



U.S. Economy Slows Slightly: Will Montanans Even Notice?

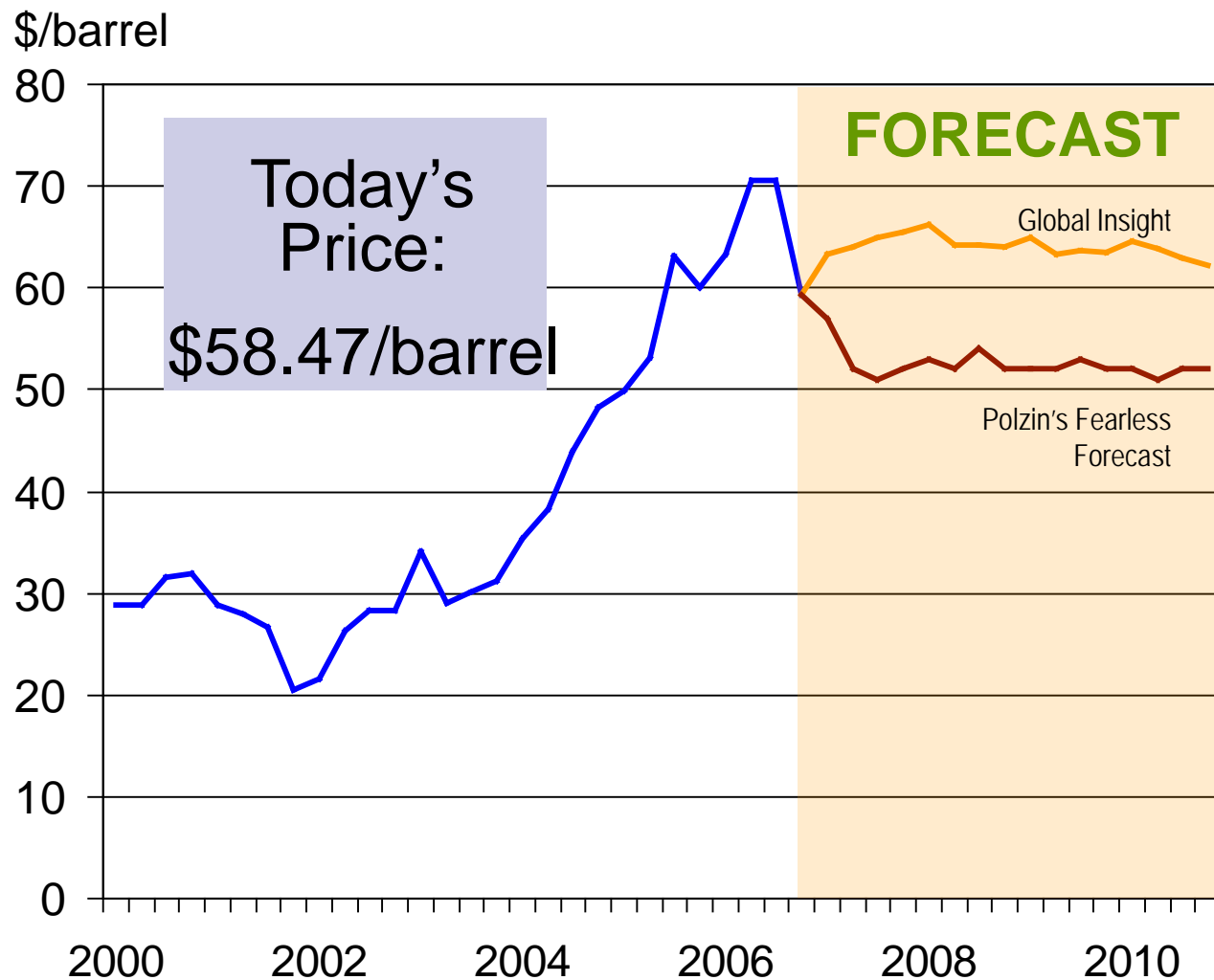
The U.S. Outlook

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West Texas Intermediate



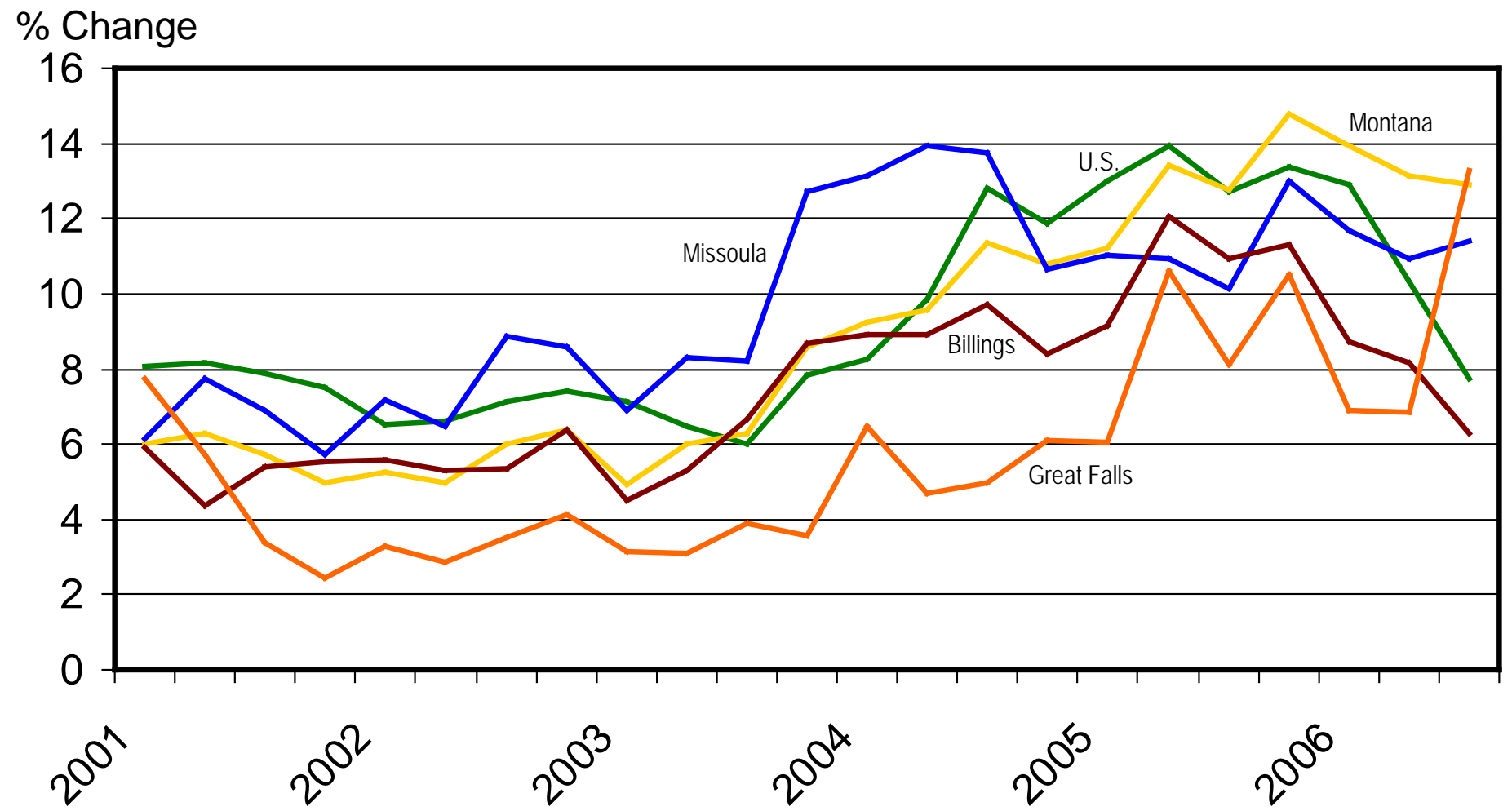
Source: Global Insight.

RISKS:

- High Prices
 - Terrorism
 - Gov't intervention
- Lower Prices
 - Increased supply
 - Refinery capacity
 - China (again)



Single-Family Home Prices



Source: U.S. Office of Federal Housing Oversight.



**Montana's Headline-
Grabbing**

Growth That Continues

Montana

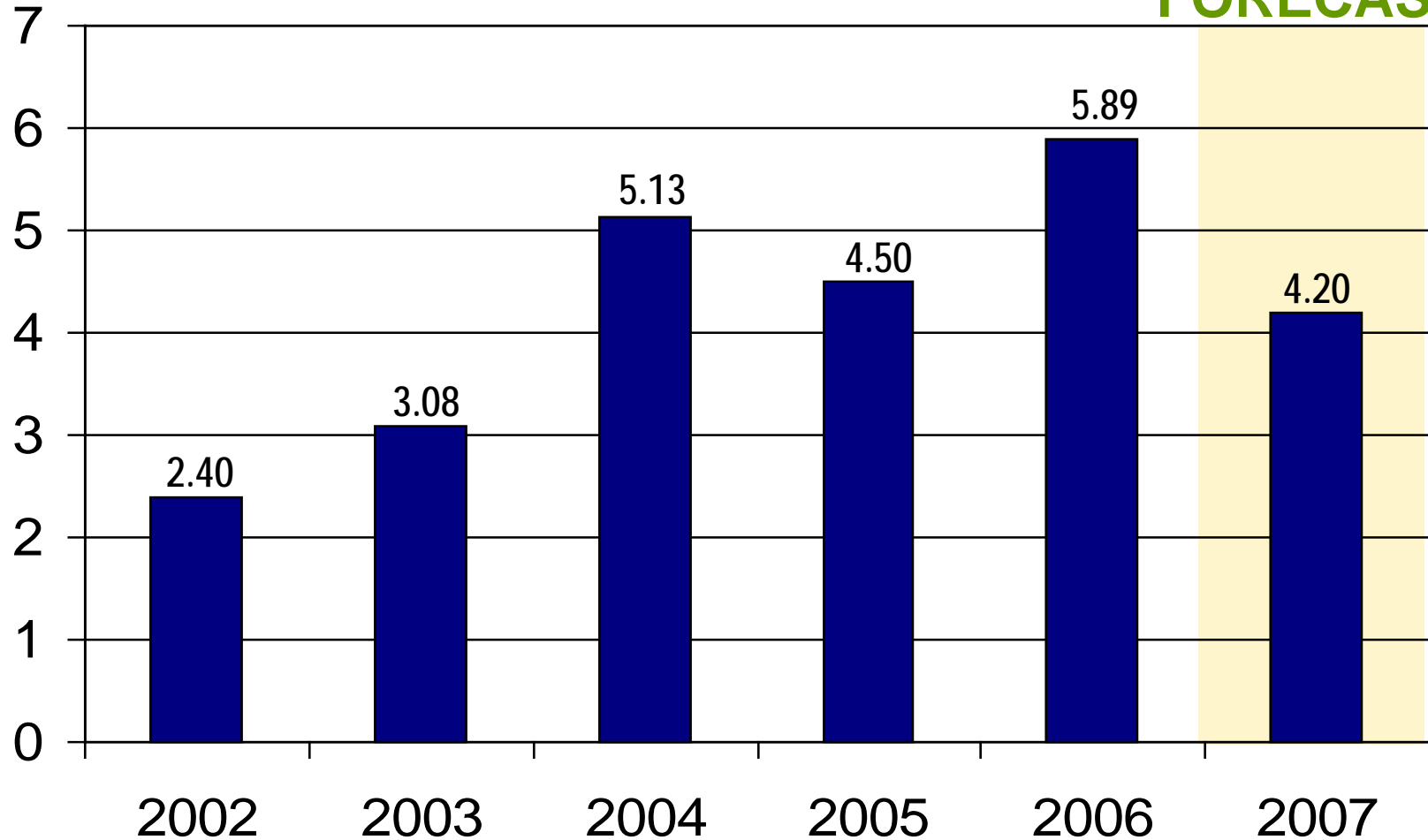
Outlook



Montana Nonfarm Labor Income

% Change

FORECAST





Montana's Economic Base

- Nonresident Travel
- Mining
- Manufacturing
 - Wood and paper
- Agriculture
- ❖ Federal Gov't (Incl. Military)

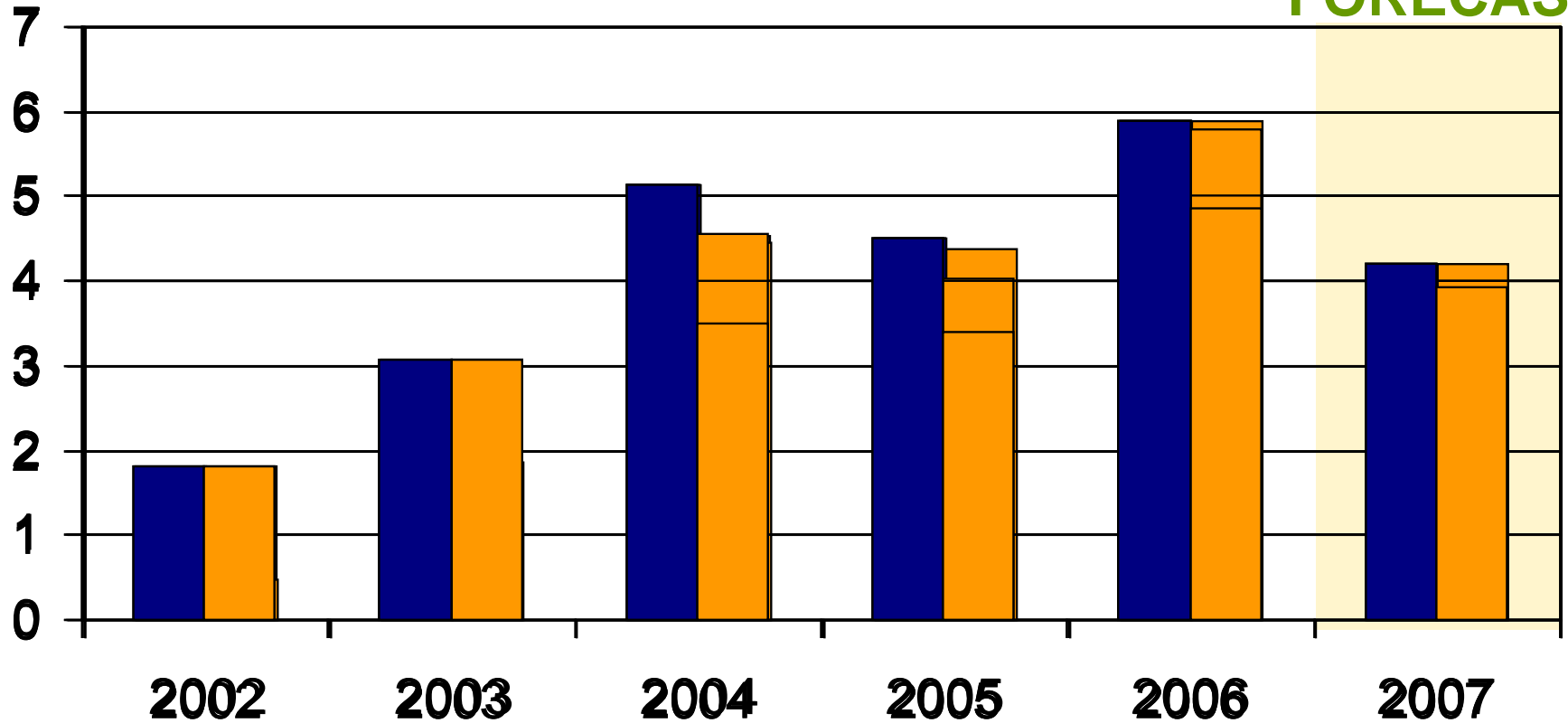
90%



Montana Nonfarm Labor Income

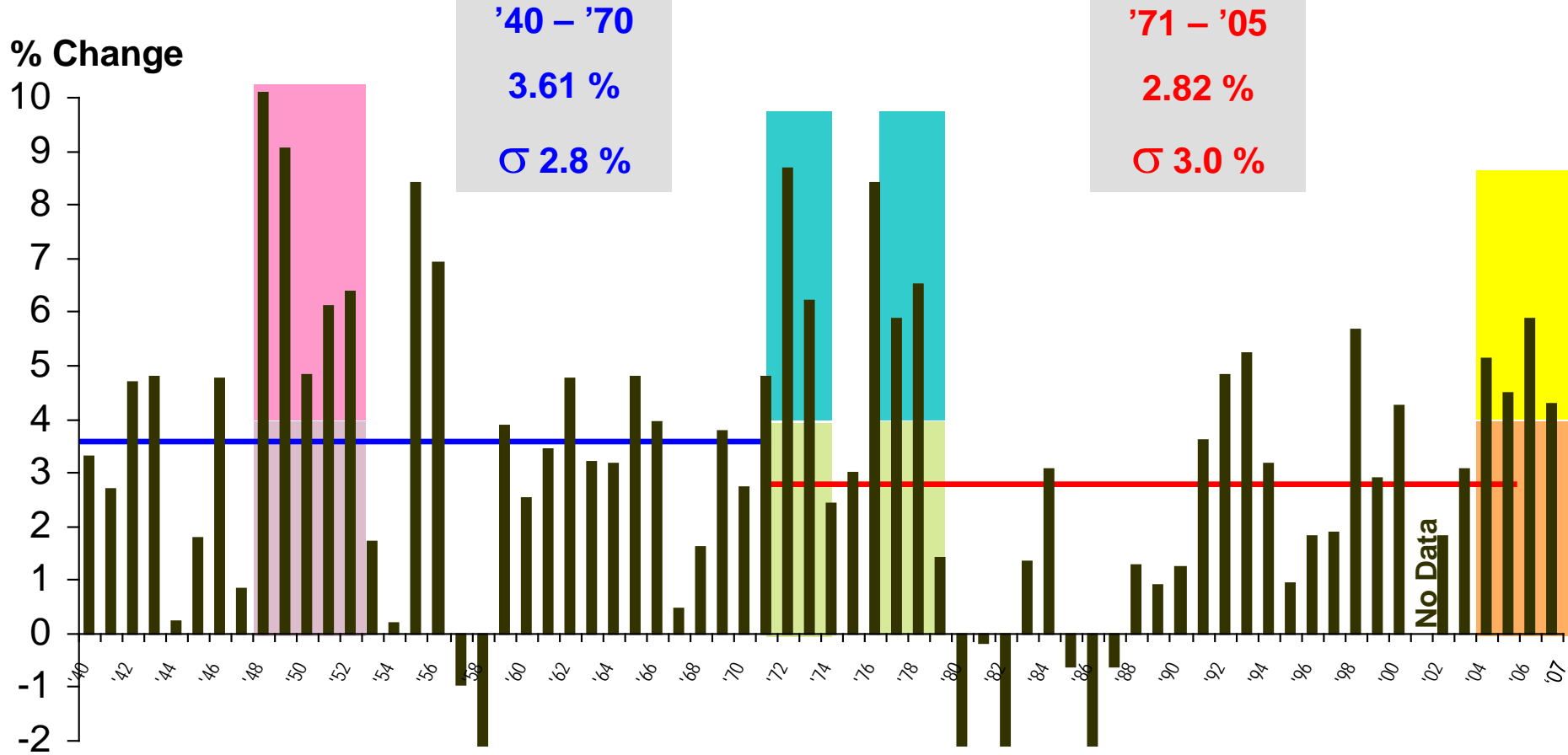
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FORECAST





Montana Nonfarm Labor Income





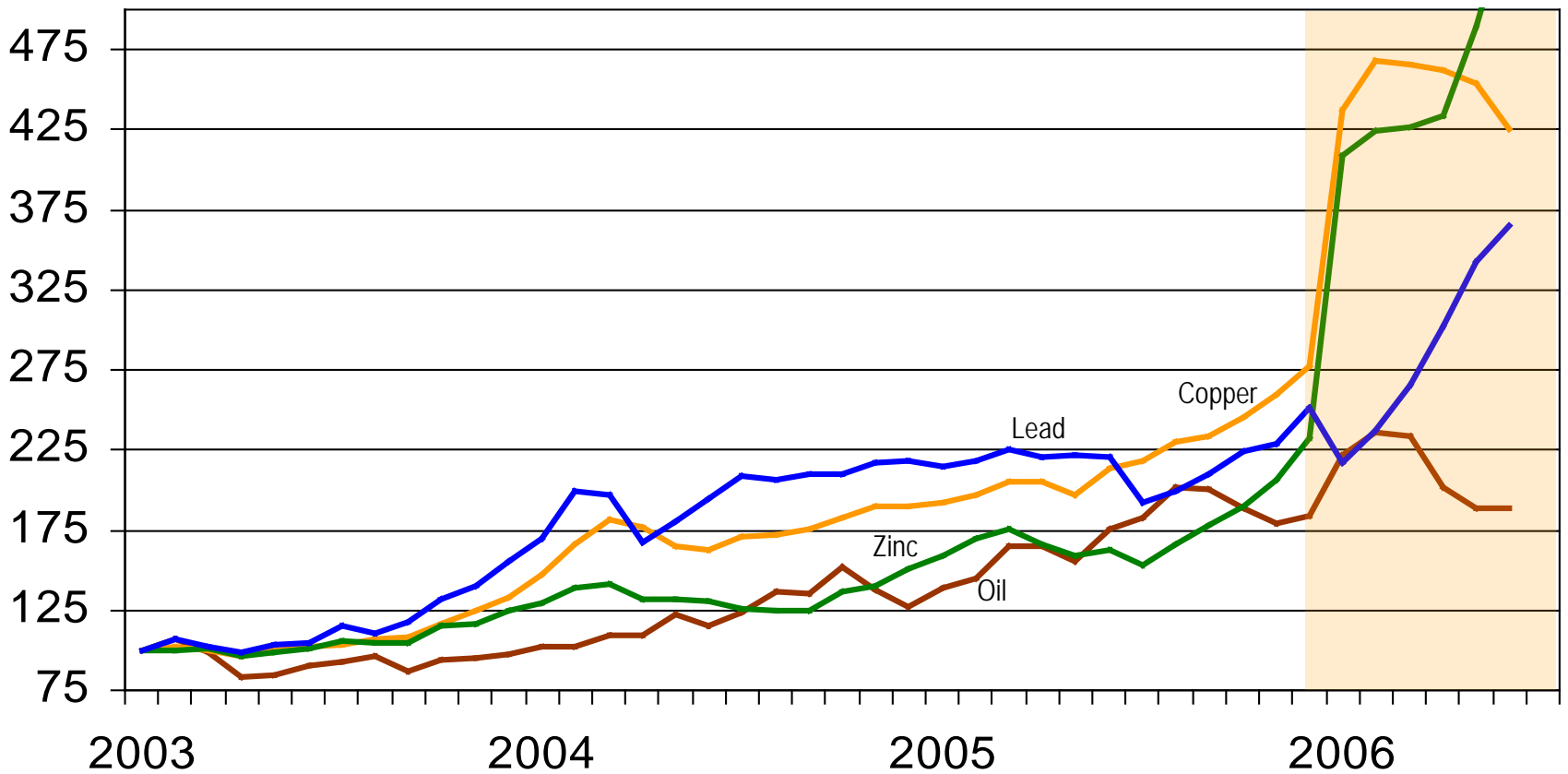
Natural Resource Boom

- Demand growth in developing countries, like China.
- Oil supply shocks in 2003 and 2004.
- Declining value of dollar.
- No capacity growth in 1990s.



Commodity Prices

Price Index



Source: International Monetary Fund.



Commodity Price Forecasts

	1990-2004	2005	2006f	2007f
WTI Oil (\$/barrel)	23	56	66	60
Nymex Natural Gas (\$/mmbtu)	2.93	9.00	7.00	7.50
Copper (\$/lb)	0.96	1.67	3.06	2.70
Zinc (\$/lb)	0.49	0.63	1.49	2.00
Nickel (\$/lb)	3.44	6.68	11.00	13.50

Source: Scotiabank Commodity Price Index.



Demand for Montana Coal

- Traditional uses:
 - Unit trains
 - Mine mouth generation / transmission lines
- New uses:
 - Clean coal technology
 - Process Montana coal
 - Serve new markets



Summary

- Trends in commodity prices and energy due to demand factors (long-term) rather than supply factors (short-term)
- Regulatory and siting issues
 - Existing facilities now reopened
 - New facilities = new permits
- Risk: Slower growth in developing countries
 - Economic instability, i.e. “Asian Flu”
 - Political instability
- Risk: Slowdown in construction
- New projects added when proposed



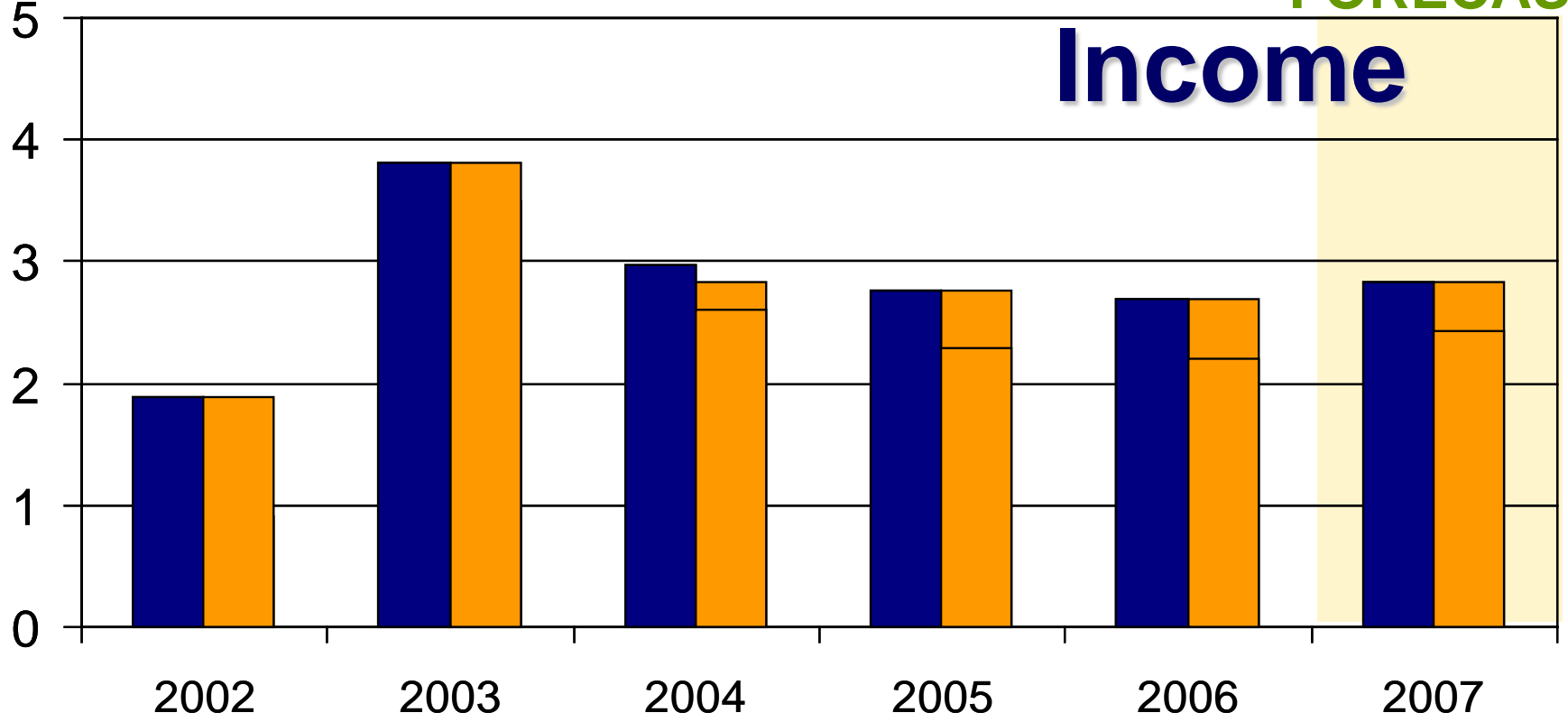
The Helena Outlook



Lewis and Clark County Nonfarm Labor Income

FORECAST

% Change





Questions?



The **Great**

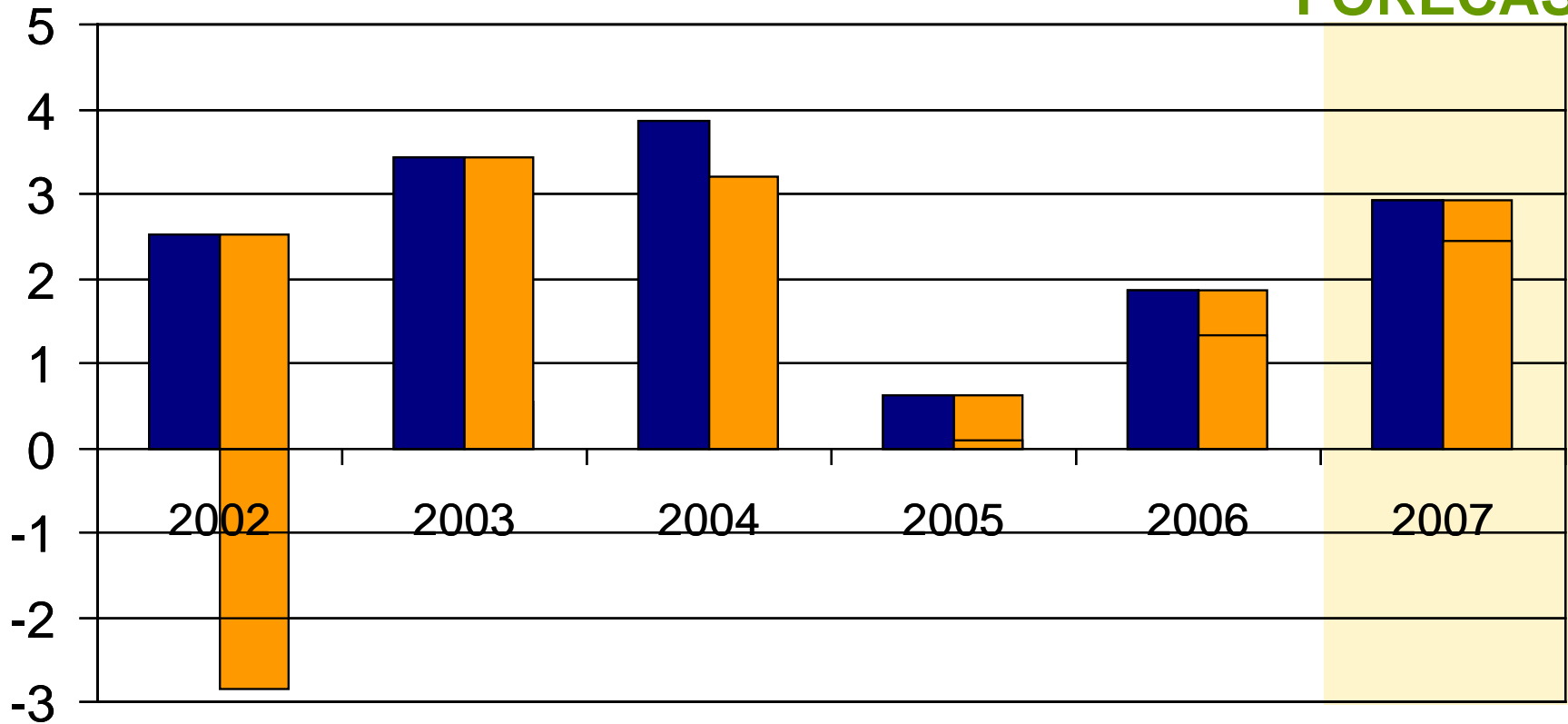
Falls Outlook



Cascade County Nonfarm Labor Income

FORECAST

% Change





The **Missou**

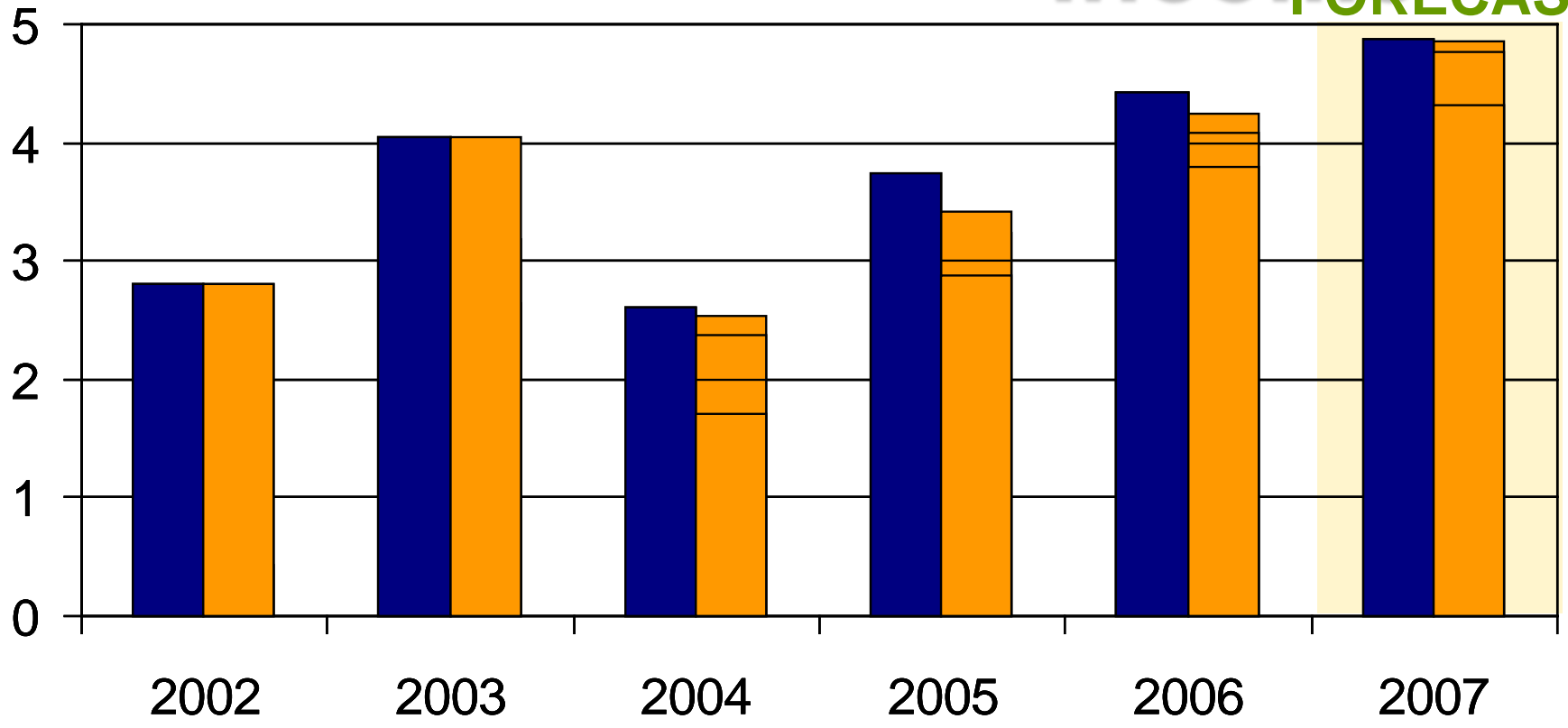
la **Outlook**



Missoula County Nonfarm Labor

Income **FORECAST**

% Change

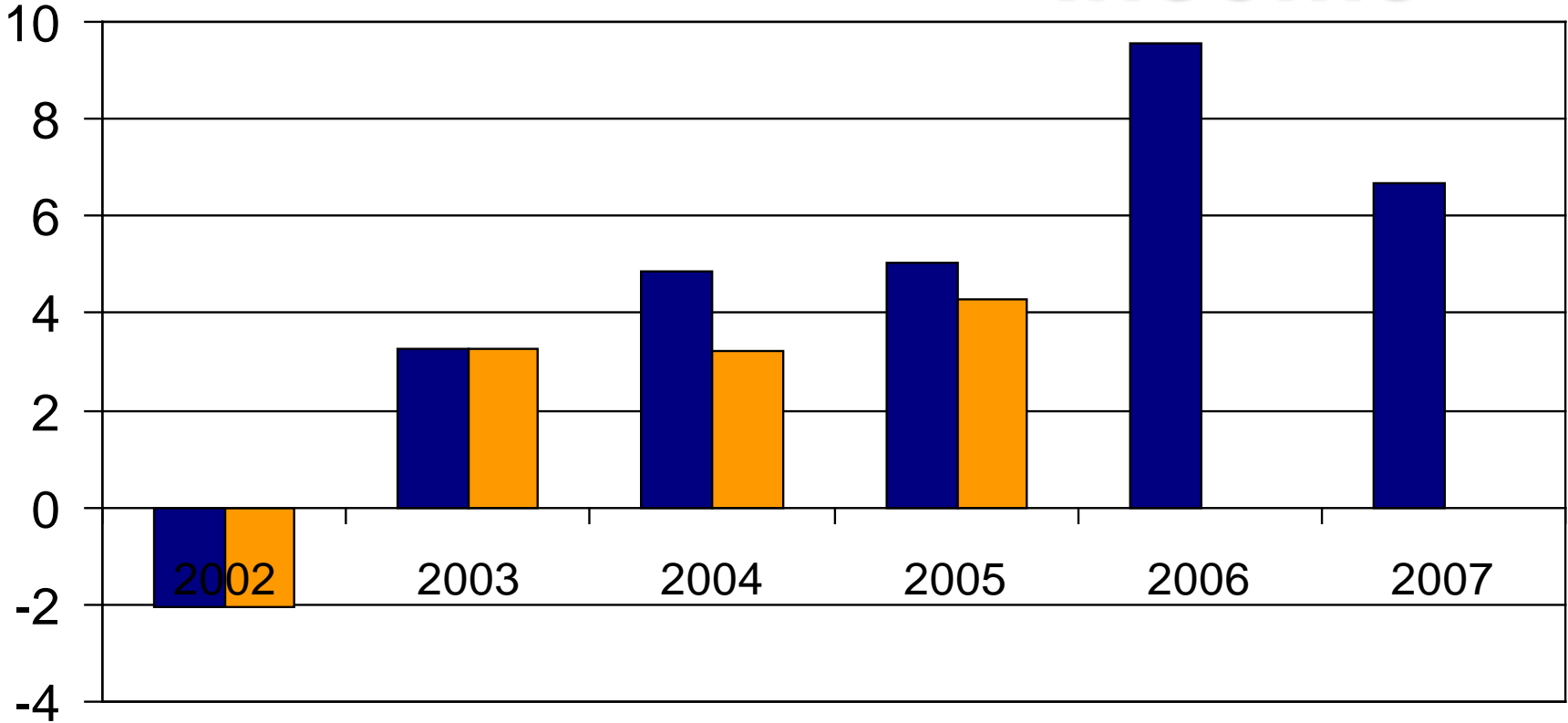




Ravalli County Nonfarm Labor

Income

% Change





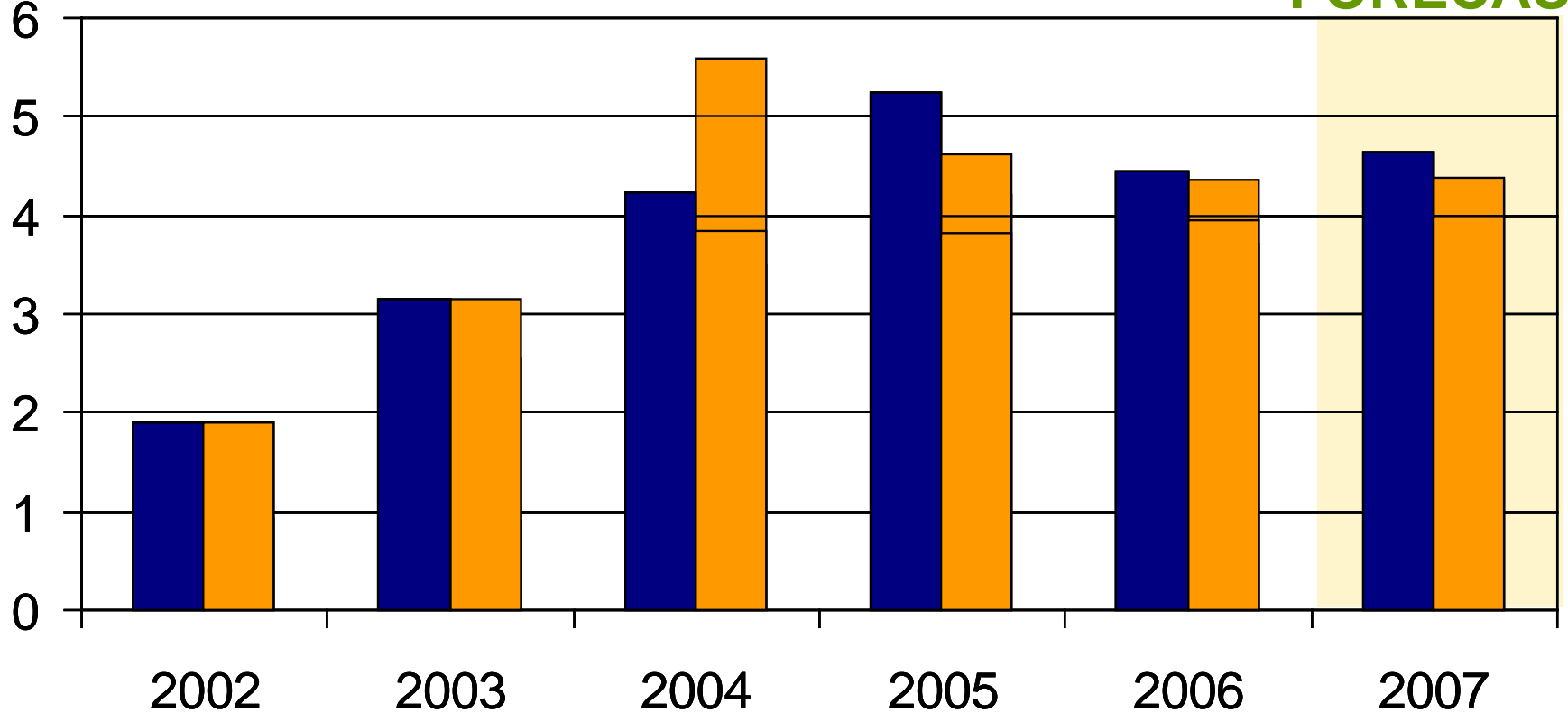
The **Billings** Outlook



Yellowstone County Nonfarm Labor Income

FORECAST

% Change





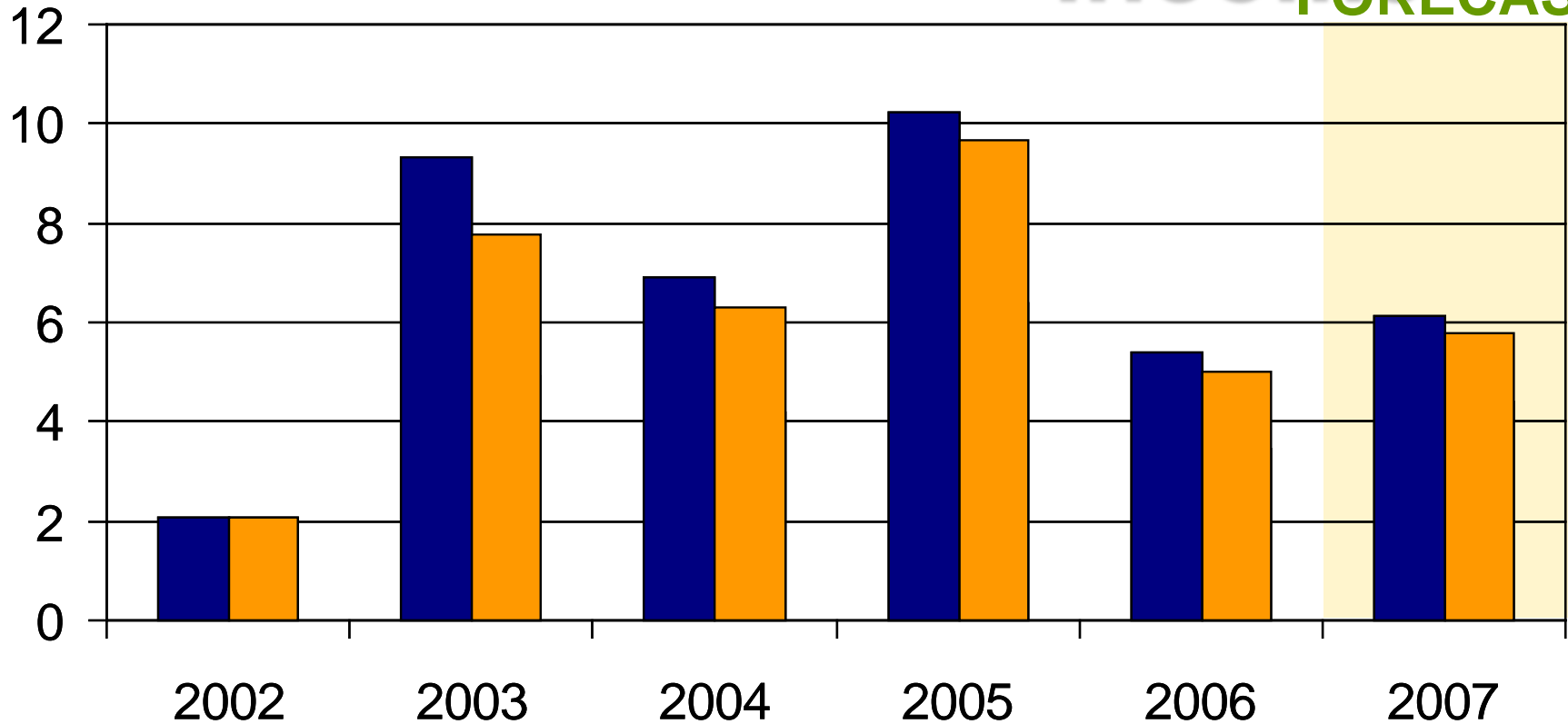
The
Gallatin Valley
Outlook



Gallatin County Nonfarm Labor

Income **FORECAST**

% Change





The Butte-Silver Bow Outlook

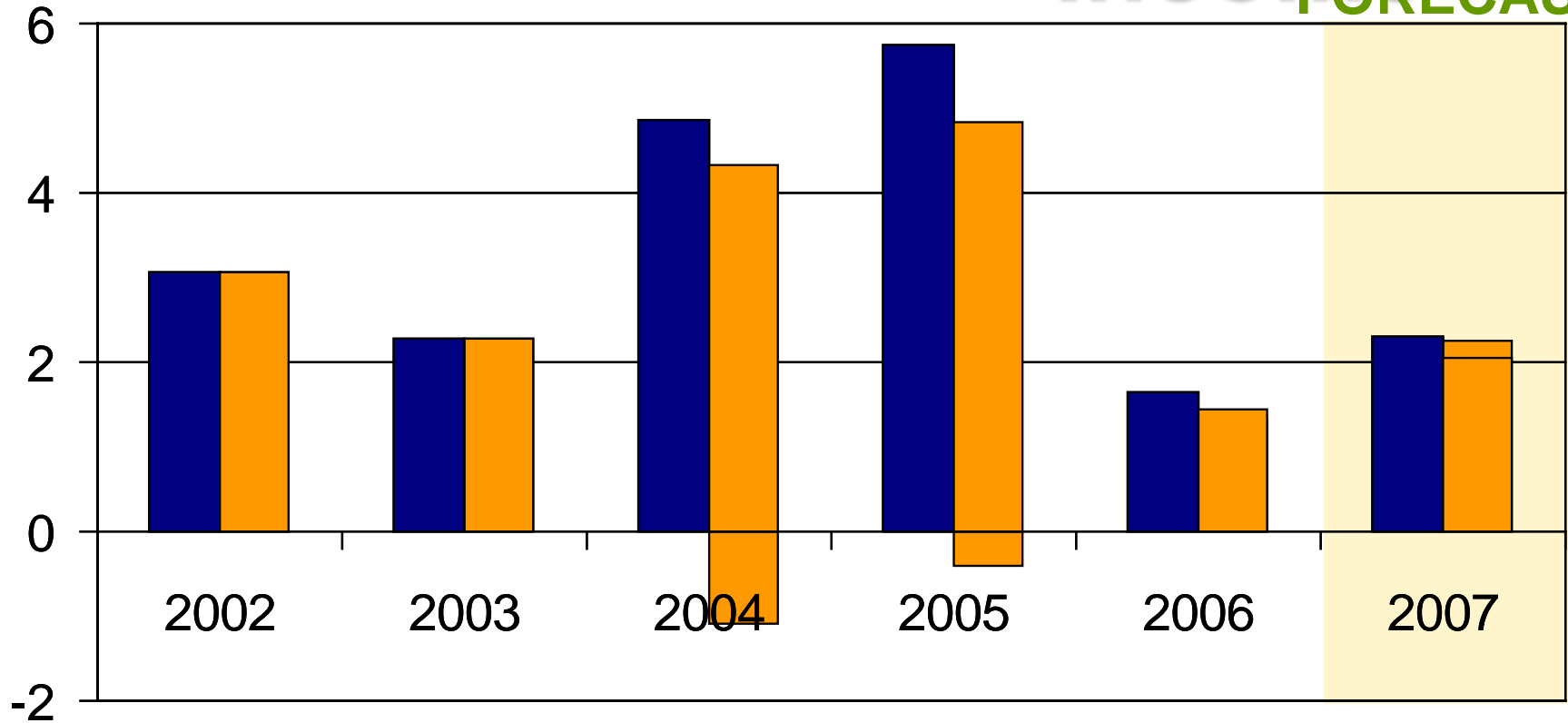


Silver Bow County Nonfarm Labor

Income

FORECAST

% Change





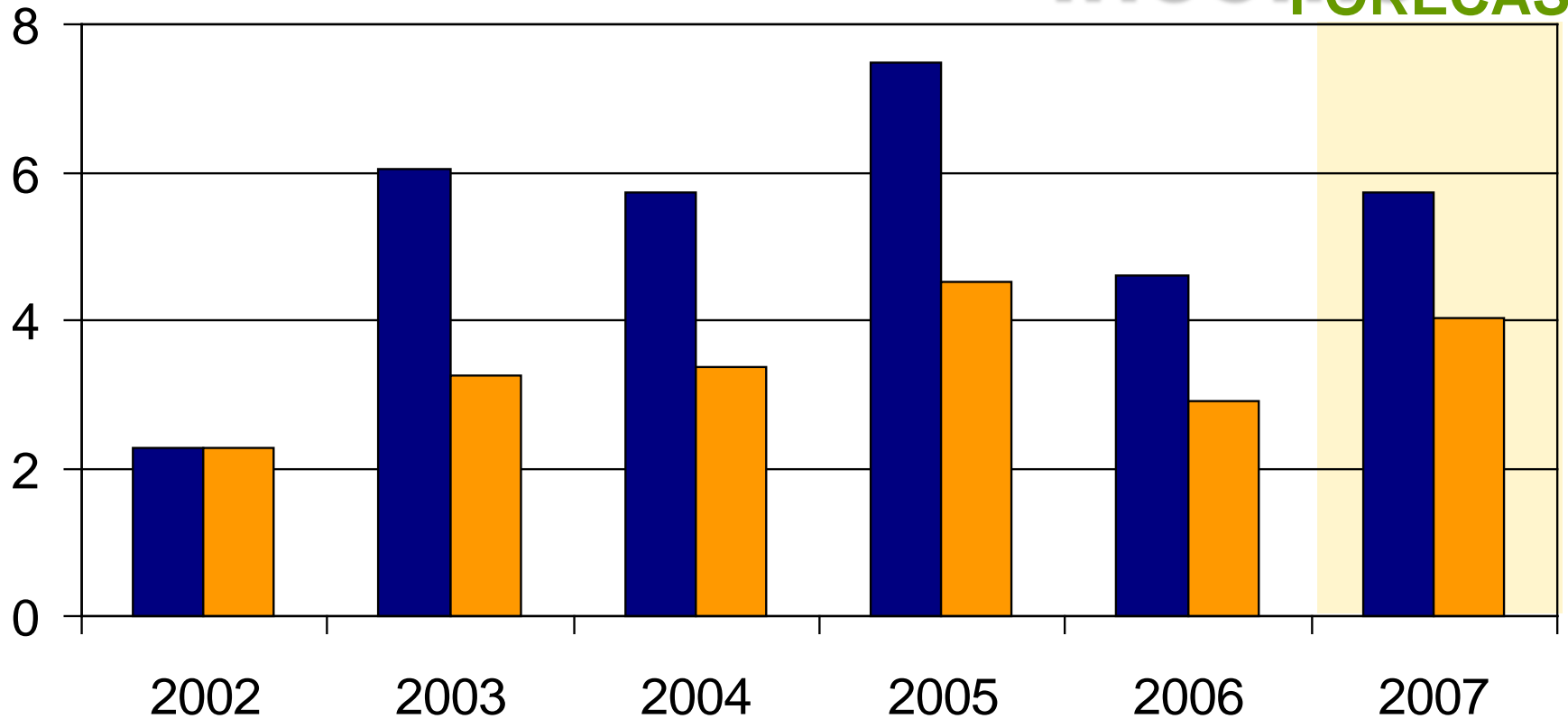
The **F**lathea

d Outlook



Flathead County Nonfarm Labor Income

Income FORECAST





3-Month Treasury Bill Rate

RISKS:

- Higher Rates
 - Stronger than expected employment growth
- Lower Rates
 - Housing bust
 - Recession?

