State of Illinois

Economic Outlook & Forecast

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121 N. Walnut St., Suite 500
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State Economic Outlook

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Illinois

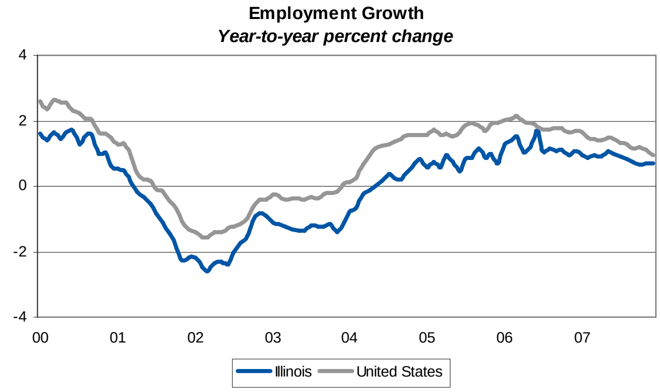
Sophia Koropeckyj, 610.235.5131

SUMMARY

Growth has been moderating in the Illinois economy since mid-2007. Output growth has fallen by half since the beginning of 2007 and employment has been trending downward since peaking in June. Payrolls in such industries as construction, manufacturing and financial services have been shrinking and the expansion of such service industries as education/healthcare, business/professional and leisure/hospitality, which have driven growth in recent years, slowed in 2007. The unemployment rate has increased by 140 basis points, to 5.5%, over the past year. The outlook for the state has not changed in recent months as such a deceleration has been expected given the state's close ties to the macro economy. Due to this close dependence, however, the state is at heightened risk of recession for the next few quarters. 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 pace of growth in the Illinois economy has slowed since mid-2007. Not only has the decline in manufacturing employment accelerated but construction and financial payrolls are succumbing to the weakening housing and credit markets. The expansion of private service industries has moderated somewhat as well, although growth picked up at year-end. State and local payrolls continue to trend flat. While tracking U.S. trends, Illinois has weakened more than the U.S. since the state's payrolls have actually been turning down from their mid-year peak while the nation still posted net job gains through year-end. Through the third quarter, real personal income in the state grew by 4.1% compared to 4.3% nationally.

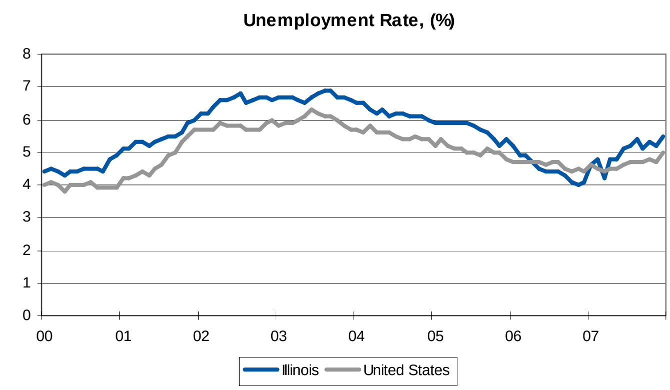


Source: Bureau of Labor Statistics

Illinois Employment, Recent Performance December 2007	Annualized growth rate				
	3-mo	6-mo	12-mo	5 yr	10 yr
Total	0.3	-0.3	0.7	0.4	0.3
Construction	-2.0	-5.1	0.0	-0.4	1.3
Manufacturing	-3.0	-2.0	-1.1	-1.8	-2.9
Wholesale Trade	-0.6	0.8	1.6	0.5	0.1
Retail Trade	1.9	-1.1	-0.1	-0.1	-0.2
Transportation and Utilities	1.5	0.7	-0.4	0.3	-0.2
Information	1.4	-1.4	-0.4	-2.6	-2.6
Financial Activities	0.1	0.0	0.7	0.5	0.3
Professional and Business Services	3.1	1.1	2.9	2.4	1.5
Education and Health Services	1.4	1.0	1.3	1.8	1.9
Leisure and Hospitality	-1.1	-0.7	1.3	1.7	1.5
Government	-2.2	0.1	0.3	-0.5	0.4
	Percent				
Unemployment rate	5.3	5.3	5.0	5.6	5.4

- The universal count of employment from the Quarterly Survey of Employment and Wages through the first quarter suggests that the state will not undergo any significant revision in employment for the past year, although individual sectors will. Based on data through the first quarter of 2007 from the Quarterly Survey of Employment and Wages, which represents a near universal count of payrolls as opposed to the Current Employment Survey, derived from a sample of establishments, job creation through the first quarter of 2007 was slightly stronger than indicated by the payroll survey, though these data confirm the decelerating trend. Little change from recent sample-based trends is expected for the state's metro areas. Only Springfield and Decatur are expected to have performed more weakly.

- Consistent with a slowing economy, the unemployment rate has increased by 140 basis points over the past year, to 5.5%. This is 50 basis points higher than the U.S. average. However, unlike the U.S., the labor force participation rate has continued to rise in the state and is higher than the U.S. average. The labor force relative to the population stands at 52.7% in Illinois, compared to 50.7% in the nation. Moreover, despite the higher unemployment rate, a higher share of the population is employed—49.8% compared to 48.2% nationally. This wage income provides relatively more support for the state's economy.



Source: Bureau of Labor Statistics

- Most recent data confirm that the labor market situation continues to deteriorate at the beginning of 2008. The moving average of unemployment insurance claims is up 9% from a year ago, twice the increase found nationally. It has generally been moving higher in the state after declining between 2004 and 2006.

- The Illinois economy is driven by growth in key service-producing industries. However, growth in such industries as education/healthcare and leisure/hospitality, which account for 40% of all net new jobs created in the state in 2007 (December to December), moderated last year compared to 2006. First quarter QCEW data suggest that an upward revision may be expected for education/healthcare services; both of the industries that make up this concentration received substantial upward revisions during last year's annual benchmark revision as well.

- In contrast to leisure/hospitality and education/healthcare, the expansion of business/professional services perked up during the fourth quarter of 2007 and this group of industries has been even more important to growth, accounting for 58% of all net jobs created in the Illinois economy December to December, more than twice the U.S. share.

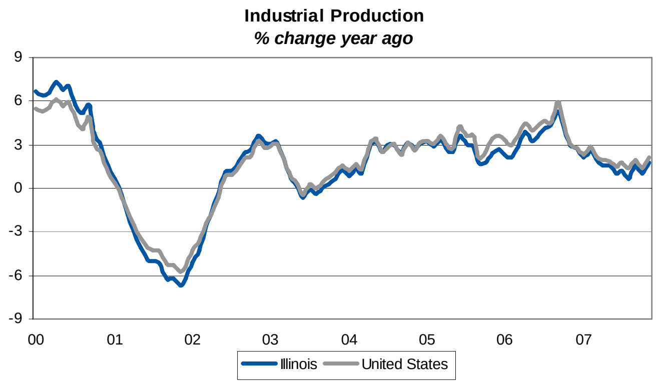
- Job gains are occurring not only in lower quality business services (primarily temp help) but also continue in professional and management/corporate jobs, which accounted for more than half of all business/professional jobs created in the state December to December. These are by far the best paying jobs created in the state; in 2006 Illinois's professional service workers earned on average $84,000 annually, while management/corporate workers earned $116,000. This compares with average salaries of $51,000 for all non-farm workers. Moreover, earnings for these highly skilled workers are well above the national averages in these industries, $69,000 and $100,000, respectively.

- Employment trends vary across the various industries within professional services. While growth is well past peak across most segments, most segments strengthened near year-end and such large segments as accounting and computer design continue to enjoy very strong conditions. Among the other larger segments, employment growth has trended downward in the legal services, architecture and engineering, and scientific services.

- Financial services, particularly in the Chicago area, have been affected by the downturn in mortgage lending and loan losses, as well as the fallout of mergers and acquisitions. Employment has fallen by 8,000 since peaking in August. Moreover, data through the first quarter from the Quarterly Survey of Wages and Employment indicate that the correction in financial services was likely much greater. Through March 2007, the Current Employment Survey reported employment growth of 1.5%, while the QCEW indicated no growth at all.

- The retail trade industry, whose expansion has been disappointing throughout this decade, weakened further during the second half of 2007, although like much of the rest of the Illinois economy this industry energized during the final months of the year.

- Manufacturing payrolls stabilized briefly during the first half of 2007 before resuming their decline in the second half. Demand and production of Illinois's manufactured products, such as industrial machinery and steel, are past peak.



Source: Moody's Economy.com, Inc.

- Estimated production growth tracks the U.S. expansion but is slightly weaker. Growth peaked in the third quarter of 2006 at better than 5%; during the fourth quarter of 2007, it was down to less than 2%. Activity, as tracked by the Chicago purchasing managers' report, picked up since the end of 2006 and is now expanding moderately, consistent with estimated production. Order growth has been volatile over the past year, but has generally trended downward since the spring; at year end, 57% of producers reported increasing orders, just slightly below the average for the year.

- The few manufacturing industries in the state that experienced a cyclical upturn in employment—notably industrial machinery and fabricated metals—are no longer expanding, nor are they contracting—yet.

- The correction in the housing market has been notable for the state with both existing home sales and construction activity declining more than the national average. Since April, construction employment has fallen by 8,000. In addition, credit conditions have deteriorated sharply; while delinquencies track U.S. trends, a higher proportion of homes are now in foreclosure, according to the Mortgage Bankers Association. According to Equifax and Moody’s Economy.com, the number of homes in foreclosure was 60% higher in the fourth quarter of 2007 than a year earlier. A higher rate of mortgage defaults has implications not only for the banking industry, but also for house prices, household wealth and spending.

- Job growth has decelerated throughout the state with such economies as Champaign-Urbana, Davenport, Peoria and Rockford experiencing significant decelerations. However, like the state most metro areas saw some improvement at year end.

- Among the state’s metro areas, the Chicago economy is holding up better than that of the state as a whole even though it accounts for two-thirds of the state’s employment base. While such Chicago mainstays as financial services weakened last year under pressure from the downshifting housing market, such industries as transportation/utilities and business/professional services are holding up better in Chicago than in the state as a whole due to Chicago’s ties to the global marketplace, both in terms of the provision of services to the global community and to the movement of both imported and exported goods. Indeed, the fourth quarter boost to business/professional payrolls stems almost entirely from activity in the Chicago metro area.

NEAR-TERM OUTLOOK (back to top)

- The expansion of the Illinois economy is expected to decelerate further in 2008 and lag the national pace. For fiscal year 2008, employment growth is expected to fall by half to about 0.5%, while real output growth will slow from 3.1% to 2%.

- The deceleration in growth will be led by business/professional and leisure/hospitality—those industries that drove growth in recent years. Manufacturing and construction will continue to experience outright declines. Much of the job creation will remain in fairly low-paying jobs such as temporary help, restaurants and home healthcare.

- A number of restructuring moves will create a drag on growth this year. BP will restructure its Chicago operations, which employ 4,500; Jay's Food could lay off 500 workers at two local plants; and Dominick's supermarkets and Merrill Lynch's Merrill Lynch Capital unit located in Chicago are being put on the block.

- Chicago's tourism industry continues to fare well but the strong activity of recent years is beginning to abate and is likely to ease further in 2008. Average hotel room rates continued to increase in 2007, by about 5%, but this is half as strong as in 2006. Hotel occupancy is up slightly compared to a year ago, marking the best year since 2000. Nine hotel projects, which would add 3,000 rooms, are under way in the Chicago market.

- An upside risk for Chicago's tourism industry is continued increases in international visitors. In addition, Chicago's hospitality industry is less reliant on leisure travel than on business travel; a weaker economy will hurt discretionary leisure travel more than business travel.

- Conditions have likely peaked for Illinois's manufacturers. While new orders for local manufacturers continue to rise, this run is unlikely to continue in 2008 and costs for such raw materials as plastics, resin and other commodities will remain above their historical average. Given the expectation of weakening conditions, Illinois's manufacturers are becoming increasingly more unwilling to pass through these higher costs to their customers.

- Weaker spending on construction equipment is affecting such manufacturers as Caterpillar, Deere and Komatsu. In addition, a change in emissions standards, which took effect in January 2007, moved ahead purchases of trucks to 2005 and 2006. Manufacturers of building materials such as USG are being hard hit by the weakness in the housing market and conditions will not improve this year.

- Sales of heavy trucks skidded in 2007, falling by about 40%. As such, demand for engines and truck bodies weakened sharply, affecting the state's industrial machinery and truck manufacturers.

- Further, light vehicle sales fell last year to their lowest pace since 1998—to 16.1 million units. Sales will dip below 16 million through the end of the decade with tangible consequences for Illinois's vehicle and parts manufacturing; Chrysler, Ford and Mitsubishi reduced production at their Illinois facilities in 2007 and will likely need to adjust to the weaker environment further in 2008. Chrysler will eliminate a third shift at its Belvidere plant early 2008 at a cost of 1,000 jobs. Collins & Aikman, which ceased to exist in 2007, delivered pink slips to 500 workers in the Champaign metro area last year. Steel manufacturers will also have to adjust to weaker motor vehicle production, as well as weaker orders from other customers.

- There are some remaining supports for Illinois's manufacturers. Continuing exploration and drilling activity will support demand for equipment, while high crop prices will enable Illinois farmers to purchase new farm equipment. In addition, Alcoa has begun work on a $32 million contract to deliver aluminum armor plating to the Rock Island Arsenal for further assembly in military vehicles. Bloomington will benefit from the expansion of Bridgestone/Firestone's off the road tire plant.

- Global demand also is expected to hold up well, and since one-half of Illinois's manufactured goods (by value) are exported, this will provide continuing support for the state's manufacturers. The dollar value of national exports is expected to increase by just under 12% this year, only slightly below the pace of 2007.

- In 2007, manufacturing exports from the state increased in double digits for the fourth year. The value of exports as a share of output has reached a record 7.3%, up from a low of 4.8% in the first half of 2003. The outlook for further export penetration remains sanguine, although global growth is likely to weaken this year—in part due to the slowing U.S. economy. The weaker dollar will render U.S. goods more attractive abroad as well as enable U.S. goods to withstand competition from imports domestically. Although the dollar has likely bottomed out against the loonie and euro, a weaker than expected U.S. economy will keep downward pressure on the dollar.

- Illinois's farmers are benefiting from strong export growth as well as higher prices for corn and soybeans. Prior to planting last spring, crop markets already recognized that the impacts of rising ethanol production and net acreage shifts into corn would be distributed to soybeans. Corn production in Illinois increased by 26% in 2007 at the expense of soybeans, which dropped by 27%. This acreage reallocation process certainly added to higher prices, but the increases that took place over the growing season and that continue today are largely unrelated to ethanol. While corn prices are some 12% higher than one year ago, soybean prices are up 70%. Domestic and global supply and demand developments are behind recent hefty prices.

- Corn yields in 2007 were the second highest on record. Due to the huge amount of corn being transported, transportation and storage problems are emerging. Because corn and soybean prices have fallen below their futures prices, more farmers are seeking to store their crops until this year when they believe they will be able to earn even more.

- As corn prices remain elevated, Illinois's hog farmers are paying more for feed. Hog prices are off their May peak, and are $12 below year-ago prices in the Omaha market. Nevertheless, the recent re-emergence of grain and feed component price strength suggests that livestock and poultry producers could feel tighter margins in coming months.

- Through the third quarter of 2007, agricultural exports from Illinois surged by 150%. The relatively weak U.S. dollar is contributing to improved export performance, despite higher commodity prices. While part of the surge in exports is due to higher commodity prices, the amount of commodities exported has risen as well.

- In addition, government programs favor Illinois's farmers. In December, the Senate approved the Food and Energy Security Act of 2007. While payment programs and levels established in the 2002 legislation remain mostly intact, payment limitations will reduce government outlays. Funding will now be stretched to support development of biofuels. The legislation includes funding for developing commercially-viable biofuels processes and facilities and focuses on advanced biofuels—those utilizing cellulosic feedstocks.

- The Energy Independence and Security Act of 2007 mandates a large hike in the renewable fuels standard to 36 billion gallons per year (gpy) by 2022. Of that, 21 billion gpy must be from advanced biofuels, including cellulosic ethanol. Capacity to produce ethanol is rising rapidly and current data indicate that capacity exceeds 7.5 billion gpy and another 5.8 billion is under construction, none of which is cellulosic. Since 2000, corn used for ethanol production increased from 628 million bushels, or 6% of that year's crop, to 2.1 billion bushels last marketing year, accounting for 20% of production. The USDA estimates that the sharp increase in ethanol production capacity will drive corn demand for fuel to 3.2 billion bushels this marketing year, nearly one-quarter of the large crop.

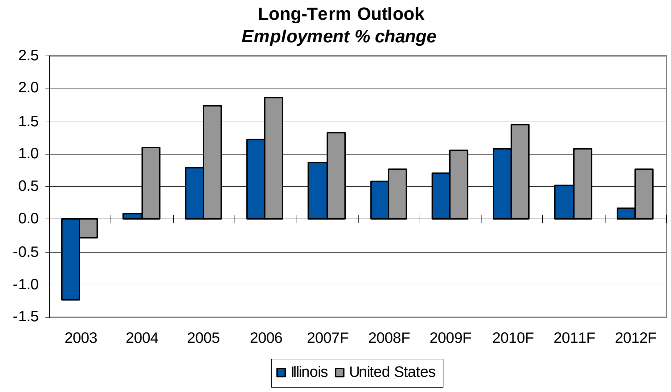
- Illinois's public sector faces challenges. The state legislature just approved a mass transit funding bill in order to avoid cuts in services, fare increases and layoffs for the Chicago Transit Authority.

- The plan calls for an increase in the sales tax in Chicago, state matching funds. The plans provide $275 million for CTA, Metra and Pace, $100 million for Pace to service senior citizens and disabled residents, $121 million for infrastructure projects in suburban counties, and $50 million to fund transit systems downstate.

- The funding will not only ensure continued transit service, but will benefit residents by keeping costs of public transportation down for the residents that most rely on the services. Infrastructure spending will provide support for construction-related industries as private construction activity is set to weaken.

LONG-TERM OUTLOOK: POSITIVE FACTORS (back to top)

- The state's economy will be under pressures over the next year before resuming its long-term path of moderate, below average growth. Growth is expected to peak in mid-2010 at 1.2% before decelerating as Illinois's unfavorable demographic trends constrain its prospects. 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 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.



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

Business Services

- Business and professional services are expected to drive growth and indeed be the strongest growing industry in coming years, accounting for 35% of all net new jobs to be created in the state in the next five years. 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. For example, Tri Start Marketing and Amdocs, which provide billing and customer software solutions, are expanding in the Champaign metro area.

- 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. Despite 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 at 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 as well.

- 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. CME Group, the merger Chicago Mercantile Exchange and Chicago Board of Trade, are cementing 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. CME reported record volume and growth in 2007, with average daily volume up 28%, with an increasing share of business from electronic trading.

- However, the merger will result in the elimination of about 400 employees through mid-2008 as redundancies are eliminated. CME, moreover, faces a new challenge in 2008 from a group of banks and trading firms that plan to launch their own futures exchange. Twelve financial institutions, including Merrill Lynch & Co., Citigroup Inc., and Bank of America Corp., unveiled a plan on December 21 for an electronic trading exchange. Initially, the exchange will host trading of futures contracts linked to U.S. Treasury bonds and then branch into new products later this year.

- The Chicago Board of Exchange, the largest options market in the U.S., is performing well thanks to its hybrid open-outcry/electronic trading model. CFE offers an all-electronic, open access market model, with traders providing liquidity and making markets.

- While the outlook for Illinois's financial service concentration is positive longer term, it is less so in the medium term. While financial services employment is expected to flatten out statewide, it is expected to decline on net in Chicago, particularly at commercial banks. Moreover, the statewide outlook may be revised downward once the benchmark data are received.

- Chicago's banking industry is being buffeted by weakness in the housing market, which is affecting lenders and realtors, subprime woes, and merger and acquisition activity. Several subprime lenders have shut down their Chicago operations. The largest hit to the industry will come from the recently completed Bank of America purchase of LaSalle Bank, which will result in the elimination of 2,500 jobs directly and possibly many more through secondary effects. Another merger, the purchase of MidAmerica Bank by National City, will cost the metro area another 400 jobs directly.

- 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 slackens. 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.

- Bloomington-based State Farm implemented significant restructuring earlier in the decade but has been expanding steadily since early 2005. However, it has not rebounded to its former size. 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.

Tourism and conventions

- Tourism and business visitors are important to the state's economy, particularly to Chicago, through tourist attractions, conventions and gaming. Chicago hosted 44.17 million domestic and leisure visitors in 2006 (last year of available data), including 18.17 million domestic leisure travelers and 13.78 domestic business travelers. These visitors contributed nearly $10 billion to Chicago's economy. McCormick Place hosted 78 major events with total attendance of 2.24 million.

- The lower dollar has spurred more inflows of international tourists, which accounted for 15.5% of all passengers arriving at O'Hare International Airport in 2007. The number of international passengers has been increasing steadily in recent years, rising by about 3% year to date through October 2007. The number of domestic passengers was flat compared to 2006. Cargo tonnage has increased by more than 5%.

- Stronger travel activity is spurring a new wave of downtown Chicago hotel construction. The increase in luxury space, in particular, will likely heat up competition. For example, a new development at McCormick Place would include 1,500 hotel rooms near the convention hall. The McCormick Place Hyatt Regency, which has 800 rooms, is planning a 600-room expansion.

- Chicago is benefiting from the transfer of conventions 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 create 21,000 jobs.

- The state's nine casinos are also an important element of tourism in Illinois. The riverboats bring in more than 16.1 million patrons a year (up from 6.7 million in 1999) and inject a reported $1 billion a year into the Illinois economy. Chicago's status as a tourist destination for the Midwest and the nation as a whole may receive a boost from the expansion of gaming.

- The expansion of gaming in the state is under consideration by the legislature and governor. Under consideration is the addition of two riverboat casinos, a land-based casino in Chicago, the expansion of slots at Illinois's nine existing riverboats and to such venues as horse racing tracking (racino). In addition to two new licenses, a tenth existing casino license, which has been tied up in the courts since 1999, would be reissued. A Chicago land-based casino, which could take four years to build, could bring revenues of up to $1 billion. However, the city may have to pay an $800 million dollar gaming license fee.

- While Illinois's riverboat casinos most likely result in a transfer of spending from local retailers and other services and attract primarily local visitors, a large land-based casino in Chicago would be something entirely different as it would enhance Chicago's already significant tourism base with spillovers for related industries such as hotels, retail, restaurants, etc. According to Mayor Daley's office, the expansion could generate as many as 4,000 jobs. Another large city, Detroit, has not found its three land-based casinos to be a boon to its economy, but this is because Detroit traditionally has had little drawing power for tourists.

- One question is how much gaming can the region support since not only are there riverboats operating already in the Chicago suburbs but Northwest Indiana, an hour's drive from Chicago, also maintains casinos. According to state estimates, nearly 70% of gaming revenue from Indiana's casinos comes from out-of-state players, of which a significant share comes from Illinois. Many of these people would likely remain within the state if gaming expands, and it is the Indiana casinos that would be hurt, particularly because of the novelty factor, and if gaming terms are more favorable. The key to success for the expansion will then depend on whether Illinois is able to capture Indiana's (mostly Illinois residents) gaming market as well as bring in gamblers from Indiana and Wisconsin, whether 12 casinos in the state would lead to saturation to the detriment of all and how much a casino in Chicago would benefit from Chicago's existing attractiveness as a tourist destination for out-of-state and international visitors.

- Chicago's attractiveness could also receive a big boost if it is chosen to hold the 2016 Summer Olympics. Although Chicago successfully edged out Los Angeles within the U.S., it still faces competition from such global bidders as Madrid, Rio de Janeiro and Tokyo. The games could cost the city $2 billion, but could generate a projected $2.5 billion according to city officials. The city has proposed to spend $900 million to build and/or revamp 27 new or temporary venues for different sports.

- Tourism is an important source of revenue for central Illinois, but its economic potential is bound 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.

- The industry would get an additional boost if a proposed project is brought to fruition. The Toney Watkins Company wants to build resort in Cutler, Perry County in what is now part of Pyramid State Park. The $100 million investment could lead to the eventual creation of about 2,500 jobs.

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. In December, Governor Blagojevich announced a $70 million investment into the Argonne, which will enable it to house the world's most advanced supercomputers in the Theory and Computing Sciences Building in DuPage County. The facility will allow Illinois scientists to apply breakthroughs in supercomputing and pursue advances in nanotechnology, climate change, protein modeling and more, solidifying the fastest growing research program in Argonne's history. More than 600 laboratory workers will work there.

- Governor Blagojevich has supported over $93 million in funding for projects at Argonne National Laboratory since the beginning of his administration. Among these important technology projects are the Center for Nanoscale Materials, the Advanced Protein Crystallization Facility and I-WIRE. Despite the state's commitment to the lab, about 200 Fermi workers will lose their jobs this spring because of the loss of $60 million in federal funding.

- Advanced Diamond Technologies (ADT) is a spin-off from Argonne National Laboratory. ADT, headquartered in Champaign with facilities at Argonne, is developing a form of ultrananocrystalline diamond, known as UNCD, as a platform material for biomedical, telecommunication and energy-related applications.

- 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.

- 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. Department of Defense, also plans to research and develop the next stage of the internet at the park.

- 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.

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 thousands of jobs. The outlook for logistics-related expansion remains positive.

- The weaker dollar and strong global expansion are spurring exports of the state's products. Export penetration is helping to stem manufacturing job losses somewhat, particularly in industrial machinery. However, global economic growth is likely past its peak and export growth will likely fall into single digits in 2008 after three years of double-digit growth.

- 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. Already, caps to flights at O'Hare have been imposed. A $6 billion expansion of O'Hare (O'Hare Modernization Program) has begun; the complete project 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. According to the mayor's office, the expansion will generate $18 billion in annual economic activity.

- A new runway will be completed by November 2008, while the FAA has recently awarded $42 million for a new control tower. Up to $540 million in construction contracts will be advertised in the next year.

- In addition to the expansion of O'Hare Airport, 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.

- 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, Rochelle and Davenport (Rock Island). Since the Global III intermodal hub opened in Rochelle in 2003, the area has gained 4,000 jobs and nearly $1 billion in private investment. 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 improve Illinois'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 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 federal transportation bill goes hand in hand with the Illinois Works program designed to improve the state's infrastructure.

- 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. Companies have been consolidating their warehouses and distribution facilities are cropping up as companies around intermodal facilities, such as the facilities in Joliet. According to the Chicago Area Transportation Study, the area's intermodal activity is expected to grow by 7.5% per annum over the next 20 years.

- Distribution facilities have also been sprouting up along major interstates in downstate Illinois, including a Krispy Kreme manufacturing and distribution center in Effingham, a PetSmart distribution center in Ottawa, and a Circuit City in Marion Gateway Commerce Center in Madison County continues to expand with two new buildings completed in 2006. 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.

Education

- Other service-based industries that will support growth in the state include healthcare facilities and educational institutions. The University of Illinois-Champaign, Illinois State University, Southern Illinois University and 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-offs 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.

- The healthcare concentration in central Illinois will receive a major boost from the $234 million modernization and expansion of the OSF Saint Francis Medical Center and Children's Hospital of Illinois, which began in July and is expected to be completed by the summer of 2010. In addition to 850 construction jobs, the project will eventually create 1,000 healthcare-related jobs.

Agriculture

- The outlook for Illinois's large agricultural sector is optimistic. Despite the strong competition from agricultural powerhouses Brazil, Argentina, India and China, Illinois's farmers will benefit from a growing global economy. Trade agreements will open new markets for agricultural commodities.
-

- Domestic and international policy developments point to increased openness of agricultural markets. Although the reduction in domestic supports along with the dismantling of trade barriers is a gradual process, several major agricultural producers are making moves to alter trade-distorting policies.

- 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.

Alternative Energy

- 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 have made ethanol and biodiesel production more economically viable.

- 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 completed a new ethanol plant in Sauget at the end of 2007; the plant 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, and as corn prices have risen, the profitability of ethanol has fallen. In addition, once gas prices fall, demand for ethanol will likely slip, leading to a potential oversupply of the fuel.

- The future for corn-based ethanol production and the fuel use of grains is also clouded by the possibility of shifts to alternative feedstocks. New technologies are emerging that will reduce costs and increase the types of feedstocks that are suitable for distillation. For example, a program at the University of Illinois, Urbana-Champaign in partnership with BP will study feedstock for biofuels production, the potential of using corn crop residues, switchgrass, miscanthus (a hybrid grass than can grow as tall as 13 ft. [4 m.]), and other plants as fuel sources.

- 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 and more of the fuel is being produced as a result. For example, Biofuels Company of America will produce 45 million gallons of biodiesel at a new facility in Danville.

- Other alternative sources of energy are also being used. In 2007, Horizon Wind Energy completed a large wind farm in McLean County. Trinity Industries built a facility in Clinton to supply the towers for the farm that will employ 140.

- Firefly Energy Inc. is an early stage technology company that is developing next generation lead-acid battery technologies for use in a variety of industries, including the automotive and heavy equipment industry. Firefly Energy's technology was created by Caterpillar Inc. as part of its $600 million annual research and development operations.

Coal

- Coal production has been climbing in recent years stoked by the demand for affordable electricity and the rising price of other fuels. Illinois is home to the second largest coal reserves in the nation. 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. As a result, mining employment, which declined by more than half between 1990 and 2004, has turned up modestly since then. Recent studies show the Illinois Basin could be on the verge of a major upswing in demand because of the amount of new scrubbing going on line to meet sulfur emission limits.

- Despite this promise, the state is still seeing the closing of mines, most recently the Monterrey and Freeman mines, as the approval and construction of new developments takes years.

- 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.

- In a boost for the state, Illinois was recently chosen as the site for a $1.8 billion clean coal burning power plant known as FutureGen. The plant will be built in Mattoon, Coles County in the central eastern part of the state. During the construction phase, hundreds of workers will be employed. The Energy Department has indicated that the project must be restructured because of the rising cost. Accordingly, developers have reduced the projected cost for the Energy Department to $800 million. There have been concerns that the high costs could lead the project to be scuttled.

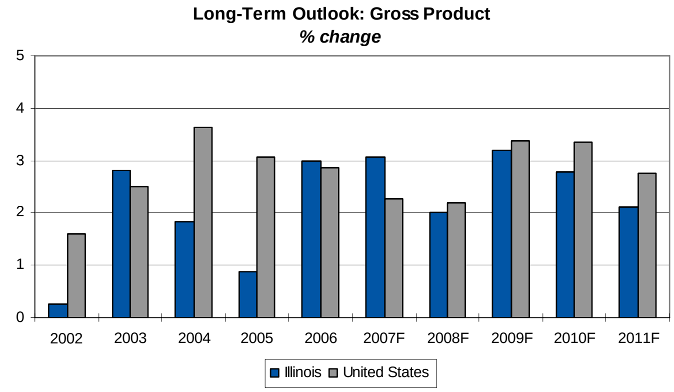
- Three coal gasification plants currently have been proposed in the state. Steelhead is developing the Southern Illinois Clean Energy Center in Williamson County. The project has been modernized from a conventional power plant and will eventually use 2.8 million tons of Illinois coal per year. Two other 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.

- The Taylorville Energy Center has been under development for more than five years and awaits only House passage of HB 3388, the Clean Coal Development Program Law, before it can move forward. In addition to Taylorville, HB 3388 will clear the way for the other privately developed clean coal Integrated Gasification-Combined Cycle power plants in Illinois. The $2.5 billion, 630-megawatt Taylorville project received its air permit from the Illinois EPA last June after an intense two-year process. Construction of the Taylorville Energy Center will create more than 1,500 construction jobs, plus hundreds of permanent mining and power plant jobs, according to a recent economic impact study from Northern Illinois University.

LONG-TERM OUTLOOK: NEGATIVE FACTORS (back to top)

- Illinois will remain a below average performing economy due primarily to its subpar demographic trends (below-average population growth due to net out-migration) 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 ensure a strong outlook.

- 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.



Source: Moody's Economy.com, Inc.

- According to Moody's Economy.com, 97% of the variation in Illinois's employment is related to variations in the national economy. While Illinois expands more weakly than the nation during expansionary periods, it has contracted more sharply than the U.S. during every cyclical downswing. Even during the early 1990s recession, when the state's job growth tracked the nation closely, Illinois performed more poorly than the region as a whole.

- Were the national economy to enter into a recession this year —if it has not done so already— the Illinois economy would very likely succumb as well. While, arguably, some of the problems that are precipitating the recession, such as the subprime implosion and downturn in the housing market, are affecting other regions of the country more acutely than Illinois, the state is not completely insulated from these problems. Moreover, if the national economy weakens, Illinois will be affected through weaker demand for its manufactured products and services.

Employment Diversity and Volatility

	Diversity[1]	Volatility 2006			
	2006	Total[2]	Systematic[3]	Nonsystematic[3]	Beta[4]
Illinois	**0.89**	**104**	**97**	**3**	**1.01**
Indiana	0.69	106	83	17	0.88
Ohio	0.84	100	96	4	0.96
Michigan	0.71	131	87	13	1.14
Wisconsin	0.73	100	95	5	0.95
Iowa	0.67	97	91	9	0.89
United States	1.00	100	100	0	1.00
Median	0.73	105	89	11	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 2006.
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 for 2006.
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. More than 240,000 jobs have been lost since early 1998, or 26%. Most manufacturing losses are permanent. While the share of employment in manufacturing in the state as a whole is only somewhat higher than the national average, at 11.3% vs. 10% nationally, the share outside of Chicago is much higher, at 14%.

- Illinois's largest manufacturing industries include food processing, fabricated metals, chemicals, plastics and transportation equipment. Only industrial machinery and fabricated metals payrolls have increased in recent years. Areas such as Peoria, Decatur and Davenport-Moline have particularly high exposure to these industries.

- Although manufacturing employment has fallen dramatically in recent years, estimated industrial production has not. This is indicative of the large increases in productivity. Industrial production supports such industries as business services, transportation, distribution and warehousing.

- Exports hold promise for Illinois's manufacturers long-term, due to growth in developing economies in Asia, particularly infrastructure improvement, heightened mining and oil exploration and drilling activity, and the increased attractiveness of U.S. products due to the weakened dollar. However, the dollar is expected to appreciate relative to the currencies of Illinois's principle trading partners, the European Union and Canada. Thus, prospects are good if Illinois nurtures greater ties with developing economies; although the share of exports to China, for example, has doubled since the beginning of the decade, it only accounts for 4% of exports from Illinois.

- 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. 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. 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 through the end of the decade as vehicle sales fall below 16 million units. Production of vehicles manufactured in Chicago by Ford, in Belvidere by Chrysler and in Normal by Mitsubishi is expected to decline this year and is not expected to rebound for some time. A decline in market share and lower overall sales are spurring Ford to implement a new round of buyouts.

- 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. Employment will decline in auto and parts manufacturing through the end of the decade.

- 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. The merger of AT&T and BellSouth has been 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. Cardinal Health is expected to relocate 700 manufacturing jobs from Lake County to its operations in Dublin, OH by 2009.

Airlines

- Illinois's airline industry is in flux, struggling under the weight of overcapacity within the U.S. industry, 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. 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.

Structural deficiencies

- The state's outlook is tarnished by such structural problems as a lack of strong growth drivers, slow-growing industries, and weak population trends. The state's costs of doing business are average, but higher than in most Midwest states. Unit labor costs are above average, in part due to a still high presence of unions. This makes it difficult for the state to attract expanding companies. For example, Illinois lost out to Indiana for a new Honda plant.

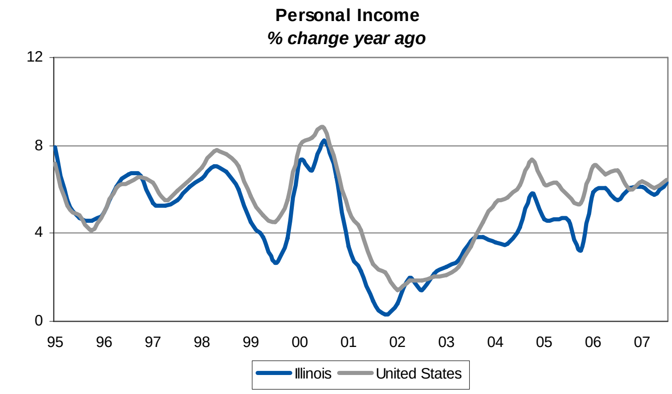
- Among the state's metro areas, however, overall business costs are above average only in Chicago. Moody's Economy.com's measure of metro business costs includes an index of office rents, which is measured as rent per square foot. In particular, energy costs are much higher in northern Illinois than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

Index of Relative Business Costs

	Labor Cost		Tax Burden		Energy Cost		Overall Index	
	Index	*Rank*	Index	*Rank*	Index	*Rank*		*Rank*
Illinois	**104**	***9***	**95**	***26***	**83**	***30***	**100**	***19***
Indiana	90	45	92	36	79	36	89	44
Ohio	95	32	113	6	91	23	98	24
Michigan	104	8	103	16	97	21	104	13
Wisconsin	102	14	112	7	92	22	101	18
Iowa	92	42	93	33	79	35	89	43

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

INCOME (back to top)



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

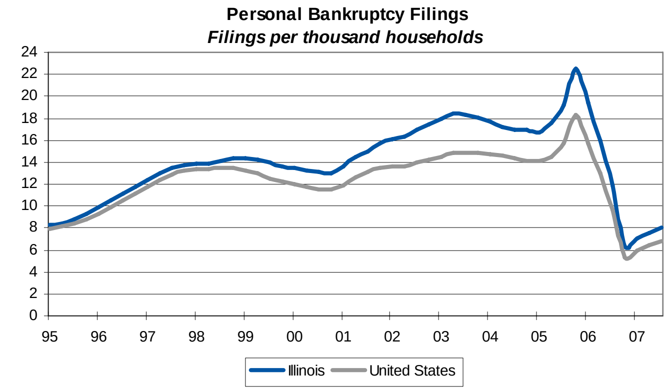
- Through the third quarter of 2007, income growth in Illinois just about tracked the national average, increasing by 6.3%, compared to 6.5% nationally. This is about equal to the pace in 2006. Per capita income growth, however, is slightly higher in Illinois than in the state, at 5.6%. At $48,700, median annual household income in 2006 is slightly higher than the national average.

- Over the next year, income growth is expected to ease in line with U.S. trends. Income growth will ease to 4.4% for fiscal year 2007 before rebounding to 5% in fiscal year 2008. Wage growth is expected to decelerate to only 3.7% from 5.8%, before rebounding to 5.0%. Dividend rent and income growth will remain fairly steady, increasing by 7.1% in fiscal year 2007 and by 7% in fiscal year 2008.

- As employment has rebounded and income trends have strengthened, the poverty rate in Illinois declined to 10.6% in 2006, its lowest level since 2001 and below the national average of 12.3%. Despite weaker employment trends in 2007, the rising employment to population ratio may have resulted in further erosion in the rate. Last year, however, likely marked a turning point.

- At about $50,600, Illinois's median household income was less than 2% higher than average in 2007. However, Illinois's edge has shrunk from 14% during the late 1990s as the state has lost high-paying jobs in financial services, high-tech, manufacturing, transportation and distribution. Moreover, the remaining advantage is entirely due to well-paying jobs in Chicago and Bloomington; downstate incomes in aggregate are below average. Going forward, Illinois's household income will improve only slightly relative to the national average.

BALANCE SHEET (back to top)



Source: Administrative Office of U.S. District Courts

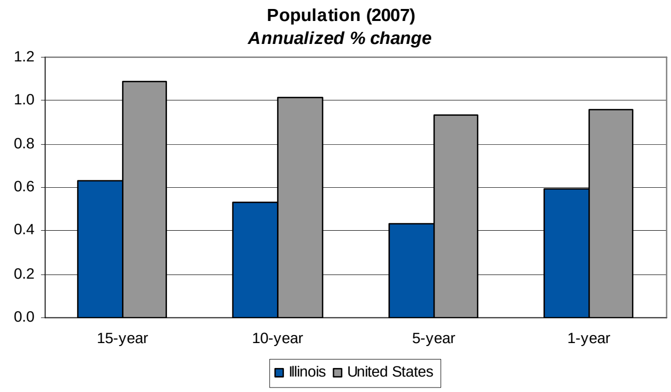
- After plunging after the October 2006 change in bankruptcy laws, personal bankruptcy filings have begun to edge higher. However, at eight bankruptcies per 1,000 households, they remain historically low. As the economy softens in coming quarters, the rate is expected to edge gradually higher before leveling off at about 13.2 per 1,000 households in 2010.

- The deterioration in credit conditions is better examined through delinquencies and charge-offs, which are rising precipitously in the state—though not as quickly as in the nation as a whole. According to Equifax and Moody's Economy.com, the delinquency rate across loans has risen from a low of 2.5% in 2005 to 3.6% by the end of 2007; this compares with an escalation from 2.4% to 4% nationally. Delinquencies trail the national average for every type of loan with the exception of personal loans, 7.3% of which are delinquent in the state.

- Not surprisingly, charge-offs are rising as well. Not only are write-offs on personal loans higher than average but so are charge-offs (or foreclosures) of first mortgages. The charge-off rate on first mortgages has increased from 0.4% in 2005 to 1.2% at the end of 2007. Rising foreclosures have far-reaching implications for the state affecting house prices, the real estate market, consumer spending and tax revenues, among other things.

- Moreover, as the housing market and economy continue to weaken in 2008, credit quality is certain to deteriorate as well. In 2006 23.4% of purchase originations were classified as subprime. Roughly speaking, this is about twice the share at the beginning of the decade. As rates reset, house prices fall, and the labor market deteriorates, Moody's Economy.com expects that 5.5% of subprime loans will end up in foreclosure; earlier in the decade 1.5% of these loans were in foreclosure. In the event of a marked deterioration in the economy, if a recession were to occur, foreclosures rates were rise even more.

DEMOGRAPHIC TRENDS (back to top)



Source: BOC

- An important determinant of the prospects for the Illinois economy is its demographic profile, which is considerably weaker than the national average. Population trends had been weakening steadily since 1992 when population growth stood at about 1.1%. During the past two years, however, the decline reversed course. After bottoming out at 0.3% in 2005, growth was nearly twice that in 2007.

- 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 89,000 in 2005 to a net loss of 60,000 in 2007. International migration is much more difficult to estimate. For Illinois it has been revised down for previous years; it has been estimated between 53,000 and 56,000 since 2003.

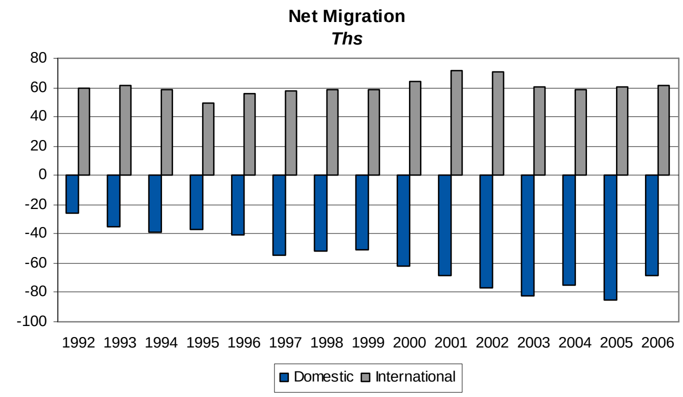
- The improvement will not be sustained, however. Indeed, 2007 likely marked the peak. Population growth is expected to deteriorate steadily, as baby boomers retire and move to warmer climates, and as the eroding manufacturing base pushes more domestic migrants to more promising parts of the nation.

- Population growth has weakened measurably in the Chicago economy in recent years—from 1% during the expansion of the 1990s to 0.5% in 2006 (data for 2007 are not yet available). In 2006, about 52,000 net international migrants moved into the metro area, partially offsetting the loss of 67,000 net domestic out-migrants. Given the improvement statewide, it is likely that population trends also improved in Chicago (62% of the state's population base) in 2007. The expectation of stronger population growth in Chicago is also based on its labor force trends.

- Population trends in the remainder of the state have also likely improved slightly during the past two years. However, what this means is that its population has strengthened from barely any gains at all to modest gains. 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. The best growth is in Bloomington, Rockford and Lake County, well above 1% annually. However, both Lake County and Bloomington have seen deterioration, while growth has improved in Rockford since the late 1990s. 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 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.



Source: BOC

Migration Flows - IL - 2006			
Into Illinois	**Number of Migrants**	**From Illinois**	**Number of Migrants**
Indiana	15,096	Indiana	24,045
California	14,100	Florida	19,632
Missouri	12,249	Wisconsin	17,907
Wisconsin	11,840	Texas	16,209
Florida	11,783	California	15,515
Texas	10,533	Missouri	13,924
Michigan	10,292	Arizona	9,729
Ohio	7,413	Iowa	8,450
Iowa	7,168	Michigan	7,706
New York	5,461	Georgia	7,703
Inmigration	**188,551**	**Outmigration**	**234,828**
		Net Migration	**-46,277**

Note:
Net Migration: Number of Migrants is the net flow of migrants.

Source: Moody's Economy.com calculation from 2006 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, 2006	
	Illinois	US
Age 5-19	21.0	20.6
Age 25-44	28.6	28.1
Age 45-64	24.4	25.0
Over age 65	12.0	12.4
Birth Rate, (# of Births per 1000)	14.0	14.0
Death Rate, (# of Deaths per 1000)	8.2	8.3
Median Age (2000 Census)	34.7	35.3

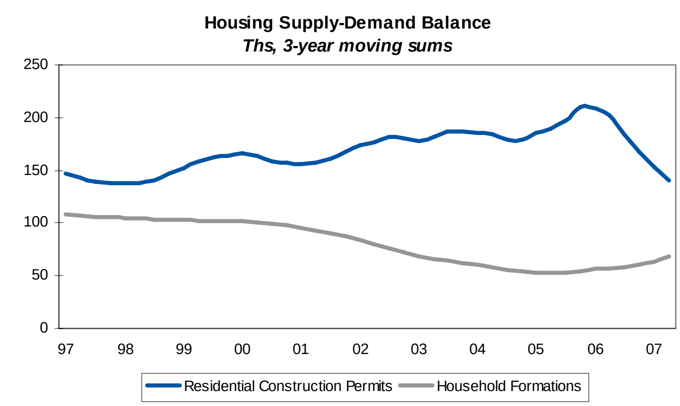
- Another demographic determinant of Illinois's outlook is the education attainment of the population. In 2005, most Illinois workers had some post-secondary education and nearly one-third held a college degree. Both of those figures are considerably better than the national and regional averages. The 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)

- Although building activity did not surge nearly as much in Illinois as in other parts of the nation with stronger population trends, the market is now adjusting even more sharply than the U.S. market. The increase in building activity earlier in the decade, spurred by low interest rates, was not justified in such parts of the state as Bloomington, Champaign, Peoria, and Springfield.

- Homes sales are off 28% from their peak in the third quarter of 2005 and 58% fewer permits have been issued. New supply has far outstripped household formation and the market is now adjusting. In Chicago, where house prices increased more than downstate and where exposure to subprime lending has been higher, house prices during the fourth quarter of 2007 were down by half compared to the same quarter in 2006 according to Tracy Cross and Associates. The sharp decline in new construction has brought into balance most of these markets, although building activity throughout the state will not bottom out until mid-2008. Existing home sales are bottoming out in early 2008.

- 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. The median existing house price reached $229,000 during the third quarter of 2007; it was 2% above the year-earlier value.



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

- In the Chicago market, recent declines in both existing and new homes sales, which well exceed national rates, raise risks for the economy. About a third of contracts for suburban new homes are being cancelled; Chicago's downtown condo market is now deflating while the suburban market began to cool two years ago. The number of unsold condo units has soared by 50% compared to three years ago and several proposed projects have been scrapped; some condo developments are now being offered as apartments.

- 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 38%, while income has increased by 25%. Prices are expected to erode by 3% through early 2009.

- As a result of the soaring prices, affordability has fallen sharply. A median earning Chicago household can afford to purchase an existing home costing 3% less 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. In addition, declining affordability is contributing to the current correction as households are being increasingly priced out of the market.

- The decline in the apartment stock due to condo conversions and construction, combined with falling home affordability in the Chicago area, is allowing the apartment market to improve.

- 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 the 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 70.4% of Illinois households owned their own homes in 2006, compared to 69% nationally, and 68.2% ten years earlier. However, homeownership is higher in every other midwestern state. The expensive Chicago market, as well as Chicago's large immigrant community, are behind this result. The homeownership rate in Chicago is 69.6%. Tightening credit and rising foreclosures have likely depressed the homeownership rate over the past year.

- 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 2007 was in the Chicago area.

COMMERCIAL REAL ESTATE CONDITIONS (back to top)

- Activity in Illinois's commercial real estate markets remains steady, with little evidence of weakening found in its employment trends. Industrial and commercial markets are stable, but modest improvement is occurring in the office market and the commercial 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 12,000 office-using jobs in 2006.

- Chicago's office market has been steadily tightening since early 2006. The metrowide vacancy rate stood below 15% at year-end 2007, its lowest rate since 2002. However, office-using employment growth weakened by half in 2007 to only 11,000 jobs.

- 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.

- Illinois's industrial market is buoyant with activity, increasing at a heavy pace in northern Illinois. Chicago's industrial vacancy rate is steady at about 10% in 2007. Leasing activity remains strong. The areas with the most construction include the far southwest suburbs, the O'Hare airport area 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 Supervalue 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. For example, in mid-2008, work will begin on a large retail and commercial development along Illinois 3 in Granite City to be completed in 2009. The development is expected to create 1,500 jobs over a six-year period.

- Chicago's retail vacancy rate is flat just under 8% and lease rates are rising. More than ten million sf of space is under construction. 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. 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.

- Hotel construction is increasing as well, with at least 15 projects on the boards. The new activity, much of which involves high-end hotels, has been spurred by improving hotel occupancy and room revenues, as well as the expansion of McCormick.

FORECAST RISKS (back to top)

- The outlook for the Illinois economy is for weakening in growth as the expansion matures and the replacement cycle wanes. Risks of a recession are rising, however, and in the event of a national recession, Illinois will most certainly succumb as it closely tracks the U.S. business cycle. As of mid-January, the probability of a recession stood at 60%. Even if a recession were to be avoided, growth could be very weak during the next few quarters; the state's economy would thus be mired in a "growth recession."

- Were a recession to occur, the current woes in the state's real estate market, credit quality and employment weakness would all deepen. Consumer and business spending would weaken. This would affect Chicago manufacturers, retailers, distribution/warehousing/transportation networks, and financial institutions. It would also eventually lead to a reversal in the recently improved population trends in the state—especially in the Chicago area and central Illinois.

- The housing market correction and subprime mess could be longer and deeper for the state than expected. The resulting erosion in house prices, negative wealth effect and credit quality deterioration and defaults on loans would have serious consequences for spending, and hence consumer industries, as well as housing-related industries such as building materials manufacturers, and financial services.

- If the U.S. economy were to fall into recession, given the increasing globalization of the economy, this could lead to a global recession. In such an event, export growth from Illinois as well as demand for its globally oriented business services would likely weaken.

- Energy prices have been falling recently in response to weakening demand. Were oil prices to escalate again, this would increase the stresses on the economy, particularly energy-dependent segments such as manufacturing and transportation/distribution industries, both of which are concentrated in the state.

- 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. A recession could hit Illinois's airline companies hard, as it did in 2001.

- 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. 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 that process corn and soybeans into fuel is increased use of ethanol and biodiesel, although higher corn prices increase the costs of producing ethanol, and if oil prices were to fall, it would shift the relative costs in favor of oil.

- 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.

DEMOGRAPHIC PROFILE (back to top)

Illinois

Demographic Profile

Indicator	Units	Illinois	U.S.	Rank	Year
Households					
Households, % change (2002-2007)	Ann. % change	0.5	1.0	37	2007
Population w/ B.A. degree or higher	% of adult population	26.1	24.4	15	2000
Median household income	$	48,671	48,201	20	2006
% change year ago		*0.6*	*4.1*	44	2006
Population					
Per capita income	$	38,297	36,629	16	2006
% change year ago		*5.3*	*5.6*	28	2006
Population	thousands	12,853	301,621	5	2007
% change year ago		*0.6*	*1.0*	33	2007
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/ths. pop.	-4.7	0.0	41	2007
International migration, rate	Persons/ths. pop.	4.2	3.4	9	2007
Poverty rate	%	10.7	12.4	22	1999
Median age	years	34.7	35.3	13	2000
Household Cost Indexes					
Housing affordability index		110.7	127.5	36	2006
Median existing home price	$ ths	*225.3*	*217.3*	17	2006
% change year ago		4.08	0.93	22	2006

Illinois

Recent Monthly Performance

	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Most Recent Yr/Yr % Change
Establishment Employment (Ths, SA)														
Total Employment	5,949.5	5,968.6	5,972.4	5,980.8	5,977.2	5,987.6	5,999.4	5,986.8	5,988.7	5,987.5	5,981.9	5,986.2	5,991.4	0.7
% change	*0.1*	*0.3*	*0.1*	*0.1*	*-0.1*	*0.2*	*0.2*	*-0.2*	*0.0*	*0.0*	*-0.1*	*0.1*	*0.1*	
Natural Resources & Mining	10.0	10.3	10.2	10.2	10.4	10.5	10.5	10.3	10.1	10.1	10.3	10.1	10.3	3.0
% change	*0.0*	*3.0*	*-1.0*	*0.0*	*2.0*	*1.0*	*0.0*	*-1.9*	*-1.9*	*0.0*	*2.0*	*-1.9*	*2.0*	
Construction	272.7	281.3	277.3	279.9	280.6	280.1	279.8	277.4	277.3	274.0	274.8	275.1	272.6	0.0
% change	*0.0*	*3.2*	*-1.4*	*0.9*	*0.3*	*-0.2*	*-0.1*	*-0.9*	*0.0*	*-1.2*	*0.3*	*0.1*	*-0.9*	
Manufacturing	680.9	680.5	679.8	678.0	678.0	679.3	680.0	681.2	679.7	678.3	674.5	672.5	673.1	-1.1
% change	*-0.1*	*-0.1*	*-0.1*	*-0.3*	*0.0*	*0.2*	*0.1*	*0.2*	*-0.2*	*-0.2*	*-0.6*	*-0.3*	*0.1*	
Trade, Transportation, & Utilities	1,198.8	1,202.7	1,199.3	1,202.8	1,201.3	1,203.0	1,203.3	1,199.4	1,198.7	1,198.6	1,197.9	1,201.9	1,202.0	0.3
% change	*0.1*	*0.3*	*-0.3*	*0.3*	*-0.1*	*0.1*	*0.0*	*-0.3*	*-0.1*	*0.0*	*-0.1*	*0.3*	*0.0*	
Retail Trade	626.7	630.0	629.1	630.9	628.9	630.0	629.6	625.6	625.1	623.2	622.9	625.7	626.1	-0.1
% change	*0.2*	*0.5*	*-0.1*	*0.3*	*-0.3*	*0.2*	*-0.1*	*-0.6*	*-0.1*	*-0.3*	*0.0*	*0.4*	*0.1*	
Wholesale Trade	308.6	309.5	309.2	309.7	309.5	310.7	312.2	312.3	312.8	314.0	313.6	313.6	313.5	1.6
% change	*-0.1*	*0.3*	*-0.1*	*0.2*	*-0.1*	*0.4*	*0.5*	*0.0*	*0.2*	*0.4*	*-0.1*	*0.0*	*0.0*	
Transportation & Utilities	263.5	263.2	261.0	262.2	262.9	262.3	261.5	261.5	260.8	261.4	261.4	262.6	262.4	-0.4
% change	*0.0*	*-0.1*	*-0.8*	*0.5*	*0.3*	*-0.2*	*-0.3*	*0.0*	*-0.3*	*0.2*	*0.0*	*0.5*	*-0.1*	
Information Services	115.7	116.6	116.5	116.0	116.0	116.5	116.0	115.8	115.5	114.8	115.1	114.9	115.2	-0.4
% change	*0.1*	*0.8*	*-0.1*	*-0.4*	*0.0*	*0.4*	*-0.4*	*-0.2*	*-0.3*	*-0.6*	*0.3*	*-0.2*	*0.3*	
Financial Services	408.1	409.1	409.9	410.6	409.8	410.3	410.7	410.8	411.6	410.7	409.9	409.5	410.8	0.7
% change	*0.2*	*0.2*	*0.2*	*0.2*	*-0.2*	*0.1*	*0.1*	*0.0*	*0.2*	*-0.2*	*-0.2*	*-0.1*	*0.3*	
Professional & Business Services	857.3	861.8	863.6	866.9	865.3	872.5	877.2	876.3	877.8	875.0	877.0	878.8	881.8	2.9
% change	*0.3*	*0.5*	*0.2*	*0.4*	*-0.2*	*0.8*	*0.5*	*-0.1*	*0.2*	*-0.3*	*0.2*	*0.2*	*0.3*	
Education & Health Services	772.1	772.4	775.3	775.3	777.3	776.5	778.0	775.8	778.6	779.0	780.3	780.2	781.8	1.3
% change	*0.2*	*0.0*	*0.4*	*0.0*	*0.3*	*-0.1*	*0.2*	*-0.3*	*0.4*	*0.1*	*0.2*	*0.0*	*0.2*	
Leisure & Hospitality Services	531.7	532.0	534.1	536.0	532.0	536.7	540.5	539.6	538.6	540.2	538.6	539.3	538.7	1.3
% change	*0.2*	*0.1*	*0.4*	*0.4*	*-0.7*	*0.9*	*0.7*	*-0.2*	*-0.2*	*0.3*	*-0.3*	*0.1*	*-0.1*	
Other Services	261.2	261.1	260.3	259.9	259.6	260.2	260.0	258.7	258.2	258.4	258.9	261.1	261.4	0.1
% change	*0.5*	*0.0*	*-0.3*	*-0.2*	*-0.1*	*0.2*	*-0.1*	*-0.5*	*-0.2*	*0.1*	*0.2*	*0.8*	*0.1*	
Government	841.0	840.8	846.1	845.2	846.9	842.0	843.4	841.5	842.6	848.4	844.6	842.8	843.7	0.3
% change	*-0.2*	*0.0*	*0.6*	*-0.1*	*0.2*	*-0.6*	*0.2*	*-0.2*	*0.1*	*0.7*	*-0.4*	*-0.2*	*0.1*	
														1 Year Change
Unemployment Rate (%, SA)	4.1	4.6	4.8	4.2	4.8	4.8	5.1	5.2	5.4	5.1	5.3	5.2	5.5	1.4
														Most Recent Yr/Yr % Change
Labor Force (Ths)	6,681.6	6,704.9	6,677.3	6,652.4	6,670.5	6,675.2	6,725.6	6,736.7	6,719.5	6,758.9	6,739.3	6,790.0	6,794.9	1.7
% change	*0.2*	*0.3*	*-0.4*	*-0.4*	*0.3*	*0.1*	*0.8*	*0.2*	*-0.3*	*0.6*	*-0.3*	*0.8*	*0.1*	
Number of Unemployed (Ths)	275.4	307.5	318.9	281.6	318.4	321.0	344.9	353.4	363.8	346.0	356.3	351.1	372.0	35.1
% change	*2.2*	*11.7*	*3.7*	*-11.7*	*13.0*	*0.8*	*7.4*	*2.5*	*2.9*	*-4.9*	*3.0*	*-1.4*	*5.9*	
Number of Employed (Ths)	6,406.3	6,397.4	6,358.4	6,370.8	6,352.1	6,354.2	6,380.7	6,383.3	6,355.8	6,412.9	6,383.1	6,438.9	6,423.0	0.3
% change	*0.1*	*-0.1*	*-0.6*	*0.2*	*-0.3*	*0.0*	*0.4*	*0.0*	*-0.4*	*0.9*	*-0.5*	*0.9*	*-0.2*	
Total Residential Permits (# of units YTD, NSA)	59,121	4,371	7,655	11,977	15,419	19,900	24,129	27,732	30,967	34,366	37,640	40,096	na	-28.4
year to year % change	*-12.9*	*-10.1*	*-23.5*	*-24.2*	*-27.1*	*-27.2*	*-26.4*	*-27.6*	*-29.1*	*-28.5*	*-28.4*	*-28.4*	*na*	
Single-family, (# of units YTD, NSA)	39,485	1,623	3,067	5,713	8,185	11,293	13,925	16,389	18,562	20,356	22,476	23,802	na	-36.6
year to year % change	*-19.6*	*-38.1*	*-43.3*	*-41.3*	*-40.4*	*-37.8*	*-36.7*	*-35.8*	*-36.4*	*-36.8*	*-36.3*	*-36.6*	*na*	
Multifamily, (# of units YTD, NSA)	19,636	2,748	4,588	6,264	7,234	8,607	10,204	11,343	12,405	14,010	15,164	16,294	na	-11.7
year to year % change	*4.6*	*22.7*	*-0.1*	*3.3*	*-2.5*	*-6.3*	*-5.3*	*-11.5*	*-14.5*	*-11.5*	*-12.2*	*-11.7*	*na*	
5 +, (# of units YTD, NSA)	16,023	2,544	4,286	5,695	6,461	7,618	8,875	9,870	10,720	12,140	13,038	13,947	na	-7.4
year to year % change	*15.2*	*42.6*	*12.3*	*15.0*	*6.9*	*2.5*	*1.3*	*-5.5*	*-9.3*	*-5.6*	*-7.4*	*-7.4*	*na*	
														Most Recent Yr/Yr % Change
Avg. Hrly Earnings: Mfg, ($ Per Hr, SA)	16.19	16.29	16.24	16.35	16.39	16.39	16.49	16.52	16.64	16.72	16.69	16.56	16.48	1.7
% change	*0.1*	*0.6*	*-0.3*	*0.7*	*0.3*	*-0.1*	*0.6*	*0.2*	*0.8*	*0.5*	*-0.2*	*-0.7*	*-0.5*	

Illinois

Recent Quarterly Performance

	04Q4	05Q1	05Q2	05Q3	05Q4	06Q1	06Q2	06Q3	06Q4	07Q1	07Q2	07Q3	07Q4	Most Recent Yr/Yr % Change
Gross State Product (Bil Constant$, SAAR)	491.6	491.3	489.6	493.6	494.8	507.9	504.9	504.6	510.7	516.9	520.7	525.1	527.3	3.2
% change	*0.4*	*0.0*	*-0.3*	*0.8*	*0.3*	*2.6*	*-0.6*	*0.0*	*1.2*	*1.2*	*0.7*	*0.8*	*0.4*	
Establishment Employment (Ths, SA)														
Total Employment	5,834.2	5,836.5	5,852.7	5,874.3	5,883.9	5,919.1	5,928.7	5,938.7	5,945.7	5,973.9	5,988.1	5,987.7	5,986.5	0.7
% change	*0.3*	*0.0*	*0.3*	*0.4*	*0.2*	*0.6*	*0.2*	*0.2*	*0.1*	*0.5*	*0.2*	*0.0*	*0.0*	
Natural Resources & Mining	9.4	9.5	9.7	10.0	10.2	10.5	10.2	10.1	10.1	10.2	10.5	10.2	10.2	1.7
% change	*-1.4*	*1.1*	*2.5*	*3.1*	*2.3*	*2.3*	*-2.2*	*-1.3*	*-0.3*	*1.7*	*2.3*	*-2.9*	*0.7*	
Construction	271.5	269.1	268.6	267.9	268.6	278.2	277.8	274.6	273.0	279.5	280.2	276.2	274.2	0.4
% change	*0.8*	*-0.9*	*-0.2*	*-0.3*	*0.3*	*3.6*	*-0.2*	*-1.2*	*-0.6*	*2.4*	*0.2*	*-1.4*	*-0.7*	
Manufacturing	696.0	691.5	690.0	686.8	684.4	684.9	682.3	682.6	682.5	679.4	679.1	679.7	673.4	-1.3
% change	*-0.3*	*-0.6*	*-0.2*	*-0.5*	*-0.3*	*0.1*	*-0.4*	*0.0*	*0.0*	*-0.4*	*0.0*	*0.1*	*-0.9*	
Trade, Transportation, & Utilities	1,182.9	1,183.1	1,186.1	1,188.4	1,189.7	1,195.5	1,197.7	1,199.4	1,197.4	1,201.6	1,202.5	1,198.9	1,200.6	0.3
% change	*0.2*	*0.0*	*0.3*	*0.2*	*0.1*	*0.5*	*0.2*	*0.1*	*-0.2*	*0.3*	*0.1*	*-0.3*	*0.1*	
Retail Trade	625.3	625.2	626.3	627.4	626.4	628.8	628.5	628.0	625.1	630.0	629.5	624.6	624.9	0.0
% change	*0.1*	*0.0*	*0.2*	*0.2*	*-0.2*	*0.4*	*-0.1*	*-0.1*	*-0.5*	*0.8*	*-0.1*	*-0.8*	*0.0*	
Wholesale Trade	301.0	300.6	302.4	303.8	304.8	306.8	308.0	308.6	308.7	309.5	310.8	313.0	313.6	1.6
% change	*0.4*	*-0.2*	*0.6*	*0.5*	*0.3*	*0.7*	*0.4*	*0.2*	*0.0*	*0.2*	*0.4*	*0.7*	*0.2*	
Transportation & Utilities	256.6	257.3	257.4	257.2	258.5	259.8	261.2	262.8	263.6	262.1	262.2	261.2	262.1	-0.6
% change	*0.3*	*0.3*	*0.0*	*-0.1*	*0.5*	*0.5*	*0.5*	*0.6*	*0.3*	*-0.6*	*0.0*	*-0.4*	*0.3*	
Information Services	119.3	119.4	118.7	118.1	116.6	117.1	116.9	116.4	115.6	116.4	116.2	115.4	115.1	-0.5
% change	*-0.4*	*0.1*	*-0.6*	*-0.5*	*-1.2*	*0.4*	*-0.1*	*-0.5*	*-0.7*	*0.7*	*-0.2*	*-0.7*	*-0.3*	
Financial Services	399.4	399.2	401.5	402.9	404.1	404.5	404.9	405.7	407.4	409.9	410.3	411.0	410.1	0.7
% change	*0.1*	*-0.1*	*0.6*	*0.3*	*0.3*	*0.1*	*0.1*	*0.2*	*0.4*	*0.6*	*0.1*	*0.2*	*-0.2*	
Professional & Business Services	806.7	816.5	821.8	828.9	839.2	846.8	852.9	855.7	855.4	864.1	871.7	876.4	879.2	2.8
% change	*0.6*	*1.2*	*0.6*	*0.9*	*1.2*	*0.9*	*0.7*	*0.3*	*0.0*	*1.0*	*0.9*	*0.5*	*0.3*	
Education & Health Services	735.8	739.1	743.6	747.6	750.6	755.3	759.6	764.4	770.9	774.3	777.3	777.8	780.8	1.3
% change	*0.7*	*0.4*	*0.6*	*0.5*	*0.4*	*0.6*	*0.6*	*0.6*	*0.8*	*0.4*	*0.4*	*0.1*	*0.4*	
Leisure & Hospitality Services	508.5	507.5	512.4	513.9	515.3	520.6	521.8	523.3	531.0	534.0	536.4	539.5	538.9	1.5
% change	*0.2*	*-0.2*	*1.0*	*0.3*	*0.3*	*1.0*	*0.2*	*0.3*	*1.5*	*0.6*	*0.4*	*0.6*	*-0.1*	
Other Services	259.6	256.2	258.3	259.6	259.5	259.5	258.9	258.9	260.5	260.4	259.9	258.4	260.5	0.0
% change	*-0.1*	*-1.3*	*0.8*	*0.5*	*-0.1*	*0.0*	*-0.2*	*0.0*	*0.6*	*0.0*	*-0.2*	*-0.6*	*0.8*	
Government	845.2	845.4	842.1	850.2	845.7	846.2	845.6	847.6	842.1	844.0	844.1	844.2	843.7	0.2
% change	*0.2*	*0.0*	*-0.4*	*1.0*	*-0.5*	*0.1*	*-0.1*	*0.2*	*-0.6*	*0.2*	*0.0*	*0.0*	*-0.1*	
														1 Year Change
Unemployment Rate (%, SA)	6.1	5.9	5.9	5.7	5.3	5.0	4.5	4.4	4.1	4.5	4.9	5.2	5.3	1.3
														Most Recent Yr/Yr % Change
Labor Force (Ths)	6,440.0	6,455.9	6,472.5	6,494.1	6,512.7	6,553.7	6,585.5	6,642.4	6,671.8	6,678.2	6,690.4	6,738.4	6,774.8	1.5
% change	*0.3*	*0.2*	*0.3*	*0.3*	*0.3*	*0.6*	*0.5*	*0.9*	*0.4*	*0.1*	*0.2*	*0.7*	*0.5*	
Number of Unemployed (Ths)	391.4	381.4	383.0	371.1	347.8	327.2	299.2	290.8	273.4	302.7	328.1	354.4	359.8	31.6
% change	*-0.8*	*-2.6*	*0.4*	*-3.1*	*-6.3*	*-5.9*	*-8.6*	*-2.8*	*-6.0*	*10.7*	*8.4*	*8.0*	*1.5*	
Number of Employed (Ths)	6,048.5	6,074.5	6,089.5	6,123.0	6,164.9	6,226.5	6,286.4	6,351.6	6,398.4	6,375.5	6,362.4	6,384.0	6,415.0	0.3
% change	*0.4*	*0.4*	*0.2*	*0.5*	*0.7*	*1.0*	*1.0*	*1.0*	*0.7*	*-0.4*	*-0.2*	*0.3*	*0.5*	
Total Residential Permits (# of units YTD, NSA)	62,576	12,680	30,949	50,647	67,852	15,793	32,774	48,037	59,121	11,977	24,129	34,366	na	-28.5
year to year % change	*1.9*	*1.4*	*2.6*	*6.2*	*8.4*	*24.6*	*5.9*	*-5.2*	*-12.9*	*-24.2*	*-26.4*	*-28.5*	*na*	
Single-family, (# of units YTD, NSA)	48,898	9,018	23,190	37,704	49,084	9,731	22,004	32,199	39,485	5,713	13,925	20,356	na	-36.8
year to year % change	*11.6*	*-9.0*	*-3.1*	*-1.1*	*0.4*	*7.9*	*-5.1*	*-14.6*	*-19.6*	*-41.3*	*-36.7*	*-36.8*	*na*	
Multifamily, (# of units YTD, NSA)	13,678	3,662	7,759	12,943	18,768	6,062	10,770	15,838	19,636	6,264	10,204	14,010	na	-11.5
year to year % change	*-22.2*	*41.5*	*24.8*	*35.2*	*37.2*	*65.5*	*38.8*	*22.4*	*4.6*	*3.3*	*-5.3*	*-11.5*	*na*	
5 +, (# of units YTD, NSA)	9,500	2,539	5,452	9,238	13,906	4,951	8,762	12,854	16,023	5,695	8,875	12,140	na	-5.6
year to year % change	*-30.7*	*51.6*	*27.4*	*39.5*	*46.4*	*95.0*	*60.7*	*39.1*	*15.2*	*15.0*	*1.3*	*-5.6*	*na*	
														Most Recent Yr/Yr % Change
Existing Single-Family Home Sales (Ths, SAAR)	277.7	270.9	280.3	285.9	280.8	280.4	268.6	248.3	236.5	249.2	224.1	206.9	na	-16.7
% change	*0.0*	*-2.5*	*3.5*	*2.0*	*-1.8*	*-0.1*	*-4.2*	*-7.6*	*-4.8*	*5.4*	*-10.1*	*-7.7*	na	
Home Price Index (Index 1980Q1 = 100, NSA)	327.5	334.2	342.6	349.9	357.8	364.3	369.3	374.2	378.8	382.2	383.4	383.4	na	2.5
% change	*1.5*	*2.1*	*2.5*	*2.1*	*2.2*	*1.8*	*1.4*	*1.3*	*1.2*	*0.9*	*0.3*	*0.0*	*na*	
Median Existing Home Sales Price (Ths, SA)	201.3	205.7	214.7	221.5	223.9	227.2	224.8	224.5	224.6	229.7	228.1	229.1	na	2.0
% change	*1.1*	*2.2*	*4.4*	*3.2*	*1.1*	*1.5*	*-1.1*	*-0.1*	*0.0*	*2.3*	*-0.7*	*0.4*	*na*	
Personal Income (Mil $, SAAR)	457,137	456,347	461,397	467,175	471,729	483,025	489,447	492,904	500,312	512,567	517,609	523,987	na	6.3
% change	*2.3*	*-0.2*	*1.1*	*1.3*	*1.0*	*2.4*	*1.3*	*0.7*	*1.5*	*2.4*	*1.0*	*1.2*	*na*	
Wages & Salaries (Mil. $)	258,635	259,721	261,939	265,718	267,500	275,272	276,322	277,923	284,221	290,145	292,239	295,207	na	6.2
% change	*1.4*	*0.4*	*0.9*	*1.4*	*0.7*	*2.9*	*0.4*	*0.6*	*2.3*	*2.1*	*0.7*	*1.0*	*na*	
Nonwage Income (Mil. $)	198,502	196,626	199,458	201,457	204,229	207,753	213,125	214,981	216,091	222,422	225,370	228,780	*na*	6.4
% change	*3.5*	*-0.9*	*1.4*	*1.0*	*1.4*	*1.7*	*2.6*	*0.9*	*0.5*	*2.9*	*1.3*	*1.5*	*na*	
Avg. Hrly Earnings: Mfg ($ Per Hr, SA)	15.68	15.76	15.82	15.90	15.90	15.95	15.97	16.04	16.17	16.29	16.42	16.63	16.57	2.5
% change	*0.2*	*0.5*	*0.4*	*0.5*	*0.0*	*0.4*	*0.1*	*0.5*	*0.8*	*0.8*	*0.8*	*1.2*	*-0.3*	
Personal Bankruptcies (# 3-Month Ending, SAAR)	73,421	80,632	103,148	105,749	131,112	23,899	33,292	30,391	31,623	38,340	45,117	39,145	na	28.8

Illinois

Recent Annual Performance

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	5 Yr. Average Annual % Change
Gross State Product (Bil Constant$, SAAR)	425.0	440.0	452.9	464.2	464.9	466.2	479.3	488.0	492.3	507.0	522.5	2.3
% change	*4.7*	*3.5*	*2.9*	*2.5*	*0.2*	*0.3*	*2.8*	*1.8*	*0.9*	*3.0*	*3.0*	
Establishment Employment (Ths, SA)												
Total Employment	5,774.5	5,902.4	5,962.7	6,044.7	5,995.7	5,883.7	5,810.7	5,815.8	5,861.9	5,933.0	5,984.0	0.3
% change	*1.5*	*2.2*	*1.0*	*1.4*	*-0.8*	*-1.9*	*-1.2*	*0.1*	*0.8*	*1.2*	*0.9*	
Natural Resources & Mining	11.8	11.0	10.6	9.9	10.0	9.7	9.4	9.4	9.9	10.2	10.3	1.2
% change	*na*	*-6.6*	*-4.2*	*-6.7*	*1.3*	*-3.2*	*-2.6*	*-0.6*	*5.2*	*3.7*	*0.6*	
Construction	235.4	244.8	255.9	269.7	277.3	277.5	274.8	270.0	268.5	275.9	277.5	0.0
% change	*2.8*	*4.0*	*4.5*	*5.4*	*2.8*	*0.1*	*-1.0*	*-1.7*	*-0.6*	*2.7*	*0.6*	
Manufacturing	902.3	906.0	882.2	870.6	815.5	754.0	714.1	697.2	688.2	683.1	677.9	-2.1
% change	*0.4*	*0.4*	*-2.6*	*-1.3*	*-6.3*	*-7.5*	*-5.3*	*-2.4*	*-1.3*	*-0.7*	*-0.8*	
Trade, Transportation, & Utilities	1,208.2	1,216.7	1,230.3	1,247.6	1,231.8	1,197.8	1,182.9	1,180.1	1,186.8	1,197.5	1,200.9	0.1
% change	*0.8*	*0.7*	*1.1*	*1.4*	*-1.3*	*-2.8*	*-1.2*	*-0.2*	*0.6*	*0.9*	*0.3*	
Retail Trade	639.0	634.4	641.8	650.6	643.4	631.7	625.3	625.2	626.3	627.6	627.3	0.3
% change	*na*	*-0.7*	*1.2*	*1.4*	*-1.1*	*-1.8*	*-1.0*	*0.0*	*0.2*	*0.2*	*-0.1*	
Wholesale Trade	307.2	313.6	317.1	320.8	316.6	307.3	303.0	299.9	302.9	308.0	311.7	-0.1
% change	*na*	*2.1*	*1.1*	*1.2*	*-1.3*	*-2.9*	*-1.4*	*-1.0*	*1.0*	*1.7*	*1.2*	
Transportation & Utilities	262.0	268.7	271.4	276.1	271.7	258.8	254.6	255.0	257.6	261.9	261.9	0.2
% change	*na*	*2.5*	*1.0*	*1.7*	*-1.6*	*-4.8*	*-1.6*	*0.2*	*1.0*	*1.7*	*0.0*	
Information Services	147.3	150.2	147.9	147.6	147.3	137.2	127.5	120.8	118.2	116.5	115.7	-3.3
% change	*3.1*	*2.0*	*-1.6*	*-0.2*	*-0.2*	*-6.8*	*-7.0*	*-5.2*	*-2.2*	*-1.4*	*-0.7*	
Financial Services	394.3	400.6	405.6	404.0	403.6	400.6	401.7	399.4	401.9	405.6	410.3	0.5
% change	*2.8*	*1.6*	*1.2*	*-0.4*	*-0.1*	*-0.7*	*0.3*	*-0.6*	*0.6*	*0.9*	*1.2*	
Professional & Business Services	732.9	785.7	817.3	842.7	820.7	791.4	777.3	798.6	826.6	852.7	872.8	2.0
% change	*6.0*	*7.2*	*4.0*	*3.1*	*-2.6*	*-3.6*	*-1.8*	*2.7*	*3.5*	*3.2*	*2.4*	
Education & Health Services	642.6	661.3	664.9	681.1	697.1	710.6	718.0	729.9	745.2	762.5	777.5	1.8
% change	*1.1*	*2.9*	*0.6*	*2.4*	*2.4*	*1.9*	*1.1*	*1.6*	*2.1*	*2.3*	*2.0*	
Leisure & Hospitality Services	460.3	472.7	479.1	486.6	491.1	492.0	497.3	506.1	512.3	524.2	537.2	1.8
% change	*0.7*	*2.7*	*1.4*	*1.6*	*0.9*	*0.2*	*1.1*	*1.8*	*1.2*	*2.3*	*2.5*	
Other Services	231.1	237.4	243.4	245.3	251.1	252.0	254.4	259.7	258.4	259.5	259.8	0.6
% change	*1.5*	*2.7*	*2.5*	*0.8*	*2.4*	*0.3*	*1.0*	*2.1*	*-0.5*	*0.4*	*0.1*	
Government	808.4	816.1	825.6	839.7	850.4	861.0	853.2	844.6	845.8	845.4	844.0	-0.4
% change	*-0.1*	*1.0*	*1.2*	*1.7*	*1.3*	*1.2*	*-0.9*	*-1.0*	*0.1*	*-0.1*	*-0.2*	
												5 Year Change
Unemployment Rate (%)	4.8	4.5	4.4	4.5	5.4	6.5	6.7	6.2	5.7	4.5	5.0	0.5
												5 Yr. Average Annual % Change
Labor Force (Ths)	6,290.8	6,330.7	6,429.5	6,467.7	6,464.5	6,387.1	6,370.3	6,410.4	6,483.8	6,613.3	6,720.4	1.0
% change	*0.8*	*0.6*	*1.6*	*0.6*	*0.0*	*-1.2*	*-0.3*	*0.6*	*1.1*	*2.0*	*1.6*	
Number of Unemployed (Ths)	302.5	283.6	286.3	290.9	351.0	417.7	427.6	398.0	370.8	297.6	336.2	-4.2
% change	*-8.8*	*-6.2*	*1.0*	*1.6*	*20.7*	*19.0*	*2.4*	*-6.9*	*-6.8*	*-19.7*	*13.0*	
Number of Employed (Ths)	5,988.3	6,047.1	6,143.1	6,176.8	6,113.5	5,969.4	5,942.7	6,012.3	6,113.0	6,315.7	6,384.2	1.4
% change	*1.4*	*1.0*	*1.6*	*0.5*	*-1.0*	*-2.4*	*-0.4*	*1.2*	*1.7*	*3.3*	*1.1*	
												5 Yr. Average
Total Residential Permits (# of units)	46,833	47,209	52,515	52,011	53,900	57,791	61,411	62,576	67,852	59,121	na	61,750
year to year % change	*-6.3*	*0.8*	*11.2*	*-1.0*	*3.6*	*7.2*	*6.3*	*1.9*	*8.4*	*-12.9*	*na*	
Single-family	32,476	35,883	39,456	37,750	38,808	42,200	43,829	48,898	49,084	39,485	na	44,699
year to year % change	*-10.5*	*10.5*	*10.0*	*-4.3*	*2.8*	*8.7*	*3.9*	*11.6*	*0.4*	*-19.6*	*na*	
Multifamily	14,357	11,326	13,059	14,261	15,092	15,591	17,582	13,678	18,768	19,636	na	17,051
year to year % change	*4.8*	*-21.1*	*15.3*	*9.2*	*5.8*	*3.3*	*12.8*	*-22.2*	*37.2*	*4.6*	*na*	
5	9,951	8,023	9,636	11,098	11,876	11,917	13,705	9,500	13,906	16,023	na	13,010
year to year % change	*9.9*	*-19.4*	*20.1*	*15.2*	*7.0*	*0.3*	*15.0*	*-30.7*	*46.4*	*15.2*	*na*	
												5 Yr. Average Annual % Change
Existing Single-Family Home Sales (Ths)	193.0	224.2	226.4	225.8	228.7	243.4	245.4	273.0	279.5	258.4	na	2.5
% change	*5.6*	*16.1*	*1.0*	*-0.3*	*1.3*	*6.4*	*0.8*	*11.3*	*2.4*	*-7.5*	*na*	
Home Price Index (Index 1980Q1 = 100)	216.0	223.2	231.9	246.4	261.4	277.5	292.0	316.8	346.1	371.6	na	7.3
% change	*3.1*	*3.4*	*3.9*	*6.2*	*6.1*	*6.1*	*5.3*	*8.5*	*9.3*	*7.4*	*na*	
Median Existing Home Sales Price (Ths)	125.6	131.9	136.7	141.7	155.0	169.8	179.8	195.9	216.5	225.3	na	7.8
% change	*4.5*	*5.1*	*3.7*	*3.6*	*9.4*	*9.5*	*5.9*	*8.9*	*10.5*	*4.1*	*na*	
Personal Income (Mil $)	337,897	360,095	373,385	400,373	407,254	413,711	426,877	445,269	464,162	491,422	na	3.8
% change	*5.6*	*6.6*	*3.7*	*7.2*	*1.7*	*1.6*	*3.2*	*4.3*	*4.2*	*5.9*	*na*	
Wages & Salaries (Mil. $)	195,411	209,672	222,143	236,026	240,335	240,086	242,598	253,132	263,720	278,435	na	3.0
% change	*7.0*	*7.3*	*5.9*	*6.2*	*1.8*	*-0.1*	*1.0*	*4.3*	*4.2*	*5.6*	*na*	
Nonwage Income (Mil. $)	142,486	150,423	151,241	164,348	166,918	173,625	184,279	192,138	200,443	212,988	na	5.0
% change	*3.7*	*5.6*	*0.5*	*8.7*	*1.6*	*4.0*	*6.1*	*4.3*	*4.3*	*6.3*	*na*	
Avg. Hrly Earnings: Mfg. ($ Per Hr)	na	na	na	na	14.66	14.99	15.20	15.61	15.84	16.03	16.48	1.9
% change	*na*	*na*	*na*	*na*	*na*	*2.2*	*1.4*	*2.7*	*1.5*	*1.2*	*2.8*	

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Personal Bankruptcies	62,163	65,260	62,624	59,934	73,043	80,887	84,177	79,021	105,160	29,801	na	-16.4
% change	*18.0*	*5.0*	*-4.0*	*-4.3*	*21.9*	*10.7*	*4.1*	*-6.1*	*33.1*	*-71.7*	*na*	
Population (Ths)	12,185.7	12,271.8	12,359.0	12,439.2	12,516.7	12,578.3	12,625.2	12,680.1	12,719.5	12,777.0	12,852.5	0.4
% change	*0.7*	*0.7*	*0.7*	*0.6*	*0.6*	*0.5*	*0.4*	*0.4*	*0.3*	*0.5*	*0.6*	
												5 Yr. Average
Net Migration (Ths)	3.4	7.0	7.7	2.7	3.4	-5.8	-21.6	-16.0	-24.9	-7.2	na	-15.1

Illinois
History

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Employment (Ths.)	5,902.4	5,962.7	6,044.7	5,995.7	5,883.7	5,810.7	5,815.8	5,861.9	5,933.0	5,984.6
% Change	*2.2*	*1.0*	*1.4*	*-0.8*	*-1.9*	*-1.2*	*0.1*	*0.8*	*1.2*	*0.9*
Manufacturing	906.0	882.2	870.6	815.5	754.0	714.1	697.2	688.2	683.1	678.8
Construction	244.8	255.9	269.7	277.3	277.5	274.8	270.1	268.5	275.9	277.8
Prof. and Bus. Serv.	785.7	817.3	842.7	820.7	791.4	777.3	798.6	826.6	852.7	872.3
Edu. and Health Serv.	661.3	664.9	681.1	697.1	710.6	718.0	729.9	745.2	762.6	777.1
Leisure and Hospitality	472.7	479.1	486.6	491.1	492.0	497.3	506.1	512.3	524.2	537.6
Other Services	237.4	243.4	245.3	251.1	252.0	254.4	259.7	258.4	259.5	259.3
Trade, Trans. and Util.	1,216.7	1,230.3	1,247.6	1,231.8	1,197.8	1,182.9	1,180.1	1,186.8	1,197.5	1,200.8
Wholesale	313.6	317.1	320.8	316.6	307.3	303.0	299.9	302.9	308.0	311.8
Retail	634.4	641.8	650.6	643.4	631.7	625.3	625.2	626.3	627.6	627.0
Trans. and Util.	268.7	271.4	276.1	271.7	258.8	254.6	255.0	257.6	261.9	262.0
Financial Activities	400.6	405.6	404.0	403.6	400.6	401.7	399.4	401.9	405.6	410.2
Information	150.2	147.9	147.6	147.3	137.2	127.5	120.9	118.2	116.5	115.8
Government	816.1	825.6	839.7	850.4	861.0	853.2	844.6	845.9	845.4	844.7
Natural Res. and Min.	11.0	10.6	9.9	10.0	9.7	9.4	9.4	9.9	10.2	10.3
Unemployment Rate (%)	4.5	4.5	4.5	5.4	6.6	6.7	6.2	5.7	4.5	5.0
Population (Ths.)	12,271.9	12,359.0	12,439.2	12,516.7	12,578.3	12,625.3	12,680.1	12,719.6	12,777.0	12,852.6
% Change	*0.7*	*0.7*	*0.6*	*0.6*	*0.5*	*0.4*	*0.4*	*0.3*	*0.5*	*0.6*
Age: <5	890.7	882.0	876.6	876.6	876.0	882.5	890.1	895.5	895.1	898.8
Age: 5-19	2,685.8	2,717.1	2,730.9	2,725.8	2,710.1	2,701.9	2,694.4	2,685.7	2,682.8	2,686.5
Age: 20-24	818.1	833.8	854.8	872.4	887.4	896.1	902.7	898.0	891.1	885.5
Age: 25-44	3,836.7	3,812.9	3,792.4	3,777.1	3,758.4	3,719.7	3,693.1	3,661.4	3,653.1	3,646.4
Age: 45-64	2,539.4	2,613.4	2,683.7	2,762.4	2,844.3	2,915.1	2,984.8	3,054.5	3,121.7	3,181.4
Age: >65	1,501.2	1,499.8	1,500.9	1,502.5	1,502.1	1,509.9	1,515.0	1,524.4	1,533.2	1,554.0
Households (Ths.)	4,532.1	4,566.9	4,599.1	4,627.8	4,650.6	4,667.9	4,688.2	4,702.8	4,724.0	4,752.0
% Change	*0.8*	*0.8*	*0.7*	*0.6*	*0.5*	*0.4*	*0.4*	*0.3*	*0.5*	*0.6*
Personal Income (Bil. $)	360.1	373.4	400.4	407.3	413.7	426.9	445.3	464.2	491.4	520.2
% Change	*6.6*	*3.7*	*7.2*	*1.7*	*1.6*	*3.2*	*4.3*	*4.2*	*5.9*	*5.9*
Total Residential Permits (#)	47,984.0	53,974.0	51,944.0	54,839.0	60,971.0	62,211.0	59,753.0	66,942.0	58,802.0	43,315.7
% Change	*3.6*	*12.5*	*-3.8*	*5.6*	*11.2*	*2.0*	*-4.0*	*12.0*	*-12.2*	*-26.3*
Single-family Permits	36,177.0	39,228.0	37,817.0	39,362.0	42,545.0	45,379.0	46,207.0	47,705.0	37,903.0	23,987.8
Multifamily Permits	11,807.0	14,746.0	14,127.0	15,477.0	18,426.0	16,832.0	13,546.0	19,237.0	20,899.0	19,327.9

Illinois
Forecast

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	02-07	07-12	12-17
												Annual Growth (%)	
Total Employment (Ths.)	6,019.3	6,061.4	6,126.6	6,159.0	6,169.9	6,172.9	6,172.9	6,167.7	6,158.0	6,149.7	0.3	0.6	-0.1
% Change	*0.6*	*0.7*	*1.1*	*0.5*	*0.2*	*0.0*	*0.0*	*-0.1*	*-0.2*	*-0.1*			
Manufacturing	676.3	674.0	674.4	671.3	665.2	657.7	650.4	643.2	636.6	630.2	-2.1	-0.4	-1.1
Construction	268.6	272.9	280.7	284.2	286.6	289.7	292.3	291.3	285.4	279.8	0.0	0.6	-0.5
Prof. and Bus. Serv.	888.7	903.7	925.9	936.7	942.2	947.2	951.8	956.3	961.3	966.7	2.0	1.6	0.5
Edu. and Health Serv.	788.3	798.8	812.8	823.6	831.2	837.2	842.9	848.2	853.2	858.4	1.8	1.4	0.6
Leisure and Hospitality	551.2	560.8	573.2	583.0	589.2	594.8	599.8	604.5	609.3	614.2	1.8	1.9	0.8
Other Services	259.6	261.6	264.5	266.5	266.9	266.6	265.8	264.7	263.6	262.6	0.6	0.6	-0.3
Trade, Trans. and Util.	1,201.7	1,202.1	1,206.0	1,206.2	1,200.4	1,192.3	1,183.7	1,174.9	1,166.5	1,158.0	0.1	0.0	-0.7
Wholesale	316.4	318.4	321.0	322.3	321.7	320.3	318.5	316.8	315.2	313.8	0.3	0.6	-0.5
Retail	622.5	620.1	619.7	618.1	614.1	609.3	604.4	599.5	594.5	589.3	-0.1	-0.4	-0.8
Trans. and Util.	262.7	263.6	265.3	265.8	264.6	262.7	260.7	258.7	256.7	254.9	0.2	0.2	-0.7
Financial Activities	408.9	409.0	409.4	410.0	408.7	407.2	406.6	406.5	406.4	406.4	0.5	-0.1	-0.1
Information	115.5	116.1	117.1	117.2	117.1	116.8	116.4	115.9	115.4	115.1	-3.3	0.2	-0.3
Government	850.2	852.4	852.5	850.3	852.6	853.8	853.7	852.8	851.3	849.5	-0.4	0.2	-0.1
Natural Res. and Min.	10.2	10.1	10.1	10.0	9.9	9.7	9.5	9.3	9.1	8.9	1.2	-0.9	-2.1
Unemployment Rate (%)	5.9	5.8	5.6	5.4	5.5	5.5	5.6	5.6	5.6	5.6	5.2	5.5	5.6
												Annual Growth (%)	
Population (Ths.)	12,932.9	13,004.6	13,072.8	13,137.3	13,184.3	13,227.9	13,269.3	13,305.3	13,339.7	13,371.4	0.4	0.5	0.3
% Change	*0.6*	*0.6*	*0.5*	*0.5*	*0.4*	*0.3*	*0.3*	*0.3*	*0.3*	*0.2*			
Age: <5	904.5	910.3	916.4	922.3	926.8	930.5	933.3	934.8	935.3	935.0	0.5	0.6	0.2
Age: 5-19	2,687.5	2,684.4	2,676.8	2,670.4	2,664.6	2,661.0	2,660.2	2,661.4	2,666.6	2,677.5	-0.2	-0.2	0.1
Age: 20-24	883.7	887.8	896.0	904.1	910.0	911.0	907.4	897.4	885.1	870.7	0.0	0.5	-0.9
Age: 25-44	3,643.9	3,635.3	3,627.2	3,629.2	3,628.6	3,630.8	3,631.5	3,624.5	3,620.3	3,621.1	-0.6	-0.1	0.0
Age: 45-64	3,232.0	3,283.9	3,336.1	3,368.8	3,368.8	3,367.8	3,372.4	3,381.1	3,387.0	3,381.1	2.3	1.2	0.1
Age: >65	1,581.3	1,602.8	1,620.3	1,642.5	1,685.4	1,726.7	1,764.5	1,806.2	1,845.3	1,886.1	0.7	1.6	2.3
Households (Ths.)	4,783.7	4,813.2	4,847.2	4,881.0	4,910.3	4,938.2	4,963.9	4,985.1	5,001.9	5,013.5	0.4	0.7	0.4
% Change	*0.7*	*0.6*	*0.7*	*0.7*	*0.6*	*0.6*	*0.5*	*0.4*	*0.3*	*0.2*			
Personal Income (Bil. $)	542.4	569.1	598.4	626.2	652.5	678.7	704.8	730.3	755.4	780.6	4.7	4.6	3.7
% Change	*4.3*	*4.9*	*5.1*	*4.6*	*4.2*	*4.0*	*3.8*	*3.6*	*3.4*	*3.3*			
												Average	
Total Residential Permits (#)	30,836	44,175	54,194	53,673	51,929	50,936	47,452	39,382	32,532	28,074	55,432	46,354	41,717
% Change	*-28.8*	*43.3*	*22.7*	*-1.0*	*-3.2*	*-1.9*	*-6.8*	*-17.0*	*-17.4*	*-13.7*			
Single-family Permits	18,470	28,432	33,898	33,907	33,233	33,410	32,403	27,558	22,840	19,649	39,738	28,655	28,182
Multifamily Permits	12,365	15,743	20,296	19,766	18,696	17,525	15,049	11,824	9,691	8,425	15,694	17,699	13,535

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MOODY'S ECONOMY.COM OFFICES

London
Moody's Economy.com (U.K.) Ltd.
2 Minster Court
Mincing Lane
London, UK EC3R 7XB
Tel: +44 (0) 20 7772 5454
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

BACKGROUND

The Commission on Government Forecasting and Accountability (CGFA), a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

1) Preparation of annual revenue estimates with periodic updates;
2) Analysis of the fiscal impact of revenue bills;
3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;
4) Periodic assessment of capital facility plans;
5) Annual estimates of public pension funding requirements and preparation of pension impact notes;
6) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services;
7) Administration of the State Facility Closure Act.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes several reports each year. In addition to a Monthly Briefing, the Commission publishes the "Revenue Estimate and Economic Outlook" which describes and projects economic conditions and their impact on State revenues. The "Bonded Indebtedness Report" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The "Financial Conditions of the Illinois Public Retirement Systems" provides an overview of the funding condition of the State's retirement systems. Also published are an Annual Fiscal Year Budget Summary; Report on the Liabilities of the State Employees' Group Insurance Program; and Report of the Cost and Savings of the State Employees' Early Retirement Incentive Program. The Commission also publishes each year special topic reports that have or could have an impact on the economic well being of Illinois. All reports are available on the Commission's website.

These reports are available from:

Commission on Government Forecasting and Accountability
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

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