

Monthly Illinois Economic Review

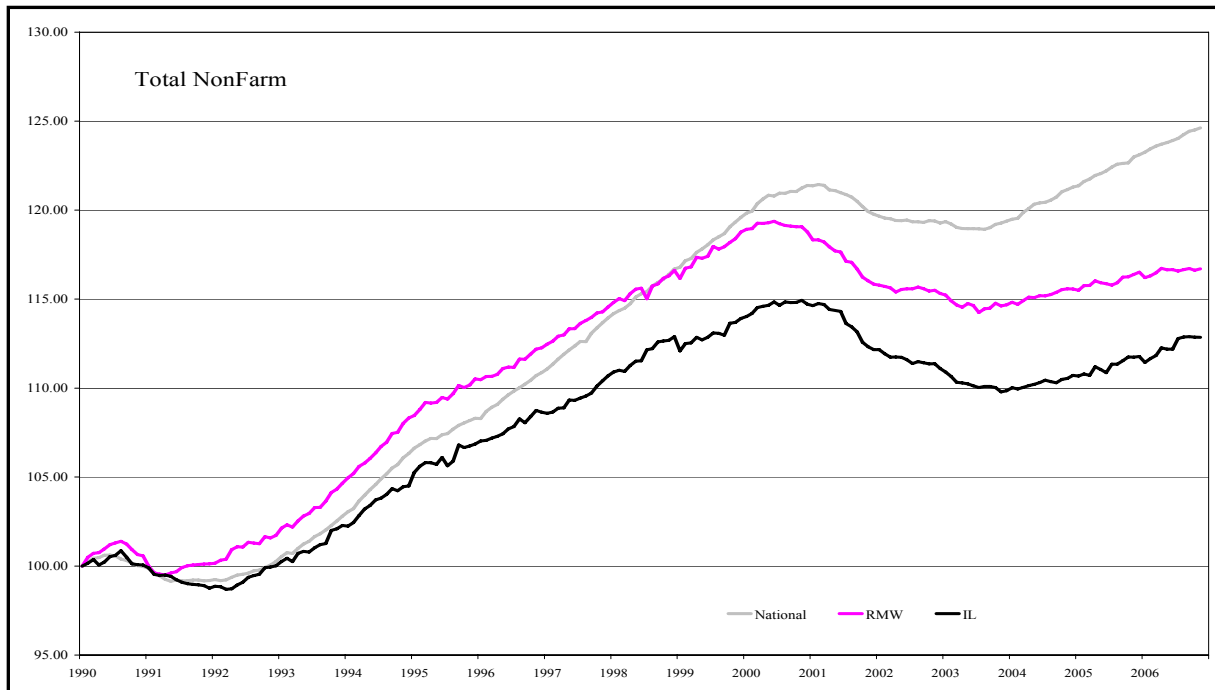
❖ **Employment**

November 2006 Negative	Total non-farm employment	Oct 2006 – Nov 2006		Last 12 months	
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	+0.10	+132,000	+1.33	+1,787,000
	RMW*	+0.07	+ 14,200	+0.27	+54,600
	Illinois	- 0.01	- 500	+1.00	+58,900

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

Talking Points

- By loosing 500 jobs, leading to a negative rating in November, Illinois continued a loss in rate of job creation after July. With losses in two consecutive months up to November based on revised data, the job index fell below the value of August 2006.
- The job loss of Illinois last month, of - 0.01% contrasts with 0.08% average growth rate of the recent recovery period since early 2004 but is a repetition of the loss of corresponding month in 2005.
- In terms of 12-month job creation since 2001 the best period for Illinois is 2006, but during November the rate declined to 1.00% which is lowest since June 2006.
- Though RMW did better than Illinois in monthly gain, in terms of 12-month job creation RMW’s performance fell down quite sharply compared to that of Illinois. As a result, based on revised data, Illinois itself created more jobs than RMW altogether over a 12 month period for the second time since 1990. A similar event occurred in November 2000 when Illinois created 97% of Jobs in Midwest.
- While the Job index for RMW is always better than that of Illinois, based on revised data, the gap between their indices came down to a minimum in October (since May 2002) and slightly increased in November.



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

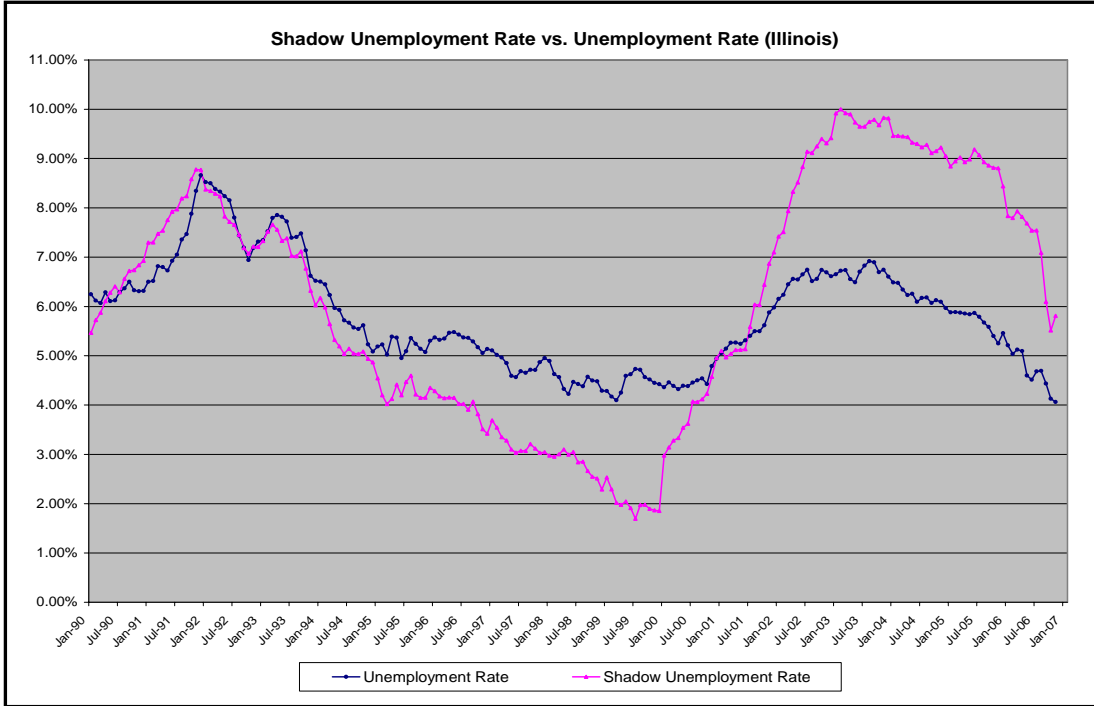
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

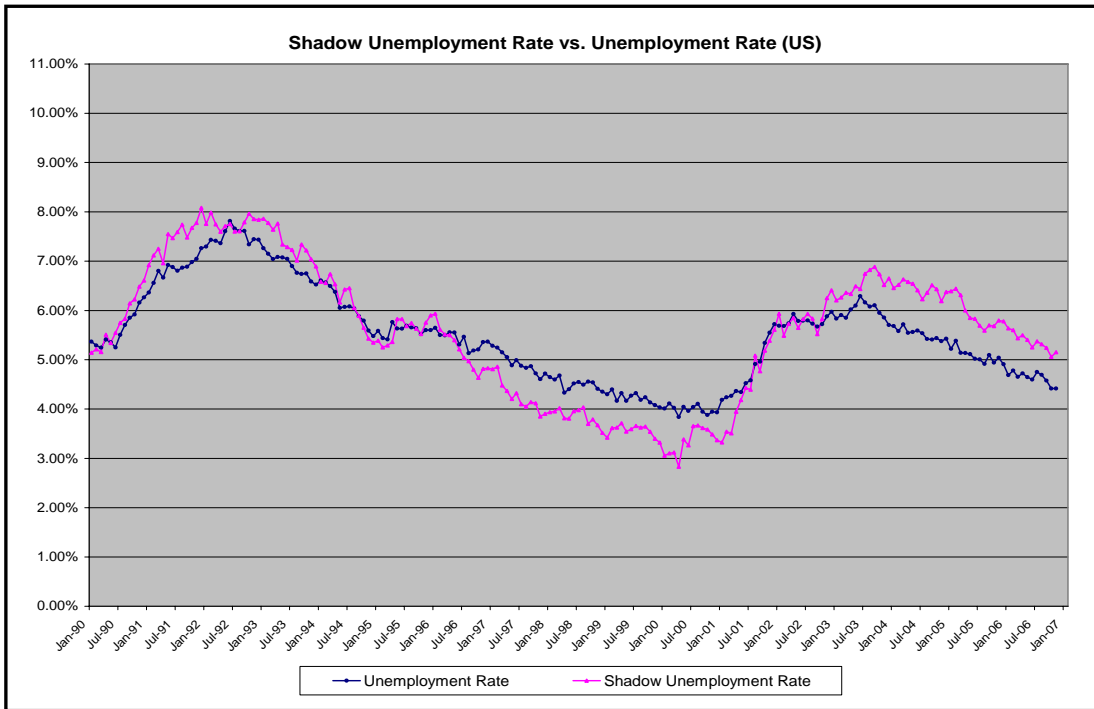
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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.
- To bring the two together a further 118,000 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

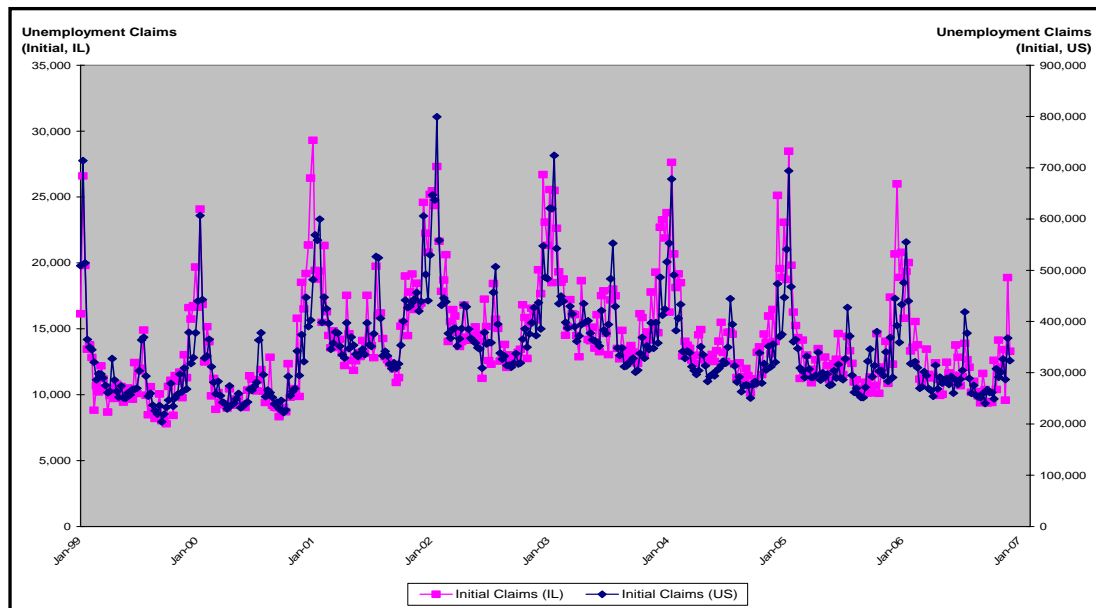
Monthly Illinois Economic Review

■ **Illinois**



■ **US**



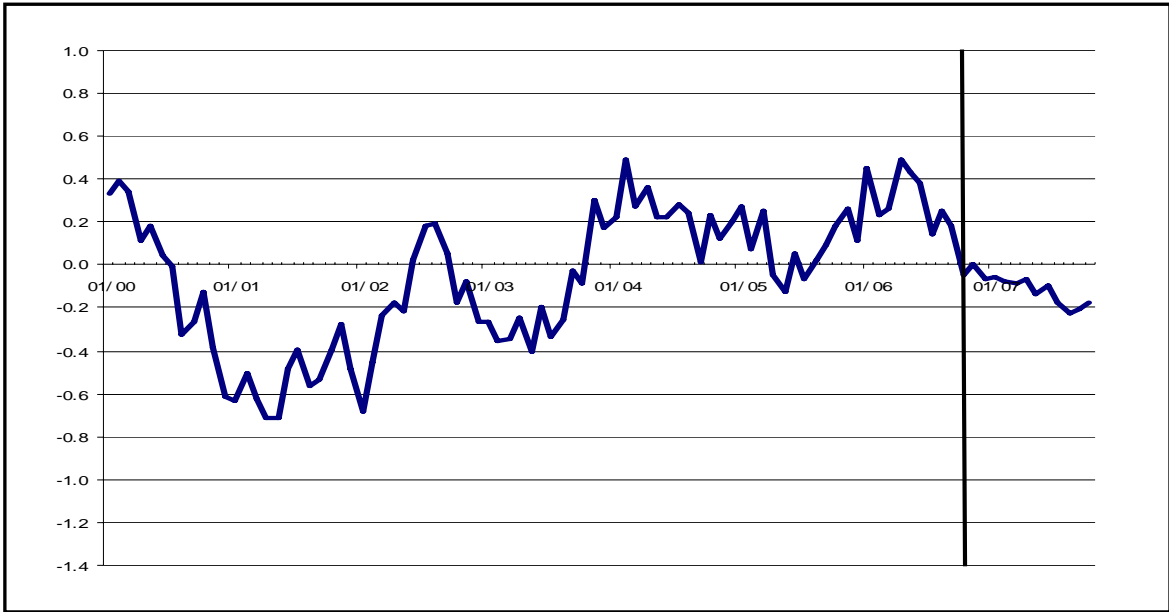
Monthly Illinois Economic Review**❖ Unemployment Claims (Initial)****❖ CBAI in October**

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 -0.04 in October, the first negative signal after fourteen consecutive positive readings since August 2005.
- This was mainly attributed to the decrease of 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 is likely to be losing momentum for the expansion in the near term.
- The CBAI prediction also suggests the further decline in the growth of economic activities over the next 12 months
- In October, the national economy presented some negative features. Retail sales and non-manufacturing employment decreased 0.5 percent and 0.3 percent, respectively. Further, construction decreased 0.6 percent reflecting the year-long slump in the housing market.
- The economic performance in Chicago showed mixed features in October. The Chicago Fed Midwest Manufacturing Index and construction decreased 0.4 percent and 0.7 percent, respectively. However, retail sales increased 1.3 percent.
- The national economy and regional economy are expected to continue on a slower economic growth trend, clarifying the signal of a weakening economy. For the national economy, the consumer confidence index of the Conference Board declined further in November (105.1 → 102.9). In addition, during the six-month span through October, the leading index of the Conference Board decreased 0.2 percent, resulting from a continuing sharp drop in housing permits. For the local economy, considering the increasing signals of weakness in the nation's economic performance and the shrinking local manufacturing production since August, economic growth is likely to be below the historical trend for the next year.

Monthly Illinois Economic Review

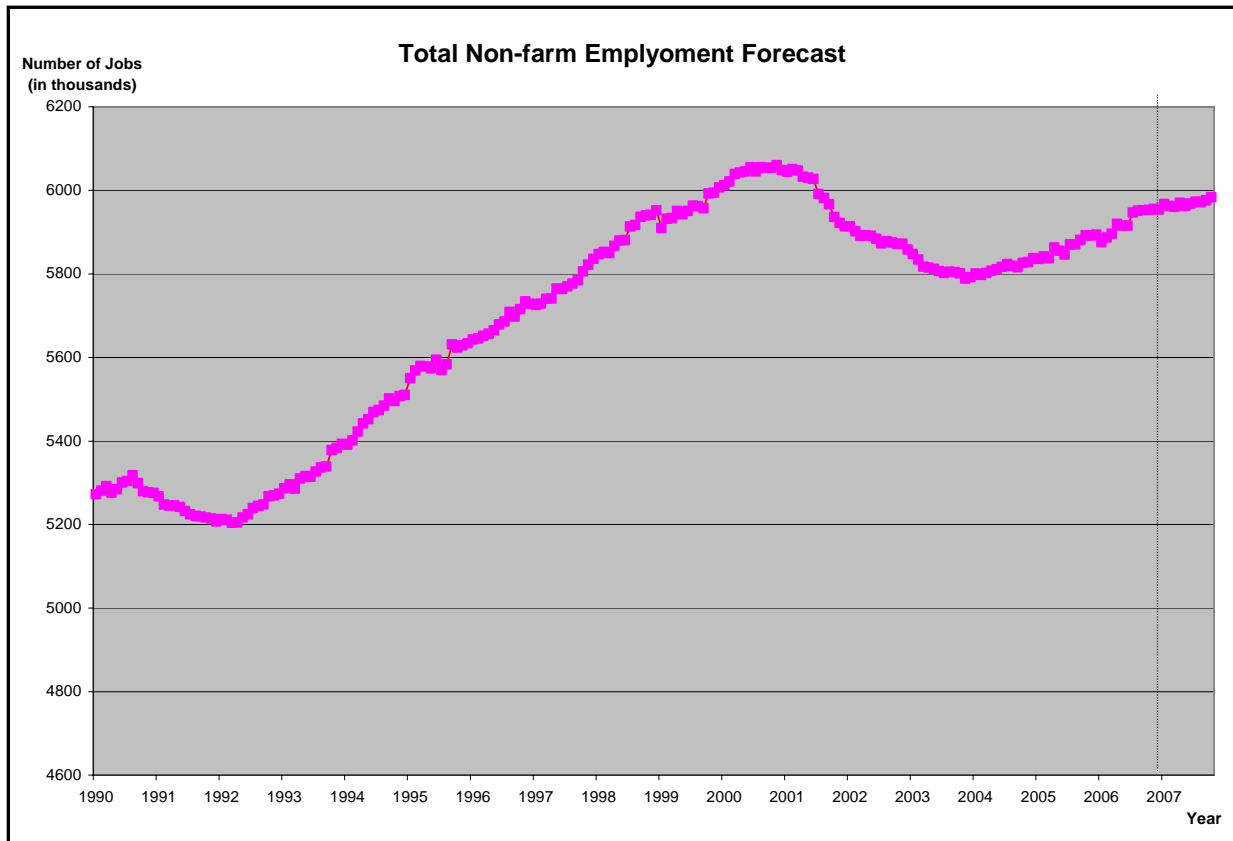
The Chicago Business Activity Index (CBAI) was -0.04 in October, the first negative signal after fourteen consecutive positive readings since August 2005. This was mainly attributed to the decrease of construction and manufacturing production. Considering that the CBAI leads the local business cycle and negative values of this index are associated with below-trend growth, the Chicago economy is likely to be losing momentum for the expansion in the near term. And, the CBAI prediction also suggests the further decline in the growth of economic activities over the next 12 months.



Monthly Illinois Economic Review

❖ **Employment Forecast**

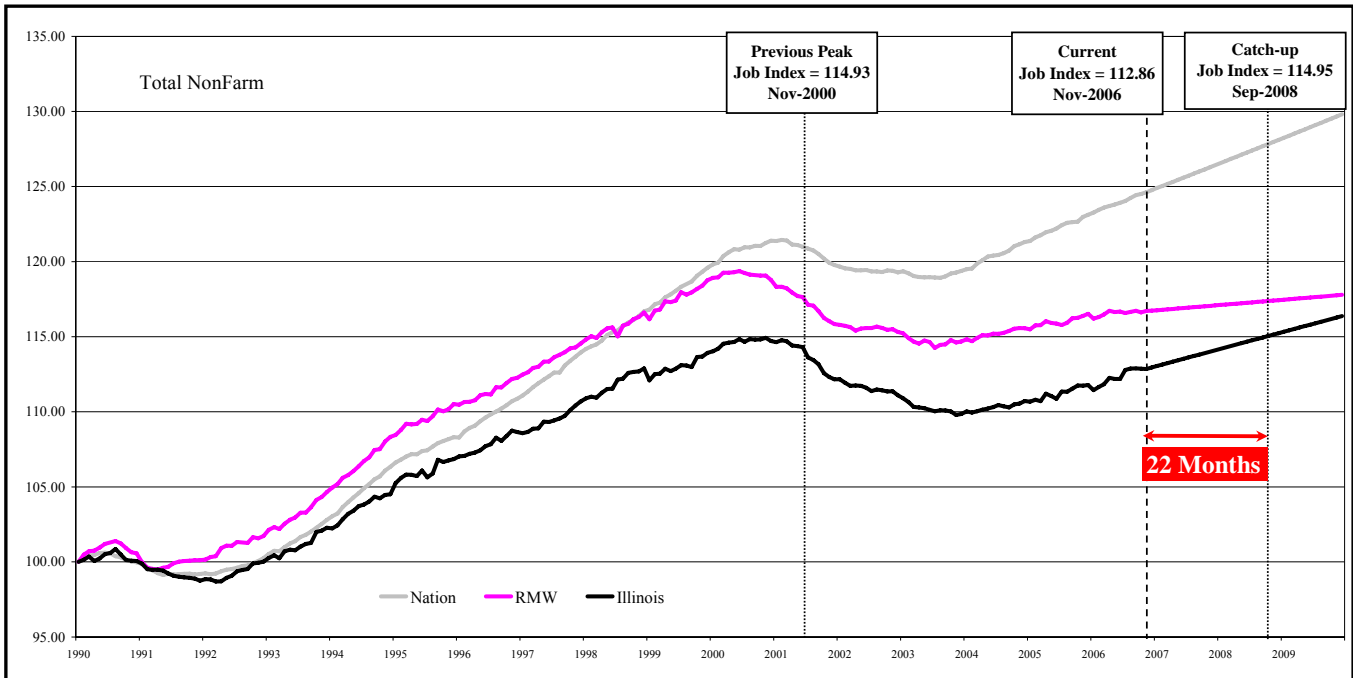
	Nov 2006	Nov 2007 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,950,700	5,995,699	+44,999	+0.76%
Construction	279,000	282,147	+3,147	+1.13%
Manufacturing	678,500	669,918	- 8,582	- 1.26%
Trade, transportation & utilities	1,199,400	1,201,560	+2,160	+0.18%
Information	115,900	115,133	- 767	- 0.66%
Financial Activities	414,700	416,826	+2,126	+0.51%
Professional & business services	858,100	878,424	+20,324	+2.37%
Education & health	759,300	771,018	+11,718	+1.54%
Leisure & hospitality	531,900	540,812	+8,912	+1.68%
Other services	260,800	264,443	+3,643	+1.40%
Government	843,000	847,166	+4,166	+0.49%



Monthly Illinois Economic Review

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

	Previous Peak	Current	Catch-up	Periods for Catch-up
IL*	114.93 (Nov-2000)	112.86 (Nov-2006)	114.95 (Sep-2008)	22 months
RMW*	119.37 (Jun-2000)	116.71 (Nov-2006)	119.39 (July-2014)	92 months
Nation**	121.45 (Feb-2001)	124.62 (Nov-2006)	121.62 (Feb-2005)	21 months ago



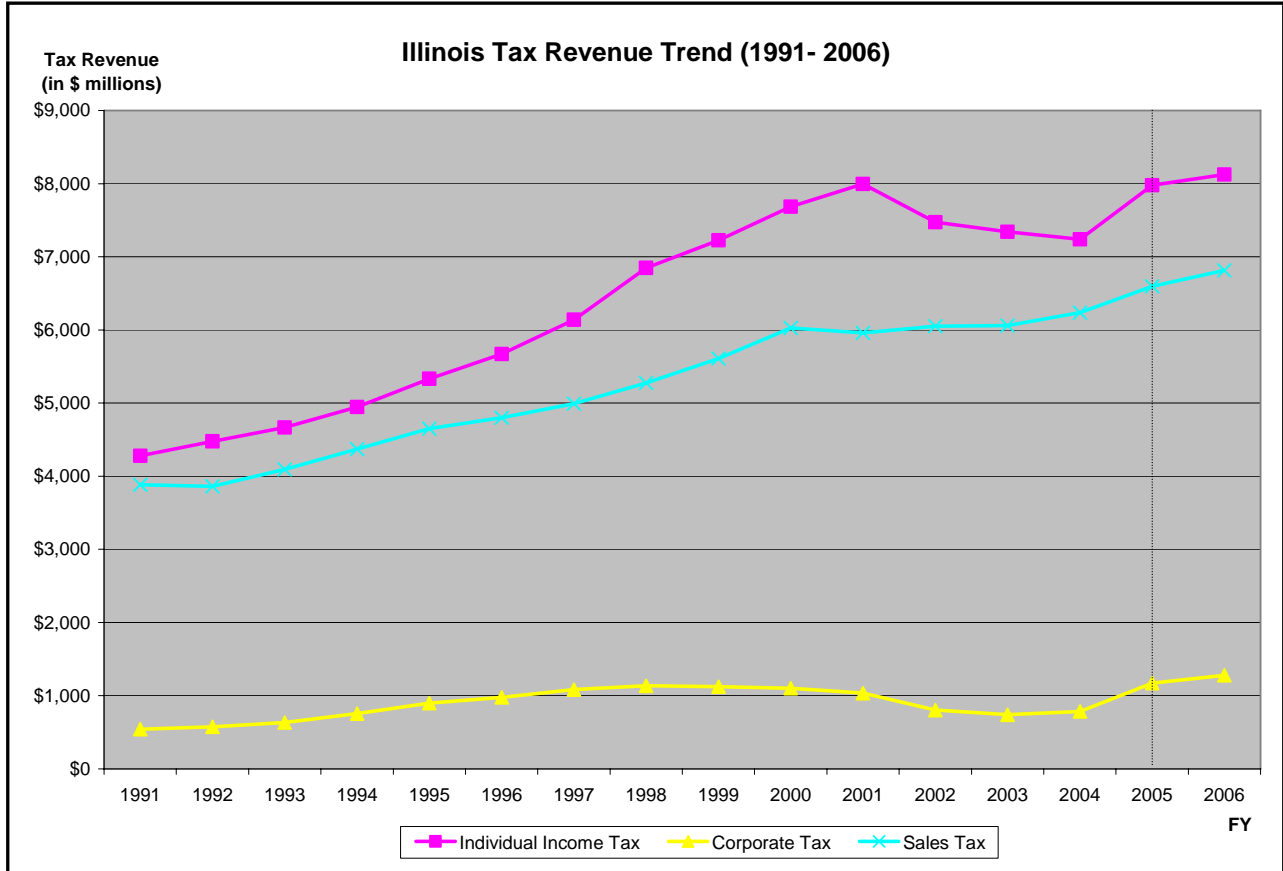
	Periods for Catch-up	
	IL	RMW
Oct-2006	22 months	97 months
Nov-2006	22 months	92 months
Difference	Δ/∇ 0 months	∇ 5 months

* 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.

Monthly Illinois Economic Review

❖ **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