



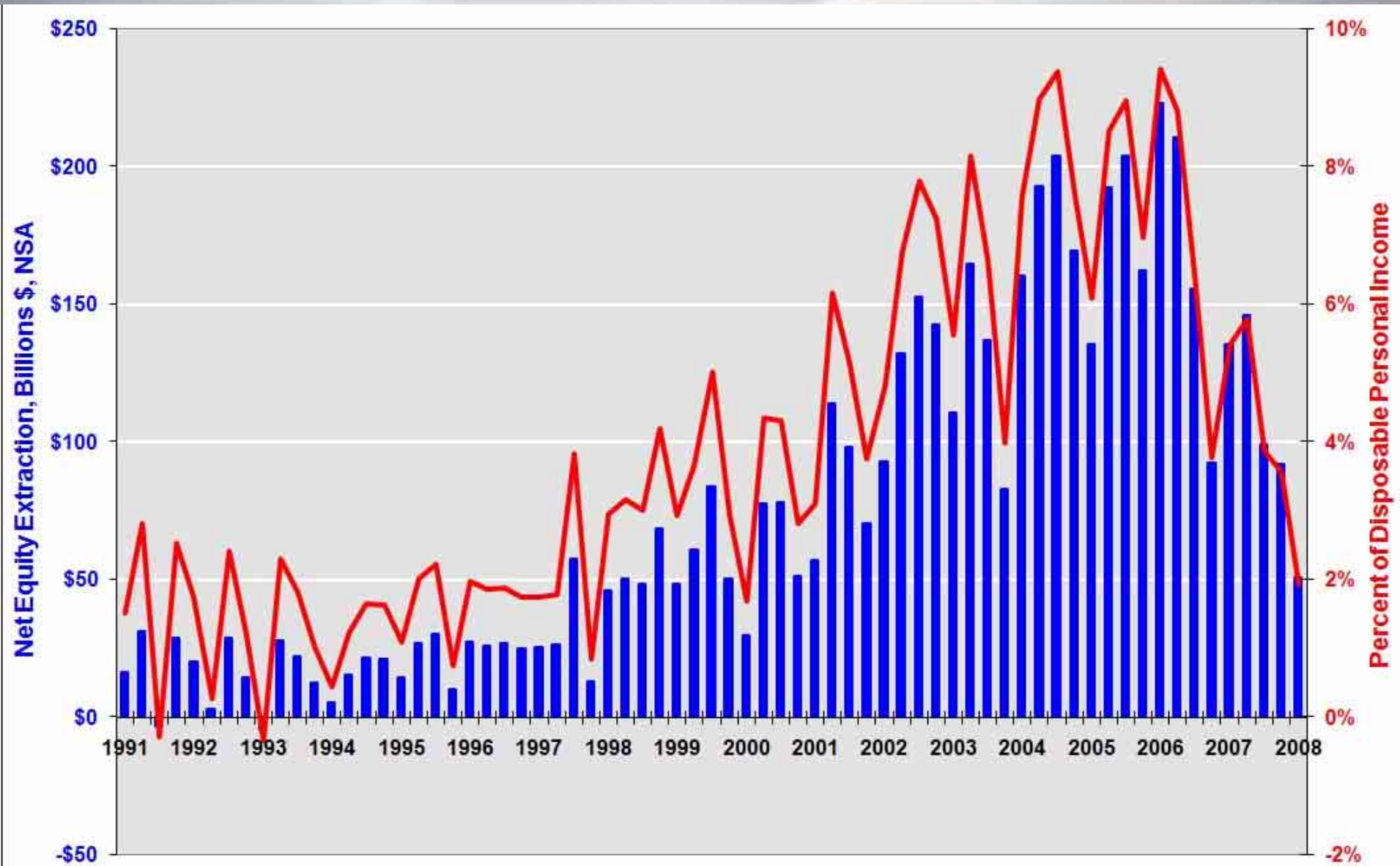
Mid-year Outlook: Montana and the Nation

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What's Happened Since February

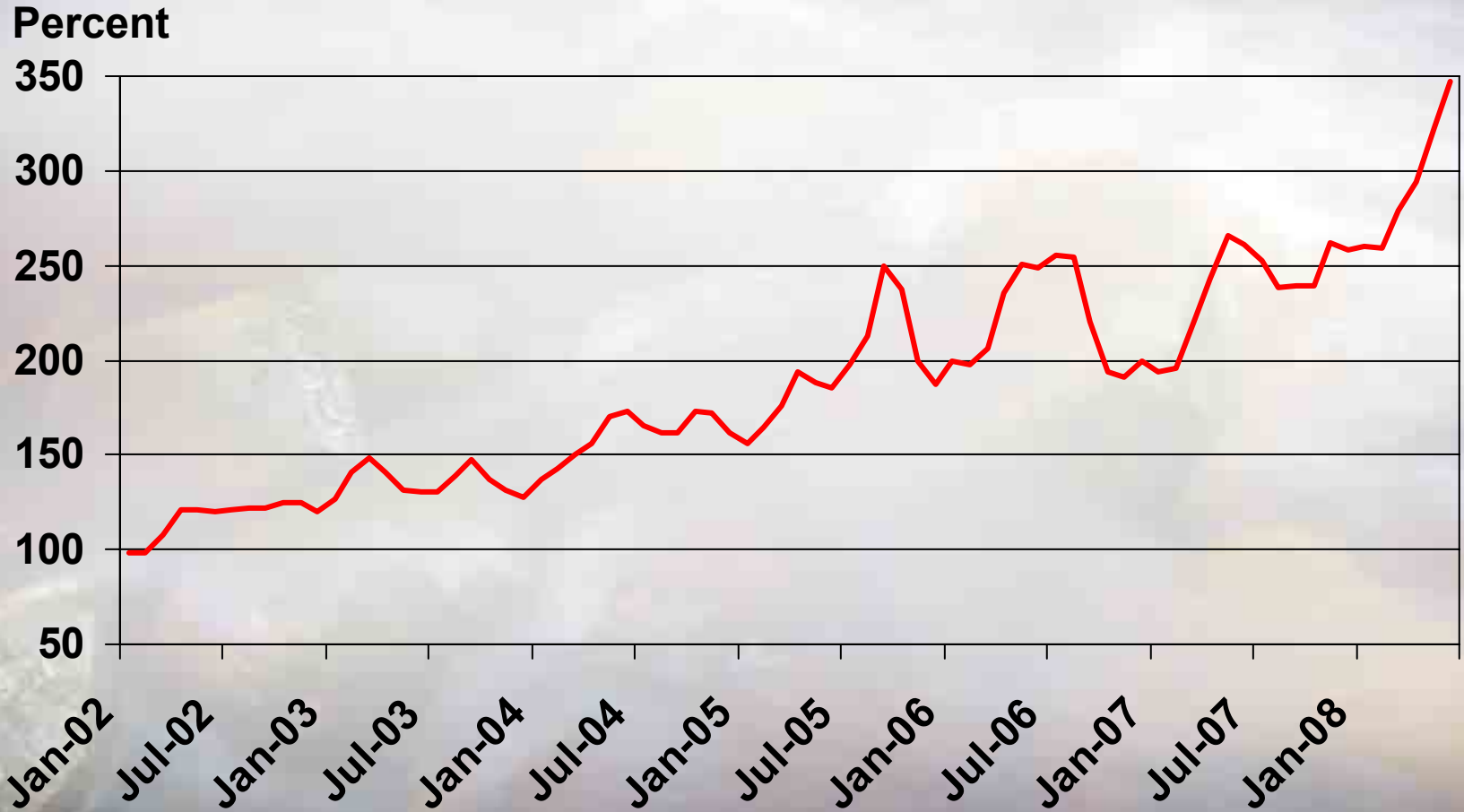
- National economy has grown, but not fast enough to keep job growth positive
- Another surge in energy prices
- Housing prices still adjusting downward
- Financial markets still in disarray
- Exports remain the silver lining

Shock #1: Home Equity Withdrawals Collapse



Shock #2

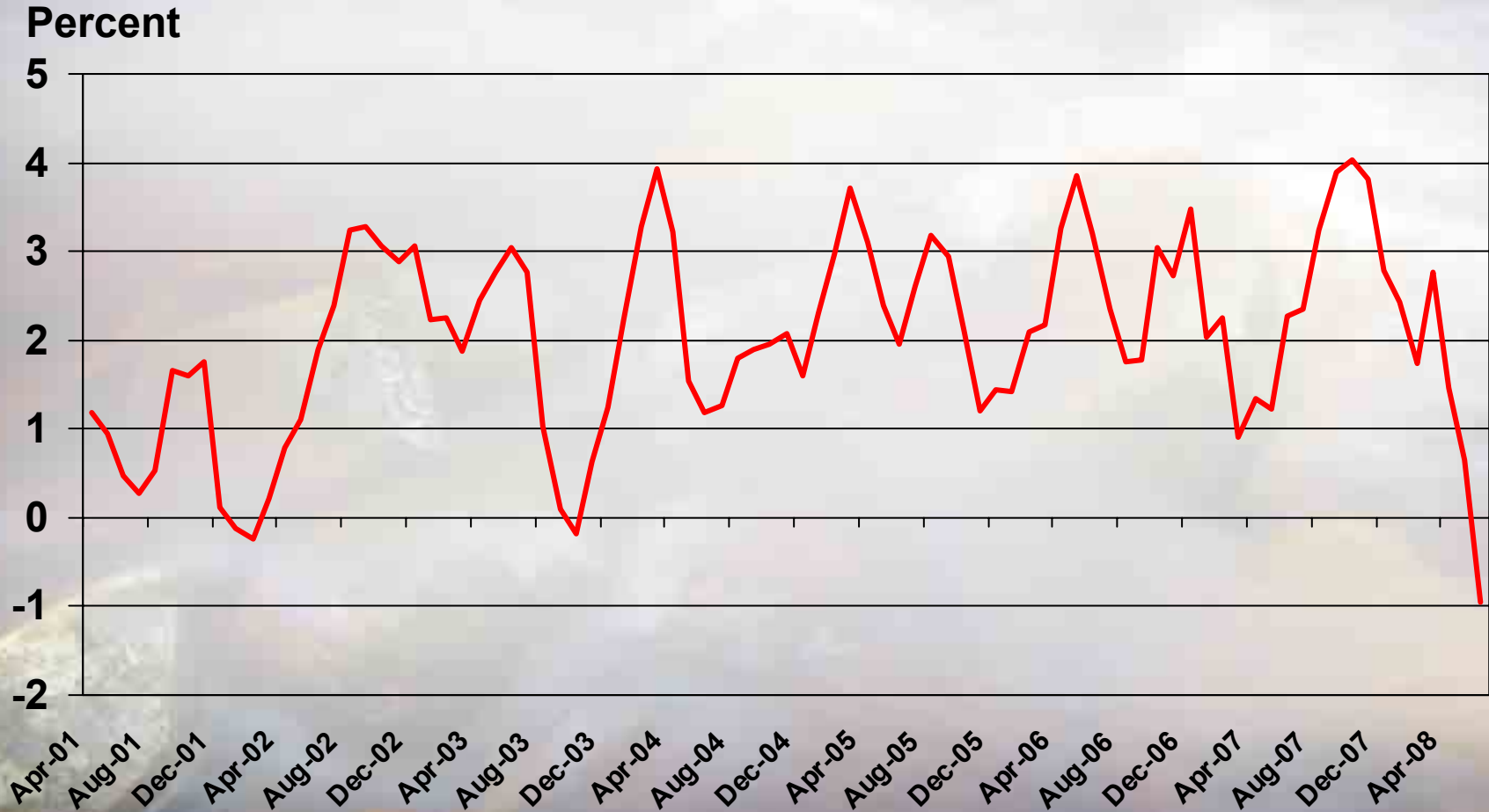
Sticker Shock at the Gas Pump



Consumer Price Index, Motor Fuels, Index, 1982-84=100

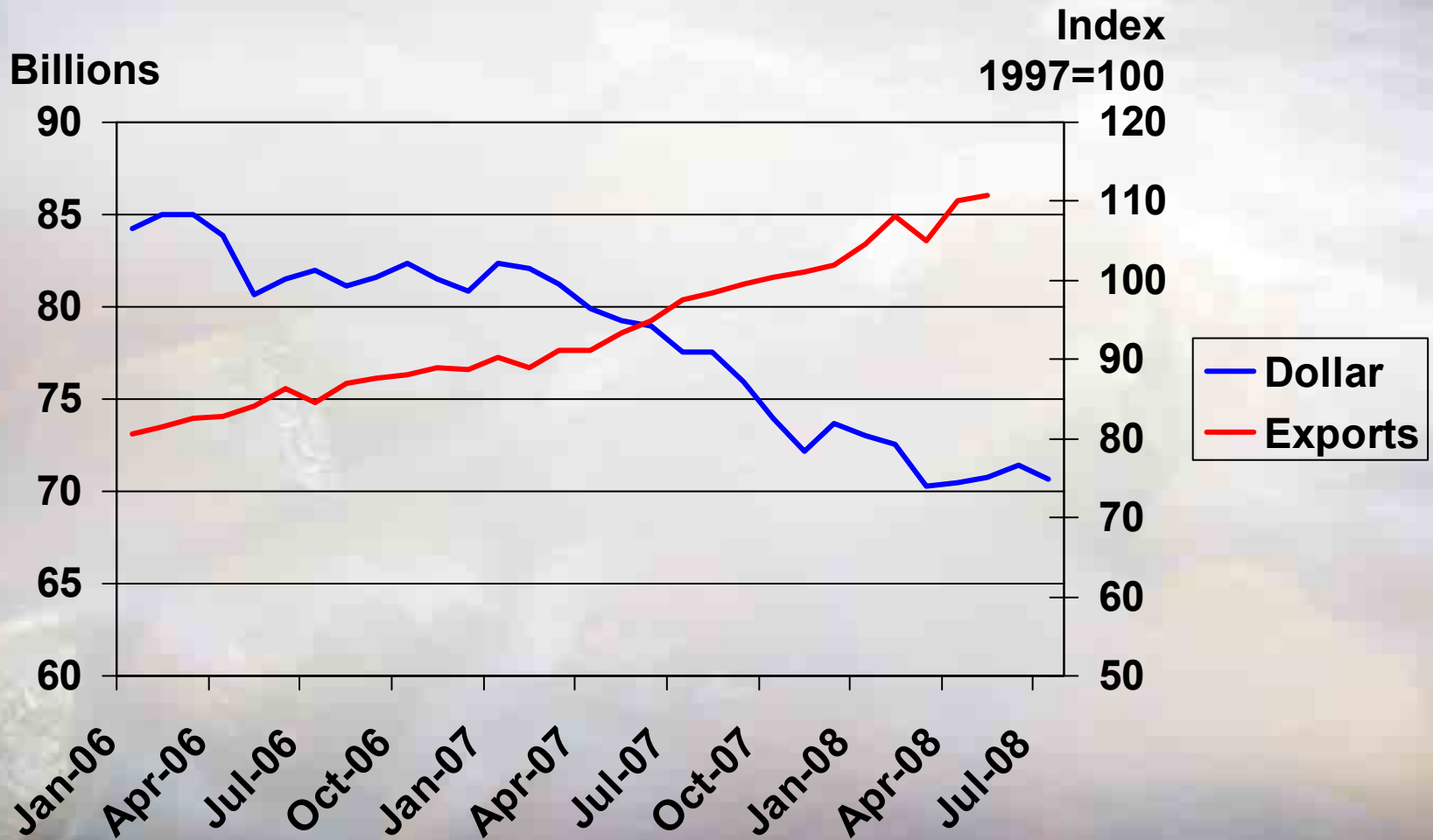
Shock #3

Reduced Credit Availability



Commercial Bank Credit, 3-month percent change

As the Dollar Weakens, Goods Exports Soar

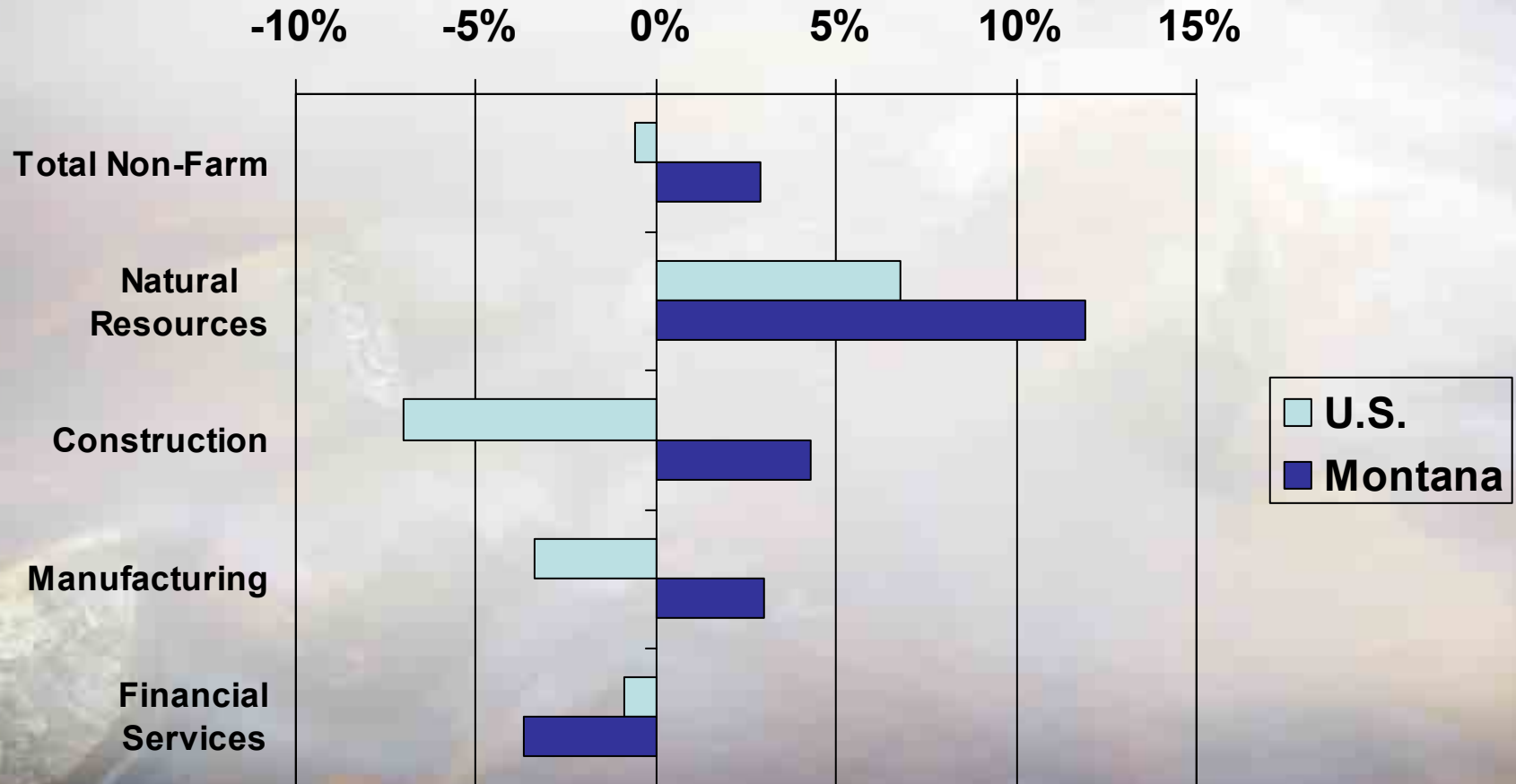


The Bottom Line: What to Expect

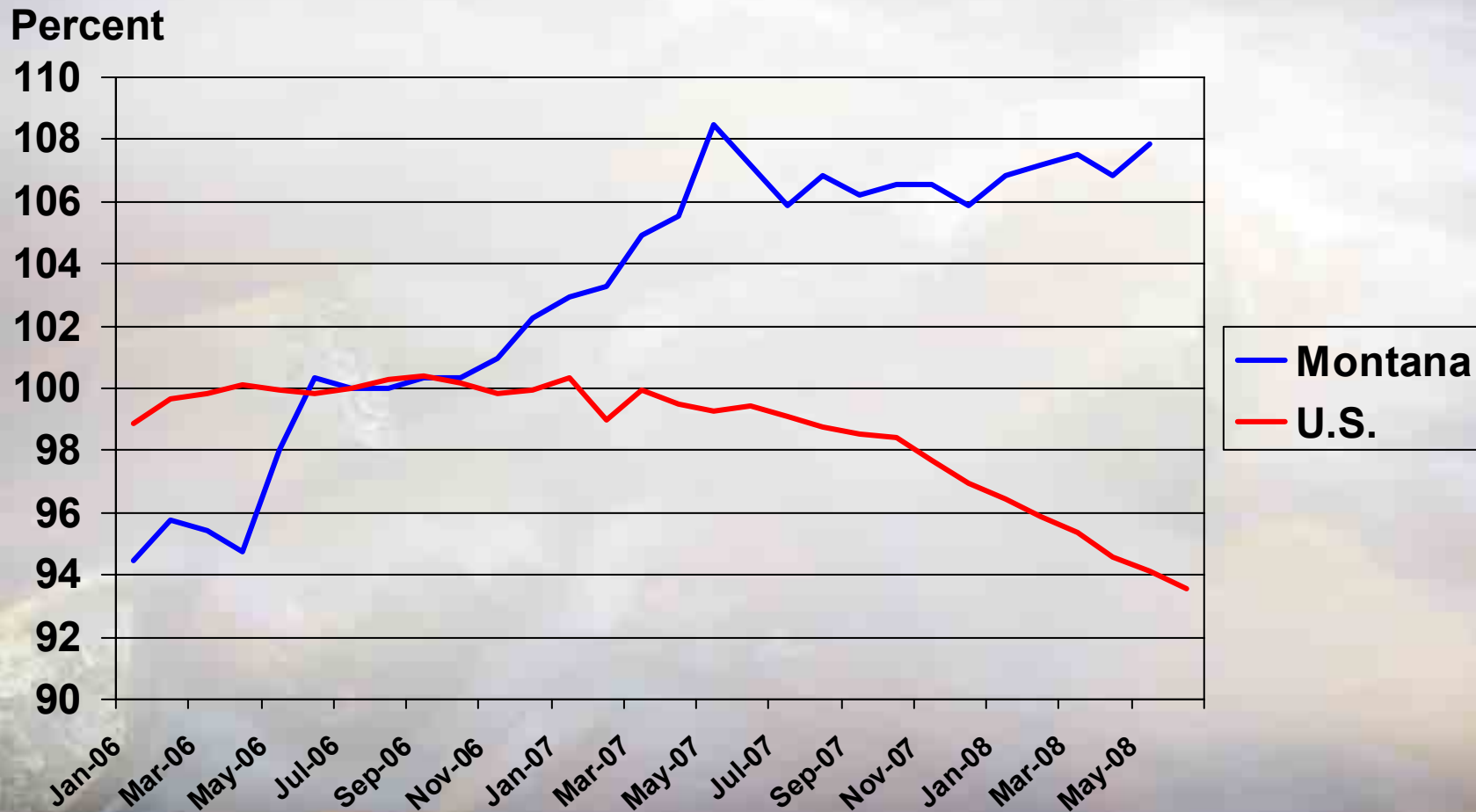
- Thank the expansion in the rest of the world economy for keeping the U.S. economy on life support
- Expect the U.S. economy to enter recession in the second half of 2008
- Risks: stagflation, energy, Congress
- What does this mean for Montana?

Employment Growth Since December 2007

Percent Growth, Annual Rate

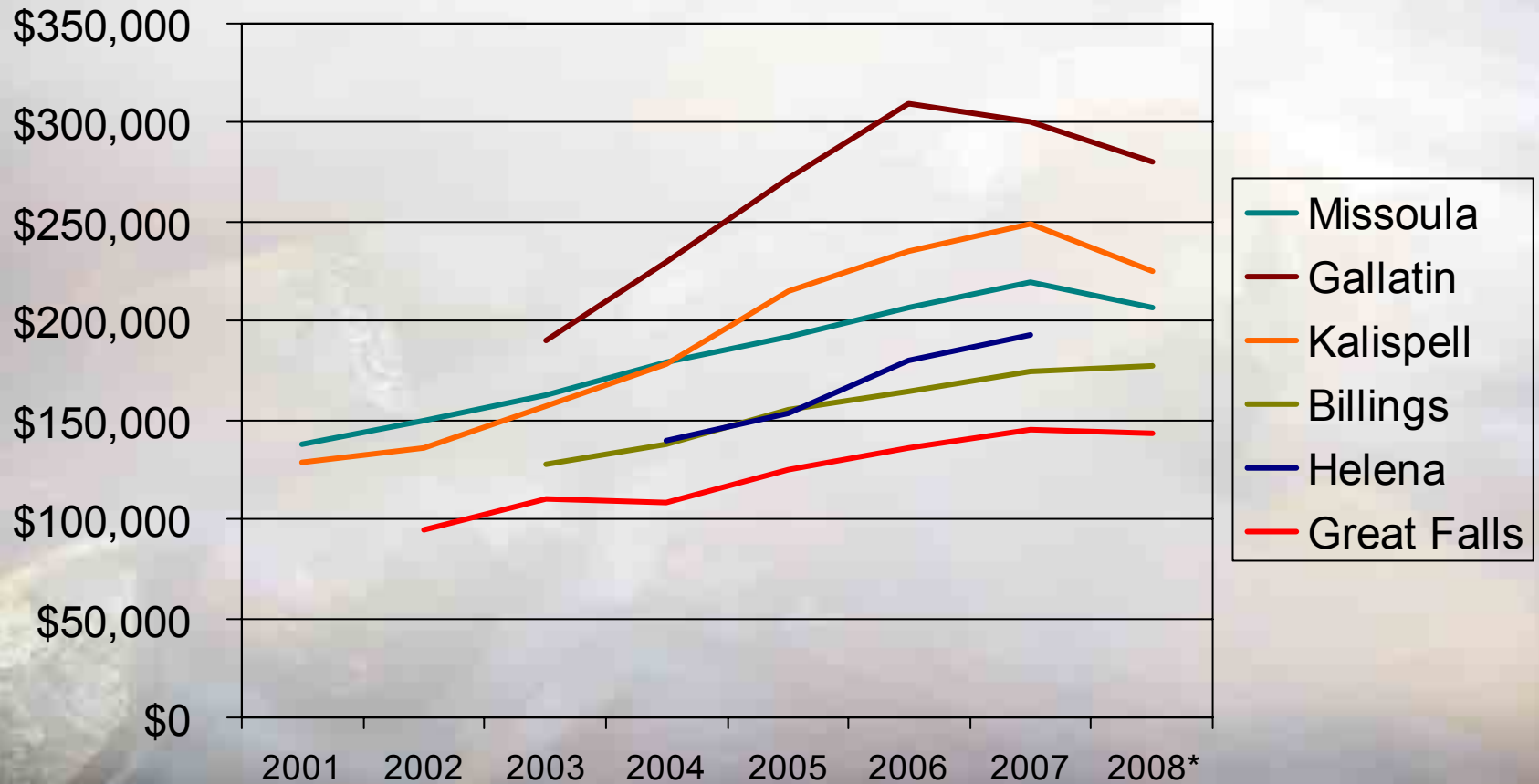


Montana Construction Has Slowed Since Last May



Employment as Pct. of July 2006 Employment

Signs of Price Fatigue in Montana Real Estate Markets



Median Price of Homes Sold

Source: MLS data. 2008 data reflect year to date sales only.

Summary

- As we expected, the U.S. economy is weaker today than it was in February
- U.S. can expect a recession this year
- Montana continues to outperform the nation