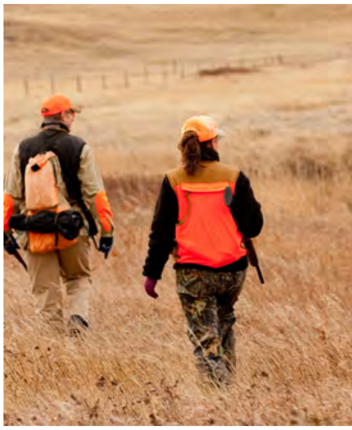
2026 MONTANA LABOR DAY REPORT



Montana Department of
LABOR & INDUSTRY

2026 Montana Labor Day Report

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Executive Summary

On Labor Day in 2026, Montana's economy is stable and growing. The state's labor force reached a record high in 2025, the unemployment rate remains among the lowest in the nation, and economic growth continues despite a softening of the state's labor market. Employment edged down in 2025, marking the first annual decline since 2020 but leaving employment near historic highs. Strong productivity gains continued to drive economic output and translated into some of the fastest wage growth in the nation for Montana workers. Highlights of Montana's economic performance over the last year include:

- The Montana labor force reached a record high of more than 577,800 people in 2025, growing by a modest 0.1% over the year.
- Employment edged down for the first time since 2020, falling by 0.3% in 2025. This decline translates to roughly 1,400 fewer jobs in 2025 compared with a year earlier.
  - Healthcare added over 1,200 jobs in 2025, the most of any industry.
  - Administrative services' employment grew by 4.3% in 2025, the fastest of any industry.
- Southwest Montana was the only region to post net employment growth in 2025, gaining about 400 jobs, while the Eastern region saw the sharpest percentage decline at 1.8%.
- Montana's unemployment rate averaged 3.3% in 2025 – ranking 9th lowest among states.
  - An estimated 19,230 Montanans were unemployed in 2025, still historically low but back to levels last seen in summer 2021.
- The average wage in Montana reached a record high of $62,920 in 2025.
  - Montana ranks 2nd in the nation for fastest wage growth in the last three years, averaging 1.6% growth on an inflation-adjusted basis.
- Montana's total economic output, as measured by real gross domestic product, grew by 2.2% in 2025.
  - The Montana economy has grown by 3.5% per year since 2022 – ranking 8th fastest among states.
- Productivity gains propelled economic growth despite a softening labor market. Worker productivity rose by 3% in 2025, ranking 10th fastest among states.
  - About 1 in 5 Montana businesses reported using AI in June 2026, ranking 26th among states.
  - An estimated 31% of Montana's payroll employment is in occupations highly exposed to AI—where a substantial share of daily tasks can be performed by tools like large language models.
- Per capita income rose to $72,340 in 2025 – ranking 26th highest among states.
  - Montana has experienced the 8th fastest growth in per capita income since 2022, averaging 5.2% growth per year.
- Montana recorded 4,500 new businesses in 2025 – near record highs.
  - Montana ranks 3rd nationally for the highest rate of self-employment, with approximately 29.1% of the workforce operating their own businesses.

One of the most significant headwinds to Montana's economic growth over the last decade has been a persistent labor shortage. Labor demand spiked during the post pandemic boom as businesses struggled to meet surging demand, while demographic shifts pushed down the labor force participation rate and constrained the supply of workers. The shortage peaked in 2022, when there were more than three job openings for every unemployed person, but Montana has made substantial progress in closing this gap. By the end of 2025, there were about 1.1 job openings for every unemployed person in the state, indicating that the labor shortage has eased but not disappeared. Highlights from an analysis of Montana's labor market dynamics include:

- Labor force participation fell to 62.4% as demographic shifts continue to exert downward pressure on the labor force participation rate.
    - Approximately 67% of Montanans between 16 and 25 years old are working or actively seeking work, a one percentage-point increase in 2025.
    - All age groups report higher labor force participation rates than a decade earlier.
- There are an estimated 345,000 Montanans who are not engaged in the workforce. Most (60%) of these individuals are retired and over the age of 55.
    - Just over 61,000 Montanans between the ages of 25 and 54 are not working or seeking work, comprising 18% of all those out of the labor force.
    - An estimated 23,500 Montana parents did not participate in the labor force because they were caring for family in 2025 – accounting for nearly 40% of all prime working age adults out of the labor force.
- Most people in Montana are unemployed for less than four months. About 80% of the 19,230 unemployed Montanans in 2025 were unemployed for fifteen weeks or less.
- Only 4% of those unemployed have been looking for work for more than a year, translating to roughly 800 Montanans in 2025.
    - The most common barrier for the long-term unemployed served by MTDLI was poor health, followed by financial, justice, and transportation issues.
- Net in-migration added about 7,200 people in 2025 and has remained an important source of labor force growth. About 67% of in-movers participate in the labor force, which is higher than the labor force participation rate of existing residents.
    - The state's population grew by 2.1% from 2022 to 2025 due to in-migration, translating to an additional 23,800 people. Montana ranks 16th in the nation for the largest percentage of in-migration from 2022 to 2025.

Montana's economy has entered a more stable expansion phase, where steady growth is driven by rising productivity and strong wage gains rather than rapid job growth alone. The labor force is at a record high, the unemployment rate remains among the lowest in the nation and long-running labor shortages have begun to ease. Going forward, the state's performance will hinge on expanding labor force participation, lowering barriers to work, and turning continued growth into broader gains in living standards across industries, regions, and communities.

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Dear Governor Gianforte:

I am pleased to present the Montana Department of Labor and Industry's 2026 Labor Day Report. This year's report shows a Montana economy that remains on solid footing, while the labor market continues to find a better balance for workers and employers.

Since 2020, Montana has added 46,650 jobs, and more than 558,600 Montanans were working in 2025, near the state's all-time high. While employment eased slightly over the year, Montana's labor force continued to grow, bringing more people into the workforce and helping employers find the workers they need. With an average unemployment rate of 3.3 percent in 2025, Montana continues to have one of the nation's strongest labor markets.

Montanans are also seeing the benefits of a stronger economy. The statewide average wage reached a record $62,290 in 2025, rising 2.1 percent after inflation. This was the third consecutive year that wage growth outpaced inflation. Since 2022, Montana has ranked second in the nation for real wage growth, with inflation-adjusted wages rising an average of 1.6 percent per year. Montana's economy also grew 2.2 percent, and worker productivity increased 3 percent, evidence that Montana businesses and workers are adapting, becoming more efficient, and creating greater opportunity across the state.

Montana is undertaking a significant transformation of our workforce system through the 406 JOBS strategy. We are moving beyond individual programs and building a more connected system that links education, training and work around the needs of Montana workers and employers. That work includes expanding work-based learning and industry-recognized credentials through the STARS Act, addressing critical healthcare workforce shortages through the Rural Health Transformation Program, and connecting more Montanans to the training and employment opportunities that lead to lasting careers. Across these efforts, our goal is straightforward: every Montanan should have a pathway to a career and a plan to achieve it, and Montana employers should have access to the skilled workforce they need to grow.

The work remains important as Montana's labor market continues to evolve. Employers across key industries still face persistent workforce shortages, even as more Montanans enter the labor force. Meeting that challenge will require us to continue expanding pathways into work, removing unnecessary barriers to employment, and ensuring our workforce system responds quickly to the needs of both workers and employers.

As Montana's labor market changes, 406 JOBS is helping shape the workforce for what comes next. The initiative is focused on connecting more Montanans to good jobs, strengthening pathways into the workforce, and ensuring employers have the skilled workers they need to grow. That work will remain important as employers continue to face challenges filling jobs in key sectors and as Montana's workforce needs evolve.

The report provides greater detail on these trends, the progress Montana has made, and the work ahead to ensure our strong economy translates into greater opportunity for Montana workers, families, and businesses.

Sincerely,

Sarah Swanson

Sarah Swanson, Commissioner
MT Department of Labor & Industry

Introduction

On Labor Day in 2026, Montana's economy is growing steadily, and signs have emerged that the state's decade-long labor shortage is beginning to ease. Employment levels declined slightly for the first time since 2020 but remain near record highs with over 558,600 Montanans working in 2025. Montana's labor force grew in 2025, which combined with slight employment declines, generated an increase in the number of Montanans looking for work. The unemployment rate reached 3.3% in 2025, up from 3.0% a year earlier but remains one of the lowest unemployment rates in the country.

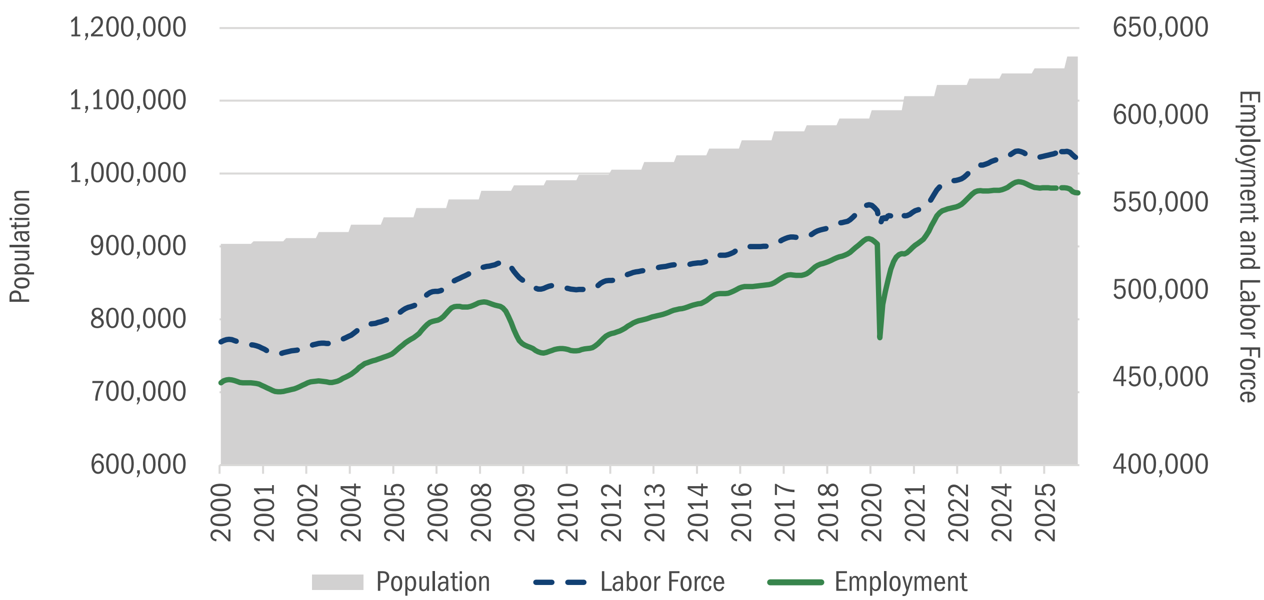
Productivity gains continue to drive economic growth in Montana, generating a 2.2% increase in overall economic output in 2025 despite employment declines. These gains have translated into significant wage growth for working Montanans. The state's average wage reached a record high of $62,920 in 2025 – rising by 2.1% on an inflation-adjusted basis over the year. Wage growth outpaced inflation for the third year in a row, suggesting an increase in the standard of living for the average Montana worker. Since 2022, real wages have grown by 1.6% per year, ranking Montana 2nd for the fastest wage growth in the nation.

The Montana Labor Market

Montana's labor market remained relatively stable in 2025, with indications that the state's long-running labor shortage may be easing. The overall size of the labor market reached a record high of more than 577,800 people in 2025. Simultaneously, total employment edged down for the first time since 2020, declining by 0.3%. This decline translates to roughly 1,400 fewer jobs in 2025 compared with a year earlier. As a result, the number of Montanans looking for work increased, helping alleviate the state's decade-long labor shortage.

Despite recent declines, employment remains near historic highs with over 558,600 Montanans employed in 2025. The Montana labor market has added 46,650 jobs since 2020, a record high for the state. Figure 1 shows Montana population, labor force, and employment growth since 2000.

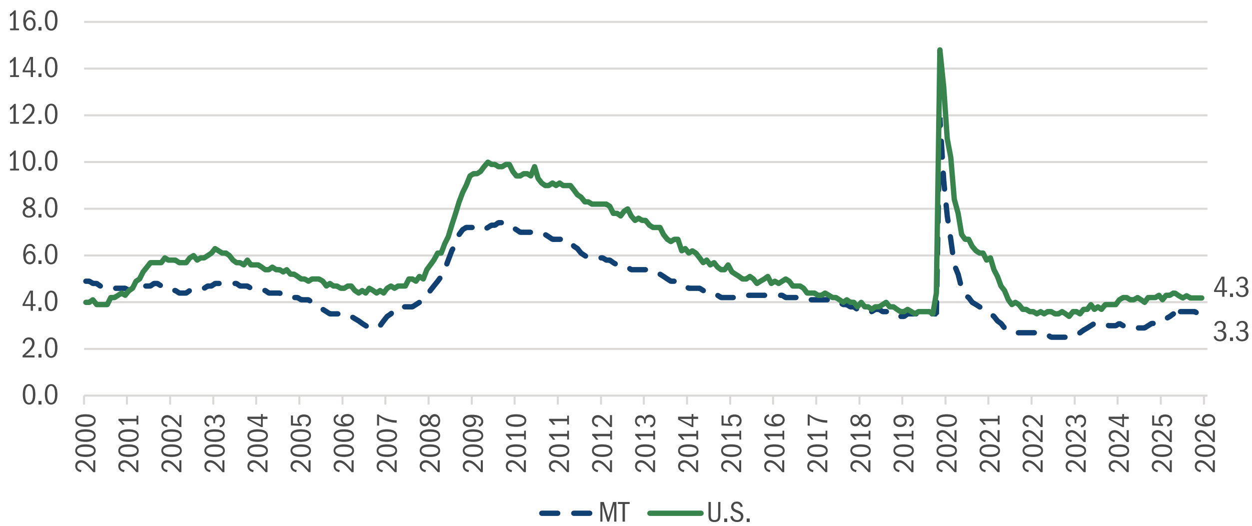
Figure 1: Montana Population, Labor Force, and Employment Growth since 2000



Source: U.S. Census Bureau and U.S. Bureau of Labor Statistics (BLS) Local Area Unemployment Statistics (LAUS), January 2000 through May 2026. Data for October 2025 is unavailable due to a federal lapse in appropriations.

The Montana labor force increased by a modest 0.1% in 2025, translating to an additional 500 people working or looking for work. Labor force growth combined with slight employment declines resulted in an increase in the state's unemployment rate. The unemployment rate averaged 3.3% in 2025, up from 3.0% a year earlier but remains among the lowest in the country. Figure 2 shows the unemployment rate in Montana relative to the national average since 2000. The Montana unemployment rate reached a post-pandemic high of 3.6% in November of 2025, before declining through the first half of 2026 to 3.3%.

Figure 2: Unemployment Rate for Montana and the U.S. since 2000



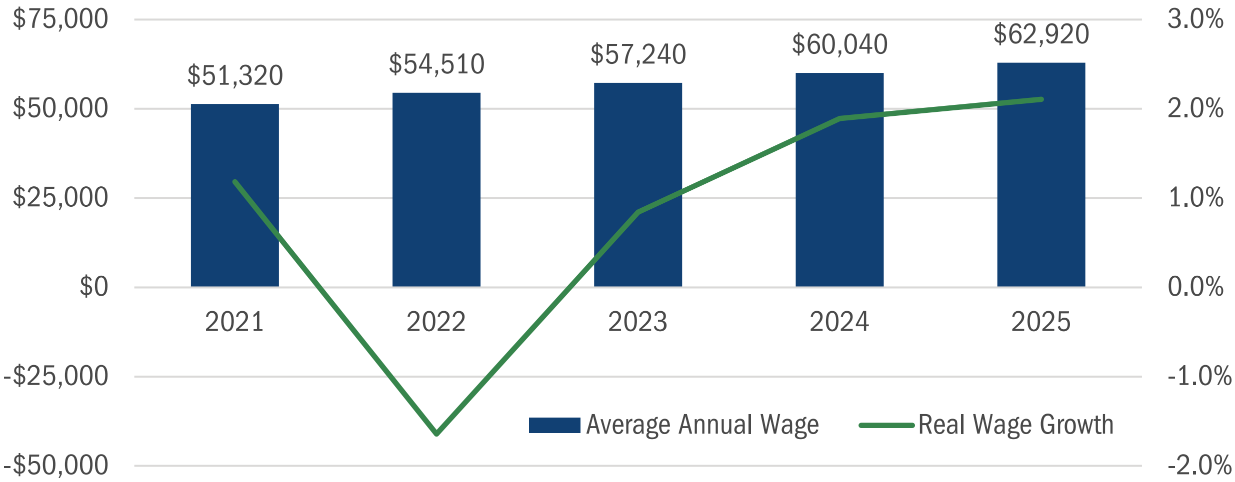
Source: U.S. Census Bureau Current Population Survey (CPS) and U.S. BLS LAUS, January 2000 through May 2026. Data for October 2025 is unavailable due to a federal lapse in appropriations.

The Montana economy continued to grow steadily in 2025 despite employment declines, due in large part to productivity gains.[1] Worker productivity increased by 3% in 2025, ranking 10th fastest among states.[2] Adoption of labor-saving technologies and automation has helped Montana businesses streamline operations to produce more with fewer staff. Investments in training and upskilling the state's existing workforce have helped workers become more efficient and move into career pathways that better match their skills and interests, which in turn boost overall labor productivity.

Increases in labor productivity have facilitated some of the fastest wage growth in the nation for working Montanans. The average wage for Montana workers reached a record high of $62,920 in 2025, growing by 2.1% on an inflation-adjusted basis over the year. Real wage growth suggests an increase in the standard of living for working Montanans. Figure 3 shows the average annual wage and real wage growth for Montana workers since 2021. Over the last three years, real wages have grown by 1.6% per year, ranking Montana 2nd nationally for the fastest growth.

Montana ranks 2nd in the nation for fastest wage growth since 2022 – averaging 1.6% real wage growth per year.

Figure 3: Montana Average Annual Wage and Real Wage Growth



Source: U.S. BLS and MTDLI, CPI-U and QCEW

Montana Labor Productivity Growth Among the Strongest in the Nation

Montana's labor productivity, a measure of the value of goods and services a worker produces per hour worked, has grown by 8.5% since 2022, ranking 7th among states. Figure 4 shows labor productivity growth in Montana relative to neighboring states and the national average. Productivity gains have helped generate 20.1% growth in hourly compensation since 2022 as Montanans are able to produce more per hour worked.

In 2025, labor productivity continued to grow by 3%, ranking 10th among states. Labor productivity gains highlight Montanans' ability to innovate, adopt labor saving technologies, and invest in upskilling so workers can move into higher value tasks.

Figure 4: Labor Productivity, Montana and Neighboring States Percent Change, 2022-2025

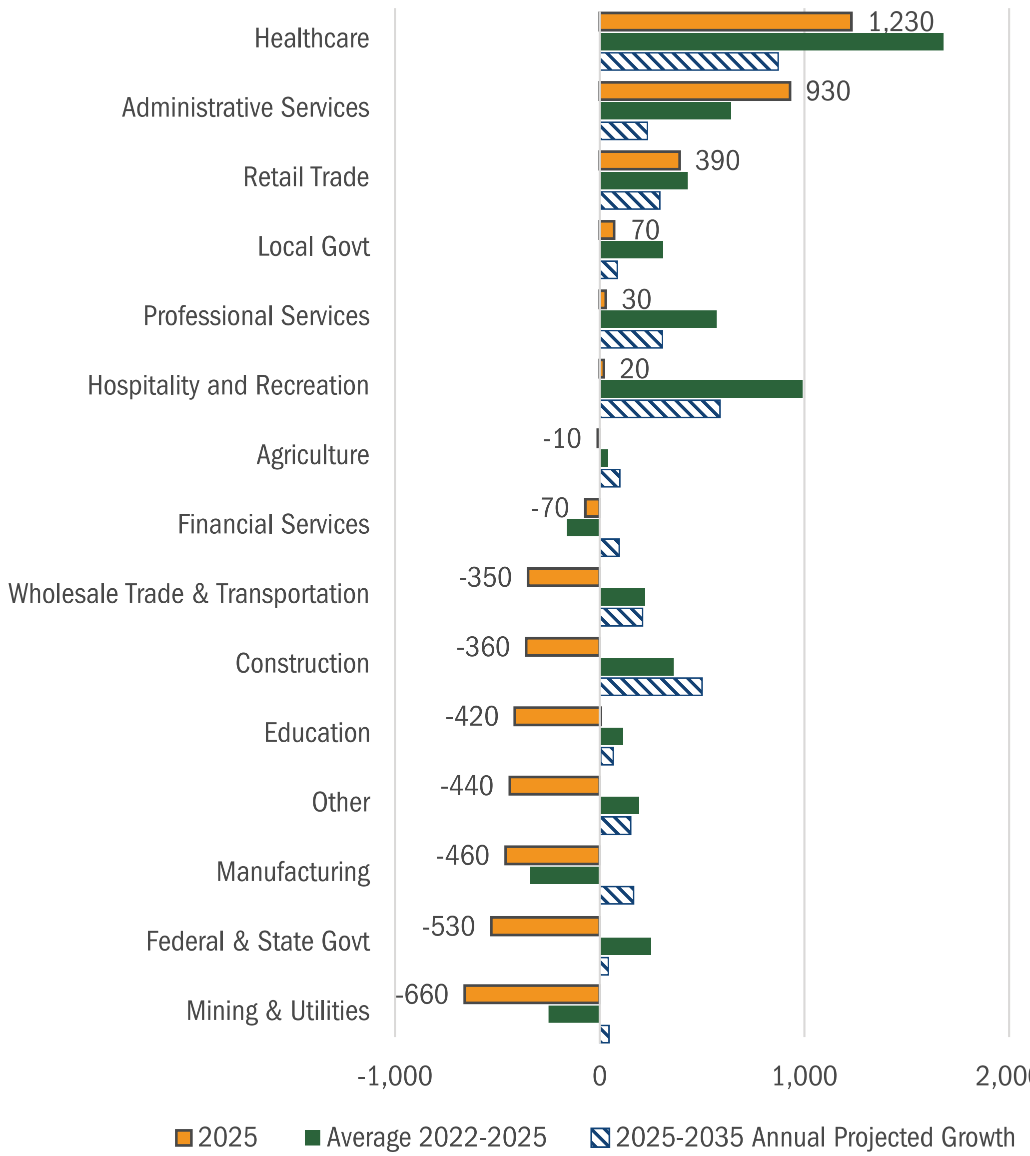
State	Labor productivity	Hours worked	Hourly compensation
Montana	8.5%	7.4%	20.1%
Wyoming	2.2%	5.7%	17%
South Dakota	1.8%	1.4%	19.9%
North Dakota	1.7%	9.8%	16.7%
Idaho	1.3%	12.4%	18.8%
U.S. Total	**5.7%**	**5.3%**	**17.5%**

Source: U.S. Bureau of Labor Statistics, Productivity by State (private nonfarm sector), 2025 release. Author's calculations. Figures are cumulative percent growth by measure, 2022–2025.

Industry Growth

Employment growth in 2025 was concentrated in three industries – healthcare, administrative support, and retail trade. Job gains in these industries helped mitigate losses in the other sectors of the economy, including mining, manufacturing, construction, government, and education. While most industries experienced job losses in 2025, nearly every industry has added jobs over the last three years. Figure 5 shows employment change by industry in 2025 compared with the average over the last three years.

Figure 5: Montana Employment Change by Industry, Historic and Projected



Source: MTDLI QCEW 2022 to 2025 employment by industry. 2025-2035 MTDLI employment projections by industry, average annual job growth. Other services include information, management of companies, and other services. Industry employment includes public and private sector employment.

Healthcare added over 1,200 jobs in 2025, the most of any industry. Healthcare is Montana's largest employing industry, averaging 79,320 jobs in 2025. Employment growth within healthcare was concentrated in hospitals and nursing and residential care facilities. Hospital employment increased by over 900 jobs, marking the largest annual increase since 2016. Ongoing system consolidation, capital investments in new facilities and services, and continued public investment helped support strong employment growth.[3,4,5] Nursing and residential care also experienced strong employment growth, adding over 660 jobs in 2025. Job gains over the last three years have helped mitigate pandemic-related job losses in 2020 and 2021. However, nursing and residential care employment remains below 2019 levels.

Administrative and support services added over 900 jobs in 2025 and was Montana's fastest growing industry as shown in Figure 6. This industry provides administrative support for businesses, such as temporary help services and employment placement agencies, office administrative services, call centers, and security, janitorial, landscaping, and waste management services. Record business formation and employment growth over the last five years has increased the demand for administrative support services, as more businesses look to outsource human resources, janitorial, and other support services.[6]

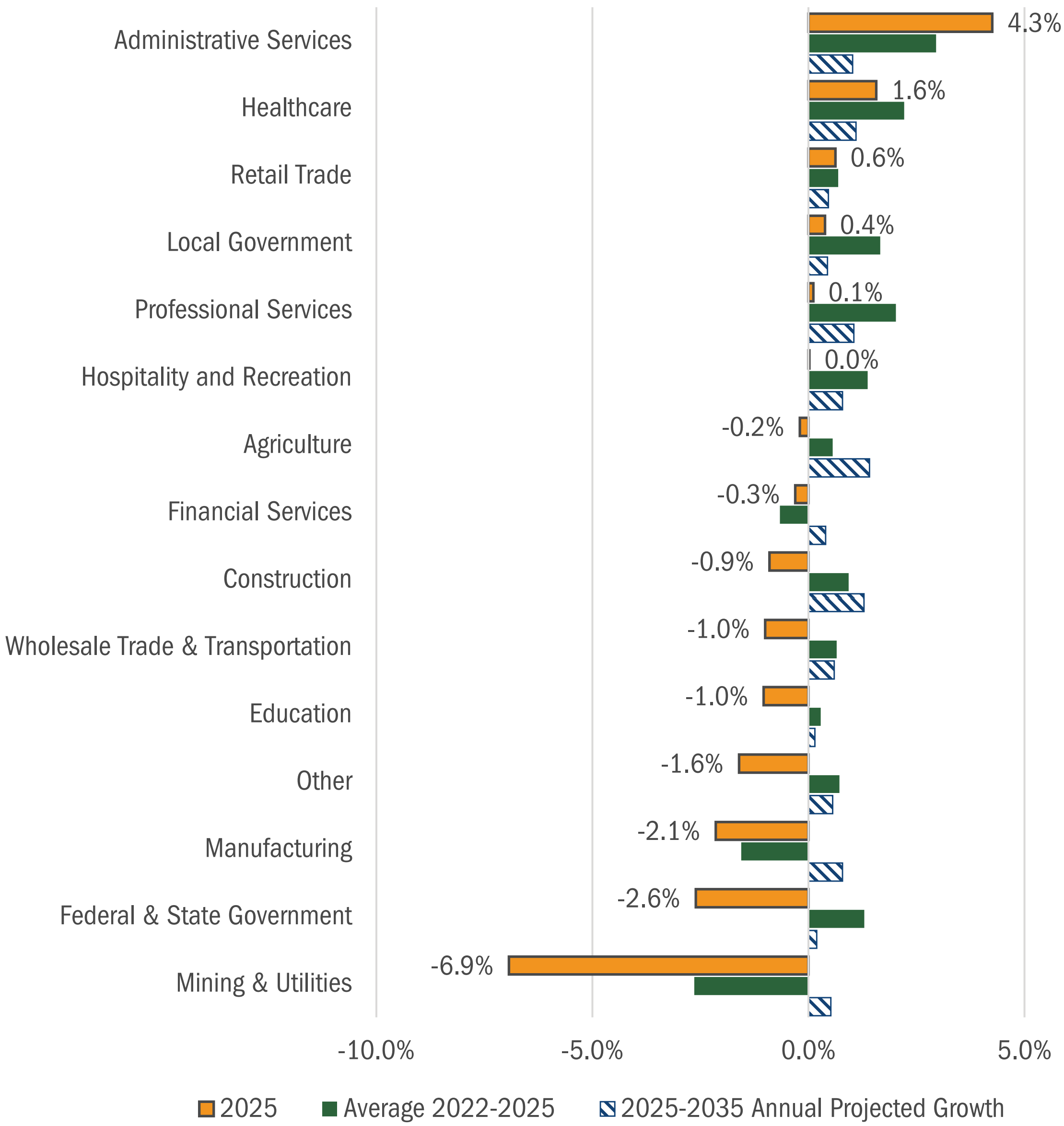
Retail trade was the third largest contributor to job growth in 2025, adding about 390 jobs statewide. Shifts in consumer preferences toward ecommerce and bigbox formats have generated expansion of large retail chains in Montana over the last year, as new distribution and store facilities come online.[7] Clothing stores, grocery stores, motor vehicle dealers, and gas stations have all shown positive job growth over the past three years, reflecting steady demand tied to tourism, travel, and a post pandemic period of strong retail spending growth.[8,9]

The largest job losses in 2025 occurred in mining. Mining and utilities together shed about 660 jobs, a 6.9% decline in industry employment. Most of these losses stemmed from Sibanye-Stillwater layoffs announced at the end of 2024, whose full employment impact did not appear until 2025. Utilities' employment increased over the year as facilities expanded to meet growing energy and consumer demand, partially offsetting mining losses.[10] Figure 6 shows the employment growth rate by industry since 2022 in Montana.

The number of federal jobs in Montana dropped sharply during 2025 as part of efforts by the federal government to reduce its workforce. Most of these job losses occurred in the Department of the Interior and the Department of

Agriculture during the first quarter of 2025.[11] State jobs also fell slightly during the year. Combined federal and state government employment declined by 2.6% in 2025. This translates to about 530 fewer jobs, making government the second-largest declining industry that year. Local government job growth slowed in 2025 compared to its three-year average but remained positive. Local government job growth includes city and county governments, Tribal governments, and other local administrative agencies.

Figure 6: Montana Employment Growth Rate by Industry, Historic and Projected



Source: QCEW 2022 to 2025 employment by industry. 2025-2035 MTDLI employment projections by industry, average annual job growth rate. Other services include information, management of companies, and other services. Industry employment includes public and private sector employment.

Manufacturing employment continued to decline in Montana, falling by 2.1% in 2025 – the third largest decline among industries. Closure and layoffs at three large wood products manufacturing companies over the last two years drove the overall decline in manufacturing jobs.[12,13] Manufacturing related to beverages and tobacco, and printing and related support activities also declined and contributed to industry loss during the year. MTDLI projects a return to growth for the manufacturing sector over the next decade as the state experiences increased investment in aerospace and advanced manufacturing.[14,15] Manufacturing employment is projected to grow by 0.8% per year through 2035.

Construction employment edged down slightly in 2025 for the first time in over a decade but remained near record levels. Rising interest rates and a slowdown in home sales have cooled Montana's residential construction market, with housing permits and starts in 2025 down from their 2021–2022 peak.[16,17] Construction job losses were concentrated in the general construction of buildings. Jobs in heavy and civil engineering, and specialty trade contractors rose in 2025. Businesses providing more specialized services, like plumbers and electricians, have experienced the fastest employment growth over the last five years within the construction industry.

Rising borrowing costs also dampened financial activity, contributing to a decline in financial service employment in 2025 as well. Losses were concentrated in real estate and banking employment. Real estate and commercial banking employment have been declining in Montana since 2023, coinciding with a period of interest rate hikes by the Federal Reserve Bank to combat inflation.[18] These losses were partially offset in 2025 by gains in insurance, and financial investment employment.

Hospitality and recreation employment remained unchanged in 2025, as gains in accommodation, arts, entertainment and recreation employment were offset by declines in food service jobs. Food service employment growth has been decelerating since the post-pandemic boom, and 2025 marks the first decline since 2020 – even as nominal spending on food services in Montana continued to rise.[19,20] Real output from the accommodation and food service sector fell in 2025 as well, mirroring a national trend of softening demand for services.[21] Recreation spending and employment, by contrast, continued to grow as more residents and visitors took advantage of the state's abundant recreation opportunities.[22]

Montana Public School Teacher Compensation Lags National Average

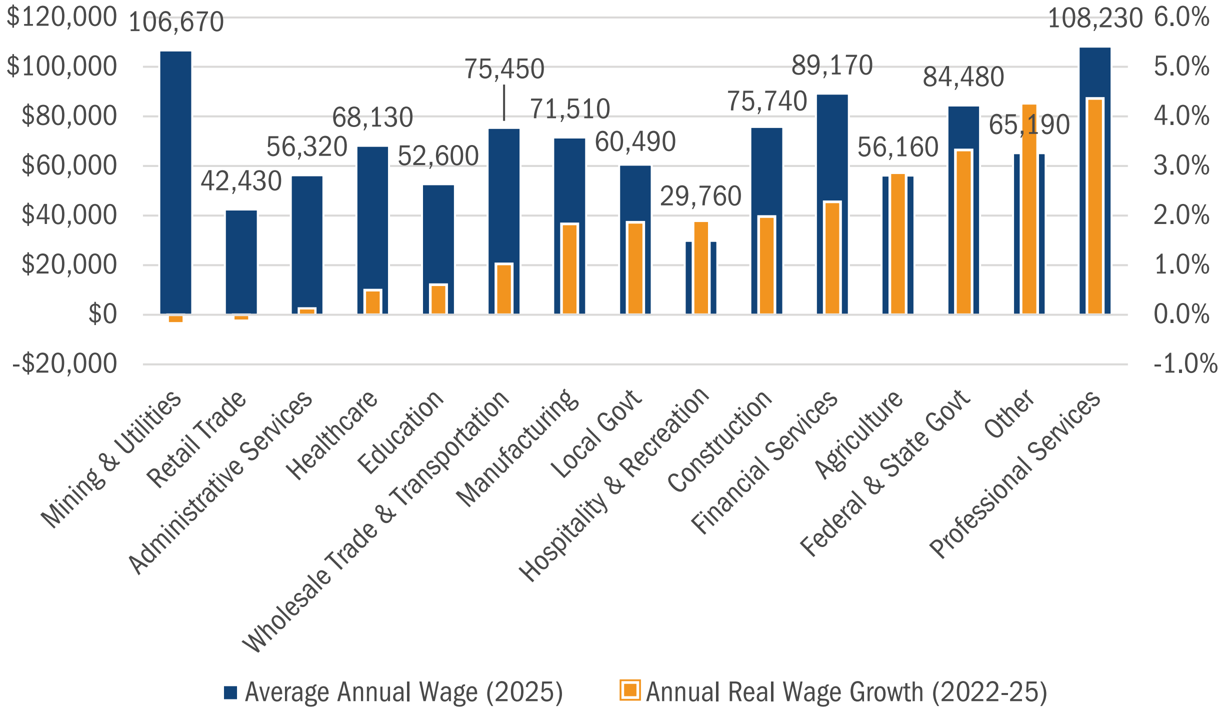
Montana's public education system provides critical support to the state economy, training the future generation of Montanans. Challenges with recruitment and retention of qualified teachers prompted MTDLI to undertake an in-depth analysis of teacher compensation across the state. This analysis found Montana public school teachers earned an average annual salary of $61,200 during the 2024-25 school year, with salaries varying by school size, teacher educational attainment, and teacher experience. Teacher salaries ranked 40th highest of all fifty states. Entry-level teachers earn $40,600 on average, ranking 49th highest of all fifty states.[23]

Teacher salaries declined since 2022 on an inflation-adjusted basis, falling at an average annual rate of 1.2% over the last three years. Persistently low salaries contribute to elevated turnover rates. Teachers who remain in the profession are more likely than the average Montana worker to hold a second job to supplement their income.[24]

Montana's Student and Teacher Advancement for Results and Success (STARS) Act—House Bill 252, enacted during the 2025 legislative session—provides approximately $100 million in additional state funding for districts that raise starting salaries. The law sets phased targets that move beginning teacher compensation closer to the district average, helping schools compete for and retain qualified educators statewide.[25]

Jobs in education declined in 2025, with most of the losses coming from the public K-12 school system. Workforce challenges in the state's K-12 educational system are widely reported.[26] Chronic teacher shortages limit job growth in the state. Private K-12 schools and Montana's colleges and universities also reported job loss during the year. Wage gains in public education outpaced inflation for the second consecutive year, as school districts compete for an increasingly limited supply of educators. Since 2022 inflation-adjusted wages have grown by 0.6% in education. Figure 7 shows the average annual wage and average real wage growth by industry.

Figure 7: Montana Average Annual Wage and Real Wage Growth by Industry



Source: MTDLI QCEW. Other services include information, management of companies, and other services. Industry employment includes public and private sector employment.

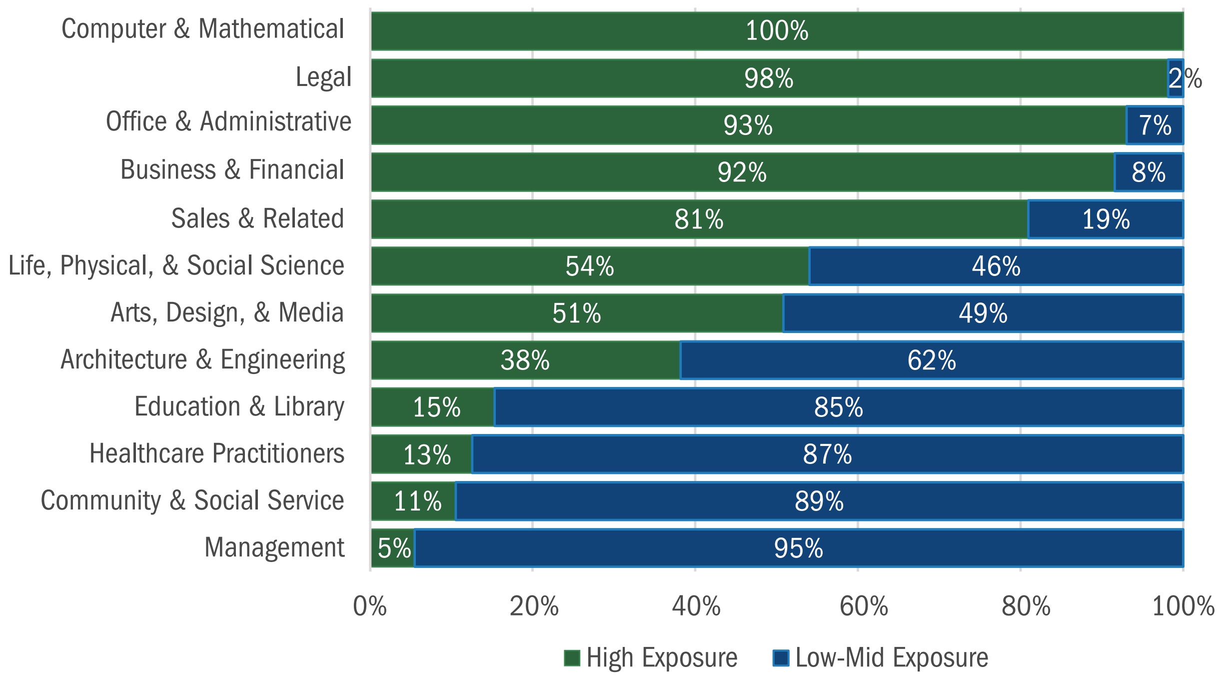
Professional services surpassed mining and utilities as the highest paying industry in 2025, with an average annual wage of $108,230. Real wage gains have been fastest in this industry since 2022 relative to other industries, growing by 4.4% on an inflation-adjusted basis. Professional services have had strong cumulative job growth in Montana since 2022, but the pace of job gains decelerated in 2025 after several years of rapid expansion. Slower job gains and very rapid wage growth suggest firms are becoming more selective and productivity-oriented in their use of high-skill labor. Despite the slowdown, Montana's professional services jobs still grew about 2% annually over the last three years, a rate that ranked 15th among states.

How Artificial Intelligence is Reshaping Work in Montana

Artificial intelligence (AI) is beginning to change how Montanans work. About one in five Montana businesses reported using AI tools in June 2026, ranking the state 26th nationally.[27] Early evidence suggests that AI has not yet produced widespread changes in employment or wages, although emerging research points to more concentrated effects among particular firms and workers, especially those early in their careers.[28] Using task-based measures that combine occupational data with real-world AI usage, MTDLI estimates that approximately 31% of Montana payroll employment—about 157,600 jobs—is highly exposed to AI. High exposure does not imply that these jobs will disappear in the coming years. Instead, AI is likely to reshape the tasks workers perform, increasing the need for reskilling and upskilling among Montana's existing workforce.

Montana ranks 33rd in the nation by the share of payroll employment in high exposure occupations. Montana's workforce is less exposed to AI than the national average, due to the state's higher concentration of hands-on occupations – such as construction, healthcare, agriculture, and food service. Figure 8 shows how the percent of AI exposure varies by occupational category.

Figure 8: Share of Occupations Highly Exposed to AI by Category



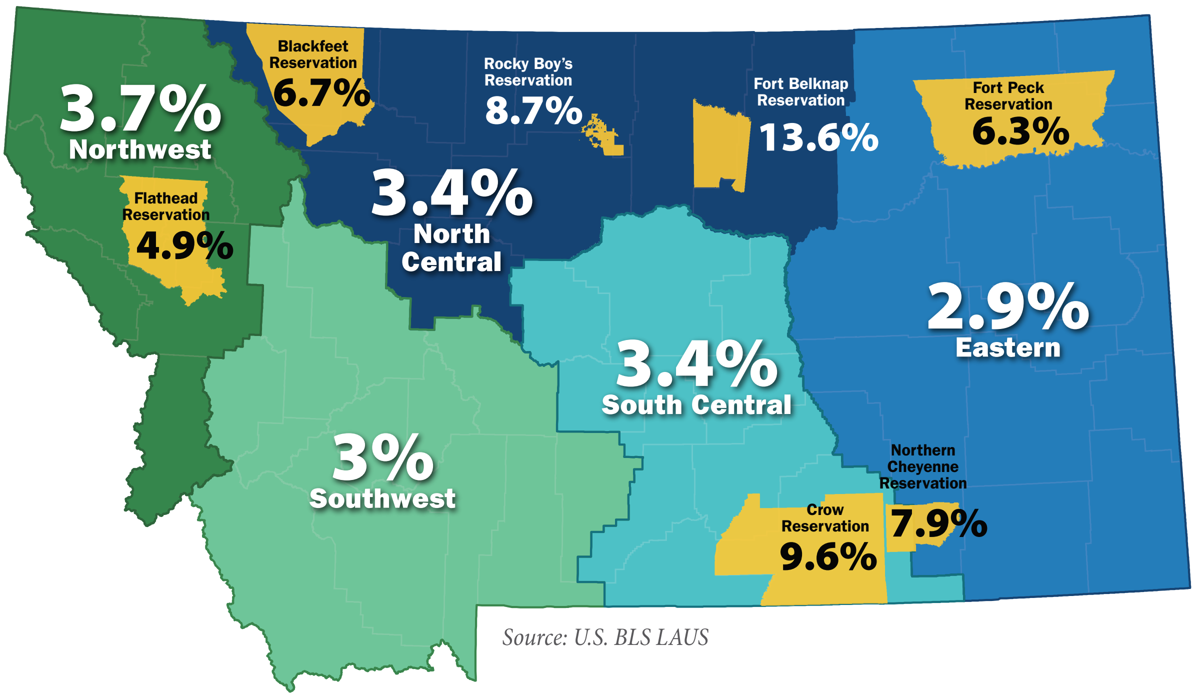
Source: OEWS 2025 (BLS); AEI job exposure (Anthropic); AIOE scores (Felten, Raj & Seamans); Copilot applicability scores (Microsoft); "GPTs are GPTs" occupational exposure scores (Eloundou et al./ OpenAI).

Jobs with the highest AI task overlap are concentrated in computer and mathematical, office and administrative support, business and finance, legal, architecture, engineering, and sales. AI-exposure is also higher for occupations that require more education. 41% of jobs requiring a master's degree or higher are highly exposed, compared to only 26% of occupations requiring a high school diploma or less. Through the Governor's 406 JOBS initiative, Montana is expanding AI skills training, promote skills-based hiring, and modernizing digital tools across the workforce.

Regional Labor Market Trends

Over the last year most regions of Montana experienced an increase in the number of people looking for work - a welcome sign for many businesses who have been struggling to find workers during the state's decade-long labor shortage. Unemployment rates ticked up across the state, driven by an increase in the labor force and slight employment declines in most regions. Figure 9 shows the unemployment rate for Montana regions and reservation areas in 2025. Despite recent increases, unemployment rates remain below the region's long-run average.

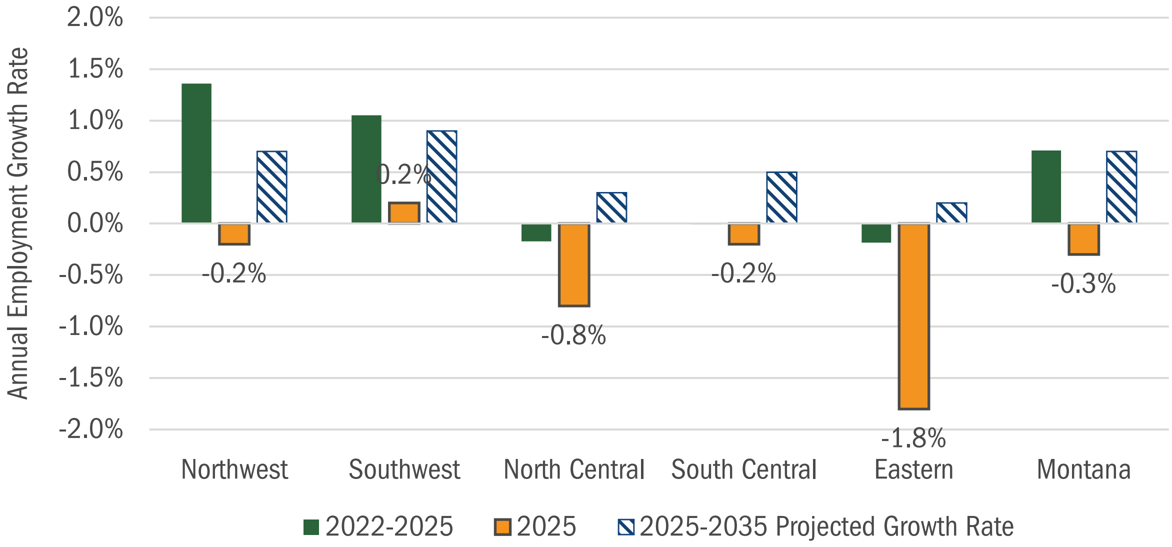
Figure 9: Unemployment Rate by Region and Reservation, 2025



Source: U.S. BLS LAUS

Regional labor markets across Montana experienced relatively modest employment declines in 2025. Southwest Montana was the only region to post job gains, growing by 0.2% and adding about 400 jobs. Much of these job gains occurred in accommodation and retail trade, driven by increased travel spending and the expansion of large retail chains in Montana over the last year.[29,30] Gains in hospitality and recreation, retail trade, and healthcare offset declines in manufacturing and construction employment in the Southwest. Figure 10 shows the historical and projected employment growth by region relative to the statewide average.

Figure 10: Annual Employment Growth by Region, Historic and Projected



Source: U.S. BLS LAUS 2022-2025. MTDLI 2025-2035 employment projections, annual projected growth rate.

The Eastern region experienced the sharpest declines in employment among Montana regions. Employment in Eastern Montana fell by 1.8%, translating to 650 fewer jobs. Job losses were broad-based, with the largest declines in mining and construction. Construction employment dropped as several major infrastructure projects reached completion. Manufacturing, financial and professional services were bright spots in the region, adding jobs in 2025.

The North Central region also experienced more acute job losses than the statewide average in 2025, reporting a 0.8% decline in employment. Healthcare and government employment contracted most significantly in the region due in large part to intentional efforts by the federal government to reduce its workforce. North Central Montana lost 130 government jobs, primarily within the National Security and International Affairs sector. These losses were partially offset by job growth in professional services and construction. Figure 11 shows the industries with the largest job growth and decline in each region of the state in 2025.

Figure 11: Employment Change by Region for Select Industries, 2025

	Largest Job Gain		Largest Job Loss	
Northwest	Health Care	630 (2.6%)	Hospitality and Recreation	-310 (-1.4%)
	Construction	330 (2.8%)	Manufacturing	-260 (-3.3%)
Southwest	Hospitality and Recreation	740 (2.9%)	Manufacturing	-320 (-4.7%)
	Retail Trade	400 (2.2%)	Construction	-280 (-2.0%)
North Central	Construction	160 (4.4%)	Health Care	-210 (-2.0%)
	Professional Services	110 (6.1%)	Government	-130 (-2.2%)
South Central	Health Care	610 (3.5%)	Mining & Utilities	-420 (-15.5%)
	Administrative Services	105 (2.5%)	Construction	-290 (-3.9%)
Eastern	Manufacturing	20 (5.5%)	Mining & Utilities	-160 (-8.5%)
	Financial Activities	20 (1.6%)	Construction	-100 (-5.8%)

Source: MTDLI QCEW 2025. Job change shown in 2025 by region and industry with growth rate shown in parenthesis.

Employment in the Northwest and South Central regions fell by 0.2% in 2025. In the Northwest declines were most significant in hospitality and recreation, specifically within food service and accommodation. The decline in food service and accommodation employment coincides with a dip in visitation to the region's primary tourist destination - Glacier National Park.[31] Manufacturing employment also declined due to layoffs at a major wood products facility.[32] These losses were partly offset by job gains in hospitals, nursing and residential care, heavy and civil engineering, and specialty construction. In the South Central region, healthcare job growth similarly helped counteract mining employment declines stemming from Sibanye-Stillwater's late-2024 layoffs.

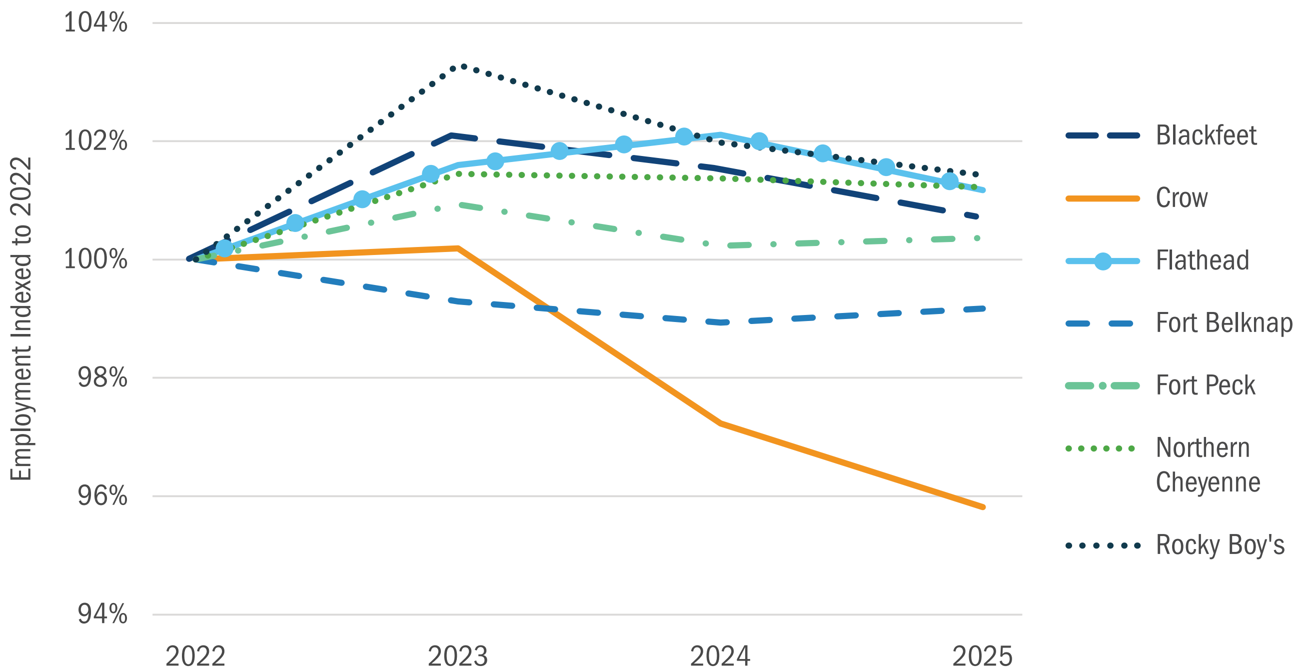
All regions are projected to experience job gains over the next ten years. The Northwest and Southwest regions are expected to have the strongest job growth, fueled by population increases and expansion in various sectors such as construction, healthcare, manufacturing, and professional services. Employment growth in the South Central region is projected to stabilize after the recent loss of mining jobs — adding jobs in healthcare, manufacturing, construction, and agriculture. The North Central and Eastern regions are forecasted to have moderate job growth, limited by lower in-migration rates than the western regions.

Tribal Economies

Montana is home to seven Indian reservations and eight federally recognized Native nations representing thirteen Tribes. More than half of American Indians in the state live on tribal lands where local economies support their livelihoods. Reservation areas reported either stable or slightly declining employment levels in 2025. Employment on the Fort Belknap and Fort Peck Reservations was largely unchanged while other areas experienced modest job losses. The Crow Reservation saw the largest decline with employment falling by 1.4%.

Despite recent declines, most reservation areas have added jobs since 2022. Figure 12 shows employment growth in the reservation areas indexed to 2022, with all areas except the Crow and Fort Belknap Reservations reporting employment above 2022 levels.

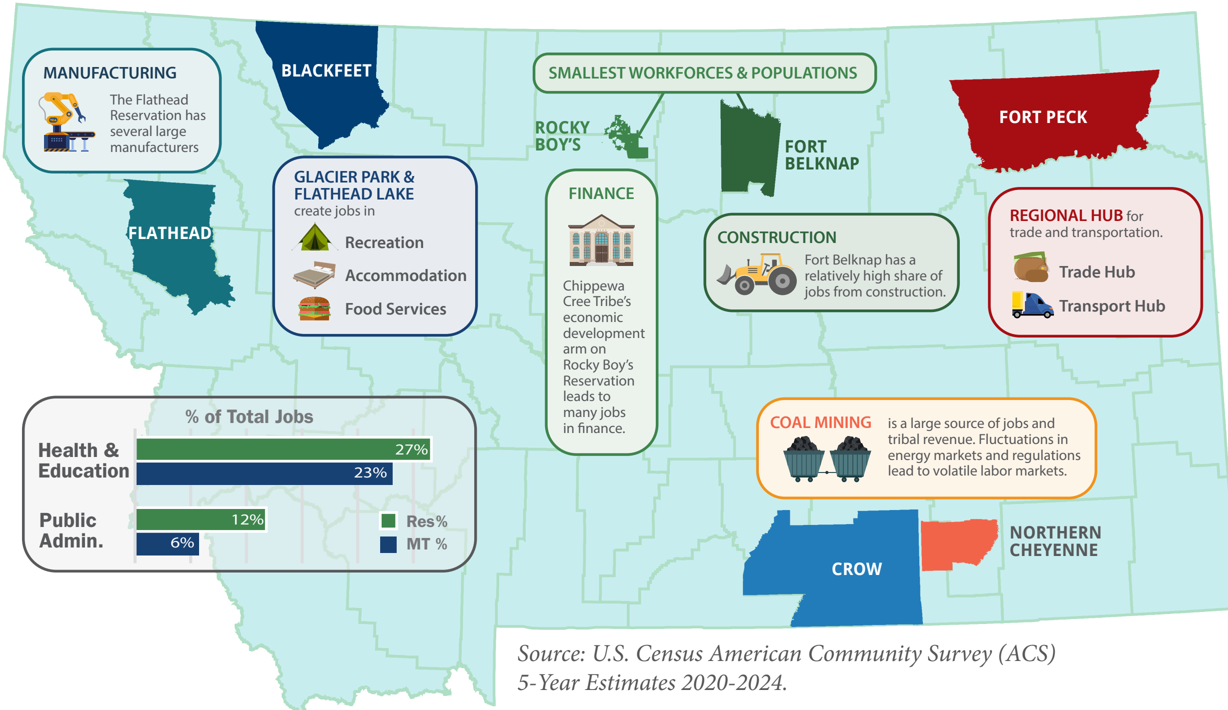
Figure 12: Reservation Employment Growth Indexed to 2022



Source: Source: U.S. BLS LAUS 2022-2025.

Public administration, education, and healthcare are the largest employing industries across the reservations. Each reservation has a tribal college, an Indian Health Service unit, and tribal government. Beyond those large sectors, the reservation economies are closely tied to their area's resources and local specialties, creating variation in economic opportunities across reservations. For example, the Blackfeet reservation's economy benefits from tourism to Glacier National Park, while the Flathead reservation includes several large manufacturers. The Crow and Northern Cheyenne economies fluctuate with changes in the energy market due to the jobs and revenues from coal mining. Figure 13 highlights the variation in tribal economies across the state's seven reservations.

Figure 13: Industry Employment in Montana Reservation Areas, 2025



Source: U.S. Census American Community Survey (ACS) 5-Year Estimates 2020-2024.

Although tribal communities are unique, they share similar hardships and remain economically sensitive areas of the state. Reservation areas consistently report higher unemployment and lower labor force participation rates than the statewide average. Across the state, 56% of American Indians were employed or actively seeking work, seven percentage points lower than the state average. Figure 14 shows the variation in select characteristics of the American Indian population residing on each reservation.

Figure 14: American Indian Population Quick Facts by Reservation Areas

	Blackfeet	Crow	Flathead	Fort Belknap	Fort Peck	Northern Cheyenne	Rocky Boy's
Population (% AI)	8,879 (87%)	5,706 (83%)	11,316 (35%)	3,043 (97%)	7,079 (72%)	4,045 (93%)	1,789 (99%)
Labor Force Participation	52.7%	50.9%	59.7%	52.9%	52.8%	51.2%	50.7%
Median Household Income	$35,584	$56,022	$50,248	$51,154	$37,960	$33,693	$49,712

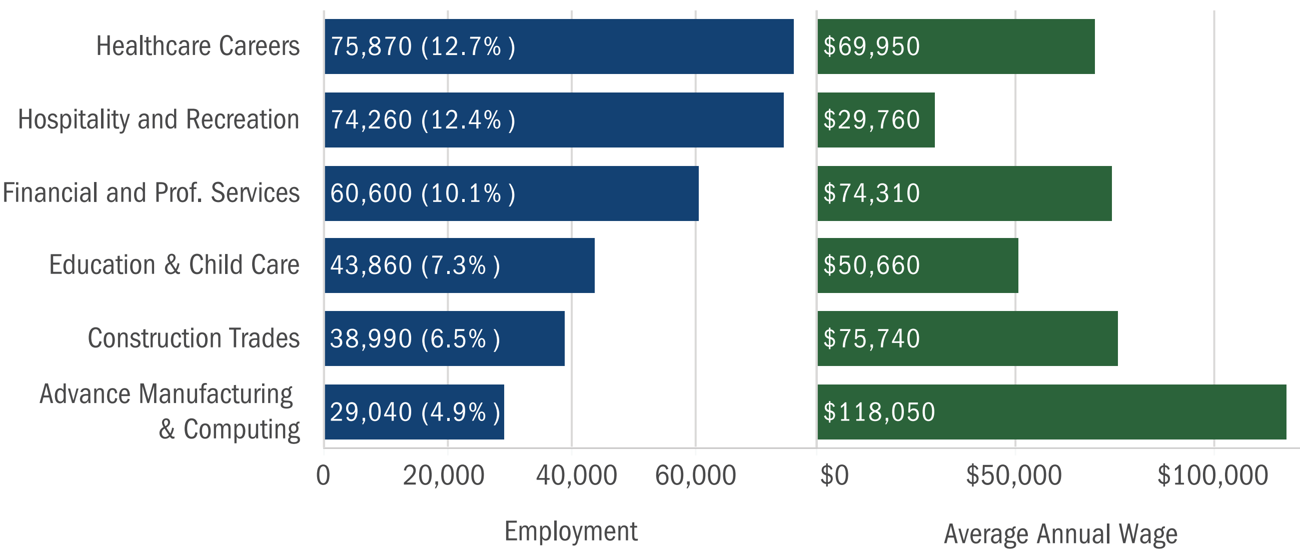
Source: U.S. Census American Community Survey (ACS) 5-Year Estimates 2020-2024. Includes American Indian only and in combination with another race.

Montanans identifying as American Indian are also more likely than average to become unemployed. Those that are unemployed experience longer periods of unemployment than non-native Montanans. From 2021 to 2025, Native Montanans were unemployed for an average of 24 weeks, compared to 14 weeks for their white counterparts. Continued efforts to engage Native workers through education, training, and targeted workforce programs will help support economic growth and reduce these disparities.

On August 11, 2025, Governor Gianforte signed Executive Order 5-2025, establishing the 406 JOBS Initiative to modernize Montana's workforce system. The initiative targets six high-priority sectors facing chronic workforce shortages: health careers, education and child care, construction trades, hospitality and recreation, financial and professional services, and advanced manufacturing and computing. Together, these sectors account for thousands of Montana jobs and billions of dollars in state GDP.

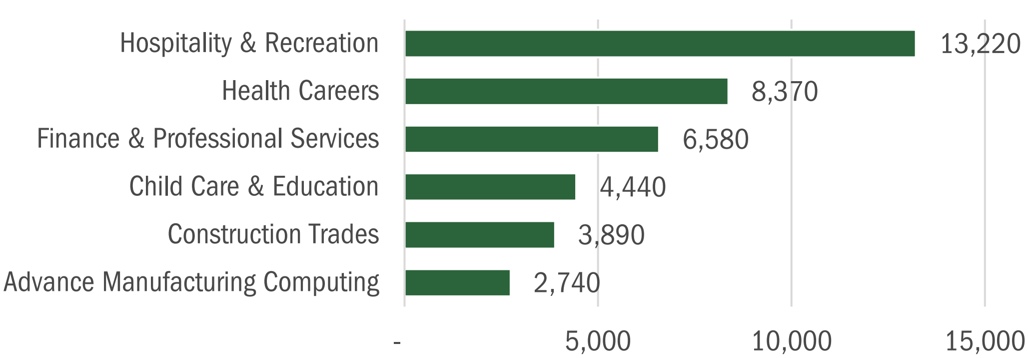
$46.2B	322,230	56%	59%
Dollars in economic production in Montana	Montanans employed in 406 JOBS industries.	Of Montana GDP in 406 JOBS industries	The share of projected job openings in 406 JOBS industries

Figure 15: Employment and Wages by 406 JOBS Sector, 2025



Source: MTDLI QCEW 2025.

Figure 16: Annual Projected Job Openings by 406 JOBS Sector, 2025-2035



Source: MTDLI Employment Projections 2025-2035.

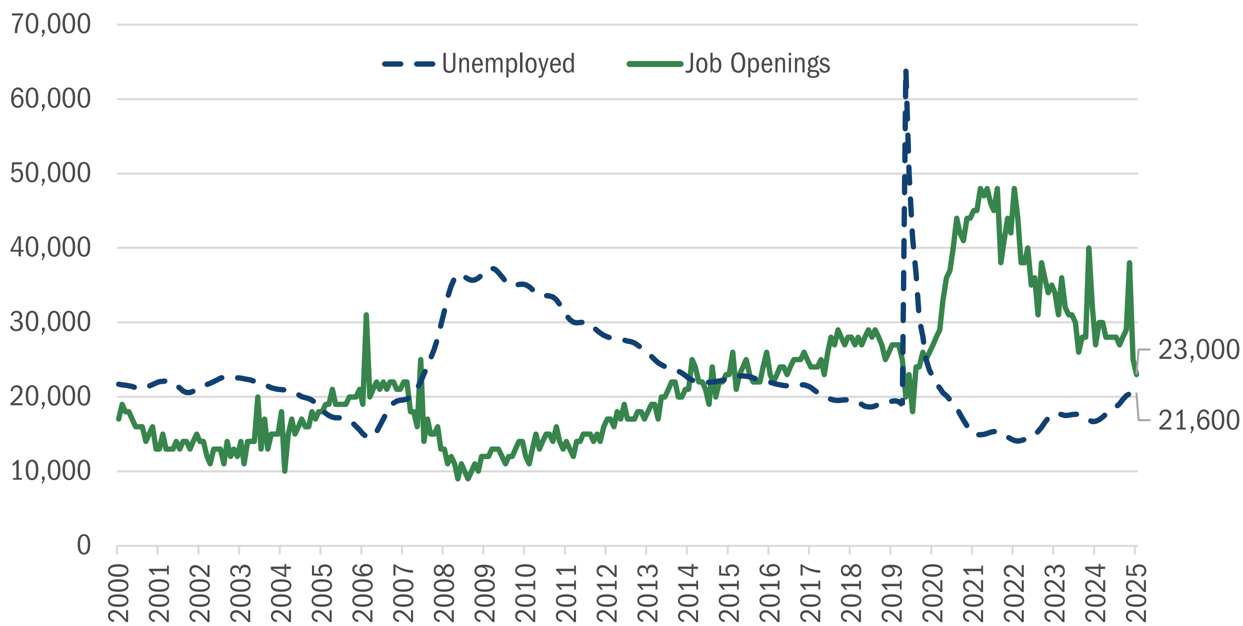
In 2025 there were 1.1 job openings for every unemployed person in Montana.

Labor Force Dynamics

The Montana labor force reached a record high in 2025, with over 577,800 people working or actively looking for work. The size of the labor force increased slightly over the last year, adding about 500 workers, helping to ease the state's historically tight labor market. Continued in-migration and a rebound in labor force participation among the state's younger population have helped mitigate the impacts of increased retirements and an aging population on the size of the Montana labor force.

For the last decade the Montana labor market has been characterized by a shortage of available workers. Since 2015, the number of job openings has consistently been greater than the number of people looking for work. Figure 17 shows the number of job openings compared to the number of unemployed people in the state. At its peak in 2022, there were more than three job openings for every one job seeker. Since then, the gap has narrowed as more people have entered or returned to the labor force and hiring has cooled from its peak. By the end of 2025, there were about 1.1 job openings for every unemployed person in the state, a sign that the labor shortage has eased but not disappeared.

Figure 17: Number of Job Openings and Unemployed Persons in Montana

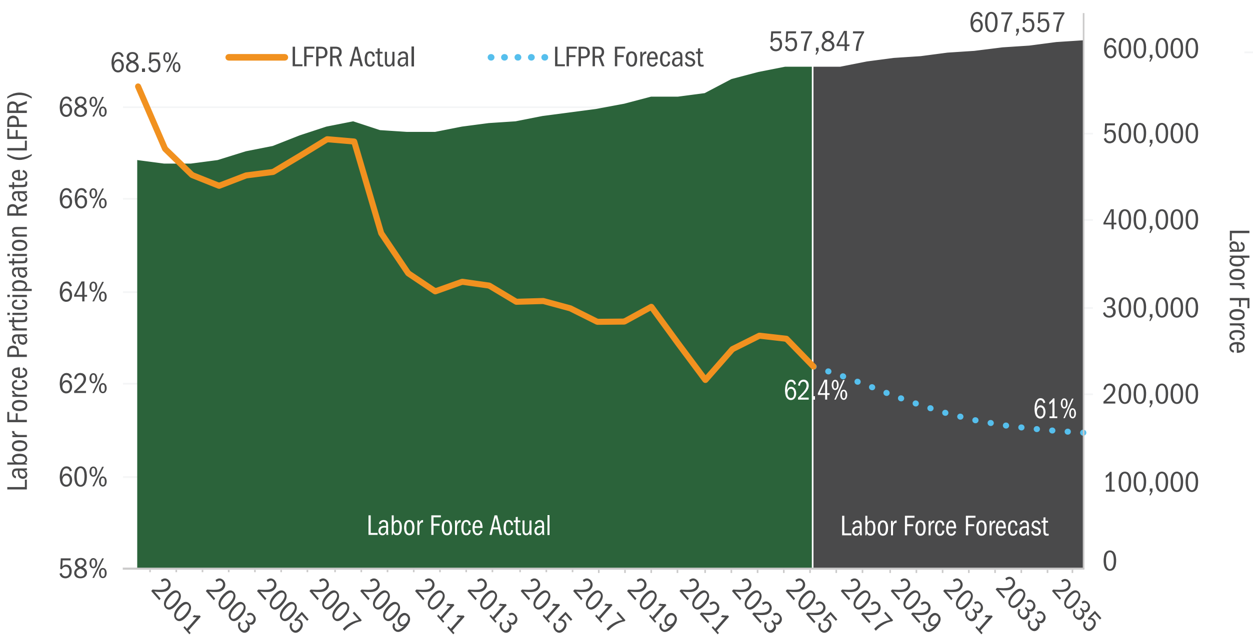


Source: U.S. BLS Job Openings and Labor Turnover Survey (JOLTS) and LAUS, December 2000 to December 2025. Unemployment level and job openings are rounded to the nearest thousand.

Labor Force Participation

Of the approximately 920,000 Montanans who are old enough to work, 62.4% participate in the labor force.[33] The labor force includes everyone who is working or actively seeking work. Labor force participation rates have been declining in Montana and across the nation for the last few decades due to demographic shifts in the population. As baby boomers continue to retire, the state is witnessing a structural decline in labor force participation. Demographic trends indicate that the aging population will continue to exert downward pressure on labor force participation over the next decade. Figure 18 shows the size of the labor force and the participation rate from 2000 projected through 2035.

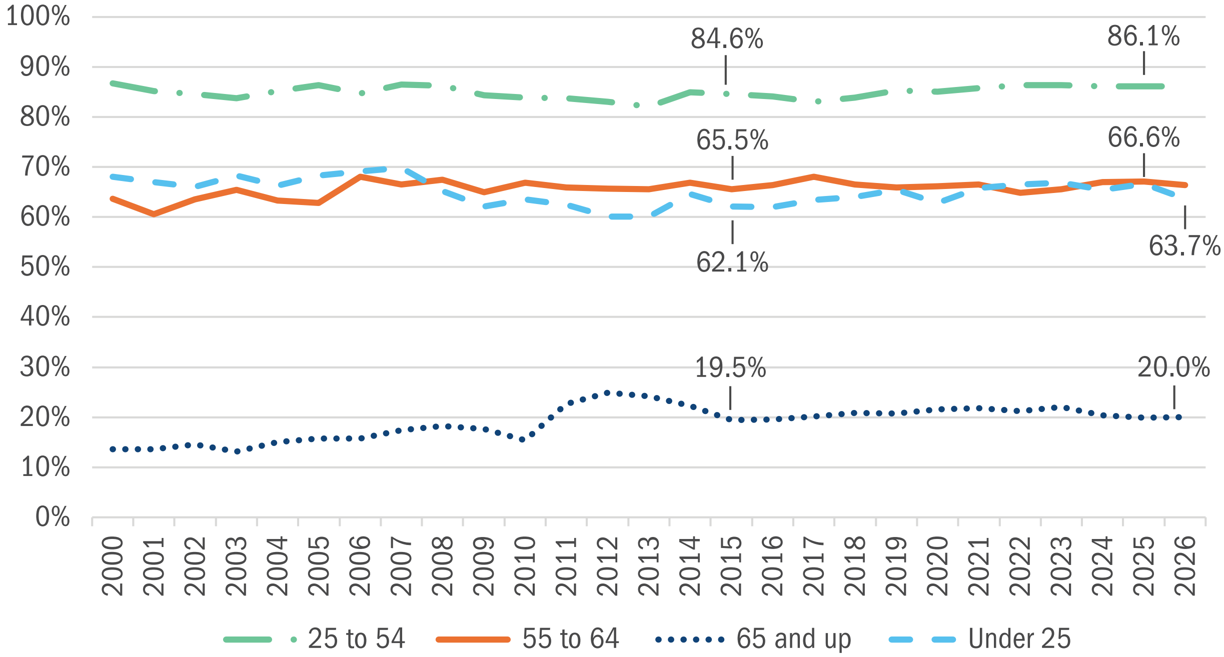
Figure 18: Labor Force and Participation Rate, Historic and Projected



Source: U.S. BLS LAUS 2000-2025. Labor force Projections 2025-2035, MTDLI.

While the statewide labor force participation rate has been declining over the long-run, labor force participation within age groups has remained stable or increased over the last year (Figure 19). All age groups report higher labor force participation rates than a decade earlier, with young adults aged 16 to 24 years old experiencing the largest increase. Labor force participation for young adults reached 67% in 2025, up 4.5 percentage points since 2015.

Figure 19: Labor Force Participation Rate by Age Group in Montana



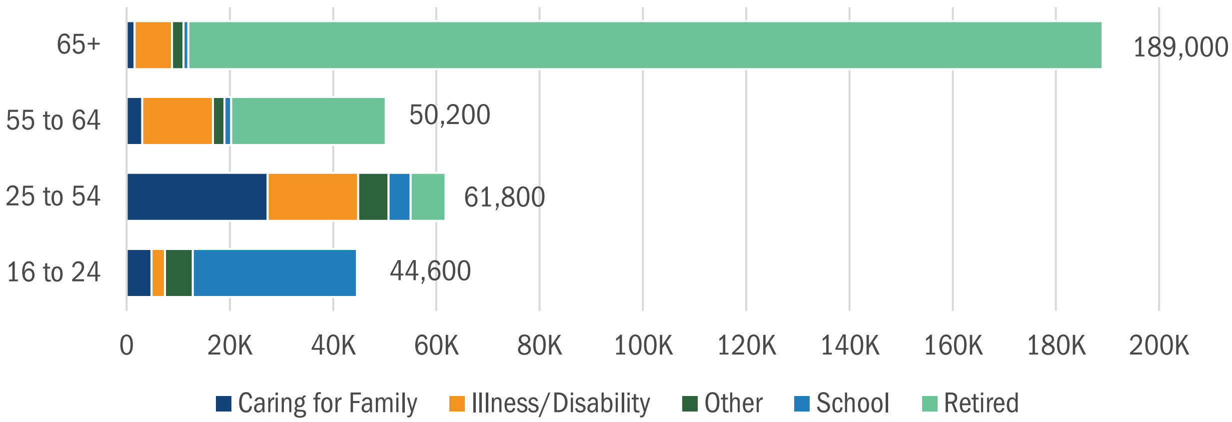
Source: IPUMS CPS, Integrated Public Use Microdata Series, Current Population Survey, Version 13.0 (Flood et al., 2025). Labor force participation rates calculated as the 12-month moving average ending Dec 2025. Labor force participation rates shown in 2015 and 2025.

Labor force participation rates peak at 86% for Montanans in their prime-working years, between the ages of 25 and 54. The prime-age labor force participation rate held steady over the last year and has increased by 1.5 percentage points since 2015. Labor force participation rates decline around age 55 as many Montanans begin to retire, falling to about 67% between 55 and 64 years old. While retirement is the primary reason Montanans in this age category leave the labor force, the percentage leaving due to illness or disability has risen slightly over the last few years. The percentage of Montanans between 55 and 64 years old who were out of the labor force due to illness or disability rose from 26% in 2018 to 28% in 2025.[34]

The most significant drop in labor force participation occurs after the age of 64. Only 20% of Montanans 65 years and older are working or actively seeking work. While labor force participation rates are low for this age category, they are above the national average. Nearly all (94%) of Montanans over the age of 64 who are not working are retired.

In total, an estimated 345,000 Montanans over the age of sixteen did not participate in the labor force in 2025. Most (60%) of these individuals are retired and over the age of 55. The number of retirees has steadily increased in Montana since the 1990s, reaching more than 220,000 in 2025.[35] Figure 20 shows the number of Montanans who are out of the labor force by age and reason.

Figure 20: Montanans Out of the Labor Force by Age and Reason



Source: IPUMS CPS 2024 2-Year Moving Average.

Approximately 106,000 Montanans between the ages of 16 and 54 years old were not working or actively seeking work in 2025. Individuals under the age of 25 most commonly cite educational responsibilities as their reason for lack of participation. Over 70% of the 44,600 young adults who were not in the labor force in 2025 identified school as their primary reason for lack of participation.

Just over 61,000 Montanans between the ages of 25 and 54 are not working or seeking work, comprising 18% of those out of the labor force. The most common reason prime-working aged adults aren't participating in the labor force is family responsibilities. An estimated 23,500 Montana parents did not participate in the labor force because they were caring for family in 2025 – accounting for nearly 40% of all prime working age adults out of the labor force.[36]

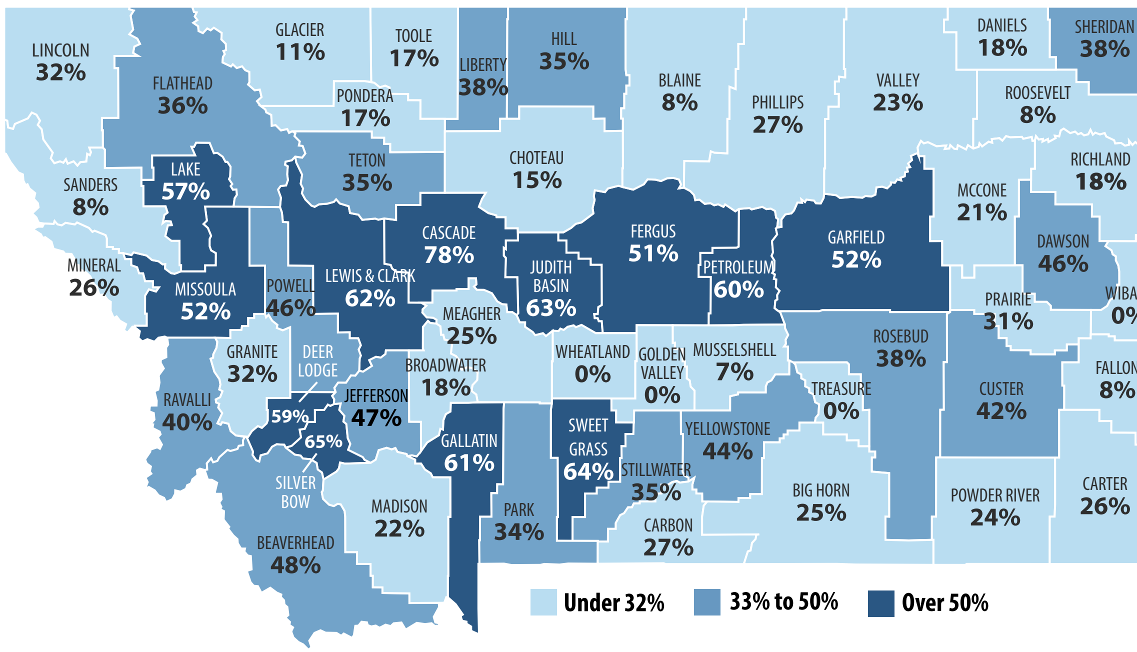
Approximately 106,000 Montanans between the ages of 16 and 54 years old were not working or actively seeking work in 2025.

Lack of Child Care Limits Parental Workforce Engagement

Access to child care is essential to a healthy economy, allowing parents of young children to engage in the labor force and preparing the state's future workforce through high-quality early childhood education. Licensed child care capacity has been consistently undersupplied despite its essential role in supporting the statewide workforce. In 2025, licensed child care capacity met only 46% of estimated demand.

Child care shortages exist across the state, with nearly 51% of counties identified as child care deserts – meaning supply meets less than a third of estimated demand. The most significant unmet demand occurs in the more rural areas of the state. Approximately 20% of children under age six live in a county designated as a child care desert. The map below shows licensed child care capacity as a percent of demand by county.

Figure 21: Child Care Capacity as a Percent of Demand from Children Under 6 by County in 2025



Source: MTDLI analysis of child care capacity data provided by MTDPHHS through 12/2025. MTDLI child care demand calculation based on U.S. Census Bureau 2024 Population Estimates Program (PEP) data provided by Montana KIDS Count and 2020-2024 American Community Survey (ACS) data produced by the U.S. Census Bureau.

A lack of high-quality child care in Montana has prevented some parents from fully participating in the labor force. In 2025, a monthly average of 23,500 Montana parents were unable to participate in the labor force due to family responsibilities and a lack of child care. An additional 34,800 Montana parents were underemployed or reported working reduced hours in 2025 – which translates to 6.0% of the state's labor force. In total, over 58,000 Montana parents were unable to fully engage in the workforce.[37]

Montana Employers Feel the Squeeze of Child Care Challenges

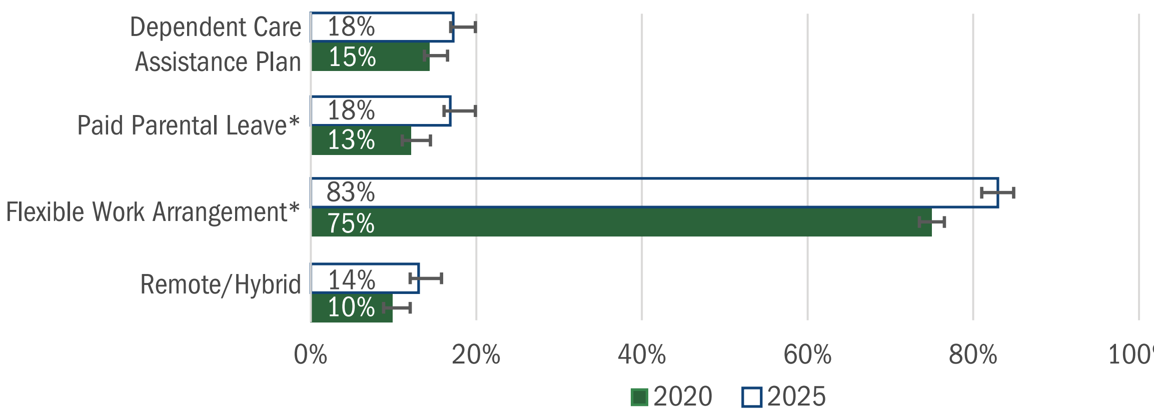
The Montana Department of Labor & Industry, with support from Zero to Five Montana, surveyed Montana businesses from November 2025 through March 2026 on how child care shortages affect their operations and the benefits employers offer to help workers overcome child care challenges. Results show that limited access to reliable, affordable child care is a meaningful barrier to workforce participation and a growing concern for employers seeking to recruit and retain qualified workers.

Four in ten Montana businesses report difficulty recruiting or retaining qualified workers because of inadequate child care options, while 31% say child care challenges have prevented their company from growing. More than 62% report a shortage of child care in their communities. Reported shortages are greatest in Southwest and Eastern Montana, where nearly 64% of businesses identify insufficient local child care. Across every region, more than half of employers agree that child care options are lacking.

How Businesses Are Responding

Businesses are increasingly using workplace flexibility and family-supportive benefits to address child care-related workforce challenges. 83% of Montana businesses now offer at least one flexible work option, up from 75% in 2020. Figure 22 shows the increasing prevalence of select family-support benefits provided by Montana businesses over the last five years by type of benefit.

Figure 22: Benefit Prevalence Among Montana Employers, 2025 and 2020



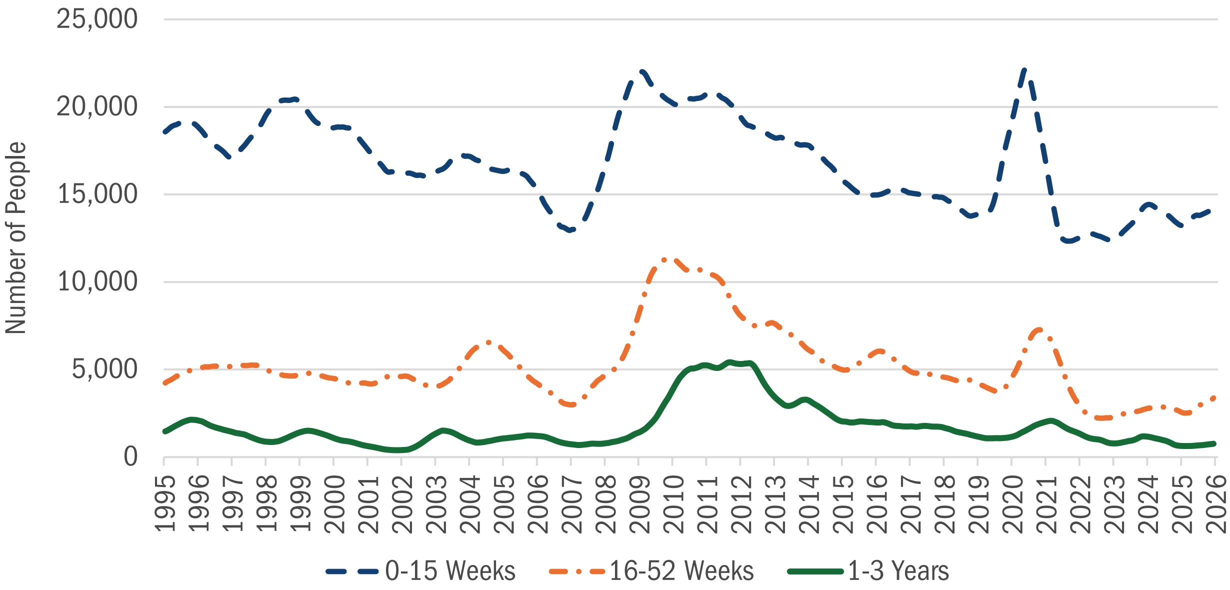
*Source: 2026 MTDLI Child care Survey of Montana Businesses. Flexible Work Arrangements include predictable scheduling, remote/hybrid, bring child to work, and reduced hours. *= statistically significant difference between 2020 and 2025 surveys.*

Flexible work arrangements and paid parental leave can help parents remain attached to the workforce while helping employers recruit and retain staff. The share of Montana employers offering paid parental leave rose to nearly 18% in 2025, and most employers offering flexible work options or paid leave report that these benefits improve their ability to recruit and retain workers.

Unemployed

Labor force growth coupled with modest declines in employment in 2025 generated an increase in the number of people looking for work. People who are not employed and are actively seeking work are classified as unemployed. An estimated 19,230 Montanans were unemployed in 2025. While historically still very low, the number of unemployed has risen to levels last experienced in summer of 2021. Figure 23 shows the number of unemployed people in Montana since 2000 by duration.

Figure 23: Number of Unemployed Montanans by Duration

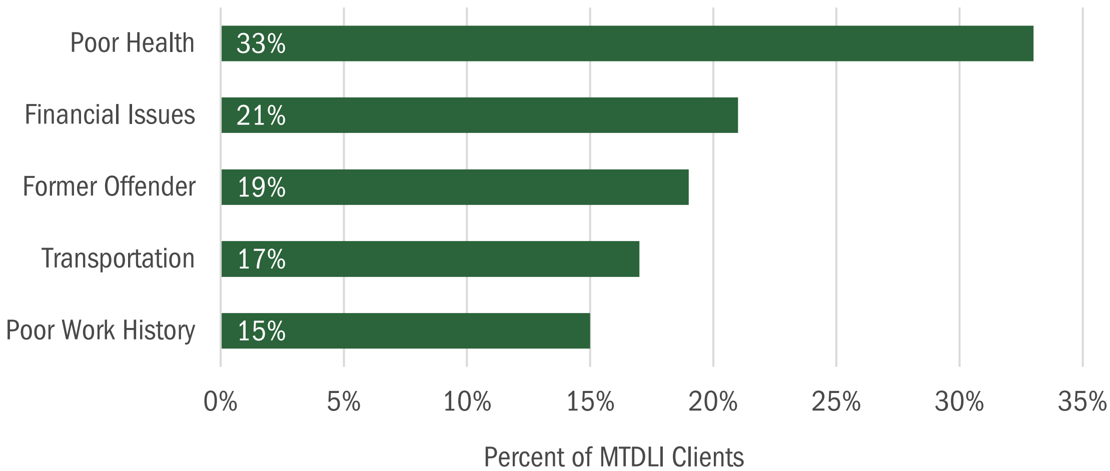


Source: IPUMS CPS, January 1995-May 2026, 12-month moving averages

Most people in Montana are unemployed for less than four months. About 80% of the 19,230 unemployed Montanans in 2025 were unemployed for fifteen weeks or less. Most (67%) of these short-term unemployed were previously employed – either having been laid off, ended a seasonal or temporary job, or voluntarily left their job.[38] The remaining third were unemployed after a period out of the labor force, perhaps attending school or taking care of family, or joining it for the first time.

Only about 4% of those unemployed have been looking for work for more than a year. Half of these long-term unemployed are re-entering the labor market after spending time in school or caring for family. About 12% of the long-term unemployed are new entrants looking for their first job.[39] Montanans who are unemployed for an extended period often face significant barriers to employment. The MTDLI works with many of these individuals to help them overcome their barriers and find stable employment. Figure 24 shows some of the most common challenges these individuals face in looking for employment. The most common barrier for the long-term unemployed served by MTDLI was poor health, followed by financial, justice, and transportation issues.

Figure 24: Barriers to Employment for Long-Term Unemployed MTDLI Clients



Source: MTDLI Wagner-Peyser clients between March 2025 and July 2026 who had been unemployed for at least a year.

Montanans reporting a disability are more likely to experience unemployment than their able-bodied counterparts. The unemployment rate for Montanans with a disability averaged 5.8% in 2024 compared to 2.8% for able-bodied adults.[40] Montanans with a disability experience similar unemployment durations as able-bodied adults. From 2021 to 2025, Montanans with a disability were unemployed for an average of 17 weeks, compared to 15 weeks for their counterparts without a disability. The most common challenges include mobility, cognitive, and independent living difficulties.

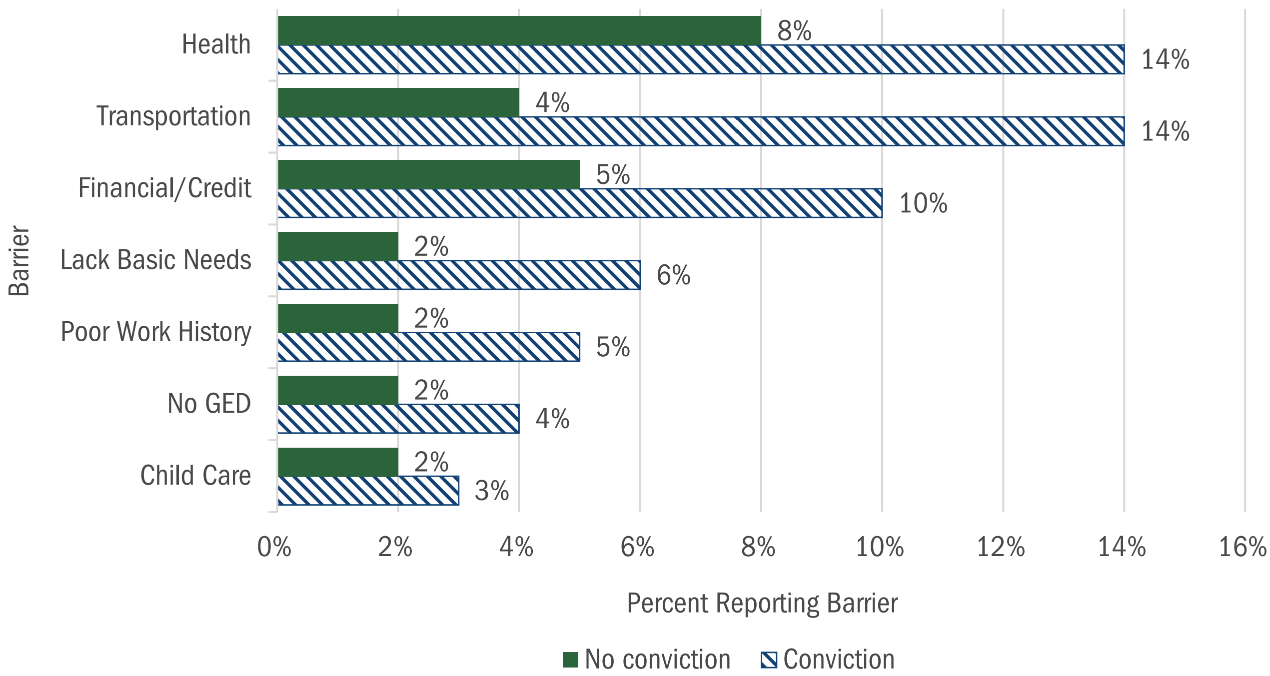
The number of unemployed people in Montana varies significantly over the past few decades, peaking during periods of economic recession and reaching record lows during periods of economic expansion. Some unemployment always exists as a natural byproduct of the fluctuations and evolution of workforce supply and demand. The MTDLI, under the 406 JOBS initiative, is working to remove barriers to employment and connect Montanans with good-paying in-demand jobs.

Reducing Barriers to Employment for Montana's Reentry Population

Montana's six secure detention facilities, nine treatment centers, and eight prerelease centers house an average daily population of about 4,500 people. Each year, more than 800 individuals are released and returned to their communities, while over 10,000 others remain under probation or parole statewide.[41]

Just over 50% of individuals released from Montana corrections facilities found UI-covered employment in Montana a year after release. The average wage observed was about $40,000 for those working year-round, less than two-thirds of the statewide average wage.[42] Individuals returning from incarceration face barriers that go beyond job readiness (see Figure 25). WIOA program data reveal that former offenders report employment barriers at nearly twice the rate of other program participants.

Figure 25: Percent of WIOA Participants Reporting Barriers, by Barrier Type



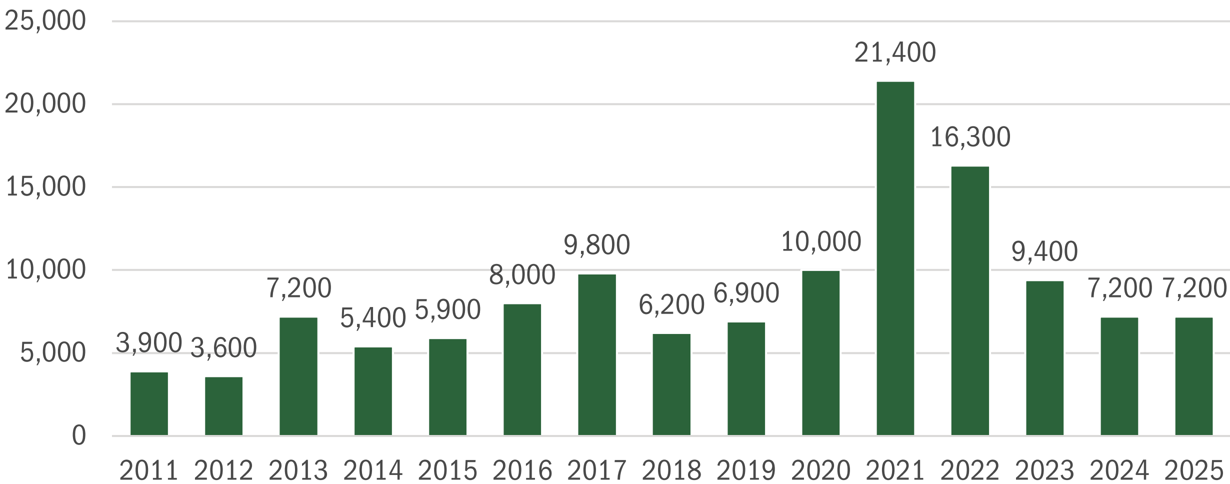
Source: MTDLI Wagner-Peyser clients between Q1 2025 and Q1 2026. Convictions are self-reported by clients.

In 2025, the Montana Legislature passed House Bill 718, creating the Office of Reentry within the Department of Labor and Industry to coordinate services for individuals preparing to leave incarceration or reentering their communities. The office aims to improve employment outcomes and support successful reintegration by addressing key workforce and reentry challenges.

Migration Drives Labor Force Growth

Montana has long been an in-migration state, meaning more people move to the state than leave each year. Consistent net in-migration has supported continued labor force growth despite declines in the state's labor force participation rate. Population growth due to in-migration was particularly acute in the post-pandemic era, adding over 37,000 people to the state's population from 2020 to 2022. Since then, growth has stabilized to a rate more consistent with the long-run average. In 2025, in-migration generated a population increase of 7,200 people. Figure 26 show net migration in Montana since 2011.

Figure 26: Montana Net Migration

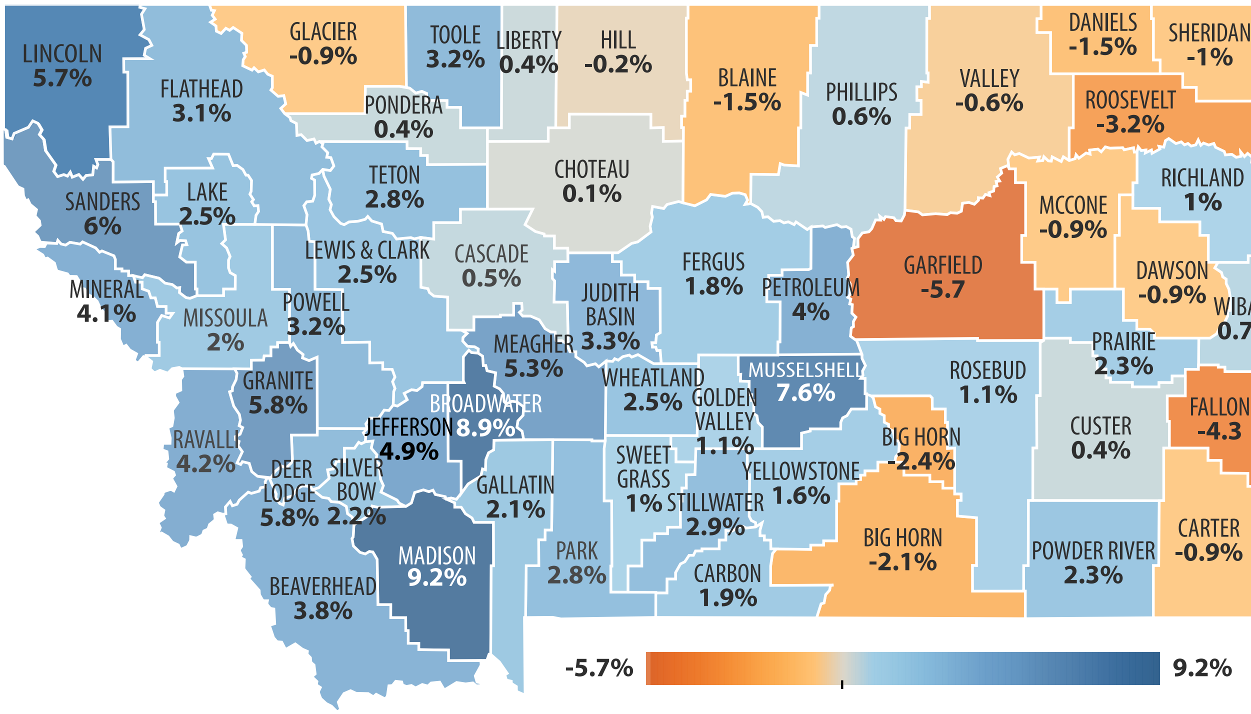


Source: U.S. Census Bureau Components of Population Change. Vintage 2020 and Vintage 2025. Rounded to the nearest 100.

Montana has experienced faster population growth due to in-migration than many other states, with Montana ranking 16th in the nation for the highest rate of migration since 2022. The state's population grew by 2.1% from 2022 to 2025 due to in-migration, translating to an additional 23,800 people.[43] Only 13.6% of net migration over the last three years was international. Most individuals are moving to Montana from other states, primarily from more populated states in the west.[44]

Most of the in-migration occurred in the western portion of the state since 2022. Significant population growth in the state's largest cities spilled over into the neighboring counties. Among smaller counties with less than 30,000 people, those bordering larger urban areas had the fastest population growth over the last three years. Figure 27 shows the net migration as a percentage of the population by county since 2022.

Figure 27: Population Growth due to Migration, 2022 to 2025



Source: U.S. Census Bureau, Annual Resident Population Estimates, Estimated Components of Resident Population Change: July 1, 2022 to July 1, 2025.

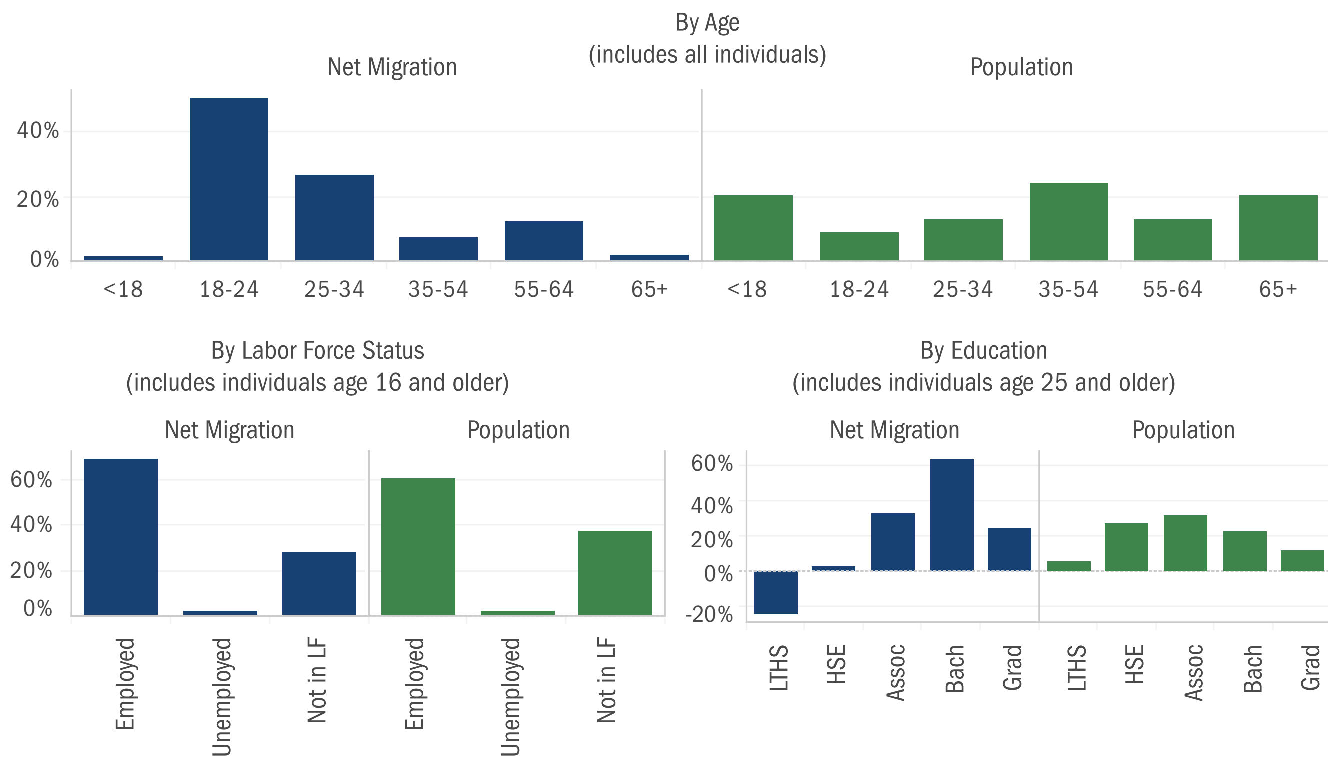
Migration to and from Montana impact labor force participation. People who move to Montana are more likely to be engaged in the labor force than the existing population, helping to increase the size of the state's workforce. About 67% of in-movers participate in the labor force – higher than the labor force participation rate of existing residents.[45]

Individuals moving to Montana tend to have higher levels of education than the existing population. Net migration is positive for individuals with a post-secondary education, and negative for those with less than a high school diploma or equivalent. The number of people moving to Montana with less than a high school diploma declined over the last five years, while out-migration increased.

Newcomers are younger than the statewide average, slowing the aging of Montana's population. More young adults, between 18 and 34 years old, move to Montana than leave the state each year. Net migration by this age demographic makes up nearly 80% of net migration. Figure 28 shows the demographic and labor force characteristics of net migrants compared with Montana's population.

About 67% of in-movers participate in the labor force — higher than the labor force participation rate of existing residents.

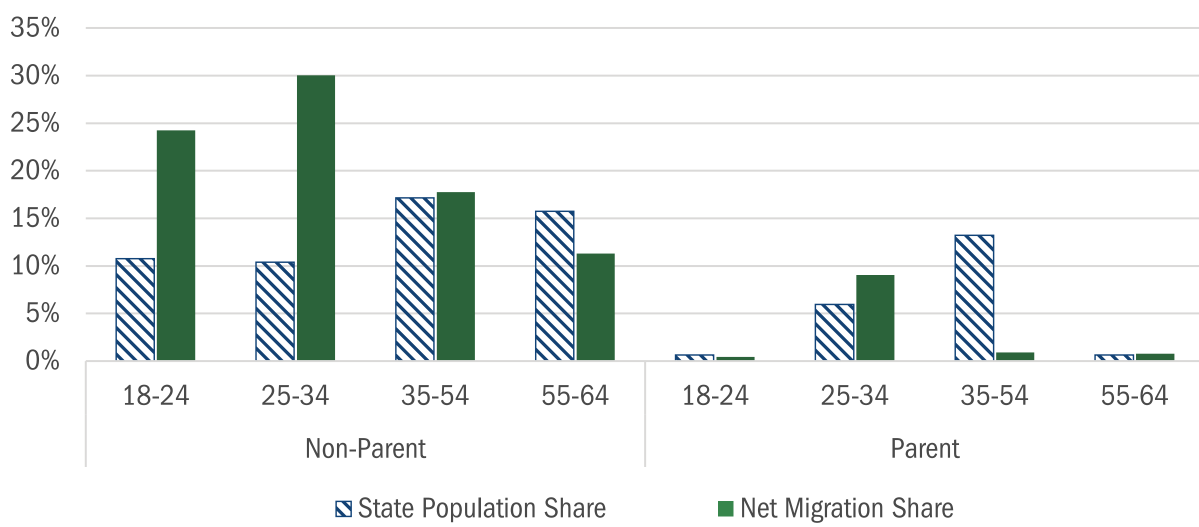
Figure 28: Net Migration compared with Total Population by Age Category



Source: U.S. Census ACS 5-year estimates 2020-2024 accessed via IPUMS USA, University of Minnesota.

Parents with children under 18 in the household make up about 11% of net migration. Most of this migration is due to younger parents, those between age 25 and 34. Net migration for parents between 35 and 54 years old remained near zero. Figure 29 shows net migration by age category and parental status compared to the existing population.

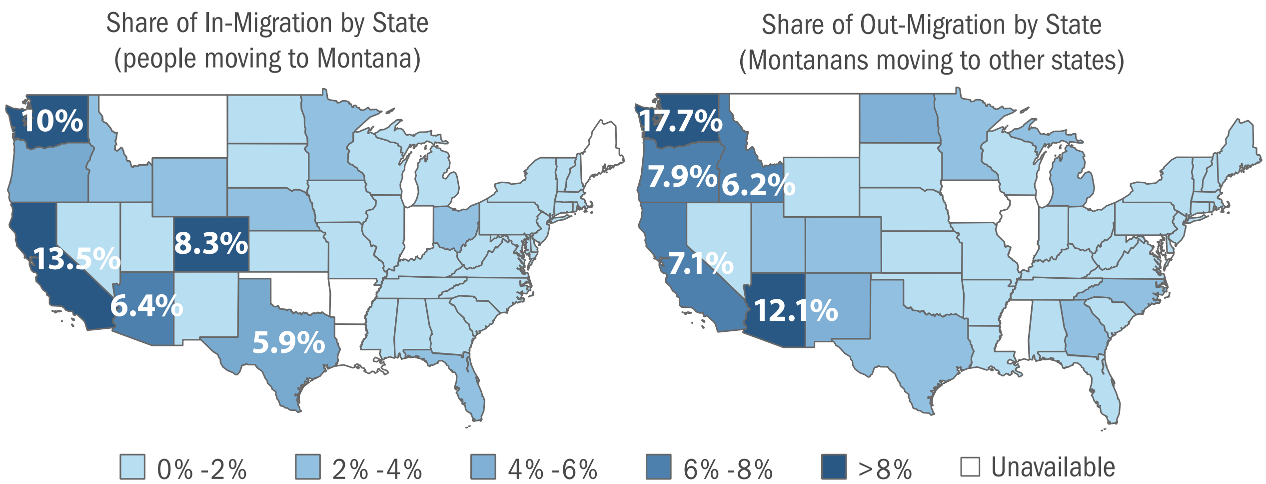
Figure 29: Net Migration compared with Total Population by Age and Parental Status



Source: U.S. Census ACS 5-year estimates 2020-2024 accessed via IPUMS USA, University of Minnesota.

Most people who move to Montana come from another western state. Over 40% of newcomers move from California, Washington, Colorado, Arizona, or Texas. Likewise, many Montanans who move out-of-state move to another western state. The most common destinations are Washington, Arizona, Oregon, California, or Idaho. Montanans aged 55 and older are more likely than other age groups to move to Arizona. Figure 30 shows migration flows by state.

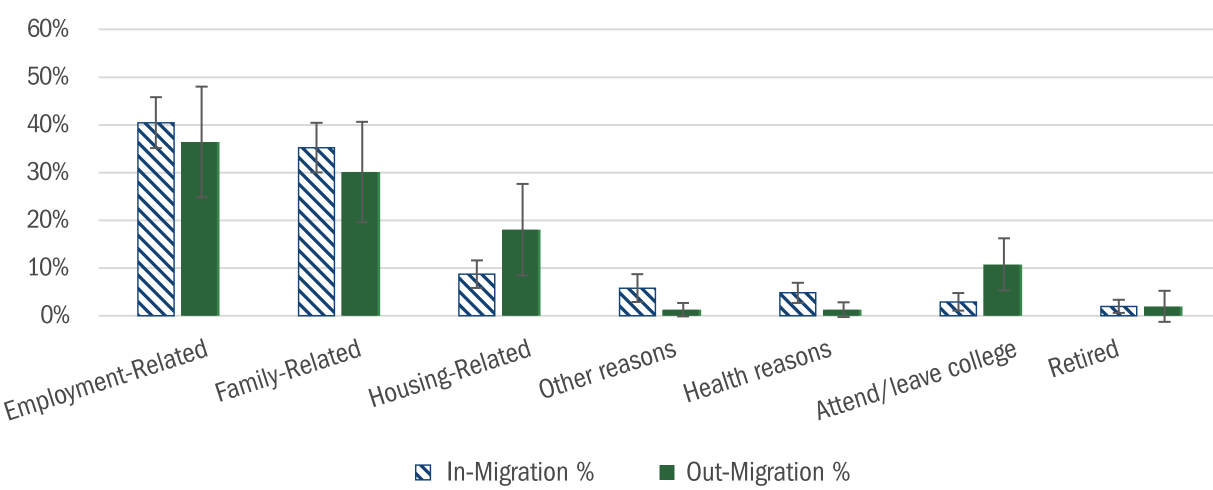
Figure 30: Migration Flows by State



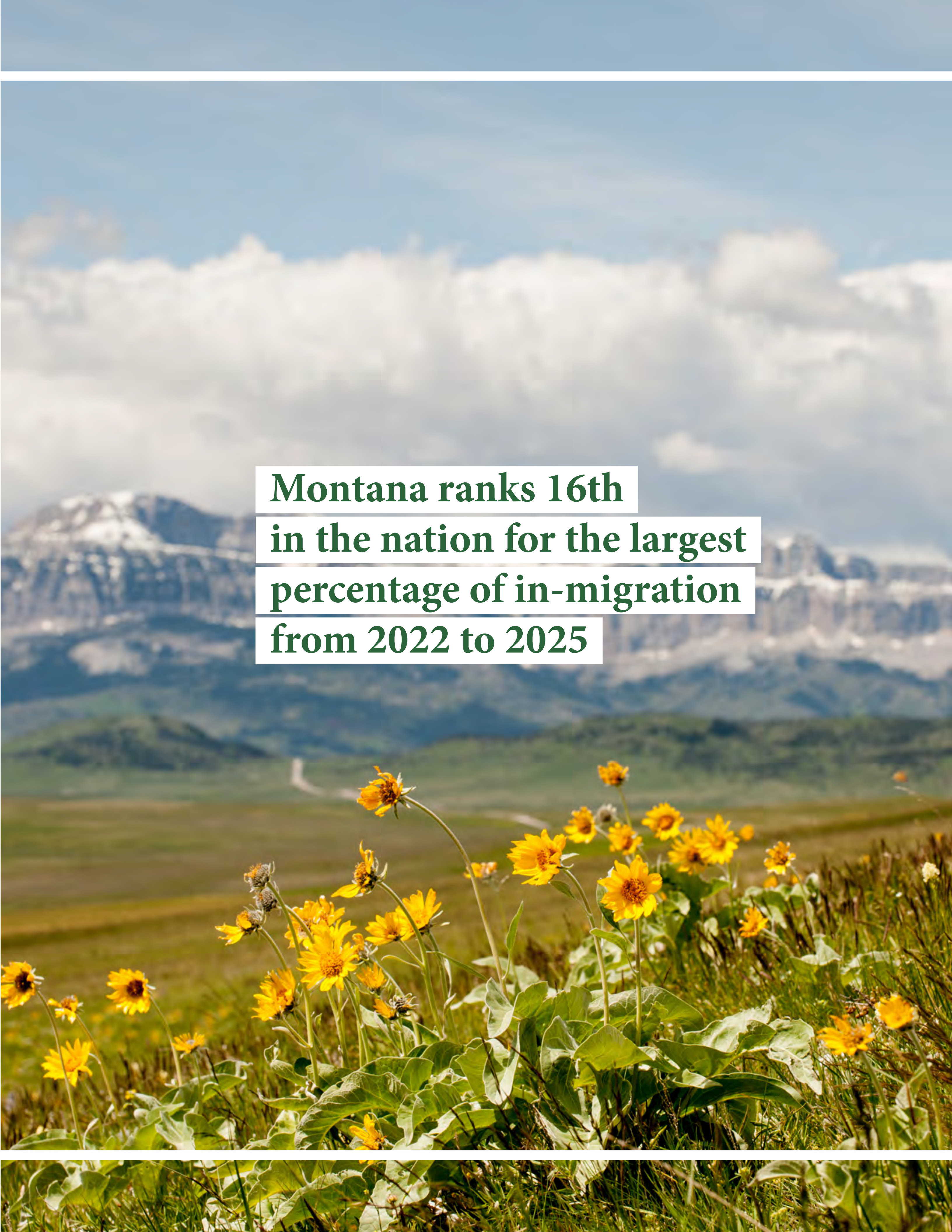
Source: U.S. Census State-to-State Migration Flows, using ACS 1-year estimates 2024.

Employment opportunities are the most common reason individuals move to and from the state. Family reasons are the second most common motivation for moving, including a change in marital status or the formation of a new household. However, there are many different reasons an individual may choose to move, making it difficult to identify a single motivating factor. Figure 31 shows the primary reason for moving among those moving to and from Montana.

Figure 31: Share of Migration by Primary Reason



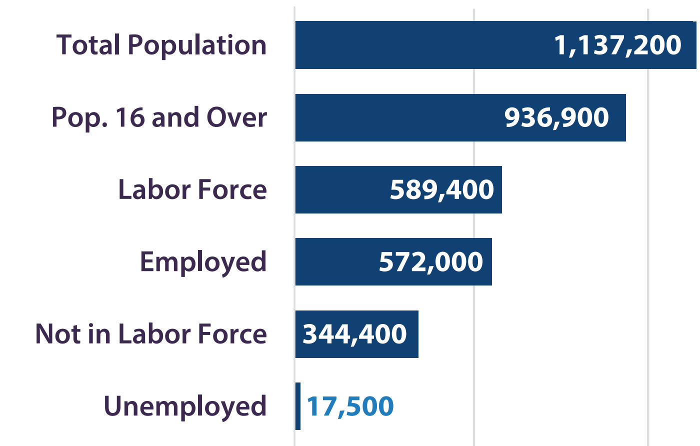
Source: U.S. BLS CPS microdata accessed via IPUMS USA, University of Minnesota. Average between 2021 and 2025. Error bars represent 90% confidence interval.



Montana ranks 16th in the nation for the largest percentage of in-migration from 2022 to 2025

The Montana Worker By the Numbers

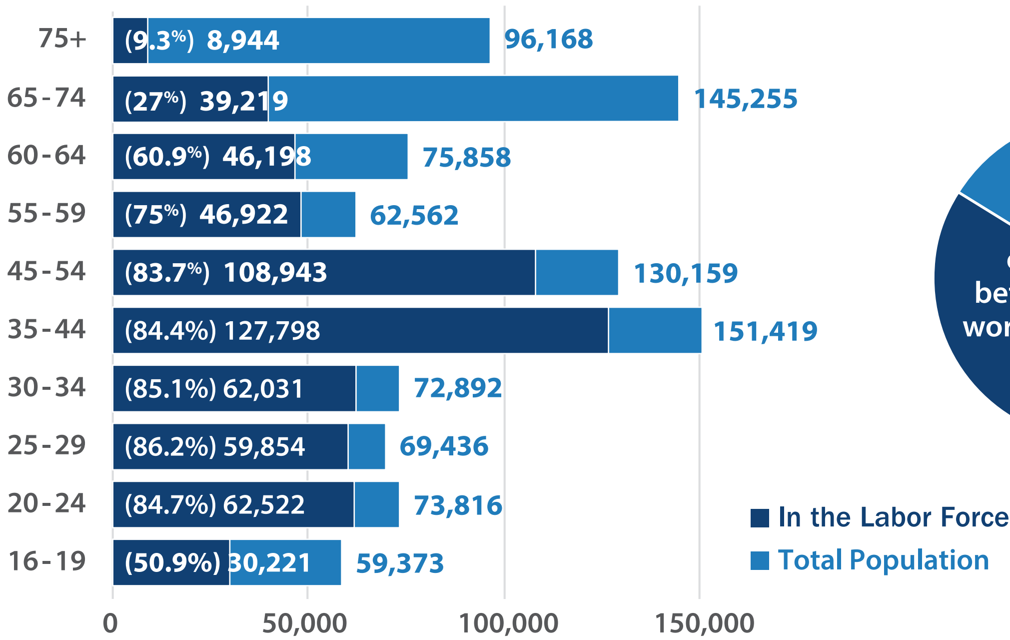
Montana Population by Labor Force Status

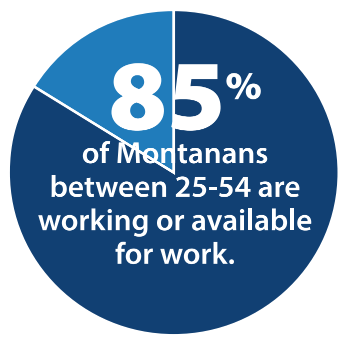


63% of Montanans 16 and over are in the labor force, with Montana ranking 31st among states by labor force participation rate.

Source: U.S. Census ACS 1-Year Estimates 2024.

Population by Age Group and Participation in Labor Force





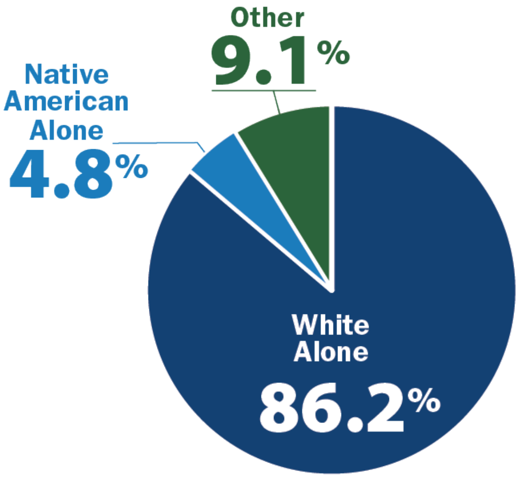
Source: U.S. Census ACS 1-Year Estimates 2024. Labor force participation rates are in parenthesis. Totals rounded to nearest hundred.

7th

Montana ranks 7th nationally by the share of its working-age population in their retirement years — 26% of Montanans are age 65 or older, well above the national norm and a defining feature of the state's labor supply.[46]

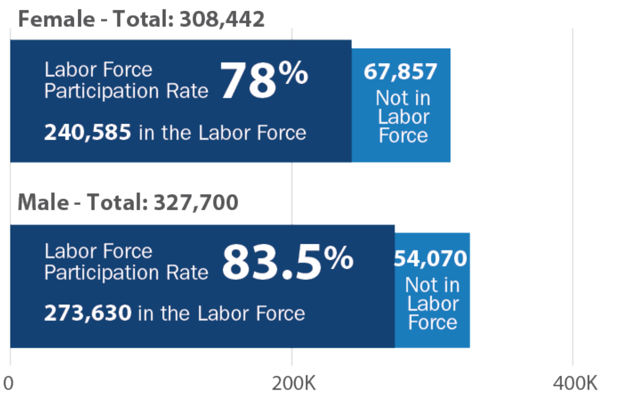
The Montana Worker By the Numbers

Working-Age Population by Race



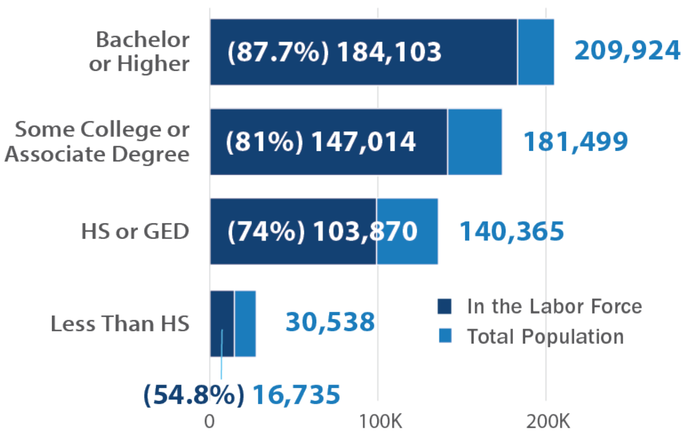
Source: U.S. Census ACS 1-Year Estimates 2024, Montana.

MT Population 20-64 Years by Gender



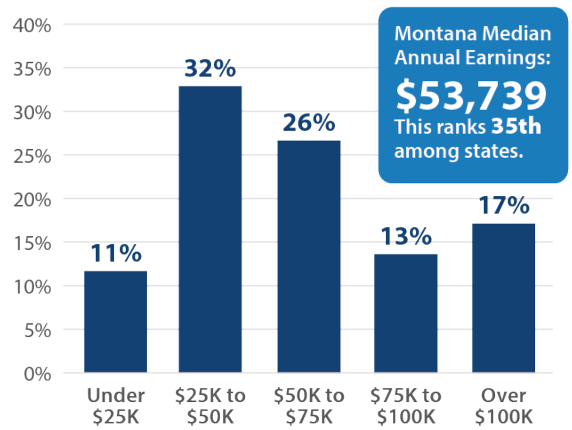
Source: U.S. Census ACS 1-Year Estimates 2024. Population 20-64 years.
Labor force participation rates are in parenthesis. Totals rounded to nearest hundred.

Population and Labor Force Participation by Educational Attainment



Source: U.S. Census ACS 1-Year Estimates 2024,
Montana, Age 25-64. Labor force participation rates are in parenthesis.

Montana Annual Earnings for Full-Time, Year-Round Workers



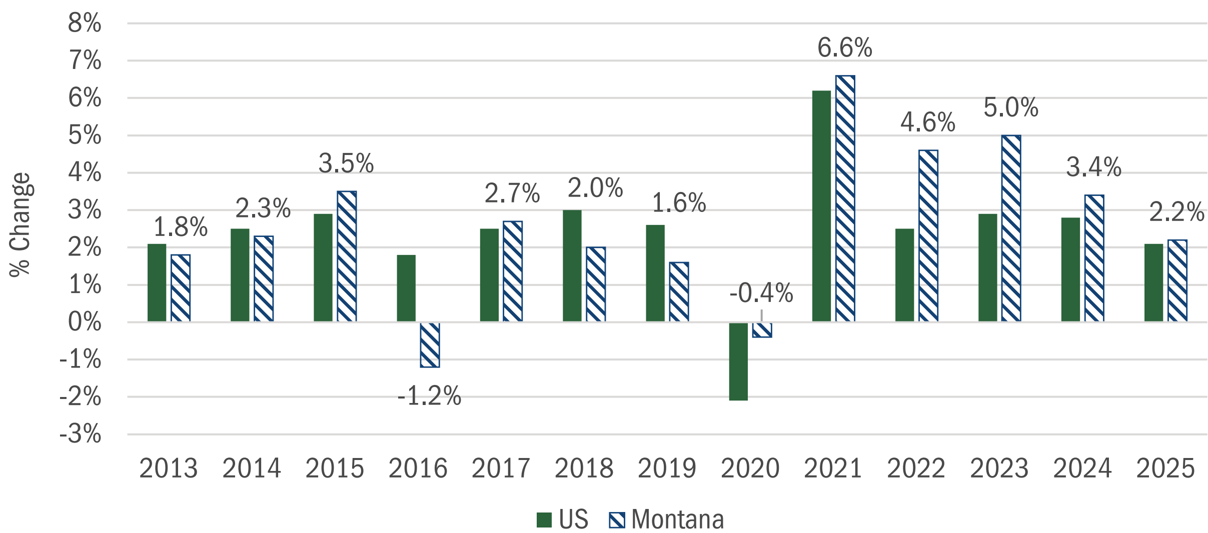
Source: U.S. Census ACS 1-Year Estimates 2024.

Montana ranks **3rd** among states by the percent of its population that are veterans — veterans make up 8.4% of Montana's civilian population age 18 and older. Veterans have a slightly lower labor force participation rate (77%) than nonveterans (80.1%), partly reflecting an older veteran population, and a substantially higher rate of disability (34.8% versus 15.8% for nonveterans).[47]

Montana Economic Growth

The Montana economy continued to grow steadily in 2025. Economic growth slowed from its rapid post-pandemic growth to a more sustainable long-run rate. Montana's total economic output, as measured by real gross domestic product, reached $82.3 billion in 2025, growing by 2.2 percent over the year. Figure 32 shows real annual GDP growth in Montana compared to the U.S. since 2013. The Montana economy has grown by 3.5% per year since 2022 – ranking 8th fastest among states.

Figure 32: Real GDP Growth in Montana and U.S.



Source: U.S. Bureau of Economic Analysis.

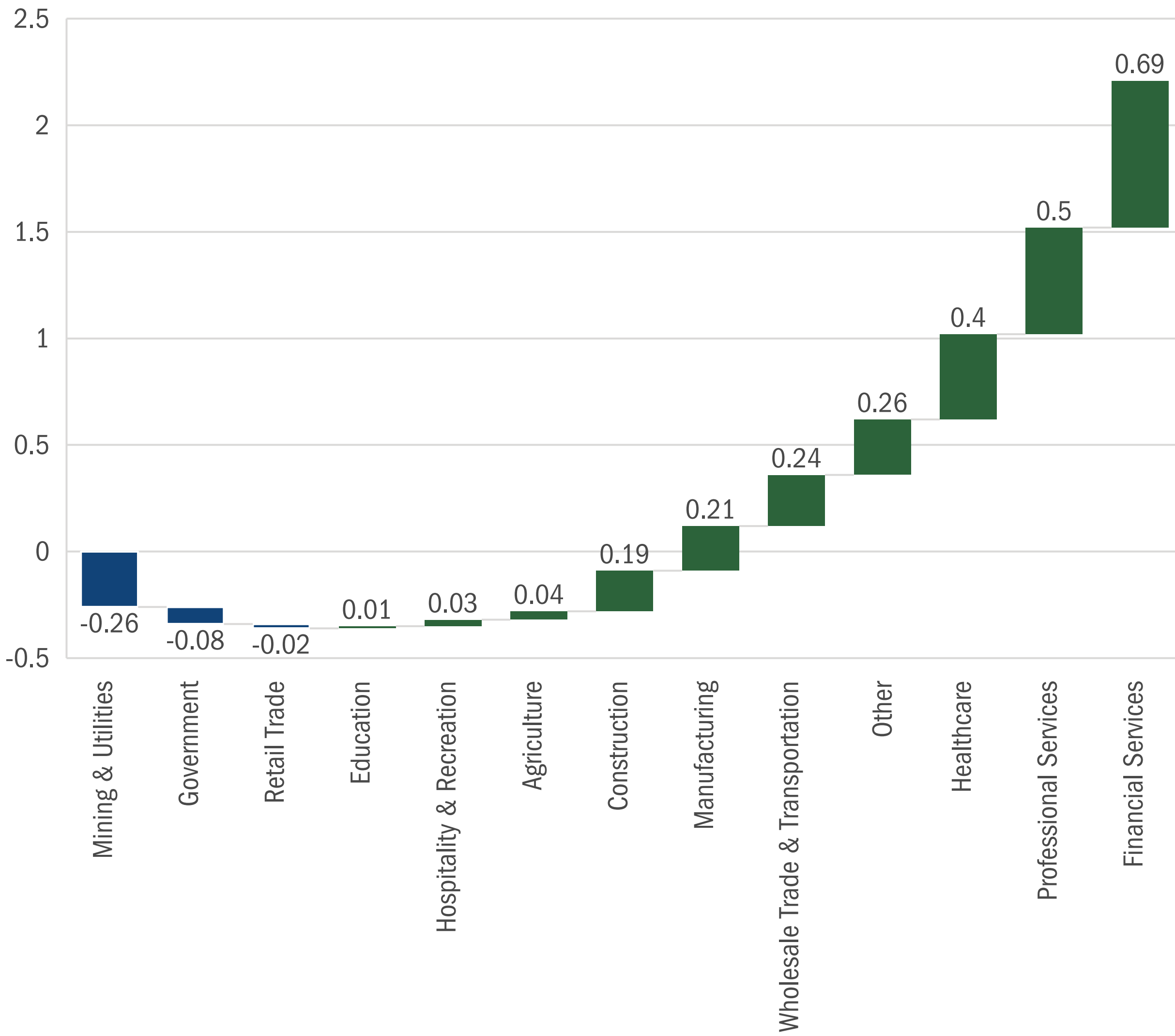
Economic growth was generated by gains in Montana's largest industries. Financial and professional services were the largest contributors to economic growth in 2025. Combined these industries accounted for about half of statewide real GDP growth. High-value transactions in finance, insurance, and real estate drive most of the sector's production. Figure 33 shows the contribution of each industry to real GDP growth in 2025.

Healthcare was the third largest contributor to economic growth in the state in 2025, growing by 4.1% on an inflation-adjusted basis and adding 0.4 percentage points to statewide economic growth. Montana's growing and aging population has driven up demand for healthcare services over the last decade, so providers have expanded capacity and steadily increased production. Healthcare has been a consistent driver of economic growth in the state over the last three years – averaging 4% growth per year.

ECONOMICS EXPLAINED

Gross Domestic Product (GDP) measures the total value of all goods and services produced in Montana, while personal income measures the value Montanans receive from economic activity, regardless of whether that activity occurs within Montana or outside the state. Both GDP and personal income are used as overall measures of economic activity.

Figure 33: Contributions to Percent Change in Real GDP by Industry, 2025

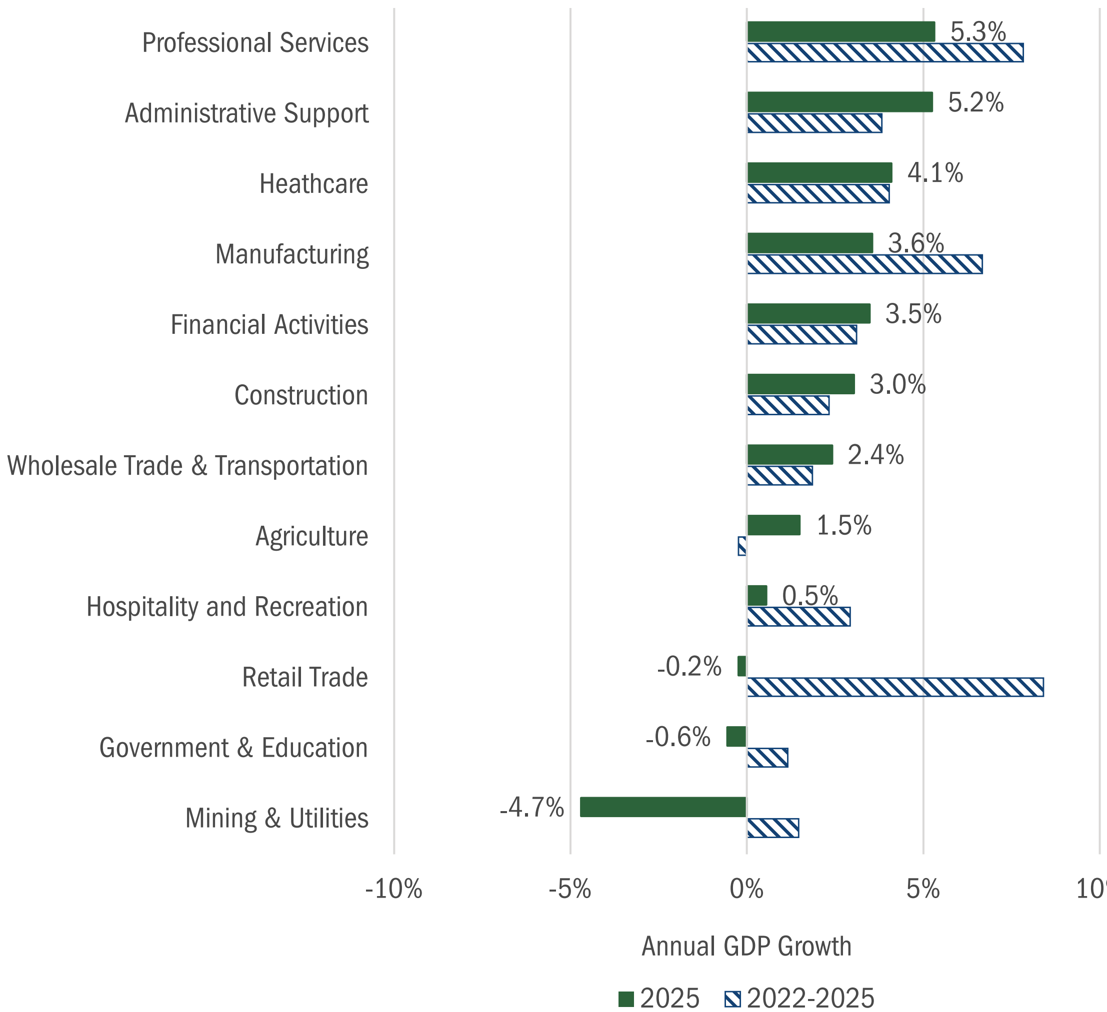


Source: U.S. Bureau of Economic Analysis. Other includes NAICS 45 (Information) and NAICS 82.

Nearly all industries increased production in 2025, except for mining, government, and retail trade. Mining production reported the largest losses over the last year, declining by nearly 10% and decreasing statewide economic growth by over a quarter of a percent. Declines in mining output stems from a significant drop in production at Sibanye-Stillwater palladium mine beginning in 2024.

Government was a drag on economic growth in the state in 2025. The federal government shutdown beginning in October of 2025 resulted in a decline in government-sector output from unpaid or furloughed federal workers, delayed federal contracts, and reduced federal loan and grant disbursements.[48] Federal government output in Montana declined by 4.3% on an inflation-adjusted basis, suppressing statewide economic growth by 0.08 percentage-points. Figure 34 shows the annual growth in real GDP by industry since 2022.

Figure 34: Real GDP Growth by Industry



Source: U.S. Bureau of Economic Analysis.

Retail trade, including motor vehicles, groceries, clothing, and other merchandise, dampened statewide economic growth in 2025. Real output declines in retail trade mirrored national trends and affected many types of retailers. Motor vehicles, grocery, and general merchandise output all fell nationwide. Montana's declines were more modest than the national average, as nominal spending on groceries and clothing continued to rise and vehicle registrations increased.[49] Despite a real output decline in 2025, retail trade has posted the strongest growth of any major Montana industry since 2022. Retail trade production has grown an average of 8.4% per year over the last three years on an inflation-adjusted basis.

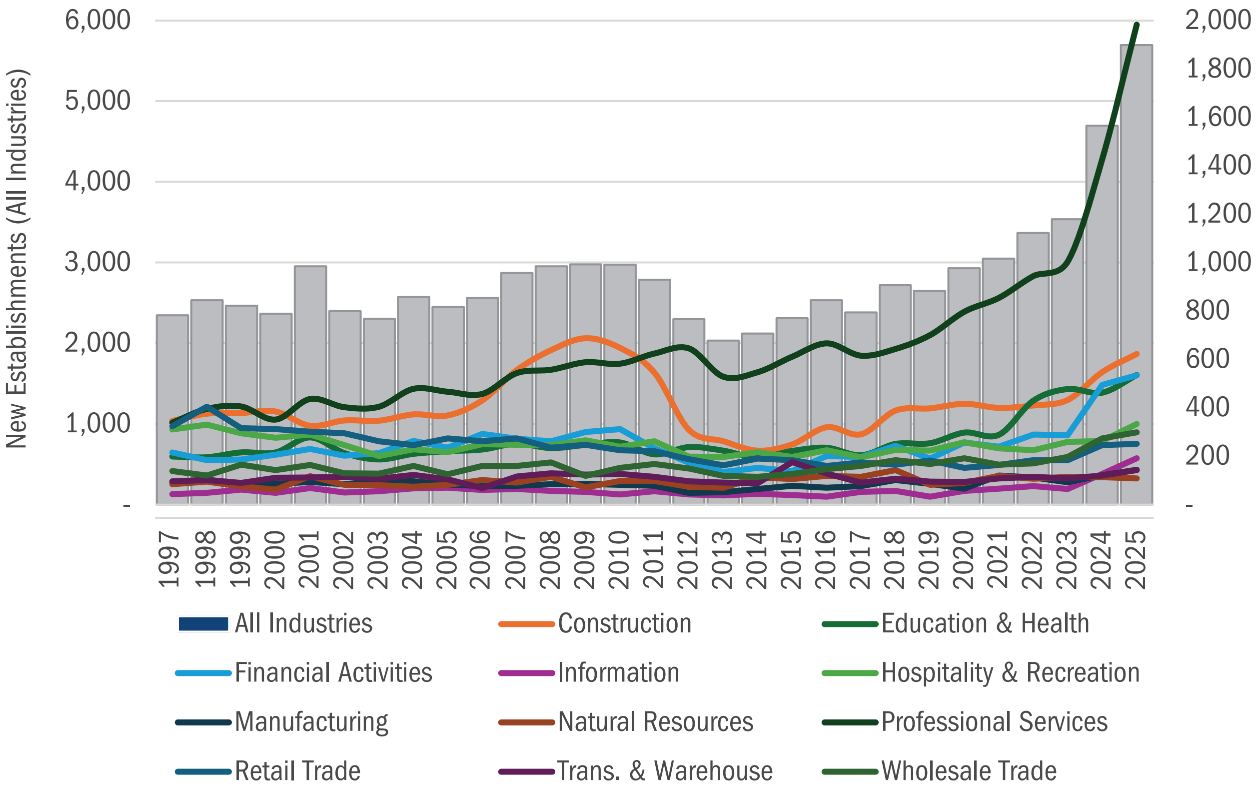
Strong Business Formation Reflects Montana's Entrepreneurial Momentum

Montana's robust economic growth continues to be fueled by entrepreneurial activity. The state ranks 3rd nationally for self-employment prevalence, with approximately 29.1% of the workforce operating their own businesses.[50] Over 70% of Montana businesses are non-employer businesses—primarily sole proprietorships and independent contractors with no paid employees.[51] This high rate of self-employment also leads to more business income for Montanans. Proprietor income accounted for 10% of total personal income in 2025.

Entrepreneurial activity surged in the years following the pandemic, supported by population gains and favorable tax conditions. Business applications more than doubled from 14,390 in 2019 to an estimated 30,100 in 2025. As of mid-June 2026, filings remained strong, suggesting continued momentum heading into 2027.

This wave of entrepreneurship has translated into the formation of thousands of new business establishments. In 2025 alone, Montana recorded 4,500 new businesses. Roughly one-third of these — 1,422 establishments — were in the professional and business services sector. Growth in the construction and financial activities sectors also remained strong, driven by continued demand for housing, real estate, and related financial services. However, overall business formation has slowed from its peak in 2022.

Figure 35: New Establishments for Select Industries in Montana

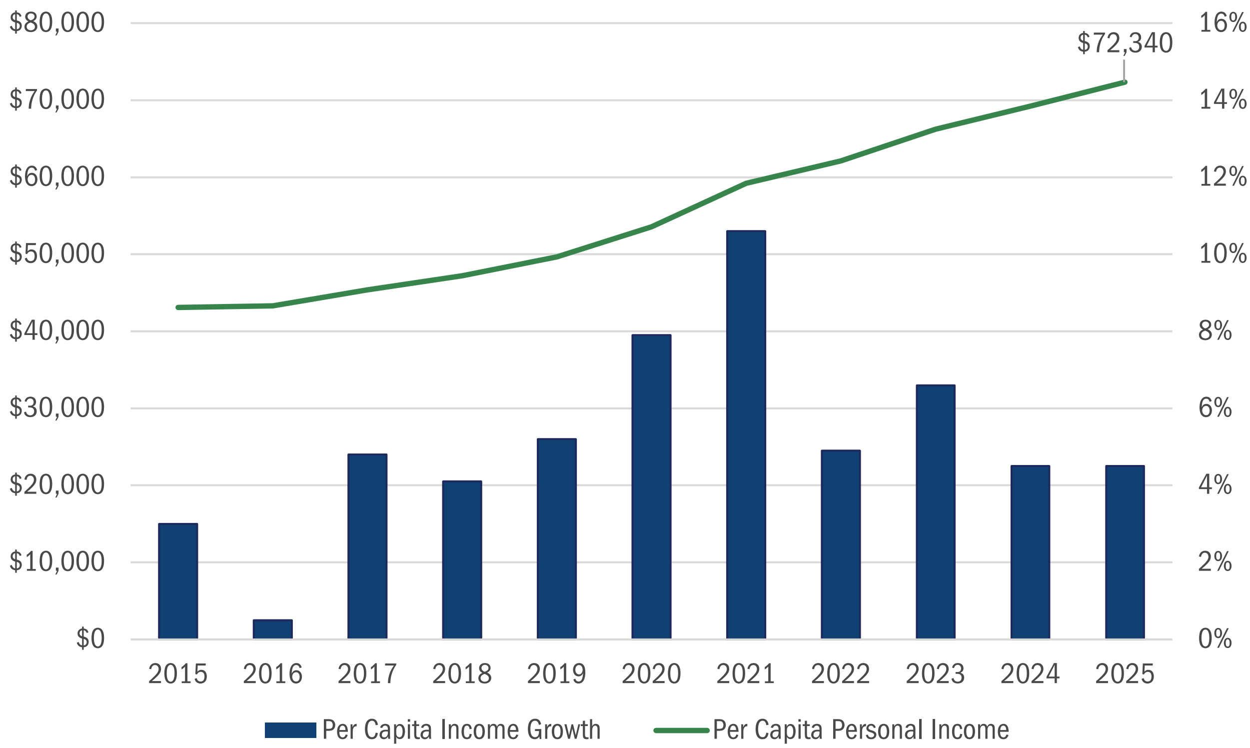


Source: U.S. BLS Business Employment Dynamics age and size tables, 1997-2025.

Personal Income

Personal income, which measures the value Montanans receive from their economic activity, continued to grow steadily in 2025. Per capita income rose to $72,340 in 2025 – ranking 26th highest among states. Average personal income in Montana has been lower than the national average since the 1950s, but the gap has been closing since 2000. The income gap peaked at over $14,000 in 2000 and has narrowed to about $4,000 below the U.S. average in 2025.[52] Figure 36 shows the growth in per capita personal income over the last decade.

Figure 36: Montana Per Capita Income and Annual Growth

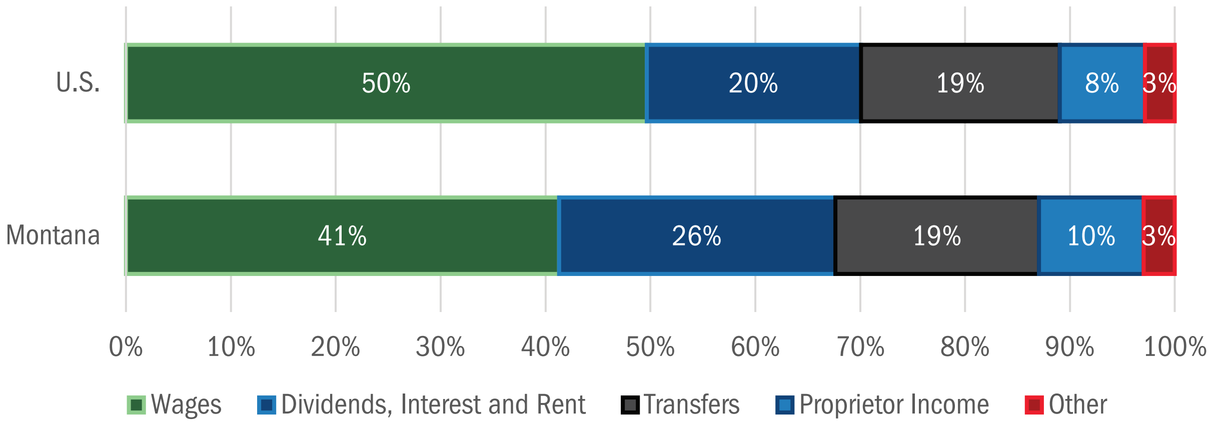


Source: U.S. Bureau of Economic Analysis.

Montanans earn income from a variety of different sources. Wages are the largest source of income (41%), followed by investment income (26%), transfers (19%), and business income (10%). A quarter of Montanans' income comes from investments, which includes things like retirement and rental income. Montanans also receive slightly more of their income from business activity and self-employment income relative to the national average. The prevalence of these income sources in Montana reflects the state's innovative and entrepreneurial culture.

Montana per capita income has grown by 5.2% per year since 2022, ranking 8th fastest among states.

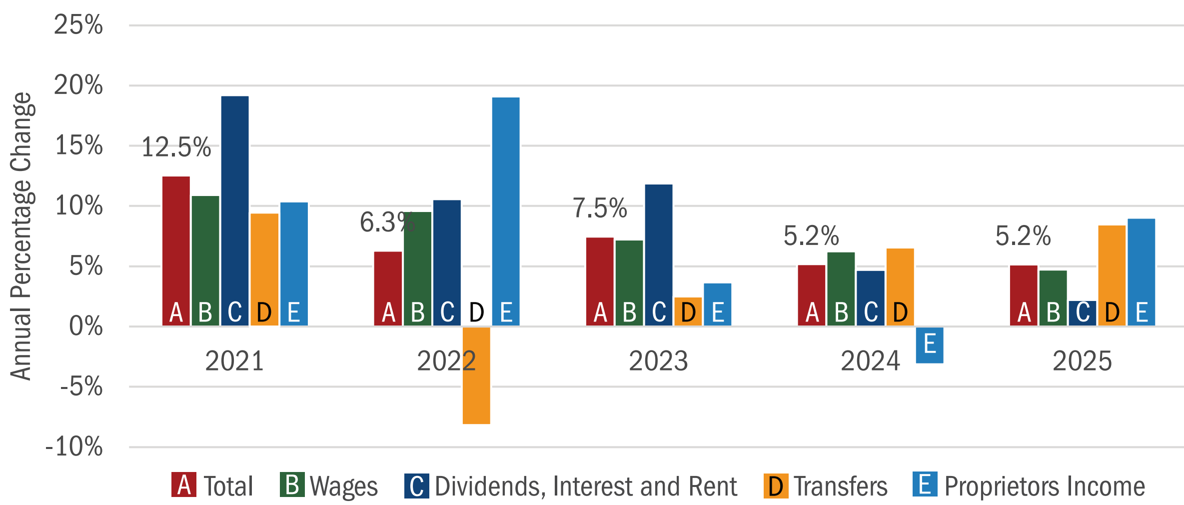
Figure 37: Composition of Personal Income in Montana and the U.S., 2025



Source: U.S. Bureau of Economic Analysis.

All components of personal income grew over the last year. Business income grew the fastest, rising by 9% in 2025. Much of this growth was driven by farm proprietor income, which more than doubled over the last year. Nonfarm business income grew more modestly, increasing by 2.6% in 2025. Total wage income grew by 4.7% over the last year, which translated to the largest dollar increase in income among the various components. Figure 38 shows the annual growth in personal income by component over the last five years.

Figure 38: Personal Income Growth by Major Component in Montana



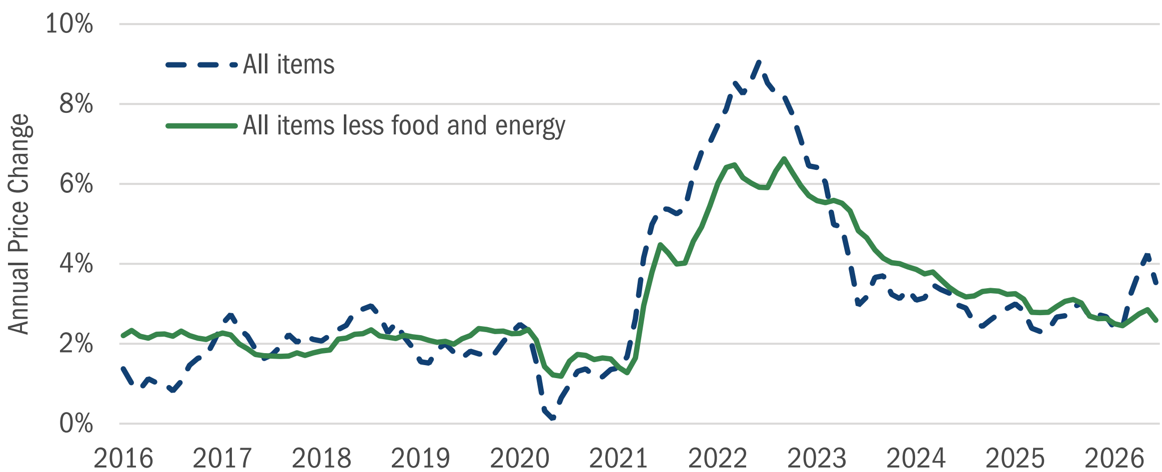
Source: U.S. Bureau of Economic Analysis.

Personal income growth began accelerating in 2020 and peaked in 2021 at over 12%, propelled by investment income and wage growth post-pandemic. Since 2022 income growth has moderated to a rate that is more consistent with long-run trends. Wage growth has been the most consistent source of income growth over the last three years, with strong investment income growth in 2023 and strong business growth in 2025.

Inflation and Affordability

One of the primary headwinds to economic growth over the last few years has been the rising cost of living. Inflation has eroded some of the income growth for Montana households since 2020. Rising prices outpaced income growth in 2022, when inflation reached a forty-year high of 9.1%. Inflation has moderated since then, falling below 3% in 2025. Inflation averaged 2.7% in 2025 and continued to slow in the first quarter of 2026. However, since March the cost of living has risen, reaching 3.5% in June 2026. Figure 39 shows historical inflation as measured by the Consumer Price Index (CPI-U).

Figure 39: Historical Inflation Rate, Consumer Price Index



Source: U.S. BLS CPI-U January 2016-June 2026. Inflation measured as a 12-month change in CPI.

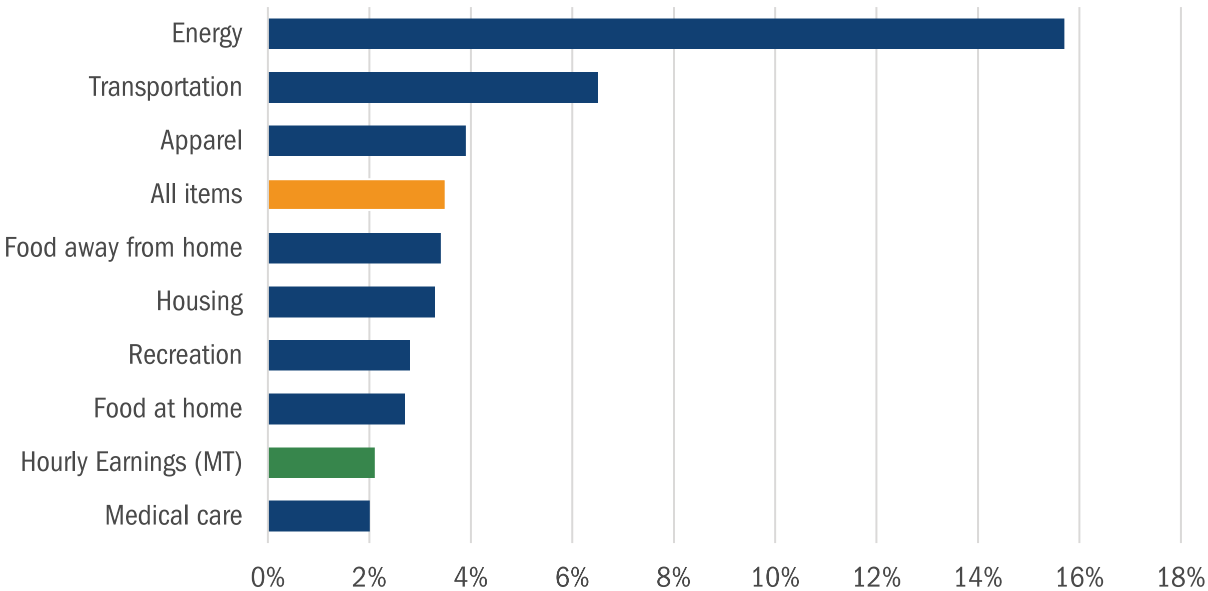
In March 2026, headline inflation jumped 0.9% over the month, driven largely by a record 21.2% increase in gasoline prices linked to the war in Iran and the resulting spike in global oil prices. Core inflation excluding food and energy remained near 2.6%, indicating that underlying price pressures outside of energy stayed comparatively contained even as households felt a pronounced but temporary shock at the gas pump. Energy costs continued to accelerate through early summer. By June, year-over-year energy inflation moderated to 15.7%, with gasoline still 26.7% higher than a year earlier but no longer accelerating. Figure 40 shows how various prices increased over the last year across the nation relative to Montana hourly earnings.

ECONOMICS EXPLAINED

Inflation refers to an increase in the general price level of goods and services in the economy. Rising prices erode the purchasing power of money, meaning each unit of currency buys fewer goods and services.

Inflation is commonly measured through the Consumer Price Index (CPI), which measures the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

Figure 40: Percent Change in U.S. Price and MT Hourly Earnings, June 2025 to June 2026



Source: U.S. BLS CPI-U and CES. 12-month average from June 2025-June 2026. Shows select special aggregate indexes.

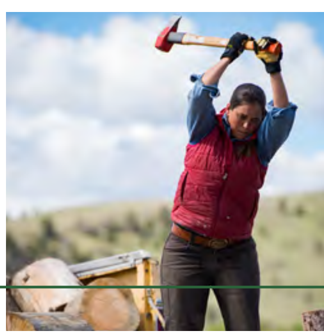
Over the year ending in June 2026, Montana labor income growth was broadly commensurate with the increase in consumer prices. Total private-sector earnings rose 3.2% against a 3.5% increase in the CPI-U. Income growth was driven primarily by an increase in hours worked.[53] Hourly earnings grew just 2.1%, weaker than price growth for many goods and services. Price growth began outpacing hourly earnings in 2026, when a spike in gasoline prices raised transportation costs and fed into broader consumer price increases.

Energy and transportation prices affect the cost of delivering goods to stores. The price of food and beverages accelerated in 2022 following a spike in gasoline prices, increasing 11% over the year. Grocery prices still rose in 2025, but at a slower pace – up 2.7% over the year. Recently food and beverage prices began accelerating again and are up 3% in June from one year prior. Prices for restaurants and other food away from home are increasing faster than the price of groceries.

Shelter continues to be the primary driver of inflation in 2026. In June the shelter index increased 3.3% nationally and was responsible for about a third of the total increase in inflation. Rent prices have increased more slowly this year than in past years, increasing by 3.2% in June compared to the previous year. Strong demand caused by robust in-migration propelled shelter costs in Montana and the surrounding Mountain region to an annual increase of 10% in 2022. Since then, rising interest rates have softened demand, leading to a moderation in home price growth particularly in the Mountain region. Shelter costs rose about 2.4% in the Mountain region in June 2026 from a year earlier, reflecting a significant slowdown in home price growth in Montana and the surrounding states. The price of shelter is lagged relative to home values due to long-term rental contracts and fixed-rate mortgages.

The Montana economy has grown by 3.5% per year since 2022 – ranking 8th fastest among states.

Conclusion



Montana's economy has begun to shift from a decade of acute worker shortages toward a more balanced environment in which employers can fill openings while workers still enjoy historically strong job prospects. Employment has edged down from record highs, but the state continues to rank among the national leaders for low unemployment, rapid real wage gains, and productivity growth, even as demographic change weighs on labor force participation. These trends show that Montana's economic expansion is increasingly driven by innovation, entrepreneurship, and productivity.

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