

EXECUTIVE SUMMARY

The economic downturn that began in 2008 is forecast to continue through this year and next. Idaho nonfarm employment decreased by 1.0% last year—its first annual drop since 1986. Hit by declines in almost all of its major sectors, Idaho nonfarm employment is forecast to fall nearly 5.0% in 2009. Idaho nonfarm employment will begin improving in 2010, but it will not be strong enough to offset the impact of the previous year's job losses. As a result, it falls by 0.8% in that year. The last time Idaho experienced three consecutive years of job declines was nearly three decades ago. Idaho personal income growth is also expected to be soft over 2009 and 2010. Nominal personal income is forecast to actually decrease 0.6% this year—its first recorded drop since 1953. After adjusting for inflation, this year's Idaho personal income decline is about 1%. Nominal personal income is expected to advance a modest 2.1% in 2010 and real personal income should grow 0.7%. Other measures also attest to the state's economic challenges. Housing starts are expected to shrink another 3,000 units in 2009 from an already soft 7,900 units in 2008. However, it will make up most of this in 2010 when starts jump to 7,600 units. The weak economy will dampen Idaho population growth by lowering net-inmigration. Last year, the state's population advanced 1.8% thanks to net-inmigration of about 12,400. It is predicted that this year there will be virtually no net-inmigration into Idaho, which will cause the population growth rate to slow to just 1.0%. Idaho's economy is expected to shift into higher gear in the last two years of the forecast. Nonfarm employment should advance by 1.7% in 2011 and by 3.6% in 2012 in response to recovering national and global economies. Idaho nominal personal income growth also accelerates during this time, advancing 2.1% in 2011 and 4.0% in 2012. Idaho real personal income grows 0.7% in 2011 and 2.1% in 2012. Housing starts, which had been pummeled during the recession, begin growing in 2010 and climb to 13,500 units in 2012. The stronger growth should once again make Idaho a draw for those seeking economic opportunities. As a result, net-inmigration increases annually and reaches 15,000 persons by 2012. Idaho's population growth, which had dropped to 1.0% in 2009, is forecast to be 1.2% in 2010, 1.7% in 2011, and 2.0% in 2012.

While the recession may not be over, many economists can see its conclusion on the horizon. Their case was given a bit more credence when the U.S. Department of Commerce released its advance estimate of a 1.0% annual decline in real GDP for the second quarter of 2009. While the positive GDP release may convince some that prosperity is just around the corner, they should proceed down that street with caution. First, they need to be reminded this is the Department of Commerce's first estimate of real output for the second quarter of 2009. There will be a couple more estimates made before it becomes final. Then the final estimate will be subject to revisions. Second, significant risks remain that could put the economy on a lower growth trajectory. IHS Global Insight has prepared an alternative forecast that considers the economy may be weaker than in its *Baseline Scenario*. This simulation assumes the financial crises worsens, which sends the economy into a downturn nearly twice as deep as any other since the Great Depression. Peak to trough, real GDP drops 5.1%, which is much worse than the losses during the 1973-75 and 1981-82 recessions. The economy sheds 8.9 million jobs, causing the unemployment rate to peak at 11.4% in the second half of next year. Third, though real GDP begins growing in the second half of this year, other indicators of the economy's health will take a while longer to improve. For example, the U.S. unemployment rate is forecast to keep rising until it peaks at 10.3% about a year after real output recovers. As a result, even though the recovery is scheduled to arrive this year, it may not feel like a recovery until next year.

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JULY 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	14,091	14,456	15,131	15,934
% Ch	3.2%	3.4%	4.7%	6.6%	6.3%	6.1%	4.8%	3.3%	-1.2%	2.6%	4.7%	5.3%
2000 Chain-Weighted	9,891	10,049	10,301	10,676	10,990	11,295	11,524	11,652	11,331	11,500	11,860	12,305
% Ch	0.8%	1.6%	2.5%	3.6%	2.9%	2.8%	2.0%	1.1%	-2.8%	1.5%	3.1%	3.8%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	33,054	33,849	34,816	38,079	40,845	44,383	47,583	48,869	48,561	49,594	51,602	54,645
% Ch	5.6%	2.4%	2.9%	9.4%	7.3%	8.7%	7.2%	2.7%	-0.6%	2.1%	4.0%	5.9%
Idaho Nonfarm (Millions)	32,039	32,921	34,099	37,100	39,989	43,730	46,480	47,951	47,607	48,501	50,430	53,415
% Ch	5.2%	2.8%	3.6%	8.8%	7.8%	9.4%	6.3%	3.2%	-0.7%	1.9%	4.0%	5.9%
U.S. (Billions)	8,724	8,882	9,164	9,727	10,270	10,994	11,663	12,101	12,108	12,375	12,873	13,553
% Ch	3.5%	1.8%	3.2%	6.2%	5.6%	7.1%	6.1%	3.8%	0.1%	2.2%	4.0%	5.3%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	32,376	32,690	32,970	35,127	36,601	38,700	40,439	40,191	39,845	40,126	40,954	42,638
% Ch	3.5%	1.0%	0.9%	6.5%	4.2%	5.7%	4.5%	-0.6%	-0.9%	0.7%	2.1%	4.1%
Idaho Nonfarm (Millions)	31,382	31,795	32,290	34,223	35,834	38,131	39,503	39,436	39,063	39,242	40,024	41,679
% Ch	3.1%	1.3%	1.6%	6.0%	4.7%	6.4%	3.6%	-0.2%	-0.9%	0.5%	2.0%	4.1%
U.S. (Billions)	8,545	8,578	8,678	8,973	9,203	9,587	9,912	9,952	9,935	10,013	10,217	10,575
% Ch	1.4%	0.4%	1.2%	3.4%	2.6%	4.2%	3.4%	0.4%	-0.2%	0.8%	2.0%	3.5%
HOUSING STARTS												
Idaho	12,207	13,230	16,396	18,677	23,400	19,478	14,271	7,942	4,976	7,558	10,900	13,539
% Ch	6.1%	8.4%	23.9%	13.9%	25.3%	-16.8%	-26.7%	-44.4%	-37.3%	51.9%	44.2%	24.2%
U.S. (Millions)	1,601	1,710	1,854	1,950	2,073	1,812	1,342	0,900	0,556	0,865	1,294	1,563
% Ch	1.8%	6.8%	8.4%	5.2%	6.3%	-12.6%	-25.9%	-32.9%	-38.3%	55.7%	49.6%	20.8%
TOTAL NONFARM EMPLOYMENT												
Idaho	568,034	568,046	572,550	588,068	611,723	638,908	656,292	649,428	617,721	612,600	623,308	645,585
% Ch	1.7%	0.0%	0.8%	2.7%	4.0%	4.4%	2.7%	-1.0%	-4.9%	-0.8%	1.7%	3.6%
U.S. (Thousands)	131,830	130,340	129,996	131,419	133,699	136,098	137,604	137,046	132,075	131,442	133,505	136,703
% Ch	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.4%	-3.6%	-0.5%	1.6%	2.4%
SELECTED INTEREST RATES												
Federal Funds	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	5.0%	1.9%	0.2%	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%	5.2%	5.4%	5.6%	6.2%
INFLATION												
GDP Price Deflator	2.4%	1.7%	2.1%	2.9%	3.3%	3.2%	2.7%	2.2%	1.5%	1.1%	1.5%	1.5%
Personal Cons Deflator	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	2.6%	3.3%	0.2%	1.4%	1.9%	1.7%
Consumer Price Index	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.6%	1.8%	2.4%	2.2%

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

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	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	14,097	14,029	14,084	14,154	14,241	14,383	14,514	14,684	14,842	15,032	15,230	15,419
% Ch	-2.9%	-1.9%	1.6%	2.0%	2.5%	4.0%	3.7%	4.8%	4.4%	5.2%	5.4%	5.1%
2000 Chain-Weighted	11,361	11,299	11,317	11,347	11,387	11,463	11,528	11,623	11,695	11,803	11,916	12,026
% Ch	-5.5%	-2.1%	0.6%	1.1%	1.4%	2.7%	2.3%	3.3%	2.5%	3.8%	3.9%	3.7%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	48,320	48,855	48,422	48,645	48,926	49,381	49,834	50,234	50,718	51,213	51,879	52,598
% Ch	-3.3%	4.5%	-3.5%	1.8%	2.3%	3.8%	3.7%	3.3%	3.9%	4.0%	5.3%	5.7%
Idaho Nonfarm (Millions)	47,612	47,881	47,397	47,536	47,901	48,300	48,711	49,090	49,565	50,051	50,698	51,407
% Ch	-2.3%	2.3%	-4.0%	1.2%	3.1%	3.4%	3.4%	3.1%	3.9%	4.0%	5.3%	5.7%
U.S. (Billions)	12,049	12,165	12,086	12,132	12,218	12,316	12,427	12,539	12,662	12,790	12,943	13,097
% Ch	-2.3%	3.9%	-2.6%	1.5%	2.8%	3.3%	3.6%	3.7%	4.0%	4.1%	4.9%	4.8%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	39,856	40,146	39,655	39,725	39,844	40,052	40,243	40,365	40,523	40,735	41,081	41,478
% Ch	-2.4%	2.9%	-4.8%	0.7%	1.2%	2.1%	1.9%	1.2%	1.6%	2.1%	3.4%	3.9%
Idaho Nonfarm (Millions)	39,272	39,345	38,815	38,820	39,009	39,176	39,336	39,446	39,602	39,811	40,146	40,539
% Ch	-1.4%	0.7%	-5.3%	0.0%	2.0%	1.7%	1.7%	1.1%	1.6%	2.1%	3.4%	4.0%
U.S. (Billions)	9,938	9,997	9,898	9,908	9,950	9,990	10,035	10,075	10,117	10,173	10,249	10,328
% Ch	-1.4%	2.4%	-3.9%	0.4%	1.7%	1.6%	1.8%	1.6%	1.6%	2.3%	3.0%	3.1%
HOUSING STARTS												
Idaho	5,125	4,535	4,552	5,692	6,436	6,999	7,931	8,866	9,833	10,660	11,458	11,648
% Ch	-31.3%	-38.7%	1.5%	144.5%	63.5%	39.8%	64.9%	56.2%	51.3%	38.1%	33.5%	6.8%
U.S. (Millions)	0.528	0.506	0.570	0.619	0.718	0.807	0.913	1.024	1.137	1.247	1.356	1.437
% Ch	-58.6%	-15.4%	60.9%	39.2%	80.8%	59.8%	64.0%	57.8%	52.3%	44.7%	39.8%	26.1%
TOTAL NONFARM EMPLOYMENT												
Idaho	627,680	619,454	613,246	610,502	610,790	611,850	612,925	614,834	617,612	620,679	624,590	630,352
% Ch	-7.1%	-5.1%	-3.9%	-1.8%	0.2%	0.7%	0.7%	1.3%	1.8%	2.0%	2.5%	3.7%
U.S. (Thousands)	133,662	132,166	131,444	131,031	130,998	131,297	131,519	131,953	132,453	133,111	133,844	134,611
% Ch	-5.9%	-4.4%	-2.2%	-1.3%	-0.1%	0.9%	0.7%	1.3%	1.5%	2.0%	2.2%	2.3%
SELECTED INTEREST RATES												
Federal Funds	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.2%	0.5%	1.0%	1.4%	1.9%	2.5%
Bank Prime	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.5%	4.0%	4.4%	4.9%	5.5%
Existing Home Mortgage	5.2%	5.1%	5.3%	5.4%	5.4%	5.4%	5.4%	5.4%	5.5%	5.6%	5.6%	5.9%
INFLATION												
GDP Price Deflator	2.8%	0.0%	0.9%	0.9%	1.1%	1.3%	1.4%	1.4%	1.8%	1.4%	1.4%	1.3%
Personal Cons Deflator	-0.9%	1.5%	1.4%	1.1%	1.1%	1.6%	1.8%	2.0%	2.3%	1.8%	1.8%	1.7%
Consumer Price Index	-2.4%	1.2%	1.9%	1.7%	1.4%	2.0%	2.1%	2.5%	2.9%	2.3%	2.3%	2.2%

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