



Montana's Construction-less Recovery

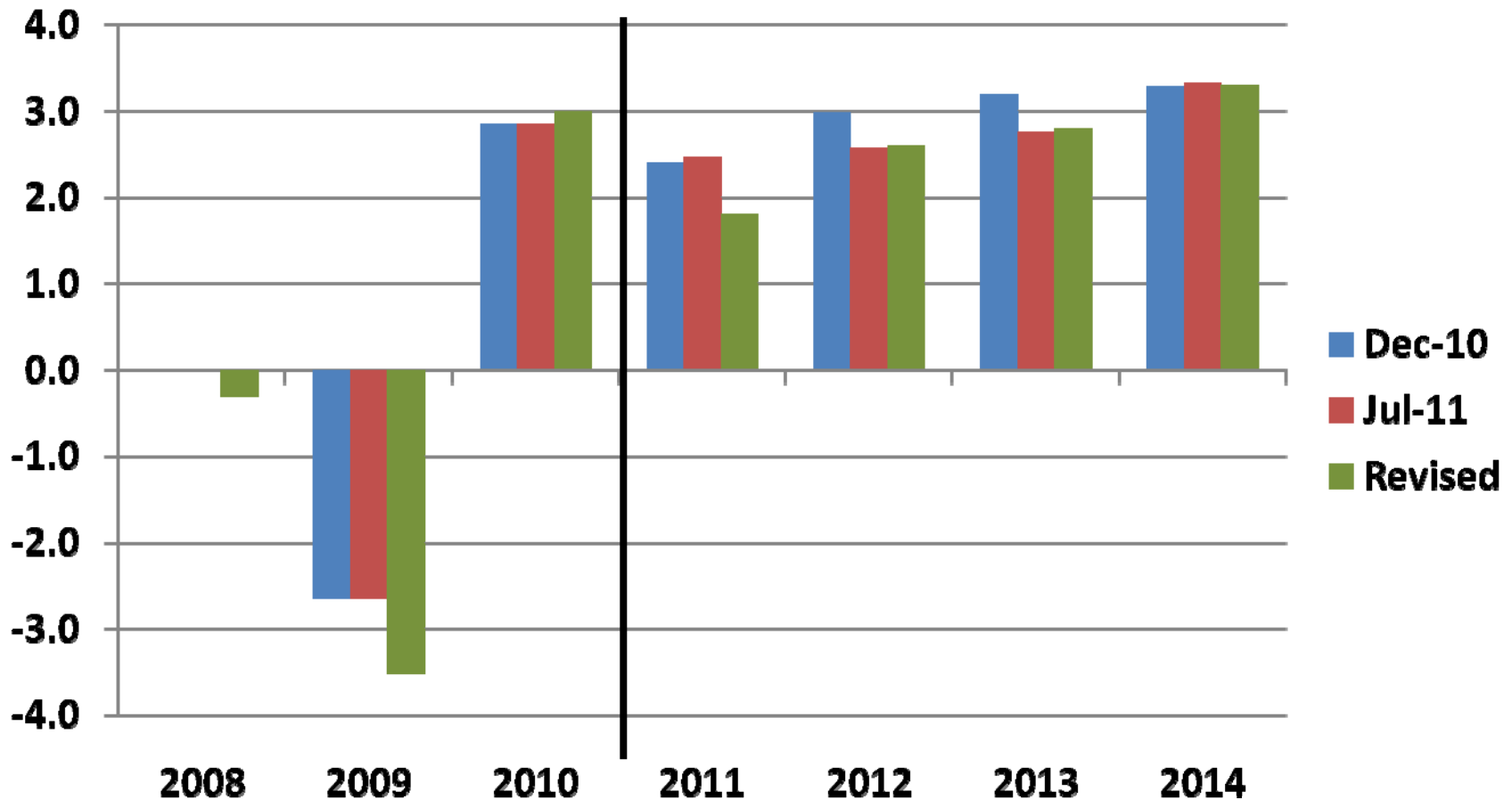
*Patrick M. Barkey, Director
Bureau of Business and Economic
Research*

2011 Forecast: Hits and Misses



- **Strong growth in developing economies**
- **Continued growth in household and corporate earnings**
- **Optimism for energy and agriculture**
- **Construction, wood products not yet participating in recovery**
- **Global events spike oil prices**
- **U.S. economy suffers a summer growth stall**
- **Japanese earthquakes and tsunami disrupt supply chains**
- **Time bomb of European sovereign debt ticks louder**

U.S. Economic Forecast is Little Changed?



Percent Growth, Real Gross Domestic Product

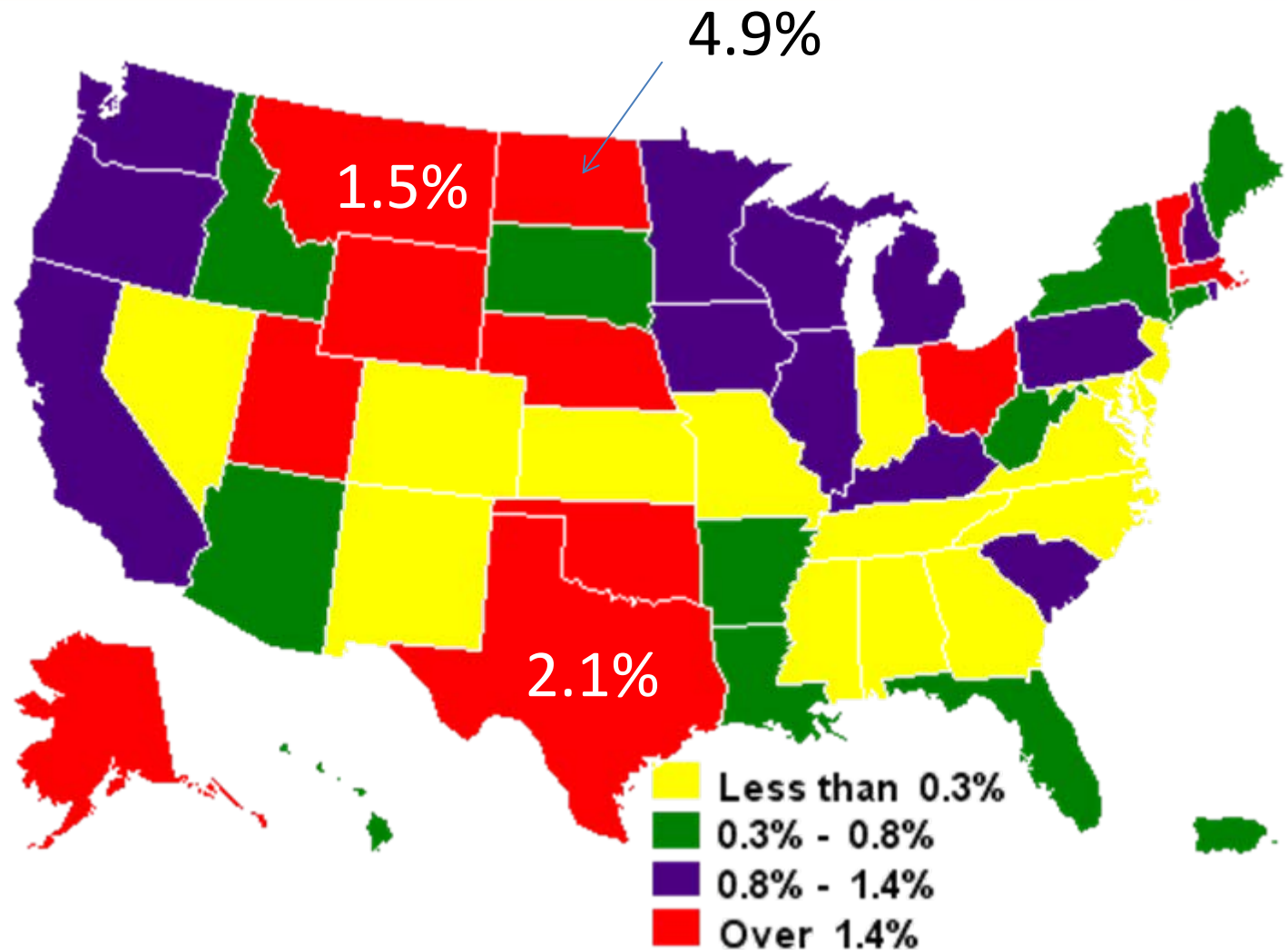
Source: IHS Global Insight

Timeline of an Economic Recovery



- Trough**
 - Businesses cut costs**
 - Layoffs**
 - Weak/declining consumer spending**
- Stage 1**
 - Business profitability stabilizes**
 - Investment opportunities emerge**
 - Unemployment/weak spending**
- Stage 2**
 - Inventory correction at first sign of increased demand**
 - One-time surge in goods output**
 - Increased hours and earnings**
- Stage 3**
 - Hiring and earnings growth fuel consumer spending**
 - Business expansion fuels new hiring**

Regional Differences in Economic Growth Beginning to Re-emerge

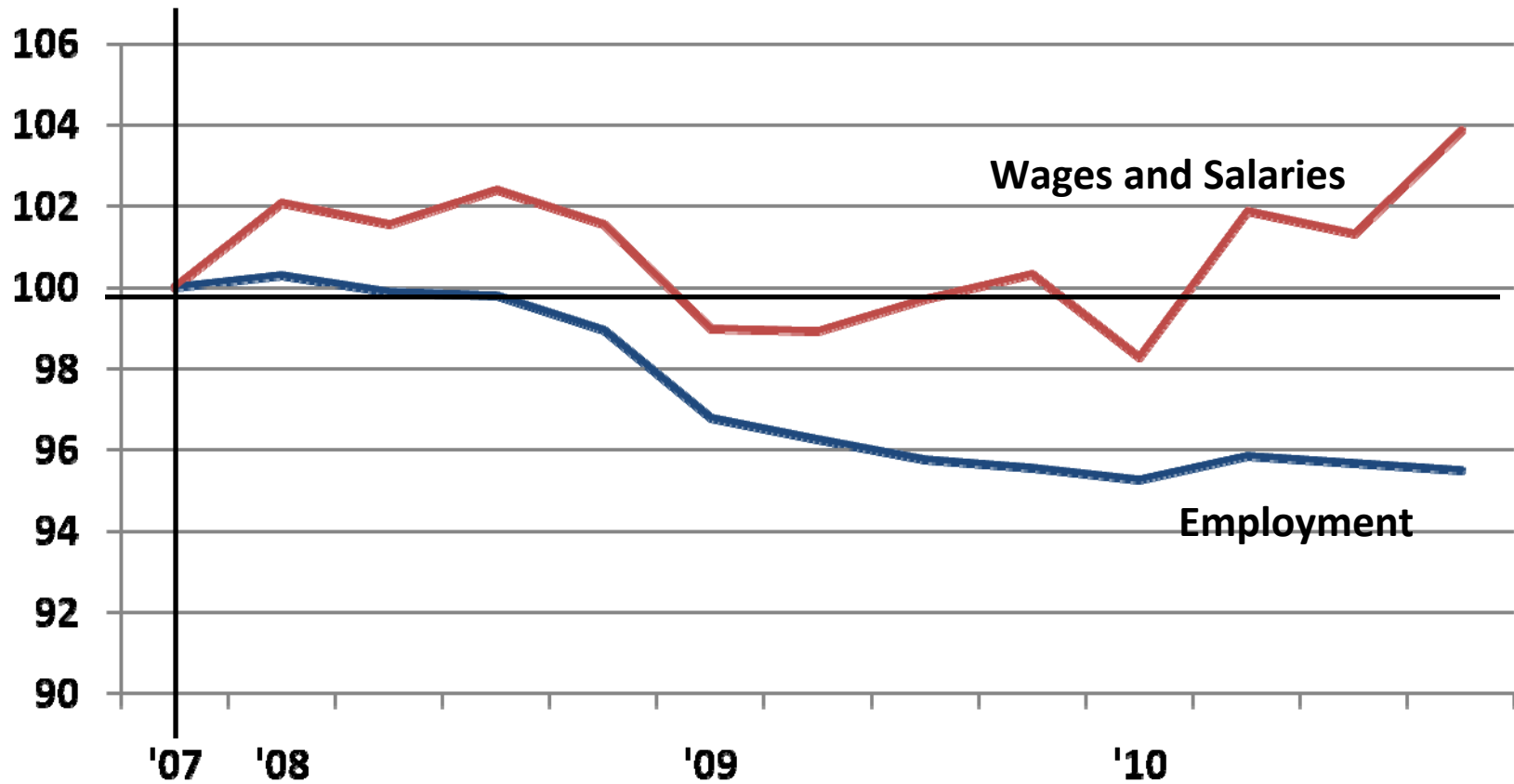


Percent Change in Payroll Employment, June 2011-June 2010

Recovery in Wages Stronger Than Jobs



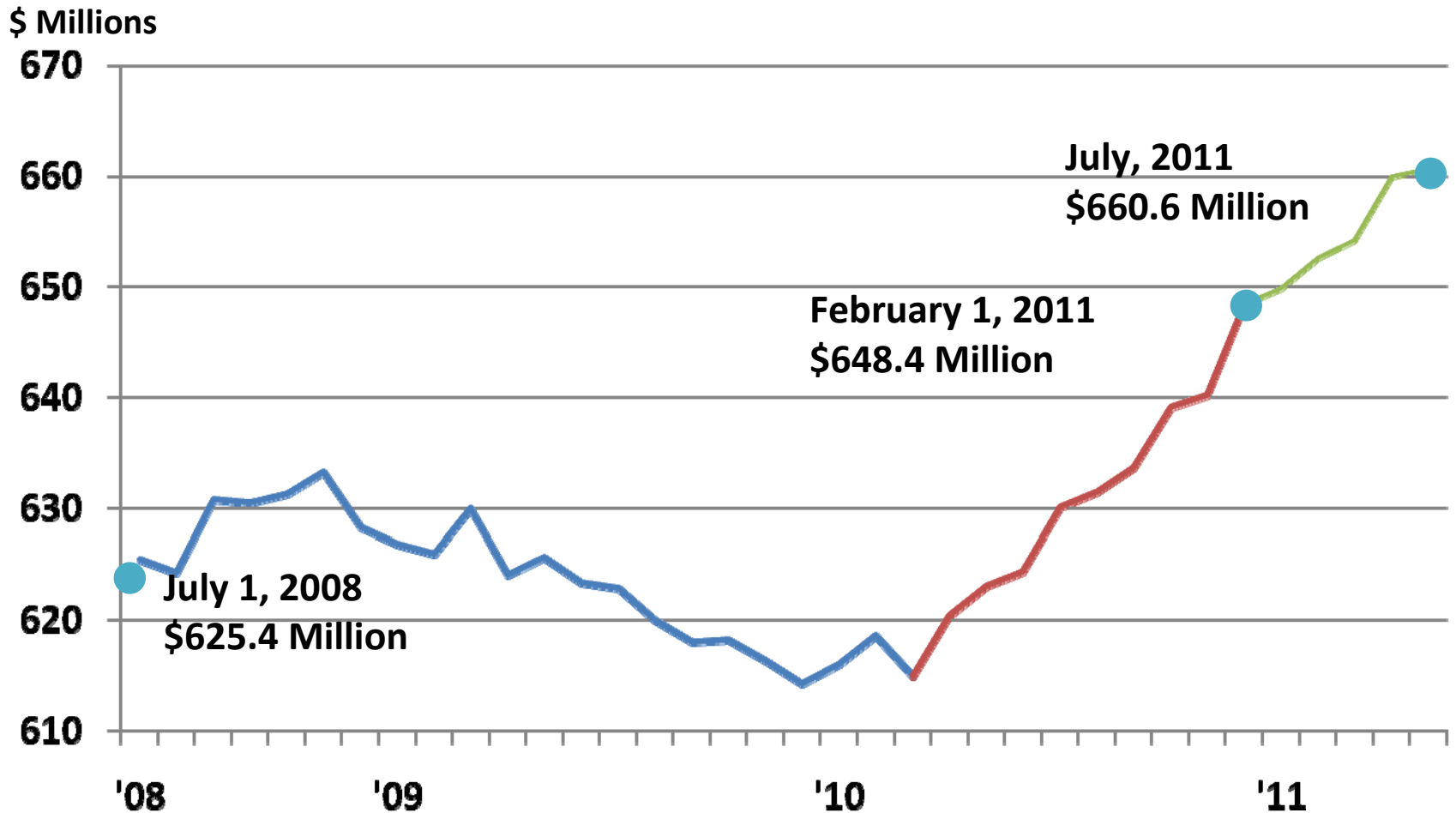
Recession Declared, Dec. 2007



Seasonally Adjusted Payroll Employment and Wages, Montana

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Montana Income Tax Withholding 12-Month Totals



Commodity Prices: Favorable to Montana



Materials & Foodstuffs (as of June 2011)

Low

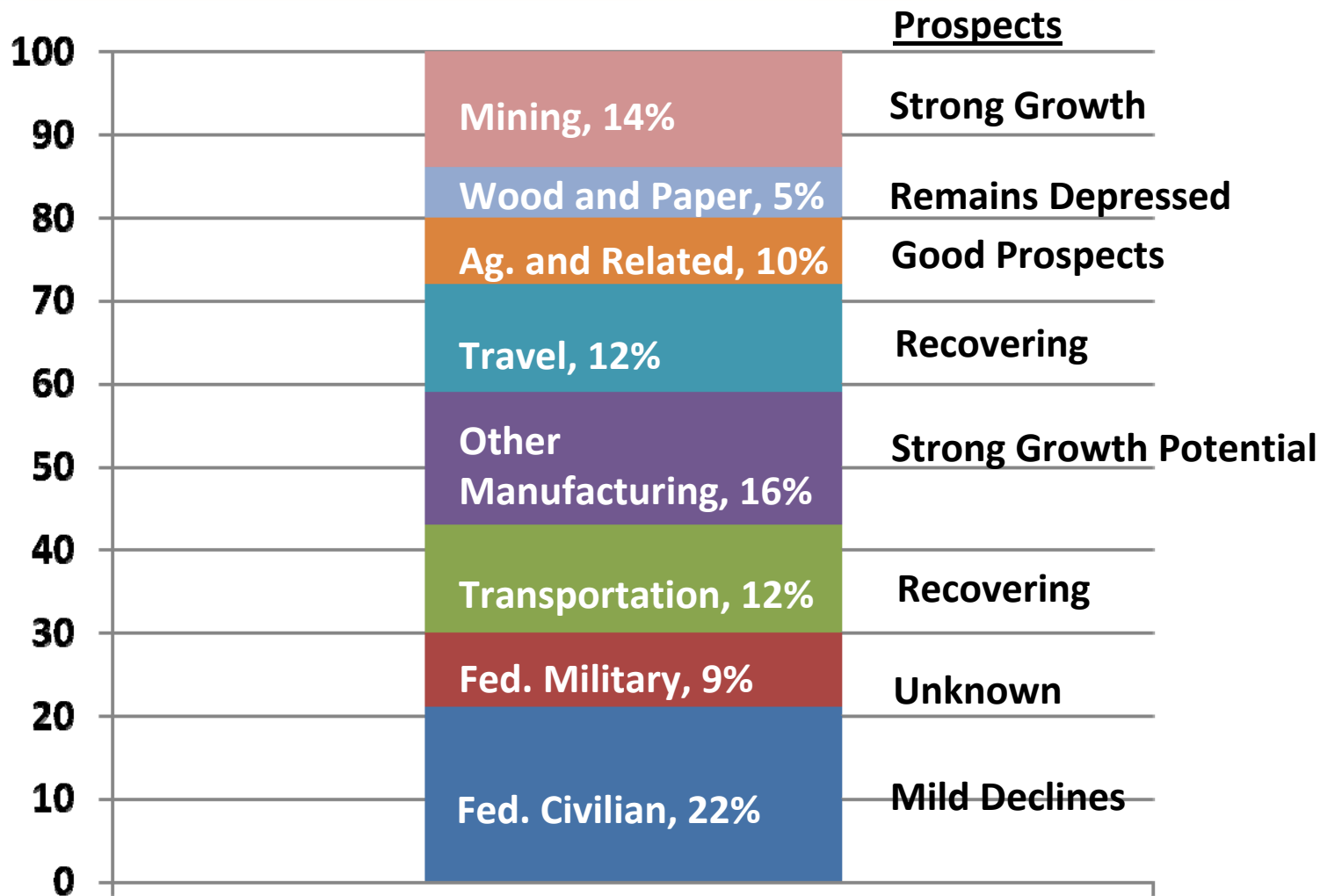
High

Metals & Energy (as of June 2011)

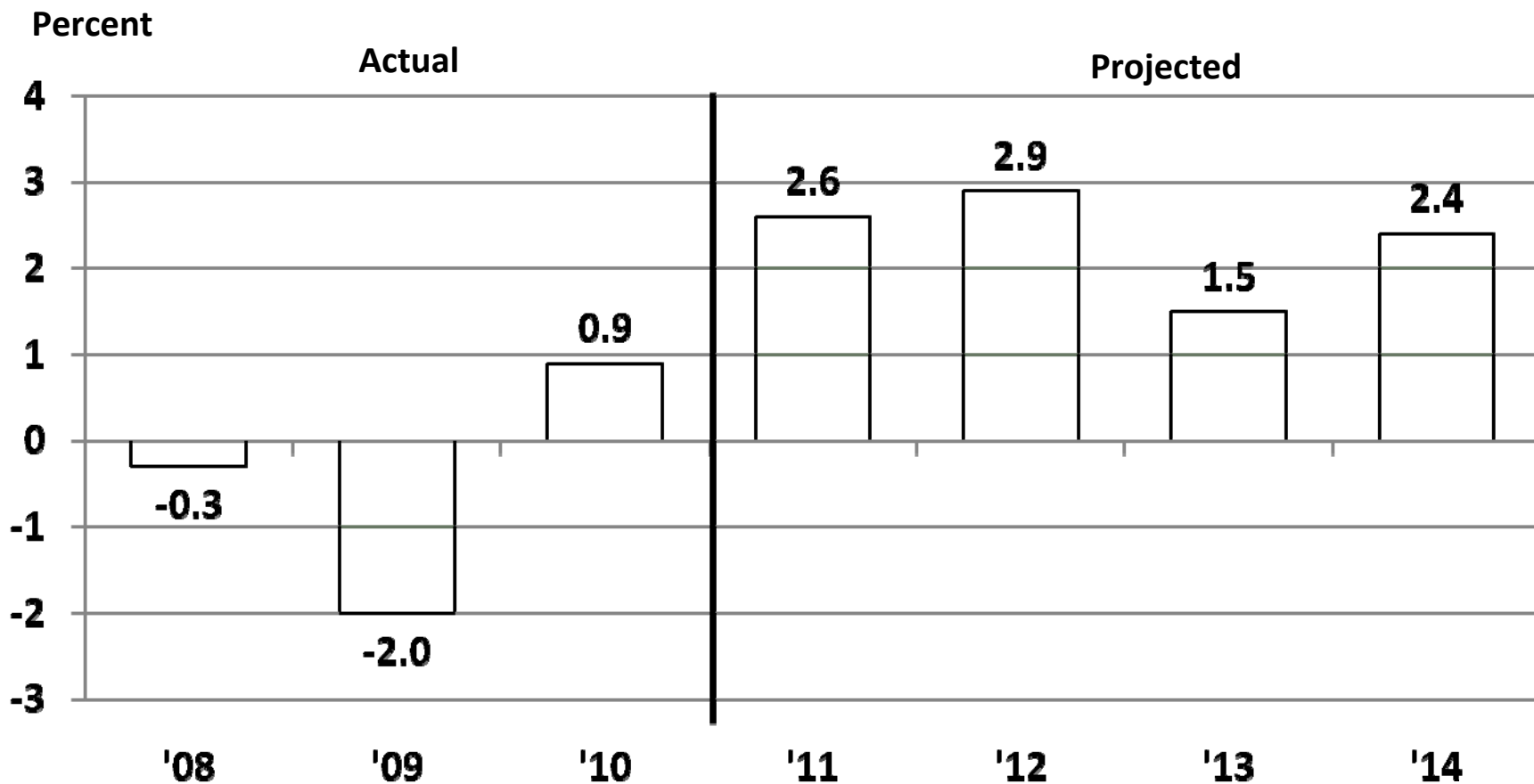
Low

High

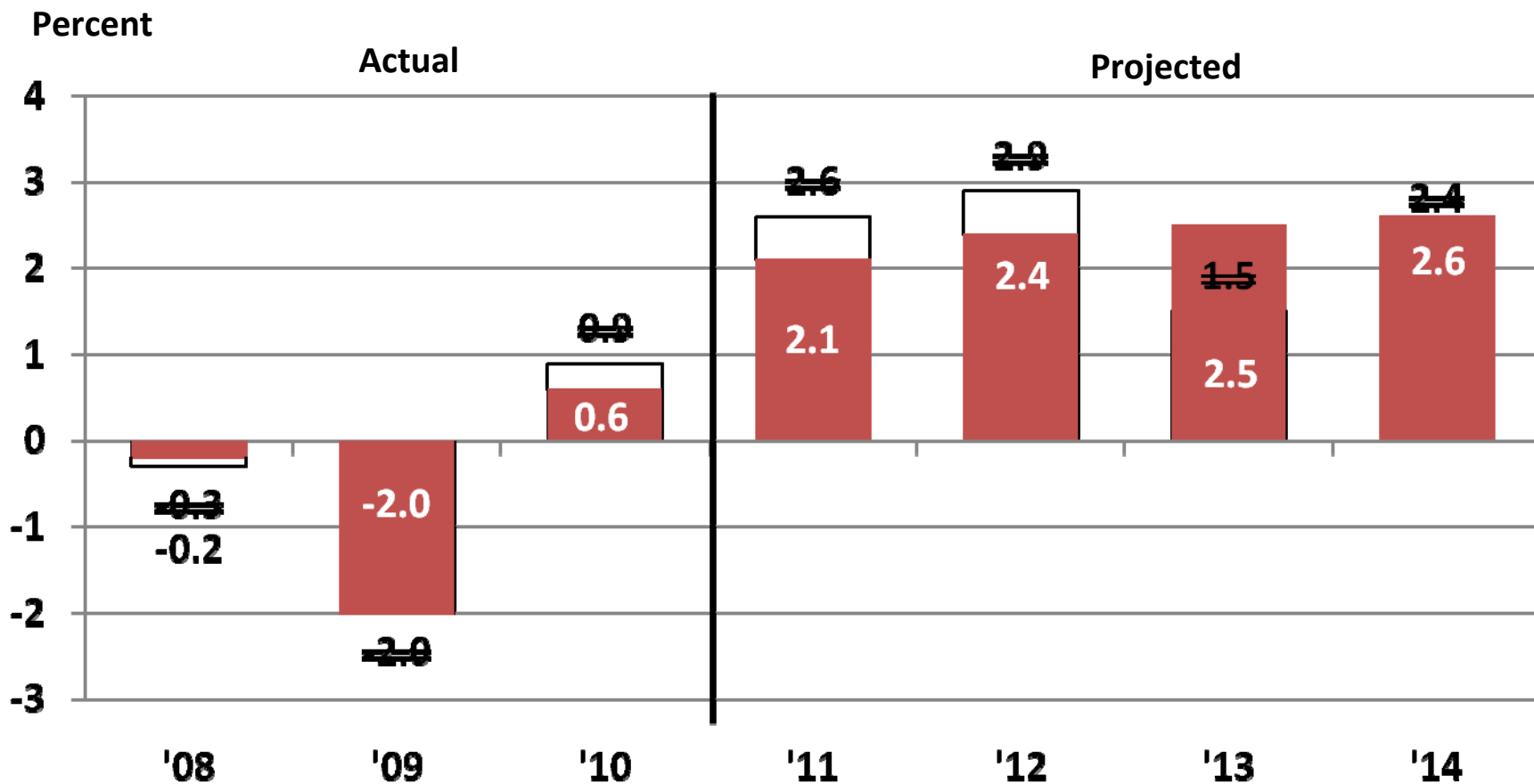
Labor Income and Basic Industries, Montana



Actual and Projected Change in Nonfarm Earnings, Montana, 2007-2014



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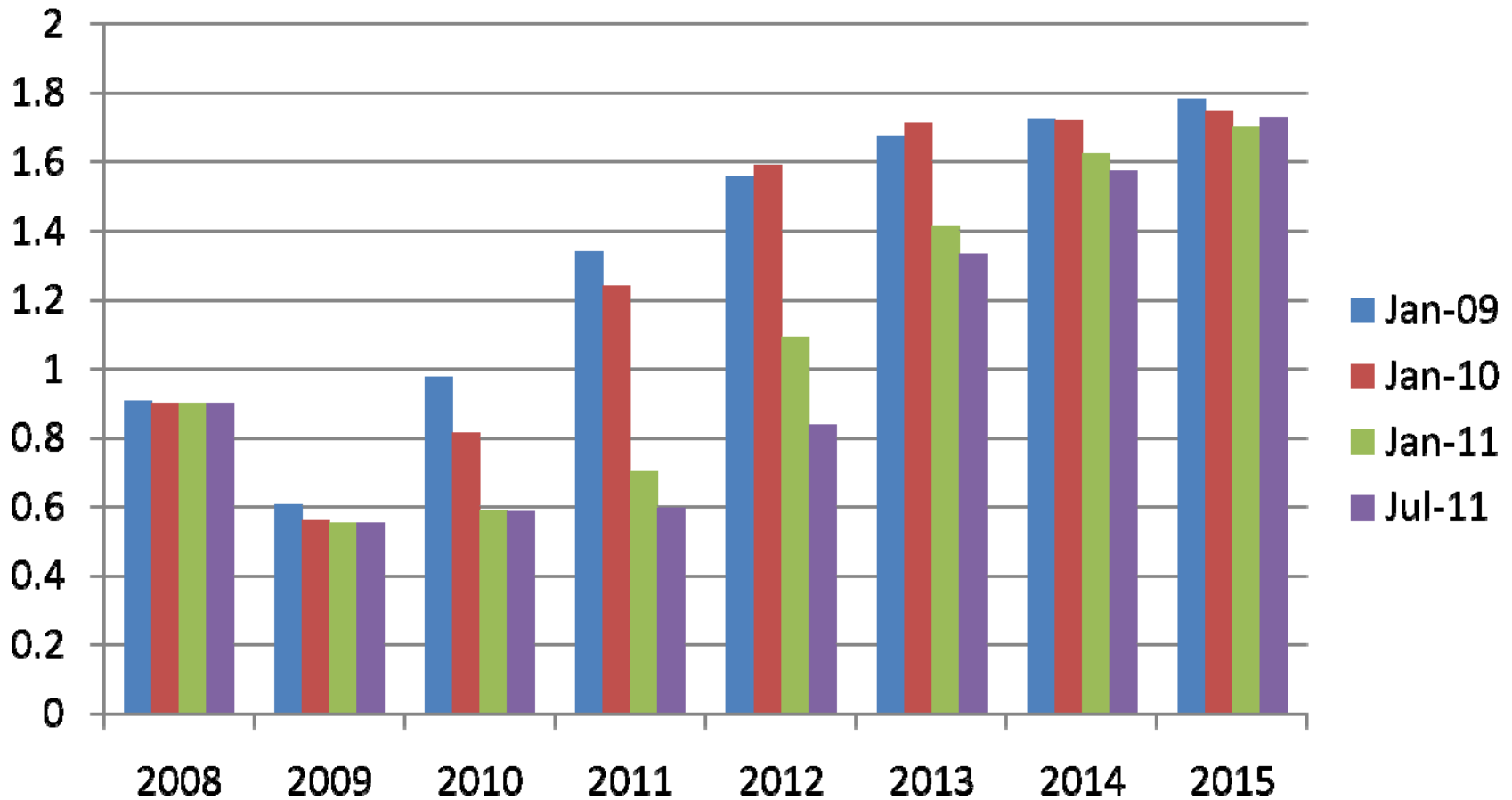


New Concerns For the Montana Economy

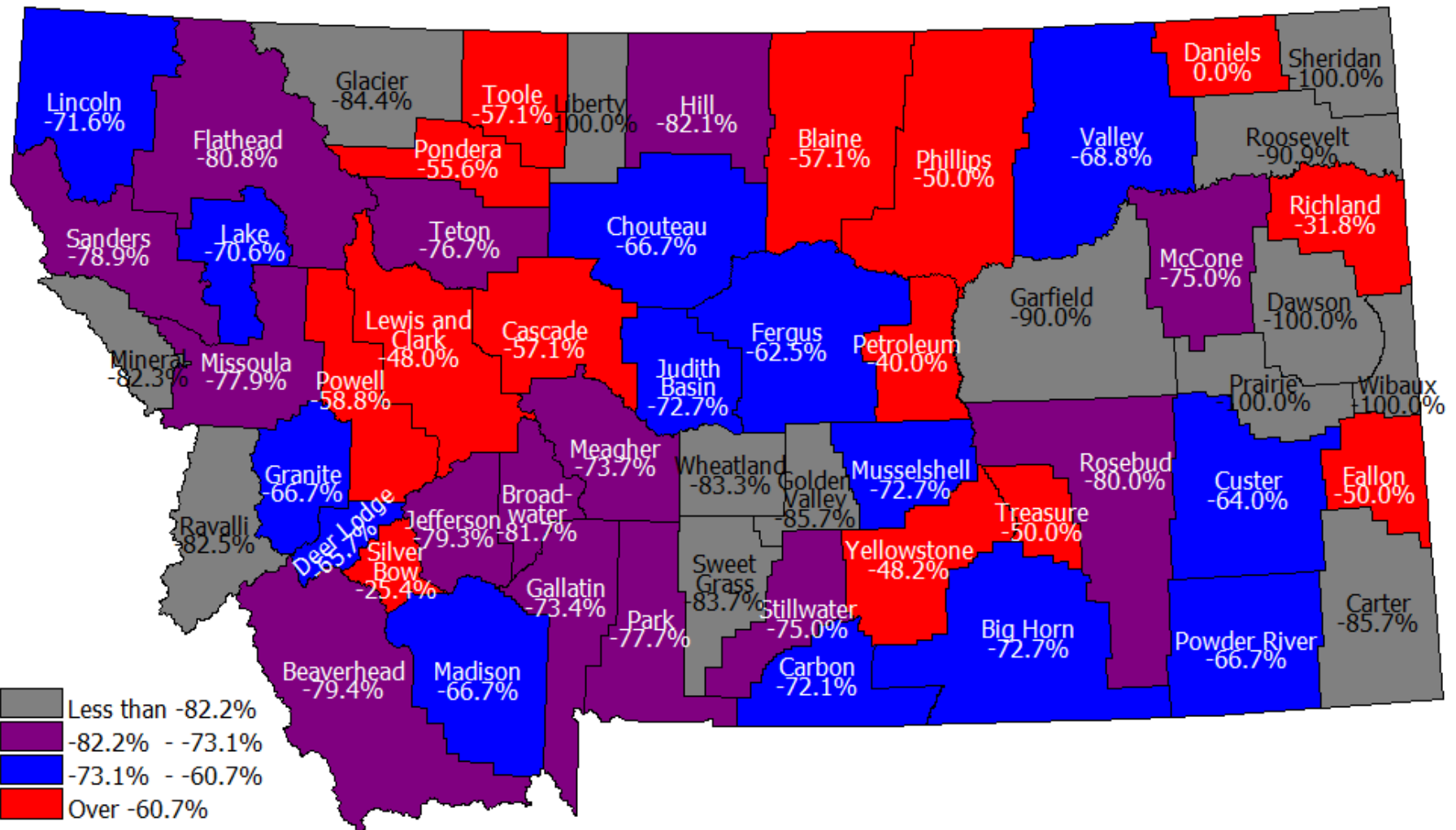


- **Impact of gas prices on non-resident spending?**
- **Is Asian growth slowing?**
- **Federal spending declines: how will Montana fare?**
- **How much longer before the housing slump ends?**

Residential Housing Recovery Keeps Getting Postponed



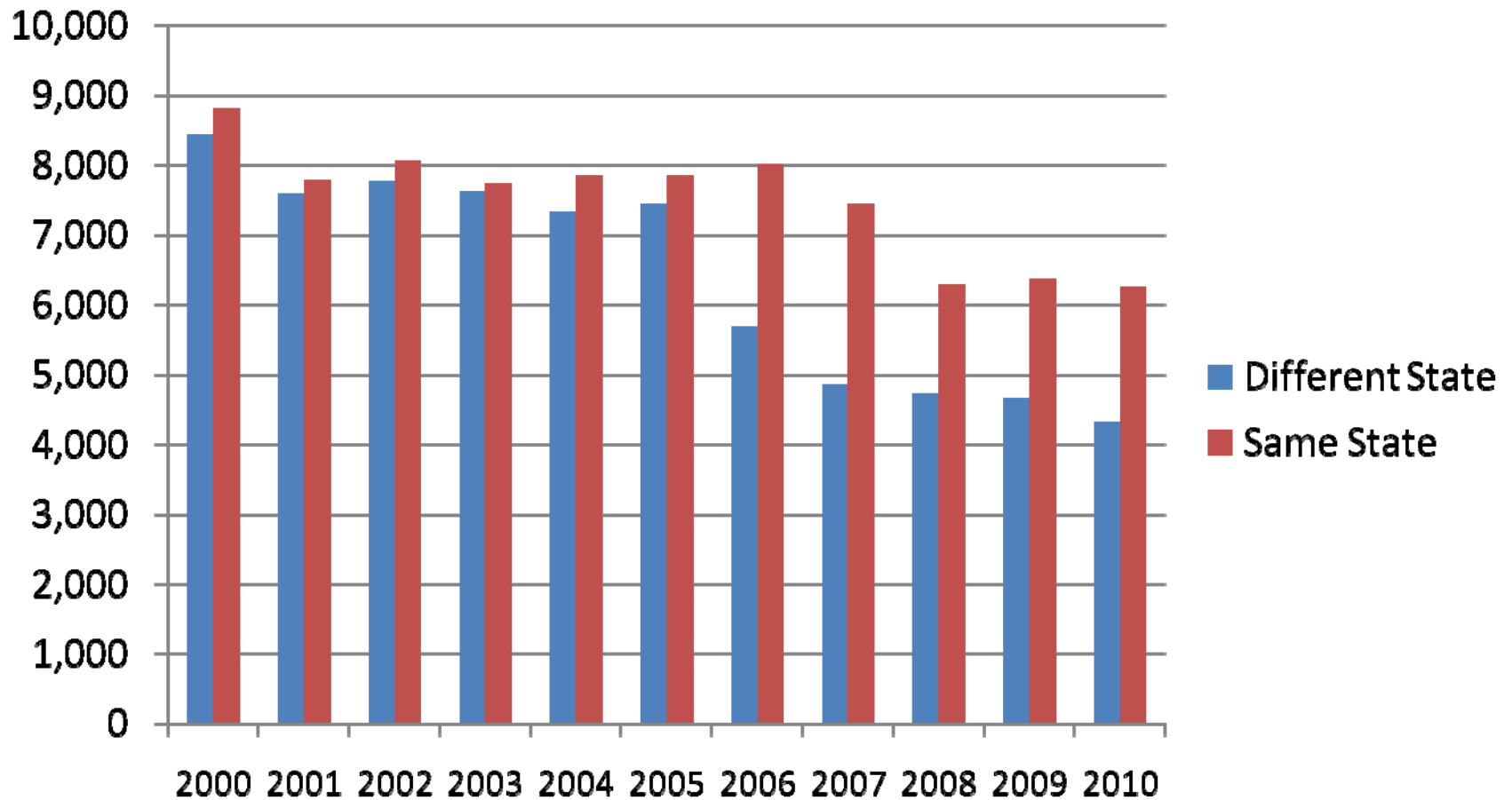
Decline in Residential Housing Starts [Percent Change From Peak]








Source: Bureau of Business and Economic Research

Housing Bust Impacting Migration

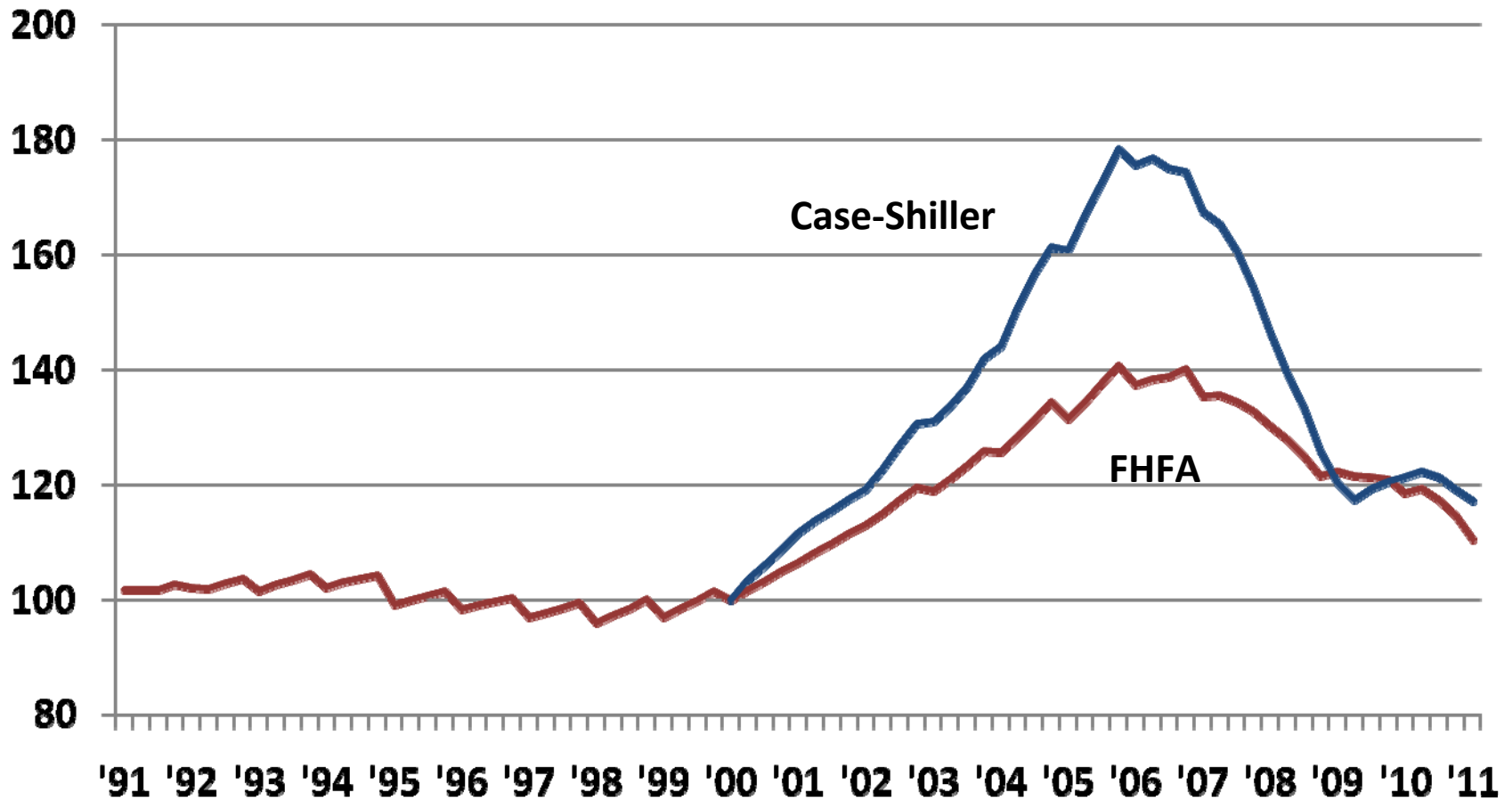
U.S. Movers, by Destination, Thousands



Source: U.S. Bureau of the Census, Current Population Survey

	Housing Price Peak		Housing Price Growth		Trend Over Last 8 Quarters
			Percent Growth		
Market	Date	Value (1995=100)	2000 to Peak	Since Peak	
Billings	2008Q4	204.4	73.4	-3.1	
Great Falls	2009Q1	191.8	64	-1.3	
Missoula	2008Q2	231.6	86.6	-9.1	
Non-metro Montana	2008Q1	229.5	89.9	-11.4	
Montana	2008Q1	221	83.1	-8.2	
Mountain States	2007Q2	220.6	72.2	-25.2	
United States	2007Q1	209.4	66.5	-14.8	

Housing Price to Income Ratio Comes Back to Earth



Ratio of Home Price Index to Median Household Income, U.S., Index Jan 2000 = 100



Next: The Local Outlook