



I N S T I T U T E O F
GOVERNMENT & PUBLIC AFFAIRS

ILLINOIS ECONOMIC REVIEW

The Monthly Illinois Economic Review contains information on national, statewide, and local economic performance by measuring job growth, unemployment, and business activity. This information is compiled by IGPA Economist Geoffrey Hewings, director of the Regional Economics Applications Laboratory at the University of Illinois at Urbana-Champaign.

SEPTEMBER 2008

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EMPLOYMENT

EMPLOYMENT DATA SUMMARY

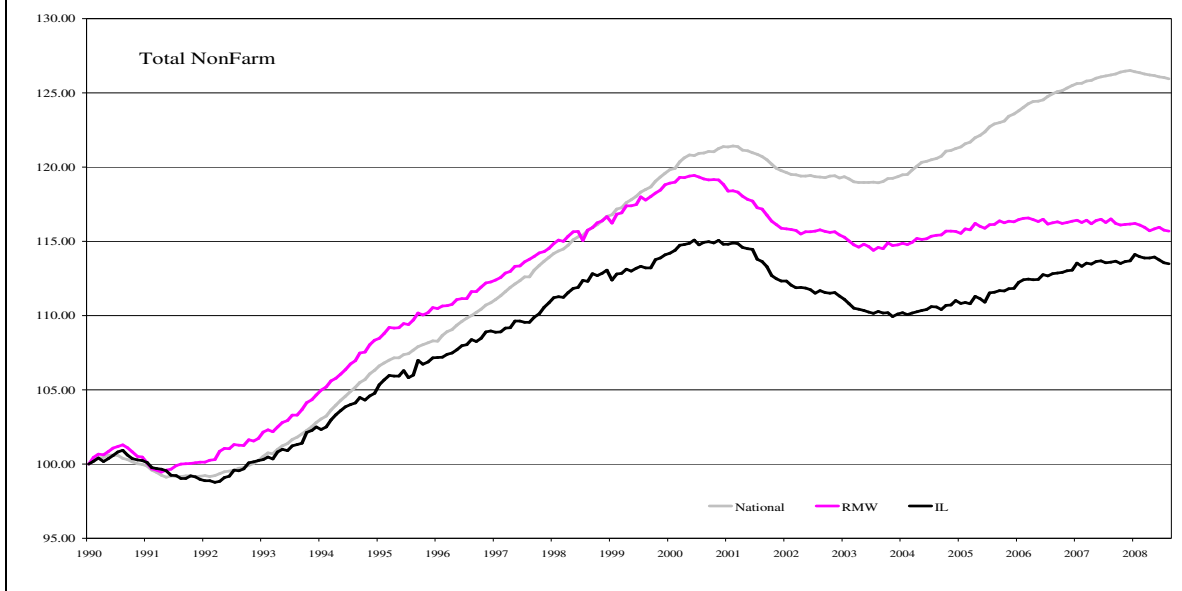
- In August 2008, Illinois lost 3,500 jobs at a rate of -0.06%, after the loss of 9,700 in July. Including August, Illinois has posted negative job changes five times in 2008.
- By the end of August, Illinois averaged a monthly growth of -0.02% in 2008, which is smaller than both the average growth rate for 2007 of 0.05%, and the average growth rate in recent recovery period for Illinois since early 2004 of 0.07%.
- Illinois, RMW, and the nation all lost jobs for the second consecutive month.
- Over the last 12 months, Illinois payroll growth was 0.10%, better than the negative -0.21% growth of the nation. RMW continued with a negative rating of -0.70% for twelve months in a row.
- Illinois has lost -1,300 jobs on average per month in 2008 so far, compared to 2,742 job increase per month in 2007.
- Through August 2008, the cumulative job growth for the nation, Illinois and RMW compared to January 1900 stood at 25.95%, 13.49%, and 15.69%, respectively.

AUGUST 2008 EMPLOYMENT CHART

August 2008 Negative	Total Non-Farm Employment	July 2008 – Aug 2008		Last 12 months	
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
	Nation	-0.06	-84,000	-0.21	-283,000
	RMW*	-0.05	-10,600	-0.70	-139,600
	Illinois	-0.06	-3,500	-0.10	-6,000

- RMW stands for Rest of the Midwest including six states, Indiana, Iowa, Michigan, Missouri, Ohio and Wisconsin.

TOTAL NON-FARM EMPLOYMENT GROWTH RATE JAN 1990 – AUG 2008



SHADOW UNEMPLOYMENT

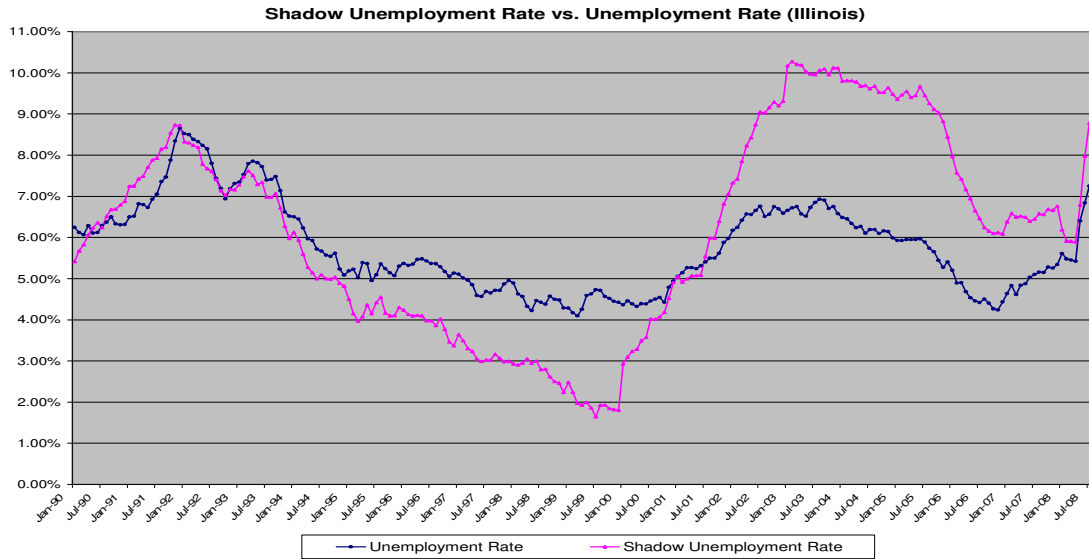
Unemployment Rate: Official and Shadow

The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined since the 1990s and thus a number of analysts feel that the official unemployment rate does not account for a larger number of people who have dropped out of the labor force. REAL has estimated a *shadow unemployment rate*; this is calculated as the unemployment rate that would be observed if labor force participation rates matched the average for the 15-year period from 1990 to 2004.

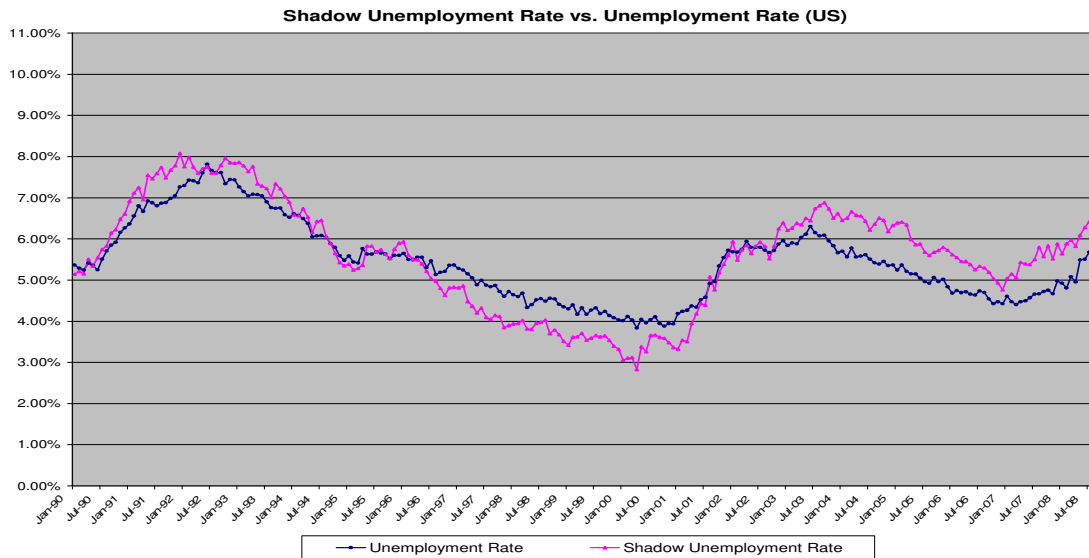
- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; for the 15 years from 1990 to 2004, the average participation rate was 66.6%.
- The figures on the next page show the difference between the two rates for Illinois (top figure) and the US as a whole (bottom figure).
- Since 2000, the gap between the official and shadow unemployment rate has increased but recently since the early 2006 the gap has decreased.
- To bring the two together a further 133,134 jobs would need to be created in Illinois.

- The gap at the national level is much smaller.

■ **Illinois**

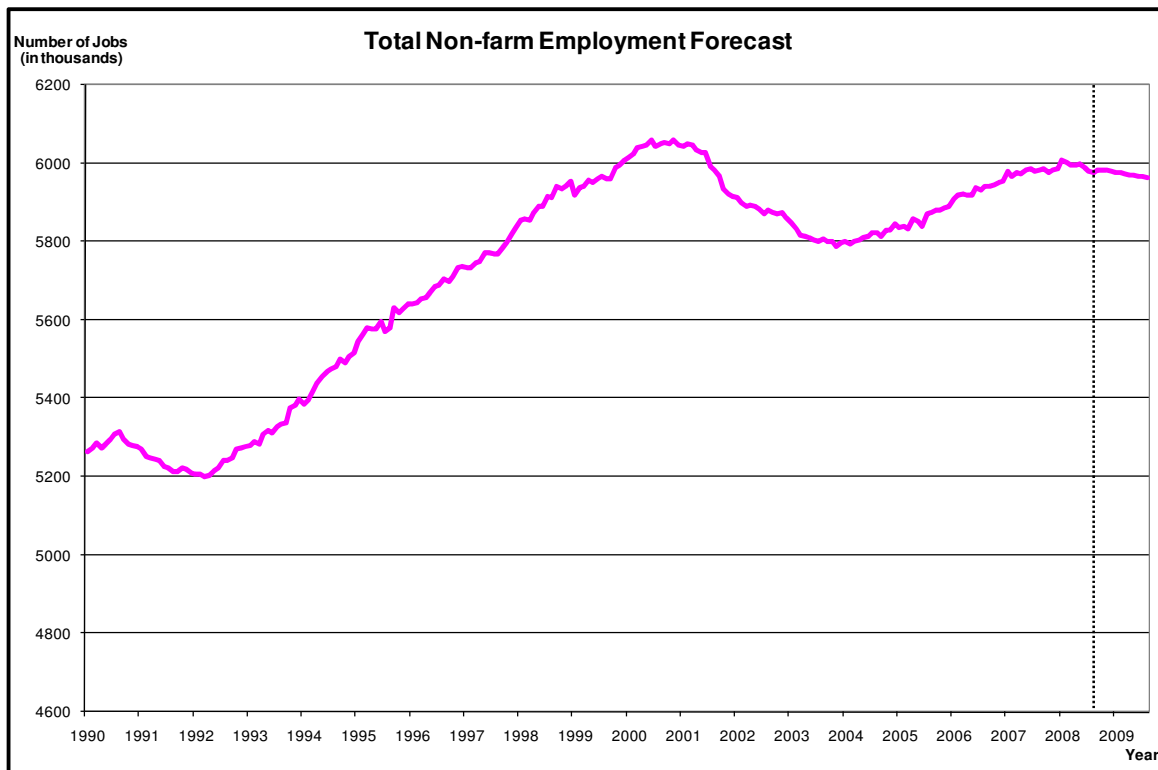


■ **US**



EMPLOYMENT FORECAST

	Aug 2008	Aug 2009 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,976,100	5,964,500	-11,600	-0.19%
Construction	261,900	260,900	-1,000	-0.38%
Manufacturing	668,700	651,300	-17,400	-2.60%
Trade, transportation & utilities	1,216,200	1,210,300	-5,900	-0.49%
Information	115,300	111,800	-3,500	-3.04%
Financial Activities	398,300	397,700	-600	-0.15%
Professional & business services	877,300	879,600	2,300	0.26%
Education & health	791,100	798,400	7,300	0.92%
Leisure & hospitality	530,100	533,900	3,800	0.72%
Other services	260,300	262,700	2,400	0.92%
Government	847,100	848,100	1,000	0.12%



CATCH UP SCENARIO

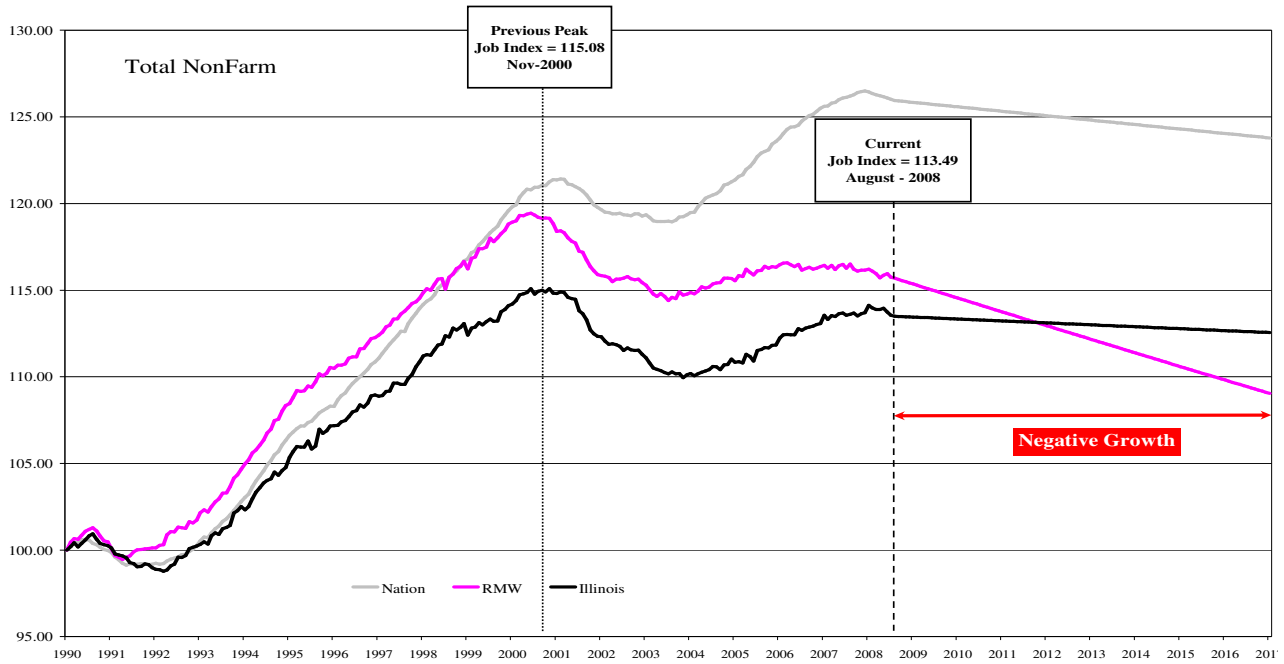
Catch-up Scenario of Previous Peak Job Index in Illinois*

	Previous Peak	Current	Catch-up	Periods for Catch-up
IL	115.08 (Nov-2000)	113.49 (Aug -2008)	Negative growth	N/A
RMW	119.44 (Jun-2000)	115.69 (Aug -2008)	Negative growth	N/A
Nation	121.45 (Feb-2001)	125.95 (Aug -2008)	121.56 (Feb-2005)	41 months ago
Metro Areas** :				
Bloomington Normal	141.96 (Feb 2002)	140.12 (July 2008)	141.97 (Dec 2019)	137 months
Champaign Urbana	115.91 (Jun 2001)	112.87 (July 2008)	Negative growth	N/A
Chicago	114.68 (Nov 2000)	113.79 (July 2008)	Zero growth	N/A
Davenport- Rock Island-Moline	114.68 (Nov 1999)	113.89 (July 2008)	Negative growth	N/A
Decatur	112.41 (Mar 2000)	102.59 (July 2008)	112.42 (Dec 2057)	592 months
Kankakee	124.30 (Jan 2007)	125.42 (July 2008)	Reached (Jan 2008)	6 months ago
Peoria	116.81 (April 2000)	121.10 (July 2008)	Reached (Feb 2006)	29 months ago
Rockford	123.22 (Jul 2000)	119.51 (July 2008)	Negative growth	N/A
Springfield	110.35 (Aug 2000)	105.36 (July 2008)	Negative growth	N/A
Metro-East	114.73 (Jun 2001)	109.01 (July 2008)	Negative growth	N/A

* Catch-up scenarios are based on average monthly growth rate over the previous 12 months. Nation already passed its previous peak at February 2005.

** Due to lag of data release schedule there is one month of time lag in the catch-up scenario for metro areas.

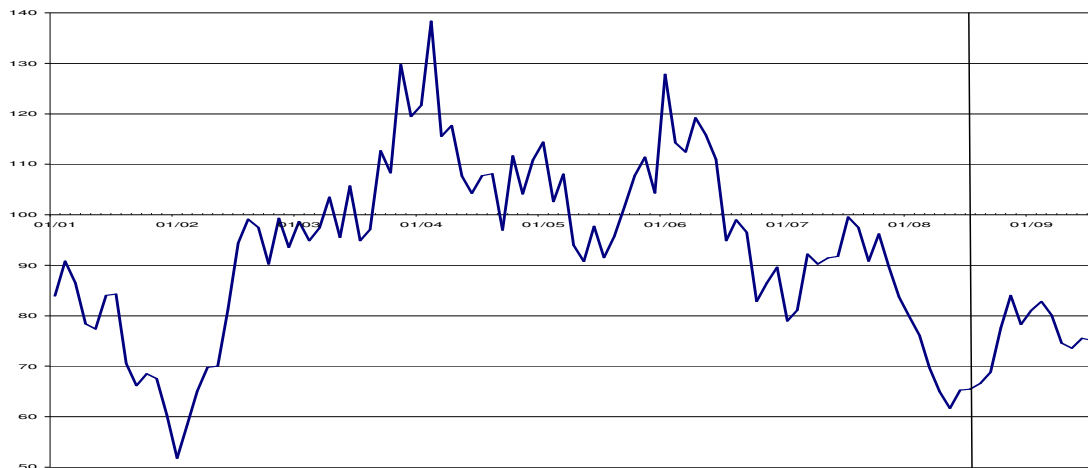
	Periods for Catch-up	
	IL	RMW
July-2008	Zero growth	Negative growth
Aug-2008	Negative growth	Negative growth
Difference	N/A	N/A



CBAI FELL IN JULY

This index is based on national indices of leading indicators and is a barometer for the economy, tracing the path of growth or contraction through to the current period and then forecasts up to 24 months into the future.

- The Chicago Business Activity Index (CBAI) was 65.5 in July, up slightly from 65.3 in June. The Index continued to be below the long-term trend since July 2006.
- Household consumption improved moderately in July, offsetting the contraction of construction activity.
- Considering that the CBAI leads the local business cycle and the values of this index under 100 are associated with below-trend growth, the Chicago economy will experience below trend growth over the next 12 months.
- In July, the national economy showed weak features. Retail sales decreased by 0.58 percent and total non-farm employment, announced by Department of Labor, fell by 51,000 in July. Meanwhile, the regional economy presented mixed features.
- The Chicago Fed Midwest Manufacturing Index (CFMMI) rose 0.4 percent and the Federal Reserve Board's industrial production index for manufacturing (IPMFG) also increased 0.4 percent in July. However, the construction dropped by 0.24 percent. Also, the unemployment rate in Illinois soared to 7.3 percent, which was the highest since it had reached 7.5 percent in September 1993.
- The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, a high degree of uncertainty surrounds future economic developments, largely due to surging financial market unrest and high energy prices. For the local economy, the CBAI index suggests that the regional economic growth will be below its historical trend, in large part because of the sluggish national economic activity.



METROPOLITAN STATISTICAL AREA LEAGUE TABLES

MSA LEAGUE TABLES SUMMARY

- The most remarkable upward move in July is by Champaign-Urbana (10th to 1st) which moved up by 9 spots.
- Rockford (8th to 4th) and Decatur (9th to 5th) made significant gains in terms of the rank from June.
- Davenport-Rock Island-Moline experienced the deepest fall (4th to 10th) in July.
- Bloomington-Normal, Springfield, Chicago, Peoria, and Metro-East all lost ground in July.
- In the 12-months growth league table, upward moves were recorded for Bloomington-Normal (4th to 3rd), Davenport-Rock Island-Moline (6th to 5th), Springfield (7th to 6th), and Rockford (8th to 7th).
- Kankakee and Peoria are still on top with number 1 and 2 rankings for MSAs whereas Champaign-Urbana and Metro-East are still in the last two positions.
- Chicago experienced the greatest fall (5th to 8th) in July, followed by Decatur (3rd to 4th).

MSA League Tables*: Non-farm Employment Growth Rate

Monthly growth:

Rank	June 2008	July 2008	Rank	Change**
1	Bloomington-Normal (0%)	Champaign-Urbana-Rantoul (1.64%)	1	↑ (+9)
2	Kankakee (0%)	Kankakee (0.67%)	2	← (0)
3	Springfield (0%)	Bloomington-Normal (0.33%)	3	↓ (-2)
4	Davenport-Rock Island-Moline (-0.11%)	Rockford (0.31%)	4	↑ (+4)
5	Peoria (-0.11%)	Decatur (0.18%)	5	↑ (+4)
6	Chicago (-0.16%)	Springfield (0.18%)	6	↓ (-3)
7	Metro-East (-0.21%)	Chicago (0.06%)	7	↓ (-1)
8	Rockford (-0.31%)	Peoria (0.05%)	8	↓ (-3)
9	Decatur (-0.36%)	Metro-East (0%)	9	↓ (-2)
10	Champaign-Urbana-Rantoul (-2.14%)	Davenport-Rock Island-Moline (-0.05%)	10	↓ (-6)

Growth over last 12-months:

Rank	June 2008	July 2008	Rank	Change**
1	Kankakee (1.83%)	Kankakee (2.75%)	1	← (0)
2	Peoria (0.21%)	Peoria (0.96%)	2	← (0)
3	Decatur (0.18%)	Bloomington-Normal (0.77%)	3	↑ (+1)
4	Bloomington-Normal (0.11%)	Decatur (0.54%)	4	↓ (-1)
5	Chicago (-0.04%)	Davenport-Rock Island-Moline (0.21%)	5	↑ (+1)
6	Davenport-Rock Island-Moline (-0.11%)	Springfield (0.18%)	6	↑ (+1)
7	Springfield (-0.36%)	Rockford (0.06%)	7	↑ (+1)
8	Rockford (-0.99%)	Chicago (0.04%)	8	↓ (-3)
9	Champaign-Urbana-Rantoul (-2.49%)	Champaign-Urbana-Rantoul (-0.54%)	9	← (0)
10	Metro-East (-2.8%)	Metro-East (-2.76%)	10	← (0)

* MSA League Tables are based on revised employment data. For instances of equal growth rate for multiple MSAs ranks are decided based on change of growth rate from previous month.

Unemployment Claims (Initial)

