

Montana Manufacturing: 2015 Outlook

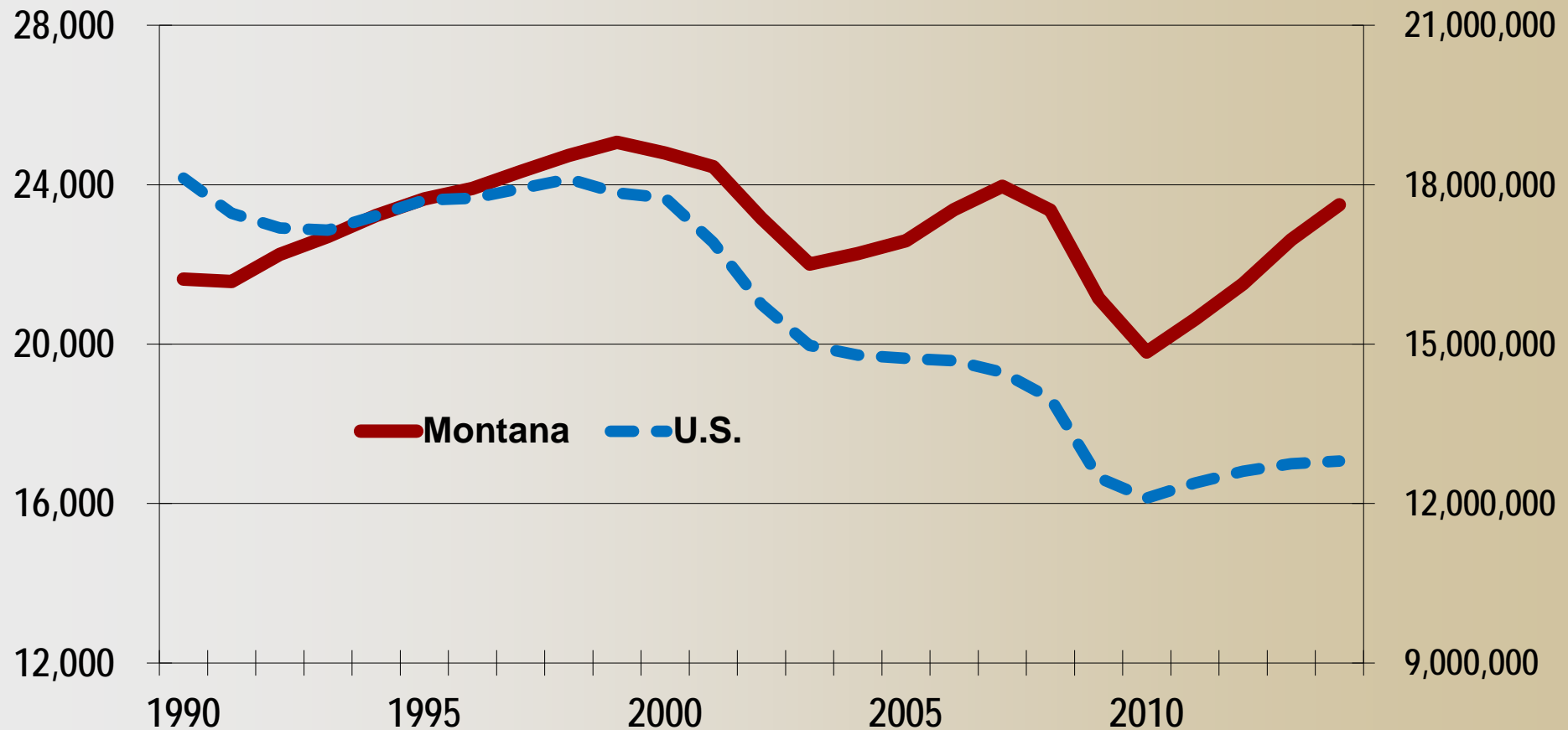


Todd A. Morgan, CF

Montana & U.S. Manufacturing Employment 1990-2014

MT workers

US workers



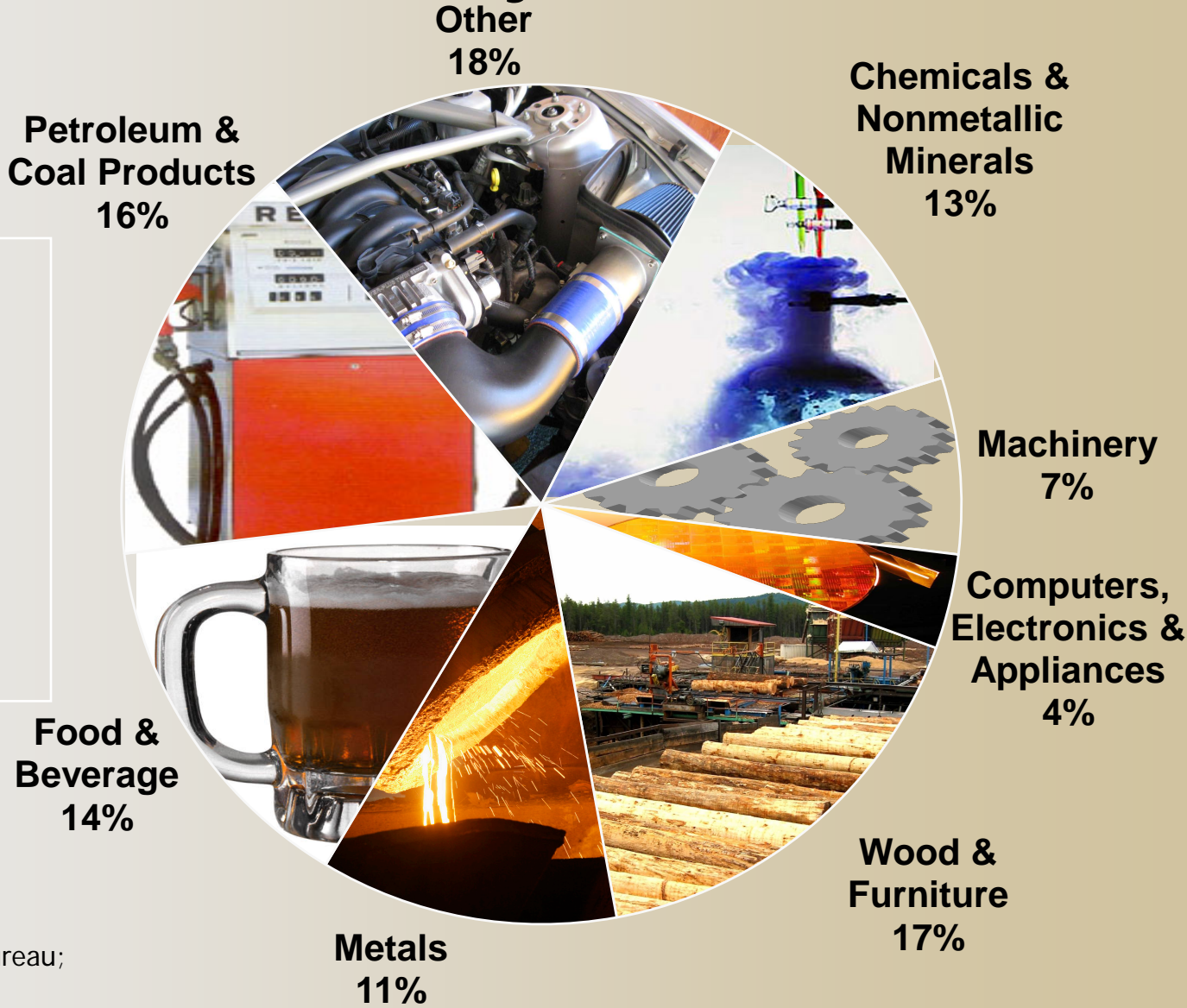
Montana Manufacturing

Labor Income by Sector

Employment:
~23,500

Labor Income:
~\$1.1 billion

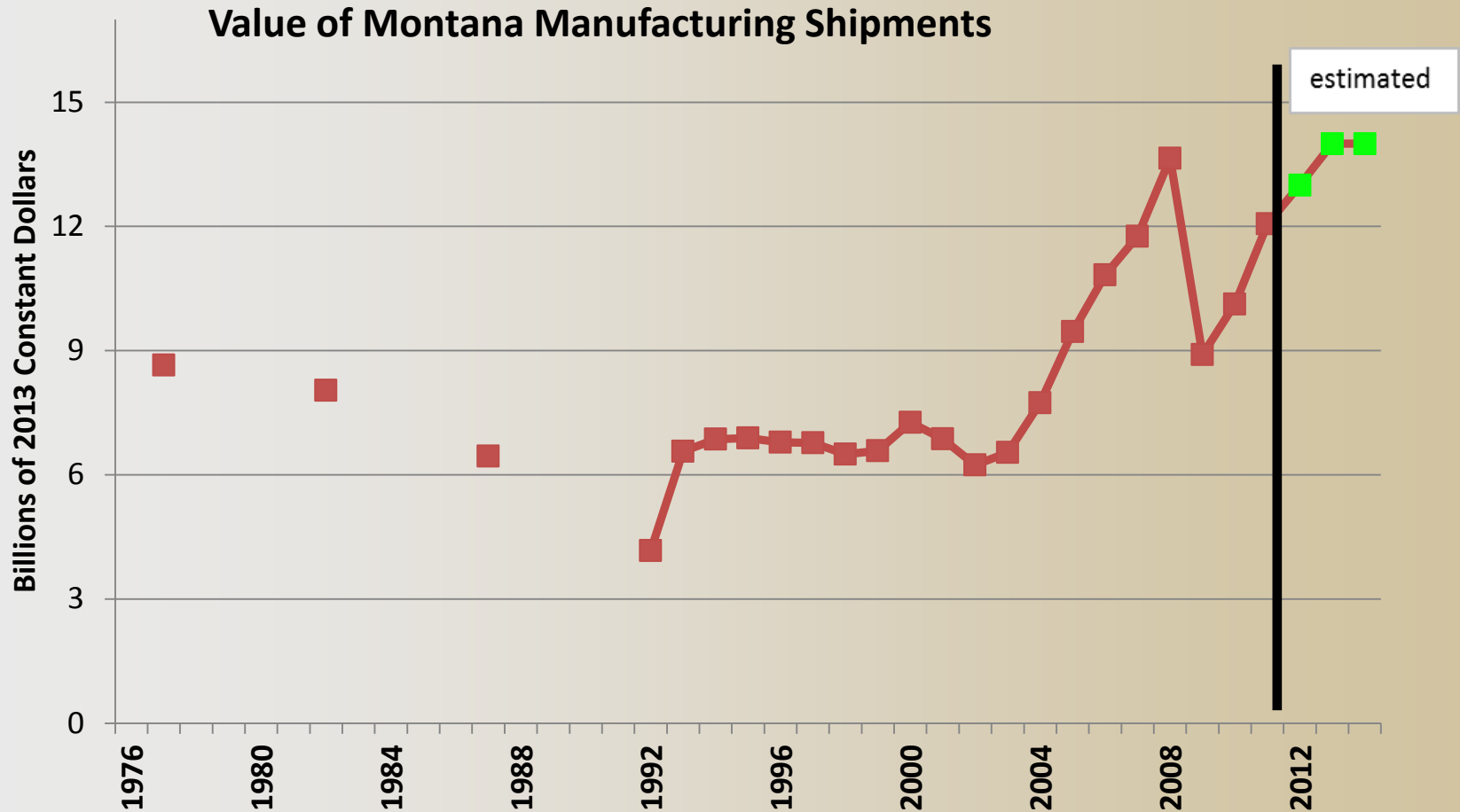
Sales:
~\$14 billion*



Sources: BEA-REIS; Census Bureau; and BBER estimates

Montana Manufacturing

- Inflation adjusted value of output increasing
- Highly influenced by price of petroleum products



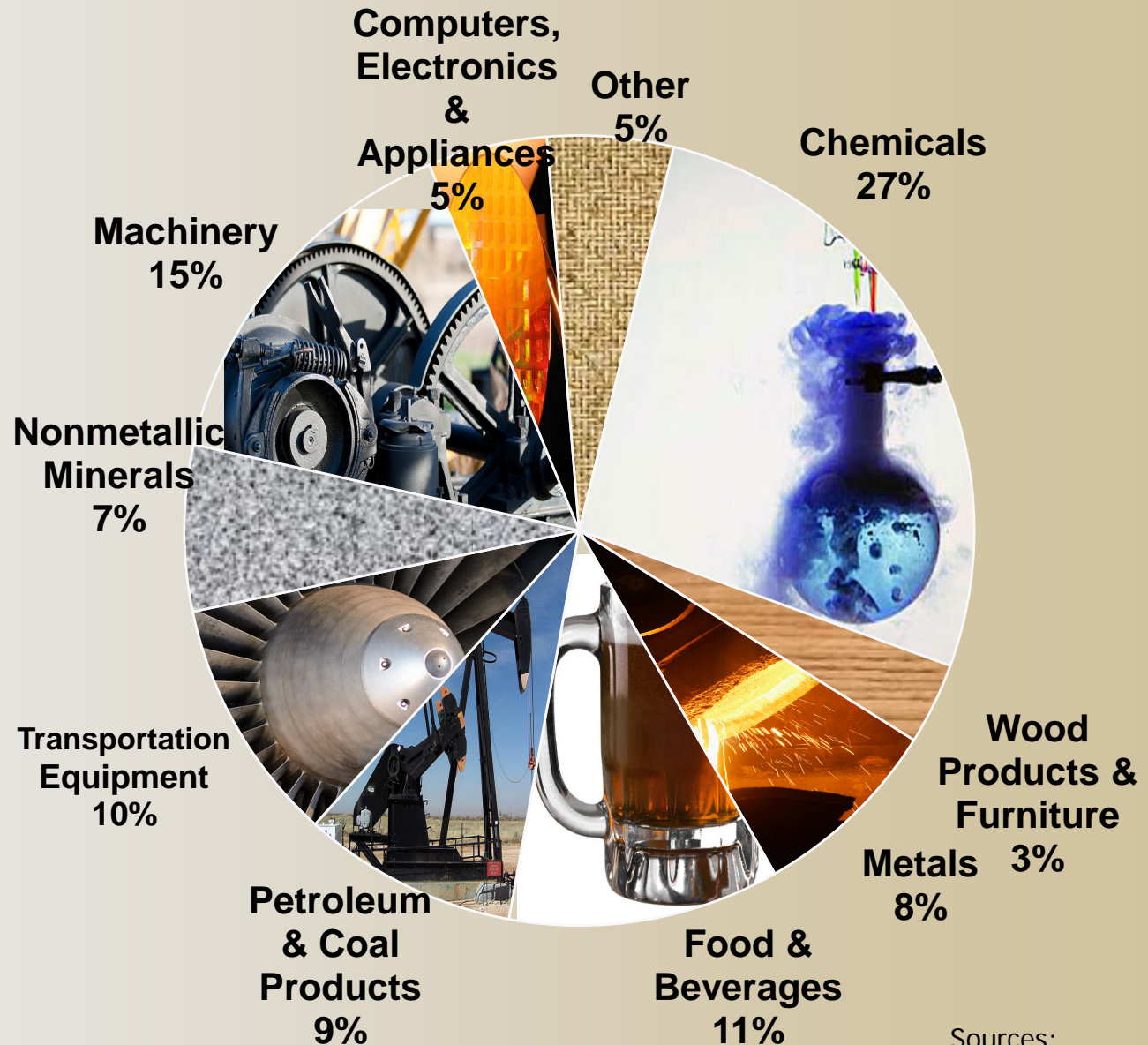
Source: U.S. Census Bureau

Montana Manufacturing Exports

Export sales:
~\$1.1 billion
annually

Decline in total
export sales since
2011

Top export
destinations:
Canada – 49%
China – 7%
Taiwan – 5.6%
Korea – 5.5%
Belgium – 4.5%

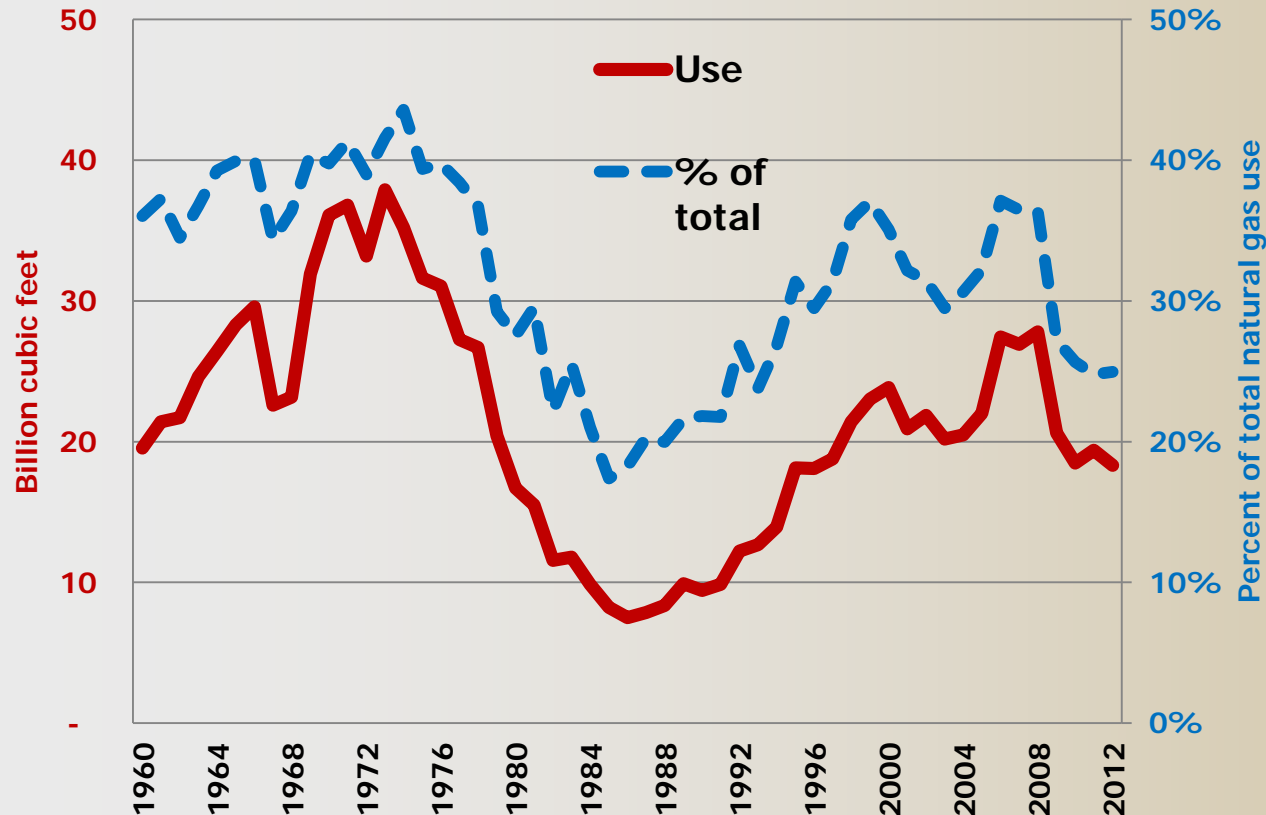


Energy Use by Montana Manufacturers

- Energy use by the “industrial” sector declined steeply during the Great Recession, has not returned to pre-recession levels.
- Industrial energy use is a smaller fraction of total than historically; residential & commercial energy use are increasing.
- Manufacturing accounts for about 25% of total energy consumption in Montana.
- Value of manufacturing output per amount of energy consumed has increased.
- Energy costs should be declining for Montana manufactures.

Natural Gas Use by Montana Manufacturers

Industrial Natural Gas Use in Montana

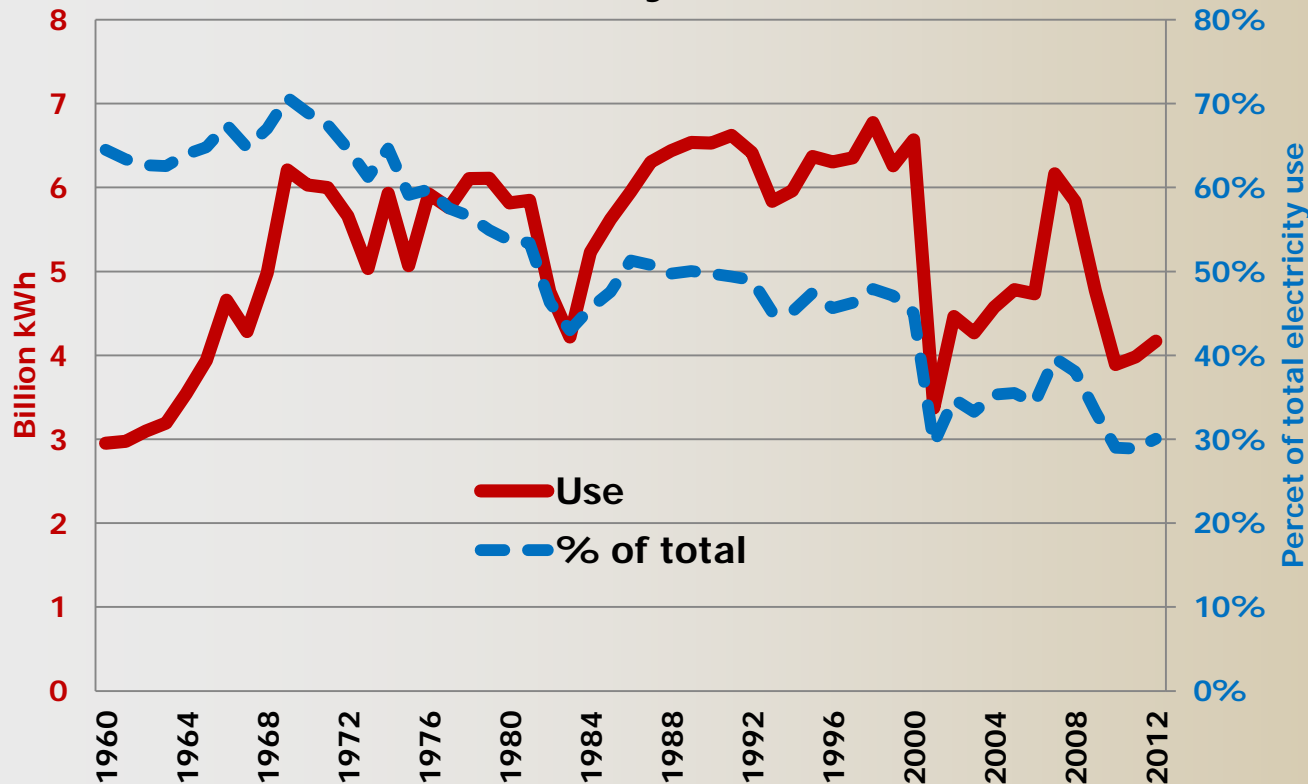


Sources: DOE-EIA and MT-DEQ

- 13 of 30 largest natural gas users in MT are manufacturers.
- About 380 industrial users.
- Industrial use has declined since recession.

Electricity Use by Montana Manufacturers

Industrial Electricity Use in Montana

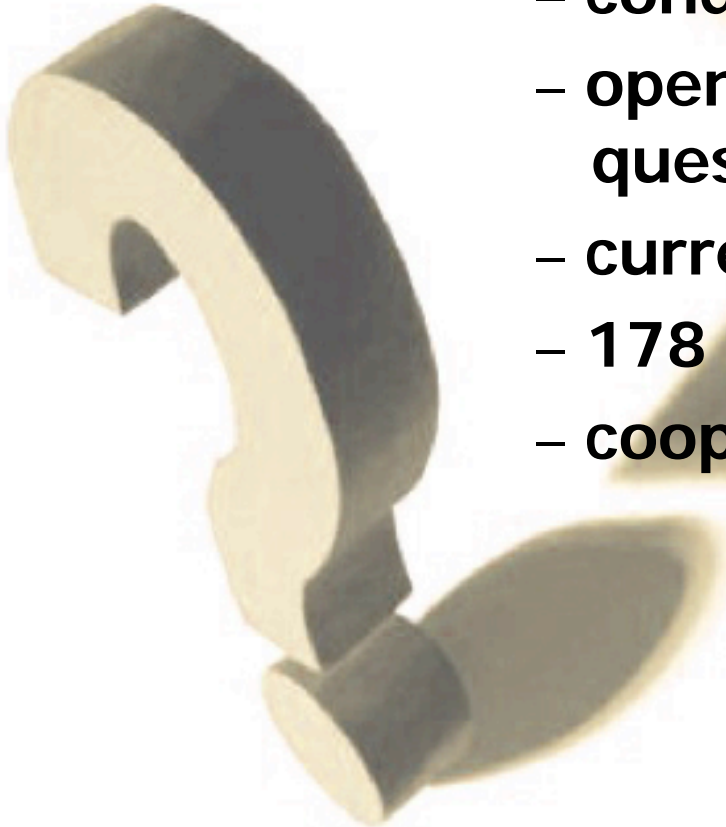


Sources: DOE-EIA and MT-DEQ

- Industrial share of electricity use declining for decades.
- Biggest manufacturing users: Oil refineries, forest products, REC Silicon, cement plants

2014-2015 Montana Manufacturers Survey

- annual survey
- conducted in November
- open-ended & multi-choice questions
- current & coming year
- 178 firms participated
- cooperation rate 90%



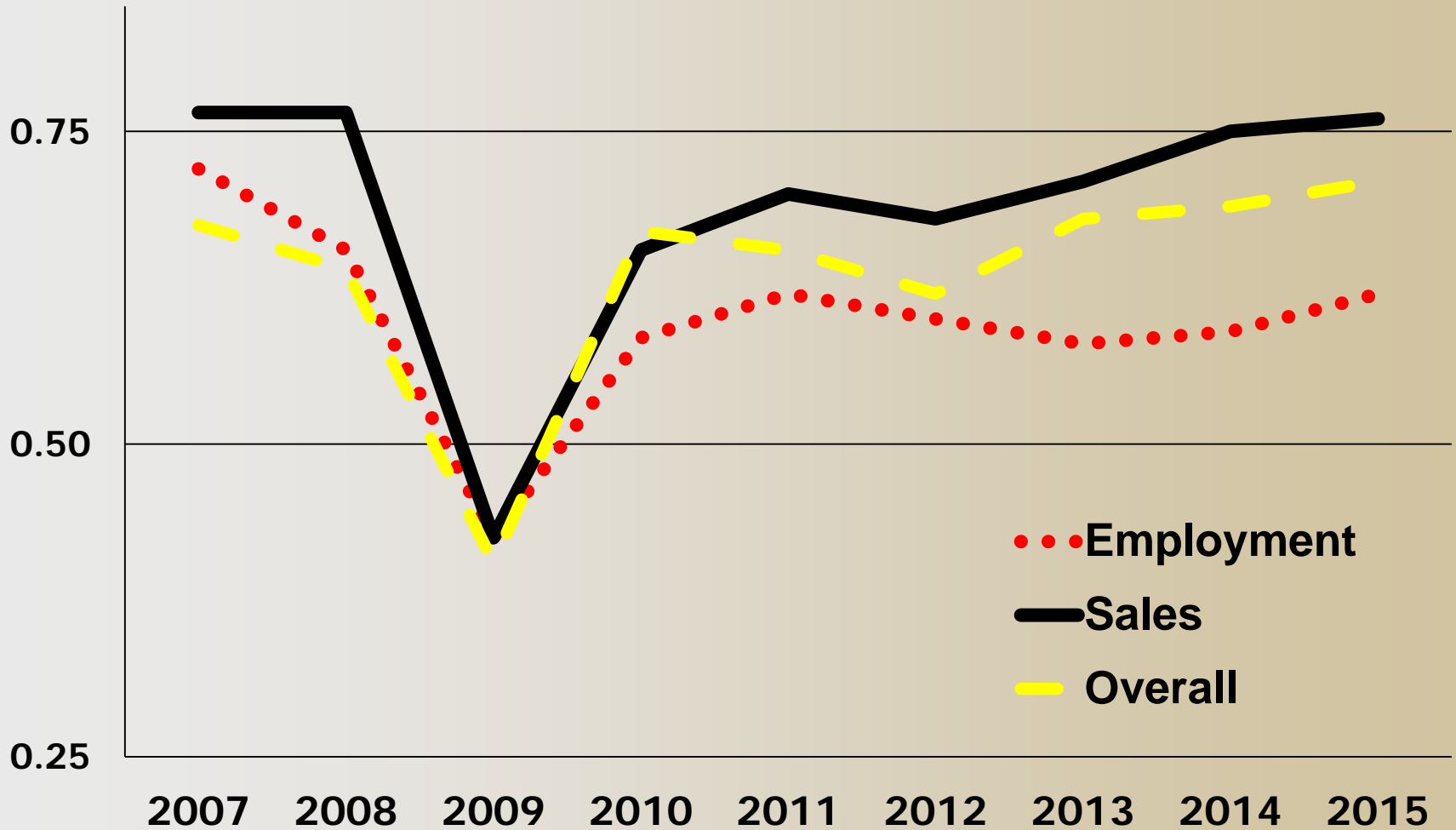
Montana Manufacturing 2014 Recap

- Better than 2013 for most firms!
- Employment up at 33% of firms, down at 19%.
- Many firms reported increased production, sales, and profits.
- Few firms reported curtailments.
- 46% of firms did make a major capital expenditure.

Montana Manufacturing Forecast for 2015

- Positive outlook statewide and across most sectors.
- Continued improvements anticipated.
- Modest growth expected in statewide employment & worker earnings.
- Health insurance costs and work comp rates remain major concerns.

Montana Manufacturers Outlook Trend



Montana Forest Products

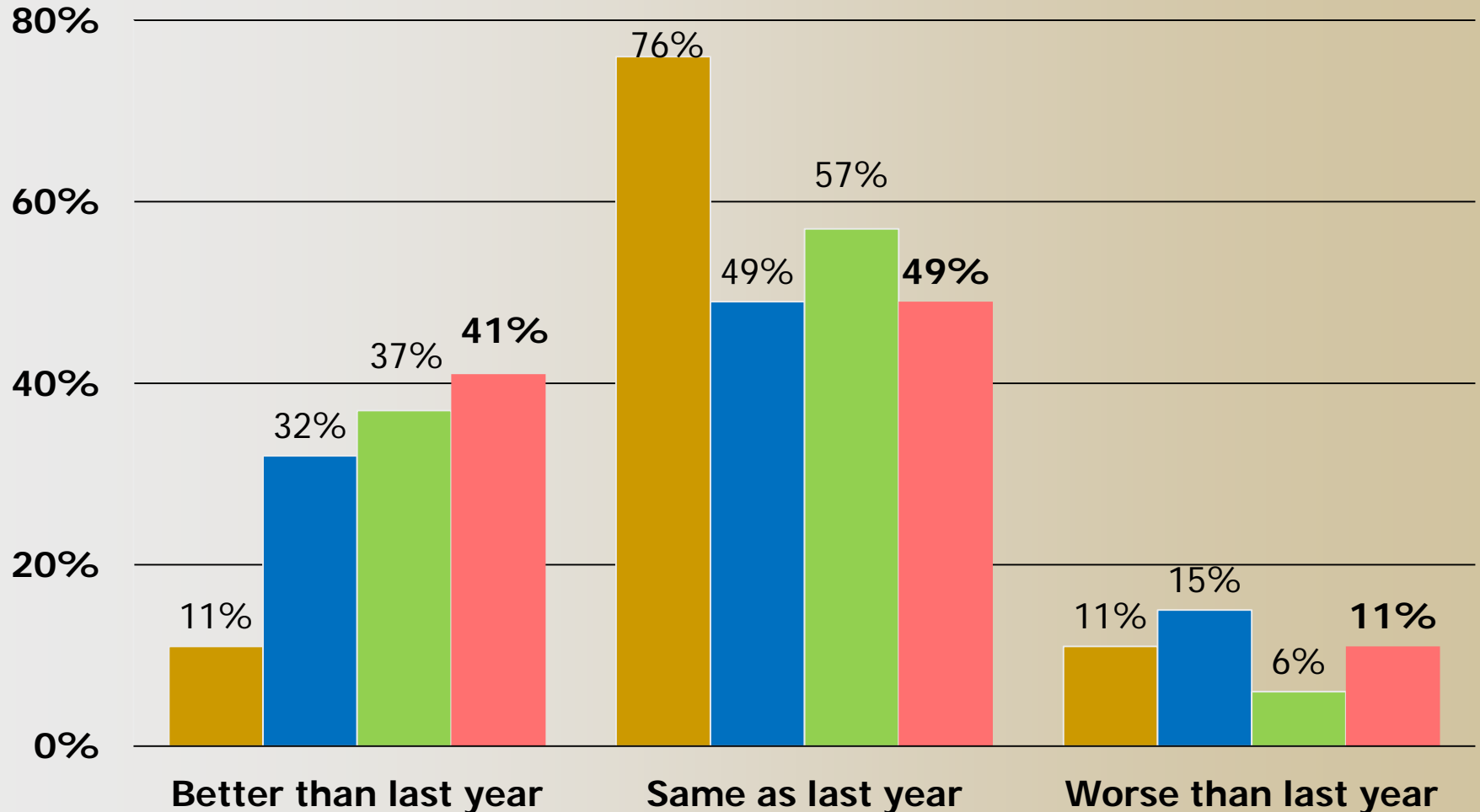
Percent of Firms

■ Outlook for 2012

■ Outlook for 2013

■ Outlook for 2014

■ Outlook for 2015



Montana Forest Products 2015 Forecast

- U.S. homebuilding to improve & Canadian imports could start to decline.
- Output & sales should increase.
- Employment & worker earnings should also increase.
- Timber availability is the major constraint for Montana mills.
- Log prices may continue to increase.
- Without increased log supply, mill closures are possible – despite stronger markets.

Montana Craft Brewing Industry Trends

Category	2010	2011	2012	2013	2010-2013 Percent Change
Production (bbl)	87,442	102,925	114,340	130,121	49%
Sales (\$ Millions)	21.8	26.1	29.4	33.9	55%
Employment	231	320	388	486	110%
Compensation (\$ Millions)	5.2	6.4	7.9	9.5	84%
Expenditures (\$ Millions)	15.6	18.8	19.8	22.5	44%

Source: Sorenson and Barkey (2014). Available online: <http://bber.umt.edu/pubs/Econ/MtBrewers.pdf>



Top 5 States for Breweries per Capita

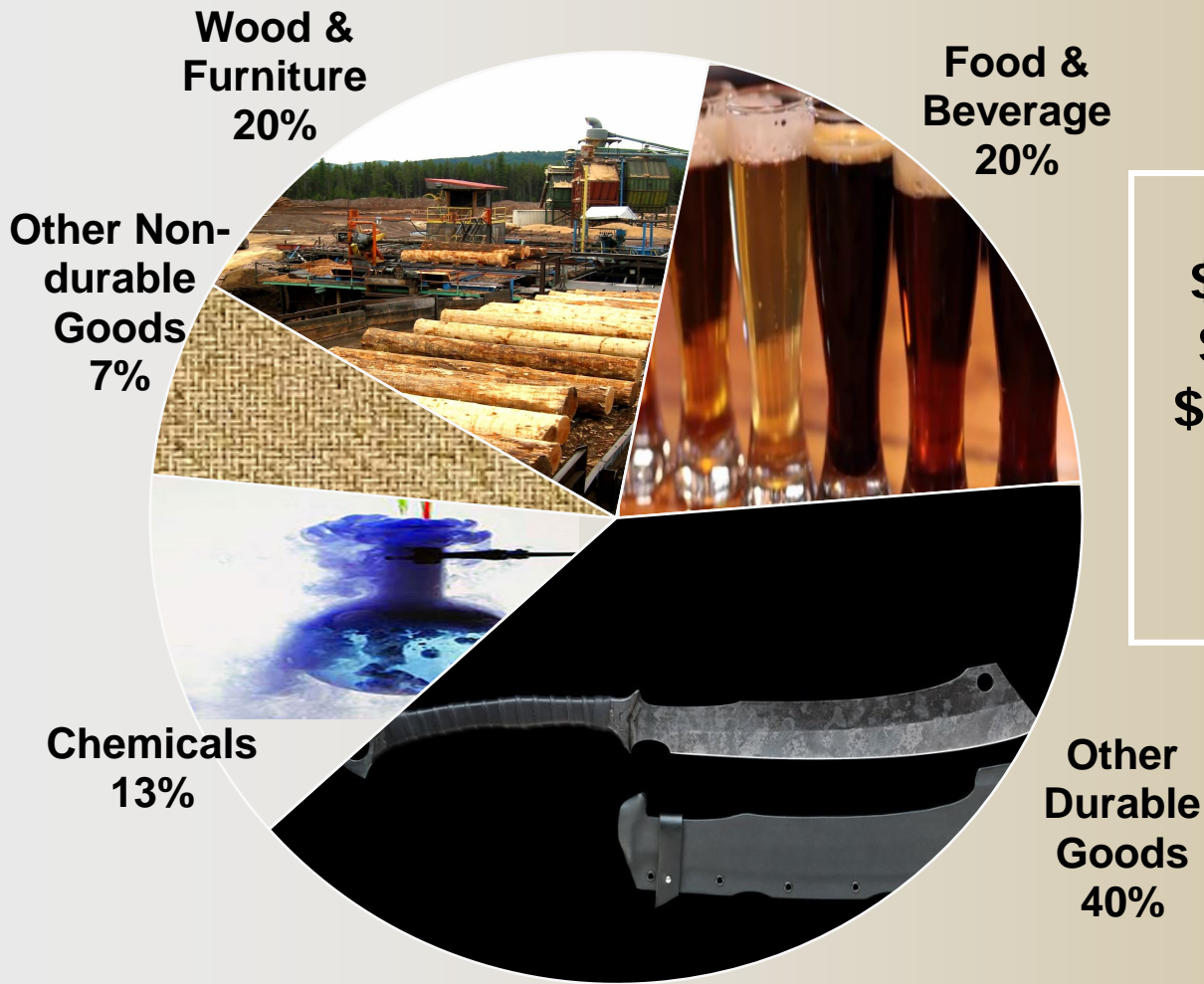
State	Breweries per 100,000 Adults 21+
1. Oregon	6.3
2. Vermont	6.2
3. Montana	5.3
4. Colorado	4.7
5. Maine	4.7

Source: Brewers Association - www.brewersassociation.org



Missoula County Manufacturing

2013 Labor Income



Labor Income:
\$93.2 million - 2011
\$91.5 million - 2012
\$100.5 million - 2013

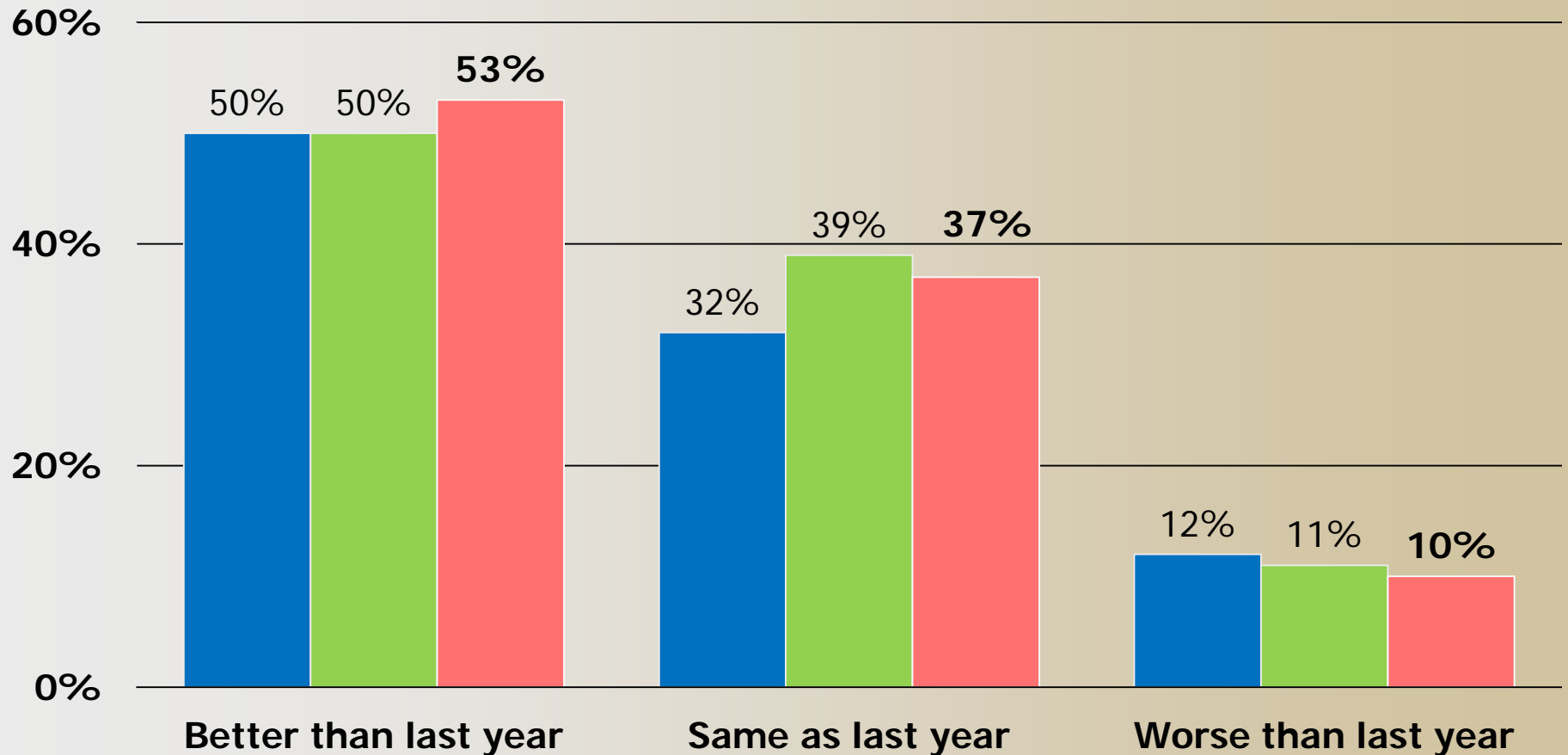
Employment:
~2,345

Sources: BEA-REIS; Census Bureau; and BBER estimates

Missoula Area Manufacturing Outlook

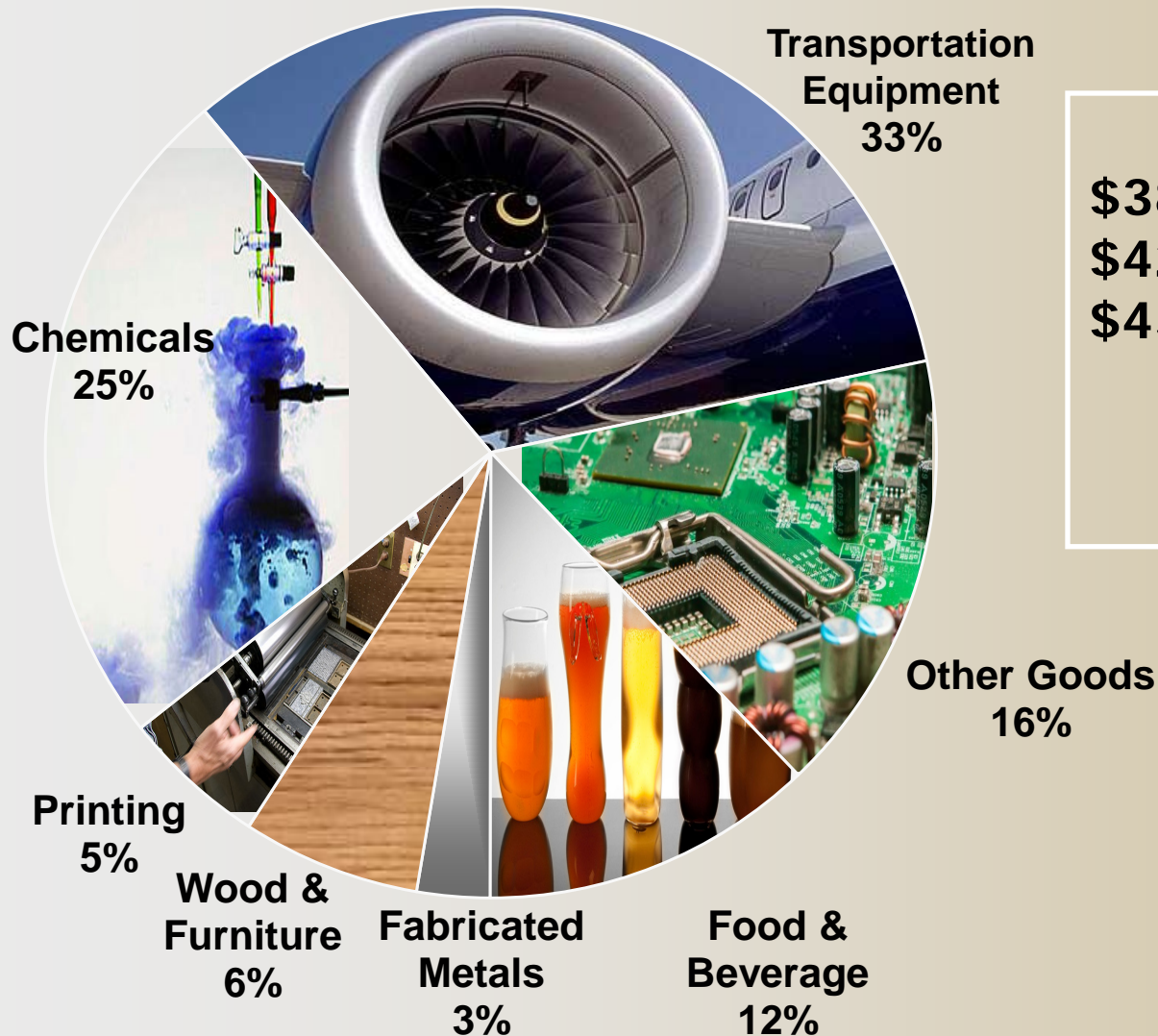
Percent of

Firms ■ Outlook for 2013 ■ Outlook for 2014 ■ Outlook for 2015



Lewis & Clark County Manufacturing

2013 Labor Income

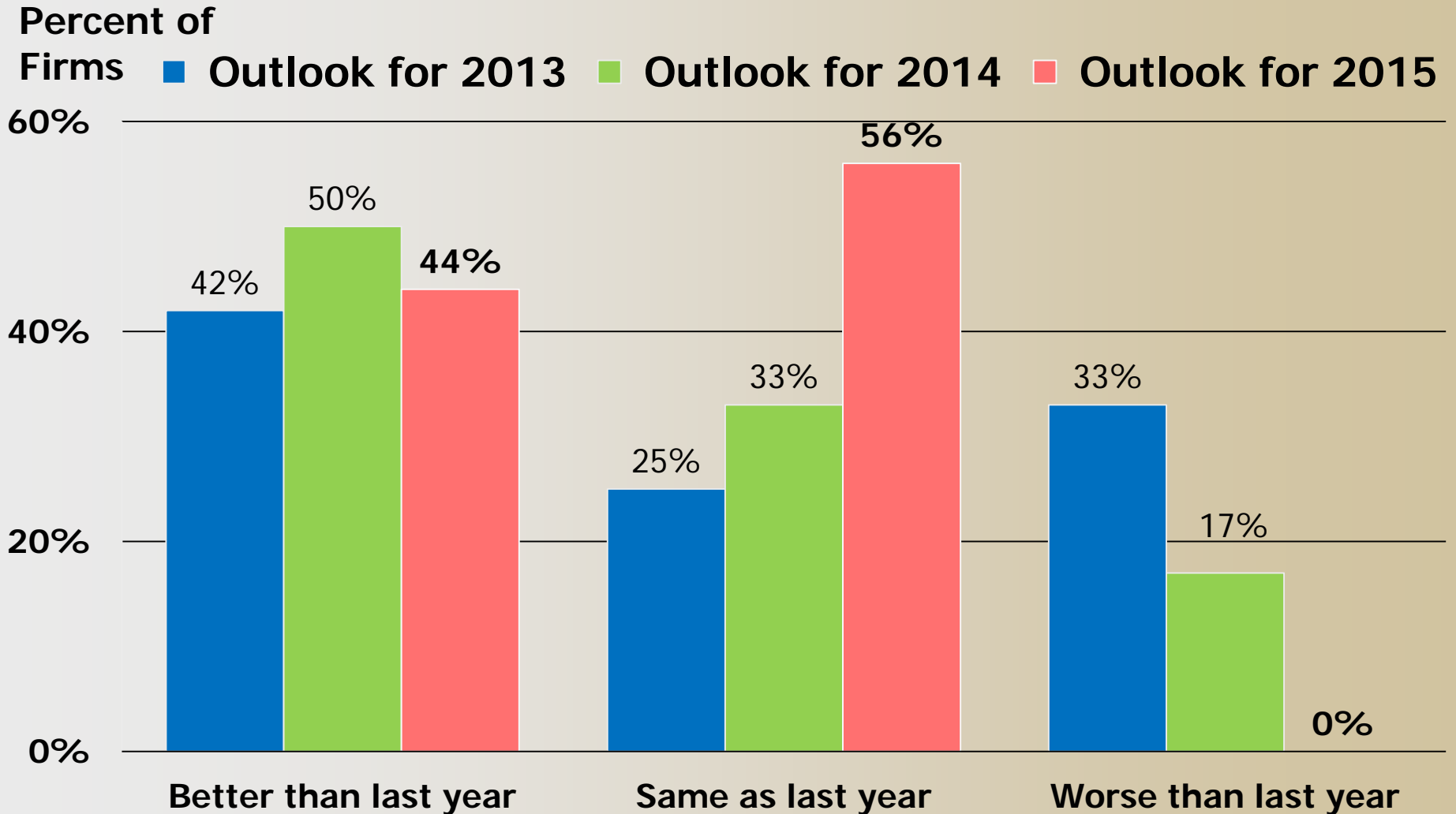


Labor Income:
\$38.5 million - 2011
\$42.4 million - 2012
\$45.0 million - 2013

Employment:
~970

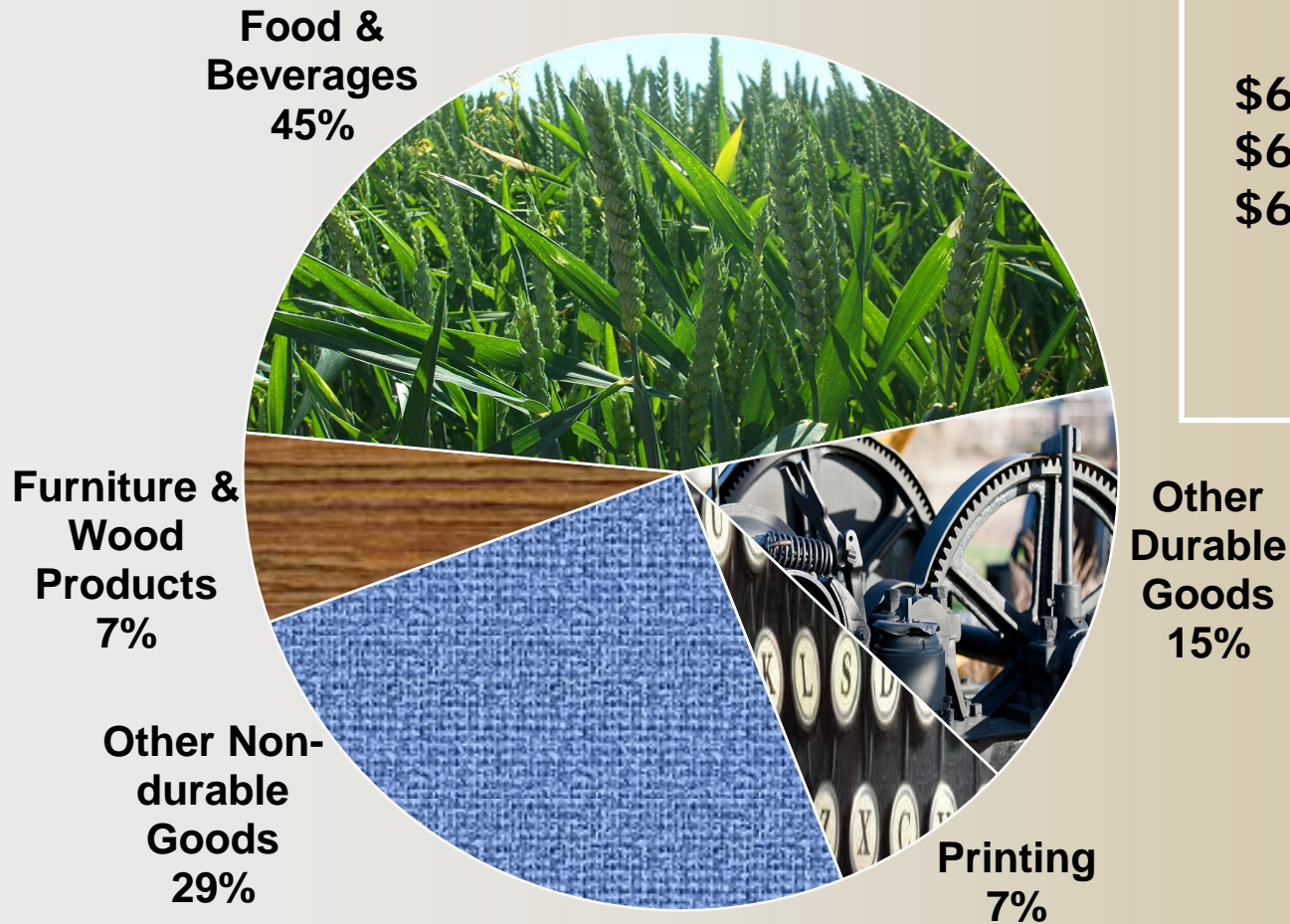
Sources: BEA-REIS; Census Bureau; and BBER estimates

Helena Area Manufacturing Outlook



Cascade County Manufacturing

2013 Labor Income



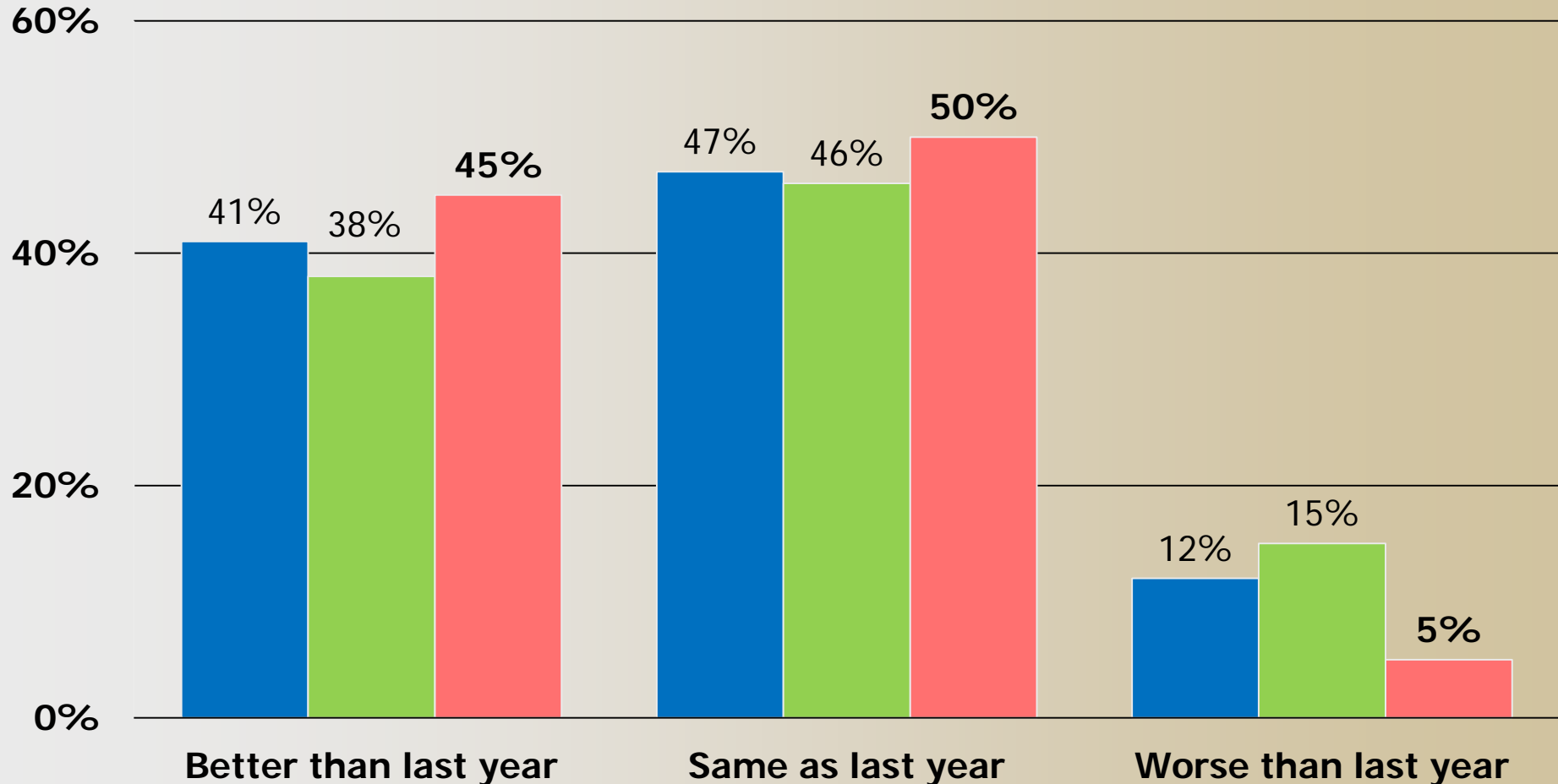
Labor Income:
\$60.5 million - 2011
\$64.3 million - 2012
\$63.8 million - 2013

Employment:
~1,150

Great Falls & Havre Area Manufacturing Outlook

Percent of
Firms

■ Outlook for 2013 ■ Outlook for 2014 ■ Outlook for 2015



Yellowstone County Manufacturing

2013 Labor Income

**Petroleum
Products**
55%



Chemicals
5%

**Other
Durable
Goods**
15%

**Other Non-
durable
Goods**
4%

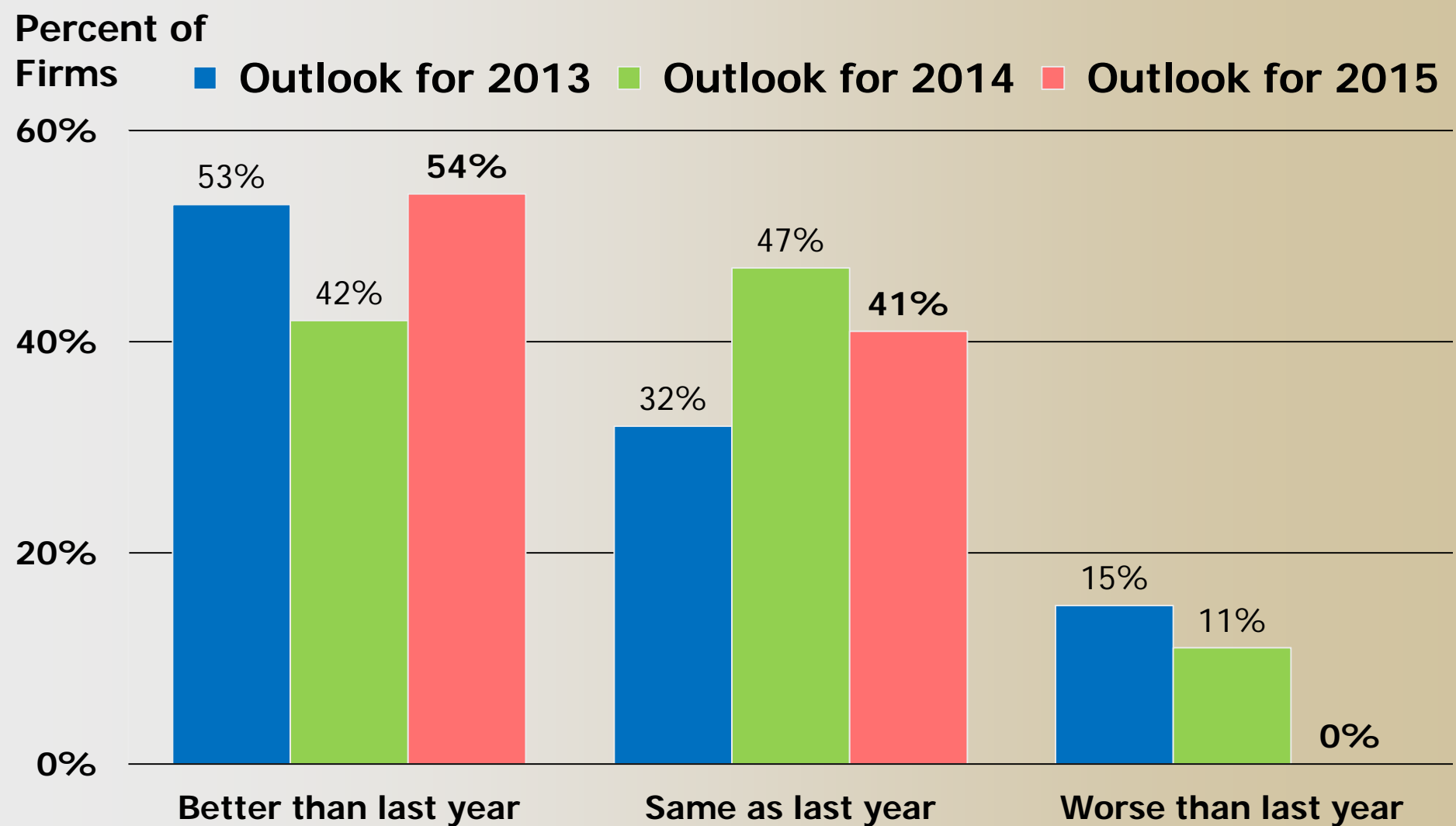
**Fabricated
Metals**
12%

**Food &
Beverage**
9%

Labor Income:
\$263 million - 2011
\$285 million - 2012
\$282 million - 2013

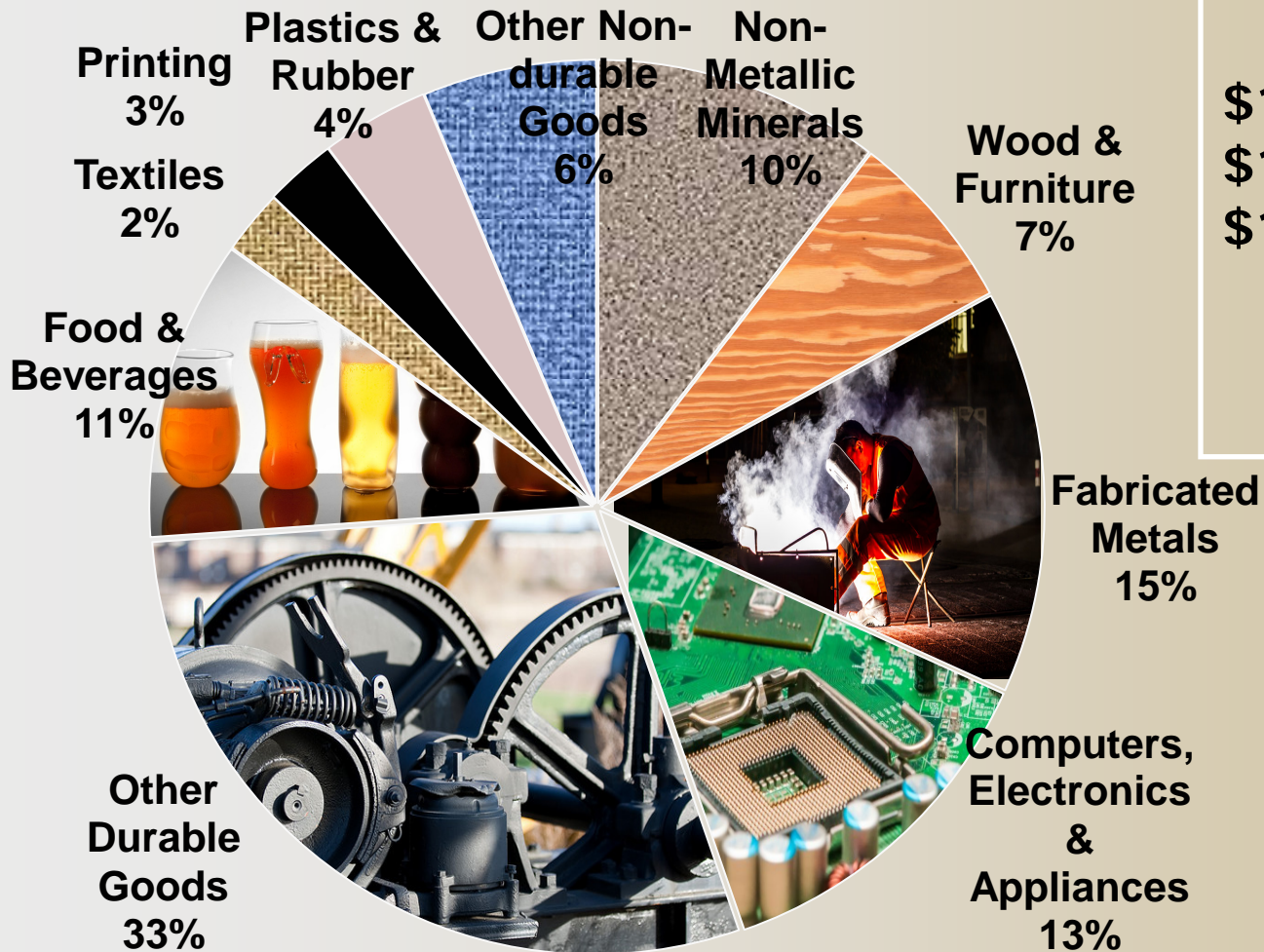
Employment:
~3,670

Billings Area Manufacturing Outlook



Gallatin County Manufacturing

2013 Labor Income



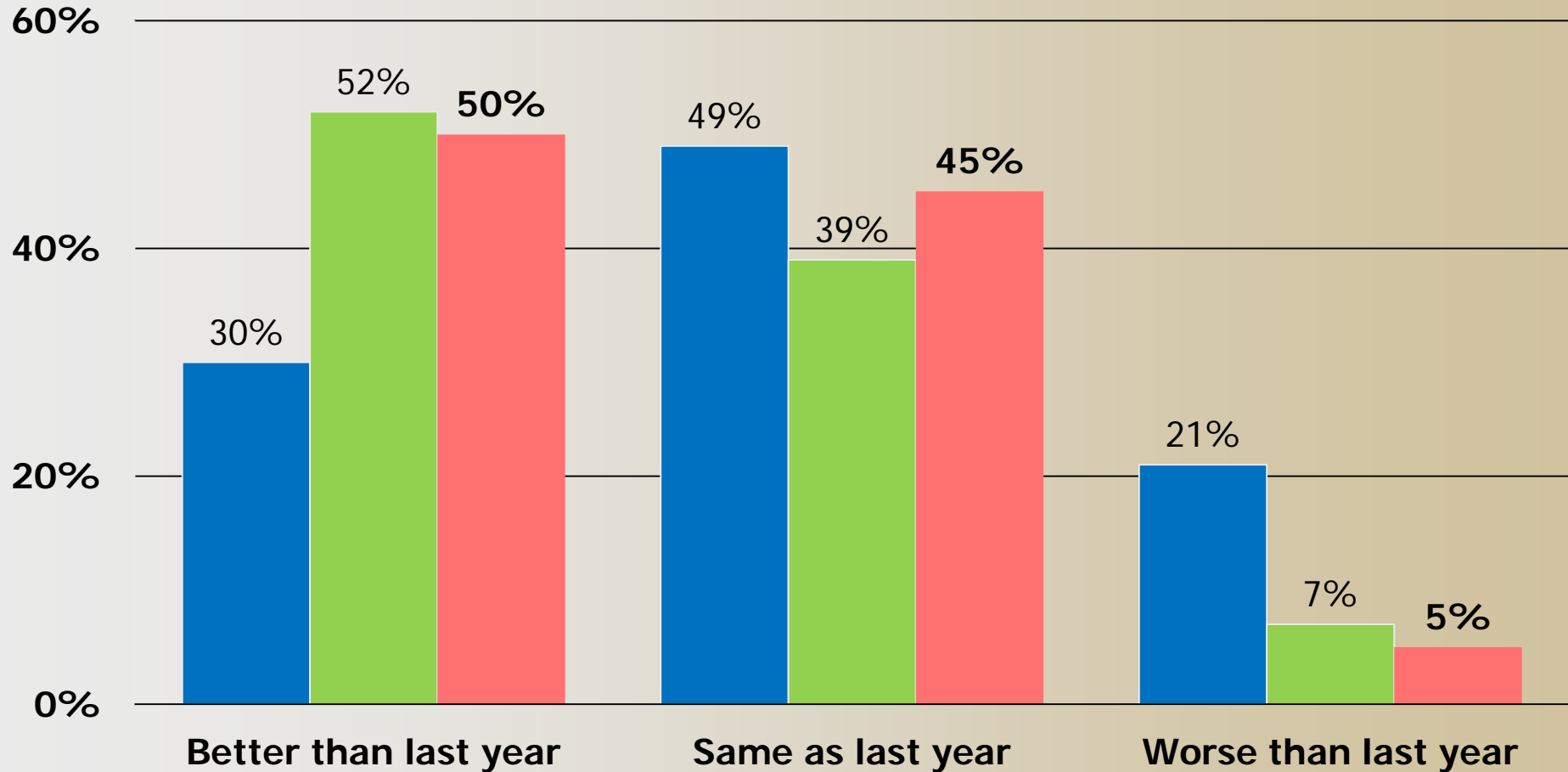
Labor Income:
\$122 million - 2011
\$123 million - 2012
\$138 million - 2013

Employment
~3,190

Bozeman Area Manufacturing Outlook

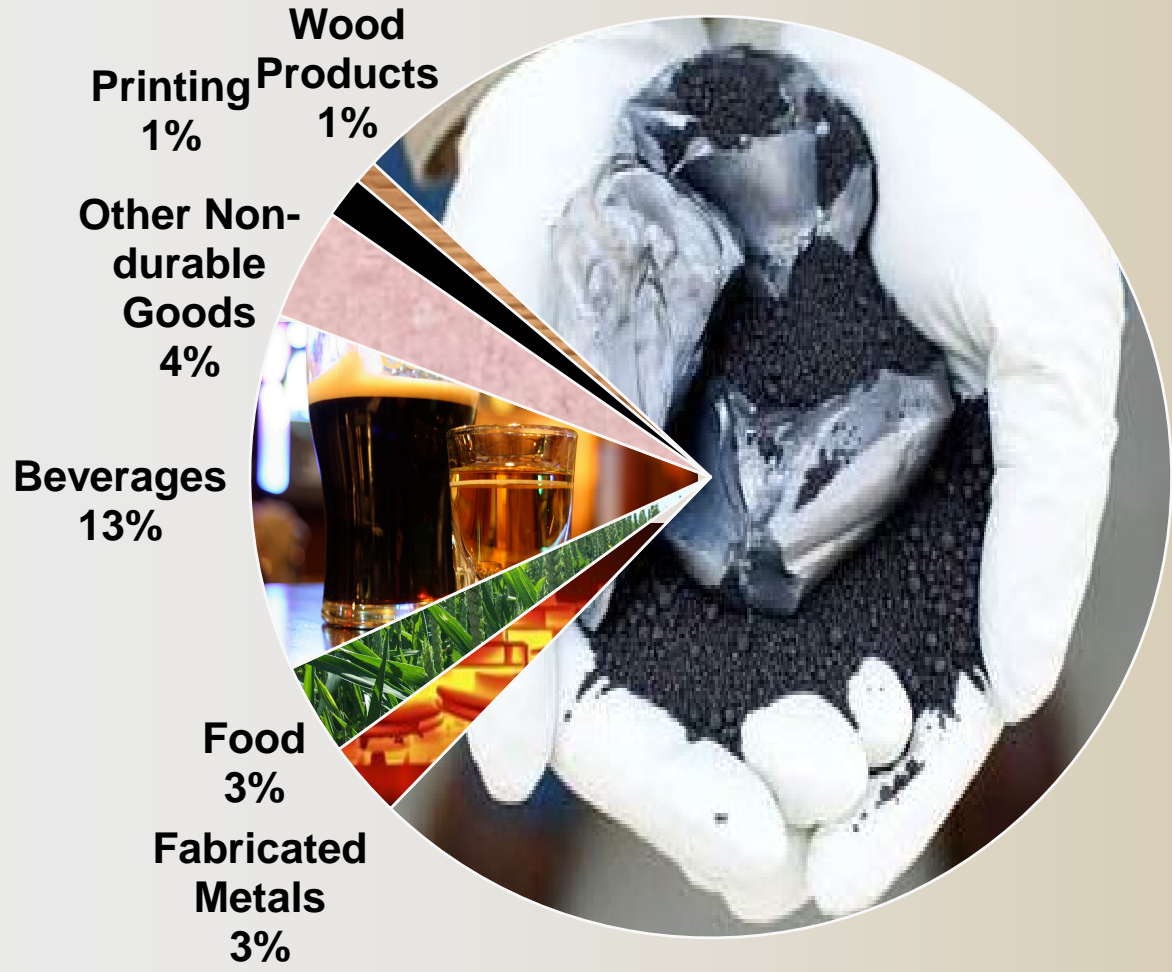
Percent of

Firms ■ Outlook for 2013 ■ Outlook for 2014 ■ Outlook for 2015



Silver Bow County Manufacturing

2013 Labor Income



Labor Income:
\$45.0 million - 2011
\$42.6 million - 2012
\$45.4 million - 2013

Employment:
~ 750

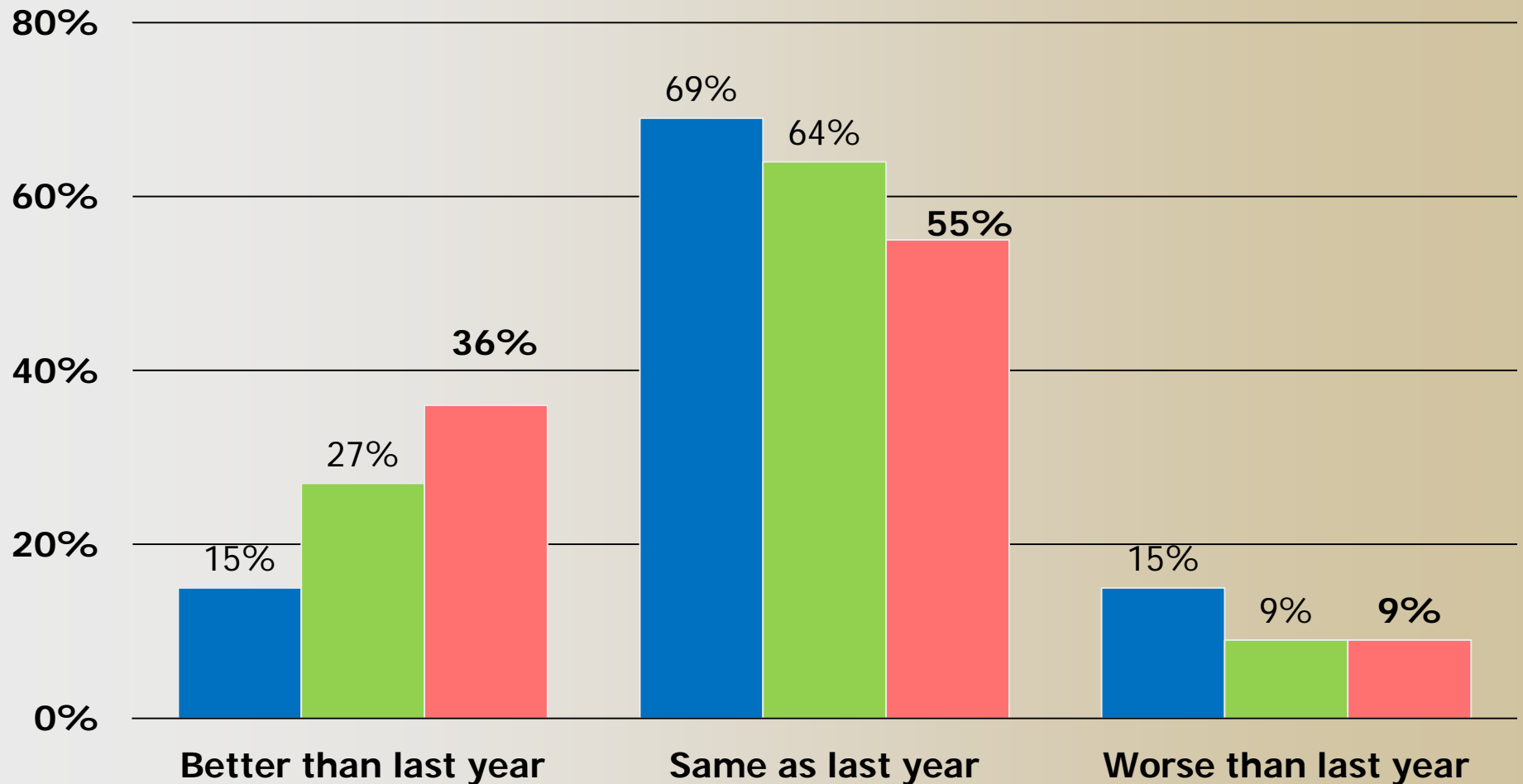
Other Durable Goods
75%

Sources: BEA-REIS; Census Bureau; and BBER estimates

Butte Area Manufacturing Outlook

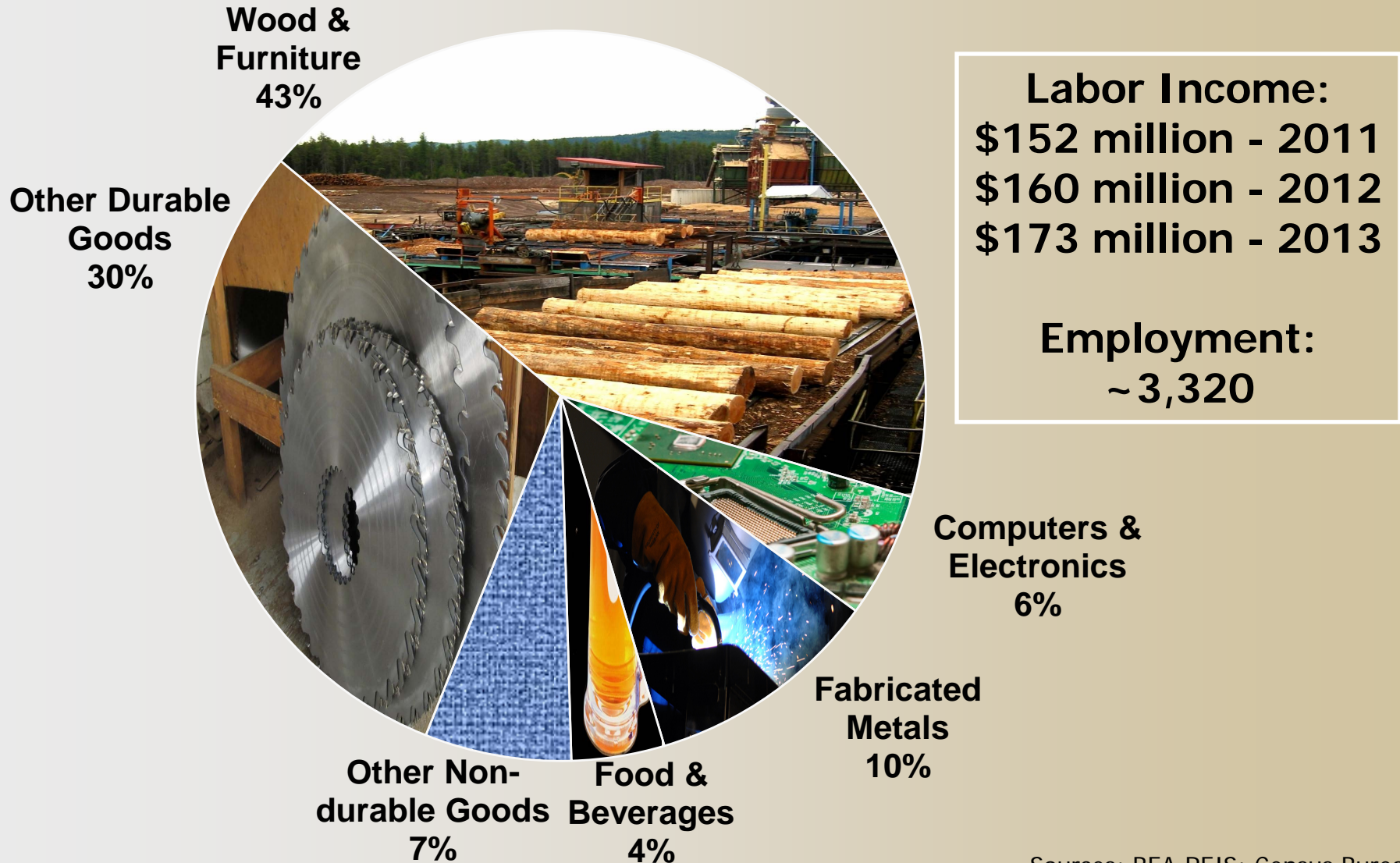
Percent of

Firms ■ Outlook for 2013 ■ Outlook for 2014 ■ Outlook for 2015



Flathead County Manufacturing

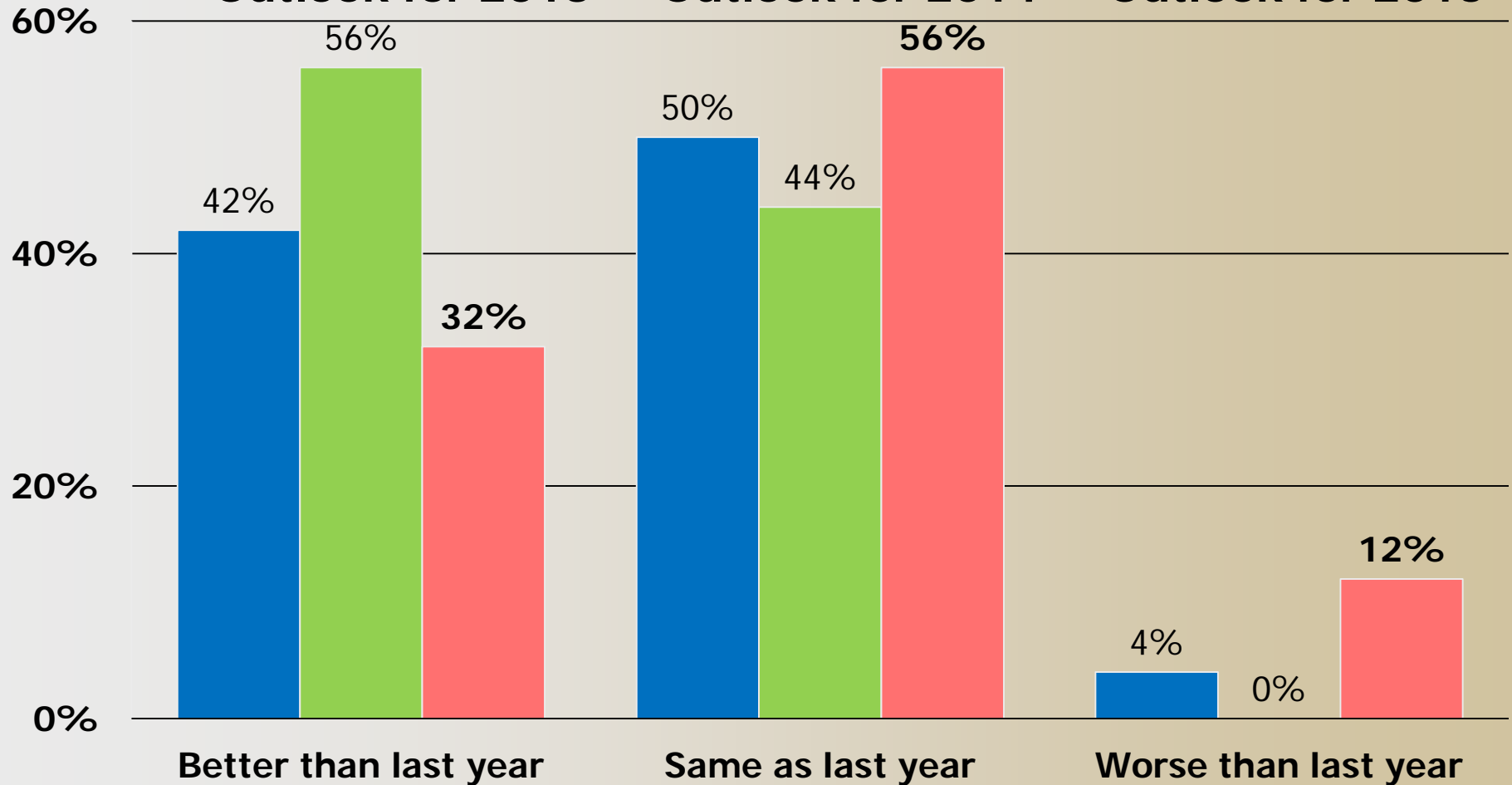
2013 Labor Income



Kalispell Area Manufacturing Outlook

Percent of
Firms

■ Outlook for 2013 ■ Outlook for 2014 ■ Outlook for 2015



Richland County Manufacturing

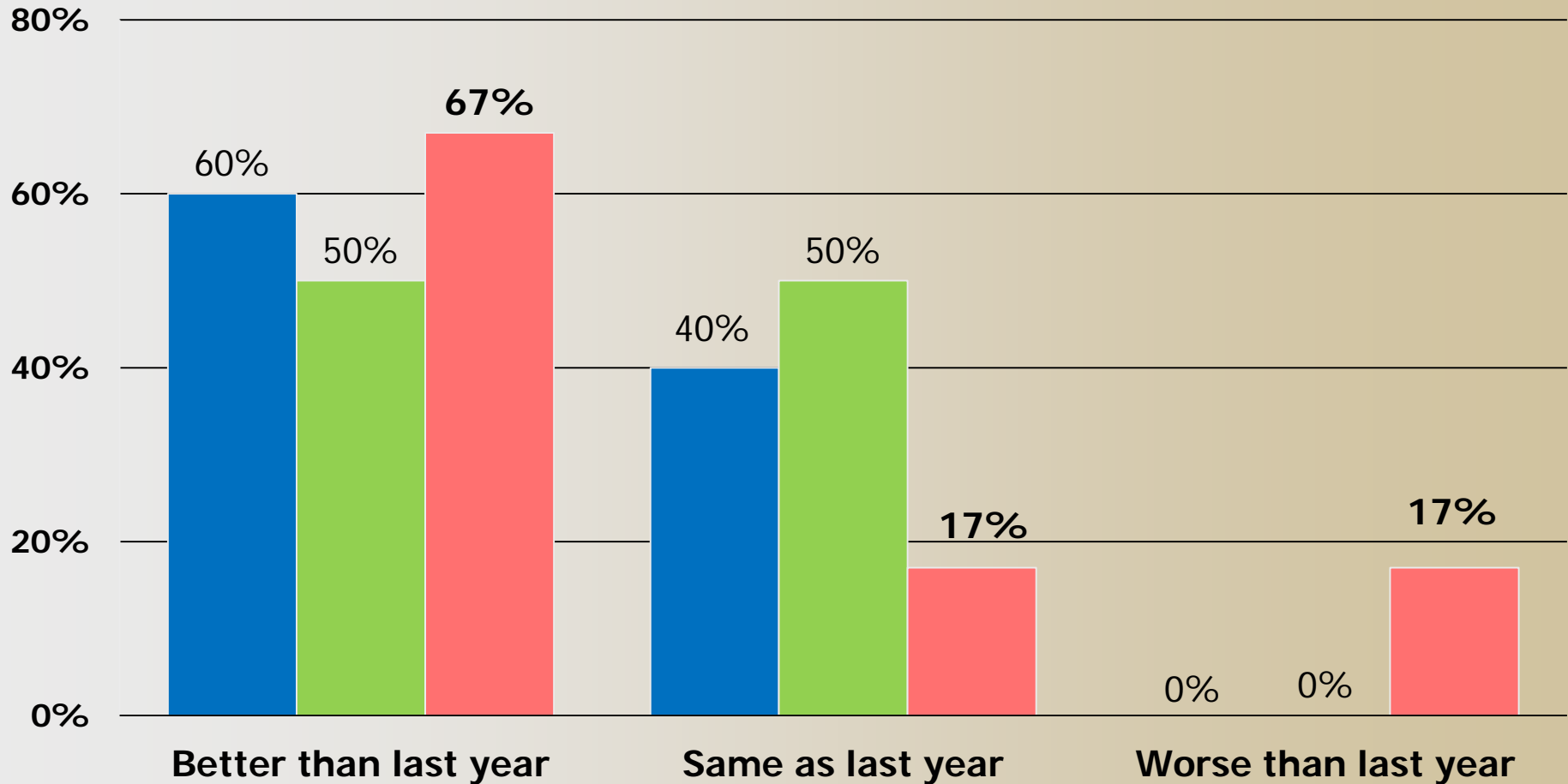
**Total Labor Income:
\$23 million**

**Total Employment:
~ 420**

Sidney Area Manufacturing Outlook

Percent of
Firms

■ Outlook for 2011 ■ Outlook for 2013 ■ Outlook for 2015



Custer County Manufacturing

**Total Labor Income:
\$3.8 million**

**Total Employment:
~ 120**