

# Missoula County Still Waiting For Growth to Arrive

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

The postponement of the return of stronger growth to Montana's economy was felt acutely in Missoula. Continued declines in construction and manufacturing, as well as a recent retraction in government, caused the Missoula economy to experience a decline in inflation-corrected nonfarm earnings in 2011 – after declining in each of the three previous years as well. As a regional hub for a wide range of retail, professional, and services activities, the sluggishness reflects the continued weak demand among both consumers and businesses in the western part of the state.

We expect to see growth return in 2012, as construction declines are finally halted and a firmer recovery in tourist and trade center-related spending takes hold. Short-term growth prospects are a bit better for professional services and the transportation sectors and a bit worse for government and real estate. Even by 2014, construction activity will be quite restrained by pre-recession standards, but its modest growth will help area banks, equipment dealers, and building supply businesses show signs of life.

## Missoula's Recession Experience

The Missoula economy experienced a longer recession than most other parts of the state. Its

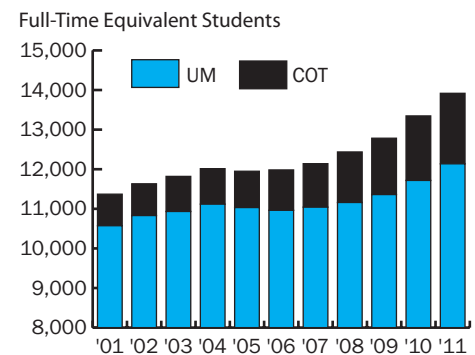
Missoula County Profile	
Total Population, 2010	109,299
Percent Change in Population, 2000-2010	14.1%
Median Age, 2010	34.3
Percent 65 or Older, 2010	11.4%
Percent of Population with Bachelor's Degree or Higher, 2010	39.0%
Median Household Income, 2010	\$42,399
Percent of Population without Health Insurance Coverage, 2010	16.3%
Unemployment Rate, November 2011	6.9%

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

decline began in 2007, before the national recession was declared, with the closure of the Stimson mill in Bonner. Enrollment growth at The University of Montana, continued growth in health care payrolls, and a major reclamation project at the Milltown Dam offset at least part of the losses from deep declines in home construction, retail, and the closure of the Smurfit Stone pulp mill in the beginning of 2010. Yet the net result was a 3.9 percent contraction in inflation-corrected wages and salaries between 2007 and 2010.

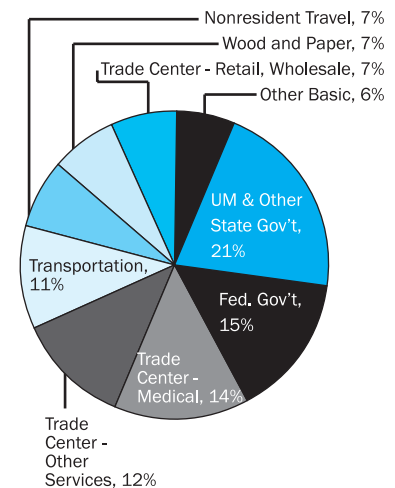
Recovery from the recession low point in the spring of 2009 has been mixed. Recovery in rail and truck transportation has been interrupted by the closure of Smurfit Stone but appears to have returned to levels predating that event. Industries serving out-of-state visitors suffered significant declines, but have swung to register

Figure 1 Enrollment, The University of Montana – Missoula and the College of Technology



Sources: Office of the Commissioner of Higher Education.

Figure 2 Earnings in Basic Industries, Missoula 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.

## ECONOMIC OUTLOOK

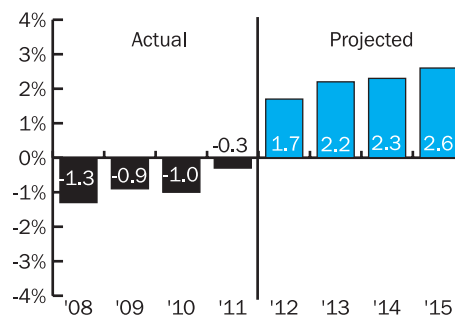
modest growth since late 2010. On the other hand, health care's trajectory has slowed significantly, and the expansion in government earnings due to both the Census and the stimulus has swung towards modest contraction.

Standing alone from these trends has been the growth at The University of Montana, the largest part of Missoula's economic base. Steady increases in research activities and a recession-related enrollment increase of nearly 15 percent have provided steady, if unspectacular, growth in its total payroll. It stands virtually alone among Missoula's major employers in displaying accelerating growth in 2011.

### The Outlook

The short-term prospects for Missoula hinge on improvement in the climate for consumer spending and an end to the housing price and construction slump. Our baseline forecast calls for the resumption in growth in 2012, as currently declining sectors such as construction and retail swing to at least modest growth. Overall growth in the Missoula economy will continue to slightly undershoot the state average, as natural resource-led growth propels other parts of the state faster and Missoula continues to experience the gradual erosion of its trade center role to other communities. 12

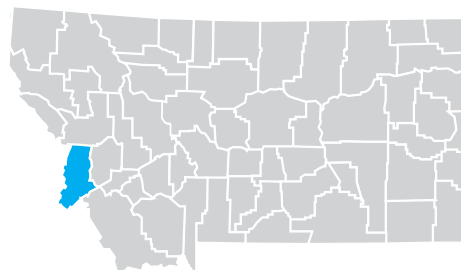
**Figure 3**  
Actual and Projected Change in Nonfarm Earnings, Missoula County, 2008-2015



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

## Ravalli County Waiting for Recovery

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Ravalli County continues to experience the hard times of the current recession, which is evident in the depressed real estate market. While residential real estate sales are about the same in 2011 as in 2009 and 2010, prices continue to decline. The median price for recent residential sales is about 12 percent lower than 2010.

The weak real estate market is affecting Ravalli County household mobility. The latest American Community Survey data show that 11 percent of Ravalli County households live in a different house compared to one year ago. In 2007 when

markets were stronger, 20 percent of households changed homes. Net migration between Missoula County and Ravalli County is essentially zero, reversing a trend from the last decade when people moved from Missoula to Ravalli because of lower housing costs. High gasoline prices and a sluggish housing market have significantly affected migration patterns.

Housing construction, a mainstay of the Ravalli economy, continues to lag, with employment levels about half what they were in 2007. A return to 2007 levels is not seen in the foreseeable future. Construction on Highway 93 is nearly complete,

### Ravalli County Profile

<b>Total Population, 2010</b>	40,212
<b>Percent Change in Population, 2000-2010</b>	11.5%
<b>Median Age, 2010</b>	46
<b>Percent 65 or Older, 2010</b>	19.2%
<b>Percent of Population with Bachelor's Degree or Higher, 2010</b>	23.9%
<b>Median Household Income, 2010</b>	\$39,931
<b>Percent of Population without Health Insurance Coverage, 2010</b>	18.9%
<b>Unemployment Rate, November 2011</b>	8.8%

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

so future highway construction will decline substantially in the next year.

Recovery in the wood products industry, primarily log home