

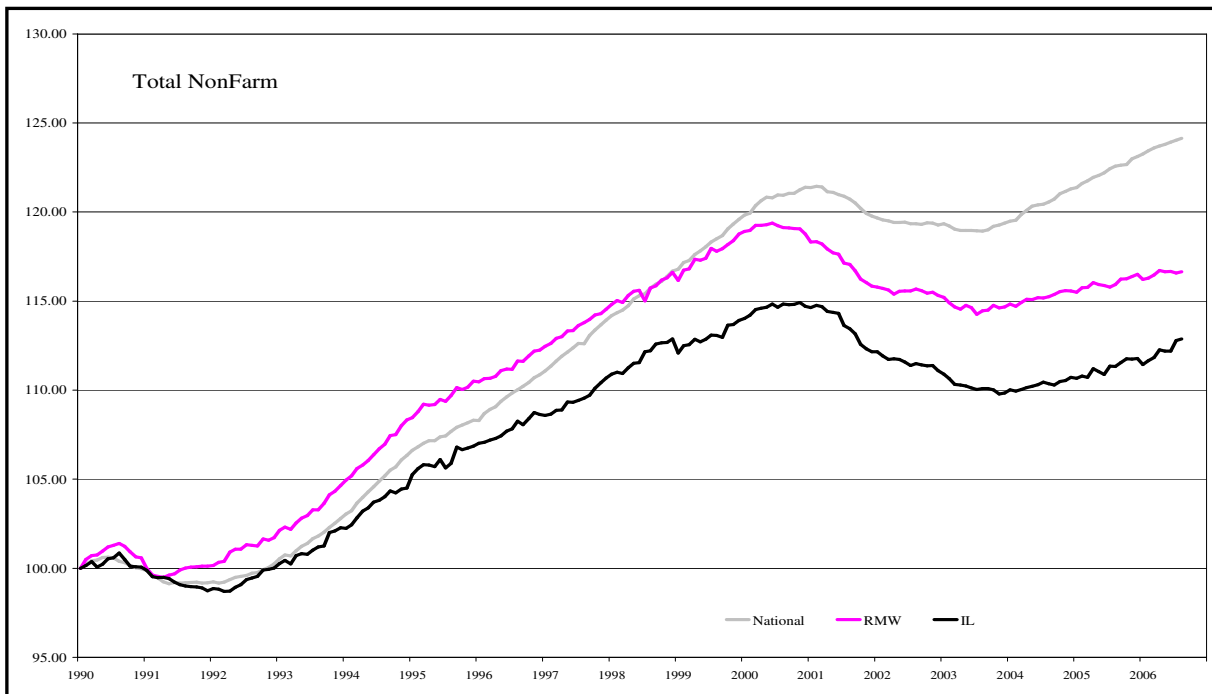
**Monthly Illinois Economic Review**

❖ **Employment**

<b>August 2006 Positive</b>	<b>July 2006 – Aug 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>
	<b>Nation</b>	<b>+0.09</b>	<b>+128,000</b>	<b>+0.09</b>	<b>+128,000</b>
	<b>RMW</b>	<b>+0.07</b>	<b>+14,300</b>	<b>+0.07</b>	<b>+14,300</b>
<b>Illinois</b>	<b>+0.08</b>	<b>+4,600</b>	<b>+0.08</b>	<b>+4,600</b>	

**Talking Points**

- Illinois had continued to create new jobs in August but at a much slower growth rate compared to the monthly growth in the previous month.
- Compared to the monthly growth at the national level, Illinois had a marginally slower growth pattern; however, the state rate was slightly faster than the RMW.
- The growth rate over the 12-month period in Illinois exceeded the national growth rate for the first time in 8 years (since September 1998), 1.37% for the state and 1.28% for nation.
- Illinois has added 80,500 new jobs in the last 12-months, the largest job creation since September 2000 when the state added 96,700 over the prior 12 months. This is mainly due to the huge gains over 10,000 of monthly gains for the several months in the last 12-month period. In April and July in 2006 the state had over 20,000 monthly job gains, 22,700 in April and 31,100 in July this year.
- Almost 40% of the new job creation over 12-month period in Midwest was from Illinois, while RMW- six states combined added only 60% of the total gains in Midwest.
- However, in terms of the total job gains since January 1990, Illinois' share of the total job gains in Midwest has been approximately 20% compared for the 80% of RMW.
- Consequently, the job index in Illinois still remains 3.79% lower than that in RMW and 11.28% lower than that in the Nation.



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

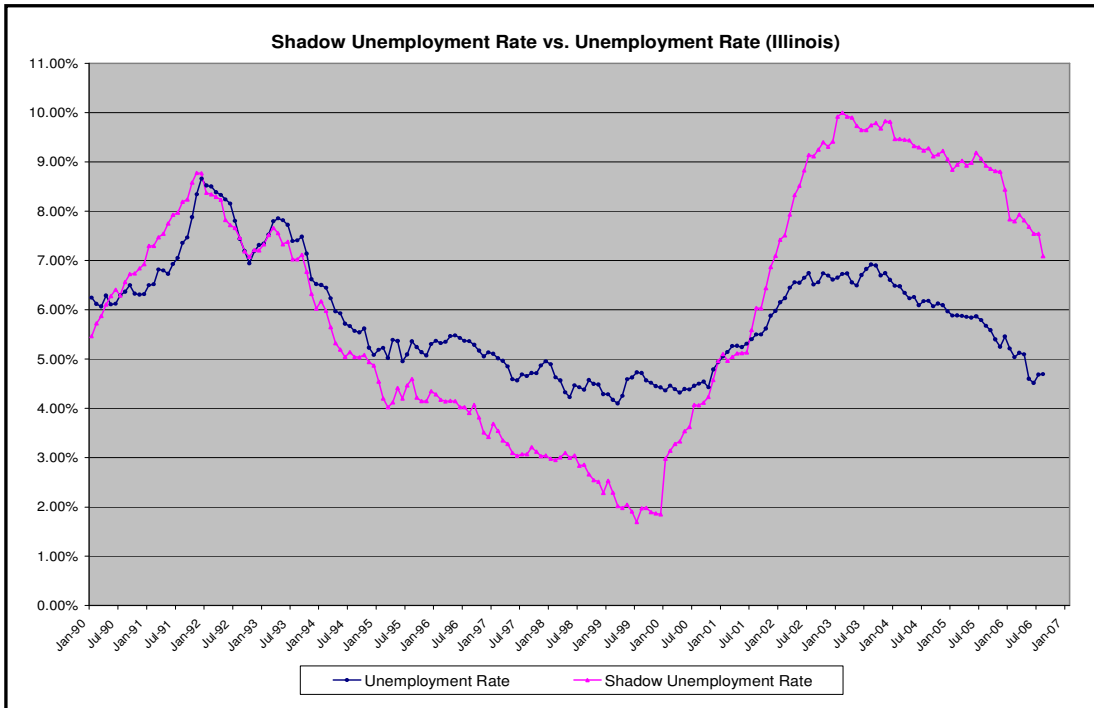
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

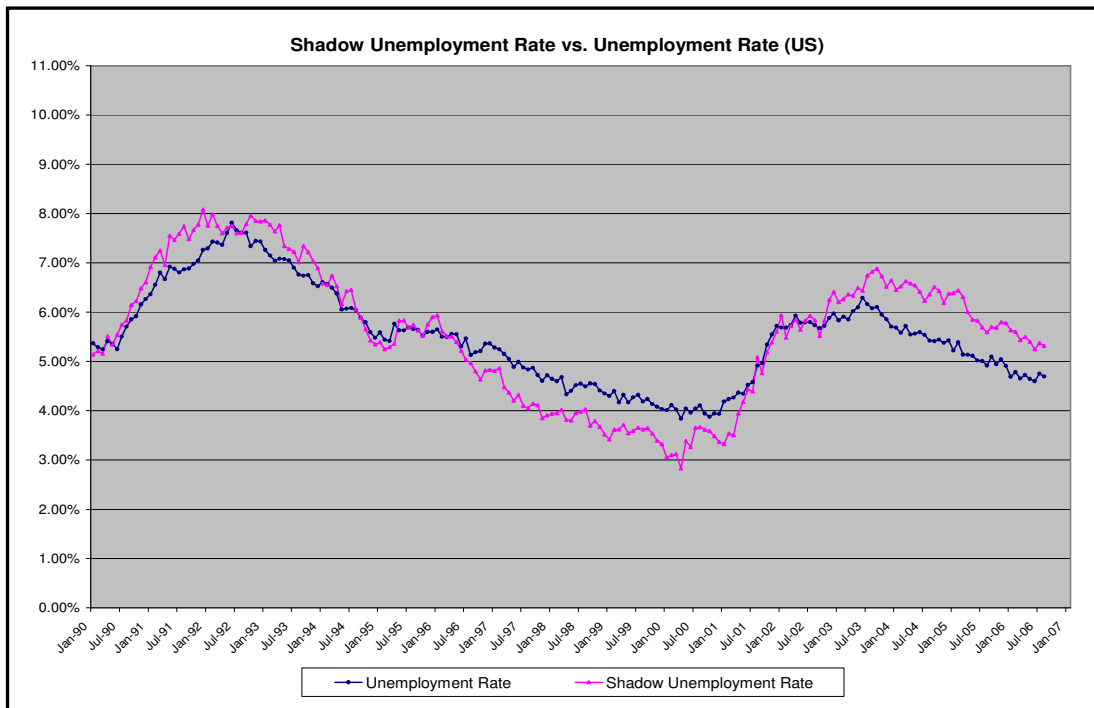
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 64.9%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 161,300 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

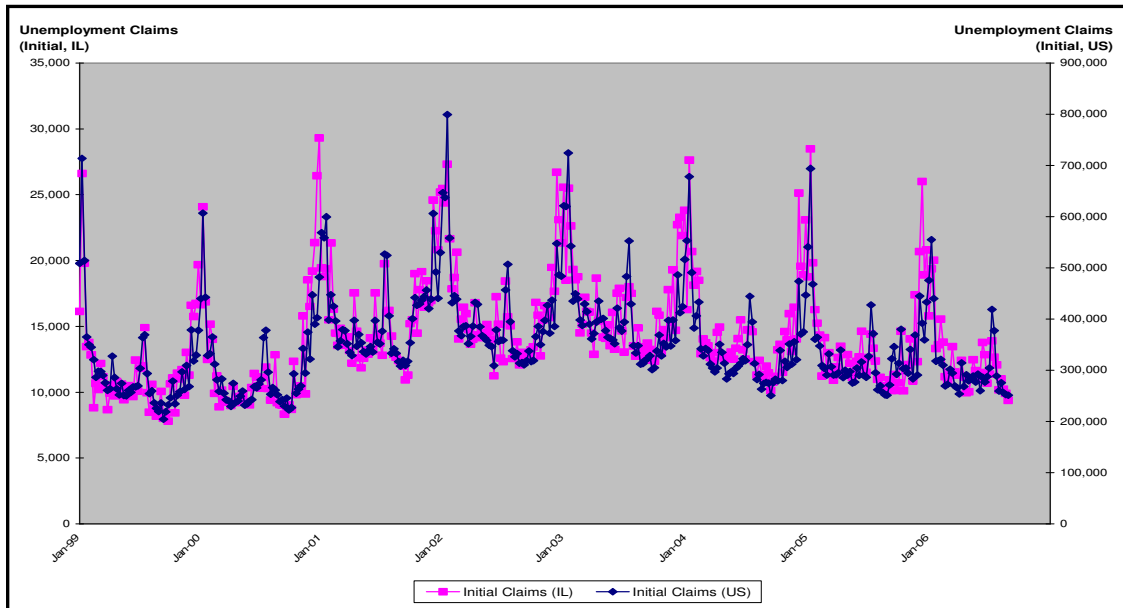
**Monthly Illinois Economic Review**

▪ **Illinois**



▪ **US**



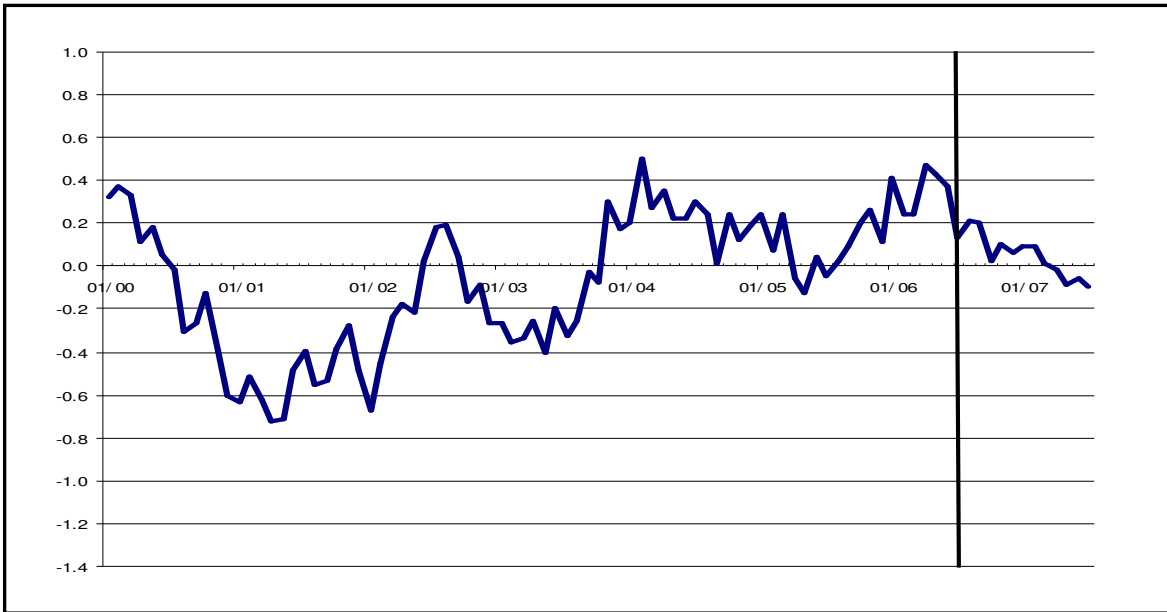
**Monthly Illinois Economic Review**❖ **Unemployment Claims (Initial)**❖ **CBAI in July**

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 0.130 in July, the twelfth consecutive positive reading since August 2005.
- This was mainly attributed to the increase of retail sales and strong employment performance. 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 more moderately over the next 12 months.
- In July, the national economy presented mixed features. Retail sales and construction increased 1.5 percent and 0.7 percent, respectively, while manufacturing employment decreased 0.2 percent. The coincident index of the Conference Board increased again in July, but its growth moderated slightly in recent months.
- The economic performance in Chicago showed relatively favorable features in July. Manufacturing employment and non-manufacturing employment increased 0.3 percent and 0.2 percent, respectively, which had dropped over the last two months. In addition, retail sales and construction increased 3.0 percent and 0.7 percent, respectively, with positive gains in the Chicago Fed Midwest manufacturing production (0.6 percent).
- 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***

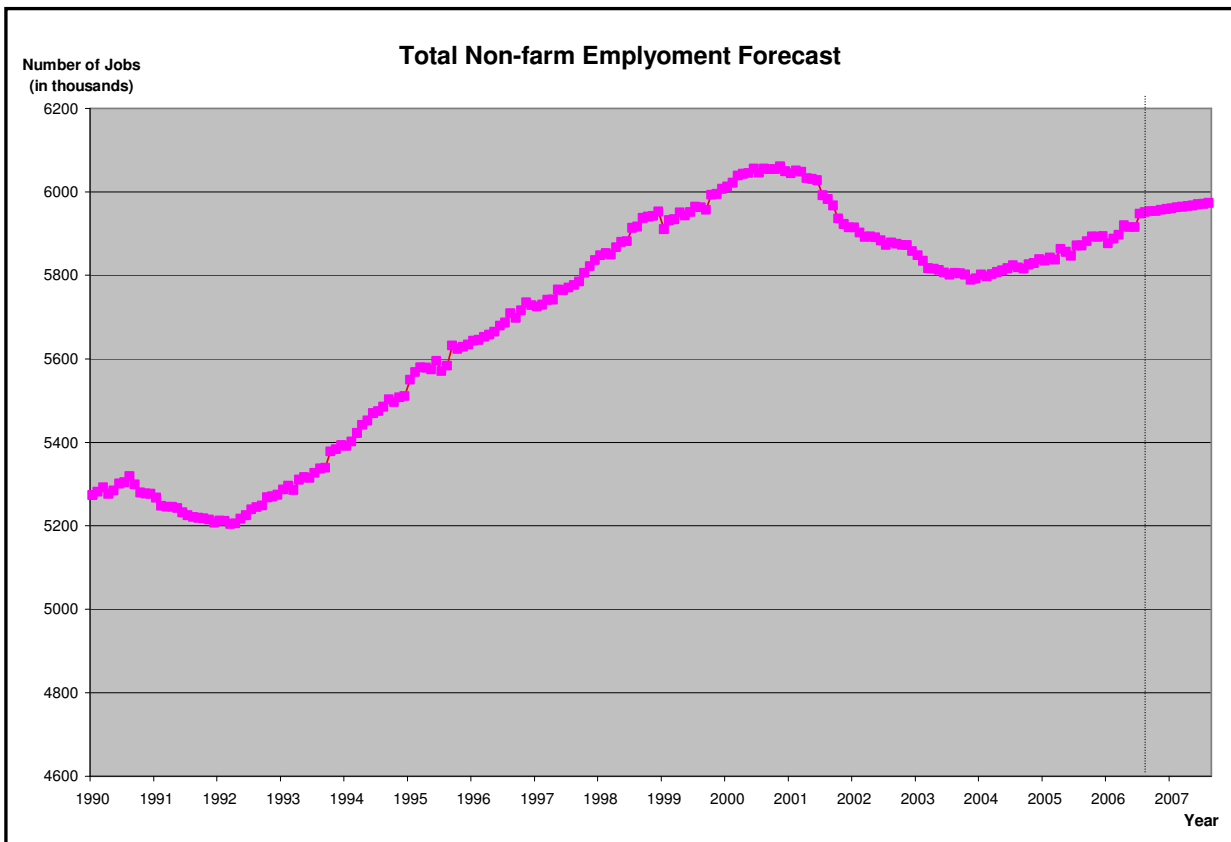
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**Monthly Illinois Economic Review**

❖ **Employment Forecast**

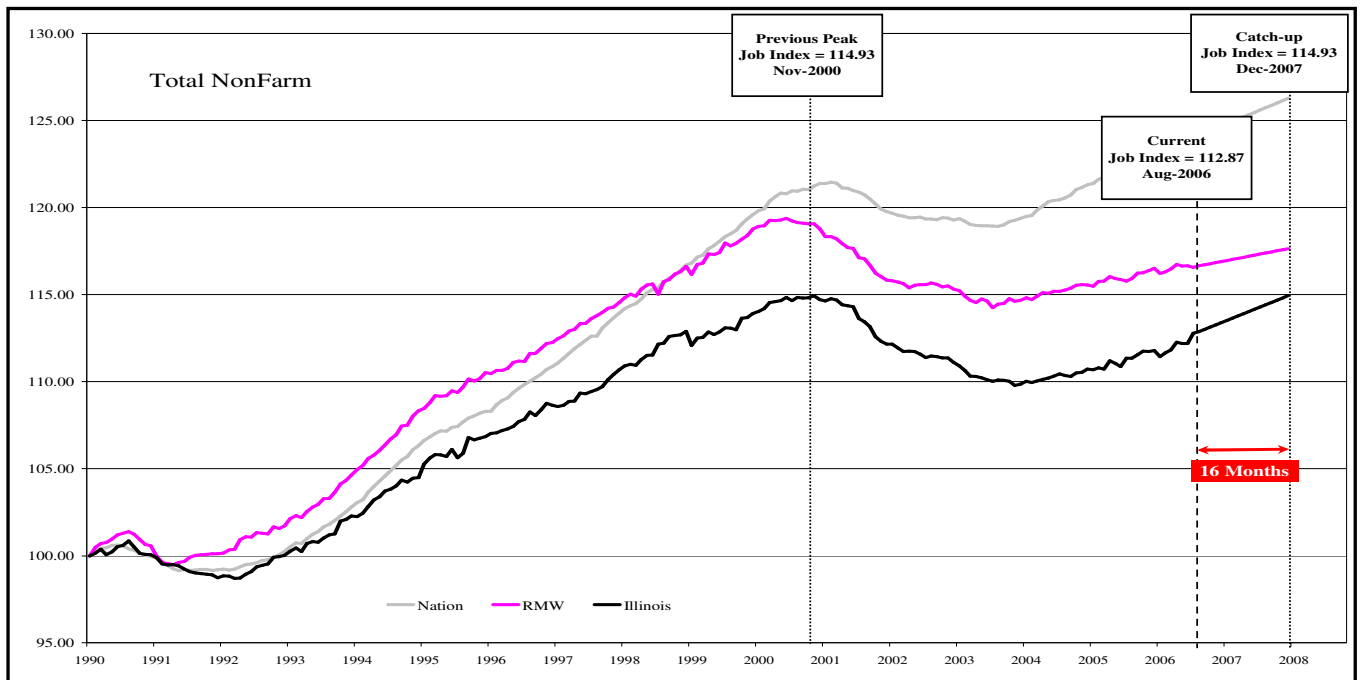
	Aug 2006	Aug 2007 (p)	Number of Jobs	Growth Rate %
<b>Total non-farm</b>	<b>5,951,300</b>	<b>5,972,500</b>	<b>+21,200</b>	<b>+0.36%</b>
Construction	275,500	278,100	+2,600	+0.94%
Manufacturing	678,100	654,600	- 23,500	- 3.47%
Trade, transportation & utilities	1,200,600	1,200,400	- 200	- 0.02%
Information	116,900	113,500	- 3,400	- 2.91%
Financial Activities	413,600	414,600	+1,000	+0.24%
Professional & business services	855,800	869,600	+13,800	+1.61%
Education & health	756,900	765,600	+8,700	+1.15%
Leisure & hospitality	534,700	541,300	+6,600	+1.23%
Other services	259,900	262,100	+2,200	+0.85%
Government	849,300	850,700	+1,400	+0.16%



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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>112.87</b> (Aug-2006)	<b>114.94</b> (Dec-2007)	<b>16 months</b>
RMW*	<b>119.37</b> (Jun-2000)	<b>116.66</b> (Aug-2006)	<b>119.39</b> (Apr-2010)	<b>44 months</b>
Nation**	<b>121.45</b> (Feb-2001)	<b>124.15</b> (Aug-2006)	<b>121.62</b> (Feb-2005)	<b>18 months ago</b>



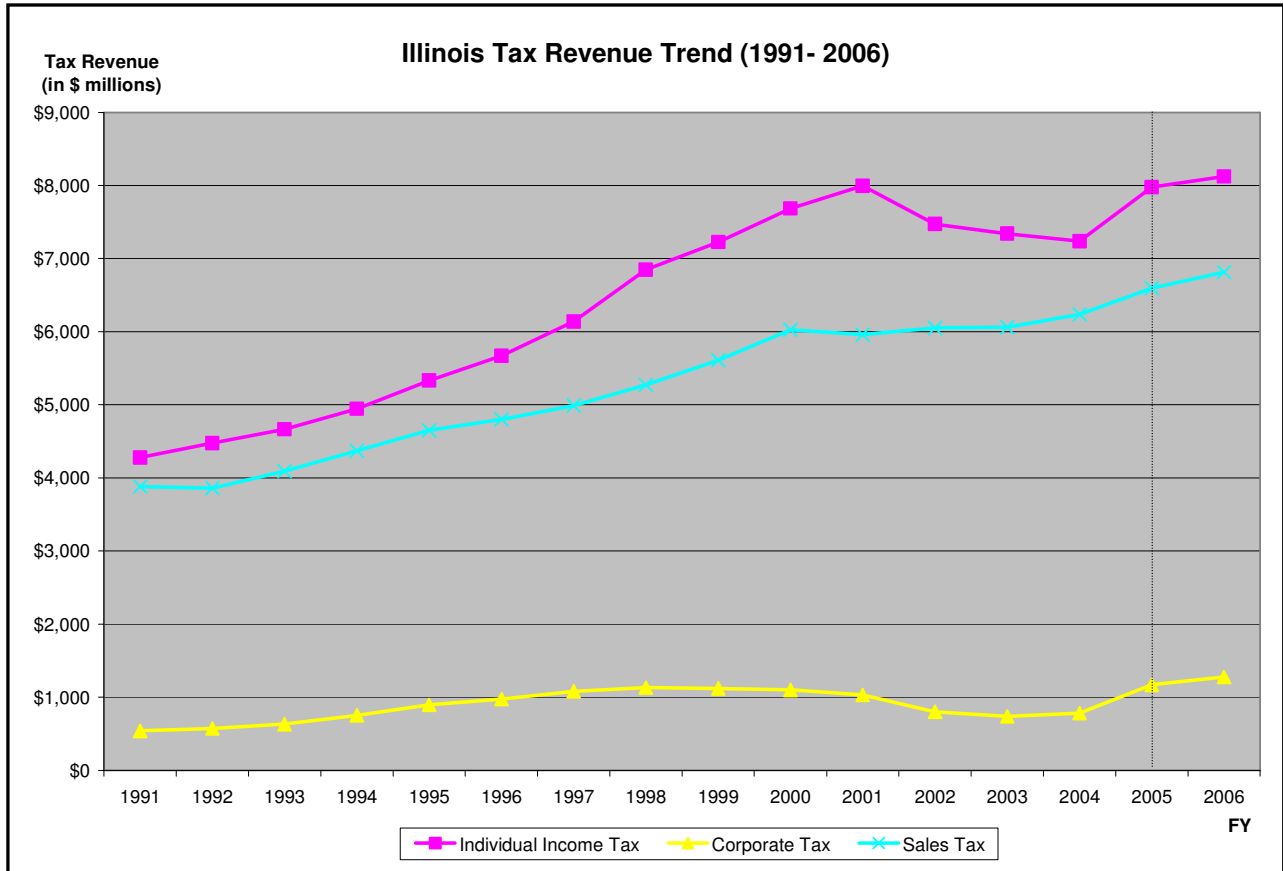
	Periods for Catch-up	
	IL	RMW
July-2006	<b>19 months</b>	<b>42 months</b>
Aug-2006	<b>16 months</b>	<b>44 months</b>
Difference	<b>▽ 3 months</b>	<b>△ 2 months</b>

\* 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.

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❖ **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