

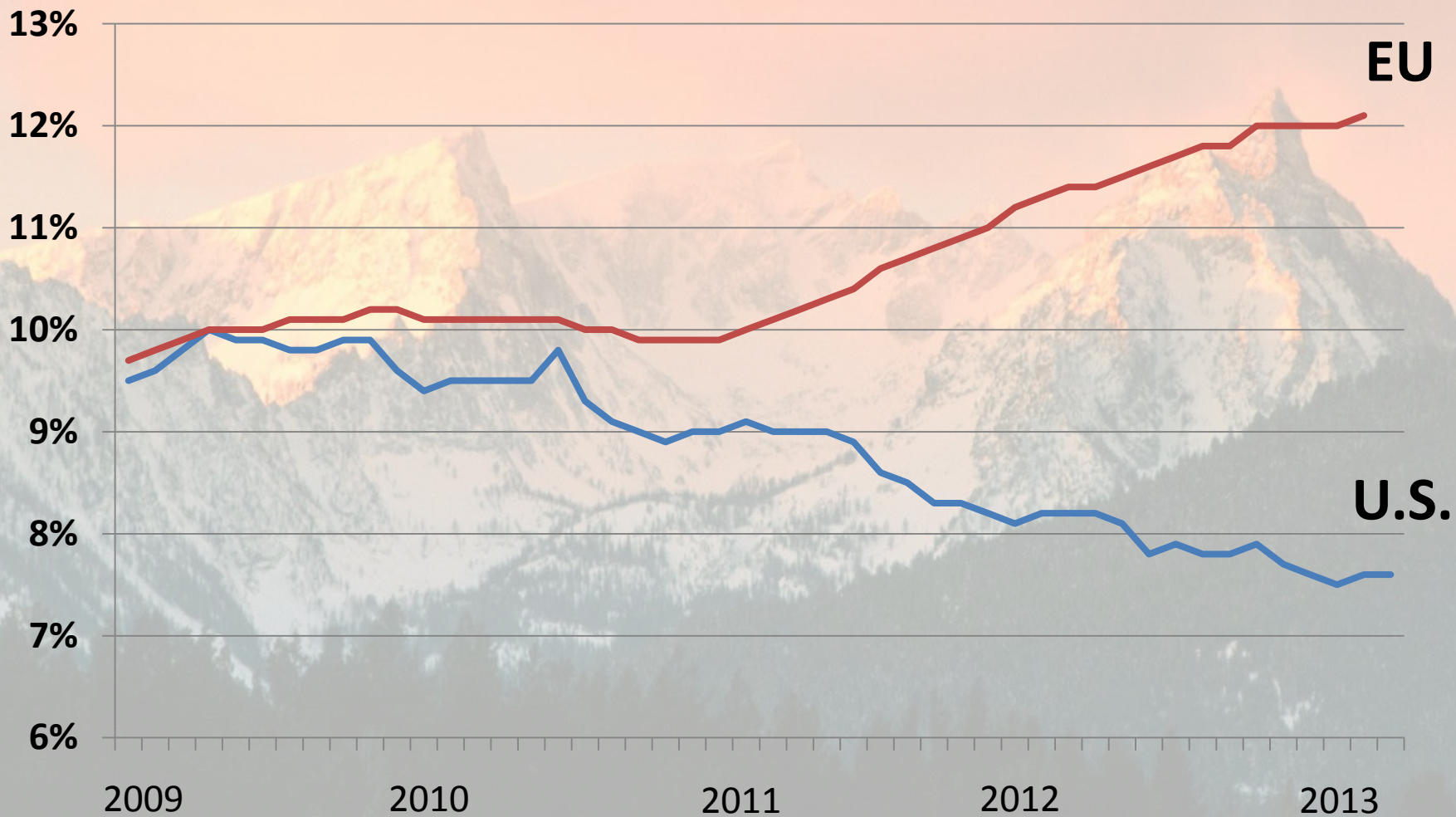
# The Montana and U.S. Economic Outlook: Is the Federal Government's Footprint About to Shrink?

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

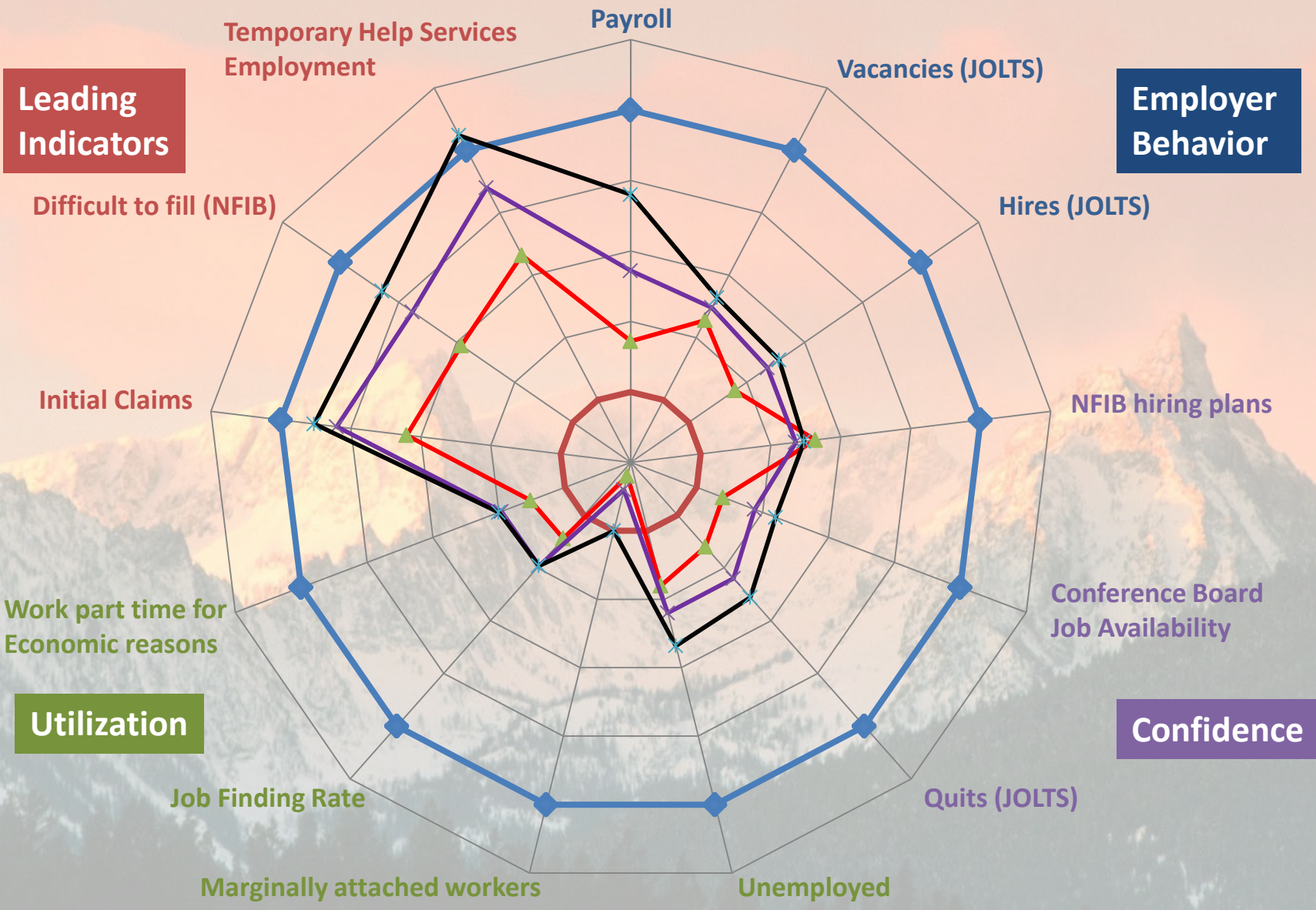
# 2013: Slow Growth Fatigue for U.S. Policymakers?

- **Despite housing, consumer spending rebound, growth will be slower this year than 2012**
- **Labor market is still sick**
- **End of Federal Reserve stimulus is in sight**
- **U.S. budget debate still unresolved**

# Unemployment Rates Are Improving



Source: U.S. Bureau of Labor Statistics



2007Q4 = 100

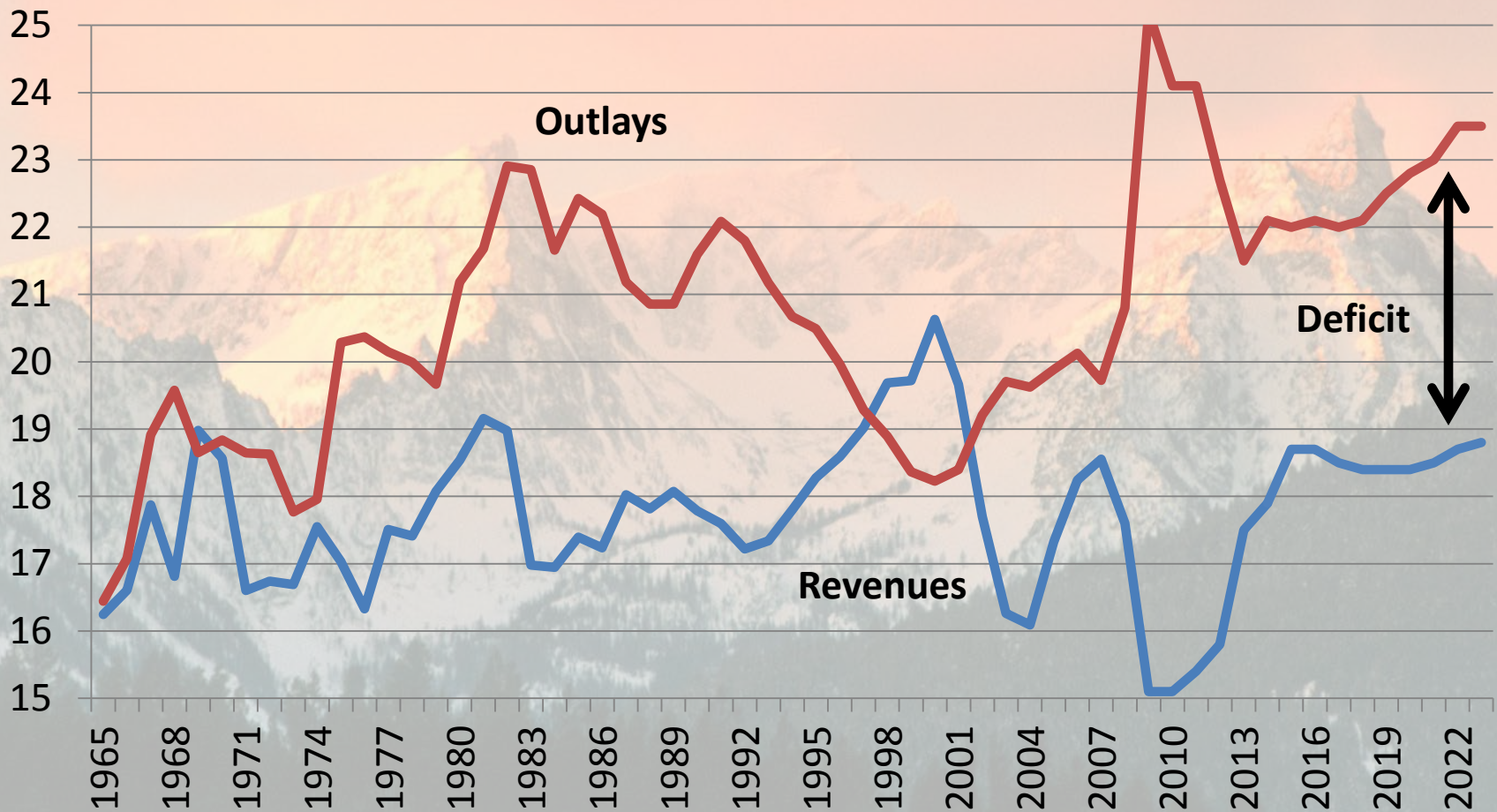
2009Q4 = 0

Jan. '11 to Mar. '11

Jan. '12 to Mar. '12

Jan. '13 to Mar. '13

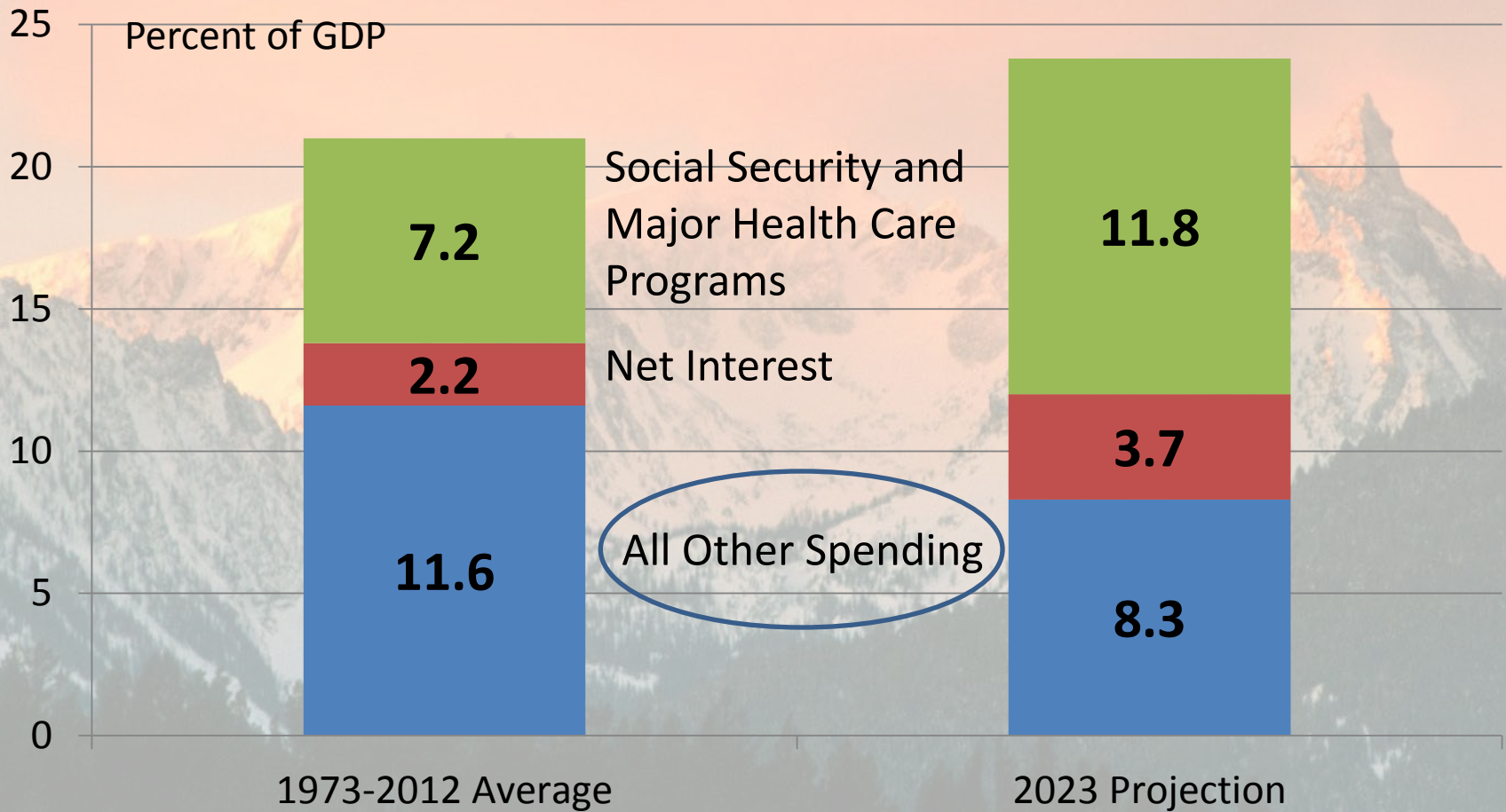
# Current Deficits Are Not the Issue



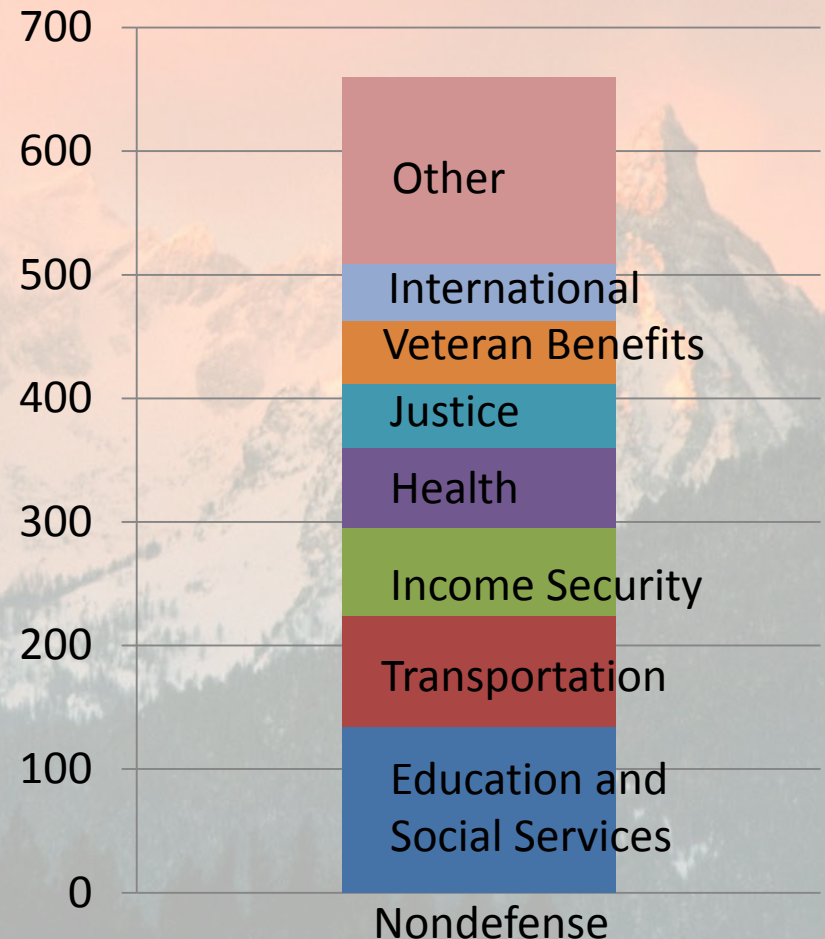
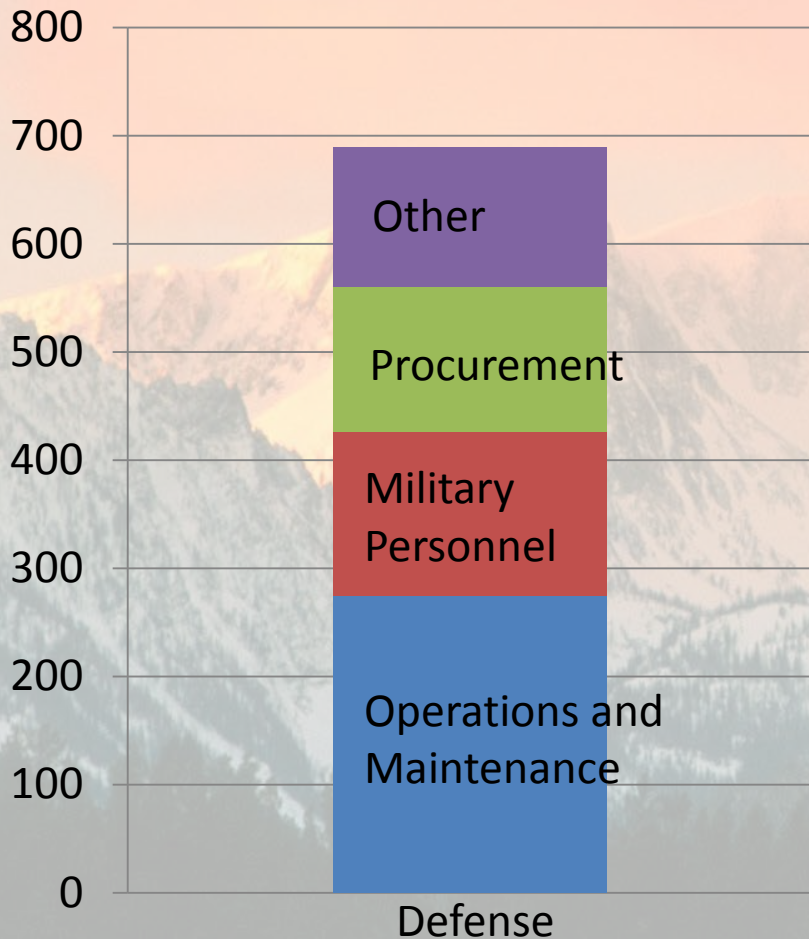
Federal Revenues and Outlays as a Percentage of GDP

Source: Congressional Budget Office Alternative Fiscal Scenario

# What Kinds of Spending Are At Risk?

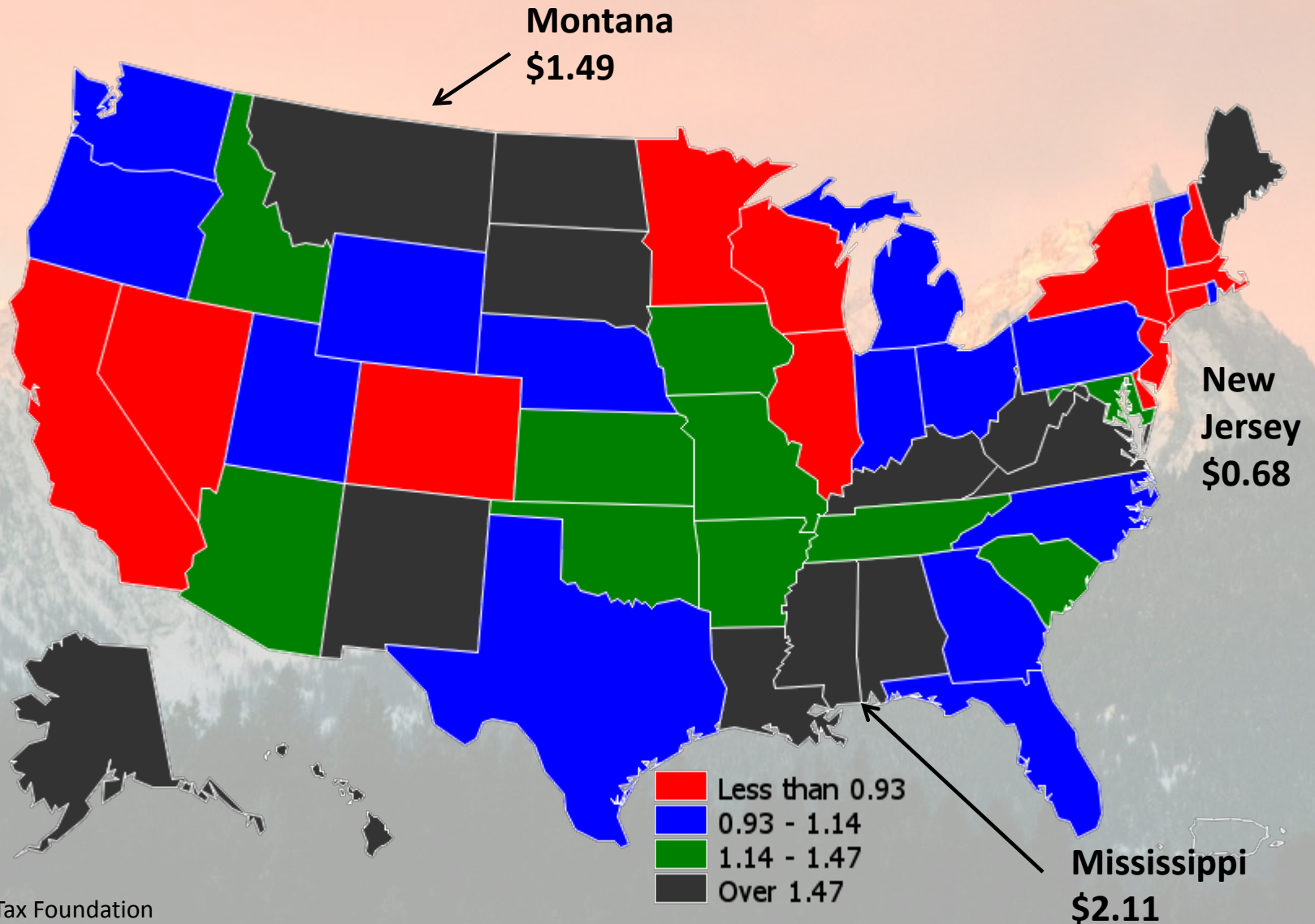


# What Kinds of Spending Are At Risk?



2010 Spending, Billions of Dollars  
Source: Congressional Budget Office

# Federal Spending per Dollar of Taxes Collected, 2005





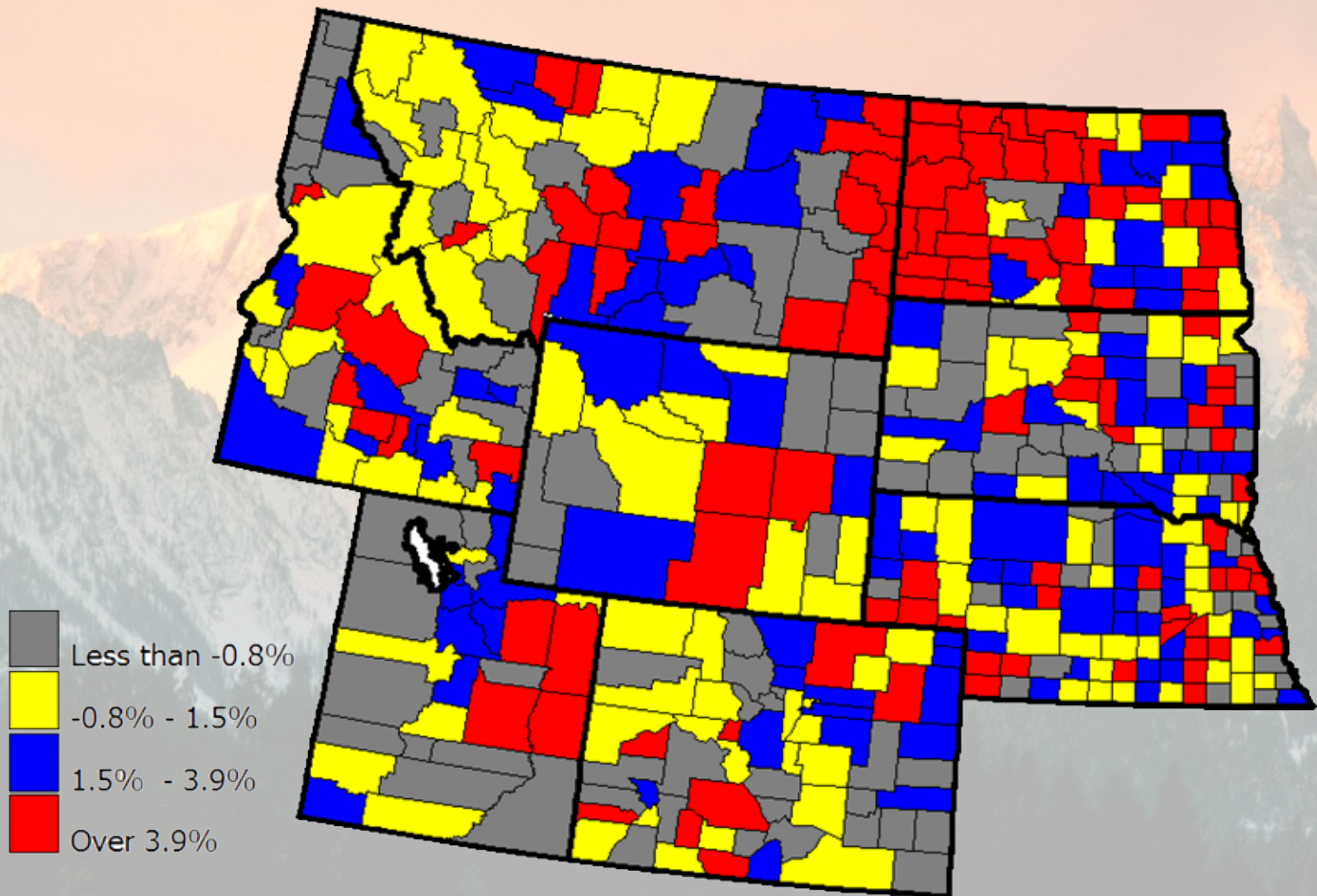


**2012:**

## **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**

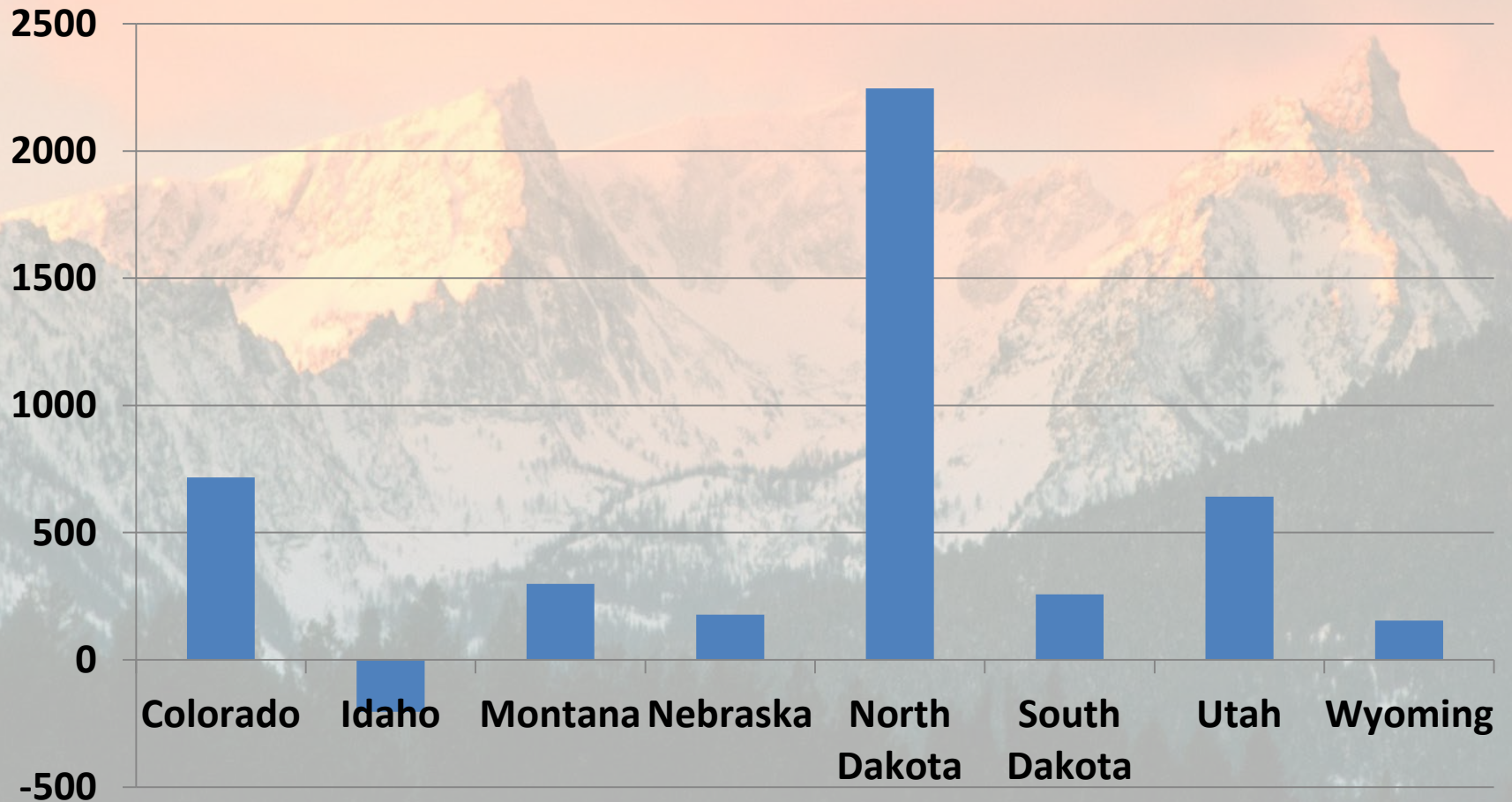
# Real Wage Growth, Percent, 2011-2012



# Where's the Growth?

## Total Real Wage Growth

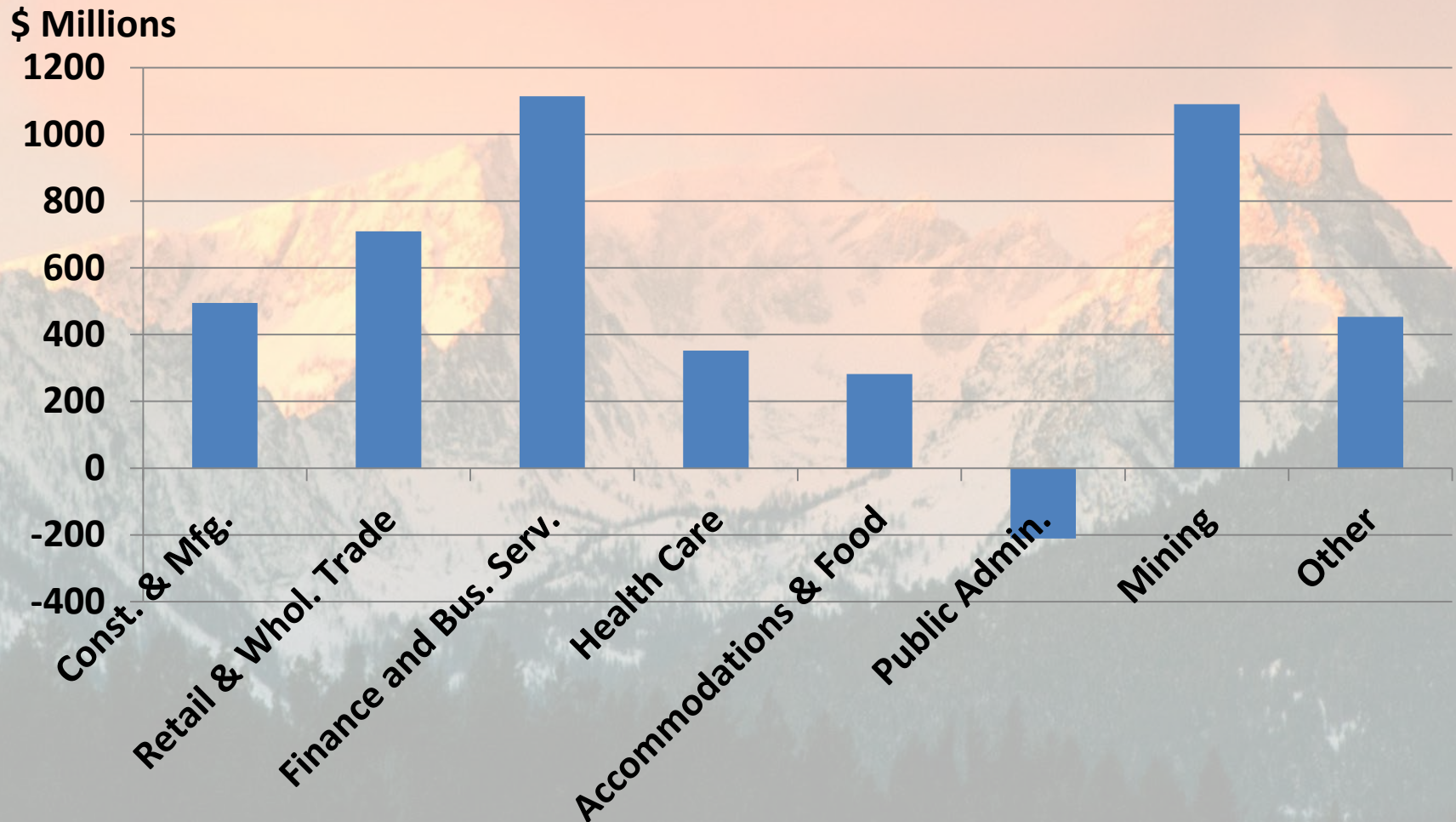
\$ Millions



Difference between Inflation-adjusted Wages and Salaries, 2012 vs. 2011

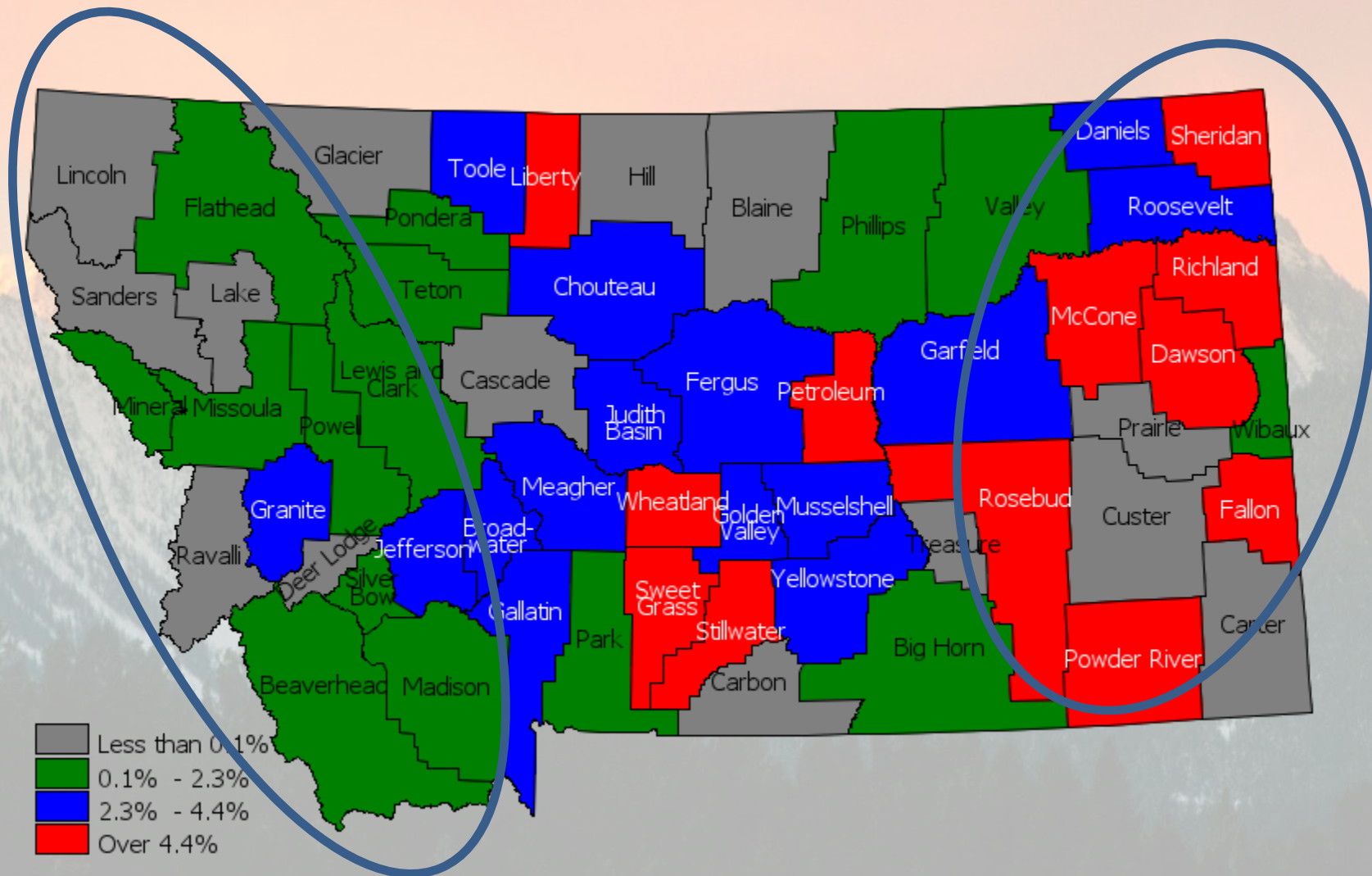
# Where's the Growth?

## Mountain/Plains Real Wage Growth

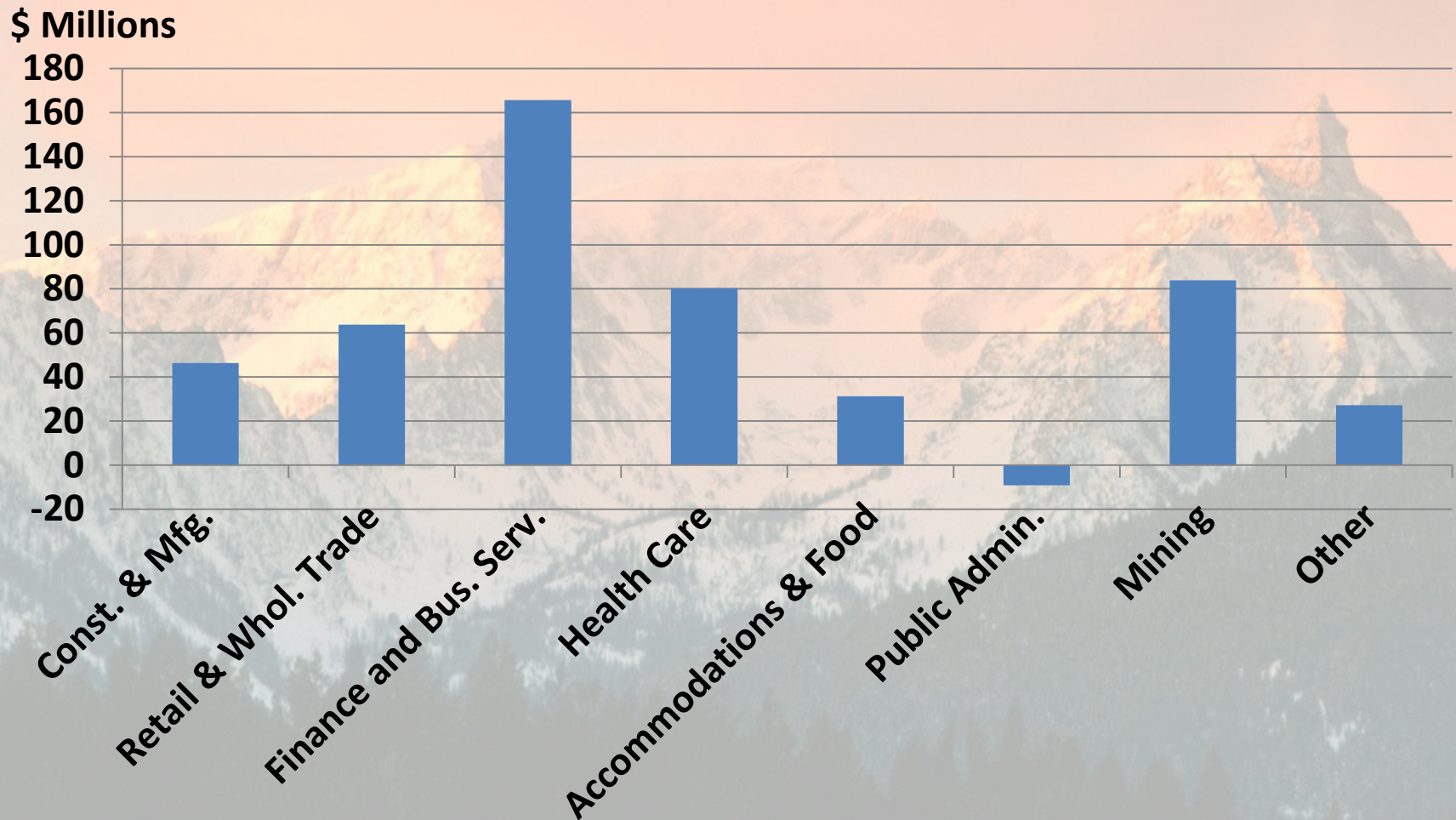


Difference between Inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

# Real Wage Growth, Percent, 2011-2012



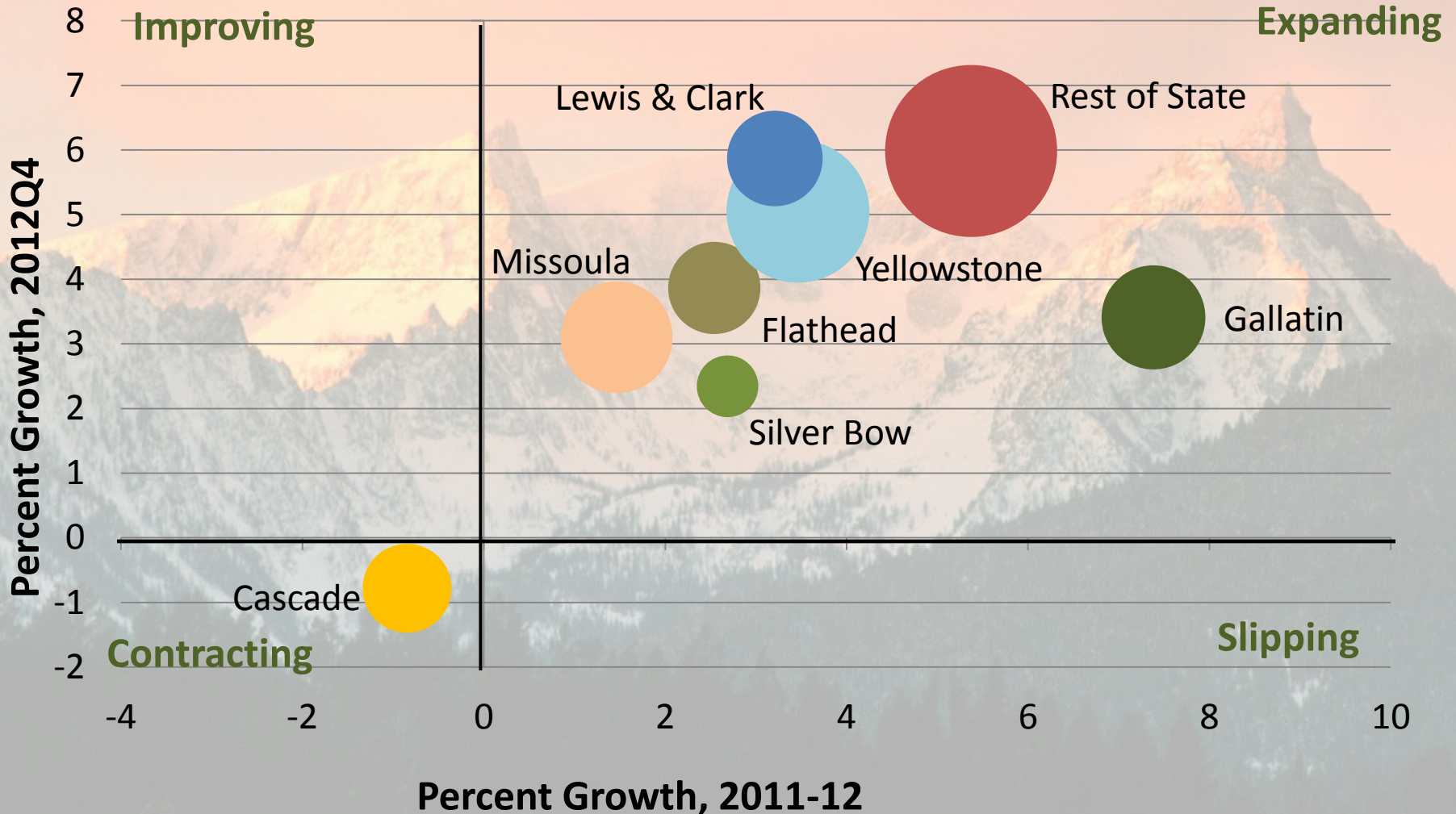
# Where's the Growth? Montana Real Wage Growth



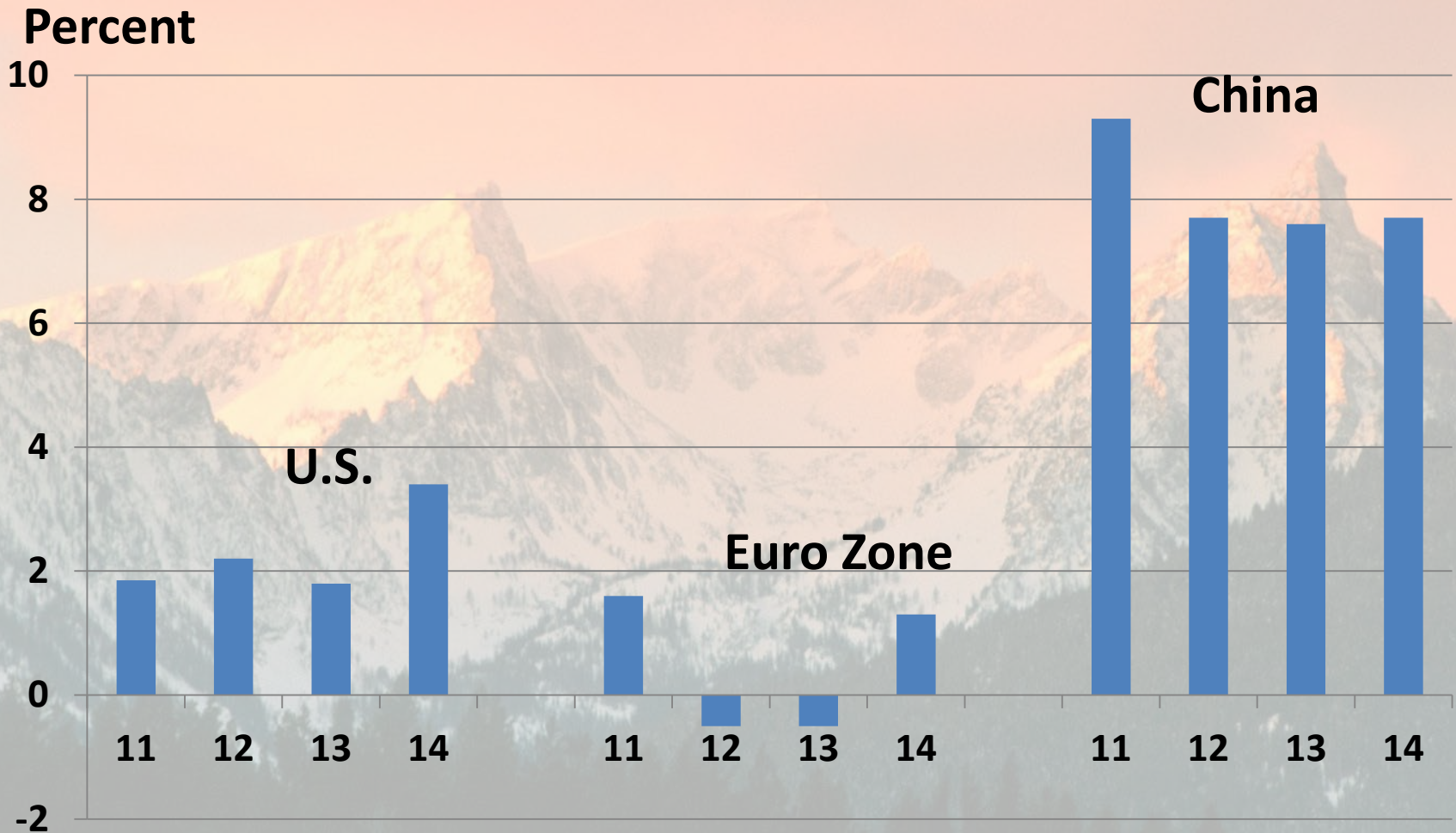
Difference between Inflation-adjusted Wages and Salaries, 2012 vs. 2011

# Most Areas of State Are Expanding

## Percent Growth, Real Wages



# Global Growth Has Stumbled



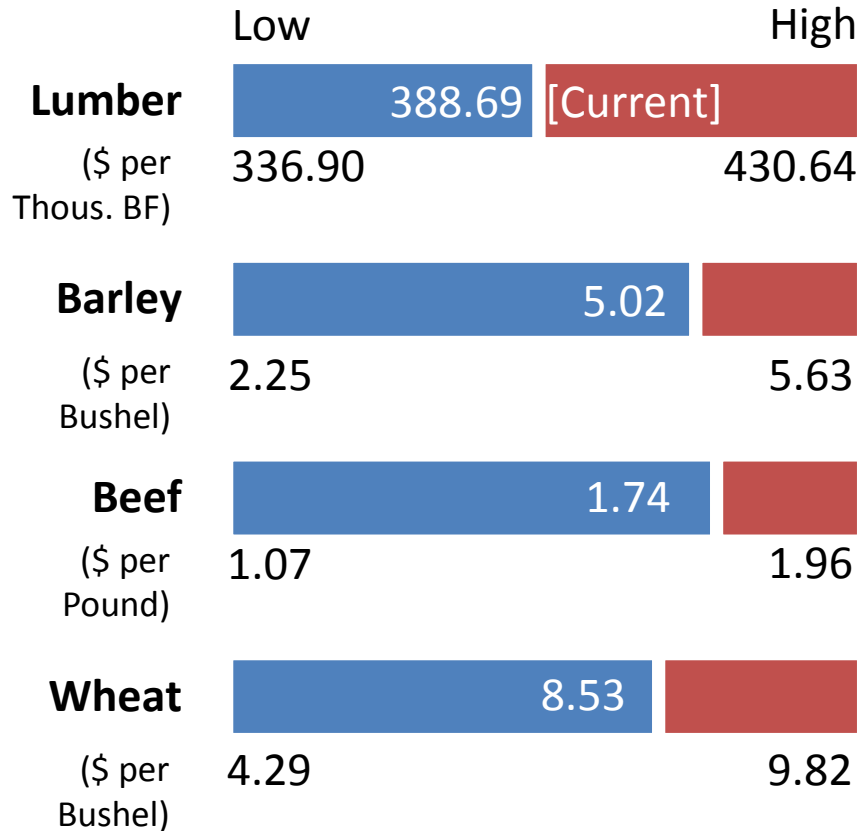
Percent Change in Real Gross Domestic Product

Source: Moody's Analytics

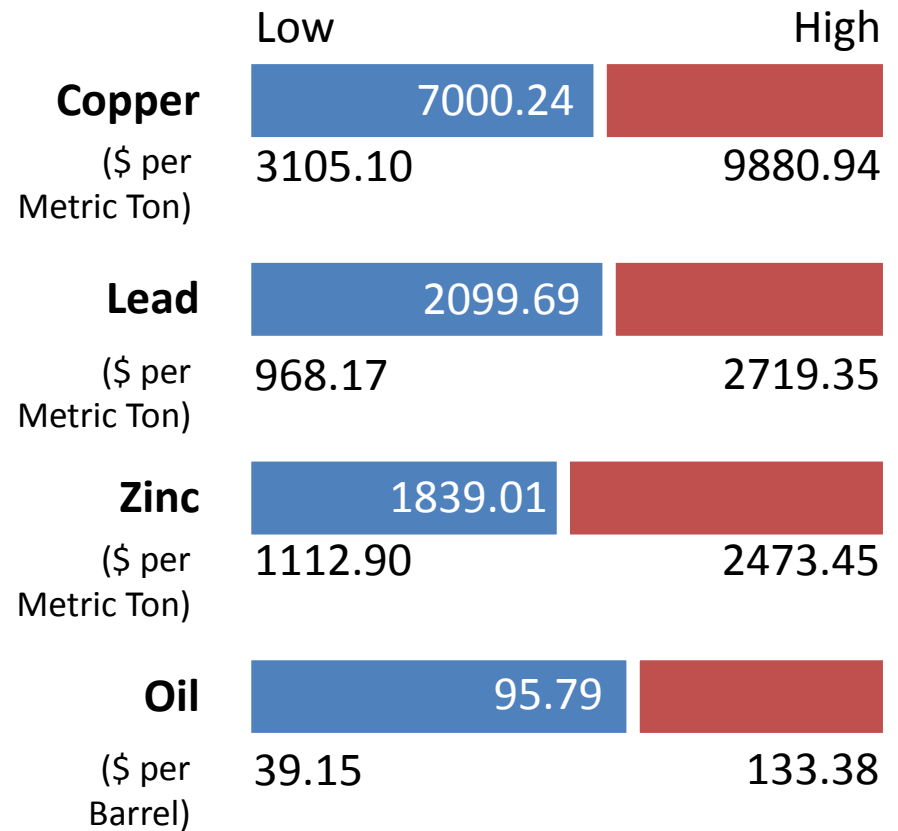


# Commodity Prices: Favorable to Montana

## Materials & Foodstuffs (as of June 2013)



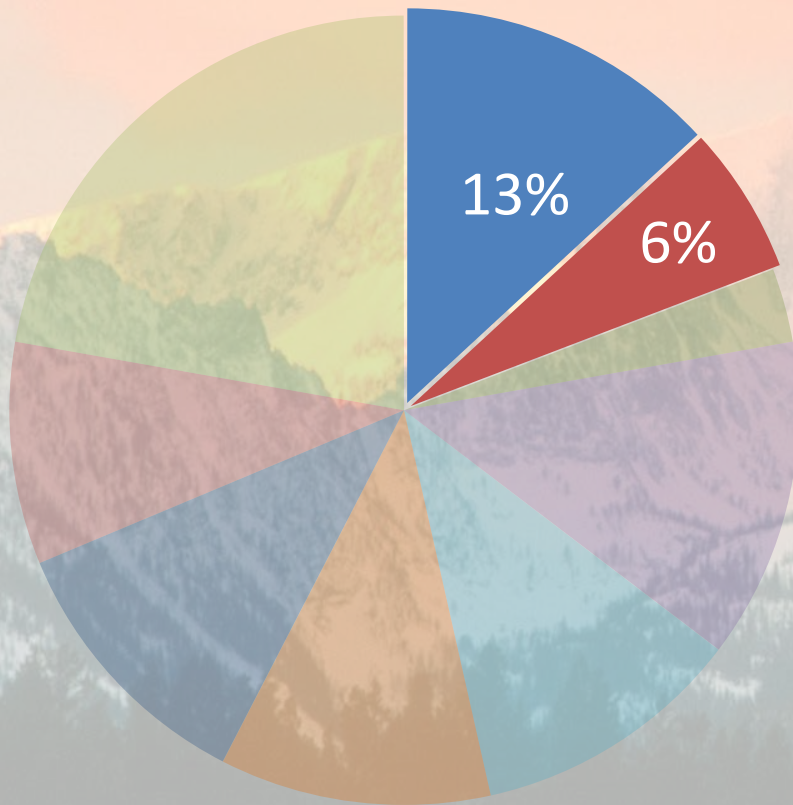
## Metals & Energy (as of June 2013)



# Summary

- **Montana goes into 2013 with good momentum, but some factors helping 2012 growth won't be sustained**
- **Softening in commodity prices and sluggish national growth are new headwinds**
- **Optimism over new home construction**

# Outlook for Key Industries

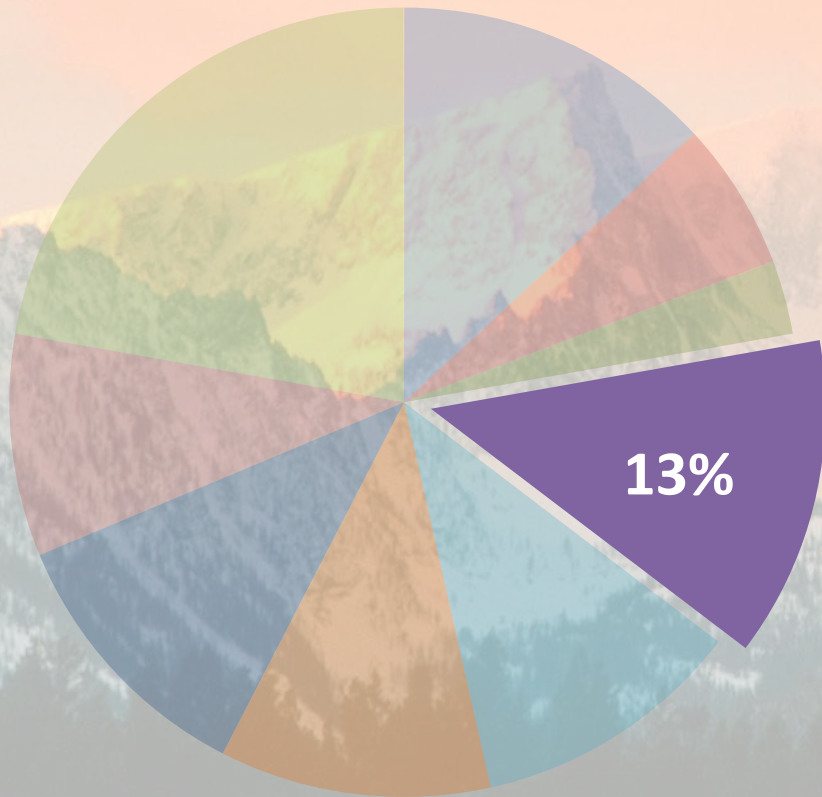


## Energy and Mining:

**Drilling activity has tapered down on both sides of eastern border. Emerging economies deceleration taking some steam out of metals prices.**

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

# Outlook for Key Industries

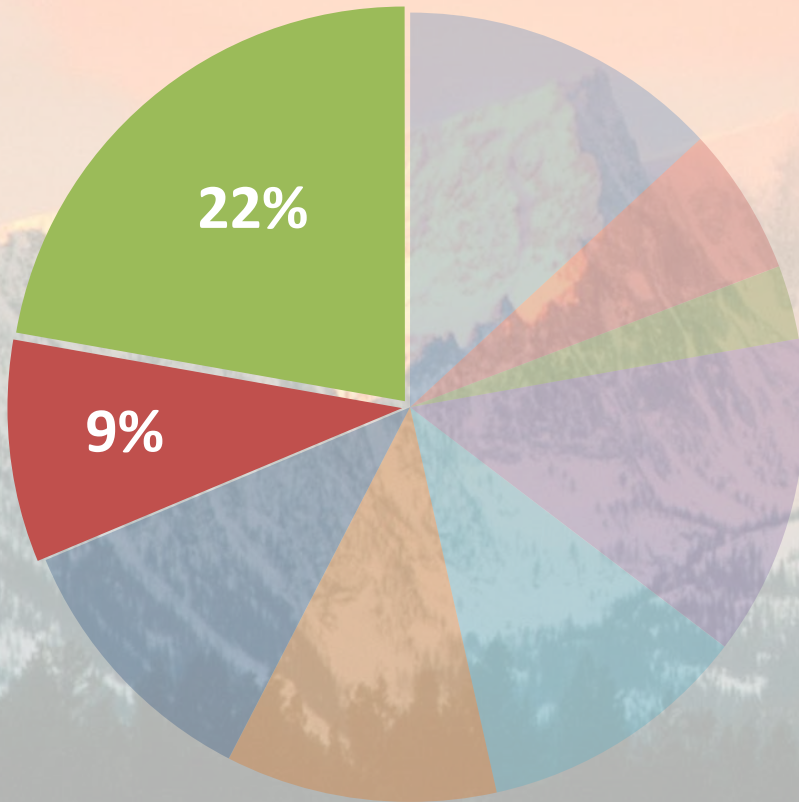


## Agriculture and Related:

**Sustained high prices, but slightly off of last year's high. Yield prospects good. Policy uncertainty ahead.**

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

# Outlook for Key Industries

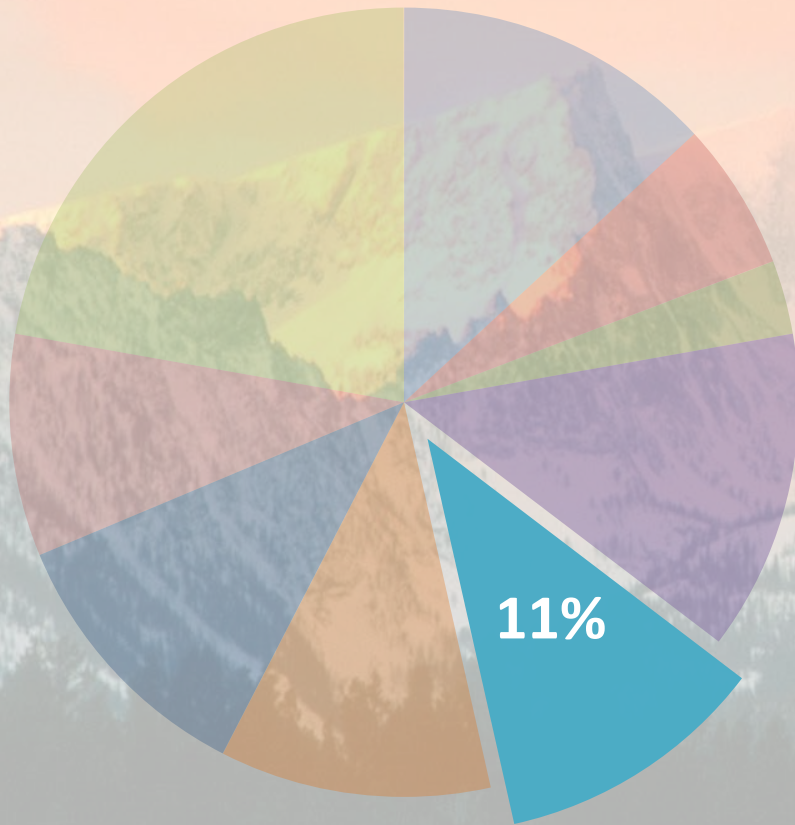


## Federal Military and Civilian:

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

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

# Outlook for Key Industries

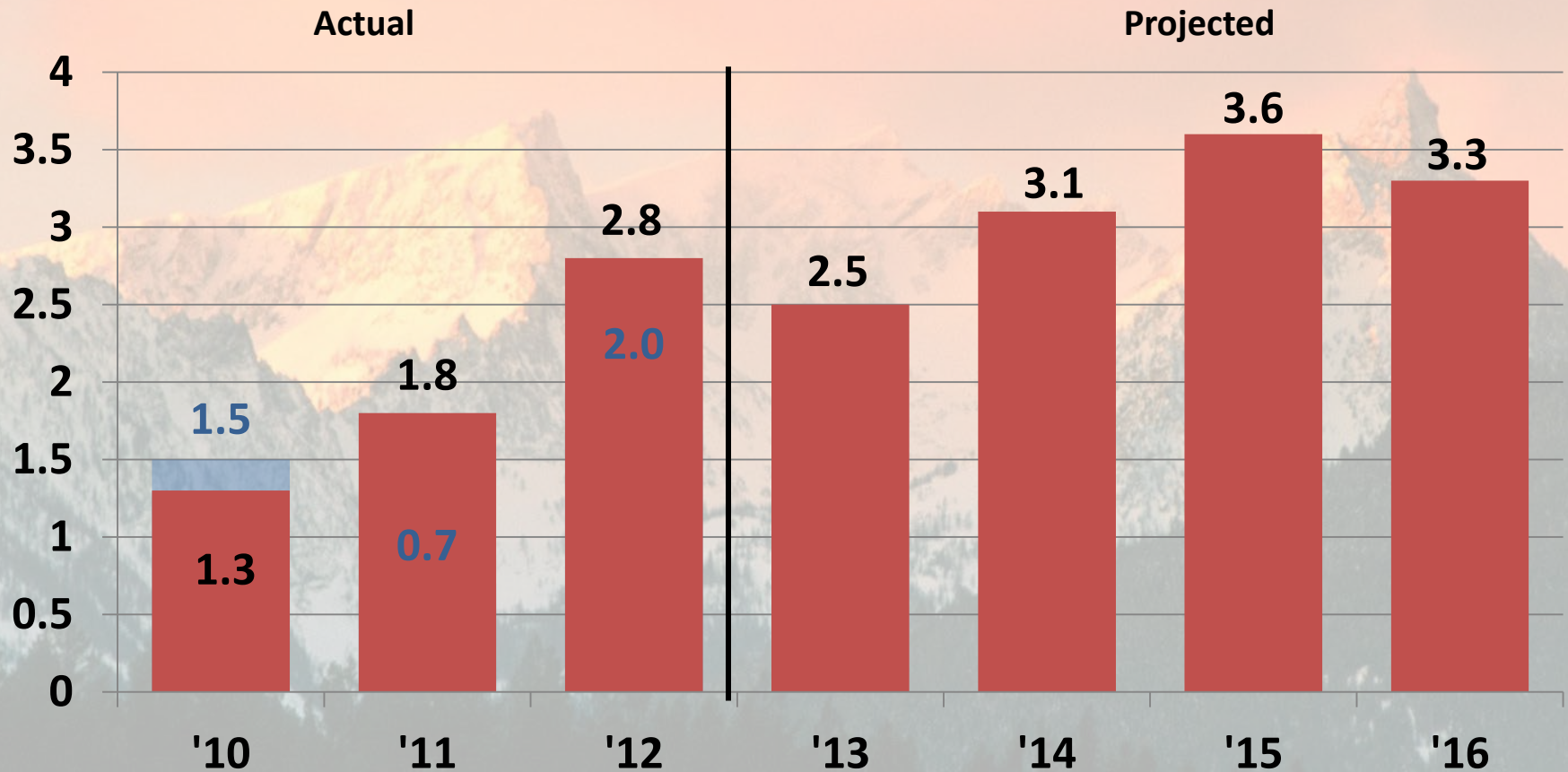


## Nonresident travel:

**Growth remains constrained by weak U.S. consumer spending.**

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

# Change in Nonfarm Earnings, Montana, 2010-2016





Questions?