



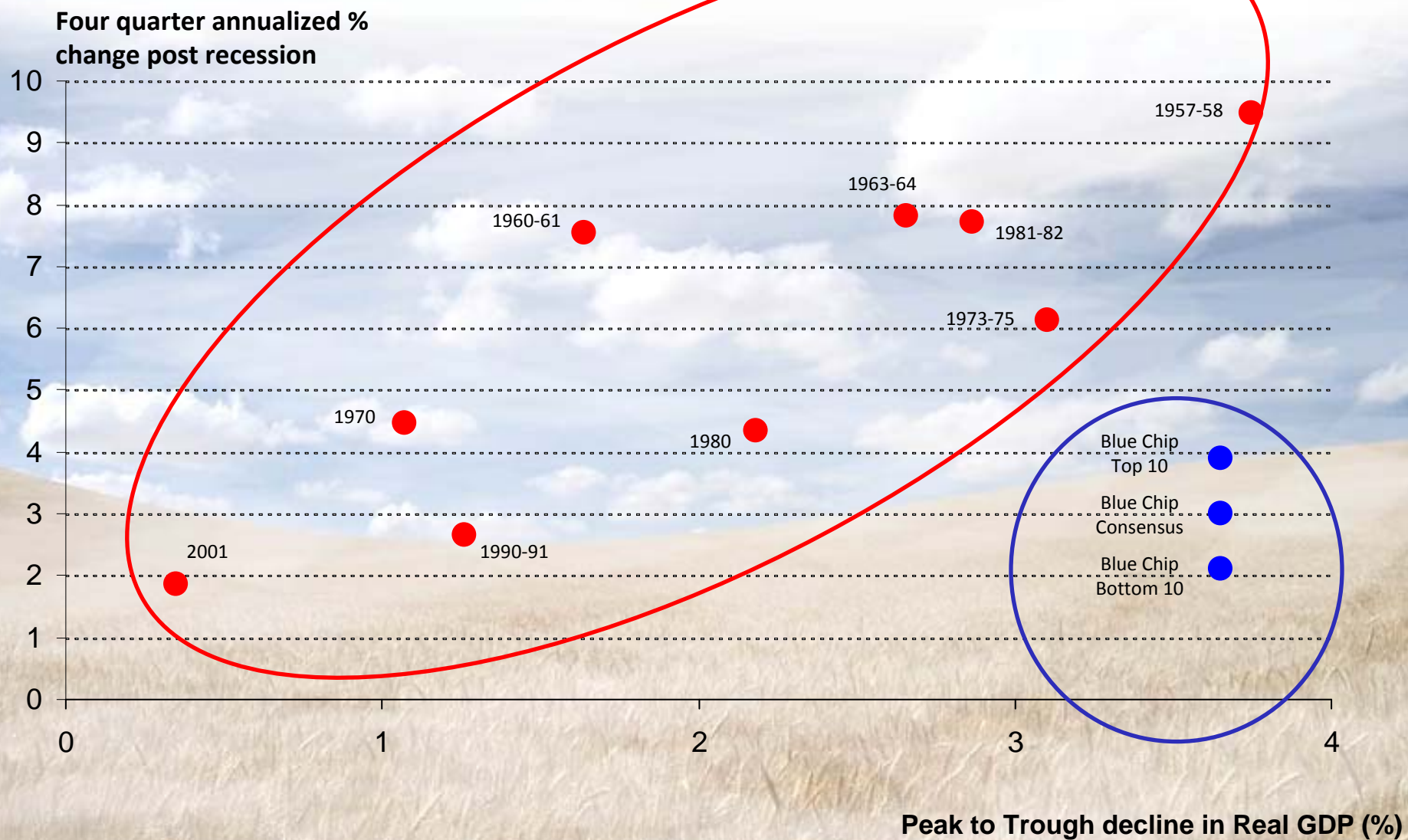
The Economic Outlook for Montana: Transition to Growth

Patrick M. Barkey

A Recession Like No Other

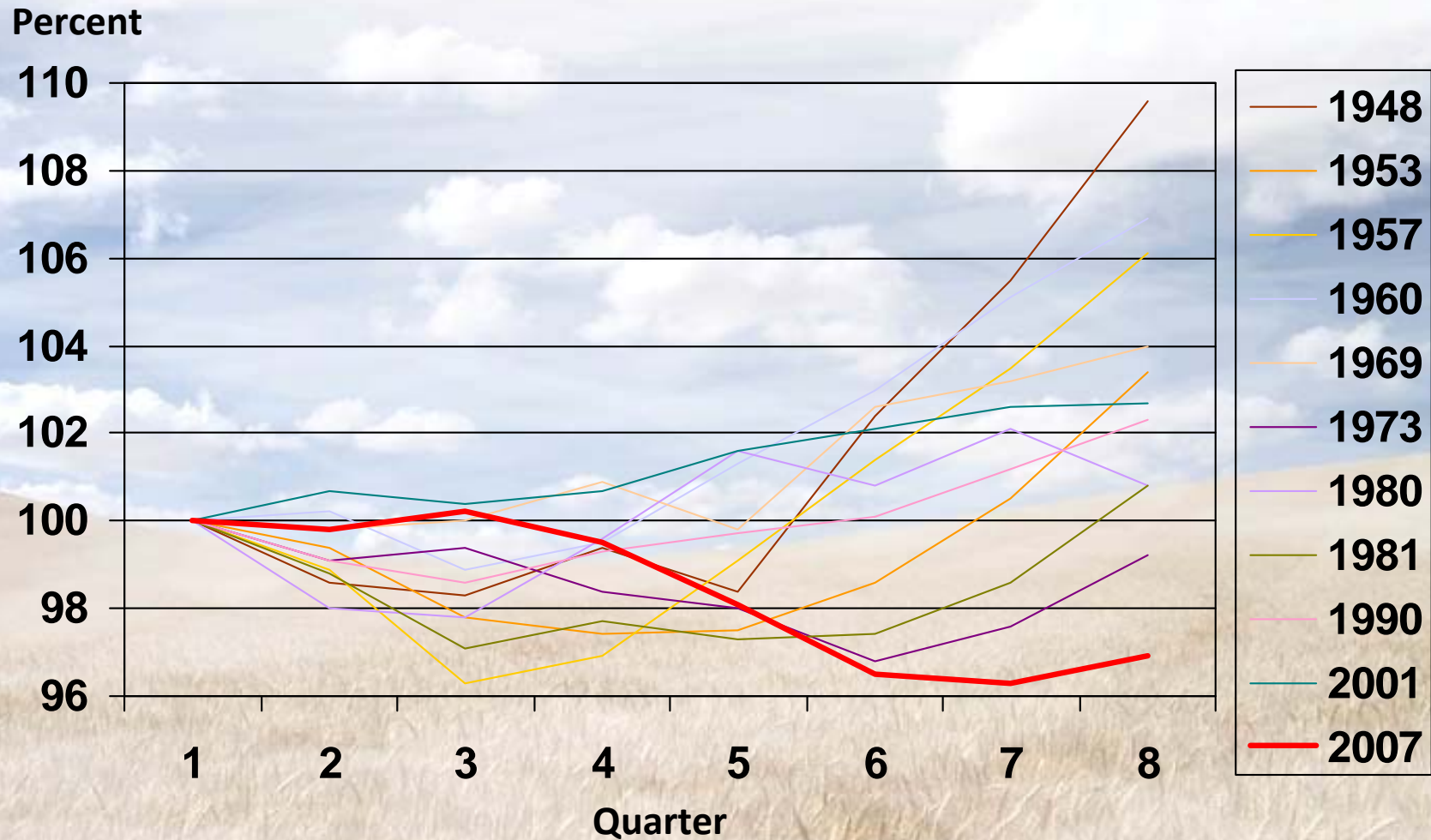
- **Recession has been longer, more severe, more global**
- **A “net worth” recession that wiped out wealth**
- **A crisis of confidence in financial markets – now over**
- **An unprecedented, coordinated, global policy response, especially in the U.S.**

A Different Recession Leads to a Different Recovery



Source: BEA, Blue Chip

A Longer and Deeper Recession, But Still on the Same Page



Real Gross Domestic Product as a Percent of pre-Recession Peak
Source: U.S. Bureau of Economic Analysis

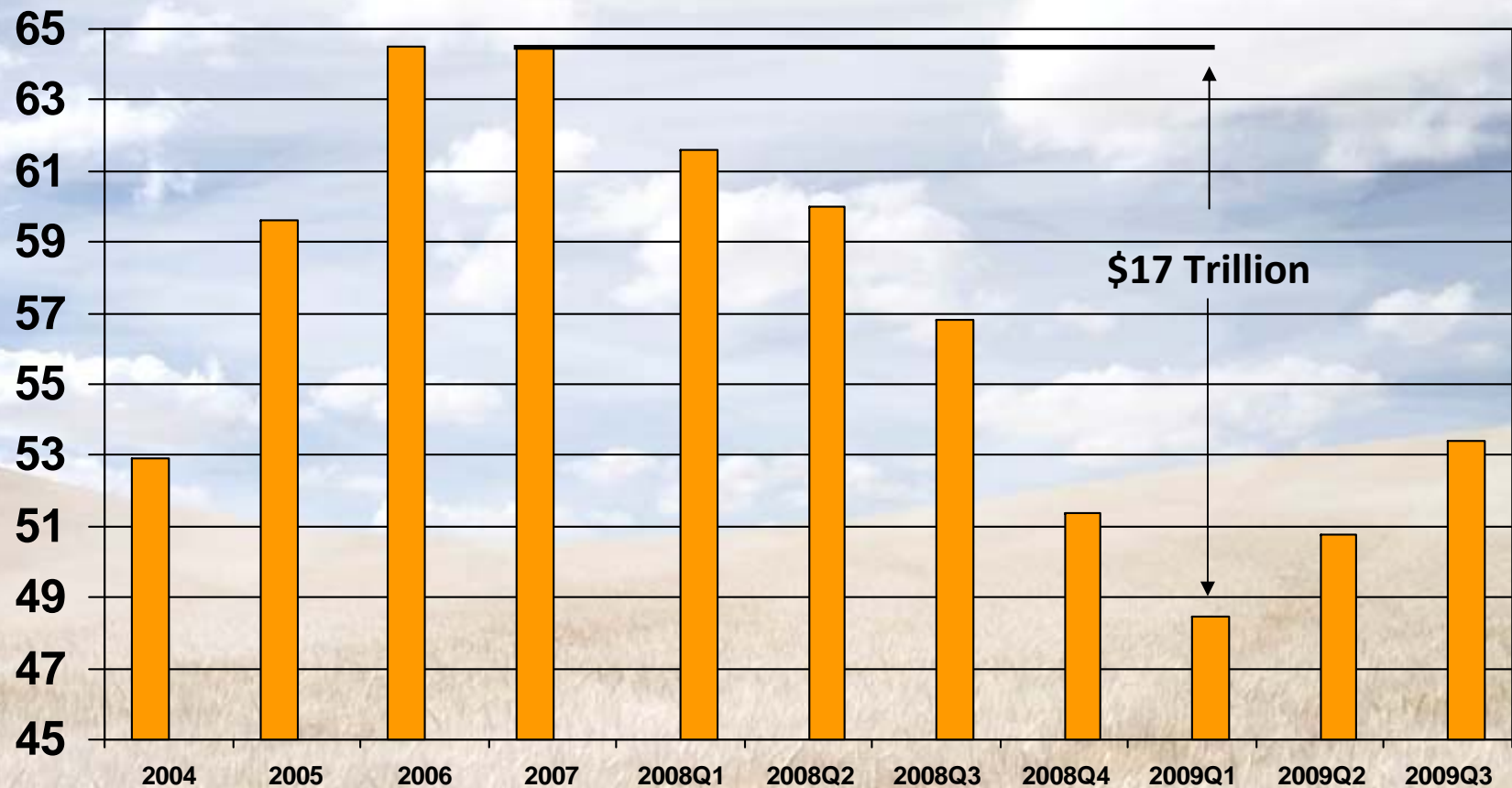
Number of Countries in Recession in the Same Year (as a % of total countries)



Source: BBVA ERD

Recession Wiped Out \$17 Trillion in Household Assets

Trillions of Dollars



U.S. Household Net Worth, Market Value, \$ Trillions

Source: Federal Reserve

Federal Government

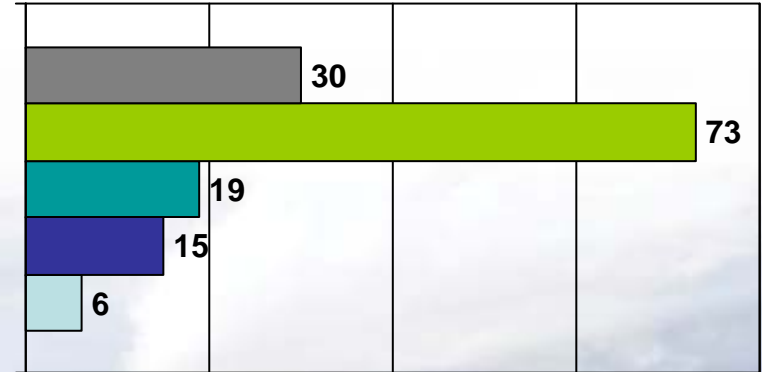
Economic Policy Tools

- **Fiscal Policy**
 - Taxes and Spending
- **Monetary Policy**
 - Interest Rates and Money Supply

Monetary Policy

Time to zero real interest rates*

Great Depression (Oct. '29)
 Japan (Jun. '91)
 Europe (Aug. '07)
 UK (Aug. '07)
 USA (Aug. '07)

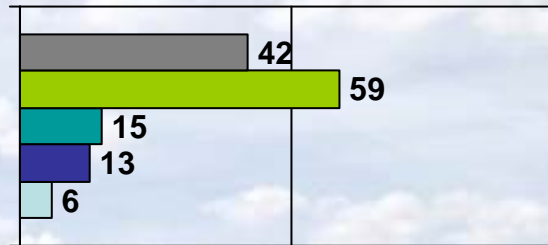


Months

* = Using ex-post inflation for the Great Depression, Inflation expectations for Japan, Europe, UK, USA.

Time to first fiscal package

Great Depression (Oct. '29)
 Japan (Jun. '91)
 Europe (Aug. '07)
 UK (Aug. '07)
 USA (Aug. '07)



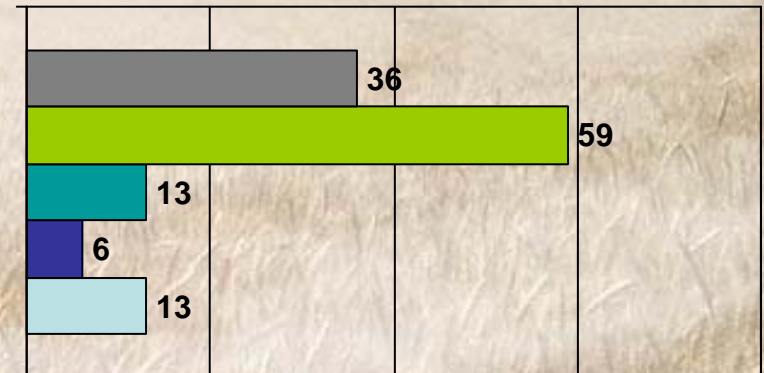
Months

Fiscal Policy

Financial stabilization

Time to first injection of Public Capital

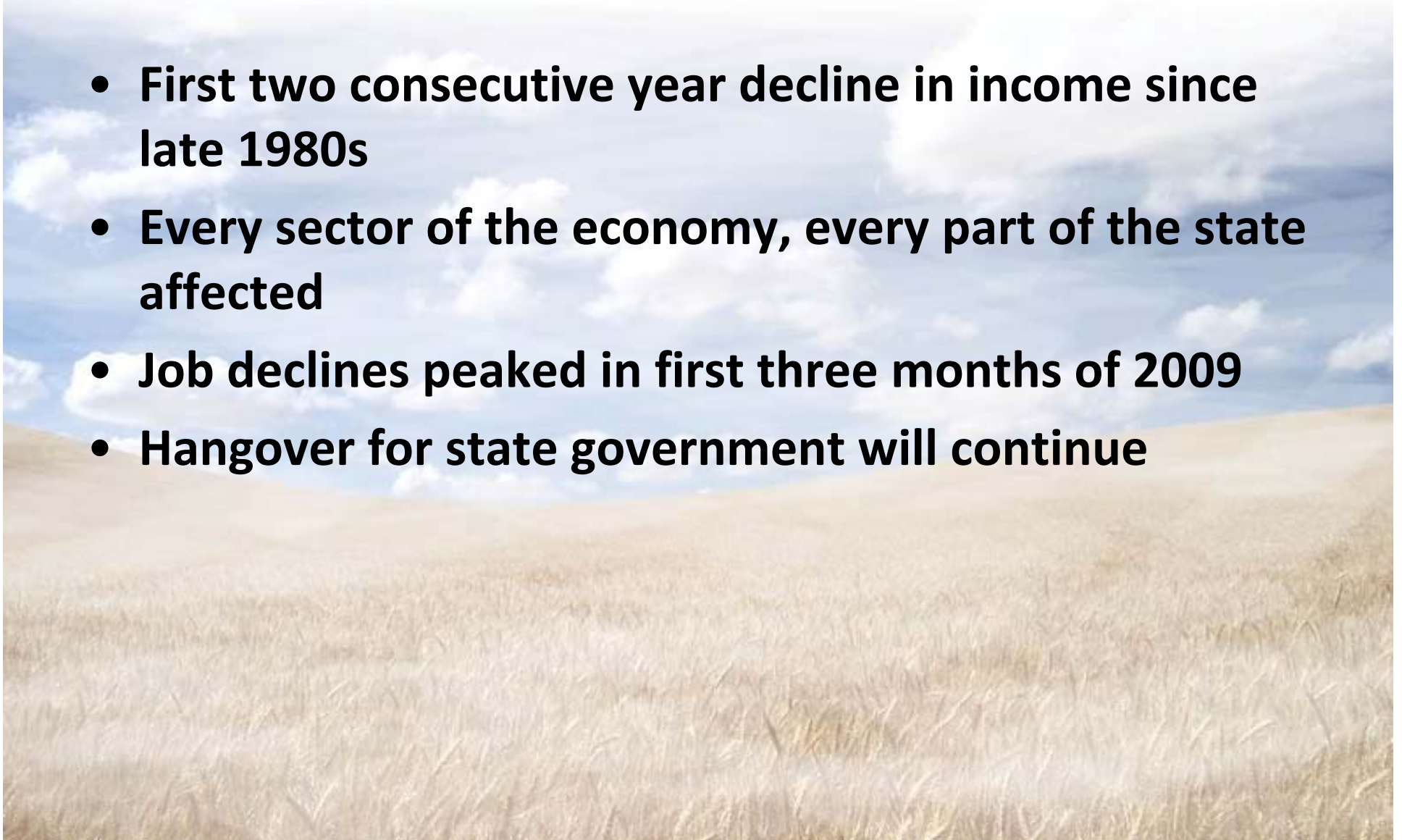
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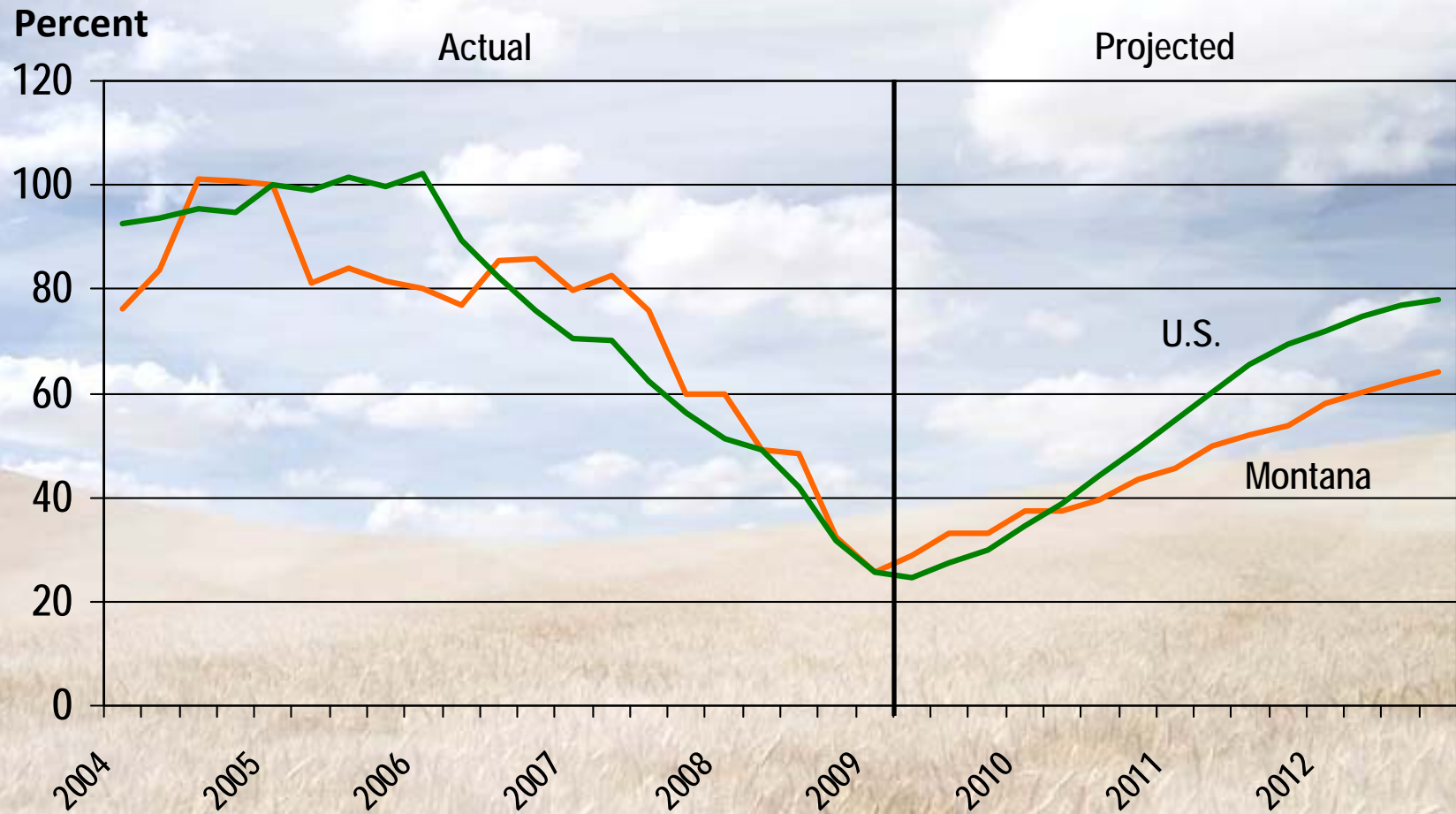
Months

A Recession Like No Other in Montana

- **First two consecutive year decline in income since late 1980s**
- **Every sector of the economy, every part of the state affected**
- **Job declines peaked in first three months of 2009**
- **Hangover for state government will continue**

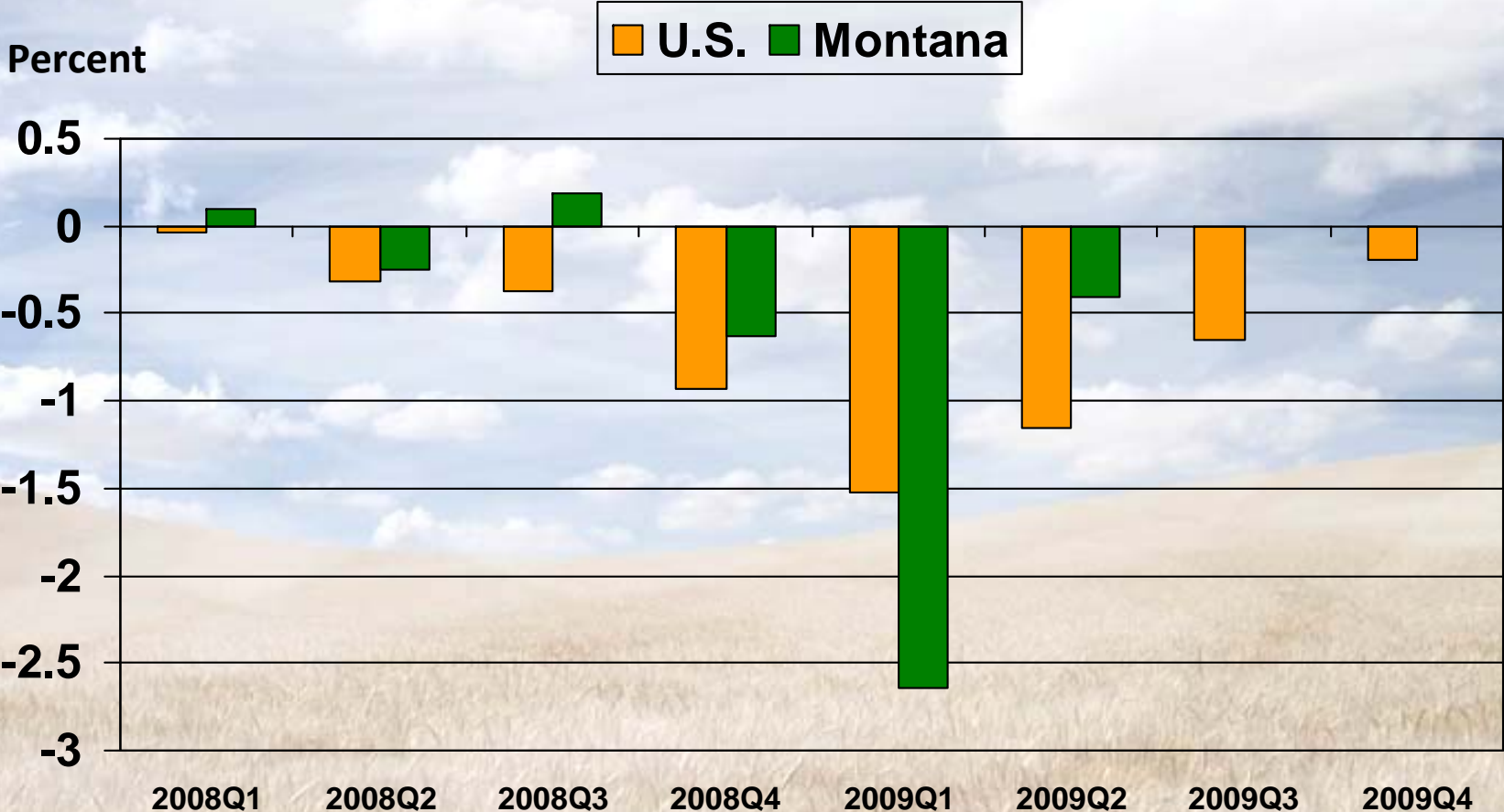


Housing is Not Expected to Recover to Pre-Recession Levels



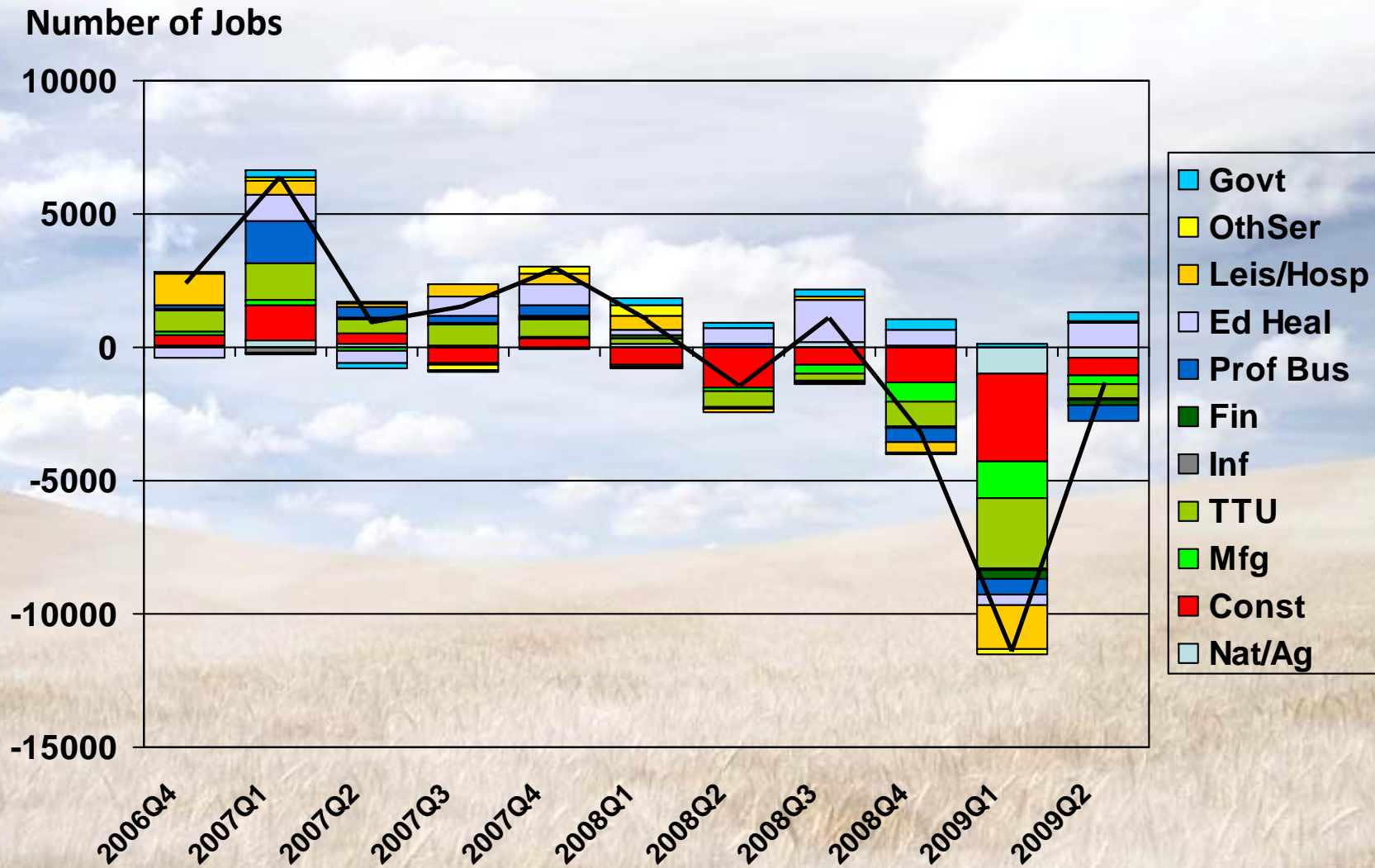
Housing Starts, Index, 2005Q1=100

U.S. and Montana Downturns Are Moving Together



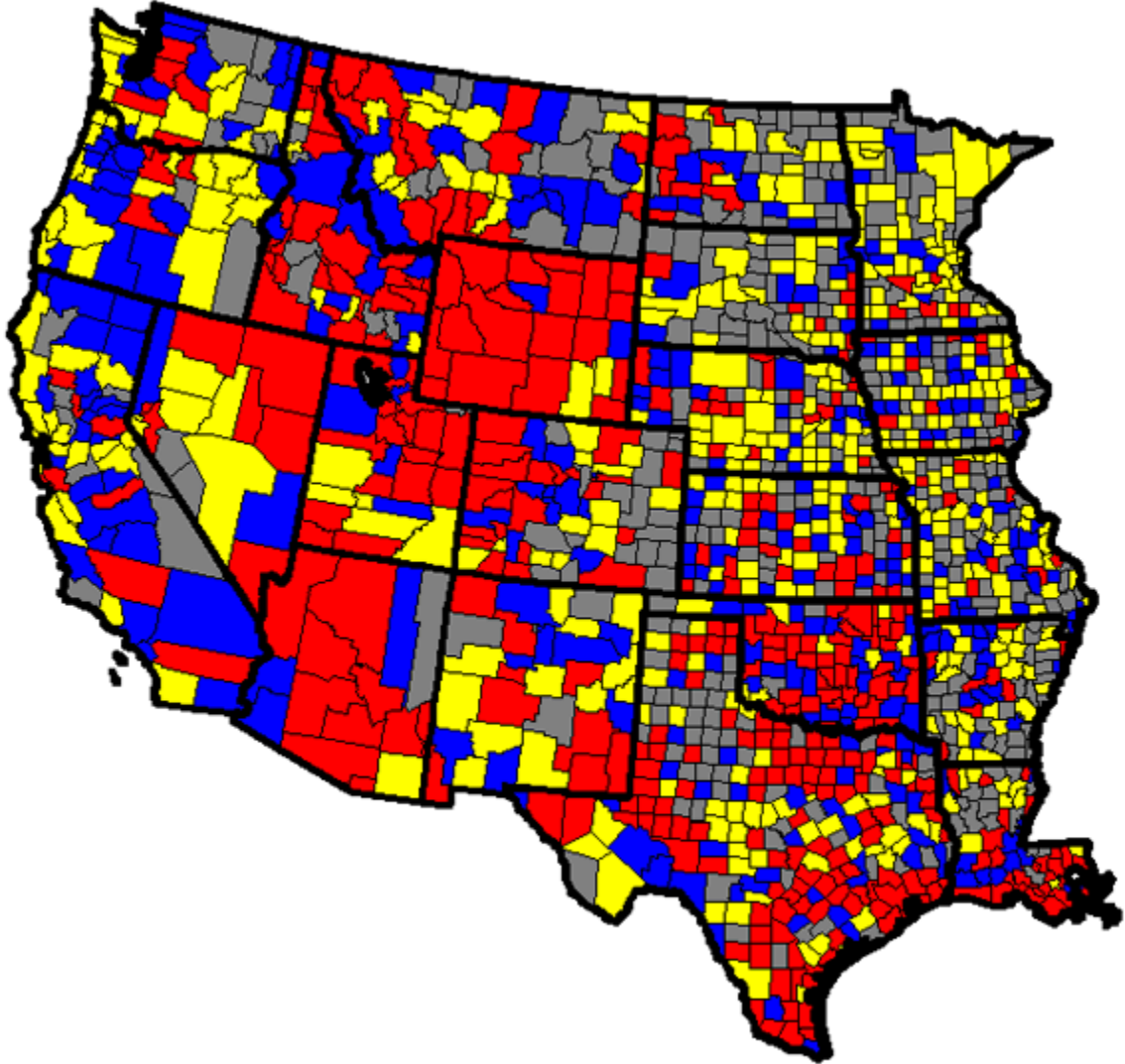
Payroll employment, percent change.
Seasonal Adjustments by BBER
Source: U.S. Bureau of Labor Statistics.

Montana Payroll Employment Growth by Sector



Source: U.S. Bureau of Labor Statistics.

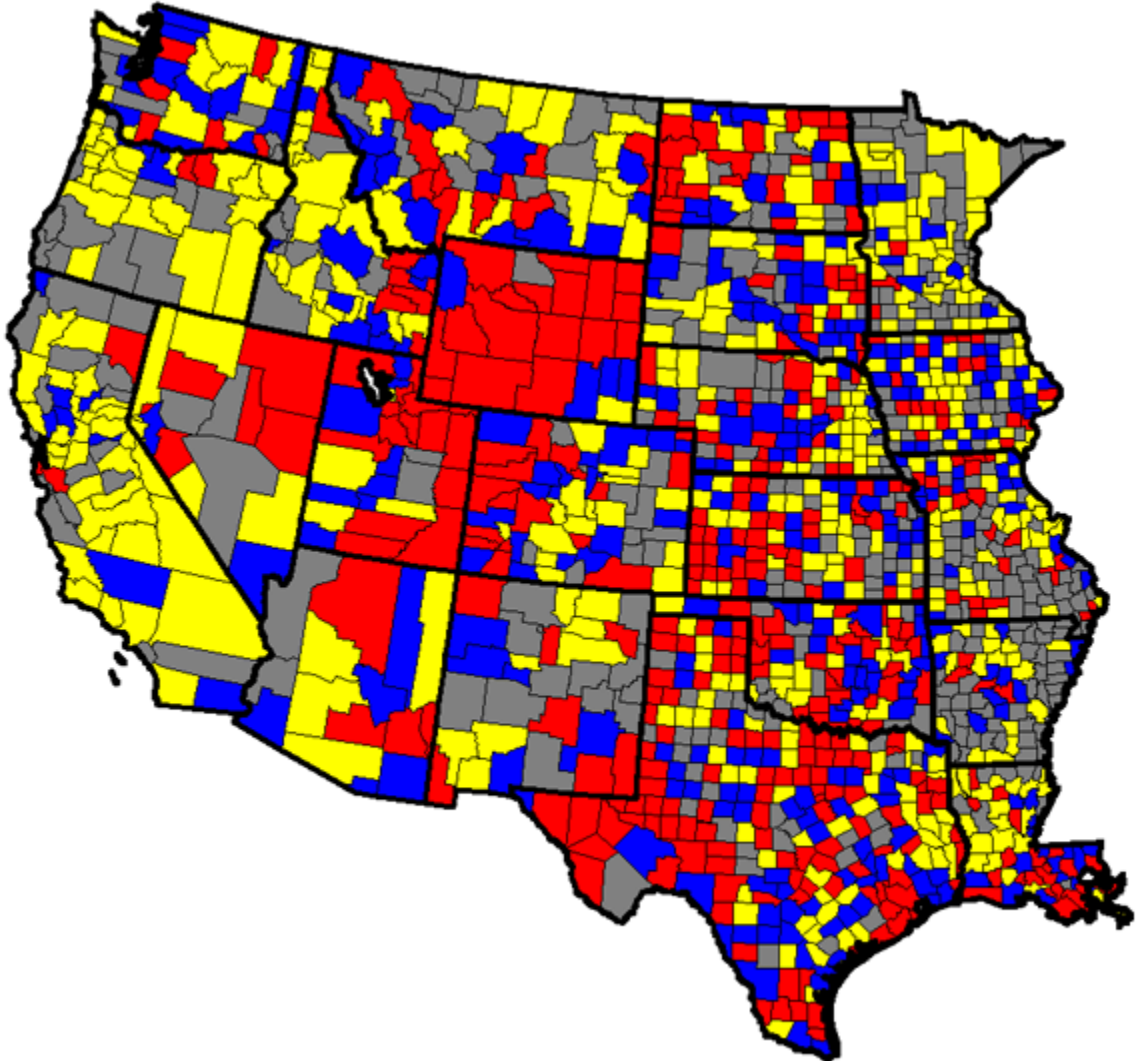
Real Wage Disbursements, Percent Growth, 2006



Less than 0.8% 0.8% - 3.2% 3.2% - 5.5% Up more than 5.5%

Source: U.S. Bureau of Economic Analysis

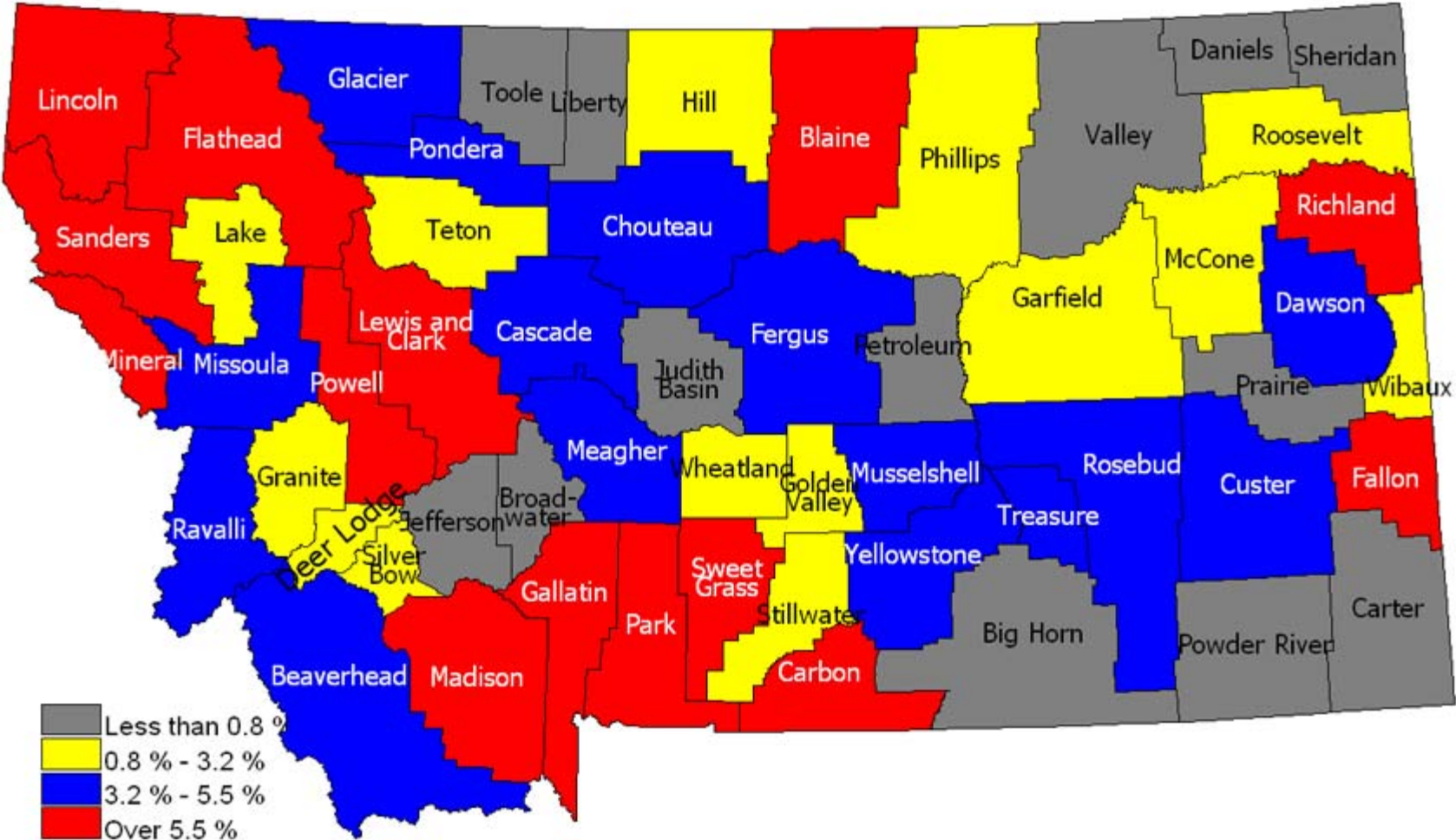
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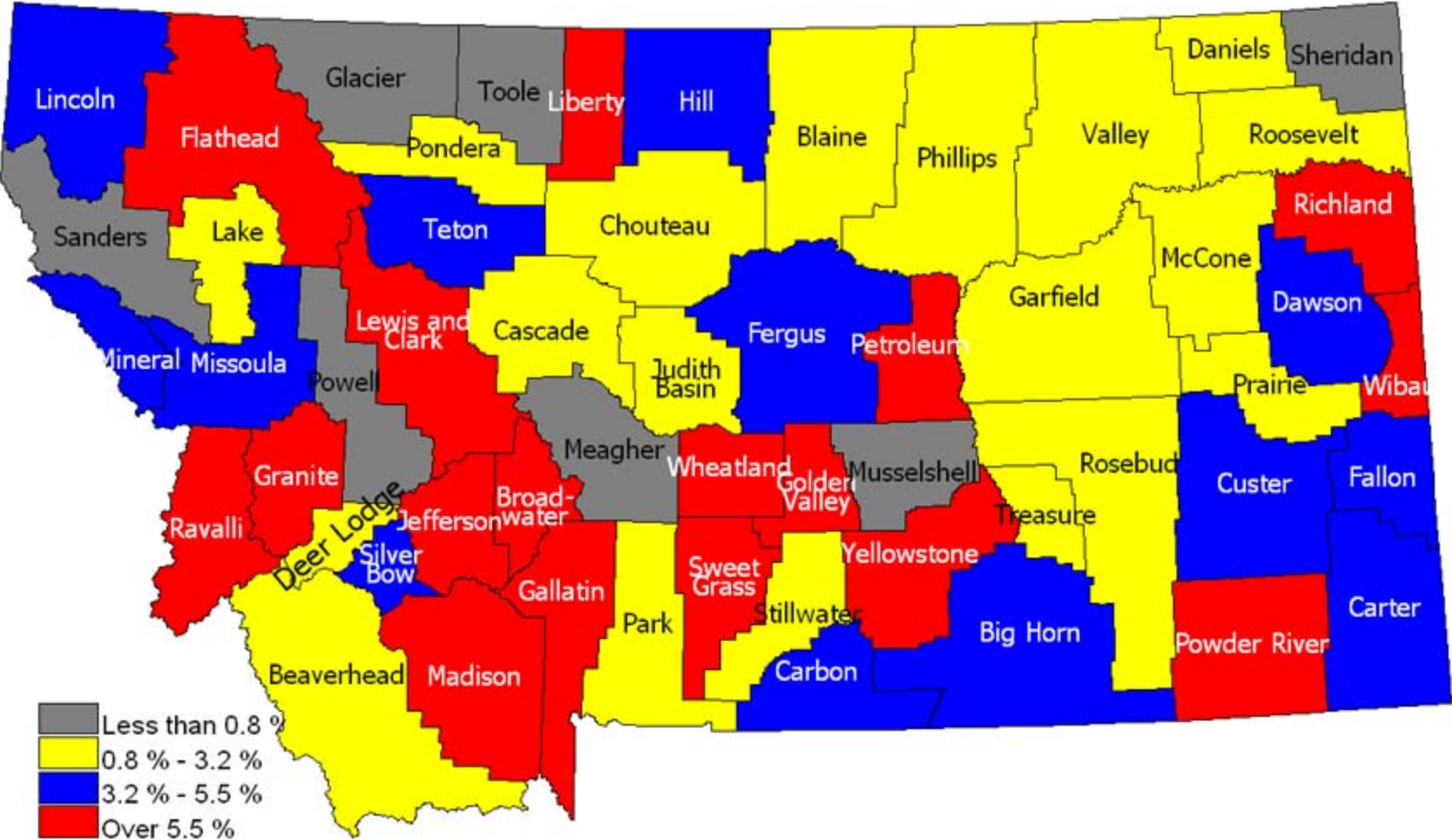
Source: U.S. Bureau of Economic Analysis

Real Wage Disbursements, Percent Growth, 2008



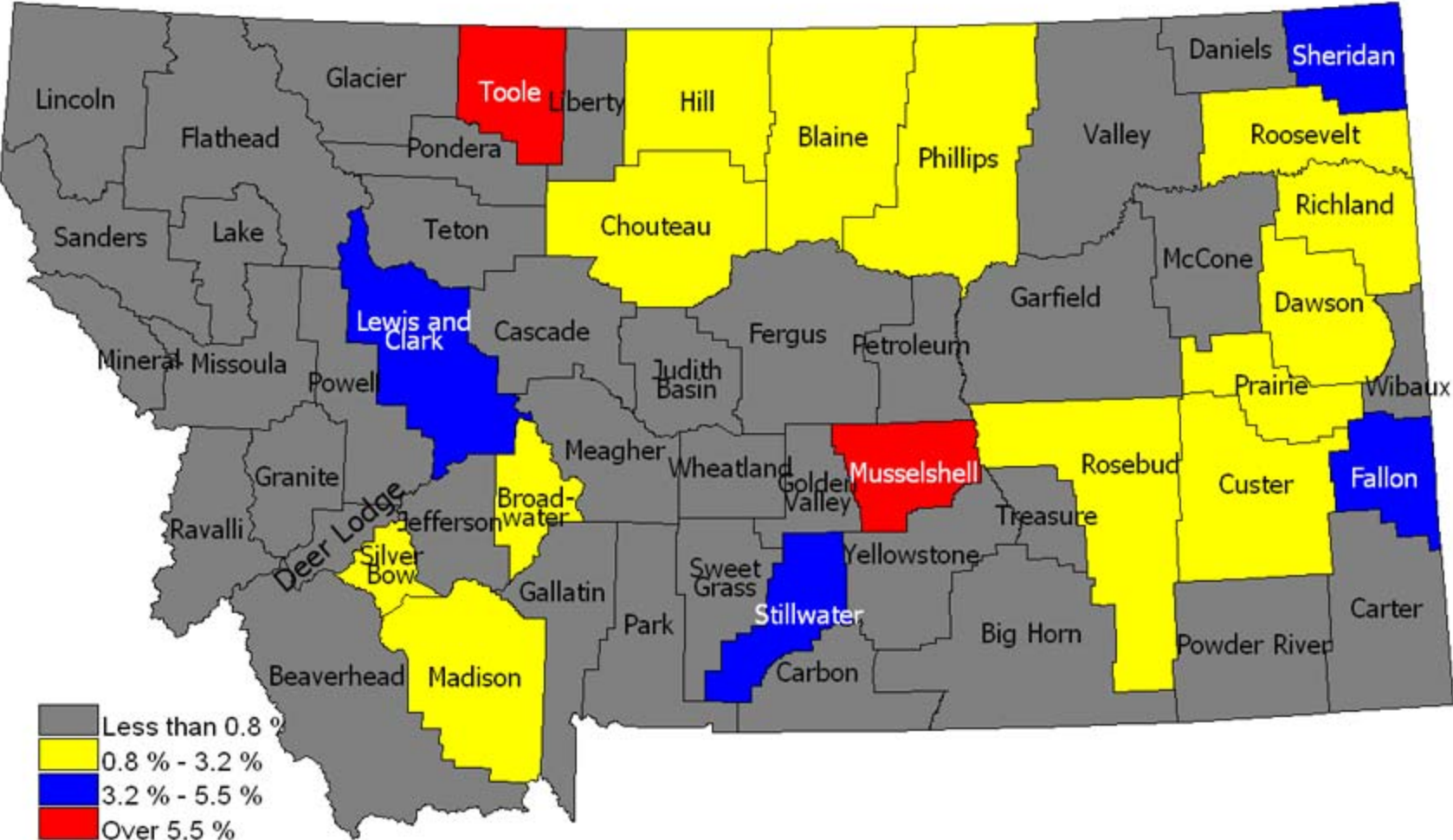
Source: U.S. Bureau of Economic Analysis

Real Wage Disbursements, Percent Growth, 2007



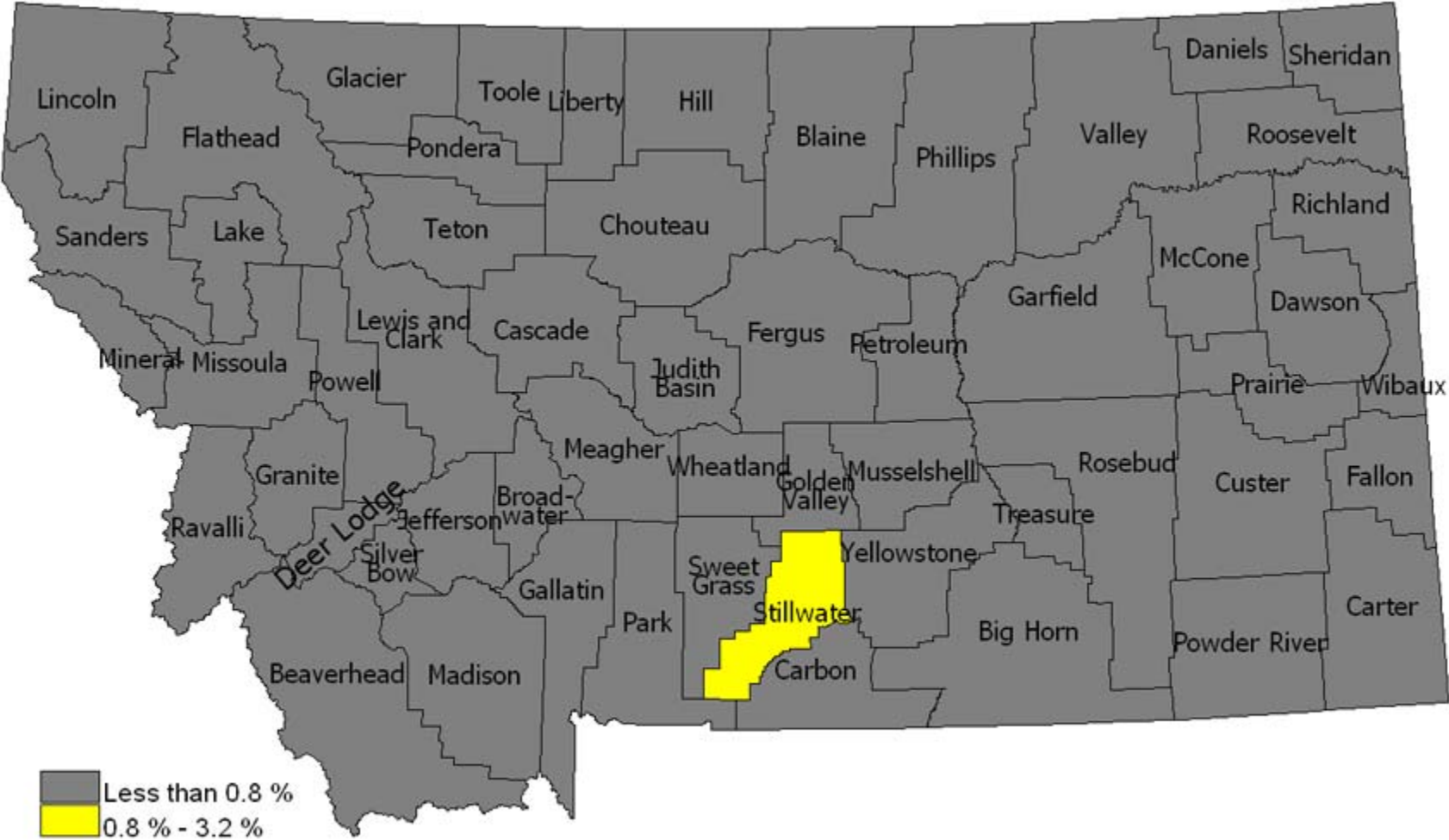
Source: U.S. Bureau of Economic Analysis

Real Wage Disbursements, Percent Growth, 2008



Source: U.S. Bureau of Economic Analysis

Real Wage Disbursements, Percent Growth, 2009



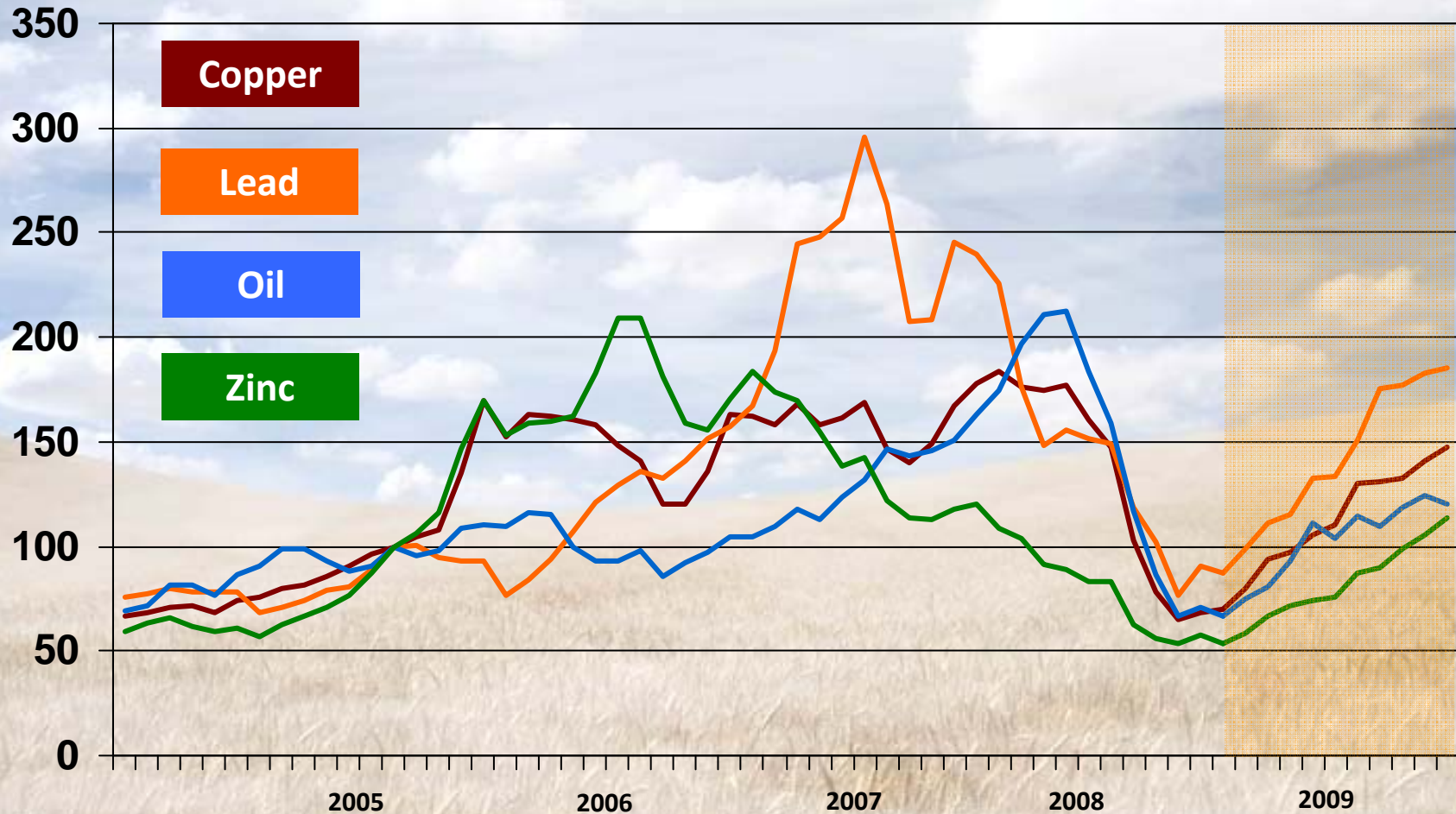
Source: IHS Global Insight

Headwinds and Tailwinds for the Montana Economy

- Rebound in prices holds promise for commodity and energy industries
- Housing bubble, foreclosures less of an issue
- Agriculture, federal government reasonably stable
- Permanent closures in wood products
- No sign of quick return for construction
- Consumers still repairing balance sheets

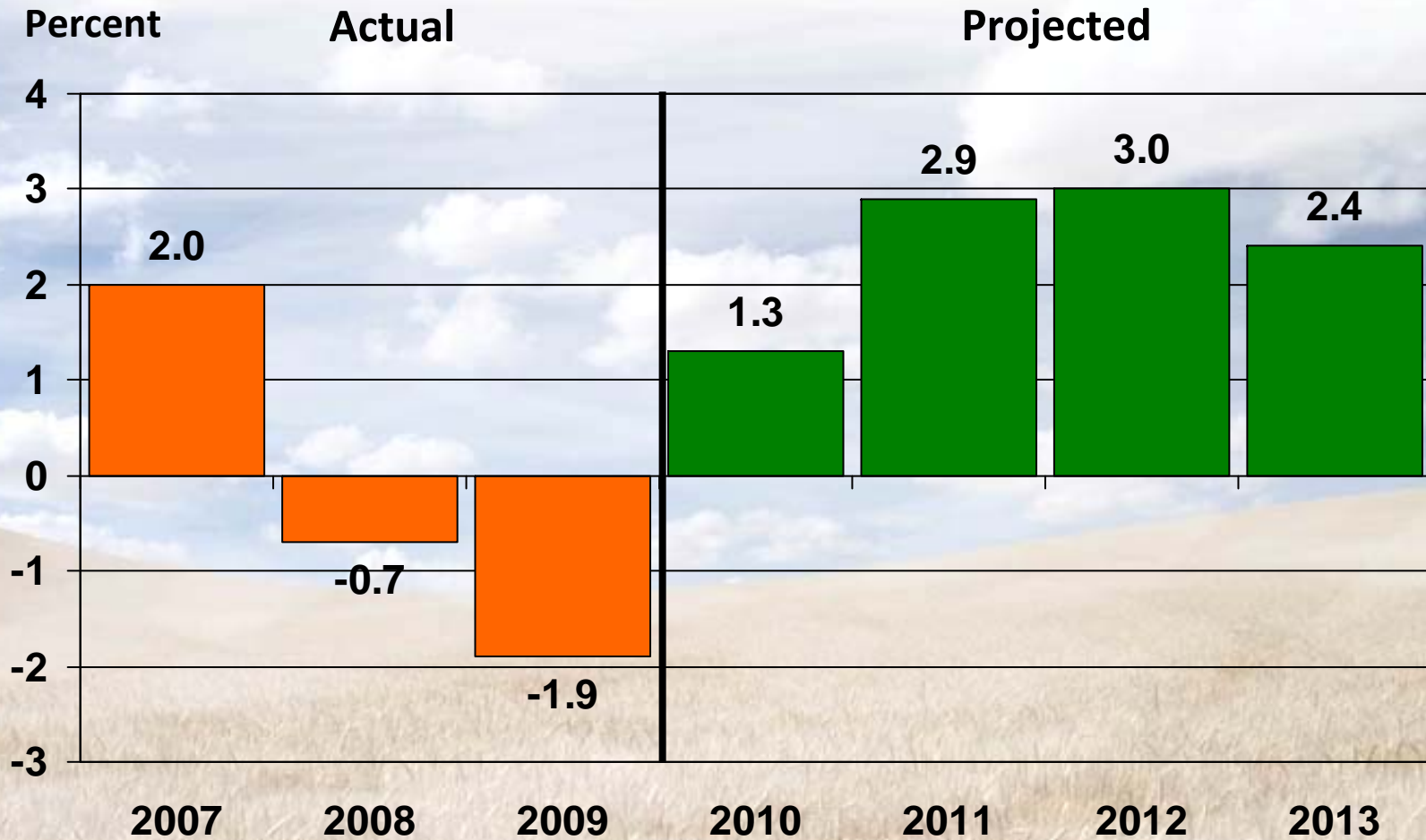
Commodity Prices Have Rebounded Significantly

Index
(January 2006 = 100)



Source: International Monetary Fund

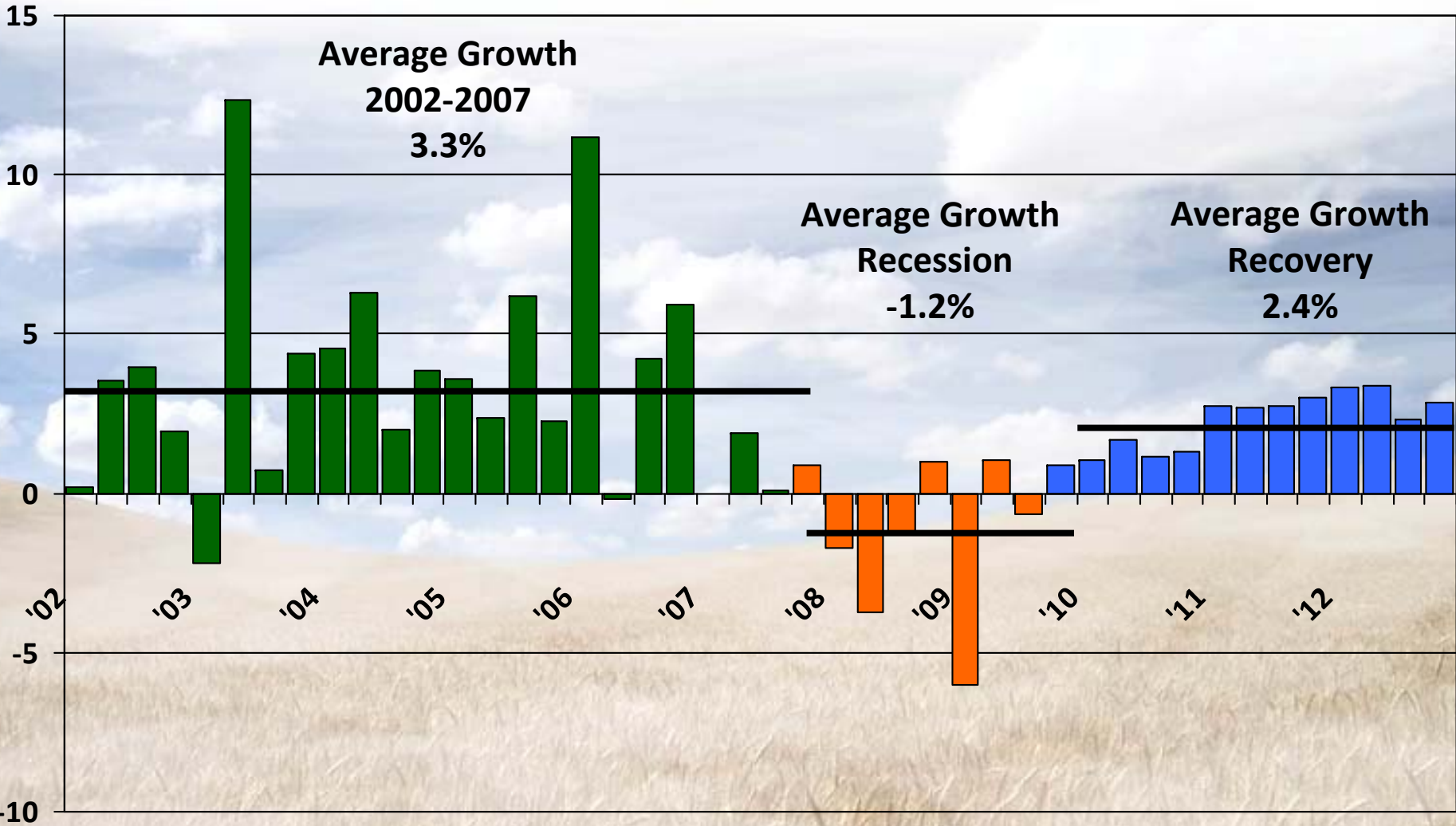
Nonfarm Labor Income, Actual and Predicted



Source: Bureau of Economic Analysis and BBER Forecast.

Nonfarm Labor Earnings, Percent Change

Percent



Source: Bureau of Economic Analysis and BBER Forecast.