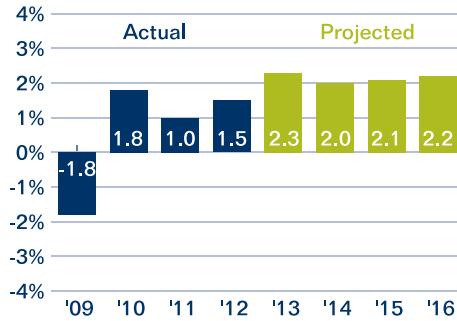


The uptick in growth in the forecast is partly due to projected growth in manufacturing, perhaps as typified by startups such as diecast maker, Seacast, continued strength in transportation, and an increasing presence of health care facilities serving the state, located both in Butte and Anaconda. ¹³

Figure 3
Actual and Projected Change in Nonfarm Earnings, Silver Bow County, 2009-2016



Sources: Bureau of Business and Economic Research, The University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

Cascade County Opportunities and Challenges

Patrick M. Barkey, Director, Bureau of Business and Economic Research

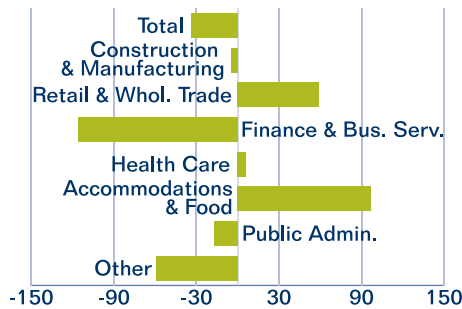
Cascade County Profile

Total Population, 2011	81,837
Percent Change in Population, 2000-2010	1.2%
Median Age, 2011	39.0
Percent 65 or Older, 2011	15.4%
Percent of Population with Bachelor's Degree or Higher, 2011	22.8%
Median Household Income, 2011	\$44,074
Percent of Population without Health Insurance Coverage, 2011	14.9%
Unemployment Rate, November 2012	5.5%

Sources: American Community Survey, U.S. Census Bureau; Research and Analysis Bureau, Montana Department of Labor and Industry.

The good news for Great Falls and Cascade County is that the recession of 2008-09 was kinder and gentler to the local economy than in almost any other part of the state. The bad news is that as we turn toward year 2013, that relatively benign outcome is becoming less and less relevant. Trends in the energy and agriculture sectors, and its geographic position on the

Figure 1
Cascade County Civilian Wage Growth, by Major Industry, FY 2011-2012



Source: Quarterly Census of Employment and Wages.

U.S.-Canada trade corridor, give Cascade County economy unique opportunities for growth. But likewise, the economy's dependence on the Malmstrom Air Force Base and other military activities poses a unique risk to growth as the future of those facilities comes into question.

Our expectation for the near-term is that the economy will continue to see modest growth, with stronger gains in agriculture-related businesses and light manufacturing offset in part by government declines. Growth should improve to around 2.0 percent in inflation-adjusted nonfarm earnings, picking up slightly by the decade's midpoint.

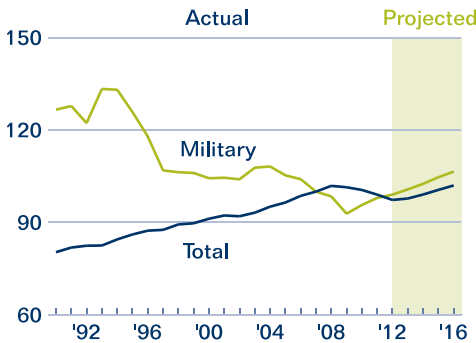
The data available suggest that 2012 was largely a sideways year for the Cascade County economy. Civilian wage growth was virtually flat during the 12-month period ending at midyear, with gains in trade and accommodations offset by small declines in administrative, professional, and government jobs (Figure 1). Inflation-adjusted wages and salaries increased by just \$1.4 million over this same time period, the smallest gain of any of Montana's larger cities.

The trends in military and civilian totals in Cascade County have been distinctly different, as shown in Figure 2. As measured by employment, the military's economic footprint in the county has declined in two distinct steps since 1990 – a 25 percent decline in the mid-1990s, and a 15 percent decline between the years 2004-2009. Despite a rebound since 2009 and the rather optimistic forecast shown in the figure (from IHS Global Insight, a national forecasting firm), the prospect of further declines can't be dismissed.

Much more encouraging have been several announcements of new industrial facilities both in and near Cascade County related to oil field developments in Canada and elsewhere. Current plans for fabrication and transportation staging facilities serving the oil sands hold the promise of hundreds of new jobs. ¹³

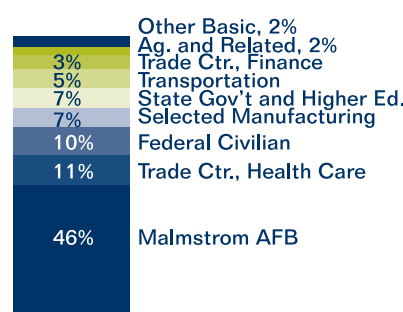
ECONOMIC OUTLOOK

Figure 2
Total Employment and Military Employment, Cascade County Actual and Forecast, 1990-2016, Index 2007=100



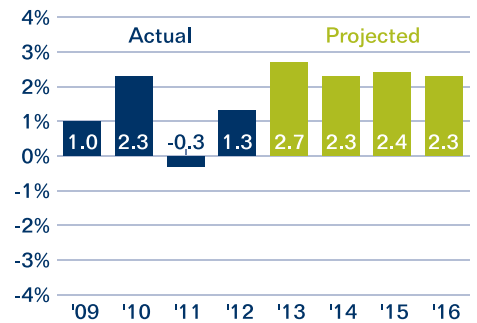
Sources: Bureau of Labor Statistics and IHS Global Insight.

Figure 3
Earnings in Basic Industries, Cascade County, 2010-2012, Percent of Total



Sources: Bureau of Business and Economic Research, The University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

Figure 4
Actual and Projected Change in Nonfarm Earnings, Cascade County, 2009-2016



Sources: Bureau of Business and Economic Research, The University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

Flathead County A Matter of Perspective

Gregg Davis, Associate Director, Bureau of Business and Economic Research

Probably all are painfully aware of the impact the Great Recession had in the Flathead Valley economy. Had the Flathead economy grown at its historical average annual growth rate experienced during the robust part of the decade, 2002-2007, total employment in the Flathead today would be over 49,000 jobs. Instead, employment is at just over 37,000, 75 percent of its potential before the Great Recession hit the economy. Still, the Flathead is over 4,000 jobs shy of its 2007 peak employment of more than 41,000 jobs. Economy-wide wages are \$57 million shy of their peak in 2008. The private sector bore the brunt of the pain in terms of job and wages lost during the recession. But comparing either gains or losses to the robust growth experienced in the early part of the decade masks the relative position of

the economy to growth in other areas.

To see another perspective on where the Flathead economy is in 2011 with respect to other economies, we can compare “where we are now” to “where we would be” if, instead, the economy of the Flathead had followed the path of the Montana and the U.S. economies. For this perspective, we’ll assume that the Flathead economy grows at the average annual rates of growth for Montana and the national economy during the 2002-2011 period for both employment and total wages. We can then compare where the Flathead economy is in 2011 relative to where it would be if, instead, it had grown at the rates of the Montana and U.S. economies.

Because private and government employment often behave differently during economic downturns, they will be separated.

Flathead County Profile	
Total Population, 2011	91,301
Percent Change in Population, 2000-2010	22.1%
Median Age, 2011	41.0
Percent 65 or Older, 2011	13.9%
Percent of Population with Bachelor's Degree or Higher, 2011	27.6%
Median Household Income, 2011	\$45,588
Percent of Population without Health Insurance Coverage, 2011	20.8%
Unemployment Rate, 2012	9.2%

Sources: American Community Survey, U.S. Census Bureau; Research and Analysis Bureau, Montana Department of Labor and Industry.