

The Idaho Economic Outlook

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The US Economy in 2009

- The current U.S. recession is predicted by Global Insight to be the fourth worst post WW-II economic downturn (the 1957 recession was the deepest followed by the contractions of 1973-75 and 1981-82).
- However, there is a possibility that it could be the worst economic downturn since WW-II. (The recent employment cutbacks are at near record setting levels and the latest estimates of the decline in Gross Domestic Product (GDP) may be the worst since the sharp economic downturn of 1981-82.)
- Expect commodity prices to remain weak in 2009 and 2010. That will mean low oil prices, and that will be welcome news after last year's surge in oil prices. But, it will also mean that many other commodities will face lower prices. (metals, agricultural products, and even recycled paper)
- Expect more fiscal stimulus from the federal government. Tax cuts for individuals and business and increased government spending on public infrastructure programs.

The US Economy in 2009

- While there are some hopeful signs that the financial markets are beginning to take the cure. There still is likely to be troubling news ahead.
- In spite of the U.S. government's efforts, one of those troubling news items may be the failure of at least one, if not two, of the big three U.S. automakers. The immediate impacts on auto parts suppliers and automobile dealerships will be dramatic.
- The employment picture is likely to look much worse before it gets better. The job losses that may be posted in the first quarter of 2009 may be particularly shocking.
- Expect the current recession to last at least through 2009.

The Idaho Economy in 2009 & 2010

- Total employment in the State is off 2.5% from last year, and in the Boise MSA employment is down 2.0% from year ago levels (Nov '08 vs Nov '07). That may be as good as its going to get for the next 6 – 9 months.
- The Idaho unemployment numbers may rise dramatically with the January and February 2009 figures. December is typically one of the stronger months for employment in Idaho and because it is not likely to be particularly good this past year it is likely that the employment losses in January and February will be larger than normal.
- High-tech employment in Idaho may be in for a long slide with this recession. There is too much capacity worldwide and until the problem is solved we can not expect to see many jobs being added in Idaho's existing high-tech firms. However, when the national economy recovers I still think that there is great potential for Idaho to attract new high-tech firms to the State.

The Idaho Economy in 2009 & 2010

- The troubles in the automobile industry will affect Idaho. Expect to see fewer automobile dealers in the future. Also expect to see much more fuel efficient automobiles in spite of the recent decline in gasoline prices. (meaning that fuel tax revenues are likely to decline in the longer-term future).
- Corporate profits are likely to be weak throughout 2009 and 2010.
- Individual income taxes are going to suffer in 2009 and 2010. And as long as the national economy remains weak it is reasonable to expect that consumers will hold back on purchases, and thereby slowing the growth in Idaho's sales tax revenues.
- The housing market and home building is not likely to improve until 2010. While interest rates are currently low it is not likely to spur a new round of homebuilding until the current excess housing stock is absorbed.
- Idaho may not pull out of this recession until 2010.