

BLUE CHIP ECONOMIC FORECAST

WESTERN

W. P. CAREY
SCHOOL of BUSINESS

What Blue Chip Economists are Saying about the Western States

ASU ARIZONA STATE
UNIVERSITY

Construction boosts job creation in Western states

Economic forecasters in the Western states are watching real estate and construction indicators closely as 2005 draws to a close. The recent construction boom has impacted most of the states in the West in a very potent way. But now, with expectations in the air of a slowdown in construction, the economy-watchers are wondering if the West will be more vulnerable compared to the rest of the country.

WESTERN HOME PRICES

For starters, housing prices in several Western states have accelerated much faster than in the nation as a whole. Applying the laws of gravity, some worry that what goes up might come down, and overheated markets could end in declining values and loss of home equity.

During the one-year period ending in June 30, housing prices as tracked by the Office of Federal Housing Enterprise Oversight (OFHEO) rose 21.5 percent in the Pacific region and 15.8 percent in the Mountain states. Overall, housing prices were up 13.4 percent for the nation as a whole during that period.

With gains of 28.1 percent and 27.8 percent, Nevada and Arizona led the nation and the West in housing price appreciation during the past 12 months [see Page 7].

PERMITS SURGE

Permits have surged to meet demand fueled by low interest rates and a desire to include housing (with its various tax breaks) as a component of family portfolios [see Page 11].

Nevada and Arizona forecasters point out that these two states have led the nation in both job creation and population growth for most of the past few years. Therefore, it can be argued, the fundamentals are in place to support continued growth in the housing sector.

ONE OUT OF FOUR

Yet another striking result of the building boom is the employment impact.

Construction has accounted for one out of four new jobs created in the Western states so far this year [see table below].

Nationally, construction jobs grew by 3.9 percent between September 2004 and September 2005. But in the Western states, the average growth rate was 10.8 percent. Double-digit gains in construction employment were recorded in Arizona, Idaho, Nevada and Utah.

Texas was the only Western state with construction job growth below the national average pace.

Due to population growth, it is reasonable that construction would account for 8.8 percent of all jobs in Western states, somewhat higher than the national average of 5.4 percent. In Nevada construction makes up 11.3 percent of all jobs, followed by Arizona with 8.8 percent.

What is particularly notable about construction's impact on Western job growth is that the sector accounts for 24.7 percent of all new jobs in the past year — double the national average of 12.8 percent.

The proportion is highest in Idaho, with

29.3 percent of new jobs in construction. Other states with high shares of new jobs in construction include California (27.8%), Colorado (25.4%), and Arizona (24.7%).

SOFT LANDING SCENARIO

Although the concept of a real estate bubble has attracted much attention, home prices in the U.S. at the national level have not declined since the days of the Great Depression. As rates continue to rise, some local markets may see a backing off of prices and a soft landing as appreciation returns to historically normal levels.

But as new construction begins to slow down, employment levels in the construction sector will also dip. The 2006 forecasts for most states call for absolute declines in new home permits or very modest growth [see Page 3]. Construction is at record high levels throughout the West. It is likely that as home building cools, those states that have seen construction hiring booms will record job losses as the cycle begins to subside.

— Lee McPheters

CONSTRUCTION JOBS IN THE WESTERN REGION AS A SHARE OF ALL NEW JOBS (September 2005)

	Construction Sector Sept 2005 vs 2004		Construction as % of	
	New Jobs	Growth Rate	New Jobs	All Jobs
USA.....	281,000	3.9%	12.8%	5.4%
Arizona.....	23,600	10.8	24.7	8.8
California	61,600	6.5	27.8	6.4
Colorado.....	10,600	6.3	25.4	7.5
Idaho.....	6,300	12.8	29.3	7.9
Montana	1,300	4.6	16.3	6.7
Nevada	16,200	11.5	22.6	11.3
New Mexico.....	3,900	7.0	22.8	6.8
Oregon.....	8,900	9.2	18.4	5.8
Texas	14,700	2.6	11.1	5.8
Utah	8,800	10.2	22.0	7.5
Washington.....	12,900	6.9	23.2	6.7
Wyoming.....	1,700	7.8	19.5	8.1
Western States Average:		10.8	24.7	8.8

Source: Derived from U.S. Bureau of Labor Statistics, September 2005.

NATIONAL ROUNDUP

U.S. JOB GROWTH



% Change: Sept. 2005 vs. Sept. 2004

Nonfarm	1.7
Goods-Producing	0.9
Construction	4.2
Manufacturing	-0.8
Service-Providing	1.8
Transportation, Warehousing & Utilities	1.9
Trade	1.0
Information	0.9
Financial Activities	2.1
Professional & Business Services ..	3.3
Educational & Health Services	2.7
Leisure & Hospitality	1.9
Government	1.0

Source: U.S. Bureau of Labor Statistics

U.S. REAL ESTATE



Residential Building Permits Sept. 2005 vs. Sept. 2004

	Total Residential	Single- family	Multi- family
2005	191,304	150,029	41,275
2004	173,872	133,683	40,189
% Δ	10.0	12.2	2.7

Source: U.S. Department of Commerce

U.S. FORECASTS



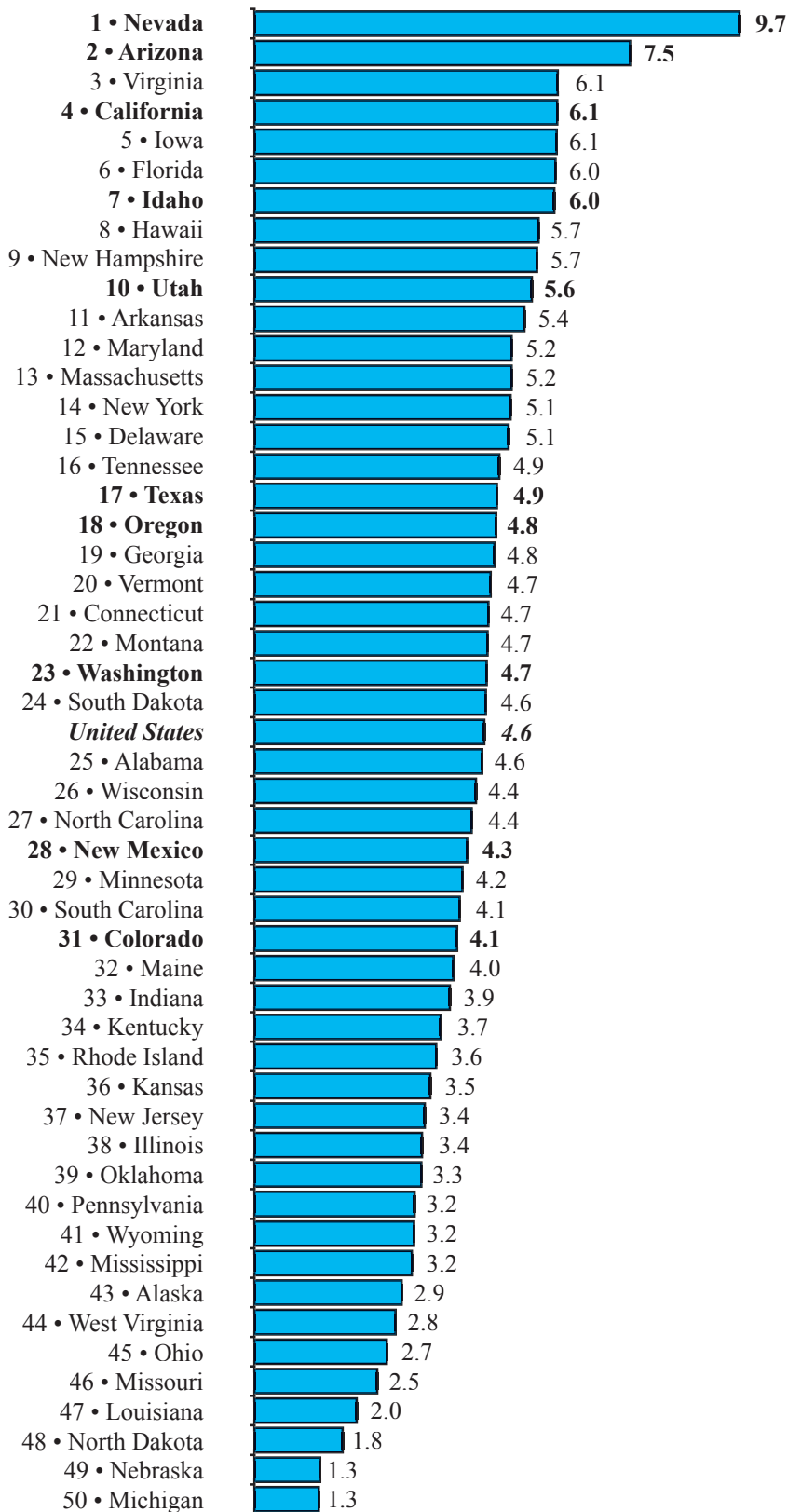
Percent Change

	2005	2006
Real GDP (Chain)	3.5	3.3
CPI	3.5	2.7
GDP Deflator (Chain) ..	2.7	2.5

Source: "U.S. Economic Outlook," *Global Insight*, October 2005

REAL GSP IN PRIVATE INDUSTRY

Percent Change, 2004 vs. 2003



Source: U.S. Bureau of Economic Analysis

SUMMARY

WESTERN BLUE CHIP ECONOMIC FORECAST

State:	2005 Annual Percent Change, 2005 from 2004					2006 Annual Percent Change, 2006 from 2005				
	Current \$ Personal Income	Real Personal Income	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Real Personal Income	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
Arizona	8.0 ↑	5.4 ↓	4.2 ↑	3.1 ↑	1.2 ↑	7.7 ↑	5.2 ↓	3.9 ↑	3.0 ↑	(5.2)↓
California	5.9 ↑	3.2 ↓	1.6 ↓	1.5 ↓	(1.6)↑	5.7 ↑	3.1 ↓	1.5 ↑	1.4 ↓	(5.1)↑
Colorado	5.9 ↑	3.1 ↓	2.2 ↓	1.4	(2.7)↓	5.9 ↓	3.3 ↓	2.3 ↓	1.4 ↓	(3.2)↓
Idaho	6.2 ↑	3.4 ↓	2.8 ↑	1.5 ↑	13.4 ↑	5.7 ↑	3.2 ↓	2.2 ↑	1.5	(4.6)↑
Nevada	8.0	5.1 ↓	4.8 ↓	3.9	(1.2)	7.8	5.2 ↓	4.4 ↓	3.8	2.0
New Mexico	5.5 ↑	2.7 ↓	1.9 ↓	1.5	5.8 ↑	5.3 ↑	2.7 ↓	2.0	1.6	(3.8)↓
Oregon	6.1 ↓	3.3 ↓	2.5 ↑	1.3	6.6 ↑	5.7 ↓	3.1 ↓	2.1 ↑	1.1	(3.6)↓
Texas	6.1	3.3 ↓	1.8 ↓	1.7	2.1 ↓	6.1 ↑	3.5 ↓	2.0 ↓	1.7	(2.5)↑
Utah	6.1 ↑	3.3 ↓	3.0 ↑	2.0	6.9 ↑	5.8 ↓	3.2 ↓	2.8 ↓	1.8 ↓	0.6
Washington	4.1	1.3 ↓	2.4 ↓	1.4 ↑	2.3 ↑	6.1 ↑	3.5 ↓	2.3 ↑	1.5 ↑	(9.1)↓

↑= Increase in consensus forecast ↓= Decrease in consensus forecast

Forecast notes from the Western region...

The housing construction boom in **Oregon** appears to be losing strength. Although single-family building permits were up 2 percent in September from year-ago levels on a seasonally adjusted basis, the underlying trend appears to have leveled off. This is a significant change from the last several months of moderate to strongly positive upward trend in single family units permitted for construction.

The weakness is coming from areas other than the northern Willamette Valley. Permitting activity remains strongly positive in the Portland and Salem metropolitan areas, but higher interest rates are expected to dampen trends in the near future.

Although statewide permits for multi-family construction jumped in September to the highest seasonally adjusted annual rate in six months, the underlying trend remains moderately negative.

— **Mark Thompson**
Forefront Economics
Beaverton, Oregon

While the media look for bad news, business people in **California** remain remarkably upbeat. However, there are worries about high energy prices, and climbing costs of construction materials. Traffic has been moving fairly smoothly at the state's three major ports, while the tourism industry has been pinching itself because business has been so good. The tech sector has also been having a good year, and 2006 could get a boost from new

ways of delivering entertainment content. As to the housing market, it has peaked, with sluggish sales reported in the high-end market. A watch has to be kept on Sacramento to see what the fallout might be from the November 2005 election.

— **Jack Kyser**
Economic Development Corporation
of Los Angeles
Los Angeles, California

The impact of higher energy prices on the **Colorado** economy will likely be mixed. Higher prices will limit consumers' discretionary income and therefore local economic activity. On the positive side, the state is increasingly becoming an important natural gas producer. Colorado active rig counts have increased by 30 to 81 over the past year. Activity is expected to accelerate in 2006, bringing new energy jobs to western Colorado and the Denver metro area.

— **Tim Sheesley**
Xcel Energy
Denver, Colorado

Energy price spikes due to the recent hurricanes seem to have had little short-term effect on **Nevada's** tourism industry. Although auto traffic from California into both Las Vegas and Reno declined slightly from a year ago in September, airline passenger counts were up substantially and Nevada's casinos reported more than \$1 billion in gross gaming revenues

for only the third time in the state's gaming era.

— *Nevada Dept. of Employment,
Training and Rehabilitation*
Carson, City, Nevada

Texas has received more than 200,000 evacuees from hurricanes Katrina and Rita. Elected officials are concerned that the state won't be fully reimbursed by FEMA and other federal agencies for the costs associated with providing services to these individuals. Education and health care costs alone are estimated at more than \$1 billion.

— **Bernard Weinstein**
University of North Texas
Denton, Texas

The **Utah** real estate sector continues to perform well, with solid gains in sales activity. Home price appreciation is now more in line with national trends. Even as Utah home values have risen, the gains substantially trail those of other markets, suggesting more Utah upside potential. The state's economy has returned to solid growth. We expect solid employment gains to continue during the next 18 months. The state's air transportation sector holds promise for the future as it gains additional traffic.

— **Jeff Thredgold**
Thredgold Economic Associates
Salt Lake City, Utah

CONSENSUS FORECASTS

WESTERN BLUE CHIP ECONOMIC FORECAST

Methodology

The consensus forecasting approach used in the *Western Blue Chip* was inspired by Robert J. Eggert of Sedona, Arizona. Eggert popularized consensus forecasting with the introduction of his widely cited newsletter on the national economy, *Blue Chip Economic Indicators*. This approach has been consistently shown to be more accurate than projections

from an individual forecaster.

Consensus panelists for the *Western Blue Chip* are drawn from leading firms, universities and state agencies across the West. Panelists are contacted during the final week of each month and forecast data are compiled by telephone and fax transmission until the last day of the month. Thus, data reported in the forecast tables for a given month are current as of the

first day of that month.

The consensus for each state is the mean of all forecasts shown in the table. Data are expressed as annual percentage changes relative to the annual average value for each indicator during the previous year. Since not all panelists revise their forecasts each month, changes in the consensus may result from revisions by an individual contributor.

ARIZONA										
2005 Annual Percent Change, 2005 from 2004						2006 Annual Percent Change, 2006 from 2005				
Source:	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
Arizona Public Service	8.2	8.5	3.9	3.1	0.0	7.3	7.0	3.7	2.9	(5.0)
ASU - Bank One EOC	7.7	9.0	4.1	2.7	2.0	6.8	7.2	3.5	2.9	(8.0)
CH2M HILL	7.7	7.4	4.0	3.1	0.5	7.5	6.8	3.7	3.0	(6.0)
Department of Economic Security	8.0	8.2	4.6	3.0		7.5	6.8	3.7	2.9	
ECON-LINC	7.8	8.2	4.2	3.1	5.0	7.6	7.2	4.0	2.9	(5.0)
EconLit LLC	7.8	7.5	3.9	2.9	5.0	7.5	7.0	4.2	3.0	(5.0)
Eggert Economic Enterprises Inc.	8.6	8.4	4.3	3.5	1.2	8.3	7.3	4.0	3.4	(2.1)
Elliott D. Pollack & Co.	8.2	9.6	4.2	3.2	5.0	8.0	8.0	4.0	3.0	(10.0)
H. C. Reardon Economics	8.2	9.0	4.2	3.2	0.0	7.5	7.2	3.9	3.2	(7.0)
Joint Legislative Budget Committee	8.1	9.0	4.2	3.1	0.5	7.6	7.0	3.9	3.0	(5.0)
The Maguire Company	7.8	8.1	4.2	3.2	0.0	7.6	7.1	3.9	3.1	0.0
Metropolitan West Asset Management	7.8	7.7	4.0			7.9	7.4	4.1		
NAU - BBER	8.4	7.5	4.1	3.0	0.0	8.3	6.8	3.8	2.8	0.0
Salt River Project	9.0	9.0	4.2	3.4	0.0	7.8	7.0	4.3	3.2	(13.0)
Stellar Capital Management	7.4	7.4	4.1	2.9	0.0	7.1	7.0	3.6	2.7	(7.5)
UA - Eller College	8.4	10.4	4.4	3.3	(1.8)	9.4	6.7	4.4	3.3	(7.2)
VisionEcon	8.1	8.8	5.3	3.4	2.0	7.7	7.4	3.7	3.4	0.0
Wells Fargo & Co.	7.5	7.4	3.4	2.8	(0.4)	7.2	6.6	3.3	2.8	(3.0)
Consensus Forecast — This Month	8.0	8.4	4.2	3.1	1.2	7.7	7.1	3.9	3.0	(5.2)
— Last Month	7.9	8.2	4.2	3.1	1.1	7.5	7.0	3.8	3.0	(4.2)

CALIFORNIA										
2005 Annual Percent Change, 2005 from 2004						2006 Annual Percent Change, 2006 from 2005				
Source:	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
Anonymous	5.7	3.2	1.7	1.7	(6.6)	5.8	5.2	1.7	1.7	(0.8)
California State University, Long Beach *	6.1	7.4	1.9	2.1	(4.7)	4.9	6.7	2.4	1.9	(6.3)
Capital Corporation of the West	5.5	5.3	1.9	1.5	(1.8)					
Chapman University	5.9	6.0	1.6	1.5	(3.1)	5.1	4.6	1.2	1.5	(7.5)
L.A. County Econ. Development Corp.	6.5	6.0	1.6	1.5	3.5	6.3	5.7	1.6	1.4	(2.4)
Legislative Analyst's Office	5.5	5.6	1.3	1.4	(3.5)	5.6	5.4	1.4	1.4	(5.0)
UCLA - Business Forecasting Project	6.5	5.0	1.6	1.6	1.9	5.3	4.7	1.2	1.5	(11.2)
University of the Pacific	5.7	5.4	1.6	1.5	1.6	5.8	4.3	1.5	0.9	(2.7)
Wells Fargo & Co.	6.2	4.9	1.6	1.3	(4.8)	6.2	4.7	1.9	1.3	(6.0)
Consensus Forecast — This Month	5.9	5.2	1.6	1.5	(1.6)	5.7	4.9	1.5	1.4	(5.1)
— Last Month	5.9	5.2	1.6	1.6	(2.9)	5.6	4.7	1.4	1.5	(5.3)

*This forecast is for Southern California only

CONSENSUS FORECASTS

WESTERN BLUE CHIP ECONOMIC FORECAST

COLORADO										
2005 Annual Percent Change, 2005 from 2004						2006 Annual Percent Change, 2006 from 2005				
Source:	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
The Adams Group, Inc.	5.7	6.3	2.1	1.4		5.0	5.2	2.0	1.5	(8.0)
Ctr. for Business and Econ. Forecasting	6.4	6.3	2.5	1.2	(8.0)	6.3	6.2	2.8	1.4	(5.0)
Colorado Legislative Council	6.8	6.2	2.2	1.6	(1.5)	6.7	6.0	2.6	1.7	(9.2)
David Hemley	4.8	4.1	1.8	1.3	(0.6)	5.0	4.3	1.8	1.4	0.0
Office of State Planning and Budgeting	6.4	5.8	2.3	1.3	(5.0)	6.8	5.6	2.6	1.3	(2.0)
University of Colorado	5.5	5.7	2.3	1.2	(2.0)	5.7	5.8	2.2	1.5	0.0
Wells Fargo & Co.	5.4	4.8	2.3	1.4	(3.8)	5.3	4.6	2.2	1.3	(3.0)
Xcel Energy	6.4	5.5	2.2	1.4	2.0	6.0	5.8	2.0	1.3	1.8
Consensus Forecast — This Month	5.9	5.6	2.2	1.4	(2.7)	5.9	5.4	2.3	1.4	(3.2)
— Last Month	5.8	5.7	2.3	1.4	(1.8)	5.9	5.5	2.3	1.4	(2.6)

IDAHO										
2005 Annual Percent Change, 2005 from 2004						2006 Annual Percent Change, 2006 from 2005				
Source:	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
Idaho Division of Financial Management	7.4		3.6	1.7	20.0	6.5		1.8	1.6	(11.5)
Idaho Economics	5.9		2.3	1.7	15.0	5.9		2.2	1.7	(8.0)
Idaho State University	5.8	4.5	2.0	1.4	12.0	5.1	4.2	2.0	1.6	0.0
Thredgold Economic Associates	5.7	4.9	2.4	1.4	0.0	5.5	4.7	2.2	1.5	(3.5)
Wells Fargo & Co.	6.0	5.5	3.5	1.4	20.0	5.7	5.2	2.7	1.3	0.0
Consensus Forecast — This Month	6.2	5.0	2.8	1.5	13.4	5.7	4.7	2.2	1.5	(4.6)
— Last Month	5.9	4.9	2.4	1.5	11.3	5.5	4.6	2.1	1.5	(4.7)

NEVADA										
2005 Annual Percent Change, 2005 from 2004						2006 Annual Percent Change, 2006 from 2005				
Source:	Current \$ Personal Income	Gross Gaming Revenues	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Gross Gaming Revenues	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
Dept. of Empl., Training, and Rehab.	10.2	6.0	6.0	3.2		9.2	5.4	5.4	3.0	
Legis. Counsel Bureau - Fiscal Analysis	7.2	4.5	3.7	3.5	(2.5)					
Restrepo Consulting Group, LLC	7.5	5.0	5.0	4.0	7.0	7.5	5.0	4.5	4.0	4.0
Thredgold Economic Associates	7.8		4.1	4.0	2.5	7.6		3.5	3.7	0.5
Southwest Gas	8.7	9.2	4.6	4.5	(2.1)	8.5	8.1	4.4	4.3	1.1
University of Nevada at Las Vegas - CBER	7.3	3.9	4.7	4.1	(11.1)	7.2	3.7	4.1	3.8	4.5
Wells Fargo & Co.	7.2	6.4	5.4	4.0	(1.0)	6.9	5.6	4.4	3.8	0.0
Consensus Forecast — This Month	8.0	5.8	4.8	3.9	(1.2)	7.8	5.6	4.4	3.8	2.0
— Last Month	8.0	5.8	4.8	3.9	(1.2)	7.8	5.6	4.4	3.8	2.0

CONSENSUS FORECASTS

WESTERN BLUE CHIP ECONOMIC FORECAST

NEW MEXICO

	2005					2006				
	Annual Percent Change, 2005 from 2004					Annual Percent Change, 2006 from 2005				
Source:	Current \$ Personal Income	Mfg. Employ- ment	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Mfg. Employ- ment	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
Eastern New Mexico University	4.4	0.4	1.6	1.2	0.1	5.0	0.6	1.7	1.4	0.0
New Mexico Department of Labor		0.5	1.9				1.3	2.0		
New Mexico State Univ - CEMAF	5.0	0.5	1.4			5.2	1.0	1.6		
Public Service New Mexico	5.3	1.0	2.1	1.5	0.5					
University of New Mexico - BBER	7.2	0.2	2.0		21.0	5.8	3.5	2.3		(8.5)
Wells Fargo & Co.	5.6	1.5	2.5	1.7	1.5	5.1	1.3	2.3	1.7	(3.0)
Consensus Forecast — This Month	5.5	0.7	1.9	1.5	5.8	5.3	1.5	2.0	1.6	(3.8)
— Last Month	5.3	0.7	2.0	1.5	2.6	5.2	1.6	2.0	1.6	(3.1)

OREGON

	2005					2006				
	Annual Percent Change, 2005 from 2004					Annual Percent Change, 2006 from 2005				
Source:	Current \$ Personal Income	Mfg. Employ- ment	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Mfg. Employ- ment	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
Conerly Consulting	8.3	3.0	3.4	1.3	10.5	5.7	0.9	2.6	1.4	(11.8)
Forefront Economics	5.7	2.2	1.9	1.2	4.5	5.7	1.5	2.0	1.2	4.1
Oregon Executive Department	5.9	2.5	3.0	1.2	9.8	6.2	(0.2)	1.5	1.2	(7.3)
Portland General Electric	6.2	2.0	2.5	1.4	10.0	5.7	1.0	2.0	1.3	0.0
Rhodes Econometrics	5.3	2.4	1.6	1.2	2.2	5.1	1.9	1.6	0.2	2.0
Thredgold Economic Associates	5.4	1.2	2.4	1.5	1.5					
U.S. Bancorp	6.2	3.0	3.0	1.2	12.0	6.2	2.0	2.6	1.3	(10.0)
Wells Fargo & Co.	5.5	0.6	2.4	1.4	2.5	5.3	0.4	2.1	1.3	(2.5)
Consensus Forecast — This Month	6.1	2.1	2.5	1.3	6.6	5.7	1.1	2.1	1.1	(3.6)
— Last Month	6.1	2.2	2.5	1.3	6.4	5.7	1.1	2.0	1.1	(3.4)

TEXAS

	2005					2006				
	Annual Percent Change, 2005 from 2004					Annual Percent Change, 2006 from 2005				
Source:	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
Econoclast	6.3	6.3	2.0	1.8	1.1	5.7	5.5	1.7	1.7	(3.8)
Federal Reserve Bank of Dallas	6.6	6.0	1.8	1.8	(2.0)	6.4	6.4	2.2	1.9	2.0
David Hemley	5.8	5.6	2.0	1.6	0.4	5.7	5.5	2.0	1.6	1.0
Perryman Group	6.5	6.6	2.2	1.8	1.3					
TX State Comptroller of Public Accounts	6.4	6.5	1.3	1.7	8.4	6.8	6.5	1.9	1.6	(5.0)
University of Houston - CPP	6.0	6.0	1.7	1.7	7.8	6.1	5.9	1.9	1.8	(10.9)
University of North Texas	5.7	5.3	2.1	1.7	1.0	5.8	5.4	2.1	1.7	0.9
University of Texas at El Paso	6.2	6.4	1.7	1.9	2.8	5.9	5.9	1.7	1.8	(1.5)
Wells Fargo & Co.	5.7	5.9	1.8	1.6	(1.7)	6.0	5.6	2.2	1.6	(3.0)
Consensus Forecast — This Month	6.1	6.1	1.8	1.7	2.1	6.1	5.8	2.0	1.7	(2.5)
— Last Month	6.1	6.1	1.9	1.7	2.5	6.0	5.9	2.0	1.7	(2.6)

CONSENSUS FORECASTS

WESTERN BLUE CHIP ECONOMIC FORECAST

UTAH

Source:	2005 Annual Percent Change, 2005 from 2004					2006 Annual Percent Change, 2006 from 2005				
	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
Pacificorp	7.0	5.5	2.2	1.8	5.0					
Thredgold Economic Associates	5.6	5.1	2.5	1.8	3.5	5.7	5.4	2.4	1.8	0.0
Utah Department of Workforce Services	5.8	2.5	3.4	1.7	1.7	5.2	2.3	3.0	1.6	1.5
Utah State Tax Commission	6.0	7.0	3.5	2.5	9.1	6.5	6.0	2.9	2.4	1.0
Wells Fargo & Co.	6.3	6.0	3.5	2.0	15.0	5.7	5.2	2.7	1.3	0.0
Consensus Forecast — This Month	6.1	5.2	3.0	2.0	6.9	5.8	4.7	2.8	1.8	0.6
— Last Month	6.1	5.2	2.9	2.0	6.3	5.8	4.8	2.8	2.0	0.6

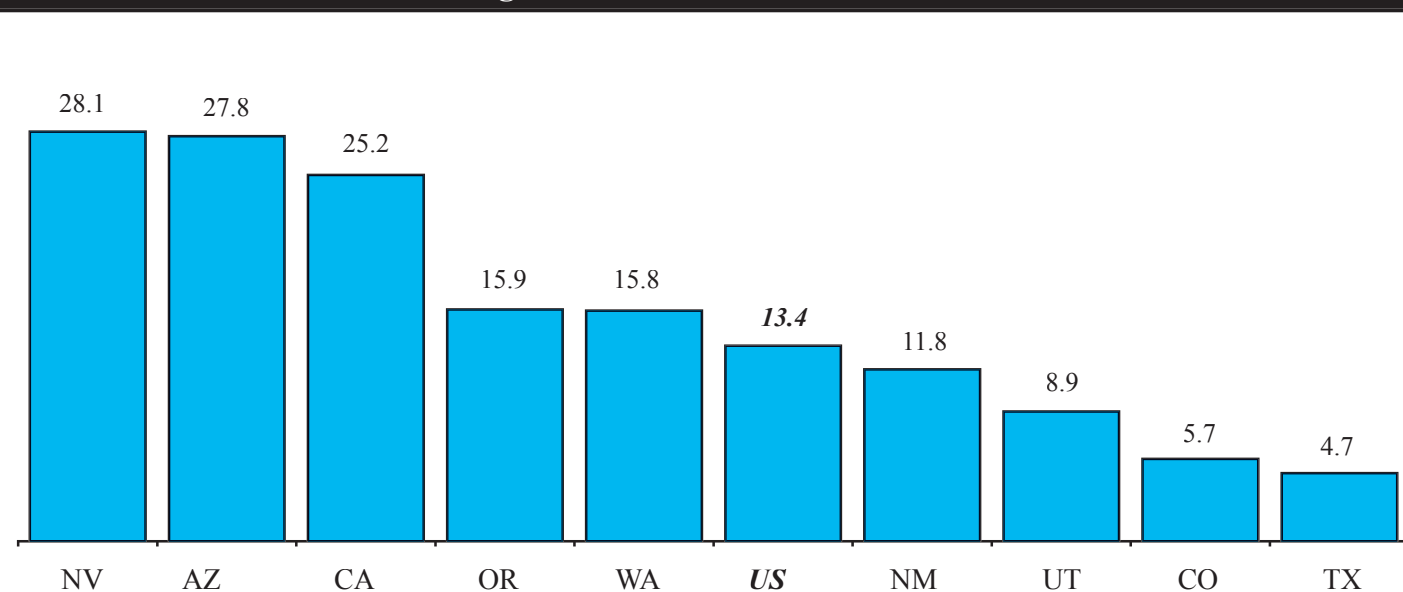
WASHINGTON

Source:	2005 Annual Percent Change, 2005 from 2004					2006 Annual Percent Change, 2006 from 2005				
	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits	Current \$ Personal Income	Retail Sales	Wage & Salary Empl.	Popu- lation Growth	Single-family Housing Permits
Conerly Consulting	2.7	6.7	2.4	1.4	4.9	5.9	5.0	3.1	1.5	(13.7)
Dick Conway & Associates	5.7	6.0	2.3	1.3	(3.0)	5.5	5.0	1.8	1.4	(5.0)
Doug Pedersen & Associates	3.5	7.5	2.8	1.4	6.5	6.5	5.5	2.5	1.5	(3.5)
Office of Forecast Council *	3.0	8.6	2.7	1.4	6.8	7.4	5.2	2.4	1.8	(17.0)
Wells Fargo & Co.	5.5	5.5	2.0	1.4	(3.9)	5.1	5.0	1.9	1.3	(6.5)
Consensus Forecast — This Month	4.1	6.9	2.4	1.4	2.3	6.1	5.1	2.3	1.5	(9.1)
— Last Month	4.1	6.5	2.5	1.4	(1.0)	5.9	5.2	2.3	1.4	(7.3)

* Population forecast is from the Office of Financial Management.

HOUSE PRICE INDEX

Percent Change, 2nd Quarter 2005 vs. 2nd Quarter 2004



Source: OFHEO

HISTORICAL DATA

WESTERN BLUE CHIP ECONOMIC FORECAST

ARIZONA

	Current \$ Personal Income (millions)	Real Personal Income (millions)	Wage & Salary Employment (thousands)	Retail Sales (millions)	Manufacturing Employment (thousands)	Single-family Permits (number)	Population (thousands)	Unem- ployment Rate
2004	163,365	150,359	2,373.5	51,357	175.8	69,339 †	5,744	4.8
% change	7.5	4.9	3.4	7.4	0.3	8.1	3.0	
2003	151,933	143,333	2,296.3	47,818	175.3	64,143	5,579	5.6
% change	4.7	2.8	1.4	5.3	(4.5)	15.3	2.6	
2002	145,114	139,399	2,265.1	45,425	183.5	55,649	5,439	6.2
% change	4.5	2.8	0.0	1.3	(9.0)	9.3	2.7	
2001	138,854	135,599	2,265.0	44,833	201.7	50,930	5,297	4.7
% change	4.7	2.3	1.0	2.0	(3.9)	4.3	2.5	
Basic data sources: Personal Income – U.S. Department of Commerce; Wage & Salary Employment – Arizona Department of Economic Security; Retail Sales – Arizona Department of Revenue; Manufacturing Employment – Arizona Department of Economic Security; Housing Permits – Arizona Real Estate Center; Population – Center for Business Research; Unemployment Rate – Arizona Department of Economic Security. † Consensus †† Estimate								

CALIFORNIA

	Current \$ Personal Income (millions)	Real Personal Income (millions)	Wage & Salary Employment (thousands)	Retail Sales (millions)	Manufacturing Employment (thousands)	Single-family Permits (number)	Population (thousands)	Unem- ployment Rate
2004	1,256,959	1,156,888	14,538.8	328,084 †	1532.7	150,710	35,894	6.1
% change	6.1	3.5	1.0	5.2	(1.0)	7.3	1.2	
2003	1,184,997	1,117,922	14,392.3	311,867 †	1,547.9	140,512	35,463	6.7
% change	3.1	1.3	(0.5)	3.4	(5.5)	16.3	1.4	
2002	1,149,183	1,103,922	14,457.8	301,612	1,638.2	120,783	34,988	6.7
% change	1.2	(0.4)	(1.0)	2.6	(8.3)	13.7	1.3	
2001	1,135,304	1,108,695	14,601.9	293,957	1,785.6	106,265	34,532	5.4
% change	2.9	0.4	0.8	2.4	(3.9)	1.6	1.6	
Basic data sources: Personal Income – U.S. Department of Commerce; Wage & Salary Employment – Bureau of Labor Statistics; Taxable Sales – California Board of Equalization; Manufacturing Employment – Bureau of Labor Statistics; Housing Permits – Construction Industry Research Board; Population – California Department of Finance; Unemployment Rate – California Department of Finance. † Consensus †† Estimate								

COLORADO

	Current \$ Personal Income (millions)	Real Personal Income (millions)	Wage & Salary Employment (thousands)	Retail Sales (millions)	Manufacturing Employment (thousands)	Single-family Permits (number)	Population (thousands)	Unem- ployment Rate
2004	165,943	152,731	2,178.9	54,858 †	154.6	38,164	4,601	5.1
% change	5.6	3.0	1.3	4.0	(0.9)	14.2	1.2	
2003	157,171	148,275	2,151.3	52,748	156.0	33,428	4,548	6.0
% change	2.1	0.3	(1.4)	(0.3)	(6.1)	(5.9)	1.1	
2002	153,962	147,898	2,182.5	52,888	166.1	35,522	4,498	5.7
% change	0.8	(0.8)	(1.9)	(10.4)	(8.7)	(2.6)	1.6	
2001	152,700	149,121	2,225.4	59,041	181.9	36,477	4,427	3.7
% change	5.8	3.3	0.6	1.8	(4.9)	(3.2)	2.3	
Basic data sources: Personal Income – U.S. Department of Commerce; Wage & Salary Employment – Colorado Department of Labor and Employment; Retail Trade Sales – Colorado Department of Revenue; Manufacturing Employment – Colorado Department of Labor and Employment; Housing Permits – U.S. Bureau of the Census; Population – U.S. Bureau of the Census; Unemployment Rate – Colorado Department of Labor and Employment. † Consensus †† Estimate								

HISTORICAL DATA

WESTERN BLUE CHIP ECONOMIC FORECAST

IDAHO

	Current \$ Personal Income (millions)	Real Personal Income (millions)	Wage & Salary Employment (thousands)	Retail Sales (millions)	Manufacturing Employment (thousands)	Single-family Permits (number)	Population (thousands)	Unem- ployment Rate
2004	37,755	34,749	586.9	16,797 †	61.5	14,650	1,393	4.8
% change	6.6	4.0	2.6	4.6	(0.8)	17.8	1.9	
2003	35,409	33,405	572.0	16,059	62.0	12,432	1,367	5.4
% change	3.0	1.1	0.7	2.1	(4.5)	21.7	1.8	
2002	34,381	33,027	568.2	15,736	64.9	10,212	1,343	5.8
% change	4.0	2.3	0.1	8.3	(5.0)	7.7	1.7	
2001	33,054	32,279	567.7	14,525	68.3	9,483	1,321	5.0
% change	5.6	3.2	1.5	5.6	(2.3)	(6.1)	1.7	

Basic data sources: Personal Income – U.S. Department of Commerce; Wage & Salary Employment – Idaho Department of Employment; Retail Sales – Idaho State Tax Commission; Manufacturing Employment – Idaho Department of Employment; Housing Permits – First Security Bank; Population – U.S. Bureau of the Census; Unemployment Rate – Idaho Department of Employment. † Consensus †† Estimate

NEVADA

	Current \$ Personal Income (millions)	Real Personal Income (millions)	Wage & Salary Employment (thousands)	Retail Sales (millions)	Gaming Revenue (millions)	Single-family Permits (number)	Population (thousands)	Unem- ployment Rate
2004	77,994	71,785	1,152.4	41,087	10,058.4 †	38,817	2,335	4.1
% change	9.0	6.3	5.9	16.0	4.5	17.5	4.1	
2003	71,549	67,499	1,088.3	35,426	9,625.3	33,033	2,242	5.2
% change	6.9	5.0	3.5	9.3	1.9	21.1	3.4	
2002	66,904	64,269	1,052.0	32,410	9,447.4	27,284	2,168	5.5
% change	3.9	2.2	0.1	3.0	(0.3)	1.1	3.5	
2001	64,367	62,859	1,051.4	31,469	9,471.6	26,981	2,095	5.3
% change	4.8	2.3	2.4	2.8	(1.3)	4.8	3.8	

Basic data sources: Personal Income – U.S. Department of Commerce; Wage & Salary Employment – Nevada Department of Employment, Training and Rehabilitation; Retail Sales – Nevada Department of Taxation; Gross Gaming Revenue – Nevada State Gaming Control Board; Housing Permits – U.S. Bureau of the Census; Population – U.S. Bureau of the Census; Unemployment Rate – Nevada Department of Employment, Training and Rehabilitation.
† Consensus †† Estimate N/A - not yet available

NEW MEXICO

	Current \$ Personal Income (millions)	Real Personal Income (millions)	Wage & Salary Employment (thousands)	Retail Sales (millions)	Manufacturing Employment (thousands)	Single-family Permits (number)	Population (thousands)	Unem- ployment Rate
2004	49,849	45,881	790.7	12,312	35.9	11,743	1,903	5.4
% change	6.2	3.6	1.9		(1.6)	(0.7)	1.3	
2003	46,955	44,298	775.6	11,702	36.5	11,829	1,879	6.4
% change	4.5	2.6	1.2	**	(4.9)	14.3	1.3	
2002	44,946	43,175	766.1	12,708	38.4	10,348	1,855	5.4
% change	1.8	0.2	1.2	1.3	(6.1)	15.9	1.2	
2001	44,138	43,104	757.2	12,540	40.9	8,929	1,832	4.8
% change	9.5	6.9	1.7	3.6	(1.9)	11.1	0.6	

Basic data sources: Personal Income – U.S. Department of Commerce; Wage & Salary Employment – New Mexico Department of Labor; Retail Sales – New Mexico Department of Taxation & Revenue; Manufacturing Employment – New Mexico Department of Labor; Housing Permits – U.S. Bureau of the Census; Population – U.S. Bureau of the Census; Unemployment Rate – New Mexico Department of Labor. † Consensus †† Estimate N/A - not yet available

** Due to a change in the manner of calculation, it may not be appropriate to compare 2003 retail sales with previous years.

HISTORICAL DATA

WESTERN BLUE CHIP ECONOMIC FORECAST

OREGON

	Current \$ Personal Income (millions)	Real Personal Income (millions)	Wage & Salary Employment (thousands)	Manufacturing Employment (thousands)	Single-family Permits (number)	Housing Permits (number)	Population (thousands)	Unem- ployment Rate
2004	107,732	99,155	1,593.7	199.5	21,372	28,000	3,595	7.1
% change	5.2	2.6	2.0	2.3	13.7	7.3	0.8	
2003	102,419	96,622	1,562.2	194.9	18,799	26,103	3,564	8.2
% change	2.1	0.3	(0.7)	(3.3)	4.6	15.8	1.2	
2002	100,286	96,336	1,572.5	201.6	17,977	22,543	3,523	7.5
% change	1.3	(0.4)	(1.3)	(6.5)	10.9	7.1	1.4	
2001	99,020	96,699	1,593.6	215.7	16,217	21,049	3,474	6.3
% change	2.7	0.3	(0.8)	(4.1)	4.4	6.4	1.3	
Basic data sources: Personal Income – U.S. Department of Commerce; Wage & Salary Employment – Oregon Employment Division; Manufacturing Employment – Oregon Employment Division; Single-family Permits – U.S. Bureau of the Census; Housing Permits – U.S. Bureau of the Census; Population – Portland State University; Unemployment Rate – Oregon Employment Division. † Consensus †† Estimate								

TEXAS

	Current \$ Personal Income (millions)	Real Personal Income (millions)	Wage & Salary Employment (thousands)	Retail Sales (billions)	Manufacturing Employment (thousands)	Single-family Permits (number)	Population (thousands)	Unem- ployment Rate
2004	679,683	625,571	9,478.3	339.7 †	889.5	141,810	22,490	5.9
% change	5.8	3.2	1.2	5.9	(1.2)	6.6	1.7	
2003	642,630	606,255	9,370.0	320.7	900.0	133,077	22,103	6.8
% change	3.0	1.2	(0.6)	3.9	(5.1)	10.3	1.7	
2002	623,914	599,341	9,422.9	296.0	948.7	120,644	21,723	6.3
% change	0.7	(1.0)	(1.0)	3.9	(7.6)	8.3	1.8	
2001	619,642	605,119	9,518.4	305.8	1,026.8	111,352	21,335	4.8
% change	4.5	2.0	0.9	2.4	(3.9)	4.5	1.8	
Basic data sources: Personal Income – U.S. Department of Commerce; Wage & Salary Employment – Texas Employment Commission; Gross Retail Sales – Texas State Comptroller of Public Accounts; Manufacturing Employment – Texas Employment Commission; Housing Permits – U.S. Bureau of the Census; Population – U.S. Bureau of the Census; Unemployment Rate – Texas Employment Commission. † Consensus †† Estimate								

UTAH

	Current \$ Personal Income (millions)	Real Personal Income (millions)	Wage & Salary Employment (thousands)	Retail Sales (millions)	Manufacturing Employment (thousands)	Single-family Permits (number)	Population (thousands)	Unem- ployment Rate
2004	63,562	58,502	1,103.2	19,697 †	114.9	19,899	2,389	4.7
% change	6.4	3.8	2.7	5.1	2.3	10.6	1.6	
2003	59,761	56,378	1,074.1	18,741	112.3	17,995	2,352	5.6
% change	2.9	1.0	0.1	2.1	(1.4)	16.8	1.4	
2002	58,089	55,802	1,073.4	18,356	113.9	15,406	2,320	6.1
% change	2.6	1.0	(0.7)	3.4	(6.6)	11.2	1.7	
2001	56,594	55,267	1,081.3	17,748	122.0	13,851	2,281	4.4
% change	5.7	3.2	0.5	2.7	(2.8)	2.9	1.7	
Basic data sources: Personal Income – U.S. Department of Commerce; Wage & Salary Employment – Utah Department of Workforce Services; Retail Sales – Utah State Tax Commission; Manufacturing Employment – Utah Department of Workforce Services; Housing Permits – University of Utah; Population – U.S. Bureau of the Census; Unemployment Rate – Utah Department of Workforce Services. † Consensus †† Estimate								

HISTORICAL DATA

WESTERN BLUE CHIP ECONOMIC FORECAST

WASHINGTON

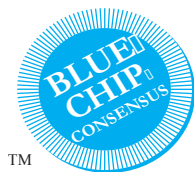
	Current \$ Personal Income (millions)	Real Personal Income (millions)	Wage & Salary Employment (thousands)	Retail Sales (millions)	Manufacturing Employment (thousands)	Single-family Permits (number)	Population (thousands)	Unem- ployment Rate
2004	218,987	201,553	2,698.2	92,661 †	263.5	36,815	6,204	6.1
% change	7.4	4.8	1.5	5.7	(1.3)	6.8	1.2	
2003	203,890	192,349	2,657.8	87,664	267.1	34,480	6,131	7.5
% change	2.8	0.9	0.1	2.8	(6.3)	4.2	1.1	
2002	198,371	190,558	2,654.1	85,284	285.0	33,090	6,067	7.3
% change	2.5	0.8	(1.6)	0.6	(9.8)	17.6	1.2	
2001	193,498	188,963	2,697.0	84,785	316.1	28,137	5,993	6.4
% change	3.0	0.6	(0.5)	(0.5)	(4.7)	3.1	1.4	

Basic data sources: Personal Income – U.S. Department of Commerce; Wage & Salary Employment – Washington State Employment Security; Taxable Retail Sales – Washington Department of Revenue; Manufacturing Employment – Washington State Employment Security; Housing Permits – U.S. Department of the Census; Population – U.S. Bureau of the Census; Unemployment Rate – Washington State Employment Security. † Consensus †† Estimate

PRIVATELY OWNED HOUSING UNITS AUTHORIZED Percent Change, YTD September 2005 vs. YTD September 2004



Source: U.S. Census Bureau



WESTERN BLUE CHIP ECONOMIC FORECAST

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