

Monthly Illinois Economic Review

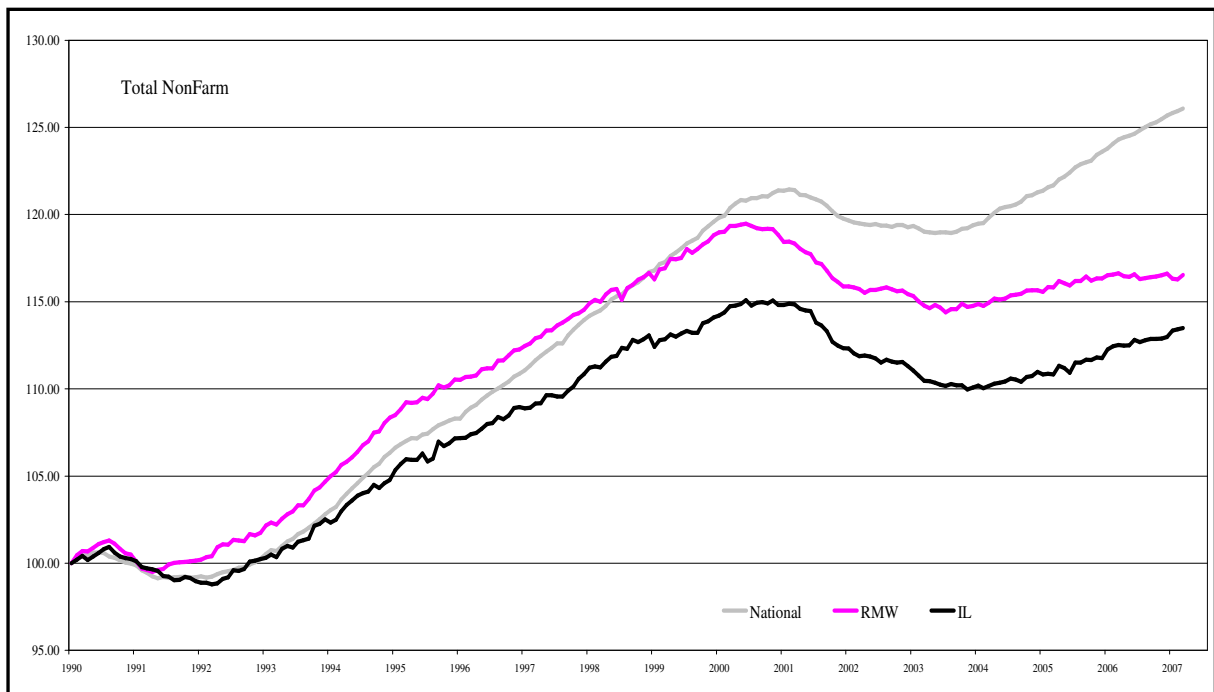
❖ **Employment**

March 2007 Positive		Feb 2007 – Mar 2007		Last 12 months	
	Total non-farm employment	Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	+0.13	+180,000	+1.45	+1,963,000
	RMW*	+0.23	+45,800	- 0.06	- 12,800
Illinois	+0.06	+3,400	+0.86	+51,200	

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

Talking Points

- By adding 3,400 new jobs at a 0.06% growth rate during March Illinois continued its positive trend since November 2006.
- The growth rate in March was below the average growth rate of 0.08% in the recent recovery period for Illinois since early 2004.
- Unlike February, Illinois’ performance in job creation fell behind both the Nation and the RMW in March. The rate of job gain for Nation and RMW during March was 0.13% and 0.23% respectively. During March, RMW recovered from a declining trend since January.
- Contrary to the monthly scenario, in term of 12-month’s job gain, the Nation is ahead of both Illinois and the RMW of which the later registers a negative growth for the March 2006- March 2007 period.
- Over the last 12 months, Illinois gained 51,200 new jobs at 0.86% which is the lowest since January 2006. The nation in that period, gained 1,963,000 jobs. RMW, however, continued a negative rating for the third consecutive month by losing 12,800 jobs over the last 12 months.
- Illinois’ growth advantage over the RMW since December 2006 declined in March due to a 0.23% gain of RMW.



❖ Shadow Unemployment

Unemployment Rate: Official and Shadow

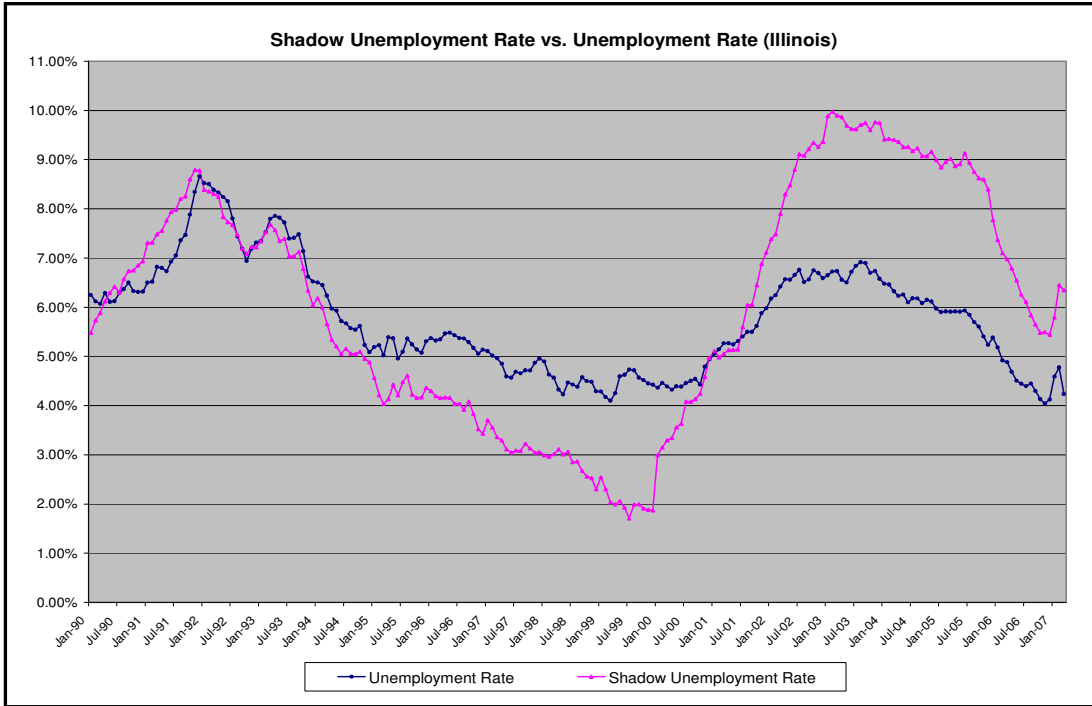
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

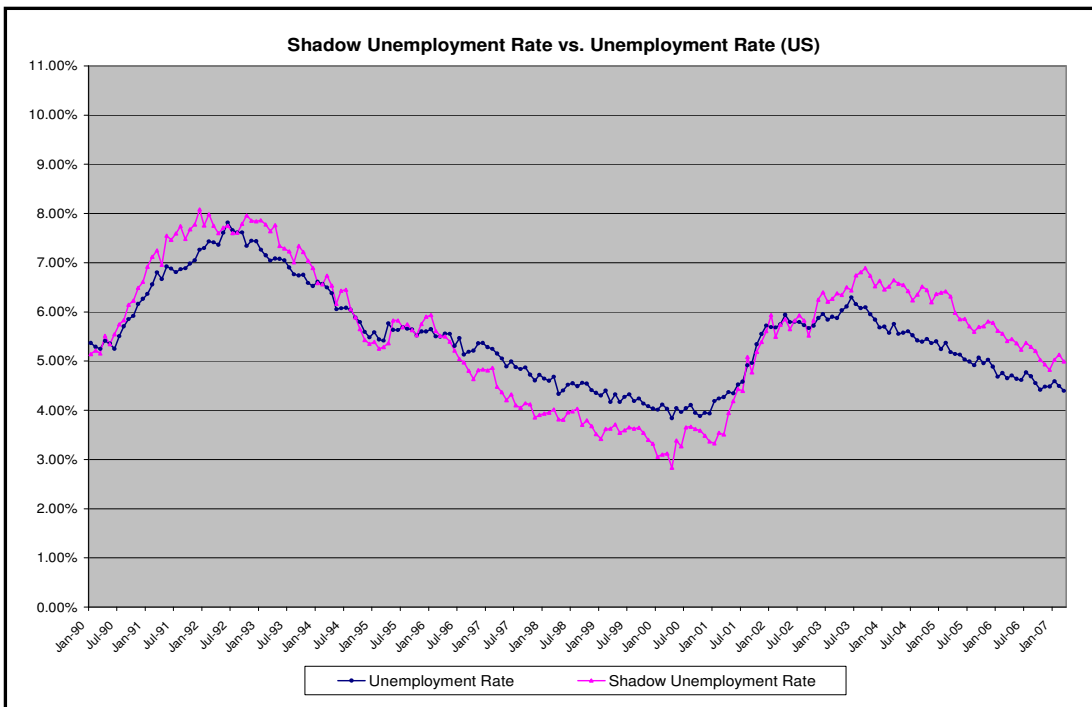
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 143,423 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

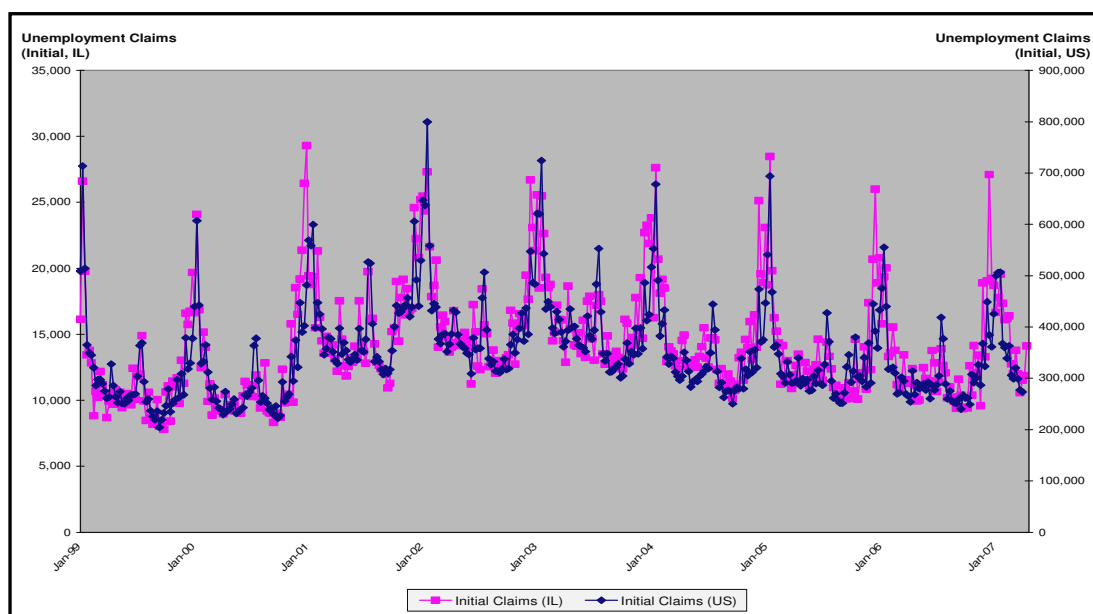
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▪ **Illinois**



▪ **US**



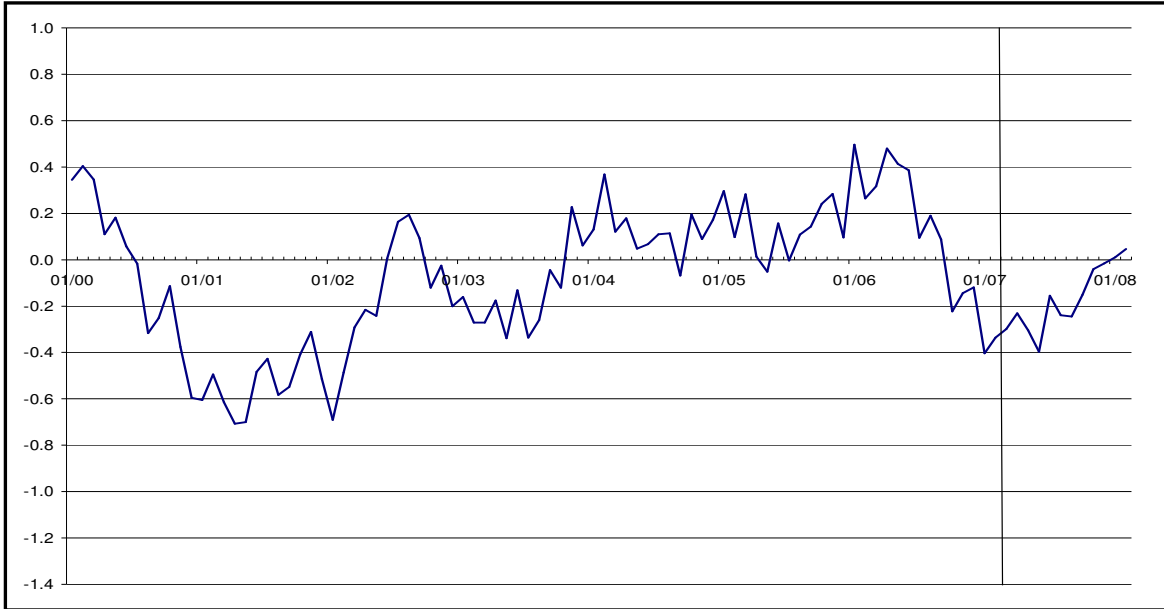
Monthly Illinois Economic Review**❖ Unemployment Claims (Initial)****❖ CBAI fell in February**

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 -0.336 in February, the fifth consecutive negative reading since October 2006.
- This was mainly attributed to the strong negative contribution in the construction and national economic performance, although the other three broad categories of indicators (employment, retail sales, and production) made positive contributions. 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 February, the national economy showed mixed features. The Chicago Fed National Activity Index was 0.03, up from -0.72 in January, while the coincident index of the Conference Board increased 0.3 percent. However, the job gains decreased to 97,000, which was the smallest since January 2005.
- The economic performance in Chicago remained mixed in February. Construction decreased 1.4 percent. However, the Chicago Fed Midwest Manufacturing Index and retail sales increased 0.9 percent and 1.7 percent, respectively.
- The national economy and regional economy seem to remain on a slower economic growth trend. For the national economy, the recent turmoil in financial markets (especially the sub-prime mortgage market) coupled with the rising gasoline prices has increased concerns about the outlook for the overall economy. Reflecting the diminishing expectation, Consumer Sentiment estimated by University of Michigan Surveys of Consumers fell in March (91.3 → 88.4), hitting a six-month low. 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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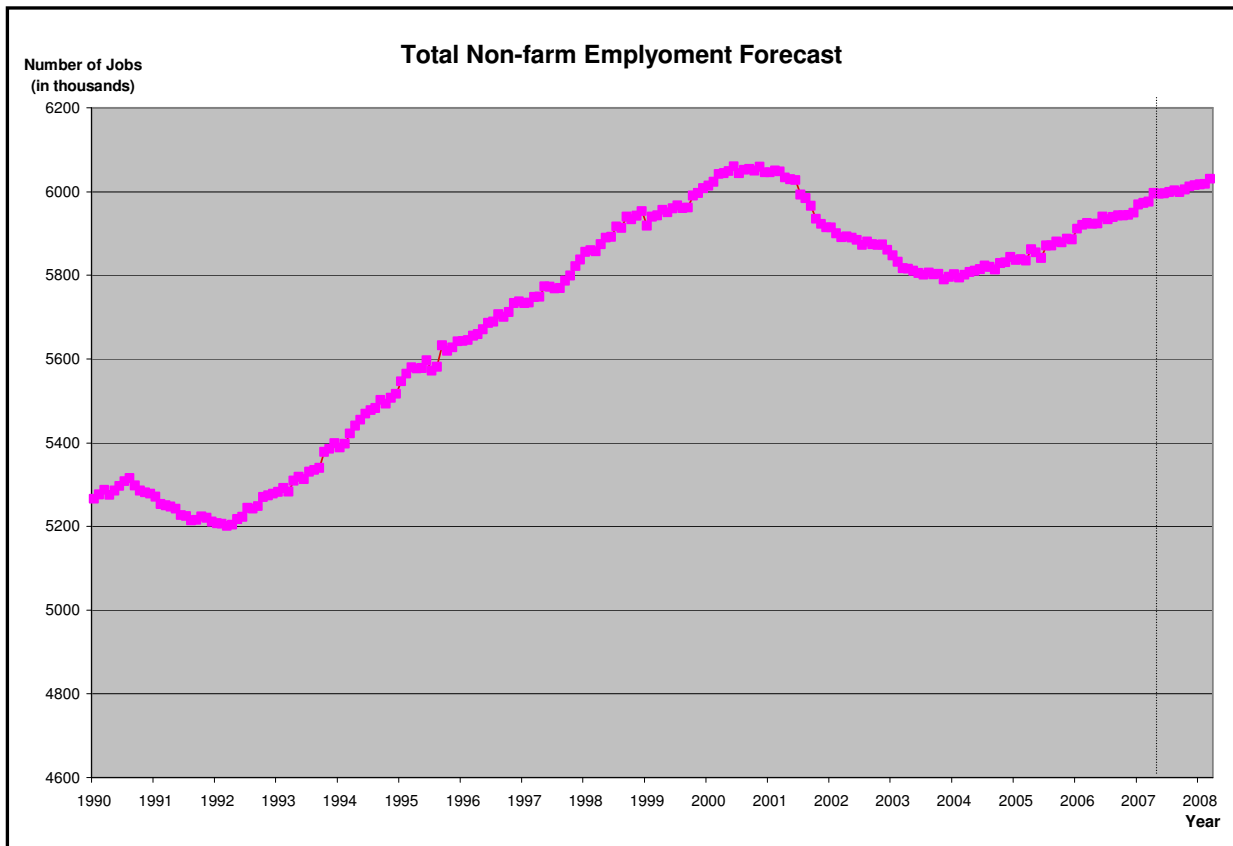
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❖ **Employment Forecast**

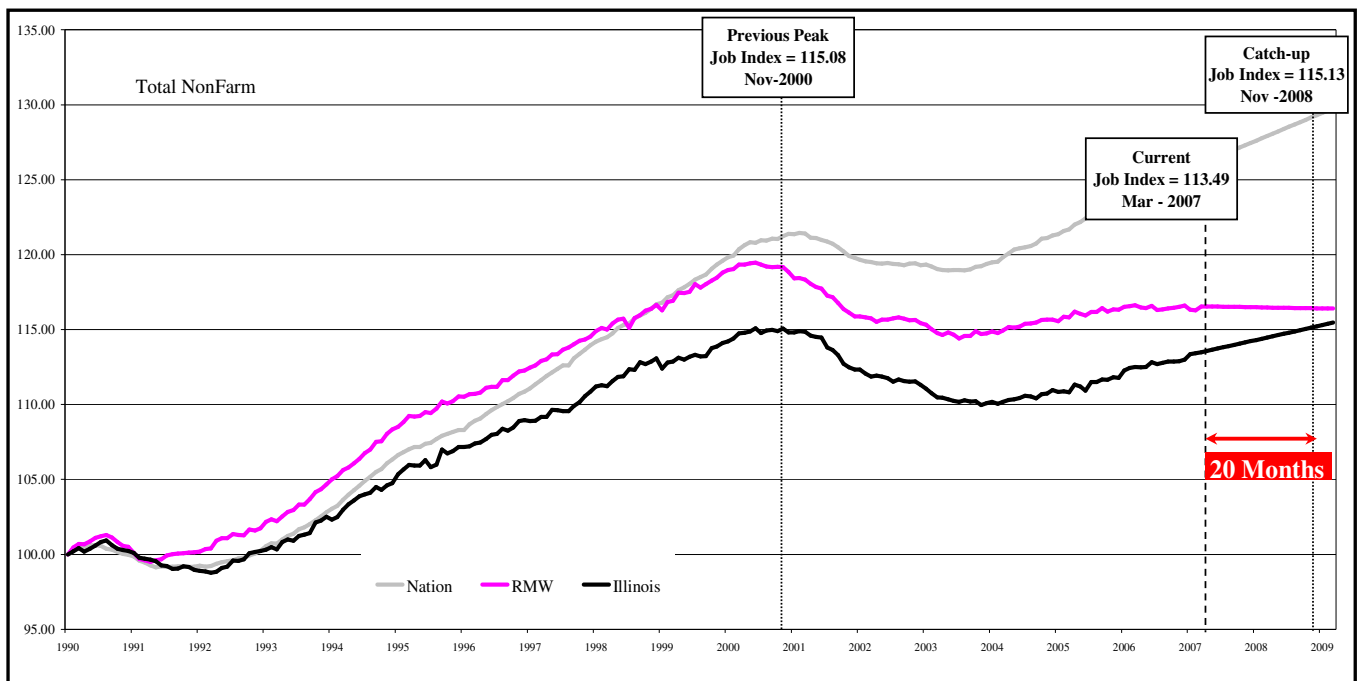
	March 2007	March 2008 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,975,800	6,029,900	54,100	0.91%
Construction	280,800	281,300	500	0.18%
Manufacturing	678,300	668,900	-9,400	-1.39%
Trade, transportation & utilities	1,200,800	1,207,000	6,200	0.52%
Information	116,200	115,400	-800	-0.69%
Financial Activities	411,100	411,800	700	0.17%
Professional & business services	862,700	878,900	16,200	1.88%
Education & health	777,200	781,900	4,700	0.60%
Leisure & hospitality	534,200	538,800	4,600	0.86%
Other services	260,100	262,300	2,200	0.85%
Government	844,300	838,500	-5,800	-0.69%



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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)	113.49 (Mar-2007)	115.13 (Nov-2008)	20 months
RMW*	119.47 (Jun-2000)	116.55 (Mar-2007)	Negative Growth	Not Available
Nation**	121.45 (Feb-2001)	126.09 (Mar-2007)	121.62 (Feb-2005)	25 months ago



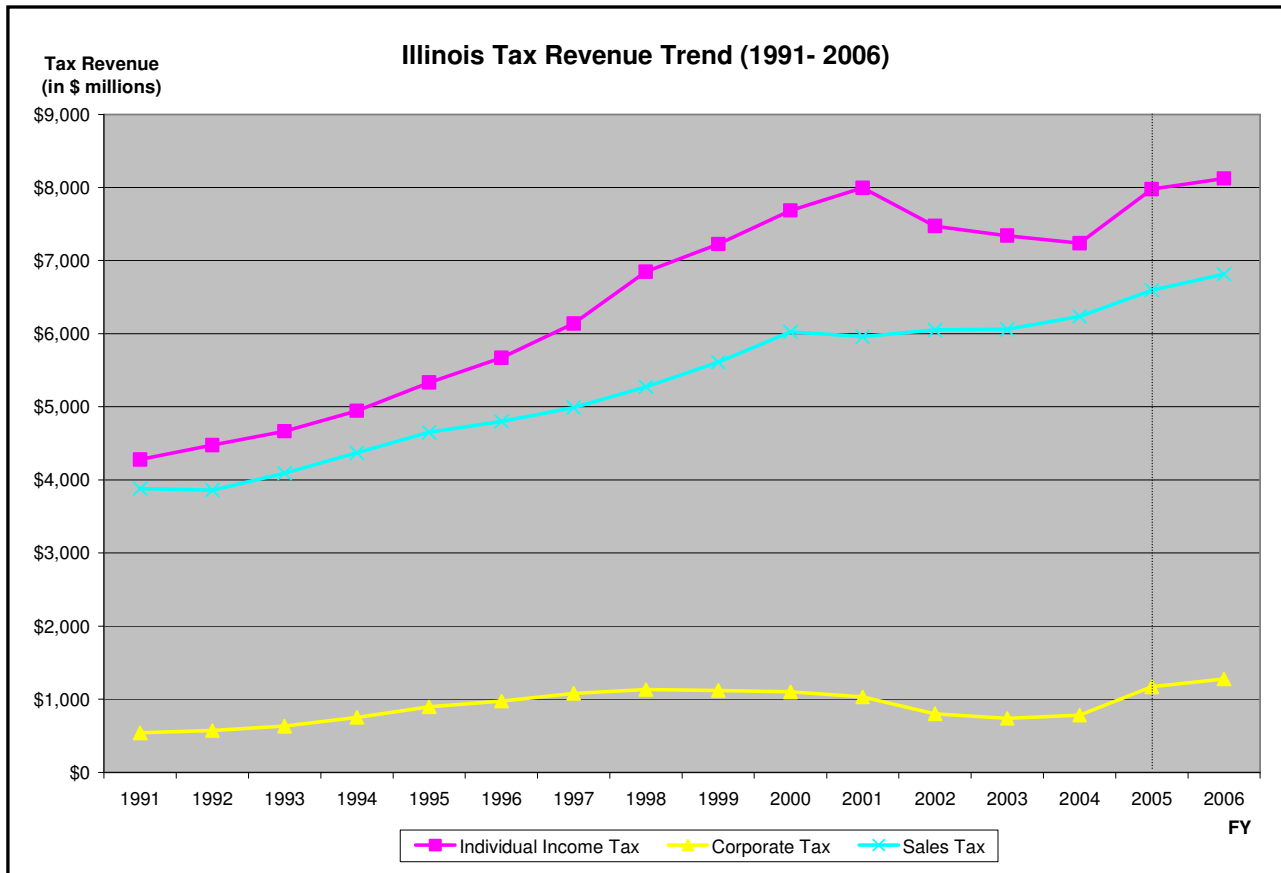
	Periods for Catch-up	
	IL	RMW
Feb-2007	19 months	Negative Growth
Mar-2007	20 months	Negative Growth
Difference	△ 1 month	N/A

* 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.

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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