

Montana Economy at a Glance



PAYROLL EMPLOYMENT BY INDUSTRY

*In Thousands - Seasonally Adjusted**

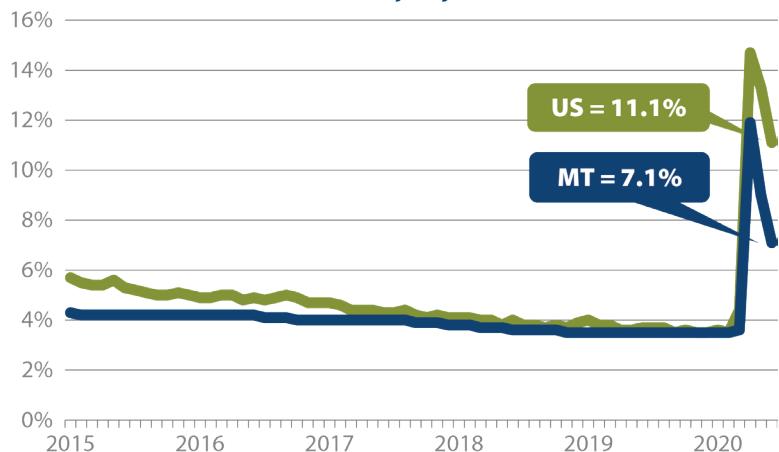
Industry	June 2020 (prelim)	May 2020	Net Change	% Change
Total Non-Ag Employment	459.7	443.6	16.1	3.6%
Natural Resources & Mining	6.8	6.9	-0.1	-1.4%
Construction	29.8	29.9	-0.1	-0.3%
Manufacturing	19.2	18.8	0.4	2.1%
Trade, Transportation, & Utilities	91.7	89.4	2.3	2.6%
Information	5.4	5.5	-0.1	-1.8%
Financial Activities	26.3	26.0	0.3	1.2%
Professional & Business Services	41.7	41.7	0.0	0.0%
Education & Health Services	76.6	74.1	2.5	3.4%
Leisure & Hospitality	54.9	49.1	5.8	11.8%
Other Services	18.3	16.9	1.4	8.3%
Total Government	89.0	85.3	3.7	4.3%

*Excludes self-employed and agricultural employment

Montana's total non-agricultural payroll employment increased over the month, adding 16,100 jobs from May to June 2020 for a total of 459,700 jobs.

UNEMPLOYMENT RATE

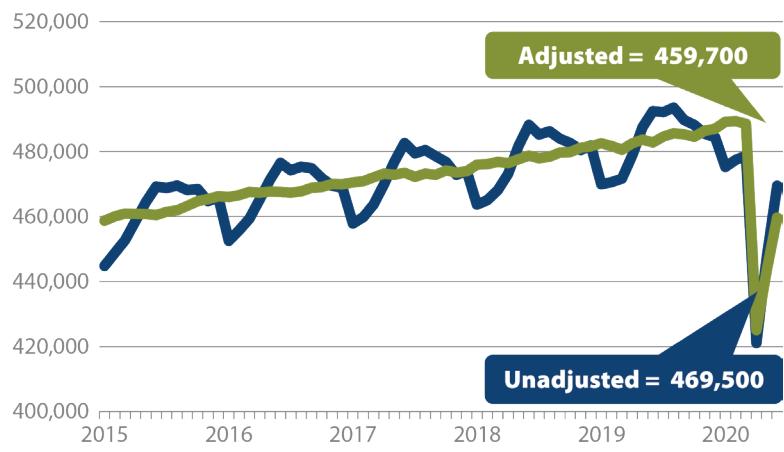
Seasonally Adjusted



Montana's unemployment rate for June 2020 decreased over the month, dropping to 7.1% from May's rate of 9.0%. During the same time period, the U.S. rate fell to 11.1% from May's rate of 13.3%.

NON-AGRICULTURAL EMPLOYMENT

In Thousands





The COVID-19 Recession: Frequently Asked Questions

By Emily Trautman, Senior Economist

After over ten years of an economic expansion and steady growth across the nation and Montana, the U.S. hit its economic peak in February 2020. This peak marks the end of the longest economic expansion recorded and the beginning of the COVID-19 recession.¹ This recession is unique compared with prior downturns, and it has led to several questions. When will the economy recover? What are the impacts on women and Native Americans? How many people are out of work due to childcare and school closures? This Economy at a Glance publication answers these frequently asked questions regarding the recession and its effects on Montana.

When Will the Economy Fully Recover?

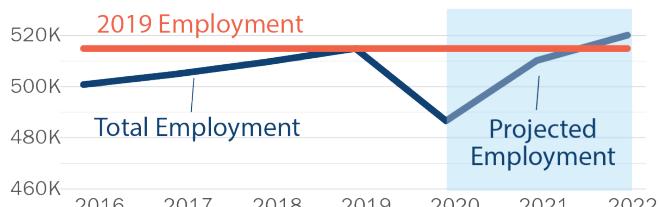
Because a global pandemic caused the COVID-19 recession, its duration will depend on the ability to control the virus, and the availability of a vaccine. These unknowns make predicting the timing of the recovery difficult. Some forecasters expect a short period of economic decline, with the majority of job losses occurring in April and steady improvement from that point, resulting in a “V-shaped” recession and recovery. Other forecasters expect a more prolonged downturn, with the initial job losses causing further declines in economic output throughout 2020, and the recovery taking a “U-shaped” pattern. Still others are expecting the prevalence of COVID-19 cases

to result in additional stay-at-home measures, resulting in a “W-shaped” recession with multiple troughs. All of these options are plausible.

The Department of Labor & Industry’s projections take the more optimistic “V-shaped” scenario, assuming Montana already hit the trough in April and is on the recovery path. This scenario seems most consistent with the substantial decline of unemployment claims and rapid job gains posted in May and June. However, the end of the recession does not indicate that the economy has fully recovered, but rather shows when the economy has reached its trough. Given the large number of jobs lost, it could potentially take years to return to pre-recession levels. Tourism-related jobs, in particular, seem unlikely to recover quickly. Even in this optimistic scenario of steady job growth moving forward, the state is not expected to return to peak 2019 employment levels until 2022. **Figure 1** illustrates the statewide employment projected by the Montana Department of Labor & Industry.

FIGURE 1:
Montana’s Total Employment

Actual & Predicted



Source: Actual from BLS, LAUS. Forecasts from MTDI Industry Forecasts.

¹ National Bureau of Economic Research.

Will There be Structural Changes to the Economy?

Over the next ten years, the MTDLI projects that construction, professional services, and healthcare will be the fastest-growing industries, similar to prior years. However, the rate at which these industries are expected to grow compared with other industries suggests that Montana could experience some structural economic changes. Montana could have more employment growth in the professional services, construction, and other services industries and relatively less growth in retail trade and leisure activities.

Structural unemployment occurs when there is a significant change in industry or occupational mix, resulting in the skills of the unemployed worker not matching the job opening of the future. To meet the long-term demand, workforce training could focus on construction-related trades such as electricians, HVAC mechanics, carpenters, and plumbers. Professional services jobs with high demand will be occupations in accounting, business operations, software developers, paralegals and legal assistants, market research analysts, computer systems analysts, electrical engineers, and environmental engineers. High demand healthcare-related jobs include registered nurses, home health aides, respiratory therapists, mental health counselors, and social and human service assistants.

How Much Total Federal Stimulus has Montana Received?

The federal government passed several laws to mitigate the economic downturn by providing stimulus money across the U.S. The goal was for the government to help stimulate the economy during business closures, and while the economy recovers from these shut-downs. Stimulus checks from the CARES Act are one example of this policy. As of

May 22, 527,902 stimulus checks were sent out to Montanans, totaling \$932 million.² This stimulus was equal to 1.8% of Montana's total personal income in 2019. Because married couples filing jointly received combined checks, and parents with children receive additional money per child, the average stimulus check issued to Montanans was \$1,765.

The CARES Act also established the Paycheck Protection Program. This program offers forgivable loans to small businesses to help keep workers employed. The loans issued through this program are primarily used on payroll costs, but some money can be directed towards interest on mortgages, rent, and utilities. As of June 27, 22,834 loans have been issued in Montana with a total loan value of \$1.76 billion.³ Small businesses can continue to apply for a loan through the Paycheck Protection Program through August 8.

In addition, the CARES act expanded unemployment insurance eligibility and increased the benefit amount. From the arrival of COVID-19 in Montana during the second week of March to July 1, the Montana Department of Labor & Industry has paid out over \$660 million in unemployment insurance benefits. One multiplier estimate suggests that every \$1 spent on UI benefits translates to \$1.90 in economic output, meaning that Montana's UI benefits created over \$1.2 billion in economic output for Montana.⁴

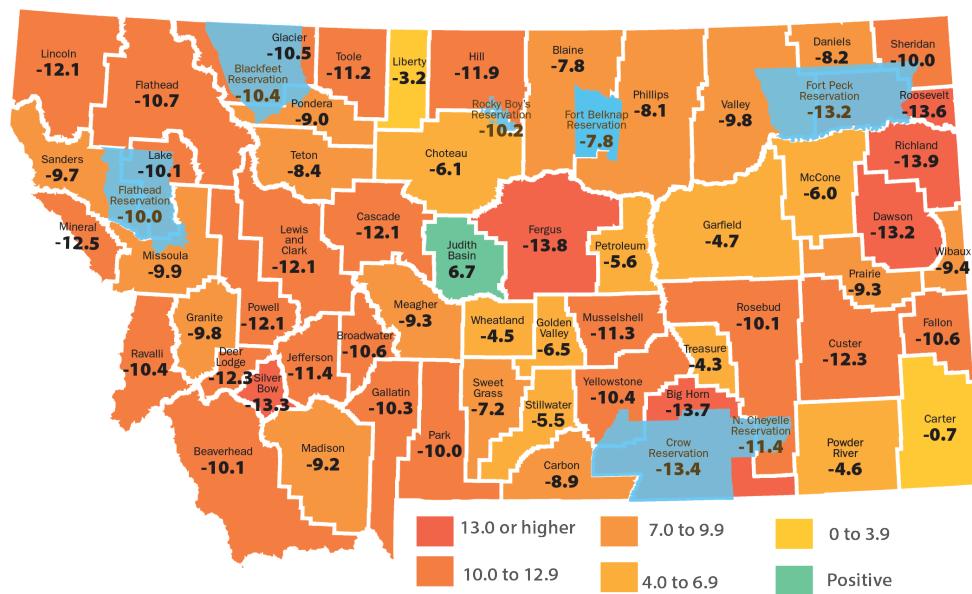
What are the Impacts on Reservations?

² Internal Revenue Service. Treasury, IRS release latest state-by-state Economic Impact Payment figures for May 22, 2020. <https://www.irs.gov/newsroom/treasury-irs-release-latest-state-by-state-economic-impact-payment-figures-for-may-22-2020>

³ U.S. Small Business Administration. Paycheck Protection Program (PPP) Report: Approvals through 6/27/2020. https://www.sba.gov/sites/default/files/2020-06/PPP_Report_Public_200627%20Final-508.pdf

⁴ Harvard Business School. "The Importance of Unemployment Insurance as an Automatic Stabilizer." March 2016. Available at https://www.hbs.edu/faculty/Publication%20Files/17-009_e68959ed-8e3d-4e06-95d1-3985f4e73ebb.pdf

FIGURE 2:
April 2020 Year-over-Year Total Employment Loss for Montana's Reservations and Counties



Source: BLS. LAUS. Not seasonally adjusted. Available at lmi.mt.gov.

Montana's reservations tend to have higher unemployment levels than the rest of the state, so it is important to understand the economic effects of COVID-related job losses on these areas. Like the rest of the state and their surrounding regions, Montana's reservations had employment losses in April compared with one year prior. **Figure 2** shows year-over-year job growth for Montana's reservations for April 2020, along with the job growth in surrounding counties. Most reservations lost a similar share of jobs as the surrounding counties. For example, the Blackfeet reservation lost 10.4% of jobs in April, slightly less than the statewide average of -10.7% and similar to the surrounding counties, which range from -9.0% to -11.2%. The Fort Peck reservation lost 13.2% of total employment in April, which is higher than the statewide average, but falling in line with the surrounding counties range from -6.0% to -13.9%.

The Crow, Fort Peck, and Northern Cheyenne reservations lost a higher share of employment in April than the statewide average, as shown in **Figure 3**. These three reservations have been vulnerable to job loss from events over the last several years, such as the slowdown in the oil and coal mining industries. However, COVID-19-related job losses seemed to amplify economic hardships as all three reservations lost between 11.4% to 13.4% of total employment during the peak job loss month

FIGURE 3:
Year-over-Year Job Changes for Montana's Reservations

	January	February	March	April	May
Montana	1.6%	1.6%	1.4%	-10.7%	-7.5%
Blackfeet	0.0%	1.0%	1.6%	-10.4%	-8.1%
Crow	-2.7%	-2.4%	-1.7%	-13.4%	-9.3%
Flathead	2.4%	2.5%	2.9%	-10.0%	-7.7%
Fort Belknap	1.0%	3.4%	3.0%	-7.8%	-6.5%
Fort Peck	-0.7%	0.4%	-0.5%	-13.2%	-10.7%
N. Cheyenne	-1.0%	0.1%	0.2%	-11.4%	-7.0%
Rocky Boy's	0.9%	1.3%	1.5%	-10.2%	-8.7%

Source: BLS. LAUS. Not seasonally adjusted. Available at lmi.mt.gov.

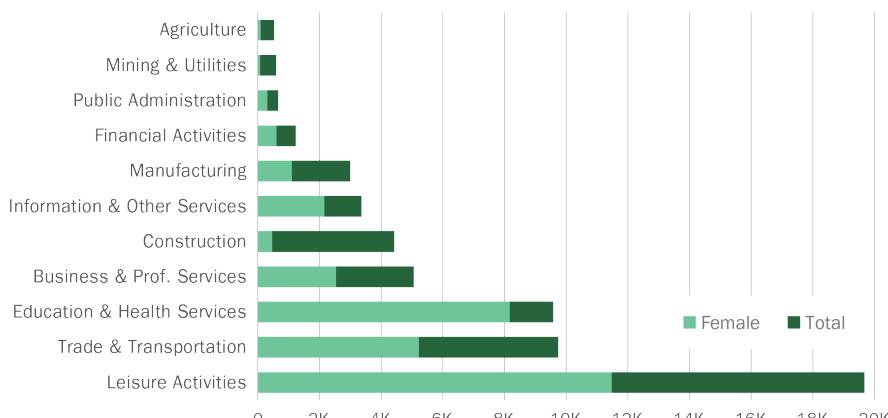
of April, compared to -1.7% to 0.2% employment growth in March. **Figure 3** also offers a glimpse of early economic recovery on the reservations. Job gains across the state and on Montana's reservations improved economic conditions in May, making April the lowest point in the recession so far. The Crow and Northern Cheyenne reservations improved the most in May. The Fort Belknap and Northern Cheyenne reservations had a smaller percentage change loss of employment in May than the statewide average.

Why are Women Disproportionately Affected?

During the peak week of unemployment claims, 56% of continued claims were filed by women, despite that women comprise 47% of the workforce.⁵ One explanation for this difference is that women make up a higher share of workers in industries that had a higher share of claims. High claim industries include the leisure activities industry, the trade and transportation industry, and the education and healthcare industry. **Figure 4** shows the number of claims filed by women and by industry. 58% of leisure activities claims were

⁵ Wagner, Barb and Christopher Bradley. *Montana Unemployment Claims. April 2020 EAG*. Available at <http://lmi.mt.gov/Publications/PublicationsContainer/montanas-unemployment-claims>

FIGURE 4:
Continued UI Claims for the week ending April 18, 2020



Source: MTDI Research & Analysis Bureau analysis of UI Claims data.

by women, 54% of trade and transportation were by women, and 85% of education and healthcare claims were by women.

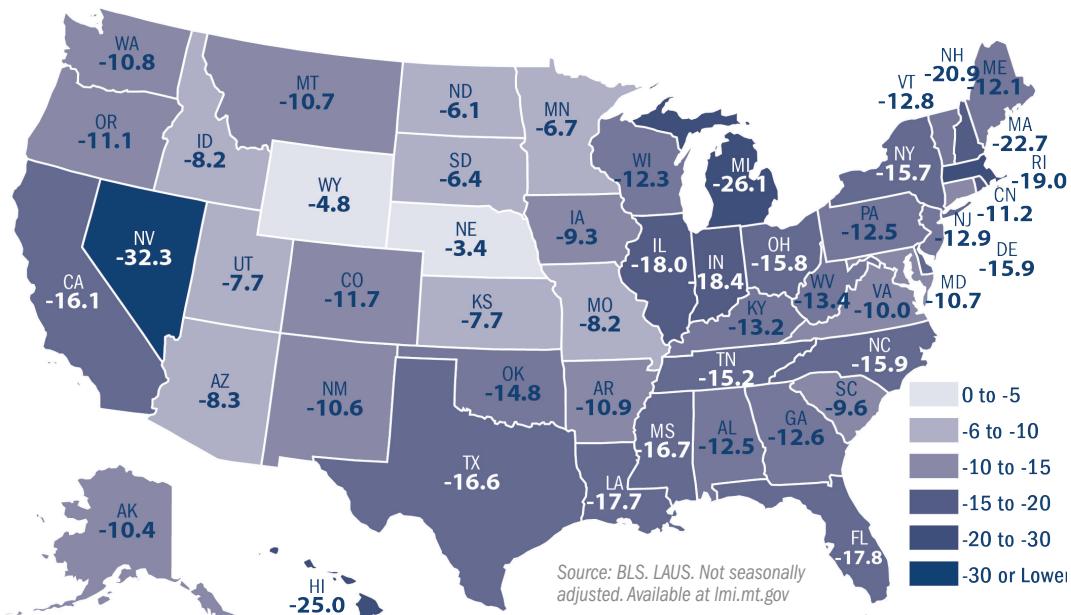
However, industry share does not explain the full story because the share of claims by women is higher than the share of female workers for some industries. Women made up 85% of healthcare and education claims, but they only make up 75% of the workforce. Women make up 50% of claims in business and professional services, but only 44% of that industry's workforce. A possible explanation for this discrepancy is that the occupations within industries sensitive to COVID-19-related layoffs may have been more likely to be held by women. Another potential explanation is that additional household tasks caused by the closure of schools and childcare facilities may have been disproportionately taken on by women. Before COVID-19, women spent twice the amount of time as men taking care of children as a main activity during the day.⁶

How Many People Were Out of Work Due to a Lack of Childcare or School Closure?

The March 16th order to close Montana schools and the voluntary closure of many childcare facilities required working parents to juggle the tradeoff between in-home childcare and work responsibilities. In addition to public school closures, 43% of childcare providers in Montana reported closures at the beginning of April, reducing the licensed childcare capacity by

⁶ Bureau of Labor Statistics. *American Time Use Survey. 2019. Mothers with children under 6 years old spent 2.75 hours taking care of children as their main activity each day compared with 1.42 hours for men.*

FIGURE 5:
April 2019 to April 2020 Total Employment Growth by State



10,921 slots.⁷ Many of the remaining childcare providers reduced their capacity to meet the CDC guidelines, which recommends classrooms limit their group size to 10 and maintain distance between groups. By June, only 14% of childcare facilities remained closed, as Montana began the process of reopening following a stay-at-home order expiring in May.

These closures affected many Montana families; about 100,000 kids under age 12 live in households where all parents are in the workforce.⁸ While some parents could continue to work and balance childcare responsibilities, many others chose to reduce their hours, temporarily leave their job, or leave the labor force entirely to care for their children. One estimate suggests that during April 2020, about 21,000 parents were either absent from work, working part-time, or were not looking for work due to childcare or family responsibilities.⁹

How Does MT Compare to Other States?

April was the peak month of COVID-19-related employment loss, and all states across the U.S. experienced job loss during this time.

Figure 5 shows April 2020 year-over-year employment growth across states.¹⁰ Montana lost 10.7% of its total employment in April compared with one year prior, better than the U.S. average of -14.9%. Montana ranked 16 lowest out of all states in terms of job losses, meaning that 34 states lost a higher share of total employment than Montana.

The severity of job losses across states is partially explained by industry mix. For example, Nevada lost the highest share of jobs in April, at -32.3%. Nevada has high levels of tourism and a large share of service-type jobs, which are most vulnerable to business closures related to stay-at-home orders. Nebraska had the lowest share of job losses in April, at -3.4%. Nebraska has a lower share of service-type jobs and a higher share of manufacturing, transportation and warehousing, and finance and insurance jobs than the U.S. average.

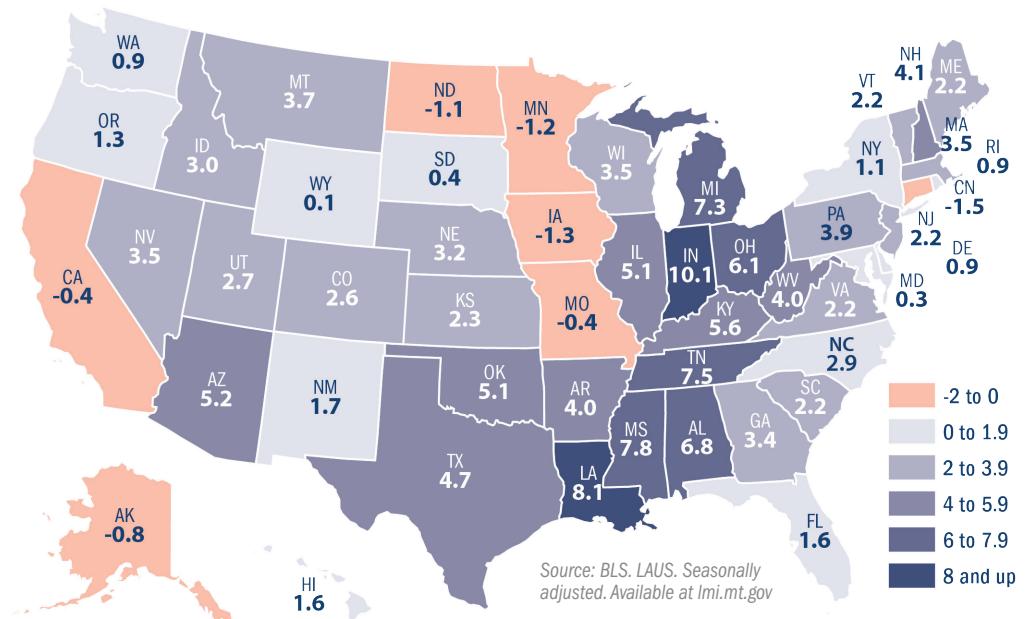
7 Reported by DPHHS Early Childhood Services Bureau.

8 The Annie E. Casey Foundation. Kids Count. 2018.

9 Census Bureau of Bureau of Labor Statistics. Current Population Survey. May 2020.

10 Total employment includes payroll and self-employed jobs.

FIGURE 6:
April 2020 to May 2020 Total Employment Growth by State



May brought a sharp recovery in employment, with Montana adding 17,000 payroll jobs in a month, and 42 other states recovering some of April's employment loss. **Figure 6** shows total employment growth from April to May across the U.S. Montana's total employment grew by 3.7% from April to May, the 17th fastest out of all states and faster than the U.S. average of 2.9%. Montana's over-the-month employment growth was faster than its surrounding states, helping to move Montana closer in line with the economic conditions in the neighboring areas. Although most states experienced over-the-month job growth in May, economic recoveries take time, and all U.S. states continued to have lower employment levels in May compared with one year prior.

In terms of unemployment, Montana's unemployment rate spiked from 3.6% in March to a new historic high of 11.9% in April. While this rate was high, Montana's unemployment did not spike as high as the nation's, with the U.S. unemployment rate moving up to 14.7%. Both the U.S. and Montana's unemployment rates have improved in

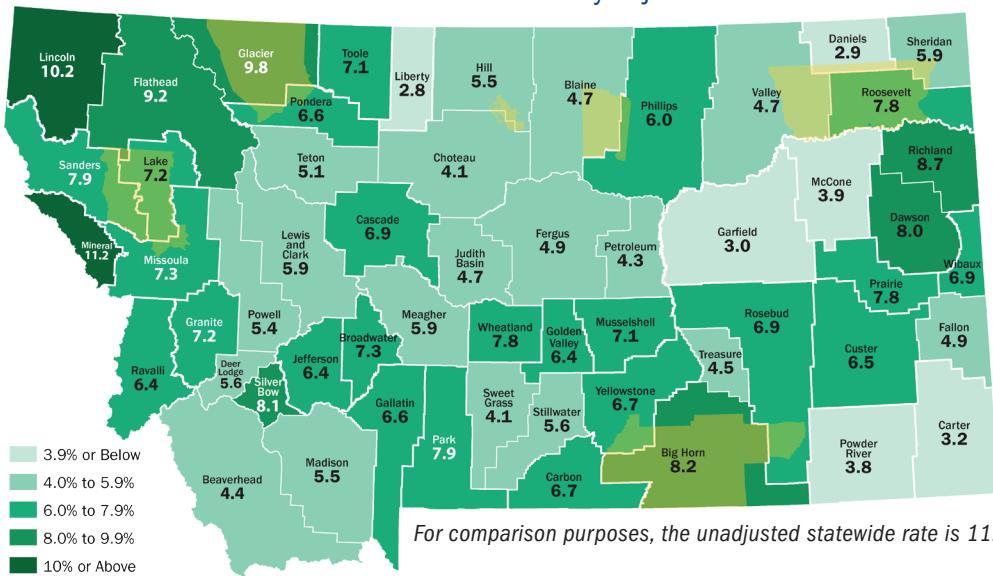
May and June. The U.S. rate fell to 11.1% in June, while Montana's is currently 7.1%

Conclusion

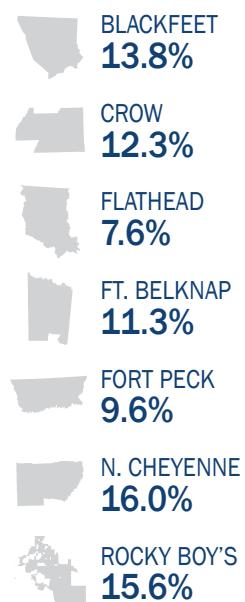
The COVID-19 recession is unprecedented in a variety of ways. Job losses were sudden and immediate with the stay-at-home orders, rather than a slow deterioration of the labor market, which characterizes most previous recessions. The last two months have also brought a sudden and immediate improvement in the employment situation, rather than the slow and steady recovery of the last recession. Many workers are absent from work not because of a lack of available shifts, but because of impacts due to COVID-19. Given the lack of precedent, it is difficult to know what the future holds, but some of these questions do have answers.

COUNTY AND RESERVATION UNEMPLOYMENT RATES – JUNE 2020

Not Seasonally Adjusted



For comparison purposes, the unadjusted statewide rate is 11.2%



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