

Regional Report: With Energy as a Main Economic Driver, Mountain States Look Towards Industrial Diversification

Cynthia Kincaid (July 2011)

If the mountain region of the United States could be summed up in one word, it would be "energy." The United States, and certainly the world, has developed an unquenchable thirst for all things energy - oil, natural gas, and coal - and this region does much toward relieving that thirst.

And while the region has benefited economically from its mining, oil, and natural gas production, these states also recognize that they are exposed to energy volatility, especially in terms of revenue and employment, which are impacted by the broader global economy. The robust growth in oil, natural gas, and coal production throughout this region is due, in part, to the global commodity boom, fueled particularly by emerging market countries like China and India.

Energy as Economic Driver

Over the past decade, natural gas development has boomed in the Rocky Mountain States. In Colorado, natural gas production has continued to increase, with the number of active drilling rigs now numbering more than 65. Colorado's mining industry has rebounded due to higher energy prices and increased demand, while the state's oil production has also increased because of the rising price of gas. Colorado is using 18 oil-drilling rigs to target the Niobrara Formation, which is located in the northeastern part of the state, and exploration is also ongoing in the Piceance Basin.

Utah's crude oil production and electricity generation have experienced new growth, and Montana is now the fastest-growing state in the nation in terms of oil production and one of the top producers of coal. Montana has also developed more new electrical generation capacity since 2005 than it had in the previous 20 years combined.

Wyoming has set its economic sights on the mining industry, demonstrating a fast recovery of 8.8 percent between the fourth quarter of 2009 and Q4 2010. The industry has contributed almost two-thirds of the state's economic growth, which has resulted in robust sales of equipment and services in the mining sector since 2010.

Industrial Diversification as Pivotal Foundation

Still energy is not enough to sustain this region, and these states have diversified into other industries to help grow and maintain their respective economies. Utah, for instance, has developed its education and healthcare industries, which now represent one of the fastest-growing sectors for the state at 3.3 percent.

Montana has placed an economic emphasis on education, and Montana State University now represents an integral and significant portion of the state's economy. The university is responsible for \$253 million in state tax revenue and an increase of \$349.3 million in investment spending

Idaho has maintained its economy by focusing on professional and business sectors, leisure, hospitality, and other service sectors. The state's construction industry, while down, did not fall off as steeply as it did in other states. And with the average American now eating 130 pounds of potatoes a year, Idaho's reputation as a top potato producer continues to drive the state's economy. Idaho now produces almost 33 percent of the fall potato crop within the United States.

Colorado has placed its economic emphasis on advanced technology, which has paid off in high-paying jobs and innovative products and business processes. The state is now seen as a national leader in advanced technology, which is comprised of software and computer systems design services, transportation equipment manufacturing, architecture and engineering, computer and electronic product manufacturing, and scientific and technical consulting services. These industries have also attracted venture capital to the state.

Not surprisingly, Wyoming has focused its economic energies on agriculture and farming, with reported earnings three times higher in the fourth quarter of 2010 than the year before. In fact, Wyoming's 2010 farm earnings were the best since 2005. Strong beef exports have also benefited the state.

A Tourism Destination

Alongside agriculture, tourism plays an important role in Wyoming's economy - and with good reason. Home to Yellowstone and Grand Teton National Parks, Wyoming hosted more than 220,000 visitors to its portion of each park last year, up 47 percent for Yellowstone and 14 percent for Grand Teton from 2009.

Utah's reputation for skiing is legendary, and the industry experienced their fourth best season on record in 2010, despite the still down economy. Their state park visitations also increased 1.4 percent last year.

Nevada has suffered, perhaps, more economically than most states, and its recovery back to economic health has been, admittedly, slow. However, some of the state's leading economic indicators show the state is finally moving in the right direction. Tourism, gaming, and hospitality - Nevada's economic backbone - showed improvement in the second half of 2010, an improvement that continues into 2011.

Nevada is acutely aware that its economic growth is dependent on the health of neighboring states, particularly in tourism and gaming. Still, the state is confident it can find solid footing in what it's always been known for: entertainment for the whole family. And with an aging population, Nevada is also confident it can provide thousands of retirees with what they seek - a relaxing retirement filled with fun in the sun. These factors should help solidify the state's economic recovery.