



Overview of Montana's Labor and Business Trends

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Senior Economist

Presentation to the Revenue and
Transportation Interim Committee,
November 19, 2010

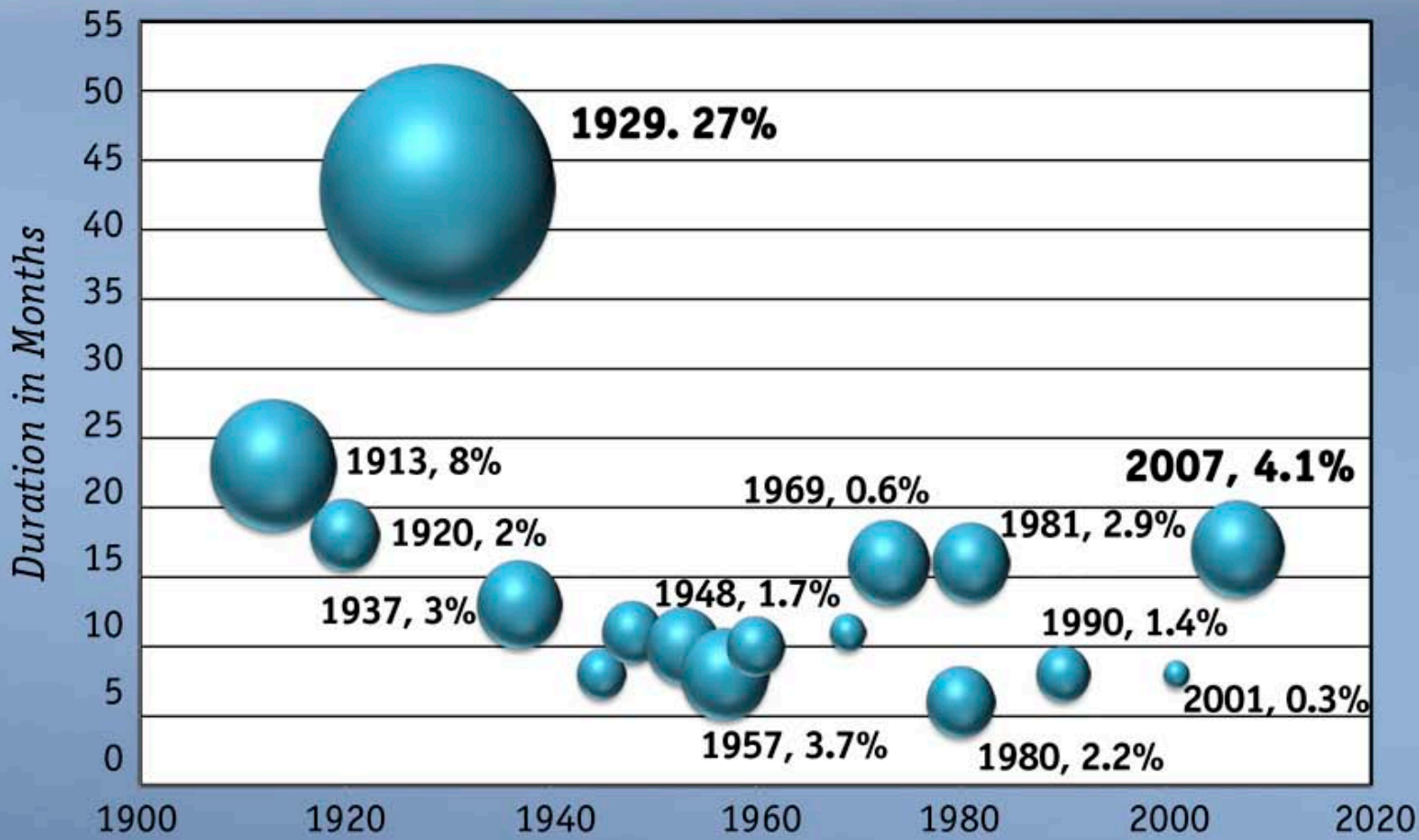


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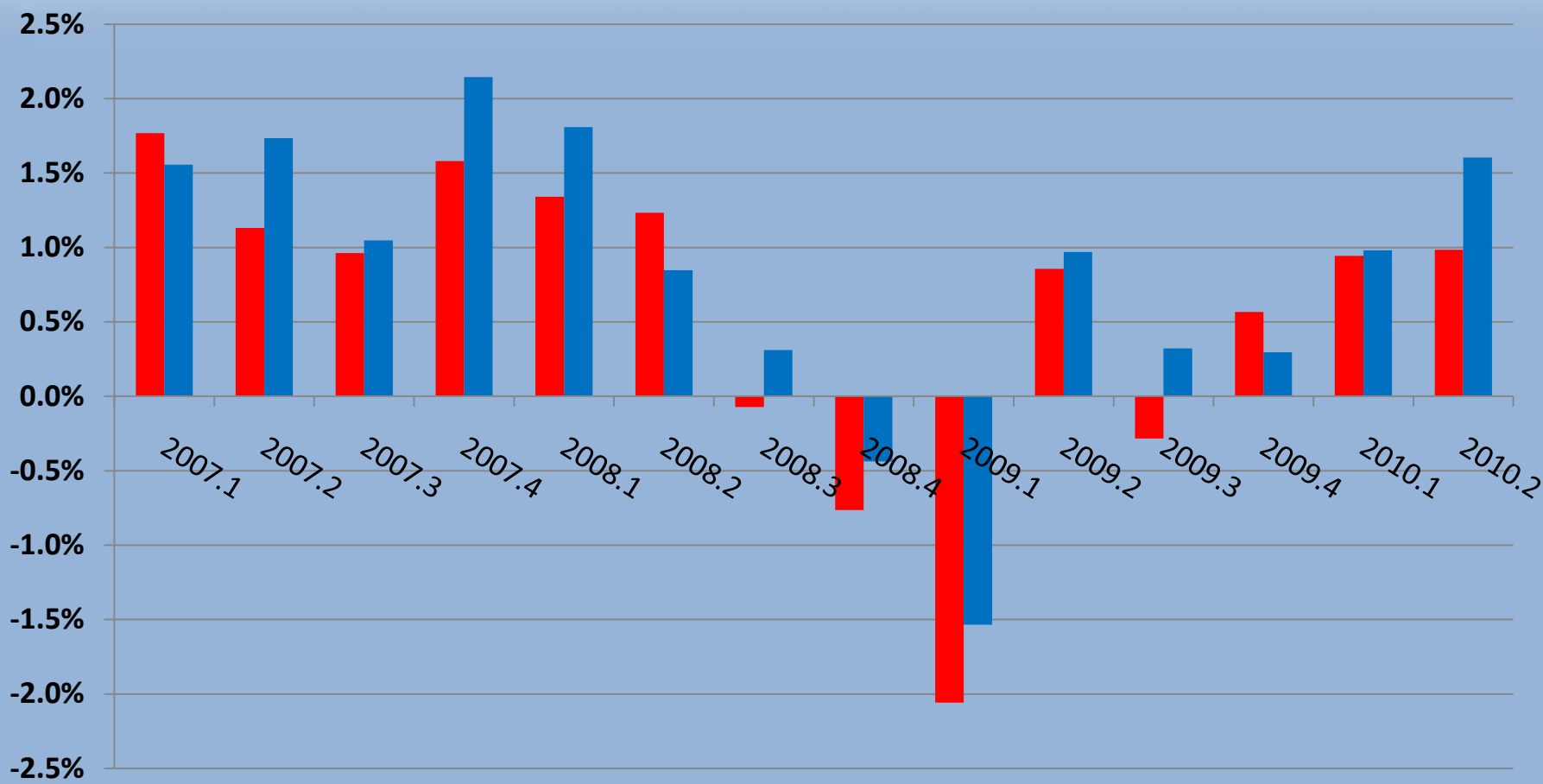


Duration and Loss of GDP in U.S. Recessions in the Last 100 Years





Personal Income Growth by Quarter, U.S. and MT



■ US ■ Montana

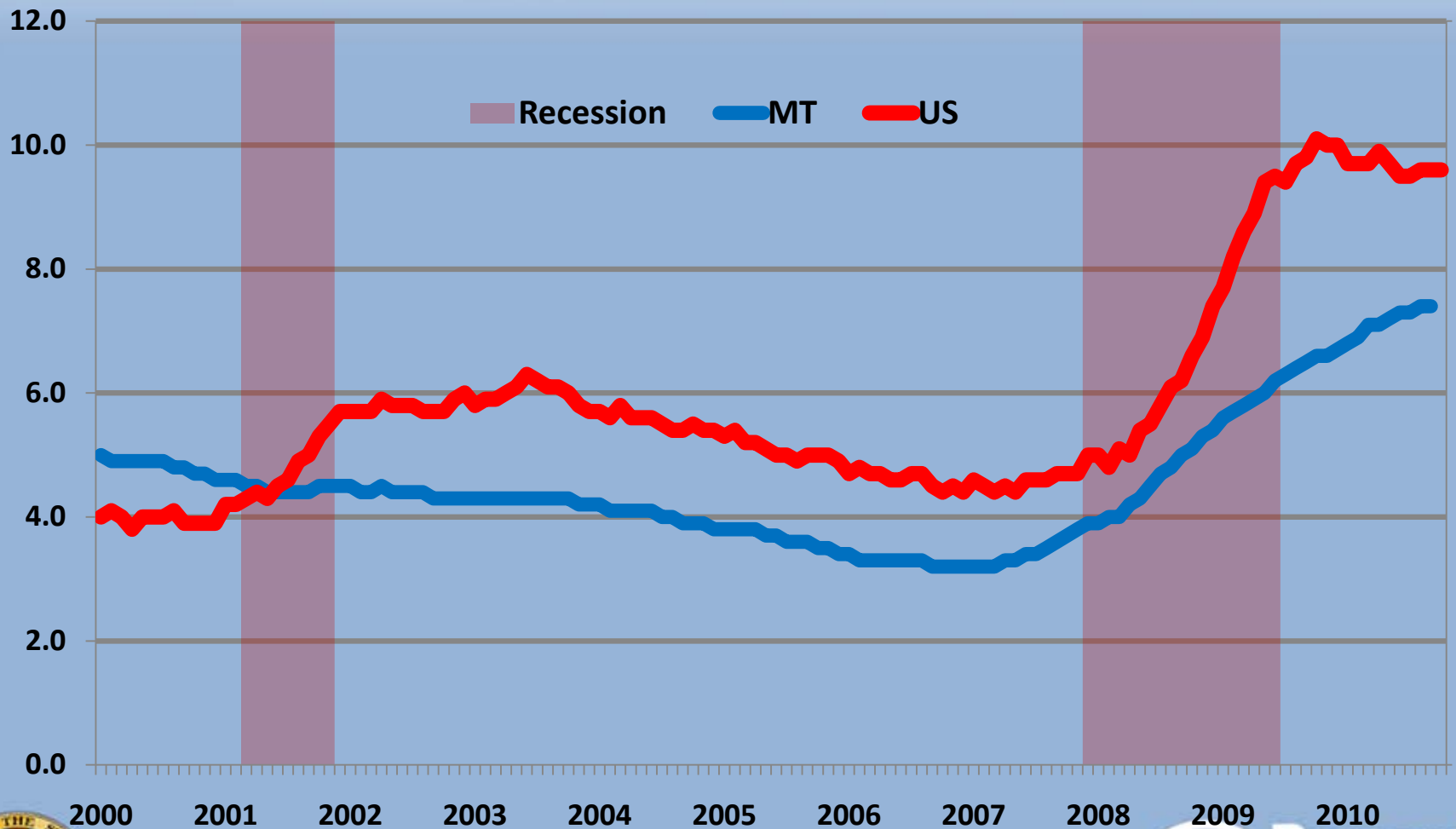


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U.S. and MT Unemployment Rates Since 2000



Source: Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics.



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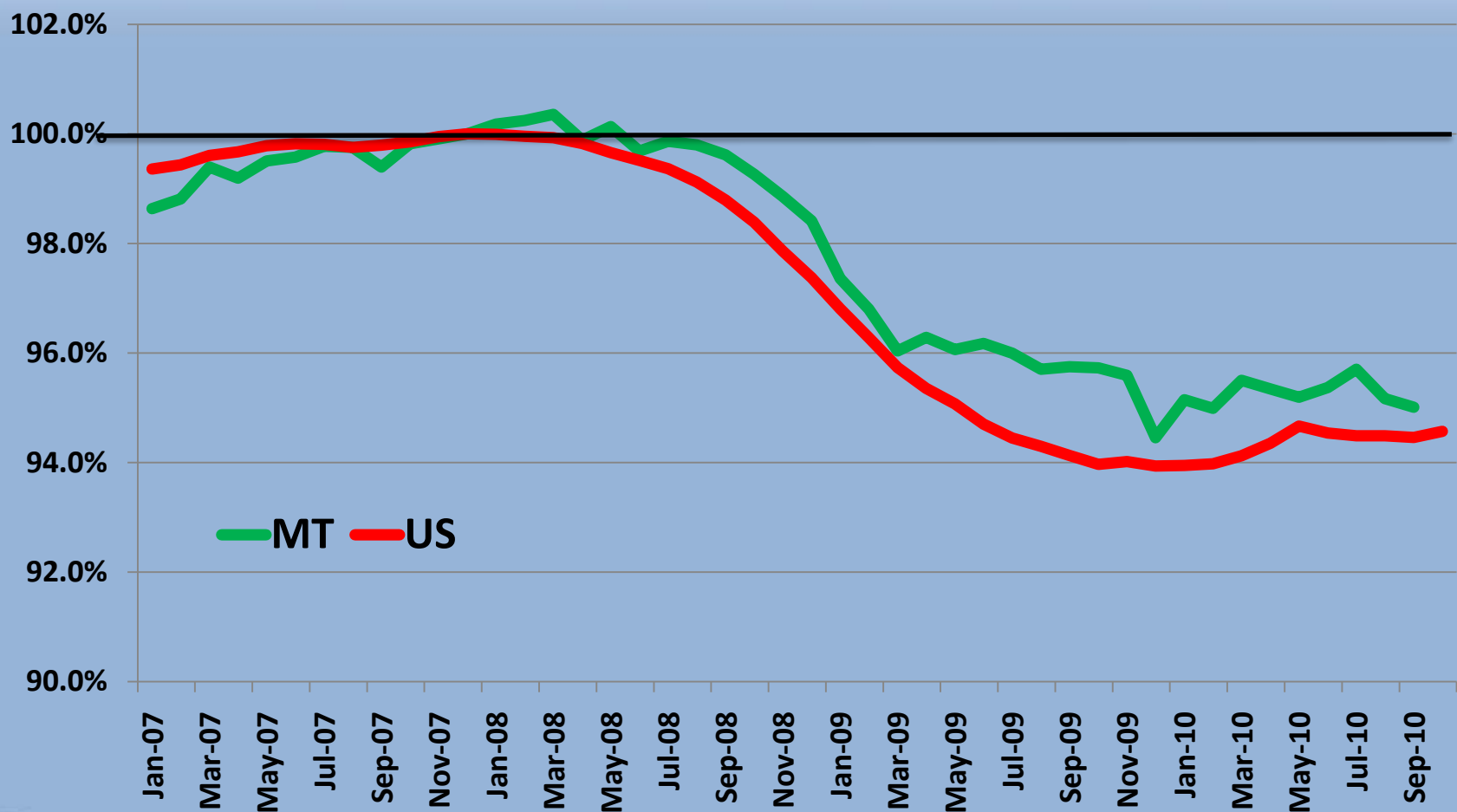


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Indexed U.S. and MT Payroll Employment

Employment in Dec. 2007= 100%



Source: Current Employment Statistics, Seasonally Adjusted.





The Whys of a Jobless Recovery

1. Employment lags an economic recovery
2. Increases in labor productivity
3. Structural unemployment
4. Business uncertainty is delaying hiring





Employment Loss and Duration,

U.S. vs. MT

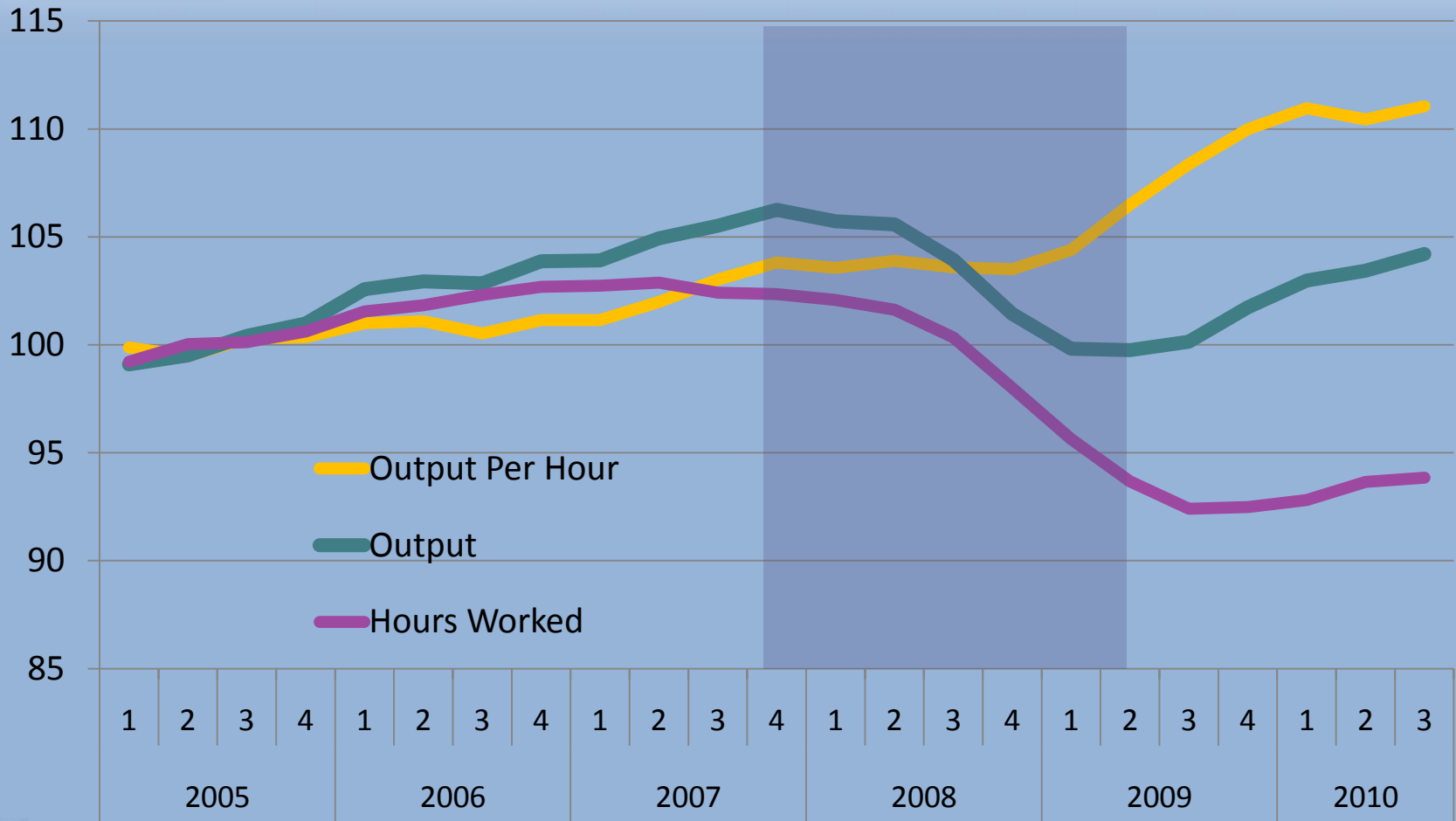
Last Three Recessions

	Official Duration of Recession in Months	US		MT	
		Percent Loss of Employment, Peak to Trough	Months until Employment Recovered	Percent Loss of Employment, Peak to Trough	Months until Employment Recovered
1990	8	1.5%	32	1.0%	4
2001	8	2.0%	48	0.5%	10
2007	18	6.1%	34 and counting	5.8%	30 and counting





Income Growth has not Resulted in Job Growth Because of Labor Productivity



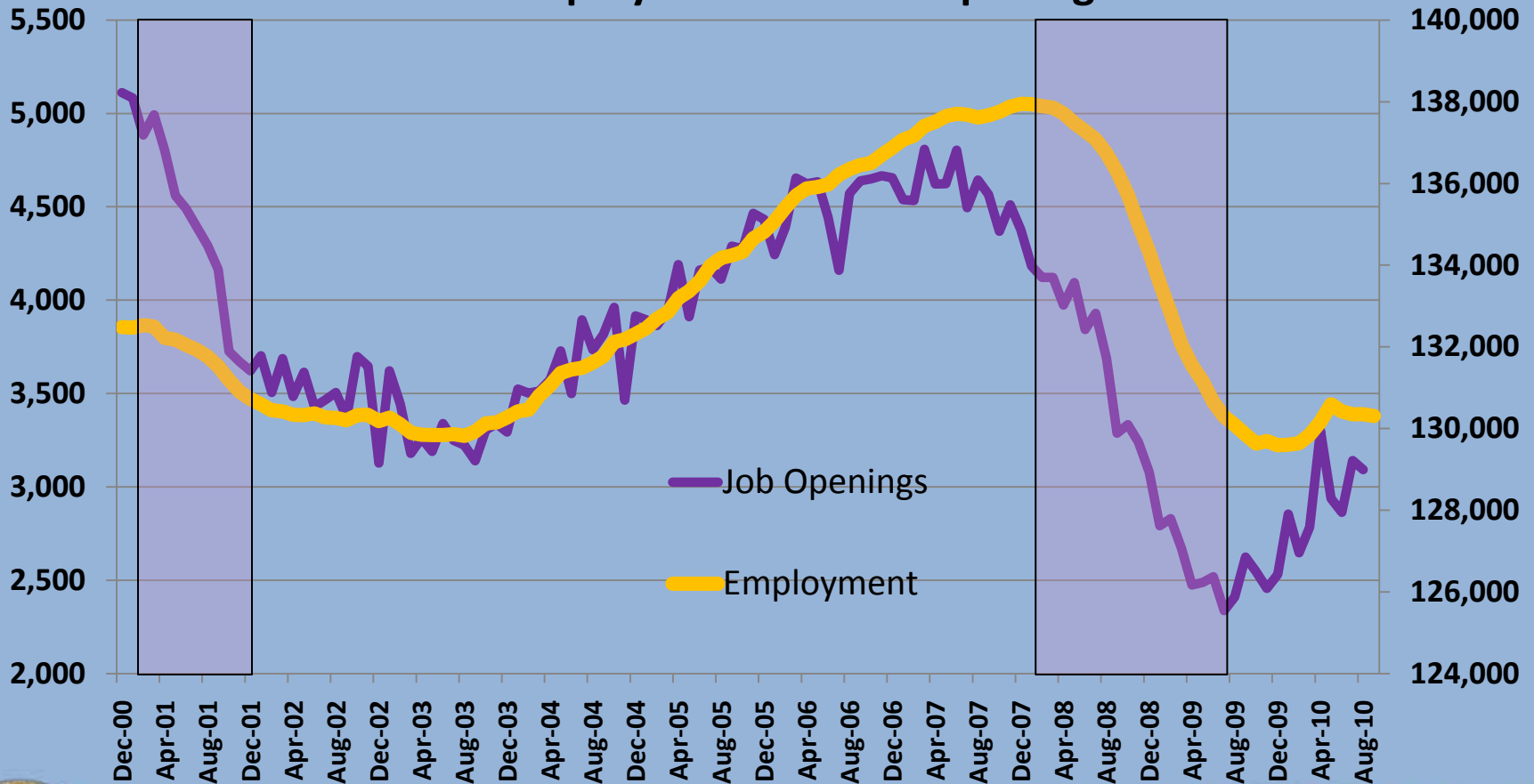
Source: Bureau of Labor Statistics, Quarterly Labor Productivity for the U.S.





Income Growth has not Resulted in Job Growth Because of Structural Unemployment

U.S. Employment and Job Openings

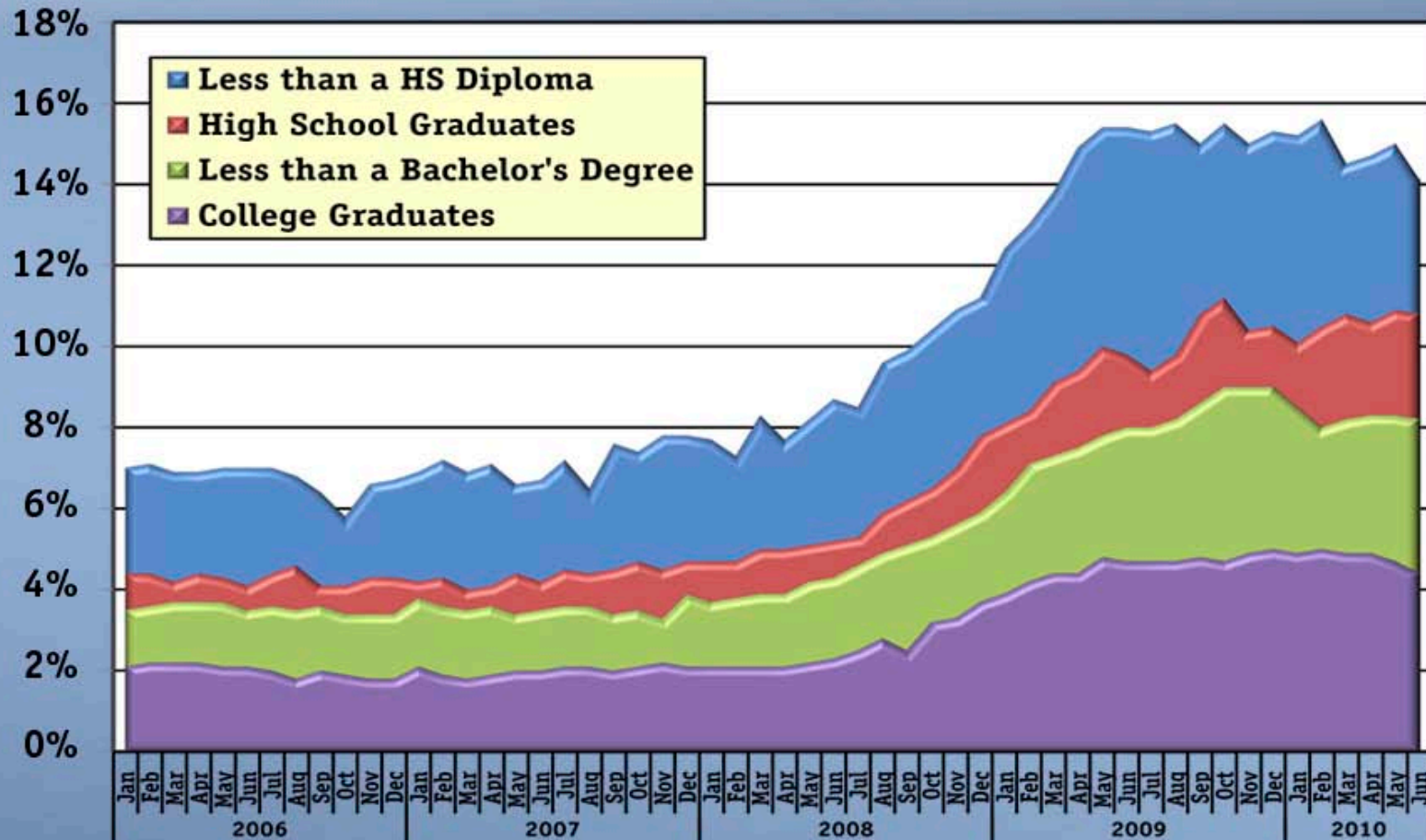


Source: Bureau of Labor Statistics, JOLTS job openings and CES nonfarm payroll employment.



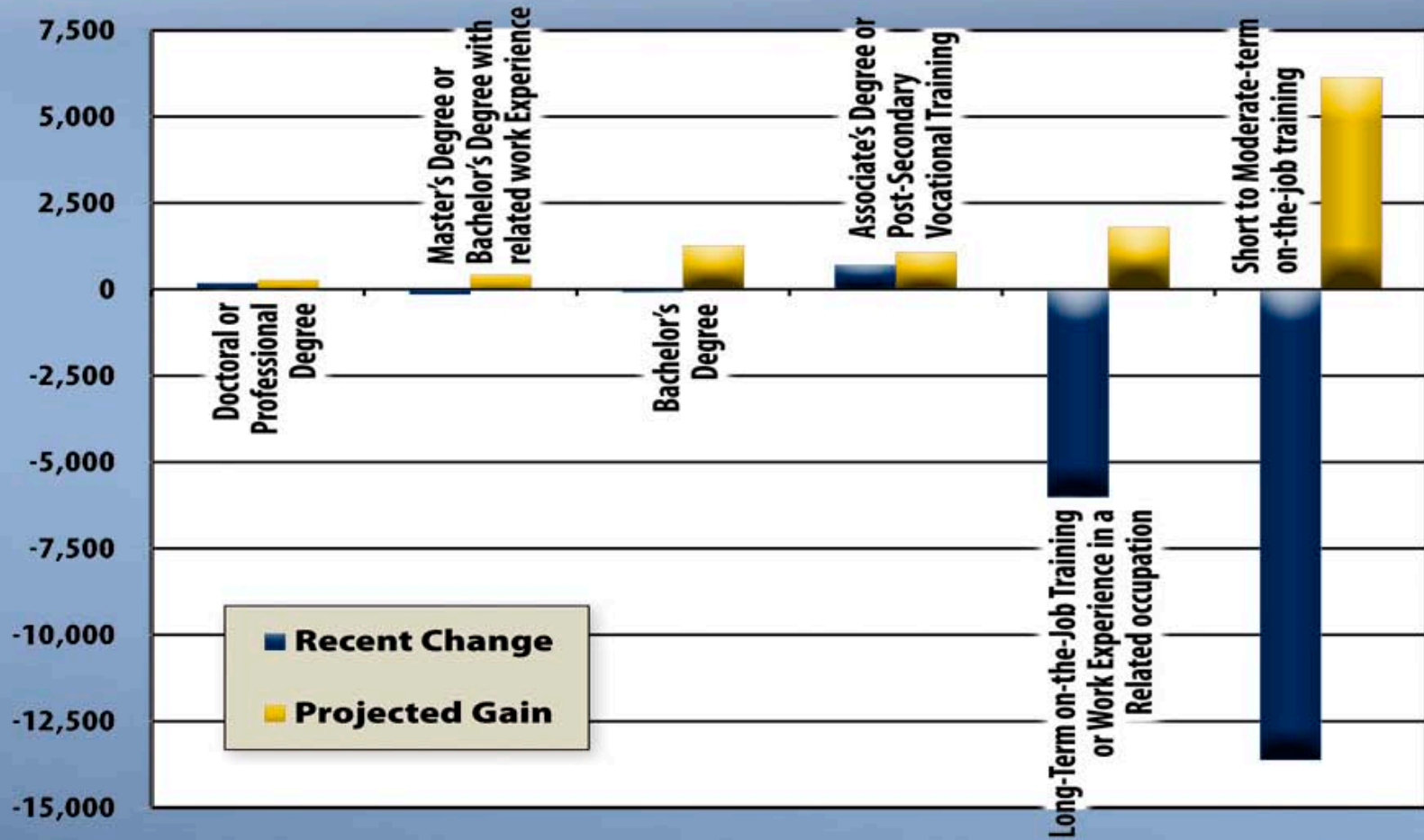


U.S. Unemployment Rate by Education Level





Employment Change During the Recession Compared to Projected Two-Year Growth by Education and Training Requirements





Income Growth has not Resulted in Job Growth Because of Structural Unemployment

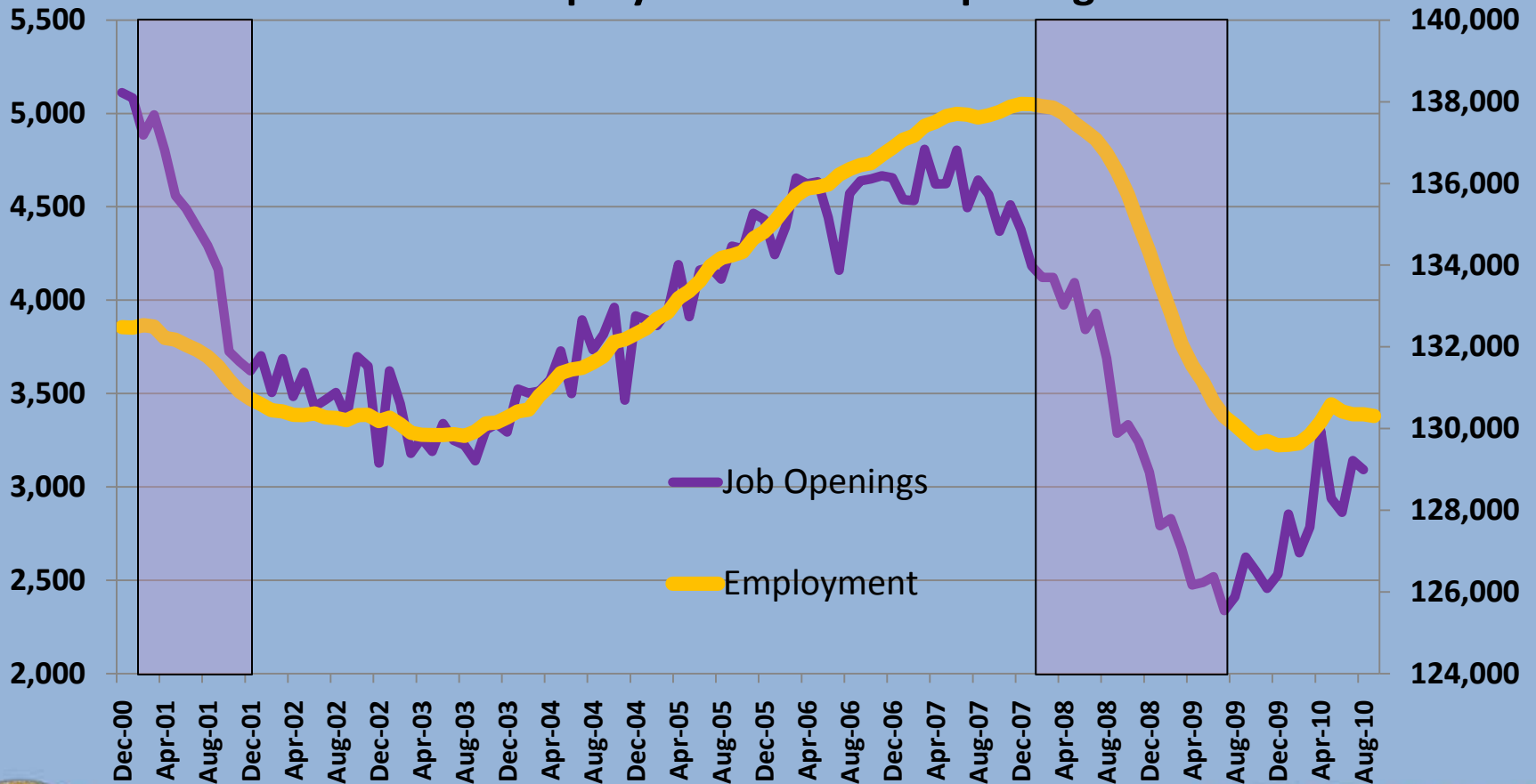
- Structural unemployment only explains part of the disparity between increasing job openings and employment
 - Lower wages, other budget concerns, and enhanced unemployment insurance benefits also play a factor
- Still need more job openings to regain employment levels.





Income Growth has not Resulted in Job Growth Because of Structural Unemployment

U.S. Employment and Job Openings



Source: Bureau of Labor Statistics, JOLTS job openings and CES nonfarm payroll employment.





Income Growth has not Resulted in Job Growth Because of Business Uncertainty

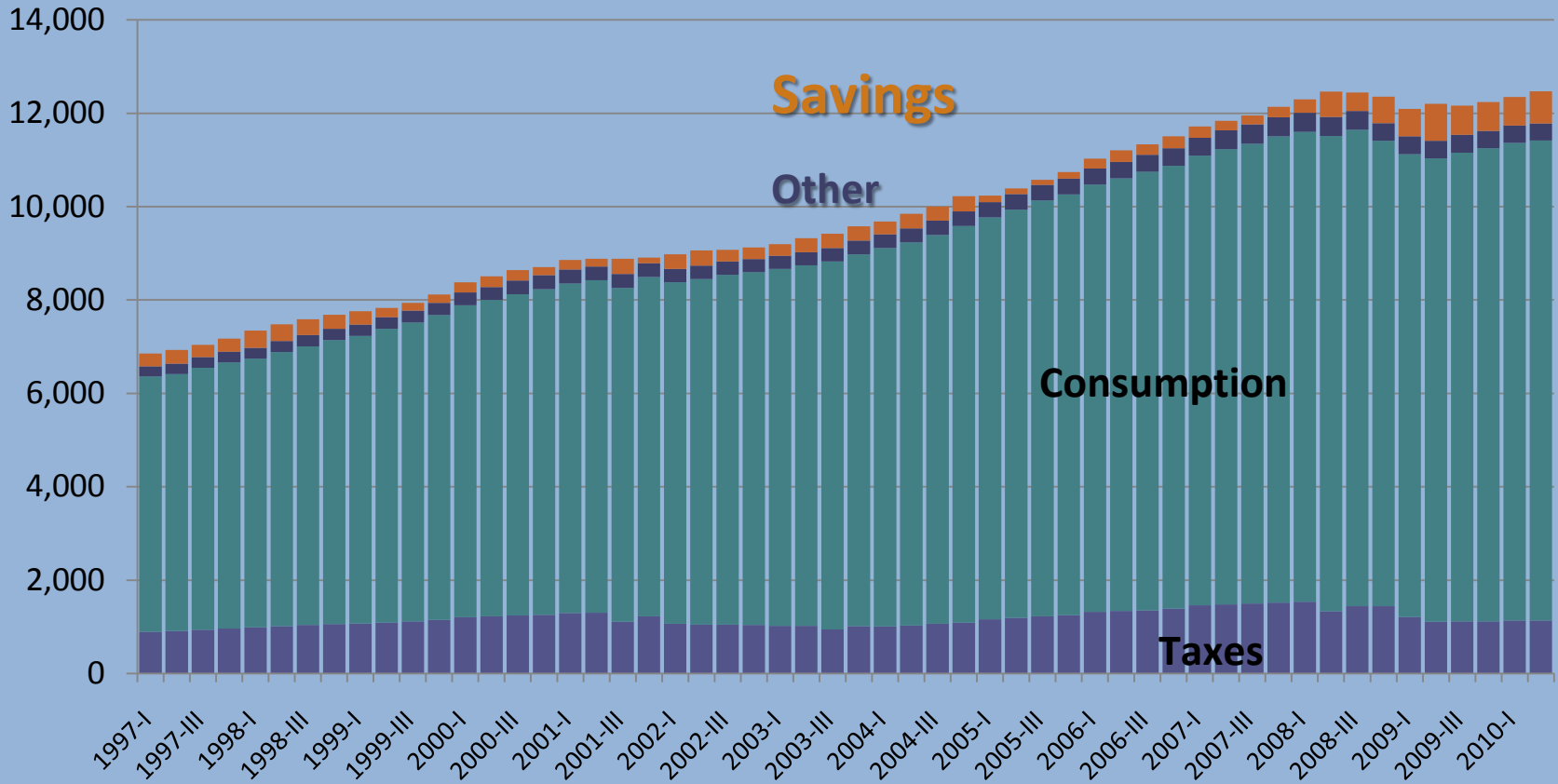
- Businesses have cash to hire more employees
 - Moody's estimates \$1-2 trillion in cash reserves
- Conflicting economic and political news creates uncertainty
- Recession may have long-term impacts on consumer spending
 - Consumer expenditures represent about 70% of GDP





Consumers are Cutting Back on Consumption and Saving More

Components of Personal Income

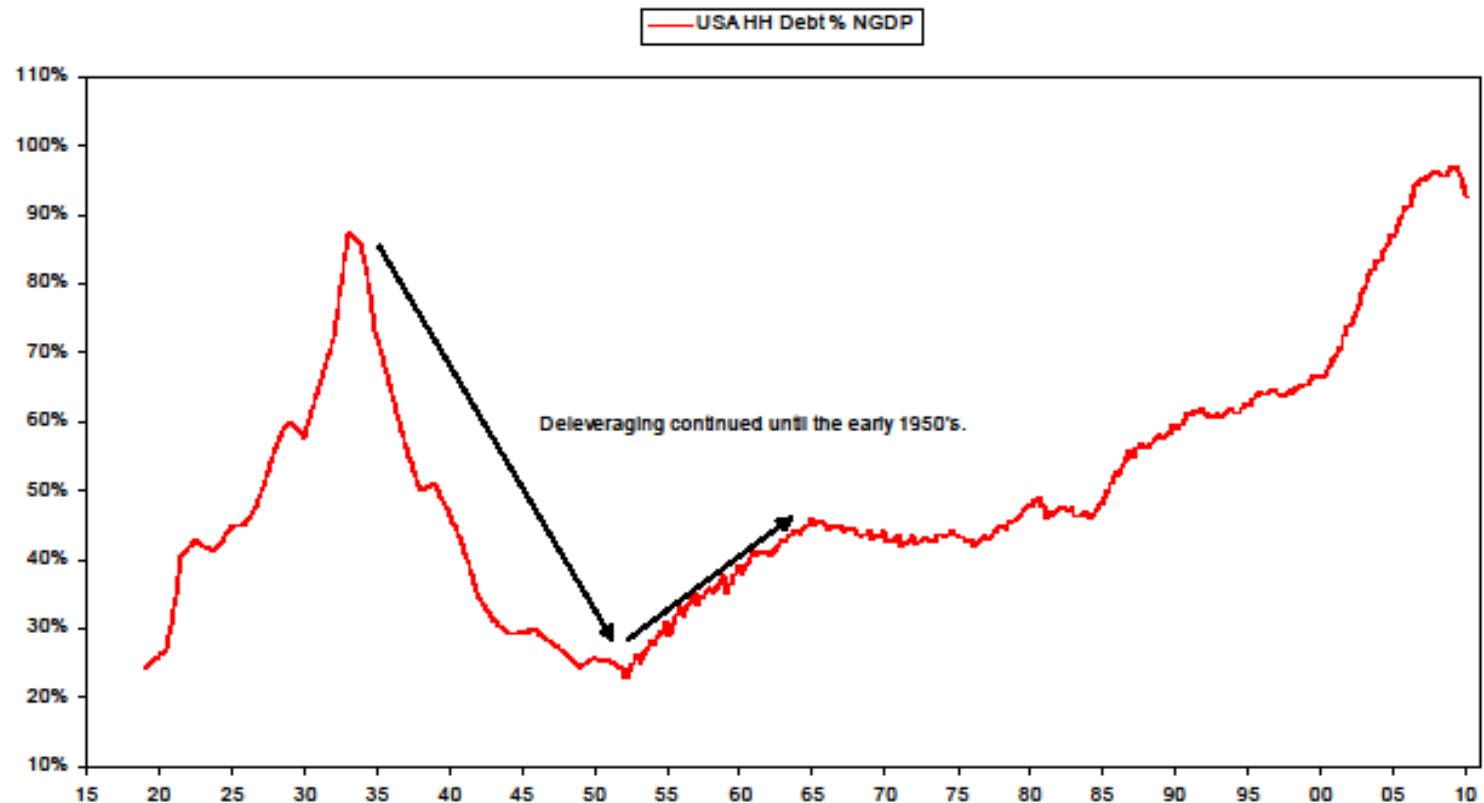


Source: Bureau of Economic Analysis, U.S. Department of Commerce. Personal Income Composition and Disposition



De-levering Process Could be Lengthy

UNITED STATES HOUSEHOLD DEBT



Source: Global Financial Data and Bridgewater Analysis

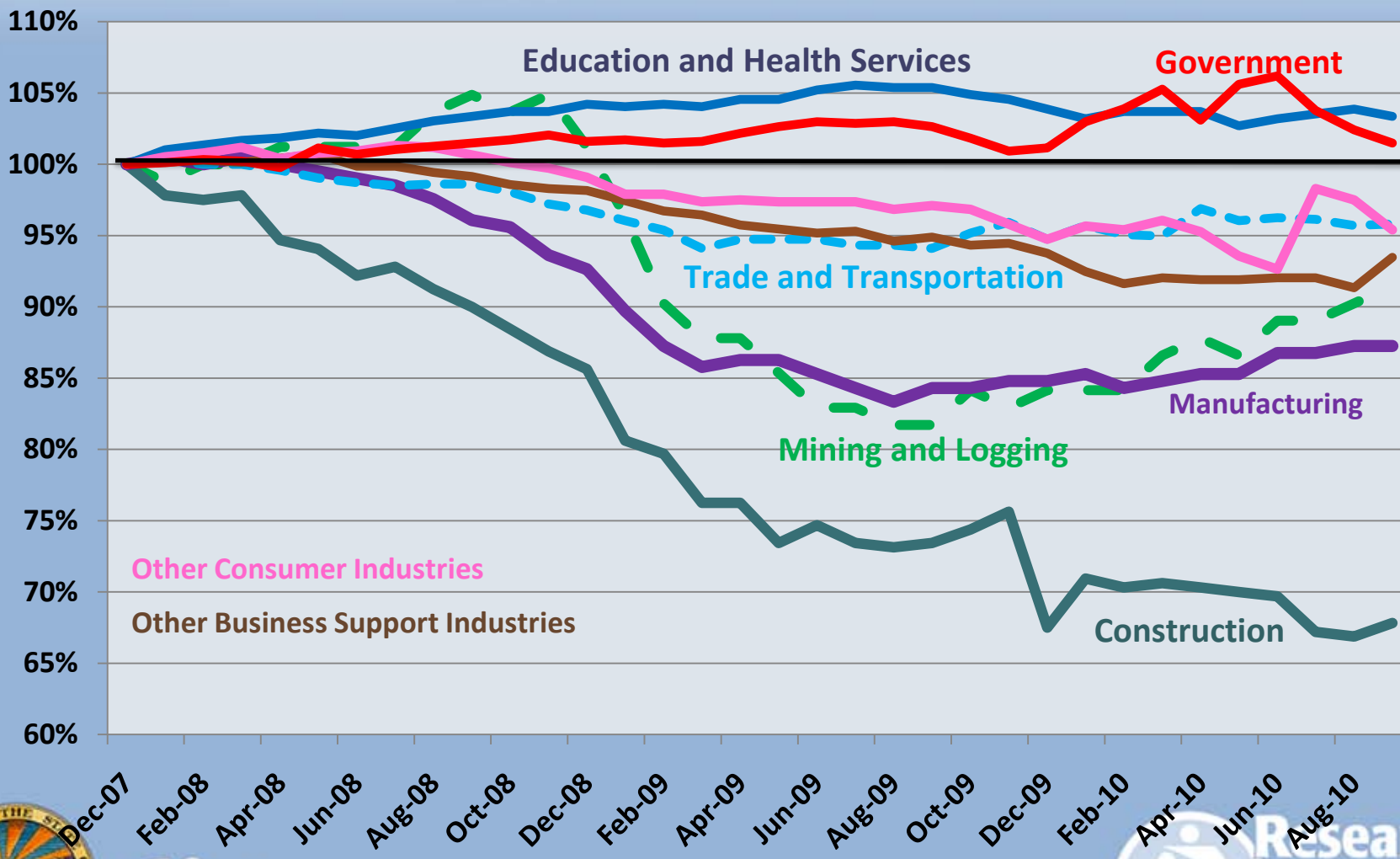


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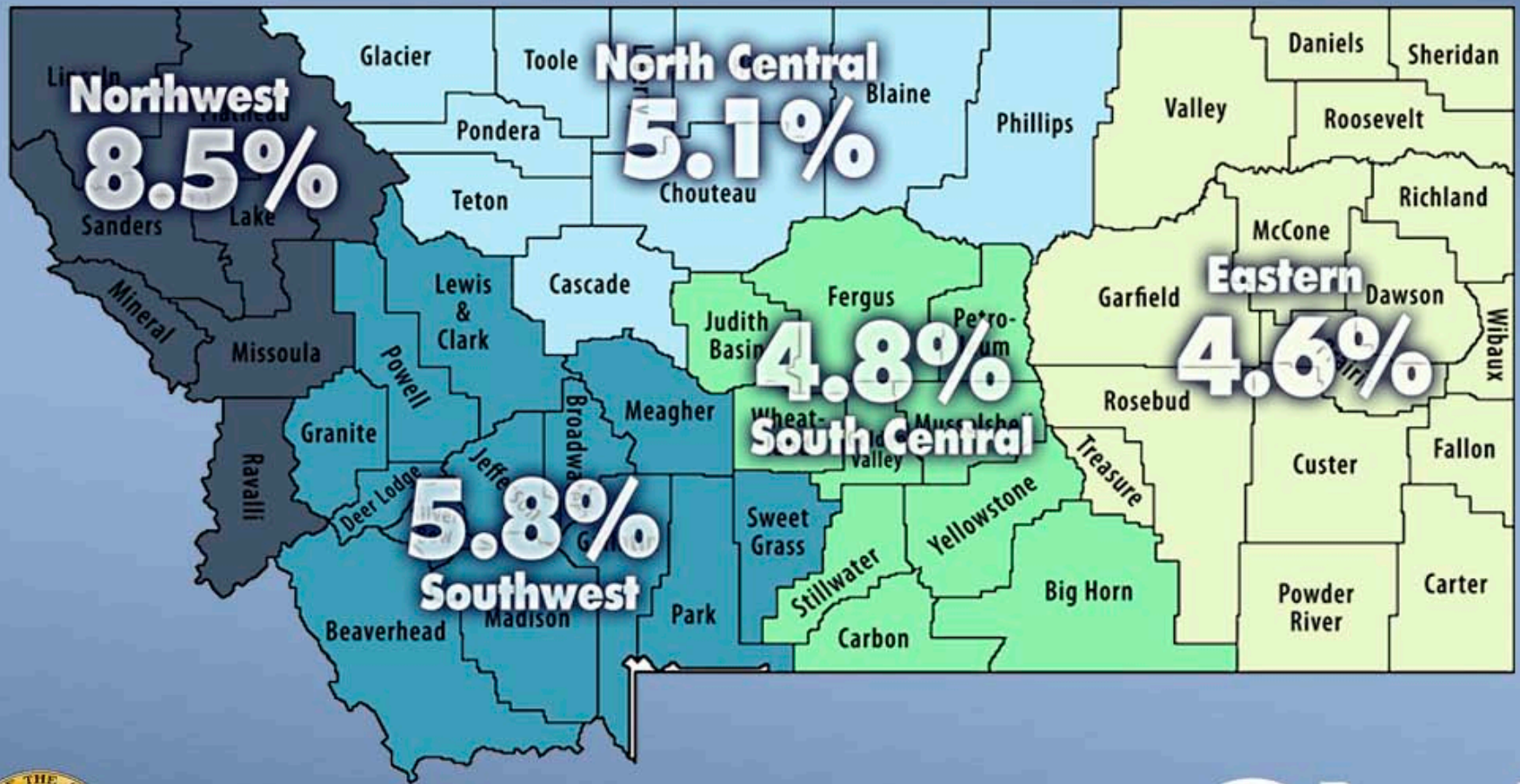


Employment in Selected Industries During Recession, Dec. 2007 Employment = 100%



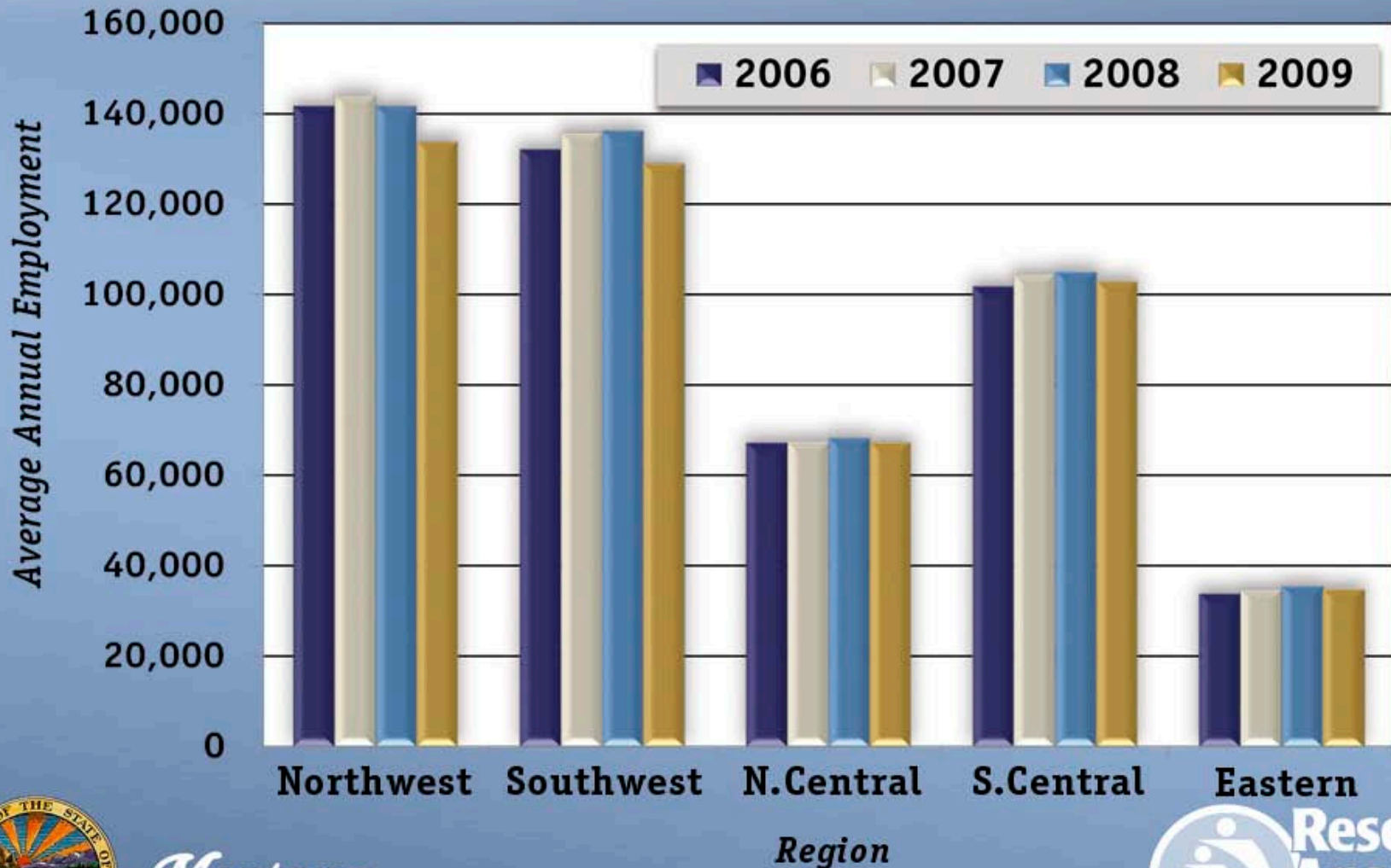


2009 Annual Unemployment Rates by Region





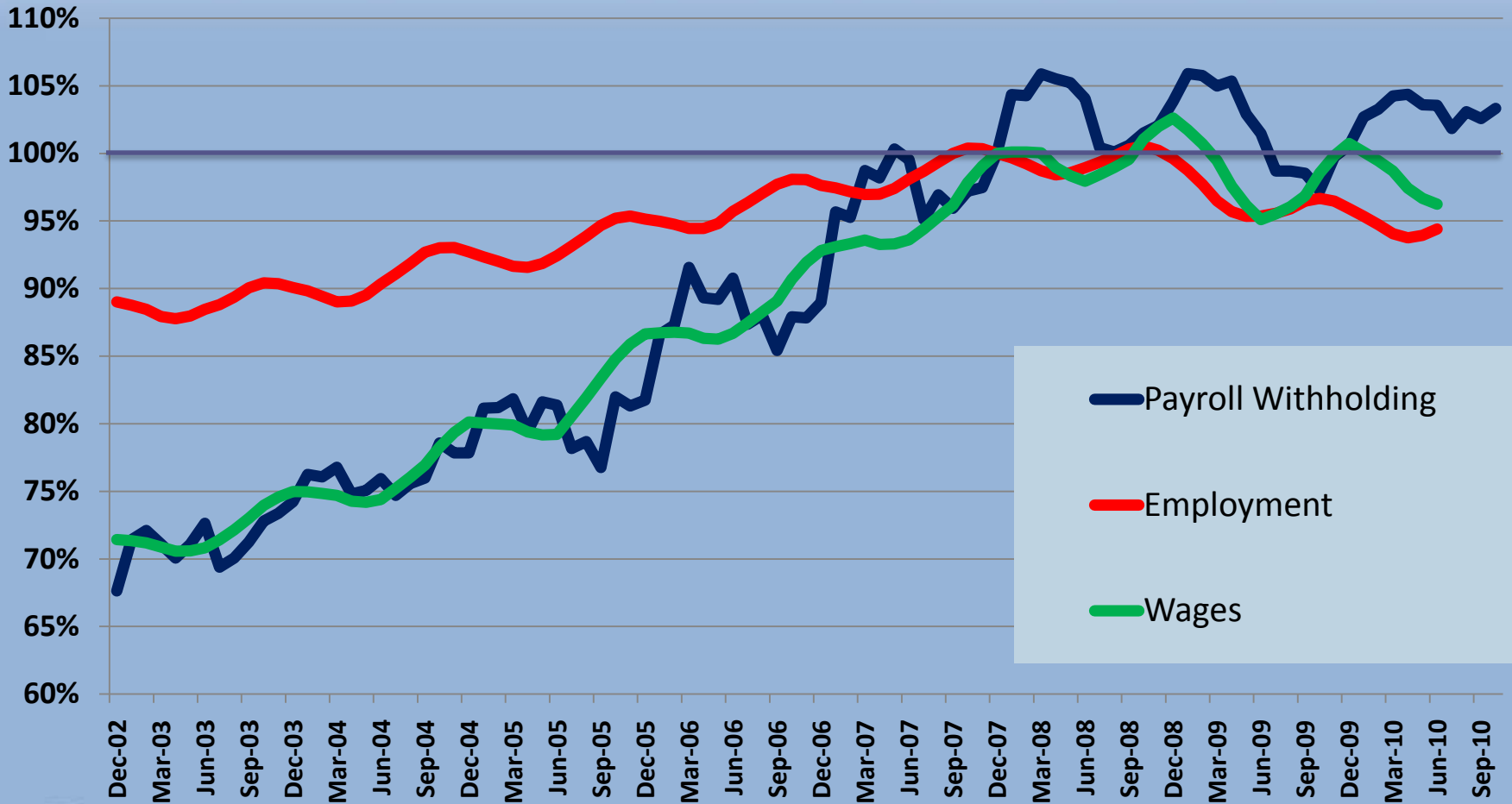
Total Employment in Montana by Region, 2006 to 2009





Relationship between Employment, Wages, and Individual Income Tax Withholding

Indexed to Dec. 2007 = 100%



— Payroll Withholding
— Employment
— Wages

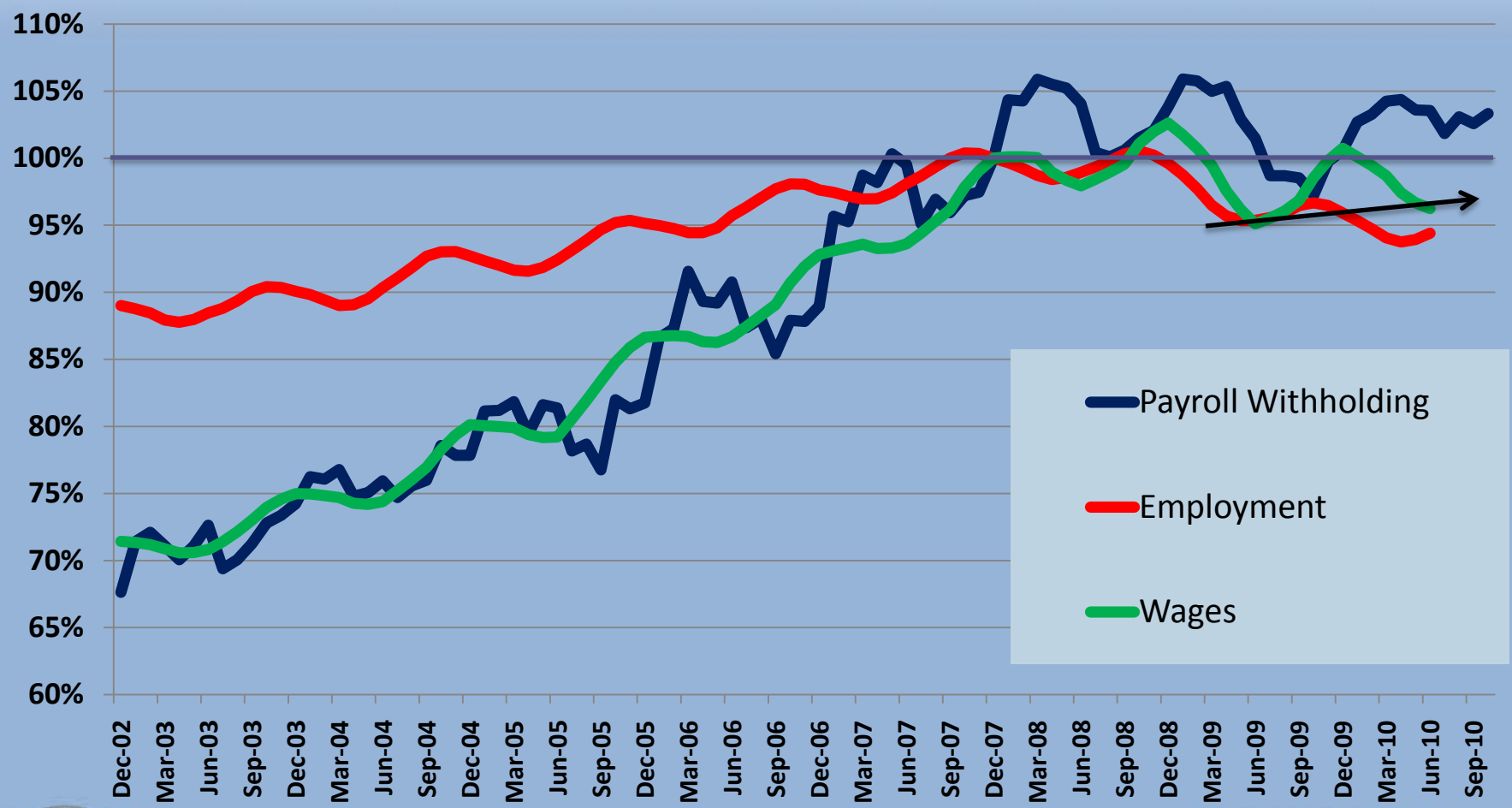
Source: Quarterly Census of Employment and Wages, 6-month moving average. Payroll withholding receipts from the Montana Department of Revenue.





Relationship between Employment, Wages, and Individual Income Tax Withholding

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- Payroll Withholding
- Employment
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Source: Quarterly Census of Employment and Wages, 6-month moving average. Payroll withholding receipts from the Montana Department of Revenue.



QUESTIONS?

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