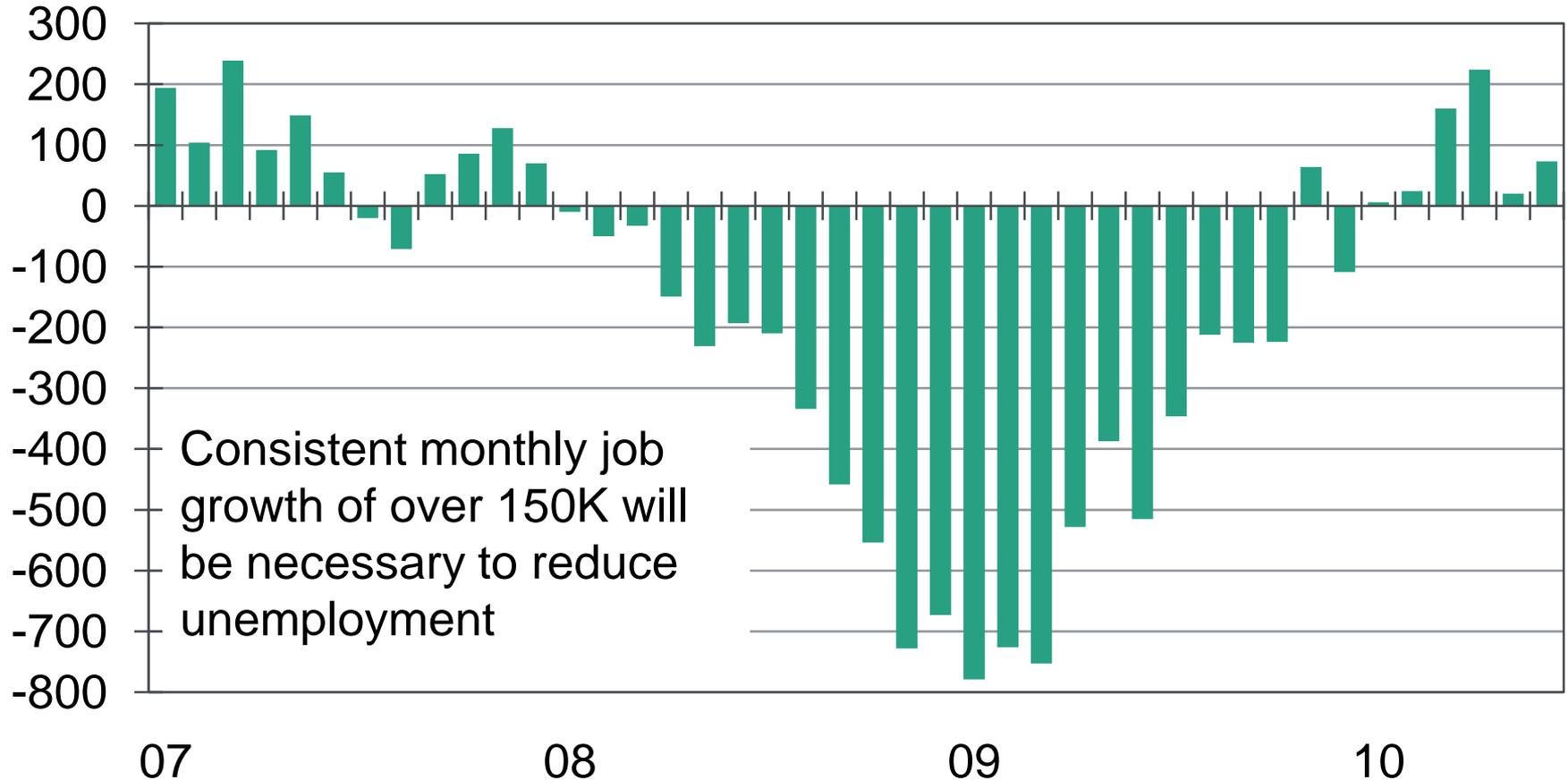


The Economic Outlook for Montana and the U.S.

STEVE COCHRANE, MANAGING DIRECTOR

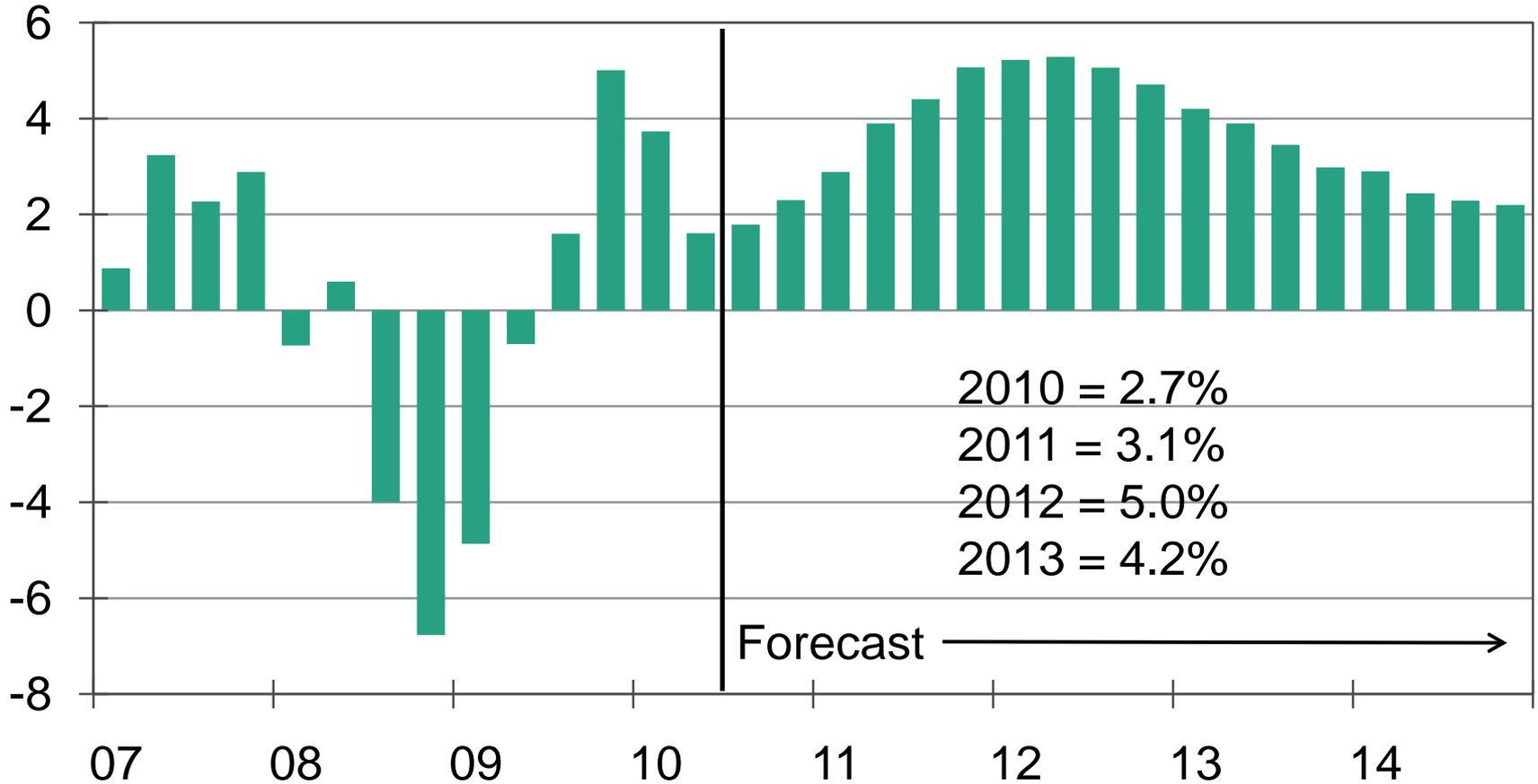
A Fragile Economic Recovery...

Monthly payroll employment change, ex Census jobs, U.S., ths



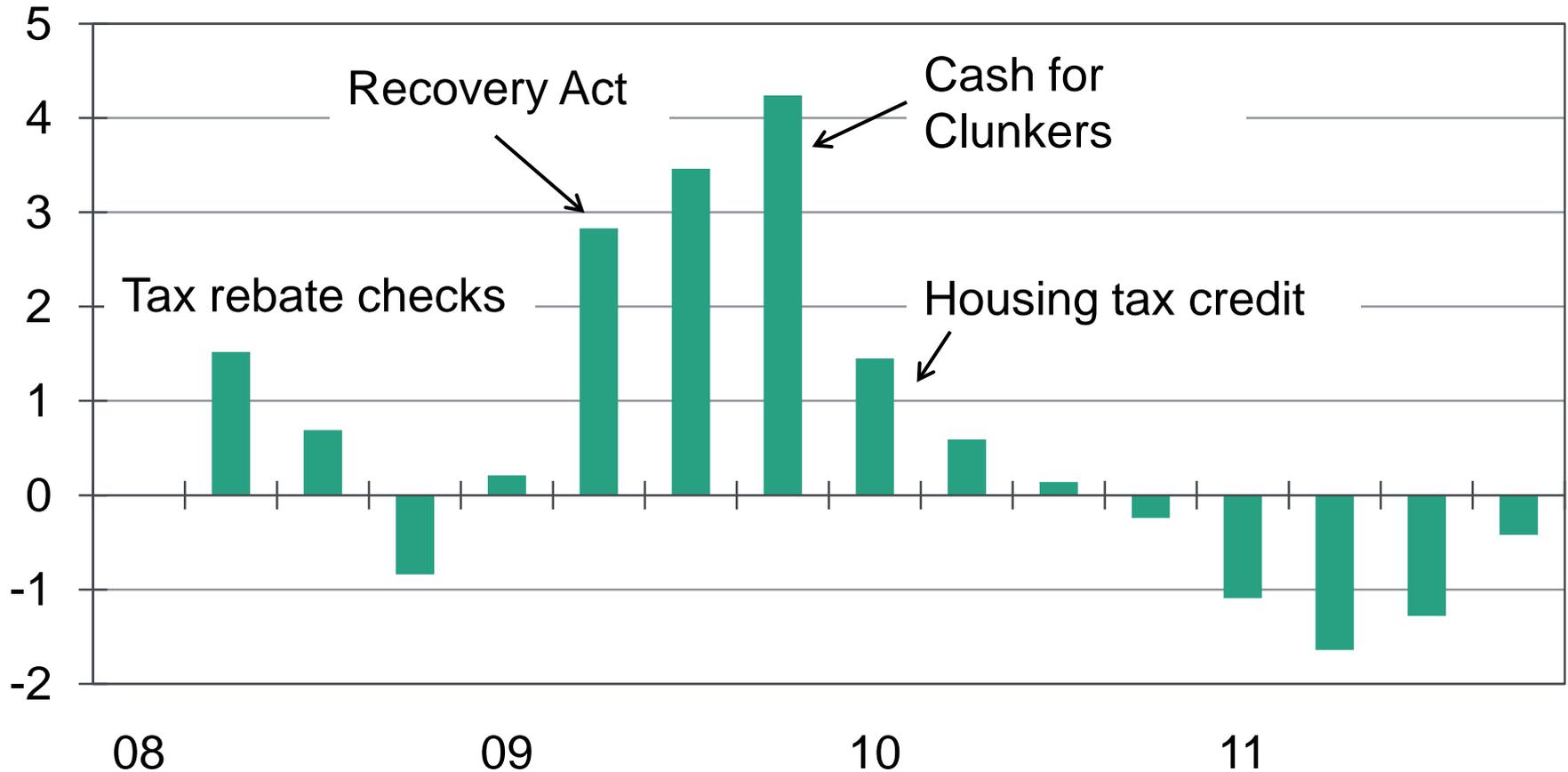
U.S. Growth Will Remain Slow This Year

Real U.S. GDP, annualized quarterly % change



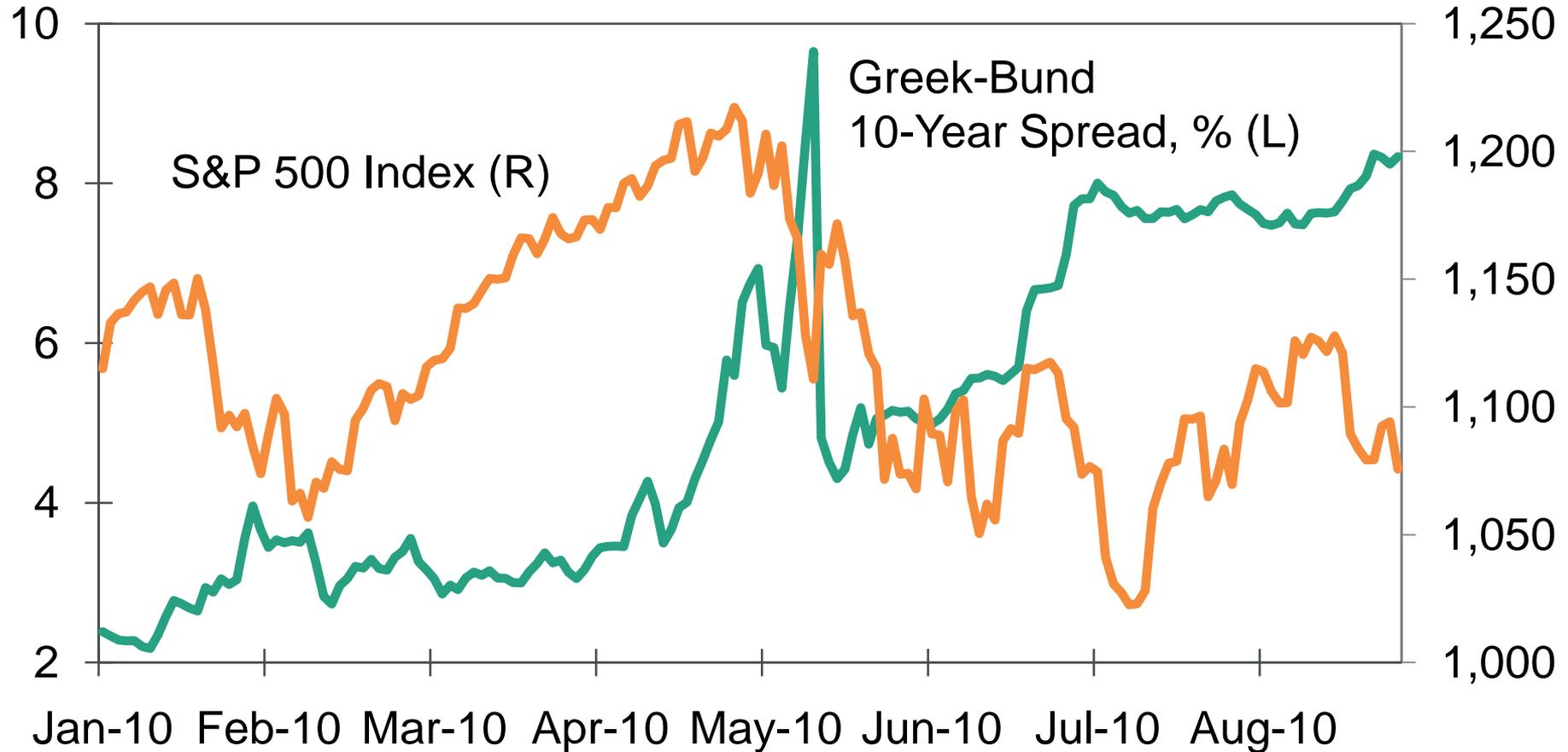
...As Fiscal Stimulus Fades

Contribution to real GDP growth, %



Source: Moody's Analytics

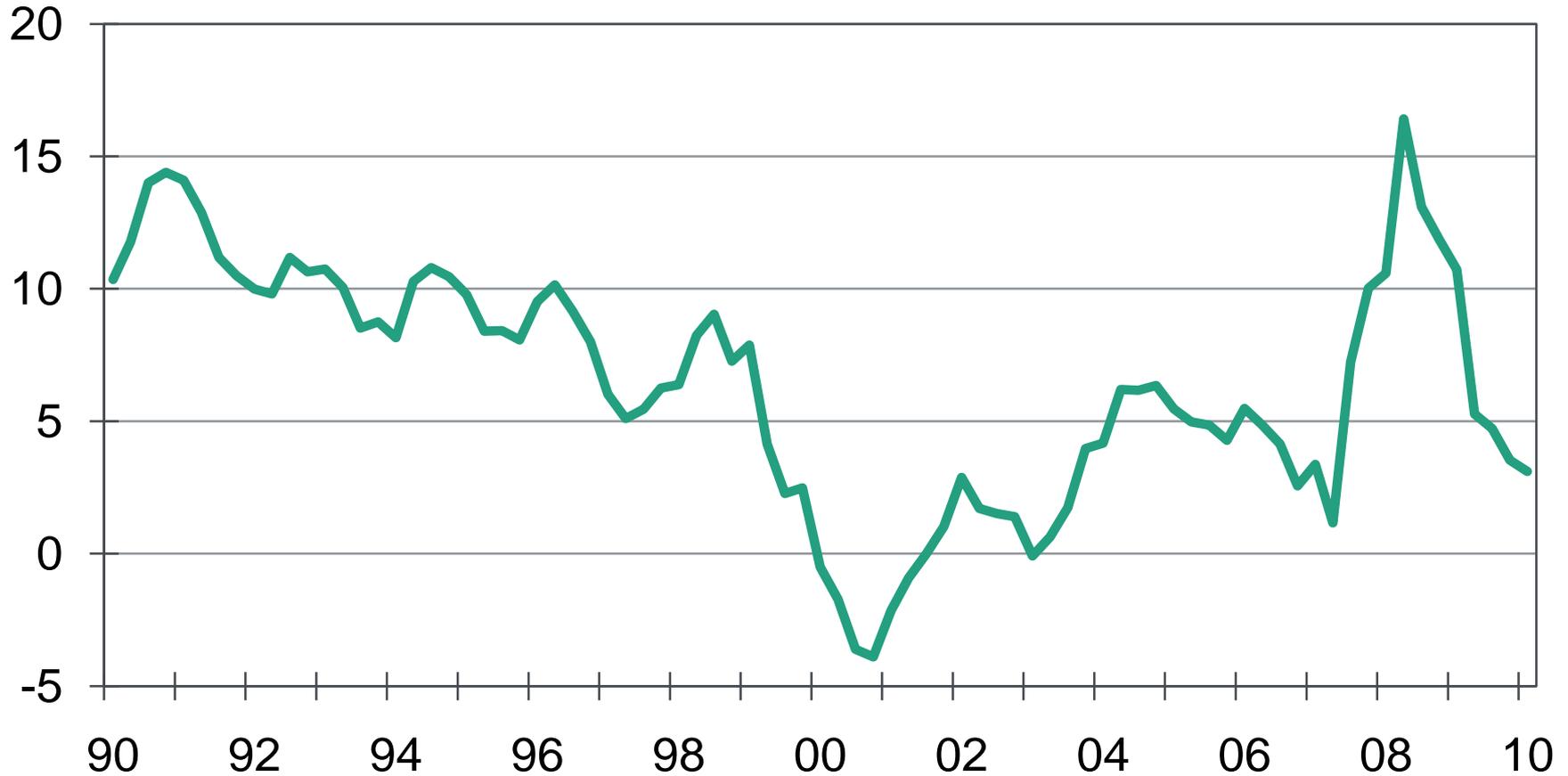
The Euro Debt Crisis Hammers Confidence...



Sources: Bloomberg, S&P, Moody's Analytics

...Especially of Nervous High Income Households

Personal saving rate for families in top fifth of income distribution



Sources: Federal Reserve, Moody's Analytics

Hiring Is Dormant

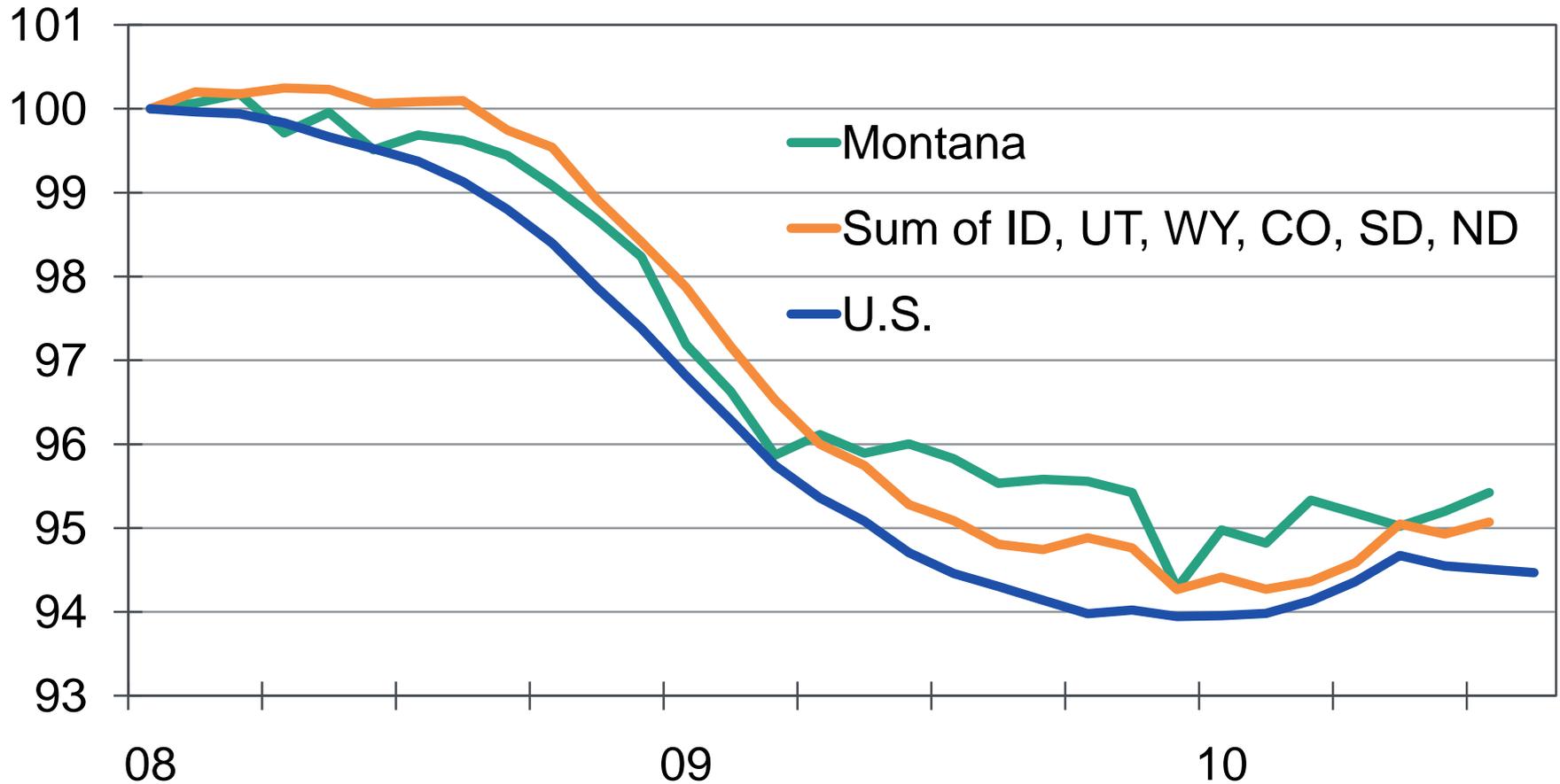
Number of monthly hires ex Census, U.S., ths, SA



Source: Bureau of Labor Statistics

Local Employment Is Turning Around Slowly

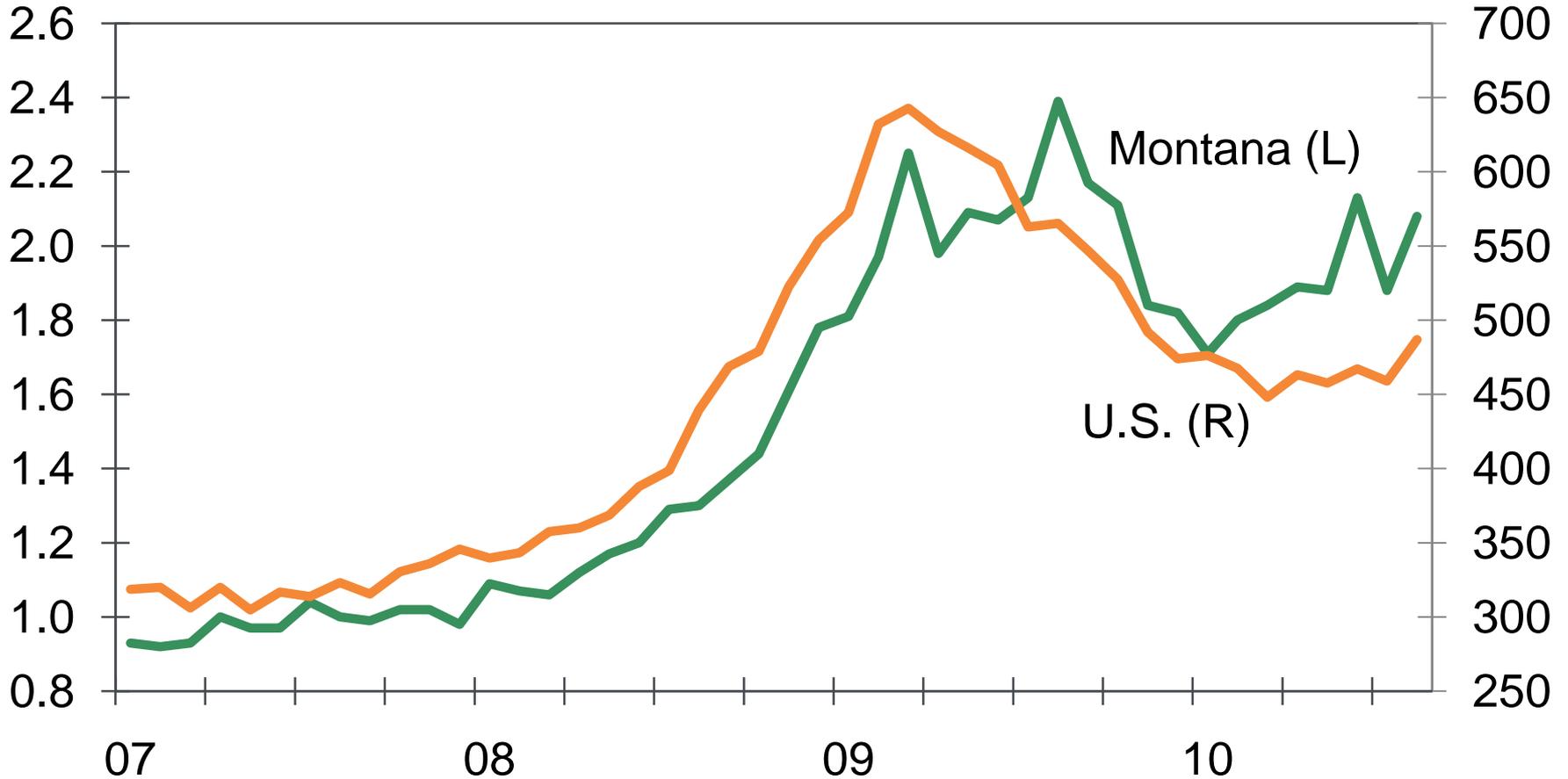
Employment, total payroll, index: Jan08=100, 3-mo MA



Source: BLS, Moody's Analytics

Layoffs in Montana Have Accelerated

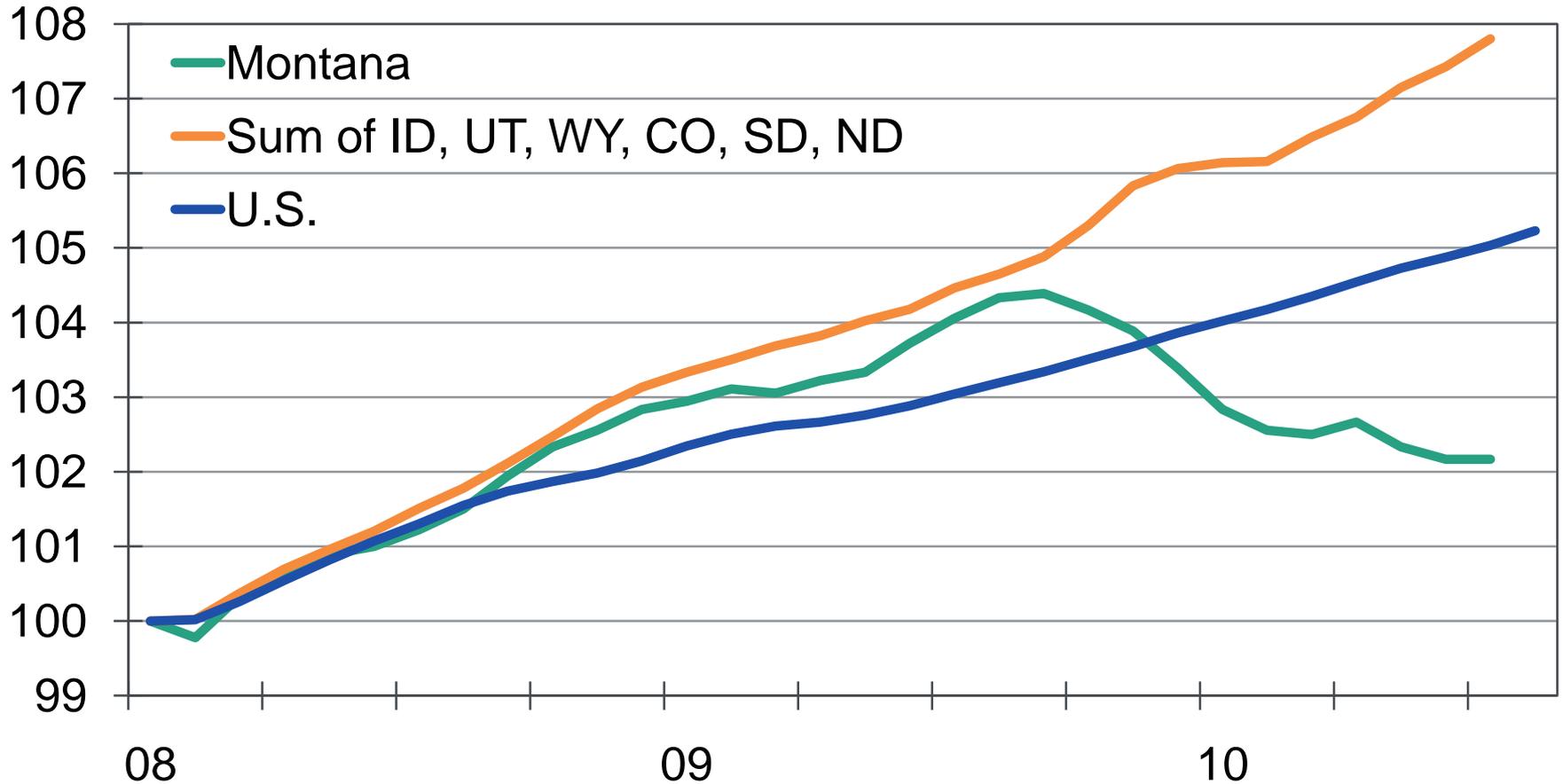
Initial unemployment insurance claims, ths, SA



Source: DOL

Slowdown in a Key Industry

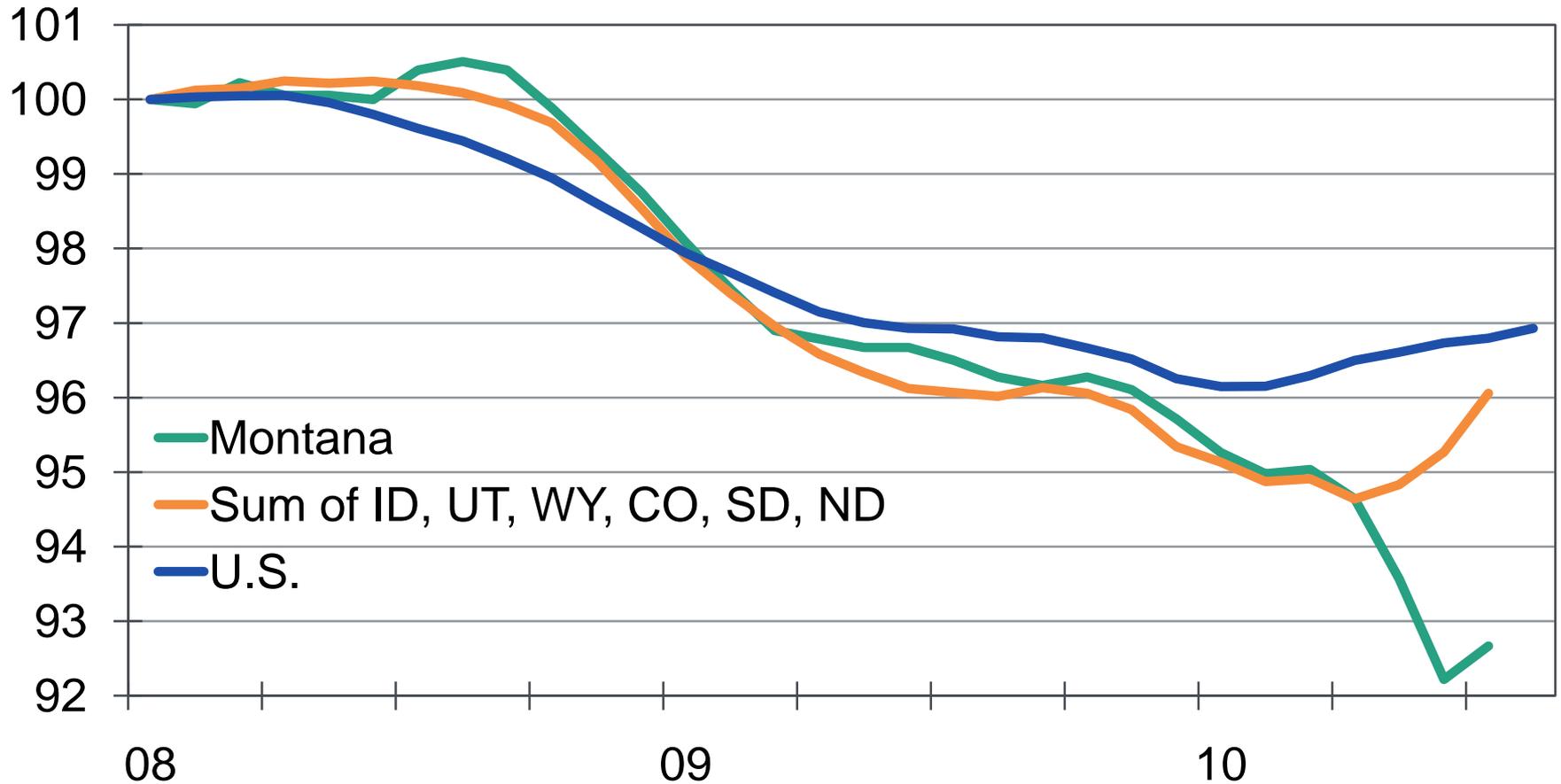
Employment, education/healthcare, index: Jan08=100, 3-mo MA



Source: BLS, Moody's Analytics

Leisure/Hospitality Stumbles

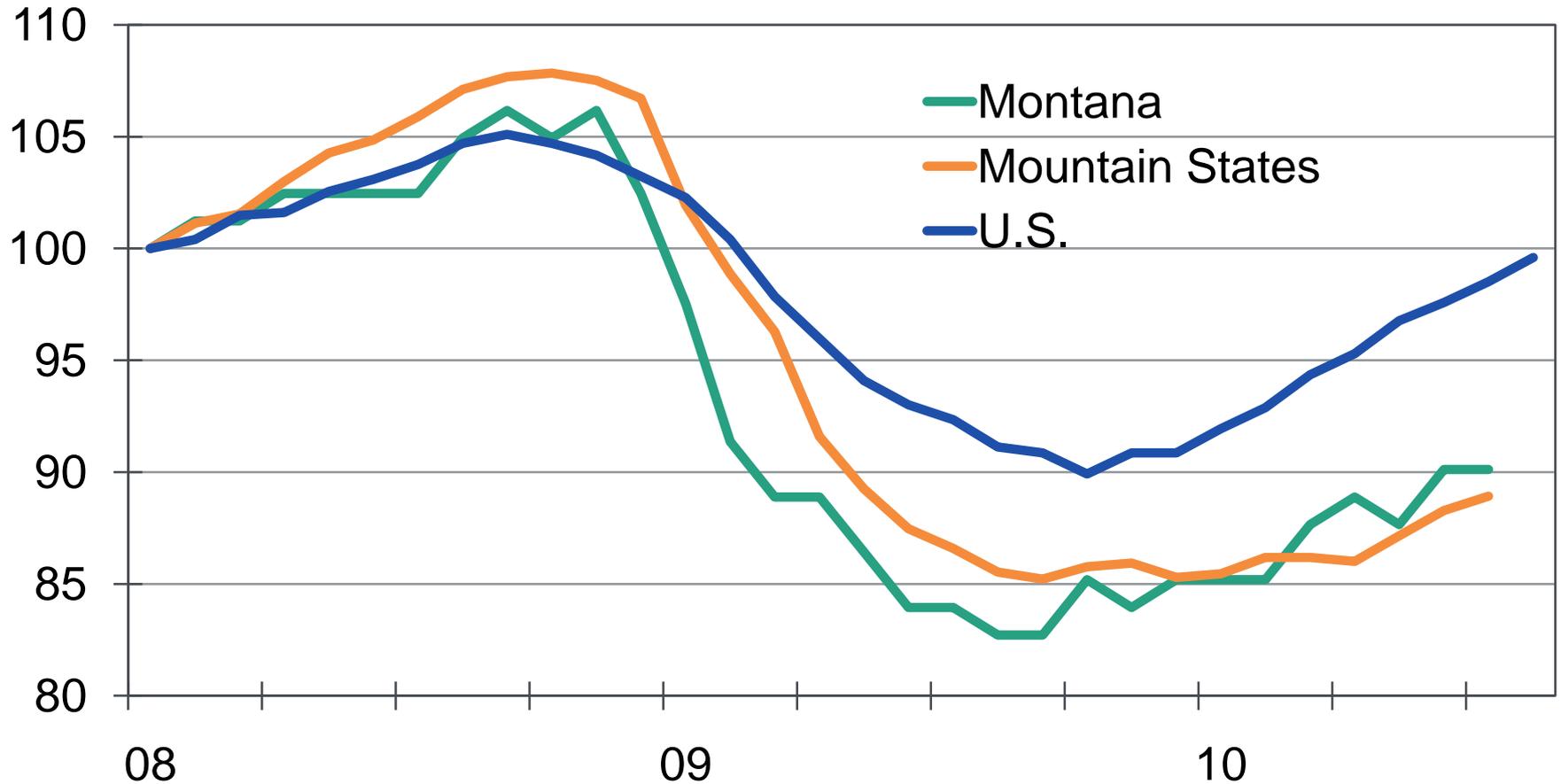
Employment, leisure/hospitality, index: Jan08=100, 3-mo MA



Source: BLS, Moody's Analytics

Mining Begins to Recover

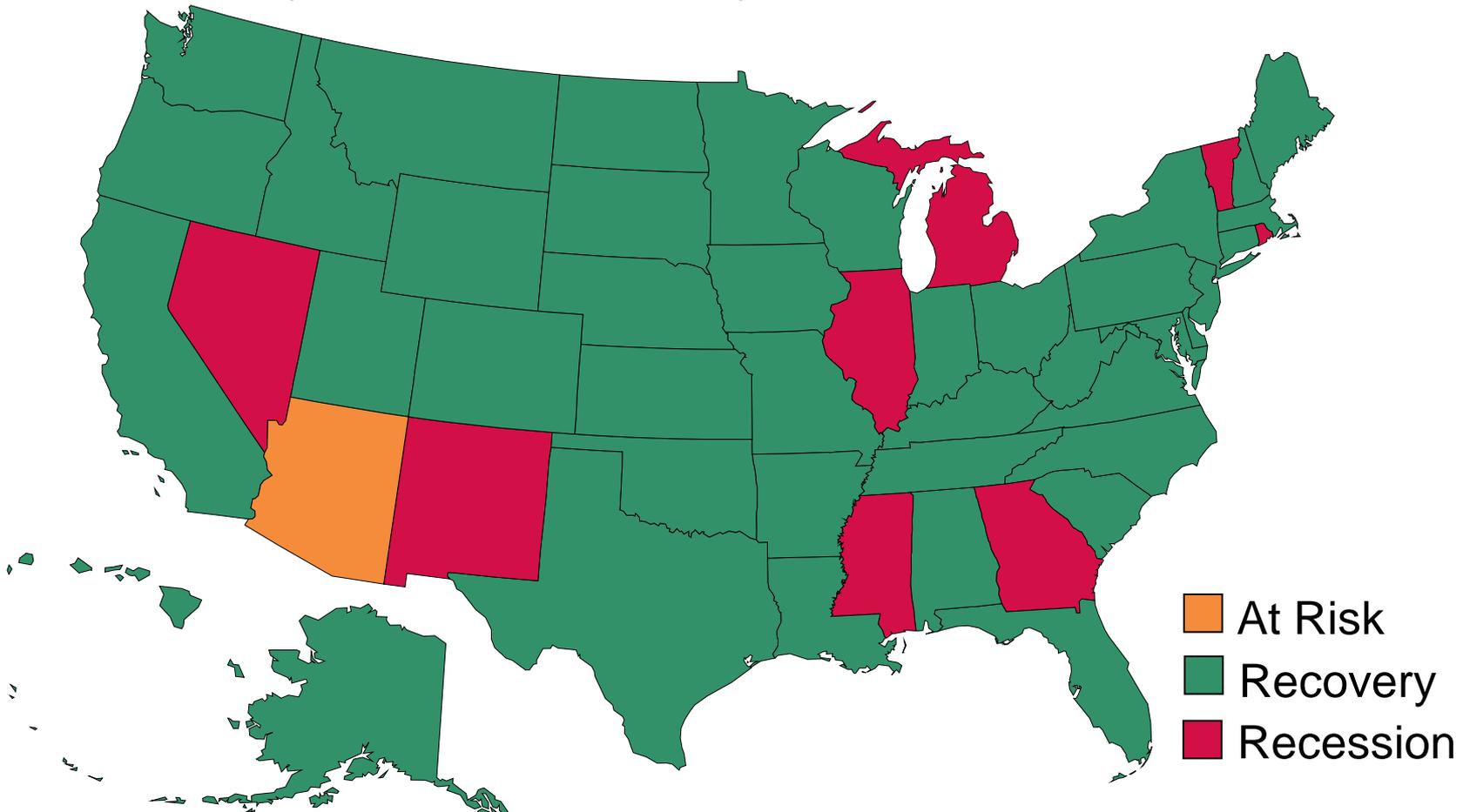
Employment, mining, index: Jan08=100, 3-mo MA



Source: BLS, Moody's Analytics

Montana's Economy is Recovering...

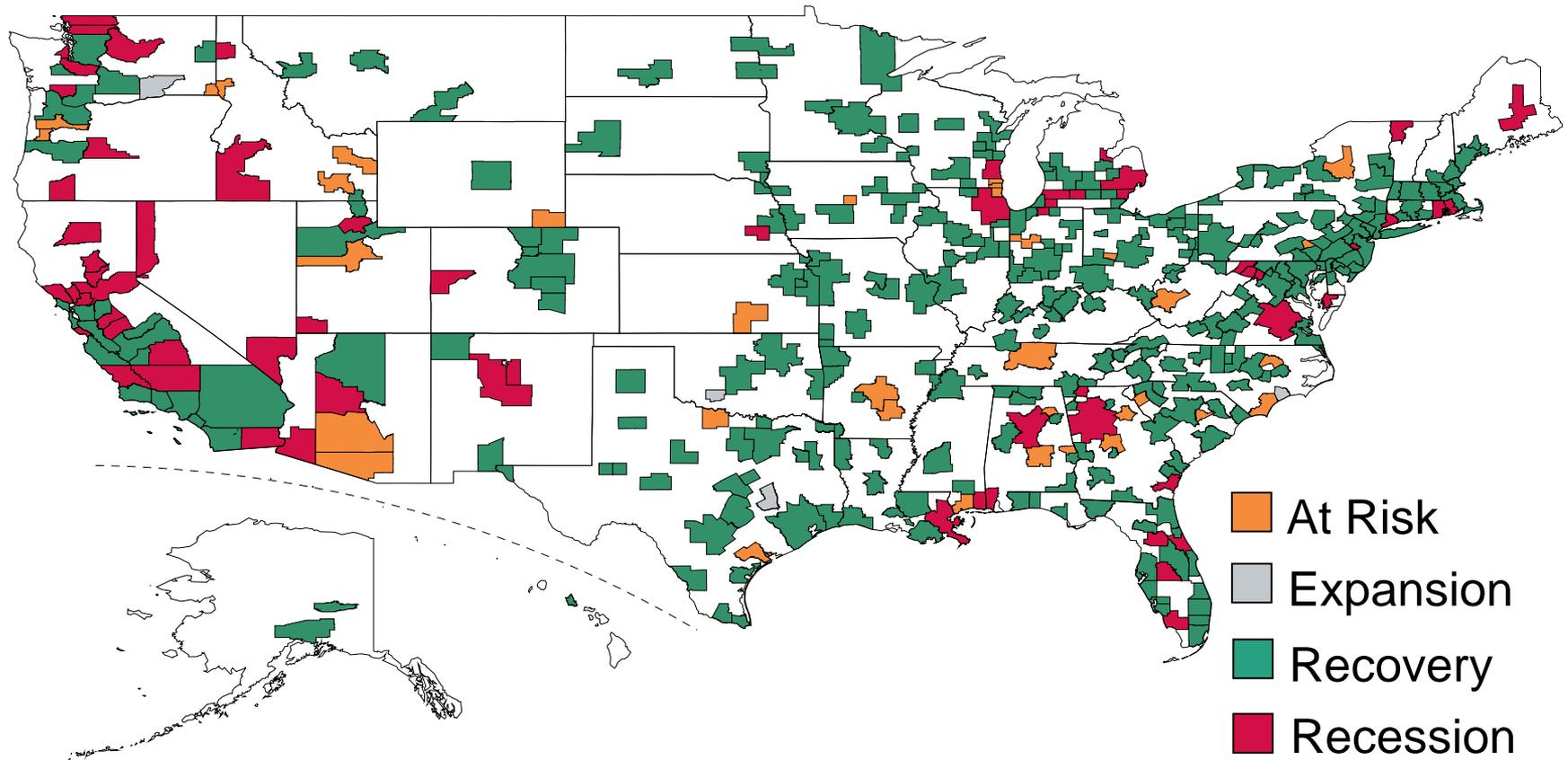
Business cycle status as of July 2010 data



Source: Moody's Analytics

...Including its Three Metro Areas

Business cycle status as of July 2010



Source: Moody's Analytics

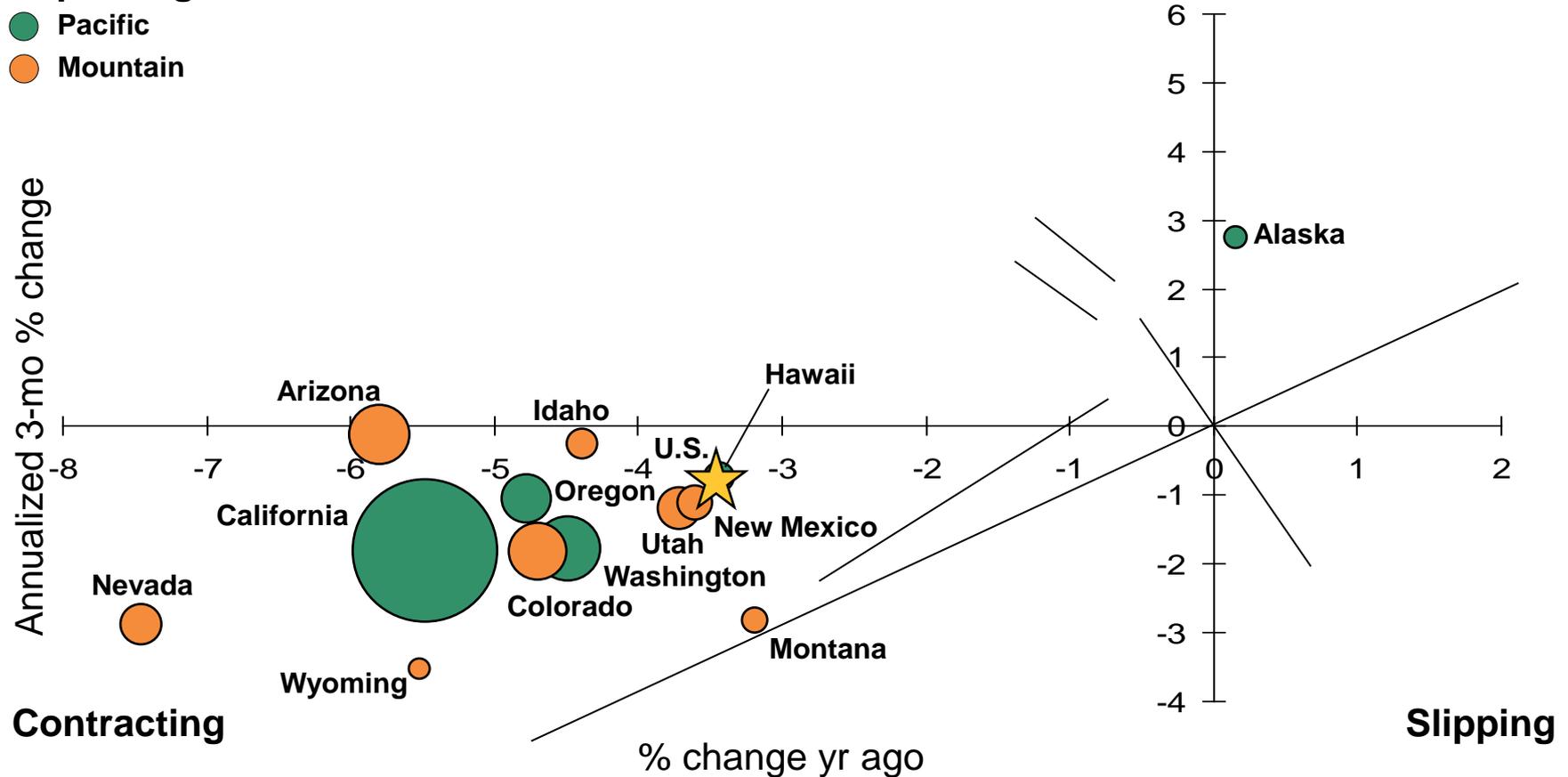
Payroll Employment—West States

1-yr vs. 3-mo performance (3-mo. MA)

July 2010

Improving

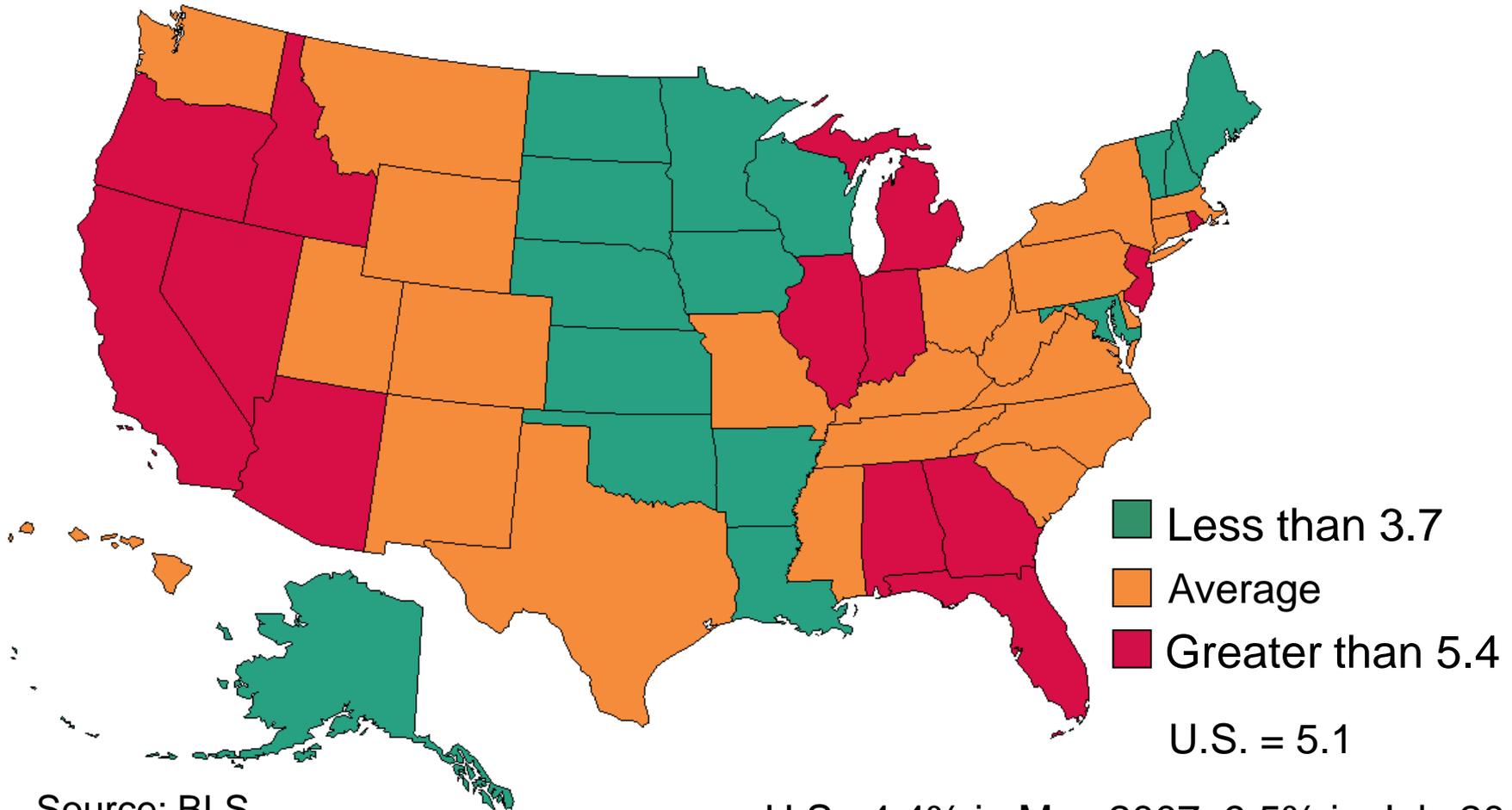
- Pacific
- Mountain



Note: Size reflects relative total employment

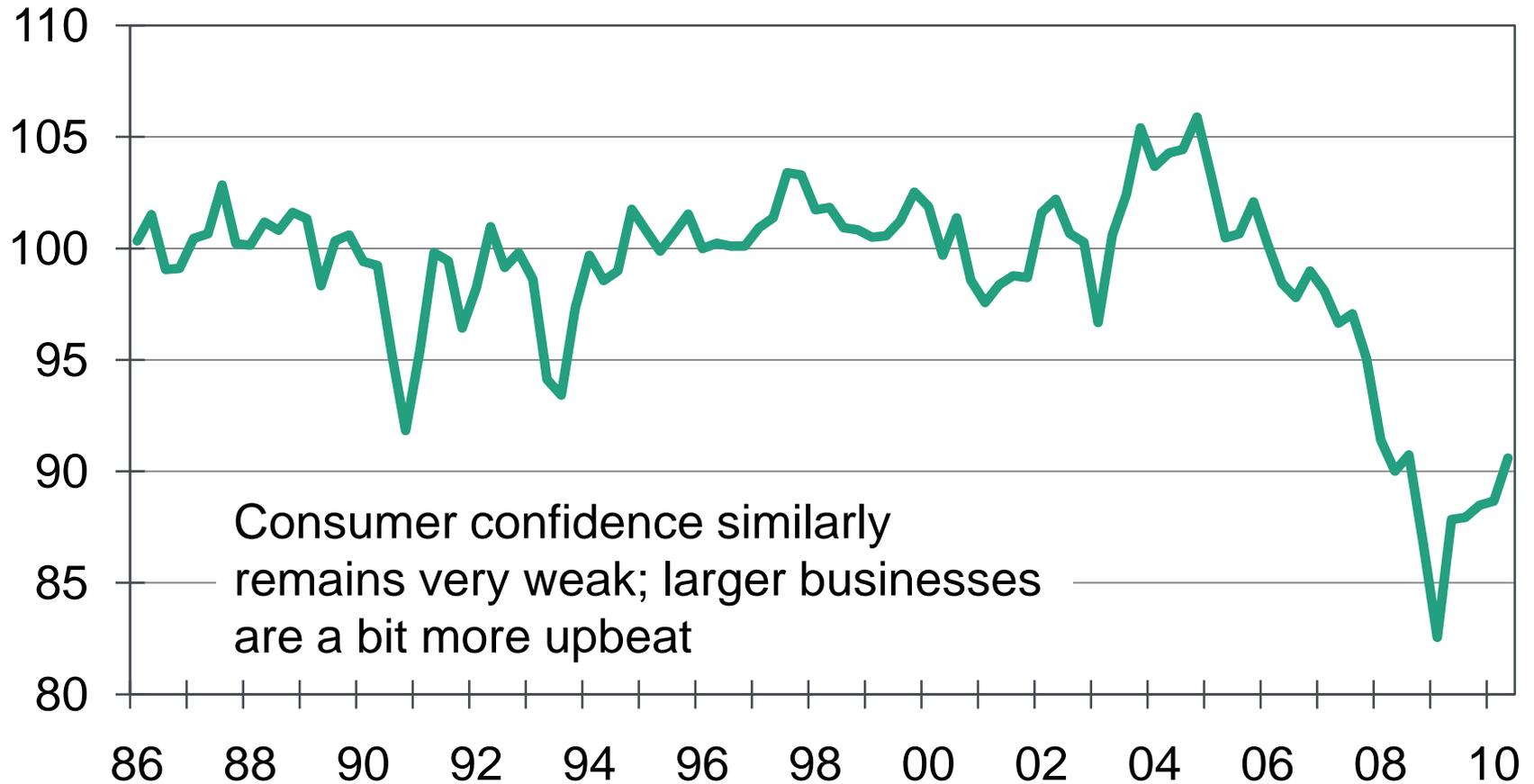
...Reflected in The Pattern of Jobless Rates

Unemployment rate, gain from cyclical low to July 2010, ppts



Businesses Remain Very Anxious

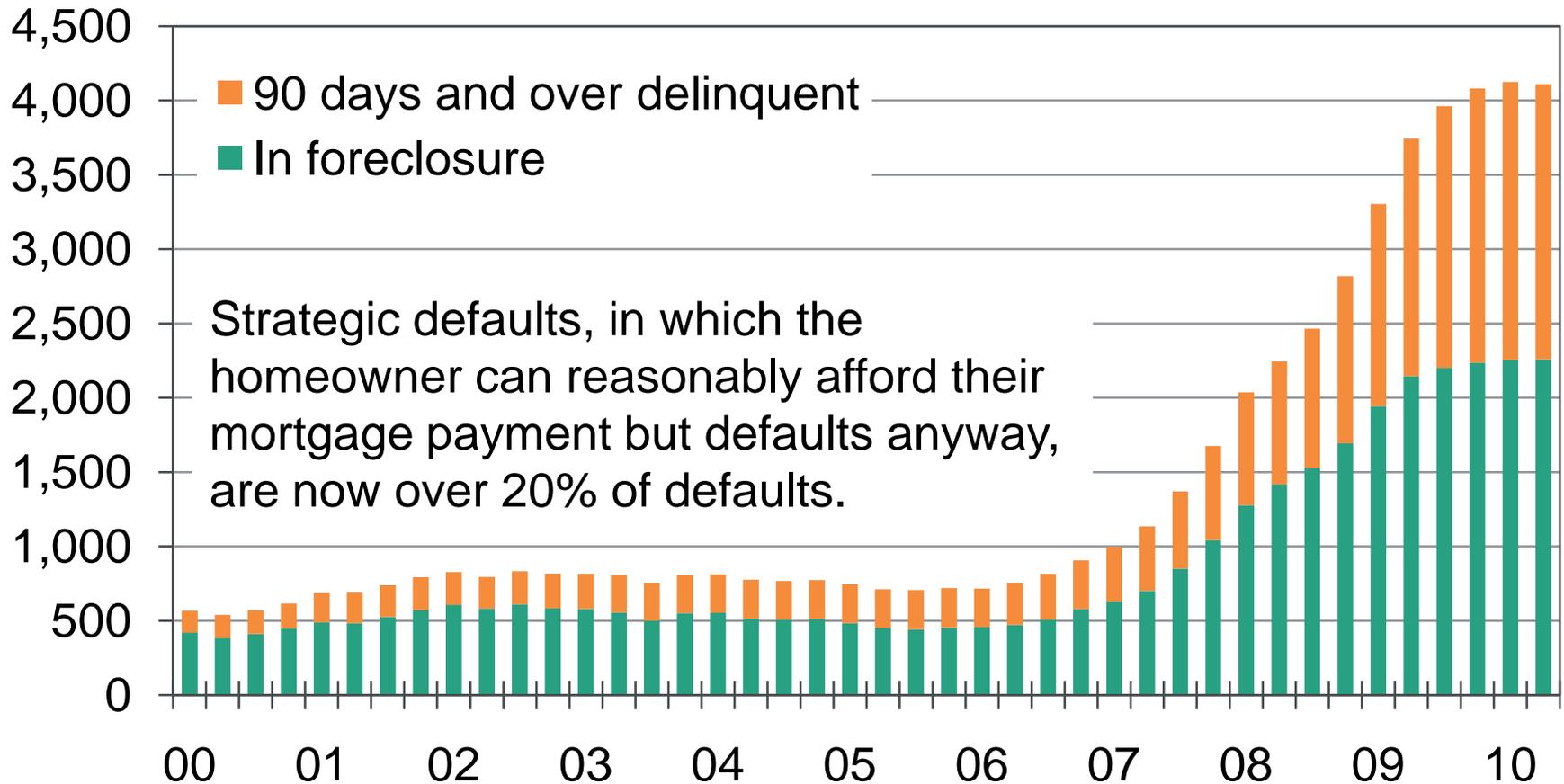
Small business confidence index, 1986=100



Source: NFIB

The Foreclosure Crisis Continues on...

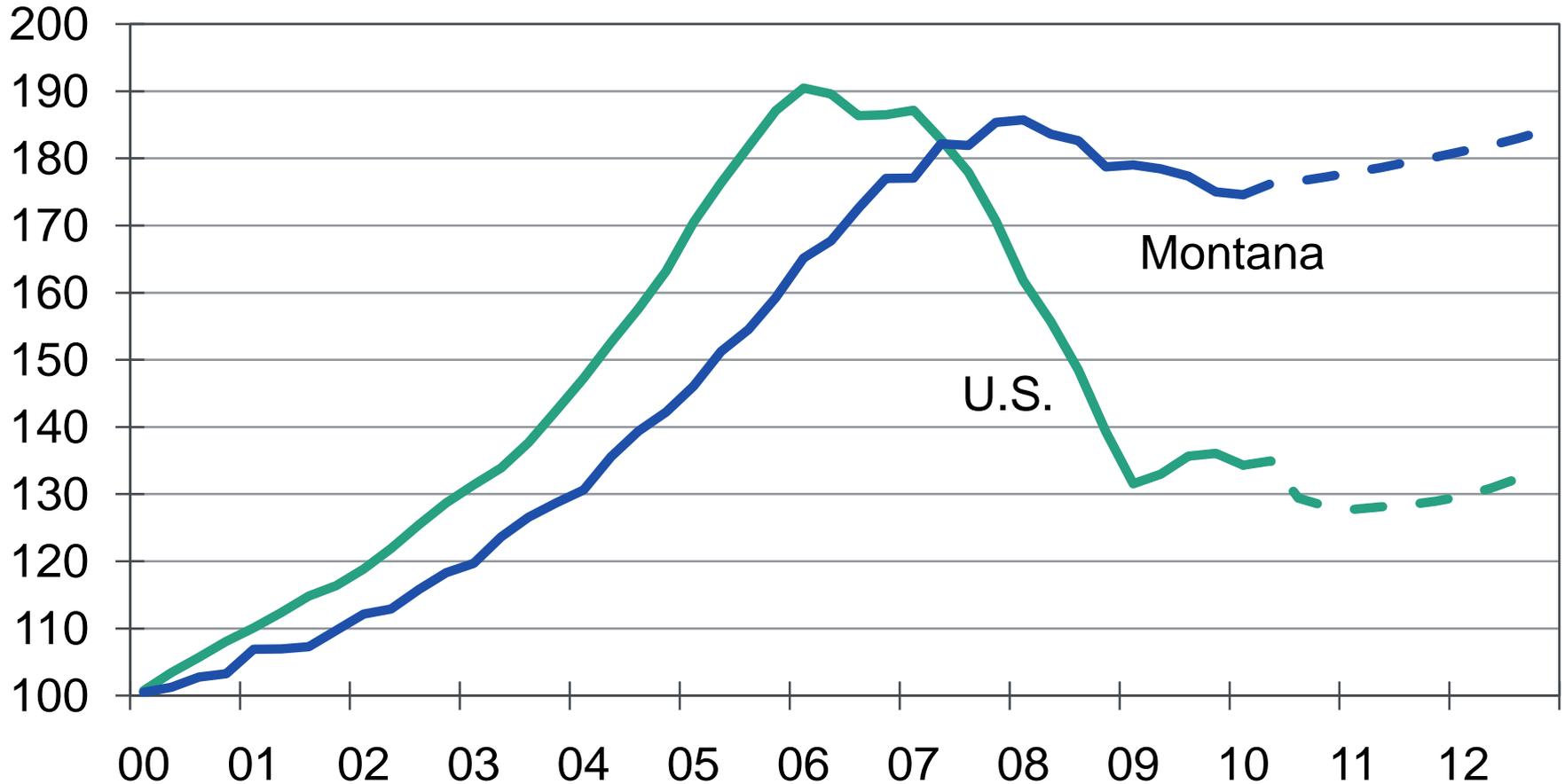
First mortgage loans, ths



Sources: Equifax, Moody's Analytics

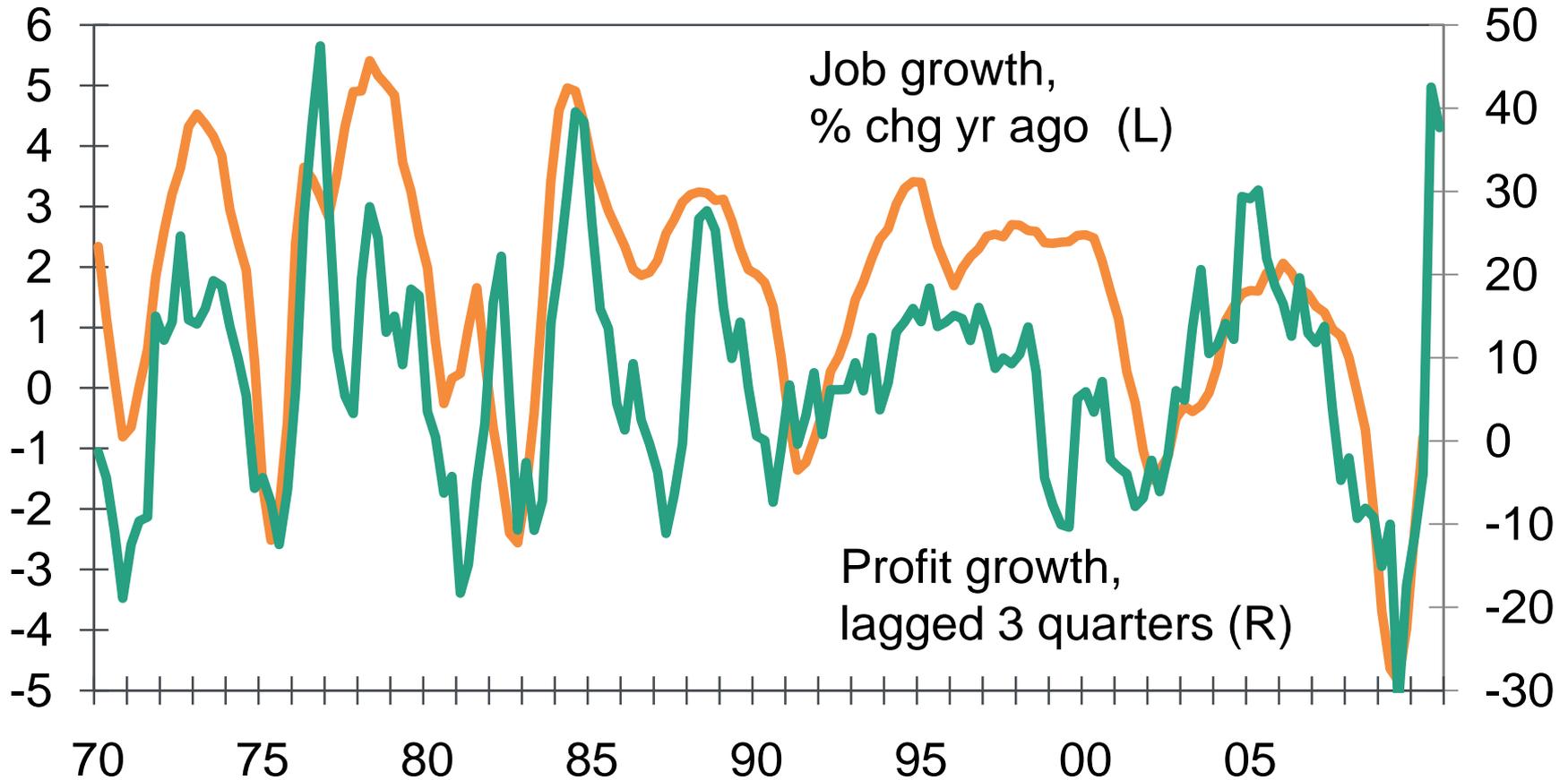
But House Prices Pose Little Risk to Montana

Case Shiller[®] Home Price Index: 2000Q1 = 100



Source: BLS, Moody's Analytics

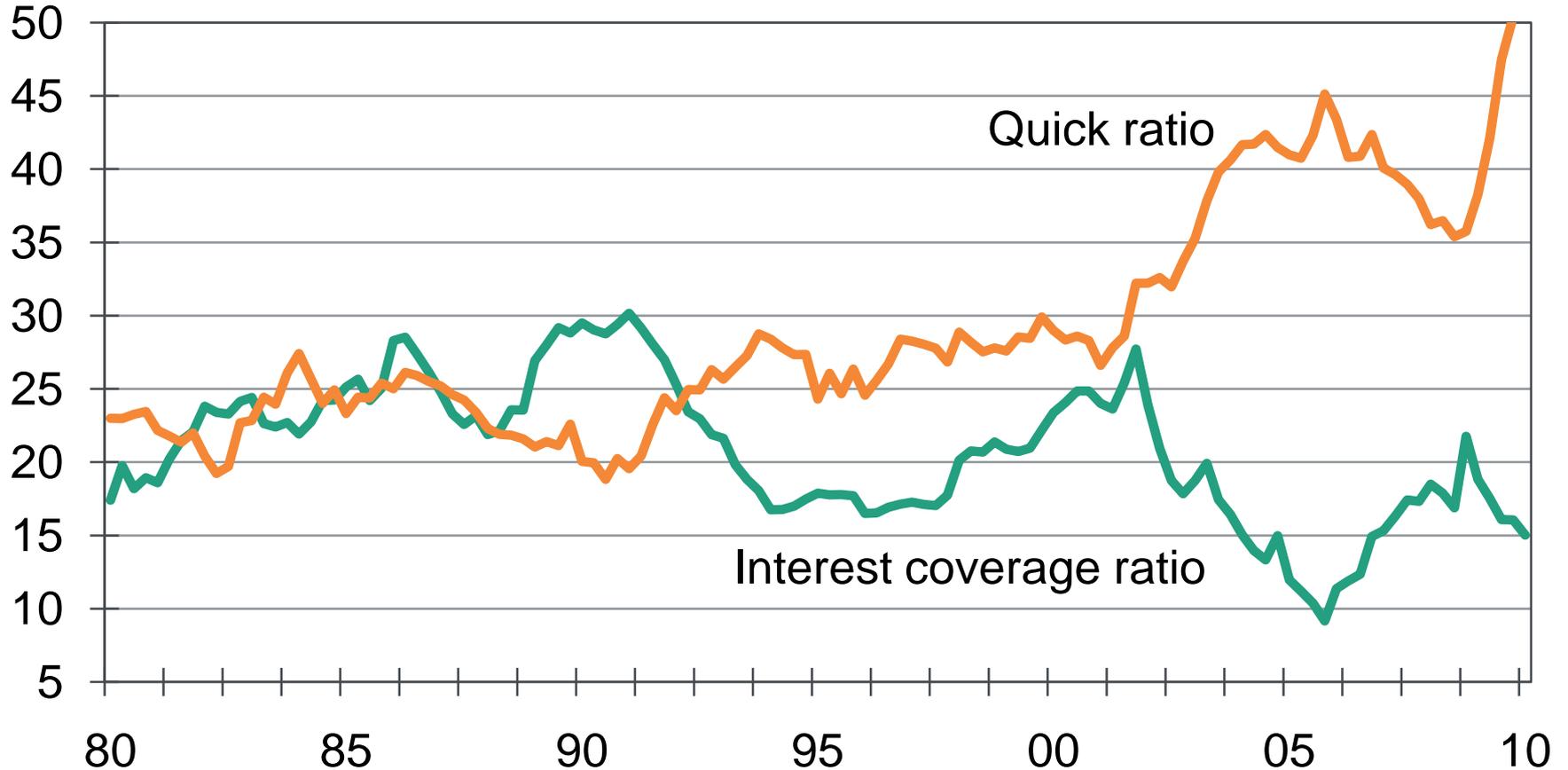
Profits Surge and Jobs Should Follow...



Sources: BLS, BEA

...Given Solid Business Balance Sheets

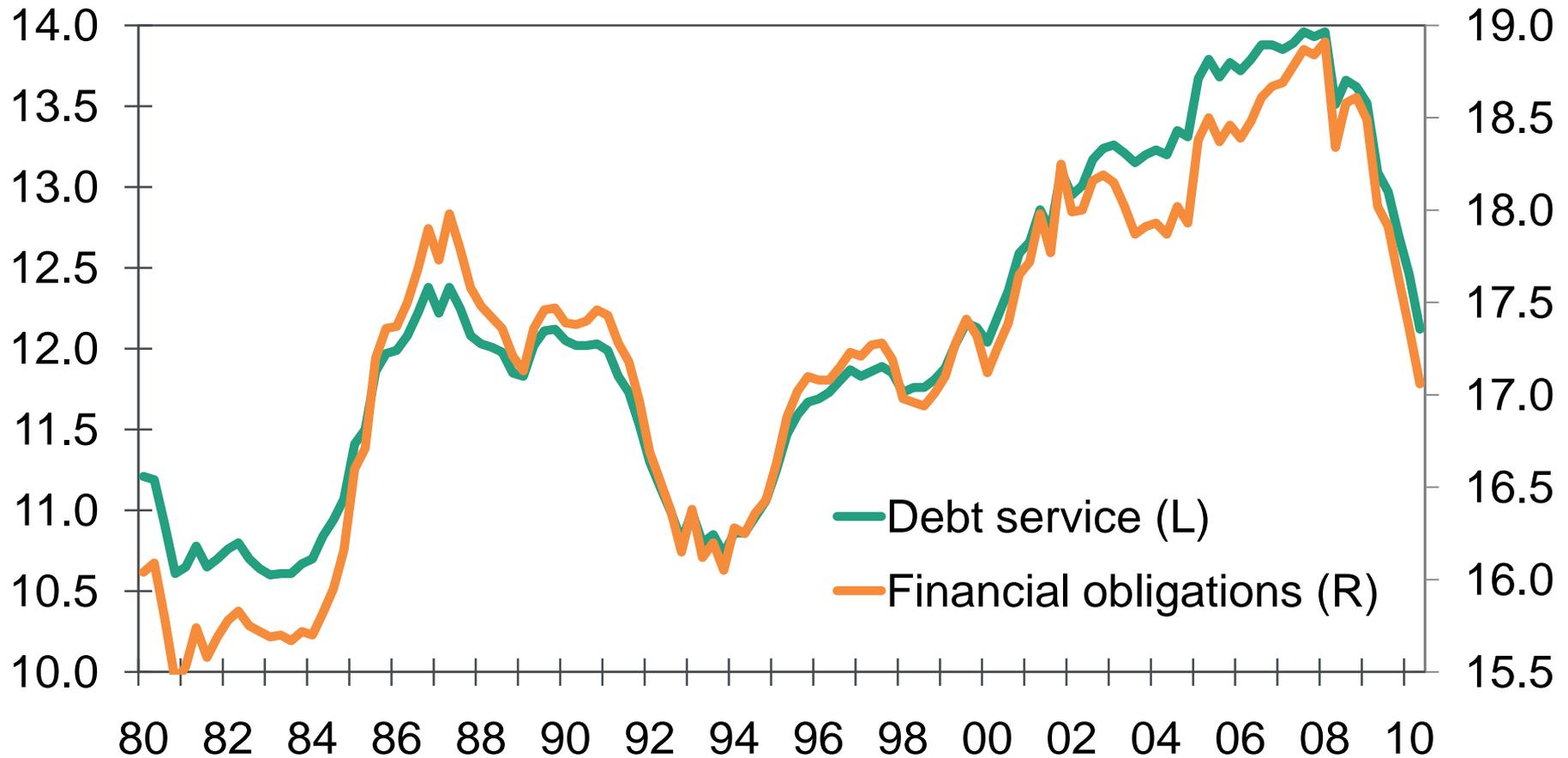
Nonfinancial corporate businesses



Sources: Federal Reserve, Moody's Analytics

Household Debt Burdens are Falling Fast...

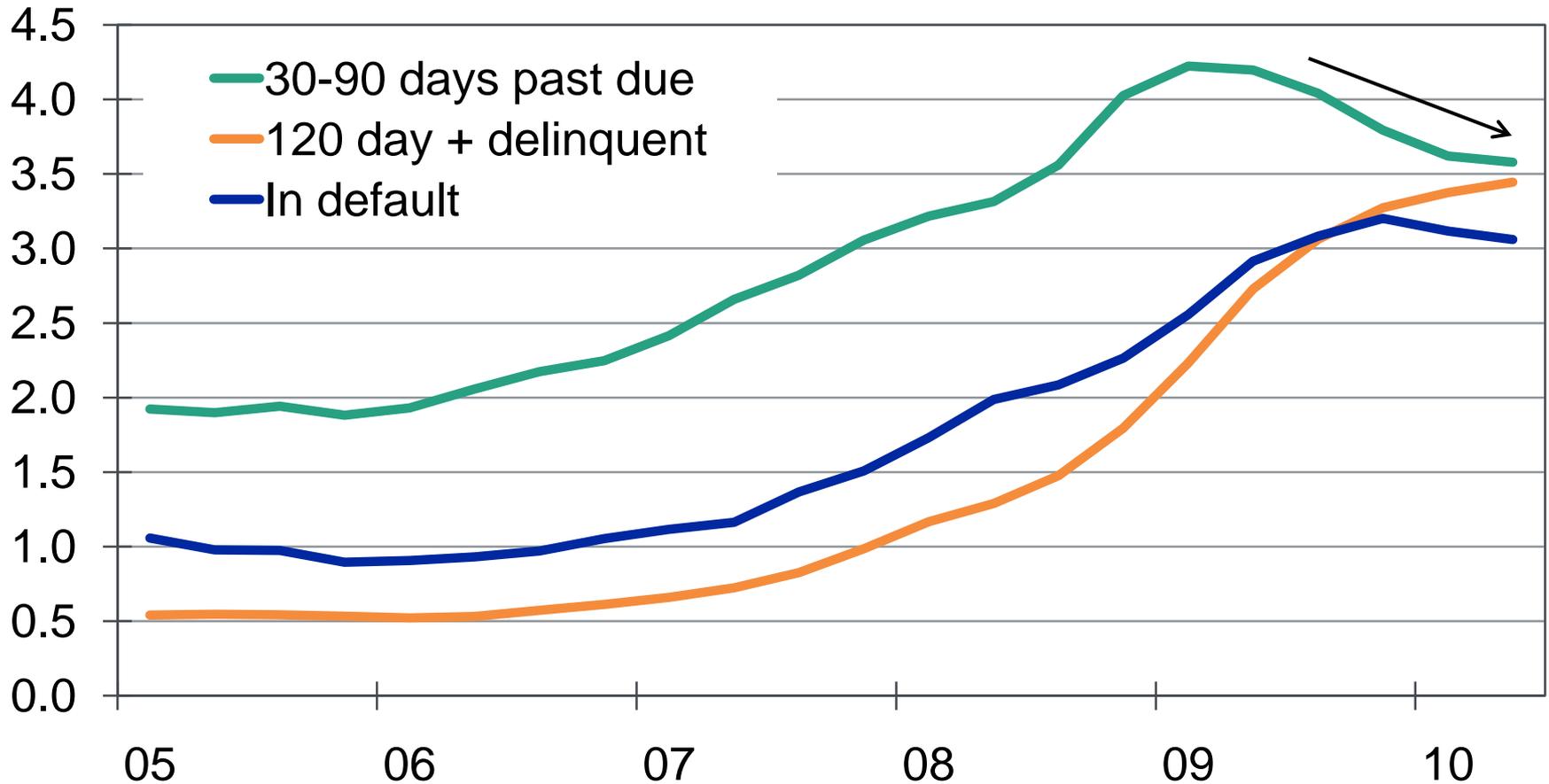
% of disposable income



Sources: Federal Reserve, BEA, Moody's Analytics

...Leading to Better U.S. Credit Quality

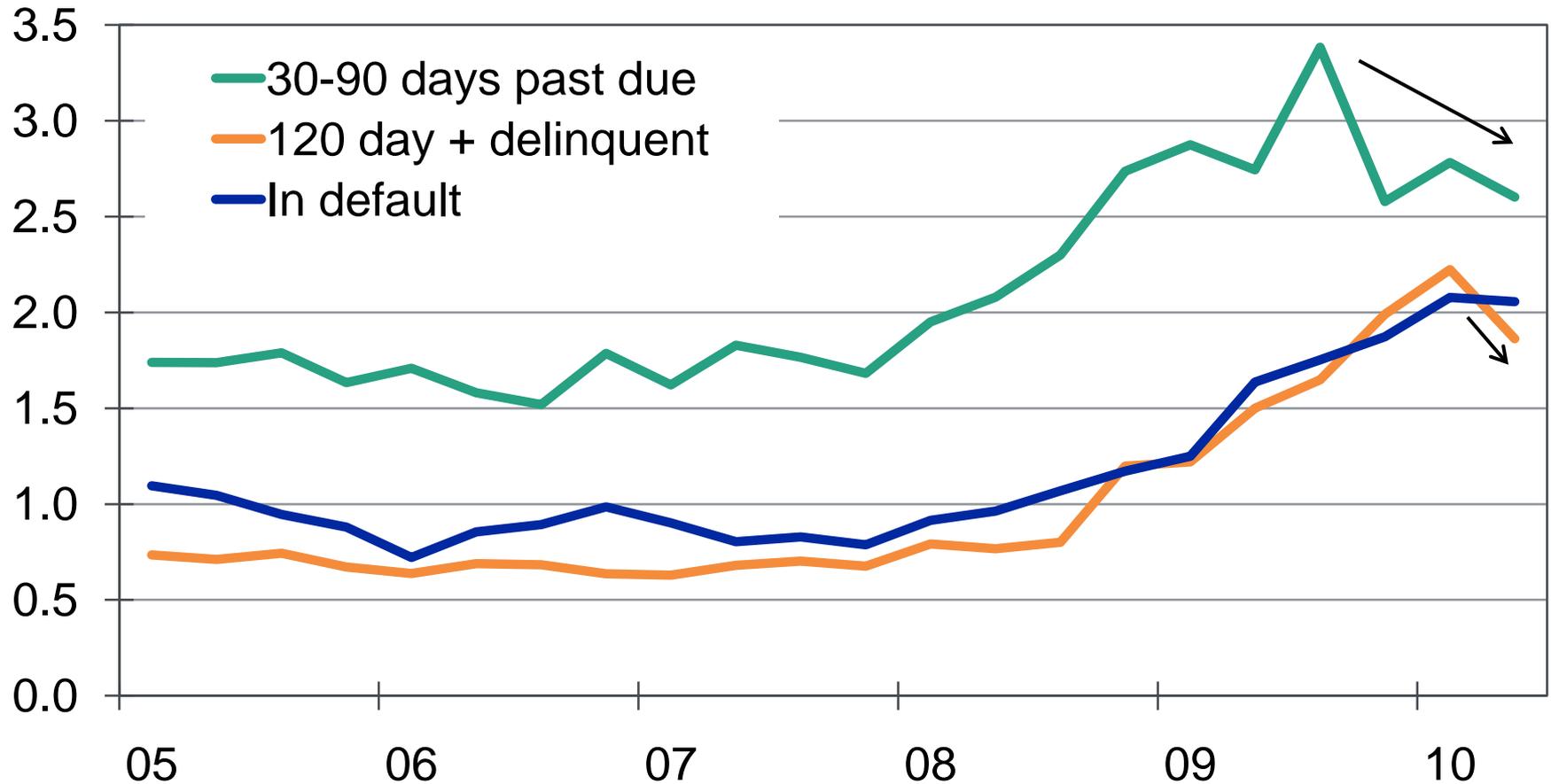
% of \$ amount of households liabilities outstanding, U.S.



Sources: Equifax, Moody's Analytics

A Similar Pattern in Montana

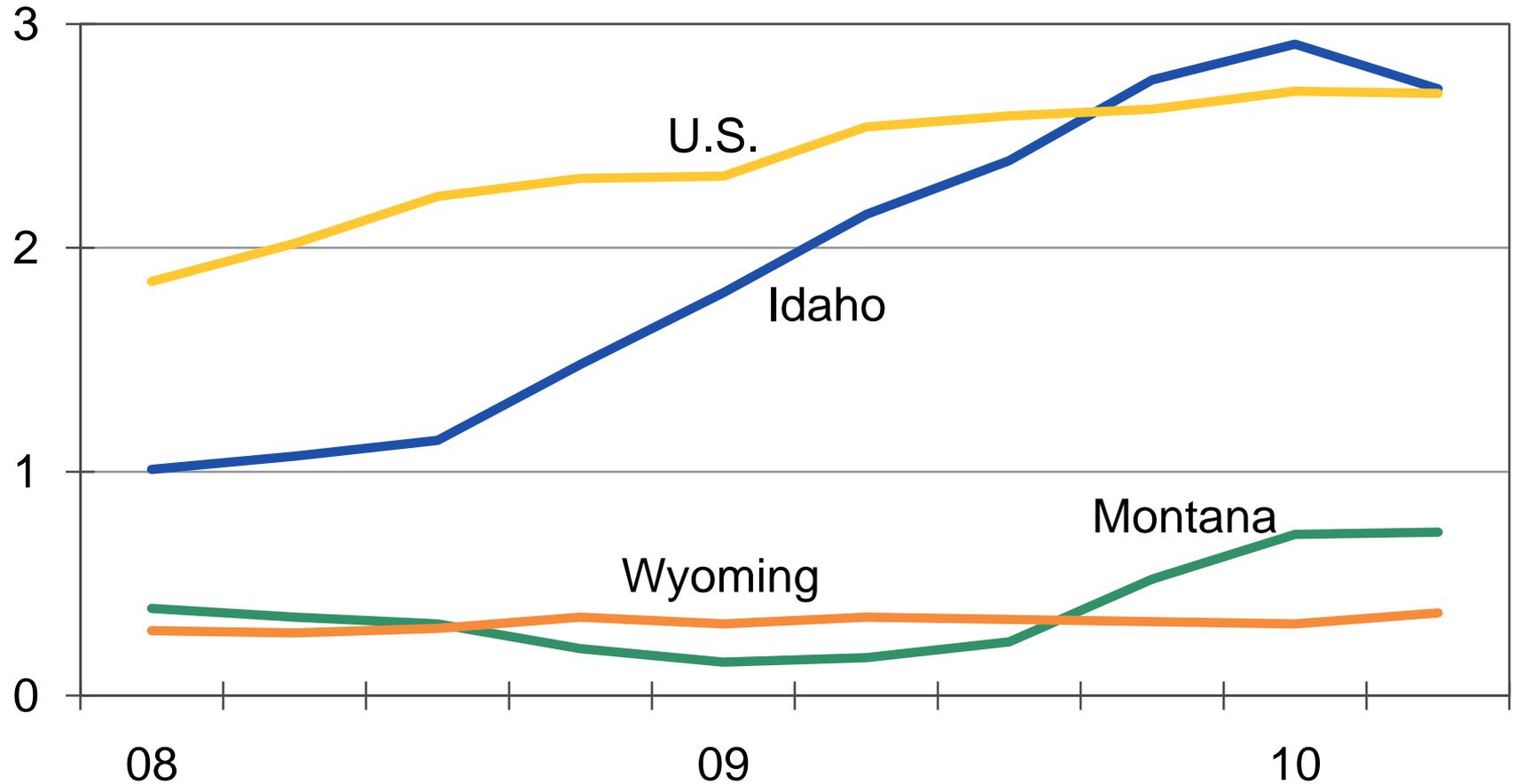
% of \$ amount of households liabilities outstanding, Montana



Sources: Equifax, Moody's Analytics

Foreclosures Not a Heavy Weigh on Montana

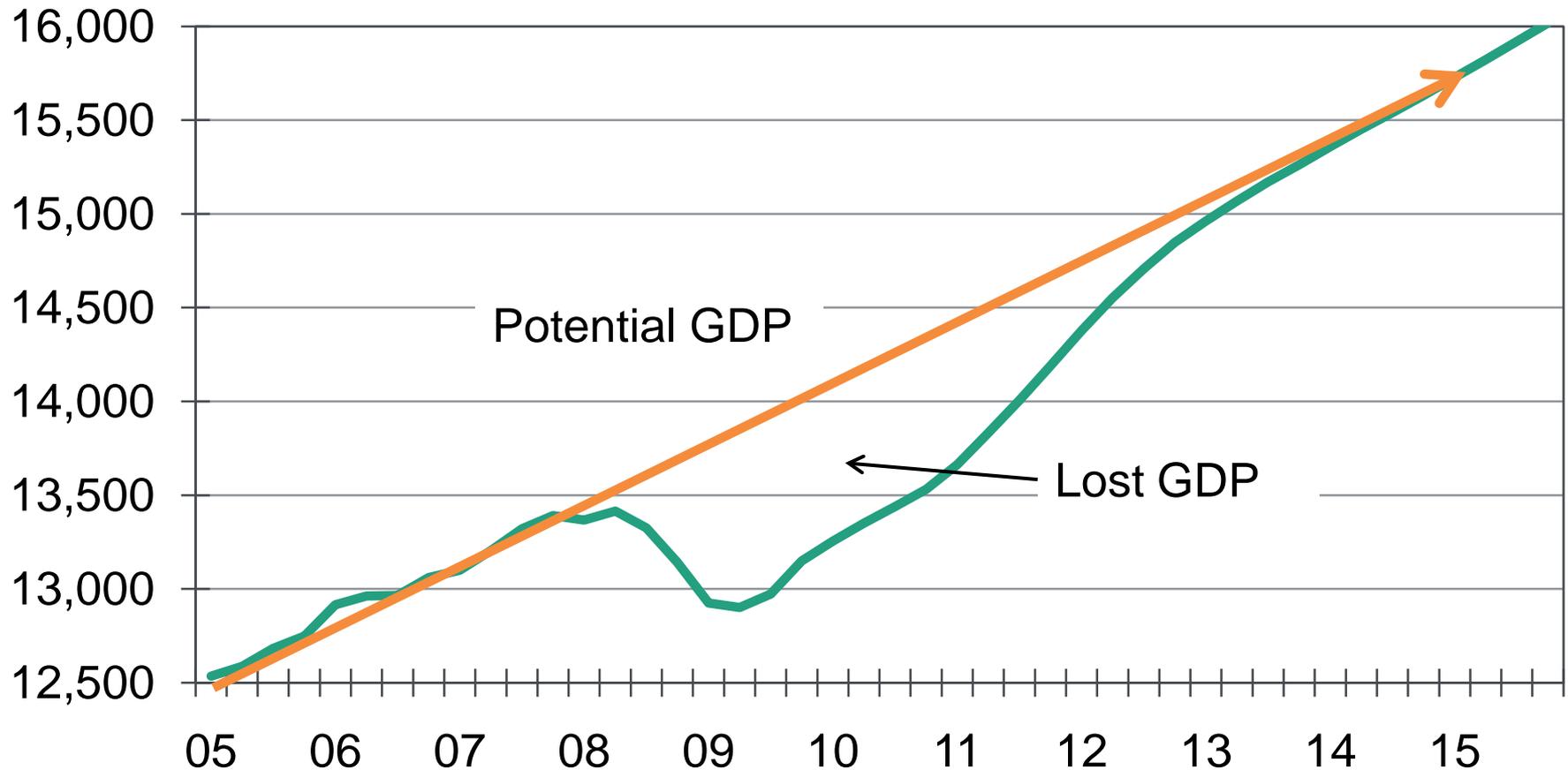
Homes in foreclosure, % of owner-occupied housing stock



Sources: RealtyTrac, Census, Moody's Analytics

Very Costly, but Not a Hit to Potential GDP...

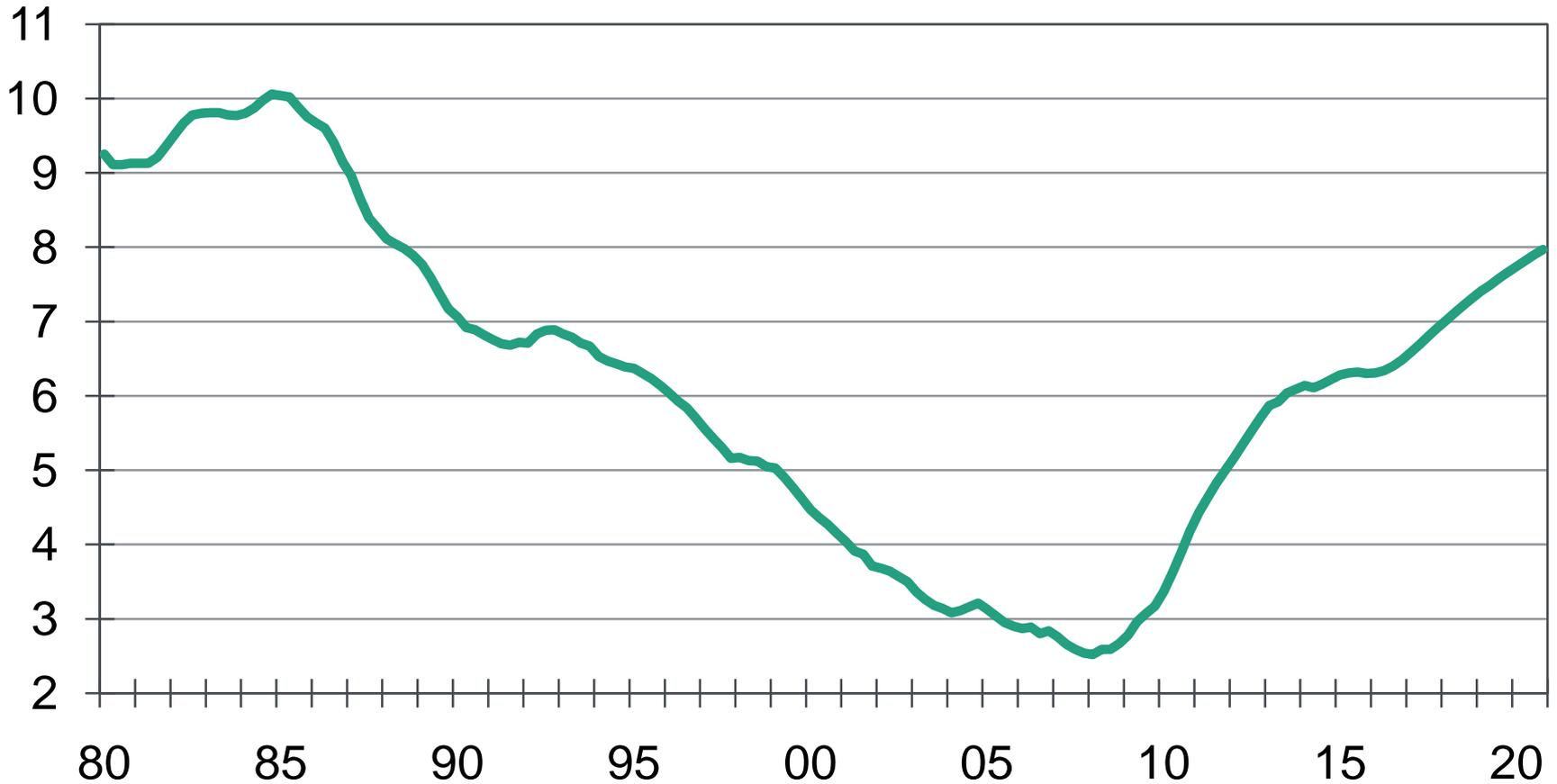
Real GDP, 2005 \$ bil



Sources: BEA, Moody's Analytics

...But an Inflection Point for Consumers...

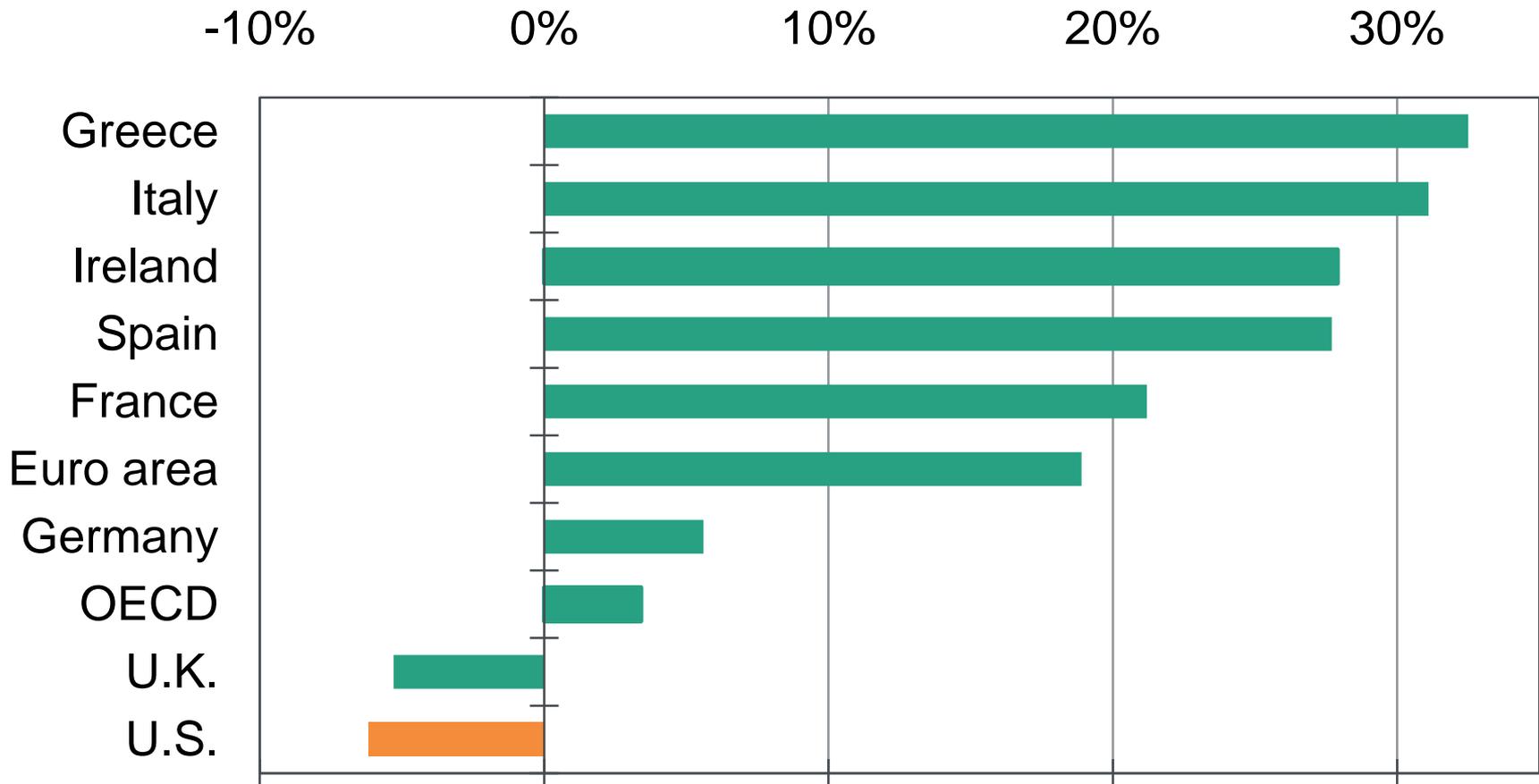
Personal saving rate, 5-year MA



Sources: BEA, Moody's Analytics

...And Exports Must Pick-Up the Slack

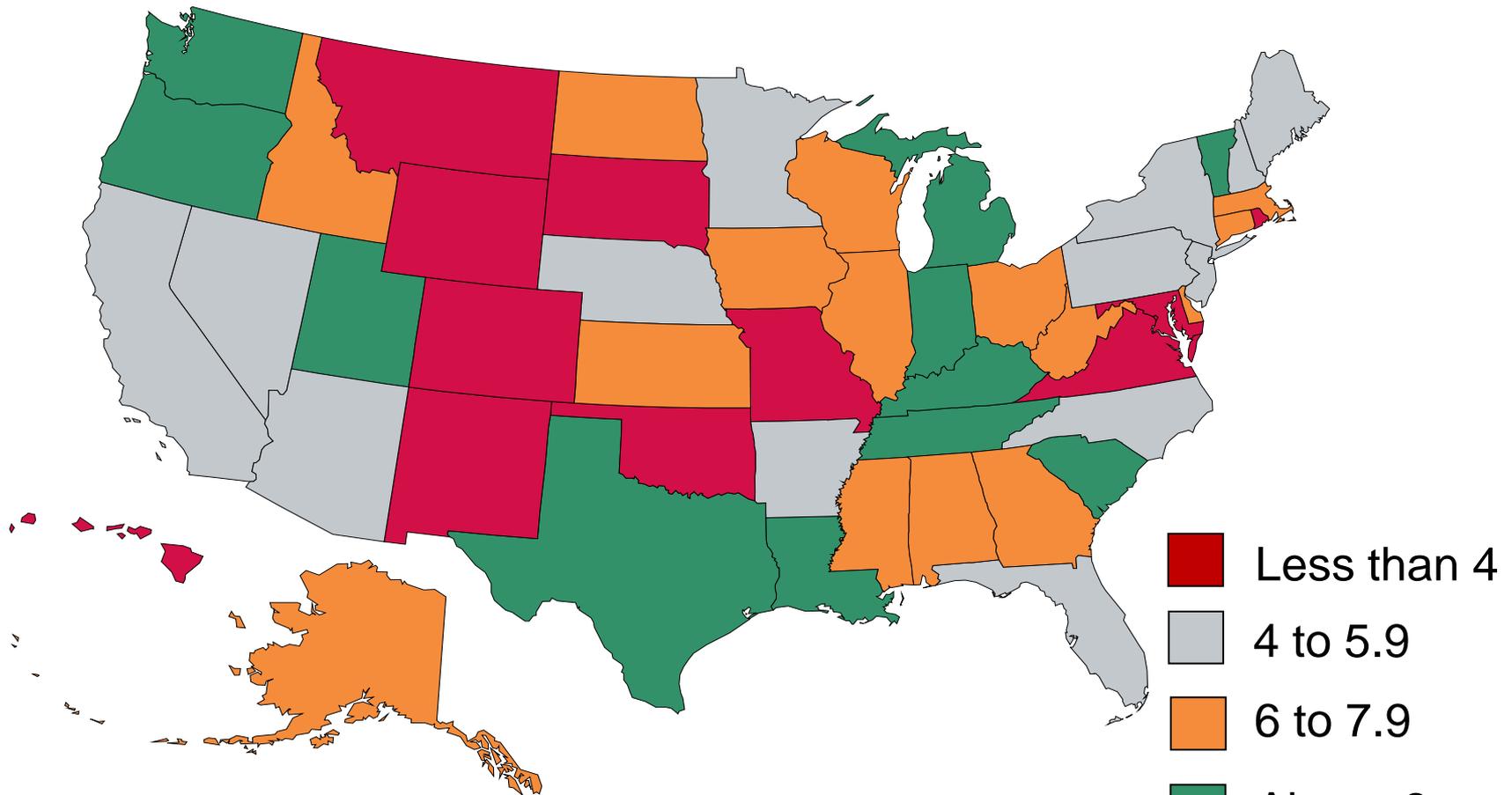
Unit labor costs in euros, % change, past decade



Sources: OECD, Moody's Analytics

Montana is Not a Big Exporter...

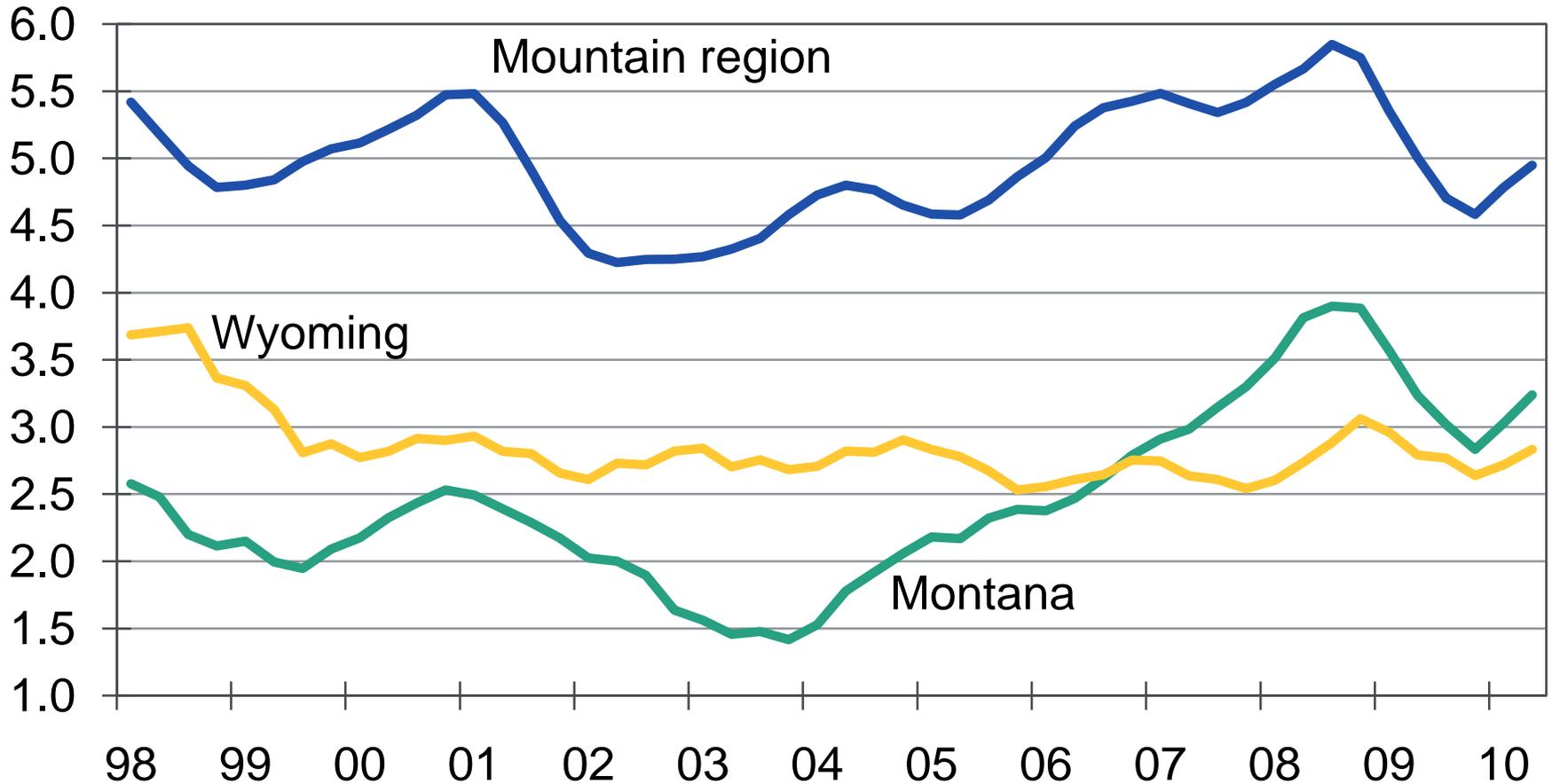
Exports of goods and commodities as a % share of GSP, 2009



Sources: BEA, BLS, Moody's Analytics

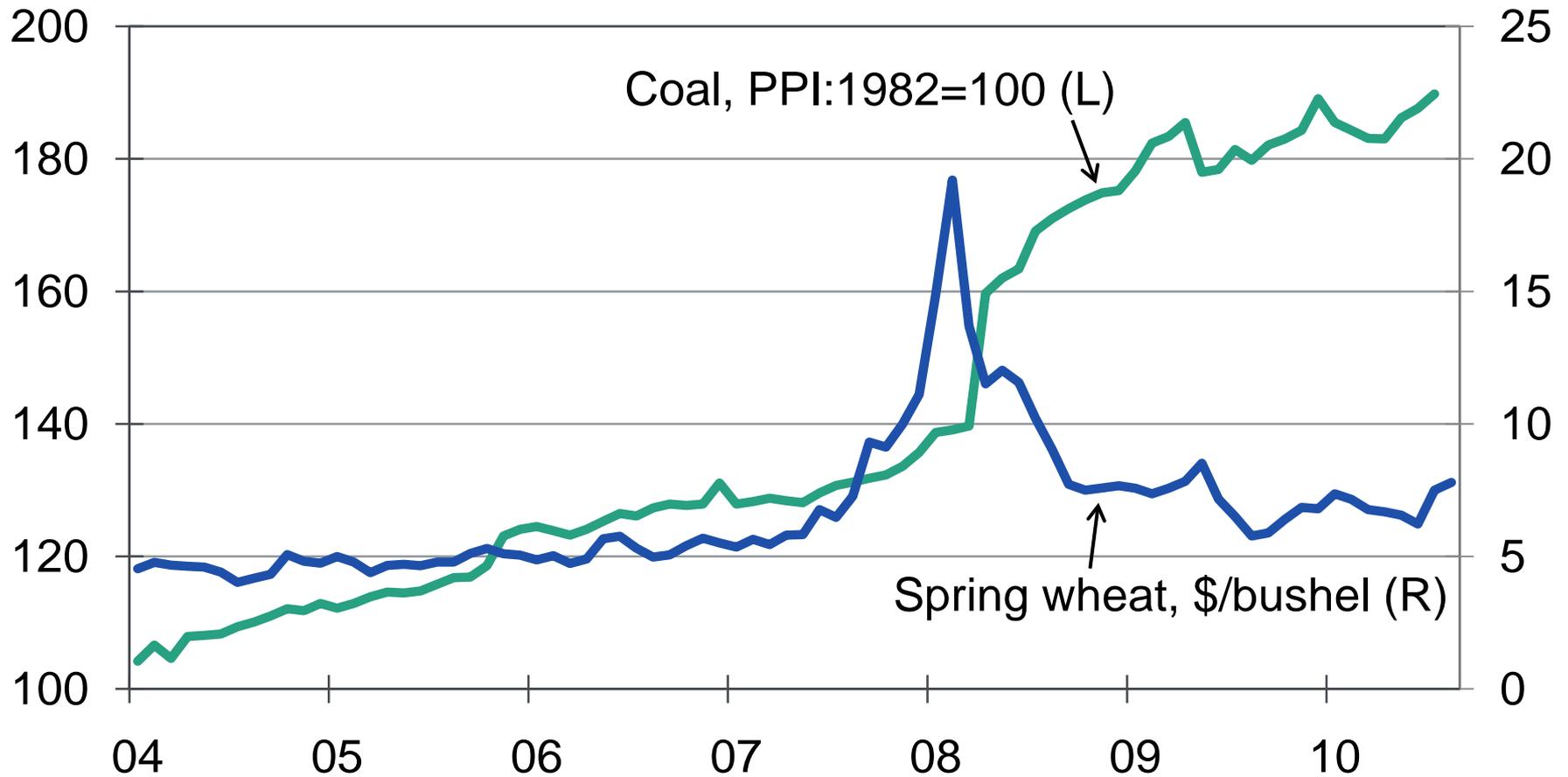
But Its Export Dependence is Rising

Commodity and goods exports, % of GSP, 4-qtr MA



Sources: Census, BEA, Moody's Analytics

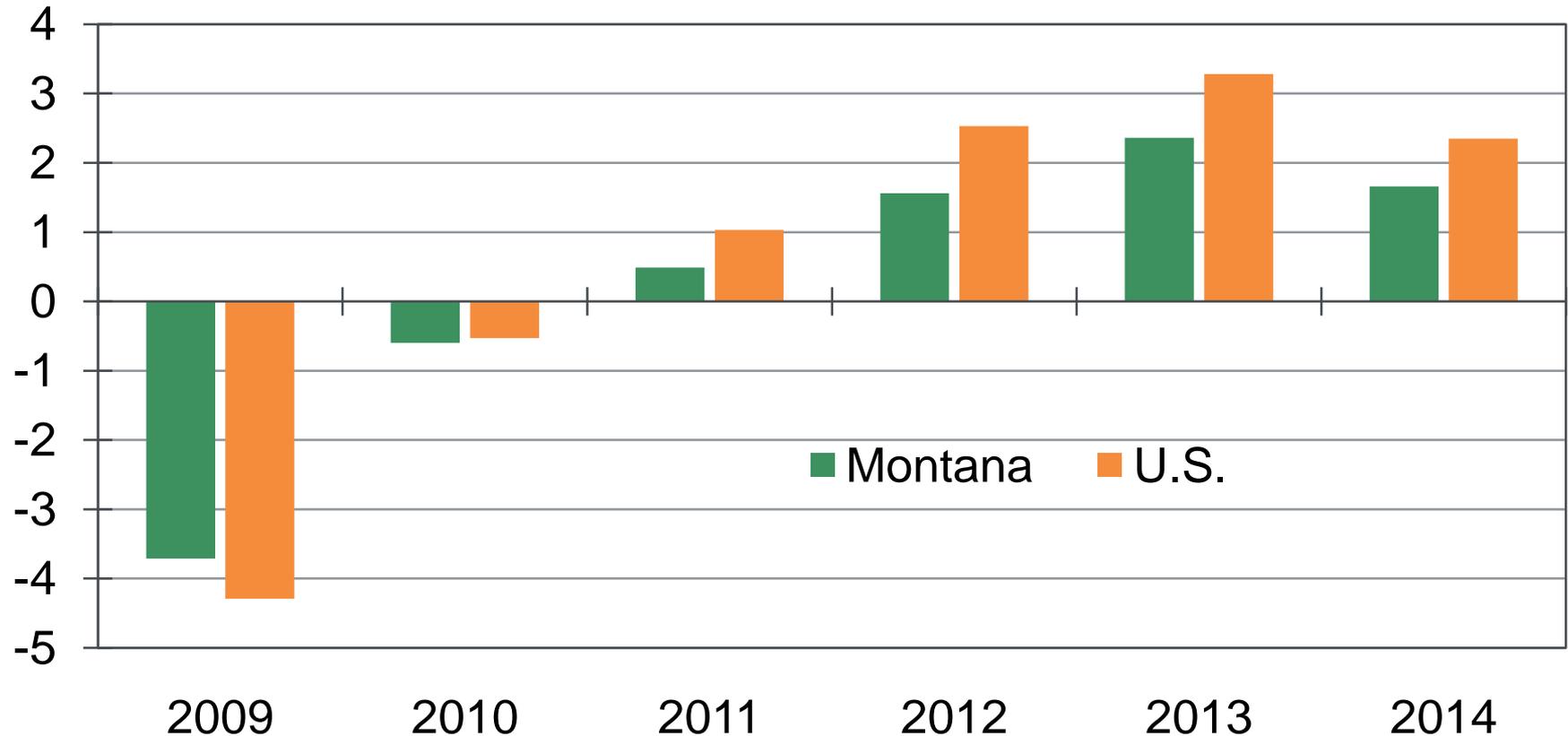
Commodity Prices Will Help



Sources: CRB, Moody's Analytics

A Slow Turnaround in Employment...

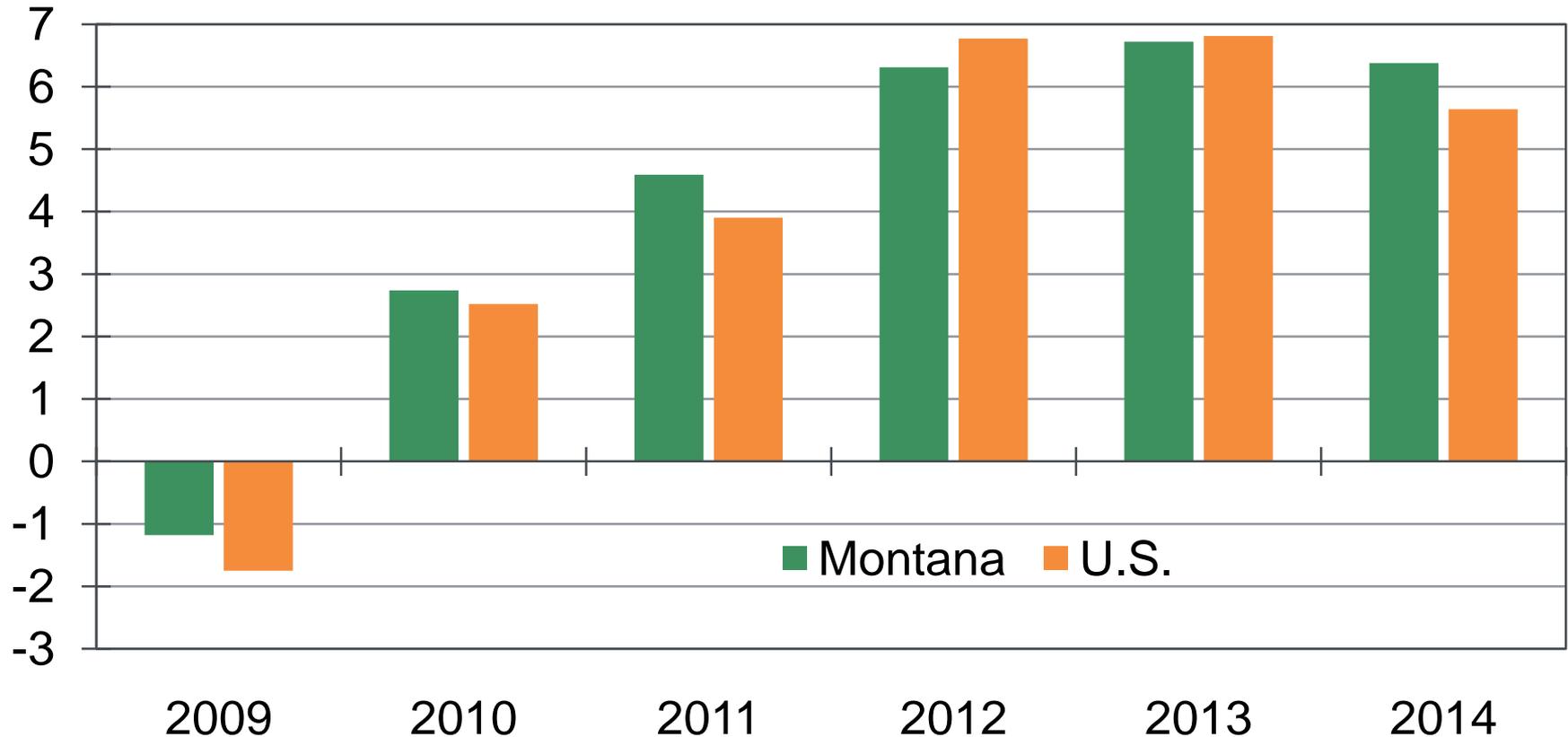
Employment, % change



Source: Moody's Analytics

...But Income Growth Outpaces U.S. Early on

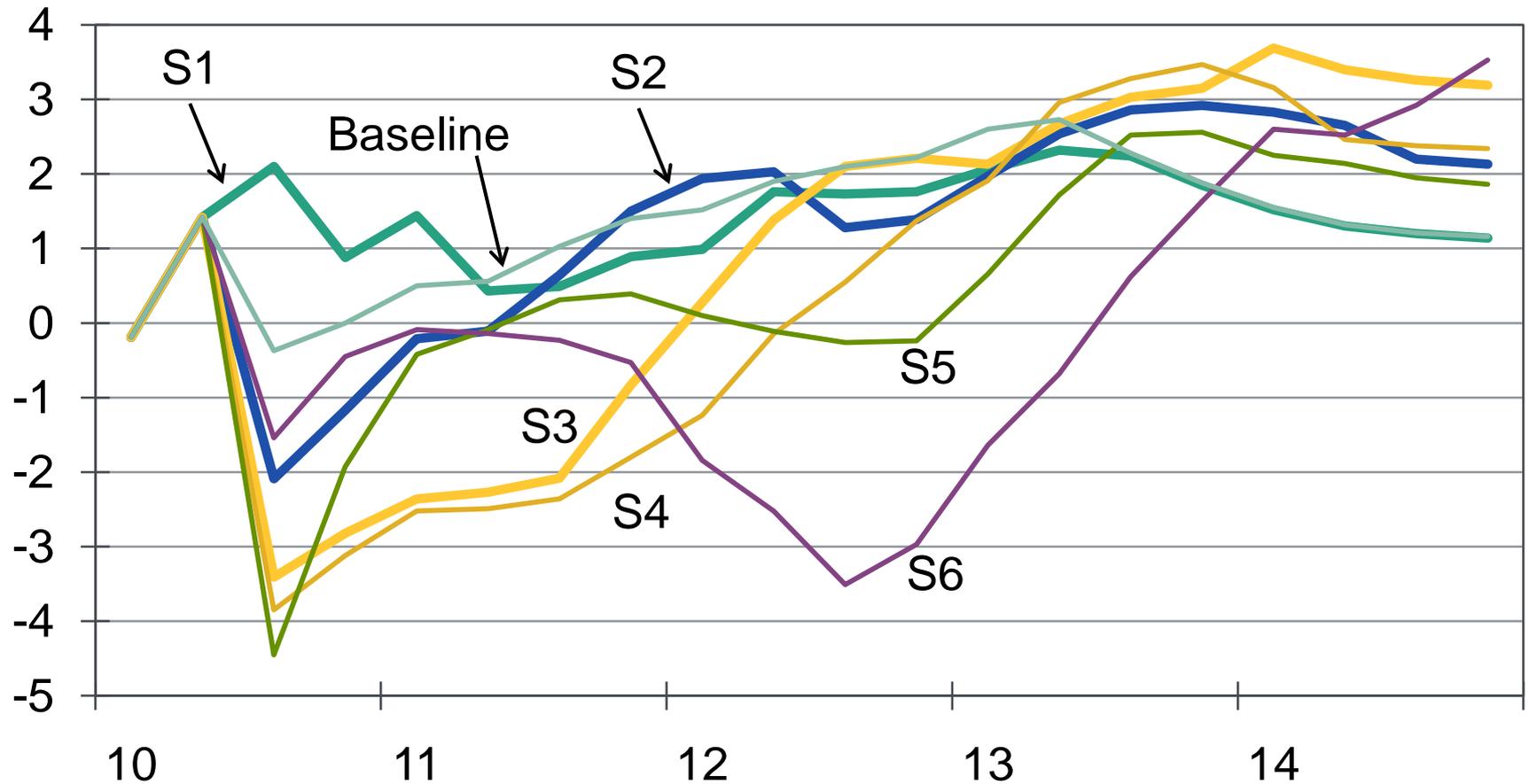
Total personal income, % change



Source: Moody's Analytics

Alternative Scenarios for Employment Outlook

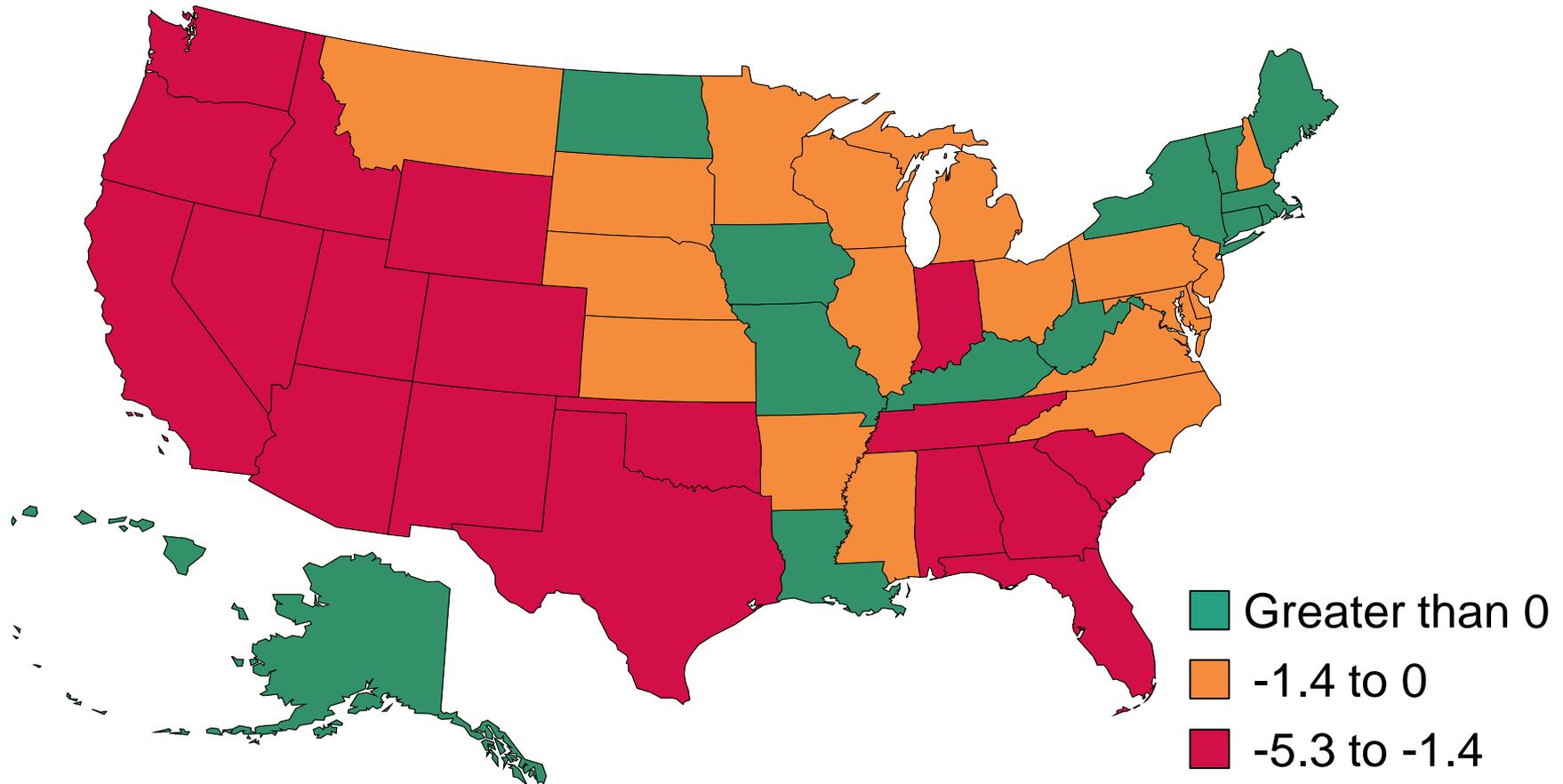
Employment, quarterly annualized % change



Sources: Moody's Analytics

Forecast Was Too Strong

Actual employment growth less predicted growth, 2009, ppt



Sources: Moody's Analytics

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