

Montana's Manufacturing Industry

Modest Improvement Expected

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The recession of 2007-2009 and subsequent weak economic conditions have led to four years of declining manufacturing employment in Montana. However, these industry sectors continue to be important elements of Montana's economy. Montana manufacturers had sales topping \$10 billion, employed nearly 20,000 workers, and accounted for approximately \$1.1 billion in earnings during 2011.

The manufacturing sectors account for roughly 20 percent of Montana's economic base, and throughout the recession, four Montana counties retained more than 2,500 manufacturing employees with total earnings exceeding \$125 million (Table 1). Although wood, paper, and furniture remains the largest manufacturing sector in Montana by number of employees (Figure 1), earnings are highest in the chemicals, petroleum, and coal section, which has seen growth in employment while wood products has been declining.

Montana manufacturing employment has declined from nearly 24,000 workers at the start of the recession in 2007 to approximately 19,900 workers in 2011, with the majority of the decline (2,600 workers) occurring between 2007 and 2009 when wood, paper, and furniture shed nearly 2,000 jobs. Employment dropped by nearly 800 workers in 2010, followed by another 600 job losses during 2011. Manufacturing

Table 1
Montana Manufacturing Employment and Earnings by County, 2009

	2009 Manufacturing Employment	Percent of Total	2009 Manufacturing Earnings (Millions of 2009 \$)	Percent of Total
Yellowstone	3,567	17%	291	27%
Flathead	3,040	15%	150	14%
Gallatin	2,718	13%	133	13%
Missoula	2,531	12%	128	12%
Ravalli	1,081	5%	38	4%
Cascade	996	5%	58	5%
Lewis and Clark	871	4%	39	4%
Lake	740	4%	27	3%
Silver Bow	608	3%	39	4%
Lincoln	338	2%	9	1%
Park	322	2%	14	1%
Other counties	3,824	19%	135	13%
Montana Total	20,636	--	1,060	--

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

employment turned upward in mid-2010, but fell late in the year and dropped further as the U.S. economy weakened and national unemployment hovered around 9 percent throughout 2011. Estimated workers' earnings in 2011 were approximately equal to the \$1.1 billion reported for 2010.

Looking at the past decade and comparing 2001 to 2011, total manufacturing employment and earnings for 2011 are estimated to be 18.3 percent and 7.4 percent, respectively, lower than 2001 levels in Montana (Table 2). However, a number of sectors have shown growth over the decade including chemicals, petroleum and coal, food and beverages, 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.

Value of production increased slightly in 2011 to more than \$10 billion. The increase was due to higher gasoline and diesel prices received by Montana's petroleum refineries and increased product prices and output across most manufacturing sectors, offsetting the 2010 closure of the Frenchtown linerboard facility.

Nearly 40 percent of the 211 Montana manufacturing firms that BBER queried as part of its annual

MANUFACTURING OUTLOOK

survey reported increased profits during 2011, versus 30 percent indicating increased profits for 2010. Approximately 34 percent of firms reported decreased profits in 2011.

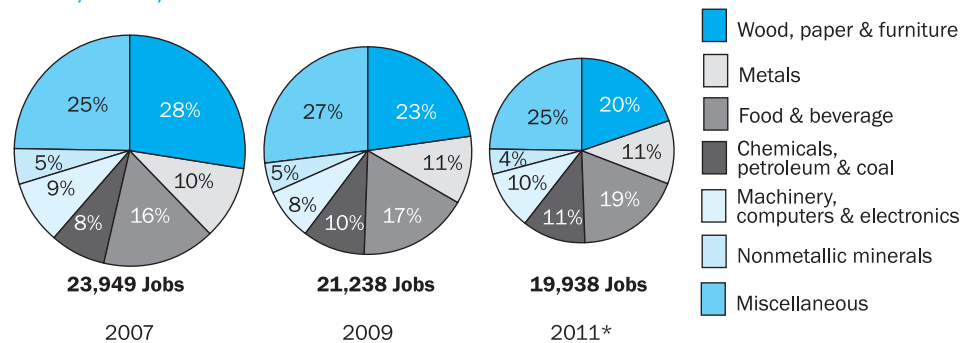
Outlook 2012: Exports, Energy, and Federal Government Spending

The manufacturing outlook for Montana in 2012 is for modest improvement with expectations of employment growth among several manufacturing sectors. Montana manufacturers should continue to benefit from improving export conditions. Exports are projected to continue to increase during 2012. In part due to strong global markets, the high-tech related sectors have shown recent growth, which will continue. Also benefiting U.S. and Montana manufacturers is the continued reduction in the rate of imports of manufactured goods from overseas.

Montana manufacturers that responded to the BBER's annual survey continue to express optimism in the outlook for the coming year. Nearly 50 percent expected improved conditions for 2011, and about 36 percent expect better conditions for 2012. Only 11 percent expect worsening conditions in 2012. More than 90 percent of manufacturing respondents expect to keep their workforce at the same level or increase employment in 2012, while only 7 percent foresee a decline in employment.

Several factors are expected to impact Montana manufacturing in the coming year and beyond. Workers' compensation rates and health insurance costs continue to be identified as the most important issues, followed by cost of energy and availability of

Figure 1
Montana Manufacturing Employment,
2007, 2009, 2011



* estimate

Source: Bureau of Business and Economic Research; Bureau of Economic Analysis, U.S. Department of Commerce.

Table 2
Employment and Earnings in
Montana Manufacturing Sectors, 2001 and 2011

Manufacturing Sector	Earnings			Employment		
	2001 (Millions of 2009 Dollars)	2011*	Percent Change	2001	2011*	Percent Change
Wood, paper & furniture	359	187	-47.9%	7,907	3,969	-49.8%
Metals	103	77	-25.6%	2,526	2,191	-13.3%
Food & beverage	134	144	7.4%	3,365	3,722	10.6%
Chemicals, petroleum & coal	184	303	65.3%	1,607	2,222	38.2%
Machinery, computers & electronics	123	117	-5.1%	2,612	2,058	-21.2%
Nonmetallic minerals	50	40	-20.7%	1,090	885	-18.8%
Miscellaneous	170	171	0.9%	5,283	4,892	-7.4%
Total	1,122	1,039	-7.4%	24,390	19,938	-18.3%

* Estimate.

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

qualified workers. Changes in federal government spending, particularly in the Department of Defense, could impact numerous Montana manufacturers that produce items used by the military. Changes in federal civilian spending, while considered necessary by many of the manufacturers responding to BBER's survey, could impact a variety of firms that provide goods related to the medical, educational, alternative energy, and natural resources fields.

More than half of manufacturers surveyed expect energy development

in Montana – including coal, natural gas, oil, wind, solar, biomass, and geothermal – to impact their business very little or not at all. Approximately 30 percent responded that energy development would positively impact their business, primarily through lower energy costs and through improvements in general economic conditions that could potentially boost sales. Less than 25 percent of manufacturers indicated that energy development would negatively impact their business, with many expressing concern over competition for skilled labor. ¹²