

EXECUTIVE SUMMARY

Idaho's recent robust economic performance has raised expectations for its future. Idaho nonfarm employment accelerated in the second half of 2005, growing by a 4.6% annual rate in the third quarter followed by a 5.8% rate in the fourth quarter. Thanks to this late-year growth spurt, employment turned in its strongest showing of the decade. Other measures also attest to the local economy's strength in 2005. For example, the U.S. Census Bureau estimates Idaho's population grew 2.4% last year, which was significantly stronger than the 1.7% predicted growth. The robust population growth propelled the state's housing industry to a new record in 2005. There were nearly 23,200 housing starts in the Gem State. Interestingly, this is just about 100 more than had been projected in January 2006. Last year's employment strength has raised expectations in two ways. First, it has raised the starting point of the current employment forecast relative to the previous January 2005 employment forecast. Second, the strong employment surge at the end of last year and robust employment so far this year has convinced us the economy is running on stronger legs than we had previously believed. This being the case, Idaho nonfarm employment is predicted to increase 4.0% this year, 2.9% next year, 2.0% in 2008, and 2.1% in 2009. As a result of the higher starting point and stronger growth, Idaho nonfarm employment should reach 682,500 jobs by 2009, which is 20,800 more jobs than in the January 2006 forecast. The outlooks for several other economic measures have also improved. Idaho's population is predicted to grow by just over 2% in each year, which is well above the 1.5% average rate projected in the previous forecast. Idaho housing starts decline more gradually in the current forecast compared to the previous one, so that there are about 20,200 housing starts in 2009 versus 18,500. Idaho nominal personal income also grows faster over the forecast period, hitting \$52.0 billion in 2009 compared to \$51.3 billion in the previous forecast.

The U.S. economy has recovered strongly from its late-2005 slump and should continue to expand at a healthy clip during most of this year. Buffeted by hurricanes Katrina and Rita, real GDP growth sank to a 1.7% annual rate in the last quarter of 2005, which was a weak ending to an otherwise strong year. (Real GDP advanced a healthy 3.5% in 2005.) The economy did not remain grounded long, however. According to the U.S. Bureau of Economic Analysis' current estimate, real GDP growth rebounded to a 4.8% annual rate in 2006's initial quarter. This pace is well above the economy's potential and represents its apex for the year. By this year's end, the economy is expected to be growing about half as fast as it did in the first quarter, which is below its potential. The economy is anticipated to remain soft through most of next year. It is during this period the economy is most vulnerable to a recession. In recent months concerns have been raised about the inverted yield curve. Over the past two years, U.S. short-term rates have risen 350 basis points, while long-term rates have actually edged down a little. The concern is raised because a yield curve inversion has preceded the last six recessions by about four to five quarters. However, the recent yield curve inversion does not necessarily forebode a recession. Another worry is American consumers are becoming financially stressed. Rising interest rates and minimum credit card payments will also make it harder to service existing debts and make consumers resist taking on new debt. Lower home appreciation will make refinancing a less viable option to fund spending. In addition, consumer confidence has been shaken by companies' plans to reduce retirement benefits and make employees shoulder a larger share of their health costs. These factors will contribute to a slowdown in consumer spending, but not necessarily a major retrenchment. The U.S. economy is anticipated to slow, but not stall over the forecast period. After expanding a respectable 3.3% this year, real GDP is expected to increase only 2.4% in 2007—the weakest year of the forecast. The economy is expected to begin picking up steam thereafter, growing 3.0% in 2008 and 3.3% in 2009.

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
APRIL 2006**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP (BILLIONS)												
Current \$	8,747	9,268	9,817	10,128	10,470	10,971	11,734	12,486	13,246	13,802	14,481	15,236
% Ch	5.3%	6.0%	5.9%	3.2%	3.4%	4.8%	7.0%	6.4%	6.1%	4.2%	4.9%	5.2%
2000 Chain-Weighted	9,067	9,470	9,817	9,891	10,049	10,321	10,756	11,135	11,505	11,778	12,136	12,535
% Ch	4.2%	4.4%	3.7%	0.8%	1.6%	2.7%	4.2%	3.5%	3.3%	2.4%	3.0%	3.3%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	27,287	29,068	31,290	33,054	33,849	34,654	37,498	40,241	42,860	45,869	48,739	51,983
% Ch	7.6%	6.5%	7.6%	5.6%	2.4%	2.4%	8.2%	7.3%	6.5%	7.0%	6.3%	6.7%
Idaho Nonfarm (Millions)	26,350	28,054	30,448	32,039	32,921	33,938	36,321	38,857	41,736	44,748	47,608	50,843
% Ch	7.1%	6.5%	8.5%	5.2%	2.8%	3.1%	7.0%	7.0%	7.4%	7.2%	6.4%	6.8%
U.S. (Billions)	7,423	7,802	8,430	8,724	8,882	9,169	9,713	10,249	10,885	11,439	12,049	12,744
% Ch	7.3%	5.1%	8.0%	3.5%	1.8%	3.2%	5.9%	5.5%	6.2%	5.1%	5.3%	5.8%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	28,429	29,788	31,289	32,376	32,690	32,840	34,638	36,154	37,733	39,704	41,398	43,392
% Ch	6.6%	4.8%	5.0%	3.5%	1.0%	0.5%	5.5%	4.4%	4.4%	5.2%	4.3%	4.8%
Idaho Nonfarm (Millions)	27,452	28,748	30,447	31,382	31,795	32,162	33,550	34,910	36,744	38,734	40,437	42,440
% Ch	6.1%	4.7%	5.9%	3.1%	1.3%	1.2%	4.3%	4.1%	5.3%	5.4%	4.4%	5.0%
U.S. (Billions)	7,734	7,996	8,429	8,545	8,578	8,689	8,973	9,208	9,583	9,902	10,234	10,638
% Ch	6.4%	3.4%	5.4%	1.4%	0.4%	1.3%	3.3%	2.6%	4.1%	3.3%	3.4%	4.0%
HOUSING STARTS												
Idaho	10,104	10,334	11,469	12,180	13,182	16,293	18,469	23,179	22,861	21,901	21,124	20,187
% Ch	14.0%	2.3%	11.0%	6.2%	8.2%	23.6%	13.4%	25.5%	-1.4%	-4.2%	-3.5%	-4.4%
U.S. (Millions)	1,621	1,647	1,573	1,601	1,710	1,854	1,950	2,072	1,902	1,778	1,751	1,698
% Ch	9.9%	1.6%	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-8.2%	-6.5%	-1.5%	-3.1%
TOTAL NONFARM EMPLOYMENT												
Idaho	520,478	538,100	558,579	568,029	568,023	572,511	588,025	612,620	636,914	655,239	668,563	682,492
% Ch	2.6%	3.4%	3.8%	1.7%	0.0%	0.8%	2.7%	4.2%	4.0%	2.9%	2.0%	2.1%
U.S. (Thousands)	125,924	128,992	131,792	131,832	130,342	129,993	131,424	133,458	135,427	136,989	138,602	140,253
% Ch	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.5%	1.5%	1.2%	1.2%	1.2%
SELECTED INTEREST RATES												
Federal Funds	5.4%	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	4.8%	4.7%	4.6%	4.9%
Bank Prime	8.4%	8.0%	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	7.8%	7.7%	7.6%	7.9%
Existing Home Mortgage	7.1%	7.3%	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.5%	6.7%	6.8%	7.1%
INFLATION												
GDP Price Deflator	1.1%	1.4%	2.2%	2.4%	1.7%	2.0%	2.6%	2.8%	2.6%	1.8%	1.8%	1.9%
Personal Cons Deflator	0.9%	1.7%	2.5%	2.1%	1.4%	1.9%	2.6%	2.8%	2.0%	1.7%	1.9%	1.8%
Consumer Price Index	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	2.4%	1.7%	1.9%	1.8%

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the FIRST Quarter of 2006**

**IDAHO ECONOMIC FORECAST
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APRIL 2006**

	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	12,199	12,378	12,606	12,760	13,004	13,174	13,340	13,466	13,590	13,732	13,865	14,021
% Ch	7.0%	6.0%	7.6%	5.0%	7.9%	5.3%	5.2%	3.8%	3.7%	4.3%	3.9%	4.6%
2000 Chain-Weighted	10,999	11,089	11,202	11,248	11,384	11,473	11,553	11,610	11,665	11,743	11,811	11,893
% Ch	3.8%	3.3%	4.1%	1.6%	4.9%	3.2%	2.8%	2.0%	1.9%	2.7%	2.3%	2.8%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	39,500	40,006	40,329	41,128	41,666	42,453	43,264	44,056	44,849	45,533	46,213	46,880
% Ch	10.3%	5.2%	3.3%	8.2%	5.3%	7.8%	7.9%	7.5%	7.4%	6.2%	6.1%	5.9%
Idaho Nonfarm (Millions)	38,012	38,583	39,105	39,728	40,536	41,331	42,143	42,936	43,700	44,405	45,110	45,778
% Ch	4.6%	6.1%	5.5%	6.5%	8.4%	8.1%	8.1%	7.7%	7.3%	6.6%	6.5%	6.1%
U.S. (Billions)	10,073	10,186	10,250	10,488	10,650	10,815	10,972	11,103	11,238	11,372	11,504	11,642
% Ch	2.0%	4.5%	2.6%	9.6%	6.3%	6.3%	5.9%	4.9%	4.9%	4.9%	4.7%	4.9%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	35,930	36,096	36,058	36,531	36,891	37,464	38,023	38,553	39,088	39,512	39,919	40,298
% Ch	7.8%	1.9%	-0.4%	5.4%	4.0%	6.4%	6.1%	5.7%	5.7%	4.4%	4.2%	3.9%
Idaho Nonfarm (Millions)	34,576	34,812	34,963	35,288	35,891	36,475	37,037	37,573	38,087	38,534	38,966	39,350
% Ch	2.3%	2.8%	1.7%	3.8%	7.0%	6.7%	6.3%	5.9%	5.6%	4.8%	4.6%	4.0%
U.S. (Billions)	9,163	9,190	9,165	9,316	9,430	9,544	9,643	9,717	9,794	9,868	9,937	10,008
% Ch	-0.3%	1.2%	-1.1%	6.7%	5.0%	4.9%	4.2%	3.1%	3.2%	3.1%	2.8%	2.9%
HOUSING STARTS												
Idaho	23,236	22,639	24,817	22,024	23,066	22,631	22,903	22,845	22,493	22,042	21,650	21,420
% Ch	66.0%	-9.9%	44.4%	-38.0%	20.3%	-7.3%	4.9%	-1.0%	-6.0%	-7.8%	-6.9%	-4.2%
U.S. (Millions)	2,083	2,044	2,101	2,058	2,074	1,912	1,828	1,792	1,784	1,781	1,772	1,773
% Ch	24.2%	-7.2%	11.6%	-7.9%	3.2%	-27.8%	-16.4%	-7.8%	-1.7%	-0.6%	-2.0%	0.2%
TOTAL NONFARM EMPLOYMENT												
Idaho	604,571	607,830	614,694	623,386	628,394	633,987	639,972	645,305	649,718	653,649	657,202	660,385
% Ch	6.6%	2.2%	4.6%	5.8%	3.3%	3.6%	3.8%	3.4%	2.8%	2.4%	2.2%	2.0%
U.S. (Thousands)	132,694	133,230	133,750	134,160	134,754	135,313	135,610	136,033	136,429	136,828	137,163	137,537
% Ch	1.4%	1.6%	1.6%	1.2%	1.8%	1.7%	0.9%	1.3%	1.2%	1.2%	1.0%	1.1%
SELECTED INTEREST RATES												
Federal Funds	2.5%	2.9%	3.5%	4.0%	4.4%	4.9%	5.0%	5.0%	5.0%	4.8%	4.7%	4.5%
Bank Prime	5.4%	5.9%	6.4%	7.0%	7.4%	7.9%	8.0%	8.0%	8.0%	7.8%	7.7%	7.5%
Existing Home Mortgage	5.8%	5.8%	5.8%	6.2%	6.4%	6.5%	6.6%	6.6%	6.6%	6.7%	6.7%	6.8%
INFLATION												
GDP Price Deflator	3.1%	2.6%	3.3%	3.3%	2.6%	2.1%	2.3%	1.8%	1.8%	1.5%	1.6%	1.7%
Personal Cons Deflator	2.3%	3.3%	3.7%	2.7%	1.3%	1.3%	1.7%	1.7%	1.6%	1.7%	1.9%	2.0%
Consumer Price Index	2.5%	3.7%	5.5%	3.2%	1.2%	1.3%	1.6%	1.7%	1.6%	1.7%	1.8%	2.0%

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