

# Idaho Economic Forecast

DIRK KEMPTHORNE, Governor

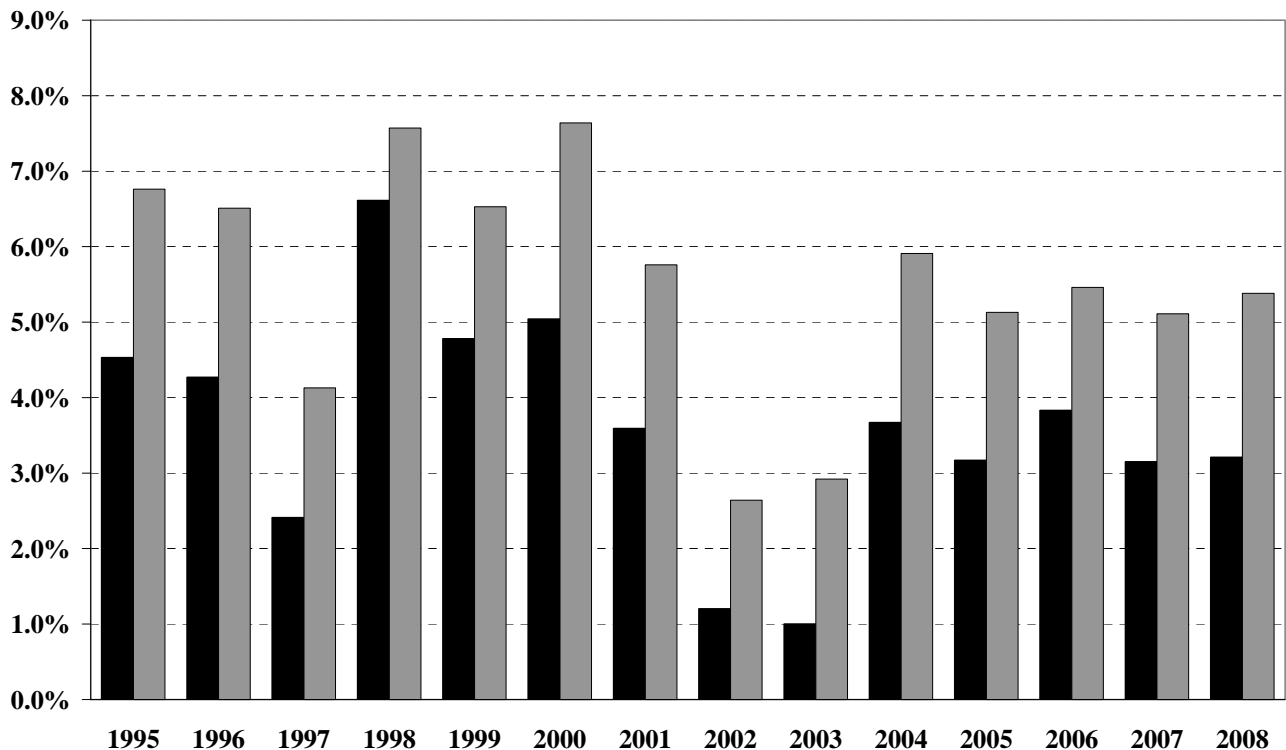
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- Forecast 2004-2008
- Exchange Rate Movements and the U.S. International Balance Sheet
- Alternative Forecasts

## Idaho Real & Nominal Personal Income Growth





**IDAHO  
ECONOMIC  
FORECAST  
2004 - 2008**

State of Idaho  
DIRK KEMPTHORNE  
Governor

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## INTRODUCTION

The national forecast presented in this publication is the November 2004 Global Insight baseline forecast of the U.S. economy. The previous *Idaho Economic Forecast* is based on the September 2004 Global Insight baseline national forecast.

The histories and outlooks for both Idaho nominal and real personal income are featured on the cover graph of this *Idaho Economic Forecast*. The most notable feature this graph shows is that after growing slowly in both 2002 and 2003, Idaho personal income is expected to grow faster over the forecast period. Specifically, Idaho nominal personal income should rise 5.9% in 2004, 5.1% in 2005, 5.5% in 2006, 5.1% in 2007, and 5.4% in 2008. Idaho real personal income is expected to advance 3.7% in 2004, 3.2% in 2005, 3.8% in 2006, 3.2% in 2007, and 3.2% in 2008.

## FEATURE

The U.S. has had to borrow massively from foreigners in order to fund its widening current account deficit. Many believe this is the main reason for the rising U.S. net indebtedness to foreigners. However, research shows that changes in asset prices and exchange rates have also played important roles in determining the level of foreign indebtedness. In the feature article entitled “Exchange Rate Movements and the U.S. International Balance Sheet,” Michele Cavallo discusses the relative importance of each of these determinants on the U.S. net foreign investment position. Michele Cavallo is an Economist with the Federal Reserve Bank of San Francisco.

## THE FORECAST

Alternative assumptions concerning future movements of key economic variables can lead to major variations in national and/or regional outlooks. Global Insight examines the effects of different economic scenarios, including the potential impacts of international recessions, higher inflation, and future Federal Reserve Board decisions. Alternative Idaho economic forecasts were developed under different policy and growth scenarios at the national level. These forecasts are included in this report.

Historical and forecast data for Idaho and the U.S. are presented in the tables in the middle section of this report. Detail is provided for every year from 1991 to 2008 and for every quarter from 2002 through 2007. The solution of the Idaho Economic Model (IEM) for this forecast begins with the third quarter of 2004.

Descriptions of the Global Insight U.S. Macroeconomic Model and the IEM are provided in the Appendix. Equations of the IEM and variable definitions are listed in the last pages of this publication.

## CHANGES

The historical Idaho nonfarm employment data appearing in this forecast was provided by the Idaho Department of Commerce and Labor and seasonally adjusted by the Division of Financial Management. This data consists of final employment estimates through the second quarter of 2004 and preliminary data for the third quarter of 2004. These new historical data show the employment forecasts made in October 2004 for the second and third quarters of 2004 were too low. Specifically, Idaho nonfarm employment was about 1,500 higher in the second quarter of 2004 than had been predicted and about 2,000 higher than had been projected for the third quarter of 2004.

The tables in this forecast also include the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) estimates of Idaho quarterly personal income through the second quarter of 2004. The BEA released its latest Idaho personal income estimates which run through the third quarter of 2004 in late December 2004. These new data will be incorporated into the April 2005 *Idaho Economic Forecast*.

The *Idaho Economic Forecast* is available on the Internet at [http://www.state.id.us/dfm/econ\\_pub.html](http://www.state.id.us/dfm/econ_pub.html). Readers with any questions should contact Derek Santos at (208) 334-3900 or at [dsantos@dfm.state.id.us](mailto:dsantos@dfm.state.id.us).

## SUBSCRIPTIONS

You can access the *Idaho Economic Forecast* for free at [http://www.state.id.us/dfm/econ\\_pub.html](http://www.state.id.us/dfm/econ_pub.html).

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