

Economic Outlook

Fall 2012



PATRICK M. BARKEY AND PAUL E. POLZIN

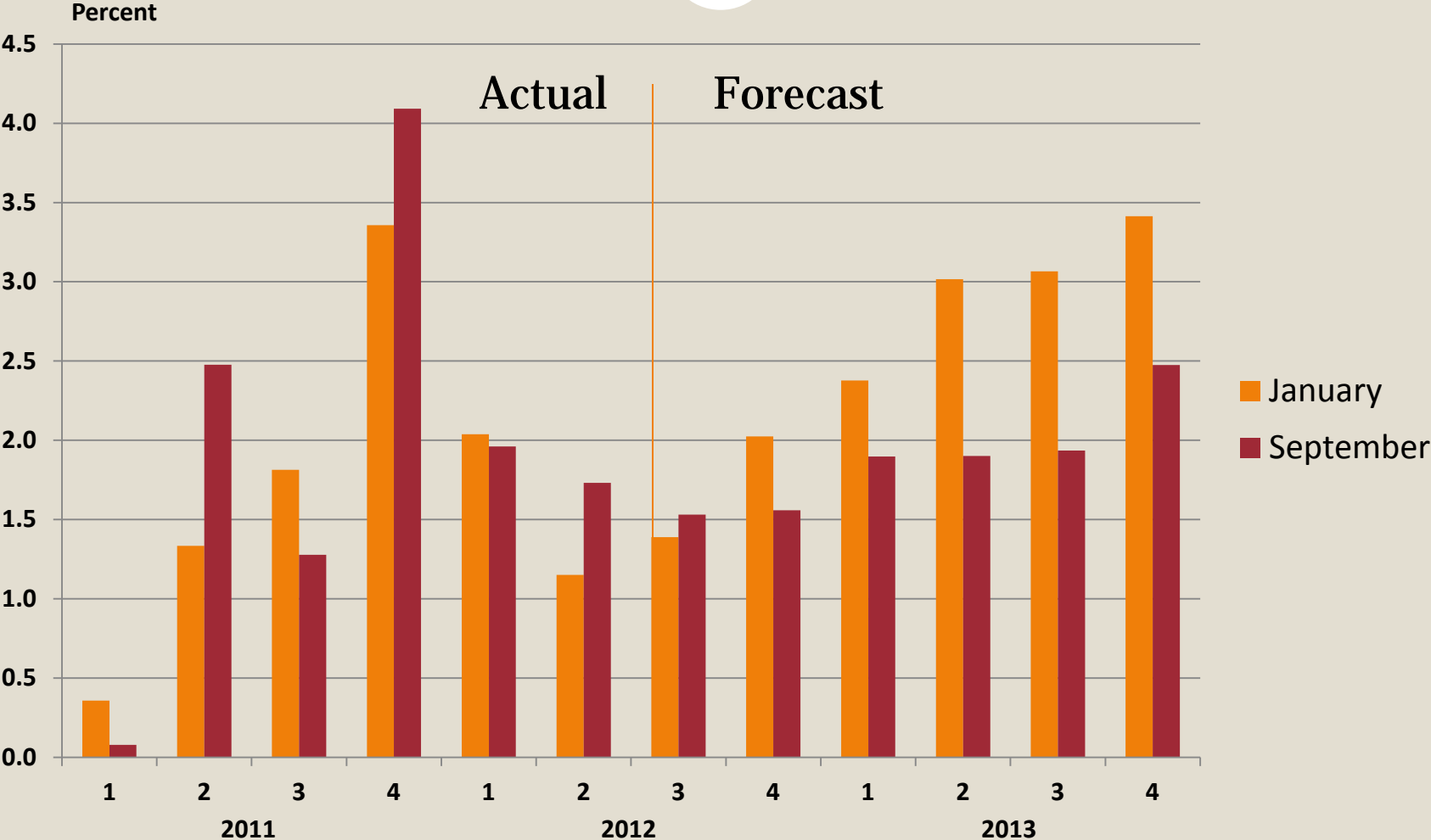
**BUREAU OF BUS. & ECON. RESEARCH
THE UNIVERSITY OF MONTANA**

Another Mid-Year Economic Malaise



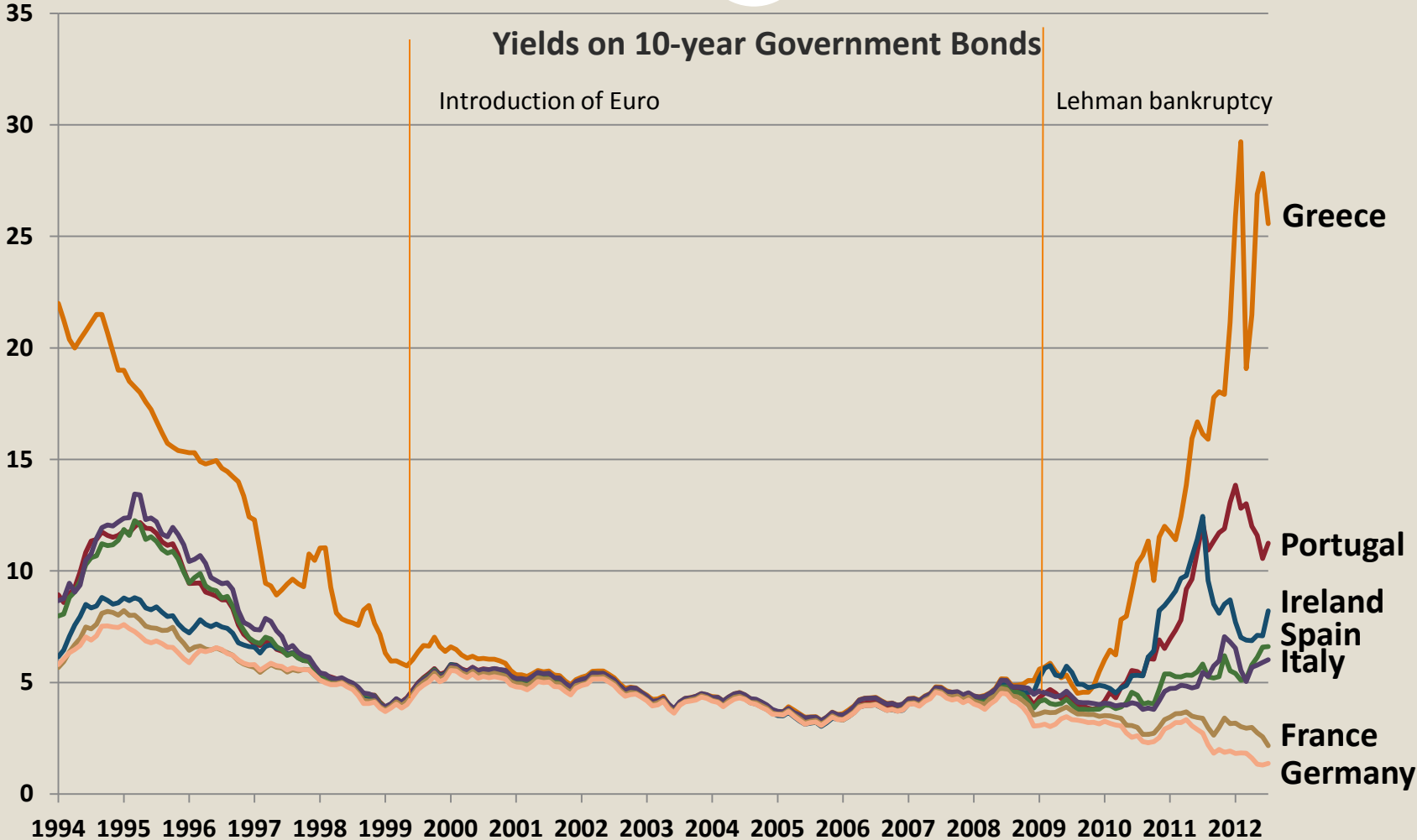
- Very weak consumer spending brings U.S. growth below 2 percent in second quarter
- European recession, prospect of currency crisis hangs over global economy
- Western states doing better
- Inflation remains a non-issue
- Housing is healing

Faster Growth Postponed Again

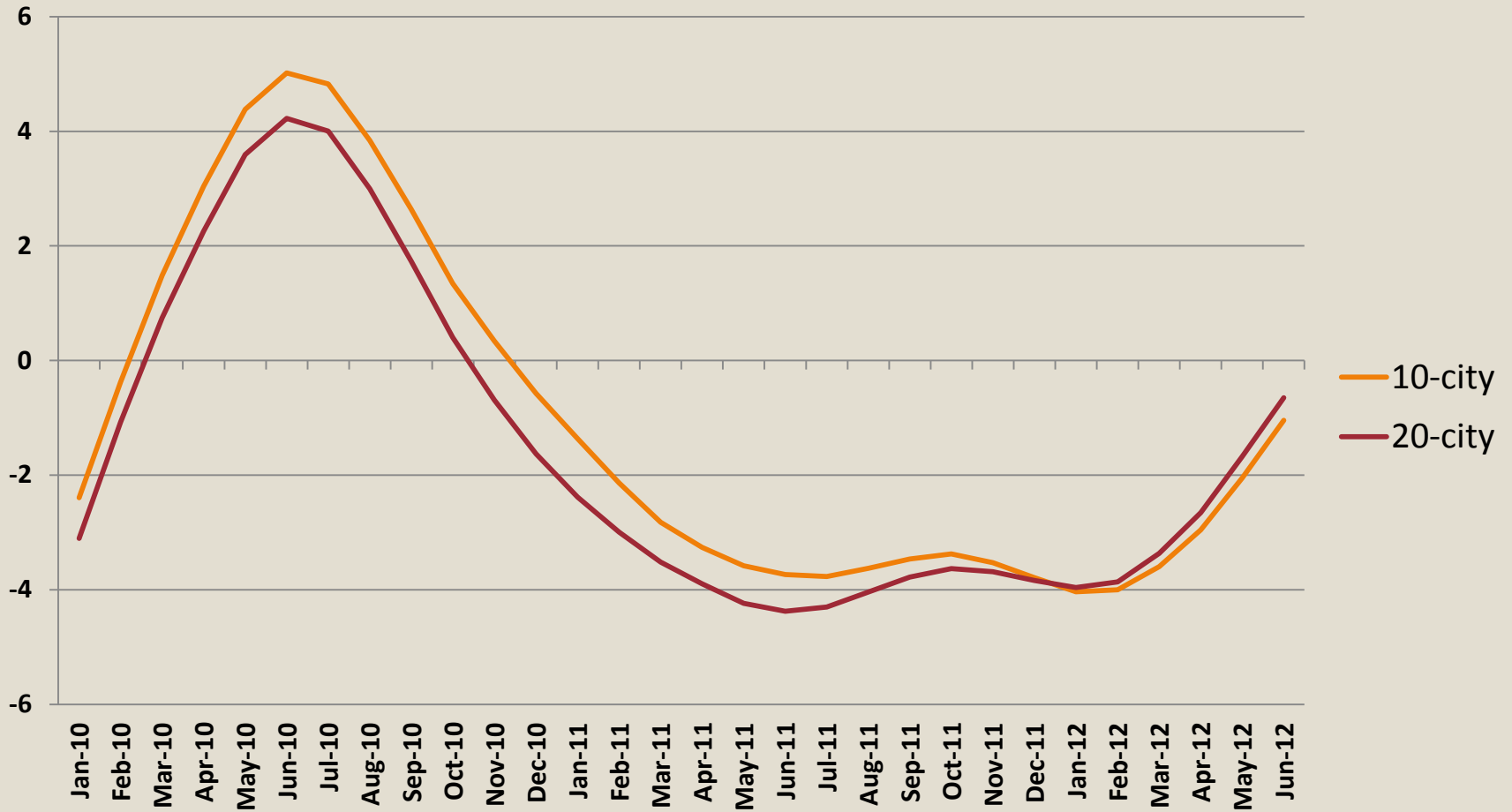


Growth in U.S. Real GDP, percent, Actual and Forecast

The Rise and Fall of Europe



U.S. Housing Price Appreciation Closer



Percent Change in Case-Shiller Composite Housing Price Index, 3 month moving average

Montana's Current Status: The Good and the Bad

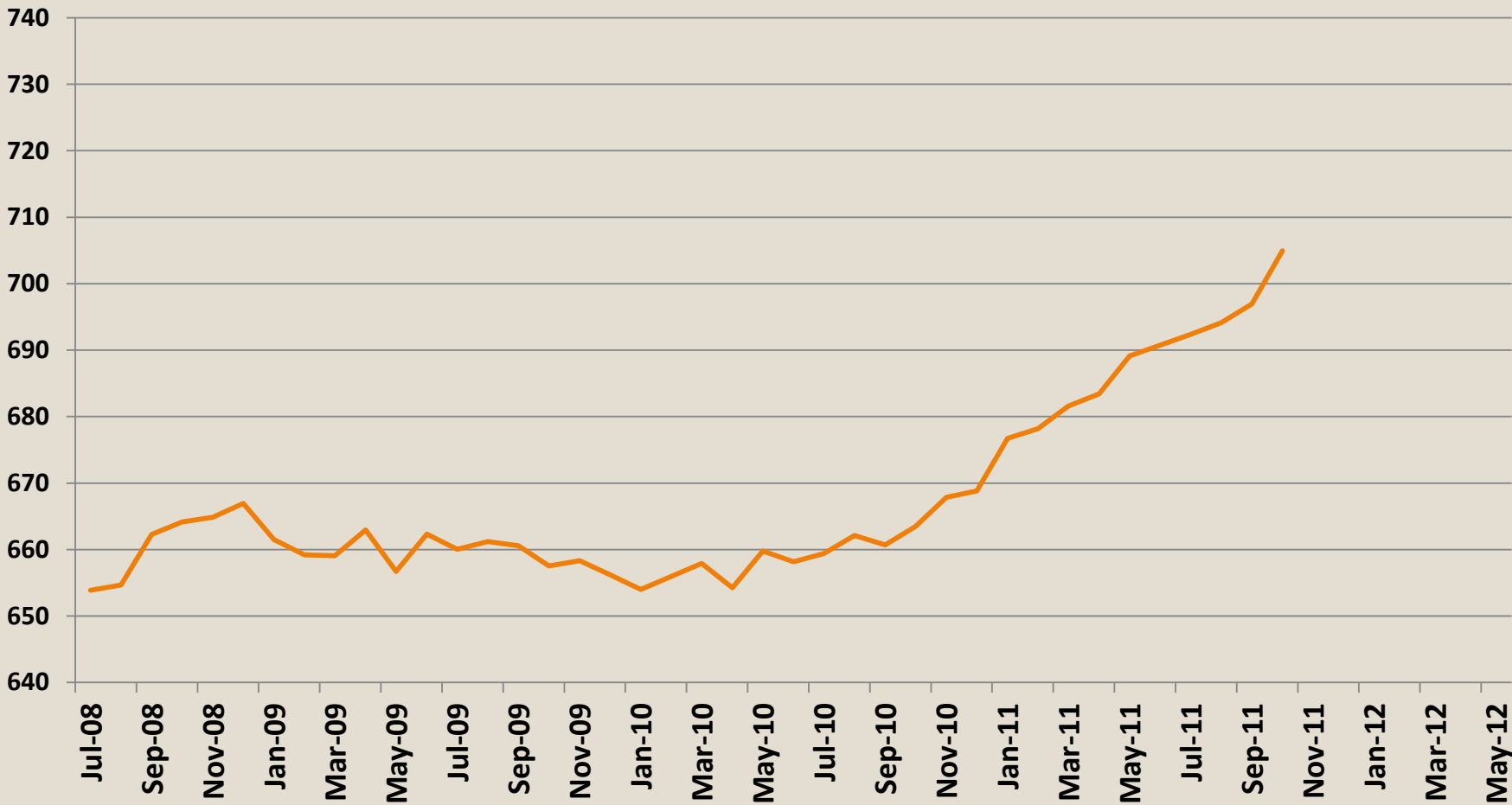


- Income growth looks strong
- Job market is healing
- Housing prices beginning to recover
- Energy investment is robust

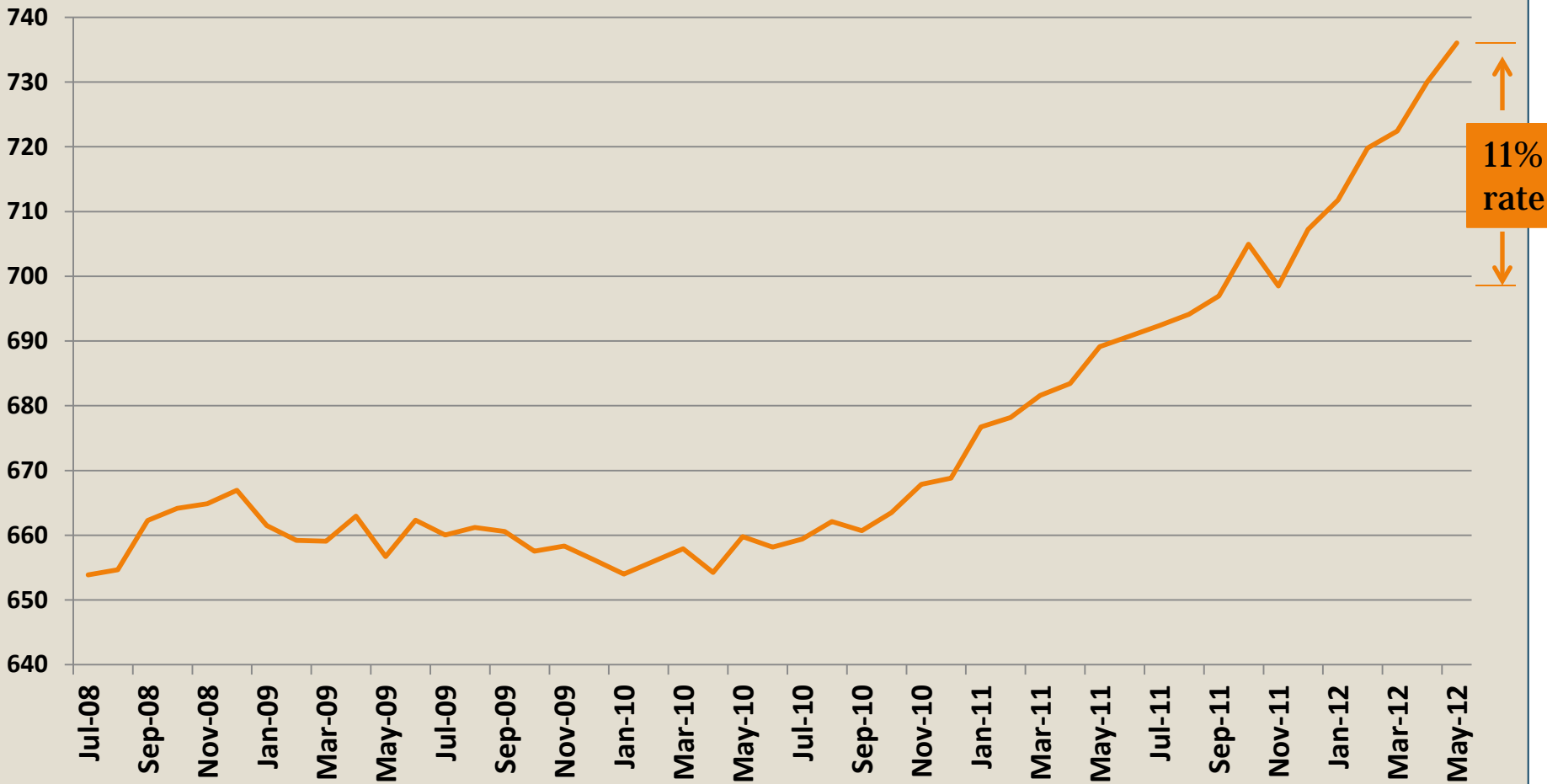
- Spring/Summer has been very dry
- Retail remains very weak
- Global economic concerns affecting energy and commodity prices

Income Tax Withholding

12-month totals



Income Tax Withholding 12-month totals



Commodity Prices: Favorable to Montana?



Materials & Foodstuffs (as of August 2012)

Low High



Metals & Energy (as of August 2012)

Low High



Labor Income and Basic Industries, Montana



Percent

100

90

80

70

60

50

40

30

20

10

0

Energy, 14%

Mining, 5%

Wood Products, 5%

Agric. & Related, 11%

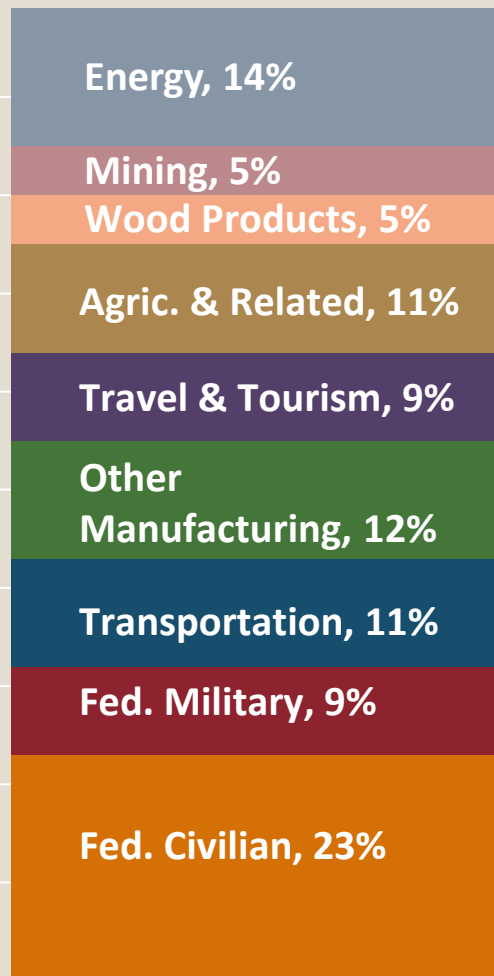
Travel & Tourism, 9%

Other
Manufacturing, 12%

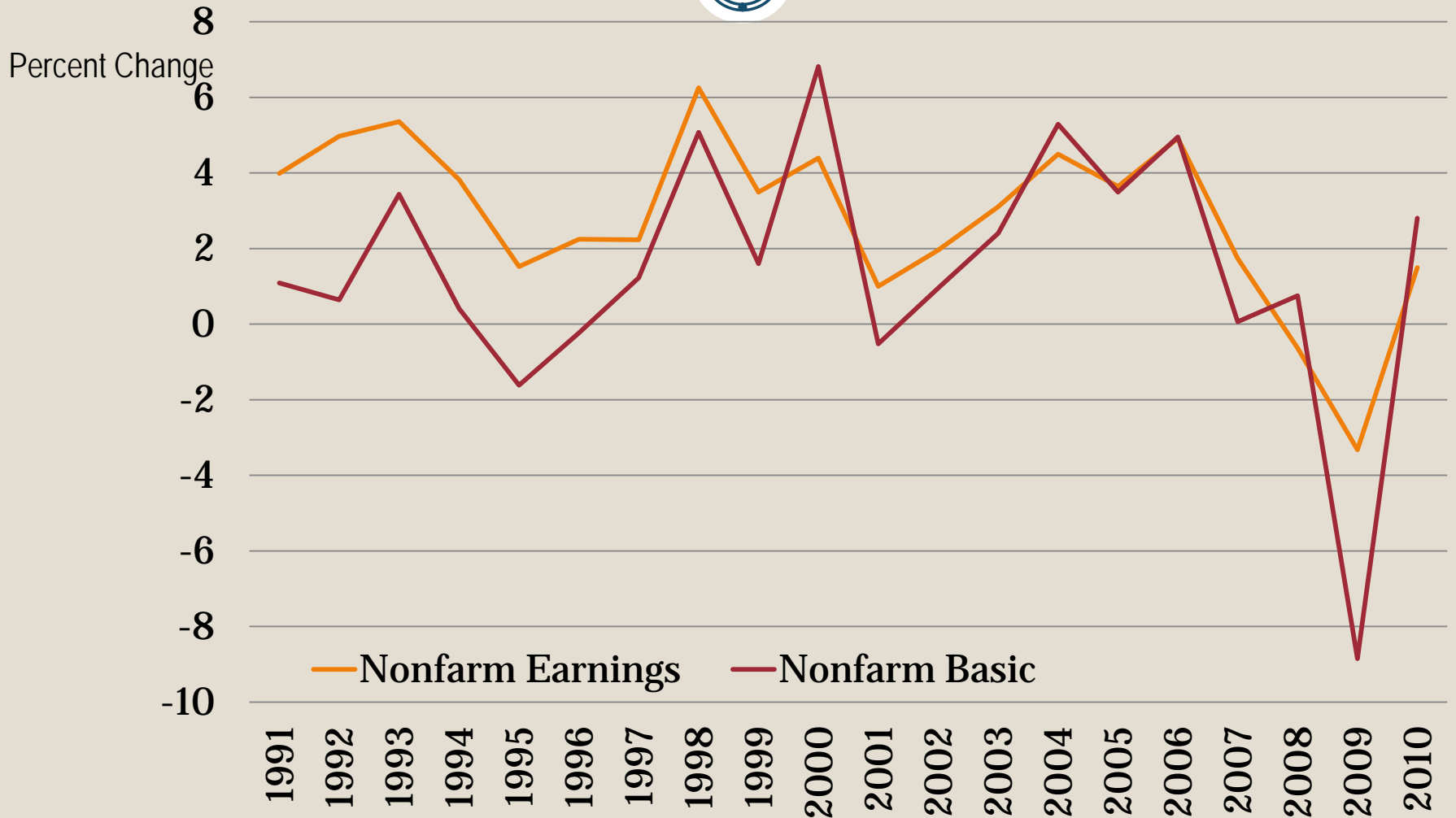
Transportation, 11%

Fed. Military, 9%

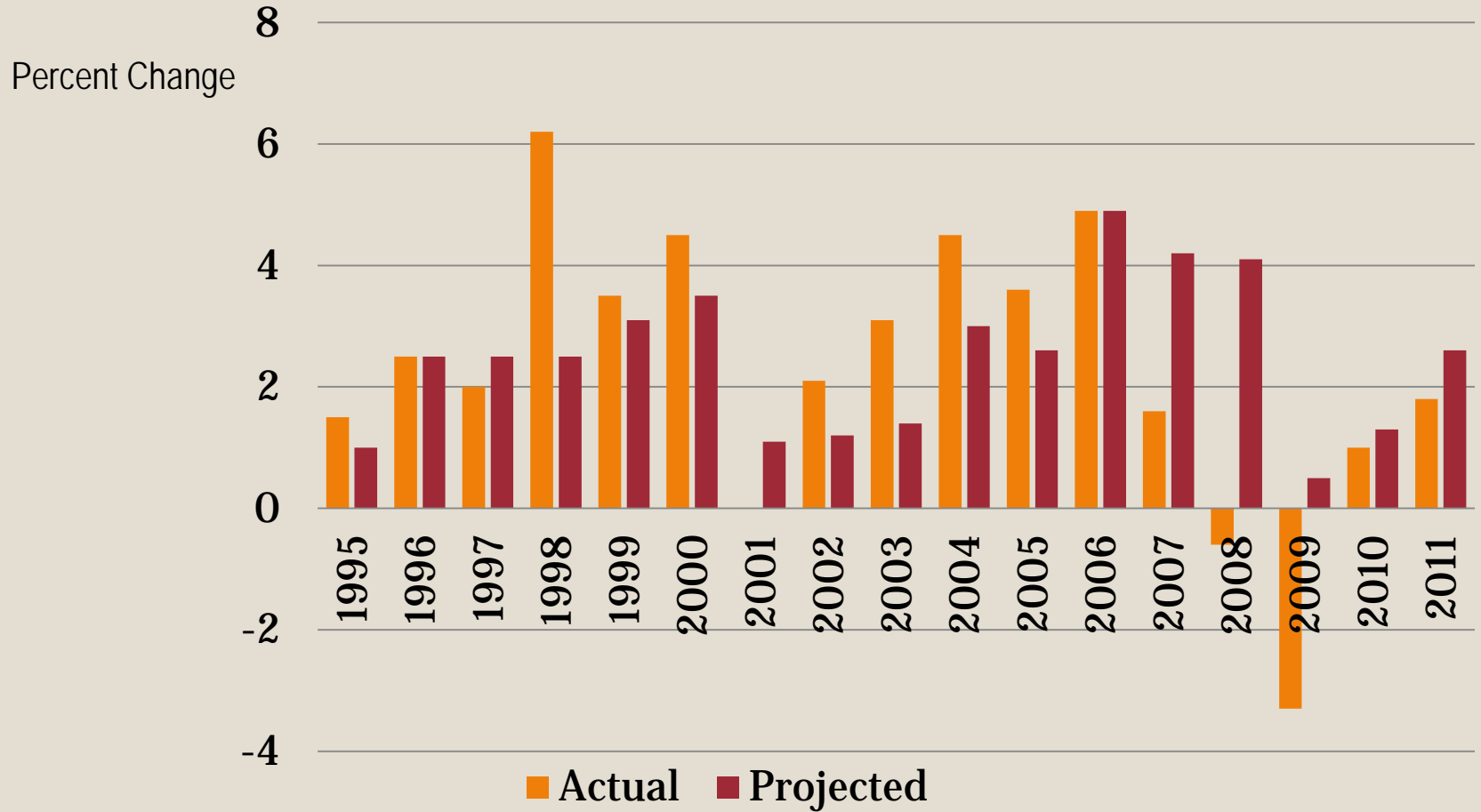
Fed. Civilian, 23%



Nonfarm Earnings and Nonfarm Basic Earnings Montana, 1991-2010



Nonfarm Earnings, Actual and Projected Montana, 1995-2011



Labor Income and Basic Industries, Montana



Prospects

Percent

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Fed. Civilian, 23%

Strong Growth

Flat

Better Than Feared

Weak Recovery

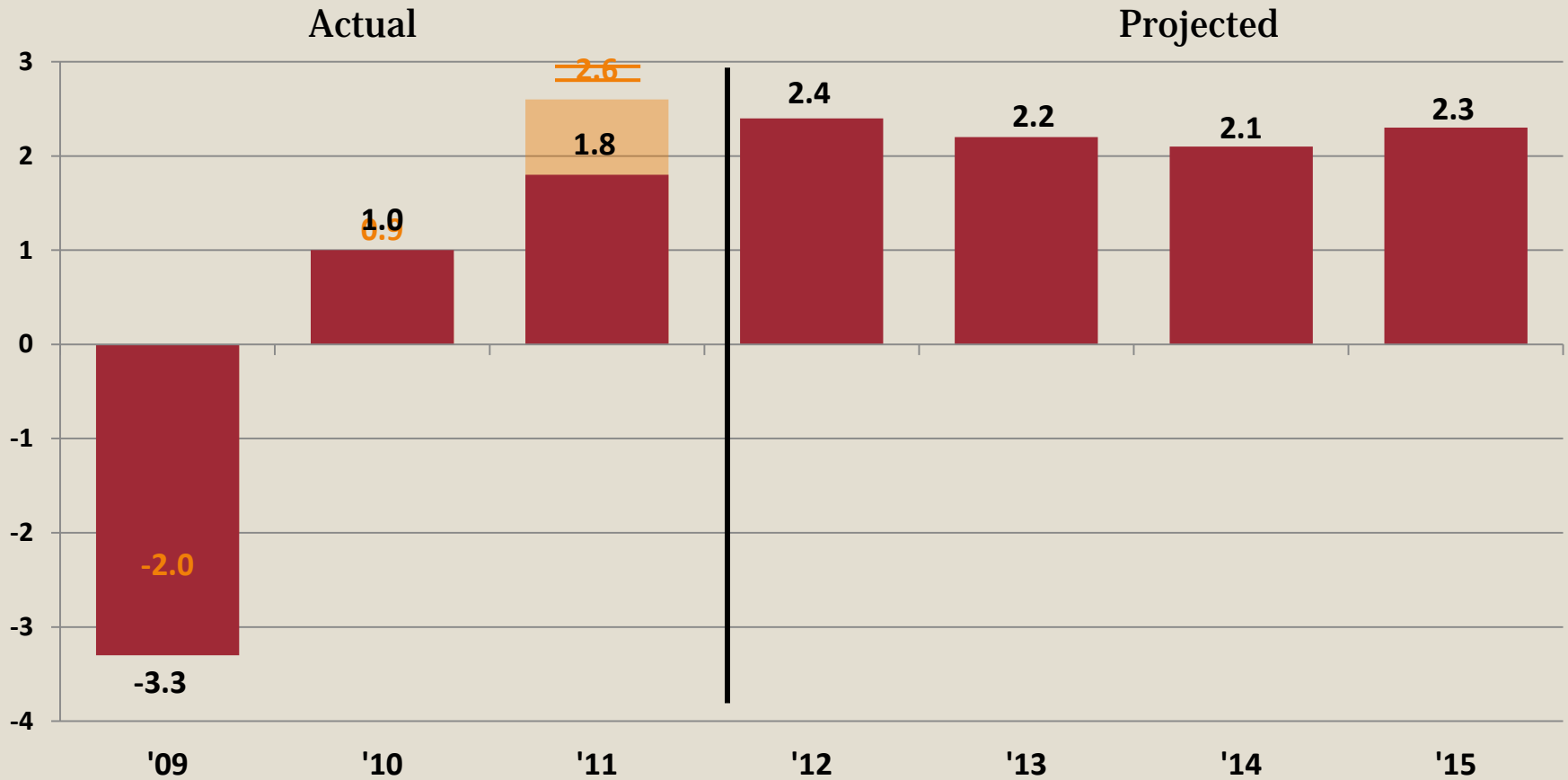
Mixed

Recovering

Unknown

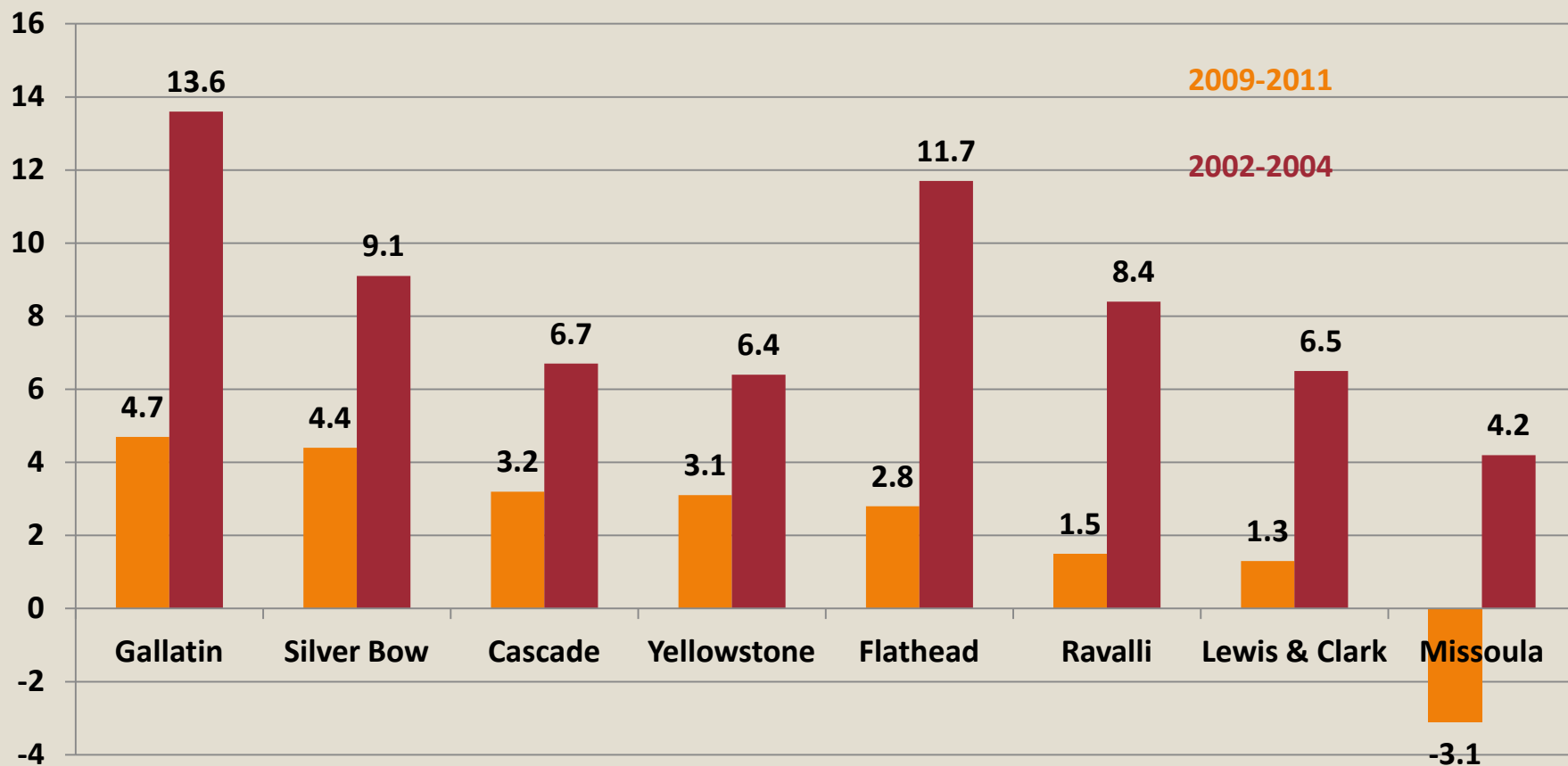
Mild Declines

Change in Nonfarm Earnings, Montana, 2009-2015





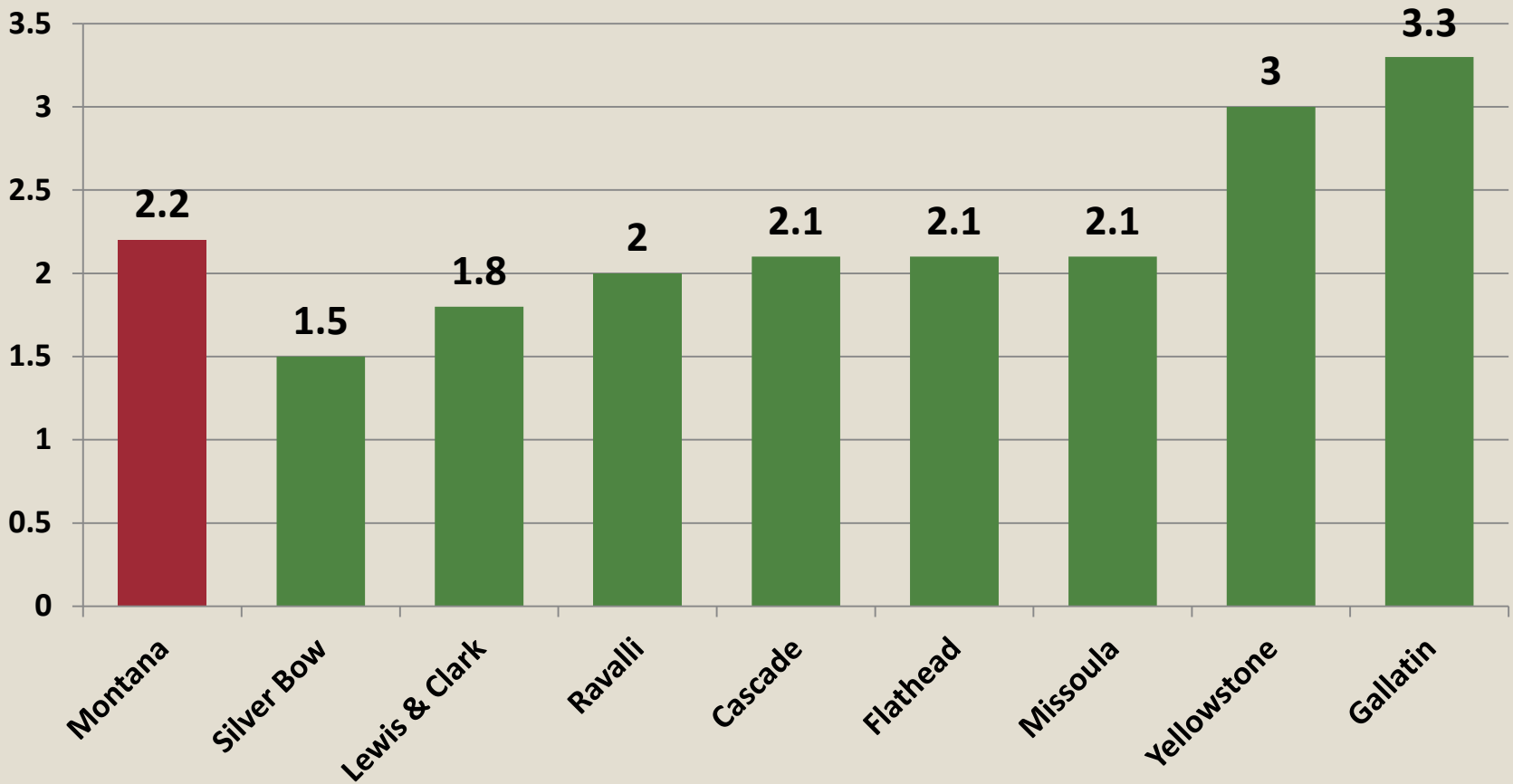
Annual Percent Change In Nonfarm Earnings (in Constant Dollars)



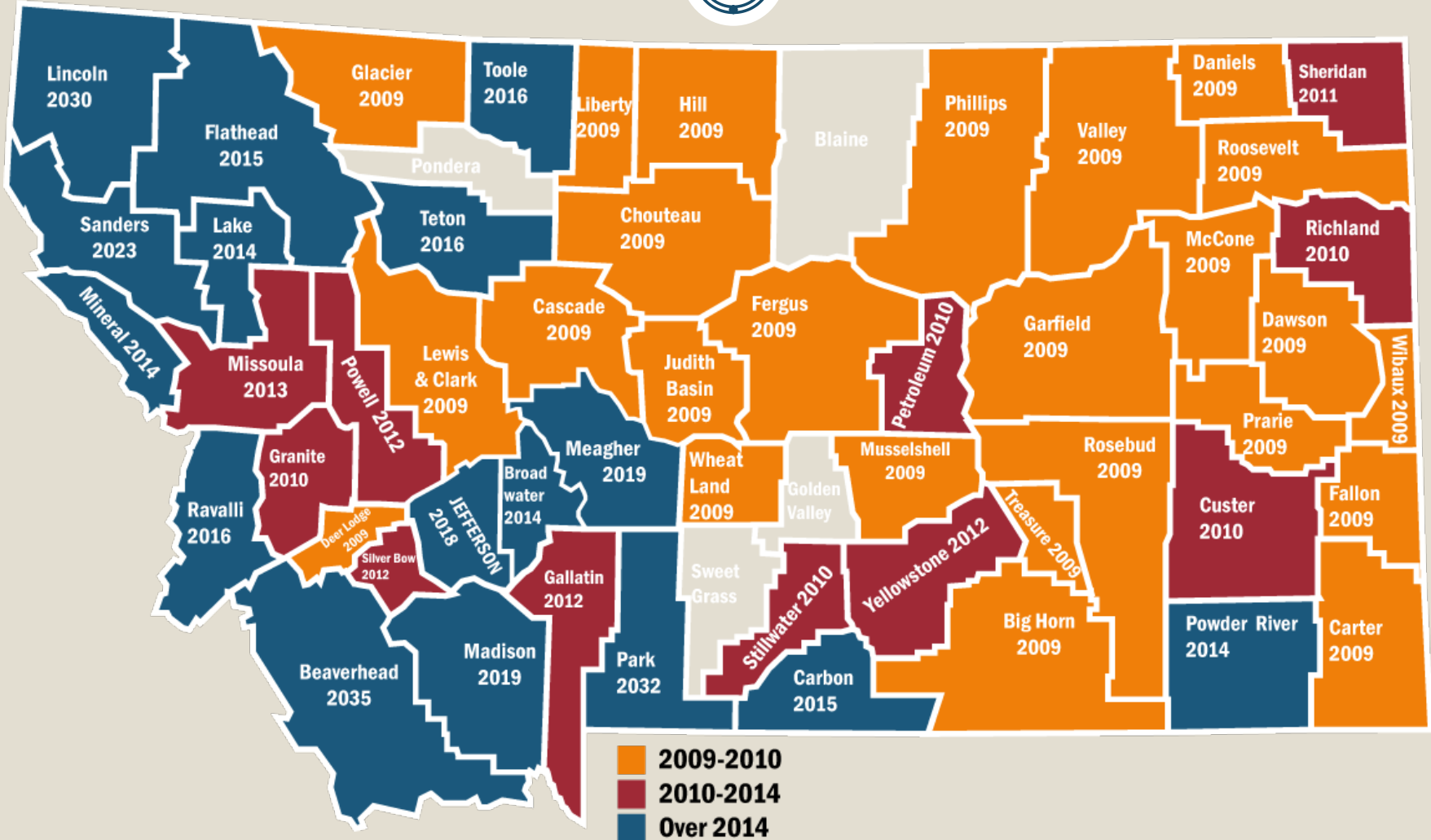
Projected Annual Percent Change In Nonfarm Earnings (in Constant Dollars) 2012-2015



Percent



Recovery Year for Real Wages





Questions?