

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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In the traditional Christmas carol, a fortunate soul is treated to 12 days of gifts from her true love. In the spirit of the holiday season we would like to present 12 reasons why we believe this Christmas promises to be more prosperous than last year's.

1 On the first day of Christmas there is stronger GDP. Bolstered by tax rebate checks, real GDP surged at an 8.2% annual rate in the third quarter of 2003, compared to 4.0% the previous year. While the third quarter's strong showing will not be repeated, the forecast calls for much stronger growth in 2004 than in 2003.

2 On the second day of Christmas there is falling unemployment. Although the current civilian unemployment rate is about the same this year as last, this year the rate is falling while last year it was rising.

3 On the third day of Christmas there is continued, strong consumer spending. Buoyed by tax rebate checks, real consumer spending advanced 6.4% in the third quarter of this year, compared to 4.2% in 2002.

4 On the fourth day of Christmas there is more good cheer. The Conference Board reported consumer confidence was 91.7 in November 2003, which was much higher than in the fall of 2002.

5 On the fifth day of Christmas there is more income. Real

disposable income grew 7.4% in the third quarter of 2003 compared to 1.8% in 2002. Admittedly, a chunk of this growth was due to personal income tax relief, but forecasted real disposable income growth should rise faster in 2004 compared to 2003 thanks to the anticipated stronger job growth.

6 On the sixth day of Christmas there is stronger business spending. One of the missing pieces of the recovery is finally in place. Real business investment rose at a healthy 14.0% pace in the third quarter. This is a major change from the third quarter of 2002 when it declined 0.4%.

7 On the seventh day of Christmas there is faster spending on equipment and software. This is a welcome change for an important sector that has been in the doldrums. Real spending on equipment and software increased at a more traditional 18.4% annual pace compared to last year's 6.7% rate in the third quarter.

8 On the eighth day of Christmas there is surprising strength in housing. Housing starts were slightly higher in this year's third quarter compared to last years. While it is anticipated starts will start to retreat as mortgage rates rise from record lows, they should remain above 1.6 million units through 2007.

9 On the ninth day of Christmas there is improved exports. Thanks to the falling dollar, real

U.S. export expanded at an 11.0% rate in the third quarter of 2003, which was more than twice as fast as the previous year's 4.0% rate.

10 On the tenth day of Christmas there is strong productivity growth. Business output per hour jumped at an 8.2% annual rate during the third quarter of this year. During the same period in 2002 it advanced at a 5.9% pace. The strong growth has two benefits. First, it promises to keep future inflation low. Second, it is a harbinger of future hiring.

11 On the eleventh day of Christmas there is a rising stock market. Last fall the Dow Index of Industrial Companies was below 9,000. This fall the Dow was climbing, and it recently topped the 10,000 mark.

12 On the twelfth day of Christmas there is tame inflation.

Merry Christmas

*The staff of Idaho's
Division of Financial
Management wishes everyone
Happy Holidays and a
Prosperous New Year!!!*



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General Fund Update

As of November 30, 2003

<u>Revenue Source</u>	<u>\$ Millions</u>		
	FY04 Executive Estimate ³	DFM Predicted to Date	Actual Accrued to Date
Individual Income tax	882.8	320.3	339.2
Corporate Income tax	96.7	25.7	29.0
Sales Tax	865.6	374.6	382.1
Product Taxes ¹	45.6	19.8	19.5
Miscellaneous	150.9	53.8	54.7
TOTAL GENERAL FUND²	2,041.6	794.2	824.5

1 Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
2 May not total due to rounding
3 Revised Estimate as of August 2003, adjusted for 2003 legislative actions

General Fund revenue was \$10.4 million higher than expected in November, the strongest showing of the first five months of fiscal year 2004. The fiscal year-to-date excess is now \$30.3 million, with almost two-thirds of this excess (\$18.9 million) attributable to the individual income tax. Only the product tax category is behind expectations on a year-to-date basis, but all revenue categories were ahead of the expectation for November collections.

Individual income tax revenue was \$4.4 million higher than expected in November. On the collection side, withholding collections were \$4.6 million higher than predicted and filing payments were \$0.7 million higher than predicted for the month of November. Refunds were \$0.9 million higher than expected and miscellaneous diversions were exactly on target. Year-to-date individual

income tax revenue is now \$18.9 million higher than expected.

Corporate income tax revenue turned in the strongest performance of the fiscal year in November, coming in \$2.5 million higher than expected. Filing payments were \$0.2 million above expectations, while quarterly estimated payments were \$0.5 million lower than predicted. Refund payments were \$2.7 million lower than expected for the month. Corporate income tax collections are now \$3.2 million higher than expected for the fiscal year to date.

Sales tax revenue turned in the second best performance of this fiscal year in November, coming in \$2.6 million higher than expected. August exceeded expectations by \$3.2 million. Sales tax collections are \$7.5 million higher than expected for the

fiscal year to date. The recent decision by the Federal Open Market Committee to hold interest rates steady, combined with steadily improving economic conditions should help keep sales tax revenue strong.

Product taxes were \$0.1 million higher than expected for November and miscellaneous revenues were \$1.0 million above target for the month of November. Unclaimed property receipts were \$0.9 million higher than expected for the month.