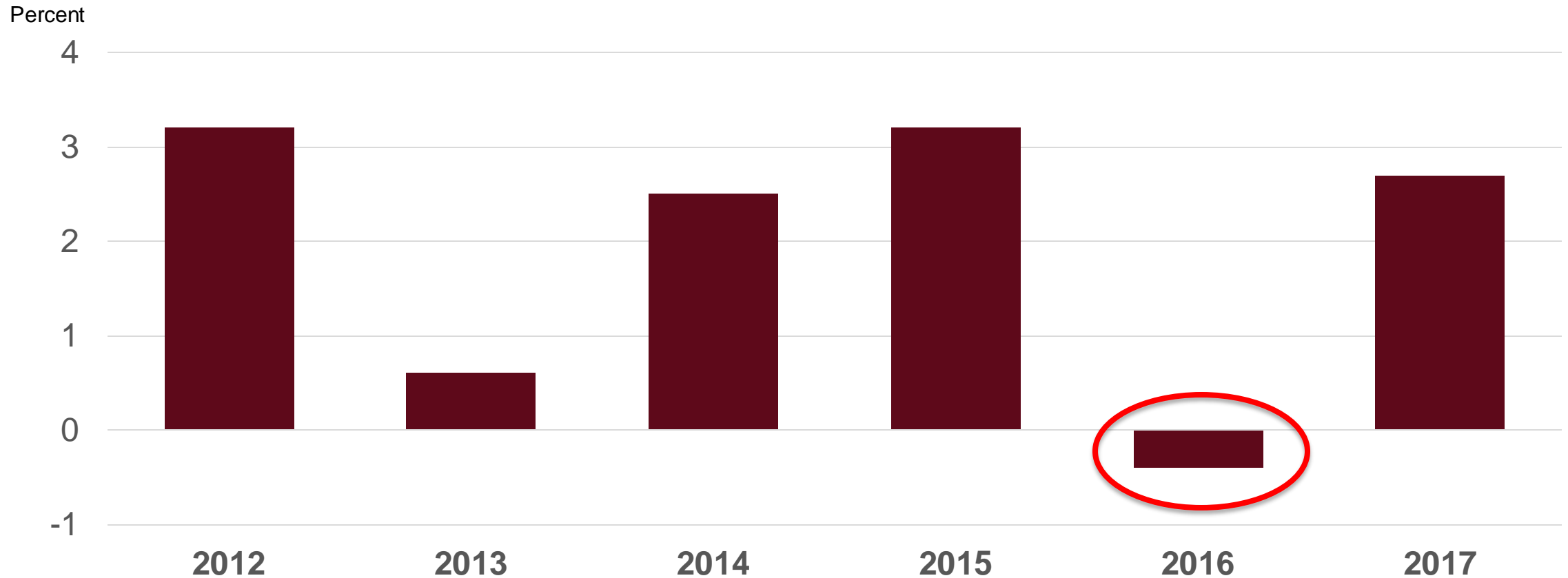
\$ Millions



Source: Montana Department of Revenue

State Economic Growth Stalled in 2016

Percent Growth, Inflation-Corrected Nonfarm Earnings, Montana



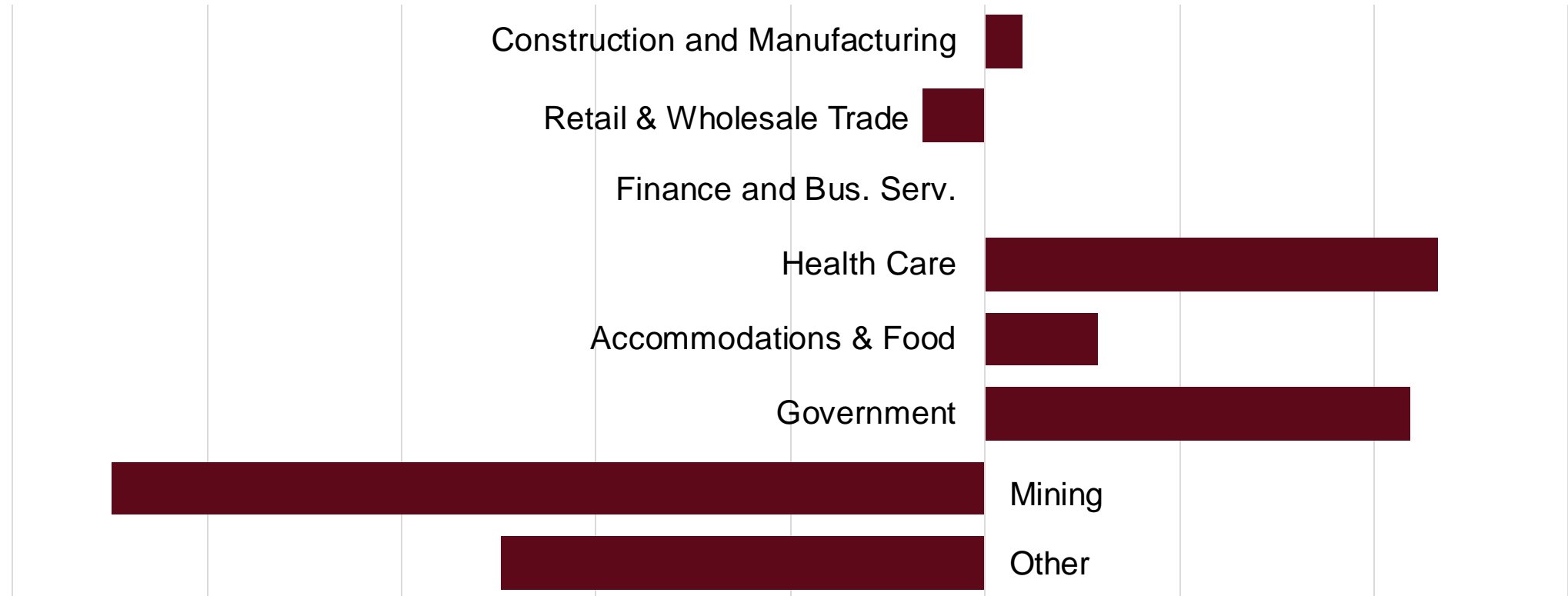
Source: U.S. Bureau of Economic Analysis

Growth Stall Was Centered in Natural Resources

Change in Inflation-Corrected Earnings by Industry, Montana, 2016

\$Millions

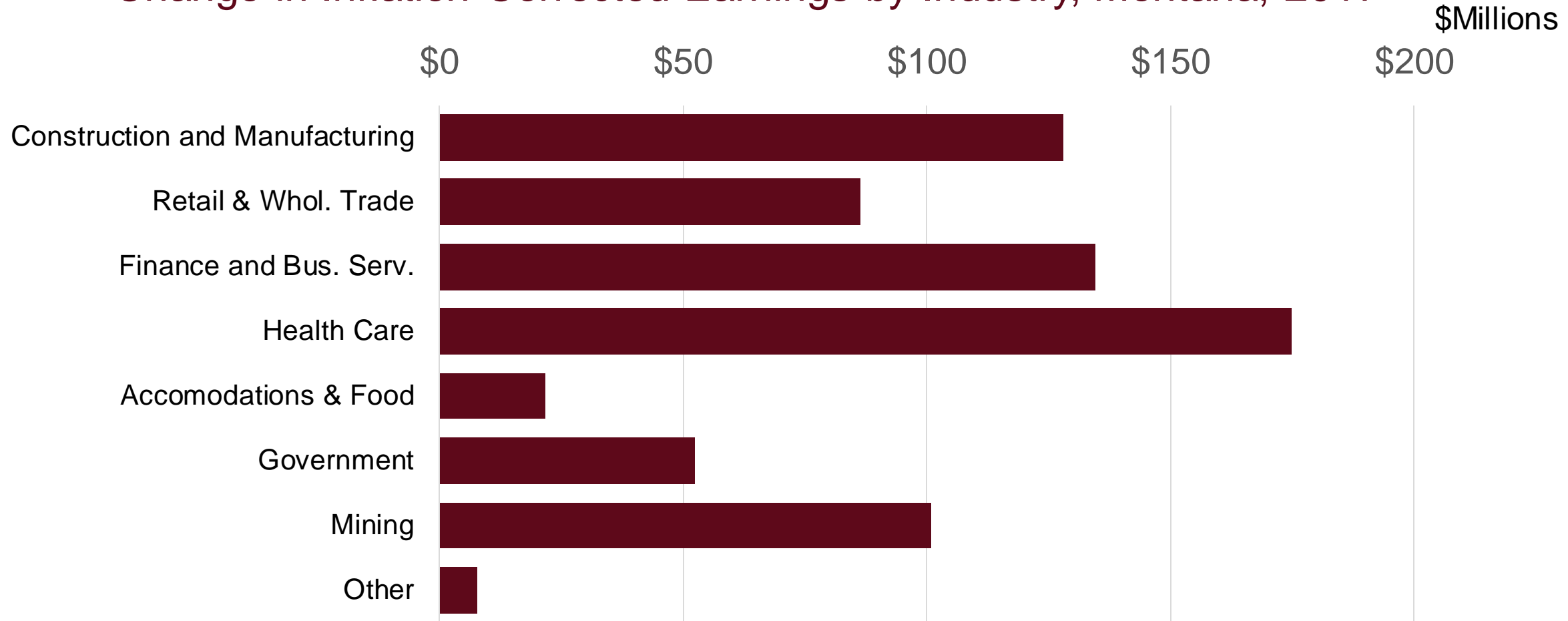
-\$250 -\$200 -\$150 -\$100 -\$50 \$0 \$50 \$100 \$150



Source: U.S. Bureau of Economic Analysis

Growth in 2017 Was Broad Based

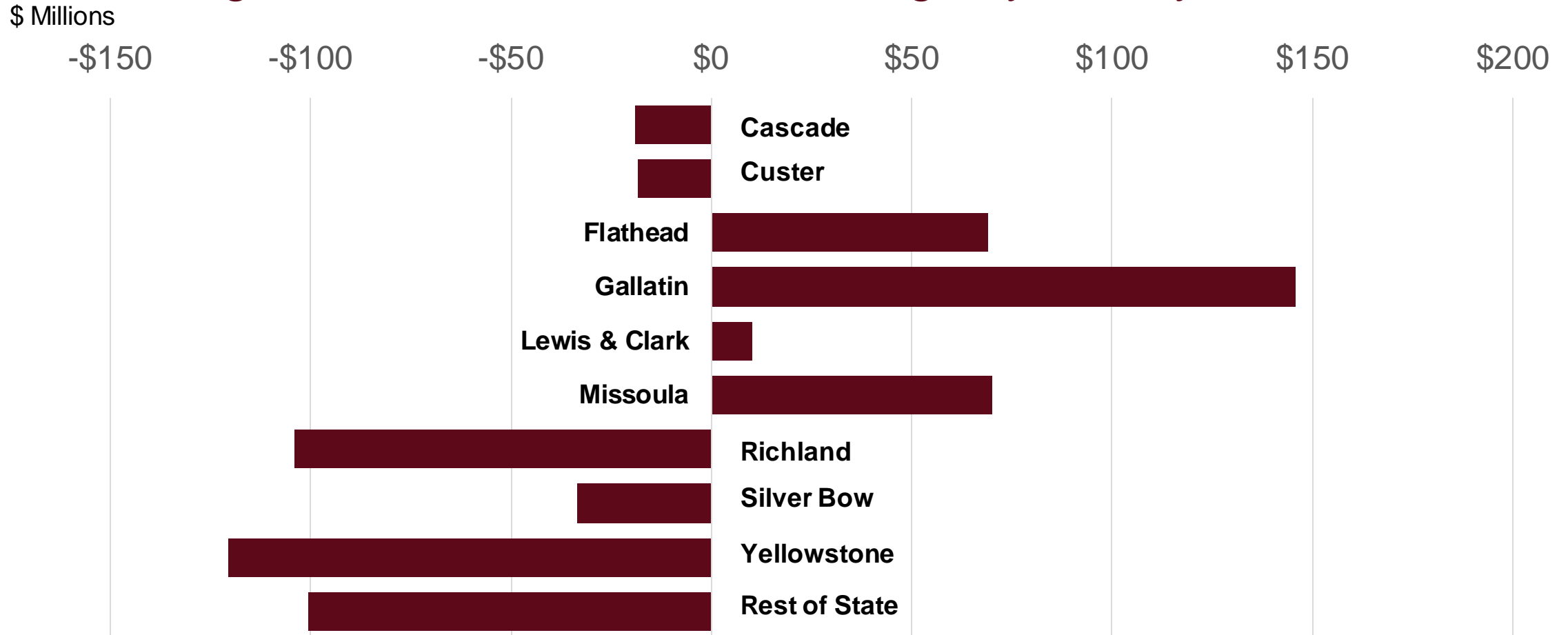
Change in Inflation-Corrected Earnings by Industry, Montana, 2017



Source: U.S. Bureau of Economic Analysis

Growth Suffered in the East in 2016

Change in Inflation-Corrected Earnings by County, Montana, 2016



Source: U.S. Bureau of Economic Analysis

Considerable Improvement in 2017

Change in Inflation-Corrected Earnings by County, Montana, 2017

\$ Millions

-\$50

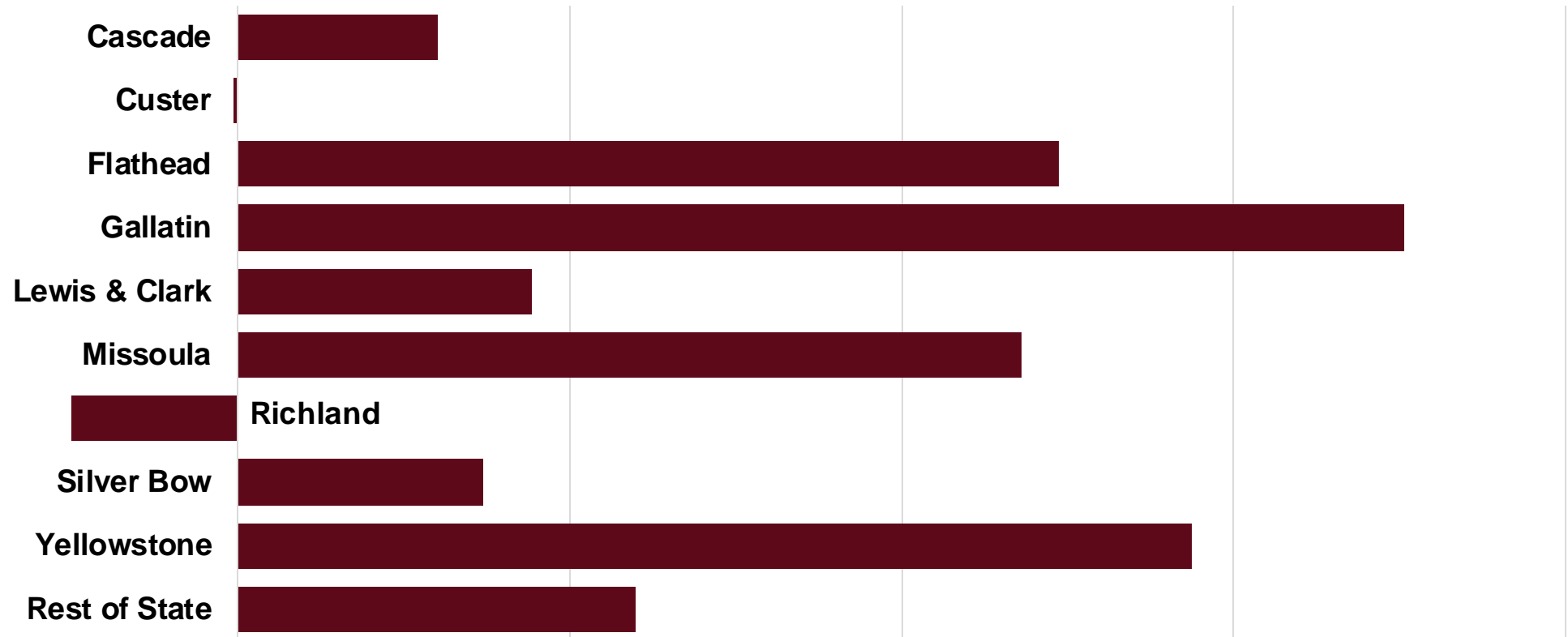
\$0

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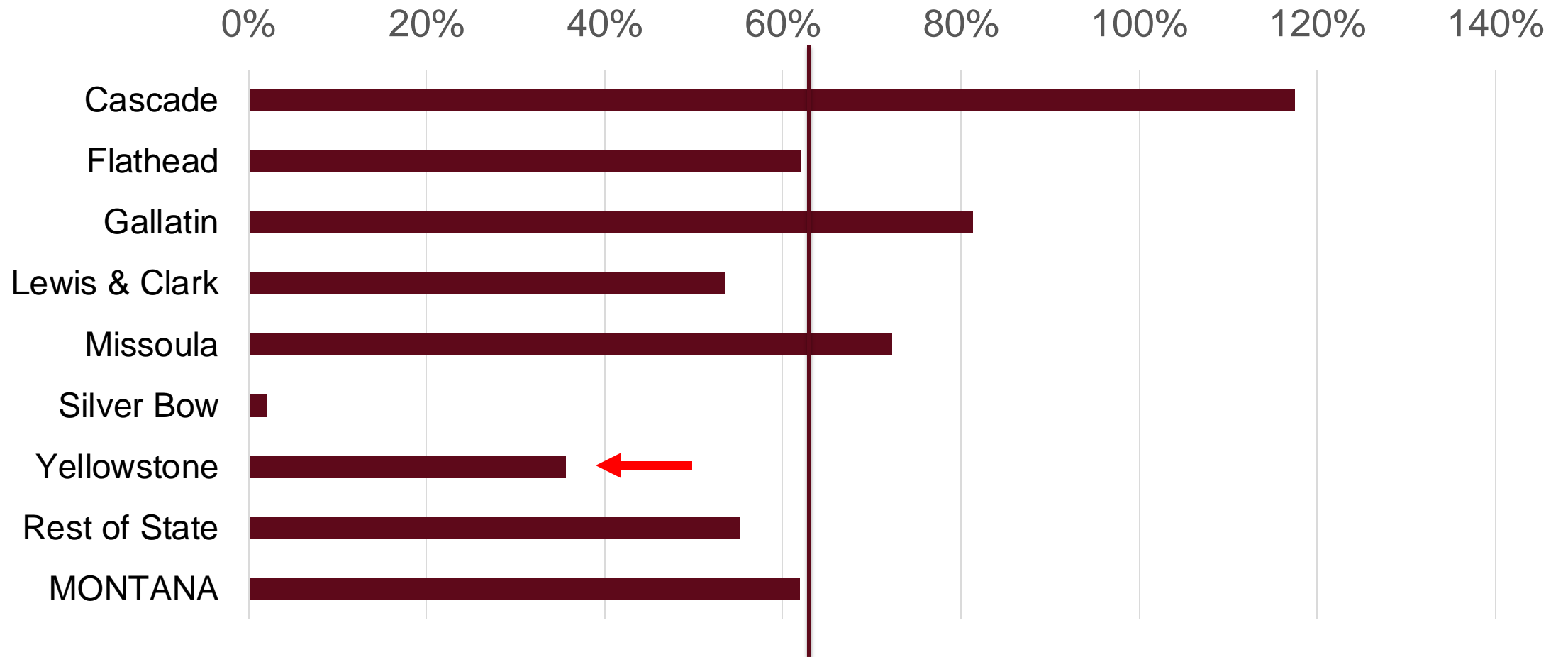


Source: U.S. Bureau of Economic Analysis



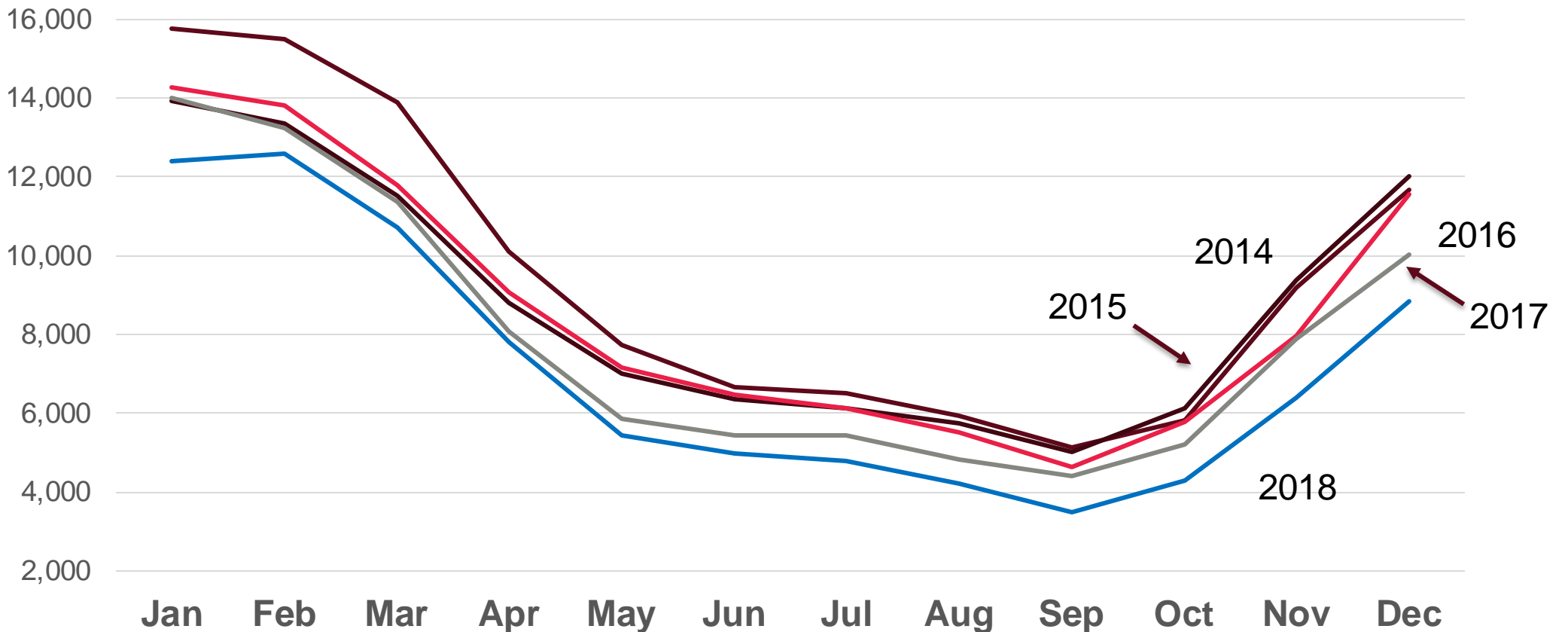
Rebound in 2017 Was Helped by Stronger Business Proprietor Income

Wage and Salaries Share of Total Earnings Growth, Percent



Montana Labor Market Still Tightening

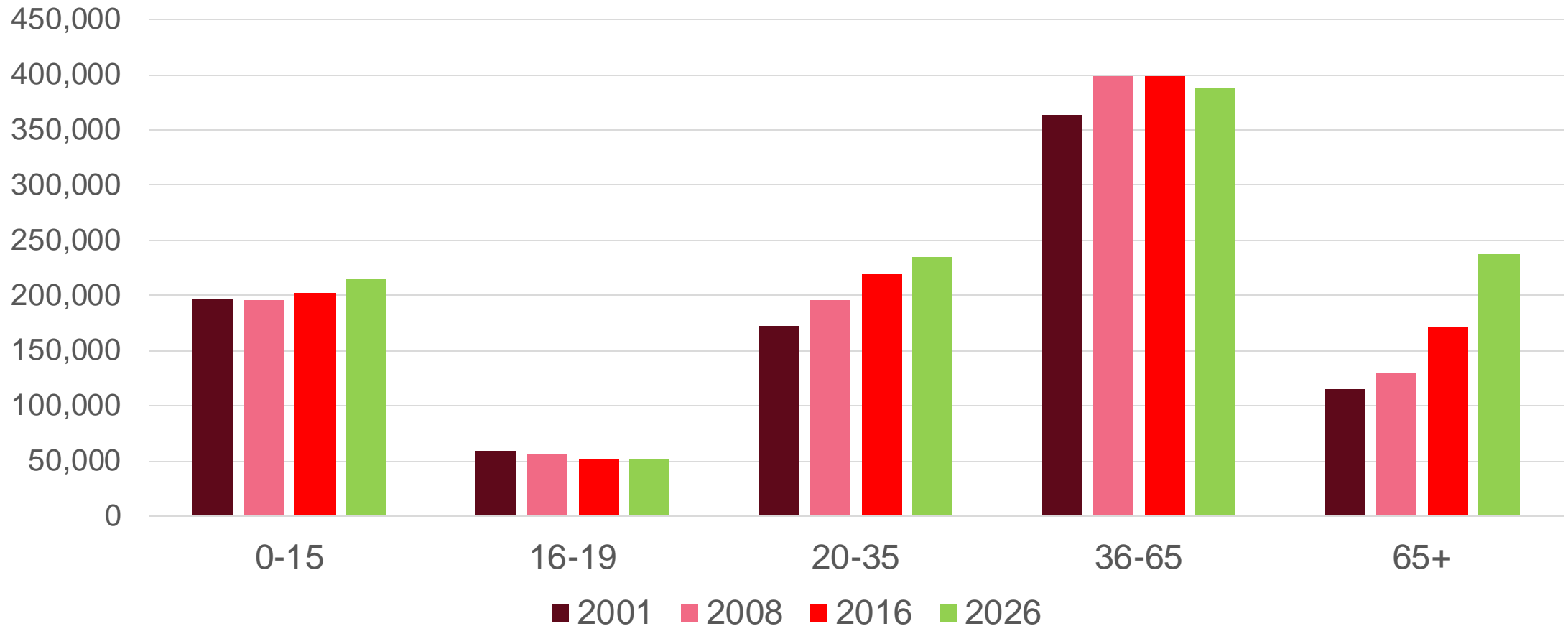
Unemployment Insurance Claims, 2014-18



Source: Montana Department of Labor and Industry

Growth in Population of Prime Age Workers Has Stagnated

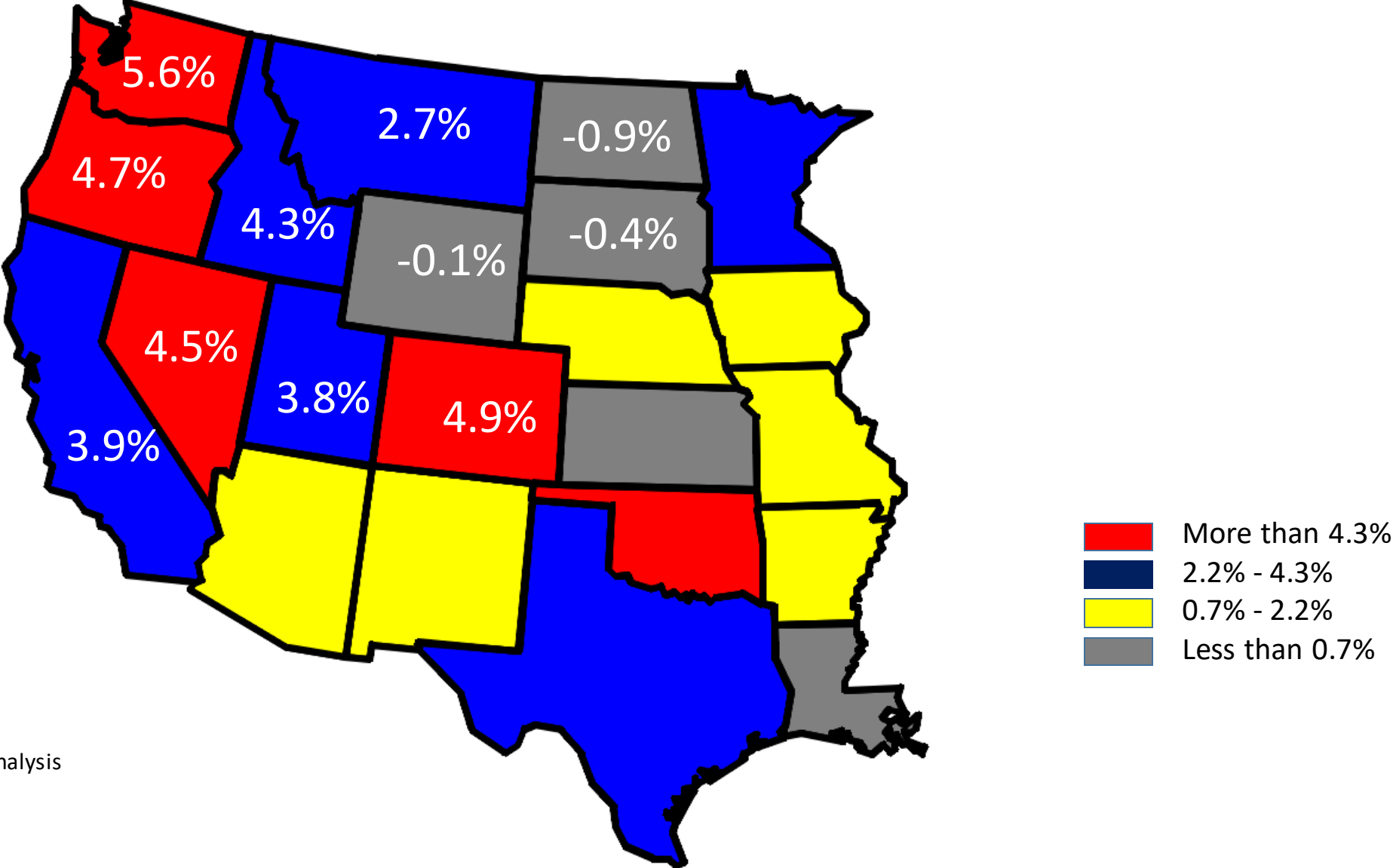
Montana Population by Age-Category, Selected Years



Source: UM Bureau of Business and Economic Research

Montana Growth is Low by Western Standards

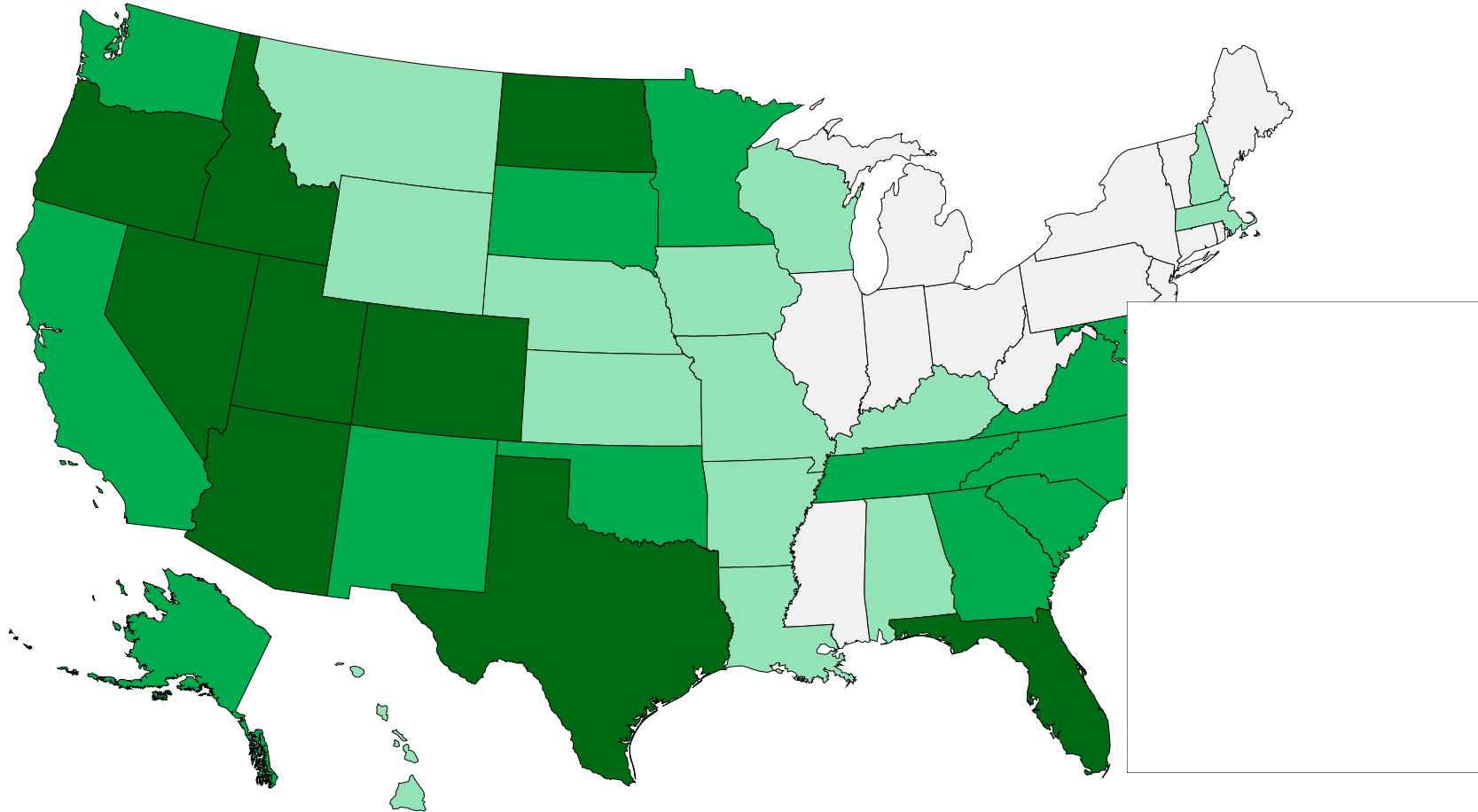
Percent Growth in Real Nonfarm Earnings, 2017



Source: U.S. Bureau of Economic Analysis

Medium-term job growth reflects changing demographics

Compound annual growth rate for employment, 2018-23



Source: IHS

High Tech is Growing – But What is It?

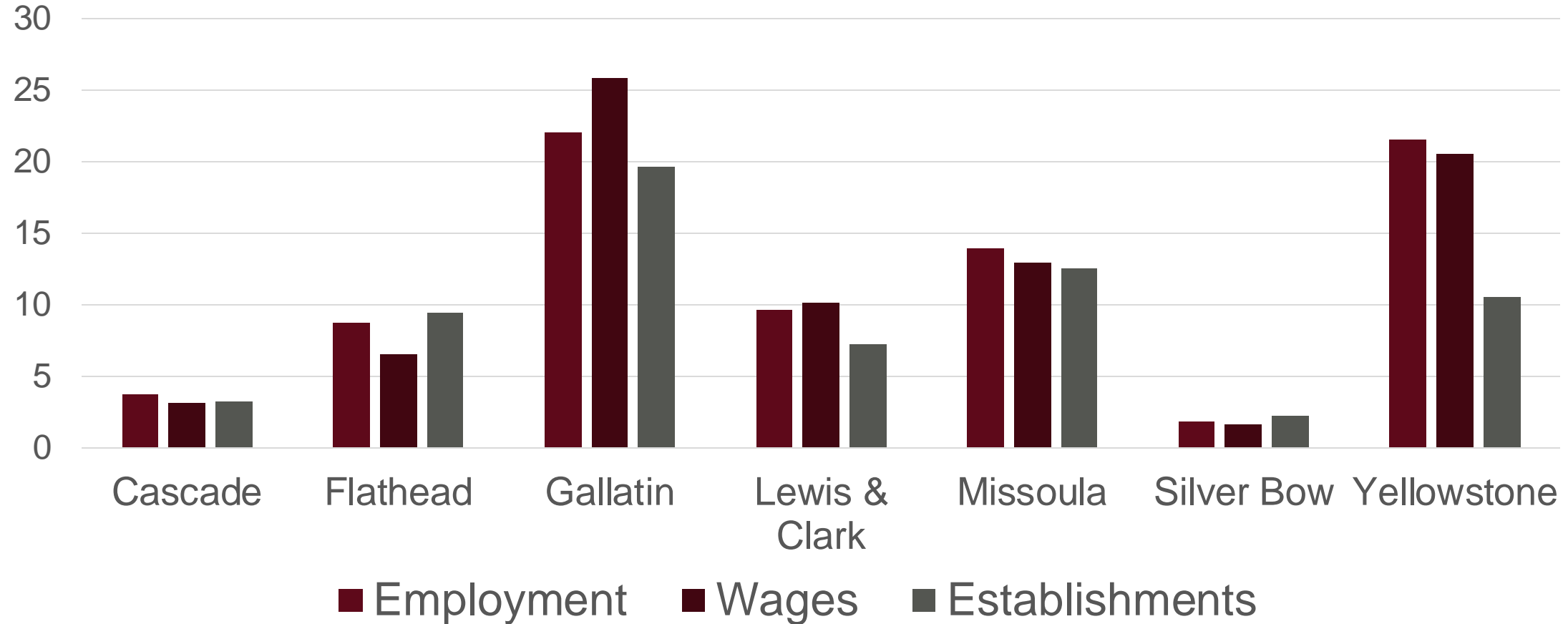
Industries Classified as High Tech in BBER Study

NAICS Code	Definition
3254	Pharmaceutical and medicine manufacturing
3341	Computer and peripheral equipment manufacturing
3342	Communications equipment manufacturing
3344	Semiconductor and electronic component manufacturing
3345	Electronic instrument manufacturing
3364	Aerospace product and parts manufacturing
5112	Software publishers
516	Internet publishing and broadcasting
517	Telecommunications
518	Data processing, hosting and related services
5413	Architectural and engineering services
5415	Computer systems design and related services
5417	Scientific research and development services

Source: A Profile of Montana's High Tech Industries (2018).

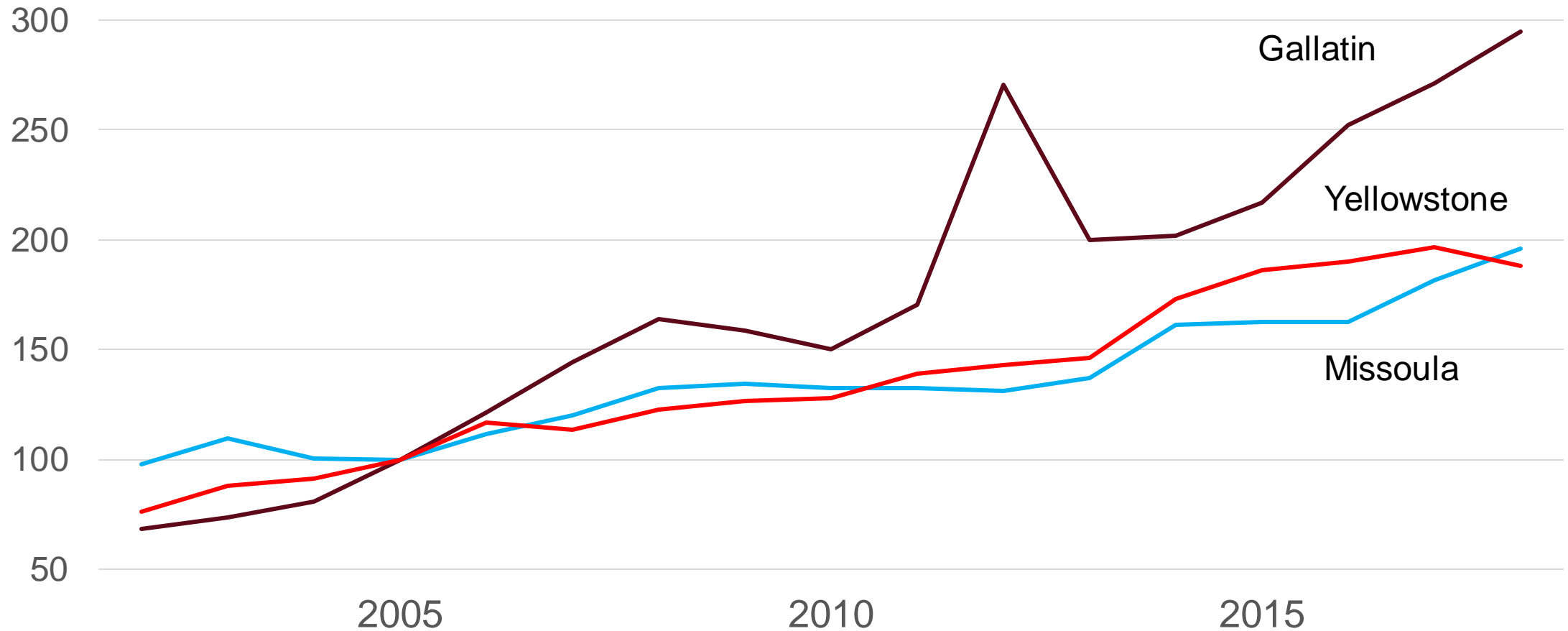
Gallatin, Yellowstone and Missoula Counties Have Largest High Tech Footprint

Percent of State



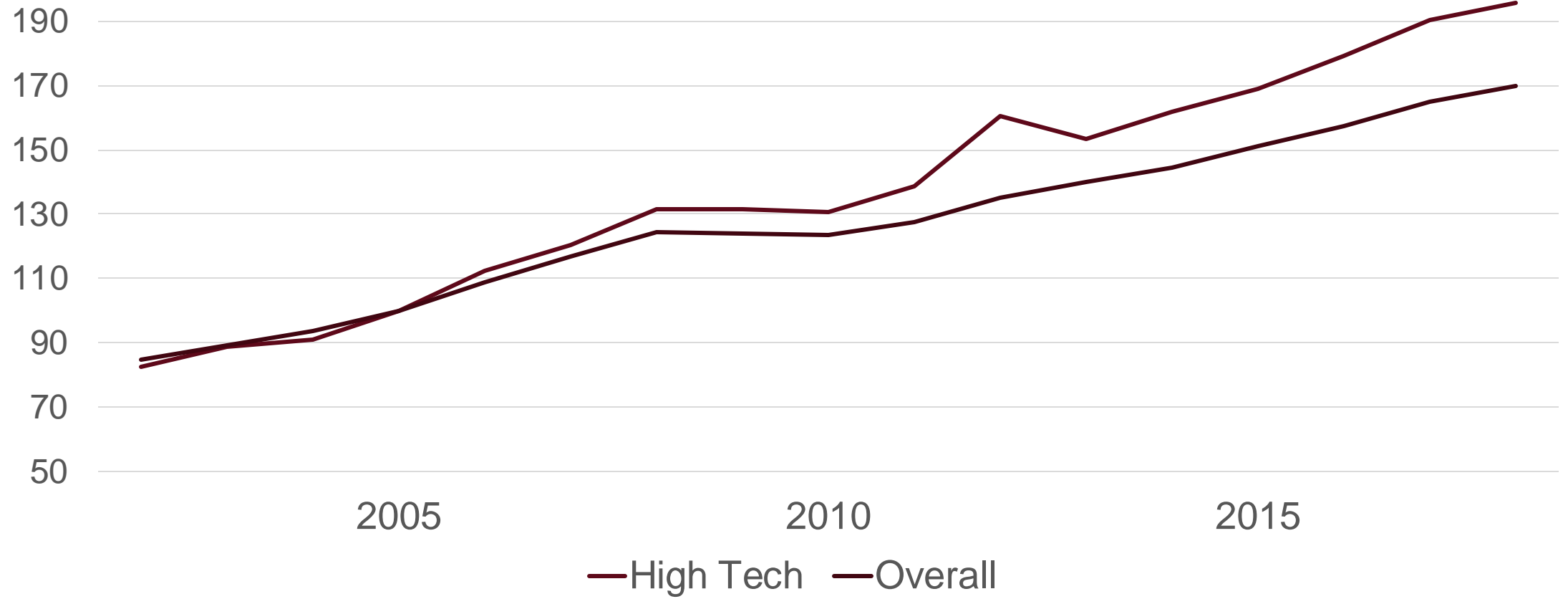
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Growth in High Tech Wages Since 2002



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Growth in High Tech Wages Since 2002 Outpacing Overall Total



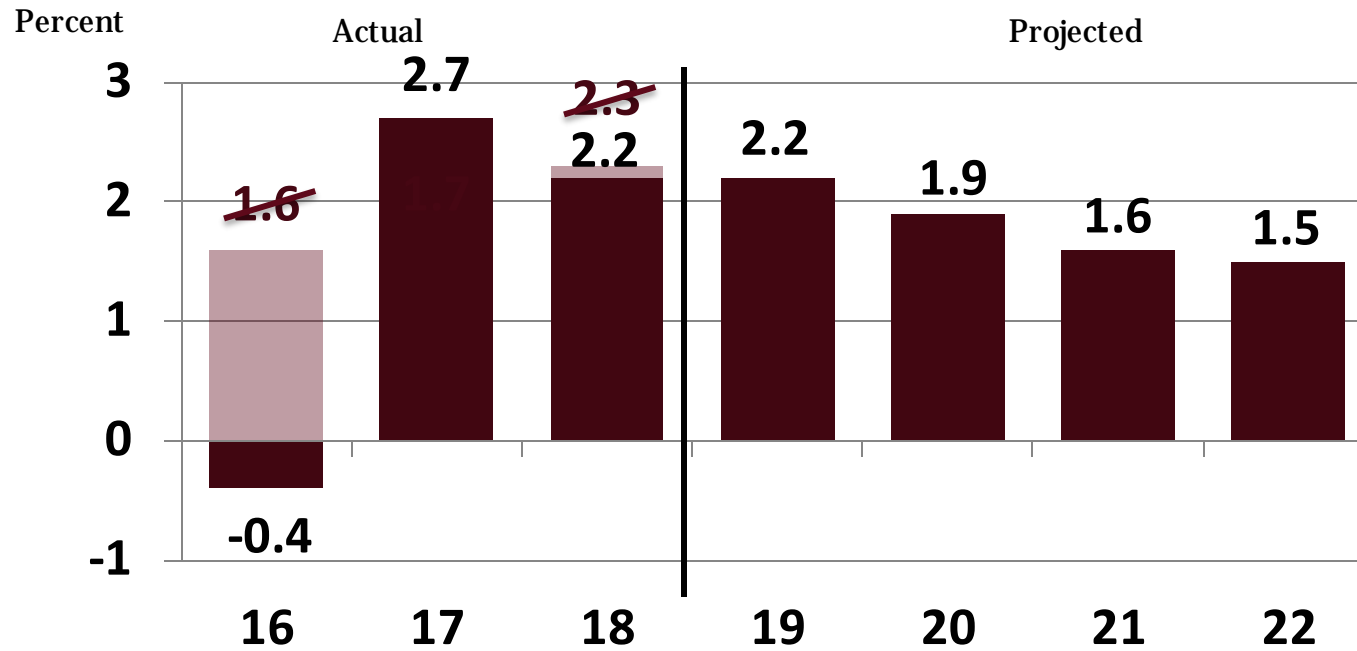
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Outlook for Montana's Key Industries

- Tech related businesses and construction remain healthy, especially in western Montana
- Farm bill passage helps farmers
- Uncertainties for energy and natural resource producers
- Real estate and financial institutions set for another good year
- Transportation industries slowly improving
- Tariff and trade challenges ahead?



Growth in Nonfarm Earnings, Montana, 2016-22



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