

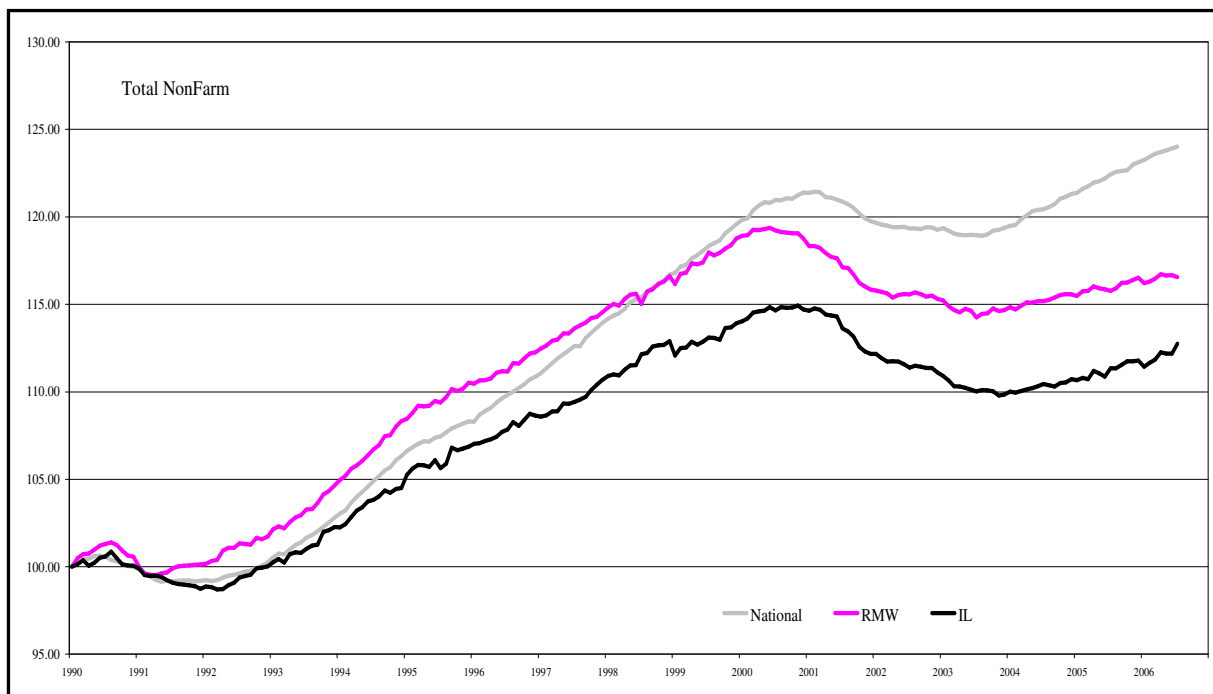
**Monthly Illinois Economic Review**

❖ **Employment**

<b>August 2006 Positive</b>	<b>June 2006 – July 2006</b>		<b>Last 12 months</b>		
	<b>Total non-farm employment</b>	<b>Growth Rate %</b>	<b>Number of Jobs</b>	<b>Growth Rate %</b>	<b>Number of Jobs</b>
	Nation	+0.08	+113,000	+1.30	+1,737,000
	RMW	- 0.08	- 16,400	+0.68	+134,900
Illinois	+0.50	+29,800	+1.27	+74,400	

**Talking Points**

- Illinois recorded the largest monthly job gain since November 1999 at 0.50% of monthly growth rate creating 29,800 new jobs in July 2006.
- The job additions come after the loss of 6,100 jobs over the prior two months.
- Due to Illinois' significant monthly gain coupled with the slowdown at the national level, the gap in terms of growth rate over 12-month period was the narrowest since October 1998.
- Comparing to Nation, Illinois experienced a faster monthly growth for the first time in last three months since April 2006 after the two consecutive months with a slower growth pattern than Nation.
- For the last six months, since February 2006, Illinois has enjoyed a growth rate that is twice as fast average monthly growth pattern as the nation's pattern, 0.20% for state and 0.10% for nation. During this six-month period, RMW recorded only 0.05% monthly growth rate.
- In 2006, Illinois has average monthly job gains of 7,300 while RMW – the other six Midwestern states combined has average monthly job gains of 1,200, only one sixth of the monthly gain in Illinois.
- The sluggish growth pattern in RMW for the last several months results in the narrowed the gap in job index with Illinois to the level observed in May 2002.



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

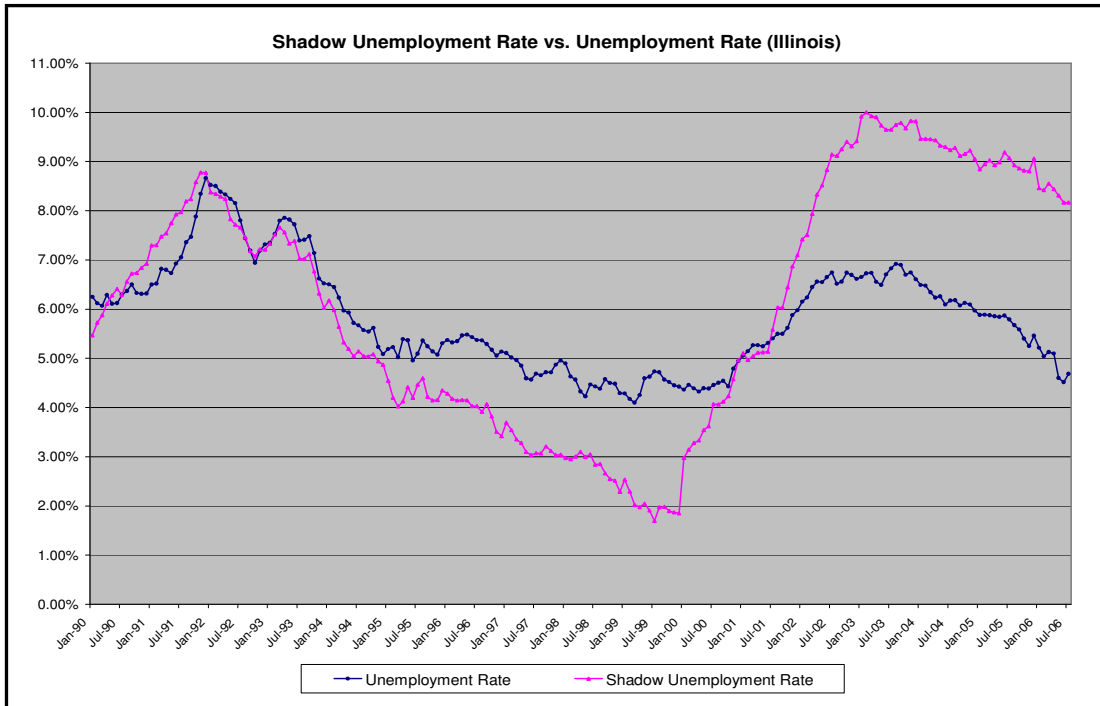
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

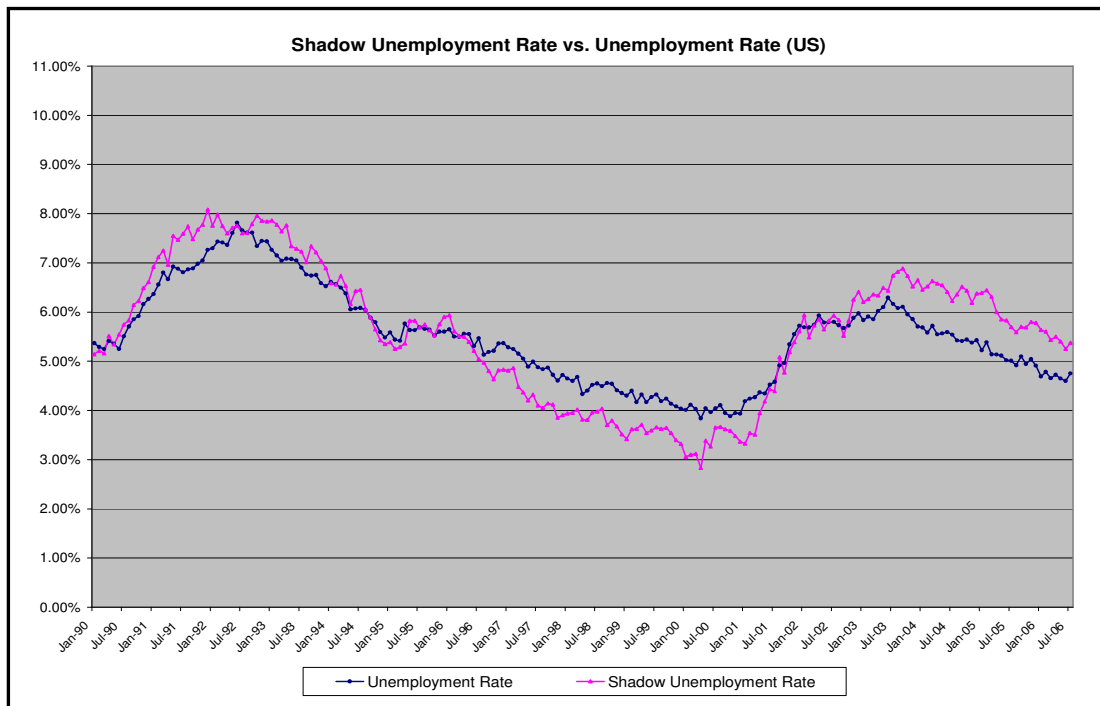
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 64.9%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 224,300 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

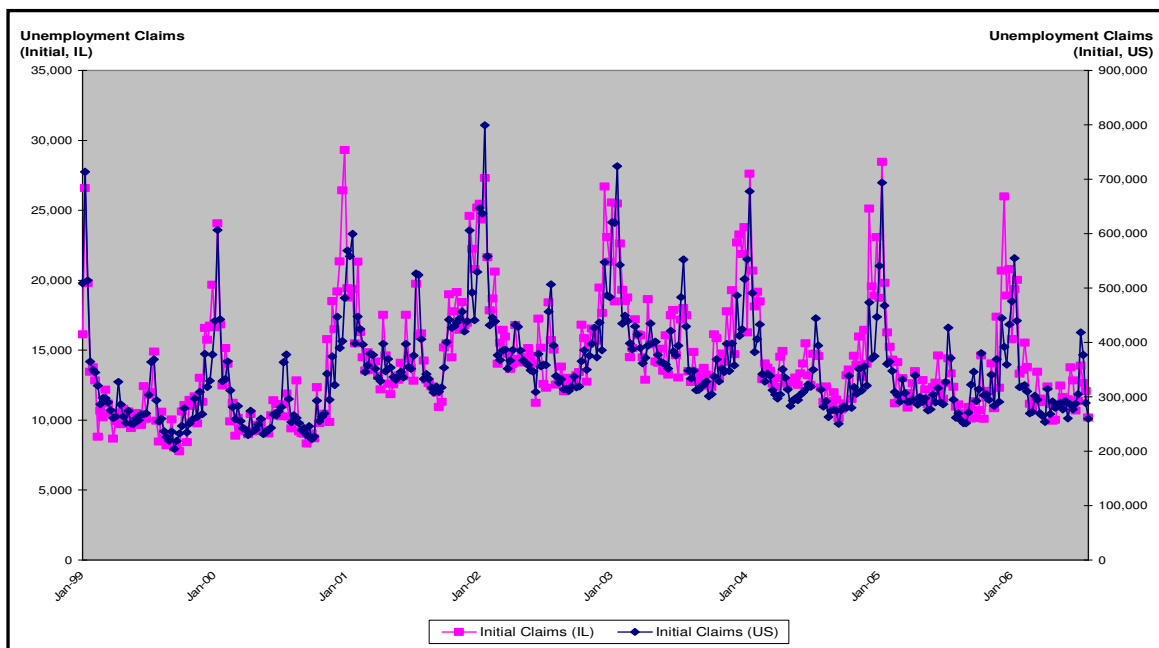
**Monthly Illinois Economic Review**

▪ **Illinois**



▪ **US**



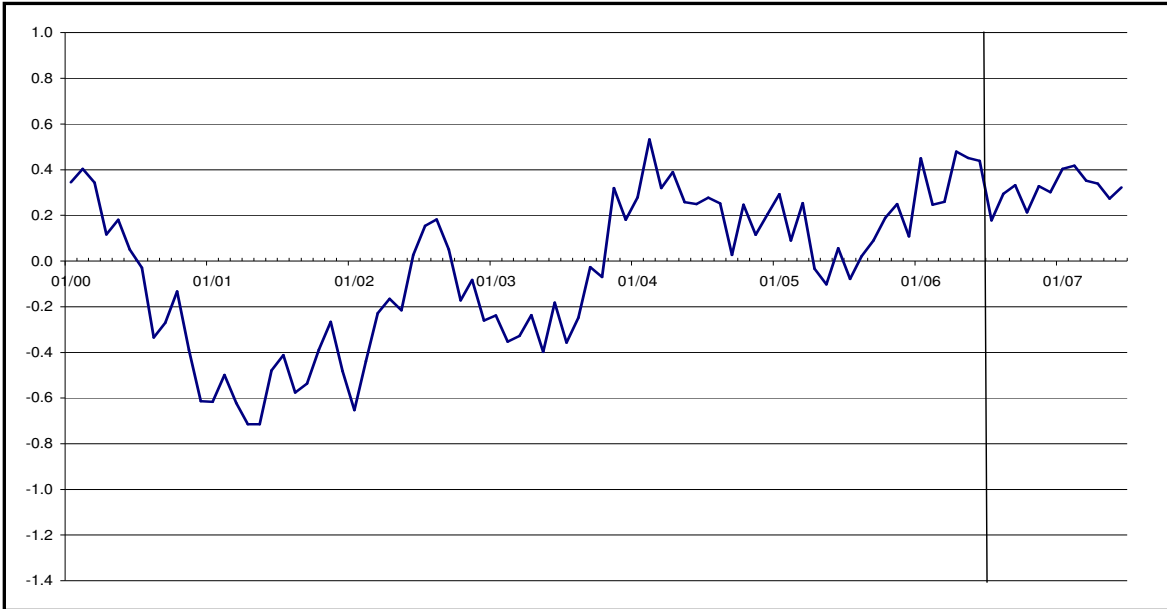
**Monthly Illinois Economic Review****❖ Unemployment Claims (Initial)****❖ CBAI in June**

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 0.439 in June, the eleventh consecutive positive reading since August 2005.
- This was mainly attributed to the increase of construction and manufacturing production. 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.
- The CBAI prediction also indicates growth in economic activity over the next 12 months will be higher than its historical trend.
- In June, the national economy presented some good features. The coincident index of the Conference Board, manufacturing employment, and non-manufacturing employment increased 0.2 percent, 0.2 percent, and 0.1 percent, respectively. However, retail sales decreased 0.4 percent.
- The economic performance in Chicago showed some positive features in June. The Chicago Fed Midwest manufacturing production rose 0.7 percent, after decreasing 0.1 percent in May, and construction increased 1.1 percent. However, overall labor market experienced second consecutive job losses, mainly due to the decrease (0.04 percent) in non-manufacturing sector.
- The national economy and regional economy are expected to show economic growth, but at a slow to moderate rate in the near term. The leading index of the Conference Board in June increased slightly (0.1 percent), following two consecutive declines. However, the slow economic growth in the second quarter (2.5 percent) and unexpectedly weak job gains (113,000) in July indicate that the national economy will be in a slowdown. For the local economy, considering the moderate growth for the nation as a whole and Chicago's disappointed job losses in recent months, the strengths of economic performance will gradually become weaker. Moreover, the energy price hike seems to burden both the national and regional economy.

***Monthly Illinois Economic Review***

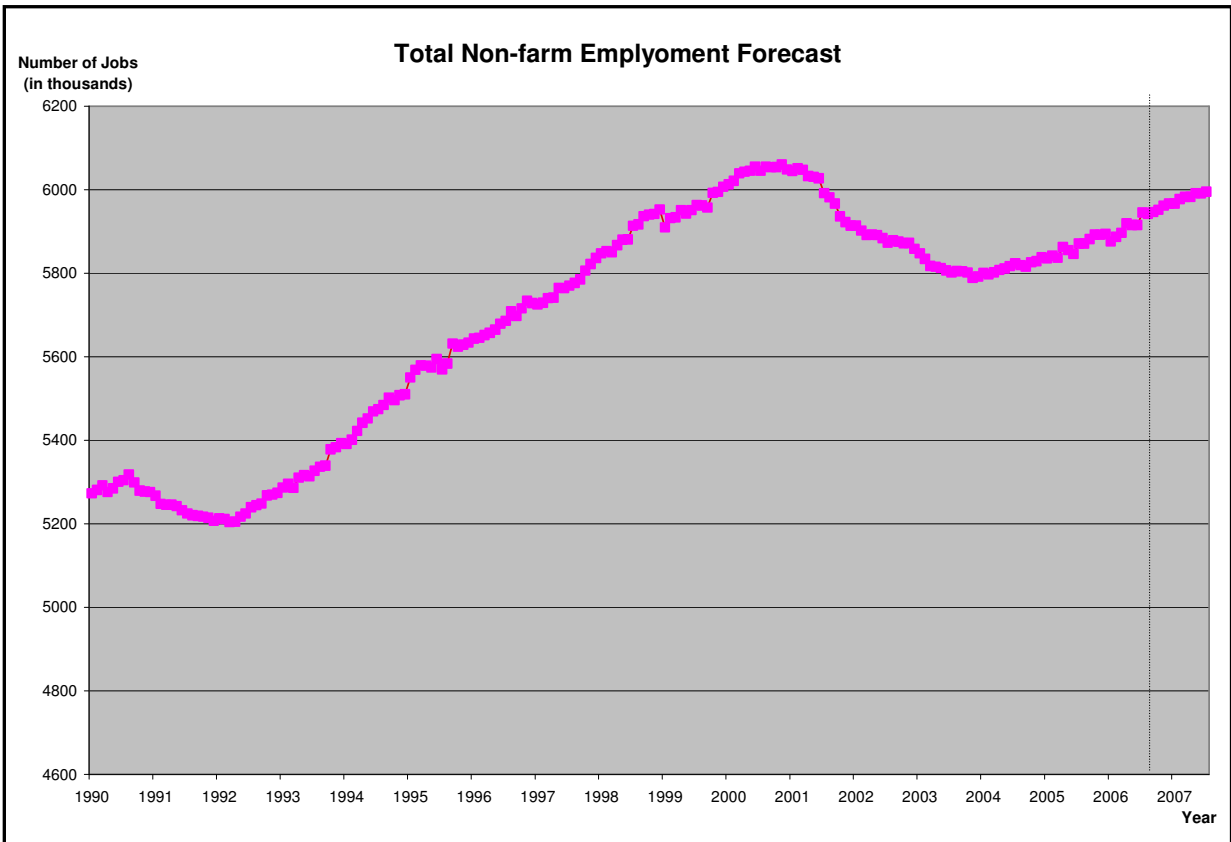
The Chicago Business Activity Index (CBAI) was 0.439 in June, the eleventh consecutive positive reading since August 2005. This was mainly attributed to the increase of construction and manufacturing production. Considering that the CBAI leads the local business cycle and positive values of this index are associated with above-trend growth, the Chicago economy will continue to grow. The CBAI prediction also indicates growth in economic activity over the next 12 months will be higher than its historical trend.



***Monthly Illinois Economic Review***

❖ **Employment Forecast**

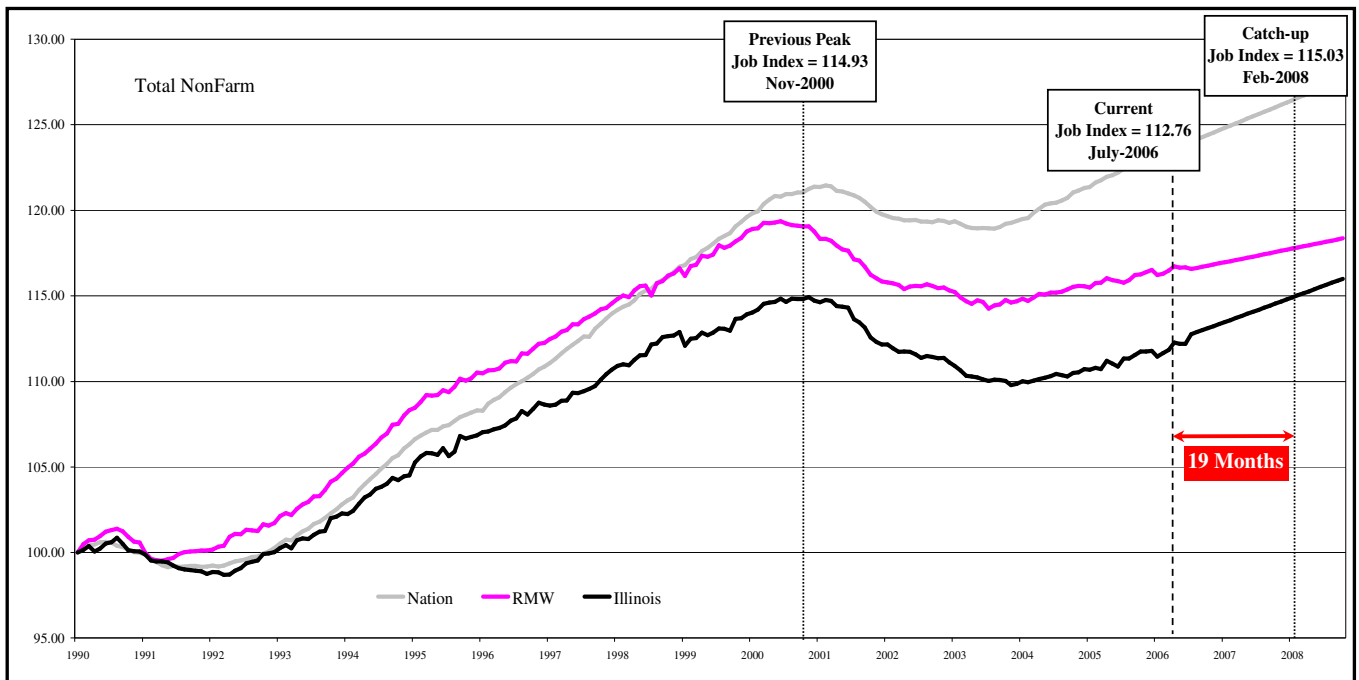
	July 2006	July 2007 (p)	Number of Jobs	Growth Rate %
<b>Total non-farm</b>	<b>5,945,400</b>	<b>5,995,000</b>	<b>+49,600</b>	<b>+0.83</b>
Construction	276,700	283,000	+6,300	+2.28
Manufacturing	680,000	687,000	+7,000	+1.03
Trade, transportation & utilities	1,199,700	1,207,000	+7,300	+0.61
Information	116,900	115,000	- 1,900	- 1.63
Financial Activities	412,800	408,000	- 4,800	- 1.16
Professional & business services	853,000	859,000	+6,000	+0.70
Education & health	755,600	758,000	+2,400	+0.32
Leisure & hospitality	531,700	526,000	- 5,700	- 1.07
Other services	260,300	264,000	+3,700	+1.42
Government	848,700	849,000	+300	+0.04



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

	Previous Peak	Current	Catch-up	Periods for Catch-up
IL*	<b>114.93</b> (Nov-2000)	<b>112.76</b> (July-2006)	<b>115.03</b> (Feb-2008)	<b>19 months</b>
RMW*	<b>119.37</b> (Jun-2000)	<b>116.57</b> (July-2006)	<b>119.38</b> (Jan-2010)	<b>42 months</b>
Nation**	<b>121.45</b> (Feb-2001)	<b>124.01</b> (July-2006)	<b>121.62</b> (Feb-2005)	<b>17 months ago</b>



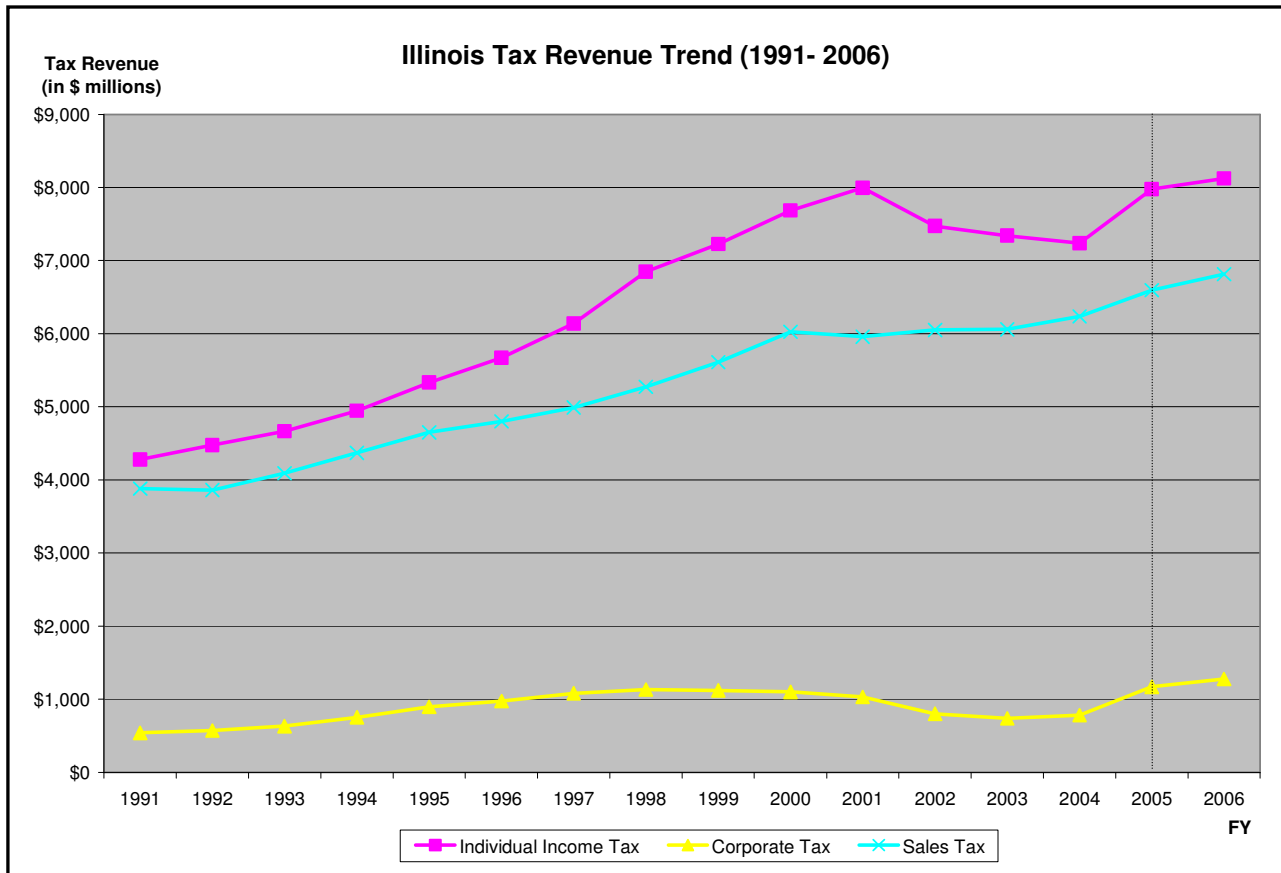
	Periods for Catch-up	
	IL	RMW
June-2006	<b>26 months</b>	<b>44 months</b>
July-2006	<b>19 months</b>	<b>42 months</b>
Difference	<b>▽ 7 months</b>	<b>▽ 2 months</b>

\* 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**
<b>Net Personal Income Tax</b>	<b>8,123</b>	<b>8,363</b>	<b>8,235</b>
<b>Net Corporate Income Tax</b>	<b>1,277</b>	<b>1,331</b>	<b>1,267</b>
<b>Sales Tax</b>	<b>6,815</b>	<b>6,915</b>	<b>6,873</b>
<b>Public Utilities Tax</b>	<b>1,157</b>	<b>1,072</b>	<b>1,069</b>
<b>Other Tax Sources</b>	<b>2,349</b>	<b>2,270</b>	<b>2,257</b>
<b>Total Net Taxes</b>	<b>19,721</b>	<b>19,951</b>	<b>19,701</b>
<b>Transfers</b>	<b>2,098</b>	<b>2,098</b>	<b>2,179</b>
<b>Federal Aid</b>	<b>4,791</b>	<b>4,791</b>	<b>4,791</b>
<b>Total Net Revenue</b>	<b>26,610</b>	<b>26,840</b>	<b>26,671</b>

(unit: \$ millions)

\*OMG: Office of Management and Budget

\*\*CGFA: Commission on Government Forecasting and Accountability