

The Economist Who Loved Me

On Behalf of

The 2016 Montana Governor's Conference on Tourism and Recreation

By: Anirban Basu
Sage Policy Group, Inc.

April 11th, 2016



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Group, Inc.

The World is Not (Growing) Enough

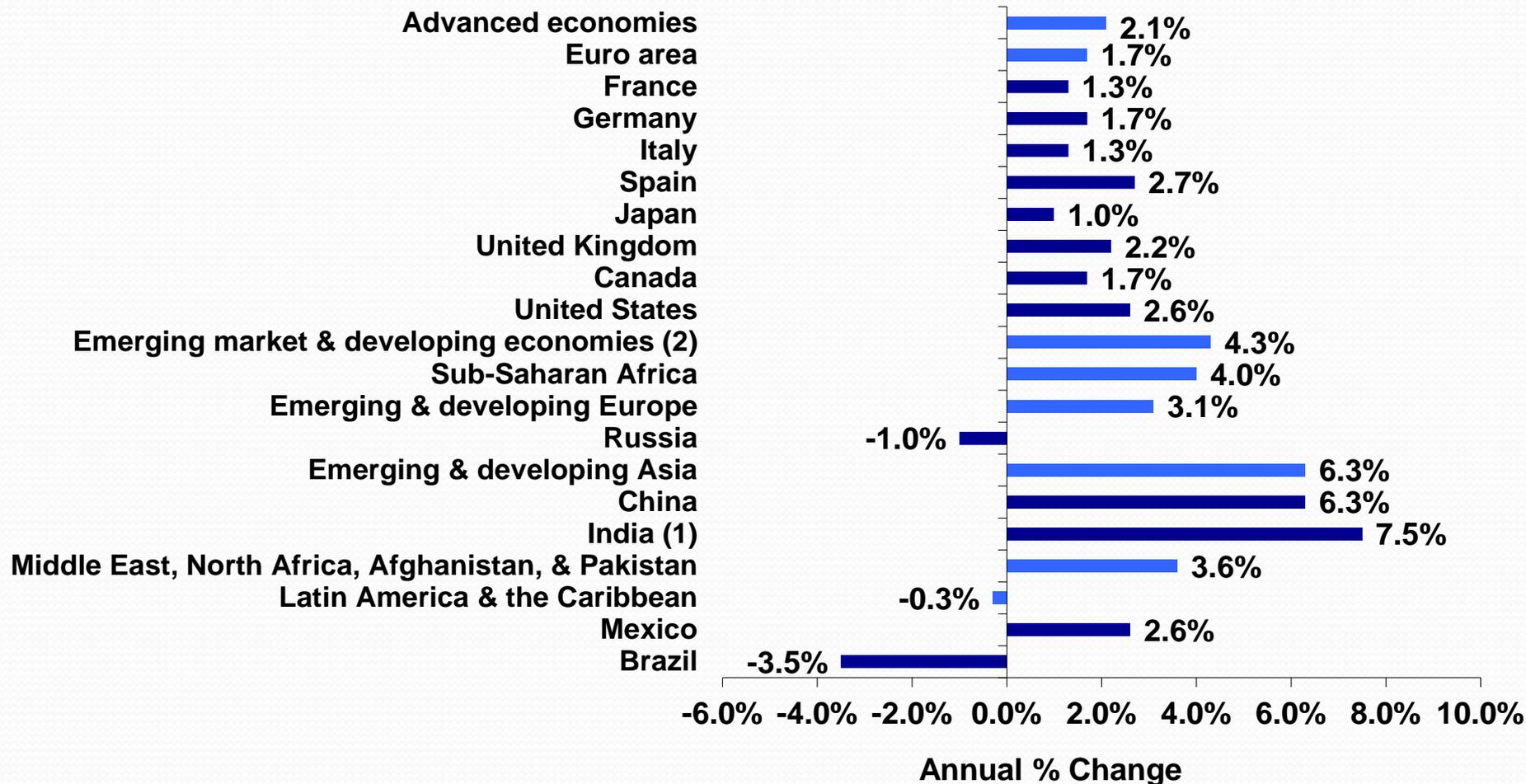
*1999: Pierce Brosnan; Sophie Marceau



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Estimated Growth in Output by Select Global Areas

2016 Projected

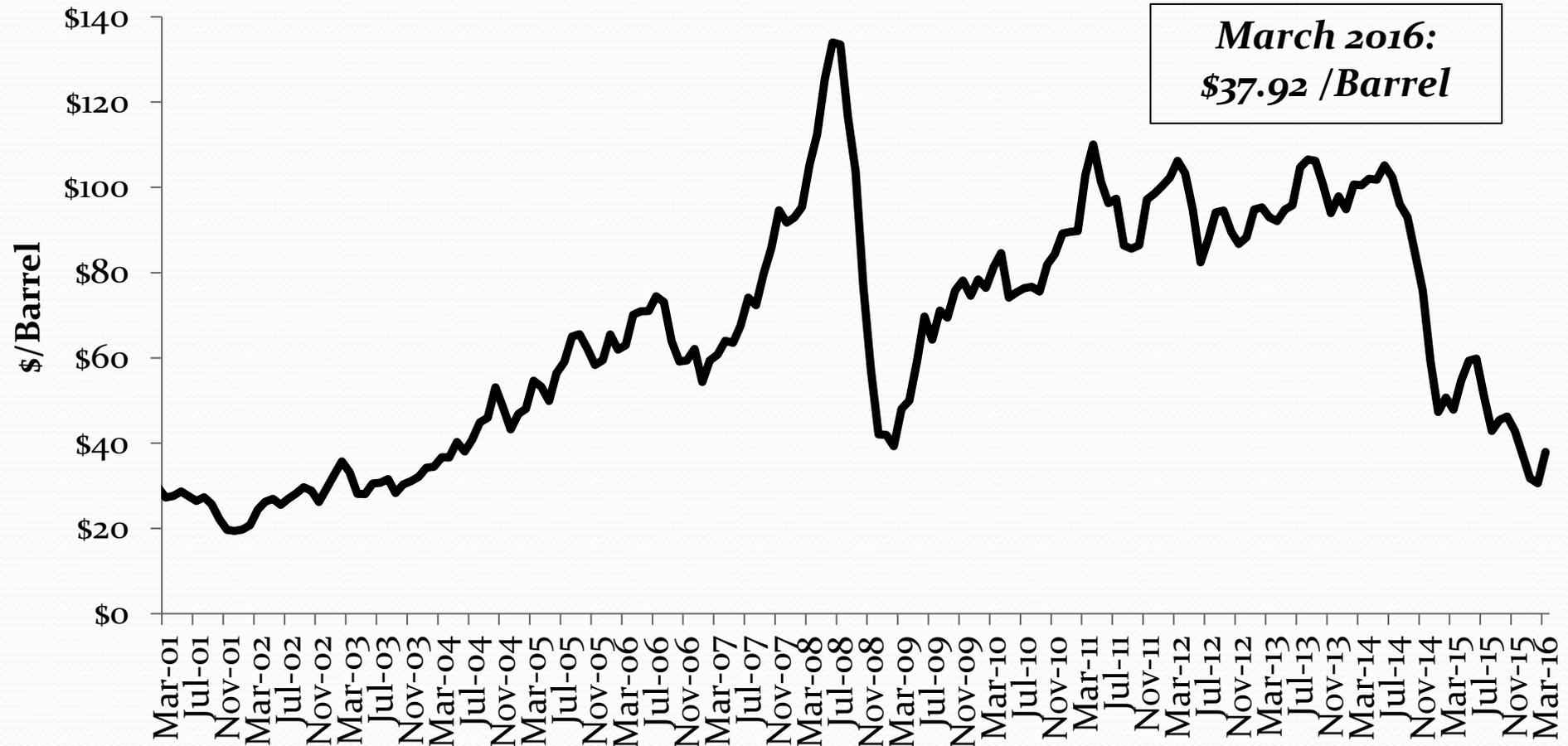


Source: International Monetary Fund, World Economic Outlook Update, January 2016.

Notes: 1. For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year. 2. Countries included in the calculation of quarterly estimates and projections account for approximately 80 percent of the GDP of emerging market and developing economies at purchasing power parities. 3. Countries included in the calculation of quarterly estimates and projections account for approximately 90 percent of world GDP at purchasing power parities.

NYMEX Crude Oil Future Prices in U.S. Dollars

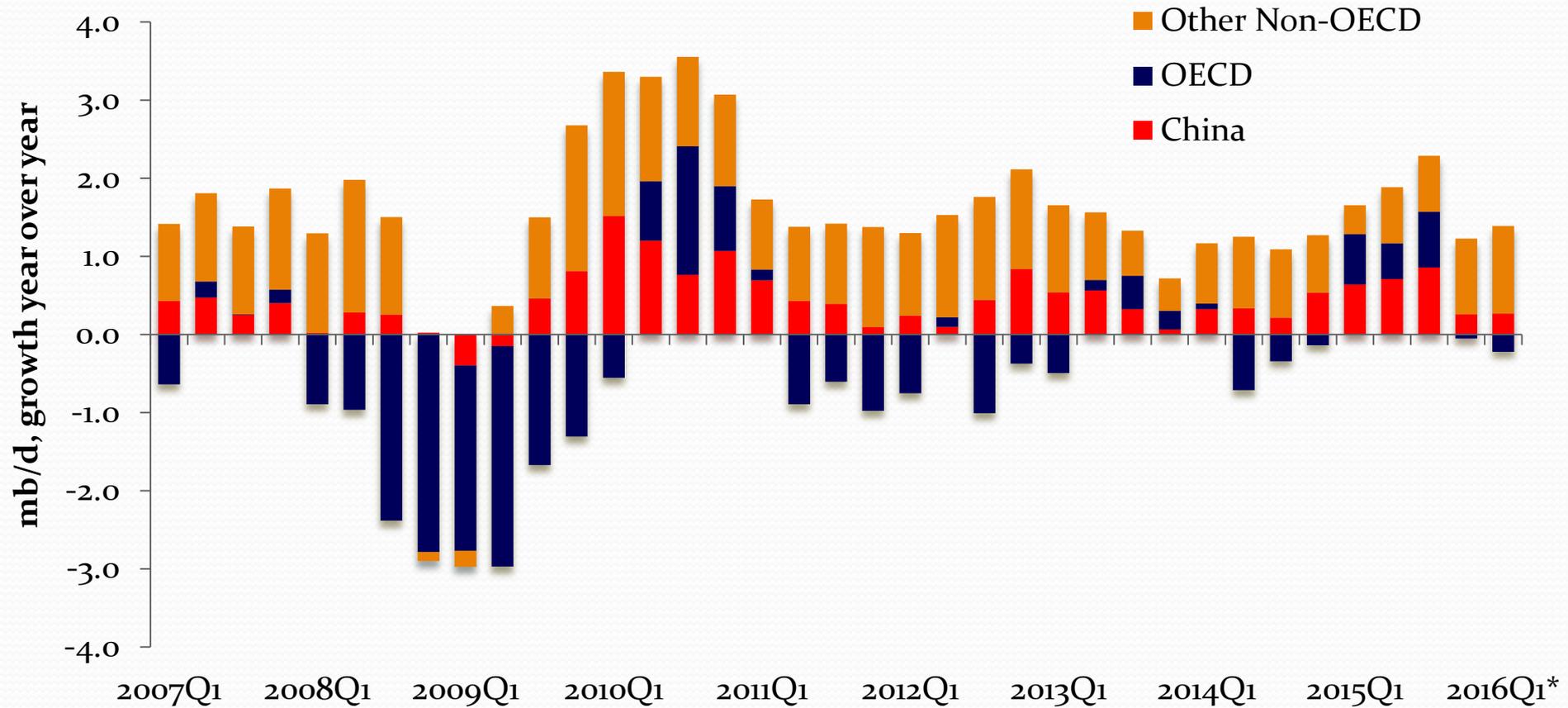
March 2001 through March 2016



Source: U.S. Energy Information Administration

World Oil Demand Growth

2007Q1 through 2016Q1*

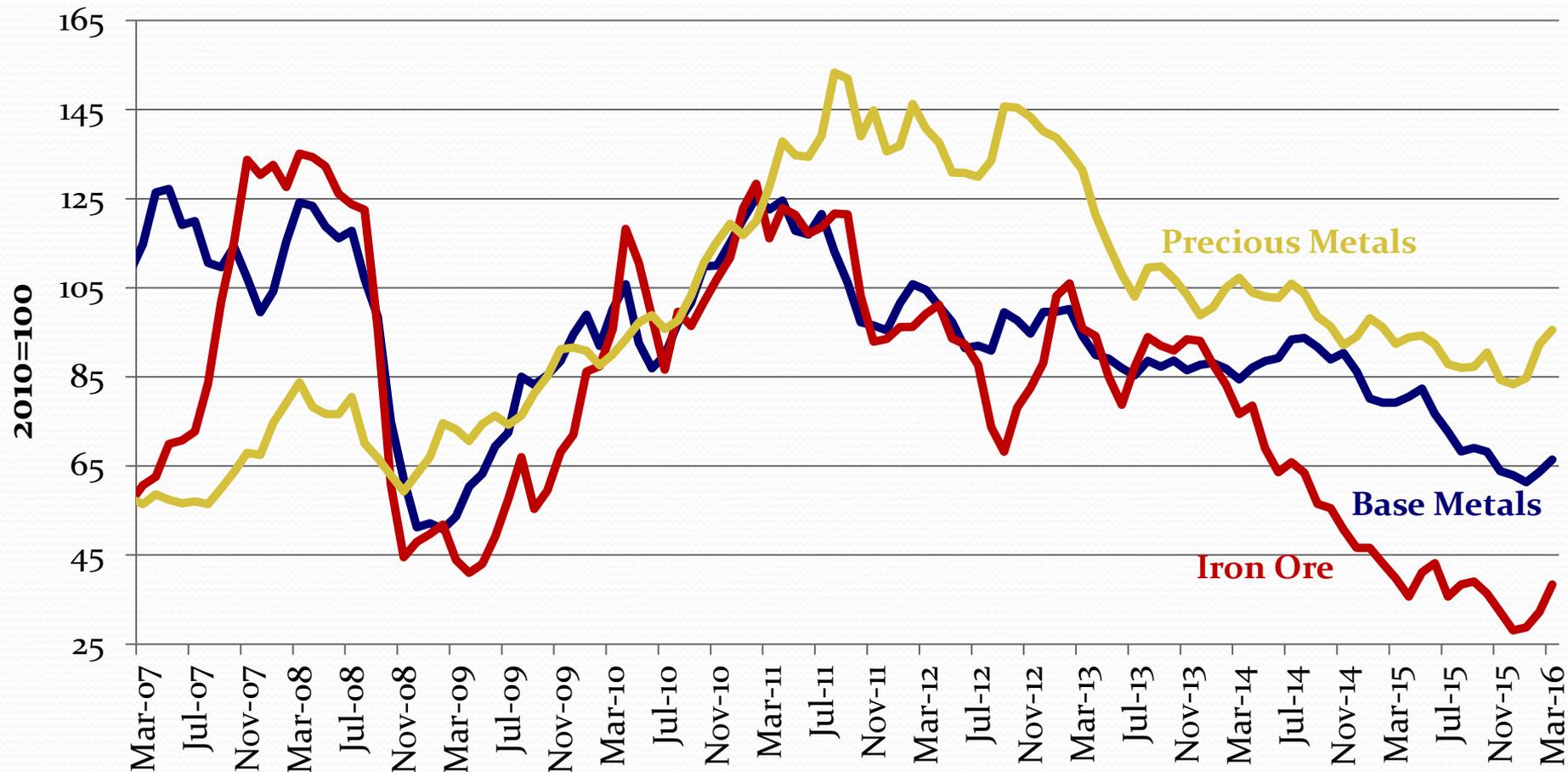


Source: The World Bank; International Energy Agency

*2016Q1 is an estimate

Money Penny—Metal Price Indices

March 2007 through March 2016



Source: The World Bank

US\$ Nominal

Base metals include aluminum, copper, lead, nickel, tin and zinc.

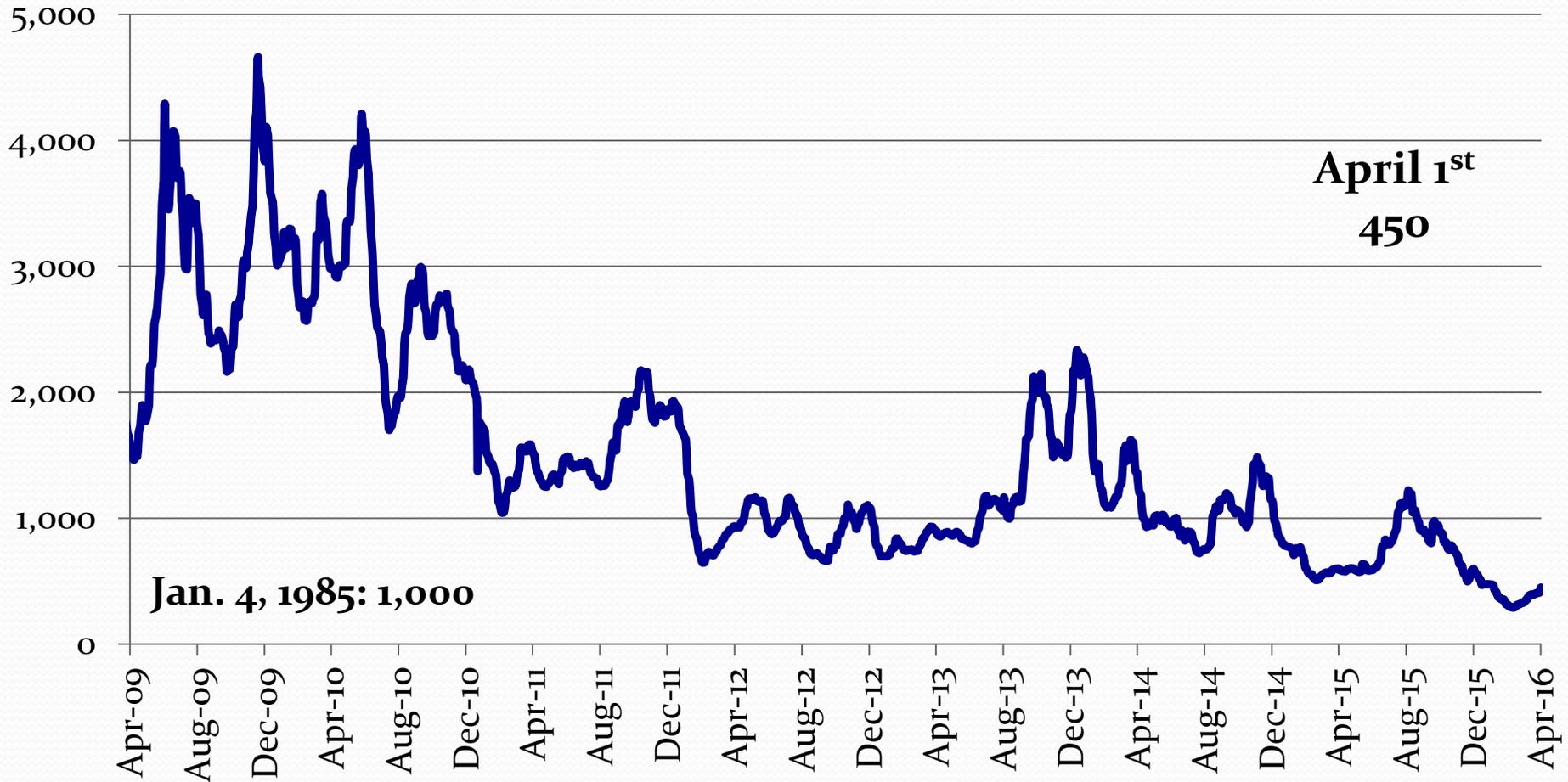
Precious metals include gold, platinum, and silver.



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Baltic Dry Index

April 2009 through April 2016



April 1st
450

Jan. 4, 1985: 1,000

Source: Quandl.com

The Baltic Dry Index (BDI) is a measure of the price of shipping major raw materials such as metals, grains, and fossil fuels by sea. The BDI is a composite of 3 sub-indices, each covering a different carrier size: Capesize, Panamax, and Supramax.



Skyfall - BRAZIL

- Consumer price index increased 10.7 percent in 2015, despite ongoing economic contraction;
- Highest inflation rate in more than a decade;
- Increases in key categories:
 - Food (12.3%)
 - Transportation prices (10.2%)
 - Housing related costs (18.3%)



- Brazil's real down 33 percent compared to the U.S. dollar by end of 2015.
- Standard & Poor's and Fitch Ratings downgraded sovereign debt to junk status
- Boletim Focus, a weekly survey of 100 private financial analysts, predicts Brazil's economy will contract by another 3 percent this year.

Source: Currency Exchange, Wall Street Journal

*2012: Daniel Craig, Berenice Marlohe

A View to a Kill- RUSSIA

- Collapse in oil prices and economic sanctions (and counter sanctions) related to Ukraine have hurt Russian economic growth;
- Economy contracted about 4 percent in 2015;
- World Bank: Russia will remain in recession in 2016;



- Russia's ruble down 20 percent compared to U.S. dollar by end of 2015;
- Continued decline in investment expected;
- Budget expenditures will drop 3 to 5 percent in 2016.

Source: Currency Exchange, CNBC

*1985: Roger Moore, Tanya Roberts

I Expect You to Grow - CHINA

- Growth at slowest pace in 2 decades;
- World Bank predicts 6.7% economic growth for 2016 (down from 7.0% in June);
- George Soros: China has “a major adjustment problem” on its hands;



- Stock values fell 12 percent during first week of 2016 trading;
- Government attempts to stabilize economy only made investors even more wary;
 - Circuit breaker system shuts down trading when losses hit a certain level;
 - Too restrictive and causes panic selling once breakers are turned off.

Source: Currency Exchange, CNN Money

*(1964) Goldfinger, misquote from Auric Goldfinger, Sean Connery, Honor Blackman

Travel Spending in the U.S. and Abroad

January 2013 – December 2015



Source: International Trade Administration (ITA), Office of Travel & Tourism Industries

*Spending reflects the purchases of goods and services by the U.S. persons traveling abroad and by foreign travelers in the U.S. for business and personal reasons. Spending categories include food, lodging, recreation, gifts, entertainment, local transportation, but exclude the amount spent on means of transportation to and from the U.S., as well as spending by those traveling for medical, educational or employment purposes.



Projection of International Travelers to U.S.

20 Nations with Largest Market Share, 2014 -2020

Country of Origin*	2014 Actual ('000)	2020 Proj. ('000)	% change (2014/2020)	Country of Origin*	2014 Actual ('000)	2020 Proj. ('000)	% change (2014/2020)
China	2,188	5,757	163.1%	France	1,625	1,997	22.9%
Colombia	881	1,359	54.3%	Spain	700	836	19.4%
India	962	1,364	41.8%	U.K.	3,973	4,697	18.2%
Brazil	2,264	3,121	37.9%	Canada	23,003	26,411	14.8%
Mexico	17,334	23,664	36.5%	Switzerland	487	553	13.6%
Taiwan	413	548	32.7%	Netherlands	616	694	12.7%
Italy	934	1,205	29.0%	Germany	1,969	2,173	10.4%
South Korea	1,450	1,870	29.0%	Argentina	685	754	10.1%
Sweden	543	681	25.4%	Japan	3,579	3,685	3.0%
Australia	1,276	1,584	24.1%	Venezuela	616	431	-30.0%

Source: International Trade Administration, Office of Travel & Tourism Industries

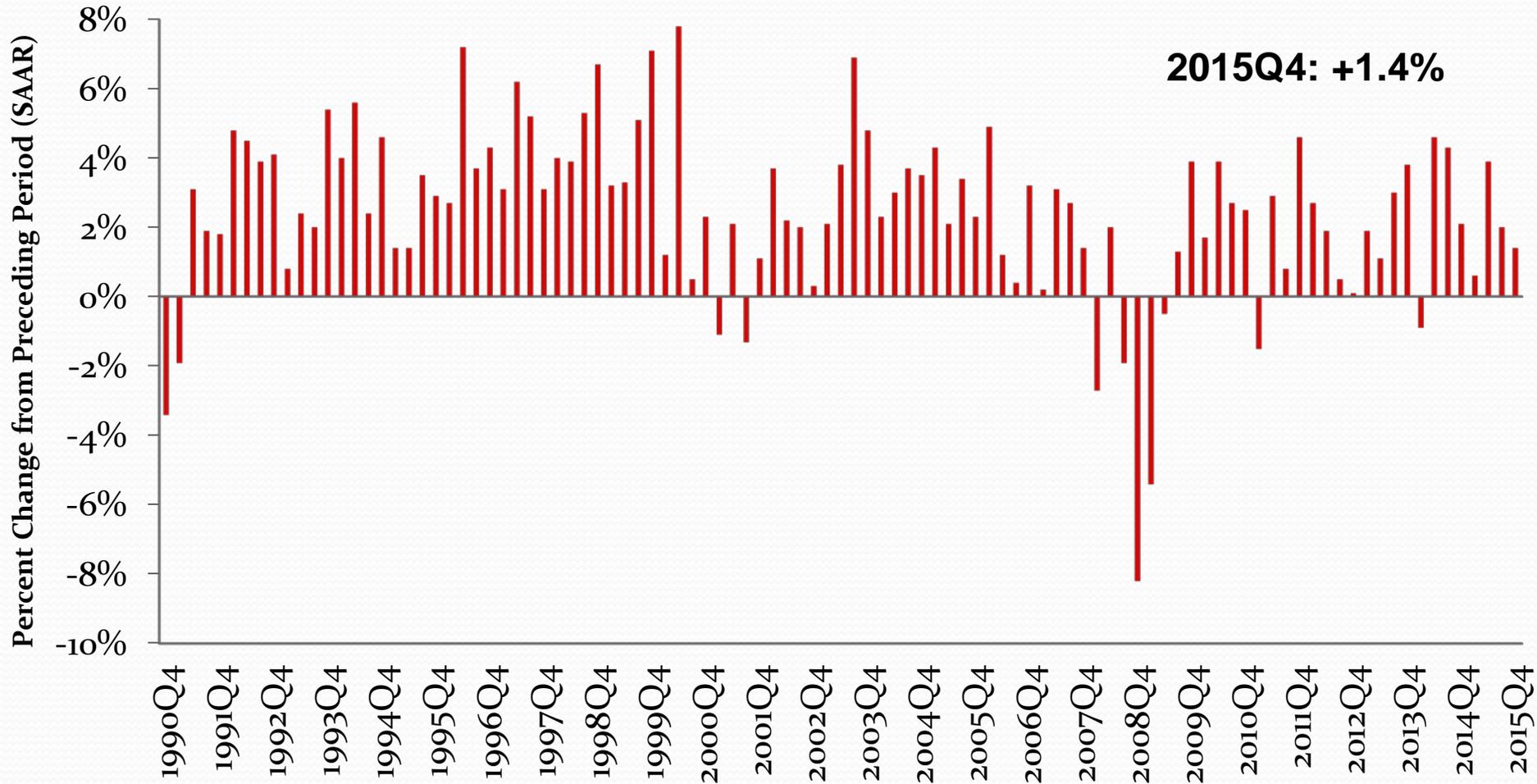
*Ranked by 2014-2020 growth

Quantum of Solace

*2008: Daniel Craig; Olga Kurylenko

Gross Domestic Product

1990Q4 through 2015Q4*

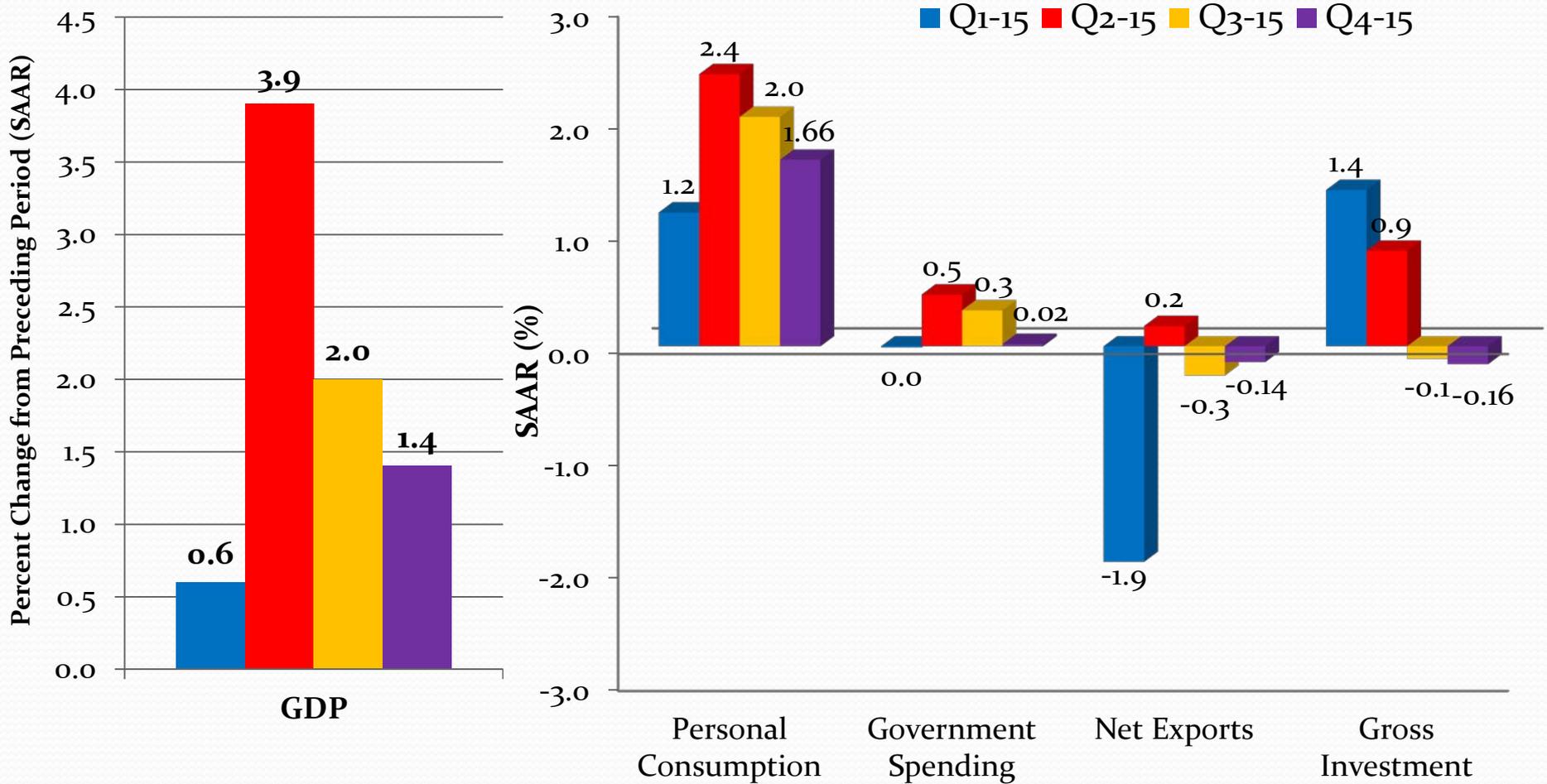


Source: Bureau of Economic Analysis

*3rd (Final) Estimate

Contributions to GDP Growth by Component

2015Q1 – 2015Q4*



Source: Bureau of Economic Analysis

*3rd (Final) Estimate

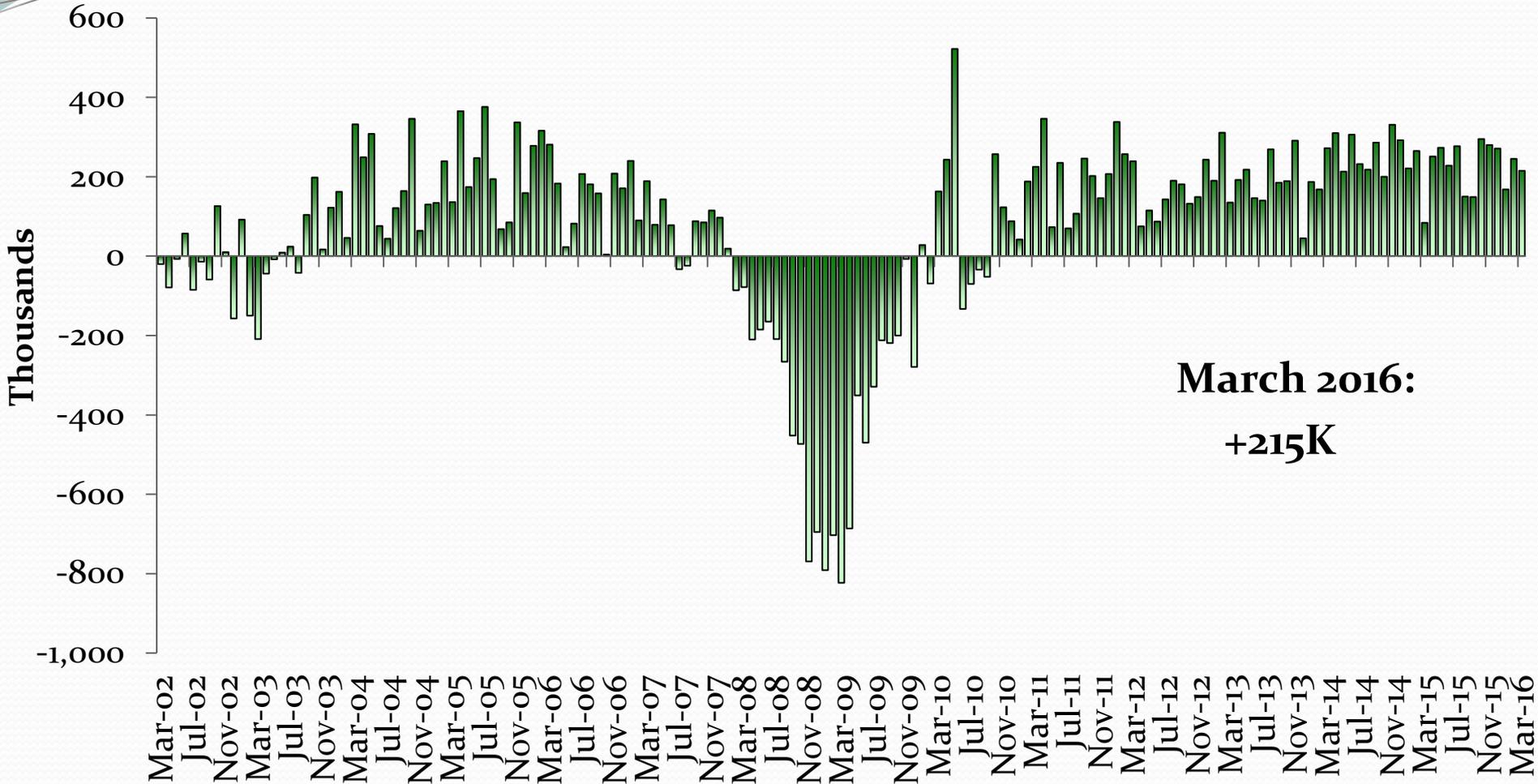
2015Q4: +1.4%



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Net Change in U.S. Jobs, BLS

March 2002 through March 2016



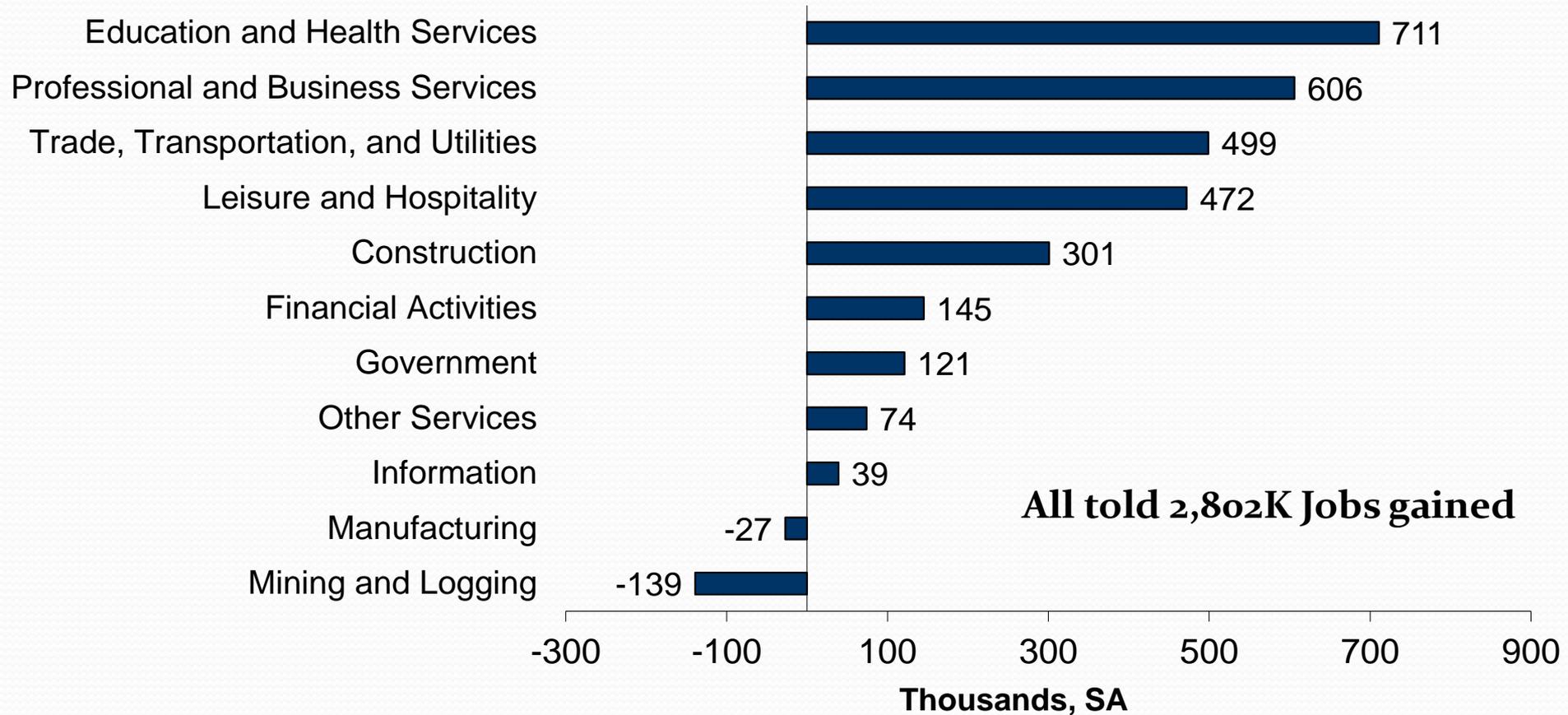
**March 2016:
+215K**

Source: U.S. Bureau of Labor Statistics

National Nonfarm Employment

by Industry Sector

March 2015 v. March 2016



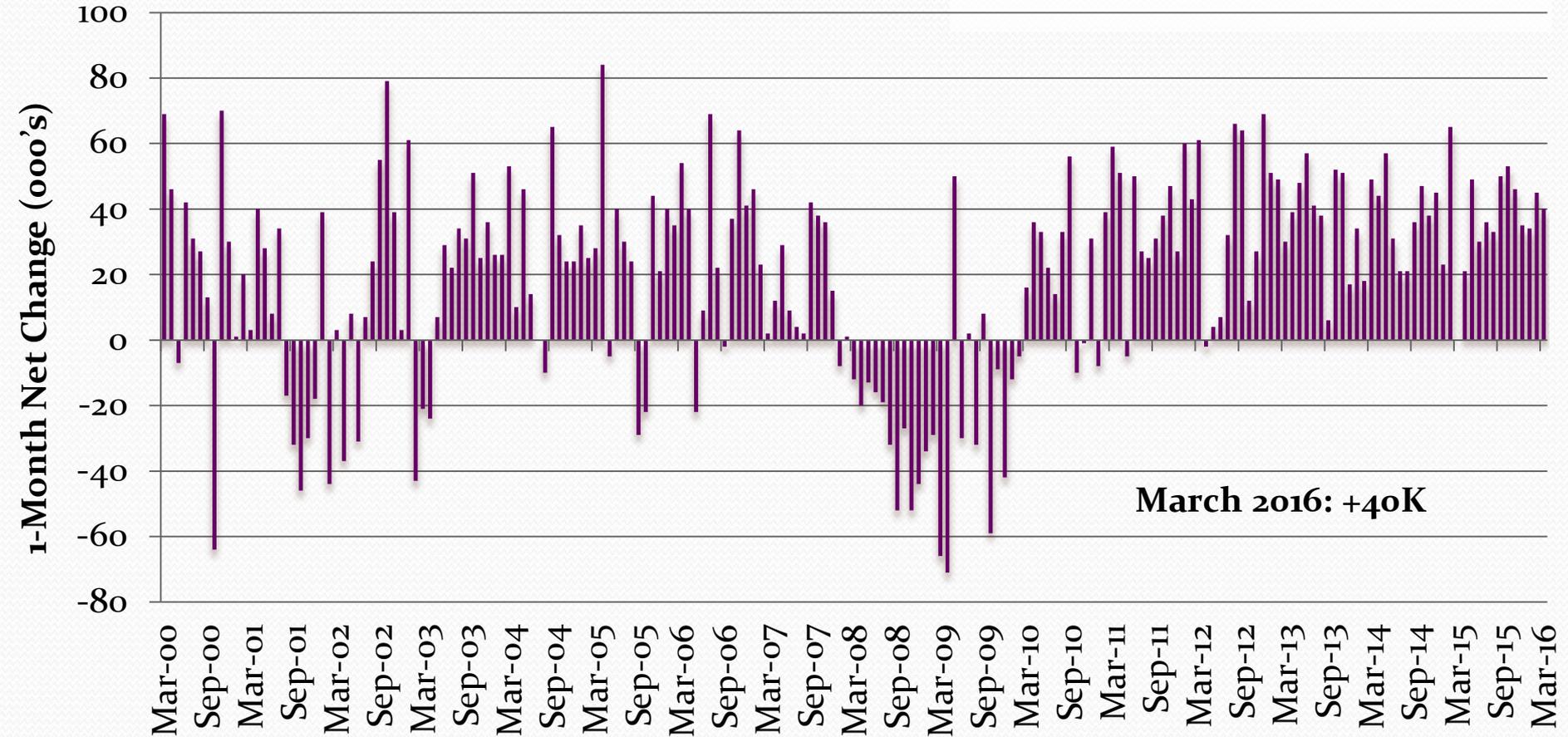
All told 2,802K Jobs gained

Thousands, SA

Source: U.S. Bureau of Labor Statistics

U.S. Leisure & Hospitality Employment

March 2000 through March 2016



March 2016: +40K

Source: U.S. Bureau of Labor Statistics



Montana Nonresident Traveler Expenditures

Top 10 Categories (2014)

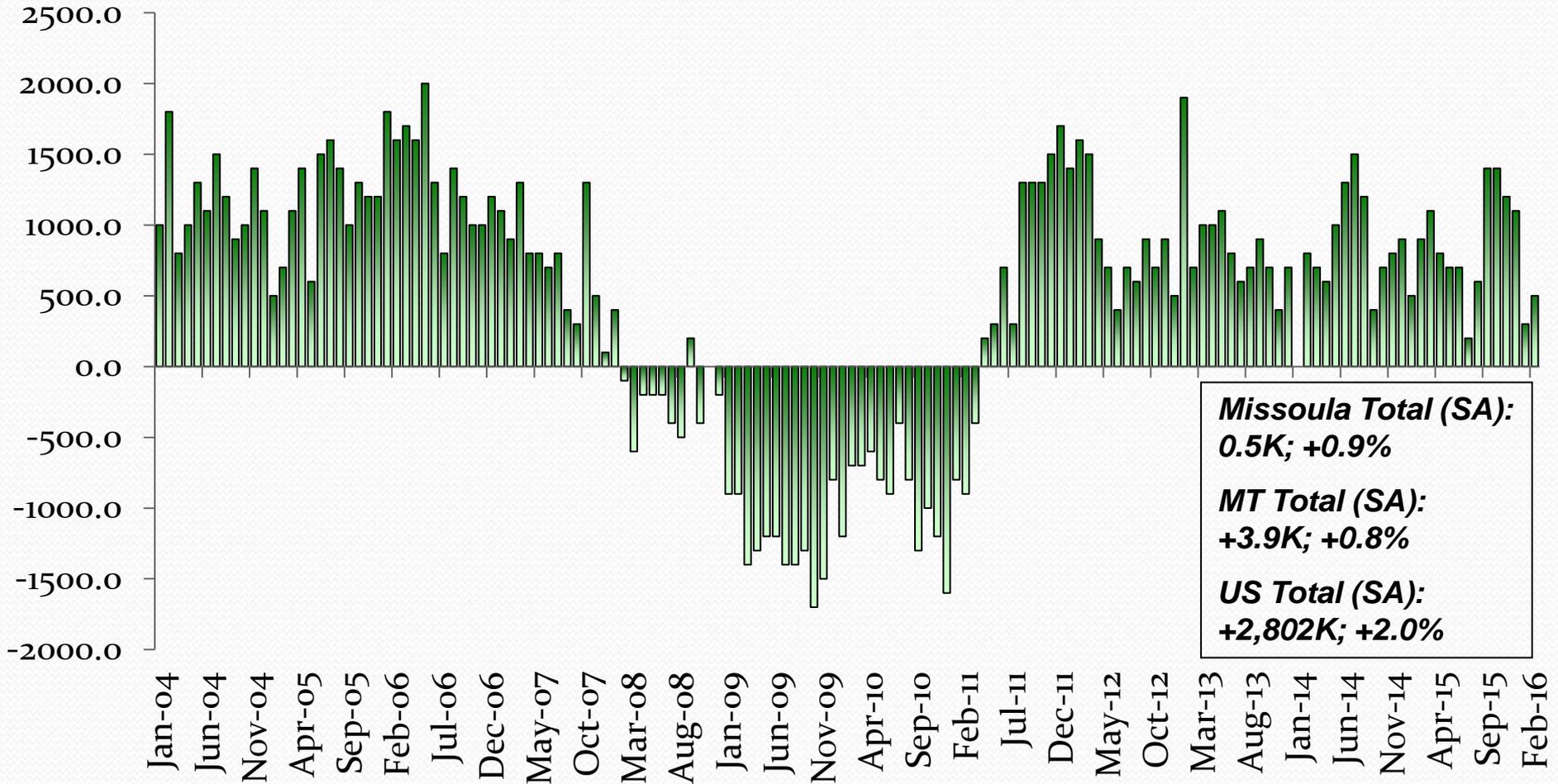
Category	Average Daily Per Group	Allocation by Category	Total Expenditures (thousands)
Gasoline, Diesel	\$51.78	32%	\$1,270,840
Restaurant, Bar	\$28.83	18%	\$707,850
Retail Sales	\$28.04	17%	\$675,690
Hotel, B&B, etc.	\$14.64	9%	\$359,530
Groceries, Snacks	\$14.61	9%	\$358,110
Outfitter, Guide	\$10.23	6%	\$248,650
Auto Rental	\$3.83	2%	\$94,310
Licenses, Entrance Fees	\$3.66	2%	\$88,850
Rental Cabin, Condo	\$2.32	1%	\$57,400
Auto Repair	\$1.51	1%	\$37,370

Source: Grau, University of Montana

Missoula, MT Nonfarm Employment

January 2004 Through February 2016

12-Month Net Change



Missoula Total (SA):
0.5K; +0.9%

MT Total (SA):
+3.9K; +0.8%

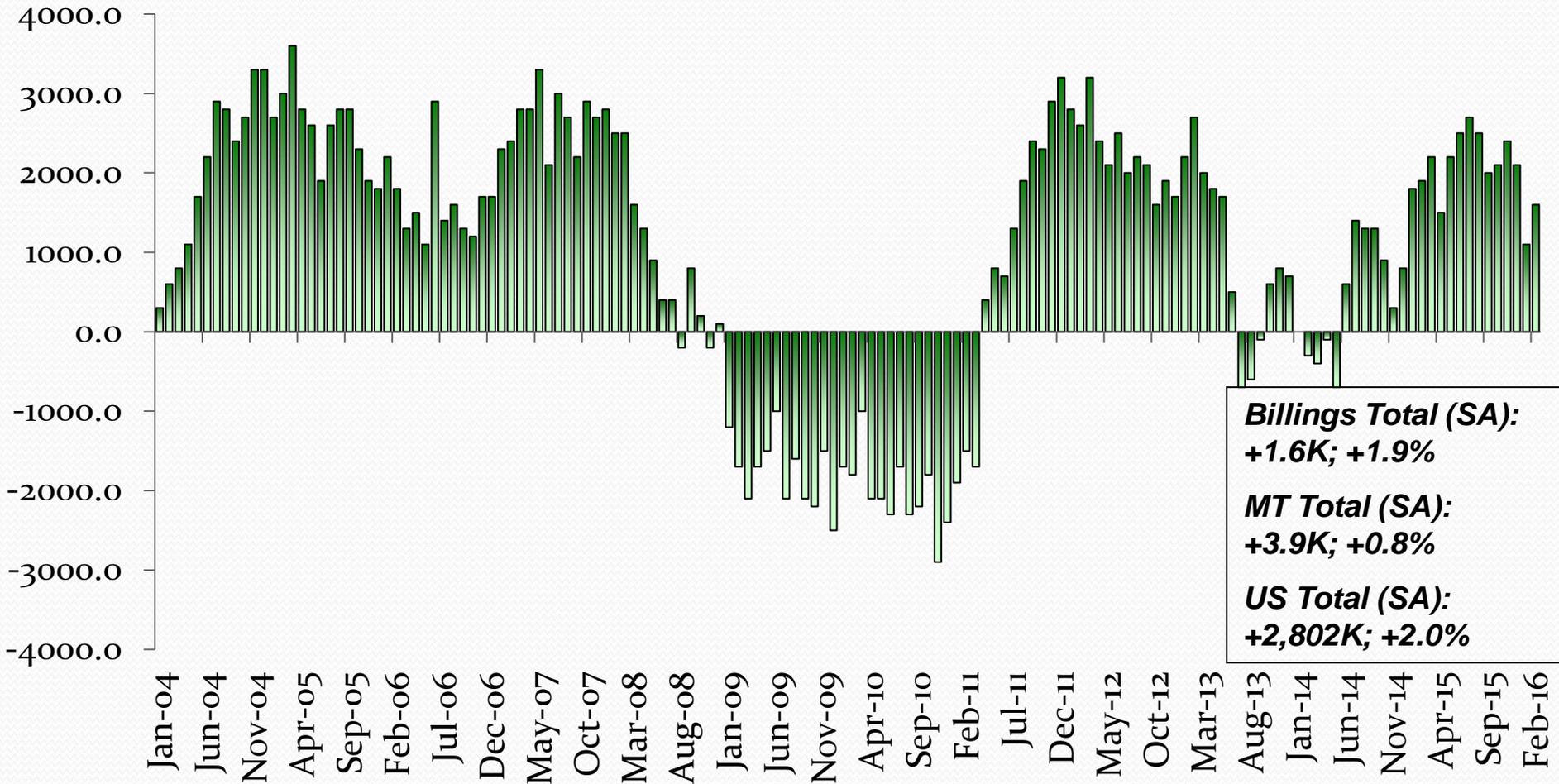
US Total (SA):
+2,802K; +2.0%

Source: Bureau of Labor Statistics

Billings, MT Nonfarm Employment

January 2004 Through February 2016

12-Month Net Change



Billings Total (SA):
+1.6K; +1.9%

MT Total (SA):
+3.9K; +0.8%

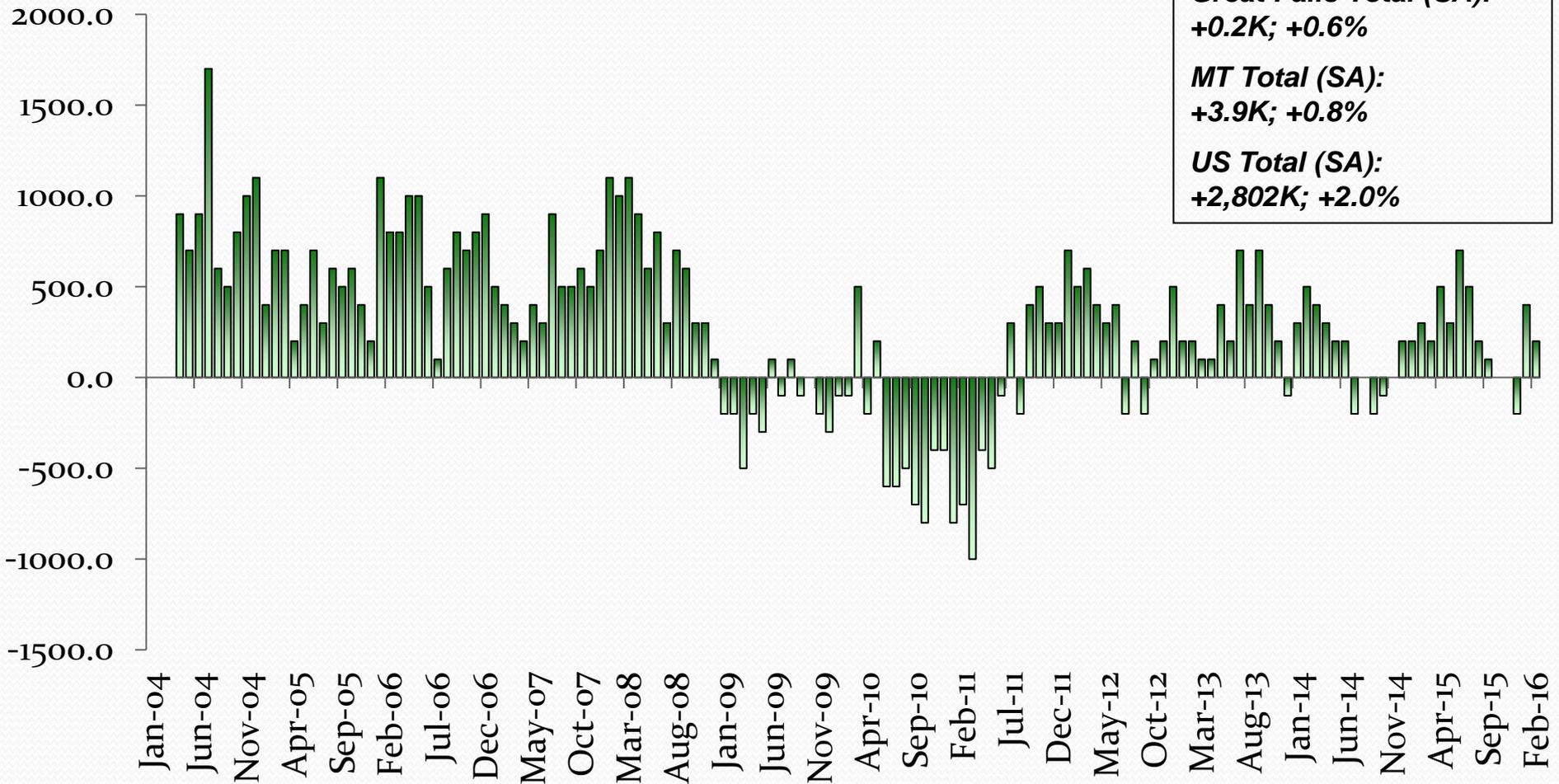
US Total (SA):
+2,802K; +2.0%

Source: Bureau of Labor Statistics

Great Falls, MT Nonfarm Employment

January 2004 Through February 2016

12-Month Net Change



Source: Bureau of Labor Statistics

Employment Growth, U.S. States (SA)

February 2015 v. February 2016 Percent Change

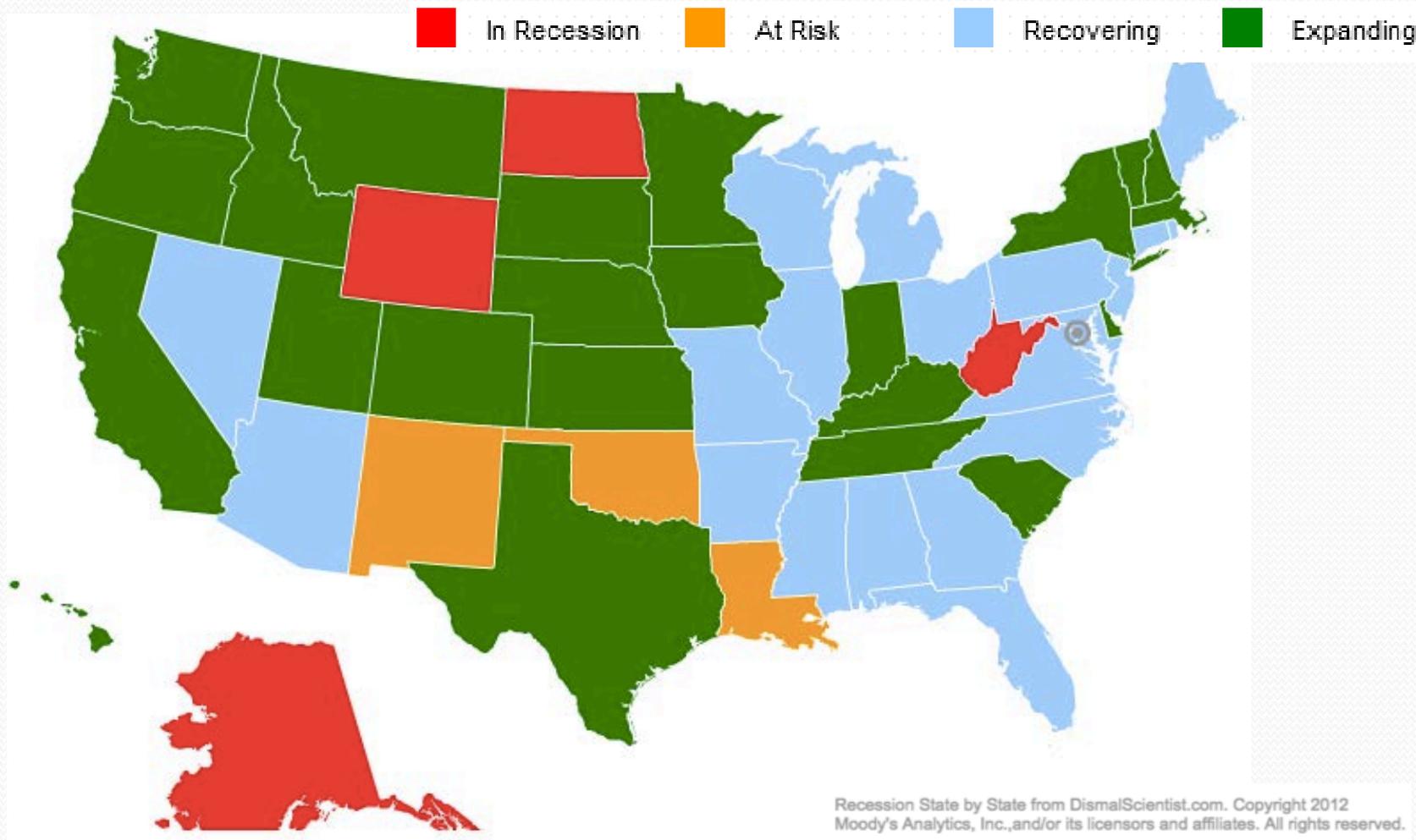
RANK	STATE	%	RANK	STATE	%	RANK	STATE	%
1	IDAHO	4.0	18	NORTH CAROLINA	2.1	32	WISCONSIN	1.3
2	UTAH	3.3	18	SOUTH CAROLINA	2.1	36	ALABAMA	1.1
3	OREGON	3.1	20	MASSACHUSETTS	1.9	36	ILLINOIS	1.1
3	TENNESSEE	3.1	21	INDIANA	1.7	38	IOWA	1.0
3	WASHINGTON	3.1	22	DISTRICT OF COLUMBIA	1.5	38	MAINE	1.0
6	ARIZONA	3.0	22	KENTUCKY	1.5	40	CONNECTICUT	0.9
6	FLORIDA	3.0	22	MISSISSIPPI	1.5	40	PENNSYLVANIA	0.9
8	CALIFORNIA	2.8	22	NEW JERSEY	1.5	42	MONTANA	0.8
9	GEORGIA	2.7	22	OHIO	1.5	43	MISSOURI	0.7
10	COLORADO	2.5	22	RHODE ISLAND	1.5	44	NEW MEXICO	0.1
10	HAWAII	2.5	22	VERMONT	1.5	45	ALASKA	-0.1
10	VIRGINIA	2.5	29	MARYLAND	1.4	46	KANSAS	-0.4
13	DELAWARE	2.4	29	NEW YORK	1.4	46	OKLAHOMA	-0.4
14	ARKANSAS	2.3	29	TEXAS	1.4	48	LOUISIANA	-0.9
14	NEVADA	2.3	32	MINNESOTA	1.3	49	WEST VIRGINIA	-1.5
16	MICHIGAN	2.2	32	NEBRASKA	1.3	50	WYOMING	-3.0
16	NEW HAMPSHIRE	2.2	32	SOUTH DAKOTA	1.3	51	NORTH DAKOTA	-4.9

Source: U.S. Bureau of Labor Statistics

U.S. Year-over-year Percent Change: +1.9%



Recession Watch as of December 2015



Source: Moody's Economy

Unemployment Rates, U.S. States (SA)

February 2016

RANK	STATE	%	RANK	STATE	%	RANK	STATE	%
1	NEW HAMPSHIRE	2.7	15	OKLAHOMA	4.2	34	RHODE ISLAND	5.4
1	SOUTH DAKOTA	2.7	19	NEW JERSEY	4.3	36	ARIZONA	5.5
3	NORTH DAKOTA	2.9	20	TEXAS	4.4	36	CALIFORNIA	5.5
4	COLORADO	3.0	21	MASSACHUSETTS	4.5	36	CONNECTICUT	5.5
4	NEBRASKA	3.0	22	DELAWARE	4.6	36	NORTH CAROLINA	5.5
6	HAWAII	3.1	22	PENNSYLVANIA	4.6	36	SOUTH CAROLINA	5.5
7	UTAH	3.4	22	WISCONSIN	4.6	41	KENTUCKY	5.8
7	VERMONT	3.4	25	INDIANA	4.7	41	WASHINGTON	5.8
9	MAINE	3.6	25	MARYLAND	4.7	43	LOUISIANA	5.9
10	IOWA	3.7	27	MICHIGAN	4.8	43	NEVADA	5.9
10	MINNESOTA	3.7	27	NEW YORK	4.8	45	ALABAMA	6.2
12	IDAHO	3.9	27	OREGON	4.8	46	ILLINOIS	6.4
13	KANSAS	4.0	30	FLORIDA	4.9	46	NEW MEXICO	6.4
14	VIRGINIA	4.1	30	OHIO	4.9	48	DISTRICT OF COLUMBIA	6.5
15	ARKANSAS	4.2	30	TENNESSEE	4.9	48	MISSISSIPPI	6.5
15	MISSOURI	4.2	33	WYOMING	5.0	48	WEST VIRGINIA	6.5
15	MONTANA	4.2	34	GEORGIA	5.4	51	ALASKA	6.6

Source: U.S. Bureau of Labor Statistics

U.S. Unemployment Rate
 February 2016: 4.9%
 March 2016: 5.0%



Unemployment Rates, 20 Largest Metros (NSA)

February 2016

Rank	MSA	UR	Rank	MSA	UR
1	Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area	3.7	10	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area	4.8
2	San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area	3.8	12	Baltimore-Columbia-Towson, MD Metropolitan Statistical Area	5.0
3	Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area	3.9	13	Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area	5.1
4	Boston-Cambridge-Nashua, MA-NH Metropolitan NECTA	4.0	13	New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area	5.1
5	Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area	4.1	15	St. Louis, MO-IL Metropolitan Statistical Area (1)	5.2
6	Tampa-St. Petersburg-Clearwater, FL Metropolitan Statistical Area	4.5	16	Atlanta-Sandy Springs-Roswell, GA Metropolitan Statistical Area	5.3
7	Phoenix-Mesa-Scottsdale, AZ Metropolitan Statistical Area	4.6	16	Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area	5.3
8	Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area	4.7	18	Detroit-Warren-Dearborn, MI Metropolitan Statistical Area	5.4
8	San Diego-Carlsbad, CA Metropolitan Statistical Area	4.7	19	Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area	5.8
10	Miami-Fort Lauderdale-West Palm Beach, FL Metropolitan Statistical Area	4.8	20	Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area	6.8

Source: U.S. Bureau of Labor Statistics

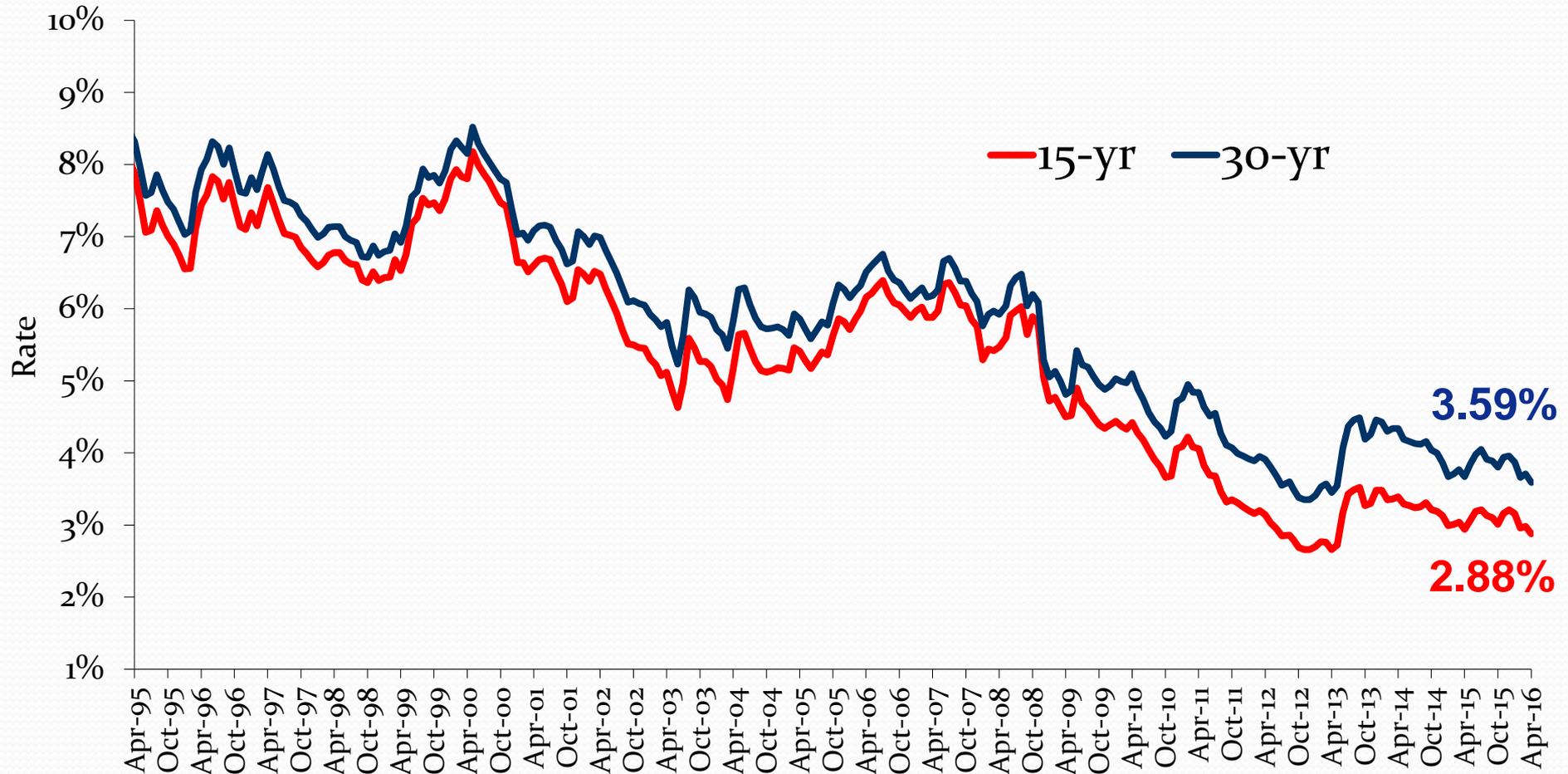
1. Area boundaries do not reflect official OMB definitions.

License to Sell

*License to Kill, 1989: Timothy Dalton; Carey Lowell

15-Year & 30-Year Fixed Mortgage Rates

April 1995 through April 2016*



Source: Freddie Mac

*Week ending 4/7/2016

U.S. New Home Sales

February 1999 through February 2016

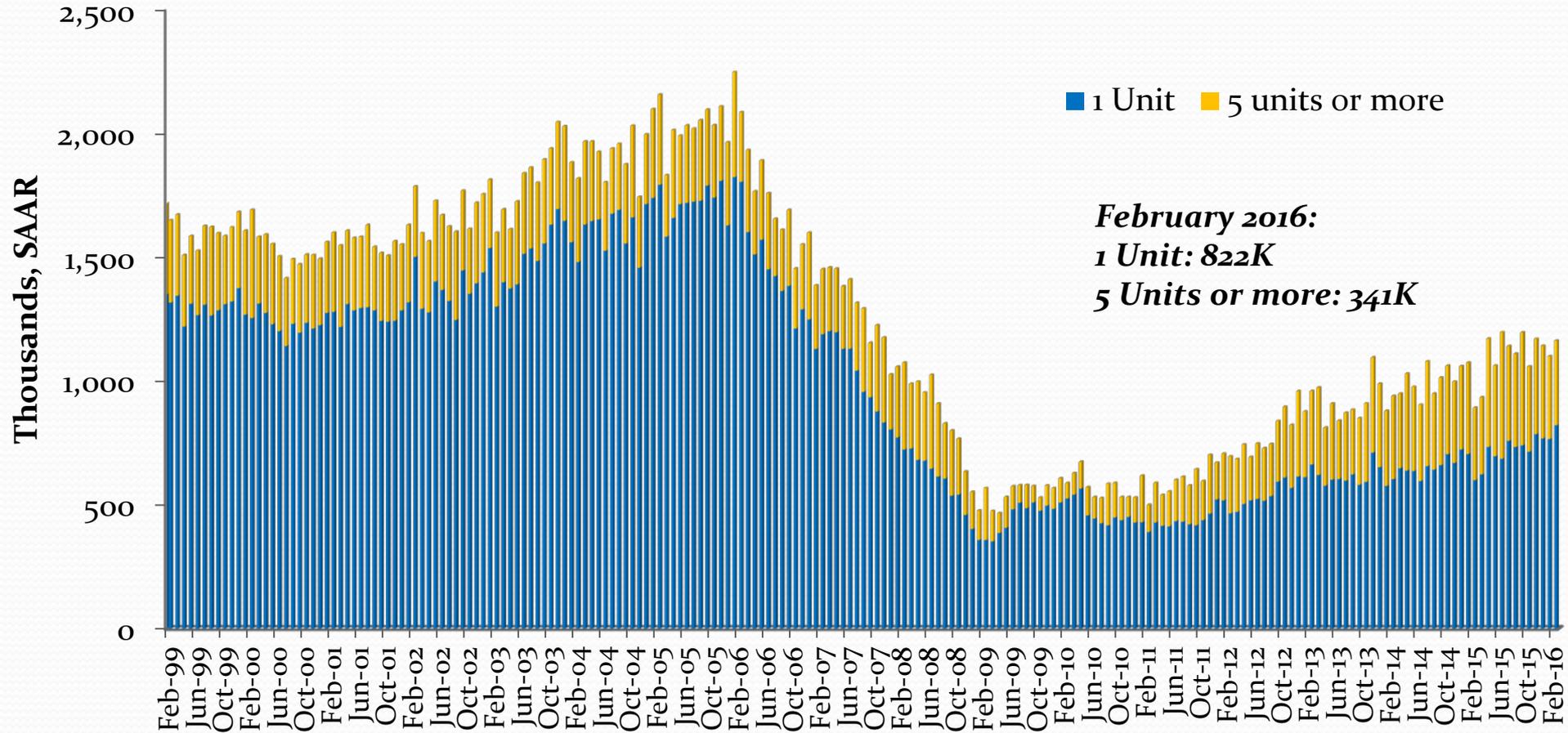


February 2016

Source: U.S. Census Bureau

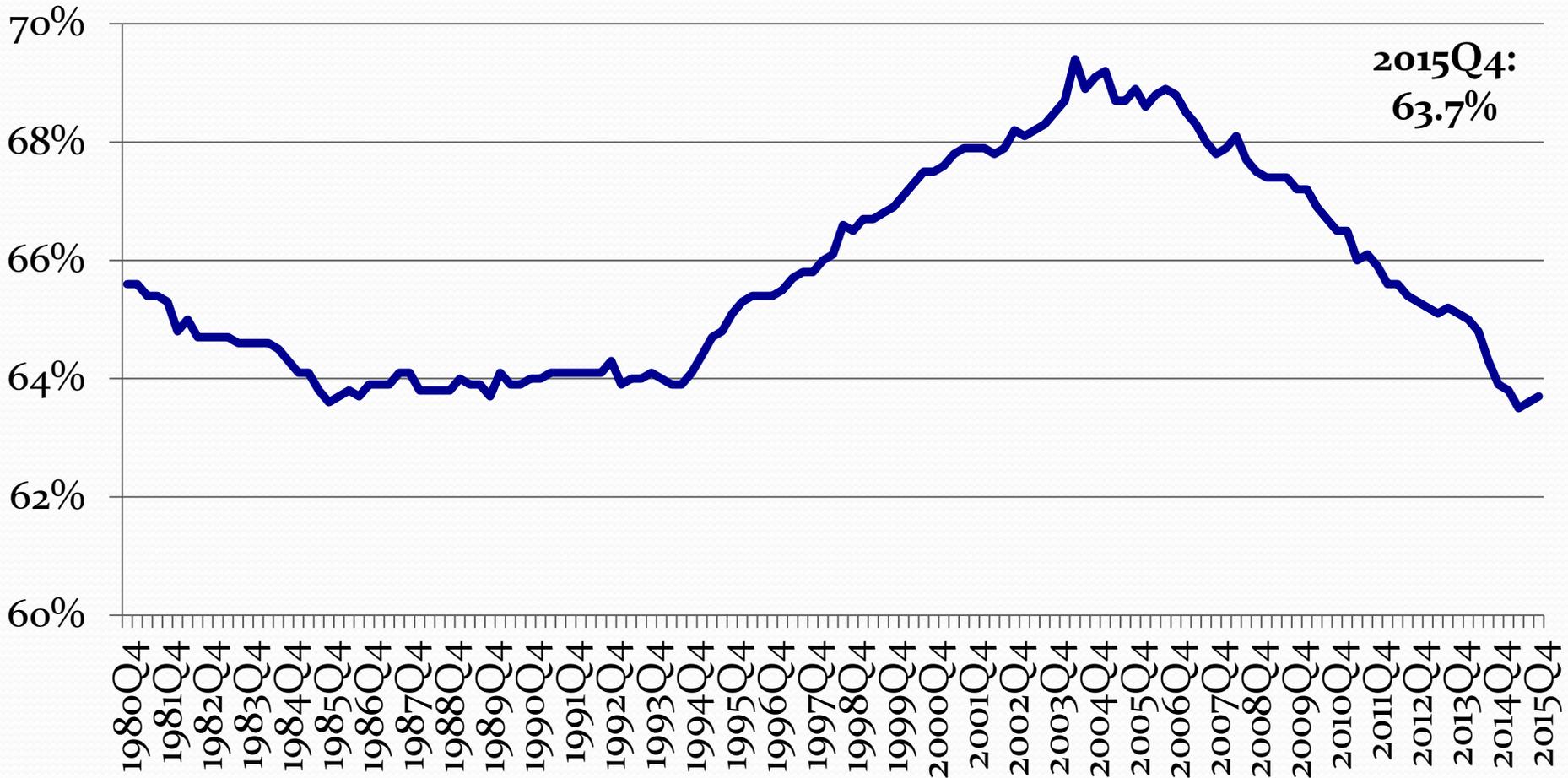
U.S. Housing Starts

February 1999 through February 2016



Source: U.S. Census Bureau

U.S. Homeownership

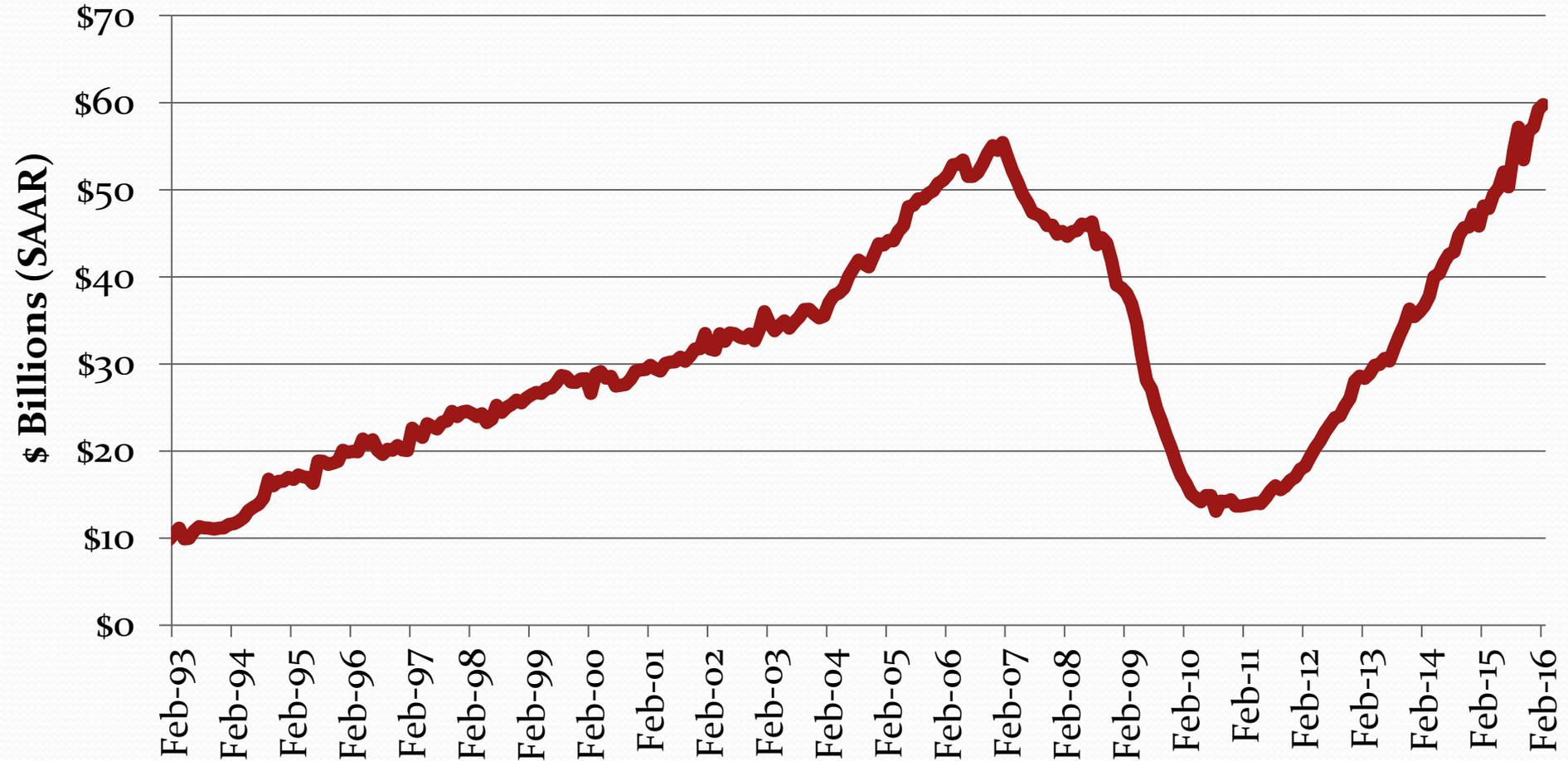


2015Q4:
63.7%

Source: U.S. Census Bureau

U.S. Private New Multifamily Construction

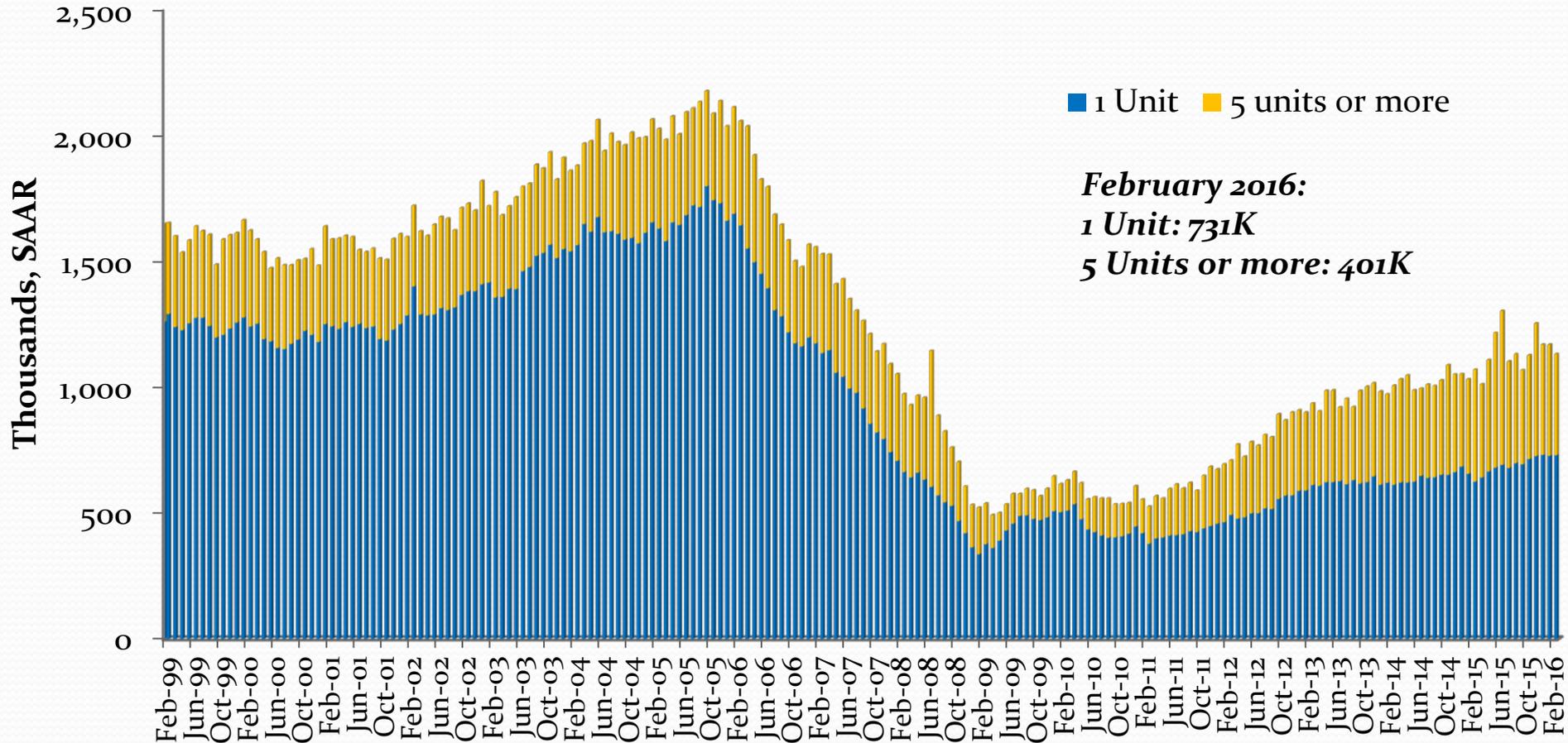
February 1993 through February 2016



Source: U.S. Census Bureau

U.S. Housing Building Permits

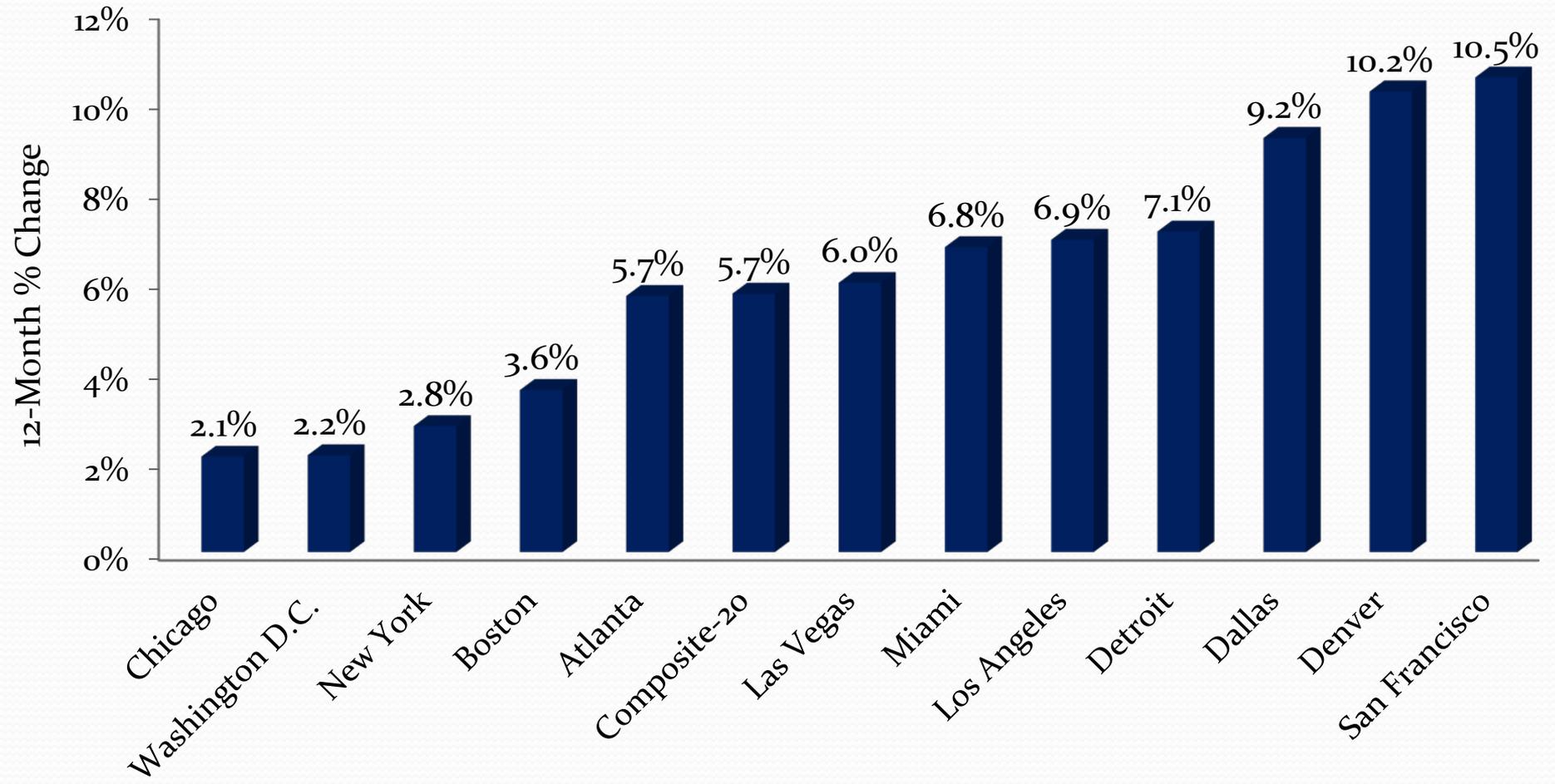
February 1999 through February 2016



Source: U.S. Census Bureau

S&P/Case-Shiller Home Price Indices for Select Metros

January 2016, 12-Month Percentage Change



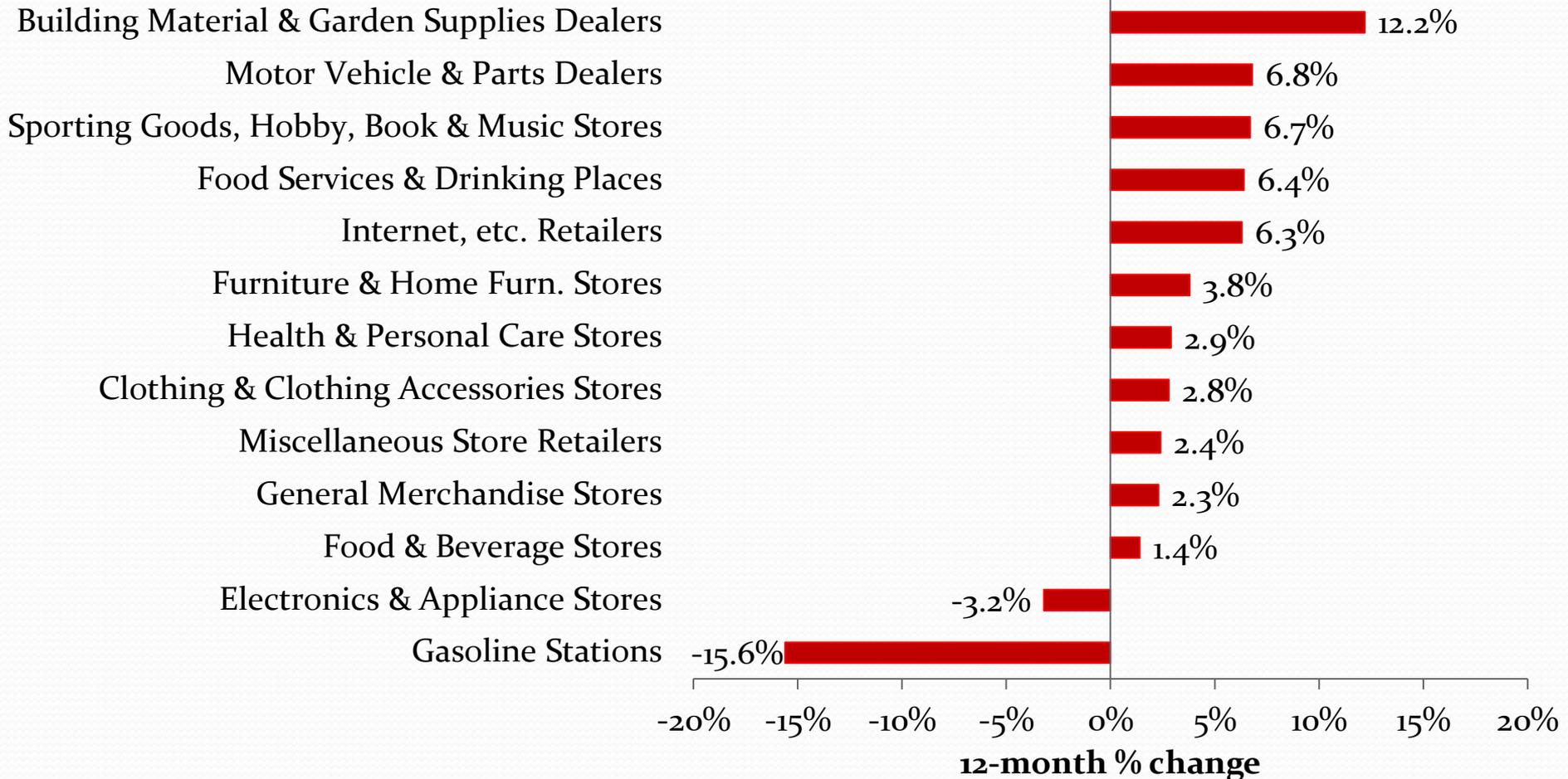
Source: Standard & Poor's

Tomorrow Never Dies

*1997: Pierce Brosnan; Michelle Yeoh; Teri Hatcher

Sales Growth by Type of Business

February 2015 v. February 2016*



Source: U.S. Census Bureau

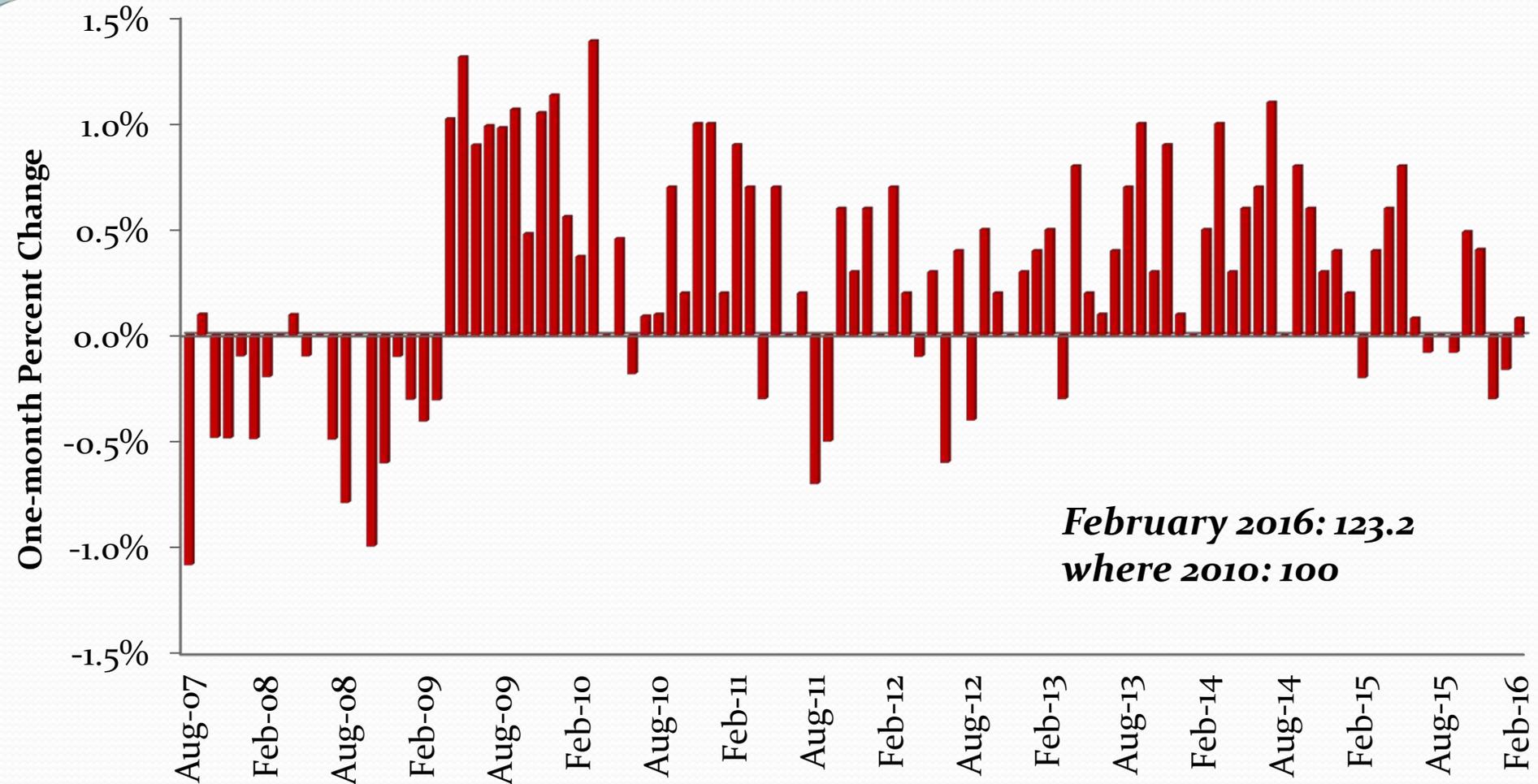
*February 2016 advanced estimate

Total Retail Sales: +3.1% YOY



Conference Board Leading Economic Indicators Index

August 2007 through February 2016



Source: Conference Board

Dr. Know

- Not a Happy New Year so far. Everyone knows about China and N.Korea, but we have problems right here;
- Corporate profit margins are slipping and interest rates are on the rise – does not sound like a great recipe for stock prices or for corporate investment;
- Only the consumer is really contributing significantly to growth, with state and local government spending playing a supporting role;
- Job growth should remain decent in the near-term – we ended 2015 with a near-record in total job openings.;
- All about interest rates – market guesses that one or two rate increases are likely this year – possible, but I think the second half of the year won't be as good as the first and therefore no rate increases are likely late this year; and
- We may be transitioning very quickly from the mid-cycle stage of the recovery to the late-stage – 2017 outlook very murky.

*1962: Sean Connery; Ursula Andress

Thank You

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- Also, if you need us in a hurry, we are at 410.522.7243 (410.522.SAGE)
- Please contact us when you require economic research & policy analysis.