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# OUTLOOK 2012 PRESENTATIONS

The University of Montana Bureau of Business and Economic Research

# Flathead County



## Inside:

National, State, and Local Forecasts • Agriculture • Energy  
Forest Products • Health Care • Housing  
Manufacturing • Travel and Recreation

Published with the support of the Montana Chamber of Commerce

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# OUTLOOK 2012

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## Outlook 2012



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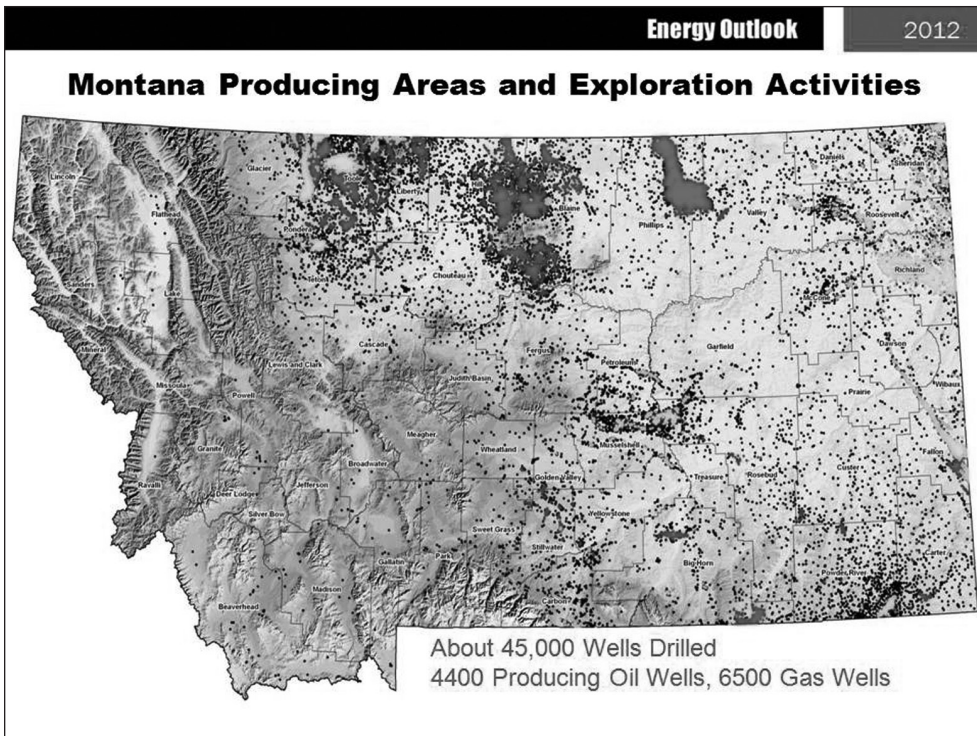
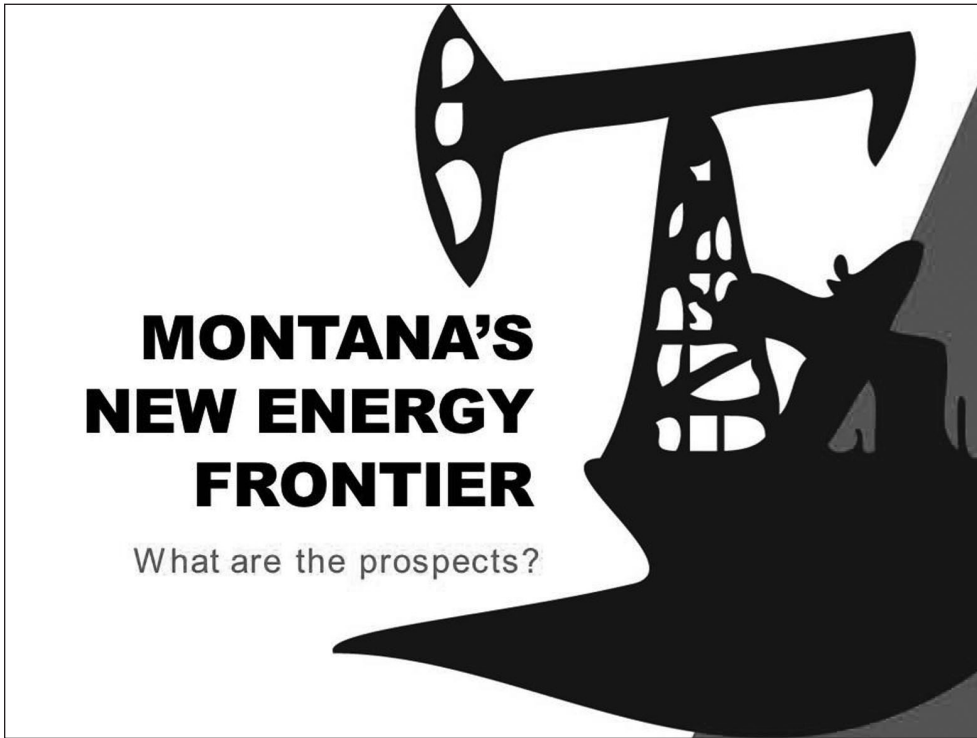


# Table of Contents

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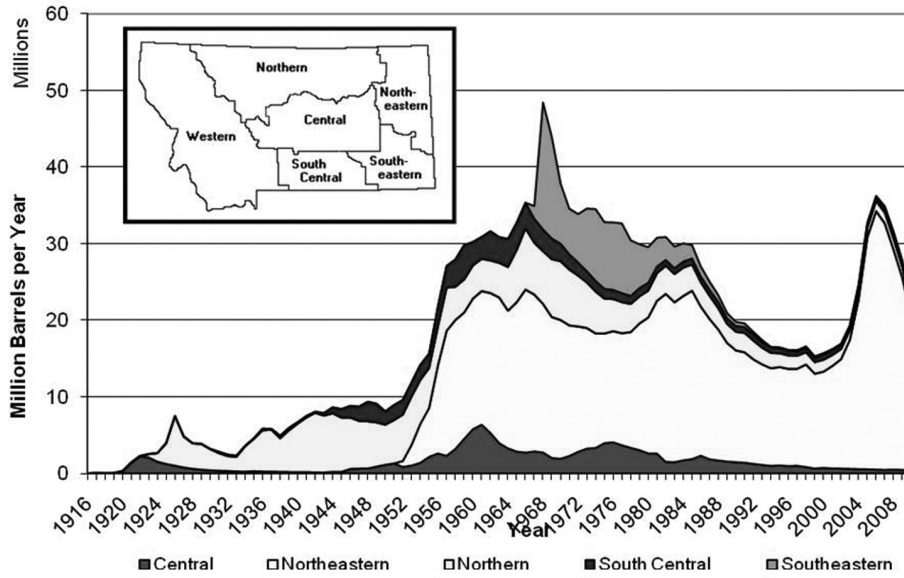
## 2012 Economic Outlook

<b>Energy Outlook</b> <i>by Tom Richmond</i>	<b>1</b>
<b>National and State Outlooks</b> <i>by Patrick M. Barkey</i>	<b>13</b>
<b>Local Economic Outlook</b> <i>by Paul E. Polzin</i>	<b>26</b>
<b>Travel and Recreation Outlook</b> <i>by Norma P. Nickerson</i>	<b>36</b>
<b>Health Care Outlook</b> <i>by Gregg Davis</i>	<b>43</b>
<b>Agricultural Outlook</b> <i>by George Haynes</i>	<b>53</b>
<b>Housing Outlook</b> <i>by Scott Rickard</i>	<b>69</b>
<b>Manufacturing Outlook</b> <i>by Todd A. Morgan</i>	<b>82</b>
<b>Forest Products Outlook</b> <i>by Todd A. Morgan</i>	<b>87</b>
<b>Zinc Air, Inc.</b> <i>by Vice President Craig Wilkins</i>	<b>90</b>

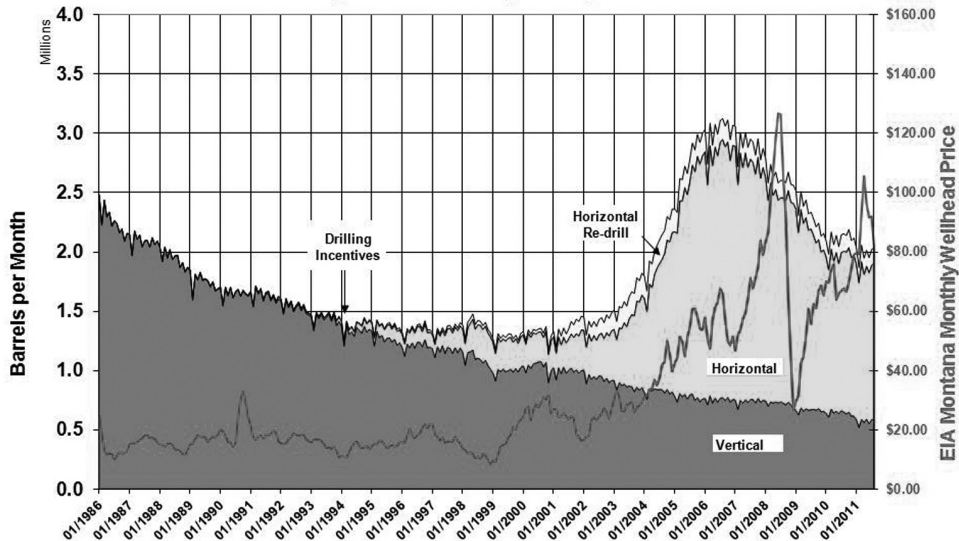


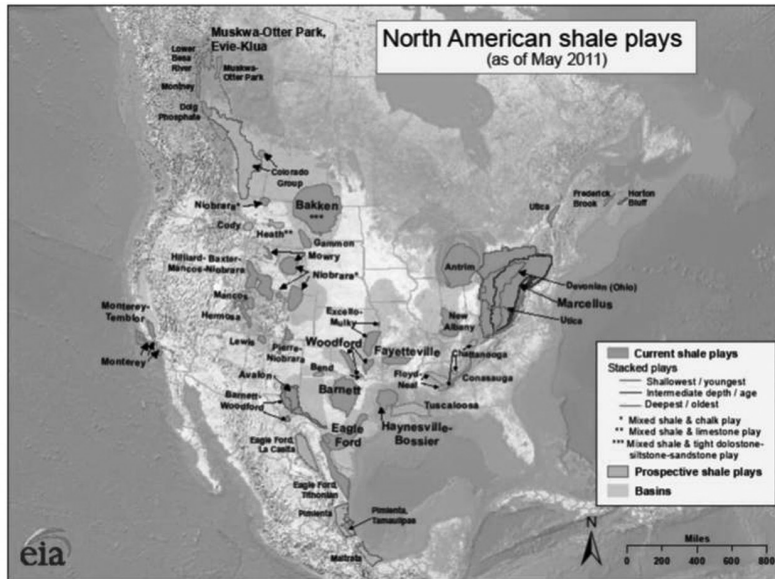
**HISTORICAL PRODUCTION**

Statewide Oil Production History, 1916 through 2010



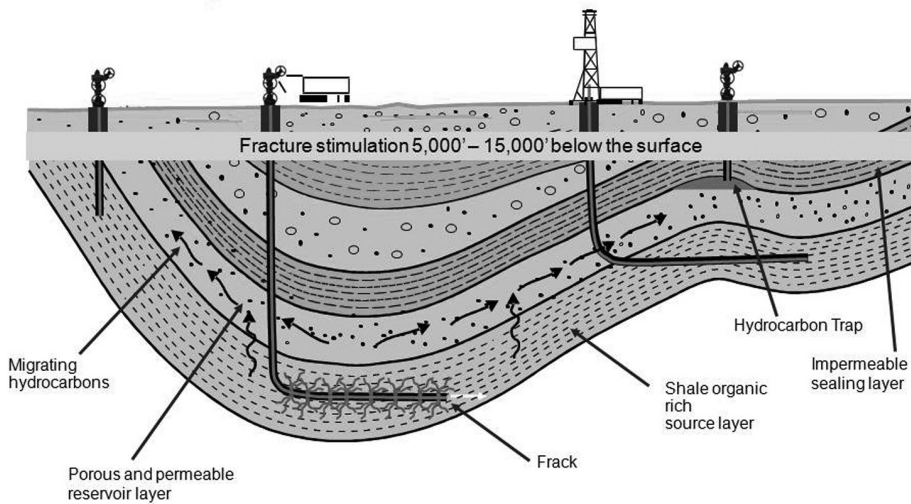
**Monthly Oil Production, Vertical vs. Horizontal Wells**  
January 1986 through August 2011



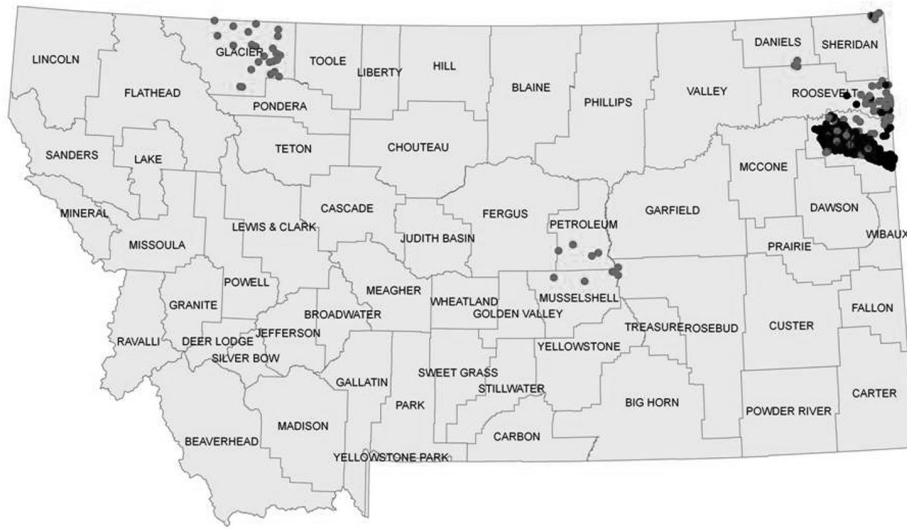


## Technology's Role

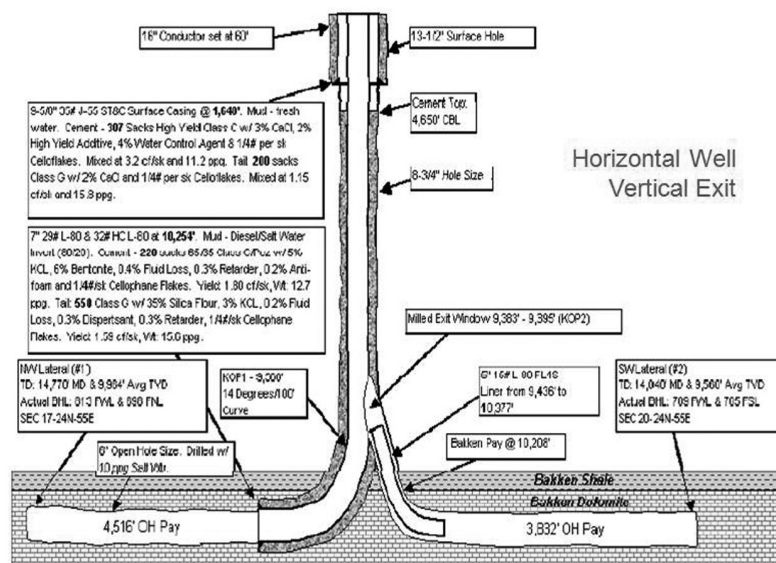
Why the revolution?



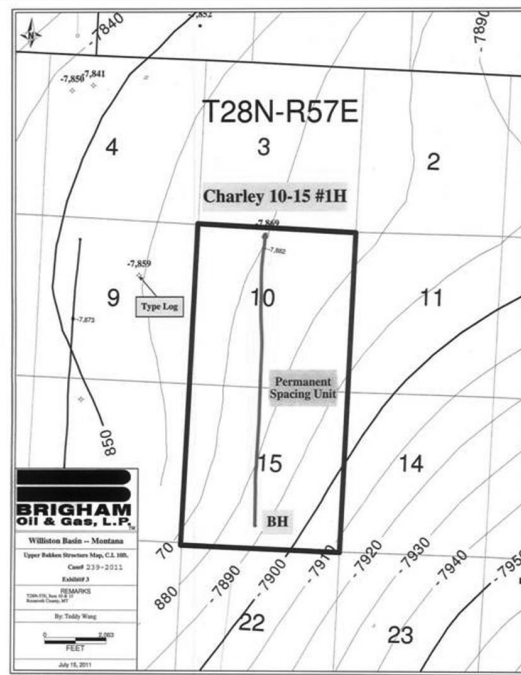
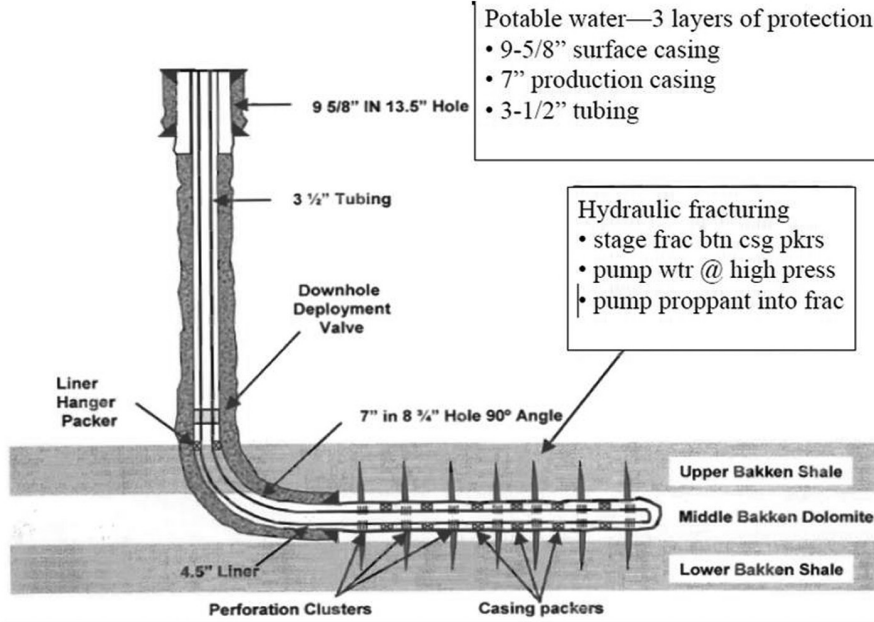
### Horizontal Oil Shale Activity



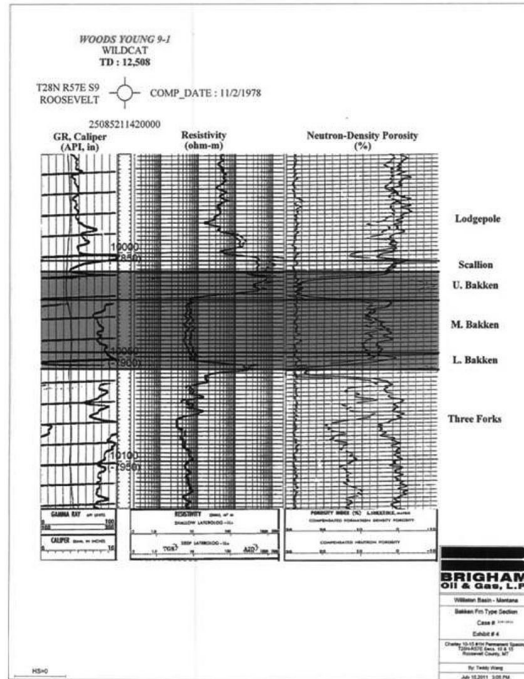
### Vertical Casing Exit



### Typical Bakken Wellbore Diagram

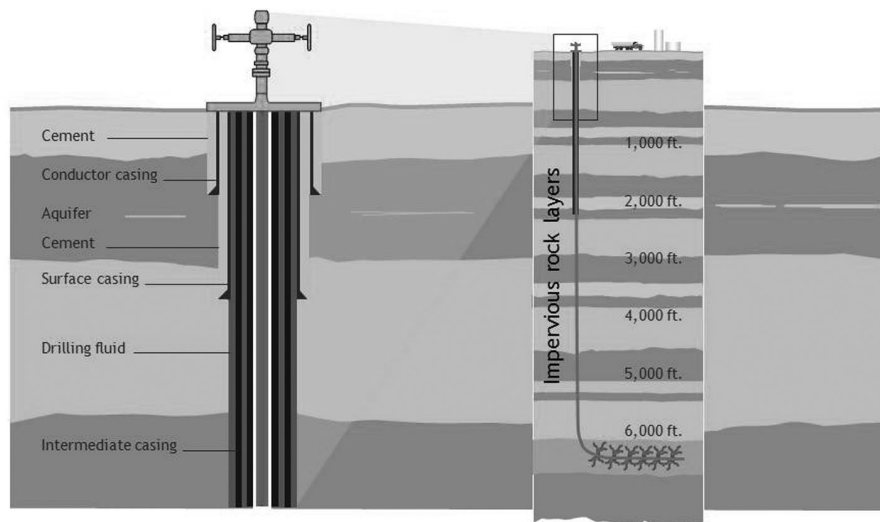


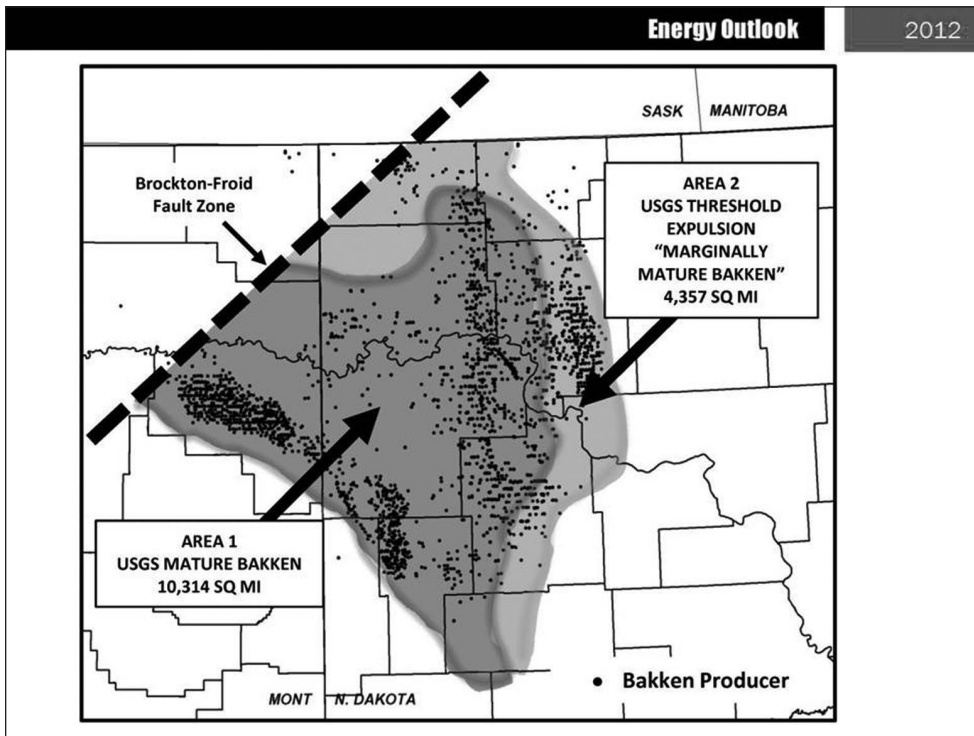
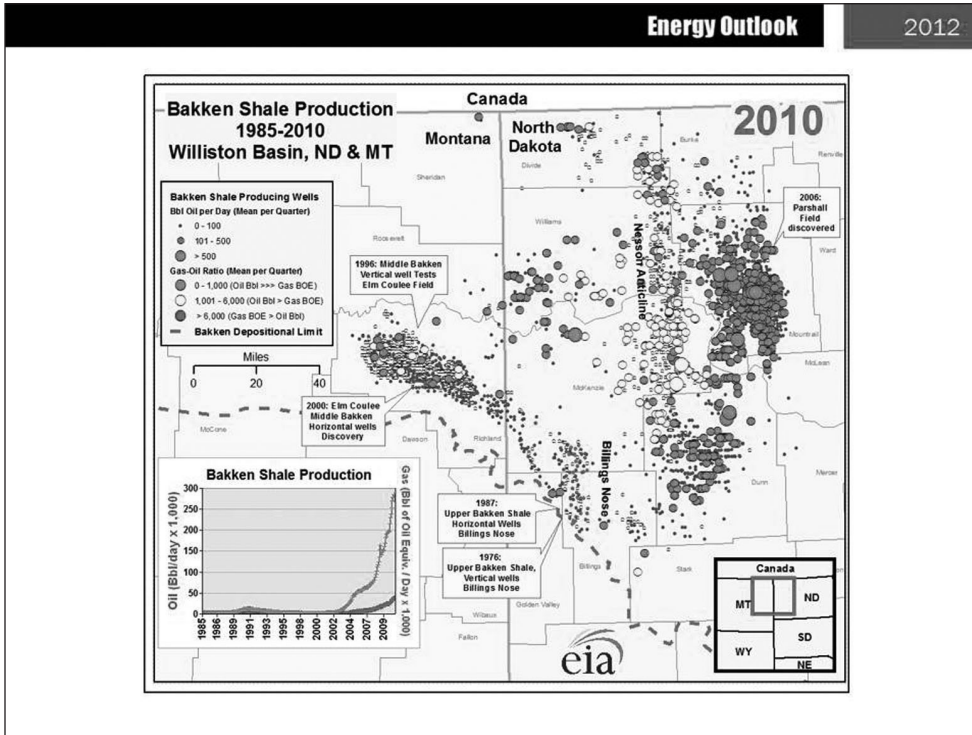




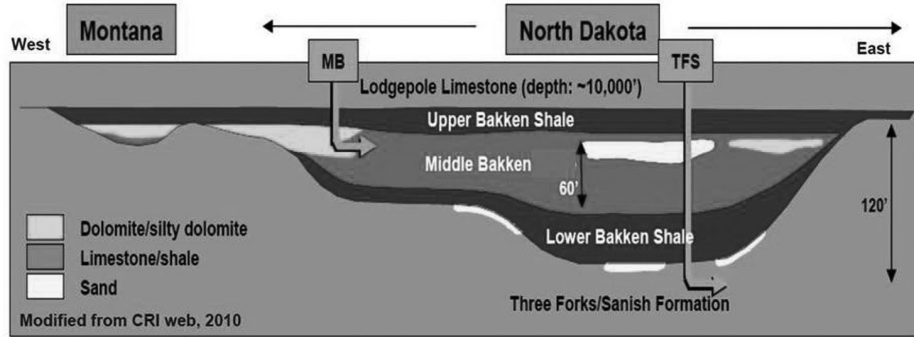
## Groundwater Protection

through proper well construction





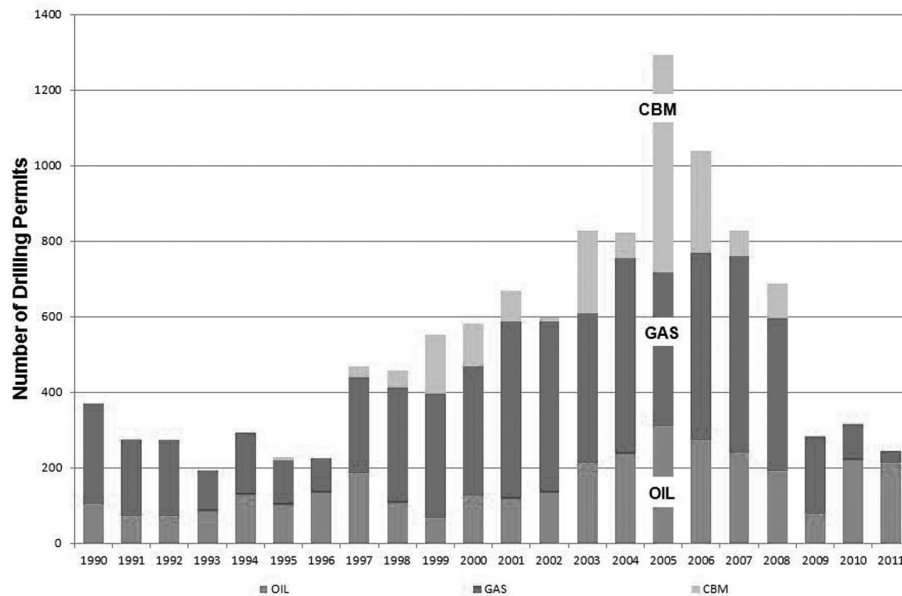
### Middle Bakken / Three Forks Pay Variation

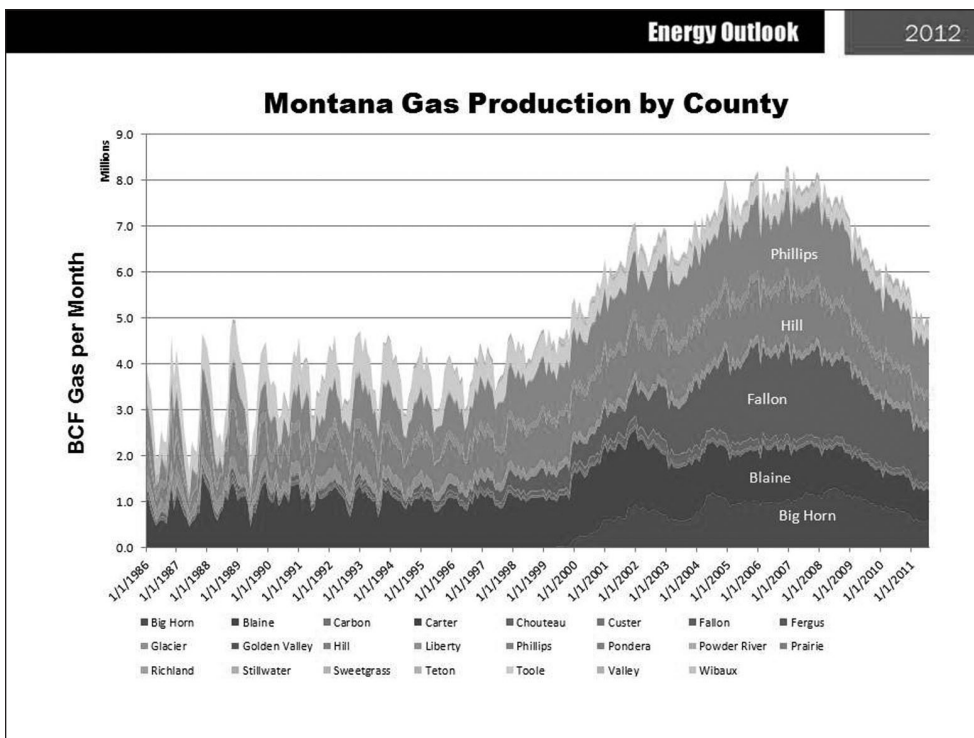
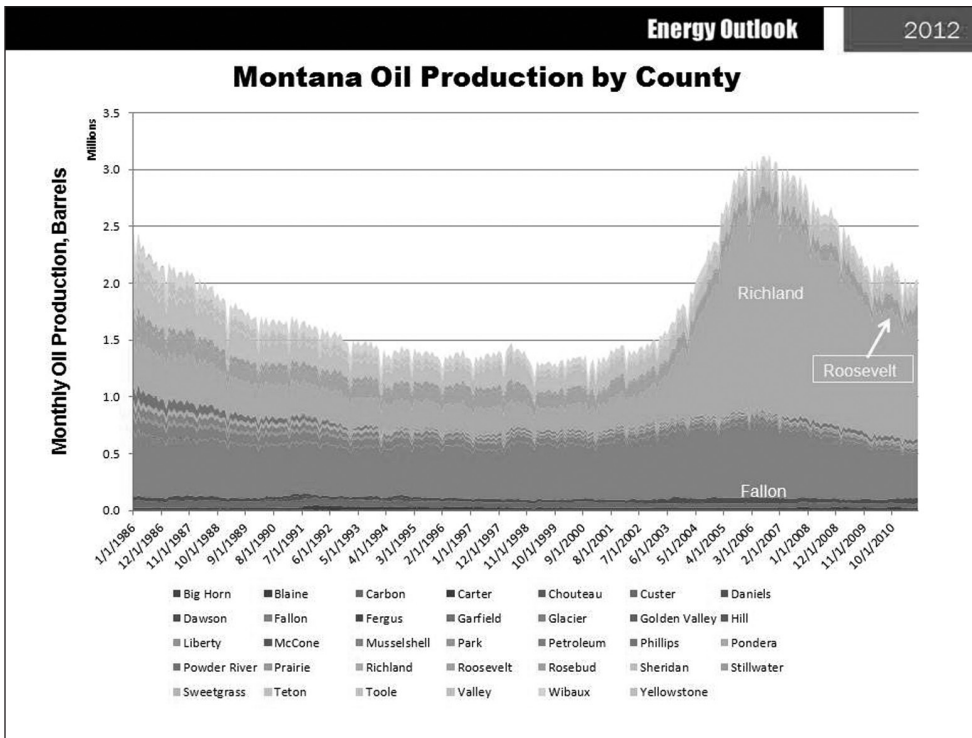


- Middle Bakken pay not a shale lithology  
Complex, laterally varying lithology & play types  
Stratigraphic / diagenetic trap drivers
- Underlying Three Forks 'non-shale' play potential established 2008  
Also sourced by Bakken shale  
Dual zone development underway

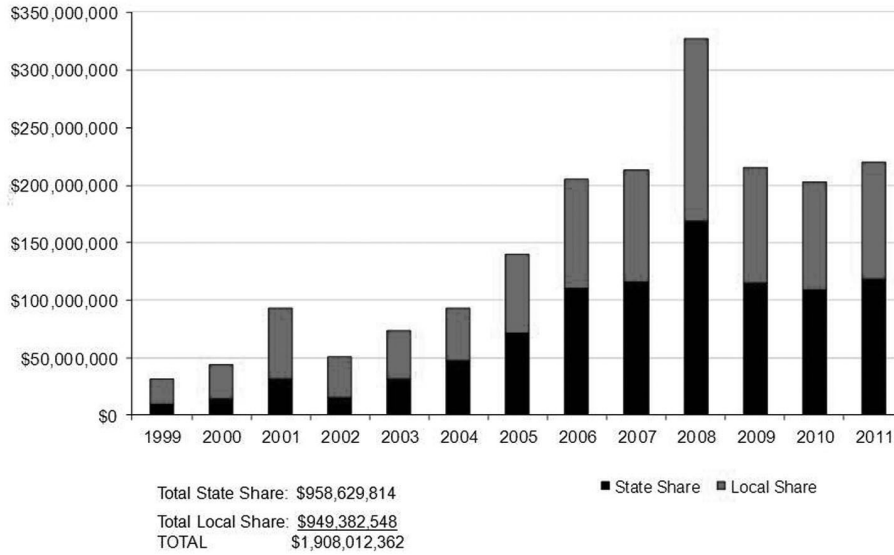
from ConocoPhillips

### Montana Drilling Permits Issued, 1990 through 2011

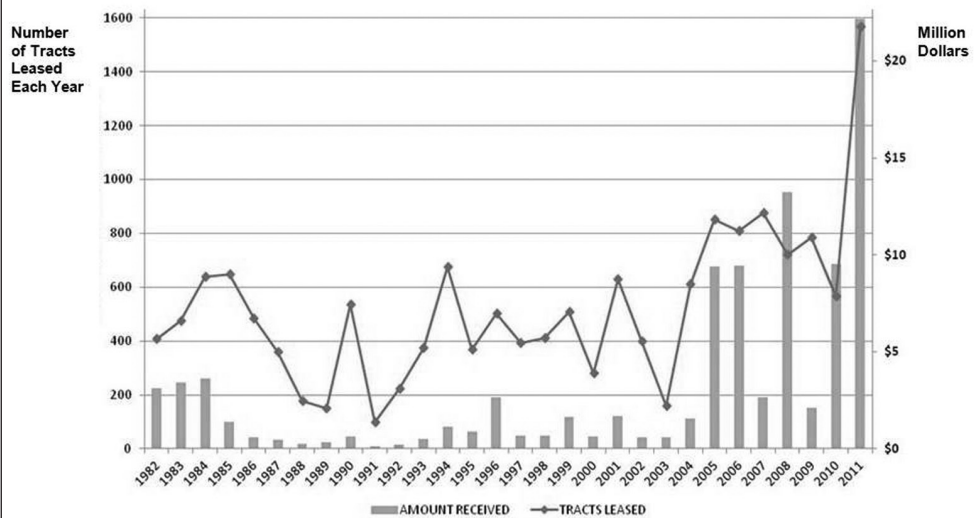




### Oil and Natural Gas Production Tax Revenue Collections



### Oil and Gas State Land Lease Sales



## Petroleum Industry Facts

\$9+ BILLION Total economic impact – including E&P and Refining

4,600 Employees in Exploration, Production, or Refining

Economic impact from producing an additional 1 million barrels of oil

- 86 Full time positions
- \$18.5 million in labor income

Each 10% increase in drilling activity leads to about 315 additional jobs.

Drilling Rig Count Increased from 9 last year to 13 in January 2012

Industry likes MT's business climate and tax structure

- **Brigham Energy:** "They (Montana) have a good operating environment."  
(Billings Gazette, May, 2011)

## BUSINESS TAX CLIMATE RANKINGS *THE TAX FOUNDATION FISCAL YEAR 2011*



## Montana Oil and Gas Taxes

Montana's tax rate on oil is 20% lower than North Dakota's

→ 9.25% vs. 11.5% (Former North Dakota Governor Ed Schafer, FixTheTax.com)

Taxes	Montana	North Dakota	Advantage
Tax Rate	9.25%	11.5%	Montana
Tax Holiday	18 mo. (0.5%)	Only if oil <\$50.07	Montana
Avg. Tax/Bbl (05-08)	\$4.89	\$5.87	Montana

(Montana Department of Revenue Study)

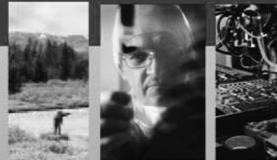
## O&G Impact Funds to Counties, 2007-2001

All O&G Producing Counties (33)	\$555 million
Top 12 Counties Big Horn, Blaine, Fallon, Glacier, Hill, Phillips, Powder River, Richland, Roosevelt, Sheridan, Toole, Wibaux	\$515 million
Richland County	\$244 million Over \$26,000/resident

# Montana's Hesitant Economic Recovery

**Patrick M. Barkey**  
Director, Bureau of Business  
and Economic Research  
The University of Montana

**OUTLOOK 2012**  
National & State



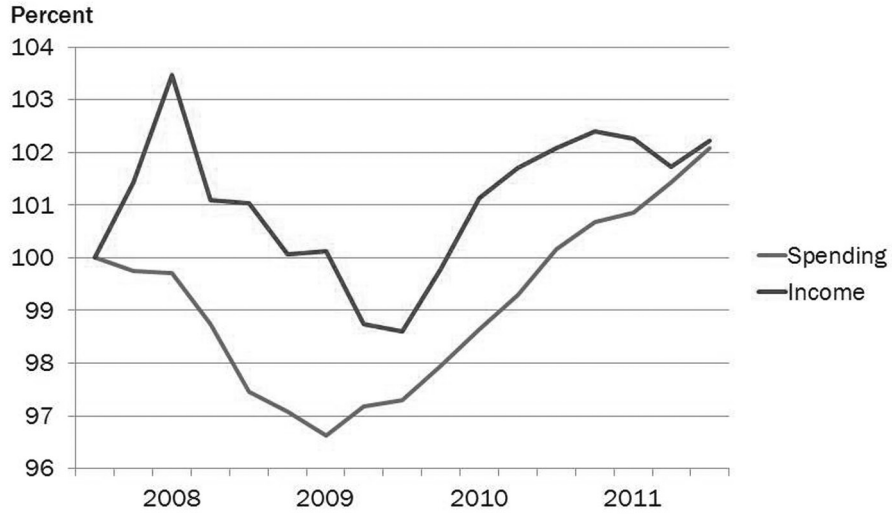
## A Great Recession, But Not a Great Recovery

- Persistently weak consumer and business spending
- Slow recovery both here and abroad
- Special problems of housing and the Euro
- Problems of long-term unemployed, government debt, are festering as a result



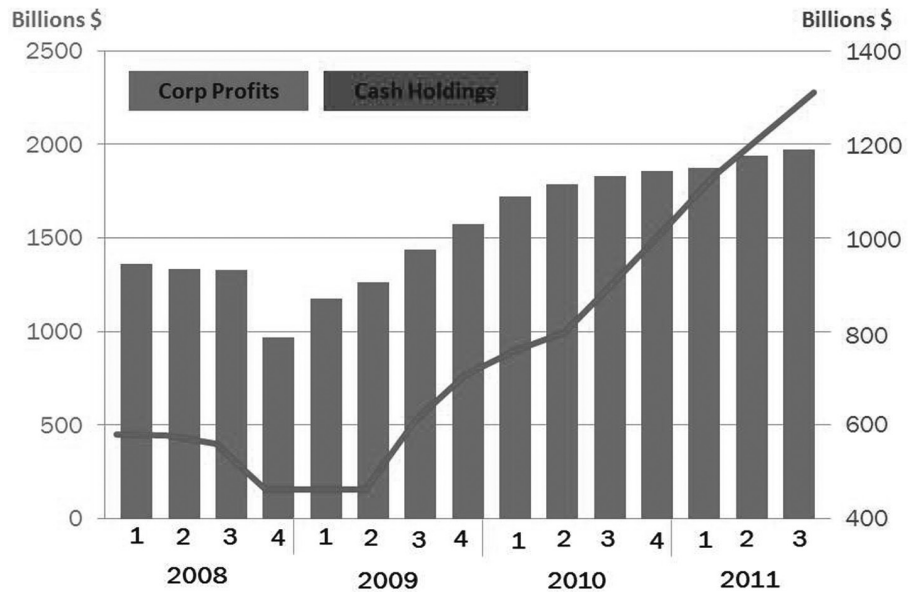
Notes

**Pace of Consumer Spending Likely to Slow**

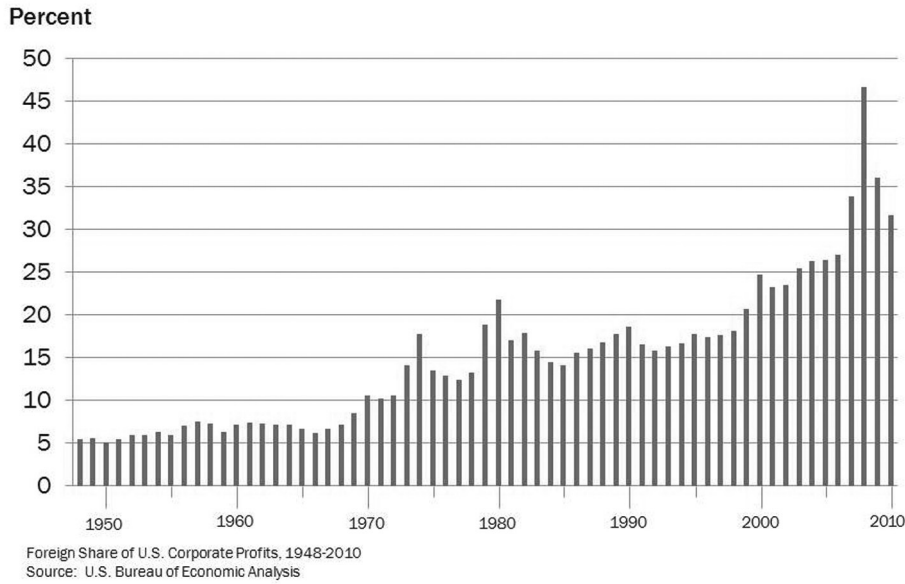


U.S. Pers. Consumption Expenditures and Disposable Pers. Income, 2005 \$, Index 2007Q4 = 100

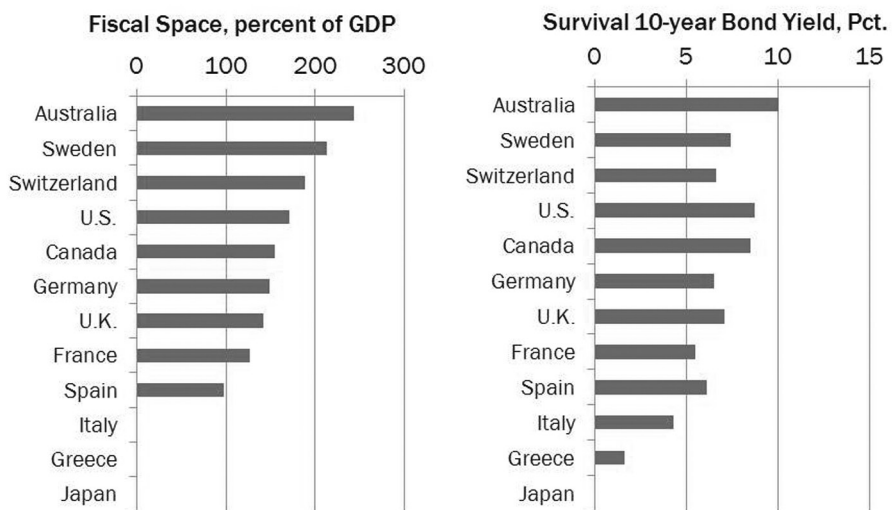
**Companies Are Hoarding, Not Spending**



**Source of Corporate Profits?  
Look Abroad**



**How Much Borrowing Capacity  
Do Countries Have Left?**



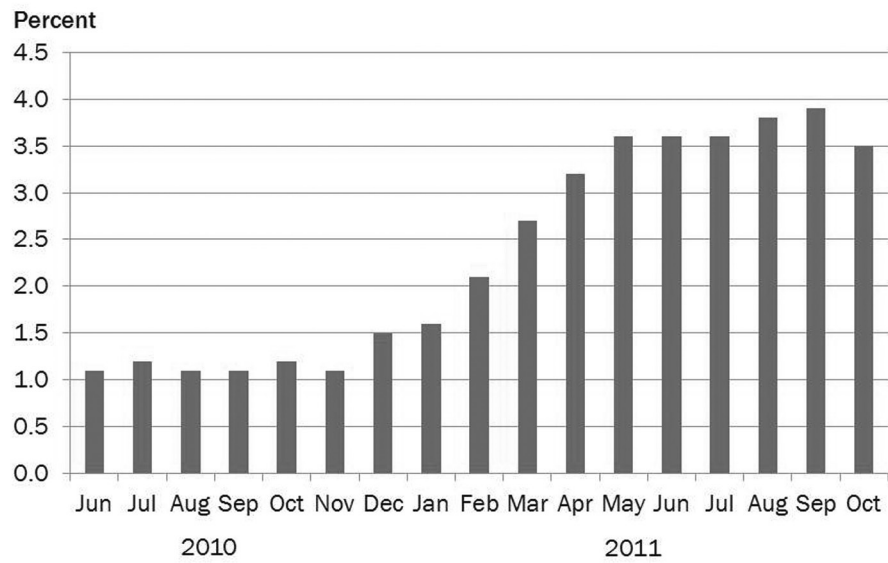
Source: Economy.com

Notes

**2011 Growth in Montana  
will be Lower Than 2010**

- Reason #1: Inflation

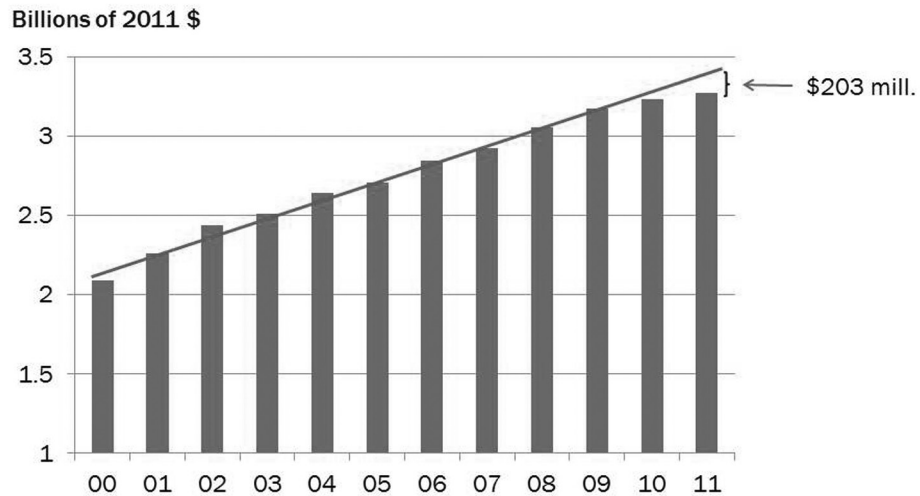
**Consumer Price Index  
12-month percent change**



### 2011 Growth in Montana will be Lower Than 2010

- Reason #1: Inflation
- Reason #2: Underperformance of key sectors

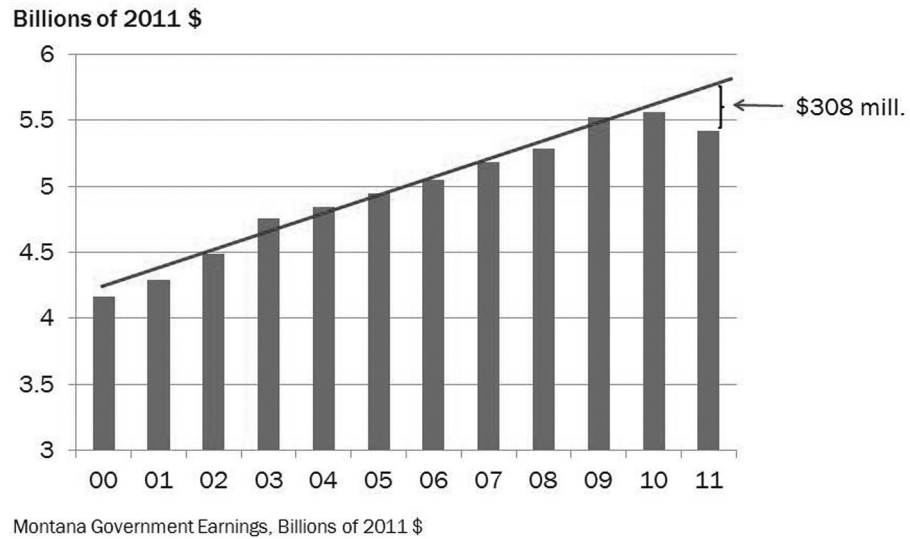
### Health Care Earnings Growth Slows



Montana Health Care Services Earnings

Notes

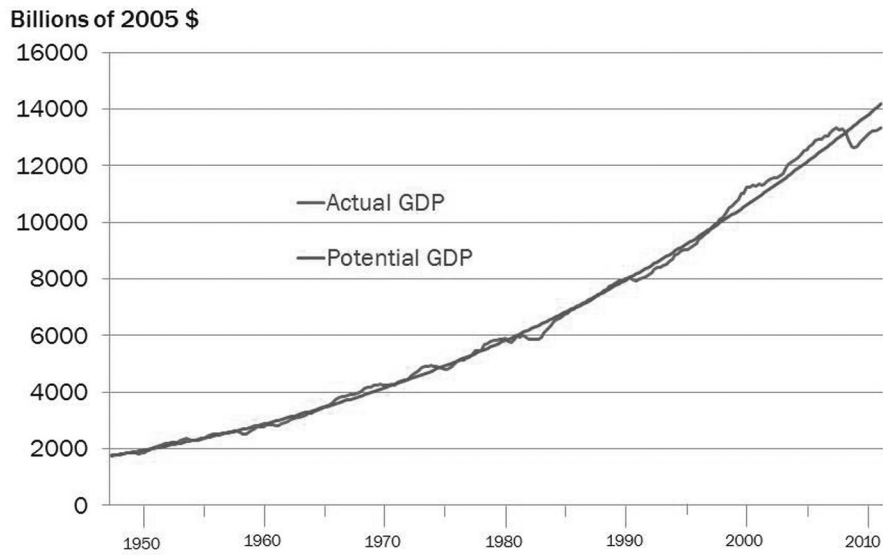
**Government Earnings  
Go in Reverse**



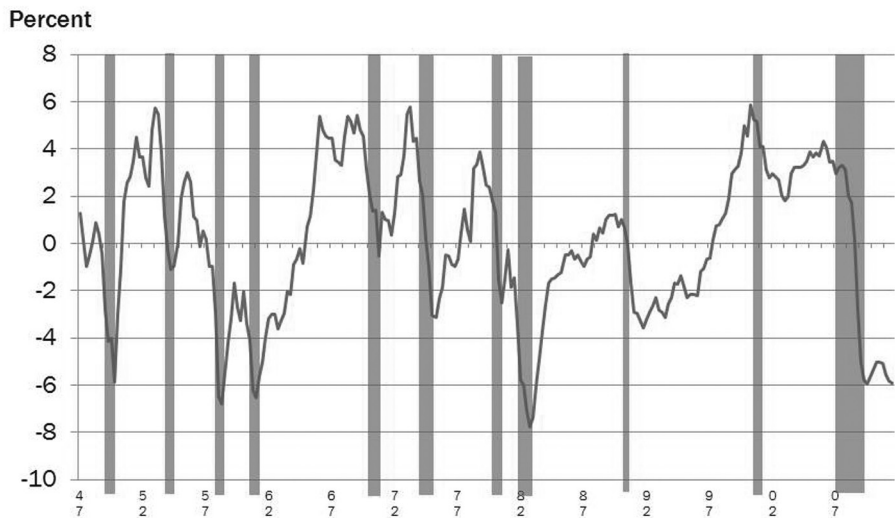
**2011 Growth in Montana  
will be Lower Than 2010**

- Reason #1: Inflation
- Reason #2: Underperformance of key sectors
- Reason #3: The national economy

**Actual and Potential Economic Output**



**How the U.S. Economy Recovers from Recessions**



Deviation of U.S. Gross Domestic Product from Long Term Trend

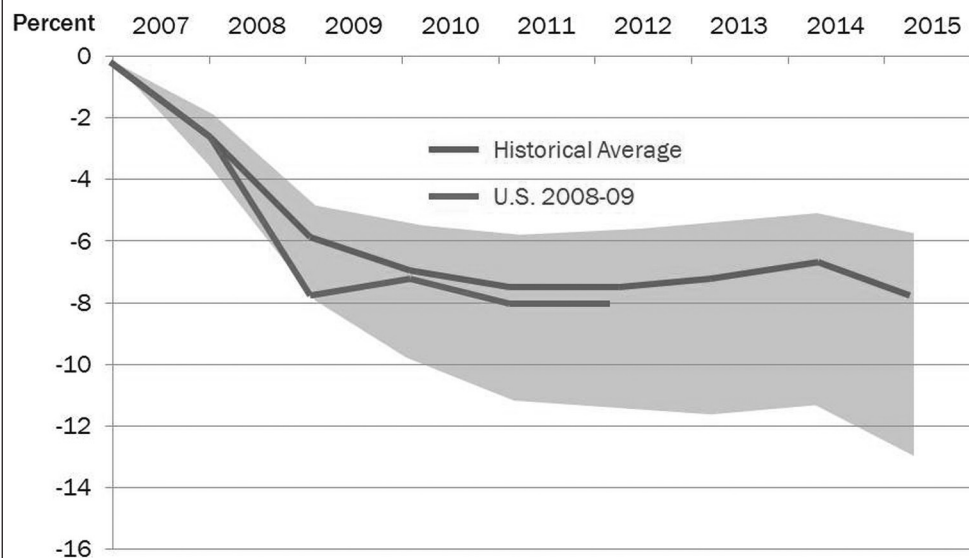
Notes

**Recessions and Banking Crises**

- Austria, 2008
- Hungary, 2008
- U.S., 1929
- Sweden, 1991
- Japan, 1992
- Norway, 1987
- Indonesia 1997
- Hong Kong, 1997
- Argentina, 2001
- Korea, 1997
- Malaysia, 1997
- Spain, 1977
- Thailand, 1997



**Recovery of GDP From Financial Crises**



## U.S. Outlook Summary

- U.S. will probably avoid another recession
- Euro Zone is already in recession. Will it be mild or severe?
- Continued government cutbacks, at all levels
- Evidence of pent-up demand in a few areas
- A cooling off for commodity and food prices
- Very high unemployment rates persist

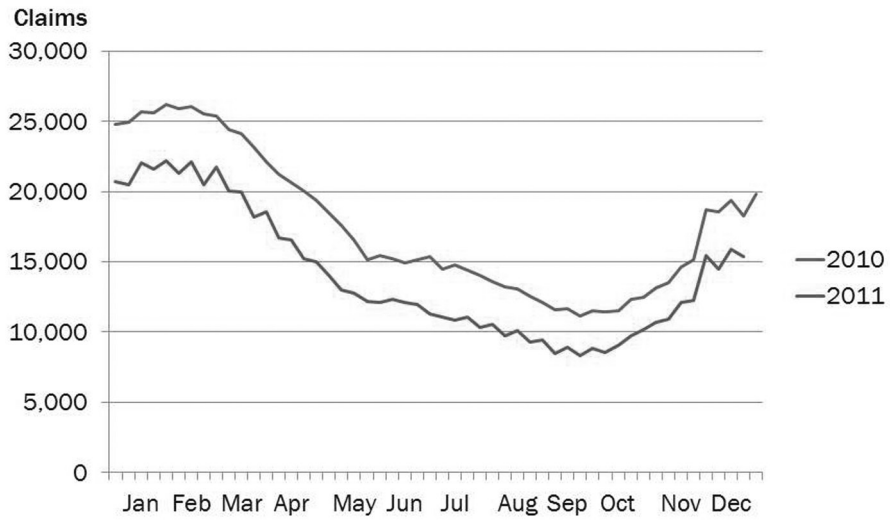
### The Montana Economy What's Right and What's Wrong

- Energy and natural resources are booming
- Healthy increases in farm gross receipts
- Labor market is healing
- Consumer confidence is higher
- Housing bust hangover still lingers
- Retail remains weak
- Government cutbacks being felt
- Wood products cutbacks still reverberate



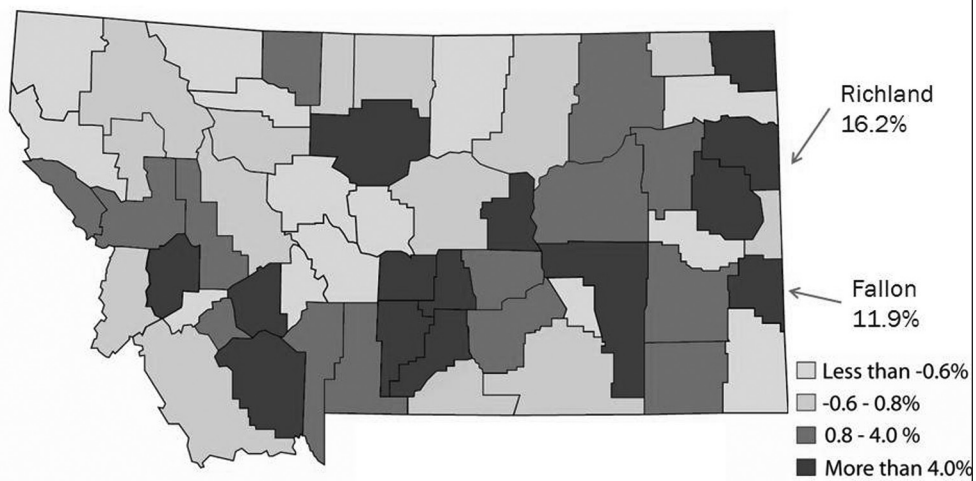
Notes

**Lower Unemployment Claims  
Sign of Labor Market Improvement**



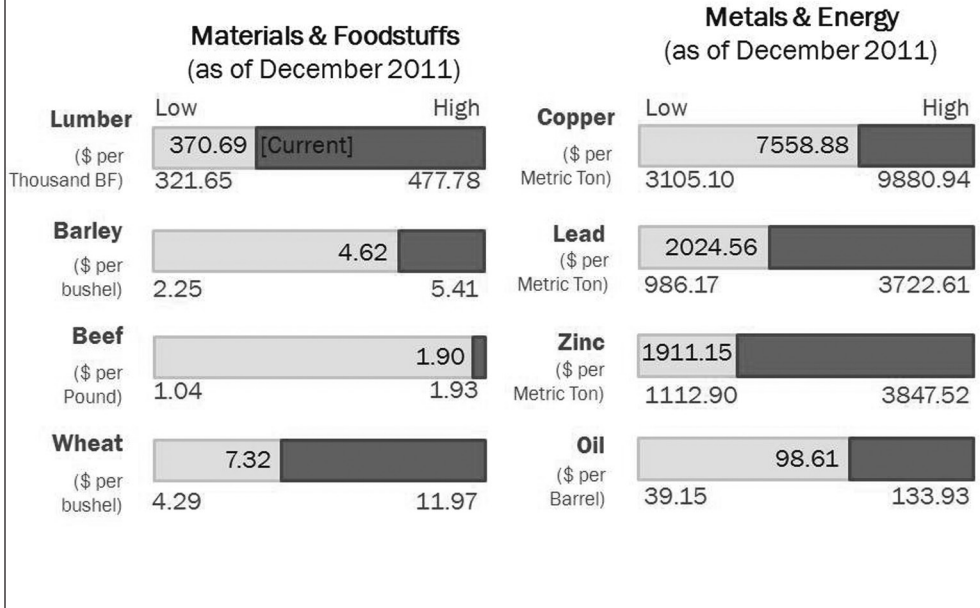
Continuing Claims for Unemployment Insurance, Montana  
Source: U.S. Department of Labor

**Fastest Growth  
is in the East**



Percentage Growth in Real Wage and Salary Disbursements, 2010Q2 - 2011Q2

**Commodity Prices:  
Favorable to Montana?**

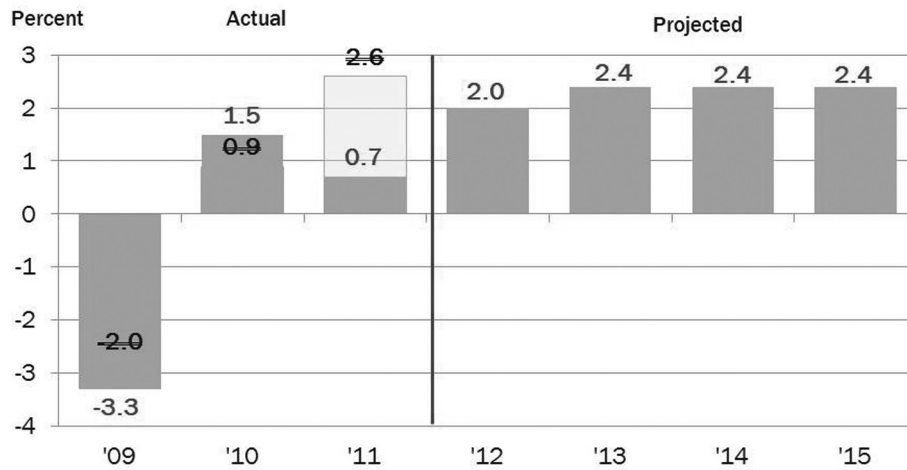


**Labor Income and  
Basic Industries, Montana**

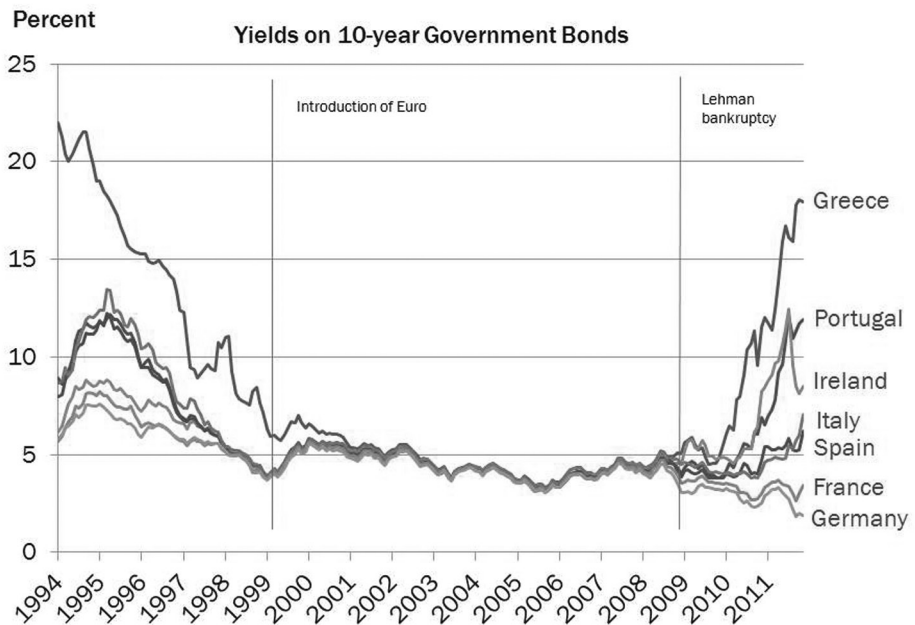


Notes

**Change in Nonfarm Earnings, Montana, 2009-2015**



**The EU Currency Experiment is Unraveling**



**Top 10 Countries  
Buying Montana Products**

In millions of dollars:

1	Canada	\$539.7
2	Republic of Korea	186.8
3	China (Mainland)	122.9
4	Japan	109.8
5	China (Taiwan)	93.5
6	Mexico	79.9
7	United Kingdom	37.3
8	Germany	25.6
9	Belgium	24.8
10	Netherlands	18.5

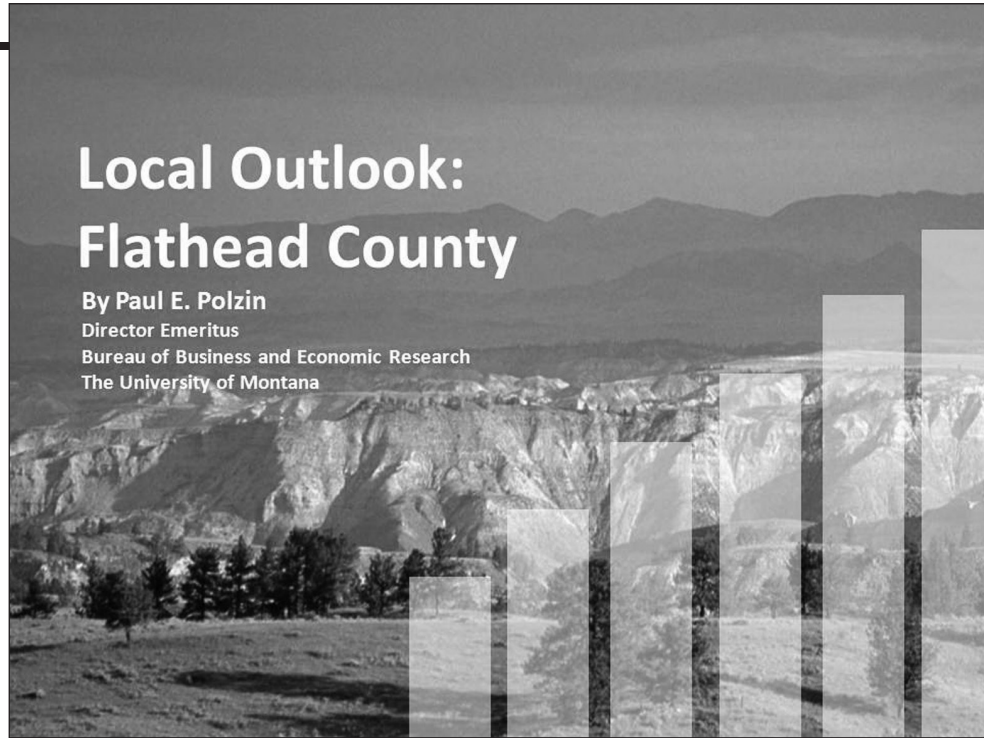
\*These figures do not include bulk wheat exports

Notes

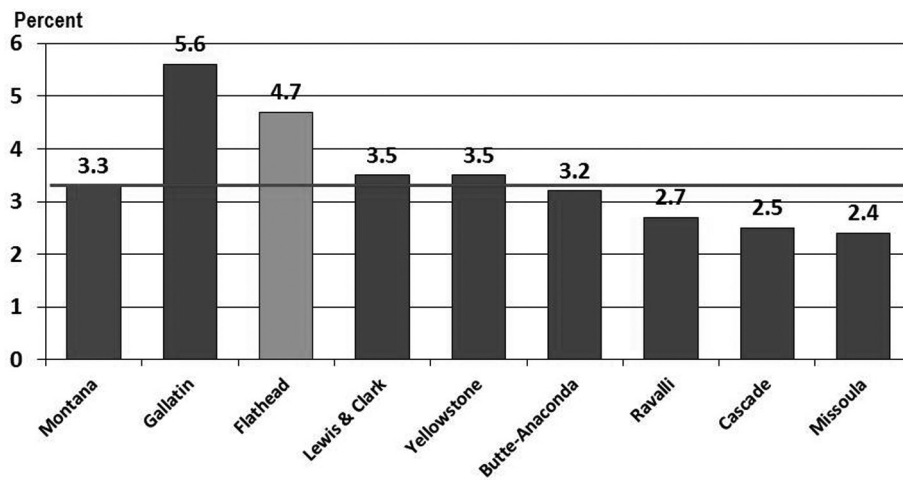
Notes

# Local Outlook: Flathead County

By Paul E. Polzin  
Director Emeritus  
Bureau of Business and Economic Research  
The University of Montana



Annual Percent Change in  
Nonfarm Labor Income  
(in Constant Dollars), 2001-2007



## Recession Scorecard

	Duration (Years)	Severity (% Change)
Lewis & Clark County	<b>What Recession?</b>	
Cascade County		
Yellowstone County	1	-1.5%
Butte - Anaconda	1	-0.8%
Missoula County	3-4	-4.9%
Gallatin County	2	-7.9%
Flathead County	4	-10.2%
Ravalli County	4	-11.4%

## Nonfarm Employment and Inflation Adjusted Wages and Salaries, Seasonally Adjusted, Flathead County

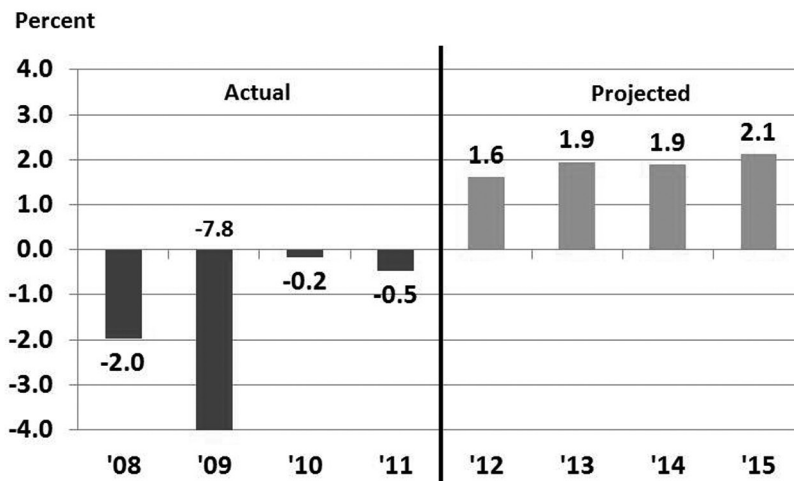


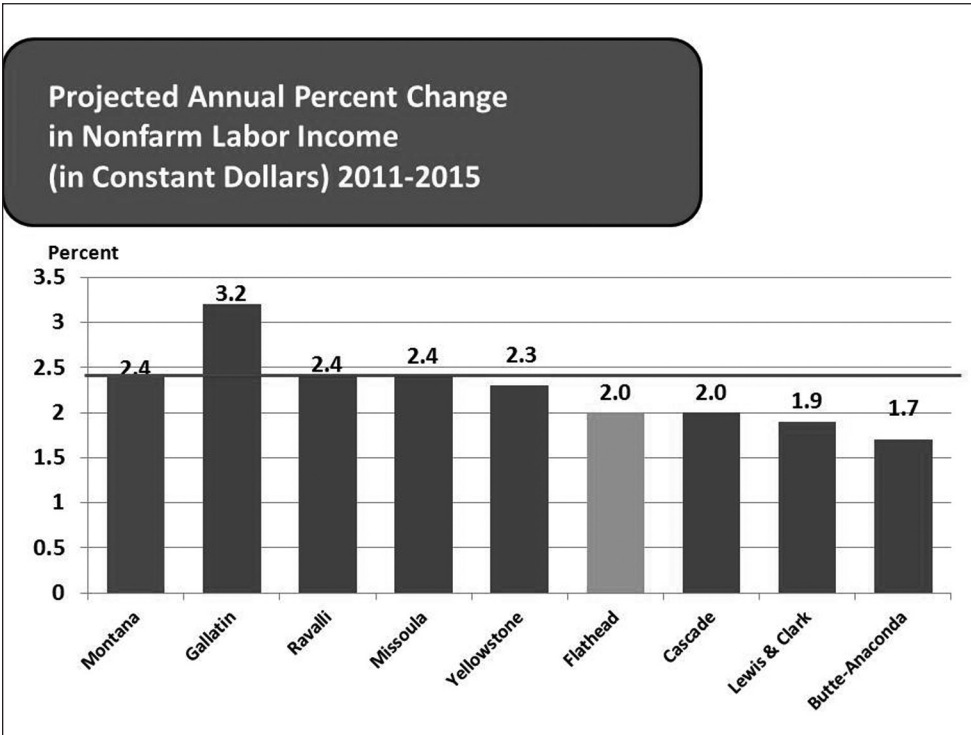
Notes

### Flathead County's Economic Base 2009-2011

• Other Basic	6%	Dormant
• Primary Metals	1%	Energy Growth
• Transportation	7%	?
• Trade Center	13%	Transition Successful
• Other Manufacturing	17%	Stable at Best
• Federal Government	18%	Slow Growth
• Nonresident Travel	18%	Stable at Best
• Wood Products	20%	
 Construction		Not Before 2013

### Actual and Projected Change in Nonfarm Earnings, Flathead County, 2008-2015





## Montana's Energy Transportation Systems



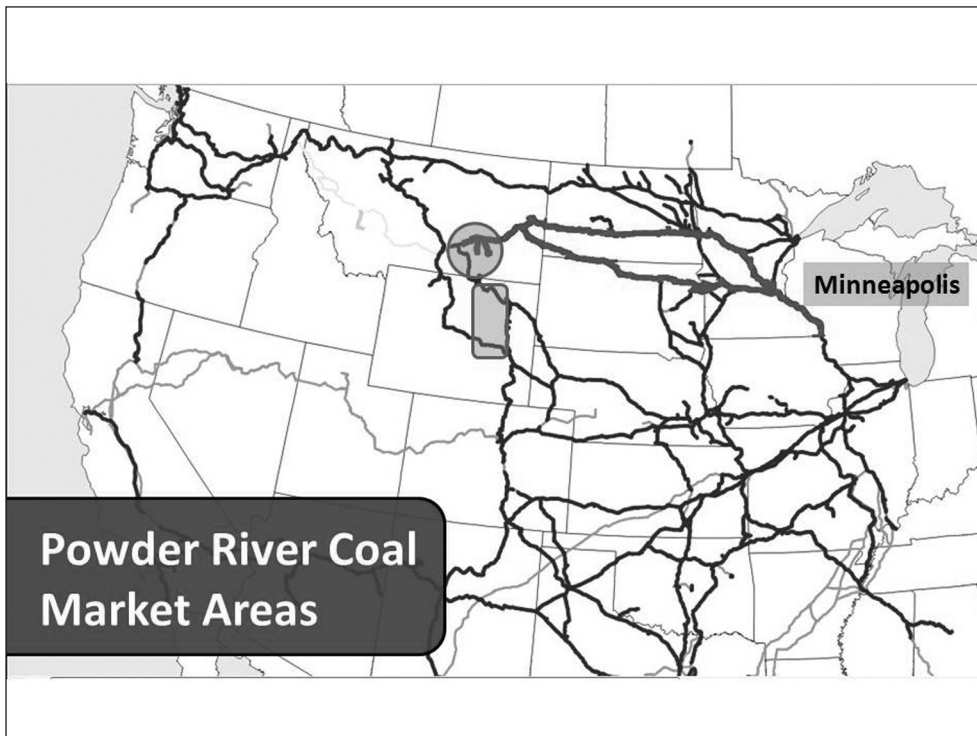
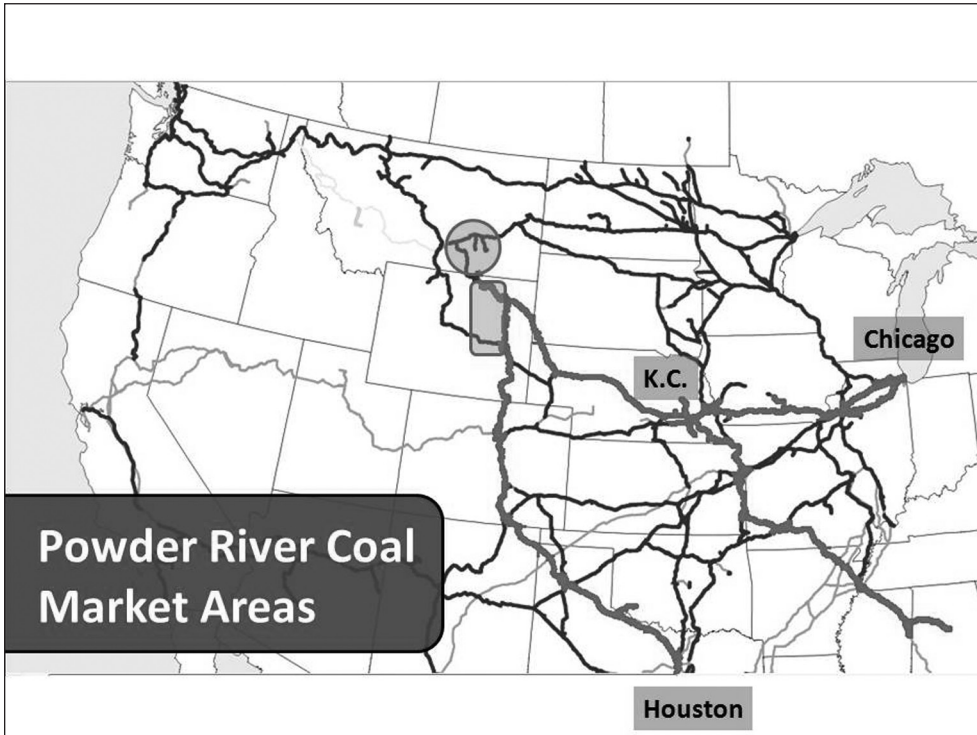
Notes

## Coal Reserves and Production

	Reserves (Billions of Tons)	
<b>Montana</b>	<b>119.0</b>	
<b>Wyoming</b>	<b>61.0</b>	

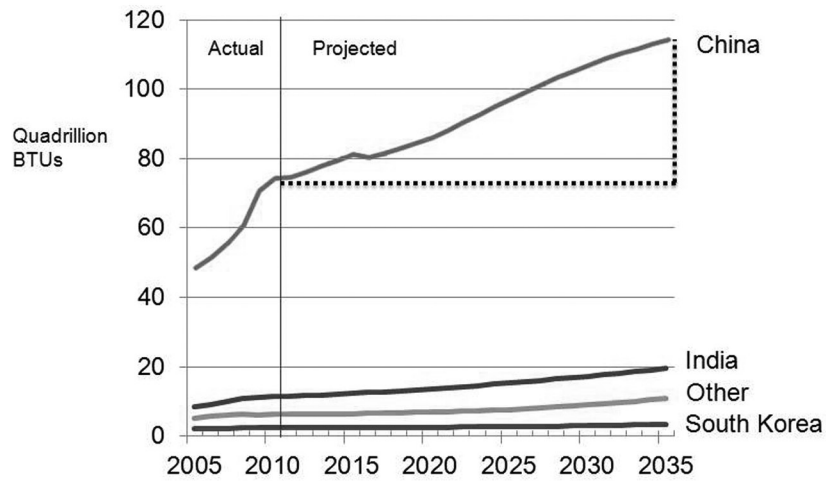


Notes



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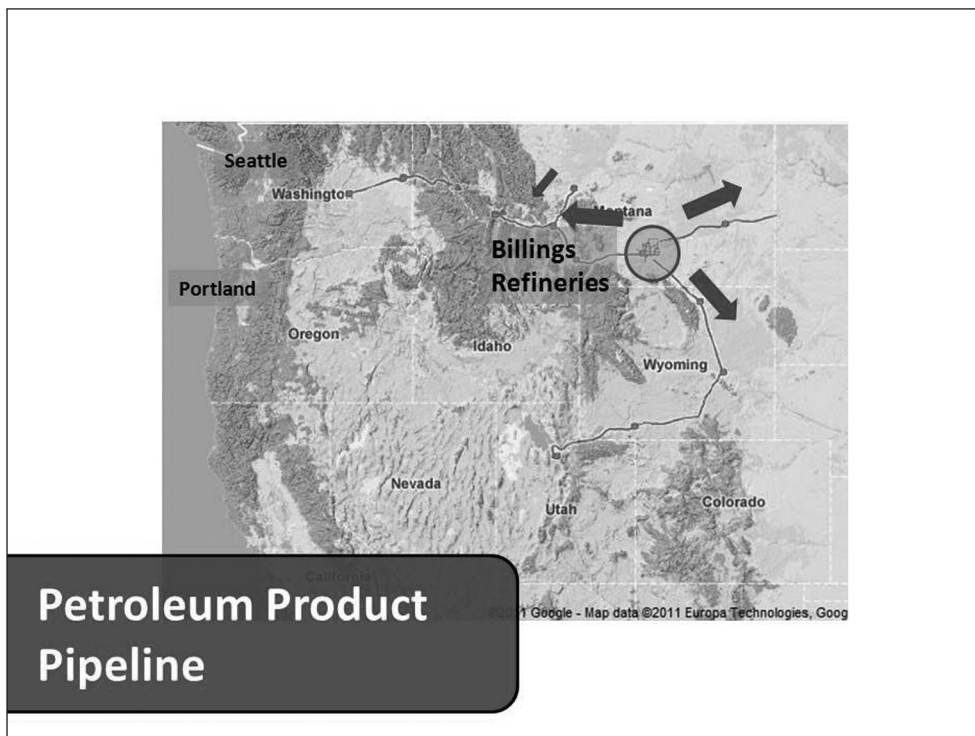
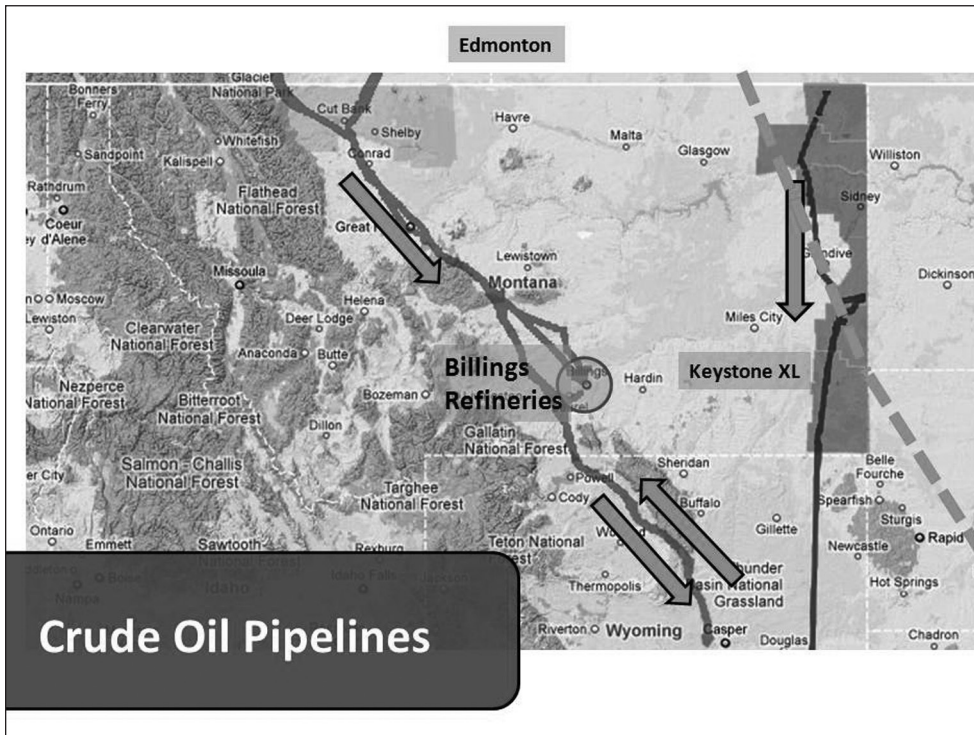
### Actual and Projected Asian Coal Consumption



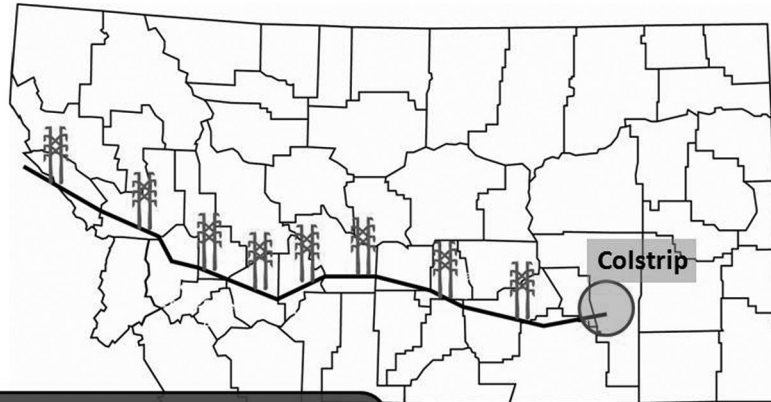
### Montana Crude Oil, 2010

	Barrels
<b>Production</b>	<b>25,317,532</b>
<b>Refined in MT</b>	<b>1,574,362</b>
<b>Percent</b>	<b>6.21</b>

Source: Montana Oil and Gas Conservation Division.



Notes

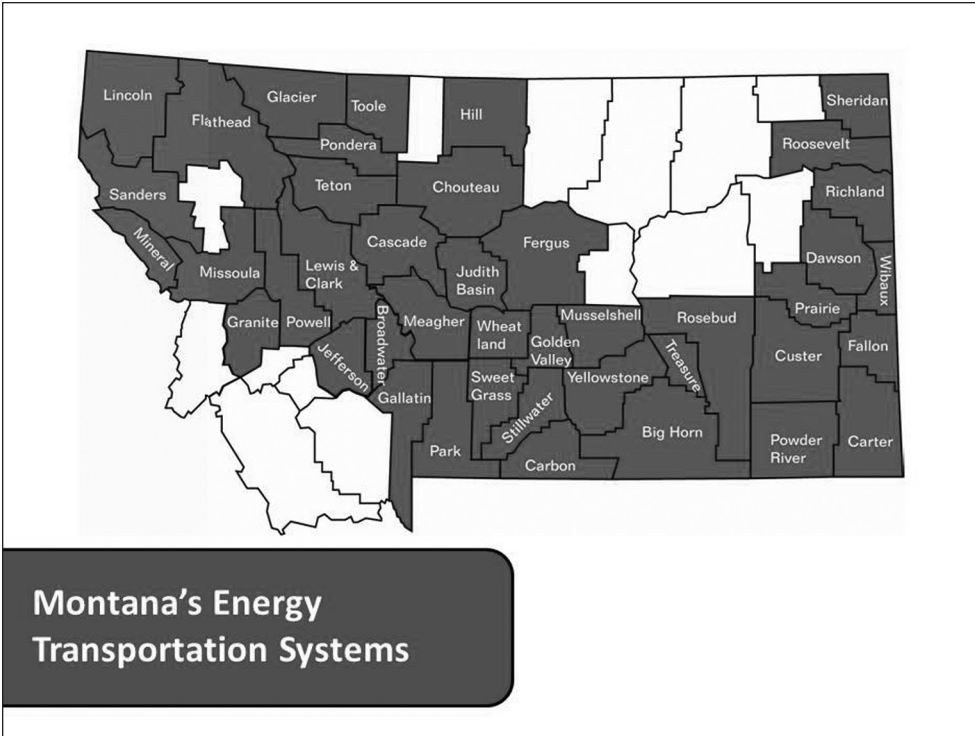


**Colstrip 500 KV  
Transmission Line**

**Transmission Line  
Property Taxes  
to Counties**

County	Estimated Taxes
Rosebud	\$492,000
Treasure	\$952,000
Big Horn	\$241,000
Yellowstone	\$1,467,000
Golden Valley	\$372,000
Stillwater	\$373,000
Wheatland	\$615,000
Meagher	\$865,000
Broadwater	\$563,000
Jefferson	\$401,000
Powell	\$322,000
Granite	\$401,000
Missoula	\$568,000
Mineral	\$784,000
<b>TOTAL</b>	<b>\$8,417,000</b>

Notes



Notes

# Soaring, Gliding, or 'Bumpy Ride'? Changes in Tourism

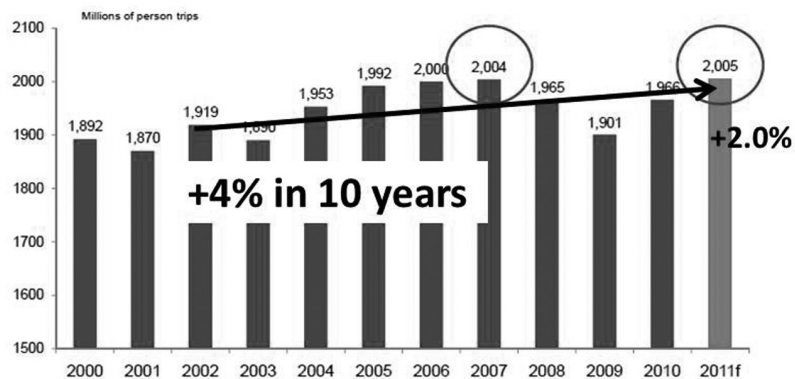
Norma Nickerson, Director  
Institute for Tourism and Recreation Research  
University of Montana



2012 Annual Outlook Seminar

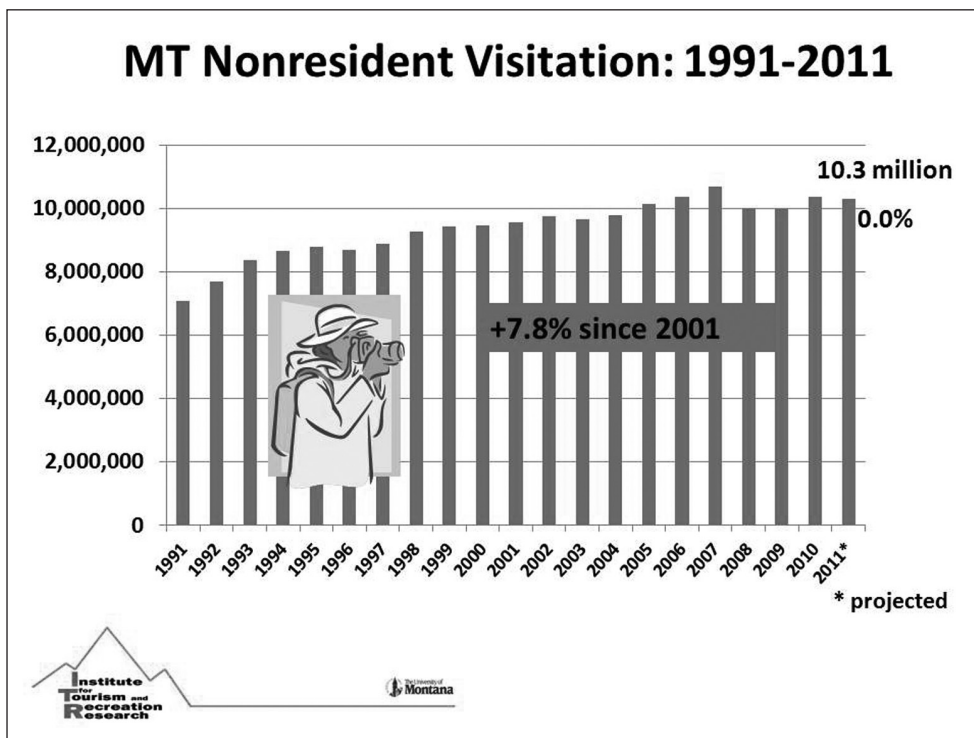
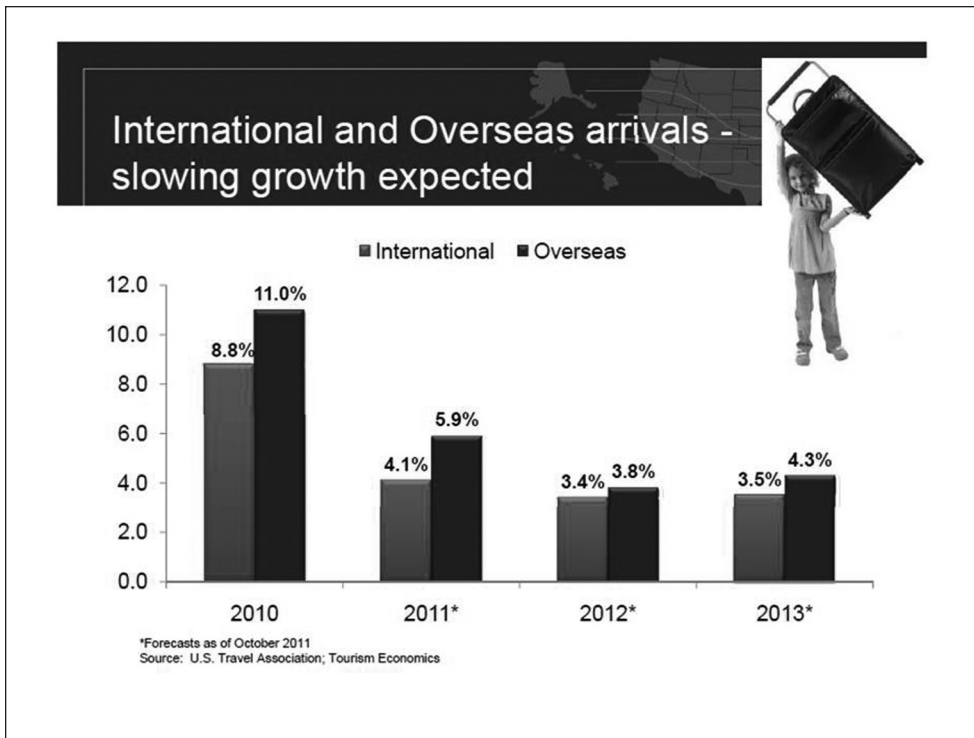


## Total Domestic Visitors in the United States *Expected to exceed record slightly in 2011*



Forecast as of October 2011  
Source: U.S. Travel Association and Tourism Economics

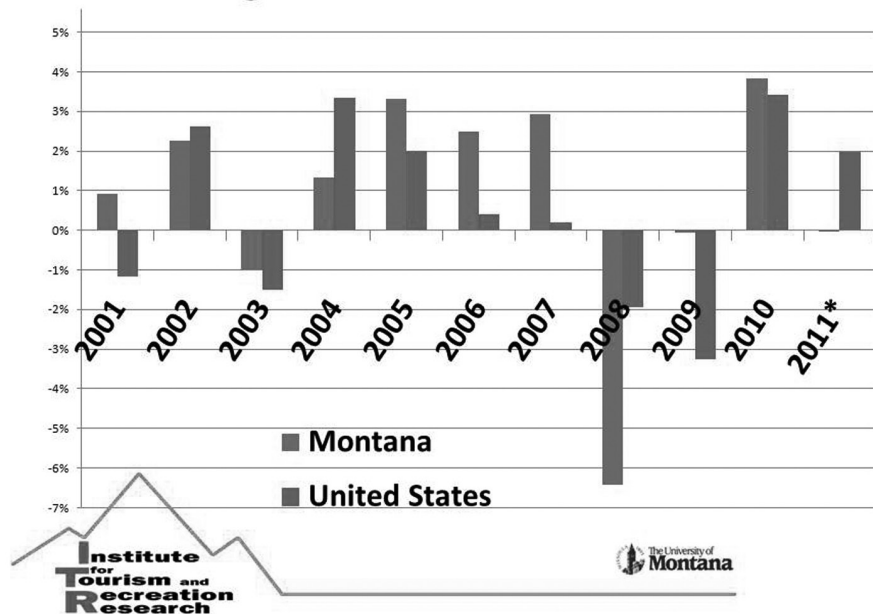




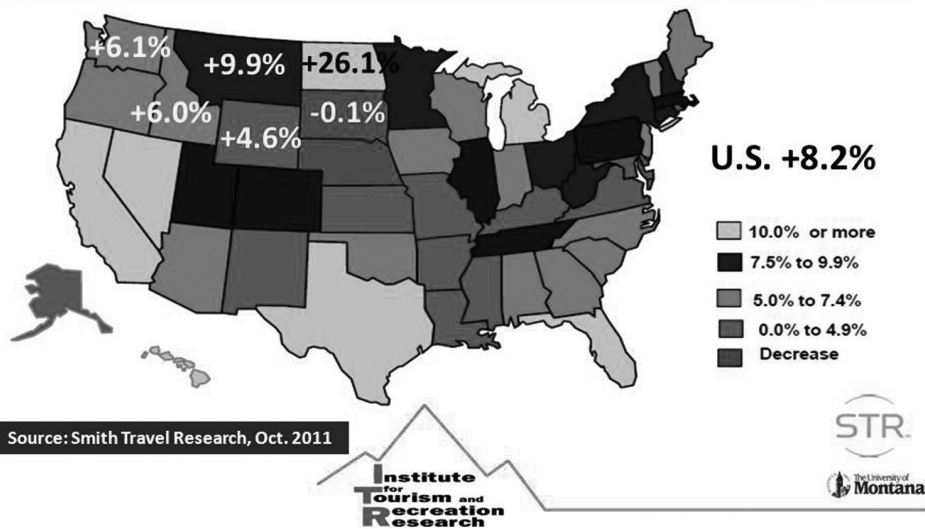


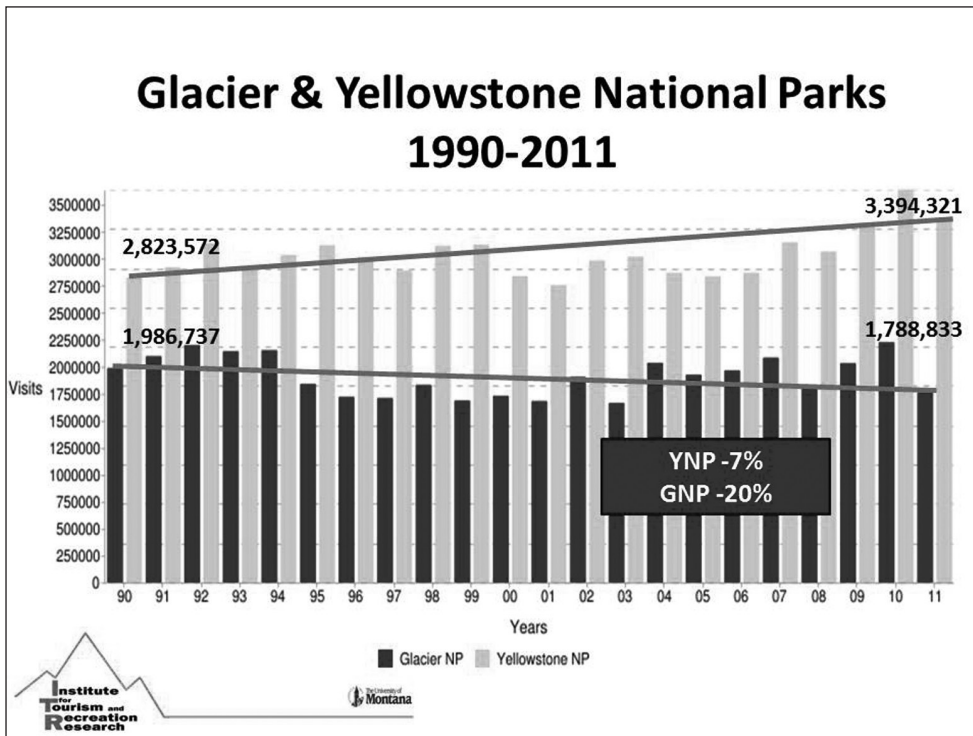
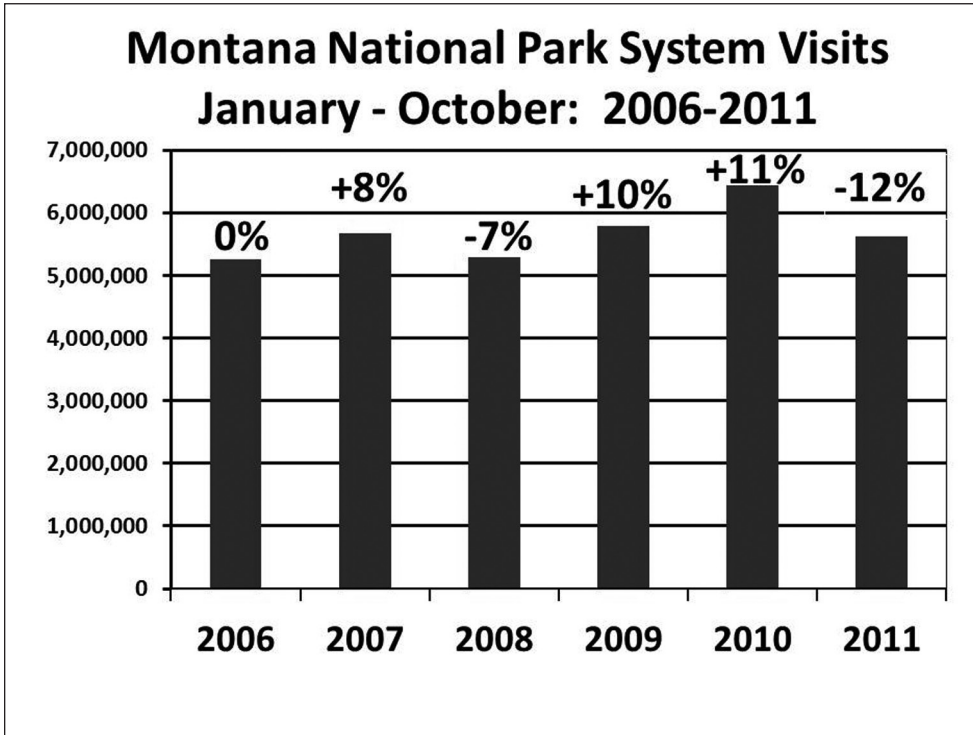
Notes

### Percent Change in Montana and US Visitation

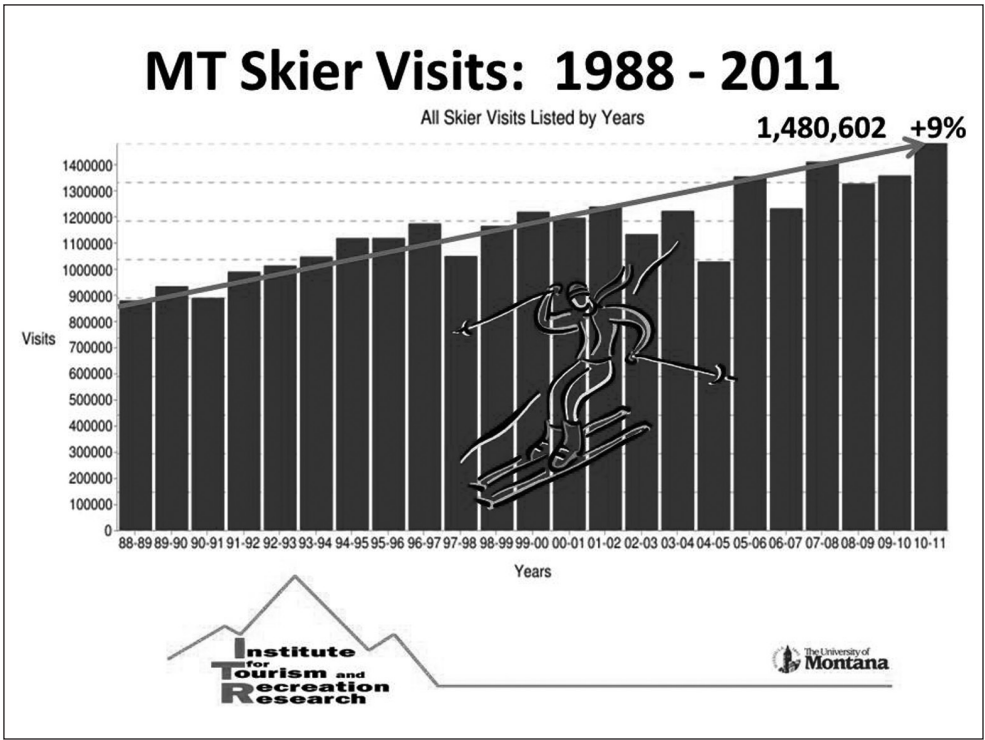
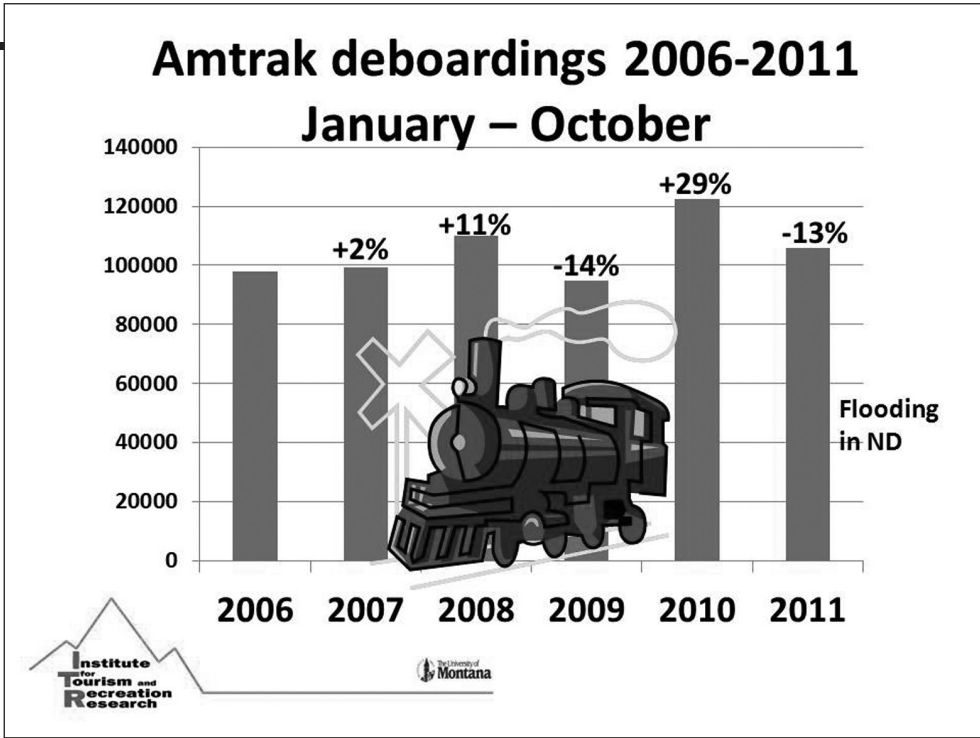


### % change in RevPAR through November 2011 - Getting better

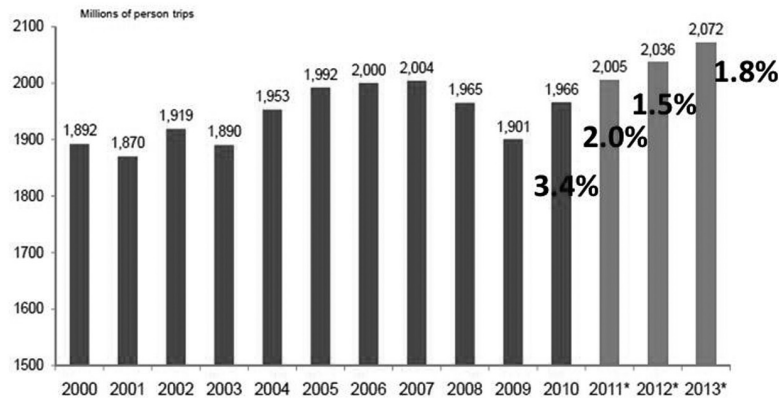




Notes



## Total Domestic Visitors... United States



Forecasts as of October 2011  
Source: U.S. Travel Association and Tourism Economics



## 2012 MT Tourism Businesses

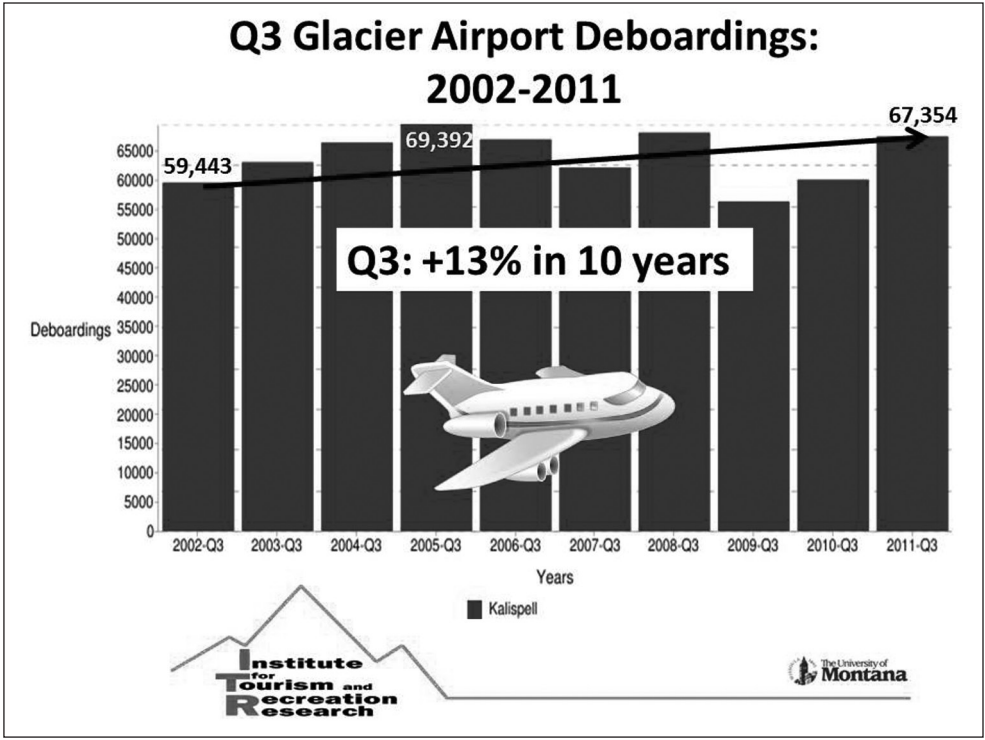
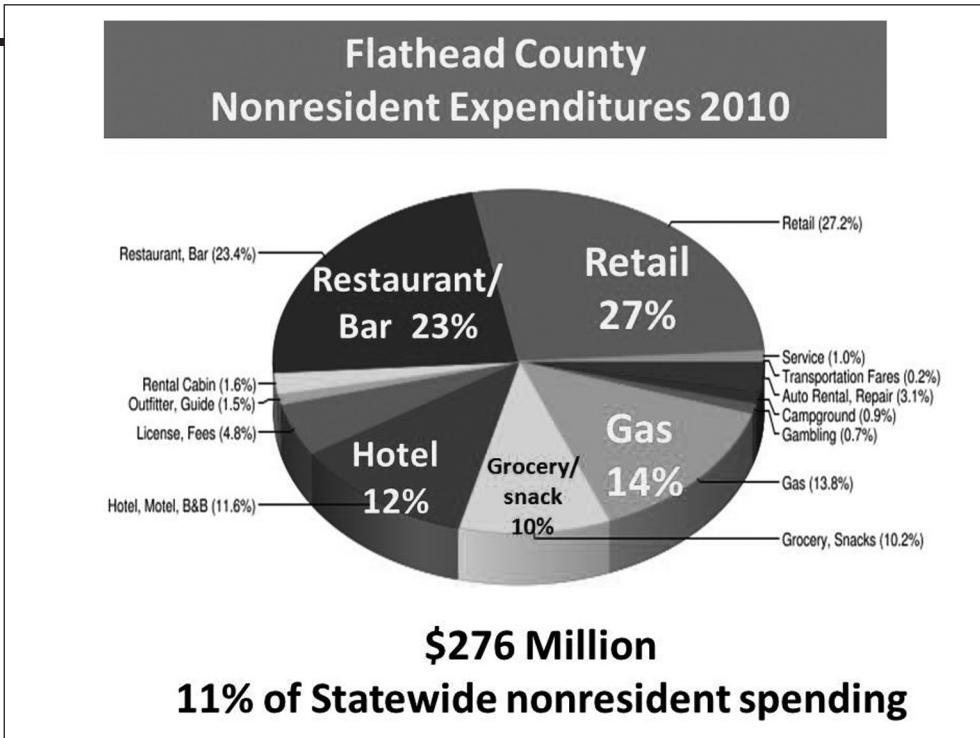
- 48% expect growth in 2012
- 40% expect to stay the same
- Overall: 2% growth expected in 2012

## 2012 National Tourism

- 1.5% growth in domestic visitors
- 3.4% growth in International visitors
- 3.8% growth in overseas visitors

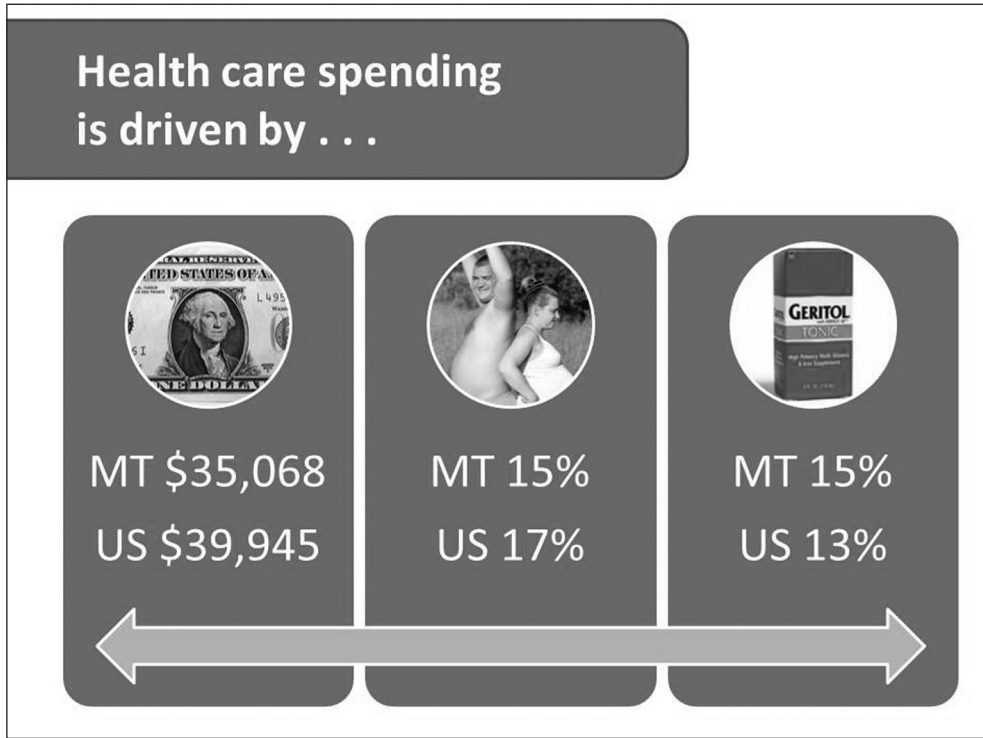


Notes

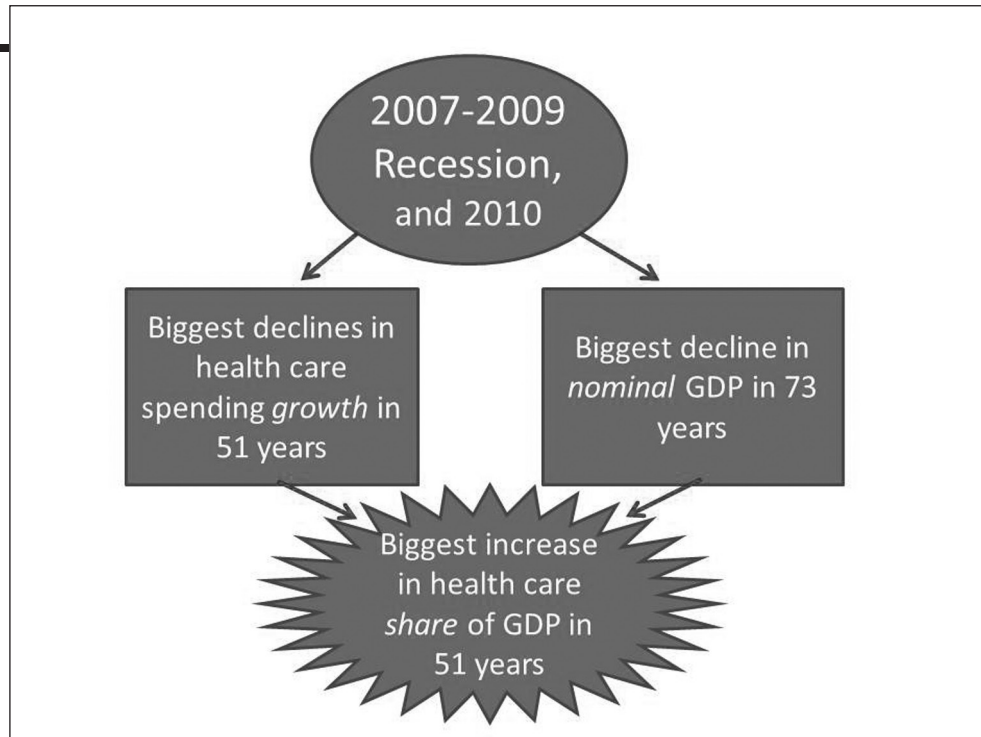


**Nutritional value**  
 3 slices white bread: 240 Calories  
 10g Butter: 90 Calories  
 Total: 330 Calories  
 Protein: 9.5g  
 Fat: 12g  
 Carbohydrate: 55g  
 Fibre: 4.5  
 Source: RSC

**The Affordable Care Act  
 and Health Care Spending  
 in Montana**



Notes



Health care is big in Montana...

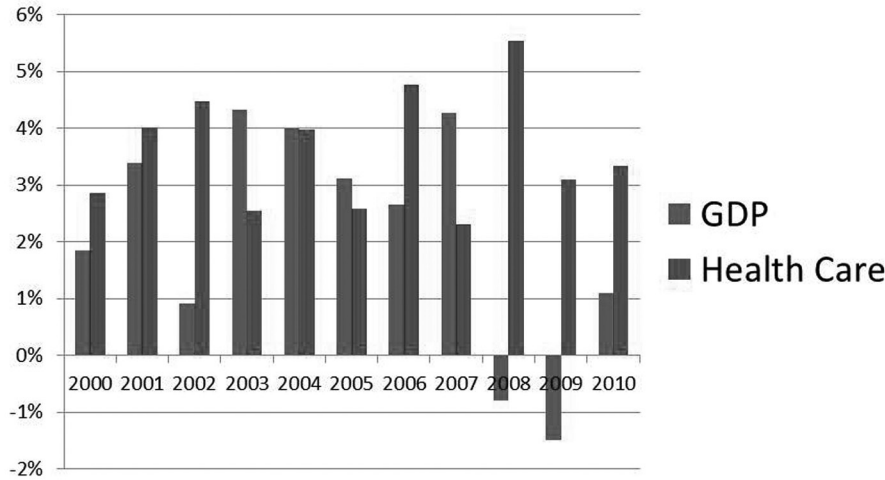
\$7.2 billion in PHCE

Health care share of economy

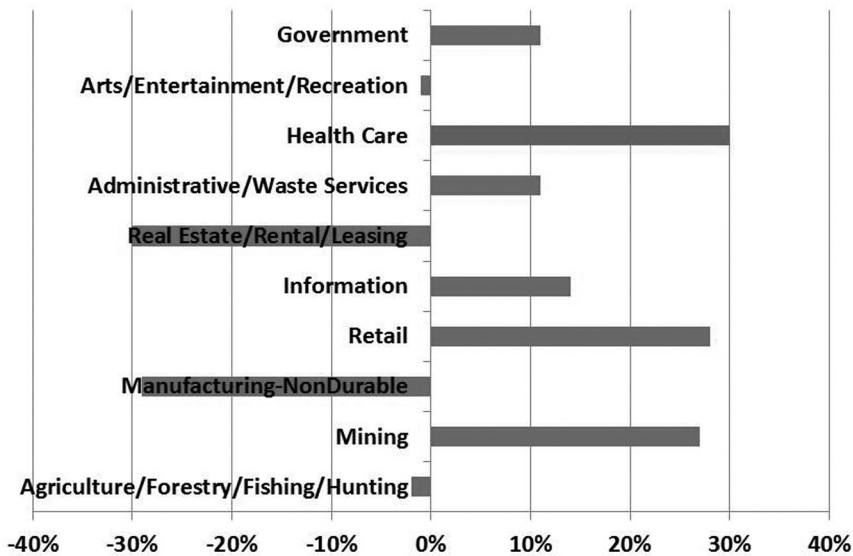
Growth Rate

←→

### Real growth rates Montana GDP and health care



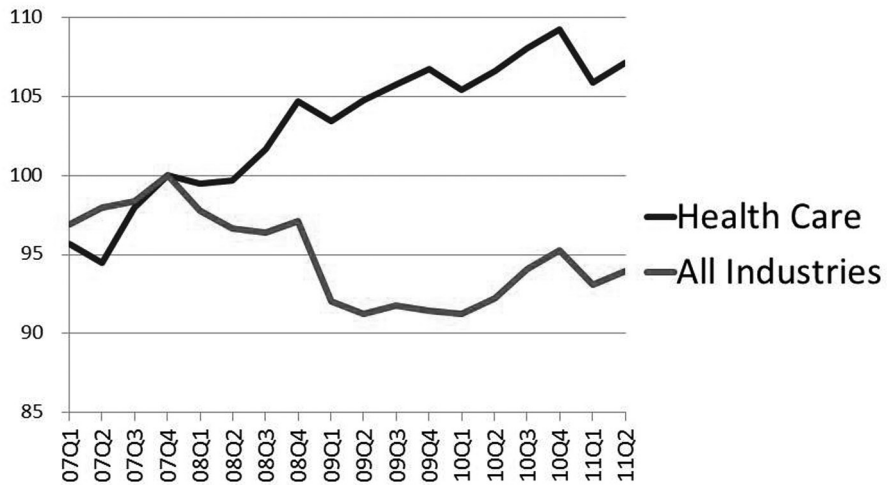
### Health care *the big* contributor to 1.1% increase in Montana real GDP, 2009-2010



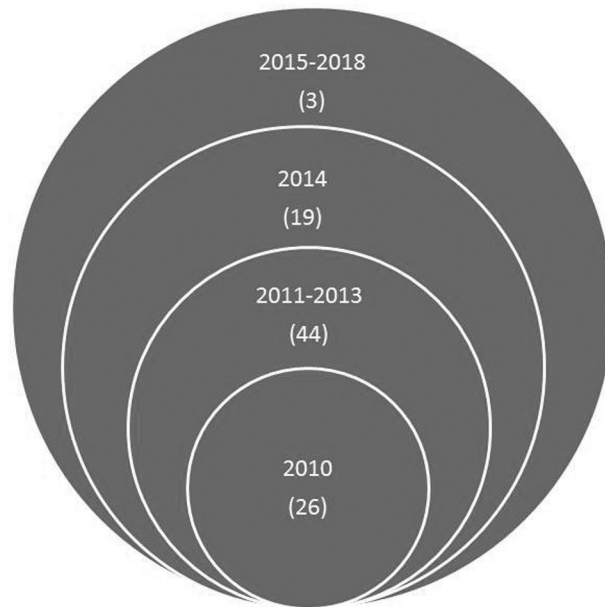


Notes

### Recession and post-recession real earnings, Montana



### Major provisions of ACA



# ACA provisions



10% Tanning bed tax  
7/1/2010

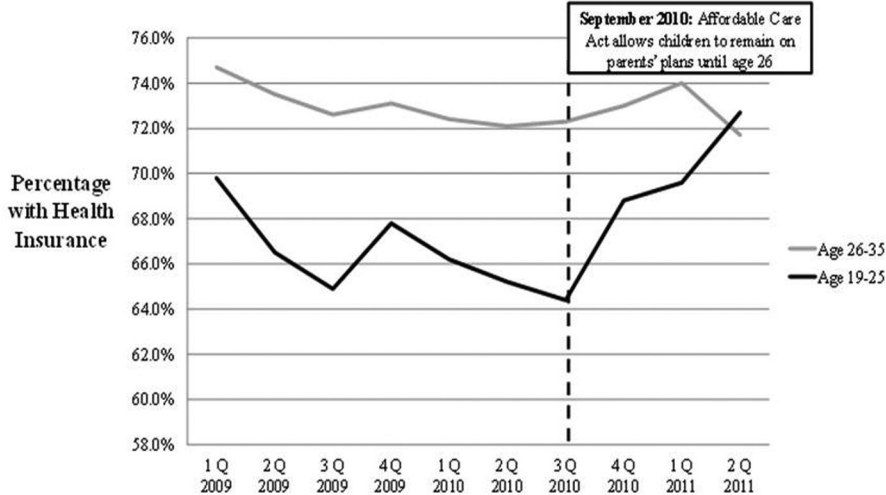


Adults under 26  
9/23/10



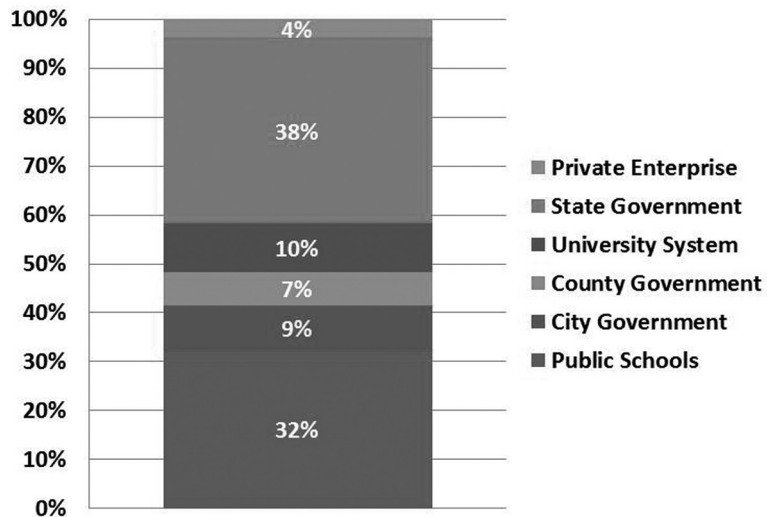
Early Retiree Reinsurance Program  
6/29/2010

# Health insurance coverage for young adults



Notes

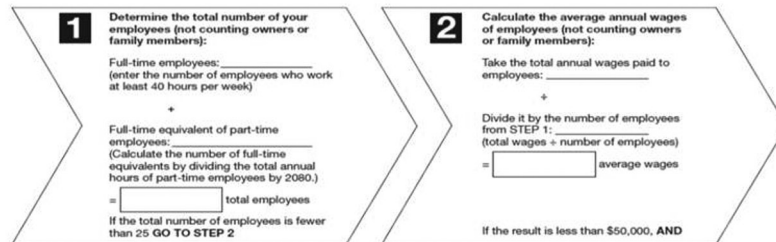
### Distribution of \$4.2 million ERRP Funds, Montana



### Wasn't so simple Small Business Tax Credit

#### 3 SIMPLE STEPS

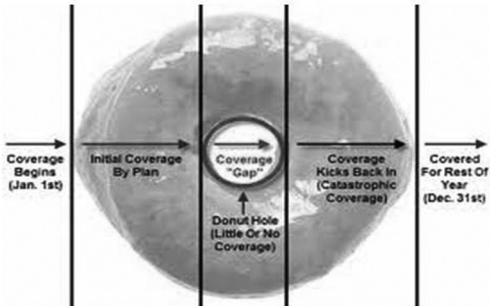
If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:



**3** You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then

you may be able to claim the **Small Business Health Care Tax Credit**.  
Find out more information at [IRS.gov](http://IRS.gov)





	# of Gap Beneficiaries	Total Gap Discount	Average Gap Discount
<b>MONTANA</b>	<b>10,415</b>	<b>\$6,409,940</b>	<b>\$615</b>
Big Fork	117	\$84,970	\$726
Kalispell	441	\$262,014	\$594
Lakeside/Somers	44	\$32,035	\$728
Columbia Falls	124	\$74,717	\$603
Whitefish	126	\$75,686	\$601
Flathead County	924	\$577,554	\$625

**Premiums increase if you are a person of “means”**

Joint Tax Return (000's AGI)	Monthly Increase	Total Monthly Premium
≤\$170	\$0	\$115.40
>\$170 ≤\$214	\$46.10	\$161.50
>\$214 ≤\$320	\$115.30	\$230.70
>\$320 ≤\$428	\$184.50	\$299.90
> \$428	\$253.70	\$369.10

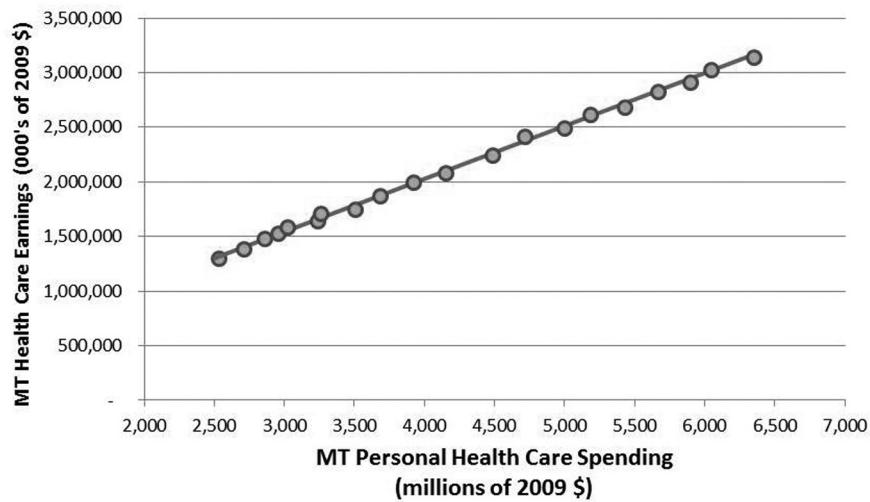
Joint Tax Return (000's AGI)	Monthly Increase	Total Monthly Premium
≤ \$170	\$0	\$41.43
> \$170 ≤ \$214	\$12.00	\$53.43
> \$214 ≤ \$320	\$31.10	\$72.53
> \$ 320 ≤ \$428	\$50.10	\$91.53
> \$428	\$69.10	\$110.53

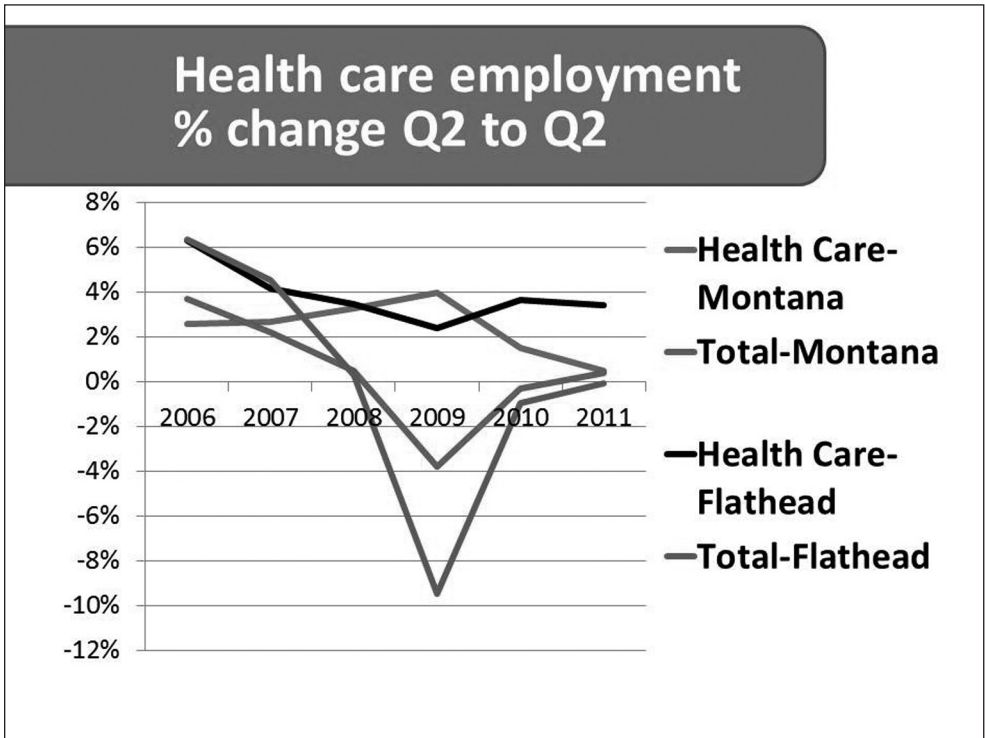
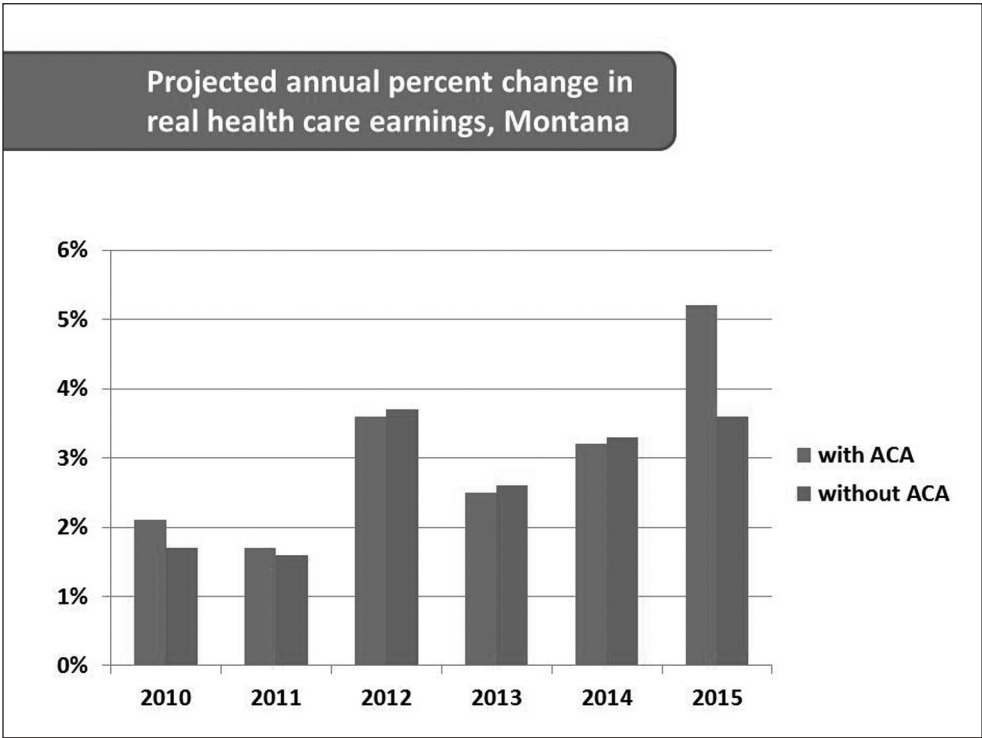
Notes

### Medicaid and Medicare per enrollee spending in Montana





	Average Annual Growth (%)		% of MT total personal health care spending			% of U.S. per enrollee spending		
	'98-'04	'04-'09	1998	2004	2009	1998	2004	2009
Medicare	6.3	6.3	17.4	17.2	19.3	73	76	73
Medicaid	3.3	5.9	13.7	13.5	13.2	122	123	146

### Personal health care spending and health care earnings, Montana, 1990-2009





Notes

			
<p><b>Economic recovery?</b></p>	<p><b>Challenge to the ACA?</b></p>	<p><b>No historical experience for ACA reforms?</b></p>	<p><b>Provider responses?</b></p>

# 2012 Montana Agricultural Outlook

**George Haynes**

Department of Agricultural Economic & Economics  
MSU Extension

Data Source: National Agricultural Statistics Service  
Montana Field Office

## 2011 “Recap”

### ▪ Crops

- All wheat prices – up 26%
- All wheat production – down 17%
  - Spring Wheat – production down 29%
- Pulse crops

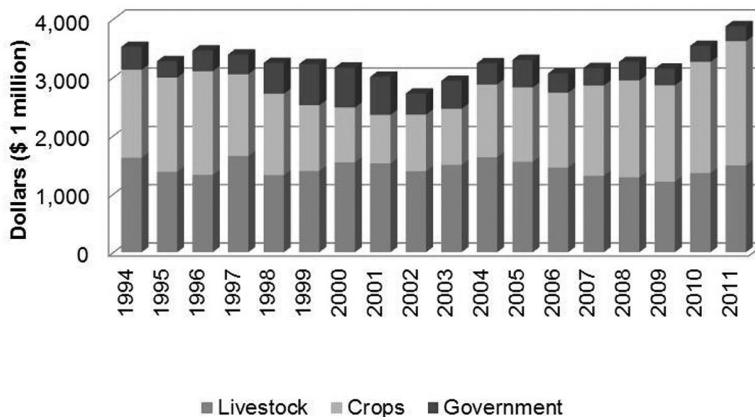
### ▪ Cattle

- Cattle and Calf Prices – up 15%+
- Cow Herd - down by 2%, but total herd value is record high



Notes

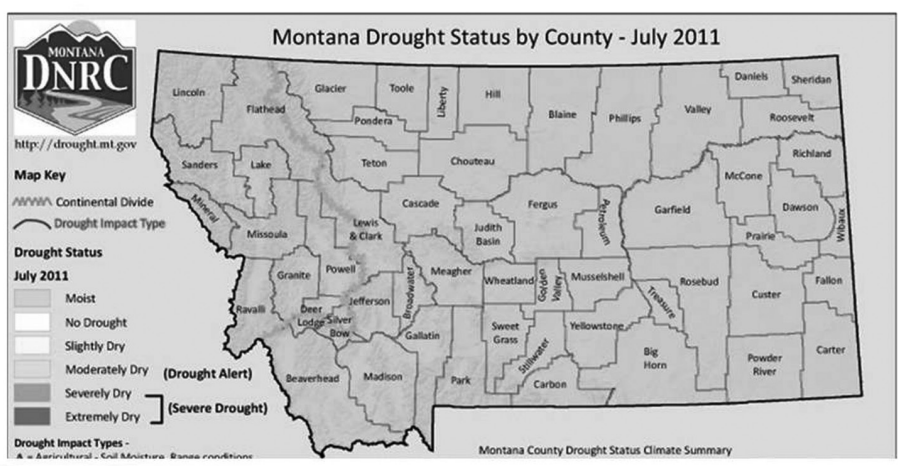
### Gross Revenue Estimates (2011 dollars)



**MONTANA STATE UNIVERSITY** | EXTENSION

Mountains & Minds

### Drought Status – July 2011



**MONTANA STATE UNIVERSITY** | EXTENSION

Mountains & Minds

Notes



Courtesy of the Billings Gazette



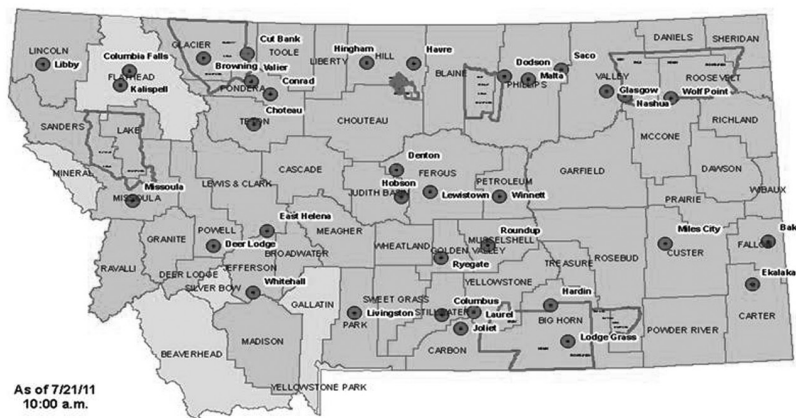
Courtesy of the Billings Gazette

Notes

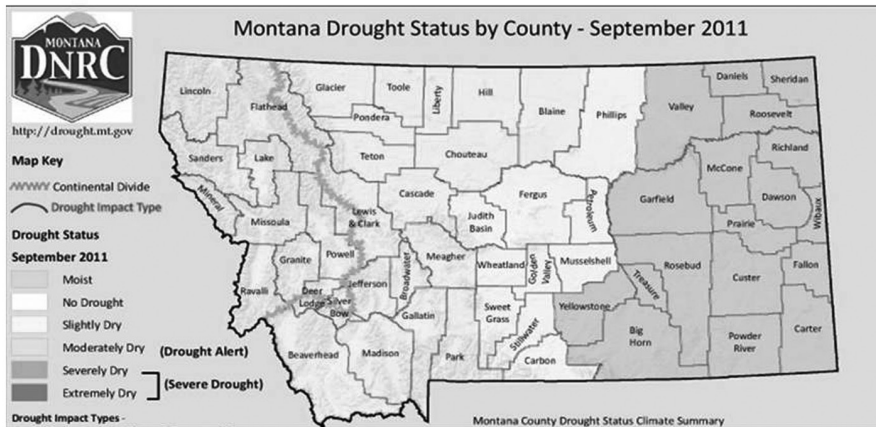


Courtesy of the Billings Gazette

## Locally Declared Emergencies as of July 21, 2011

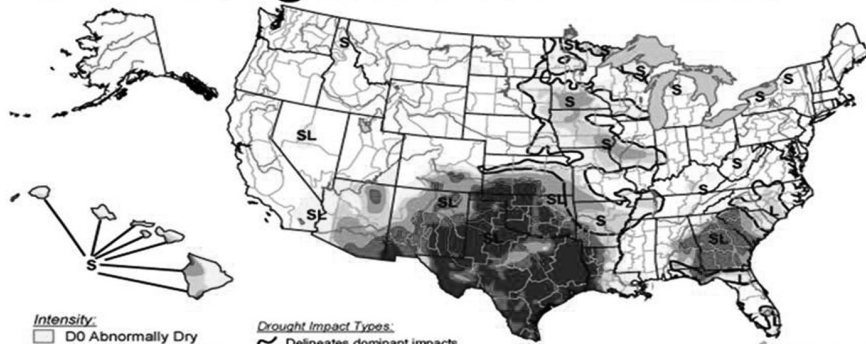


# Drought Status – September 2011



# U.S. Drought Monitor

October 11, 2011  
Valid 8 a.m. EDT



**Intensity:**

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

**Drought Impact Types:**

- Delineates dominant impacts
- S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months (e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://droughtmonitor.unl.edu/>



Released Thursday, October 13, 2011  
Authors: R. Tinker/M. Rosencrans, NOAA/NWS/NCEP/CPC

Notes

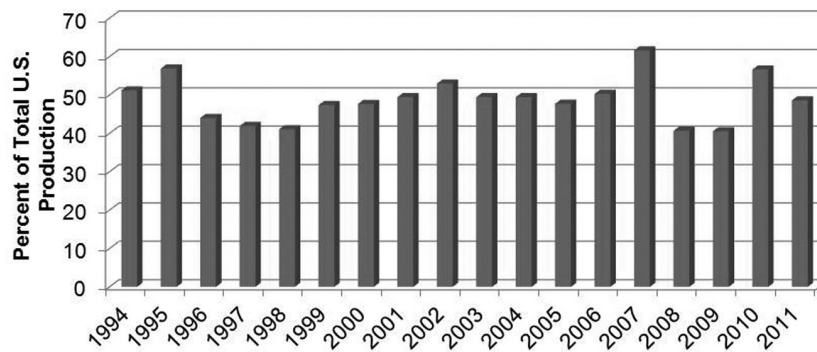
## CROPS (GRAIN, HAY & PULSES)



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### Wheat Exports percent of total U.S. production



Total U.S. Exports = 34.5 mmt in 2010/2011 and 25.2 mmt in 2011/2012



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## Where are these exports going?

- **Wheat (50% of total U.S. wheat exports)**
  - Sub-Saharan Africa            4.9 million metric tons
  - Egypt                                3.8
  - Japan                                 3.3
  - Mexico                              2.8
  - Philippines                        1.8
  
- **Export competition**
  - Kazakhstan, Australia, Russia, Canada

## “Biggest Losers – Wheat Production” 2010 to 2011

State	Total Production (1,000 bu.)			%
	2010	2011	Difference	
North Dakota	361,550	205,845	-155,705	-43
Kansas	360,000	276,500	-83,500	-23
Texas	127,500	49,400	-78,100	-61
Oklahoma	120,900	70,400	-50,500	-42
Montana	215,360	178,290	-37,070	-17
Colorado	108,234	81,828	-26,406	-24
South Dakota	123,475	104,796	-18,679	-15
Minnesota	88,070	70,456	-17,614	-20

Notes

### Global Wheat Market Shares

Country	2010/2011		2011/2012	
	mmt	shares %	mmt	shares %
Australia	26.00	4.0	25.00	3.7
Canada	23.17	3.6	24.20	3.6
China	115.18	17.8	117.00	17.2
EU-27	135.61	20.9	136.33	20.0
India	80.80	12.5	85.93	12.6
FSU-12	80.97	12.5	110.45	16.2
U.S.	60.06	9.3	54.65	8.0
Other	126.37	19.5	127.64	18.7
<b>Total</b>	<b>648.16</b>	<b>100.0</b>	<b>681.20</b>	<b>100.0</b>

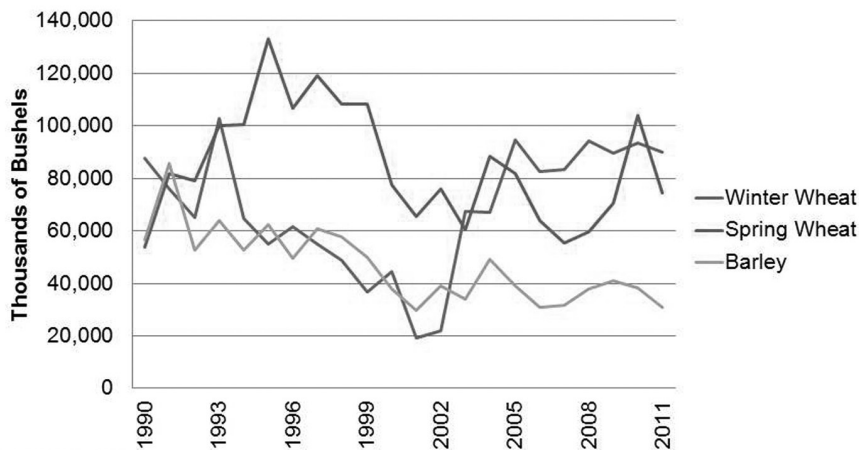
Source, WASDE-499, October 12, 2011



**MONTANA**  
STATE UNIVERSITY | EXTENSION

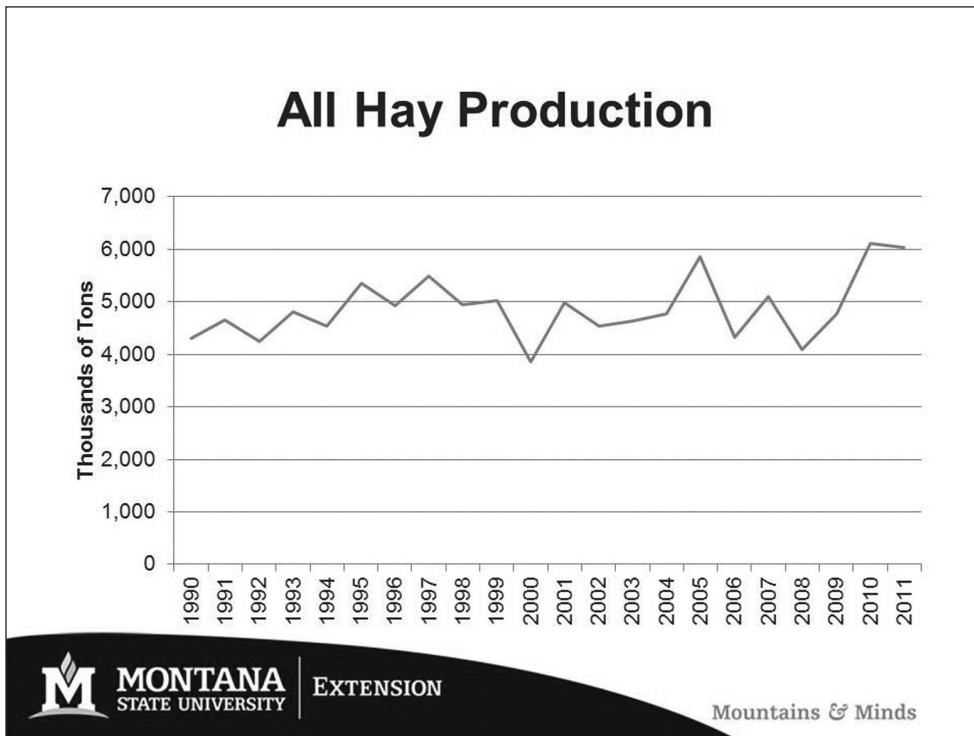
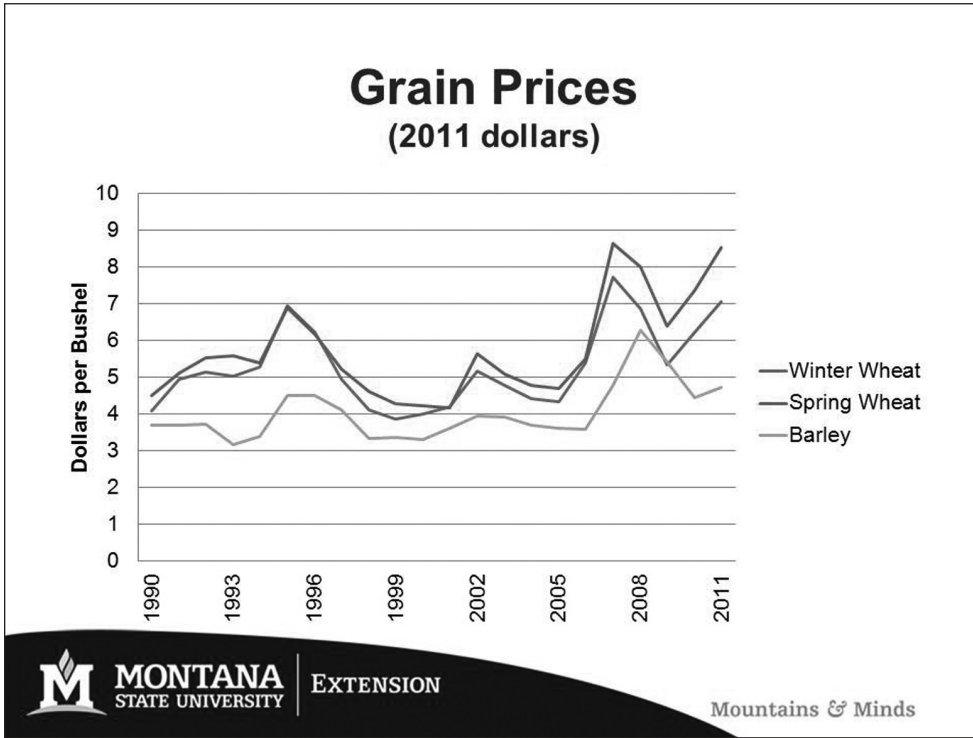
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### Grain Production



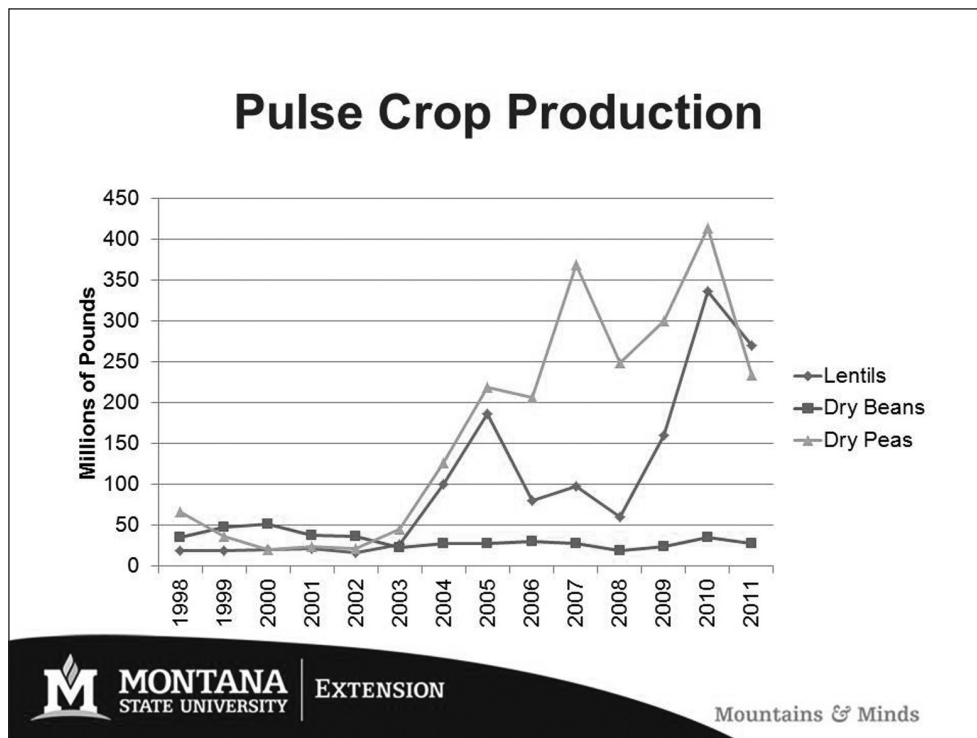
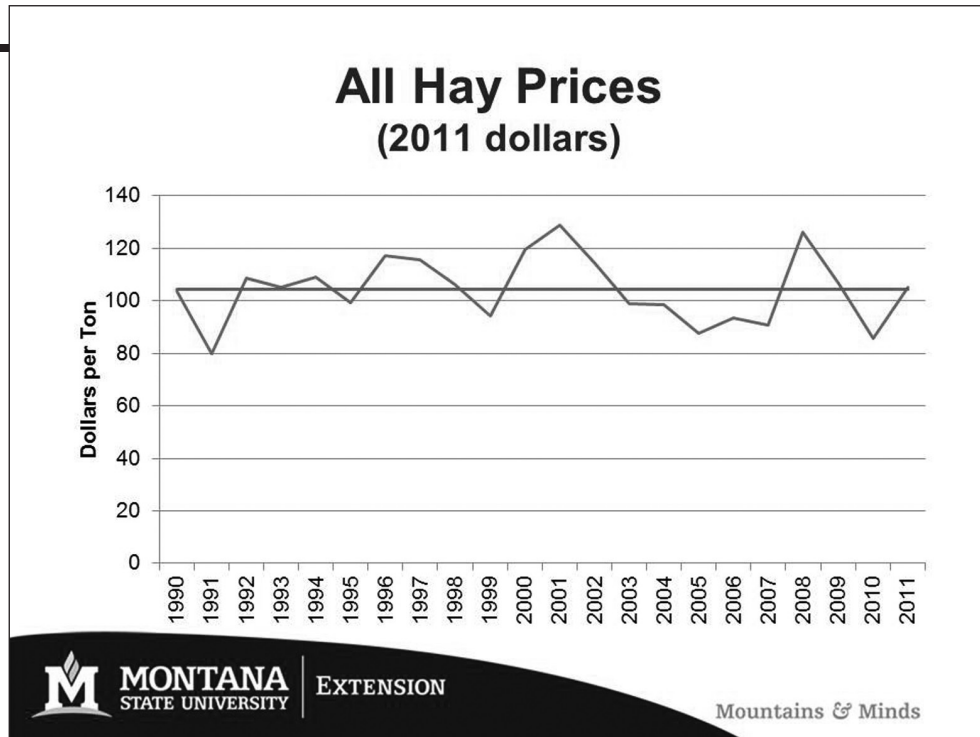
**MONTANA**  
STATE UNIVERSITY | EXTENSION

Mountains & Minds

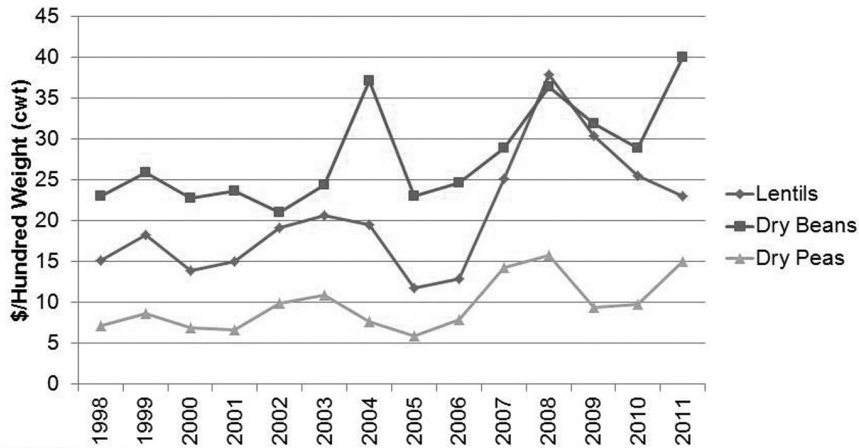




Notes



### Pulse Crop Prices



### Share of Pulse Crops Grown in MT

Crop	Montana (1,000 cwt)	U.S. (1,000 cwt)	Montana Share (%)
Dry Beans	359	31,801	1.1
Pinto Beans	275	13,814	2.0
Garbonzo Beans	84	1,939	4.3
Lentils	3,359	8,657	38.8
Dry Peas	4,140	14,221	29.1
Austrian Winter Peas	110	237	46.4

### Futures Prices (not basis adjusted – 12/29/11)

Location	Units	3/12	5/12	7/12	9/12
Minneapolis Grain Exchange					
Hard Red Spring Wheat	\$/bu	8.55	8.31	8.17	7.90
Kansas City Board of Trade					
Winter Wheat	\$/bu	7.09	7.17	7.25	7.37
Chicago Board of Trade					
Corn	\$/bu	6.45	6.53	6.59	6.10

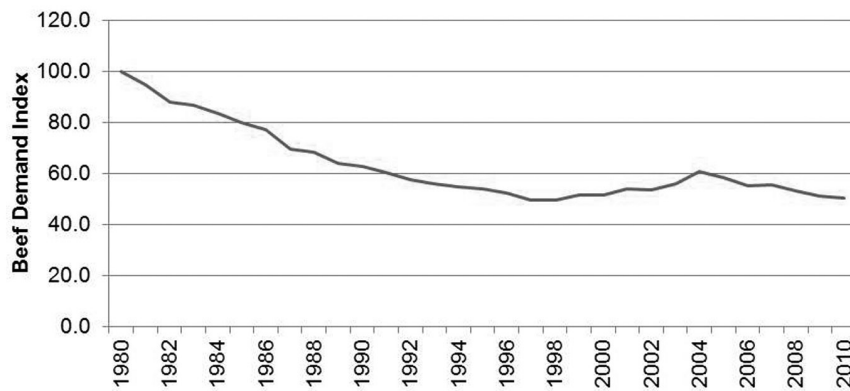
Hay and pulse crops

### Montana Wheat 2012

- **2012 Winter Wheat Plantings → ???**
- **Influence of corn prices (public policy)**
- **2012 Production/Prices**
  - **MT 2012 All Wheat Price: optimistic**
    - **Early 2012– prices caution (Russia, Ukraine, Kazakhstan)**
    - **Late 2012– two important factors**
      - **Demand – worldwide economic conditions**
      - **Supply – worldwide growing conditions**

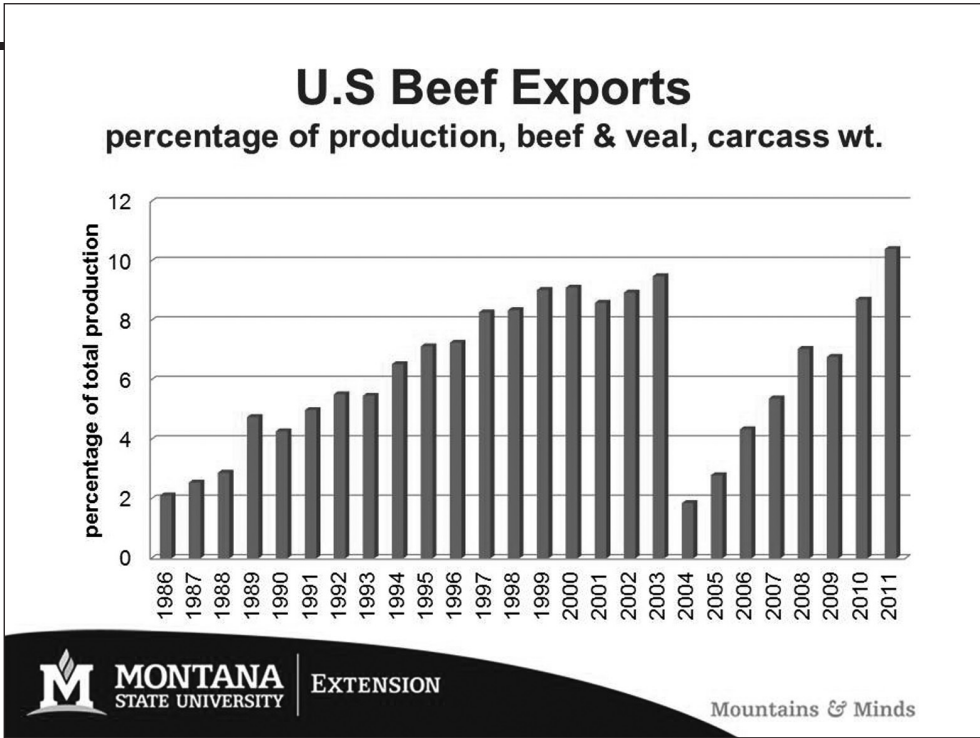
# CATTLE

## Consumer Demand for Beef (annual choice retail beef demand index)



[http://www.agmanager.info/livestock/marketing/graphs/Tonsor/Annual\\_ChoiceBeefDemandIndex\\_Table\\_1990.htm](http://www.agmanager.info/livestock/marketing/graphs/Tonsor/Annual_ChoiceBeefDemandIndex_Table_1990.htm)  
54.1 lbs./capita (USDA)

Notes




### Exports – who’s buying U.S. beef

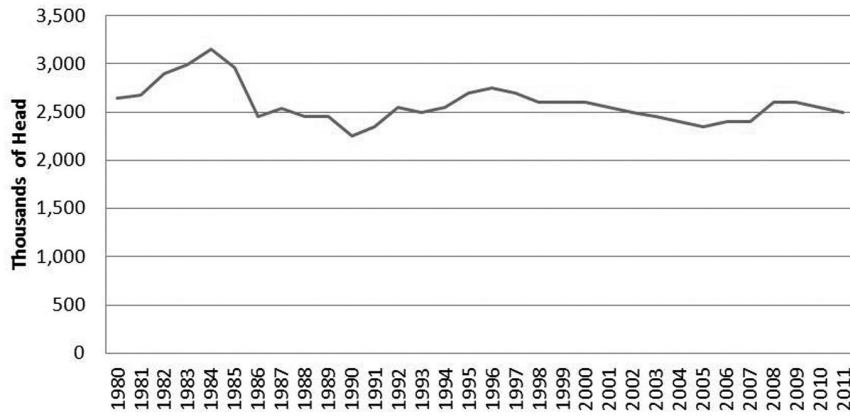
- 90% of U.S. beef exports

Country	Export Value	Growth '10 – '11
Japan	\$ 662 m.	38%
Mexico	670 m.	---
South Korea	540 m.	50%
Canada	730 m.	39%
Russia	80 m.	72%

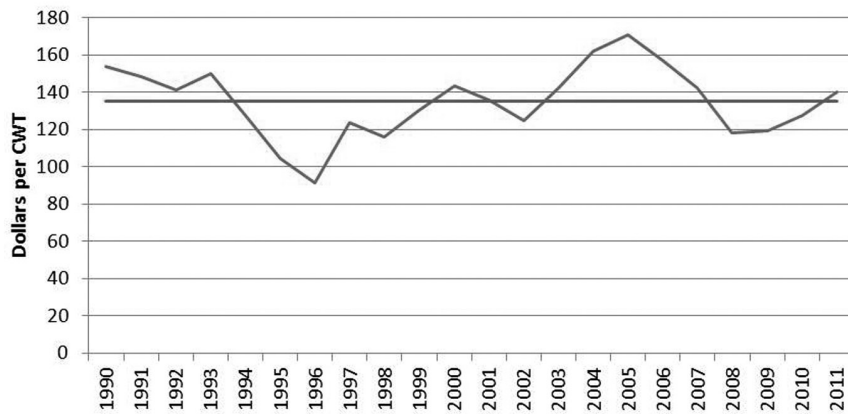
USDA Livestock, Dairy and Poultry Outlook, 10/18/2011


Mountains & Minds

### Montana Cattle Herd



### Calf Prices (2011 dollars)



NASS, 190 – 2010, MSU 2011 estimate

Notes

### Futures Prices (no basis adjustments – 12/29/11)

Location	04/12	06/12	08/12	12/12
Chicago Mercantile Exchange				
Feeder Cattle, cwt	151	152	153	153
Live Cattle, cwt	127	126	127	130

20% increase from 2009



Mountains & Minds

### Montana Cattle 2012

- **Strong prices**
  - Global demand (growing emerging economies)
  - Strength of the U.S. dollar
  
- **Opportunity to increase cattle herd**
  - Southern U.S. drought conditions
  - Aging rancher population (interest in expansion)



Mountains & Minds



## Montana's Housing Market

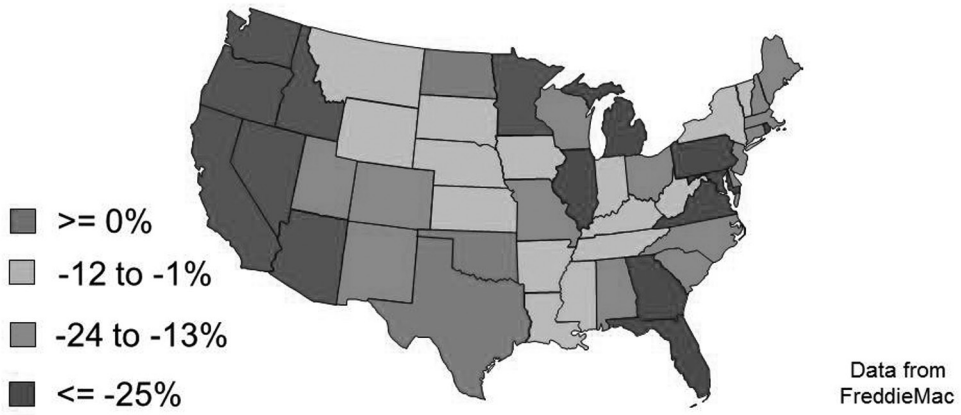
## National Conditions





Notes

## Change in Home Prices 2006 – 2011



## 2011 Statistics



**Existing  
Homes**

**4.26 Million**

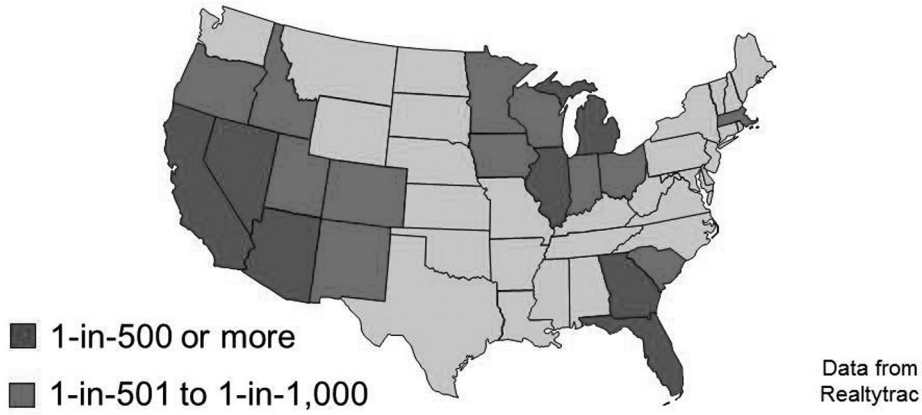
**\$164,500**

**New  
Construction**

**607,000**

**\$212,000**

## Foreclosure Rates Dec 2011



## Shadow Inventory



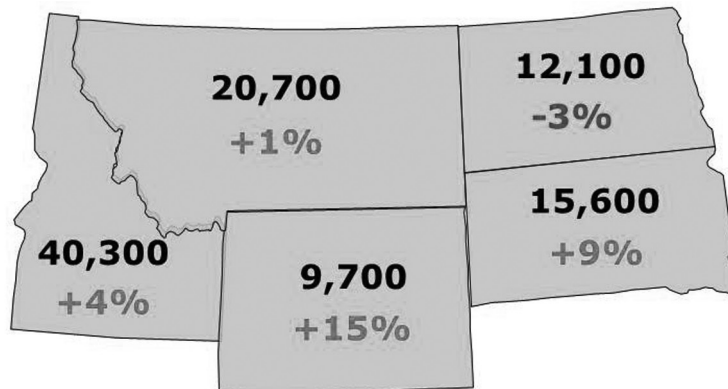
14 Million Units

Notes

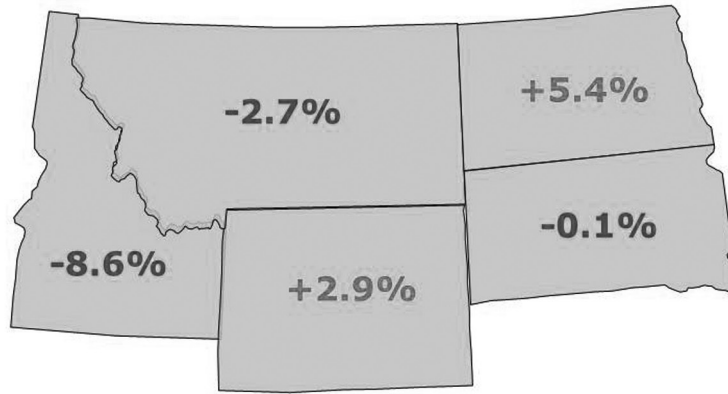
## Regional Conditions



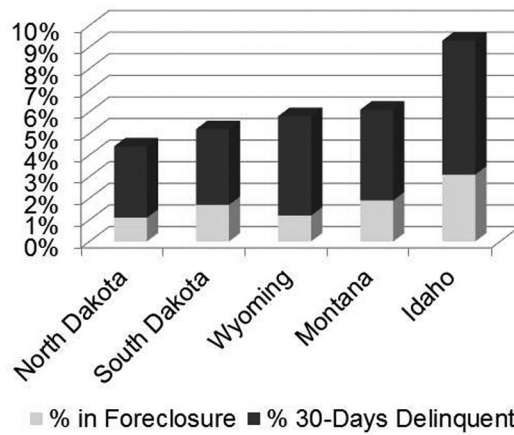
## Number of Sales in 2011



### 12-Month Price Change

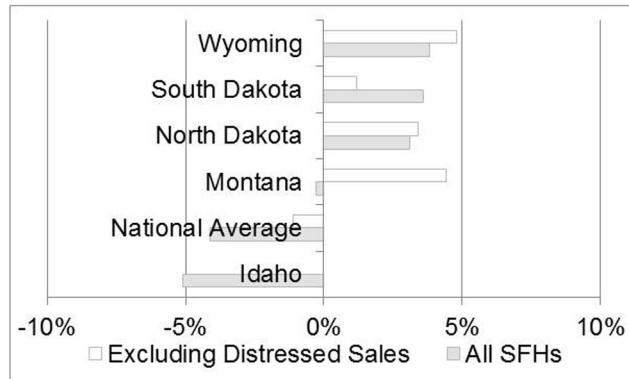


### Foreclosures and Delinquencies

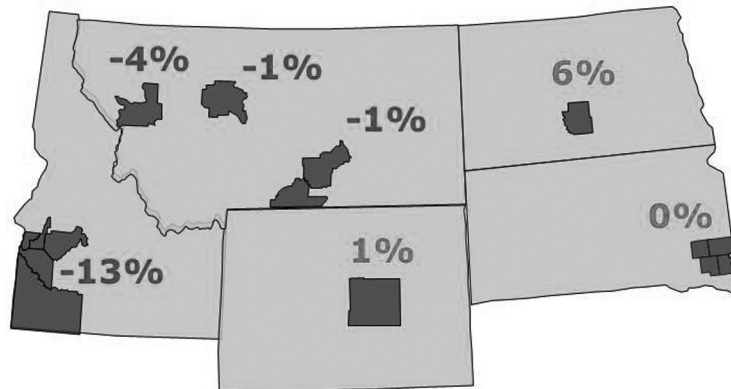


Notes

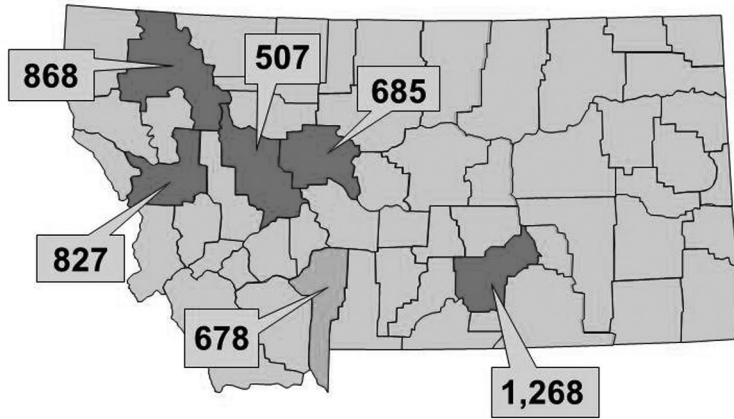
### Distressed Sales Reduce Price Growth



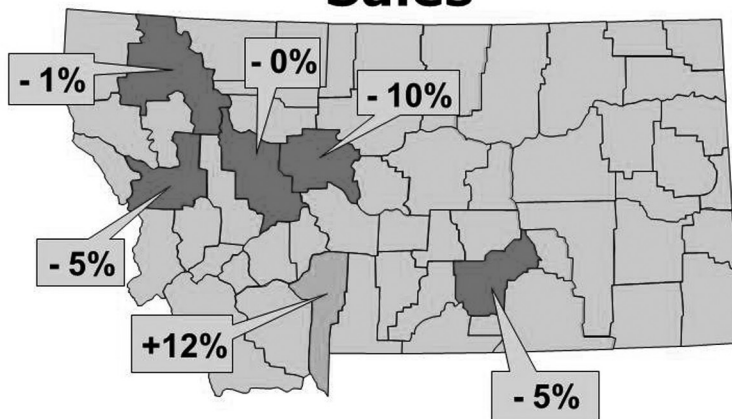
### Metro Area Prices



### Number of Sales

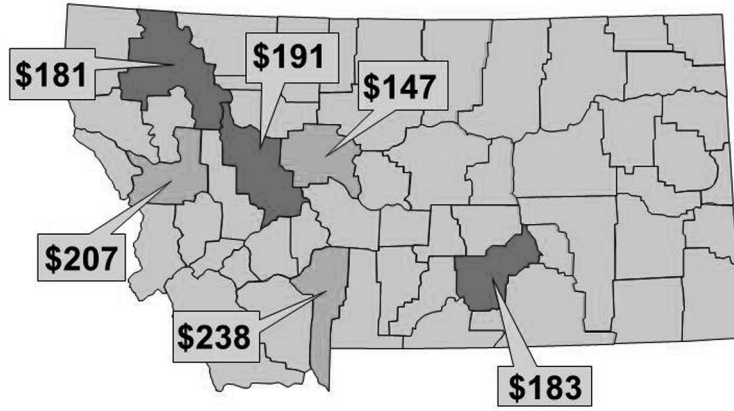


### % Change in Number of Sales

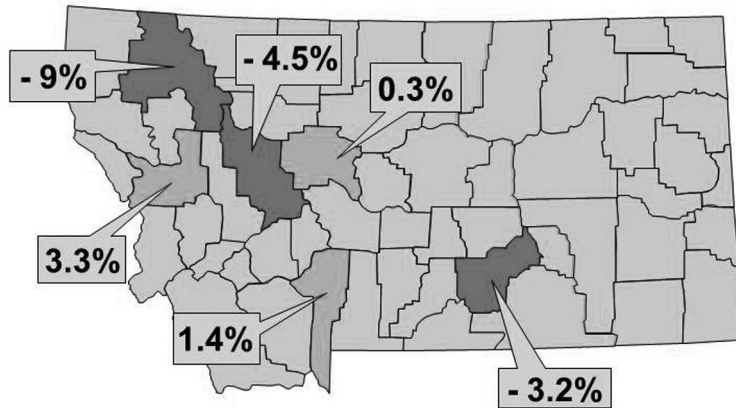


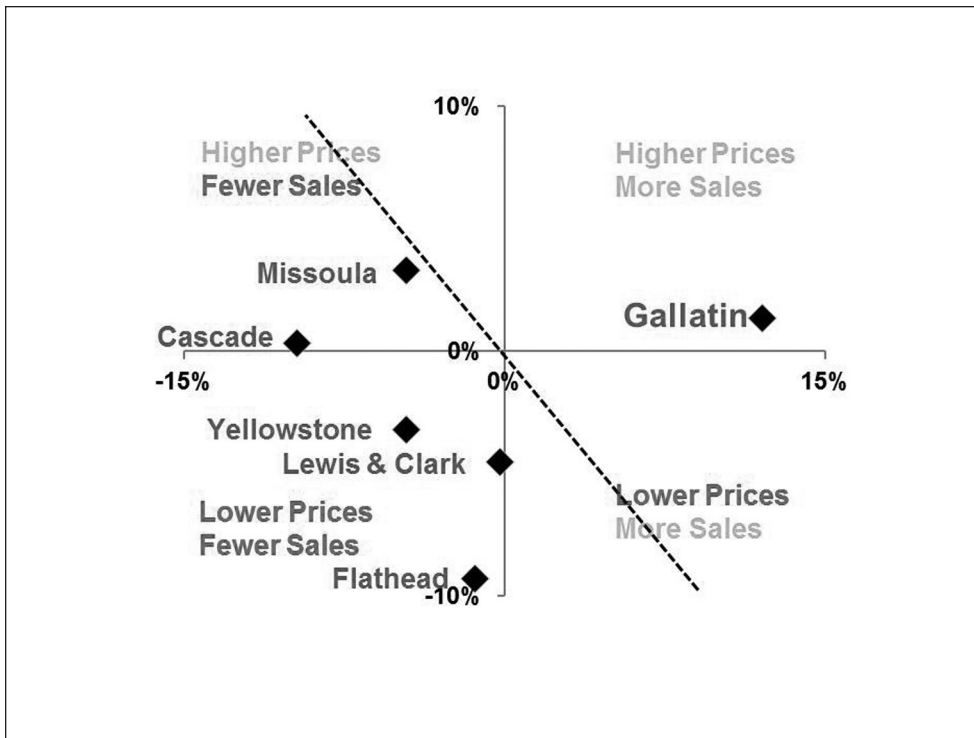
Notes

### Median Prices (in \$ 1,000s)



### Median Prices (in \$ 1,000s)





## MT Housing Starts



### From Peak

- Silver Bow -25%
- Yellowstone, L&C -50%
- Missoula, Flathead -60%
- Many Other Counties -80%



## 2012 Conditions



- **Incomes Flat**
- **Limited Wealth**
- **Abundant Debt**
- **Shadow Inventories**
- **Consumer Confidence**

## 2012 Forecast



**Overall**  
**Lower Prices**  
**Flat Sales**  
**Higher Rents**  
**More Construction**

## Montana's Rental Markets



### Apartment Rent

	1 Bedroom	2 Bedroom	3+ Bedroom
<b>Butte</b>	\$ 437	\$ 556	\$ 650
<b>Billings</b>	\$ 448	\$ 638	\$ 837
<b>Great Falls</b>	\$ 454	\$ 654	\$ 875
<b>Helena</b>	\$ 488	\$ 699	\$ 1,036
<b>Bozeman</b>	\$ 489	\$ 641	\$ 1,123
<b>Kalispell</b>	\$ 501	\$ 626	\$ 817
<b>Missoula</b>	\$ 626	\$ 694	\$ 747

Notes

## House Rent

	1 Bedroom	2 Bedroom	3+ Bedroom
<b>Butte</b>	\$ 530	\$ 680	\$ 868
<b>Billings</b>	\$ 604	\$ 880	\$ 1,313
<b>Great Falls</b>	\$ 450	\$ 875	\$ 1,250
<b>Helena</b>	\$ 510	\$ 873	\$ 1,030
<b>Bozeman</b>		\$ 1,042	\$ 1,377
<b>Kalispell</b>		\$ 838	\$ 1,002
<b>Missoula</b>		\$ 1,028	\$ 1,419

## Premium for Renting a House

	1 Bedroom	2 Bedroom	3+ Bedroom
<b>Butte</b>	+21%	+22%	+34%
<b>Billings</b>	+35%	+38%	+57%
<b>Great Falls</b>	-1%	+34%	+43%
<b>Helena</b>	+5%	+25%	-1%
<b>Bozeman</b>		+63%	+23%
<b>Kalispell</b>		+34%	+23%
<b>Missoula</b>		+48%	+90%

Notes

**Premium: 2 BR House vs. 3 BR Apt.**

	1 BR House vs. 2 BR Apt	2 BR House vs. 3 BR Apt
<b>Butte</b>	-5%	+5%
<b>Billings</b>	-5%	+5%
<b>Great Falls</b>	-31%	0%
<b>Helena</b>	-27%	-16%
<b>Bozeman</b>		-7%
<b>Kalispell</b>		+3%
<b>Missoula</b>		+38%

Notes

# Montana Manufacturing: 2012 Outlook

BUREAU OF  
BUSINESS  
AND ECONOMIC  
RESEARCH

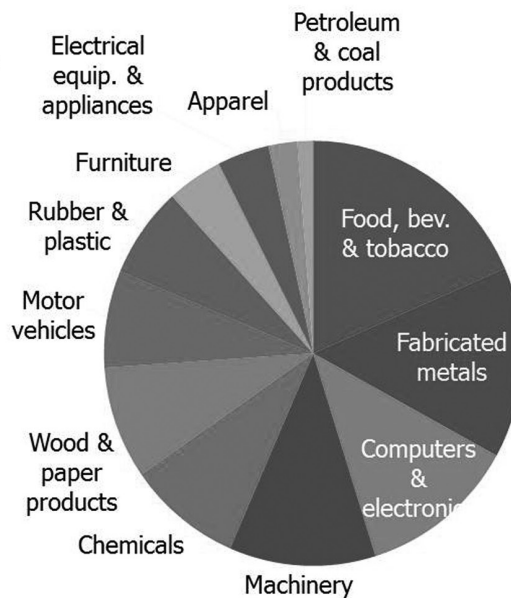
Todd A. Morgan, CF

## U.S. Manufacturing

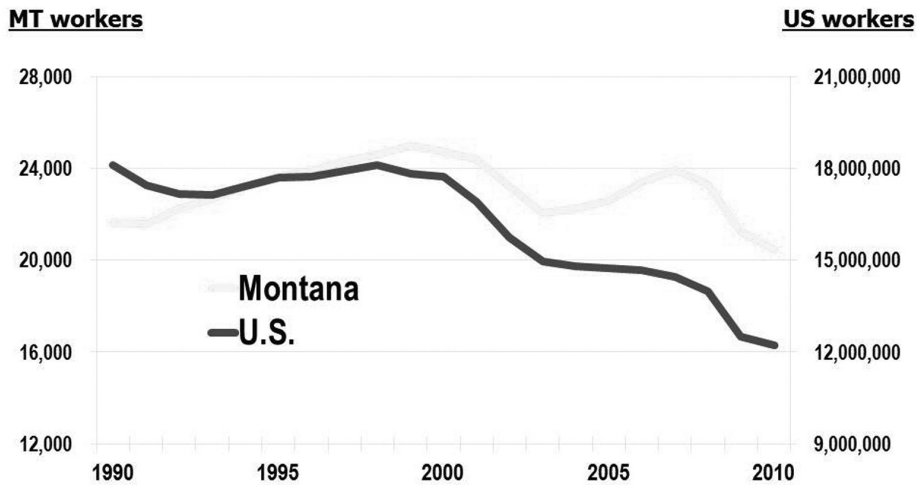
➤ **5.5 million fewer jobs than in 2000**

➤ **Annual worker income down by \$49 billion**

➤ **Gross output down by \$296 billion**



## Montana & U.S. Manufacturing Employment 1990-2010

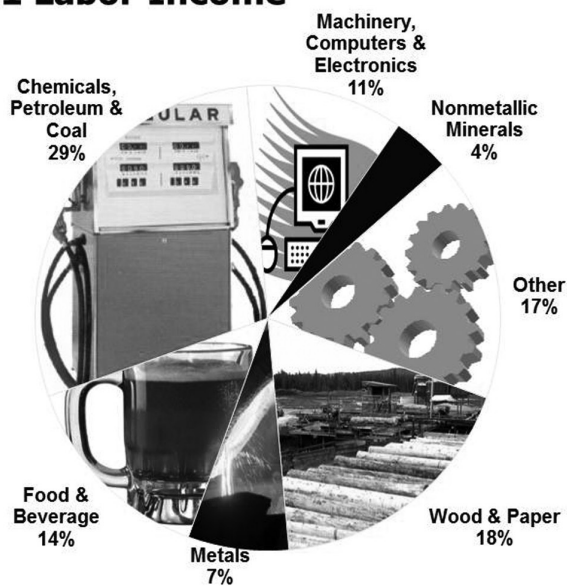


Source: BEA-REIS SA-25N

## Montana Manufacturing 2011 Labor Income

**Total Employment:**  
~19,938

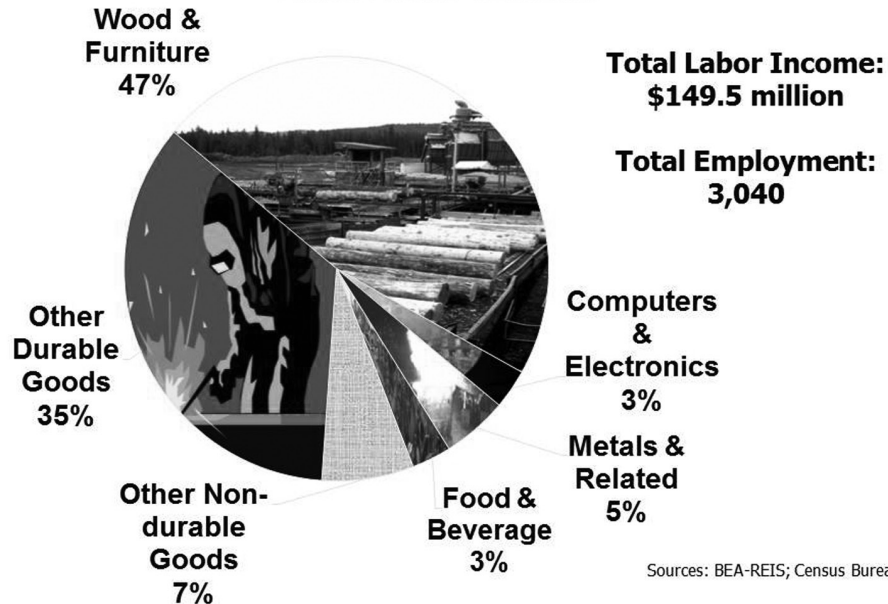
**Total Labor Income:**  
\$1.08 billion



Sources: BEA-REIS; Census Bureau; and BBER estimates

Notes

## Flathead County Manufacturing 2009 Labor Income



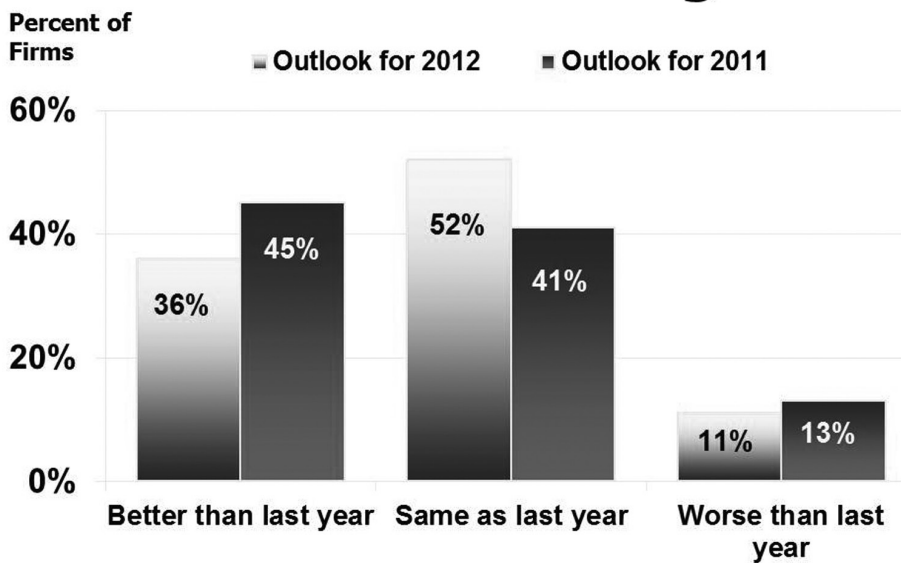
## 2011-2012 Montana Manufacturers Survey

- annual survey
- conducted in December
- open-ended & multi-choice questions
- current & coming year
- 211 firms participated
- response rate >88%

## Montana Manufacturing 2011 Recap

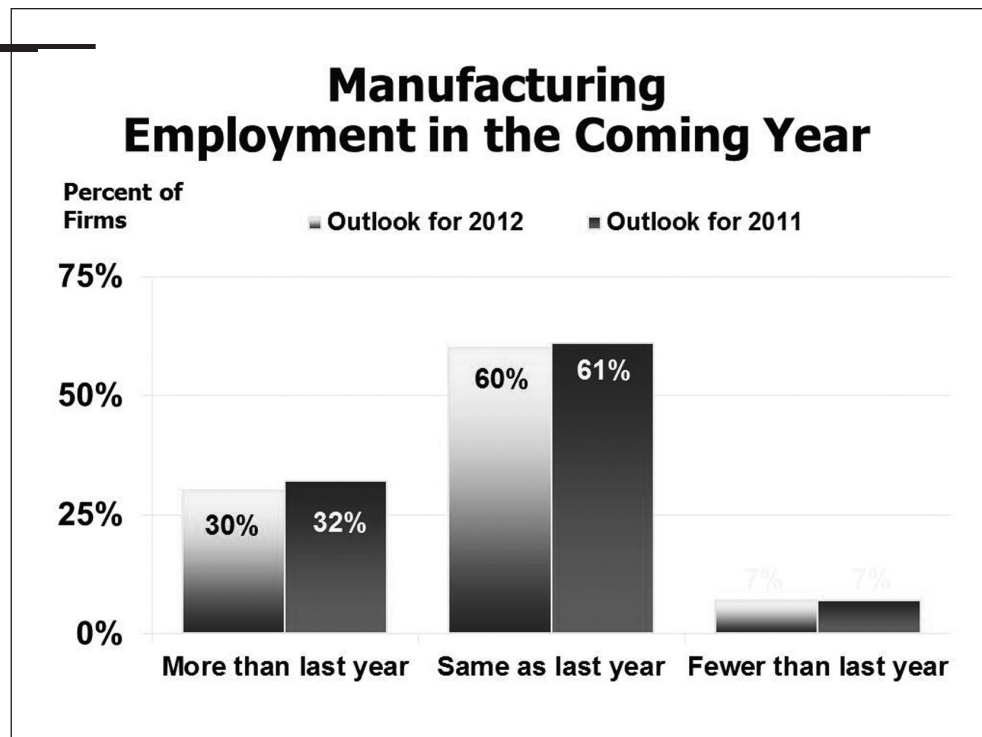
- **Better than 2010 for many firms**
- **Employment down at one-quarter of firms**
- **Many firms reported increased production, sales, and profits**
- **Few firms reported curtailments**
- **44% of firms did make major capital expenditures**

## Montana Manufacturing Outlook for the Coming Year





Notes



## Montana Manufacturing Forecast for 2012

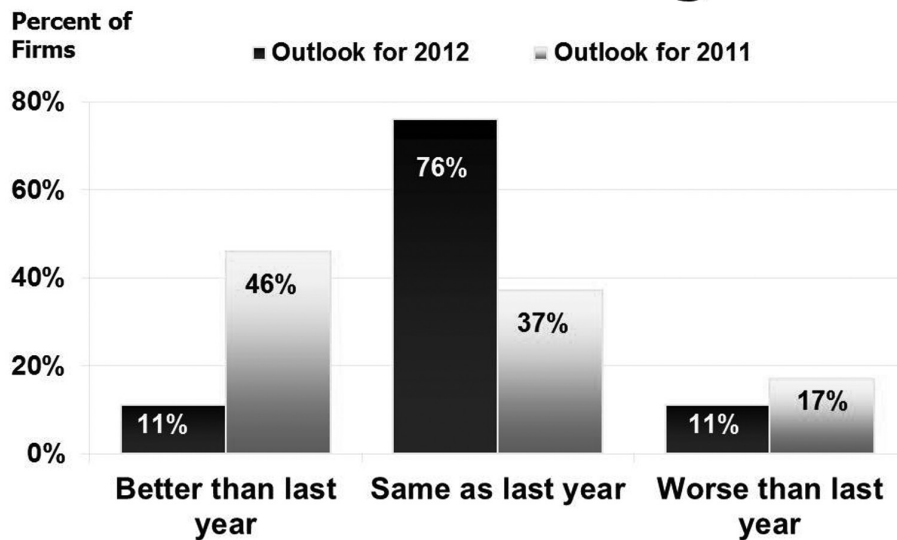
- Little change is expected
- Recovery dependent on broader US economy & international factors
- Health insurance costs & workers comp remain the greatest concerns
- Half of MT manufacturers expect their energy costs to increase

# Montana Forest Products: 2012 Outlook

**BUREAU OF  
BUSINESS  
AND ECONOMIC  
RESEARCH**

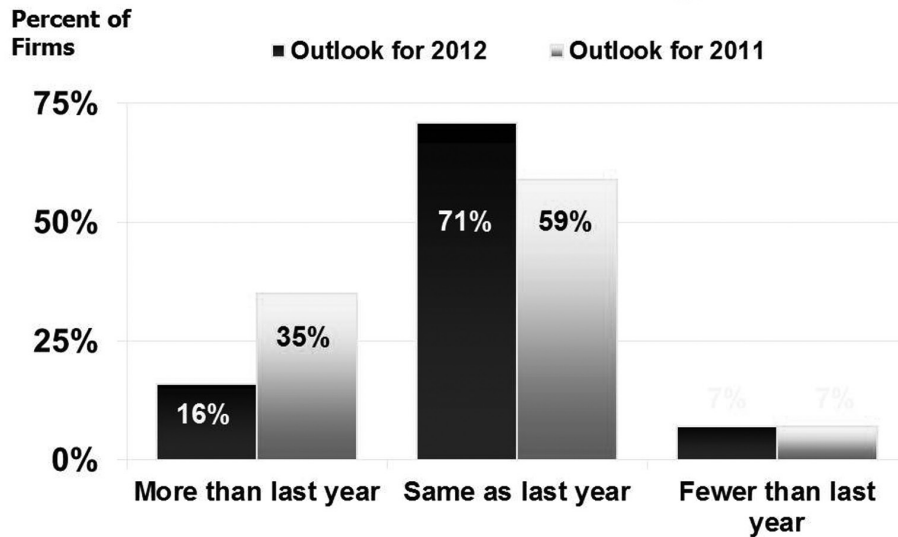
Todd A. Morgan, CF

## Montana Forest Products Outlook for the Coming Year



Notes

## Forest Products Employment Outlook for the Coming Year



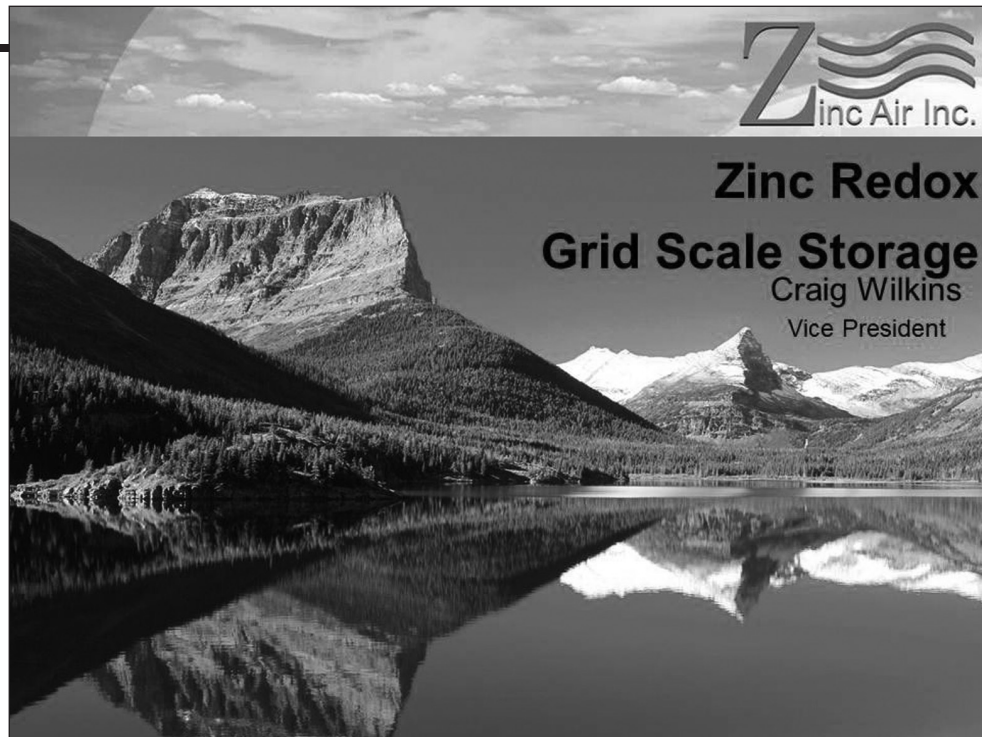
## Forest Industry Conditions

- Slow recovery in US housing
- Chinese lumber & log demand could impact Montana
- Wood energy markets are slowly emerging
- Retaining industry is important to forest landowners
- The industry is changing


## **Montana Forest Products Industry Forecast**

- **2012 markets are expected to be somewhat better than 2011.**
- **Timber harvest & lumber production may increase slightly.**
- **Employment is expected to stay low.**
- **Forests will become more expensive to manage.**

Notes



**Who is ZAI?**



Montana-based battery technology company (Flathead Valley)  
Privately financed – Over \$4M raised (non-institutional funds)

“Zinc-based” energy technologies  
Grid Scale Flow Battery (Now)  
Mechanically Recharged Fuel Cell (Soon)


Small, highly-experienced team (20 Employees);  
World Class Technical Board of Advisors

Focused on speed to sustainable revenue

***Technology is the means to an end, not an end itself.***

Page 2

## Why Grid Storage? There is No Inventory of Electricity



**Old Electricity Value Chain: Challenges**

**Fuel/Energy Source**

Volatility

**Generation**

Low Utilization

**Transmission**

Congestion

**Distribution**

Security

**Delivery**

"Dirty" Power

-Regulated utility bundled functions  
-One price does it all

**New Value Chain with Energy Storage: Solutions**

**Energy Storage Systems – "The Holy Grail"**

**Fuel/Energy Source**

Hedge Risk

**Generation**

Baseload Arbitrage

**Transmission**

Higher Utilization

**Distribution**

Stability

**Customer Energy Services**

Power Quality

-Unbundled services  
-Unbundled prices  
New service strategies  
Private services

**Immediate Market Opportunities**

- Utilities, Renewables, Community/Residential, Industrial
- Arbitrage, Ancillary, Renewable Stability, Backup, T&D

Page 3

## Critical Needs for ZAI & Other Small Businesses



<b>Capital</b>	Coordinated private/institutional funding sources
<b>Employees</b>	Educated/skilled labor, training, entrepreneurial lifestyle
<b>Vendor Networks</b>	Established and mature supply chain and vendors
<b>Customers</b>	Access to network of businesses/customers
<b>Business Culture</b>	Coordinated Local, State and Federal support

Community Based Business Development  
is a *philosophy* NOT a *strategy*

Page 4

## ZAI's Community Based Plan & Results



**Capital** – over \$4M raised in private funding

- Chamber Open Houses – Business leader and investor focused
- 60% of current financing round was funded by local community

**Employees** – 5 to 20 employees in 6 months

- Local community college alumni and business networks
- Quality local talent from established industries in the Flathead

**Vendor Networks**

- Strong Chamber involvement to reciprocate support of local businesses
- Leverage of existing supply chains from established industries

**Customers**

- Montana is an energy exporter with an expanding renewable portfolio

Page 5

## Thank You



### Zinc Air, Incorporated

5314 US Highway 2 West  
Columbia Falls, MT 59912

[info@zincairinc.com](mailto:info@zincairinc.com)  
(406) 755-ZINC



## Montana Chamber of Commerce Calendar of Events

**Safety Training Workshops**

[www.MTSafetyChoices.com](http://www.MTSafetyChoices.com)

**Montana Candidate Schools**

February 7-10, 2012

Great Falls, Missoula, Bozeman, Billings

**Montana Chamber Summer Meeting**

June 20-21, 2012

Fort Benton

**2012 Governors' Cup Golf Tournament**

August 2-4, 2012

Flathead Valley

[www.MontanaGovernorsCup2012.com](http://www.MontanaGovernorsCup2012.com)

**Montana Goes to China Tour,**

October 8-17, 2012

[www.MontanaGoesToChina.com](http://www.MontanaGoesToChina.com)

**Montana Chamber Annual Meeting**

October 10-11, 2012

Missoula



[www.MTSafetyChoices.com](http://www.MTSafetyChoices.com)



[www.MontanaGoesToChina.com](http://www.MontanaGoesToChina.com)



[www.ChamberChoices.com](http://www.ChamberChoices.com)

Check out  
**[www.MontanaChamber.com](http://www.MontanaChamber.com)**  
for the latest Montana business news and resources





# OUTLOOK 2012 PRESENTATIONS

Published with the support of the Montana Chamber of Commerce

## Midyear Update to the Economic Outlook

### **Kalispell**

August 2, 2012 (Thursday)  
Noon – 1:30 p.m.  
Kalispell Hilton Garden Inn

### **Billings**

August 7, 2012 (Tuesday)  
7:00 – 8:30 a.m.  
Billings Crowne Plaza

### **Bozeman**

August 7, 2012 (Tuesday)  
Noon – 1:30 p.m.  
Bozeman GranTree

### **Great Falls**

August 8, 2012 (Wednesday)  
7:00 – 8:30 a.m.  
Great Falls Hilton Garden Inn

### **Helena**

August 8, 2012 (Wednesday)  
Noon – 1:30 p.m.  
Helena Red Lion Colonial

### **Butte**

August 9, 2012 (Thursday)  
7:00 – 8:30 a.m.  
Butte Quality Inn & Suites  
(War Bonnet)

### **Missoula**

August 9, 2012 (Thursday)  
Noon – 1:30 p.m.  
Missoula Hilton Garden Inn

Check out

[www.MontanaChamber.com](http://www.MontanaChamber.com)

for the latest Montana business news and resources



Montana Chamber of Commerce  
Treasure State Investors

