

Flathead County

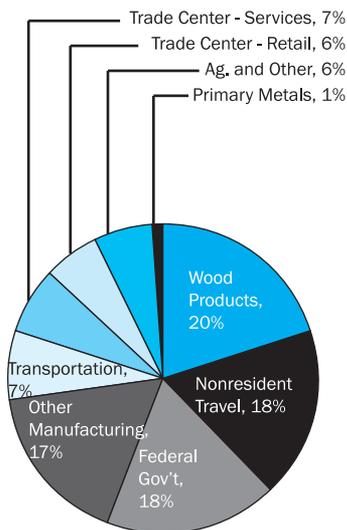
The Economic Rebound: Three Business Perspectives

Gregg Davis, Health Care Director, Bureau of Business and Economic Research

Flathead County Profile	
Total Population, 2010	90,928
Percent Change in Population, 2000-2010	22.1%
Median Age, 2010	41.2
Percent 65 or Older, 2010	14.4%
Percent of Population with Bachelor's Degree or Higher, 2010	27.6%
Median Household Income, 2010	\$43,585
Percent of Population without Health Insurance Coverage, 2010	19.4%
Unemployment Rate, November 2011	10.96%

Sources: American Community Survey, U.S. Census Bureau; Research and Analysis Bureau, Montana Department of Labor and Industry.

Figure 1
Earnings in Basic Industries, Flathead County, 2009-2011 (Percent of Total)



Sources: Bureau of Business and Economic Research, The University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

Probably most would now agree that the peak employment experienced in Flathead County during 2007 was the result of too much froth in the economic expansion. But regardless, over the past three years private employment declines, some significant, were experienced in every major sector except two: health care and the management of companies and enterprises. From 2007 to 2010, more than 5,270 private jobs were lost, with only 416 gained. Most employment losses were in manufacturing and construction, with wage losses totaling \$104 million. Five sectors – utilities, professional and technical services, management of companies, health care and social assistance, and other industries – added more than \$51 million in wage income back into the economy. For a slowdown so broadly spread in the economy, how have businesses responded?

Commercial Banking

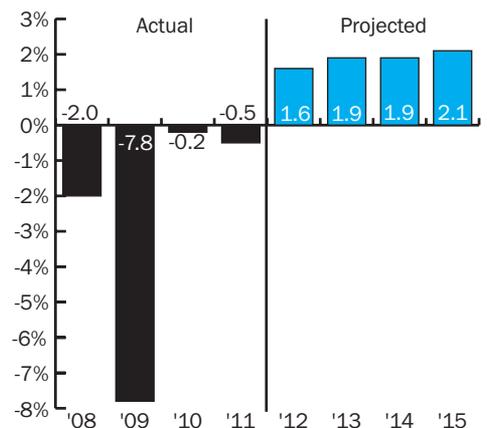
Commercial banking hasn't been hit as hard as other Flathead industries when it comes to employment (down 10 percent), but Glacier Bank in Kalispell first noticed storm clouds forming in September 2008. As all businesses do during economic downturns, Glacier Bank deployed resources to build loan reserves and cut costs through attrition, primarily by focusing on three strategic areas: core competencies, capital preservation and building, and intensified internal communication among its branch offices. Despite the

tough times in the Flathead Valley, Glacier Bank has more optimism this year than in the past two years. Cautious investors are returning to look for reduced-price assets with favorable yields, and among them is the Canadian investor.

Construction

Construction took a hard hit over the past three years, with employment declines of 44 percent from its 2007 peak. Located between Kalispell and Whitefish is Silverbrook Estates, a 325-acre subdivision in phase one of two phases of development. To cope with the slow economy, the development is holding on to inventory, including 236 building-ready sites out of the original 284. Some life is evident because of Canadian interest in vacation properties

Figure 2
Actual and Projected Change in Nonfarm Earnings, Flathead County, 2008-2015



Sources: Bureau of Business and Economic Research, The University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

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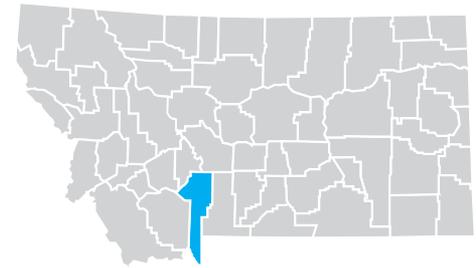
and out-of-state retirees looking for lifestyle changes. Potential buyers now have the opportunity to lease before purchasing a home. Entry-level home prices have been reduced to \$249,950 in hopes of attracting middle-income families. In addition, advertising has been scaled back, instead relying on location and drive-by traffic on Highway 93. The development also hosts various functions on site to increase exposure. Silverbrook is hopeful the real estate market is near its bottom and that home buyers will return this spring. One wild card, however, still looms. The uncertainty surrounding the political wrangling in Washington, D.C. could keep buyers away until people feel confident once again about their future.

Health Care

Personal health care spending in Flathead County this year is almost \$670 million and will increase to more than \$760 million by 2014. The health care sector is one of only two sectors to add jobs to the economy in the three years since the county’s peak employment in 2007. While other sectors in the economy have lost more than 5,000 jobs, health care has added more than 400 jobs,

comprising a remarkable 99 percent of the total jobs added economy-wide, and nearly 85 percent of the wages added to the economy since 2007. But even health care is seeing the effects of the recession. Charity care at Northwest Healthcare in Kalispell is averaging \$1 million per month, most likely a reflection of the jobless rate in the Flathead and health insurance extensions provided through the Consolidated Omnibus Budget Reconciliation Act (COBRA) running out. But the crane positioned over Northwest Healthcare is building for the future, adding \$40 million to the economy for new operating rooms, surgeons offices, and an unfinished third floor for future expansion. Another \$2 million is being spent for a new catheterization lab, electrophysiology suites, and special procedures room, and still another \$14 million for an emergency room expansion and remodel. The third floor of the facility will sit idle for now, but will be ready to accommodate future demands as the population of the valley not only grows, but also grows older.

Kalispell is evolving into a regional trade and service center. Residents are now less inclined to travel elsewhere for their health care, retail, and financial services needs. Because the recession hit the Flathead economy more so than other urban areas in the state, returning to pre-recession levels of labor earnings and employment may prove more challenging in the Flathead. But once the uncertainties surrounding budget policy are worked out in Washington, D.C., residents and visitors may feel more secure about their futures and return to pre-recession ¹²



Gallatin County Recovery has Started

Paul E. Polzin, Director Emeritus, Bureau of Business and Economic Research

Gallatin County Profile

Total Population, 2010	89,513
Percent Change in Population, 2000-2010	32%
Median Age, 2010	32.5
Percent 65 or Older, 2010	9.5%
Percent of Population with Bachelor's Degree or Higher, 2010	44.4%
Median Household Income, 2010	\$50,239
Percent of Population without Health Insurance Coverage, 2010	13.7%
Unemployment Rate, November 2011	6.7%

Sources: American Community Survey, U.S. Census Bureau; Research and Analysis Bureau, Montana Department of Labor and Industry.

The Great Recession hit the Gallatin County economy hard, but none of the basic industries were permanently scarred. The recession impacts were concentrated in the home building, construction, and nonresident travel industries.

The Gallatin County construction industry bore much of the brunt of the recession. Overall construction activity declined by roughly 37 percent during the 2007 to 2009 period, and the median price of homes in Gallatin County decreased by 32 percent. Single family housing starts dropped from a peak of 1,269 in 2004 to 337 in 2010, a decrease of 73 percent.

Nonresident travel accounts for about 11 percent of Gallatin County’s economic base and includes the firms