



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.

AUGUST 2011

EMPLOYMENT

EMPLOYMENT DATA SUMMARY

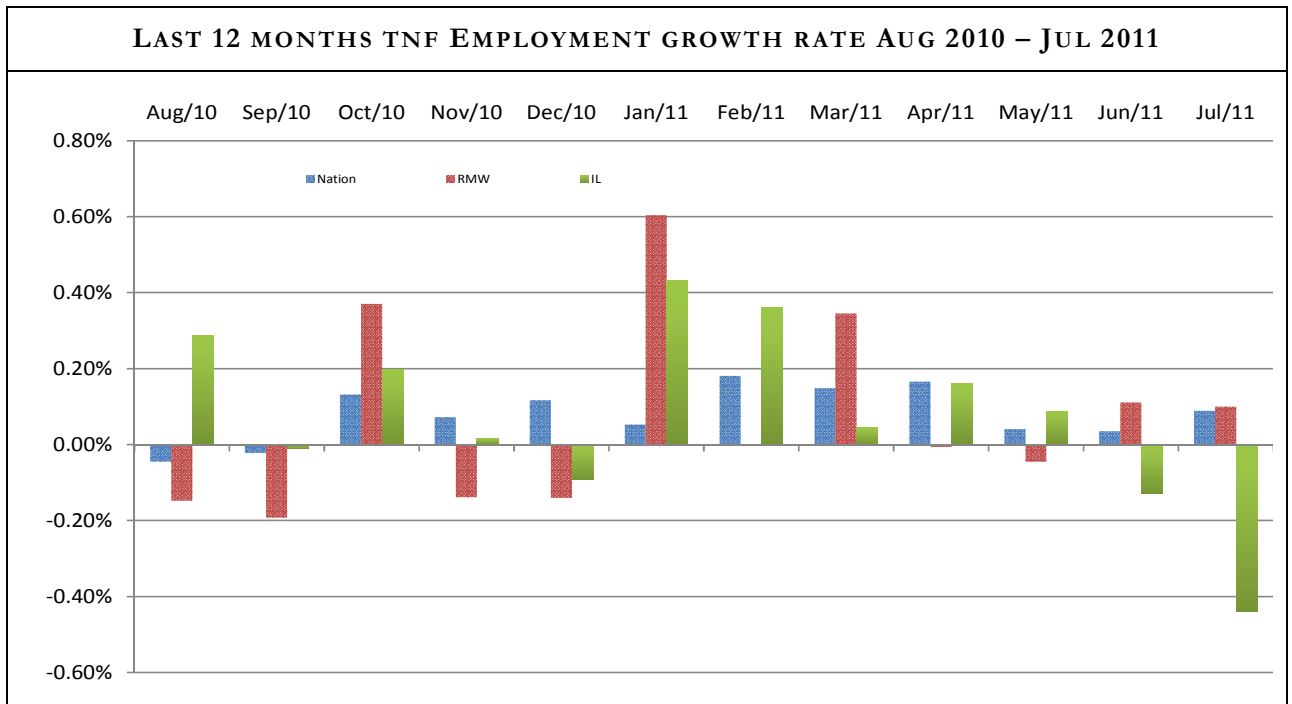
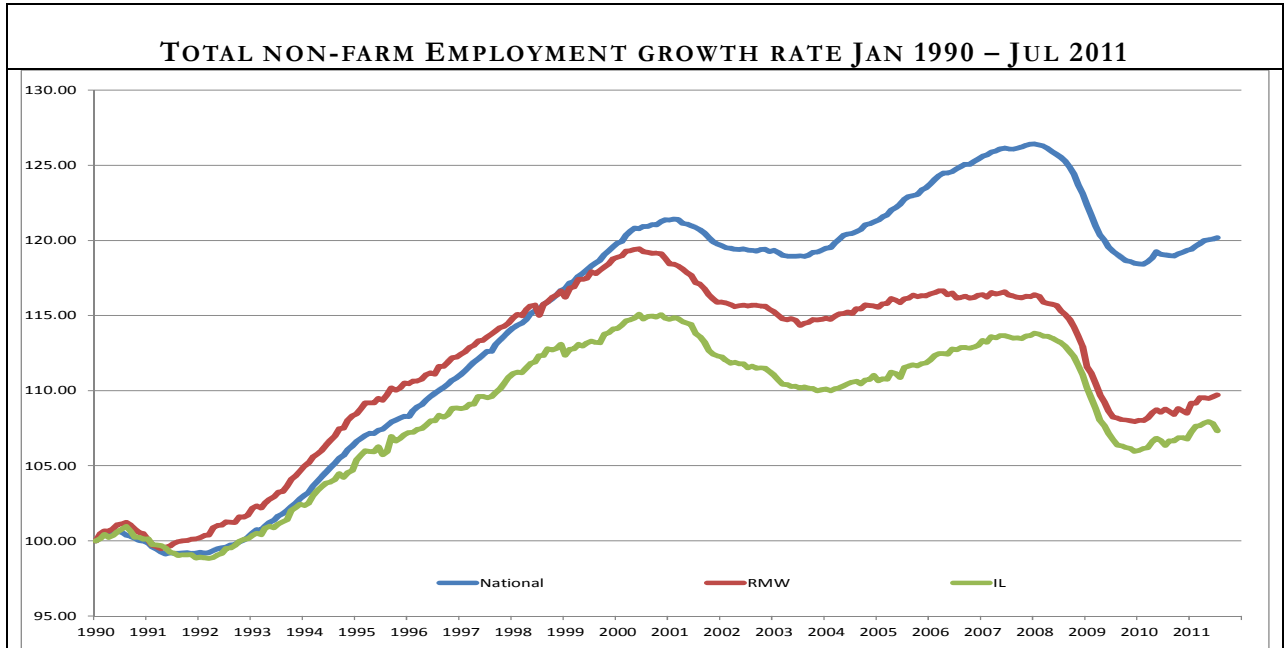
- Illinois shed 24,900 jobs in July 2011 at a rate of -0.44%, compared with a revised 7,300 job loss in June 2011. This is the largest monthly losses since June 2009. Compared to July 2010, Illinois has added 51,100 jobs. The three-month moving average of jobs, a more stable measure of labor market, was down by 9,100 jobs per month.
- The Nation added 117,000 jobs at a rate of 0.09%, compared with a revised 46,000 job gain in June. The three-month moving average of jobs was up by 72,000 jobs per month.
- The Rest of the Midwest (RMW) added 18,800 jobs in July at a rate of 0.10% after a revised 20,700 job gain in June. The three-month moving average was up by 10,300 jobs per month.
- Since the beginning of the recession in Dec 2007, Illinois has posted negative job changes 29 times and positive job gains 14 times so far. The state of Illinois now has a net loss of 332,500 jobs since the beginning of the recession in December 2007.
- Since January 2010, when Illinois employment resumed after the national recession, Illinois has added 72,200 new jobs
- The 12-month-ahead job recovery forecasts show that the recovery will slow down by July 2012.
- The shadow unemployment rates for Illinois, RMW and the Nation were 12.4%, 14.1% and 12.8%, compared to official unemployment rates of 9.5%, 8.9% and 9.1%. Compared to last month, Illinois unemployment rate increased by 0.3%. This is the highest official unemployment for Illinois since Oct 2010.
- Through July 2011, the cumulative job growth for Illinois, RMW and the Nation compared to January 1990 stood at 7.80%, 9.55%, and 20.09%, respectively.

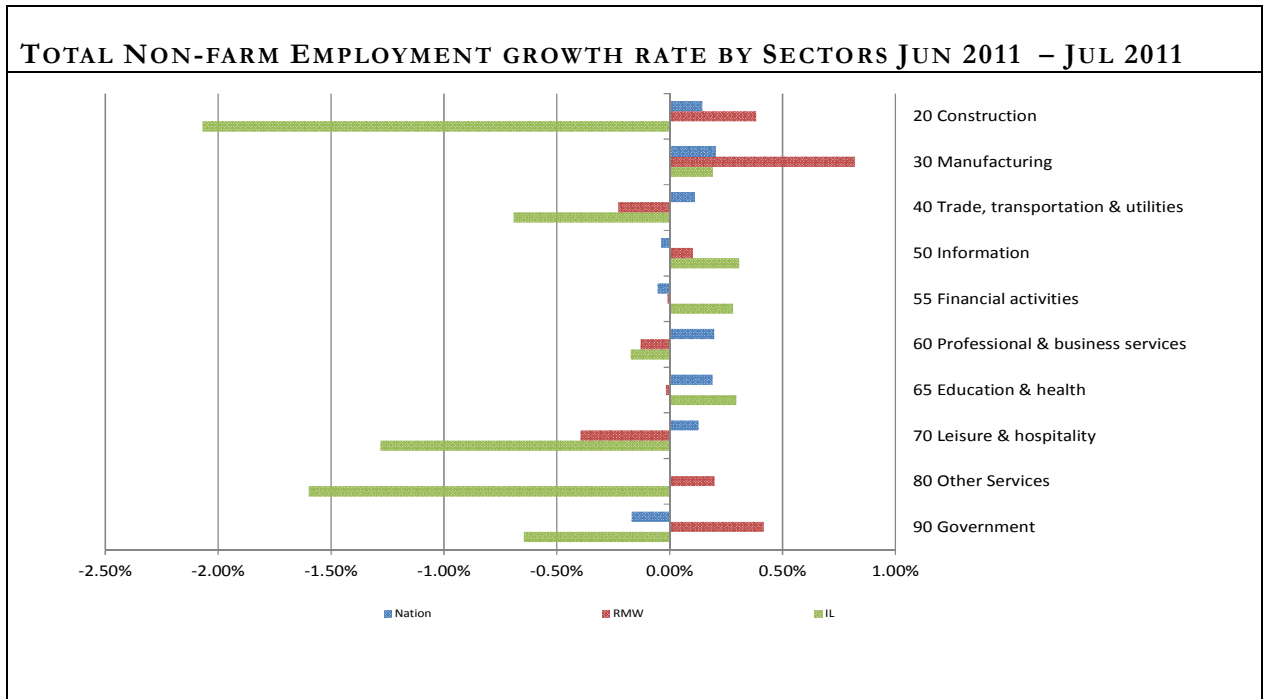
JULY 2011 EMPLOYMENT CHART

August 2011 Negative	Total Non-Farm Employment	Jun 2011– Jul 2011		Last 12 months		Jul 2011
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs	Shadow U.R. **
	Nation	0.09	117,000	0.97	1,258,000	12.8%
	RMW*	0.10	18,800	0.86	159,500	14.1%
	Illinois	-0.44	-24,900	0.91	51,100	12.4%

*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.





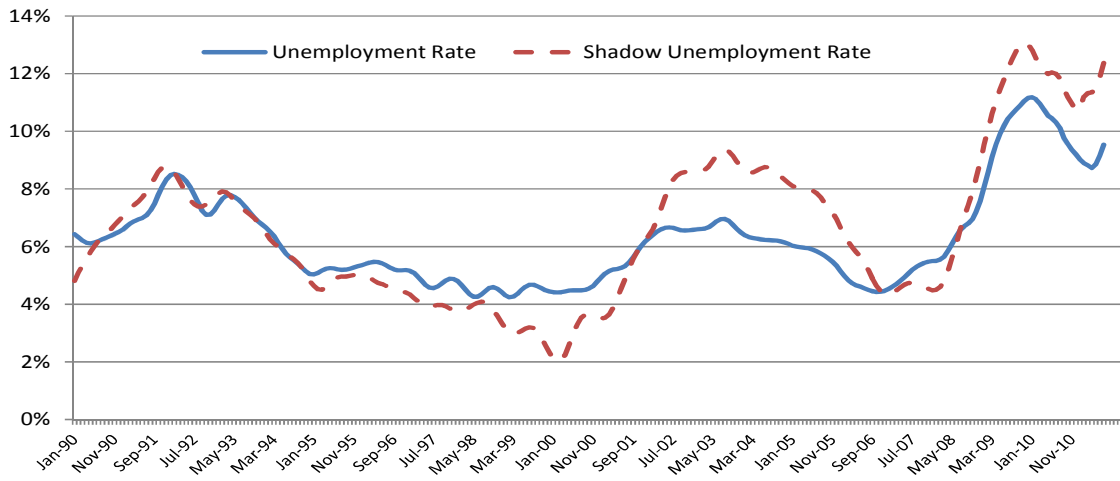
SHADOW UNEMPLOYMENT

Unemployment Rate: Official and Shadow

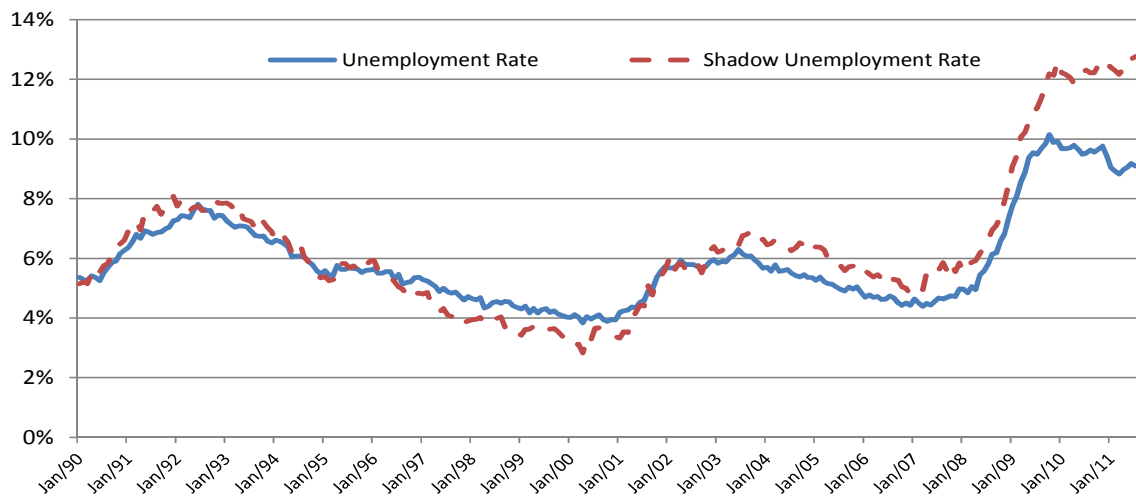
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined 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 2010, 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 2010, 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 194,200 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

■ Illinois

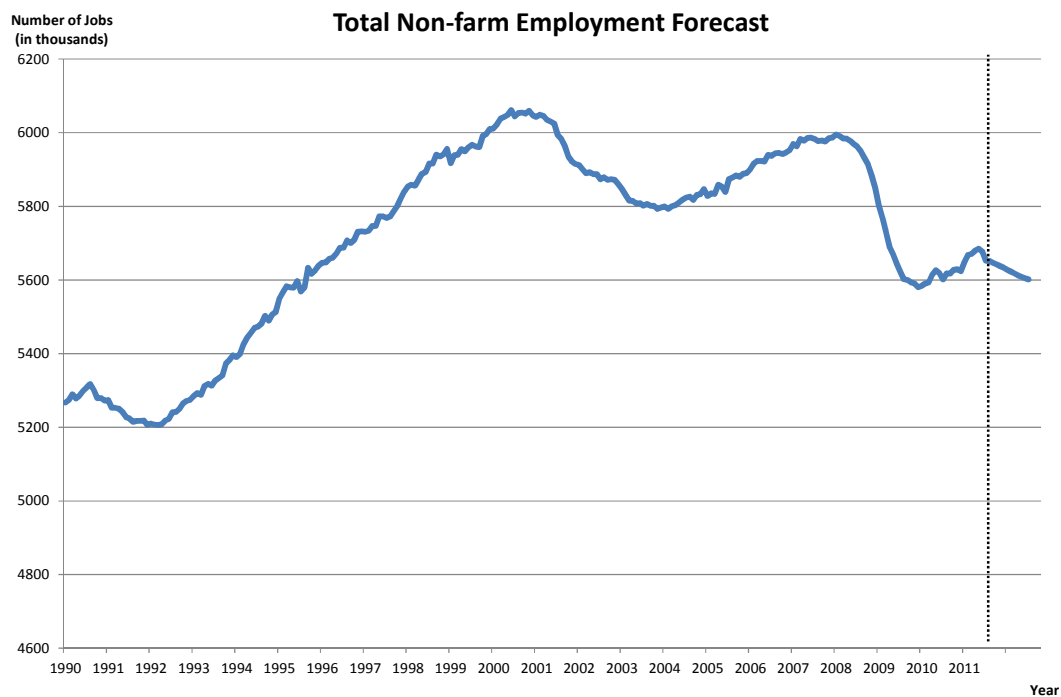


■ US



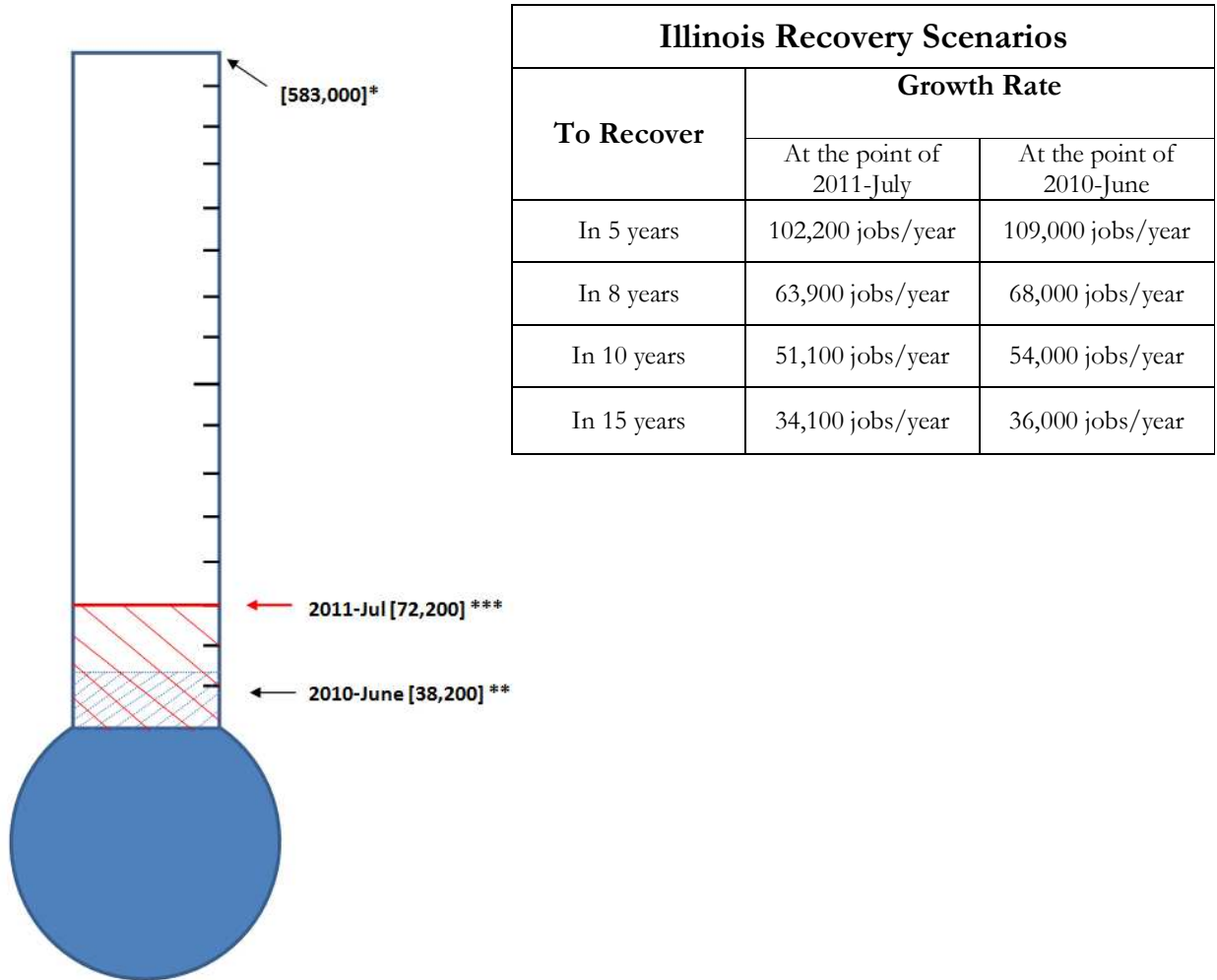
EMPLOYMENT FORECAST

	July 2011	July 2012 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,652,700	5,601,700	-51,000 ~ 6,300	-0.90%~0.11%
Construction	203,500	197,400	-6,100	-3.00%
Manufacturing	573,200	568,500	-4,700	-0.82%
Trade, transportation & utilities	1,134,800	1,110,000	-24,800	-2.19%
Information	97,800	93,200	-4,600	-4.70%
Financial Activities	356,700	349,200	-7,500	-2.10%
Professional & business services	814,500	810,800	-3,700	-0.45%
Education & health	847,700	859,900	12,200	1.44%
Leisure & hospitality	516,400	515,500	-900	-0.17%
Other services	252,400	250,100	-2,300	-0.91%
Government	846,200	846,900	700	0.08%



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

Barometer of Job Recovery



* The figure 583,000 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 479,000. 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 583,000.

**The figure 38,200 represents the jobs recovered from Dec. 2009 (previous lowest level) through June 2010.

*** The figure 72,200 represents the jobs recovered from Dec. 2009 through July 2011.

ILLINOIS JOB RECOVERY BY SECTOR

Illinois job recovery by sector from Dec 2007 - Jul 2011					
	Job Changes in Recession Period*	Job Recovery Jan 2010-Jun 2011	Recovery Percentage	Forecasted Job Recovery Jan 2010-Jun 2012	Forecasted Recovery Percentage
Construction	-64,500	-700	-1.09%	-6,800	-10.54%
Manufacturing	-116,000	20,000	17.24%	15,300	13.19%
Trade, transportation & utilities (TTU)	-98,100	16,000	16.31%	-8,800	-8.97%
Information	-11,000	-6,300	-57.27%	-10,900	-99.09%
Financial activities	-32,700	-8,300	-25.38%	-15,800	-48.32%
Professional & business services	-91,400	34,200	37.42%	30,500	33.37%
Education & health	34,300	26,000	--	38,200	--
Leisure & hospitality	-22,800	4,500	19.74%	3,600	15.79%
Other Services	-5,900	-3,600	-61.02%	-5,900	-100.00%
Government	5,200	-10,200	--	-9,500	--

*Recession period: Dec 2007- Dec 2009

Recovery by Sector	<ul style="list-style-type: none"> ▪ During the recession period of Dec 2007-Dec 2009, 8 out of 10 Illinois sectors experienced negative job growth. Education & health and Government are the only 2 sectors that had positive job growth during the recession. ▪ Since Jan 2010, Illinois employment resumed. Manufacturing, Trade, transportation & utilities, Professional & business services and Leisure & hospitality have recovered 17.24%, 16.31%, 37.42%, 19.74%, respectively, from the job lost during the recession. ▪ However, Construction, Information, Financial activities and Other services continued to lose jobs leading to negative recovery rates of -1.09%, 57.27%, 25.38% and -61.02% respectively. ▪ The 12-month-ahead job recovery forecasts show that, for sectors such as Manufacturing, Professional & business services and Leisure & hospitality, the future recovery will slow down. ▪ For sectors such as Construction, Information, Financial activities and Other services, they will continue to lose jobs with faster rates. ▪ By July 2012, the recovery rate for sector Trade, transportation & utilities will change from positive to negative.
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CATCH UP SCENARIO

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

	Previous Peak	Current	Catch-up	Periods for Catch-up
Nation	126.39 (Dec-2007)	120.19 (Jun 2011)	Negative growth	N/A
RMW	119.45 (Jun-2000)	109.71 (Jun 2011)	Negative growth	N/A
IL	115.09 (Nov-2000)	107.33 (Jun 2011)	Negative growth	N/A
Metro Areas** :				
Bloomington Normal	141.73 (Feb 2002)	137.96 (Jun 2011)	Negative growth	N/A
Champaign Urbana	116.13 (Jan 2009)	107.49 (Jun 2011)	Negative growth	N/A
Chicago	114.86 (Nov 2000)	106.82 (Jun 2011)	Negative growth	N/A
Davenport- Rock Island-Moline	115.02 (Mar 2008)	109.97 (Jun 2011)	Negative growth	N/A
Decatur	112.37 (Jan 2000)	97.16 (Jun 2011)	Negative growth	N/A
Kankakee	125.57 (Mar 2008)	122.76 (Jun 2011)	Negative growth	N/A
Peoria	122.21 (Aug 2008)	118.60 (Jun 2011)	Negative growth	N/A
Rockford	122.81 (Nov 2000)	109.03 (Jun 2011)	Negative growth	N/A
Springfield	110.89 (Aug 2000)	104.75 (Jun 2011)	Negative growth	N/A
Metro-East	114.97 (Jun 2001)	107.28 (Jun 2011)	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.

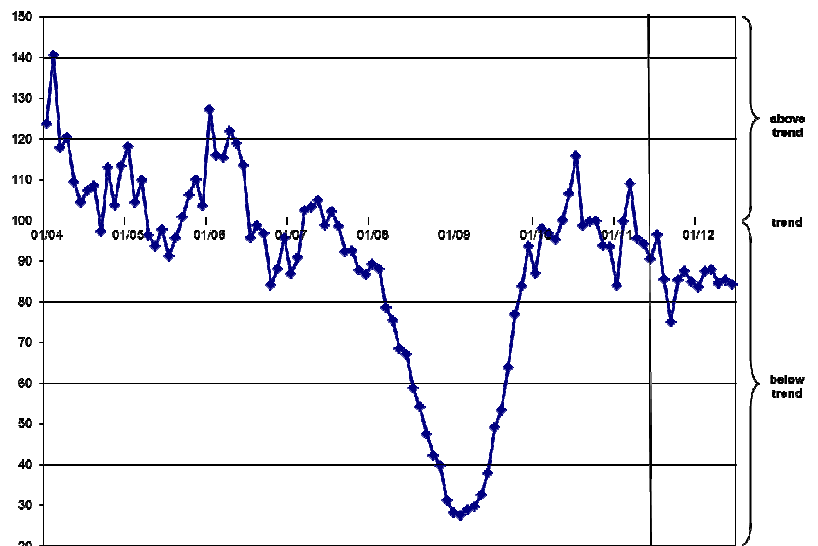
CBAI FELL IN JUNE

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 90.5 in June, a decrease from 94.2 in May. The drop of the index in June could be attributed mainly to the sluggishness in national economic activity and the decrease of nonfarm employment in the Chicago region.
- In June, the national and regional economy presented mixed features. The Federal Reserve Board announced that industrial production increased 0.2 percent in June after having edged down 0.1 percent in May. The capacity utilization for total industry unchanged at 76.7 percent in June. In addition, national retail sales increased 0.27 percent in June. The number of unemployed persons (14.1 million) and the unemployment rate (9.2 percent) were essentially unchanged over the month.
- The Chicago Fed reported that the Chicago Fed National Activity Index (CFNAI) increased to -0.46 in June, from -0.55 in May. Meanwhile, the Chicago Fed Midwest Manufacturing Index (CFMMI) was unchanged in June. In the Chicago region in June, manufacturing employment decreased 0.06 percent while non-manufacturing employment decreased 0.06 percent and construction employment increased by 0.37 percent. Regional retail sales are estimated to have increased 1.49 percent in June.
- In the coming months, the national economy is likely to maintain its modest, but slowing recovery trend. The Bureau of Labor Statistics reported total nonfarm payroll employment was essentially unchanged in June (+18,000). Employment in most major private-sector industries changed little over the month. Government employment continued to trend down. With regard to inflation, the economic slack reflected in June's CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year. The risk of double-dip recession has risen. For the local economy, considering recent national economic conditions and movements of projected CBAI, the Chicago economy is expected to continue its modest improving trend over the next several months.

CBAI (Current: 90.5)

	1 month	3 month	1 year
Historical (ago)	94.2	109.0	106.6
Forecast (ahead)	96.4	75.0	84.2



METROPOLITAN STATISTICAL AREA LEAGUE TABLES

MSA LEAGUE TABLES SUMMARY*

- Kankakee experienced the deepest fall this month (1st to 8th).
- Peoria (2rd to 5th), Bloomington-Normal (2rd to 5th), Champaign-Urbana-Rantoul (8rd to 10th), Chicago (5th to 6h) and Metro-East (4th to 7th) also dropped in terms of rank from last month.
- The most remarkable upward move in June was recorded for Decatur (10th to 3rd) and Springfield (9th to 2nd)
- Rockford (7th to 4th) and Davenport-Rock Island-Moline (3rd to 1st) also gained in terms of rank from last month.
- In the 12 months growth league table, upward moves were recorded for Metro-East (5th to 4th) and Decatur (9th to 8th) while downward moves were recorded for Chicago (4th to 5h) and Bloomington-Normal (8th to 9th).
- Peoria, Davenport-Rock Island-Moline, Rockford, Springfield remained in the same place.
- Kankakee remained unchanged while Champaign-Urbana-Rantoul stayed in the last place for four consecutive months

*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 2011	Jun 2011	Rank	Change**
1	Kankakee (2.28%)	Davenport-Rock Island-Moline (1.23%)	1	↑(+2)
2	Peoria (0.51%)	Springfield (0.78%)	2	↑(+7)
3	Davenport-Rock Island-Moline (0.26%)	Decatur (0.59%)	3	↑(+7)
4	Metro-East (0.08%)	Rockford (0.3%)	4	↑(+3)
5	Chicago (-0.03%)	Peoria (0.25%)	5	↓(-3)
6	Bloomington-Normal (-0.29%)	Chicago (-0.05%)	6	↓(-1)
7	Rockford (-0.31%)	Metro-East (-0.09%)	7	↓(-3)
8	Champaign-Urbana-Rantoul (-0.42%)	Kankakee (-0.65%)	8	↓(-7)
9	Springfield (-0.55%)	Bloomington-Normal (-0.75%)	9	↓(-3)
10	Decatur (-0.64%)	Champaign-Urbana-Rantoul (-0.75%)	10	↓(-2)

Growth over last 12-months:

Rank	May 2011	Jun 2011	Rank	Change**
1	Kankakee (4.88%)	Kankakee (4.15%)	1	←(+0)
2	Peoria (3.15%)	Peoria (2.93%)	2	←(+0)
3	Davenport-Rock Island-Moline (1.33%)	Davenport-Rock Island-Moline (2.66%)	3	←(+0)
4	Chicago (0.56%)	Metro-East (0.73%)	4	↑(+1)
5	Metro-East (0.4%)	Chicago (0.67%)	5	↓(-1)
6	Rockford (0.09%)	Rockford (0.65%)	6	←(+0)
7	Springfield (-0.23%)	Springfield (0.61%)	7	←(+0)
8	Bloomington-Normal (-0.4%)	Decatur (-0.3%)	8	↑(+1)
9	Decatur (-1.45%)	Bloomington-Normal (-0.71%)	9	↓(-1)
10	Champaign-Urbana-Rantoul (-2.88%)	Champaign-Urbana-Rantoul (-3.04%)	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)

