Montana’s Economic Recovery: Making Sense of Mixed Signals

Patrick M. Barkey
Bureau of Business and Economic Research
The University of Montana - Missoula
2010: Predictions and Surprises

- Inventory Correction Fuels U.S. Growth Spurt
- Consumer Spending Holds Back Growth
- Employment Growth Turns Positive, Barely
- Montana Income Tax Withholdings Swing to Growth
- Europe’s Weakest Economies Max Out Their Credit Cards
- Gulf Oil Spill is Worst in History
- Montana Income Growth Revised Sharply Downward
New Concerns For Montana

• Correction in Housing Still Not Finished
• U.S. Consumer Confidence Stuck in a Rut
• No More Stimulus to Bail Out State Government
• Downward Assessment of Global Economic Growth
Montana’s Recession Experience

Payroll Employment, Index, June 2008 = 100

Montana

U.S.
Montana’s Recession Experience

Nonfarm Labor Earnings, 2007Q4 = 100

- Montana
- North Dakota
- Nevada
- U.S.
The Outlook for U.S. Growth

- After spurt to begin the year, growth falls back
- Growth has been unbalanced
- High productivity gains have limited the need for new hiring
- Concern over Europe, unemployment, and sluggish consumer spending have downgraded forecasts
Large Businesses Leading Growth, Small Businesses Still MIA

$ Billions

Percent, 1986=100

2008 2009 2010

Corp Profits

NFIB Confidence

Large Businesses Leading Growth, Small Businesses Still MIA
Half of Those Unemployed are Long-Term Jobless

- > 27 weeks
- 14-27 weeks
- 5-14 weeks
- < 5 weeks
Government Borrowing is Exploding

Govt. Deficit as Percent of GDP

Government Debt as Percent of GDP

Source: International Monetary Fund
But Private Borrowing is in Reverse

Commercial and Industrial Loans at all Commercial Banks (BUSLOANS)

Source: Board of Governors of the Federal Reserve System
Flathead and Gallatin County Construction Economies Fall to Earth

Construction Employment Index, 2001 Q1 = 100.
1999-2009 Montana Nonresident Traveler Expenditure Trends

Total Inflation-Adjusted Expenditures (millions of 2009 dollars)

Source: UM ITRR
Montana’s Economic Base

- Nonresident Travel
- Mining
- Manufacturing
  - Wood and Paper
  - Other Manufacturing
- Agriculture
- Federal Government (Incl. Military)
- Construction
- Montana State Government

**Current Status**

- Weak Recovery
- Positioning for Growth
- 90% Permanent Closures
- Recovering Back to Long-term Average
- Stimulus
- No Rebound in Sight
- Significant Cuts Ahead
Actual and Projected Change in Nonfarm Labor Income, Montana, 2007-2013

Percent

'07  '08  '09  '10  '11  '12  '13

Actual  Projected

2.6  2.9  3.0  2.4
-0.7  1.3  0.8  1.8  1.8  1.9
0.3  -1.3  -2.3
Montana Payroll Employment Growth by Sector

Recovery Year in Total Employment

Source: IHS Global Insight
Montana’s Economic Recovery

Questions?