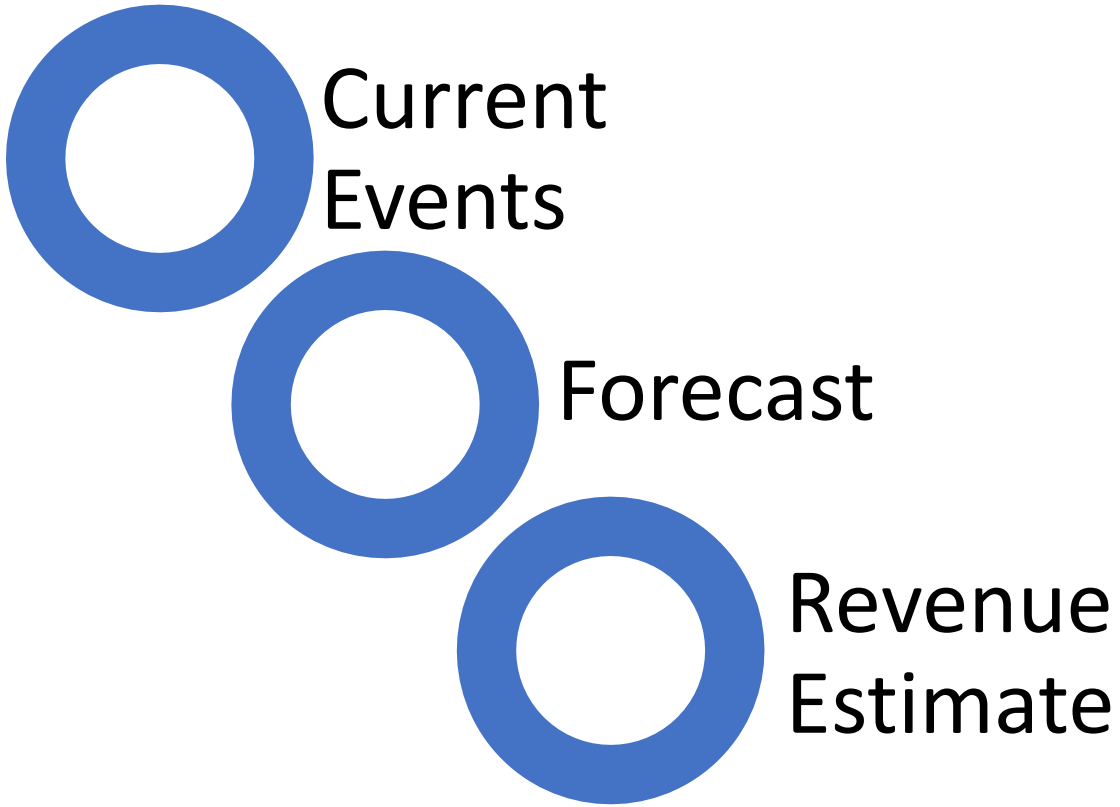
Economics and Revenue

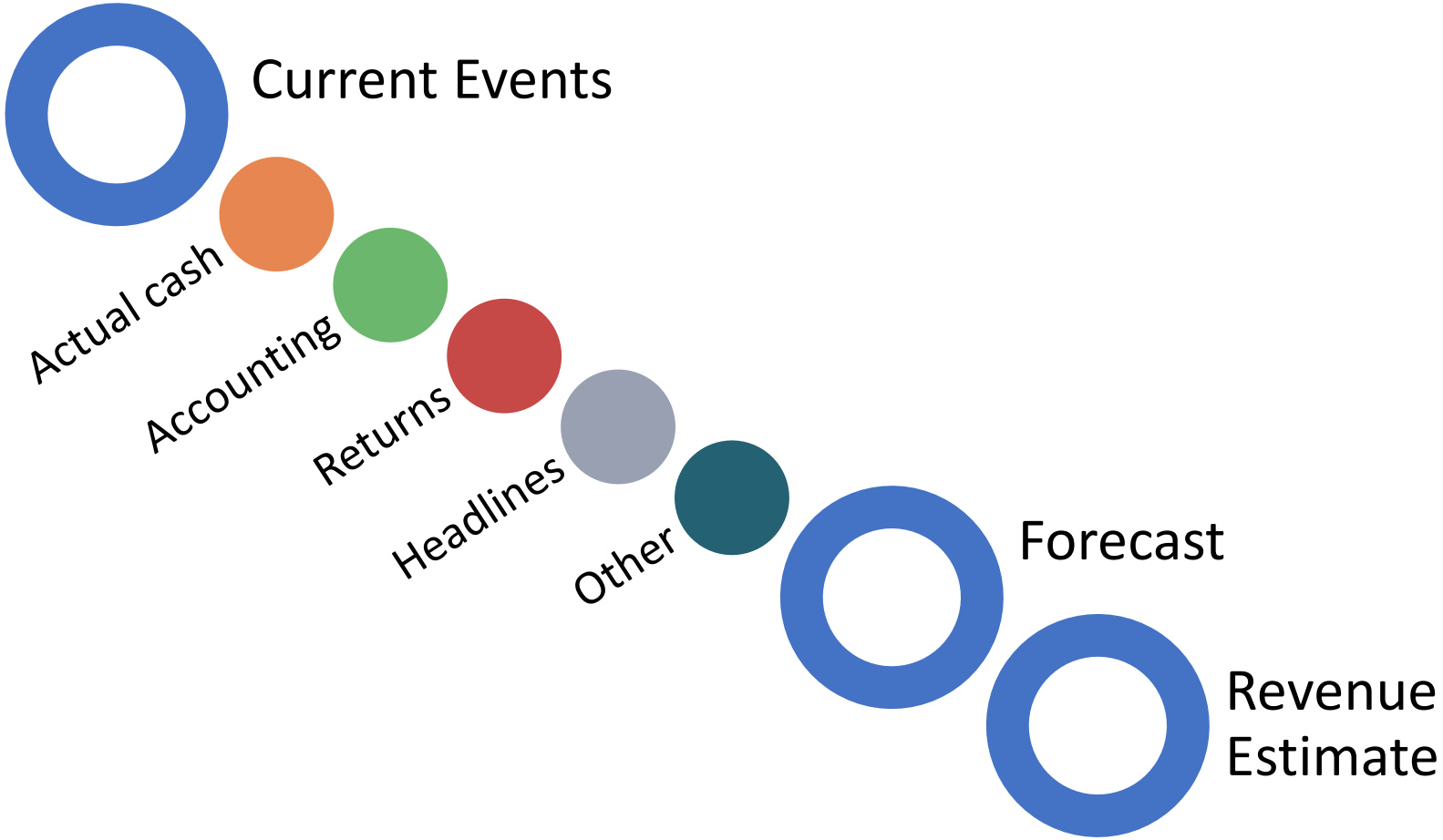
Forecast for the 2021 Biennium

LFD
MONTANA LEGISLATIVE FISCAL DIVISION

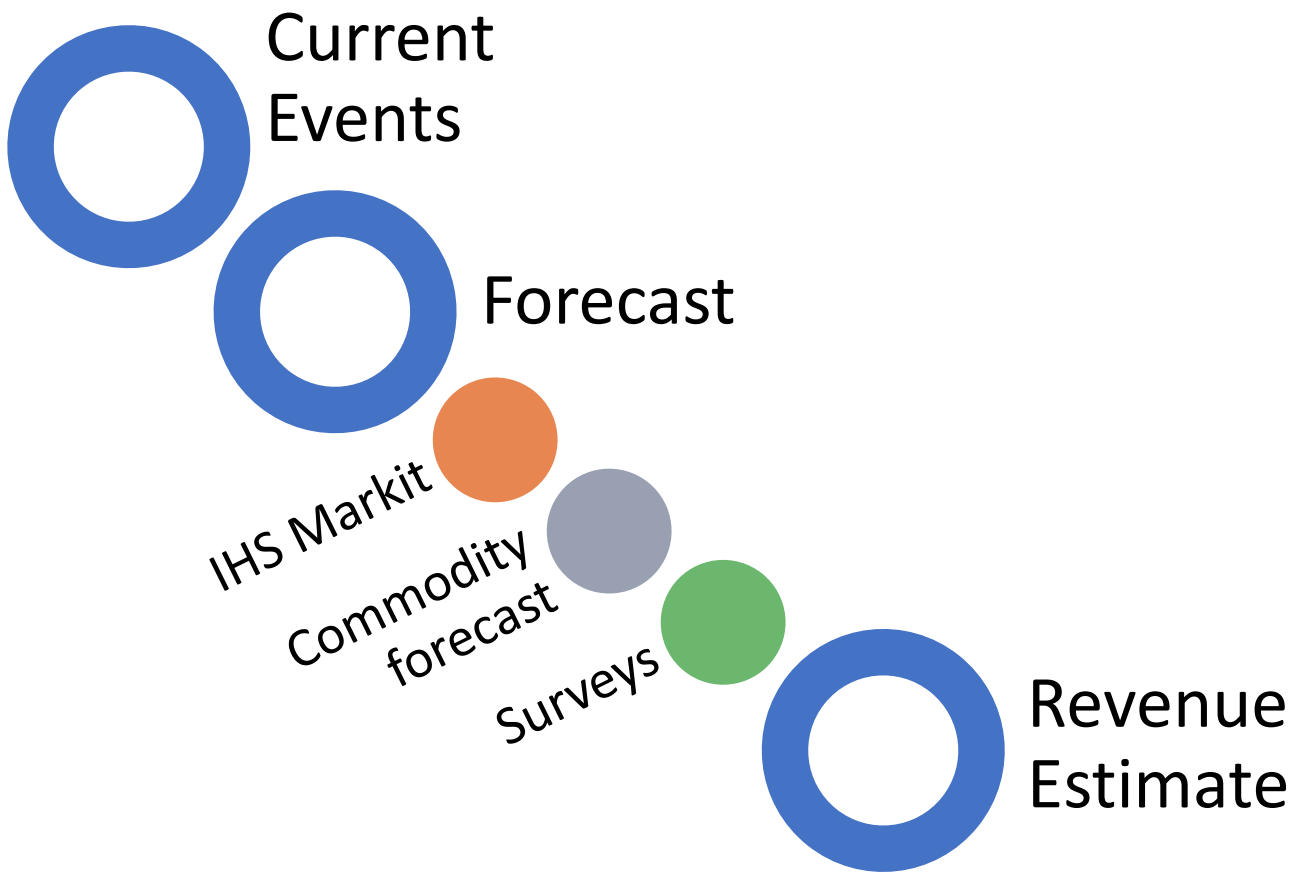
Revenue forecasting steps



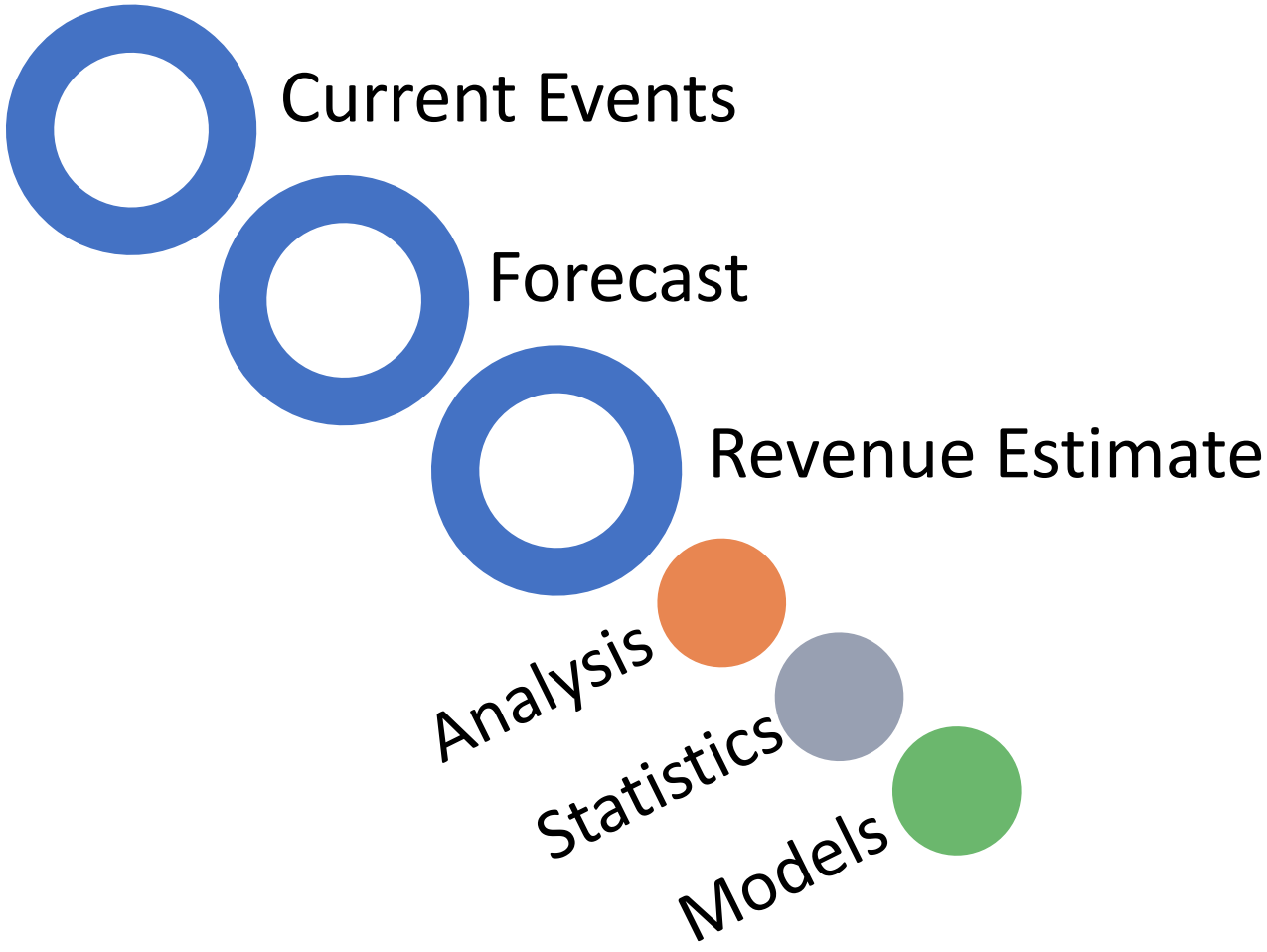
Revenue forecasting steps



Revenue forecasting steps



Revenue forecasting steps

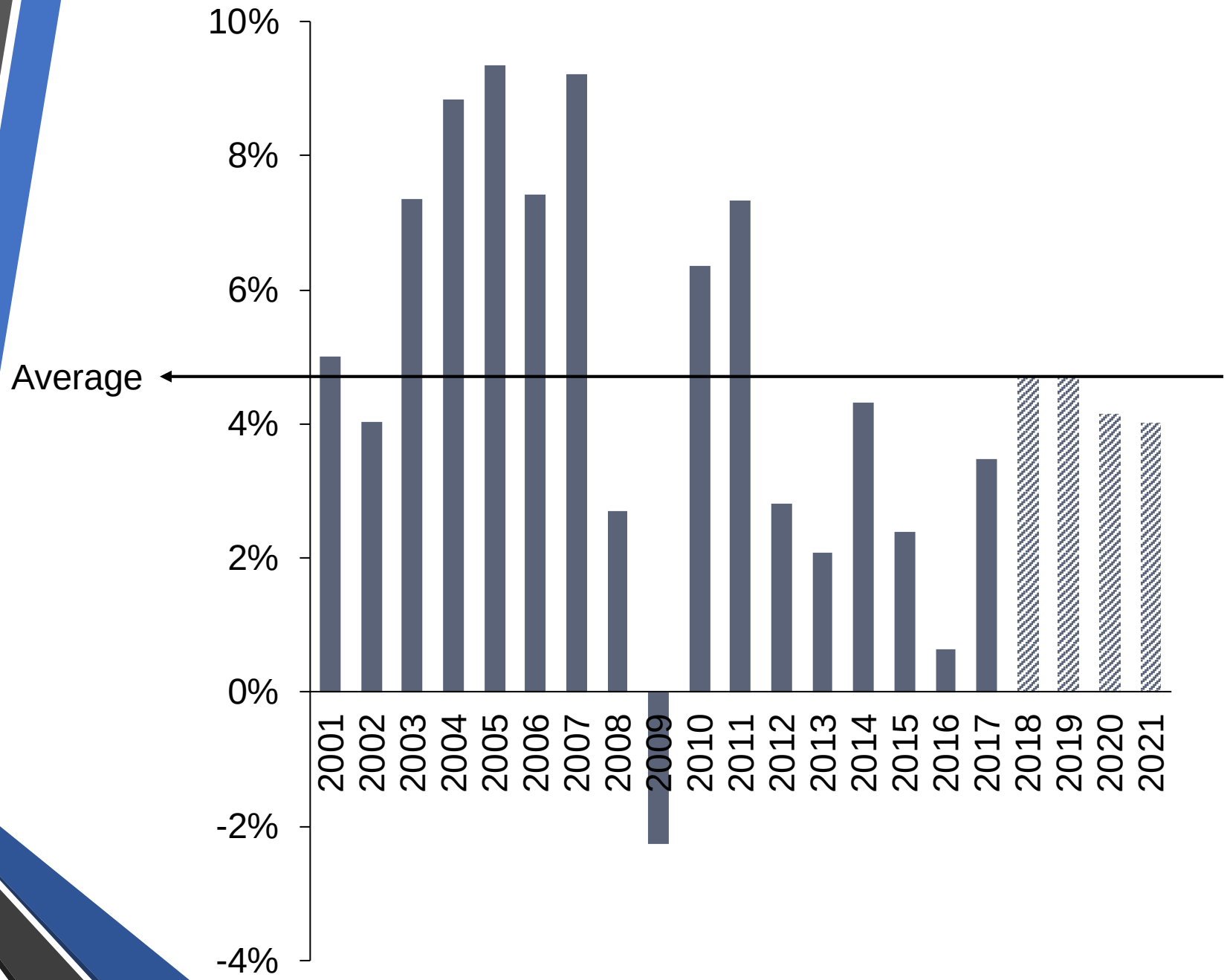


Economic Forecast

IHS Markit Economic Forecast

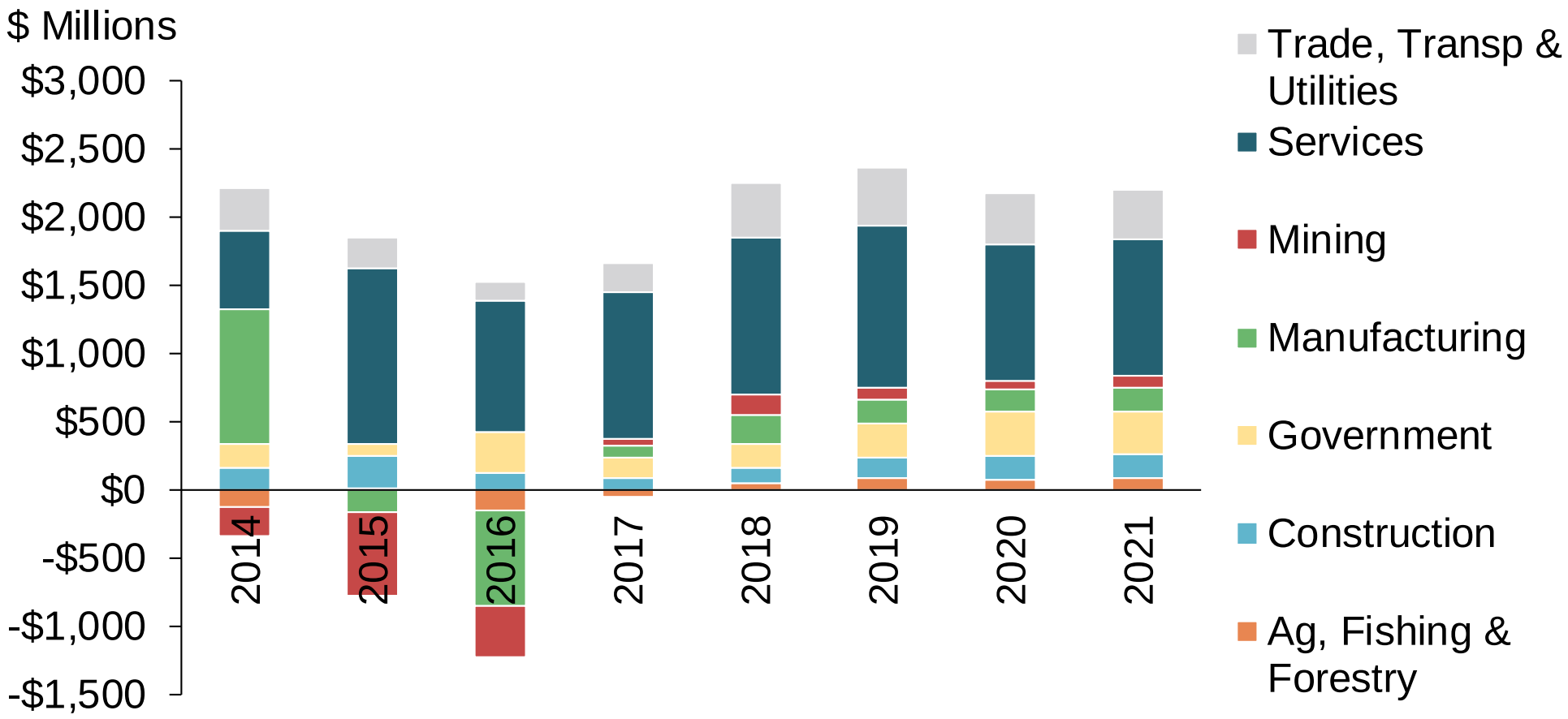
- LFD uses several state specific and national forecasts in revenue modeling
- Gross state product, while not specifically used in LFD modeling, encompasses underlying trends and is consistent with overall economic forecast and parameters used by LFD
- The following slides walk through the IHS Markit trends for
    - Gross State Product (GSP)
    - Personal income (PI)
    - Total wage disbursements (Wages)

GSP Growth: Average in CY 2018/ CY 2019 Slower in CY 2020/ CY 2021



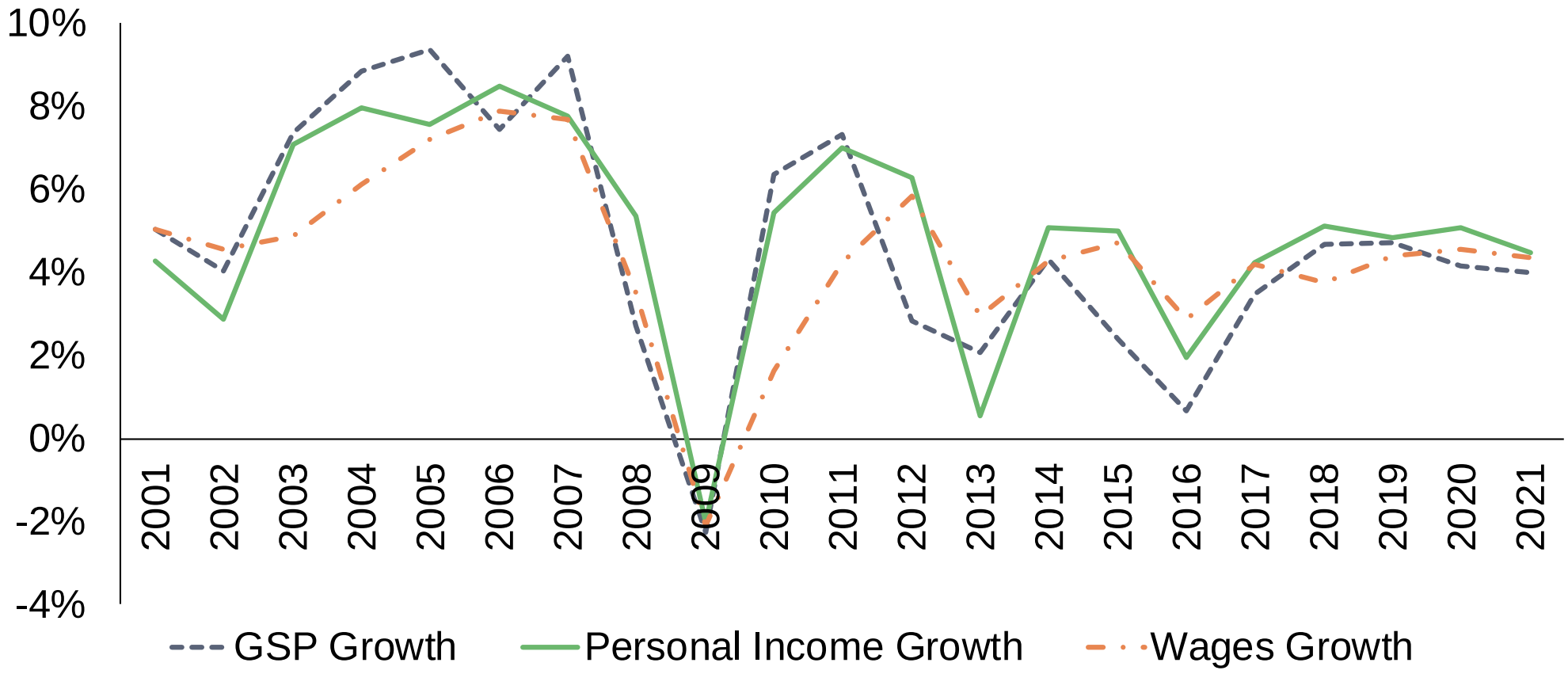
IHS Markit nominal Montana GSP growth

GSP Growth by Industry Sector: All Industries Contributing to Growth



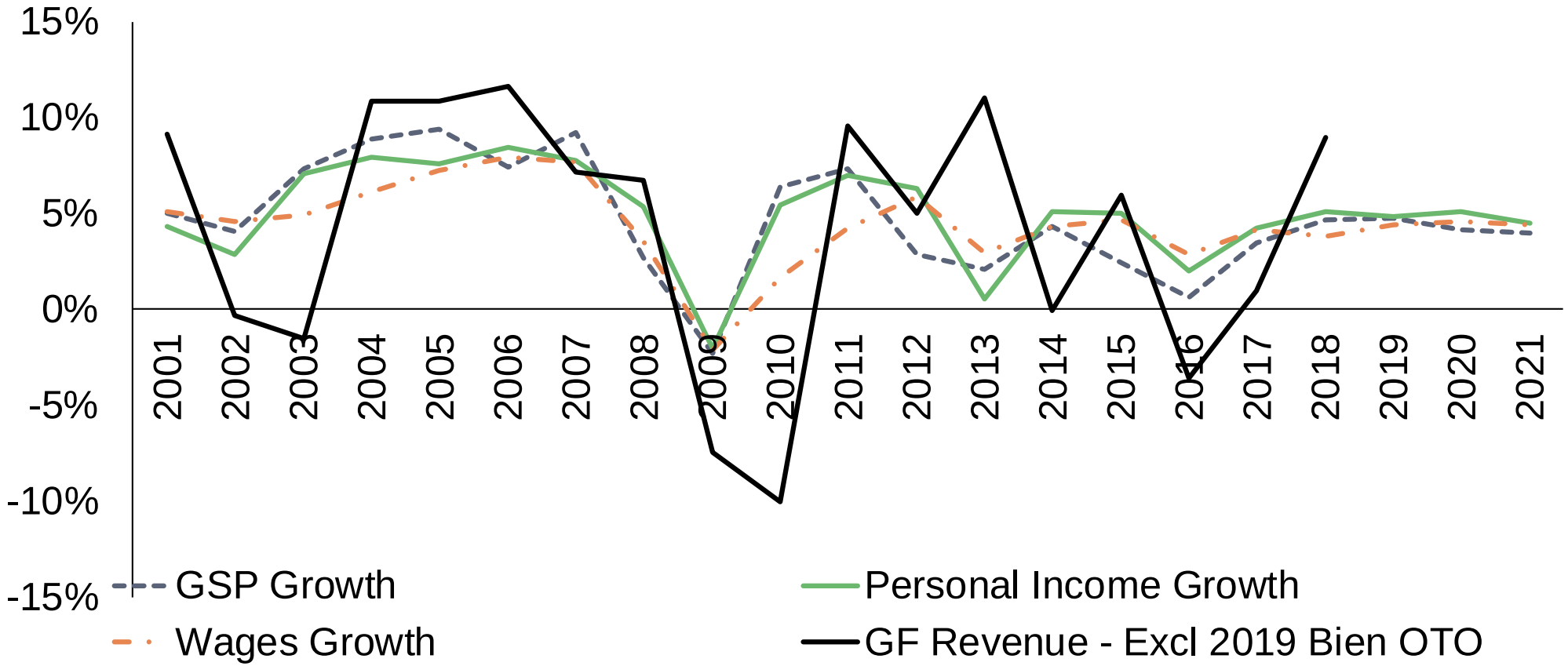
$ Growth in GSP by Industry Sector: LFD calculations based on October IHS Markit data

GSP, PI & Wages: Similar Growth Patterns



% Growth in FY GF, GSP, PI, Wages - LFD calculations based on SABHRS & October IHS Markit data

GF Revenue more volatile than the Economy



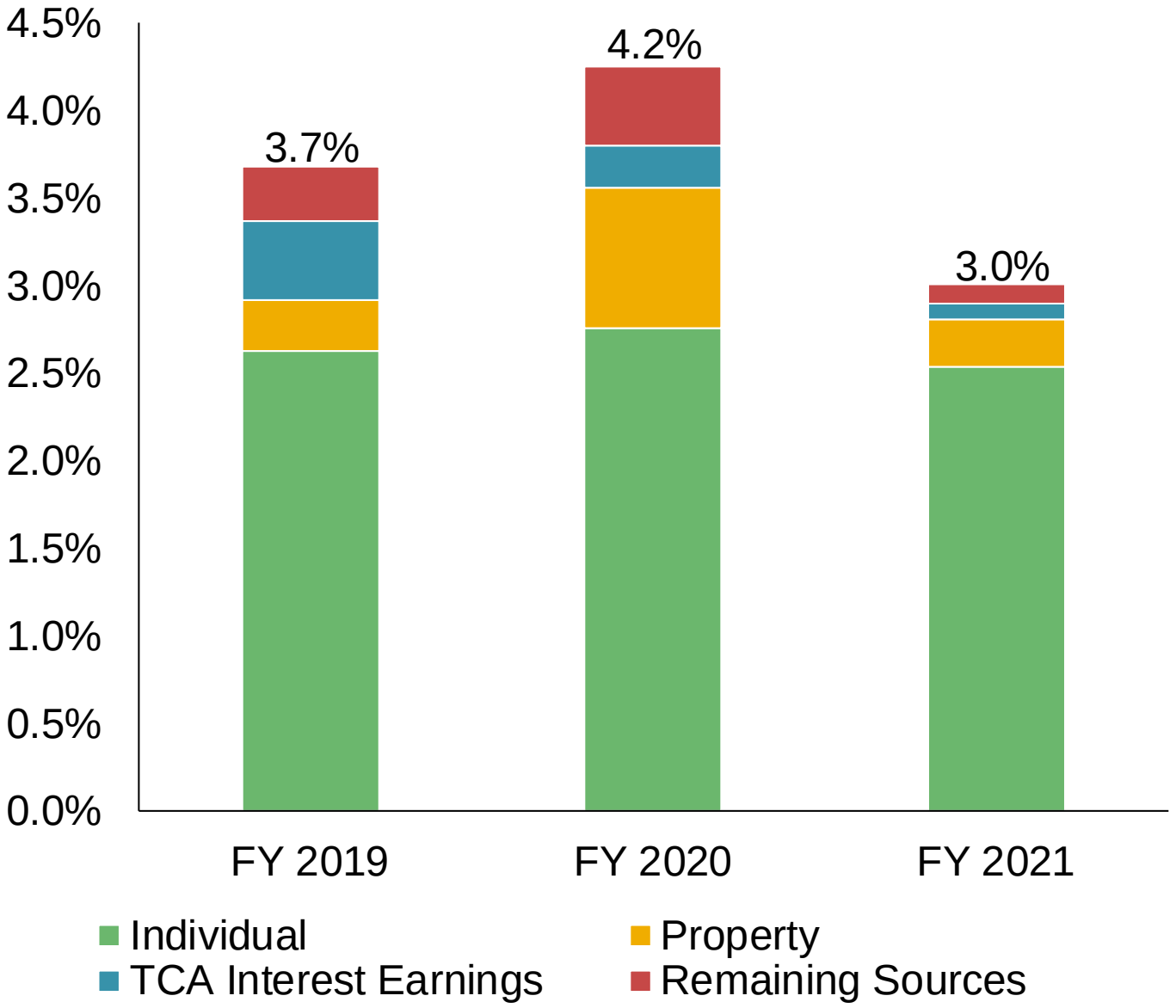
% Growth in CY GSP, PI, Wages - LFD calculations based on October IHS Markit data

Revenue Estimate

Driving Through the Noise

2021 Biennium Ongoing Growth by Major Source

- Individual income tax growth contributes about 2/3 of total general fund growth
- Corporate Income Tax and Oil and Gas are relatively flat



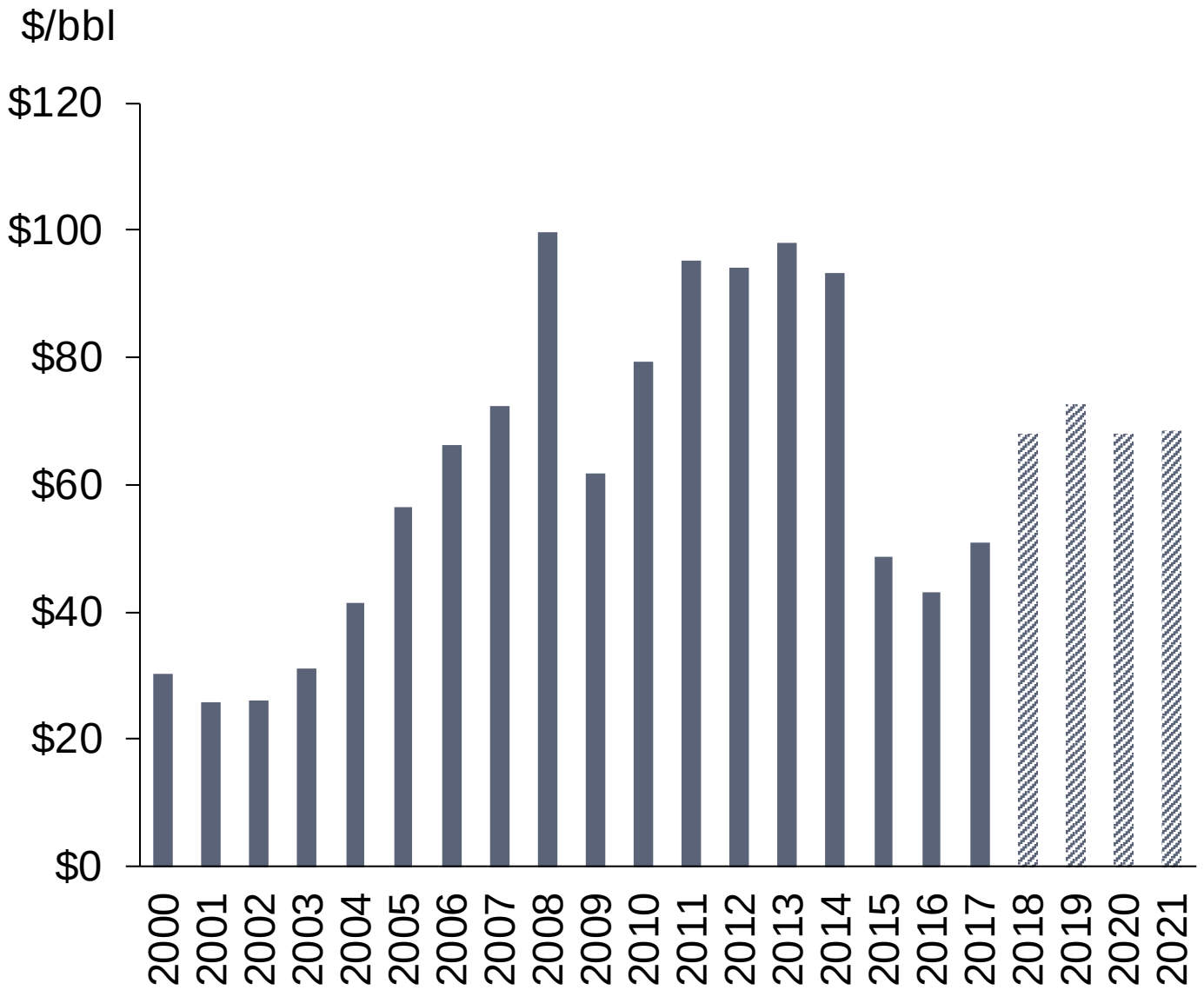
Price stability

Slightly declining production

Oil & Natural Gas Revenue Stable

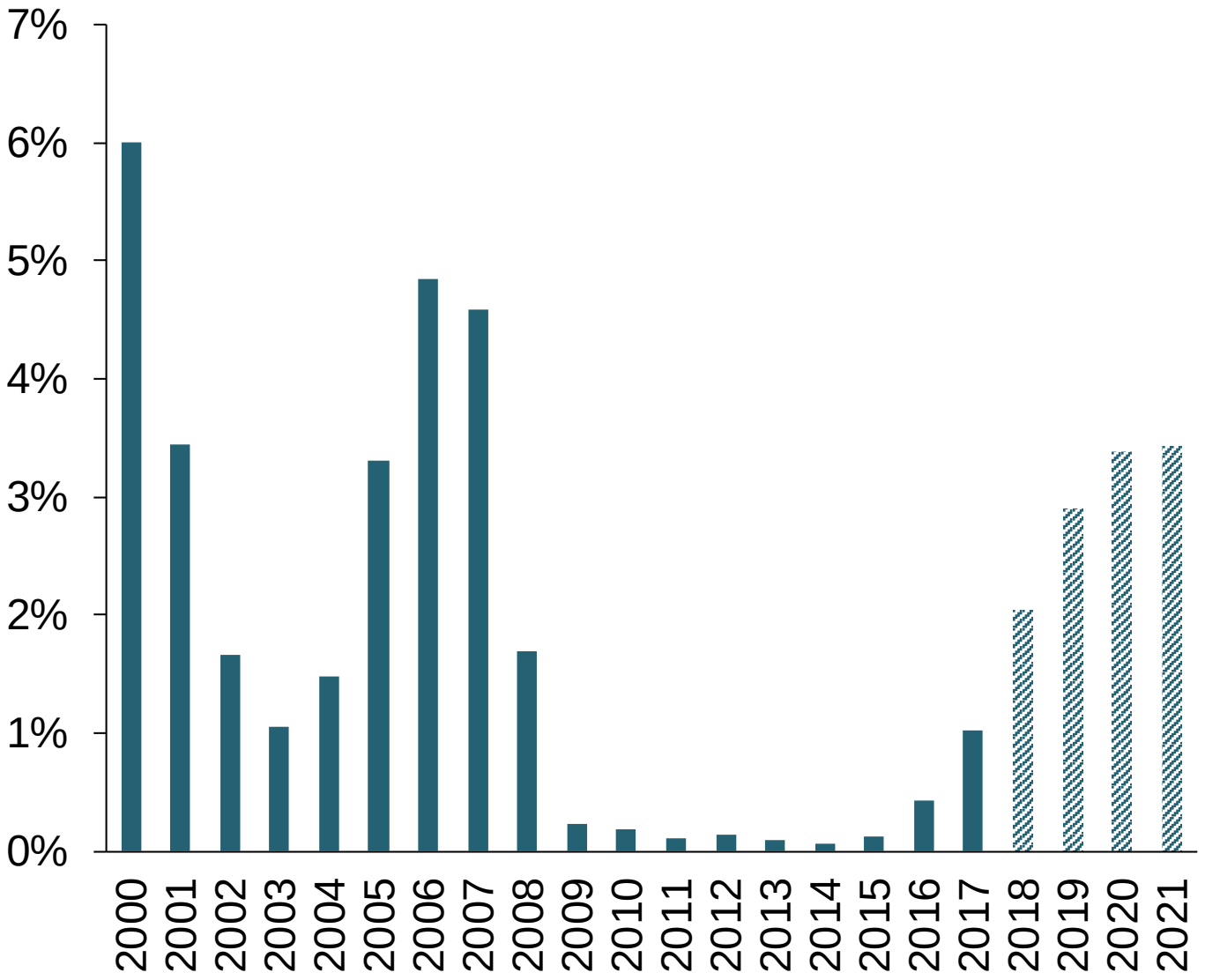
Price of Oil

- November IHS Markit forecast incorporates recent oil price decline



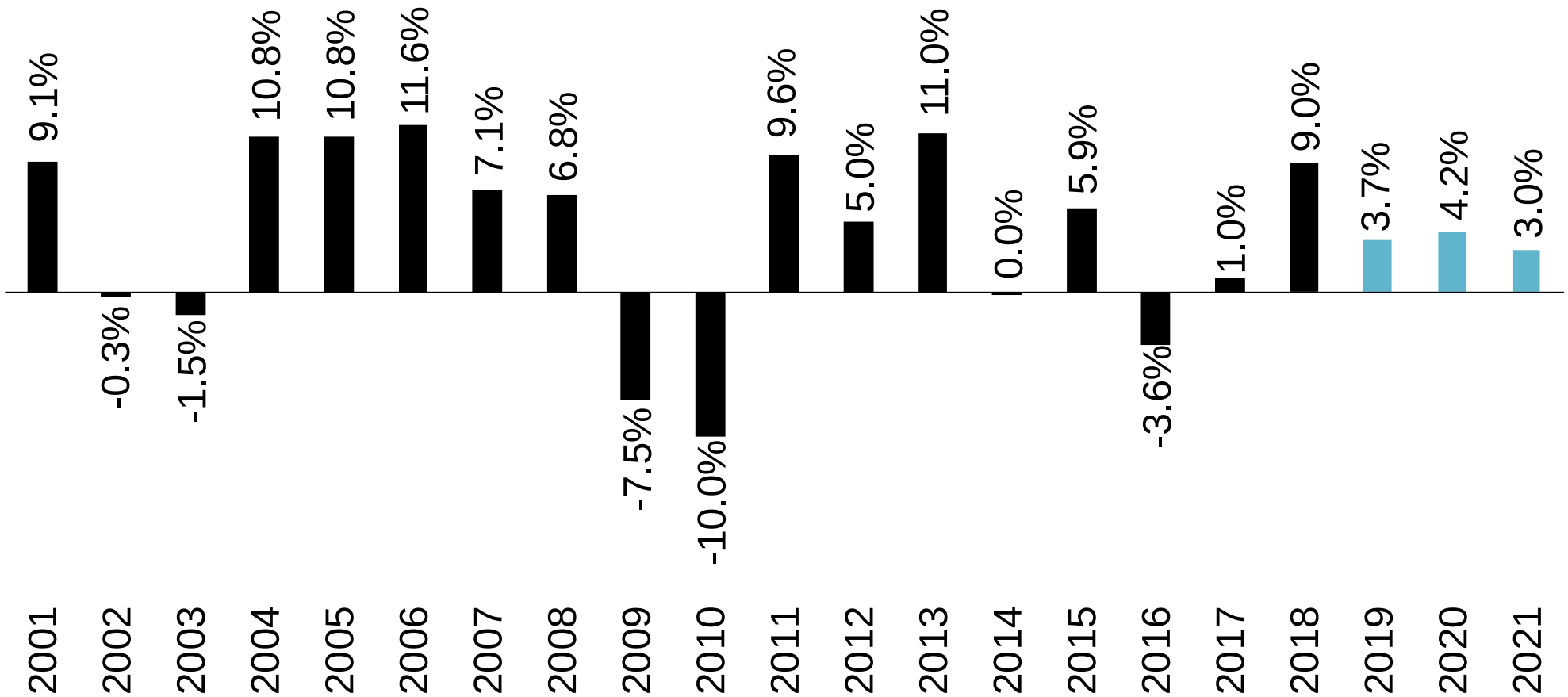
West Texas Intermediate Oil Price, November IHS Markit data

Short – Term Interest Rates



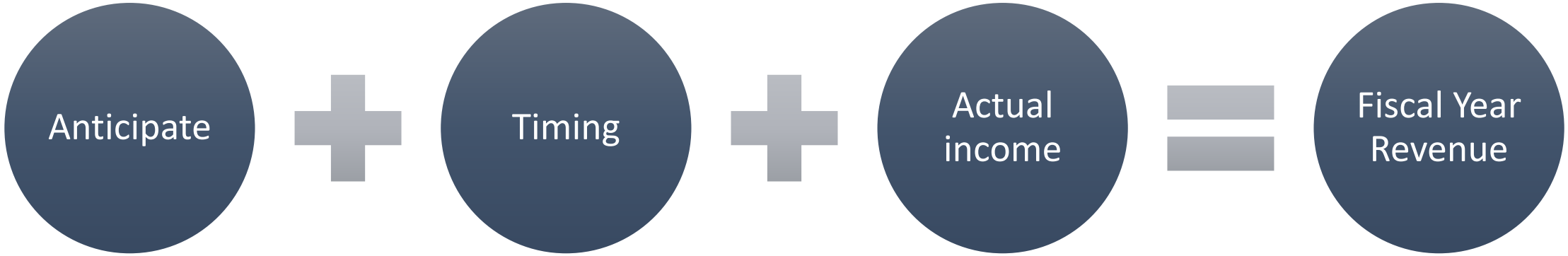
Average of short-term interest rates, November IHS Markit data

General Fund % Growth (excludes 2017 sessions OTO)

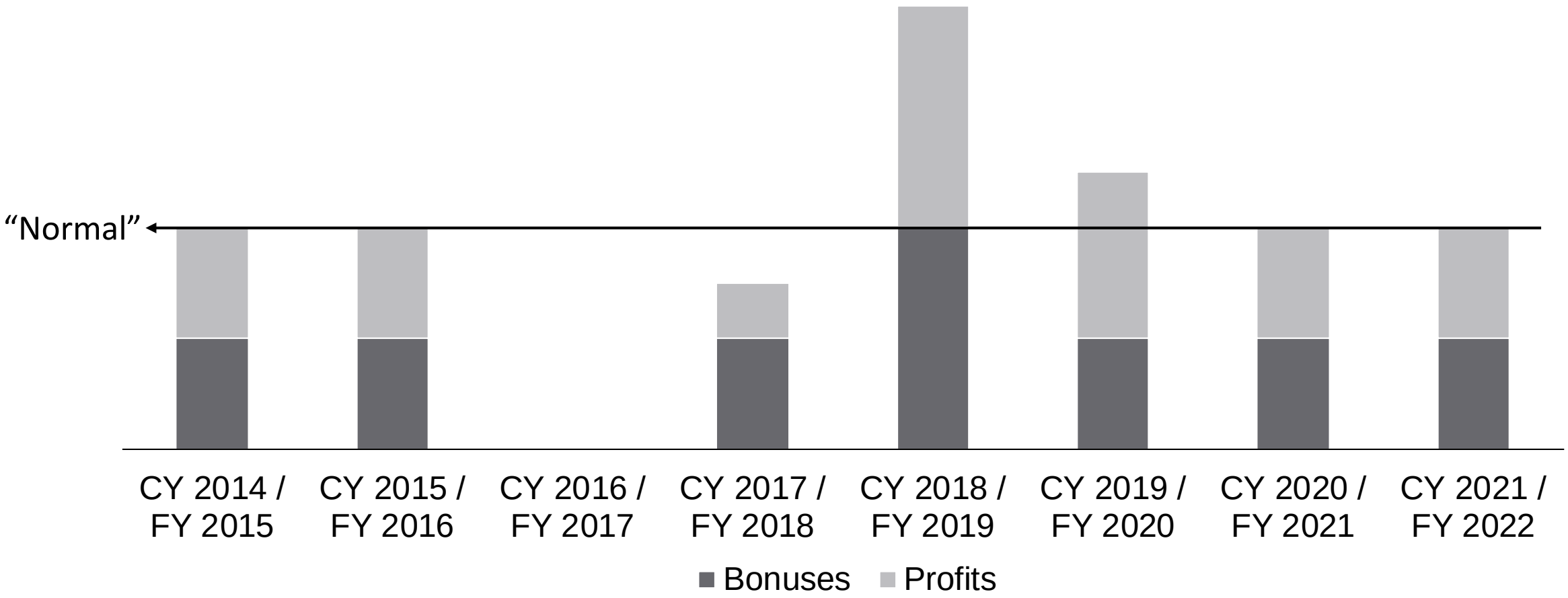


Risks:
Tax Payer Choices
Economic Uncertainty

Short-Term Risk: Revenue Uncertainty
Taxpayer Choices & Federal Tax Law



Possible Impact from Taxpayer Behavior: Slump and Lump in the Snake



Out Years:
IHS Markit Economic Uncertainty

- Trade war uncertainty
- Tight labor market
- Energy price uncertainty
- Global growth uncertainty
  - Brexit/Euro splintering
  - China slowdown
- Geopolitical
  - North Korea
  - Iran, Syria, Ukraine, Russia, and others

Revenue team

Overall estimate details

Specific source details

Comparison to Executive