

EXECUTIVE SUMMARY

In the past, Idaho's economy has been described as the caboose of a long train. For years this was an apt description because the state's economy was usually the last to slow down in a national business contraction and the last to move during an expansion. Because of the state's relatively heavy resource base, it traditionally took awhile for the ripple effects of weak demand to be felt locally. Ironically, it is the state's dependency on high-tech manufacturing that has caused it to suffer from the start of the 2001 recession. High-tech manufacturing declined 0.8% in 2001 and an estimated 10.3% in 2002. Idaho total nonfarm employment dropped an estimated 0.3% in 2002. The reason high-tech is suffering more than in the previous recession is because the train cars have been rearranged. Instead of being caused by the traditional drop in consumer spending, the 2001 recession reflected a collapse in business investment. Idaho's high-tech sector is coupled directly to this car, so the impact of the collapse on Idaho was almost immediate. This also infers the high-tech sector will move forward again once the nation's investment engine picks up steam. The good news is it is already showing signs of leaving the station. Real investments in computers and software have experienced strong gains recently. Of course, there is still a lag between when national investment recovers and local high-tech employment improves. The current schedule shows the high-tech sector is back on track in the second half of this year. The anticipated growth in the high-tech sector should help lift the state out of its economic funk. It is estimated Idaho nonfarm employment shrank 0.3% in 2002 and real personal income rose 1.8% in 2001. Idaho nonfarm employment is forecast to rise 0.9% this year, 1.9% next year, 2.4% in 2005, and 3.3% in 2006. The accelerating employment growth will have a positive impact on real Idaho personal income. This measure is forecast to rise 2.3% in 2003, 3.3% in 2004, 3.5% in 2005, and 4.1% in 2006.

The economy is fundamentally sound, but is not performing to satisfaction. Namely, real output seems to be moving along, but the lack of job growth is frustrating. Real GDP advanced for a year, but the nation's nonfarm payroll has decreased during this same period. In November 2002, the U.S. civilian unemployment rate stood at 6.0%--four-tenths of a percentage point higher than in November 2001. In order for the unemployment rate to start falling, businesses need to add about 100,000 jobs a month. This begs the question: When will companies begin hiring? Hiring should resume en force when companies are convinced of the recovery. This should take place in the second half of this year. In the third quarter of 2003, hiring should accelerate to above 3.0% and the unemployment should drop further. After that, the unemployment rate should fall steadily to its full-employment threshold. A key feature of the current U.S. economic forecast is the assumption that Congress will pass the President's tax relief package in early 2003. With this added stimulus, real GDP is expected to increase 2.9% this year and 4.5% next year. Both estimates are about three-tenths of a percentage point higher than in the previous forecast. The stimulus wears off over the length of the forecast period, however. The current forecast also assumes the Federal Reserve will not loosen further. Instead, it will take a wait-and-see position to determine if the economy gets through this soft patch without further interest rate tax cuts. Nationally, real GDP is projected to increase 2.9% in 2003, 4.5% in 2004, 3.7% in 2005, and 3.4% in 2006. And employment will begin growing once again. Specifically, nonfarm employment is forecast to grow 0.8% this year, 2.5% next year, 1.9% in 2005, and 1.2% in 2006. This will be a welcome relief compared to the job-growth drought of 2001-2002.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JANUARY 2003

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP (BILLIONS)										
Current \$	8,318	8,782	9,274	9,825	10,082	10,444	10,969	11,744	12,447	13,114
% Ch	6.5%	5.6%	5.6%	5.9%	2.6%	3.6%	5.0%	7.1%	6.0%	5.4%
1996 Chain-Weighted	8,159	8,509	8,859	9,191	9,215	9,435	9,707	10,142	10,516	10,873
% Ch	4.4%	4.3%	4.1%	3.8%	0.3%	2.4%	2.9%	4.5%	3.7%	3.4%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	25,227	27,066	28,931	31,314	32,525	33,891	35,387	37,436	39,591	42,011
% Ch	4.4%	7.3%	6.9%	8.2%	3.9%	4.2%	4.4%	5.8%	5.8%	6.1%
Idaho Nonfarm (Millions)	24,557	26,149	27,901	30,519	31,562	32,811	34,254	36,176	38,297	40,747
% Ch	5.4%	6.5%	6.7%	9.4%	3.4%	4.0%	4.4%	5.6%	5.9%	6.4%
U.S. (Billions)	6,937	7,426	7,786	8,407	8,685	8,944	9,362	9,956	10,550	11,131
% Ch	6.0%	7.0%	4.9%	8.0%	3.3%	3.0%	4.7%	6.4%	6.0%	5.5%
PERSONAL INCOME - 1996 \$										
Idaho (Millions)	24,745	26,268	27,622	29,158	29,686	30,507	31,208	32,241	33,375	34,744
% Ch	2.4%	6.2%	5.2%	5.6%	1.8%	2.8%	2.3%	3.3%	3.5%	4.1%
Idaho Nonfarm (Millions)	24,088	25,379	26,639	28,418	28,807	29,535	30,209	31,156	32,284	33,699
% Ch	3.4%	5.4%	5.0%	6.7%	1.4%	2.5%	2.3%	3.1%	3.6%	4.4%
U.S. (Billions)	6,805	7,208	7,435	7,828	7,927	8,051	8,256	8,575	8,894	9,206
% Ch	3.9%	5.9%	3.2%	5.3%	1.3%	1.6%	2.6%	3.9%	3.7%	3.5%
HOUSING STARTS										
Idaho	8,865	10,114	10,348	11,534	12,262	12,060	11,205	10,886	11,081	11,342
% Ch	-3.8%	14.1%	2.3%	11.5%	6.3%	-1.6%	-7.1%	-2.9%	1.8%	2.4%
U.S. (Millions)	1.475	1.621	1.647	1.573	1.603	1.683	1.581	1.670	1.702	1.694
% Ch	0.4%	9.9%	1.6%	-4.5%	1.9%	5.0%	-6.1%	5.7%	1.9%	-0.5%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	508.7	521.5	539.1	559.2	568.3	566.5	571.4	582.0	595.8	615.4
% Ch	3.3%	2.5%	3.4%	3.7%	1.6%	-0.3%	0.9%	1.9%	2.4%	3.3%
U.S. (Millions)	122.7	125.9	128.9	131.7	131.9	130.8	131.9	135.1	137.7	139.5
% Ch	2.6%	2.6%	2.4%	2.2%	0.2%	-0.8%	0.8%	2.5%	1.9%	1.2%
SELECTED INTEREST RATES										
Federal Funds	5.5%	5.4%	5.0%	6.2%	3.9%	1.7%	1.7%	3.3%	4.2%	4.9%
Bank Prime	8.4%	8.4%	8.0%	9.2%	6.9%	4.7%	4.7%	6.3%	7.2%	7.9%
Existing Home Mortgage	7.7%	7.1%	7.3%	8.0%	7.0%	6.5%	6.3%	7.5%	7.8%	7.8%
INFLATION										
GDP Price Deflator	1.9%	1.2%	1.4%	2.1%	2.4%	1.2%	2.1%	2.5%	2.2%	1.9%
Personal Cons Deflator	1.9%	1.1%	1.6%	2.5%	2.0%	1.4%	2.1%	2.4%	2.2%	1.9%
Consumer Price Index	2.3%	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.5%	2.4%	2.2%

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JANUARY 2003

	2003				2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	10,728	10,876	11,044	11,229	11,461	11,657	11,842	12,015	12,208	12,368	12,524	12,688
% Ch	5.5%	5.6%	6.3%	6.9%	8.5%	7.0%	6.5%	5.9%	6.6%	5.4%	5.2%	5.3%
1996 Chain-Weighted	9,575	9,654	9,746	9,853	9,988	10,098	10,196	10,287	10,390	10,473	10,554	10,645
% Ch	3.2%	3.3%	3.9%	4.5%	5.6%	4.5%	3.9%	3.6%	4.0%	3.3%	3.1%	3.5%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	34,786	35,177	35,608	35,977	36,516	37,164	37,805	38,260	38,774	39,373	39,872	40,344
% Ch	4.2%	4.6%	5.0%	4.2%	6.1%	7.3%	7.1%	4.9%	5.5%	6.3%	5.2%	4.8%
Idaho Nonfarm (Millions)	33,656	34,022	34,461	34,877	35,415	35,932	36,427	36,930	37,489	38,042	38,547	39,110
% Ch	4.7%	4.4%	5.3%	4.9%	6.3%	6.0%	5.6%	5.6%	6.2%	6.0%	5.4%	6.0%
U.S. (Billions)	9,190	9,292	9,415	9,550	9,723	9,886	10,038	10,178	10,340	10,487	10,617	10,757
% Ch	5.8%	4.5%	5.4%	5.8%	7.5%	6.9%	6.3%	5.7%	6.5%	5.8%	5.1%	5.4%
PERSONAL INCOME - 1996 \$												
Idaho (Millions)	30,948	31,129	31,314	31,442	31,724	32,105	32,468	32,670	32,933	33,269	33,527	33,770
% Ch	2.6%	2.4%	2.4%	1.6%	3.6%	4.9%	4.6%	2.5%	3.3%	4.1%	3.1%	2.9%
Idaho Nonfarm (Millions)	29,942	30,108	30,305	30,481	30,768	31,040	31,284	31,534	31,842	32,145	32,412	32,737
% Ch	3.1%	2.2%	2.7%	2.3%	3.8%	3.6%	3.2%	3.2%	4.0%	3.9%	3.4%	4.1%
U.S. (Billions)	8,176	8,222	8,280	8,346	8,447	8,540	8,621	8,691	8,782	8,861	8,927	9,004
% Ch	4.1%	2.3%	2.8%	3.2%	4.9%	4.5%	3.8%	3.3%	4.3%	3.6%	3.0%	3.5%
HOUSING STARTS												
Idaho	11,566	11,369	11,064	10,823	10,868	10,873	10,889	10,912	10,979	11,037	11,120	11,186
% Ch	-9.1%	-6.6%	-10.3%	-8.4%	1.7%	0.2%	0.6%	0.8%	2.5%	2.2%	3.0%	2.4%
U.S. (Millions)	1,593	1,572	1,571	1,586	1,632	1,674	1,677	1,697	1,701	1,704	1,703	1,702
% Ch	-11.1%	-5.1%	-0.3%	3.9%	12.1%	10.5%	0.8%	4.9%	0.8%	0.8%	-0.3%	-0.1%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	568.0	569.9	572.5	575.2	577.7	580.2	583.4	586.8	590.2	593.9	597.7	601.6
% Ch	0.4%	1.3%	1.9%	1.8%	1.8%	1.7%	2.2%	2.3%	2.4%	2.5%	2.6%	2.6%
U.S. (Millions)	131.1	131.5	131.9	132.9	133.9	134.8	135.6	136.3	137.0	137.5	138.0	138.5
% Ch	0.6%	1.0%	1.3%	3.1%	3.0%	2.5%	2.4%	2.3%	1.9%	1.6%	1.4%	1.4%
SELECTED INTEREST RATES												
Federal Funds	1.3%	1.3%	1.9%	2.3%	2.7%	3.2%	3.5%	3.8%	4.0%	4.0%	4.3%	4.5%
Bank Prime	4.3%	4.3%	4.9%	5.3%	5.7%	6.2%	6.5%	6.8%	7.0%	7.0%	7.3%	7.5%
Existing Home Mortgage	6.0%	5.9%	6.4%	6.9%	7.1%	7.4%	7.6%	7.8%	7.8%	7.8%	7.7%	7.7%
INFLATION												
GDP Price Deflator	2.2%	2.2%	2.4%	2.3%	2.7%	2.5%	2.5%	2.2%	2.5%	2.0%	2.0%	1.8%
Personal Cons Deflator	1.6%	2.2%	2.5%	2.5%	2.4%	2.3%	2.4%	2.3%	2.1%	2.1%	2.0%	1.8%
Consumer Price Index	2.0%	2.2%	2.6%	2.5%	2.4%	2.5%	2.6%	2.5%	2.3%	2.3%	2.2%	2.0%

National Variables Forecast by GLOBAL INSIGHT

Forecast Begins the THIRD Quarter of 2002