

Montana's Manufacturing Industry

by Todd A. Morgan and Charles E. Keegan III

Despite the recent recession and extensive declines in wood products, manufacturing remains a substantial component of Montana's economy. Measured as products left the plants, Montana manufacturers had sales nearing \$7 billion in 2009. The state's manufacturers generated more than 21,400 jobs (Figure 1), and workers earned more than \$1 billion in labor income during 2009 (Figure 2).

The manufacturing sectors account for more than 20 percent of Montana's economic base, and prior to the recent downturn, four Montana counties each had more than 2,500 manufacturing employees and more than \$120 million in labor income from manufacturing (Table 1).

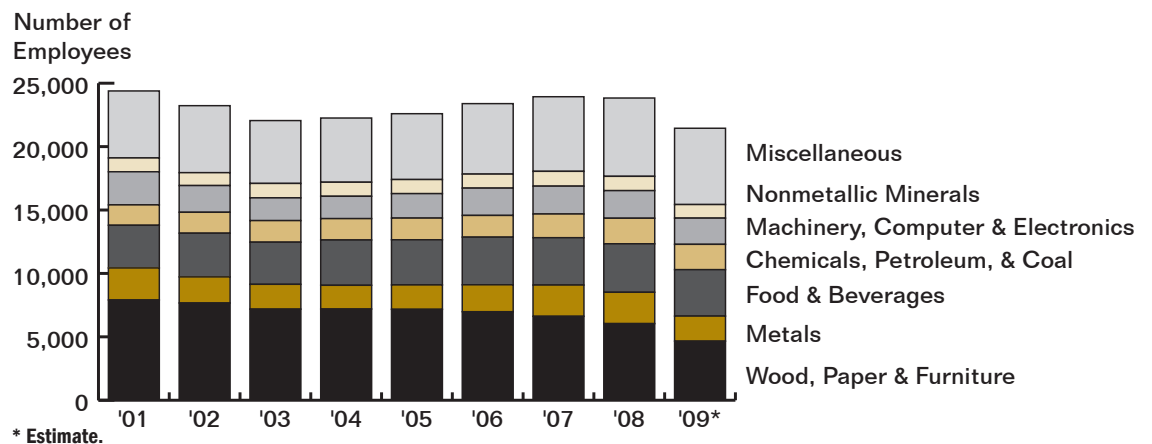
The full force of the global financial crisis and recession did not hit Montana manufacturers until late in 2008, leading to substantial declines in 2009. Value of production dropped

by an estimated \$1 billion to approximately \$7 billion, with estimated employment at Montana manufacturers dropping from 23,800 (including the self-employed) in 2008 to approximately 21,400 in 2009. Workers' earnings fell by an estimated \$110 million (10 percent) to an estimated \$1 billion during 2009.

Comparing 2009 to the recession year of 2001, long-term employment and labor income growth (in constant dollars) occurred in a few manufacturing sectors, but total employment and labor income during 2009 are estimated to be lower than 2001 levels for manufacturing as a whole in Montana (Table 2).

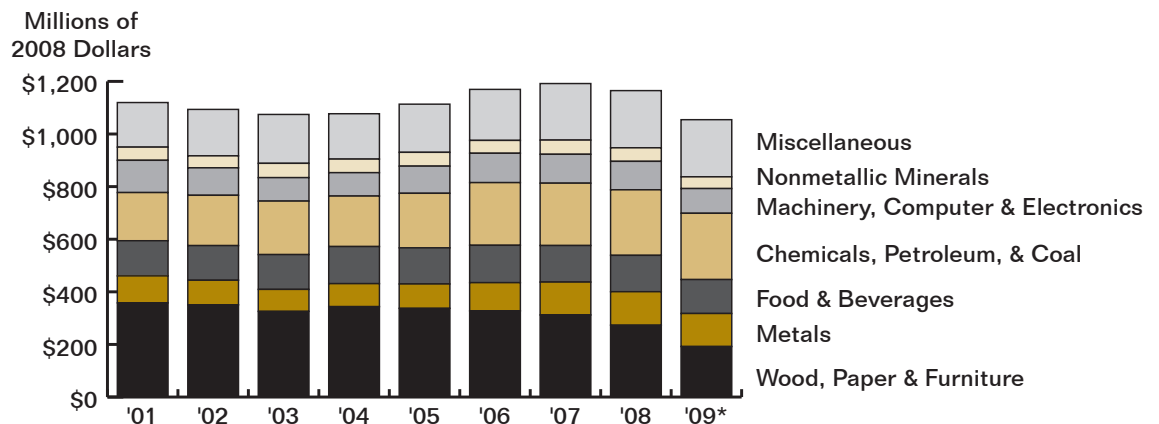
Year-to-year declines were largest in Montana's forest products industry (see pages 31-32) with segments of Montana's metals, machinery, and nonmetallic minerals manufacturers also suffering declines. None of the major

Figure 1
Montana Manufacturing Employment, 2001-2009



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

Figure 2
Labor Income in Montana Manufacturing, 2001-2009



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

manufacturing sectors showed increased employment in 2009, although chemical/petroleum manufacturing did see a slight increase in worker earnings. Even with these declines, Montana manufacturing out-performed U.S. manufacturers as a whole, who saw employment declines exceeding 15 percent in 2009.

Just under 63 percent of the Montana manufacturing firms BBER surveyed reported decreased profits for 2009, with 18 percent indicating profits higher than 2008.

As indicated on page 4, manufacturing employment in Montana (like the rest of the nation) has a high proportion of male workers. Our survey highlights some of the differences in male and female employment. Responses indicate that females comprise about 25 percent of Montana's total manufacturing workforce, with women holding about 55 percent of administrative and clerical positions but only 16 percent of production jobs. This suggests that as the manufacturing sector grows or contracts, men are more likely to be impacted.

Outlook: 2010 and Beyond

The 2010 outlook is for modest improvement in Montana manufacturing activity with expectations that the United States and other major economies will continue the recovery that began in the last half of 2009. The U.S. dollar has weakened considerably over the past year, making some Montana manufacturers more competitive in international markets.

The recovery in Montana manufacturing will be hampered by the announced permanent closure of a number of major manufacturing facilities including the Smurfit-Stone Container linerboard plant, Columbia Falls Aluminum Company smelter, and several large sawmills.

Montana manufacturers who responded to our annual survey are somewhat more optimistic about the outlook for 2010 than they were for 2009. Only 19 percent expected improved conditions for 2009, versus 47 percent who expected better conditions for 2010. About 38 percent expected worsening conditions in 2009, versus 15 percent for 2010. Nearly 60 percent of manufacturing respondents expect to keep their workforce at the same level in 2010, while 27 percent foresee an increase in employment.

In response to the question, "How, if at all, has availability or access to credit negatively impacted your business since January 2008," less than 25 percent of Montana manufacturers indicated they had experienced problems. Those who reported credit issues said their firms or their customers had difficulty maintaining an adequate line of credit. Responding to, "How if at all, has the federal stimulus benefitted your business," 20 percent of Montana manufacturers indicated they did benefit.

When manufacturers were asked to rate a list of issues in terms of general importance to their business, 79 percent of respondents rated health insurance cost as very important,

**Table 1
Montana Manufacturing Employment
and Labor Income, by County, 2007**

County	2007 Manufacturing Employment	Percent of Total	2007	
			Manufacturing Labor Income (Millions of 2007 \$)	Percent of Total
Flathead	4,158	17%	202	16%
Yellowstone	3,804	16%	323	25%
Gallatin	3,103	13%	179	14%
Missoula	2,970	12%	147	11%
Ravalli	1,294	5%	53	4%
Cascade	1,009	4%	54	4%
Lake	957	4%	33	3%
Lewis & Clark	930	4%	60	5%
Silver Bow	632	3%	37	3%
Lincoln	466	2%	14	1%
Park	382	2%	18	1%
All other counties	4,273	18%	168	13%
Montana total	23,978	100%	1,288	100%

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

**Table 2
Employment and Labor Income in Montana
Manufacturing Sectors, 2001 and 2009**

	Labor Income (millions 2008 \$)		Employment	
	2001	2009*	2001	2009*
Wood, Paper & Furniture	358	192	7,907	4,660
Metals	103	126	2,526	1,977
Food & Beverage	134	129	3,365	3,661
Chemicals, Petroleum & Coal	183	252	1,607	1,997
Machinery, Computers & Electronics	123	94	2,612	2,068
Nonmetallic Minerals	50	45	1,090	1,071
Miscellaneous	169	217	5,283	6,016
Total	1,120	1,054	24,390	21,448

* Estimate

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

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followed by workers' compensation rates (60 percent), and workers' compensation rules (52 percent). The cost of energy was very important to 51 percent of respondents.

More detail from the "Results from the 2009- 2010 Montana Manufacturers Survey" is available on the Bureau's Web site www.bber.umt.edu/manufacturing. □

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