

OUTLOOK 2013
PRESENTATIONS

Yellowstone County



**HOW CAN MONTANANS
TAKE CHARGE OF CHANGES
IN HEALTH CARE?**

Inside:

National, State, and Local Forecasts • Health Care • Travel and Recreation
Agriculture • Manufacturing • Forest Products
Housing • Energy

Published with the support of the Montana Chamber of Commerce

OUTLOOK 2013

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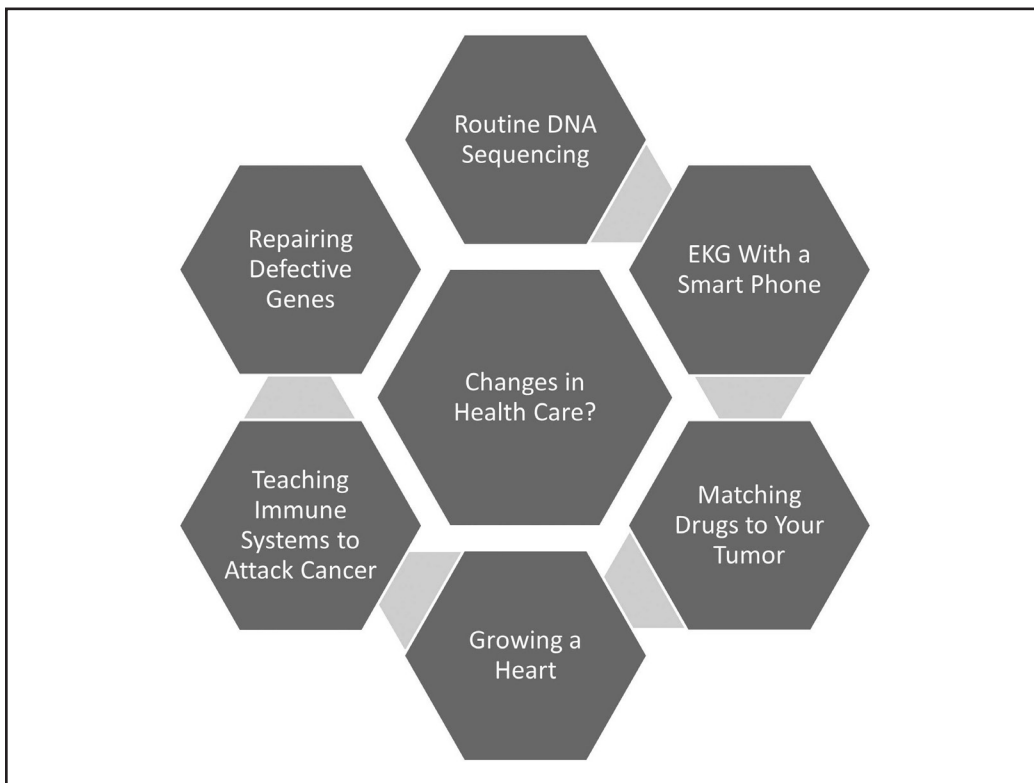
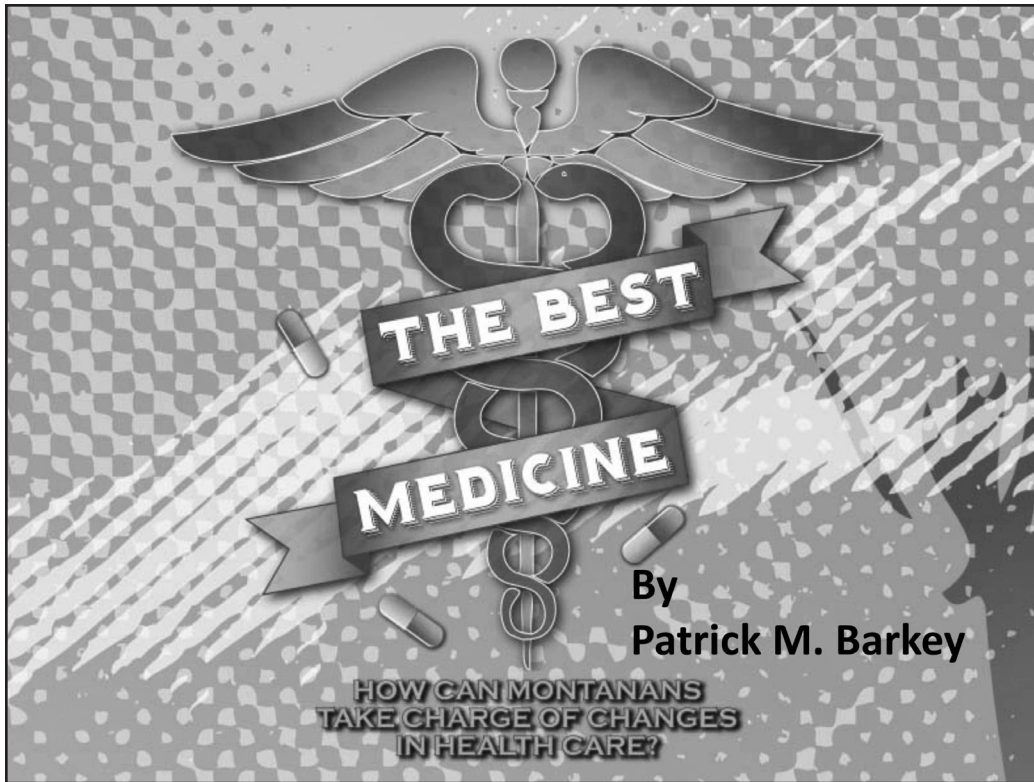
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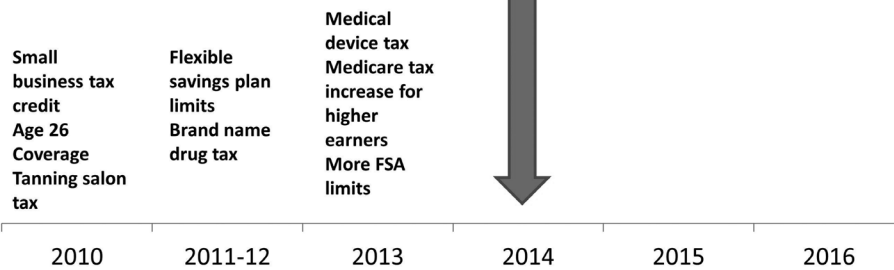
by Larry White

(with Introduction by Bob Rowe, CEO, Northwestern Energy)



Big Provisions of the Affordable Care Act Less Than One Year Away

**Health Insurance Exchanges
Medicaid Eligibility Expansion
Individual Mandate
Employer Mandate**



Debate Never Ends, But New Decisions Will Quickly Be Upon Us

- **Consumers**
Sign up for exchange? Which one?
Shopping for care
- **Businesses**
Drop group coverage?
Self-insure?
- **Providers: End of the individual practitioner?**
- **State Government**

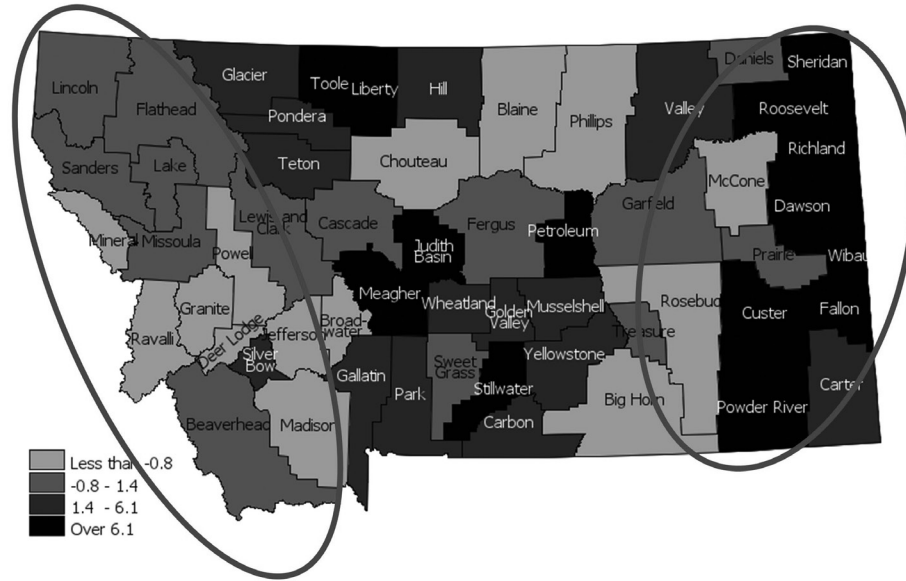
The State and National Economic Outlook: Smooth Sailing Toward a Cliff?

Patrick M. Barkey, Director
Bureau of Business and Economic Research
The University of Montana

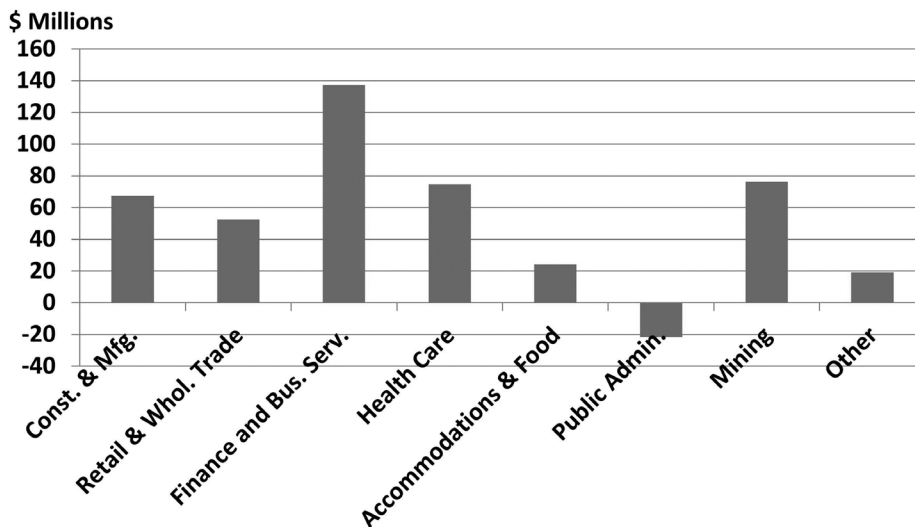
2012: A Better Year for Montana

- **Strong income growth, but not quite as strong as state tax collections would suggest**
- **Evidence of energy activity is everywhere**
- **A glimmer of growth in the west**
- **Sitting out the party: retail and government**

Real Wage Growth, Percent, 2011Q2-2012Q2

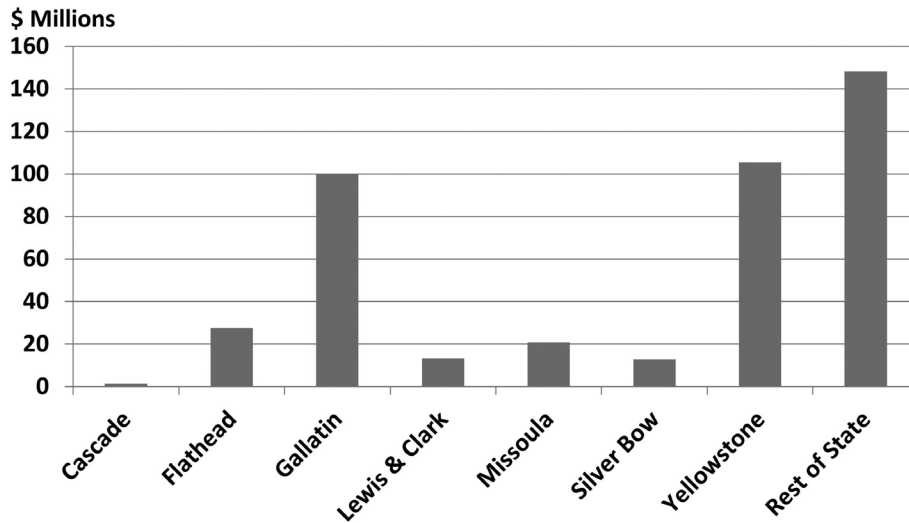


Where's the Growth? Montana Real Wage Growth



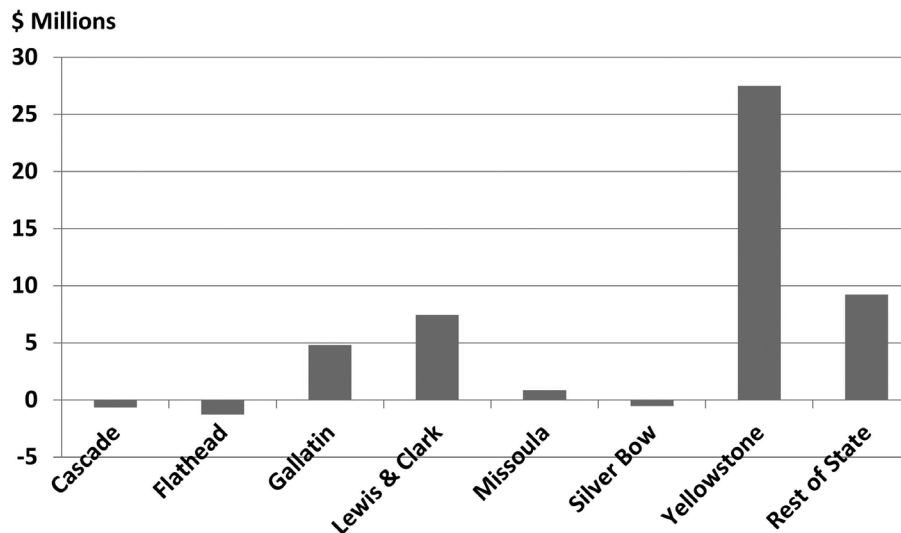
Difference between Inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

Where's the Growth? Total Real Wage Growth



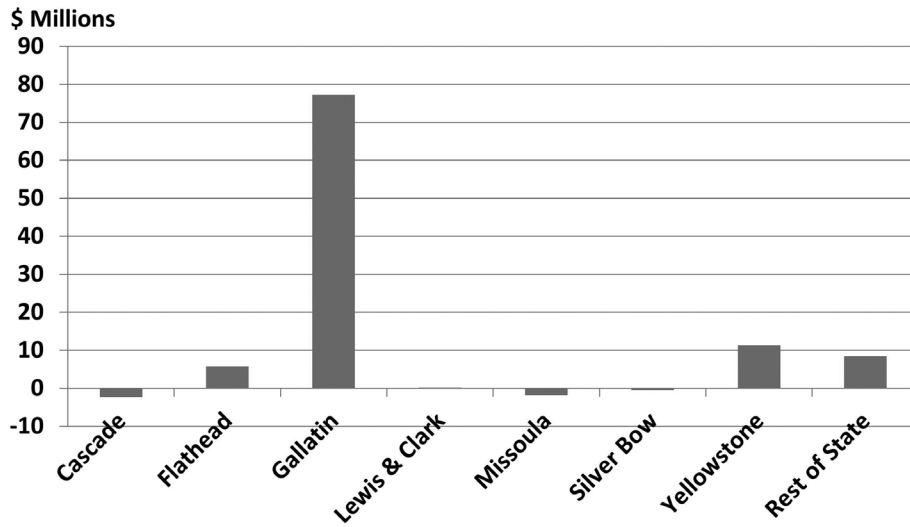
Difference between Inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

Where's the Growth? Construction Real Wage Growth



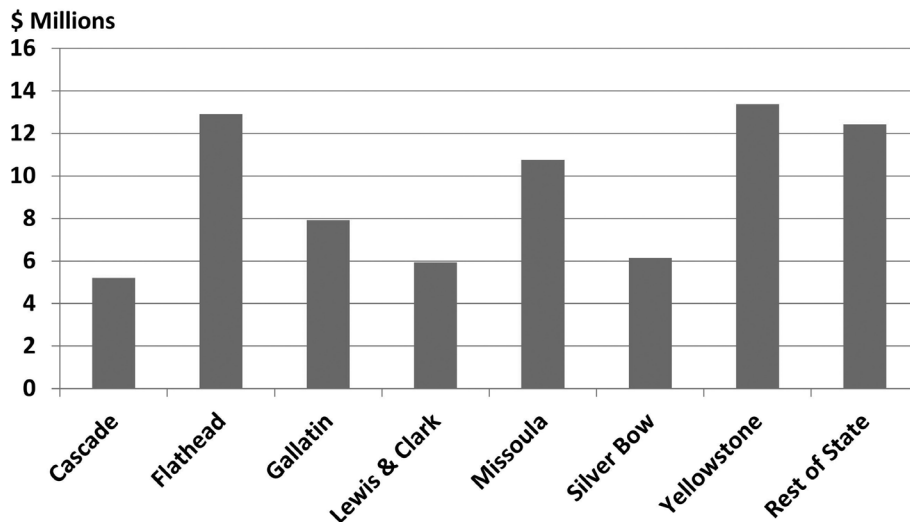
Difference between Inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

Where's the Growth? Prof. & Bus. Services Real Wage Growth



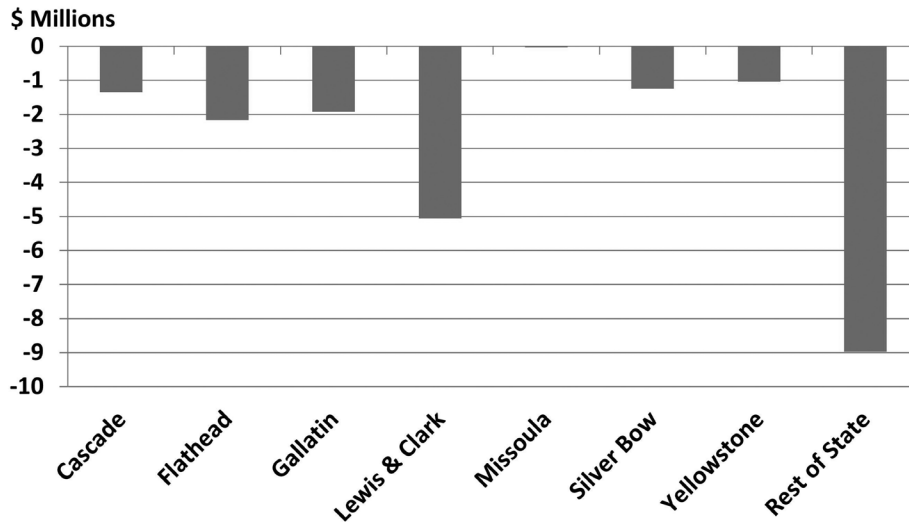
Difference between Inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

Where's the Growth? Health Care Real Wage Growth



Difference between Inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

Where's the Growth? Public Admin. Real Wage Growth

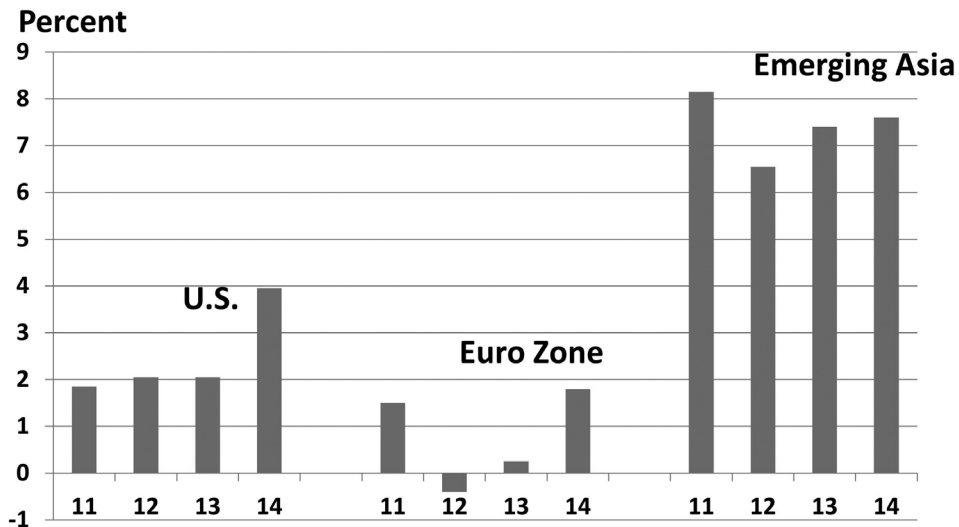


Difference between Inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

2013: Risks and Uncertainty

| <u>Risk</u> | <u>Bad Outcome</u> | <u>Impact on Montana</u> |
|------------------------------------|--|---|
| Oil Prices | ➔ Price spike from war or international event threatening supplies | ➔ Consumer spending adversely affected |
| Global Economic Growth Uncertainty | ➔ EU Recession, Asian Slowdown | ➔ Commodity price collapse, exports decline |

Global Growth Has Stumbled



Percent Change in Real Gross Domestic Product

Source: Moody's Analytics

2013: Risks and Uncertainty

| <u>Risk</u> | <u>Bad Outcome</u> | <u>Impact on Montana</u> |
|---|--|---|
| Oil Prices | ➔ Price spike from war or international event threatening supplies | ➔ Consumer spending adversely affected |
| Global Economic Growth Uncertainty | ➔ EU Recession, Asian Slowdown | ➔ Commodity price collapse, exports decline |
| Federal Budget and Tax Uncertainty: Fiscal Cliff Issues | ➔ Government Shutdown, Default or Abrupt Fiscal Contraction | ➔ New recession, disruption to federal activities |

The 2013 Fiscal Cliff as of December 1

Tax Increases:

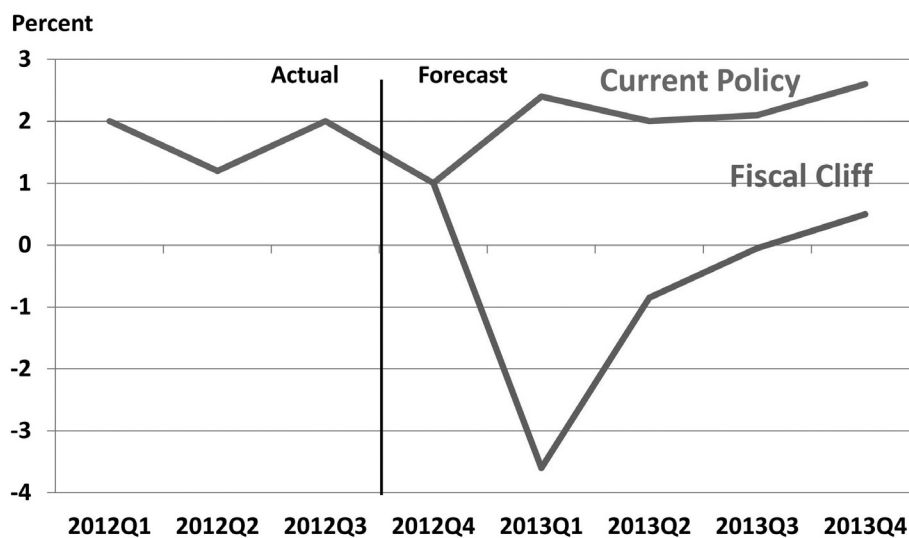
- Bush Tax Cut Expiration
- Payroll Tax Cut Expiration
- Depreciation Incentives Expiration
- Alternative Minimum Tax

Spending Cuts:

- Budget Sequester
- Emergency Unemployment Insurance Expiration
- Medicare Reimbursement Cuts

2013 Total
\$621 Billion
3.8 percent
of GDP

Implications of the Cliff for GDP



Source: Bureau of Economic Analysis and IHS Global Insight

The 2013 Fiscal Cliff as of January 4

Tax Increases:

Bush Tax Cut Expiration Most Rates Maintained

Payroll Tax Cut Expiration ✓

Depreciation Incentives Expiration Extended

Alternative Minimum Tax Permanent Fix

2013 Total

\$139 Billion

Spending Cuts:

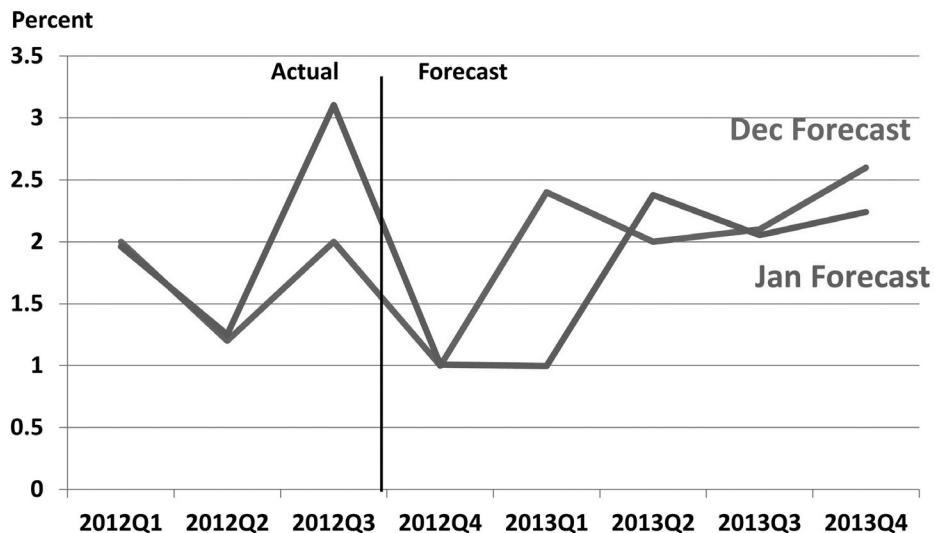
Budget Sequester Delayed 2 months

**0.9 percent
of GDP**

Emergency Unemployment Insurance Expiration Extended through 2013

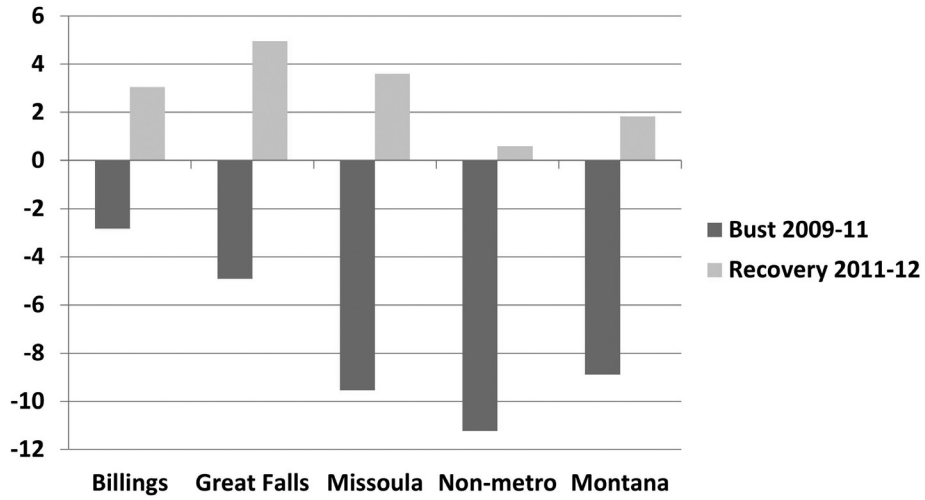
Medicare Reimbursement Cuts Delayed

Implications of the Cliff for GDP



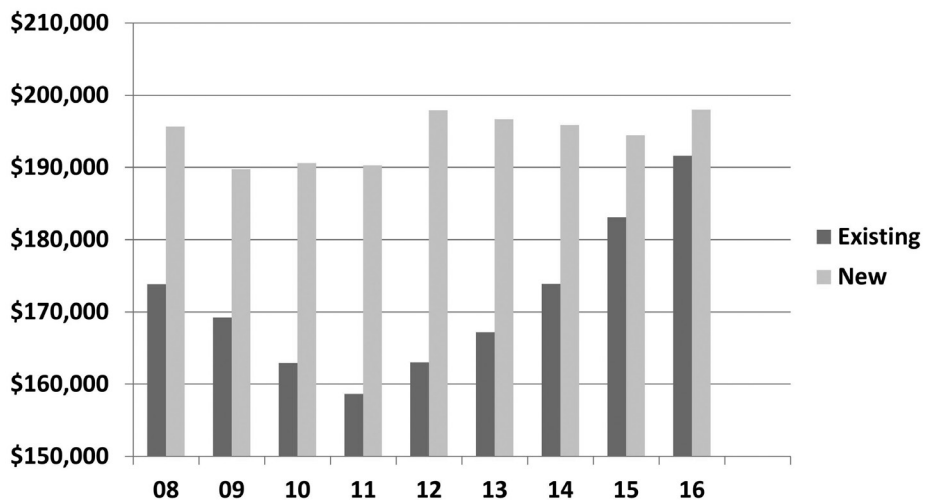
Source: Bureau of Economic Analysis and IHS Global Insight

Bust vs. Recovery Percent Change in Montana Home Price Index



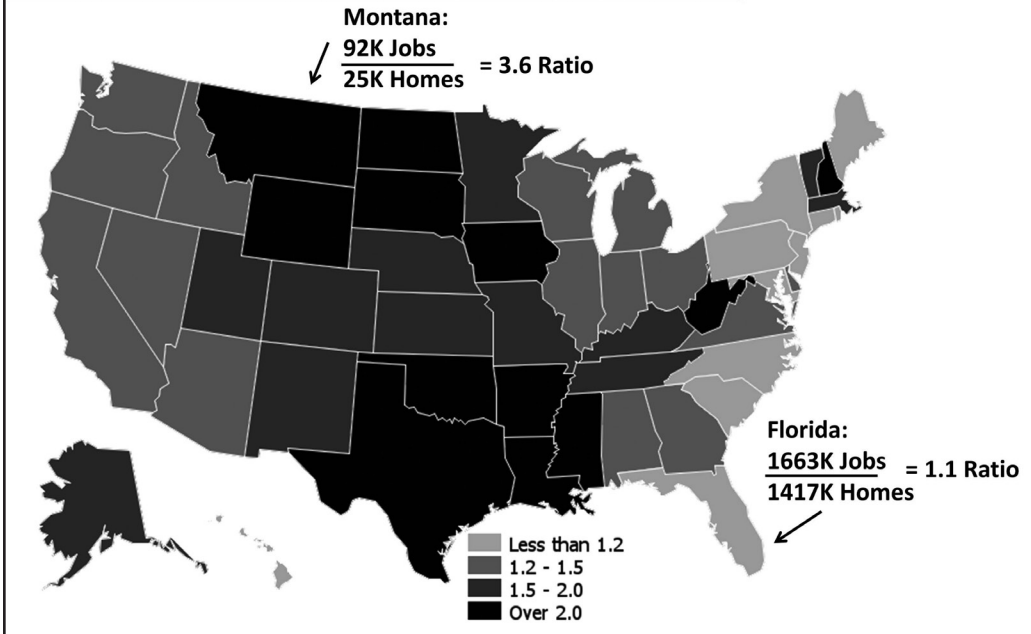
Source: Federal Home Finance Agency

New Homes Becoming More Price Competitive

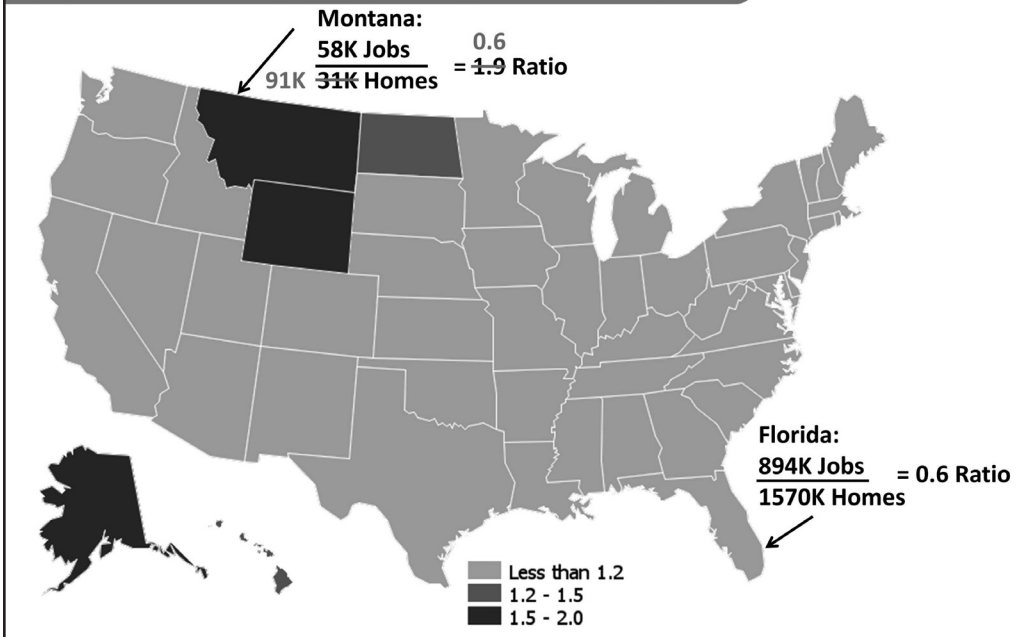


Median Prices, New and Existing Montana Homes
Forecasts from IHS Global Insight

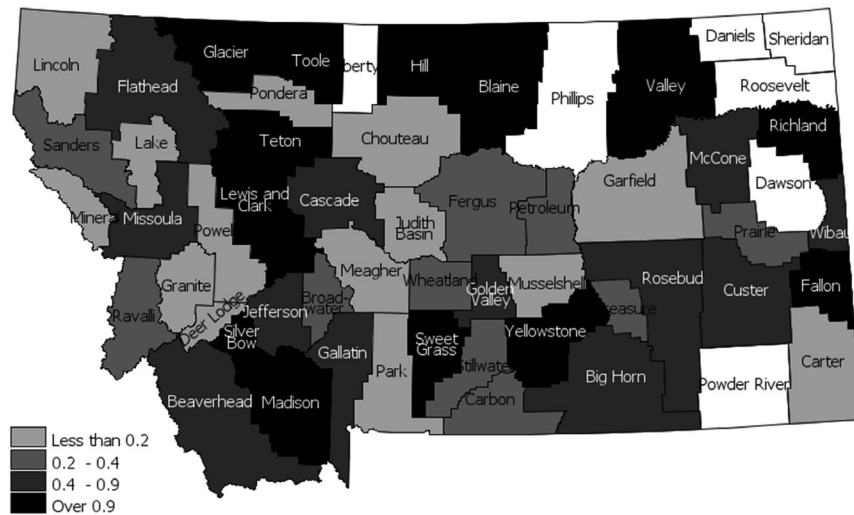
Job Growth and Housing Starts: The 1990s



Job Growth and Housing Starts: 2000-2007



Job per New Home 2000-2007



Summary

- **Montana goes into 2013 with good momentum, but some factors helping 2012 growth won't be sustained**
- **Too much uncertainty to forecast anything better than continued slow growth in U.S. economy**
- **Recovery in housing makes us more optimistic about Montana's short-term prospects**

Outlook for Key Industries



Energy and Mining:

Not a boom, but plenty of activity. Low natural gas prices affecting all markets.

Composition of Earnings in Montana's Basic Industries, 2010-12

Outlook for Key Industries

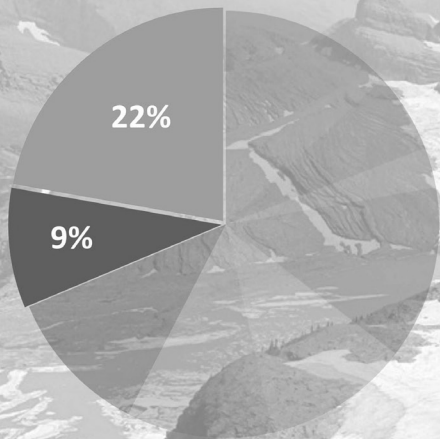


Agriculture and Related:

Sustained high prices offset drought impacts. Policy uncertainty ahead.

Composition of Earnings in Montana's Basic Industries, 2010-12

Outlook for Key Industries

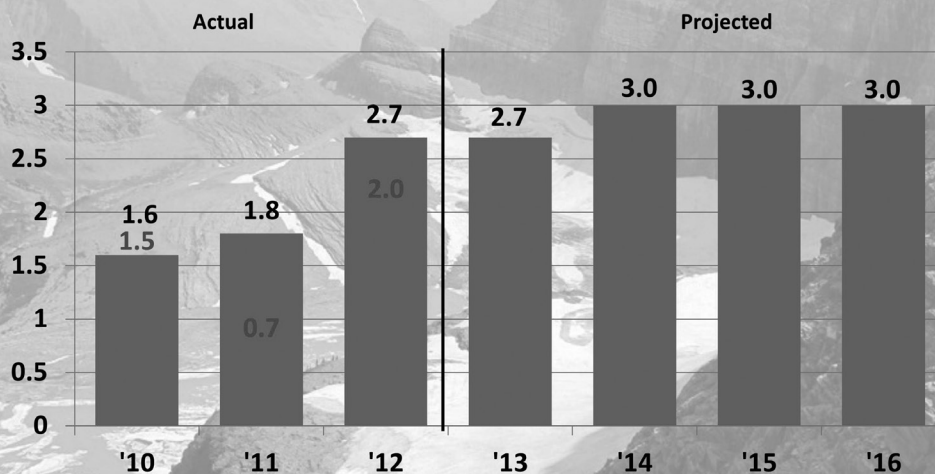


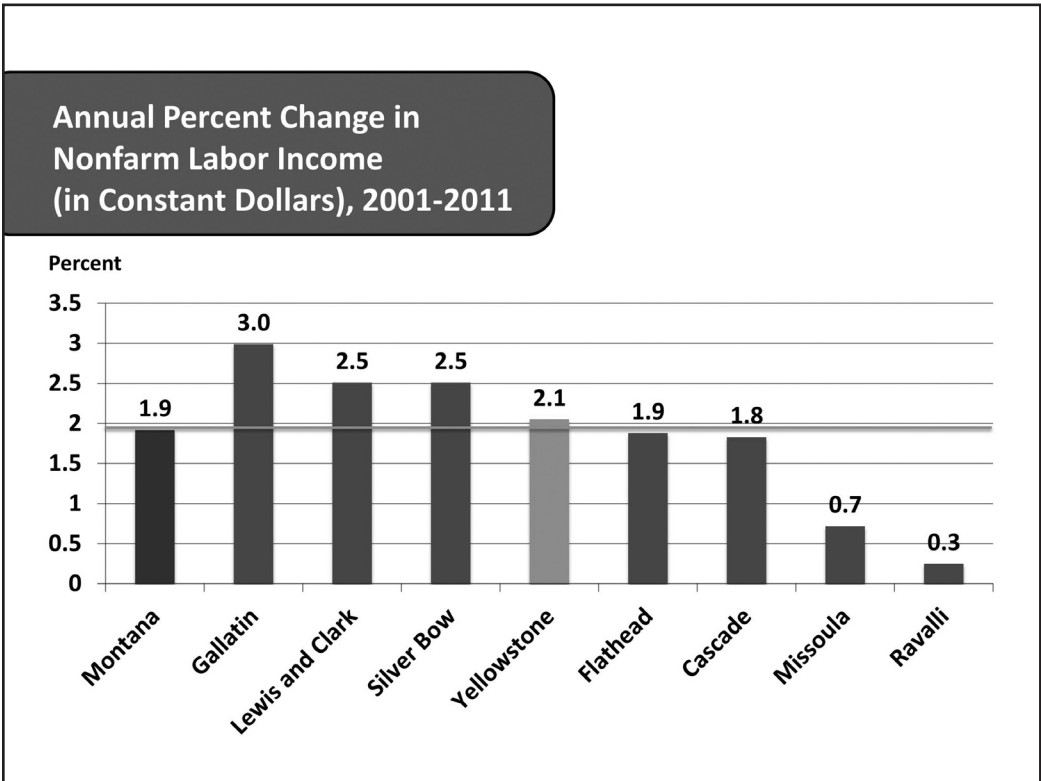
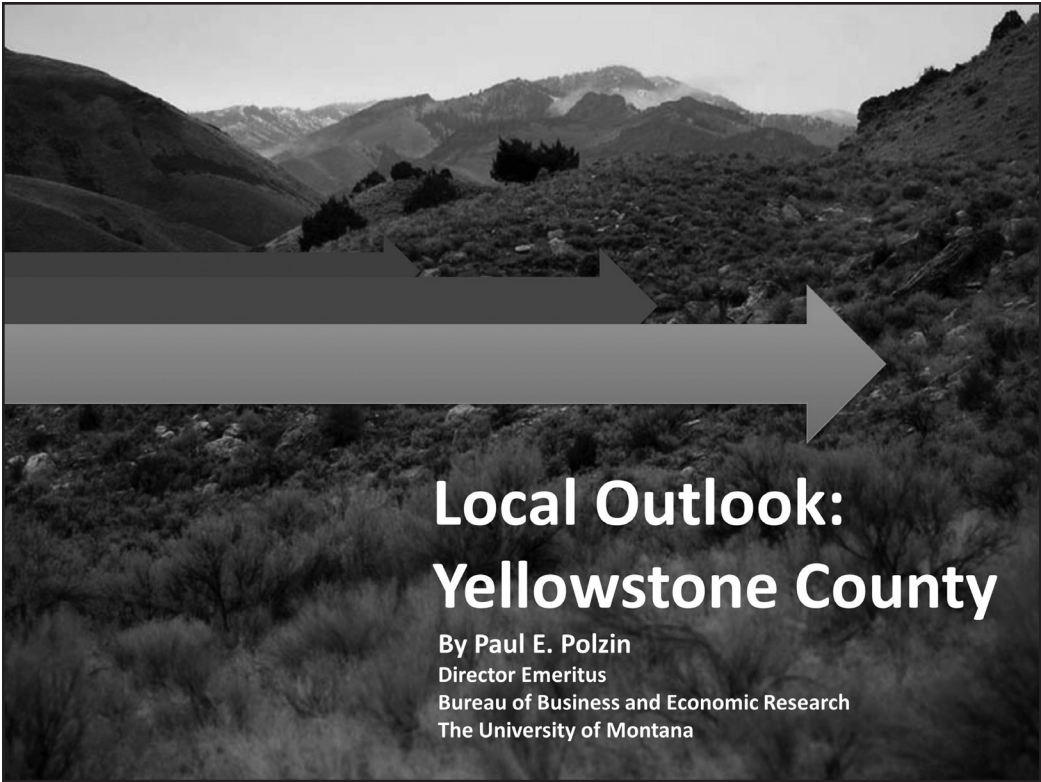
Federal Military and Civilian:

Short- and medium-term risks have risen. Current mild declines expected to continue.

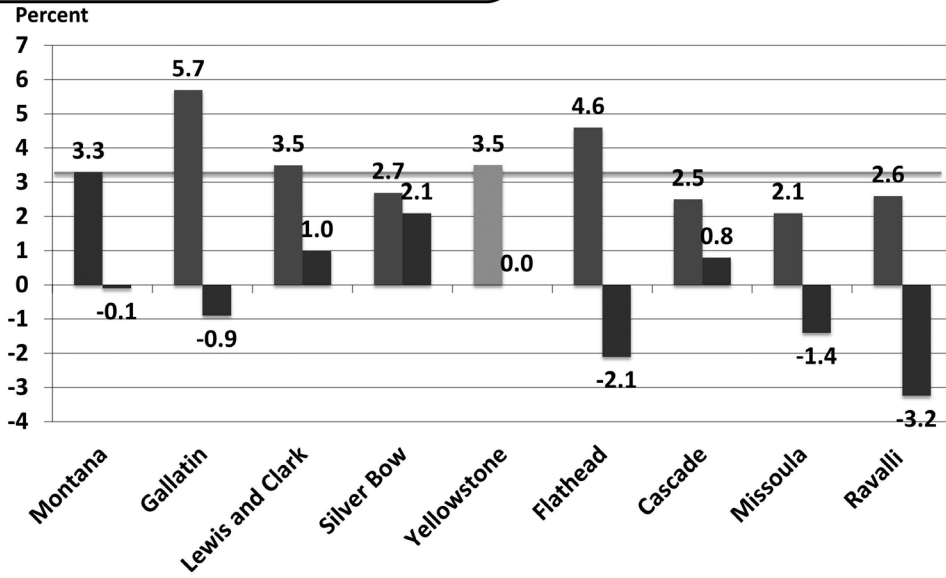
Composition of Earnings in Montana's Basic Industries, 2010-12

Change in Nonfarm Earnings, Montana, 2010-2016





**Annual Percent Change
in Nonfarm Earnings (in Constant Dollars),
2001-07 and 2007-11**



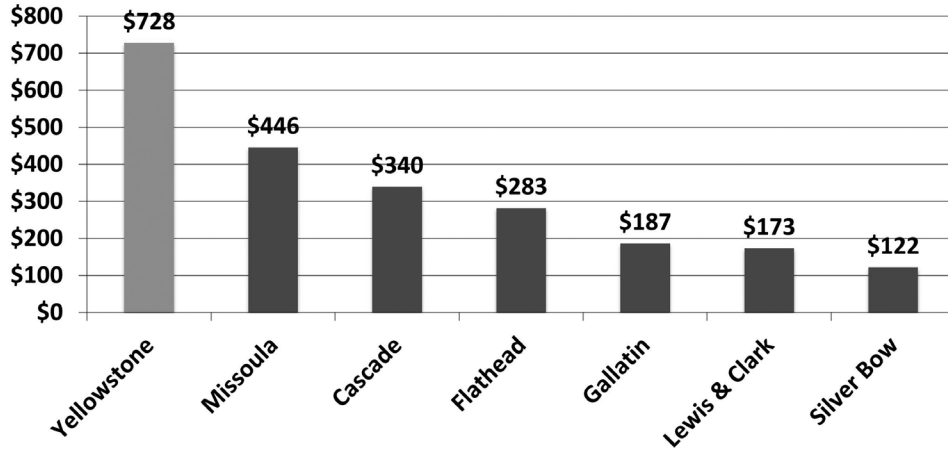
**Nonfarm Employment and
Inflation-Adjusted Wages and
Salaries, Seasonally Adjusted,
Yellowstone County**



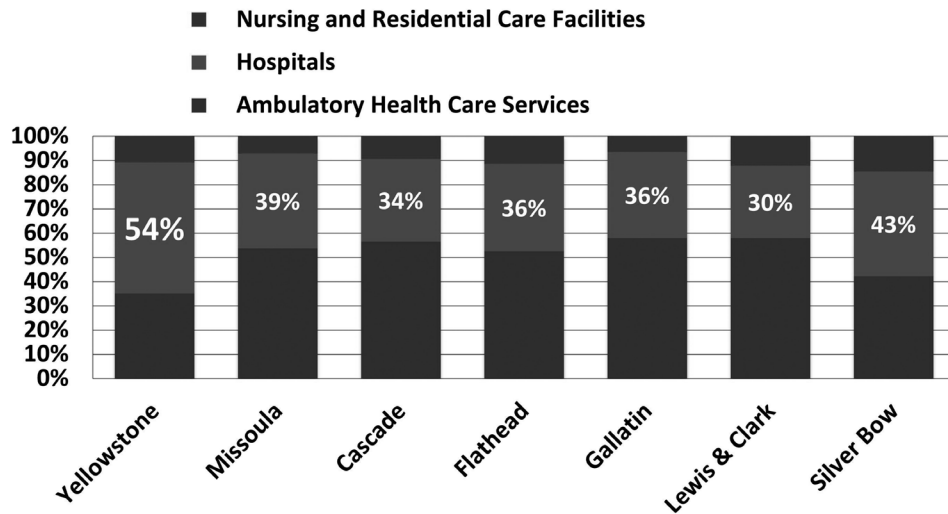


| Definition of Health Care | |
|---------------------------|---|
| NAICS Code | |
| 62 | Health Care |
| 621 | Ambulatory Health Care Services |
| 622 | Hospitals |
| 623 | Nursing and Residential Care Facilities |

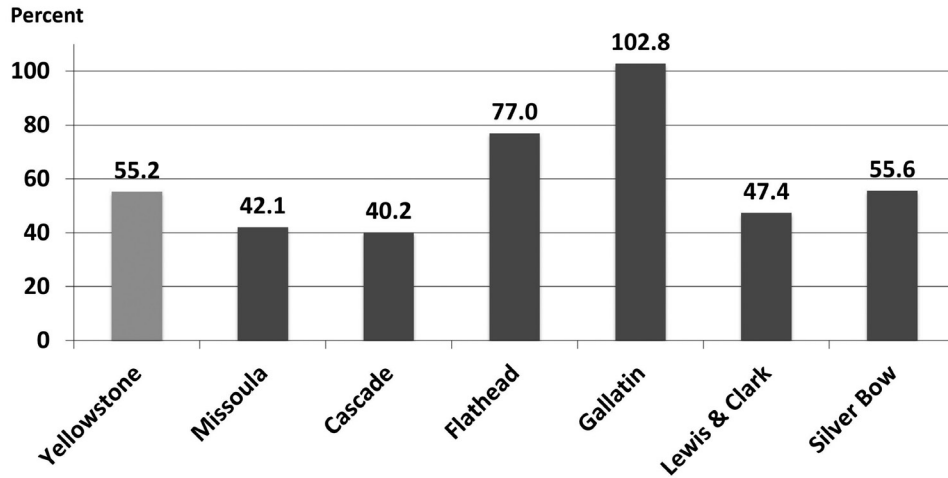
Health Care Earnings (millions of 2011 dollars)



Composition of Health Care Industry

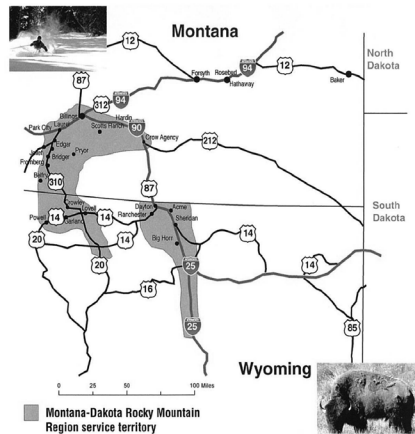


**NAICS 62, Health Care
Industry Growth 2001-2010,
Percent Change, Constant Dollars**

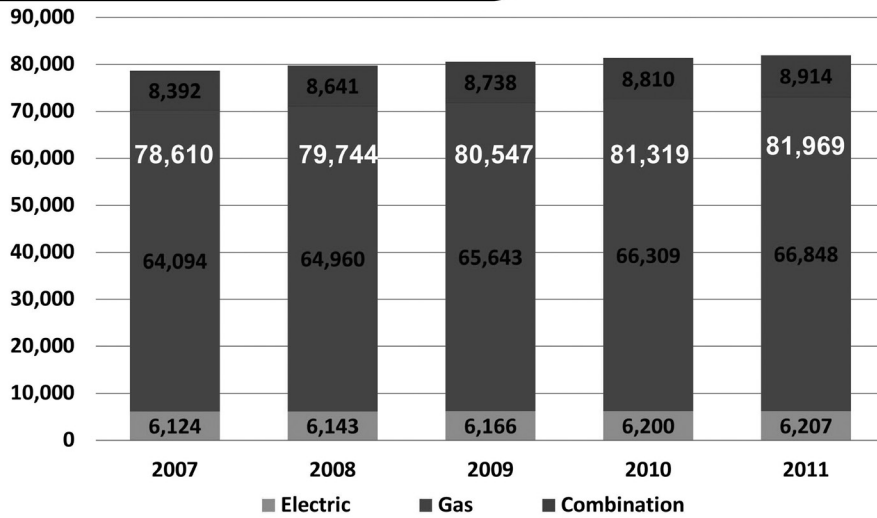


**Montana, Dakota Utilities
Rocky Mountain Region**

- MDU provides service to 81,969 customers in our service territory
- Our service territory is Montana and Wyoming
 - Montana is all gas service
 - Wyoming is electric, gas and combination gas and electric



Rocky Mountain Region Customer Counts

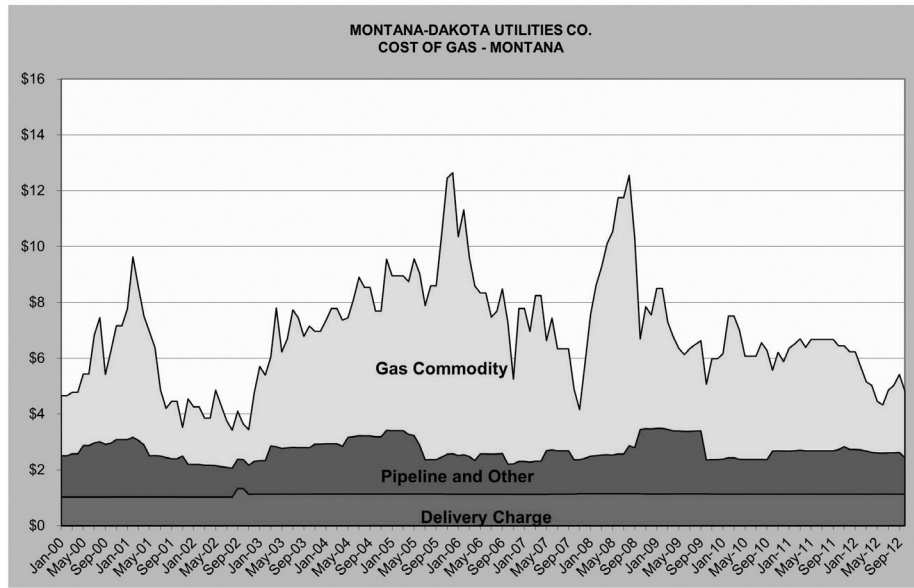


Average growth at about 1% per year

Billings Building Activity 2012 vs. 2011 YTD

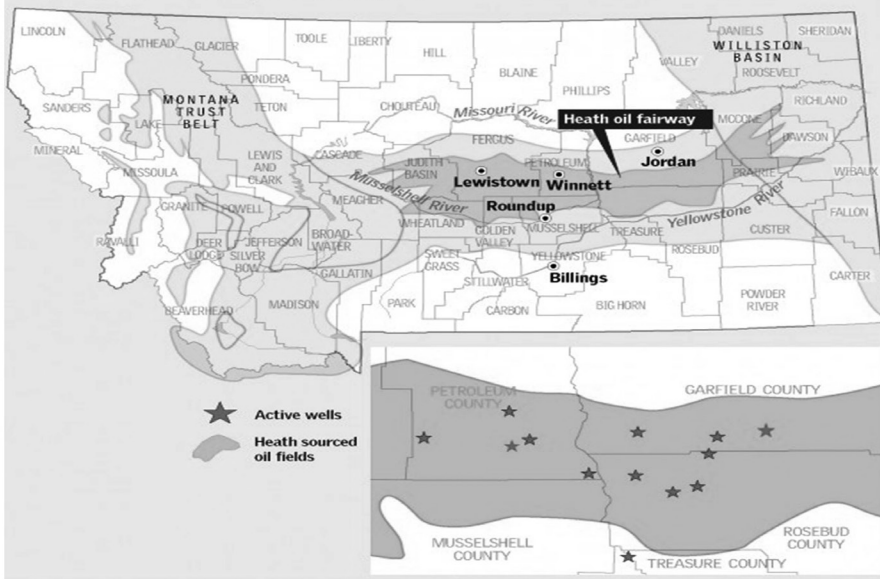
| | Total Permits | | |
|------------------------|-------------------------|------------|---------------|
| | Calendar Year to Date * | | 2012 Vs. 2011 |
| | 2012 | 2011 | (%) |
| Single Family Dwelling | 334 | 186 | 79.60% |
| Duplex | 16 | 15 | 6.70% |
| Multi-Family | 19 | 8 | 137.50% |
| Hotel/Motel | 0 | 0 | NA |
| Commercial | 69 | 63 | 9.50% |
| Garage/Carport | 58 | 63 | -7.90% |
| Total New | 496 | 335 | 48.10% |

* Current to November of 2012



Health Shale Play

Horizontal drilling in Montana



Source: www.endeavourcorp.com/_presentations/20120105%20Pritchard%20Capital%20Energize%202012%20Conf.pdf

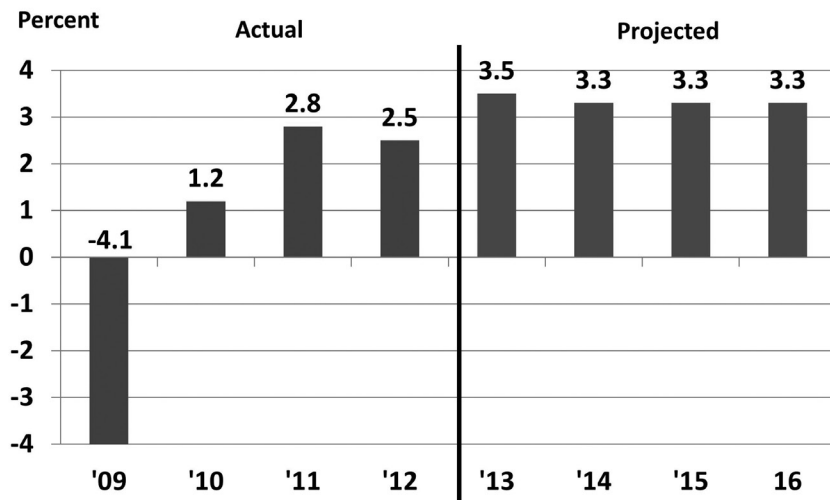
Key Points of the Play

- The shale formation is 250 miles wide East to West and 150 miles North to South
- The formation varies 10 to 40 feet in thickness
- 350 wells have been sunk into the shale play in the last 80 years
- The play is currently being evaluated with state of the art drilling technology to see if its economically viable.

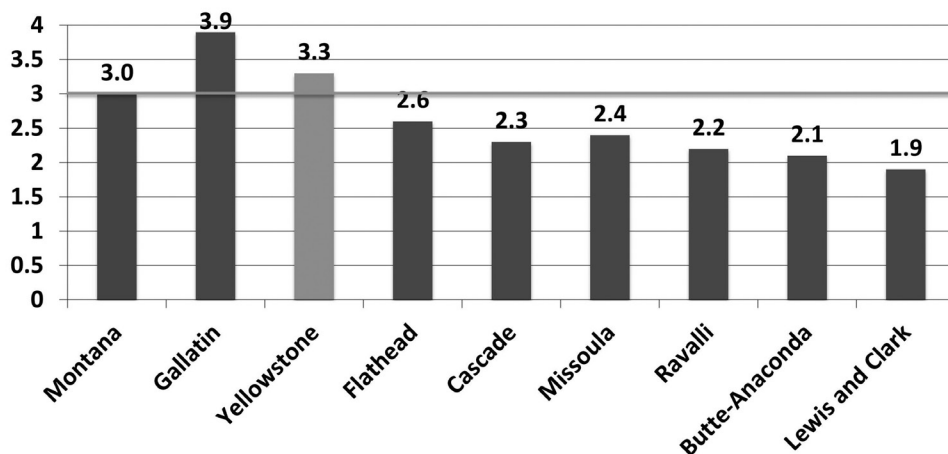
Yellowstone County's Economic Base 2011-2013

| | | |
|--|-----|------------------------|
| • Other Basic Industries | 1% | |
| • Nonresident Travel | 4% | Modest Growth |
| • Transportation | 8% | Energy Growth |
| • Mining and Support Services | 11% | Growth Potential |
| • MSU-B and State Gov't | 7% | Pay Freeze Over |
| • Federal Government | 13% | Stable at Best |
| • Health Care | 14% | Slowdown Over |
| • Manufacturing | 16% | Food Products Closure |
| • Trade Center (Wholesale, Retail, Services) | 26% | Bakken, Bakken, Bakken |
| Construction | | Recovery has Started |

Actual and Projected Change in Nonfarm Earnings, Yellowstone County, 2009-2016



Projected Annual Percent Change in Nonfarm Labor Income (in Constant Dollars) 2012-2016





Outlook 2013

Is Montana's Health Care Workforce Ready for the Affordable Care Act?

By Gregg Davis

Some Common Concerns about the Affordable Care Act

- Impact on insurance premiums?
- Will businesses dump employees into FFE?
- Will Medicare beneficiaries struggle to find doctors?
- Will ACA bend the health care cost curve upward instead of downward?

Often Missing from the Discussion...

- Ability of health care infrastructure, primarily health care workforce, to absorb potential added demands for health care due to...
 - Power of individual mandate
 - Federally Facilitated Exchange
 - Tax credits
 - Cost sharing subsidies
 - Medicaid expansion

Demand for Ambulatory Care

| Office Visits per 100 by Insurance Status | Primary Care | Surgical Specialty | Medical Specialty | Hospital Outpatient | Hospital Emergency Department |
|---|--------------|--------------------|-------------------|---------------------|-------------------------------|
| Private Insurance | 192.0 | 55.1 | 61.5 | 17.3 | 22.5 |
| Medicaid/CHIP | 254.7 | 33.1 | 44.9 | 84.9 | 82.1 |
| Uninsured | 65.3 | 17.2 | 30.1 | 19.2 | 41.5 |

Source: 2007 National Ambulatory Medical Care Survey

National Shortage Well Documented

- Factors Behind Shortage of Primary Care Doctors
 - Lower reimbursement
 - Lower comparative incomes
 - High patient loads
- Shortage of Primary Care Providers Leads to
 - Fragmented care
 - Inappropriate use of specialists
 - Less emphasis on preventive care

Affordable Care Act

- Many of ACA provisions focus on primary care
 - Reimbursement (10% bonuses), parity between Medicaid and Medicare
 - Welcome to Medicare exams, preventive services with no cost sharing
 - Individual mandate
 - Comprehensive Primary Care Initiative pilot
 - Patient Centered Homes (ACOs, Medical Homes)
 - Community Health Centers

Primary Care Provider Deficit: 2008 to 2025

- 52,000 more docs needed
 - 33,000 due to population growth
 - 10,000 due to aging
 - 8,000 due to ACA

Source: Winston Liaw et al, Annals of Family Medicine, November/December, 2012

Pre ACA Primary Care Demand in Montana, Yellowstone County

| | Expected Source of Payment | | | | | |
|--------------------|------------------------------|-----------------|----------|----------|--------------|---------|
| | Employer Sponsored Insurance | Direct Purchase | Medicare | Medicaid | No Insurance | Unknown |
| Montana | 742,310 | 295,037 | 415,287 | 141,863 | 94,653 | 47,382 |
| Yellowstone County | 120,837 | 37,503 | 58,811 | 22,182 | 15,857 | 5,302 |

Source: American Community Survey, 2009-2011, National Ambulatory Medical Care Survey, BBER

ACA Impact on Health Care Demand, Montana

| | Primary Care | Surgical Specialty | Medical Specialty | Hospital Outpatient | Hospital Emergency | Total Additional Office Visits |
|---------------------------------------|----------------|--------------------|-------------------|---------------------|--------------------|--------------------------------|
| Private Coverage | 131,999 | 39,485 | 32,713 | (1,979) | (19,795) | 182,423 |
| Medicaid | 129,283 | 10,853 | 10,102 | 44,846 | 27,713 | 222,797 |
| Total Additional Office Visits | 261,281 | 50,338 | 42,815 | 42,867 | 7,919 | 405,220 |

Source: American Community Survey, National Ambulatory Medical Care Survey, BBER

ACA Impact on Health Care Demand, Yellowstone County

| | Ambulatory Care Setting | | | | | Total Additional Office Visits |
|-----------------------|-------------------------|--------------------|-------------------|---------------------|-------------|--------------------------------|
| | Primary Care | Surgical Specialty | Medical Specialty | Hospital Outpatient | Hospital ER | |
| Private Insurance | 20,726 | 6,200 | 5,136 | (311) | (3,108) | 28,643 |
| Medicaid | 15,010 | 1,260 | 1,173 | 5,207 | 3,218 | 25,867 |
| Total Increase | 35,736 | 7,460 | 6,309 | 4,896 | 110 | 54,510 |

American Community Survey 2009-2011, National Ambulatory Medical Care Survey, BBER

Primary Care Capacity

- 2009 study by Davis, Roberts, White
 - Includes Family Practice, Internal Medicine, Pediatrics
- U.S. DHHS Guideline of 4,200 office visits/year
 - Contrasts with 5,400 office visits per AMA guidelines

Estimated Shortage/Surplus of Primary Care Office Visits, Montana

| Primary Care Supply | Primary Care Demand | Shortage (-) Surplus (+) Office Visits per Year |
|---------------------|---------------------|--|
| 2,079,000 | 1,997,814 | + 81,186 |

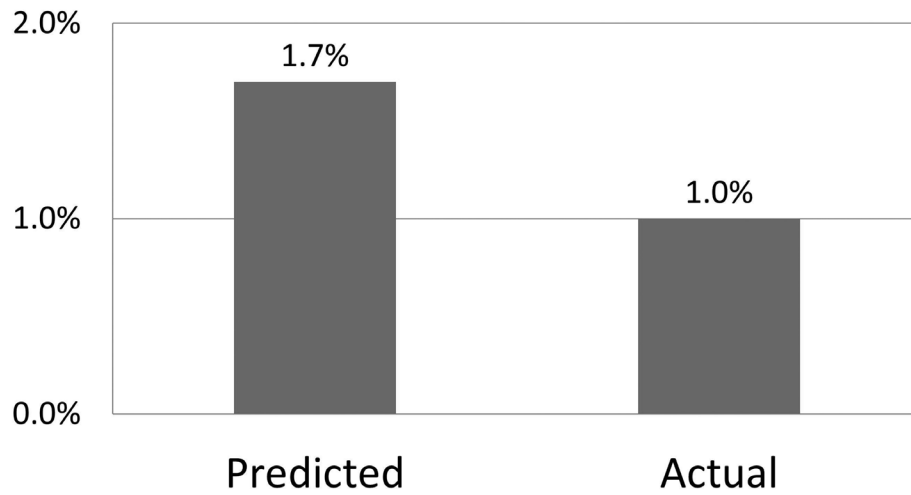
Estimated Shortage/Surplus of Primary Care Office Visits, Yellowstone County

| Primary Care Supply | Primary Care Demand | Shortage (-) Surplus (+) Office Visits per Year |
|---------------------|---------------------|--|
| 508,200 | 296,228 | + 211,972 |

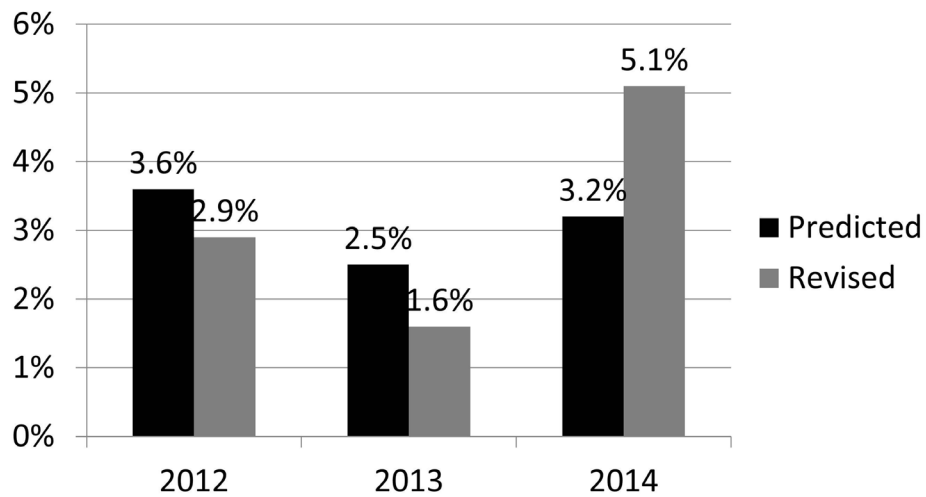
And the earnings forecast from last year?

- Depends on whether you view glass as half full or half empty
- Major revisions in key growth rates 2010-2011
 - BEA revised health care earnings growth from 3.9% to 3.2 %
 - CMS revised PHCE growth from 4.6% to 3.9%
- Impact of outsourcing on health care earnings per se

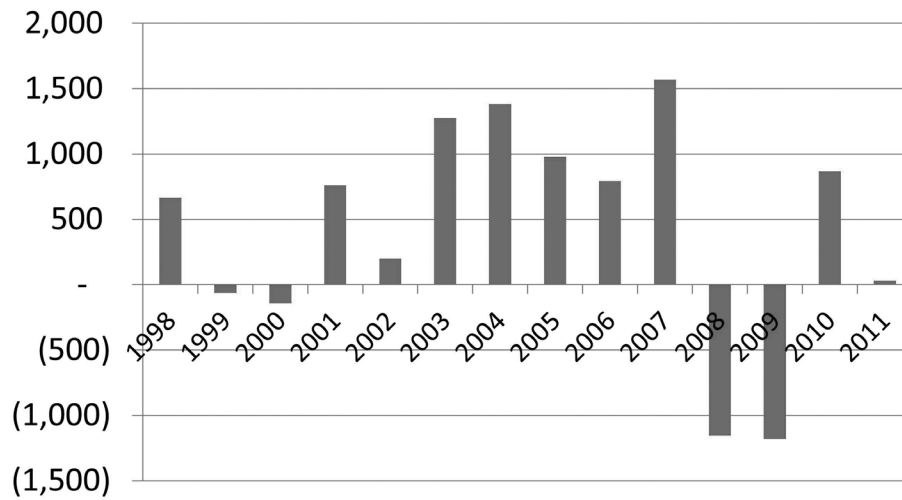
Health Care Earnings 2010-2011



Health Care Earnings, 2012-2014



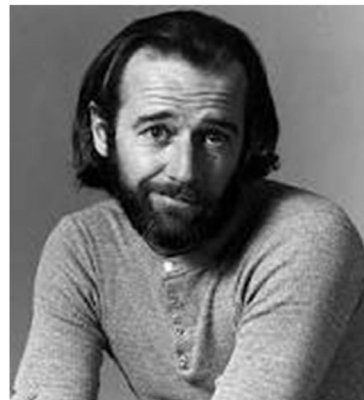
Annual Per Capita Spending Available AFTER Health Care Spending



gregg.davis@business.umt.edu

- “I don’t believe there’s any problem in this country, no matter how tough it is, that Americans, when they roll up their sleeves, can’t completely ignore.”

– George Carlin 1937-2008



Travel & Recreation: Jobs, Lifestyle, & Growth

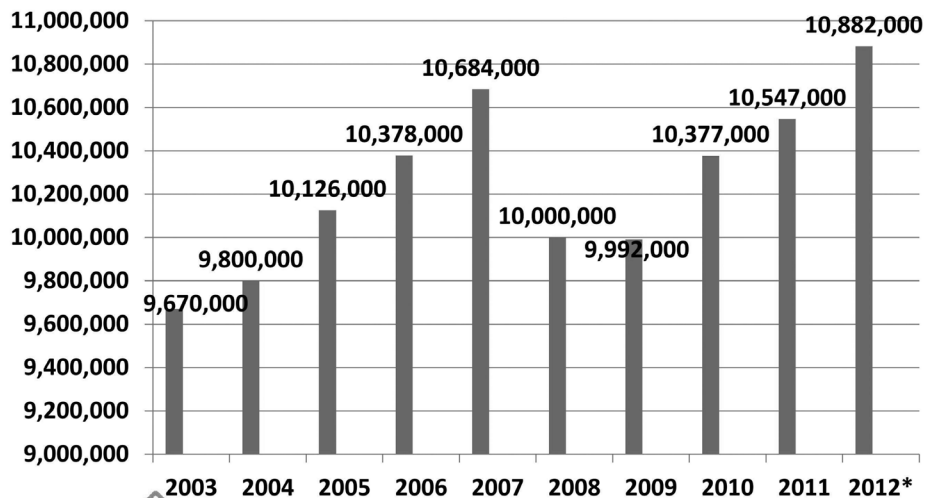
Norma P. Nickerson

Institute for Tourism & Recreation Research

University of Montana

www.itrr.umt.edu

Nonresident Visitors to MT



*preliminary

**Institute
for
Tourism and
Recreation
Research**

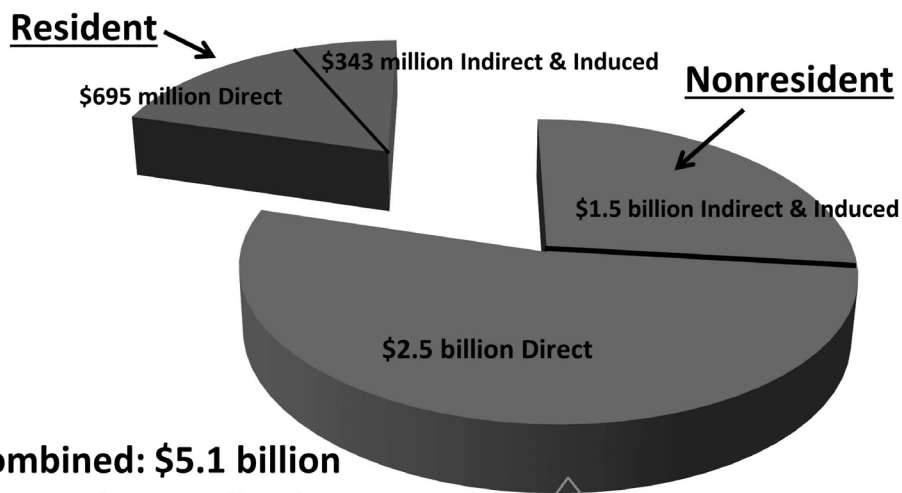
The University of
Montana

Yearly Resident Travel

- 15.4 million person- trips (> 50 miles from home)
- Residents spent \$833 million on pleasure trips
- \$1.03 billion in combined economic activity
- \$85/day trip; \$208/overnight trip



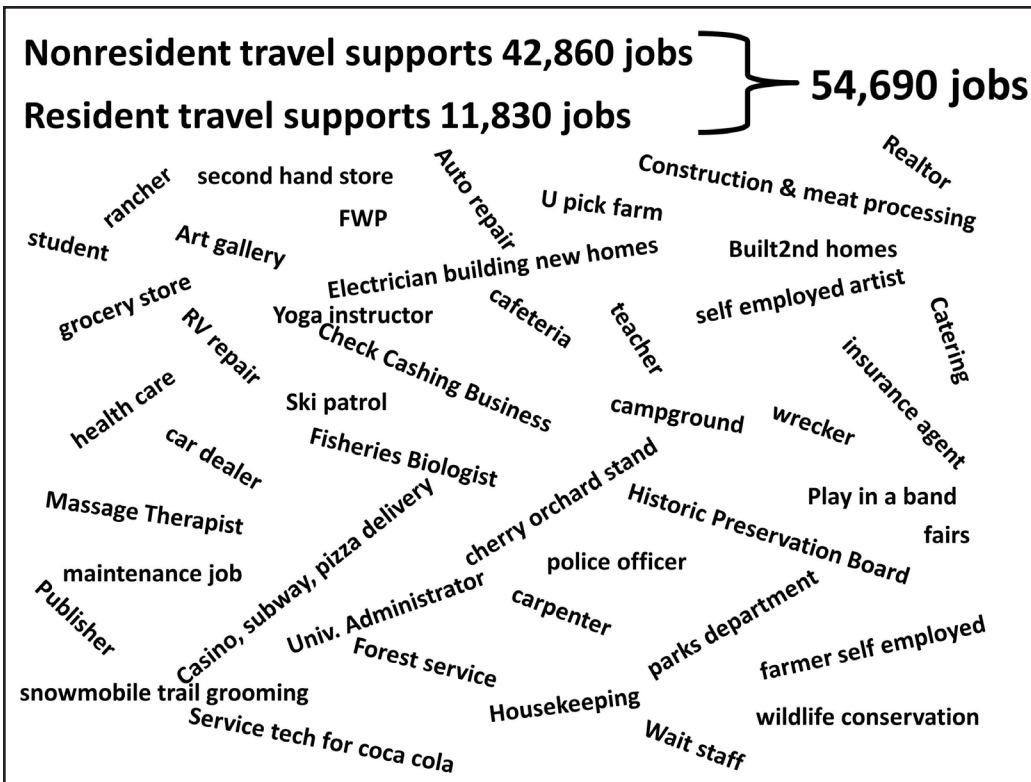
2012 Preliminary Economic Contribution of Travel: Nonresident & Resident



**Combined: \$5.1 billion
Economic Contribution
to Montana in 2012**

**Institute
for
Tourism and
Recreation
Research**

The University of
Montana



People choose to live/work in Montana because...

Looking for a town with no traffic report, clean air, simple life, and kind people....

It wasn't the job at first but the lifestyle. As I grew with the business and eventually became a partner, the job came more into play, but then so did the lifestyle.

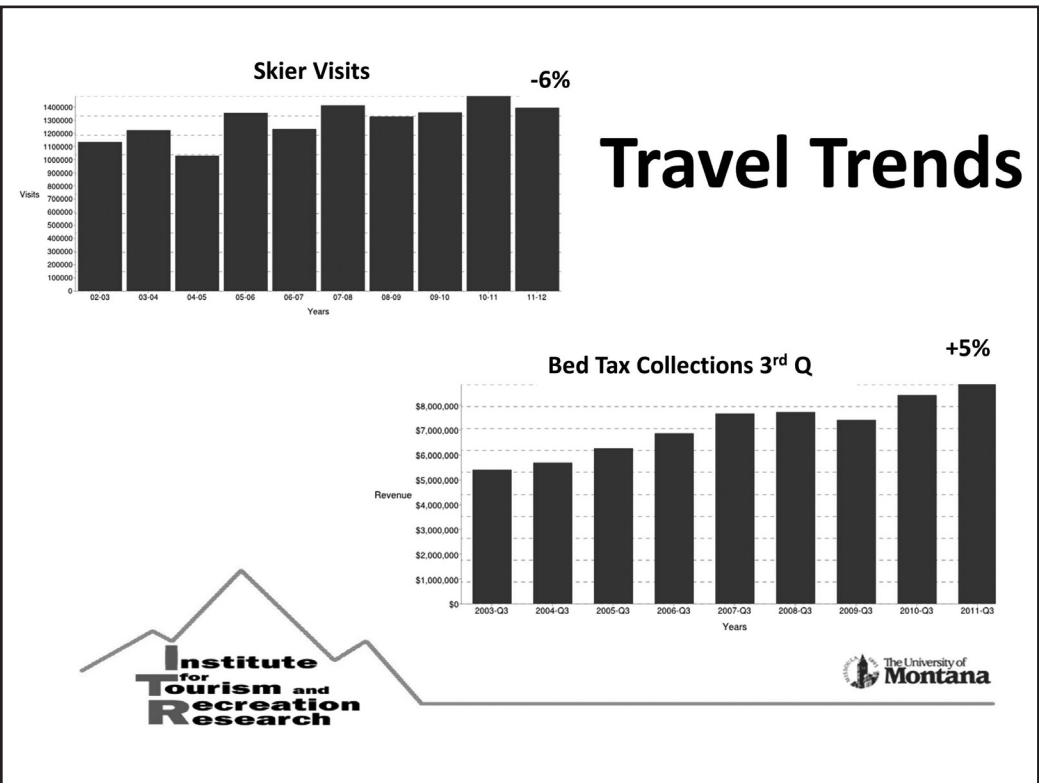
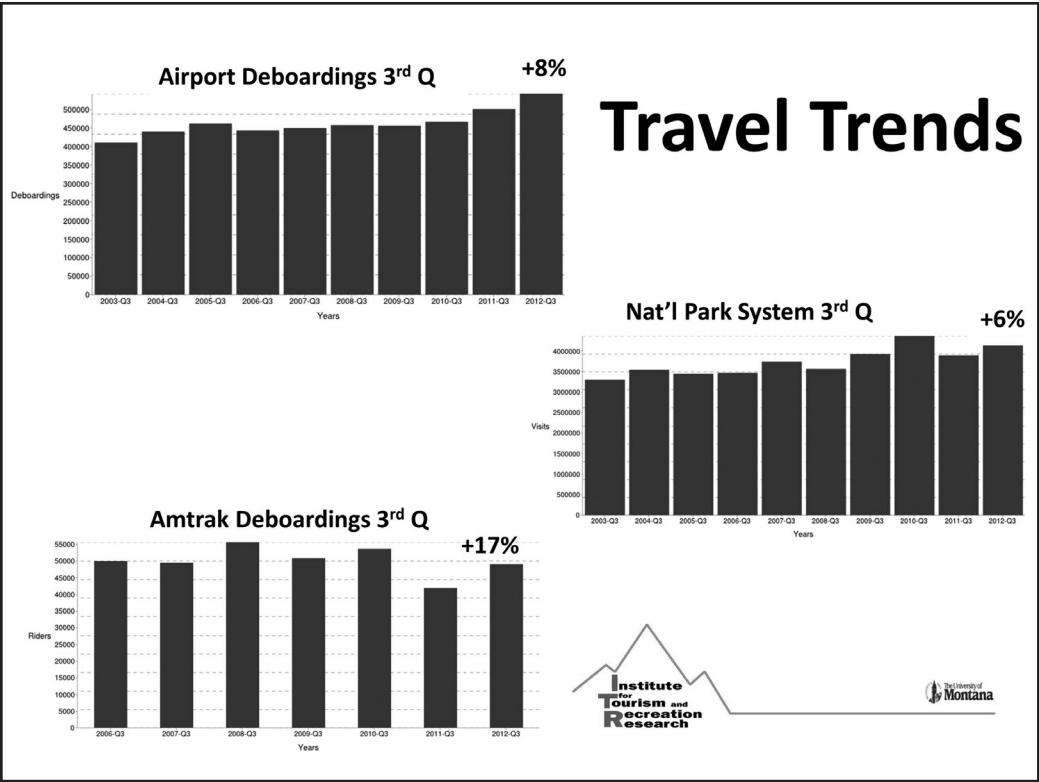
A summer job in Yellowstone brought me here, then I fell in love with Montana. I transferred to a Montana college and tourism marketing became my career.

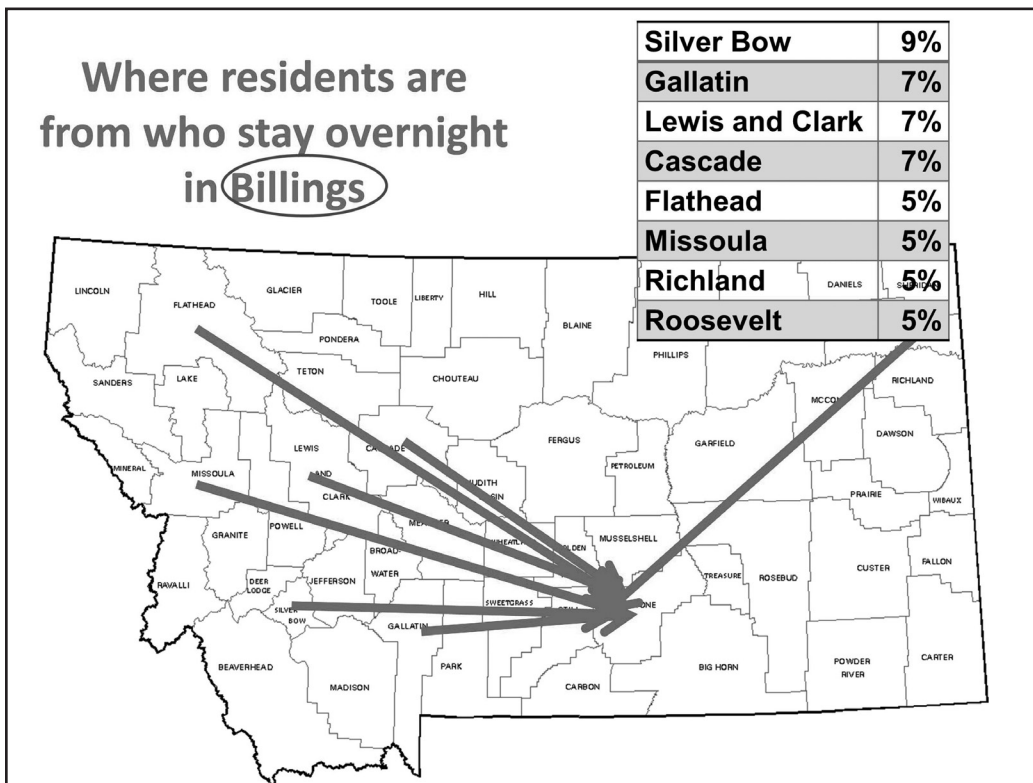
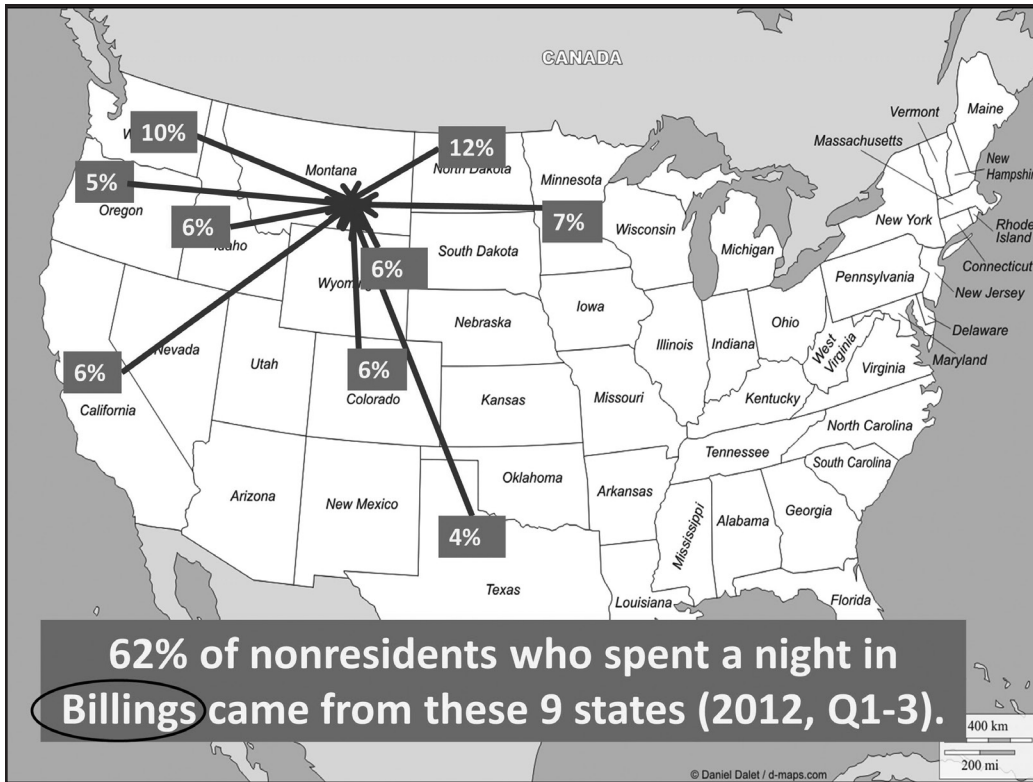
The vast open space, quality of air and water.

My wife and I thought it was a good combination of our favorite places in the world, there was plenty of business opportunity and a great place to raise a family.

I love to fly fish!







2013 Outlook

- Consumer confidence improving
- US Travel spending at record level (\$8,467 billion in 2012 vs \$5.45 billion in 2002).
- Overseas travel to US setting new records (29.2 million in 2012; 19.1 million in 2001)
- Hotel room demand is at an all time high (+3%)
- Restaurant industry on the incline (+3.5%)
- Gas prices on the way down (for now)
- 2% increase in nonresident travelers to MT
- 4% increase in traveler spending in MT

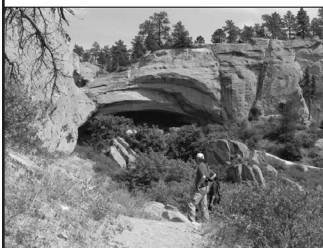


**THANK
YOU!**



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2013 Montana Agricultural Outlook

George Haynes

**Department of Agricultural Economic & Economics
MSU Extension**

**Data Source: National Agricultural Statistics Service
Montana Field Office (NASS) and Livestock Marketing
Information Center (LMIC)**



Mountains & Minds

2012 “Recap”

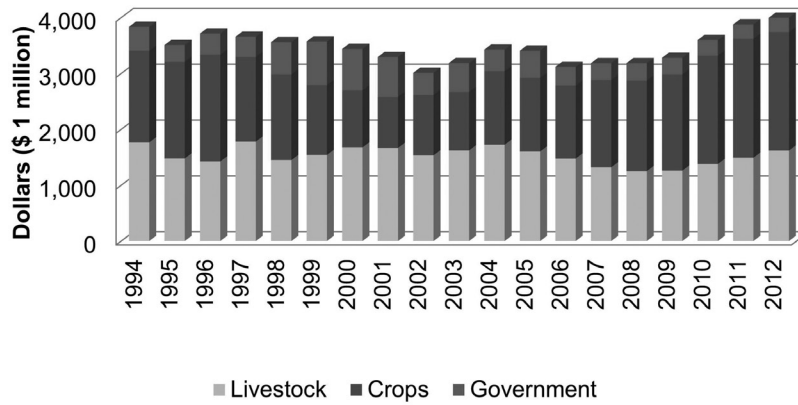
- **Crops**
 - All wheat prices – strong
 - All wheat production
 - Winter wheat production – down
 - Spring wheat production – up
 - Hay prices - strong
- **Cattle**
 - Cattle and Calf Prices – strong
 - Cow Herd – stable
- **Consumer Food Prices**
 - Increased



Mountains & Minds

Gross Revenue Estimates

(2012 dollars)



Source: NASS and MSU Estimates



Mountains & Minds



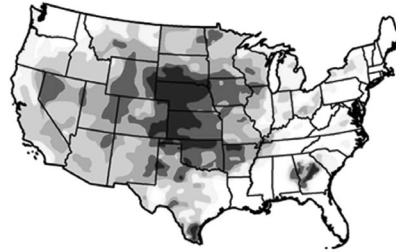
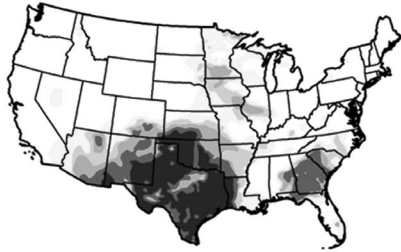
Mountains & Minds

Droughts 2011 and 2012

(severe, extreme & exceptional – D2 – D4)

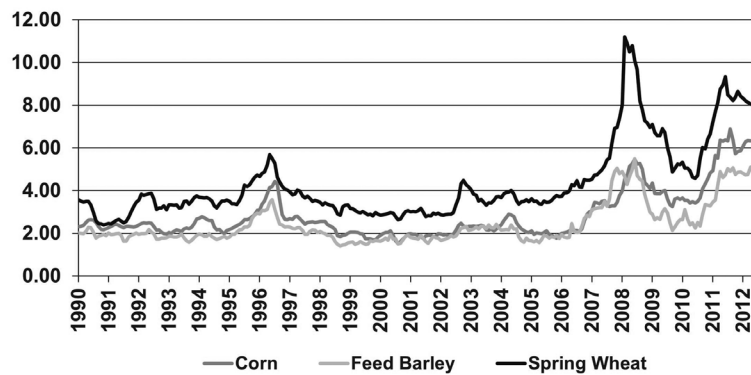
■ 2011

2012



| Week | Nothing | D0-D4 | D1-D4 | D2-D4 | D3-D4 | D4 |
|------------------|---------|-------|-------|-------|-------|------|
| October 11, 2011 | 57.83 | 42.17 | 30.47 | 23.85 | 17.12 | 9.76 |
| October 9, 2012 | 23.28 | 76.72 | 63.55 | 39.91 | 20.15 | 6.18 |

Drought Impacts: Higher Corn, Barley, and Spring Wheat Prices



Source: LMIC and USDA, U.S. Corn, Feed Barley and Hard Red Spring Wheat

Drought Impacts: Higher Cattle and Calf Prices



Source: NASS



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Mountains & Minds

Drought Status – October 2012



Montana Water Supply and Moisture Status by County - October 15, 2012

<http://drought.mt.gov>

Map Key

Continental Divide

Drought Impact Type

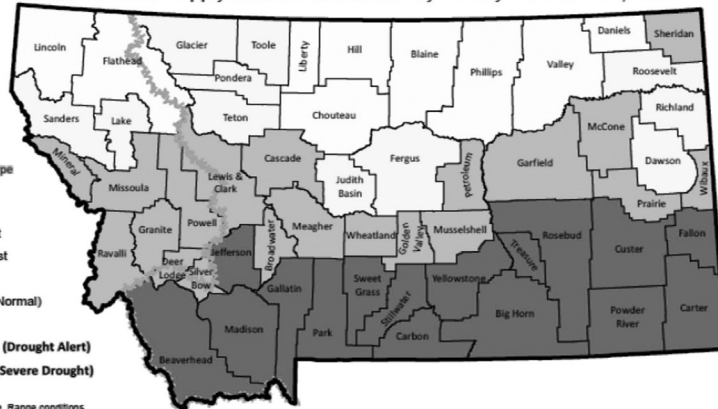
Moisture Status

October 2012

- Extremely Moist
- Moderately Moist
- Slightly Moist
- Near Average (Normal)
- Slightly Dry
- Moderately Dry (Drought Alert)
- Extremely Dry (Severe Drought)

Drought Impact Types -

- A - Agricultural - Soil Moisture, Range conditions
- H - Hydrological - Water Supplies, Streamflow, Groundwater



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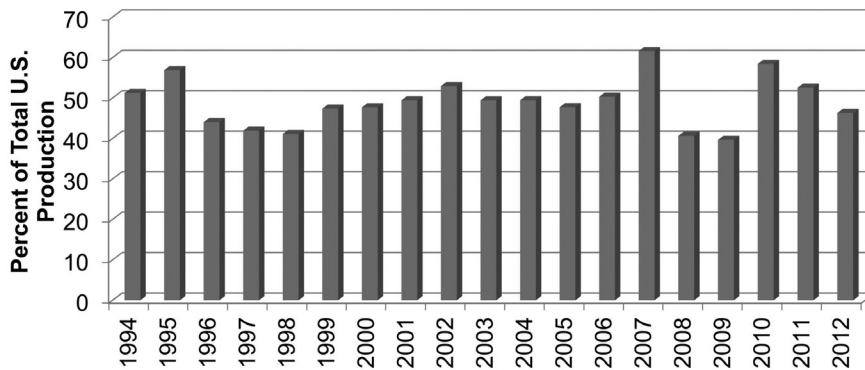
Mountains & Minds

CROPS (*GRAIN AND HAY*)



Mountains & Minds

Wheat Exports Percent of Total U.S. Production



Source: WASDE, Total U.S. Exports = 1,050 mb in 2011/2012 and 1,050 mb in 2012/2013 (higher wheat production in 2012)



Mountains & Minds

Where are Montana exports going?

- **Montana wheat exports (6/2011 – 5/2012)**

- Total 152.4 million bushels
 - Exports are 80% + of total Montana wheat production
- Destination
 - West 121.8 million bushels
 - Japan (50%), other Asian, Canada, & Mexico
 - East 30.6 million bushels

- **Export competition**

- Canada, Australia, EU-27 & FSU-12 (Russia/Kazakhstan/Ukraine)



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Mountains & Minds

Global Wheat Market Shares

| Country | 2011/2012 | shares | 2012/2013 | shares |
|-----------|-----------|--------|-----------|--------|
| | mmt | % | mmt | % |
| Australia | 29.9 | 4.3 | 21.0 | 3.2 |
| Canada | 25.3 | 3.6 | 26.7 | 4.0 |
| China | 117.4 | 16.9 | 120.6 | 18.2 |
| EU-27 | 137.2 | 19.7 | 131.7 | 19.9 |
| India | 86.9 | 12.5 | 93.9 | 14.2 |
| FSU-12 | 114.8 | 16.5 | 77.8 | 11.7 |
| U.S. | 54.4 | 7.8 | 61.8 | 9.3 |
| Other | 130.5 | 18.7 | 114.7 | 17.3 |
| Total | 696.4 | 100.0 | 662.8 | 100.0 |

Source: WASDE-513, December 2012

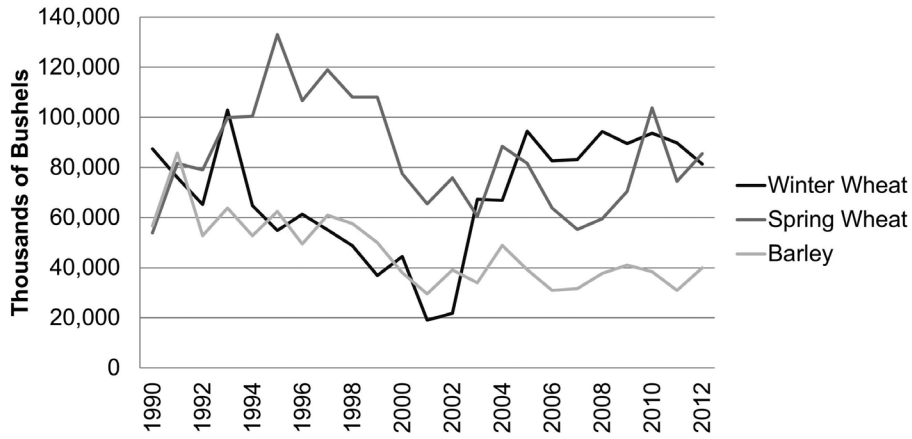


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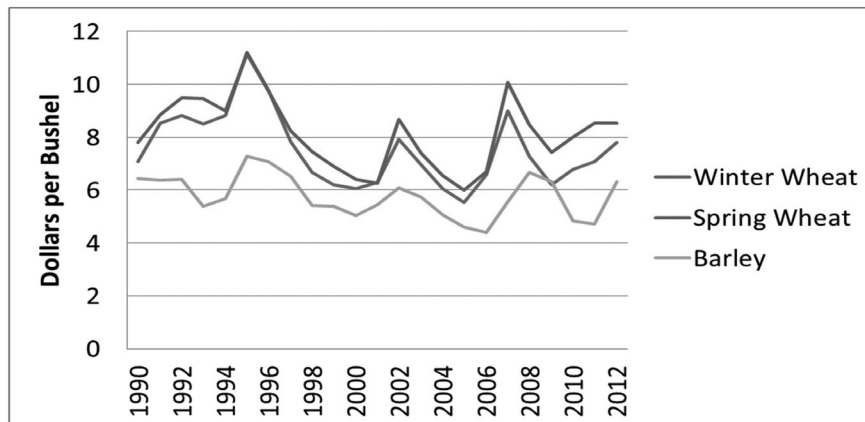
Mountains & Minds

Grain Production (2012)



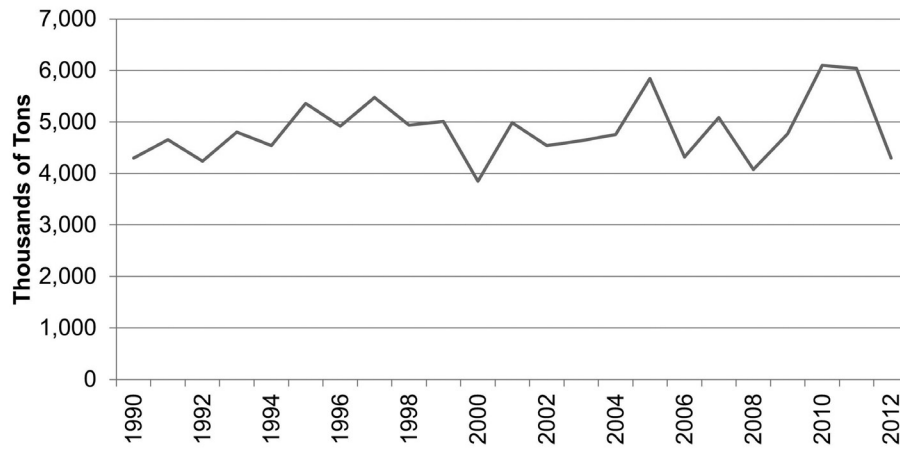
Source: NASS

Grain Prices (2012 dollars)



Source: NASS

All Hay Production (2012)



Source: NASS

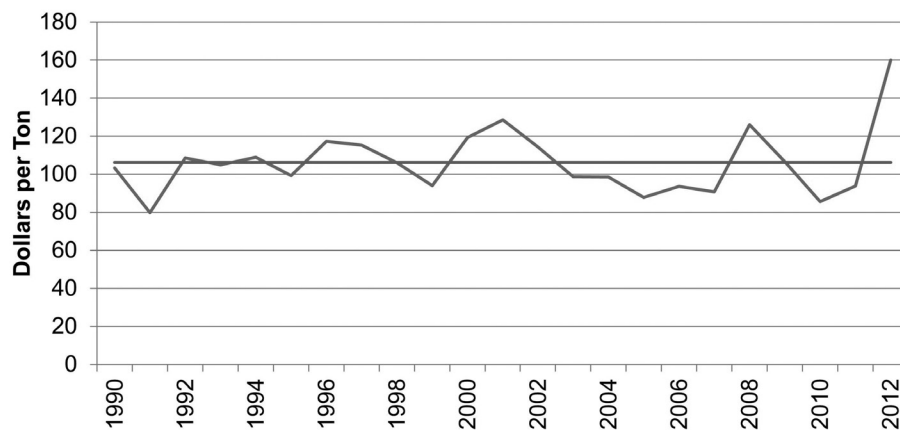


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All Hay Prices (2012 dollars)



Source: NASS



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Mountains & Minds

Futures Prices (no basis adjustment – 12/26/12)

| Location | Units | 5/13 | 7/13 | 9/13 | 12/13 |
|----------------------------|-------|------|------|------|-------|
| Minneapolis Grain Exchange | | | | | |
| Hard Red Spring Wheat | \$/bu | 8.80 | 8.89 | 8.87 | 8.92 |
| Kansas City Board of Trade | | | | | |
| Winter Wheat | \$/bu | 8.35 | 8.42 | 8.54 | 8.69 |
| Chicago Board of Trade | | | | | |
| Corn | \$/bu | 6.96 | 6.94 | 6.20 | 6.00 |

Sources: MGE, KBOT, CBOT and MGGA Market Manager



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Montana Wheat 2012

- ***2012/2013 Winter Wheat Plantings → ???***

- ***Influence of corn prices (public policy)***
- ***Influence of the 2011 & 2012 droughts***

- ***2013 Production/Prices***
 - ***MT 2013 All Wheat Price: optimistic***



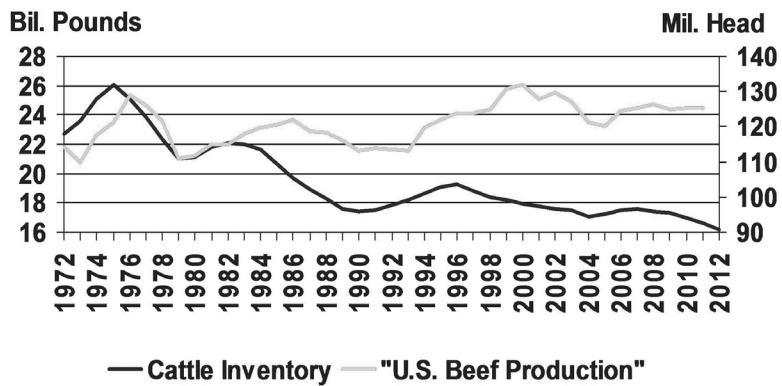
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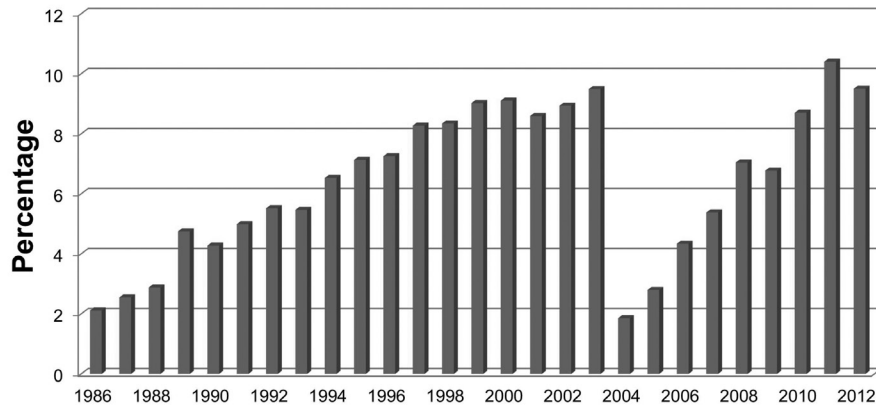
CATTLE

U.S. Beef Production and Cattle Herd Size



Source: LMIC and MSU Agricultural Marketing Policy Center

U.S. Beef and Veal Exports Percentage of Total U.S. Production



Source: LMIC, Beef and veal exports 2.5 billion pounds in 2012

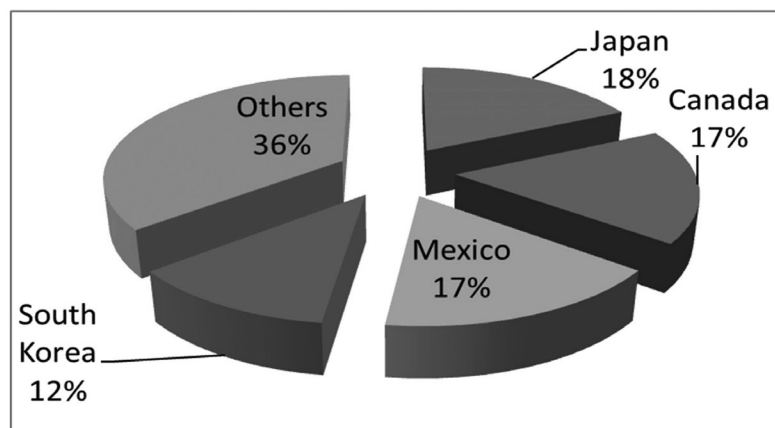


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Exports – who's buying U.S. beef



Source: NASS

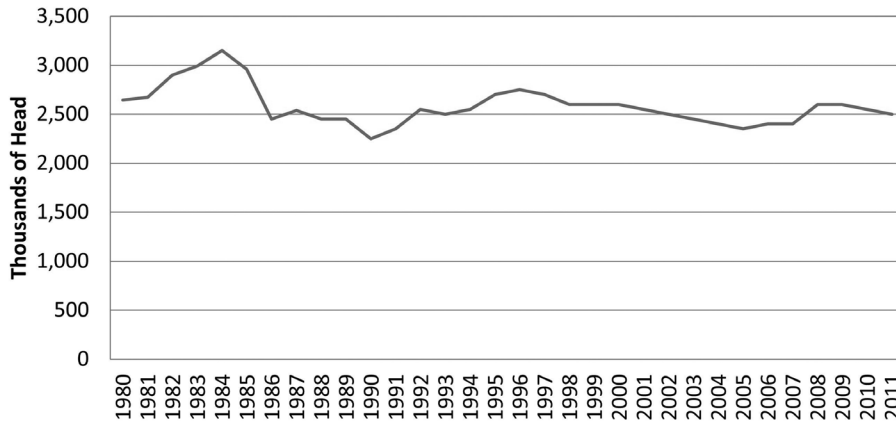


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Montana Cattle Herd

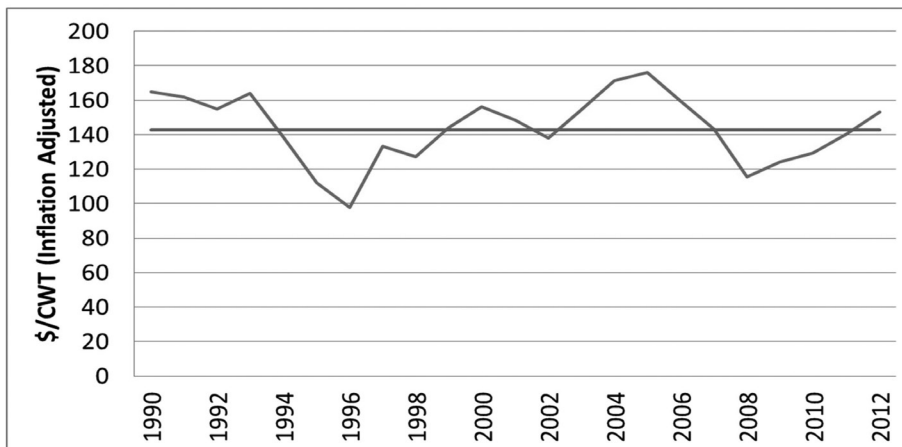


Source: NASS



Mountains & Minds

Calf Prices (2012 dollars)



NASS, 190 – 2011, MSU 2012 estimate



Mountains & Minds

Futures Prices (no basis adjustments – 12/26/12)

| Location | 05/13 | 08/13 | 10/13 | 11/13 |
|-----------------------------|-------|-------|-------|-------|
| Chicago Mercantile Exchange | | | | |
| Feeder Cattle, \$/cwt | 159 | 163 | 163 | 164 |
| Live Cattle, \$/cwt | 132 | 132 | 135 | 137 |

Source: Chicago Mercantile Exchange



Mountains & Minds

Montana Cattle 2012/13

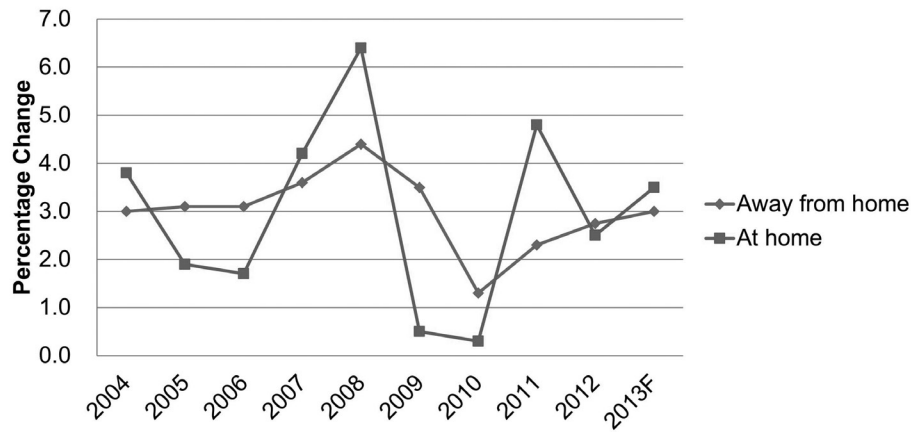
- **Strong prices for cow/calf producers**
 - Optimistic about calf prices through 2013 and beyond

- **Opportunity to increase cattle herd**
 - Beef demand – sell more beef at the same price
 - Farm programs – good insurance, good subsidies
why produce beef
 - Labor issue – more skills required to work on a ranch
 - Age of ranchers – little incentive



Mountains & Minds

Consumer Food Prices



Source: USDA, <http://www.ers.usda.gov/data-products/food-price-outlook.aspx>



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Mountains & Minds

2013 Forecast

- **Crops**
 - Wheat, barley, & hay – prices higher than historical average
- **Livestock**
 - Cattle and calves – prices higher than historical average
- **Consumer Impact**
 - 3 to 4% increase in food prices



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Mountains & Minds

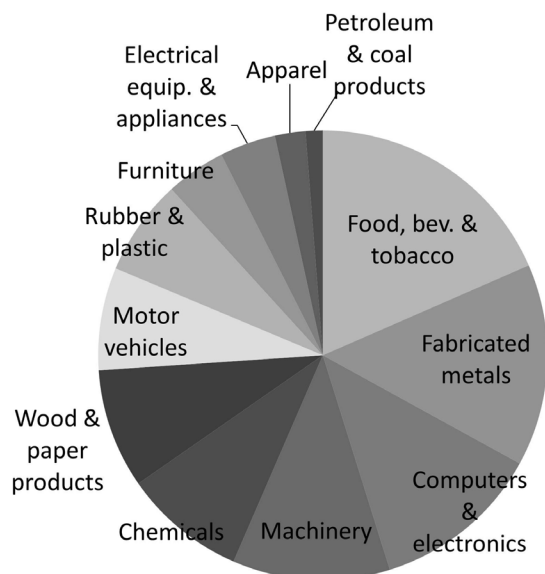
Montana Manufacturing & Forest Products: 2013 Outlook

BUREAU OF
BUSINESS
AND ECONOMIC
RESEARCH

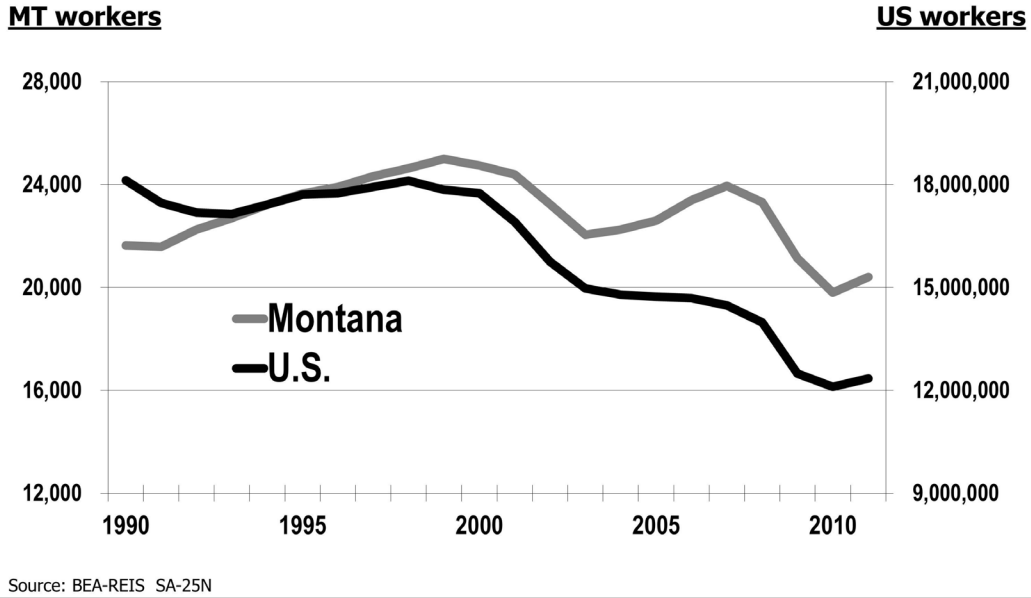
Todd A. Morgan, CF

U.S. Manufacturing

- **Approaching 12.5 million workers.**
- **Annual worker income is rising.**
- **Value of output per worker is increasing.**

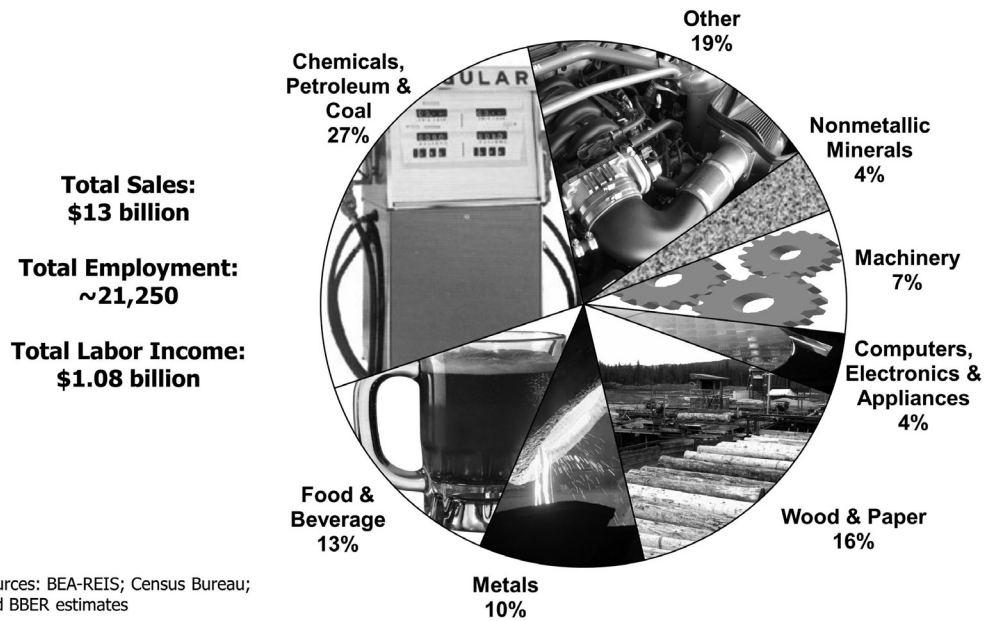


Montana & U.S. Manufacturing Employment 1990-2011



Montana Manufacturing

2012 Labor Income



Montana Brewery Survey Summary

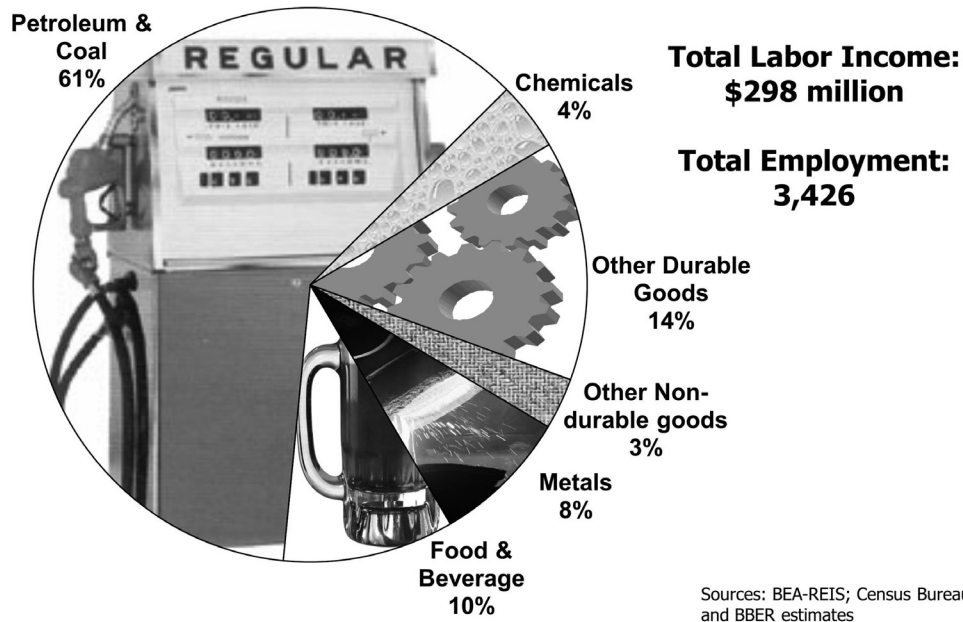
| Category | 2010 | 2011 | Change |
|--|--------|---------|--------|
| Beer production (barrels) | 87,442 | 102,925 | 18% |
| Beer sales (millions) | \$21.8 | \$26.1 | 20% |
| Employment | 231 | 320 | 39% |
| Compensation (millions) | \$5.2 | \$6.4 | 23% |
| Expenditures (millions) (excluding employee compensation) | \$15.6 | \$18.8 | 21% |

Statewide Economic Impacts Summary

| Category | Units | Impact |
|---------------------------------|-------------|--------|
| Total Employment | Jobs | 434 |
| Output (private sector sales) | \$ Millions | 48.4 |
| Compensation (private non-farm) | \$ Millions | 9.8 |
| Compensation (government) | \$ Millions | 1.8 |
| Population | People | 36 |
| State government revenues | \$ Millions | 1.5 |

Note: "Impact" refers to the difference between the baseline *with brewing* scenario, and the alternative *without brewing* scenario

Yellowstone County Manufacturing 2011 Labor Income



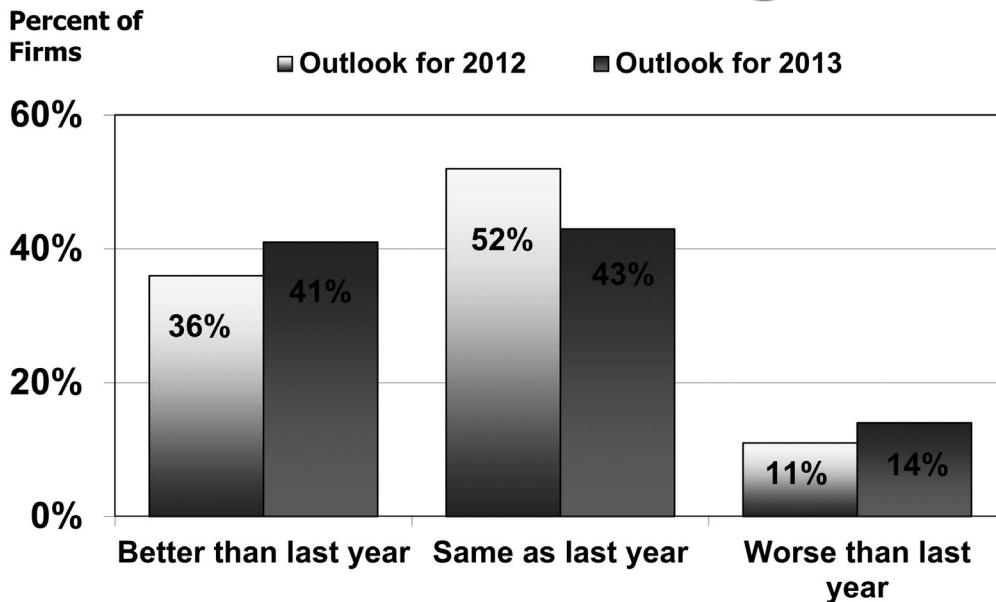
2012-2013 Montana Manufacturers Survey

- **annual survey**
- **conducted in November**
- **open-ended & multi-choice questions**
- **current & coming year**
- **180+ firms participate**
- **response rate 80%**

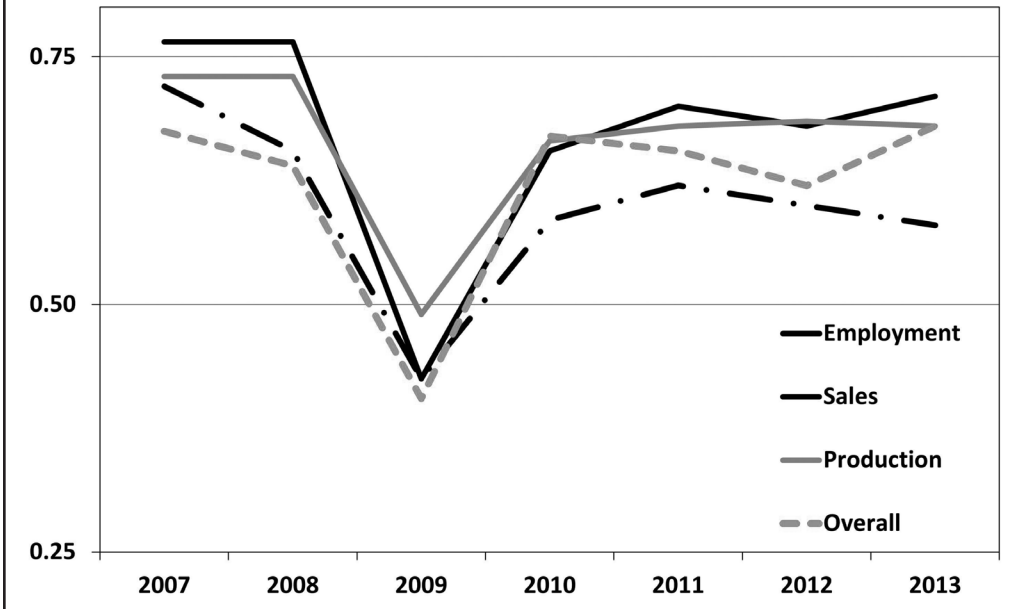
Montana Manufacturing 2012 Recap

- Better than 2011 for many firms
- Employment down at one-quarter of firms, up at 30%
- Many firms reported increased production, sales, and profits
- Few firms reported curtailments
- 40% of firms did make major capital expenditures

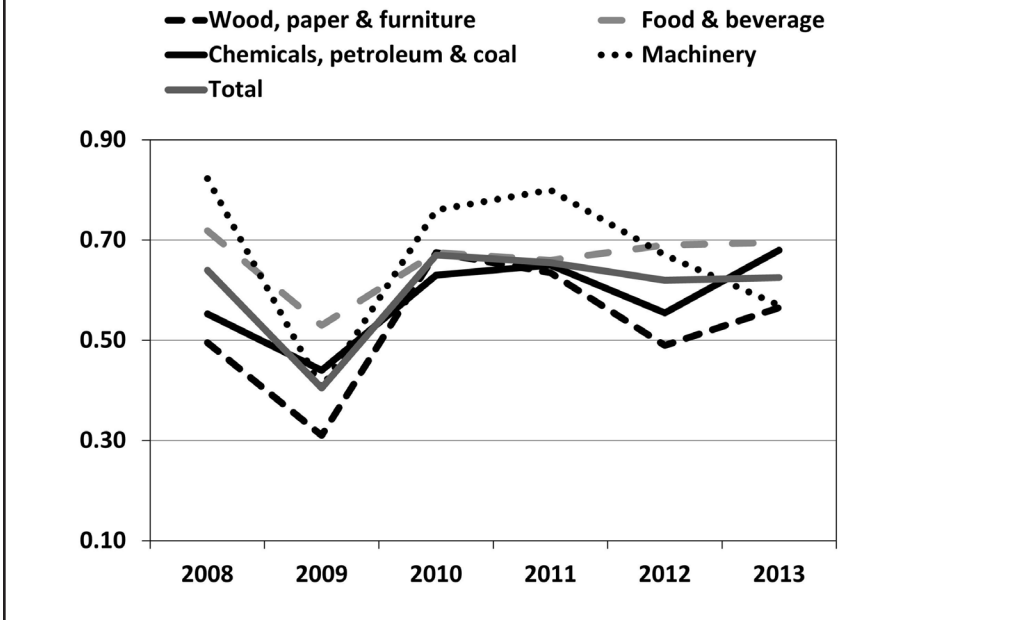
Montana Manufacturing Outlook for the Coming Year



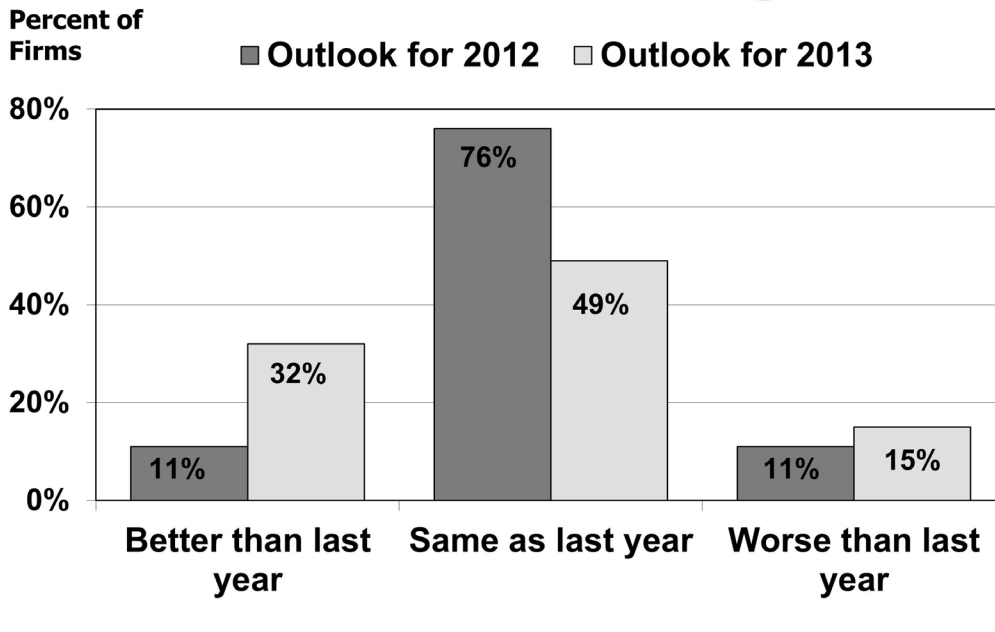
Montana Manufacturers Outlook Trend



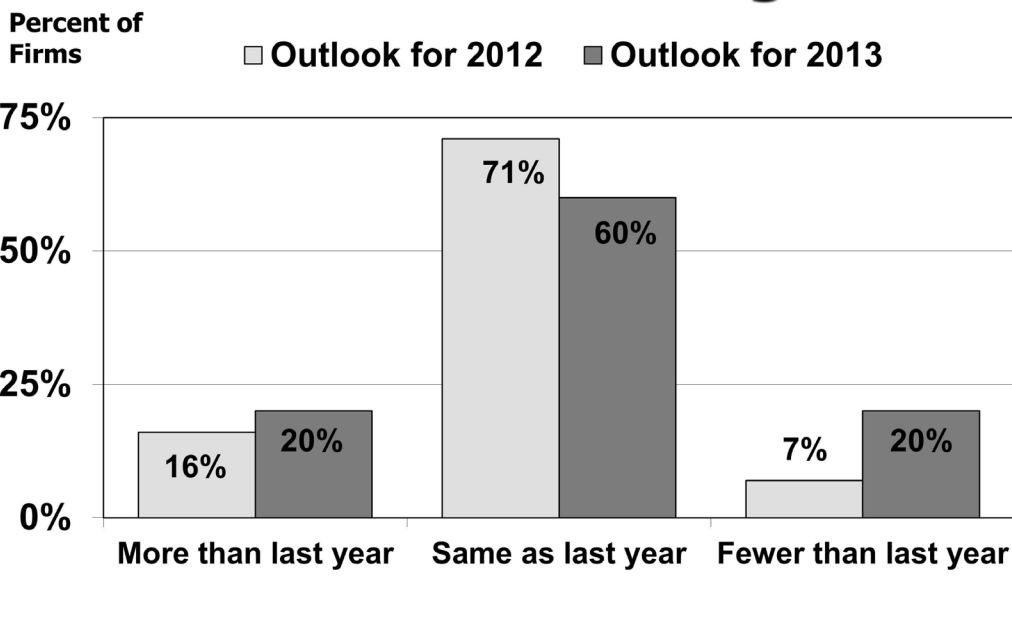
Montana Manufacturing Outlooks by Sector



Montana Forest Products Outlook for the Coming Year



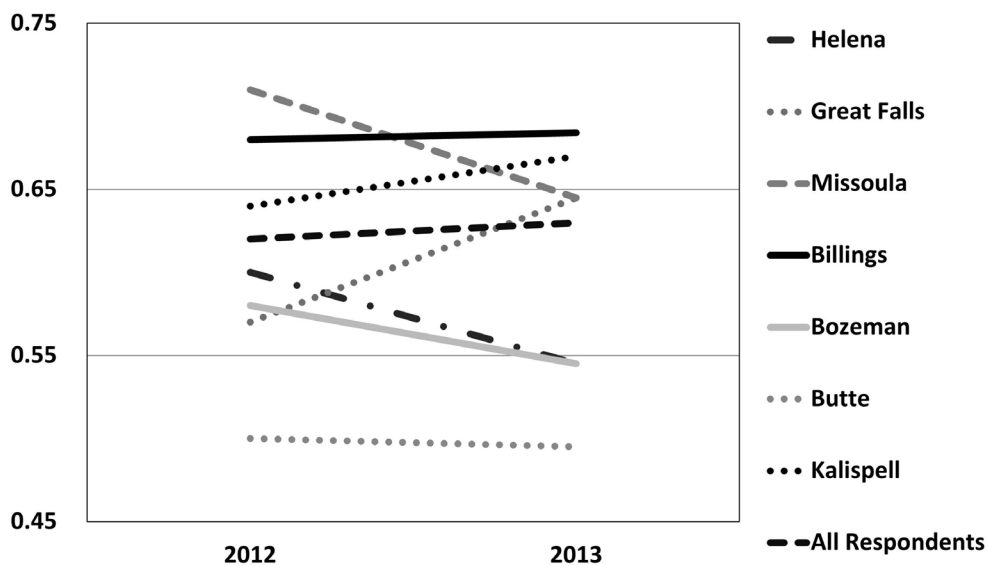
Forest Products Employment Outlook for the Coming Year



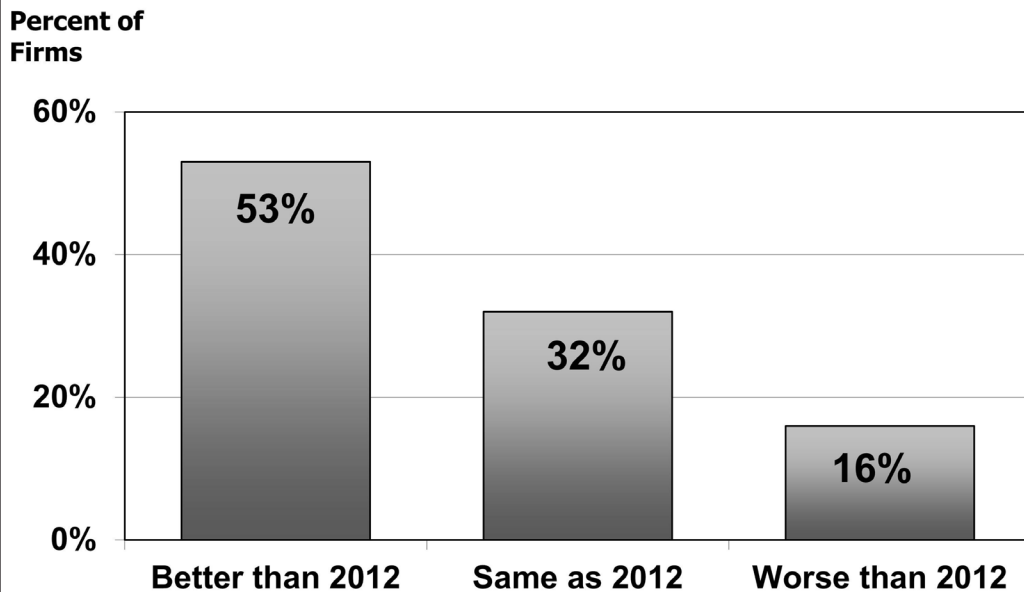
Montana Forest Products Industry 2013 Forecast

- U.S. homebuilding recovering.
- Markets are expected to be better than 2012.
- Lumber production & sales should increase.
- Employment & worker earnings may increase slightly.
- Timber supply ...

Montana Manufacturing Outlooks by City/Region



Yellowstone County Manufacturing Outlook for 2013



Montana Manufacturing Forecast for 2013

- Continued improvements anticipated.
- Modest growth expected in statewide employment & worker earnings.
- Health insurance costs and continued economic recovery are major concerns.
- 65% of MT manufacturers expect their health insurance costs to increase.



Montana Housing Outlook 2013

 MONTANA STATE UNIVERSITY BILLINGS 
ACCESS & EXCELLENCE



2012 was a good year.

 MONTANA STATE UNIVERSITY BILLINGS 
ACCESS & EXCELLENCE



Single Family Homes

2012 Sales

| Area | # Sales | 1 Year % Change |
|----------------|--------------|-----------------|
| Billings | 2,001 | 18% |
| Bitterroot* | 374 | 13% |
| Butte* | 380 | 11% |
| Gallatin | 1,079 | 18% |
| Great Falls | 897 | 12% |
| Helena | 779 | 24% |
| Missoula | 962 | 23% |
| Flathead Co.* | 1,238 | 20% |
| OVERALL | 7,333 | 19% |



Single Family Homes 2008-12 Sales

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------|------|------|------|------|-------------|
| Billings | 1946 | 1967 | 1721 | 1698 | 2001 |
| Flathead | 990 | 912 | 1039 | 1029 | 1238 |
| Great Falls | 967 | 924 | 856 | 804 | 897 |
| Missoula | 901 | 913 | 830 | 779 | 962 |
| Gallatin | 744 | 688 | 796 | 911 | 1079 |
| Helena | 672 | 692 | 606 | 627 | 779 |



Single Family Homes 2008-12 Sales

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------|-------------|-------------|-------------|-------------|-------------|
| 1st | Billings | Billings | Billings | Billings | Billings |
| 2nd | Flathead | Great Falls | Flathead | Flathead | Flathead |
| 3rd | Great Falls | Missoula | Great Falls | Gallatin | Gallatin |
| 4th | Missoula | Flathead | Missoula | Great Falls | Missoula |
| 5th | Gallatin | Helena | Gallatin | Missoula | Great Falls |
| 6th | Helena | Gallatin | Helena | Helena | Helena |





Single Family 2012 Median Prices

| Area | Median Price | 1 Year % Change |
|---------------|--------------|-----------------|
| Billings | \$ 197,500 | 7% |
| Bitterroot* | \$ 168,000 | -4% |
| Butte* | \$ 92,250 | 4% |
| Gallatin | \$ 253,750 | 7% |
| Great Falls | \$ 155,500 | 4% |
| Helena | \$ 189,450 | 1% |
| Missoula | \$ 209,450 | 2% |
| Flathead Co.* | \$ 185,600 | 3% |



Single Family 2008-2012 Avg. Prices

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------|----------|----------|----------|----------|----------|
| Missoula | | | | \$ 238.7 | \$ 247.0 |
| Gallatin | \$ 428.3 | \$ 334.7 | \$ 330.1 | \$ 328.1 | \$ 335.7 |
| Flathead Co. | \$ 339.3 | \$ 277.6 | \$ 271.9 | \$ 251.8 | \$ 265.7 |
| Helena | \$ 223.1 | \$ 212.3 | \$ 214.8 | \$ 205.2 | \$ 214.7 |
| Billings | \$ 206.4 | \$ 200.5 | \$ 212.7 | \$ 208.5 | \$ 220.6 |
| Great Falls | \$ 171.0 | \$ 163.3 | \$ 161.3 | \$ 164.7 | \$ 187.4 |

In \$ Thousands



Single Family 2012 Days on Market

| Area | Avg. Days on Mkt | 1 Year % Change |
|---------------|------------------|-----------------|
| Billings | 58 | -18% |
| Gallatin | 101 | -10% |
| Missoula | 123 | -3% |
| Helena | 141 | 0% |
| Great Falls | 152 | 8% |
| Butte* | 161 | 8% |
| Flathead Co.* | 249 | -30% |
| Bitterroot* | 354 | 0.3% |
| OVERALL | 213 | -11% |





What's selling?

 MONTANA STATE UNIVERSITY BILLINGS



2,060 Square Feet
35 Years Old
3 Bed
2+ Bath
2 Car Garage

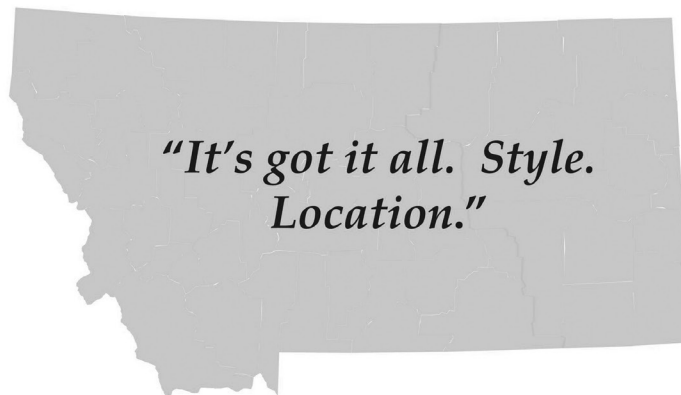
 MONTANA STATE UNIVERSITY BILLINGS



Resort

2008-2012 Sales

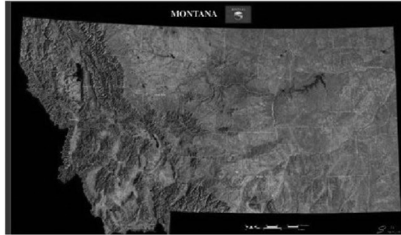
| | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------------------|------|------|------|------|------|
| Whitefish | 182 | 157 | 216 | 218 | 215 |
| Bigfork | 78 | 67 | 83 | 72 | |
| Lakeside | 42 | 43 | 50 | 48 | 49 |
| Gallatin Val./Big Sky/W. Yellow. | 39 | 41 | 52 | 64 | 73 |
| Paradise Valley & Gardiner | 19 | 18 | 31 | 28 | 20 |



Location Estimate

Price Per SF

| | Price/SF |
|------------------------|----------|
| Silver Bow | \$ 64 |
| Cascade | \$ 82 |
| Other | \$ 89 |
| Yellowstone | \$ 93 |
| Ravalli | \$ 101 |
| Flathead | \$ 113 |
| Lewis&Clark | \$ 127 |
| Gallatin | \$ 129 |
| Lake | \$ 146 |
| Missoula | \$ 154 |



Style Estimate

Price Per SF

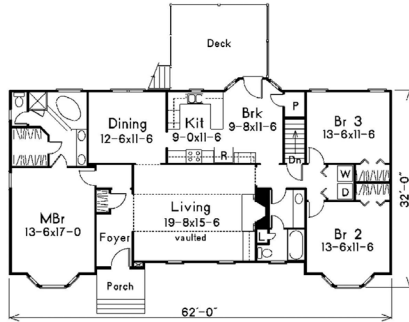
| | Price/SF | | Price/SF |
|---------------------|----------|----------------------|----------|
| Mobile | \$ 63 | 1 Level | \$ 101 |
| 1.5 Level | \$ 71 | Split F/B | \$ 101 |
| Bungalow | \$ 82 | Cottage | \$ 108 |
| Split Level | \$ 82 | 3 Level | \$ 108 |
| Split Entry | \$ 87 | Traditional | \$ 108 |
| 3 Story | \$ 88 | 1.5 or 2 Lev. | \$ 113 |
| 2 Story | \$ 89 | Townhouse | \$ 114 |
| Manufactured | \$ 90 | Other | \$ 133 |
| Contemporary | \$ 90 | Tri-Level | \$ 133 |
| Ranch | \$ 95 | Custom | \$ 142 |
| 4 Level | \$ 95 | Condo | \$ 146 |
| Baseline | \$ 97 | Cabin | \$ 272 |



Ranch Style Estimate

Price Per SF

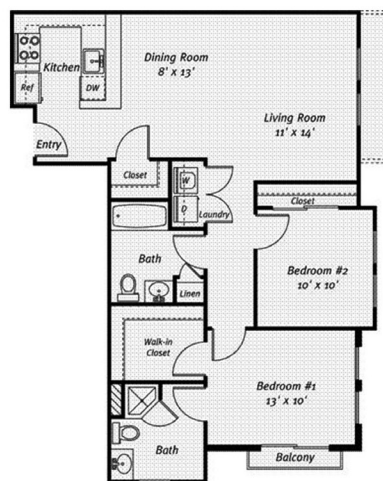
| Area | Price/SF |
|---------------|----------|
| Silver Bow | \$ 71 |
| Cascade | \$ 97 |
| Yellowstone | \$112 |
| Flathead | \$122 |
| Ravalli | \$127 |
| Lewis & Clark | \$133 |
| Gallatin | \$135 |
| Lake | \$135 |
| Missoula | \$158 |



Condo Estimate

Price Per SF

| Area | Price/SF |
|-----------------|----------|
| Missoula | \$211 |
| Gallatin / Lake | \$181 |
| Lewis & Clark | \$178 |
| Flathead | \$163 |
| Yellowstone | \$150 |
| Cascade | \$130 |



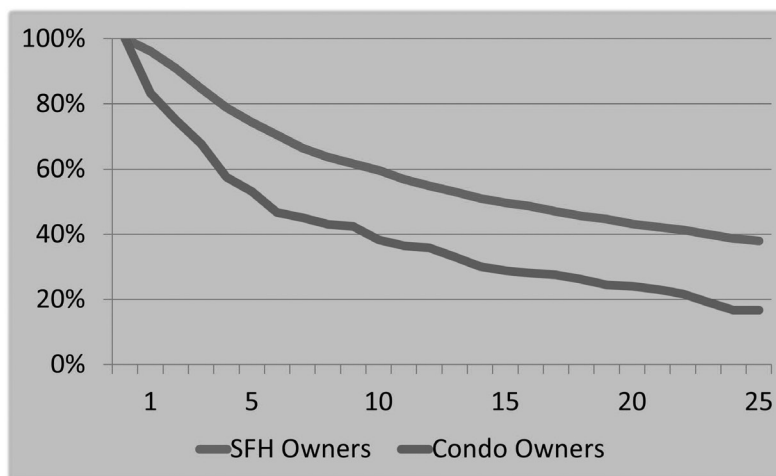
Overall Estimate 2012 Home Values



When Do They Buy? By Age Range

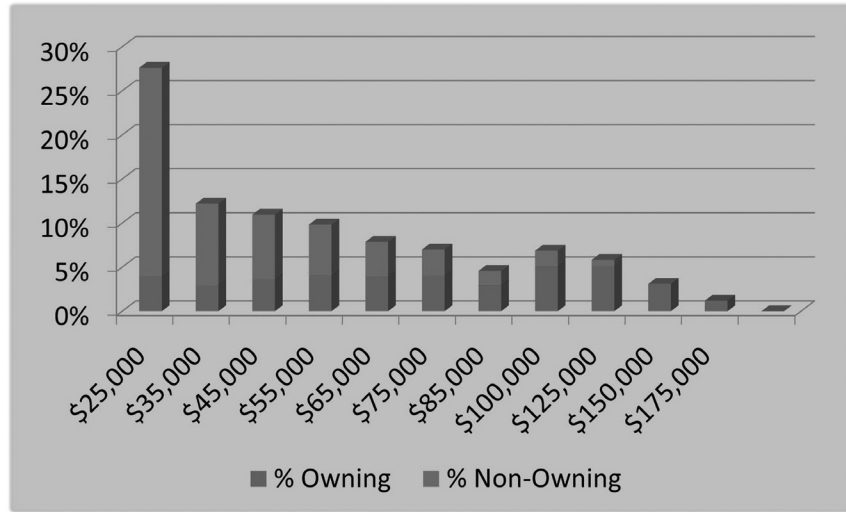
| Buying Type | % of All Buyers | % by Age Range | | | |
|------------------------|-----------------|----------------|-------|-------|-----|
| | | 18-24 | 25-44 | 45-64 | 65+ |
| 1st-Time | 41% | 4% | 30% | 7% | <1% |
| Prev. But Not Current | 43% | <1% | 13% | 21% | 8% |
| 2nd Home Purchaser | 13% | <1% | 4% | 7% | 2% |
| 3rd Home Purchased (+) | 4% | <1% | 2% | 1% | <1% |

Homeowners Years Between Moves



Homeowners

By Income Level

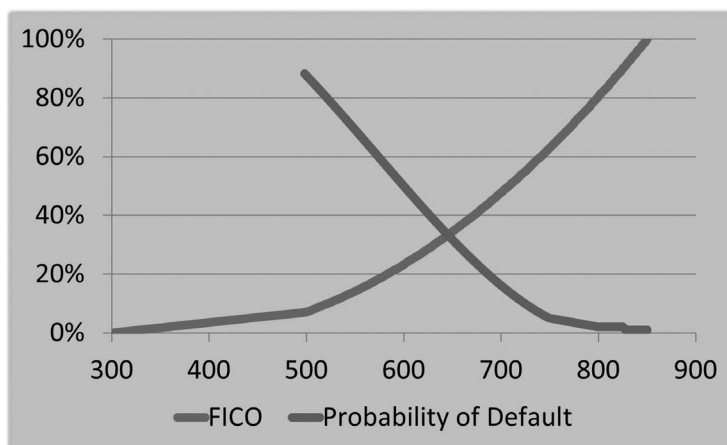


MONTANA STATE UNIVERSITY BILLINGS
 ACCESS & EXCELLENCE



Credit Score

Risk of Default



MONTANA STATE UNIVERSITY BILLINGS
 ACCESS & EXCELLENCE





Natural Resources & Energy Outlook:

Coal, Oil Natural Gas (Fossil Fuels), Renewables, Minerals,
Alternative

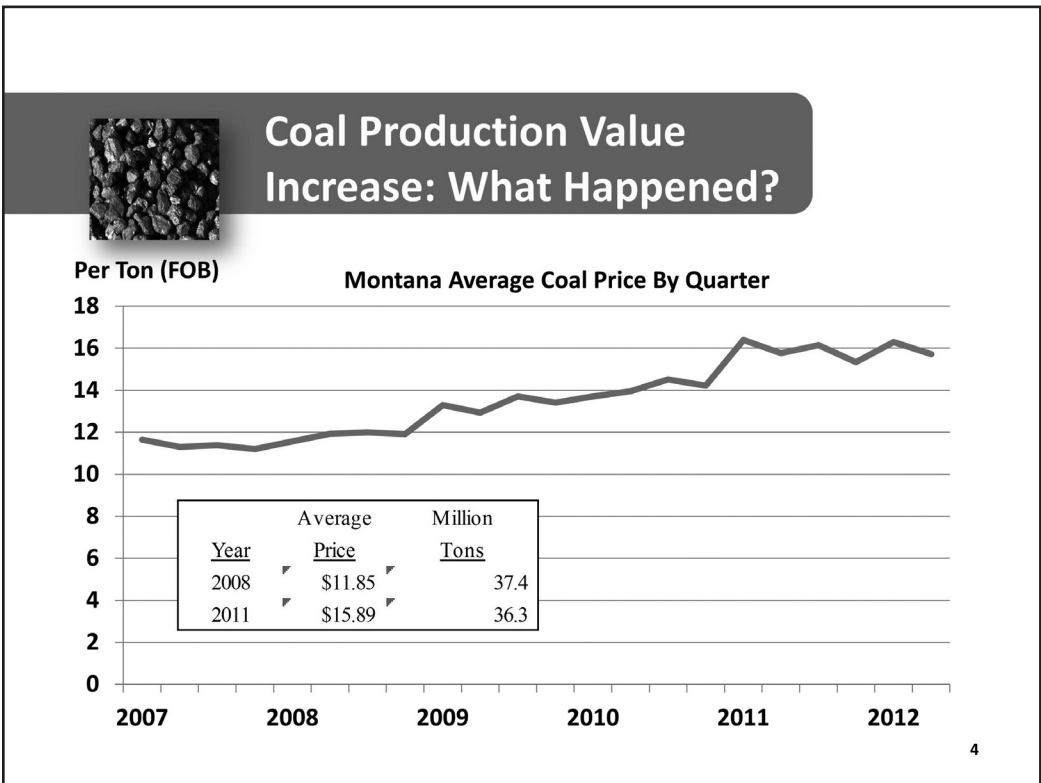
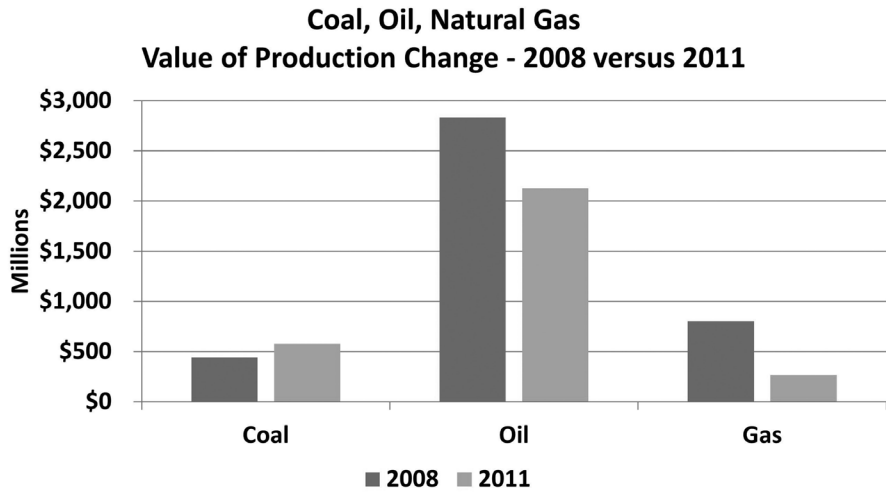
By Terry Johnson



Presentation Outline

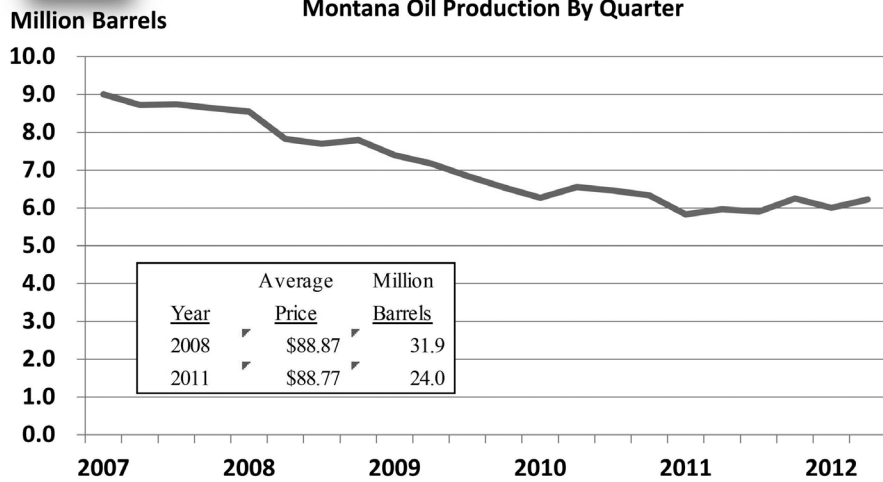
- **Fossil Fuel Focus**
 - Coal
 - Oil
 - Natural Gas
- **Renewables, Minerals, Alternatives**
- **What Changed ? 2008 to 2011**
- **Energy Outlook**
- **What Does This All Mean?**

Montana's Fossil Fuel Sources

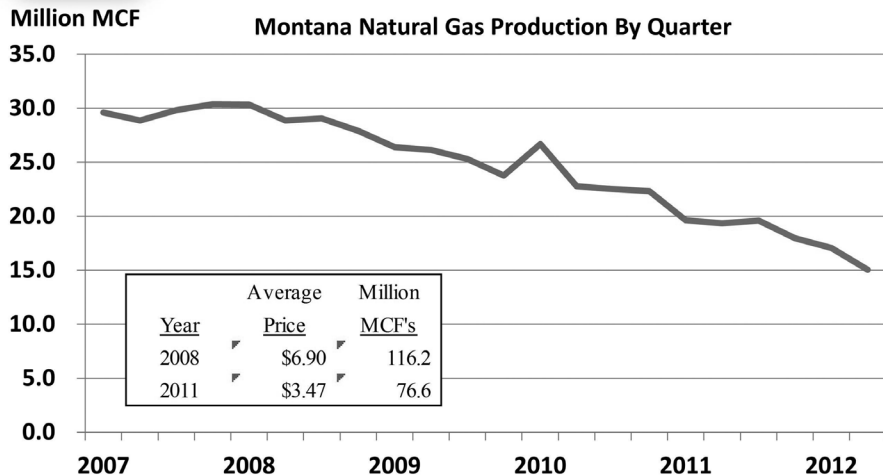







Oil Production Value Decline: What Happened?



Gas Production Value Decline: What Happened?



Reasons for Production Value Change – 2008 to 2011

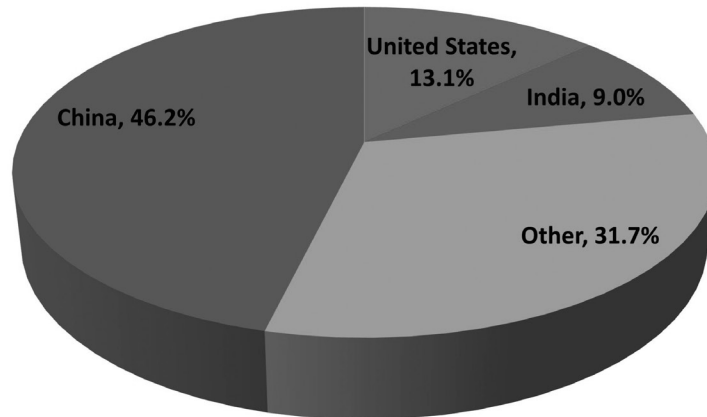
- **Coal** 
 - Price increases due to world demand
 - International energy policies
- **Oil** 
 - Stable prices (on average)
 - Slow implementation of new technology
- **Natural Gas** 
 - Weak demand, over supply
 - Transportation

Montana's Energy Outlook

Coal ---

- **Why ?**
 - International Demand
 - International Natural Gas Price vs. Coal Price
- **What to monitor**
 - Federal Environmental Rules
 - Construction of Port Facilities

International Coal Consumption, 2010

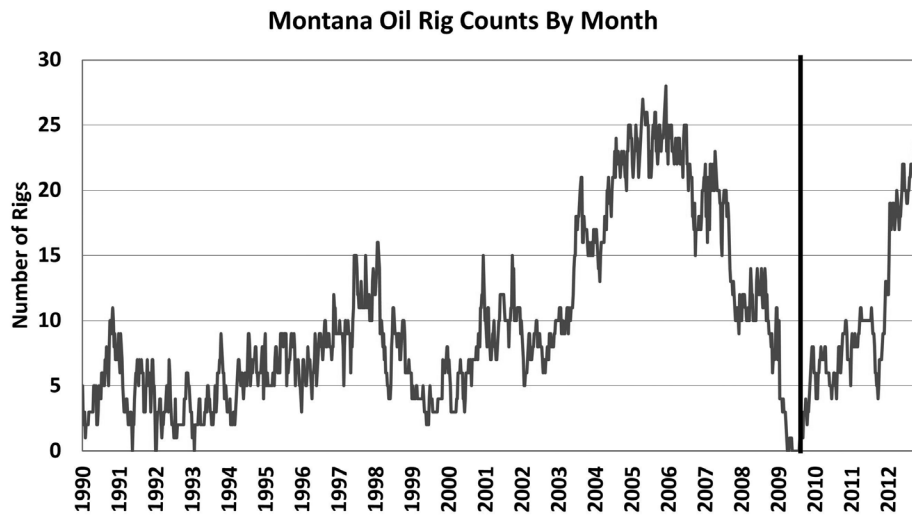


Montana's Energy Outlook

Oil --- ↑

- **Why ?**
 - Rig Count Improvement
 - Economic Recovery
 - U.S. Energy Independence
- **What to monitor**
 - Environmental Issues With “Fracking”
 - Transportation Issues
 - Federal & State Taxation Policies

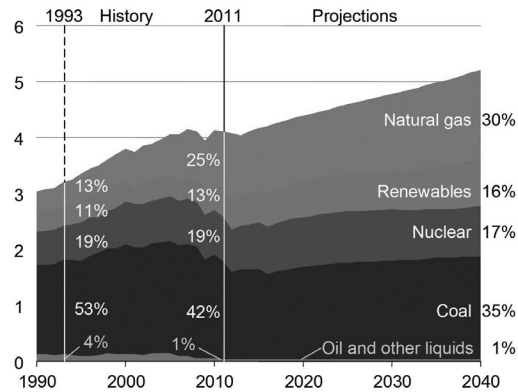
Montana Oil Rig Count



Montana's Energy Outlook Natural Gas --- ↑

- **Why ?**
 - Electricity Generation
 - Environmental Issues with Coal
- **What to monitor**
 - Environmental Issues With “Fracking”
 - Federal & State Taxation Policies
 - International Energy Policies

U.S. Electricity Generation by Fuel Type

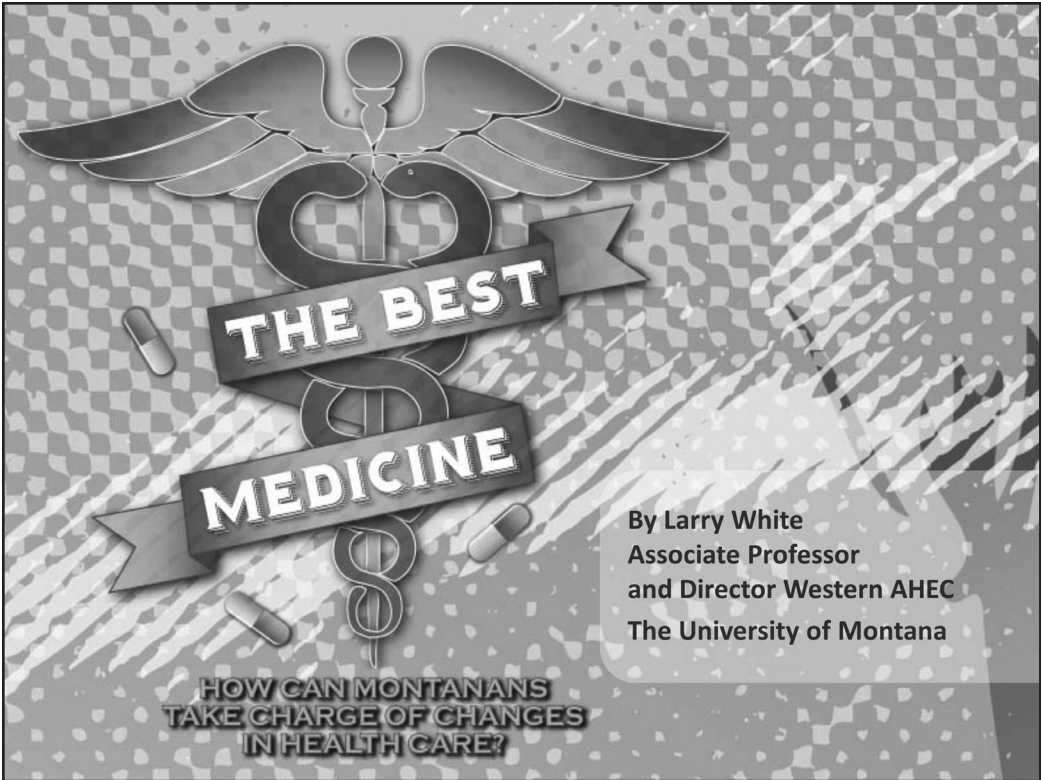


What Does This All Mean?

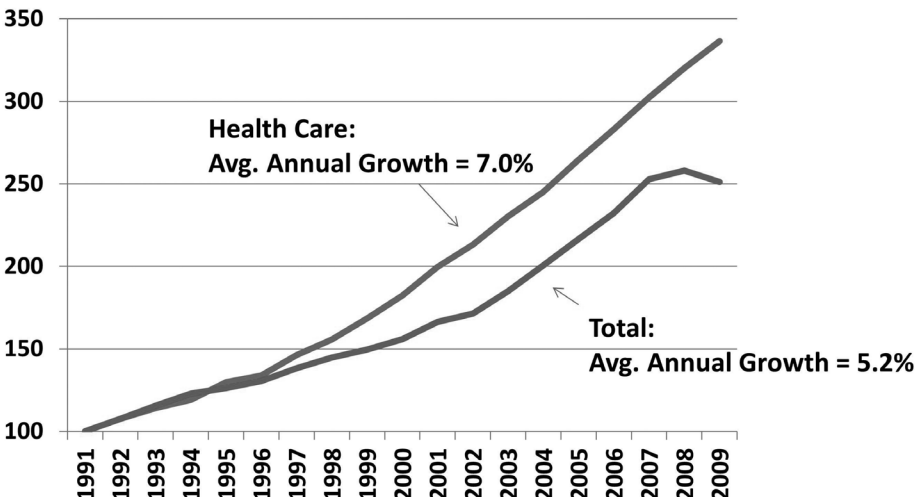
- **Economic Growth**
 - Eastern Montana
 - Other Areas (Billings for example)
- **Enhanced Governmental Revenue**
 - Natural Resource Taxes
 - Income Taxes
 - Consumption Taxes
- **Governmental Service Pressures**
 - Education
 - Public Safety
 - Infrastructure (State and Local)

Questions

- **Some Interesting Energy Facts**
 - Montana has the highest estimated recoverable coal reserves in U.S.
 - Wyoming produced the most coal in U.S. (2011) – over 40%
 - U.S. was 3rd largest oil producer in 2011 – Saudi Arabia and Russia were 1st and 2nd, respectively
 - North Dakota was second largest oil producer in U.S. (2012)
 - U.S. natural gas production was highest level ever in 2011
 - U.S. natural gas use for electricity generation increased 188% from 1988 to 2011

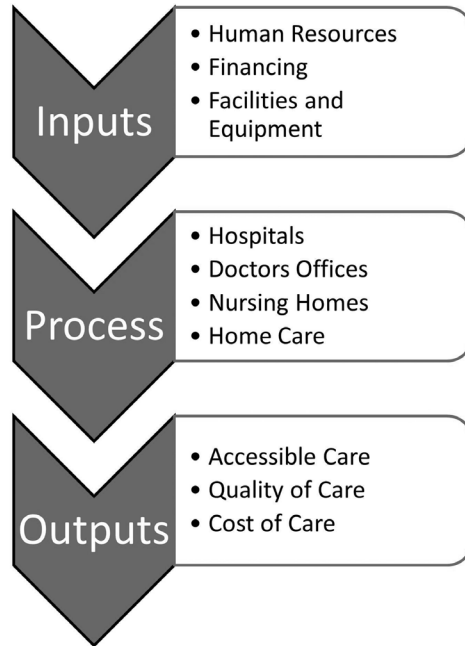


**Montana Health Care Spending
and Total Spending, 1991-2009, Index 1991 = 100**

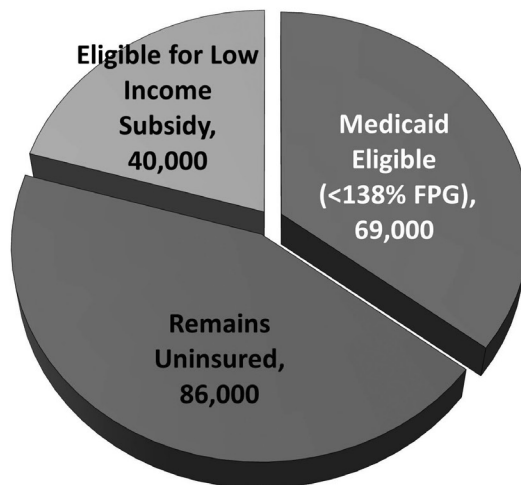


Source: Centers for Medicare and Medicaid Services and Bureau of Economic Analysis

The Health Care System



Montana's 195,000 Uninsured: How ACA Can Help



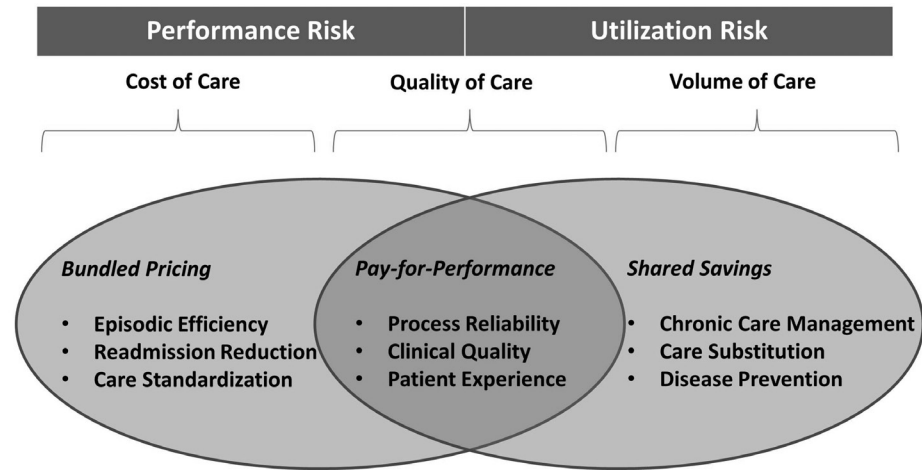
Yellowstone County and Montana: The Uninsured

| | Yellowstone County | Montana |
|--|-----------------------|---------------|
| Number of Uninsured | 24,283 | 195,000 |
| Percent of Total County Pop Uninsured | 16.6% | 20% |
| Number Covered by Medicaid before ACA | 12,312 | 106,000 |
| Number Eligible for Medicaid after ACA | 27,777 | 175,000 |
| Hospital Cost of Uncompensated Care (2010) | \$49,497,622 | \$244,900,000 |
| Physicians and Other Community Providers (Est) | \$31,646,021 | \$156,700,000 |
| Total Uncompensated Care (Est) | \$81,143,643 | \$401,600,000 |
| Uncompensated Care Reduction | \$20,205,090 | \$100,000,000 |

Health Insurance Exchange

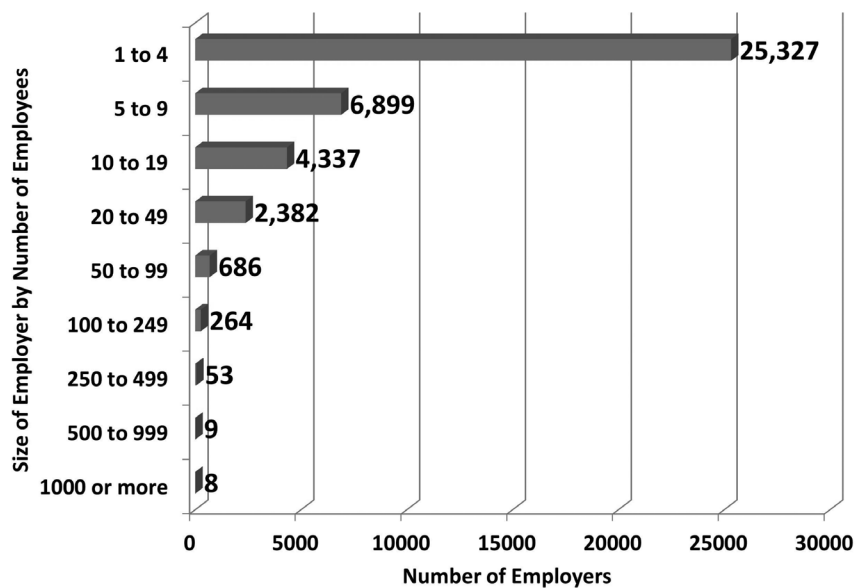
- **Functions**
 - Internet virtual marketplace for individuals and small employers to shop for insurance
 - Provide consumer choice (bronze, silver, gold, platinum)
 - Increase transparency of products and prices
 - Ensure all plans offer “essential health benefits”

Financing Moves Away from Fee For Service



Source: Health Care Advisory Board Interviews and Analysis
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Montana Number of Employers by Employee Category, 2012



Upcoming Events

Manufacturing/Trade Day at the Capitol

April 4, Helena

Montana Chamber Summer Meeting

June 18-19, Big Sky

2012 Governor's Cup Golf Tournament

August 1-3

Flathead Valley

www.2013GovernorsCup.com

Montana Goes to China Tour

September 28-October 7

www.MontanaGoestoChina.com

Montana Goes to Cuba Tour

October 25-November 1

www.MontanaGoestoCuba.com



Chamber of Commerce

Membership Benefits

Office Depot Program

HR e-Source

Monthly Newsletter "Eye on Business "

Weekly membership e-updates

Programs

Montana Manufacturing Council

www.MontanaManufacturingCouncil.com

Montana High School Business Challenge

www.MTHSBC.com

Montana Chamber Choices

www.ChamberChoices.com

Montana Safety Choices

www.MTSafetyChoices.com

OUTLOOK 2013

PRESENTATIONS

2013 Economic Update

Kalispell

Thursday August 1, 2013
12:00 – 1:30 p.m.
Red Lion Hotel

Billings

Tuesday August 6, 2013
7:00 – 8:30 a.m.
Crowne Plaza

Bozeman

Tuesday August 6, 2013
12:00 – 1:30 p.m.
Best Western GranTree

Helena

Wednesday August 7, 2013
7:00 – 8:30 a.m.
Jorgenson's

Butte

Wednesday August 7, 2013
12:00 – 1:30 p.m.
Comfort Inn

Great Falls

Thursday August 8, 2013
7:00 – 8:30 a.m.
Hilton Garden Inn

Missoula

Thursday August 8, 2013
12:00 – 1:30 p.m.
Holiday Inn Downtown

Check out

www.MontanaChamber.com

for the latest Montana business news and resources



Chamber of Commerce



2013 Montana Chamber of Commerce Treasure State Investors

