



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.

OCTOBER 2011

EMPLOYMENT

EMPLOYMENT DATA SUMMARY

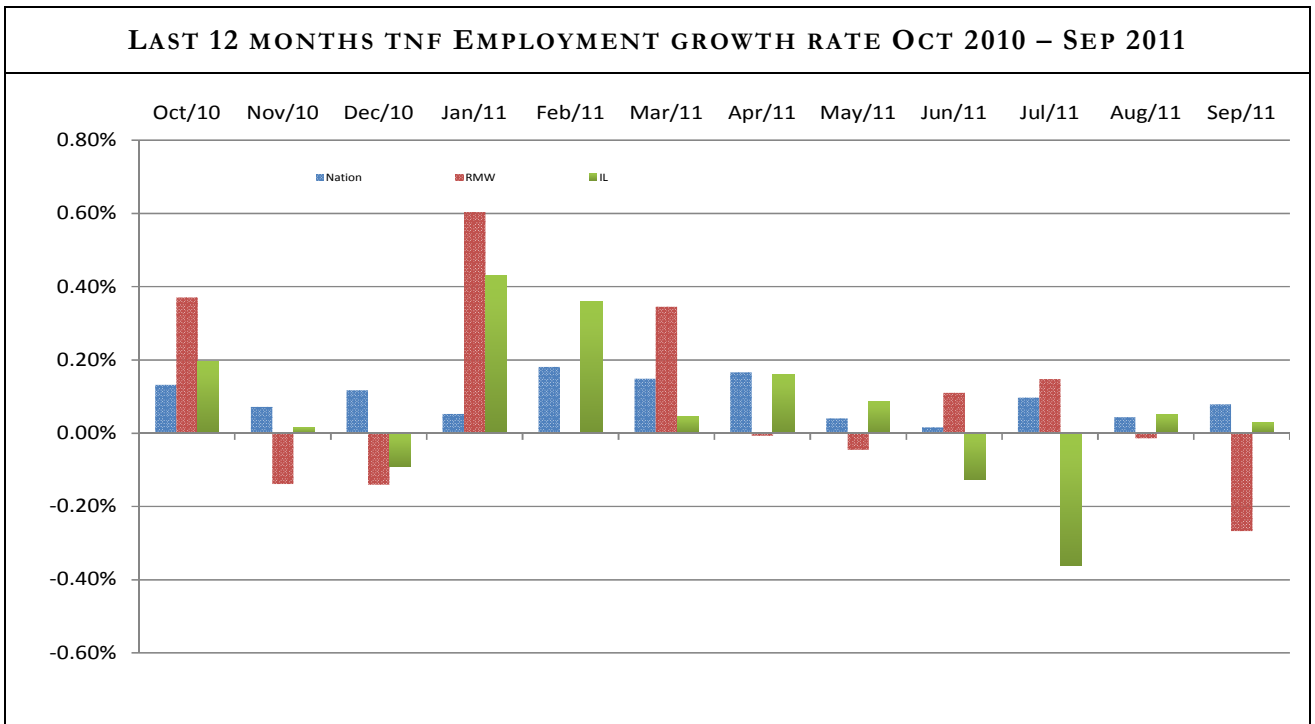
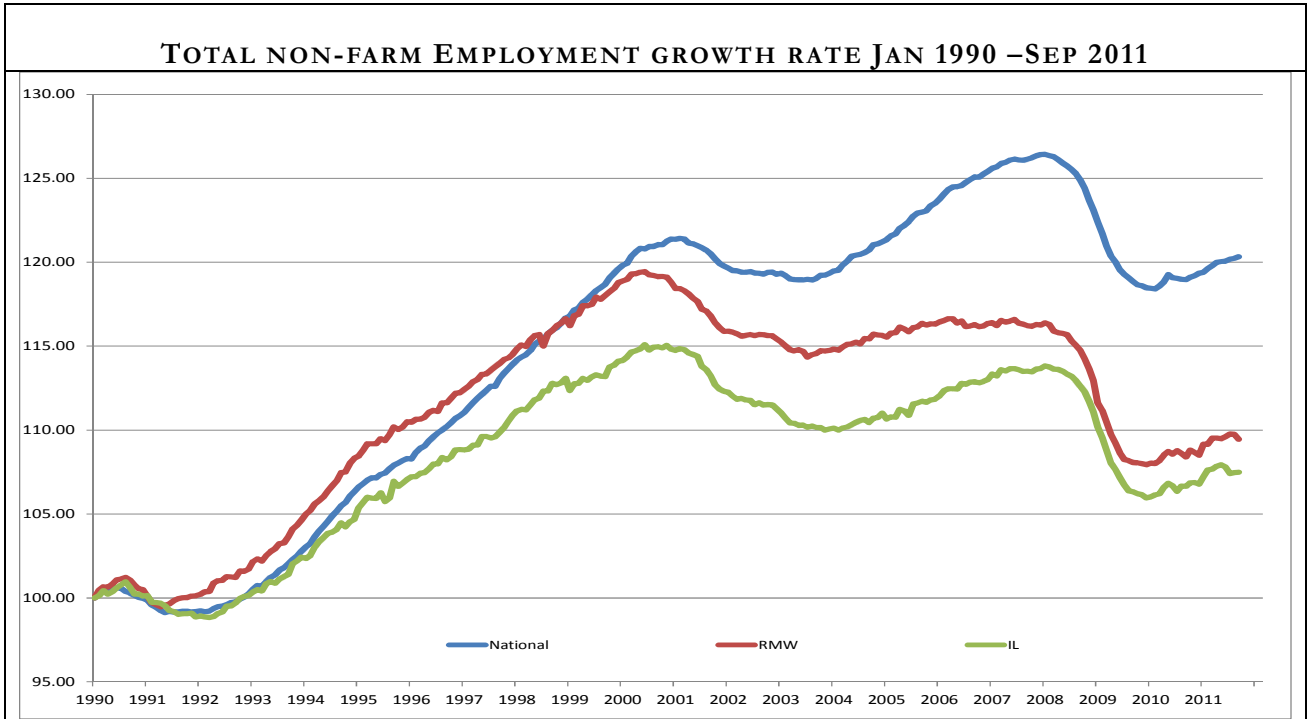
- Illinois added 1,600 jobs in Sep 2011 at a rate of 0.03%, compared with a revised 2,900 job gains in Aug 2011. Compared to Sep 2010, Illinois has added 44,400 jobs. The three-month moving average of jobs, a more stable measure of labor market, was down by 5,400 jobs per month
- The Nation added 103,000 jobs, compared with a revised 57,000 job gain in Aug. The three-month moving average of jobs was up by 95,700 jobs per month.
- The Rest of the Midwest (RMW) shed 50,100 jobs in Sep at a rate of -0.27% after a revised 2,500 job loss in Aug. The three-month moving average was down by 8,300 jobs per month.
- Since the beginning of the recession in Dec 2007, Illinois has posted negative job changes 30 times and positive job gains 15 times so far. The state of Illinois now has a net loss of 323,700 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 81,000 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 12.5%, 14.2% and 12.5%, compared to official unemployment rates of 10.0%, 9.0% and 9.1%. 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 7.49%, 9.45%, and 20.32%, respectively.

SEP 2011 EMPLOYMENT CHART

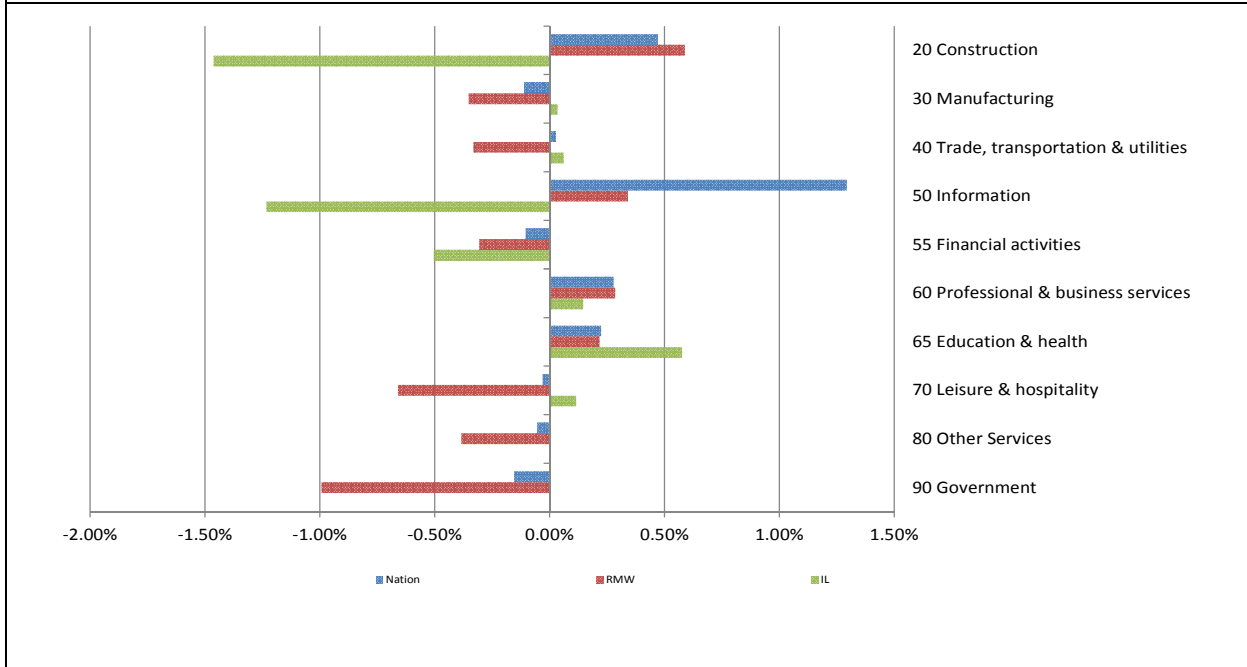
October 2011 Positive	Total Non-Farm Employment	Aug 2011–Sep 2011		Last 12 months		Sep 2011
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs	Shadow U.R. **
	Nation	0.08	103,000	1.15	1,490,000	12.5%
	RMW*	-0.27	-50,100	0.97	179,000	14.2%
	Illinois	0.03	1,600	0.79	44,400	12.5%

*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 2011 – SEP 2011



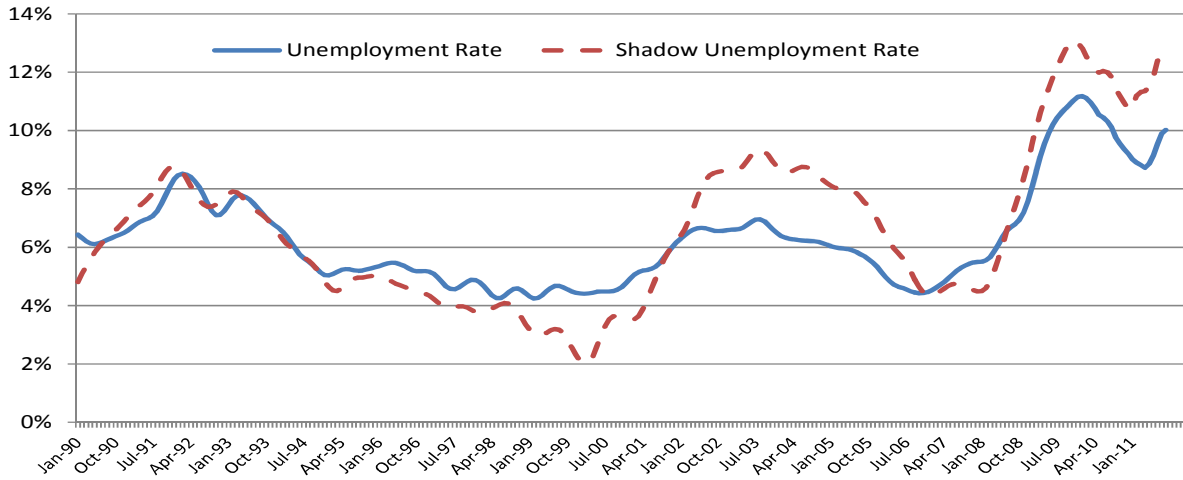
SHADOW UNEMPLOYMENT

Unemployment Rate: Official and Shadow

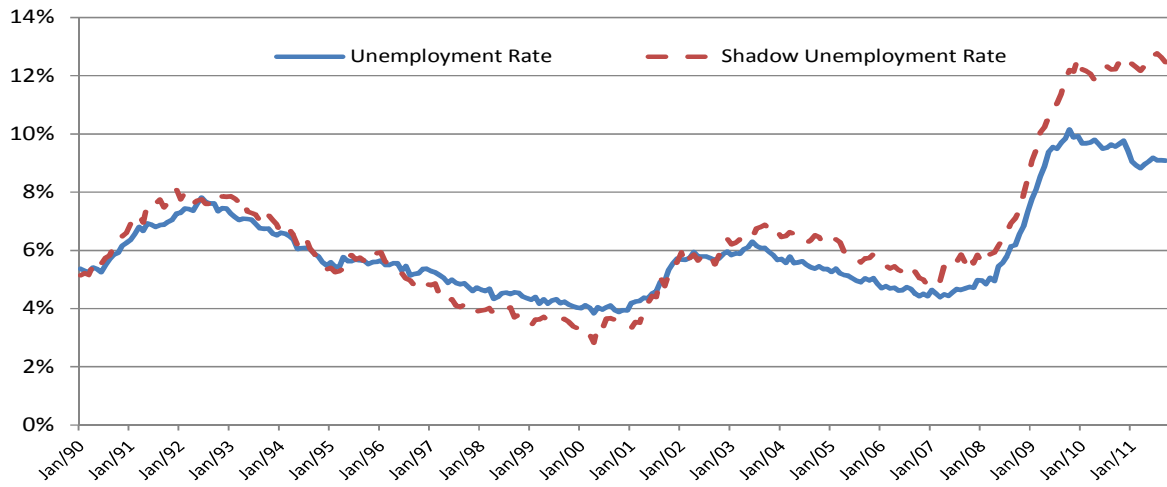
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined 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 191,200 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

▪ Illinois

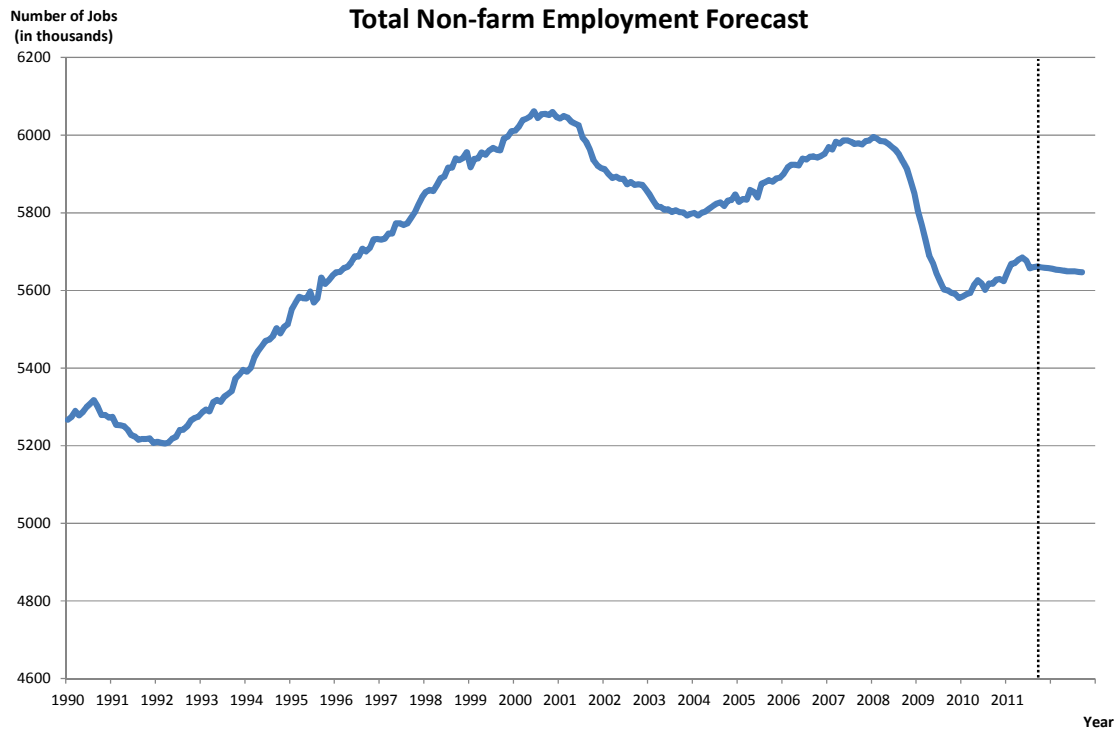


▪ US



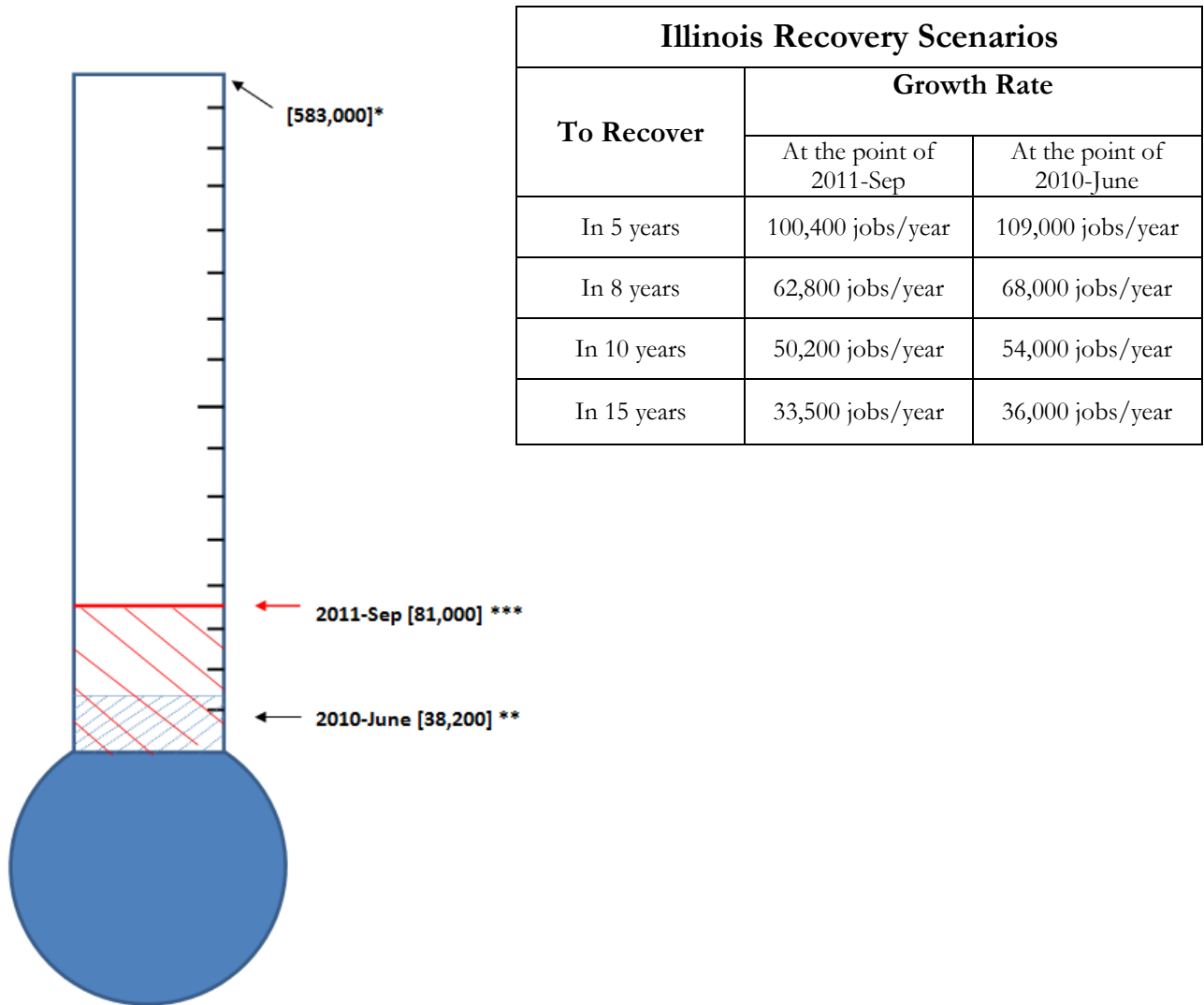
EMPLOYMENT FORECAST

	Sep 2011	Sep 2012 (p)	Number of Jobs	Growth Rate %
Total non-farm	5,661,500	5,646,800	-14,700 ~ 14,800	-0.26% ~ 0.26%
Construction	202,200	192,800	-9,400	-4.65%
Manufacturing	570,700	557,200	-13,500	-2.37%
Trade, transportation & utilities	1,135,600	1,122,000	-13,600	-1.20%
Information	96,100	91,600	-4,500	-4.68%
Financial Activities	355,400	349,000	-6,400	-1.80%
Professional & business services	820,500	839,600	19,100	2.33%
Education & health	854,400	871,500	17,100	2.00%
Leisure & hospitality	519,700	521,900	2,200	0.42%
Other services	254,000	254,000	0	0.00%
Government	843,400	847,200	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 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 81,000 represents the jobs recovered from Dec. 2009 through Sep. 2011.

ILLINOIS JOB RECOVERY BY SECTOR

Illinois job recovery by sector from Dec 2007 - Sep 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	-2,000	-3.10%	-11,400	-17.67%
Manufacturing	-116,000	17,500	15.09%	4,000	3.45%
Trade, transportation & utilities (TTU)	-98,100	16,800	17.13%	3,200	3.26%
Information	-11,000	-8,000	-72.73%	-12,500	-113.64%
Financial activities	-32,700	-9,600	-29.36%	-16,000	-48.93%
Professional & business services	-91,400	40,200	43.98%	59,300	64.88%
Education & health	34,300	32,700	--	49,800	--
Leisure & hospitality	-22,800	7,800	34.21%	10,000	43.86%
Other Services	-5,900	-2,000	-33.90%	-2,000	-33.90%
Government	5,200	-13,000	--	-9,200	--

*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 15.09%, 17.13%, 43.98%, 34.21%, 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 -72.73%, -29.36% and -33.90% respectively. ▪ The 12-month-ahead job recovery forecasts show that the future recovery for sectors such as Manufacturing and Trade, transportation & utilities will slow down while it will increase for sector Professional & business services and Leisure & hospitality. ▪ For sectors such as Information, Financial activities and Construction, they will continue to lose jobs with faster rates.
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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)	120.23 (Aug 2011)	Negative growth	N/A
RMW	119.45 (Jun-2000)	109.75 (Aug 2011)	Negative growth	N/A
IL	115.09 (Nov-2000)	107.46 (Aug 2011)	Negative growth	N/A
Metro Areas** :				
Bloomington Normal	141.73 (Feb 2002)	136.56 (Aug 2011)	Negative growth	N/A
Champaign Urbana	116.13 (Jan 2009)	106.43 (Aug 2011)	Negative growth	N/A
Chicago	114.86 (Nov 2000)	106.68 (Aug 2011)	Negative growth	N/A
Davenport- Rock Island-Moline	115.02 (Mar 2008)	109.00 (Aug 2011)	Negative growth	N/A
Decatur	112.37 (Jan 2000)	96.71 (Aug 2011)	Negative growth	N/A
Kankakee	125.57 (Mar 2008)	122.49 (Aug 2011)	Negative growth	N/A
Peoria	122.21 (Aug 2008)	118.41 (Aug 2011)	Negative growth	N/A
Rockford	122.81 (Nov 2000)	106.55 (Aug 2011)	Negative growth	N/A
Springfield	110.89 (Aug 2000)	105.44 (Aug 2011)	Negative growth	N/A
Metro-East	114.97 (Jun 2001)	107.47 (Aug 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.

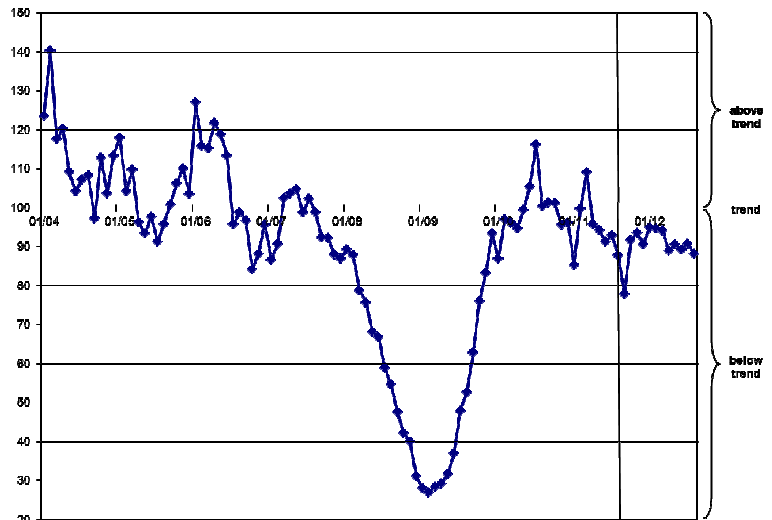
CBAI DROPPED IN AUGUST

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) was 87.8 in August, a decrease from 93.0 in July. The drop of the index in August could be attributed mainly to the sluggishness in private consumption and the decrease of nonfarm employment in the Chicago region.
- In August, the national and regional economy presented mixed features. The Federal Reserve Board announced that industrial production increased 0.2 percent in August after having advanced 0.9 percent in July. The capacity utilization for total industry edged up to 77.4 percent in August. In addition, national retail sales increased 0.27 percent in August. The number of unemployed persons, at 14.0 million, was essentially unchanged in August, and the unemployment rate held at 9.1 percent.
- The Chicago Fed reported that the Chicago Fed National Activity Index (CFNAI) decreased slightly to -0.28 in August, from -0.27 in July. Meanwhile, the Chicago Fed Midwest Manufacturing Index (CFMMI) increased 0.71 percent in August. In the Chicago region in August, manufacturing employment decreased 0.59 percent while non-manufacturing employment decreased 0.12 percent and construction employment increased by 0.17 percent. Regional retail sales are estimated to have decreased 0.3 percent in August.
- In the coming months, the national economy is likely to maintain its weak recovery trend, although modifications to employment in prior months suggest that the economy had been adding more jobs than initially estimated. The Bureau of Labor Statistics reported total nonfarm payroll employment at 131.1 million, was unchanged in August. Employment changed little in most major private-sector industries; continuing declines in government employment are not being offset by gains in the private sector. With regard to inflation, the economic slack reflected in July's CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year. However, 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 experience a period of fluctuations and continue its weak improving trend over the next several months, although the path is likely to be bumpy.

CBAI (Current: 87.8)

	1 month	3 month	1 year
Historical (ago)	93.0	94.3	100.4
Forecast (ahead)	77.9	93.6	88.2



METROPOLITAN STATISTICAL AREA LEAGUE TABLES

MSA LEAGUE TABLES SUMMARY*

- Rockford experienced the deepest fall this month (1st to 9th).
- Peoria (2nd to 5th), Decatur (3rd to 7th), Bloomington-Normal (5th to 6th) and Champaign-Urbana-Rantoul (6th to 10th) also dropped in terms of rank from last month.
- The most remarkable upward move in August was recorded for Kankakee (10th to 2nd).
- Springfield (8th to 1st), Metro-East (7th to 3rd) and Davenport-Rock Island-Moline (9th to 8th) also gained in terms of rank from last month.
- In the 12 months growth league table, upward moves were recorded for Metro-East (6th to 3rd) and Springfield (8th to 7th) while downward moves were recorded for Rockford (3rd to 4th), Davenport-Rock Island-Moline (4th to 5th) and Decatur (7th to 8th).
- Peoria, Kankakee and Bloomington-Normal remained in the same place.
- Champaign-Urbana-Rantoul stayed in the last place for the sixth 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	Jul 2011	Aug 2011	Rank	Change**
1	Rockford (0.87%)	Springfield (0.25%)	1	↑(+7)
2	Peoria (0.85%)	Kankakee (0.2%)	2	↑(+8)
3	Decatur (0.11%)	Metro-East (0.19%)	3	↑(+4)
4	Chicago (-0.01%)	Chicago (-0.16%)	4	←(+0)
5	Bloomington-Normal (-0.06%)	Peoria (-0.19%)	5	↓(-3)
6	Champaign-Urbana-Rantoul (-0.07%)	Bloomington-Normal (-0.71%)	6	↓(-1)
7	Metro-East (-0.17%)	Decatur (-0.74%)	7	↓(-4)
8	Springfield (-0.49%)	Davenport-Rock Island-Moline (-0.89%)	8	↑(+1)
9	Davenport-Rock Island-Moline (-0.53%)	Rockford (-0.9%)	9	↓(-8)
10	Kankakee (-1.64%)	Champaign-Urbana-Rantoul (-1.14%)	10	↓(-4)

Growth over last 12-months:

Rank	Jul 2011	Aug 2011	Rank	Change**
1	Peoria (3.69%)	Peoria (3.51%)	1	←(+0)
2	Kankakee (3.3%)	Kankakee (3.28%)	2	←(+0)
3	Rockford (1.95%)	Metro-East (1.24%)	3	↑(+3)
4	Davenport-Rock Island-Moline (1.35%)	Rockford (1.14%)	4	↓(-1)
5	Chicago (1.02%)	Davenport-Rock Island-Moline (0.52%)	5	↓(-1)
6	Metro-East (0.71%)	Chicago (0.49%)	6	↓(-1)
7	Decatur (0.24%)	Springfield (-0.01%)	7	↑(+1)
8	Springfield (-0.31%)	Decatur (-0.72%)	8	↓(-1)
9	Bloomington-Normal (-0.86%)	Bloomington-Normal (-1.38%)	9	←(+0)
10	Champaign-Urbana-Rantoul (-2.31%)	Champaign-Urbana-Rantoul (-2.13%)	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)

