



# 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.

OCT 2010

# EMPLOYMENT

## EMPLOYMENT DATA SUMMARY

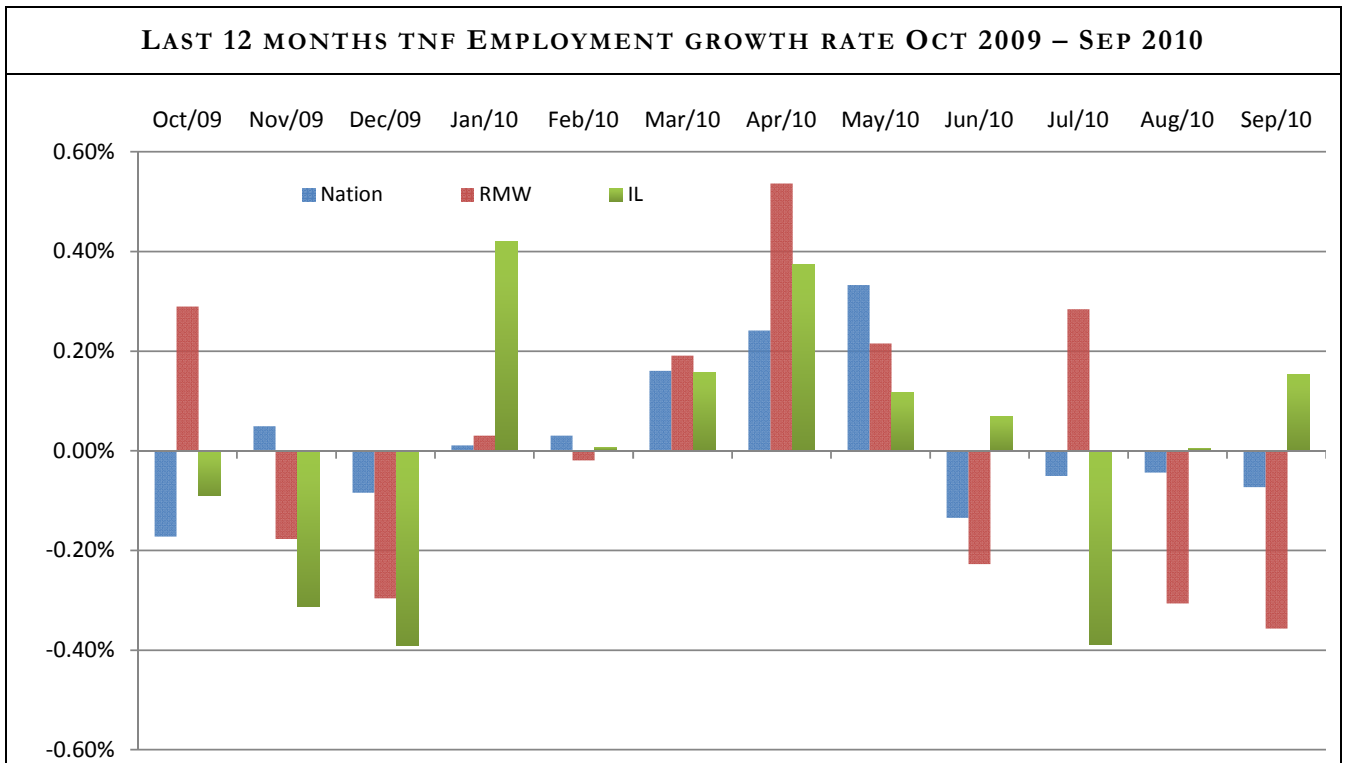
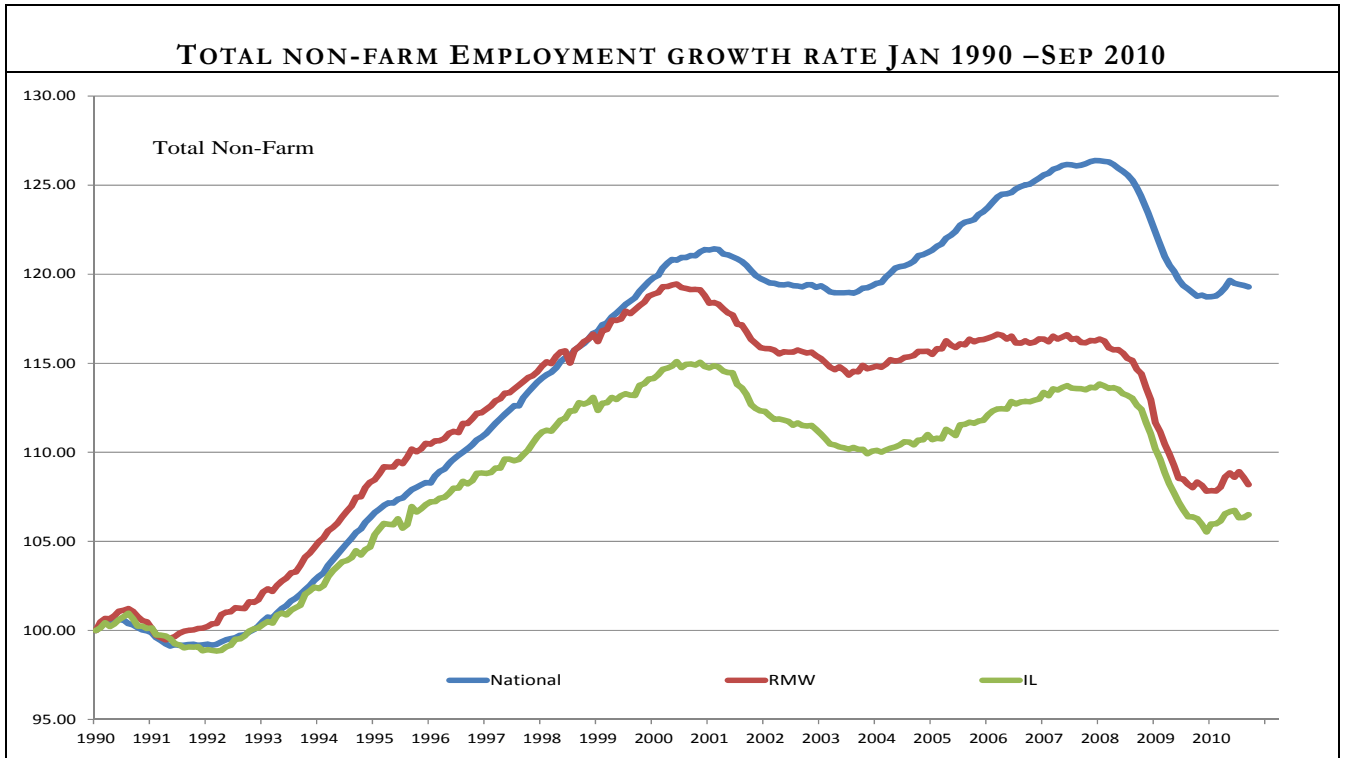
- Illinois added 8,600 jobs in September 2010 at a rate of 0.15%, compared with a revised 300 job gain in August. The manufacturing sector added jobs this month, the seventh consecutive monthly gain this year so far, leading Illinois to outpace the nation in adding manufacturing jobs since January, 2010. The three-month moving average of jobs, a more stable measure of labor market, was down by 4,300 jobs per month.
- The Nation cut 95,000 jobs at a rate of -0.07%, compared with a revised 57,000 job loss in August. The three-month moving average of jobs was down by 73,000 jobs per month.
- RMW shed 66,200 jobs in Sep after a revised 57,000 job loss in August. The three-month moving average was down by 23,500 jobs per month.
- Since the beginning of the recession in Dec 2007, Illinois has posted negative job changes 24 times and positive job gains eight times so far. The state of Illinois now has a net loss of 377,100 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 added 6,300 jobs at a rate 0.11%. This is the first year-over-year gain in 29 months since April, 2008.
- The shadow unemployment rates for Illinois, RMW and the Nation were 12.2%, 14.4% and 12.0%, compared to official unemployment rates of 9.9%, 10.0% and 9.6%.
- Through Sep 2010, the cumulative job growth for Illinois, RMW and the Nation compared to January 1990 stood at 6.37%, 7.94%, and 17.68%, respectively.

## SEPTEMBER 2010 EMPLOYMENT CHART

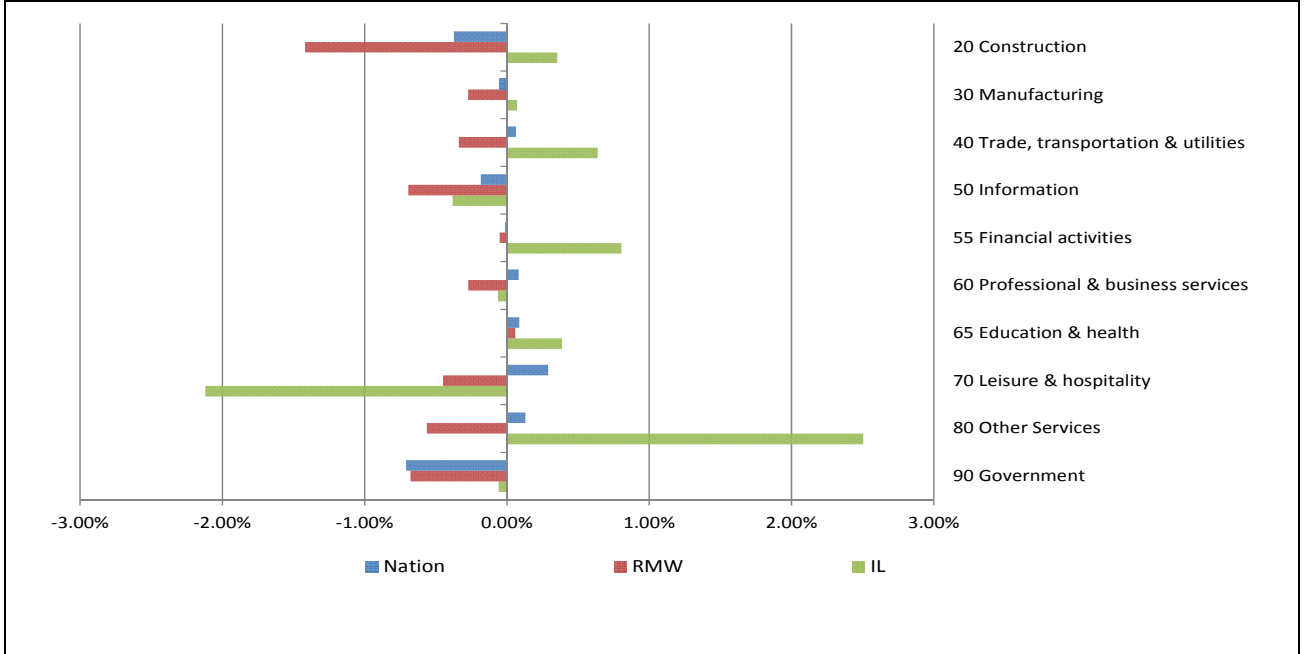
Oct 2010 Positive	Total Non-Farm Employment	Aug 2010 – Sep 2010		Last 12 months		Sep 2010
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs	Shadow U.R. **
	<b>Nation</b>	-0.07	-95,000	0.26	344,000	12.2%
	<b>RMW*</b>	-0.36	-66,200	0.16	29,000	14.4%
	<b>Illinois</b>	0.15	8,600	0.11	6,300	12.0%

\*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 AUG 2010 – SEP 2010



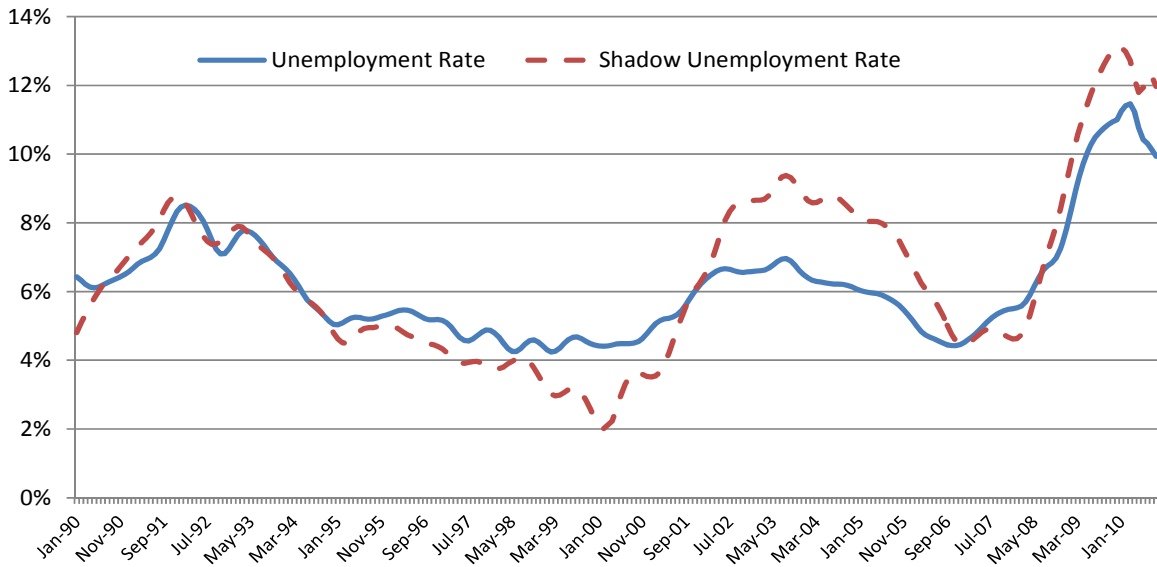
SHADOW UNEMPLOYMENT

Unemployment Rate: Official and Shadow

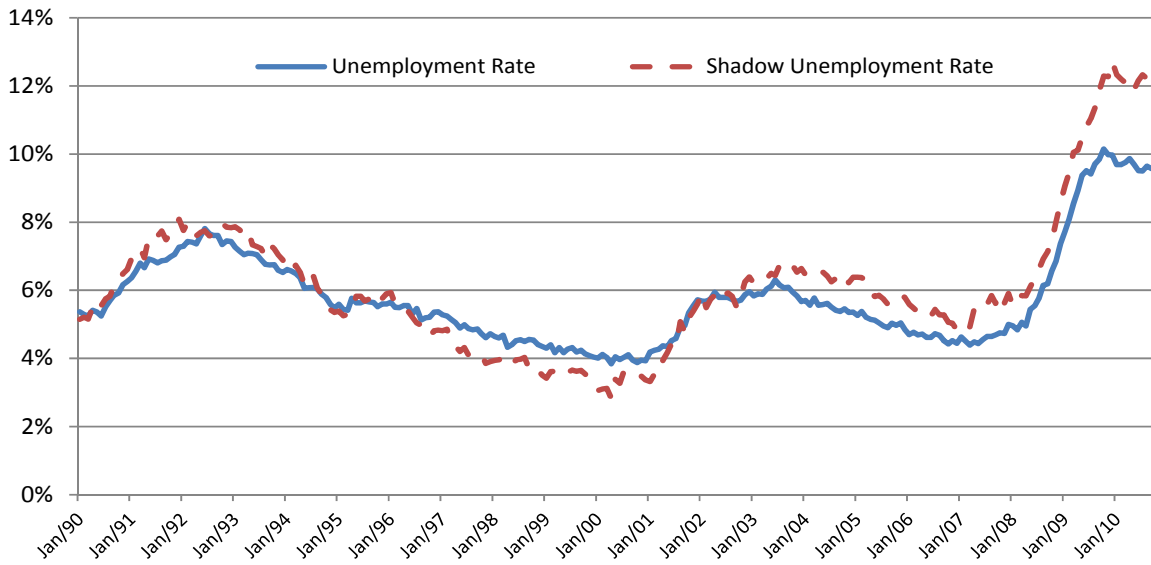
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined 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 138,500 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

■ Illinois

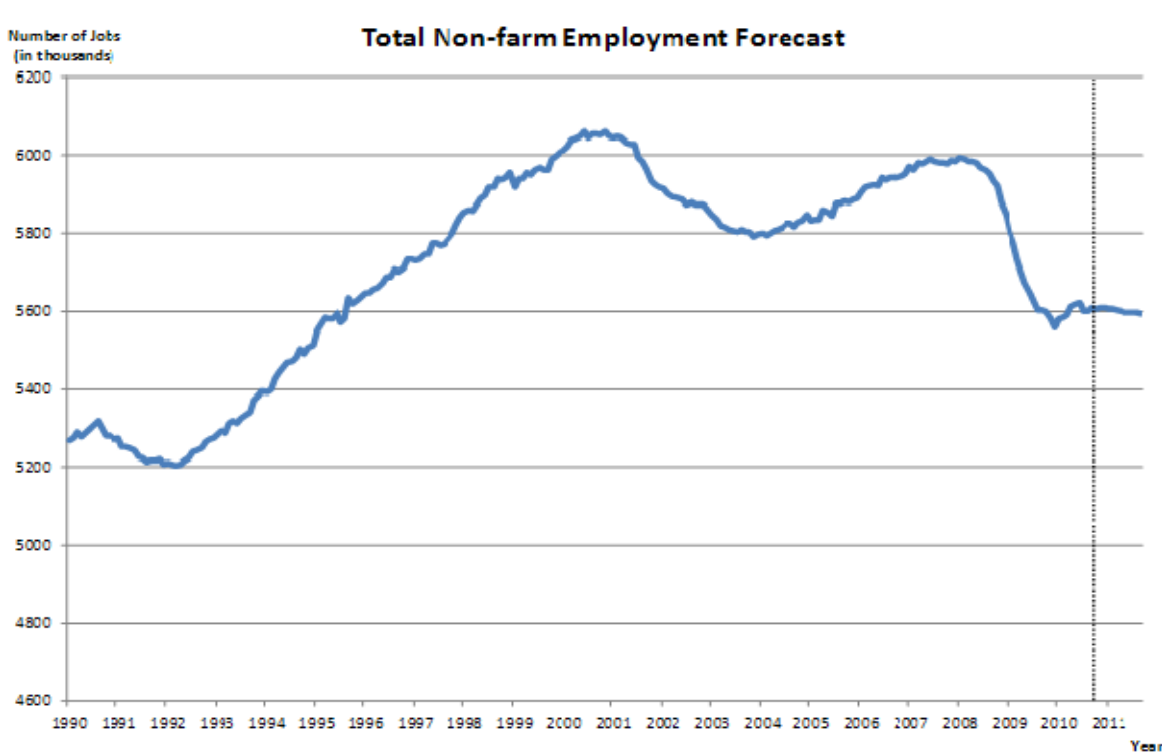


■ US



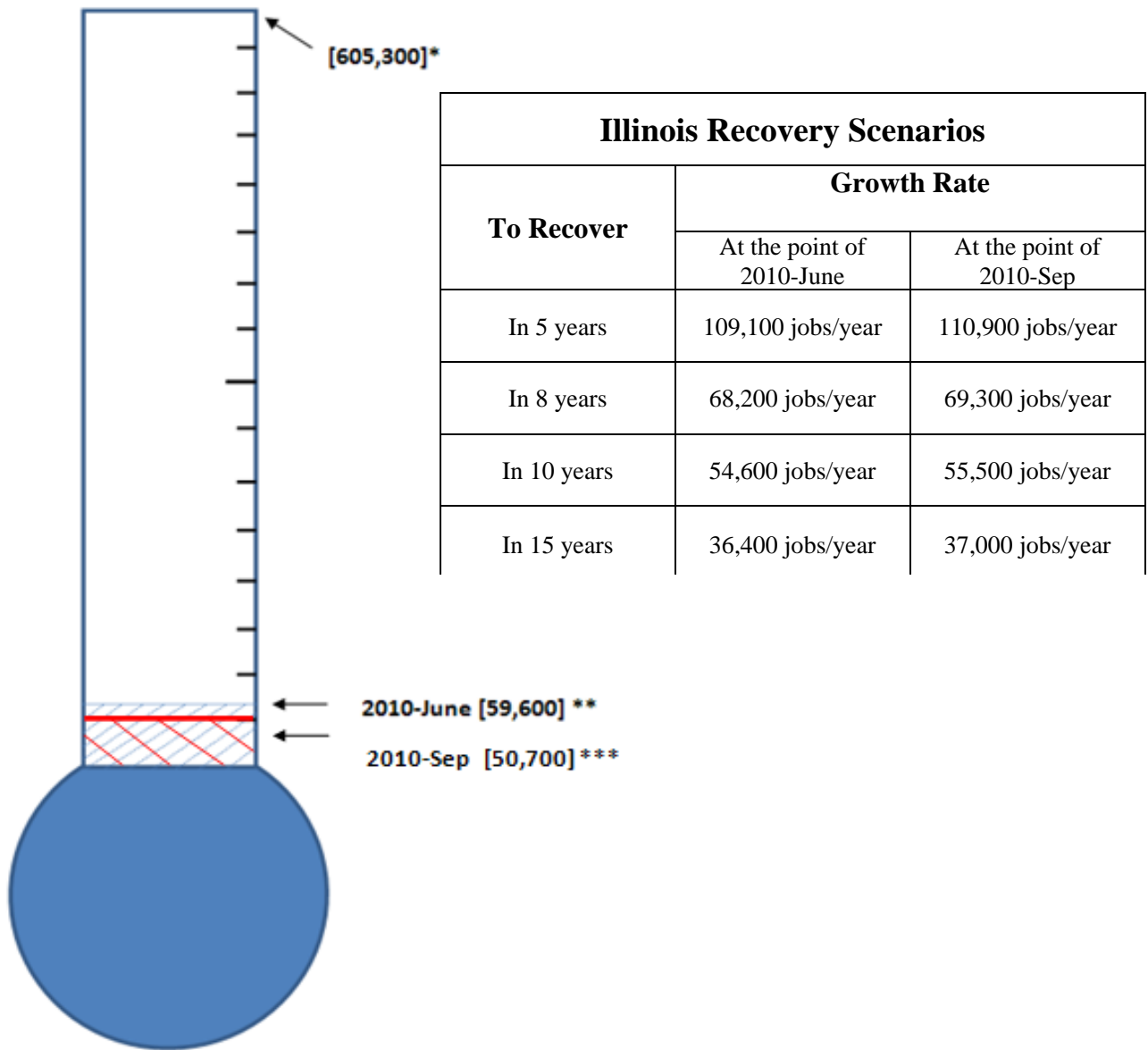
## EMPLOYMENT FORECAST

	Sep 2010	Sep 2011 (p)	Number of Jobs	Growth Rate %
<b>Total non-farm</b>	5,608,900	5,593,900	-15,000~+38,000	-0.27%~+0.68%
<b>Construction</b>	198,700	192,400	-6,300	-3.17%
<b>Manufacturing</b>	564,600	571,500	6,900	1.22%
<b>Trade, transportation &amp; utilities</b>	1,135,100	1,141,000	5,900	0.52%
<b>Information</b>	104,500	103,600	-900	-0.86%
<b>Financial Activities</b>	363,700	353,300	-10,400	-2.86%
<b>Professional &amp; business services</b>	787,200	766,800	-20,400	-2.59%
<b>Education &amp; health</b>	829,500	839,800	10,300	1.24%
<b>Leisure &amp; hospitality</b>	503,100	497,600	-5,500	-1.09%
<b>Other services</b>	262,000	263,600	1,600	0.61%
<b>Government</b>	850,600	854,400	3,800	0.45%



\* 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 shadow and official unemployment rates together, the total number of jobs that Illinois needs to create is 605,300.

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

\*\*\* The figure 50,700 represents the jobs recovered from Dec. 2009 through Sep 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>	126.39 (Dec-2007)	119.37 (Aug 2010)	Negative growth	N/A
<b>RMW</b>	119.45 (Jun-2000)	108.57 (Aug 2010)	Negative growth	N/A
<b>IL</b>	115.09 (Nov-2000)	106.33 (Aug 2010)	Negative growth	N/A
<b>Metro Areas**:</b>				
<b>Bloomington Normal</b>	141.73 (Feb 2002)	135.83 (Aug 2010)	Negative growth	N/A
<b>Champaign Urbana</b>	116.13 (Jan 2009)	108.28 (Aug 2010)	Negative growth	N/A
<b>Chicago</b>	114.86 (Nov 2000)	104.26 (Aug 2010)	Negative growth	N/A
<b>Davenport- Rock Island-Moline</b>	115.02 (Mar 2008)	107.37 (Aug 2010)	Negative growth	N/A
<b>Decatur</b>	112.37 (Jan 2000)	96.12 (Aug 2010)	Negative growth	N/A
<b>Kankakee</b>	125.57 (Mar 2008)	119.42 (Aug 2010)	Negative growth	N/A
<b>Peoria</b>	122.21 (Aug 2008)	112.54 (Aug 2010)	Negative growth	N/A
<b>Rockford</b>	122.81 (Nov 2000)	105.91 (Aug 2010)	Negative growth	N/A
<b>Springfield</b>	110.89 (Aug 2000)	102.36 (Aug 2010)	Negative growth	N/A
<b>Metro-East</b>	114.97 (Jun 2001)	106.17 (Aug 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.

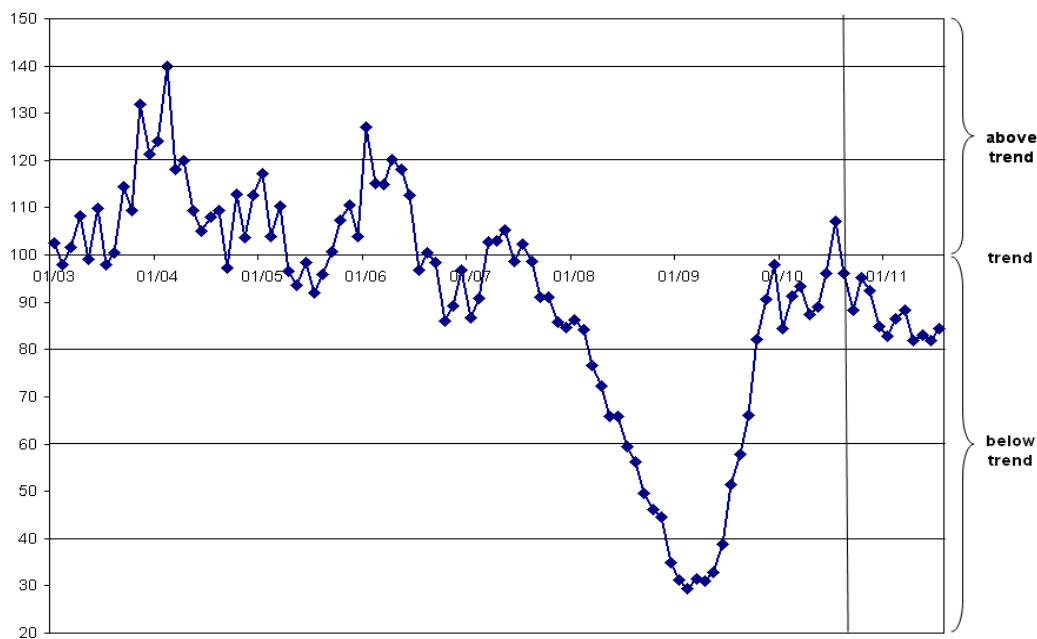
NOTE: The US Bureau of Labor Statistics and the Illinois Department of Employment Security changed the way national and state employment data are coordinated to be more consistent. As a result, there have been some significant changes in estimates for Illinois over the past year.



## CBAI FELL IN AUGUST

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) 96.0 in August, down from 107.1 in July. The decrease in August could be attributed mainly to the decline in national production- and employment-related activities and the negative contribution of retail and non-manufacturing sector in the Chicago region.
- In August, the national and regional economy presented mixed features. The Federal Reserve Board announced that industrial production rose 0.2 percent in August. The capacity utilization rate for total industry rose to 74.7. In addition, national retail sales increased 0.68 percent in August. Both the number of unemployed persons, at 14.9 million, and the unemployment rate, at 9.6 percent, were little changed in August. From May through August, the jobless rate remained in the range of 9.5 to 9.7 percent.
- The Chicago Fed reported that its Chicago Fed National Activity Index (CFNAI) decreased to -0.53 in August, from -0.11 in July. Meanwhile, the Chicago Fed Midwest Manufacturing Index (CFMMI) decreased 1.36 percent in August, after a 1.89 percent increase in July. In the Chicago region in August, manufacturing employment decreased 0.61 percent while non-manufacturing employment decreased 0.17 percent and construction employment increased by 6.0 percent. Regional retail sales are estimated to have decreased 0.69 percent in July.
- In the coming months, the national economy is likely to maintain its modest recovery trend; but a number of uncertainties remain. The Bureau of Labor Statistics reported total nonfarm payroll employment declined by 54,000 in August. Government employment fell by 121,000, reflecting the departure of temporary Census 2010 workers from federal government payrolls. Total private employment edged up by 67,000. For the local economy, although the concerns of the chance of a double-dip recession have increased, considering recent national economic conditions and movements of projected CBAI, the Chicago economy is expected to be on an improving trend over the next several months.



# METROPOLITAN STATISTICAL AREA LEAGUE TABLES

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## MSA LEAGUE TABLES SUMMARY\*

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- Rockford (2nd to 9th) experienced the deepest fall this month.
- Peoria (3rd to 8th), Champaign-Urbana-Rantoul (8th to 10th), Davenport-Rock Island-Moline (6th to 7th) and Springfield (5th to 6th) all dropped in terms of rank from last month.
- The most remarkable upward move in August was Kankakee (10th to 3rd).
- Chicago (9th to 5th), Metro-East (7th to 4th), Decatur (4th to 2nd) also gained in terms of rank.
- In the 12 months growth league table, upward moves were recorded for Champaign-Urbana-Rantoul (8th to 4th) while downward moves were recorded for Decatur (4th to 7th), Springfield (7th to 8th). In addition, Rockford, Peoria, Davenport-Rock Island-Moline, Bloomington-Normal, Kankakee, Chicago and Metro-East remained in their same places in terms of rank.
- Compared with last month, Rockford and Metro-East kept their first and last place respectively in terms of rank.

\*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	July 2010	Aug 2010	Rank	Change**
1	Bloomington-Normal(0.2%)	Bloomington-Normal(0.02%)	1	←(+0)
2	Rockford (0.15%)	Decatur(-0.05%)	2	↑(+2)
3	Peoria (0.14%)	Kankakee (-0.25%)	3	↑(+7)
4	Decatur (0.12%)	Metro-East (-0.33%)	4	↑(+3)
5	Springfield (0.07%)	Chicago (-0.35%)	5	↑(+4)
6	Davenport-Rock Island-Moline (0.06%)	Springfield (-0.38%)	6	↓(-1)
7	Metro-East (-0.34%)	Davenport-Rock Island-Moline (-0.39%)	7	↓(-1)
8	Champaign-Urbana-Rantoul (-0.37%)	Peoria (-0.62%)	8	↓(-5)
9	Chicago(-0.38%)	Rockford (-1.33%)	9	↓(-7)
10	Kankakee (-0.71%)	Champaign-Urbana-Rantoul (-1.43%)	10	↓(-2)

## Growth over last 12-months:

Rank	July 2010	Aug 2010	Rank	Change**
1	Rockford (2.27%)	Rockford (0.37%)	1	←(+0)
2	Peoria (0.51%)	Peoria (0.07%)	2	←(+0)
3	Davenport-Rock Island-Moline (-0.12%)	Davenport-Rock Island-Moline (-0.06%)	3	←(+0)
4	Decatur (-0.19%)	Champaign-Urbana-Rantoul (-0.33%)	4	↑(+4)
5	Bloomington-Normal (-0.41%)	Bloomington-Normal (-0.47%)	5	←(+0)
6	Kankakee (-0.66%)	Kankakee (-0.59%)	6	←(+0)
7	Springfield (-1%)	Decatur (-0.86%)	7	↓(-3)
8	Champaign-Urbana-Rantoul (-1.01%)	Springfield (-1.07%)	8	↓(-1)
9	Chicago (-1.77%)	Chicago (-1.76%)	9	←(+0)
10	Metro-East (-1.84%)	Metro-East (-2.35%)	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)

