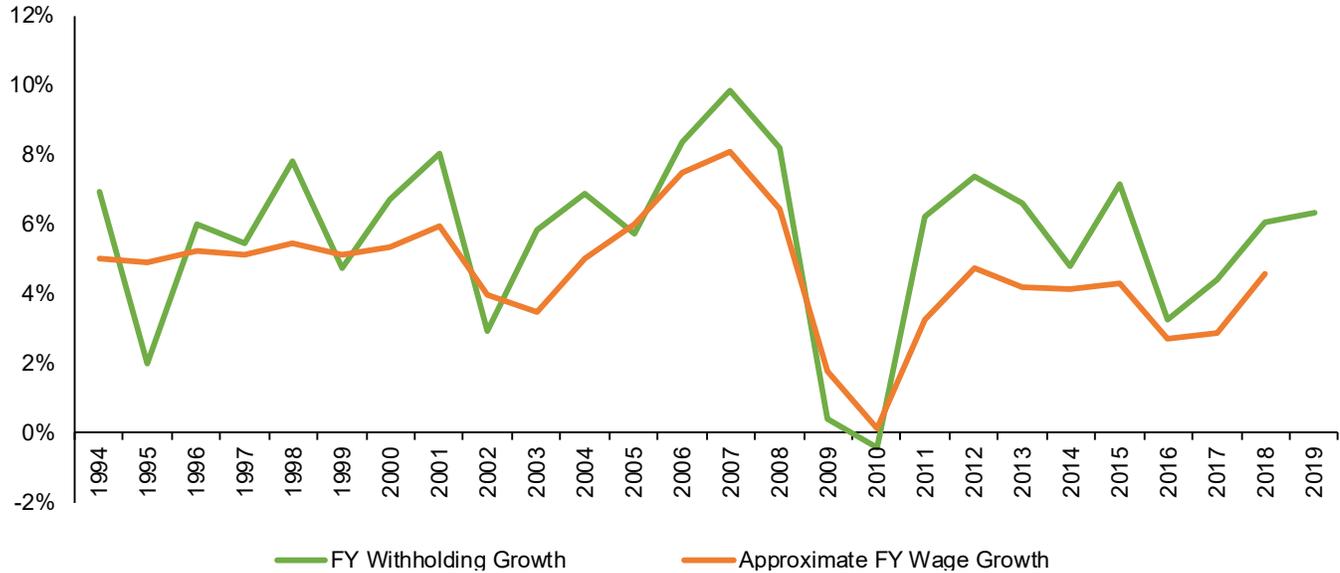


Chart of the Week | Wages Growth vs. Withholding Growth



What can weekly withholding collections tell us about wages and Montana’s economic future?

This chart shows historical withholding collections year-over-year growth compared to estimated fiscal year wage growth from income tax return data. While the two growth rates tend to move in the same direction, differences are common.

Several explanations fill in the gap:

- 1) Withholding can be for any income source, not just wages. In addition to wage income, it is common to withhold for retirement income as well as other payments. While wage income is the largest source of income in Montana, making up 60.2% of total income in CY 2018, retirement income was responsible for a non-trivial amount of 15.4%.
- 2) Retirement income may be pension income which is protected from economic downturns, or retirement income may be tied to other retirement accounts. Individuals may periodically adjust payments at some point in the future as they have the opportunity to evaluate their investments.
- 3) Withholding collections by the state vary considerably one week to the next and one month to the next for reasons that are not explained by the data.

The dashboard indicator of withholding is a source of early data that is available. Similar to the number of COVID-19 cases or the number of unemployed, it does not fully describe the economic impact that is expected in Montana. While early indicators are helpful, they can be misleading if extrapolated.