

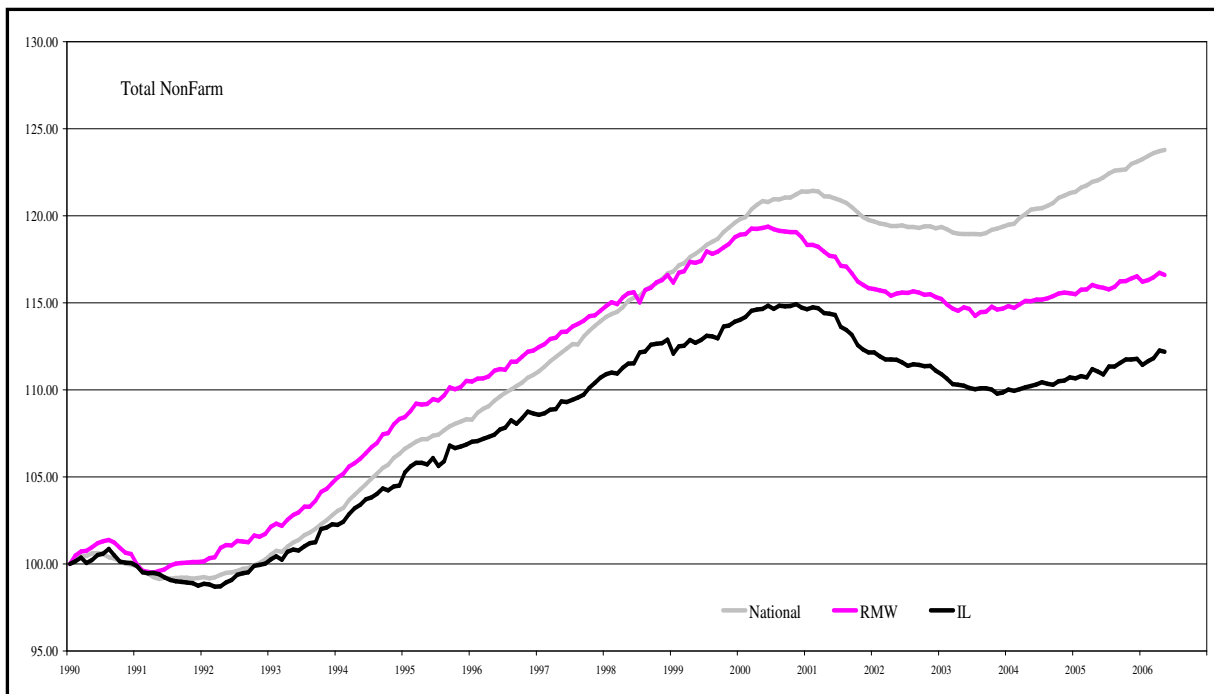
Monthly Illinois Economic Review

❖ **Employment**

July 2006 Negative		May 2006 – June 2006		Last 12 months	
	Total non-farm employment	Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	+0.09	+121,000	+1.39	+1,854,000
	RMW	- 0.03	- 6,000	+0.64	+126,800
Illinois	- 0.04	- 2,400	+1.15	+67,200	

Talking Points

- Illinois has experienced two consecutive months with net losses of jobs. Based on the revised data, for the last two months, the state has lost 6,100 jobs.
- This is the first time with two consecutive months of losses over the last 12 months since June 2005.
- For the two months from April through June last year, the state lost 17,200 jobs, much larger losses compared to this year's declines.
- RMW had similar patterns to Illinois: two consecutive losses but the losses decreased from 12,900 in May to 6,000 in June 2006.
- However, the state created 67,200 jobs over the last 12-month period with a growth rate higher than any recorded since September 2000.
- The gap in job index between Illinois and Nation has continuously widened for the last three months; however, it stays remains below the largest gap observed in January 2006. The gap between RMW and Nation reached was the highest since 1990.
- In the first half of 2006, Illinois had added 19,200 jobs while RMW, a six state region, added only 16,200 new jobs.
- Average monthly growth rate for Illinois during the first half of 2006 is 0.05% with 3,200 monthly gains, but at a rate that is half that of Nation (0.11%).



❖ Shadow Unemployment**Unemployment Rate: Official and Shadow**

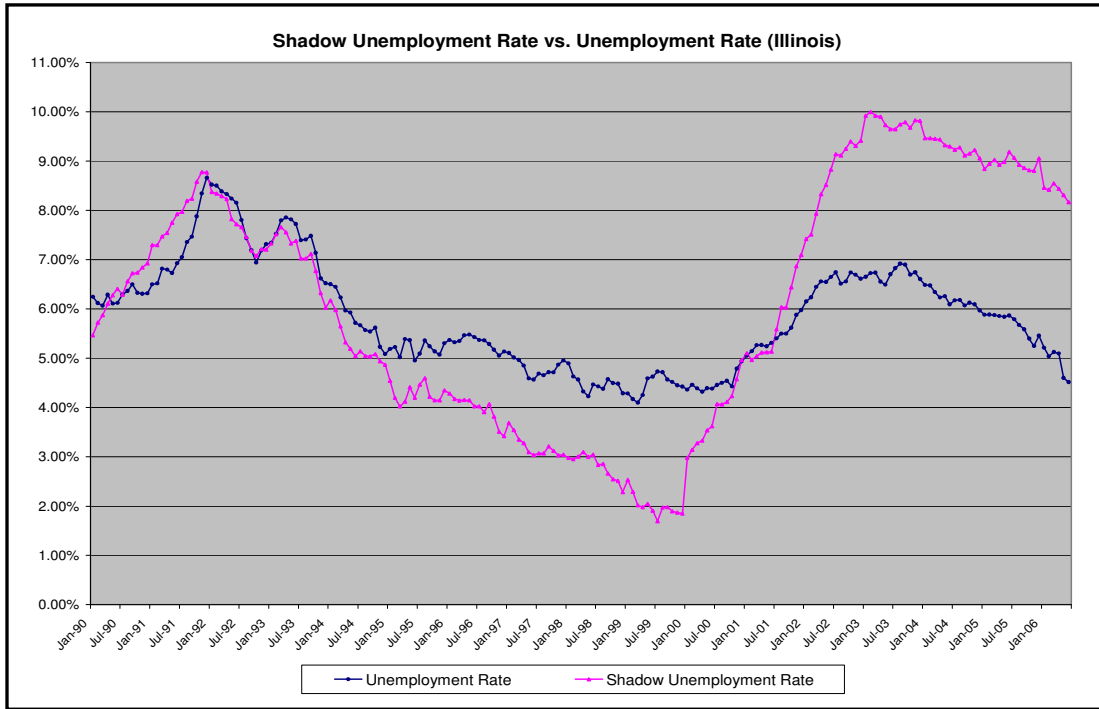
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

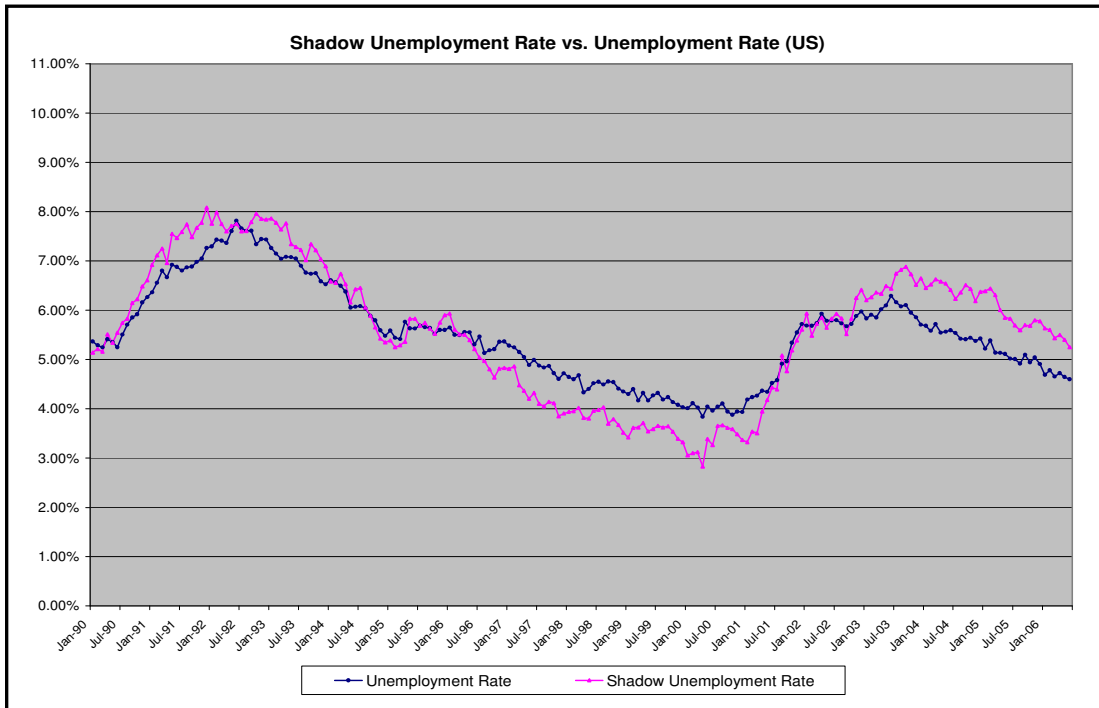
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 64.9%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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.
- To bring the two together a further 247,300 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

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■ **Illinois**

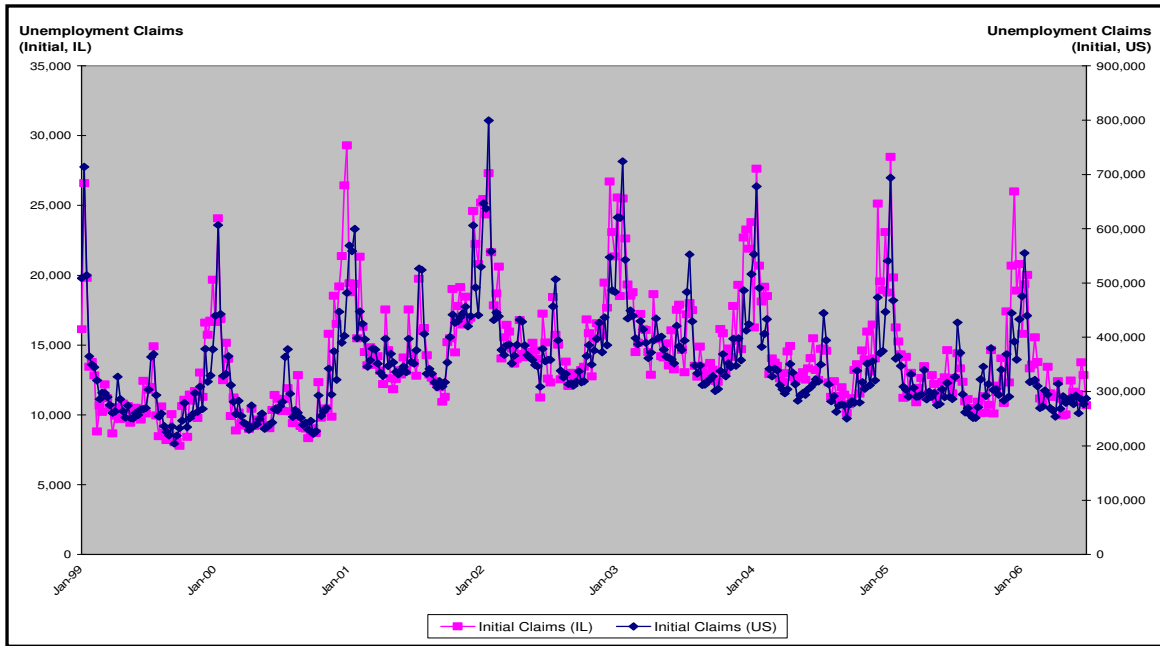


■ **US**



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❖ **Unemployment Claims (Initial)**



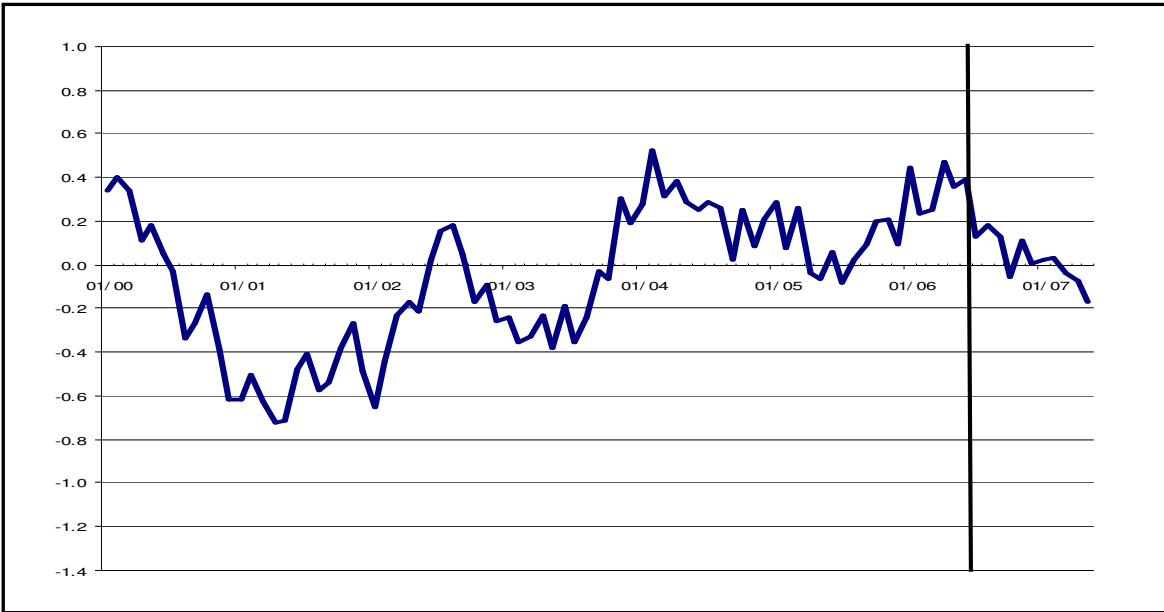
❖ **CBAI in May**

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 0.361 in May, the tenth consecutive positive reading since August 2005.
- This was mainly attributed to the favorable conditions of retail sales, and non-manufacturing employment. Considering that the CBAI leads the local business cycle and positive values of this index are associated with above-trend growth, the Chicago economy will continue to grow.
- However, The CBAI prediction suggests that the Chicago economy will grow at a more moderate rate in the next 12 months.
- In May, the national economy presented mixed features. The coincident index of the Conference Board increased 0.1 percent, continuing to increase steadily as it has since September 2005. Construction and manufacturing employment decreased 3.0 percent and 0.1 percent, respectively, while retail sales and non-manufacturing employment held constant.
- The economic performance in Chicago also showed a mixed feature in May. Even though non-manufacturing employment rose 0.4 percent, manufacturing employment and the Chicago Fed Midwest manufacturing production fell 0.6 percent and 0.2 percent, respectively.
- The national economy and regional economy are expected to show relatively slow growth. The leading index of the Conference Board in May decreased 0.6 percent, the third decline in the last six months. Also, the national economy only created 121,000 jobs in June, which is far weaker than expected. For the local economy, the Chicago region seems to sustain a positive economic growth performance. However, considering the increased concern about the national economic performance, the leading economic indicators including CBAI suggest moderating economic growth.

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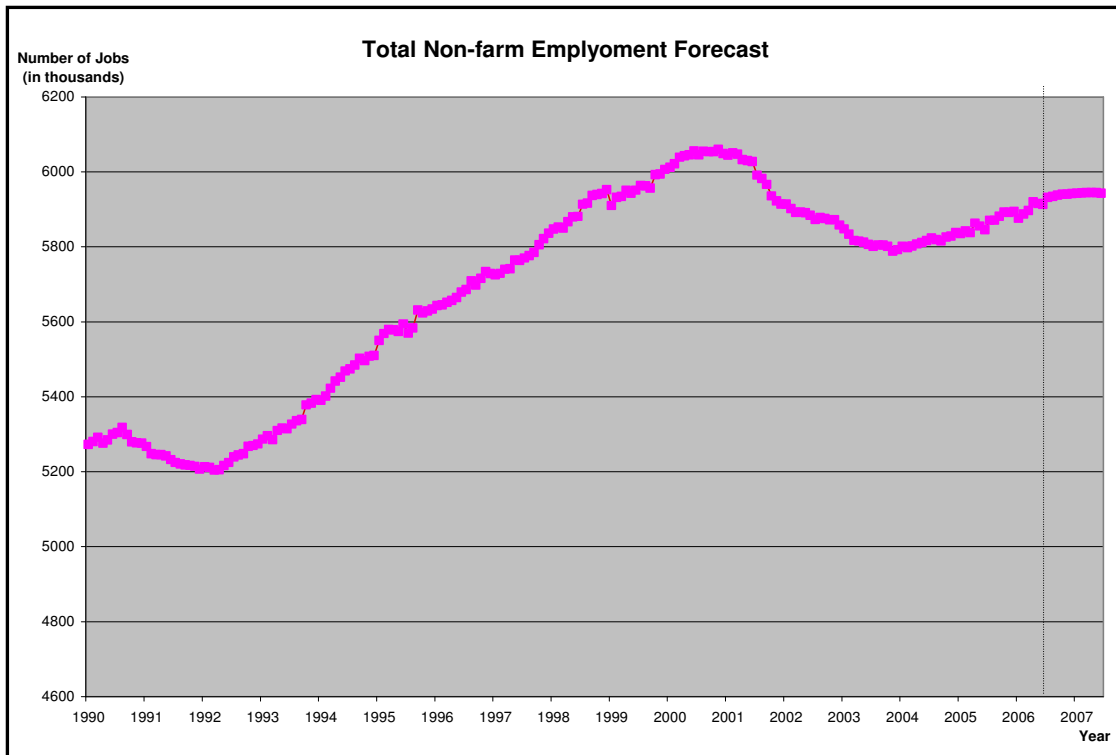


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❖ **Employment Forecast**

- The declines in the last two months have dampened the forecasts for the next 12 months
- If gas prices continue to increase, consumers will start to redirect spending away from other goods and services to gasoline
- For the state, the ripple effects from a dollar spent on gasoline are much smaller than ones from a dollar spent on a variety of other goods and services (food, clothing, entertainment etc.)
- Continuing softness in the Rest of the Midwest states is not good news for Illinois – almost 40% of the states interstate exports are destined for this region

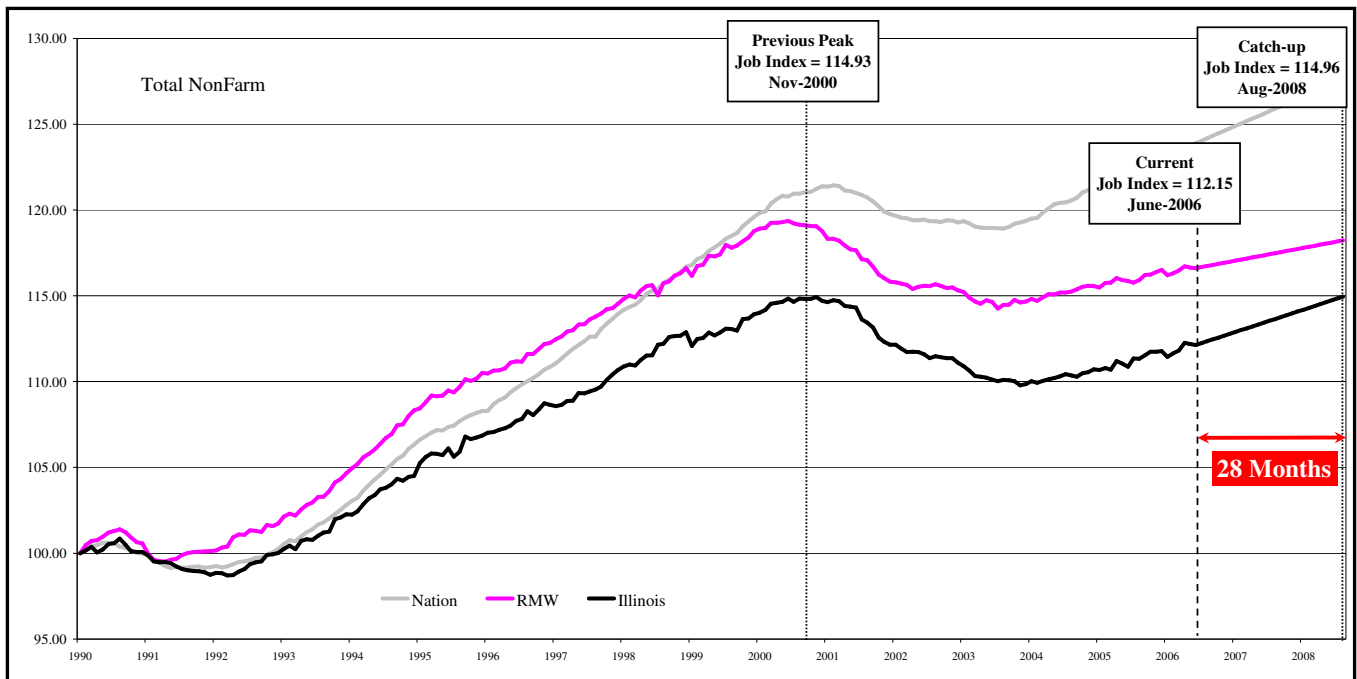
	June 2006	June 2007 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,913,200	5,943,000	+29,800	+0.50
Construction	275,600	281,000	+5,400	+1.96
Manufacturing	677,900	681,000	+3,100	+0.46
Trade, transportation & utilities	1,192,100	1,203,000	+10,900	+0.91
Information	117,000	115,000	- 2,000	- 1.71
Financial Activities	410,500	408,000	- 2,500	- 0.61
Professional & business services	851,200	850,000	- 1,200	- 0.14
Education & health	753,400	759,000	+5,600	+0.74
Leisure & hospitality	528,300	526,000	- 2,300	- 0.44
Other services	259,300	263,000	+3,700	+1.43
Government	837,900	848,000	+10,100	+1.21



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

	Previous Peak	Current	Catch-up	Periods for Catch-up
IL*	114.93 (Nov-2000)	112.15 (June-2006)	114.96 (Aug-2008)	26 months
RMW*	119.37 (Jun-2000)	116.61 (June-2006)	119.38 (Feb-2010)	44 months
Nation**	121.45 (Feb-2001)	123.90 (June-2006)	121.62 (Feb-2005)	15 months ago



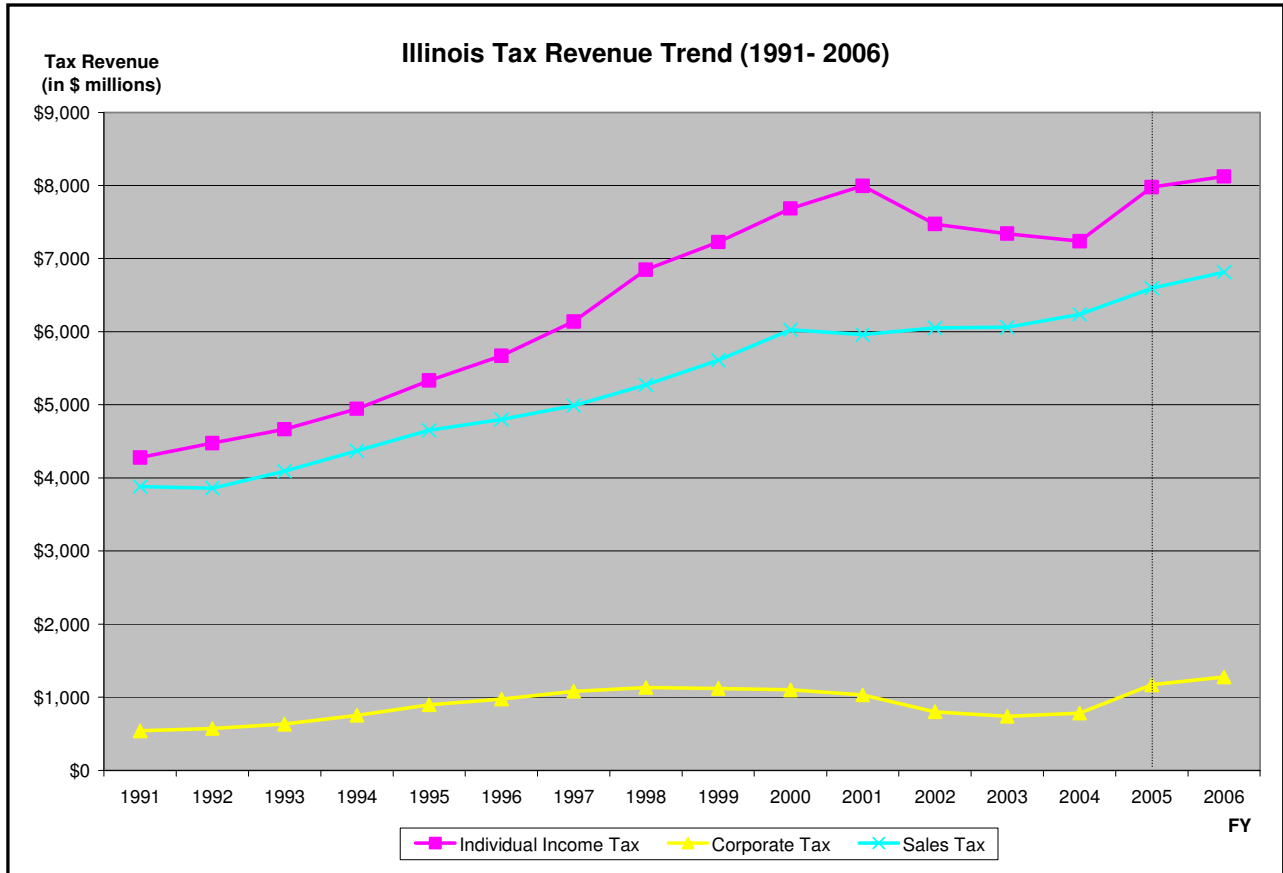
	Periods for Catch-up	
	IL	RMW
May-2006	29 months	37 months
June-2006	26 months	44 months
Difference	▽ 3 months	△ 7 months

* 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