



I N S T I T U T E O F  
GOVERNMENT & PUBLIC AFFAIRS

# 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.

JUNE 2011

# EMPLOYMENT

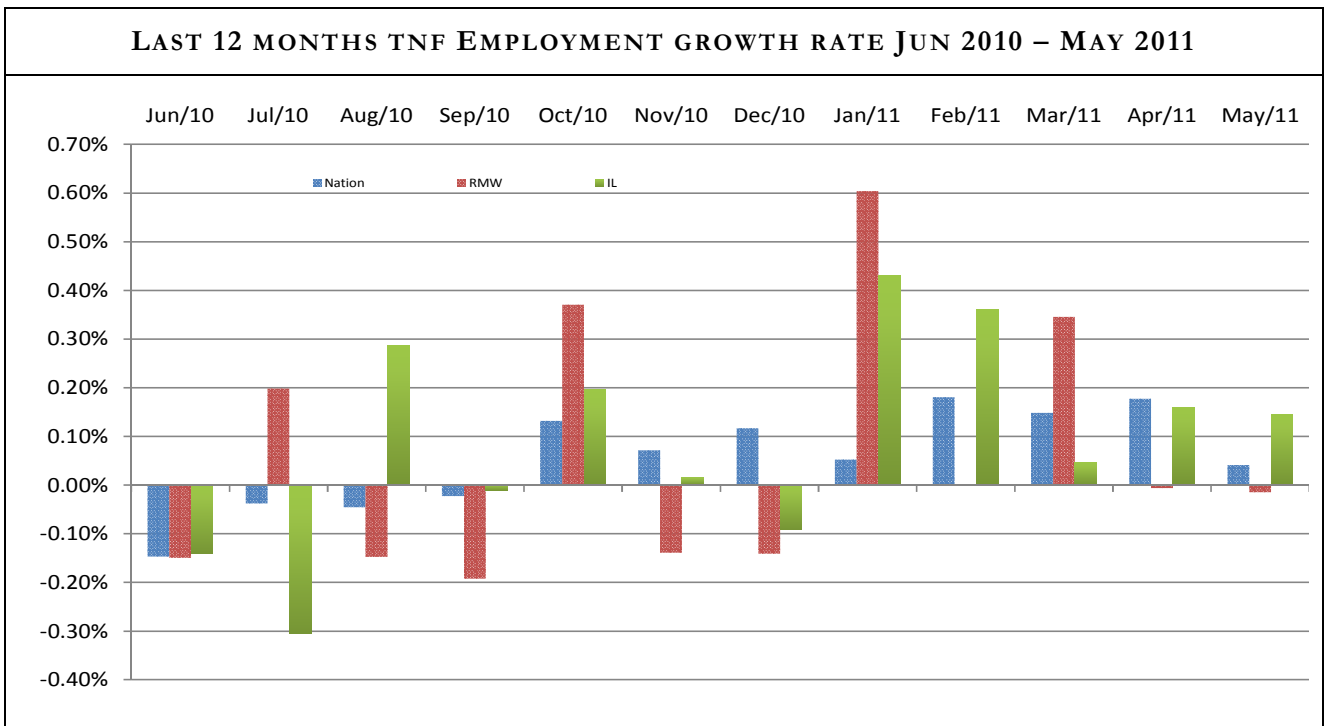
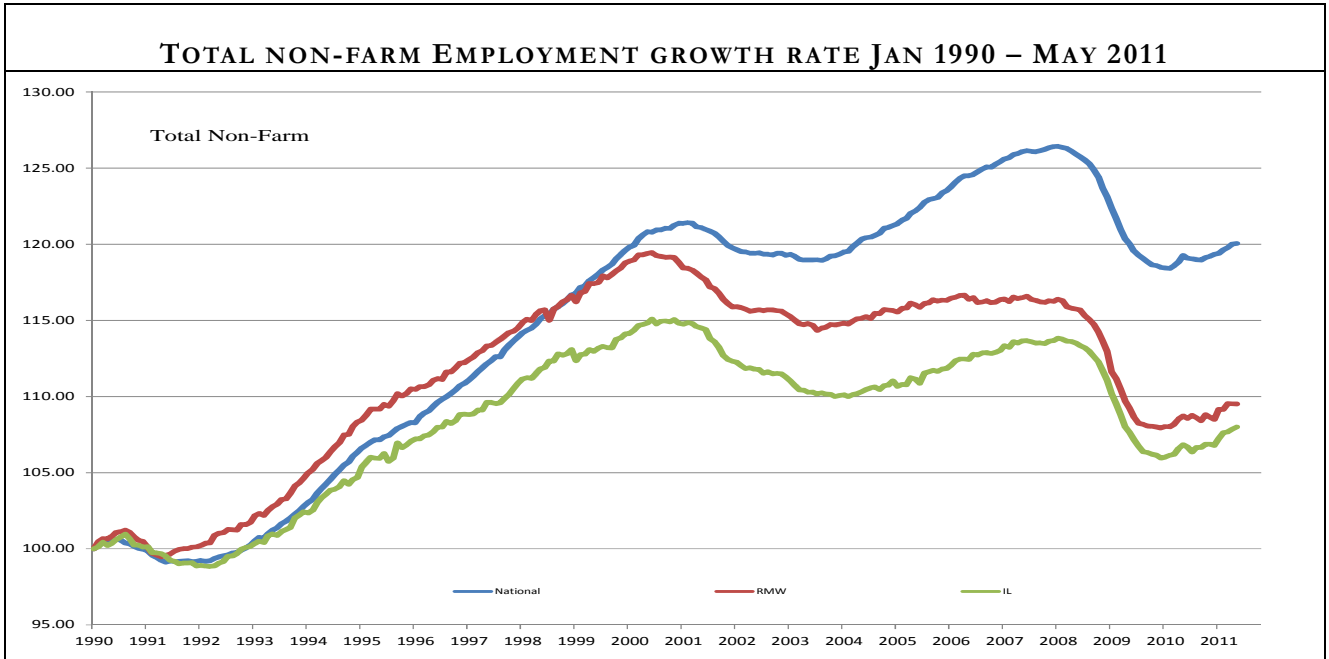
## EMPLOYMENT DATA SUMMARY

- Illinois added 8,200 jobs in May 2011 at a rate of 0.14%, compared with a revised 9,100 job gain in April 2011. Compared to May 2010, Illinois has added 61,600 jobs. The three-month moving average of jobs, a more stable measure of labor market, was up by 6,600 jobs per month.
- The Nation added 54,000 jobs at a rate of 0.04%, compared with a revised 232,000 job gain in May. The three-month moving average of jobs was up by 160,000 jobs per month.
- The Rest of the Midwest (RMW) shed 2,800 jobs in May at a rate of -0.01% after a revised -1,200 job loss in April. The three-month moving average was up by 20,100 jobs per month.
- Since the beginning of the recession in Dec 2007, Illinois has posted negative job changes 27 times and positive job gains 14 times so far. The state of Illinois now has a net loss of 298,400 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.
- The shadow unemployment rates for Illinois, RMW and the Nation were 11.5%, 13.2% and 12.3%, compared to official unemployment rates of 8.9%, 8.6% and 9.1%. Illinois unemployment rate increased for the first time after 15 consecutive months of decline in the unemployment rate. The Illinois rate has been equal to or below the U.S. rate for eight consecutive months.
- Through May 2011, the cumulative job growth for Illinois, RMW and the Nation compared to January 1990 stood at 8.00%, 9.51%, and 20.06%, respectively.

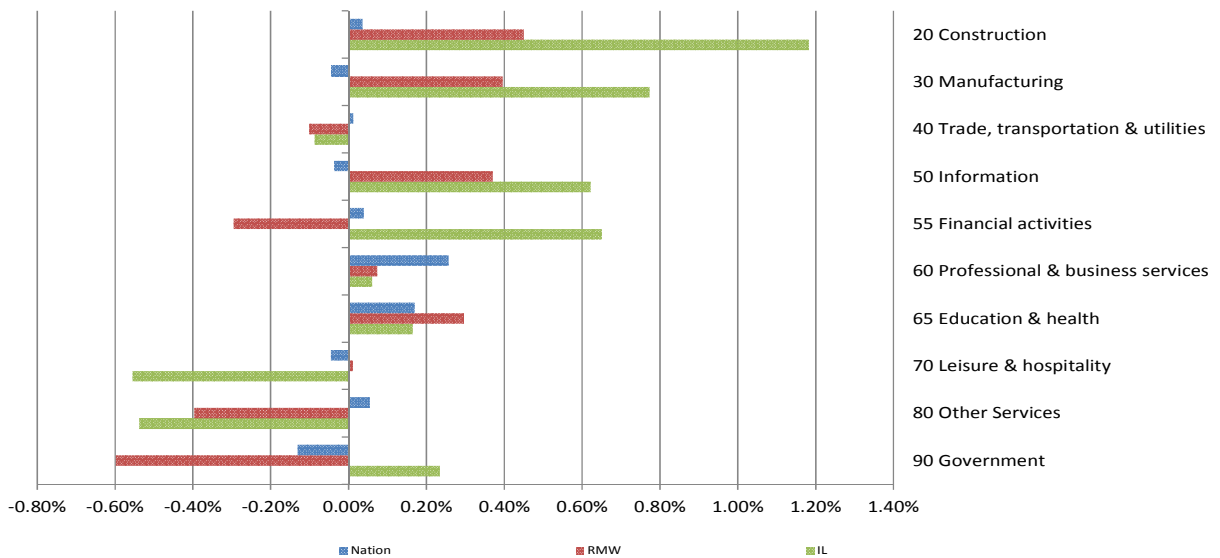
## MAY 2011 EMPLOYMENT CHART

| June<br>2011<br>Positive | Total Non-Farm<br>Employment | Apr 2011– May 2011 |                   | Last 12 months   |                   | May 2011          |
|--------------------------|------------------------------|--------------------|-------------------|------------------|-------------------|-------------------|
|                          |                              | Growth Rate<br>%   | Number of<br>Jobs | Growth Rate<br>% | Number of<br>Jobs | Shadow<br>U.R. ** |
|                          | <b>Nation</b>                | <b>0.04</b>        | <b>54,000</b>     | <b>0.67</b>      | <b>870,000</b>    | <b>12.3%</b>      |
|                          | <b>RMW*</b>                  | <b>-0.01</b>       | <b>-2,800</b>     | <b>0.73</b>      | <b>134,700</b>    | <b>13.2%</b>      |
|                          | <b>Illinois</b>              | <b>0.14</b>        | <b>8,200</b>      | <b>1.09</b>      | <b>61,600</b>     | <b>11.5%</b>      |

\*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 APR 2011 – MAY 2011



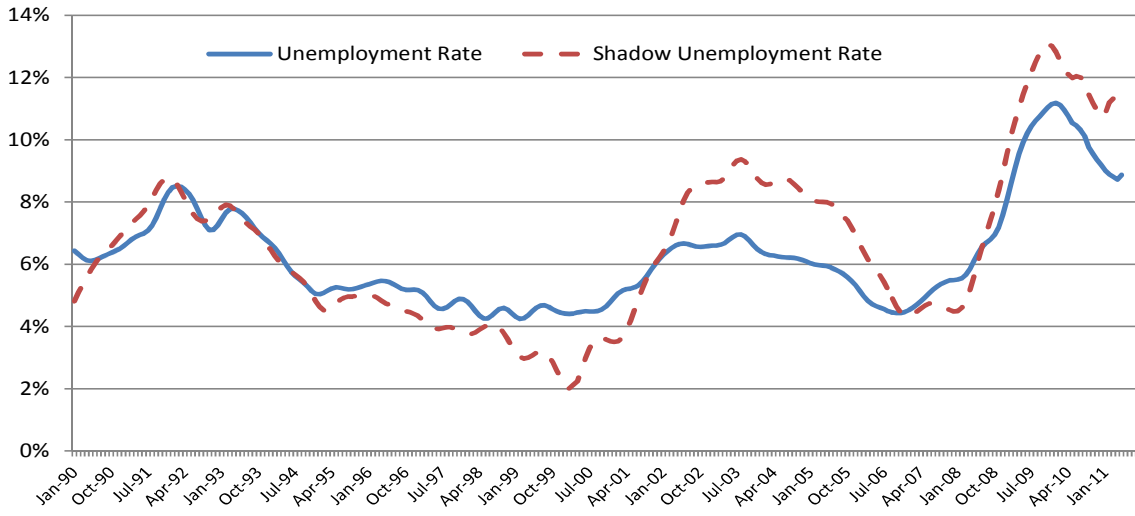
## SHADOW UNEMPLOYMENT

## Unemployment Rate: Official and Shadow

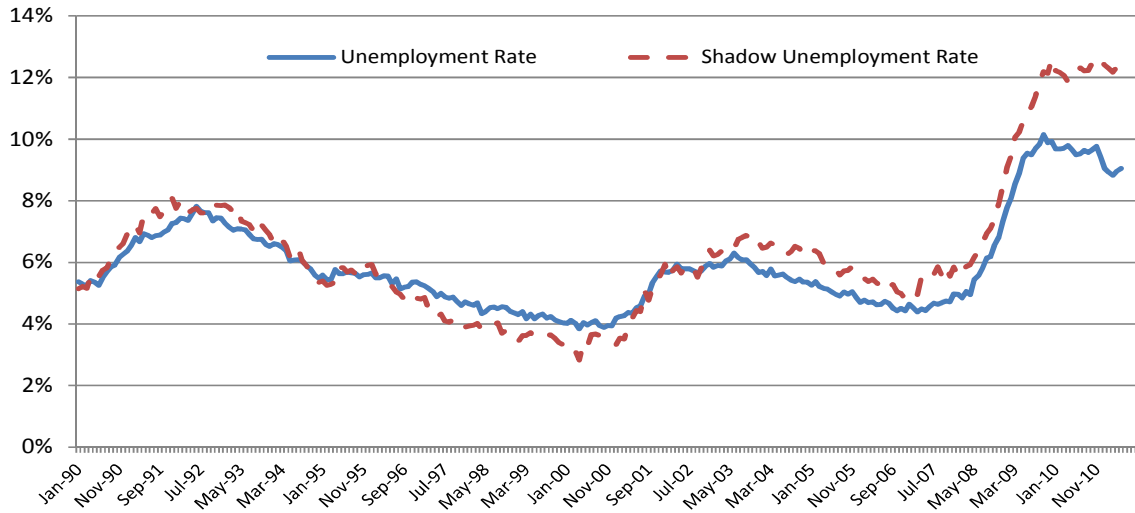
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined 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 180,000 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

■ Illinois

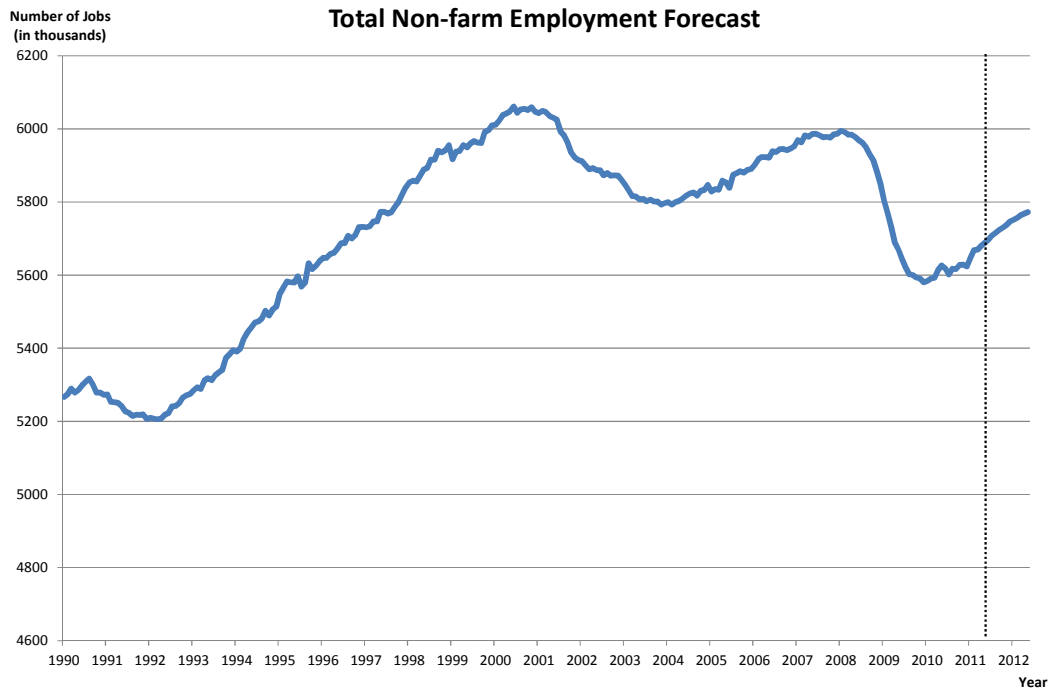


■ US



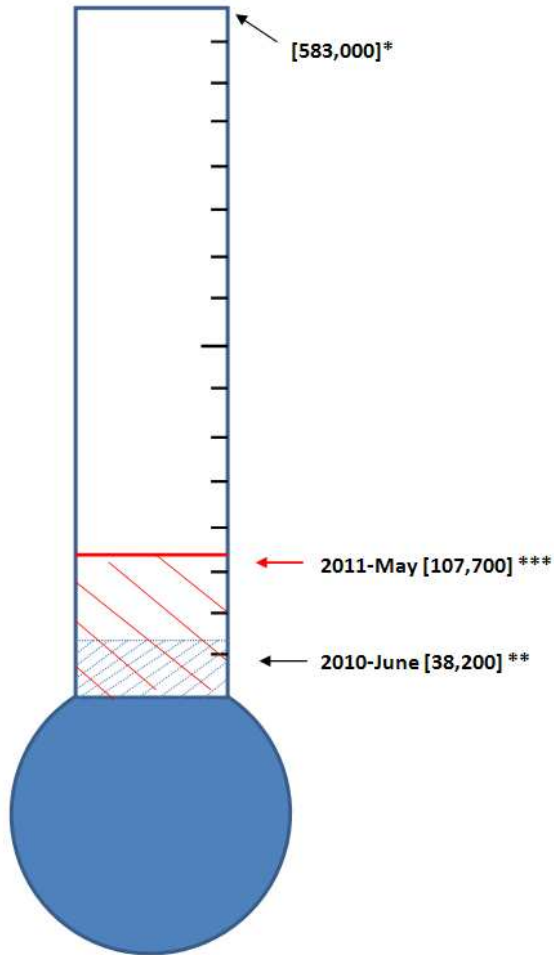
## EMPLOYMENT FORECAST

|                                   | May. 2011 | May. 2012 (p) | Number of Jobs   | Growth Rate % |
|-----------------------------------|-----------|---------------|------------------|---------------|
| <b>Total non-farm</b>             | 5,688,200 | 5,772,700     | 54,000 ~ 125,000 | 0.95%~2.20%   |
| Construction                      | 205,300   | 200,100       | -5,200           | -2.53%        |
| Manufacturing                     | 573,100   | 584,500       | 11,400           | 1.99%         |
| Trade, transportation & utilities | 1,144,400 | 1,169,900     | 25,500           | 2.23%         |
| Information                       | 97,000    | 91,800        | -5,200           | -5.36%        |
| Financial Activities              | 355,500   | 350,700       | -4,800           | -1.35%        |
| Professional & business services  | 820,200   | 849,000       | 28,800           | 3.51%         |
| Education & health                | 849,800   | 873,800       | 24,000           | 2.82%         |
| Leisure & hospitality             | 519,900   | 526,800       | 6,900            | 1.33%         |
| Other services                    | 258,600   | 263,600       | 5,000            | 1.93%         |
| Government                        | 855,100   | 862,500       | 7,400            | 0.87%         |



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

## Barometer of Job Recovery



| Illinois Recovery Scenarios |                          |                           |
|-----------------------------|--------------------------|---------------------------|
| To Recover                  | Growth Rate              |                           |
|                             | At the point of 2011-May | At the point of 2010-June |
| In 5 years                  | 95,000 jobs/year         | 109,000 jobs/year         |
| In 8 years                  | 59,000 jobs/year         | 68,000 jobs/year          |
| In 10 years                 | 48,000 jobs/year         | 54,000 jobs/year          |
| In 15 years                 | 32,000 jobs/year         | 36,000 jobs/year          |

\* 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 107,700 represents the jobs recovered from Dec. 2009 through May. 2011.

## ILLINOIS JOB RECOVERY BY SECTOR

| Illinois job recovery by sector from Dec 2007 - May 2011 |                                  |                                |                     |   |                                |
|--|----------------------------------|--------------------------------|---------------------|---|--------------------------------|
|  | Job Changes in Recession Period* | Job Recovery Jan 2010-May 2011 | Recovery Percentage | Forecasted Job Recovery Jan 2010-May 2012 | Forecasted Recovery Percentage |
| Construction   | -64,500                          | 1,100                          | 1.71%               | -4,100                                    | -6.36%                         |
| Manufacturing  | -116,000                         | 19,900                         | 17.16%              | 31,300                                    | 26.98%                         |
| Trade, transportation & utilities (TTU)                  | -98,100                          | 25,600                         | 26.10%              | 51,100                                    | 52.09%                         |
| Information  | -11,000                          | -7,100                         | -64.55%             | -12,300                                   | -111.82%                       |
| Financial activities                                     | -32,700                          | -9,500                         | -29.05%             | -14,300                                   | -43.73%                        |
| Professional & business services                         | -91,400                          | 39,900                         | 42.89%              | 68,700                                    | 75.16%                         |
| Education & health                                       | 34,300                           | 28,100                         | --                  | 52,100                                    | --                             |
| Leisure & hospitality                                    | -22,800                          | 8,000                          | 35.09%              | 14,900                                    | 65.35%                         |
| Other Services   | -5,900                           | 2,600                          | 44.07%              | 7,600                                     | 128.81%                        |
| Government   | 5,200                            | -1,300                         | --                  | 6,100                                     | --                             |

\*Recession period: Dec 2007- Dec 2009

|                           |  |
|---------------------------|--|
| <b>Recovery by Sector</b> | <ul style="list-style-type: none"> <li>▪ During the recession period of Dec 2007-Dec 2009, 8 out of 10 Illinois sectors experienced negative job growth. Education &amp; health and Government are the only 2 sectors which had positive job growth during the recession.</li> <li>▪ Since Jan 2010, Illinois employment resumed. 6 sectors Construction, Manufacturing, Trade, transportation &amp; utilities, Professional &amp; business services, Leisure hospitality and Other services have recovered 1.71%, 17.16%, 26.10%, 42.89%, 35.09, 44.07% respectively from the job losses during the recession.</li> <li>▪ However, Information and Financial activities continued to lose jobs leading to negative recovery rates, -64.55% and -29.05%.</li> <li>▪ The 12-month-ahead job recovery forecasts show that 3 sectors, namely, Construction, Information and Financial activities will experience negative recovery. From Jan 2010 to May 2012, the jobs that Information loses will be more than the jobs that was lost during the recession, leading to a forecasted recovery rate - 111.82% by May 2012. The forecasted recovery rates for Construction and Financial activities are -6.36% and -43.73%.</li> <li>▪ Other services is the only sector out of 10 Illinois sectors that will recover from the recession by May 2012.</li> </ul> |
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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<br>(Dec-2007) | 120.06<br>(May 2011) | Negative growth | N/A                  |
| <b>RMW</b>                           | 119.45<br>(Jun-2000) | 109.51<br>(May 2011) | Negative growth | N/A                  |
| <b>IL</b>                            | 115.09<br>(Nov-2000) | 108.00<br>(May 2011) | Negative growth | N/A                  |
| <b>Metro Areas**:</b>                |                      |                      |                 |                      |
| <b>Bloomington Normal</b>            | 141.73<br>(Feb 2002) | 139.48<br>(May 2011) | Negative growth | N/A                  |
| <b>Champaign Urbana</b>              | 116.13<br>(Jan 2009) | 108.53<br>(May 2011) | Negative growth | N/A                  |
| <b>Chicago</b>                       | 114.86<br>(Nov 2000) | 106.97<br>(May 2011) | Negative growth | N/A                  |
| <b>Davenport- Rock Island-Moline</b> | 115.02<br>(Mar 2008) | 109.53<br>(May 2011) | Negative growth | N/A                  |
| <b>Decatur</b>                       | 112.37<br>(Jan 2000) | 96.02<br>(May 2011)  | Negative growth | N/A                  |
| <b>Kankakee</b>                      | 125.57<br>(Mar 2008) | 125.46<br>(May 2011) | Negative growth | N/A                  |
| <b>Peoria</b>                        | 122.21<br>(Aug 2008) | 117.22<br>(May 2011) | Negative growth | N/A                  |
| <b>Rockford</b>                      | 122.81<br>(Nov 2000) | 107.56<br>(May 2011) | Negative growth | N/A                  |
| <b>Springfield</b>                   | 110.89<br>(Aug 2000) | 104.94<br>(May 2011) | Negative growth | N/A                  |
| <b>Metro-East</b>                    | 114.97<br>(Jun 2001) | 107.64<br>(May 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.

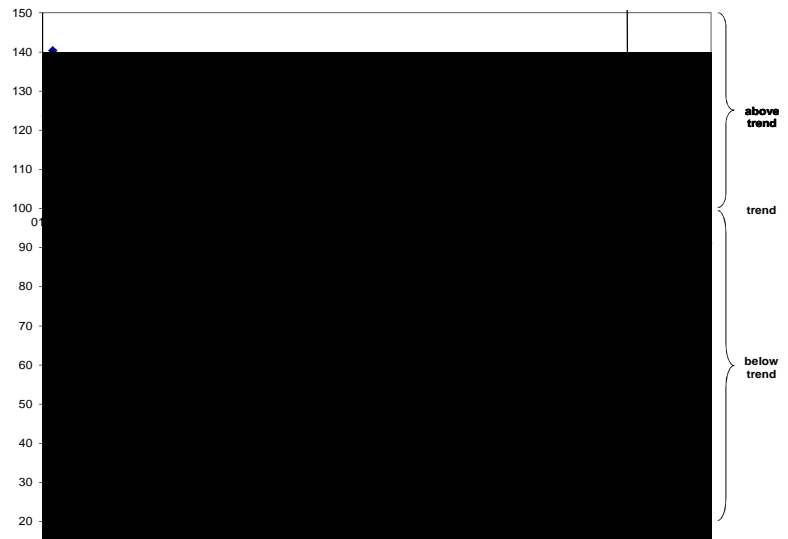
## CBAI DECLINED IN APRIL

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 97.2 in April, a decrease from the value of 110.8 recorded in March. The drop of the index in April could be attributed mainly to the sluggishness in national economic activity and the weakness in private demand.
- In April, the national and regional economy presented mixed features. The Federal Reserve Board announced that industrial production was unchanged in April after having increased 0.7 percent in March. The capacity utilization for total industry edged down 0.1 percentage points to 76.9 percent. In addition, national retail sales increased 0.41 percent in April. The number of unemployed persons, at 13.7 million, changed little in April and the unemployment rate edged up to 9.0.
- The Chicago Fed reported that the Chicago Fed National Activity Index (CFNAI) decreased to -0.45 in April, from 0.32 in March. Meanwhile, the Chicago Fed Midwest Manufacturing Index (CFMMI) decreased 1.65 percent in April. In the Chicago region in April, manufacturing employment increased 0.25 percent while non-manufacturing employment increased 0.06 percent and construction employment increased by 0.77 percent. Regional retail sales are estimated to have decreased 1.36 percent in April.
- In the coming months, the national economy is likely to maintain its recovery trend. The Bureau of Labor Statistics reported total nonfarm payroll employment increased by 244,000 in April, and the private sector added 268,000 jobs. Employment rose in a number of service-providing industries, manufacturing, and mining. With regard to inflation, the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year. 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: 97.2)

|                  | 1 month | 3 month | 1 year |
|------------------|---------|---------|--------|
| Historical (ago) | 110.8   | 84.1    | 95.0   |
| Forecast (ahead) | 98.4    | 99.3    | 91.1   |



# METROPOLITAN STATISTICAL AREA LEAGUE TABLES

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## MSA LEAGUE TABLES SUMMARY\*

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- Bloomington-Normal experienced the deepest fall this month (3rd to 9th).
- Rockford (5th to 7th) and Decatur (9th to 10th) also dropped in terms of rank from last month.
- The most remarkable upward move in May was recorded for Metro-East (7th to 4th).
- Champaign-Urbana-Rantoul (10th to 8th), Springfield (8th to 6th), Chicago (6th to 5th), Metro-East (7th to 4th) and Davenport-Rock Island-Moline (4th to 3rd) also gained in terms of rank from last month.
- In the 12 months growth league table, upward moves were recorded for Kankakee (2nd to 1st), Davenport-Rock Island-Moline (4th to 3rd), Chicago (5th to 4th), Metro-East (6th to 5th) and Bloomington-Normal (9th to 8th) while downward moves were recorded for Decatur (8th to 9th), Rockford (3rd to 6th) and Peoria (1st to 2nd).
- Champaign-Urbana-Rantoul stayed in the last place for three 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 | Apr 2011                             | May 2011                             | Rank | Change** |
|------|--------------------------------------|--------------------------------------|------|----------|
| 1    | Kankakee(1.61%)                      | Kankakee(2.34%)                      | 1    | ←(+0)    |
| 2    | Peoria (0.54%)                       | Peoria(0.5%)                         | 2    | ←(+0)    |
| 3    | Bloomington-Normal (0.38%)           | Davenport-Rock Island-Moline (0.35%) | 3    | ↑(+1)    |
| 4    | Davenport-Rock Island-Moline (0.35%) | Metro-East (0.09%)                   | 4    | ↑(+3)    |
| 5    | Rockford (0.31%)                     | Chicago (-0.05%)                     | 5    | ↑(+1)    |
| 6    | Chicago (0.05%)                      | Springfield (-0.15%)                 | 6    | ↑(+2)    |
| 7    | Metro-East (-0.33%)                  | Rockford (-0.27%)                    | 7    | ↓(-2)    |
| 8    | Springfield (-0.49%)                 | Champaign-Urbana-Rantoul (-0.28%)    | 8    | ↑(+2)    |
| 9    | Decatur(-0.79%)                      | Bloomington-Normal (-0.31%)          | 9    | ↓(-6)    |
| 10   | Champaign-Urbana-Rantoul (-1.21%)    | Decatur (-0.82%)                     | 10   | ↓(-1)    |

## Growth over last 12-months:

| Rank | Apr 2011                             | May 2011                            | Rank | Change** |
|------|--------------------------------------|-------------------------------------|------|----------|
| 1    | Peoria (2.99%)                       | Kankakee (4.88%)                    | 1    | ↑(+1)    |
| 2    | Kankakee (2.6%)                      | Peoria (3.05%)                      | 2    | ↓(-1)    |
| 3    | Rockford (1.25%)                     | Davenport-Rock Island-Moline (1.5%) | 3    | ↑(+1)    |
| 4    | Davenport-Rock Island-Moline (0.98%) | Chicago (0.59%)                     | 4    | ↑(+1)    |
| 5    | Chicago (0.96%)                      | Metro-East (0.41%)                  | 5    | ↑(+1)    |
| 6    | Metro-East (0.32%)                   | Rockford (0.24%)                    | 6    | ↓(-3)    |
| 7    | Springfield (0.22%)                  | Springfield (0.13%)                 | 7    | ←(+0)    |
| 8    | Decatur (0.04%)                      | Bloomington-Normal (-0.06%)         | 8    | ↑(+1)    |
| 9    | Bloomington-Normal (-0.19%)          | Decatur (-1.63%)                    | 9    | ↓(-1)    |
| 10   | Champaign-Urbana-Rantoul (-2.56%)    | Champaign-Urbana-Rantoul (-2.87%)   | 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)

