The Boom Begins to Slow

Updating the Outlook for the U.S. and Montana Economies

Patrick M. Barkey, Director
Bureau of Business & Economic Research
University of Montana
Another Disappointing Year for the U.S. Economy

• U.S. economy grew by 1 percent in the first half of 2014
• Housing growth underwhelms
• Change at the Federal Reserve
• Autos and manufacturing are bright spots
• Inflation remains benign
• The crux of the problem – labor markets
Payroll Vacancies (JOLTS)
Hires (JOLTS)
NFIB hiring plans
Job Availability
Quits (JOLTS)
Unemployed Marginally attached workers
Job Finding Rate
Work part time for Economic reasons
Initial Claims
Difficult to fill (NFIB)
Temporary Help Services Employment
Utilization
Leading Indicators
Employer Behavior
Confidence

2007Q4 = 100
2009Q4 = 0
June 2012
June 2013
June 2014

Source: Atlanta Federal Reserve Bank
Pattern of Job Recovery Holding Back Wage Growth

Percent Change in Employment During Recession and Recovery

Source: Moody’s Analytics, U.S. Bureau of Labor Statistics
Low Wage Growth Holding Back Home Construction
U.S. Housing Starts, Seasonally Adjusted Annual Rate, Thousands

Source: U.S. Census Bureau
Housing Starts
2013

The map shows the number of housing starts in each county in Montana for the year 2013. The counties are color-coded based on the number of housing starts, with different shades indicating ranges from less than 11 to over 71 starts. The map includes all 56 counties, with a key at the bottom indicating the color-coded ranges.
Housing Starts
2013 as Percent of 2004

[Map showing the percentage of housing starts in 2013 compared to 2004 for each county in Montana. Each county is color-coded to represent different percentage ranges.]
Factories Are Hiring to Meet Demand
U.S. New Orders and Employment for Manufacturing

Source: economy.com
Getting a Read on the Montana Economy

- More complete information on 2013 depicts slower growth in Montana than previously thought
- Government contraction, commodity price softening showing up in state economy
- Slower momentum carrying into 2014 evident from state tax collections
Percent Growth in Real Earnings by Industry, Montana

<table>
<thead>
<tr>
<th>Industry</th>
<th>Year 11</th>
<th>Year 12</th>
<th>Year 13</th>
<th>Percent Growth</th>
<th>2007 Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Non-Farm</td>
<td></td>
<td></td>
<td></td>
<td>2.2%</td>
<td>107.8%</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
<td>8.1%</td>
<td>86.6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
<td></td>
<td>3.6%</td>
<td>92.2%</td>
</tr>
<tr>
<td>Prof. Services</td>
<td></td>
<td></td>
<td></td>
<td>-2.1%</td>
<td>111.6%</td>
</tr>
<tr>
<td>Mining</td>
<td></td>
<td></td>
<td></td>
<td>2.0%</td>
<td>167.4%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td></td>
<td></td>
<td></td>
<td>2.0%</td>
<td>98.4%</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Economic Analysis
Percent Growth in Real Earnings by Industry, Montana

114.8% of 2007 Level
Transportation 3.7%

114.5% of 2007 Level
Accommodations & Food 4.4%

122.8% of 2007 Level
Health Care 4.9%

122.0% of 2007 Level
Education 6.1%

103.7% of 2007 Level
Administrative Support -9.7%

104.4% of 2007 Level
Government -1.8%

Source: U.S. Bureau of Economic Analysis
Job Growth Across the State, 2012-13
Wage Growth Pattern Differs
Percent Growth in Real Wages, 2012-13
Housing Starts as Percent of 2004, Montana and Yellowstone County

Source: University of Montana Bureau of Business and Economic Research
Payroll Employment
Yellowstone County

Index, 2007Q2=100
State Tax Collections Give First Glimpse of 2014 Growth

**Income Tax Withholding**
- FY12: 4.2%
- FY13: 4.9%
- FY14: 4.2%

**Tourism-Related Taxes**
- FY12: 4.9%
- FY13: 4.9%
- FY14: 4.9%

**Metal Mining Taxes**
- FY12: -20.9%
- FY13: -20.9%
- FY14: -20.9%

**Oil and Gas Production Taxes**
- FY12: 10.9%
- FY13: 10.9%
- FY14: 10.9%
Labor Income and Basic Industries, Montana

Updated Prospects

- Strong Growth
- Challenges Ahead
- Smaller But Healthier
- Good Prospects
- Durable Growth
- Paul Polzin
- Disappointing
- Unknown
- Unexpected
- Declines

Energy, 13%
Mining, 6%
Wood and Paper, 3%
Ag. and Related, 13%
Travel, 11%
Other Manufacturing, 11%
Transportation, 11%
Fed. Military, 9%
Fed. Civilian, 22%
Change in Nonfarm Earnings, Montana, 2011-2017
Questions?