



Commission on Government Forecasting and Accountability

802 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: MAY 2021

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Perspectives on Illinois' Latest Employment Data

Eric Noggle, Senior Revenue Analyst

The Bureau of Labor Statistics recently released new employment numbers and the jobs picture for Illinois continues to show gradual improvement. The preliminary statewide total for Illinois in April 2021 was at 5.727 million jobs. On a seasonally adjusted basis, this was the highest level this figure has been since the pandemic took its toll in March/April 2020.

As the following graph on page 2 indicates, despite the improvement in job totals over the past year, Illinois continues to be well short of pre-pandemic employment levels. This is an important fact to note when comparing Illinois' job totals with those from the year prior. Because it has now been over a year since employment levels took a tumble across the nation due to the repercussions of the COVID-19 virus, the latest job numbers when contrasted with job levels from a year prior will now be compared to figures heavily impacted by the pandemic. As a result, the year-over-year comparisons often used for analyses abruptly appear much more favorable than they have over the past year.

For example, the April 2021 seasonally adjusted value of 5.7 million jobs is up 7.7% from the pandemic low-point of 5.3 million jobs in April 2020. This rate of improvement is in stark contrast to the rate of change just one month prior when March 2021 job totals were shown to be 6.0% below the nearly 6.1 million jobs reported in March 2020. The March 2021 decline marked the end of a year's worth of significant year-over-year falloffs in job totals since the pandemic began. These declines can be seen in the second graph on page 2.

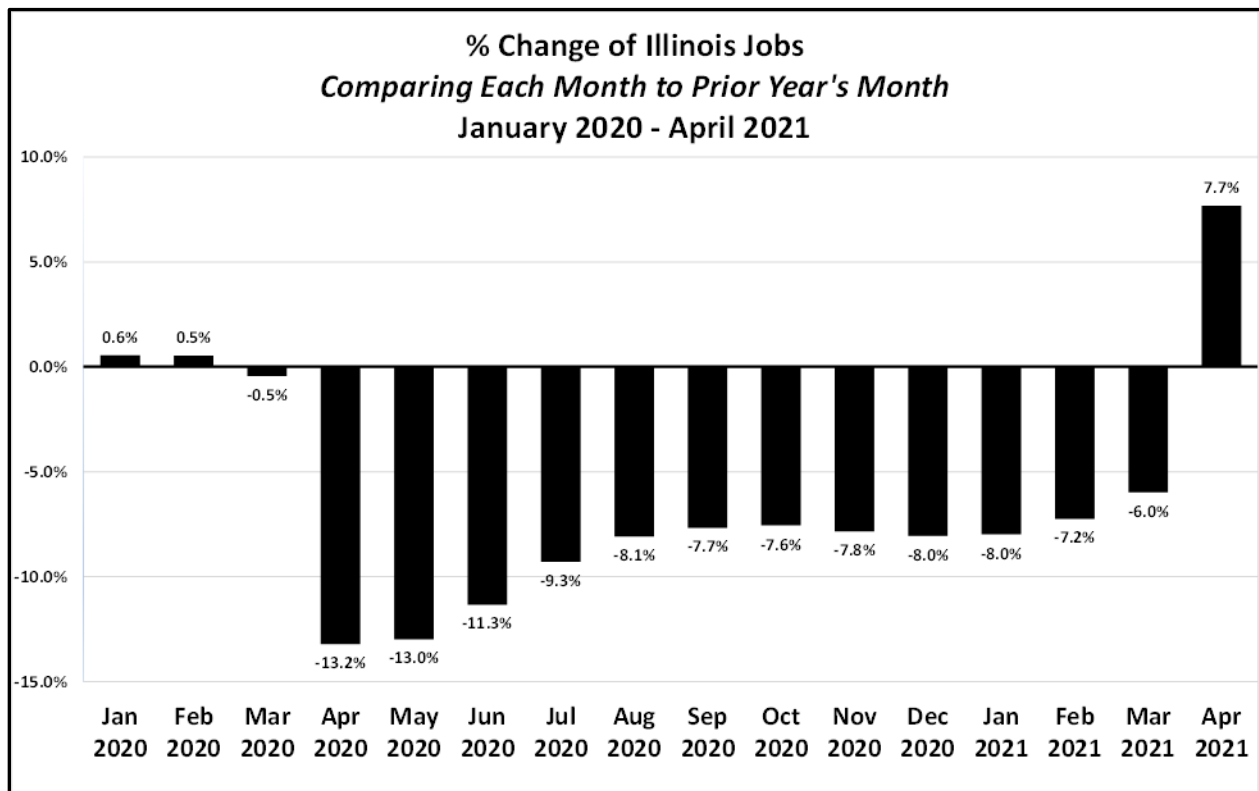
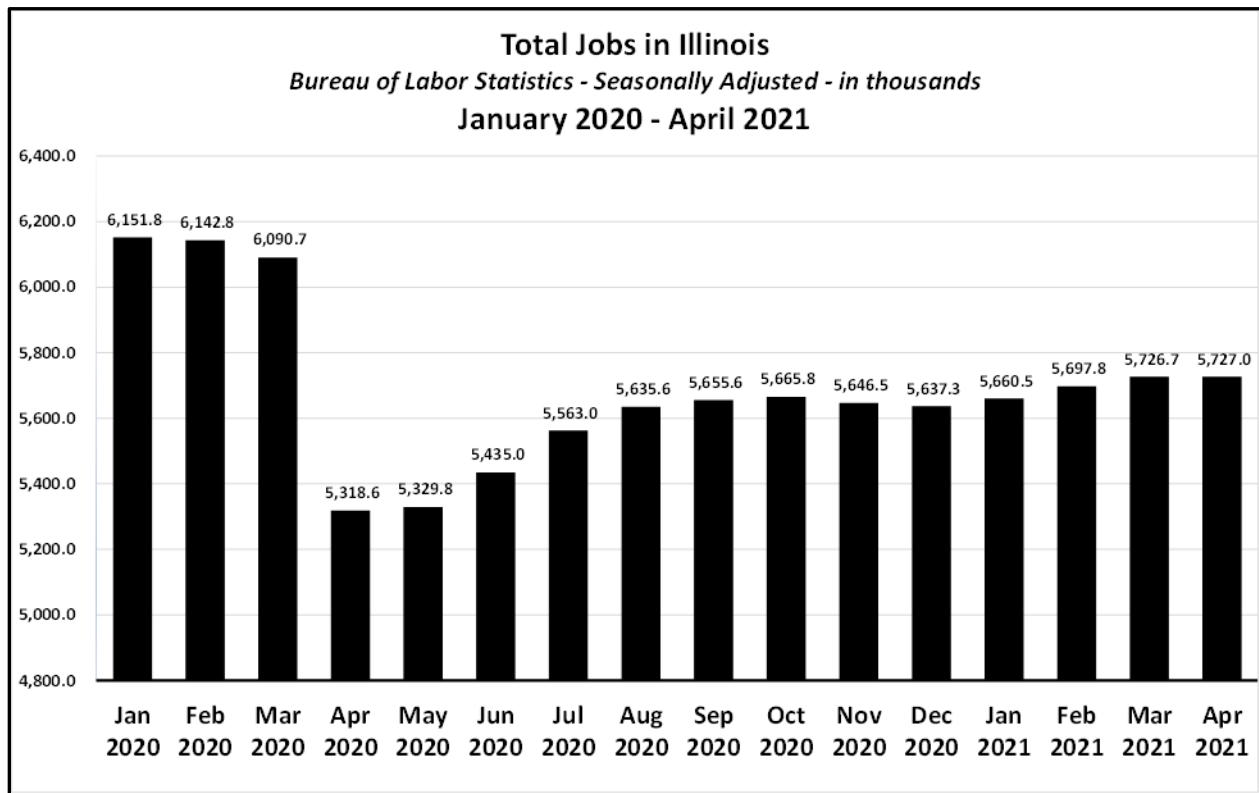
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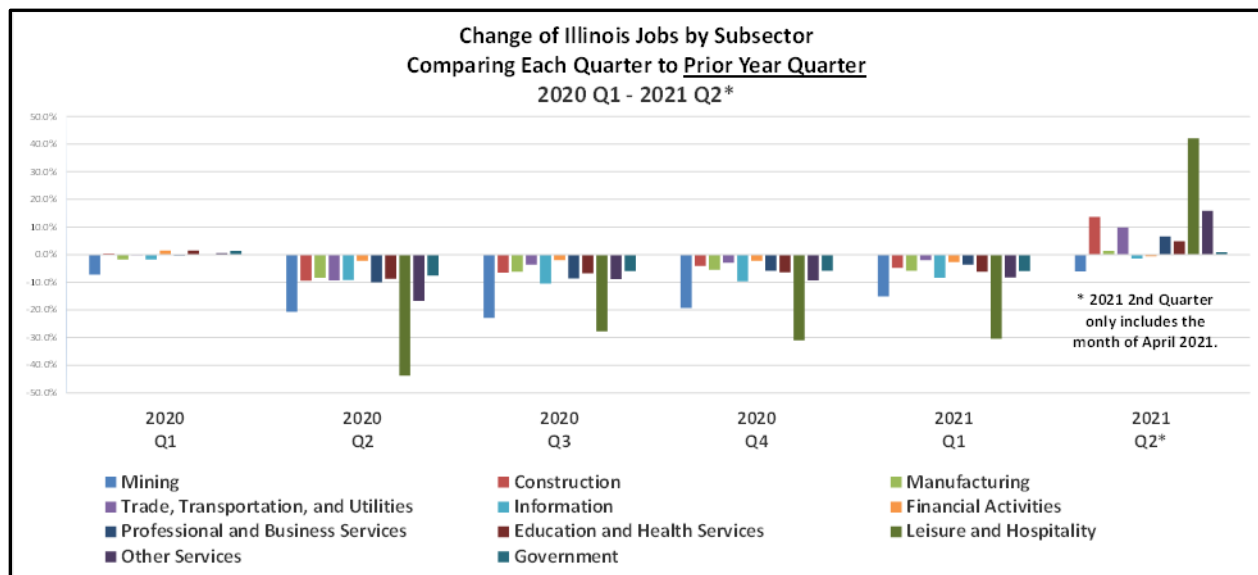
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While the March 2021 decline of 6.0% is a vast improvement over the 13% + declines that occurred in April and May of 2020, these declines highlighted the fact that Illinois jobs had yet to return to pre-pandemic levels. April 2021's year-over-year growth of +7.7% shows significant improvement in employment levels has been made. However, this type of comparison masks the fact that the latest job totals remain nearly 400,000 below pre-pandemic levels. So, should this type of year-over-year comparison be discarded since the virus-impacted data's rate of growth can be misleading? Not necessarily. As with any analytical analysis, context is needed to understand the data fully. The growth in the April 2021 numbers (and in the months to come) can still be used as a valuable comparison to help explain growth.

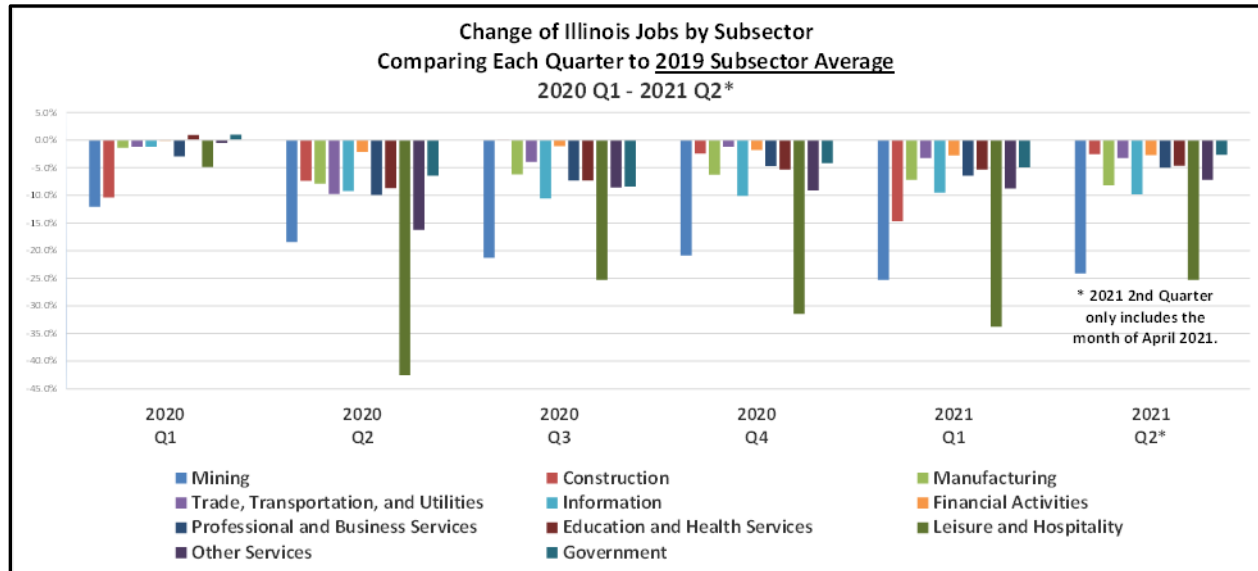
The abrupt change in annual rates of growth can also be observed when looking at Illinois' jobs figures by employment subsector. For example, as shown in

the following chart, once the pandemic took hold, each subsector of jobs in Illinois saw significant declines, starting in the 2nd quarter of 2020. As has been discussed in multiple past revenue briefings, no sector was impacted more by the virus-related shutdowns than the leisure and hospitality subsector. After experiencing flat growth during 2020's 1st quarter (2020 Q1), once the pandemic hit, this subsector followed with year-over-year falloffs of -43.8% in 2020 Q2; -27.7% in 2020 Q3; -31.1% in 2020 Q4; and -30.4% in 2021 Q1. However, since the latest data (April 2021) is now compared to data already negatively impacted by the virus (and since improvement in job totals have been made over this time frame), the 2nd quarter values of 2021 (which currently includes only April) shows a whopping +42.2% increase over this time frame, as highlighted below. Similar examples of this contrast can be seen with many of the other subsectors of employment.



As was the case with total jobs, the huge increases in the 2nd quarter of 2021 are encouraging, but may not provide a “big picture” of how the latest figures compare to pre-pandemic levels. In an effort to provide context to how each subsector is currently performing, the following graph displays the rate of change between the latest data points with the *average level of each subsector’s jobs in 2019* – the last full year of data not impacted by the pandemic.

By using this comparison it can be seen that some improvement has been made, but the job totals for most subsectors in Illinois remain well below the pre-pandemic levels of 2019. In other words, it will not be until the majority of subsectors turn positive and “point up”, that it can be suggested that Illinois jobs have fully recovered from the impacts of the COVID-19 virus.



INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

<u>INDICATORS*</u>	<u>LATEST MONTH</u>	<u>PRIOR MONTH</u>	<u>A YEAR AGO</u>
Unemployment Rate (Average) (Apr.)	7.1%	7.1%	16.5%
Inflation in Chicago (12-month percent change) (Apr.)	4.6%	2.6%	0.3%
—————			
	<u>LATEST MONTH</u>	<u>CHANGE OVER PRIOR MONTH</u>	<u>CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (Apr.)	6,146.1	0.3%	2.0%
Employment (thousands) (Apr.)	5,708.0	0.3%	13.5%
Nonfarm Payroll Employment (Apr.)	5,727,000	300	408,400
New Car & Truck Registration (Apr.)	62,519	18.8%	174.4%
Single Family Housing Permits (Apr.)	1,218	18.0%	69.4%
Total Exports (\$ mil) (Mar.)	5,621.0	16.5%	15.1%
Chicago Purchasing Managers Index (May)	75.2	4.3%	132.8%
* Due to monthly fluctuations, trend best shown by % change from a year ago			

REVENUE: MAY REVENUES JUMP FROM TIMING OF FINAL PERSONAL INCOME TAX PAYMENTS, STRONGER SALES TAX COMPARED TO PEAK COVID PERIOD, AND HIGHER FEDERAL SOURCES

Jim Muschinske, Revenue Manager

Base general funds jumped \$2.067 billion in May. A sizable monthly revenue gain was expected to occur for a number of reasons: the timing of final personal income tax payments [due to COVID-19, the final payment deadline was moved to mid-May, whereas last year the delay extended to July]; a year-over-year comparison with last May's poor pandemic-related sales tax performance; and, a year-over-year comparison with a very weak month for federal sources in 2020. The number of receipting days were the same as last year.

For the month, gross personal income taxes jumped \$1.800 billion, or \$1.541 billion on a net basis. As mentioned, much of the gain can be attributed to the timing of final payments. While the personal income tax payment deadline was again delayed due to the pandemic, the delay was only a month [May], rather than the three months allowed last year [July]. Sales tax receipts also rose substantially for the month, with gross sales tax receipts up \$304 million, or \$303 million on a net basis. The comparatively stronger growth was the result of an extremely weak month of sales tax receipts caused by pandemic-related economic shutdowns last spring. Gross corporate income taxes also experienced a strong month, growing \$100 million or \$78 million on a net basis. Corporate franchise taxes posted a monthly gain of \$19 million, while other sources grew \$8 million. Interest earnings increased \$4 million, liquor taxes \$2 million, and vehicle use tax \$1 million.

A few sources experienced a falloff in May. Due to timing, the Cook County IGT was \$94 million below last year's level. Public utility tax receipts were down \$5 million, as were insurance tax receipts. Both cigarette taxes and inheritance taxes each fell \$2 million in May.

Overall May transfers into the general funds grew \$51 million. While Lottery transfers were up \$41 million, other miscellaneous transfers improved by \$10 million. As mentioned, federal sources

experienced a comparatively stronger month, rising \$168 million, reflecting a very weak month last May.

Year To Date

Excluding borrowing related activity, with only one month remaining in the fiscal year, base receipts are up a stunning \$6.988 billion. In addition to a surge in federal sources, that growth also reflects the timing of income tax receipts related to last year's [2020] filing deadline extension, as well as the continued positive trajectory of underlying economic conditions. Through May, combined net income tax receipts are up \$5.024 billion. While approximately \$1.3 billion of those gains are to be attributed to the shift of FY 2020 final payments into early FY 2021, despite repeated upward revisions, strong income tax performance continues to meet and outpace expectations. Also viewed positively is the continued upward trend of sales tax receipts as net receipts are up \$860 million. Now beginning to compare against those months most impacted by the economic shutdowns of a year ago, sales taxes are reflecting positive consumer reactions to stimulus payments, an improving job picture, and stronger consumer confidence.

All of the other revenue sources combined are slightly behind last year's pace by \$58 million. While exceptional performance has been seen from inheritance tax and insurance tax, those gains have been mostly erased by lower public utility tax receipts, interest earnings, as well as all other miscellaneous revenues directed into the general funds including those related to one-time court settlement proceeds received last fiscal year.

Overall transfers are off considerably, down \$781 million, reflecting the lack of riverboat gaming transfers [\$195 million] significantly lower Income Tax Refund transfer levels [\$336 million] as well as lower other miscellaneous transfers [\$433 million]. Federal sources have experienced an exceptional year of receipting as receipts are up \$1.943 billion.

May
FY 2021 vs. FY 2020
(\$ million)

Revenue Sources	May FY 2021	May FY 2020	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$3,265	\$1,465	\$1,800	122.9%
Corporate Income Tax (regular)	172	72	100	138.9%
Sales Taxes	909	605	304	50.2%
Public Utility Taxes (regular)	50	55	(5)	-9.1%
Cigarette Tax	19	21	(2)	-9.5%
Liquor Gallonage Taxes	15	13	2	15.4%
Vehicle Use Tax	2	1	1	100.0%
Inheritance Tax	26	28	(2)	-7.1%
Insurance Taxes and Fees	2	7	(5)	-71.4%
Corporate Franchise Tax & Fees	24	5	19	380.0%
Interest on State Funds & Investments	8	4	4	100.0%
Cook County IGT	0	94	(94)	N/A
Other Sources	17	9	8	88.9%
Subtotal	\$4,509	\$2,379	\$2,130	89.5%
Transfers				
Lottery	\$91	\$50	\$41	82.0%
Riverboat transfers & receipts	0	0	0	N/A
Proceeds from Sale of 10th license	0	0	0	N/A
Refund Fund transfer	0	0	0	N/A
Other	39	29	10	34.5%
Total State Sources	\$4,639	\$2,458	\$2,181	88.7%
Federal Sources	\$212	\$44	\$168	381.8%
Total Federal & State Sources	\$4,851	\$2,502	\$2,349	93.9%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$294)	(\$139)	(\$155)	111.5%
Corporate Income Tax	(26)	(10)	(16)	160.0%
LGDF--Direct from PIT	(180)	(76)	(104)	136.8%
LGDF--Direct from CIT	(10)	(4)	(6)	150.0%
Downstate Pub/Trans--Direct from Sales	(42)	(41)	(1)	2.4%
Subtotal General Funds	\$4,299	\$2,232	\$2,067	92.6%
Treasurer's Investments	\$0	\$0	\$0	N/A
Interfund Borrowing	\$0	\$0	\$0	N/A
Short Term Borrowing	\$0	\$0	\$0	N/A
Total General Funds	\$4,299	\$2,232	\$2,067	92.6%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

1-Jun-21

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2021 vs. FY 2020

(\$ million)

Revenue Sources	FY 2021	FY 2020	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$24,099	\$19,650	\$4,449	22.6%
Corporate Income Tax (regular)	3,663	2,183	1,480	67.8%
Sales Taxes	8,821	7,988	833	10.4%
Public Utility Taxes (regular)	691	771	(80)	-10.4%
Cigarette Tax	253	247	6	2.4%
Liquor Gallonage Taxes	165	162	3	1.9%
Vehicle Use Tax	33	23	10	43.5%
Inheritance Tax	425	254	171	67.3%
Insurance Taxes and Fees	411	333	78	23.4%
Corporate Franchise Tax & Fees	302	198	104	52.5%
Interest on State Funds & Investments	56	126	(70)	-55.6%
Cook County IGT	244	244	0	0.0%
Other Sources	196	476	(280)	-58.8%
Subtotal	\$39,359	\$32,655	\$6,704	20.5%
Transfers				
Lottery	\$722	\$535	\$187	35.0%
Riverboat transfers & receipts	0	195	(195)	-100.0%
Proceeds from Sale of 10th license	6	10	(4)	-40.0%
Refund Fund transfer	281	617	(336)	-54.5%
Other	446	879	(433)	-49.3%
Total State Sources	\$40,814	\$34,891	\$5,923	17.0%
Federal Sources	\$4,539	\$2,596	\$1,943	74.8%
Total Federal & State Sources	\$45,353	\$37,487	\$7,866	21.0%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$2,169)	(\$1,867)	(\$302)	16.2%
Corporate Income Tax	(515)	(311)	(204)	65.6%
LGDF--Direct from PIT	(1,329)	(1,024)	(305)	29.8%
LGDF--Direct from CIT	(216)	(122)	(94)	77.0%
Downstate Pub/Trans--Direct from Sales	(366)	(393)	27	-6.9%
Subtotal General Funds	\$40,758	\$33,770	\$6,988	20.7%
Treasurer's Investments	\$400	\$400	\$0	0.0%
Interfund Borrowing	\$0	\$462	(\$462)	N/A
Short Term Borrowing	\$1,998	\$0	\$1,998	N/A
Total General Funds	\$43,156	\$34,632	\$8,524	24.6%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding

1-Jun-21