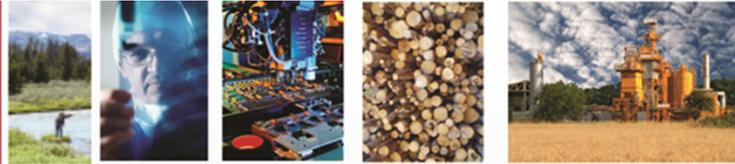


# Montana's Hesitant Economic Recovery

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

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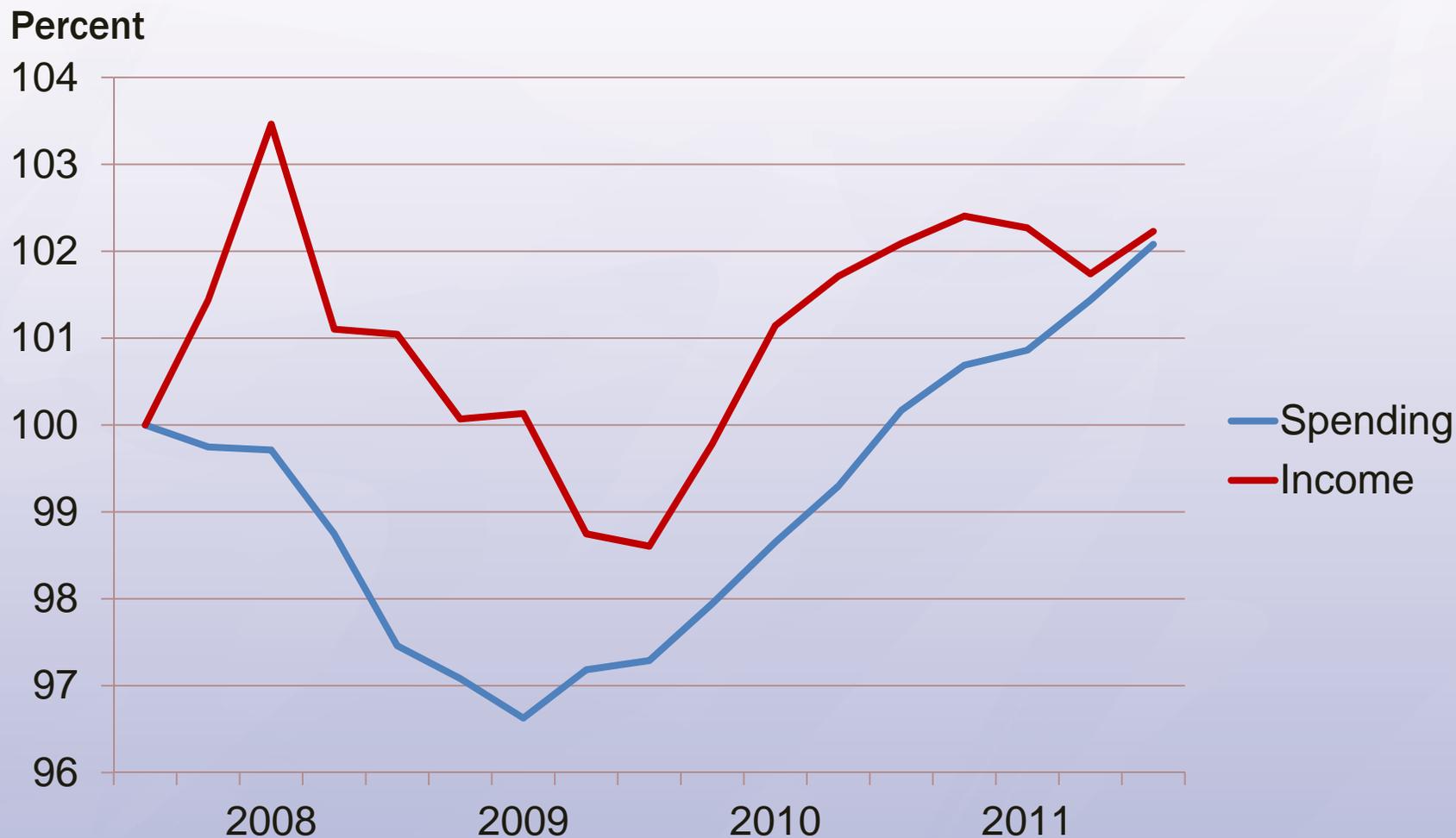


- Persistently weak consumer and business spending
- Slow recovery both here and abroad
- Special problems of housing and the Euro
- Problems of long-term unemployed, government debt, are festering as a result

# Pace of Consumer Spending Likely to Slow

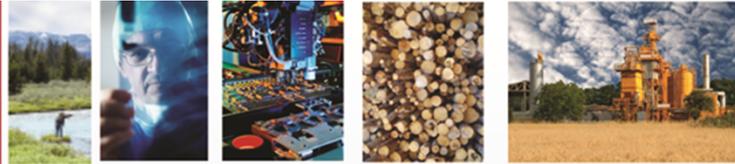


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U.S. Pers. Consumption Expenditures and Disposable Pers. Income, 2005 \$, Index 2007Q4 = 100

# Companies Are Hoarding, Not Spending



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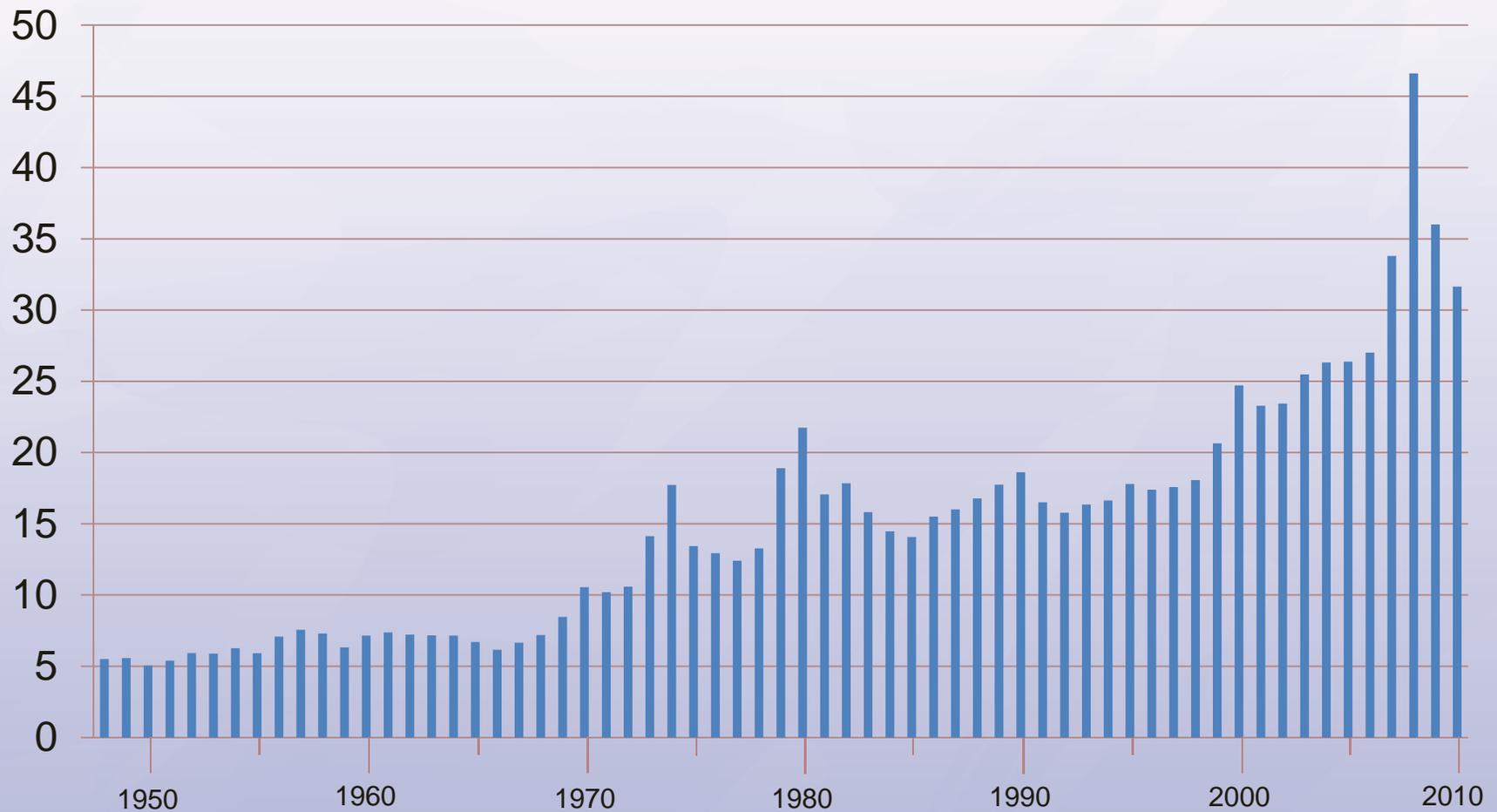


# Source of Corporate Profits? Look Abroad



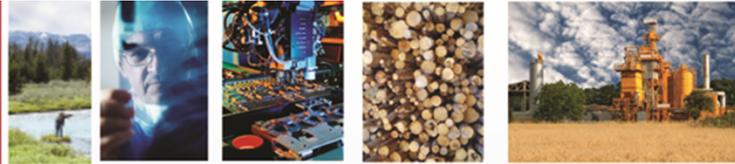
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Percent



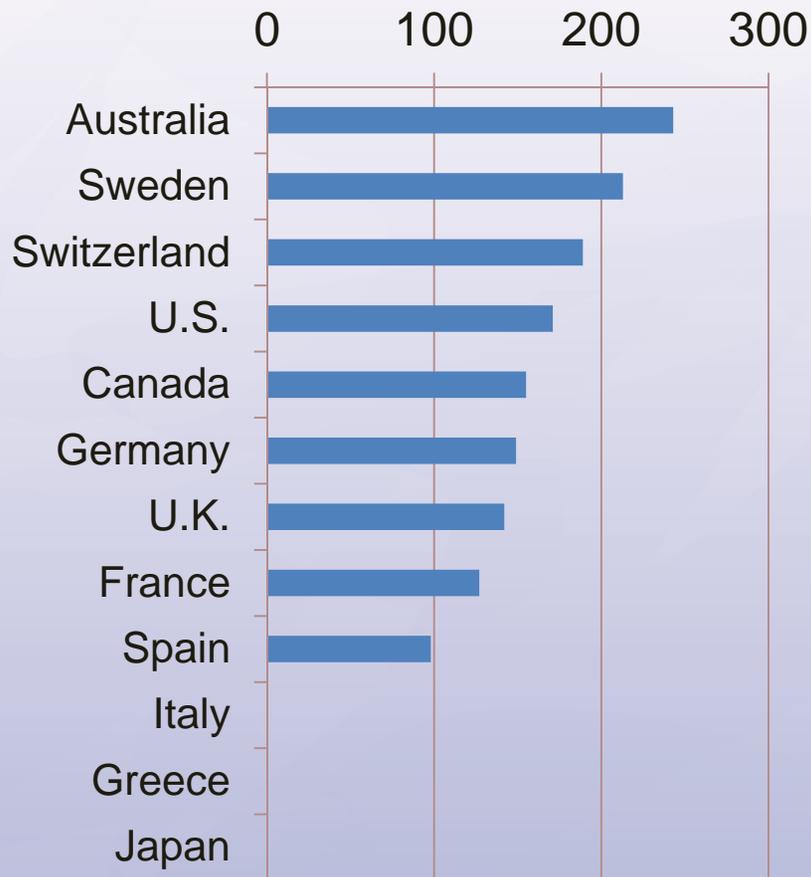
Foreign Share of U.S. Corporate Profits, 1948-2010  
Source: U.S. Bureau of Economic Analysis

# How Much Borrowing Capacity Do Countries Have Left?

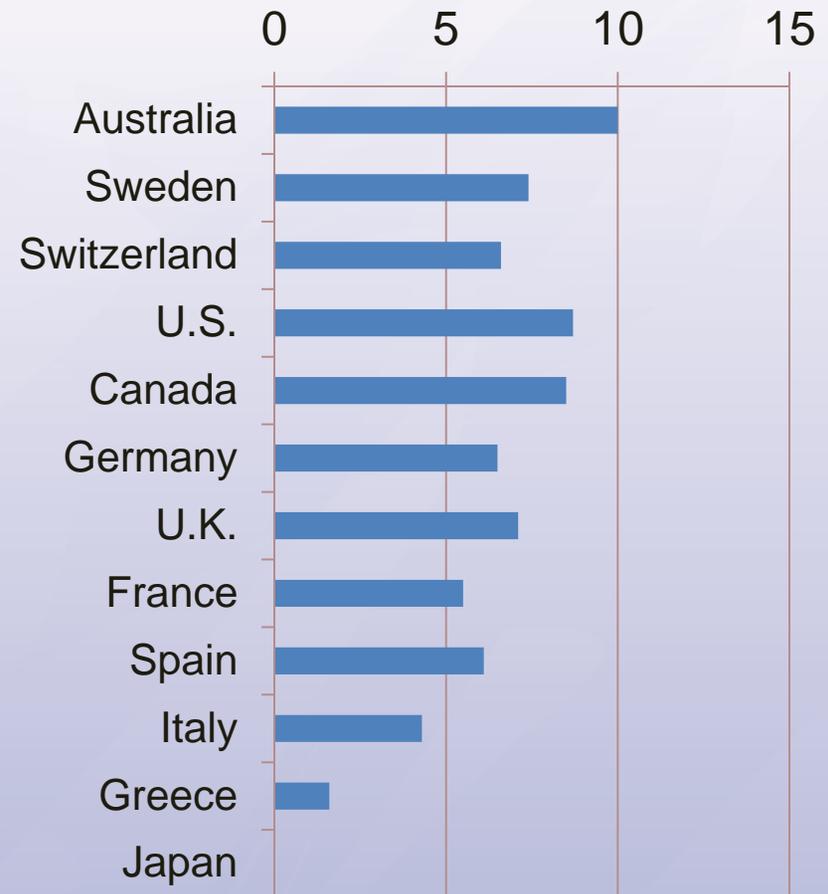


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### Fiscal Space, percent of GDP

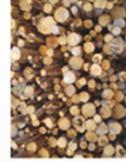


### Survival 10-year Bond Yield, Pct.



Source: Economy.com

## 2011 Growth in Montana will be Lower Than 2010



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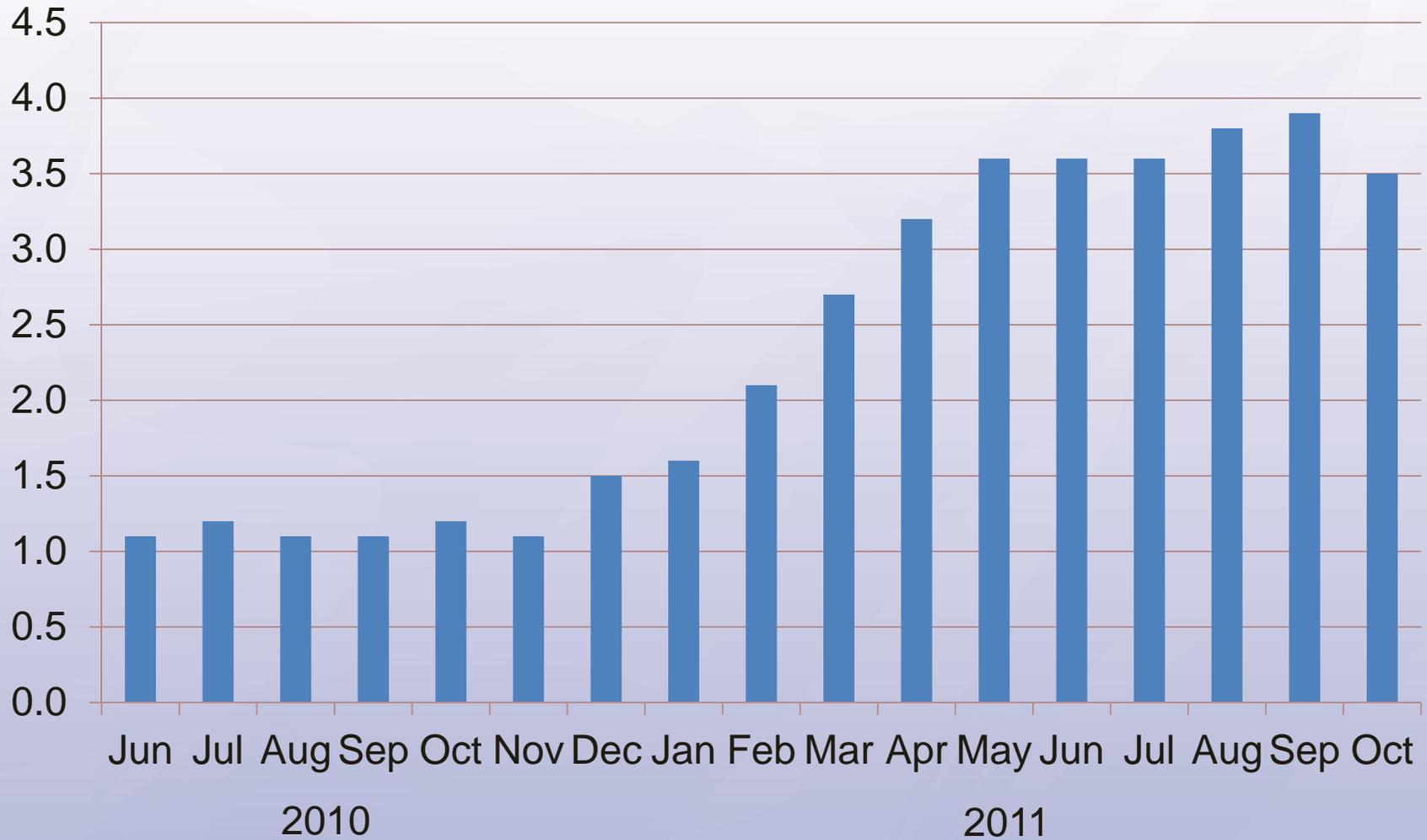
- Reason #1: Inflation

# Consumer Price Index 12-month percent change



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Percent



## 2011 Growth in Montana will be Lower Than 2010



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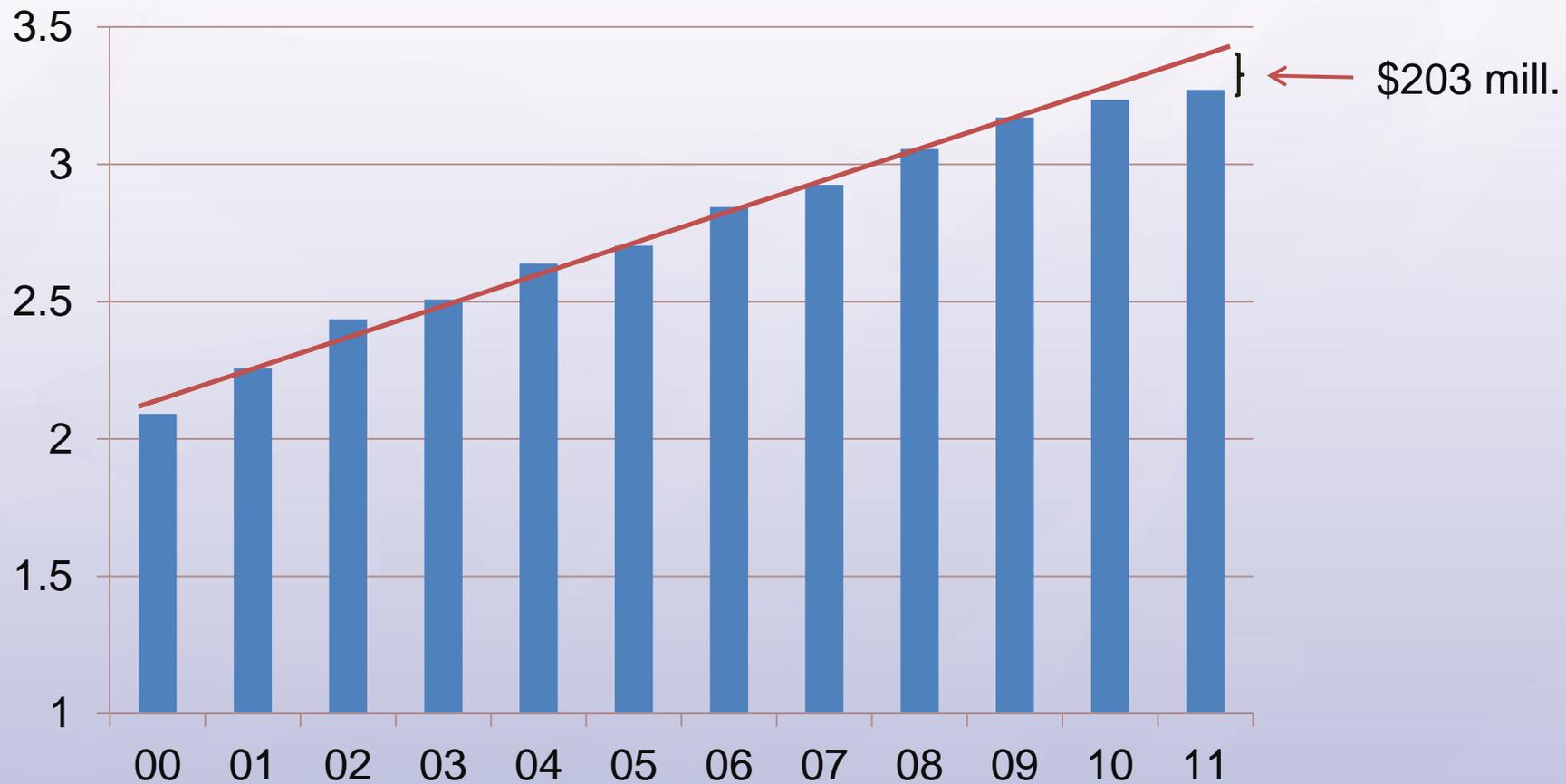
- Reason #1: Inflation
- Reason #2: Underperformance of key sectors

# Health Care Earnings Growth Slows



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Billions of 2011 \$



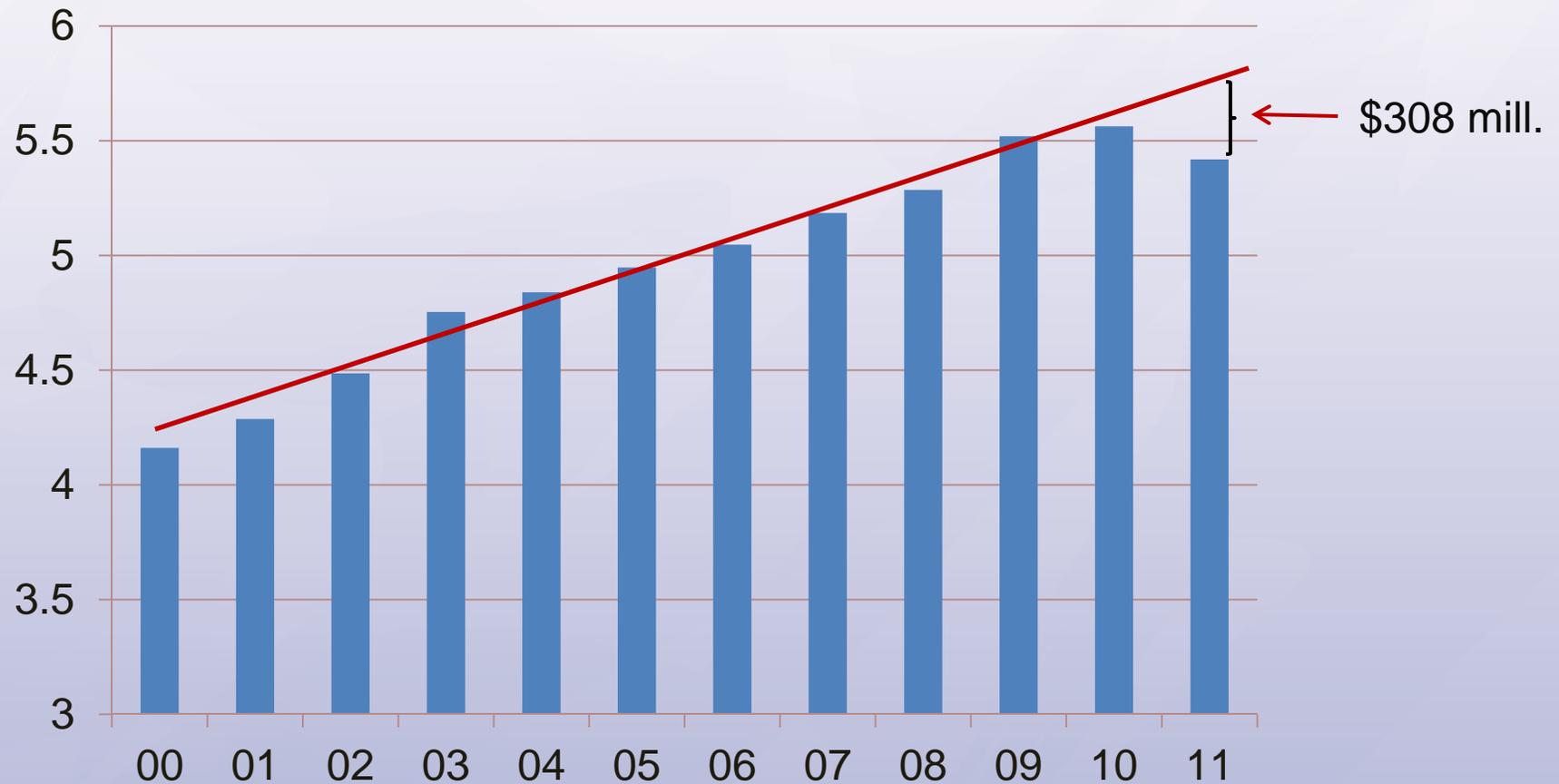
Montana Health Care Services Earnings

# Government Earnings Go in Reverse



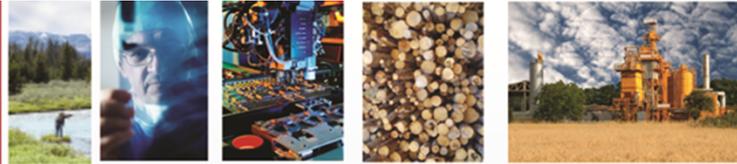
**OUTLOOK 2012**  
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Billions of 2011 \$



Montana Government Earnings, Billions of 2011 \$

## 2011 Growth in Montana will be Lower Than 2010



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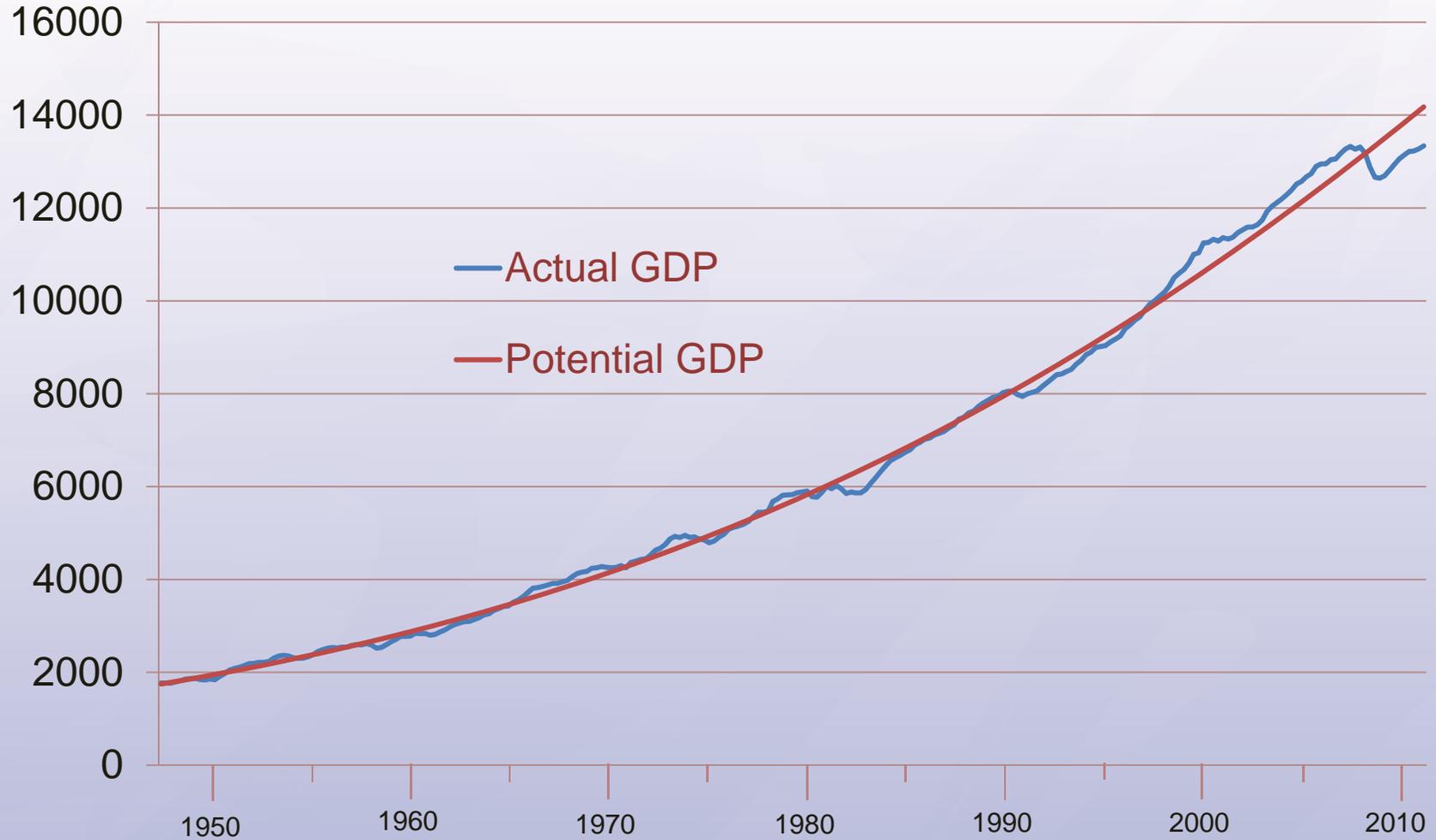
- Reason #1: Inflation
- Reason #2: Underperformance of key sectors
- Reason #3: The national economy

# Actual and Potential Economic Output



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Billions of 2005 \$



# How the U.S. Economy Recovers from Recessions



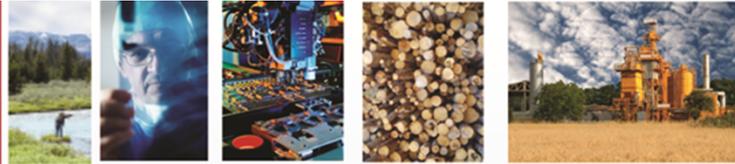
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Percent



Deviation of U.S. Gross Domestic Product from Long Term Trend

# Recessions and Banking Crises



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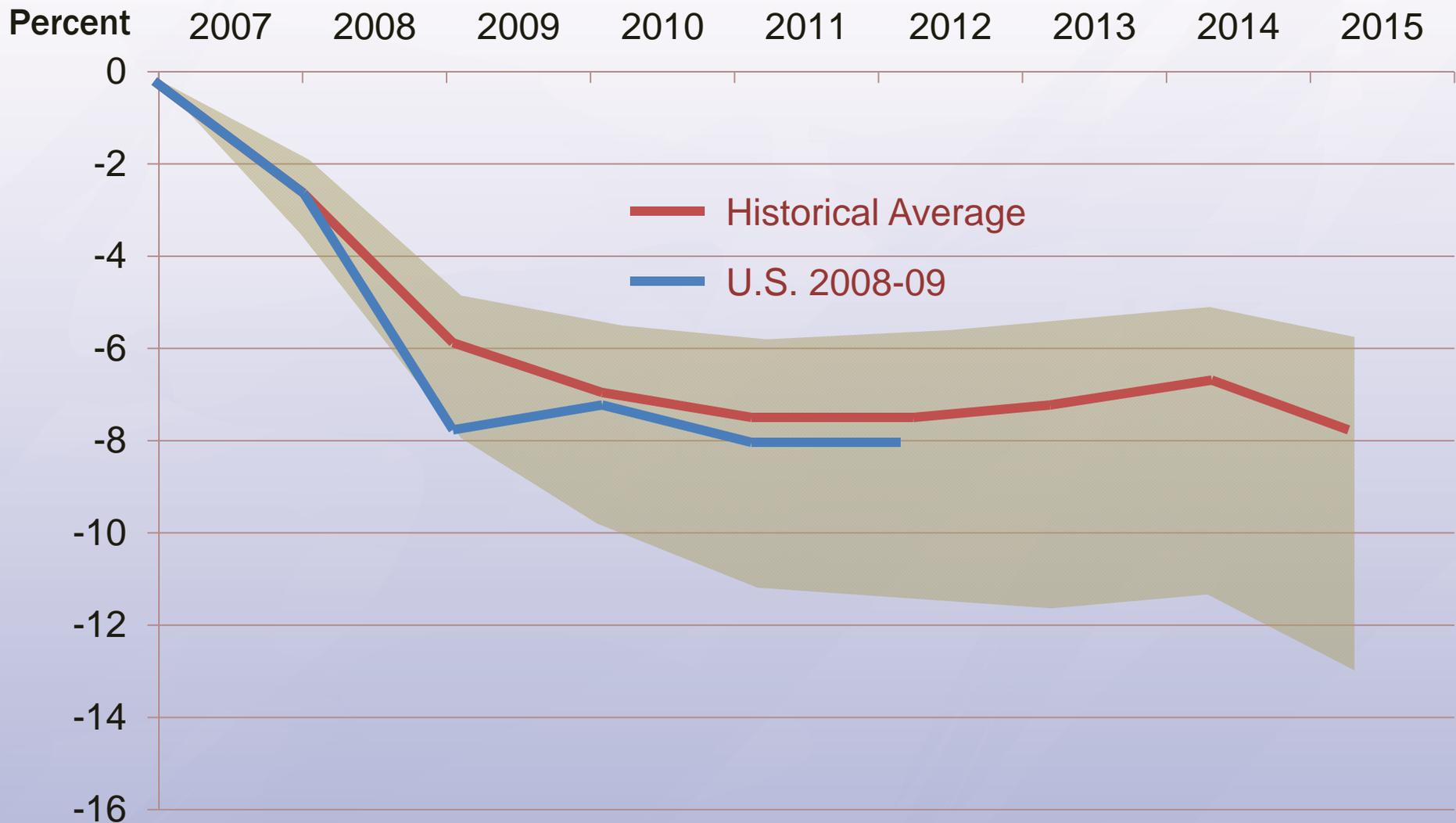
- Austria, 2008
- Hungary, 2008
- U.S., 1929
- Sweden, 1991
- Japan, 1992
- Norway, 1987
- Indonesia 1997
- Hong Kong, 1997
- Argentina, 2001
- Korea, 1997
- Malaysia, 1997
- Spain, 1977
- Thailand, 1997



# Recovery of GDP From Financial Crises



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## U.S. Outlook Summary

- U.S. will probably avoid another recession
- Euro Zone is already in recession. Will it be mild or severe?
- Continued government cutbacks, at all levels
- Evidence of pent-up demand in a few areas
- A cooling off for commodity and food prices
- Very high unemployment rates persist

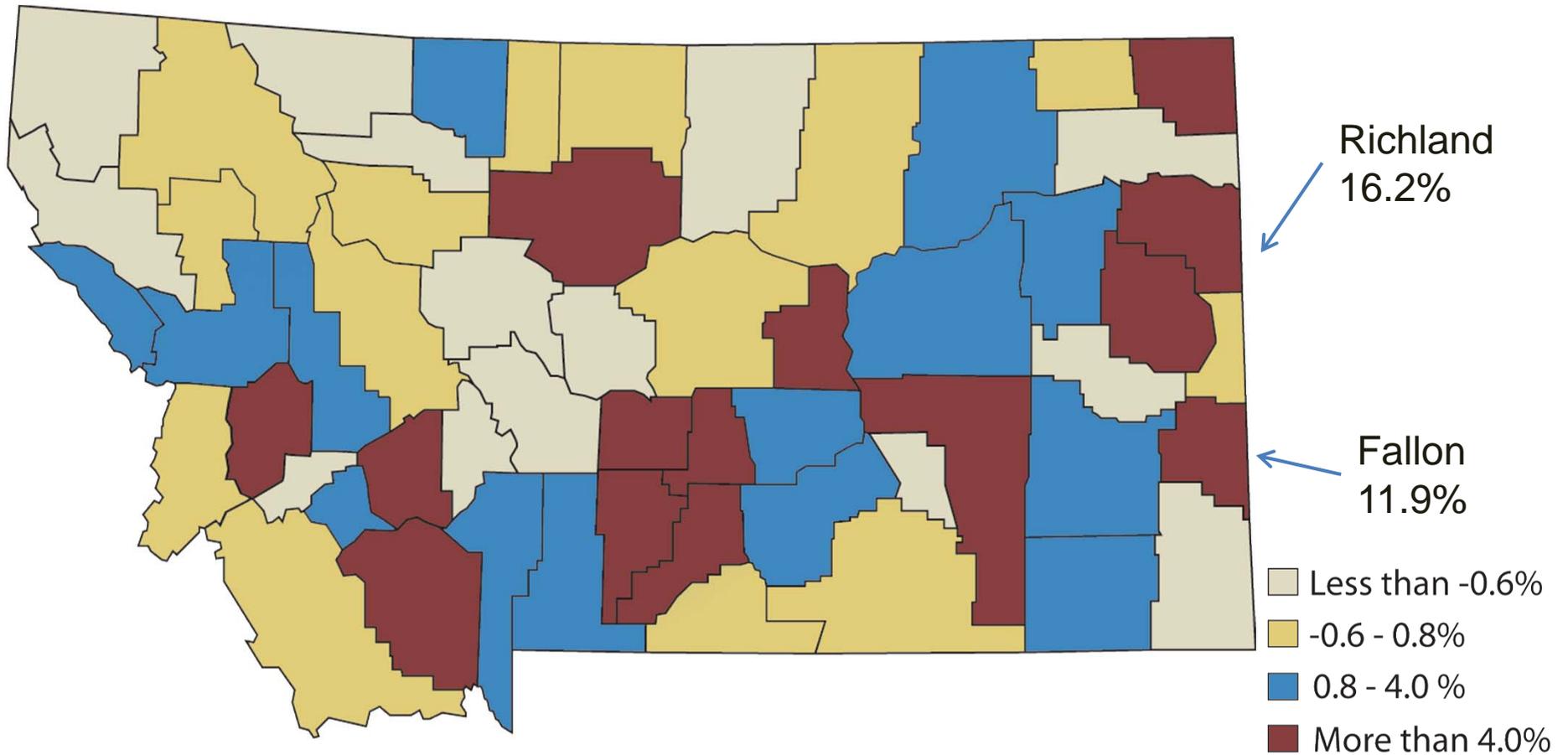


- Energy and natural resources are booming
- Healthy increases in farm gross receipts
- Labor market is healing
- Consumer confidence is higher
- Housing bust hangover still lingers
- Retail remains weak
- Government cutbacks being felt
- Wood products cutbacks still reverberate

# Fastest Growth is in the East



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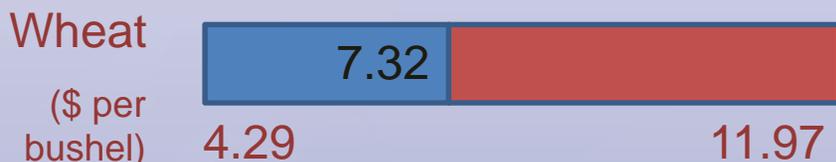
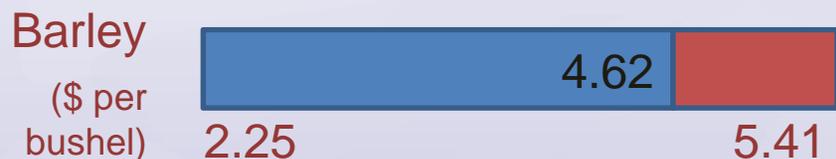
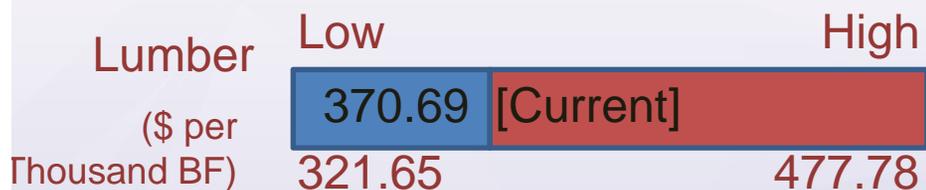
Percentage Growth in Real Wage and Salary Disbursements, 2010Q2 –  
2011Q2

# Commodity Prices: Favorable to Montana?

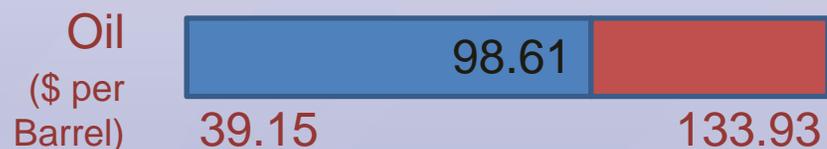
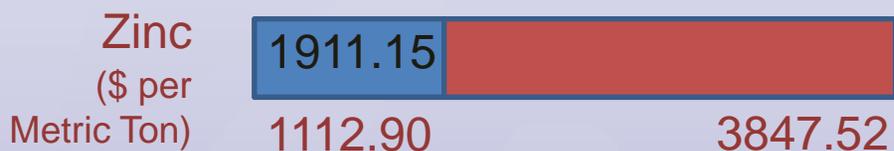
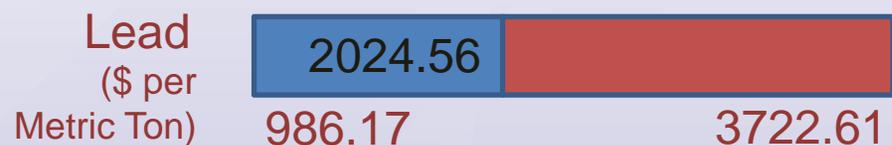
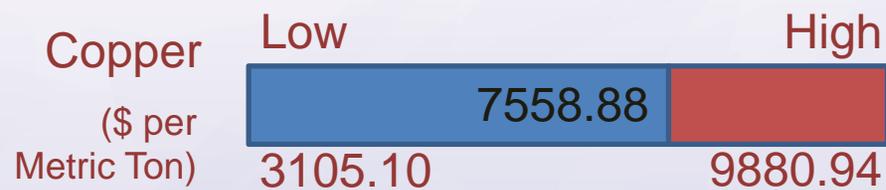


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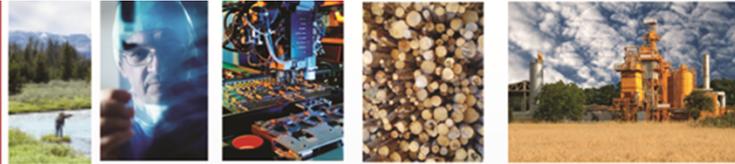
## Materials & Foodstuffs (as of December 2011)



## Metals & Energy (as of December 2011)

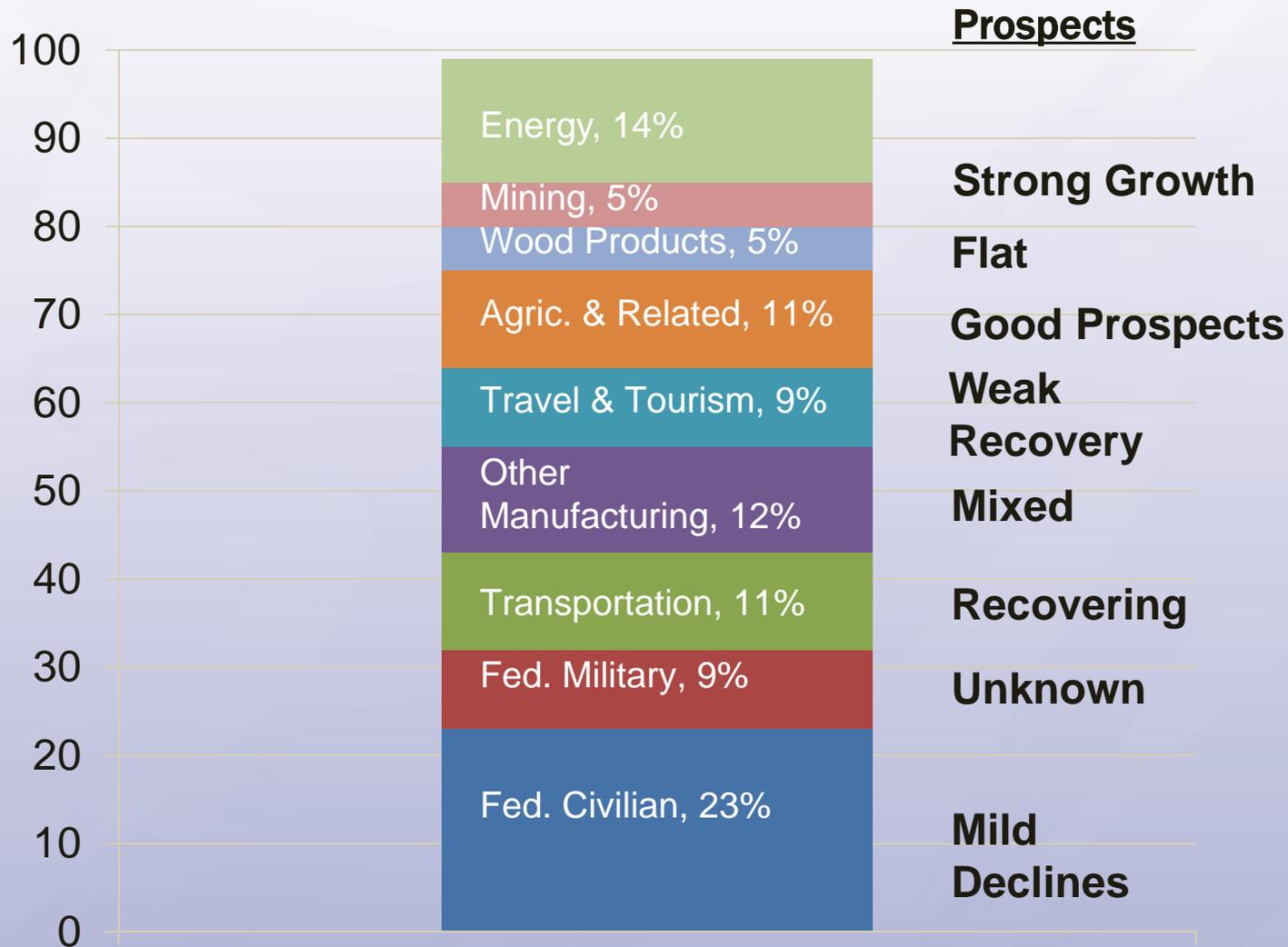


# Labor Income and Basic Industries, Montana



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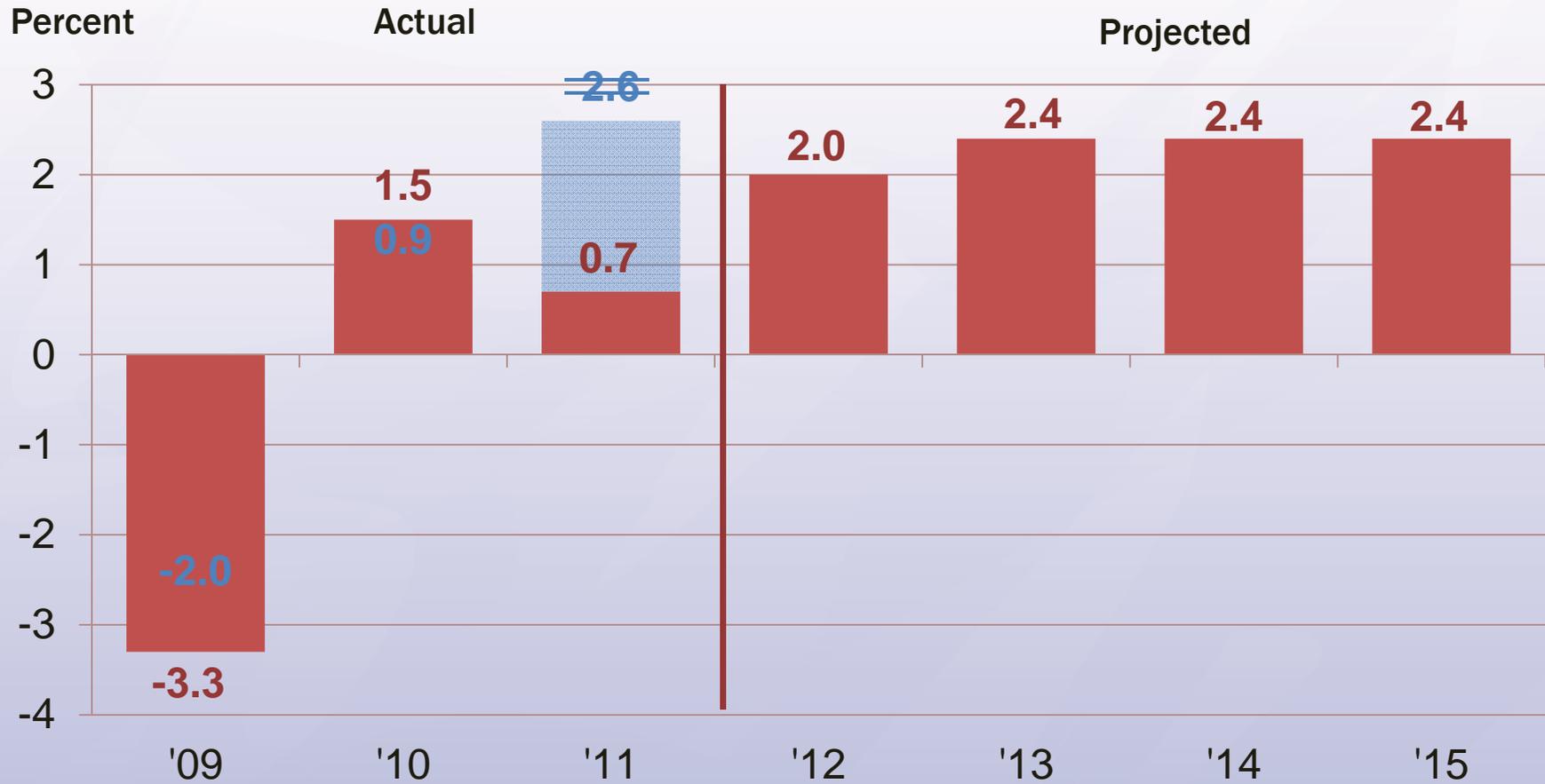
Percent



# Change in Nonfarm Earnings, Montana, 2009-2015



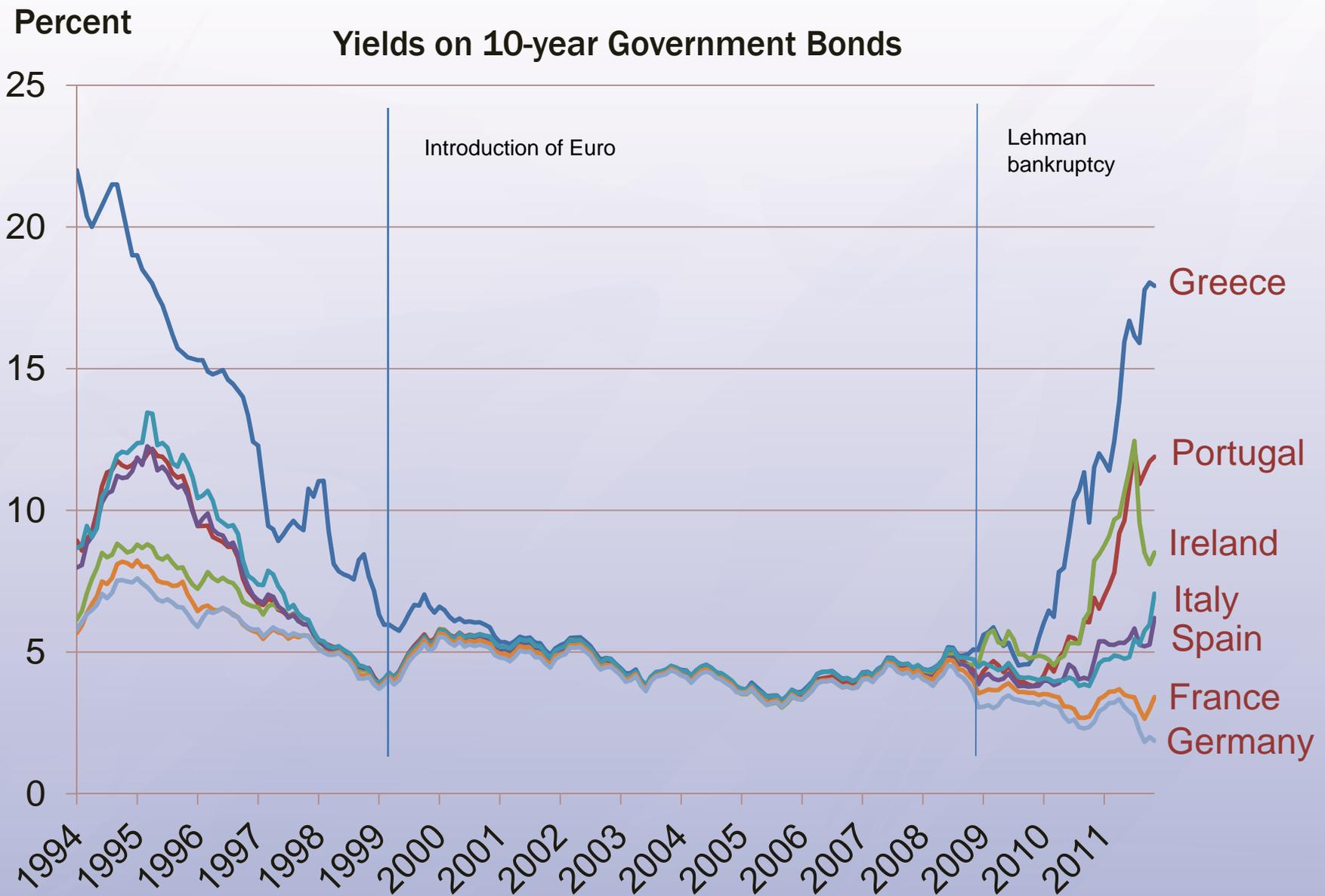
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# The EU Currency Experiment is Unraveling



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## Top 10 Countries Buying Montana Products



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In millions of dollars:

1	Canada	\$539.7
2	Republic of Korea	186.8
3	China (Mainland)	122.9
4	Japan	109.8
5	China (Taiwan)	93.5
6	Mexico	79.9
7	United Kingdom	37.3
8	Germany	25.6
9	Belgium	24.8
10	Netherlands	18.5

\*These figures do not include the bulk wheat exports



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# NEXT: The Local Outlook