MANUFACTURING IN MONTANA AND THE STATE OF THE ECONOMY

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Executive Summary

Montana's manufacturing sector remains a cornerstone of the state's economy, generating more than $2 billion in base labor earnings in 2024 and ranking second among Montana's base industries behind hospitality. Manufacturing has expanded faster than the nation since 2020, driven by growth in durable goods, but the sector began to cool in late 2024 and early 2025 with declines in wood products and food production. Establishment growth over the past decade highlights entrepreneurship and diversification, though recent closures mark the first broad contraction in years. Exports rebounded strongly in 2024, led by petroleum and transportation equipment, while workforce shortages and rising input costs continue to challenge manufacturers.

Key insights into Montana manufacturing and the state economy include:

- Manufacturing generated over $2 billion in labor earnings in 2024, making it the second-largest base industry.
- Real GDP from manufacturing reached $3 billion, with nondurables larger than durables, though durable goods grew faster since 2020.
- Montana manufacturing GDP has grown 7% faster than the U.S. since early 2020, led by fabricated metals, electronics, and medical equipment.
- The number of establishments expanded substantially over the past decade from 1,403 in 2014 to 1,883 in 2024. However, manufacturing establishments declined in 2024 for the first time in a decade, a 3.4% overall decline that was broadly distributed across sectors with the notable declines in wood products, beverage and furniture manufacturing establishments.
- Regional diversity is strong: Yellowstone River dominated by petroleum, Northwestern by wood products, Southwestern by technology products, and Western by fabricated metals and biotech.
- Exports increased by 10 percent in 2024, well above the long-term average of 1.5 percent. Canada, the EU and UK, and South Korea were the largest markets. Export value to China declined, but recent growth has been driven by Transportation Equipment, Chemicals, and Machinery, even as their destinations have shifted away from China and Mexico
- Workforce constraints persist, with 1.7 job openings per hire in durable manufacturing, above pre-pandemic norms.
- Rising input costs are pressuring margins, forcing firms to balance price increases with consumer demand.

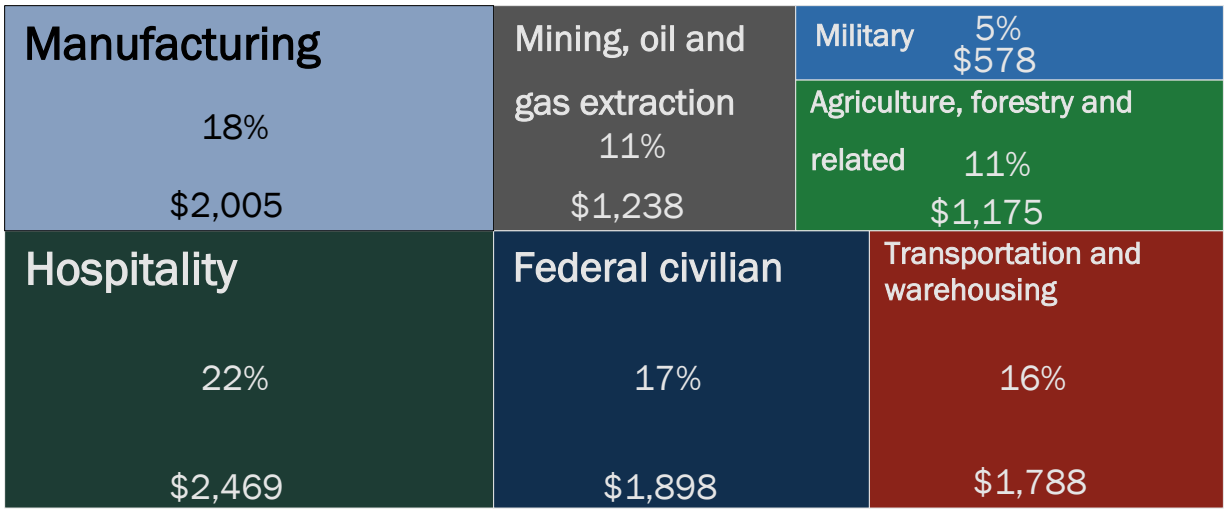
Montana's manufacturing sector has proven resilient, outperforming national trends over the past five years. Yet cooling output, labor shortages, and cost pressures define the near-term outlook. Regional strengths and growth in mid-sized firms highlight some long-term changes in Montana manufacturing while it continues its role as a key driver of the state economy.

1. Montana Manufacturing

Montana's economy is shaped by its base industries, those that bring in revenue from outside the state. These industries inject new dollars that support local jobs and businesses, making them critical drivers of long-term growth. To accurately quantify the impact of these base industries, we use labor earnings data, which provides a stable and insightful measure of each sector's economic contribution over time. Among these base industries, manufacturing consistently stands out as a central contributor. It generates income across the state and plays an especially important role in many regional economies.

Since the Great Recession, the composition of Montana's base industries has shifted. Hospitality expanded steadily after 2016 and became the state's largest base sector in 2023 and maintained this position in 2024. Manufacturing, however, continues to play a major role, ranking second in base earnings last year at more than $2 billion, as shown in Figure 1. This is an increase in Manufacturing's ranking compared to 2023, when Agriculture, Forestry and related industries were ranked second, but these natural resource sectors experienced a substantial decline in 2024.

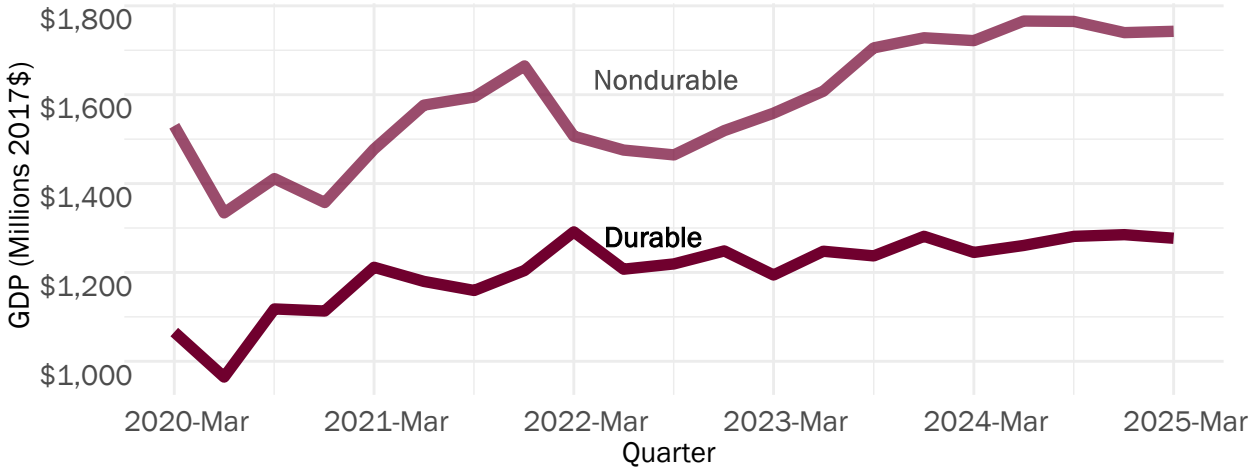
Figure 1: Share of Montana's Base Earnings, 2024 (million$)



U.S. Bureau of Economic Analysis (BEA), Real Earnings by Industry

Gross domestic product (GDP) provides another perspective on manufacturing's role. GDP measures the total value of goods and services produced, and when adjusted for inflation, shows real growth over time.

Figure 2: Montana Manufacturing Gross Domestic Production, Durable and Nondurable Goods Manufacturing



U.S. Bureau of Economic Analysis (BEA), GDP by Industry

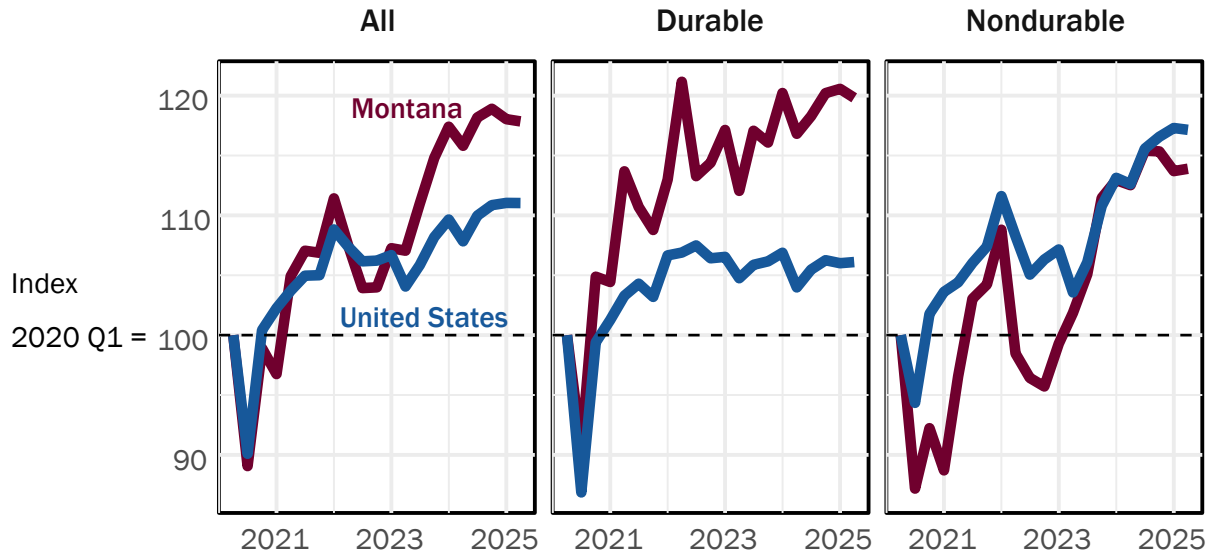
Within Montana manufacturing, the nondurable goods sector is the larger contributor. This is different than the U.S. where durable goods generate 10-20% more GDP than nondurable goods. In Montana, led by food production and petroleum and coal products, nondurables generated about $1.7 billion in real GDP in 2024

compared with $1.3 billion from durable goods. Both sectors have grown steadily over the past five years, though durable goods production has been more stable and, in percentage terms, has grown more quickly.

However, both sectors began to lose momentum in mid-2024. Output growth tapered between June and August and the slowdown continued into early 2025, with lower production observed through the first quarter. As shown in detailed regional tables that follow, the recent downturn in manufacturing production is primarily accounted for by a decline in wood products in the durable products sector, and food products in the nondurable sector. This parallels the decrease in output in the agricultural and forestry sectors discussed earlier that provide critical inputs into these manufacturing sectors.

To place this growth in broader context, Figure 3 indexes Montana's and the nation's manufacturing GDP to the first quarter of 2020. The durable goods sector in Montana rebounded quickly following the onset of the COVID-19 pandemic, showing a steadier recovery compared with nondurables driven by expanding activity in fabricated metals, computer products, and miscellaneous manufacturing sectors such as medical equipment and sporting goods. The nondurable sector's path was more volatile, though it ultimately tracked closely with national trends.

Figure 3: Montana vs United States Real GDP Index, 2020 Q1 to 2025 Q1,



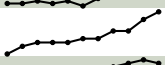
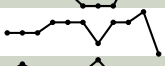
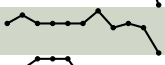
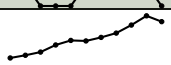
U.S. Bureau of Economic Analysis (BEA), GDP by Industry

Overall, Montana's manufacturing sector has expanded by about 7 percent faster than the nation since early 2020. This was driven largely by durables, which outpaced the U.S. by roughly 14 percent. In contrast, Montana's nondurable goods sector grew more slowly than the national average, coming in about 4 percent lower over the same period.

While GDP highlights output, establishment counts provide insight into the number of firms actively producing in Montana's manufacturing industries. Over the past decade, the manufacturing base has expanded steadily. The number of establishments rose from 1,403 in 2014 to 1,883 in 2024, averaging 3 percent growth per year.

Most industries saw net gains in establishments over the past decade, though a few—including primary metal products, textiles, and paper—recorded declines. The strongest increases came in fabricated metal, computer and electronic products, and beverage and tobacco products, each containing more than 100 establishments in 2024.

Table 1: Change in Manufacturing Establishments, 2014-2024

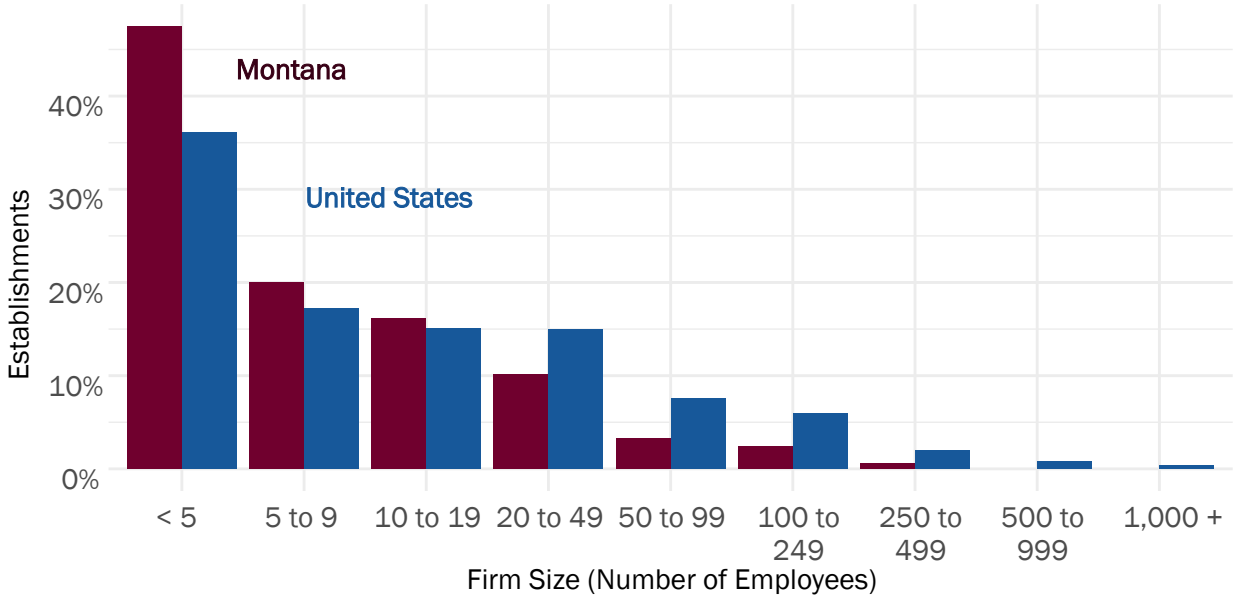
NAICS	*Industry*	*2014*	*Trend*	*2024*	*1-year change*	*10-year average change*
315	Apparel	8		19	-9.5%	9.0%
334	Computer & Electronic	43		101	0.0%	8.9%
312	Beverage & Tobacco	80		149	-7.5%	6.4%
333	Machinery	47		83	-1.2%	5.9%
326	Plastics & Rubber	22		38	18.8%	5.6%
335	Electrical	17		28	7.7%	5.1%
336	Transportation	42		61	-3.2%	3.8%
332	Fabricated Metal	219		315	-1.9%	3.7%
316	Leather & Allied	17		24	-17.2%	3.5%
323	Printing & Related	96		122	-1.6%	2.4%
339	Miscellaneous	164		206	-4.2%	2.3%
321	Wood Product	135		165	-1.8%	2.0%
311	Food	174		211	-2.3%	1.9%
325	Chemical	57		69	-5.5%	1.9%
327	Nonmetallic Mineral	93		103	-8.0%	1.0%
337	Furniture & Related	126		139	-7.9%	1.0%
324	Petroleum & Coal	10		10	-16.7%	0.0%
331	Primary Metal	14		12	-25.0%	-1.5%
314	Textile Product	32		25	-19.4%	-2.4%
313	Textile Mills	4		2	0.0%	-6.7%
322	Paper	3		1	-50.0%	-10.4%
31-33	***Total***	***1,403***		***1,883***	***-3.9%***	***3.0%***

U.S. Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages (QCEW), BBER Analysis

The shorter-term picture is less robust. Between 2023 and 2024, only four manufacturing industries avoided a net decline in establishments. This contraction suggests that while long-term growth remains positive, Montana's manufacturing sector entered a more challenging period in 2024.

The size of firms also shapes Montana's manufacturing profile. Compared with the nation, Montana manufacturers tend to be smaller, as shown in Figure 4. Smaller establishments remain the backbone of the sector, but firm sizes have been growing gradually over the past decade. In 2013, nearly three-quarters (73 percent) of Montana's manufacturing establishments employed fewer than 10 people. By 2023, that share had declined to 67 percent, reflecting growth in larger operations. Firms with 10 to 99 employees accounted for most of the gains, suggesting a slow but steady shift toward mid-sized manufacturers. While the average number of manufacturing employers has slowly increased, it is still much smaller than the U.S. average with very few establishments over 100 employees and no manufacturing establishments in Montana with more than 500 employees.

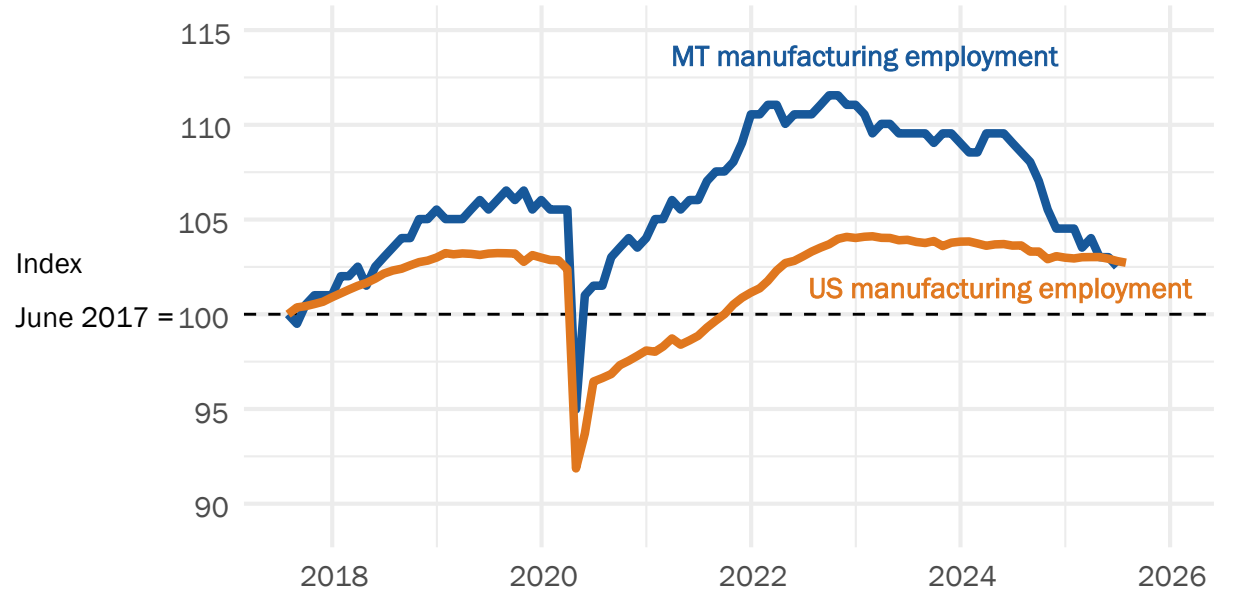
Figure 4: Manufacturing Firm Size Distribution: Montana vs. United States, 2023



U.S. Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages (QCEW), BBER Analysis

These patterns in output and establishments are also reflected in employment. Montana's manufacturing workforce grew more quickly than the national average, peaking at about 12 percent above 2017 levels in 2022. Since then, growth has moderated, gradually converging toward the U.S. trend.

Figure 5: Montana vs United States Employment Index, 2017 Q2 to 2025 Q1



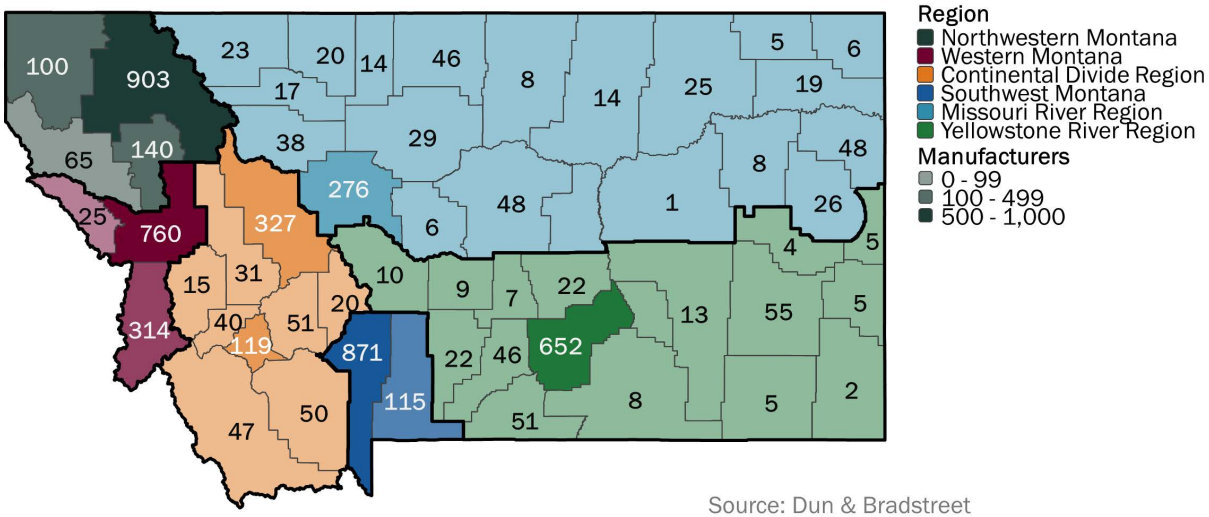
U.S. Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages (QCEW), BBER Analysis

2. Regional Manufacturing Analysis

In this section, the source for company counts starts with Dunn & Bradstreet (D&B), and switches to the Bureau of Labor Statistics (BLS).The distinction is important. BLS data, reported through the Quarterly Census of Employment and Wages (QCEW), primarily captures larger, more formal establishments that participate in state unemployment insurance programs. D&B data, in contrast, reflects a broader universe of businesses, including small shops and sole proprietors, which results in higher establishment counts. The use of D&B estimates provides a more complete picture of the geographic spread of manufacturing activity, while QCEW remains the best tool for understanding long-term employment and wage trends.

The size and composition of Montana manufacturing varies across the state. The differences are driven by several factors, including proximity to raw materials, transportation access, as well as the availability and suitability of labor. Figure 5 shows Montana's six manufacturing regions and the number of manufacturing establishments in each county in 2024. Figure 5 shows Montana's six manufacturing regions and the number of manufacturing establishments in each county in 2025. Flathead County is now home to the most (903), followed by Gallatin (871), Missoula (760), and Yellowstone (652) Counties.

Figure 5 Montana's Manufacturing Regions



Source: Dun & Bradstreet

It is useful to examine the profiles of sub-state regions to better appreciate the variable nature of the industry across different parts of the state. On the following pages, we provide a profile of manufacturing within each region, including trends in the most important industry sectors as measured by employment and wages from the Quarterly Census of Employment and Wages.

The Yellowstone River Region has the highest level of manufacturing output, and the highest amount of total wages paid by Manufacturers. Much of the Yellowstone River Region's manufacturing and output is from the Petroleum and Coal Products industry, which is also the largest industry on a statewide basis. Northwestern Montana is the second largest manufacturing region with Wood Products as the largest sector. Southwestern Montana is the third largest region with Miscellaneous Manufacturing, a broad sector whose largest sub-sectors in Montana are Medical Equipment and Supplies, and Sporting Goods. The top manufacturing sector is different in the top five manufacturing regions, an indicator of the diversity of the Manufacturing industry in the State.

Table 2: Montana Manufacturing Regions Ranked by Total Wages, 2024.

Region	*Total Manufacturing Wages*		*Top Industry Sector*
Yellowstone River Region	$	373,846,757	Petroleum & Coal Products
Northwestern Montana	$	295,603,494	Wood Products
Southwestern Montana	$	250,721,764	Miscellaneous
Continental Divide Region	$	165,297,073	Nonmetallic Mineral Products
Western Montana	$	162,527,020	Fabricated Metal
Missouri River Region	$	131,258,215	Petroleum & Coal Products

BLS and Montana DLI, QCEW, BBER Analysis

Northwestern Montana

Northwestern Montana is characterized by its natural resource-based manufacturing, with a strong emphasis on wood products, machinery and fabricated metal industries. The region's rich forest resources make it a center for timber-related activities, including sawmills, wood products, and furniture manufacturing. Additionally, fabricated metal production supports the growing construction and machinery sectors. Manufacturing activity in the computer and electronic sectors has also begun to play a more significant role in the region.

- Key Areas: Kalispell, Whitefish, Columbia Falls, Flathead Reservation, Polson, Eureka, Libby

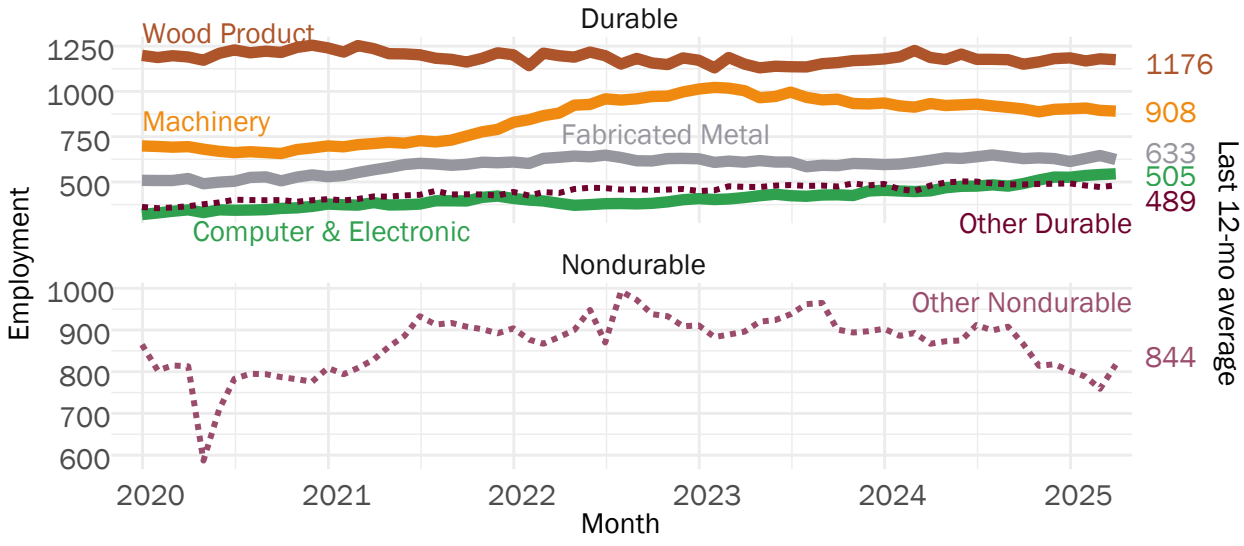
The largest manufacturing sector in Northwestern Montana continues to be Wood Products with nearly 1,200 total jobs and $82 million in wages in 2024. This industry has declined slightly over time, but not as much as in other parts of Montana. Machinery manufacturing has grown to be a close second in wages with total employment declining to around 900 jobs after peaking near 1,000 jobs in 2023. In recent years, the fastest growing sector is Computer and Electronics manufacturing that has surpassed Fabricated Metals in total wages for 3rd place in the region, as employment has grown to over 500 jobs in the first quarter of 2025.

Durable goods dominate the Northwestern Montana region, comprising over 90% of total manufacturing wages. Chemicals are the top nondurable category with $11 million in wages in 2024.

Table 3: Northwestern Montana's Top 5 Industries by Total Annual Wages, 2024.

Industry		*Wages*
Wood Product	$	81,689,600
Machinery	$	80,349,470
Computer & Electronic	$	40,468,719
Fabricated Metal	$	39,321,942
Chemical	$	11,055,594
Other Durable	$	27,654,869
Other Nondurable	$	15,063,300

Figure 6: Northwestern Montana's Top 4 Manufacturing Subsectors by Employment, 2020–2025



BLS and Montana DLI, QCEW, BBER Analysis

Western Montana

Western Montana has a diverse manufacturing base where the wood products industry was historically the dominant sector alongside food processing and brewing. The region's abundant timber and agricultural resources underpin these industries, while Missoula's growing brewing industry adds to the diversity. The area has also emerged as a center for biotechnology, with Hamilton being a key location for the medical and pharmaceutical sectors.

- Key Areas: Missoula, Seeley Lake, Bitterroot Valley, Hamilton, Superior

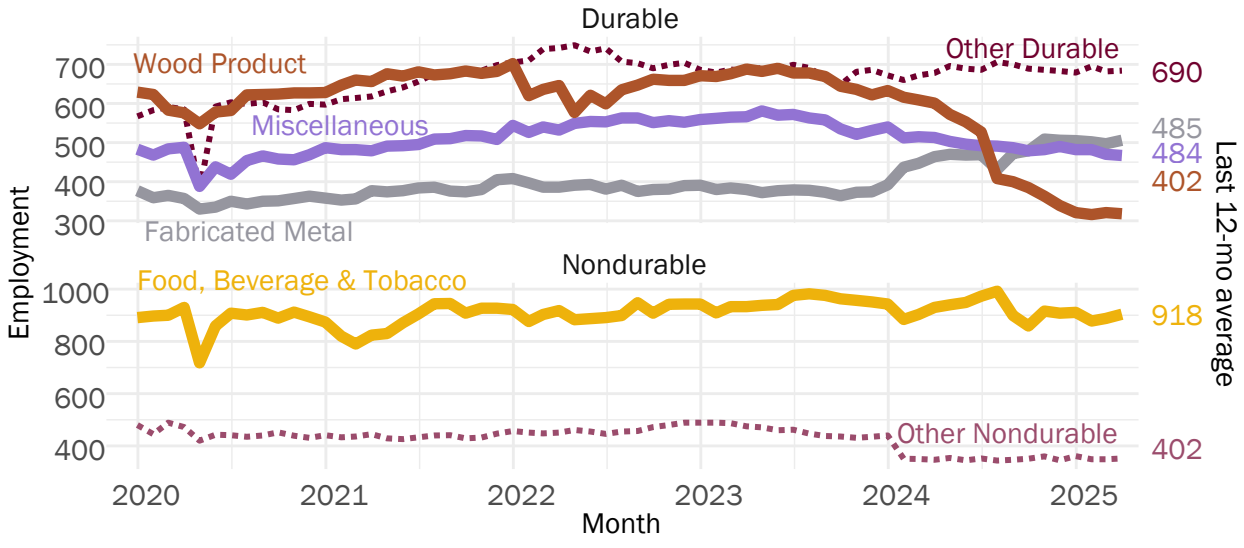
The big story in Western Montana manufacturing in 2024 was the closure of two major wood products manufacturing sites, Roseburg in Missoula and Pyramid Mountain in Seeley Lake. Both locations employed over 100 workers, and total employment in the Wood Products manufacturing in the region fell by half from over 600 workers to just over 300 in recent months, an average employment of 402 over the past 12 months. With these closures, Wood Products has fallen to the third largest sector in the region as measured by both jobs and wages in 2024. Fabricated Metals and Miscellaneous Manufacturing, which includes medical equipment and sporting goods, are now the largest sectors in Western Montana by payroll.

The Food and Beverage sector is the top manufacturing sector in terms of employment, led by the region's robust brewing industry, but ranks fourth for total wages as average food and beverage industry wages are below the levels in durable goods sectors.

Table 4: Western Montana's Top 5 Industries by Total Annual Wages (2024)

Industry		*Wages*
Fabricated Metal	$	31,030,546
Miscellaneous	$	27,078,849
Wood Product	$	25,383,758
Food, Beverage & Tobacco	$	17,232,824
Transportation Equipment	$	16,042,334
Other Durable	$	25,473,738
Other Nondurable	$	20,284,971

Figure 7: Western Montana's Top 4 Manufacturing Subsectors by Employment, 2020–2025



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Continental Divide Region

The Continental Divide Region features a mix of traditional industries, such as mining-related and forestry-related manufacturing, as well as emerging sectors. The region is historically tied to mining, with Butte being a significant center, while Helena and Dillon also contribute to traditional and evolving manufacturing activities.

- Key Areas: Helena, Lincoln, Canyon Ferry, Butte, Virginia City, Dillon, Deer Lodge

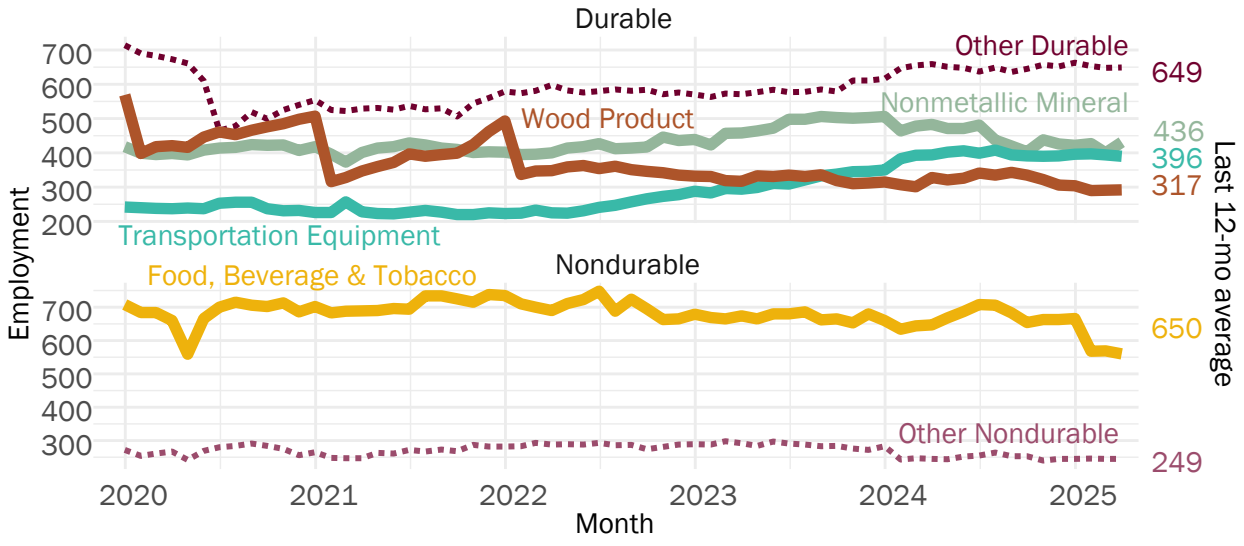
In 2024, Nonmetallic Mineral Product manufacturing was the leading sector for total wages and led durable product manufacturers in total employment with a last 12-month average of 436 jobs. Nonmetallic mineral products include concrete, glass and cut stone. In recent years, the fastest growing sector is Transportation Equipment manufacturing which in Montana is primarily the production of trailers and aircraft parts. Transportation Equipment manufacturing has steadily grown from about 250 jobs in 2022 to nearly 400 jobs over the most recent 12 months with total industry wages exceeding $38 million, an average wage approaching $100,000 per job. The Wood Products sector has experienced a gradual decline and now ranks third among the region's manufacturing sectors in total wages with a 12-month average of 317 jobs.

Among non-durable goods, Chemical manufacturing leads wages with nearly $16 million in 2024, while the food and beverage sector leads all sectors in employment with a 12-month average of 650 jobs, although total jobs in food and beverage manufacturing has fallen below 600 by early 2025.

Table 5: Continental Divide Region's Top 5 Industries by Total Annual Wages (2024)

Industry		*Wages*
Nonmetallic Mineral	$	42,861,916
Transportation Equipment	$	38,485,457
Wood Product	$	17,637,622
Chemical	$	15,947,678
Primary Metal	$	12,753,270
Other Nondurable	$	14,942,468
Other Durable	$	22,668,662

Figure 8 Continental Divide Region's Top 4 Manufacturing Subsectors by Employment, 2020–2025



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Southwestern Montana

Southwestern Montana was historically known for agricultural processing and machinery manufacturing, but is now a center for specialty technology products, including biotechnology, optics and photonics, and computer and electronics manufacturing. This development has been fueled by rapid population growth, Montana State University and a dynamic business environment, particularly in Bozeman and surrounding communities.

- Key Areas: Bozeman, Big Sky, Three Forks, Livingston

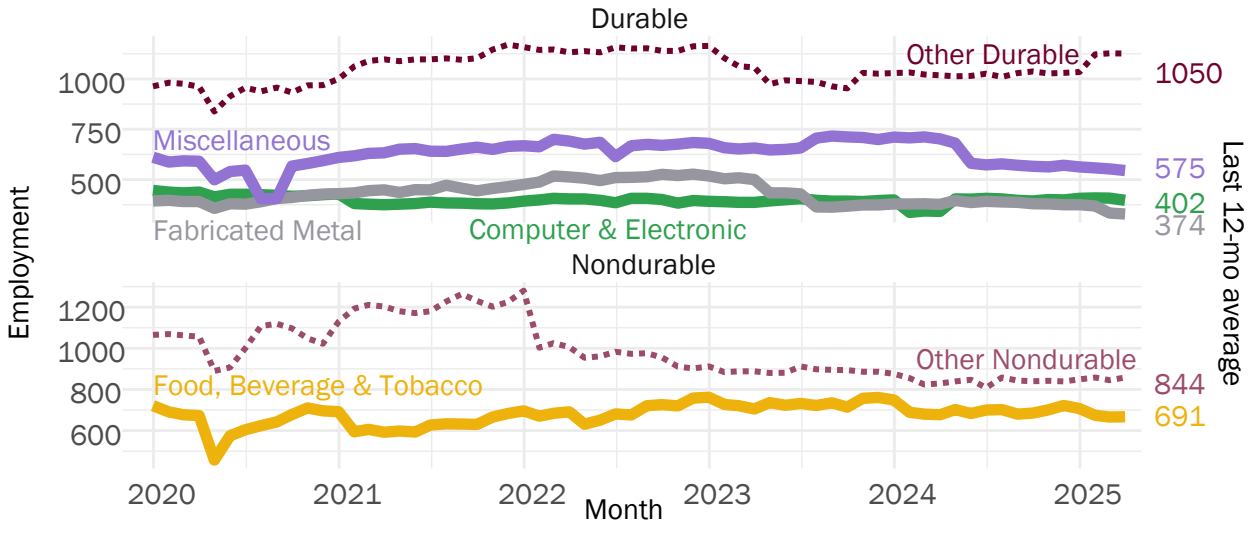
In 2024, the top manufacturing sub-sector measured by wages exceeding $40 million was the Miscellaneous Durable Goods category which includes medical devices and sporting equipment. Miscellaneous Durable Goods sector employed an average of 575 individuals over the most recent 12 months, a decrease from employment levels that exceeded 600 from 2021 through early 2024. The second ranked Durable Goods sector was Computer and Electronic Products at over $38 million in wages, and this sector has consistently employed around 400 people in recent years. Fabricated Metals and Nonmetallic Mineral Products were next at approximately $25 million in annual wages with Fabricated Metals experiencing a slight decline over the past two years.

Among non-durable goods, the Food and Beverage sector – including a robust brewery sector that employed over 200 people - leads in employment with an average of 691 over the past 12 months but was not included in the top 5 sectors for wages. Manufacturing in Southwestern Montana is exceptionally diverse as evidenced by the other durable and other nondurable manufacturing (representing industry subsectors that did not make the top 5 subsectors) both at around $50 million in wages and one thousand jobs.

Table 6: Southwest Montana's Top 5 Industries by Total Annual Wages (2024)

Industry		*Wages*
Miscellaneous	$	40,282,350
Computer & Electronic	$	38,140,838
Nonmetallic Mineral	$	25,001,072
Fabricated Metal	$	24,239,407
Chemical	$	21,397,130
Other Nondurable	$	49,859,718
Other Durable	$	51,801,249

Figure 9: Southwestern Montana's Top 4 Manufacturing Subsectors by Employment, 2020–2025



BLS and Montana DLI, QCEW, BBER Analysis

Missouri River Region

The Missouri River Region is a manufacturing hub for fuel and food products. It benefits from its central location in Montana, with key railway and energy transportation routes passing through the region. Great Falls, including an oil and renewable fuels refinery, continues to serve as a key energy and manufacturing center for the region.

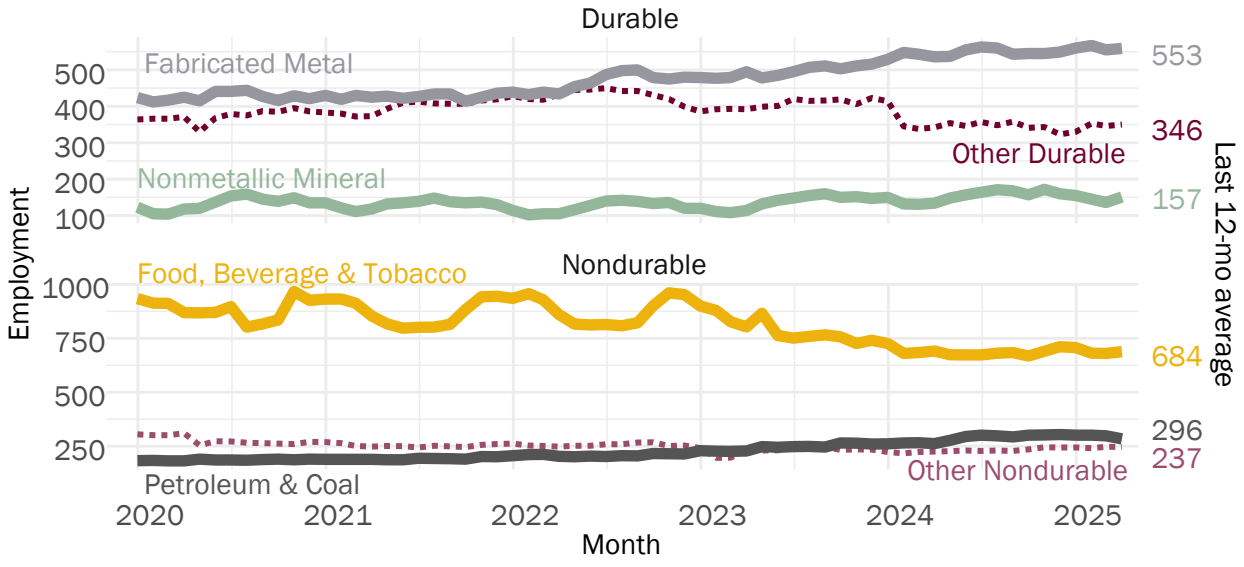
- Key Areas: Great Falls, Blackfeet Reservation, Sidney, Lewistown, Havre, Glendive, Choteau, Rocky Boy Reservation, Fort Peck Reservation, Fort Belknap Reservation

In 2024, the top manufacturing sub-sector measured by wages exceeding $37 million was Petroleum and Coal Products which includes renewable fuels. This sub-sector has steadily grown employment to a total of nearly 300 jobs in the most recent 12 months. Food and Beverages is the top sector for employment with nearly 700 jobs and ranks 3rd for wages with nearly $21 million paid in 2024. However, Food and Beverage manufacturing has declined in recent years as Petroleum and Fabricated Metals have grown significantly. Fabricated Metal Manufacturing has increased to 553 jobs and over $35 million in annual wages by 2024. Nonmetallic Mineral Product manufacturing has been a steady industry, accounting for 157 jobs and $8.8 million in wages in the past year.

Table 7: Missouri River Region's Top 5 Industries by Total Annual Wages (2024)

Industry		*Wages*
Petroleum & Coal	$	37,321,860
Fabricated Metal	$	35,470,814
Food, Beverage & Tobacco	$	20,881,568
Nonmetallic Mineral	$	8,819,797
Printing & Related	$	5,990,139
Other Durable	$	17,953,888
Other Nondurable	$	4,820,149

Figure 10: Missouri River Region's Top 4 Manufacturing Subsectors by Employment, 2020–2025



BLS and Montana DLI, QCEW, BBER Analysis

Yellowstone River Region

The Yellowstone River Region is dominated by the petroleum and coal products industry, representing the largest single manufacturing industry cluster in Montana. This region is home to large-scale energy production and refining operations, making it a center for petroleum and related industries. Billings, the region's largest city, is a key hub for these activities. Overall, the Yellowstone River region is the largest and most prominent manufacturing region in the state.

- Key Areas: Billings, Miles City, Red Lodge, Columbus, Roundup, Crow Reservation, Northern Cheyenne Reservation

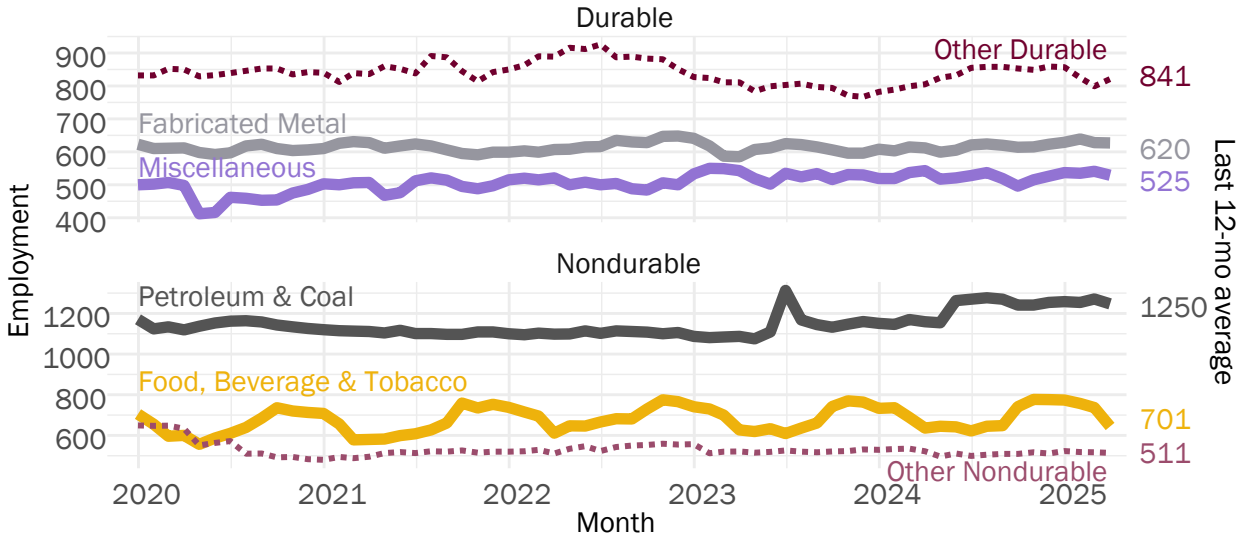
In 2024, Petroleum and Coal Product manufacturing in the Yellowstone River region paid over $200 million in annual wages, accounting for an impressive 14.4% of Montana's total $1.4 billion in total manufacturing wages. The refineries that dominate this sector have been a steady mainstay of the regional economy, employing 1250 people in the most recent 12-month period, a total that has been on an increasing trend in recent years. Fabricated Metals are second in total payroll at $43.6 million in 2024 and 620 jobs in the most recent 12 months. The Food and Beverage Industry is second in total employment at 701 in the most recent 12 months, just edging out Fabricated Metals but ranking 5th in total payroll at $18.9 million.

While Petroleum and Coal is a dominant force, the Yellowstone Region is also a diverse manufacturing area with nearly $25 million in total wages paid in the Machinery and Miscellaneous manufacturing categories, and over $30 million in annual wages paid by both Other durable and Other Nondurable products that were not in the top 5 categories.

Table 8: Yellowstone River Region's Top 5 Industries by Total Annual Wages (2024)

Industry		*Wages*
Petroleum & Coal	$	201,152,744
Fabricated Metal	$	43,556,323
Machinery	$	24,885,532
Miscellaneous	$	24,790,977
Food, Beverage & Tobacco	$	18,900,850
Other Nondurable	$	30,076,943
Other Durable	$	30,483,388

Figure 11: Missouri River Region's Top 4 Manufacturing Subsectors by Employment, 2020–2025



BLS and Montana DLI, QCEW, BBER Analysis

3. Montana's Manufacturing Exports

Montana's manufactured exports are concentrated among a few key destinations, with Canada, Other Asia (South Korea, Japan, Taiwan, Singapore, and ASEAN), and the European Union plus the UK together accounting for more than three-quarters of the total in 2024, Table 9. Canada remains the single largest partner, receiving $423 million in shipments, or 27 percent of the state's total. The European Union and the UK follow at 23 percent, with exports to the region supported by growth across multiple high-value sectors.

Asian markets as a group are nearly as large. Exports to Other Asia reached $398 million, representing just over one-quarter of Montana's total. This reflects the growing importance of East and Southeast Asian markets for higher-value goods, particularly Chemicals and Machinery. China, once among the state's largest destinations, has slipped to just 5.5 percent of shipments. Much of the decline reflects lost Chemical and Machinery sales that have shifted to South Korea, Japan, Taiwan, and other Southeast Asian importers. Mexico and Australia remain comparatively smaller markets, while the rest of the world contributes about 14 percent of exports.

Table 9: Leading Export Destinations and Shares of Total Exports, 2024, Millions 2026$

Country or Region	*Export Value*	*Share*
Canada	$422.74	27.30%
Other East Asia	$398.23	25.70%
European Union and UK	$352.03	22.70%
Rest of World	$219.48	14.20%
China	$85.89	5.50%
Mexico	$50.17	3.20%
Australia	$20.20	1.30%
World Total	$1,548.74	100.00%

USA Trade, Inflation adjusted using BLS Export Price Indexes, BBER Analysis

Figure 12 illustrates how these regional exports have shifted over time. Canada's exports peaked in the mid-2010s, reaching nearly $60 million in monthly shipments, but have since trended downward. This decline is largely explained by a steep fall in Beverage and Tobacco exports after 2018, which had previously been a dominant category. More recently, Exports to Canada have shown signs of recovery, supported by growth in Transportation Equipment and Chemicals.

Other East Asia, a grouping that includes East Asian countries other than China such as South Korea, Japan and Taiwan has emerged as one of Montana's fastest-growing markets. Shipments to Other East Asian importers have expanded steadily, led by Machinery and Chemicals. Much of this growth reflects a redirection of trade flows that once went to China. Although China has historically been a major destination for Montana's Chemicals and Machinery, its share of these exports has eroded in recent years, with those shipments increasingly captured by neighboring Asian economies. By 2024, Other East Asia accounted for more than one-quarter of Montana's exports, reflecting both stronger demand across multiple Asian partners and the relative retreat of China as a leading destination.

Exports to the European Union and UK have also expanded and are characterized by a more diverse product mix. Chemicals and Machinery remain important, but shipments of Transportation Equipment have grown sharply. The region also accounts for substantial sales of high-value goods in Miscellaneous Manufacturing and Computers and Electronics. This broad base of advanced exports distinguishes the EU and UK market from other destinations that rely more heavily on a single subsector.

Figure 13 highlights how these industry dynamics translate into Montana's overall export mix. Chemicals remain the state's largest export, but while China was once a leading buyer, much of this trade has shifted toward South Korea, Japan, Taiwan, other Southeast Asian importers, and the European Union and UK. Machinery shows a similar pattern, with steady expansion since 2019 supported by rising demand across both Asia and Europe. Together these sectors underscore how Montana's strongest export growth is increasingly tied to high-value products that are less dependent on a single destination.

Figure 12: Real Monthly Montana Manufacturing Exports, Top Regions (Seasonally Adjusted, 2026 Dollars)

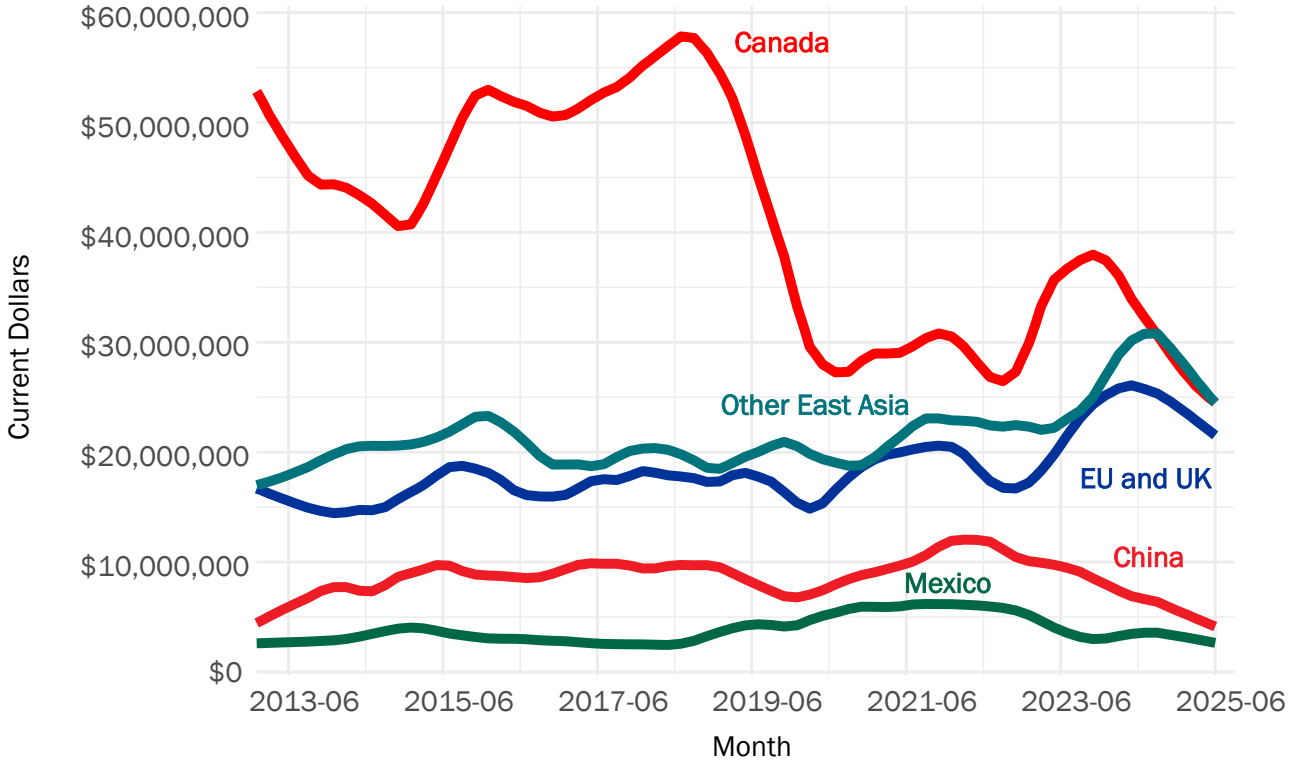
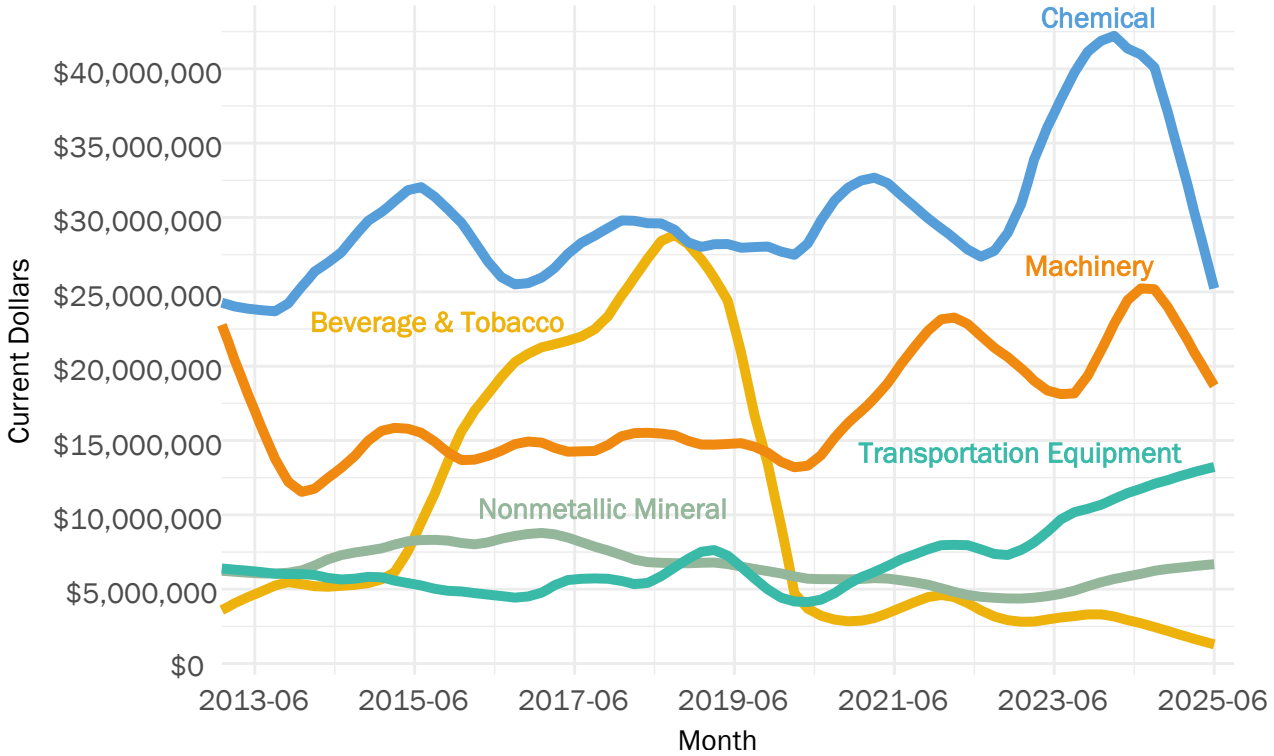


Figure 13: Real Monthly Montana Manufacturing Exports, Top Subsectors (Seasonally Adjusted, 2026 Dollars)



USA Trade, Inflation adjusted using BLS Export Price Indexes, BBER Analysis

In contrast, Beverage and Tobacco products have followed a very different trajectory. Once a major driver of exports, especially to Canada, the category has experienced widespread declines over the past five years. The sharp contraction in the Canadian market accounts for much of this downturn, leaving Beverage and Tobacco as a much smaller component of Montana's export profile today.

Some categories remain closely tied to regional demand. Nonmetallic Minerals, which include talc, are primarily exported to Canada. This category has remained relatively stable over time, reflecting both the geographic concentration of production and the natural demand link between Montana's mines and nearby Canadian industries.

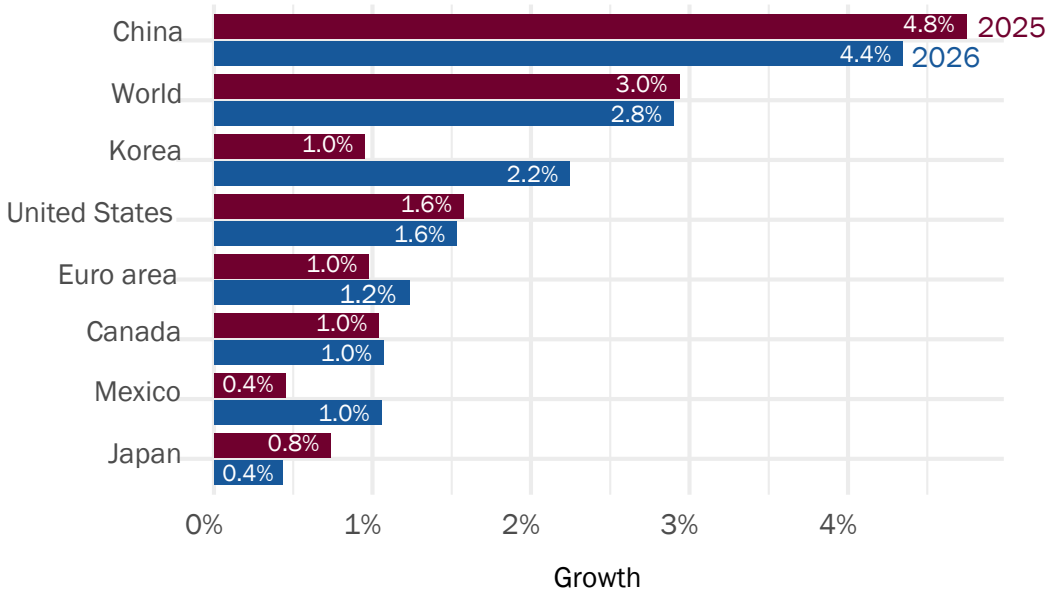
Finally, the rapid growth of Transportation Equipment, led by airplane parts manufacturing, has significantly altered Montana's trade portfolio. Unlike sectors concentrated in one or two destinations, Transportation Equipment exports are spread across multiple markets, including Canada, the EU and UK, and several Asian economies. This diversification not only reduces exposure to shifts in any single region but also highlights Montana's increasing role in advanced global supply chains.

4. Broad Economic Context

Growth and global overview

Global trends provide important context for Montana's manufacturers. Most of the state's manufactured goods are sold domestically, with international sales concentrated in the European Union, Canada, and South Korea. Growth in these key destinations is expected to remain subdued over the next two years, with only South Korea projected to rebound strongly in 2026. The fastest growth is forecast for China, with GDP projected to rise from 4.1 percent in 2025 to 4.4 percent in 2026. Yet China's growth is slowing and has accounted for a shrinking share of Montana's exports over the past decade.

Figure 14: Projected Economic Growth, Select Countries, Year-over-Year



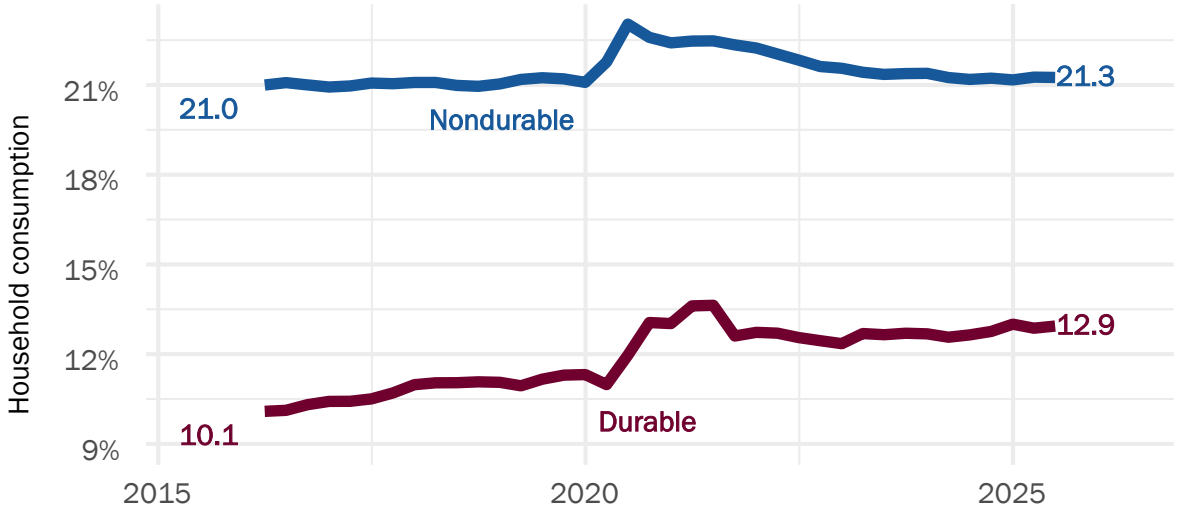
Organization for Economic Co-operation and Development (OECD), Economic Outlook

US Manufacturing

Household consumption patterns shape the demand for manufactured goods. During the pandemic, spending shifted sharply toward goods as service industries were disrupted by restrictions. Figure 15 shows how goods captured an unusually large share of household income during this period. While spending patterns are gradually returning to pre-pandemic norms, durable goods continue to account for a larger portion of household budgets than before. At the same time, inflation in the service sector has constrained household purchasing power, limiting demand for durable manufactured goods. The full effects of rising import costs have yet to show up in consumer prices according to inflation data. While some goods prices have softened,

persistent services inflation remains the main reason overall inflation continues to run above the Federal Reserve's 2 percent target.

Figure 15: Household Consumption Behavior

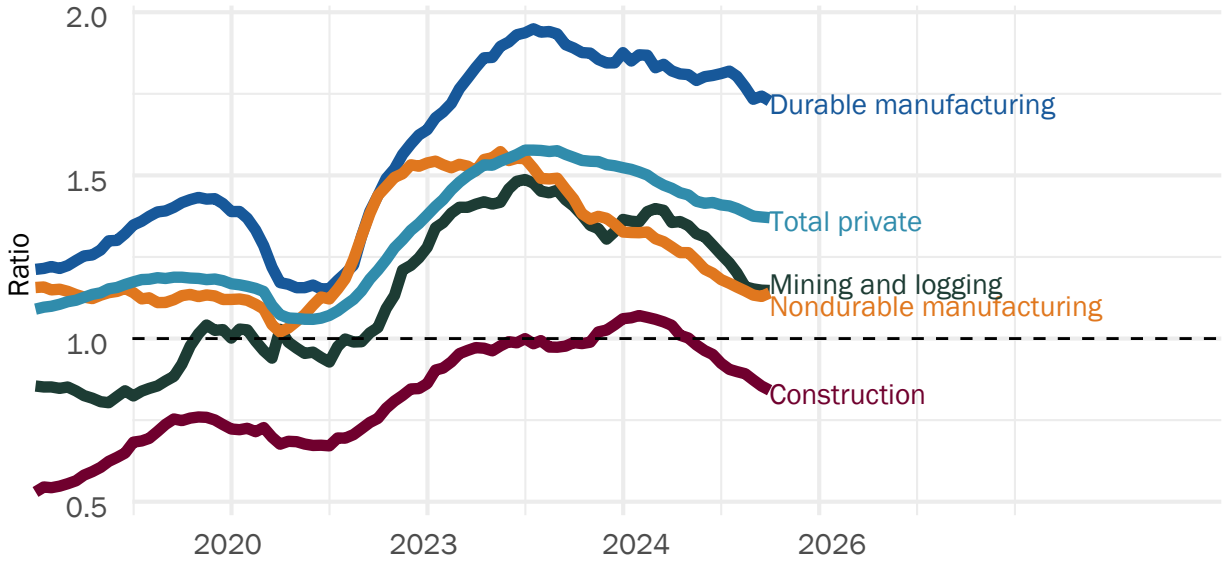


U.S. Bureau of Economic Analysis (BEA), Personal Consumption Expenditures (PCE)

While demand trends partially shape the outlook for manufactured goods, the supply side presents its own challenges. Manufacturing overall has largely navigated supply chain disruptions in both Montana and the United States, but one issue has remained constant: finding and retaining skilled workers. Montana firms have consistently identified workforce availability as the most significant factor affecting their operations, often outweighing concerns about markets or input costs.

This experience mirrors national labor market dynamics. As shown in Figure 16, the U.S. jobs-to-hires ratio in goods-producing industries remains above pre-pandemic levels. In durable manufacturing, the 12-month moving average stood at 1.7 openings per hire in mid-2025, up from 1.3 in 2018. Nondurable manufacturing, by contrast, has returned to its historical range of 1.1 to 1.2. These patterns indicate that while some pressures have eased, particularly for nondurable goods, durable manufacturers continue to face persistent challenges in meeting workforce needs as demand for durable goods has increased.

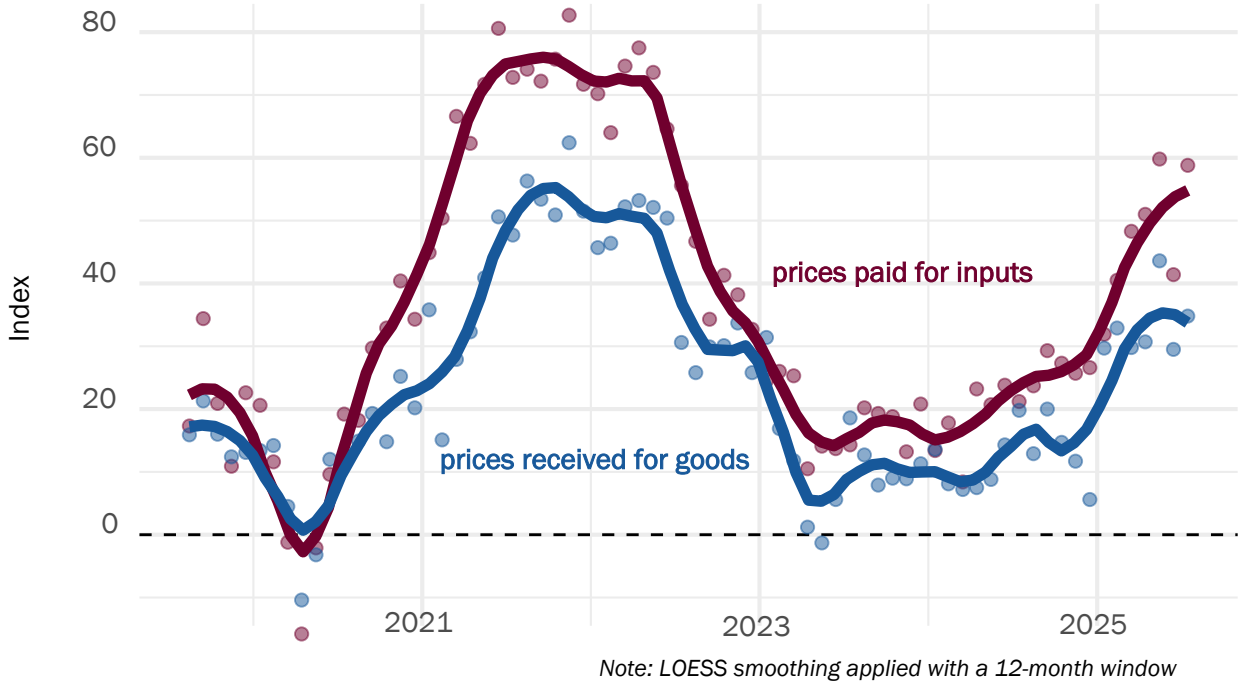
Figure 16: Jop Openings to Hires Ratio, Goods Producing Industries



U.S. Bureau of Labor Statistics (BLS), Job Openings and Labor Turnover Survey (JOLTS)

Looking at conditions through the first half of 2025, U.S. manufacturers report growing concern over rising costs. According to the Manufacturing Business Outlook Survey, both the prices paid for inputs and the prices received for goods have trended upward throughout the year. In this survey, the diffusion index is calculated as the percentage of firms reporting increases minus the percentage reporting decreases, so a reading of zero indicates no net change. Positive values point to rising prices on balance, while negative values indicate declines.

Figure 17 Manufacturers Current Prices Outlook, Manufacturing Business Outlook Survey, 2020 to 2025



Note: LOESS smoothing applied with a 12-month window

Federal Reserve Bank of Philadelphia (FRB), Manufacturers Business Outlook Survey (MBOS)

As of June 2025, the index for prices paid for inputs reached 55, indicating that far more manufacturers reported higher input costs than lower ones. The index for prices received rose to 35, showing that expectations of higher selling prices were present but among a smaller share of manufacturers. During the pandemic, this input price index was a leading indicator of consumer price inflation that peaked in 2022. With the index values not currently at 2021 levels, the rapid increase in the first half of 2025 is an important trend to monitor.

Taken together, slower global growth, particularly in key export markets, combined with cooling household spending on durable goods, persistent workforce challenges, and rising input costs, point to a complicated outlook for manufacturers. While many firms expect to absorb some of the rising costs, the extent to which higher prices are passed on, how manufacturers navigate international trade and how consumers respond to higher goods prices, will be critical in shaping demand for manufactured goods over the next several years.

5. Conclusion

Manufacturing continues to be an important driver of Montana's economy. The sector generates substantial earnings, sustains thousands of jobs, and supports a wide range of communities across the state. Its diversity across industries and regions underscores its resilience, with strengths ranging from petroleum refining in the Yellowstone River Region to wood products in the northwest, and technology-driven manufacturing in the southwest. While firm sizes in Montana remain smaller than the national average, the gradual growth of mid-sized establishments points to an important evolution in the state's industrial base.

The near-term picture reflects emerging and ongoing challenges. After several years of growth that outpaced national trends, Montana's manufacturing output slowed in late 2024 and early 2025, with notable declines in wood products and food processing. Overall employment in the state, which surged ahead of the U.S. in the years immediately following the pandemic, has since converged toward national trends. Much of the recent growth has been concentrated in service-sector jobs, offsetting losses in traditional goods-producing industries such as logging, mining, and manufacturing. As a result, Montana's overall employment trajectory has begun to mirror the national slowdown in goods production. Establishment growth, while strong over the past decade, also registered its first broad contraction in 2024. These developments suggest that Montana manufacturing has entered a period of stability following a period of growth.

At the same time, international and domestic pressures continue to shape the operating environment. Exports grew strongly in 2024, led by gains in Chemicals, Machinery, and Transportation Equipment, although the benefits were uneven across industries. Traditional sectors such as Wood Products, Primary Metals, and Food and Beverage posted declines, reflecting both weaker demand and structural shifts within Montana's manufacturing base. Key trade partners, including Canada, the European Union, and Asian markets such as South Korea and Japan, remain critical. However, slower growth in some destinations and continued shifts in household consumption away from certain manufactured goods present risks to sustaining future demand.

As of this report's writing, there have been no major changes in the prices of most manufactured goods in the U.S., as inflationary pressures remain concentrated in core services. Rising input costs, however, are evident, and how firms manage these pressures will be central to the outlook. Time will tell how long manufacturers can continue to absorb higher costs, whether adjustments in international supply chains will provide relief, and how consumer demand will respond if price increases are ultimately passed on. These dynamics will determine whether current pressures remain manageable or develop into deeper structural challenges for the sector.

Manufacturing's importance to Montana's economy is well established, and its faster-than-average growth since 2020 underscores the sector's resilience. Yet recent softening in output, ongoing workforce shortages, and rising costs signal that future gains cannot be assumed. The gradual rise of mid-sized firms, the diversity of regional industry clusters, and the adaptability of Montana's manufacturers will be critical in shaping outcomes. The trajectory of Montana manufacturing will depend on how effectively firms respond to shifts in consumer demand and adjust to external economic conditions.