OUTLOOK 2014

MAKING MONTANA THE First BEST PLACE

How Entrepreneurship is Creating High Paying Jobs
Not All Jobs Pay the Same

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Industries</td>
<td>$49,290</td>
</tr>
<tr>
<td>Management of Comp.</td>
<td>$108,251</td>
</tr>
<tr>
<td>Mining</td>
<td>$96,757</td>
</tr>
<tr>
<td>Finance</td>
<td>$91,183</td>
</tr>
<tr>
<td>Utilities</td>
<td>$84,486</td>
</tr>
<tr>
<td>Prof. &amp; Tech. Services</td>
<td>$83,190</td>
</tr>
<tr>
<td>Information</td>
<td>$79,432</td>
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<tr>
<td>Wholesale Trade</td>
<td>$68,225</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$60,568</td>
</tr>
<tr>
<td>Public Admin.</td>
<td>$56,583</td>
</tr>
<tr>
<td>Construction</td>
<td>$52,050</td>
</tr>
<tr>
<td>Transp. &amp; Warehousing</td>
<td>$48,609</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$48,249</td>
</tr>
<tr>
<td>Health Care</td>
<td>$46,143</td>
</tr>
<tr>
<td>Education</td>
<td>$44,000</td>
</tr>
<tr>
<td>Administrative Support</td>
<td>$34,932</td>
</tr>
<tr>
<td>Arts &amp; Entertain.</td>
<td>$33,346</td>
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<tr>
<td>Other Services</td>
<td>$30,171</td>
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<tr>
<td>Agriculture</td>
<td>$28,730</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$27,728</td>
</tr>
<tr>
<td>Accommodations &amp; Food</td>
<td>$18,019</td>
</tr>
<tr>
<td>Hi-Tech</td>
<td>$94,933</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Labor Statistics
Employment Shares

Highest Paying Industries

- Management of Companies
- Mining
- Finance
- Professional and Tech Services
- Manufacturing

Lowest Paying Industries

- Accommodations
- Retail
- Other Services
- Arts and Entertainment
- Admin Services

United States vs. Montana
High-Growth Firms Contribute Disproportionately to Job Growth

Number of Firms by Type

- High Growth
  - Share = 2%

Job Gains by Type of Firm

- High Growth
  - Share = 35%

The Montana and U.S. Economic Outlook
Has “Next Year” Finally Arrived?

Patrick M. Barkey, Director
Bureau of Bus. & Econ. Research
University of Montana
The U.S. Economy: Picking Up?

- Modest job growth has been consistent
- Business confidence coming back strong, despite government shutdown
- Trading partners abroad are getting better
- Energy development is a new spark to growth
- The labor market remains sick
- Recent laws have not helped growth
- We’ve experienced these “false dawns” before
“Next Year” is Always Better for U.S. Economy
Forecasts of U.S. Real GDP Growth, Percent

Source: IHS, Inc.
Recession Has Produced Big Labor Force Declines
U.S. Labor Force Participation Rate, Percent

Source: U.S. Bureau of Labor Statistics
Younger People Putting Off Entering Labor Force

The U.S. Will Continue to Import Petroleum

U.S. Consumption and Production of Petroleum and other Liquid Fuels, 1970-2040

Source: Energy Information Administration
Slow Decline in Metals Prices Reflects China’s Cooling Economy
Commodity Price Indices, Jan 2008=100, and Chinese GDP Growth

Source: International Monetary Fund
Agricultural Prices in Slow Retreat as Well
Commodity Price Indexes, Jan 2008 = 100

Source: International Monetary Fund
U.S. Outlook Summary

• Tax increases and budget sequestration helped keep 2013 growth in check
• Inflation remains a non-issue
• Stock markets and some housing markets are heating up
• Global growth shows signs of life
• The national economic expansion should accelerate this year
Western States Are Leading Growth
Growth in Real Wages by State, Western States
FY 2013 vs. FY 2012

Source: U.S. Bureau of Labor Statistics and Bureau of Economic Analysis
Most Montana Industries are Expanding

Real Wage Growth, FY 2013 vs. FY 2012 and 2013Q2 vs. 2012Q2

Percent Growth, 2013Q2

Percent Growth, FY 2012-13

Note: Size of bubble is proportional to total wages for each industry.
Western Urban Areas Have Swung to Growth
Real Wage Growth, FY 2013 vs. FY 2012 and 2013Q2 vs. 2012Q2

Note: Size of bubble is proportional to total wages for each county.
Housing Price Recovery Mirrors Economic Growth
Percent Growth in Median Sales Price, 2008-12

Source: Montana Department of Revenue
New Portrayal of Montana’s Recovery
Growth in Real Nonfarm Earnings, Percent

Growth in Nonfarm Earnings

Components of Growth

Source: U.S. Bureau of Economic Analysis
Energy and Mining:

Still the biggest story in the economy. Cost containment measures being implemented in the Bakken. Metals impacted by prices.

Composition of Earnings in Montana’s Basic Industries, 2011-13
Outlook for Key Industries

Agriculture and Related:

Coming off a tremendous financial year.

Composition of Earnings in Montana’s Basic Industries, 2011-13

13%
Federal Military and Civilian:

Budget pressures easing at state and federal levels. Medium term outlook remains uncertain.

Composition of Earnings in Montana’s Basic Industries, 2011-13

Outlook for Key Industries
Change in Nonfarm Earnings, Montana, 2011-2017

Actual

- '11: 1.8
- '12: 3.2
- '13: 2.7

Projected

- '14: 3.1
- '15: 3.0
- '16: 3.1
Questions?