



# ILLINOIS ECONOMIC REVIEW

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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.

AUG 2010

# EMPLOYMENT

## EMPLOYMENT DATA SUMMARY

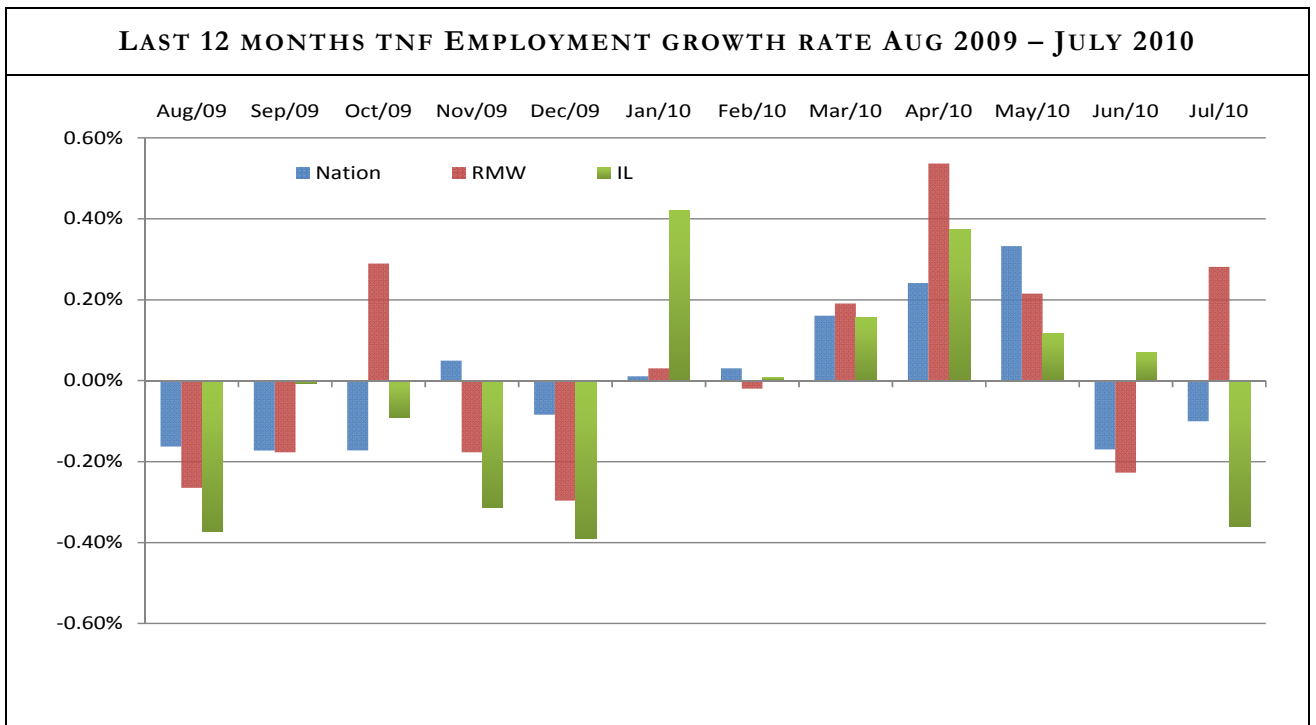
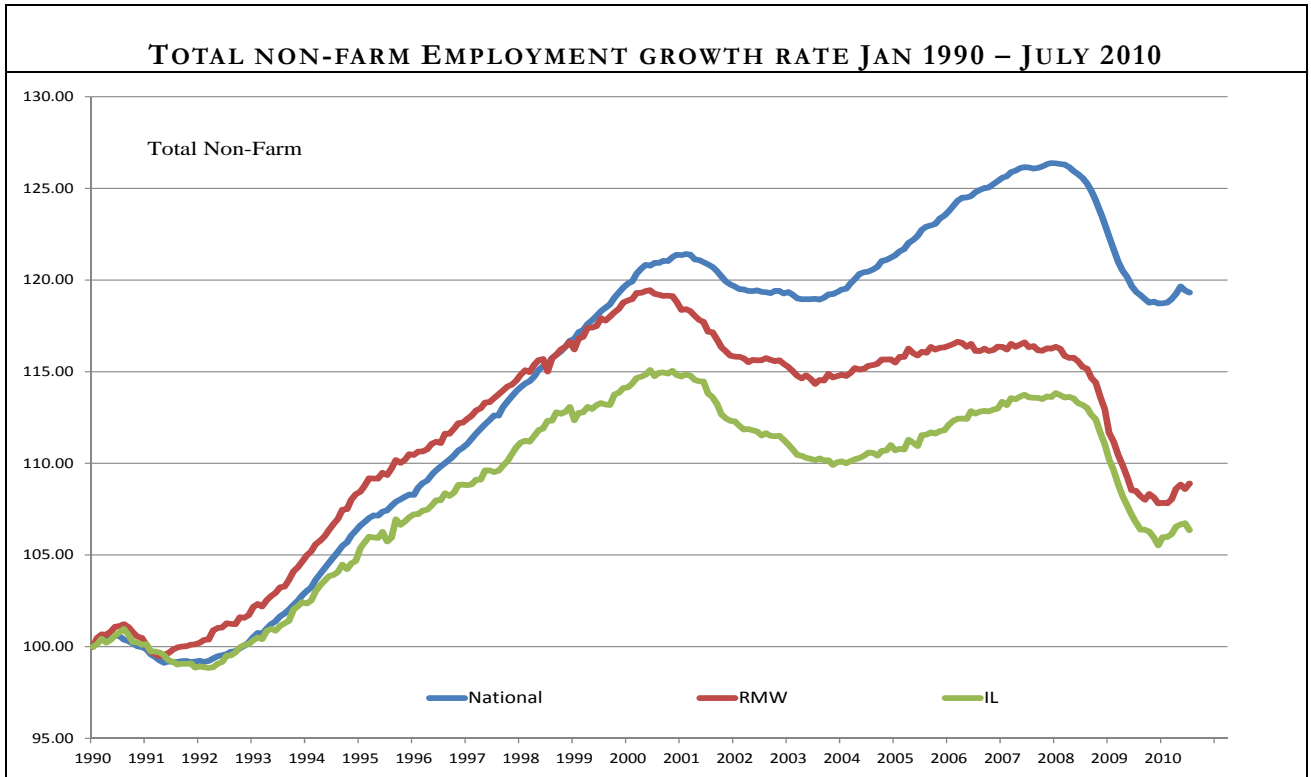
- Illinois shed 20,200 jobs in July 2010 at a rate of -0.36%, compared with a revised 3,900 job gain in June. The three-month moving average of jobs, a more stable measure of labor market, was down by 3,300 jobs per month. This is the first time Illinois had a major job loss this year, as suffering from a construction strike, the end of a tax credit program for homebuyers and the end of temporary Census jobs. Illinois has outpaced the nation in adding manufacturing jobs since Jan, 2010.
- The Nation cut 131,000 jobs at a rate of -0.10%, compared with a revised 221,000 job loss in June. The three-month moving average of jobs was up by 27,000 jobs per month.
- RMW added 52,100 jobs in June after a revised 42,300 job loss in June. The three-month moving average was up by 17,000 jobs per month.
- Since the beginning of the recession in Dec 2007, Illinois has posted negative job changes 24 times and positive job gains six times through June, 2010. The state of Illinois now has a net loss of 384,300 jobs since the beginning of the recession in December 2007.
- Five sectors in Illinois have employment levels in this month that are lower than January 1990 – Construction, Manufacturing, Trade, transportation & utilities, Information and Financial activities.
- Over the last 12 months, Illinois shed 22,300 jobs at a rate -0.40%.
- The shadow unemployment rates for Illinois, RMW and the Nation were 12.3%, 14.3% and 12.3%, compared to official unemployment rates of 10.3%, 10.2% and 9.5%.
- Through July 2010, the cumulative job growth for Illinois, RMW and the Nation compared to January 1990 stood at 6.36%, 8.90%, and 19.32%, respectively.

## JULY 2010 EMPLOYMENT CHART

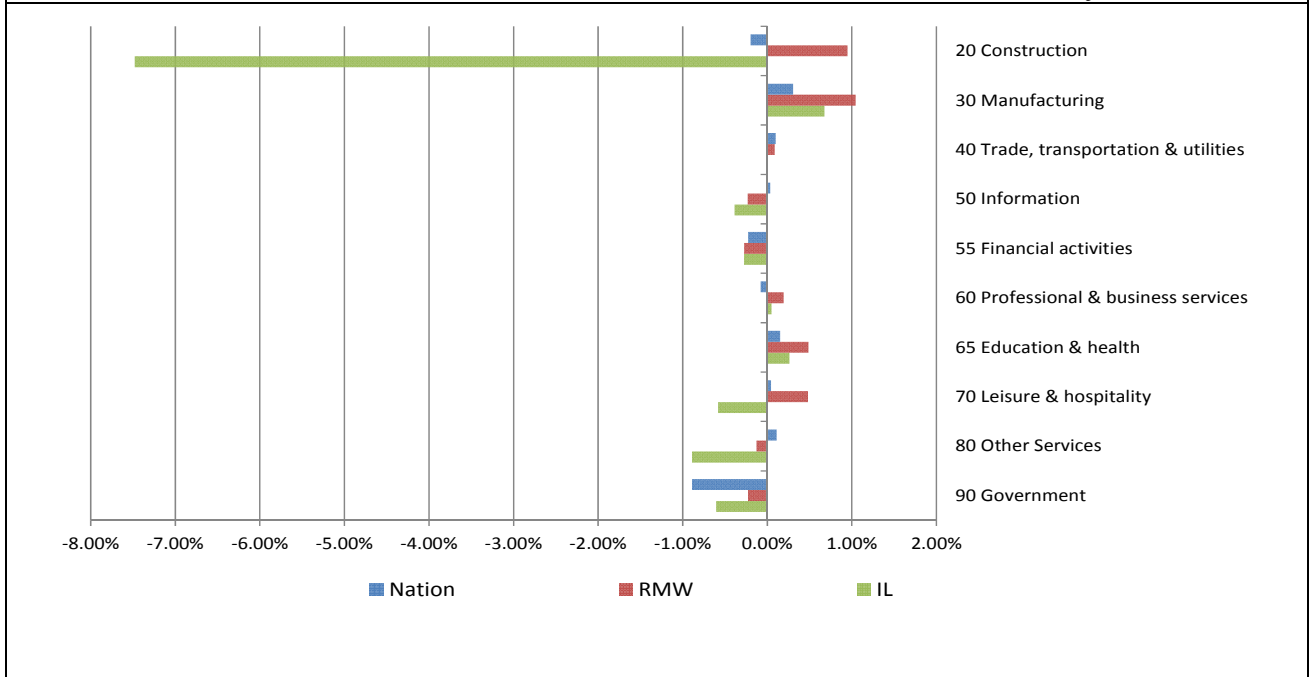
July 2010 Negative	Total Non-Farm Employment	June 2010 – July 2010		Last 12 months		July 2010
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs	Shadow U.R. **
	<b>Nation</b>	-0.10	-131,000	-0.04	-52,000	12.3%
	<b>RMW*</b>	0.28	52,100	0.38	69,800	14.3%
	<b>Illinois</b>	-0.36	-20,200	-0.40	-22,300	12.3%

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

\*\*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.



## TOTAL NON-FARM EMPLOYMENT GROWTH RATE BY SECTORS APR 2010 – JULY 2010



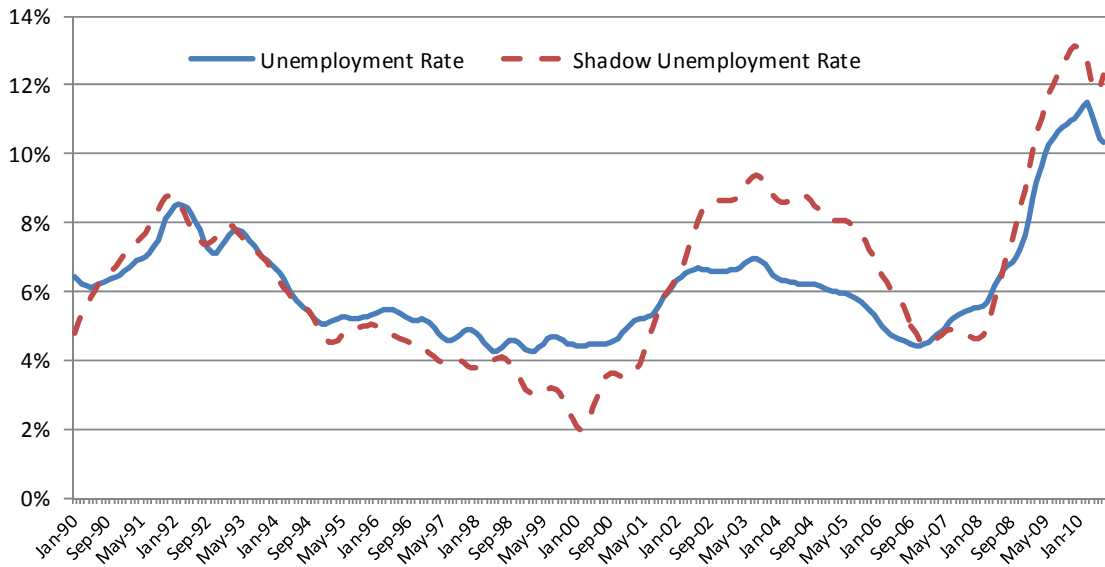
## SHADOW UNEMPLOYMENT

## Unemployment Rate: Official and Shadow

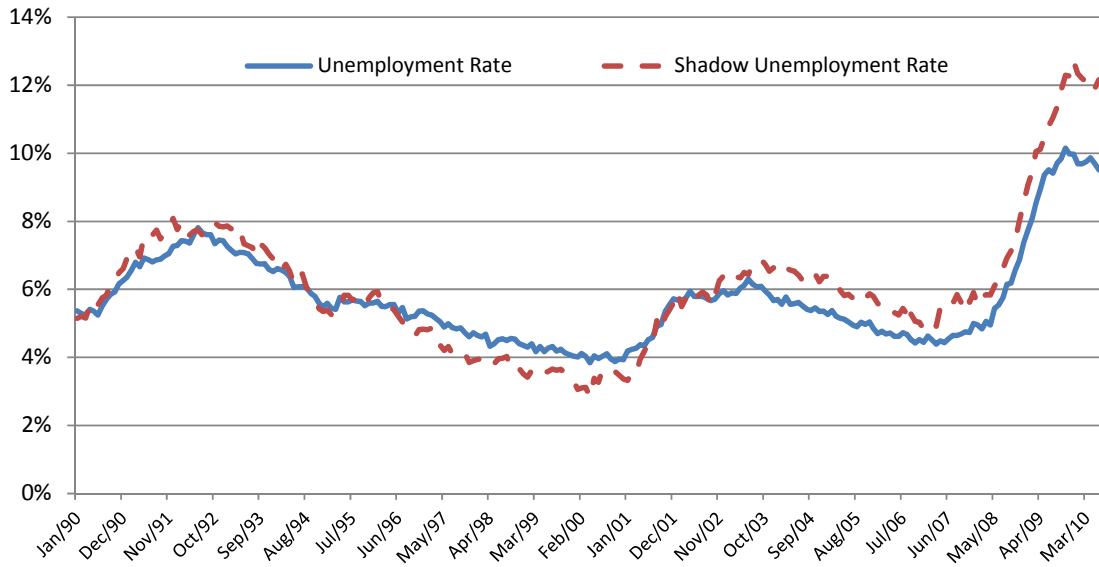
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined 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 68.2% in Illinois whereas in 2009, it has been only 66.6%.
- For the 15 years from 1990 to 2004, the average participation rate was 68.1% in Illinois.
- In the 1990s in the US, the average participation rate was 65.5% whereas in 2009, it has been 66.0%; 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 official and shadow unemployment rate for Illinois (top figure) and the US as a whole (bottom figure).
- For Illinois since 2000, the gap between the official and shadow unemployment rate has increased but recently since the early 2006 the gap has decreased. However, the gap has increased significantly since 2008.
- To bring the two together a further 134,800 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

■ Illinois

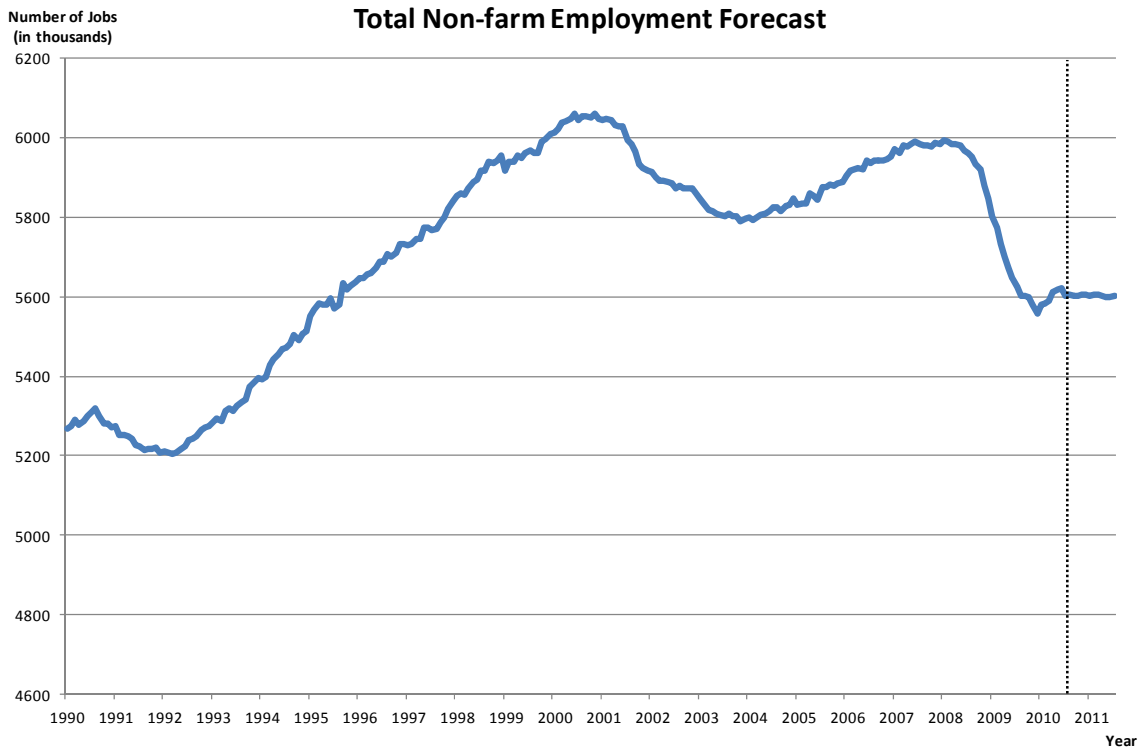


■ US



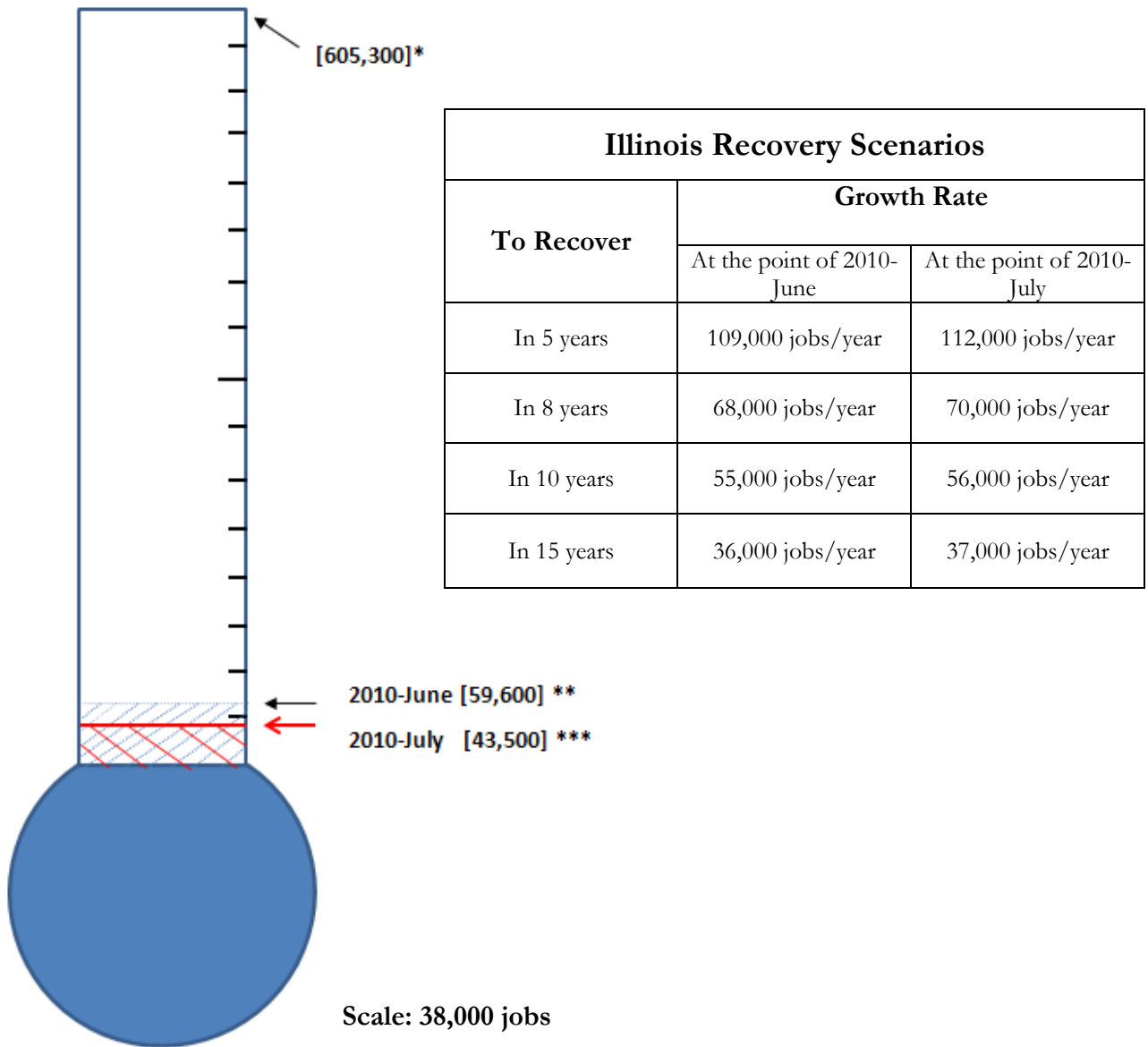
## EMPLOYMENT FORECAST

	July 2010	July 2011 (p)	Number of Jobs	Growth Rate %
<b>Total non-farm</b>	5,601,700	5,600,800	-900~+70,000	-0.02%~+1.25%
<b>Construction</b>	184,300	181,600	-2,700 *	-1.47%
<b>Manufacturing</b>	566,300	566,000	-300	-0.05%
<b>Trade, transportation &amp; utilities</b>	1,131,900	1,133,100	1,200	0.11%
<b>Information</b>	103,400	103,200	-200	-0.19%
<b>Financial Activities</b>	363,800	362,400	-1,400	-0.38%
<b>Professional &amp; business services</b>	785,000	784,500	-500	-0.06%
<b>Education &amp; health</b>	832,900	834,600	1,700	0.20%
<b>Leisure &amp; hospitality</b>	513,700	513,800	100	0.02%
<b>Other services</b>	256,200	256,400	200	0.08%
<b>Government</b>	854,400	855,400	1,000	0.12%



\* The values by sector for the number of jobs added are the lower bound of the forecast.

# Barometer of Job Recovery



\* The figure 605,300 is the number of jobs we need for Illinois economy to recover to the previous employment peak, 2000-Nov. The gap between the previous peak 2000-Nov and the previous lowest point 2009-Dec is 501,300. Adding 104,000, the number of jobs that we need to bring 2010-June shadow and official unemployment rates together, the total number of jobs that we need to create equals 605,300.

\*\*The figure 59,600 represents the jobs recovered from Dec. 2009 (previous lowest level) at the point of June 2010.

\*\*\* The figure 43,500 represents the jobs recovered from Dec. 2009 at the point of July 2010.

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## CATCH UP SCENARIO

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

	Previous Peak	Current	Catch-up	Periods for Catch-up
<b>Nation</b>	126.16 (Dec-2007)	119.44 (June 2010)	Negative growth	N/A
<b>RMW</b>	119.45 (Jun-2000)	108.60 (June 2010)	Negative growth	N/A
<b>IL</b>	115.09 (Nov-2000)	106.74 (June 2010)	Negative growth	N/A
<b>Metro Areas**:</b>				
<b>Bloomington Normal</b>	141.73 (Feb 2002)	135.53 (June 2010)	Negative growth	N/A
<b>Champaign Urbana</b>	116.15 (Jan 2009)	110.11 (June 2010)	Negative growth	N/A
<b>Chicago</b>	114.86 (Nov 2000)	105.02 (June 2010)	Negative growth	N/A
<b>Davenport- Rock Island-Moline</b>	115.02 (Mar 2008)	107.73 (June 2010)	Negative growth	N/A
<b>Decatur</b>	112.38 (Jan 2000)	96.06 (June 2010)	Negative growth	N/A
<b>Kankakee</b>	125.55 (Mar 2008)	120.58 (June 2010)	Negative growth	N/A
<b>Peoria</b>	122.21 (Aug 2008)	113.09 (June 2010)	Negative growth	N/A
<b>Rockford</b>	122.81 (Nov 2000)	107.17 (June 2010)	Negative growth	N/A
<b>Springfield</b>	110.89 (Aug 2000)	102.67 (June 2010)	Negative growth	N/A
<b>Metro-East</b>	114.97 (Jun 2001)	106.89 (June 2010)	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.

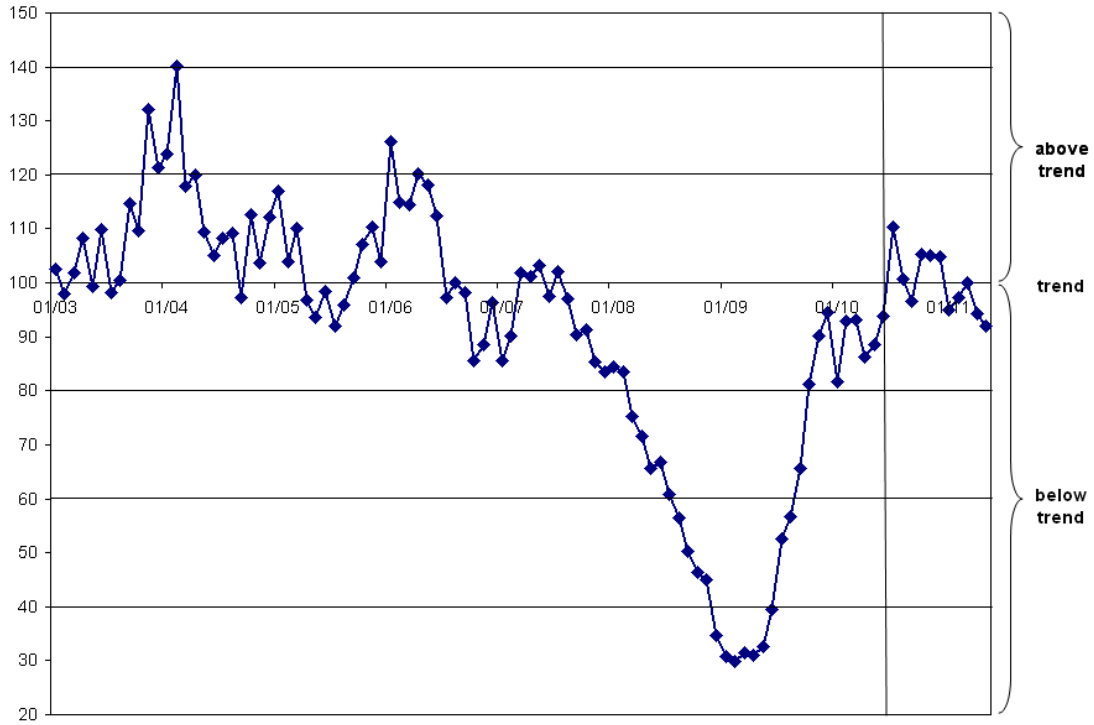
NOTE: The US Bureau of Labor Statistics and the Illinois Department of Employment Security changed the way national and state employment data are coordinated to be more consistent. As a result, there have been some significant changes in estimates for Illinois over the past year.



## CBAI ROSE IN JUNE

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 93.7 in June, up from 88.5 in May. The increase in June could be attributed mainly to the improvement in construction activity in the Chicago region.
- In June, the national and regional economy presented mixed features. The Federal Reserve Board announced that the Industrial Production Index, at 92.5, barely increased 0.1 percent in June after three months of gains and the capacity utilization rate for total industry remained unchanged in June at 74.1 percent. In addition, the national retail sales decreased 0.3 percent in June. Both the number of unemployed persons, at 14.6 million, and the unemployment rate, at 9.5 percent, edged down in June.
- The Chicago Fed reported that its Chicago Fed National Activity Index (CFNAI) decreased to -0.63 in June, from 0.31 in May. Meanwhile, the Chicago Fed Midwest Manufacturing Index (CFMMI) decreased 0.38 percent in June, after a 1.7 percent increase in May. In the Chicago region in June, manufacturing employment decreased 0.38 percent while non-manufacturing employment decreased 0.35 percent and construction employment increased by 0.97 percent. Regional retail sales are estimated to have increased 0.1 percent in June.
- In the coming months, the national economy is likely to maintain its improving trend but at a slower pace. During the past few months, the national employment situation has continued to improve. The Bureau of Labor Statistics reported the total nonfarm payroll employment decreased by 125,000 in June, reflecting the departure of 225,000 temporary Census 2010 workers from federal government payrolls. Total private employment edged up over the month (+83,000) due to modest increases in several industries. For the local economy, considering recent national economic conditions and movements of projected CBAI, the Chicago economy is expected to be on an improving trend in the near future.



# METROPOLITAN STATISTICAL AREA LEAGUE TABLES

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## MSA LEAGUE TABLES SUMMARY\*

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- The most remarkable upward move in June was Champaign-Urbana-Rantoul (8th to 2nd).
- Rockford (4th to 1st), Davenport-Rock Island-Moline (5th to 3rd), Kankakee (6th to 5th), and Chicago (7th to 6th), Decatur (9th to 8th) and Springfield (10th to 9th) all gained in terms of rank from last month.
- Bloomington-Normal (1st to 10th) experienced the deepest fall again this month.
- Metro-East (3rd to 7th), Peoria (2nd to 4th) also moved down in terms of rank.
- In the 12 months growth league table, upward moves were recorded for Peoria (6th to 3rd), Decatur (10th to 8th), Springfield (7th to 6th) and Rockford (2nd to 1st), while downward moves were recorded for Bloomington-Normal (4th to 7th), Champaign-Urbana-Rantoul (3rd to 5th), Metro-East (9th to 10th), Kankakee (1st to 2nd), and Chicago (8th to 9th).
- This is the first time that Kankakee dropped from the first place and the first time that Decatur was not in the last place since March 2010.

\*NOTE: The US Bureau of Labor Statistics and the Illinois Department of Employment Security changed the way national and state employment data are coordinated to be more consistent. As a result, there have been some significant changes in estimates for Illinois over the past year.

## MSA League Tables\*: Non-farm Employment Growth Rate

## Monthly growth:

Rank	May 2010	June 2010	Rank	Change**
1	Bloomington-Normal(0.91%)	Rockford (0.76%)	1	↑(+3)
2	Peoria (0.65%)	Champaign-Urbana-Rantoul(0.53%)	2	↑(+6)
3	Metro-East (0.47%)	Davenport-Rock Island-Moline (0.33%)	3	↑(+2)
4	Rockford (0.43%)	Peoria (0.23%)	4	↓(-2)
5	Davenport-Rock Island-Moline (0.19%)	Kankakee (0.23%)	5	↑(+1)
6	Kankakee (0.18%)	Chicago (0.12%)	6	↑(+1)
7	Chicago (0.02%)	Metro-East (0.09%)	7	↓(-4)
8	Champaign-Urbana-Rantoul (-0.01%)	Decatur (-0.03%)	8	↑(+1)
9	Decatur(-0.17%)	Springfield (-0.29%)	9	↑(+1)
10	Springfield (-0.37%)	Bloomington-Normal (-0.64%)	10	↓(-9)

## Growth over last 12-months:

Rank	May 2010	June 2010	Rank	Change**
1	Kankakee (0.7%)	Rockford (1.08%)	1	↑(+1)
2	Rockford (0.48%)	Kankakee (0.58%)	2	↓(-1)
3	Champaign-Urbana-Rantoul (-0.55%)	Peoria (-0.38%)	3	↑(+3)
4	Bloomington-Normal (-0.97%)	Davenport-Rock Island-Moline (-0.48%)	4	↑(+1)
5	Davenport-Rock Island-Moline (-0.99%)	Champaign-Urbana-Rantoul (-0.59%)	5	↓(-2)
6	Peoria (-1.21%)	Springfield (-1.18%)	6	↑(+1)
7	Springfield (-1.67%)	Bloomington-Normal (-1.19%)	7	↓(-3)
8	Chicago (-1.8%)	Decatur (-1.46%)	8	↑(+2)
9	Metro-East (-1.87%)	Chicago (-1.76%)	9	↓(-1)
10	Decatur (-3.46%)	Metro-East (-1.87%)	10	↓(-1)

\* 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)

