

Monthly Illinois Economic Review

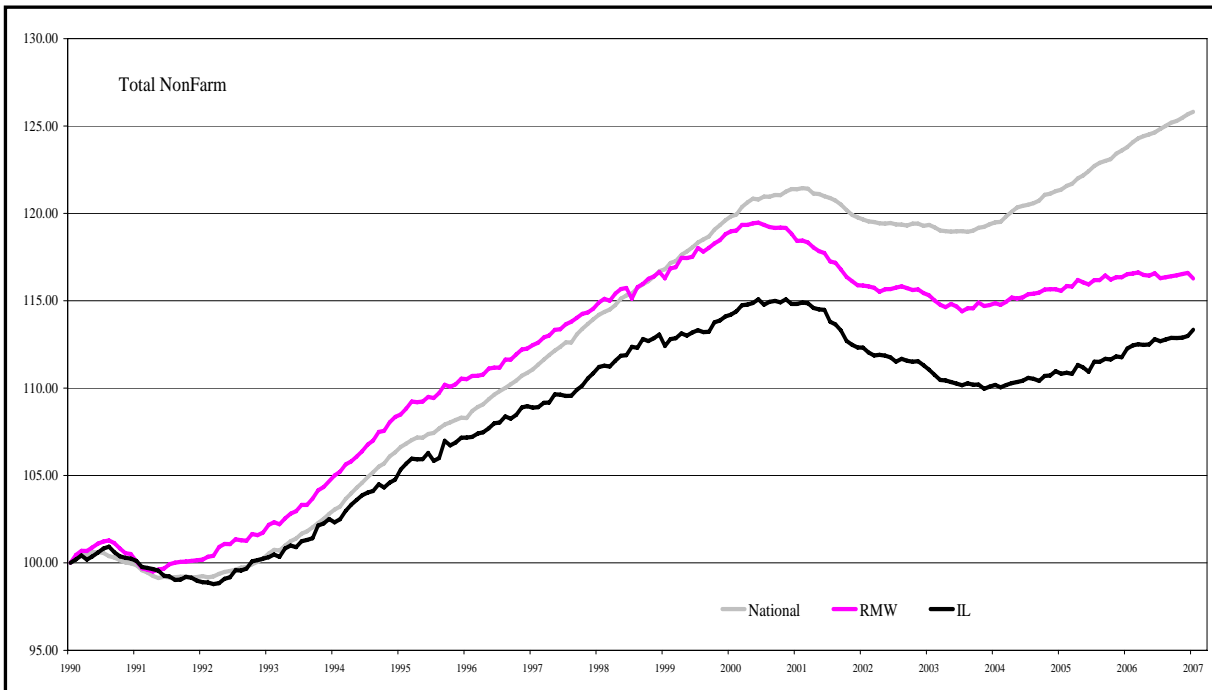
❖ **Employment**

January 2007 Positive	Total non-farm employment	Dec 2006 – Jan 2007		Last 12 months	
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	+0.11	+146,000	+1.63	+2,203,000
	RMW*	- 0.29	- 56,800	- 0.21	- 42,200
	Illinois	+0.32	+18,800	+0.96	+56,600

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

Talking Points

- Illinois recorded a 0.32% growth in January by adding 18,800 jobs the highest gain since February 2006. This growth, according to revised data, allowed Illinois to maintain a positive rating for the third consecutive month.
- The growth rate in January was four times the average growth rate of 0.08% in the recent recovery period for Illinois since early 2004.
- Total 2,203,000 job creation over the last 12-month period for the US is the minimum for any comparable period since July 2005.
- Due to good performance in January, Illinois performed better than both the Nation and RMW during this month. However, while the nation had a 0.11% growth in employment, RMW registered a 0.29% decline.
- Over the last 12-month period, the nation grew by 1.63% which is faster than 0.96% growth of Illinois. RMW, however, experienced a net loss of 0.21%. For RMW this is the highest rate of decline since March 2004.
- As regards 12-month's job creation, Illinois has developed a significant growth advantage over the RMW.



❖ Shadow Unemployment

Unemployment Rate: Official and Shadow

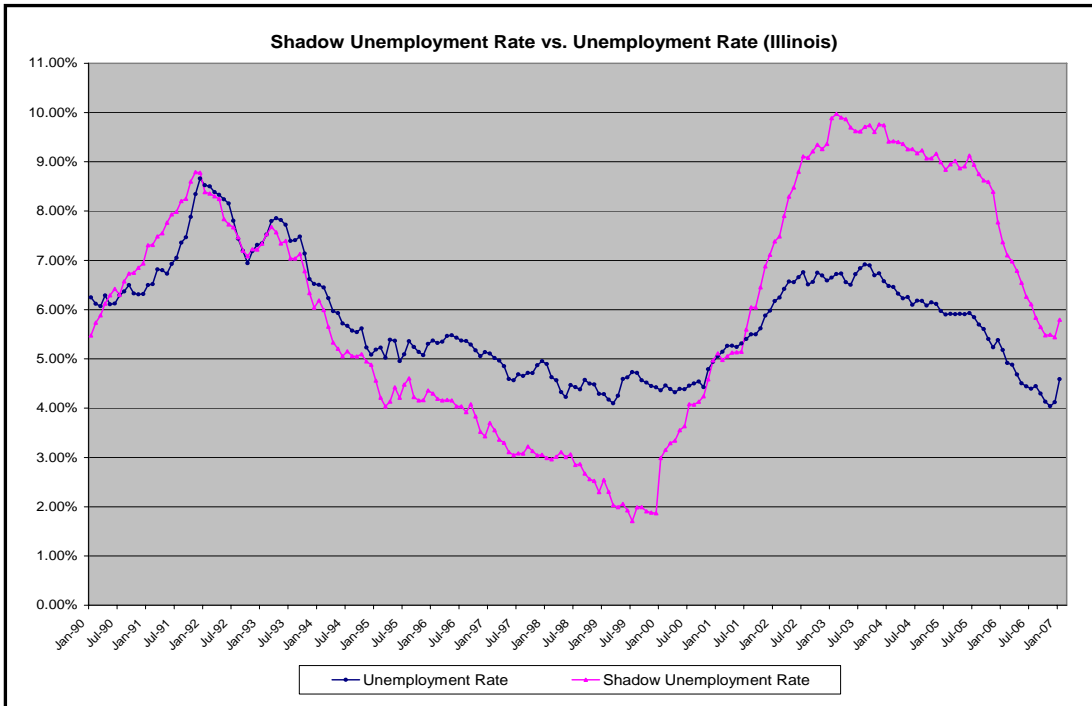
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

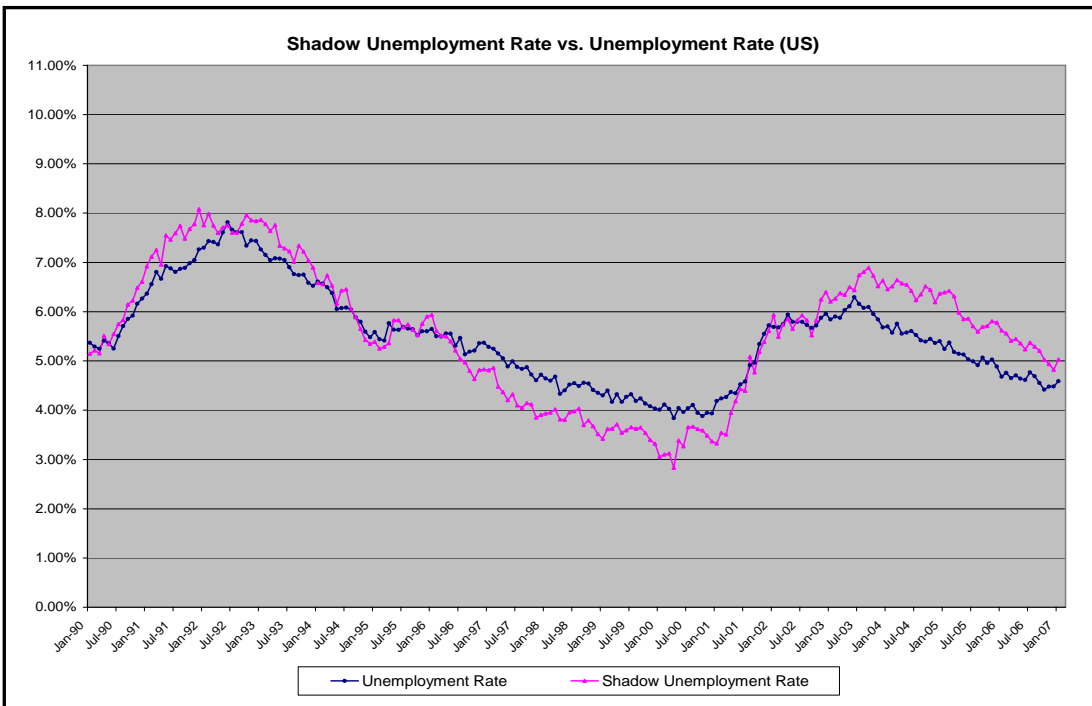
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 the early 2006 the gap has decreased.
- To bring the two together a further 82,010 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

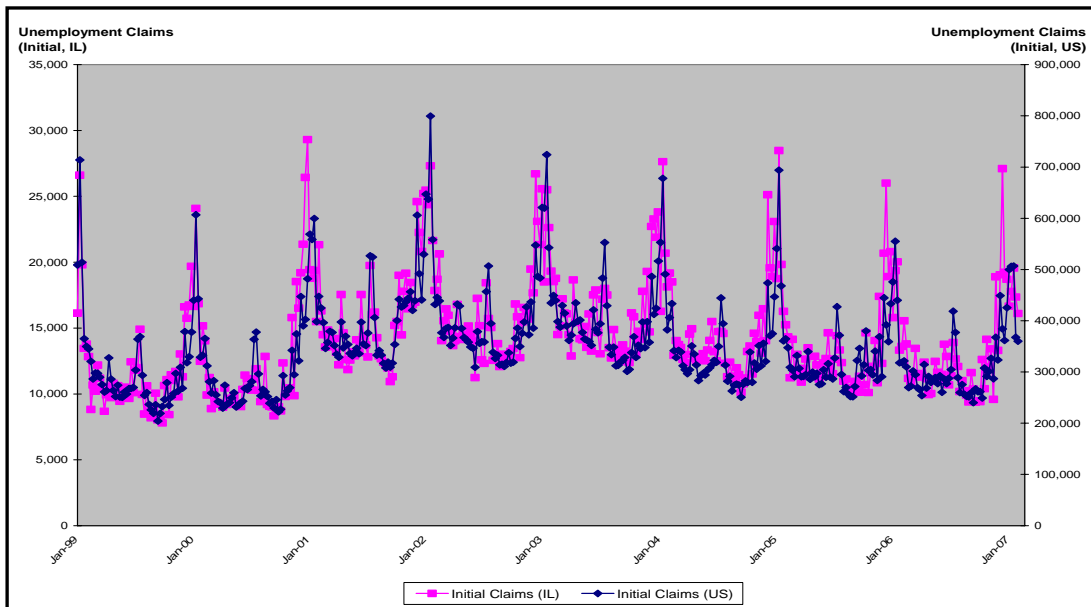
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■ **Illinois**



■ **US**



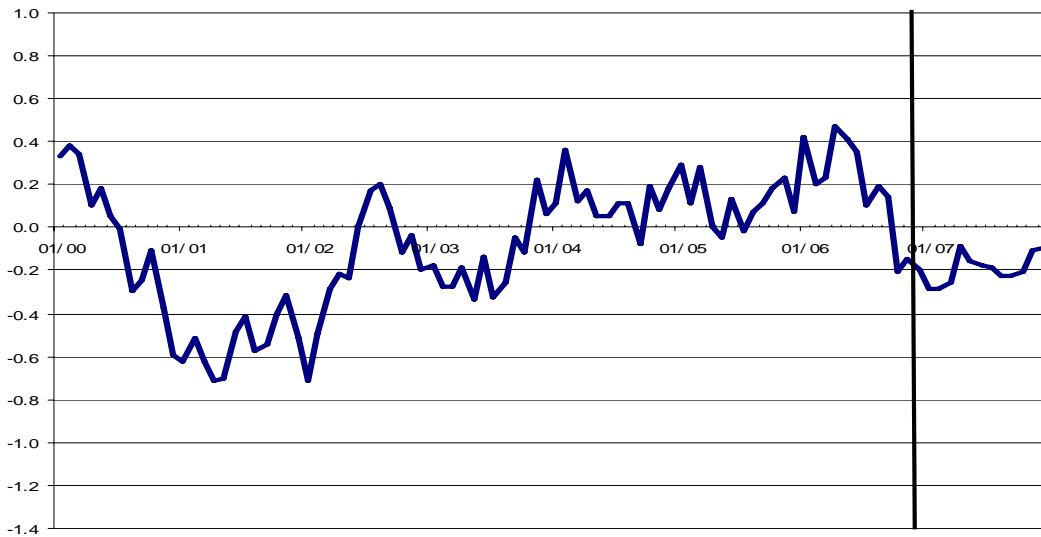
Monthly Illinois Economic Review**❖ Unemployment Claims (Initial)****❖ CBAI in December**

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 -0.191 in December 2006, the third consecutive negative reading since October 2006.
- This was mainly attributed to the decrease of construction and retail sales. Considering that the CBAI leads the local business cycle and negative values of this index are associated with below-trend growth, the Chicago economy seems to be on a downward trend.
- The CBAI prediction also suggests the further decline in the growth of economic activities over the next 12 months.
- In December, the national economy showed mixed features. Construction and manufacturing employment continued their downward trends by decreasing 2.5 percent and 0.1 percent, respectively, reflecting a slump in the housing market and a slowdown in manufacturing activity. However, retail sales and non-manufacturing employment increased 0.7 percent and 0.2 percent, respectively.
- The economic performance in Chicago presented mixed features in December. Both construction and retail sales decreased 0.4 percent. However, the Chicago Fed Midwest Manufacturing Index increased 0.6 percent, with a slight gain in employment for both manufacturing and non-manufacturing.
- The national economy and regional economy seem to continue on a slower economic growth trend. However, for the national economy, the strengths among the main economic indicators have been widespread in recent months. The leading index of the Conference Board increased 0.3 percent in December, and Consumer Sentiment of University of Michigan Surveys of Consumers rose in January to its highest in two years on favorable expectations for the national economy. For the local economy, overall assessment of current conditions are relatively worse compared with the nation. The Chicago Business Barometer of the National Association of Purchasing Management-Chicago fell below neutral, ending 43 months of positive reading.

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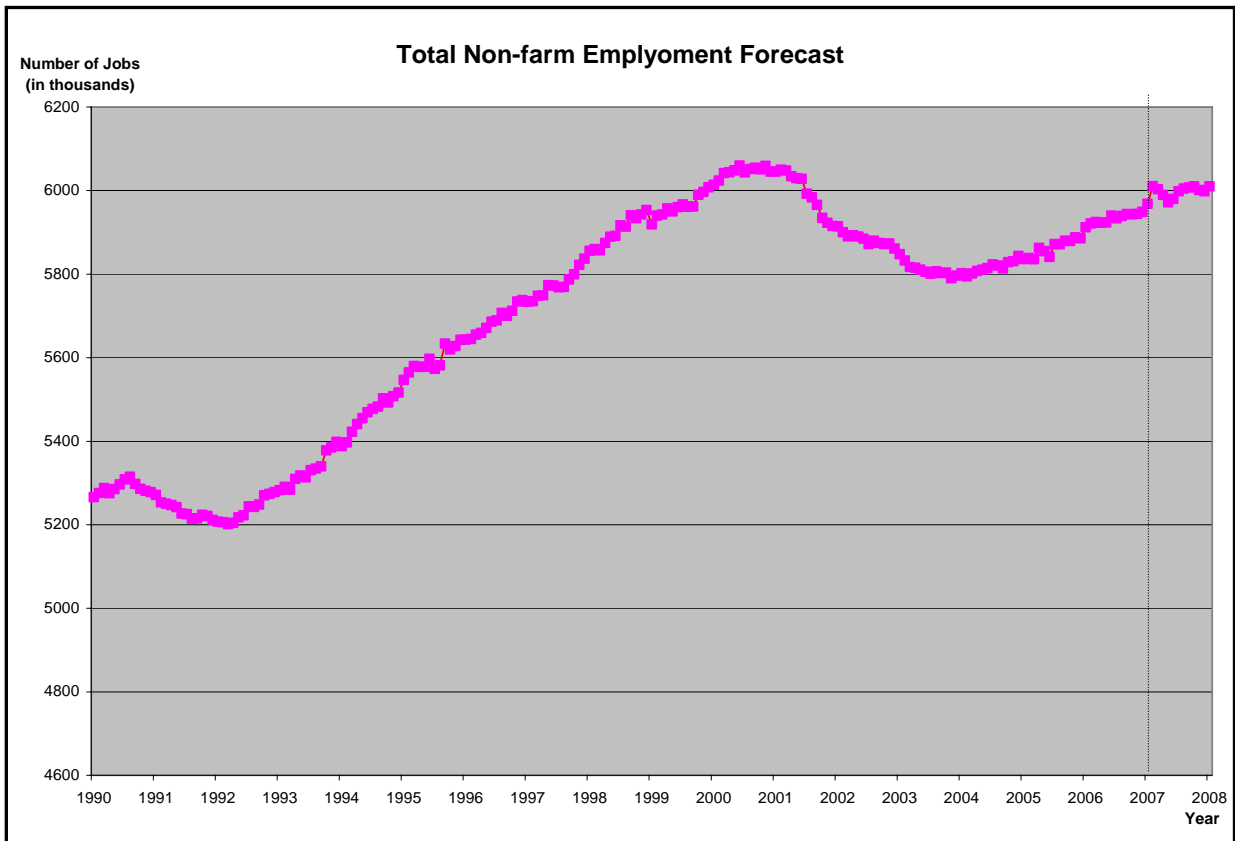
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❖ **Employment Forecast**

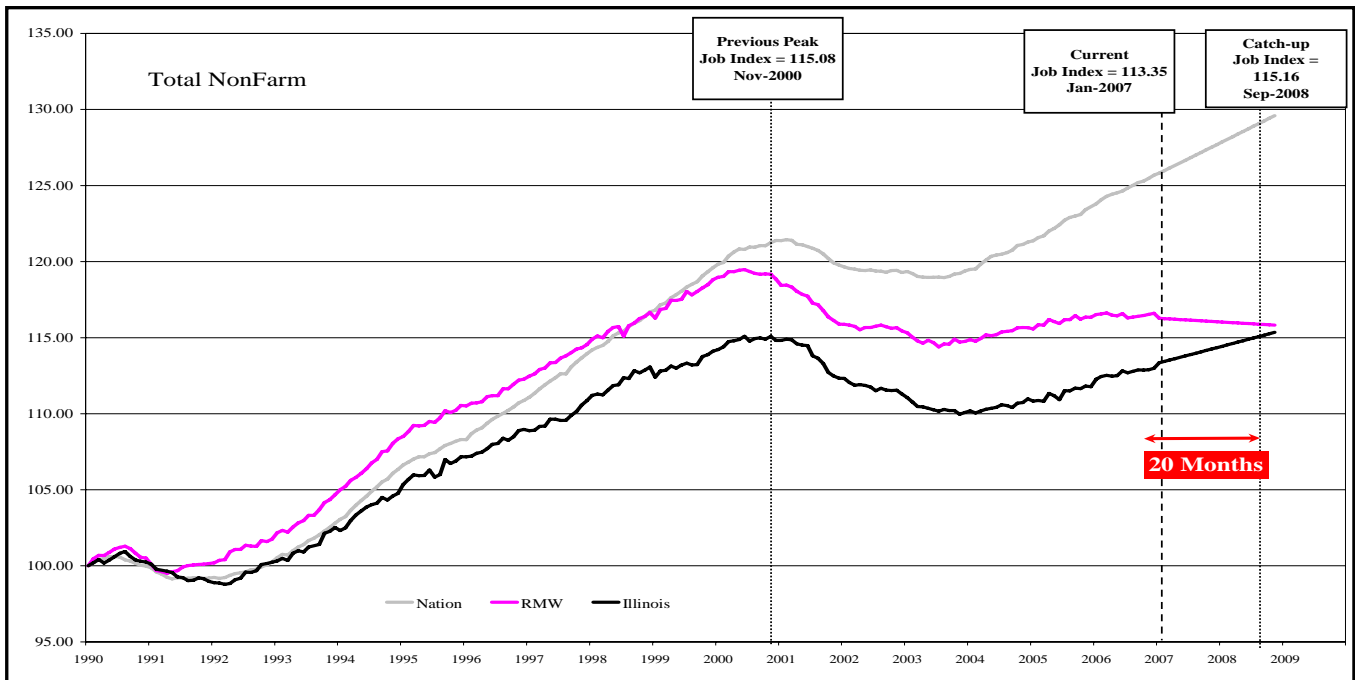
	Jan 2007	Jan 2008 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,968,300	6,009,700	+41,400	+0.69%
Construction	281,300	283,000	+1,700	+0.59%
Manufacturing	680,900	670,100	- 10,800	- 1.58%
Trade, transportation & utilities	1,202,600	1,208,500	+5,900	+0.49%
Information	116,600	115,900	- 700	- 0.57%
Financial Activities	409,000	410,200	+1,200	+0.30%
Professional & business services	861,700	872,600	+10,900	+1.27%
Education & health	772,300	778,100	+5,800	+0.75%
Leisure & hospitality	531,800	534,200	+2,400	+0.46%
Other services	261,000	262,300	+1,300	+0.51%
Government	840,800	841,100	+300	+0.03%



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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)	113.35 (Jan-2007)	115.16 (Sep-2008)	20 months
RMW*	119.47 (Jun-2000)	116.27 (Jan-2007)	Negative Growth	Not Available
Nation**	121.45 (Feb-2001)	125.81 (Jan-2007)	121.62 (Feb-2005)	23 months ago



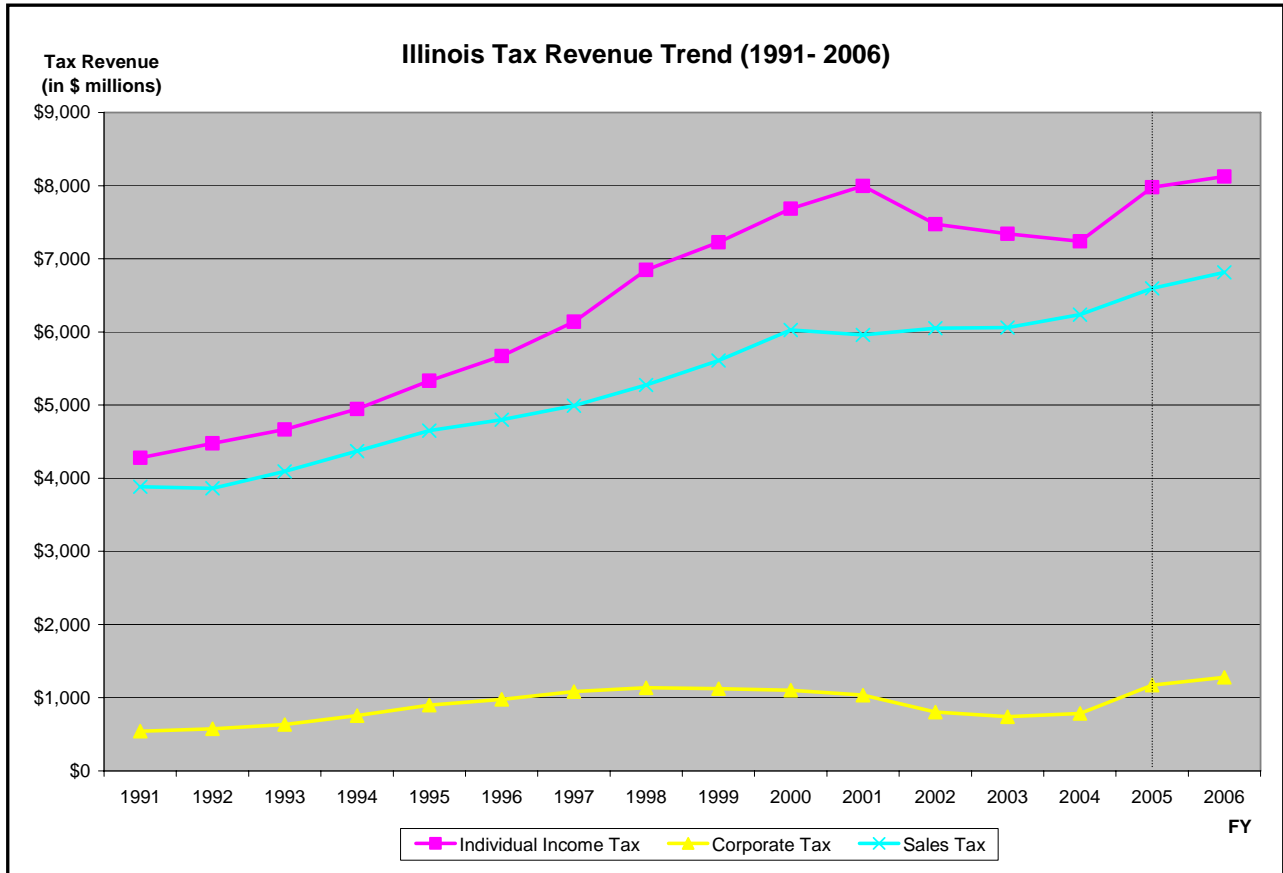
	Periods for Catch-up	
	IL	RMW
Dec-2006	19 months	87 months
Jan-2007	20 months	Negative Growth
Difference	Δ 1 month	N/A

* 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.

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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