

The Butte-Silver Bow and Southwestern Montana Outlook

Economic Transformation Continues

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

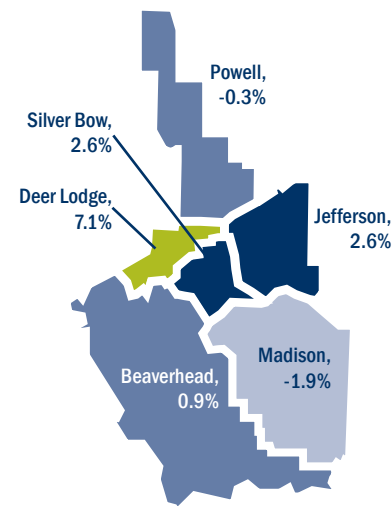
Butte-Silver Bow County Profile	
Total Population, 2011	34,383
Percent Change in Population, 2000-2010	-1.2%
Median Age, 2011	41.7
Percent 65 or Older, 2011	16.2%
Percent of Population with Bachelor's Degree or Higher, 2011	22.5%
Median Household Income, 2011	\$40,030
Percent of Population without Health Insurance Coverage, 2011	14.5%
Unemployment Rate, 2012	5.9%

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

The process of diversification away from its historic mining roots continued in the Butte-Silver Bow economy in 2012, yet the influence of minerals and natural resources to the local economy remains important. Strong growth in health care and administrative support services helped propel Butte-Silver Bow wages and salaries to 2.6 percent growth in the 12-month period ending in June 2012. We expect to see growth between 2.0 percent and 2.5 percent in inflation-adjusted nonfarm earnings in 2013-16 as the economy continues to evolve. This growth is slightly below the state average, but above the annual growth rates of most of the last two decades.

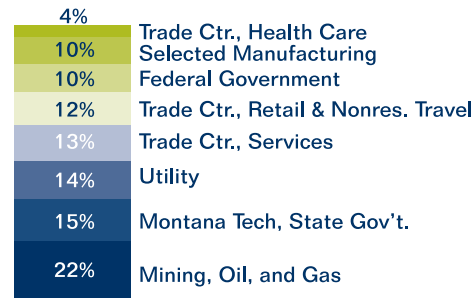
Recent growth across the six-county Southwestern Montana region is varied (Figure 1). Expansion in health care services in early 2012 helped Anaconda

Figure 1
Growth in Real Wage Disbursements, FY2011-2012



Source: Quarterly Census of Employment and Wages.

Figure 2
Earnings in Basic Industries, Silver Bow 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.

see faster growth in wage and salary income, while government cutbacks and a stagnant construction economy held back growth in the outer counties of the region. The activities of Montana Tech in Butte and The University of Montana-Western in Dillon have been stabilizing forces in the local economy.

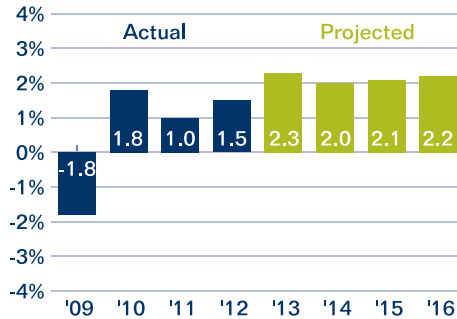
Particularly in employment, health care growth has outpaced other industries, accounting for more than four out of every five jobs added between the year ending in June 2012 and the preceding 12-month period. When measured in terms of total wages, however, that growth contribution slips to 50 percent, as the mild uptick in the total wages of high-paying mining jobs rises in relative importance.

While manufacturing, transportation, and health care have risen in prominence, the outlook for Butte-Silver Bow continues to hinge crucially on the mining sector, especially copper. Bonuses paid (or bonus payments not paid) to miners exert a significant influence on overall growth. In the slowing global economy, this raises some concern as commodity prices are expected to largely move sideways in the next year. Our forecast reflects the expectation that prices remain high enough to not threaten the profitability at Butte's mining operations.

ECONOMIC OUTLOOK

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

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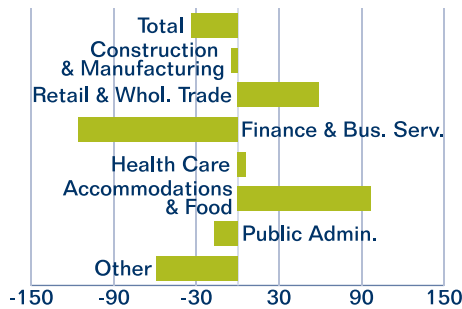
Cascade County Profile

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