

THE PATH FORWARD

HOW COVID-19 HAS RESHAPED THE ECONOMY

The Montana Outlook
Patrick Barkey
University of Montana



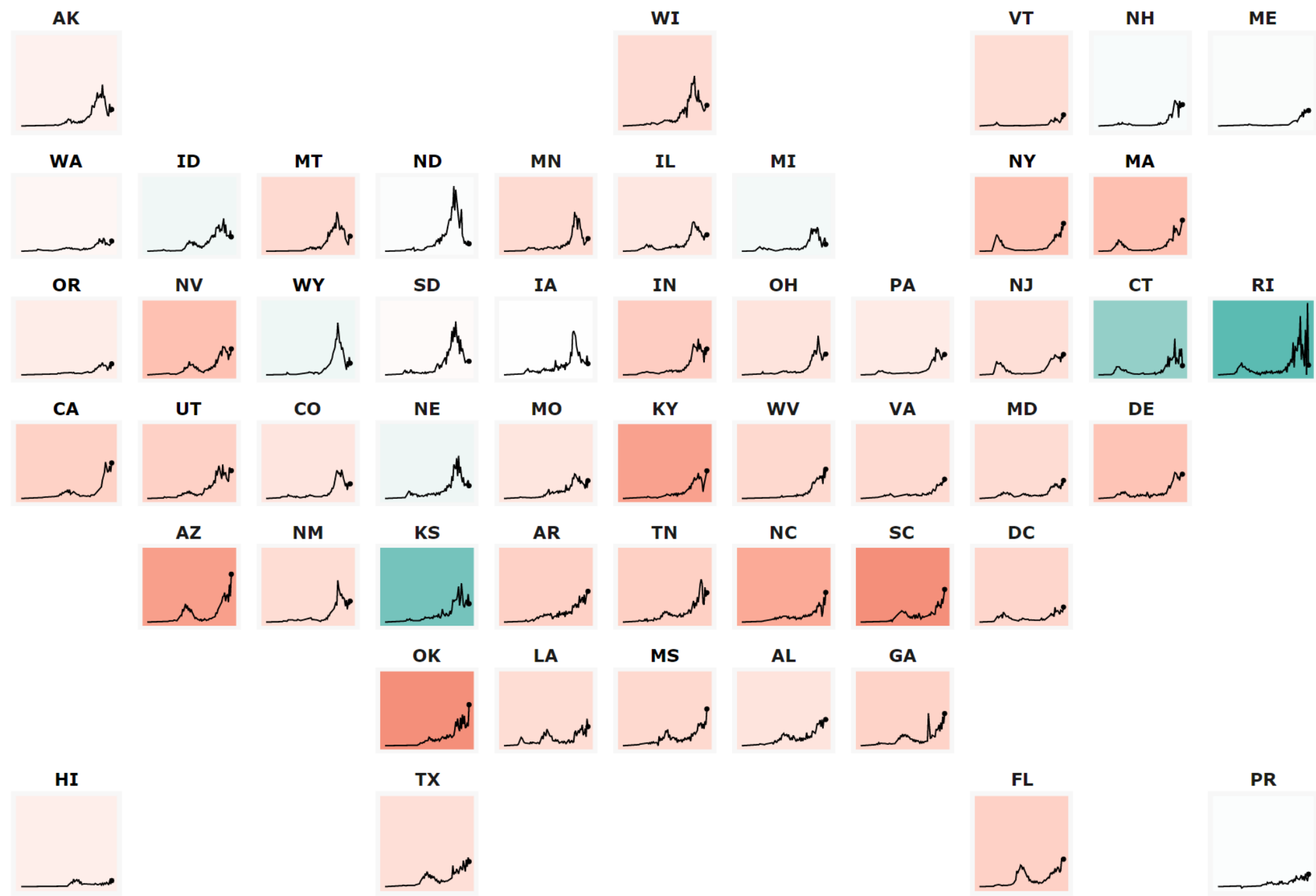
2021 ECONOMIC OUTLOOK SEMINAR
FEBRUARY 1-2, 2021

WWW.ECONOMICOUTLOOKSEMINAR.COM

The Covid-19 Recession at Age Ten (months, that is)

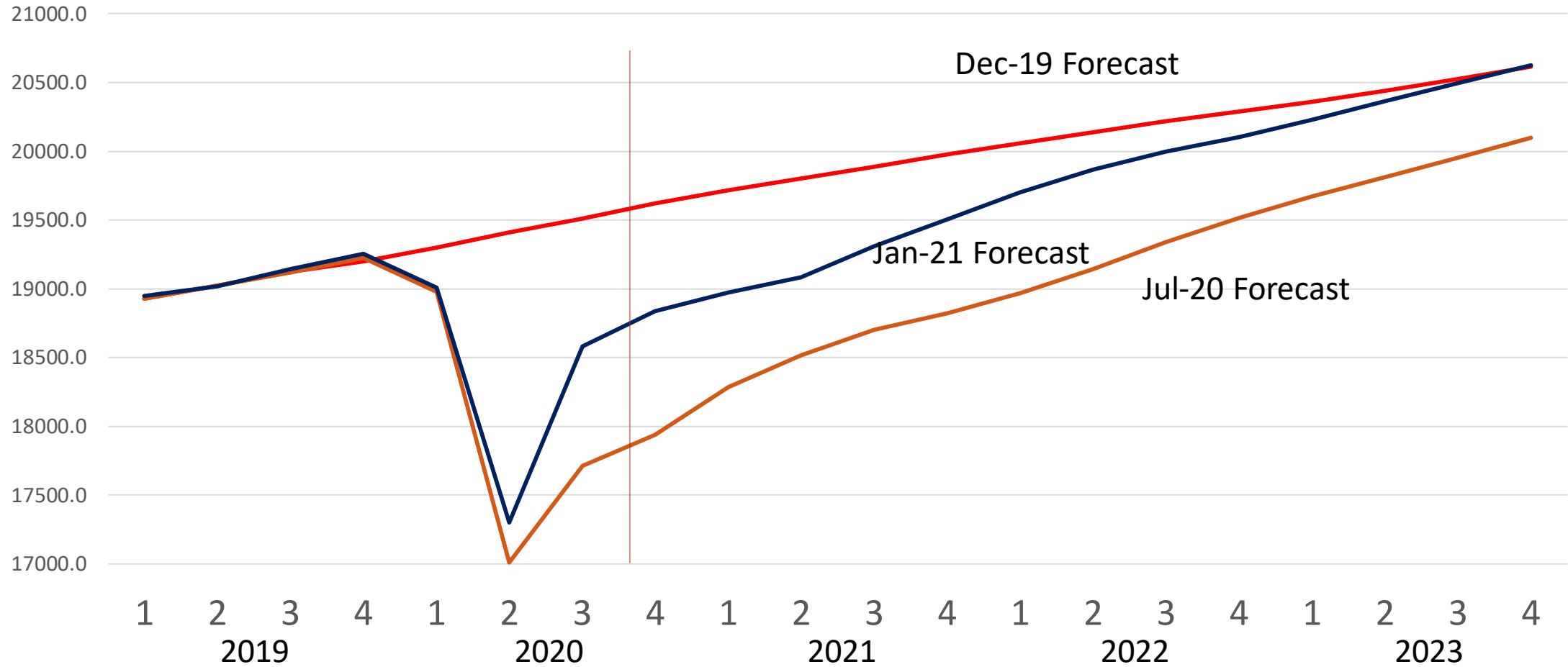
- Unprecedented downturn, followed by a unprecedented recovery
- March-April saw most economic indicators in uncharted territory
- Policy actions were swift, decisive, and effective
- Most surprises since mid-summer have been positive
- Aggregate economic measures fail to capture substantial swings in consumption, investment and trade patterns
- Parts of the economy have more than recovered, others face daunting challenges
- Montana is emerging as a state less affected than others

Daily New Cases per 100k people. Data shown from **1/22/20** to **1/10/21**.



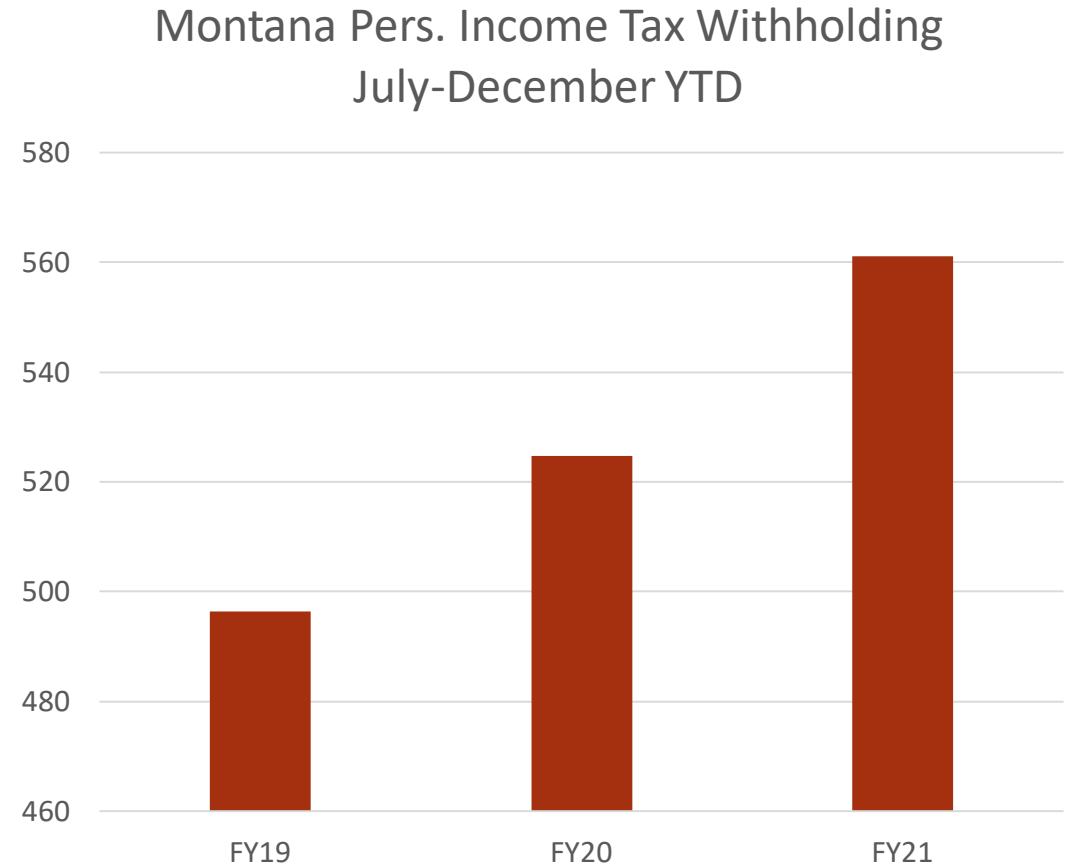
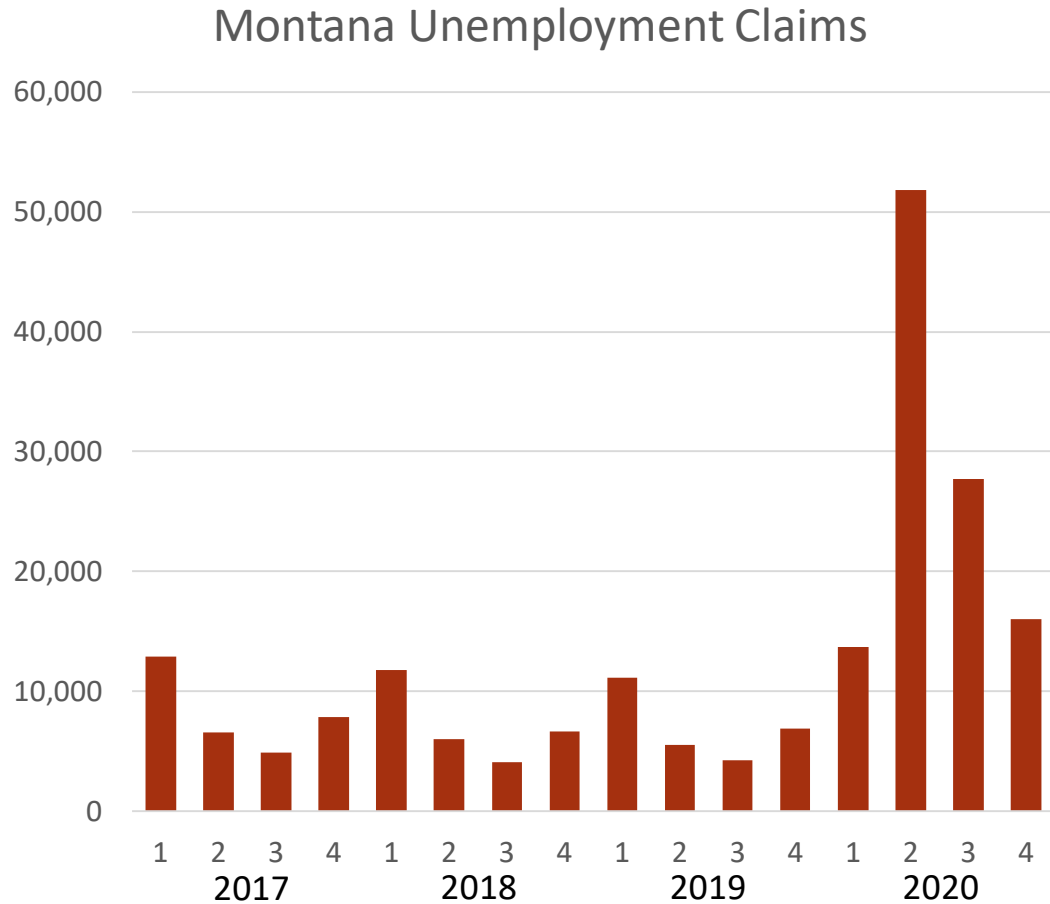
Real GDP, U.S., Actual and Forecast

Billions of Dollars



Source: IHS Markit

How Can We Reconcile These Two Trends?

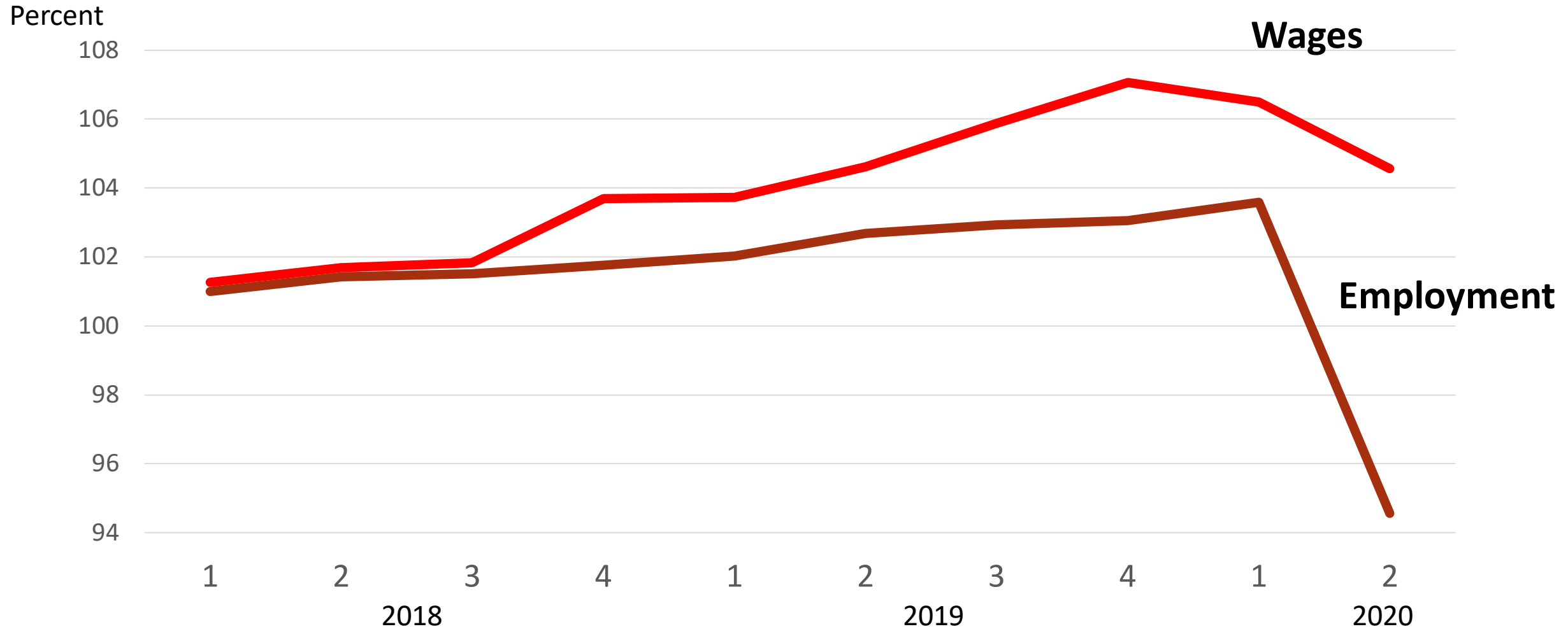


Categories	2016	2017	2018	2019	2020	2021
[-] Top Seven Sources	\$932,428,074	\$888,813,188	\$1,002,711,119	\$1,065,609,351	\$1,147,208,346	\$1,250,907,978
[+] Corporation Tax	\$72,319,428	\$67,426,822	\$91,703,124	\$92,402,171	\$108,926,426	\$116,864,366
[-] Individual Income Tax	\$658,967,957	\$652,707,763	\$710,438,732	\$741,702,082	\$801,226,658	\$897,159,932
510101 Withholding Tax	\$415,738,365	\$426,121,101	\$455,038,738	\$494,535,900	\$523,826,737	\$559,957,185
510102 Estimated Tax	\$131,097,728	\$118,766,125	\$135,291,608	\$125,610,473	\$144,970,036	\$204,319,135
510103 Current Year I/T	\$19,382,665	\$19,240,391	\$19,523,342	\$19,900,776	\$25,453,114	\$29,178,852
510104 Prior Years to Income Tax	\$2,273,738	\$1,821,182	\$1,589,913	\$2,873,924	\$2,112,571	\$1,641,342
510105 Income Tax - Audit Collections	\$13,612,072	\$9,546,785	\$11,650,709	\$11,816,225	\$13,070,776	\$16,772,747
510106 Income Tax Refunds	\$64,707,306	\$66,519,688	\$75,446,572	\$75,623,205	\$69,891,819	\$64,362,245
510109 Income Tax-Penalties & Interes	\$4,016,096	\$3,675,491	\$3,338,905	\$3,120,418	\$3,335,669	\$3,465,806
510110 Accrual Individual Inc Tax	\$0	\$0	\$0	\$0	\$0	\$0
510111 Pass Thru Entity Tax	\$5,306,477	\$4,897,545	\$6,427,476	\$5,621,468	\$8,409,729	\$15,598,205
510482 Mineral Royalty WH Tax	\$2,833,510	\$2,119,454	\$2,131,469	\$2,599,693	\$10,156,208	\$1,864,416
[+] Insurance Tax	\$27,961,920	\$31,789,710	\$25,364,908	\$29,935,747	\$30,853,625	\$32,764,940
[+] Oil & Natural Gas Tax	\$0	\$0	\$0	\$0	\$0	\$0
[+] Property Tax	\$111,095,818	\$75,400,558	\$115,890,404	\$139,009,575	\$139,663,680	\$137,114,850
[+] Vehicle Fee	\$46,644,488	\$46,586,242	\$44,366,967	\$46,738,757	\$50,253,169	\$48,888,428
[+] Video Gaming Tax	\$15,438,463	\$14,902,094	\$14,946,985	\$15,821,018	\$16,284,788	\$18,115,463
[+] Other Sources	\$20,076,087	\$25,464,205	\$93,125,365	\$30,300,509	\$35,775,985	\$44,865,780
[+] Natura Resource Sources	\$16,493,044	\$13,391,690	\$12,927,640	\$14,020,711	\$12,219,253	\$7,930,634
[+] Interest Earnings Sources	\$8,582,611	\$10,969,535	\$10,355,478	\$14,883,276	\$16,799,597	\$8,186,579
[+] Consumption Sources	\$31,244,410	\$31,713,290	\$31,018,304	\$31,382,669	\$31,066,389	\$34,660,319
[+] Business Sources	\$25,400,255	\$24,674,000	\$25,702,633	\$26,513,372	\$29,041,885	\$25,592,646
Total	\$1,034,224,480	\$995,025,908	\$1,175,840,539	\$1,182,709,887	\$1,272,111,454	\$1,372,143,935



Wages and Employment, Montana, 2018Q1 – 2020Q2

Seasonally Adjusted Index, 2017Q1 = 100

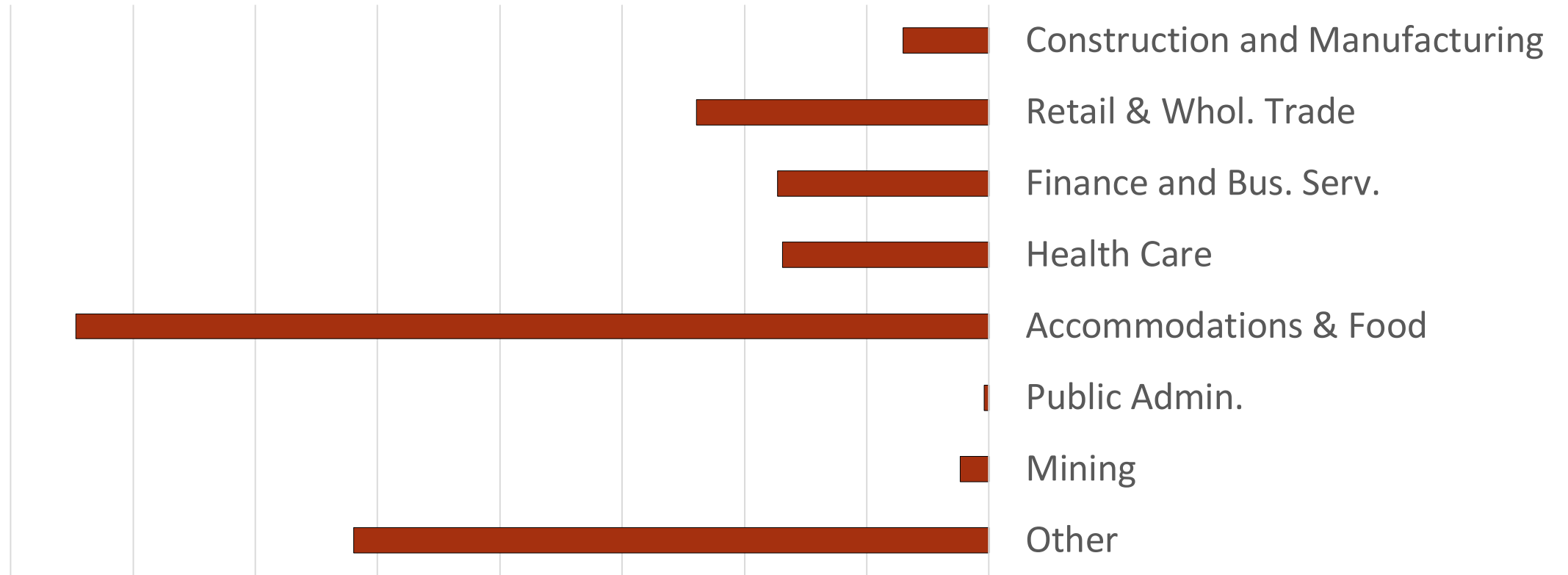


Job Losses by Sector, Montana, 2019Q4 – 2020Q2

Seasonally Adjusted

Jobs

-16,000 -14,000 -12,000 -10,000 -8,000 -6,000 -4,000 -2,000 0



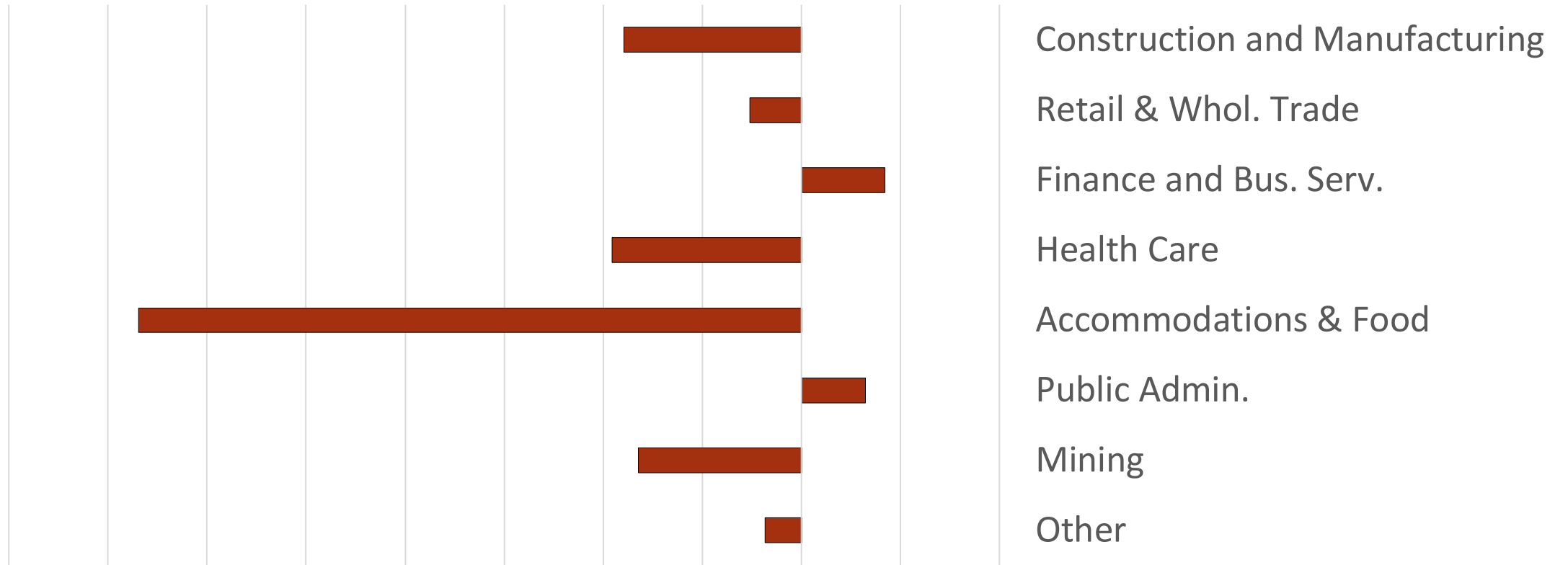
Source: Quarterly Census of Employment and Wages

Wage Loss/Growth by Sector, Montana, 2019Q4 – 2020Q2

Seasonally Adjusted

Millions of Dollars

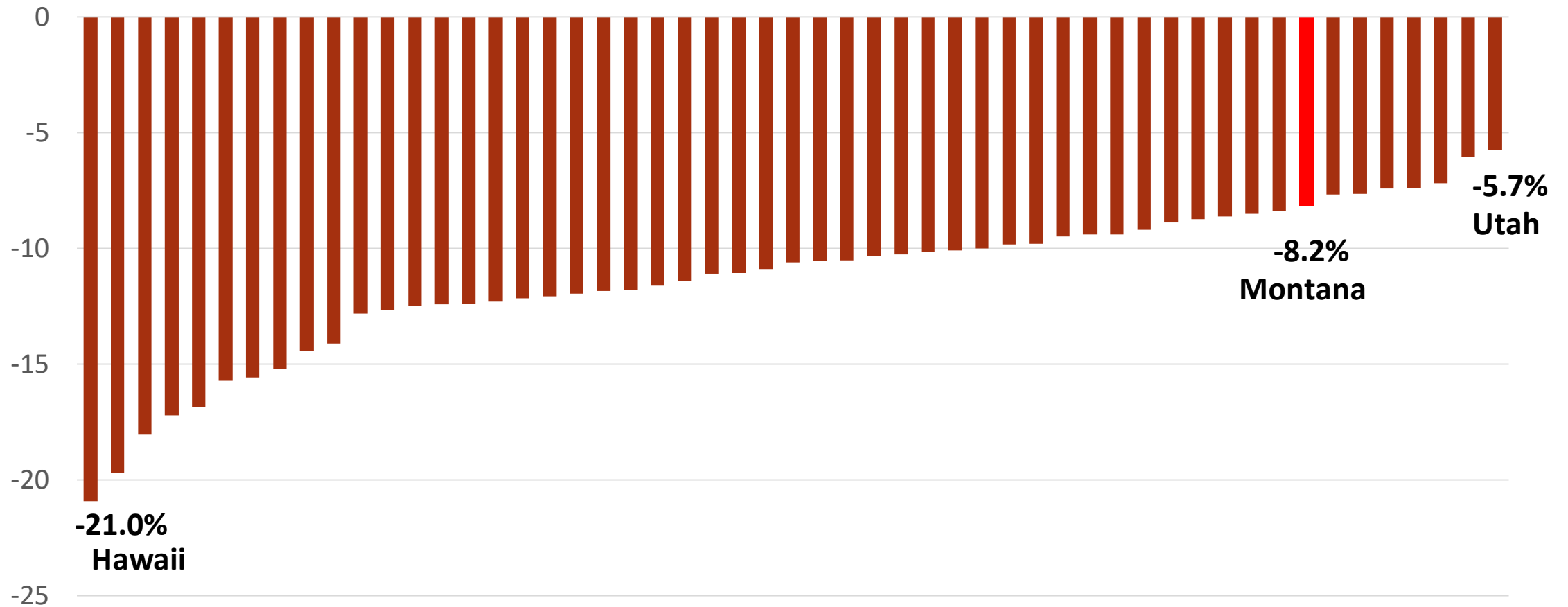
-80 -70 -60 -50 -40 -30 -20 -10 0 10 20



Source: Quarterly Census of Employment and Wages

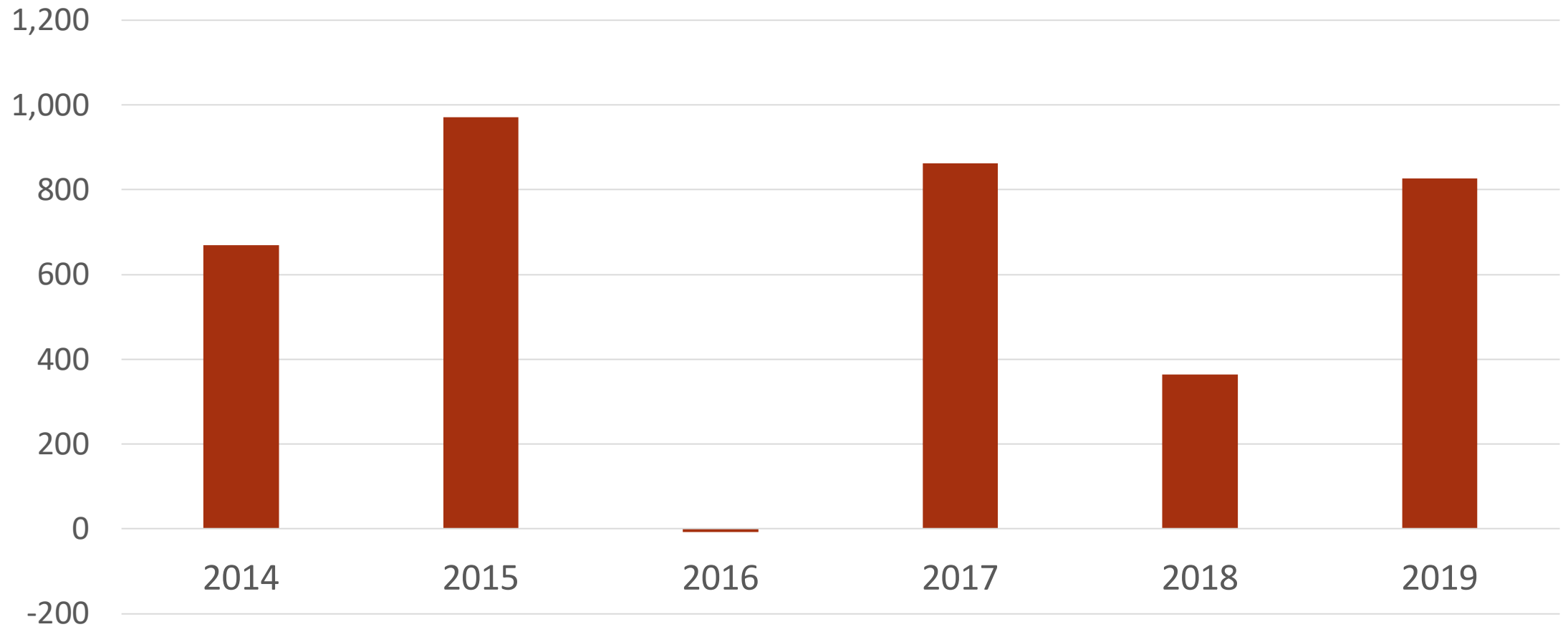
Employment Decline by State, Percent, 2019Q4 – 2020Q2

Seasonally Adjusted



Growth in Inflation-Corrected Nonfarm Income, Montana

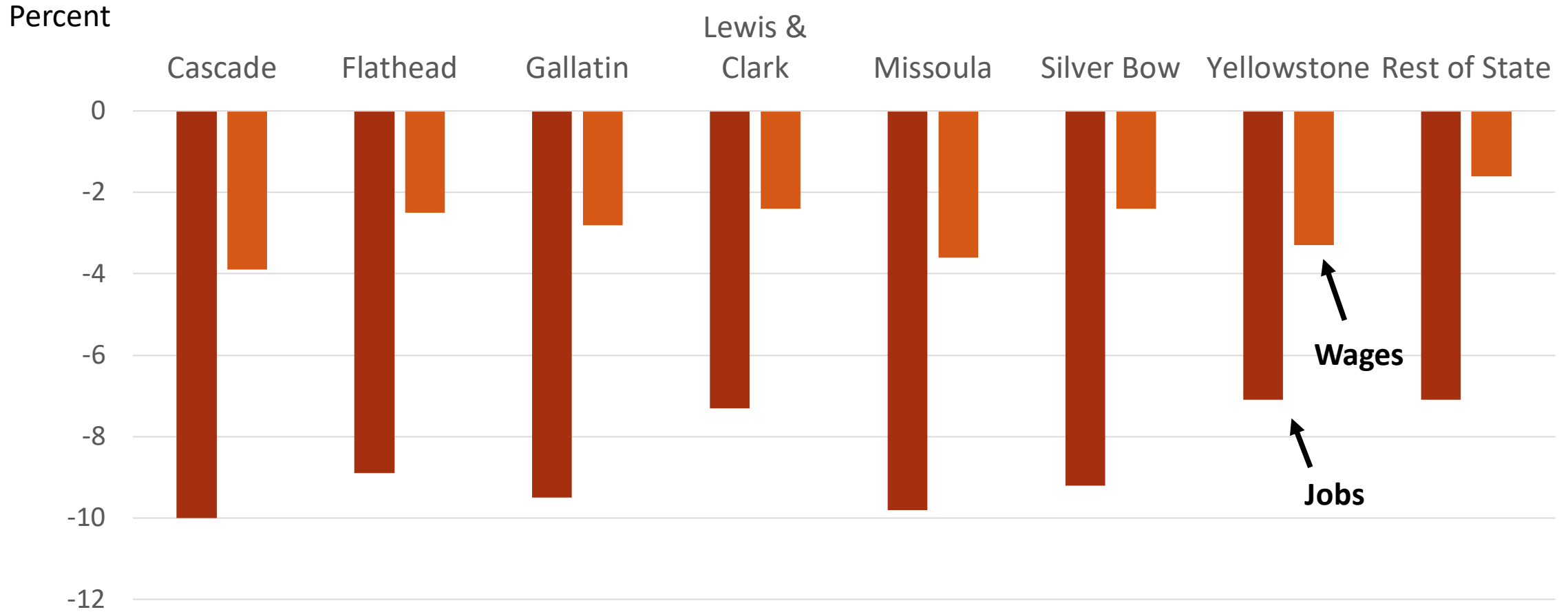
Millions of Dollars



Source: U.S. Bureau of Economic Analysis

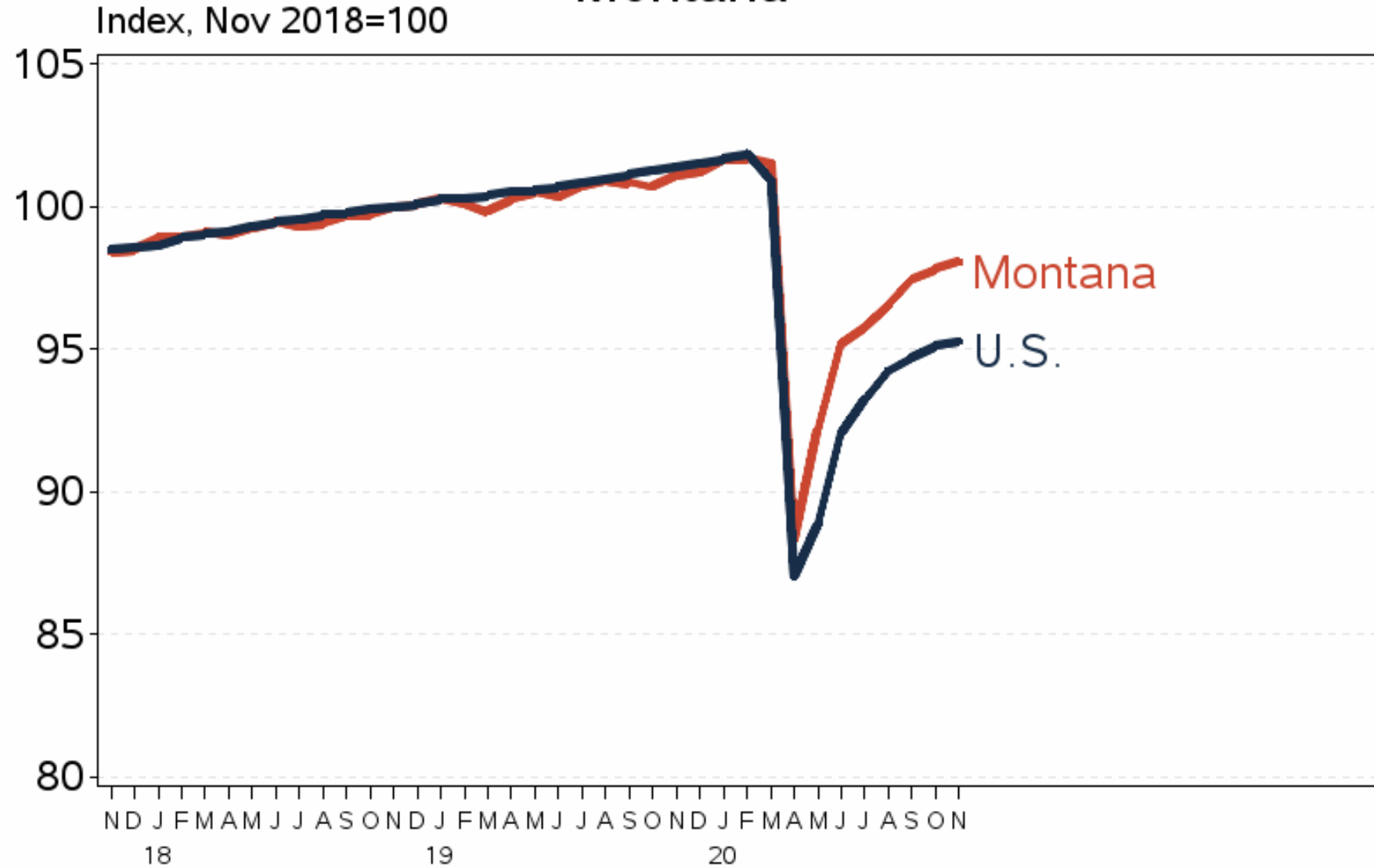
Job Losses and Wage Losses Between 2019Q4 and 2020Q2, Montana

Percent Change, Selected Counties



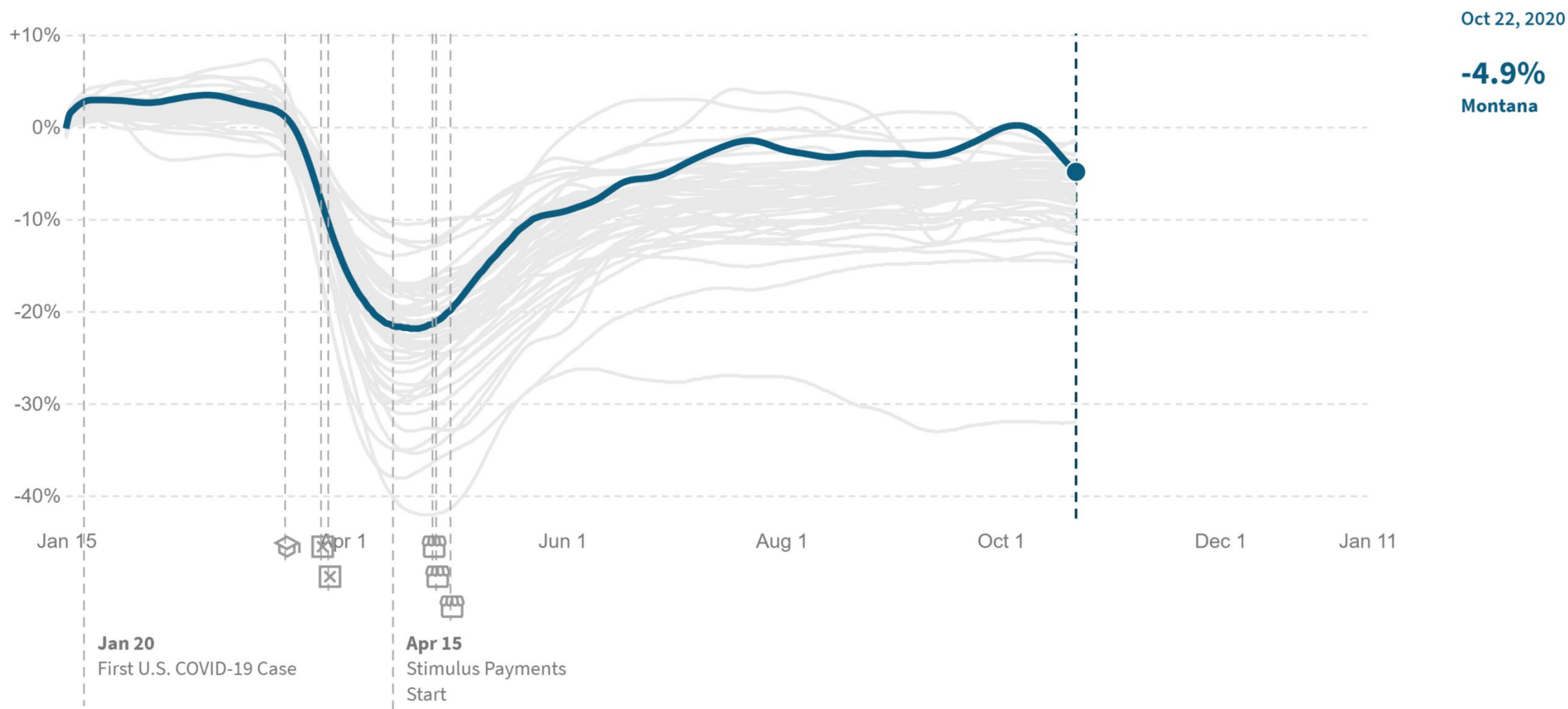
Source: Quarterly Census of Employment and Wages

Payroll Employment Montana



Percent Change in Employment*

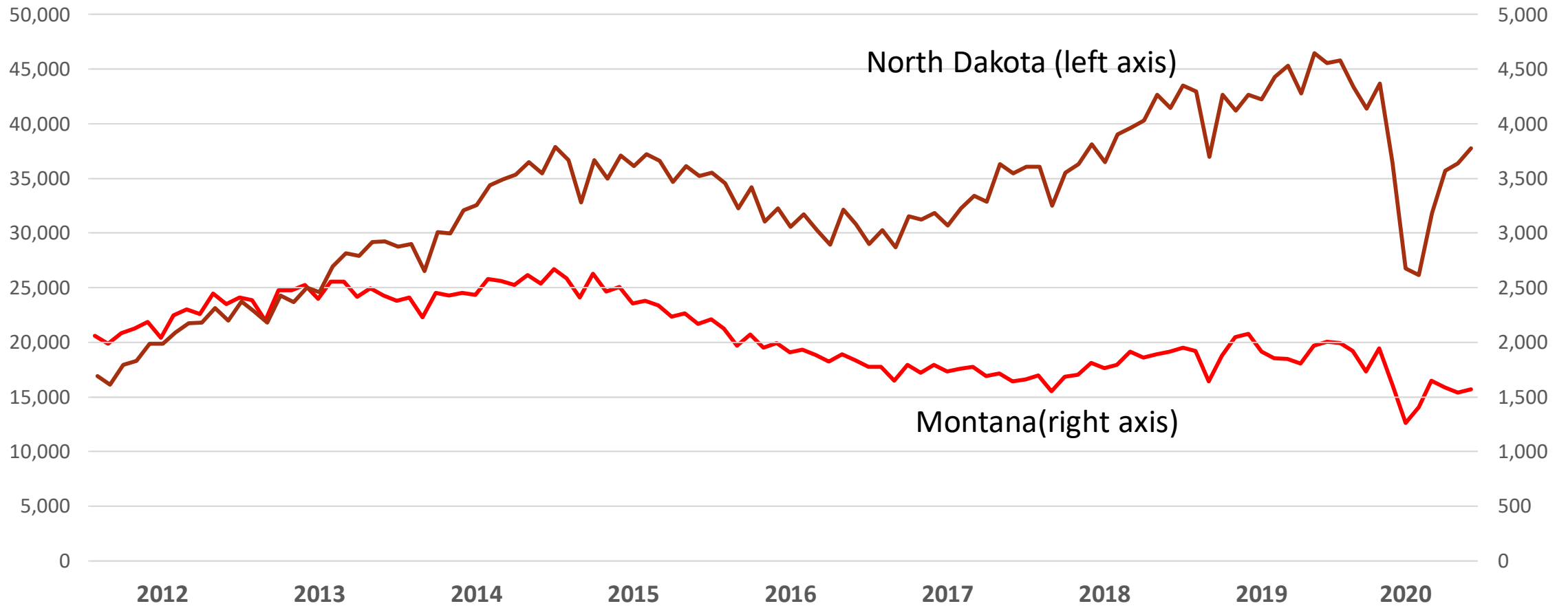
In **Montana**, as of **October 22 2020**, employment rates **decreased** by **4.9%** compared to January 2020 (not seasonally adjusted).



*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.

Bakken Oil Production Recovers From Record Fall

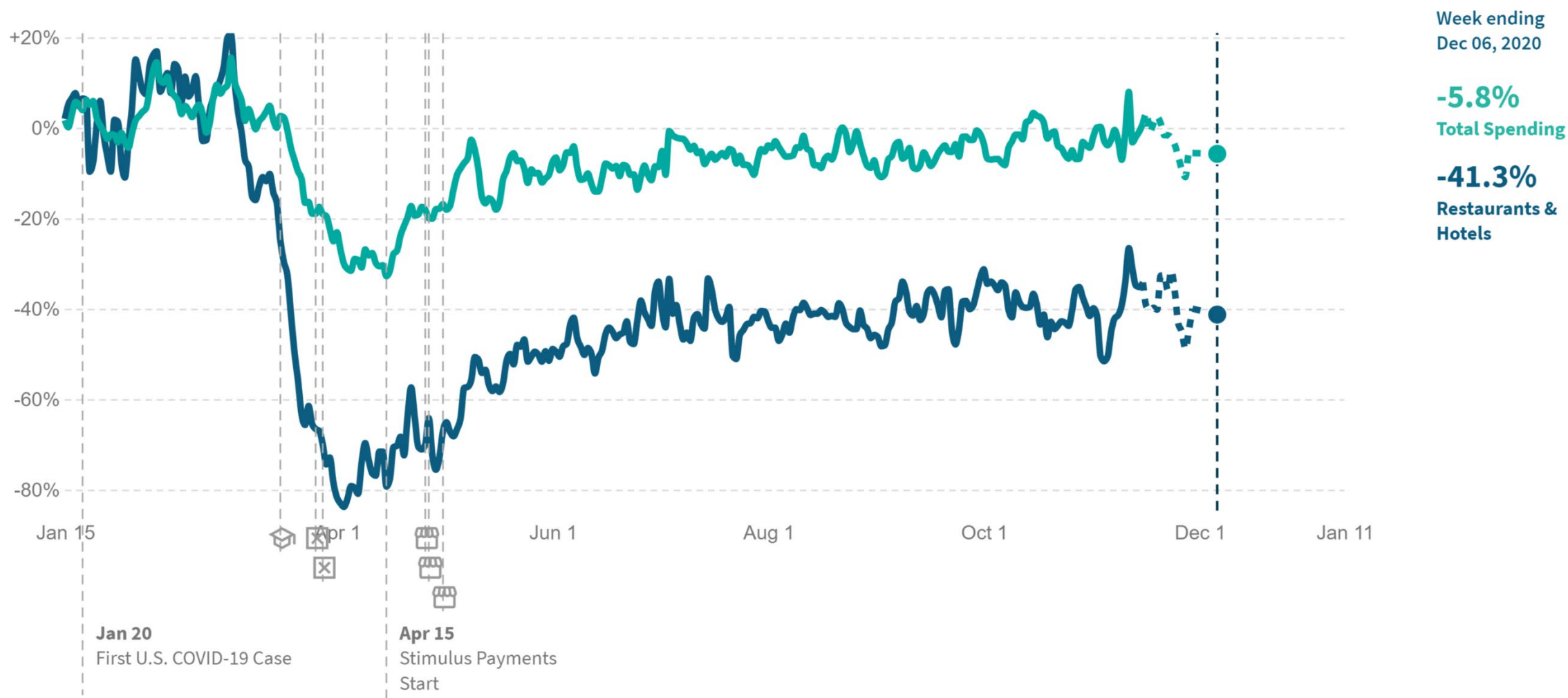
Montana and North Dakota Monthly Crude Oil Production, Thousand Barrels



Source: U.S. Energy Information Administration

Percent Change in All Consumer Spending*

In **Montana**, as of **December 06 2020**, restaurant and hotel spending by all consumers **decreased** by **41.3%** compared to January 2020.



*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

Which Changes We've Experienced Will Stick?

- High savings rates
- Strong spending on durables
- Eating at home
- Re-shoring or near-shoring supply chains
- Exit from major cities
- Technology adoption
- Whither commercial real estate?
- High government debt levels
- Larger government role in the economy

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