

EXECUTIVE SUMMARY

After stabilizing in July 2009, Idaho's economic outlook has been revised downward. These changes can be seen in the comparisons of the July 2009 and October 2009 forecasts to their respective predecessors. For example, the July 2009 Idaho nonfarm employment forecast for 2009 was a mere 0.1% higher than had been forecast in April 2009. The employment forecasts for the subsequent years were lower by less than 1% than in April 2009. The Idaho nominal personal income forecast in July 2009 was also lower than in April 2009, but the gap between the two never exceeds 1%. The differences between the October 2009 and July 2009 forecasts are much greater. Due to a recent data revision, the annual employment data show there were about 1,500 fewer jobs than previously reported in 2008. The estimates for early 2009 employment were also revised downward. For example, there were 6,400 fewer jobs in the first quarter of this year than was published in July 2009. In the second quarter, there were 10,800 fewer jobs. The revised job data has lowered the starting point for the forecast. Last July, Idaho nonfarm employment was forecast to drop 4.9% in 2009. It declines a projected 6.2% in the current forecast. Idaho nonfarm employment is expected to decline 1.5% in 2010, then grow 1.7% in 2011 and advance 3.2% in 2012. This growth path is flatter than in the July 2009 forecast. As a result of this slower growth, there are 16,700 fewer jobs in 2012 in the current forecast compared to the July 2009 forecast. While the lower starting point contributes to the lower employment forecast, it is not the sole reason. The lower forecast also reflects an anticipated slower recovery. As a result of this slower growth, the October employment forecast for 2009 is 1.6% lower than its July counterpart and this gap widens to 2.6% in 2012. This forecast also includes the revised estimates of Idaho quarterly personal income through the second quarter of 2009. Idaho nominal personal income is forecast to drop 2.9% in 2009, then rise 2.4% in 2010, increase 3.9% in 2011, and grow 5.8% in 2012. After adjusting for inflation, Idaho personal income falls 3.1% in 2009, then increases 1.1% in 2010, 2.0% in 2011, and 2.0% in 2012. While some of the forecast details have changed since this summer, some similarities remain. First, the current forecast shows that the worst is nearly passed. This year is the weakest in the forecast. Second, next year is a transitional year, with the economy displaying signs of growth. This growth is forecast to pick up speed in both 2011 and 2012.

The national economy reached an important milestone this summer when real GDP grew for the first time in a year. After a string of declines, the U.S. Department of Commerce released its advance estimate for the third quarter of 2009 that showed real output rose at a 3.5% annual rate. While some have declared the recession over, other evidence suggest it is not over yet. Most notably, the national unemployment rate continued to rise to 9.8% in September 2009—its highest level since June 1983. But it does not include discouraged workers that have quit looking for work or part-time workers that would prefer full-time employment if it were available. Including these persons into the labor force causes the unemployment rate to jump to 17.0%. Another area of concern is the number of jobs. National nonfarm payroll employment fell by 263,000 jobs. This decline was disappointing because it was an increase from the previous month, and up until September the monthly losses had been declining all summer. Looking ahead, the current forecast shows that the third quarter real GDP gain was the first in an anticipated growth streak that should run the length of the forecast period. However, it is expected to take a while to pick up speed. On an annual basis, real GDP is forecast to drop 2.5% in 2009, but then it expands 2.1% in 2010, 2.9% in 2011, and 3.7% in 2012. The labor market recovery is expected to lag the real GDP recovery. First of all, it has not yet hit its bottom. Second, the unemployment rate will probably remain stubbornly high. For example, at the end of next year it is 9.8%—the same as it was in September 2009. A year later, at the end of 2011, the unemployment rate is 9.1%. A year after that, it is 8.2%. Despite this improvement, at the end of the forecast period, the unemployment rate is still three percentage points above the 5% consistent with full employment.

IDAHO ECONOMIC FORECAST
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OCTOBER 2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
U.S. GDP (BILLIONS)												
Current \$	10,286	10,642	11,142	11,868	12,638	13,399	14,078	14,441	14,267	14,723	15,385	16,186
% Ch	3.4%	3.5%	4.7%	6.5%	6.5%	6.0%	5.1%	2.6%	-1.2%	3.2%	4.5%	5.2%
2000 Chain-Weighted	11,347	11,553	11,841	12,264	12,638	12,976	13,254	13,312	12,985	13,258	13,648	14,148
% Ch	1.1%	1.8%	2.5%	3.6%	3.1%	2.7%	2.1%	0.4%	-2.5%	2.1%	2.9%	3.7%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	33,885	34,916	36,082	39,559	42,215	46,273	49,231	50,399	48,944	50,132	52,081	55,117
% Ch	5.6%	3.0%	3.3%	9.6%	6.7%	9.6%	6.4%	2.4%	-2.9%	2.4%	3.9%	5.8%
Idaho Nonfarm (Millions)	32,791	33,848	35,259	38,226	41,040	45,183	47,696	48,735	47,948	49,032	50,897	53,868
% Ch	5.5%	3.2%	4.2%	8.4%	7.4%	10.1%	5.6%	2.2%	-1.6%	2.3%	3.8%	5.8%
U.S. (Billions)	8,883	9,060	9,378	9,937	10,486	11,268	11,894	12,239	11,976	12,310	12,801	13,469
% Ch	3.8%	2.0%	3.5%	6.0%	5.5%	7.5%	5.6%	2.9%	-2.1%	2.8%	4.0%	5.2%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	37,037	37,649	38,131	40,737	42,210	45,033	46,661	46,226	44,816	45,312	46,223	48,117
% Ch	3.7%	1.7%	1.3%	6.8%	3.6%	6.7%	3.6%	-0.9%	-3.1%	1.1%	2.0%	4.1%
Idaho Nonfarm (Millions)	35,841	36,499	37,261	39,363	41,035	43,973	45,207	44,700	43,904	44,318	45,173	47,027
% Ch	3.5%	1.8%	2.1%	5.6%	4.2%	7.2%	2.8%	-1.1%	-1.8%	0.9%	1.9%	4.1%
U.S. (Billions)	9,710	9,770	9,911	10,233	10,485	10,966	11,273	11,225	10,966	11,127	11,362	11,759
% Ch	1.8%	0.6%	1.4%	3.3%	2.5%	4.6%	2.8%	-0.4%	-2.3%	1.5%	2.1%	3.5%
HOUSING STARTS												
Idaho	12,207	13,230	16,395	18,678	23,422	19,527	14,327	7,969	5,186	6,442	9,344	12,946
% Ch	6.1%	8.4%	23.9%	13.9%	25.4%	-16.6%	-26.6%	-44.4%	-34.9%	24.2%	45.0%	38.6%
U.S. (Millions)	1,601	1,710	1,854	1,950	2,073	1,812	1,342	0,900	0,586	0,873	1,305	1,581
% Ch	1.8%	6.8%	8.4%	5.2%	6.3%	-12.6%	-25.9%	-32.9%	-34.9%	48.9%	49.4%	21.1%
TOTAL NONFARM EMPLOYMENT												
Idaho	568,032	568,043	572,544	588,051	611,690	638,867	656,266	647,931	607,969	599,062	609,312	628,919
% Ch	1.7%	0.0%	0.8%	2.7%	4.0%	4.4%	2.7%	-1.3%	-6.2%	-1.5%	1.7%	3.2%
U.S. (Thousands)	131,830	130,340	129,996	131,419	133,699	136,098	137,604	137,046	131,893	130,953	133,462	136,784
% Ch	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.4%	-3.8%	-0.7%	1.9%	2.5%
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%	5.1%	5.2%	5.6%	6.2%
INFLATION												
GDP Price Deflator	2.3%	1.6%	2.2%	2.8%	3.3%	3.3%	2.9%	2.1%	1.3%	1.1%	1.5%	1.5%
Personal Cons Deflator	1.9%	1.4%	2.0%	2.6%	3.0%	2.7%	2.7%	3.3%	0.2%	1.3%	1.8%	1.7%
Consumer Price Index	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.4%	1.4%	2.2%	2.0%

National Variables Forecast by IHS GLOBAL INSIGHT
Forecast Begins the THIRD 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 \$	14,178	14,151	14,306	14,433	14,535	14,649	14,781	14,928	15,099	15,286	15,483	15,671
% Ch	-4.6%	-0.8%	4.4%	3.6%	2.9%	3.2%	3.6%	4.0%	4.7%	5.0%	5.3%	5.0%
2000 Chain-Weighted	12,925	12,902	13,015	13,098	13,155	13,214	13,287	13,375	13,467	13,585	13,709	13,830
% Ch	-6.4%	-0.7%	3.6%	2.6%	1.8%	1.8%	2.2%	2.7%	2.8%	3.6%	3.7%	3.6%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	48,750	48,944	48,960	49,122	49,387	49,921	50,424	50,796	51,148	51,698	52,370	53,107
% Ch	-10.6%	1.6%	0.1%	1.3%	2.2%	4.4%	4.1%	3.0%	2.8%	4.4%	5.3%	5.7%
Idaho Nonfarm (Millions)	47,785	47,946	47,933	48,128	48,454	48,842	49,261	49,570	49,958	50,523	51,196	51,911
% Ch	-6.7%	1.4%	-0.1%	1.6%	2.7%	3.2%	3.5%	2.5%	3.2%	4.6%	5.4%	5.7%
U.S. (Billions)	11,953	11,972	11,959	12,022	12,127	12,249	12,379	12,485	12,594	12,721	12,871	13,019
% Ch	-8.9%	0.6%	-0.4%	2.1%	3.6%	4.1%	4.3%	3.5%	3.5%	4.1%	4.8%	4.7%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	44,952	44,980	44,687	44,645	44,875	45,247	45,495	45,633	45,721	45,992	46,358	46,823
% Ch	-9.3%	0.2%	-2.6%	-0.4%	2.1%	3.3%	2.2%	1.2%	0.8%	2.4%	3.2%	4.1%
Idaho Nonfarm (Millions)	44,062	44,062	43,749	43,741	44,028	44,269	44,445	44,531	44,657	44,947	45,318	45,768
% Ch	-5.3%	0.0%	-2.8%	-0.1%	2.6%	2.2%	1.6%	0.8%	1.1%	2.6%	3.3%	4.0%
U.S. (Billions)	11,021	11,002	10,916	10,926	11,020	11,102	11,168	11,216	11,257	11,317	11,393	11,479
% Ch	-7.5%	-0.7%	-3.1%	0.4%	3.5%	3.0%	2.4%	1.7%	1.5%	2.2%	2.7%	3.0%
HOUSING STARTS												
Idaho	5,186	5,002	4,886	5,670	5,636	6,175	6,731	7,227	7,939	8,836	9,920	10,680
% Ch	-33.0%	-13.5%	-8.9%	81.3%	-2.4%	44.1%	41.2%	32.9%	45.7%	53.4%	58.9%	34.3%
U.S. (Millions)	0.528	0.540	0.601	0.677	0.764	0.824	0.899	1.005	1.132	1.256	1.373	1.457
% Ch	-58.6%	9.7%	53.0%	61.6%	62.0%	35.1%	41.9%	56.5%	60.5%	51.7%	43.0%	26.7%
TOTAL NONFARM EMPLOYMENT												
Idaho	621,261	608,690	602,699	599,224	597,722	598,309	599,358	600,861	603,683	607,105	610,911	615,549
% Ch	-10.3%	-7.9%	-3.9%	-2.3%	-1.0%	0.4%	0.7%	1.0%	1.9%	2.3%	2.5%	3.1%
U.S. (Thousands)	133,662	132,125	131,189	130,596	130,414	130,657	131,076	131,665	132,290	133,071	133,853	134,634
% Ch	-5.9%	-4.5%	-2.8%	-1.8%	-0.6%	0.7%	1.3%	1.8%	1.9%	2.4%	2.4%	2.4%
SELECTED INTEREST RATES												
Federal Funds	0.2%	0.2%	0.2%	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%	5.0%	5.3%	5.1%	5.1%	5.1%	5.2%	5.3%	5.4%	5.5%	5.5%	5.8%
INFLATION												
GDP Price Deflator	1.9%	0.0%	1.0%	1.0%	1.1%	1.3%	1.4%	1.3%	1.8%	1.4%	1.5%	1.3%
Personal Cons Deflator	-1.5%	1.4%	2.8%	1.7%	0.1%	1.0%	1.8%	1.7%	2.0%	1.9%	2.0%	1.6%
Consumer Price Index	-2.4%	1.3%	3.6%	2.1%	-0.3%	1.0%	2.0%	2.0%	2.5%	2.5%	2.6%	2.1%

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