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MONTANA’S ECONOMIC FORECAST BRIGHTER THAN NATIONAL EXPECTATIONS

MISSOULA--

Montana’s above-average economic performance may be due more to a slowing U.S. economy than to an accelerating state economy, according to a University of Montana—Missoula economist.

Paul Polzin, director of the UM Bureau of Business and Economic Research, projects that Montana’s economy will grow by about 2 to 2.5 percent per year from 1996 to 1998. In contrast, the national economy is projected to increase by about 1.5 percent per year, he said.

"Even though few are calling for a recession, national forecasters note a decelerating U.S. economy and expect slower growth in the future," Polzin said. "Some economists are calling for lower interest rates to spur the U.S. economy."

The Montana economy is also slowing from its robust performance of the early 1990s, when it grew 5 to 6 percent each year, Polzin said. Reasons for the fast growth were:

- a construction boom;
- good agriculture years;
- growth in high-tech manufacturing;
- smaller than expected declines in wood products;
- increases in federal government incomes.

Despite the moderating growth rates, Polzin said the Montana economy remains healthy and
viable. Polzin pointed to a number of industry trends:

- agriculture prospects are bright—1996 may be a good year for wheat;
- construction will remain strong;
- the outlook for manufacturing varies from industry to industry, but modest overall increases are likely;
- federal government decreases are inevitable, but they will happen slowly, primarily through attrition and early retirement.

Personal income, one of the major determinants of retail sales, will increase by 1.1 percent per year from 1996 to 1998, Polzin said. Slower growth in transfer payments and dividends and interest, and rents as well as the overall economic slowdown have reduced the personal income growth, he added.

Montana’s job market will continue to post only moderate increases in the next few years, he said, projecting that the number of non-farm wage and salary jobs should increase by about 7,000 per year, compared with the growth of 9,000 to 10,000 per year in the early 1990s.

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