

Monthly Illinois Economic Review

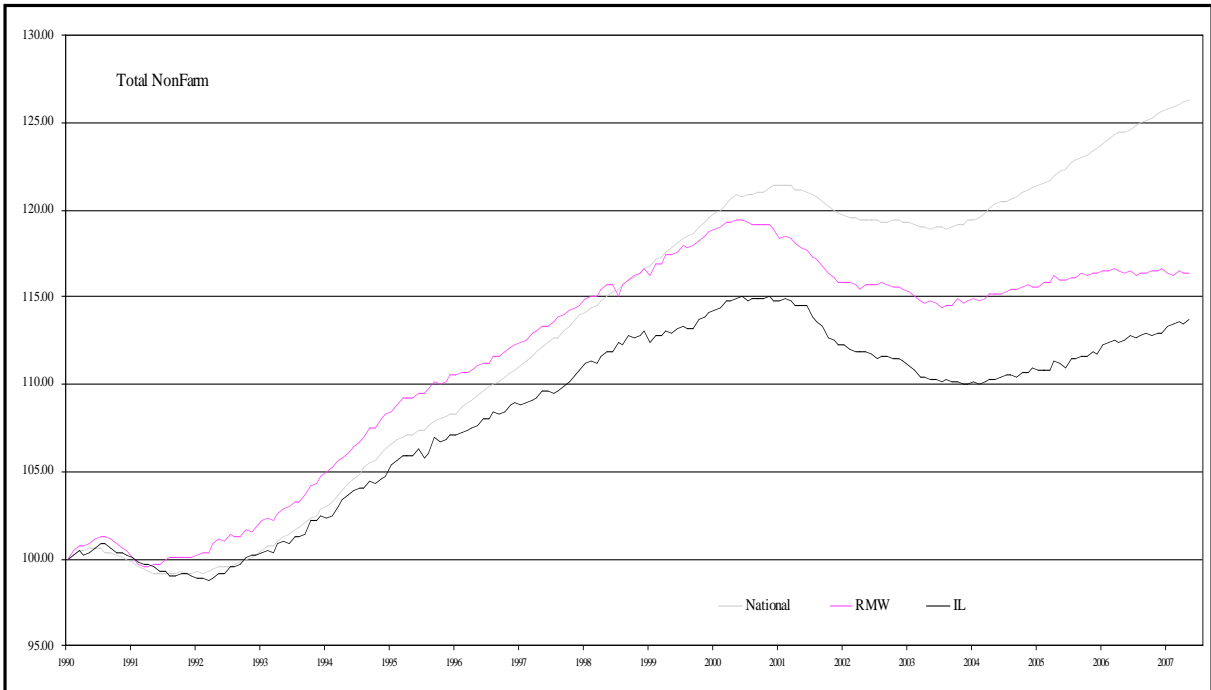
❖ **Employment**

May 2007 Positive	Total non-farm employment	Apr 2007 – May 2007		Last 12 months	
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	+0.11	+157,000	+1.42	+1,925,000
	RMW*	-0.08	-16,900	- 0.07	- 14,800
	Illinois	+0.20	+12,200	+1.11	+65,800

*RMW stands for Rest of the Midwest including six states, Indiana, Iowa, Michigan, Missouri, Ohio and Wisconsin.

Talking Points

- By adding 12,200 jobs at 0.20% in May Illinois revived to a positive trend from November 2006 that was interrupted by a net loss in April. This is the largest number of jobs added to Illinois payroll since February 2007.
- In spite of a negative rating in April, Illinois registered a healthy monthly average growth rate in 2007 of 0.13% compared to the average growth rate of 0.08% in the recent recovery period for Illinois since early 2004.
- Illinois was ahead of both the Nation and RMW in job creation performance in May for the first time since January 2007. While the Nation continued a positive rating since September 2003, RMW has experienced more frequent fluctuations with negative ratings in May and June 2007.
- In terms of 12-months job creation RMW is on a negative trend since January 2007 based on revised data. The Nation grew by 1.42% and Illinois by 1.11% while RMW registered a negative growth of 0.07%.
- Though Illinois did better than both Nation and RMW during June, since 1990 Nation gained 26.28% followed by RMW at 16.34 % and Illinois at 13.75%.



❖ Shadow Unemployment

Unemployment Rate: Official and Shadow

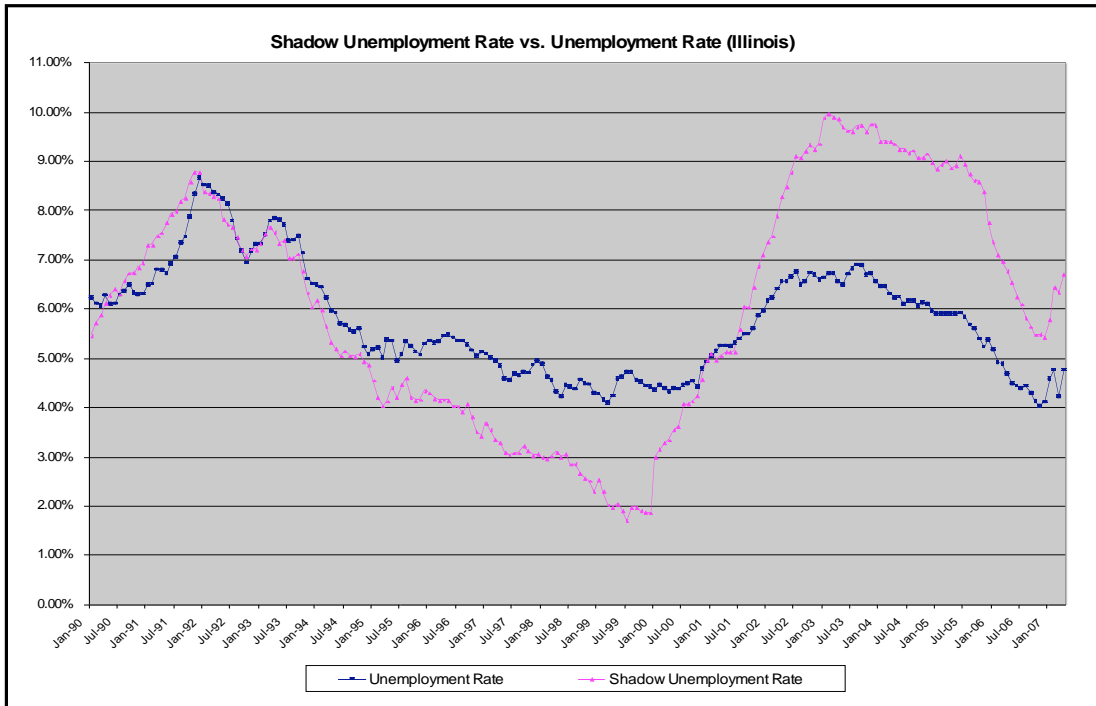
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined 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.

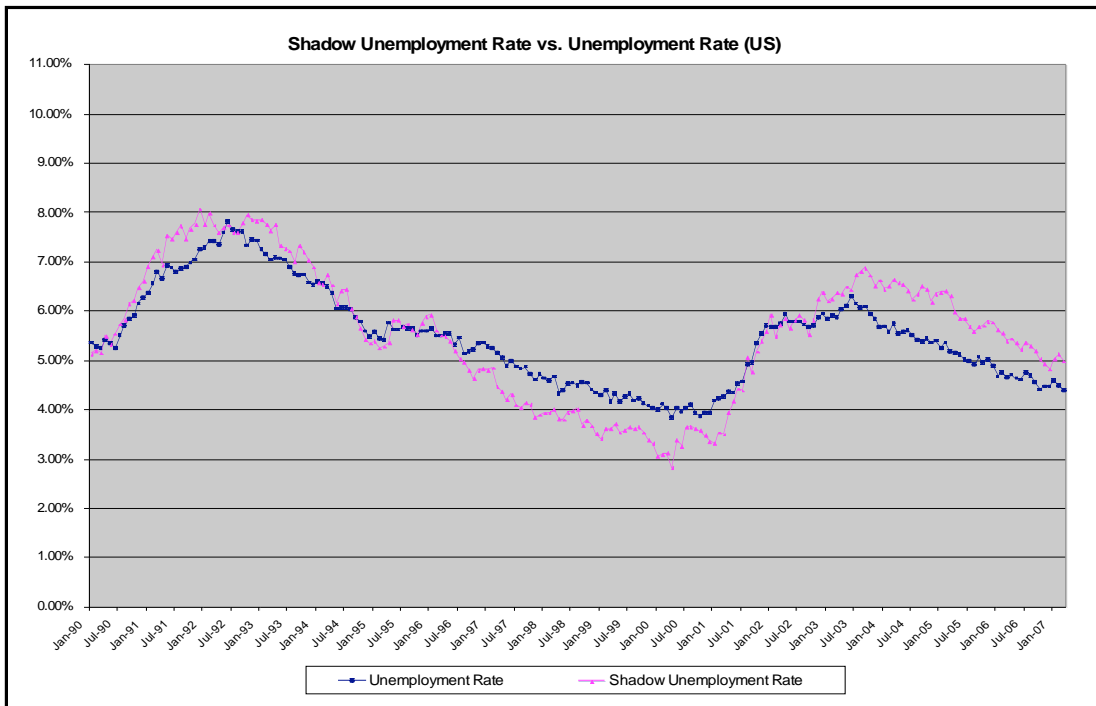
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 but recently since early 2006 the gap has decreased.
- To bring the two together a further 94,056 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

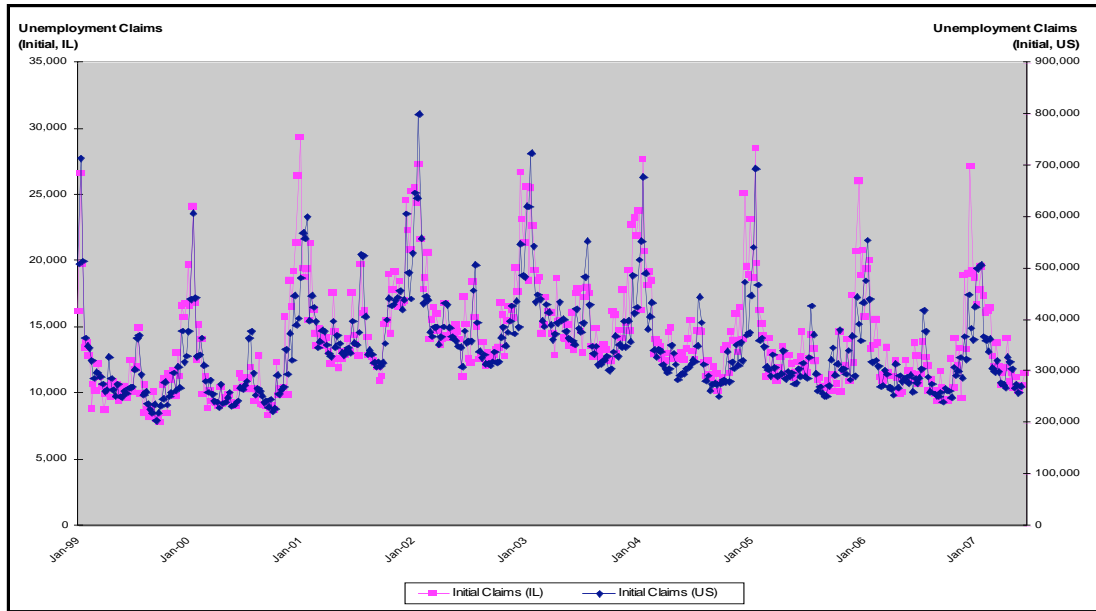
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▪ **Illinois**



▪ **US**



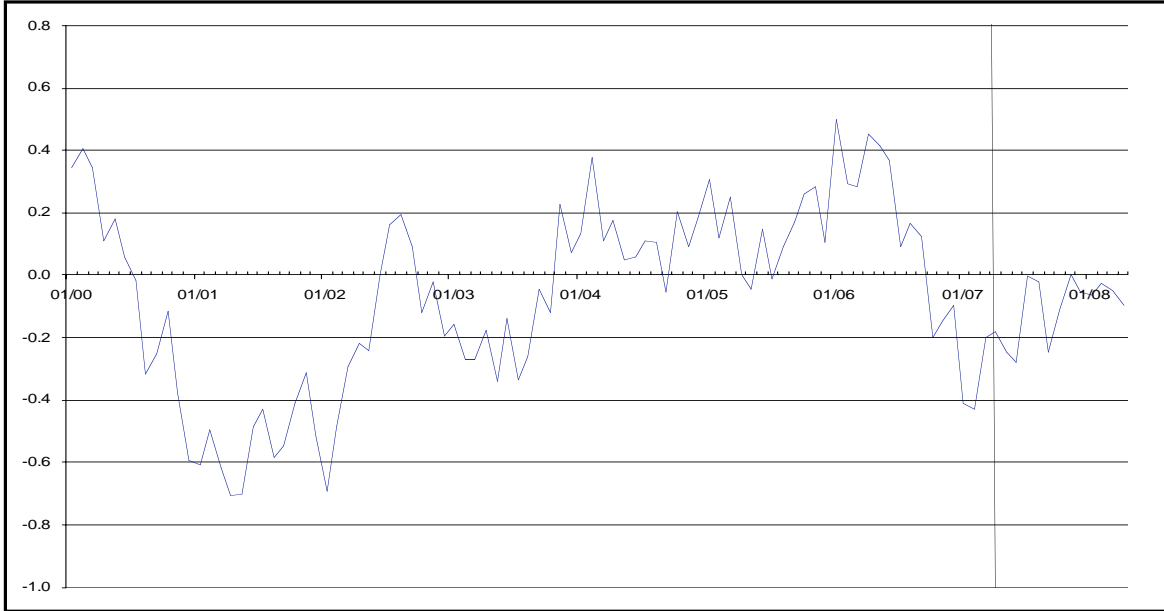
Monthly Illinois Economic Review**❖ Unemployment Claims (Initial)****❖ CBAI fell in April**

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 -0.180 in April, the seventh consecutive negative reading since October 2006.
- This was mainly attributed to the negative contribution in the consumption and manufacturing production. Considering that the CBAI leads the local business cycle and negative values of this index are associated with below-trend growth, the Chicago economy likely continues to be on a downward trend.
- The CBAI prediction also suggests that the Chicago economy will remain weak over the next 12 months.
- In April, the national economy presented mixed features. The coincident index of the Conference Board increased 0.2 percent. However, the Chicago Fed National Activity Index was -0.10, little changed from -0.11 in March. The retail sales decreased slightly at -0.09 percent.
- The economic performance in Chicago also presented mixed features in April. Though the Chicago Fed Midwest Manufacturing index and construction rose 0.6 percent and 0.55 percent respectively, the retail sales decreased 0.28 percent.
- The national economy and regional economy seem to remain on a slower economic growth trend. For the national economy, the cumulative strain of high gas prices and higher mortgage rates on the finances of households could slow the pace of consumer spending. The leading index of the Conference Board decreased 0.5 percent. For the local economy, the CBAI index suggests that economic growth will be below its historical trend, in large part because of the slowing national economic activity.

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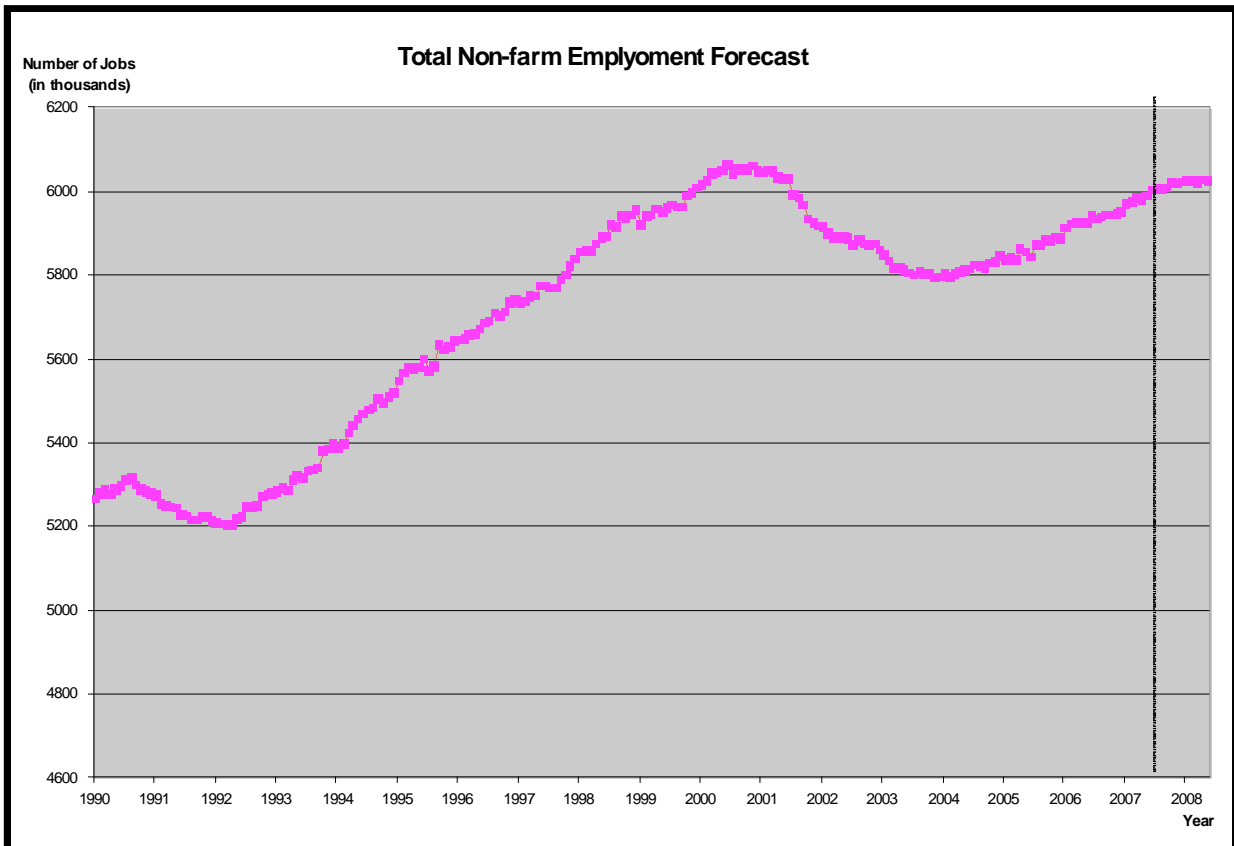
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❖ **Employment Forecast**

	May 2007	May 2008 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,989,400	6,023,100	33,700	0.56%
Construction	282,500	284,200	1,700	0.60%
Manufacturing	678,900	669,100	-9,800	-1.44%
Trade, transportation & utilities	1,202,100	1,207,200	5,100	0.42%
Information	116,400	115,800	-600	-0.52%
Financial Activities	410,400	411,400	1,000	0.24%
Professional & business services	872,000	886,300	14,300	1.64%
Education & health	776,800	783,200	6,400	0.82%
Leisure & hospitality	536,100	537,900	1,800	0.34%
Other services	260,300	262,200	1,900	0.73%
Government	843,400	836,900	-6,500	-0.77%



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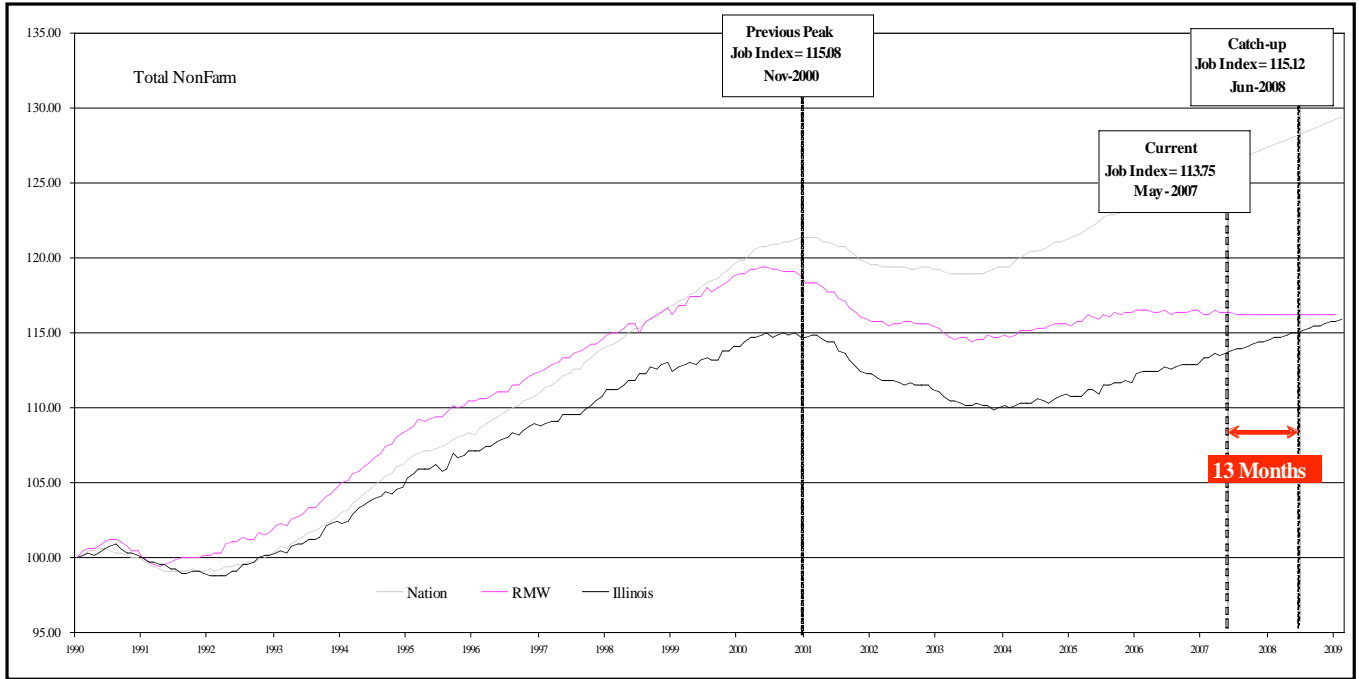
Catch-up Scenario* of Previous Peak Job Index in Illinois

	Previous Peak	Current	Catch-up	Periods for Catch-up
IL	115.08 (Nov-2000)	113.75 (May-2007)	115.12 (Jun-2008)	13 months
RMW	119.47 (Jun-2000)	116.34 (May-2007)	Zero Growth	Not Available
Nation	121.45 (Feb-2001)	126.28 (May-2007)	121.58 (Feb-2005)	27 months ago
Metro Areas**:				
Bloomington Normal	141.81 (Feb - 2002)	137.98 (Apr 2007)	141.85 (May 2013)	72 months
Champaign Urbana	116.11 (Sep 2006)	113.27 (Apr 2007)	116.11 (Jun 2011)	50 months
Chicago	114.68 (Nov 2000)	113.7 (Apr 2007)	114.71 (Apr 2008)	12 months
Devonport- Rock Island-Moline	114.73 (Nov 1999)	113.83 (Apr 2007)	114.73 (May 2009)	25 months
Decatur	112.41 (Mar 2000)	101.85 (Apr 2007)	112.48 (Jan 2014)	81 months
Kankakee	124.30 (Apr 2000)	123.18 (Apr 2007)	124.34 (Dec 2007)	8 months
Peoria	119.05 (Nov 2006)	118.73 (Apr 2007)	119.10 (Jul 2007)	3 months
Rockford	123.22 (Jul 2000)	118.1 (Apr 2007)	123.29 (Aug 2009)	28 months
Springfield	110.35 (Aug 2000)	105.36 (Apr 2007)	110.35 (Mar 2024)	203 months
Metro-East	114.73 (Jun 2001)	110.76 (Apr 2007)	Negative growth	N/A

* Catch-up scenarios are based on average monthly growth rate over the previous 12 months. Nation already passed its previous peak at February 2005.

** Due to lag of data release schedule there is one month of time lag in the catch-up scenario for metro areas.

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	Periods for Catch-up	
	IL	RMW
Apr-2007	19 months	Zero Growth
May-2007	13 months	Not Available
Difference	▽ 6 month	N/A

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MSA League Tables: Non-farm Employment Growth Rate
Monthly growth:

Rank	April 2007	May 2007	Rank
1	Decatur (0.18%)	Metro-East (0.58%)	1
2	Peoria (0.16%)	Champaign -Urbana-Rantoul (0.45%)	2
3	Rockford (0.13%)	Chicago (0.03%)	3
4	Chicago (0.03%)	Peoria (0%)	4
5	Davenport -Rock Island -Moline (-0.21%)	Davenport -Rock Island -Moline (-0.11%)	5
6	Metro-East (-0.25%)	Springfield (-0.18%)	6
7	Springfield (-0.44%)	Decatur (-0.18%)	7
8	Kankakee (-0.45%)	Kankakee (-0.23%)	8
9	Bloomington -Normal (-0.66%)	Rockford (-0.25%)	9
10	Champaign -Urbana-Rantoul (-1.32%)	Bloomington -Normal (-0.33%)	10

Growth over last 12-months:

Rank	April 2007	May 2007	Rank
1	Rockford (1.92%)	Rockford (1.21%)	1
2	Kankakee (1.38%)	Kankakee (1.15%)	2
3	Peoria (1.31%)	Peoria (1.09%)	3
4	Decatur (1.29%)	Chicago (1.04%)	4
5	Chicago (0.94%)	Decatur (0.92%)	5
6	Bloomington -Normal (0.56%)	Metro-East (0.88%)	6
7	Davenport -Rock Island -Moline (0.37%)	Champaign -Urbana-Rantoul (0.54%)	7
8	Springfield (0.27%)	Bloomington -Normal (0.22%)	8
9	Champaign -Urbana-Rantoul (0.18%)	Springfield (0.09%)	9
10	Metro-East (-0.21%)	Davenport -Rock Island -Moline (-0.05%)	10

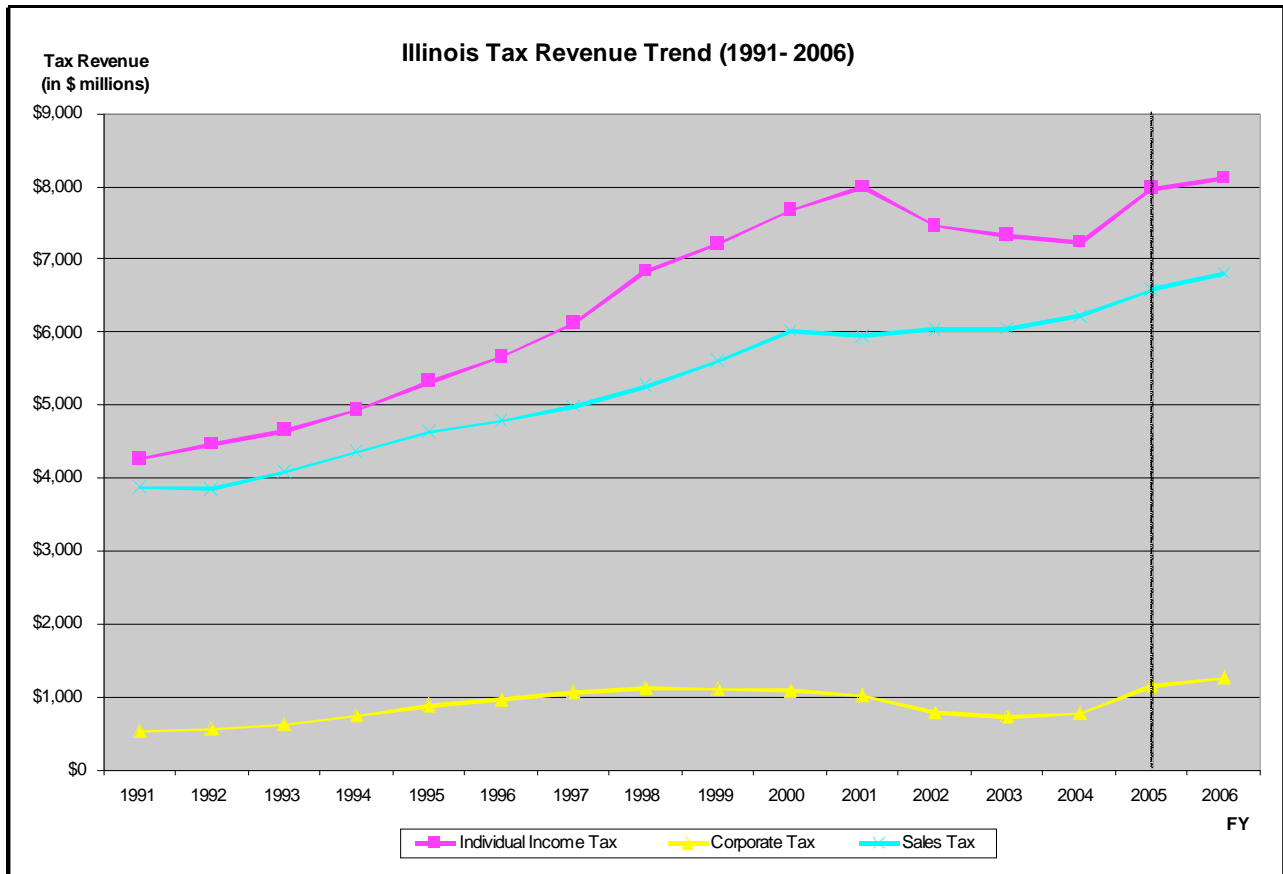
Talking Points

MSA League Tables

- The top three performers in April, Decatur, Peoria and Rockford slipped in May while Champaign-Urbana jumped from last place to second
- Metro-East moved from sixth to first place
- For the last 12 months growth league table, the top three performers in April, Rockford, Kankakee and Peoria, retained their positions.
- The greatest leap in the rankings was made by Metro-East and the greatest decline by Davenport-Rock Island-Moline
- Decatur (4th to 5th), Bloomington-Normal (6th to 8th), Davenport-Rock Island-Moline (7th to 10th) and Springfield (8th to 9th) all lost ground
- In contrast, Chicago (5th to 4th), Champaign-Urbana (9th to 7th) and Metro-East (10th to 6th) all gained

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❖ **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