



Commission on Government Forecasting and Accountability

703 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: DECEMBER 2017

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10-Year Anniversary of the Great Recession, Part 2

Benjamin L. Varner, Senior Analyst and Economic Specialist

The 10th anniversary of the start of the Great Recession is upon us. According to the National Bureau of Economic Research, the Great Recession lasted from December of 2007 until June of 2009. The Great Recession lasted 18 months and was the largest decline in the U.S. economy since the Great Depression. To mark this occasion, the Commission examined how Illinois' economy has fared since then. The Commission used real Gross Domestic Product (GDP) data by State to compare Illinois' economy to the Midwest and to the U.S. economy as a whole.

GDP is estimated by industry according to the North American Industry Classification System (NAICS) by the Bureau of Economic Analysis, a division of the U.S. Department of Commerce.

In part 1 of this analysis in last month's update, we examined how Illinois' economy has compared to the rest of the U.S. and the Midwest in regards to overall GDP growth. This month, we examine how the individual sectors compared.

To see which sectors of the economy have done the best and which the worst during this time period, the Commission compared individual sector totals from 2007 and 2016. Overall, Illinois' total real GDP grew from \$671 billion in 2007 to \$696 billion in 2016. This equals total growth of only 3.8%. This compares to growth of 9.1% for the rest of the Midwest and 10.7% for the U.S.

Illinois' real GDP grew approximately \$25.4 billion between 2007 and 2016. The sector with the largest growth rate was the Agriculture, Forestry, and Hunting sector at 47.4% (most likely due to growth in agriculture but sub-sector data are not currently available for 2016). However this large amount of growth only contributed an additional \$1.85 billion in real

GDP and lagged the Midwest which grew over 72% during the same time-frame.

The largest amount of GDP growth in terms of dollars was seen in the Professional, Scientific, and Technical Services sector and the Health Care and Social Assistance sector. Professional, Scientific, and Technical Services added \$6.9 billion (13.7% growth), while Health Care and Social Assistance contributed \$6.1 billion (14.1% growth). Even with these gains, the Midwest and the U.S. had larger increases on a percentage change basis for these sectors.

One sector that stood out was Construction. Construction's contribution to real GDP in Illinois shrank -19% from 2007 to 2016. This was a decline of -\$5.9 billion. The Construction sector declined in the Midwest and U.S. as well but at much lower rates. Construction was down -10.6% in the U.S. but only -2.1% for the rest of the Midwest.

One other interesting change was the make-up of the manufacturing industry in Illinois. Illinois' Manufacturing sector declined -1.1% or -\$992 million in this time period, which was similar to the Midwest and the country as a whole. The interesting item to note is the make-up of manufacturing in Illinois.

During this time period, the manufacture of durable goods was down

-\$6.7 billion, while the manufacture of nondurable goods was up \$5.1 billion. Looking at the 2015 data, which is the latest year with sub-sector data, one can see from which industries these changes occurred. The decline in durable goods was seen mostly in Fabricated Metal Products (down -\$2.7 billion in 2015) and Machinery Manufacturing (-\$3.2 billion). The growth in non-durable goods was mostly associated with Chemical Products Manufacturing (up \$2.4 billion) and Petroleum and Coal Products Manufacturing (\$2.0 billion).

Overall, Illinois has lagged the rest of the Midwest and the U.S. especially since 2013. Almost all sectors showed less growth than those same sectors in the Midwest or the U.S. as a whole.

However, a few sectors in Illinois showed more growth. As mentioned previously, Nondurable Goods Manufacturing outperformed both the rest of the Midwest and the U.S. as a whole. The Educational Services sector and the Arts, Entertainment, and Recreation sector outperformed the rest of the Midwest but were in-line with the U.S. as a whole. The Information sector grew 10.3% which was better than the Midwest (2.2%) but quite a ways behind the U.S. (32.6%).

The following table highlights the real GDP data for Illinois from 2007 and 2016 along with the calculated percentage change data for the three areas analyzed.

Illinois Real GDP

	Illinois Real GDP (millions of chained 2009 dollars)				Total % Change of Real GDP (2007 to 2016)		
	2016		2016 \$ Change	Illinois	Midwest less IL	U.S.	
	2007	2016					
All industry total	\$671,051	\$696,459	\$25,408	3.8%	9.1%	10.7%	
Private industries	\$602,032	\$631,503	\$29,471	4.9%	10.6%	12.0%	
Agriculture, forestry, fishing, and hunting	\$3,725	\$5,492	\$1,767	47.4%	72.4%	48.4%	
Mining	\$2,342	\$2,609	\$267	11.4%	137.9%	35.9%	
Utilities	\$12,195	\$12,156	-\$39	-0.3%	10.2%	2.8%	
Construction	\$30,976	\$25,102	-\$5,874	-19.0%	-2.1%	-10.6%	
Manufacturing	\$89,554	\$88,562	-\$992	-1.1%	-0.4%	-0.3%	
Durable goods manufacturing	\$50,401	\$43,728	-\$6,673	-13.2%	-1.2%	5.9%	
Nondurable goods manufacturing	\$39,309	\$44,487	\$5,178	13.2%	2.2%	-6.5%	
Wholesale trade	\$51,772	\$54,118	\$2,346	4.5%	6.1%	3.7%	
Retail trade	\$37,096	\$37,726	\$630	1.7%	14.0%	11.5%	
Transportation and warehousing	\$24,635	\$24,359	-\$276	-1.1%	2.1%	5.4%	
Information	\$24,620	\$27,145	\$2,525	10.3%	2.2%	32.6%	
Finance, insurance, real estate, rental, and leasing	\$146,149	\$157,448	\$11,299	7.7%	13.9%	13.6%	
Finance and insurance	\$61,545	\$63,812	\$2,267	3.7%	11.6%	8.8%	
Real estate and rental and leasing	\$84,033	\$93,547	\$9,514	11.3%	15.8%	16.5%	
Professional and business services	\$87,404	\$97,566	\$10,162	11.6%	22.8%	21.7%	
Professional, scientific, and technical services	\$50,327	\$57,242	\$6,915	13.7%	22.4%	21.7%	
Management of companies and enterprises	\$16,046	\$16,374	\$328	2.0%	33.3%	30.2%	
Administrative and waste management services	\$21,048	\$23,859	\$2,811	13.4%	14.8%	16.5%	
Educational services, health care, and social assistance	\$51,195	\$58,175	\$6,980	13.6%	15.4%	21.5%	
Educational services	\$8,020	\$8,961	\$941	11.7%	1.2%	10.9%	
Health care and social assistance	\$43,174	\$49,270	\$6,096	14.1%	17.0%	23.2%	
Arts, entertainment, recreation, accommodation, and food services	\$23,795	\$26,120	\$2,325	9.8%	7.6%	10.3%	
Arts, entertainment, and recreation	\$5,983	\$6,970	\$987	16.5%	5.0%	15.2%	
Accommodation and food services	\$17,810	\$19,151	\$1,341	7.5%	8.5%	8.5%	

Illinois Real GDP

	Illinois Real GDP (millions of chained 2009 dollars)		\$ Change	Total % Change of Real GDP (2007 to 2016)		
	2007	2016		Illinois	Midwest less IL	U.S.
	Other services, except government	\$17,118		\$15,366	-\$1,752	-10.2%
Government	\$68,984	\$65,141	-\$3,843	-5.6%	-1.5%	2.4%
Natural resources and mining	\$5,890	\$8,093	\$2,203	37.4%	89.3%	42.0%
Trade	\$88,851	\$91,874	\$3,023	3.4%	9.9%	7.5%
Transportation and utilities	\$36,841	\$36,493	-\$348	-0.9%	4.8%	4.4%
Private goods-producing industries	\$125,933	\$121,758	-\$4,175	-3.3%	6.4%	4.1%
Private services-providing industries	\$476,094	\$509,917	\$33,823	7.1%	12.2%	14.4%

Source: U.S. Department of Commerce / Bureau of Economic Analysis / Regional Product Division, CGFA

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	Nov. 2017	Oct. 2017	Nov. 2016
Unemployment Rate (Average)	4.9%	4.9%	5.8%
Inflation in Chicago (12-month percent change)	1.8%	1.6%	1.5%
	LATEST	CHANGE OVER	CHANGE OVER
	MONTH	PRIOR MONTH	A YEAR AGO
Civilian Labor Force (thousands) (Nov.)	6,445.1	0.3%	-0.9%
Employment (thousands) (Nov.)	6,131.4	0.4%	0.0%
Nonfarm Payroll Employment (Nov.)	6,045,200	-1,100	25,900
New Car & Truck Registration (Nov.)	n/a	n/a	n/a
Single Family Housing Permits (Nov.)	833	-9.4%	5.7%
Total Exports (\$ mil) (Oct.)	5,468.2	1.6%	0.3%
Chicago Purchasing Managers Index (Dec.)	76.7	20.0%	42.3%
* Due to monthly fluctuations, trend best shown by % change from a year ago			

REVENUE

DECEMBER REVENUES MIXED TO END YEAR

Jim Muschinske, Revenue Manager

December receipts grew \$326 million with revenue performance varying considerably by source. Gross personal income tax and sales tax were somewhat disappointing, although in the case of personal income tax, due to timing, some receipts may have slipped into early January. However, gross corporate income tax and the performance of some of the other sources were quite strong. A \$103 million deposit from a SERS prior year overpayment assisted with the monthly gain. After a stellar month of November, federal sources unsurprisingly took a pause and generated little reimbursement. December had the same number of receipting days as last year.

Gross personal income tax receipts grew \$256 million, or \$239 million net of refunds and other changes enacted under

P.A. 100-23. [See July briefing for further discussion of these changes]. Gross corporate income taxes not only reflected higher tax rates but also benefited from last year's volatility related to the IDoR ledger accounting conversion. For the month, corporate income taxes were up \$168 million, or \$117 million net of refunds and other changes. As mentioned earlier, in December a \$103 million deposit from SERS for a prior year overpayment was received, causing other sources to jump \$101 in total [last fiscal year a similar SERS deposit occurred in November]. Inheritance tax grew \$31 million, insurance taxes and fees increased \$17 million, public utility taxes grew \$8 million, and interest income eked out a \$1 million gain.

A few sources experienced declines to close out the calendar year. Sales taxes posted a disappointing drop of \$34 million, or a net decrease of \$78 million when factoring in the direct distributions to the transportation funds. Corporate franchise taxes and fees were down \$2 million, while liquor tax receipts dipped \$1 million.

Overall transfers fell \$6 million for the month. Lottery transfers edged up \$2 million and riverboat transfers managed a \$1 million gain, but those modest increases were erased with a \$9 million drop in other miscellaneous transfers. While federal sources were quite weak to end the year, the \$101 million decline was not surprising given the \$2.153 billion increase experienced last month resulting from reimbursable spending made available from bond proceeds.

Year To Date

Excluding November's \$2.5 billion bond sale transfer proceeds, as well as \$354 million from interfund borrowing,

base general funds grew \$4.816 billion during the first half of the fiscal year. Increased income tax receipts stemming from the recently enacted higher tax rates, fund sweeps, as well as an increase in federal sources resulted in the significant gain.

Through December, gross personal income taxes are up \$1.772 billion, or \$1.684 billion net of refunds and other changes. Gross corporate income taxes are ahead of last year by \$473 million, or \$335 million net. Overall sales taxes rose \$41 million, although once direct sales tax receipts diverted to the transportation funds is included, net receipts are actually down \$133 million. Smaller revenue sources posted a combined increase of \$86 million.

Overall transfers, boosted by \$207 million in fund sweeps, are up by \$330 million. Federal sources, reflecting exponentially higher reimbursable spending made possible by the November bond sale, generated \$2.514 billion in growth.

DECEMBER
FY 2018 vs. FY 2017
(\$ million)

Revenue Sources	Dec. FY 2018	Dec. FY 2017	\$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	\$1,570	\$1,314	\$256	19.5%
Corporate Income Tax (regular)	404	236	\$168	71.2%
Sales Taxes	755	789	(\$34)	-4.3%
Public Utility Taxes (regular)	72	64	\$8	12.5%
Cigarette Tax	25	25	\$0	0.0%
Liquor Gallonage Taxes	15	16	(\$1)	-6.3%
Vehicle Use Tax	2	2	\$0	0.0%
Inheritance Tax	48	17	\$31	182.4%
Insurance Taxes and Fees	75	58	\$17	29.3%
Corporate Franchise Tax & Fees	15	17	(\$2)	-11.8%
Interest on State Funds & Investments	4	3	\$1	33.3%
Cook County IGT	0	0	\$0	N/A
Other Sources	132	31	\$101	325.8%
Subtotal	\$3,117	\$2,572	\$545	21.2%
Transfers				
Lottery	70	68	\$2	2.9%
Riverboat transfers & receipts	28	27	\$1	3.7%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Fund sweeps	0	0	\$0	N/A
Other	31	40	(\$9)	-22.5%
Total State Sources	\$3,246	\$2,707	\$539	19.9%
Federal Sources	\$28	\$129	(\$101)	-78.3%
Total Federal & State Sources	\$3,274	\$2,836	\$438	15.4%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$154)	(\$156)	\$2	-1.3%
Corporate Income Tax	(\$71)	(41)	(\$30)	73.2%
Fund for Advancement of Education	\$0	(29)	\$29	-100.0%
Commitment to Human Services Fund	\$0	(29)	\$29	-100.0%
LGDF--Direct from PIT	(\$77)	0	(\$77)	N/A
LGDF--Direct from CIT	(\$21)	0	(\$21)	N/A
Downstate Pub/Trans--Direct from Sales	(\$44)	0	(\$44)	N/A
Subtotal General Funds	\$2,907	\$2,581	\$326	12.6%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$0	\$0	\$0	N/A
Income Tax Bond Fund Transfer	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$2,907	\$2,581	\$326	12.6%

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

2-Jan-18

GENERAL FUNDS RECEIPTS: YEAR TO DATE

FY 2018 vs. FY 2017

(\$ million)

<u>Revenue Sources</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$8,351	\$6,579	\$1,772	26.9%
Corporate Income Tax (regular)	1,062	589	\$473	80.3%
Sales Taxes	4,229	4,188	\$41	1.0%
Public Utility Taxes (regular)	415	412	\$3	0.7%
Cigarette Tax	172	172	\$0	0.0%
Liquor Gallonage Taxes	89	89	\$0	0.0%
Vehicle Use Tax	16	15	\$1	6.7%
Inheritance Tax	181	138	\$43	31.2%
Insurance Taxes and Fees	194	167	\$27	16.2%
Corporate Franchise Tax & Fees	108	109	(\$1)	-0.9%
Interest on State Funds & Investments	31	15	\$16	106.7%
Cook County IGT	56	56	\$0	0.0%
Other Sources	295	298	(\$3)	-1.0%
Subtotal	\$15,199	\$12,827	\$2,372	18.5%
Transfers				
Lottery	338	346	(\$8)	-2.3%
Riverboat transfers & receipts	167	166	\$1	0.6%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Refund Fund transfer	0	0	\$0	N/A
Fund sweeps	207	0	\$207	N/A
Other	429	299	\$130	43.5%
Total State Sources	\$16,340	\$13,638	\$2,702	19.8%
Federal Sources	\$3,520	\$1,006	\$2,514	249.9%
Total Federal & State Sources	\$19,860	\$14,644	\$5,216	35.6%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	(\$818)	(\$737)	(\$81)	11.0%
Corporate Income Tax	(\$186)	(102)	(\$84)	82.4%
Fund for Advancement of Education	\$0	(202)	\$202	-100.0%
Commitment to Human Services Fund	\$0	(202)	\$202	-100.0%
LGDF--Direct from PIT	(\$411)	0	(\$411)	N/A
LGDF--Direct from CIT	(\$54)	0	(\$54)	N/A
Downstate Pub/Trans--Direct from Sales	(\$174)	0	(\$174)	N/A
Subtotal General Funds	\$18,217	\$13,401	\$4,816	35.9%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Interfund Borrowing	\$354	\$0	\$354	N/A
Income Tax Bond Fund Transfer	\$2,500	\$0	\$2,500	N/A
Budget Stabilization Fund Transfer	\$0	\$0	\$0	N/A
Total General Funds	\$21,071	\$13,401	\$7,670	57.2%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				2-Jan-18