

The Boom Begins to Slow

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

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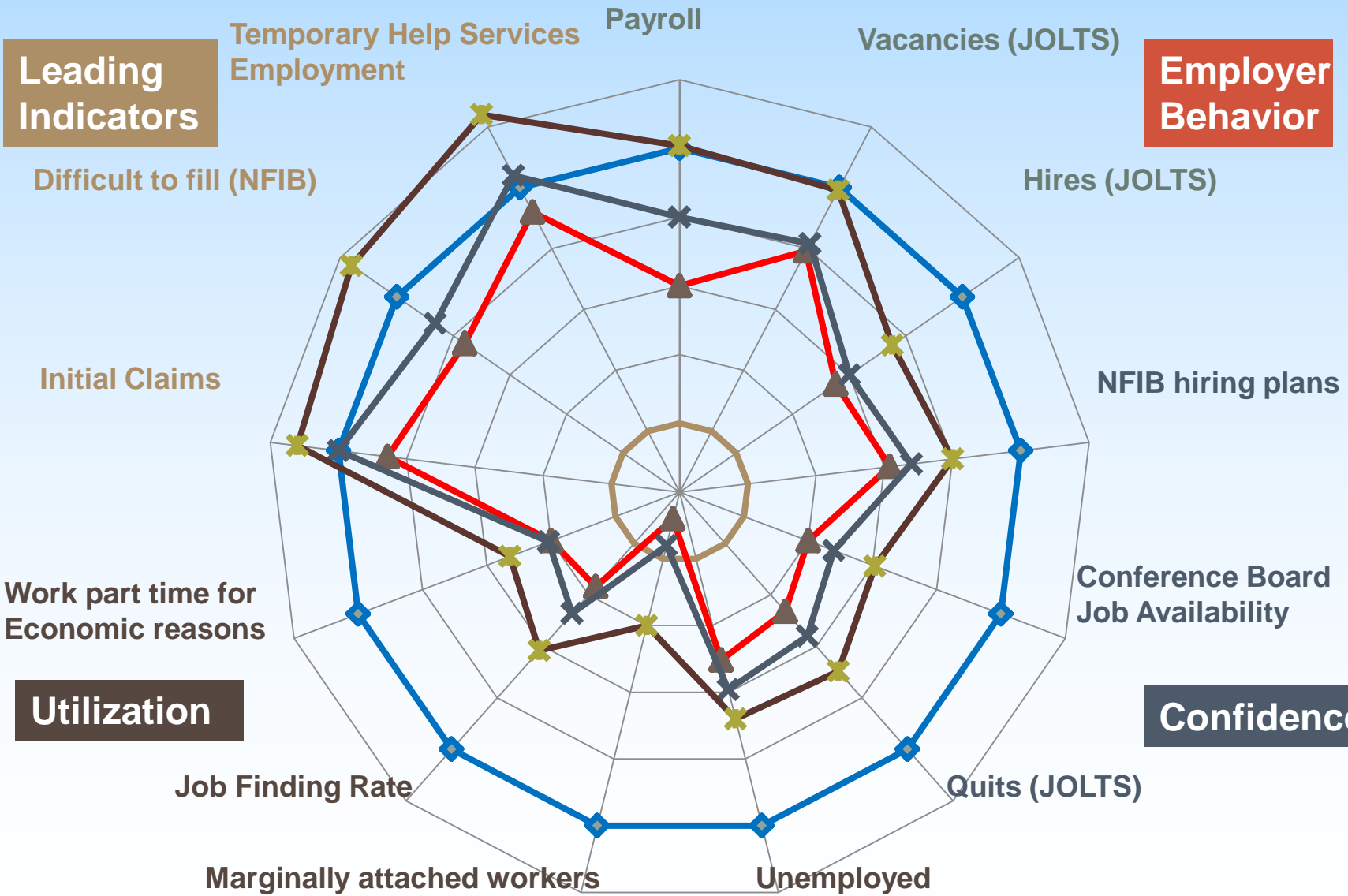


Another Disappointing Year for the U.S. Economy

- 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



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2007Q4 = 100

2009Q4 = 0

June 2012

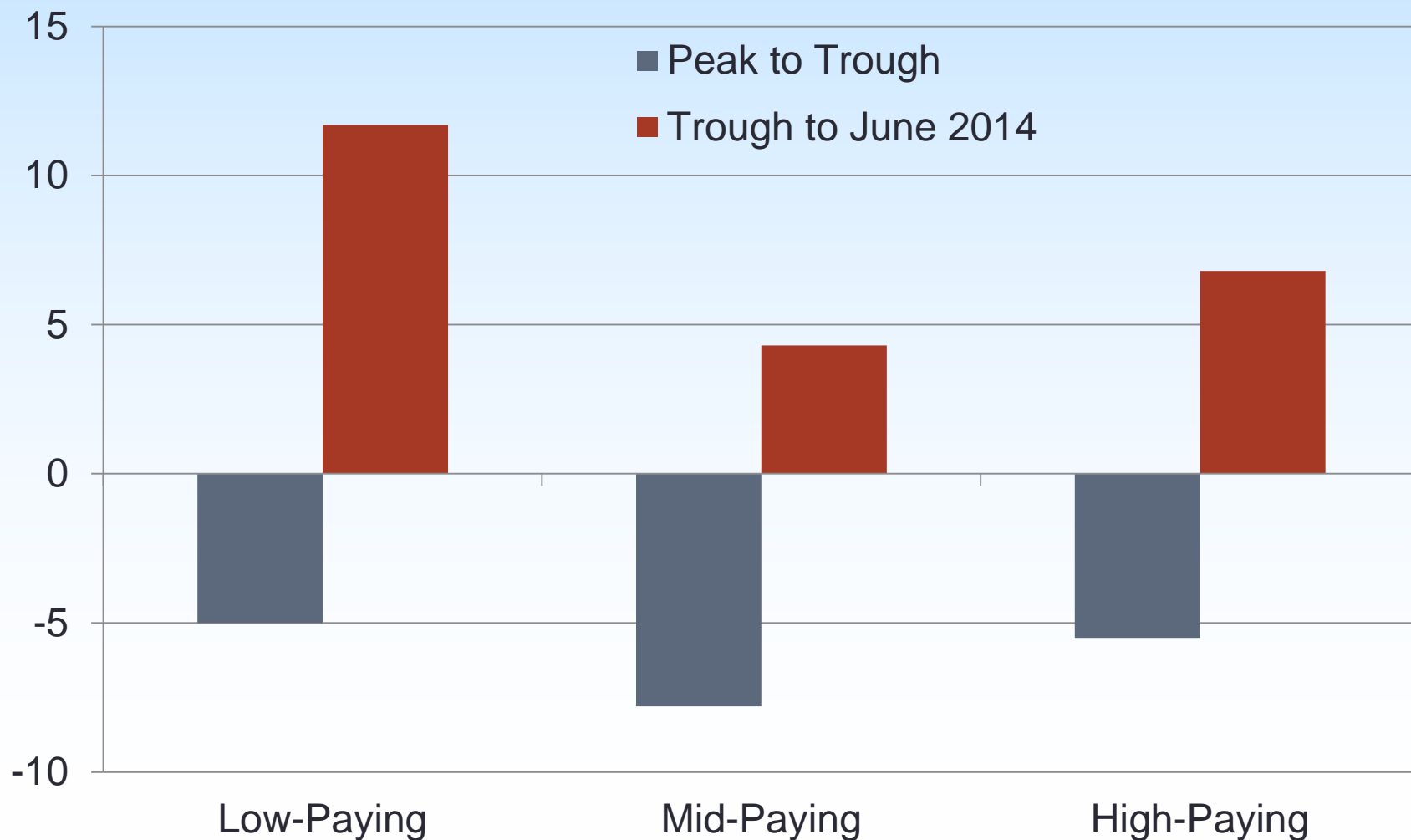
June 2013

June 2014

Source: Atlanta Federal Reserve Bank

Pattern of Job Recovery Holding Back Wage Growth

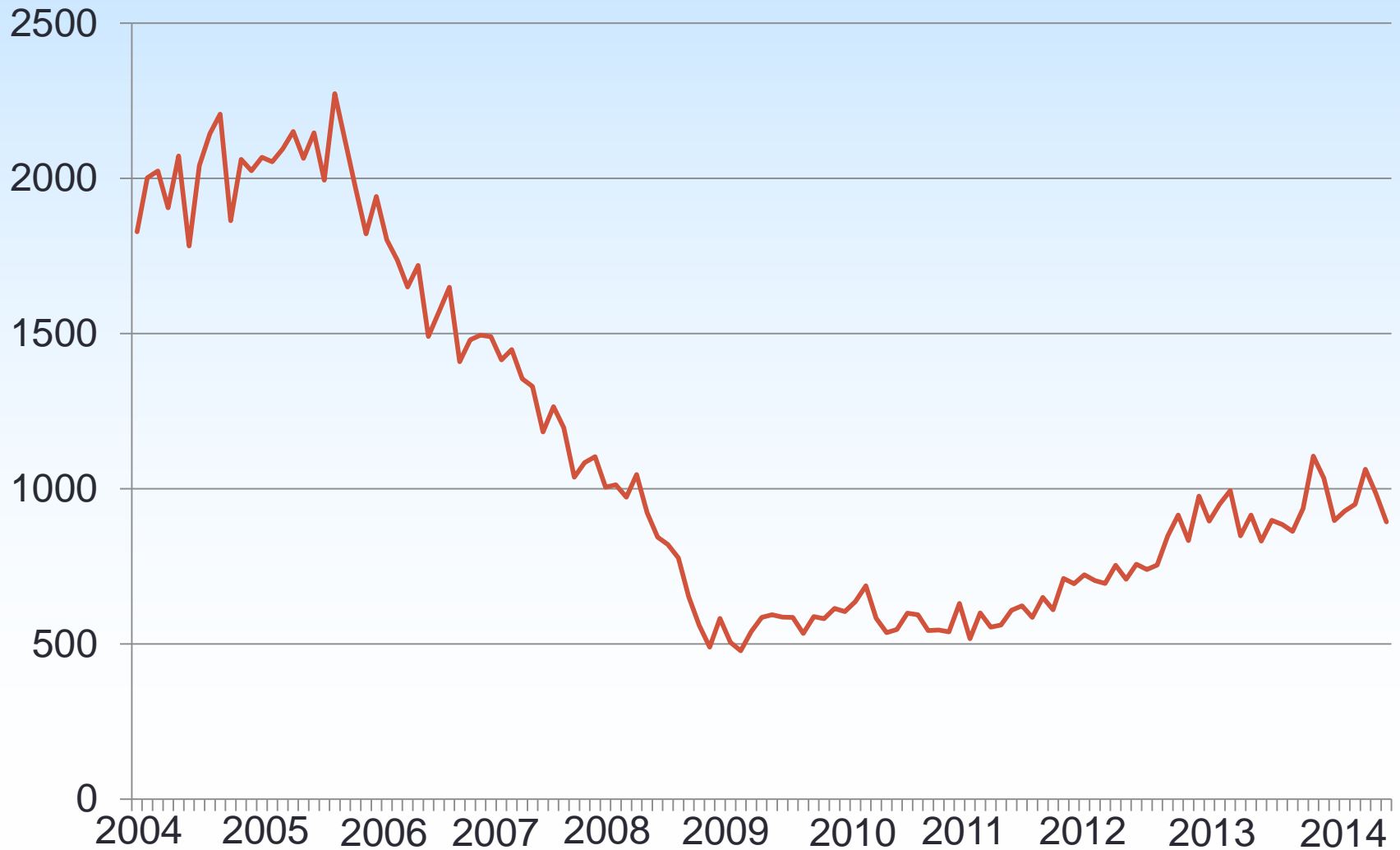
Percent Change in Employment During Recession and Recovery



Source: Moody's Analytics, U.S. Bureau of Labor Statistics

Low Wage Growth Holding Back Home Construction

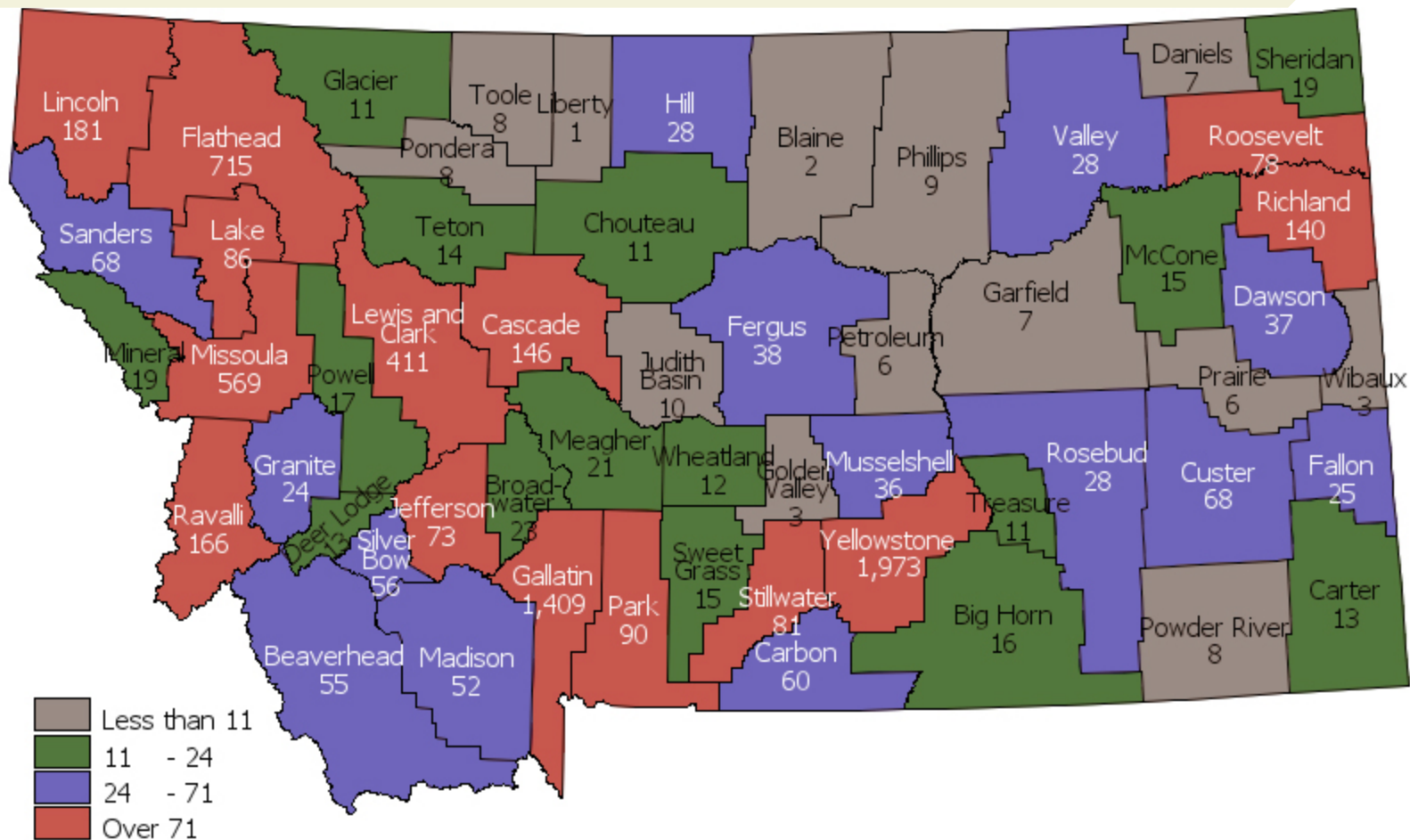
U.S. Housing Starts, Seasonally Adjusted Annual Rate, Thousands



Source: U.S. Census Bureau

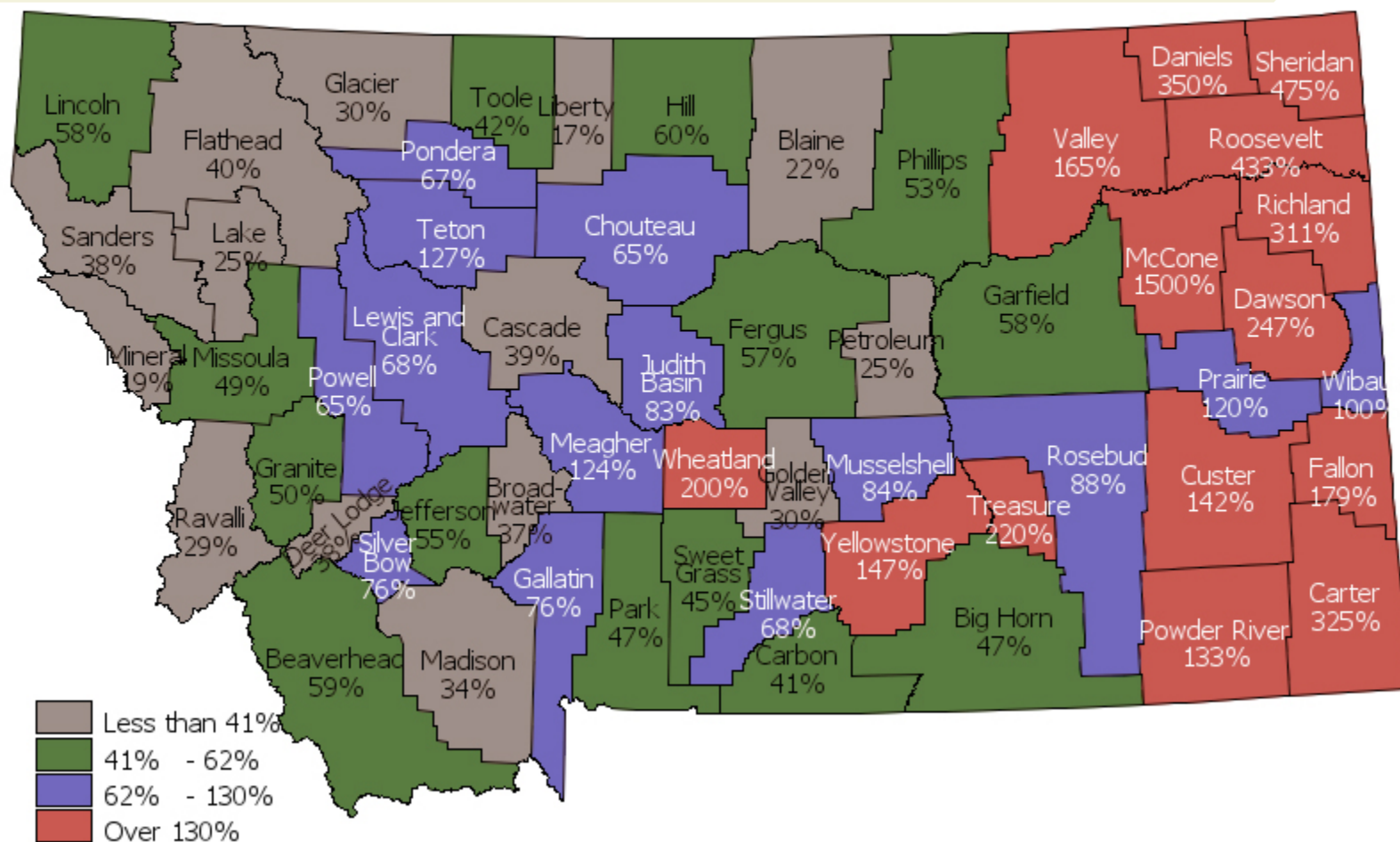
Housing Starts

2013



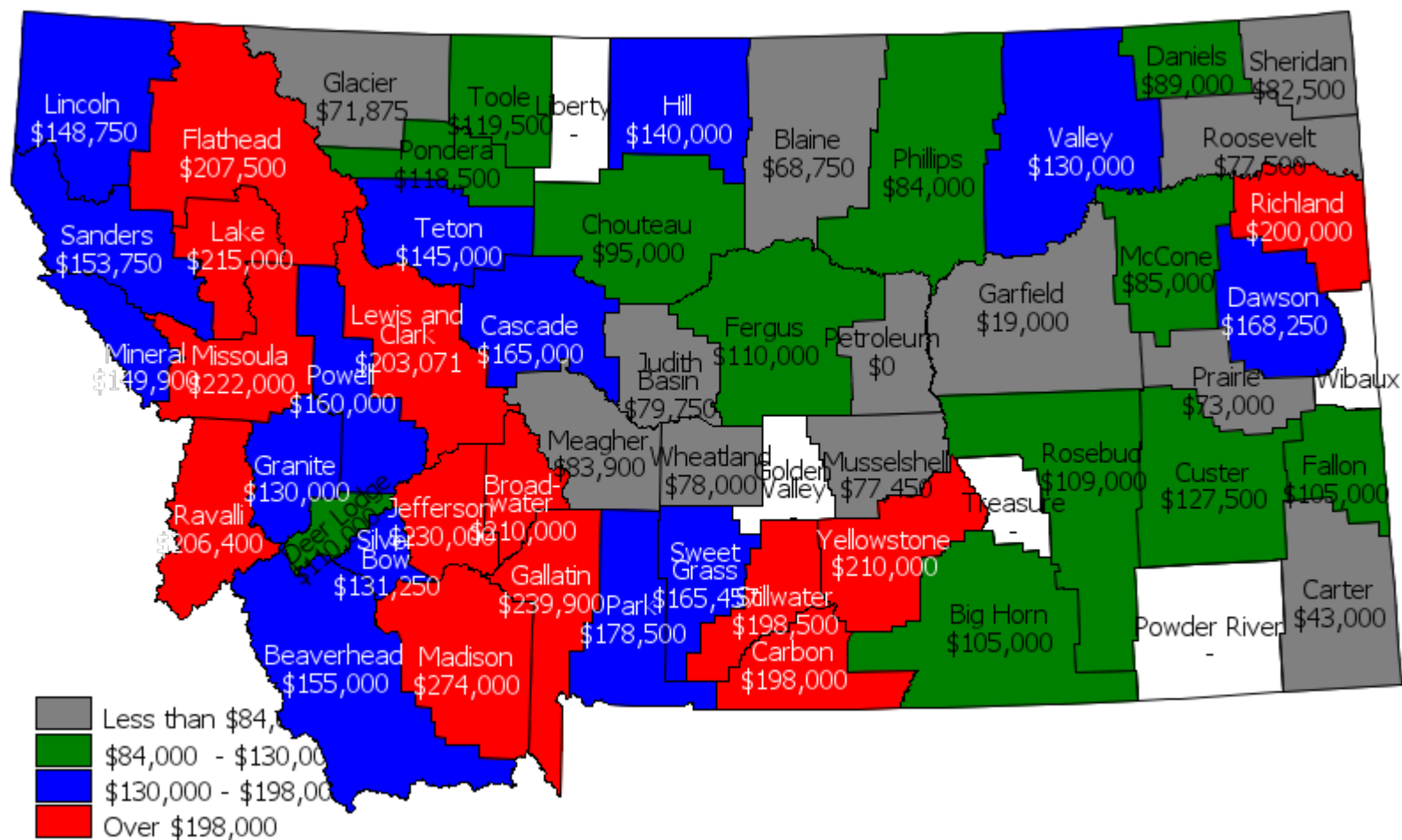
Housing Starts

2013 as Percent of 2004



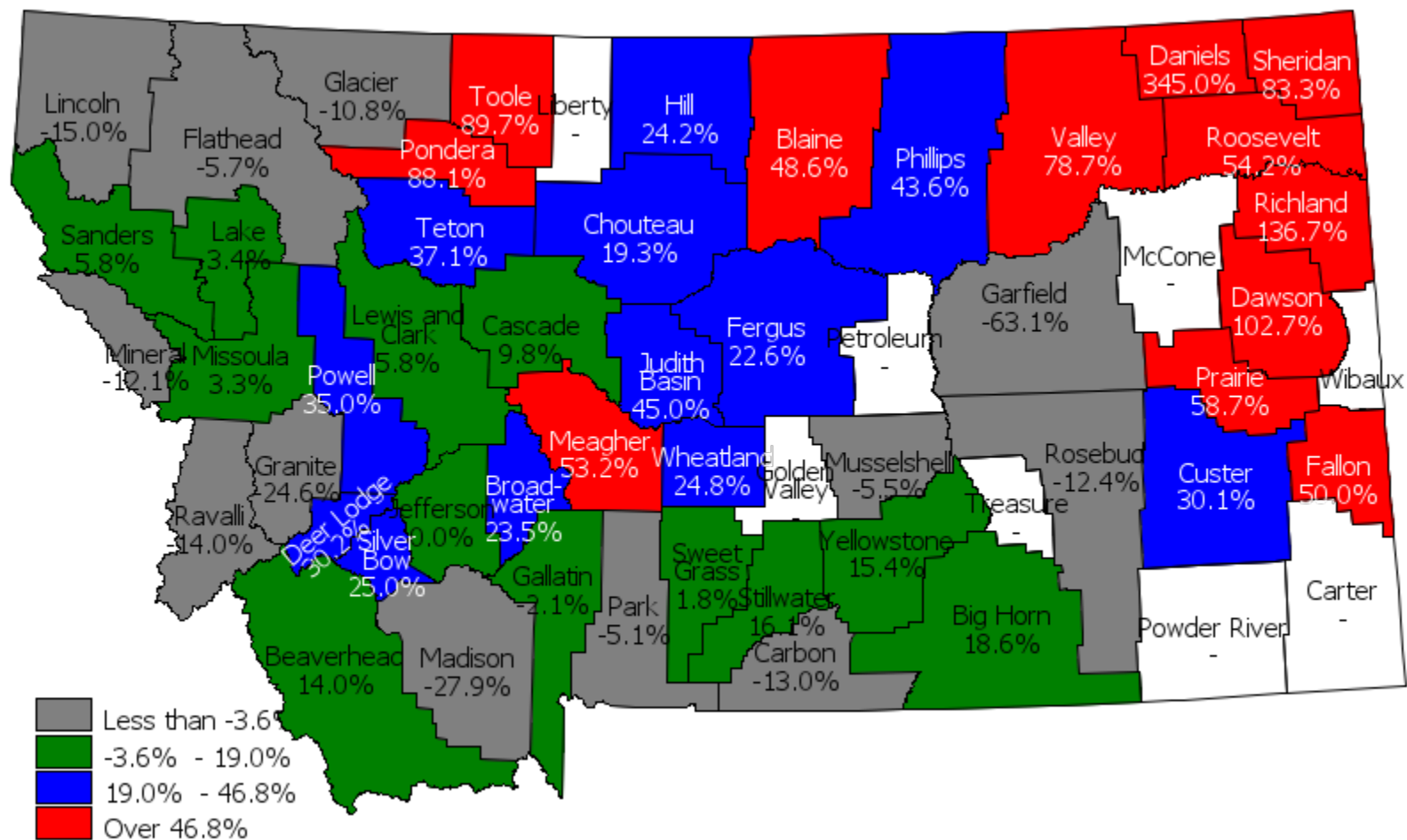
Median Home Sale Price

2013



Median Home Sale Price

2013 Price as a Percent of 2008 Price



Factories Are Hiring to Meet Demand

U.S. New Orders and Employment for Manufacturing



Getting a Read on the Montana Economy

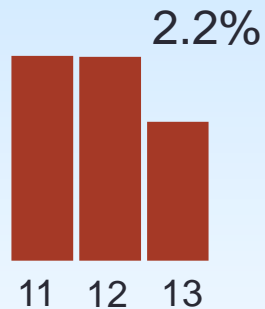
- More complete information on 2013 depicts slower growth in Montana than previously thought
- Government contraction, commodity price softening showing up in state economy
- Slower momentum carrying into 2014 evident from state tax collections



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Percent Growth in Real Earnings by Industry, Montana

Total Non-Farm



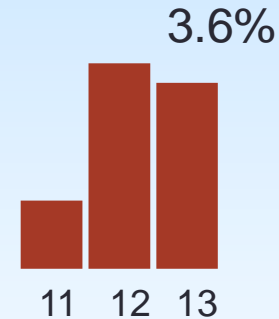
107.8% of 2007 Level

Construction



86.6% of 2007 Level

Manufacturing



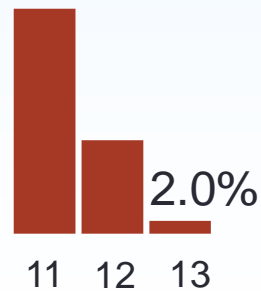
92.2% of 2007 Level

Prof. Services



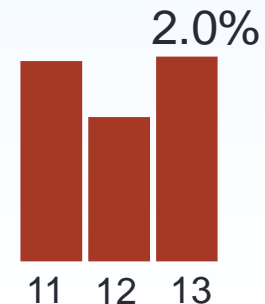
111.6% of 2007 Level

Mining



167.4% of 2007 Level

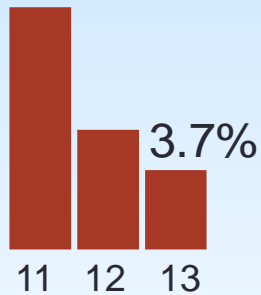
Retail Trade



98.4% of 2007 Level

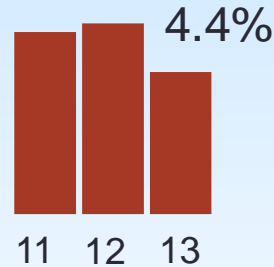
Percent Growth in Real Earnings by Industry, Montana

Transportation



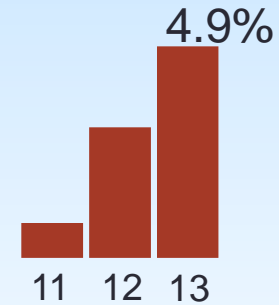
114.8% of 2007 Level

Accommodations & Food



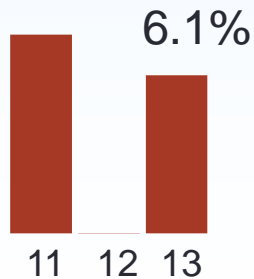
114.5% of 2007 Level

Health Care



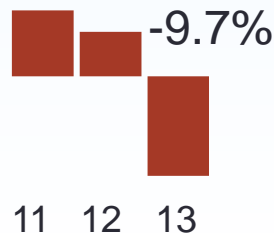
122.8% of 2007 Level

Education



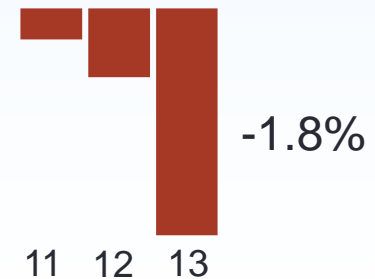
122.0% of 2007 Level

Administrative Support



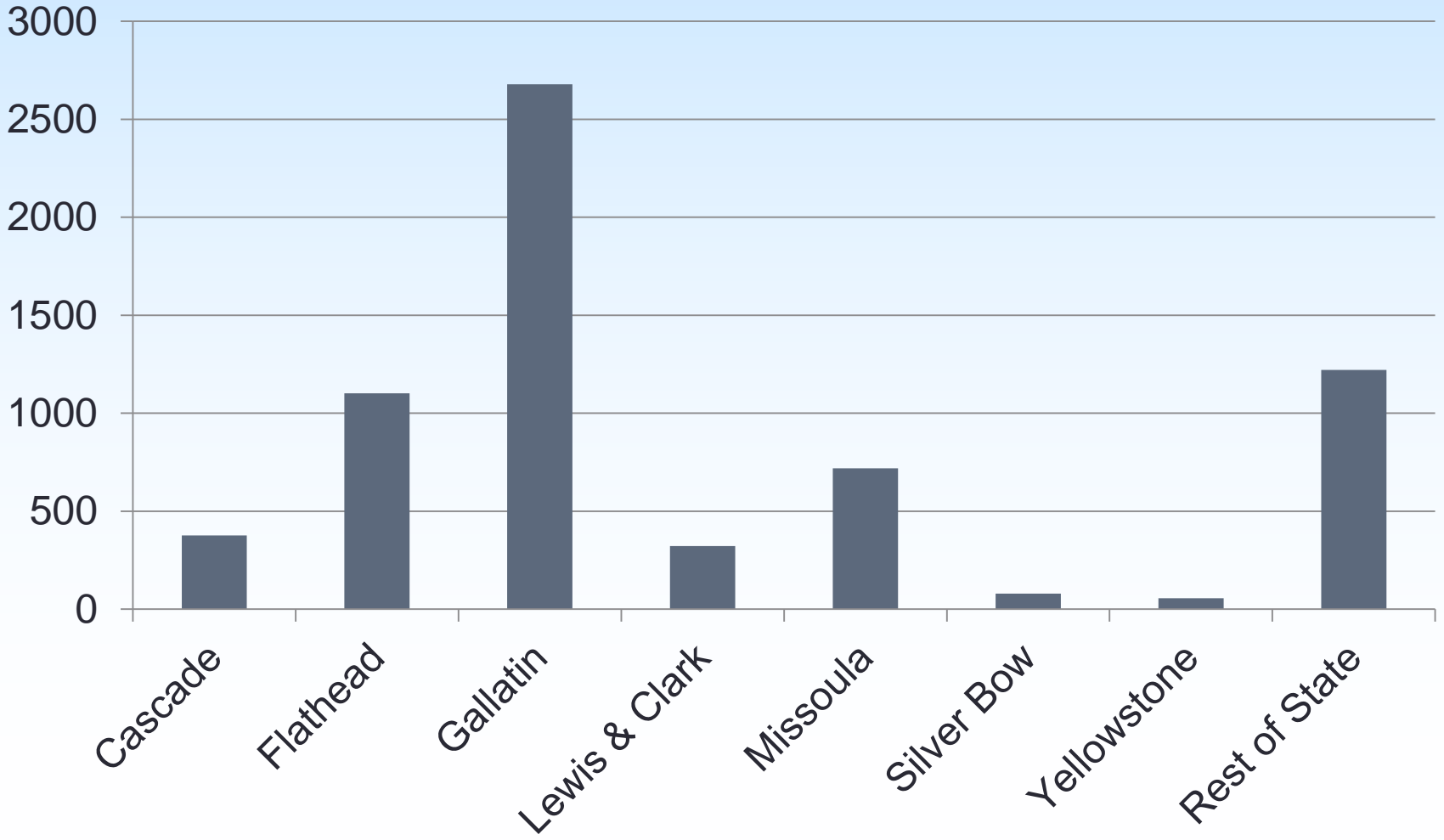
103.7% of 2007 Level

Government



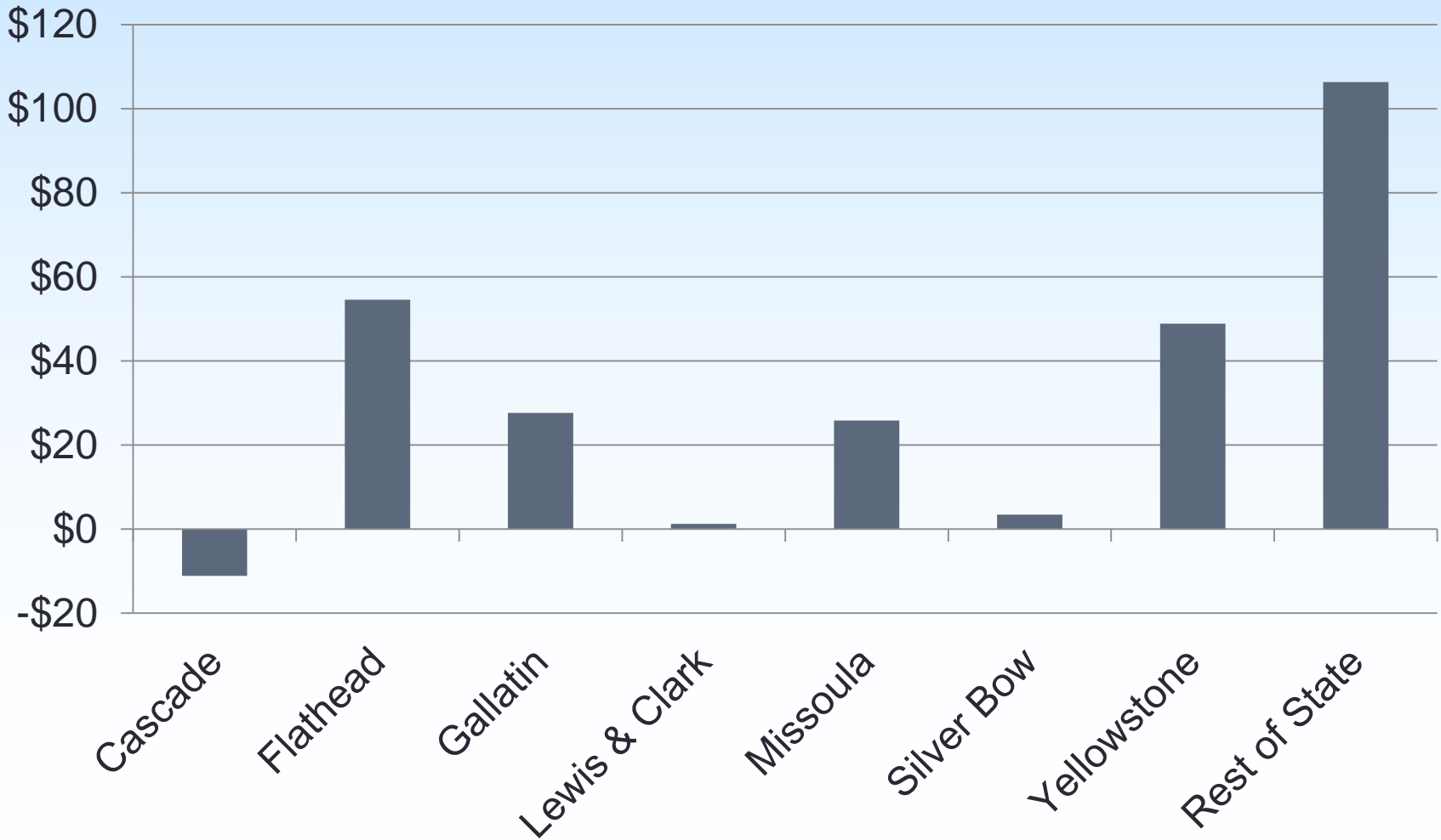
104.4% of 2007 Level

Job Growth Across the State, 2012-13



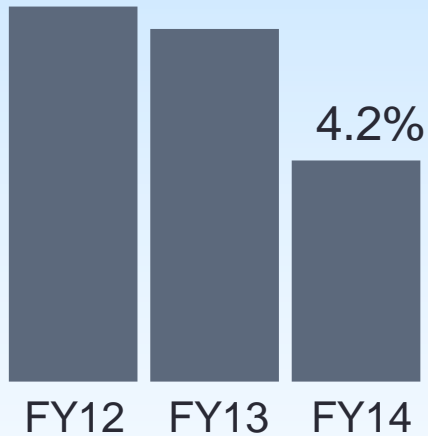
Wage Growth Pattern Differs

Percent Growth in Real Wages, 2012-13

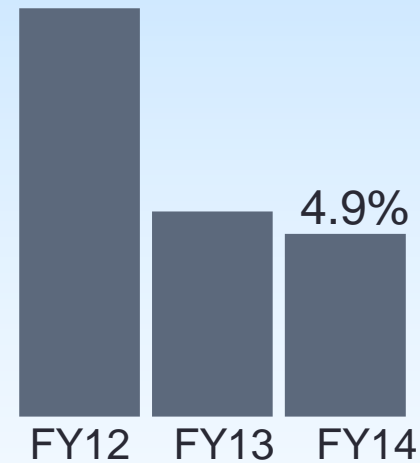


State Tax Collections Give First Glimpse of 2014 Growth

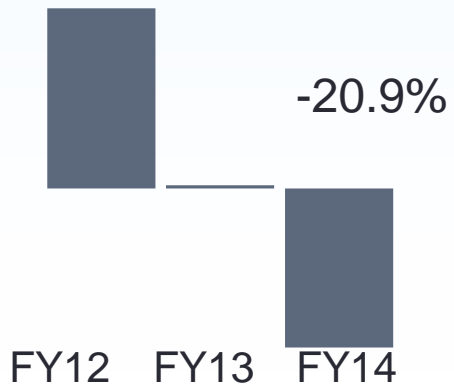
Income Tax Withholding



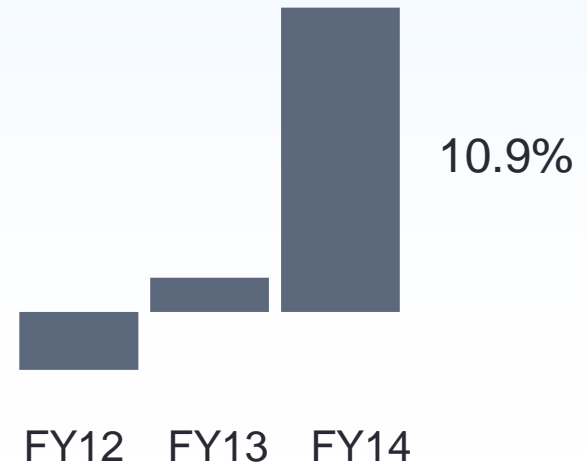
Tourism-Related Taxes



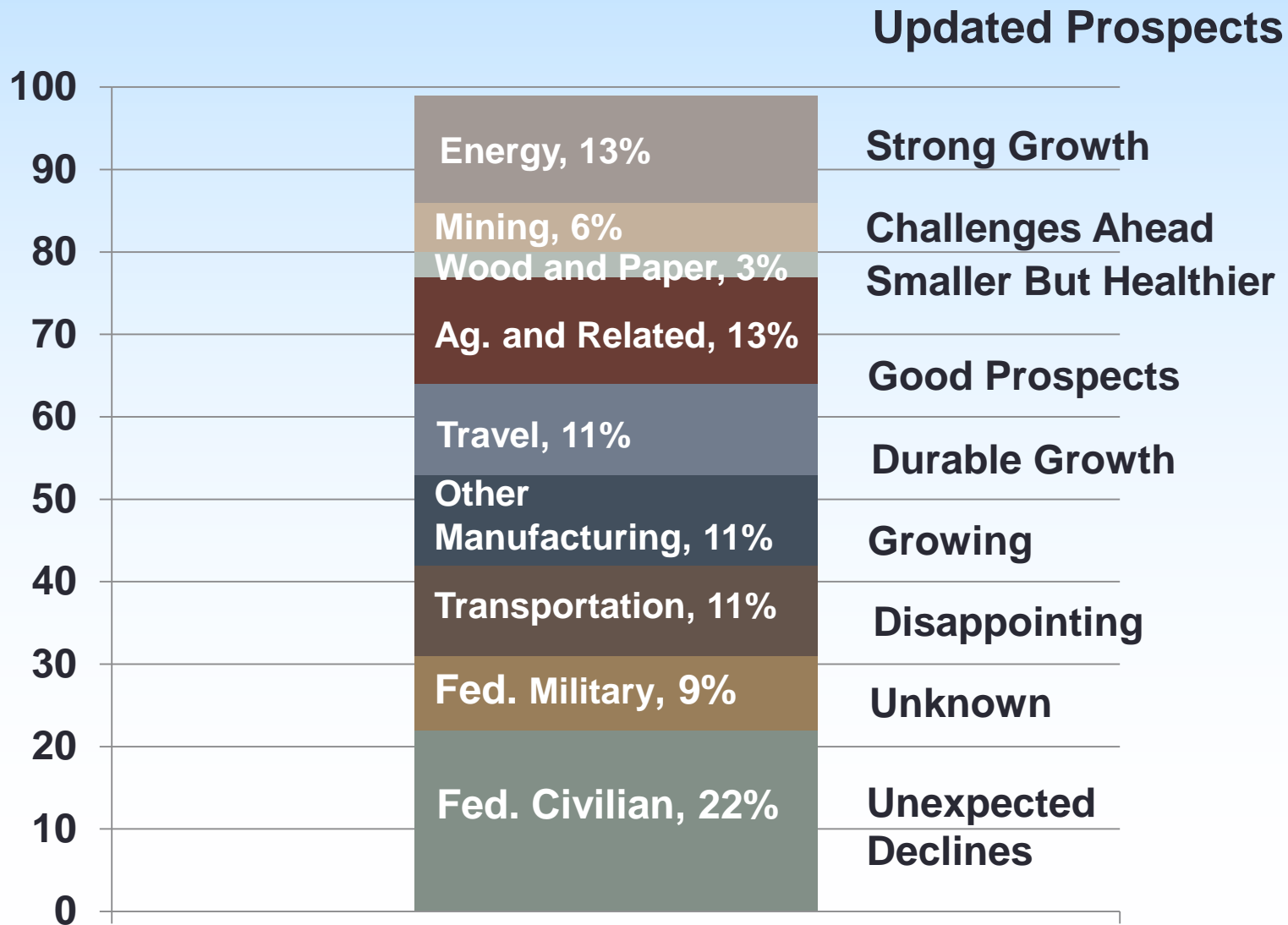
Metal Mining Taxes



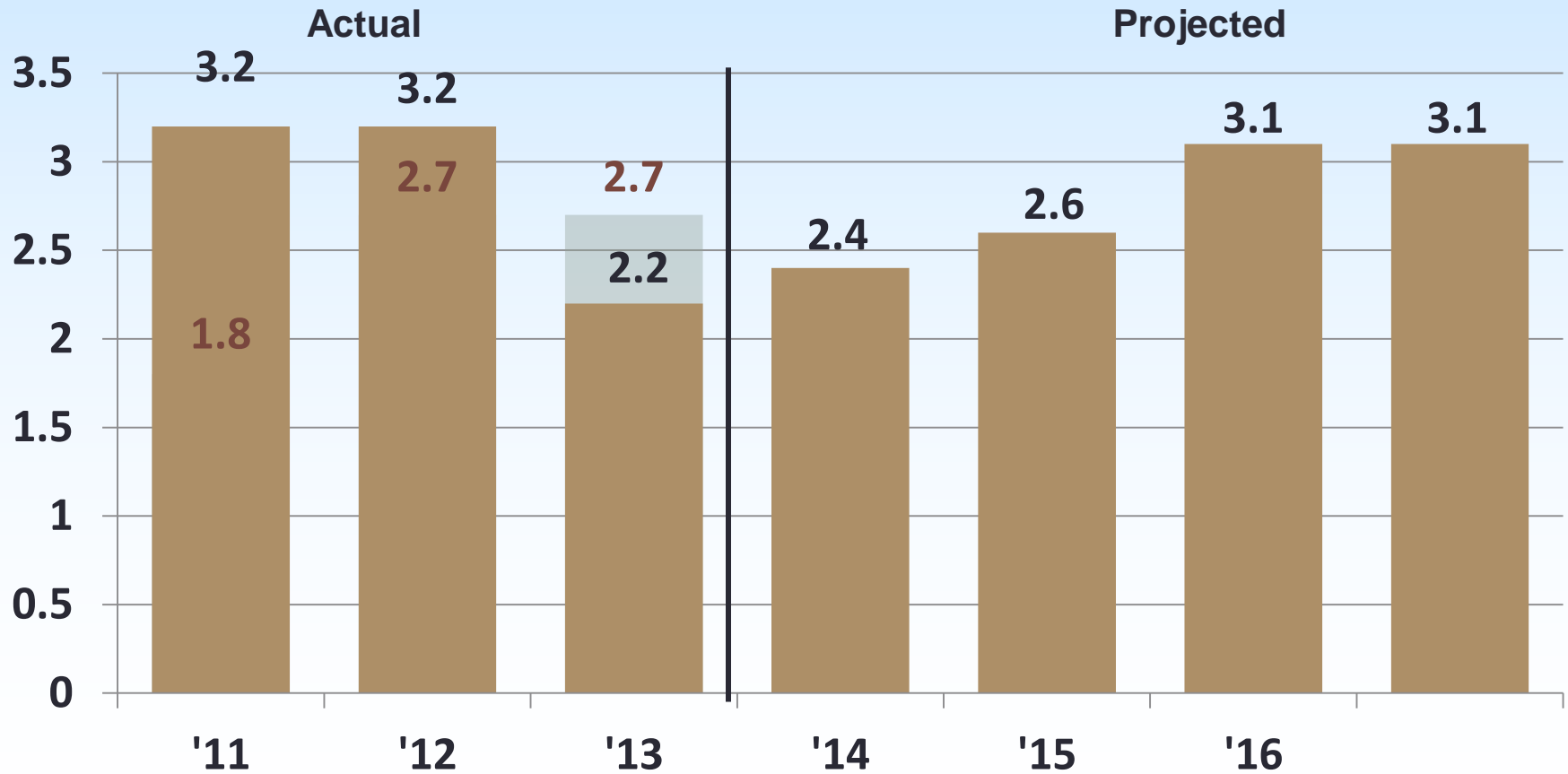
Oil and Gas Production Taxes



Labor Income and Basic Industries, Montana



Change in Nonfarm Earnings, Montana, 2011-2017



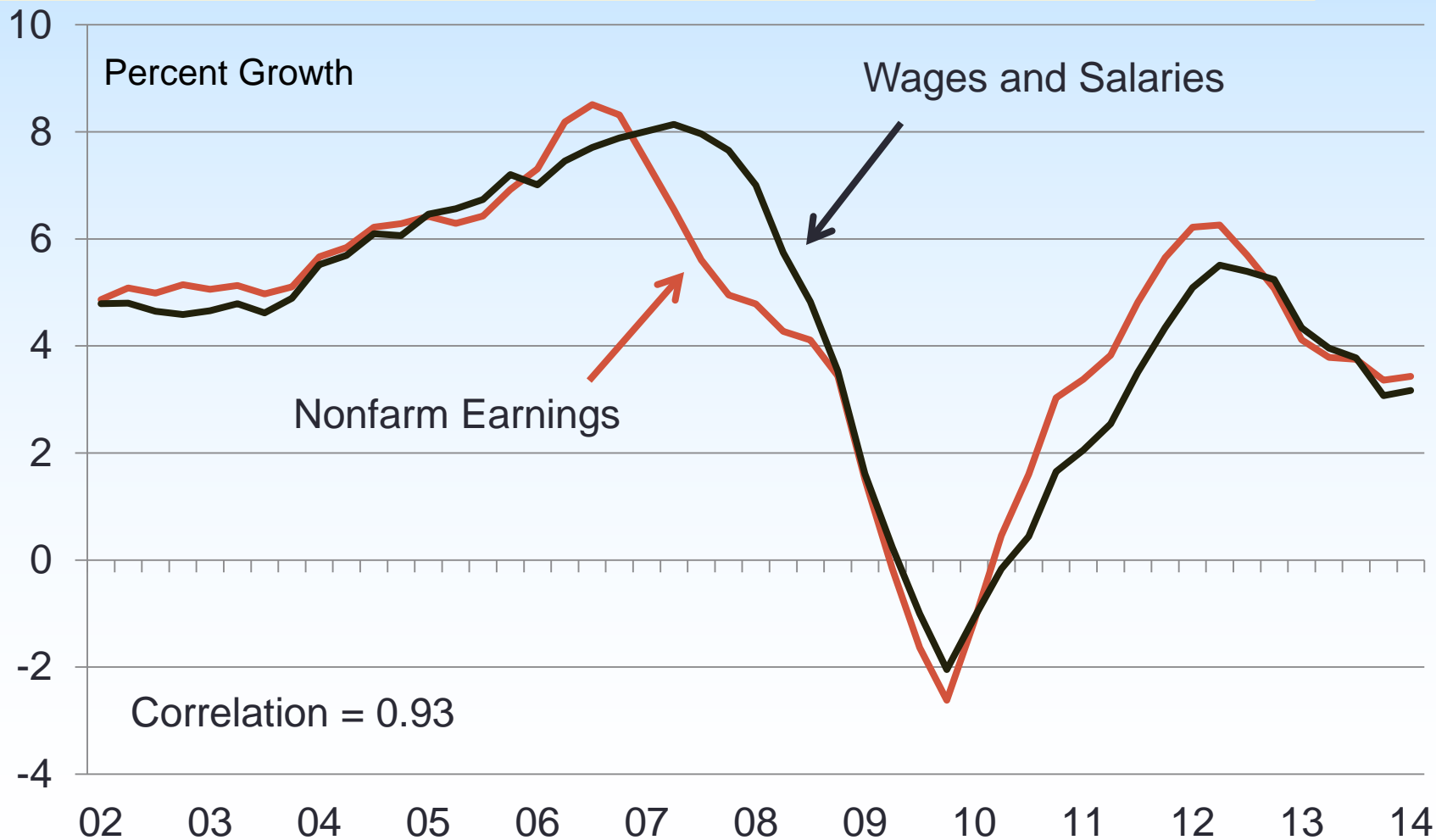
How Do BBER Forecasts Relate to Revenue Forecasts?

- BBER forecasts are inflation-adjusted, GF revenues are typically not
- BBER forecasts are different from IHS forecasts
- BBER forecasts based on calendar year, not fiscal year
- Non-farm earnings are different (larger) than wages and salaries



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Nonfarm earnings more economically sensitive than wages and salaries



Percentage Change in 4-quarter Moving Average Compared to Previous Year

State withholding collections much more irregular than the economy as a whole



Percentage Change in 4-quarter Moving Average Compared to Previous Year

The image features a photograph of the Minnesota State Capitol building on the left side, characterized by its prominent green copper dome and classical architectural details. The building is set against a clear blue sky. In the foreground on the right, there is a yellow rectangular sign with a black border and the word "ECONOMY" written in bold, black, sans-serif capital letters. The sign is mounted on a black pole. The overall composition suggests a connection between government policy and economic issues.

Questions?

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