



2014 ECONOMIC UPDATE

MANUFACTURING A BETTER MONTANA

REVIEWING THE 2014 OUTLOOK

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OVERVIEW:

- All businesses regional outlook
- All businesses Montana outlook
- National manufacturers outlook and challenges
- Montana manufacturers outlook and challenges



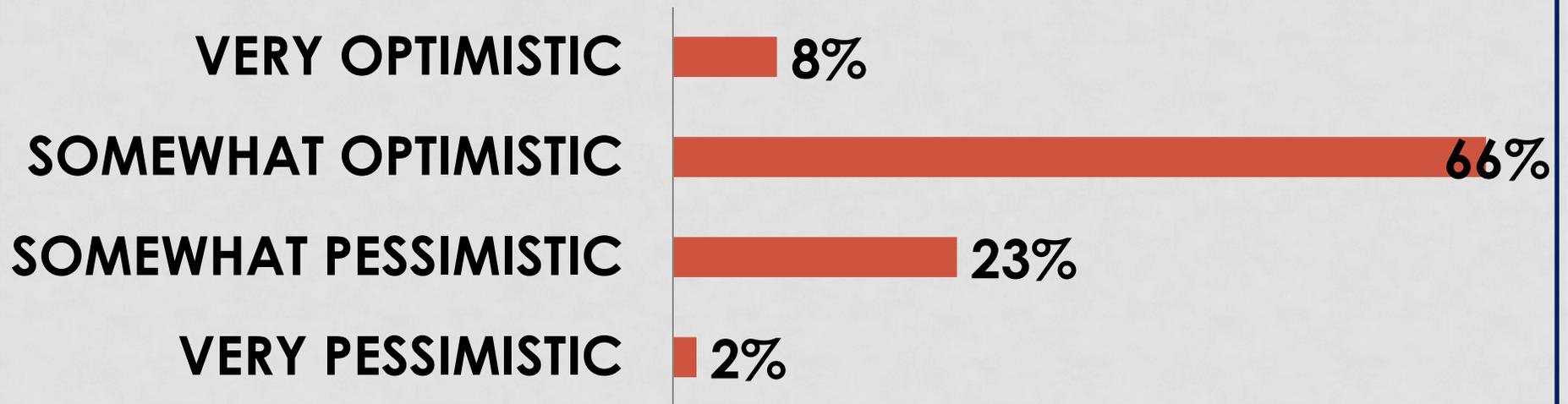
OUTLOOK - ALL BUSINESSES

- Minneapolis Federal Reserve Bank
2013 Business Conditions Survey
- Minneapolis Fed 9th District:
 - ND, SD, MN, MI Upper Peninsula,
Northwestern WI, MT
- Conducted Nov. 2013, released Jan.
2014
- 321 total respondents; 30
respondents from MT



OUTLOOK - ALL BUSINESSES

All Respondents – 2014 Outlook



2013 Outlook:
56% optimistic
44% pessimistic



OUTLOOK - ALL BUSINESSES

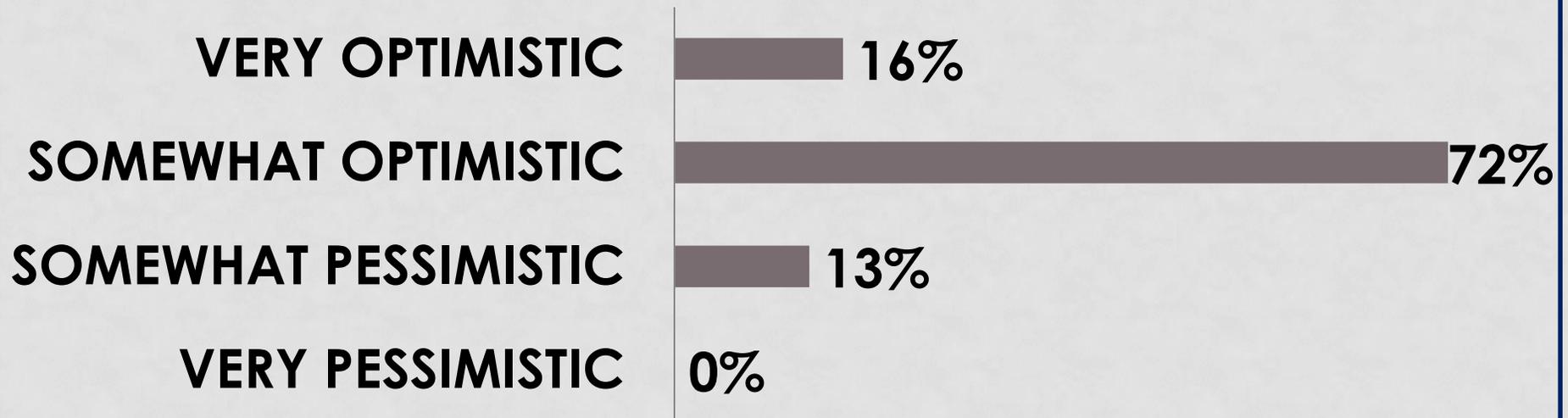
- Key indicators
- % responding “up”

	All	Montana
Sales:	48% up	47% up
Full-time Employees:	30% up	44% up
Capital Investment:	31% up	38% up
Productivity:	69% up	62% up



OUTLOOK - ALL BUSINESSES

Montana – 2014 Outlook



MT 2013 Outlook:

51% optimistic
49% pessimistic

ND 2014 Outlook:

86% optimistic (48% "very")
14% pessimistic



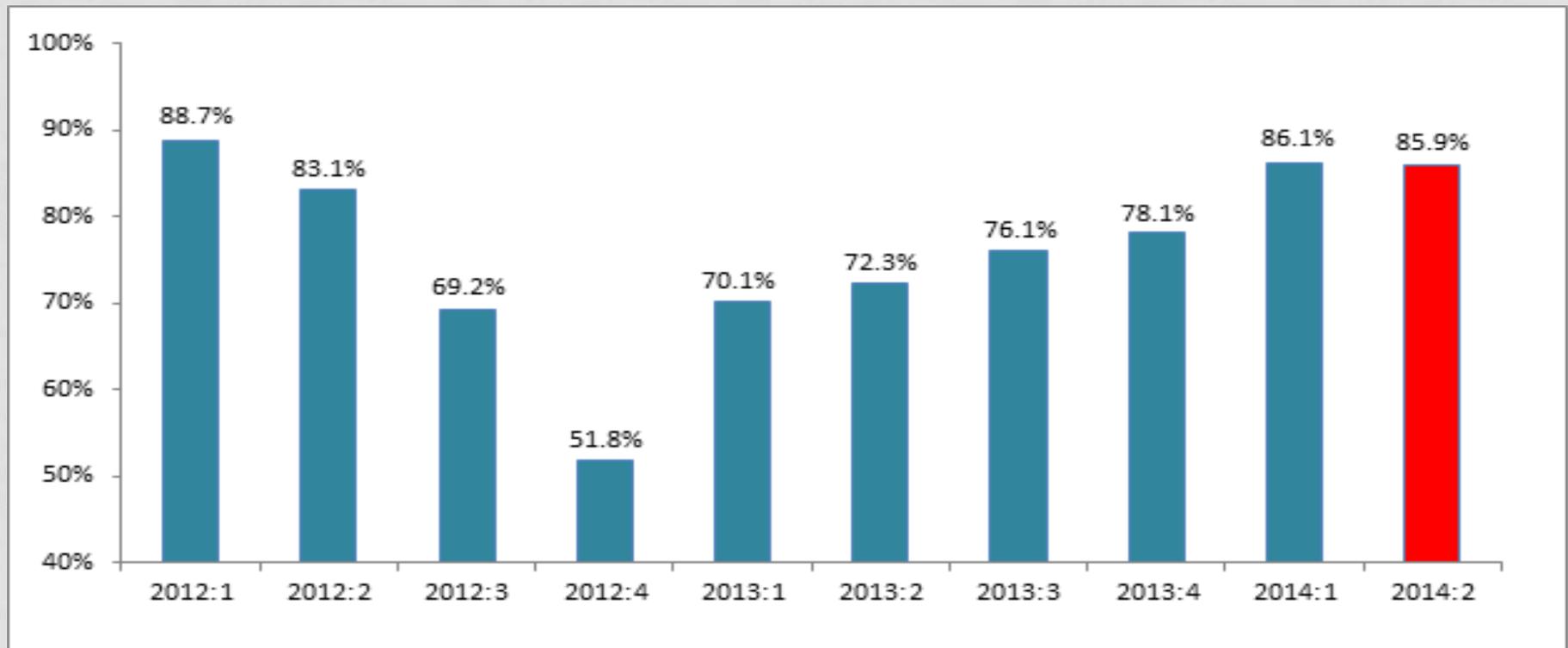
MANUFACTURERS - NATIONAL OUTLOOK

- NAM/*IndustryWeek* Quarterly Survey
 - Released June 9, 2014
 - Quarterly since 1997
 - 326 respondents
- Outlook:
 - Optimism / bullish
 - Highest expected sales (up 4.1%) and capital investment (up 2.3%) in 2 years
 - See improving economy (75%); new product development (57%); increased efficiencies (49%)



MANUFACTURERS - NATIONAL OUTLOOK

- “Somewhat positive” or “very positive” about current outlook:





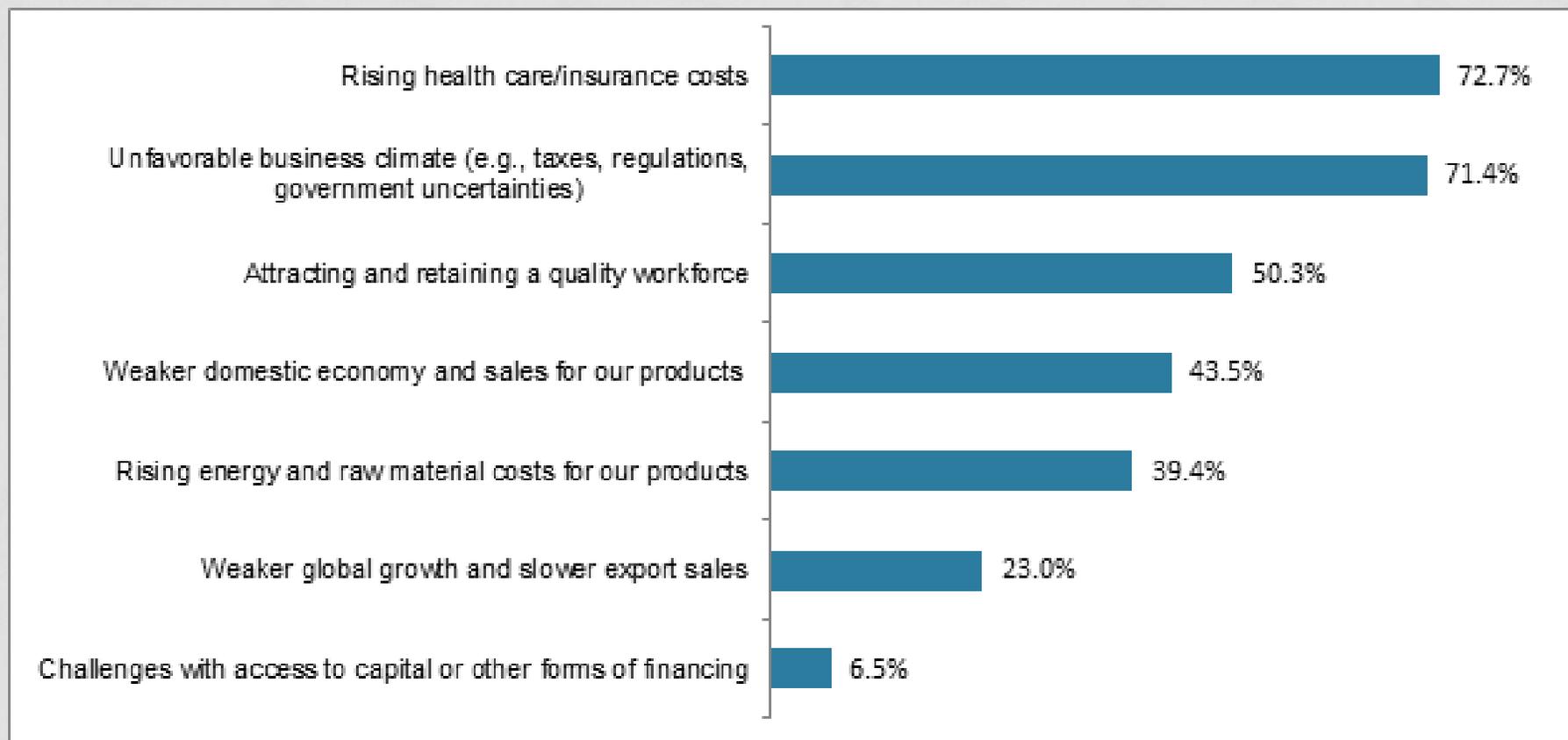
MANUFACTURERS - NATIONAL CHALLENGES

- Despite positive outlook, manufacturers see challenges at the national level:
 - Slowness of growth in broader economy
 - Frustration with political process
 - Reauthorization of Ex-Im Bank
 - Funding Highway Trust Fund
 - Comprehensive tax reform
 - Burdensome regulatory, tax, and health care policies



MANUFACTURERS - NATIONAL CHALLENGES

- Top challenges identified:





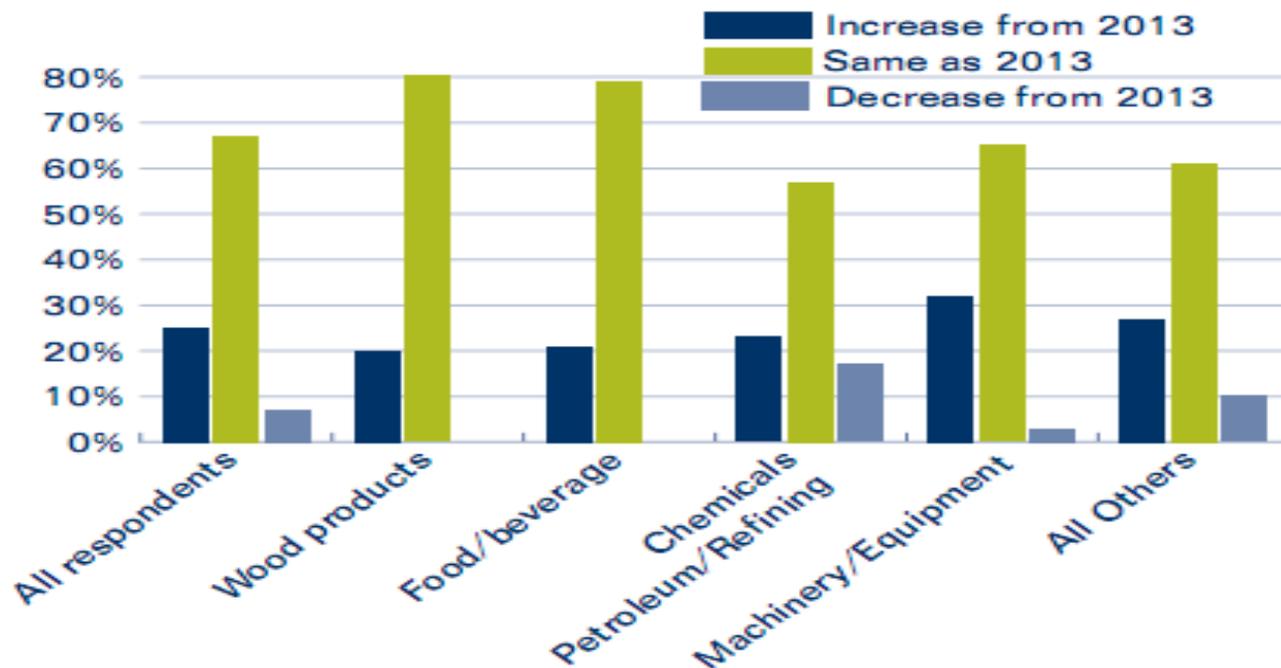
MANUFACTURERS - MONTANA OUTLOOK

- UM BBER 2013-2014 Montana Manufacturers Survey
- Outlook:
 - Positive
 - Expectations of higher sales, increased production levels, greater profits
 - 47% expect improved conditions
 - 90% expect to keep employment levels
 - Less than 10% expect declines in production, prices, and sales
 - 40% are planning major capital expenditures
 - 60% expect cost of inputs to increase



MANUFACTURERS - MONTANA OUTLOOK

Employment Outlook for 2014 by Montana Manufacturing Sector



Source: Bureau of Business and Economic Research,
University of Montana.



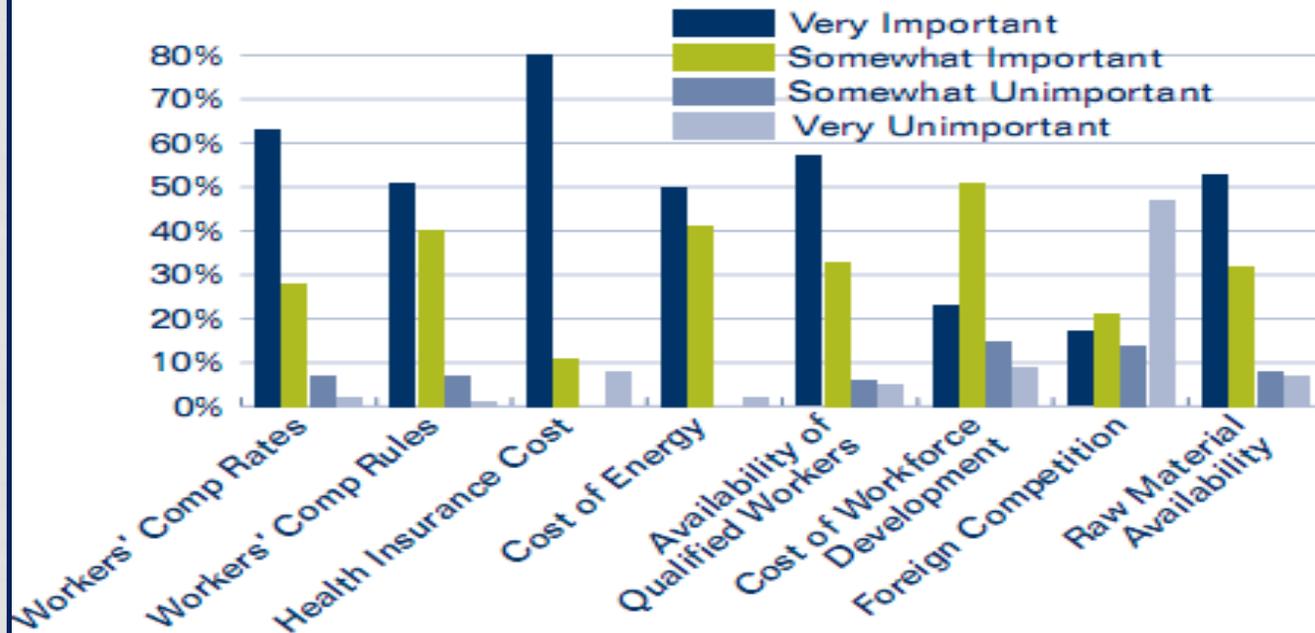
MANUFACTURERS - MONTANA CHALLENGES

- Top challenges identified:
 - 80% ranked health insurance costs as the top issue
 - 63% ranked worker's compensation rates as very important
 - 57% identified shortages of qualified workers as very important
 - Montana manufacturers do not fear foreign competition, ranking it the least important issue they face



MANUFACTURERS - MONTANA CHALLENGES

Other Business-Related Issues



Source: Bureau of Business and Economic Research,
University of Montana.



MONTANA CHAMBER OUTLOOK

- Continued growth in oil & gas development (Bakken), fueling another budget surplus next session
- But uncertainty in natural resource development
 - Effect of EPA carbon emission rules on coal and potentially natural gas development
 - Effect of greater sage-grouse listing in the ESA on natural resource development
- Uncertainty in health care market, ACA employer mandate delayed until 2015
- Housing starts rebounding compared to 2013 in major areas except for Helena, Billings, and Butte
 - But far behind 2006 levels