



Montana's Economic Recovery: Making Sense of Mixed Signals

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2010: Predictions and Surprises

- **Inventory Correction Fuels U.S. Growth Spurt**
- **Consumer Spending Holds Back Growth**
- **Employment Growth Turns Positive, Barely**
- **Montana Income Tax Withholdings Swing to Growth**
- **Europe's Weakest Economies Max Out Their Credit Cards**
- **Gulf Oil Spill is Worst in History**
- **Montana Income Growth Revised Sharply Downward**

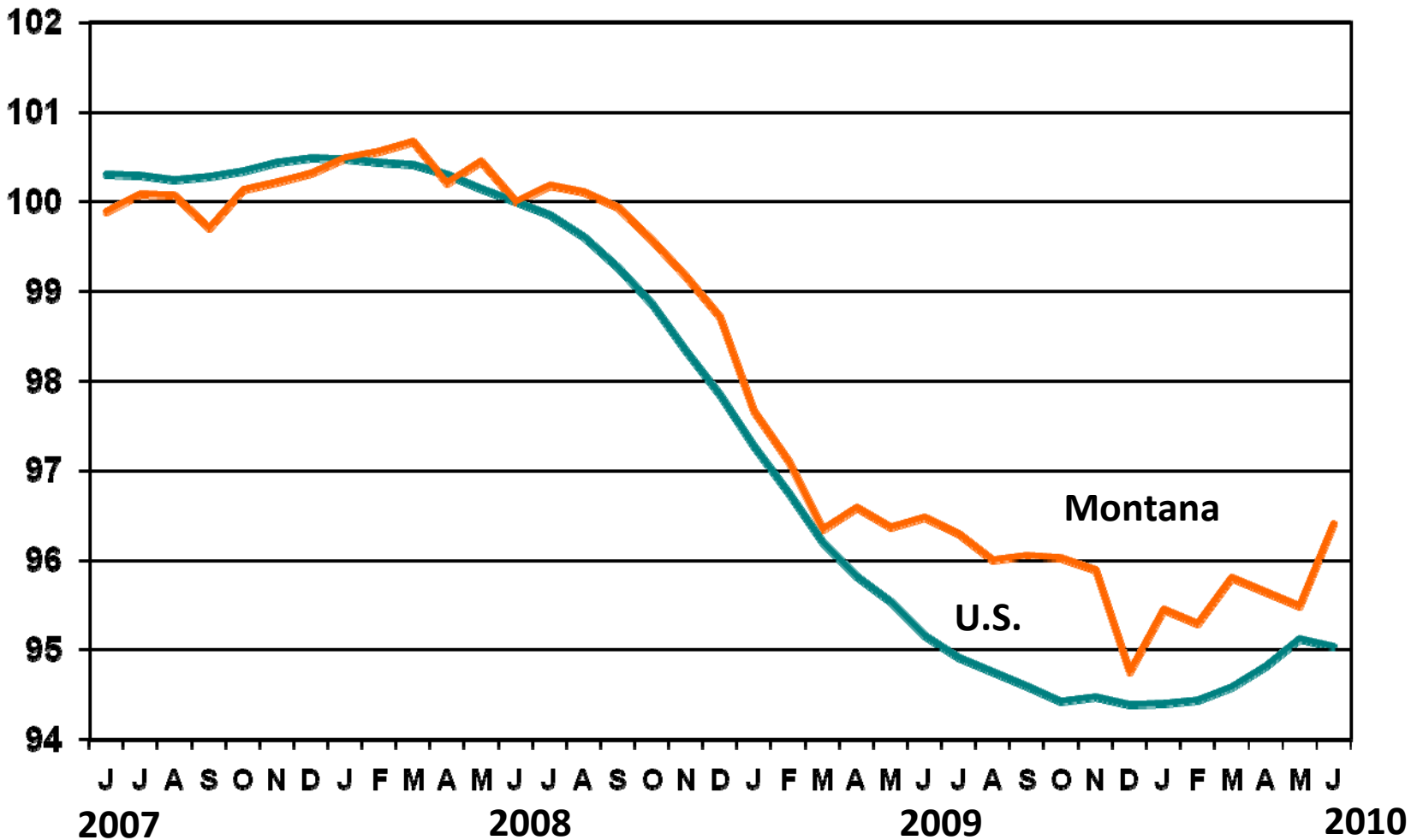
New Concerns For Montana



- **Correction in Housing Still Not Finished**
- **U.S. Consumer Confidence Stuck in a Rut**
- **No More Stimulus to Bail Out State Government**
- **Downward Assessment of Global Economic Growth**

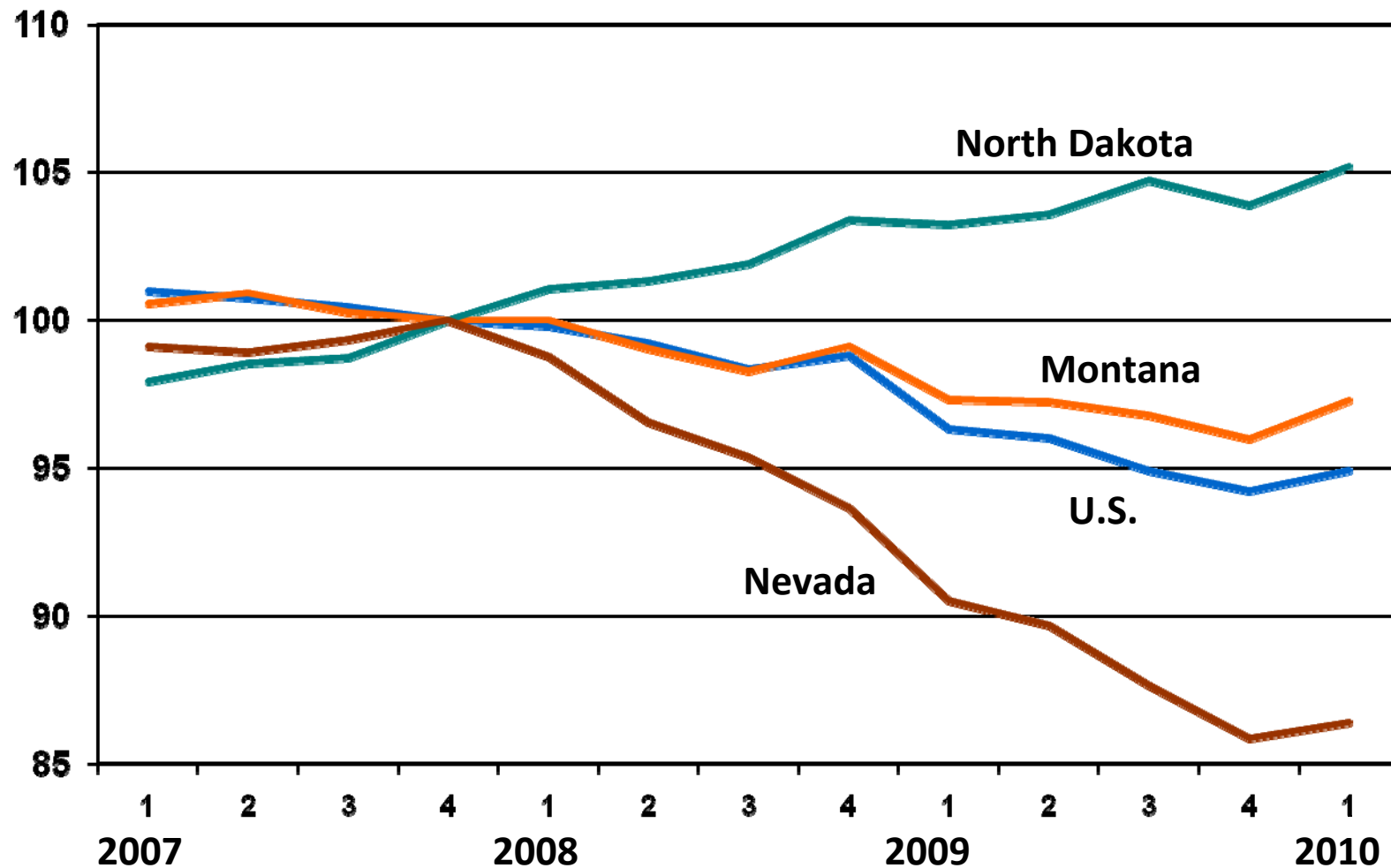
Montana's Recession Experience

Payroll Employment, Index, June 2008 = 100



Montana's Recession Experience

Nonfarm Labor Earnings, 2007Q4 = 100

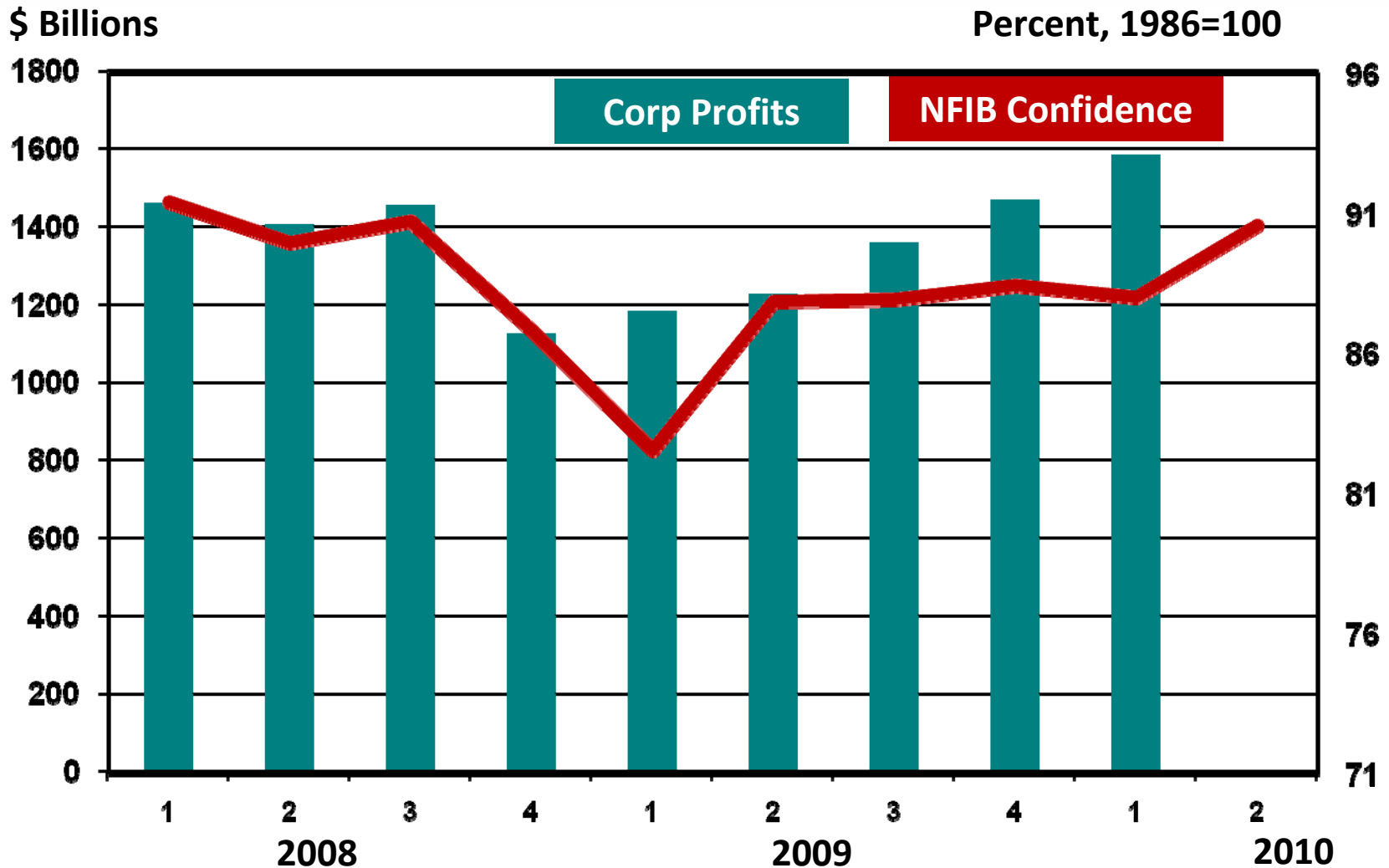


The Outlook for U.S. Growth

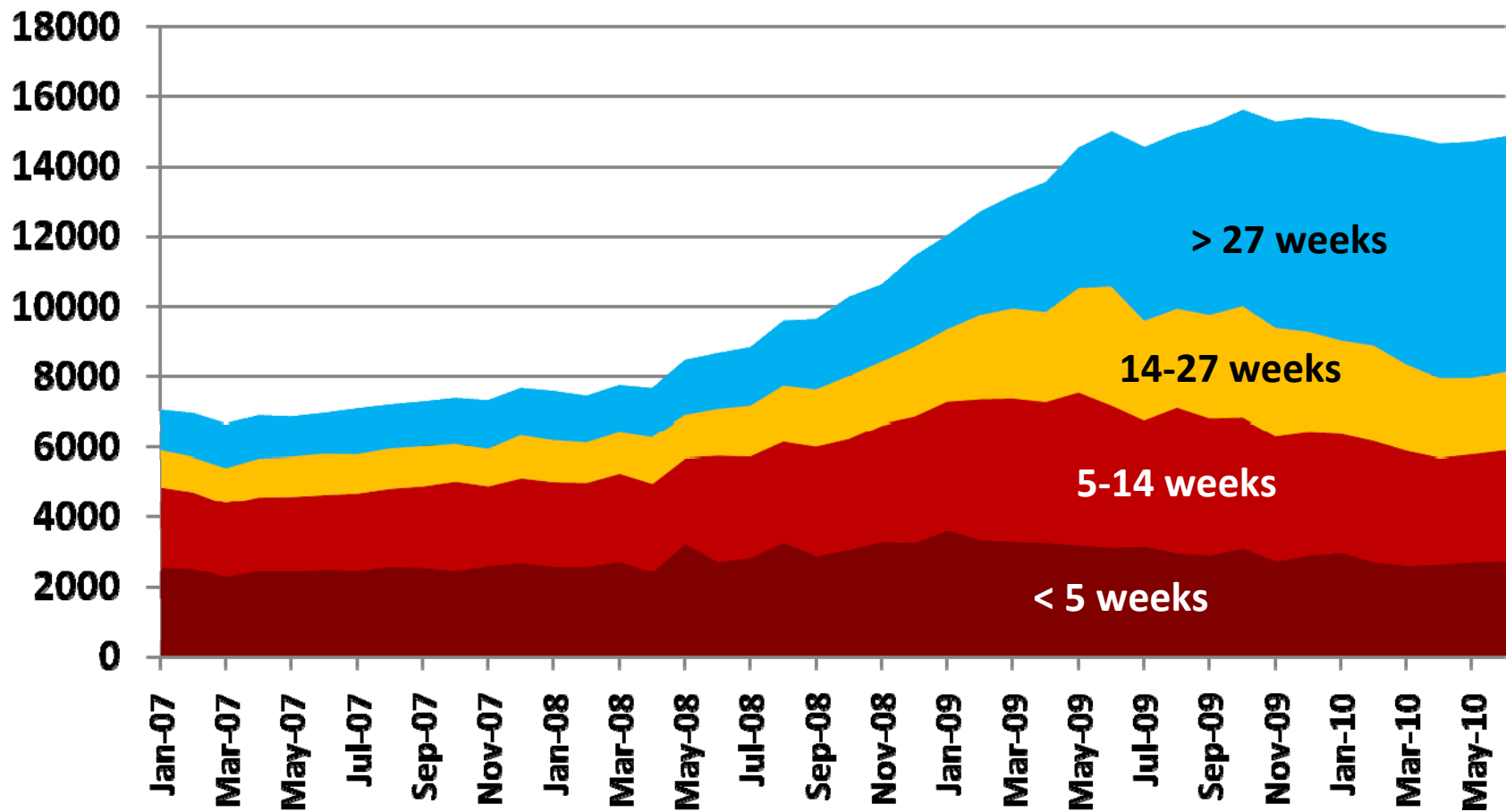


- **After spurt to begin the year, growth falls back**
- **Growth has been unbalanced**
- **High productivity gains have limited the need for new hiring**
- **Concern over Europe, unemployment, and sluggish consumer spending have downgraded forecasts**

Large Businesses Leading Growth, Small Businesses Still MIA

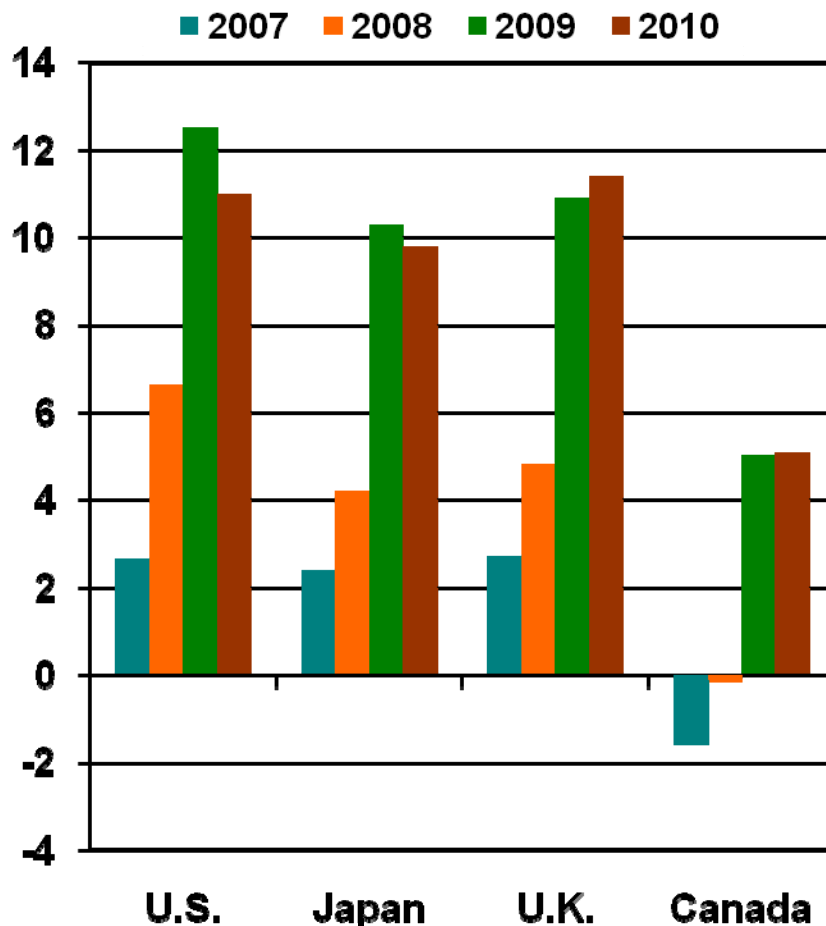


Half of Those Unemployed are Long-Term Jobless

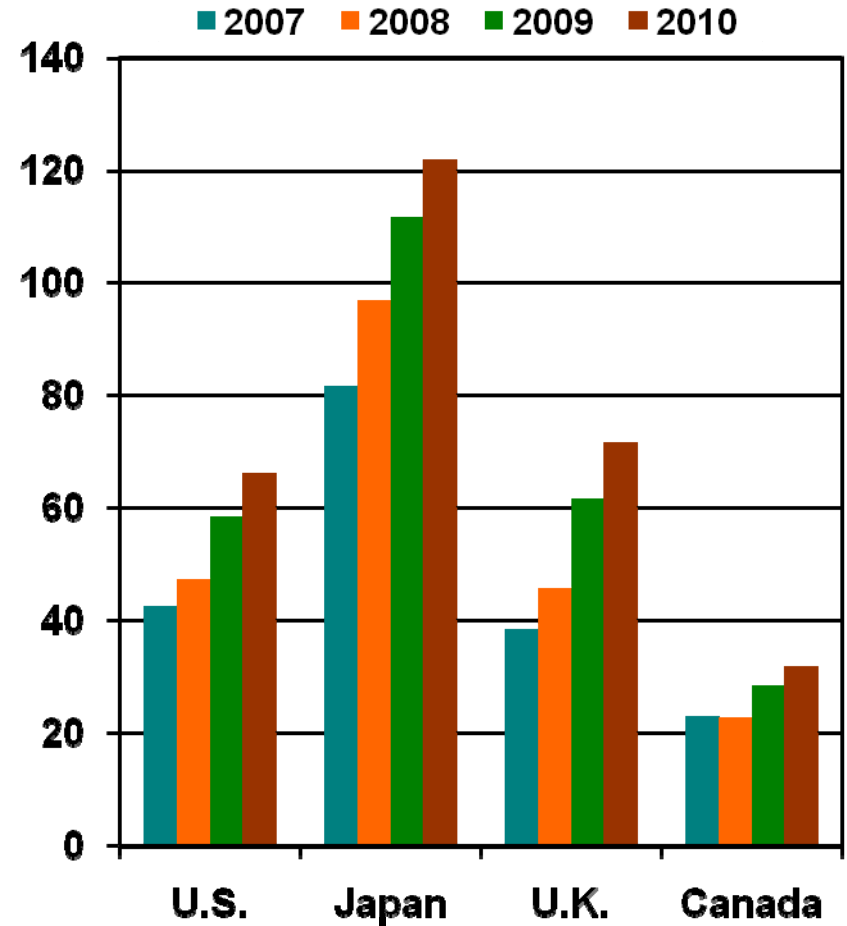


Government Borrowing is Exploding

Govt. Deficit as Percent of GDP



Government Debt as Percent of GDP



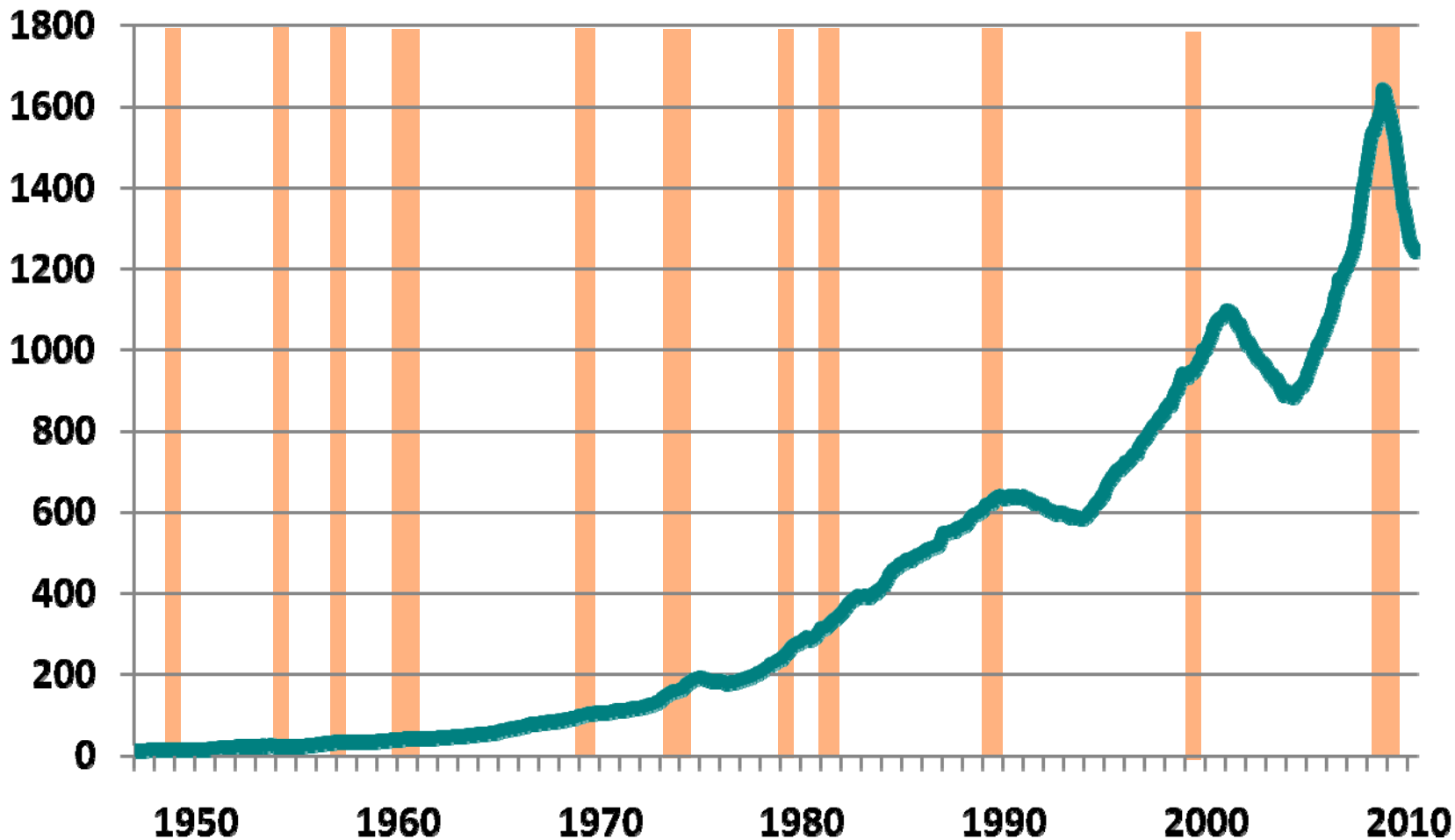
Source: International Monetary Fund

But Private Borrowing is in Reverse

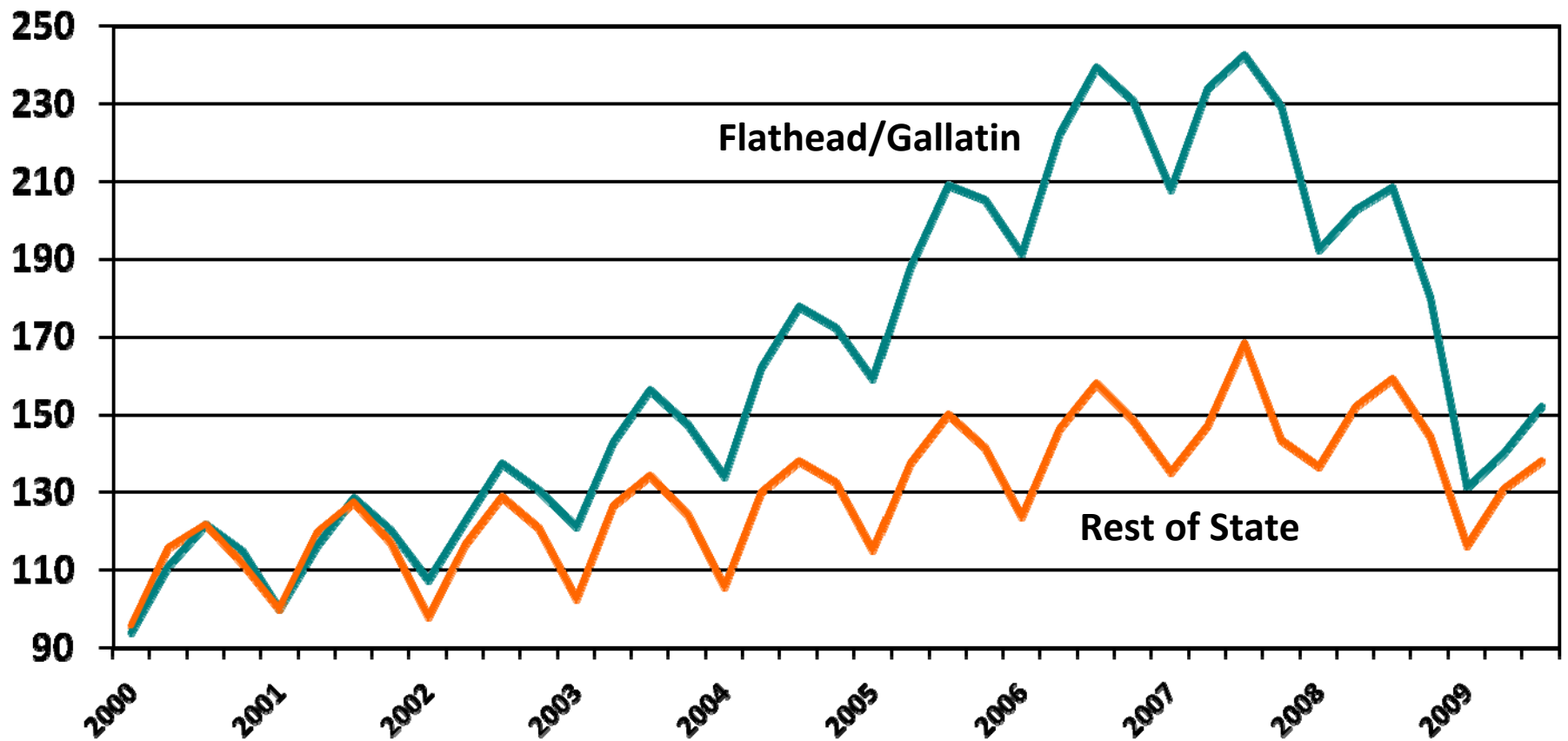
Commercial and Industrial Loans at all Commercial Banks (BUSLOANS)

Billions of Dollars

Source: Board of Governors of the Federal Reserve System



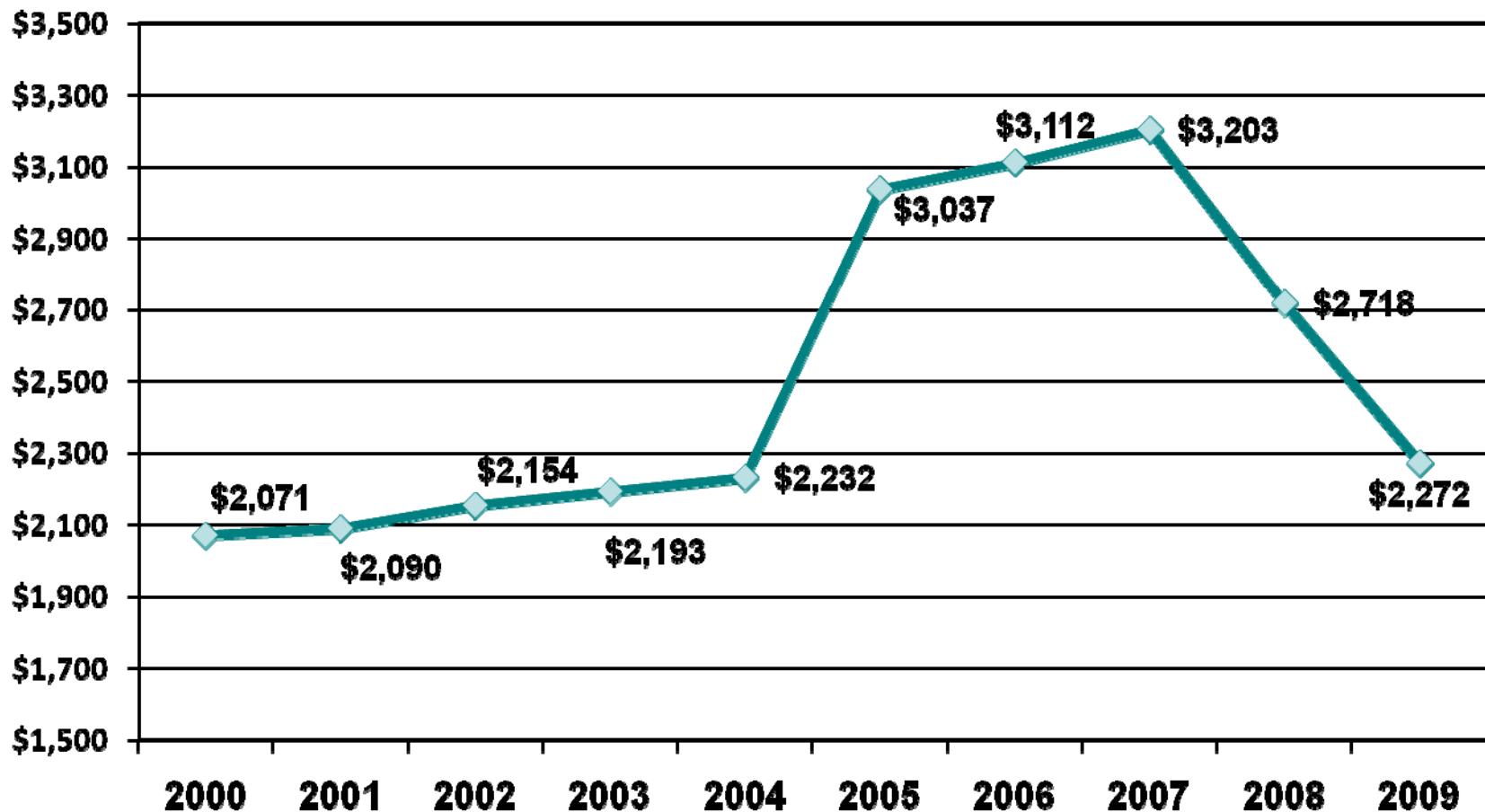
Flathead and Gallatin County Construction Economies Fall to Earth



Construction Employment Index, 2001 Q1 = 100.

1999-2009 Montana Nonresident Traveler Expenditure Trends

Total Inflation-Adjusted Expenditures (millions of 2009 dollars)



Source: UM ITRR

Montana's Economic Base

- Nonresident Travel
- Mining
- Manufacturing
 - Wood and Paper
 - Other Manufacturing
- Agriculture
- Federal Government (Incl. Military)

- Construction
- Montana State Government

Current Status

Weak Recovery

Positioning for Growth

90%

Permanent Closures

Recovering

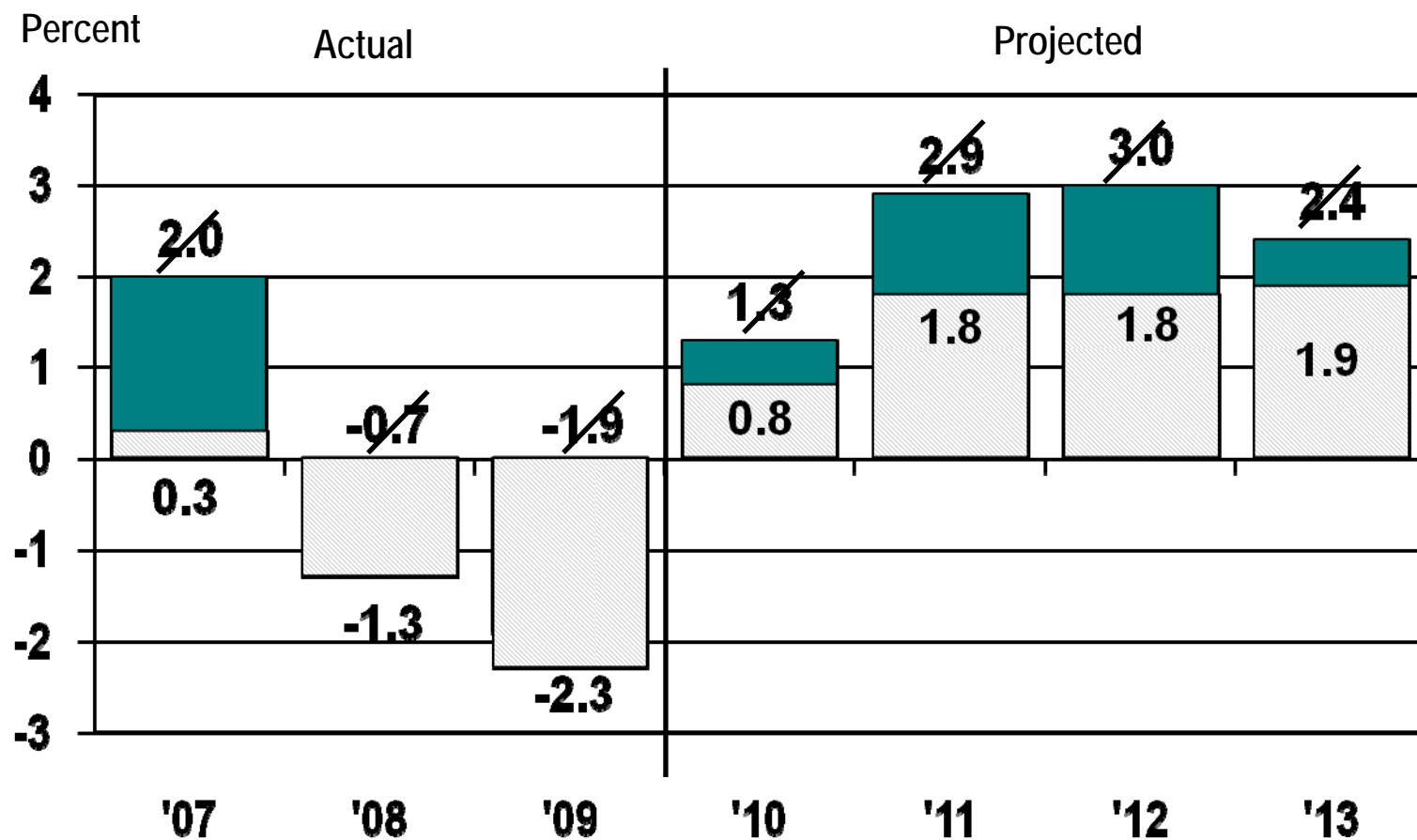
Back to Long-term Average

Stimulus

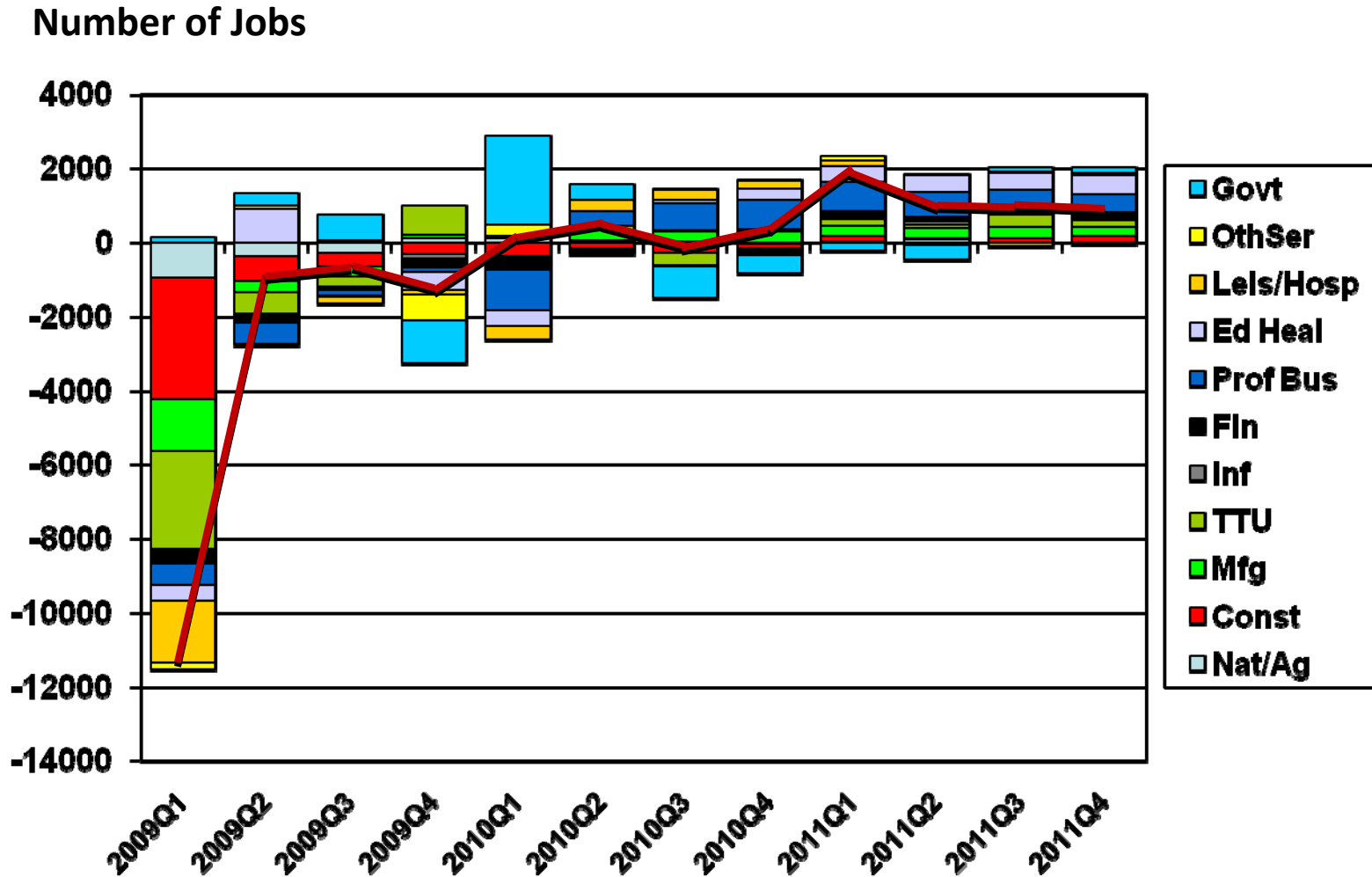
No Rebound in Sight

Significant Cuts Ahead

Actual and Projected Change in Nonfarm Labor Income, Montana, 2007-2013

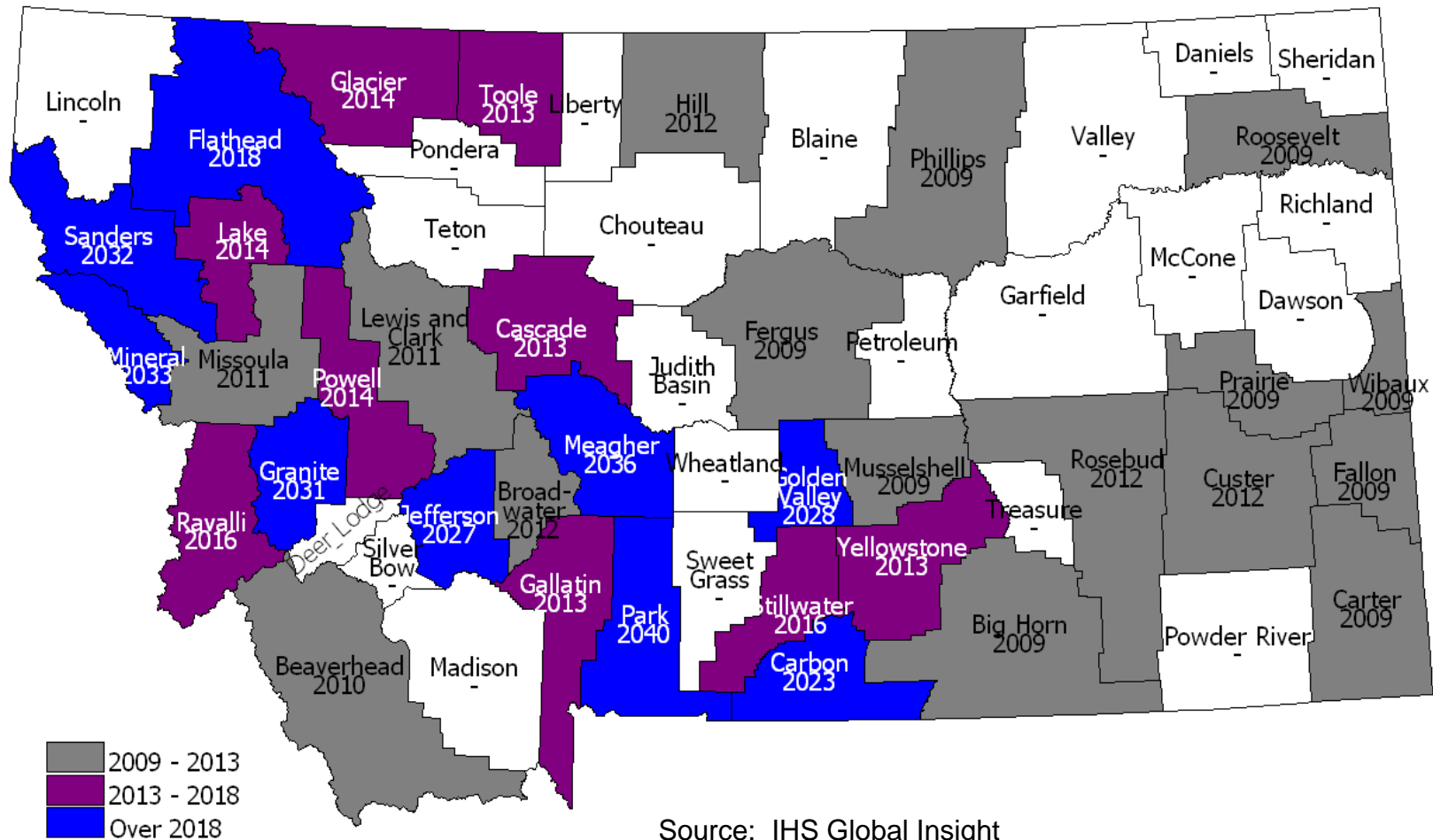


Montana Payroll Employment Growth by Sector



Source: U.S. Bureau of Labor Statistics and IHS Global Insight.

Recovery Year in Total Employment



Source: IHS Global Insight

Montana's Economic Recovery



Questions?