

# Montana's Manufacturing Industry

by Charles E. Keegan III and Jason Brandt

Montana's manufacturing industry had its fourth consecutive year of increased sales, employment, and worker earnings in 2007. Montana manufacturers had sales of approximately \$8 billion in 2008 measured as products left their plants. The state's manufacturers generated over 24,000 jobs (including the self-employed) and workers earned approximately \$1.2 billion in labor income. The manufacturing sectors accounted for over 20 percent of Montana's economic base.

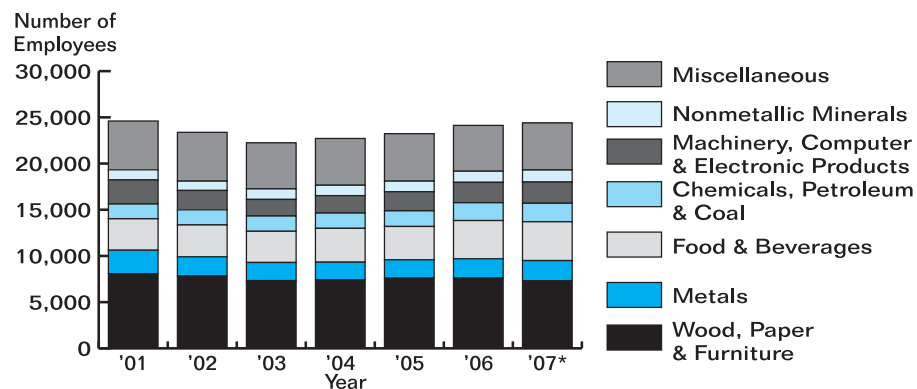
Manufacturing employment has shown steady increases in the past four years of more than 10 percent, and workers' earnings rose commensurately (Figures 1 and 2). This is in contrast to the 2001 – 2003 period when manufacturing activity in Montana declined due to weak U.S. and global economic conditions, limited raw material availability, the high-tech

bust, and increased energy costs. The continued improved conditions in 2007 were found in most components of Montana manufacturing. Fifty percent of surveyed Montana manufacturing firms<sup>1</sup> reported increased profits, sales, and production in 2007, with the only major decline in 2007 in the state's wood products industry.

A key factor leading to increased manufacturing activity in 2007 was the strong global economy, which spurred demand even as growth rates in the U.S. economy slowed. Global demand led to continued high prices for a number of base commodities (petroleum and metals) as well as more specialized,

<sup>1</sup>We surveyed 215 Montana manufacturers employing 20 or more people, and selected other firms, of which 80 percent responded.

**Figure 1**  
**Montana Manufacturing Employment, 2001-2007**



\*Estimate  
Sources: Bureau of Business and Economic Research, The University of Montana-Missoula; Bureau of Economic Analysis, U.S. Department of Commerce.

**Table 1**  
**Employment and Labor Income in Montana's**  
**Manufacturing Sectors, 2001 and 2007**

| Manufacturing Sector                      | Labor Income       |                | Employment    |               |
|---|--------------------|----------------|---------------|---------------|
|   | [thousands 2005\$] |                | 2001          | 2007*         |
|   | 2001               | 2007*          | 2001          | 2007*         |
| Wood, Paper & Furniture                   | \$338              | \$320          | 8,074         | 7,300         |
| Metals                                    | \$119              | \$123          | 2,546         | 2,200         |
| Food & Beverages                          | \$117              | \$147          | 3,400         | 4,200         |
| Chemicals, Petroleum & Coal               | \$194              | \$253          | 1,598         | 2,000         |
| Machinery, Computer & Electronic Products | \$112              | \$108          | 2,610         | 2,300         |
| Printing, Nonmetallic Minerals            | \$45               | \$54           | 1,094         | 1,300         |
| Miscellaneous                             | \$154              | \$201          | 4,681         | 5,100         |
| <b>TOTAL</b>                              | <b>\$1,080</b>     | <b>\$1,207</b> | <b>24,003</b> | <b>24,400</b> |

\*Estimate.

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

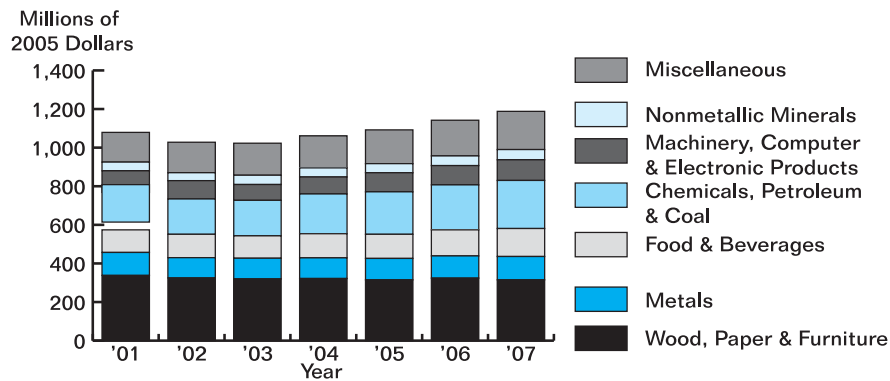
**Table 2**  
**Manufacturing Employment and Labor Income**  
**Among Montana Counties, 2005**

| County                | 2005<br>Manufacturing<br>Employment* | Percent of<br>State's<br>Manufacturing<br>Employment | 2005<br>Manufacturing<br>Labor Income<br>[thousands<br>2005\$] | Percent of<br>State's<br>Manufacturing<br>Labor Income |
|-----------------------|--------------------------------------|--|--|--|
| Yellowstone           | 3,847                                | 17%  | \$272,651  | 24%  |
| Flathead              | 3,657                                | 16%  | \$167,037  | 15%  |
| Missoula              | 3,124                                | 13%  | \$151,065  | 13%  |
| Gallatin              | 2,645                                | 11%  | \$147,016  | 13%  |
| Ravalli               | 1,327                                | 6%   | \$47,651   | 4%   |
| Lake                  | 955                                  | 4%   | \$29,925   | 3%   |
| Cascade               | 947                                  | 4%   | \$46,699   | 4%   |
| Lewis & Clark         | 902                                  | 4%   | \$50,843   | 5%   |
| Silver Bow            | 601                                  | 3%   | \$35,496   | 3%   |
| Park                  | 481                                  | 2%   | \$17,317   | 2%   |
| Remaining 46 Counties | 4,758                                | 20%  | \$159,961  | 14%  |
| <b>Montana</b>        | <b>23,244</b>                        | <b>100%</b>  | <b>\$1,125,661</b>   | <b>100%</b>  |

\*County-level estimates do not include the logging sector, which would add more than 2,500 jobs and over \$109 million in labor income.

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

**Figure 2**  
**Labor Income in Montana Manufacturing industries,**  
**2001-2007**



\*Estimate  
 Sources: Bureau of Business and Economic Research, The University of Montana-Missoula;  
 Bureau of Economic Analysis, U.S. Department of Commerce.

refined, and high-tech products. High commodity prices were a positive factor for some producers, but for other Montana manufacturers high prices for commodities drove up operating costs. Montana manufacturers benefited as sectors such as construction, agriculture, and mining showed continued strength in Montana and adjacent states. The weaker U.S. dollar helped Montana companies export and made imported products less competitive in the U.S. market.

### Outlook: 2007 and Beyond

The U.S. economy is projected to slow in 2008, and further declines in the U.S. housing industry, tightening credit availability, and high oil prices all present risks to Montana manufacturers. However, while increases in global economic activity may slow slightly in 2008, continued strong economic performances especially in China, India, and Russia could

help sustain demand for many Montana products.

The Montana manufacturers who responded to our annual survey are guarded but optimistic about the upcoming year; 47 percent foresee improved conditions for 2008, and 36 percent think 2008 will turn out about the same as 2007. Only 14 percent expect worsening conditions. Over half of manufacturing respondents expect to keep their workforce at the same level in 2008, while nearly 40 percent foresee an increase.

When manufacturers were asked to rate a list of issues in terms of general importance to their business, 75 percent of respondents rated health insurance costs as very important, followed by the availability of qualified workers (67 percent) and workers' compensation rates (64 percent). Energy costs and raw material availability and cost were very important to over half of the respondents.