The recession tightened its grip on Montana’s economy in 2009, producing the first back-to-back declines in consecutive years in real nonfarm labor earnings since 1986. What began as downturns in construction and wood products industries in 2008 spread out into nearly every segment of the economy in 2009, as well as into every corner of the state.

It was a year that saw the global recession arrive at the doorstep of almost every sector of the state’s economy. In the first half of 2009:

- Construction continued to see double-digit declines in earnings, led by big dips in building construction;
- Montana’s transportation industries continued to be hurt by declines in goods shipments, with earnings in transportation and warehousing industries down by 4 to 5 percent;
- Once fast-growing Flathead and Gallatin counties saw sharp declines in wage income due to steep cutbacks in construction and (for Flathead) forest products industry employment. The more modest declines in Missoula and Yellowstone counties were closer to the state average.
- Most employment and earnings declines tapered off in their severity as we moved toward the summer.

We expect to see some recovery overall in the state economy in 2010 as consumer spending in the national economy stabilizes and markets for Montana’s products begin to improve. Job growth will be slow, and the unemployment rate is expected to remain high through 2010. The closure of Smurfit-Stone in 2010 represents another challenge to growth.
The biggest risk to the forecast is a “double-dip” recession in the national economy. This risk is particularly high if monetary authorities decide to tighten the economy too early. There is also a significant risk that U.S. job losses and high savings rates will keep consumer spending weak and leave the economy stagnant for a prolonged period.