

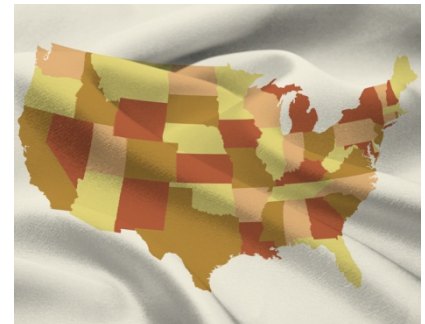
## Rising Federal Tide Lifts All State Ships

**Michael Gregory, CFA**, Deputy Chief Economist • michael.gregory@bmo.com • 416-359-4747  
**Priscilla Thiagamorthy**, Economic Analyst • priscilla.thiagamorthy@bmo.com • 416-359-6229

Federal fiscal stimulus (both tax cuts and spending hikes) is providing a late-cycle lift to the economy. In 2018Q2 alone, U.S. real GDP expanded at a 4.2% annual rate, the fastest pace in nearly four years. And, for 2018 as a whole, we expect growth to average 2.8%. Unfortunately, trade restrictions are working against the lift. Up to this point, global tit-for-tat tariffs look to have a minimal net impact on the economy—we estimate they're worth a ¼% hit to GDP growth over the next year or two—but this could intensify if things escalate. However, short of the breakout of a full-blown global trade war, the economic boost from fiscal stimulus should still dominate the drag from trade restrictions.

Although the benefits of federal fiscal stimulus are ubiquitous, some states will reap proportionately more than others given, for example, their relative exposure to business equipment manufacturing that is benefiting from corporate tax cuts (and late-cycle capacity constraints), or to companies with federal contracts. By the same token, although the costs of trade restrictions are also ubiquitous, some states stand to be hit proportionately harder given their relative export and import exposures. But, at this point, the key is that all states are poised to do better in 2018 than they otherwise would have performed.

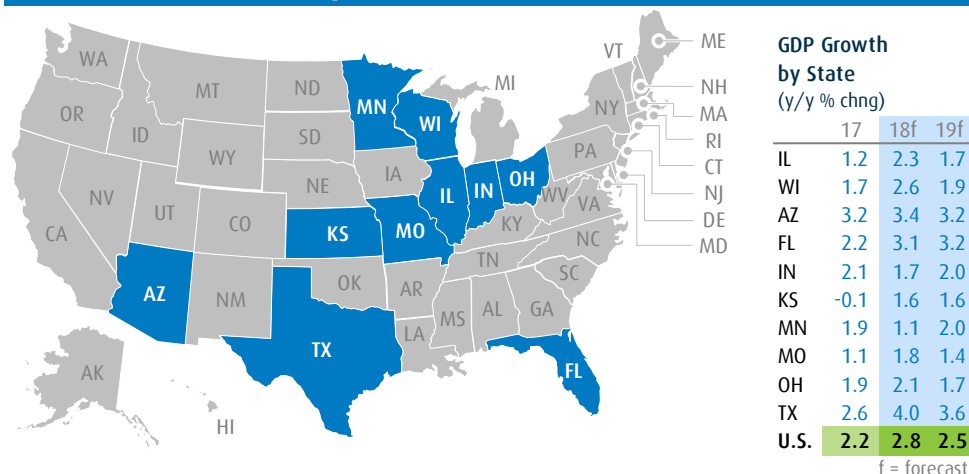
For the states that we track closely (*Chart 1*), economic growth in Texas, Arizona and Florida is expected to beat the national average this year. Illinois and Wisconsin should see solid growth around the mid-2% range. Indiana and Minnesota are expected to show slower growth this year, but this is the result of a weak 2017Q4 and sluggish 2018Q1, and both states are expected to pick up their pace as the year unfolds. The biggest improvement goes to Kansas, projected to grow around 1½% this year after a small recession in 2017.



For additional information and analysis, see the “**State Economic Scorecard**” publication. This report ranks all 50 states on business conditions, labor markets, housing markets and state finances.

The latest issue is available on our web site:  
<http://economics.bmocapitalmarkets.com>

Chart 1  
**Economic Outlook for Key States**



## Illinois



		Rank /50
Population	12,802,000	6
GDP/Capita	\$64,100	12
Jobless Rate	4.3%	35

- **Manufacturing driving sturdy GDP growth**
- **Payrolls picking up**
- **Population still shrinking**

### Top Industries<sup>1</sup>

Real Estate	13.2
Manufacturing	12.8
Finance & Insurance	10.5
Government	9.3

### Top Relative Economic Exposure<sup>2</sup>

Finance & Insurance	136
Wholesale Trade	129
Education	125
Transp. & Wareh.	124

### Top Exports - 2017 (\$ blns)

Machinery	11.0
Chemicals	8.8
Computer & Elec.	8.6
Transportation Equip.	7.8

<sup>1</sup> percent of GDP    <sup>2</sup> ratio of industry share of state GDP to industry share of national GDP (×100)

The Illinois economy expanded 2.4% y/y in 2018Q1, the fastest pace in 3½ years, placing it in the middle quintile among all states (#26). The expansion was led by the manufacturing sector, with real output up 5.3% y/y, all due to durable goods (with their double-digit gain). Other leading sectors were healthcare & social assistance, wholesale trade, and real estate, rental & leasing. The construction sector was a drag in Q1 (on a y/y basis, it has been contracting for the past seven quarters).

The state averaged only 1.2% real GDP growth in 2017, owing to the poor start to the year. However, not only did this year begin much better, the improved performance appears to have persisted in Q2, setting the stage for 2.3% average growth in 2018. On a year-over-year basis, the advance in the Coincident Economic Activity Index increased in Q2. Also, nominal exports picked up. The Chicago PMI held steady, averaging 61.5 in Q2 vs. 61.7 in Q1.

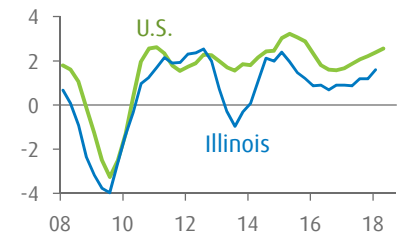
Nonfarm payrolls rose 0.9% y/y in Q2, up from 0.8% y/y in Q1, the fastest rate in more than two years (but still ranked in the Bottom 20 at #39). In the year to June, 57,400 net new jobs were created, led by local government (13.2k), accommodation & food services (12.9k), transportation, warehousing & utilities (9.5k), and manufacturing (8.4k). The unemployment rate averaged 4.3% in Q2, matching the lowest level in more than 18 years and not too far from the 3.9% national average (indeed, matching the narrowest spread in more than seven years). Private-sector average hourly earnings were up 2.8% y/y in Q2, a two-year high, while average weekly earnings grew 3.5% y/y, the fastest in more than 5½ years.

Problematic for the state, the population dropped 0.3% y/y in Q1, which looks to have continued into Q2. It peaked at 2013-end and is now down a cumulative 0.8% (109k) since. No other Midwest state is suffering from a shrinking population. In 2017, Illinois had the highest amount of net outward migration (-81k) among all states.

Home sales showed some improvement in Q2, climbing 2.1% y/y, after three straight quarters of decline. Meantime, statewide prices rose 3.7% y/y in Q1 and appear to have picked up since. Chicago home prices have been rising at a 4½% clip but are still down 11% from their peak. On a year-over-year basis, housing starts fell again in Q2 (-14.9% y/y), but building permits point to a turnaround in homebuilding activity.

### Real GDP

(4-qtr m.a. : y/y % chng)



### Economic Outlook

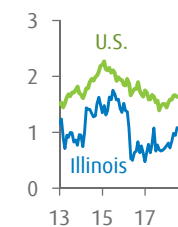
Illinois	17	18f	19f
Real GDP (% chg)	1.2	2.3	1.7
Pers. Income (% chg)	1.8	3.3	3.1
Employment (% chg)	0.0	0.6	0.3
Jobless Rate (%)	5.0	4.4	4.1
Housing Starts (000s)	22.0	20.6	21.5

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### Economic Indicators

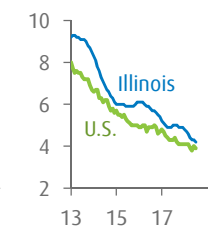
#### Employment

(y/y % chng)



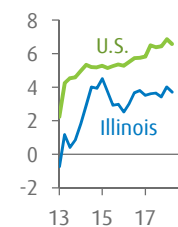
#### Jobless Rate

(percent)



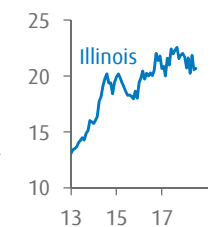
#### House Prices<sup>1</sup>

(y/y % chng)



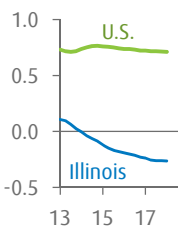
#### Housing Starts

(000s : s.a.a.r. : 12-mo m.a.)



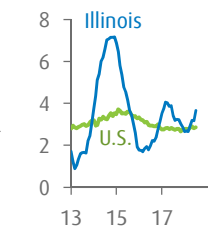
#### Population Growth

(y/y % chng)



#### Coincident Economic Index

(y/y % chng)



<sup>1</sup> FHFA House Price Index

## Wisconsin



		Rank /50
Population	5,795,000	20
GDP/Capita	\$55,900	25
Jobless Rate	2.9%	10

- **Factories fueling solid GDP and job growth, but with an ag drag**
- **Record low jobless rate stoking rapid wage inflation**

### Top Industries<sup>1</sup>

Manufacturing	18.4
Real Estate	12.3
Government	10.9
Finance & Insurance	8.6

### Top Relative Economic Exposure<sup>2</sup>

Agriculture	174
Manufacturing	156
Management Services	145
Healthcare	117

### Top Exports - 2017 (\$ blns)

Machinery	4.4
Computer/Electronics	2.7
Transportation Equip.	2.7
Chemicals	2.1

<sup>1</sup> percent of GDP    <sup>2</sup> ratio of industry share of state GDP to industry share of national GDP (x100)

The Wisconsin economy increased 2.7% y/y in 2018Q1, the fastest pace in more than four years and in the Top 20 states (#17). The increase was led by manufacturing, with real output up 4.1% y/y. Other leading sectors included healthcare & social assistance, along with information and retail trade. And, wholesale trade and government, along with real estate, rental & leasing, rivalled retail trade's contribution. However, the agriculture sector (which includes forestry, fishing and hunting) was a drag in Q1 (on a y/y basis, it's been contracting for the past five quarters). Agricultural prices, generally, were flat in Q1 (+0.4% y/y), but dairy product prices, specifically, were down (-13.9% y/y).

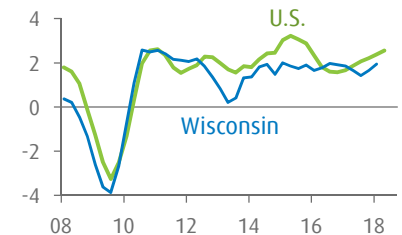
The state averaged only 1.7% real GDP growth for all of 2017, owing to a sluggish first half. However, the first half of this year is looking much better, with Q2 building upon Q1's performance and putting 2018 on track for an estimated 2.6%. On a year-over-year basis, the Coincident Economic Activity Index accelerated slightly in Q2. Nominal exports also picked up a bit, but both agricultural and dairy prices dropped. The Milwaukee PMI slipped to 62.1 in Q2 from 68.8 in Q1, but the latter was the highest on record back to 1980.

Nonfarm payrolls increased 0.9% y/y in Q2, up from 0.8% y/y in Q1, but still not enough to break out of the Bottom 10 states (#41). In the year to June, 30.2k net new jobs were created, with more than half found in manufacturing industries (18.7k or 4.0% y/y, matching a 23-year high). Factories were followed by construction (5.9k) and local government (5.4k). The unemployment rate averaged 2.8% in Q2, a record low (dating back to 1976) that's stoking wage gains. Private-sector average hourly earnings were up 6.1% y/y, more than double the national average. The state's labor market dynamic is prodding labor force participation (in Q2, averaging 68.9% to match a near seven-year high) and net migration (in 2017, printing the first positive in eight years). Sturdy (5%-plus) growth in average weekly earnings continued in Q2.

Home sales slowed in Q2 to a still-decent 7.6% y/y from 9.5% y/y in Q1, restrained by lean inventories. Meanwhile, prices climbed 5.5% y/y in Q1, with Milwaukee holding at or above 5% for four straight quarters, and both metrics look like they improved since. On a year-over-year basis, housing starts picked up in Q2 (+5.1% y/y) with building permits pointing to increased construction activity ahead.

### Real GDP

(4-qtr m.a. : y/y % chng)



### Economic Outlook

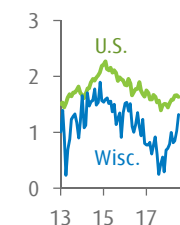
Wisconsin	17	18f	19f
Real GDP (% chng)	1.7	2.6	1.9
Pers. Income (% chng)	2.4	3.4	3.0
Employment (% chng)	1.4	1.3	1.0
Jobless Rate (%)	3.3	2.9	2.6
Housing Starts (000s)	16.4	17.1	17.2

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### Economic Indicators

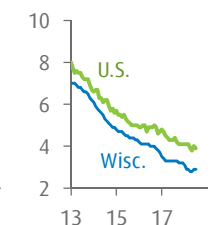
#### Employment

(y/y % chng)



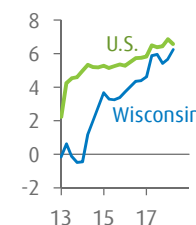
#### Jobless Rate

(percent)



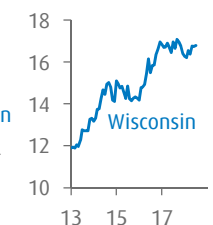
#### House Prices<sup>1</sup>

(y/y % chng)



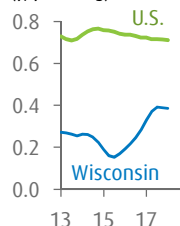
#### Housing Starts

(000s : s.a.a.r. : 12-mo m.a.)



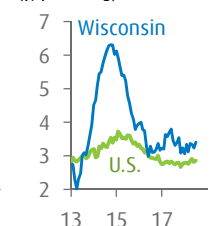
#### Population Growth

(y/y % chng)



#### Coincident Economic Index

(y/y % chng)



<sup>1</sup> FHFA House Price Index

## Arizona



		Rank /50
Population	7,016,000	14
GDP/Capita	\$45,600	43
Jobless Rate	4.7%	44

- **Manufacturing leading strong, well-balanced GDP growth**
- **Construction sector paces strong job creation**

### Top Industries<sup>1</sup>

Real Estate	15.5
Government	12.7
Healthcare	8.5
Finance & Insurance	7.0

### Top Relative Economic Exposure<sup>2</sup>

Admin & Waste Service	148
Retail Trade	131
Utilities	121
Accommodation & Food	120

### Top Exports – 2017 (\$ blns)

Computer & Electronics	5.6
Transp. Equipment	4.8
Minerals	1.8
Electrical equip.	1.7

<sup>1</sup> percent of GDP    <sup>2</sup> ratio of industry share of state GDP to industry share of national GDP (x100)

Matching the strongest gait in more than 11 years, the Arizona economy advanced 4.2% y/y in 2018Q1. This made it the fourth fastest growing state, paced by the manufacturing sector, in which real output soared 8.5% y/y. Following factories, the major GDP-contributing industries were real estate, rental & leasing, retail trade, construction and finance & insurance. Indeed, 19 of 20 industries, covering some 98% of the economy, expanded over the past year.

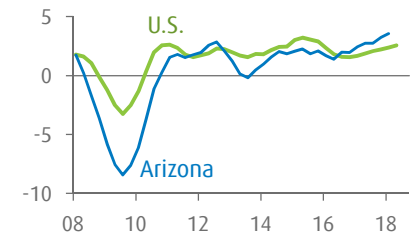
The state averaged 3.2% real GDP growth last year and 2018 should do even better (we estimate 3.4%). Already, Q2 should do as well as Q1, thanks in part to a favorable year-ago comparison, and despite the Coincident Economic Activity Index slowing (4.1% y/y in Q2 vs 4.5% y/y in Q1, the lowest reading in eight years). Meanwhile, nominal exports doubled their growth clip, after contracting in the three quarters to end 2017.

Nonfarm payrolls gained 2.4% y/y in Q2, marking 15 straight quarters above 2% and placing it in the Top 10 states (#7). In the year to June, 63,700 net new jobs were created, led by the construction sector (15.0k or 10.4% y/y, strongest in a dozen years). This was followed by accommodation & food services (10.2k) and healthcare & social assistance (8.9k). While Arizona ranks high in job creation, it ranks even higher in labor force growth (2.3% y/y in Q2, fourth fastest), mirroring some of the highest levels of net migration (79k in 2017, fifth fastest). This is imparting stability in the jobless rate at levels above the national figure; it averaged 4.8% in Q2, in the 4.7%-to-4.9% (decade-low) range for the fifth quarter in row. And, it is also keeping a lid on wage inflation; private-sector average hourly earnings were up only 2.2% y/y in Q2. Meanwhile, average weekly earnings slowed their advance.

The strong growth in the labor force is keeping housing demand strong. However, lean inventories are constraining sales; they've been slowing since the start of the year, with Q2 up only 1.8% y/y. In consequence, prices climbed at a rapid 9.0% y/y clip in Q1 and look to have continued at that pace since. On a year-over-year basis, the growth in housing starts slowed to 13.5% y/y in the latest quarter but that followed a 25.3% y/y surge in Q1. Overall housing starts have trended firmly higher and building permits point to further gains.

### Real GDP

(4-qtr m.a. : y/y % chng)



### Economic Outlook

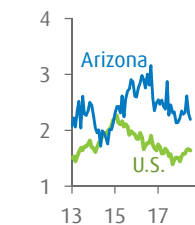
Arizona	17	18f	19f
Real GDP (% chg)	3.2	3.4	3.2
Pers. Income (% chg)	4.1	5.0	4.9
Employment (% chg)	3.2	2.4	2.3
Jobless Rate (%)	4.9	4.7	4.4
Housing Starts (000s)	35.8	41.5	40.2

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### Economic Indicators

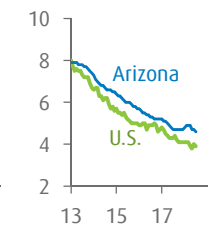
#### Employment

(y/y % chng)



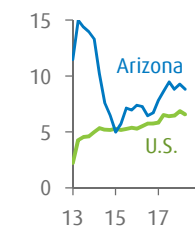
#### Jobless Rate

(percent)



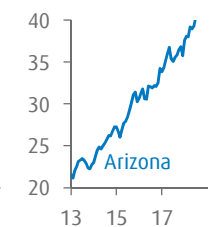
#### House Prices<sup>1</sup>

(y/y % chng)



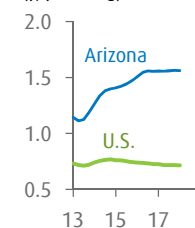
#### Housing Starts

(000s : s.a.a.r. : 12-mo m.a.)



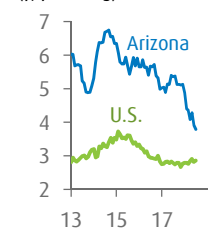
#### Population Growth

(y/y % chng)



#### Coincident Economic Index

(y/y % chng)



<sup>1</sup> FHFA House Price Index

## Florida



		Rank /50	<ul style="list-style-type: none"> <li>▪ <b>Shaking-off middling growth</b></li> <li>▪ <b>Jobless rate downtrend continues</b></li> <li>▪ <b>Strong job creation</b></li> </ul>
Population	<b>20,984,000</b>	<b>3</b>	
GDP/Capita	<b>\$46,100</b>	<b>40</b>	
Jobless Rate	<b>3.8%</b>	<b>23</b>	

### Top Industries<sup>1</sup>

Real Estate	<b>16.6</b>
Government	<b>11.4</b>
Healthcare	<b>8.5</b>
Retail Trade	<b>7.5</b>

### Top Relative Economic Exposure<sup>2</sup>

Arts, Ent. & Recreation	<b>176</b>
Accommodation & Food	<b>145</b>
Admin & Waste Service	<b>132</b>
Retail trade	<b>128</b>

### Top Exports – 2017 (\$ blns)

Computer/Electronics	<b>12.0</b>
Transportation Equip.	<b>8.4</b>
Chemicals	<b>6.1</b>
Machinery	<b>4.9</b>

<sup>1</sup> percent of GDP    <sup>2</sup> ratio of industry share of state GDP to industry share of national GDP (×100)

The Florida economy expanded 2.3% y/y in 2018Q1, which was worth a mid-quintile ranking (#28). Growth was led by real estate, rental & leasing, with real output up 3.3% y/y. Other leading industries were retail, along with healthcare & social assistance.

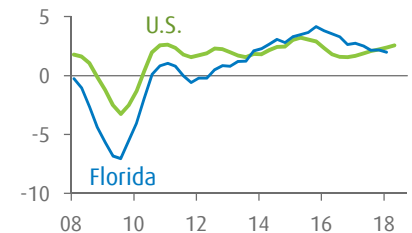
The state averaged 2.2% real GDP growth last year and 2018 should better this (we estimate 3.1%), with Q2 likely to improve upon Q1's performance, thanks in part to a favorable year-ago comparison. This is despite the Coincident Economic Activity Index slowing down (3.7% y/y in Q2 vs 4.2% y/y in Q1, the lowest reading in 8½ years), along with slower expanding nominal exports.

Nonfarm payrolls grew 2.1% y/y in Q2, up from 2.0% y/y in Q1 and cracking the Top 10 states (at #10). In the year ending in June, 184,400 net new jobs were created, led by the accommodation and food services industry (43.0k) and followed by construction (34.6k), along with the trio of health care & social assistance, professional, scientific & technical services and transportation, warehousing & utilities (all in the 15k-range). The unemployment rate averaged 3.8% in Q2, matching the lowest level in more than 11 years and continuing its uninterrupted downtrend since the Great Recession (the only state we track without a quarterly reversal). Interestingly, despite strong population growth (1.6% y/y in Q2, fourth fastest and comparable to Arizona) and the highest net migration among states (305k in 2017), Florida's labor force rise is relatively more restrained (1.3% y/y), as retirees comprise a higher proportion of the flows. The consequently tighter labor market than, say, in Arizona, is fueling faster wage inflation. Private-sector average hourly earnings were up 3.6% y/y in Q2, with average weekly earnings picking up considerably to 5.4% y/y (the strongest clip in at least a decade).

Strong job and population gains are pumping housing demand but lean inventories are causing sales to sag (up 2.2% y/y in Q2 vs. 6.5% y/y in Q1). Home prices have remained stable but rapid, holding slightly under 10% for the past three years, though cooling to 8.6% y/y in Q1, with some probable slight moderation since. Housing starts have posted sturdy momentum, accelerating to 14.7% y/y in Q2, marking the fastest pace in 2½ years. Building permits point to this strong pace continuing.

### Real GDP

(4-qtr m.a. : y/y % chng)



### Economic Outlook

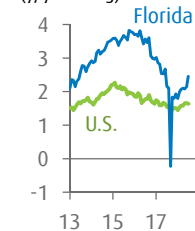
Florida	17	18f	19f
Real GDP (% chg)	2.2	3.1	3.2
Pers. Income (% chg)	3.8	4.6	4.3
Employment (% chg)	3.3	1.8	1.9
Jobless Rate (%)	4.2	3.7	3.4
Housing Starts (000s)	116.0	132.3	139.6

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### Economic Indicators

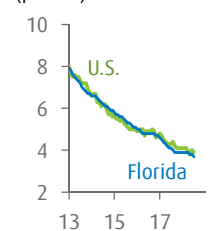
#### Employment

(y/y % chng)



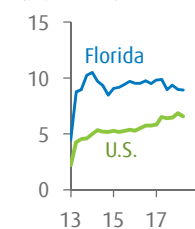
#### Jobless Rate

(percent)



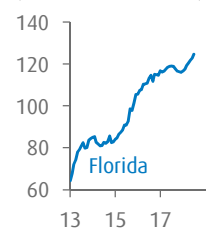
#### House Prices<sup>1</sup>

(y/y % chng)



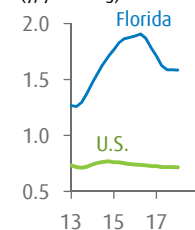
#### Housing Starts

(000s : s.a.a.r. : 12-mo m.a.)



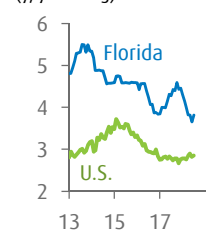
#### Population Growth

(y/y % chng)



#### Coincident Economic Index

(y/y % chng)



<sup>1</sup> FHFA House Price Index

## Indiana



		Rank /50	
Population	6,667,000	17	▪ Below-average GDP growth on flat manufacturing
GDP/Capita	\$53,900	28	▪ Payrolls expansion stabilizing
Jobless Rate	3.3%	15	▪ Solid home sales

Top Industries <sup>1</sup>	Top Relative Economic Exposure <sup>2</sup>	Top Exports - 2017 (\$ blns)
Manufacturing	28.6	Manufacturing 245
Real Estate	9.9	Transportation Equip 11.5
Government	8.7	Chemicals 9.4
Healthcare	8.2	Machinery 4.1
		Misc. Commodities 2.5
		Transp. & Wareh. 110
		Utilities 114
		Agriculture 117

<sup>1</sup> percent of GDP    <sup>2</sup> ratio of industry share of state GDP to industry share of national GDP (x100)

The Indiana economy increased 1.4% y/y in 2018Q1, placing it in the Bottom 20 states (#39). The modest gain was led by healthcare & social assistance (in which real output rose 5.4% y/y), along with real estate, rental & leasing, and retail trade. However, Indiana's economic exposure to manufacturing is the highest in the nation, and this critical sector was flat (real output nudged only +0.1% y/y). The state's factories are, in turn, more exposed to the automotive sector. Nationwide, car and truck assemblies have been declining (on a y/y basis) for the past five consecutive quarters, but, specifically in Indiana, one truck plant was being re-tooled. Note that flat overall factory output means that the non-automotive segment is doing reasonably well. Elsewhere, the government sector was a drag in Q1 (on a y/y basis, it's been contracting for the past four quarters).

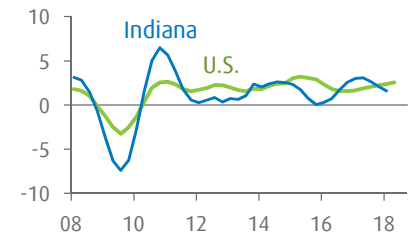
Last year, the state averaged 2.1% real GDP growth but 2018 appears hard-pressed to better this (we estimate 1.7%), although Q2 should outpace Q1, thanks in part to a favorable year-ago comparison. On a year-over-year basis, the Coincident Economic Activity Index slipped to 2.2% y/y in Q2 from 2.4% y/y in Q1, the lowest reading in eight years. On the positive side, nominal exports picked up. Also, although light vehicle sales are expected to be flat at best, they continue to favor trucks (and SUVs, etc.) over cars, which bodes well for Indiana's production mix.

The expansion in nonfarm payrolls is stabilizing, up 0.8% y/y in Q2 for the fourth straight quarter, but this was still Bottom 10 performance (#42). In the year to June, 11,200 net new jobs were created, all accounted for in manufacturing (5.9k), local government (5.6k), and construction (4.4k). The unemployment rate again averaged 3.2% in Q2, matching the lowest level in 18½ years. Despite the relatively tight labor market, private-sector average hourly earnings were up only 1.9% y/y in Q2 (below the national figure on both the jobless rate and wage inflation fronts). Average weekly earnings slowed sharply in Q2.

The sturdy job market is helping keep housing demand solid. Home sales climbed nearly 15% y/y in Q1 following a 22% surge the prior quarter, even with limited inventory. This pushed prices higher by 5.8% y/y in Q1, the fastest pace since 1996, with signs of acceleration since. On a year-over-year basis, the growth in housing starts slowed in Q2 but building permits point to a rebound.

### Real GDP

(4-qtr m.a. : y/y % chng)



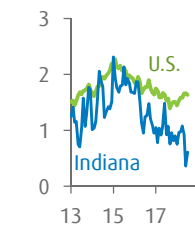
### Economic Outlook

Indiana	17	18f	19f
Real GDP (% chg)	2.1	1.7	2.0
Pers. Income (% chg)	3.1	4.2	3.6
Employment (% chg)	0.7	1.0	1.2
Jobless Rate (%)	3.5	3.4	3.1
Housing Starts (000s)	18.3	20.6	20.2

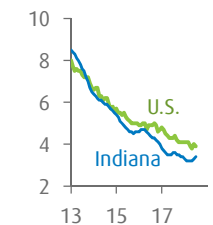
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### Economic Indicators

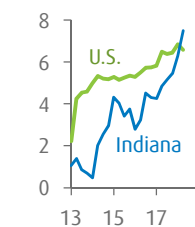
**Employment**  
(y/y % chng)



**Jobless Rate**  
(percent)



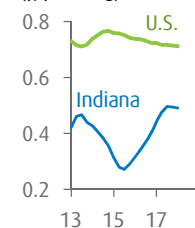
**House Prices<sup>1</sup>**  
(y/y % chng)



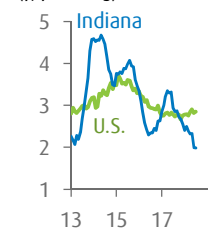
**Housing Starts**  
(000s : s.a.a.r. : 12-mo m.a.)



**Population Growth**  
(y/y % chng)



**Coincident Economic Index**  
(y/y % chng)



<sup>1</sup> FHFA House Price Index

## Kansas



		Rank	▪ <b>Economy expanding again</b>
		/50	▪ <b>Decade-high strong job creation</b>
Population	2,913,000	35	▪ <b>Manufacturing pacing the gains</b>
GDP/Capita	\$54,200	27	
Jobless Rate	3.4%	18	

### Top Industries<sup>1</sup>

Manufacturing	18.4
Real Estate	12.3
Government	10.9
Finance & Insurance	8.6

### Top Relative Economic Exposure<sup>2</sup>

Agriculture	319
Transp. & Wareh.	130
Manufacturing	128
Management Services	125

### Top Exports - 2017 (\$ blns)

Transportation Equip.	2.4
Food Products	2.0
Agricultural Products	1.6
Machinery	1.0

<sup>1</sup> percent of GDP <sup>2</sup> ratio of industry share of state GDP to industry share of national GDP (x100)

Breaking out of the past three-quarter rut of negative readings, the Kansas economy expanded 1.5% y/y in 2018Q1, placing it in the Bottom 20 states (#37... but at least it's growing again). The turnaround was led by manufacturing which rose 2.8% y/y. Other industries contributing the most to GDP growth were real estate, rental & leasing, management of companies & enterprises along with professional, scientific & technical services. However, two sectors contracted and combined to lop nearly three-quarters of a percentage point from the headline GDP gain – otherwise it would have easily topped 2%. The culprits were agriculture (which includes forestry, fishing & hunting) and construction (on a y/y basis, these sectors have contracted for the past five and seven quarters, respectively).

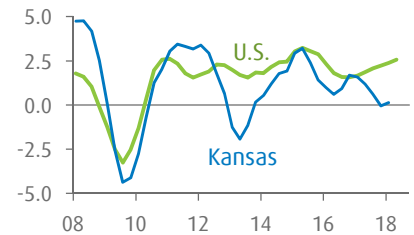
Last year, real GDP contracted 0.1%, on average, with particular weakness in the first half of the year. Growth should return to positive territory this year (we estimate 1.6%), with Q2 expected to improve upon Q1's performance. On a year-over-year basis, although the Coincident Economic Activity Index slipped a bit in Q2, it remained close to Q1's reading. Meanwhile, nominal exports picked up.

Nonfarm payrolls increased 1.7% y/y in Q2, the strongest gain in 10½ years, up from 0.7% y/y in Q1. This pushed Kansas into the Top 20 states (#17). In the year ending June, 24,500 net new jobs were created, led by the transportation, warehousing & utilities sector (6.1k), along with manufacturing (4.2k) and administrative & waste management/remediation services (4.0k). The unemployment rate again averaged 3.4% in Q2, matching the lowest level in 18½ years. However, this is also being driven by the lowest labor force participation rate in more than 40 years (it averaged 66.3% in Q2). Meanwhile, the return to positive GDP growth and a relatively tight labor market are prodding wages. Private sector average hourly earnings increased 3.7% y/y in Q2, the fastest pace in 4½ years. Average weekly earnings improved markedly.

Home sales have been unable to keep pace with last year amid tight inventory levels. While managing to increase 3.1% y/y, on average, in Q1, sales growth ended the quarter in negative territory and this has persisted since. Meantime, prices were advancing close to 6.9% y/y in Q1 with the forward momentum continuing (for now). Housing starts picked up in Q2 (+1.8% y/y), after slowing for two quarters in a row. Building permits point to this firming trend continuing.

### Real GDP

(4-qtr m.a. : y/y % chng)



### Economic Outlook

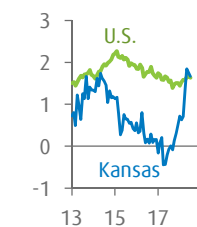
Kansas		17	18f	19f
Real GDP	(% chng)	-0.1	1.6	1.6
Pers. Income	(% chng)	0.9	3.1	2.5
Employment	(% chng)	0.0	0.1	0.3
Jobless Rate	(%)	3.6	3.4	3.2
Housing Starts	(000s)	8.5	7.9	8.5

f = forecast

### Economic Indicators

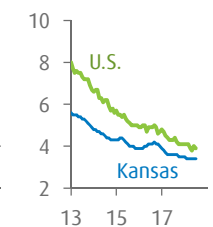
#### Employment

(y/y % chng)



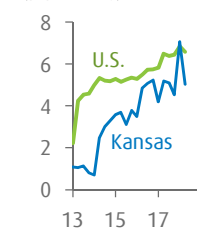
#### Jobless Rate

(percent)



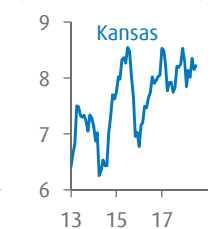
#### House Prices<sup>1</sup>

(y/y % chng)



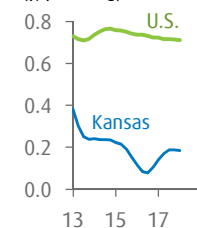
#### Housing Starts

(000s : s.a.a.r. : 12-mo m.a.)



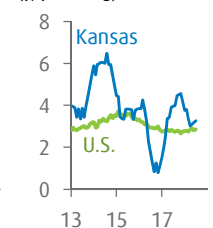
#### Population Growth

(y/y % chng)



#### Coincident Economic Index

(y/y % chng)



<sup>1</sup> FHFA House Price Index

## Minnesota



		Rank /50
Population	5,577,000	22
GDP/Capita	\$63,000	14
Jobless Rate	3.1%	12

- Slowest GDP growth in nation
- But among lowest jobless rates
- Weak economy weighing on wages

### Top Industries<sup>1</sup>

Manufacturing	18.4
Real Estate	12.3
Government	10.9
Finance & Insurance	8.6

### Top Relative Economic Exposure<sup>2</sup>

Management Services	192
Agriculture	183
Healthcare	131
Manufacturing	120

### Top Exports – 2017 (\$ blns)

Computer/Electronics	3.6
Machinery	3.3
Transportation Equip.	2.1
Misc. Commodities	2.1

<sup>1</sup> percent of GDP    <sup>2</sup> ratio of industry share of state GDP to industry share of national GDP (x100)

Posting the worst result among the 50 states, the Minnesota economy barely grew in 2018Q1, up just 0.4% y/y and under the 1% mark for the third consecutive quarter. Although a profoundly weak July-September interval last year is plaguing the annual change, performance since then has been sluggish. In terms of contribution to real GDP growth, gains were led by real estate, rental and leasing, healthcare & social assistance, manufacturing and retail trade. The losses were led by agriculture, forestry, fishing & hunting, and professional, scientific & technical services, along with management of companies & enterprises. In total, 9 of 20 sectors contracted over the past year.

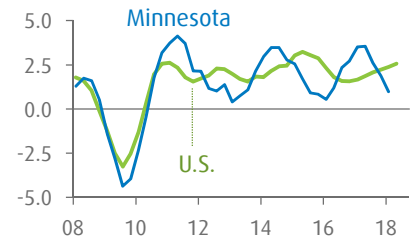
Real GDP growth averaged 1.9% in 2017, and will likely struggle to live up to that in 2018 (we estimate 1.1%), and Q2 could be hard pressed to beat Q1's paltry performance by much. On a year-over-year basis, the Coincident Economic Activity Index slipped a bit in Q2, but remained very close to Q1's reading. Meanwhile, nominal export growth picked up to 15.7% y/y in Q2, the fastest pace in 8½ years.

Nonfarm payrolls increased 1.0% y/y in Q2, up from 0.8% y/y in Q1. Although both readings are eight-year lows, this was still enough to stay out of the cellar on this count (at #37). In the year ending June, 36,600 net new jobs were created, led by the manufacturing sector (7.1k), along with accommodation & food services (6.2k) and state government (4.1k). The unemployment rate averaged 3.1% in Q2, down a tenth from Q1 and hitting an 18-year low. This is well below the national figure (3.9%) and a beacon for net migration, for which the state boasts the highest amount among all Midwest states (24k in 2017). It also boasts the tenth fastest labor force growth in the nation (1.5% y/y in Q2). However, weak overall economic conditions might be helping to keep a lid on wages. Private sector average hourly earnings increased only 1.9% y/y in Q2, as average weekly earnings picked up to a comparable pace.

Home sales in Minnesota slowed for the second straight quarter at 4.7% y/y in Q2, hindered by low inventories. Prices, meantime, have showed a steady upward climb, punching through 6% y/y in Q1, but looking like they couldn't hold on to the momentum in Q2. Meantime, price gains in the Twin Cities have held near 7% over the last year. Housing starts accelerated to 8.1% y/y in Q2, after two straight months of decline, with building permits pointing to additional gains ahead.

### Real GDP

(4-qtr m.a. : y/y % chng)



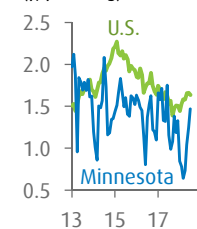
### Economic Outlook

Minnesota	17	18f	19f
Real GDP (% chng)	1.9	1.1	2.0
Pers. Income (% chng)	3.1	3.6	3.0
Employment (% chng)	1.3	1.7	1.6
Jobless Rate (%)	3.5	3.1	2.8
Housing Starts (000s)	22.8	23.6	25.6

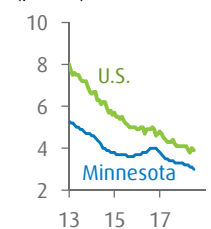
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### Economic Indicators

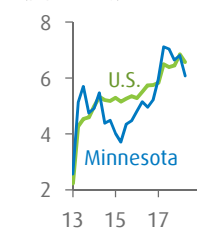
#### Employment (y/y % chng)



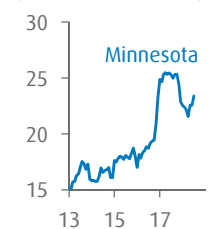
#### Jobless Rate (percent)



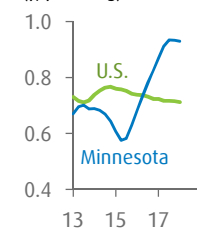
#### House Prices<sup>1</sup> (y/y % chng)



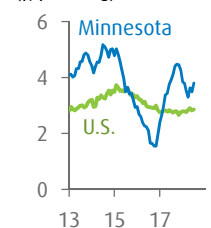
#### Housing Starts (000s : s.a.a.r. : 12-mo m.a.)



#### Population Growth (y/y % chng)



#### Coincident Economic Index (y/y % chng)



<sup>1</sup> FHFA House Price Index



## Missouri



		Rank /50	<ul style="list-style-type: none"> <li>▪ <b>Near-decade-strong GDP growth</b></li> <li>▪ <b>Below average jobless rate, above average wage inflation</b></li> </ul>
Population	<b>6,113,000</b>	<b>18</b>	
GDP/Capita	<b>\$49,900</b>	<b>36</b>	
Jobless Rate	<b>3.5%</b>	<b>18</b>	

Top Industries <sup>1</sup>		Top Relative Economic Exposure <sup>2</sup>		Top Exports - 2017 (\$ blns)	
Manufacturing	<b>13.4</b>	Management Services	<b>155</b>	Transportation Equip.	<b>3.9</b>
Government	<b>11.7</b>	Agriculture	<b>117</b>	Chemicals	<b>2.4</b>
Real Estate	<b>11.5</b>	Healthcare	<b>117</b>	Food Products	<b>1.4</b>
Finance & Insurance	<b>8.0</b>	Arts, Ent. & Recreation	<b>114</b>	Machinery	<b>1.3</b>

<sup>1</sup> percent of GDP    <sup>2</sup> ratio of industry share of state GDP to industry share of national GDP (x100)

Posting its strongest performance in nearly a decade, the Missouri economy expanded 2.5% y/y in 2018Q1, placing it in the middle quintile among its peers (#24). Growth was led by manufacturing, as real output expanded 5.5% y/y (fastest in 5½ years). Other leading sectors were healthcare and social assistance and finance & insurance, followed closely by professional, scientific & technical services and information. The government sector was a slight drag in Q1.

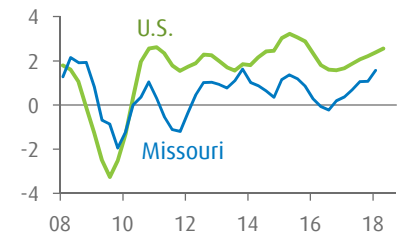
Last year, real GDP growth averaged 1.1% and should improve markedly in 2018 (we reckon 1.8%), even though Q2 should underperform Q1, partly owing to an unfavorable year-ago comparison. On a year-over-year basis, although the Coincident Economic Activity Index slipped a bit in Q2, it remained very close to Q1's reading. Meanwhile, nominal exports growth slowed.

Nonfarm payrolls grew 1.2% y/y in Q2, up from 1.0% y/y in Q1, placing it again in the middle quintile among states. In the year ending June, 35,100 net new jobs were created, led by the healthcare and social assistance sector (10.2k), followed by administrative & waste management/remediation services (5.6k) along with arts, entertainment and recreation (4.9k). The unemployment rate averaged 3.6% in Q2, down a tenth from Q1 and matching an 18-year low. But, this is also being driven by the lowest labor force participation rate in nearly 34 years (it averaged 63.4% in Q2). Nevertheless, the tighter-than-average labor market appears to be fueling faster-than-average wage inflation. Private sector average hourly earnings increased 3.8% y/y in Q2, as average weekly earnings accelerated to a comparable pace.

The Missouri housing market continues to recover, driven by robust demand fundamentals. Home sales fell 0.6% y/y in Q2, the first decline since 2014, with lean inventories a culprit. Prices, meantime, have seen a steady upward climb, punching through 6% y/y for the first time this cycle in Q1, and with forward momentum appearing to have continued. Housing starts expanded in Q2 (+3.9% y/y) after contracting in the past couple of quarters, with building permits pointing to the growth rebound continuing.

### Real GDP

(4-qtr m.a. : y/y % chng)



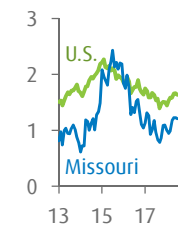
### Economic Outlook

Missouri		17	18f	19f
Real GDP	(% chng)	1.1	1.8	1.4
Pers. Income	(% chng)	1.9	4.3	4.2
Employment	(% chng)	-0.1	0.1	0.1
Jobless Rate	(%)	3.8	3.4	3.3
Housing Starts	(000s)	16.9	16.2	16.9

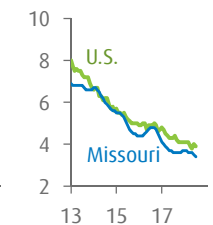
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### Economic Indicators

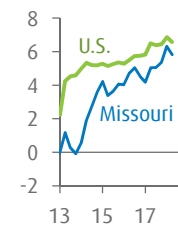
**Employment**  
(y/y % chng)



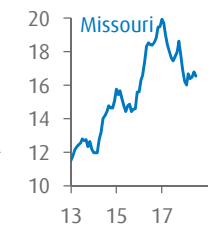
**Jobless Rate**  
(percent)



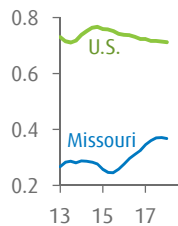
**House Prices<sup>1</sup>**  
(y/y % chng)



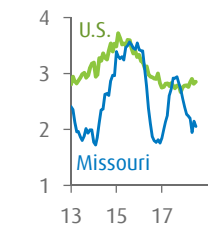
**Housing Starts**  
(000s : s.a.a.r. : 12-mo m.a.)



**Population Growth**  
(y/y % chng)



**Coincident Economic Index**  
(y/y % chng)



<sup>1</sup> FHFA House Price Index

## Ohio



		Rank /50	<ul style="list-style-type: none"> <li>▪ <b>Middling growth</b></li> <li>▪ <b>Manufacturing sector</b> <b>pace the gains</b></li> <li>▪ <b>Positive net migration</b></li> </ul>
Population	<b>11,659,000</b>	<b>7</b>	
GDP/Capita	<b>\$56,700</b>	<b>26</b>	
Jobless Rate	<b>4.5%</b>	<b>29</b>	

### Top Industries<sup>1</sup>

Manufacturing	<b>16.9</b>
Real Estate	<b>10.9</b>
Government	<b>10.9</b>
Finance & Insurance	<b>9.6</b>

### Top Relative Economic Exposure<sup>2</sup>

Management Services	<b>168</b>
Manufacturing	<b>143</b>
Wholesale Trade	<b>131</b>
Finance & Insurance	<b>121</b>

### Top Exports - 2017 (\$ blns)

Transp. Equipment	<b>15.0</b>
Chemicals	<b>6.3</b>
Machinery	<b>6.0</b>
Electrical equip.	<b>3.0</b>

<sup>1</sup> percent of GDP    <sup>2</sup> ratio of industry share of state GDP to industry share of national GDP (x100)

The Ohio economy expanded 2.4% y/y in 2018Q1, the fastest pace in three years, placing it in the middle quintile among all states (#27). Growth was led by the manufacturing sector, with real output expanding 3.5% y/y. Other leading industries included healthcare and social assistance (here, real output grew 3.7% y/y, the most in more than nine years), along with mining and construction. The agriculture, forestry, fishing & hunting sector was drag in Q1, as was the real estate, rental & leasing industry.

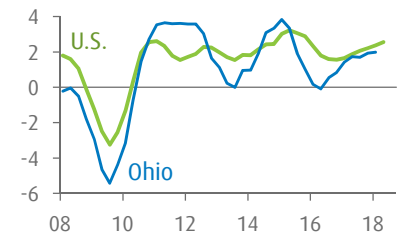
Last year, the state averaged 1.9% real GDP growth, and 2018 should do better (we estimate 2.1%), with Q2 probably improving upon Q1's performance. On a year-over-year basis, the change in the Coincident Economic Activity Index increased, now at a 2½-year high. Meanwhile, nominal exports accelerated strongly, posting a double-digit gain for the first time in more than six years.

Nonfarm payrolls expanded 1.3% y/y in Q2, up from 0.8% y/y in Q1, placing it again in the middle quintile among states (#28). In the year ending June, 76,100 jobs were created led by accommodation & food services (12.6k) and manufacturing (13.0k), along with transportation, warehousing & utilities (8.2k) and healthcare & social assistance (8.1k). The unemployment rate averaged 4.4% in Q2, down a tenth from Q1 and matching a 17-year low. For Ohio, it's noteworthy that net migration in 2017 was positive for the first time in almost 25 years (14k, second only to Minnesota in the Midwest). Private sector average hourly earnings increased 3.0% y/y in Q2 (not far from the national figure), as average weekly earnings accelerated at a slightly faster pace.

Homes sales slowed to 11.4% y/y in Q1 from Q4's 14.4%, pace but both still averaged double-digit gains. Although it looks like the pace has since slowed further, it remains relatively strong. Lean inventories, kept prices in Q2 rising in the 6%-range for the fifth consecutive quarter. Meantime, the year-over-year growth in housing starts picked up in Q2 (+1.6%) after a decline in Q1, with building permits pointing to higher construction activity ahead.

### Real GDP

(4-qtr m.a. : y/y % chng)



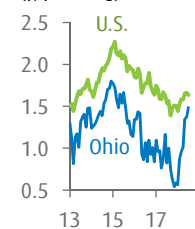
### Economic Outlook

Ohio	17	18f	19f
Real GDP (% chg)	1.9	2.1	1.7
Pers. Income (% chg)	2.5	3.7	3.8
Employment (% chg)	0.7	0.7	0.5
Jobless Rate (%)	5.0	4.5	4.3
Housing Starts (000s)	22.8	22.8	23.2

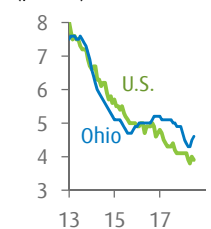
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### Economic Indicators

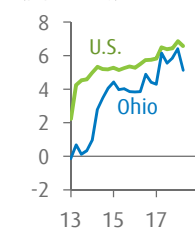
#### Employment (y/y % chng)



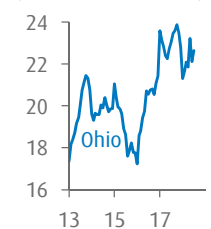
#### Jobless Rate (percent)



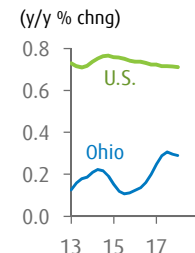
#### House Prices<sup>1</sup> (y/y % chng)



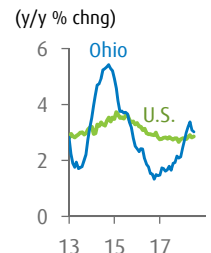
#### Housing Starts (000s : s.a.a.r. : 12-mo m.a.)



#### Population Growth (y/y % chng)



#### Coincident Economic Index (y/y % chng)



<sup>1</sup> FHFA House Price Index

## Texas



		Rank /50
Population	28,305,000	2
GDP/Capita	\$59,900	44
Jobless Rate	4.0%	29

▪ **Among Top 5 states for GDP growth and job creation**

▪ **Jobless rate nudges up from record-low**

### Top Industries<sup>1</sup>

Manufacturing	13.4
Government	10.3
Real Estate	9.8
Mining, Oil & Gas	9.4

### Top Relative Economic Exposure<sup>2</sup>

Mining, Oil & Gas	494
Utilities	135
Wholesale Trade	131
Construction	128

### Top Exports – 2017 (\$ blns)

Computer & Electronics	47.0
Petroleum & Coal	44.4
Chemicals	40.0
Oil & Gas	32.0

<sup>1</sup> percent of GDP <sup>2</sup> ratio of industry share of state GDP to industry share of national GDP (×100)

Ranked fifth fastest among all states, the Texas economy expanded 4.2% y/y in 2018Q1 (Arizona was also 4.2% but ranked a notch higher when taking it to two decimal places). Growth was greased by the mining and energy sector, with real output up 17.1% y/y, as the U.S. continues to see record crude oil production. Other leading sectors included real estate, rental & leasing and manufacturing, followed by professional, scientific & technical services and wholesale trade. Indeed, 19 of 20 industries, covering more than 99% the economy, expanded over the past year (the outlier was agriculture, which includes forestry, fishing and hunting).

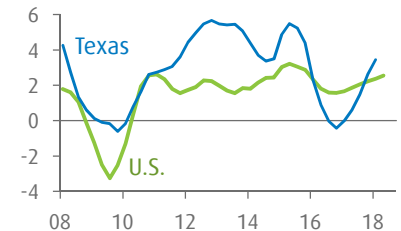
Last year, the state averaged 2.6% real GDP growth and 2018 should handily top this (we estimate 4.0%), with Q2 likely matching Q1's performance (and that's despite the high bar set by the year-ago comparison). On a year-over-year basis, the Coincident Economic Activity Index picked up its pace, as did oil output (nationwide) to hit new record highs. Nominal exports accelerated, with double-digit gains in both Q1 and Q2. Meanwhile, the Dallas Fed's Texas manufacturing index remained elevated (28.4 in Q2 vs. 31.8 in Q1) as did the service sector index (18.5 vs. 17.9).

Nonfarm payrolls expanded 2.9% y/y in 2018Q2, up from 2.3% y/y in Q1, placing Texas in the Top 10 states (at #4, this time beating out Arizona). In the year ending June, 357,200 net new jobs were created led by administrative & waste management/remediation services (47.5k), accommodation & food services (45.5k), and construction (43.7k). Professional, scientific & technical services (33.8k) and mining (33.5k) weren't far behind. The unemployment rate averaged 4.1% in Q2, nudging up from the record-low 3.9% hit a couple quarters ago (dates back to 1976). This partly reflects a rising labor force participation rate; it averaged 63.9% in Q2, highest in more than three years. Also, Texas is second only to Florida in net migration (190k in 2017), keeping population and labor force growth elevated (#7 and #6 among states, respectively). Private sector average hourly earnings were up only 1.5% y/y in Q2, while average weekly earnings picked up to a pace double that.

Homes sales fell 1.3% y/y in Q2, marking the first drop in almost seven years. Meantime, price increases look like they continued to hold to the 8% annual clip of the past couple years. On a year-over-year basis, housing starts rose in Q2 (+23%) after falling in Q1 (-10%), while building permits point to an increase in the level of home building.

### Real GDP

(4-qtr m.a. : y/y % chng)



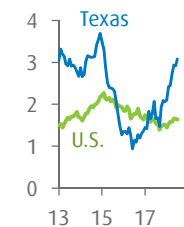
### Economic Outlook

Texas	17	18f	19f
Real GDP (% chg)	2.6	4.0	3.6
Pers. Income (% chg)	2.9	4.1	3.6
Employment (% chg)	2.0	2.2	2.1
Jobless Rate (%)	4.3	4.0	3.7
Housing Starts (000s)	169.5	184.1	190.8

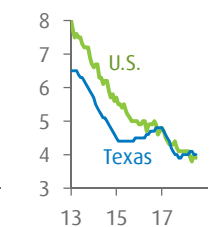
f = forecast

### Economic Indicators

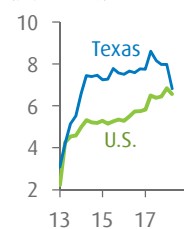
#### Employment (y/y % chng)



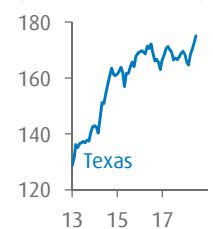
#### Jobless Rate (percent)



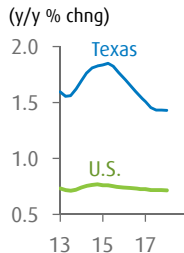
#### House Prices<sup>1</sup> (y/y % chng)



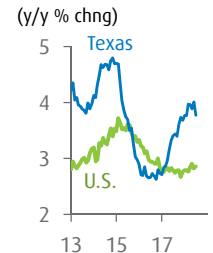
#### Housing Starts (000s : s.a.a.r. : 12-mo m.a.)



#### Population Growth (y/y % chng)



#### Coincident Economic Index (y/y % chng)



<sup>1</sup> FHFA House Price Index

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