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
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
Difficult to fill (NFIB)
Initial Claims
Temporary Help Services
Employment
Payroll
Vacancies (JOLTS)
Hires (JOLTS)
NFIB hiring plans
Conference Board
Employer Behavior
Job Availability
Confidence
Leading Indicators
Utilization
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

[Map of Montana showing housing starts by county, with different colors representing different ranges of starts: Less than 11, 11 - 24, 24 - 71, 71 and above.]
Housing Starts
2013 as Percent of 2004
Factories Are Hiring to Meet Demand
U.S. New Orders and Employment for Manufacturing
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% increase, 114.8% of 2007 level
Accommodations & Food: 4.4% increase, 114.5% of 2007 level
Health Care: 4.9% increase, 122.8% of 2007 level
Education: 6.1% increase, 122.0% of 2007 level
Administrative Support: -9.7% decrease, 103.7% of 2007 level
Government: -1.8% decrease, 104.4% of 2007 level

Source: U.S. Bureau of Economic Analysis
Wage Growth Pattern Differs
Percent Growth in Real Wages, 2012-13

- Cascade
- Flathead
- Gallatin
- Lewis & Clark
- Missoula
- Silver Bow
- Yellowstone
- Rest of State
Southwest Montana Growth in Real Wages, 2012-2013, $ Millions

- Total
- Agriculture
- Mining
- Utilities
- Construction
- Manufacturing
- Wholesale Trade
- Retail Trade
- Transportation & Warehousing
- Information
- Finance
- Real Estate
- Professional Business Services
- Management of Companies
- Administrative Support
- Education
- Health Care
- Arts & Entertainment
- Accommodations & Food
- Other Services
- Public Administration
State Tax Collections Give First Glimpse of 2014 Growth

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

- **Tourism-Related Taxes**
  - FY12: 4.9%
  - FY13: 4.9%
  - FY14: 10.9%

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

- **Oil and Gas Production Taxes**
  - FY12: 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

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Questions?