

EXECUTIVE SUMMARY

In January 2011 we predicted, "...after suffering a weak year in 2010, the economy should take small steps to recovery in 2011." The economy did improve, but its steps were smaller than we anticipated. For example, we expected nonfarm employment to expand 1.0% in 2011. It grew an estimated 0.2%. As a result, there were 4,600 fewer jobs in 2011 than had been previously forecasted. Wage and salary payments grew an estimated 2.3% in 2011, which is lower than the 3.9% pace predicted a year ago. Given last year's performance, it should come as no surprise that the direction of our forecast remains the same, but its pace has been reduced. In January 2011 we predicted nonfarm employment would expand 2.7% in 2012, 2.8% in 2013, and 2.6% in 2014. In the current forecast the number of jobs grow 1.6% this year, 2.5% in 2013, and 2.6% in 2014. As a result of its lower starting point in 2011 and slower growth in the remaining years of the forecast, there are 13,400 fewer jobs in 2014 in the current forecast than in the previous one. The nongoods-producing category is expected to be the state's largest job generator over the next few years. It is forecast to expand 2.2% this year, 3.3% next year, 2.9% in 2014, and 3.1% in 2015. The nongoods-producing sector is forecast to add over 51,500 jobs, which is more than 85% of the anticipated total nonfarm job gain for the state. The goods-producing category consists of manufacturing, mining, and construction. Its employment is expected to remain virtually unchanged in 2012 from the previous year, as job gains in mining employment are offset by expected construction job losses. Specifically, goods-producing employment is projected to fall 0.4% in 2012, increase 1.6% in 2013, grow 4.6% in 2014, and rise 3.4% in 2015. Government employment in Idaho should be relatively flat through 2015. Idaho state and local government employment should hover near 105,000 jobs over most of the forecast period. Federal government employment is forecast to gradually shrink from 12,600 jobs in 2011 to 12,400 jobs in 2015. Idaho nominal personal income is projected to grow 3.1% in 2012, 3.8% in 2013, and 5.4% in both 2014 and 2015. Inflation-adjusted personal income should advance 1.8% this year, 2.2% next year, 3.5% in 2014, and 3.3% in 2015.

The evidence from the U.S. economy continues to point to positive, albeit slow growth. Third quarter 2011 showed a modest acceleration in growth as business and consumer spending defied the shock waves from the domestic debt-ceiling crisis and the Eurozone sovereign debt crisis. Third-quarter GDP growth at 2.5% showed a clear improvement over the second quarter, with business fixed investment rising at a strong 16.3% annualized pace. Despite miserable sentiment readings, consumer spending growth accelerated to 2.4%, from just 0.7% in the second quarter. The bad news in the third-quarter data was that real personal disposable income fell 1.7%, its biggest drop in two years. Consumer spending only accelerated because the savings rate dropped by a full percentage point. National economic growth is projected to accelerate after this year, but the expansion will remain muted. Employment will also recover gradually, adding jobs slowly through 2013 then growing about 2.0% in both 2014 and 2015. At this pace, nonfarm employment is not expected to summit its 2007 peak until 2015. In addition, the unemployment rate will take even longer to recover. It is forecast to decline from 9.2% this year to 9.0% next year, drop to 8.2% in 2014, and decline to 7.4% in 2015. Despite these declines, the unemployment rate remains well above the level consistent with full employment (around 4.8%) over the forecast period.

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2012**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
U.S. GDP (BILLIONS)											
Current \$	12,623	13,377	14,029	14,292	13,939	14,527	15,097	15,554	16,129	16,974	17,865
% Ch	6.5%	6.0%	4.9%	1.9%	-2.5%	4.2%	3.9%	3.0%	3.7%	5.2%	5.2%
2005 Chain-Weighted	12,623	12,958	13,206	13,162	12,703	13,088	13,318	13,537	13,871	14,362	14,837
% Ch	3.1%	2.7%	1.9%	-0.3%	-3.5%	3.0%	1.8%	1.6%	2.5%	3.5%	3.3%
PERSONAL INCOME - CURR \$											
Idaho (Millions)	42,197	46,253	49,077	50,798	48,236	50,265	52,646	54,264	56,337	59,405	62,590
% Ch	6.7%	9.6%	6.1%	3.5%	-5.0%	4.2%	4.7%	3.1%	3.8%	5.4%	5.4%
Idaho Nonfarm (Millions)	41,022	45,163	47,514	48,995	46,939	48,661	50,723	52,714	54,924	57,984	61,154
% Ch	7.4%	10.1%	5.2%	3.1%	-4.2%	3.7%	4.2%	3.9%	4.2%	5.6%	5.5%
U.S. (Billions)	10,486	11,268	11,912	12,460	11,930	12,374	12,989	13,394	13,870	14,595	15,372
% Ch	5.5%	7.5%	5.7%	4.6%	-4.3%	3.7%	5.0%	3.1%	3.6%	5.2%	5.3%
PERSONAL INCOME - 2005 \$											
Idaho (Millions)	42,192	45,024	46,517	46,631	44,188	45,236	46,254	47,082	48,137	49,812	51,468
% Ch	3.6%	6.7%	3.3%	0.2%	-5.2%	2.4%	2.3%	1.8%	2.2%	3.5%	3.3%
Idaho Nonfarm (Millions)	41,017	43,963	45,036	44,974	42,999	43,793	44,564	45,736	46,929	48,620	50,287
% Ch	4.3%	7.2%	2.4%	-0.1%	-4.4%	1.8%	1.8%	2.6%	2.6%	3.6%	3.4%
U.S. (Billions)	10,485	10,969	11,291	11,438	10,929	11,136	11,412	11,621	11,851	12,238	12,641
% Ch	2.5%	4.6%	2.9%	1.3%	-4.4%	1.9%	2.5%	1.8%	2.0%	3.3%	3.3%
HOUSING STARTS											
Idaho	23,416	19,554	14,366	7,979	5,673	5,215	4,494	5,882	8,561	11,437	12,316
% Ch	25.3%	-16.5%	-26.5%	-44.5%	-28.9%	-8.1%	-13.8%	30.9%	45.5%	33.6%	7.7%
U.S. (Millions)	2,073	1,812	1,342	0,900	0,554	0,585	0,597	0,665	0,951	1,342	1,620
% Ch	6.3%	-12.6%	-25.9%	-32.9%	-38.4%	5.6%	2.0%	11.4%	43.0%	41.1%	20.8%
TOTAL NONFARM EMPLOYMENT											
Idaho	611,682	638,838	656,223	648,885	609,988	602,622	603,867	613,771	628,817	645,430	662,170
% Ch	4.0%	4.4%	2.7%	-1.1%	-6.0%	-1.2%	0.2%	1.6%	2.5%	2.6%	2.6%
U.S. (Thousands)	133,694	136,092	137,587	136,778	130,789	129,822	131,070	132,205	134,037	136,774	139,613
% Ch	1.7%	1.8%	1.1%	-0.6%	-4.4%	-0.7%	1.0%	0.9%	1.4%	2.0%	2.1%
SELECTED INTEREST RATES											
Federal Funds	3.2%	5.0%	5.0%	1.9%	0.2%	0.2%	0.1%	0.1%	0.1%	1.2%	3.3%
Bank Prime	6.2%	8.0%	8.1%	5.1%	3.3%	3.3%	3.3%	3.3%	3.3%	4.2%	6.3%
Existing Home Mortgage	5.9%	6.6%	6.5%	6.2%	5.1%	4.9%	4.6%	4.3%	4.6%	5.3%	6.2%
INFLATION											
GDP Price Deflator	3.3%	3.2%	2.9%	2.2%	1.1%	1.2%	2.1%	1.4%	1.2%	1.6%	1.9%
Personal Cons Deflator	3.0%	2.7%	2.7%	3.3%	0.2%	1.8%	2.4%	1.3%	1.5%	1.9%	2.0%
Consumer Price Index	3.4%	3.2%	2.9%	3.8%	-0.3%	1.6%	3.2%	1.5%	1.7%	2.0%	2.1%

**National Variables Forecast by IHS GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2011**

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JANUARY 2012

	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	14,868	15,013	15,199	15,309	15,427	15,501	15,587	15,699	15,857	16,032	16,216	16,413
% Ch	3.1%	4.0%	5.0%	2.9%	3.1%	1.9%	2.3%	2.9%	4.1%	4.5%	4.7%	5.0%
2005 Chain-Weighted	13,228	13,272	13,353	13,420	13,468	13,504	13,554	13,623	13,706	13,813	13,924	14,042
% Ch	0.4%	1.3%	2.5%	2.0%	1.4%	1.1%	1.5%	2.1%	2.5%	3.1%	3.3%	3.4%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	52,307	52,844	52,506	52,927	53,573	54,006	54,474	55,003	55,393	56,048	56,647	57,260
% Ch	7.6%	4.2%	-2.5%	3.2%	5.0%	3.3%	3.5%	3.9%	2.9%	4.8%	4.3%	4.4%
Idaho Nonfarm (Millions)	50,114	50,704	50,775	51,300	51,910	52,433	52,990	53,522	53,951	54,610	55,240	55,896
% Ch	5.0%	4.8%	0.6%	4.2%	4.8%	4.1%	4.3%	4.1%	3.2%	5.0%	4.7%	4.8%
U.S. (Billions)	12,847	12,993	13,022	13,094	13,230	13,340	13,448	13,560	13,654	13,796	13,940	14,090
% Ch	8.8%	4.6%	0.9%	2.2%	4.2%	3.4%	3.3%	3.4%	2.8%	4.2%	4.2%	4.4%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	46,393	46,491	45,924	46,209	46,669	46,940	47,197	47,521	47,640	47,996	48,300	48,611
% Ch	3.5%	0.8%	-4.8%	2.5%	4.0%	2.3%	2.2%	2.8%	1.0%	3.0%	2.6%	2.6%
Idaho Nonfarm (Millions)	44,448	44,608	44,411	44,788	45,221	45,572	45,911	46,242	46,400	46,764	47,100	47,454
% Ch	1.1%	1.4%	-1.8%	3.4%	3.9%	3.1%	3.0%	2.9%	1.4%	3.2%	2.9%	3.0%
U.S. (Billions)	11,394	11,431	11,390	11,432	11,525	11,594	11,651	11,715	11,743	11,814	11,886	11,962
% Ch	4.8%	1.3%	-1.4%	1.5%	3.3%	2.4%	2.0%	2.2%	0.9%	2.5%	2.4%	2.6%
HOUSING STARTS												
Idaho	3,971	4,139	4,884	4,982	5,426	5,665	5,901	6,537	7,282	8,073	8,957	9,933
% Ch	-58.2%	18.1%	93.8%	8.2%	40.8%	18.8%	17.7%	50.7%	53.9%	51.1%	51.5%	51.3%
U.S. (Millions)	0.582	0.572	0.615	0.618	0.622	0.643	0.680	0.716	0.792	0.901	1.008	1.102
% Ch	36.6%	-6.7%	33.3%	1.7%	3.0%	13.8%	25.3%	22.6%	50.4%	67.2%	56.6%	42.6%
TOTAL NONFARM EMPLOYMENT												
Idaho	603,373	603,514	602,415	606,165	608,998	612,091	615,309	618,685	622,506	626,708	630,970	635,084
% Ch	0.0%	0.1%	-0.7%	2.5%	1.9%	2.0%	2.1%	2.2%	2.5%	2.7%	2.7%	2.6%
U.S. (Thousands)	130,549	131,016	131,246	131,470	131,707	132,035	132,391	132,686	133,138	133,714	134,327	134,968
% Ch	1.3%	1.4%	0.7%	0.7%	0.7%	1.0%	1.1%	0.9%	1.4%	1.7%	1.8%	1.9%
SELECTED INTEREST RATES												
Federal Funds	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Bank Prime	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Existing Home Mortgage	4.9%	4.9%	4.6%	4.2%	4.0%	4.2%	4.4%	4.4%	4.5%	4.5%	4.6%	4.8%
INFLATION												
GDP Price Deflator	2.5%	2.5%	2.5%	1.0%	1.7%	0.8%	0.8%	0.8%	1.6%	1.3%	1.3%	1.5%
Personal Cons Deflator	3.9%	3.3%	2.4%	0.7%	0.9%	0.9%	1.3%	1.1%	1.8%	1.7%	1.7%	1.7%
Consumer Price Index	5.2%	4.1%	3.1%	1.1%	0.9%	0.9%	1.4%	1.2%	2.1%	1.9%	1.9%	1.9%

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