



I N S T I T U T E O F
GOVERNMENT & PUBLIC AFFAIRS

ILLINOIS ECONOMIC REVIEW

The Monthly Illinois Economic Review contains information on national, statewide, and local economic performance by measuring job growth, unemployment, and business activity. This information is compiled by IGPA Economist Geoffrey Hewings, director of the Regional Economics Applications Laboratory at the University of Illinois at Urbana-Champaign.

OCTOBER 2007

Funding for the research for this report was provided by the
Illinois Jobs Coalition

EMPLOYMENT

EMPLOYMENT DATA SUMMARY

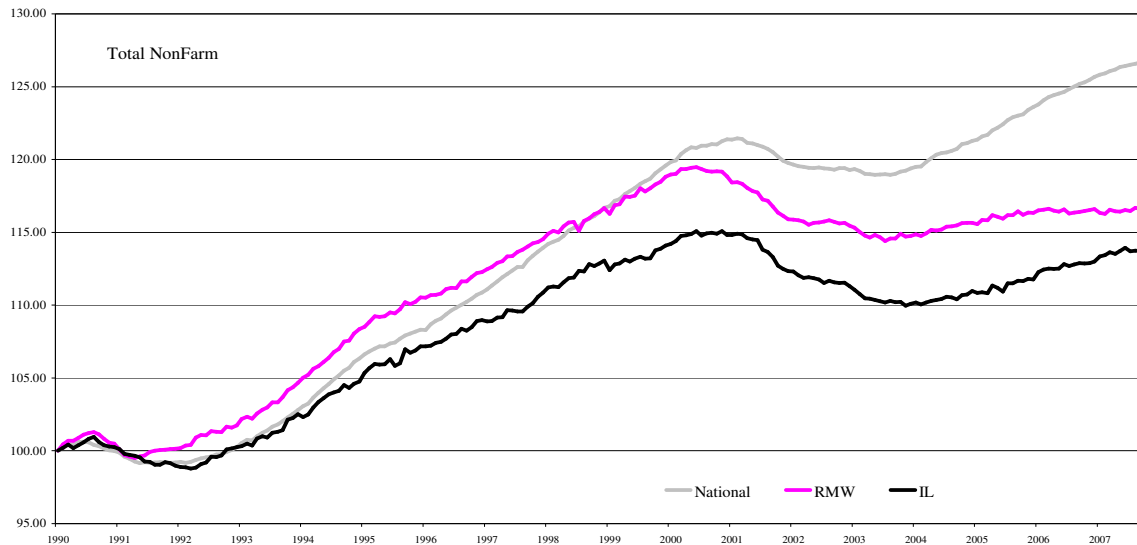
- Illinois recorded a negative rating for third time in 2007 by losing 1,500 jobs at -0.03% in September. However, the negative rating reported in August was revised to positive this month.
- By the end of August, Illinois averages a 0.07% monthly growth in 2007, a little below the 0.8% average growth rate in the recent recovery period for Illinois since early 2004.
- In September, by losing at -0.03%, Illinois lagged behind the Nation but performed better than RMW. For the 9 months in 2007, Illinois outperformed the RMW 5 times and the Nation 4 times.
- Over the last 12-months, Illinois payroll grew by 0.73%, below the 1.19% growth of the Nation but faster than 0.16% growth of the RMW. For the last three months RMW is on a positive rating in the 12-month aggregated growth rate as opposed to the negative rating for the first six months of 2007.
- In 2007, Illinois has created 4,189 jobs each month on average, slower than the 5,342 average for 2006.

SEPTEMBER 2007 EMPLOYMENT CHART

September 2007 Negative	Total Non-Farm Employment	Aug 2007 – Sep 2007		Last 12 months	
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	0.08	110,000	+1.19	+1,629,000
	RMW*	- 0.17	- 14,300	+ 0.16	+31,300
	Illinois	- 0.03	- 1,500	+0.73	+43,600

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

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SHADOW UNEMPLOYMENT

Unemployment Rate: Official and Shadow

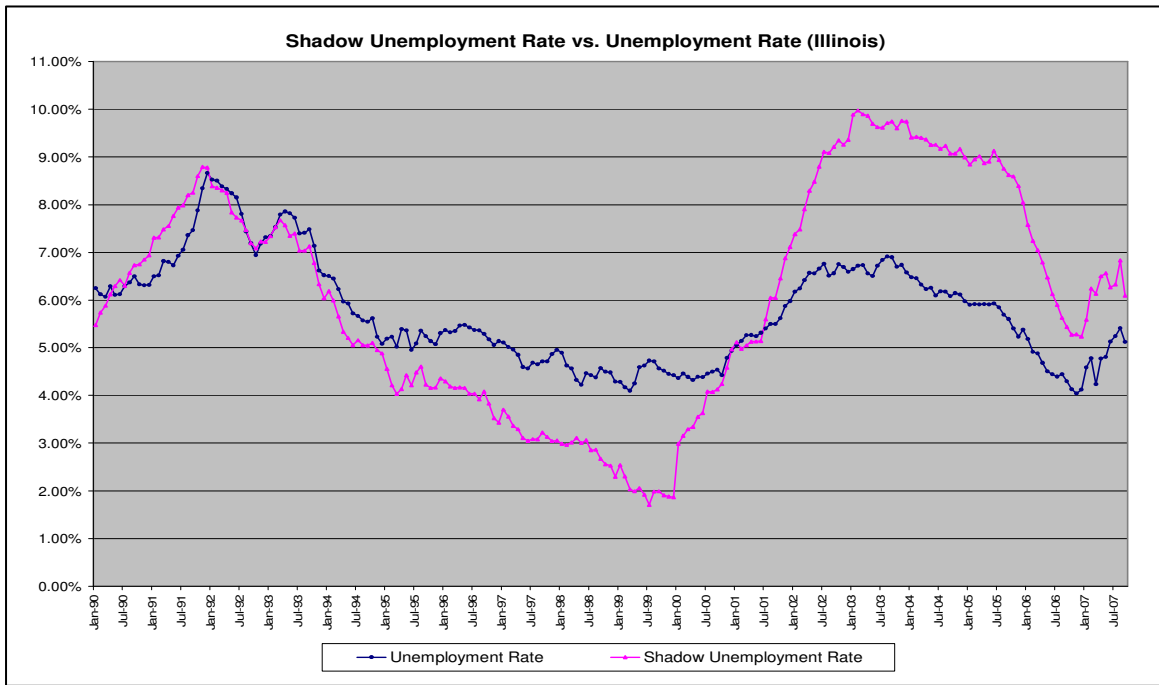
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

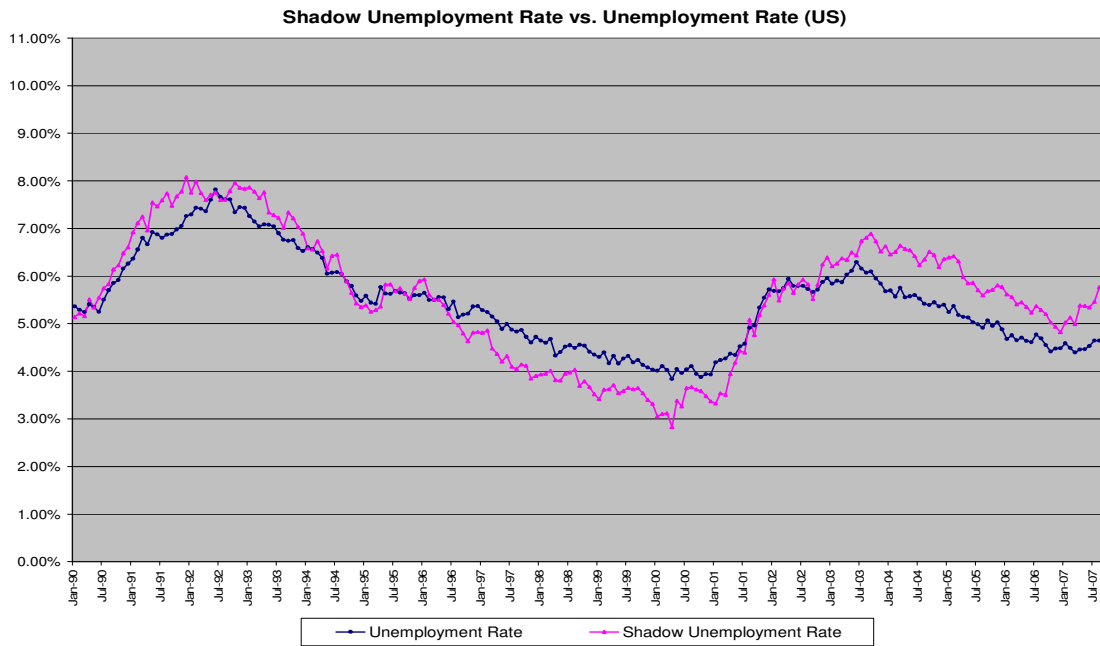
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 110,546 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

MONTHLY ILLINOIS ECONOMIC REVIEW

■ Illinois

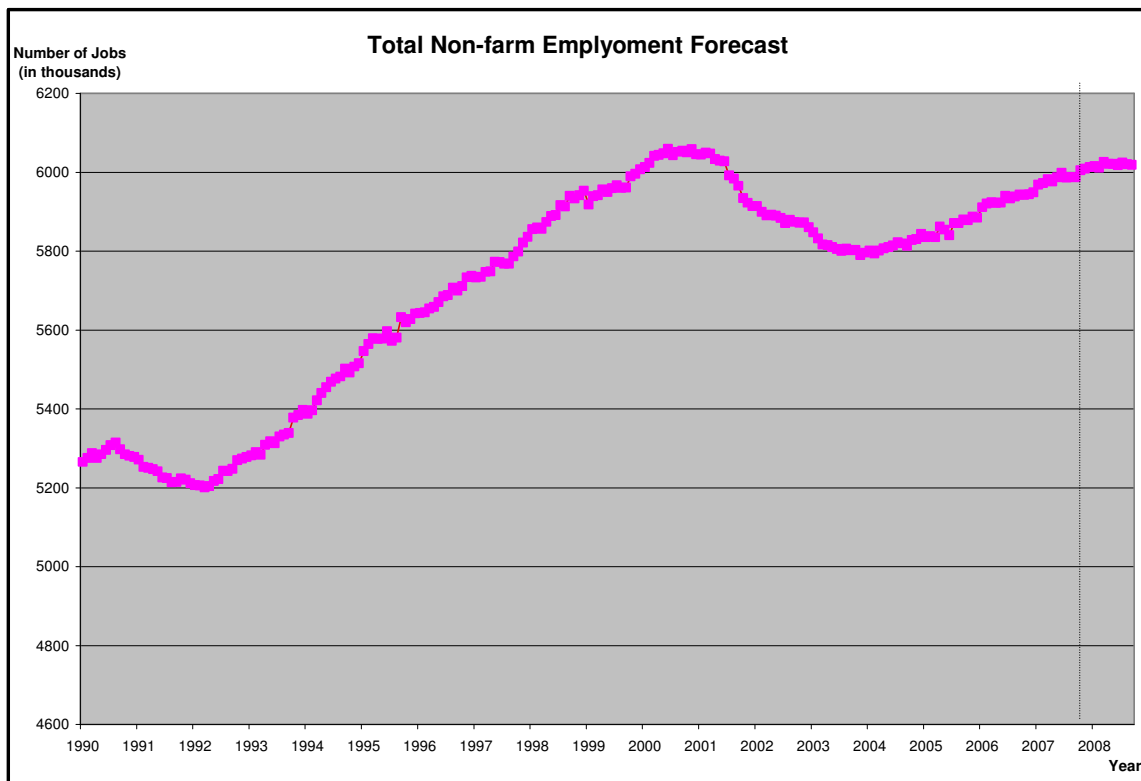


■ US



EMPLOYMENT FORECAST

	Sep 2007	Sep 2008 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,987,200	6,019,000	31,800	0.53%
Construction	274,000	280,000	6,000	2.19%
Manufacturing	677,100	664,700	-12,400	-1.83%
Trade, transportation & utilities	1,198,300	1,205,300	7,000	0.58%
Information	114,900	114,600	-300	-0.26%
Financial Activities	410,100	410,300	200	0.05%
Professional & business services	874,600	887,100	12,500	1.43%
Education & health	780,600	787,300	6,700	0.86%
Leisure & hospitality	539,500	540,800	1,300	0.24%
Other services	259,000	260,800	1,800	0.69%
Government	849,000	842,900	-6,100	-0.72%



CATCH UP SCENARIO

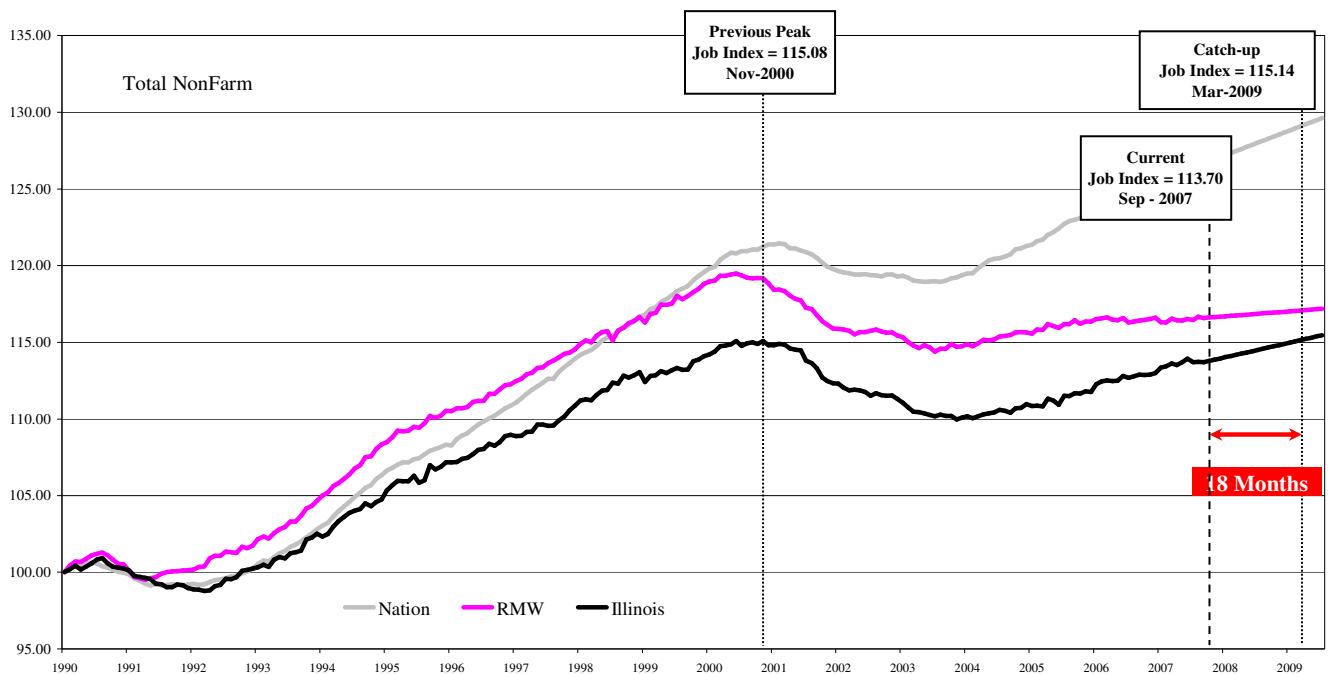
Catch-up Scenario of Previous Peak Job Index in Illinois*

	Previous Peak	Current	Catch-up	Periods for Catch-up
IL	115.08 (Nov-2000)	113.70 (Sep -2007)	115.14 (Mar -2009)	18 months
RMW	119.47 (Jun-2000)	116.62 (Sep -2007)	119.47 (Jul 2016)	106 months
Nation	121.45 (Feb-2001)	126.47 (Sep -2007)	121.58 (Feb-2005)	31 months ago
Metro Areas** :				
Bloomington Normal	141.81 (Feb 2002)	138.59 (Aug 2007)	141.83 (Oct 2010)	31 months
Champaign Urbana	116.11 (Sep 2006)	111.45 (Aug 2007)	Negative growth	N/A
Chicago	114.67 (Nov 2000)	113.98 (Aug 2007)	114.70 (Feb 2008)	8 months
Devonport- Rock Island-Moline	114.73 (Nov 1999)	113.59 (Aug 2007)	114.74 (May 2011)	45 Months
Decatur	112.41 (Mar 2000)	101.67 (Aug 2007)	Zero Growth	N/A
Kankakee	124.58 (Apr 2000)	122.79 (Aug 2007)	124.58 (Oct 2034)	1151 Months
Peoria	118.99 (Nov 2006)	119.24 (Aug 2007)	Reached (July 2007)	Reached (July 2007)
Rockford	123.23 (Jul 2000)	117.88 (Aug 2007)	123.23 (Jun 2013)	70 months
Springfield	110.36 (Aug 2000)	104.80 (Aug 2007)	Negative growth	N/A
Metro-East	114.73 (Jun 2001)	112.52 (Aug 2007)	114.89 (Aug 2008)	12 Months

* 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.

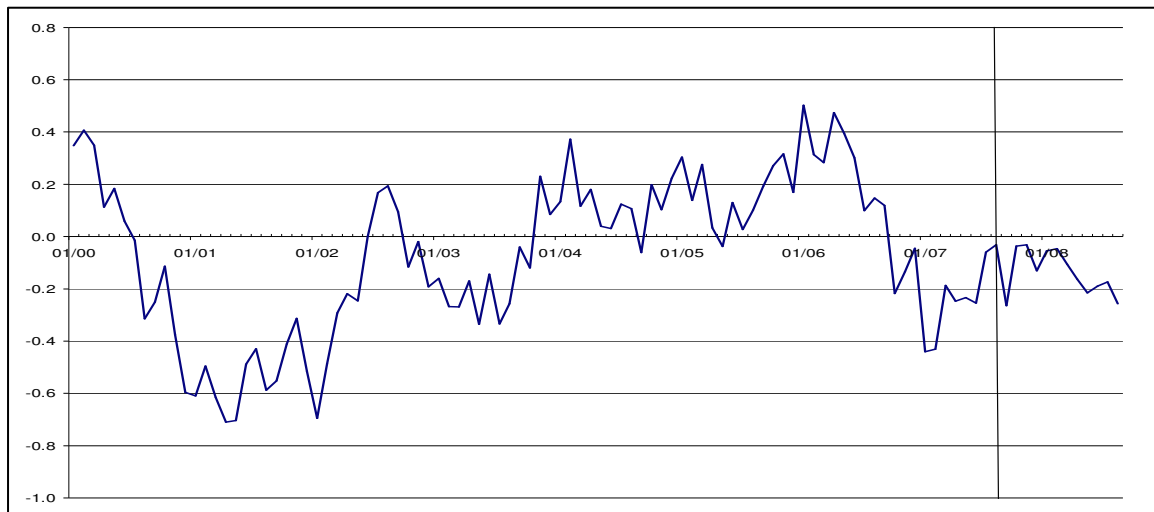
	Periods for Catch-up	
	IL	RMW
Aug-2007	19 Months	122 Months
Sep-2007	18 Months	106 Months
Difference	▽ 1 months	▽ 16 months



CBAI FELL IN AUGUST

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 -0.032 in August, the eleventh consecutive negative reading since October 2006.
- This was mainly attributed to the negative contribution from the manufacturing and construction in addition to the weak performance of the national economy.
- Considering that the CBAI leads the local business cycle and negative values of this index are associated with below-trend growth, the Chicago economy will experience below trend growth over the next 12 months.
- In August, the national economy showed relatively weak features. The Chicago Fed National Activity Index was -0.57, down from 0.03 in July and the Federal Reserve Board's industrial production index for manufacturing (IPMFG) was down 0.3 percent. The housing starts announced by US Census Bureau also decreased by 3.2 percent.
- The economic performance in Chicago presented mixed features. The retail sales increase 2.91 percent. However, the manufacturing production and construction decreased 0.49 percent and 0.39 percent respectively.
- The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, the consumer sentiment remains weak according to the consumer confidence surveyed by the University of Michigan and the leading index of the conference Board decreased 0.6 percent, though the financial turmoil caused by sub prime mortgage was mitigated by the recent interest rate cut of the Federal Reserve Board. 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.



METROPOLITAN STATISTICAL AREA LEAGUE TABLES

MSA LEAGUE TABLES SUMMARY

- The three worst performers in July came to occupy the top three positions in August. Among them Decatur made the biggest jump of the month by moving from 9th to the 1st position.
- Metro-east improved from the 8th to 2nd position and Davenport- Rock Island –Moline from 10th to 3rd position.
- Chicago has retained its 6th position from July to August.
- All the top five performers in July experienced a decline in their position in August. Among them Springfield and Champaign-Urbana-Rantoul faced the deepest fall, each of them dropping by six ranks from 3rd to 9th and 4th to 10th respectively.
- Bloomington-Normal and Peoria, the top two performers in July, slipped to 4th and 5th position respectively. Rockford and Kankakee, similarly, dropped from 5th and 7th position to 7th and 8th position respectively.
- In the league table for the last 12 months growth, Metro-East, the top performer in July retained its position, whereas Chicago dropped to 3rd from the 2nd position.
- The 2nd position in the August table is taken by Peoria which was in the 4th position. Davenport-Rock Island-Moline also had a similar rise of rank by moving from 10th to 7th position.
- Three other MSAs that gained in position all jumped by one position. They are Bloomington-Normal (5th to 4th), Decatur (7th to 6th) and Kankakee (9th to 8th).
- Springfield dropped the most from 6th to 9th position. Rockford (3rd to 5th) and Champaign-Urbana-Rantoul (8th to 10th) both dropped by two positions

MSA League Tables*: Non-farm Employment Growth Rate

Monthly growth:

Rank	July 2007	August 2007	Rank
1	Bloomington -Normal (0.22%)	Decatur (0.37%)	1
2	Peoria (0.22%)	Metro-East (0.25%)	2
3	Springfield (0.18%)	Davenport -Rock Island-Moline (0.21%)	3
4	Champaign-Urbana-Rantoul (0.09%)	Bloomington -Normal (0.11%)	4
5	Rockford (0.06%)	Peoria (0.11%)	5
6	Chicago (0%)	Chicago (0.06%)	6
7	Kankakee (0%)	Rockford (-0.13%)	7
8	Metro-East (-0.04%)	Kankakee (-0.23%)	8
9	Decatur (-0.18%)	Springfield (-0.27%)	9
10	Davenport -Rock Island-Moline (-0.21%)	Champaign-Urbana-Rantoul (-0.72%)	10

Growth over last 12-months:

Rank	July 2007	August 2007	Rank
1	Metro-East (2.02%)	Metro-East (2.10%)	1
2	Chicago (1.09%)	Peoria (1.09%)	2
3	Rockford (1.02%)	Chicago (0.95%)	3
4	Peoria (0.98%)	Bloomington -Normal (0.89%)	4
5	Bloomington -Normal (0.89%)	Rockford (0.76%)	5
6	Springfield (0.27%)	Decatur (0.37%)	6
7	Decatur (0%)	Davenport -Rock Island-Moline (-0.27%)	7
8	Champaign-Urbana-Rantoul (-0.18%)	Kankakee (0%)	8
9	Kankakee (-0.23%)	Springfield (-0.18%)	9
10	Davenport -Rock Island-Moline (-0.42%)	Champaign-Urbana-Rantoul (-0.90%)	10

* MSA League Tables are based on revised employment data. For instances of equal growth rate for multiple MSAs ranks are decided based on change of growth rate from previous month.

Unemployment Claims (Initial)

