

Montana's Manufacturing Industry

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Despite the recent recession and extensive declines in wood products, manufacturing remains a substantial component of Montana's economy, with sales of \$10 billion during 2010. The state's manufacturers employed 21,000 workers in 2010 (Figure 1), earning more than \$1 billion in labor income (Figure 2).

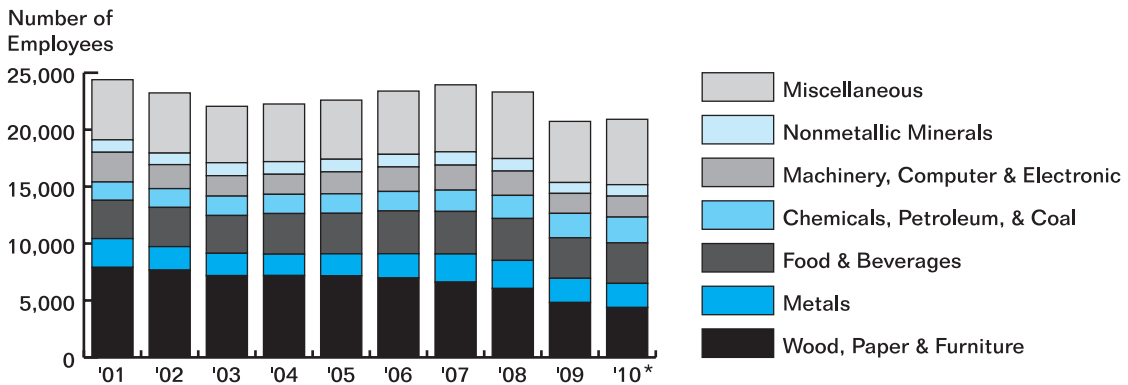
The manufacturing sectors account for more than 20 percent of Montana's economic base, and prior to the recent downturn, four Montana counties each had more than 2,400 manufacturing employees and more than \$135 million in labor income from manufacturing (Table 1). Recent declines primarily in the wood and paper products, primary metals,

and machinery industries have dropped Flathead County below 3,000 manufacturing workers and Missoula County below 2,000.

The value of production rose in 2010 by an estimated \$1.7 billion to approximately \$10 billion. The increase was due to generally higher product prices and output across most sectors, with Montana's petroleum refineries accounting for the bulk of the increased sales value compared to 2009.

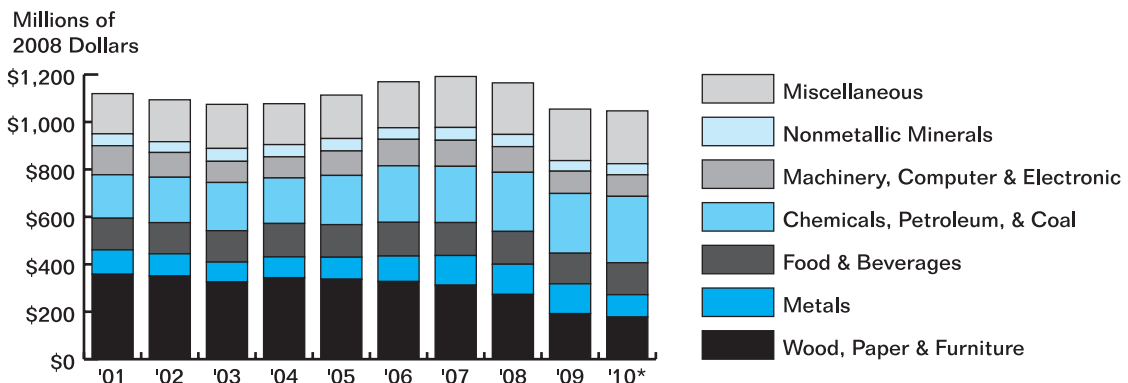
After substantial declines in employment during 2009, Montana manufacturing employment turned upward as 2010 progressed, with a net increase of an estimated 200 workers. Estimated workers' earnings in 2010 were approximately

Figure 1
Montana Manufacturing Employment, 2001-2010



* 2010 estimated by BBER.
Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Figure 2
Labor Income in Montana Manufacturing, 2001-2010



* 2010 estimated by BBER.
Source: Bureau of Economic Analysis, U.S. Department of Commerce.

equal to the \$1 billion reported for 2009. This is in contrast with the U.S. manufacturing sector, which had lower employment in 2010 versus 2009. The largest single loss in 2010 was the closure of the Smurfit-Stone Container pulp and paper mill in Frenchtown, dropping overall manufacturing employment by 400 workers. All other manufacturers combined added an estimated 600 workers.

Looking at the past decade and comparing 2001 to 2010, total employment and labor income for 2010 are estimated to be lower than 2001 levels for manufacturing as a whole in Montana (Table 2). However, a number of sectors have shown growth over that period including chemicals, petroleum and coal, food and beverage, and a mix of manufacturers in the miscellaneous category, including high-tech and light manufacturing. Declines since 2001 were largest in Montana's wood and paper products industry (see pages 30-31) with segments of Montana's metals, machinery, and nonmetallic minerals manufacturers also suffering declines.

Outlook: 2011 and Beyond

The 2011 outlook is for modest improvement in Montana manufacturing activity, with expectations that the United States and other major economies will continue the slow recovery that began in the last half of 2009. Montana manufacturers should continue to benefit from improved export activities. The weakness of the dollar has spurred sharp increases in U.S. exports as the global economy improved in 2010; emerging economies such as Latin America and China showed rapid growth. Exports are projected to continue to increase by 8 percent in 2011 and 10 percent in 2012. In part due to strong global markets, the high-tech related sectors have shown recent growth, which will continue through 2011. Also benefitting U.S. and Montana manufacturers in 2011 and 2012 is an expected reduction in the rate of imports of manufactured goods, which increased during 2010.

Montana manufacturers who responded to the BBER's annual manufacturers survey continue to express optimism in their outlook for the coming year. Nearly 50 percent expected improved conditions for 2010, and about 45 percent expect better conditions for 2011. About 15 percent expect worsening conditions in 2011, very similar to the 15 percent that expected worsening conditions for 2010. Nearly 64 percent of manufacturing respondents expect to keep their workforce at the same level in 2011, while 29 percent foresee an increase in employment.

More than 60 percent of responding firms indicated the recession has caused their firm to fundamentally change the way they plan to operate in the future. Most of the major changes involved reducing costs and operating more efficiently. Other major changes included diversification into new products and markets, or focusing on key products and projects.

Table 1
Montana Manufacturing Employment and Labor Income, by County, 2008

County	2008 Manufacturing Employment	Percent of Total	2008 Manufacturing Labor Income (Millions of 2008 \$)	Percent of Total
Yellowstone	3,543	15%	287	25%
Flathead	3,501	15%	196	17%
Gallatin	2,577	11%	151	13%
Missoula	2,434	10%	138	12%
Ravalli	976	4%	45	4%
Cascade	963	4%	55	5%
Lake	750	3%	33	3%
Lewis and Clark	703	3%	43	4%
Silver Bow	597	3%	38	3%
Park	303	1%	18	2%
Lincoln	290	1%	12	1%
Other counties	6,672	29%	138	12%
Montana total	23,309	100%	1,152	100%

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Table 2
Employment and Labor Income in Montana Manufacturing Sectors, 2001 and 2010

	Labor Income (millions 2008 \$)		Employment	
	2001	2010*	2001	2010*
Wood, paper & furniture	358	178	7,907	4,385
Metals	103	94	2,526	2,116
Food & beverage	134	135	3,365	3,558
Chemicals, petroleum & coal	183	280	1,607	2,266
Machinery, computers & electronics	123	91	2,612	1,842
Nonmetallic minerals	50	47	1,090	1,005
Miscellaneous	169	223	5,283	5,742
Total	1,120	1,047	24,390	20,912

* 2010 estimated by BBER.

Source: Bureau of Economic Analysis, U.S. Department of Commerce.