Natural Resource Boom in Montana:

How Long Can it Last?

BUREAU OF BUSINESS AND ECONOMIC RESEARCH

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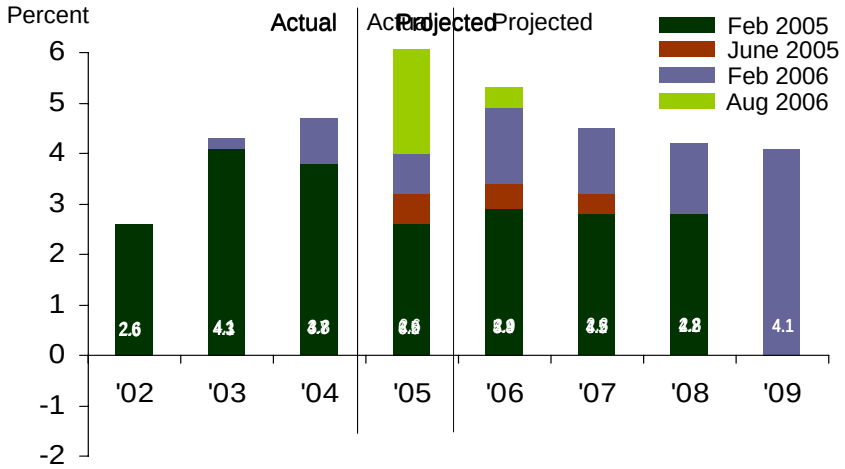
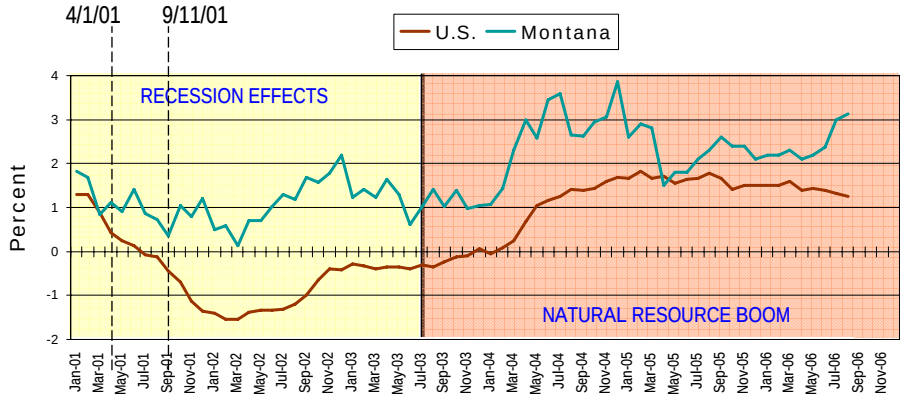
Montana Nonfarm Labor Income

(Percent Change)

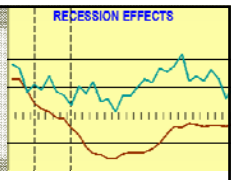


Annual Percent Change in Nonfarm Wage and Salary Employment: Jan.2001 – June 2006



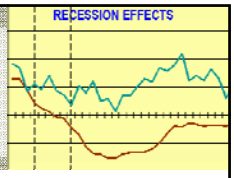
Source: Montana Department of Labor and Industry

Industries Impacted by 2001 Recession & Aftermath



- High tech manufacturing
- Dot coms
- Communications
- Financial Services
- Airlines and other travel

Montana's Economic Base

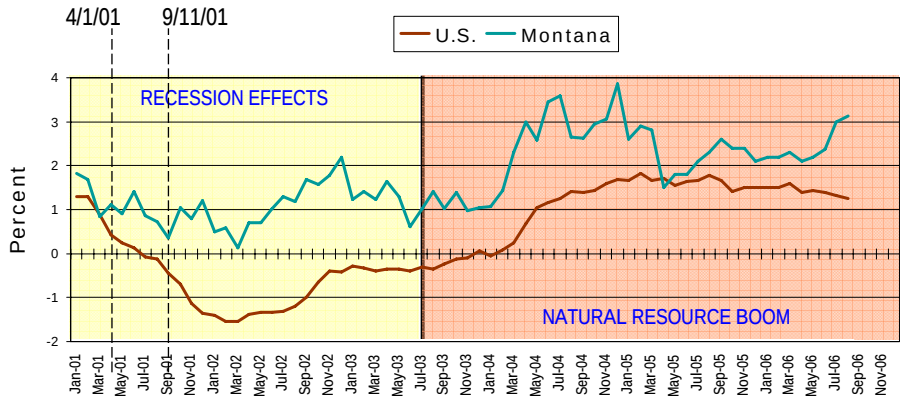


- Nonresident Travel
- Wood Products
- Agriculture
- Mining

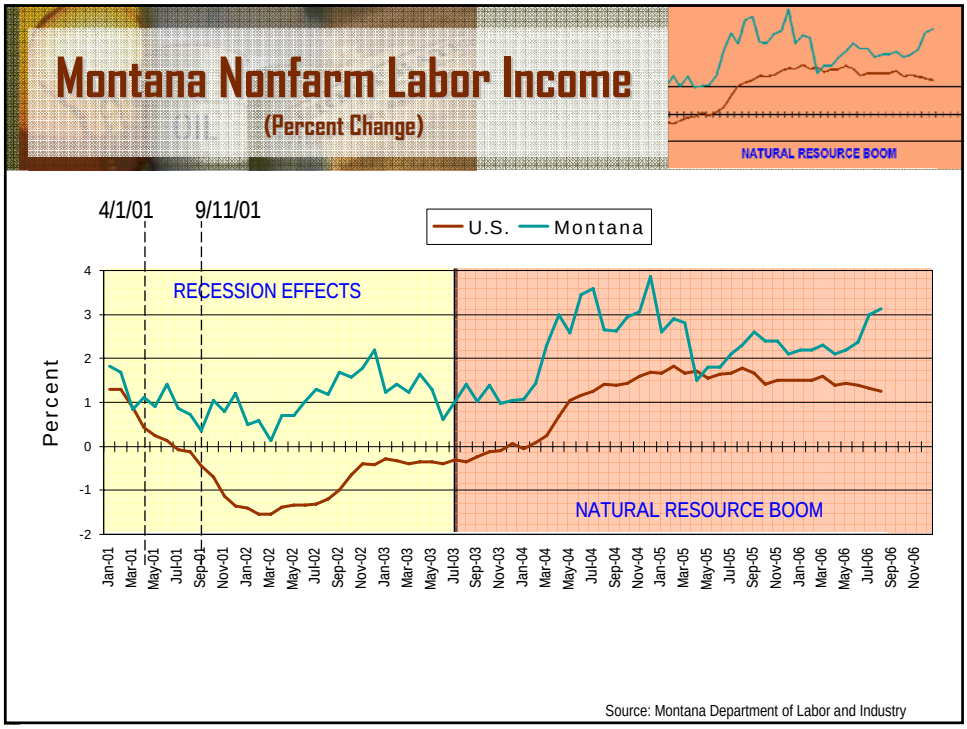
71%

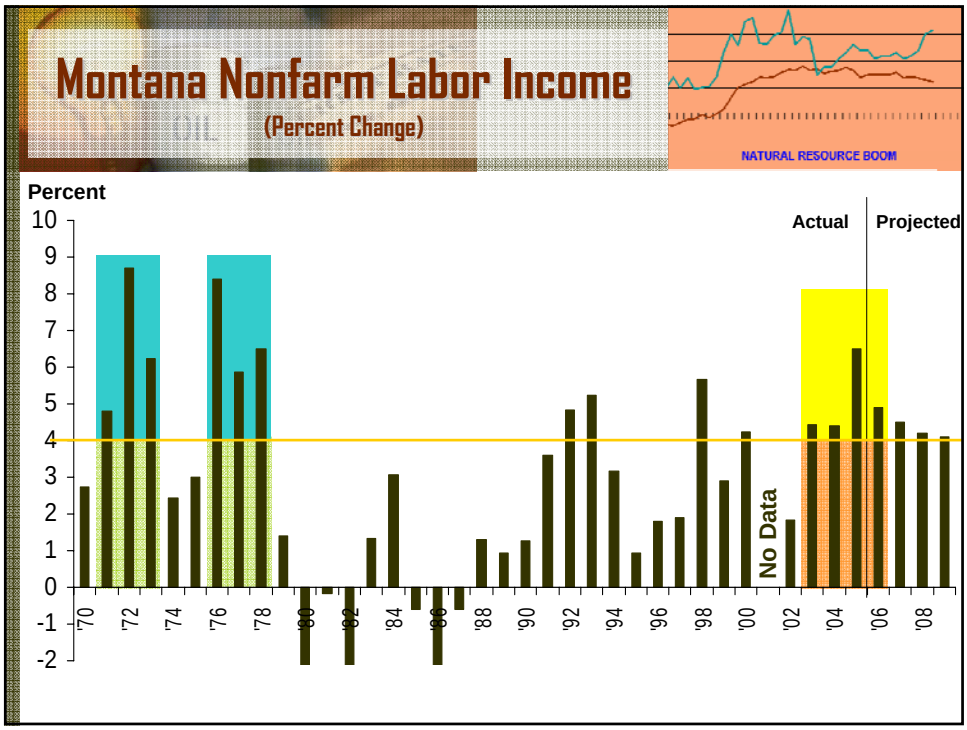
❖ Federal Gov't (Incl. Military)

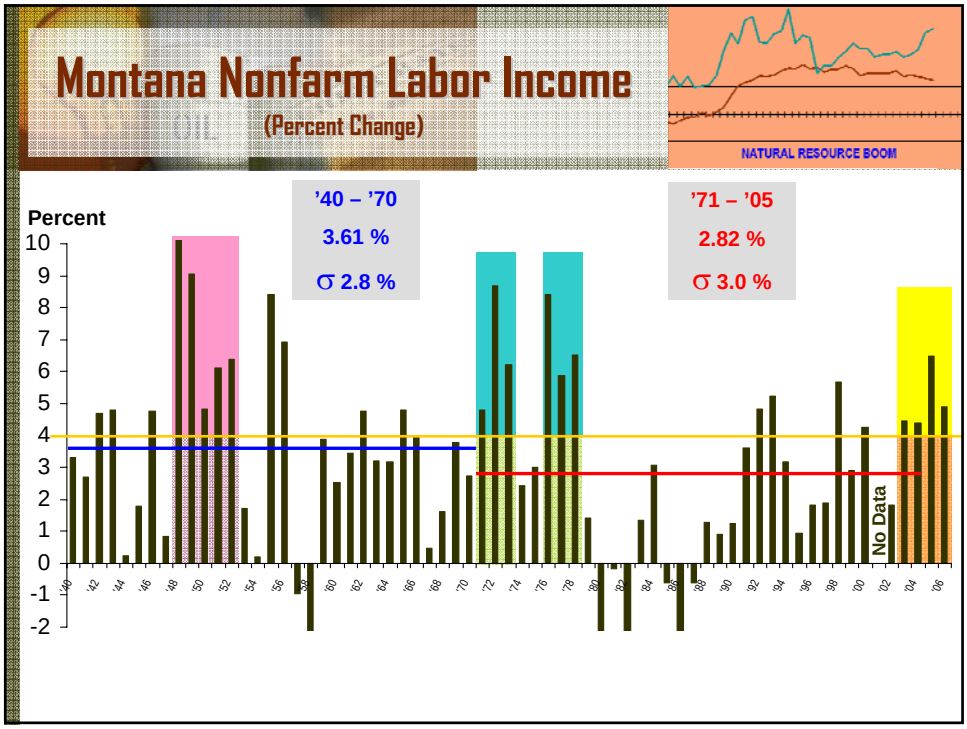
Annual Percent Change in Nonfarm Wage and Salary Employment: Jan.2001 – June 2006

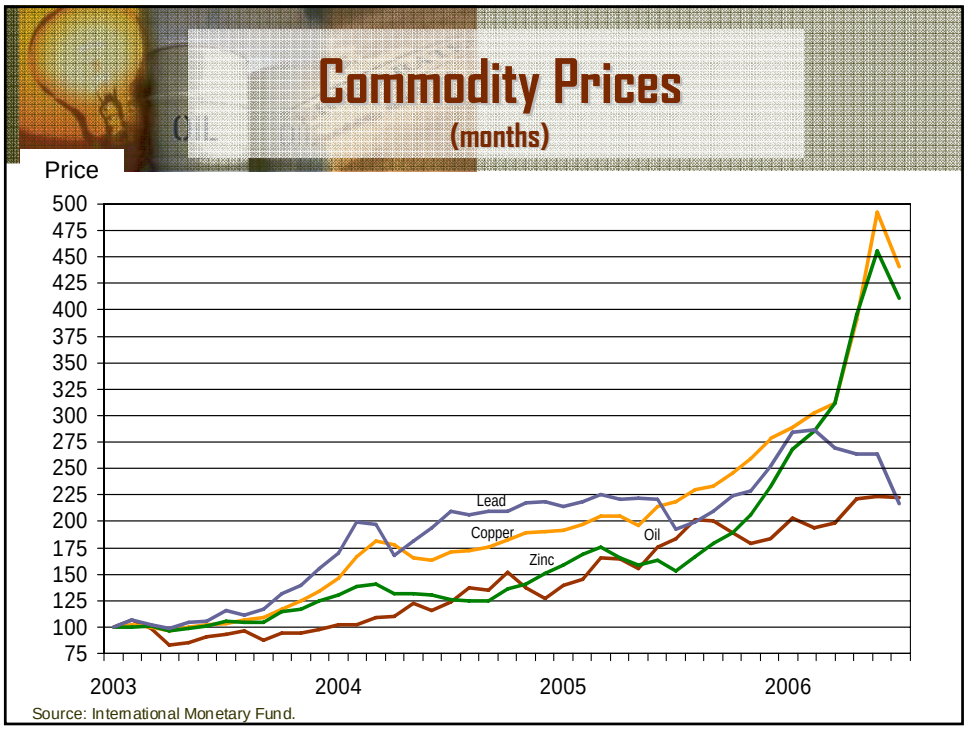


Source: Montana Department of Labor and Industry


Montana Nonfarm Labor Income
(Percent Change)
NATURAL RESOURCE BOOM
4/1/01
9/11/01
U.S.
Montana
RECESSION EFFECTS
NATURAL RESOURCE BOOM
Percent
4
3
2
1
0
-1
-2
Jan-01
Mar-01
May-01
Jul-01
Sep-01
Nov-01
Jan-02
Mar-02
May-02
Jul-02
Sep-02
Nov-02
Jan-03
Mar-03
May-03
Jul-03
Sep-03
Nov-03
Jan-04
Mar-04
May-04
Jul-04
Sep-04
Nov-04
Jan-05
Mar-05
May-05
Jul-05
Sep-05
Nov-05
Jan-06
Mar-06
May-06
Jul-06
Sep-06
Nov-06
Source: Montana Department of Labor and Industry


Montana Nonfarm Labor Income
(Percent Change)
NATURAL RESOURCE BOOM
Percent
10
9
8
7
6
5
4
3
2
1
0
-1
-2
Actual
Projected
No Data
'70
'72
'74
'76
'78
'80
'82
'84
'86
'88
'90
'92
'94
'96
'98
'00
'02
'04
'06
'08


Montana Nonfarm Labor Income
(Percent Change)
NATURAL RESOURCE BOOM
Percent
'40 – '70
3.61 %
σ 2.8 %
'71 – '05
2.82 %
σ 3.0 %
No Data


Commodity Prices
(months)
Price
Lead
Copper
Zinc
Oil
2003
2004
2005
2006
Source: International Monetary Fund.

2004 GDP Growth

World	5.0
U.S.	4.2
Japan	2.8
Euro Zone	1.7
China	**9.5**
India	**7.1**

Source: Scotiabank.

World's Biggest Economies
(GDP $billions)

1	U.S.	$10,383
2	Japan	3,993
3	Germany	1,984
4	U.K.	1,506
5	France	1,431
6	**China**	**1,266**
7	Italy	1,184
8	Canada	714
9	Spain	653
10	Mexico	637

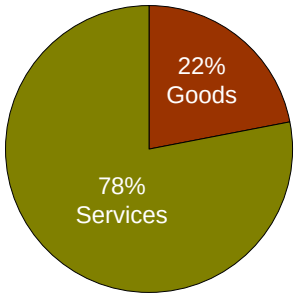
Source: The Economist.

World's Biggest Economies
(PPP $billions)

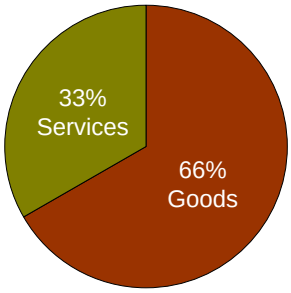
1	U.S.	$10,308
2	**China**	**5,861**
3	Japan	3,425
4	India	2,800
5	Germany	2,236
6	France	1,601
7	U.K.	1,549
8	Italy	1,525
9	Brazil	1,355
10	Russia	1,186

Source: The Economist.

U.S. GDP



China GDP



Source: The Economist.

China is Now Dominant Player in World Metal Markets

	China's Share of World Consumption 2005	Rank
Refined Copper	22.29 %	#1
Slab Zinc	25.20 %	#1
Primary Aluminum	21.70 %	#1
Refined Nickel	14.30 %	#2

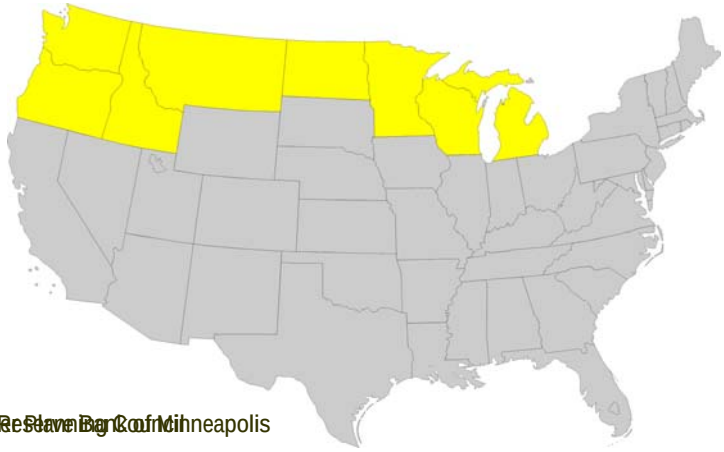
Source: Scotiabank.

Commodity Price Forecasts

	1990-2004	2005	2006f	2007f
WTI Oil ($/barrel)	23	56	60	55 ~~50~~
Nymex Natural Gas ($/mmbtu)	2.93	9.00	8.00	8.50
Copper ($/lb)	0.96	1.67	3.00 ~~1.50~~	2.25 ~~1.10~~
Zinc ($/lb)	0.49	0.63	1.07 ~~0.70~~	1.00 ~~0.72~~
Nickel ($/lb)	3.44	6.68	6.25 ~~6.00~~	6.00 ~~5.75~~

Source: Scotiabank Commodity Price Index.

Montana's Coal Market Area



Federal Reserve Bank of Minneapolis

- Med-High Forecast – Shortage by 2008
- Med-Low Forecast – Shortage beginning 2009
- Med-Low Forecast – Shortage beginning 2015

Future Energy Issues

- Conservation vs. increased supply
- Coal vs. renewable
- Mine-mouth generation vs. transmission line
- Transmission line siting

Summary

- Trends in commodity prices and energy due to demand factors (long-term) rather than supply factors (short-term)
- Risks: Slower growth in developing countries
  - Economic instability, i.e. “Asian Flu”
  - Political instability
- Regulatory and siting issues
  - Existing facilities now reopened
  - New mines = new permits
- Future growth rates unlikely to be stable

Questions?