

## 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 IHS 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 2011 to the January 2012 *Idaho Economic Forecast*. The October 2011 *Idaho Economic Forecast* is based on IHS Global Insight's October 2011 baseline U.S. macroeconomic forecast and the January 2012 *Idaho Economic Forecast* is driven by IHS Global Insight's November 2011 baseline forecast.

Given the current forecast was prepared just one month after the previous one, it is not surprising that the January 2012 U.S. economic outlook is little changed from the October 2011 forecast. For example, the forecast for real GDP is slightly (less than one-half percent) higher in each year of the current forecast. Another key variable that has improved marginally since October 2011 is nonfarm employment. Like real GDP, it is expected to be about one-half percentage point stronger in each year than in the previous forecast. Consistent with the stronger economic outlook, inflation is forecast to be slightly higher during the next two years. Despite the slightly higher inflation, interest rates are unchanged from the previous forecast. Interestingly, national personal income is slightly lower in the current forecast than in the previous one, despite the stronger economic outlook. This difference is the result of slightly lowered prospects for other labor income and reduced government transfer payments to individuals.

The Idaho economic outlook has also been revised slightly, but instead of being revised upwards, it has been revised downwards. Most of this difference is explained by the fact that nonfarm employment did not perform as expected. In the previous forecast, Idaho nonfarm employment was expected to grow at a 1.8% annual pace in the third quarter of 2011. Data made available since then suggest nonfarm employment actually slid at a 0.7% annual pace. This revision has lowered the starting point for the forecast. The weaker-than-expected third quarter led us to reconsider how fast employment could expand in the short run. The growth rate for 2011 was lowered to 0.2% from the previously projected 0.4%. The 2012 rate was dropped to 1.6% from 1.9%. As a result, the jobs gap between the two forecasts is expected to widen to a maximum of 3,600 jobs in 2013. As the accompanying table shows, the performance of Idaho personal income is consistent with the jobs forecast. Both nominal and real personal income forecasts are lower in each year in the current forecast compared to the October 2011 forecast.

**IDAHO ECONOMIC FORECAST  
FORECASTS COMPARISON  
DIFFERENCES BETWEEN  
JANUARY 2012 AND OCTOBER 2011 FORECASTS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>U.S. GDP (BILLIONS)</b>										
Current \$	0	0	0	0	0	0	5	40	51	33
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%	0.2%
2005 Chain-Weighted	0	0	0	0	0	0	10	46	61	64
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%	0.4%	0.4%
<b>PERSONAL INCOME - CURR \$</b>										
Idaho (Millions)	0	0	0	0	0	0	-172	-391	-448	-416
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.3%	-0.7%	-0.8%	-0.7%
U.S. (Billions)	0	0	0	0	0	0	-19	-48	-34	-32
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.4%	-0.2%	-0.2%
<b>PERSONAL INCOME - 2005 \$</b>										
Idaho (Millions)	0	0	0	0	0	0	-181	-403	-372	-228
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	-0.8%	-0.8%	-0.5%
U.S. (Billions)	0	0	0	0	0	0	-24	-58	-26	3
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.5%	-0.2%	0.0%
<b>TOTAL NONFARM EMPLOYMENT</b>										
Idaho	2	5	8	9	9	6	-1,270	-3,078	-3,602	-3,085
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.5%	-0.6%	-0.5%
U.S. (Thousands)	0	0	0	0	0	0	97	430	524	610
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%	0.4%	0.4%
<b>GOODS PRODUCING SECTOR</b>										
Idaho	-1	-1	-1	1	1	-2	215	49	-977	-926
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%	-1.1%	-1.0%
U.S. (Thousands)	0	0	0	0	0	0	13	142	150	203
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.8%	0.8%	1.1%
<b>NONGOODS PRODUCING SECTOR</b>										
Idaho	4	6	8	8	8	8	-1,485	-3,126	-2,626	-2,159
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.3%	-0.6%	-0.5%	-0.4%
U.S. (Thousands)	0	0	0	0	0	0	84	288	374	406
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%	0.3%	0.3%
<b>SELECTED INTEREST RATES</b>										
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Existing Home Mortgage Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>INFLATION</b>										
GDP Price Deflator	0.000	0.000	0.000	0.000	0.000	0.000	-0.055	-0.091	-0.148	-0.295
Personal Cons Deflator	0.000	0.000	0.000	0.000	0.000	0.000	0.074	0.156	-0.026	-0.288
Consumer Price Index	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.007	0.002	-0.005

**Forecast Begins the THIRD Quarter of 2011**