



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 2011

EMPLOYMENT

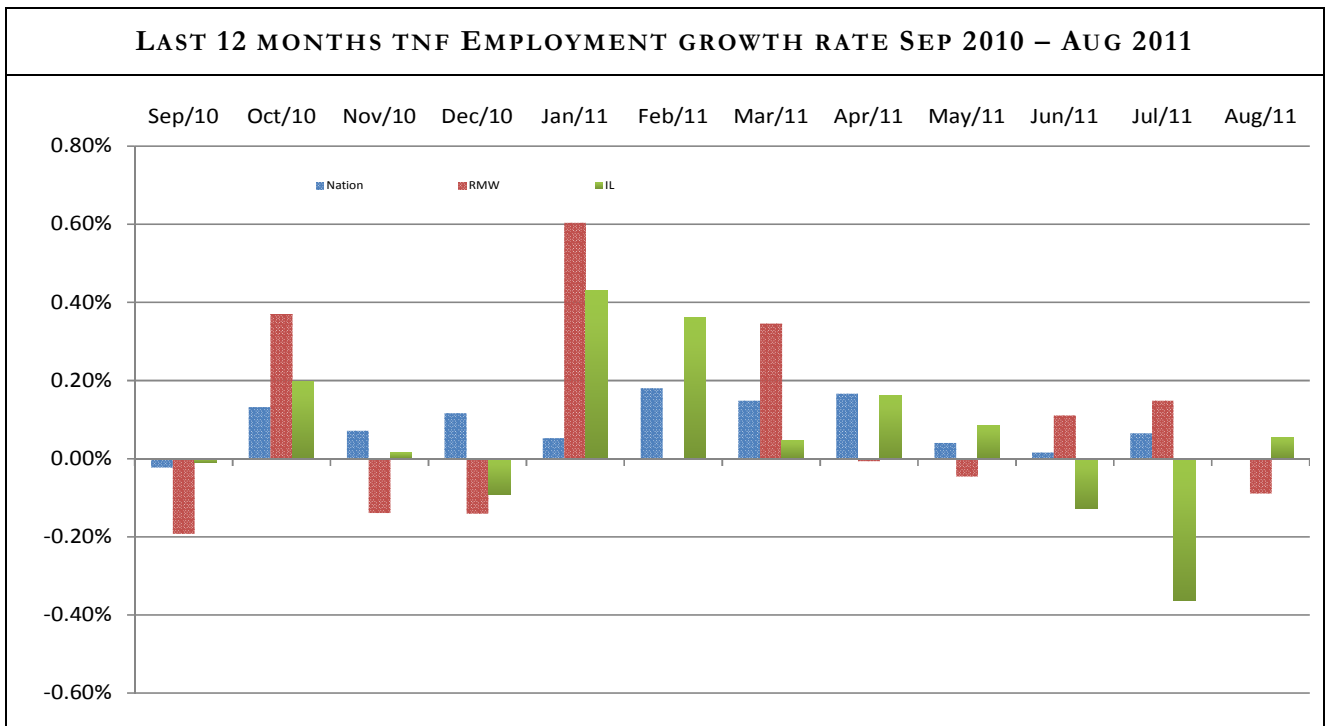
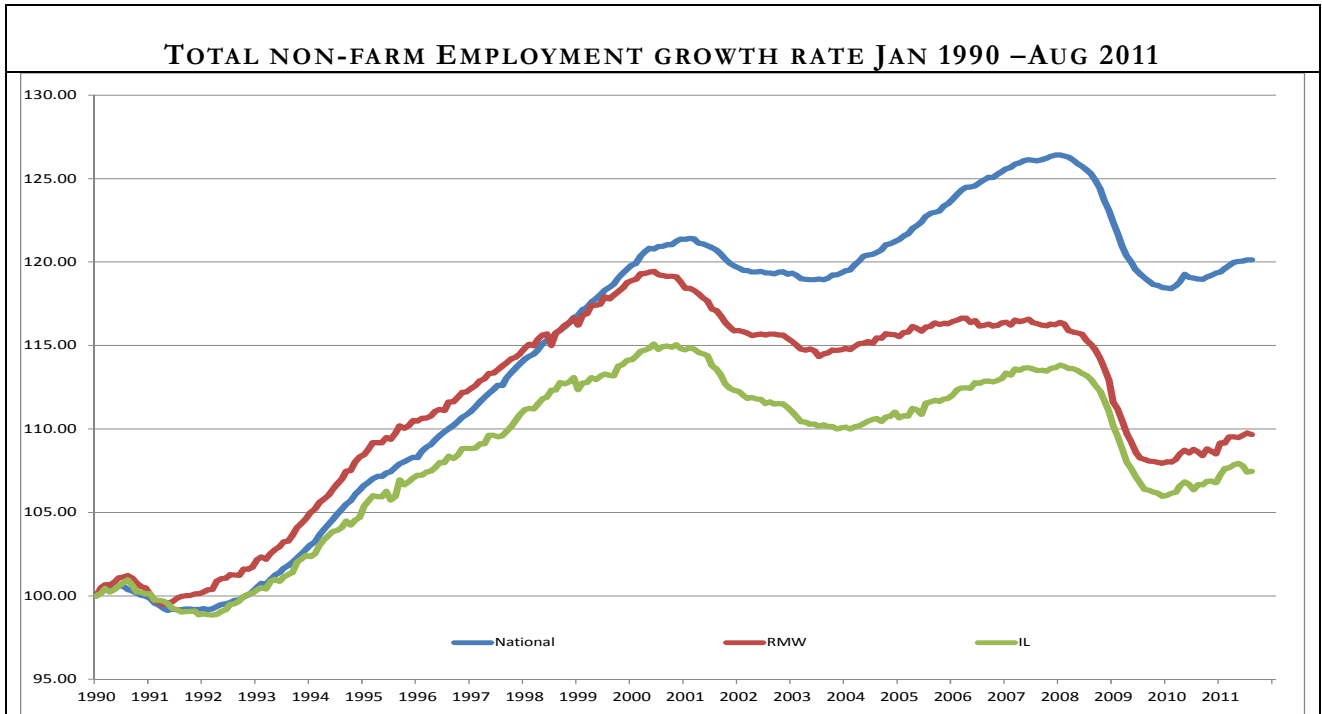
EMPLOYMENT DATA SUMMARY

- Illinois added 3,100 jobs in Aug 2011 at a rate of 0.05%, compared with a revised 20,600 job loss in July 2011. Compared to Aug 2010, Illinois has added 42,400 jobs. The three-month moving average of jobs, a more stable measure of labor market, was down by 8,300 jobs per month.
- The Nation remained unchanged in jobs, compared with a revised 85,000 job gain in July. The three-month moving average of jobs was up by 35,000 jobs per month.
- The Rest of the Midwest (RMW) shed 16,700 jobs in Aug at a rate of -0.09% after a revised 27,700 job gain in July. The three-month moving average was up by 10,600 jobs per month.
- Since the beginning of the recession in Dec 2007, Illinois has posted negative job changes 29 times and positive job gains 15 times so far. The state of Illinois now has a net loss of 325,100 jobs since the beginning of the recession in December 2007.
- Since January 2010, when Illinois employment growth resumed after the national recession, Illinois has added 79,600 new jobs
- The 12-month-ahead job recovery forecasts show that the recovery will slow down through July 2012.
- The shadow unemployment rates for Illinois, RMW and the Nation were 12.7%, 14.3% and 12.6%, compared to official unemployment rates of 9.9%, 9.1% and 9.1%. Compared to last month, Illinois unemployment rate increased by 0.4%. This is the highest official unemployment for Illinois since Sep 2010.
- Through July 2011, the cumulative job growth for Illinois, RMW and the Nation compared to January 1990 stood at 7.47%, 9.66%, and 20.14%, respectively.

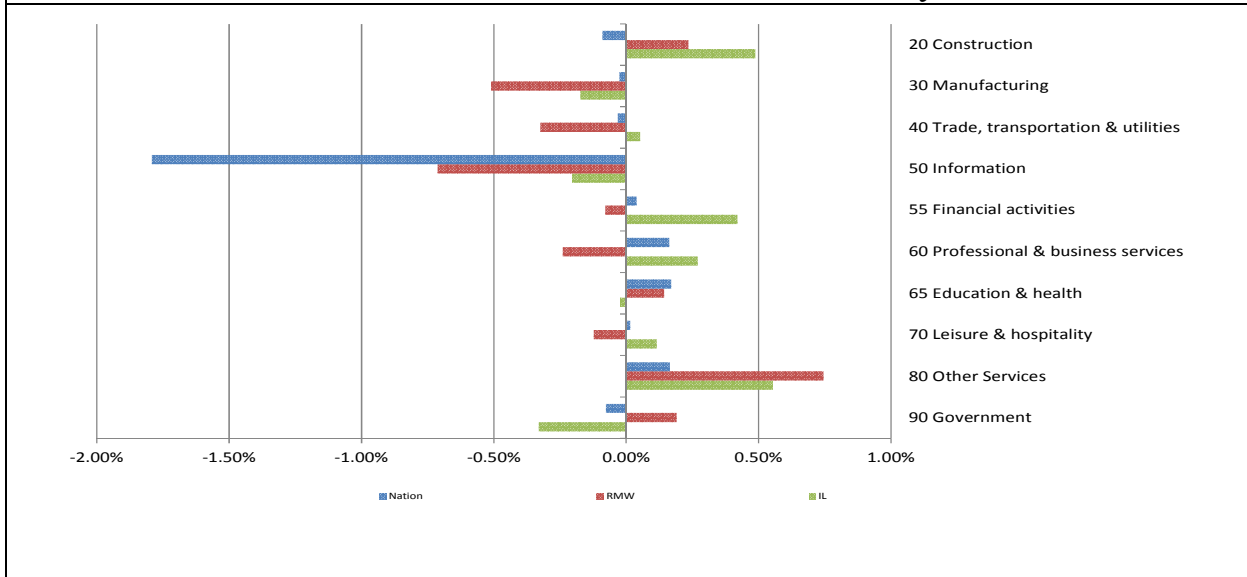
AUG 2011 EMPLOYMENT CHART

| September 2011 Positive | Total Non-Farm Employment | Jul 2011–Aug 2011 | | Last 12 months | | Aug 2011 |
|-------------------------------|------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | | Growth Rate % | Number of Jobs | Growth Rate % | Number of Jobs | Shadow U.R. ** |
| | Nation | 0.00 | 0 | 0.97 | 1,259,000 | 12.6% |
| | RMW* | -0.09 | -16,700 | 0.97 | 179,200 | 14.3% |
| | Illinois | 0.05 | 3,100 | 0.75 | 42,400 | 12.7% |

*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 JUL 2011 – AUG 2011



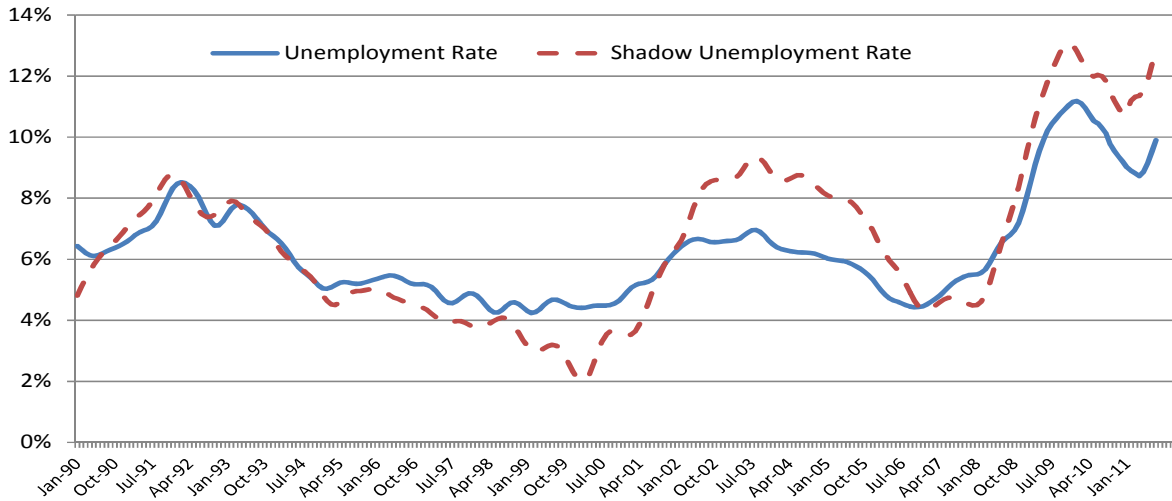
SHADOW UNEMPLOYMENT

Unemployment Rate: Official and Shadow

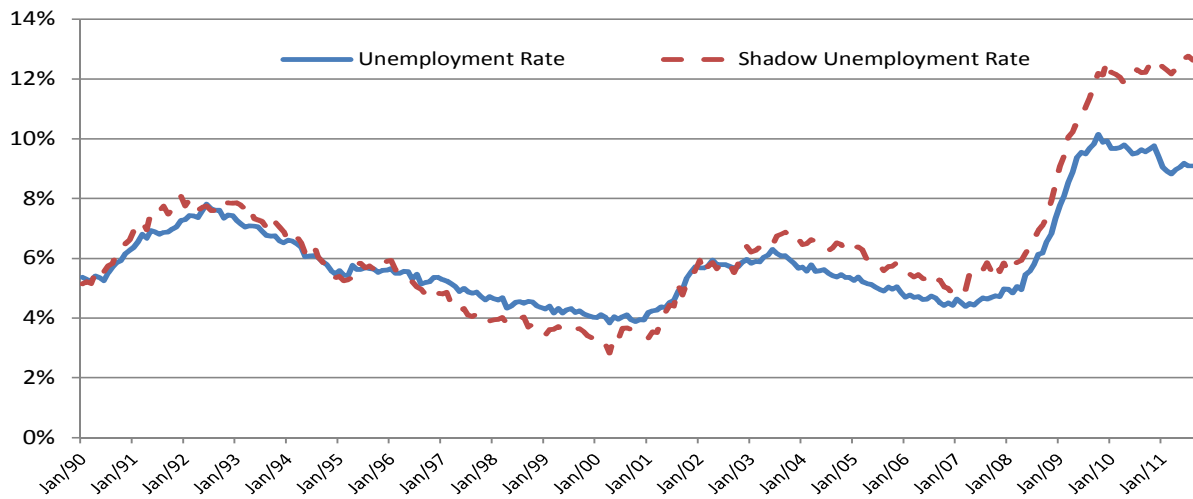
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined 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 214,300 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

▪ Illinois

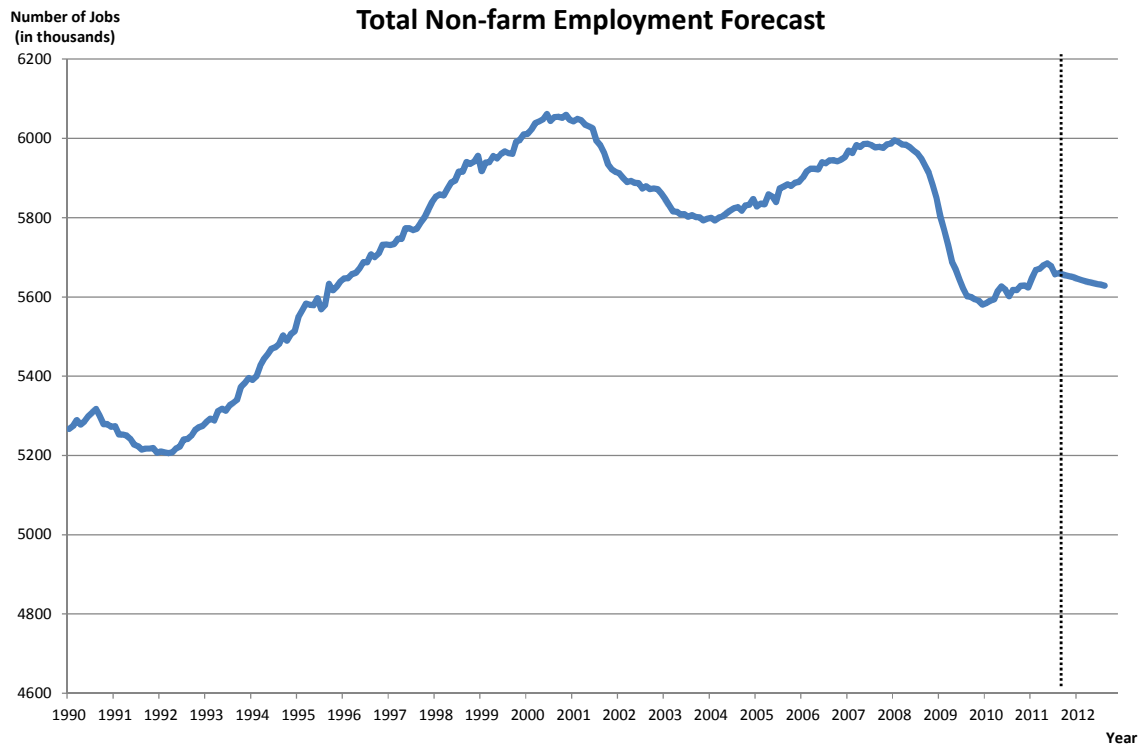


▪ US



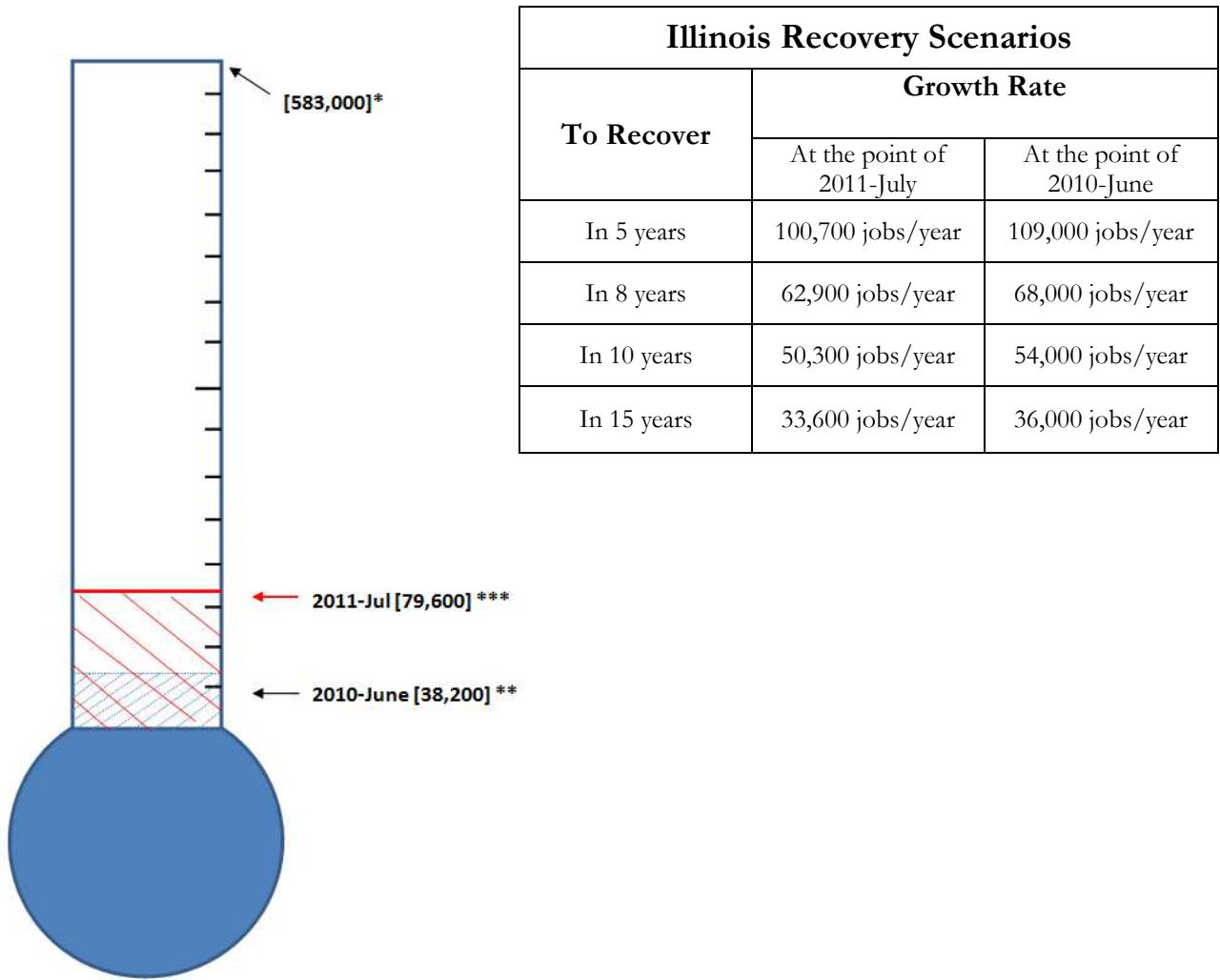
EMPLOYMENT FORECAST

| | Aug 2011 | Aug 2012 (p) | Number of Jobs | Growth Rate % |
|-----------------------------------|-----------|--------------|------------------|----------------|
| Total non-farm | 5,660,100 | 5,628,800 | -31,300 ~ 11,700 | -0.55% ~ 0.21% |
| Construction | 205,900 | 198,900 | -7,000 | -3.40% |
| Manufacturing | 572,900 | 562,800 | -10,100 | -1.76% |
| Trade, transportation & utilities | 1,136,000 | 1,116,000 | -20,000 | -1.76% |
| Information | 97,500 | 93,500 | -4,000 | -4.10% |
| Financial Activities | 358,600 | 355,200 | -3,400 | -0.95% |
| Professional & business services | 816,900 | 824,000 | 7,100 | 0.87% |
| Education & health | 847,500 | 861,900 | 14,400 | 1.70% |
| Leisure & hospitality | 518,000 | 517,800 | -200 | -0.04% |
| Other services | 254,000 | 253,000 | -1,000 | -0.39% |
| Government | 843,300 | 845,700 | 2,400 | 0.28% |



* 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 needed 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 79,600 represents the jobs recovered from Dec. 2009 through Aug. 2011.

ILLINOIS JOB RECOVERY BY SECTOR

| Illinois job recovery by sector from Dec 2007 - Aug 2011 | | | | | |
|---|---|---------------------------------------|----------------------------|--|---------------------------------------|
| | Job Changes in Recession Period* | Job Recovery Jan 2010-Aug 2011 | Recovery Percentage | Forecasted Job Recovery Jan 2010-Aug 2012 | Forecasted Recovery Percentage |
| Construction | -64,500 | 1,700 | 2.64% | -5,300 | -8.22% |
| Manufacturing | -116,000 | 19,700 | 16.98% | 9,600 | 8.28% |
| Trade, transportation & utilities (TTU) | -98,100 | 17,200 | 17.53% | -2,800 | -2.85% |
| Information | -11,000 | -6,600 | -60.00% | -10,600 | -96.36% |
| Financial activities | -32,700 | -6,400 | -19.57% | -9,800 | -29.97% |
| Professional & business services | -91,400 | 36,600 | 40.04% | 43,700 | 47.81% |
| Education & health | 34,300 | 25,800 | -- | 40,200 | -- |
| Leisure & hospitality | -22,800 | 6,100 | 26.75% | 5,900 | 25.88% |
| Other Services | -5,900 | -2,000 | -33.90% | -3,000 | -50.85% |
| Government | 5,200 | -13,100 | -- | -10,700 | -- |

*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. Construction, Manufacturing, Trade, transportation & utilities, Professional & business services and Leisure & hospitality have recovered 2.64%, 16.98%, 17.53%, 40.04%, 26.75%, respectively, from the job lost during the recession. ▪ However, Information, Financial activities and Other services continued to lose jobs leading to negative recovery rates of -60.00%, -19.57% and -33.90% respectively. ▪ The 12-month-ahead job recovery forecasts show that the future recovery for sectors such as Manufacturing and Leisure & hospitality will slow down while it will increase for Professional & business services. ▪ For sectors such as Information, Financial activities and Other services, they will not recover but continue to lose jobs. ▪ By Aug 2012, the recovery rates for sectors Construction and Trade, transportation & utilities will change from positive to negative. |
|---------------------------|---|

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

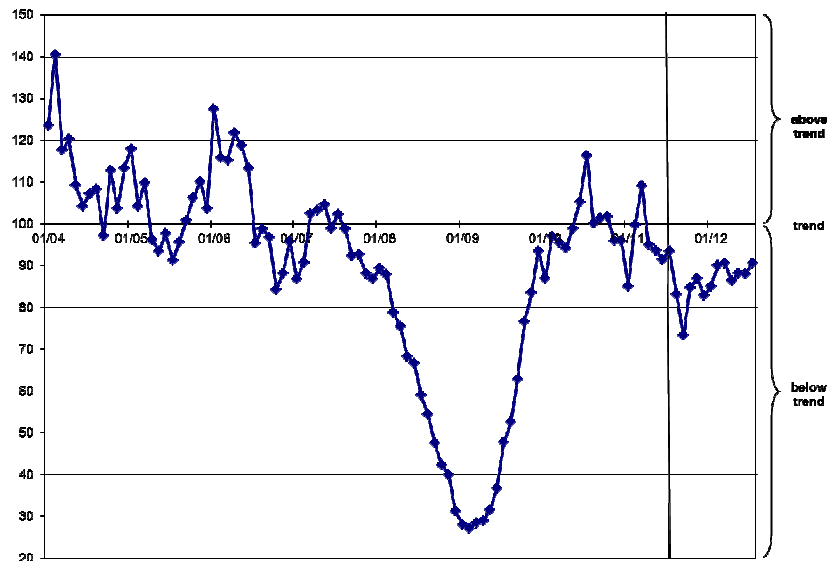
** Due to lag of data release schedule there is one month of time lag in the catch-up scenario for metro areas.

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 INCREASED 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 93.5 in July, an increase from 91.5 in June. The increase of the index in July could be attributed mainly to the increase of private consumption and the recovery of manufacturing employment in the Chicago region.
- In July, the national and regional economy presented mixed features. The Federal Reserve Board announced that industrial production advanced 0.9 percent in July. The capacity utilization for total industry climbed to percent in July. In addition, national retail sales increased 0.35 percent in July. The number of unemployed persons (13.9 million) and the unemployment rate (9.1 percent) changed little in July.
- The Chicago Fed reported that the Chicago Fed National Activity Index (CFNAI) increased to -0.06 in July, from -0.38 in June. Meanwhile, the Chicago Fed Midwest Manufacturing Index (CFMMI) increased 0.47 percent in July. In the Chicago region in July, manufacturing employment increased 0.5 percent while nonmanufacturing employment increased 0.08 percent and construction employment decreased by 1.16 percent. Regional retail sales are estimated to have increased 0.18 percent in July.
- 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 rose by 117,000 in July. Job gains occurred in health care, retail trade, manufacturing, and mining. Government employment continued to trend down. With regard to inflation, the economic slack reflected in July'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: 93.5)

| | 1 month | 3 month | 1 year |
|------------------|---------|---------|--------|
| Historical (ago) | 91.5 | 95.0 | 116.3 |
| Forecast (ahead) | 83.1 | 84.7 | 90.5 |

METROPOLITAN STATISTICAL AREA LEAGUE TABLES

MSA LEAGUE TABLES SUMMARY*

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

*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 | Jun 2011 | Jul 2011 | Rank | Change** |
|------|-------------------------------------|---------------------------------------|------|----------|
| 1 | Davenport-Rock Island-Moline(1.23%) | Rockford (1.2%) | 1 | ↑(+3) |
| 2 | Springfield (0.78%) | Peoria(0.87%) | 2 | ↑(+3) |
| 3 | Decatur (0.59%) | Decatur (0.42%) | 3 | ←(+0) |
| 4 | Rockford (0.3%) | Bloomington-Normal (-0.04%) | 4 | ↑(+5) |
| 5 | Peoria (0.25%) | Chicago (-0.08%) | 5 | ↑(+1) |
| 6 | Chicago (-0.05%) | Champaign-Urbana-Rantoul (-0.15%) | 6 | ↑(+4) |
| 7 | Metro-East (-0.09%) | Metro-East (-0.22%) | 7 | ←(+0) |
| 8 | Kankakee (-0.65%) | Springfield (-0.6%) | 8 | ↓(-6) |
| 9 | Bloomington-Normal(-0.75%) | Davenport-Rock Island-Moline (-0.71%) | 9 | ↓(-8) |
| 10 | Champaign-Urbana-Rantoul (-0.75%) | Kankakee (-1.56%) | 10 | ↓(-2) |

Growth over last 12-months:

| Rank | Jun 2011 | Jul 2011 | Rank | Change** |
|------|--------------------------------------|--------------------------------------|------|----------|
| 1 | Kankakee (4.15%) | Peoria (3.36%) | 1 | ↑(+1) |
| 2 | Peoria (2.93%) | Kankakee (3.17%) | 2 | ↓(-1) |
| 3 | Davenport-Rock Island-Moline (2.66%) | Rockford (1.89%) | 3 | ↑(+3) |
| 4 | Metro-East (0.73%) | Davenport-Rock Island-Moline (1.59%) | 4 | ↓(-1) |
| 5 | Chicago (0.67%) | Chicago (0.92%) | 5 | ←(+0) |
| 6 | Rockford (0.65%) | Metro-East (0.73%) | 6 | ↓(-2) |
| 7 | Springfield (0.61%) | Decatur (-0.07%) | 7 | ↑(+1) |
| 8 | Decatur (-0.3%) | Springfield (-0.38%) | 8 | ↓(-1) |
| 9 | Bloomington-Normal (-0.71%) | Bloomington-Normal (-0.99%) | 9 | ←(+0) |
| 10 | Champaign-Urbana-Rantoul (-3.04%) | Champaign-Urbana-Rantoul (-2.42%) | 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)

