

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the October 2008 to the January 2009 *Idaho Economic Forecast*. The October 2008 *Idaho Economic Forecast* is based on Global Insight's October 2008 baseline forecast and the January 2009 *Idaho Economic Forecast* is driven by Global Insight's December 2008 baseline U.S. macroeconomic forecast.

The national and Idaho economic outlooks have soured significantly since the October 2008 *Idaho Economic Forecast* was published. All major indicators show the economy will perform even more poorly than was projected a couple of months ago. In the previous forecast, real GDP was expected to decline for the three quarters beginning with the third quarter of 2008, and it would shrink 0.6 percent from peak to trough. The new forecast brings the unwelcome prediction that the recession will be longer and deeper. It is expected to run through the second quarter of this year and real output is projected to drop 2.5%. This weakness can also be measured by the relative differences between the two GDP forecasts. As the accompanying table shows, real GDP is down 0.3% in 2008 and 2.2% in 2009. Not only is the recession more severe, but the recovery is weaker than in the previous forecast, which explains why real output is actually 2.5% lower in both 2010 and 2011. Other measures also testify to the weaker expected showing. Real personal income is lower in the current forecast in every year except for 2009. That year's strength results, not from income growth, but from the expected rare decline in prices. On a nominal basis, national personal income is lower in every year of the forecast. The U.S. job picture has worsened since this fall. Not only is employment lower, but the situation deteriorates over time, so the gap between the two forecasts grows from 119,000 jobs in 2008 to over two and one-half million jobs in 2011. The nation's goods-producing sector, which includes construction and manufacturing, takes a relatively big hit, coming in at nearly 4.8% fewer jobs in 2011 than had been forecast previously. The nongoods-producing sector, on the other hand, is down 1.3% jobs in 2011. All of the key inflation measures have been reduced from the previous forecast, which is consistent with the weaker economic outlook.

Like its national counterparts, Idaho employment and personal income have also been scaled back significantly since October 2008. Idaho nonfarm employment is down 0.2% in 2008, 0.9% in 2009, 1.7% in 2010, and 2.2% in 2011. All told, there is expected to be around 14,600 fewer jobs in 2011 than had been forecasted previously. As shown in the table, Idaho nominal personal income is also lower in every year. Interestingly, adjusting for inflation raises 2009 real personal income 1.2% above the amount from the October forecast. As was mentioned above, this is the result of falling prices in that year.

**IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN
JANUARY 2009 AND OCTOBER 2008 FORECASTS**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
U.S. GDP (BILLIONS)										
Current \$	0	0	0	0	0	0	-65	-415	-512	-545
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.5%	-2.8%	-3.4%	-3.4%
2000 Chain-Weighted	0	0	0	0	0	0	-32	-262	-304	-306
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.3%	-2.2%	-2.5%	-2.5%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	0	0	0	0	0	0	-131	-653	-1,543	-2,076
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.3%	-1.3%	-2.9%	-3.7%
U.S. (Billions)	0	0	0	0	0	0	-52	-187	-335	-398
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	-1.5%	-2.6%	-2.9%
PERSONAL INCOME - 2000 \$										
Idaho (Millions)	0	0	0	0	0	0	38	476	-255	-764
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	1.2%	-0.6%	-1.8%
U.S. (Billions)	0	0	0	0	0	0	-7	95	-26	-101
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.9%	-0.3%	-0.9%
TOTAL NONFARM EMPLOYMENT										
Idaho	0	0	0	0	0	0	-1,041	-5,612	-11,189	-14,606
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.9%	-1.7%	-2.2%
U.S. (Thousands)	0	0	0	0	0	0	-119	-1,308	-2,239	-2,538
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-1.0%	-1.6%	-1.8%
GOODS PRODUCING SECTOR										
Idaho	0	0	0	0	0	0	-472	-2,373	-3,925	-5,260
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	-2.3%	-3.8%	-4.9%
U.S. (Thousands)	0	0	0	0	0	0	-29	-506	-950	-985
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-2.5%	-4.8%	-4.8%
NONGOODS PRODUCING SECTOR										
Idaho	0	0	0	0	0	0	-569	-3,239	-7,264	-9,346
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.6%	-1.3%	-1.7%
U.S. (Thousands)	0	0	0	0	0	0	-91	-802	-1,289	-1,554
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.7%	-1.1%	-1.3%
SELECTED INTEREST RATES										
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-1.2%	-1.7%	-0.9%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-1.2%	-1.7%	-0.9%
Existing Home Mortgage Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.7%	-0.3%
INFLATION										
GDP Price Deflator	0.000	0.000	0.000	0.000	0.000	0.000	-0.201	-0.761	-1.072	-1.234
Personal Cons Deflator	0.000	0.000	0.000	0.000	0.000	0.000	-0.434	-2.994	-2.932	-2.558
Consumer Price Index	0.000	0.000	0.000	0.000	0.000	0.000	-0.011	-0.073	-0.067	-0.055

Forecast Begins the THIRD Quarter of 2008