U.S. and Montana
Economic Outlook:
Stronger Growth Ahead

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Short-Term Optimism, Long-Term Concerns

Short-Term
• Robust growth in emerging economies
• Corporate profits strong, spending awakening
• More tax stimulus
• Consumer debt stabilizing

Long-Term
• Stimulus hangover
• Tax increases ahead
• Solvency of states
• Financial regulation: did we get it right?
Divergent Growth, Divergent Policies

**U.S.**
- Slow growth coming out of recession
- New tax stimulus, aggressive Fed action

**Europe**
- On the brink of a second financial crisis due to default risks of Greece and other countries
- Immediate and painful fiscal contractions underway

**Emerging Economies**
- Fast growth, rising inflation, appreciating currencies
- Higher interest rates and active currency intervention
Manufacturing Growth Since 2000 in Emerging Regions

Indices of Industrial Production, 2000 = 100
Source: CPB Netherlands Bureau for Economic Policy Analysis
Growth is Reflected in Commodity Prices

Source: International Monetary Fund
The U.S. Outlook for 2011

- Depreciating dollar, faster growth abroad will boost exports
- Temporary cut in payroll taxes, extension of depreciation incentives gives an extra push
- Inflation is a non-problem
- 3 percent growth will finally chip away at unemployment
- Risks to forecast are now more balanced
- Optimism fades beyond 2013
Nonfarm Wage and Salary Employment, Montana and U.S.

Index, Nov 2008=100
Montana Income Tax Withholding
12-Month Totals

<table>
<thead>
<tr>
<th>Month</th>
<th>Total (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2008</td>
<td>$643.4</td>
</tr>
<tr>
<td>February 1, 2011</td>
<td>$670.3 Million</td>
</tr>
</tbody>
</table>

The graph shows the trend of Montana Income Tax Withholding from '08 to '11, with a significant rise from July 1, 2008 ($643.4 Million) to February 1, 2011 ($670.3 Million).
Percent Growth in Wage and Salary Disbursements by Industry

**Total Nonfarm**
- 2009: 101.6% of 2007 4th Quarter Level
- 2010: -0.2%

**Construction**
- 2009: 75.7% of 2007 4th Quarter Level
- 2010: -13.1%

**Manufacturing**
- 2009: 84.2% of 2007 4th Quarter Level
- 2010: -5.5%
### Percent Growth in Wage and Salary Disbursements by Industry

**Health Care**
- **2009**: 115.3% of 2007 4th Quarter Level
- **2010**: -3.3%

**Public Administration**
- **2009**: 120.4% of 2007 4th Quarter Level
- **2010**: 4.8%
Labor Income and Basic Industries, Montana

- Mining, 14%: Strong Growth Potential
- Wood and Paper, 5%: Remains Depressed
- Ag. and Related, 10%: Good Prospects
- Travel, 12%: Recovering
- Other Manufacturing, 16%: Strong Growth Potential
- Transportation, 12%: Recovering
- Fed. Military, 9%: Risks Remain
- Fed. Civilian, 22%: Mild Declines
Actual and Projected Percent Change in Nonfarm Labor Income, 2008-2014

<table>
<thead>
<tr>
<th>Percent</th>
<th>Actual</th>
<th>Projected</th>
</tr>
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<tbody>
<tr>
<td>'08</td>
<td>-2.0</td>
<td></td>
</tr>
<tr>
<td>'09</td>
<td>-0.3</td>
<td></td>
</tr>
<tr>
<td>'10</td>
<td>0.9</td>
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<tr>
<td>'11</td>
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<td>'12</td>
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<td>1.5</td>
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<tr>
<td>'13</td>
<td></td>
<td>2.4</td>
</tr>
<tr>
<td>'14</td>
<td></td>
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</tr>
</tbody>
</table>
Montana’s Energy Industries?

- Mining, 14%
- Wood and Paper, 5%
- Ag. and Related, 10%
- Travel, 12%
- Selected Manufacturing, 16%
- Transportation, 12%
- Fed. Military, 9%
- Fed. Civilian, 22%
- Other
- Oil and Coal Prod.
- Refining
- Pipelines
- Utilities
Coal Mining
NAICS 2121

2009 Employment = 946
Number of firms = 7
Petroleum Refining
NAICS 32411
2009 Employment = 1,069
Number of firms = 5
Drilling Oil and Gas Wells
NAICS 21311

2009 Employment = 333
Number of firms = 49
Support Activities for Oil and Gas
NAICS 213112

2009 Employment = 1,256
Number of firms = 159
Colstrip Steam Electrical Station

2009 Employment = 578
Number of firms = 1
Strong Job Growth in Most Sectors
Montana’s Energy Industries

- Oil and Gas: 38%
- Coal Mining: 16%
- Petroleum Refining: 24%
- Pipelines: 13%
- Colstrip: 9%
Rim Rock Wind Farm, Sunburst MT

Construction – 2 Years
300 Workers / Year
$110,000 / Year

Operations
22 Workers
$48,000 / Year
Actual and Projected Percent Change in Nonfarm Labor Income, 2008-2014
Local Economic Outlook