State of Illinois
Economic Forecast Report

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Moody's | Economy.com

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State Economic Outlook

January 2009

Illinois

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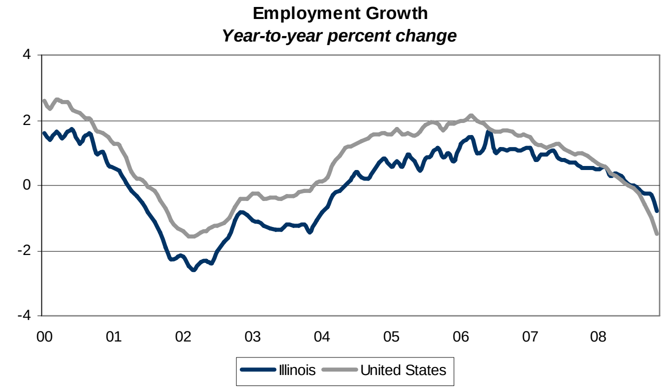
SUMMARY

The Illinois economy is in recession, and conditions will deteriorate through 2009 in step with the U.S. The state's economy held up slightly longer than the U.S. economy but succumbed during the second half of last year, with employment falling by more than 114,000. However, on a year-over-year basis, the rate of job loss has not yet deteriorated as much as it did during the early part of the decade. Real output also eroded during the second half of the year. Payrolls are falling across the board but have been greatest in construction and manufacturing, which accounted for one-half of job losses during the past 12 months. The unemployment rate has increased by 3.4 percentage points to 7.6% over the past two years. The Illinois economy will slide deeper this year and rebound in 2010 in line with the nation. Over the long term, the state 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 Illinois economy fell into recession last summer, according to Moody's Economy.com methodology, which combines estimated production and employment. While payroll data indicate that the state's economy held up somewhat longer than the U.S. economy, which began to decline in late 2007, the Quarterly Census of Employment and Wages and household data suggest that Illinois's downturn began sooner. Moreover, even payroll data indicate that the state has made up for lost time. While payrolls were down 1.9% nationally in December compared with a year earlier, they were off 1.7% in Illinois.



Source: Bureau of Labor Statistics

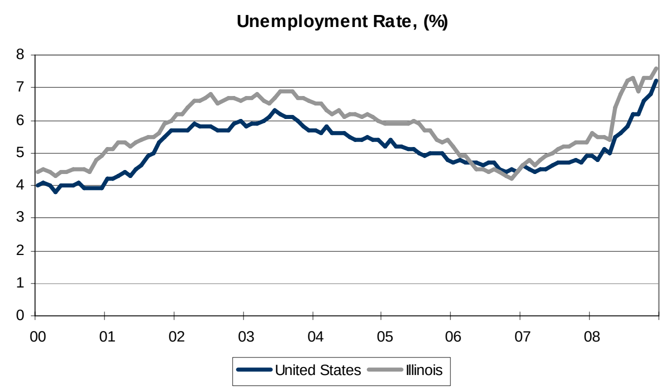
Illinois Employment, Recent Performance December 2008					
	Annualized growth rate				
	3-mo	6-mo	12-mo	5 yr	10 yr
Total	-5.5	-3.4	-1.7	0.3	-0.1
Construction	-33.3	-20.4	-12.7	-2.9	-0.9
Manufacturing	-8.0	-4.5	-2.7	-1.3	-3.1
Wholesale Trade	-5.5	-2.2	-0.8	0.6	-0.2
Retail Trade	-6.8	-5.6	-2.0	0.0	-0.3
Transportation and Utilities	-1.3	-2.3	-0.3	0.8	-0.2
Information	-0.7	-3.9	-2.2	-2.0	-2.7
Financial Activities	-2.8	-2.4	-2.4	-0.3	-0.2
Professional and Business Services	-7.0	-4.1	-1.1	1.9	0.7
Education and Health Services	-0.2	-0.2	0.8	1.8	1.7
Leisure and Hospitality	-5.7	-3.9	-1.6	0.7	0.8
Government	-0.3	1.1	0.0	0.1	0.4
	Percent				
Unemployment rate	7.4	7.3	6.6	5.6	5.6

- Construction, financial services, and manufacturing payrolls began to weaken much sooner than mid-2008. As their woes spread to the rest of the economy such industries as leisure/hospitality and professional/business services began to contract as well. The most resilient education/healthcare concentration has not yet begun to lose jobs on net, but net gains are no longer taking place. Likewise, state and local payrolls are flat.

- The universal count of employment from the Quarterly Census of Employment and Wages through the second quarter of 2008 suggests that the state's payroll data will undergo a downward significant revision. Downward revisions can be expected in such industries as manufacturing, trade, and business and financial services. Other industries such as education services, restaurants, and utilities performed better than preliminary estimates had indicated.

- Household employment through December also appears weaker than payroll employment. This is in contrast to the nation. Household employment fell by 4% during the course of the year, twice as strongly as payroll employment.

- Consistent with a contracting economy, the unemployment rate has surged by 3.4 percentage points since it bottomed out in late 2006 at 4.3%. The December rate of 7.6% is 0.4 percentage point higher than the U.S. rate, but below the rate of 8.2% in the Great Lakes states. Illinois's unemployment rate fell lower than the U.S. rate during the best of times and is now climbing higher than the U.S. rate. During the downturn at the start of the decade, Illinois's jobless rate also rose well above the U.S. average. The current unemployment rate surpasses the peak of the early 2000s' recession, but not yet the peak reached during the recession of the 1990s. However, since the unemployment rate is a lagging indicator, the sharp rise seen already bodes ill for the coming year or two.



Source: Bureau of Labor Statistics

- The increase in the unemployment rate corresponds to an addition of 225,000 unemployed residents since late 2006. By the end of 2008, more than half a million residents identified themselves as unemployed. However, the number of idle residents is likely much higher, because not only has unemployment risen precipitously but the number of workers in the labor force (those employed or unemployed and searching for work) has fallen sharply. Assuming that these workers did not leave the state, this raises the number of unemployed by about 184,000. Assuming that all of these workers would rather be working, rather than out of the labor force for such reasons as schooling, disability, retirement or family commitment, the true unemployment rate in the state is around 10%. The labor force also contracted during the downturns in the early 1990s and 2000s.

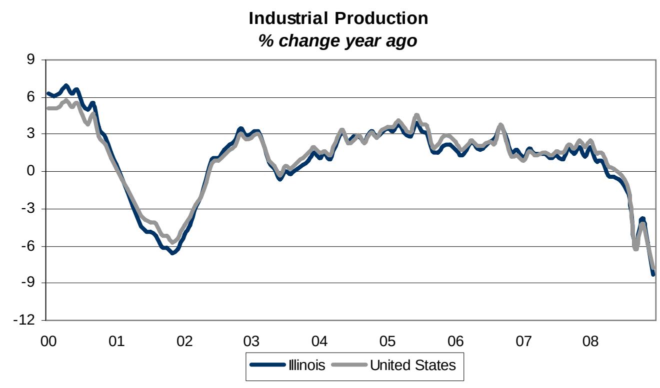
- The rapid deterioration of the Illinois economy is further evident in the jump in unemployment insurance filings in recent months, from an average of 64,000 monthly during the first half of 2008, to 96,000 in December. The December total is 65% higher than the total a year earlier and the highest since the early 1980s. During the four weeks ending January 17, claims are 50% higher than a year ago.

- The contraction of the employment base is also weighing on income in the state. Following the second-quarter boost from the federal stimulus package, income declined by 4% on an annualized base during the third quarter. Weakened employment and income are weighing on consumer spending. New vehicle registrations, for example, declined from an average of 55,000 between 2004 and 2007 to only 40,000. Weaker sales are also suggested in the decline in sales tax of 6.7% in the fourth quarter compared with a year earlier. The deepening economic recession in Illinois will likely to lead to declines over the next year or two. During the recession at the start of the decade sales tax revenue fell as well.

- The housing market correction continues in Illinois with both existing-home sales and permitting falling more sharply in Illinois than in the U.S. Permitting has fallen by nearly 85% from peak, compared with 75% nationally, and home sales have declined by more than 40%, compared with 30% nationally. The collapse in home construction and sales has taken a toll on housing-related industries, which have shed nearly 8% of their workforce, or 47,000 jobs.

- Nonresidential construction is also declining due to the decline in credit availability as well as weaker demand conditions. Commercial developers have been forced to cancel or delay projects as a result. Moreover, rising vacancies of office, retail and industrial space, which have placed downward pressure on rents, reduce the justification for launching new projects. During the expansion of the 2000s, a considerable amount of new warehouse space was added in northern Illinois, particularly Will County. As manufacturing slows, businesses fail, and consumer spending weakens, the need for space has diminished.

- Manufacturing activity as measured by the Chicago purchasing manager's index and estimated by Moody's Economy.com indicates a sharp slowdown during the second half of 2008. Through the third quarter, about half of regional manufacturers were increasing activity, while half were contracting. By year-end, the share swung with nearly two-thirds decreasing activity and production. A similar decline in new orders insures that conditions are remaining poor at the start of this year.



Source: Moody's Economy.com, Inc.

- Although prices of corn and soybeans are no longer surging, they remain higher than their historic averages. In addition, at least through the third quarter of 2008, Illinois farmers continued to benefit from strong exports although prices for corn and soybeans have fallen from their peaks. The value of agricultural exports was up 40% over a year ago. The relatively weak U.S. dollar is contributing to sustained export growth.

- Across metro areas in the state, based on payroll data, only the Chicago economy has weakened palpably over the past year and its unemployment rate has shot up to 7.3%, the highest since 2002. The Decatur and Bloomington economies saw sharp reversals at year-end. Other metro areas are holding relatively steady. However, household data belie the more sanguine results from the payroll data as household employment is falling throughout the state. Not only is household employment falling, but the surging unemployment rates also indicate the stress under which the local economies find themselves. Rockford's and Kankakee's unemployment rate stood at 11% year-end 2008, much higher than during either of the last two recessions. And no metro area has an unemployment rate lower than 6%.

NEAR-TERM OUTLOOK (back to top)

- The Illinois economy will remain in recession through most of 2009. Payrolls will decline by more than 210,000 peak to trough, about twice the number of losses that has already occurred. This amounts to a 3.5% loss, comparable to the loss expected for the U.S. Job losses will be broad-based across industries, with the largest shares in professional/business services, manufacturing, leisure/hospitality and retail trade. The economy will slowly begin to turn around in 2010. The unemployment rate will not peak until mid-2010, near 11%. Nominal income growth will bottom out in mid-2009 at 1.3%. Fiscal 2009 real GSP will decline by 1.5%, somewhat less than the U.S.

- Mirroring nationwide trends, the recession of the Illinois economy is expected to be its worst downturn since the early 1980s. At that time, the state's employment base contracted peak to trough by nearly 10%, and the unemployment rate peaked at 13%.

- The severity of the current recession is tempered by the change in the structure of the Illinois economy. At the end of the 1970s, nearly one-quarter of the workforce was involved in manufacturing. The state lost about 283,000 manufacturing jobs between 1978 and 1983. Then again, between 1998 and 2004, nearly 220,000 more were lost. Even though manufacturing jobs are again being shed, they only made up 11% of the employment base in 2008, and the magnitude of job losses is far smaller than it was earlier in the decade.

- Housing-related industries (construction, building materials, mortgage lenders, real estate, etc.) are taking a beating that rivals their decline in the early 1980s when the surge in interest rates devastated demand for housing and new construction activity. The impetus for the current decline is completely different but nearly as devastating. Irresponsible lending and overbuilding are to blame this time around. Illinois lost 64,000 housing-related jobs between 1980 and 1983. Between 2006 and 2009, it is expected to lose 53,000 housing-related jobs.

- Business and professional services are another group of industries that will be hard hit during the recession. However, the losses were greater in the recession earlier in the decade as the Chicago area, in particular, lost thousands of tech and telecom jobs. In contrast, most of the losses during the current recession will be in lower paying business service jobs such as temp help.

- Among industries that will undergo a more dramatic decline than experienced in previous recessions that the state has endured is the restructuring that is occurring in financial services. 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. But the largest hit to the industry came from the Bank of America's purchase of LaSalle Bank. Although Illinois's banks have already shed some 12,000 jobs, the adjustment is only half complete, and considerable risks remain as improving bank balance sheets and unfreezing credit markets are proving to be difficult despite an array of programs implemented by the Fed and Treasury. The unfreezing of credit is complicated by the fact that the rapidly weakening employment situation is resulting in a surge in bad credit. This is resulting in persistent pressure on bank balance sheets.

- The loss of wealth, home equity, and in some cases homes and jobs combined with the difficulty securing credit is also having a devastating effect on Illinois's retailers. The magnitude of loss will be about equal to that suffered during the early 1990s, the last time real consumer spending contracted as it did in 2008.

- An important difference between the current recession and the last one of similar severity, the recession of the early 1980s, is that Illinois suffered through a decade of declining or very weak population growth as a result, as households moved out of the state to parts of the country with better employment prospects. This is less of a risk in coming years since the current downturn has unusual breadth across most of the nation. There are few parts of the country that are not in recession currently, and those that have remained resilient such as North Dakota and Texas will lose that resilience this year.

- Chicago is expected to shed 130,000 jobs from the peak in early 2008 to the trough in the third quarter of this year. Chicago's cyclical sensitivity is very high through its transportation, tourism, manufacturing, financial services, and business service. Many of its corporate citizens are undergoing substantial restructuring. United Airlines and American Airlines have cut flights through O'Hare International Airport and passenger traffic has declined in double digits. Responding to the decline in passenger traffic, United Airlines plans to slash 7,000 positions by the end of 2009; 700 mechanics jobs, including about 150 in Chicago, were eliminated at the beginning of the year. American will reduce its staff by 1,700 staff reduction, of which Chicago's hit is likely to exceed 2,000 jobs. The two airlines already eliminated more than 1,000 jobs from its O'Hare operations in 2008.

- Cargo shipments are falling even faster than passenger traffic at O'Hare International Airport. The airport reported that cargo tonnage dropped by 18% in October (last month for which data are available). DHL Express has decided to end overnight service within the U.S. This could affect staffing at its two Chicago area facilities. Other freight companies are under pressure due to weaker cargo traffic. Active Air Freight LLC, for example, is no longer hiring. Passenger traffic has declined by 11% in part because United Airlines and American Airlines cut flights.

- Among other restructuring moves, Motorola Inc. is cutting 4,000 jobs although the exact location of the cuts has not been publicized. Walgreen will eliminate 1,000 management positions. University of Chicago Medical Center plans to lay off hundreds of employees. CDW, the computer company, will lay off several hundred workers and Instrument Associates, a maker of factory equipment, will reduce staffing. Abbott Labs has also been cutting back as well. Chicago-based Smurfit-Stone Corporation, the largest packaging company in the nation, is filing for bankruptcy.

- The outlook for business and leisure travel to Chicago has soured. Fewer tourists from around the nation and abroad will visit the metro area, and business travel will moderate as companies tighten their belts. Businesses are canceling visits or sending fewer representatives to meetings and trade shows. Fewer visitors are coming to the Chicago's amusement parks and museums, spurring discounting and promotions. Although room bookings related to conventions are up 3% for 2009, companies may further pare the number of people they send to conventions

- Hotel occupancy rates fell measurably in recent months and for the year were at their lowest since 2004. The Chicago-area hotel occupancy rate fell to 63.5% in 2008, down from 67.6% in 2007. The situation for the hospitality industry is being somewhat contained by a slowdown in new hotel development but revenues nonetheless declined by 4.5% last year. Conditions will deteriorate further this year as hotel operators are forced to cut room rates to bolster occupancy.

- The outlook for tourism elsewhere in the state many not be as poor as for Chicago since downstate venues depend less on spending from outside the state or country. If Illinois residents are cutting back on their vacations, they may be more likely to spend at home. However, the sharp 41% decline in casino tax revenues indicates that even this type of consumer spending is under pressure as a result of the poor economy.

- The near-term outlook for Illinois's manufacturing industries has deteriorated sharply as the global financial crisis spills over into emerging nations, the risk of a global recession increases, mining and oil exploration slow amid declining commodity prices, and demand is spent up for farm equipment. Further, the tight credit spigot makes it difficult for companies to finance their inventories, spending on equipment and payrolls. New orders for machinery peaked in mid-2008 and have been falling sharply since. Durable goods orders fell at a double-digit rate in the fourth quarter of 2008 compared with a year prior. Industrial production is expected to fall by 1.4% in 2009, following the 1.5% decline in 2008. This is comparable to the 4% decline in 2001. Production is expected to contract much more severely for durable goods industries such as industrial machinery (down 9% in 2009) and electrical equipment (down 5%).

- One reason for the sober outlook for that state is that it can no longer rely on exports as a support to its economy. Exports had been steadily increasing as a share of state output and reached a record 7.5% in 2008. During the third quarter of last year, exports were 9% higher than in the prior year, the first time they fell into single digits since 2004. They undoubtedly fell further during the fourth quarter. In October 2008 international cargo tonnage through O'Hare Airport was off nearly 20% from October 2007 and was down 8% year to date through October. Evidence of the weakening support from exports is found in the national data through November; goods exports have fallen by 20% since peaking in July.

- Caterpillar has been one of the most successful exporting companies in the state. The company has been a key beneficiary of the boom in global infrastructure spending that buoyed demand for its heavy earth-moving, mining and construction equipment. In recent months weakening sales in North America and Europe have been compounded by slowing growth in Asia and Latin America, the two remaining pockets of strength. In response Caterpillar will lay off 17,000 workers worldwide, including 8,000 contract workers. It is offering buyouts to another 2,500 workers. Caterpillar expects that 2009 will be its weakest year since the end of World War II. Among previously announced measures Caterpillar cut more than 800 jobs in Mossville. The company has also implemented other measures including temporary shutdowns of plants, and cuts in management compensation. Since 2003 Caterpillar's employment had increased by nearly 50% thanks to robust construction and mining activity.

- Other industrial machinery manufacturers are in similar straits as Caterpillar. Deere, for example, has been boosted in recent years by strong demand for agricultural equipment. Even though crop prices remain fairly firm, U.S. machinery purchases were made when prices were soaring. Demand from outside of the U.S. is weakening.

- Auto-related manufacturing will be under severe pressure. Ford cut a shift at its Chicago plant and eliminated about 800 jobs. Chrysler has curtailed production and also cut a shift at its Rockford facility and Chrysler has recently announced a new round of buyouts aimed at reducing its workforce of well-compensated veteran workers, who will be replaced by workers who will earn half as much. While Illinois is home to only three assembly plants, the state has much higher exposure to auto parts suppliers, many of whom depend for a large share of their revenue on the struggling Detroit Three manufacturers. The state supports about 200 auto parts manufacturers and an estimated 80,000 jobs in the state depend on auto production. As many as 267,000 are indirectly related to autos. Such Tier 1 (those that directly supply the automakers) parts makers as BorgWarner derive a large share of their sales from the Detroit Three even though they have diversified their customer bases by establishing contracts with transplant manufacturers. If any of the Detroit Three fail, many of these suppliers would fail as well. Conditions are most precarious for Tier 2 and Tier 3 suppliers.

- The medium-term outlook remains bleak for the motor vehicle industry. After holding at just under 17 million units during the first half of the decade, vehicle sales fell to 13.1 million units in 2008 and are expected to fall even further, to 10.8 million units, in 2009, before rebounding just modestly, to 13.2 million units in 2010.

- The outlook for Illinois's farmers will depend on the price of corn and soybeans as well as the prices of inputs. In general, conditions have been favorable. Prices are remaining well above their historic averages. In 2009, prices are not expected to shift much outside of seasonal fluctuations. Input prices are steady, but prices for such things as fuels and fertilizers are falling. Rental prices are rising, however. Conditions are more favorable for hog farmers thanks to lower feed prices. With slightly higher prices, margins are higher.

- In addition to the state's cyclical industries, healthcare and insurance employment, normally stable industries, have been hit by the economic downturn. Rising unemployment and lower wages have led to cutbacks in the number of insured workers and treatment. State Farm, Allstate, Aon and CNA Financial Corp. are under pressure due to lower enrollment and bad investments as well as weaker sales of homes and vehicles. Insurance employment contracted already in 2008 and will continue to slide through 2010. Healthcare employment, which has been growing by an average of 2% per annum since 2003, will contract in 2009 and growth will remain modest in 2010.

- The deteriorating economy will also put further pressure on state coffers. State tax revenues fell sharply during the second half of 2008, and the state will likely have to deal with a shortfall in its fiscal 2009 budget as a result. Total tax collections fell by 6.6% during the fourth quarter of 2008 compared with the same quarter in 2007. All sources of funds, including income, sales and corporate taxes, dropped sharply. Further, the state was only able to sell the 10th casino license for $125 million, much less than the hoped for $500 million.

- Not only are tax revenues falling but the state is faced with rising Medicaid payments, unfunded pension liability and cash flow problems. The budget deficit for fiscal 2009 is estimated to be as large as $2.5 billion and the state owes $2.1 billion in unpaid bills as well as $1.4 billion that was borrowed in December in the short-term municipal market. The turmoil in the state capital has not helped the state deal with its fiscal problems. For example, a bond sale was not completed when Gov. Blagojevich was fighting to keep his job. State officials may have to shift $3 billon that is owed in fiscal 2009 to fiscal 2010. Credit rating agencies have downgraded the state's debt. This will increase the cost of borrowing going forward.

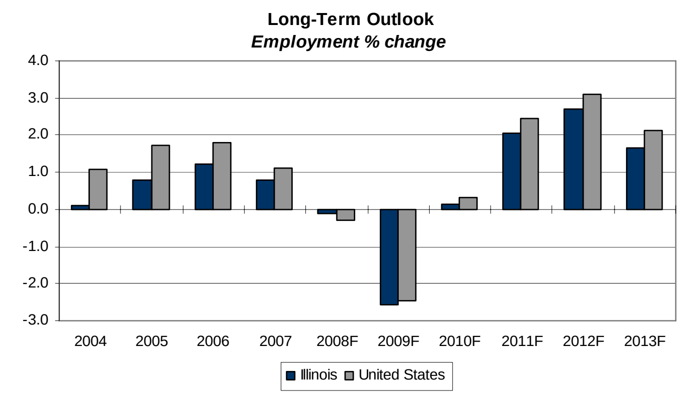
- While the Illinois economy will certainly deteriorate in 2009, a massive stimulus package proposed by the Obama administration is likely to be passed by Congress. Based on calculations by Moody's Economy.com, it will provide a measurable boost to the economy, but the full force of the plan will not be felt until 2010 and 2011. The plan holds considerable promise for Illinois's industrial machinery manufacturers and other construction-related industries since infrastructure development is the cornerstone of the plan. Indeed, construction and manufacturing are the two largest beneficiaries of the plan in terms of expected job creation.

- According to analysis by Federal Funds Information for States, Illinois will benefit from at least $22.3 billion in tax cuts including job creation tax credits, earned income tax credit and child tax credit, $1 billion for highways, $4.5 billion for schools, $3.5 billion in Medicaid funds, and $2.7 billion for education and public safety. Additional funding will be funneled to the state to support science and research facilities, among others.

- According to analysis by Moody's Economy.com, by the end of 2010 employment in the state will be 200,000 (or 3.6%) higher than without the stimulus. By the end of 2012, it will be more than 270,000 (or 4.6%) higher. The unemployment rate will be 1.1 percentage points lower than without the plan by the end of 2010 and 2.3 percentage points lower by the end of 2012. Moody's Economy.com baseline forecast incorporates a stimulus package roughly of the size that is now being discussed in Washington.

- The implementation of the economic stimulus plan is only one element in the expected rebound of the state's economy. The state follows the U.S. business cycle closely and this time will be no exception. Following the significant downturn that is expected for 2009, Moody's Economy.com expects a strong rebound in 2011 and 2012. However, as has been the case during every recovery of the past 40 years, Illinois's rebound in terms of employment will be slightly weaker than the U.S. rebound. There are four reasons behind the fairly vigorous rebound of the state's economy. In addition to the impact of the federal stimulus plan, Illinois will enjoy a rebound in both residential and nonresidential construction activity. Second, Illinois's capital goods manufacturers will benefit directly from any increase in investment spending. Hence, manufacturing output will likely rebound strongly. As the economy begins to expand again, the drawdown of inventories and plunging output will reverse as businesses increase production and accumulate inventories again. Third, pent-up demand from consumers that will build up between 2008 and 2010 will provide a boost for consumer goods and services in subsequent years.

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



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

- In the long run, Illinois will be a below average performing economy, primarily because of its moderate population trends, which are expected to deteriorate as baby boomers retire to warmer climates. Employment growth is expected to peak in mid-2012 at 2.5%, and output growth will surge to 5% before decelerating as Illinois' 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.

Business Services

- Business and professional services are expected to drive growth and indeed be the strongest growing industry in the long run forecast horizon. Most of the growth will take place in northern Illinois. Downstate Illinois has few possibilities in developing well-paying business service jobs such as business consulting; it is more likely to attract low-end business service such as call centers, especially due to a high share of high school graduates.

- Chicago's large concentration of corporate headquarters, outsourcing, the growth of the consulting industry, which serves both national and international clients, and the growth of information technology should help boost the business and professional services industry going forward.

- Indeed, the outlook for Chicago depends on its expansion as a center of global commerce. According to Moody's Economy.com, Chicago ranks sixth as the most global metro area in the nation, behind New York, San Francisco, Boston, Miami, and Bridgeport. 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' vast manufacturing base will be most successful. Outside of Chicago, much of the development and activity in high-tech services is in Champaign, centered on the University of Illinois.

Financial services

- Financial services, which employ nearly 7% of the state's workforce and 8% of Chicago's workforce, will continue to be among the state's core industries.

- The outlook for Chicago's commodities exchanges is promising as the exchanges have successfully adapted to new technologies and through mergers have increased their market share in the global marketplace. Chicago's exchanges are likely to fare better than their counterparts in New York or Boston, since its futures exchanges are well placed to win new business if new financial regulations require that mortgage-backed securities and credit default swaps are traded on exchanges. 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.

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

Tourism and conventions

- Once economic activity picks up, Illinois' tourism and business travel industry will rebound. Chicago, in particular, will benefit from its tourist attractions, conventions and gaming. More than 40 million tourists visit Chicago on average each year, contributing about $10 billion to its economy. Between 2001 and 2007, 2.5 million attended events at McCormick Place on average annually.

- While hotel projects have been put on hold, they are likely to come to fruition in the longer term. At least 15 projects are on the drawing boards, which would increase downtown inventory by 10%. 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.

- To bolster the convention business longer term, Chicago's McCormick Place completed an $880 million expansion in 2008. The expansion added 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 visitors a year (up from 6.7 million in 1999) and inject a reported $1 billion a year into the Illinois economy. A 10th existing casino license, which has been tied up in the courts since 1999, was reissued at the end of last year. A new boat will be built in Des Plains, in the suburbs of Chicago. Midwest Gaming will run the facility. There had been discussion of a land-based casino in Chicago but this is unlikely to materialize any time soon.

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

- 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. The Argonne National Laboratory received nearly $100 million in funding in recent years, including the Center for Nanoscale Materials, the Advanced Protein Crystallization Facility and I-WIRE. Investments in the most advanced supercomputers in the Theory and Computing Sciences Building in DuPage County 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.

- Advanced Diamond Technologies (ADT), a spin- off from Argonne National Laboratory, 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 new Howard T. Ricketts Laboratory on Argonne National Laboratory's DuPage County campus is awaiting CDC approval. The lab should open during the first quarter of this year. Funded by the National Institute of Allergy and Infectious Diseases, the Ricketts Laboratory will be 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. Dept. of Defense, also plans to research and develop the next stage of the internet at the park.

- In downstate, a number of public/private initiatives, such as Heartland Partnership, Peoria NEXT and Peoria Regional BioCollaborative have been initiated. The Peoria Regional BioCollaborative initiative is a consortium that includes the area's hospitals, universities, the National Center for Agricultural Utilization Research and Caterpillar, designed to foster the growth of the local biotech industry.

Transportation/distribution

- Even though manufacturing is declining in the Illinois economy, its distribution and transportation network remains an integral part of the economy to facilitate the movement of both domestic and imported goods throughout the Midwest as well as to support the state's manufacturing industries and export activities. While manufacturing payrolls have declined, transportation/distribution companies have added more thousands of jobs. The outlook for logistics-related expansion remains positive. Once the global economy resumes growing, export penetration will help to stem manufacturing job losses, particularly in industrial machinery.

- In addition, distribution, warehousing, wholesale and transportation activities make up an estimated 10% of Illinois' 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. A $6 billion expansion of O'Hare (O'Hare Modernization Program) has begun. A new runway was completed by November 2008, while the FAA recently awarded $42 million for a new control tower. 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 in annual economic activity.

- Mayor Daley of Chicago has been pushing a deal to lease Chicago second airport, Midway Airport, for $2.5 billion for 99 years to a consortium led by Vancouver-based YVR Airport Services. The Federal Aviation Administration's approval has been delayed because of uncertainty about the financial agreements. The review should be completed by April.

- Plans for a third airport to be called Abraham Lincoln National Airport in Will County have not materialized, as the expansion of the nearby Gary-Chicago International Airport is moving ahead, rendering a third Chicago airport unnecessary. In June 2008, Gary-Chicago International announced an agreement with Norfolk Southern, EJ&E and CSX that will allow the airport to relocate railroad tracks and expand its runways. In addition, that airport is expanding its terminal, which will include a high-speed railroad station.

- Northern Illinois remains the nation's rail hub. While this industry, like others, is enduring the effects of reduced freight volume now, the long-term outlook is more promising. 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.

- The federal transportation bill will improve Illinois' 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 warehouse 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 in Bloomington and South Eastern Illinois University will provide long-term stability to the downstate economy. Chicago also supports a number of universities including Northwestern the University of Chicago, the University of Illinois in Chicago and Loyola, but they are not as vital to the Chicagoland economy as they are to downstate. With the school-age population rising, downstate universities will likely be able to increase enrollment throughout the current decade. In addition to providing direct educational services, the universities also spur new avenues of growth through spin-off from university research.

Healthcare

- Healthcare will support growth throughout the state as the population ages. This will be a driver of growth downstate, in particular. While the share of employment in healthcare in the state as a whole is slightly lower than the national average, at 10.7%, it is much higher than average in Kankakee, Peoria, Rockford and Springfield. However, growth will lag the national average primarily due to Illinois' relatively weaker population trends.

- The healthcare concentration in central Illinois will receive a major boost from the modernization and expansion of the OSF Saint Francis Medical Center and Children's Hospital of Illinois, which 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' large agricultural sector is optimistic. Despite the strong competition from agricultural powerhouses Brazil, Argentina, India and China, Illinois' farmers will benefit from a growing global economy. Domestic and international policy developments point to increased openness of agricultural markets.

- The Emergency Economic Stabilization Act of 2008 extends production and investment tax credits for renewable fuels for at least another year; the credits apply to biodiesel fuel, which should aid the budding industry in the near term. Under the legislation, cellulosic biofuel investments also appear eligible for the bonus depreciation provision.

- Developing alternative energy sources, including renewable sources that are eligible for tax breaks, is expanding markets for agricultural products. Although the price of oil has fallen dramatically as the global recession has weighed on demand, it is expected to increase again over the next few years. This will make ethanol and biodiesel production more economically viable.

- 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

- Although oil prices have fallen by half since last summer, the long-term outlook for alternative fuels remains positive as the U.S. seeks to reduce its dependence on foreign oil. Illinois is second only to Iowa in ethanol production from corn. U.S. capacity to make ethanol has jumped by 60% over the past year. Therefore, such companies as Decatur-based Archer Daniels Midland, corn processor A.E. Staley, and Adkins Energy should benefit. Pekin provides a good location for the plant because of access to corn and availability for river, road or railroad transportation. However, many producers have had difficulty making profits because of relatively high corn prices and weak demand for fuel, the result of the global economic downturn. The field of players will thin out as a result. Even though corn prices have fallen from their peaks, they have not fallen enough to keep many companies profitable. As a result, plant openings have been delayed. For example, Aventine Renewable Energy Holdings has been struggling.

- 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 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., 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/utilities

- Even though the demand for coal has been depressed as industrial production fall, the long-term outlook for Illinois' industry is still somewhat favorable. 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. 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.

- Ten coal-fired plants that would create eight gigawatts of new power capacity have been proposed. While all these proposals are a positive for the region, it can take seven to ten years for a coal power plant to go from planning to construction, with legal and public protests as additional hindrances. In addition, swelling inventories, due to rising production and warm weather, have put downward pressure on prices, which could preclude further development.

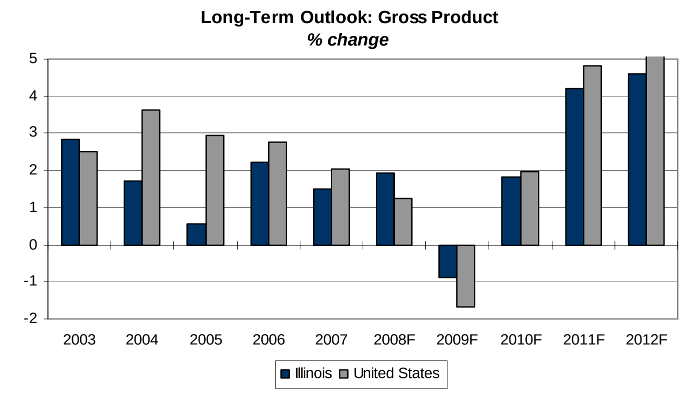
- Three coal gasification plants currently have been proposed in the state. Steelhead is developing the Southern Illinois Clean Energy Center in Williamson County. The project has been modernized from a conventional power plant and will eventually use 2.8 million tons of Illinois coal per year. Two other projects to make electric power or chemicals from coal have also been proposed, one in Williamson County and a second near Taylorville in Christian County.

- 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, HB3388 will clear the way for the other privately developed clean coal Integrated Gasification-Combined Cycle (IGCC) power plants in Illinois. 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 and mix of industries despite its high diversity (see Table below). Illinois has among the most diverse of state economies but this alone does not insure a strong outlook.

- The outlook for the Illinois economy is closely tied to the outlook for the nation. This is indicated below by the systemic volatility, which measures how much of the state's employment volatility is explained by the national business cycle. According to Moody's Economy.com, 97% of the variation in the Illinois economy is related to variations in the national economy. This means that Illinois will most certainly succumb if the economy sinks into a recession – if it has not done so already.



Source: Moody's Economy.com, Inc.

- Although Illinois' business cycle closely tracks the nation's business cycle, job growth has trailed the national pace for the last ten years. A beta higher than 1 indicates that cyclical swings have greater amplitude than the national average. Unfortunately for Illinois, that amplitude has been evident in downswings in the business cycle but not in upswings. Thus, in the event of recession, Illinois is likely to fare worse the nation as whole; during expansions Illinois does not fare as well as the nation.

Employment Diversity and Volatility

	Diversity[1]	Volatility 2006-2007			
	2007	Total[2]	Systematic[3]	Nonsystematic[3]	Beta[4]
Illinois	**0.90**	**103**	**97**	**3**	**1.00**
Indiana	0.70	107	82	18	0.88
Ohio	0.85	98	95	5	0.93
Michigan	0.72	133	81	19	1.07
Wisconsin	0.72	101	95	5	0.96
Iowa	0.67	99	92	8	0.90
United States	1.00	100	100	0	1.00
Median	0.72	107	88	12	0.93

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 2007.
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 2007.
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 250,000 jobs have been lost since early 1998, or 28%. 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 11.1% vs. 9.6% nationally, the share outside of Chicago is somewhat higher, at 13.9%.

- Illinois' 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.

- Exports hold promise for Illinois' 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' 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' 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 further this year and is not expected to rebound for some time.

- Illinois’ 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. Motorola has downsized its northern Illinois operations in successful waves. Employment in Illinois' computer and electronics concentration has fallen by 40% since the beginning of the decade, more than it has on the national level, and it is not expected to pick up any time soon.

- Illinois’ 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 state 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 have reduced their presence in the state as well. For example, Cardinal Health is expected to relocate 700 manufacturing jobs from Lake County to its operations in Dublin, OH by 2009.

Airlines

- The restructuring of Illinois’ airline industry has accelerated over the past year. Absorbing surging fuel costs through last summer was followed by a sharp downturn in demand. The industry continues to struggle with overcapacity, competition and legacy costs. Both United Airlines and American Airlines, O’Hare’s largest carriers, have cut back flights through the airport and are laying off thousands of workers. The airline renegotiated its union contracts and lowered labor expenses to emerge from bankruptcy.

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.

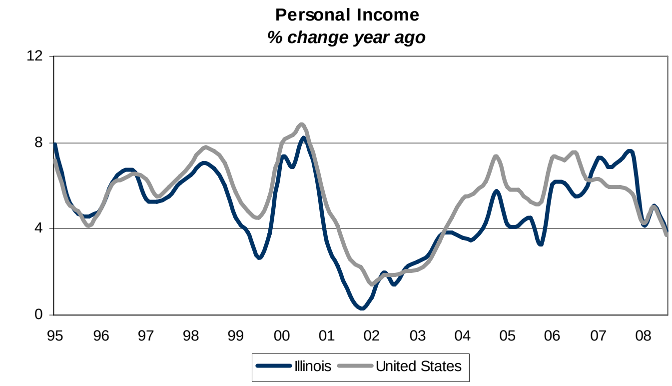
- Among the state's metro areas, however, overall business costs are above average only in Chicago. Moody's Economy.com's measure of metro business costs includes an index of office rents, which is measured as rent per square foot. In particular, energy costs are much higher in northern Illinois than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

- Nominal income growth weakened sharply in the third quarter of 2008, eking out a gain of only 0.5%. This compares favorably to the even weaker 0.2% increase on the national level. Income growth already began weakening in 2007 through the first quarter of 2008, but the government stimulus led to a temporary boost in the second quarter of 2008.

- Weakening income growth is weighing on consumer spending and thus sales tax revenues. Estimated sales have been falling since the third quarter of 2008 and are expected to be flat to down until the fourth quarter of 2009.

- Adjusted for inflation, Illinois's income is eroding. During the third quarter, it fell by an annualized 4.3%, which is still better than the 4.6% decline nationally.

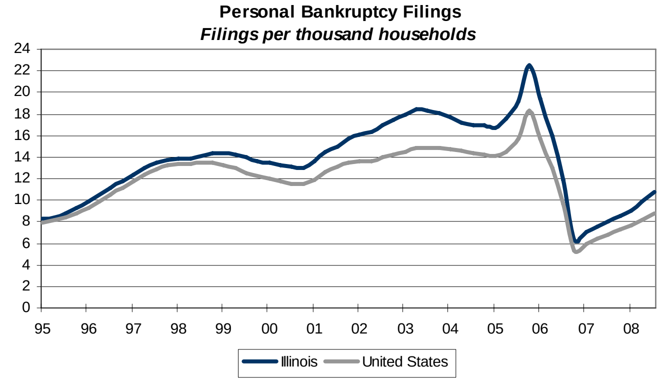
- At an estimated $54,600 in the third quarter of 2008, median household income is slightly higher than the U.S. average of $51,800, which is also about equal to the Midwest average. However, Illinois's edge has shrunk from 14% during the late 1990s to only 5% as the state has lost high-paying jobs in 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.

- Wage growth has slowed to less than 3% year over year as has income from dividends, income and rent.

- In fiscal 2009 nominal income growth is expected to be very weak, rising by only 1.3% Wage growth is expected to decelerate to only 0.7% for fiscal 2009 before rebounding to a still-tepid 1.8% in fiscal 2010. Dividend rent and income growth will remain fairly steady at about 4% for fiscal 2009, about the same as in fiscal 2008. Real income will decline on a year-over-year basis through midyear 2009, in line with the nation.

- The decline in house prices is having a deleterious effect on the wealth of Illinois households. Home equity peaked at about $90,000 per household in 2005, declined to about $60,000 by the end of 2008 and will not bottom out until 2010, at about $50,000. For Chicago homeowners, equity will decline from a peak of $90,000 in early 2006 to a low of $43,000 in 2010. Such significant declines in home equity will have a deleterious impact on the ability of households to tap into home equity to finance spending and through the wealth effect as households feel less wealthy and therefore are less willing to spend.

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 12 bankruptcies per 1,000 households, they remain lower than before the passage of the law. As the economy struggles in coming quarters, the rate is expected to double, to 25 per 1,000 households by 2011.

- 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, the delinquency rate across loans has risen from a low of 2.5% in 2005 to 5% by the end of 2008; this compares with an escalation from 2.4% to 5.8% nationally. Late payment rates are rising across most loan types. Delinquencies trail the national average for every type of loan with the exception of personal loans, 10.5% of which were delinquent in the state at year-end 2008. Charge-offs of these delinquent loans are higher than average as well.

- The charge-off rate on first mortgages has increased from 0.4% in 2005 to 1.9% at the end of 2008, just slightly below the U.S. average. However, conditions are worse in northern Illinois. At 2.2%, the first mortgage write-off rate for the Chicago area exceeded the national average in the fourth quarter.

- Further, charge-offs of first mortgages are a good indicator of foreclosures. Despite the fact that Illinois did not experience the type of bubble that such states as Florida and California did, the state still ranks ninth nationally in terms of foreclosures. In 2008, according to RealtyTrac 100,000 homes went into foreclosure in the state, of which about three-quarters were in the Chicago area. The foreclosure rate was about 50% higher than in 2007.

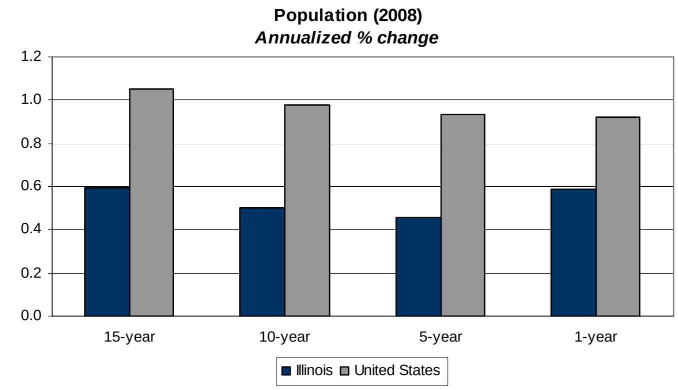
- The Chicago market had experienced relatively strong house price growth and the resulting decline in affordability spurred a high degree of subprime lending. Many of these loans are going bad now. Downstate metro areas did not see significant upward pressure on prices and, accordingly, subprime lending did not turn into a big problem subsequently. According to data from the Mortgage Bankers Association, the proportion of homes financed with prime, subprime, FHA and VA loans that are in foreclosure proceedings are higher in Illinois than in the nation. Rising foreclosures have far-reaching implications for the state affecting home prices, the real estate market, consumer spending and tax revenues among other things.

- Moreover, as the housing market and economy continue to weaken in 2009, credit quality is certain to deteriorate as well. In particular, since an above average 23.4% of purchase originations in 2006 were subprime purchases according to HMDA data, as rates reset, house prices fall, and the labor market deteriorates a high share of these loans will likely end up in foreclosure.

- Based on data from Equifax, Moody's Economy.com expects that delinquencies will peak during the first half of 2009. Delinquencies on all types of loans will peak at 5.3%, and slightly higher, at 5.4% for first mortgages. A rising rate of severely delinquent mortgages suggests that charge-offs will rise as well. The peak for charge-offs will be a quarter or two later than for delinquencies. Bank card delinquencies will continue to climb until the end of 2010. The deterioration in the loan quality of auto loans will also persist longer than on mortgages.

DEMOGRAPHIC TRENDS (back to top)

- An important determinant of the prospects for the Illinois economy is its demographic profile, which is considerably weaker than the national average. Population has been weakening steadily since 1992, reaching as low as 0.3% per annum, before reversing in 2006. Growth during the year ending in July 2008 was twice as strong. This compares unfavorably with 0.9% nationally, but bests the Midwest average of 0.4%

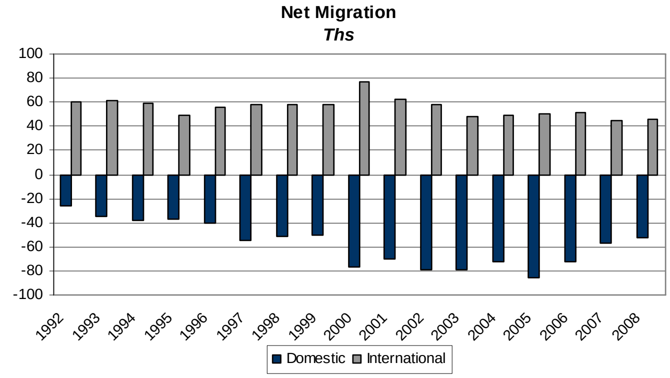


Source: BOC

- 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 52,000 in 2008. International migration is much more difficult to estimate. For Illinois it has been revised down for previous years; in 2008, it was estimated to be 46,000, down from a peak of 62,500 in 2001. Thus, it does not fully offset losses of domestic migrants.

- While a weak economy is normally correlated with erosion in population trends, the fact that nearly every state is in recession and that homes are difficult to sell will keep more Illinois residents from moving away. However, once conditions improve, Illinois will remain a net loser of residents. The big wild card for Illinois is whether baby boomers will leave the state en masse to retire to warmer climates. In the baseline outlook, the assumption that baby boomers will retire and move out of the state results in steadily deteriorating population growth. Further, the assumption that other parts of the country will enjoy stronger growth will push more working-age adults out of the state.

- 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 flow out of the state 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. There are a number of states with which Illinois enjoys a net inflow including most New England states, the Mid-Atlantic states, Alaska, Michigan, Ohio, Nebraska, and North Dakota.



Source: BOC

Migration Flows - IL - 2007			
Into Illinois	**Number of Migrants**	**From Illinois**	**Number of Migrants**
Indiana	15,010	Indiana	22,922
California	13,881	Wisconsin	17,503
Missouri	12,299	Texas	16,498
Wisconsin	12,223	Florida	16,073
Florida	11,632	California	15,053
Michigan	11,106	Missouri	13,614
Texas	10,241	Iowa	8,875
Iowa	7,359	Arizona	8,342
Ohio	7,078	Georgia	7,340
New York	5,899	Michigan	6,828
Inmigration	**190,916**	**Outmigration**	**223,735**
		Net Migration	**-32,819**

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

Source: Moody's Economy.com calculation from 2007 IRS data

- After weakening earlier in the decade, population growth improved in the Chicago area in 2007, to 0.7%, its best pace of growth since 2001 and up from a low of 0.3% in 2005 (metro level data for 2008 are not yet available). Growth is still down from the 1% during the expansion of the 1990s. In 2007, net out-migration fell to only 8,000 from 34,000 in 2005. The still-buoyant Chicago economy through mid-2007 helped bolster its demographic profile. No doubt that has changed more recently, but the same constraints on out-migration (a deteriorating economy nationwide and a poor housing market) will likely keep more people in Chicago at least through 2010.

- Population trends in the remainder of the state have also improved slightly during the past two years. However, what this means is that its population has strengthened from barely any gains at all so 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, Kankakee and Rockford, between 1.3% and 2% in 2007. However, Lake County, formerly among the fastest growing metro areas, has seen some deterioration. Champaign is growing at a steady pace, just bellow the national average of 0.9%. In the case of Peoria, the relatively strong expansion between 2003 and 2007 enabled the metro area to achieve the best population growth in 10 years, although at 0.6% it is still middling in the national context. The remaining 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 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, 2007	
	Illinois	US
Age 5-19	20.9	20.5
Age 25-44	28.2	27.8
Age 45-64	24.8	25.3
Over age 65	12.1	12.5
Birth Rate, (# of Births per 1000)	14.5	14.2
Death Rate, (# of Deaths per 1000)	8.1	8.0
Median Age (2000 Census)	34.7	35.3

- Another demographic determinant of Illinois's outlook is the education attainment of the population. In 2006, most Illinois workers had some post-secondary education and 31% held a college degree. Both of those figures are considerably better than national and regional averages. However, Illinois ranks 15th nationally in terms of the share of adults with a college degree. Most northeastern states rank ahead of Illinois as do Minnesota and Kansas in the Midwest and such western states as Colorado, Washington and Hawaii. Illinois's relatively high ranking is primarily due to the concentration of white-collar jobs in northern Illinois. 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. Home sales and new residential construction are estimated to have bottomed out at the end of 2008. Modest improvement is expected in 2009, but the level of permitting will be less than one-half of the peak pace reached in 2006.

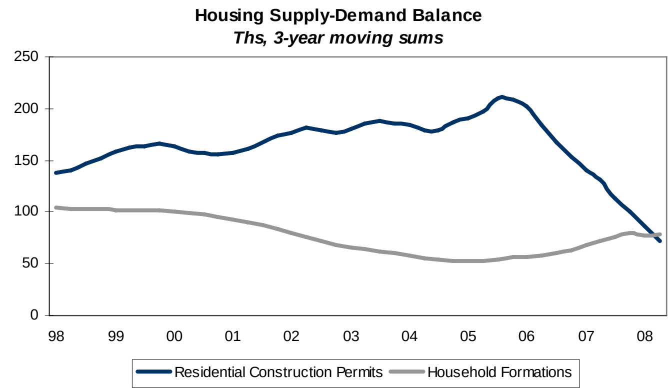
- Both permitting and sales have fallen off dramatically. Total permits were down by half in 2008 compared with the prior year and were down 85% from their peak in 2005, compared with a decline of 75% nationally. Single-family permitting, which makes up about 70% of all permitting, has adjusted by about the same degree as total permitting. The dramatic downturn in building activity characterizes all metro areas in the state.

- Existing-home sales were off 23% in 2008 from the year prior, according to the Illinois Association of Realtors. This is twice as high as the decline on the national level. The last time Illinois experienced such a dramatic downturn in home sales was in the depths of the early-1980s' recession. However, the worst may be over for the state. Year over year in December, sales fell by 17% with a pickup compared with November. Sliding prices and low interest rates helped boost sales. Some of the improvement may also be attributable to the sales of foreclosed homes at deep discounts.

- Weak demand and foreclosure sales are resulting in downward price pressure. At $184,500, the median priced house sold for 8% less in 2008 than in the prior year. Moreover, price declines accelerated; the December price of $157,000 was down 16% from December 2007.

- Sales in the Chicago area eroded slightly more than in the state as a whole in 2008, falling by 26%. They were down by 16% in December compared with the year before. Price erosion accelerated with the median home selling for 17% less in December ($204,950) than a year ealier. For the year, prices declined by 5.5%. In the city itself sales were off 25% for the year. The sales price fell by 18%, to $235,000, compared with December 2007.

- The sharp adjustment in construction is allowing Illinois's housing makret to return to a balance. This will facilitate a rebound once employment and credit markets improve. Housing market balance is determined by the difference between permitting and household formation.



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

- Price erosion is helping to improve affordability throughout the state, although affordability has still not returned to where it was at the start of the decade. In Chicago, a family earning the median income can afford to purchase a house costing 15% more than the median-priced house. This is an improvement from 2006 when the family could not afford a median-priced house. In Lake County, a family can purchase a house costing 40% more. Elsewhere in the state, affordability is considerably higher. In most metro areas in the state, a family 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 grew to 72.7% in 2004, compared with 69% nationally. Since then, the state's homeownership rate has fallen. Based on the latest data, for 2007, homeownership has fallen, down to 69.4%, its lowest rate since 2001. It is likely that as more homes went into foreclosure and as a deteriorating labor market forces families to move to rent or move in with relatives, that the homeownership will fall further. Homeownership is higher in every other Great Lakes state. Chicago's large immigrant community and relatively higher house prices are likely behind the relatively lower rate of homeownership.

- The multifamily market has undergone as much of an adjustment as the single-family market. While earlier in the decade, the strong demand for housing and the conversion of apartment units to condominiums kept a lid on strong multifamily development, access to credit is now the principal deterrent.

- Further, despite the fact that homeownership has weakened, demand for apartments has not increased noticeably. This is because families have been moving in with other family members or they are renting the many available single-family homes.

- Single-family building activity is expected to steadily improve through 2012 having bottomed out at only 10,000 units per annum in 2008. Homebuilding will peak at about 35,000 units on an annualized basis. This is down from about 50,000 reached during the 2005 peak. Multifamily building, which bottomed out at only an estimated 7,000 units during the fourth quarter of 2008, will rebound to about 19,000 units, just short of the average during the first half of this decade.

- Based on estimation using Case-Shiller and FHFA data, which is adjusted for mix of homes sold, Illinois house prices have declined by 12% from their peak in early 2007. The adjustment is nearly complete with another 4% decline in price expected through year end 2009. Most of this adjustment is due to price erosion in Chicago. Prices are expected to decline very mildly elsewhere in the state.

COMMERCIAL REAL ESTATE CONDITIONS (back to top)

- The recession will weigh heavily on Illinois commercial real estate markets. Nonresidential construction has declined. Vacancy rates are rising, sublease space is becoming more available and there is continued downward pressure on commercial rents. Add to this the constricted availability of financing. As a result, more projects are being delayed or cancelled.

- Building activity is expected to fall in 2009, particularly in northern Illinois. As office employment declines and consumer spending weakens, the retail and office markets are at most risk. More than 40,000 office-using jobs are expected to be lost and retail employment is expected to fall by more than 20,000.

- A handful of projects are under way in the healthcare sector. Construction began on four hospitals in Chicago including the $500 million Ann & Robert H. Lurie Children's Hospital in Chicago's Streeterville neighborhood. In Peoria, the $234 million modernization and expansion of the OSF Saint Francis Medical Center and Children's Hospital of Illinois will be completed by the summer of 2010.

- In the Chicago office market, the near-term outlook for the downtown market holds considerable risk as four new Loop office buildings are set to open this year. This will have the effect of increasing vacancies substantially; so far the market has remained tight with an end-of-year vacancy rate of only 12.3%. Since the building will be filled by existing tenants that are now in older buildings (Aon Center, Sears Tower, 333 W. Wacker Drive), the vacant space left by these tenants will be difficult to fill. Weak demand conditions will drive down office rents by a potentially significant amount.

- However, the downtown office market will fare better than Chicago's suburban office market as the longer-term trend of companies choosing to be downtown will remain in place. More than one-fifth of space is not rented and the availability of sublease space drives the share even higher.

- The industrial market has soured as well. In northern Illinois, vacancies at warehouses and manufacturing facilities have soared to their highest rates since the early 1990s; 12% of industrial real estate was vacant at the end of 2008 according to CB Richard Ellis.

- 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. However the weakening economy and credit crunch will certainly depress new development this year. One large retail and commercial development that is under way is along Illinois 3 in Granite City and it is expected to be completed this year. The development is expected to create 1,500 jobs over a six-year period.

- 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.

- Rising hotel vacancy rates in Chicago are forcing companies to change their plans. For example, some hotel developers are like to scrap or delay new projects as the hotel occupancy rate falls. Nearly 7,200 new rooms were planned or proposed through 2011; this would amount to an increase of 20%. Many of these projects are being delayed.

FORECAST RISKS (back to top)

- The outlook for the Illinois economy is for the recession to continue through most of 2009 and for the Illinois economy to track the U.S. However, there is a strong possibility that the Illinois economy could weaken considerably more than the baseline expectation if the state fares worse than the U.S., as it has in most other post-WWI recessions.

- If the severity of the recession is worse than now expected, the current woes in the state's real estate market, credit conditions and labor market would all deepen. This would be reflected in consumer and business spending, and state tax revenues. Further, since Illinois is highly sensitive to movements in the business cycle, this would affect the state's manufacturers, retailers, distribution/warehousing/transportation networks, and financial institutions. Many would not be able to survive and the rebound would take longer.

- Moody's Economy.com considers three possible alternative scenarios, which would result in a more severe downturn for the state. It is possible, for example, that the massive stimulus program being fashioned by the new administration will fail to provide the hope for lift for the economy due to an ever more severe and intractable crisis in the financial system.

- The first scenario is a deeper recession combined with a weak recovery. In such a scenario, employment would not bottom until the first half of 2010. In such a scenario, Illinois would shed 255,000 peak to trough for a loss of 4.3% of its employment base. Employment would rebound to its prerecession peak by the end of 2011. Of the three scenarios, this one has the highest probability. The second more severe scenario would occur if there was a prolonged credit squeeze and very severe recession. In this case employment would bottom out in mid-2010, but a recovery would not begin until 2011. In this scenario a full recovery would not occur until 2012. The most severe recessionary scenario is based on a complete collapse of the financial system, which would result in a depression. In this scenario employment would not bottom out until 2011, and the recovery would not be complete until 2013. Peak-to-trough job losses would exceed 400,000 or about 7% of the employment base. This most severe recession has only a small probability attached to it.

- A deep recession or depression would not only result in the failure of countless businesses but it could potentially result in the collapse of certain industries such as certain segments of manufacturing or commercial banking, which would then be reconstituted in a new form over the next decade.

- If the broader economy undergoes a deeper than expected recession, this would inevitably prolong and deepen the housing market correction, including the erosion in house prices, negative wealth effect, and an increase in expected foreclosures. This would in turn have serious consequences for spending and hence consumer industries as well as housing-related industries such as building materials manufacturers, and financial services.

- 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.

- 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.

- However, an increase in energy prices would also give a spark to nascent alternative energy industries in the state, which include not only ethanol and biodiesel but other forms of energy and more fuel-efficient technologies and equipment. Support for such "green" industries is one of the features of the new administration's stimulus package.

- Alternatively, if oil prices collapse under the weight of the global recession, 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.

DEMOGRAPHIC PROFILE (back to top)

Illinois
Demographic Profile

Indicator	Units	Illinois	U.S.	Rank	Year
Households					
Households, % change (2003-2008)	Ann. % change	0.5	0.9	37	2008
Population w/ B.A. degree or higher	% of adult population	26.1	24.4	15	2000
Median household income	$	52,506	50,233	17	2007
% change year ago		*7.9*	*4.2*	13	2007
Population					
Per capita income	$	40,919	38,564	14	2007
% change year ago		*6.6*	*5.0*	9	2007
Population	thousands	12,902	304,060	5	2008
% change year ago		*0.6*	*0.9*	35	2008
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.	-4.1	0.0	43	2008
International migration, rate	Persons/ths. pop.	3.6	2.9	9	2008
Poverty rate	%	10.7	12.4	22	1999
Median age	years	34.7	35.3	13	2000
Household Cost Indexes					
Housing affordability index		121.1	135.8	34	2007
Median existing home price	$ ths	*221.1*	*210.2*	17	2007
% change year ago		-1.06	-3.05	33	2007

Illinois

Recent Monthly Performance

	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Most Recent Yr/Yr % Change
Establishment Employment (Ths, SA)														
Total Employment	5,986.5	6,008.8	6,001.4	5,996.3	5,996.6	6,000.0	5,989.3	5,979.6	5,974.4	5,970.1	5,959.4	5,921.8	5,885.8	-1.7
% change	*0.0*	*0.4*	*-0.1*	*-0.1*	*0.0*	*0.1*	*-0.2*	*-0.2*	*-0.1*	*-0.1*	*-0.2*	*-0.6*	*-0.6*	
Natural Resources & Mining	9.7	9.7	9.7	9.7	9.7	10.0	10.1	9.9	9.9	9.7	9.9	9.8	10.0	3.1
% change	*-1.0*	*0.0*	*0.0*	*0.0*	*0.0*	*3.1*	*1.0*	*-2.0*	*0.0*	*-2.0*	*2.1*	*-1.0*	*2.0*	
Construction	267.7	272.9	264.4	265.8	264.4	264.8	262.0	261.0	262.0	258.6	254.4	247.1	233.7	-12.7
% change	*-0.7*	*1.9*	*-3.1*	*0.5*	*-0.5*	*0.2*	*-1.1*	*-0.4*	*0.4*	*-1.3*	*-1.6*	*-2.9*	*-5.4*	
Manufacturing	673.0	677.0	675.1	673.5	671.6	672.2	669.9	669.4	668.7	668.6	668.2	660.0	654.8	-2.7
% change	*0.2*	*0.6*	*-0.3*	*-0.2*	*-0.3*	*0.1*	*-0.3*	*-0.1*	*-0.1*	*0.0*	*-0.1*	*-1.2*	*-0.8*	
Trade, Transportation, & Utilities	1,212.4	1,225.0	1,222.2	1,223.1	1,221.7	1,223.6	1,221.2	1,219.5	1,216.4	1,212.9	1,212.7	1,205.1	1,196.5	-1.3
% change	*0.1*	*1.0*	*-0.2*	*0.1*	*-0.1*	*0.2*	*-0.2*	*-0.1*	*-0.3*	*-0.3*	*0.0*	*-0.6*	*-0.7*	
Retail Trade	635.3	648.6	645.0	645.9	643.2	643.5	640.9	639.9	637.4	633.8	633.5	628.8	622.7	-2.0
% change	*-0.1*	*2.1*	*-0.6*	*0.1*	*-0.4*	*0.0*	*-0.4*	*-0.2*	*-0.4*	*-0.6*	*0.0*	*-0.7*	*-1.0*	
Wholesale Trade	311.5	311.0	311.7	312.1	312.2	313.0	312.4	313.1	313.0	313.4	313.4	311.2	309.0	-0.8
% change	*0.2*	*-0.2*	*0.2*	*0.1*	*0.0*	*0.3*	*-0.2*	*0.2*	*0.0*	*0.1*	*0.0*	*-0.7*	*-0.7*	
Transportation & Utilities	265.6	265.4	265.5	265.1	266.3	267.1	267.9	266.5	266.0	265.7	265.8	265.1	264.8	-0.3
% change	*0.5*	*-0.1*	*0.0*	*-0.2*	*0.5*	*0.3*	*0.3*	*-0.5*	*-0.2*	*-0.1*	*0.0*	*-0.3*	*-0.1*	
Information Services	116.4	116.9	117.0	117.2	117.1	116.8	116.1	115.7	115.2	114.0	114.4	114.2	113.8	-2.2
% change	*0.2*	*0.4*	*0.1*	*0.2*	*-0.1*	*-0.3*	*-0.6*	*-0.3*	*-0.4*	*-1.0*	*0.4*	*-0.2*	*-0.4*	
Financial Services	403.2	404.9	404.3	403.3	403.2	401.2	398.2	398.1	398.3	396.2	394.2	393.5	393.4	-2.4
% change	*0.0*	*0.4*	*-0.1*	*-0.2*	*0.0*	*-0.5*	*-0.7*	*0.0*	*0.1*	*-0.5*	*-0.5*	*-0.2*	*0.0*	
Professional & Business Services	871.5	873.6	875.1	873.5	877.4	877.4	880.0	876.9	876.6	877.6	877.0	866.5	861.9	-1.1
% change	*0.1*	*0.2*	*0.2*	*-0.2*	*0.4*	*0.0*	*0.3*	*-0.4*	*0.0*	*0.1*	*-0.1*	*-1.2*	*-0.5*	
Education & Health Services	784.7	788.3	788.7	788.7	790.9	791.7	791.3	790.6	790.8	791.1	790.1	791.7	790.7	0.8
% change	*0.1*	*0.5*	*0.1*	*0.0*	*0.3*	*0.1*	*-0.1*	*-0.1*	*0.0*	*0.0*	*-0.1*	*0.2*	*-0.1*	
Leisure & Hospitality Services	530.2	527.6	529.2	529.3	528.4	528.9	532.4	530.1	529.5	529.6	528.0	523.5	521.9	-1.6
% change	*0.1*	*-0.5*	*0.3*	*0.0*	*-0.2*	*0.1*	*0.7*	*-0.4*	*-0.1*	*0.0*	*-0.3*	*-0.9*	*-0.3*	
Other Services	265.3	261.0	260.7	258.5	258.2	260.3	260.5	260.3	260.2	258.9	260.0	258.8	256.8	-3.2
% change	*0.3*	*-1.6*	*-0.1*	*-0.8*	*-0.1*	*0.8*	*0.1*	*-0.1*	*0.0*	*-0.5*	*0.4*	*-0.5*	*-0.8*	
Government	852.4	851.9	855.0	853.7	854.0	853.1	847.6	848.1	846.8	852.9	850.5	851.6	852.3	0.0
% change	*-0.1*	*-0.1*	*0.4*	*-0.2*	*0.0*	*-0.1*	*-0.6*	*0.1*	*-0.2*	*0.7*	*-0.3*	*0.1*	*0.1*	
														1 Year Change
Unemployment Rate (%, SA)	5.3	5.6	5.5	5.5	5.4	6.4	6.8	7.2	7.3	6.9	7.3	7.3	7.6	2.3
														Most Recent Yr/Yr % Change
Labor Force (Ths)	6,742.5	6,787.9	6,803.6	6,807.7	6,812.7	6,824.2	6,775.6	6,753.1	6,725.9	6,707.8	6,642.4	6,645.1	6,640.4	-1.5
% change	*0.1*	*0.7*	*0.2*	*0.1*	*0.1*	*0.2*	*-0.7*	*-0.3*	*-0.4*	*-0.3*	*-1.0*	*0.0*	*-0.1*	
Number of Unemployed (Ths)	360.1	380.9	372.9	371.3	369.4	437.0	463.4	489.5	490.7	460.1	481.9	485.1	505.3	40.3
% change	*1.7*	*5.8*	*-2.1*	*-0.4*	*-0.5*	*18.3*	*6.0*	*5.6*	*0.2*	*-6.2*	*4.7*	*0.7*	*4.2*	
Number of Employed (Ths)	6,382.4	6,406.9	6,430.7	6,436.4	6,443.3	6,387.1	6,312.2	6,263.5	6,235.1	6,247.7	6,160.5	6,160.1	6,135.1	-3.9
% change	*0.0*	*0.4*	*0.4*	*0.1*	*0.1*	*-0.9*	*-1.2*	*-0.8*	*-0.5*	*0.2*	*-1.4*	*0.0*	*-0.4*	
Total Residential Permits (# of units YTD, NSA)	42,666	2,336	3,748	5,422	8,550	10,883	12,772	14,870	16,954	18,541	20,136	21,014	21,889	-48.7
year to year % change	*-27.8*	*-46.6*	*-51.0*	*-54.7*	*-44.5*	*-45.3*	*-47.1*	*-46.4*	*-45.3*	*-46.0*	*-46.5*	*-47.6*	*-48.7*	
Single-family, (# of units YTD, NSA)	24,827	806	1,611	2,740	4,300	5,769	7,014	8,275	9,267	10,400	11,383	12,033	12,308	-50.4
year to year % change	*-37.1*	*-50.3*	*-47.5*	*-52.0*	*-47.5*	*-48.9*	*-49.6*	*-49.5*	*-50.1*	*-48.9*	*-49.4*	*-49.4*	*-50.4*	
Multifamily, (# of units YTD, NSA)	17,839	1,530	2,137	2,682	4,250	5,114	5,758	6,595	7,687	8,141	8,753	8,981	9,581	-46.3
year to year % change	*-9.2*	*-44.3*	*-53.4*	*-57.2*	*-41.2*	*-40.6*	*-43.6*	*-41.9*	*-38.0*	*-41.9*	*-42.3*	*-44.9*	*-46.3*	
5 +, (# of units YTD, NSA)	15,395	1,419	1,868	2,343	3,798	4,582	5,168	5,893	6,831	7,178	7,648	7,844	8,416	-45.3
year to year % change	*-3.9*	*-44.2*	*-56.4*	*-58.9*	*-41.2*	*-39.9*	*-41.8*	*-40.3*	*-36.3*	*-40.9*	*-41.3*	*-43.8*	*-45.3*	
														Most Recent Yr/Yr % Change
Avg. Hrly Earnings: Mfg, ($ Per Hr, SA)	16.50	16.38	16.41	16.54	16.41	16.42	16.33	16.37	16.36	16.43	16.60	16.58	16.63	0.7
% change	*-0.3*	*-0.7*	*0.1*	*0.8*	*-0.8*	*0.1*	*-0.5*	*0.2*	*0.0*	*0.4*	*1.0*	*-0.1*	*0.3*	

Illinois

Recent Quarterly Performance

	05Q4	06Q1	06Q2	06Q3	06Q4	07Q1	07Q2	07Q3	07Q4	08Q1	08Q2	08Q3	08Q4	Most Recent Yr/Yr % Change
Gross State Product (Bil Constant$, SAAR)	490.3	501.5	499.6	498.4	504.8	507.6	506.5	506.7	513.4	517.2	520.3	520.2	515.7	0.4
% change	*-0.3*	*2.3*	*-0.4*	*-0.2*	*1.3*	*0.6*	*-0.2*	*0.0*	*1.3*	*0.7*	*0.6*	*0.0*	*-0.9*	
Establishment Employment (Ths, SA)														
Total Employment	5,885.5	5,916.9	5,925.8	5,939.0	5,950.1	5,974.4	5,981.6	5,982.5	5,982.5	6,002.2	5,995.3	5,974.7	5,922.3	-1.0
% change	*0.2*	*0.5*	*0.2*	*0.2*	*0.2*	*0.4*	*0.1*	*0.0*	*0.0*	*0.3*	*-0.1*	*-0.3*	*-0.9*	
Natural Resources & Mining	10.3	10.4	10.2	10.2	10.2	10.3	10.2	10.0	9.8	9.7	9.9	9.8	9.9	1.4
% change	*3.0*	*1.3*	*-1.9*	*-0.7*	*0.3*	*0.7*	*-0.6*	*-2.3*	*-2.0*	*-0.7*	*2.4*	*-1.0*	*0.7*	
Construction	268.7	278.7	277.2	274.3	271.2	273.8	272.6	269.8	269.0	267.7	263.7	260.5	245.1	-8.9
% change	*0.4*	*3.7*	*-0.6*	*-1.0*	*-1.1*	*1.0*	*-0.4*	*-1.0*	*-0.3*	*-0.5*	*-1.5*	*-1.2*	*-5.9*	
Manufacturing	684.3	685.0	682.7	683.2	682.5	681.0	677.3	673.5	671.8	675.2	671.2	668.9	661.0	-1.6
% change	*-0.4*	*0.1*	*-0.3*	*0.1*	*-0.1*	*-0.2*	*-0.5*	*-0.6*	*-0.2*	*0.5*	*-0.6*	*-0.3*	*-1.2*	
Trade, Transportation, & Utilities	1,190.3	1,194.4	1,197.3	1,199.4	1,202.3	1,210.7	1,211.1	1,214.3	1,210.4	1,223.4	1,222.2	1,216.3	1,204.8	-0.5
% change	*0.1*	*0.3*	*0.2*	*0.2*	*0.2*	*0.7*	*0.0*	*0.3*	*-0.3*	*1.1*	*-0.1*	*-0.5*	*-0.9*	
Retail Trade	626.9	627.9	628.2	628.3	630.2	635.9	635.7	636.9	634.6	646.5	642.5	637.0	628.3	-1.0
% change	*-0.1*	*0.2*	*0.1*	*0.0*	*0.3*	*0.9*	*0.0*	*0.2*	*-0.4*	*1.9*	*-0.6*	*-0.9*	*-1.4*	
Wholesale Trade	304.8	306.8	307.7	307.9	308.4	309.2	310.4	311.2	311.2	311.6	312.5	313.2	311.2	0.0
% change	*0.3*	*0.7*	*0.3*	*0.1*	*0.2*	*0.3*	*0.4*	*0.2*	*0.0*	*0.1*	*0.3*	*0.2*	*-0.6*	
Transportation & Utilities	258.7	259.7	261.4	263.3	263.7	265.5	265.0	266.2	264.6	265.3	267.1	266.1	265.2	0.2
% change	*0.6*	*0.4*	*0.7*	*0.7*	*0.2*	*0.7*	*-0.2*	*0.5*	*-0.6*	*0.3*	*0.7*	*-0.4*	*-0.3*	
Information Services	117.0	116.8	116.6	115.9	115.7	116.2	116.1	116.8	116.4	117.0	116.7	115.0	114.1	-1.9
% change	*-1.0*	*-0.1*	*-0.2*	*-0.5*	*-0.2*	*0.4*	*-0.1*	*0.6*	*-0.3*	*0.6*	*-0.3*	*-1.5*	*-0.7*	
Financial Services	404.2	404.4	404.9	405.4	406.0	405.9	405.1	403.2	403.2	404.2	400.9	397.5	393.7	-2.3
% change	*0.2*	*0.0*	*0.1*	*0.1*	*0.2*	*0.0*	*-0.2*	*-0.5*	*0.0*	*0.2*	*-0.8*	*-0.8*	*-1.0*	
Professional & Business Services	839.4	846.4	851.9	857.1	861.7	865.0	871.2	870.9	870.2	874.1	878.3	877.0	868.5	-0.2
% change	*1.3*	*0.8*	*0.6*	*0.6*	*0.5*	*0.4*	*0.7*	*0.0*	*-0.1*	*0.4*	*0.5*	*-0.1*	*-1.0*	
Education & Health Services	750.6	755.0	760.0	764.9	769.1	773.4	777.3	780.6	784.2	788.6	791.3	790.8	790.8	0.8
% change	*0.4*	*0.6*	*0.7*	*0.7*	*0.5*	*0.6*	*0.5*	*0.4*	*0.5*	*0.6*	*0.3*	*-0.1*	*0.0*	
Leisure & Hospitality Services	515.5	519.8	521.2	523.5	526.6	529.8	530.7	530.7	529.8	528.7	529.9	529.7	524.5	-1.0
% change	*0.2*	*0.8*	*0.3*	*0.4*	*0.6*	*0.6*	*0.2*	*0.0*	*-0.2*	*-0.2*	*0.2*	*0.0*	*-1.0*	
Other Services	258.9	260.5	258.6	258.7	259.9	260.1	261.3	261.8	264.1	260.1	259.7	259.8	258.5	-2.1
% change	*-0.2*	*0.6*	*-0.7*	*0.0*	*0.5*	*0.1*	*0.4*	*0.2*	*0.9*	*-1.5*	*-0.2*	*0.1*	*-0.5*	
Government	846.3	845.5	845.2	846.3	845.0	848.3	848.6	850.9	853.6	853.5	851.6	849.3	851.5	-0.2
% change	*-0.5*	*-0.1*	*0.0*	*0.1*	*-0.2*	*0.4*	*0.0*	*0.3*	*0.3*	*0.0*	*-0.2*	*-0.3*	*0.3*	
														1 Year Change
Unemployment Rate (%, SA)	5.4	5.0	4.6	4.4	4.3	4.7	4.9	5.2	5.3	5.5	6.2	7.1	7.4	2.1
														Most Recent Yr/Yr % Change
Labor Force (Ths)	6,481.0	6,524.3	6,550.4	6,598.3	6,623.6	6,649.8	6,685.0	6,717.6	6,737.0	6,799.7	6,804.2	6,728.9	6,642.6	-1.4
% change	*0.4*	*0.7*	*0.4*	*0.7*	*0.4*	*0.4*	*0.5*	*0.5*	*0.3*	*0.9*	*0.1*	*-1.1*	*-1.3*	
Number of Unemployed (Ths)	348.3	326.2	298.7	293.2	285.8	312.3	328.6	345.1	356.6	375.0	423.3	480.1	490.8	37.6
% change	*-6.3*	*-6.3*	*-8.4*	*-1.8*	*-2.5*	*9.3*	*5.2*	*5.0*	*3.3*	*5.2*	*12.9*	*13.4*	*2.2*	
Number of Employed (Ths)	6,132.7	6,198.1	6,251.6	6,305.1	6,337.8	6,337.6	6,356.4	6,372.5	6,380.5	6,424.7	6,380.9	6,248.8	6,151.9	-3.6
% change	*0.8*	*1.1*	*0.9*	*0.9*	*0.5*	*0.0*	*0.3*	*0.3*	*0.1*	*0.7*	*-0.7*	*-2.1*	*-1.6*	
Total Residential Permits (# of units YTD, NSA)	67,852	15,793	32,774	48,037	59,121	11,977	24,129	34,366	42,666	5,422	12,772	18,541	21,889	-48.7
year to year % change	*8.4*	*24.6*	*5.9*	*-5.2*	*-12.9*	*-24.2*	*-26.4*	*-28.5*	*-27.8*	*-54.7*	*-47.1*	*-46.0*	*-48.7*	
Single-family, (# of units YTD, NSA)	49,084	9,731	22,004	32,199	39,485	5,713	13,925	20,356	24,827	2,740	7,014	10,400	12,308	-50.4
year to year % change	*0.4*	*7.9*	*-5.1*	*-14.6*	*-19.6*	*-41.3*	*-36.7*	*-36.8*	*-37.1*	*-52.0*	*-49.6*	*-48.9*	*-50.4*	
Multifamily, (# of units YTD, NSA)	18,768	6,062	10,770	15,838	19,636	6,264	10,204	14,010	17,839	2,682	5,758	8,141	9,581	-46.3
year to year % change	*37.2*	*65.5*	*38.8*	*22.4*	*4.6*	*3.3*	*-5.3*	*-11.5*	*-9.2*	*-57.2*	*-43.6*	*-41.9*	*-46.3*	
5 +, (# of units YTD, NSA)	13,906	4,951	8,762	12,854	16,023	5,695	8,875	12,140	15,395	2,343	5,168	7,178	8,416	-45.3
year to year % change	*46.4*	*95.0*	*60.7*	*39.1*	*15.2*	*15.0*	*1.3*	*-5.6*	*-3.9*	*-58.9*	*-41.8*	*-40.9*	*-45.3*	
														Most Recent Yr/Yr % Change
Existing Single-Family Home Sales (Ths, SAAR)	280.8	277.7	266.0	250.3	238.9	242.2	224.3	209.1	191.5	181.3	170.6	166.9	na	-20.2
% change	*-1.8*	*-1.1*	*-4.2*	*-5.9*	*-4.5*	*1.3*	*-7.4*	*-6.8*	*-8.4*	*-5.3*	*-5.9*	*-2.2*	na	
Home Price Index (Index 1980Q1 = 100, NSA)	357.6	363.7	368.1	372.1	376.3	379.6	380.2	380.0	382.7	381.9	378.3	370.0	na	-2.6
% change	*2.1*	*1.7*	*1.2*	*1.1*	*1.1*	*0.9*	*0.2*	*0.0*	*0.7*	*-0.2*	*-0.9*	*-2.2*	*na*	
Median Existing Home Sales Price (Ths, SA)	223.5	226.0	222.7	221.9	223.1	224.7	222.7	222.5	214.3	211.3	206.1	200.9	na	-9.7
% change	*1.6*	*1.1*	*-1.4*	*-0.4*	*0.5*	*0.7*	*-0.9*	*-0.1*	*-3.7*	*-1.4*	*-2.5*	*-2.5*	*na*	
Personal Income (Mil $, SAAR)	471,887	481,939	487,643	492,734	499,485	517,209	521,232	528,006	537,231	539,072	547,789	548,473	na	3.9
% change	*1.1*	*2.1*	*1.2*	*1.0*	*1.4*	*3.5*	*0.8*	*1.3*	*1.7*	*0.3*	*1.6*	*0.1*	*na*	
Wages & Salaries (Mil. $)	267,943	275,496	276,356	278,885	283,973	289,531	290,586	292,993	299,620	299,413	300,199	301,398	na	2.9
% change	*0.7*	*2.8*	*0.3*	*0.9*	*1.8*	*2.0*	*0.4*	*0.8*	*2.3*	*-0.1*	*0.3*	*0.4*	*na*	
Nonwage Income (Mil. $)	203,944	206,443	211,287	213,849	215,512	227,678	230,646	235,013	237,611	239,659	247,590	247,075	na	5.1
% change	*1.6*	*1.2*	*2.3*	*1.2*	*0.8*	*5.6*	*1.3*	*1.9*	*1.1*	*0.9*	*3.3*	*-0.2*	*na*	
Avg. Hrly Earnings: Mfg ($ Per Hr, SA)	15.89	15.97	15.97	16.02	16.16	16.31	16.43	16.57	16.57	16.44	16.39	16.39	16.60	0.2
% change	*0.1*	*0.5*	*0.0*	*0.3*	*0.9*	*0.9*	*0.7*	*0.9*	*0.0*	*-0.8*	*-0.3*	*0.0*	*1.3*	
Personal Bankruptcies (# 3-Month Ending, SAAR)	133,242	24,216	31,551	31,030	32,073	38,880	42,349	40,266	40,073	49,710	60,615	56,009	na	39.1

Illinois

Recent Annual Performance

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	5 Yr. Average Annual % Change
Gross State Product (Bil Constant$, SAAR)	440.0	452.9	464.2	464.9	466.1	479.3	487.6	490.2	501.1	508.6	518.3	1.6
% change	*3.5*	*2.9*	*2.5*	*0.2*	*0.3*	*2.8*	*1.7*	*0.6*	*2.2*	*1.5*	*1.9*	
Establishment Employment (Ths, SA)												
Total Employment	5,902.4	5,962.7	6,044.7	5,995.7	5,883.7	5,810.9	5,816.1	5,862.1	5,932.9	5,980.2	5,973.6	0.6
% change	*2.2*	*1.0*	*1.4*	*-0.8*	*-1.9*	*-1.2*	*0.1*	*0.8*	*1.2*	*0.8*	*-0.1*	
Natural Resources & Mining	11.0	10.6	9.9	10.0	9.7	9.4	9.4	9.9	10.3	10.1	9.8	0.9
% change	*-6.6*	*-4.2*	*-6.7*	*1.3*	*-3.2*	*-2.6*	*-0.6*	*5.2*	*4.1*	*-2.0*	*-2.1*	
Construction	244.8	255.9	269.7	277.3	277.5	274.8	270.1	268.6	275.3	271.3	259.3	-1.2
% change	*4.0*	*4.5*	*5.4*	*2.8*	*0.1*	*-1.0*	*-1.7*	*-0.6*	*2.5*	*-1.5*	*-4.4*	
Manufacturing	906.0	882.2	870.6	815.5	754.0	714.1	697.2	688.2	683.3	675.9	669.1	-1.3
% change	*0.4*	*-2.6*	*-1.3*	*-6.3*	*-7.5*	*-5.3*	*-2.4*	*-1.3*	*-0.7*	*-1.1*	*-1.0*	
Trade, Transportation, & Utilities	1,216.7	1,230.3	1,247.6	1,231.8	1,197.8	1,183.0	1,180.2	1,186.9	1,198.3	1,211.6	1,216.7	0.6
% change	*0.7*	*1.1*	*1.4*	*-1.3*	*-2.8*	*-1.2*	*-0.2*	*0.6*	*1.0*	*1.1*	*0.4*	
Retail Trade	634.4	641.8	650.6	643.4	631.7	625.4	625.2	626.4	628.6	635.8	638.6	0.6
% change	*-0.7*	*1.2*	*1.4*	*-1.1*	*-1.8*	*-1.0*	*0.0*	*0.2*	*0.4*	*1.1*	*0.4*	
Wholesale Trade	313.6	317.1	320.8	316.6	307.3	303.0	300.0	302.9	307.7	310.5	312.1	0.4
% change	*2.1*	*1.1*	*1.2*	*-1.3*	*-2.9*	*-1.4*	*-1.0*	*1.0*	*1.6*	*0.9*	*0.5*	
Transportation & Utilities	268.7	271.4	276.1	271.7	258.8	254.6	255.0	257.6	262.0	265.3	265.9	0.9
% change	*2.5*	*1.0*	*1.7*	*-1.6*	*-4.8*	*-1.6*	*0.2*	*1.0*	*1.7*	*1.3*	*0.2*	
Information Services	150.2	147.9	147.6	147.3	137.2	127.6	120.9	118.2	116.3	116.3	115.7	-1.9
% change	*2.0*	*-1.6*	*-0.2*	*-0.2*	*-6.8*	*-7.0*	*-5.2*	*-2.2*	*-1.7*	*0.1*	*-0.6*	
Financial Services	400.6	405.6	404.0	403.6	400.6	401.8	399.4	401.9	405.2	404.4	399.1	-0.1
% change	*1.6*	*1.2*	*-0.4*	*-0.1*	*-0.7*	*0.3*	*-0.6*	*0.6*	*0.8*	*-0.2*	*-1.3*	
Professional & Business Services	785.7	817.3	842.7	820.7	791.4	777.4	798.7	826.6	854.2	869.3	874.5	2.4
% change	*7.2*	*4.0*	*3.1*	*-2.6*	*-3.6*	*-1.8*	*2.7*	*3.5*	*3.3*	*1.8*	*0.6*	
Education & Health Services	661.3	664.9	681.1	697.1	710.6	718.0	729.9	745.2	762.3	778.9	790.4	1.9
% change	*2.9*	*0.6*	*2.4*	*2.4*	*1.9*	*1.0*	*1.7*	*2.1*	*2.3*	*2.2*	*1.5*	
Leisure & Hospitality Services	472.7	479.1	486.6	491.1	492.0	497.3	506.1	512.3	522.8	530.2	528.2	1.2
% change	*2.7*	*1.4*	*1.6*	*0.9*	*0.2*	*1.1*	*1.8*	*1.2*	*2.0*	*1.4*	*-0.4*	
Other Services	237.4	243.4	245.3	251.1	252.0	254.4	259.6	258.4	259.5	261.8	259.5	0.4
% change	*2.7*	*2.5*	*0.8*	*2.4*	*0.3*	*1.0*	*2.1*	*-0.5*	*0.4*	*0.9*	*-0.9*	
Government	816.1	825.6	839.7	850.4	861.0	853.2	844.7	845.9	845.5	850.4	851.5	0.0
% change	*1.0*	*1.2*	*1.7*	*1.3*	*1.2*	*-0.9*	*-1.0*	*0.1*	*0.0*	*0.6*	*0.1*	
												5 Year Change
Unemployment Rate (%)	4.5	4.4	4.5	5.4	6.5	6.7	6.2	5.7	4.6	5.0	6.6	1.6
												5 Yr. Average Annual % Change
Labor Force (Ths)	6,330.7	6,429.5	6,467.7	6,464.5	6,387.1	6,343.3	6,376.3	6,447.0	6,574.1	6,697.4	6,743.9	1.2
% change	*0.6*	*1.6*	*0.6*	*0.0*	*-1.2*	*-0.7*	*0.5*	*1.1*	*2.0*	*1.9*	*0.7*	
Number of Unemployed (Ths)	283.6	286.3	290.9	351.0	417.7	426.4	396.7	371.0	301.0	335.6	442.3	0.7
% change	*-6.2*	*1.0*	*1.6*	*20.7*	*19.0*	*2.1*	*-7.0*	*-6.5*	*-18.9*	*11.5*	*31.8*	
Number of Employed (Ths)	6,047.1	6,143.1	6,176.8	6,113.5	5,969.4	5,916.8	5,979.7	6,076.0	6,273.2	6,361.8	6,301.6	1.3
% change	*1.0*	*1.6*	*0.5*	*-1.0*	*-2.4*	*-0.9*	*1.1*	*1.6*	*3.2*	*1.4*	*-0.9*	
												5 Yr. Average
Total Residential Permits (# of units)	47,209	52,515	52,011	53,900	57,791	61,411	62,576	67,852	59,121	42,666	21,889	50,821
year to year % change	*0.8*	*11.2*	*-1.0*	*3.6*	*7.2*	*6.3*	*1.9*	*8.4*	*-12.9*	*-27.8*	*-48.7*	
Single-family	35,883	39,456	37,750	38,808	42,200	43,829	48,898	49,084	39,485	24,827	12,308	34,920
year to year % change	*10.5*	*10.0*	*-4.3*	*2.8*	*8.7*	*3.9*	*11.6*	*0.4*	*-19.6*	*-37.1*	*-50.4*	
Multifamily	11,326	13,059	14,261	15,092	15,591	17,582	13,678	18,768	19,636	17,839	9,581	15,900
year to year % change	*-21.1*	*15.3*	*9.2*	*5.8*	*3.3*	*12.8*	*-22.2*	*37.2*	*4.6*	*-9.2*	*-46.3*	
5	8,023	9,636	11,098	11,876	11,917	13,705	9,500	13,906	16,023	15,395	8,416	12,648
year to year % change	*-19.4*	*20.1*	*15.2*	*7.0*	*0.3*	*15.0*	*-30.7*	*46.4*	*15.2*	*-3.9*	*-45.3*	
												5 Yr. Average Annual % Change
Existing Single-Family Home Sales (Ths)	224.2	226.4	225.8	228.7	243.4	245.4	273.0	279.5	258.2	216.7	na	-2.3
% change	*16.1*	*1.0*	*-0.3*	*1.3*	*6.4*	*0.8*	*11.3*	*2.4*	*-7.6*	*-16.1*	*na*	
Home Price Index (Index 1980Q1 = 100)	223.8	232.5	247.0	262.0	278.2	292.8	317.5	346.4	370.1	380.6	na	6.5
% change	*3.4*	*3.9*	*6.2*	*6.1*	*6.2*	*5.3*	*8.4*	*9.1*	*6.8*	*2.9*	*na*	
Median Existing Home Sales Price (Ths)	131.9	136.7	141.4	154.8	169.6	179.6	195.6	215.6	223.4	221.1	na	5.4
% change	*5.1*	*3.7*	*3.4*	*9.5*	*9.5*	*5.9*	*8.9*	*10.2*	*3.6*	*-1.1*	*na*	
Personal Income (Mil $)	360,095	373,385	400,373	407,254	413,711	426,877	445,151	463,117	490,450	525,920	na	4.9
% change	*6.6*	*3.7*	*7.2*	*1.7*	*1.6*	*3.2*	*4.3*	*4.0*	*5.9*	*7.2*	*na*	
Wages & Salaries (Mil. $)	209,672	222,143	236,026	240,335	240,086	242,598	253,136	263,910	278,678	293,183	na	4.1
% change	*7.3*	*5.9*	*6.2*	*1.8*	*-0.1*	*1.0*	*4.3*	*4.3*	*5.6*	*5.2*	*na*	
Nonwage Income (Mil. $)	150,423	151,241	164,348	166,918	173,625	184,279	192,015	199,207	211,773	232,737	na	6.0
% change	*5.6*	*0.5*	*8.7*	*1.6*	*4.0*	*6.1*	*4.2*	*3.7*	*6.3*	*9.9*	*na*	
Avg. Hrly Earnings: Mfg. ($ Per Hr)	na	na	na	14.66	14.99	15.20	15.61	15.84	16.03	16.47	16.45	1.6
% change	*na*	*na*	*na*	*na*	*2.2*	*1.4*	*2.7*	*1.5*	*1.2*	*2.7*	*-0.1*	
Personal Bankruptcies	65,260	62,624	59,934	73,043	80,887	84,294	79,025	105,240	29,718	40,392	na	-13.0
% change	*5.0*	*-4.0*	*-4.3*	*21.9*	*10.7*	*4.2*	*-6.3*	*33.2*	*-71.8*	*35.9*	*na*	
Population (Ths)	12,271.8	12,359.0	12,437.9	12,510.6	12,565.2	12,611.0	12,665.7	12,704.1	12,759.7	12,825.8	12,901.6	0.5
% change	*0.7*	*0.7*	*0.6*	*0.6*	*0.4*	*0.4*	*0.4*	*0.3*	*0.4*	*0.5*	*0.6*	
												5 Yr. Average
Net Migration (Ths)	7.0	7.7	-0.2	-7.3	-21.1	-30.8	-23.1	-35.1	-21.4	-11.7	-6.4	-55.4

Illinois
History

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Employment (Ths.)	5,962.7	6,044.7	5,995.7	5,883.7	5,810.9	5,816.1	5,862.1	5,932.9	5,980.2	5,973.7
% Change	*1.0*	*1.4*	*-0.8*	*-1.9*	*-1.2*	*0.1*	*0.8*	*1.2*	*0.8*	*-0.1*
Manufacturing	882.2	870.6	815.5	754.0	714.1	697.2	688.2	683.3	675.9	668.1
Construction	255.9	269.7	277.3	277.5	274.8	270.1	268.6	275.3	271.3	261.4
Prof. and Bus. Serv.	817.3	842.7	820.7	791.4	777.4	798.7	826.6	854.2	869.4	875.8
Edu. and Health Serv.	664.9	681.1	697.1	710.6	718.0	729.9	745.2	762.3	778.9	790.5
Leisure and Hospitality	479.1	486.6	491.1	492.0	497.3	506.1	512.3	522.8	530.2	527.3
Other Services	243.4	245.3	251.1	252.0	254.4	259.6	258.4	259.5	261.8	259.3
Trade, Trans. and Util.	1,230.3	1,247.6	1,231.8	1,197.8	1,183.0	1,180.2	1,186.9	1,198.4	1,211.6	1,215.2
Wholesale	317.1	320.8	316.6	307.3	303.0	300.0	302.9	307.7	310.5	311.7
Retail	641.8	650.6	643.4	631.7	625.4	625.2	626.4	628.6	635.8	638.6
Trans. and Util.	271.4	276.1	271.7	258.8	254.6	255.0	257.6	262.0	265.3	264.9
Financial Activities	405.6	404.0	403.6	400.6	401.8	399.4	401.9	405.2	404.4	399.0
Information	147.9	147.6	147.3	137.2	127.6	120.9	118.2	116.3	116.4	115.3
Government	825.6	839.7	850.4	861.0	853.2	844.7	845.9	845.5	850.4	851.8
Natural Res. and Min.	10.6	9.9	10.0	9.7	9.4	9.4	9.9	10.3	10.1	9.9
Unemployment Rate (%)	4.5	4.5	5.4	6.6	6.7	6.2	5.7	4.6	5.0	6.7
Population (Ths.)	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	12,943.2
% Change	*0.7*	*0.6*	*0.6*	*0.5*	*0.4*	*0.4*	*0.3*	*0.5*	*0.6*	*0.7*
Age: <5	882.0	876.6	878.3	881.4	885.2	891.0	891.1	886.0	891.3	895.7
Age: 5-19	2,717.1	2,730.9	2,734.3	2,730.5	2,715.4	2,705.2	2,690.7	2,686.0	2,683.0	2,689.9
Age: 20-24	833.8	854.8	871.8	877.5	885.6	899.5	903.9	910.9	917.2	917.9
Age: 25-44	3,812.9	3,792.4	3,772.3	3,750.2	3,718.3	3,686.5	3,652.8	3,631.7	3,620.4	3,621.7
Age: 45-64	2,613.4	2,683.7	2,756.9	2,835.2	2,908.6	2,979.7	3,056.4	3,128.5	3,192.0	3,242.6
Age: >65	1,499.8	1,500.9	1,503.2	1,503.6	1,512.1	1,518.0	1,524.6	1,534.1	1,548.8	1,575.3
Households (Ths.)	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	4,782.1
% Change	*0.8*	*0.7*	*0.6*	*0.5*	*0.4*	*0.4*	*0.3*	*0.5*	*0.6*	*0.6*
Personal Income (Bil. $)	373.4	400.4	407.3	413.7	426.9	445.2	463.1	490.5	525.9	546.4
% Change	*3.7*	*7.2*	*1.7*	*1.6*	*3.2*	*4.3*	*4.0*	*5.9*	*7.2*	*3.9*
Total Residential Permits (#)	53,974.0	51,944.0	54,839.0	60,971.0	62,211.0	59,753.0	66,942.0	58,802.0	43,020.0	22,884.2
% Change	*12.5*	*-3.8*	*5.6*	*11.2*	*2.0*	*-4.0*	*12.0*	*-12.2*	*-26.8*	*-46.8*
Single-family Permits	39,228.0	37,817.0	39,362.0	42,545.0	45,379.0	46,207.0	47,705.0	37,903.0	24,511.0	12,374.5
Multifamily Permits	14,746.0	14,127.0	15,477.0	18,426.0	16,832.0	13,546.0	19,237.0	20,899.0	18,509.0	10,509.7

Illinois
Forecast

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	03-08	08-13	13-18
												Annual Growth (%)	
Total Employment (Ths.)	5,819.5	5,826.9	5,946.0	6,107.0	6,208.7	6,238.3	6,247.8	6,253.7	6,260.9	6,268.1	0.6	0.8	0.2
% Change	*-2.6*	*0.1*	*2.0*	*2.7*	*1.7*	*0.5*	*0.2*	*0.1*	*0.1*	*0.1*			
Manufacturing	638.7	629.0	634.9	645.9	650.8	647.1	641.3	635.9	630.8	625.4	-1.3	-0.5	-0.8
Construction	243.3	246.8	256.9	269.5	280.2	286.1	286.5	282.0	277.7	275.5	-1.0	1.4	-0.3
Prof. and Bus. Serv.	844.0	840.2	868.9	910.1	933.9	944.2	952.4	961.6	971.4	981.4	2.4	1.3	1.0
Edu. and Health Serv.	787.3	798.2	821.0	849.1	871.0	881.5	888.8	895.5	902.7	909.0	1.9	2.0	0.9
Leisure and Hospitality	507.7	507.4	523.1	544.0	559.8	567.4	573.0	578.5	584.2	589.4	1.2	1.2	1.0
Other Services	256.7	261.3	270.7	279.8	285.1	285.6	285.0	284.2	283.7	283.0	0.4	1.9	-0.1
Trade, Trans. and Util.	1,178.9	1,174.8	1,194.4	1,220.3	1,233.2	1,229.8	1,222.2	1,214.4	1,206.8	1,199.1	0.5	0.3	-0.6
Wholesale	303.5	300.2	303.4	309.4	313.0	312.8	311.5	310.2	309.1	307.9	0.6	0.1	-0.3
Retail	617.1	614.0	624.8	639.4	646.4	644.3	639.9	635.2	630.3	625.6	0.4	0.2	-0.7
Trans. and Util.	258.4	260.7	266.2	271.6	273.8	272.7	270.8	269.0	267.4	265.6	0.8	0.7	-0.6
Financial Activities	384.7	380.9	385.2	394.2	401.6	403.2	403.3	403.3	403.6	403.8	-0.1	0.1	0.1
Information	110.9	111.9	114.1	116.9	118.3	118.0	117.5	117.2	116.9	116.6	-2.0	0.5	-0.3
Government	857.9	867.8	868.3	868.6	866.2	866.8	869.3	872.6	875.1	876.8	0.0	0.3	0.2
Natural Res. and Min.	9.4	8.6	8.5	8.6	8.7	8.7	8.5	8.4	8.3	8.2	1.0	-2.5	-1.3
Unemployment Rate (%)	9.5	10.5	8.8	6.8	5.8	5.7	5.8	5.8	5.8	5.8	5.8	8.0	5.8
												Annual Growth (%)	
Population (Ths.)	13,027.0	13,109.2	13,186.7	13,247.5	13,305.6	13,362.5	13,414.8	13,466.3	13,516.0	13,565.2	0.5	0.6	0.4
% Change	*0.6*	*0.6*	*0.6*	*0.5*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*			
Age: <5	899.6	904.0	909.0	913.3	917.5	921.2	924.2	926.4	927.9	928.7	0.2	0.5	0.2
Age: 5-19	2,693.6	2,692.4	2,691.5	2,690.4	2,690.4	2,692.4	2,695.6	2,702.1	2,713.9	2,727.5	-0.2	0.0	0.3
Age: 20-24	925.1	936.9	948.2	957.6	962.5	963.0	957.4	949.9	940.2	930.4	0.7	1.0	-0.7
Age: 25-44	3,617.5	3,614.5	3,620.7	3,624.6	3,631.5	3,637.1	3,635.3	3,636.8	3,643.5	3,657.1	-0.5	0.1	0.1
Age: 45-64	3,295.0	3,348.2	3,381.4	3,382.7	3,383.5	3,390.4	3,401.9	3,411.0	3,408.9	3,396.8	2.2	0.9	0.1
Age: >65	1,596.2	1,613.3	1,635.9	1,678.9	1,720.3	1,758.4	1,800.4	1,840.1	1,881.5	1,924.8	0.8	1.8	2.3
Households (Ths.)	4,805.7	4,830.8	4,862.9	4,912.0	4,950.9	4,982.0	5,008.3	5,030.6	5,047.9	5,063.5	0.5	0.7	0.5
% Change	*0.5*	*0.5*	*0.7*	*1.0*	*0.8*	*0.6*	*0.5*	*0.4*	*0.3*	*0.3*			
Personal Income (Bil. $)	557.2	576.2	601.6	631.3	661.0	688.5	716.1	743.8	772.2	801.2	5.1	3.9	3.9
% Change	*2.0*	*3.4*	*4.4*	*4.9*	*4.7*	*4.2*	*4.0*	*3.9*	*3.8*	*3.8*			
												Average	
Total Residential Permits (#)	24,290	32,150	47,276	52,533	50,599	47,125	39,282	32,552	28,198	28,784	52,269	38,289	37,757
% Change	*6.1*	*32.4*	*47.1*	*11.1*	*-3.7*	*-6.9*	*-16.6*	*-17.1*	*-13.4*	*2.1*			
Single-family Permits	13,010	17,953	29,000	35,104	34,135	32,773	28,031	23,369	20,229	20,560	35,680	23,596	26,516
Multifamily Permits	11,280	14,197	18,276	17,429	16,464	14,352	11,252	9,183	7,970	8,223	16,589	14,693	11,240

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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:

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