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Contact: Paul Polzin, UM Bureau of Business and Economic Research, (406) 243-5113.

**UM ECONOMIST: KATRINA UNLIKELY TO SIGNIFICANTLY IMPACT MONTANA
MISSOULA —**

The major Montana economic impacts of Hurricane Katrina will be higher prices for energy and for some consumer products, but the state's overall economic growth is not likely to be significantly reduced, according to a University of Montana economist.

Montana's economy should not see much change because its basic industries — agriculture, mining, nonresident travel, wood and paper products and the federal government — won't be significantly impacted by the hurricane, said Paul Polzin, UM's director of the Bureau of Business and Economic Research.

The U.S. economy, however, will grow about a half percent slower in the last half of 2005 because of the hurricane, Polzin said.

"Damages and destruction have occurred in a major economic region stretching from Lake Charles, La., to Mobile, Ala.," Polzin said. "New Orleans alone represents 0.4 percent of the nation's (gross national product) and may be shut down for weeks or even months."

Polzin said major impacts on Montana's economy include:

- **Agriculture.** Montana farms and ranches produce mainly cattle and wheat. Cattle are sold within the United States, and wheat is exported through the ports of Portland, Ore., and Clarkston, Wash., not New Orleans. Farm production expenses will increase because of higher energy costs brought on by destruction in the Gulf Coast — a major source of crude oil and site of numerous refineries.

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Exhibit #14

■ **Mining and energy.** There is already an oil boom in eastern Montana because of the oil price increases in 2004 and early 2005. Increased production is unlikely because of shortages of materials and labor.

■ **Wood products and other manufacturing.** Higher energy prices will increase costs. Uncertainties over Katrina's damage may make the Federal Reserve's task of gradually raising interest rates more difficult and may keep construction booming longer. Reconstruction in the Gulf Coast may strengthen the demand for lumber and plywood.

■ **Nonresident travel.** Montana's travel peak is during the summer and already has passed. Higher energy prices are a mixed bag, negatively impacting those from far away, but encouraging regional tourists to stay nearby.

■ **Federal government.** There may be a shift of funding away from Montana agencies toward relief efforts in the Gulf Coast.

Hurricane Katrina's impacts on Montana will not be large enough to issue a new statewide economic forecast, Polzin said. BBER's most recent forecast, released in June, calls for 3.2 percent growth in 2005 and 2.9 percent in 2006. Both of these growth rates are far above the state's 30-year-average of 2.2 percent per year, Polzin said.

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