The Boom Begins to Slow

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

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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
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

[Map showing housing starts by county in Montana, with counties color-coded to indicate the number of starts: Less than 11, 11 - 24, 24 - 71, 71 or more. Counties are labeled and the number of starts is indicated.]
Housing Starts
2013 as Percent of 2004
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

- **Total Non-Farm**: 2.2% growth, 107.8% of 2007 level
- **Construction**: 8.1% growth, 86.6% of 2007 level
- **Manufacturing**: 3.6% growth, 92.2% of 2007 level
- **Prof. Services**: -2.1% growth, 111.6% of 2007 level
- **Mining**: 2.0% growth, 167.4% of 2007 level
- **Retail Trade**: 2.0% growth, 98.4% of 2007 level

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

Transportation: 3.7% growth, 114.8% of 2007 level
Accommodations & Food: 4.4% growth, 114.5% of 2007 level
Health Care: 4.9% growth, 122.8% of 2007 level
Education: 6.1% growth, 122.0% of 2007 level
Administrative Support: -9.7% growth, 103.7% of 2007 level
Government: -1.8% growth, 104.4% of 2007 level

Source: U.S. Bureau of Economic Analysis
Job Growth Across the State, 2012-13

- Cascade
- Flathead
- Gallatin
- Lewis & Clark
- Missoula
- Silver Bow
- Yellowstone
- Rest of State
Wage Growth Pattern Differs
Percent Growth in Real Wages, 2012-13
Housing Starts as Percent of 2004, Montana and Gallatin County

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

Index, 2007Q2=100

Montana
Gallatin
State Tax Collections Give First Glimpse of 2014 Growth

Income Tax Withholding

- FY12: [Bar]
- FY13: [Bar]
- FY14: 4.2%

Tourism-Related Taxes

- FY12: [Bar]
- FY13: [Bar]
- FY14: 4.9%

Metal Mining Taxes

- FY12: [Bar]
- FY13: [Bar]
- FY14: -20.9%

Oil and Gas Production Taxes

- FY12: [Bar]
- FY13: [Bar]
- FY14: 10.9%
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%

Strong Growth
Challenges Ahead
Smaller But Healthier
Good Prospects
Durable Growth
Paul Polzin
Disappointing
Unknown
Unexpected Declines
Change in Nonfarm Earnings, Montana, 2011-2017

Actual

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Questions?