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The University of Montana

NEWS RELEASE

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UM ECONOMIST REPORTS GROWTH IN CONSTRUCTION EMPLOYMENT, INCOME MISSOULA --

Construction increases in rural and urban areas of western Montana and in Billings have boosted employment and income in the construction sector by almost 10 percent within the past year, according to a University of Montana economist.

"Construction was a bust during most of the 1980s," says Paul Polzin, director of UM's Bureau of Business and Economic Research. "The current increases are probably caused by the extremely low interest rates and the fact that we have finally worked off some of the overbuilding of a decade ago."

The burst of new construction activity does not change the underlying conditions in the state's economy, Polzin says. Montana continues to outperform the recession-plagued U.S. economy, but the margin may diminish as the nation slowly recovers, he says.

Polzin made this forecast as part of the Economics Montana program co-sponsored by the bureau, the Montana Legislature and the governor's office.

"During the recent recession, we outperformed the U.S. economy because Montana depends on industries such as agriculture, which has ups and downs that do not usually correspond to the national business cycle," Polzin says. "Once the U.S. economy picks up steam, we will return to the more normal situation where Montana lags behind the nation."

Polzin expects to see continued slow growth in Montana for the next few years. However, some of the gloss has come off the state's precious metal mining industry, and timber shortages are

likely to cause a decline in the wood products industry during the next few years, he says.

During the recession year 1991, the state's economy grew about 2.1 percent, compared with a 1 percent decline nationwide, Polzin says. He projects a 3.2 percent nationwide increase and a 2.4 percent rise in Montana's economy for 1992.

In 1993 and 1994, U.S. economic growth will average 3.5 to 4.5 percent per year, while Montana's economy will grow by 1 to 1.5 percent, he says. He attributes the slow-down in Montana's economic growth to declines in the wood products industry and little or no increase in the state's other basic industries.

National economic trends may have conflicting effects on Montana, Polzin says: "The low interest rates may be boosting construction, but they also mean less interest income to Montanans, who may make fewer purchases."

Personal income, one of the major determinants of retail sales, will remain roughly stable in 1992, due in part to declines in interest income counterbalancing small increases in transfer payments and labor income, he says. There will, however, be slight increases in 1993 and 1994, he says.

Montana's job market will grow slightly in the next few years, Polzin says. Between 1992 and 1993, the number of non-farm wage and salary jobs should increase by about 2,000 to 3,000 per year, he says.

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