

Monthly Illinois Economic Review

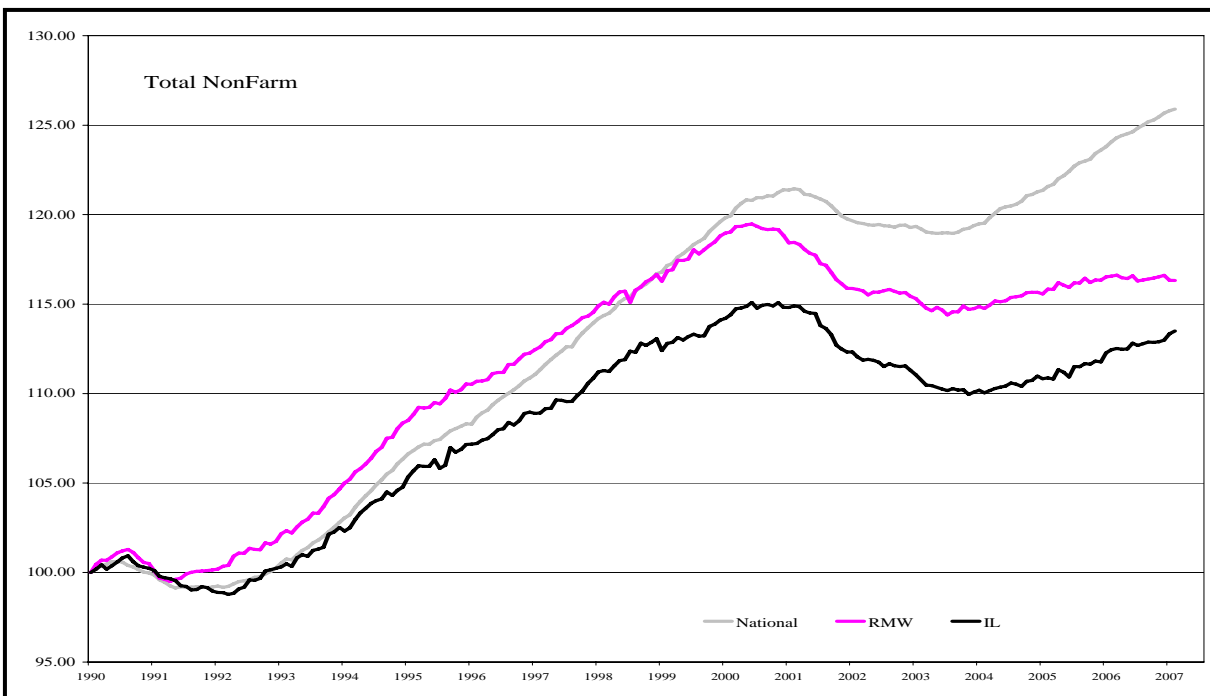
❖ **Employment**

February 2007 Positive	Total non-farm employment	Jan 2007 - Feb 2007		Last 12 months	
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	+0.07	+97,000	+1.48	+2,000,000
	RMW*	-0.001	- 200	- 0.20	- 40,200
	Illinois	+0.13	+7,700	+0.94	+55,400

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

Talking Points

- By adding 7,700 new jobs at 0.13% in February Illinois maintained a positive rating for fourth consecutive months since November 2006.
- Though the February growth rate was less than that of January it was above the average growth rate of 0.08% in the recent recovery period for Illinois since early 2004.
- As happened in January, a good performance in February enabled Illinois to perform better than both Nation and RMW. Nation grew by 0.07% while RMW registered a 0.001% decline.
- In terms of 12-month's job gain, however, Nation is still ahead of both Illinois and the RMW according to February data.
- Over the last 12 month Illinois created 55,400 jobs at 0.94% which is the lowest since January 2006. In that period, the nation gained 200,000 jobs, the smallest gain observed since October 2004. RMW, however, continued a negative rating by losing 40,200 jobs over the last 12 months.
- Illinois' growth advantage over the RMW was further strengthened in February due to good performance of Illinois coupled with a net loss of RMW. As a result, the gap in job index of RMW and Illinois came down to the minimum since January 1993.



❖ Shadow Unemployment

Unemployment Rate: Official and Shadow

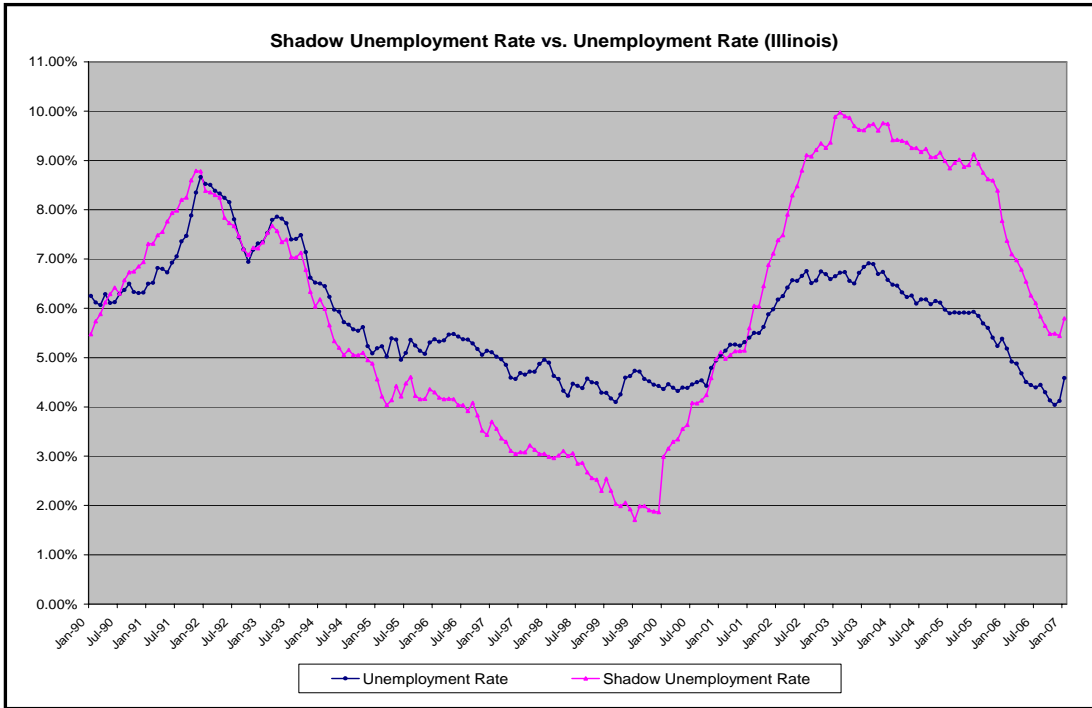
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

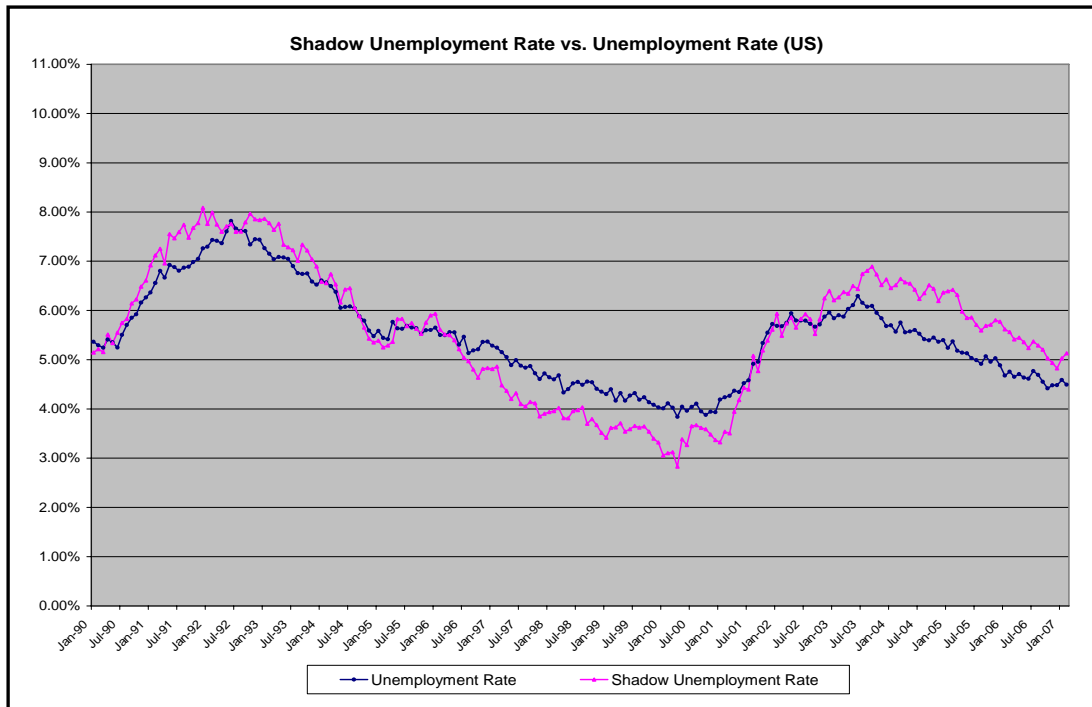
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 113,543 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

Monthly Illinois Economic Review

■ **Illinois**

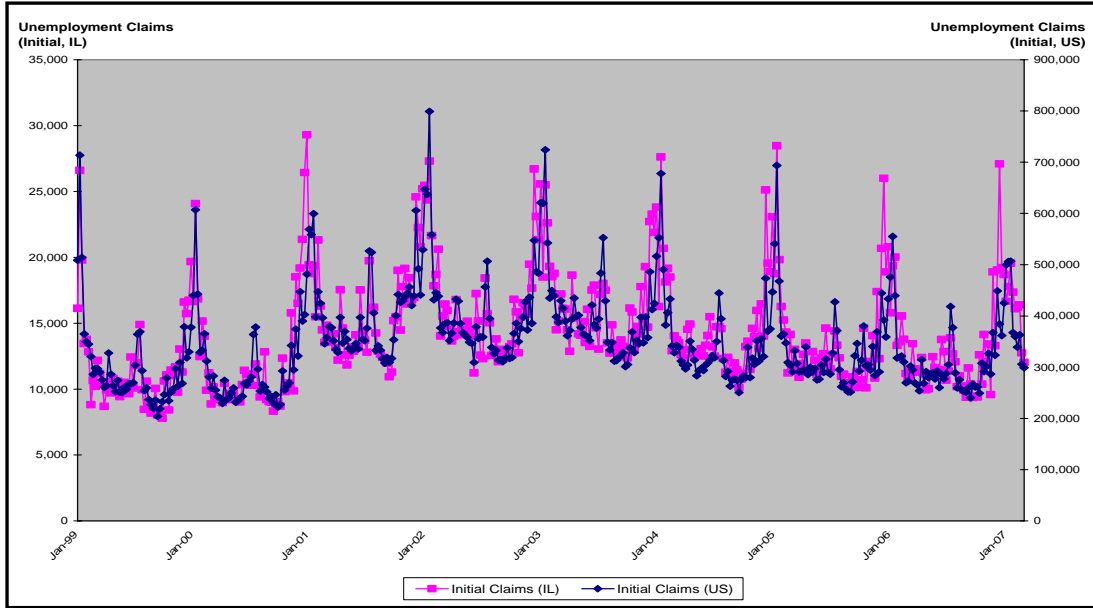


■ **US**



Monthly Illinois Economic Review

❖ **Unemployment Claims (Initial)**



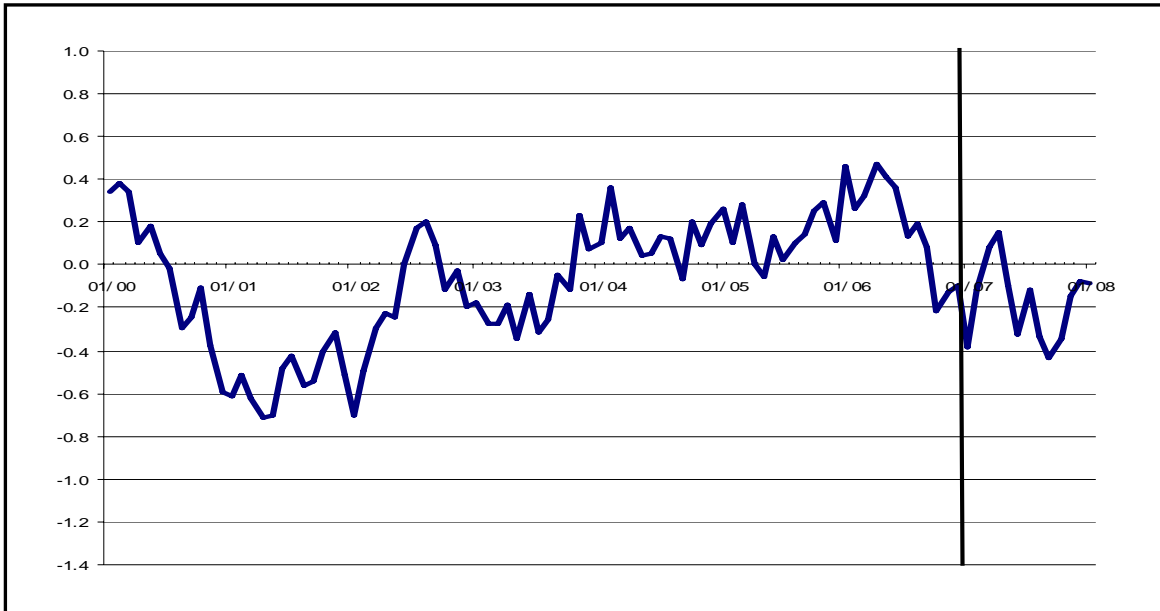
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This index is based on national indices of leading indicators and is a barometer for the economy, tracing the path of growth or contraction through to the current period and then forecasts up to 24 months into the future.

- The Chicago Business Activity Index (CBAI) was -0.386 in January, the fourth consecutive negative reading since October 2006.
- This was mainly attributed to the decrease of manufacturing production, and to the weak national economic performance. 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 continue on a downward trend.
- The CBAI prediction also suggests the Chicago economy likely remains weak over the next 12 months.
- In January, the national economy showed mixed features. The Chicago Fed National Activity Index was -0.74, down from 0.36 in December 2006. And, the construction decreased 9.3 percent, reflecting the ongoing slump in the housing market. However, the coincident index of the Conference Board rose to 110.3 from 110.0 in December 2006.
- The economic performance in Chicago presented mixed features in January. The Chicago Fed Midwest Manufacturing Index fell 2.3 percent. However, both retail sales and construction increased 0.6 percent.
- 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.

Monthly Illinois Economic Review

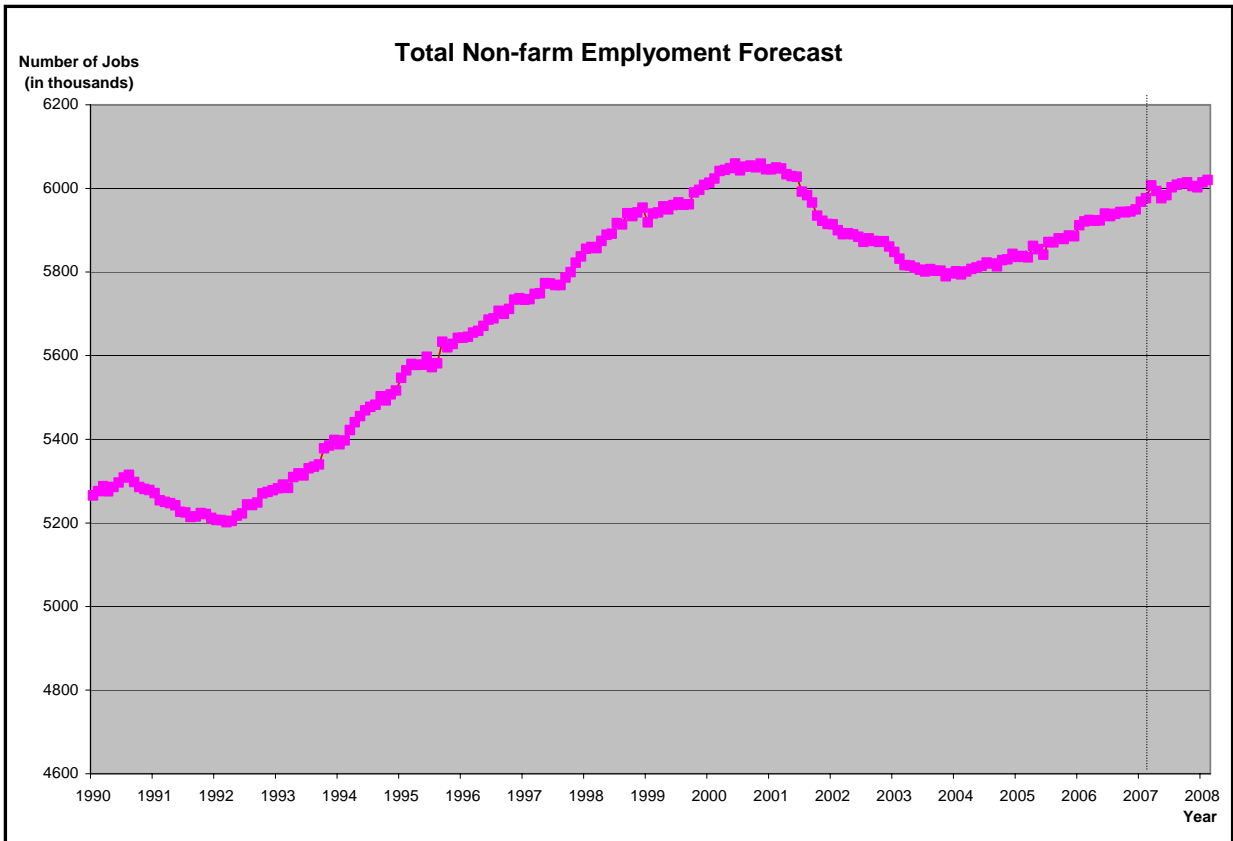
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Monthly Illinois Economic Review

❖ **Employment Forecast**

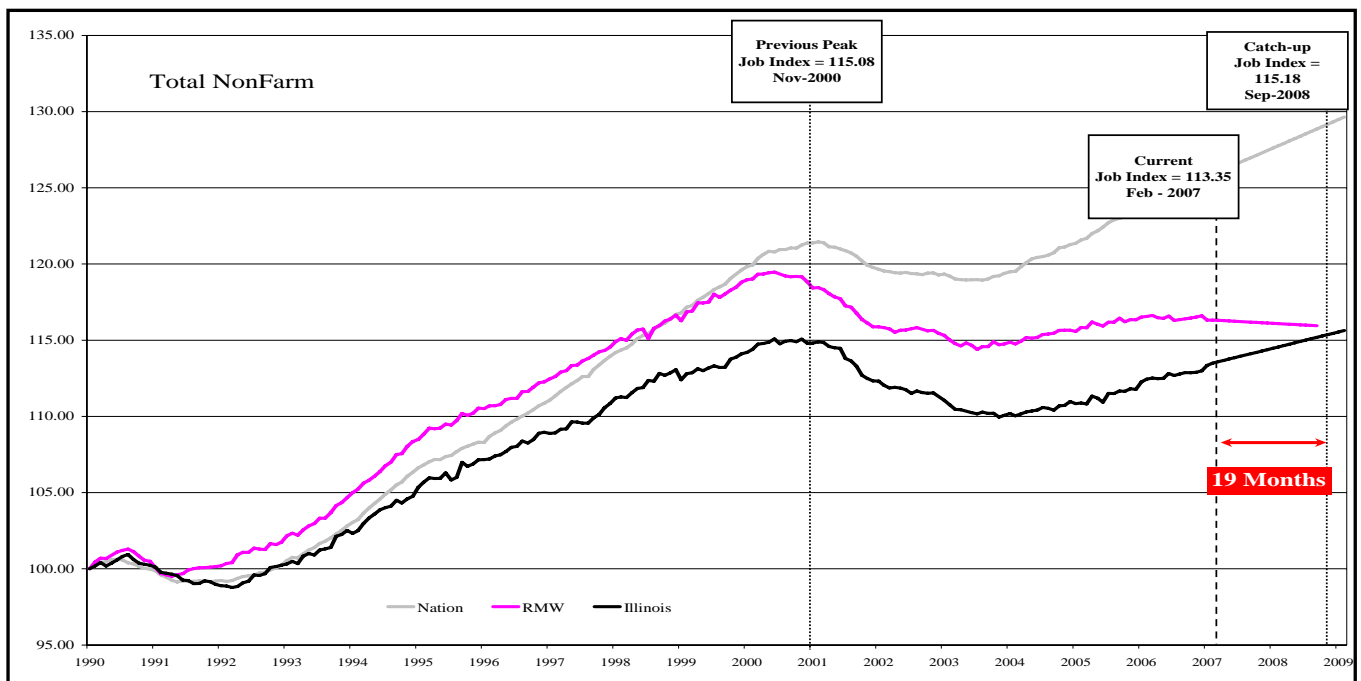
	Feb 2007	Feb 2008 (p)	Number of Jobs	Growth Rate %
Total non-farm	5976300	6020121	+43821.1	+0.73%
Construction	281100	282924	+1824.4	+0.65%
Manufacturing	679400	669589	-9811.5	-1.44%
Trade, transportation & utilities	1198900	1206469	+7569.2	+0.63%
Information	116500	115974	-526.1	-0.45%
Financial Activities	411100	411857	+757.3	+0.18%
Professional & business services	865000	879517	+14517.3	+1.68%
Education & health	775400	781089	+5688.7	+0.73%
Leisure & hospitality	534700	537912	+3211.8	+0.60%
Other services	260200	262129	+1929.0	+0.74%
Government	844800	842726	-2074.2	-0.25%



Monthly Illinois Economic Review

❖ 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 (Feb-2007)	115.18 (Sep-2008)	19 months
RMW*	119.47 (Jun-2000)	116.27 (Feb-2007)	Negative Growth	Not Available
Nation**	121.45 (Feb-2001)	125.90 (Feb-2007)	121.62 (Feb-2005)	24 months ago



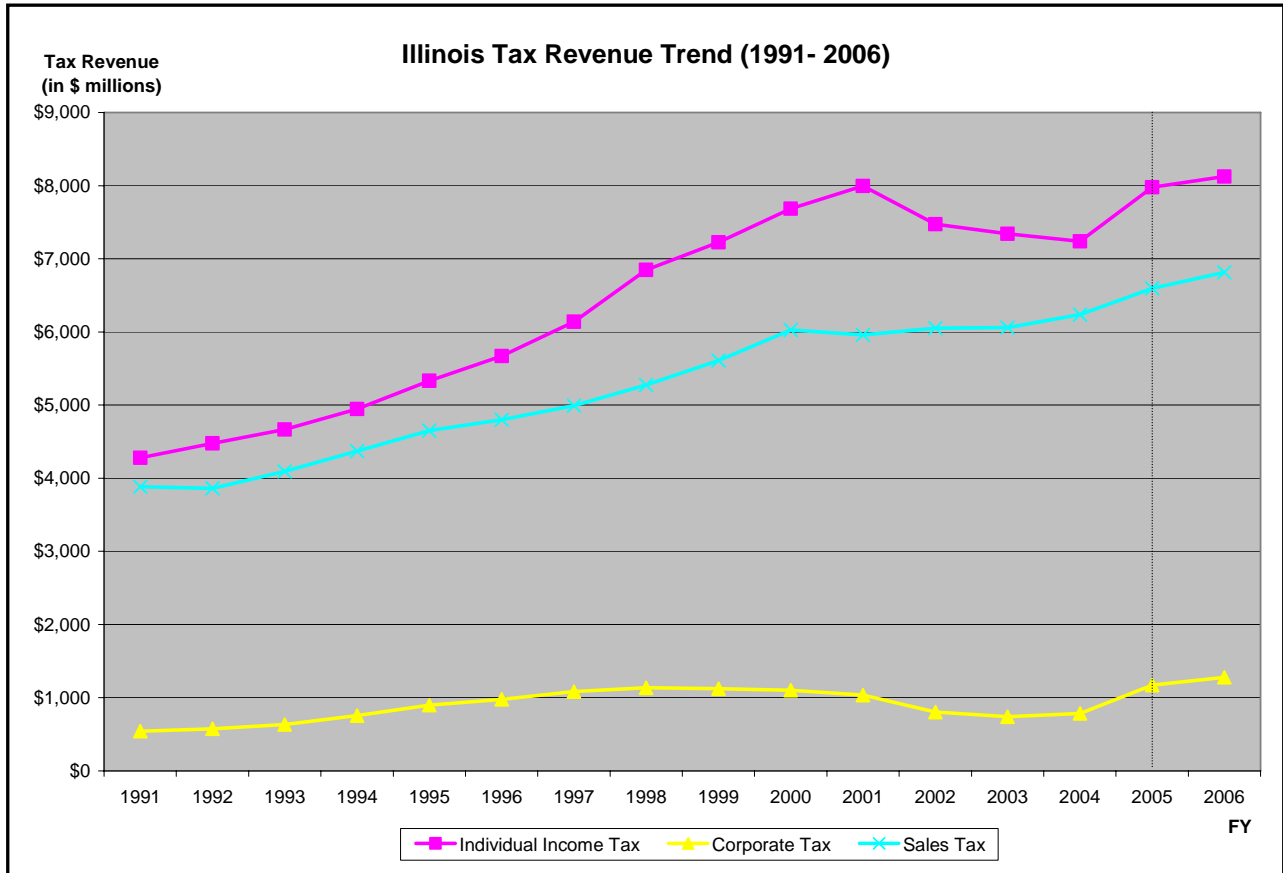
	Periods for Catch-up	
	IL	RMW
Jan-2007	20 months	Negative Growth
Feb-2007	19 months	Negative Growth
Difference	∇ 1 month	N/A

* 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.

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