Montana Manufacturing & Forest Products: 2014 Outlook

Todd A. Morgan, CF
U.S. Manufacturing

- 2013 estimated over 12.6 million workers.
- Annual worker earnings are rising.
- Value of output per worker is increasing faster than many other sectors.

Source: BEA-REIS SA-25N
## Montana Manufacturing
Better than the average sector!

<table>
<thead>
<tr>
<th>Sector of Montana economy</th>
<th>earnings per employee ($1,000)</th>
<th>GSP per employee ($1,000)</th>
<th>GSP per employee growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>All sectors</td>
<td>40.8</td>
<td>52.9</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>49.3</td>
<td>99.3</td>
<td>51%</td>
</tr>
<tr>
<td>Mining</td>
<td>97.8</td>
<td>96.6</td>
<td>-54%</td>
</tr>
<tr>
<td>Construction</td>
<td>45.8</td>
<td>41.7</td>
<td>-13%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>28.3</td>
<td>35.0</td>
<td>22%</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>48.0</td>
<td>51.6</td>
<td>26%</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>48.2</td>
<td>44.2</td>
<td>9%</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>20.0</td>
<td>24.0</td>
<td>14%</td>
</tr>
<tr>
<td>Government</td>
<td>56.4</td>
<td>53.8</td>
<td>3%</td>
</tr>
</tbody>
</table>
Montana Manufacturing
2013 Labor Income by Sector

- Sales: ~$14 billion
- Employment: ~22,150
- Labor Income: ~$1.12 billion

Sources: BEA-REIS; Census Bureau; and BBER estimates
Lewis & Clark County Manufacturing
2011 Labor Income

- Petroleum & Coal Prods.: 3%
- Wood & Furniture: 7%
- Fabricated Metals: 2%
- Food & Beverage: 12%
- Other Durable Goods: 39%
- Other Non-durable Goods: 37%
- Petroleum & Coal Prods.: 3%
- Fabricated Metals: 2%
- Food & Beverage: 12%
- Labor Income: $38.5 million - 2011
- Labor Income: $42.4 million - 2012
- Employment: ~900

Sources: BEA-REIS; Census Bureau; and BBER estimates
Cascade County Manufacturing
2011 Labor Income

- Food & Beverage: 47%
- Furniture: 5%
- Other Non-durable Goods: 29%
- Printing & Related: 7%
- Other Durable Goods: 12%

Labor Income:
- $61.6 million - 2011
- $66.2 million - 2012

Employment:
- ~1,050

Sources: BEA-REIS; Census Bureau; and BBER estimates
Missoula County Manufacturing
2011 Labor Income

- Wood & Furniture: 24%
- Food & Beverage: 19%
- Chemical: 12%
- Other Non-Durable Goods: 8%
- Other Durable Goods: 37%

Labor Income:
- $93.9 million - 2011
- $94.4 million - 2012

Employment:
- ~2,150

Sources: BEA-REIS; Census Bureau; and BBER estimates
Yellowstone County Manufacturing

2011 Labor Income

Labor Income:
- $269 million - 2011
- $288 million - 2012

Employment:
- ~3,450

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

- Petroleum & Coal: 61%
- Chemicals: 4%
- Metals: 8%
- Food & Beverage: 10%
- Other Durable Goods: 14%
- Other Non-durable goods: 3%
- Other Non-durable goods: 3%
Gallatin County Manufacturing
2011 Labor Income

Labor Income:
$123 million - 2011
$124 million - 2012

Employment
~2,700

Sources: BEA-REIS; Census Bureau; and BBER estimates
Butte-Silver Bow County
Manufacturing

Labor Income:
$46.5 million - 2011
$44.1 million - 2012

Employment:
~700

Sources: BEA-REIS; Census Bureau; and BBER estimates
Flathead County Manufacturing

2011 Labor Income

**Labor Income:**
- $154 million - 2011
- $163 million - 2012

**Employment:**
- ~3,000

**Industry Breakdown:**
- Wood & Furniture: 44%
- Other durable goods: 35%
- Other non-durable goods: 8%
- Food: 3%
- Fabricated Metals: 5%
- Computers & electronics: 5%

**Sources:** BEA-REIS; Census Bureau
Fergus County Manufacturing

Labor Income:
$12.8 million - 2011
$15.0 million - 2012

Employment:
~400
Hill County Manufacturing

Labor Income:
$3.4 million - 2011
$2.5 million - 2012

Employment:
~120
Manufacturing Miscellany

- MMEC & MSU report - assisting growth & overcoming barriers
- MT Manufacturing Council - subsidiary of MT Chamber of Commerce
- MT Photonics Industry Alliance formed
- MT Outdoor Industry Assoc. forming
- Made in MT Food & Gift Show March 2014
- Manufacturing & Trade Day May 2014
2013-2014 Montana Manufacturers Survey

- annual survey
- conducted in November
- open-ended & multi-choice questions
- current & coming year
- 170 firms participated
- response rate ~80%
Montana Manufacturing 2013 Recap

• Better than 2012 for many firms
• Employment down at 20% of firms, up at 30%
• Many firms reported increased production, sales, and profits
• Few firms reported curtailments
• 50% of firms did make major capital expenditure in 2013
Montana Manufacturers Outlook Trend

- Employment
- Sales
- Production
- Overall

Graph showing trends from 2007 to 2014.
Montana Manufacturing Employment Outlook

- Wood, paper & furniture
- Food & beverage
- Chemicals, petroleum & minerals
- Machinery
Montana Forest Products Overall Outlook

Percent of Firms

<table>
<thead>
<tr>
<th>Percent of Firms</th>
<th>Outlook for 2012</th>
<th>Outlook for 2013</th>
<th>Outlook for 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than last year</td>
<td>11%</td>
<td>32%</td>
<td>37%</td>
</tr>
<tr>
<td>Same as last year</td>
<td>76%</td>
<td>49%</td>
<td>57%</td>
</tr>
<tr>
<td>Worse than last year</td>
<td>6%</td>
<td>11%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Outlook for 2012: 11%
Outlook for 2013: 76%
Outlook for 2014: 11%
Montana Forest Products Industry 2014 Forecast

• U.S. homebuilding to improve, will boost wood product demand.
• Markets are expected to be better but more volatile.
• Output & sales should increase.
• Employment & worker earnings should also increase.
• Timber availability could be the major constraint for Montana mills.
Helena Area Manufacturing Outlook

Percent of Firms

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Outlook for 2013</th>
<th>Outlook for 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than last year</td>
<td>42%</td>
<td>50%</td>
</tr>
<tr>
<td>Same as last year</td>
<td>25%</td>
<td>33%</td>
</tr>
<tr>
<td>Worse than last year</td>
<td>33%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Outlook for 2013
Outlook for 2014
Great Falls & Havre Area Manufacturing Outlook

<table>
<thead>
<tr>
<th>Percent of Firms</th>
<th>Outlook for 2013</th>
<th>Outlook for 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than last year</td>
<td>41%</td>
<td>38%</td>
</tr>
<tr>
<td>Same as last year</td>
<td>47%</td>
<td>46%</td>
</tr>
<tr>
<td>Worse than last year</td>
<td>12%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Missoula Area Manufacturing Outlook

<table>
<thead>
<tr>
<th>Percent of Firms</th>
<th>Outlook for 2013</th>
<th>Outlook for 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than last year</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Same as last year</td>
<td>32%</td>
<td>39%</td>
</tr>
<tr>
<td>Worse than last year</td>
<td>12%</td>
<td>11%</td>
</tr>
</tbody>
</table>
Billings Area Manufacturing Outlook

<table>
<thead>
<tr>
<th>Percent of Firms</th>
<th>Outlook for 2013</th>
<th>Outlook for 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than last year</td>
<td>53%</td>
<td>42%</td>
</tr>
<tr>
<td>Same as last year</td>
<td>32%</td>
<td>47%</td>
</tr>
<tr>
<td>Worse than last year</td>
<td>15%</td>
<td>11%</td>
</tr>
</tbody>
</table>
Bozeman Area Manufacturing Outlook

Percent of Firms

- Better than last year: 30% (2013), 52% (2014)
- Same as last year: 49% (2013), 39% (2014)
- Worse than last year: 21% (2013), 7% (2014)
Butte Area Manufacturing Outlook

Percent of Firms

- Better than last year: 15%
- Same as last year: 69%
- Worse than last year: 9%

Outlook for 2013
- Better than last year: 15%
- Same as last year: 64%
- Worse than last year: 15%

Outlook for 2014
- Better than last year: 27%
- Same as last year: 64%
- Worse than last year: 9%
Kalispell Area Manufacturing Outlook

Percent of Firms

- **Better than last year**: 42% (2013), 56% (2014)
- **Same as last year**: 50% (2013), 44% (2014)
- **Worse than last year**: 4% (2013), 0% (2014)
Lewistown Area Manufacturing Outlook

<table>
<thead>
<tr>
<th>Percent of Firms</th>
<th>Outlook for 2012</th>
<th>Outlook for 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than last year</td>
<td>47%</td>
<td>67%</td>
</tr>
<tr>
<td>Same as last year</td>
<td>38%</td>
<td>33%</td>
</tr>
<tr>
<td>Worse than last year</td>
<td>15%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Montana Manufacturing Forecast for 2014

• Positive outlook statewide and across sectors.

• Continued improvements anticipated.

• Modest growth expected in statewide employment & worker earnings.

• Health insurance costs and work comp rates remain major concerns.