

State of Illinois Forecast Report

JANUARY 2007

Prepared for:

State of Illinois
Commission on Government Forecasting and Accountability
703 Stratton Building
Springfield, IL 62706



121 N. Walnut Street – Suite 500 – West Chester, PA 19380

*Commission on Government
Forecasting and Accountability*

COMMISSION CO-CHAIRMEN

Representative Richard P. Myers
Senator Jeffrey M. Schoenberg

SENATE

Bill Brady
Don Harmon
Christine Radogno
David Syverson
Donne Trotter

HOUSE

Patricia Bellock
Frank Mautino
Robert Molaro
Raymond Poe
Elaine Nekritz

EXECUTIVE DIRECTOR
Dan R. Long

DEPUTY DIRECTOR
Trevor J. Clatfelter

REVENUE MANAGER
Jim Muschinske

CHIEF ECONOMIST
Edward H. Boss, Jr.

EXECUTIVE SECRETARY
Donna K. Belknap

State Economic Outlook

January 2007

Illinois

Sophia Koropecj, 610.235.5131

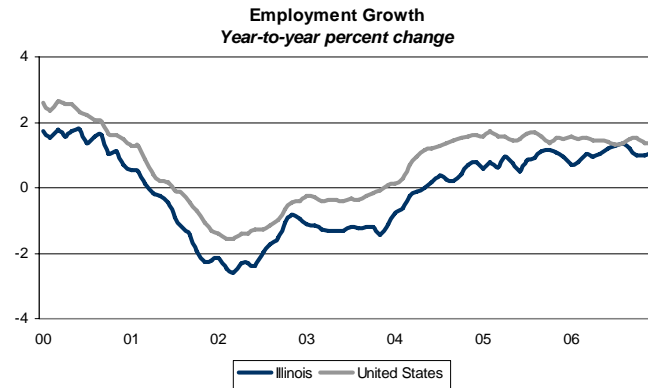
SUMMARY

Summary	1
Recent Performance	2
Near-Term Outlook	8
Long-Term Outlook: Positive Factors	11
Long-Term Outlook: Negative Factors	24
Income	31
Balance Sheets	33
Demographic Trends	34
Residential Real Estate	38
Commercial Real Estate	41
Forecast Risks	44
Major Employers	46
Demographic Profile	47

The Illinois economy performed well in 2006 although the expansion ran out of steam during the second half of the year and the pace of growth has lagged well behind U.S. trends. Unlike the nation, Illinois has yet to make up all the jobs lost during the recession early in the decade. Such service industries as business/professional services, financial activities and leisure/hospitality drive growth. Industries that depend on the flow of goods such as wholesale trade and transportation have also contributed to the state's expansion during the past year. Meanwhile, manufacturing payrolls stabilized during the second half of the year. The pace of growth has been strong enough to pull the jobless rate down to almost 4%, last seen in the late 1990s. Going forward, growth will be slightly weaker than in 2006—the cyclical peak of the expansion. Over the long term, Illinois will remain a below average performing economy due primarily to its subpar demographic trends and concentration of slow growing and secularly declining industries. Service-producing industries, a more efficient and smaller manufacturing core and transportation/distribution industries will drive the modest pace of growth.

RECENT PERFORMANCE [\(back to top\)](#)

- The expansion of the Illinois economy appears to have paused during the second half of 2006. Payroll job growth had steadily accelerated since early 2004 and peaked at the beginning of 2006. Throughout the current business cycle,



Source: Bureau of Labor Statistics

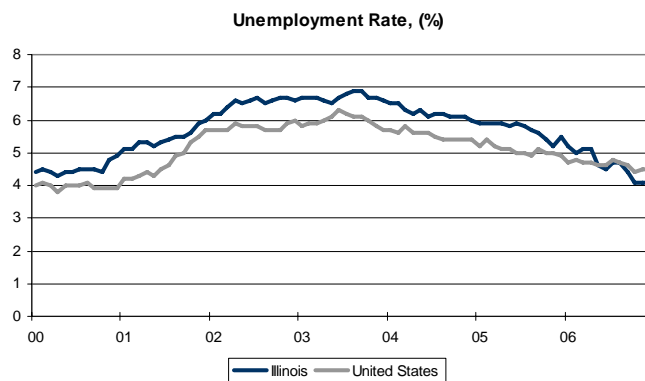
Illinois has performed more poorly than the nation and the state has yet to make up for losses incurred early in the decade. Most of the gap is due to the loss of about 200,000 manufacturing jobs, jobs that are gone from the state permanently.

Illinois Employment, Recent Performance December 2006					
	Annualized growth rate				
	3-mo	6-mo	12-mo	5 yr	10 yr
Total	0.4	1.5	1.1	0.2	0.4
Construction	5.2	2.6	1.6	0.0	1.8
Manufacturing	0.8	0.3	-1.3	-2.6	-2.8
Wholesale Trade	-0.6	0.9	2.0	-0.1	0.1
Retail Trade	-3.4	-0.6	0.3	-0.2	-0.2
Transportation and Utilities	8.3	7.7	1.0	0.5	0.2
Information	-3.0	-2.0	-1.3	-4.2	-2.3
Financial Activities	3.0	2.8	2.2	0.7	0.6
Professional and Business Services	1.2	2.1	3.6	1.5	2.0
Education and Health Services	2.5	2.1	1.1	1.6	1.7
Leisure and Hospitality	-0.9	1.3	2.5	1.8	1.5
Government	-4.0	0.6	-0.2	-0.4	0.4
	Percent				
Unemployment rate	4.1	4.4	4.6	6.0	5.3

- However, job creation has likely been stronger than the Bureau of Labor Statistics' data indicate. This can be deduced from the Quarterly Census of Employment and Wages (QCEW). During the year ending in the second quarter of 2006, employment expanded by 1.7%, compared to 1.1% calculated from the monthly BLS data. The difference translates into the creation of 35,000 more jobs. The largest revisions can be expected for Kankakee, Peoria and Chicago. The QCEW data are based on unemployment insurance records and therefore reflect a complete count, rather than a sample as is the case with monthly BLS data. Therefore, when these data are incorporated in the annual benchmark revision, the recent performance of the state's economy will likely appear much stronger.

- Another indication that employment trends could be better than they appear in the payroll data comes from a comparison with household data. While year-over-year payroll growth through November is 1%, household employment growth is expanding by nearly 4%. While household employment growth has exceeded payroll employment growth since 2003, the gap has widened since mid-2006. Generally, payroll data are considered more reliable than household data due to a larger sample size. However, the recent gap cannot be ignored and suggests that perhaps payroll data understate the state's performance. The payroll survey is not able to capture job creation at new companies nor does it include self-employment or agricultural employment.

- Since the unemployment rate is calculated from the household data, the recent surge in household employment has accordingly depressed the unemployment rate, to 4.1%, below the U.S. rate and the lowest for the state



Source: Bureau of Labor Statistics

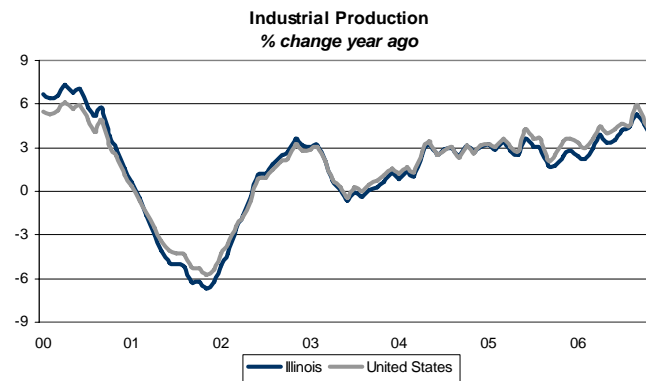
since the late 1990s. Not only have more unemployed workers been reabsorbed into the workforce but job creation has been vigorous enough to draw in more new entrants as well. As a result the labor force participation rate has increased meas-

urably, to 51.7%, up from 100 basis points from the end of 2005. Moreover, the estimated employment-to-population ratio has increased from 46.8% in early 2003 to 49.6% most recently, about where it was in early 2000.

- The Illinois economy is driven by growth in key service-producing industries, which are behind the improvement in labor force trends and stronger output growth, which is driving distribution and warehousing payroll growth, if not manufacturing growth itself. Such service industries as business/professional, financial services and leisure/hospitality drive payroll growth.
- A puzzling aspect of the expansion of the state economy has been concentration of growth in business/professional services with all of the growth in the Chicago area (including Lake County). Nearly one-half of all job creation has been in business services. However, upward revisions may erase some of this imbalance. Other service industries that have contributed significantly to growth include leisure/hospitality and financial services. Again, the financial service growth is concentrated in northern Illinois.
- Business services have led growth in contrast to national trends. Whereas one-quarter of business/professional service growth nationwide (5% of total employment gains) has been in business services, in Illinois the share has been two-thirds (and nearly one-third of total net employment gains). The contribution of professional and headquarters employment growth to total payrolls, about 15%, mirrors national trends.
- The preponderance of job growth in business services, which is dominated by temporary help services, is disturbing since many of these jobs are low paying and by their very nature can disappear on a dime if economic conditions weaken. The increase in temporary help means that demand has improved in a variety of industries but businesses are unwilling to commit to permanent hires. Moreover, average wages in temp hiring are much lower than in most other industries. Thus, the state continues to lose well paying manufacturing jobs, which are being replaced by lower wage, lower quality jobs that are unlikely to provide benefits.

- Retail trade has remained surprisingly flaccid. Education/healthcare growth has decelerated sharply over the past year and diverged from nationwide trends. However, QCEW data suggest that an upward revision is in store for the state.
- Public sector payrolls continue to trend flat—a three-year trend—as the downward trend in state and federal government payrolls is offset by some improvement in local hiring. State government payrolls are down about 20,000 (11%) from their 2002 peak. Most of the cuts were accomplished through early retirement and attrition, which has helped to minimize the impact.

- Manufacturing payrolls seem to have finally bottomed out after falling for eight years. However, this stability will likely be short-lived since demand and production of Illinois's manufactured products, such as industrial machinery and steel, has already peaked.



Source: Moody's Economy.com, Inc.

construction payrolls continue to climb. Weaker residential permitting activity in 2006 will mean less building this year and thus, construction payrolls will begin to weaken; nonresidential construction will be insufficient to make up for these losses.

- Improved efficiency in manufacturing production combined with continued attrition among Illinois's manufacturing companies has allowed for steady growth in production coupled with no net payroll gains. In recent months, manufacturing activity has slowed. Estimated production dipped last fall and has since leveled off, while the latest Chicago purchasing managers' report indicates that manufacturing output is contracting for the first time since 2002. For example, the moderation in prices and a buildup in steel inventories have led to a remarkably swift reaction from steel producers in the U.S. with production falling by 10% since September. While the majority of regional manufacturers are still benefiting from rising orders, that majority has fallen significantly since peaking in late 2004/early 2005.

- Among Illinois's largest manufacturing industries—food processing, fabricated metals, industrial machinery, chemicals and transportation equipment—only industrial machinery manufacturers have added to payrolls in recent years and the expansion of industrial machinery payrolls ended in mid-2005. Payrolls have risen by about 6,300 since bottoming out in early 2004.
- Among the state's metro areas, the expansion of the Chicago economy has remained steady for about two years, but significantly weaker than the national pace. Business/professional services account for three-quarters of jobs created over the past year. Growth has also picked up in leisure/hospitality services. Most other parts of the economy are seeing either weaker employment trends, or declining or weakly expanding payrolls. However, the economy will likely see a large upward revision of 2005 and 2006 employment. In particular, some industries that appear to be performing poorly are expected to post much stronger performance.
- The Lake County economy is expanding more strongly than Chicago but growth has moderated since early 2005. Similarly, Rockford's strong expansion has lost some momentum mainly due to slower employment growth in the metro area's out-sized manufacturing industry amid deep financial losses for DaimlerChrysler's domestic operations; Chrysler has ceased hiring new workers and has pared back its third shift at the Belvidere plant, even though the plant efficiently produces the popular new Dodge Caliber.
- Growth in most downstate metro areas is decelerating. The performance of manufacturing-dependent metro areas differs little from service-producing metro areas. The boost from the expanding industrial machinery industry has largely been spent for such areas as Peoria and Decatur, while the expansion has been very weak in most other metro areas in the state.
- Champaign's economy has been largely flat, while Springfield's has experienced a tepid and now decelerating expansion. Bloomington-Normal, which had been one of the best performing parts of Illinois during the 1990s, has suffered through restructuring at State Farm Insurance Company and more recently due to the woes of

struggling auto maker Mitsubishi. While State Farm has expanded its life insurance operations, the new additions are far from making up the losses incurred earlier in the decade. Meanwhile, Mitsubishi may yet pull up its stakes in the state altogether by selling the Normal plant, although, at this point, the company denies that such a plan is in the works.

NEAR-TERM OUTLOOK [\(back to top\)](#)

- The expansion of the Illinois economy is expected to stay on track this year notwithstanding the recent lull, though growth will continue to lag the national pace. The reasons behind the recent performance are expected to dissipate during the first half of 2007 and growth will rebound thereafter. In particular, the drag on manufacturing from buildups in inventory and the restructuring motor vehicle industry will lessen and the current correction in the housing market is expected to be complete by midyear. However, the state's economy is not expected to rebound as strongly as the U.S. economy due primarily to its industrial composition.
- Average growth for the year will fall short of the performance for 2006. Employment growth will decelerate from 1.0% to 0.9% and output growth will decelerate from 3.3% to 2.9%. Because of the slower pace of recovery and greater losses incurred during the recession and since, the state will not return to its pre-recession level of employment until late 2008. In contrast and underscoring the lingering deficiencies of the Illinois economy, the U.S. economy reached this benchmark in late 2004.
- Growth is expected to be more broadly dispersed this year than in 2006. Education/healthcare, leisure/hospitality and business/professional services will each account for roughly one-quarter of total employment gains. However, much of the job creation will remain in fairly low paying jobs such as temporary help, restaurants and home healthcare. Government payrolls are expected to rebound modestly as well. Manufacturing and construction payrolls are expected to fall.
- Conditions have likely peaked for Illinois's manufacturers. Machinery orders have dipped in recent months but remain high on a year-ago basis. Caterpillar is beginning to see weaker sales in part due to the slowdown in demand from the housing industry and to delays in mine permits, which are dampening demand for large mining equipment. In addition, a change in emissions standards, which has spurred truck demand this year and last, will ease once the regulations are put into place next year. This will affect engine, parts and heavy truck manufacturers such

as Navistar. The near-term outlook for the motor vehicle industry calls for fewer sales—16.1 million units vs. 16.5 million in 2006. Thus, Illinois's suppliers and vehicle assembly facilities will need to adjust to the weaker environment. Chrysler in Belvidere and Ford in Chicago have already adjusted output. Meanwhile, steel manufacturers will have to absorb a buildup in inventories and weaker motor vehicle production.

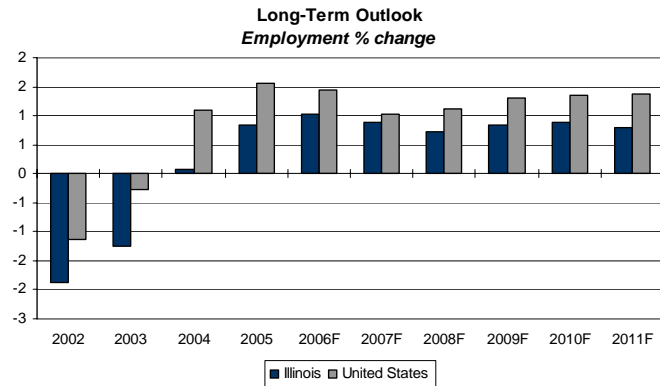
- Global demand, however, is expected to hold up well and since one-half of Illinois's exports (by value) are exported, this will provide continuing support for the state's manufacturers. Manufacturing exports from Illinois accelerated in 2006 and have been growing in double digits for the last three years. As all parts of the global economy are now expanding, the outlook for further export penetration remains sanguine. Supporting exports also is the weaker dollar. The more favorable exchange rate is lifting exports of domestically manufactured industrial machinery, as U.S.-made goods become more competitive on the global arena as well as in the U.S.
- Exports account for an increasing share of the state's gross output and nearly one-half of Illinois's manufacturing output. The value of exports as a share of output has reached a record 6.5%, up from a low of 5.1% in 2003. As is the case in the entire Midwest, Canada is Illinois's largest trading partner by a large margin. Asia accounts for about one-quarter of Illinois's exports.
- Most of the state's largest exporters (industrial machinery, transportation equipment, electrical equipment, fabricated metals and chemicals) are enjoying double-digit export growth; the one exception is chemicals.
- Illinois's farmers are benefiting from strong export growth as well as higher prices for corn and soybeans, although drought conditions reduced yields in western and southwestern Illinois. Corn and soybean prices have increased to substantially higher levels than a year ago and many farmers held grain off the market as they waited for prices to move even higher. One factor supporting strong pricing is rising ethanol production. Additionally, lower gasoline and diesel prices are reducing

costs for farmers. While high prices are benefiting corn and soybean farmers, they are squeezing the state's hog farmers.

- The U.S. Department of Agriculture has granted Gov. Rod Blagojevich's request to designate 23 counties as natural disaster areas. The designation qualifies farmers in those counties, as well as 21 contiguous counties, for USDA assistance programs, including low-interest emergency loans. Cass, Hancock, Henderson, McDonough, Schuyler and Warren are among the 23 counties declared as primary disaster areas. The others include Adams, Bond, Brown, Calhoun, Fayette, Greene, Jersey, Macoupin, Madison, Monroe, Montgomery, Perry, Randolph, Scott, St. Clair, Washington and Wayne.

LONG-TERM OUTLOOK: POSITIVE FACTORS [\(back to top\)](#)

- The state will continue to diversify into service-producing industries while nurturing its more efficient and smaller traditional manufacturing core. Chicago will continue to develop as the transportation/distribution



Source: BLS, Moody's Economy.com, Inc.

and financial services center for the Midwest. The best growth prospects for downstate are found in agriculture-related projects such as food processing facilities, energy projects and distribution facilities.

Business Services

- Business and professional services are expected to drive growth and indeed be the strongest growing industry in coming years, accounting for 28% of all net new jobs to be created in the state in the next five years. Moreover, growth in this industry cluster has exceeded the national pace since 2004 and will continue to do so in 2007. Most of the growth will take place in northern Illinois. Downstate Illinois has few possibilities in developing well-paying business service jobs such as business consulting; it is more likely to attract low-end business service such as call centers, especially due to a high share of high school graduates.
- Chicago's large concentration of corporate headquarters, outsourcing, the growth of the consulting industry, which serves both national and international clients, and the growth of information technology should help boost the business and professional services industry going forward.
- Indeed, the outlook for Chicago depends on its expansion as a center of global commerce. According to Moody's Economy.com, Chicago ranks sixth as the most

global metro area in the nation, behind New York, San Francisco, Boston, Miami, and Bridgeport. Although there has been much hand-wringing over the loss of headquarters and hence Chicago's status as a world class city, Chicago has managed to remain a business center through the growth of such businesses as finance, insurance, and benefits consulting, which involve intermediate firm-to-firm transactions rather than headquarters.

- In addition to business services, the success of the state's economy (particularly the Chicago metro area) will depend on the strength of its high-tech services, such as computer systems and design. Tech companies that are able to meet the needs of Illinois's vast manufacturing base will be most successful. Outside of Chicago, much of the development and activity in high-tech services is in Champaign, centered on the University of Illinois.

Financial services

- Financial services, which employ nearly 7% of the state's workforce and 8% of Chicago's workforce, will continue to be among the state's core industries.
- The outlook for Chicago's commodities exchanges is promising as the exchanges have successfully adapted to new technologies and through mergers have increased their market share in the global marketplace. This year's merger of the Chicago Mercantile Exchange and the Chicago Board of Trade (CBOT) will cement Chicago's status as the world capital of futures trading since it is now by far the world's largest derivatives exchange. They also hold virtual monopolies over their most important products, thereby benefiting from strong pricing power. Prospects are promising for the new entity, which will likely grow with the introduction of trading in various derivatives. At the same time, some infrastructure at the two exchanges, located less than a mile from each other in Chicago's financial district, will likely be consolidated.
- Thanks to the launching of new products such as the extension of agricultural futures in 2006, CBOT set a new record for annual trading volume, which increased

by nearly 20% over 2005. Volume on the e-cbot electronic trading platform was up nearly 30% in 2006.

- Similarly the Chicago Board of Exchange (CBOE), the largest options market in the U.S., is performing well thanks to its hybrid open-outcry/electronic trading model. CBOE's total volume in 2006 shattered all previous volume records. The CBOE Futures Exchange, LLC also set a record for total annual trading volume in 2006. CFE, launched in March 2004, is a wholly-owned subsidiary of CBOE, offering an all-electronic, open access market model, with traders providing liquidity and making markets.

- Illinois's commercial banks have been expanding more weakly than the national average and the loss of headquarters, such as Bank One, reduces the heft of the industry. With the merger of Bank One and J.P. Morgan Chase, Chicago now has only one headquarters operations, Northern Trust. Chicago remains the retail and commercial banking headquarters for the combined J.P. Morgan Chase operations. Commercial banks will also be under pressure due to weaker loan demand for homes and vehicles. Financial services are expected to expand more weakly in the state than nationwide over the forecast horizon, constrained also by weaker population trends.

- The state's largest insurance companies, State Farm, Allstate, Aon and CNA Financial Corp, have restructured some of their operations and will be under further pressure in the near term now that motor vehicle and home demand is expected to slacken. Aon continues to reorganize its operations to cut costs, most recently announcing plans to consolidate its support functions in Glenview, IL at the expense of offices in New York and Houston.

- Although Bloomington-based State Farm has been restructuring in recent years with a loss of some 1,300 jobs, no more major layoffs are expected. State Farm was recently stung with a \$2.5 million penalty related to Katrina coverage. State Farm is expanding its life insurance operations in Bloomington by consolidating more of its life insurance activity

from other locations over the next several years. State Farm employs 15,000 workers in Bloomington.

Life Sciences

- A promising area of growth for the state is life sciences, nurtured at such institutions as Northwestern University, University of Illinois, Fermi National Accelerator Laboratory and Argonne National Laboratory. Development at universities and other research institutions often evolves into commercial applications through partnerships with businesses. Northwestern University recently completed a new nanofabrication facility, and a life sciences building for biologists and doctors to perform biomedical research. The governor earmarked \$64 million to build the Advanced Chemical Technology Laboratory at the University of Illinois Chicago, which will allow for the creation of an interdisciplinary Institute of Environmental Science and Policy. The University of Chicago's Howard T. Ricketts Laboratory is proposed for construction on Argonne National Laboratory's DuPage County campus. Funded by the National Institute of Allergy and Infectious Diseases, the Ricketts Laboratory is one of nine regional biocontainment laboratories that the National Institutes of Health plan to fund for the study of organisms important to national biodefense efforts as well as those causing emerging infectious diseases.

- In the near term, however, Argonne and Fermi will have to absorb a federal funding shortfall, which is leading to a 5% workforce reduction at Argonne and a temporary shutdown of the Fermi facility.

- At the University of Illinois in Urbana-Champaign the Institute for Genomic Biology was completed in November 2006; 400 researchers will eventually work there. A number of technology transfer programs also operate at the university. The University of Illinois, in partnership with the U.S. Dept. of Defense, also plans to research and develop the next stage of the internet at the park.

- In downstate, a number of public/private initiatives, such as Heartland Partnership, Peoria NEXT and Peoria Regional BioCollaborative have been initiated. The Peoria Regional BioCollaborative initiative is a consortium that includes the area's

hospitals, universities, the National Center for Agricultural Utilization Research and Caterpillar, designed to foster the growth of the local biotech industry.

Tourism and conventions

- Tourism and business visitors are important to the state's economy, particularly to Chicago, through tourist attractions, conventions and gaming. Illinois's hotel occupancy rate through November 2006 rose by 2.6 percentage points compared to a year earlier. This is the best performance for the industry since 2000. Occupancy in Chicago's hotels rose even further, climbing by 3.6 percentage points, to 69.1% through November. Moreover, average room rates increased by 12%, to \$123.00, surpassing even the rates in 2000.
- The lower dollar has spurred more inflows of international tourists, which accounted for 15% of all passengers arriving at O'Hare International Airport in 2006. The number of international passengers has been increasing steadily in recent years, though it edged up by only 1.3% through October 2006. The number of domestic passengers was flat compared to 2005.
- Stronger travel activity is spurring a new wave of downtown Chicago hotel construction. At least 15 projects are on the drawing boards, which would increase downtown inventory by 10%. The increase in luxury space, in particular, will likely heat up competition. Some developers plan condo space above floors designated for hotels.
- The convention business improved in 2006 and Chicago will benefit somewhat from the transfer of convention business from New Orleans. The three conventions to make the move are the National School Boards Association with 13,000 delegates, the American Academy of Orthopedic Surgeons with 28,000 delegates, and the Society of Thoracic Surgeons with 5,000 expected attendees. These three conventions alone generate an impact of about \$100 million for the city. In addition, the National Restaurant Association, one of the largest conventions, decided to remain in Chicago for another five years after considering moving to another city.

- To bolster the convention business longer term, Chicago's McCormick Place is undergoing an \$880 million expansion, which will be completed in 2008. The expansion will add 600,000 sf of exhibit space. According to local estimates, the project will have an \$8.4 billion economic impact on the economy and created 21,000 jobs.

- Casinos are also an important element of tourism in Illinois. Gaming activity approached the end of 2006 on a strong note. December revenues were 8% higher than a year earlier for Illinois's nine casinos and 5% higher in the fourth quarter. Seven of the nine casinos enjoyed stronger revenues. A bill that expands gaming in the state remains dormant. The proposal includes 1) an increase in the number of casino licenses, with one city-owned facility in Chicago and three other new licenses for the suburbs of Chicago—Rockford, Waukegan, and Des Plaines; 2) an increase in the number of gaming positions for the existing operators to 2,000 from 1,200 including a significant percentage located in their land-based facilities; and 3) slots at racetracks.

- Tourism is an important source of revenue for central Illinois, but its economic potential is bounded by attractiveness primarily to travelers from nearby, the volume of which is constrained by downstate's weak demographic profile. Peoria has had some success in developing its convention business in recent years, which could improve further when the reconstruction of the civic center is completed. Tourism brings the area hundreds of millions of dollars in revenue and nearly two million visitors each year. The area's attractions for both business and leisure travelers include a riverboat casino, the complementary ongoing riverfront development, minor league teams and Peoria's status as retailing center for central Illinois. Riverfront development includes numerous restaurants, retail outlets and entertainment spots.

Transportation/distribution

- Even though manufacturing is declining in the Illinois economy, its distribution and transportation network remains an integral part of the economy to facilitate the movement of both domestic and imported goods throughout the Midwest as well as to support the state's manufacturing industries and export activities. While manufacturing payrolls have declined, transportation/distribution companies have added more than 16,000 jobs since 2003. The outlook for logistics-related expansion remains positive.
- Distribution, warehousing, wholesale and transportation activities make up an estimated 10% of Illinois's output and 11% of Chicago's output. Among the nation's largest metro areas only Dallas and Houston are more dependent on this cluster of industries. O'Hare International Airport is the nation's second busiest airport, after Hartsfield in Atlanta, handling about 70 million passengers annually. The airport has generated directly and indirectly 500,000 jobs.
- Chicago's transportation network, however, is reaching capacity and thus the state's status as a convention, tourism and distribution center is threatened unless O'Hare is expanded or another airport is built. To this end, a \$6 billion expansion of O'Hare was proposed, which includes enlargement to six parallel runways, and new gates. The expansion of the airport would create an estimated 195,000 jobs in the state over the next two decades. Construction of the expansion began last spring.
- As an alternative to the expansion of O'Hare Airport, or in addition to it, plans are also moving forward for a third airport in Will County, in Peotone. The proposed Abraham Lincoln National Airport will at first include a roughly 10,000-foot-long landing strip, a terminal, five gates and a road link to Illinois Highway 50. Public funds are unlikely to be used for the \$200 million project. Longer term plans include four runways and 12 gates.
- The Chicago/Rockford International Airport (RFD) in Rockford, IL has recently made a big push in being an alternative to relieve congestion at O'Hare. Although

Rockford is just up the Northwest Tollway from O'Hare, it is about a two hour trip from the Chicago Loop.

- In addition, Midway Airport, Chicago's second, less congested airport has been expanding in recent years as well and has diverted a fair amount of business away from O'Hare.

- Northern Illinois also remains the nation's rail hub. Almost three-quarters of national rail freight passes through Chicago and much of the physical plant remains in Chicago. However, like the air network, rail congestion could divert traffic to other hubs, such as Memphis, TN. Southwestern Illinois, as part of the bi-state St. Louis region, is the second largest rail center in the U.S. The region is served by nine trunk-line railroads, with more than 40 rail lines radiating to all parts of North America.

- Intermodal traffic is the fastest growing part of the rail industry as most railway yards have been converted to handle intermodal traffic. Chicago is the third largest intermodal container handler in the world, behind Hong Kong and Singapore. A number of intermodal terminals have been built in recent years in Chicago, Rockford and Davenport (Rock Island). The Quad City Railport serves as a truck-rail transfer yard and is planned to be the largest in the Midwest outside of Chicago; it will also hold a container storage yard and a maintenance facility. The developers have also planned a rail-served industrial park in the area.

- CSX Transportation Inc. is planning a major expansion of its freight operations in the Chicago area, a move that would generate hundreds of new jobs for the area. CSX is eyeing sites in either the far south suburbs, northwest Indiana or both. The railroad may build two freight centers—one in Indiana to serve CSX's main route to New York and one in the south suburbs to serve its routes to the Southeast and Florida. The company may instead opt to build a single massive hub. Illinois may have the edge due to a new tax-increment financing program for rail yards, which allows developers to divert property tax increases on new yards to cover their infrastructure costs. Each new intermodal terminal would create an estimated 200 to

300 railroad jobs, plus perhaps 500 to 800 additional jobs in equipment leasing, maintenance, trucking and other businesses.

- The federal transportation bill will also enhance Chicago's infrastructure. In addition to road and bridge projects, funding is included for a project dubbed CREATE, which involves the reconfiguration of freight railroad lines and road intersections to reduce bottlenecks. The \$100 million provided, however, is only the initial cost of the \$1.5 billion cost of this undertaking. The bill also clears the way for two extensions of the commuter railroad and the Chicago Transit Authority's Circle line. Over the five-year life of the bill, the state is expected to get \$1.5 billion more than it did in the prior six-year highway measure. The bills will provide work not only for the construction industry, but for various consultants and engineers. According to Illinois's senators, 24,000 new state jobs could be generated by the projects.
- In addition to the above projects, the Dan Ryan Expressway is undergoing a \$600 million reconstruction project that will include an additional lane in each direction, a reconfigured Skyway interchange and reconstructed ramps.
- Illinois supports a huge distribution industry anchored by Chicago's transportation infrastructure. Much of the industrial development in recent years has occurred in Will County, where land is more plentiful and cheaper than in the City of Chicago itself. Warehouse and distribution facilities are cropping up as companies, in trying to improve the efficiency of their operations have been consolidating their warehouse facilities around the county's intermodal facilities, such as the facilities in Joliet. According to the Chicago Area Transportation Study, intermodal activity is expected to grow by 7.5% per annum over the next 20 years in the area.
- Downstate Illinois is benefiting from the addition of a number of new distribution centers as well. For example, Krispy Kreme opened an 187,000 sf manufacturing and distribution center in Effingham. The company chose the area due to easy access to I-57 and I-70. The new plant also attracted one of its suppliers, Oracle Packaging to supply donut boxes. PetSmart will build a new 1 million sf distribution center in Ottawa and bring 214 new jobs to the area. The state granted the company a package of incentives. In southern Illinois, the Route 13 Growth Corridor,

named for the state highway that runs east-west from the Ohio River almost to the Mississippi River, is being formed. Distribution activities will become increasingly more prominent in the area due to proximity to three interstates. For example, Circuit City recently opened a 700,000 sf distribution center in Marion with expansion potential to 1 million sf.

- Gateway Commerce Center in Madison County continues to expand with two new buildings completed last November. The Center is planned to have 4.7 million completed sf of industrial space when finished. Companies such as Dial, Hershey Foods, Buske Lines Inc., Unilever Home and Personal Care, Lanter and Flying J Inc. have recently opened distribution facilities in the area.
- Last year a new trucking complex was completed at Gateway Commerce Center in Edwardsville. The 24 acres of land, located next to the Hershey Distribution Center, serve as a base for up to 1,000 tractor trailers, and include a 20,000 to 25,000 sf complex.

Education

- Other service-based industries that will support growth in the state include health-care facilities and educational institutions. The University of Illinois-Champaign, Illinois State University in Bloomington and South Eastern Illinois University will provide long-term stability to the downstate economy. Chicago also supports a number of universities including Northwestern the University of Chicago, the University of Illinois in Chicago and Loyola, but they are not as vital to the Chicagoland economy as they are to downstate. With the school-age population rising, downstate universities will likely be able to increase enrollment throughout the current decade. In addition to providing direct educational services, the universities also spur new avenues of growth through spin-off from university research.

Healthcare

- Healthcare will support growth throughout the state as the population ages. This will be a driver of growth downstate, in particular. While the share of employment in

healthcare in the state as a whole is slightly lower than the national average, at 10.7%, it is much higher than average in Kankakee, Peoria, Rockford and Springfield. However, growth will lag the national average primarily due to Illinois's relatively weaker population trends.

Agriculture

- The outlook for Illinois's large agricultural sector is fairly optimistic as U.S. agriculture has a decidedly positive long-term outlook. Despite the strong competition from agricultural powerhouses Brazil, Argentina, India and China, U.S. farmers will benefit from a growing global economy. Trade agreements will open new markets for agricultural commodities. In addition, the combination of high oil prices and the prospect of the passage of new energy incentives has increased interest in renewable fuels, such as ethanol and biodiesel. Developing alternative energy sources, including renewable sources that are eligible for tax breaks, is expanding markets for agricultural products. High oil prices are making ethanol and biodiesel production more economically viable.
- The increased use of ethanol will continue to benefit Illinois's corn farmers and ethanol producers since corn prices are expected to rise to record levels in the medium term boosted by demand for ethanol. According to J.P. Morgan, average corn prices are expected to be about \$4 a bushel in 2007, up 61% from \$2.50 a bushel in 2006.
- Illinois is second only to Iowa in ethanol production from corn with 1.2 billion gallons a year. The high price of oil has spurred more production by the state's ethanol makers such as Archer Daniels Midland, Aventine Renewable Energy Inc., and Adkins Energy and the construction of five new plants is planned, which will increase capacity to 1.9 billion gallons. For example, Aventine Renewable Energy Inc.—the second largest producer behind ADM—announced plans for a second dry mill facility that would boost local production to nearly 270 million gallons annually. Center Ethanol Co. LLC has broken ground on a new ethanol plant in Sauget. The plant, which will be operational at the end of 2007, will produce up to 54 million gallons of fuel per year initially, with the potential for expansion.

- The state provides financial incentives for ethanol plants that could encourage new producers by helping with the start-up costs. However, ethanol is usually more expensive than gasoline. Therefore, once gas prices fall, demand for ethanol will likely slip, leading to a potential oversupply of the fuel.
- Illinois also stands to benefit from increased demand for biodiesel made from soybeans. The Illinois Soybean Association will serve as the first major retail outlet for biodiesel in Illinois. Biodiesel is becoming the fuel of choice among Illinois farmers. If all agriculture operations in Illinois used a 2% mix of biodiesel fuel, it would require two million bushels of soybeans, and it would take 18 million bushels of soybeans if the state's service stations used a 2% biodiesel mix. Increased biodiesel usage would have a modest impact on soybean prices.
- Farm subsidies will remain an integral component of U.S. agriculture. The ballooning budget deficit could, however, result in a reduction in subsidies down the road. Not only could farmers see cutbacks in obvious expendable programs, such as conservation set-asides, but farmers could actually see sharp cuts in both price supports and insurance.

Coal

- Coal production has been climbing in recent years stoked by the demand for affordable electricity and the rising price of other fuels. Many Illinois plants and mines have been resurrected as states attempt to keep electricity prices low, and boost energy security by offering an alternative to foreign oil and gas. Recent studies show the Illinois Basin is on the verge of a major upswing in demand because of the amount of new scrubbing going on line to meet sulfur emission limits.
- Ten coal-fired plants that would create eight gigawatts of new power capacity have been proposed. While all these proposals are a positive for the region, it can take seven to ten years for a coal power plant to go from planning to construction, with legal and public protests as additional hindrances. In addition, swelling inventories, due to rising production and warm weather, have put downward pressure on prices, which could preclude further development.

- Three coal gasification plants currently have been proposed in the state. Steelhead is developing the Southern Illinois Clean Energy Center in Williamson County. The project has been modernized from a conventional power plant and will eventually use 2.8 million tons of Illinois coal per year. Two other projects to make electric power or chemicals from coal have also been proposed, one in Williamson County and a second near Taylorville in Christian County.
- In addition, Illinois and Indiana are together bidding to attracting the \$1 billion FutureGen project to the Illinois Coal Basin, though they are in competition with 14 other states. The federally-supported FutureGen project involves the construction of a near-zero emissions power plant that will also produce hydrogen fuel and allow capture and possible use of carbon dioxide. An ongoing collaboration over the past two years will continue to develop sequestration in Indiana, Illinois and Kentucky to insure that FutureGen can meet its near-zero emissions goal.

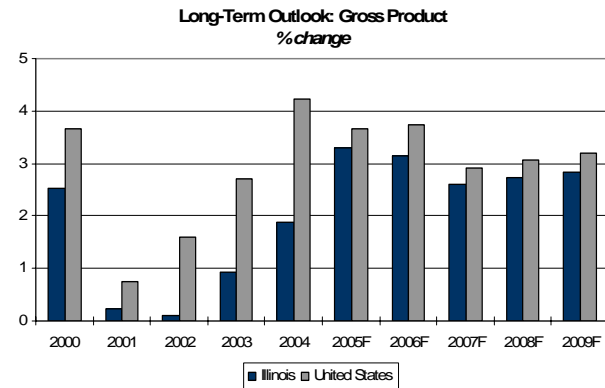
Military

- Illinois has become a beneficiary of increased spending on defense and homeland security. While the state has a low concentration of military installations, with about 47,000 military personnel, or 0.63% of the employment bases, one-half the national average, it has managed to garner more federal dollars in recent years. In fiscal year 2005, Illinois ranked 21st in terms of prime contract awards. Although this amounts to a ranking of only 44 on a per capita basis, growth in prime awarded contracts has accelerated during the current decade and is now slightly higher than the national average. In fiscal year 2005, the value of prime contracts increased by 19%, to \$3.6 billion, and, at 1.51%, Illinois's share of contracts is the highest on record.
- Scott Air Force Base will gain about 800 military and civilian jobs as a result of the latest Base Closure and Realignment recommendations and expanded the mission of the 932nd Airlift Wing. However, the Great Lakes Naval Training Center in North Chicago is slated to lose 2,022 jobs.

LONG-TERM OUTLOOK: NEGATIVE FACTORS [\(back to top\)](#)

- Illinois will remain a below average performing economy due primarily to its subpar demographic trends and mix of industries despite its high diversity (see Table below). Illinois has among the most diverse of state economies but this alone does not insure a strong outlook. In 2007, real GDP growth (2.8%) will exceed the national average (2.6%) thanks to strong demand for Illinois's manufactured goods. Thereafter, Illinois will lag behind.

- The outlook for the Illinois economy is closely tied to the outlook for the nation. This is indicated below by the systemic volatility, which measures how much of the state's employment volatility is explained by the national business cycle. According to Moody's Economy.com, 96% of the variation in the Illinois economy is related to variations in the national economy.



Source: Economy.com, Inc.

- Although Illinois's business cycle closely tracks the nation's business cycle, job growth has trailed the national pace for the last ten years. A beta higher than 1 indicates that cyclical swings have greater amplitude than the national average. Unfortunately for Illinois, that amplitude has been evident in downswings in the business cycle but not in upswings.

Employment Diversity and Volatility

	Diversity ¹	Volatility 1996-2005			Beta ⁴
	2004-2005	Total ²	Systematic ³	Nonsystematic ³	
Illinois	0.88	107	96	4	1.03
Indiana	0.69	110	84	16	0.92
Ohio	0.84	108	95	5	1.02
Michigan	0.68	138	90	10	1.24
Wisconsin	0.72	101	97	3	0.98
Iowa	0.67	101	91	9	0.92
United States	1.00	100	100	0	1.00
Median	0.71	106	88	12	0.92

Notes:

- 1) Diversity is defined as the extent to which an state's industrial structure approximates that of the nation. The more closely the state's economy resembles the national economy, the higher the value. The diversity measure is bounded between 0 and 1. 1 means the state has the same industrial structure as the U.S., 0 means it has a totally different industrial structure than the U.S. Diversity is estimated using data for 2004 and 2005.
- 2) Total volatility is the standard deviation of an state's employment growth. This relative deviation has been indexed to the United States = 100. Volatility is estimated using data between 1996 and 2005.
- 3) Systematic fluctuation is that portion of an area's economy that is associated with national economic fluctuations. Nonsystematic volatility is that portion of an area's volatility not associated with national economic fluctuations.
- 4) Beta measures the magnitude of an area's sensitivity to national economic conditions. The U.S. average, by definition, is 1. A one percentage point increase in national employment will cause that portion of a metro area's employment base to rise by the percentage value of beta.

Manufacturing

- Manufacturing will continue to occupy a greater than average position in the Illinois economy, but the state will have to fight to hold on to its manufacturing base. While the share of employment in manufacturing in the state as a whole is only somewhat higher than the national average, at 11.4% vs. 10.4% nationally, the share outside of Chicago is much higher, at 13.9%.
- About 234,000 jobs have been lost since early 1998, or 26%. For example, last year Wrigley closed its South Side Chicago chewing gum plant at a cost of 600 jobs and Maytag Corp closed its 1,100-person Herrin plant in southern Illinois.
- Illinois's largest manufacturing industries include food processing, fabricated metals, chemicals, plastics and transportation equipment. Only industrial machinery payrolls have increased in recent years. Areas such as Peoria, Decatur and Danvers-Moline have particularly high exposure to these industries.
- Most manufacturing losses are permanent. Illinois is hard pressed to make up these losses in other industries, and other industries such as business services and warehousing depend on manufacturing. While total employment still falls about 100,000 short of its pre-recession peak, employment excluding manufacturing has increased by 80,000 above its pre-recession peak. However, while employment has declined sharply, industrial production is at a record high. This is indicative of the large increases in productivity.
- The weaker dollar and strong global expansion are spurring exports of the state's products and the outlook remains positive for this year. The value of exports was about 30% higher in 2006 than in 2000. Export penetration is helping to stem jobs losses somewhat, particularly in industrial machinery.
- However, many companies have yet to benefit from the global marketplace. Smaller exporters that depend on distributors do not see the exchange rate

benefits as readily, unless overseas buyers increase their orders since the distributors absorb the currency gains.

- Illinois's manufacturers will continue to face daunting competition in the global marketplace long term. They have been forced to shift operations to lower cost regions of the world to remain competitive, and the depreciating dollar does not reduce the cost advantage sufficiently to reverse this process, though it may slow it. Much of the state's low value added manufacturing, with the exception of food processing industries, is likely to leave the state.
- Many manufacturers recognize that they cannot improve efficiency enough to be able to sell their products for as little as Chinese companies can. They are allowing their business to slowly dwindle. According to the Alliance for Illinois Manufacturing, up to three-quarters of the area's manufacturing companies are either struggling to figure out how to change or have no strategy to ensure long-term viability. More than two-thirds of manufacturers use outdated processes.
- Vehicle manufacturing is an important concentration for the state and one that faces the greatest uncertainty over the next year as vehicle sales are expected to weaken to 16 million units in 2007. The Chicago metro division retains significant exposure to the ailing Ford Motor Company. The Chicago assembly plant, which employs 2,600 directly and 1,400 at an adjacent supplier park, is cutting back production due to weak sales of its models (Ford Five Hundred sedan, Mercury Montego sedan and the Ford Freestyle SUV). Production of the models fell by 27% in 2006 from the prior year. The plant has had to shut down temporarily.
- To bolster production at the plant, Ford is planning the introduction of a new Lincoln model at the plant in 2008, but it is first seeking work-rule concessions from union employees at the plant to give it more flexibility. The Chicago assembly plant is considered one of Ford's most efficient assembly plants following a \$400-million retooling in 2003. Union workers at Ford's Chicago Heights stamping plant already agreed to contract changes in exchange for a guaranteed employment level of 1,400 people and more work.

- Similarly, the near-term outlook is weak for Chrysler's Belvidere plant due to weak sales of its SUVs; the plant has recently gone through a large expansion with the introduction of new models there.
- Meanwhile, the Mitsubishi operations in Normal, which went through a traumatic downsizing in 2004, could see a brighter future since Mitsubishi may use the plant to build a new model. At one time, the plant was threatened with complete closure as Mitsubishi sales plummeted in the U.S. However, its outlook still remains quite uncertain.
- Some auto-related expansions are still occurring in the state. For example, auto parts maker Pollmann North America Inc. expects to triple the size of its workforce in the Chicago area over the next two years. However, such expansions will be insufficient to offset the continued decline in the auto parts industry—the result of import competition, the loss of market share for domestic manufacturers and pressures from auto makers.
- Illinois's high exposure to telecommunications equipment manufacturing through such companies as Motorola, Tellabs, Lucent Technologies, and Andrew Corp. has been problematic, and competition in the industry remains heated as companies jostled for market share amid rapidly changing technology, particularly for mobile phones. During the 1990s, this industry accounted for most of the payroll gains in manufacturing. That was quickly reversed early in the decade. Most recently, Motorola announced plans to trim 3,500 jobs from its worldwide workforce by June 2007, although the impact on Illinois is not yet known. The merger of AT&T and BellSouth will be a blow to Tellabs since the company supplies both companies; thus, it will lose one customer.
- Illinois's pharmaceuticals industry, headed by Abbott Labs and Baxter International, has not escaped the restructuring that has thinned the ranks of workers in other industries. Both companies have cut their operations in the states by thousands of workers. However, Abbott still plans to spend more than \$450 million over the next several years to expand manufacturing facilities and build new operations to support future products in its development pipeline. Other companies that have

reduced their presence in the state include Pfizer, which closed four Pharmacia facilities, and Hospita, which is phasing out its suburban Chicago plant.

Airlines

- Illinois’s airline industry is in flux, struggling under the weight of overcapacity, competition from low-cost carriers, high jet fuel costs and the legacy costs. Both United Airlines and American Airlines, O’Hare’s largest carriers, have cut back flights through Chicago's O'Hare International Airport, both to relieve congestion and to cut costs amid overcapacity in the industry. The airline renegotiated its union contracts and lowered labor expenses to emerge from bankruptcy. In addition, rumors of a possible merger between United Airlines and Continental or Delta remain. A merger could have large implications for the Illinois operations and workforce.

Index of Relative Business Costs								
	Labor Cost		Tax Burden		Energy Cost		Overall Index	
	Index	Rank	Index	Rank	Index	Rank		Rank
Illinois	102	12	93	35	92	25	102	13
Indiana	94	36	98	23	79	40	92	40
Ohio	100	22	107	11	94	23	100	20
Michigan	105	7	101	19	95	20	103	11
Wisconsin	98	25	113	5	91	27	98	25
Iowa	88	44	98	24	84	35	89	44

Notes:

- Rank is for all states plus District of Columbia.
- U.S. average = 100.
- Labor Costs are measured by total earnings per employee at the 3-digit NAICS level.
- Tax Burdens are measured by all taxes excluding severance, education, and hospital taxes relative to personal income.
- Energy costs are measured by cents per kwh for industrial and commercial users.
- In the overall Index, Labor Costs have 75% weight, Energy Costs have 15% weight, and Taxes have 10% weight.

Structural deficiencies

- The state’s outlook is tarnished by such structural problems as a lack of strong growth drivers, slow growing industries, uncompetitive business costs and weak

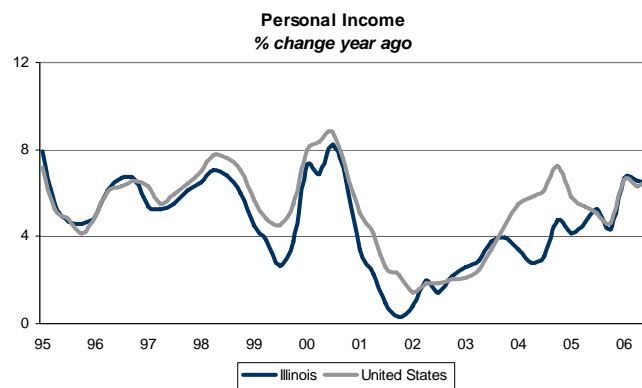
population trends. The state's costs of doing business are higher than the national average due to higher than average unit labor costs. This makes it difficult for the state to attract expanding companies. For example, Illinois lost out to Indiana for a new Honda plant.

- Among the state's metro areas, however, overall business costs are above average only in Chicago. Moody's Economy.com's measure of metro business costs includes an index of office rents, which is measured as rent per square foot. In particular, energy costs are much higher in northern Illinois than downstate. Labor costs are above average in every metro area, with the exception of Springfield.

INCOME [\(back to top\)](#)

- Through the third quarter of 2006, income growth in Illinois just about tracked the national average, increasing by 6.4%, compared to 6.7% nationally. Per capita trends in the state and nation are more in line with each other, at about 5.8%. The median annual household income in Illinois increased by \$775, outpacing national growth.
- As employment has rebounded and income trends have strengthened, the poverty rate in Illinois declined to 11.5% last year, its lowest level since 2001, a level that is below the national average and better than all other midwestern states except Wisconsin.

- Moreover, the state's residents have enjoyed real income gains over the past year as income growth accelerated at the same time that inflation has abated. Thus, adjusted for inflation, income has grown by about 3.5%, up



Source: BEA, Moody's Economy.com, Inc.

- considerably from the 2% pace a year earlier. Over the next year, real personal income growth is expected to remain steady, growing by about 3.5%.
- Wages and salaries, adjusted for inflation, have grown by 3.1% over the past year, slightly more strongly than the national average and twice as strong as the previous year. Wage growth is expected to remain steady in 2007.
- At about \$52,000, Illinois's median household income is about 6% higher than average. In the Midwest, only Minnesota ranks higher than Illinois. However, Illinois's gap had been as wide as 14% during the late 1990s. As a result, Illinois's ranking relative to other states has fallen as the state has lost high-paying jobs in financial services, high-tech, manufacturing, transportation and distribution. Going forward,

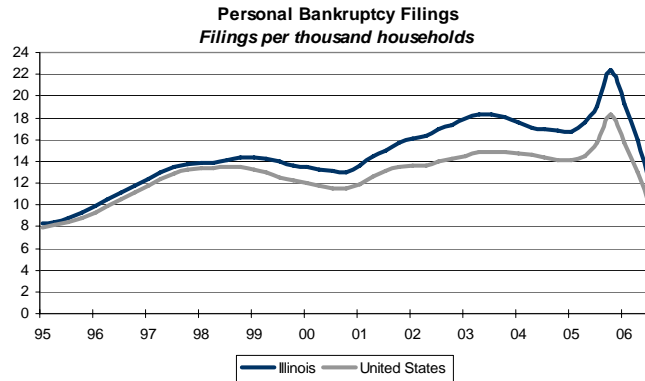
Illinois's household income will improve only slightly relative to the national average.

- While Illinois's income exceeds the national average, this is almost entirely due to the well-paying jobs in Chicagoland and Bloomington; downstate incomes in aggregate are below average.

BALANCE SHEET [\(back to top\)](#)

- Having surged in the runup to the change in bankruptcy laws in October 2005, bankruptcy filings plummeted at the beginning of 2006 and have only edged higher since. Only 0.6% of households have filed for bankruptcy in the third quarter (and averaging 1.2% for four quarters), down from 1.6% in early 2005.
- However, bankruptcies are expected to gradually climb higher, reaching 1.4% of households by the end of the decade. The incidence of personal bankruptcy in Illinois is somewhat higher than the national average and is expected to remain higher throughout the forecast horizon.

- Other measures of credit quality do not indicate appreciably different behavior in the state than in the national average. Both have trended higher since the beginning of 2006. The composite delinquency rate (share of



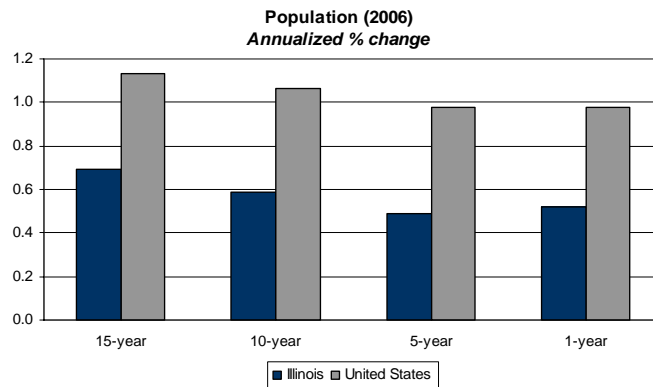
Source: Administrative Office of U.S. District Courts

loans that are past due more than 30 days) on all types of loans stood at 2.6% at year end, slightly below the U.S. average. Delinquency rates on bank auto loans, bank cards, and personal loans are appreciably lower than the national average and about in line with national trends on other types of loan. First mortgages and auto finance loans have seen the most deterioration over the past year. Delinquencies will continue to rise this year and peak at the beginning of 2008. The delinquency rate on first mortgages will peak at 3.1%, up from 2.8% during the fourth quarter of 2006, while auto finance loans will peak at 5.2%, up from 4.6%.

DEMOGRAPHIC TRENDS [\(back to top\)](#)

- An important determinant of the prospects for the Illinois economy is its demographic profile, which is considerably weaker than the national average. Population trends have been weakening steadily since 1992 when the population growth stood at about 1.1%. However, in the year ending July 2006, population growth perked up slightly, to 0.52%, the best pace in three years.

- The recent improvement in the state's population growth can be attributed to a slight abatement in domestic out-migration from a net loss of 86,000 in 2005 to a net loss of 69,000 in 2006. International migration

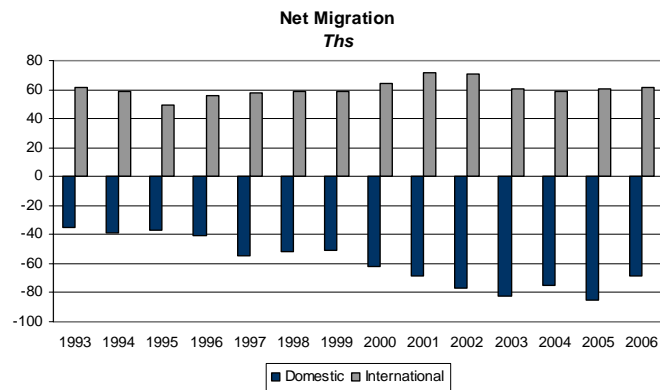


remained steady with a net gain of about 61,000. The improvement will not be sustained, however. Population trends are expected to deteriorate steadily, as baby boomers retire and move to warmer climates, and as the eroding manufacturing base pushes more domestic migrants to more promising parts of the nation.

- Population growth has weakened measurably in the Chicago economy in recent years—from 1% during the expansion of the 1990s to 0.4% in 2005. It is expected, however, that its population trends will improve in step with a stronger economy, driven by less domestic out-migration combined with positive net international in-migration and Chicago's big city attractiveness relative to more rural parts of the state. In 2005, about 45,000 net international migrants moved into the metro area, partially offsetting the loss of 74,000 net domestic out-migrants.
- Population trends in the remainder of the state have improved slightly since the beginning of the decade. However, what this means is that its population is no longer declining but is basically flat. The impetus behind the improvement is some abatement in out-migration compared to earlier in the decade.

- Population trends differ quite a bit across metro areas in the state. Rockford and Lake County enjoy relatively strong growth of at least 1% annually. Trends have weakened in recent years in Bloomington and Springfield in line with the lack of recovery in their economies. Peoria's economy, which has enjoyed more of a recovery, is now experiencing the best population growth in ten years, although it remains quite modest. Most other metro areas in the state are growing at between 0.1% and 0.5% annually. The population in Decatur continues to contract. Population remains flat in rural Illinois with few drivers of growth.

- The table below of domestic flows is compiled on the basis of IRS tax returns, and, therefore, the numbers are somewhat different than the estimates derived by the Bureau of Census. Illinois's aging residents continue to flock



Source: BOC

to Florida and Arizona. Other popular midwestern destinations of out-migrants are Indiana and Wisconsin, which enjoy lower costs of living. While Illinois attracts many migrants from such states as California and Texas, on net the state loses residents to the South and West Coast. Indeed, there are just a few states with which Illinois enjoys a net inflow including Ohio, Nebraska, North Dakota, Delaware and New Jersey.

Migration Flows - IL - 2005					
Into Illinois	Number of Migrants	Median Income	From Illinois	Number of Migrants	Median Income
California	13,920	26,904	Indiana	23,142	26,522
Indiana	13,451	23,768	Florida	21,884	27,496
Missouri	12,074	24,136	Wisconsin	18,131	27,247
Wisconsin	11,247	24,553	California	15,207	26,208
Florida	11,187	22,206	Texas	15,130	26,066
Texas	10,377	24,237	Missouri	14,409	22,745
Michigan	8,548	22,441	Arizona	9,813	27,774
Iowa	6,839	21,249	Michigan	8,370	28,594
Ohio	6,565	24,584	Iowa	8,286	19,829
New York	5,531	30,332	Georgia	7,277	24,578
Inmigration	175,161	22,773	Outmigration	234,254	25,616
			Net Migration	-59,093	-2,843

Note:
Net Migration: Number of Migrants is the net flow of migrants.
Income is the difference between the weighted average of the median income of immigrants and that of outmigrants.
Source: Moody's Economy.com calculation from 2005 IRS data

- The age structure of the population is another important determinant of labor force and consumer trends in the state. Nationally, the median age of the population is 35.3 years. Illinois's median age is lower, at 34.7, but there are large differences across metro areas. Median population is below the state average in Bloomington, Champaign and Chicago and higher than average in every other metro area. Median age is highest in Decatur, Peoria and Springfield. A higher median is indicative of a larger elderly population, implying weaker demand for housing and consumer goods, a low birth rate and weaker labor force trends.

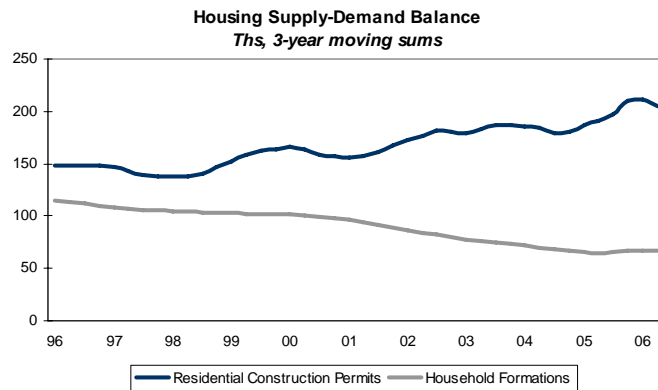
Population Profile	% of total Population, 2005	
	Illinois	US
Age 5-19	21.1	20.8
Age 25-44	28.8	28.3
Age 45-64	24.0	24.6
Over age 65	12.0	12.4
Birth Rate, (# of Births per 1000)	14.2	14.0
Death Rate, (# of Deaths per 1000)	8.6	8.3
Median Age (2000 Census)	34.7	35.3

- Another demographic determinant of Illinois's outlook is the education attainment of the population. In 2005, most Illinois workers had some post-secondary education and nearly one-third held a college degree. Both of those figures are considerably better than national and regional averages. The metro areas that have a high dependence on manufacturing all have below average educational attainment levels. Davenport, Decatur, Kankakee, Peoria and Rockford all have below average educational attainment. Champaign and Bloomington have the best educated labor forces. While college graduation rates are low, every metro area in the state boasts an above average share of high school graduates.

RESIDENTIAL REAL ESTATE [\(back to top\)](#)

- As elsewhere in the nation, Illinois's housing market has deteriorated over the past year and the near-term outlook calls for further weakening. Homes sales are off 16% from a year ago (year to date through November 2006) and 11% fewer permits have been issued than a year earlier. New supply has far outstripped household formation and the market is now adjusting.

- As Illinois's housing market was considerably tamer in recent years than in some other states, particularly on the two coasts, it has not seen price erosion in recent quarters. According to the Illinois Association of Realtors, the median



Source: BOC, Moody's Economy.com, Inc.

existing house price remained steady during the third quarter of 2006 at \$199,000, just slightly below \$200,000 reached a year earlier.

- Given the imbalance in Illinois housing market, homebuilding and sales will continue to erode through 2007 and rebound only modestly thereafter. Weakening demand will weigh on house-price appreciation, but outright declines in house prices are not expected.
- In the Chicago market, home sales were off 22% in November from a year earlier and inventories of unsold homes are rising. Permitting is down 20%. House prices still managed to eke out a gain, however. The median-priced house cost \$245,000, up 0.5% from a year earlier.
- In recent years, an increasing proportion of Chicago's housing market activity has been in the condominium market, supported by demand from empty nesters for second homes and investors. Sales had been particularly robust in the city. The condo market is at some risk given the addition of more units south and west of

downtown Chicago. Investors, who fueled the city's market in recent years, are now getting cold feet. The city condo market is not set for a collapse, however, due to requirements by real estate lenders to pre-sell the majority of units in planned developments. The suburban condo market began to cool already during the second half of 2005, particularly in such hot markets as western Will County. .

- The Chicago market has become highly overpriced, according to Moody's Economy.com calculations. Driven by speculative buying, Chicago's housing market is at risk of a correction; the gap between house-price growth and income gains has widened. Since 2003, the median existing home has increased in price by 36%, slightly less than the U.S. average. However, the baseline forecast calls for a sharp deceleration in price growth over the next year rather than an outright decline.
- As a result of the soaring prices, affordability has fallen sharply. A median earning household can afford to purchase an existing home costing 4% more than the median. While affordability is lowest among midwestern metro areas, Chicago's housing market remains far more affordable than those of most other large metro areas in the Northeast and West Coast. Declining affordability in the metro area has pushed homebuyers further out from the city.
- Condo conversions have diminished the stock of apartments in downtown. The decline in the apartment stock, combined with falling home affordability in the Chicago area, is allowing the apartment market to improve. The tightening apartment market is also allowing rents to rise again and the need for concessions is diminishing; rents were up 3.9% during the third quarter of 2006 compared to a year earlier, the strongest rate of growth since 2003.
- The housing market downstate differs considerably from Chicago's juiced up activity. Homebuilding activity peaked considerably earlier than in the Chicago market. Home sales are declining but at a less dramatic pace than in Chicago. The weakening pace of permitting will weigh on the construction industry and activity is likely to slacken further. Nonetheless, construction is not expected to fall off significantly since most of downstate markets maintain balanced housing markets.

- In every downstate metro area, affordability is much higher than average. In most metro areas in the state, a household earning the median income can afford to purchase a home that costs about twice as much as the median-priced existing home. What has kept affordability high has been the weak rate of house-price appreciation in the metro areas in downstate Illinois.

- As a result of high affordability, easy credit and policies that encourage homeownership, homeownership in the state has continued to increase throughout the last decade and is higher than the national average. Nearly 71% of Illinois households owned their own homes in 2006, compared to 69% nationally, and 64% ten years ago. However, homeownership is higher in every other midwestern state. The expensive Chicago market, as well as Chicago's large immigrant community, is behind this result. The homeownership rate in Chicago is 70%.

- The high affordability, combined with unfavorable demographic trends, limits the prospects for the multifamily market downstate. Nearly 90% of the state's multifamily permitting in 2006 was in the Chicago area.

COMMERCIAL REAL ESTATE CONDITIONS [\(back to top\)](#)

- Activity in Illinois's commercial real estate markets is mixed. Industrial markets are growing at a steady pace, modest improvement is occurring in the office market and the retail market is flat. Demand and construction of industrial space, stores and hotels have remained modest, while the office market remains oversupplied despite the creation of an estimated 28,000 office-using jobs in 2006.
- The Chicago office market is slowly improving, in part due to the availability of concessions and little new construction activity, in part due to rising construction costs. The Daley administration designated a 40-block section of the city as a Tax Increment Financing (TIF) district, a designation that will help energize a large portion of the Loop financial district. New downtown office construction is expected to be weak until 2009. This will allow for steady declines in vacancies over the next few years. Vacancy rates are falling quickly in the suburbs, declining to the lowest rate in three years. Construction is again taking place in the suburbs in response, but at a more measured pace than during the 1990s. Office-using employment is expected to increase by 18,000 annually through the end of the decade.
- Illinois's industrial market is buoyant with activity, increasing at a heavy pace in northern Illinois. Chicago's industrial vacancy rate fell to 8.8% by the end of 2006. Over 20.6 million sf of space were added during the year, but leasing (particularly in the southwest part of the Chicago metro area) kept up with new construction. Construction starts totaled nearly 20 million sf, the largest amount in ten years; three-quarters of the building is speculative. The areas with the most construction include Joliet and far southeast suburbs and Lake County. Among larger buildings is a 1.6 million sf Wal-Mart facility. The southwest suburbs have evolved into a warehousing and distribution hub for the region, thanks to consolidation of smaller warehouses and the presence of several intermodal facilities.
- Most new industrial development involves warehousing and distribution rather than manufacturing. The city is expanding TIF planned manufacturing districts in an effort to promote industrial development; otherwise, these areas would compete with

more lucrative residential and retail development. According to a recent study, 300 manufacturers in the city plan to expand in the next three to five years, but lack enough space at their current locations. Such government programs can do little to stem the inevitable decline of manufacturing in the city, however, and will likely have only a marginal effect.

- Outside of Chicago, distribution activities focus on traditional old-line manufacturing and the distribution of consumer products, such as the Kmart facility in Kankakee, a 1.2 million sf Wal-Mart Stores distribution center in Spring Valley in Bureau County, and the expansion of a Supervalu distribution center in Urbana. In the South, East St. Louis's distribution industry is expanding and supporting the construction of build-to-suit warehouses.
- Throughout the state, retail development involves grocery stores, discount outlets and home improvement stores. Chicago's retail vacancy rate is flat, at about 7.6% with an increasing amount of construction activity—8.6 million sf were under construction during the third quarter. The western suburbs of Chicago have seen a lot of the new development due to the availability of land there, as well as population shifts. Among the areas under consideration are Hoffman Estates and an area in Kane County.
- In addition, much of the retail activity is in Will County, consistent with the shifts in population within the metro area. The county now accounts for 8.2% of Chicago's population, up from 5.7% ten years ago. In addition to the onslaught of big-box retailers, the area will become home to a two million sf mall, which will be the sixth-largest in the nation.
- Within the City of Chicago, Wal-Mart will be opening five stores and has plans for at least 20 in all. The availability of sufficiently large plots of land constitutes an obstacle to this expansion, however. In addition, the retailer plans more expansions in the Chicago suburbs, betting on continued residential development.
- Downtown Chicago will see more retail development also. A major redevelopment plan for a project linking the Mag Mile with River North has been proposed.

- A multilevel shopping mall is proposed for a block that was cleared for an office building eight years ago that was never built. Water Tower Place, also in the city, plans a \$15 million renovation this year. Urban Investment Trust, Inc. wants to build a \$40 million shopping center, anchored by a Dominick's and Lowe's on the Far South Side of Chicago.

- Hotel construction is increasing as well, with at least 15 projects on the boards. Some of the properties will include condominiums on the upper floors. The new activity, much of which involves high-end hotels, has been spurred by improving vacancies and room revenues, as well as the expansion of McCormick. However, overbuilding is a risk, particularly since the condominium market has begun to sour.

- The federal transportation bill will fund \$3 billion worth of infrastructure projects in the state. In addition to the rail projects described earlier in the report, road projects include \$152 million for a new connector highway for I-80 and I-88, \$55 million for a Route 34 interchange in northern Illinois, and \$140 million for an access road for O'Hare International Airport. The bill also funds the 33-mile Prairie Parkway project, which runs through this far west suburban Fox Valley district, as well as bridges in St. Charles and Elgin and much larger bridges across the Mississippi River at East St. Louis and the Quad Cities.

- In conjunction with Illinois's share of federal transportation spending, Governor Blagojevich has proposed a huge capital budget of nearly \$10 billion in new appropriations and re-appropriations starting in fiscal year 2007. About \$6 billion will be used for transportation projects, \$1.2 billion for educational projects, and \$0.7 billion for state buildings.

FORECAST RISKS [\(back to top\)](#)

- The outlook for the Illinois economy is for slight weakening in growth as the expansion matures and the replacement cycle wanes. Recently, there have been signs that the housing market is stabilizing; risks to the outlook include a longer than expected housing market slump, which would not only affect Illinois's real estate and financial and construction industries, but also manufacturers of building materials.
- Energy prices have stabilized in recent months as OPEC has cut back production, even as demand has weakened and supplies have been adequate. However, given the extent of new exploration, another risk to the state's economy comes from a further decline in energy prices. This would benefit the state's producers and farmers as well as consumers. With one of the warmest winters on record, some recent estimates indicate household spending on energy at the tail end of 2006 was nearly 15% lower than during an average winter. Lower energy expenditures will keep more cash in households' pockets, supporting consumer spending. Lower energy prices are also positive from an inflation standpoint, by helping to ease input price pass-through in 2007.
- An upside risk for farmers and companies that process corn and soybeans into fuel is increased use of ethanol and biodiesel.
- The possibility that United Airlines will merge with another airline could have serious consequences for the state since United is one of the main tenants at O'Hare, and business travel is integral to the health of Chicago's industries and many thousands of jobs could be affected.
- An overbuilt housing market in the Chicago area, particularly in the condominium market, could result in price erosion, a negative wealth effect and more defaults on loans. In addition, aggressive mortgage lending, resetting mortgage payments, falling house prices and a softer job market are creating mounting mortgage credit problems. Delinquency and foreclosure rates for subprime, alt-A, interest-only and option adjustable-rate mortgage loans originated in the recent past are rising rapidly. Disaffected investors in mortgage-backed securities could shy away from new

purchases. This could result in higher costs of mortgage credit and deepen the housing downturn.

- Scaled back farm support programs, on which many Illinois farmers depend, create another risk for the state. Given the mounting federal government deficit, compounded by the military engagements in Iraq and Afghanistan, and the impending retirement of baby boomers, farm support programs could be at risk, especially as the Midwest's population share (and, hence, representation in Congress) declines.

MAJOR EMPLOYERS [\(back to top\)](#)

Major Employers: Illinois

Rank	Employer	Industry	Employee
1	Wal-Mart Stores Inc.	Retail Trade	39,900
2	Jewel-Osco Stores	Retail Trade	34,037
3	J.P. Morgan Chase & Company	Financial Activities	30,666
4	University of Chicago	Education or Health Service	26,788
5	Advocate Health Care System	Education or Health Service	25,279
6	United Parcel Service, Inc.	Trans./Warehouse/Utilities	21,046
7	AT&T	Information	16,751
8	SBC Communications	Information	16,500
9	State Farm Insurance Company	Financial Activities	15,846
10	United Airlines, Inc.	Trans./Warehouse/Utilities	15,431
11	Archdiocese of Chicago	Other Service	15,371
12	Abbott Laboratories	Education or Health Service	15,200
13	Caterpillar, Inc.	Manufacturing	15,001
14	Motorola, Inc.	Manufacturing	15,000
15	Sears, Roebuck & Company	Retail Trade	14,812
16	Exelon Corporation	Trans./Warehouse/Utilities	13,872
17	Walgreen Company	Retail Trade	11,860
18	University of Illinois	State Government	11,743
19	Target Corporation	Retail Trade	11,600
20	Chicago Transit Authority	Education or Health Service	11,449
21	American Airlines	Trans./Warehouse/Utilities	10,482
22	Allstate Insurance Company	Financial Activities	10,349
23	Dominick's Finer Foods	Retail Trade	10,073
24	LaSalle Bank Corporation	Financial Activities	9,038
25	Hewitt Associates LLC	Prof. and Bus. Services	8,400

Source: Crain's Chicago Business, 2005

Economic Development Council for Central Illinois, February 2005

The Illinois Department of Commerce and Community Affairs; Boone County and Winnebago County Major Employers, January 2005

DEMOGRAPHIC PROFILE [\(back to top\)](#)

Illinois Demographic Profile

Indicator	Units	Illinois	U.S.	Rank	Year
Households					
Households, % change (2000-2005)	Ann. % change	0.5	1.0	36	2005
Population w/ B.A. degree or higher	% of adult population	26.1	24.4	15	2000
Median household income	\$	48,398	46,326	17	2005
% change year ago		5.0	4.5	20	2005
Population					
Per capita income	\$	36,264	34,495	14	2005
% change year ago		4.2	4.3	33	2005
Population	thousands	12,763	296,410	5	2005
% change year ago		0.4	0.9	37	2005
White	%	73.5	75.1	35	2000
Black or African American	%	15.1	12.3	14	2000
Hispanic	%	12.3	12.6	10	2000
Asian	%	3.5	3.8	10	2000
Net domestic migration, rate	Persons/th. pop.	-6.2	0.0	45	2005
International migration, rate	Persons/th. pop.	4.2	3.5	10	2005
Poverty rate	%	10.7	12.4	22	1999
Median age	years	34.7	35.3	13	2000
Household Cost Indexes					
Housing affordability index		119.6	131.8	36	2005
Median existing home price	\$ ths	216.5	215.2	18	2005
% change year ago		10.51	11.92	20	2005

ABOUT MOODY'S ECONOMY.COM

Moody's Economy.com is a leading independent provider of economic, financial, country, and industry research designed to meet the diverse planning and information needs of businesses, governments, and professional investors worldwide. Our research has many dimensions: country analysis; financial markets; industrial markets; and regional markets. Moody's Economy.com's information and services are used in a variety of ways, including strategic planning; product and sales forecasting; risk and sensitivity management; and as investment research.

We have over 500 clients worldwide, including the largest commercial and investment banks; insurance companies; financial services firms; mutual funds; governments at all levels; manufacturers; utilities; and industrial and technology clients.

Moody's Economy.com is headquartered in West Chester, Pennsylvania, a suburb of Philadelphia. We also maintain offices in London, England and Sydney, Australia. [Get more information on our worldwide offices here.](#)

MOODY'S ECONOMY.COM OFFICES

London

Moody's Economy.com (U.K.) Ltd.
Coppergate House, Suite 110
London, E1 7NJ UK
Tel: +44 (0) 20 8785 5617
Fax: +44 (0) 20 8785 5622

Sydney

Moody's Economy.com Pty. Ltd.
Level 10
1 O'Connell Street
Sydney, NSW, 2000, Australia
Tel: +61 (02) 8221.8861
Fax: +61 (02) 8221.8860

United States

Moody's Economy.com, Inc.
121 North Walnut St., Suite 500
West Chester, PA 19380-3166
Tel: 610.235.5000
Fax: 610.235.5302

Illinois Recent Monthly Performance

	Dec 05	Jan 06	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Most Recent Yr/Yr % Change
Establishment Employment (Ths, SA)														
Total Employment	5,894.0	5,876.1	5,887.3	5,896.6	5,919.3	5,915.6	5,915.6	5,946.7	5,951.6	5,952.3	5,951.2	5,950.7	5,958.9	1.1
% change	0.0	-0.3	0.2	0.2	0.4	-0.1	0.0	0.5	0.1	0.0	0.0	0.0	0.1	
Natural Resources & Mining	10.3	10.2	10.0	9.9	9.9	9.9	10.0	10.0	10.0	10.0	10.3	10.1	10.3	0.0
% change	1.0	-1.0	-2.0	-1.0	0.0	0.0	1.0	0.0	0.0	0.0	3.0	-1.9	1.0	
Construction	274.9	271.4	273.8	274.1	275.0	275.8	275.8	277.1	275.6	275.9	278.5	279.0	279.4	1.6
% change	0.7	-1.3	0.9	0.1	0.3	0.3	0.0	0.5	-0.5	0.1	0.9	0.2	0.1	
Manufacturing	687.5	687.1	685.6	681.2	681.1	678.3	677.8	680.4	677.9	677.5	678.2	678.5	678.9	-1.3
% change	0.0	-0.1	-0.2	-0.6	0.0	-0.4	-0.1	0.4	-0.4	-0.1	0.1	0.0	0.1	
Trade, Transportation, & Utilities	1,191.6	1,179.4	1,182.4	1,187.9	1,192.3	1,191.3	1,193.2	1,199.7	1,201.4	1,203.0	1,198.7	1,199.4	1,202.4	0.9
% change	0.3	-1.0	0.3	0.5	0.4	-0.1	0.2	0.5	0.1	0.1	-0.4	0.1	0.3	
Retail Trade	624.3	624.3	627.4	627.8	630.6	627.5	628.2	633.7	632.3	631.7	629.3	625.3	626.3	0.3
% change	0.2	0.0	0.5	0.1	0.4	-0.5	0.1	0.9	-0.2	-0.1	-0.4	-0.6	0.1	
Wholesale Trade	302.6	304.8	305.5	305.6	305.5	305.4	307.3	308.2	308.7	309.1	308.6	308.5	308.6	2.0
% change	0.0	0.8	0.2	0.0	0.0	0.0	0.6	0.3	0.2	0.1	-0.2	0.0	0.1	
Transportation & Utilities	264.7	250.2	249.5	254.5	256.3	258.5	257.8	257.8	260.5	262.2	260.8	265.5	267.5	1.0
% change	0.9	-5.5	-0.3	2.0	0.7	0.8	-0.3	0.0	1.0	0.7	-0.5	1.8	0.8	
Information Services	117.3	117.2	116.6	116.8	117.3	117.0	117.0	116.9	116.9	116.7	116.0	115.9	115.8	-1.3
% change	-0.1	-0.1	-0.5	0.2	0.4	-0.3	0.0	-0.1	0.0	-0.2	-0.6	-0.1	-0.1	
Financial Services	406.5	406.6	406.5	407.6	409.3	409.0	409.8	412.6	414.0	412.4	414.1	414.7	415.5	2.2
% change	0.0	0.0	0.0	0.3	0.4	-0.1	0.2	0.7	0.3	-0.4	0.4	0.1	0.2	
Professional & Business Services	830.6	830.2	831.1	838.0	848.6	847.6	851.9	853.9	856.4	858.1	859.4	858.1	860.7	3.6
% change	0.0	0.0	0.1	0.8	1.3	-0.1	0.5	0.2	0.3	0.2	0.2	-0.2	0.3	
Education & Health Services	752.7	752.5	753.7	751.6	752.2	753.1	753.4	755.6	756.9	756.6	758.9	759.3	761.2	1.1
% change	0.0	0.0	0.2	-0.3	0.1	0.1	0.0	0.3	0.2	0.0	0.3	0.1	0.3	
Leisure & Hospitality Services	518.7	519.3	521.6	522.4	529.1	529.2	528.3	531.7	534.1	533.0	532.1	531.9	531.8	2.5
% change	-0.1	0.1	0.4	0.2	1.3	0.0	-0.2	0.6	0.5	-0.2	-0.2	0.0	0.0	
Other Services	260.4	261.7	262.4	263.5	263.4	262.5	259.3	260.2	259.9	258.7	260.5	260.8	261.1	0.3
% change	-0.2	0.5	0.3	0.4	0.0	-0.3	-1.2	0.3	-0.1	-0.5	0.7	0.1	0.1	
Government	843.5	840.5	843.6	843.6	841.1	841.9	839.1	848.6	848.5	850.4	844.5	843.0	841.8	-0.2
% change	-0.2	-0.4	0.4	0.0	-0.3	0.1	-0.3	1.1	0.0	0.2	-0.7	-0.2	-0.1	
Unemployment Rate (% SA)	5.5	5.2	5.0	5.1	5.1	4.6	4.5	4.7	4.7	4.4	4.1	4.1	4.1	1 Year Change -1.4
Labor Force (Ths)	6,484.0	6,513.5	6,510.3	6,512.7	6,525.1	6,507.0	6,518.5	6,536.7	6,577.1	6,636.6	6,663.6	6,645.0	6,685.6	Most Recent Yr/Yr % Change 3.1
% change	0.0	0.5	0.0	0.0	0.2	-0.3	0.2	0.3	0.6	0.9	0.4	-0.3	0.6	
Number of Unemployed (Ths)	354.0	339.7	328.0	333.8	332.5	299.3	294.3	306.2	308.8	294.2	275.0	269.9	274.1	-22.6
% change	4.1	-4.1	-3.4	1.8	-0.4	-10.0	-1.7	4.1	0.8	-4.7	-6.5	-1.8	1.6	
Number of Employed (Ths)	6,130.0	6,173.8	6,182.3	6,178.9	6,192.6	6,207.7	6,224.2	6,230.5	6,268.3	6,342.4	6,388.7	6,375.1	6,411.5	4.6
% change	-0.2	0.7	0.1	-0.1	0.2	0.2	0.3	0.1	0.6	1.2	0.7	-0.2	0.6	
Total Residential Permits (# of units YTD, NSA)	67,852	4,861	10,000	15,793	21,156	27,351	32,774	38,330	43,706	48,037	52,562	55,998	59,121	-12.9
year to year % change	8.4	61.0	47.4	24.6	13.2	10.2	5.9	3.8	-0.8	-5.2	-8.1	-11.2	-12.9	
Single-family, (# of units YTD, NSA)	49,084	2,621	5,408	9,731	13,735	18,168	22,004	25,520	29,191	32,199	35,297	37,552	39,485	-19.6
year to year % change	0.4	20.5	10.3	7.9	1.3	-0.2	-5.1	-8.9	-11.6	-14.6	-16.5	-18.8	-19.6	
Multifamily, (# of units YTD, NSA)	18,768	2,240	4,592	6,062	7,421	9,183	10,770	12,810	14,515	15,838	17,265	18,446	19,636	4.6
year to year % change	37.2	165.4	144.3	65.5	44.7	38.8	38.8	43.8	31.5	22.4	15.7	9.7	4.6	
5+, (# of units YTD, NSA)	13,906	1,784	3,816	4,951	6,043	7,435	8,762	10,449	11,823	12,854	14,080	15,060	16,023	15.2
year to year % change	46.4	186.8	164.1	95.0	67.0	57.6	60.7	70.3	52.2	39.1	29.8	22.5	15.2	
Avg. Hrly Earnings: Mfg. (\$ Per Hr, SA)	15.91	15.92	16.02	15.95	16.00	15.91	15.94	15.98	16.07	15.98	16.20	16.22	16.25	Most Recent Yr/Yr % Change 2.2
% change	0.3	0.0	0.6	-0.4	0.3	-0.5	0.1	0.3	0.5	-0.5	1.4	0.1	0.2	

Sources	
Gross State Product (Bil. \$)	BEA; RFA
Total Employment	BLS: Form 790
Natural Resources and Mining	BLS: Form 790
Construction	BLS: Form 790
Manufacturing	BLS: Form 790
Trade, Transportation, & Utilities	BLS: Form 790
Retail Trade	BLS: Form 790
Wholesale Trade	BLS: Form 790
Transportation & Utilities	BLS: Form 790
Information Services	BLS: Form 791
Financial Services	BLS: Form 792
Professional & Business Services	BLS: Form 793
Education & Health Services	BLS: Form 794
Leisure & Hospitality Services	BLS: Form 795
Other Services	BLS: Form 796
Government	BLS: Form 790
Unemployment Rate (%)	BLS: Household Employment
Labor Force (Ths)	BLS: Household Employment
Number of Unemployed (Ths)	BLS: Household Employment
Number of Employed (Ths)	BLS: Household Employment
Total Residential Permits (#)	BOC: Form C-404
Single-family (#)	BOC: Form C-404
Multifamily (#)	BOC: Form C-404
5 + (#)	BOC: Form C-404
Existing Home Sales (Ths)	NAR: Real Estate Outlook
Home Price Index (Index 1987Q1 = 100)	Freddie Mac; Fannie Mae
Median Existing Home Sales Price, (Ths.)	NAR; BOC; RFA
Personal Income (Mil. \$)	BEA: Quarterly Personal Income - Table 05
Wages & Salaries (Mil. \$)	BEA: Quarterly Personal Income - Table 05
Nonwage Income (Mil. \$)	BEA; RFA Estimates
Avg. Hrlly Earnings: Mfg., (\$ Per Hr.)	BLS : Form 790
Personal Bankruptcies	Administrative Office of US District Courts: Table F5A; RFA Adjusted
Population (Ths.)	BOC: Population Estimates
Net Migration (Ths.)	BOC: Population Estimates

Illinois

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Employment (Ths.)	5,771.7	5,898.2	5,958.0	6,044.4	5,995.5	5,883.7	5,810.6	5,815.6	5,865.1	5,924.8
<i>% Change</i>	1.5	2.2	1.0	1.5	-0.8	-1.9	-1.2	0.1	0.9	1.0
Manufacturing	902.1	905.8	882.1	870.6	815.5	754.0	714.1	697.1	689.4	680.2
Construction	235.4	244.8	255.9	269.7	277.3	277.5	274.8	270.1	269.7	275.3
Prof. and Bus. Serv.	729.4	781.5	812.9	842.6	820.6	791.5	777.4	798.6	823.6	849.3
Edu. and Health Serv.	642.7	661.4	664.9	681.1	697.1	710.6	718.0	729.9	745.8	755.3
Leisure and Hospitality	461.0	472.8	479.1	486.6	491.1	492.0	497.3	506.1	513.4	529.0
Other Services	231.1	237.4	243.4	245.3	251.1	251.9	254.3	259.6	258.9	261.2
Trade, Trans. and Util.	1,208.1	1,216.6	1,230.3	1,247.6	1,231.7	1,197.7	1,182.9	1,180.0	1,187.2	1,192.7
Wholesale	307.2	313.6	317.1	320.8	316.5	307.3	303.0	299.9	302.2	307.1
Retail	638.9	634.4	641.8	650.6	643.4	631.7	625.3	625.1	626.8	628.5
Trans. and Util.	262.0	268.7	271.4	276.1	271.7	258.7	254.6	255.0	258.2	257.1
Financial Activities	394.4	400.7	405.6	404.1	403.6	400.6	401.7	399.4	402.7	410.9
Information	147.3	150.2	147.9	147.6	147.3	137.2	127.5	120.8	118.6	116.6
Government	808.2	816.0	825.6	839.7	850.4	861.0	853.2	844.6	846.0	844.4
Natural Res. and Min.	12.0	11.1	10.4	9.8	10.0	9.7	9.4	9.4	9.8	9.9
Unemployment Rate (%)	4.8	4.5	4.5	4.5	5.4	6.5	6.7	6.2	5.7	4.6
Population (Ths.)	12,185.7	12,271.9	12,359.0	12,441.0	12,524.7	12,595.0	12,649.8	12,713.6	12,765.4	12,832.0
<i>% Change</i>	0.7	0.7	0.7	0.7	0.7	0.6	0.4	0.5	0.4	0.5
Age: <5	903.8	890.7	882.0	876.7	877.3	877.2	883.8	891.9	898.3	900.6
Age: 5-19	2,655.1	2,685.8	2,717.1	2,731.4	2,727.8	2,713.6	2,705.7	2,700.4	2,693.9	2,693.7
Age: 20-24	808.8	818.1	833.8	854.7	872.2	888.2	900.1	905.8	901.2	895.5
Age: 25-44	3,846.0	3,836.7	3,812.9	3,792.8	3,778.6	3,762.5	3,727.9	3,703.2	3,675.1	3,663.5
Age: 45-64	2,470.4	2,539.4	2,613.4	2,684.2	2,764.8	2,848.8	2,919.9	2,992.4	3,066.4	3,136.0
Age: >65	1,501.6	1,501.2	1,499.8	1,501.2	1,503.9	1,504.6	1,512.3	1,519.9	1,530.6	1,542.7
Households (Ths.)	4,497.7	4,532.1	4,566.9	4,599.3	4,628.5	4,653.7	4,677.1	4,700.0	4,719.0	4,749.7
<i>% Change</i>	0.7	0.8	0.8	0.7	0.6	0.5	0.5	0.5	0.4	0.7
Personal Income (Bil. \$)	337.9	360.1	373.4	400.4	407.3	413.7	427.4	442.5	462.9	492.6
<i>% Change</i>	5.6	6.6	3.7	7.2	1.7	1.6	3.3	3.5	4.6	6.4
Total Residential Permits (#)	46,323	47,984	53,974	51,944	54,839	60,971	62,211	59,753	66,942	63,612
<i>% Change</i>	-6.6	3.6	12.5	-3.8	5.6	11.2	2.0	-4.0	12.0	-5.0
Single-family Permits	32,801	36,177	39,228	37,817	39,362	42,545	45,379	46,207	47,705	40,788
Multifamily Permits	13,522	11,807	14,746	14,127	15,477	18,426	16,832	13,546	19,237	22,825

Illinois

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	97-06	07-12	12-17
Total Employment (Ths.)	5,977.8	6,021.7	6,072.8	6,127.3	6,175.6	6,218.3	6,255.2	6,293.5	6,330.6	6,368.3	6,404.4	Annual Growth (%)		
% Change	0.9	0.7	0.8	0.9	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.3	0.8	0.6
Manufacturing	677.8	675.8	674.9	673.9	672.2	670.7	668.6	666.9	665.1	663.7	662.1	-2.8	-0.2	-0.3
Construction	273.8	270.2	274.2	277.9	280.4	281.9	282.4	282.7	283.2	283.3	283.0	1.6	0.6	0.1
Prof. and Bus. Serv.	864.2	875.5	889.5	904.7	918.5	930.7	942.4	954.6	966.8	979.1	991.4	1.5	1.5	1.3
Edu. and Health Serv.	767.5	780.3	792.3	805.3	817.8	830.1	841.9	854.2	866.5	878.8	891.1	1.6	1.6	1.4
Leisure and Hospitality	543.6	556.4	567.8	579.9	591.4	601.8	611.8	621.8	631.5	641.5	651.2	1.4	2.1	1.6
Other Services	260.3	263.3	266.0	268.7	271.4	273.6	275.7	277.4	278.9	280.5	281.9	1.2	1.0	0.6
Trade, Trans. and Util.	1,198.8	1,198.4	1,199.2	1,200.8	1,202.2	1,202.3	1,201.5	1,201.1	1,200.4	1,200.5	1,199.9	-0.1	0.1	0.0
Wholesale	309.0	310.1	312.5	315.0	317.1	319.1	320.8	322.5	324.1	325.9	327.6	0.0	0.6	0.5
Retail	630.0	628.7	627.2	626.2	625.7	624.4	622.8	621.5	620.1	619.2	617.8	-0.2	-0.2	-0.2
Trans. and Util.	259.8	259.6	259.5	259.6	259.4	258.8	257.9	257.1	256.2	255.4	254.5	-0.2	-0.1	-0.3
Financial Activities	415.6	418.9	421.1	423.3	425.2	426.8	428.2	430.8	433.7	436.6	439.4	0.4	0.5	0.6
Information	117.4	118.8	119.3	119.9	120.5	121.1	121.6	122.1	122.6	123.1	123.6	-2.3	0.6	0.4
Government	849.0	854.6	859.1	863.4	866.6	869.9	871.7	872.7	872.8	872.3	871.9	0.4	0.5	0.0
Natural Res. and Min.	9.7	9.6	9.5	9.5	9.4	9.4	9.3	9.2	9.1	9.0	8.9	-1.9	-0.8	-1.0
Unemployment Rate (%)	4.1	4.2	4.2	4.1	4.1	4.1	4.0	4.0	3.9	3.9	4.0	Average		
												5.3	4.1	4.0
Population (Ths.)	12,900.3	12,962.5	13,015.1	13,065.7	13,112.0	13,141.3	13,168.4	13,194.4	13,215.5	13,234.8	13,251.6	Annual Growth (%)		
% Change	0.5	0.5	0.4	0.4	0.4	0.2	0.2	0.2	0.2	0.1	0.1	0.5	0.4	0.2
Age: <5	904.0	908.4	913.0	917.8	922.4	925.7	928.3	929.9	930.4	929.9	928.6	0.0	0.5	0.1
Age: 5-19	2,695.9	2,693.2	2,686.2	2,675.0	2,664.9	2,655.6	2,648.7	2,644.9	2,643.2	2,645.4	2,653.2	0.1	-0.3	0.0
Age: 20-24	889.5	886.4	889.2	896.2	903.0	907.7	907.6	902.9	891.9	878.8	863.5	1.0	0.4	-1.0
Age: 25-44	3,655.0	3,647.3	3,633.3	3,620.3	3,617.2	3,611.8	3,609.5	3,606.0	3,595.0	3,586.8	3,583.5	-0.5	-0.2	-0.2
Age: 45-64	3,193.8	3,239.9	3,287.0	3,334.7	3,362.7	3,358.2	3,353.0	3,353.7	3,358.6	3,360.7	3,351.2	2.4	1.0	0.0
Age: >65	1,562.1	1,587.3	1,606.5	1,621.8	1,641.7	1,682.3	1,721.3	1,756.9	1,796.3	1,833.2	1,871.5	0.3	1.5	2.2
Households (Ths.)	4,784.1	4,817.3	4,849.5	4,882.1	4,913.5	4,940.0	4,966.1	4,990.4	5,010.3	5,026.6	5,039.9	0.5	0.6	0.4
% Change	0.7	0.7	0.7	0.7	0.6	0.5	0.5	0.5	0.4	0.3	0.3			
Personal Income (Bil. \$)	521.0	549.7	577.8	606.6	635.7	663.2	690.4	717.7	745.1	772.9	800.5	3.8	4.9	3.8
% Change	5.8	5.5	5.1	5.0	4.8	4.3	4.1	4.0	3.8	3.7	3.6			
Total Residential Permits (#)	56,533	57,928	61,428	63,329	65,503	67,084	66,607	66,159	65,477	65,234	65,122	Average		
% Change	-11.1	2.5	6.0	3.1	3.4	2.4	-0.7	-0.7	-1.0	-0.4	-0.2	56,855	61,968	65,947
Single-family Permits	39,238	39,847	42,853	43,118	43,799	44,270	44,498	44,533	44,447	44,469	44,506	40,801	42,187	44,454
Multifamily Permits	17,295	18,082	18,575	20,212	21,704	22,814	22,109	21,625	21,030	20,765	20,616	16,054	19,780	21,493