

Flathead Business Roundtable



Our Purpose:

- Convene a panel of executive-level leaders from a broad range of industry sectors from the Flathead Valley to provide “fresh” insights about our local economic conditions.
- Most economic forecasts are based on historic data, i.e. employment, labor income and real estate transactions.
- The Flathead Business Roundtable aims to provide more clarity and texture to our economic prospects from an “On-the Street” perspective.
- As we compile the economic data, our goal is to create a Leading Economic Indicator of Business Confidence.
- Another benefit: Group Therapy, a/k/a “Yes, that’s becoming a bigger challenge for our business, too!”

The Flathead Business Roundtable Team:

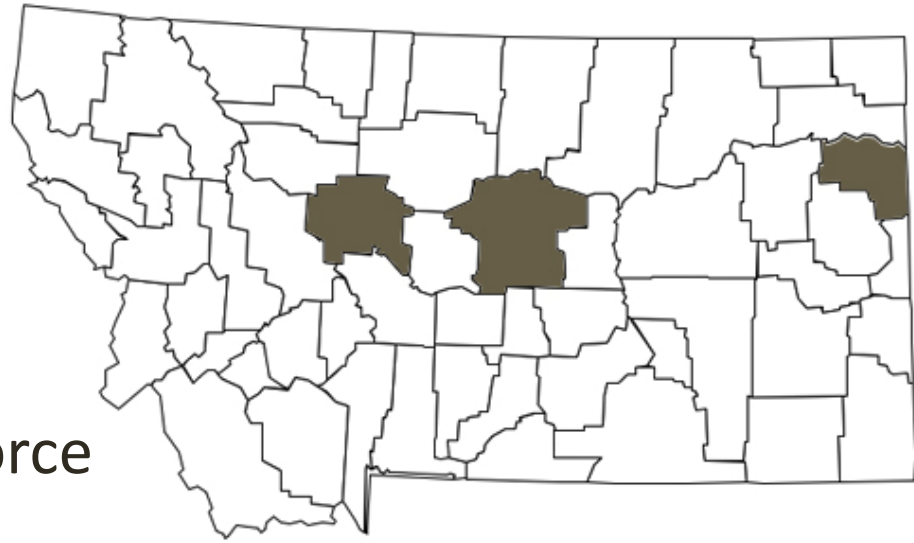
- Dr. Gregg Davis, FVCC Economics Department
- Dr. Brad Eldredge, FVCC Vice President of Instruction and Student Services
- Maya Tsidulko, FVCC Institutional Research Analyst
- Bob Nystuen, Market President of Glacier Bank
- Joe Unterreiner, President of Kalispell Chamber of Commerce



The Flathead Valley Economy:

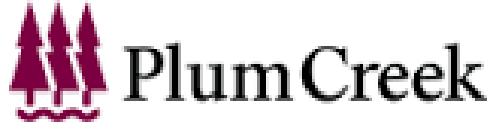
- We are a “Diverse” Economy unlike:

- Lewistown
 - Agriculture
- Great Falls
 - Malmstrom Air Force
- Sidney
 - Oil and Energy



Some Broad Flathead Valley Industry Categories:

- Manufacturing
- Retail
- Service
- Tourism
- Technology
- Scientific / R&D
- Medical
- Education
- High Wealth/Tele-Commuters
- Unique Amenities: Glacier National Park and Flathead Lake



What the Industry Sectors Have in Common:

- All industry sectors are basically inter-connected
- Consumer spending is exceptionally critical
 - Local residents' spending provides the baseline/foundation for our economy
 - Spending by non-locals drives expansion or contraction of capital (financial and human)
- We share/compete with each other for human capital
- Individually we are laser-focused on our own business enterprise/our industry

The Flathead Business Roundtable

Industry Sectors:

- Beverage Industry
- Outdoor Recreation
- Banking
- Construction (Commercial and Residential)
- Retail Building Supply
- Engineering
- Real Estate
- Timber/Wood Manufacturing
- Vehicle Sales and Service
- Healthcare
- Employment Services

Industry Sectors Continued

- Air Transportation
- Surface Transportation
- Retail
- Chamber of Commerce
- Equipment Rental
- Architecture
- Hospitality Concessions
- Wholesale Fuel
- Electric Distribution
- Higher Education

A Few Basic Tenants:

- We are not following any prescribed model: Great Flexibility
- Information requested from a “Local/Significant Capital at Risk” perspective
 - Large Employers/Local Decision Makers
 - No Big Box Stores/No Government Sector
- Representation from 83% of the industry sectors in Flathead County, excluding government
- Representation from these industries captures over 90% of total private earnings and total private sector employment
- Data requested semi-annually from the industry sectors, by FVCC on a confidential basis, about sales and employment, primarily from a forecast perspective for the next 12 months, plus their industry risks and uncertainties

So, What Have We Learned? (after two meetings)

- Expectations about gross sales and employment growth over the next 12 months indicate:
 - Gross sales split between 1% to 3% and 3% to 6% growth (unweighted). Only one business expects sales contraction of 1% to 3%
 - Part-time and full-time employment growth 1% to 3%, slightly edging out “No Change” in forecasted employment. (employment tends to be a lagging indicator.)

General Concerns and

Commentary: (from January 12, 2016 Meeting)

1. Weak Canadian dollar hampers Canadians' spending locally
2. Strong American dollar impedes exports of our manufactured products but facilitates imports
3. Merger and acquisition trend now evident (timber/wood products, financial sector, healthcare, wholesale fuel)
4. Optimism in the healthcare sector with specialized medical offerings, bringing world-class caliber physicians
5. Slower growth happening in North Dakota, but expansion into other states is promising for growth (architecture)
6. Stock Market correction and impact on consumer spending, possibly for home remodeling and construction

Commentary Continued

6. Whitefish sales tax, now at 3%, with diminished levels of Canadian tourists
7. Continuing shift of consumer buying to online retailers
8. Regulatory challenges and increased cost of technology
9. Business insurances /errors and omissions costs are increasing
10. Generate sales growth without adding employees (need for higher work productivity)
11. The escalating costs of employee compensation (bonuses) and all benefits, beyond health insurance
12. Regulatory and compliance burden continues to grow with more employees engaged in activities that do not produce revenue

Commentary Continued

13. Employees perception: “I may be getting paid more, but it doesn’t seem to translate to more disposable income for discretionary spending or saving.” (although we are spending fewer dollars for gasoline)
14. Labor supply issues, particularly entry-level labor and then retaining proven and productive employees
15. Fulfilling the labor requirements for numerous new hotel properties opening in 2016
16. Growing shortage of affordable workforce housing
17. Local retail sales of durable goods (i.e. vehicles) are not tracking growth in national sales (a stronger emphasis on service versus sales)

Commentary Continued

18. Distributed generation in energy (personal solar panels/wind turbines)
19. Enthusiasm about economic vitality of Kalispell with the bypass and rail park
20. Uncertainty about reduced state revenues from low energy prices and commodity prices
21. Election year/political uncertainty (think about the impacts if the Affordable Healthcare Act were rolled-back)
22. Tele-commuting population growing
23. Real estate sales expected to be similar to 2015 – some impacts relating to 2016 being a “political year”
24. Considering international travel turmoil, domestic travel (to Glacier National Park) expected to be robust with National Park Centennial in 2016, coupled with lower gasoline prices

Commentary Continued

**25. Flathead Valley business leaders
need to have a “buoyant spirit”**

**It's really good to be here in the
Flathead Valley...Now go have
some FUN!**

