

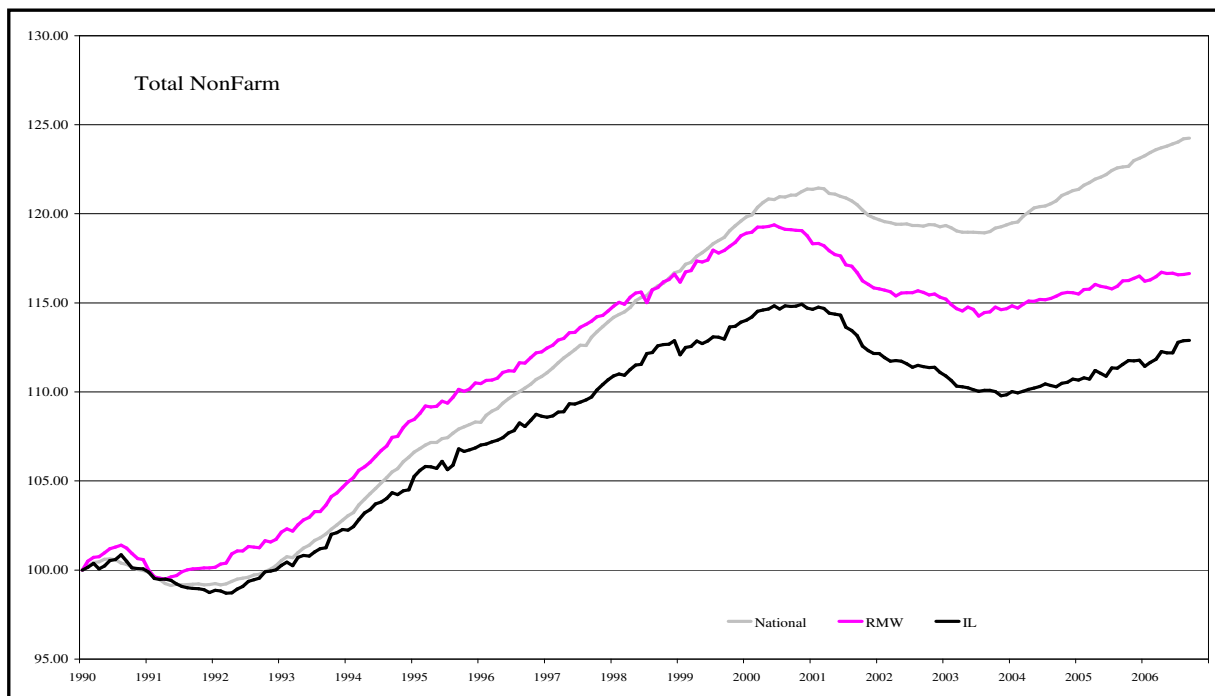
Monthly Illinois Economic Review

❖ **Employment**

September 2006 Positive	Total non-farm employment	Aug 2006 – Sep 2006		Last 12 months	
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	+0.04	+51,000	+1.32	+1,773,000
	RMW	+0.04	+7,700	+0.36	+71,500
Illinois	+0.02	+900	+1.21	+71,000	

Talking Points

- After adding 31,100 new jobs in July, for the last two months Illinois has slowed the pace of job creation; only 900 net jobs were added this month, a monthly gain of 0.02%.
- This month's growth pattern in Illinois was half the rate of the Nation and RMW but these rates were very low; however the average monthly gain in 2006 for the 9 months in Illinois is 0.11%, faster than the Nation's 0.10% and RMW's 0.01%.
- Illinois accounts for 72.4% of total job creations in the Midwest in 2006.
- In the previous month, Illinois had faster growth pattern over 12-month period compared to Nation, 1.38% for the former and 1.32% for the latter based on the revised data and that was observed for the first time since September 1998. In September, 12-month growth rates are 1.21% for the State compared to 1.32% for the Nation.
- Compared to RMW, Illinois still has had much faster growth pattern over 12-month period and this has now lasted for 15 months, since July 2005.
- State needs much faster job growth pattern to recover to the previous peak in November 2000.
- State's overall gain since January 1990 is still much slower than the Nation and RMW, as a result only 19.3% of total non-farm jobs created in Midwest since January 1990 is from Illinois and the rest 80.7% is from RMW.



Monthly Illinois Economic Review

❖ Shadow Unemployment**Unemployment Rate: Official and Shadow**

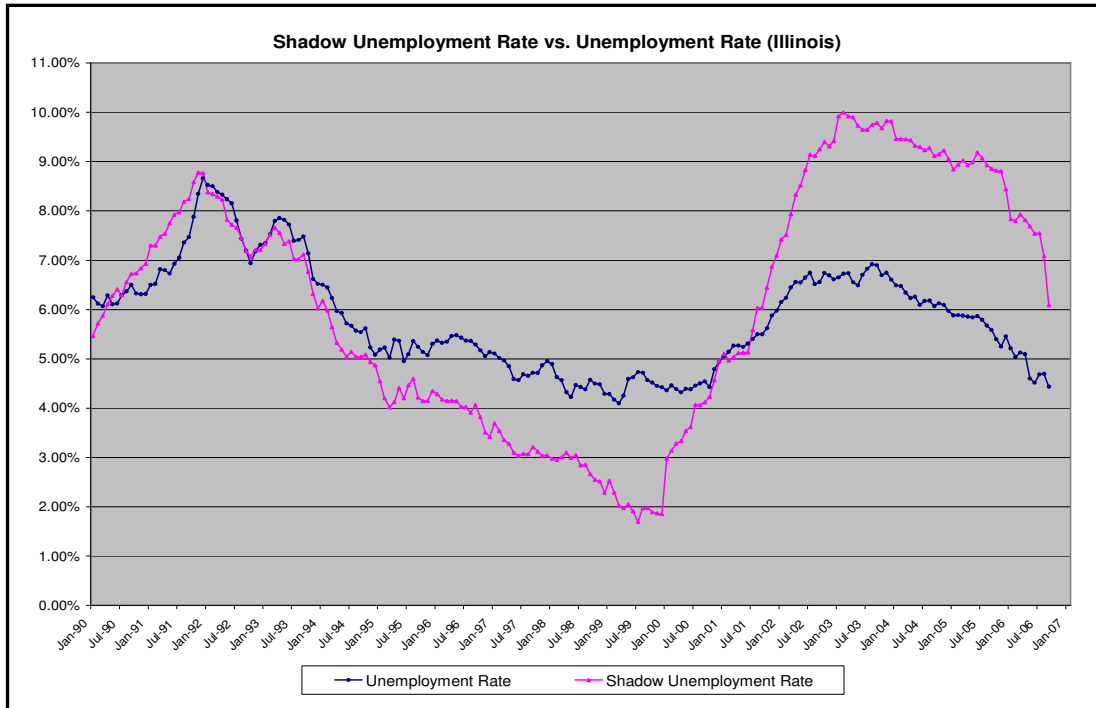
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined since the 1990s and thus a number of analysts feel that the official unemployment rate does not account for a larger number of people who have dropped out of the labor force.

REAL has estimated a *shadow unemployment rate*; this is calculated as the unemployment rate that would be observed if labor force participation rates matched the average for the 15-year period from 1990 to 2004.

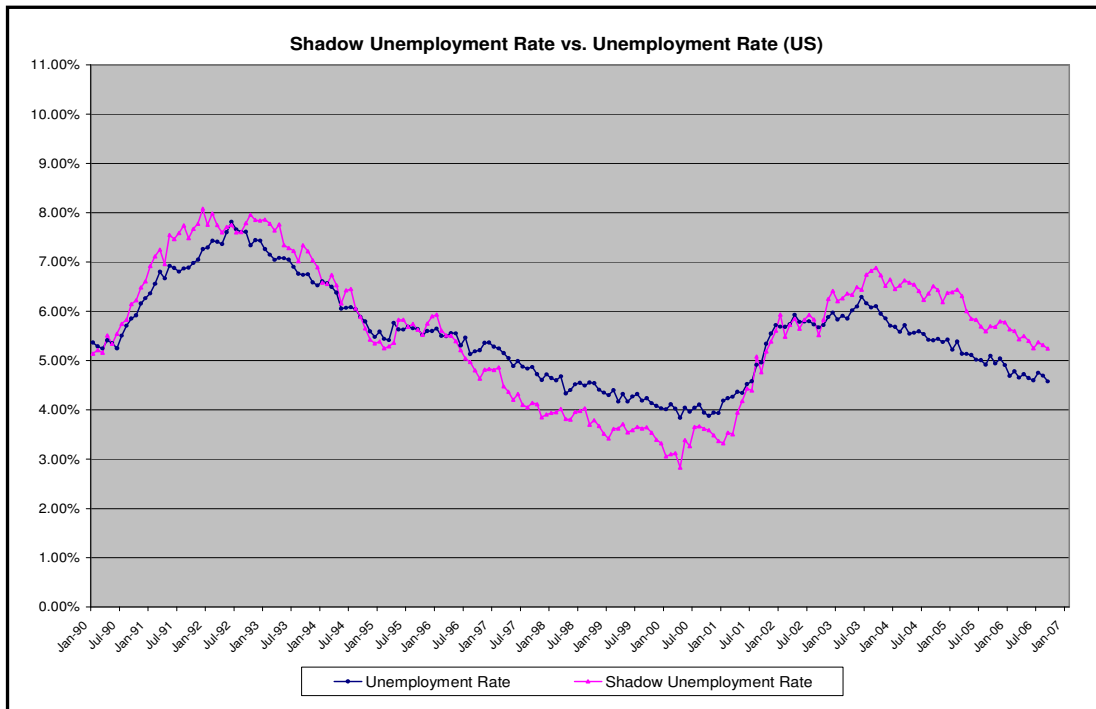
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; for the 15 years from 1990 to 2004, the average participation rate was 66.6%.
- The figures on the next page show the difference between the two rates for Illinois (top figure) and the US as a whole (bottom figure).
- Since 2000, the gap between the official and shadow unemployment rate has increased.
- To bring the two together a further 112,000 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

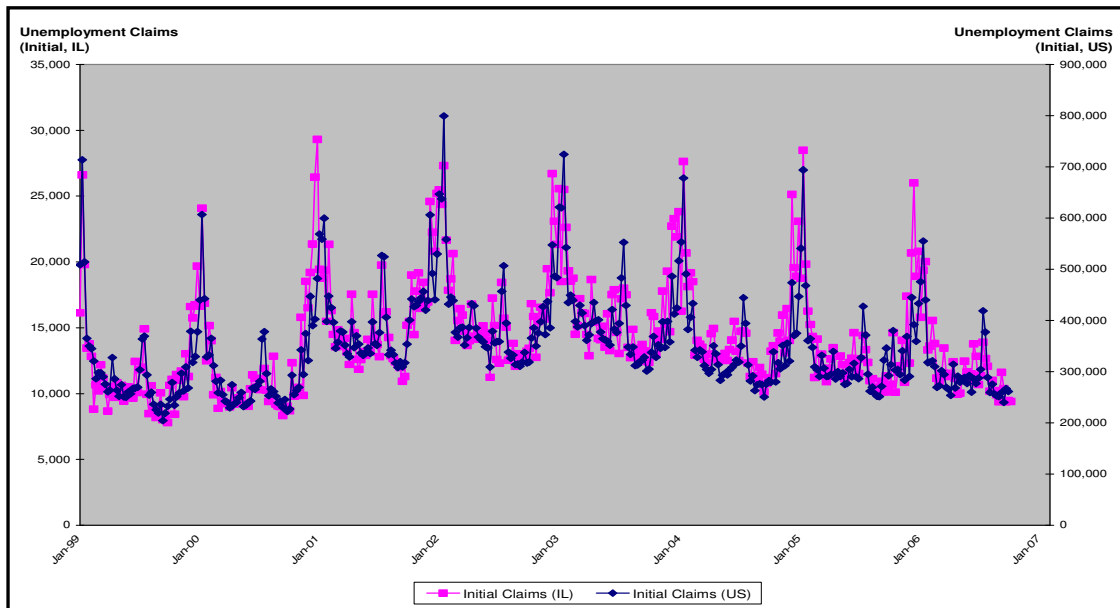
Monthly Illinois Economic Review

▪ **Illinois**



▪ **US**



Monthly Illinois Economic Review**❖ Unemployment Claims (Initial)****❖ CBAI in August**

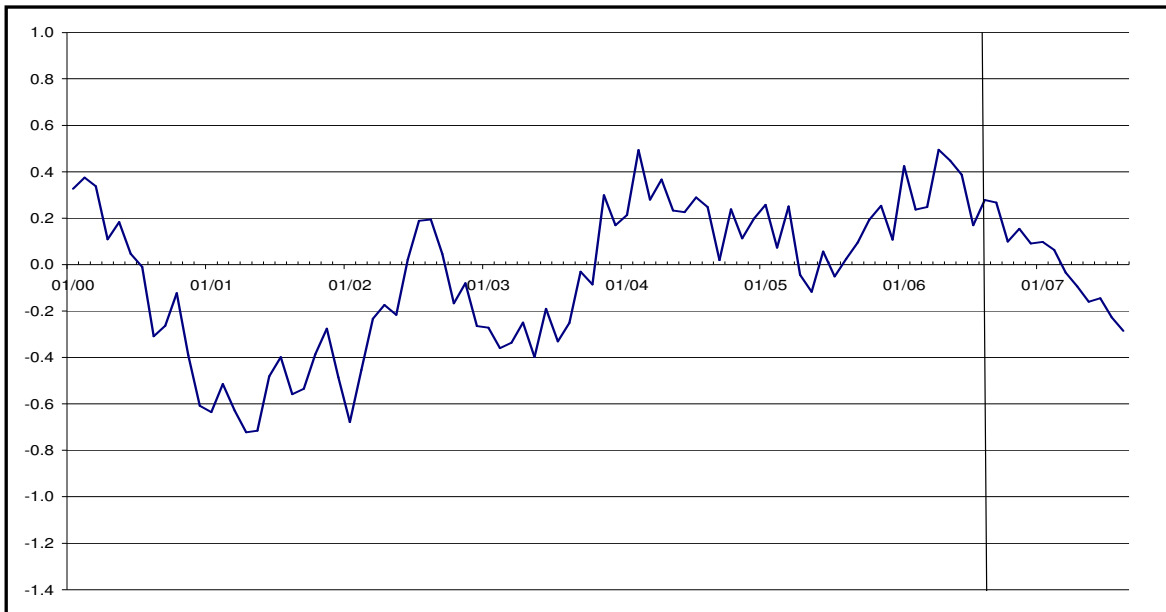
This index is based on national indices of leading indicators and is a barometer for the economy, tracing the path of growth or contraction through to the current period and then forecasts up to 24 months into the future.

- The Chicago Business Activity Index (CBAI) was 0.278 in August, the thirteenth consecutive positive reading since August 2005.
- This was mainly attributed to the increase of construction and non-manufacturing employment. Considering that the CBAI leads the local business cycle and positive values of this index are associated with above-trend growth, the Chicago economy will continue to grow
- However, The CBAI prediction suggests that the Chicago economy will grow more moderately over the next 12 months.
- In August, the national economy presented some bright features. Construction, retail sales, and non-manufacturing employment increased 0.4 percent, 0.2 percent, and 0.2 percent, respectively, while manufacturing employment decreased 0.1 percent. The coincident index of the Conference Board continued its increasing trend since September 2005, but its growth moderated to 0.1 percent increase in August.
- The economic performance in Chicago showed mixed features in August. Construction and non-manufacturing employment increased 1.9 percent and 0.1 percent, respectively. However, manufacturing employment and retail sales decreased 0.7 percent and 0.2 percent, respectively, with a loss in the Chicago Fed Midwest Manufacturing Index (0.6 percent).
- The national economy and regional economy are expected to continue to grow at a slower but steady pace in the near term. For the national economy, the leading index of the Conference Board dropped by 0.2 percent. In addition, the national economy only created 51,000 jobs in September, which is the smallest gain since October 2005. For the local economy, the CBAI index suggests that economic growth will be near its historical trend over the coming year, in large

Monthly Illinois Economic Review

part because of the increasing signs of weakness in the nation’s economic performance. However, the recent drop in gasoline prices could make a positive contribution to spur the economic performance of both the national and local economy.

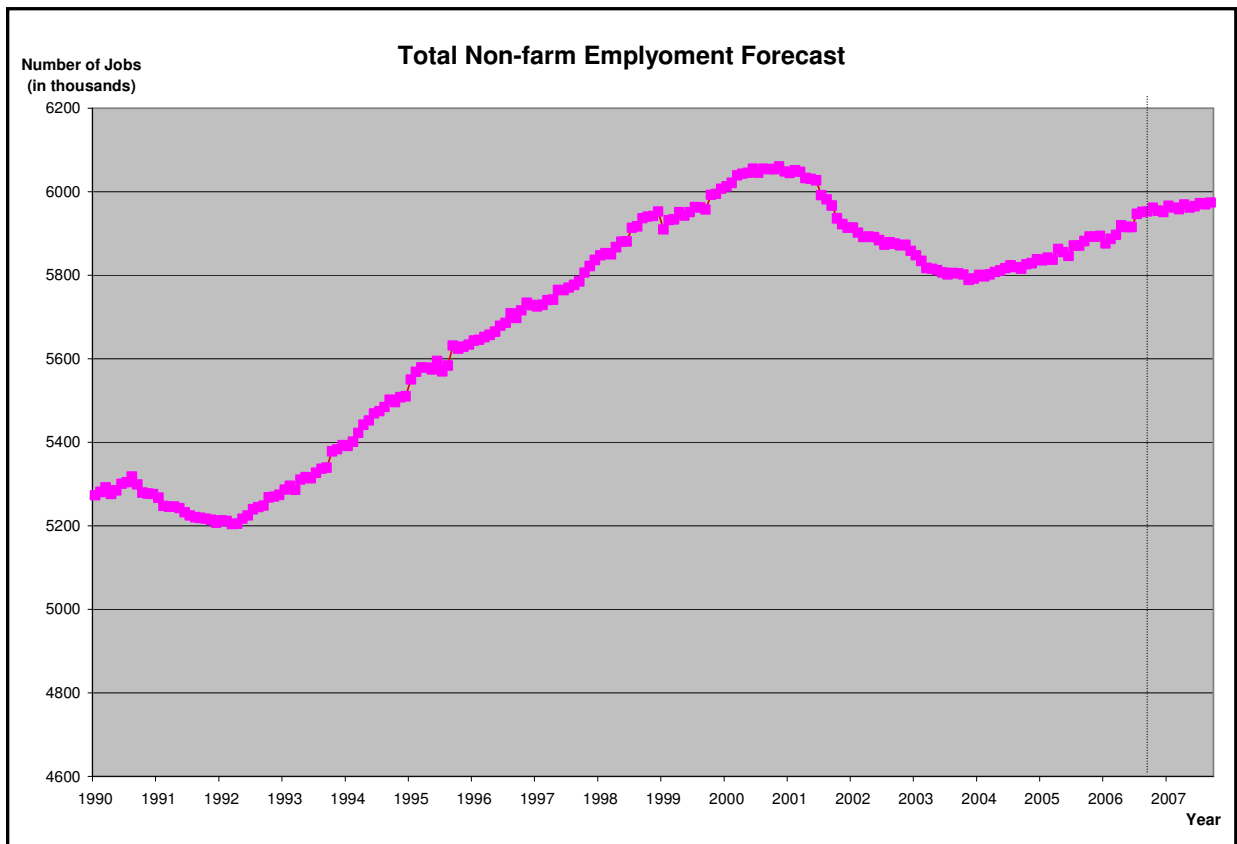
The Chicago Business Activity Index (CBAI) was 0.278 in August, the thirteenth consecutive positive reading since August 2005. This was mainly attributed to the increase of construction and non-manufacturing employment. Considering that the CBAI leads the local business cycle and positive values of this index are associated with above-trend growth, the Chicago economy will continue to grow. However, The CBAI prediction suggests that the Chicago economy will grow more moderately over the next 12 months.



Monthly Illinois Economic Review

❖ **Employment Forecast**

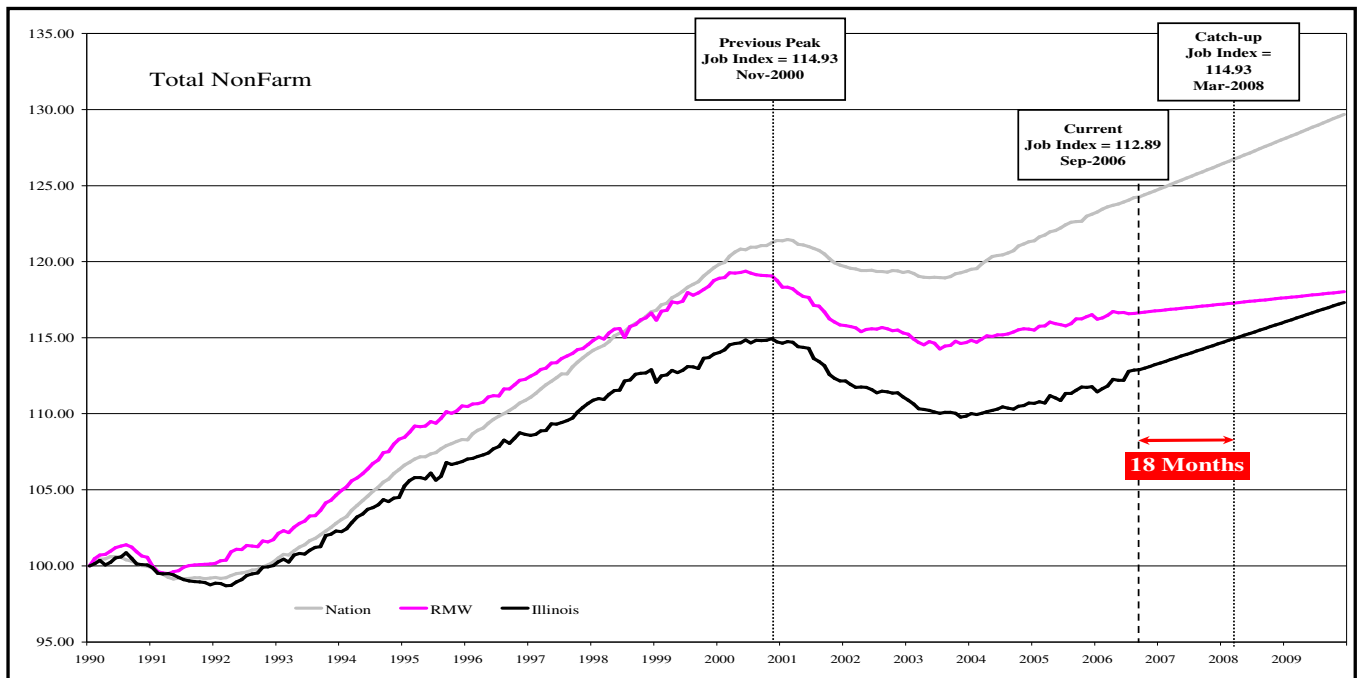
	Sep 2006	Sep 2007 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,952,500	5,974,100	+21,600	+0.36%
Construction	276,400	278,500	+2,100	+0.76%
Manufacturing	677,500	654,600	- 22,900	- 3.38%
Trade, transportation & utilities	1,202,800	1,204,200	+1,400	+0.12%
Information	116,700	113,100	- 3,600	- 3.08%
Financial Activities	412,600	413,600	+1,000	+0.24%
Professional & business services	857,900	870,000	+12,100	+1.41%
Education & health	756,900	765,400	+8,500	+1.12%
Leisure & hospitality	533,200	539,800	+6,600	+1.24%
Other services	258,600	260,400	+1,800	+0.70%
Government	849,900	851,300	+1,400	+0.16%



Monthly Illinois Economic Review

❖ **Catch-up Scenario of Previous Peak Job Index in Illinois**

	Previous Peak	Current	Catch-up	Periods for Catch-up
IL*	114.93 (Nov-2000)	112.89 (Sep-2006)	114.93 (Mar-2008)	18 months
RMW*	119.37 (Jun-2000)	116.65 (Sep-2006)	119.39 (Mar-2013)	78 months
Nation**	121.45 (Feb-2001)	124.25 (Sep-2006)	121.62 (Feb-2005)	19 months ago



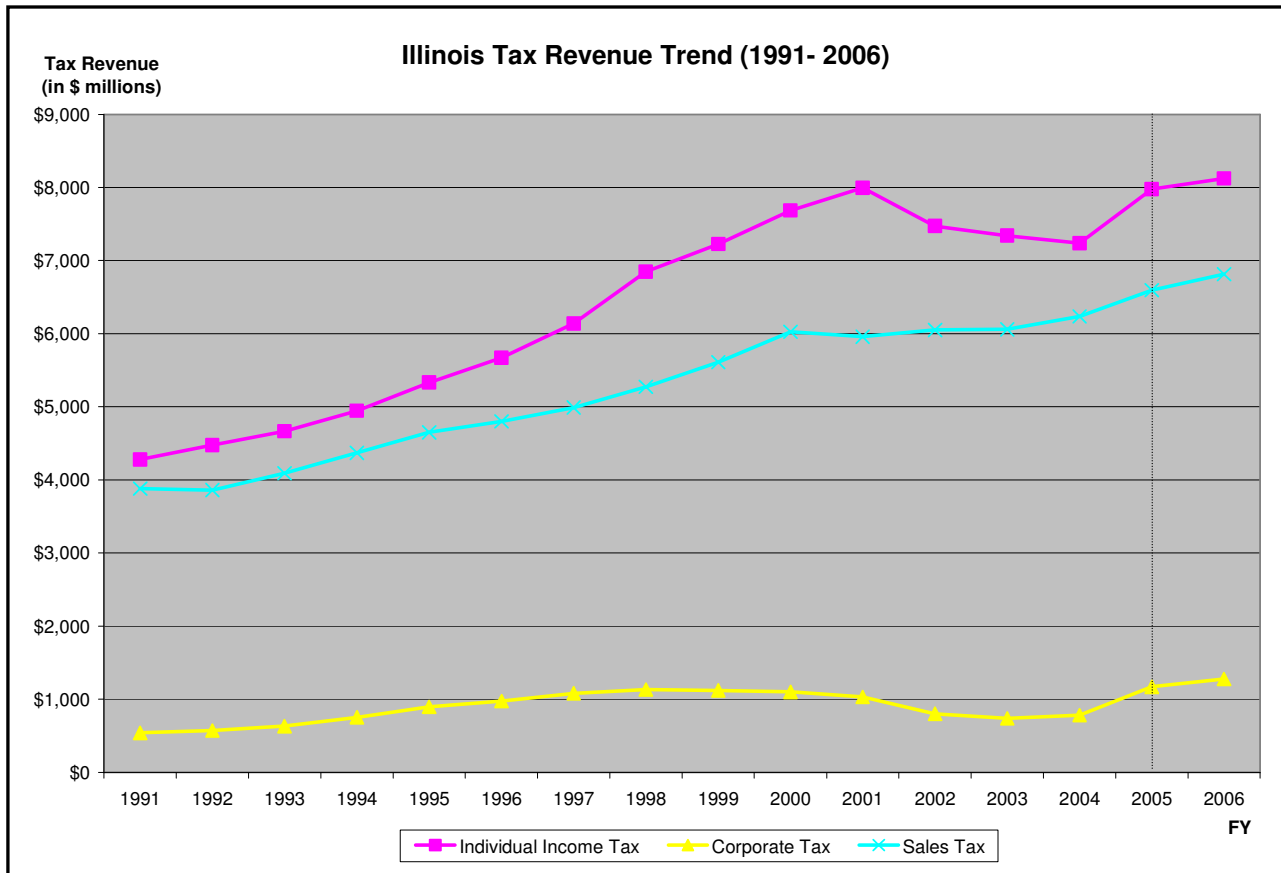
	Periods for Catch-up	
	IL	RMW
Aug-2006	16 months	44 months
Sep-2006	18 months	78 months
Difference	△ 2 months	△ 34 months

* Catch-up scenarios for Illinois and RMW are based on average monthly growth rate over the previous 12 months.

** Nation already passed its previous peak in February 2005.

Monthly Illinois Economic Review

❖ **Tax Revenue Forecast (FY 2006)**



	REAL (IGPA)	OMG*	CGFA**
Net Personal Income Tax	8,123	8,363	8,235
Net Corporate Income Tax	1,277	1,331	1,267
Sales Tax	6,815	6,915	6,873
Public Utilities Tax	1,157	1,072	1,069
Other Tax Sources	2,349	2,270	2,257
Total Net Taxes	19,721	19,951	19,701
Transfers	2,098	2,098	2,179
Federal Aid	4,791	4,791	4,791
Total Net Revenue	26,610	26,840	26,671

(unit: \$ millions)

*OMG: Office of Management and Budget

**CGFA: Commission on Government Forecasting and Accountability