The National and Statewide Economic Outlook

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Another Mid-Year Economic Malaise

- Very weak consumer spending brings U.S. growth below 2 percent in second quarter
- European recession, prospect of currency crisis hangs over global economy
- Western states doing better
- Inflation remains a non-issue
- Housing is healing
Faster Growth Postponed Again

Growth in U.S. Real GDP, percent, Actual and Forecast
The Rise and Fall of Europe

Yields on 10-year Government Bonds

- Greece
- Portugal
- Ireland
- Spain
- Italy
- France
- Germany

Introduction of Euro
Lehman bankruptcy
U.S. Housing Price Appreciation Closer

Percent Change in Case-Shiller Composite Housing Price Index, 3 month moving average
Montana’s Current Status:
The Good and the Bad

- Income growth looks strong
- Job market is healing
- Housing prices beginning to recover
- Energy investment is robust
- Spring/Summer has been very dry
- Retail remains very weak
- Global economic concerns affecting energy and commodity prices
Income Tax Withholding
12-month totals

Jul-08
Sep-08
Nov-08
Jan-09
Mar-09
May-09
Jul-09
Sep-09
Nov-09
Jan-10
Mar-10
May-10
Jul-10
Sep-10
Nov-10
Jan-11
Mar-11
May-11
Jul-11
Sep-11
Nov-11
Jan-12
Mar-12
May-12

11% rate
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu/
Housing Price Index, 2000Q1-2012Q1

Source: Federal Housing Finance Agency.
## Commodity Prices: Favorable to Montana?

### Materials & Foodstuffs (as of June 2012)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lumber ($ per Thousand BF)</td>
<td>321.65</td>
<td>430.78</td>
</tr>
<tr>
<td>Barley ($ per bushel)</td>
<td>2.25</td>
<td>5.41</td>
</tr>
<tr>
<td>Beef ($ per Pound)</td>
<td>1.04</td>
<td>1.94</td>
</tr>
<tr>
<td>Wheat ($ per bushel)</td>
<td>4.29</td>
<td>11.97</td>
</tr>
</tbody>
</table>

### Metals & Energy (as of June 2012)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper ($ per Metric Ton)</td>
<td>3105.10</td>
<td>9880.94</td>
</tr>
<tr>
<td>Lead ($ per Metric Ton)</td>
<td>986.17</td>
<td>3722.61</td>
</tr>
<tr>
<td>Zinc ($ per Metric Ton)</td>
<td>1112.90</td>
<td>3546.30</td>
</tr>
<tr>
<td>Oil ($ per Barrel)</td>
<td>39.15</td>
<td>133.93</td>
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</tbody>
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Question #1: 
Is the Montana Energy Boom Real?
Montana Oil and Gas Production Index, January 1993=100

Source: U.S. Energy Information Administration
The above chart shows the number of oil well permits issued by the Montana Board of Oil and Gas Conservation between 2008-2012. The blue bars show the number of permits granted in the first half of each year and the red bars show the total for each year. In the first half of 2012, 225 permits were authorized, which is nearly as much as the 232 permits provided in all of 2011.
Personal Income
Percent Change, 2009-2010

Source: U.S. Bureau of Economic Analysis
Question #2: Is there any reason to think this boom is any different?
Actual and Projected Coal Use

Coal Consumption
Quadrillion BTU

Coal-fired electricity
generation GWH

Source: U.S. Energy Information Administration
Labor Income and Basic Industries, Montana

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent</th>
<th>Prospects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>14%</td>
<td>Strong Growth</td>
</tr>
<tr>
<td>Mining</td>
<td>5%</td>
<td>Flat</td>
</tr>
<tr>
<td>Wood Products</td>
<td>5%</td>
<td>Mixed</td>
</tr>
<tr>
<td>Agric. &amp; Related</td>
<td>11%</td>
<td>Mixed</td>
</tr>
<tr>
<td>Travel &amp; Tourism</td>
<td>9%</td>
<td>Weak Recovery</td>
</tr>
<tr>
<td>Other Manufacturing</td>
<td>12%</td>
<td>Mixed</td>
</tr>
<tr>
<td>Transportation</td>
<td>11%</td>
<td>Recovering</td>
</tr>
<tr>
<td>Fed. Military</td>
<td>9%</td>
<td>Unknown</td>
</tr>
<tr>
<td>Fed. Civilian</td>
<td>23%</td>
<td>Mild Declines</td>
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</tbody>
</table>

Percent
Recovery Year for Real Wages