



# 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.

OCTOBER 2009

# EMPLOYMENT

## EMPLOYMENT DATA SUMMARY

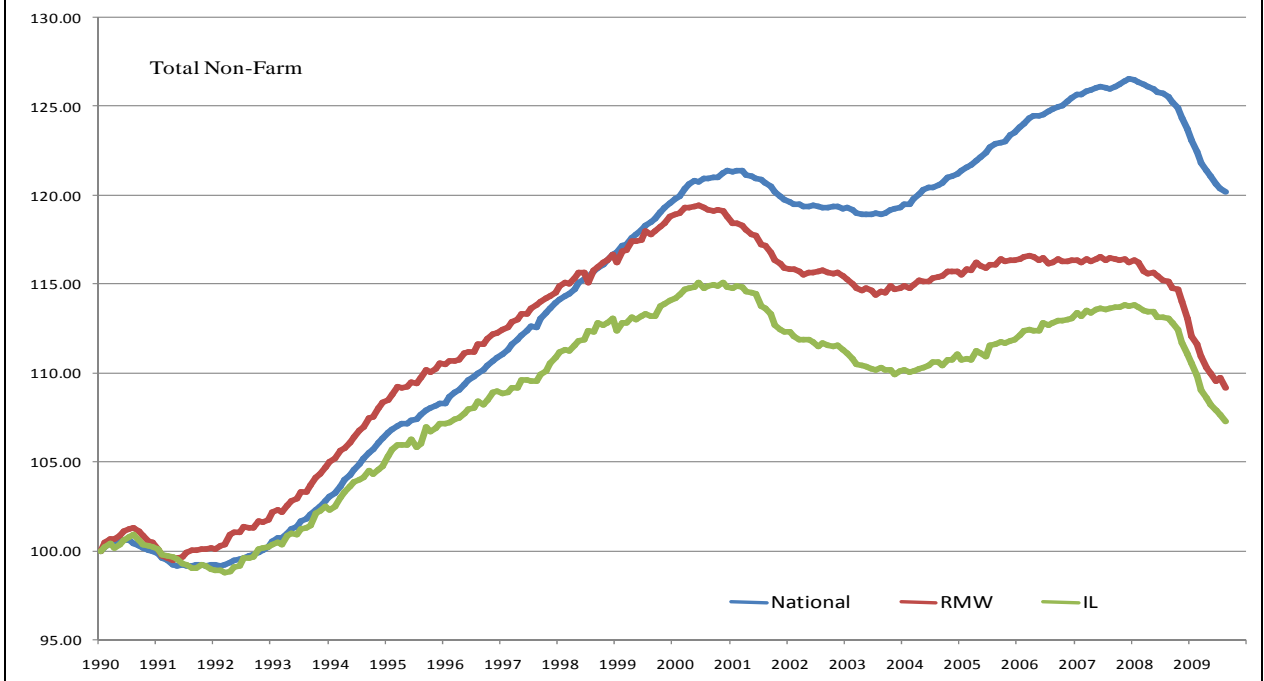
- Illinois lost 14,200 jobs at a rate of -0.25% in September 2009, compared to a revised 18,700 job loss in August.
- In September 2009, the Nation shed 263,000 jobs at a rate of -0.20%. This is much better than the average 483,000 jobs loss per month for the first eight months in 2009.
- RMW lost 48,900 jobs in September after a revised 40,800 job loss in August.
- Since the beginning of the recession in Dec 2007, Illinois has posted negative job changes 21 times, and the state has lost 359,000 jobs in this recession.
- Through 2008, Illinois lost -11,800 jobs at a rate of -0.20% on average per month. However, the average monthly loss for the first eight months of 2009 was -23,900 jobs at a rate of -0.41%.
- Five sectors in Illinois have employment level in this month less than January 1990, and they are Manufacturing, Information, Construction, Trade, transportation & utilities, and Financial activities.
- Over the last 12 months, Illinois shed 306,900 jobs at a rate -5.17%.
- Through September 2009, the cumulative job growth for Illinois, RMW and the Nation compared to January 1990 stood at 7.01%, 9.20%, and 19.97%, respectively.
- The shadow unemployment rates for the Illinois, RMW and the Nation were 12.9%, 14.1% and 11.8%, compared to official unemployment rates of 10.5%, 10.6% and 9.8%.

## SEPTEMBER 2009 EMPLOYMENT CHART

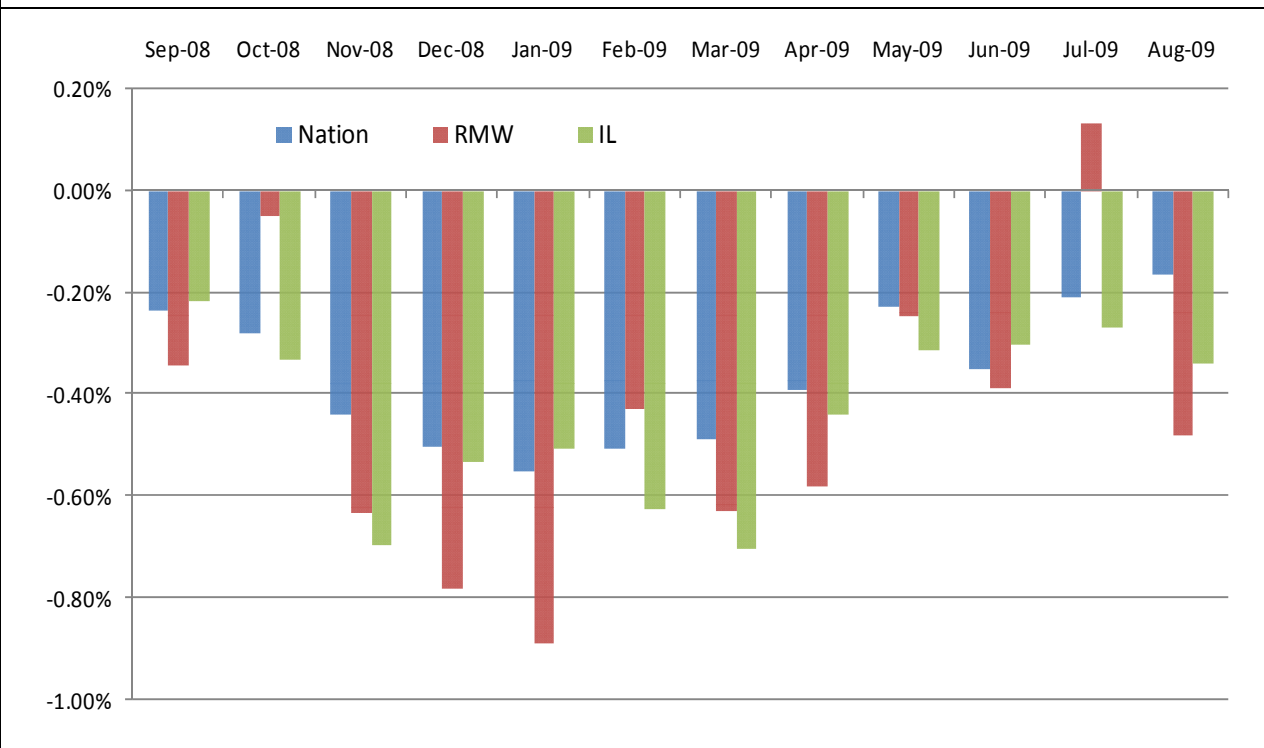
| October<br>2009<br><br>Negative | Total Non-Farm<br>Employment | Sep 2009 – Oct 2009 |                   | Last 12 months   |                   | Oct-09            |
|---------------------------------|------------------------------|---------------------|-------------------|------------------|-------------------|-------------------|
|                                 |                              | Growth Rate<br>%    | Number of<br>Jobs | Growth Rate<br>% | Number of<br>Jobs | Shadow<br>U.R. ** |
|                                 | <b>Nation</b>                | -0.20               | -263,000          | -4.23            | -5,785,000        | 11.8%             |
|                                 | <b>RMW*</b>                  | -0.26               | -48,900           | -4.86            | -953,200          | 14.1%             |
|                                 | <b>Illinois</b>              | -0.25               | -14,200           | -5.17            | -306,900          | 12.9%             |

\*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.

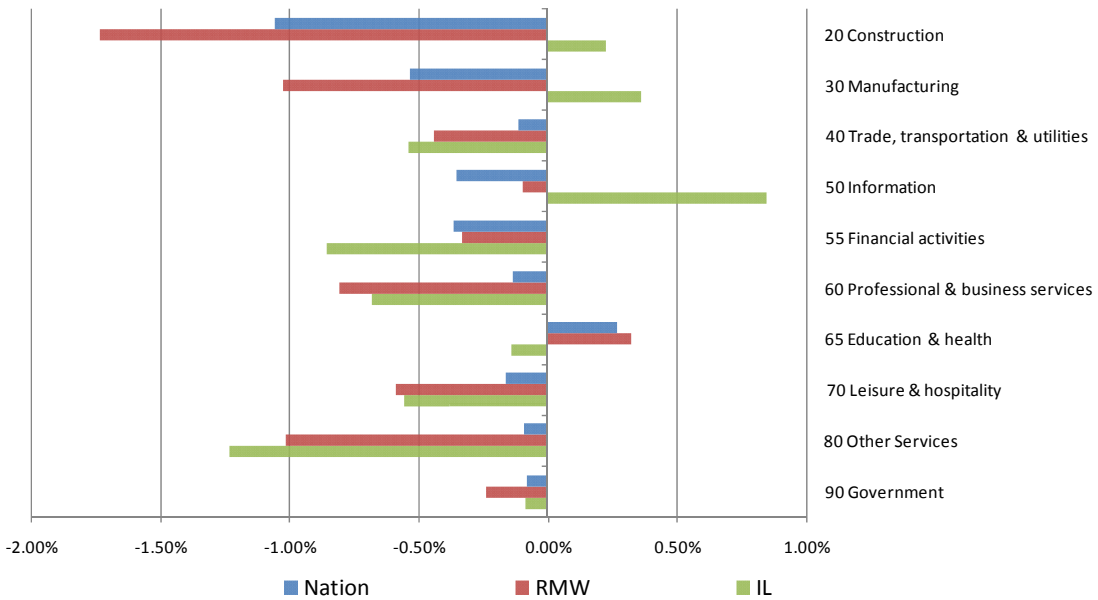
**TOTAL NON-FARM EMPLOYMENT GROWTH RATE JAN 1990 – SEP 2009**



**LAST 12 MONTHS TNF EMPLOYMENT GROWTH RATE OCT 2008 – SEP 2009**



**TOTAL NON-FARM EMPLOYMENT GROWTH RATE BY SECTORS AUG 2009 – SEP 2009**



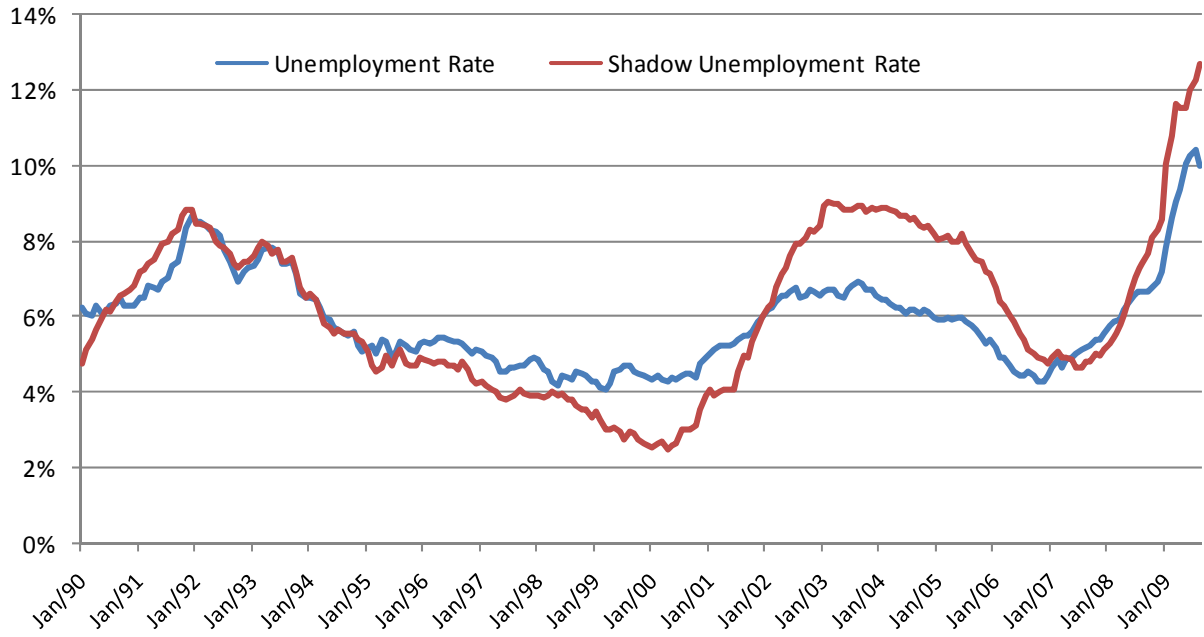
**SHADOW UNEMPLOYMENT**

**Unemployment Rate: Official and Shadow**

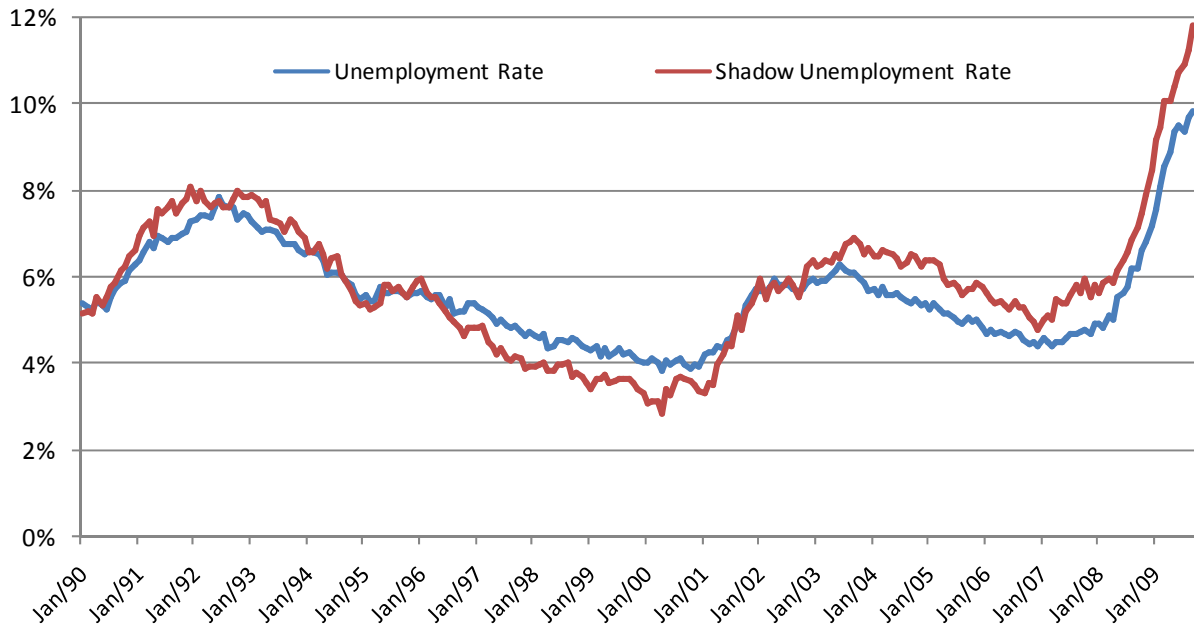
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined 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 2008, it has been only 67.8%.
- 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 66.5% whereas in 2008, 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 178,457 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

▪ Illinois

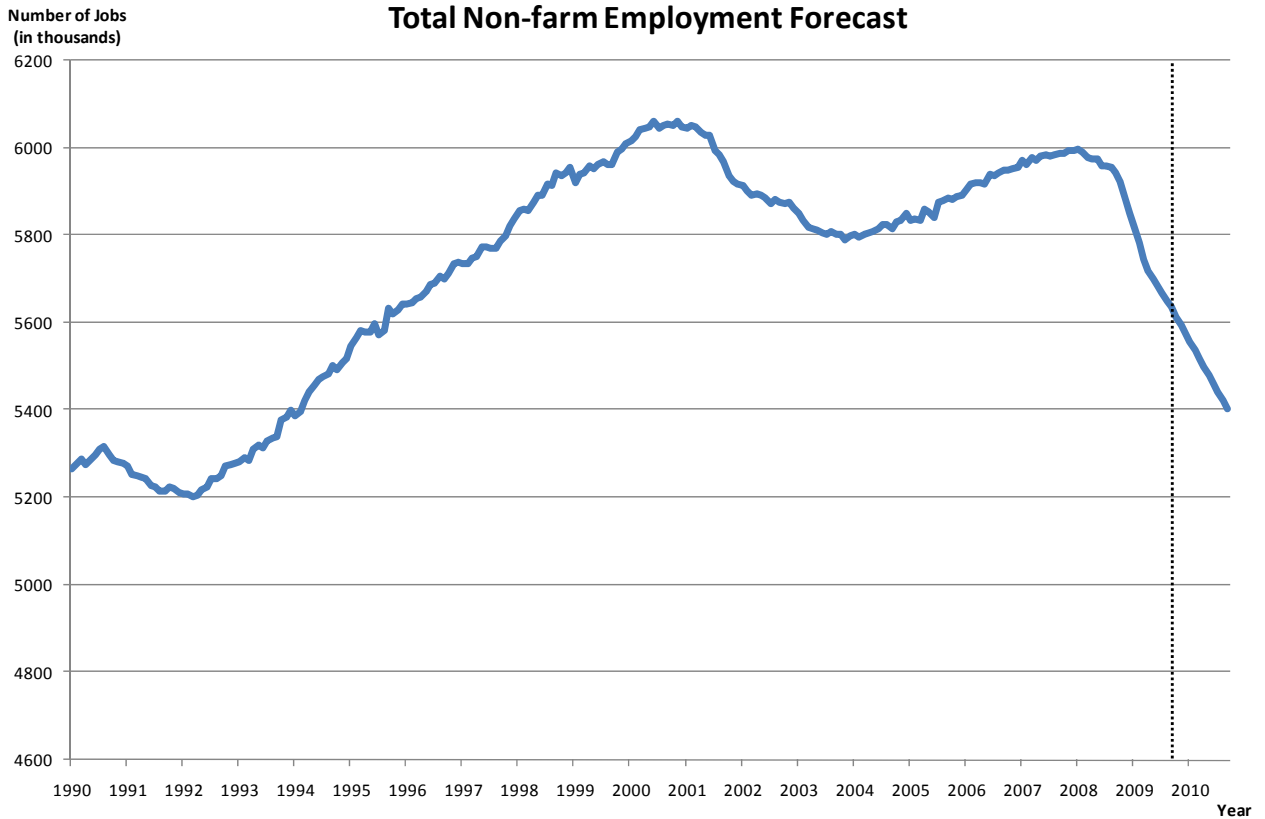


▪ US



## EMPLOYMENT FORECAST

|  | September 2009 | September 2010 (p) | Number of Jobs | Growth Rate % |
|--|----------------|--------------------|----------------|---------------|
| <b>Total non-farm</b>                        | 5,634,700      | 5,401,100          | -233,600       | -4.15%        |
| <b>Construction</b>                          | 219,300        | 196,500            | -22,800        | -10.40%       |
| <b>Manufacturing</b>                         | 574,800        | 506,200            | -68,600        | -11.93%       |
| <b>Trade, transportation &amp; utilities</b> | 1,143,500      | 1,072,200          | -71,300        | -6.24%        |
| <b>Information</b>                           | 106,600        | 99,800             | -6,800         | -6.38%        |
| <b>Financial Activities</b>                  | 370,500        | 348,600            | -21,900        | -5.91%        |
| <b>Professional &amp; business services</b>  | 788,000        | 752,500            | -35,500        | -4.51%        |
| <b>Education &amp; health</b>                | 792,200        | 795,200            | 3,000          | 0.38%         |
| <b>Leisure &amp; hospitality</b>             | 517,800        | 517,500            | -300           | -0.06%        |
| <b>Other services</b>                        | 258,800        | 259,100            | 300            | 0.12%         |
| <b>Government</b>                            | 853,000        | 843,300            | -9,700         | -1.14%        |



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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>IL</b>                            | 115.08<br>(Nov-2000) | 107.01<br>(Sep 2009) | Negative growth      | N/A                  |
| <b>RMW</b>                           | 119.44<br>(Jun-2000) | 109.20<br>(Sep 2009) | Negative growth      | N/A                  |
| <b>Nation</b>                        | 126.57<br>(Dec-2007) | 119.97<br>(Sep 2009) | Negative growth      | N/A                  |
| <b>Metro Areas**:</b>                |                      |                      |                      |                      |
| <b>Bloomington Normal</b>            | 141.89<br>(Feb 2002) | 139.31<br>(Aug 2009) | Negative growth      | N/A                  |
| <b>Champaign Urbana</b>              | 119.83<br>(Jan 2009) | 114.68<br>(Aug 2009) | Negative growth      | N/A                  |
| <b>Chicago</b>                       | 114.67<br>(Nov 2000) | 107.55<br>(Aug 2009) | Negative growth      | N/A                  |
| <b>Davenport- Rock Island-Moline</b> | 115.25<br>(Oct 2008) | 112.91<br>(Aug 2009) | Negative growth      | N/A                  |
| <b>Decatur</b>                       | 112.40<br>(Mar 2000) | 97.33<br>(Aug 2009)  | Negative growth      | N/A                  |
| <b>Kankakee</b>                      | 125.21<br>(Dec 2008) | 119.24<br>(Aug 2009) | Negative growth      | N/A                  |
| <b>Peoria</b>                        | 122.20<br>(Feb 2006) | 118.04<br>(Aug 2009) | Negative growth      | N/A                  |
| <b>Rockford</b>                      | 123.27<br>(Jul 2000) | 114.15<br>(Aug 2009) | Negative growth      | N/A                  |
| <b>Springfield</b>                   | 110.34<br>(Aug 2000) | 102.76<br>(Aug 2009) | Negative growth      | N/A                  |
| <b>Metro-East</b>                    | 114.76<br>(Nov 2000) | 111.71<br>(Aug 2009) | 114.98<br>(Nov 2010) | 15 months            |

\* Catch-up scenarios are based on average monthly growth rate over the previous 12 months. Nation already passed its previous peak at February 2005.

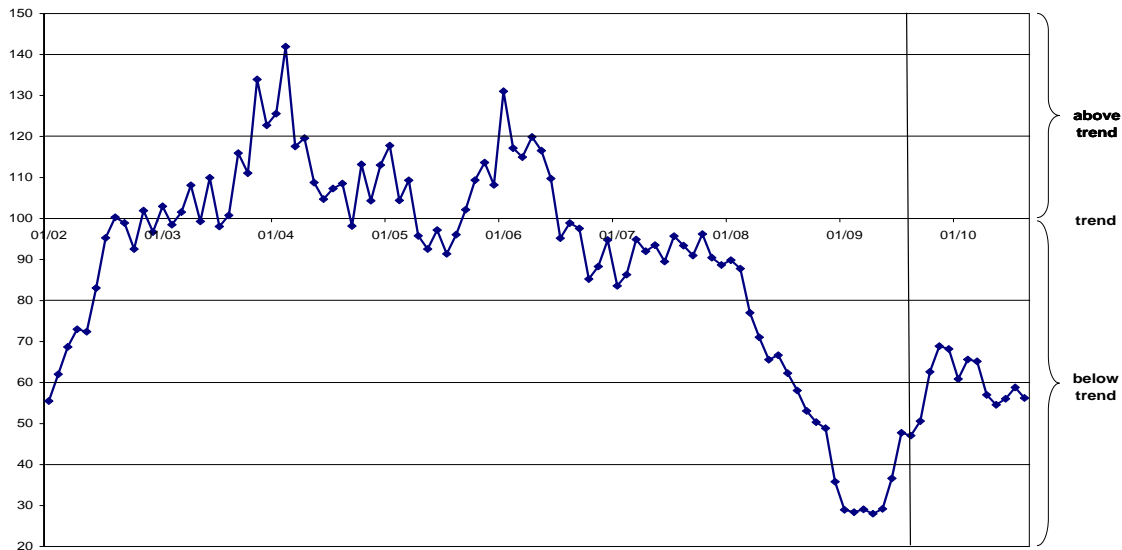
\*\* Due to lag of data release schedule there is one month of time lag in the catch-up scenario for metro areas.

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 HOLD STEADY 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 47.0 in August, down slightly from 47.7 in July. The decline of the CBAI in August was mainly due to the deteriorating employment situation in the Chicago region.
- In August the national and regional economy showed mixed features. The Chicago Fed National Activity Index was  $-0.90$  in August, down from  $-0.56$  in July. The Federal Reserve Board's industrial production index rose for a second consecutive month in August: it increased 0.8 percent in August, following an increase of 1.0 percent in July. Nevertheless, non-farm payroll employment continued to decline (-201,000); and the unemployment rate increased to 9.7 percent in August from 9.4 percent in July.
- The Chicago Fed Midwest Manufacturing Index (CFMMI) decreased 0.3 percent in August after registering an increase of 3.1 percent in July. In the Chicago region, construction employment plummeted by 1.5 percent while manufacturing and non-manufacturing employment decreased 0.2 percent and 0.3 percent respectively in August.
- In recent months, production- and financial market- related indicators have largely shown hints of economic stabilization. However, the employment situation has continued to deteriorate significantly: the number of non-farm payroll employment has decreased 5.0 percent (-6,942,000) as of August since the beginning of the recession in December 2007. Furthermore, most forecasts expect labor market weakness will persist in the coming months. For example, the San Francisco Fed has suggested a jobless recovery, which is similar to the one experienced in the early 1990s, to be a plausible scenario in the future. The speed of the improvement of the national economy in the near future would depend critically on the decline in uncertainty in the labor market and subsequent strength of recovery of household's demand. For the local economy, the CBAI still continued to be far below the long-term trend, suggesting that it would take considerable time for the regional economy to gain the momentum of sustainable growth.





# METROPOLITAN STATISTICAL AREA LEAGUE TABLES

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## MSA LEAGUE TABLES SUMMARY\*

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- The most remarkable upward moves in August were by Kankakee (7th to 3rd) and Davenport-Rock Island-Moline (8th to 4th), which both moved up by 4 spots.
- Chicago (9th to 6th), Rockford (3rd to 1st), Peoria (6th to 5th), and Decatur (10th to 9th) also gained in terms of rank from last month.
- Champaign-Urbana-Rantoul (1st to 10th) experienced deepest fall this month.
- Bloomington-Normal (4th to 8th), and Springfield (5th to 6th) both experienced falls in August.
- In the 12 months growth league table, the only upward move was recorded for Rockford (7th to 5th), while the downward moves were by Springfield (5th to 6th) and Peoria (6th to 7th).
- Other seven MSAs maintained the same ranks.
- Metro-East is still on top, while Chicago is still in last place.

\*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 2009                             | Aug 2009                              | Rank | Change** |
|------|---------------------------------------|---------------------------------------|------|----------|
| 1    | Champaign-Urbana-Rantoul (1.59%)      | Rockford (0.21%)                      | 1    | ↑(+2)    |
| 2    | Metro-East (1.18%)                    | Metro-East (0.1%)                     | 2    | ↔(0)     |
| 3    | Rockford (0.34%)                      | Kankakee (0.08%)                      | 3    | ↑(+4)    |
| 4    | Bloomington-Normal (0.19%)            | Davenport-Rock Island-Moline (-0.02%) | 4    | ↑(+4)    |
| 5    | Springfield (-0.05%)                  | Peoria (-0.05%)                       | 5    | ↑(+1)    |
| 6    | Peoria (-0.09%)                       | Chicago (-0.24%)                      | 6    | ↑(+3)    |
| 7    | Kankakee (-0.24%)                     | Springfield (-0.29%)                  | 7    | ↓(-2)    |
| 8    | Davenport-Rock Island-Moline (-0.24%) | Bloomington-Normal(-0.34%)            | 8    | ↓(-4)    |
| 9    | Chicago (-0.25%)                      | Decatur(-0.47%)                       | 9    | ↑(+1)    |
| 10   | Decatur (-0.31%)                      | Champaign-Urbana-Rantoul (-0.60%)     | 10   | ↓(-9)    |

## Growth over last 12-months:

| Rank | July 2009                             | Aug 2009                              | Rank | Change** |
|------|---------------------------------------|---------------------------------------|------|----------|
| 1    | Metro-East (2.37%)                    | Metro-East (2.28%)                    | 1    | ↔(0)     |
| 2    | Champaign-Urbana-Rantoul (0.28%)      | Champaign-Urbana-Rantoul (-0.22%)     | 2    | ↔(0)     |
| 3    | Bloomington-Normal (-0.38%)           | Bloomington-Normal (-1.03%)           | 3    | ↔(0)     |
| 4    | Davenport-Rock Island-Moline (-1.33%) | Davenport-Rock Island-Moline (-1.58%) | 4    | ↔(0)     |
| 5    | Springfield (-2.71%)                  | Rockford (-2.82%)                     | 5    | ↑(+2)    |
| 6    | Peoria (-2.87%)                       | Springfield (-2.97%)                  | 6    | ↓(-1)    |
| 7    | Rockford (-3.12%)                     | Peoria(-3.22%)                        | 7    | ↓(-1)    |
| 8    | Kankakee (-3.57%)                     | Kankakee (-3.31%)                     | 8    | ↔(0)     |
| 9    | Decatur (-3.92%)                      | Decatur(-4.49%)                       | 9    | ↔(0)     |
| 10   | Chicago (-4.75%)                      | Chicago (-4.83%)                      | 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)

