
OUTLOOK 2012 PRESENTATIONS

The University of Montana Bureau of Business and Economic Research

Lewis and Clark 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

OUTLOOK 2012

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Outlook 2012



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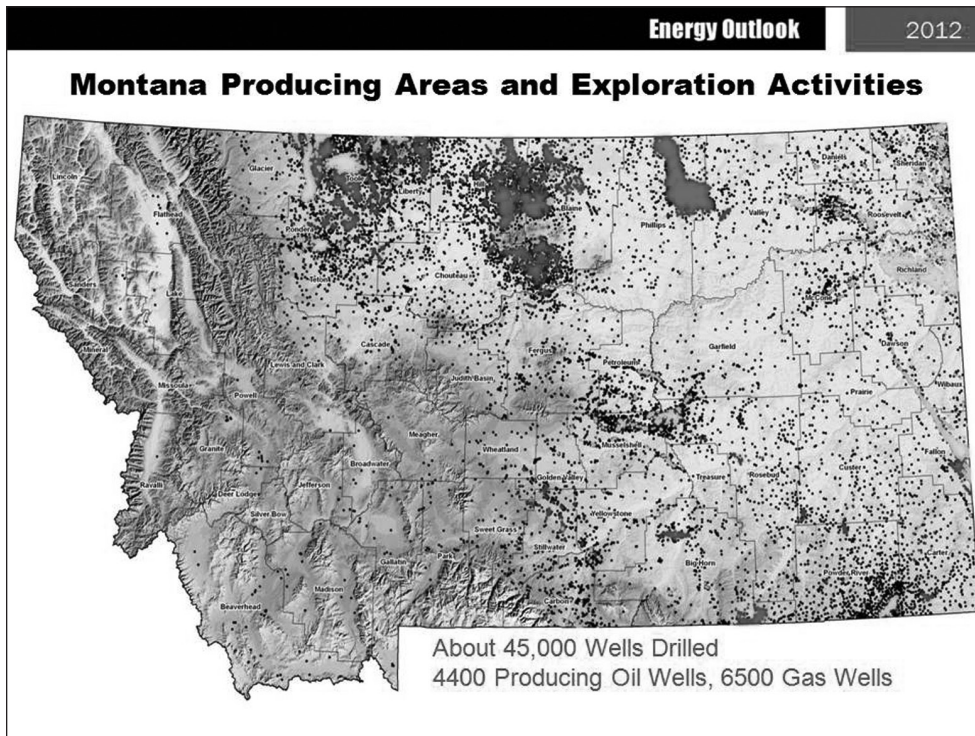
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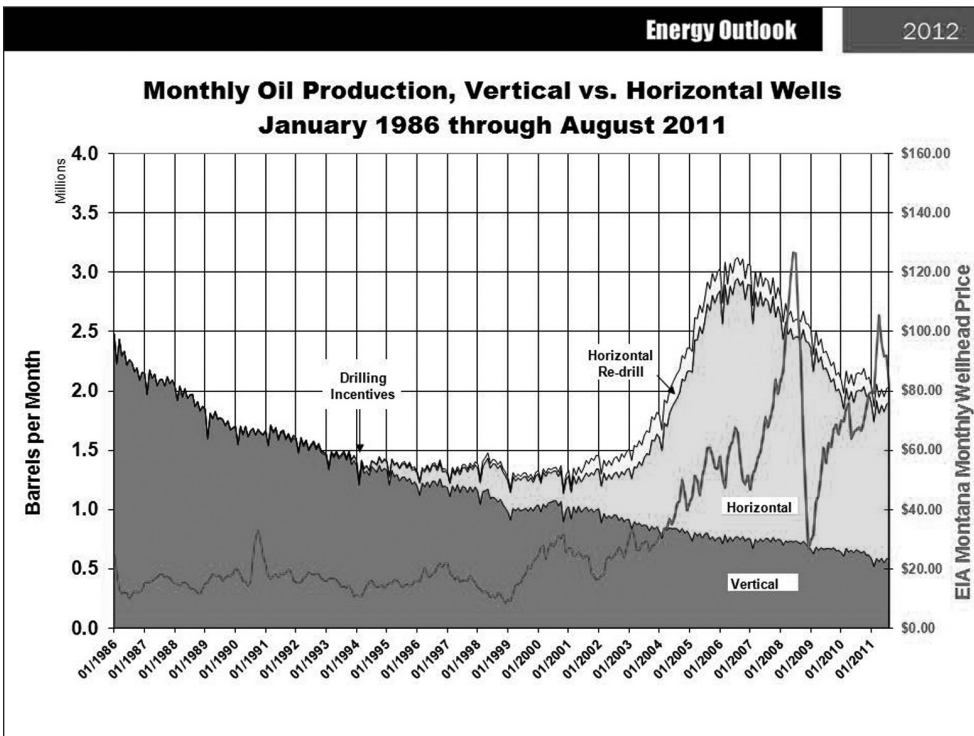
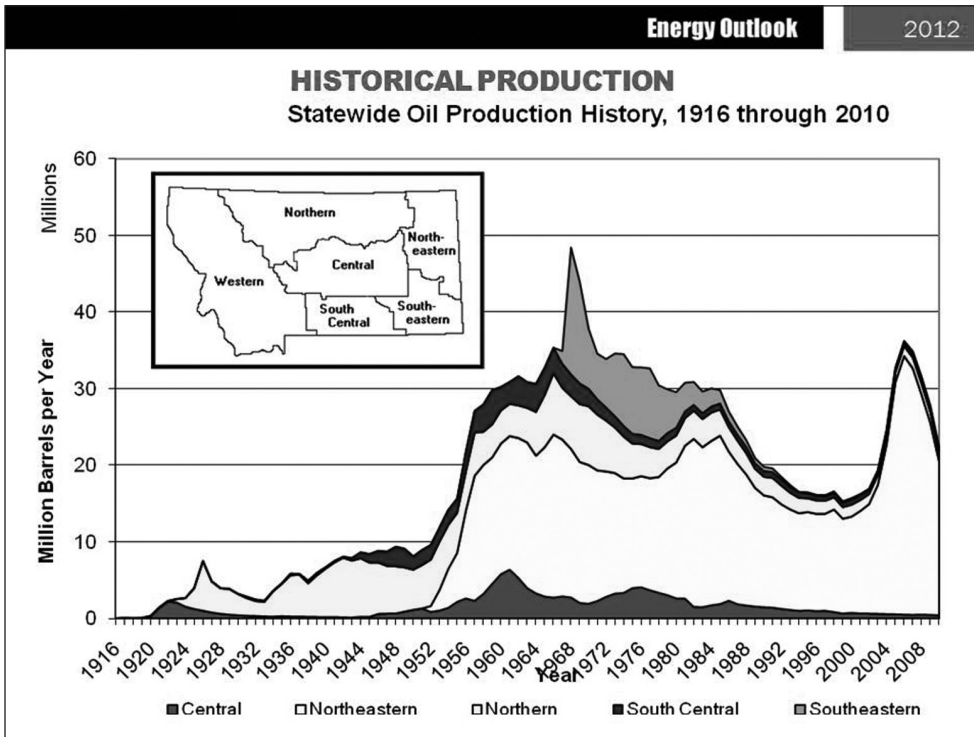
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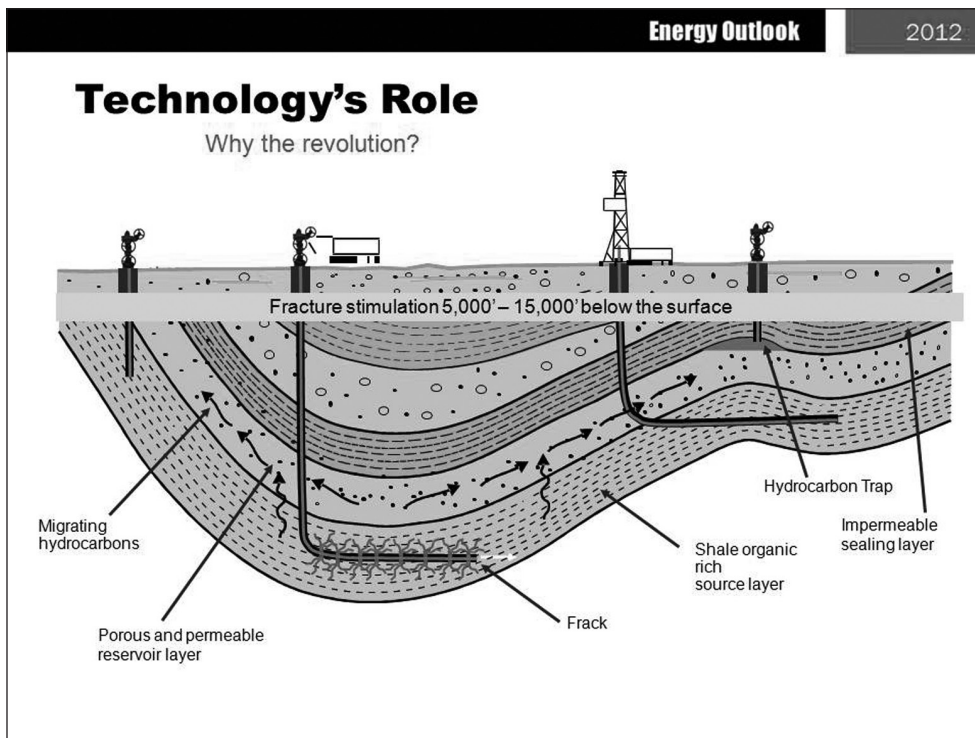
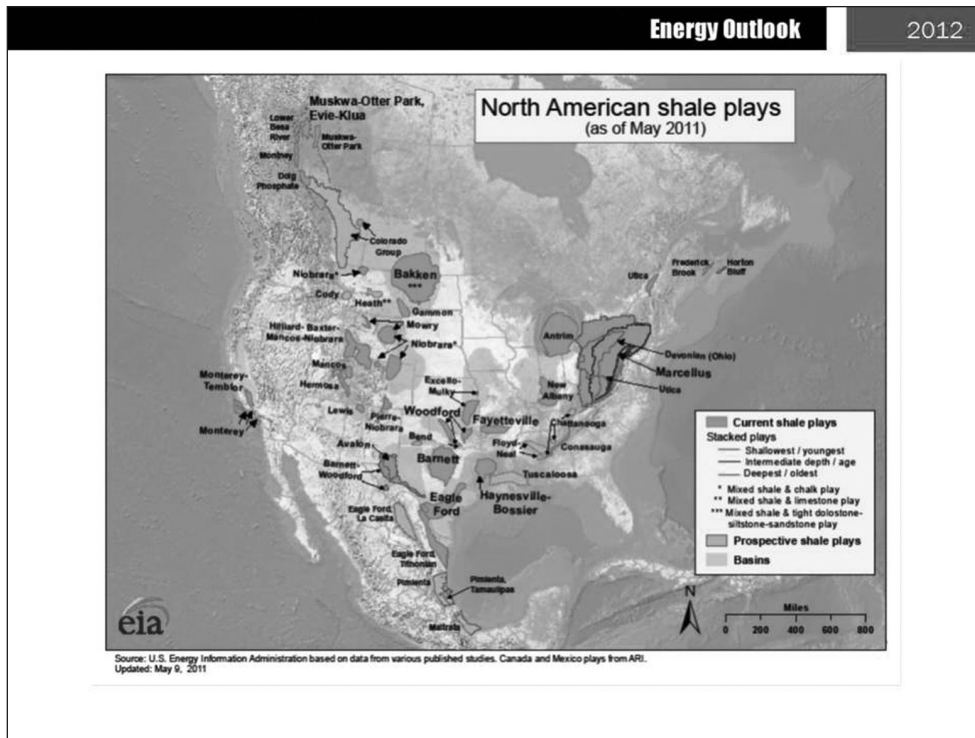
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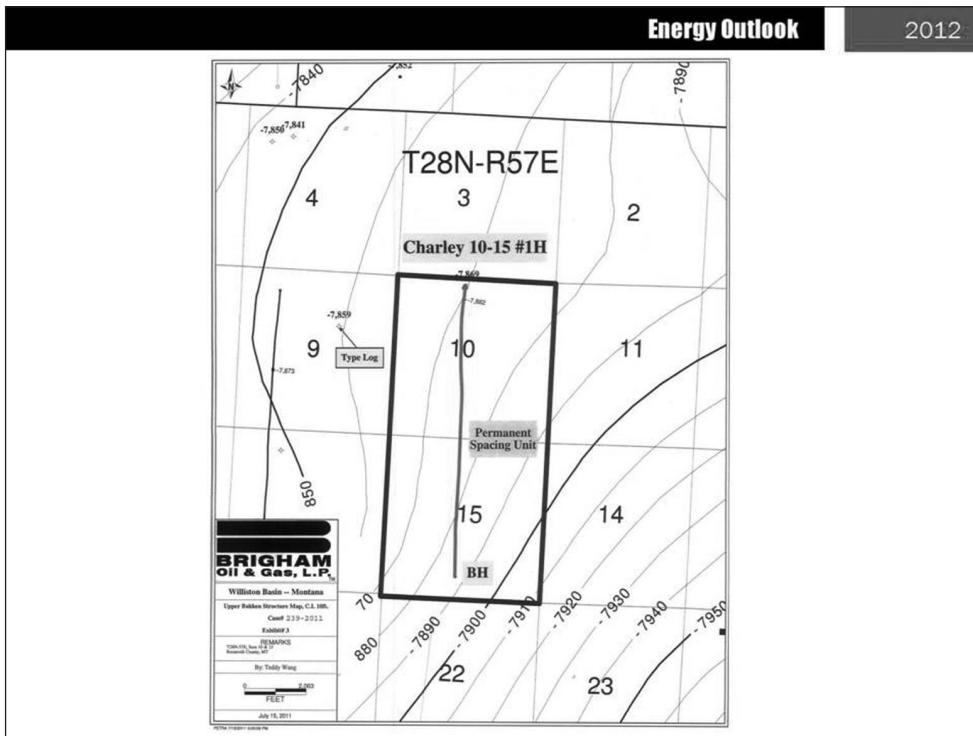
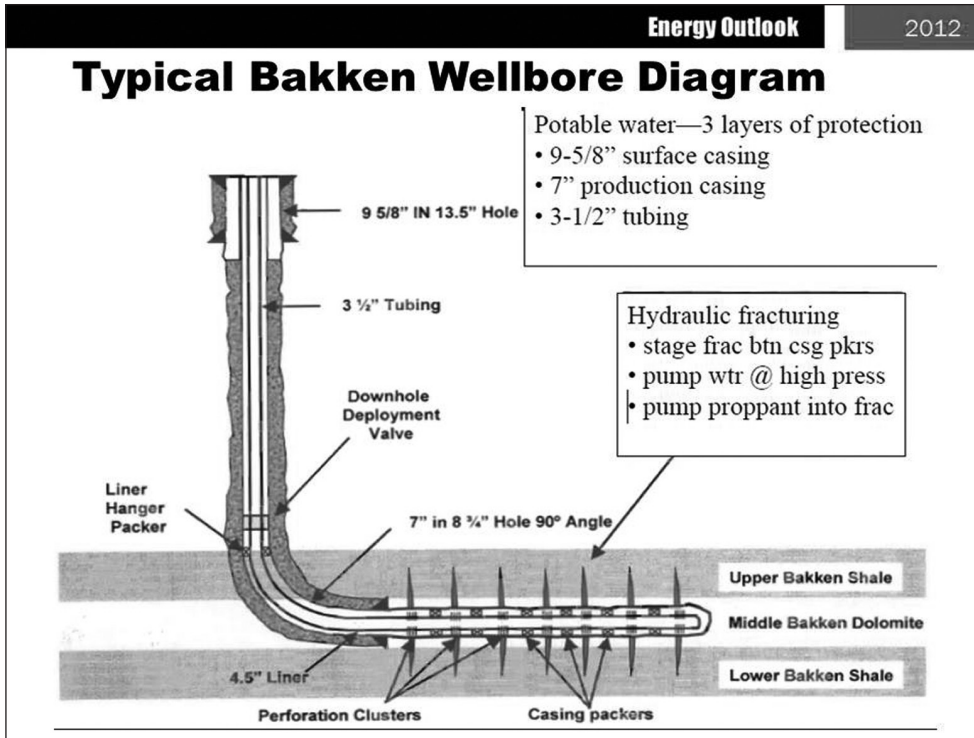
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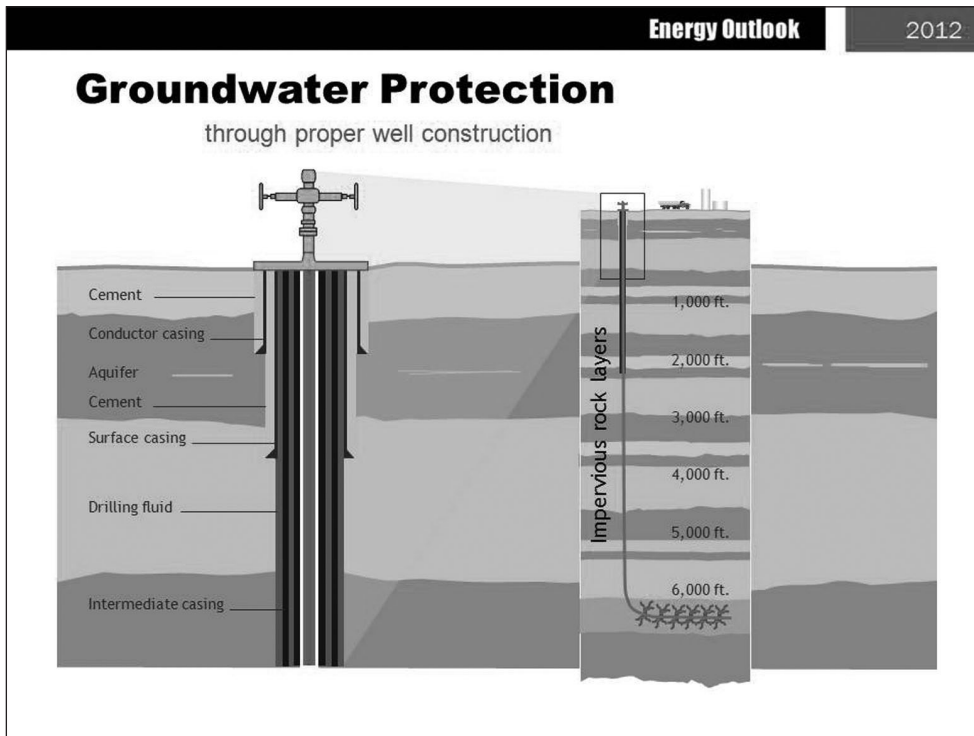
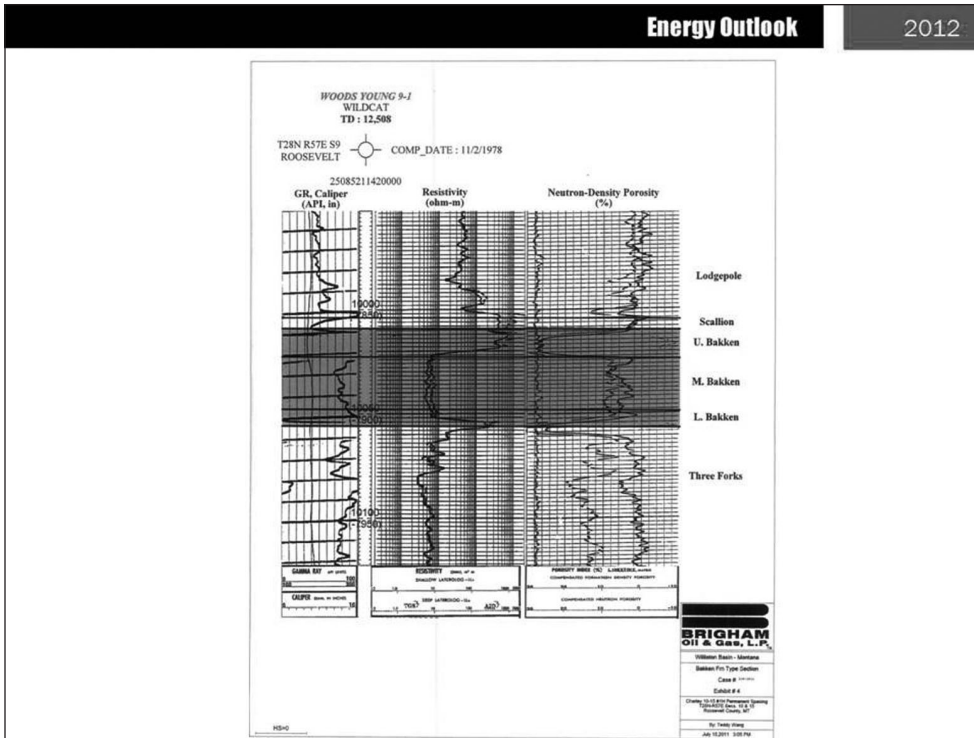
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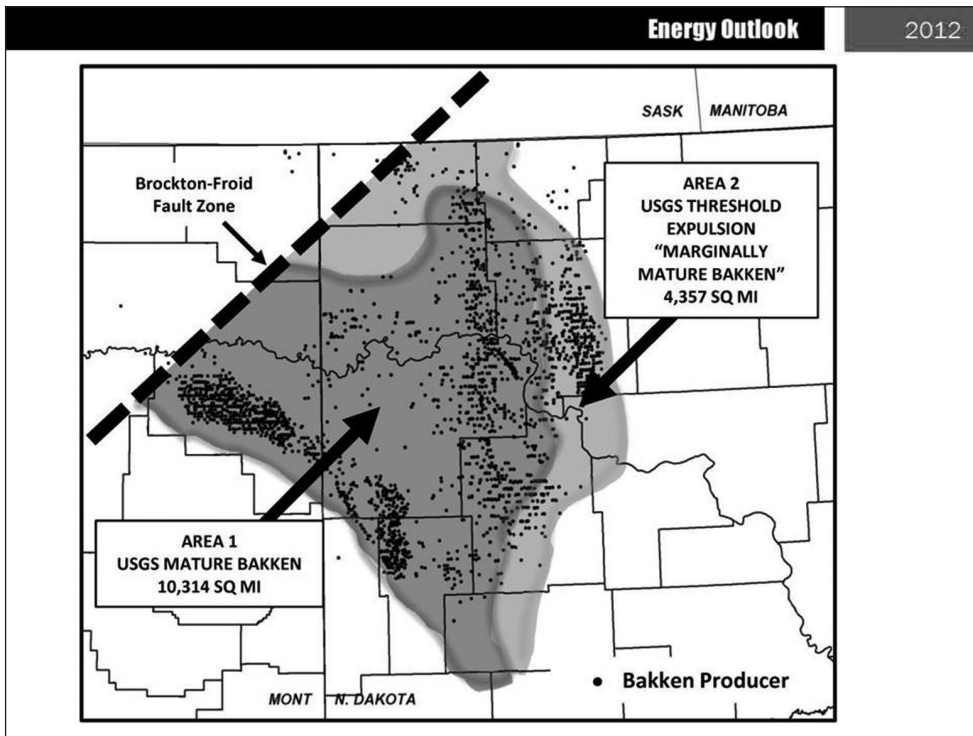
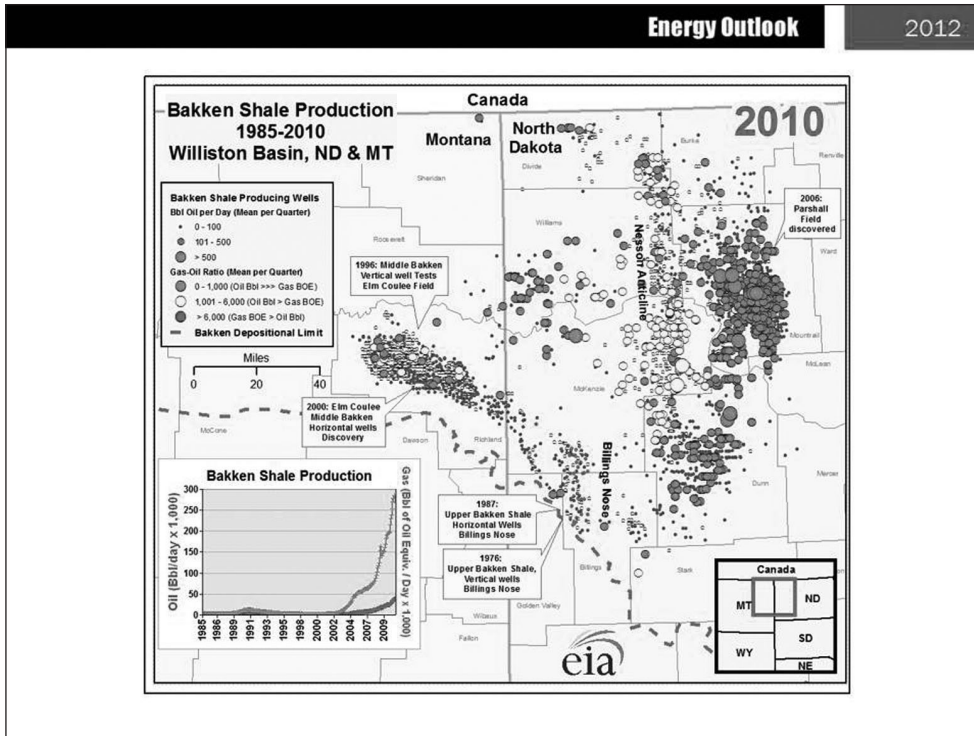


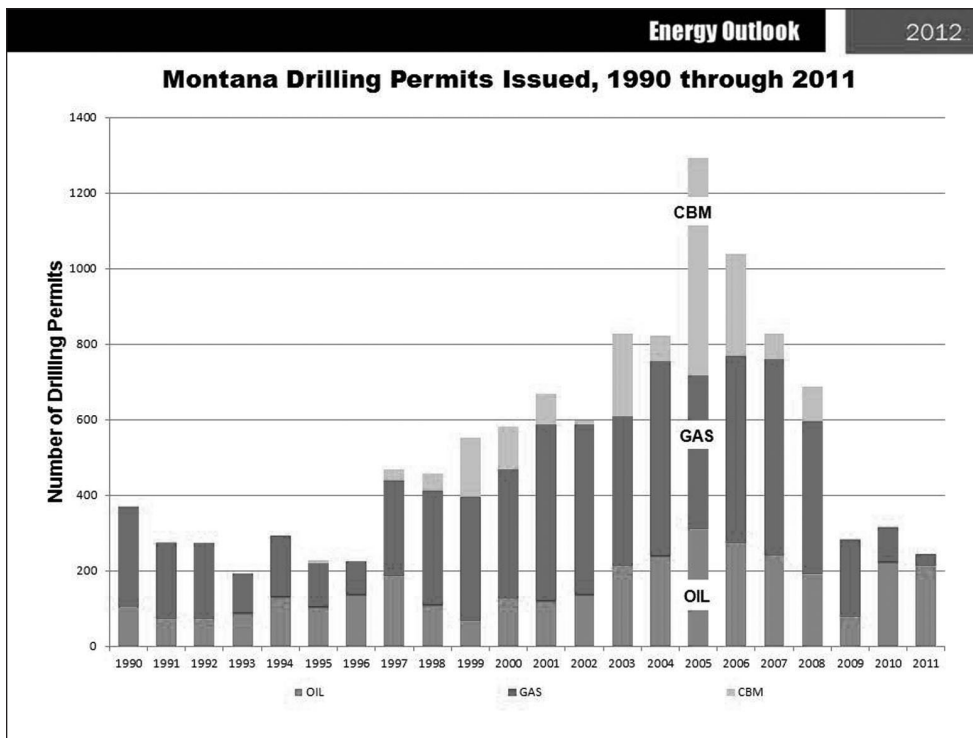
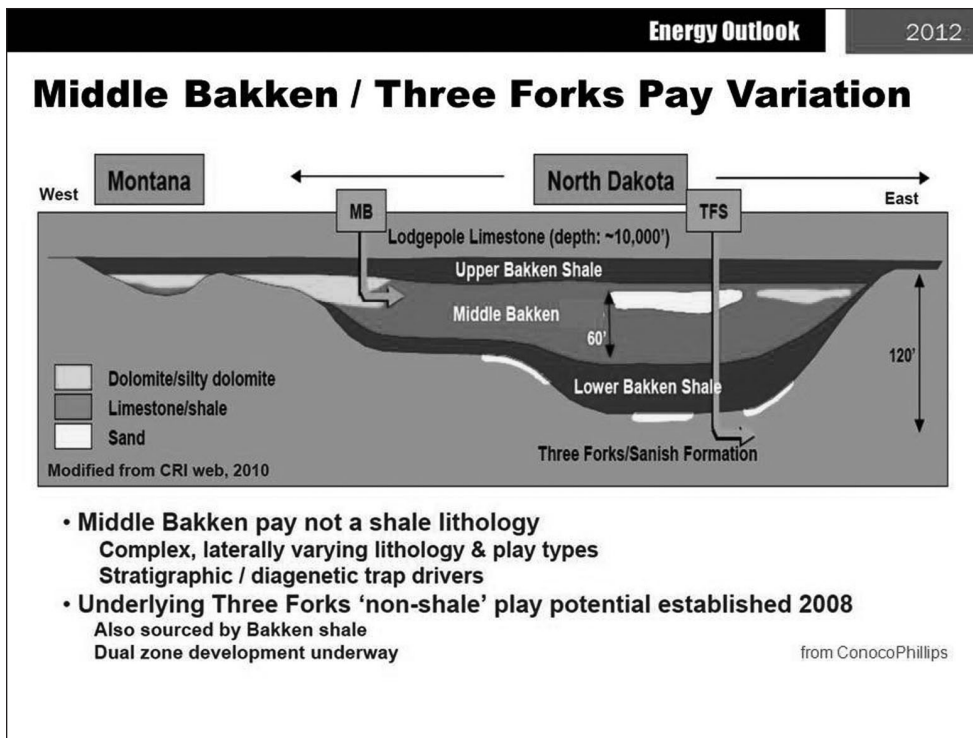


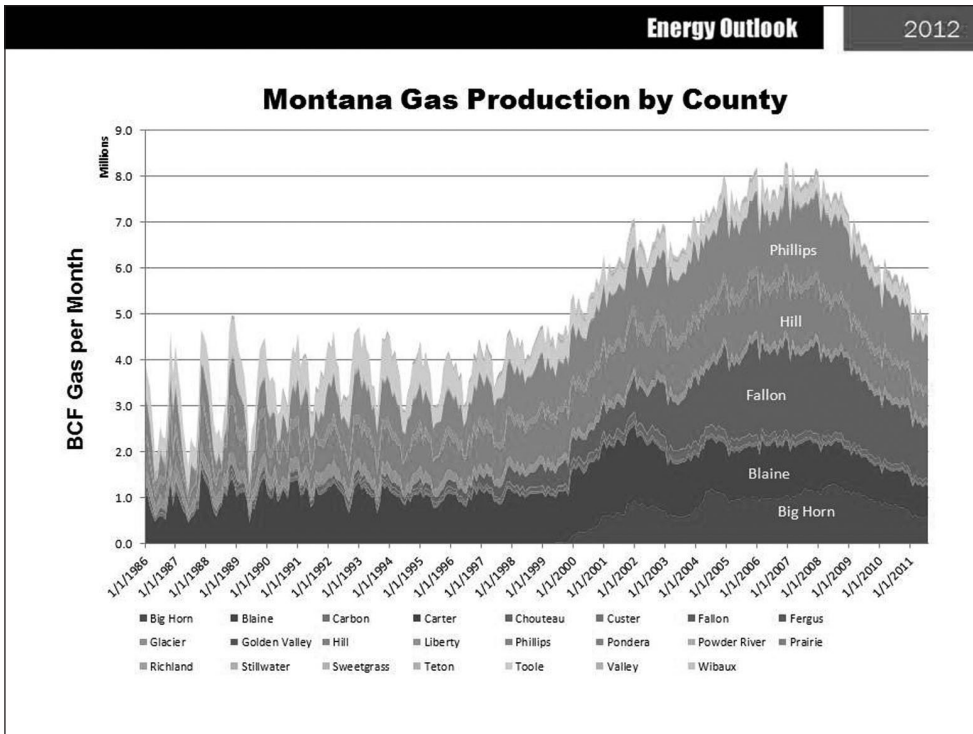
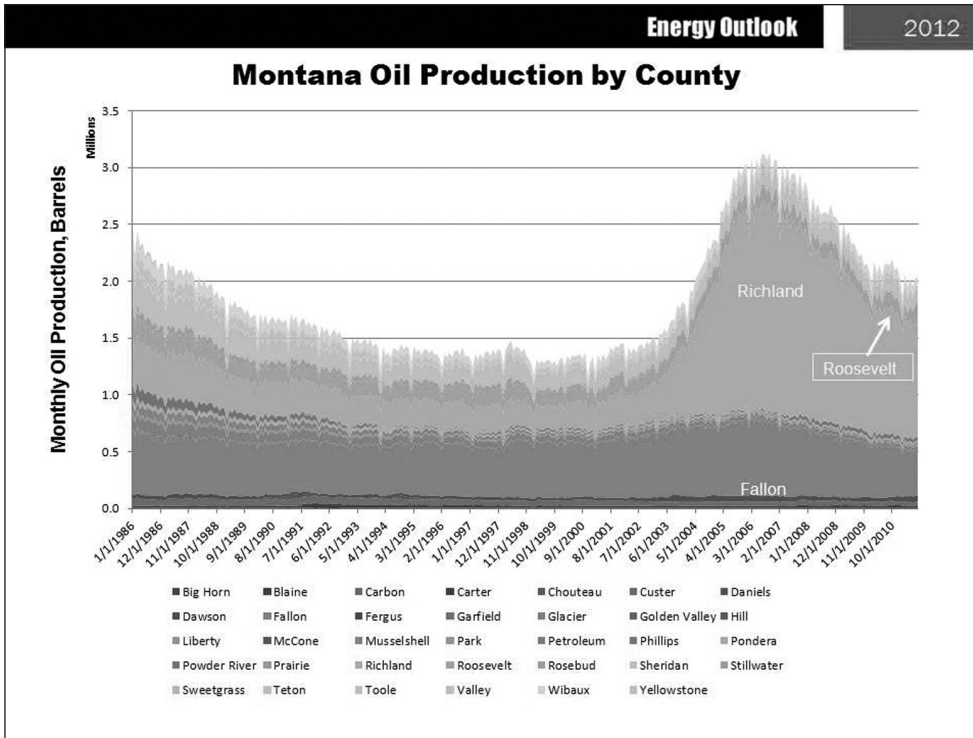


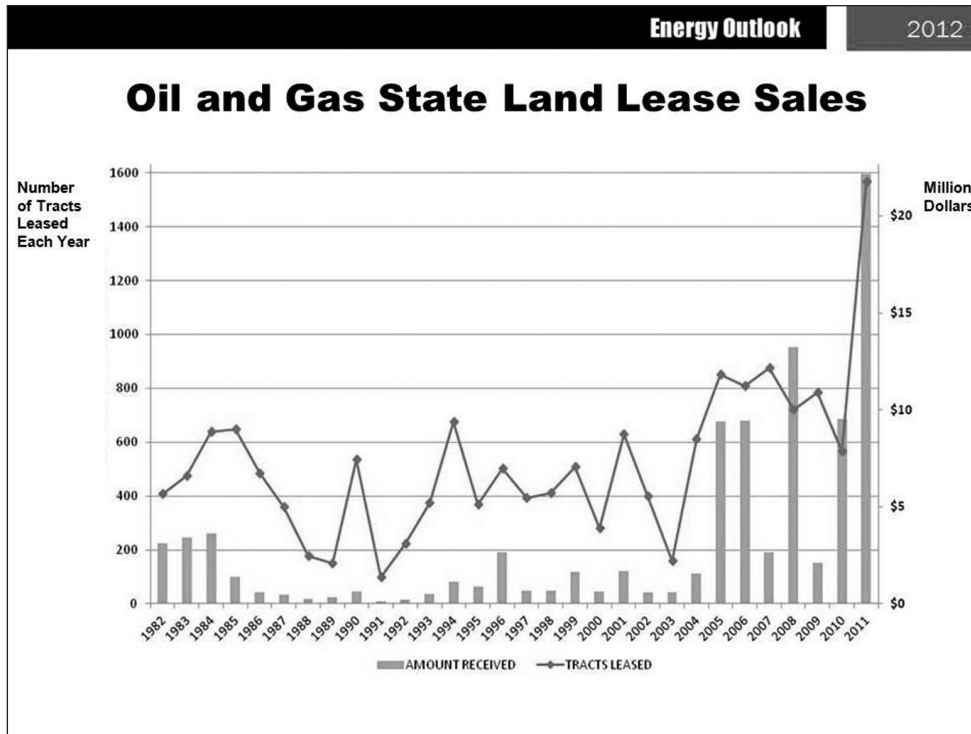
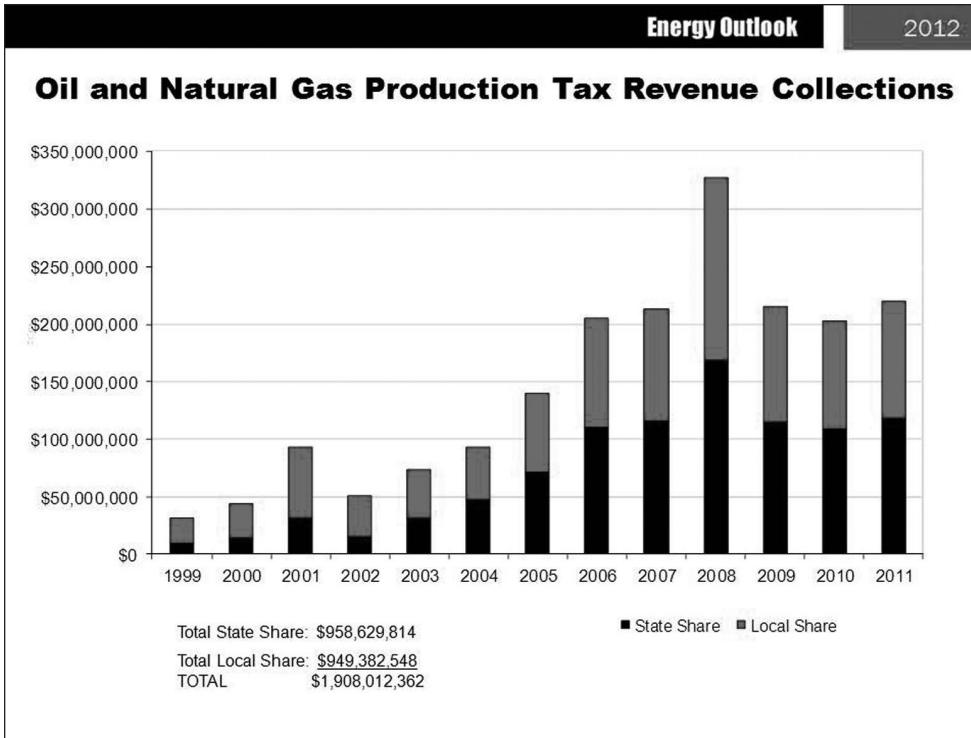












Energy Outlook | 2012

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)

Energy Outlook | 2012

BUSINESS TAX CLIMATE RANKINGS

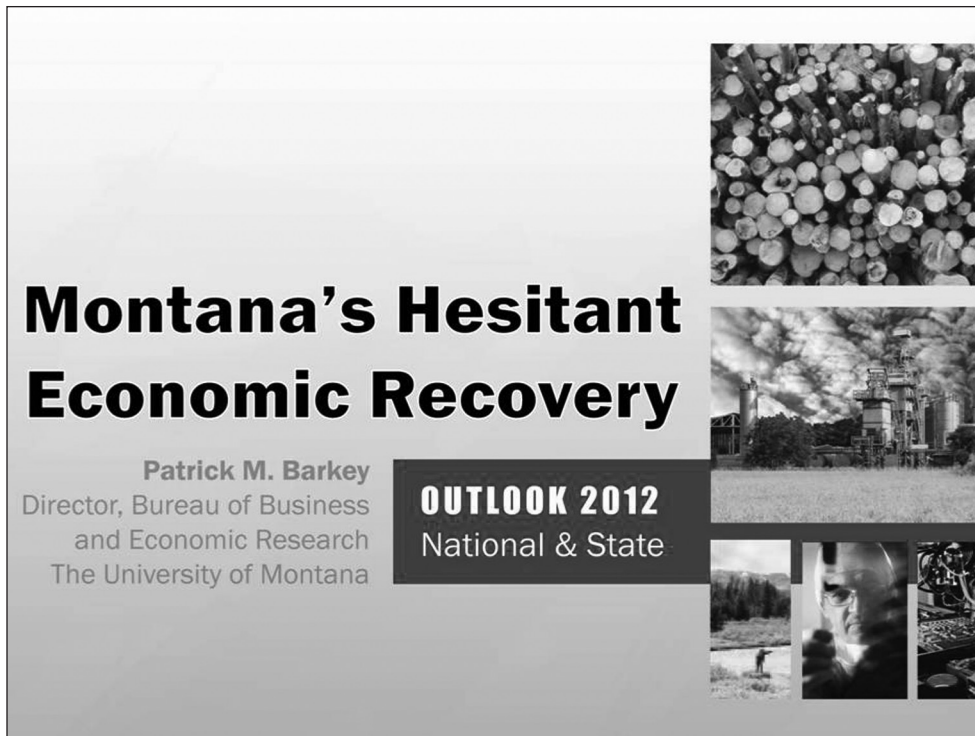
THE TAX FOUNDATION FISCAL YEAR 2011

MONTANA
6TH BEST

NORTH DAKOTA
20TH

| Energy Outlook | | 2012 | |
|--|---------------|----------------------|-----------|
| Montana Oil and Gas Taxes | | | |
| <p>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)</p> | | | |
| 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) | | | |

| Energy Outlook | | 2012 | |
|---|---|------|--|
| 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

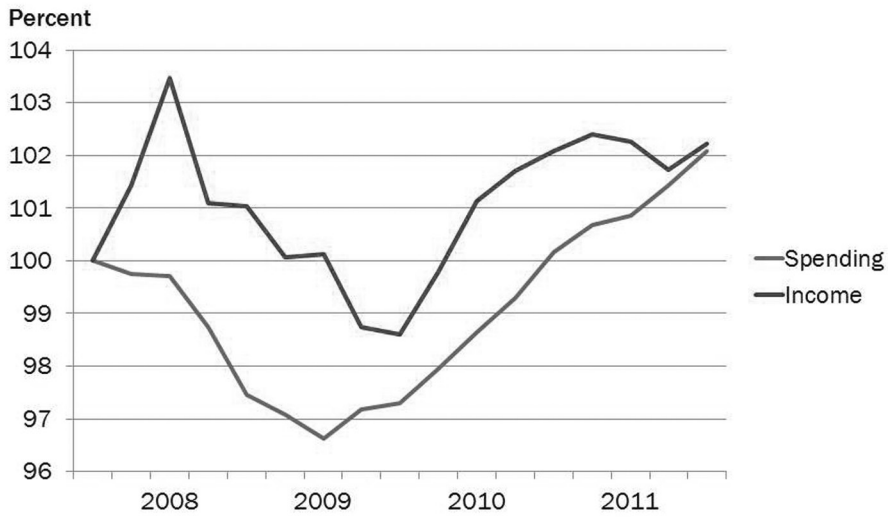
Patrick M. Barkey
Director, Bureau of Business
and Economic Research
The University of Montana

OUTLOOK 2012
National & State

A Great Recession, But Not a Great Recovery

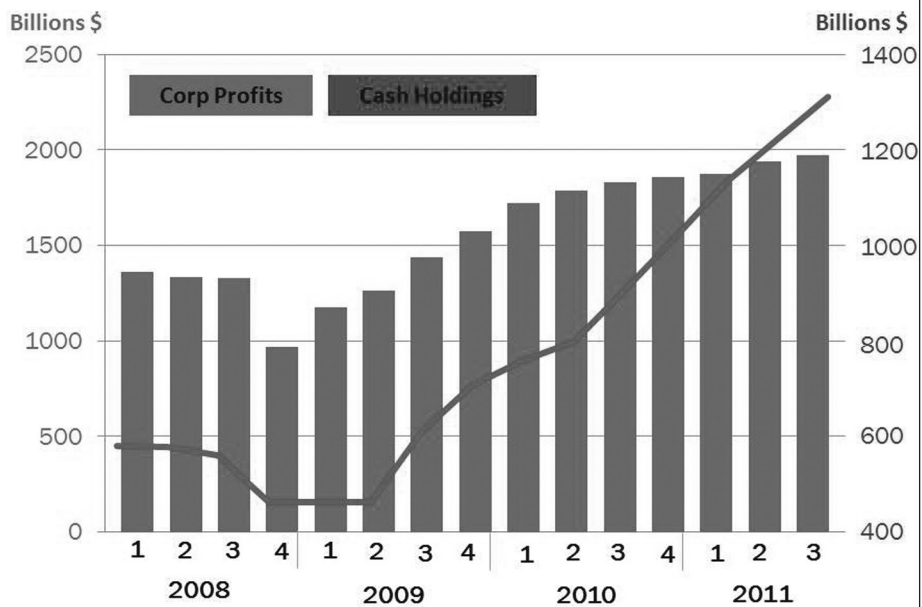
- Persistently weak consumer and business spending
- Slow recovery both here and abroad
- Special problems of housing and the Euro
- Problems of long-term unemployed, government debt, are festering as a result

Pace of Consumer Spending Likely to Slow

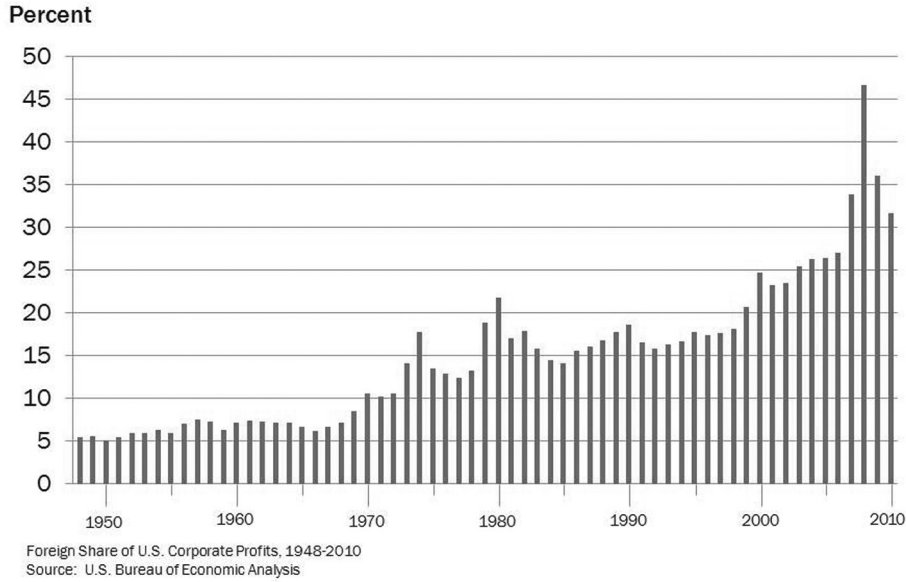


U.S. Pers. Consumption Expenditures and Disposable Pers. Income, 2005 \$, Index 2007Q4 = 100

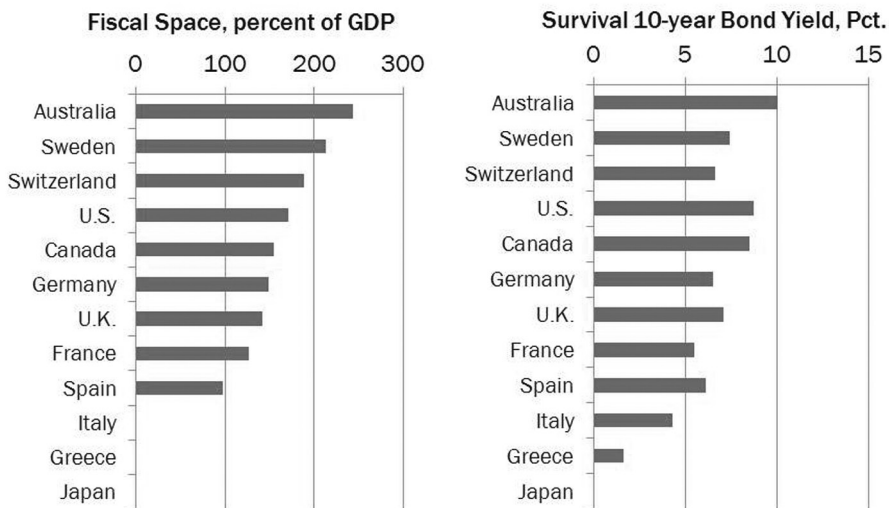
Companies Are Hoarding, Not Spending



**Source of Corporate Profits?
Look Abroad**



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

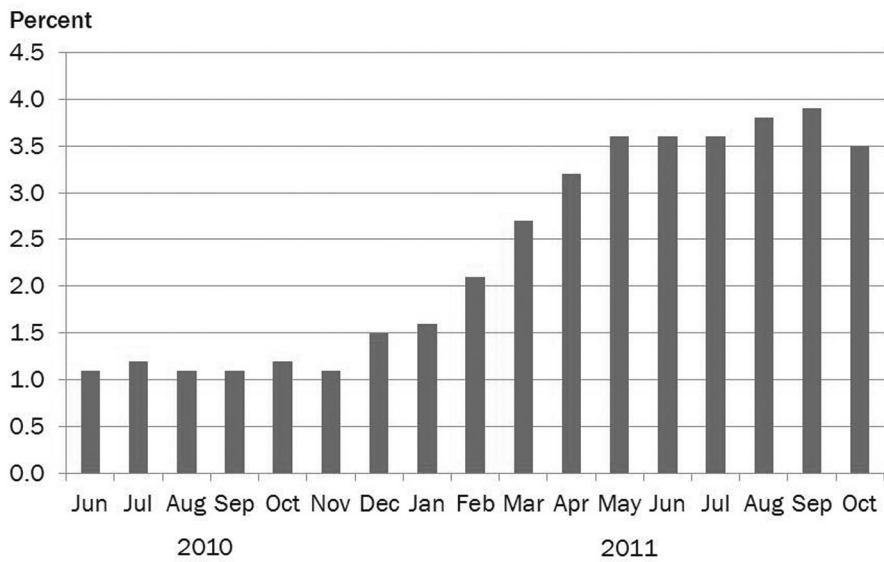


Source: Economy.com

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

- Reason #1: Inflation

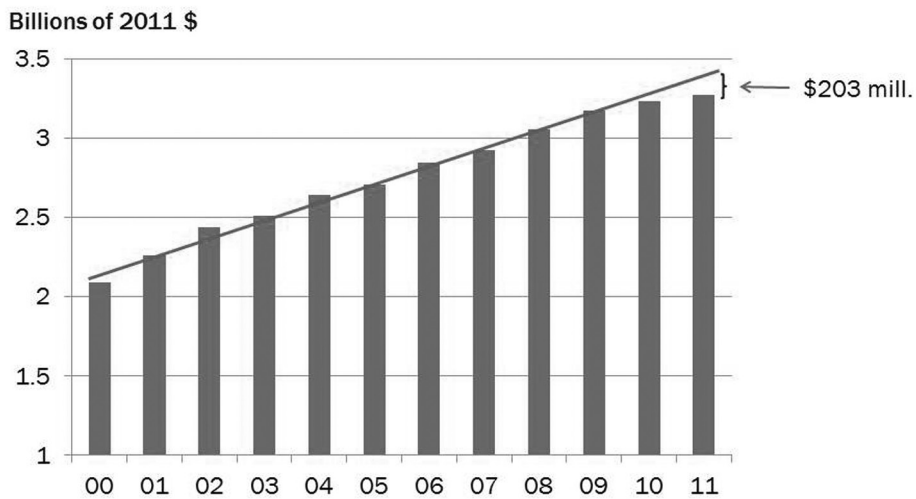
**Consumer Price Index
12-month percent change**



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

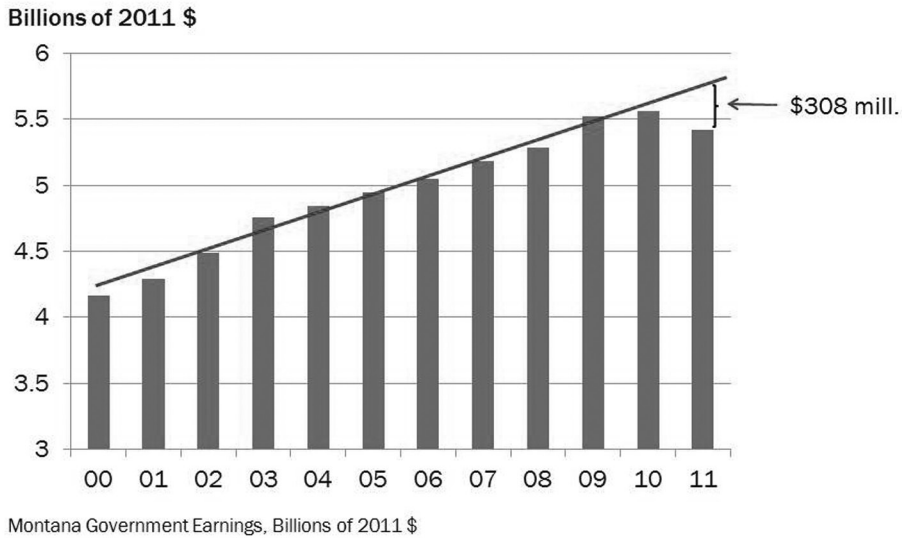
- Reason #1: Inflation
- Reason #2: Underperformance of key sectors

**Health Care
Earnings Growth Slows**



Montana Health Care Services Earnings

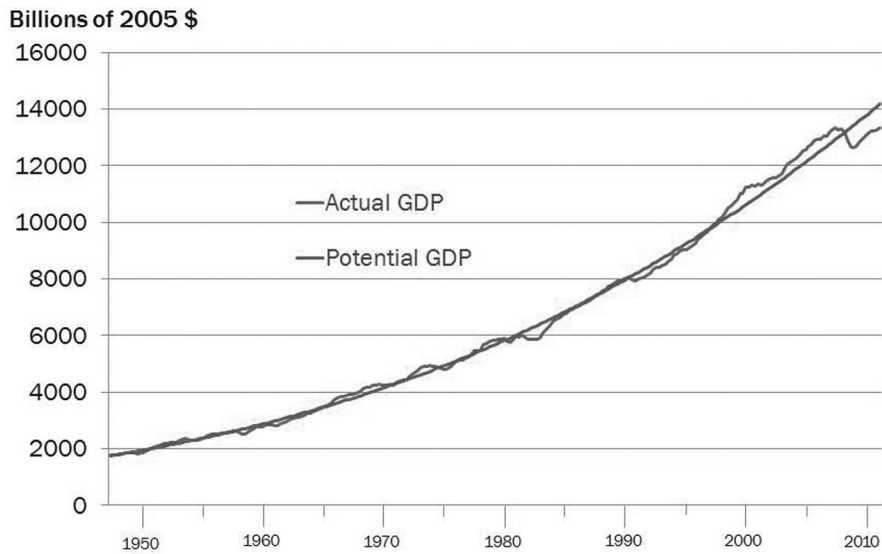
Government Earnings Go in Reverse



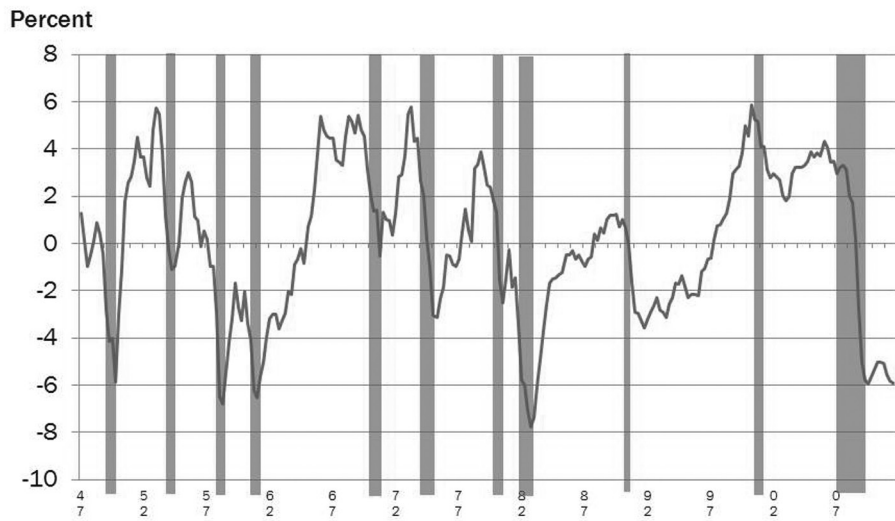
2011 Growth in Montana will be Lower Than 2010

- 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



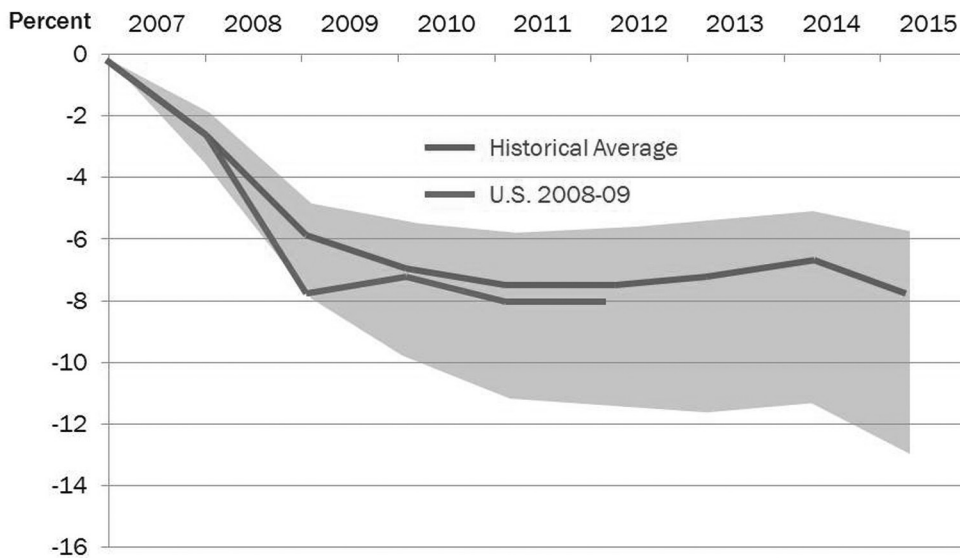
Deviation of U.S. Gross Domestic Product from Long Term Trend

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

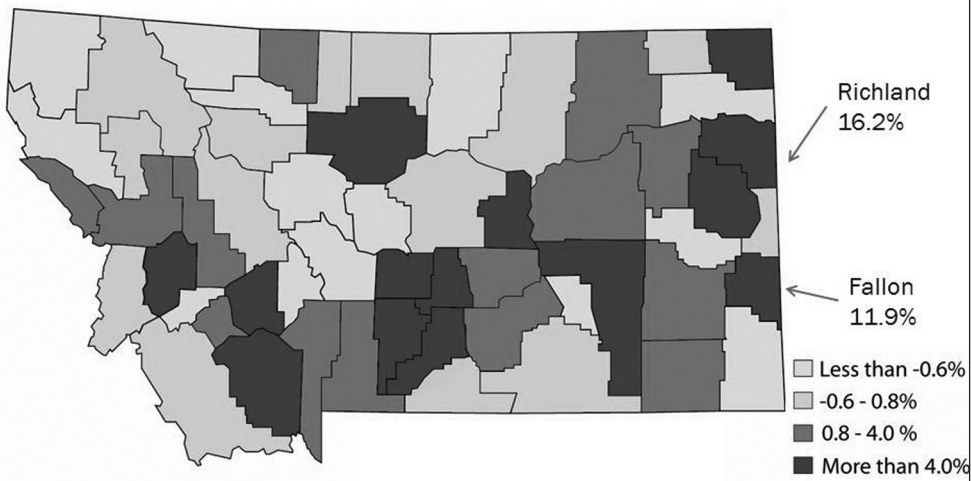
- Energy and natural resources are booming
- Healthy increases in farm gross receipts
- Labor market is healing
- Consumer confidence is higher
- Housing bust hangover still lingers
- Retail remains weak
- Government cutbacks being felt
- Wood products cutbacks still reverberate

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



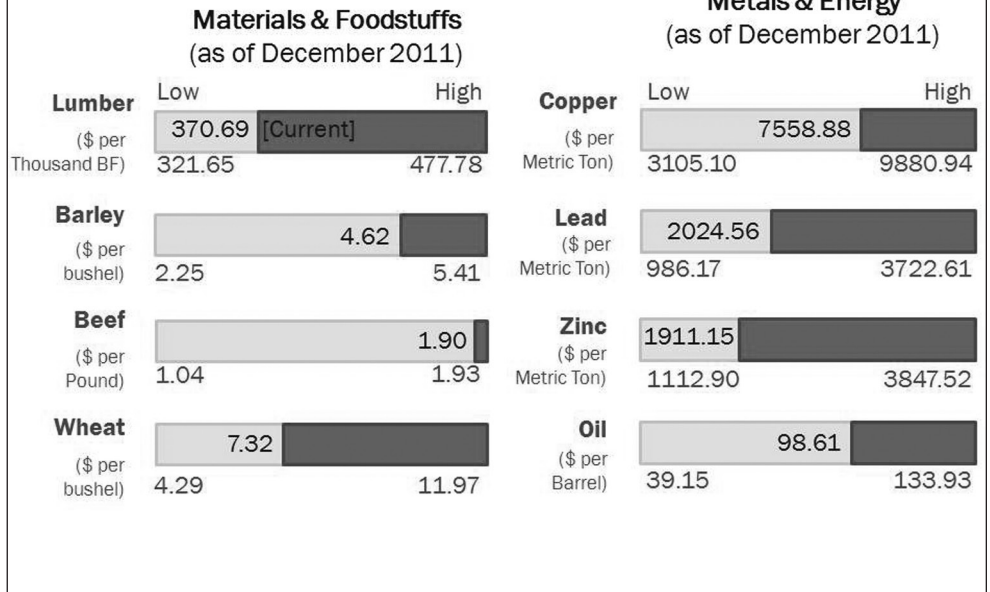
Continuing Claims for Unemployment Insurance, Montana
Source: U.S. Department of Labor

**Fastest Growth
is in the East**



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

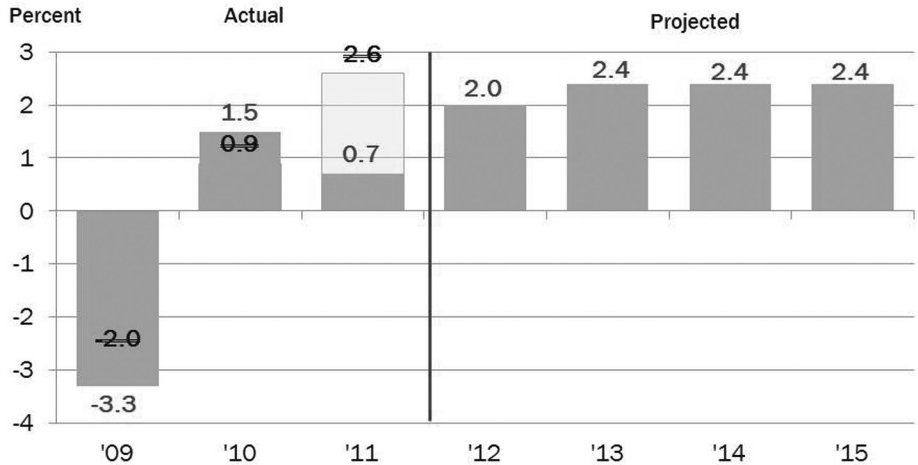
**Commodity Prices:
Favorable to Montana?**



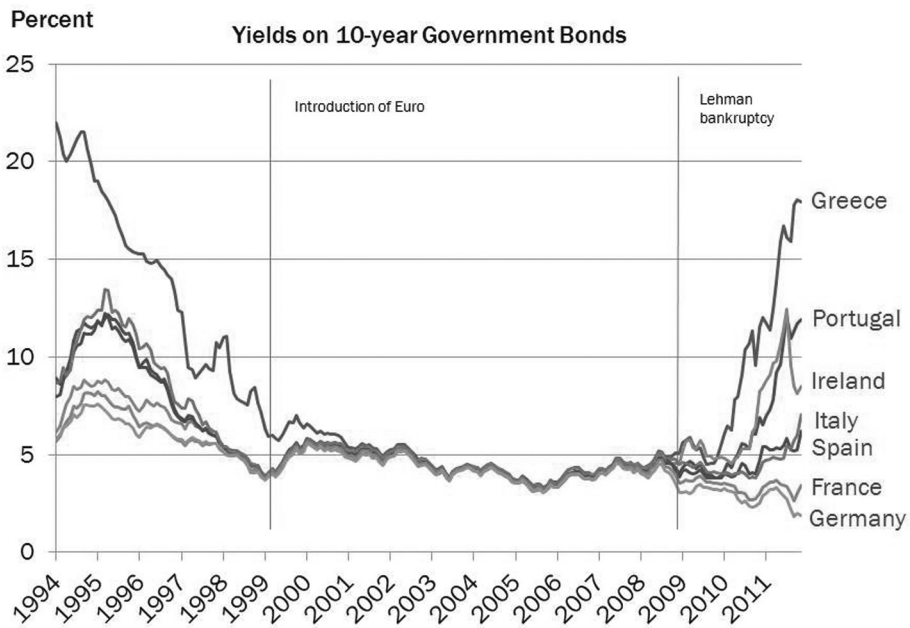
**Labor Income and
Basic Industries, Montana**



Change in Nonfarm Earnings, Montana, 2009-2015



The EU Currency Experiment is Unraveling

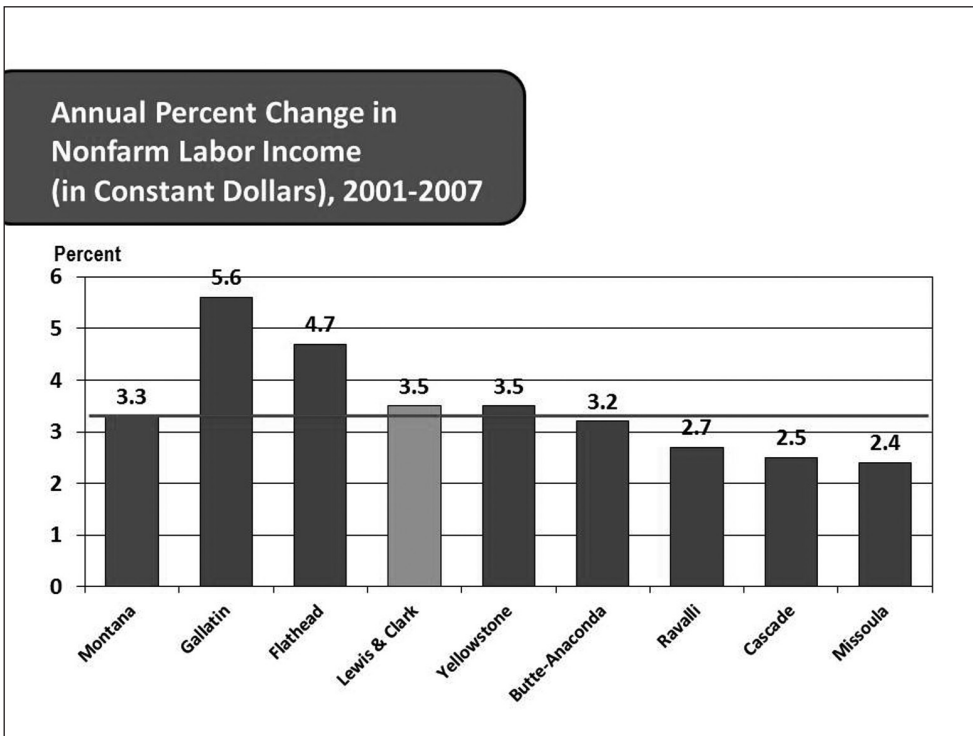
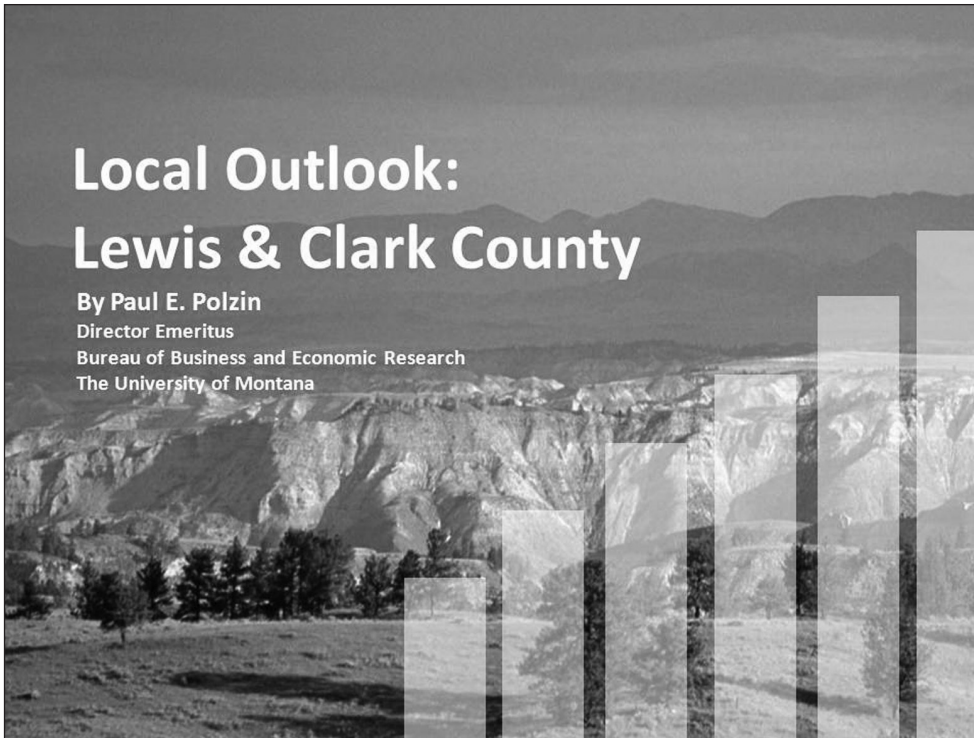


**Top 10 Countries
Buying Montana Products**

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 |

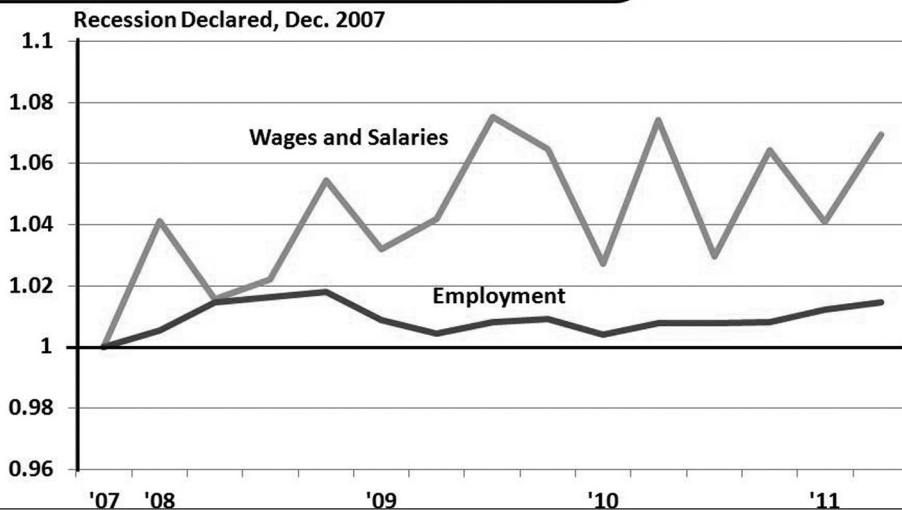
*These figures do not include bulk wheat exports



Recession Scorecard

| | Duration (Years) | Severity (% Change) |
|----------------------|------------------------|---------------------|
| Lewis & Clark County | What Recession? | |
| 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% |

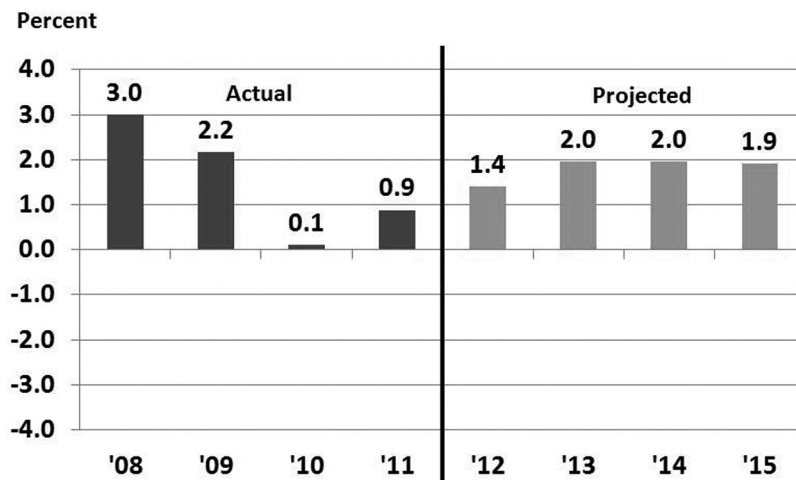
Non-Farm Employment and Inflation Adjusted Wages and Salaries, Seasonally Adjusted, Lewis & Clark County



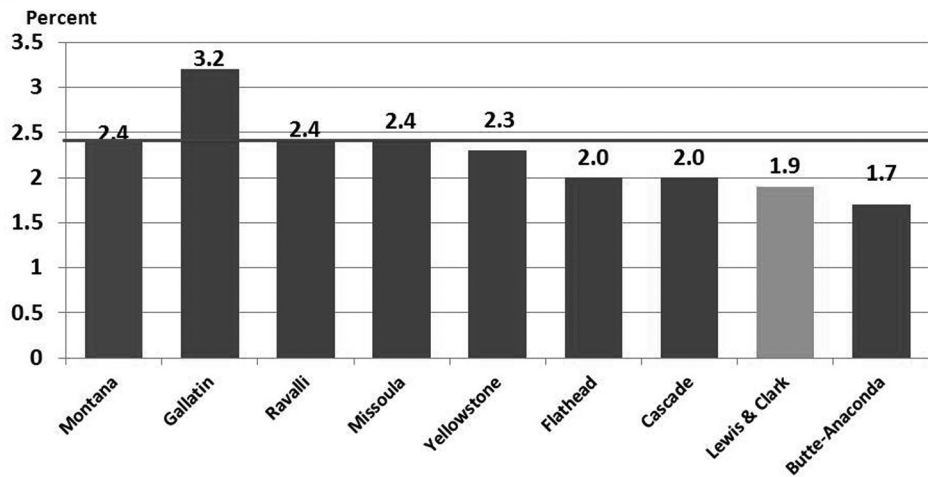
Lewis & Clark County's Economic Base 2009-2011

| | | |
|----------------------|-----|------------------------|
| • Other | 9% | |
| • Manufacturing | 5% | Stable |
| • Trade Center | 16% | Slower Growth |
| • Federal Government | 24% | Stable at Best |
| • State Government | 45% | Pay Freeze, No Layoffs |
| | | |
| Construction | | Not Before 2013 |

Actual and Projected Change in Nonfarm Earnings, Lewis & Clark County, 2008-2015



**Projected Annual Percent Change
in Nonfarm Labor Income
(in Constant Dollars) 2011-2015**

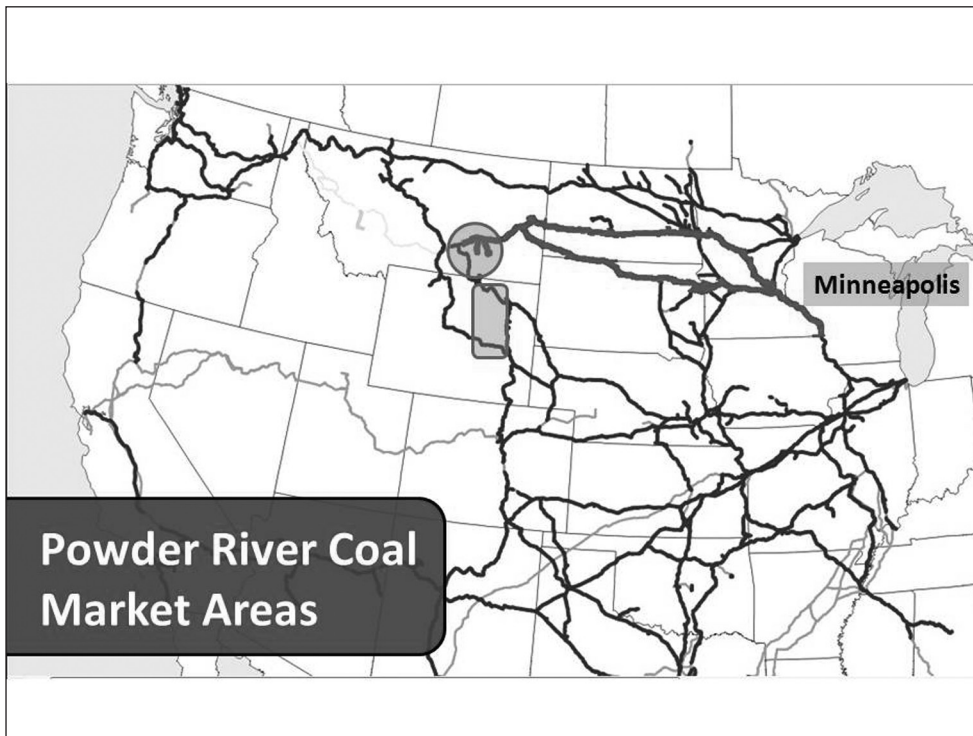
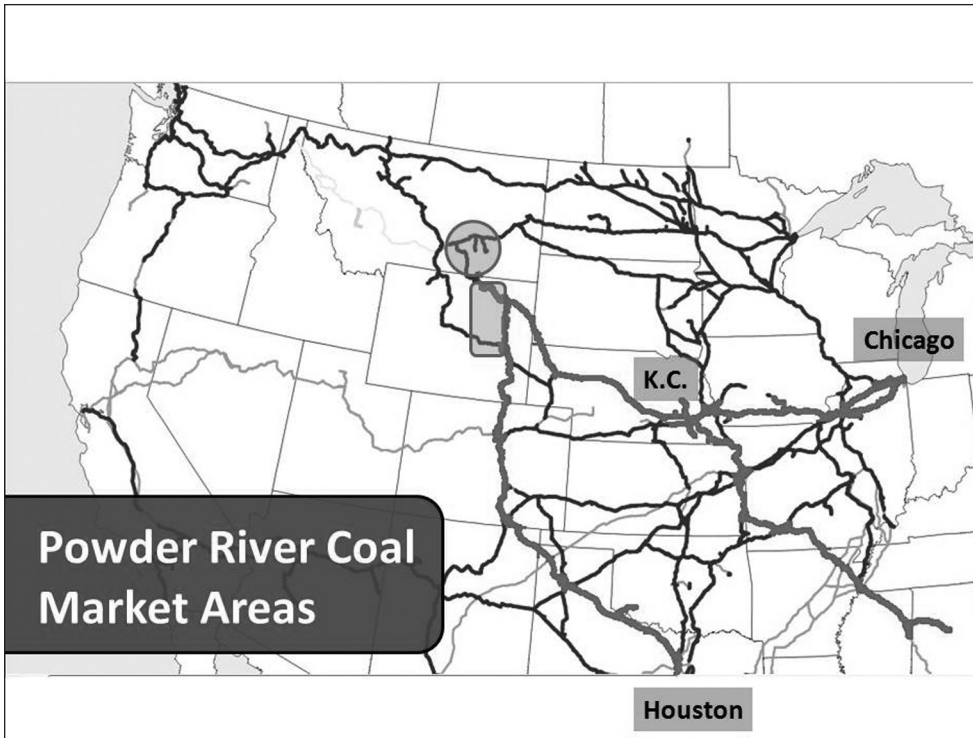


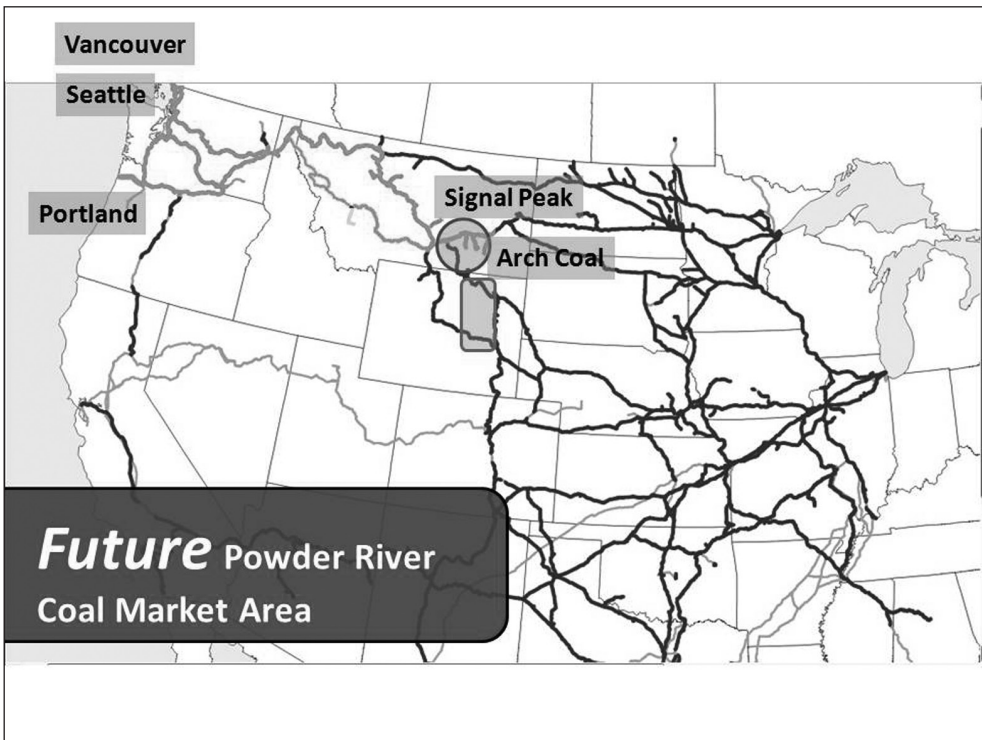
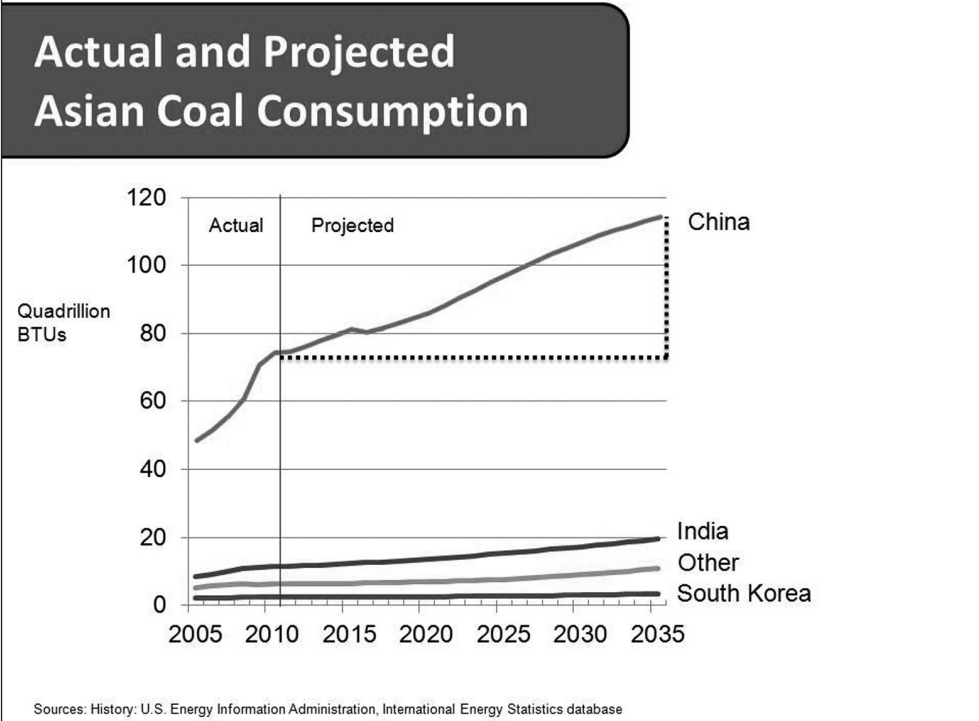
Montana's Energy Transportation Systems

Coal Reserves and Production

| | Reserves (Billions of Tons) | |
|----------------|--------------------------------|--|
| Montana | 119.0 | |
| Wyoming | 61.0 | |



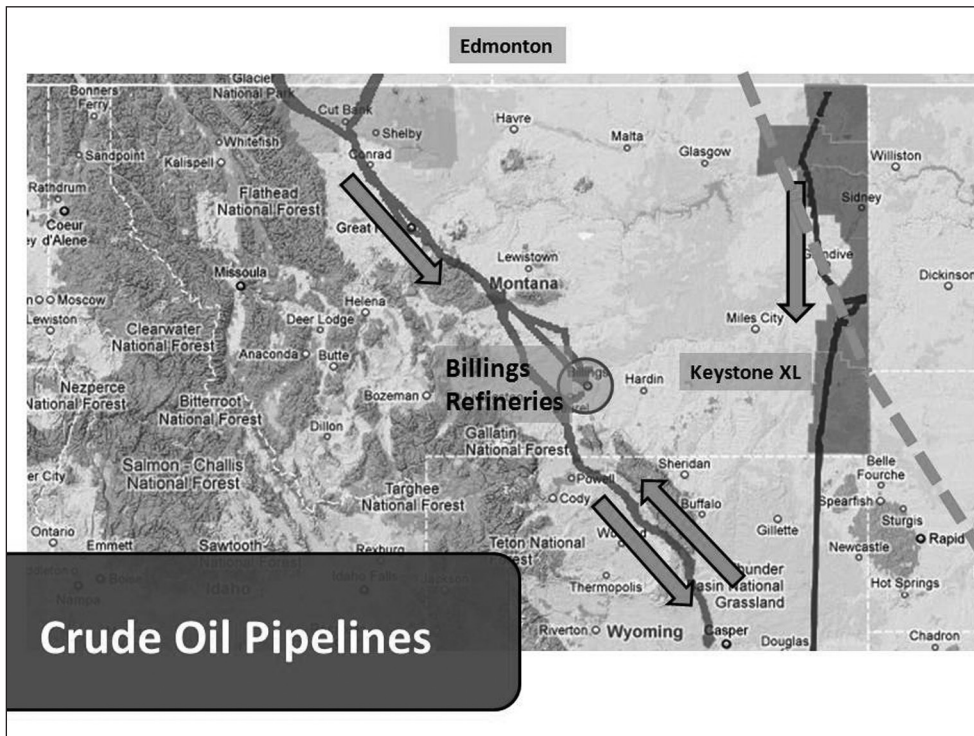


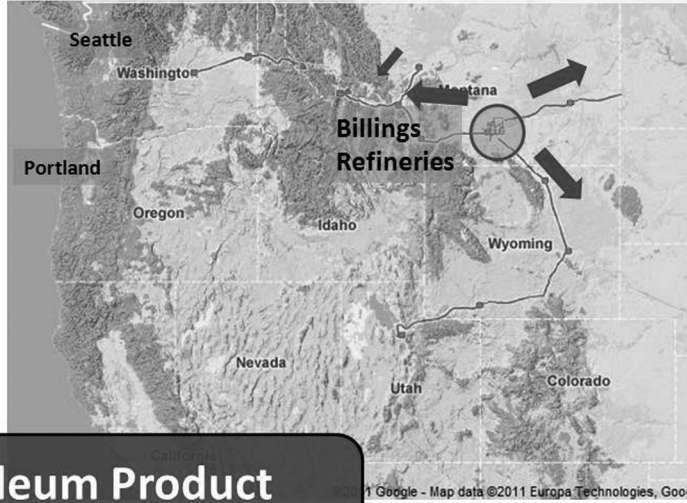


Montana Crude Oil, 2010

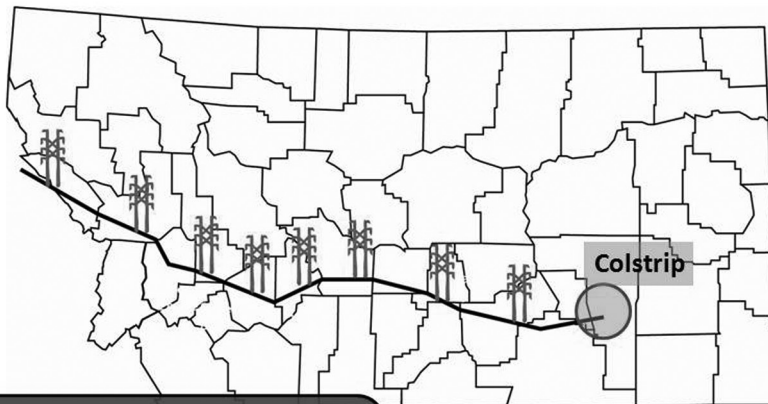
| | Barrels |
|----------------------|-------------------|
| Production | 25,317,532 |
| Refined in MT | 1,574,362 |
| Percent | 6.21 |

Source: Montana Oil and Gas Conservation Division.





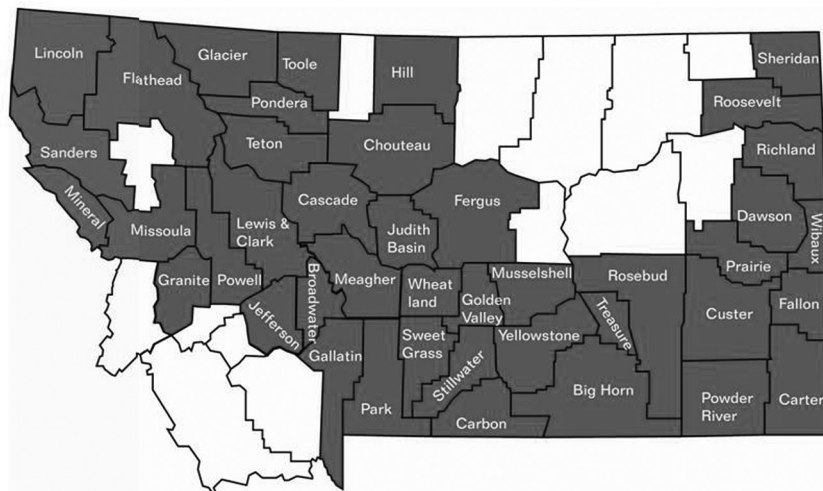
Petroleum Product Pipeline



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 |
| TOTAL | \$8,417,000 |



**Montana's Energy
Transportation Systems**

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

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

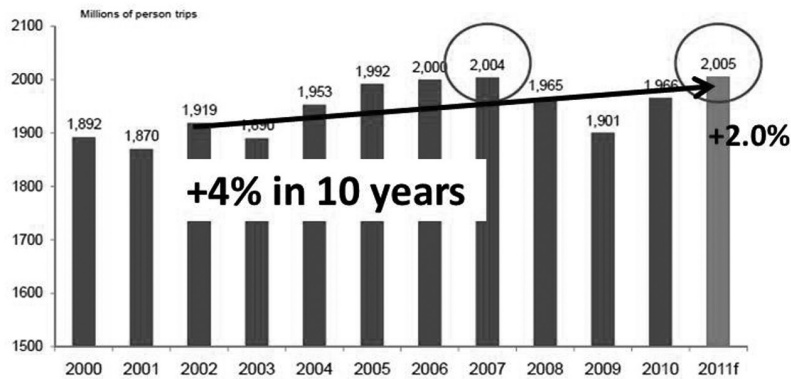


2012 Annual Outlook Seminar



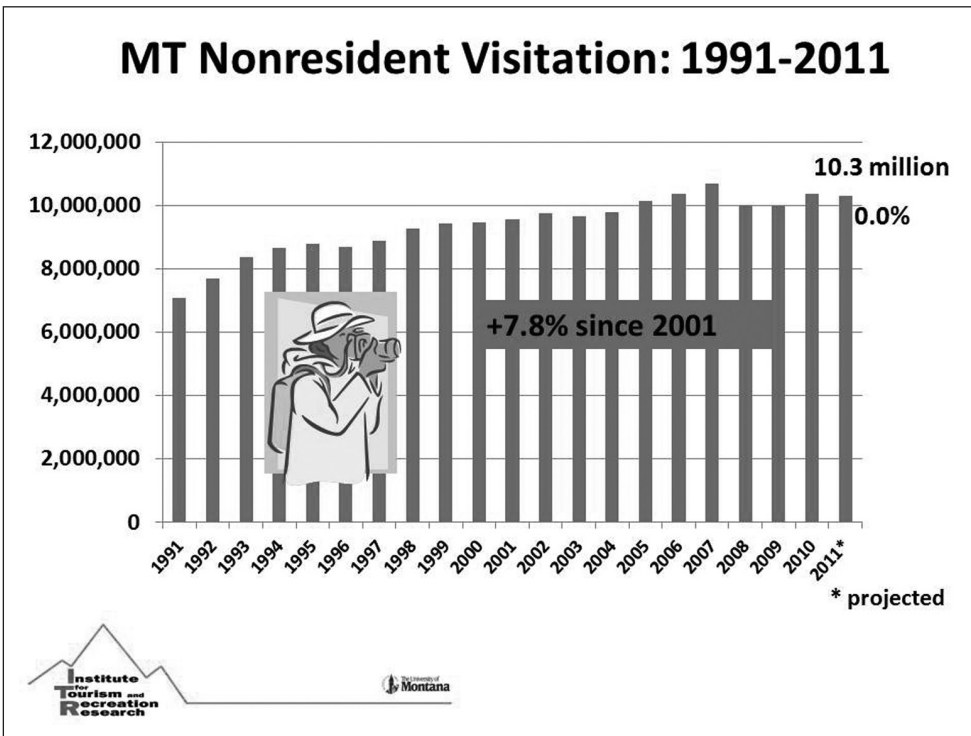
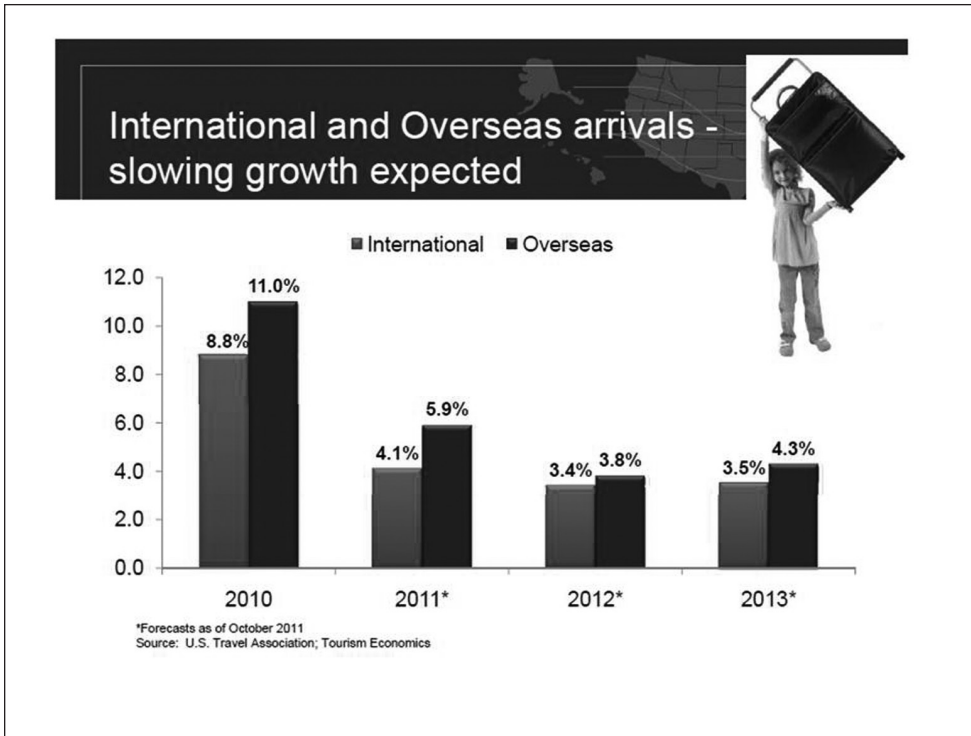
Photo: Norma Nickerson

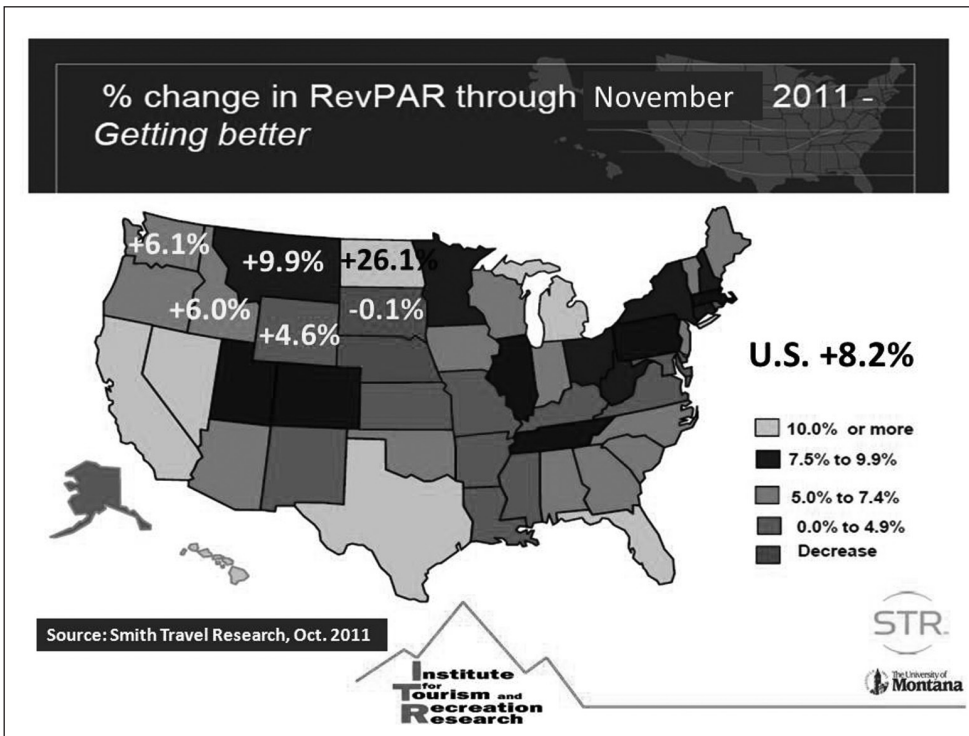
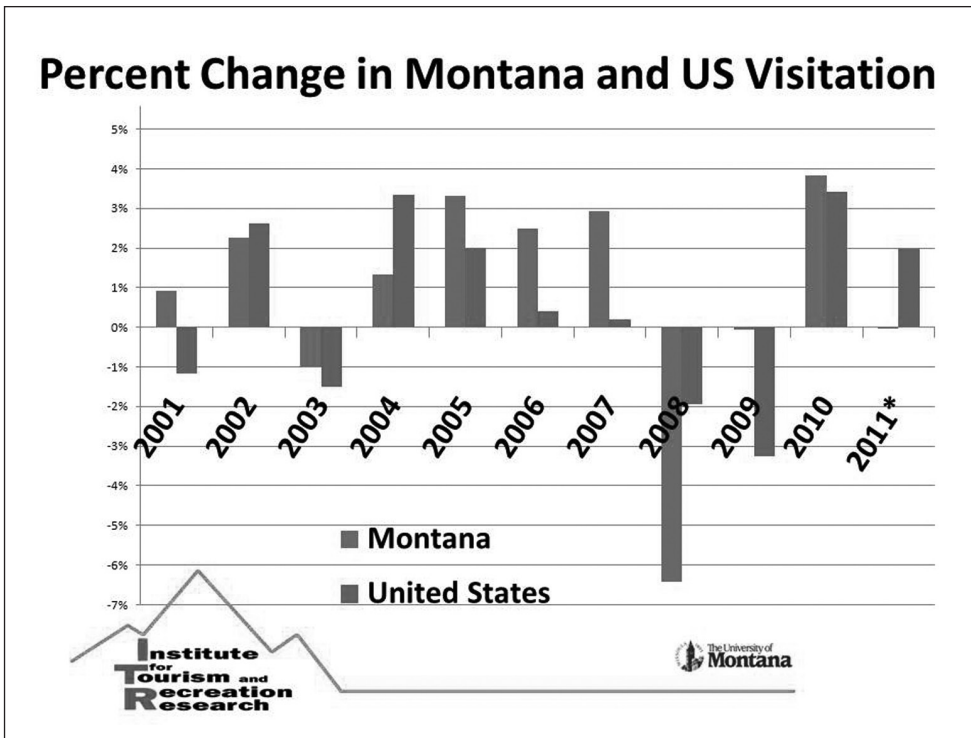
Total Domestic Visitors in the United States *Expected to exceed record slightly in 2011*

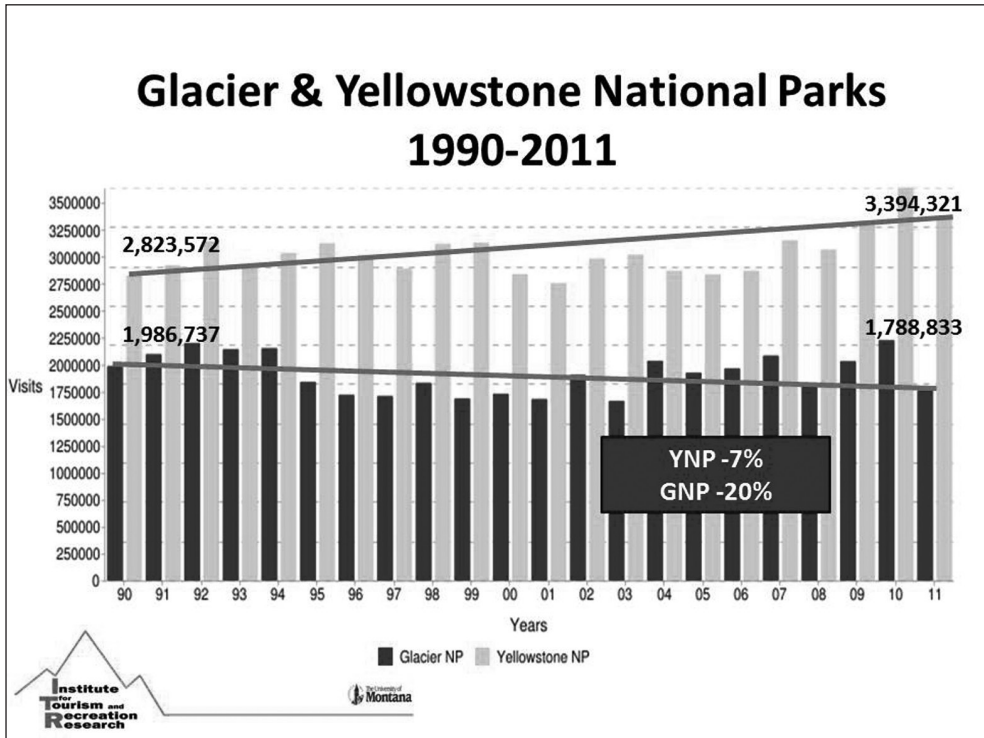
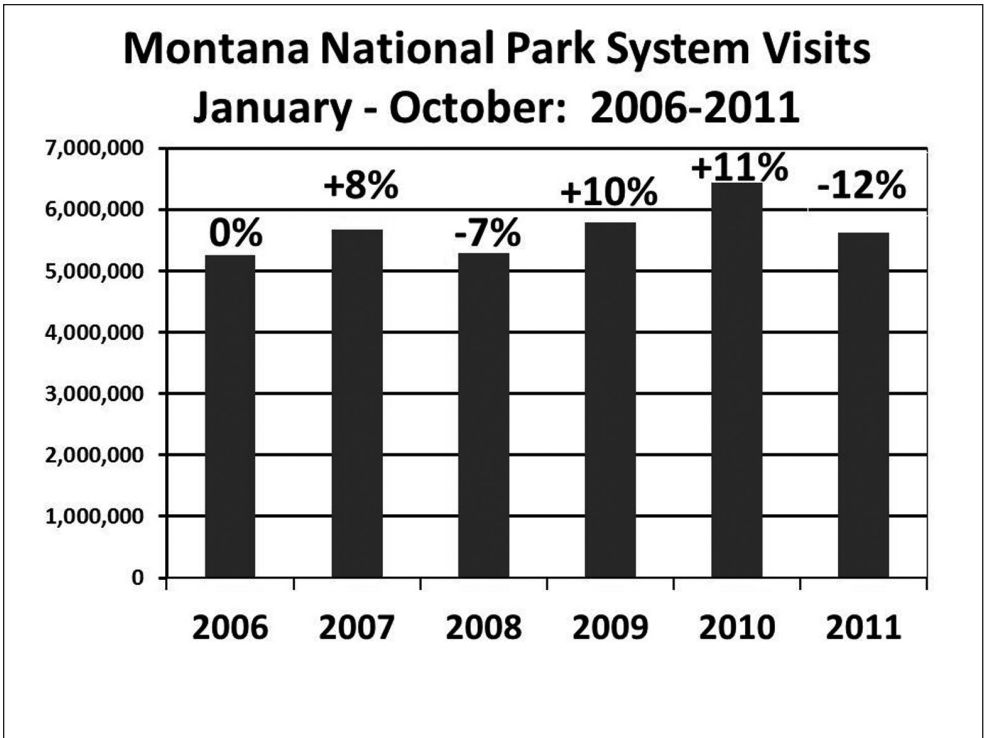


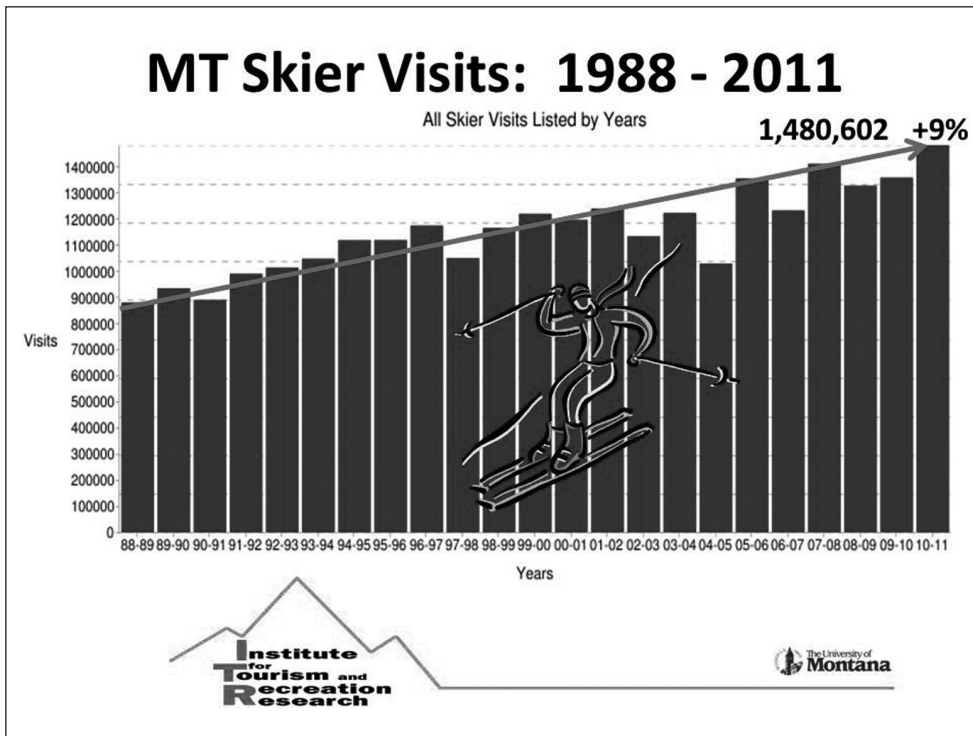
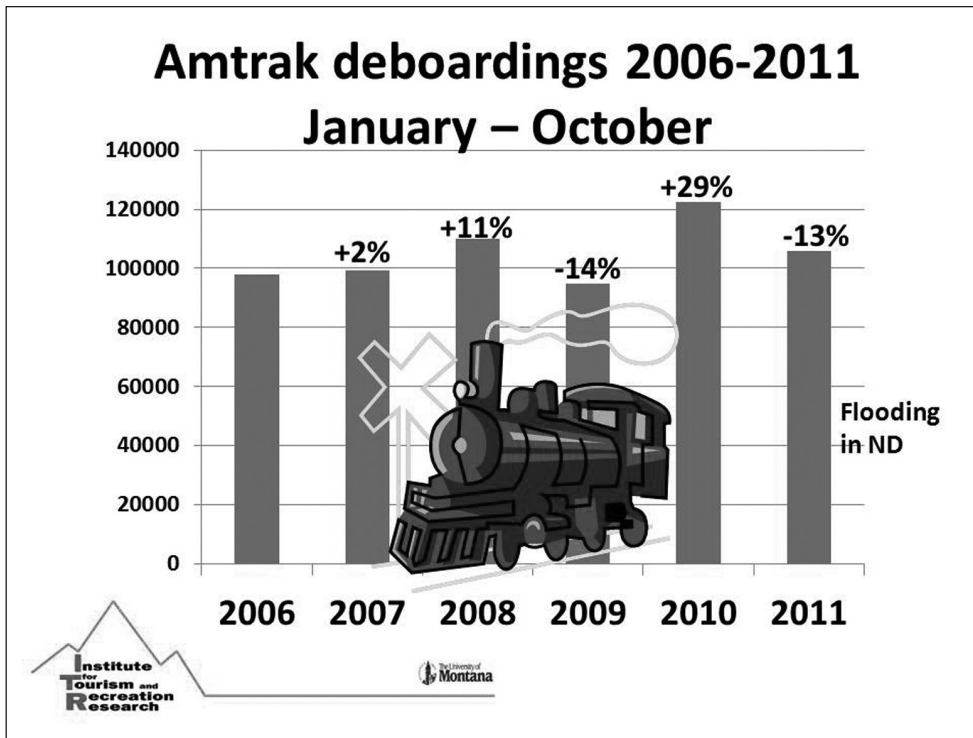
Forecast as of October 2011
Source: U.S. Travel Association and Tourism Economics

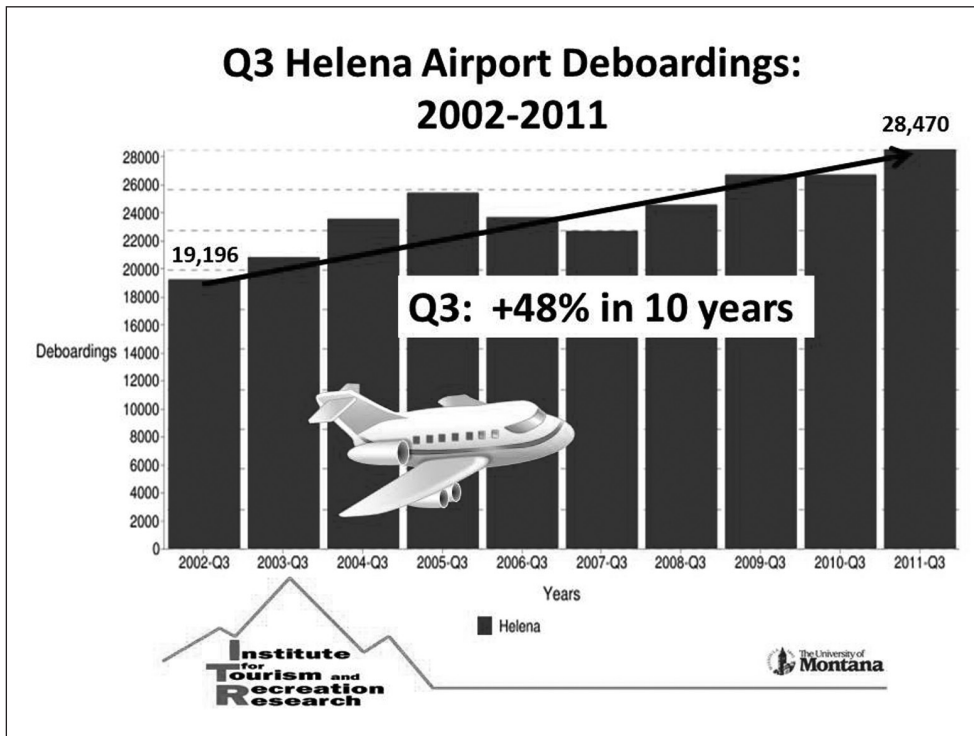
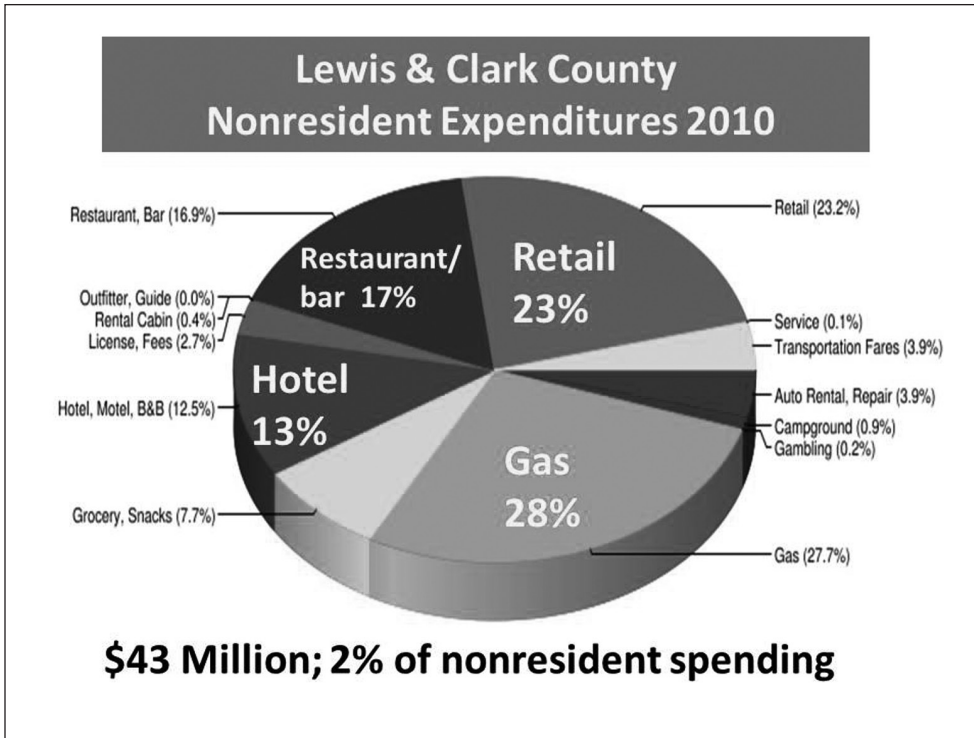


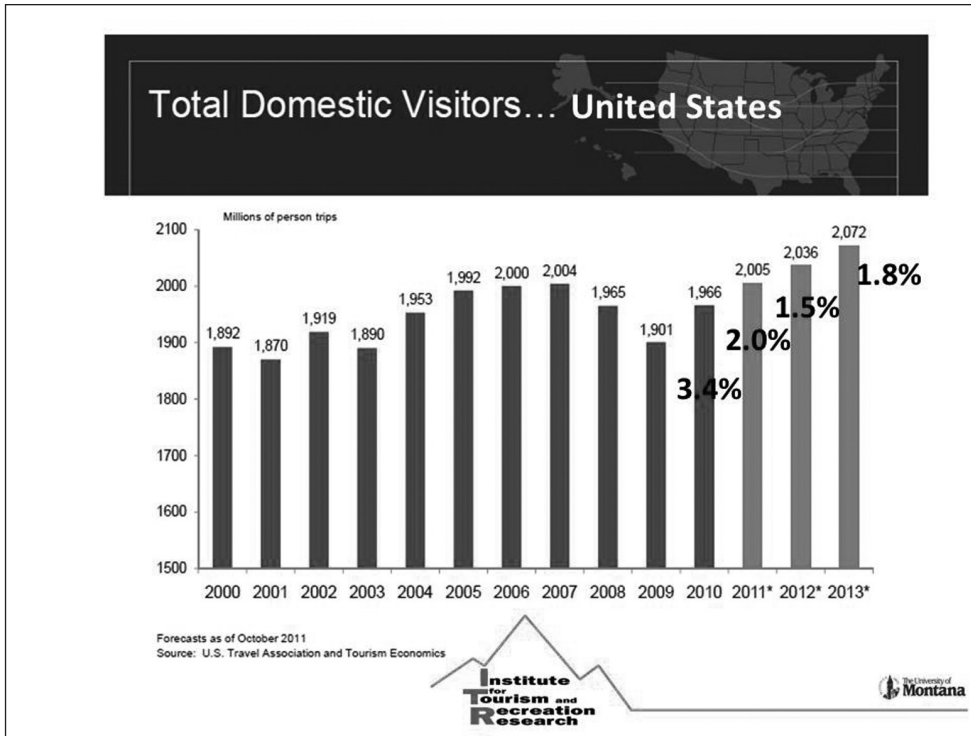










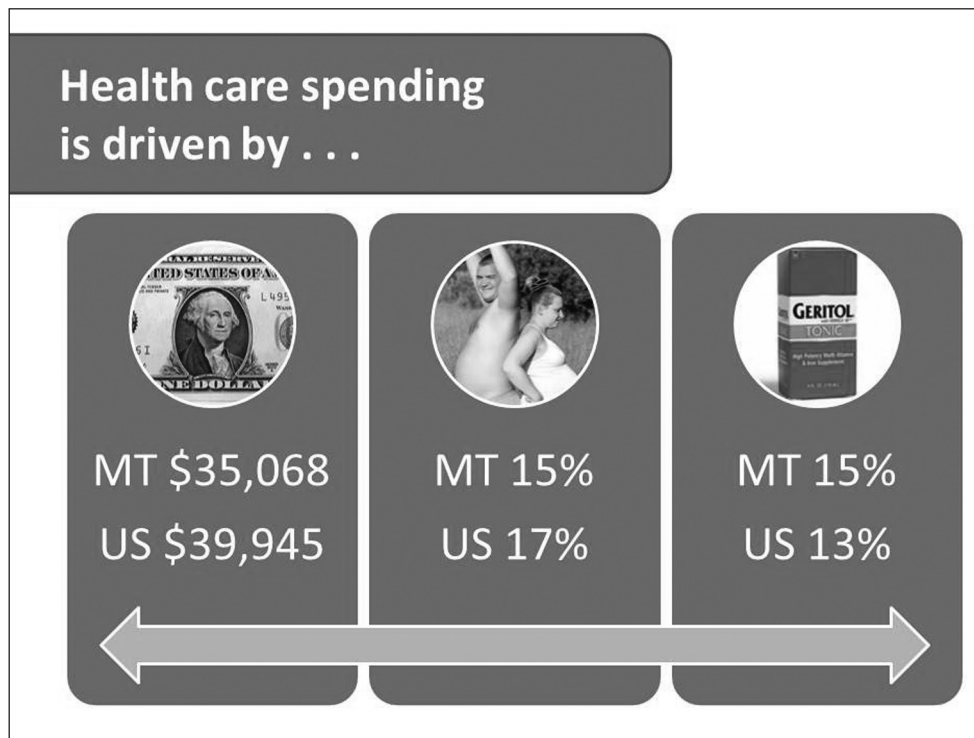
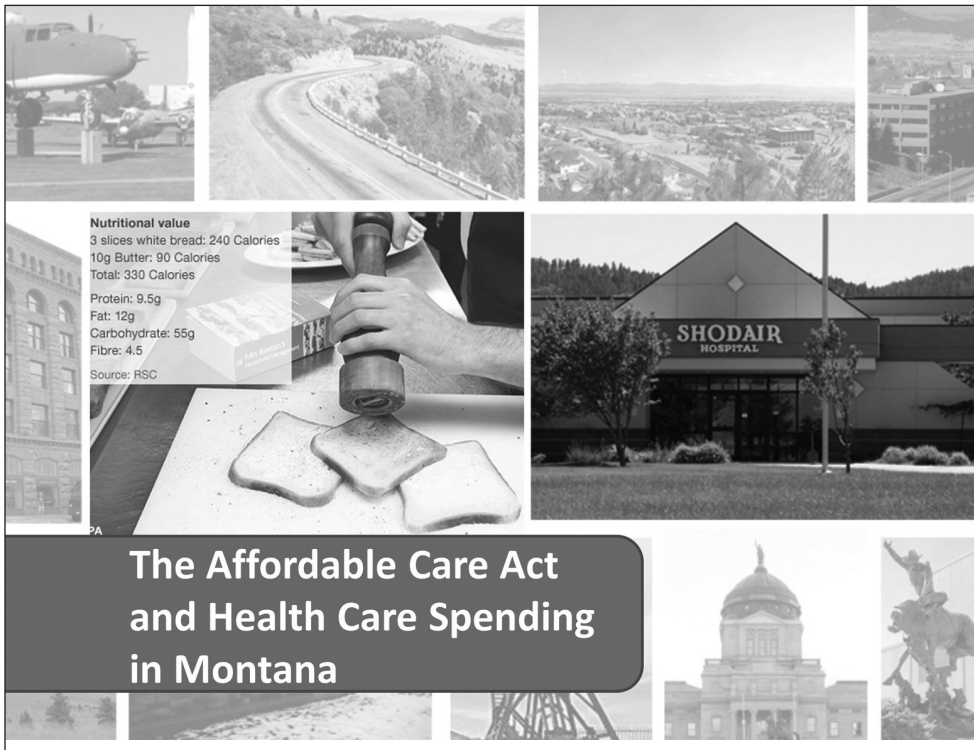


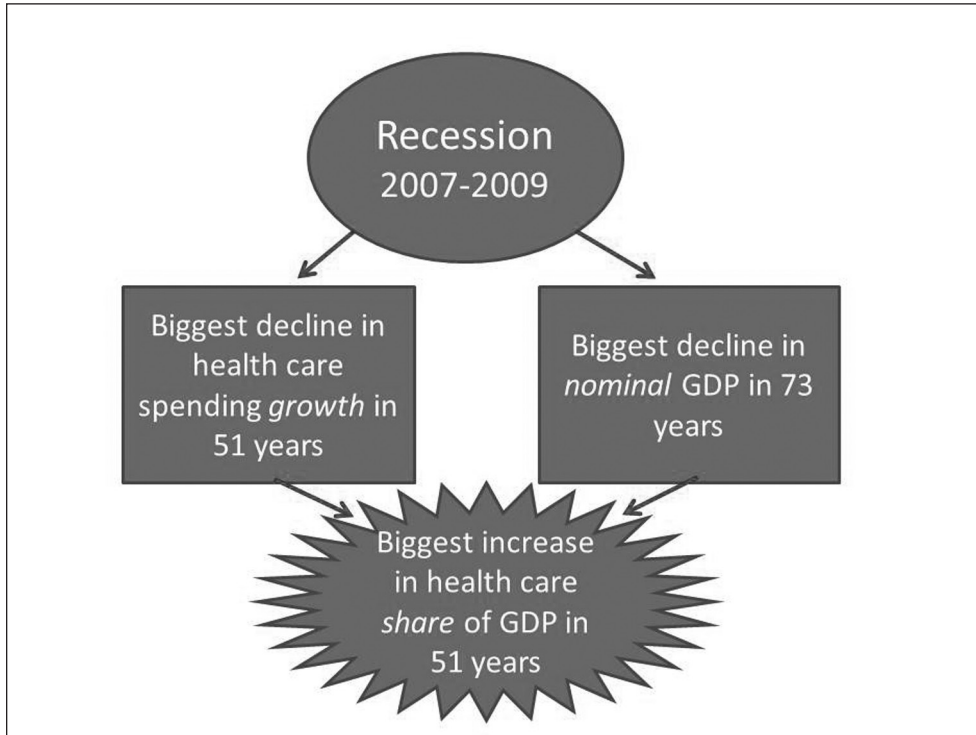
2012 MT Tourism Businesses

- **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**

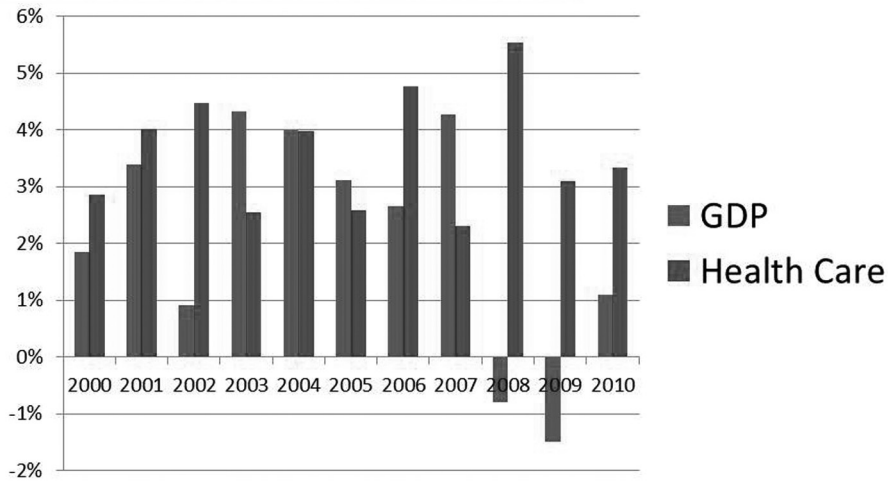




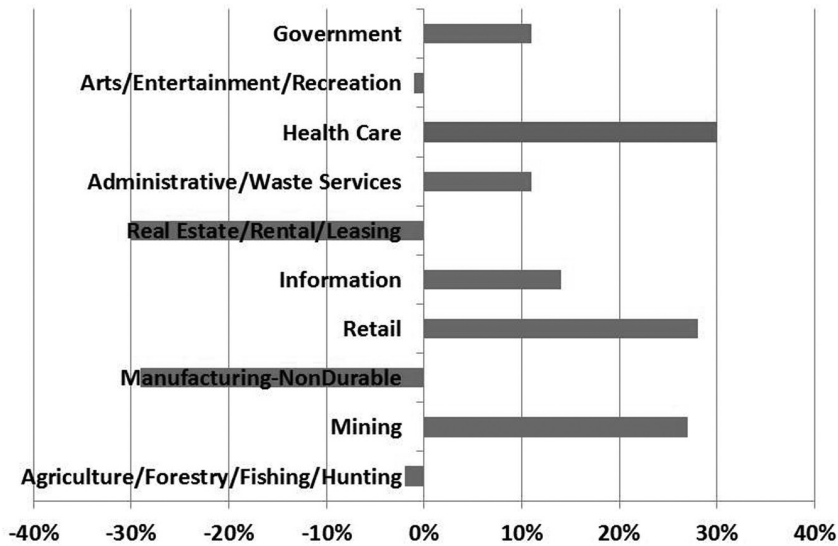
Health care is big in Montana...

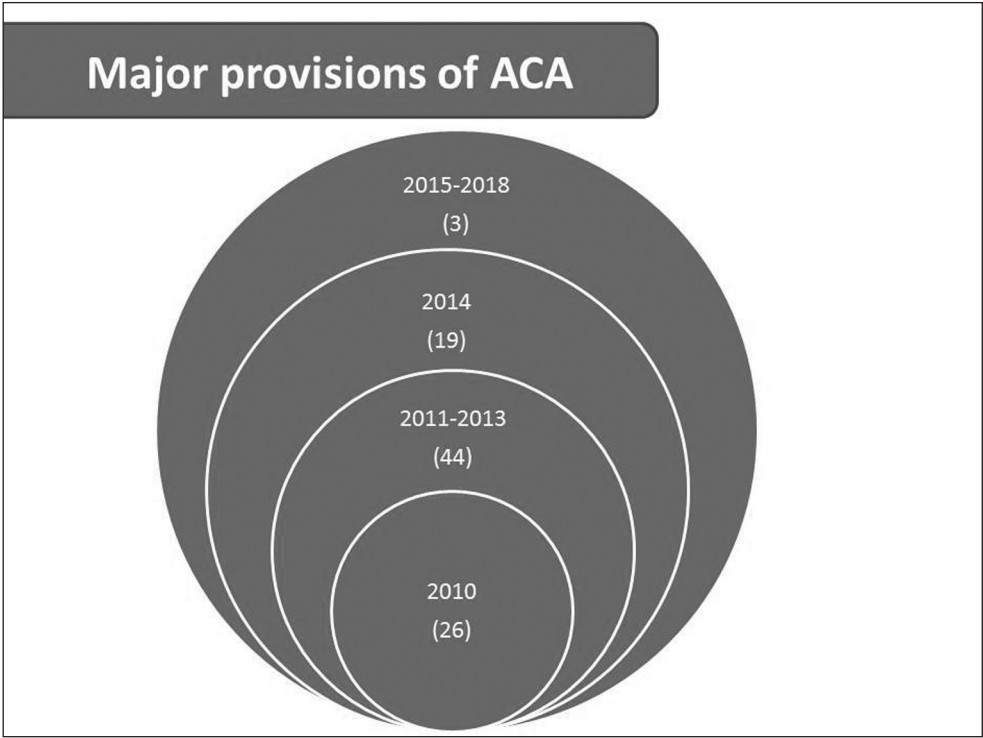


Real growth rates Montana GDP and health care






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

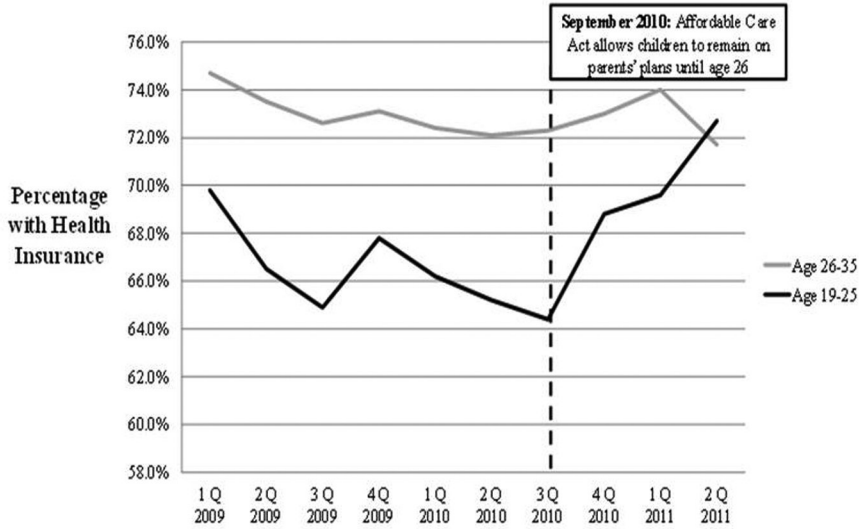




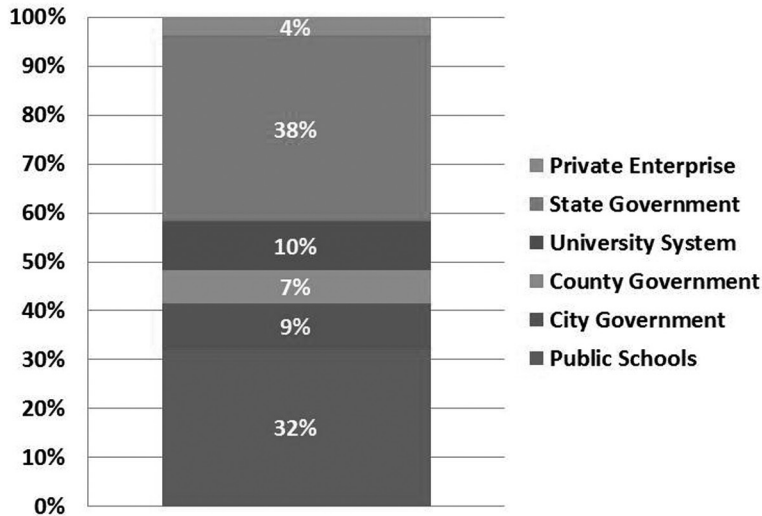
ACA provisions

| | | |
|---|---|--|
|  |  |  |
| 10% Tanning bed tax 7/1/2010 | Adults under 26 9/23/10 | Early Retiree Reinsurance Program 6/29/2010 |

Dependent health insurance coverage



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:

1 Determine the total number of your employees (not counting owners or family members):

Full-time employees: _____
(enter the number of employees who work at least 40 hours per week)

+

Full-time equivalent of part-time employees: _____
(Calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)

= _____ total employees

If the total number of employees is fewer than 25 GO TO STEP 2

2 Calculate the average annual wages of employees (not counting owners or family members):

Take the total annual wages paid to employees: _____

+


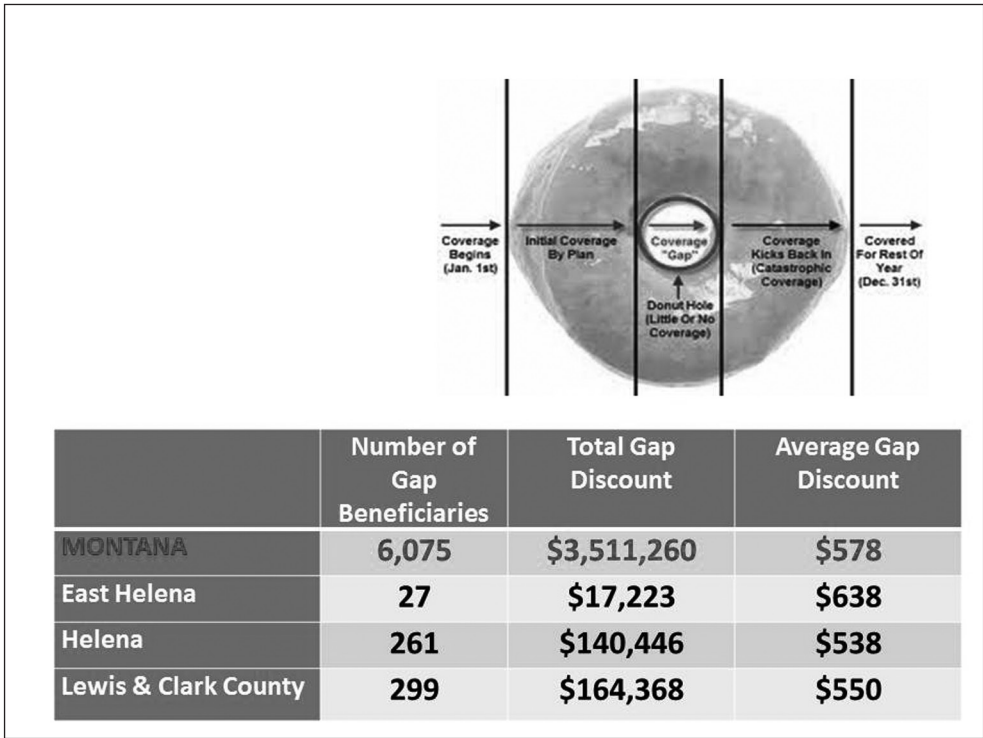
Divide it by the number of employees from STEP 1: _____
(total wages ÷ number of employees)

= _____ average wages

If the result is less than \$50,000, AND

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

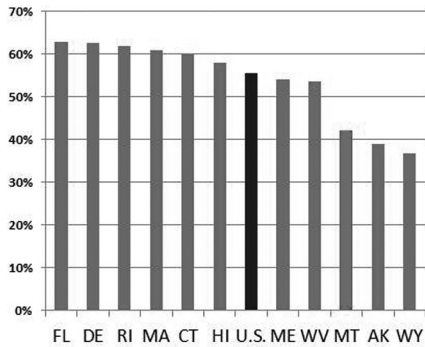
▶▶ you may be able to claim the **Small Business Health Care Tax Credit**.
Find out more information at IRS.gov

No cost sharing

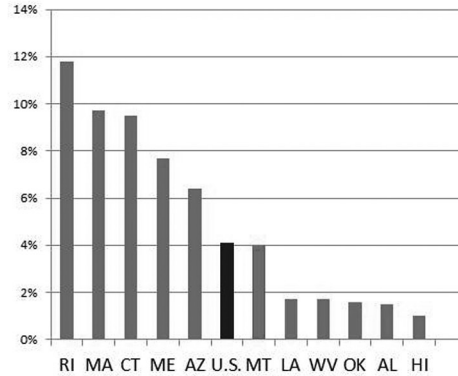
Medicare Preventive Services

Beneficiaries Using One or More Preventive Services



Medicare Annual Wellness Exam

Beneficiaries Using Wellness Exam



Premiums increase if you are a person of “means”

Medicare Part B Premiums

| 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 |

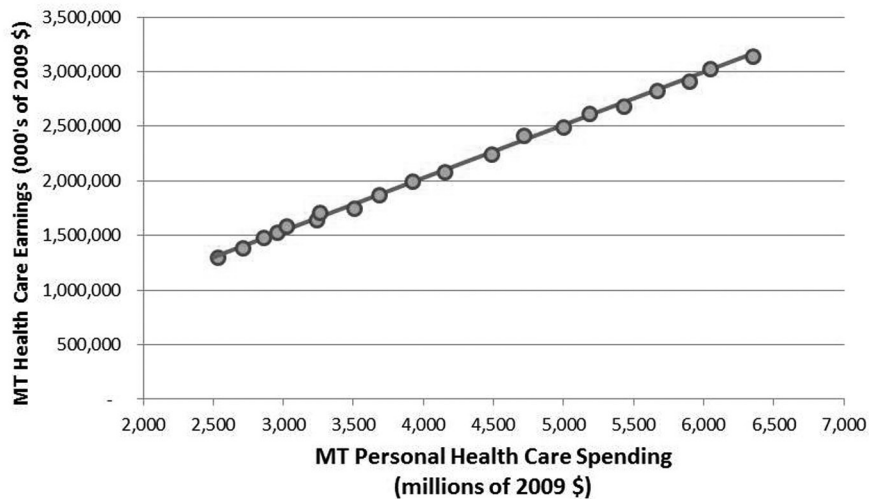
Medicare Part D Premiums

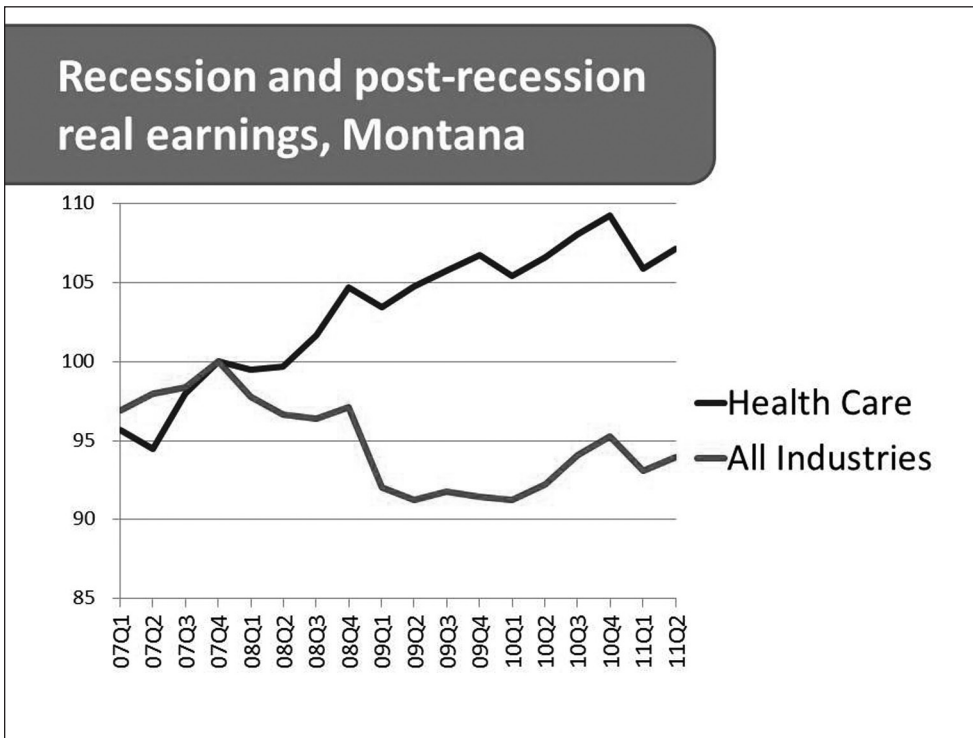
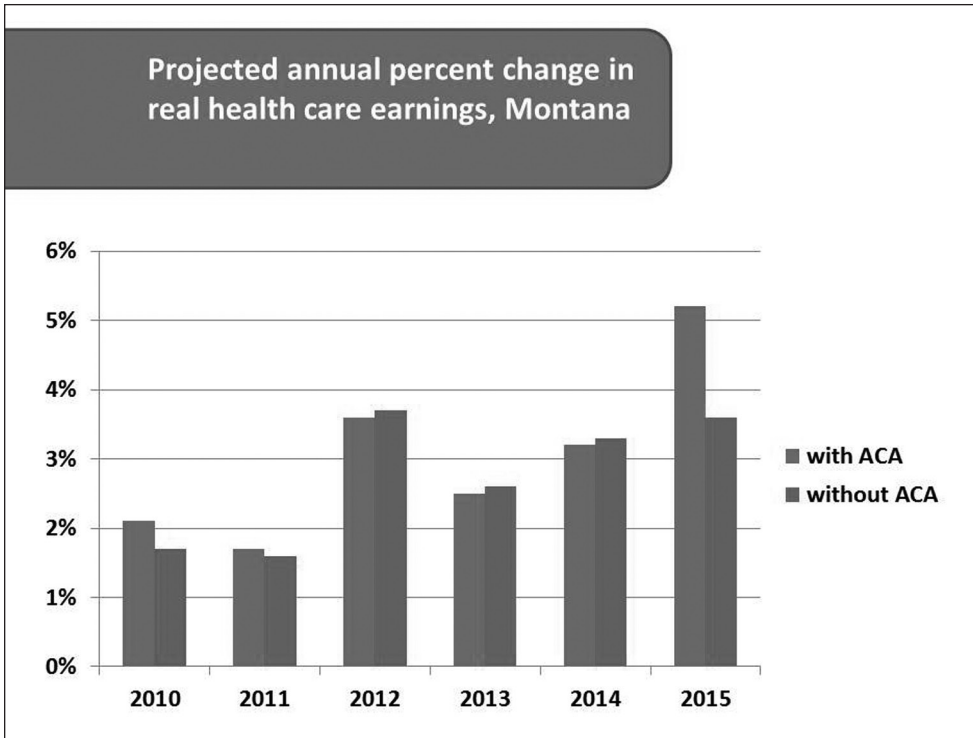
| Joint Tax Return (000's AGI) | Monthly Increase | Total Monthly Premium |
|------------------------------|------------------|-----------------------|
| ≤ \$170 | \$0 | \$41.43 |
| > \$170 ≤ \$214 | \$12.00 | \$53.43 |
| > \$214 ≤ \$320 | \$31.10 | \$72.53 |
| > \$ 320 ≤ \$428 | \$50.10 | \$91.53 |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

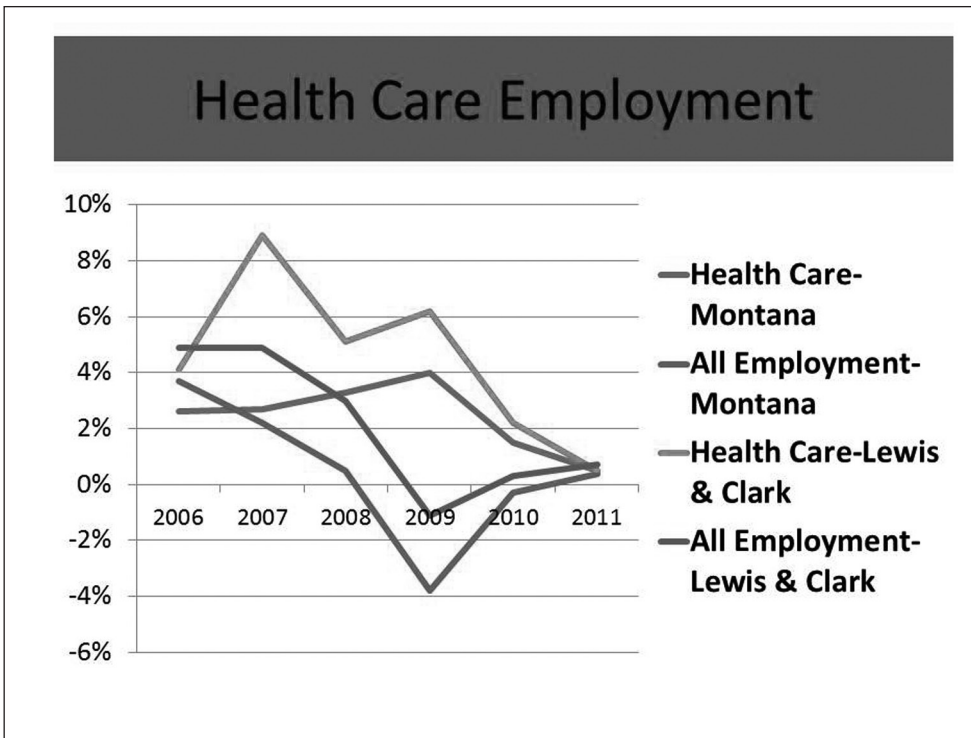
Medicaid and Medicare per enrollee spending in Montana





| | 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







| | | | |
|---|---|---|--|
|  |  |  |  |
| Economic recovery? | Challenge to the ACA? | No historical experience for ACA reforms? | Provider responses? |

2012 Montana Agricultural Outlook

George Haynes

Department of Agricultural Economic & Economics
MSU Extension

Data Source: National Agricultural Statistics Service
Montana Field Office



Mountains & Minds

2011 “Recap”

■ Crops

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

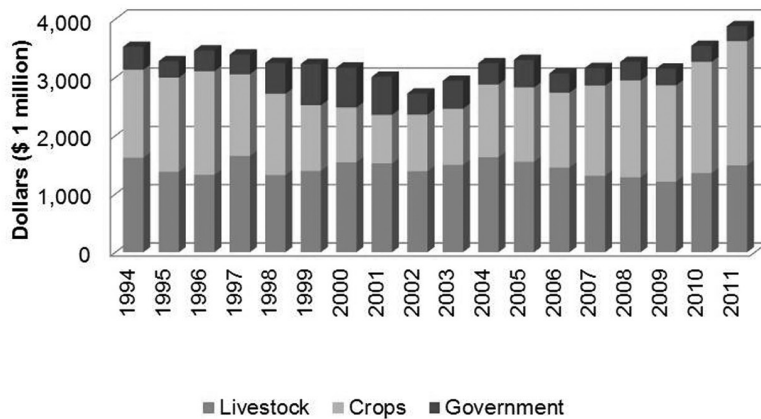
■ Cattle

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



Mountains & Minds

Gross Revenue Estimates (2011 dollars)

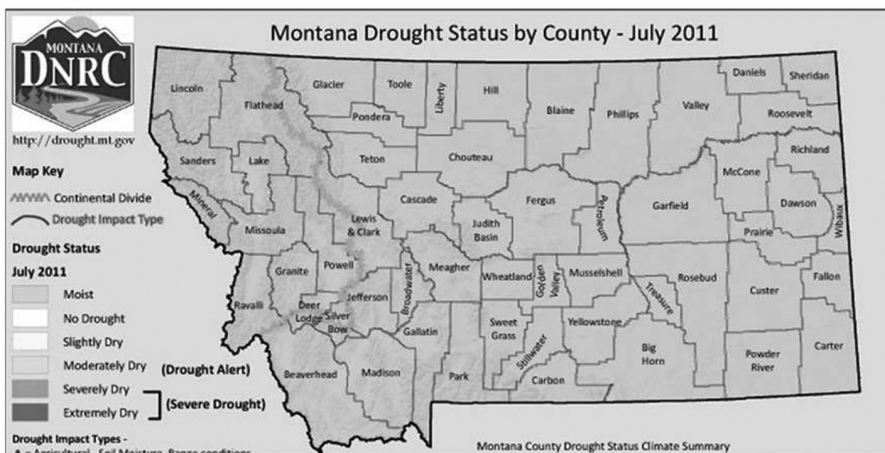


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Mountains & Minds

Drought Status – July 2011



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Courtesy of the Billings Gazette



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Mountains & Minds



Courtesy of the Billings Gazette



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CROPS (*GRAIN, HAY & PULSES*)

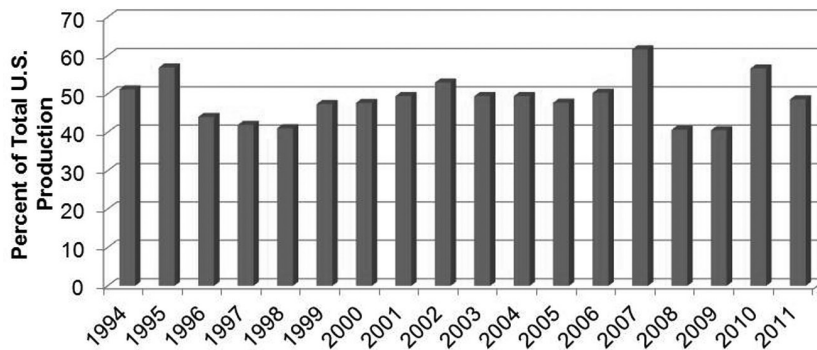


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Wheat Exports percent of total U.S. production



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



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“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 |



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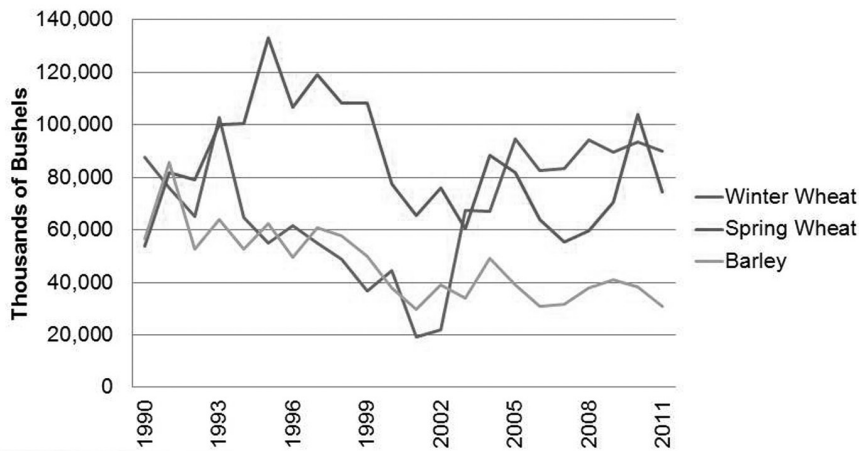
Mountains & Minds

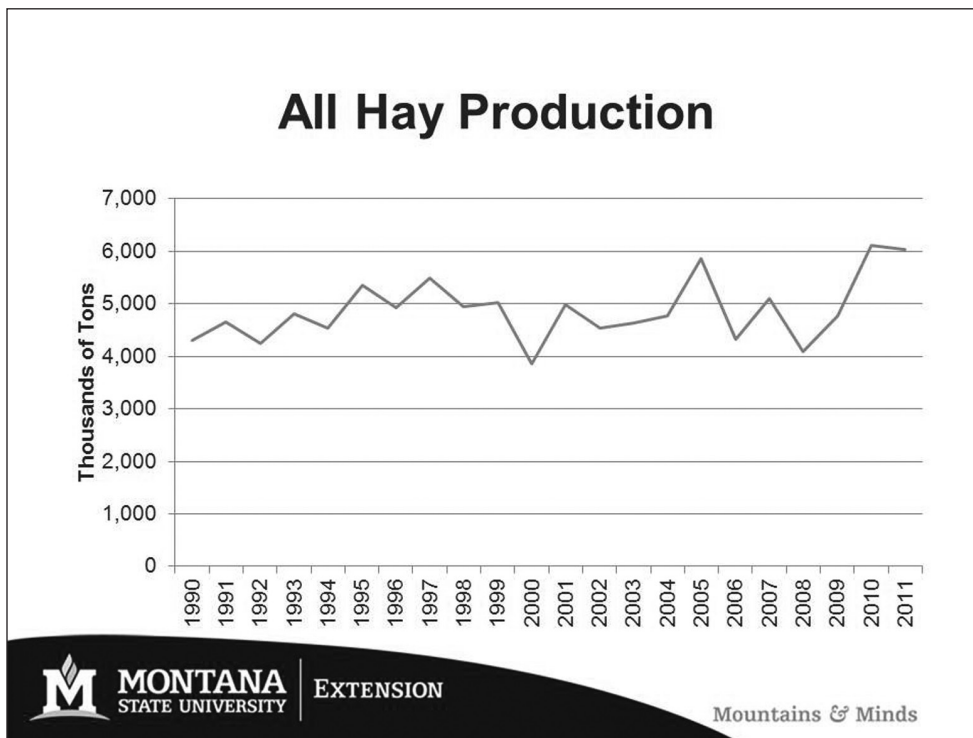
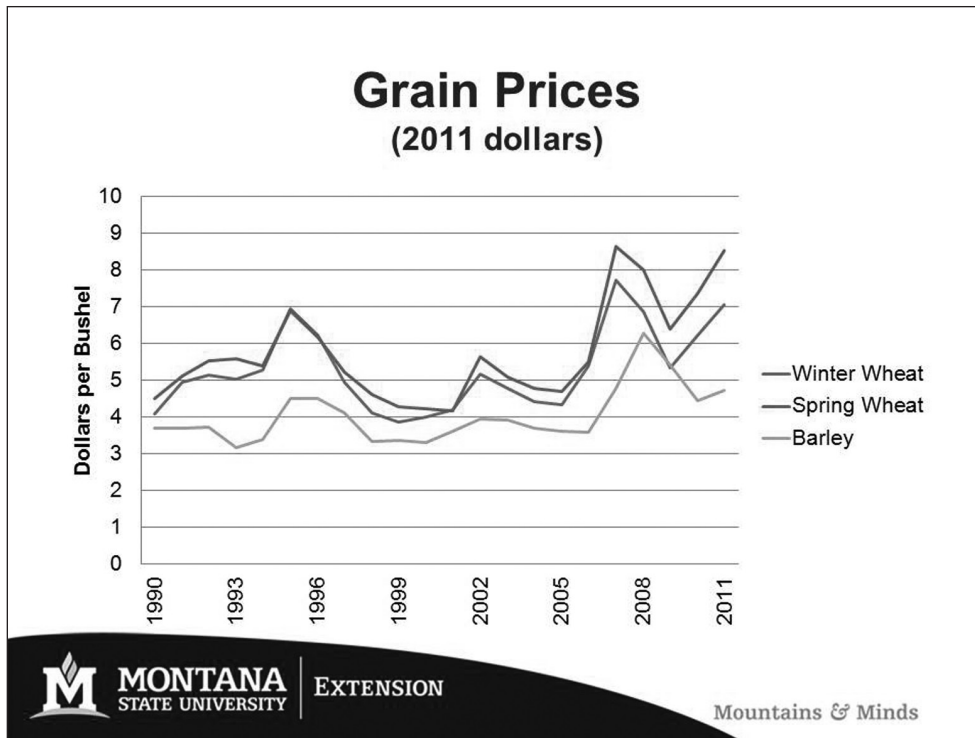
Global Wheat Market Shares

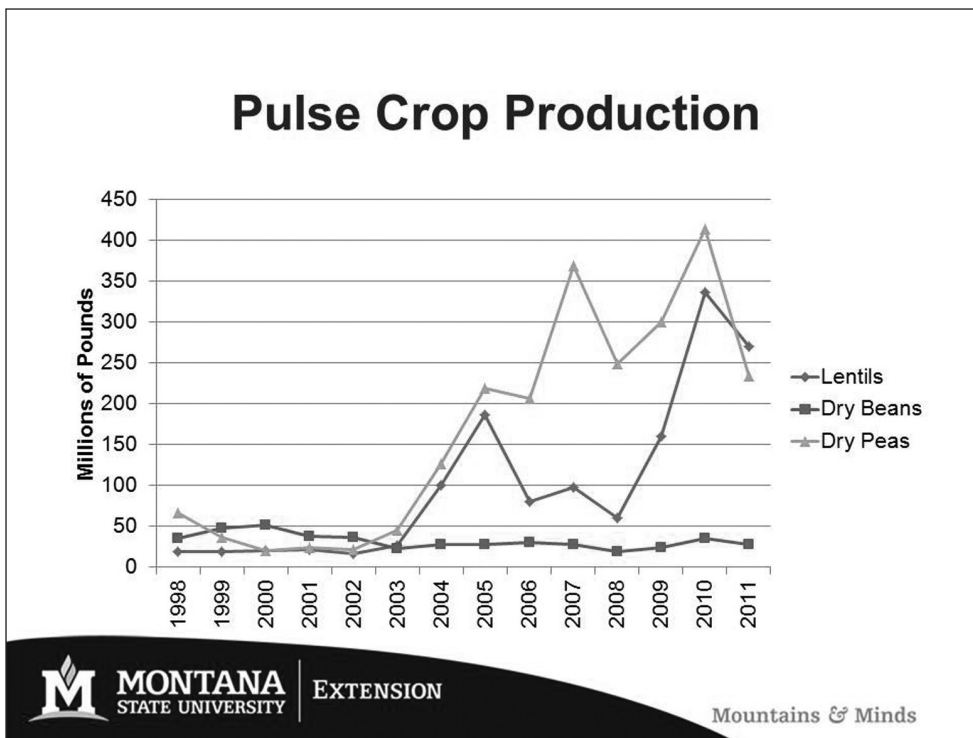
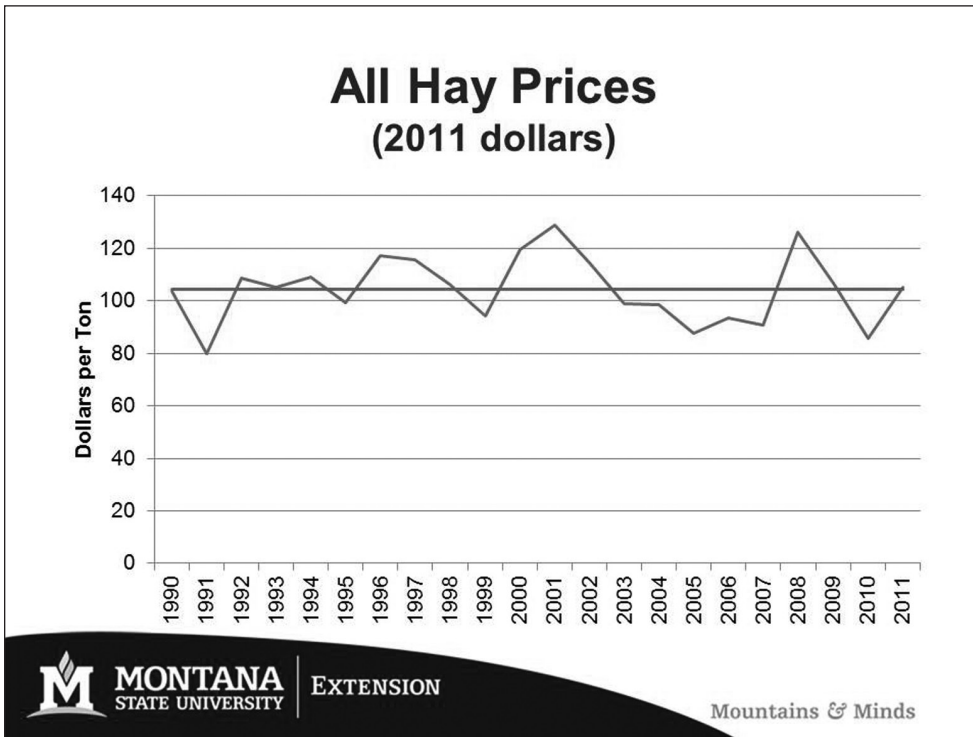
| Country | 2010/2011 | | 2011/2012 | |
|-----------|-----------|----------|-----------|----------|
| | mmt | shares % | mmt | shares % |
| Australia | 26.00 | 4.0 | 25.00 | 3.7 |
| Canada | 23.17 | 3.6 | 24.20 | 3.6 |
| China | 115.18 | 17.8 | 117.00 | 17.2 |
| EU-27 | 135.61 | 20.9 | 136.33 | 20.0 |
| 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 |
| Total | 648.16 | 100.0 | 681.20 | 100.0 |

Source, WASDE-499, October 12, 2011

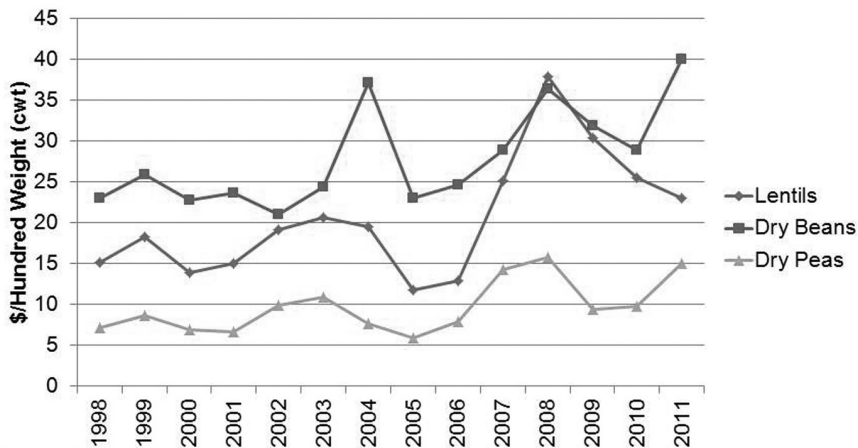
Grain Production







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

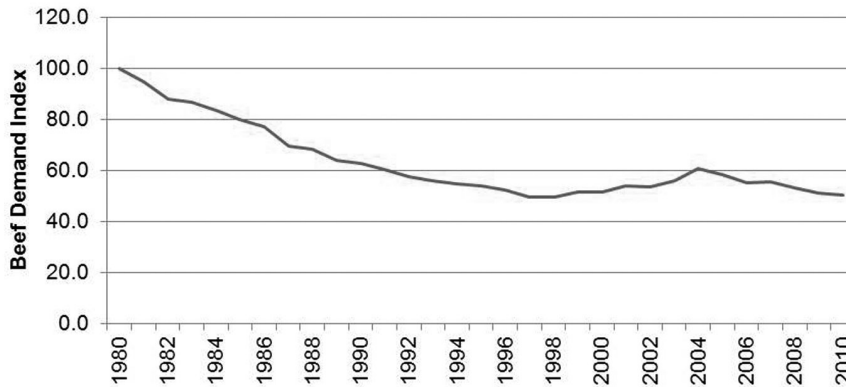


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Consumer Demand for Beef (annual choice retail beef demand index)



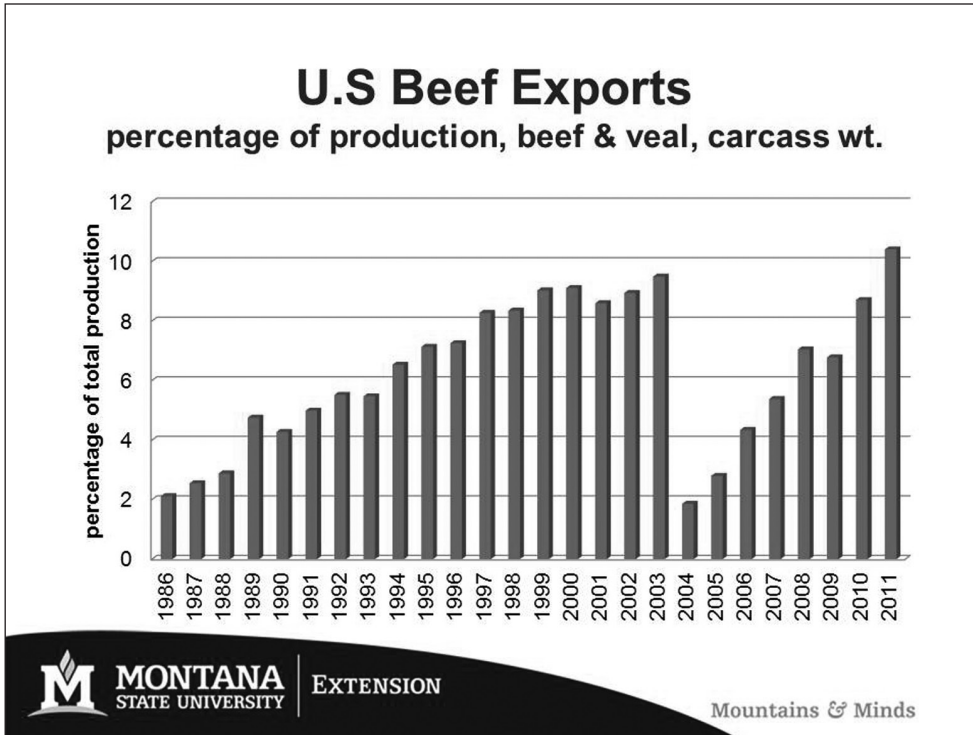
http://www.agmanager.info/livestock/marketing/graphs/Tonsor/Annual_ChoiceBeefDemandIndex_Table_1990.htm
54.1 lbs./capita (USDA)



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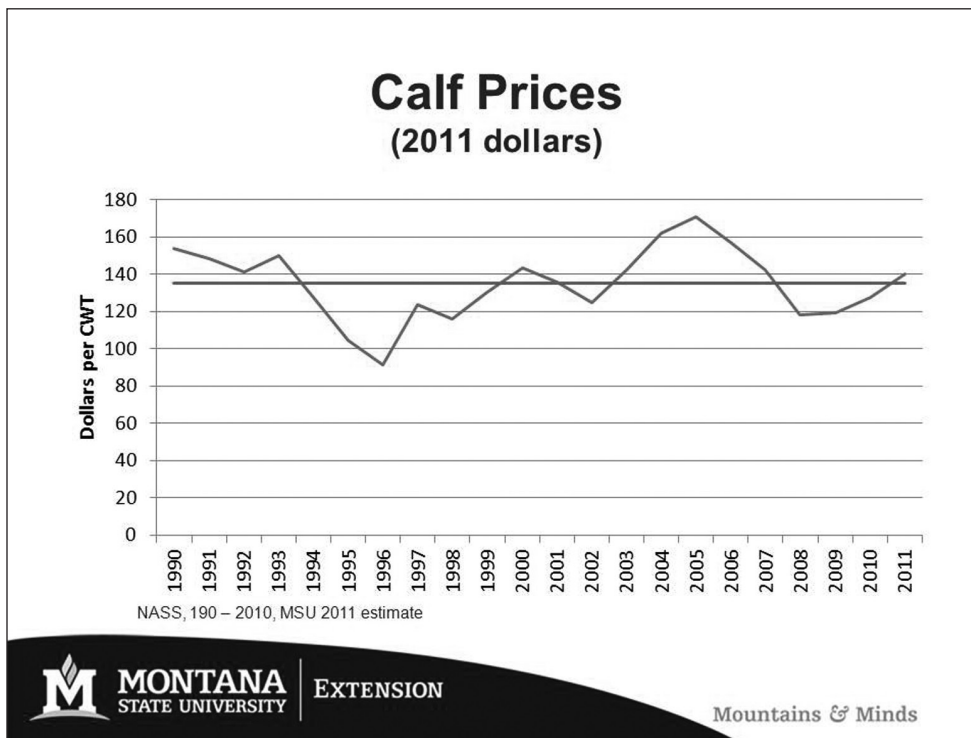
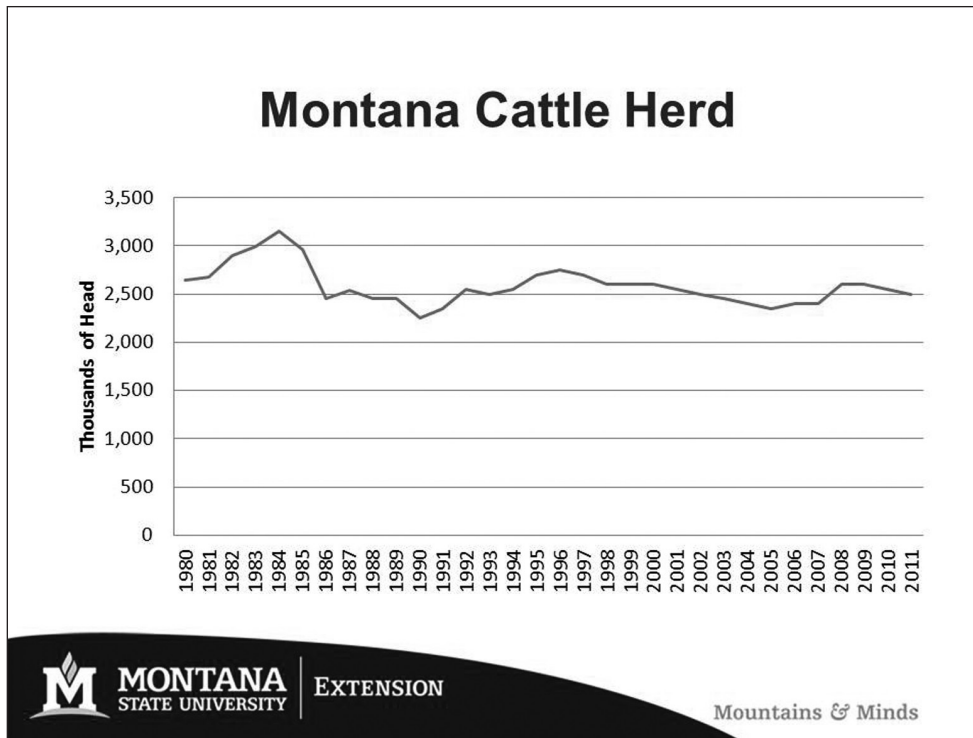
Exports – who’s buying U.S. beef

- **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

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Mountains & Minds



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

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)

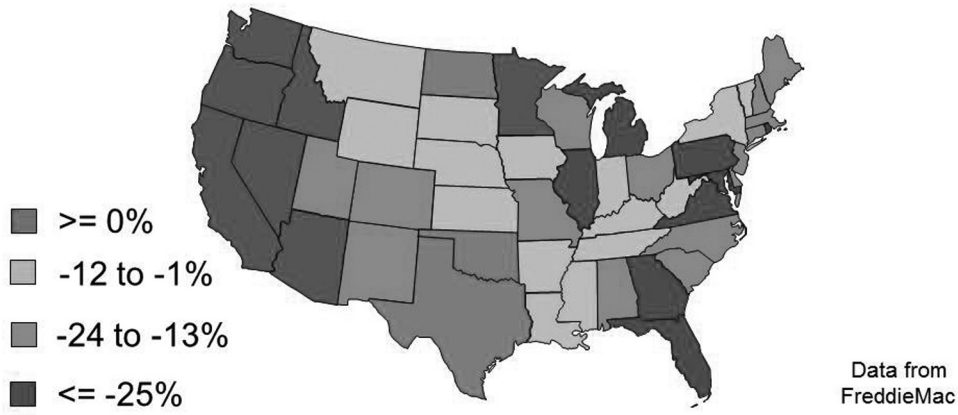


Montana's Housing Market 2012

National Conditions



Change in Home Prices 2006 – 2011



2011 Statistics



**Existing
Homes**

4.26 Million

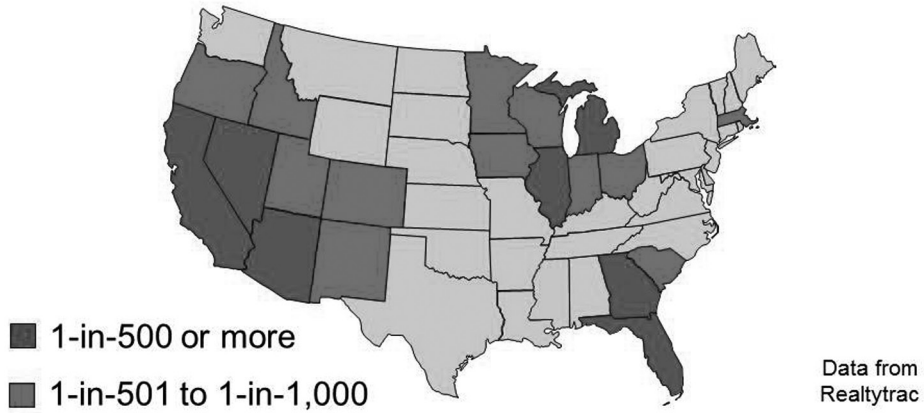
\$164,500

**New
Construction**

607,000

\$212,000

Foreclosure Rates Dec 2011



Shadow Inventory

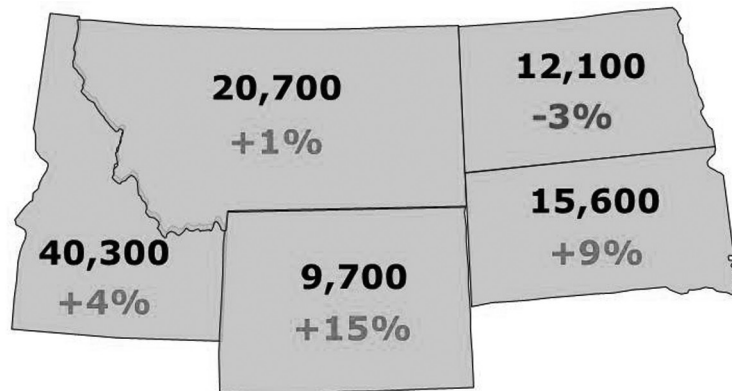


14 Million Units

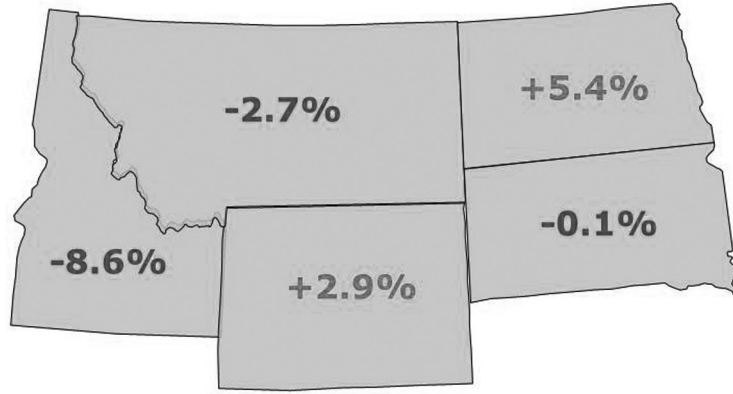
Regional Conditions



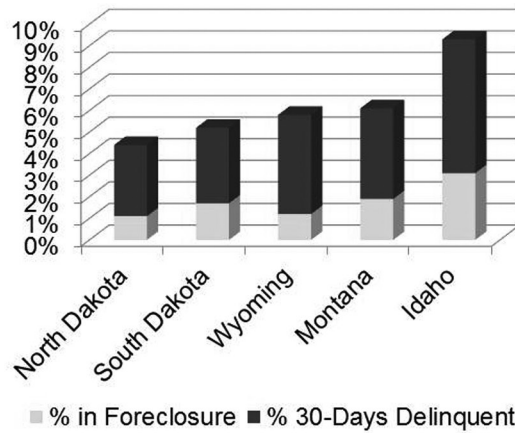
Number of Sales in 2011



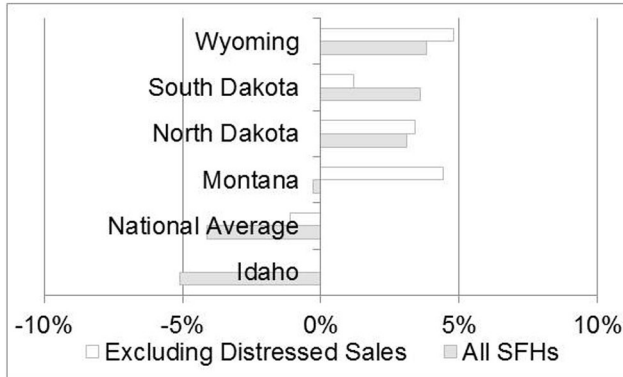
12-Month Price Change



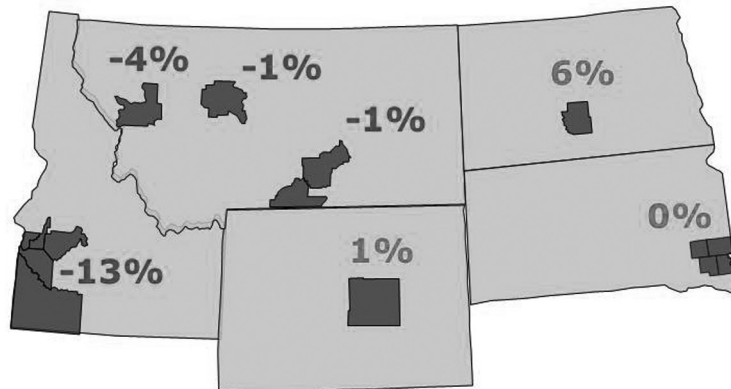
Foreclosures and Delinquencies



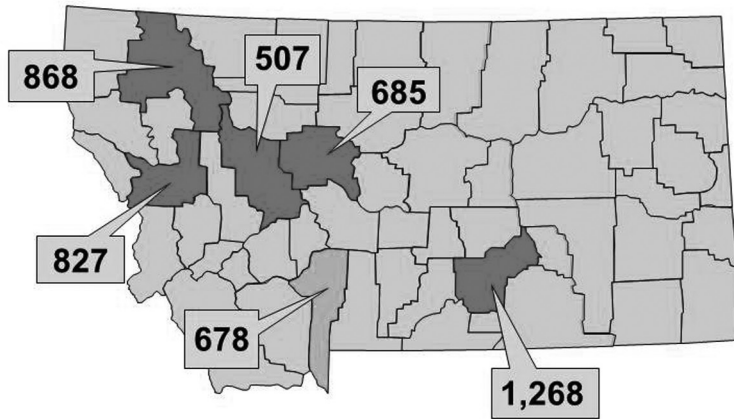
Distressed Sales Reduce Price Growth



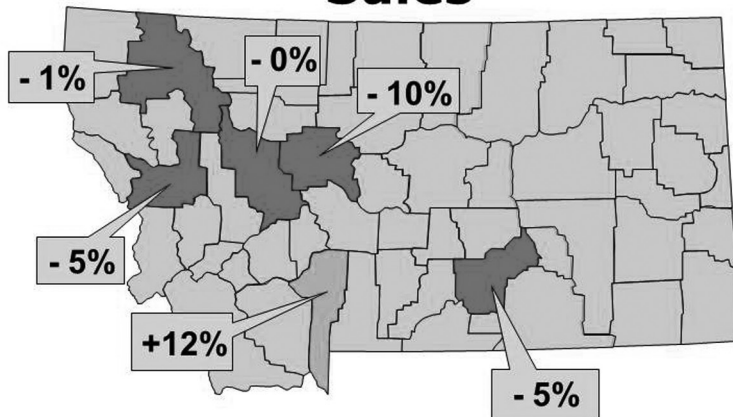
Metro Area Prices



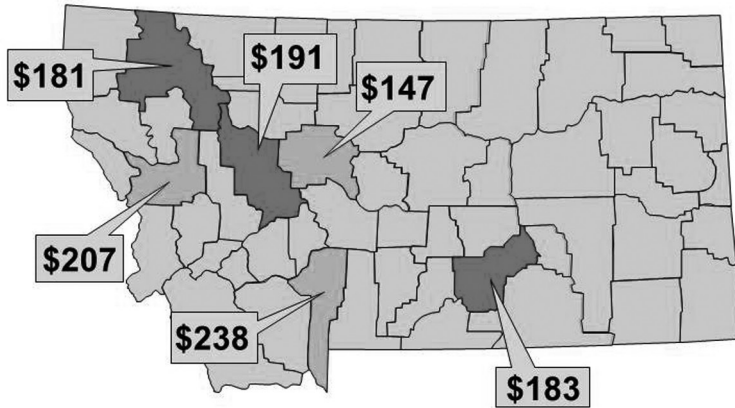
Number of Sales



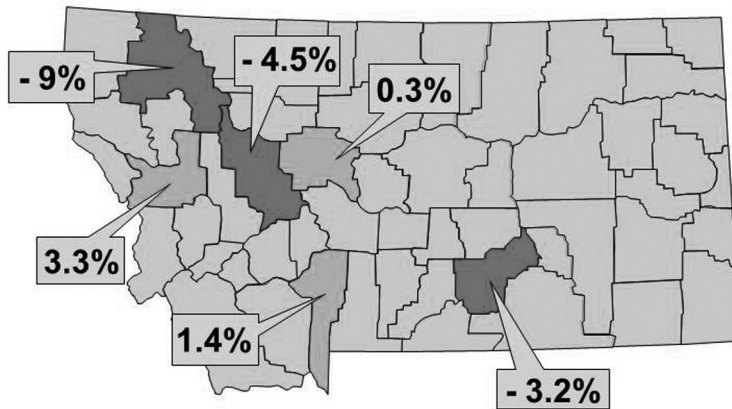
% Change in Number of Sales

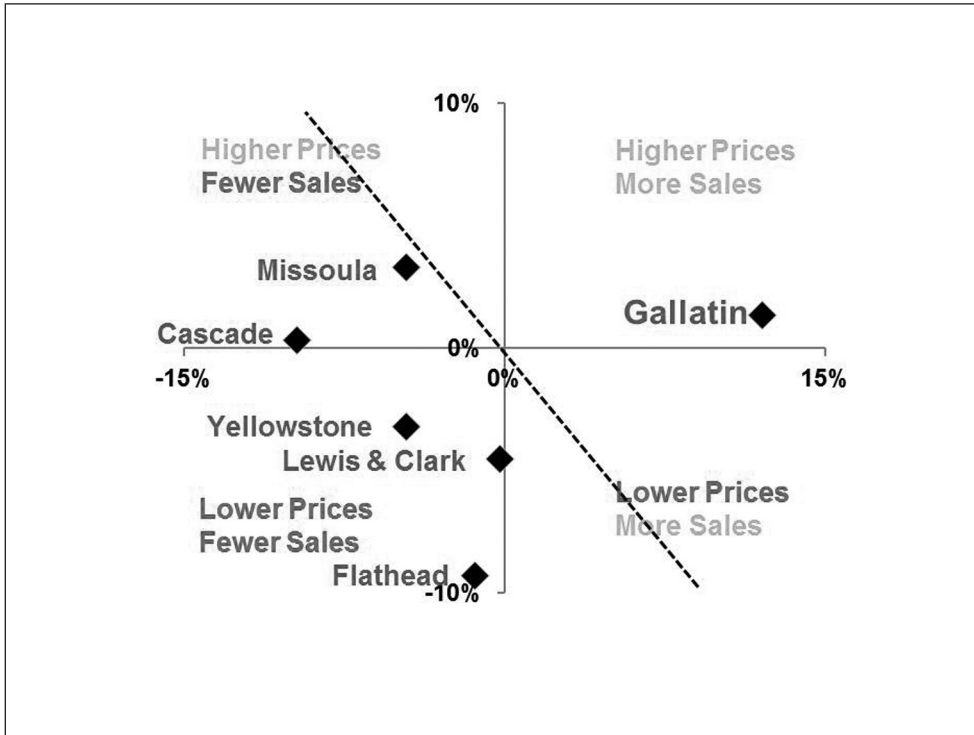


Median Prices (in \$ 1,000s)



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 |
|--------------------|-----------|-----------|------------|
| Butte | \$ 437 | \$ 556 | \$ 650 |
| Billings | \$ 448 | \$ 638 | \$ 837 |
| Great Falls | \$ 454 | \$ 654 | \$ 875 |
| Helena | \$ 488 | \$ 699 | \$ 1,036 |
| Bozeman | \$ 489 | \$ 641 | \$ 1,123 |
| Kalispell | \$ 501 | \$ 626 | \$ 817 |
| Missoula | \$ 626 | \$ 694 | \$ 747 |

House Rent

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

Premium for Renting a House

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

Premium: 2 BR House vs. 3 BR Apt.

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

Montana Manufacturing: 2012 Outlook

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AND ECONOMIC
RESEARCH

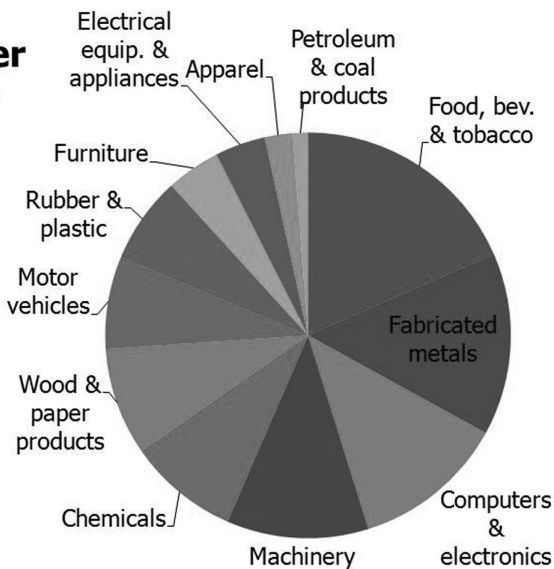
Todd A. Morgan, CF

U.S. Manufacturing

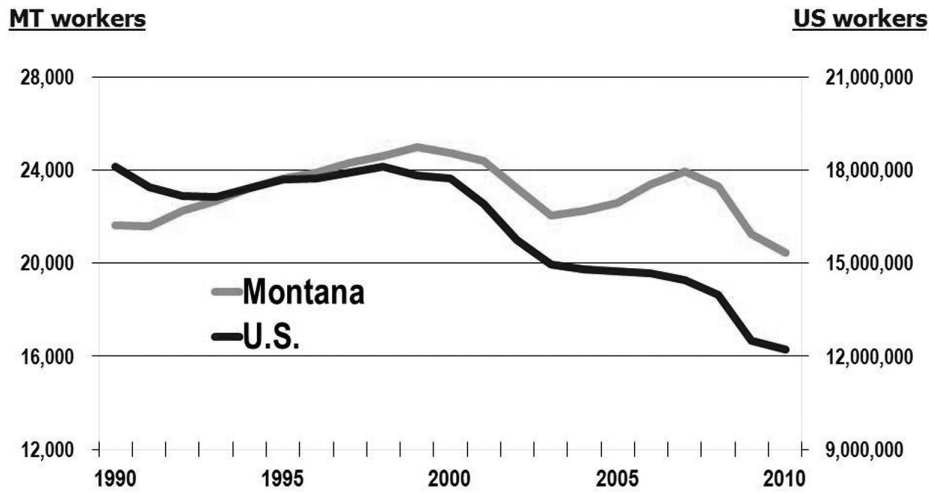
➤ **5.5 million fewer jobs than in 2000**

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

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



Montana & U.S. Manufacturing Employment 1990-2010

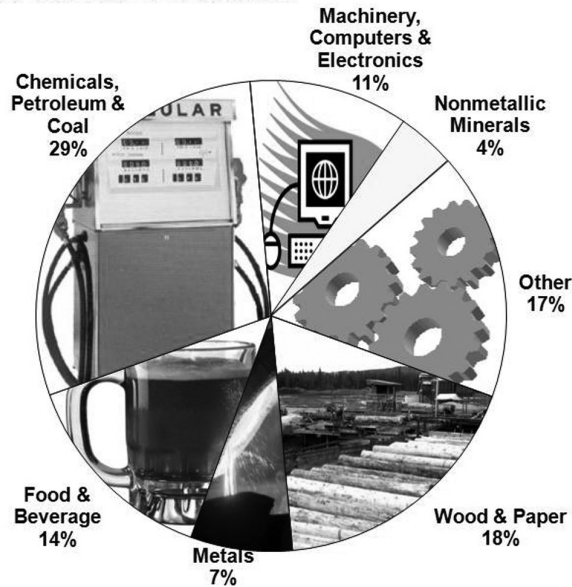


Source: BEA-REIS SA-25N

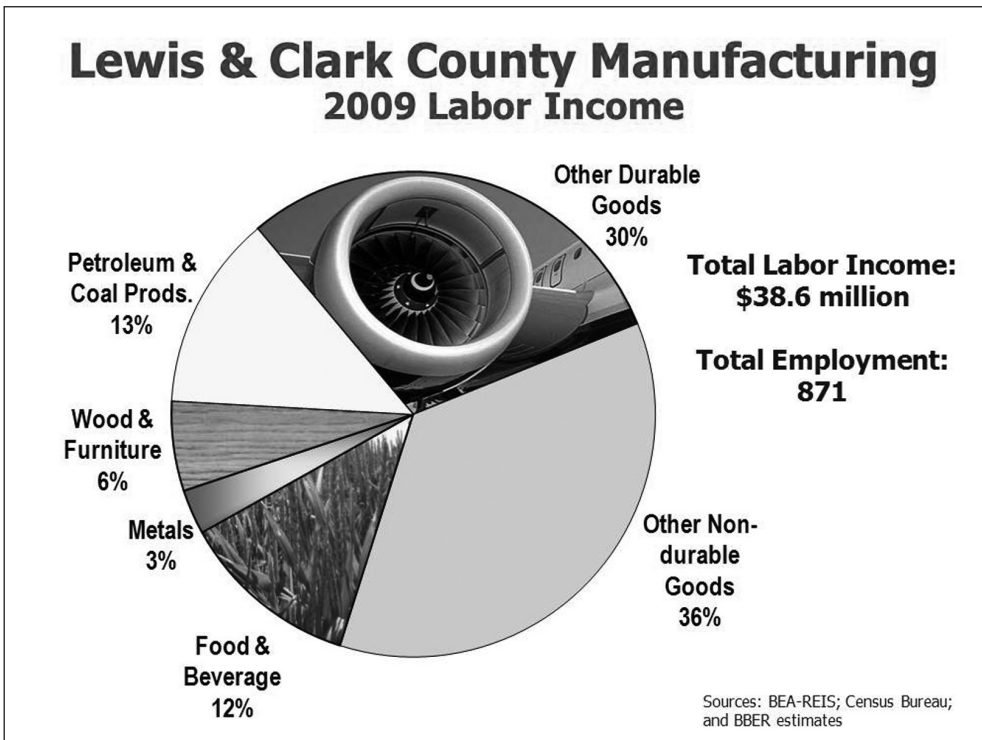
Montana Manufacturing 2011 Labor Income

Total Employment:
~19,938

Total Labor Income:
\$1.08 billion



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



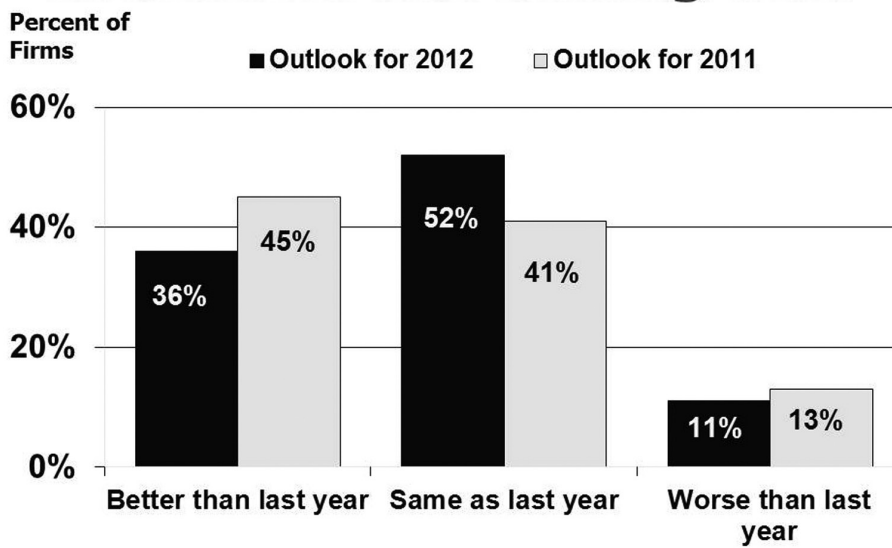
2011-2012 Montana Manufacturers Survey

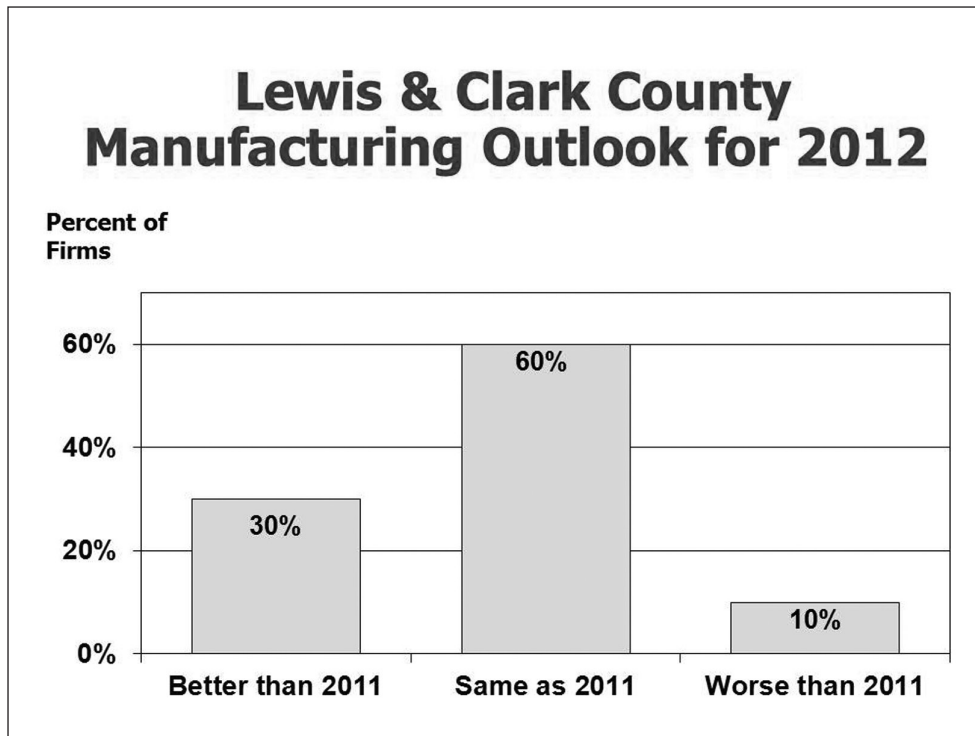
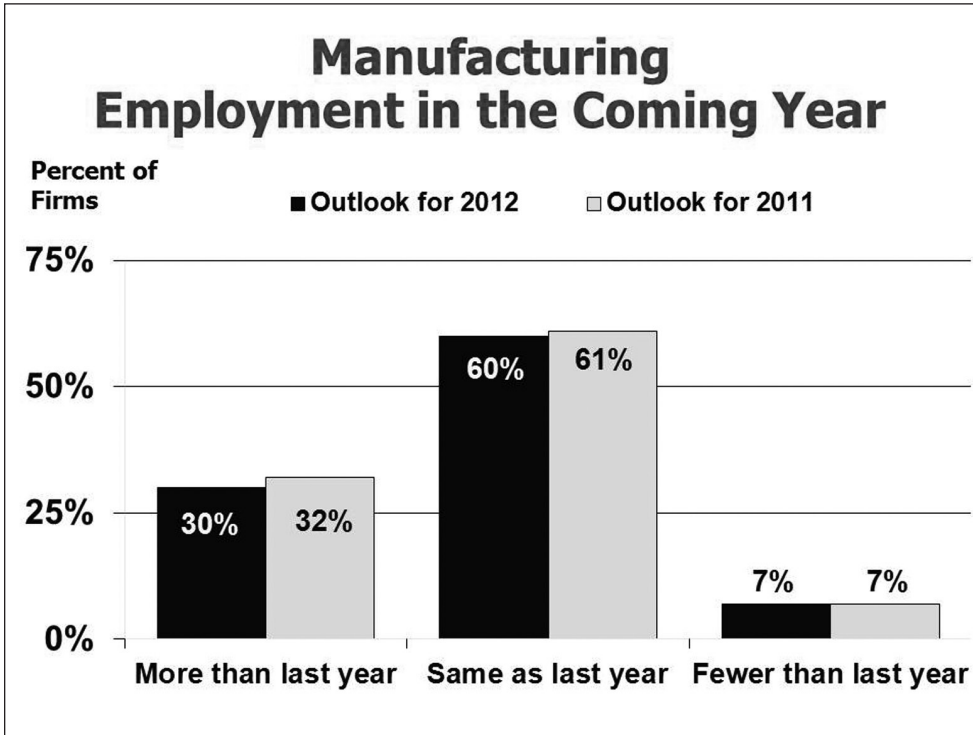
- annual survey
- conducted in December
- open-ended & multi-choice questions
- current & coming year
- 211 firms participated
- response rate >88%

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





Montana Manufacturing Forecast for 2012

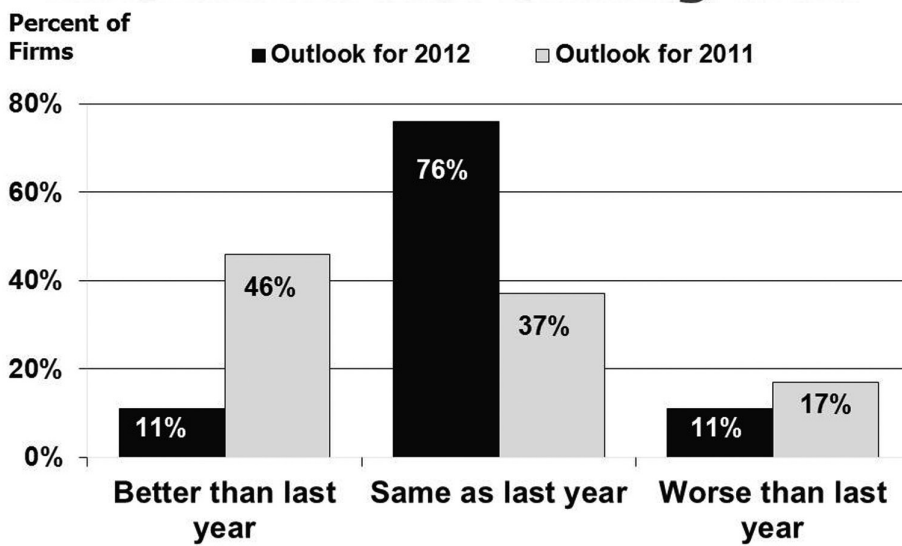
- **Little change is expected**
- **Recovery dependent on broader US economy & international factors**
- **Health insurance costs & workers comp remain the greatest concerns**
- **Half of MT manufacturers expect their energy costs to increase**

Montana Forest Products: 2012 Outlook

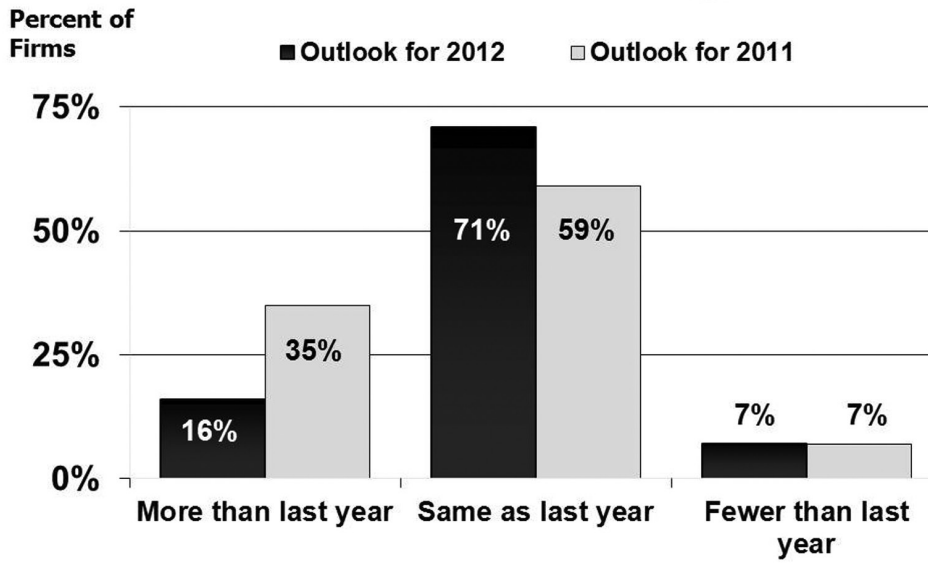
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AND ECONOMIC
RESEARCH

Todd A. Morgan, CF

Montana Forest Products Outlook for the Coming Year



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.**

Montana Chamber of Commerce Calendar of Events

Safety Training Workshops
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

Montana Goes to China Tour,
October 8-17, 2012
www.MontanaGoesToChina.com

Montana Chamber Annual Meeting
October 10-11, 2012
Missoula



www.MTSafetyChoices.com



www.MontanaGoesToChina.com



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OUTLOOK 2012 PRESENTATIONS

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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

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Treasure State Investors**

