

Monthly Illinois Economic Review

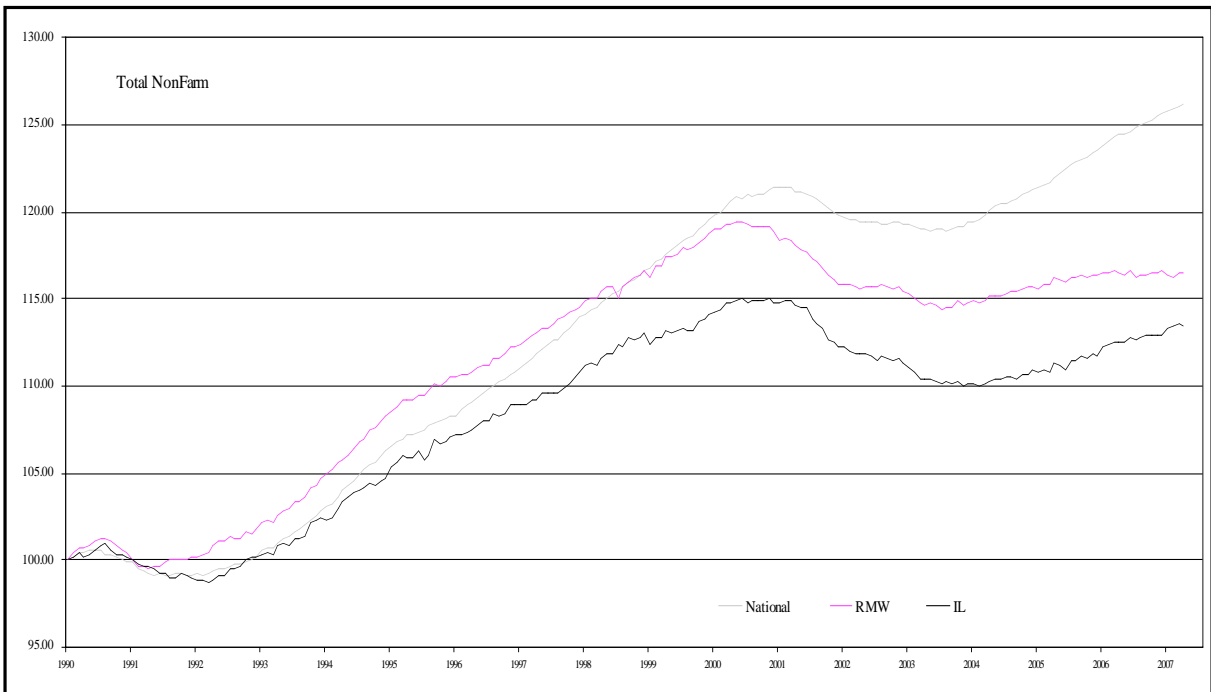
❖ **Employment**

April 2007 Positive	Total non-farm employment	Mar 2007 – Apr 2007		Last 12 months	
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	+0.06	+88,000	+1.39	+1,881,000
	RMW*	-0.04	-7,600	+0.02	+3,700
	Illinois	-0.10	-6,100	+0.92	+54,300

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

Talking Points

- After five months of steady growth since November 2006 Illinois registered a negative rating in April at -0.10% by losing 6,100 jobs. This is the largest number of jobs lost in one month since August 2006.
- In spite of this decline in April, monthly average growth rate in 2007 of 0.11% for Illinois is still higher than the average growth rate of 0.08% in the recent recovery period for Illinois since early 2004.
- Illinois' performance in job creation in April remains behind both Nation and RMW as was in March. However, while Nation continued a positive rating RMW switched to negative in April.
- As regards 12-months job creation RMW revived to a net gain after three months of negative rating. Nation grows fastest at 1.39% followed by Illinois which grows at 0.92%. RMW remains behind them with a 0.02% growth in April.
- While RMW did better than Illinois in March and April, in terms of 12-months job gain Illinois is ahead of RMW since July 2006. Over last 12-month Illinois created about 14 times more jobs than RMW.



❖ Shadow Unemployment

Unemployment Rate: Official and Shadow

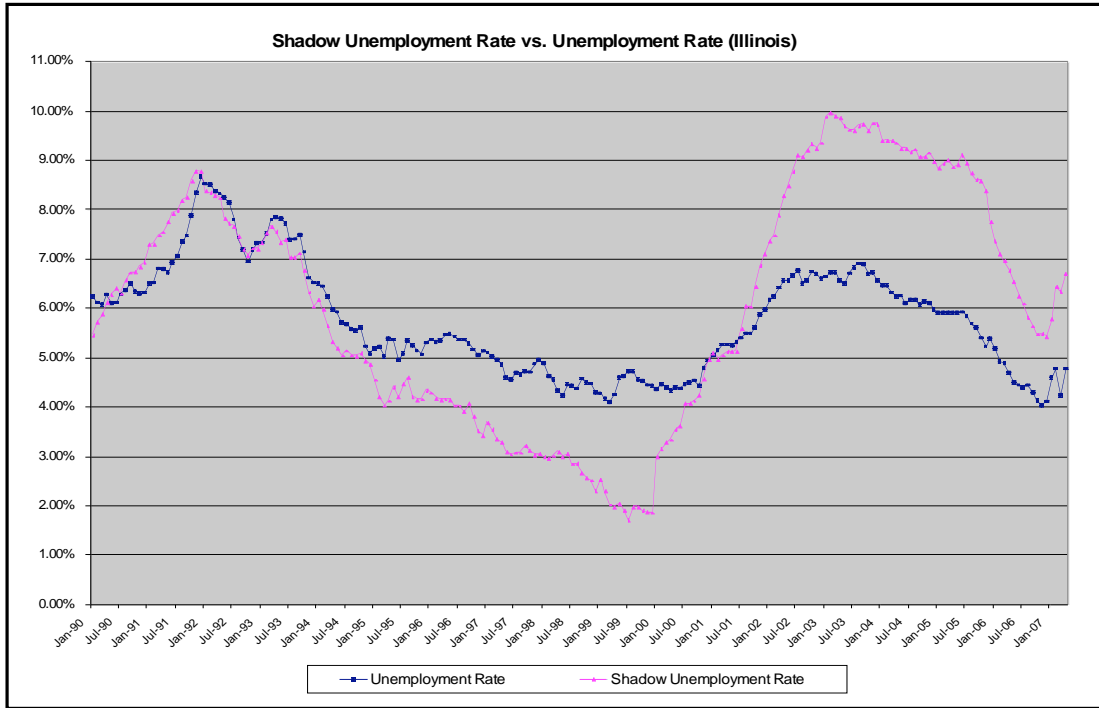
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

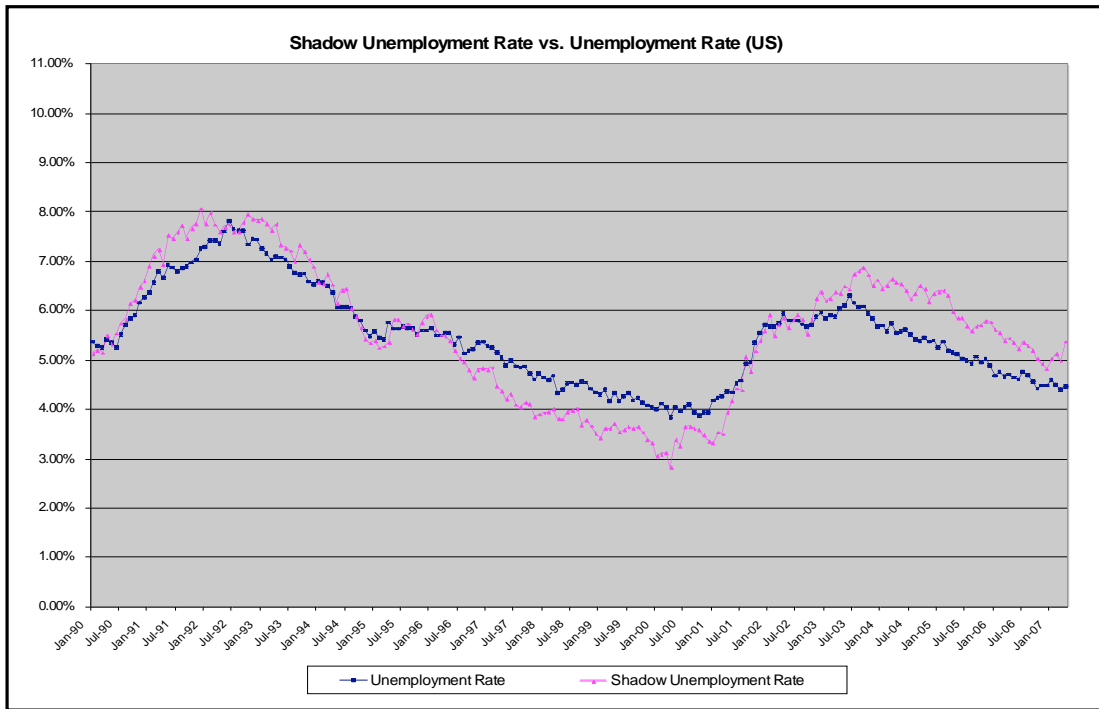
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 131,534 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

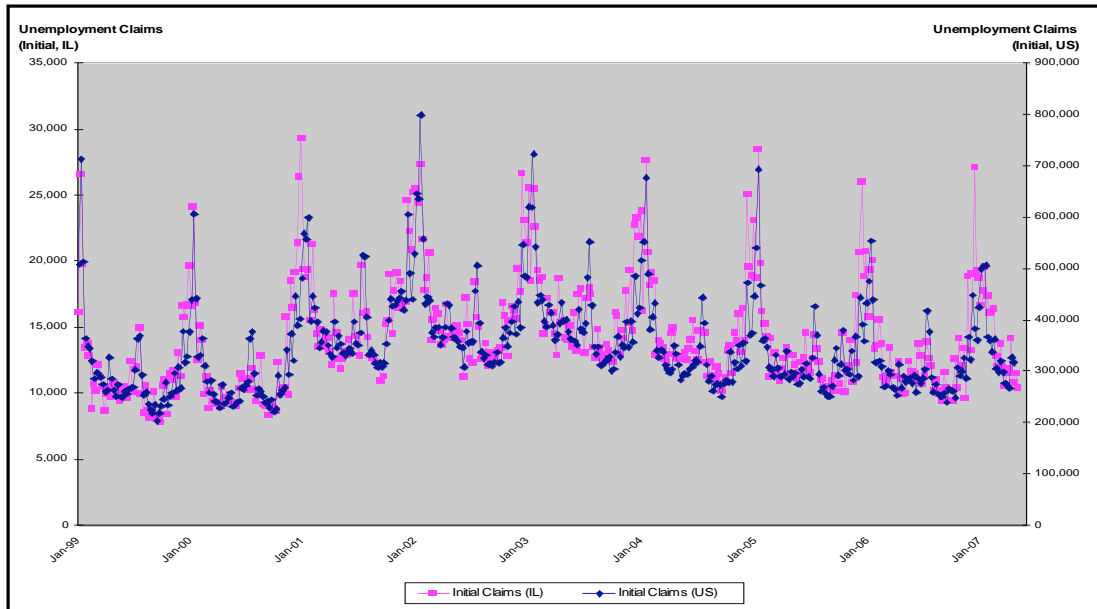
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▪ **Illinois**



▪ **US**



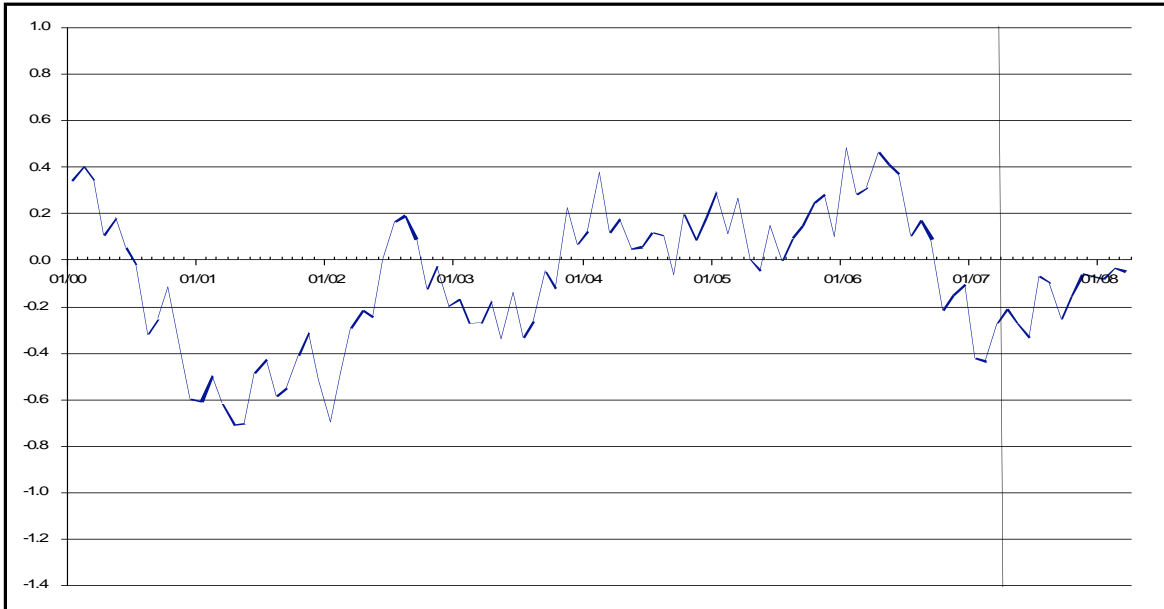
Monthly Illinois Economic Review**❖ Unemployment Claims (Initial)****❖ CBAI fell in March**

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 -0.270 in March, the sixth consecutive negative reading since October 2006.
- This was mainly attributed to the negative contribution in the construction 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 March, the national economy showed some positive features. The Chicago Fed National Activity Index was 0.01, up from -0.11 in February. The coincident index of the Conference Board increased 0.1 percent. The construction increased 0.7 percent and the retail sales increased 0.5 percent.
- The economic performance in Chicago presented mixed features in March. The retail sales increased 0.8 percent. However, construction decreased 0.5 percent and the manufacturing employment decreased 0.2 percent.
- The national economy and regional economy seem to remain on a slower economic growth trend. For the national economy, rising gas prices and falling home prices could make the pace of consumer spending slower. Consumer Sentiment estimated by University of Michigan Surveys of Consumers fell in April (88.4 → 87.1). 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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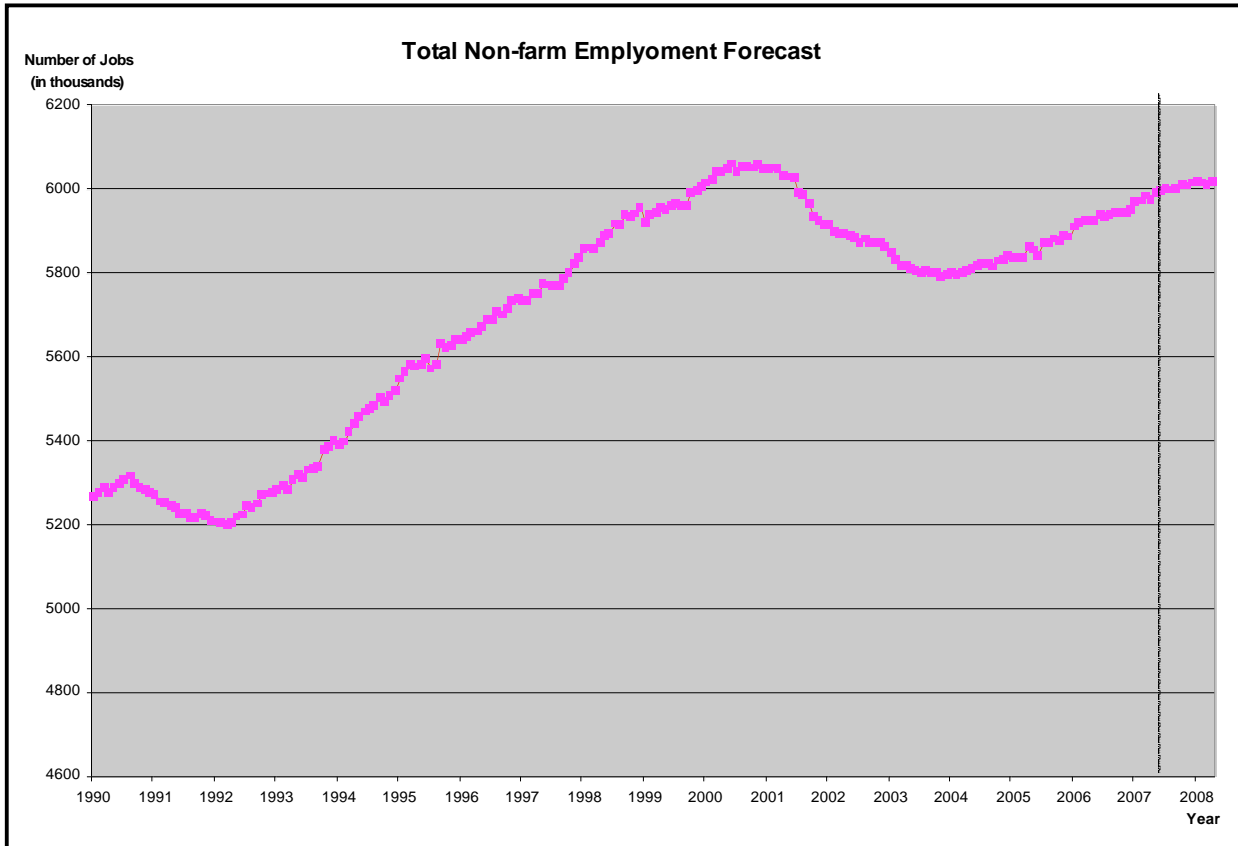
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❖ **Employment Forecast**

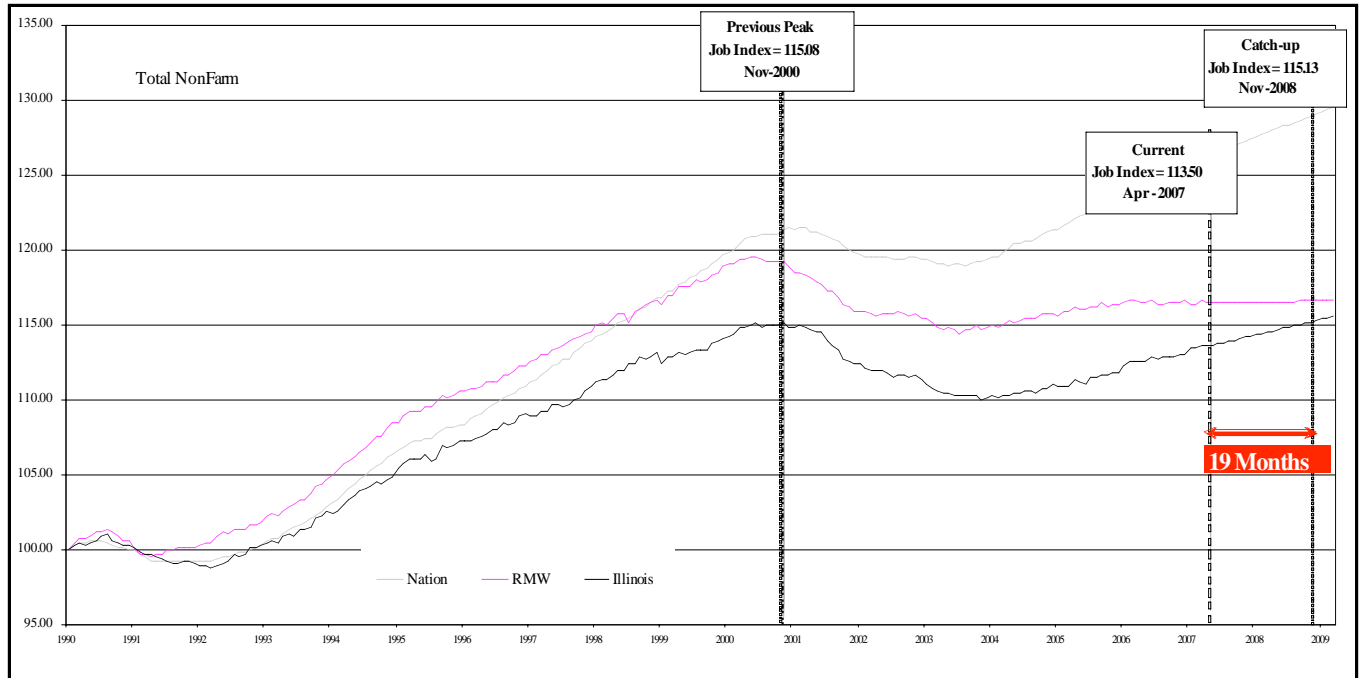
	April 2007	April 2008 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,976,700	6,017,400	40,700	0.68%
Construction	280,900	282,300	1,400	0.50%
Manufacturing	678,000	667,900	-10,100	-1.49%
Trade, transportation & utilities	1,201,400	1,206,100	4,700	0.39%
Information	116,000	115,500	-500	-0.43%
Financial Activities	409,800	411,300	1,500	0.37%
Professional & business services	865,400	878,700	13,300	1.54%
Education & health	777,000	783,000	6,000	0.77%
Leisure & hospitality	532,000	534,300	2,300	0.43%
Other services	259,600	261,400	1,800	0.69%
Government	846,200	838,200	-8,000	-0.95%



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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)	113.50 (Apr-2007)	115.16 (Nov-2008)	19 months
RMW*	119.47 (Jun-2000)	116.55 (Apr-2007)	Zero Growth	Not Available
Nation**	121.45 (Feb-2001)	126.09 (Apr-2007)	121.62 (Feb-2005)	26 months ago



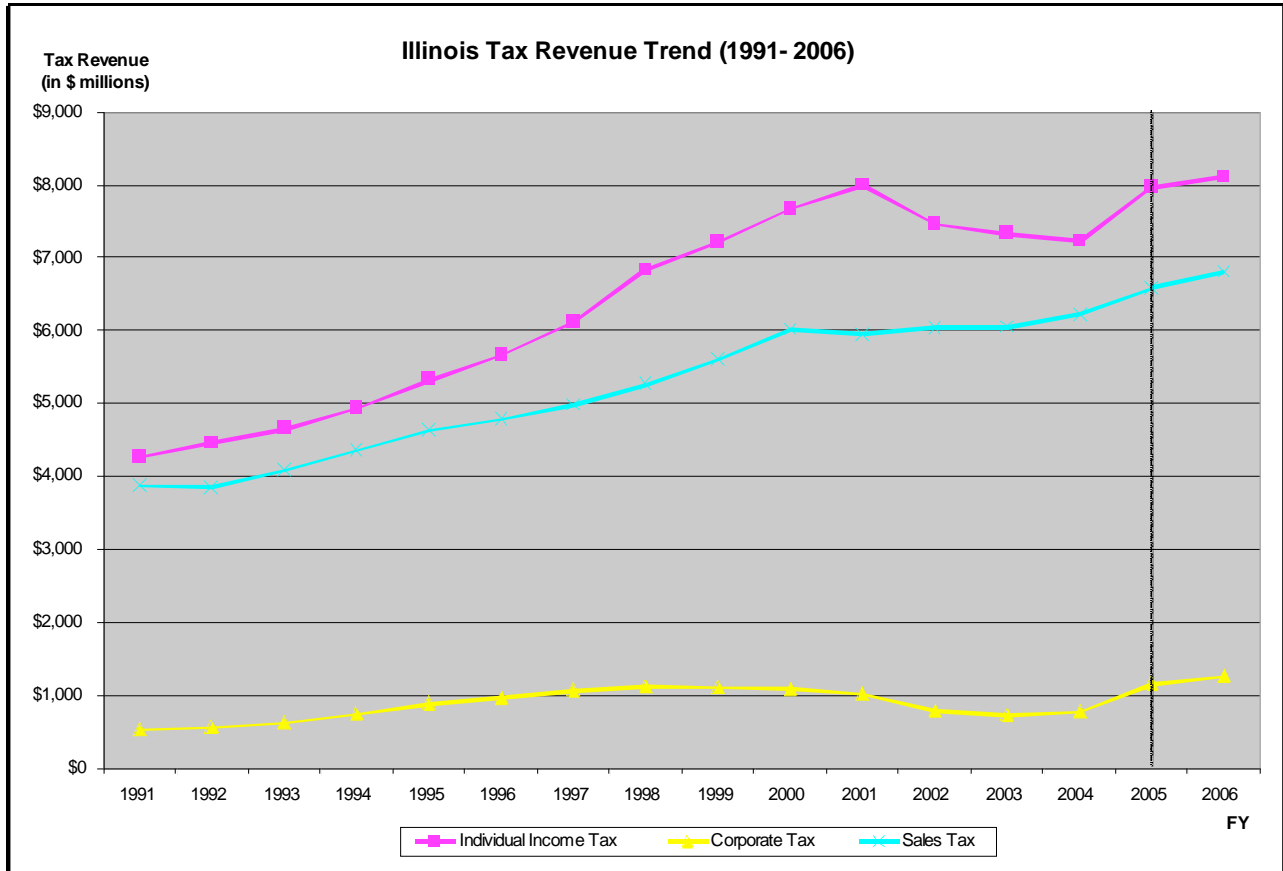
	Periods for Catch-up	
	IL	RMW
Mar-2007	20 months	Negative Growth
Apr-2007	19 months	Zero Growth
Difference	▽ 1 month	N/A

* 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.

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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