

The Economic Outlook for the U.S. and Montana

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Montana Economic Outlook

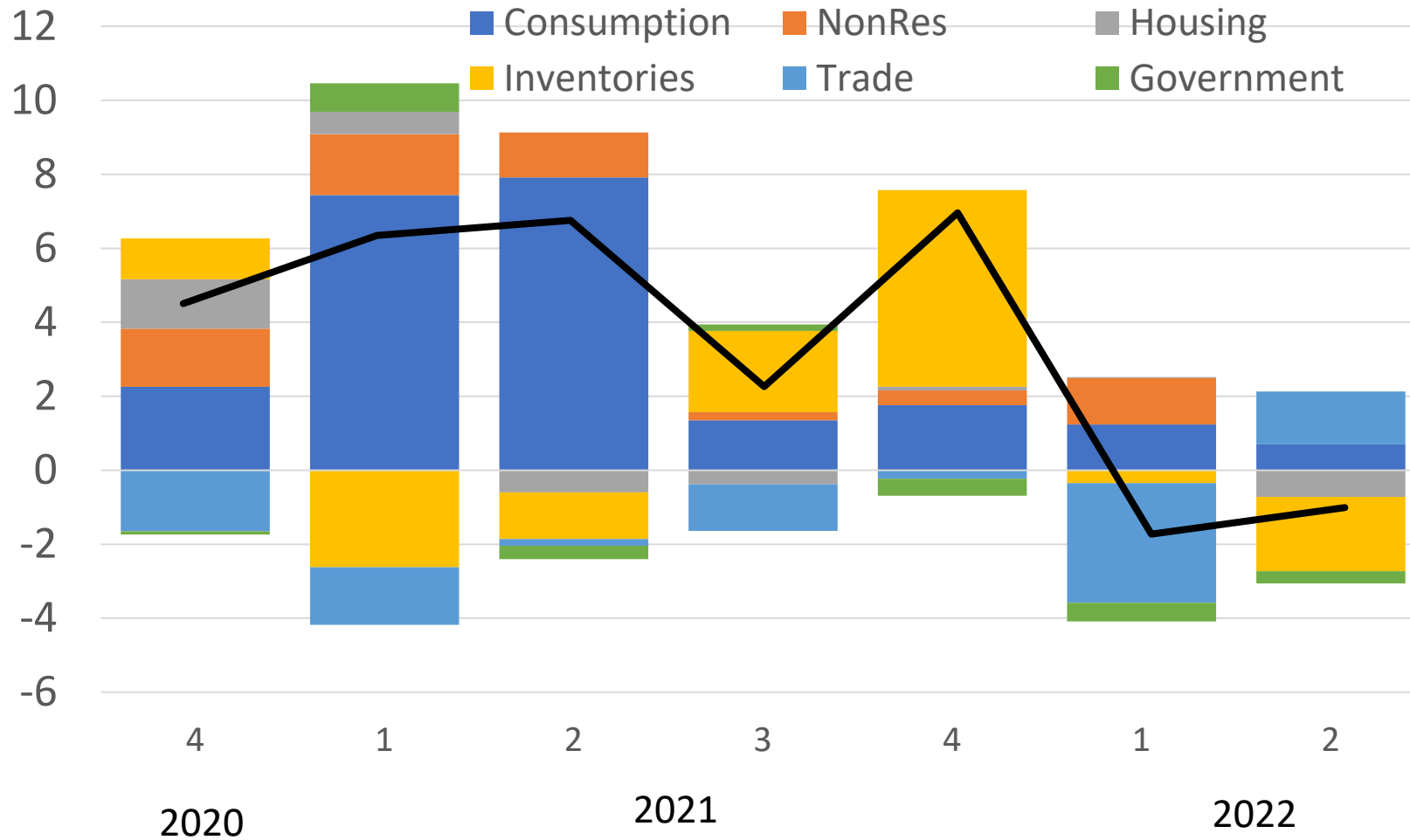
The Ice is Getting Thinner For Maintaining US Growth

- 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



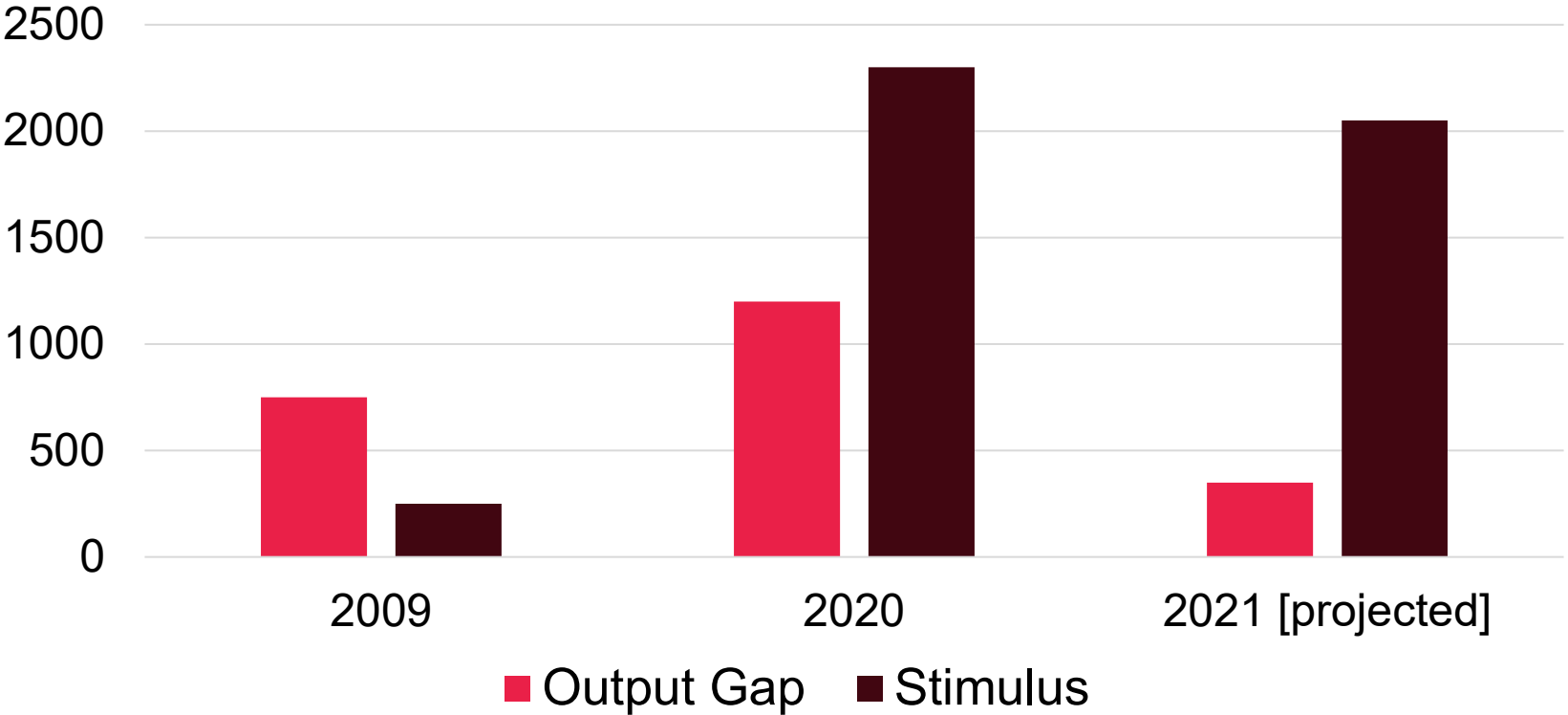
Consumer Spending is the Only Constant in U.S. Growth

Contribution to Growth in Real Gross Domestic Product, Percent



Realized Output Gap vs. Fiscal Stimulus

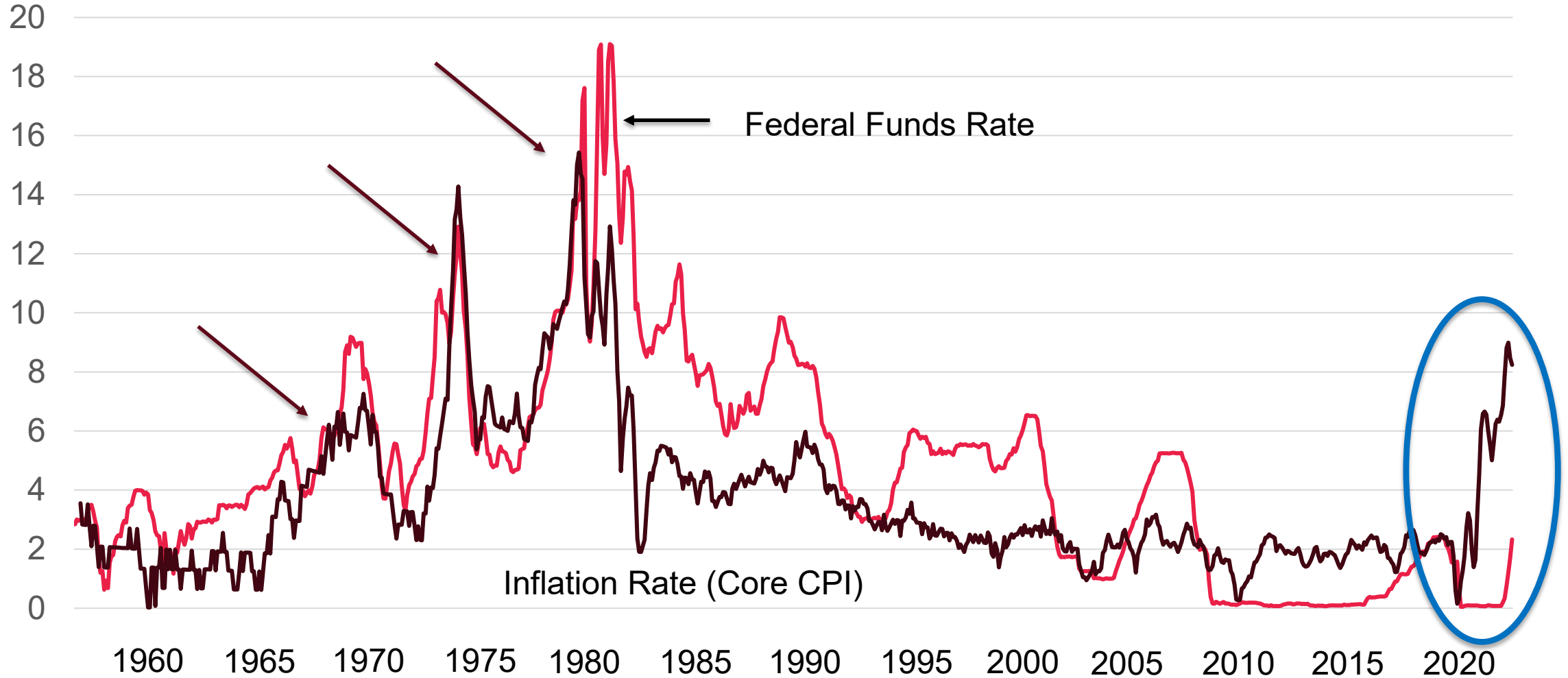
Billions of Inflation-Corrected Dollars



Source: CBO “Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output in 2014” and “An Update to the Budget Outlook, 2020 to 2030.”



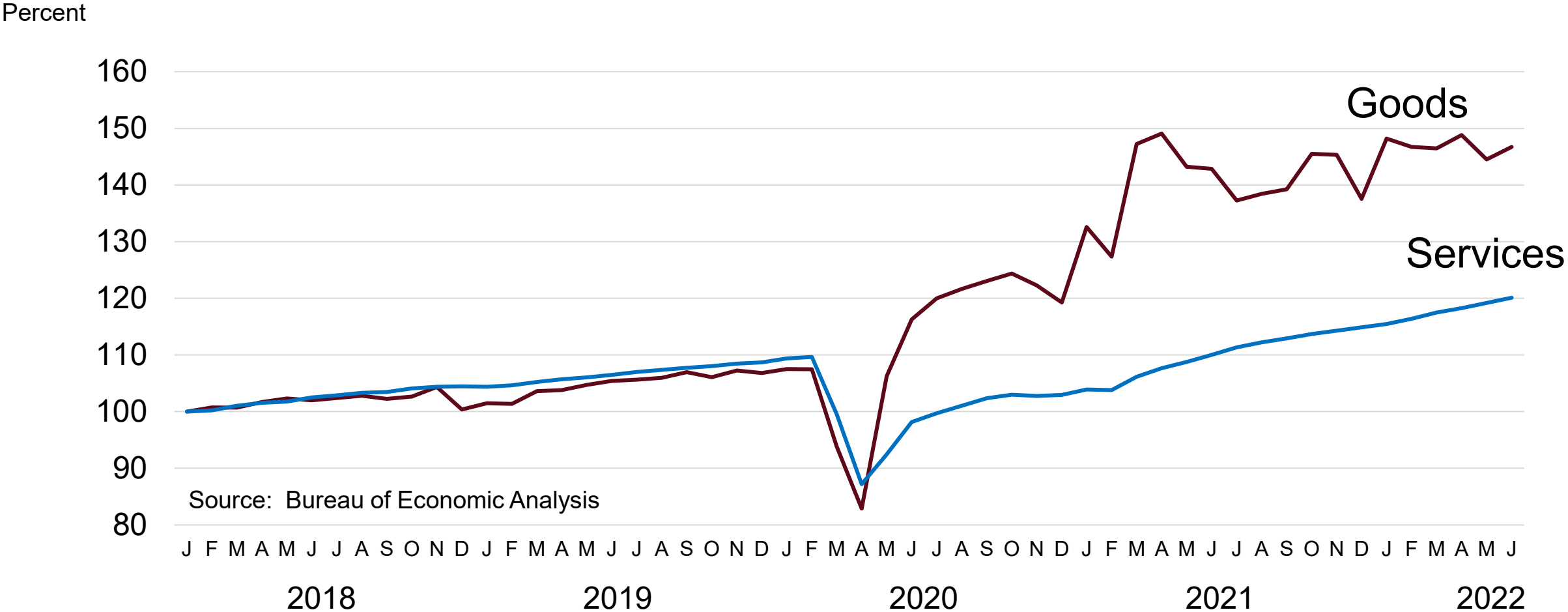
The Federal Reserve's Policy Error in a Picture





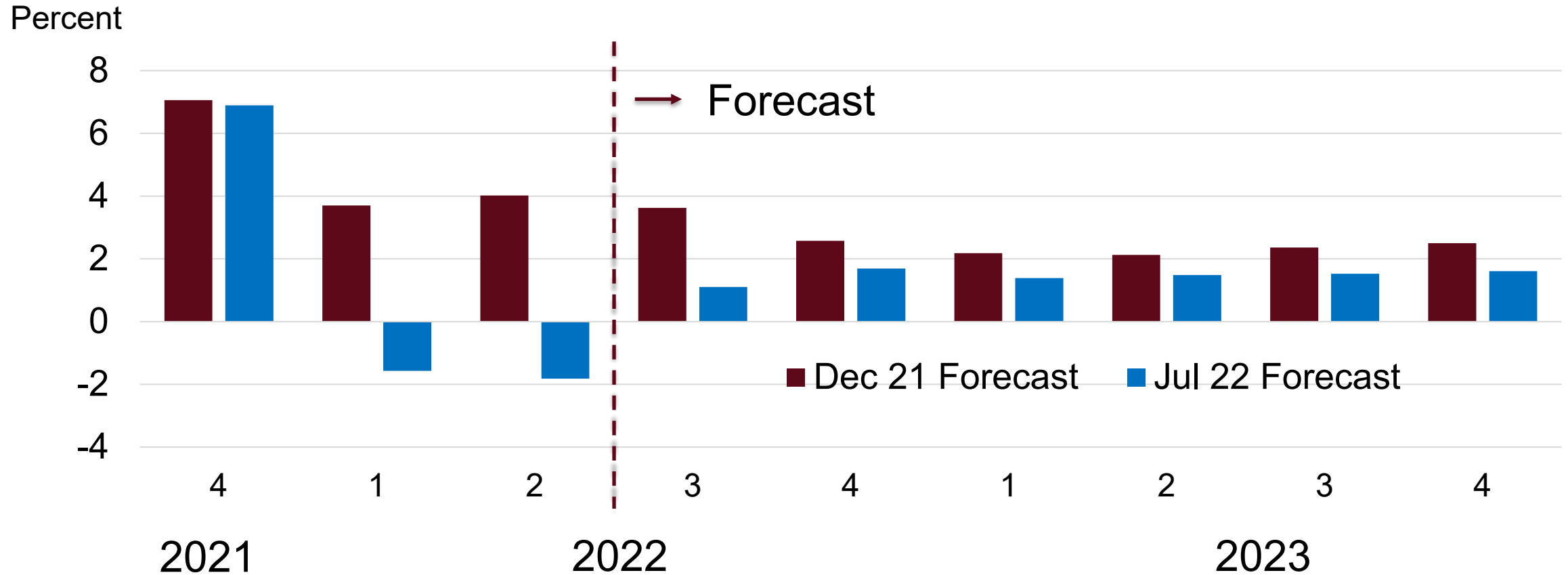
Consumer Spending Heavily Tilted Towards Goods

Personal Consumption Expenditures by Category, Index, 2018Q1=100



Slower U.S. Growth Shows Up Sooner Than Predicted

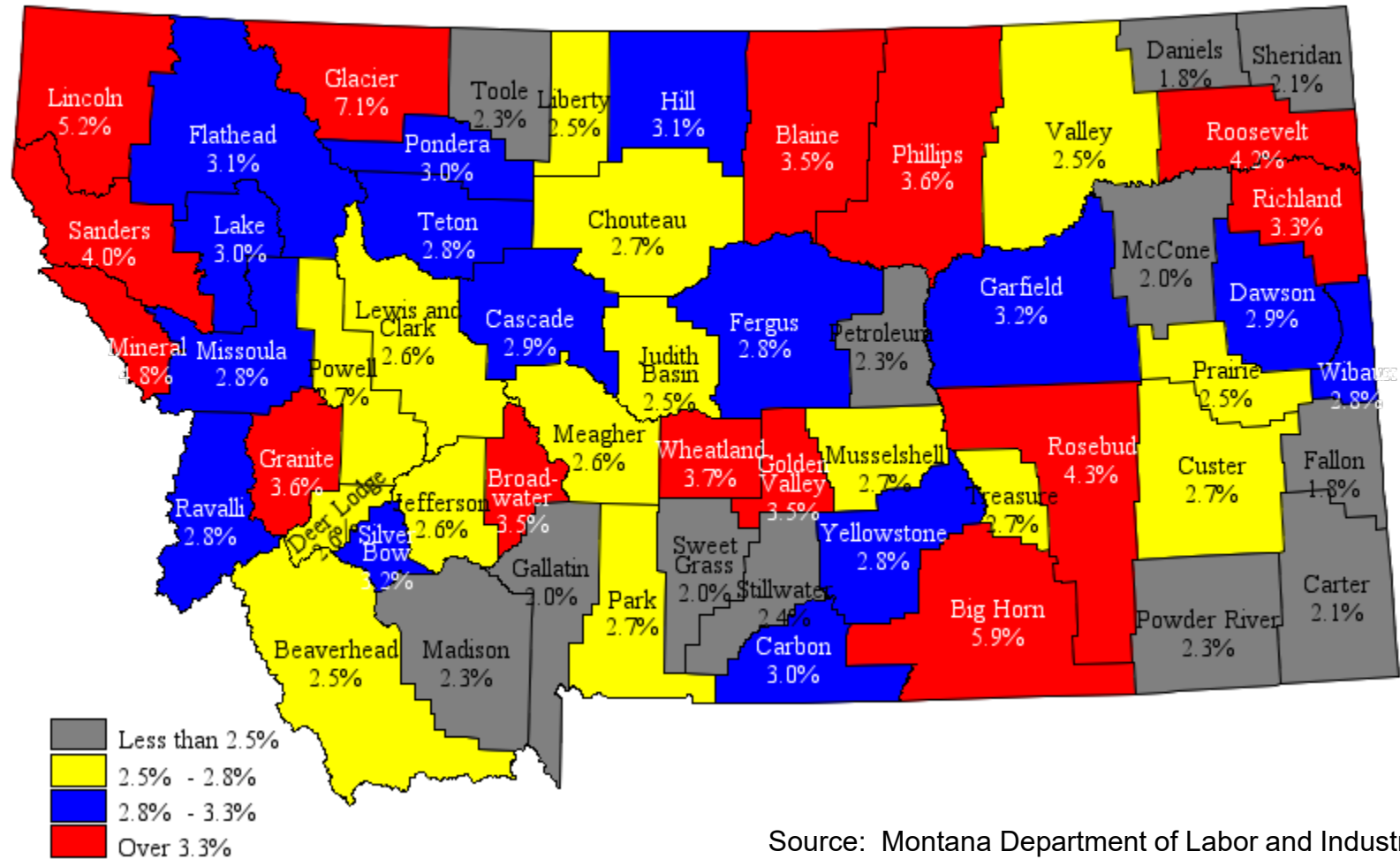
Percent Growth, Real Gross Domestic Product, 2021Q4 – 2023Q4



Source: S&P Global



Unemployment Rates, June 2022

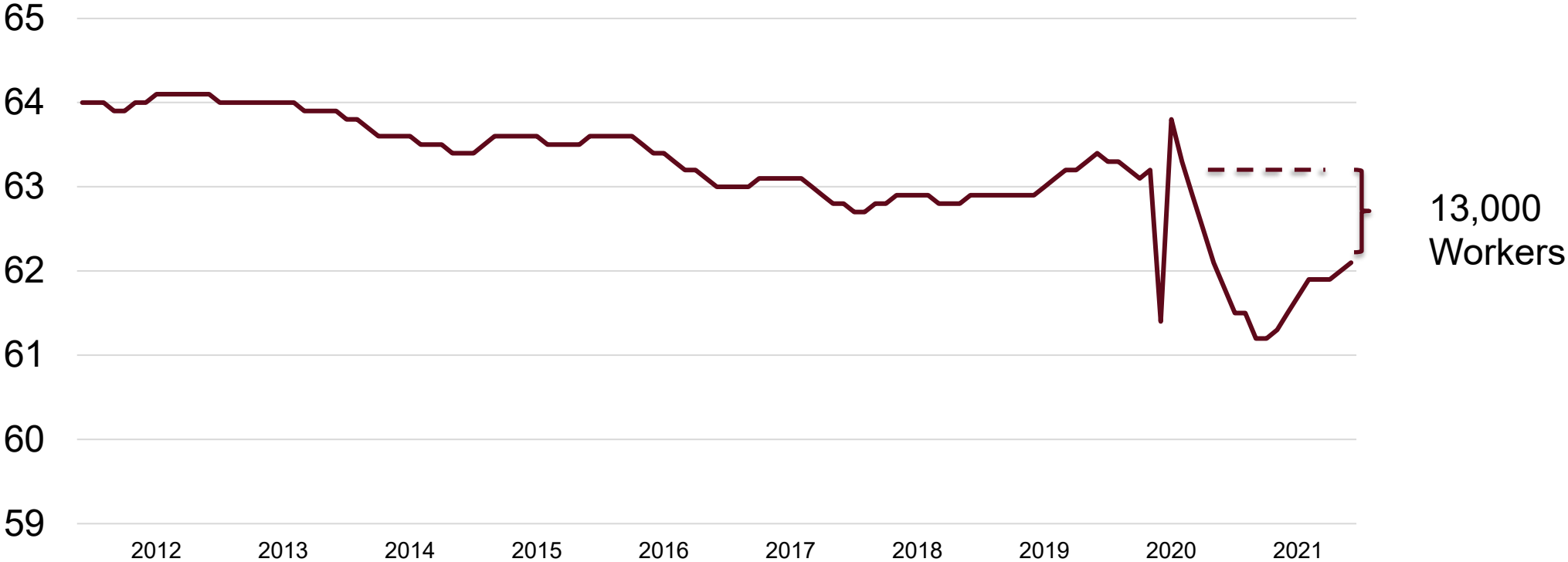


Source: Montana Department of Labor and Industry



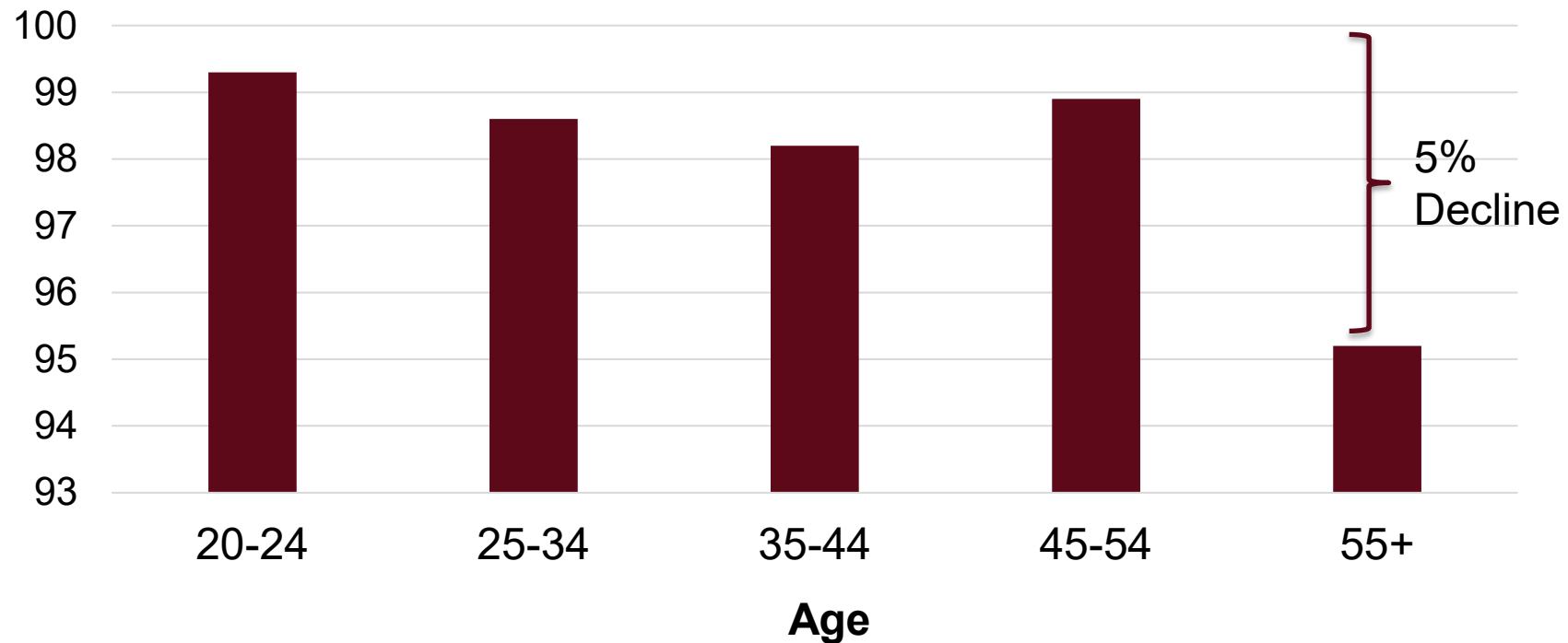
Unemployment Rates Do Not Include Labor Force Dropouts

Labor Force Participation Rate, Montana, Percent



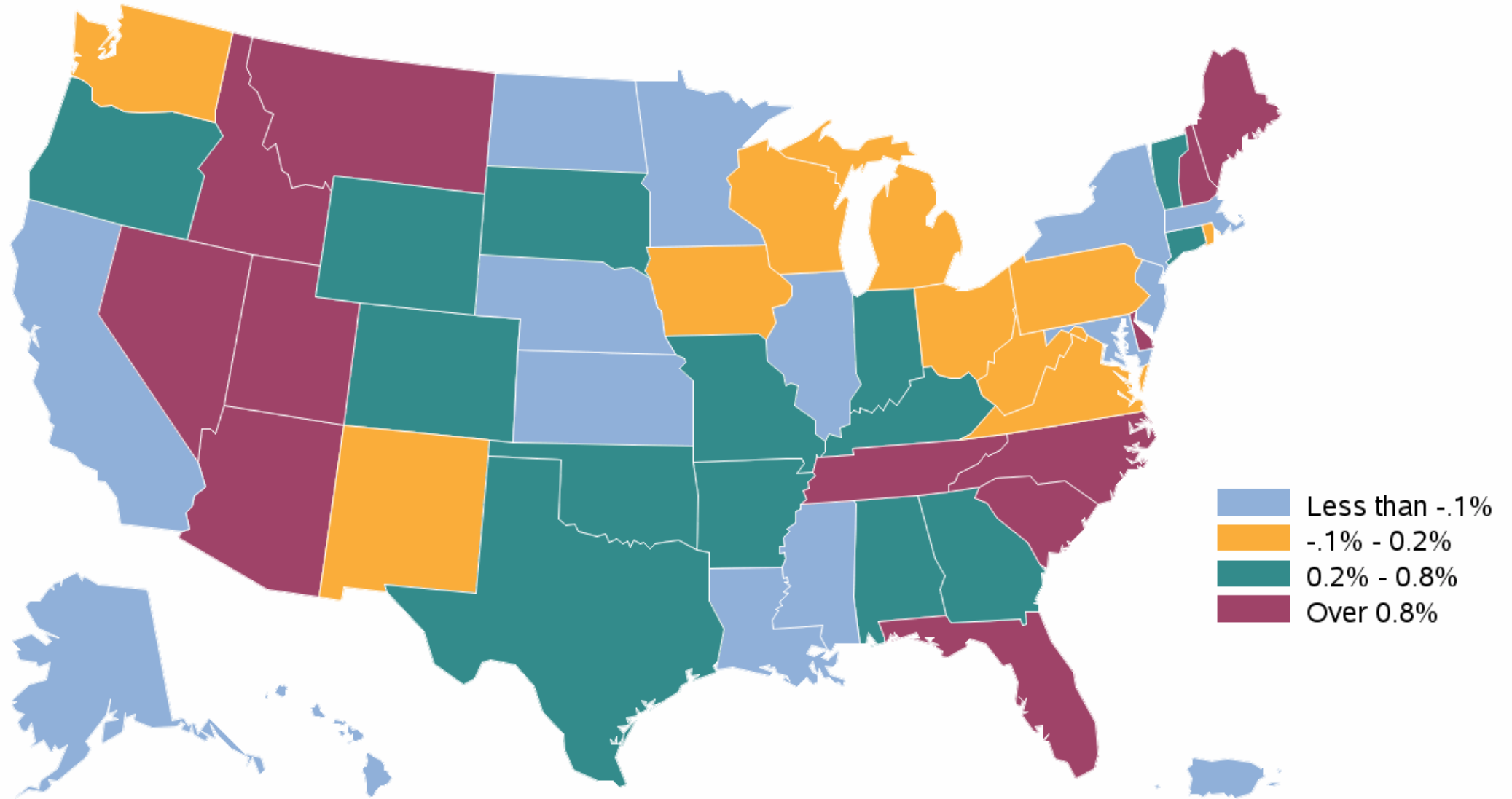
Labor Market Dropouts More Prevalent Among Older Workers

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



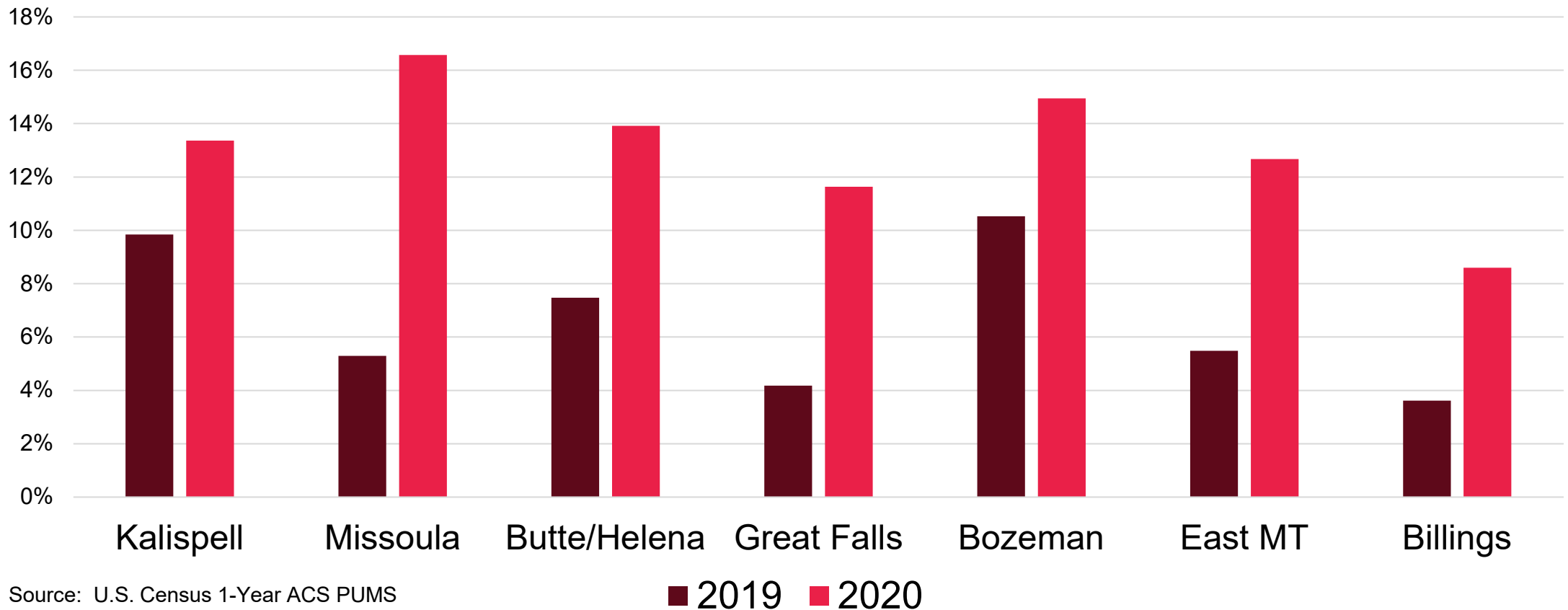
Mountain West States Attract Migrants From Other States

Net Domestic Migration as a Percent of 2020 Population, 2021

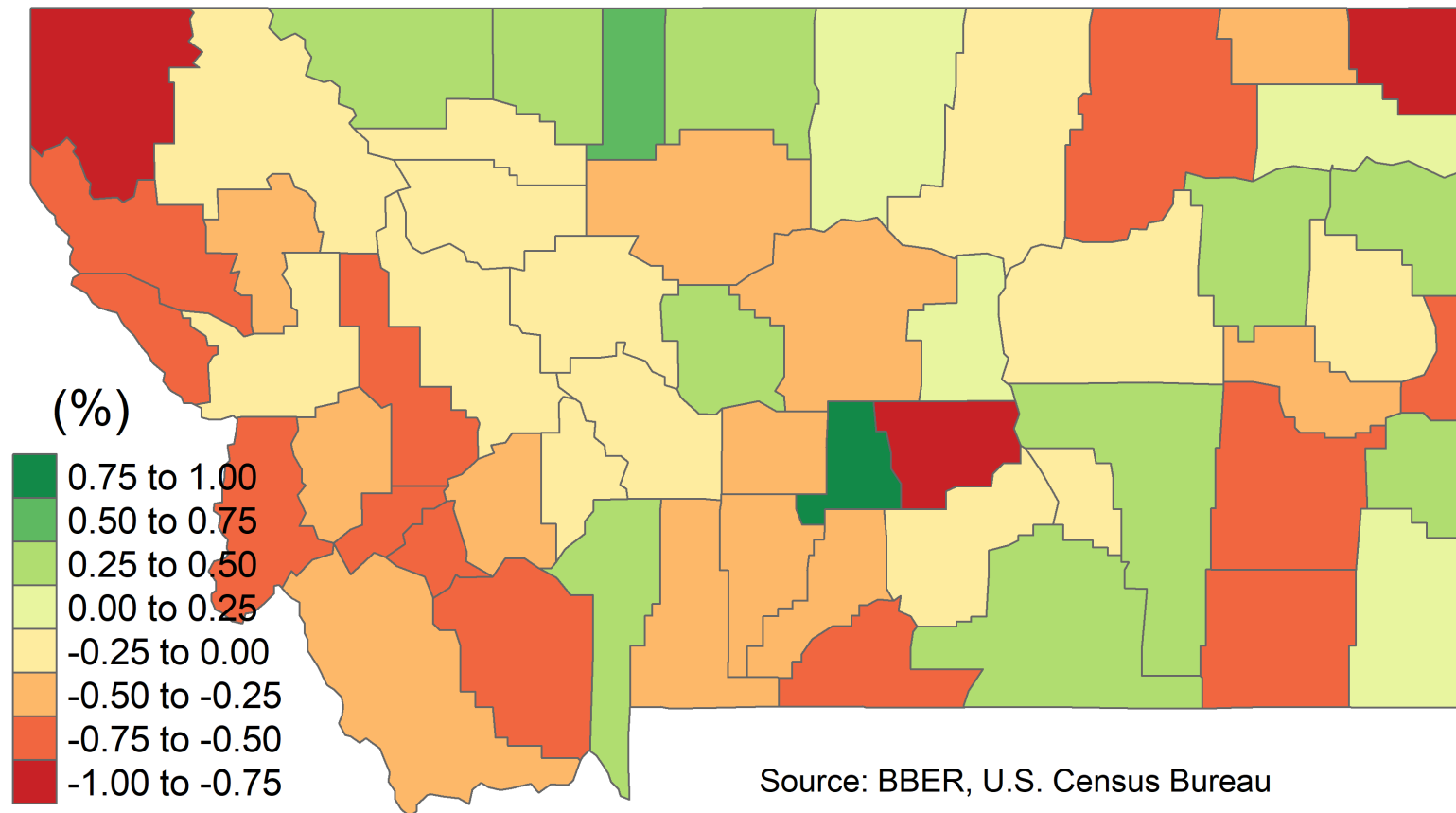


2020 Was A Year to Work From Home

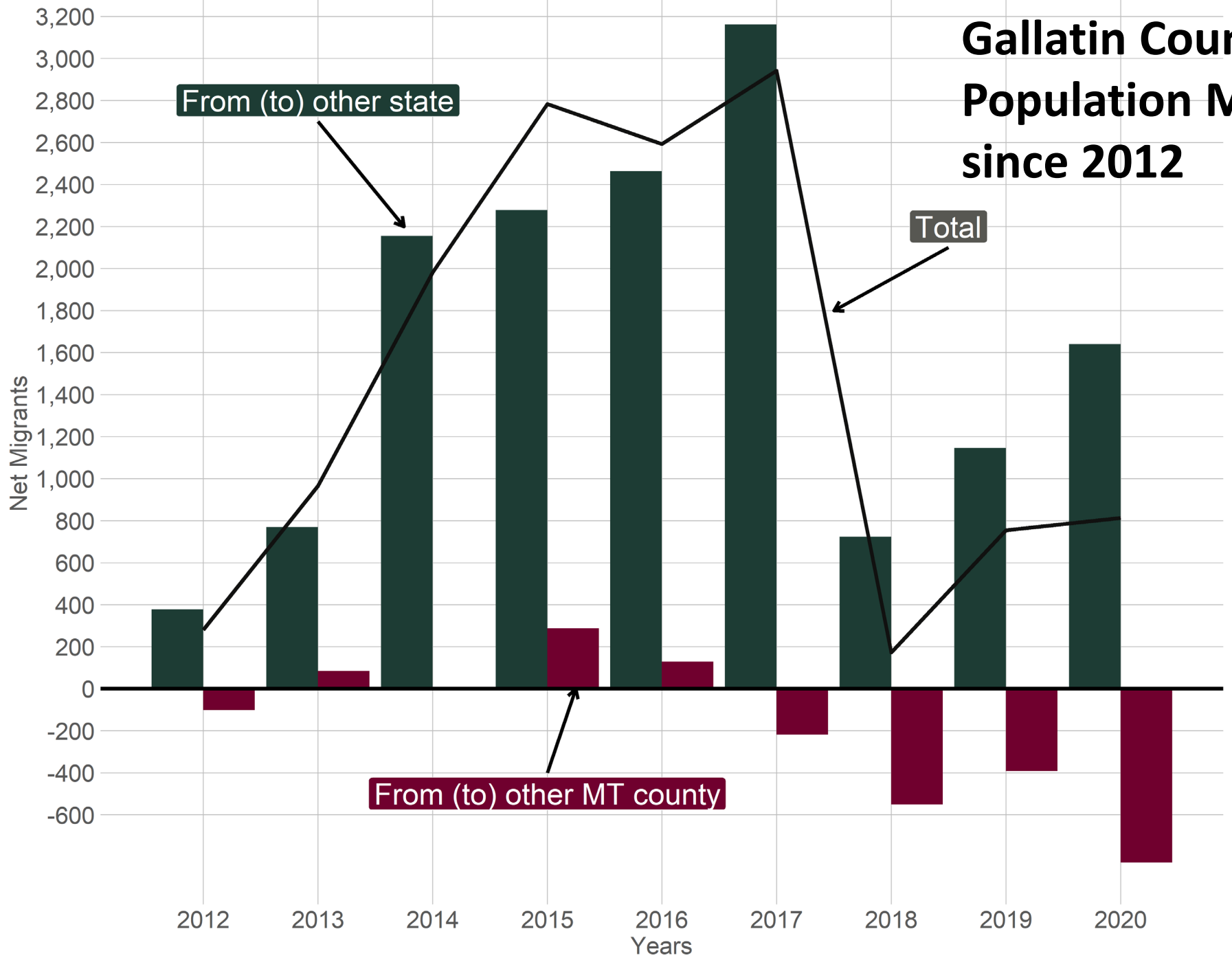
Percent of Workforce Working from Home, 2019-2020



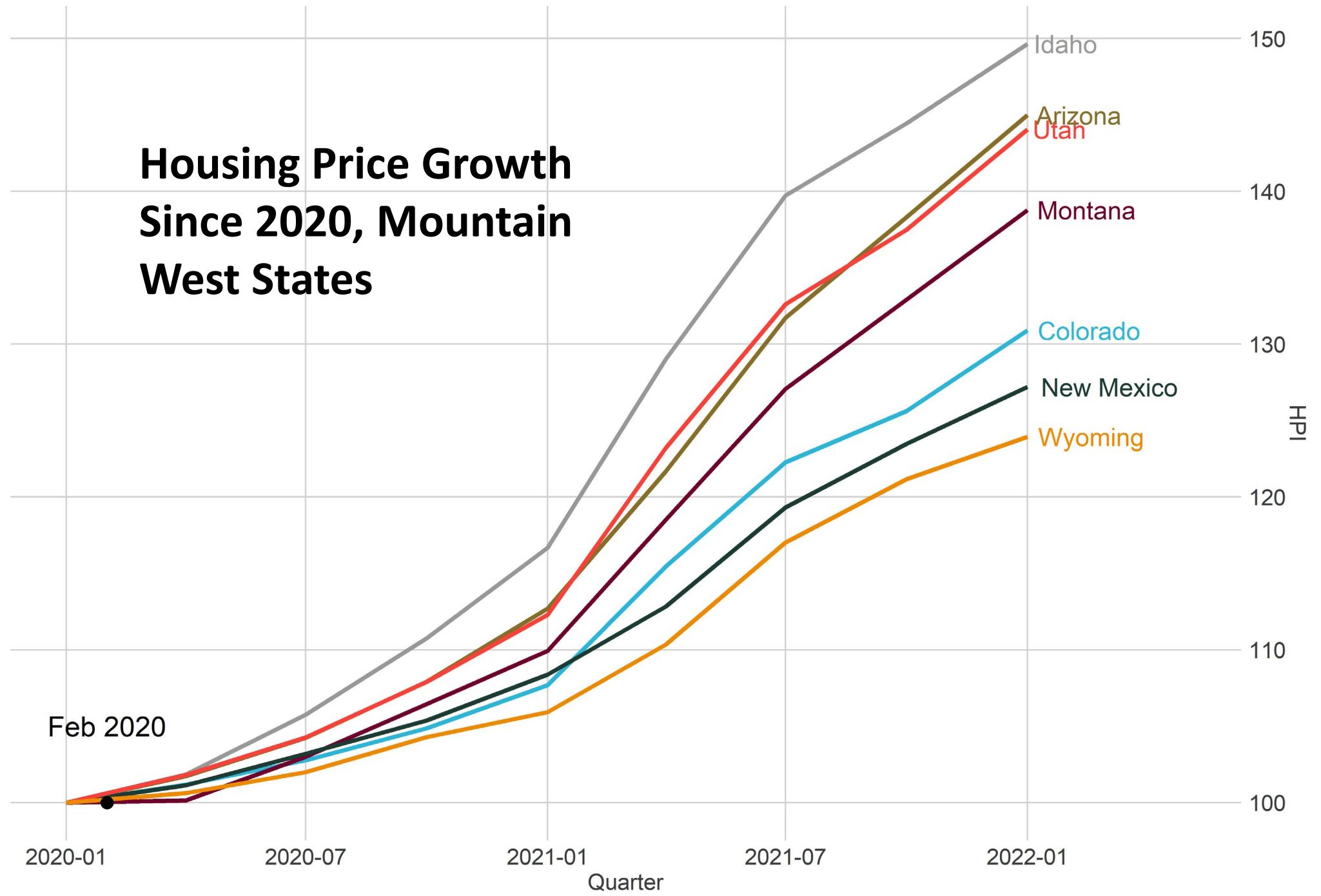
Natural Change in 2021 as a percentage of 2020 population



Gallatin County Net Population Migration since 2012

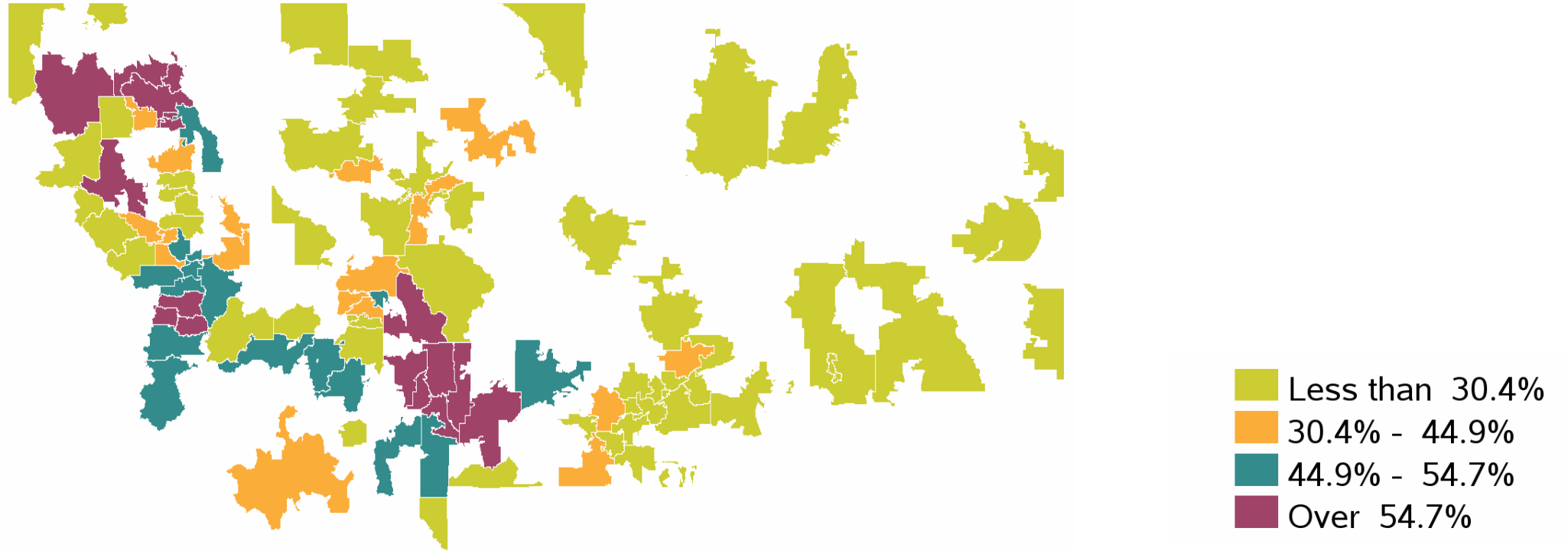


Housing Price Growth Since 2020, Mountain West States



Housing Price Growth Strongest in the West

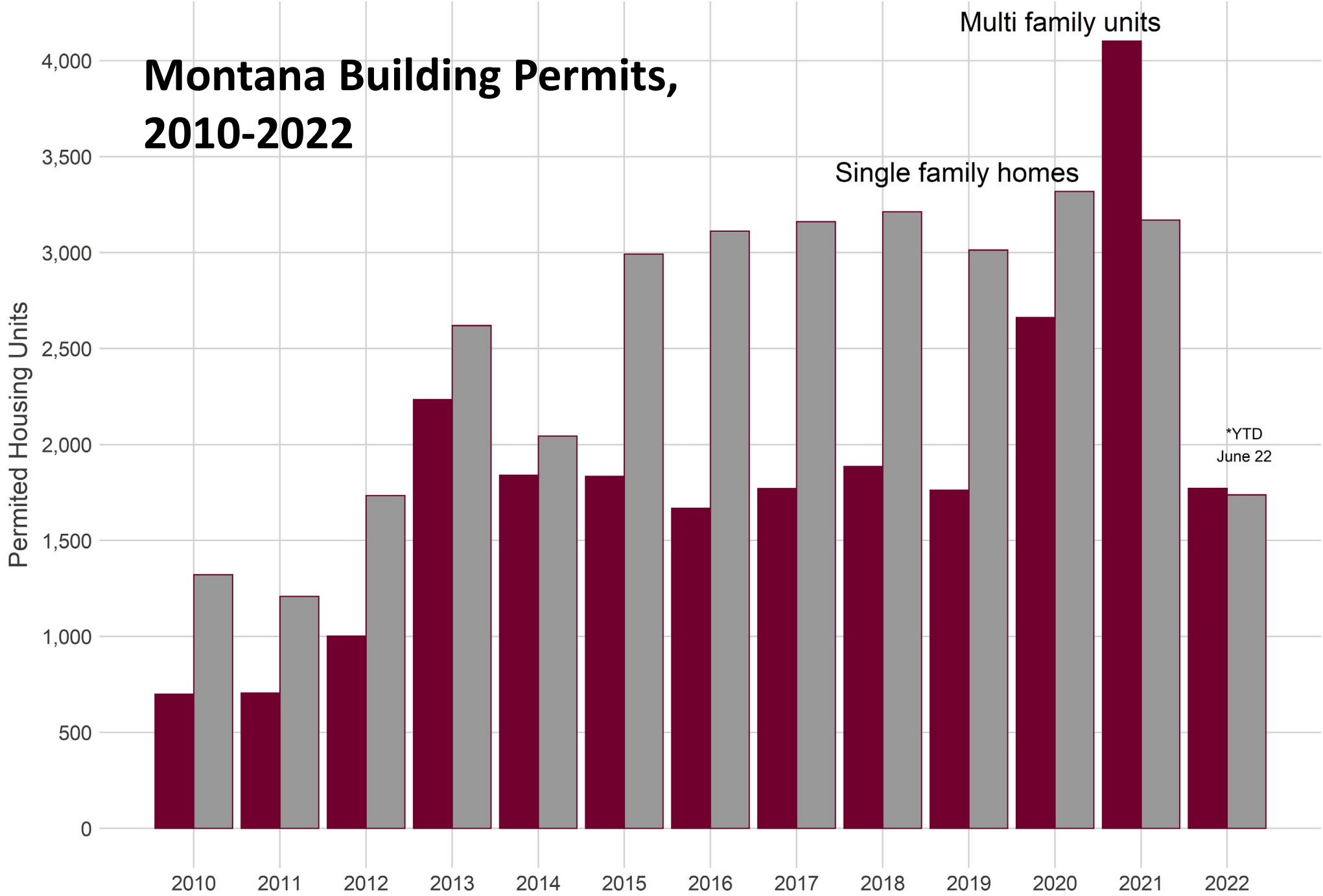
Housing Price Index by Zip Code, Percent Growth, 2016-21



Source: Federal Housing Finance Agency



Montana Building Permits, 2010-2022



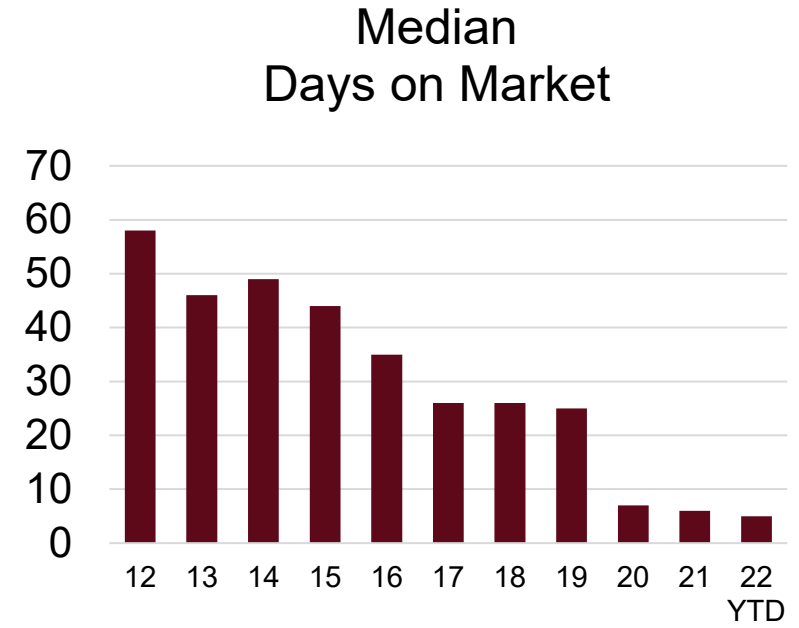
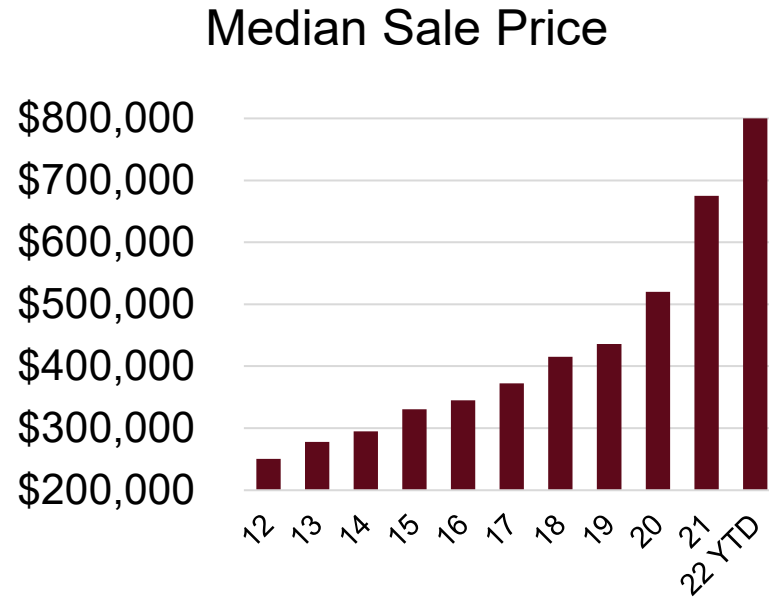
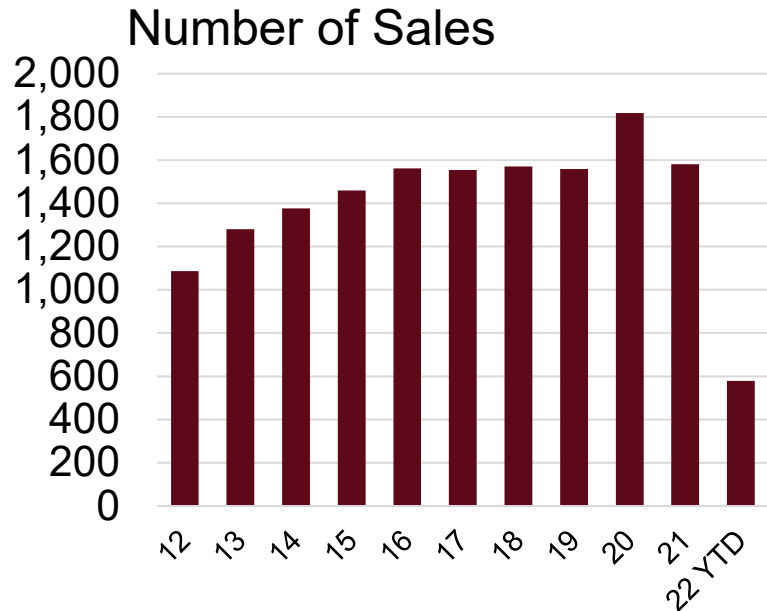
Multi family units

Single family homes

*YTD
June 22

Home Prices Continue Surging in 2022

Gallatin County Market Statistics for Single Family Homes



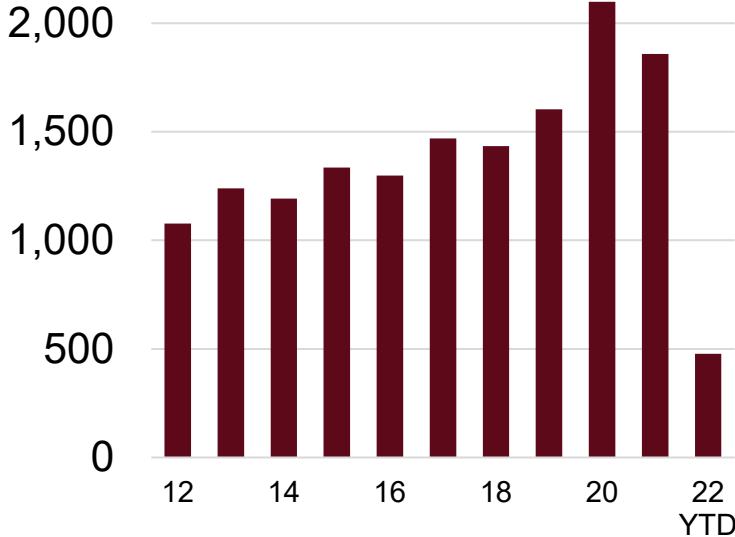
Source: Big Sky Country Multiple Listing Service.



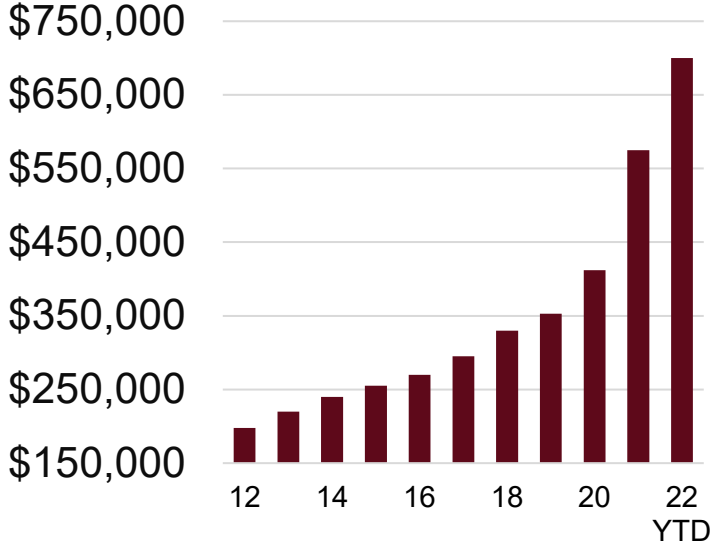
Housing Prices Continue to Rise in 2022

Flathead County Market Statistics for Single Family Homes

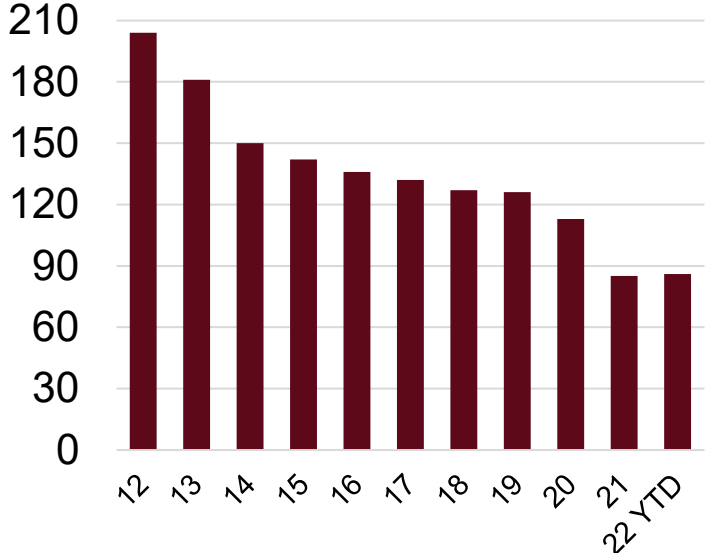
Number of Sales



Median Sale Price



Days on Market



Source: Montana Regional MLS.



The Montana Economy Had a Great Year

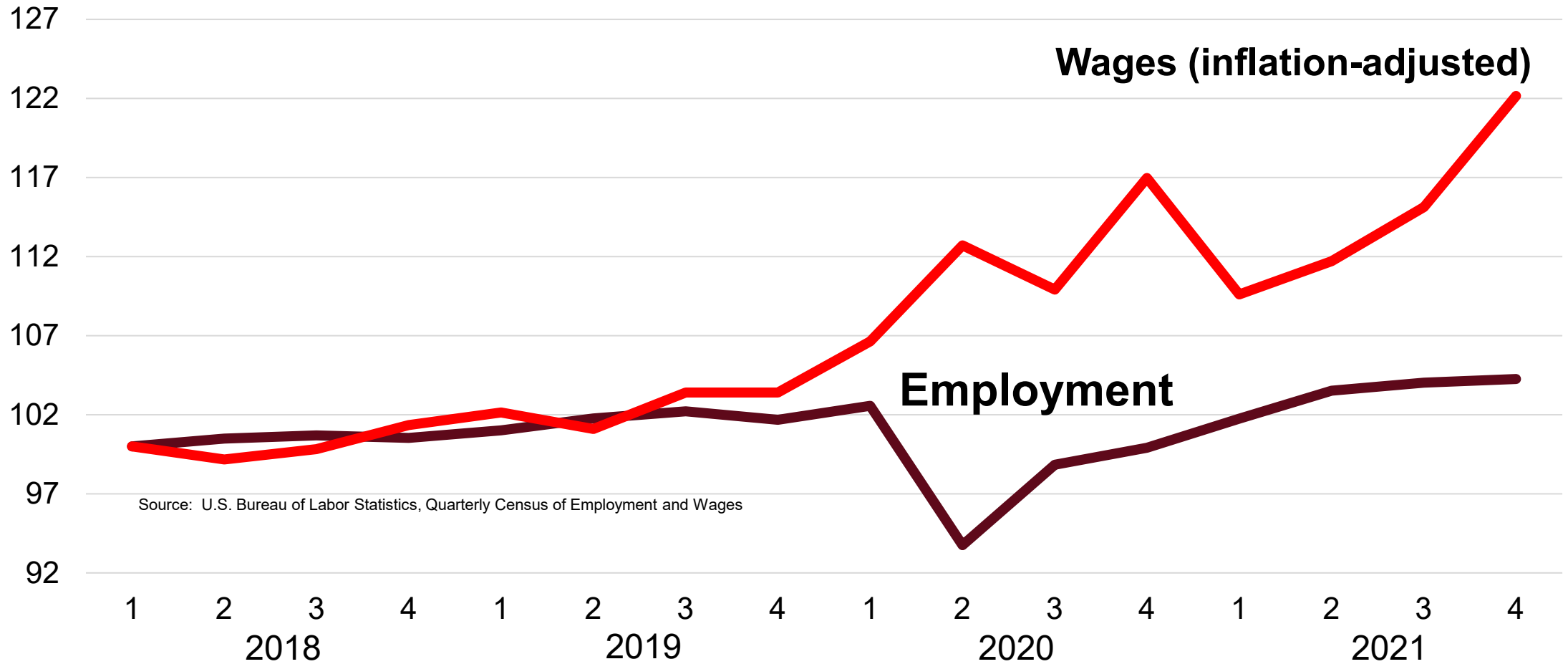
- Strong gains in income, re-opening of services economy produced significant gains
- A big year for visitor spending
- Population in-migration is being felt
- Commodity price surges helped some industries more than others
- Energy and agriculture will not want to repeat 2021



Wages and Employment, Montana, 2018Q1 – 2021Q4

Seasonally Adjusted Index, 2018Q1 = 100

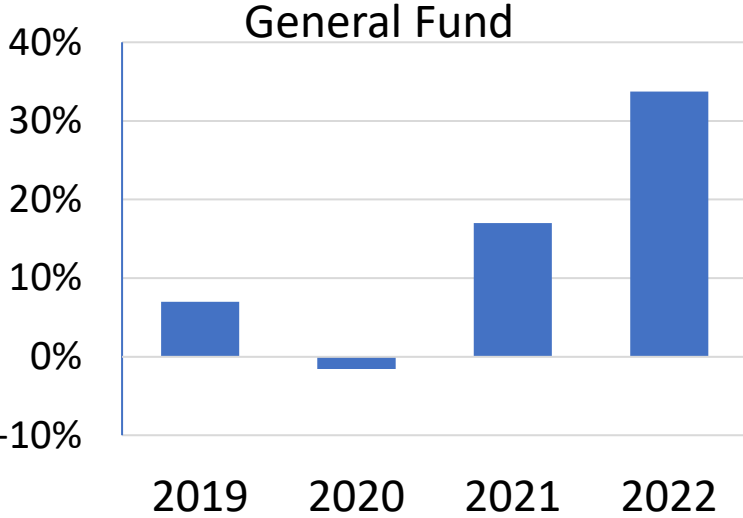
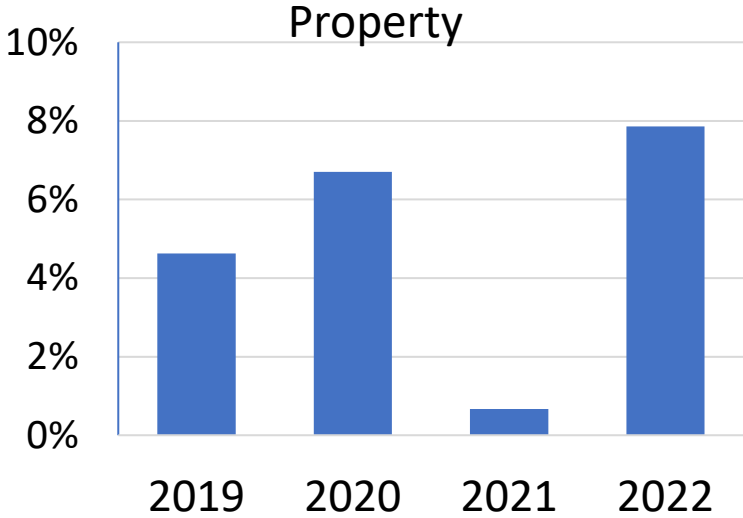
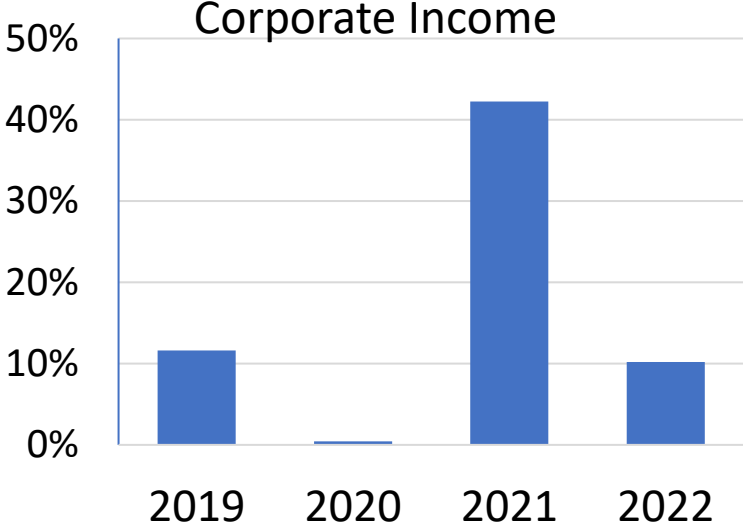
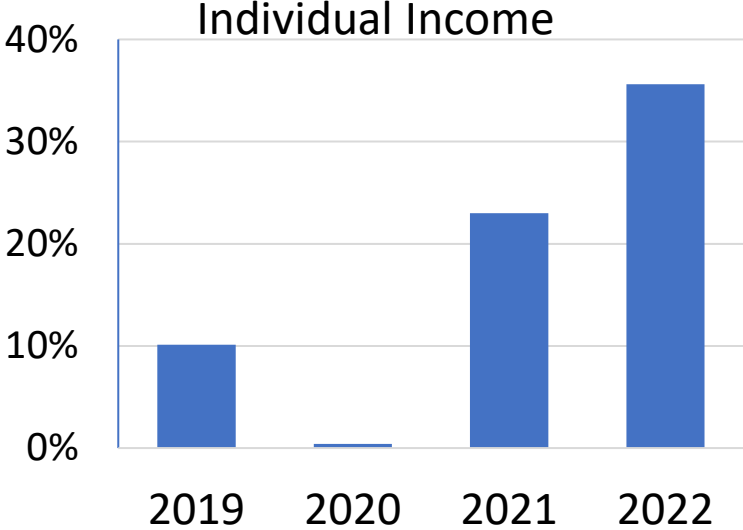
Percent



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

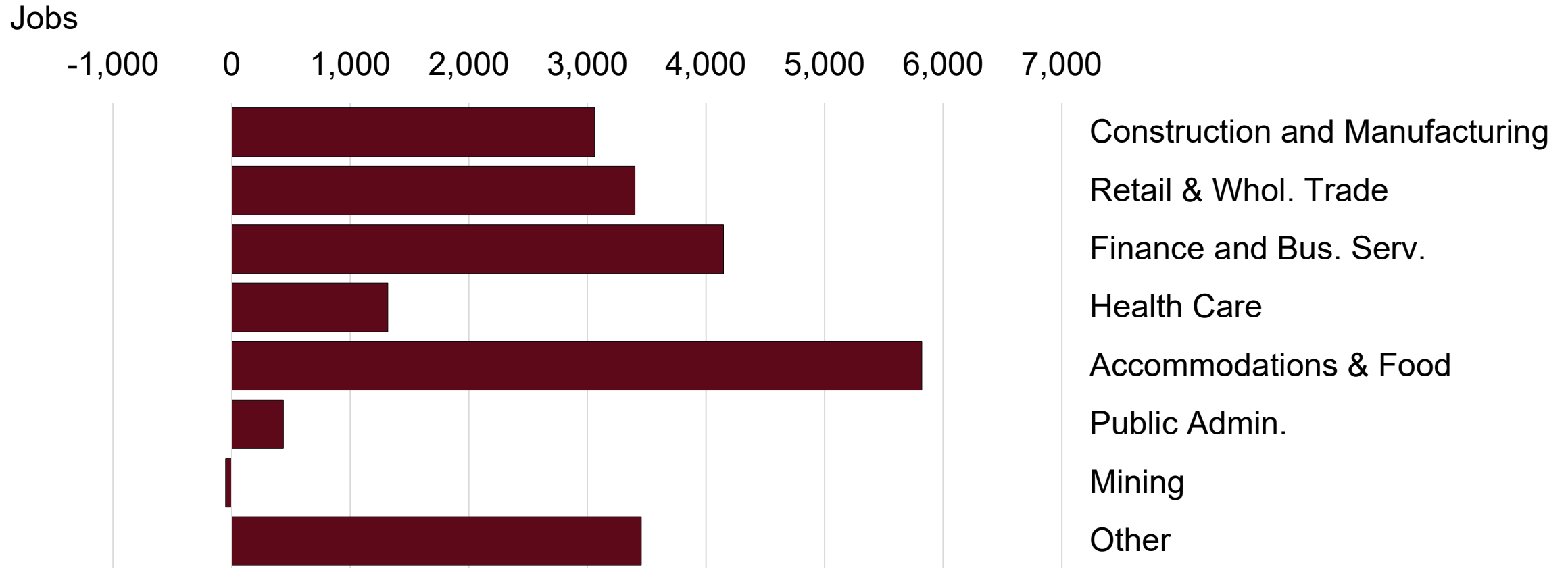


Montana Tax Collections are Booming



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

Job Gains by Sector, Montana, 2020 – 2021



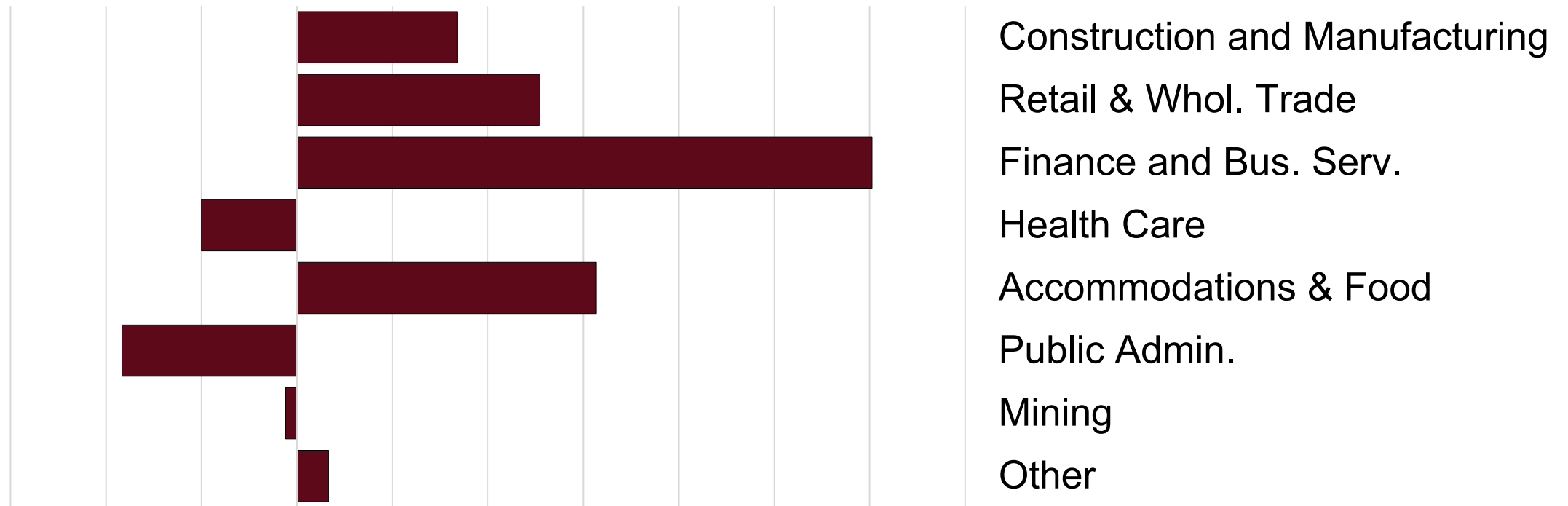
Source: Quarterly Census of Employment and Wages



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

Millions of Dollars

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



Source: Quarterly Census of Employment and Wages

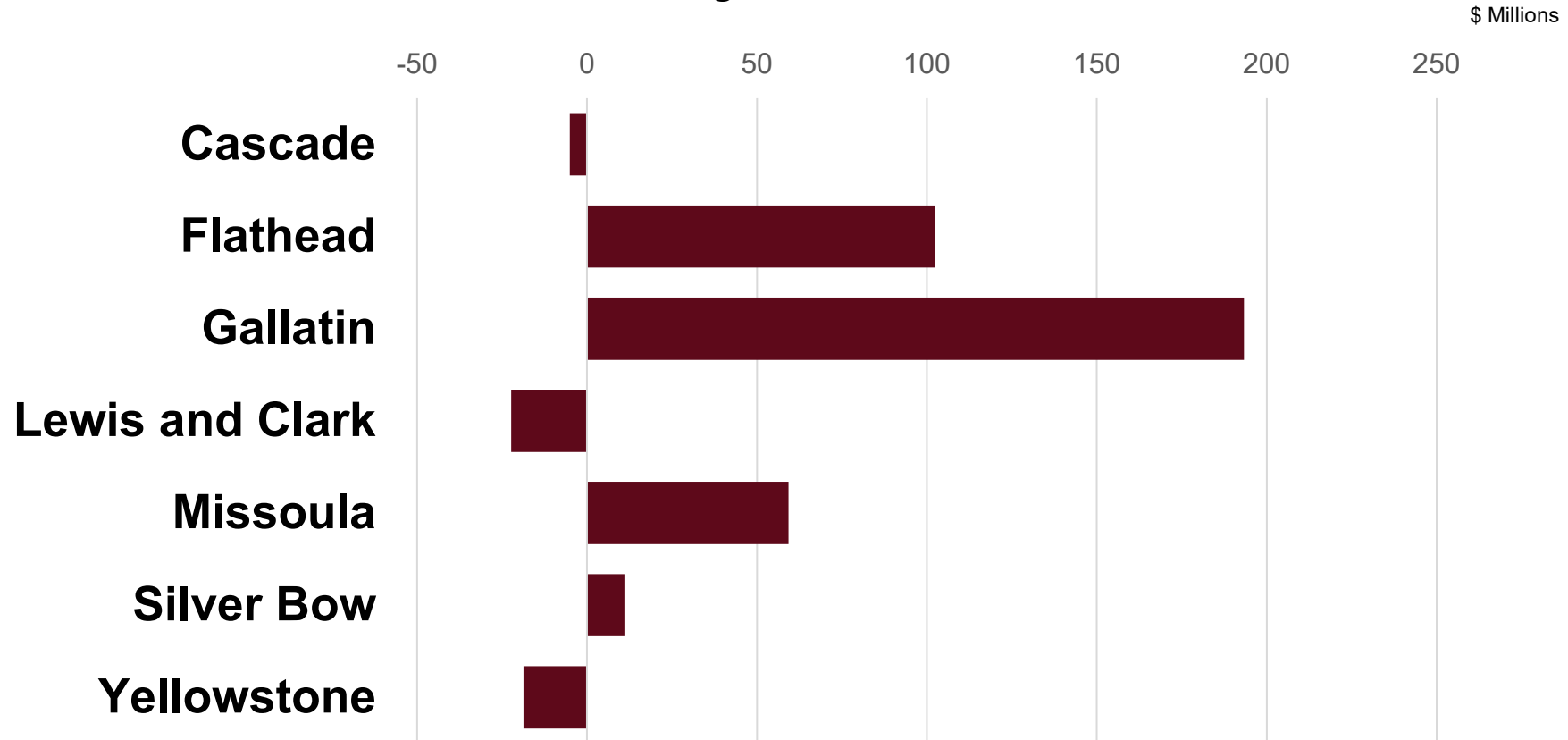


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Montana Growth Last Year Was Unbalanced

Growth in Real Wages, 2021, Millions of Dollars

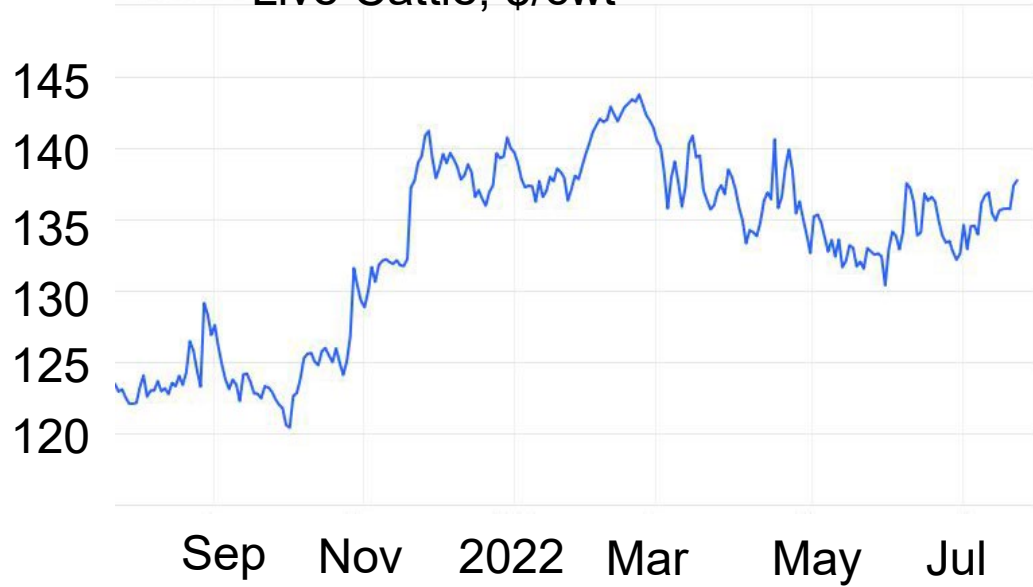


Source: Bureau of Business and Economic Research

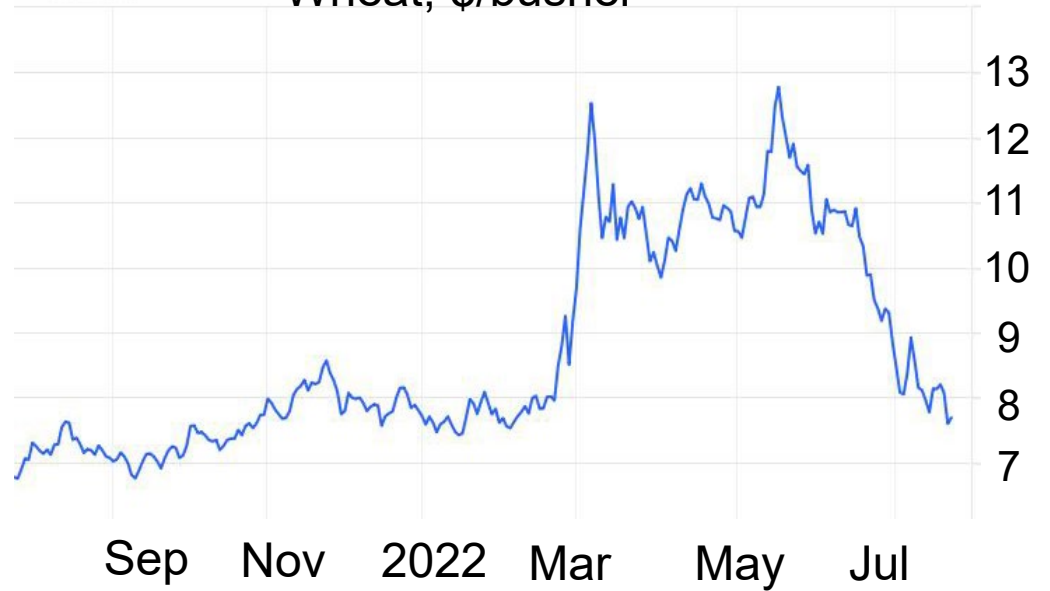


Commodity Prices

Live Cattle, \$/cwt



Wheat, \$/bushel



Copper, \$/pound

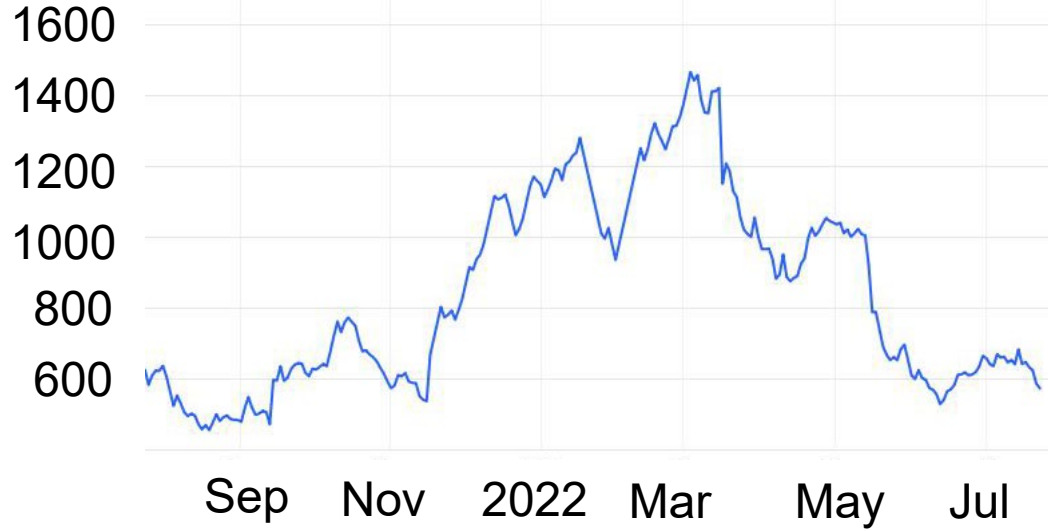


Palladium, \$/troy oz.

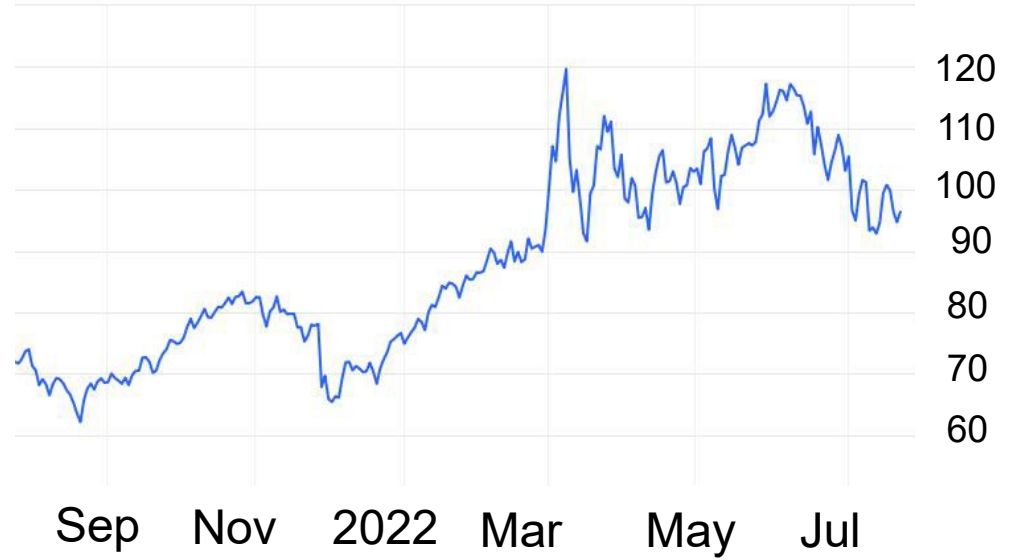


Commodity Prices

Lumber, \$/thous. BF



Crude Oil, WTI, \$/bbl.



Outlook for Montana

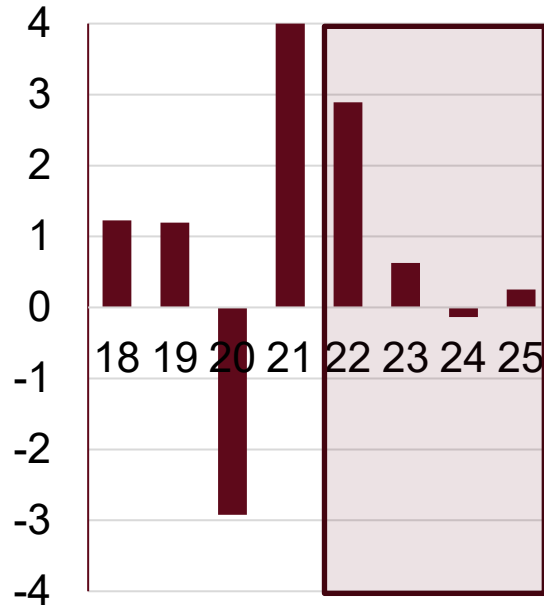
- Inflation is taming the tsunami of demand
- Political pressure to ease monetary tightening will be intense
- Shift to lower growth will be an unwelcome surprise to many
- Montana will continue to benefit from migration trends
- Supply chains will heal, but housing markets will remain stressed



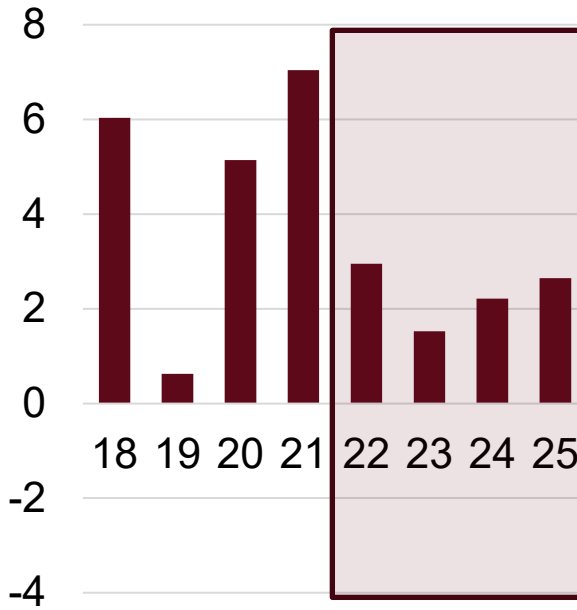
Montana's Economic Recovery

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

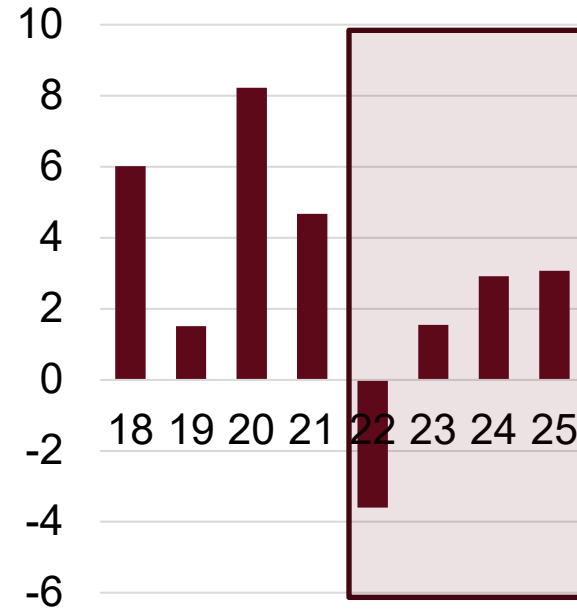
Employment Growth, Percent



Wage and Salary Growth, Pct.



Personal Income Growth, Pct.



Source: IHS Markit