Montana Department of
LABOR & INDUSTRY

Labor Day Report 2012

Research & Analysis BUREAU
MONTANA DEPARTMENT OF LABOR AND INDUSTRY

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Labor Day Report 2012

On Labor Day 2012, Montana's workers and businesses are optimistic about our economy's performance. Throughout the 2007 recession and recovery, Montana's economy has outperformed the U.S. economy, with lower unemployment and stronger gains in personal income. All regions of the state and nearly all industries are now in recovery, with positive job gains over the last year. Many more Montanans are employed and earning higher wages to support their families.

However, certain areas and industries continue to experience hangover effects from the recent recession. Continued weakness in the national housing market has left construction and the wood product industry wondering about future prospects. Northwest Montana communities were most impacted by the job losses in these industries, and communities in this area continue to experience high unemployment rates. Yet even in the Northwest and in the beleaguered construction industry, job growth has resumed and indications of recovery are noticeable. Further, the Eastern portion of the state has experienced strong employment growth related to energy development, boosting growth throughout the state and providing job opportunities to many workers who found themselves out of work during the recent recession.

Future economic prospects promise even stronger growth throughout the state. The health care industry continues to post strong employment growth, offering high-paying jobs to more Montanans, while energy development is offering great opportunities to entrepreneurs in our state. As the global economy recovers, more of Montana's products will be demanded overseas, leading to stronger income and employment growth here at home.

Montana's Economic Performance

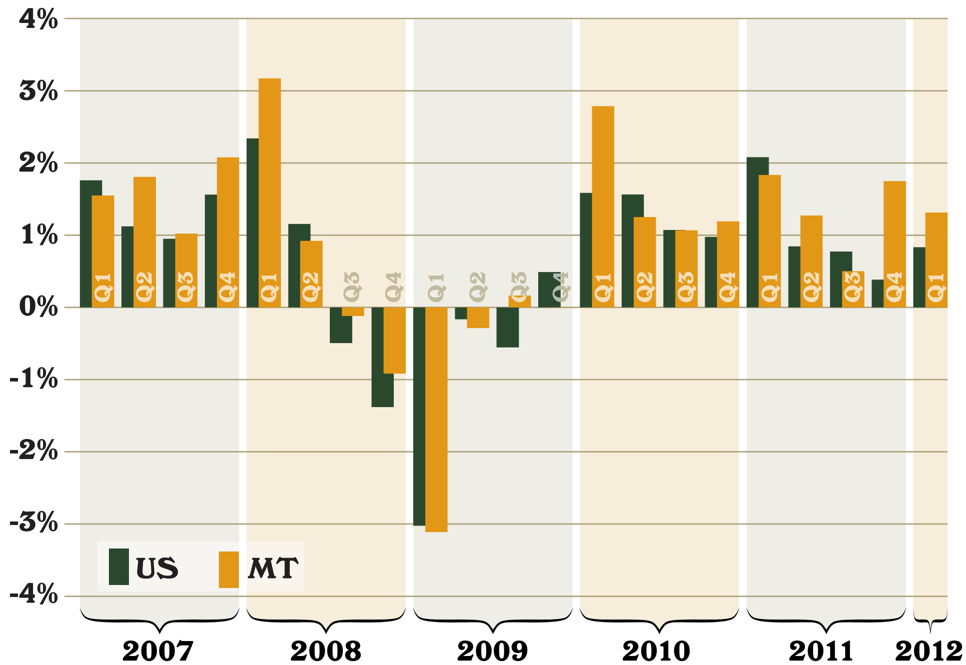
Montana's economy continues to outperform the U.S. economy during the recession recovery. During the 18-month recession that started in December 2007, the U.S. lost 5.1% of its Gross Domestic Product (GDP) and 8.8% of its employment, making it the deepest and longest recession since the Great Depression.[i] Even the global economy has been impacted by this recession, with slower economic growth expected in our trading partners overseas. Yet even in this environment of slow growth both nationally and globally, Montana's economy has added jobs and gained income.

State-level GDP statistics are only available annually, which understates the impact of the recession by averaging the recession low with better performing quarters. On an annual basis, Montana's GDP loss from the peak in 2008 to the trough in 2009 was 2.6%—roughly the same as the annual impact in the U.S. as a whole. However, since exiting the recession, Montana has had stronger growth in GDP of 9.0% since the trough compared to 8.3% nationally.[ii]

Montana also outperformed the nation in terms of personal income, as shown in Figure 1. Montana's personal income growth exceeded the U.S. in most quarters shown. Montana did not lose as much personal income during the recession, losing only 4.4% of the pre-recession peak compared to 5.6% nationally. Further, since hitting the trough, Montana's personal income growth has outpaced the U.S. by about 3%.

The various forces causing the recession and slow recovery are evident in the quarterly personal income statistics in Figure 1. The national housing market and the general economic slowdown was first noted during the summer of 2007, but personal income for both the U.S. and Montana continued to expand until the financial crisis in the third and fourth quarters of 2008. Then, Wall Street losses translated

Figure 1: Montana and U.S. Personal Income Growth



Source: Quarterly Personal Income Data, Bureau of Economic Analysis, U.S. Department of Commerce. Accessed August 15, 2012.

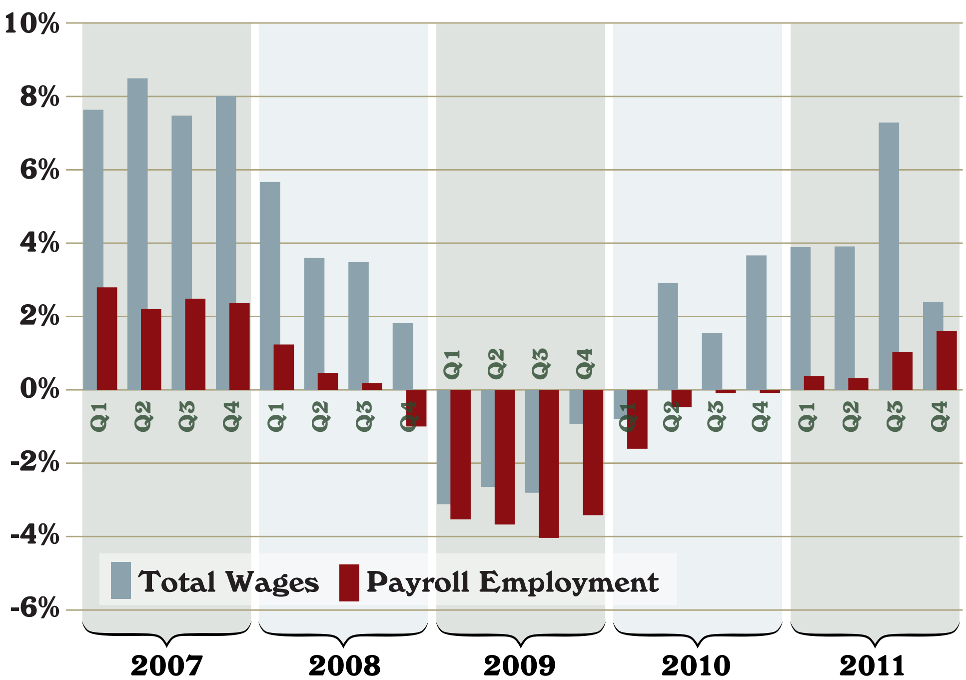
into income and job losses on Main Street. Although the U.S. recession officially ended in June 2009, Montana continued to lose income throughout 2009, with the turnaround occurring in the first quarter of 2010.[iii]

Then, as the U.S. economy turned upward, global problems came to the forefront. The Eurozone sovereign debt crisis moderated the U.S. recovery, with the first Greece bailout occurring in the second quarter of 2010.[iv] As one of America's largest export customers, Europe's economic slowdown reduced the demand for U.S. goods.[v] Overall, global GDP growth slowed from 5.2% in 2010 to 3.8% in 2011, while the advanced economies that make up the majority of the U.S. export customers slowed from 3.0% in 2010 to 1.4% in 2011.[vi] The last few years have taught Montanans that our economic fortunes are strongly tied to the performance of global and national economies.

Domestic factors have also played a role in the slow emergence of the economy out of the recession. During the summer of 2011, the federal debt ceiling increase debate increased the uncertainty about future government spending and the safety of U.S. financial instruments. With government spending equaling roughly 20% of GDP, any large changes to that spending would have an impact on the economy. Personal income growth slowed in this period, but again gained strength in the third quarter of 2011.

Further, throughout the 2007 to 2012 period, oil and gas price spikes caused temporary shocks to the U.S. and Montana economies. Higher fuel prices reduce the amount of discretionary dollars consumers have to spend in grocery stores, restaurants, and retail stores, thus slowing job growth. Higher energy prices do have a silver lining for Montana, however, because our state is an energy exporter and higher prices stimulate growth in our energy industry.

Figure 2: Montana Payroll Employment and Total Wage Growth



Source: Quarterly Census of Employment and Wages (QCEW), Montana Department of Labor and Industry (MT DLI), Research and Analysis Bureau.

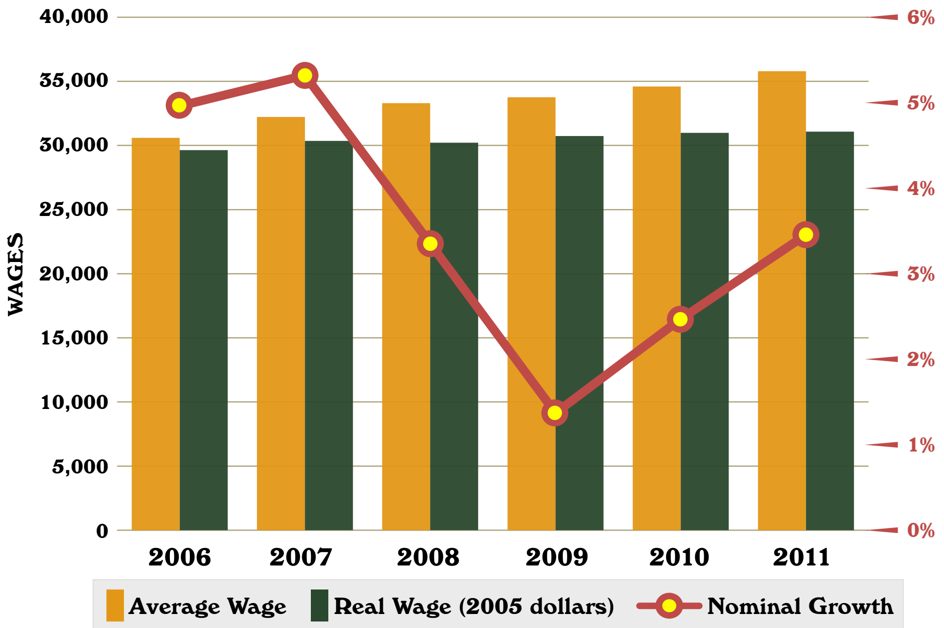
The impacts of the various factors influencing our economy in the last five years are also evident in Montana's payroll employment and total wage growth, which are illustrated in Figure 2. Like personal income, Montana's payroll employment was impacted by the financial crises, starting employment losses in the fourth quarter of 2008. Job losses continued throughout 2009 and 2010 (although private sector job growth resumed in 2010), but the Montana economy gained jobs in 2011. Preliminary estimates through July suggest that employment gains have continued in 2012, adding almost 10,000 jobs from June 2011 to June 2012.

Total payroll wages (or the total amount of wages paid to Montana workers) recovered a few quarters earlier than employment growth. Total wage growth entered positive territory in the second quarter of 2010, despite continued job losses. In other words, even while businesses continued to shed jobs, retained workers experienced wage gains from pay increases, overtime pay, or bonuses that outweighed the wages lost from the layoffs. These wage gains translated into job growth in 2011 as the spending of more wages stimulated demand in the high-employment consumer industries.

Montana's average annual wage continued to increase throughout the recession (Figure 3). Average wage growth (on the right axis, illustrated by the diamond marks) was low, but positive in 2009. Low-wage jobs were more likely to be lost during the recession, which resulted in a slight increase in the average wage in 2009 despite large losses in total wages.

Since 2010, Montana has experienced moderate growth in the average wage. Wage gains in 2010 were primarily experienced by the private sector, which increased wages by 3.1%, while federal and state government workers faced wage freezes or small decreases. Wage growth occurred in both the private and public sector in 2011, leading average annual wages to exceed $35,000 for the first time.

Figure 3: Montana Average Annual Wages

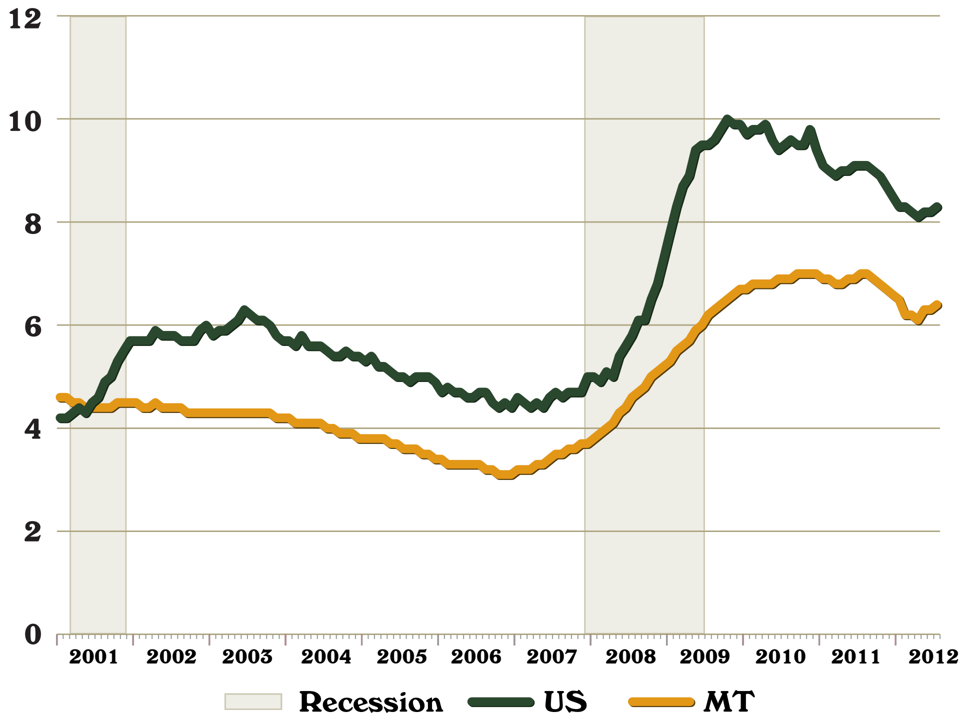


Source: QCEW, Bureau of Labor Statistics (BLS), and MT DLI

Montana also experienced real wage growth as we exited the recession (Figure 3). Real wages are adjusted for inflation and indicate whether Montanans can buy more products and services with their wages than in previous years. Therefore, real wage growth gives a better indication of whether Montanans are achieving a higher standard of living with their earnings. Real wages have increased at about 1% per year since 2007, although real wages increased by only 0.3% in 2011 due to higher energy prices.

Workers retaining their employment during the recession experienced the benefits of economic recovery through increased wages, but unemployment remained at elevated levels until the last year. Since the peak in August 2011, Montana's unemployment rate has dropped significantly, with stronger job growth and better employment opportunities for Montana's workers.

Figure 4: Montana and U.S. Unemployment Rate



Source: BLS, MT DLI-Research and Analysis Bureau

Montana's unemployment rate has been lower than the U.S. rate since the 2001 recession, as shown in Figure 4. During the strong growth years leading up to the recession, Montana's unemployment rate fell to historic lows, reaching 3.1% in 2006. This low unemployment rate was partially due to "bubble employment" associated with the national housing and construction bubble, where growth outpaced market fundamentals. When this bubble "popped" in 2007 with the start of the recession, Montana's unemployment rate increased 3.3 points up to a high of 7.0% in 2011. Although 7.0% was the highest rate in recent years, Montana's unemployment rate was higher during the 1982-83 recession when the state's unemployment hit 8.8%. Montana's rate has declined since August 2011, although the measure has stopped its decline in June and July 2012 in line with slower job growth nationally.

The U.S. unemployment rate increased much more than the Montana rate during the recession. The U.S. rate increased by 5 points (compared to Montana's 3.3 points), hitting a high of 10% in 2009. Since then, the U.S. unemployment rate has declined more swiftly than Montana's rate. At first glance, the swift decline in the U.S. rate compared to the Montana rate may suggest that Montana lagged behind the U.S. recovery, but, in fact, Montana had stronger job growth during this period than the U.S. During the lag between the U.S. rate decline starting in October 2009 and Montana's rate decline in August 2011, Montana's employment increased by 1.5% compared to only 1% nationally.

The delayed recovery of Montana's unemployment rate is actually due to the other measure included in the unemployment rate – the labor force. The labor force is the number of people working or looking for work. During bad economic times, some unemployed workers can become discouraged and quit searching for employment. Discouraged workers usually re-enter the labor force when conditions improve. In some ways, labor force participation rates measure consumer sentiment about the likelihood of finding a job. During the lag period between the U.S. turnaround and the Montana turnaround, Montana labor force increased 1.9% compared to a small 0.1% shrinking of the U.S. labor force during the timeframe. The comparatively large gain in Montana's labor force kept Montana's unemployment rate from decreasing like the U.S., even though the state was experiencing stronger employment growth.

Montana's job growth has outpaced the U.S. since the low employment trough in December 2009. When measuring total employment growth, Montana has regained 58% of the jobs lost during the recession compared to only 49% nationally. For payroll employment, which does not include the self-employed and some agricultural workers, Montana regained about 61% of the jobs lost during the recession, while the U.S. has only recovered about 52% (through Dec. 2011).[vii]

Although Montana's unemployment rate has been on a downward trend since last August, the rate has ticked upwards in the last three months. Although this uptick may cause consternation among those frustrated with the slow pace of recovery, there are reasons to believe that the recent uptick is volatility or a few months pause before continuing its decrease towards lower unemployment rates. First, some of the increase in the unemployment rate may be due to a seasonal adjustment model that has not yet fully calibrated to reduced seasonality within construction employment compared to past years.[viii] Second, national employment posted a few slow employment reports in April and May, which are likely now impacting Montana's employment reports. A slowdown in U.S. growth eventually translates into a Montana slowdown. The U.S. has already regained footing with a strong July employment report, suggesting that Montana will also resume stronger growth in future months. Finally, leading indicators for Montana indicate continued employment growth for our state.

One leading indicator is the number of online job postings for Montana jobs. Figure 5 illustrates the number of unemployed in Montana compared to the leading indicator of the number of online job vacancies. The number of unemployed workers in Montana started to increase with the official start of the recession in December 2007, moving from less than 20,000 people in January 2008 to more than 35,000 people in 2010. The number has since dropped to about 32,400 workers.

The decline in worker demand occurred before the upturn in unemployment, however, as evidenced by the downward trend in online job openings leading up to the recession and continuing until 2009. The average number of monthly on-line job vacancies within Montana decreased from 16,800 in 2007 to only 10,800 in 2009, a 36% decrease.

Figure 5: Montana Online Job Postings and Unemployed People, 2005 to 2012

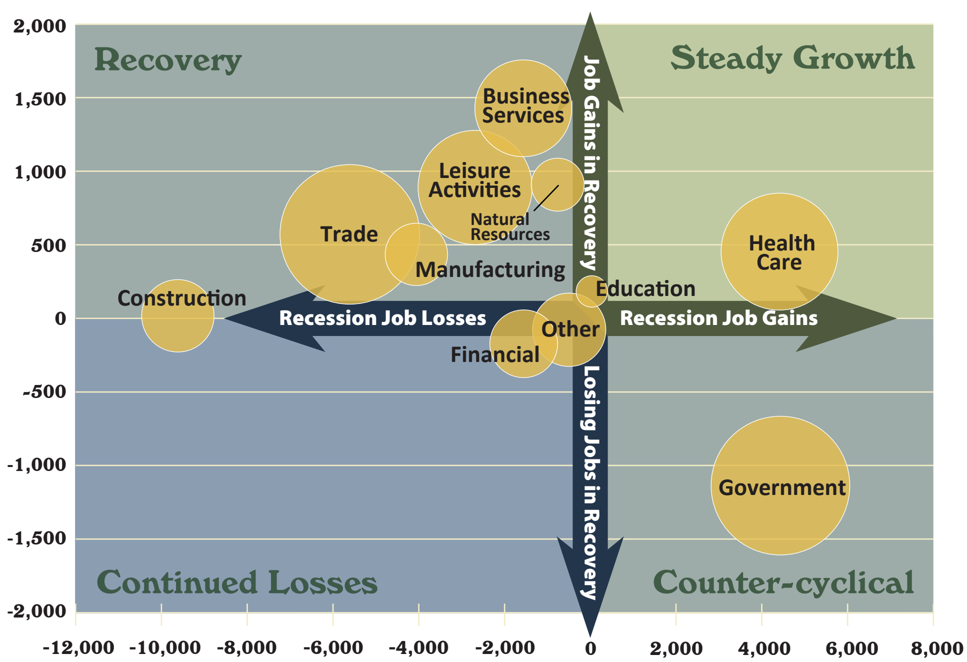
Source: Help Wanted OnLine Job Vacancies, Montana, The Conference Board, Local Area Unemployment Statistics (LAUS), BLS, MT-DLI

Over the past 36 months, the number of monthly job vacancies within the state recovered from their recession lows. In April 2012, the number of job vacancies within Montana was over 18,200 – above the 2007 average of 16,800. As the number of job vacancies continued to increase, the number of people unemployed within Montana slowly declined from its peak of more than 35,000 people to less than 32,500. Based on the leading indicator of online job vacancies, Montana's unemployment rate is likely to continue its downward trend for the last half of 2012. The long-term trend in job openings remains positive. As a leading indicator, any turnaround in the economy would be evident in job openings long before the trend appears in the unemployment rate.

Many of the workers still unemployed may be wondering where they can find these job openings. In fact, nearly every industry has taken part in Montana's job recovery. Figure 6 illustrates the recession losses and recovery for each private industry and government. The size of the bubble denotes the 2011 employment levels, while the location on the quadrant indicates how the industry has performed during recession and recovery. The horizontal axis indicates the number of job losses or gains during the recessionary years of 2007 to 2010, and the vertical axis indicates the number of jobs gained or lost since 2010. Industries falling into the upper right growth quadrant have added jobs both during the recession and recovery, while industries in the upper left lost jobs during the recession, but have since regained employment.

Overall, payroll and total employment grew by about 0.9% from 2010 to 2011. However, private job growth has been much stronger at 1.4%. Total job growth is slower because the government sector has been shedding jobs throughout 2010 and 2011. Figure 6 places gov-

Figure 6: Industry Job Change, Recession (2007 to 2010) Compared to One Year Recovery (2010 to 2011)



Source: QCEW, BLS, and MT DLI-Annual Averages ernment in the bottom right quadrant because government added jobs during the recession (about 4,400 jobs added), but has since lost about 1,100. Counter-cyclical government employment growth helps stabilize the economy during recessionary periods and helps to accelerate the return to growth.

Health care also added roughly the same number of jobs as the government sector during the recession, but its growth has continued during recovery. Health care has added almost 4,900 jobs from 2007 to 2011. Private education services is the only other industry to fall into the steady growth quadrant with health care, but the size of the industry is much smaller, with job gains of only 35 during the recession and 180 since the recovery. Most education employment falls within the government sector, such as teachers in local elementary schools or state universities.

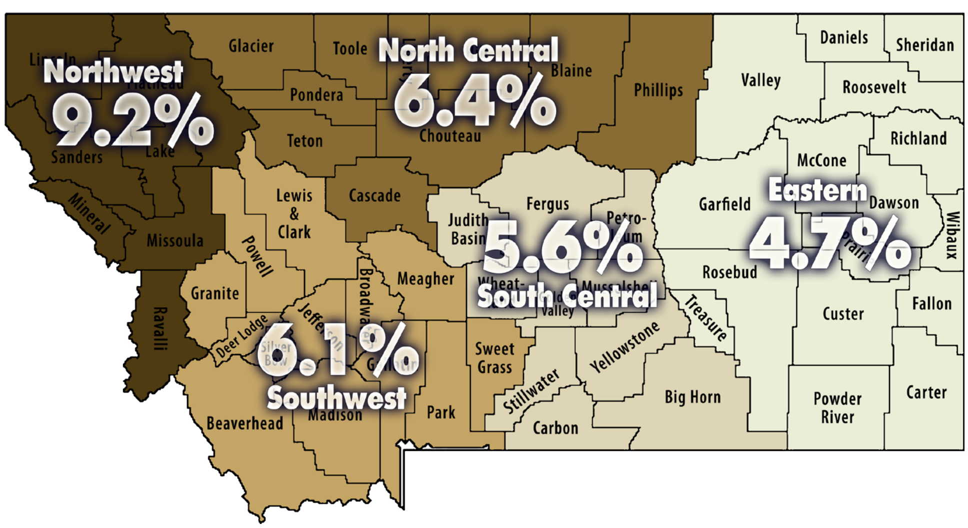
The largest recessionary job losses occurred in the construction and trade industries. Construction lost 9,610 jobs during the years of 2007 to 2010, which is roughly 30% of the pre-recession employment. Construction started to recover in 2011, adding a few jobs. Preliminary estimates from the Current Employment Statistics indicate that construction has continued its recovery in 2012, regaining about 1,200 jobs over the last year. The fate of the trade industry, which includes both wholesale and retail trade, transportation, and the utilities industries, is crucial to reducing unemployment in our state because it is the largest employer. The trade sector lost about 6.3% of its employment during the recession, or about 5,600 jobs. Since then, the trade sector has regained about 600 jobs, putting it into the recovery quadrant. The transportation industry, in particular, has recovered fairly well in the last year, partially because of an increase in trucking and oil pipeline transportation related to the development of the Bakken oil shale.

The industry adding the most jobs is the business services industry, which added 1,400 jobs over the last year and will likely regain its pre-employment peak in 2012. Other strong recovery industries include the large employer of leisure activities, which regained about 900 of the almost 2,600 jobs lost during the recession, and the natural resources industry, which has regained all of the employment it lost during the recession, plus some. Although the natural resources industry, which includes both mining and agriculture, is a small employer, it is an important driver of economic growth in our state because of the value of its exports.

The only industries remaining in the continued losses sector are financial services and other services. Both of these industries have flirted with recovery by posting job gains for three or four months, then losing gains in the next quarter. Overall, these two industries have been relatively flat, losing a combined 250 jobs in 2011.

The impact of the recession and recovery has affected various areas of Montana differently, largely due to the industry mix of each region. Figure 7 illustrates the five regions of Montana and their unem-

Figure 7: Unemployment Rate by Region, 2011



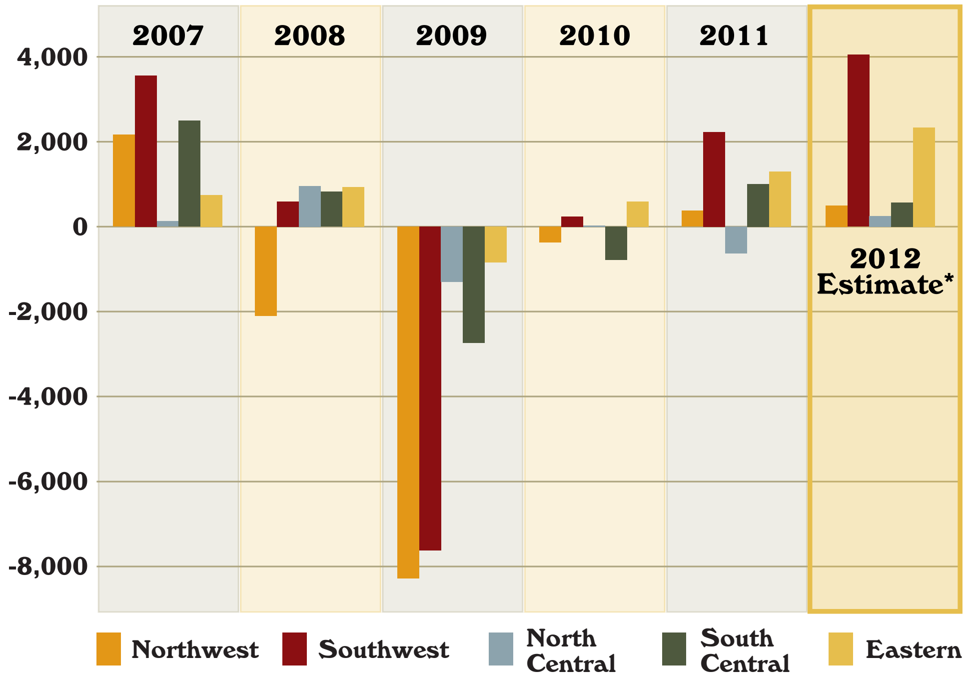
Source: LAUS, BLS, MT-DLI

ployment rates for 2011. The Northwest portion of Montana had an unemployment rate of over 9% during 2011, while the Eastern portion of the state had a relatively low rate of 4.7%. The Northwest and Southwest portions of Montana were the hardest hit during the 2007 recession because these areas were more reliant on the construction and manufacturing industries (primarily wood product manufacturing) than other areas of the state. These two industries were the hardest hit during the recession, resulting in these two areas experiencing the greatest job loss.

In contrast to the hard-hit western portion of the state, the Eastern region maintained a low unemployment rate throughout the recession because of a heavy reliance on energy, agriculture, health care, and government – all of which performed fairly well during the recession. The development of the Bakken oil shale has brought a great deal of development into the region, not just in oil and gas mining, but also in support services like employment firms providing oil field workers or engineering services ensuring that environmental standards are met. Further, consumer industries have benefited from the increased wealth in the area. The South Central region has also gained from Bakken development because many of the companies providing services have located in Billings.

Figure 8 illustrates both the timing and depth of the job losses during the recession using over-the-year job growth by region for 2007 through 2011. Also shown are the projected levels for 2012 based on preliminary employment reports for the first half of the year. The Northwest was the first region to experience job losses, starting to lose jobs in the latter part of 2007 with the slowdown in the national housing market, resulting in 2008 posting over-the-year employment losses. Other regions did not experience job losses until the banking crisis and the fall of the stock market in the last quarter of 2008. The 2009 employment levels were lower than 2008 in all regions, with

Figure 8: Job Change by Region, 2007-2011, projected 2012



Source: Local Area Unemployment Statistics, BLS, DLI

the western portion of the state experiencing the most losses – over 8,000 job losses in one year for the Northwest. 2010 brought little change for most regions, with job recovery in 2011.

Based on estimates for the first half of 2012, all regions of the state are now in recovery. Although the Southwest had large job losses of over 7,600 in 2009 (almost 6% of employment), the region has led job gains exiting the recession. Similarly, the South Central lost about 3,500 jobs, but the region may regain its peak employment this year. The Northwest and North Central regions, however, are not regaining employment quickly, and may take several years to recover. The Northwest, in particular, suffered a large loss in one of its major base industries – wood product manufacturing – which brought significant income into the area. With home building expected to be at depressed levels for some time, demand for wood products and employment in the Northwest may take significant time to recover.

Based on the five-year growth, the East has been the strongest performing region, adding 2,700 jobs for average growth of 1.6%—much higher than the slightly negative change for the five-year average in the rest of the state. Although some of the growth can be attributed to existing businesses in agriculture, health care, and the more stable government sector, much of this growth arises from the additional activity in oil and gas mining. The growth in this base industry in the Eastern region has brought significant new funds into the state, driving personal income growth statewide and increasing economic activity across all industries in the eastern portion of Montana.

Montana's American Indian reservations have also felt the impact of the national recession. As shown in Figure 9, employment on Montana's reservations has decreased over the last year, largely due to the loss of government jobs felt throughout the state. Only Fort Peck, which lies within the portion of Montana that is benefiting from Bakken development, has experienced employment gains over the year. Wage growth on the many reservations has been strong, with over-

Figure 9: Economic Performance on Montana's American Indian Reservations

	Employment		Wages		Unemp. Rate
	2011 Employment	2010 to 2011 Change	2011 Annual Average	2010 to 2011 Change	2011 Average
Blackfeet	2,721	-8.4%	$35,097	9.1%	16.6%
Crow	2,241	-3.1%	$35,604	2.8%	23.6%
Flathead	7,972	-1.0%	$30,820	2.5%	14.0%
Fort Belknap	348	-5.2%	$42,558	7.2%	14.9%
Fort Peck	3,231	1.0%	$31,440	2.1%	11.1%
Northern Cheyenne	1,428	-3.1%	$33,269	5.3%	20.5%
Rocky Boy's	1,021	-2.6%	$42,206	6.8%	15.6%
Total	18,962	-2.4%	$33,117	3.9%	

Source: Montana Department of Labor and Industry Reservation Employment Estimates, 2012.

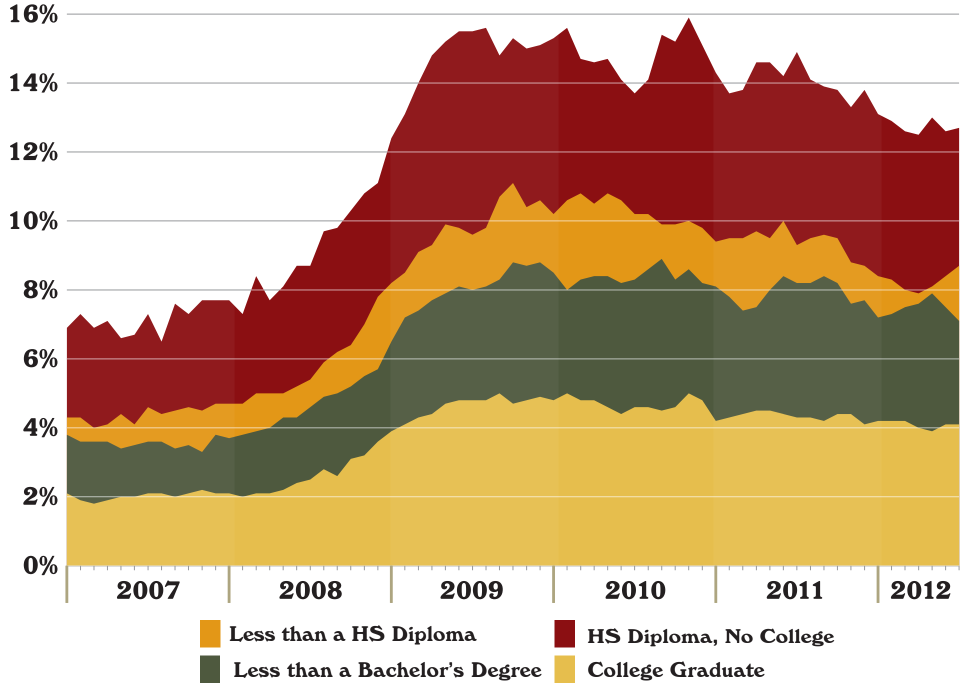
all growth of 3.9% compared to 3.5% for the state as a whole. The reservation areas remain the most economically sensitive areas of our states, with unemployment rates roughly twice that of their surrounding regions.

In 2012, Montana is firmly in recovery from the national and global recession. With over two years of growth in personal income and wages, and over a year of employment growth, Montana workers and their families are gaining ground and living at a higher standard of living. Some industries and regions are close to regaining their pre-recession employment, and all regions are adding jobs over the last year. Despite this positive news from nearly every sector, unemployment rates remain high, and workers in some regions may find it difficult to find jobs in their occupation. For these workers, knowing which industries and occupations will have job openings in the future is important for retraining and other life decisions.

Future Expectations

The best choice for workers looking to improve their wages and employability is to obtain higher education levels and improve their worker skills through training. Workers with higher levels of education have much lower unemployment rates, as shown in Figure 10. The national unemployment rate for workers with a college degree peaked at 5.1% during the recession, but those without a high school degree faced unemployment rates over 14% for much of the recession. In Montana, the disparity may be even more extreme. During 2010, Montana workers without a high school diploma faced an unemployment rate over 17%, while college educated workers had an unemployment rate of 3.1%. Workers with higher education levels also have higher wages and lower poverty rates than those with lower education levels.[ix]

Figure 10: U.S. Unemployment by Education Level



Source: Current Population Survey, BLS

Unfortunately for those with lower education levels, the high unemployment rates for low-skilled workers are expected to continue. Montana Department of Labor and Industry employment projections suggest that workers with low skills may need to seek additional education and worker training in order to find new employment. Figure 11 compares the projected job growth by education category compared to job losses during the recession (2007 to 2010) and gains made in the last year. Jobs are categorized by the minimum level of education needed to enter the occupation – becoming an expert in the profession and achieving wage growth often requires education levels above the required level. Jobs requiring a high school diploma or less represent over 72% of our economy and added the most number of jobs (3,230) during the year of recovery. They are also expected to add 8,500 jobs during 2012 and 2013. Yet, there were so many job losses in this category during the recession that workers with only a

Figure 11: Montana Projected Job Growth and Recession Losses By Education Category

	Percent of Jobs	Recession Change	Recovery Gain	Gain by 2013	Outcome
High School Diploma or Less	72.2%	-24,175	3,230	8,500	Over Supply
Some College, Postsecondary award, or Associate's degree	10.7%	453	400	1,885	In Demand
Bachelor's degree	12.7%	106	400	1,360	In Demand
Higher than a Bachelor's Degree	4.4%	557	175	700	In Demand

Recession change is the change in annual employment levels between 2007 and 2010. Recovery occurred between 2010 and 2011.

Source: Montana Department of Labor and Industry Employment Projections, 2012

high school diploma will still be in over-supply. These workers will face large competition finding employment. In contrast, jobs requiring a bachelor's degree or higher make up about 17% of our total jobs and are not expected to add as many jobs (1,360 for jobs requiring a bachelor's degree and 700 for those requiring a higher degree), but there were jobs added during the recession and recovery. Workers with college degrees will continue to be in demand in the future.

Specifically, employment projections prepared by the Montana Department and Labor and Industry suggest that workers are likely to find job openings in the rapidly growing fields of health care and natural resources in the next few years. Figure 12 presents the expected growth for Montana's industries for both the next two years and for longer-term growth through 2021, compared to the historic growth. These employment forecasts are produced by the Department annually.

Figure 12: Projected Growth by Montana Industry, 2011 to 2021

	Historic Data			Projected	
	2000 to 2007	2007 to 2010	2010 to 2011	2011 to 2013	2013 to 2021
Natural Resources	4.1%	-2.2%	8.0%	2.4%	2.3%
Construction	6.9%	-11.1%	0.2%	1.8%	3.1%
Manufacturing	-1.2%	-7.1%	2.9%	2.5%	-0.4%
Trade, Transportation, and Utilities	1.2%	-2.1%	0.7%	1.0%	0.8%
Financial Services	2.3%	-2.5%	-0.8%	0.8%	0.7%
Business Services	4.3%	-1.3%	3.7%	2.5%	2.6%
Education	1.2%	1.3%	0.2%	0.5%	0.9%
Health Care	2.8%	2.8%	0.9%	2.5%	2.9%
Leisure Activities	2.4%	-1.5%	1.6%	1.1%	1.5%
Other Services and Information	0.6%	-0.5%	-0.3%	0.6%	0.6%
Government	1.6%	1.8%	-2.5%	-0.1%	0.6%
Total Payroll Jobs	2.2%	-1.4%	0.9%	1.4%	1.5%

Source: Montana Department of Labor and Industry Employment Projections, 2012

Overall, employment growth is expected to be slower in the future than in the past, with payroll employment growing by about 1.5% per year compared to 2.2% annually in the bubble years leading up to the recession. In many ways, the rapid economic growth during 2000 to 2007 was artificially high because of the low interest rates that caused the bubble, and slower expected growth is simply a result of being outside the bubble period.

Growth will also be slower in the future because of cutbacks in government spending and slower growth in consumer spending as Americans save and try to reduce their debt loads. With government spending comprising about 20% of aggregate demand, and consumption comprising about 70% of aggregate demand, the slowdown in these sectors will translate into slower overall economic growth. Lower domestic demand from consumers and governments will lead many businesses to slow production or look abroad to foreign markets to supplement growth. Both alternatives may lead to slower employment growth domestically. However, stronger wage growth would allow consumers to both pay down debt and increase consumer spending, which would result in stronger job growth than projected in Figure 12.

The consumer spending slowdown will impact consumer-based industries, such as retail, leisure activities, and residential construction. Construction employment, although still growing faster than many other industries, is not expected to regain pre-recession levels until after 2021. Government cutbacks will likely impact industries that rely on government funding or contracts. Military-associated manufacturing, education, agriculture, and health care will likely be impacted by lower government spending, particularly if cuts are made to Medicare or Medicaid. Health care will remain a rapidly growing industry, however, because Montana's aging population will increase demand for health care services. The slower overall growth will also slow growth in business support services.

As for Montana's exporting industries of manufacturing and natural resources (including agriculture and mining), a slowing global economy will likely moderate employment gains in 2012 and 2013, although global demand will return to spur growth in the next ten years. In particular, China and other Asia markets consume about 1/4th of Montana's nonfarm exports.[x] An economic slowdown in China and other Asian countries will reduce demand for our goods and slow job growth. However, China's economy is still expanding at a rapid pace of about 8% annually and is expected to accelerate slightly next year.[vi] Manufacturing is expected to make a partial recovery driven by global demand, but manufacturing employment will then return to its long-term negative trend before 2021.

The U.S. domestic economy also faces many risk factors that may slow job growth in the near term. Continued difficulties in the Eurozone or further slowdowns in the Asian economies would slow demand for U.S. produced goods, while the continued discussion on the federal budget presents uncertainty for many businesses. Current fiscal plans call for spending cuts and tax increases equal to about 3.8% of GDP in January 2013, which would likely send the U.S. economy into a shallow recession.[xi] November's elections will likely provide more insight into the shape and timeframe for future federal cuts; in the meantime, businesses and consumers who are reliant on this spending are less likely to make decisions or take on risk in such an uncertain environment.

Although the national and Montana economy still face risks, our economy has proved to be incredibly resilient in the last few years. In the face of a global slowdown that reduced demand for our goods, a sovereign debt crisis in the Eurozone, continued oil and food price shocks, and uncertainty in our federal fiscal balance, Montana's economy continues to add jobs, grow wages, and bring in higher personal income. From June 2011 to June 2012, Montana added almost 9,800 jobs for an annual growth rate of 2.1%—above forecasted expectations. In comparison, the long-term growth rate since 1976 is only 1.2%. The last time Montana added over 9,500 jobs in a year was in 2007 before the start of the recession. Montana's economy has excelled despite the many risks to our growth.

Although unemployment remains undesirably high, Montana's strong job growth has re-employed out-of-work Montanans and brought stronger wages back to their families. Future years will bring continued growth to our state, particularly in the east and Billings regions that will likely continue strong growth resulting from the development of the Bakken and the increased income flowing into the area. The Southwest region has also posted large job gains over the past year, with no end in sight for continued growth. The North Central region is expected to add jobs in the same slow and steady fashion it has demonstrated in recent years. Even the Northwest, hard hit during the recession, is expected to regain jobs in the wood product industry and add jobs within the next few years. On this Labor Day, Montana's future looks bright.

Endnotes

i. Recession timing from National Bureau of Economic Research, quarterly GDP statistics from the Bureau of Economic Analysis, and employment figures from the all states total of the Quarterly Census of Employment and Wages.

ii. All GDP and personal income statistics are from the Bureau of Economic Analysis, U.S. Department of Commerce, http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1. Last accessed August 15, 2012.

iii. Although the National Bureau of Economic Research (NBER) uses many indicators to determine recession timing, the end of the 2007 recession corresponds to the output measures more than personal income measures or employment. For more information on the determination of NBER recession timing, please visit their business cycles determination page at http://www.nber.org/cycles/main.html. Site last accessed Aug. 2012.

iv. The Wall Street Journal has a nice interactive timeline of the Eurozone Sovereign Debt crisis and austerity measures. See "Doubt, Debt, and the Euro Zone" The Wall Street Journal, at http://online.wsj.com/article/SB10001424052970204394804577012362844980618.html. Accessed Aug. 2012.

v. World Institute for Strategic Economic Research (WISER), www.wisertrade.org. 2011 annual data. Accessed Aug. 2012. Demand slows both because consumers have fewer dollars to spend and because the euro weakened compared to the dollar, which makes U.S. exports more expensive for Eurozone consumers.

vi. International Monetary Fund, World Economic Outlook Database, April 2012. http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx. The IMF's growth estimates for the U.S. were 3% in 2010 and 1.7% in 2011. In comparison to other countries, the U.S. growth was roughly the same as other developed countries in 2010, but the U.S. was ahead of the average in 2011 as other countries growth slowed more than the U.S.

vii. Total employment measured by the Local Area Unemployment Statistics and the Current Population Survey, and payroll employment by the Quarterly Census of Employment and Wages, both published by the Bureau of Labor Statistics and the Montana Department of Labor and Industry. LAUS data is through July 2012.

viii. Bernanke, Ben. Statement to the Joint Economic Committee, U.S. Congress. "Economic Outlook and Policy" Hearing. June 7, 2012. Accessed Aug. 2012. If seasonality plays a role in the recent uptick of the unemployment rate, it would also imply that seasonality resulted in too low unemployment rate estimates last winter. Ultimately, the unemployment rate data series is smoothed at the end of each year. The sharp decrease at the end of last year, and the last few months of increases, will likely be smoothed out of the final data to reveal a slow downward trend. For more information on the impact of changing seasonality on Montana's employment estimates, please contact the author for a copy of a memo written on January 20, 2011.

ix. U.S. Census Bureau , 2010. Available from the Census and Economic Information Center, Montana Department of Commerce.

x. World Institute for Strategic Economic Research (WISER), www.wisertrade.org. 2011 annual data. Accessed Aug. 2012.

xi. Congressional Budget Office, "An Update to the Budget and Economic Outlook: Fiscal Years 2012 to 2022." August 22, 2012. Available at http://www.cbo.gov/publication/43539. Accessed on August 23, 2012.

xii. Global Insight, "U.S. Economy: The Fiscal Cliff" analysis published on June 28, 2012 and "The U.S. Economic Outlook- A Soft Patch or Something Worse?" webinar presented August 16, 2012.

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