

Revenue Forecast

Legislative Fiscal Division

Fortune Magazine –

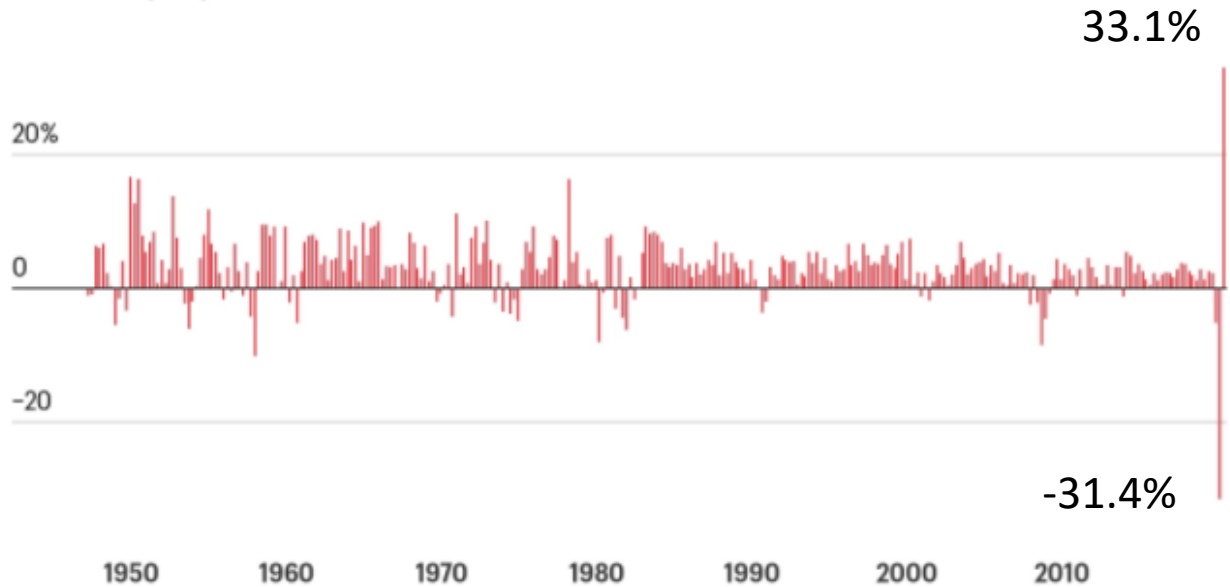
“Not everyone is feeling the recovery: the economy as told by 8 charts” Lance Lambert November 14

1. Quarterly growth in GDP
2. Monthly Job growth
3. Unemployment rate
4. Uneven unemployment
5. Former workers
6. Uneven by education
7. Manufacturing
8. Construction

GDP growth US and Montana

Quarterly U.S. GDP growth

Seasonally adjusted annual rate

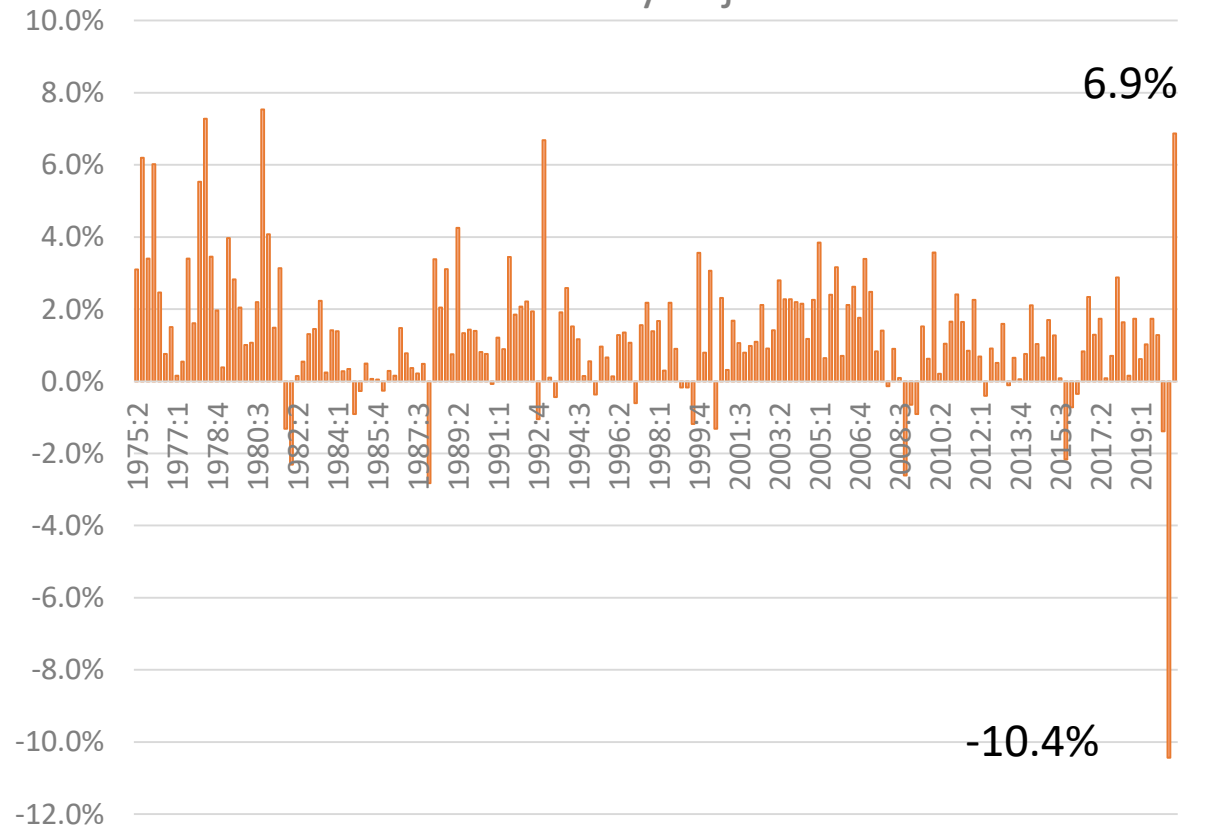


PERCENT CHANGE FROM PRECEDING PERIOD, SEASONALLY ADJUSTED ANNUAL RATE

CHART: LANCE LAMBERT • SOURCE: U.S. BUREAU OF ECONOMIC ANALYSIS

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Quarterly Montana GSP not seasonally adjusted



IHS Markit data

US and Montana Monthly Job Growth

U.S. monthly job growth



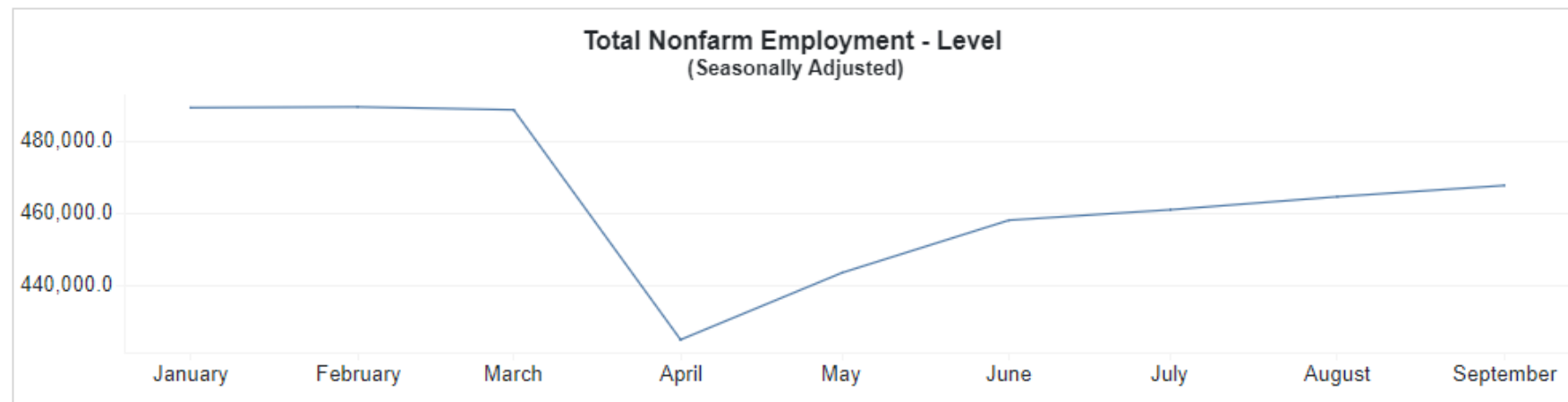
ALL EMPLOYEES, TOTAL NONFARM. SEASONALLY ADJUSTED.

CHART: LANCE LAMBERT • SOURCE: U.S. BUREAU OF LABOR STATISTICS

Montana lost 63,500 in employment in April
By September 42,600 have been regained

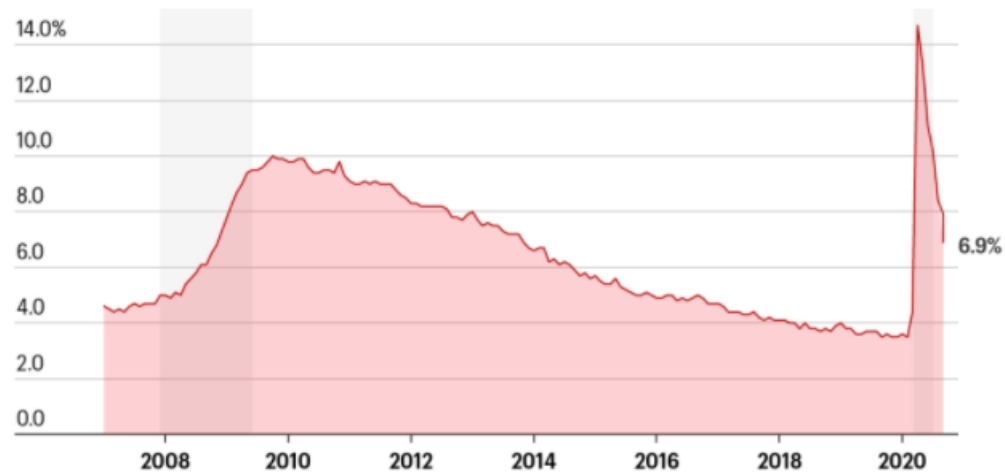
Note employment shown below includes self-employed, while US data to the left does not. In Montana, total employment is down 12,000 jobs, while payroll employment is down 21,700 jobs.

Montana DLI
[dashboard](#)



US and Montana Unemployment Rates

U.S. unemployment rate

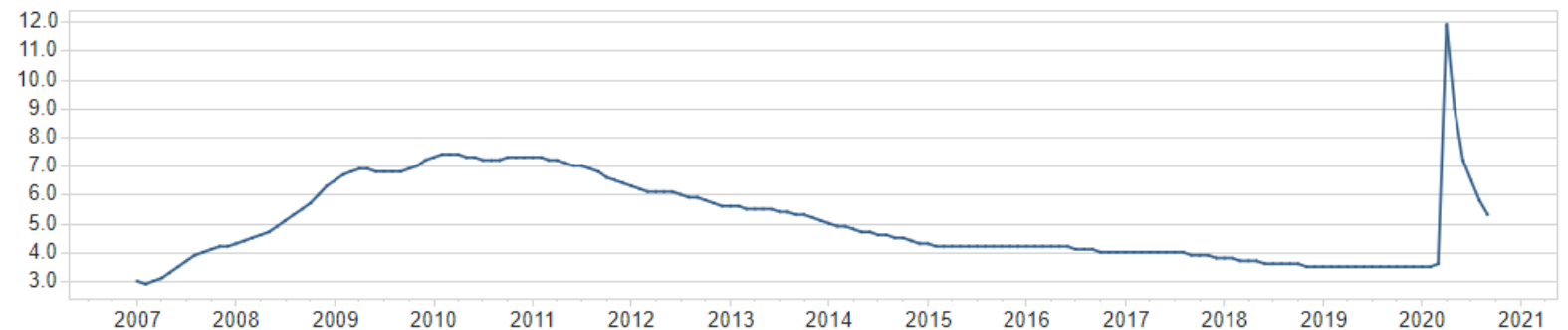


SEASONALLY ADJUSTED FIGURES. HIGHLIGHTED DATE RANGES INDICATE RECESSION
CHART: LANCE LAMBERT • SOURCE: U.S. DEPARTMENT OF LABOR

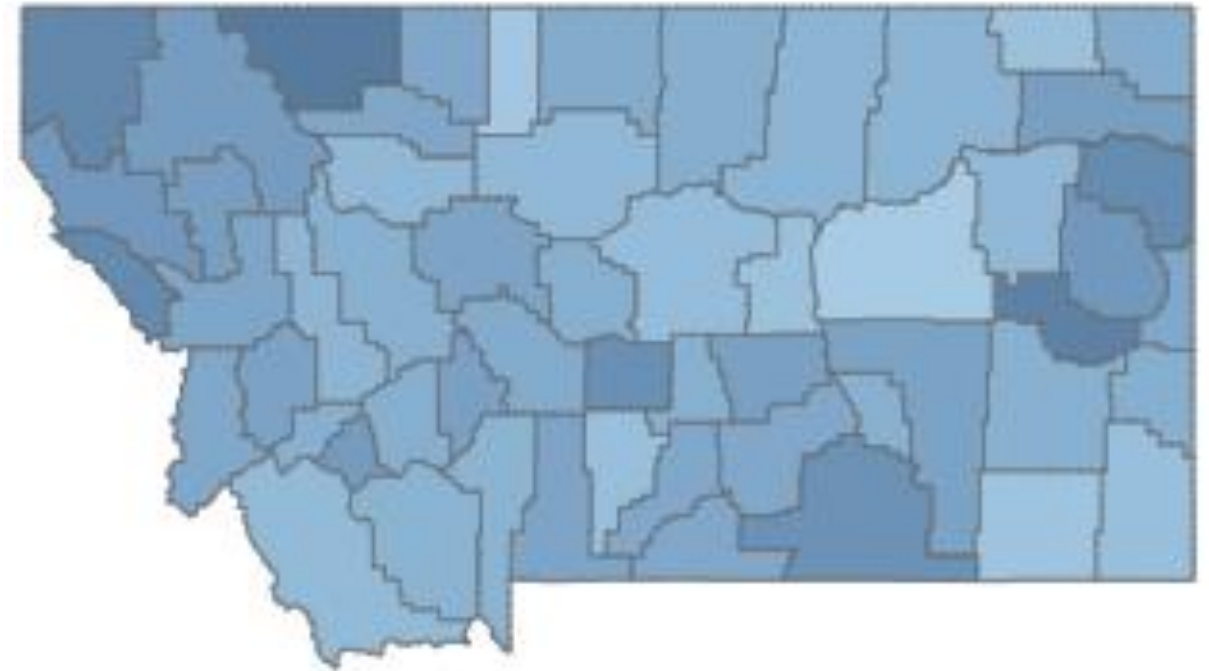
Montana's unemployment rate reached 11.9% in April
In September the rate was 5.3%
Prior to the pandemic it was 3.5%

Montana DLI
[dashboard](#)

Unemployment Rate by Level (Seasonally Adjusted)



Unemployment Rates – September 2020



Montana DLI
[dashboard](#)

Montana Counties from 8.3% Garfield darkest blue above to 1.8% Glacier lightest blue above
Montana as a whole is 5.3%
County data is not seasonally adjusted. DLI data.

Former workers

Out-of-work Americans

Americans who've left the labor force aren't included in the unemployment rate

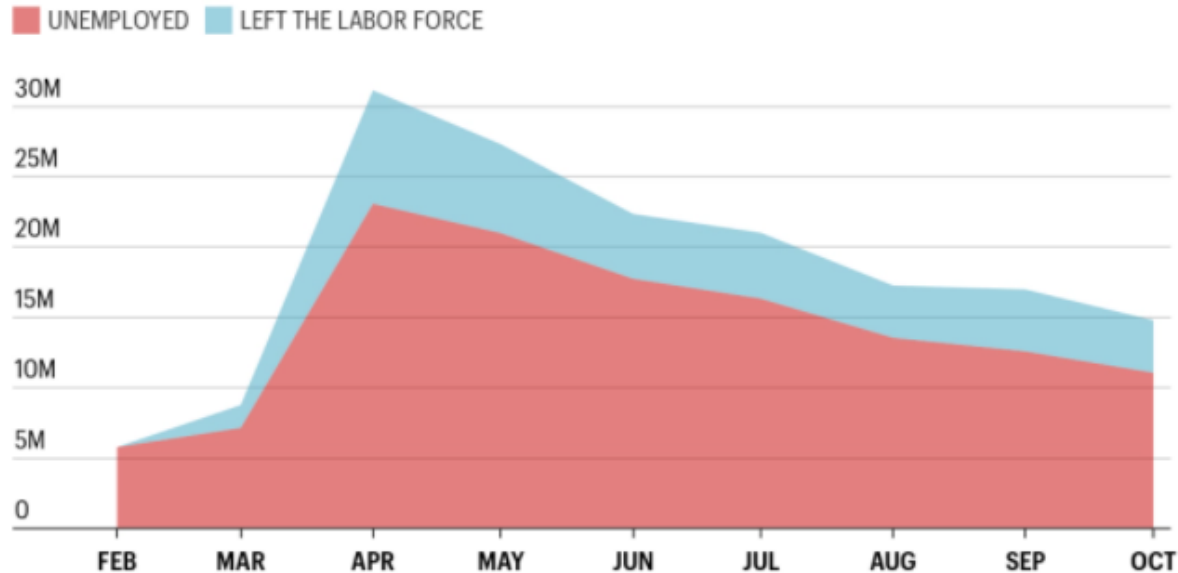


CHART: LANCE LAMBERT • SOURCE: U.S. BUREAU OF LABOR STATISTICS

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- Only those looking for work are counted as unemployed
- Choosing to wait out the virus
- Parents needing to be home with kids as schools are remote and day cares are unreliable with frequent quarantine orders
- Montana's labor force declined by roughly 17,000 in April, but has nearly fully recovered, down only 0.5% in September. However, an estimated 20,000 parents have had to decrease work hours or make other accommodations due to a lack of childcare and the need to supervise children learning at home.

How Americans' finances have changed during the pandemic

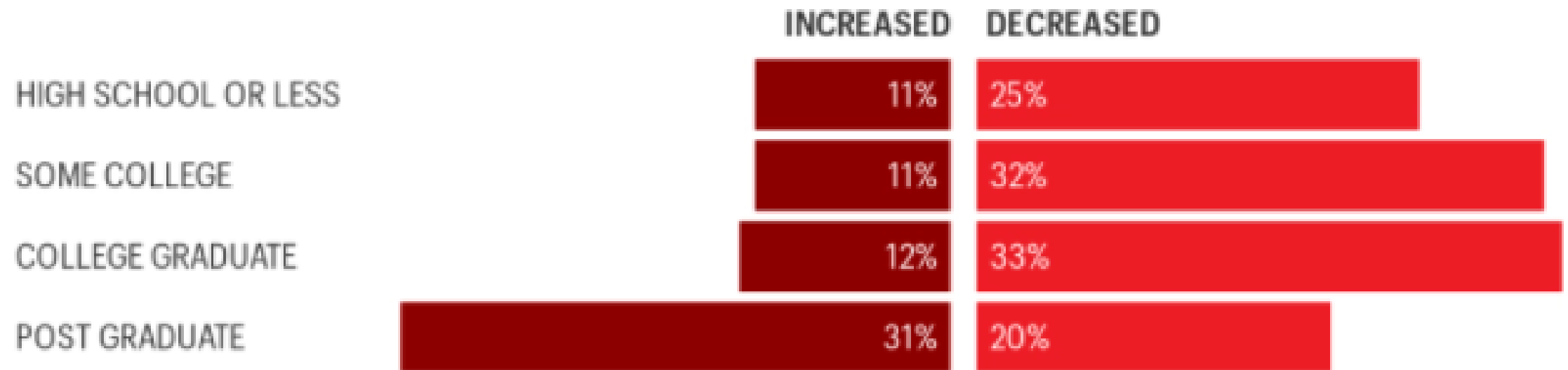


CHART: LANCE LAMBERT • SOURCE: FORTUNE-RESEARCHSCAPE INTERNATIONAL POLL

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Manufacturing bouncing back

Manufacturing Purchasing Managers Index

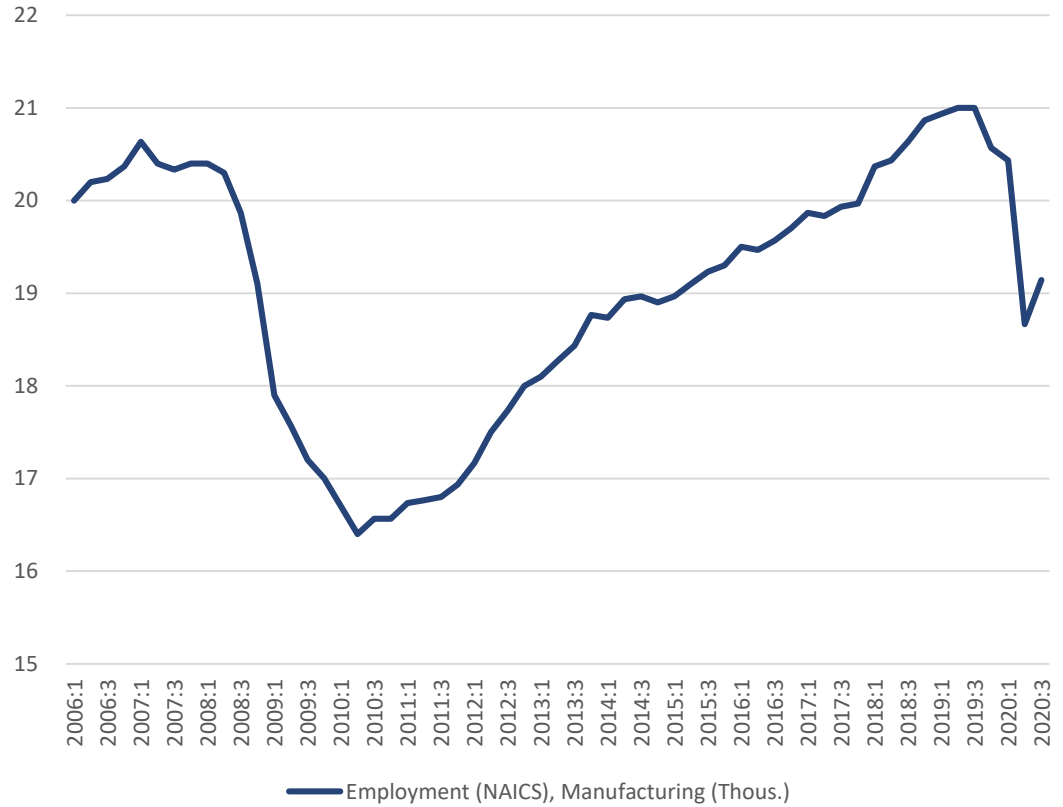
PMI over 50 signals a growing manufacturing sector.



DATA THROUGH OCTOBER 2020. HIGHLIGHTED AREA NOTES A RECESSION.
 CHART: LANCE LAMBERT • SOURCE: THE INSTITUTE FOR SUPPLY MANAGEMENT



Employment (NAICS), Manufacturing (Thous.)

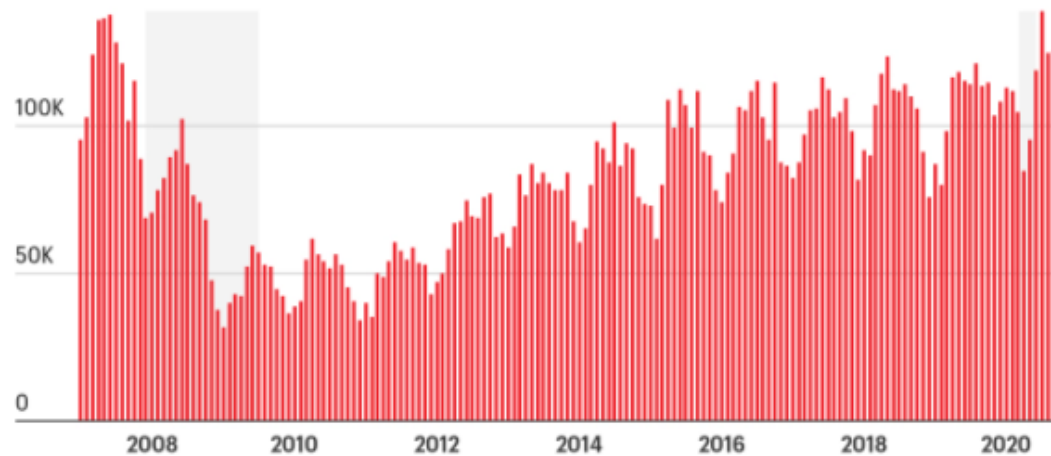


— Employment (NAICS), Manufacturing (Thous.)

US and Montana Construction is strong

U.S. housing starts

New privately owned housing units started

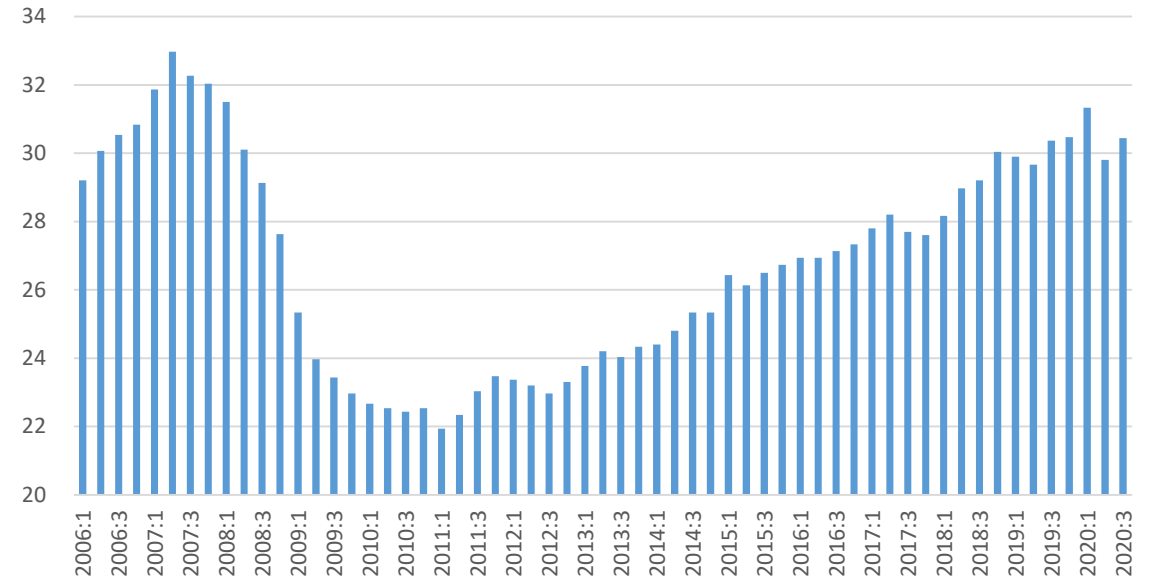


HIGHLIGHTED AREA DENOTES RECESSION

CHART: LANCE LAMBERT • SOURCE: U.S. CENSUS BUREAU

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Employment (NAICS), Construction (Thous.)



■ Employment (NAICS), Construction (Thous.)



Montana details

Tourism in Montana - Mixed

Doing well – Outdoor activities

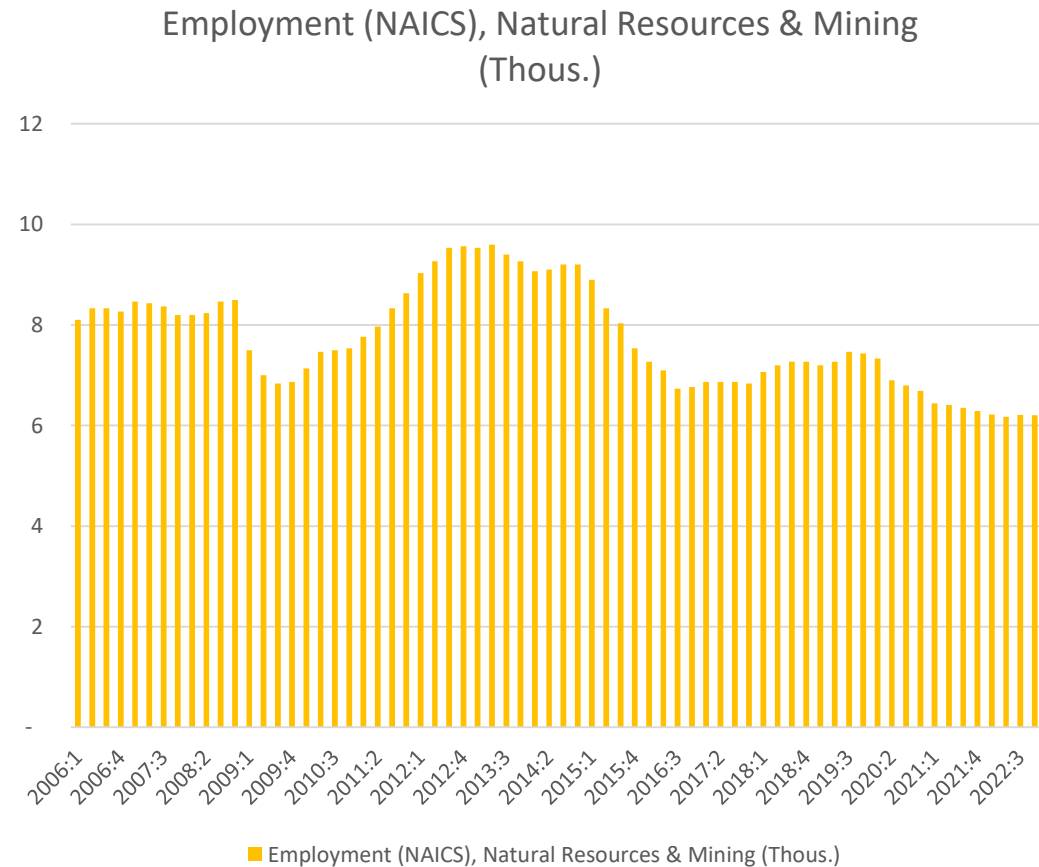
- Golf, camping, hiking, hopefully skiing
- Boating and Off road vehicles - Rental tax up 21.4% July-October
- Yellowstone and gateway communities – Park at 91% of last five year average
- West side of Glacier – while the park was at 52% of last 5 year average, the Flathead did well

Not doing well

- Accommodations - tax down 16.8% July-October
- Restaurants and Bars
 - Employment in Accommodations and food service down 12.4%

Mining – Tax collections and industry down

- Oil and Gas tax down
- Coal severance tax down 28.7% in the first four months of FY 2021 over previous years
- US Mineral Leasing down
- Metal Mines tax down
- Employment declining



Gross State Product

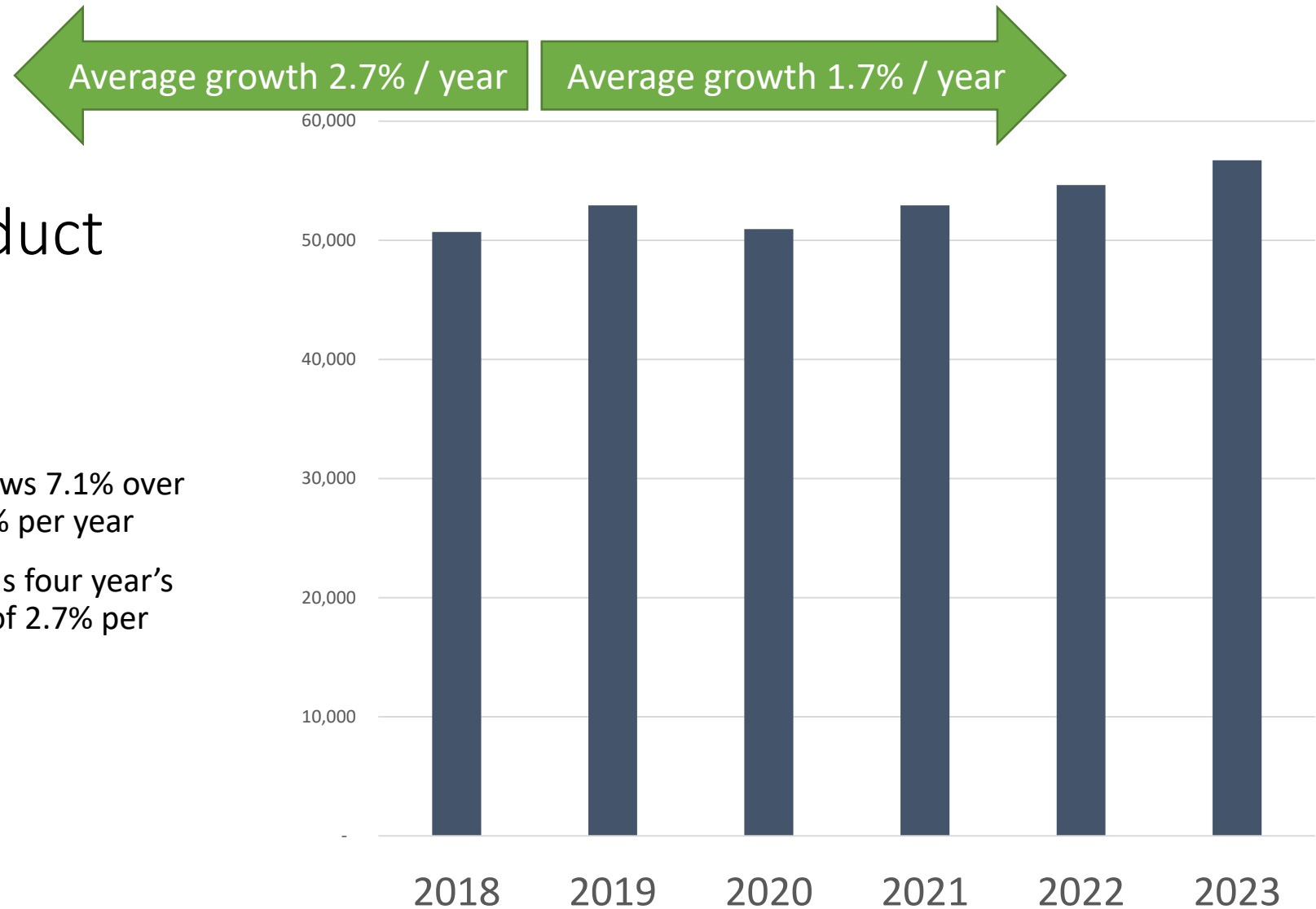
October IHS Markit

Gross State Product (GSP)

Slower Growth next four years

From 2019 to 2023 forecast grows 7.1% over four years or an average of 1.7% per year

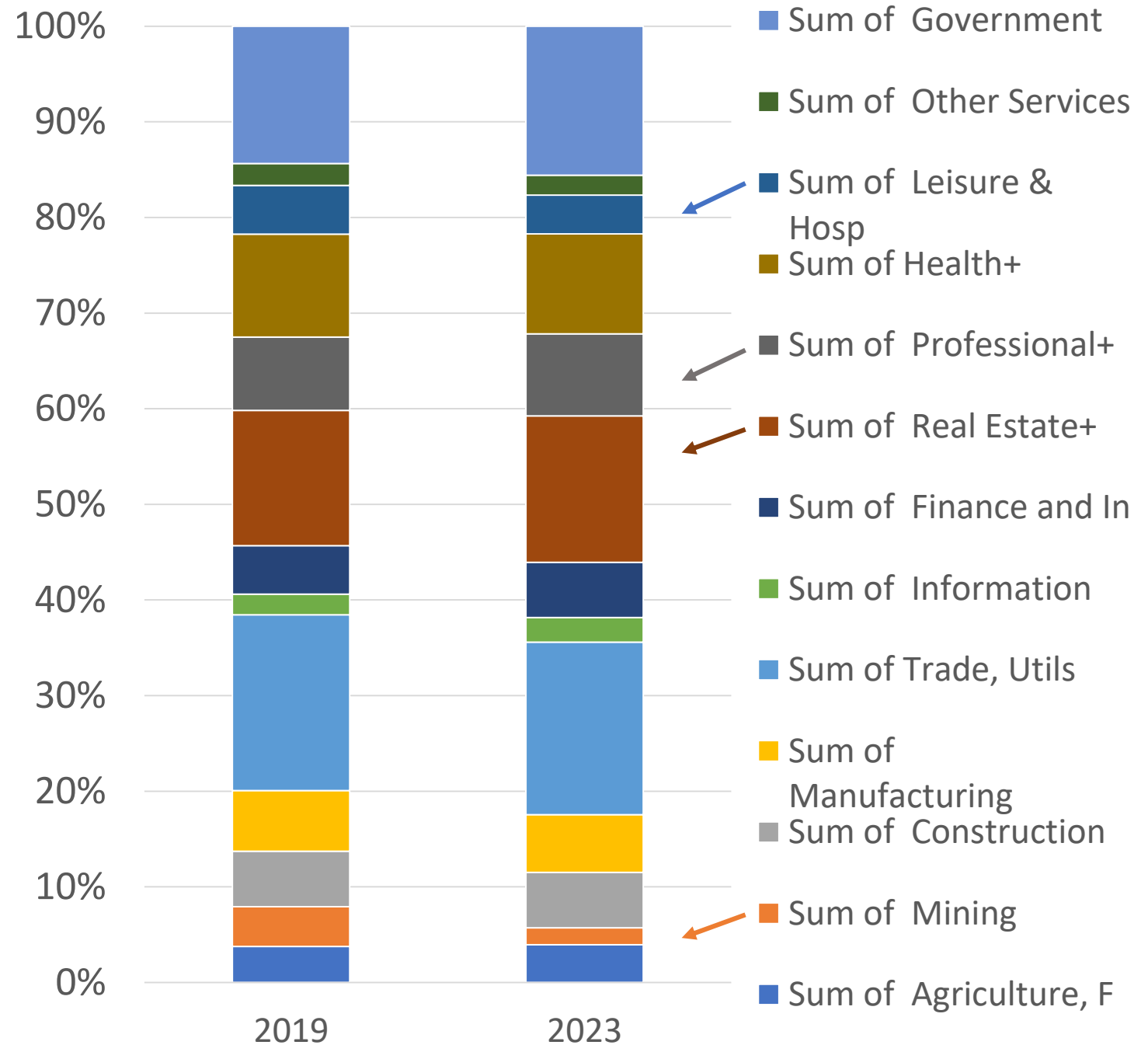
From 2015 to 2019, the previous four year's growth is 11.1% or an average of 2.7% per year



IHS Markit Forecast Industry Share of Gross State Product

Sector change from 2019 to 2023 is significant:

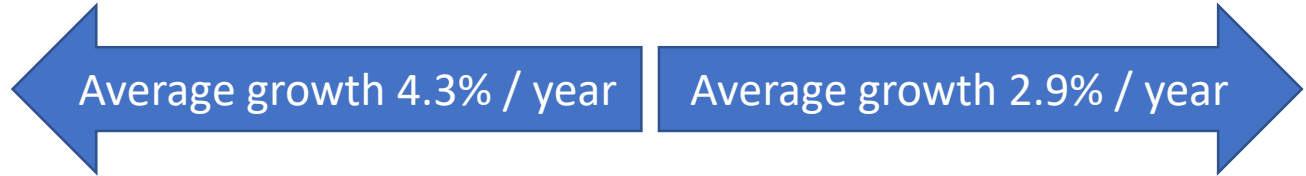
- Leisure and Hospitality **DOWN** from 5.1% of GSP to 4.1%
- Professional and business services UP from 7.7% to 8.6%
- Real estate and rental UP from 14.1% to 15.3%
- Mining reduced **DOWN** from 4.2% to 1.8% (mining peaked at over 6% from 2008 – 2014)



Agriculture – relatively stable

- Agriculture is expected to have a close to “average” year
- Defaults slightly up
- Many are prepaying debt
- Don't appear to be taking on new debt at the same rate as before





Personal Income

October IHS Markit

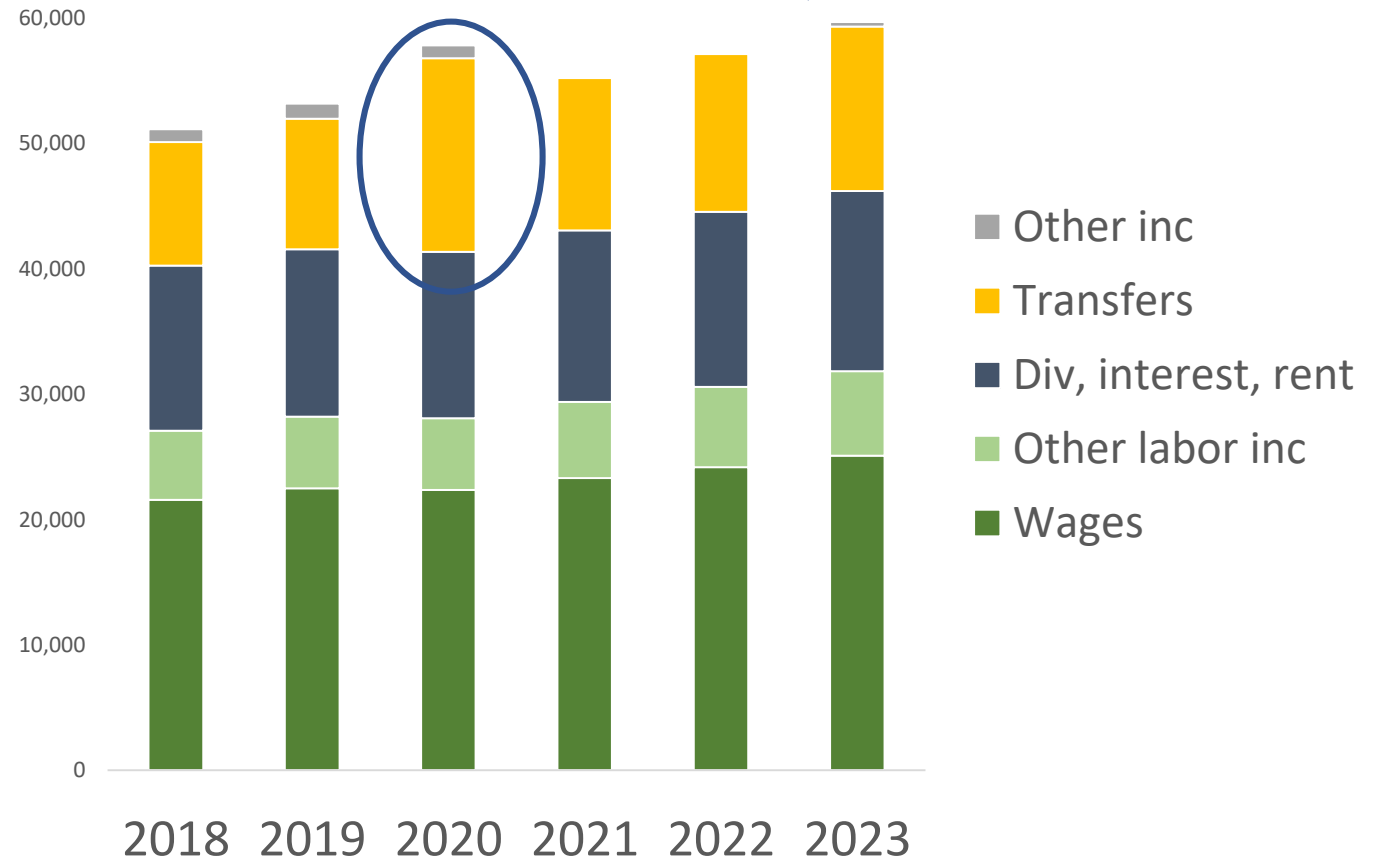
Spike in transfers in 2020 from stimulus packages

FY 2020 assumes two stimulus packages

Slower Growth next four years

From 2019 to 2023 forecast personal Income grows 12.2% over four years or an average of 2.9% per year

From 2015 to 2019, the previous four year's growth is 18.3% or an average of 4.3% per year



Accelerating Trends Already in the Economy



Technology and automation



Innovation



Remote work



Relocation

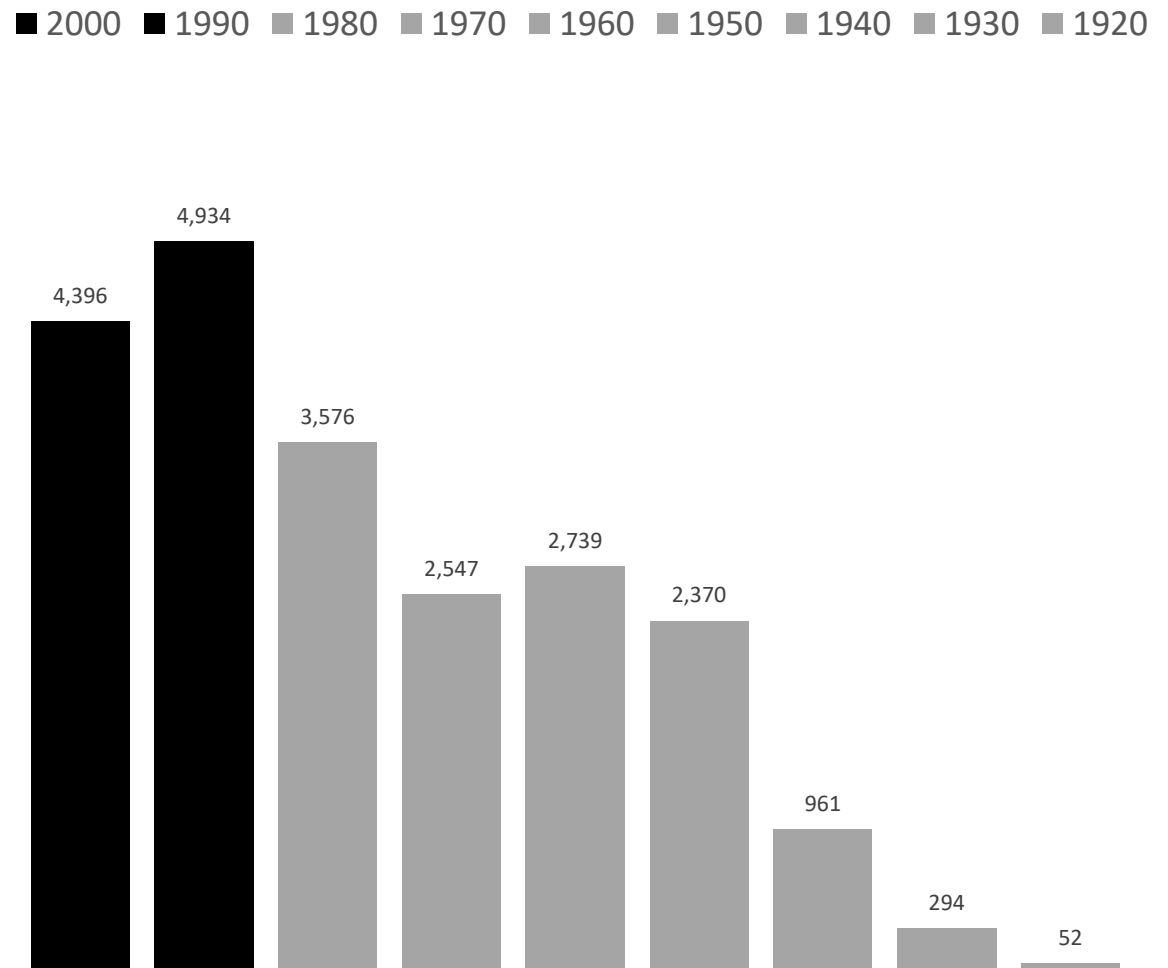
New Voters and New Residents

Newly registered voters from September 1, 2020 through election day, with new id numbers by decade of birth totaled 21,869 or 2.9% of Montana registered voters.

Those born after 1990 are likely to be voters that are new to voting and may or may not be new to Montana. There were 9,330 new voters born before 1990 or 1.2% of registered voters

Those born before 1990 may be new to voting or may be in migrants to Montana. A total of 12,539 new voters were born before 1990 or 1.7% of registered voters.

Data from the Secretary of State



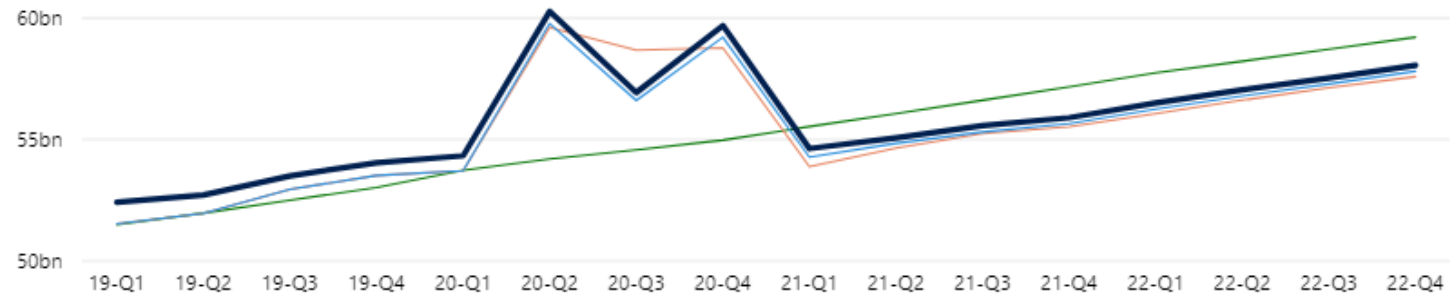
Future IHS Markit Economic Forecast updates

Stimulus / Surge / Vaccine

IHS Markit October – Personal Income

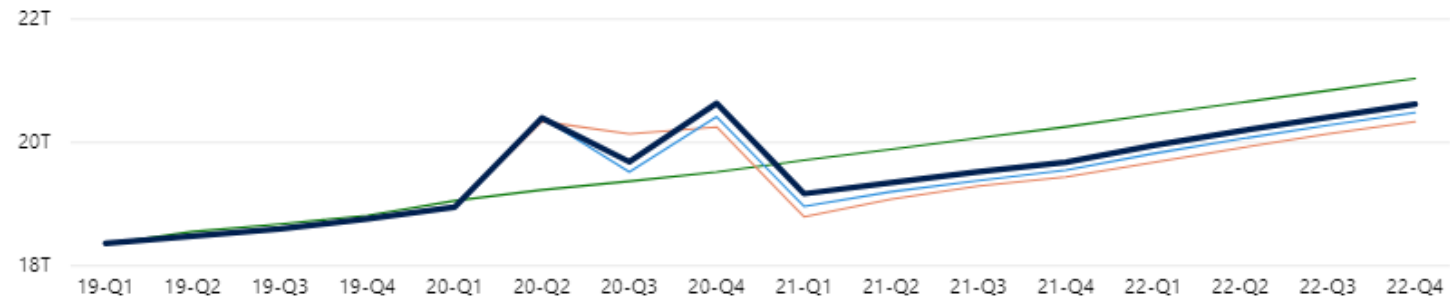
Montana Personal Income

Forecast Month Year ● March, 2020 ● August, 2020 ● September, 2020 ● October, 2020



National Personal Income

Forecast Month Year ● March, 2020 ● August, 2020 ● September, 2020 ● October, 2020



Economic Forecast to be Updated

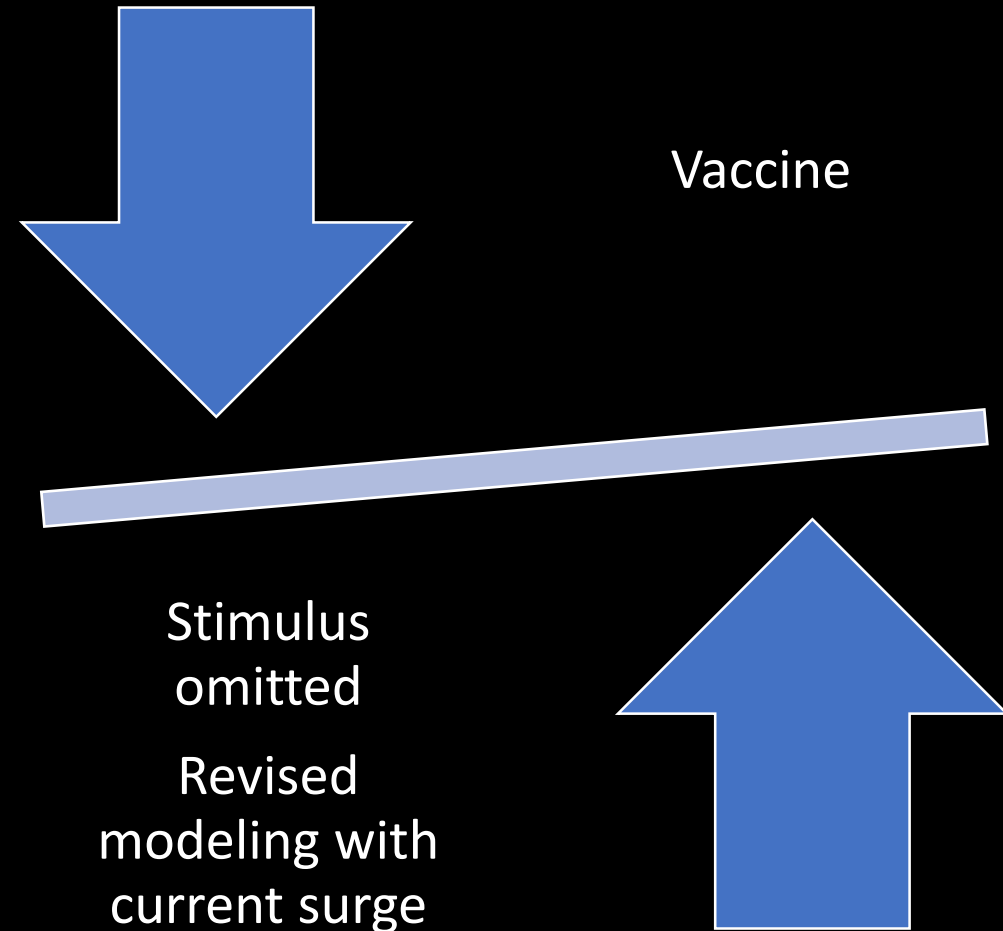
Downward:

Stimulus assumed in the October IHS Markit forecast, but not the November

Revised IHS Markit modeling with current case surge

Upward:

Vaccine availability was not included



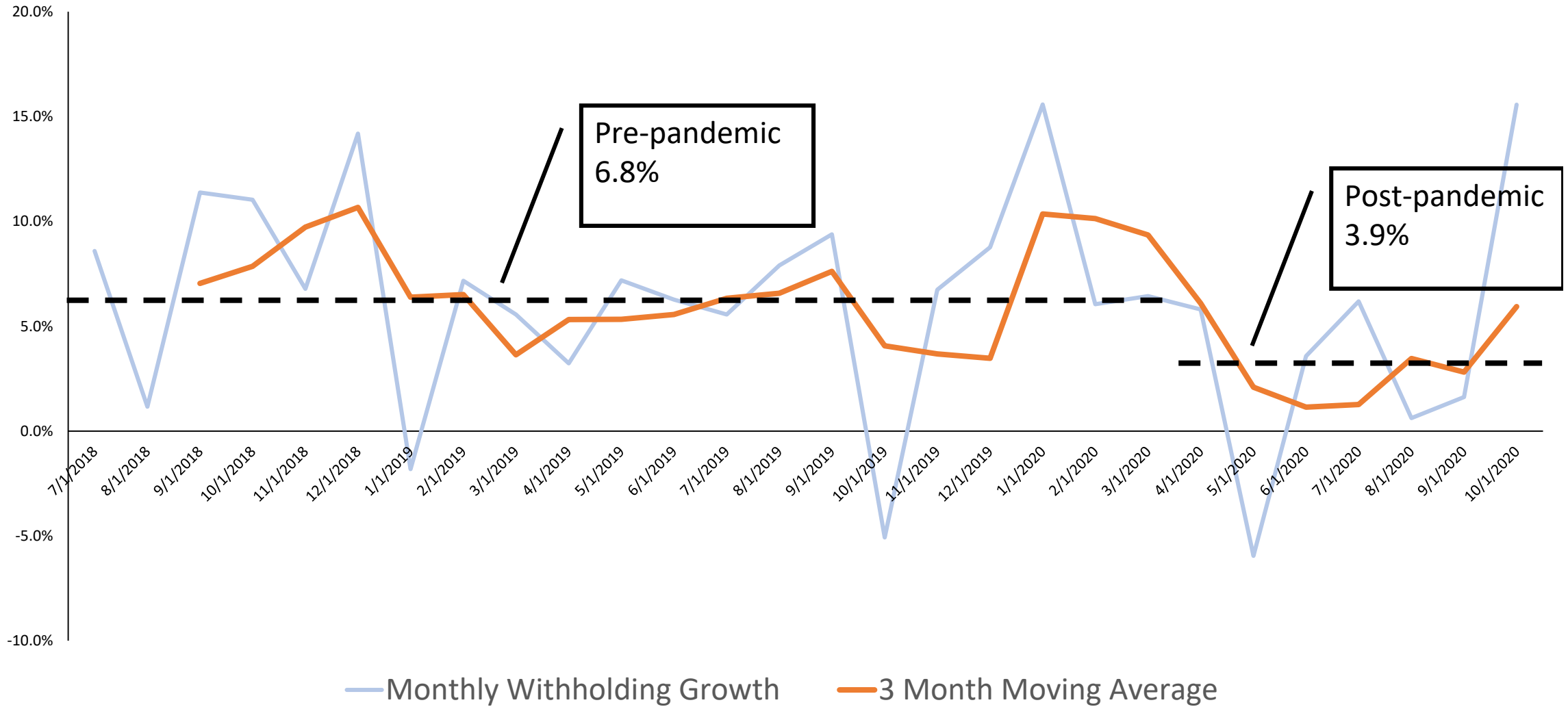


Revenue Forecast

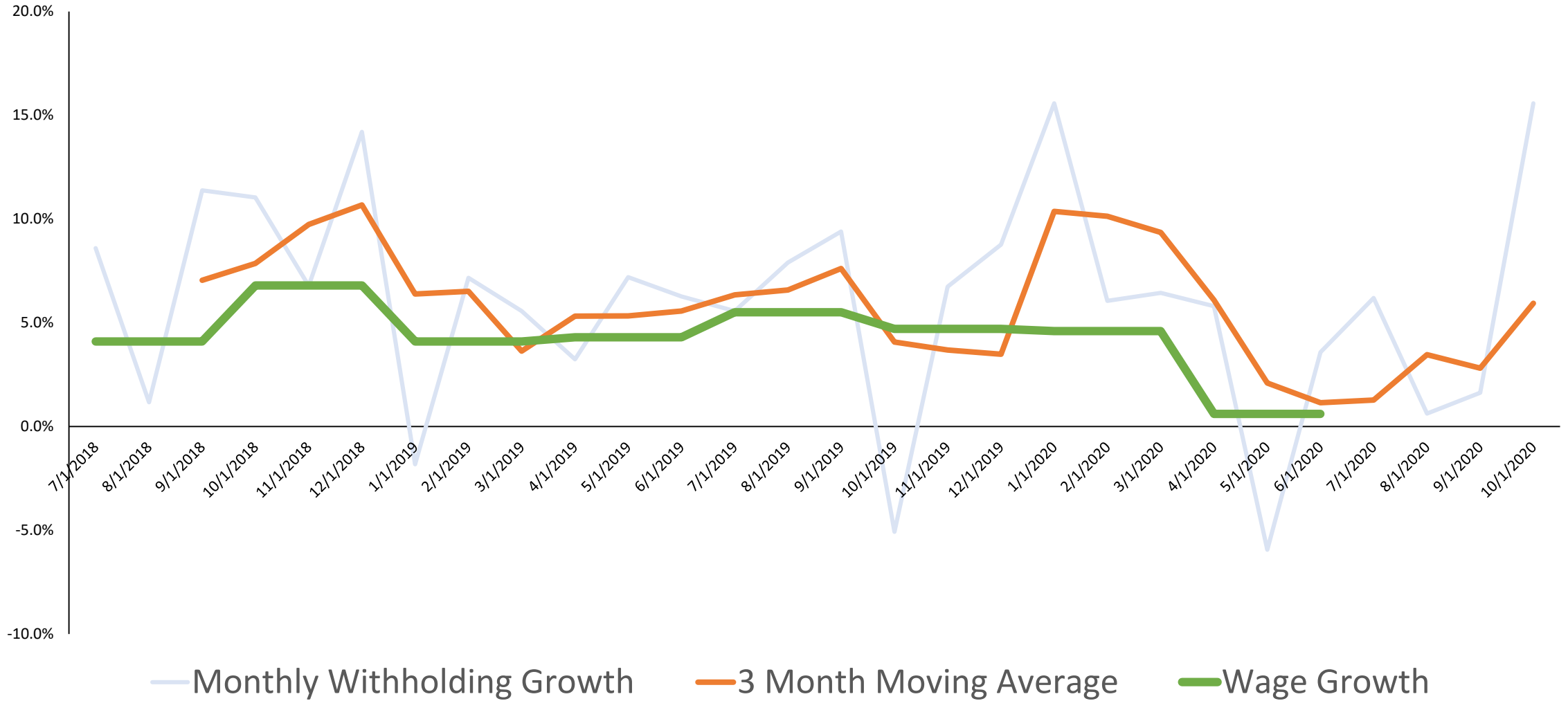
CPA input

- People are filing quarterly payments to be penalty free – aka Safe Harbor
- February filing could be the first indication of big refunds
- Individuals may accelerate income into 2020 to avoid higher taxes in 2021 in anticipation of higher federal tax rates
- Uncertain what losses will finally materialize, many companies doing well with the PPP and state programs

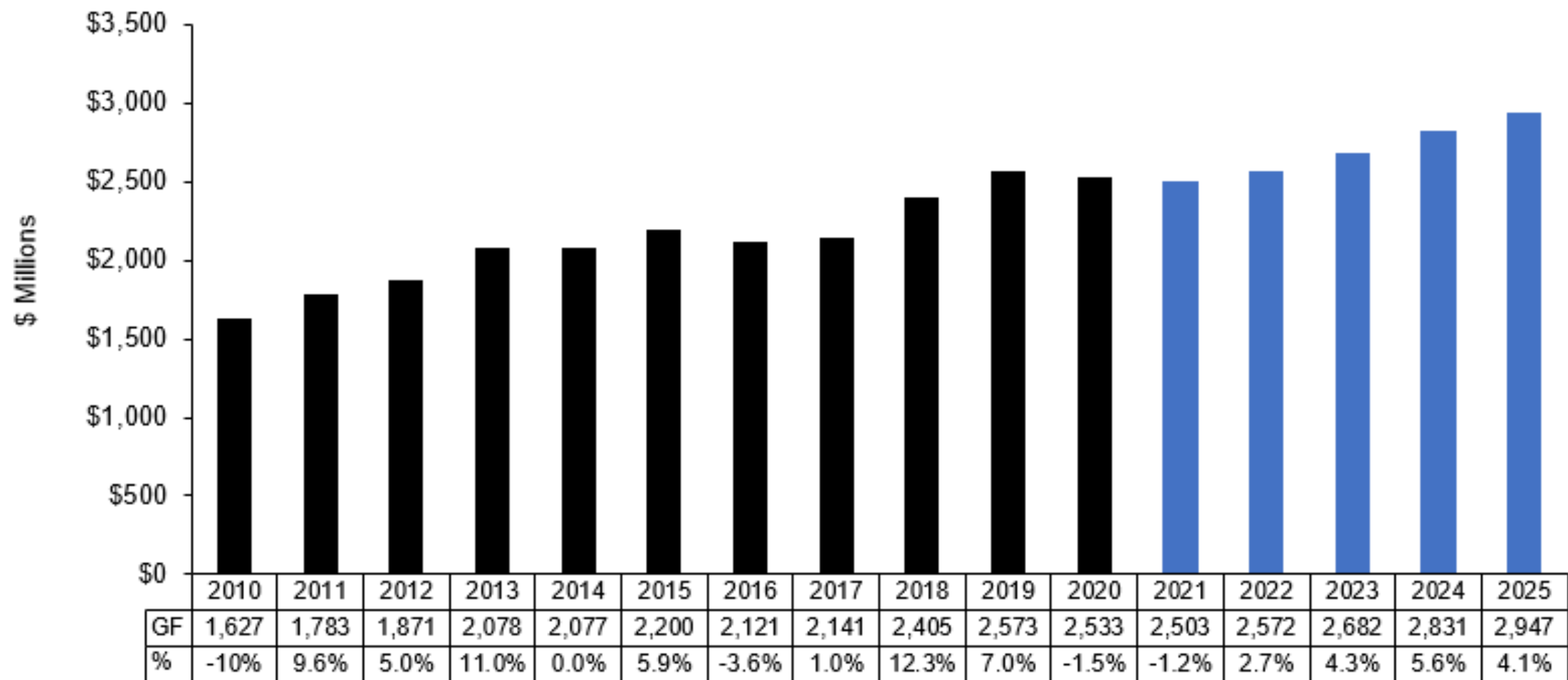
Year-Over-Year Monthly Withholding Since FY 2019

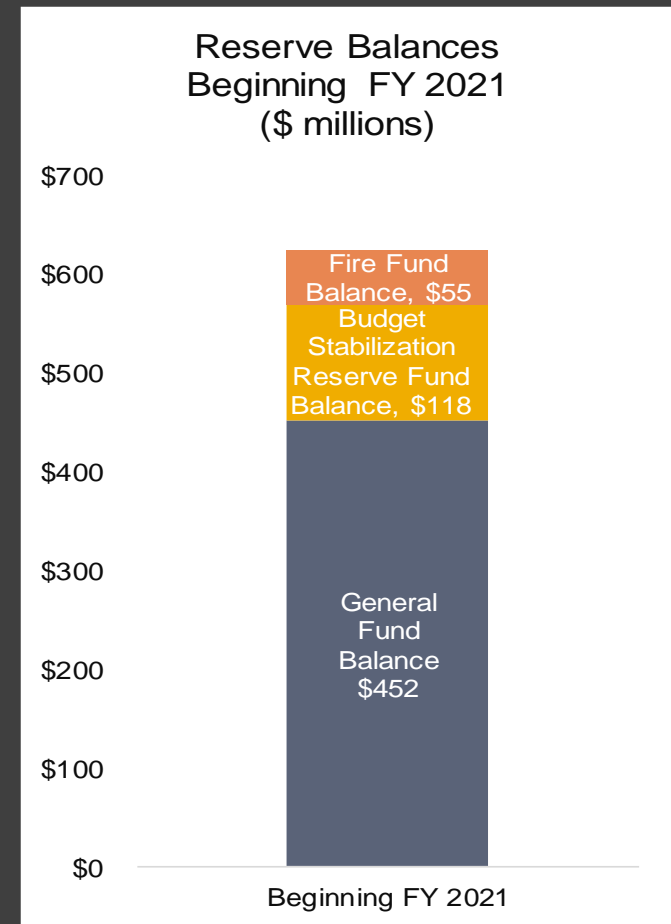


Year-Over-Year Monthly Withholding Since FY 2019



General Fund Revenue (\$ Millions) by Fiscal Year





Balances and other tools



End