



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.

JANUARY 2008

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

EMPLOYMENT

EMPLOYMENT DATA SUMMARY

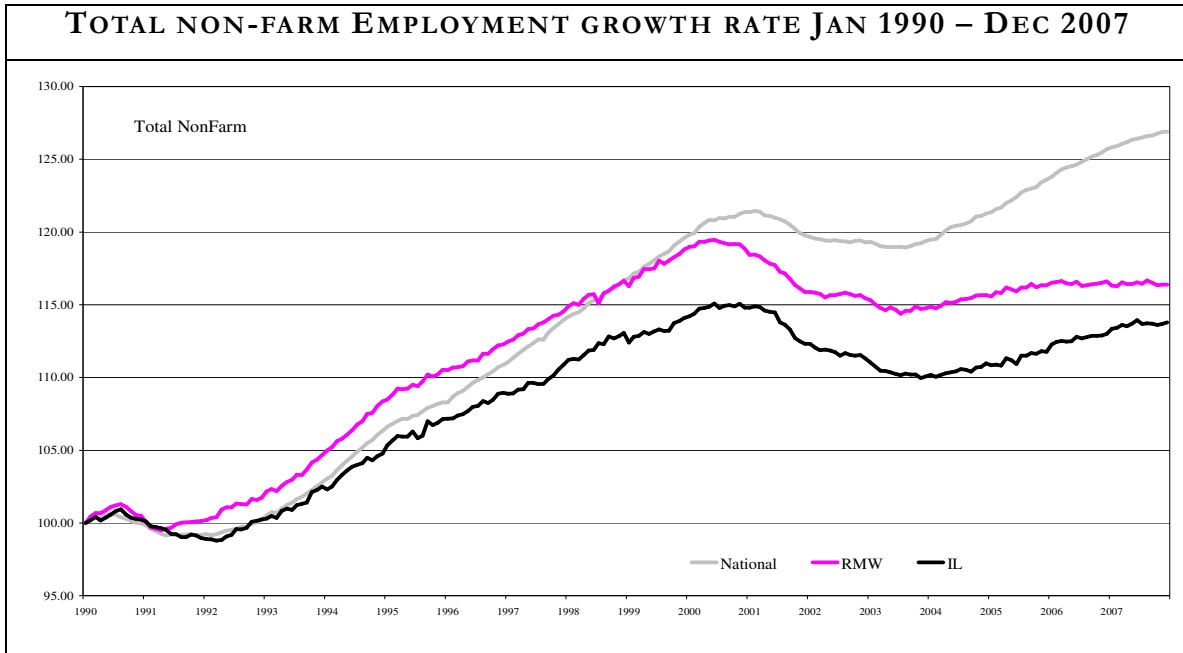
- Illinois added 5,200 jobs at 0.09% in December 2007, the highest number of jobs added after June 2007.
- By the end of 2007, Illinois averaged a monthly growth of 0.06% for the year, compared to a 0.07% average growth rate in the recent recovery period for Illinois since early 2004. However, the lag is even greater if compared to a 0.09% average growth in 2006.
- December is the fourth instance in 2007 when Illinois had a rating which is better than both nation and RMW. In terms of average monthly growth rate during 2007, Illinois and nation posted positive growth while RMW experience negative growth.
- Over the last 12-months, Illinois payroll grew by 0.70%, below the 0.97% growth of the Nation while RMW continued with a negative rating at -0.19% for the third consecutive month.
- In 2007, Illinois has created 3,492 jobs each month on average, slower than the 5,342 average for 2006. However, the 2007 average is the lowest for any year after 2003.
- By the end of 2007, cumulative job growth for the Nation, Illinois and RMW compared to January 1990 stood at 26.89%, 13.78% and 16.38% respectively. nd 16.37% respectively..

DECEMBER 2007 EMPLOYMENT CHART

| December 2007 Positive | Total Non-Farm Employment | Nov 2007 – Dec 2007 | | Last 12 months | |
|------------------------------|------------------------------|---------------------|----------------|----------------|----------------|
| | | Growth Rate % | Number of Jobs | Growth Rate % | Number of Jobs |
| | Nation | +0.01 | +18,000 | +0.97 | +1,328,000 |
| | RMW* | -0.01 | -1,600 | -0.19 | -37,800 |
| | Illinois | +0.09 | +5,200 | +0.70 | +41,900 |

* 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

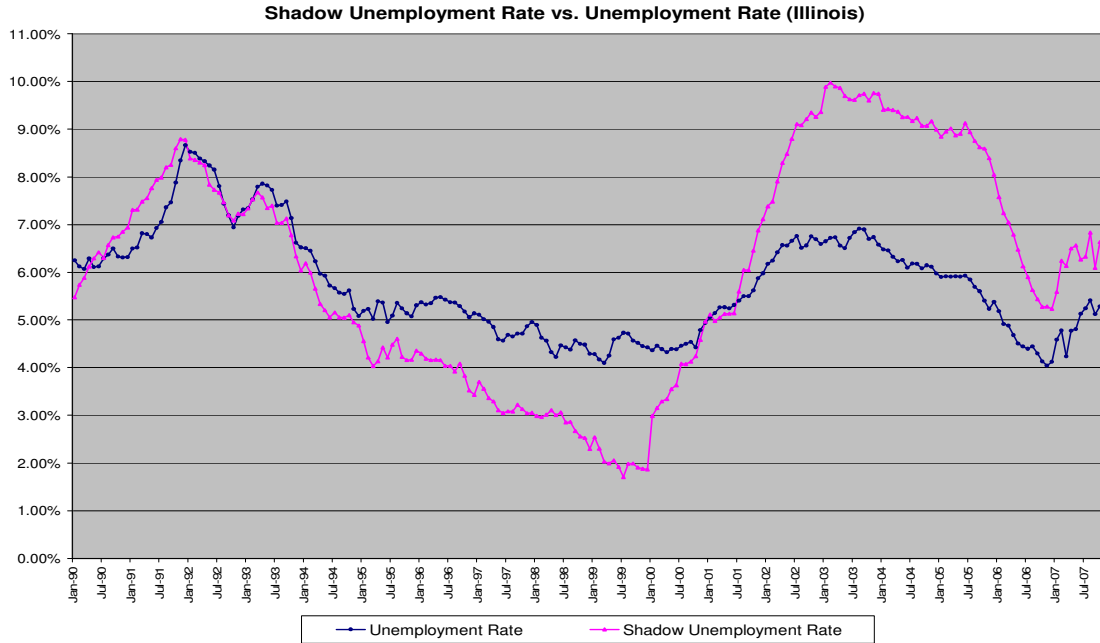
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined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

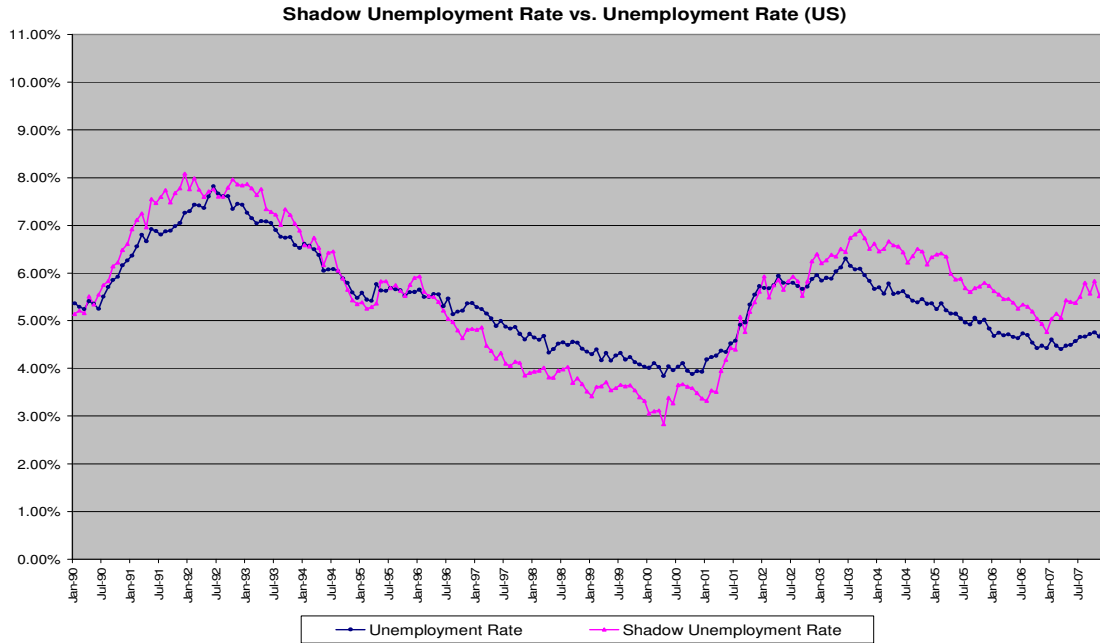
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 51,630 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

MONTHLY ILLINOIS ECONOMIC REVIEW

■ Illinois

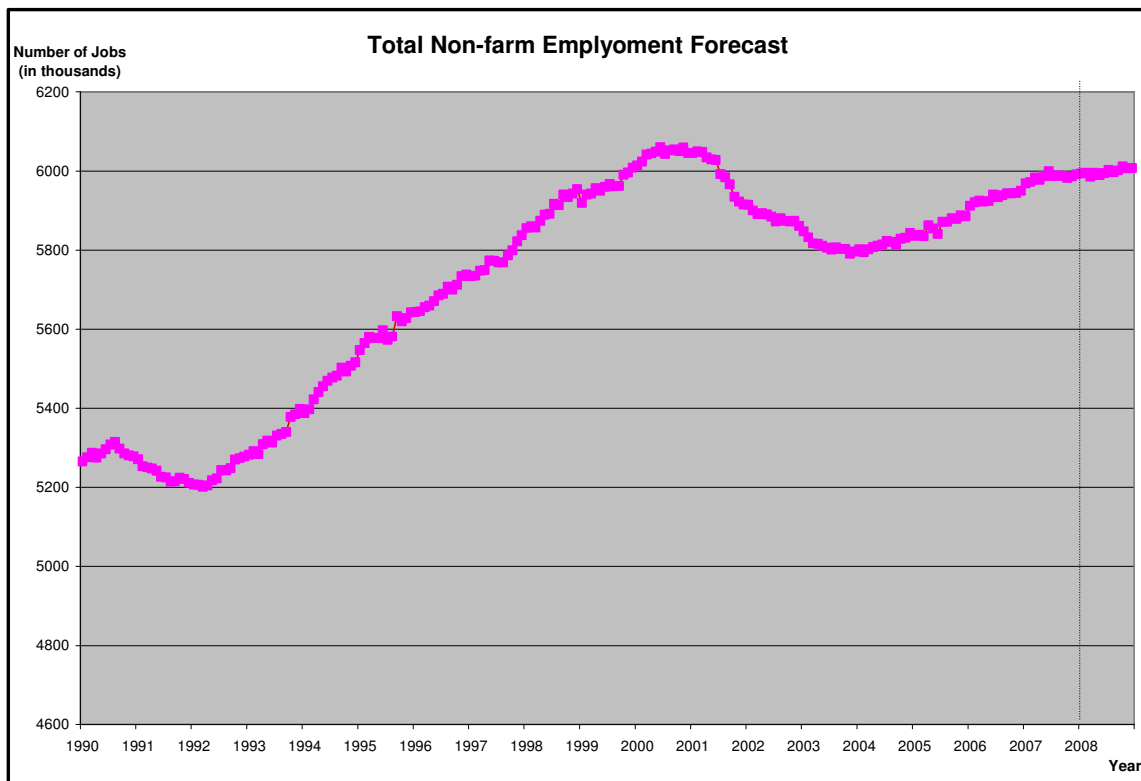


■ US



EMPLOYMENT FORECAST

| | Dec 2007 | Dec 2008 (p) | Number of Jobs | Growth Rate % |
|--|-----------|--------------|----------------|---------------|
| Total non-farm | 5,991,400 | 6,013,200 | 21,800 | 0.36% |
| Construction | 272,600 | 273,900 | 1,300 | 0.48% |
| Manufacturing | 673,100 | 661,900 | -11,200 | -1.66% |
| Trade, transportation & utilities | 1,202,000 | 1,202,500 | 500 | 0.04% |
| Information | 115,200 | 114,200 | -1,000 | -0.87% |
| Financial Activities | 410,800 | 411,200 | 400 | 0.10% |
| Professional & business services | 881,800 | 897,700 | 15,900 | 1.80% |
| Education & health | 781,800 | 790,800 | 9,000 | 1.15% |
| Leisure & hospitality | 538,700 | 545,200 | 6,500 | 1.21% |
| Other services | 261,400 | 263,600 | 2,200 | 0.84% |
| Government | 843,700 | 844,300 | 600 | 0.07% |



CATCH UP SCENARIO

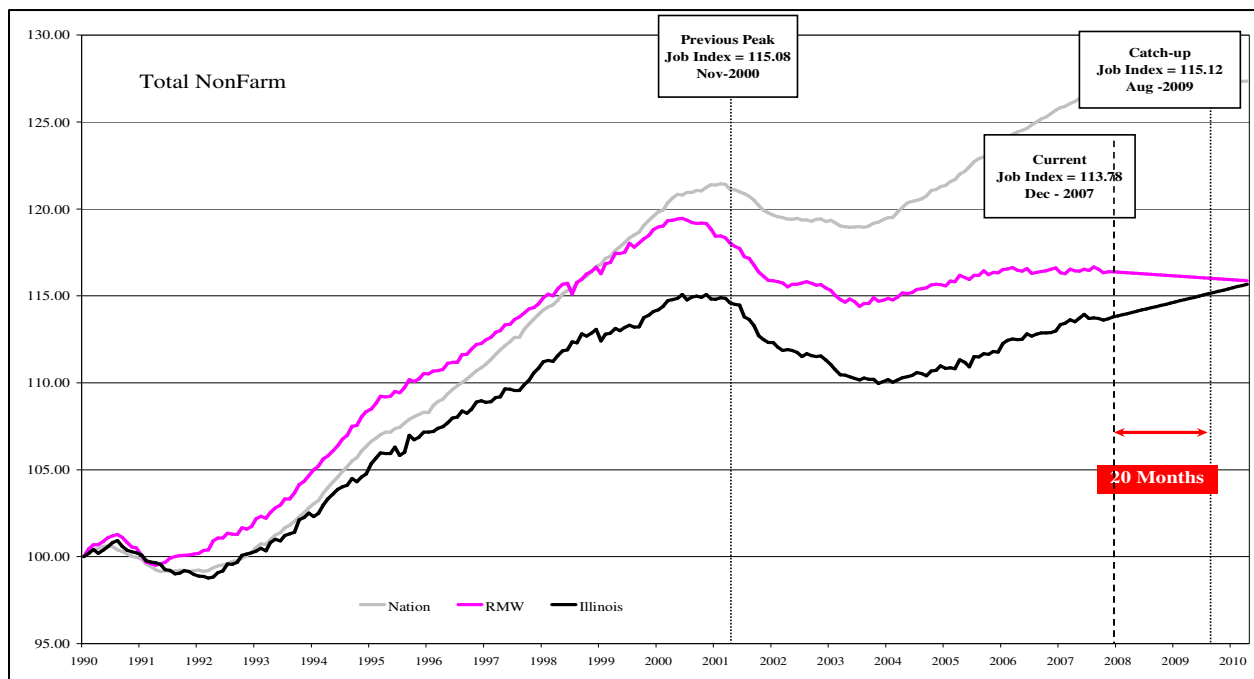
Catch-up Scenario of Previous Peak Job Index in Illinois*

| | Previous Peak | Current | Catch-up | Periods for Catch-up |
|--------------------------------------|------------------------|-----------------------|-----------------------|----------------------|
| IL | 115.08 (Nov-2000) | 113.65 (Dec -2007) | 115.14 (Aug -2009) | 20 months |
| RMW | 119.47 (Jun-2000) | 116.37 (Dec -2007) | Negative growth | N/A |
| Nation | 121.45 (Feb-2001) | 126.87 (Dec -2007) | 121.58 (Feb-2005) | 34 months ago |
| Metro Areas** : | | | | |
| Bloomington Normal | 141.81 (Feb 2002) | 139.66 (Nov 2007) | Negative growth | 31 months |
| Champaign Urbana | 115.91 (Jun 2001) | 113.78 (Nov 2007) | Negative growth | N/A |
| Chicago | 114.69 (Nov 2000) | 114.31 (Nov 2007) | 114.70 (Mar 2008) | 4 months |
| Devonport- Rock Island-Moline | 114.73 (Nov 1999) | 114.37 (Nov 2007) | 114.76 (July 2008) | 7 Months |
| Decatur | 112.41 (Mar 2000) | 112.22 (Nov 2007) | 112.42 (July 2009) | 620 Months |
| Kankakee | 124.86 (Jan 2007) | 123.18 (Nov 2007) | 124.86 (Sept 2010) | 34 Months |
| Peoria | 116.81 (April 2000) | 119.82 (Nov 2007) | Reached (Jan 2006) | 22 months ago |
| Rockford | 123.22 (Jul 2000) | 117.73 (Nov 2007) | Negative growth | N/A |
| Springfield | 110.35 (Aug 2000) | 105.36 (Nov 2007) | 110.37 (Feb 2018) | 123 Months |
| Metro-East | 114.73 (Jun 2001) | 111.65 (Nov 2007) | 114.88 (May 2009) | 18 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.

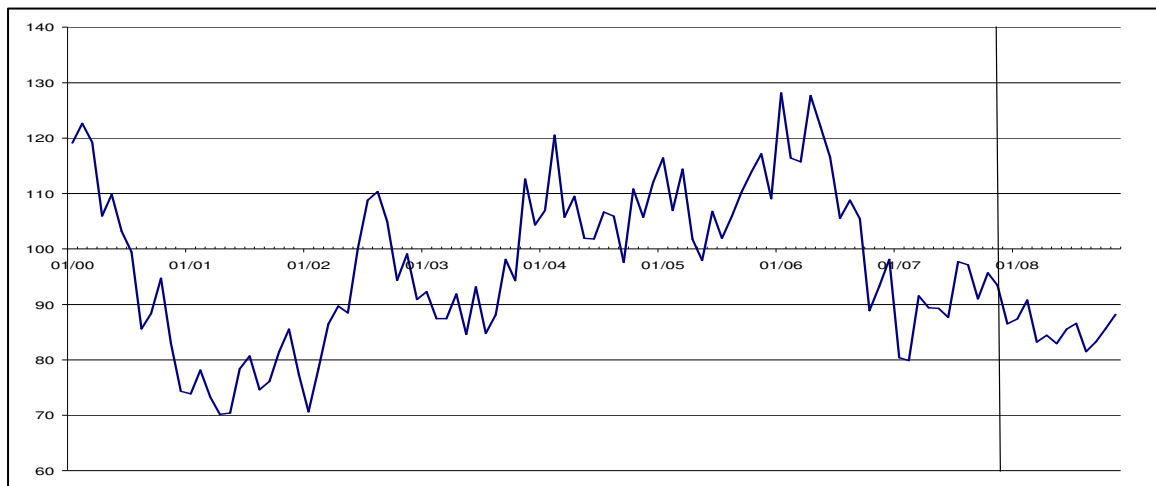
| | Periods for Catch-up | |
|------------|----------------------|-----------------|
| | IL | RMW |
| Nov-2007 | 23 Months | Negative growth |
| Dec-2007 | 20 Months | Negative growth |
| Difference | ∇ 3 months | N/A |



CBAI FELL 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) was 93.5 in November, the fourteenth consecutive below the long-term trend reading since October 2006.
- This was mainly attributed to the negative contribution from the consumption and manufacturing production as well as the relatively weak national economy.
- Considering that the CBAI leads the local business cycle and the values of this index under 100 are associated with below-trend growth, the Chicago economy will experience below trend growth over the next 12 months.
- In November, the national economy showed mixed features. The Chicago Fed National Activity Index was -0.27, up from -0.89 in October. However, the coincident index announced by the Conference Board increased 0.2 percent and the Federal Reserve Board's industrial production index for manufacturing (IPMFG) was also up 0.5 percent.
- The economic performance in Chicago presented weak features in November. The retail sales and manufacturing production decreased 1.4 percent and 0.33 percent respectively.
- The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, the Conference Board's leading indicator decreased 0.4 percent and the Index of Consumer Sentiment remained at a two year low, 75.5. The Surveys of Consumers report said that "the risk that a recession develops is uncomfortably high." 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.



* From this month, the index is recalibrated so that the reference point will be 100. However, there is no change in interpretation of the index except the reference point is 100 instead of 0 and indices are rescaled accordingly.

METROPOLITAN STATISTICAL AREA LEAGUE TABLES

MSA LEAGUE TABLES SUMMARY

- The most remarkable upward move in November is that of Rockford from 10th to 1st position.
- Decatur and Kankakee grabbed the second and third position up from 7th and 6th position respectively.
- Champaign-Urbana-Rantoul and Metro-East also improved from 9th and 8th position to 5th and 6th position respectively.
- The deepest fall in October was experienced by Davenport-Rock Island-Moline and Springfield which slipped down to 8th and 9th position from 1st and 2nd position in November. Chicago fell to the 10th position down from 5th position.
- Among others Bloomington-Normal, and Peoria lost ground in November.
- In the league table for the last 12 months growth, Metro-East, Chicago and Peoria the three best performers in October retained their position.
- Davenport-Rock Island-Moline, Springfield and Champaign-Urbana-Rantoul slipped from 4th, 6th and 8th position to 5th, 7th and 10th position respectively.
- Bloomington-Normal (5th to 4th), Kankakee (7th to 6th), Decatur (9th to 8th) and Rockford (10th to 9th) all had a lift in their position in November in terms of 12-months aggregated growth rate.

MSA League Tables*: Non-farm Employment Growth Rate

Monthly growth:

| Rank | October 2007 | November 2007 | Rank | Change** |
|------|--------------------------------------|--------------------------------------|------|----------|
| 1 | Peoria (0.43%) | Rockford (0.73%) | 1 | ↑ (+9) |
| 2 | Davenport-Rock Island-Moline (0.42%) | Decatur (0.36%) | 2 | ↑ (+6) |
| 3 | Springfield (0.27%) | Kankakee (0.23%) | 3 | ↑ (+4) |
| 4 | Bloomington-Normal (0.22%) | Peoria (0.21%) | 4 | ↓ (-3) |
| 5 | Chicago (0.11%) | Champaign-Urbana-Rantoul (0.18%) | 5 | ↑ (+4) |
| 6 | Kankakee (0.00%) | Metro-East (0.12%) | 6 | ↑ (+2) |
| 7 | Decatur (-0.18%) | Bloomington-Normal (0.11%) | 7 | ↓ (-3) |
| 8 | Metro-East (-0.70%) | Davenport-Rock Island-Moline (0.11%) | 8 | ↓ (-6) |
| 9 | Champaign-Urbana-Rantoul (-1.49%) | Springfield (0.09%) | 9 | ↓ (-6) |
| 10 | Rockford (-1.76%) | Chicago (0.03%) | 10 | ↓ (-5) |

Growth over last 12-months:

| Rank | October 2007 | November 2007 | Rank | Change** |
|------|--------------------------------------|--------------------------------------|------|----------|
| 1 | Metro-East (1.34%) | Metro-East (1.85%) | 1 | ← (0) |
| 2 | Chicago (1.04%) | Chicago (1.02%) | 2 | ← (0) |
| 3 | Peoria (0.76%) | Peoria (0.86%) | 3 | ← (0) |
| 4 | Davenport-Rock Island-Moline (0.75%) | Bloomington-Normal (0.66%) | 4 | ↑ (+1) |
| 5 | Bloomington-Normal (0.66%) | Davenport-Rock Island-Moline (0.58%) | 5 | ↓ (-1) |
| 6 | Springfield (0.27%) | Kankakee (0.46%) | 6 | ↑ (+1) |
| 7 | Kankakee (0%) | Springfield (0.45%) | 7 | ↓ (-1) |
| 8 | Champaign-Urbana-Rantoul (-0.18%) | Decatur (0.18%) | 8 | ↑ (+1) |
| 9 | Decatur (-0.36%) | Rockford (-0.06%) | 9 | ↑ (+1) |
| 10 | Rockford (-1.70%) | Champaign-Urbana-Rantoul (-0.09%) | 10 | ↓ (-2) |

* 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)

