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

- Unprecedented downturn, followed by an 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?

Montana Unemployment Claims

Montana Pers. Income Tax Withholding
July-December YTD
<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Seven Sources</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>$658,967,957</td>
<td>$652,707,763</td>
<td>$710,438,732</td>
<td>$741,702,082</td>
<td>$801,226,658</td>
<td>$897,159,932</td>
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<tr>
<td>510101 Withholding Tax</td>
<td>$415,738,365</td>
<td>$426,121,101</td>
<td>$455,038,738</td>
<td>$494,535,900</td>
<td>$523,826,737</td>
<td>$559,957,185</td>
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<tr>
<td>510102 Estimated Tax</td>
<td>$131,097,728</td>
<td>$118,766,125</td>
<td>$135,291,608</td>
<td>$125,610,473</td>
<td>$144,970,036</td>
<td>$204,319,135</td>
</tr>
<tr>
<td>510103 Current Year I/T</td>
<td>$19,382,665</td>
<td>$19,240,391</td>
<td>$19,523,342</td>
<td>$19,900,776</td>
<td>$25,453,114</td>
<td>$29,178,852</td>
</tr>
<tr>
<td>510104 Prior Years to Income Tax</td>
<td>$2,273,738</td>
<td>$1,821,182</td>
<td>$1,589,913</td>
<td>$2,873,924</td>
<td>$2,112,571</td>
<td>$1,641,342</td>
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<tr>
<td>510105 Income Tax - Audit Collections</td>
<td>$13,612,072</td>
<td>$9,546,785</td>
<td>$11,650,709</td>
<td>$11,816,225</td>
<td>$13,070,776</td>
<td>$16,772,747</td>
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<tr>
<td>510106 Income Tax Refunds</td>
<td>$64,707,306</td>
<td>$66,519,688</td>
<td>$75,446,572</td>
<td>$75,623,205</td>
<td>$69,891,819</td>
<td>$64,362,245</td>
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<tr>
<td>510109 Income Tax-Penalties &amp; Interes</td>
<td>$4,016,096</td>
<td>$3,675,491</td>
<td>$3,338,905</td>
<td>$3,120,418</td>
<td>$3,335,669</td>
<td>$3,465,806</td>
</tr>
<tr>
<td>510110 Accrual Individual Inc Tax</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>510111 Pass Thru Entity Tax</td>
<td>$5,306,477</td>
<td>$4,897,545</td>
<td>$6,427,476</td>
<td>$5,621,468</td>
<td>$8,409,729</td>
<td>$15,598,205</td>
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<tr>
<td>510482 Mineral Royalty WH Tax</td>
<td>$2,833,510</td>
<td>$2,119,454</td>
<td>$2,131,469</td>
<td>$2,599,693</td>
<td>$10,156,208</td>
<td>$1,864,416</td>
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<tr>
<td>Insurance Tax</td>
<td>$27,961,920</td>
<td>$31,789,710</td>
<td>$25,364,908</td>
<td>$29,935,747</td>
<td>$30,853,625</td>
<td>$32,764,940</td>
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<tr>
<td>Oil &amp; Natural Gas Tax</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Property Tax</td>
<td>$111,095,818</td>
<td>$75,400,558</td>
<td>$115,890,404</td>
<td>$139,009,575</td>
<td>$139,663,680</td>
<td>$137,114,850</td>
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<tr>
<td>Vehicle Fee</td>
<td>$46,644,488</td>
<td>$46,586,242</td>
<td>$44,366,967</td>
<td>$46,738,757</td>
<td>$50,253,169</td>
<td>$48,888,428</td>
</tr>
<tr>
<td>Video Gaming Tax</td>
<td>$15,438,463</td>
<td>$14,902,094</td>
<td>$14,946,985</td>
<td>$15,821,018</td>
<td>$16,284,788</td>
<td>$18,115,463</td>
</tr>
<tr>
<td>Other Sources</td>
<td>$20,076,087</td>
<td>$25,464,205</td>
<td>$93,125,365</td>
<td>$30,300,509</td>
<td>$35,775,985</td>
<td>$44,865,780</td>
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<tr>
<td>Natura Resource Sources</td>
<td>$16,493,044</td>
<td>$13,391,690</td>
<td>$12,927,640</td>
<td>$14,020,711</td>
<td>$12,219,253</td>
<td>$7,930,634</td>
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<tr>
<td>Interest Earnings Sources</td>
<td>$8,582,611</td>
<td>$10,969,535</td>
<td>$10,355,478</td>
<td>$14,883,276</td>
<td>$16,799,597</td>
<td>$8,186,579</td>
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<tr>
<td>Consumption Earnings Sources</td>
<td>$31,244,410</td>
<td>$31,713,290</td>
<td>$31,018,304</td>
<td>$31,382,669</td>
<td>$31,066,389</td>
<td>$34,660,319</td>
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<tr>
<td>Business Sources</td>
<td>$25,400,255</td>
<td>$24,674,000</td>
<td>$25,702,633</td>
<td>$26,513,372</td>
<td>$29,041,885</td>
<td>$25,592,646</td>
</tr>
<tr>
<td>Total</td>
<td>$1,034,224,480</td>
<td>$995,025,908</td>
<td>$1,175,840,539</td>
<td>$1,182,709,887</td>
<td>$1,272,111,454</td>
<td>$1,372,143,935</td>
</tr>
</tbody>
</table>
Wages and Employment, Montana, 2018Q1 – 2020Q2
Seasonally Adjusted Index, 2017Q1 = 100

Percent

108 106 104 102 100 98 96 94

1 2 3 4 1 2 3 4 1 2 3 4 1 2
2018 2019 2020

Wages

Employment

Source: Quarterly Census of Employment and Wages
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

- Construction and Manufacturing
- Retail & Whol. Trade
- Finance and Bus. Serv.
- Health Care
- Accommodations & Food
- Public Admin.
- Mining
- Other

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

Construction and Manufacturing
Retail & Whol. Trade
Finance and Bus. Serv.
Health Care
Accommodations & Food
Public Admin.
Mining
Other

Source: Quarterly Census of Employment and Wages
Employment Decline by State, Percent, 2019Q4 – 2020Q2
Seasonally Adjusted

Source: Quarterly Census of Employment and Wages
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
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.

Last updated: January 08, 2021  
Next update expected: January 15, 2021
Bakken Oil Production Recovers From Record Fall
Montana and North Dakota Monthly Crude Oil Production, Thousand Barrels

Source: U.S. Energy Information Administration
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.

last updated: December 15, 2020   next update expected: January 13, 2021
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
THE PATH FORWARD
HOW COVID-19 HAS RESHAPED THE ECONOMY

2021 ECONOMIC OUTLOOK SEMINAR
FEBRUARY 1-2, 2021
WWW.ECONOMICOUTLOOKSEMINAR.COM