How Will Montana Fare in the Post Commodity Boom Economy?

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The U.S. Economy at Mid Year

• Labor markets approaching full employment
• Stronger dollar, bad weather contribute to surprising first quarter growth stall
• Real estate markets coming to life
• Still no movement on interest rates by the Federal Reserve
• Have commodity prices found bottom?
The Commodity Price Supercycle

IMF All Commodity Price Index, 2005 = 100
The Global Growth Slowdown
Average Growth, 2000-10

Real GDP Growth, Percent

- United States: 1.9%
- Japan: 0.9%
- Canada: 2.2%
- Eurozone: 1.1%
- Brazil: 3.6%
- India: 7.4%
- China: 10.5%
- Russia: 5.1%
The Global Growth Slowdown
Average Growth, 2000-10
With 2015 Forecast

Real GDP Growth, Percent

Canada
2.2% 1.6%

United States
1.9% 2.7%

Russia
5.1%

Eurozone
1.1% 1.5%

Japan
0.9% 1.1%

Brazil
3.6% -1.3%

India
7.2% 7.4%

China
10.5% 7.1%

Canada
1.9% 2.7%

Eurozone
1.1% 1.5%

Japan
0.9% 1.1%

Brazil
3.6% -1.3%

India
7.2% 7.4%

China
10.5% 7.1%
Commodity Prices Running Much Cooler

Materials & Foodstuffs (as of May 2015)

- Lumber ($ per Thousand BF)
  - Low: 165.45
  - High: 249.90
  - Current: 207.50
- Barley ($ per bushel)
  - Low: 2.56
  - High: 5.63
  - Current: 4.62
- Beef ($ per Pound)
  - Low: 1.45
  - High: 2.72
  - Current: 1.99
- Wheat ($ per bushel)
  - Low: 4.29
  - High: 9.82
  - Current: 5.86

Metals & Energy (as of May 2015)

- Copper ($ per Metric Ton)
  - Low: 5729.28
  - High: 9880.94
  - Current: 6294.78
- Lead ($ per Metric Ton)
  - Low: 1707.28
  - High: 2719.35
  - Current: 1991.78
- Zinc ($ per Metric Ton)
  - Low: 1746.51
  - High: 2743.45
  - Current: 2281.80
- Oil ($ per Barrel)
  - Low: 47.60
  - High: 110.04
  - Current: 59.26
What Lower Oil Prices?
U.S. Crude Output Still Growing

Percent Change in Crude Oil Production
Source: U.S. Energy Information Administration
Big Efficiency Gains in Drilling Operations are Evident

Rig Counts, Oil and Gas Wells, 7/10/2015 vs. 7/7/2014
Source: Baker-Hughes
2015 Growth Not Hitting the Growth Target
Forecasts of U.S. Real GDP Growth, Percent

Source: IHS, Inc.
Montana Economic Highlights

- State closed out 2014 with good economic momentum
- Bozeman continues to lead growth, but growth is more geographically balanced
- Retail activity has picked up significantly
- Too early to see evidence of oil price decline in the most reliable economic indicators
Real Payroll Wages Growth
Percent Change, 13Q4-14Q4

Missoula 3.7%
Gallatin 5.5%
Richland 8.1%
Yellowstone 5.1%

Real Payroll Wages
Richland County

Index, 2009Q2=100

Data Seasonally Adjusted by BBER.
Real Payroll Wages
Gallatin County

Index, 2009Q2=100

Gallatin
Montana

Data Seasonally Adjusted by BBER.
Wage Growth Pattern More Balanced
Growth in Real Wages, 2013-14 ($ Millions)
Construction and Retail Among Fastest Growing Growth in Real Wages, 2013-14 ($ Millions)
Housing Prices Continue Growth

Federal Home Loan Agency Housing Price Index, 1995Q1=100
Montana’s Recent Growth

Percent Change in Real Wages and Salaries

Year

2008 2009 2010 2011 2012 2013 2014
Change in BBER Forecasts
Montana, 2012-2018

2014 Forecast
2015 Forecast
Questions?