

Idaho Employment Outlook 2007
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Idaho Commerce & Labor
January 4, 2007

There is no question about 2006 being a record year for our state. By nearly every measure, Idaho grew faster than the nation and nearly every other state. And there is nothing to say that will not continue to be the case – albeit at a somewhat more reasonable rate.

The Congressional Budget Office sees essentially the same situation nationally – continued but more moderate, sustainable growth.

December's unemployment figures will be in tomorrow. But it is already clear that the average unemployment rate for 2006 will be 3.3 percent – a record low and significantly below 2005's 3.8 percent – the previous record. Until this run of 20 straight months of unemployment rates below 4 percent, Idaho had posted a rate below 4 percent only twice – 3.9 percent in December 1965 and 3.9 percent again in May 1966.

Idaho's rate has been below the national unemployment rate since October 2001, and there's no reason to believe that will change anytime soon.

About 23,000 more people were working throughout Idaho last year than in 2005. And since the recovery from the 2001-2002 national recession began, there are 77,000 more workers on the job across the state. Idaho employment has been growing at two to three times the rate of employment nationally for the past several years.

In 2006, Idaho created jobs faster than every state but Nevada, Arizona and Utah, and those jobs were in nearly every sector of the economy. Nonfarm payrolls were up 6 percent after a 4 percent increase in 2005.

One in 10 of those jobs is linked to exports, and those have been climbing steadily – from \$2.3 billion four years ago to \$3.6 billion last year and possibly \$3.9 billion this year.

It should be no surprise that wood products and food manufacturing saw jobs decline over the past several years. The economics for all the reasons you've heard over the years appear to be stacked against them.

Federal government payrolls dropped over 2 percent in the last year. And state government was down more than a percentage point excluding education. Payrolls in education were up just 220 – about 1.6 percent.

But those are the only sectors to shrink. There were notable areas of growth.

Manufacturing – even with the loss of jobs at the mills and in food processing plants – posted an overall gain in jobs of 6.3 percent in the last two years – half that in 2006. That may seem a

modest gain compared to other sectors. But it comes when those generally higher-paying jobs fell nearly a half percentage point nationally.

The international unrest of recent years has pushed metal prices higher and produced significant gains in mining the past two years – about 25 percent – although employment in that sector is less than half what it was a quarter century ago.

There were significant increases in construction at 17 percent, recreation at 11 percent, financial services including real estate at nearly 7 percent and professional and administrative services at 6 percent.

In the last year – because of construction – four of every 10 new jobs were in the typically better-paying goods producing sector. In 2005, it was less than three in 10.

And as you may have read over the holidays, the price of the gifts for the 12 days of Christmas rose again, but this time it was because wages were up. The same thing is happening here. The pipers piping, drummers drumming, ladies dancing and lords a leaping commanded 3 percent to 4 percent more in 2006.

Earnings from Idaho jobs in Fiscal 2006 were up 10.4 percent from 2005 compared to a 7.6 percent increase nationally. Some of that was due to the expanded labor force, but there has been pressure on wages.

The average weekly benefit for those receiving unemployment insurance is up 4.5 percent, one indicator of rising wages.

But you also can also walk down the street in nearly every Idaho community and see help wanted signs, especially in the convenience stores, fast food outlets and smaller retailers. The competition up and down the labor market has intensified. Workers who once occupied those lower-paying jobs have moved up to bigger paychecks, better benefits and more favorable working conditions. To get qualified replacements, these businesses are being forced to pay more or find other incentives to lure workers. The same thing is going on farther up the chain as competition increases for qualified employees in a labor market with an unemployment rate well below the 4 percent economists have traditionally called full employment.

Wages rose in late 2004 when some companies resumed paying year-end bonuses. That was about a 9 percent increase over the end of 2003. But the trend continued into 2005. The average monthly wage at the start of 2005 was about 5 percent above the clustered averages of the previous four years. And then the average continued rising through the summer, up 9 percent ignoring the decline typical for that time of year.

This is based on information provided by all employers through the unemployment insurance system, and it runs about a year behind. But the department's analysts don't see any reason that this trend will not continue.

All this is to show you just how strong the economy has been to put in perspective where it seems to be going.

If anything, the department's analysts believe the confluence of an ever-tightening labor market and wages rising in response is one reason Idaho is probably nearing the end of an extremely robust growth spurt.

That's not to say things are deteriorating. They're not. The economy is just cooling to a more sustainable growth rate – one that will likely be regulated up or down by the future availability of qualified, skilled workers. Investing in Idaho's work force – like businesses already do every year by earmarking 3 percent of the unemployment insurance tax for the Workforce Development Training Fund – is essential to meeting expanding business demand.

The signs of moderating growth are increasing.

Initial unemployment claims ran ahead of 2005 levels in October and November. For the first time since the recovery began, the number of people collecting unemployment benefits exceeded the year-earlier number in late November and early December.

The number of new hires business made in December was also below December 2005. It was the first month in over a year that's happened. Since 2003 the new hires count has only been below the year-earlier number four times. We'll have a better idea after a few more months if there is a trend.

But even with all that, the outlook is strong. Job growth should run over 3 percent through June and just under 3 percent from July through June 2008. The Congressional Budget Office forecasts 1.3 percent growth nationally.

Idaho's average annual wage should rise again in Fiscal 2008 by over 3 percent, more than half a point higher than the anticipated inflation rate for the coming 18 months.

Unemployment is going to rise but very slowly – a tenth of a percentage point this year to 3.4 percent and another two-tenths in 2008. That will still run over a full percentage point below the national forecast. And even at 3.6 percent, our labor pool will be tight – the one factor in our own control that could slow the expansion.

In the next 18 months, initial unemployment claims, which dropped markedly from 2005 to 2006, will begin edging back toward the 2005 levels. The Unemployment Insurance Trust Fund will remain in solid shape – assuming it will only have to cope with a relatively brief and moderate downturn of nine months or less in the future.

The revision of the unemployment insurance law the Legislature approved two years ago is paying off for both employers and employees. The tax rate on employers dropping 22 percent on average for 2007 to where it was before the Legislature revised the formula, which has stabilized the fund. The rate decrease means a savings of about \$35 million to the 50,000 businesses

covered by the program. And at the same time, benefits are rising this year to a maximum of \$338 a week from \$322 a week in 2006.

But with thousands of new businesses opening in Idaho each of the past several years and all the workers each hires, the overall resilience of the trust fund has not increased. When Idaho was entering the downturn in 2001, the fund balance equaled 2.5 percent of total wages. Today that has dropped to about 1.7 percent, and it will likely fall to 1.5 percent next year. That just means the money available to pay benefits is less as a percentage of the potential benefit claims during a severe recession than it was six years ago.

That alone makes it imperative for economic development and work force training specialists at the state and local levels to keep the expansion going.

And that's happening.

The department's economic development specialists are currently working on over 10 projects that combined would generate 2,000 jobs and a billion dollars in capital investment. And there is a real likelihood that Idaho will win projects that will provide a thousand jobs and \$300 million in capital investment in the next six months.

Because of the confidentiality the companies involved demand, specifics can't be provided. But in general, these projects include food processing, transportation, high technology and energy.

The aggressive approach the department has taken over the past several years to business recruitment, expansion and retention has paid off. Dozens of companies providing thousands of jobs – from the small firms like Potting Shed Creations in Troy with just 20 workers to major operations with hundreds of jobs like U.S. Bank in Coeur d'Alene – are the result. The hundreds of jobs created by the influx of recreational trailer makers in the Magic Valley is another.

Obviously, the quality of Idaho life and its people are the state's biggest selling points. But there are other tools that have become increasingly important in the competition for business and jobs.

The Workforce Development Training Fund and the various block grant programs have been critical to luring many companies to Idaho and keeping some like Seneca Foods in Payette from moving away.

The Workforce Development Training Fund has financed training for 18,000 workers at more than 150 businesses since it was created in mid-1996. Over the decade, those workers left training for jobs averaging about \$11 an hour with benefits. And that will be increasing with the new wage requirement of a minimum of \$12 an hour with benefits for any training program jobs from here on out.

Companies like Jayco in Twin Falls, Buck Knives in Post Falls, Regence Blue Shield in Lewiston, Western Trailer here in Boise, AMI Semiconductor in Pocatello and ML Technologies in St. Anthony all relied on the fund to provide them the trained labor force they needed to succeed.

That assistance is augmented by the various state and federal block grants that can finance the kind of infrastructure improvements needed to get the attention of companies whose payrolls can make a big difference, especially in rural communities.

These grants played major roles in securing the jobs generated by Empire Air in Hayden, Litehouse Foods in Sandpoint, Western Timber in Council, Precision Machine in Nez Perce County, Rocky Mountain Hardware in Shoshone, Bear River Publishing in Preston and the Modelo malting plant in Bonneville County.

Nearly every city and all 44 counties have benefited from the federal Community Development Block Grant program over the past 25 years. In just the last five, \$9 million in grants resulted in not only nearly 1,300 jobs but also more than \$100 million in private capital investment.

State grants, primarily through the Rural Idaho Initiative, have totaled about \$17 million in the last five years, generating 1,200 jobs and \$200 million in private business investment.

In nearly every case, these projects have not only provided employment in rural Idaho, which has not enjoyed the kind of strong economic surge that Idaho's bigger cities have, but they've also heightened the quality of life in those communities.

There has also been a real impact from the special million dollar fund the Legislature created last March to give the director more flexibility in creating sites that become irresistible to new business. It was the key element in convincing recreational vehicle maker Dutchmen to locate in Burley. And it's playing a role in other expansion decisions.

Finally, there has been concern about the national reports on the crumbling of the housing market and what that portends for the future.

The housing market may have cooled off in Idaho, but it's still strong and is likely to remain that way. Construction is being driven by population, and by every forecast, Idaho will remain one of the fastest growing states in the nation – doubling, and possibly tripling in some years the national growth rate.

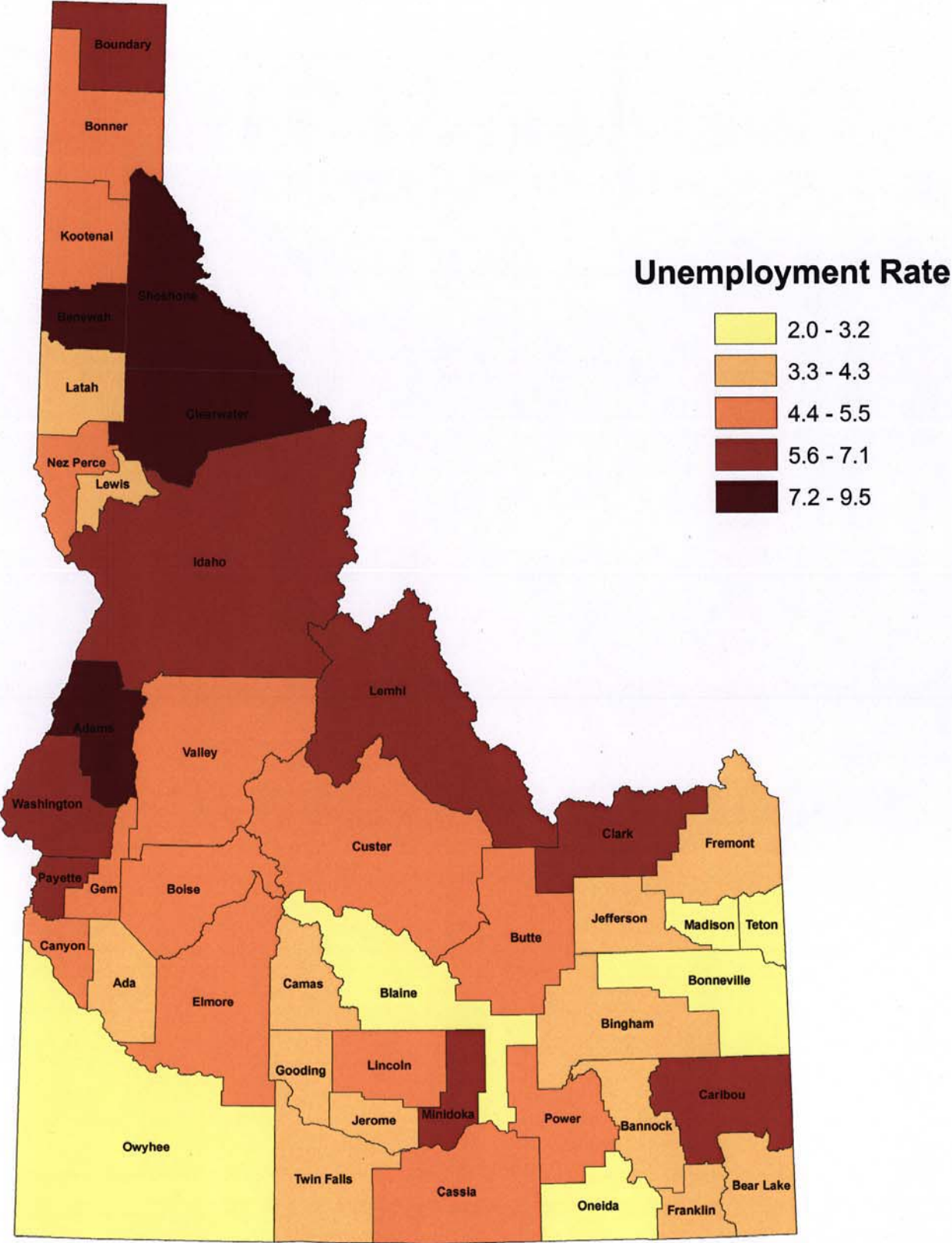
People need houses, builders need workers and eventually, the every growing population needs new retail outlets and services – not to mention the factories and offices that open because of the skilled workers a growing population offers.

The department's projections over the next 18 months see construction employment continuing to rise although now at just over 10 percent the much smaller real estate sector will grow between two and three percent. Financial services will expand at a rate of over 5 percent.

Overall, the economy should keep expanding but at less than the breakneck speed of 2006. And the rate of that expansion will be determined by the availability of skilled labor – an area that will likely require some additional attention by the state to affordable worker training.

Average Unemployment Rate by County

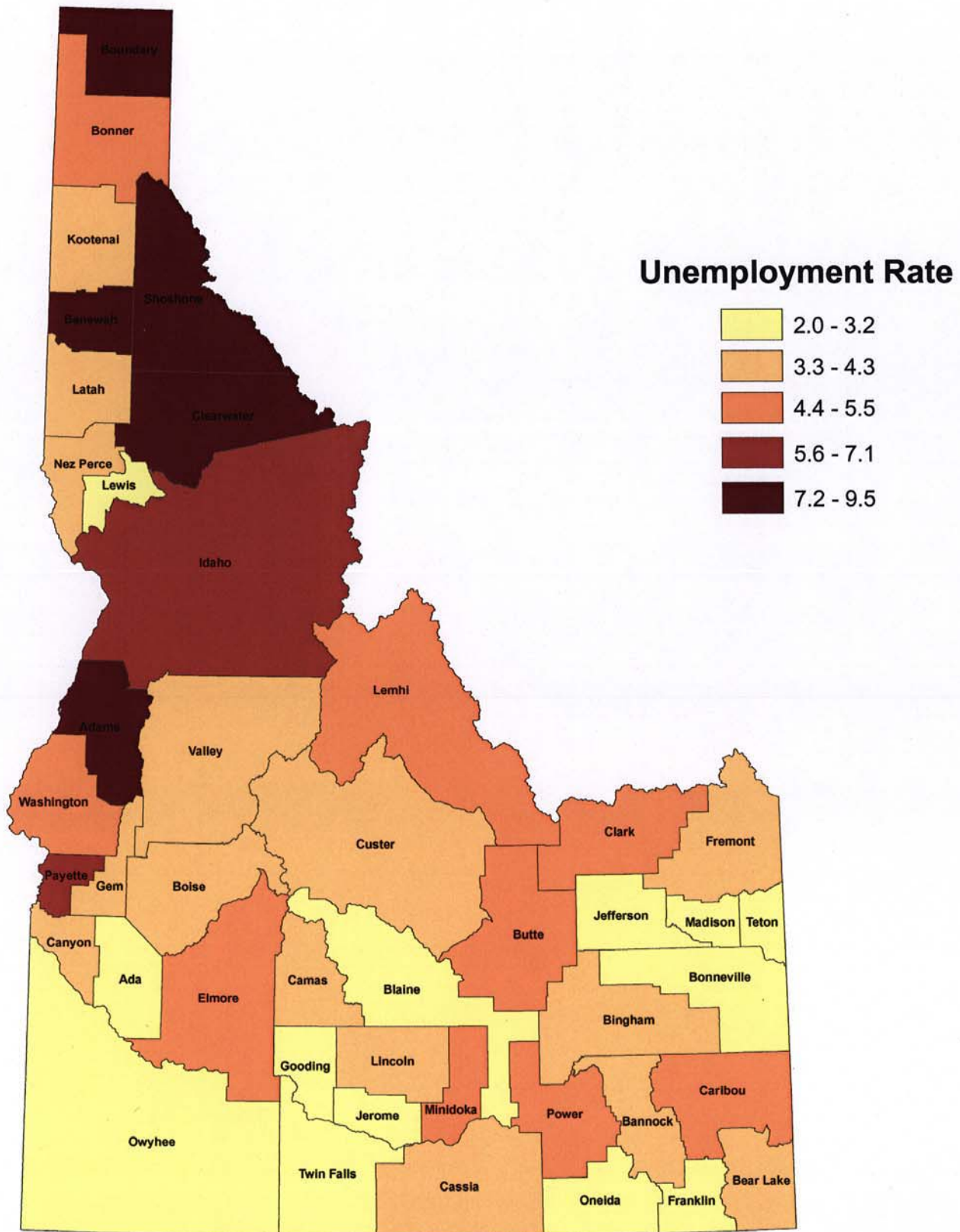
State Fiscal Year 2005



Source: Idaho Commerce and Labor, Research and Analysis Bureau

Average Unemployment Rate by County

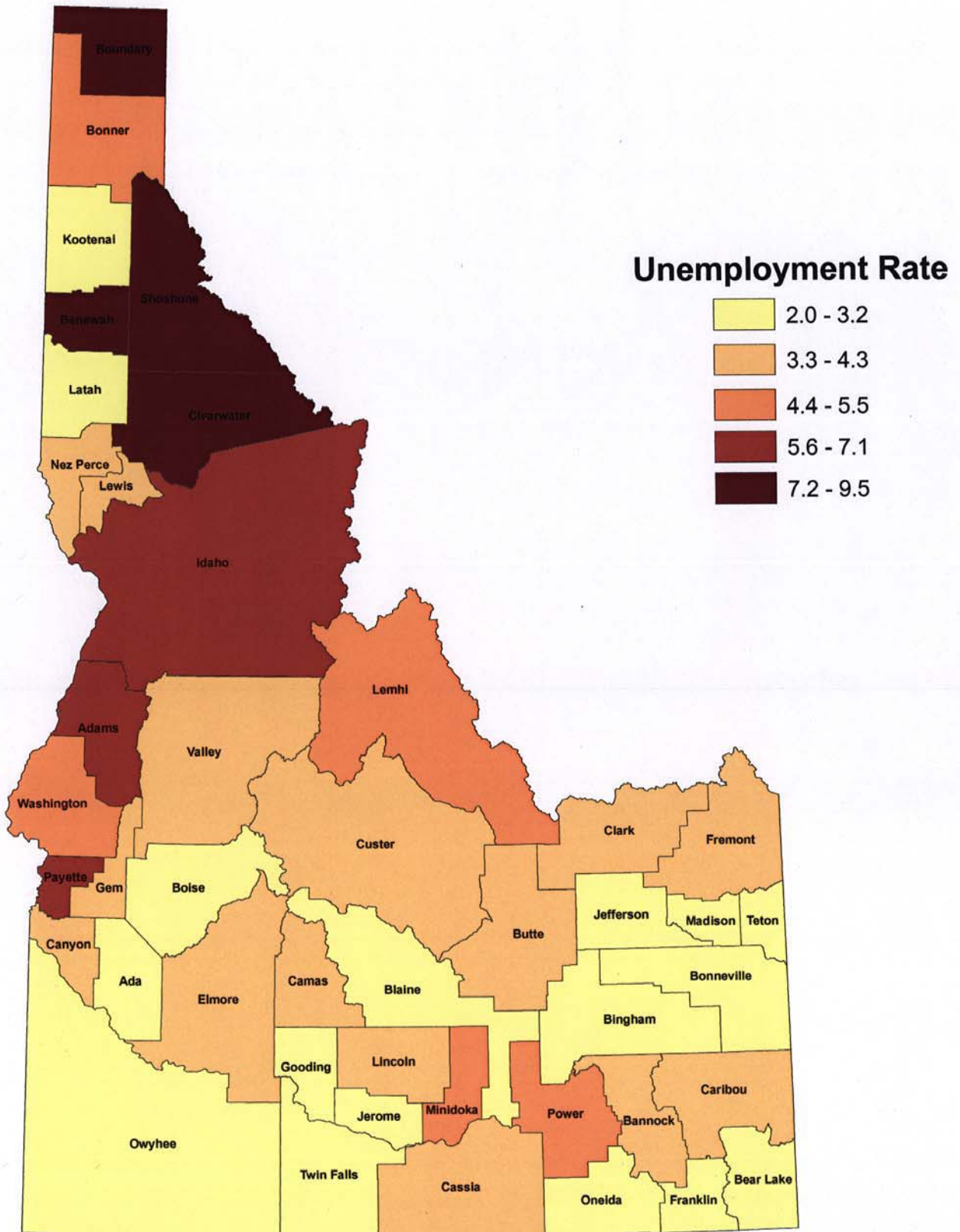
State Fiscal Year 2006



Source: Idaho Commerce and Labor, Research and Analysis Bureau

Average Unemployment Rate by County

July - November 2006



Source: Idaho Commerce and Labor, Research and Analysis Bureau

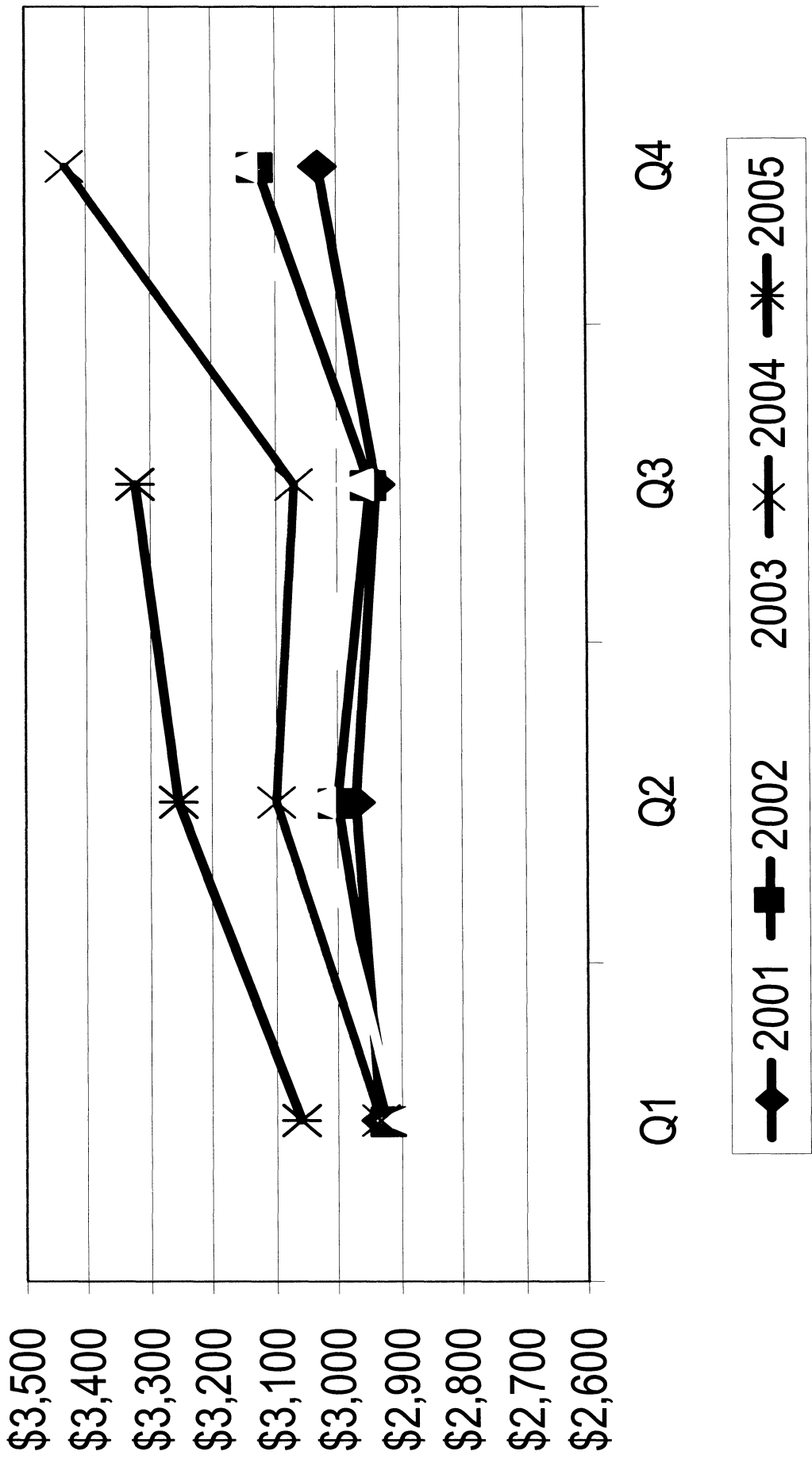
NONFARM PAYROLL JOBS - PLACE OF WORK - STATE OF IDAHO
January 4, 2007

	2004-2006				
	AA 2004	AA 2005	AA* 2006	Percent Change	Numeric Change
Percent Growth from Prior Year	2.8	4.0	6.0		
Nonfarm Payroll Jobs	588,067	611,704	638,373	8.6	50,305
Goods Producing	105,453	112,353	122,635	16.3	17,183
Natural Resources and Mining	3,968	4,135	4,226	6.5	258
Logging	2,031	1,970	1,819	-10.5	-212
Mining	1,937	2,166	2,407	24.3	471
Metal Ore Mining	599	701	789	31.9	191
Construction	39,849	45,169	52,862	32.7	13,013
Manufacturing	61,636	63,049	65,547	6.3	3,911
Durable Goods	38,507	40,123	42,373	10.0	3,866
Wood Product Manufacturing	7,255	7,631	8,226	13.4	970
Sawmills & Wood Preservation	2,775	2,673	2,613	-5.8	-161
Veneer & Engineered Wood Products	1,309	1,538	1,717	31.2	408
Other Wood Product Manufacturing	3,172	3,420	3,895	22.8	724
Fabricated Metal Product Manufacturing	3,636	3,906	4,301	18.3	665
Machinery Manufacturing	2,569	2,606	2,822	9.8	253
Computer & Electronic Product Man	16,283	16,180	16,512	1.4	229
Transportation Equipment Manufacturing	2,332	2,845	3,173	36.1	841
Other Durable Goods	6,431	6,956	7,339	14.1	908
Nondurable Goods	23,129	22,926	23,174	0.2	45
Food Manufacturing	14,998	14,712	14,656	-2.3	-342
Fruit & Vegetable Preserving & Specialty Food	7,252	7,255	7,373	1.7	122
Paper Manufacturing	1,605	1,592	1,636	2.0	32
Printing and Related Support Activities	1,921	1,900	1,922	0.0	1
Chemical Manufacturing	1,877	1,936	2,110	12.4	233
Other Nondurable Goods	2,408	2,786	2,870	19.2	462
Service-Providing	482,614	499,351	515,737	6.9	33,123
Trade, Transportation, and Utilitie	118,068	122,979	127,380	7.9	9,312
Trade	99,128	103,686	107,295	8.2	8,167
Wholesale Trade	25,408	26,879	27,117	6.7	1,708
Wholesalers, Durable Goods	11,709	12,474	12,543	7.1	834
Wholesalers, Nondurable Goods	11,347	11,934	11,872	4.6	525
Retail Trade	73,720	76,807	80,179	8.8	6,459
Motor Vehicle and Parts Dealers	11,172	11,527	11,973	7.2	801
Building Material and Garden Equipm	8,286	9,007	9,880	19.2	1,594
Food and Beverage Stores	12,096	12,174	12,483	3.2	388
General Merchandise Stores	15,357	15,931	16,131	5.0	774
Transportation, Warehousing, & Utilities	18,940	19,293	20,084	6.0	1,144
Utilities	1,874	1,932	2,002	6.8	127
Transportation & Warehousing	17,066	17,362	18,083	6.0	1,017
Rail Transportation	1,126	1,144	1,273	13.1	147
Truck Transportation	8,542	8,773	9,171	7.4	629
Information	9,939	11,072	10,699	7.7	760
Telecommunications	3,806	4,515	3,934	3.4	128
Financial Activities	27,939	29,658	31,710	13.5	3,771
Finance & Insurance	20,489	21,610	23,061	12.6	2,572
Real Estate & Rental & Leasing	7,450	8,047	8,649	16.1	1,199
Professional and Business Services	73,160	76,913	81,498	11.4	8,339
Professional, Scientific, & Technical	29,499	30,756	32,697	10.8	3,198
Scientific Research and Development	7,334	7,601	7,566	3.2	231
Management of Companies & Enterpr	7,393	7,672	7,792	5.4	399
Administrative & Support & Waste Management	36,268	38,486	41,010	13.1	4,741
Administrative and Support Services	35,147	37,195	39,547	12.5	4,400
Educational and Health Services	65,222	67,990	69,737	6.9	4,515
Educational Services	7,397	7,957	7,833	5.9	435
Health Care & Social Assistance	57,825	60,033	61,905	7.1	4,080
Hospitals	13,161	13,146	13,972	6.2	811
Leisure and Hospitality	55,563	57,356	59,866	7.7	4,303
Arts, Entertainment, &d Recreation	7,607	7,794	8,688	14.2	1,081
Accommodation & Food Services	47,956	49,562	51,178	6.7	3,222
Accommodation	7,952	8,105	8,394	5.6	442
Food Services & Drinking Places	40,004	41,457	42,784	6.9	2,780
Other Services	18,274	18,477	19,070	4.4	797
Total Government	114,451	114,907	115,777	1.2	1,327
Federal Government	13,317	13,071	12,801	-3.9	-516
State & Local Government	101,133	101,836	102,976	1.8	1,843
State Government	29,305	28,914	28,962	-1.2	-343
State Government Education	14,160	13,745	13,966	-1.4	-193
State Government Administration	15,145	15,168	14,996	-1.0	-149
Local Government	71,829	72,922	74,014	3.0	2,185
Local Government Education	36,641	37,529	38,268	4.4	1,627
Local Government Administration	32,221	32,411	32,685	1.4	464
Local Government Tribes	2,966	2,982	3,076	3.7	110

* 11 month average

Average Monthly Wage, 2001-2005

(by quarter)



Date: December 30, 2006

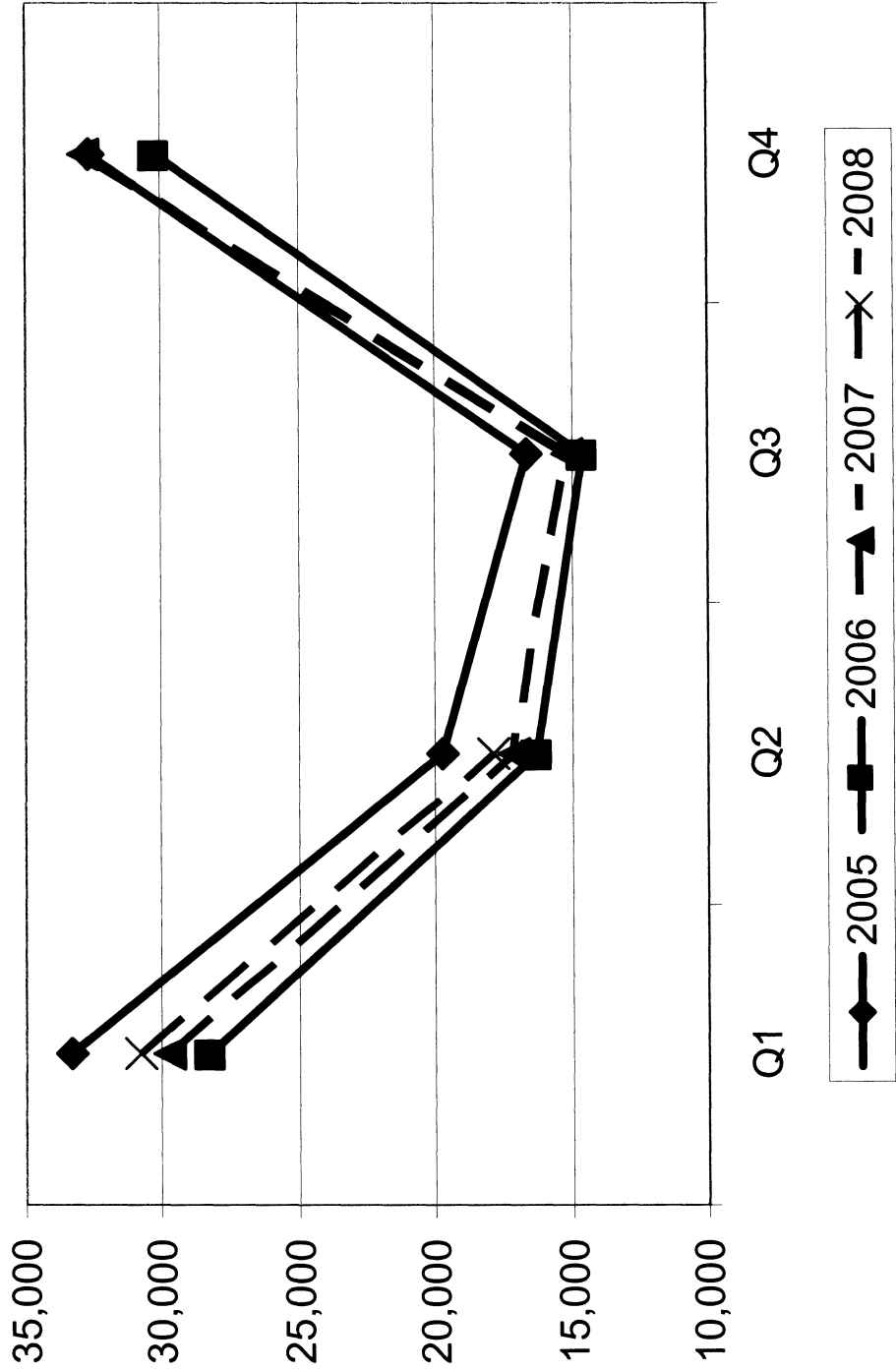
**IDAHO DEPARTMENT OF COMMERCE AND LABOR
UNEMPLOYMENT INSURANCE PROGRAM**

4TH QTR WEEK #	WEEKS COMPENSATED								BENEFITS PAID								CHANGE FROM LAST YEAR			
	2003				2004				2005				2006				Amount		Percent	
	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005	2006	Amount	Percent		
1ST QTR	299,999	276,281	224,376	191,258	33,118	-14.8%	\$65,634,229	\$60,560,027	\$50,169,436	\$44,112,556	-\$6,056,880	-12.1%								
2ND QTR	217,189	157,028	130,773	98,001	32,772	-25.1%	\$47,666,439	\$33,645,106	\$28,758,239	\$21,940,179	-\$6,818,060	-23.7%								
3RD QTR	154,974	111,817	91,159	70,565	20,594	-22.6%	\$33,301,765	\$23,182,702	\$19,446,026	\$15,306,928	-\$4,139,098	-21.3%								
4TH QTR	164,010	141,551	106,910	12,367	-94,543	-88.4%	\$35,168,454	\$30,439,483	\$23,828,653	\$22,641,779	-\$1,186,875	-5.0%								
ANNUAL	836,172	686,677	553,218	458,181	-95,037	-17.2%	\$181,770,887	\$147,827,318	\$122,202,354	\$104,001,442	-\$18,200,912	-14.9%								
1	9,748	7,106	5,426	4,143	-1,283	-23.6%	\$2,091,986	\$1,514,694	\$1,212,435	\$938,101	-\$274,335	-22.6%								
2	9,680	6,870	5,286	4,235	-1,051	-19.9%	\$2,098,269	\$1,475,350	\$1,175,554	\$972,460	-\$203,095	-17.3%								
3	9,418	6,822	5,641	4,653	-988	-17.5%	\$2,047,396	\$1,458,495	\$1,257,897	\$1,066,295	-\$191,602	-15.2%								
4	10,299	7,372	5,763	4,955	-808	-14.0%	\$2,226,316	\$1,576,713	\$1,284,527	\$1,126,816	-\$157,710	-12.3%								
5	10,597	7,883	6,020	5,434	-586	-9.7%	\$2,281,150	\$1,688,691	\$1,331,218	\$1,234,263	-\$96,956	-7.3%								
6	10,788	8,349	6,854	5,710	-1,144	-16.7%	\$2,310,152	\$1,774,846	\$1,533,893	\$1,292,608	-\$241,285	-15.7%								
7	11,519	8,719	7,886	7,071	-815	-10.3%	\$2,452,938	\$1,870,489	\$1,750,830	\$1,616,713	-\$134,116	-7.7%								
8	12,560	9,768	8,042	7,476	-566	-7.0%	\$2,657,636	\$2,067,711	\$1,775,851	\$1,716,770	-\$59,081	-3.3%								
9	13,475	10,130	9,764	9,781	17	0.2%	\$2,870,890	\$2,172,567	\$2,125,827	\$2,255,485	\$129,658	6.1%								
10	16,636	13,019	9,954	10,118	164	1.6%	\$3,531,154	\$2,784,835	\$2,190,943	\$2,355,033	\$164,090	7.5%								
11	16,050	12,370	11,206	10,693	-513	-4.6%	\$3,434,945	\$2,643,996	\$2,524,492	\$2,478,078	-\$46,414	-1.8%								
12	16,697	13,737	11,862	11,721	-141	-1.2%	\$3,607,179	\$2,989,352	\$2,676,257	\$2,718,450	\$42,193	1.6%								
13	16,543	13,935	13,206	12,367	-839	-6.4%	\$3,558,443	\$3,051,719	\$2,989,929	\$2,870,707	-\$118,222	-4.0%								
YEAR TO DATE	836,172	671,206	553,218	458,181	-95,037	-17.2%	\$181,770,887	\$144,457,294	\$122,202,354	\$104,001,442	-\$18,200,912	-14.9%								
UI & TEUC	976,268	687,163					\$213,720,770	\$148,142,413												

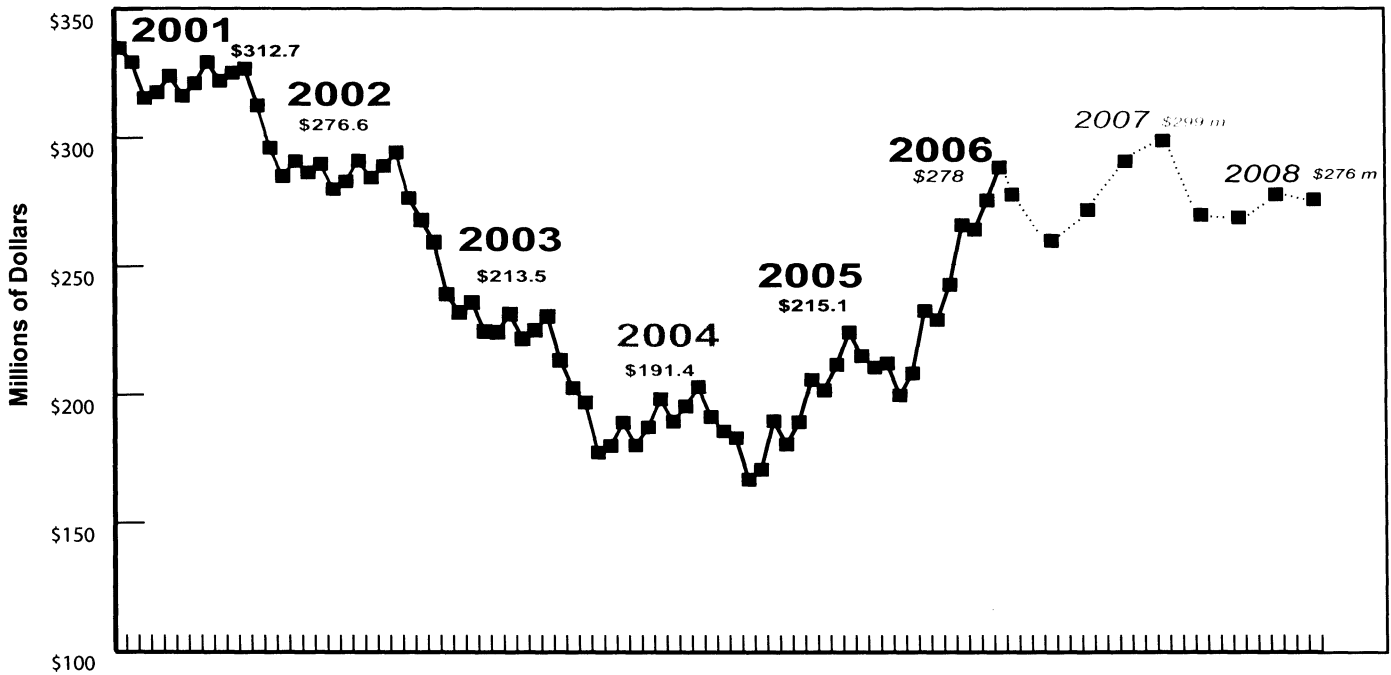
The Unemployment Insurance activity this week is continuing to follow seasonal trends. Although the values for 2005 and 2006 are similar the economy in 2006 is stronger than in 2005 due to an increase in covered employment.

Source: Idaho Department of Commerce & Labor
Research & Analysis Bureau

Initial Unemployment Claims 2005-2008 By Quarter



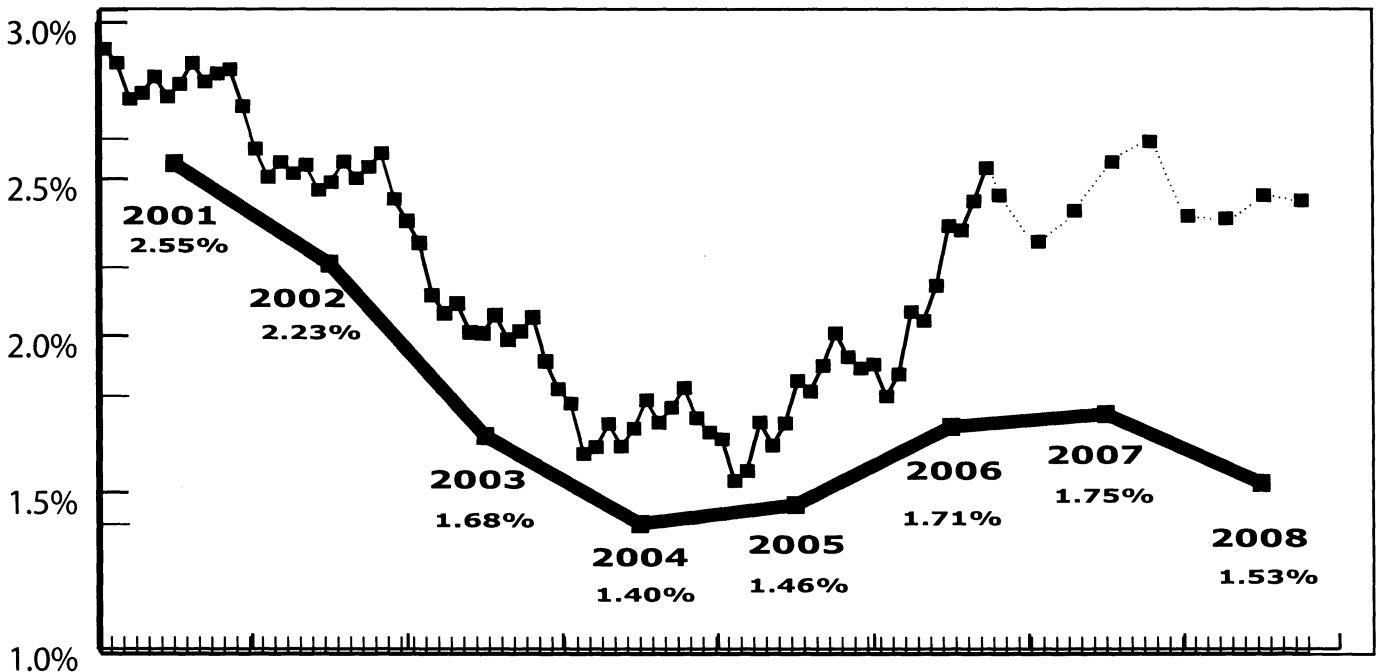
IDAHO UNEMPLOYMENT INSURANCE Combined Monthly Fund Balance and Quarterly Forecast



*Quarters in 2007 and 2008 are forecasts based on the expansion continuing with slightly slower economic growth.
IDAHO COMMERCE and LABOR, Communications and Research Division ~ January 2007*

IDAHO UNEMPLOYMENT INSURANCE

Combined Monthly Fund Balance as a Percent of Total Wages



*Quarters in 2007 and 2008 are forecasts based on the expansion continuing with slightly slower economic growth.
IDAHO COMMERCE and LABOR, Communications and Research Division ~ January 2007*