

EXECUTIVE SUMMARY

This *Idaho Economic Forecast* lends credence to the adage that bad news comes in threes. After several years of strong growth, Idaho's economy shrank last year, and it is expected to turn in disappointing performances in both this year and next. Idaho nonfarm employment is forecast to drop almost 5% in 2009. This decline reflects continued weaknesses in several sectors being joined by employment drops in other sectors that were spared last year. Mining, which grew last year, is expected to drop 30%. Job losses are also expected to be widely distributed among the categories of the heretofore immune nongoods-producing sector. In fact, of all its categories, only information and state and local governments are expected to post job gains. Idaho nominal personal income is projected to fall 0.2%, but grows 0.1% after adjusting for deflation. Housing starts are expected to ratchet down again to about 5,700 units. In 2009, in-migration is forecasted to slow significantly, causing Idaho population to expand just 1% that year. Nonfarm employment is expected to suffer its third consecutive year of losses in 2010, but the job drop is just 0.5%. The goods-producing sector's employment drops just 5%, as losses in troubled categories slow. Nongoods-producing employment manages a small gain of 0.3%, as its major sectors begin to stabilize. After several years of steep declines, housing starts advance to about 8,400 units and population increases 1.2%. Idaho real personal income growth (0.6%) also picks up speed. These mixed signals are consistent with an economy in the early stages of recovery. Toward the end of the forecast period, all signs point toward a sustained recovery. Idaho nonfarm employment is forecast to increase 2.2% in 2011 and 3.6% in 2012. Real Idaho personal income should advance 2.6% and 3.8%. Housing starts are anticipated to grow each year to just over 11,200 units in 2012. And the Gem State's population grows about 1.9% in each year, as net in-migration recovers. After a trying three years, Idaho's economy returns to growth.

The U.S. recession celebrated its first birthday this winter, fanning concerns it is entering its "terrible twos." Indeed, its second year is off to a bad start. The U.S. Department of Commerce estimates real GDP shrank an annualized 6.3% in the last quarter of 2008 followed by a 6.1% drop in this year's first quarter. The economy continues to shed jobs, with 663,000 jobs lost in March alone. And housing prices continue to fall. But this bad news must be weighed against other factors. For example, recent data for retail sales, consumer spending, housing starts and permits (especially the latter), home sales, financial risk spreads, and commodity prices suggest the economy is thawing. The mere fact that not all the data look like they are falling off a cliff is a good sign. Second, even for the data that are still falling, the rate of descent for many has diminished. This too can be a leading indicator of a turning point. Nonetheless, a closer look at the data of the past few weeks suggests that while some parts of the economy may be approaching bottom, others are a long way off. For example, after registering positive growth in the first quarter, consumer spending will probably falter in the second quarter, before beginning a sustained recovery in the third. During the current business cycle, there are at least three triggers that will be the catalysts for the release of pent-up demand: lower commodity prices, lower interest rates, and fiscal stimulus. This pent-up demand will eventually be released when households sense that the worst news on the economy, house prices, and the stock market is over. A similar pattern is also evident among businesses.

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APRIL 2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
U.S. GDP (BILLIONS)												
Current \$	10,128	10,470	10,961	11,686	12,422	13,178	13,808	14,265	13,983	14,321	15,008	15,816
% Ch	3.2%	3.4%	4.7%	6.6%	6.3%	6.1%	4.8%	3.3%	-2.0%	2.4%	4.8%	5.4%
2000 Chain-Weighted	9,891	10,049	10,301	10,676	10,990	11,295	11,524	11,652	11,247	11,403	11,799	12,271
% Ch	0.8%	1.6%	2.5%	3.6%	2.9%	2.8%	2.0%	1.1%	-3.5%	1.4%	3.5%	4.0%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	33,054	33,849	34,816	38,079	40,845	44,383	47,583	48,965	48,860	49,757	51,934	54,852
% Ch	5.6%	2.4%	2.9%	9.4%	7.3%	8.7%	7.2%	2.9%	-0.2%	1.8%	4.4%	5.6%
Idaho Nonfarm (Millions)	32,039	32,921	34,099	37,100	39,989	43,730	46,480	48,047	47,792	48,648	50,765	53,733
% Ch	5.2%	2.8%	3.6%	8.8%	7.8%	9.4%	6.3%	3.4%	-0.5%	1.8%	4.4%	5.8%
U.S. (Billions)	8,724	8,882	9,164	9,727	10,270	10,994	11,663	12,103	12,120	12,340	12,821	13,488
% Ch	3.5%	1.8%	3.2%	6.2%	5.6%	7.1%	6.1%	3.8%	0.1%	1.8%	3.9%	5.2%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	32,376	32,690	32,970	35,127	36,601	38,700	40,439	40,269	40,320	40,553	41,617	43,208
% Ch	3.5%	1.0%	0.9%	6.5%	4.2%	5.7%	4.5%	-0.4%	0.1%	0.6%	2.6%	3.8%
Idaho Nonfarm (Millions)	31,382	31,795	32,290	34,223	35,834	38,131	39,503	39,514	39,439	39,650	40,680	42,326
% Ch	3.1%	1.3%	1.6%	6.0%	4.7%	6.4%	3.6%	0.0%	-0.2%	0.5%	2.6%	4.0%
U.S. (Billions)	8,545	8,578	8,678	8,973	9,203	9,587	9,912	9,953	10,002	10,057	10,274	10,625
% Ch	1.4%	0.4%	1.2%	3.4%	2.6%	4.2%	3.4%	0.4%	0.5%	0.6%	2.2%	3.4%
HOUSING STARTS												
Idaho	12,207	13,230	16,393	18,673	23,394	19,465	14,281	7,940	5,713	8,445	10,274	13,070
% Ch	6.1%	8.4%	23.9%	13.9%	25.3%	-16.8%	-26.6%	-44.4%	-28.0%	47.8%	21.7%	27.2%
U.S. (Millions)	1,601	1,710	1,854	1,950	2,073	1,812	1,341	0,903	0,551	0,848	1,256	1,545
% Ch	1.8%	6.8%	8.4%	5.2%	6.3%	-12.6%	-26.0%	-32.6%	-39.0%	53.9%	48.0%	23.0%
TOTAL NONFARM EMPLOYMENT												
Idaho	568,035	568,047	572,552	588,071	611,725	638,908	656,289	649,452	617,341	613,948	627,510	649,887
% Ch	1.7%	0.0%	0.8%	2.7%	4.0%	4.4%	2.7%	-1.0%	-4.9%	-0.5%	2.2%	3.6%
U.S. (Thousands)	131,830	130,340	129,996	131,419	133,699	136,098	137,604	137,046	132,054	131,024	132,947	136,162
% Ch	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.4%	-3.6%	-0.8%	1.5%	2.4%
SELECTED INTEREST RATES												
Federal Funds	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	5.0%	1.9%	0.1%	0.2%	1.7%	3.3%
Bank Prime	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	8.1%	5.1%	3.3%	3.3%	4.7%	6.3%
Existing Home Mortgage	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.5%	6.2%	5.1%	5.1%	5.9%	6.3%
INFLATION												
GDP Price Deflator	2.4%	1.7%	2.1%	2.9%	3.3%	3.2%	2.7%	2.2%	1.5%	1.0%	1.3%	1.3%
Personal Cons Deflator	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	2.6%	3.3%	-0.3%	1.2%	1.7%	1.7%
Consumer Price Index	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-1.4%	1.6%	2.1%	2.3%

National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the FIRST Quarter of 2009

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	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	14,151	14,295	14,413	14,200	14,067	13,948	13,938	13,979	14,089	14,247	14,390	14,558
% Ch	3.5%	4.1%	3.4%	-5.8%	-3.7%	-3.3%	-0.3%	1.2%	3.2%	4.6%	4.1%	4.8%
2000 Chain-Weighted	11,646	11,727	11,712	11,522	11,326	11,234	11,206	11,222	11,271	11,362	11,439	11,537
% Ch	0.9%	2.8%	-0.5%	-6.3%	-6.6%	-3.2%	-1.0%	0.6%	1.7%	3.3%	2.7%	3.5%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	48,443	49,259	49,150	49,006	48,729	48,947	48,794	48,970	49,104	49,473	50,003	50,447
% Ch	-1.2%	6.9%	-0.9%	-1.2%	-2.2%	1.8%	-1.2%	1.5%	1.1%	3.0%	4.4%	3.6%
Idaho Nonfarm (Millions)	47,380	48,359	48,271	48,177	47,715	47,981	47,710	47,762	48,032	48,376	48,878	49,307
% Ch	-0.7%	8.5%	-0.7%	-0.8%	-3.8%	2.2%	-2.2%	0.4%	2.3%	2.9%	4.2%	3.6%
U.S. (Billions)	11,961	12,152	12,170	12,128	12,068	12,161	12,114	12,139	12,202	12,286	12,386	12,483
% Ch	3.0%	6.6%	0.6%	-1.4%	-1.9%	3.1%	-1.5%	0.8%	2.1%	2.8%	3.3%	3.2%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	40,274	40,528	39,946	40,330	40,195	40,444	40,284	40,357	40,283	40,407	40,670	40,852
% Ch	-4.6%	2.5%	-5.6%	3.9%	-1.3%	2.5%	-1.6%	0.7%	-0.7%	1.2%	2.6%	1.8%
Idaho Nonfarm (Millions)	39,390	39,787	39,232	39,647	39,359	39,646	39,389	39,361	39,404	39,511	39,755	39,929
% Ch	-4.1%	4.1%	-5.5%	4.3%	-2.9%	2.9%	-2.6%	-0.3%	0.4%	1.1%	2.5%	1.8%
U.S. (Billions)	9,944	9,998	9,891	9,980	9,955	10,048	10,001	10,004	10,010	10,035	10,074	10,109
% Ch	-0.6%	2.2%	-4.2%	3.6%	-1.0%	3.8%	-1.9%	0.1%	0.3%	1.0%	1.6%	1.4%
HOUSING STARTS												
Idaho	9,167	9,287	7,689	5,618	5,183	5,320	5,664	6,685	7,498	8,063	8,895	9,324
% Ch	-59.2%	5.4%	-53.0%	-71.5%	-27.6%	11.0%	28.5%	94.0%	58.3%	33.8%	48.1%	20.7%
U.S. (Millions)	1.053	1.025	0.876	0.660	0.546	0.519	0.528	0.613	0.719	0.786	0.889	1.000
% Ch	-30.0%	-10.2%	-46.7%	-67.7%	-53.1%	-18.7%	7.3%	82.0%	89.7%	42.2%	64.2%	59.7%
TOTAL NONFARM EMPLOYMENT												
Idaho	655,806	651,760	650,425	639,817	626,503	618,839	613,468	610,553	610,989	612,780	614,655	617,368
% Ch	-1.8%	-2.4%	-0.8%	-6.4%	-8.1%	-4.8%	-3.4%	-1.9%	0.3%	1.2%	1.2%	1.8%
U.S. (Thousands)	137,943	137,509	137,004	135,727	133,735	132,281	131,379	130,821	130,704	130,926	131,060	131,406
% Ch	-0.2%	-1.3%	-1.5%	-3.7%	-5.7%	-4.3%	-2.7%	-1.7%	-0.4%	0.7%	0.4%	1.1%
SELECTED INTEREST RATES												
Federal Funds	3.2%	2.1%	1.9%	0.5%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.5%
Bank Prime	6.2%	5.1%	5.0%	4.1%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.5%
Existing Home Mortgage	6.0%	6.1%	6.4%	6.0%	5.2%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.4%
INFLATION												
GDP Price Deflator	2.6%	1.1%	3.9%	0.5%	2.9%	-0.1%	0.7%	0.6%	1.4%	1.2%	1.3%	1.3%
Personal Cons Deflator	3.6%	4.3%	5.0%	-4.9%	-0.9%	-0.7%	0.3%	0.7%	1.8%	1.8%	1.7%	1.8%
Consumer Price Index	4.5%	4.5%	6.2%	-8.3%	-2.3%	-1.4%	0.4%	1.0%	2.4%	2.2%	2.0%	2.2%

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