Montana Manufacturing: 2015 Outlook

Todd A. Morgan, CF
Montana & U.S. Manufacturing Employment 1990-2014

Source: BEA-REIS SA-25N
Montana Manufacturing

Labor Income by Sector

- Employment: ~23,500
- Labor Income: ~$1.1 billion
- Sales: ~$14 billion*

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

*Sales: ~$14 billion*
Montana Manufacturing

- Inflation adjusted value of output increasing
- Highly influenced by price of petroleum products

Value of Montana Manufacturing Shipments

Source: U.S. Census Bureau
Montana Manufacturing Exports

Export sales: ~$1.1 billion annually

Decline in total export sales since 2011

Top export destinations:
- Canada - 49%
- China - 7%
- Taiwan - 5.6%
- Korea - 5.5%
- Belgium - 4.5%

Sources: wisertrade.org
Energy Use by Montana Manufacturers

- Energy use by the “industrial” sector declined steeply during the Great Recession, has not returned to pre-recession levels.

- Industrial energy use is a smaller fraction of total than historically; residential & commercial energy use are increasing.

- Manufacturing accounts for about 25% of total energy consumption in Montana.

- Value of manufacturing output per amount of energy consumed has increased.

- Energy costs should be declining for Montana manufactures.
Natural Gas Use by Montana Manufacturers

Industrial Natural Gas Use in Montana

- 13 of 30 largest natural gas users in MT are manufacturers.
- About 380 industrial users.
- Industrial use has declined since recession.

Sources: DOE-EIA and MT-DEQ
Electricity Use by Montana Manufacturers

- Industrial share of electricity use declining for decades.
- Biggest manufacturing users: Oil refineries, forest products, REC Silicon, cement plants.

Sources: DOE-EIA and MT-DEQ
2014-2015 Montana Manufacturers Survey

- annual survey
- conducted in November
- open-ended & multi-choice questions
- current & coming year
- 178 firms participated
- cooperation rate 90%
Montana Manufacturing
2014 Recap

• Better than 2013 for most firms!
• Employment up at 33% of firms, down at 19%.
• Many firms reported increased production, sales, and profits.
• Few firms reported curtailments.
• 46% of firms did make a major capital expenditure.
Montana Manufacturing Forecast for 2015

- Positive outlook statewide and across most sectors.
- Continued improvements anticipated.
- Modest growth expected in statewide employment & worker earnings.
- Health insurance costs and work comp rates remain major concerns.
Montana Forest Products

Percent of Firms

Outlook for 2012
Outlook for 2013
Outlook for 2014
Outlook for 2015

Better than last year
32%
37%
41%
11%

Same as last year
76%
49%
49%
11%

Worse than last year
11%
15%
6%
11%
Montana Forest Products
2015 Forecast

- U.S. homebuilding to improve & Canadian imports could start to decline.
- Output & sales should increase.
- Employment & worker earnings should also increase.
- Timber availability is the major constraint for Montana mills.
- Log prices may continue to increase.
- Without increased log supply, mill closures are possible - despite stronger markets.
Montana Craft Brewing Industry Trends

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2010-2013 Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (bbl)</td>
<td>87,442</td>
<td>102,925</td>
<td>114,340</td>
<td>130,121</td>
<td>49%</td>
</tr>
<tr>
<td>Sales ($ Millions)</td>
<td>21.8</td>
<td>26.1</td>
<td>29.4</td>
<td>33.9</td>
<td>55%</td>
</tr>
<tr>
<td>Employment</td>
<td>231</td>
<td>320</td>
<td>388</td>
<td>486</td>
<td>110%</td>
</tr>
<tr>
<td>Compensation ($ Millions)</td>
<td>5.2</td>
<td>6.4</td>
<td>7.9</td>
<td>9.5</td>
<td>84%</td>
</tr>
<tr>
<td>Expenditures ($ Millions)</td>
<td>15.6</td>
<td>18.8</td>
<td>19.8</td>
<td>22.5</td>
<td>44%</td>
</tr>
</tbody>
</table>

## Top 5 States for Breweries per Capita

<table>
<thead>
<tr>
<th>State</th>
<th>Breweries per 100,000 Adults 21+</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Oregon</td>
<td>6.3</td>
</tr>
<tr>
<td>2. Vermont</td>
<td>6.2</td>
</tr>
<tr>
<td>3. Montana</td>
<td>5.3</td>
</tr>
<tr>
<td>4. Colorado</td>
<td>4.7</td>
</tr>
<tr>
<td>5. Maine</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Source: Brewers Association - [www.brewersassociation.org](http://www.brewersassociation.org)
Missoula County Manufacturing
2013 Labor Income

- Wood & Furniture: 20%
- Food & Beverage: 20%
- Other Durable Goods: 40%
- Chemicals: 13%
- Other Non-durable Goods: 7%

**Labor Income:**
- $93.2 million - 2011
- $91.5 million - 2012
- $100.5 million - 2013

**Employment:** ~2,345

Sources: BEA-REIS; Census Bureau; and BBER estimates
Missoula Area Manufacturing Outlook

Percent of Firms

<table>
<thead>
<tr>
<th>Outcome</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than last year</td>
<td>50%</td>
<td>50%</td>
<td>53%</td>
</tr>
<tr>
<td>Same as last year</td>
<td>32%</td>
<td>39%</td>
<td>37%</td>
</tr>
<tr>
<td>Worse than last year</td>
<td>12%</td>
<td>11%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Lewis & Clark County Manufacturing
2013 Labor Income

- Chemicals: 25%
- Food & Beverage: 12%
- Printing: 5%
- Transportation Equipment: 33%
- Other Goods: 16%
- Fabricated Metals: 3%
- Wood & Furniture: 6%

**Labor Income:**
- $38.5 million - 2011
- $42.4 million - 2012
- $45.0 million - 2013

**Employment:**
- ~970

Sources: BEA-REIS; Census Bureau; and BBER estimates
Cascade County Manufacturing
2013 Labor Income

- Food & Beverages: 45%
- Furniture & Wood Products: 7%
- Other Non-durable Goods: 29%
- Printing: 7%
- Other Durable Goods: 15%

Labor Income:
- $60.5 million - 2011
- $64.3 million - 2012
- $63.8 million - 2013

Employment: ~1,150

Sources: BEA-REIS; Census Bureau; and BBER estimates
Great Falls & Havre Area Manufacturing Outlook

Percent of Firms

<table>
<thead>
<tr>
<th></th>
<th>Outlook for 2013</th>
<th>Outlook for 2014</th>
<th>Outlook for 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than last year</td>
<td>41%</td>
<td>38%</td>
<td>45%</td>
</tr>
<tr>
<td>Same as last year</td>
<td>47%</td>
<td>46%</td>
<td>50%</td>
</tr>
<tr>
<td>Worse than last year</td>
<td>12%</td>
<td>15%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Yellowstone County Manufacturing
2013 Labor Income

**Labor Income:**
- $263 million - 2011
- $285 million - 2012
- $282 million - 2013

**Employment:**
~3,670

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

- **Petroleum Products**: 55%
- **Chemicals**: 5%
- **Fabricated Metals**: 12%
- **Food & Beverage**: 9%
- **Other Non-durable Goods**: 4%
- **Other Durable Goods**: 15%

Other Non-durable Goods 4%
Other Durable Goods 15%
Food & Beverage 9%
Petroleum Products 55%
Chemicals 5%
Fabricated Metals 12%
Gallatin County Manufacturing
2013 Labor Income

Labor Income:

- $122 million - 2011
- $123 million - 2012
- $138 million - 2013

Employment

~3,190

Sources: BEA-REIS; Census Bureau; and BBER estimates
Bozeman Area Manufacturing Outlook

<table>
<thead>
<tr>
<th>Percent of Firms</th>
<th>Outlook for 2013</th>
<th>Outlook for 2014</th>
<th>Outlook for 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than last year</td>
<td>52%</td>
<td>50%</td>
<td>30%</td>
</tr>
<tr>
<td>Same as last year</td>
<td>49%</td>
<td>39%</td>
<td>21%</td>
</tr>
<tr>
<td>Worse than last year</td>
<td>7%</td>
<td>45%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Silver Bow County Manufacturing
2013 Labor Income

Labor Income:
$45.0 million - 2011
$42.6 million - 2012
$45.4 million - 2013

Employment:
~750

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

Wood Products 1%
Other Non-durable Goods 4%
Beverages 13%
Food 3%
Fabricated Metals 3%
Printing 1%

Other Durable Goods 75%
Butte Area Manufacturing Outlook

Percent of Firms

- 15% Better than last year
- 36% Same as last year
- 27% Worse than last year

Outlook for 2013: 69%
Outlook for 2014: 64%
Outlook for 2015: 55%
Flathead County Manufacturing
2013 Labor Income

Labor Income:
- $152 million - 2011
- $160 million - 2012
- $173 million - 2013

Employment:
~3,320

Sources: BEA-REIS; Census Bureau

Wood & Furniture 43%
Other Durable Goods 30%
Other Non-durable Goods 7%
Food & Beverages 4%
Computers & Electronics 6%
Fabricated Metals 10%
Kalispell Area Manufacturing Outlook

Percent of Firms

- **Better than last year**
  - 2013: 42%
  - 2014: 32%
  - 2015: 12%

- **Same as last year**
  - 2013: 50%
  - 2014: 44%

- **Worse than last year**
  - 2013: 4%
  - 2014: 0%
  - 2015: 12%
Richland County Manufacturing

Total Labor Income: $23 million

Total Employment: ~420
Sidney Area Manufacturing Outlook

Percent of Firms

- **Outlook for 2011**
  - Better than last year: 60%
  - Same as last year: 50%
  - Worse than last year: 0%

- **Outlook for 2013**
  - Better than last year: 50%
  - Same as last year: 50%
  - Worse than last year: 17%

- **Outlook for 2015**
  - Better than last year: 40%
  - Same as last year: 17%
  - Worse than last year: 0%
Custer County Manufacturing

Total Labor Income: $3.8 million

Total Employment: ~120