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OFFICE OF PUBLIC INSTRUCTION
STATE OF MONTANA

Putting Montana Students First **A⁺**



MEETING PROJECT NAME: Education Advocates Meeting with County and District Superintendents

DATE OF MEETING: August 18, 2020

TIME: 10:30 AM – 11:00 AM

Zoom Meeting

TOPIC & PRESENTER INFO

Economics of School Reopening - [Dr. Patrick Barkey](#), Director of the Bureau of Business and Economic Research

- Materials Follow

Thank you for your patience and **Putting Montana Students First** during this uncertain time.

[Full Education Advocates meeting can be listened to at this link](#)

Montana's Economy at Midyear

Patrick M. Barkey, Director
Bureau of Business and Economic Research
University of Montana

August 2020

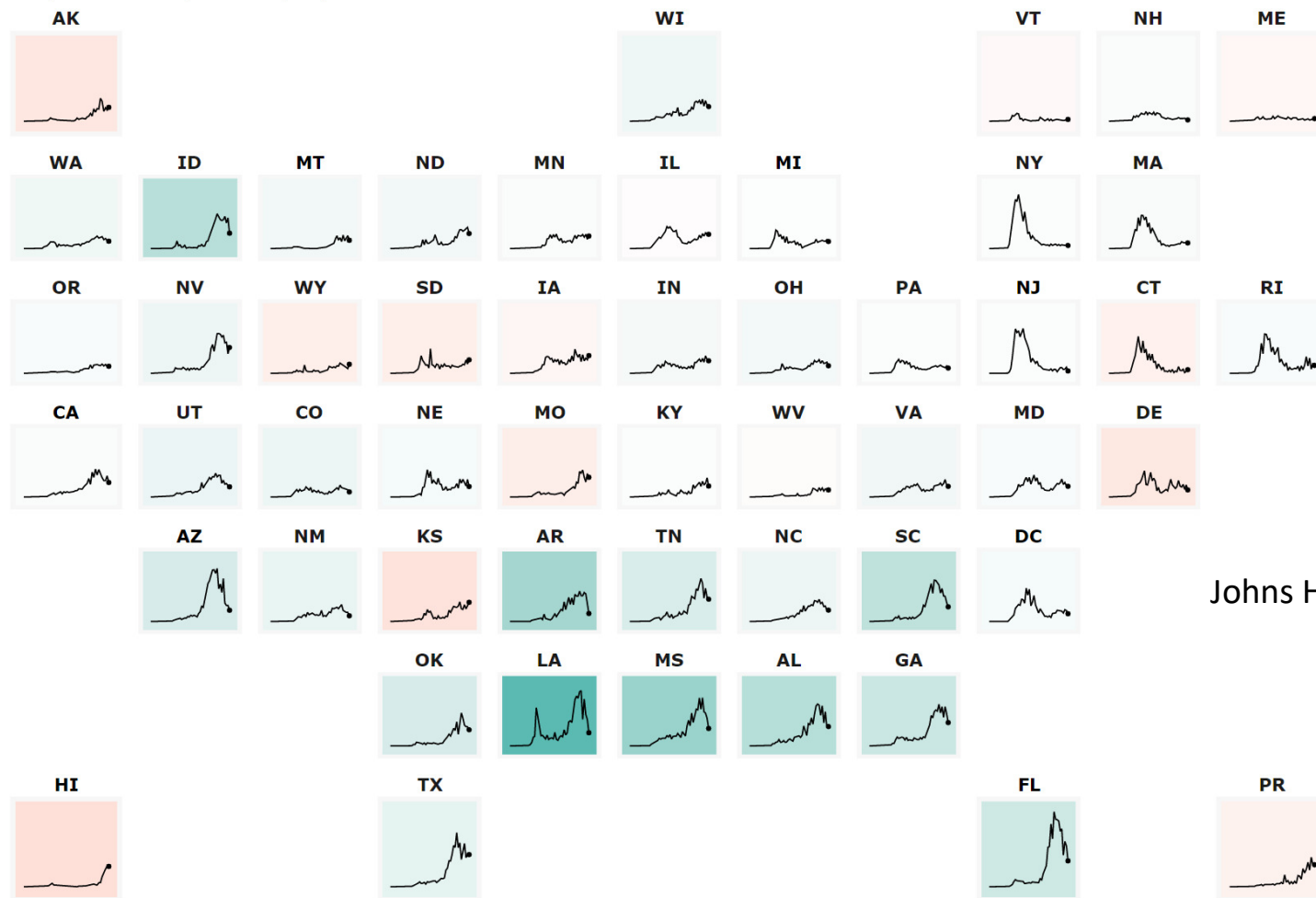
A Different Year with Different Questions

- Evaluation of Forecast
- Statewide Growth Patterns
- Risks to Growth
- Inflation and Interest Rates
- Federal Reserve
- The Election

**Where are we now and
what's next?**

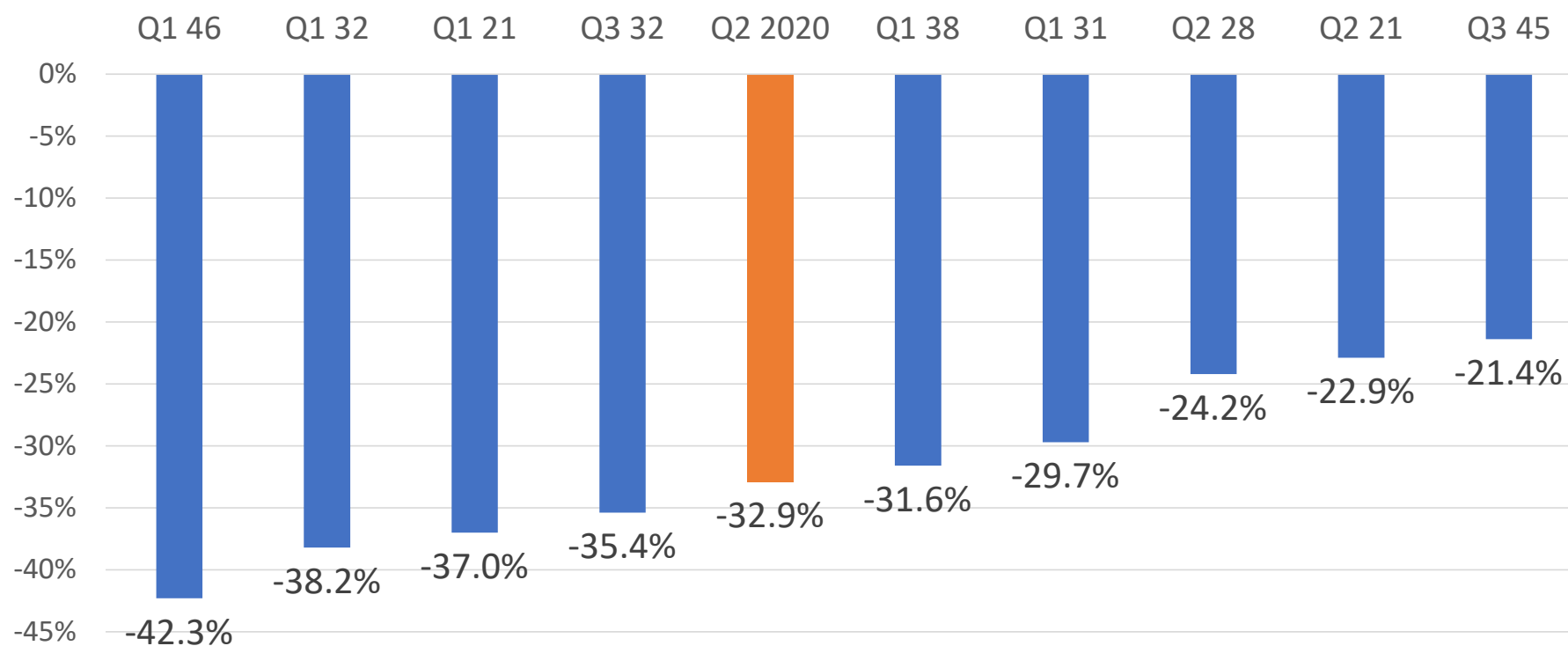
Riding the Rollercoaster of New Covid-19 Infection Rates

New Cases per 100,000 population, Jan 22 through Aug 17, 2020



Johns Hopkins University

Second Quarter 2020 GDP Among the Worst Ever Recorded Percent Change, Real GDP, Annual Rate, Selected Quarters



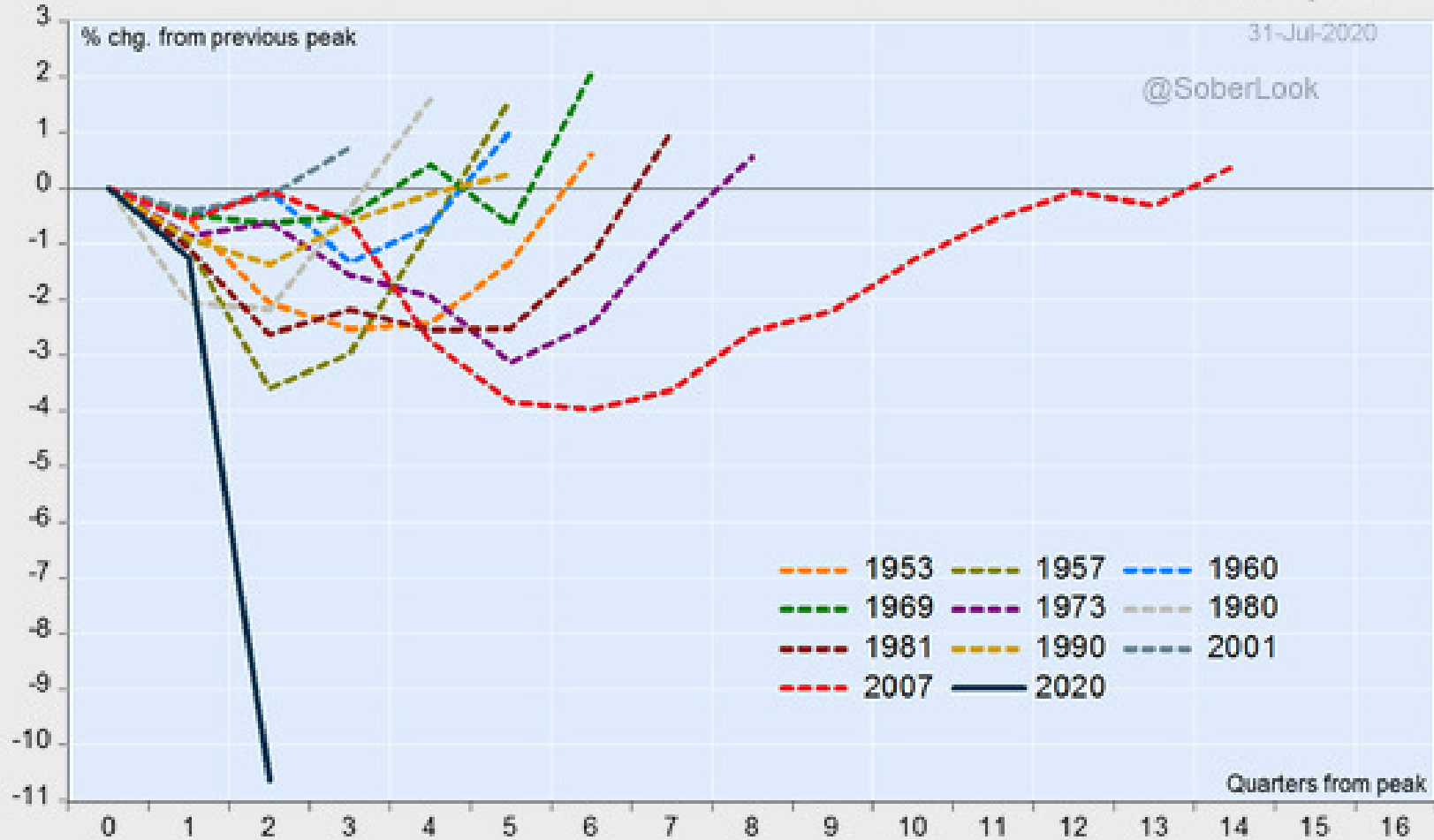
United States: Economic activity hammered by COVID-19

Real GDP, percentage change from previous peak

Posted on
WSJ: The Daily Shot

31-Jul-2020

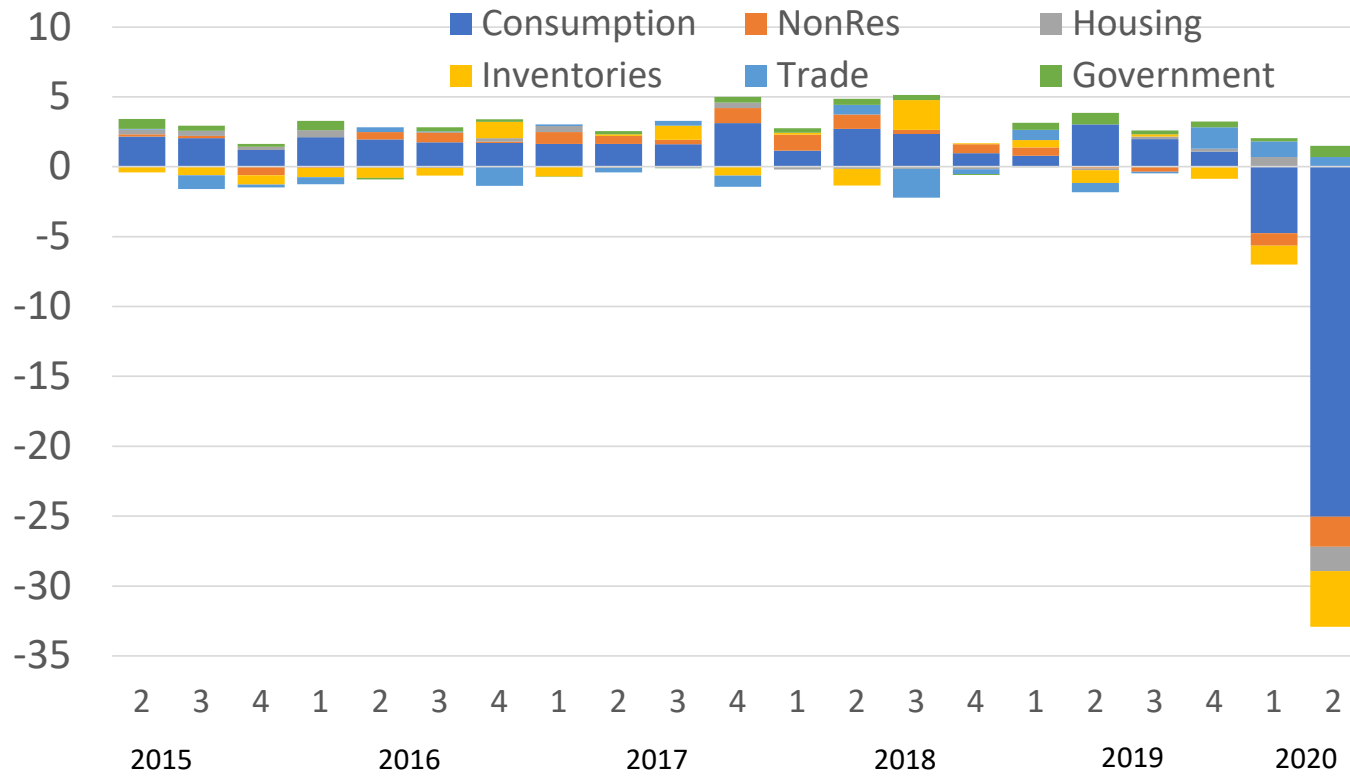
@SoberLook



NBF Economics and Strategy (data via Refinitiv)

Consumer Spending is What Fell Apart

Contribution to Growth in Real Gross Domestic Product, Percent



GDP Report Takeaways

- Consumer spending cratered – mostly services affected
- Consumer income rose strongly – Federal transfers and Unemployment Insurance payments are why
- Savings rate spiked up to 25 percent
- Inflation was negative
- International trade collapsed

GDP Report Takeaways

- Declines were huge, but almost all of it occurred in April, the first month of the quarter.
- Bounce back in jobs, consumer spending since then has also been impressive.
- Current forecasts call for 17 percent growth in GDP in this third quarter.
- Deficits are enormous, but the quick action of Congress has been important.

Fed Policy Support During COVID-19

Program/Facility	Targeted Sector	P, DL, or SPV *	Treasury Support (\$, Bil.)	Capacity (\$, Bil.)	Date(s)	Current Balance (\$, Bil.)
CPFF	Commercial Paper	SPV	\$10	NA	03/17	\$12
PDCF	Primary Dealers/Liquidity	DL	\$0	NA	03/17	\$7
MMLF	Money Market Mutual Funds	SPV	\$10	NA	03/18	\$33
TALF	Asset-Backed Securities	SPV	\$10	≤ \$100	03/23	-
PMCCF, SMCCF	Corporate Debt	SPV	\$75	≤ \$750	03/23	-
MSELF, MSNLF	Small & Mid-Sized Businesses	SPV	\$75	≤ \$600	03/23, 04/9	-
PPPLF	Small Business Bank Loan - PPP	DL	\$0	NA	04/6	\$49
MLF	Municipal Debt	SPV	\$35	≤ \$500	04/9	-
Discount Window	Banks	DL	\$0	NA	03/15	\$18
CB Swap Lines	Central Banks/Dollar Liquidity	DL	\$0	NA	03/15, 03/19	\$449
FIMA REPO Facility	Foreign Monet./Treasury Liquidity	DL	\$0	NA	03/31	-
Asset Purchases	Treasuries, Agency MBS	P	\$0	NA	Several	\$2,099
REPO Agreements	s/t Loans to Finance Intermediary	DL	\$0	NA	Several	\$181
TOTALS			\$215	>\$1,950		\$2,848

Evolving US Forecast

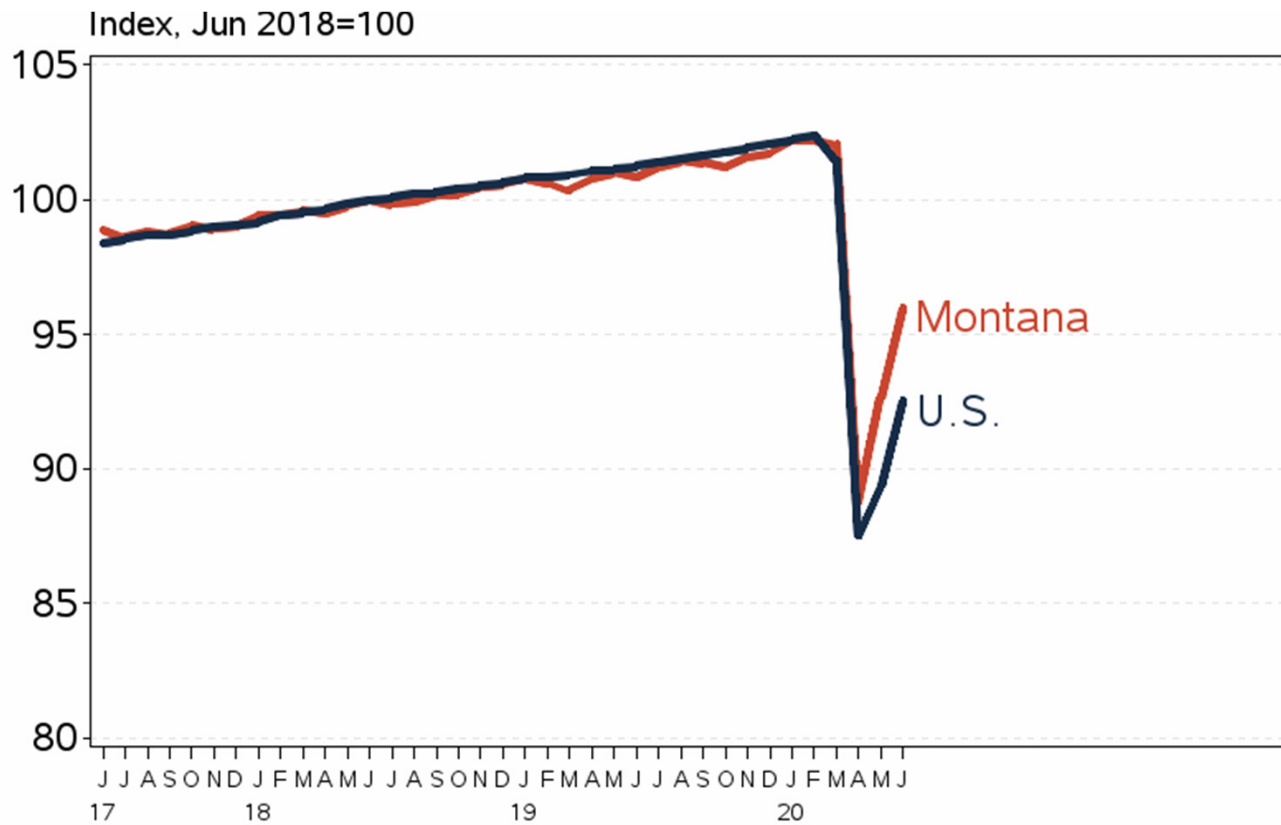
- More optimism about 2020, but trends in infections lowering expectations for 2021 and 2022.
- Very low interest rates for at least two years.
- Forecasters calling for very low inflation, markets aren't as certain.
- A weaker dollar.
- After a strong bounceback, effects of this recession will persist.

Sorting Out Montana's Economic Performance

- 2020 Q1 was good for Montana, but more recent data are fragmentary and inconclusive.
- BBER analysis conducted in May suggested that state would see job losses and income declines twice as large as the Great Recession.
- Unemployment claims data agree with that assessment, but state tax data do not (yet).
- New, private-sector data sources on state economic activity indicate state business activity stabilizing

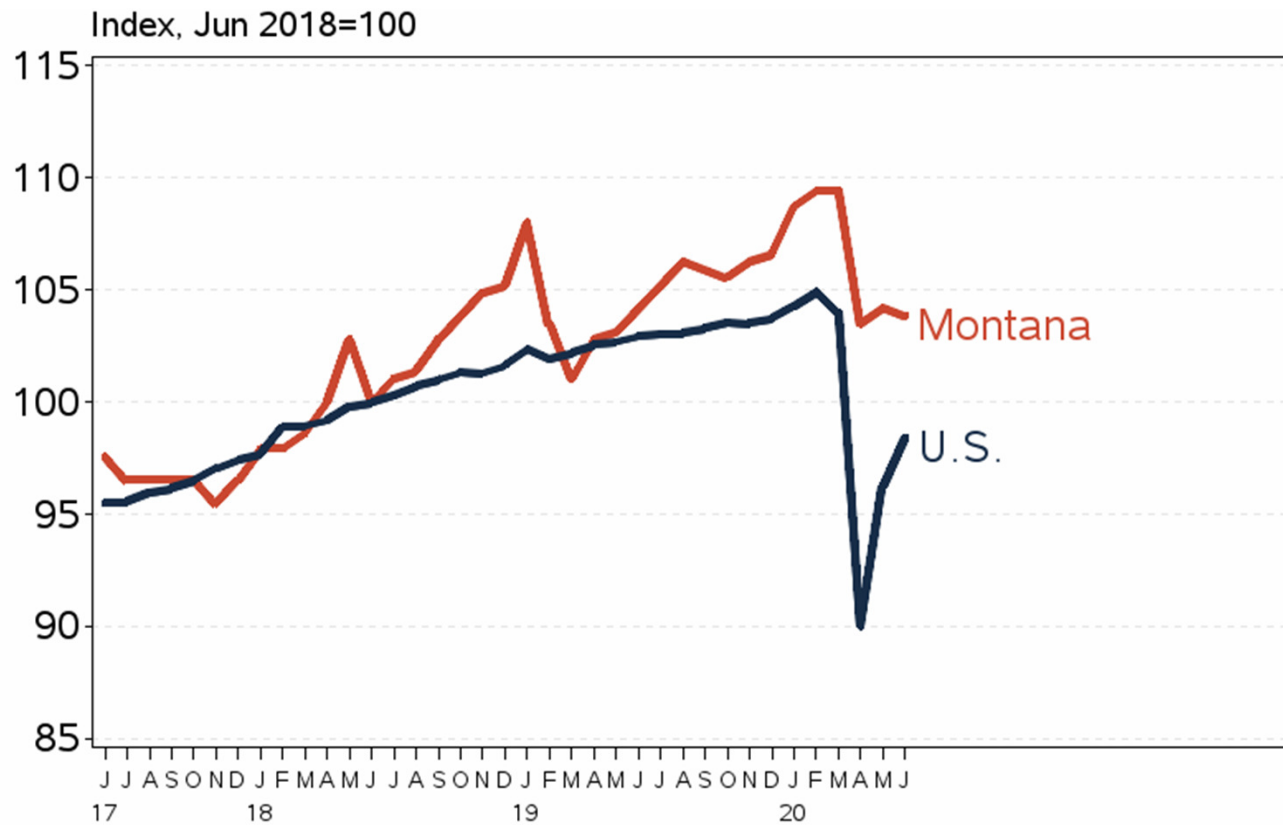
Montana Employment: Bad, But Better than U.S.

Seasonally Adjusted Establishment Employment, Montana and U.S., Index



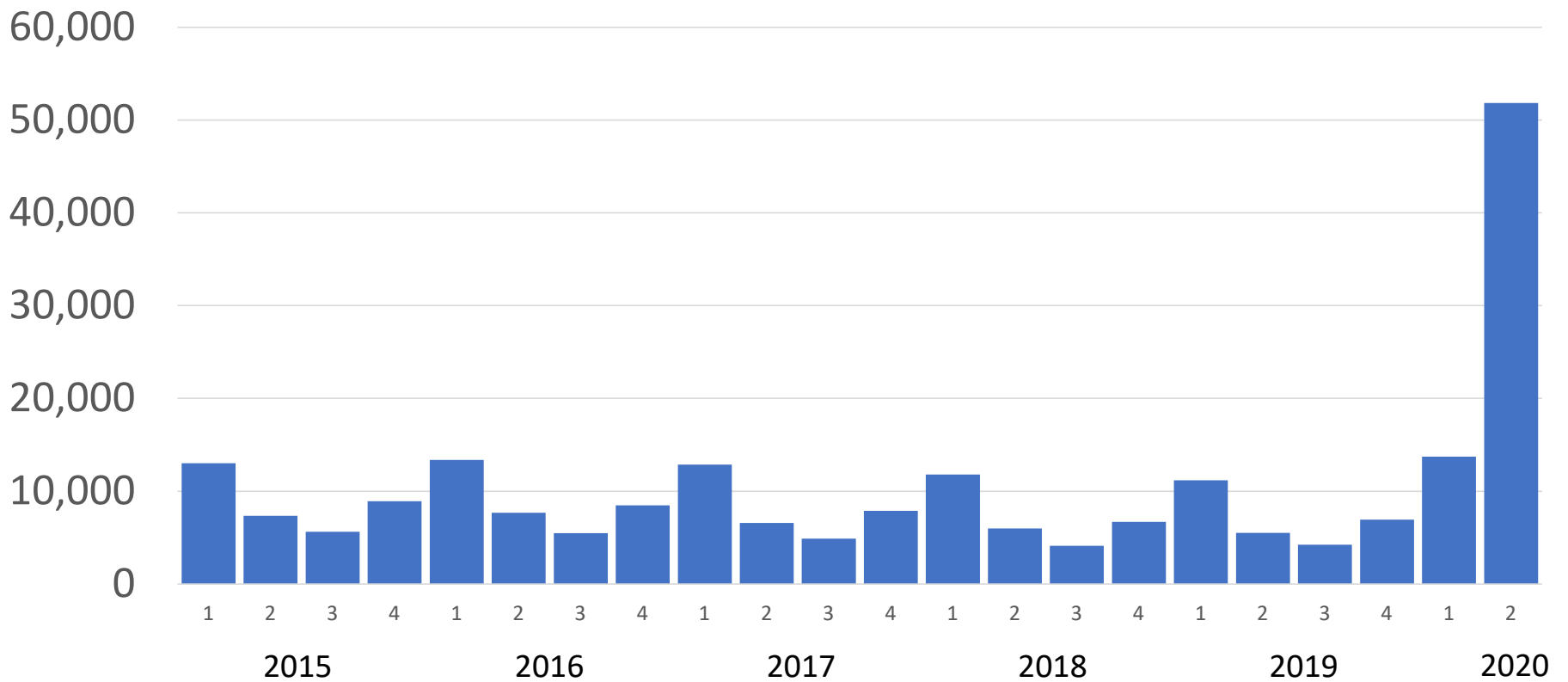
Construction Employment Less Affected

Seasonally Adjusted Establishment Employment, Montana and U.S., Index



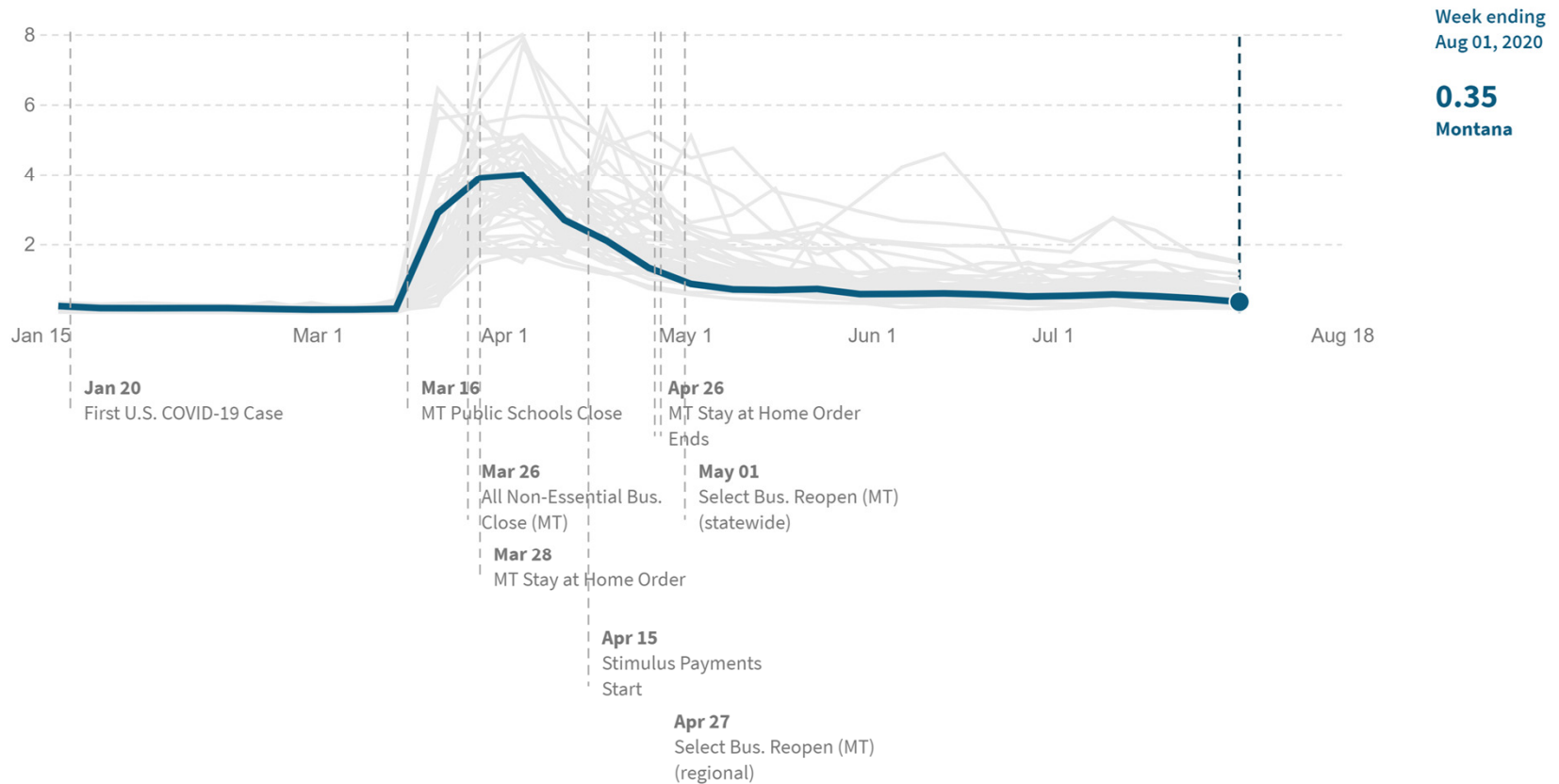
Montana Unemployment Claims Have Exploded

Continuing Claims for Unemployment Insurance, Montana, 2015Q1 – 2020Q2



Current Unemployment Claims per 100 People*

In **Montana**, as of August 01 2020, there were **0.35** initial unemployment claims per 100 people in the labor force.



*Number of unemployment benefit claims filed with state unemployment offices per 100 people in the labor force. This series is based on data published by the Department of Labor.

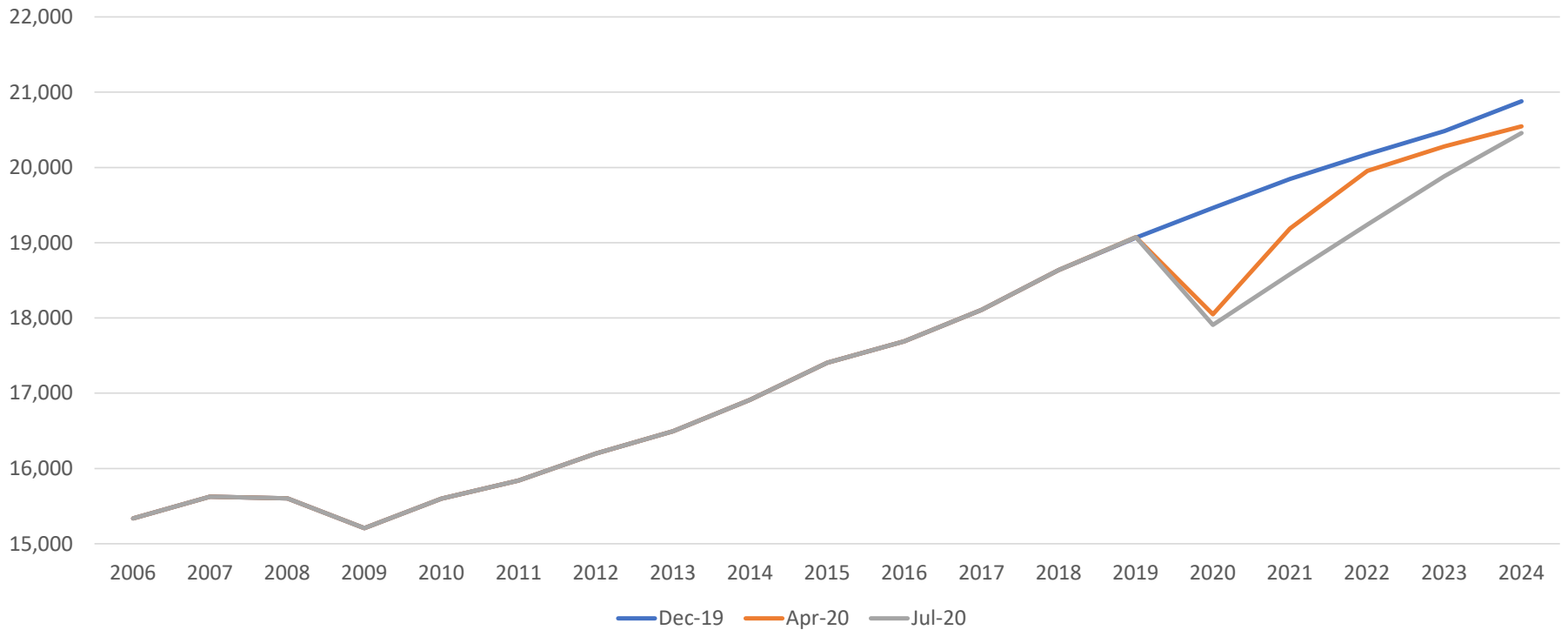
last updated: **August 14, 2020** next update expected: **August 21, 2020**

BBER Analysis of Covid-19 Impacts

- Compare two forecasts:
 - December 2019, pre-Covid
 - May 2020 (updated in July)
- “Moving target”
- Purpose of the analysis is to give insight on magnitude of Covid-19 impacts
- Clear conclusion – Montana will not be spared the pain of this downturn

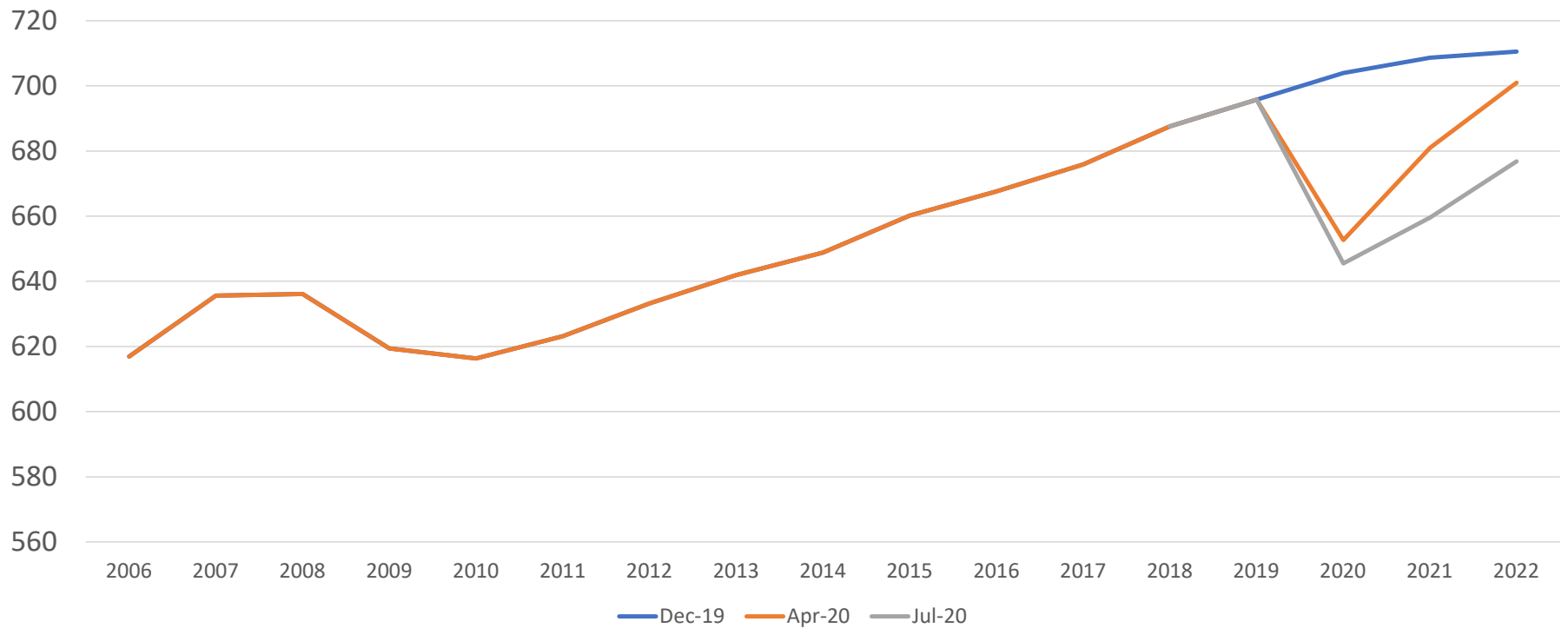
Dec-2019 vs. Apr-2020 and Jul-2020 Forecast Comparisons

Real GDP, U.S., Billions

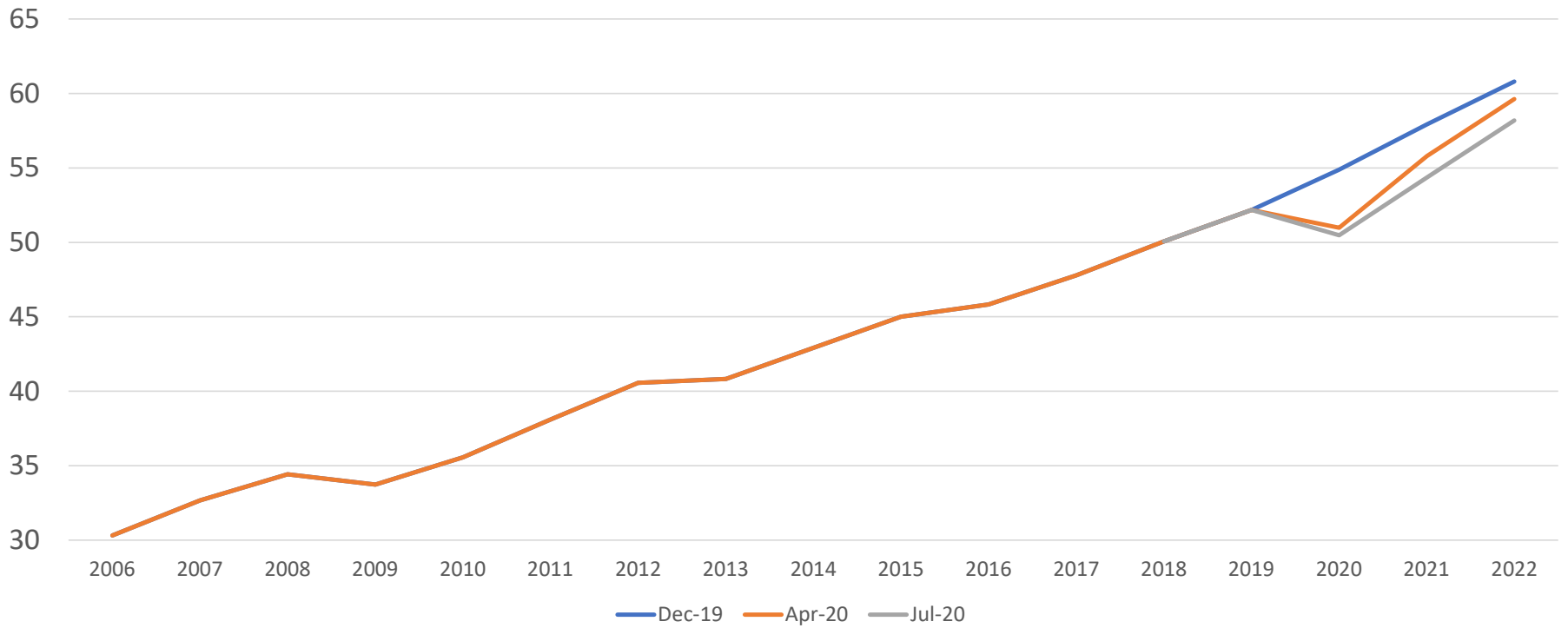


Source: IHS Markit

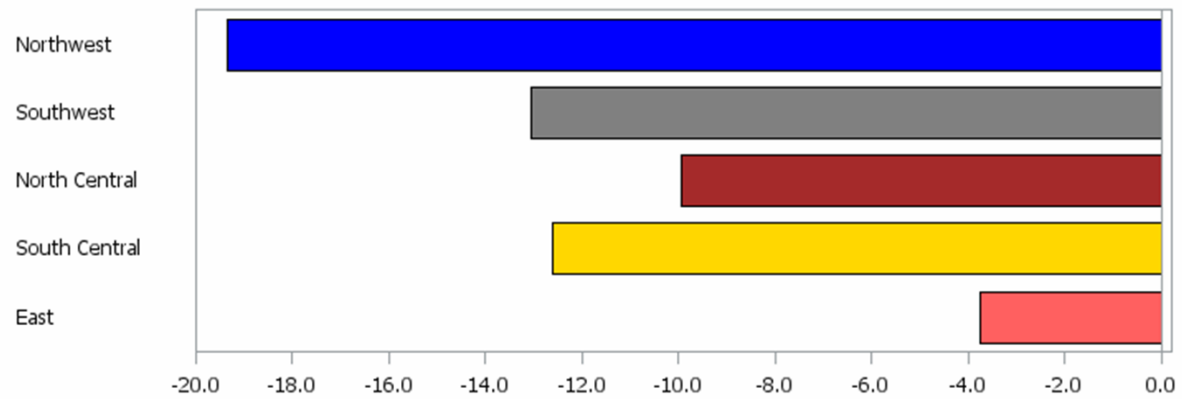
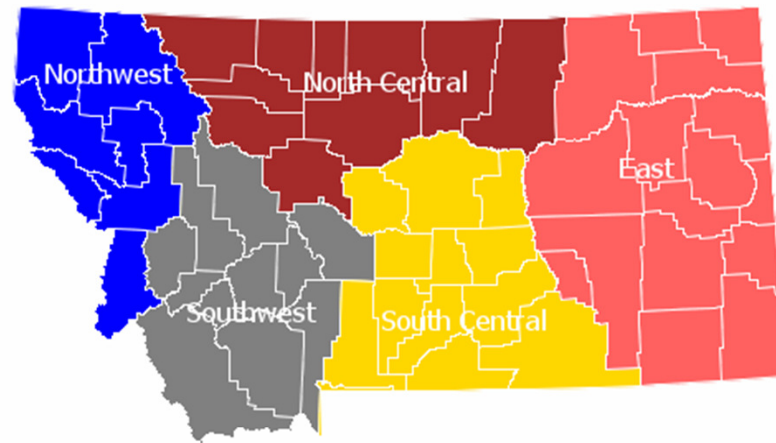
Dec-2019 vs. Apr-2020 and Jul-2020 Forecast Comparisons Total Employment, Montana, Thousands



Dec-2019 vs. Apr-2020 and Jul-2020 Forecast Comparisons Personal Income, Montana, \$ Billions



Dec-2019 vs. Jul-2020 Forecast Comparison 2020 Employment Difference by Region, Thousands



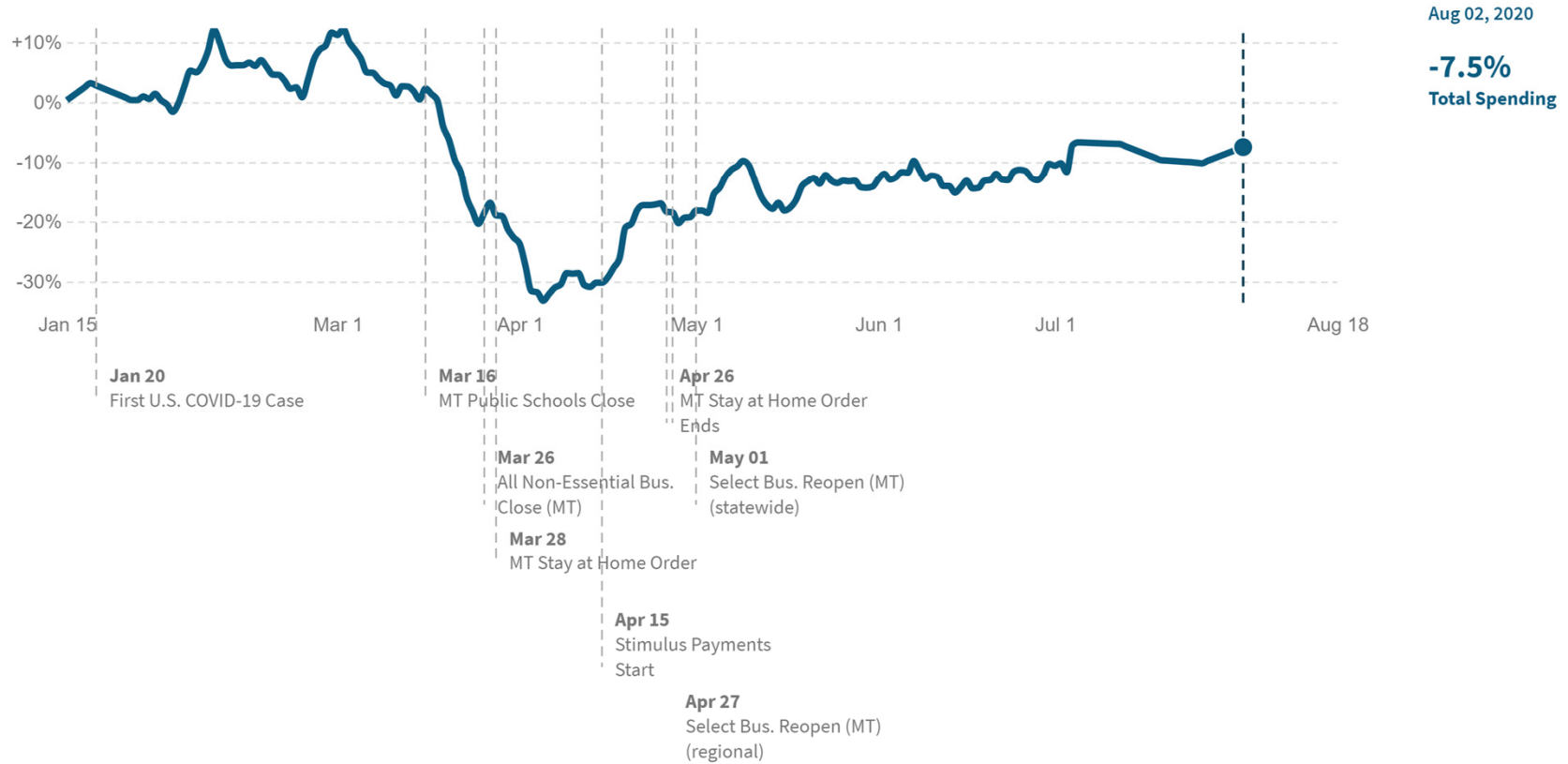
Stability in State Revenues is Encouraging

General Fund Revenue Sources (\$ Millions)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY19-20	
						Growth	Pct. Growth
Top Seven Sources							
Individual Income Tax	1,184.8	1,168.2	1,297.8	1,429.0	1,435.2	6.2	0.4%
Property Tax	257.1	260.2	276.4	289.2	308.6	19.4	6.7%
Corporation Income Tax	118.4	126.0	167.1	186.5	187.4	0.8	0.4%
Vehicle Taxes & Fees	108.5	109.2	109.5	109.5	108.5	-1.0	-0.9%
Oil & Natural Gas Production Tax	39.1	46.3	54.5	54.2	38.4	-15.8	-29.2%
Insurance Tax & License Fees	69.3	75.6	75.3	76.1	82.5	6.3	8.3%
Video Gambling Tax	60.6	60.0	60.3	63.2	57.4	-5.8	-9.1%
Other Selected Taxes							
Lodging Taxes	49.4	51.2	56.9	63.0	61.2	-1.8	-2.9%
Railroad Car Tax	3.6	3.8	3.6	3.6	4.3	0.7	19.4%
Rental Car Sales Tax	4.3	4.5	5.0	5.9	5.6	-0.3	-5.1%
Telecommunications Excise Tax	16.8	15.6	13.7	13.2	11.8	-1.4	-10.6%
Coal Severance Tax	14.2	13.8	14.1	14.1	10.9	-3.2	-22.5%
Metalliferous Mines Tax	4.2	4.8	6.3	6.9	8.7	1.8	26.3%
US Mineral Royalty	16.8	17.3	20.1	21.6	18.5	-3.0	-14.1%
Wholesale Energy Tax	3.5	3.5	3.6	3.5	3.4	-0.1	-4.0%
General Fund Total	2,121.3	2,141.5	2,405.4	2,573.6	2,533.3	-40.3	-1.6%

Source: Montana Legislative Fiscal Division

Percent Change in All Consumer Spending*

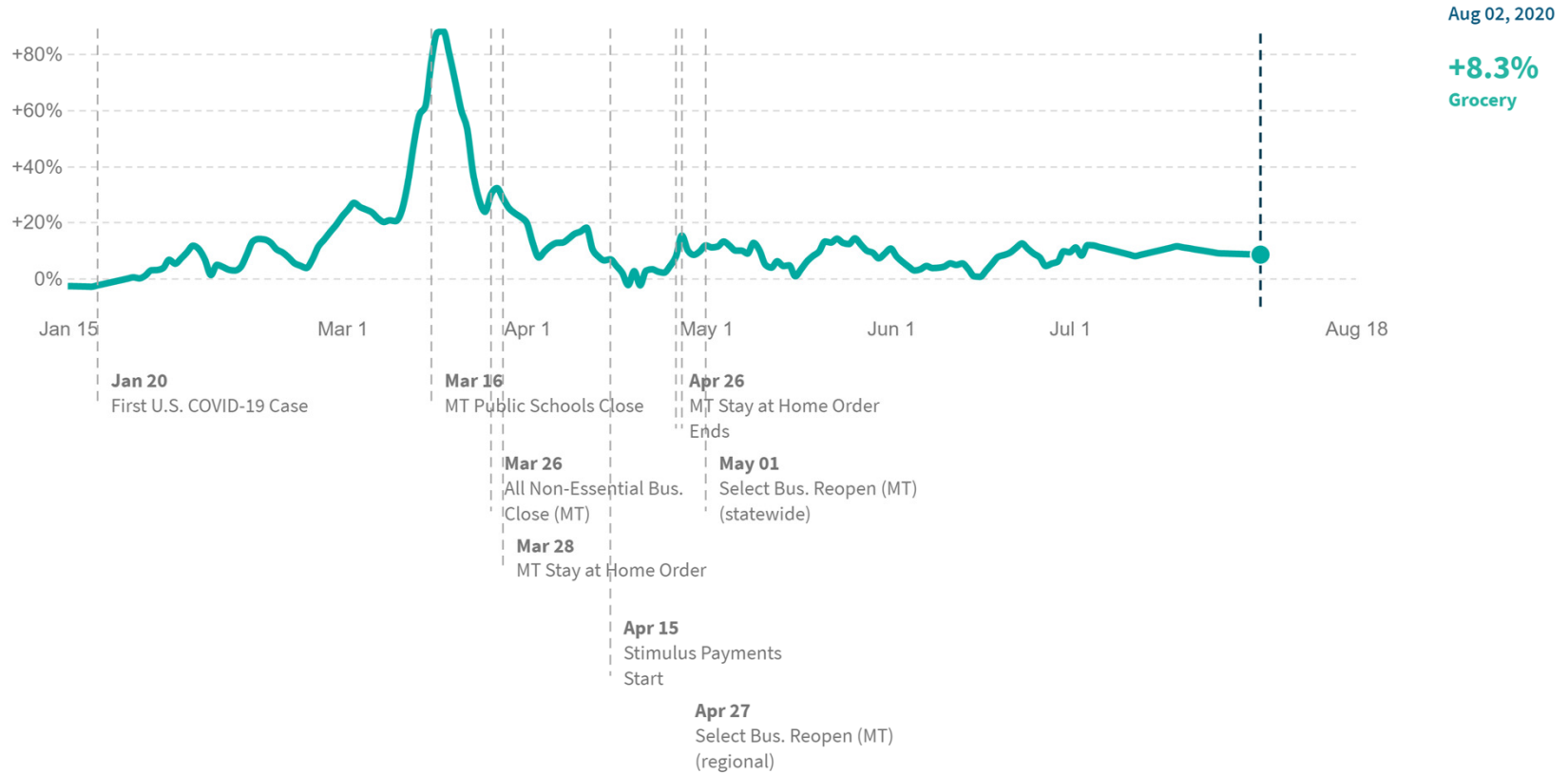
In **Montana**, as of August 02 2020, total spending by all consumers decreased by **7.5%** compared to January 2020.



*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. This series reflects daily data through July 5th, 2020 and weekly data after July 5th, 2020. This series is based on data from Affinity Solutions.

Percent Change in All Consumer Spending*

In **Montana**, as of August 02 2020, grocery spending by all consumers increased by **8.3%** compared to January 2020.

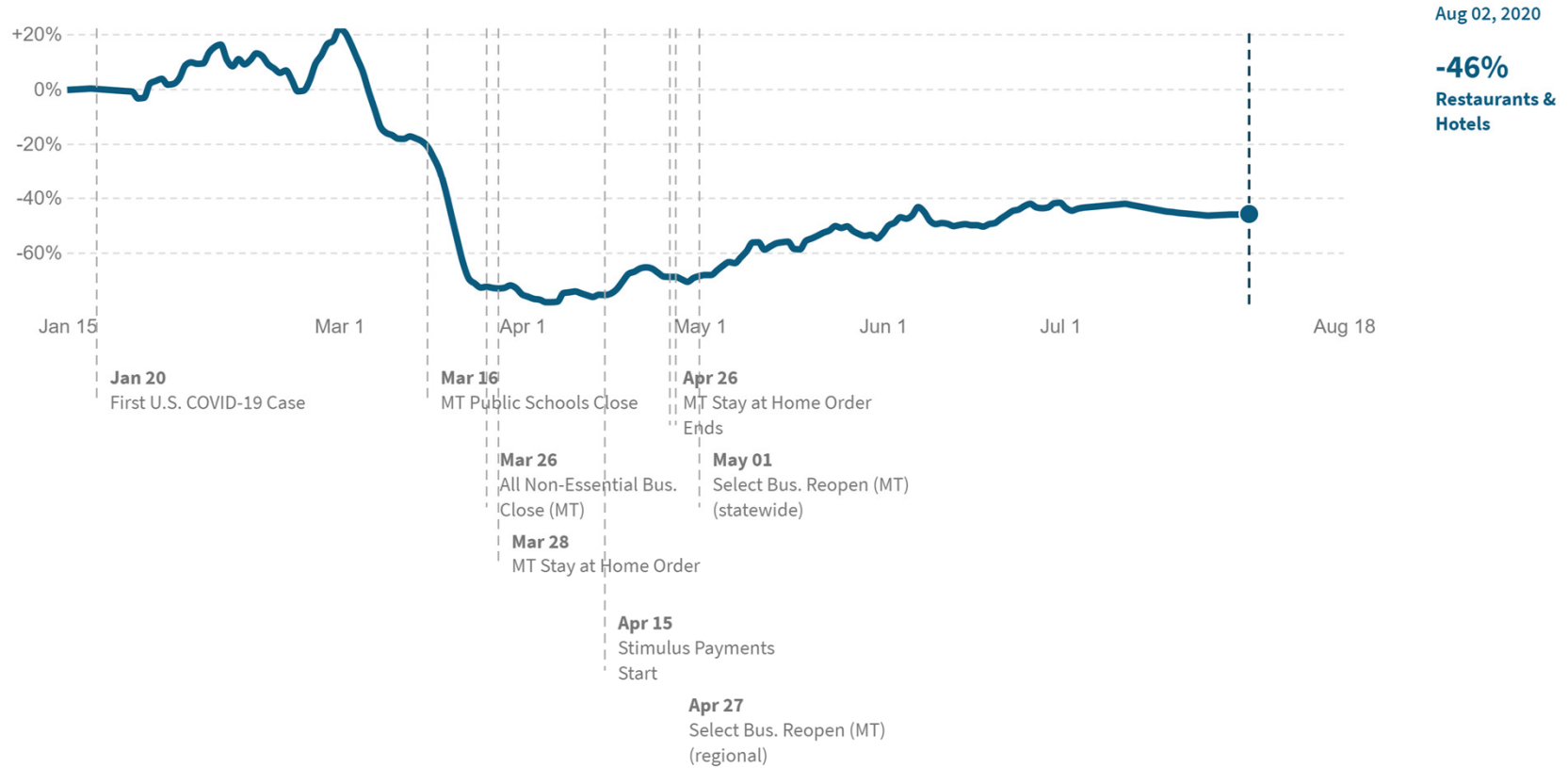


*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. This series reflects daily data through July 5th, 2020 and weekly data after July 5th, 2020. This series is based on data from Affinity Solutions.

last updated: **August 10, 2020** next update expected: **August 18, 2020**

Percent Change in All Consumer Spending*

In **Montana**, as of August 02 2020, restaurant and hotel spending by all consumers decreased by **46%** compared to January 2020.

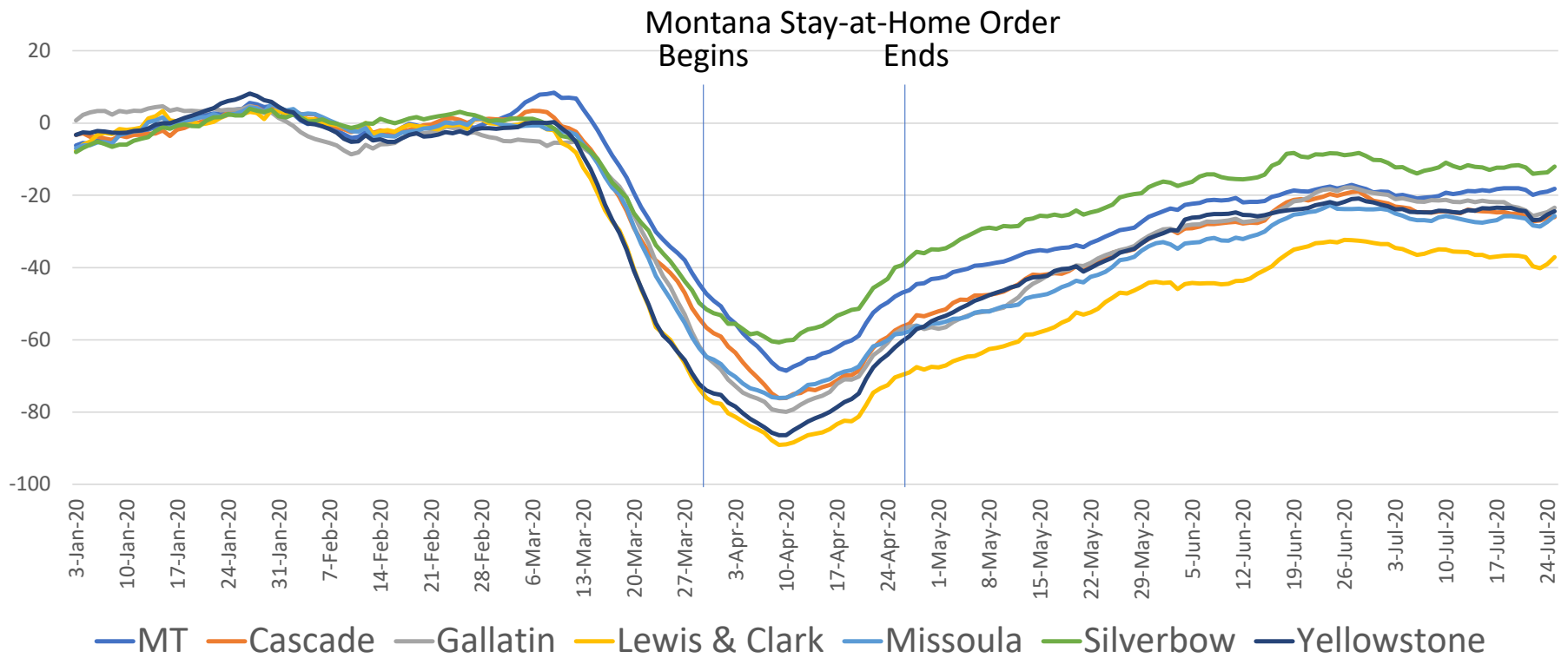


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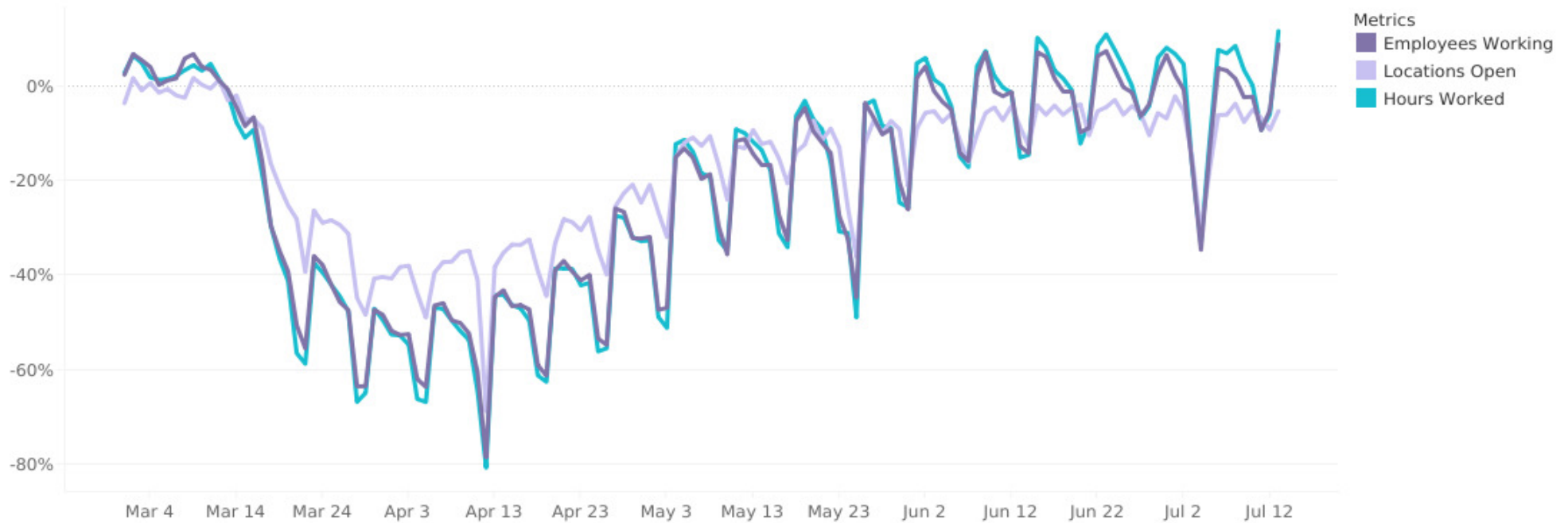
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Mobility of Montanans Has Been Stable the Past 30 Days

Federal Reserve Bank of Dallas Mobility and Engagement Index, Jan 3 – July 24, 2020



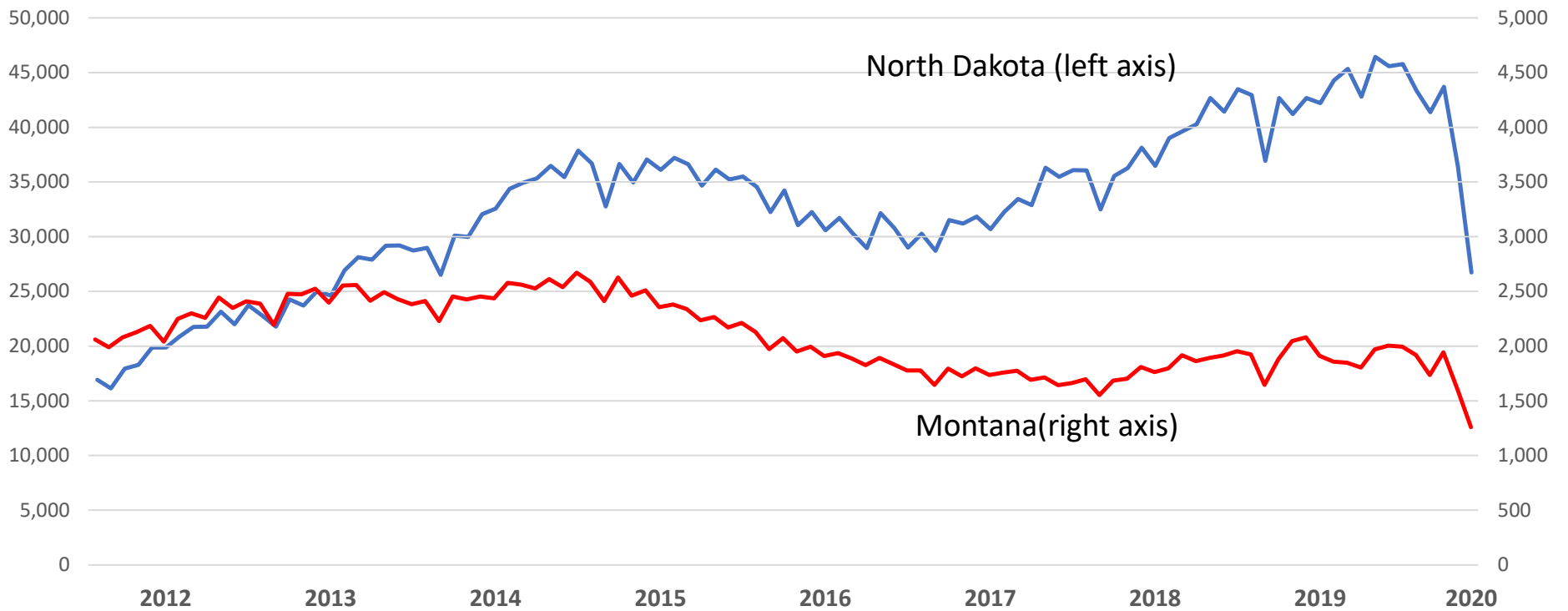
Private Sector Data Suggest that Montana Business Operations Are Returning to Early March Levels



Source: Homebase

Bakken Oil Production Sees Record Fall

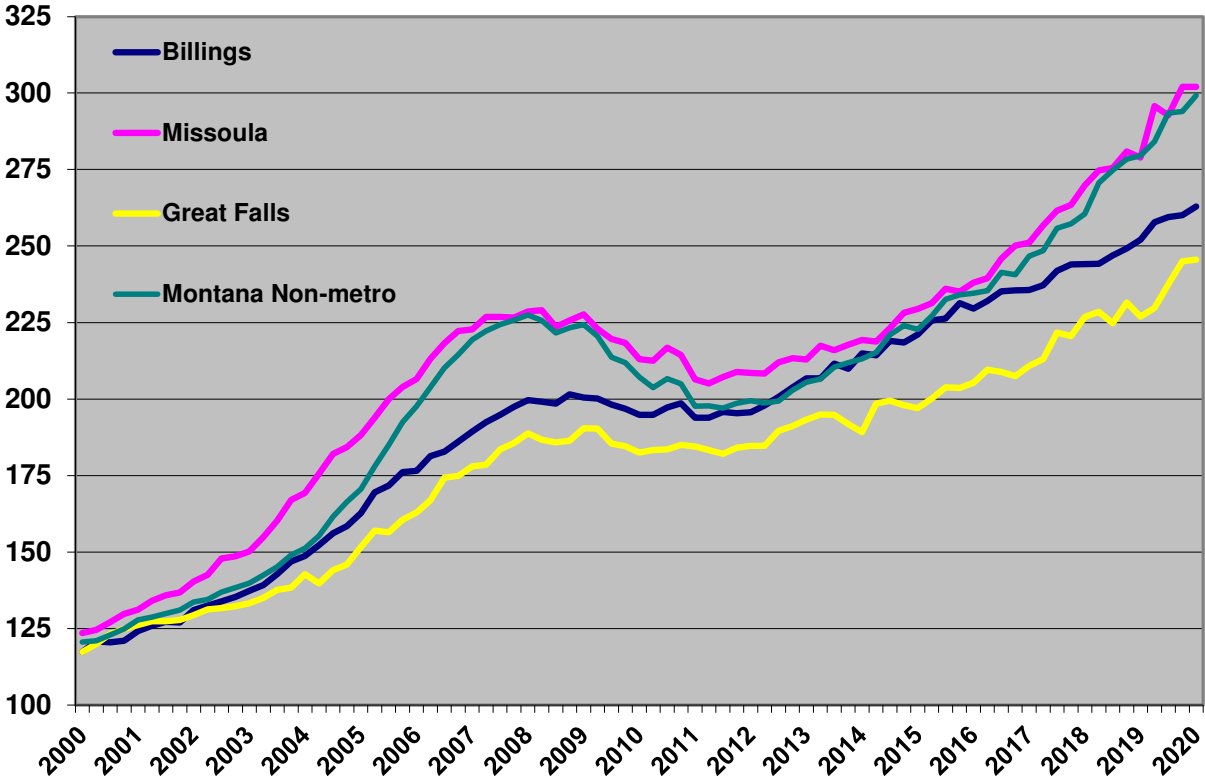
Montana and North Dakota Monthly Crude Oil Production, Thousand Barrels



Source: U.S. Energy Information Administration

Housing Price Index, 2000Q1-2020Q1

1995Q1=100



Source: Federal Housing Finance Agency.

Assessing Montana's Recovery Prospects (in progress)

Scoring Vulnerability
by Industry

Links with risky or discretionary activities (travel, tourism, entertainment, large gatherings, person to person contact)

Financial buffers (free cash flow relative to earnings, coverage of interest and debt expenses)

Constraints from high leverage (e.g., financial leverage, operating leverage)