

# The Montana Outlook

## The Transition to Growth

by Patrick M. Barkey

The recession tightened its grip on Montana's economy in 2009, producing the first back-to-back declines in consecutive years in real nonfarm labor earnings since 1986. What began as downturns in construction and wood products industries in 2008 spread out into nearly every segment of the economy in 2009, as well as into every corner of the state.

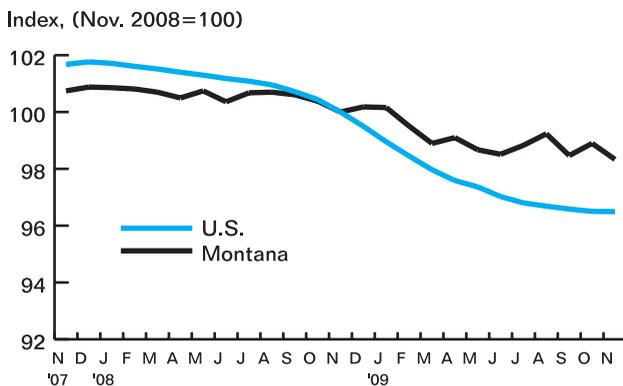
It was a year that saw the global recession arrive at the doorstep of almost every sector of the state's economy. In the first half of 2009:

- Construction continued to see double-digit declines in earnings, led by big dips in building construction;
- Montana's transportation industries continued to be hurt by declines in goods shipments, with earnings in transportation and warehousing industries down by 4 to 5 percent;

- Once fast-growing Flathead and Gallatin counties saw sharp declines in wage income due to steep cutbacks in construction and (for Flathead) forest products industry employment. The more modest declines in Missoula and Yellowstone counties were closer to the state average.
- Most employment and earnings declines tapered off in their severity as we moved toward the summer.

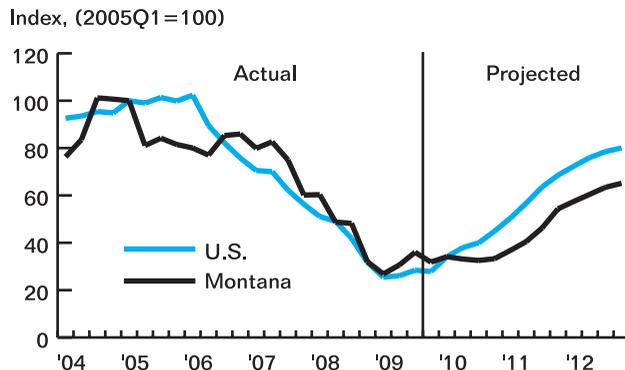
We expect to see some recovery overall in the state economy in 2010 as consumer spending in the national economy stabilizes and markets for Montana's products begin to improve. Job growth will be slow, and the unemployment rate is expected to remain high through 2010. The closure of Smurfit-Stone in 2010 represents another challenge to growth.

**Figure 1**  
Nonfarm Wage and Salary Employment, Montana and U.S.



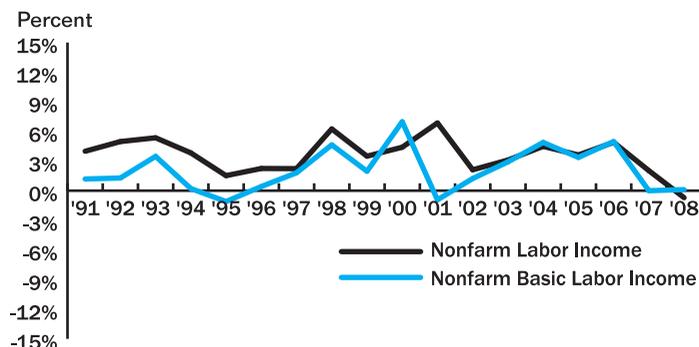
Sources: U.S. Bureau of Labor Statistics and Montana Department of Labor and Industry.

**Figure 2**  
Residential Housing Starts, Montana and U.S. 2004 Q1 to 2012 Q1



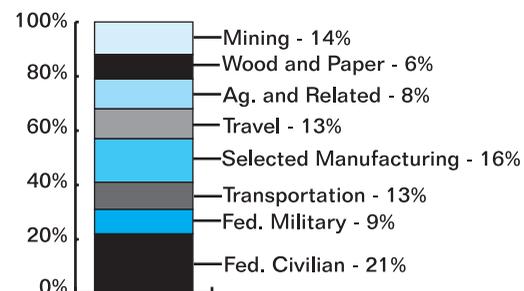
Source: U.S. Bureau of the Census and IHS Global Insight, Inc.

**Figure 3**  
Nonfarm Labor Income and Nonfarm Basic Labor Income, Montana, Percent Change, 1971-2008, [In Constant Dollars]



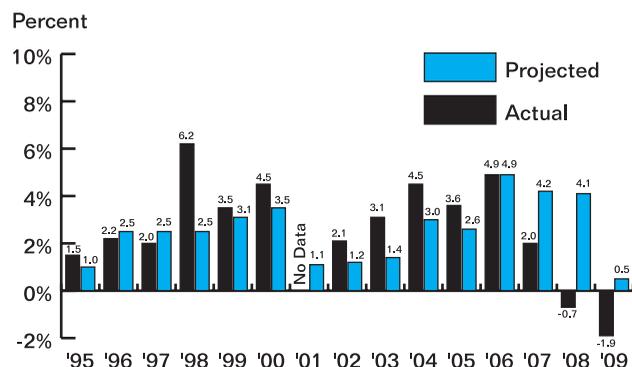
Source: Bureau of Economic Analysis, U.S. Department of Commerce.

**Figure 4**  
Labor Income in Basic Industries, Montana, 2007-2009 (Percent of Total)



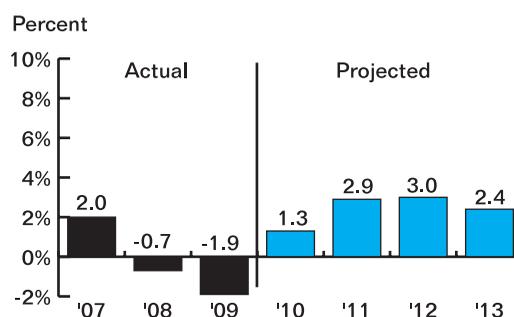
Sources: Bureau of Business and Economic Research, The University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

**Figure 5**  
Actual and Projected Percent Change in Nonfarm Labor Income, Montana, 1995-2009



Sources: Bureau of Business and Economic Research, The University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

**Figure 6**  
Actual and Projected Percent Change in Nonfarm Labor Income, Montana, 2007-2013



Note: Data seasonally adjusted by BBER.  
Source: U.S. Bureau of Labor Statistics.

The biggest risk to the forecast is a “double-dip” recession in the national economy. This risk is particularly high if monetary authorities decide to tighten the economy too early. There is also a significant risk that U.S. job losses and high savings rates will keep consumer spending weak and leave the economy stagnant for a prolonged period.

**Table 3**  
Index of Single-Family Home Prices, Annual Percent Change

	Missoula County	Cascade County	Yellowstone County	MT	US
2008Q3 - 2009Q3	-0.2	0.7	0.9	4.5	-4.2
2007Q3 - 2008Q3	-0.7	3.1	2.0	0.9	-6.0
2006Q3 - 2007Q3	4.1	4.7	7.3	5.6	1.1

Sources: U.S. Office of Federal Oversight.

**Table 4**  
Population, Montana and Regions, 1990-2010

	Thousands of Persons				Average Annual		
	Actual		Projected		Percent Change		
	1990	2000	2008	2010	1990-2000	2000-2008	2008-2010
<b>Montana</b>	800	902	967	980	1.2%	0.9%	0.7%
<b>West</b>	335	400	434	450	1.8%	1%	1.8%
Missoula	79	95	107	110	1.9%	1.5%	1.4%
Flathead	60	75	88	91	2.3%	2%	1.7%
Silver Bow	34	35	33	34	0.3%	-0.7%	1.5%
Lewis and Clark	48	56	61	61	1.5%	1.1%	0.0%
Ravalli	25	36	41	43	3.7%	1.6%	2.4%
Rest of West	89	103	104	111	1.5%	0.1%	3.3%
<b>North-Central</b>	181	183	183	184	0.1%	0.0%	0.3%
Cascade	78	80	82	82	0.3%	0.3%	0.0%
Hill	18	17	16	16	-0.6%	-0.8%	0.0%
Fergus	12	12	11	11	0.0%	-1.1%	0.0%
Rest of North-Central	73	74	74	75	0.1%	0.0%	0.7%
<b>Southeast</b>	284	319	350	346	1.2%	1.2%	-0.6%
Yellowstone	114	128	142	146	1.2%	1.3%	1.4%
Gallatin	51	68	90	93	2.9%	3.6%	1.7%
Richland	11	10	9	9	-0.9%	-1.3%	0.0%
Custer	12	12	11	11	0.0%	-1.1%	0.0%
Rest of Southeast	96	101	98	87	0.5%	-0.4%	-5.8%

Sources: Bureau of Business and Economic Research, The University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.