

Economic conditions and their impact on Idaho

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SUMMARY

Economic signals are mixed to negative, suggesting that fiscal caution is in order. Increasing general fund appropriation greater than the 4.9 percent projected revenue growth may require large corrections in state fiscal year 2017.

Conservative Principles. Idaho Solutions.

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Economic indicators are mixed to negative, fiscal caution is in order

A review of broad national and international economic indicators suggests that the U.S. economy is slowing. There are more negative indicators than positive. Thus, policymakers should consider the potential impact to Idaho of slower growth and lower revenue before increasing general fund spending by more than the 4.9 percent revenue growth forecast for state fiscal year 2017.

- The most recent data shows, Idaho GDP grew by 4.9 percent in the first two quarters of 2015 compared to the U.S. average of 3.8 percent.¹
- Q4 2015 GDP in the U.S. grew at only a .7 percent annualized rate compared to 2 percent in Q3 2015¹.
- The Conference Board Measure of CEO Confidence, which had declined sharply in Q3 2015, decreased further in Q4. The Measure stood at 48 in Q3 2015; in Q4 it dropped to 45 (a reading above 50 points reflects more positive than negative responses)².
- The Conference Board Consumer Confidence Index, which had increased in December 2015, improved moderately in January 2016. The Index was 96.3 in December; it is now 98.1 (1985 = 100).²
- The Conference Board Leading Economic Index for the U.S. had a 0.5 percent increase in Nov. 2015, but, that was followed by a 0.3 percent decrease in December and a 0.2 percent decline in Jan. 2016 to 123.2 (2010 = 100).
- From Jan.1-Dec. 31, 2015, the Bloomberg Commodity Index fell 25 percent.³ Idaho's economy is heavily tied to agribusiness and other commodities.
- The Baltic Dry Index is currently at 315.⁴ This is down about 38 percent year-over-year, the result of several factors including increased freighter construction in China and falling commodity prices, particularly oil. The BDI has historically been linked to global economic health because it tracks the price of shipping raw materials like coal, iron, or grain via cargo ship and is therefore closely associated with the global demand for raw materials.
- The Consumer Price Index (Jan. 2016 data), shows price inflation to be modest. For the past 12 months, the CPI for all items increased 1.4 percent; falling energy prices drove the average down.⁵

1 U.S. Department of Commerce, Bureau of Economic Analysis. "US Economy at a Glance: Perspective from BEA accounts"

2 The Conference Board, Consumer Confidence Survey, January 2016. The Conference Board, Inc. is a 501 tax-exempt non-profit business membership and research group organization. It counts approximately 1,200 public and private corporations and other organizations as members, encompassing 60 countries.

3 Bloomberg Commodity Index, BCOMTR, total index for 2015. The index tracks 20 commodities in energy, industrial metals, precious metals, agriculture and livestock.

4 Hellenic Shipping News, 2/19/16.

5 U.S. Department of Labor, Bureau of Labor Statistics, January 2016.