

**Monthly Illinois Economic Review**

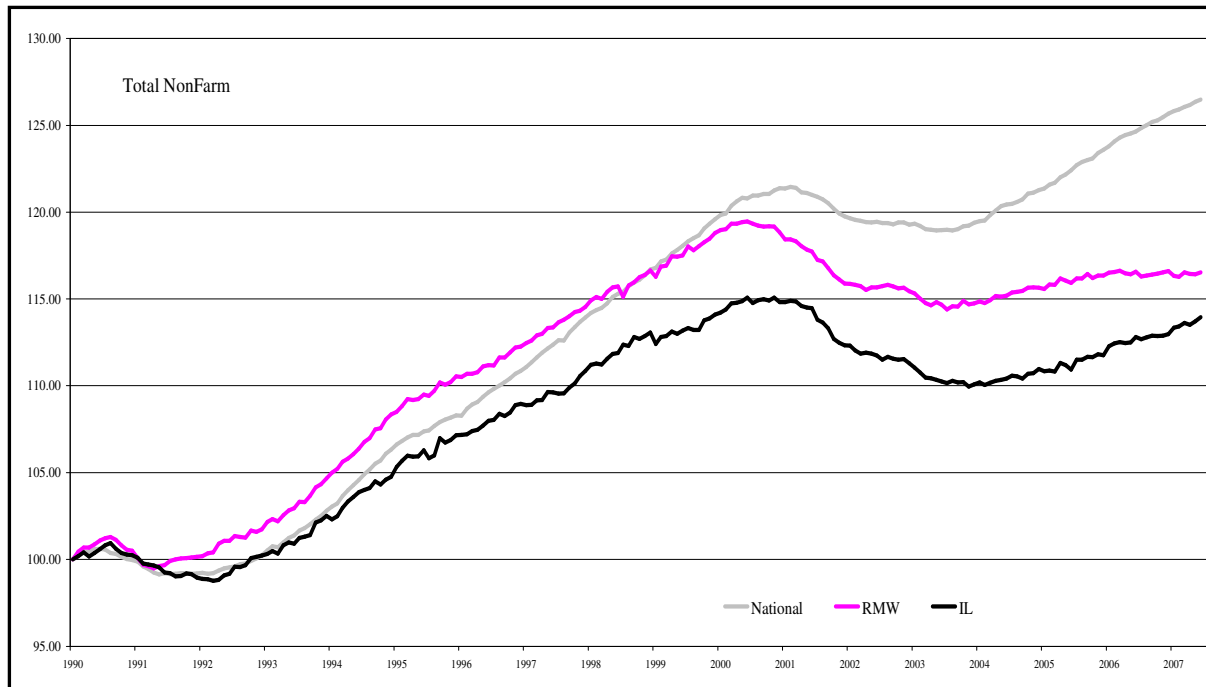
❖ **Employment**

<b>June 2007 Positive</b>		<b>May 2007 – Jun 2007</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>+0.10</b>	<b>+132,000</b>	<b>+1.48</b>	<b>+2,008,000</b>
	<b>RMW*</b>	<b>+0.11</b>	<b>+21,300</b>	<b>- 0.03</b>	<b>- 6,400</b>
<b>Illinois</b>	<b>+0.21</b>	<b>+12,400</b>	<b>+1.01</b>	<b>+59,900</b>	

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

### Talking Points

- By adding 12,400 jobs at 0.21% in June, Illinois maintained a positive trend. This is the second largest number of jobs added in Illinois payroll in 2007.
- A 0.21% gain in June enabled Illinois to register an average monthly growth rate of 0.14% in 2007 which is well above the average growth rate of 0.08% in the recent recovery period for Illinois since early 2004.
- Repeating the pattern of May, Illinois was ahead of both the Nation and RMW in job creation performance in June, which happened for the third time in 2007
- In terms of 12-months job creation, RMW continued a negative trend since January 2007 based on revised data with a net 0.03% decline. The Nation grew by 1.48% and Illinois by 1.01%.
- Though Illinois did better than both Nation and RMW during June, since 1990 Nation gained 26.47% followed by RMW at 16.54 % and Illinois at 13.95%.
- Due to a better performance of Illinois compared to RMW in most instances in 2006 and 2007 the gap in the job index between RMW and Illinois came down to its lowest value since July 1994.



## ❖ Shadow Unemployment

### Unemployment Rate: Official and Shadow

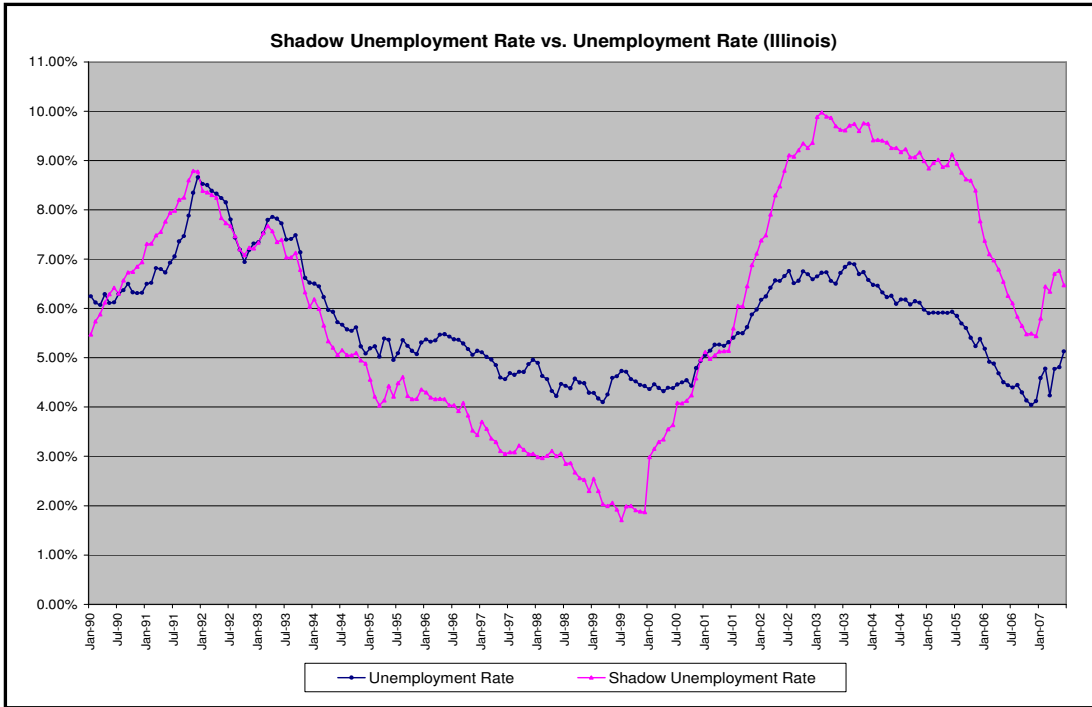
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

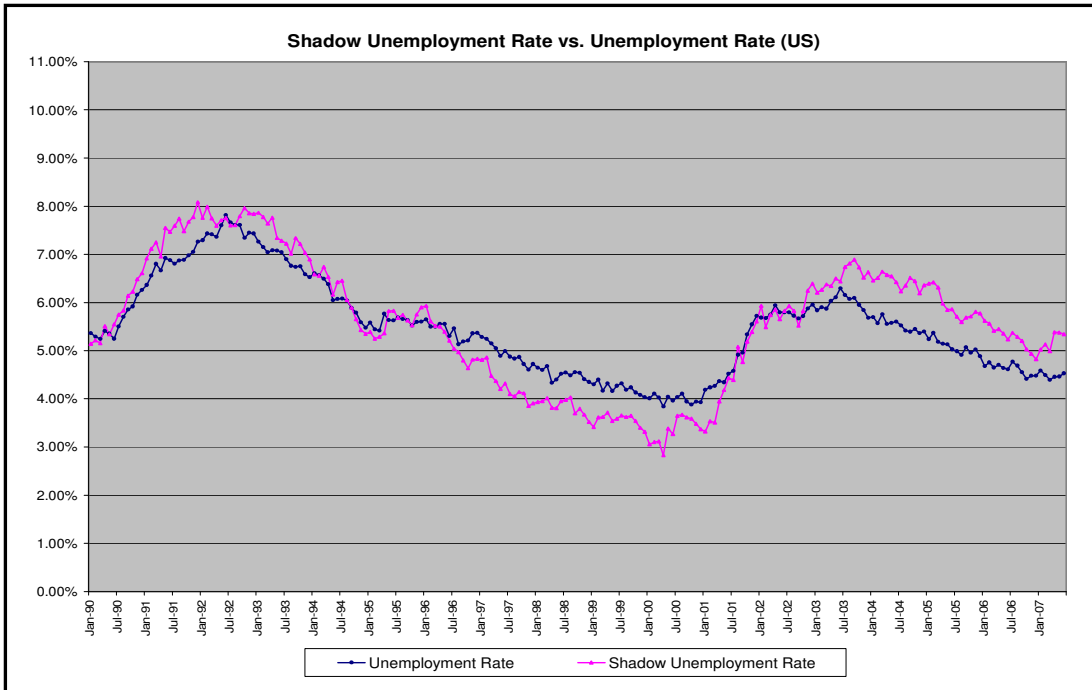
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 91,641 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

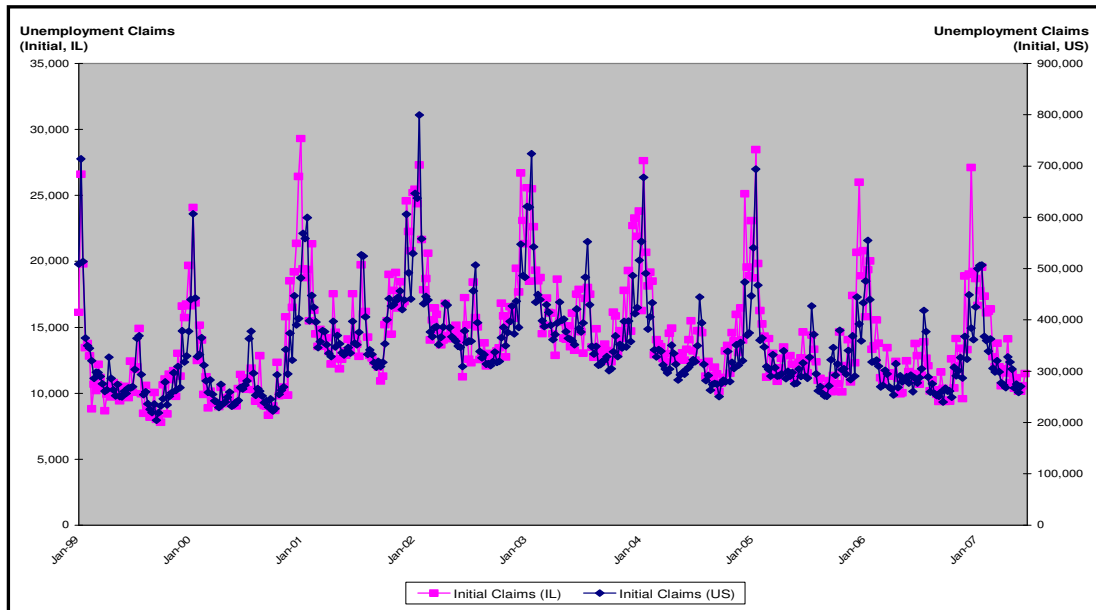
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■ **Illinois**



■ **US**



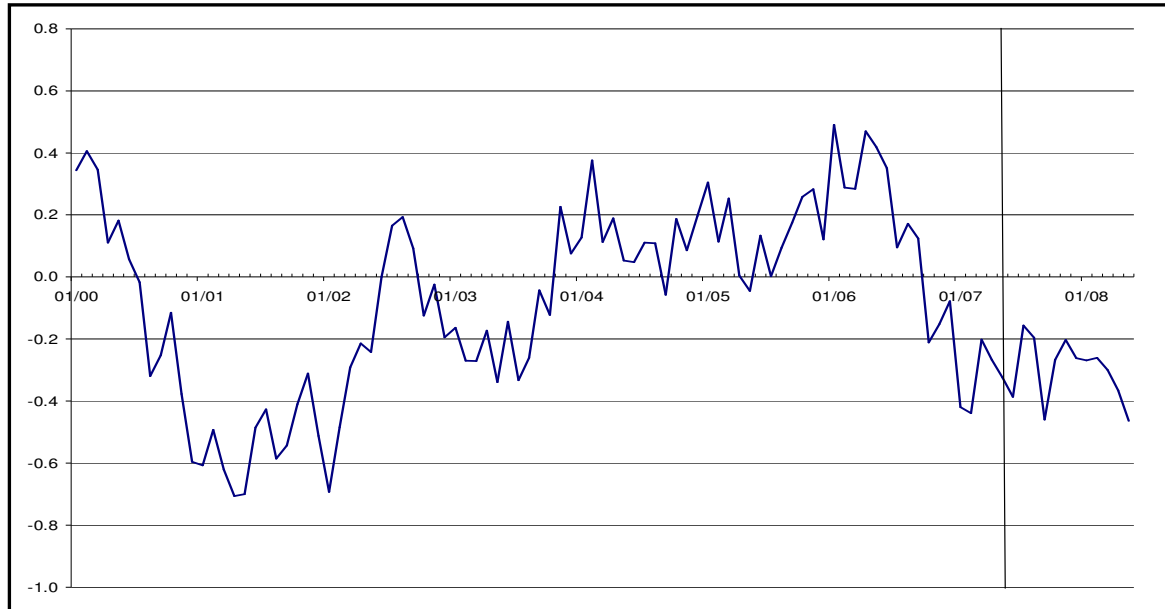
***Monthly Illinois Economic Review*****❖ Unemployment Claims (Initial)****❖ CBAI fell in May**

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 -0.323 in May, the eighth consecutive negative reading since October 2006.
- This was mainly attributed to the weak performance of the national economy and to the decrease of retail sales. 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 May, the national economy presented mixed features. . The retail sales increased 1.61 percent and the coincident index of the Conference Board increased 0.2 percent. However, the Chicago Fed National Activity Index was -0.22, up from -0.30 in April.
- The economic performance in Chicago also presented mixed features in May. The construction increased 0.70%. However, the Chicago Fed Midwest manufacturing index inched down 0.2 percent and the retail sales decreased 0.54 percent.
- The national economy and regional economy seem to remain on a slower economic growth trend. For the national economy, in June, the Federal Open Market Committee decided to keep its target for the federal funds rate at 5.25 percent despite the moderate performance of the economy. The index of consumer expectations surveyed by University of Michigan, was also lowered to 74.7 in June from 77.6 in May. 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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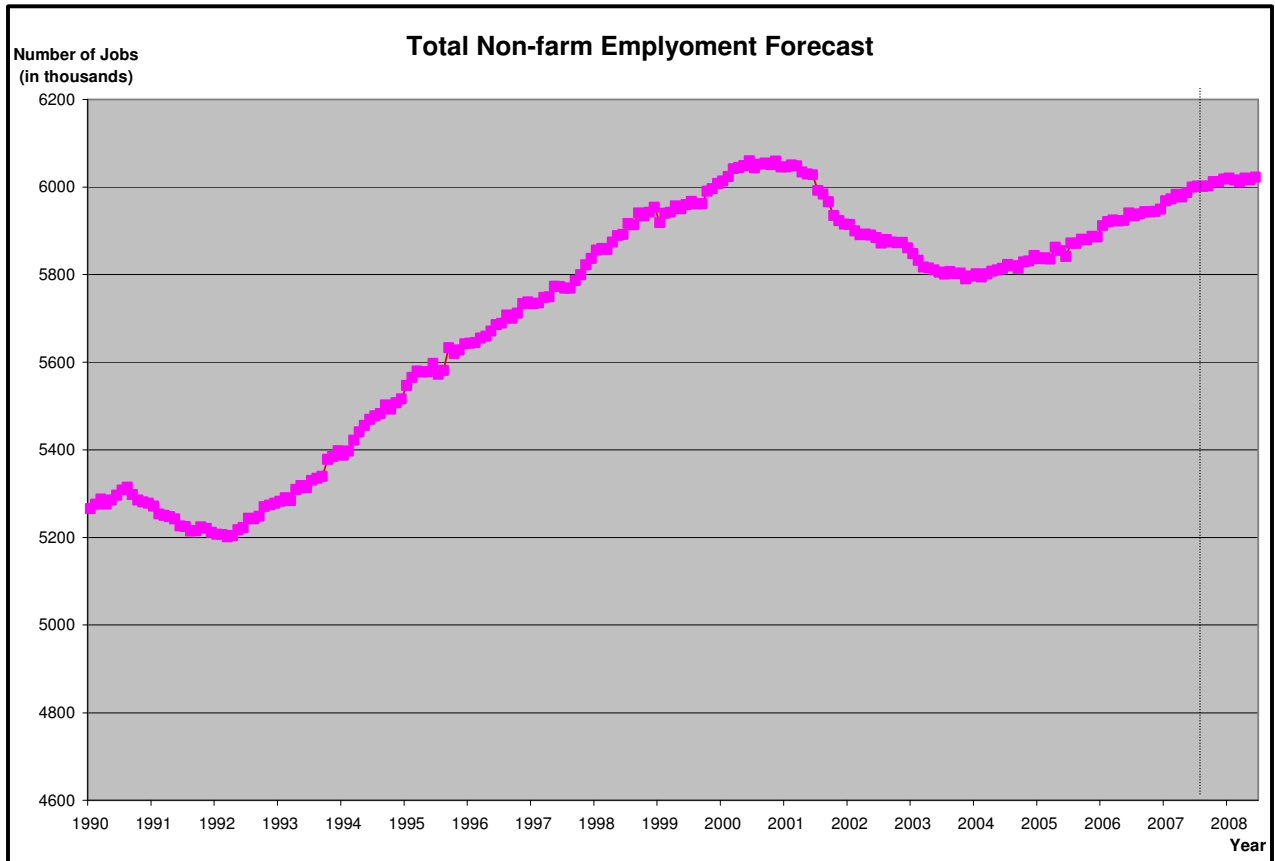
The Chicago Business Activity Index (CBAI) was -0.323 in May, the eighth consecutive negative reading since October 2006. This was mainly attributed to the weak performance of the national economy and to the decrease of retail sales. Considering that the CBAI leads the local business cycle and negative 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.



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❖ **Employment Forecast**

	June 2007	June 2008 (p)	Number of Jobs	Growth Rate %
<b>Total non-farm</b>	<b>6,000,000</b>	<b>6,022,100</b>	<b>22,100</b>	<b>0.37%</b>
<b>Construction</b>	<b>279,700</b>	<b>281,600</b>	<b>1,900</b>	<b>0.68%</b>
<b>Manufacturing</b>	<b>679,300</b>	<b>667,500</b>	<b>-11,800</b>	<b>-1.74%</b>
<b>Trade, transportation &amp; utilities</b>	<b>1,201,500</b>	<b>1,205,800</b>	<b>4,300</b>	<b>0.36%</b>
<b>Information</b>	<b>116,200</b>	<b>115,400</b>	<b>-800</b>	<b>-0.69%</b>
<b>Financial Activities</b>	<b>411,400</b>	<b>411,400</b>	<b>0</b>	<b>0.00%</b>
<b>Professional &amp; business services</b>	<b>877,900</b>	<b>889,000</b>	<b>11,100</b>	<b>1.26%</b>
<b>Education &amp; health</b>	<b>777,200</b>	<b>783,500</b>	<b>6,300</b>	<b>0.81%</b>
<b>Leisure &amp; hospitality</b>	<b>541,700</b>	<b>544,100</b>	<b>2,400</b>	<b>0.44%</b>
<b>Other services</b>	<b>261,700</b>	<b>263,100</b>	<b>1,400</b>	<b>0.53%</b>
<b>Government</b>	<b>842,900</b>	<b>836,800</b>	<b>-6,100</b>	<b>-0.72%</b>



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

	<b>Previous Peak</b>	<b>Current</b>	<b>Catch-up</b>	<b>Periods for Catch-up</b>
<b>IL</b>	<b>115.08</b> <b>(Nov-2000)</b>	<b>113.95</b> <b>(Jun -2007)</b>	<b>115.10</b> <b>(Jun-2008)</b>	<b>12 months</b>
<b>RMW</b>	<b>119.47</b> <b>(Jun-2000)</b>	<b>116.54</b> <b>(Jun -2007)</b>	<b>Zero Growth</b>	<b>N/A</b>
<b>Nation</b>	<b>121.45</b> <b>(Feb-2001)</b>	<b>126.47</b> <b>(Jun -2007)</b>	<b>121.58</b> <b>(Feb-2005)</b>	<b>28 months ago</b>
<b>Metro Areas**:</b>				
<b>Bloomington Normal</b>	<b>141.81</b> <b>(Feb - 2002)</b>	<b>137.67</b> <b>(May 2007)</b>	<b>141.83</b> <b>(Mar2020)</b>	<b>154 months</b>
<b>Champaign Urbana</b>	<b>116.11</b> <b>(Sep 2006)</b>	<b>113.78</b> <b>(May 2007)</b>	<b>116.11</b> <b>(Jul 2010)</b>	<b>38 months</b>
<b>Chicago</b>	<b>114.68</b> <b>(Nov 2000)</b>	<b>113.81</b> <b>(May 2007)</b>	<b>114.71</b> <b>(Jan 2008)</b>	<b>8 months</b>
<b>Devonport- Rock Island-Moline</b>	<b>114.73</b> <b>(Nov 1999)</b>	<b>113.65</b> <b>(May 2007)</b>	<b>Negative growth</b>	<b>N/A</b>
<b>Decatur</b>	<b>112.41</b> <b>(Mar 2000)</b>	<b>101.67</b> <b>(May 2007)</b>	<b>112.41</b> <b>(Mar 2018)</b>	<b>130 months</b>
<b>Kankakee</b>	<b>124.30</b> <b>(Apr 2000)</b>	<b>122.91</b> <b>(May 2007)</b>	<b>124.35</b> <b>(Apr 2008)</b>	<b>8 months</b>
<b>Peoria</b>	<b>119.05</b> <b>(Nov 2006)</b>	<b>118.79</b> <b>(May 2007)</b>	<b>119.12</b> <b>(Jul 2007)</b>	<b>2 months</b>
<b>Rockford</b>	<b>123.22</b> <b>(Jul 2000)</b>	<b>117.88</b> <b>(May 2007)</b>	<b>123.29</b> <b>(Dec 2010)</b>	<b>43 months</b>
<b>Springfield</b>	<b>110.35</b> <b>(Aug 2000)</b>	<b>105.08</b> <b>(May 2007)</b>	<b>Zero Growth</b>	<b>N/A</b>
<b>Metro-East</b>	<b>114.73</b> <b>(Jun 2001)</b>	<b>111.41</b> <b>(May 2007)</b>	<b>114.76</b> <b>(Aug 2008)</b>	<b>15 Months</b>

\* Catch-up scenarios are based on average monthly growth rate over the previous 12 months. Nation already passed its previous peak at February 2005.

\*\* Due to lag of data release schedule there is one month of time lag in the catch-up scenario for metro areas.

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**MSA League Tables\*: Non-farm Employment Growth Rate**  
**Monthly growth:**

Rank	May 2007		June 2007	Rank
1	Metro-East (0.63%)	→	Metro-East (0.70%)	1
2	Champaign-Urbana-Rantoul (0.18%)	→	Bloomington -Normal (0.11%)	2
3	Peoria (0.11%)	→	Chicago (0.03%)	3
4	Chicago (0.01%)	→	Rockford (0%)	4
5	Kankakee (0%)	→	Davenport -Rock Island-Moline (0%)	5
6	Davenport -Rock Island-Moline (-0.11%)	→	Decatur (-0.18%)	6
7	Decatur (-0.18%)	→	Springfield (- 0.18%)	7
8	Springfield (- 0.18%)	→	Peoria (-0.22%)	8
9	Bloomington -Normal (-0.22%)	→	Champaign-Urbana-Rantoul (-0.27%)	9
10	Rockford (-0.25%)	→	Kankakee (-0.68%)	10

**Growth over last 12-months:**

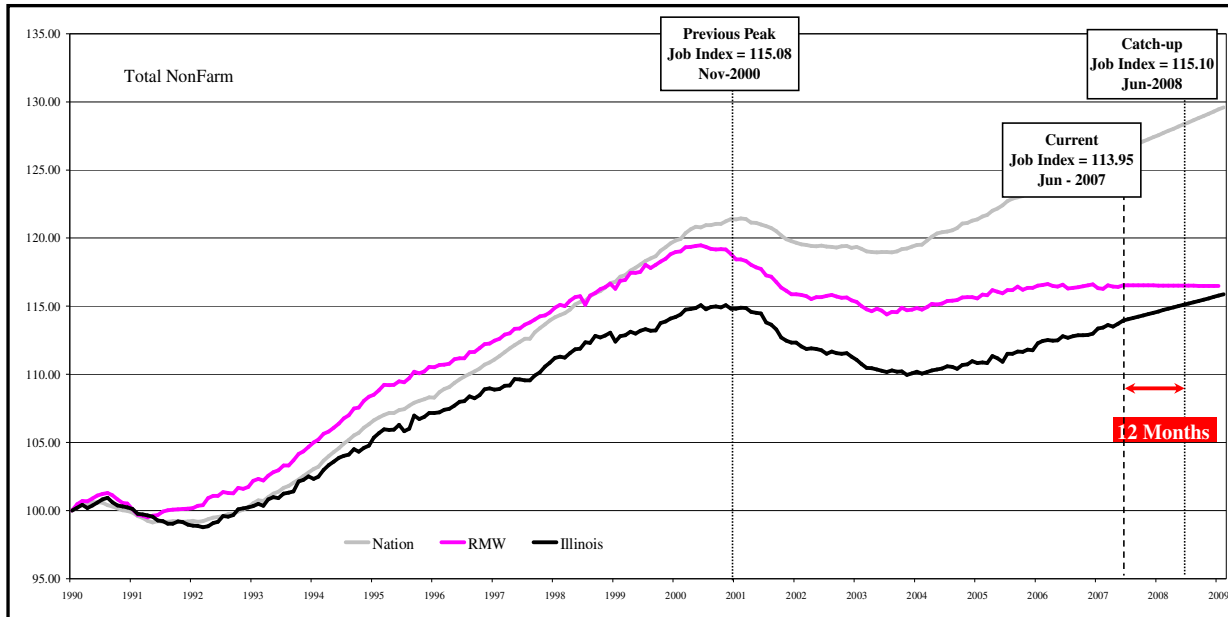
Rank	May 2007		June 2007	Rank
1	Rockford (1.21%)	→	Metro-East (1.93%)	1
2	Peoria (1.20%)	→	Chicago (0.86%)	2
3	Kankakee (1.15%)	→	Champaign-Urbana-Rantoul (0.63%)	3
4	Chicago (1.00%)	→	Rockford (0.63%)	4
5	Decatur (0.92%)	→	Peoria (0.38%)	5
6	Metro-East (0.88%)	→	Bloomington -Normal (0.22%)	6
7	Champaign-Urbana-Rantoul (0.54%)	→	Decatur (0.18%)	7
8	Bloomington -Normal (0.33%)	→	Davenport -Rock Island-Moline (-0.21%)	8
9	Springfield (0.18%)	→	Kankakee (-0.23%)	9
10	Davenport -Rock Island-Moline (-0.05%)	→	Springfield (- 0.27%)	10

<b>Talking Points</b>	
<b>MSA League Tables</b>	<ul style="list-style-type: none"> <li>▪ Metro-East, the top performer in May retained its position in June whereas the Champaign-Urbana-Rantoul, Peoria and Kankakee slipped down from 2<sup>nd</sup>, 3<sup>rd</sup> and 5<sup>th</sup> position to 9<sup>th</sup>, 8<sup>th</sup> and 10<sup>th</sup> position respectively.</li> <li>▪ Bloomington-Normal and Rockford jumped from 9<sup>th</sup> and 10<sup>th</sup> position to 2<sup>nd</sup> and 4<sup>th</sup> position respectively.</li> <li>▪ Davenport-Rock Island-Moline (6<sup>th</sup>), Decatur (7<sup>th</sup>) and Springfield (8<sup>th</sup>) retained their relative position with respect to each other while each of them jumped up by one position.</li> <li>▪ For the last 12 months growth league table, the top three performers in May, Rockford, Peoria and Kankakee moved down to 4<sup>th</sup>, 5<sup>th</sup> and 9<sup>th</sup> position respectively.</li> <li>▪ While Metro-East made the greatest leap in the rankings (6<sup>th</sup> to 1<sup>st</sup>), Kankakee recorded the greatest decline.</li> <li>▪ Decatur (5<sup>th</sup> to 6<sup>th</sup>) and Springfield (9<sup>th</sup> to 10<sup>th</sup>) are the two other MSAs to lose ground.</li> <li>▪ Chicago (4<sup>th</sup> to 3<sup>rd</sup>), Metro-East (6<sup>th</sup> to 1<sup>st</sup>), Champaign-Urbana-Rantoul (7<sup>th</sup> to 3<sup>rd</sup>), Bloomington-Normal (8<sup>th</sup> to 6<sup>th</sup>) and Davenport-Rock Island-Moline (10<sup>th</sup> to 8<sup>th</sup>) all gained.</li> </ul>

\*MSA League Tables are based on revised employment data.



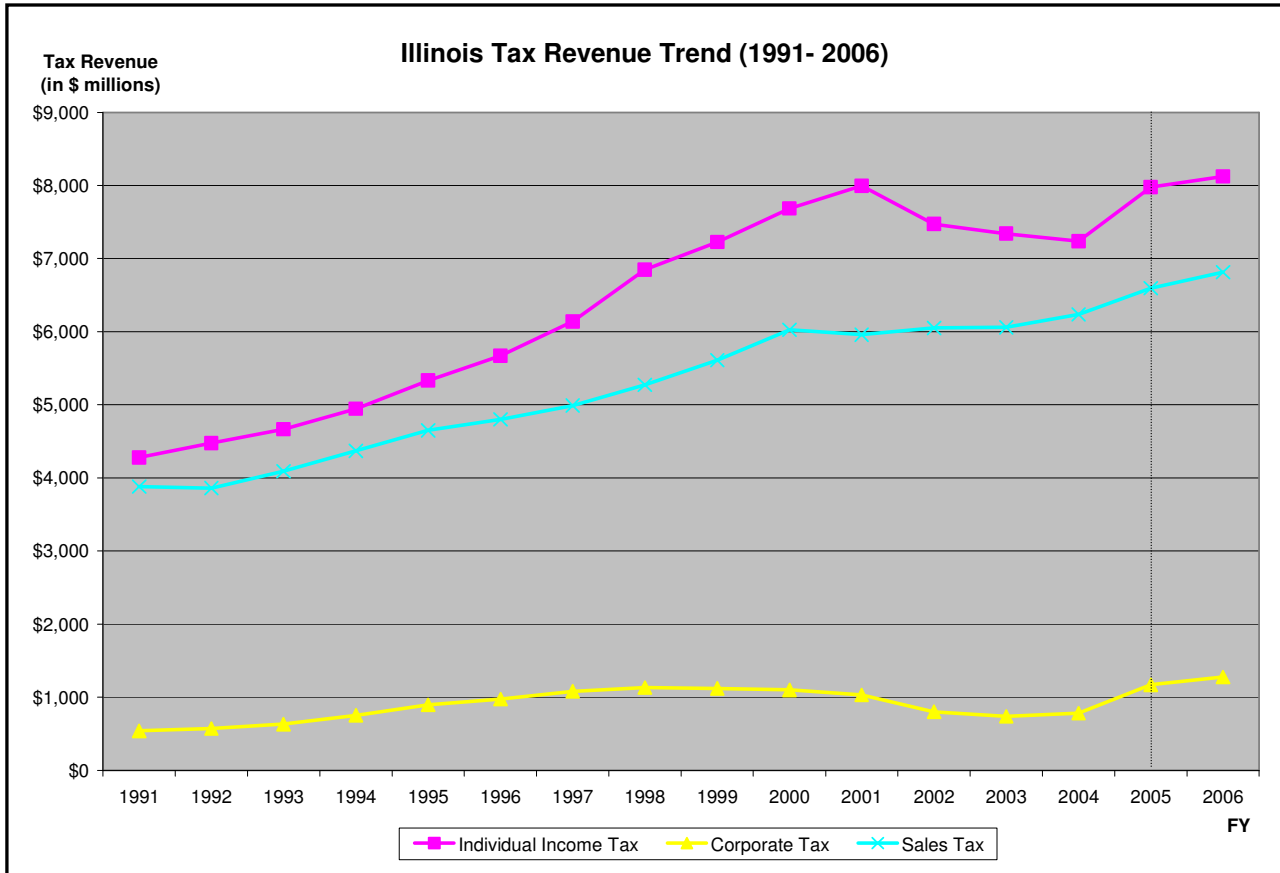
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	Periods for Catch-up	
	IL	RMW
May-2007	<b>13 months</b>	<b>Zero Growth</b>
Jun-2007	<b>12 Months</b>	<b>Zero Growth</b>
Difference	<b>▽ 1 month</b>	<b>N/A</b>

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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