

“From 2007 to 2010, more than 5,270 private jobs were lost, with only 416 gained. Most employment losses were in manufacturing and construction, with wage losses totaling \$104 million.”

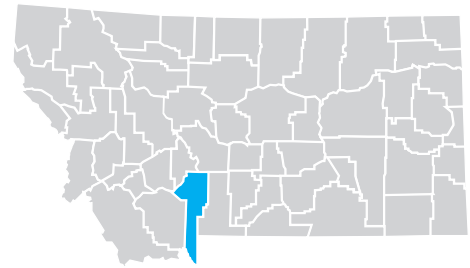
and out-of-state retirees looking for lifestyle changes. Potential buyers now have the opportunity to lease before purchasing a home. Entry-level home prices have been reduced to \$249,950 in hopes of attracting middle-income families. In addition, advertising has been scaled back, instead relying on location and drive-by traffic on Highway 93. The development also hosts various functions on site to increase exposure. Silverbrook is hopeful the real estate market is near its bottom and that home buyers will return this spring. One wild card, however, still looms. The uncertainty surrounding the political wrangling in Washington, D.C. could keep buyers away until people feel confident once again about their future.

Health Care

Personal health care spending in Flathead County this year is almost \$670 million and will increase to more than \$760 million by 2014. The health care sector is one of only two sectors to add jobs to the economy in the three years since the county’s peak employment in 2007. While other sectors in the economy have lost more than 5,000 jobs, health care has added more than 400 jobs,

comprising a remarkable 99 percent of the total jobs added economy-wide, and nearly 85 percent of the wages added to the economy since 2007. But even health care is seeing the effects of the recession. Charity care at Northwest Healthcare in Kalispell is averaging \$1 million per month, most likely a reflection of the jobless rate in the Flathead and health insurance extensions provided through the Consolidated Omnibus Budget Reconciliation Act (COBRA) running out. But the crane positioned over Northwest Healthcare is building for the future, adding \$40 million to the economy for new operating rooms, surgeons offices, and an unfinished third floor for future expansion. Another \$2 million is being spent for a new catheterization lab, electrophysiology suites, and special procedures room, and still another \$14 million for an emergency room expansion and remodel. The third floor of the facility will sit idle for now, but will be ready to accommodate future demands as the population of the valley not only grows, but also grows older.

Kalispell is evolving into a regional trade and service center. Residents are now less inclined to travel elsewhere for their health care, retail, and financial services needs. Because the recession hit the Flathead economy more so than other urban areas in the state, returning to pre-recession levels of labor earnings and employment may prove more challenging in the Flathead. But once the uncertainties surrounding budget policy are worked out in Washington, D.C., residents and visitors may feel more secure about their futures and return to pre-recession ¹²



Gallatin County Recovery has Started

Paul E. Polzin, Director Emeritus, Bureau of Business and Economic Research

Gallatin County Profile

Total Population, 2010	89,513
Percent Change in Population, 2000-2010	32%
Median Age, 2010	32.5
Percent 65 or Older, 2010	9.5%
Percent of Population with Bachelor's Degree or Higher, 2010	44.4%
Median Household Income, 2010	\$50,239
Percent of Population without Health Insurance Coverage, 2010	13.7%
Unemployment Rate, November 2011	6.7%

Sources: American Community Survey, U.S. Census Bureau; Research and Analysis Bureau, Montana Department of Labor and Industry.

The Great Recession hit the Gallatin County economy hard, but none of the basic industries were permanently scarred. The recession impacts were concentrated in the home building, construction, and nonresident travel industries.

The Gallatin County construction industry bore much of the brunt of the recession. Overall construction activity declined by roughly 37 percent during the 2007 to 2009 period, and the median price of homes in Gallatin County decreased by 32 percent. Single family housing starts dropped from a peak of 1,269 in 2004 to 337 in 2010, a decrease of 73 percent.

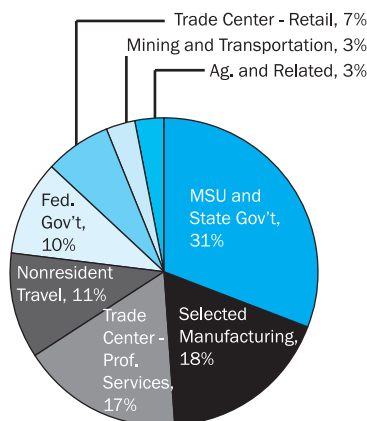
Nonresident travel accounts for about 11 percent of Gallatin County’s economic base and includes the firms

servicing tourists and recreationists in Big Sky, West Yellowstone, and the Bozeman area. Spending by nonresidents declined significantly during both 2008 and 2009, in the midst of the Great Recession, and then recovered slightly during 2010 and 2011, but has not regained its pre-recession levels.

Montana State University-Bozeman and other state offices are the largest component of the local economic base, representing about 31 percent of the labor income earned in basic industries. On one hand, these state government jobs are noncyclical and provide an economic buffer during downturns in the business cycle. On the other hand, state employees are now in the third year of a scheduled four-year wage freeze, and this sector contributes little to local economic growth.

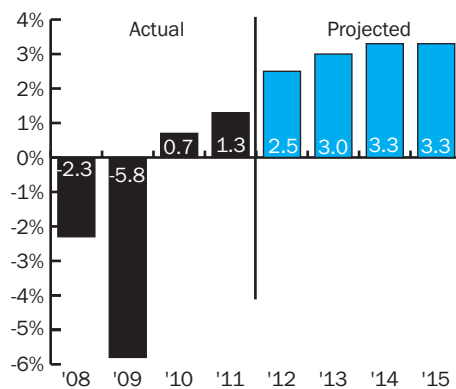
Gallatin County is the state’s center for high tech. These companies include manufactures such as Lattice Materials and Wavelength and software producers such as RightNow Technologies. Manufacturing, which also includes non-high-tech companies, accounts for about 18 percent of the economic base. Selected services, such as software production, represent about 17 percent. The sale of RightNow Technologies to Oracle (a multinational computer technology corporation) has recently been announced, and some concerns about the future of the company’s Montana operations have been expressed. But there are recent examples of sales that have benefited

Figure 1
Earnings in Basic Industries, Gallatin County, 2009-2011 (Percent of Total)



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

Figure 2
Actual and Projected Change in Nonfarm Earnings, Gallatin County, 2008-2015



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

“Even though future growth will be more moderate than before the recession, Gallatin County is projected to be among the fastest-growing urban areas in Montana.”

Montana-based companies such as the purchase of Kalispell-based Semitool by Applied Materials, another multinational corporation in Silicon Valley.

The Bozeman area is evolving into a regional trade center. More and more retail trade customers from nearby rural areas are now shopping in Bozeman stores rather than traveling to Billings. Health care has also expanded significantly but has not yet reached “export” status where the inflows of patients exceed those going to Billings or elsewhere for treatment.

After two consecutive years of declines in 2008 and 2009, the Gallatin County economy posted a slight increase in 2010 and a modest acceleration in 2011. The forecasts are for approximately 3.2 percent growth from 2012 to 2015. These increases are down sharply from the roughly 6 percent annual increases from 2001 to 2007. Even though future growth will be more moderate than before the recession, Gallatin County is projected to be among the fastest-growing urban areas in Montana. ¹²