The Economic Outlook for the U.S. and Montana

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The Ice is Getting Thinner For Maintaining US Growth

• Challenges are stacking up for the U.S. economy
• Current growth stall is not a recession, but it could turn into one
• The Federal Reserve will need to act boldly to head off an entrenched inflationary surge, can it really do it?
• The view out the rear view mirror looks great, its what is ahead that is troubling
Consumer Spending is the Only Constant in U.S. Growth

Contribution to Growth in Real Gross Domestic Product, Percent
Realized Output Gap vs. Fiscal Stimulus

Billions of Inflation-Corrected Dollars

The Federal Reserve’s Policy Error in a Picture

Federal Funds Rate

Inflation Rate (Core CPI)


Montana Economic Outlook
Consumer Spending Heavily Tilted Towards Goods
Personal Consumption Expenditures by Category, Index, 2018Q1=100

Source: Bureau of Economic Analysis
Slower U.S. Growth Shows Up Sooner Than Predicted
Percent Growth, Real Gross Domestic Product, 2021Q4 – 2023Q4

Source: S&P Global
Unemployment Rates Do Not Include Labor Force Dropouts

Labor Force Participation Rate, Montana, Percent


13,000 Workers
Labor Market Dropouts More Prevalent Among Older Workers

November 2021 Labor Force Participation Rate As Percent of Pre-Pandemic Rate, By Age, U.S.

<table>
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<tr>
<th>Age</th>
<th>20-24</th>
<th>25-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55+</th>
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5% Decline
Mountain West States Attract Migrants From Other States

Net Domestic Migration as a Percent of 2020 Population, 2021
2020 Was A Year to Work From Home

Percent of Workforce Working from Home, 2019-2020

Source: U.S. Census 1-Year ACS PUMS
Gallatin County Net Population Migration since 2012

From (to) other state

From (to) other MT county
Housing Price Growth
Since 2020, Mountain West States
Housing Price Growth Strongest in the West
Housing Price Index by Zip Code, Percent Growth, 2016-21

Source: Federal Housing Finance Agency
Montana Building Permits, 2010-2022

Multi family units

Single family homes

Permit Housing Units


YTD
June 22
Home Prices Continue Surging in 2022

Yellowstone County Market Statistics

Number of Sales

Median Sale Price

Days on Market

Source: Billings Association of Realtors
Home Prices Continue Surging in 2022

Gallatin County Market Statistics for Single Family Homes

Source: Big Sky Country Multiple Listing Service.

Gallatin Outlook
Prices Surge in 2022

Silver Bow County Market Statistics

Number of Sales

11 13 15 17 19 21

100 200 300 400 500 600 700

$90,000

$140,000

$190,000

$240,000

$290,000

Median Sale Price

11

12

13

14

15

16

17

18

19

20

21

22 YTD

Median Days on Market

17 18 19 20 21 22

0 5 10 15 20 25 30 35

Source: Big Sky Country Multiple Listing Service

Silver Bow Outlook
Home Prices Continued Surging in 2022

Lewis & Clark County Market Statistics for Single Family Homes

Source: Montana Regional MLS.
Real Estate Markets Are Hot
Cascade County Market Statistics for Single Family Homes

Number of Sales
- Source: Great Falls Association of Realtors.

Median Sale Price

Days on Market

Source: Great Falls Association of Realtors.
Home Prices Surged in 2021

Missoula County Market Statistics for Single Family Homes

Source: Montana Regional MLS.
Housing Prices Continue to Rise in 2022
Flathead County Market Statistics for Single Family Homes

Number of Sales

Median Sale Price

Days on Market

Source: Montana Regional MLS.
The Montana Economy Had a Great Year

• Strong gains in income, re-opening of services economy produced significant gains
• A big year for visitor spending
• Population in-migration is being felt
• Commodity price surges helped some industries more than others
• Energy and agriculture will not want to repeat 2021
Wages and Employment, Montana, 2018Q1 – 2021Q4
Seasonally Adjusted Index, 2018Q1 = 100

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages
Montana Tax Collections are Booming

Note: Years shown are fiscal years, July - June.
Montana Economic Outlook

Job Gains by Sector, Montana, 2020 – 2021

- Construction and Manufacturing
- Retail & Whol. Trade
- Finance and Bus. Serv.
- Health Care
- Accommodations & Food
- Public Admin.
- Mining
- Other

Source: Quarterly Census of Employment and Wages
Montana Economic Outlook

Wage Loss/Growth by Sector, Montana, 2020 – 2021

Millions of Dollars

-150 -100 -50 0 50 100 150 200 250 300 350

Construction and Manufacturing
Retail & Whol. Trade
Finance and Bus. Serv.
Health Care
Accommodations & Food
Public Admin.
Mining
Other

Source: Quarterly Census of Employment and Wages
Montana Growth Last Year Was Unbalanced

Growth in Real Wages, 2021, Millions of Dollars

- Fifty million dollars
- 0
- Fifty million dollars
- One hundred million dollars
- One hundred and fifty million dollars
- Two hundred million dollars

Cascade
Flathead
Gallatin
Lewis and Clark
Missoula
Silver Bow
Yellowstone
Rest of Montana

Source: Bureau of Business and Economic Research
Montana Economic Outlook

Wage Loss/Growth by Sector, Gallatin County, 2020 – 2021

Source: Quarterly Census of Employment and Wages
Wage Loss/Growth by Sector, Silver Bow County, 2020 – 2021

Source: Quarterly Census of Employment and Wages
Wage Loss/Growth by Sector, Cascade County, 2020 – 2021

Millions of Dollars

-10 -8 -6 -4 -2 0 2 4 6 8 10

Construction and Manufacturing
Retail & Whol. Trade
Finance and Bus. Serv.
Health Care
Accommodations & Food
Public Admin.
Mining
Other

Source: Quarterly Census of Employment and Wages
Wage Loss/Growth by Sector, Missoula County, 2020 – 2021

Millions of Dollars

-10  -5  0  5  10  15  20  25  30

Construction and Manufacturing
Retail & Whol. Trade
Finance and Bus. Serv.
Health Care
Accommodations & Food
Public Admin.
Mining
Other

Source: Quarterly Census of Employment and Wages
Wage Loss/Growth by Sector, Flathead County, 2020 – 2021

Source: Quarterly Census of Employment and Wages
Travel and Tourism Indicators Have Stabilized

Enplanements as Percent of 2019 Levels

Google Mobility Index, Percentage Change from Baseline

Source: U.S. Bureau of Transportation Statistics

Source: Google
Montana Oil Production Had a Wild Year in 2021
Outlook for Montana

- Inflation is taming the tsunami of demand
- Political pressure to ease monetary tightening will be intense
- Shift to lower growth will be an unwelcome surprise to many
- Montana will continue to benefit from migration trends
- Supply chains will heal, but housing markets will remain stressed
Montana’s Economic Recovery

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

Employment Growth, Percent

Wage and Salary Growth, Pct.

Personal Income Growth, Pct.

Source: IHS Markit