

Monthly Illinois Economic Review

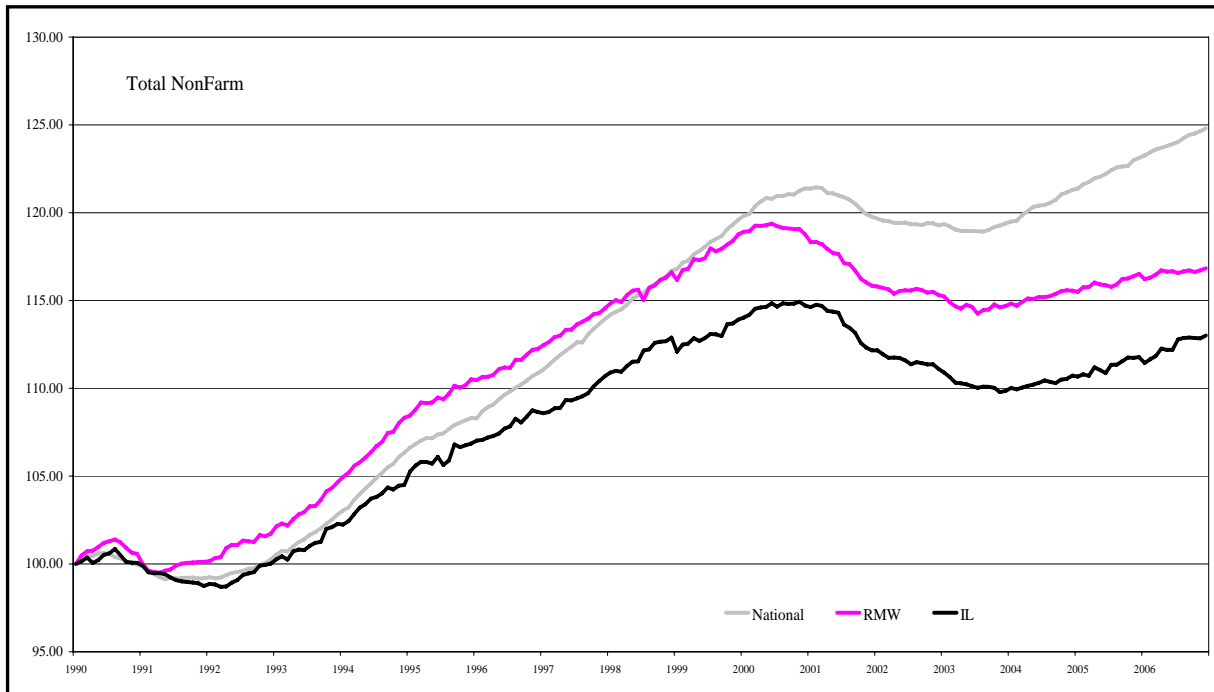
❖ **Employment**

December 2006 Positive	Total non-farm employment	Nov 2006 – Dec 2006		Last 12 months	
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	+0.12	+167,000	+1.37	+1,838,000
	RMW*	+0.11	+21,100	+0.28	+55,800
	Illinois	+0.12	+8,300	+1.10	+64,900

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

Talking Points

- Net 8,300 new jobs in December injected some positive news into the Illinois job market after successive periods of slow growth and decline since August 2006. The resulting job index value of 113.1 in December is the highest since August 2001.
- Growth rate for the previous month of 0.14%, was the highest since August 2006, exceeding the monthly average growth rate of 0.08% since early 2004.
- Since 1999, the highest annual job gain of 64,900 for Illinois was recorded for 2006 with annual rate of 1.10% while the greatest annual loss of 134,500 was during 2001.
- Growth rate for December enabled Illinois to outperform the RMW. In terms of 12-month growth rate, Illinois also did much better than RMW while running behind Nation.
- Though the job index for RMW has been consistently better than that of Illinois, for 2006 Illinois itself created 16% more jobs than entire RMW in 2006 which is the best for any consecutive 12-month period since 1990. As a result the gap in the Index of Illinois and RMW was significantly reduced during last few months.



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

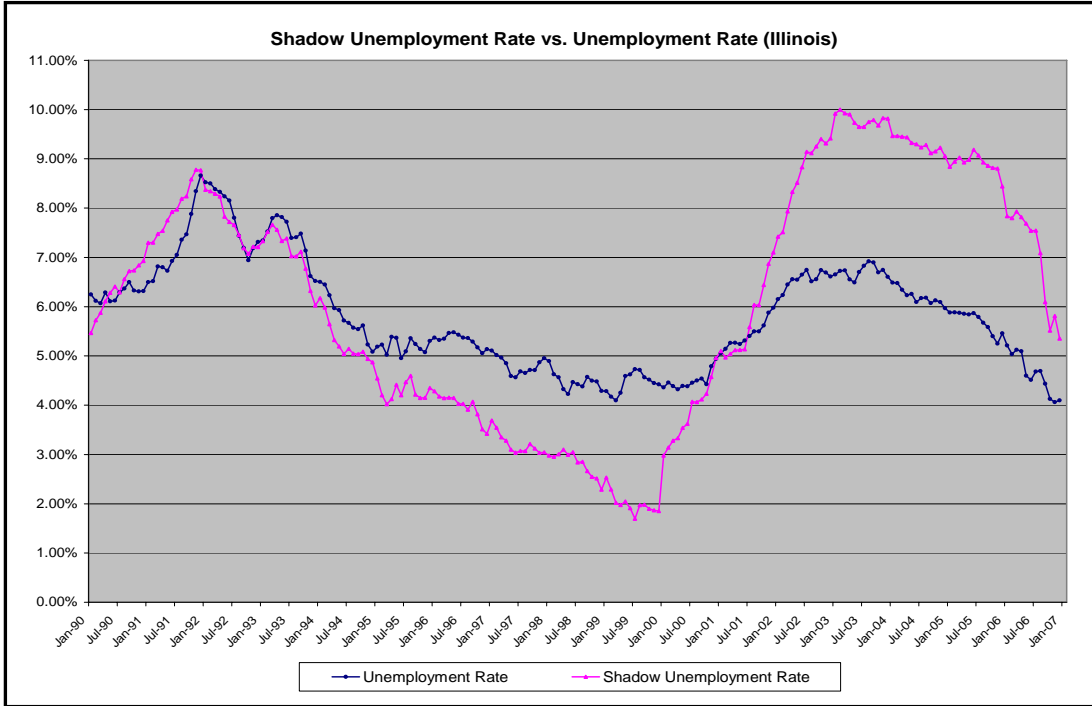
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

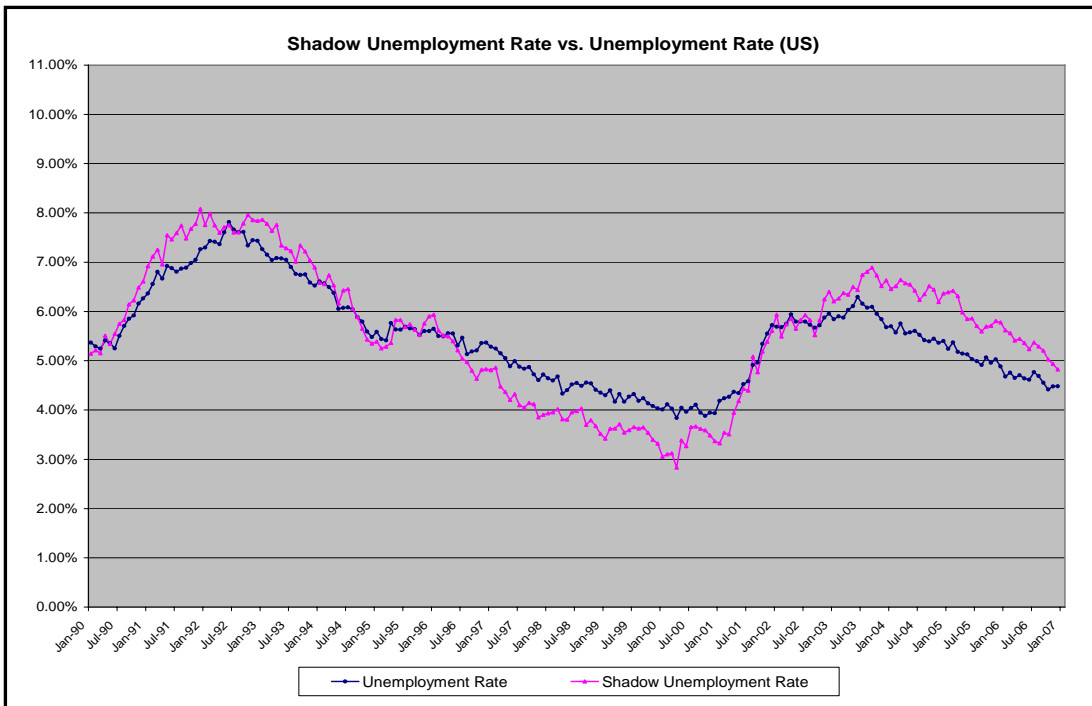
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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.
- To bring the two together a further 85,000 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

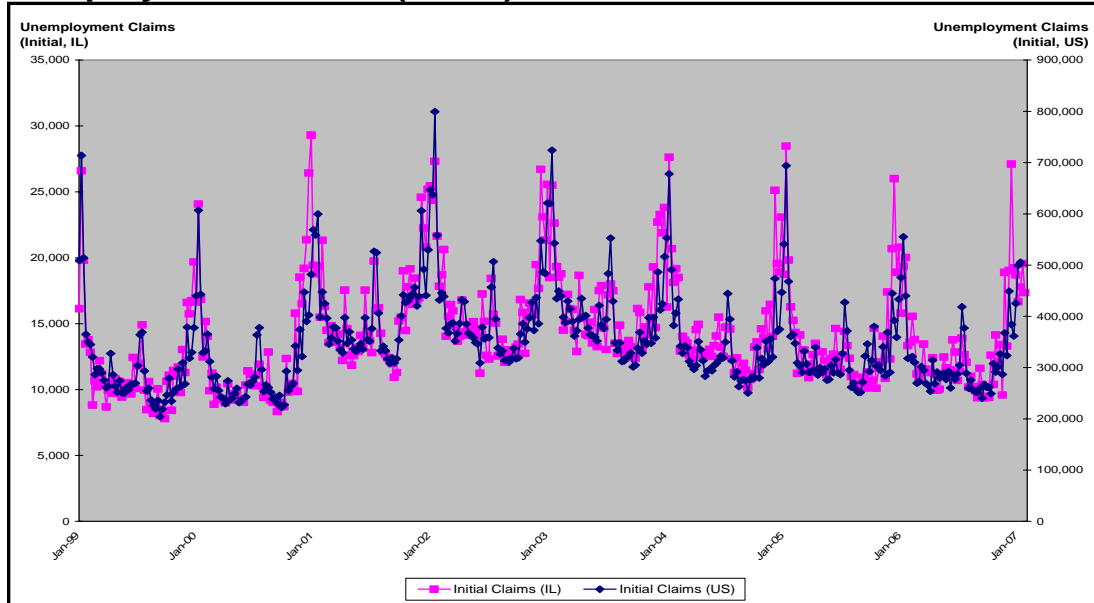
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■ **Illinois**



■ **US**



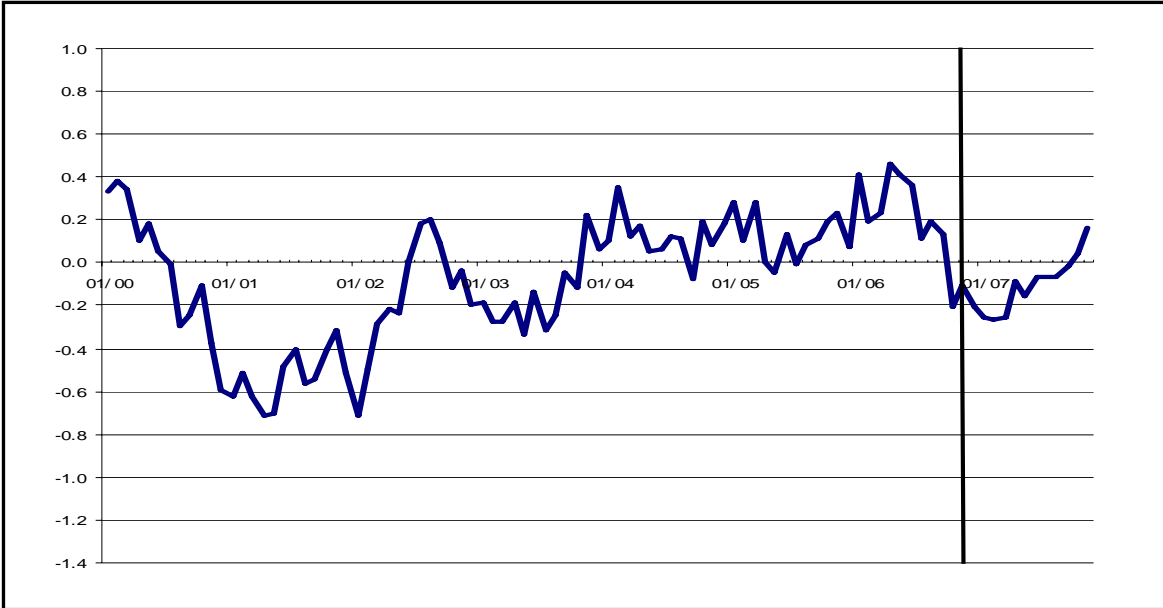
Monthly Illinois Economic Review**Unemployment Claims (Initial)****❖ CBAI in November**

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), which had decreased in the previous month, fell again to -0.10 in November 2006.
- This was mainly attributed to the decrease of manufacturing employment, and to the weak national economic performance. 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 economic activity in Chicago will be sluggish at least in the first half of this year.
- In November, the national economy remained weak. Although retail sales increased 1.1 percent, construction and manufacturing employment continued to decrease 1.8 percent and 0.1 percent, respectively. Further, the consumer confidence index of the Conference Board declined to 102.9 from 105.1 in October.
- The economic performance in Chicago showed mixed features in November. Construction and retail sales increased 1.6 percent and 1.4 percent. However, manufacturing employment decreased 0.1 percent.
- The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, the Chicago Fed National Activity Index (-0.26) indicated below-trend growth for the nation's economy. The labor market is also showing some signs of weakness. The job gain for all of 2006 was 1.8 million, down from about 2.0 million in 2005. For the local economy, the Chicago business barometer of the National Association of Purchasing Management-Chicago fell to neutral (49.9), signaling the end of a nearly 4 year report of economic growth. However, the recent pickup in job growth (167,000 increase in December) in the national labor market and lower energy prices could make a positive contribution to regain the strength of both the national and local economy.

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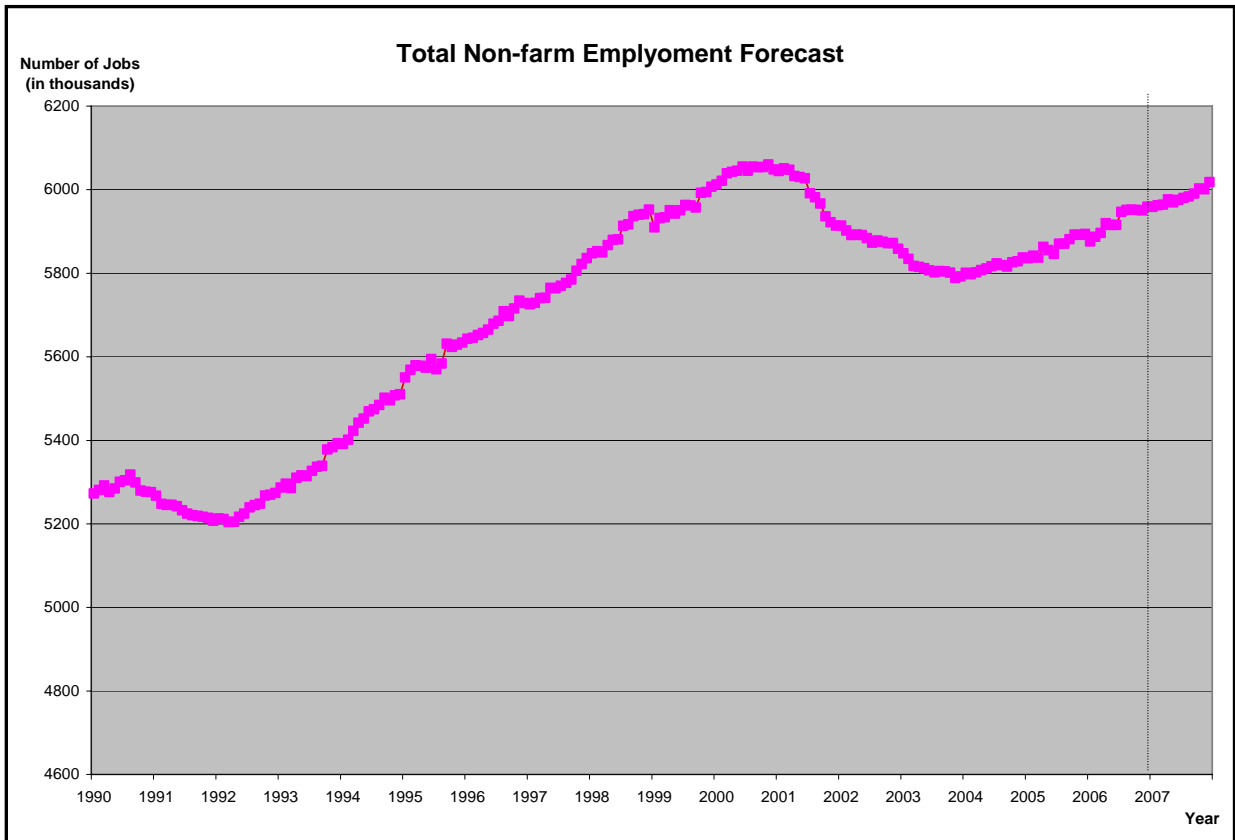
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❖ **Employment Forecast**

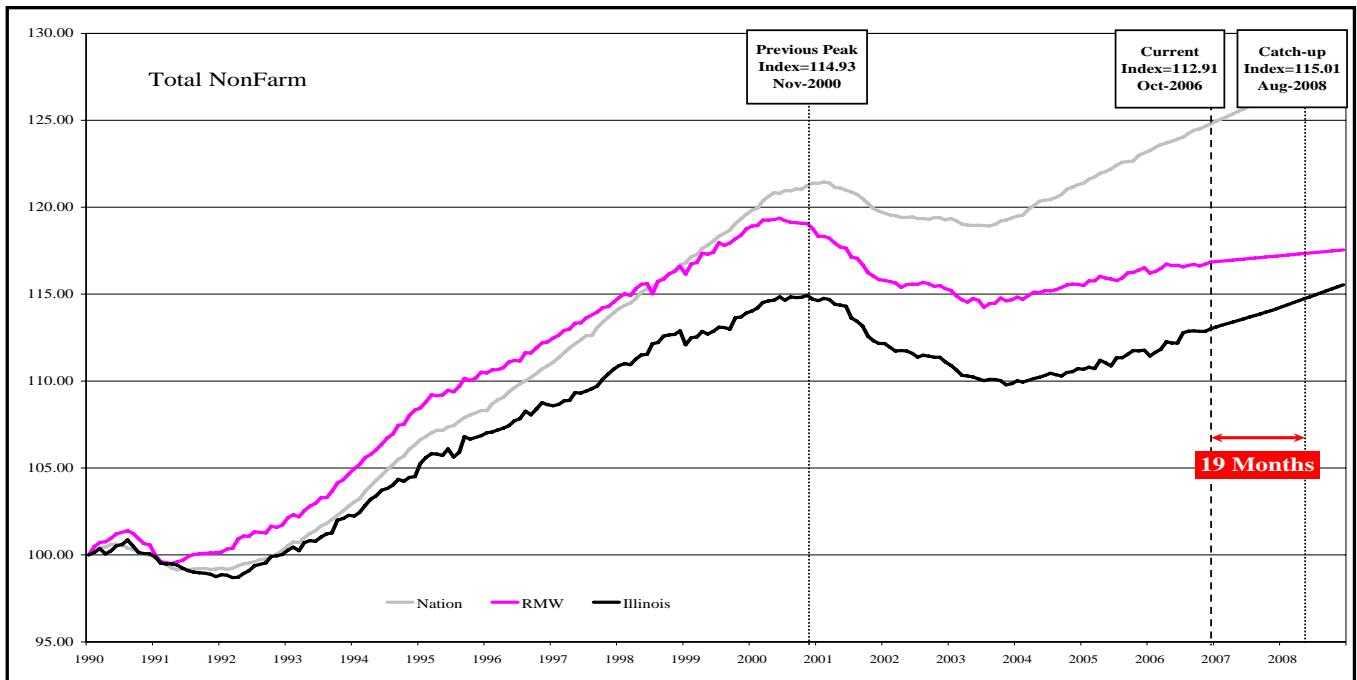
	Dec 2006	Dec 2007 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,958,900	6,018,135	+59,235	+0.99%
Construction	279,400	282,805	+3,405	+1.22%
Manufacturing	678,900	669,773	- 9,127	- 1.34%
Trade, transportation & utilities	1,202,400	1,204,713	+2,313	+0.19%
Information	115,800	115,116	- 684	- 0.59%
Financial Activities	415,500	417,768	+2,268	+0.55%
Professional & business services	860,700	879,056	+18,356	+2.13%
Education & health	761,200	771,417	+10,217	+1.34%
Leisure & hospitality	531,800	539,768	+7,968	+1.50%
Other services	261,100	264,424	+3,324	+1.27%
Government	841,800	845,462	+3,662	+0.44%



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

	Previous Peak	Current	Catch-up	Periods for Catch-up
IL*	114.93 (Nov-2000)	113.01 (Dec-2006)	114.97 (July-2008)	19 months
RMW*	119.37 (Jun-2000)	116.84 (Dec-2006)	119.39 (Mar-2014)	87 months
Nation**	121.45 (Feb-2001)	124.80 (Dec-2006)	121.62 (Feb-2005)	22 months ago



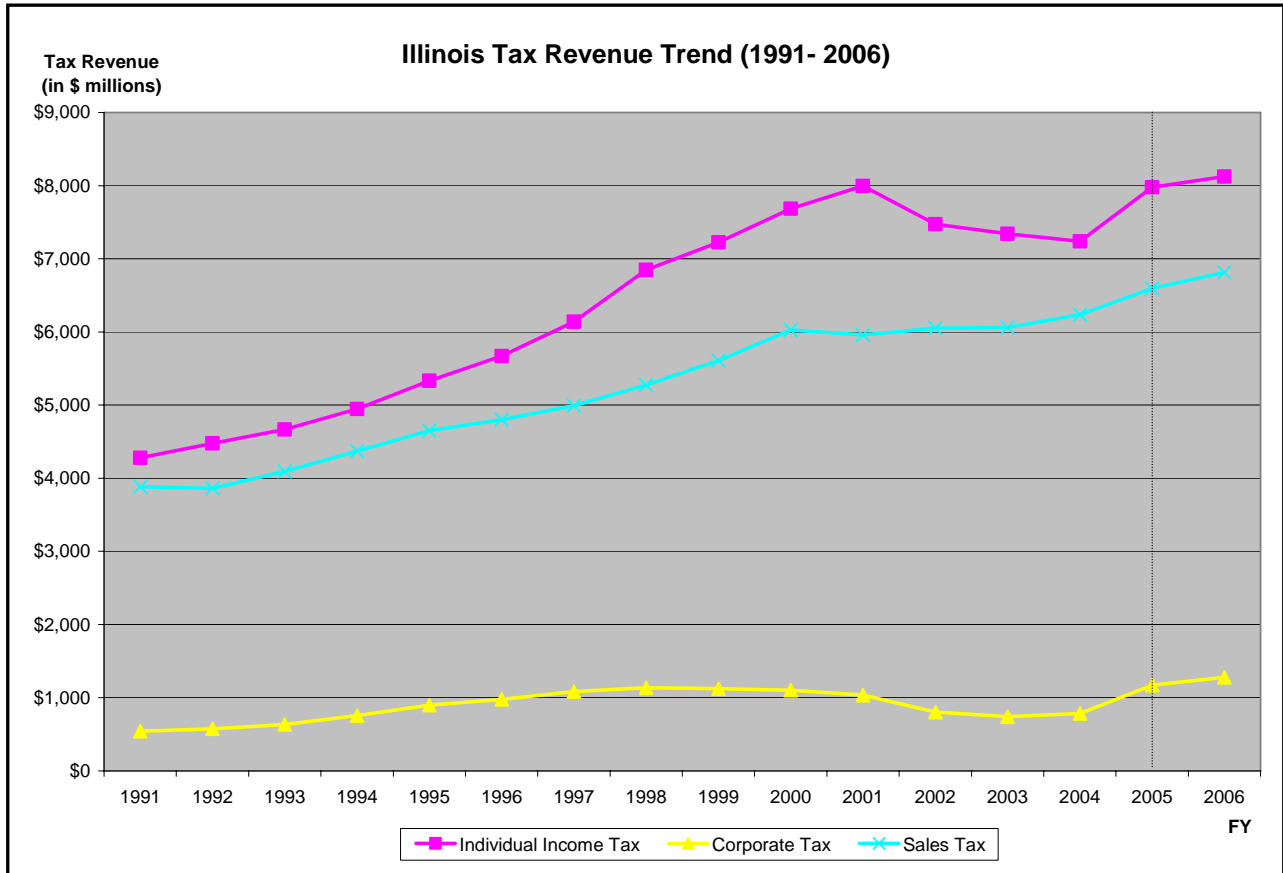
	Periods for Catch-up	
	IL	RMW
Nov-2006	22 months	92 months
Dec-2006	19 months	87 months
Difference	▽ 3 months	▽ 5 months

* 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.

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❖ **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