



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.

OCTOBER 2008

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**Illinois Jobs Coalition**

# EMPLOYMENT

## EMPLOYMENT DATA SUMMARY

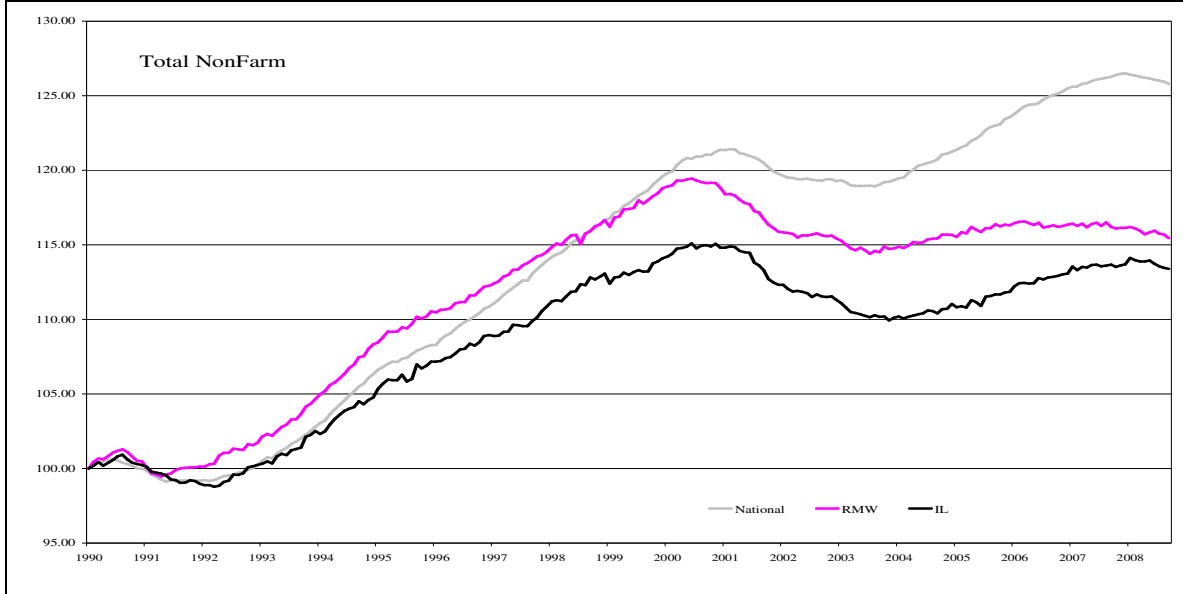
- In September 2008, Illinois lost 3,700 jobs at a rate of -0.06%, compared to the revised loss of 5,200 in August.
- Illinois has posted negative job changes six times in 2008, and the state has lost 15,800 jobs since January, 2008.
- By the end of September, Illinois averaged a monthly growth of -0.03% in 2008, which is smaller than both the average growth rate for 2007 of 0.05%, and the average growth rate in recent recovery period for Illinois since early 2004 of 0.07%.
- Illinois, RMW, and the nation all lost jobs for the third consecutive month.
- Over the last 12 months, Illinois payroll growth was -0.25%, better than the negative -0.38% growth of the nation. RMW continued with a negative rating of -0.66% for thirteen months in a row.
- Illinois has lost -1,756 jobs on average per month in 2008 so far, compared to 2,742 job increase per month in 2007.
- Through September 2008, the cumulative job growth for the nation, Illinois and RMW compared to January 1900 stood at 25.81%, 13.39%, and 15.45%, respectively.

## SEPTEMBER 2008 EMPLOYMENT CHART

September 2008	Total Non-Farm Employment	Aug 2008 – Sep 2008		Last 12 months	
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs
Negative	<b>Nation</b>	-0.12	-159,000	-0.38	-519,000
	<b>RMW*</b>	-0.22	-44,600	-0.66	-131,900
	<b>Illinois</b>	-0.06	-3,700	-0.25	-14,900

- RMW stands for Rest of the Midwest including six states, Indiana, Iowa, Michigan, Missouri, Ohio and Wisconsin.

### TOTAL NON-FARM EMPLOYMENT GROWTH RATE JAN 1990 – SEP 2008



### SHADOW UNEMPLOYMENT

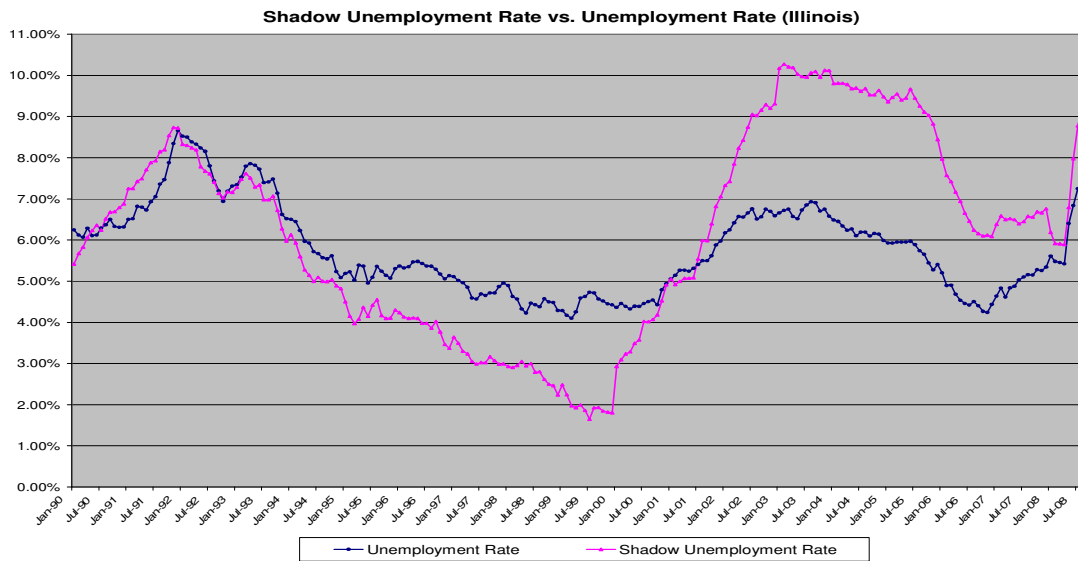
#### Unemployment Rate: Official and Shadow

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.

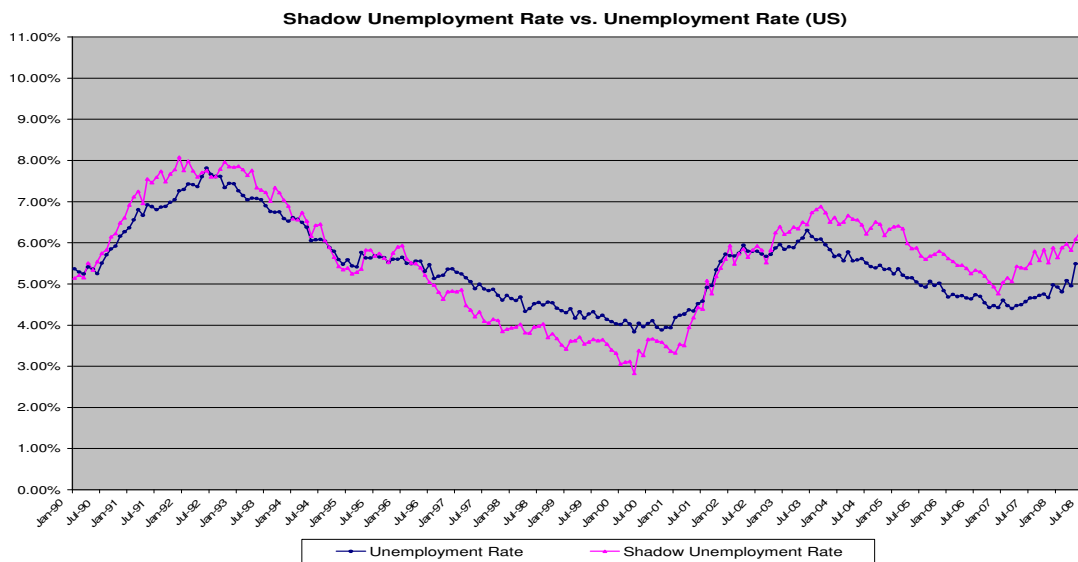
REAL has estimated a *shadow unemployment rate*; this is calculated as the unemployment rate that would be observed if labor force participation rates matched the average for the 15-year period from 1990 to 2004.

- In the 1990s, the average participation rate was 67.9% in Illinois whereas in 2006, it has been only 65.5%.
- For the 15 years from 1990 to 2004, the average participation rate was 67.4% in Illinois.
- In the 1990s in the US, the average participation rate was 66.7% whereas in 2006, it has been 66.1%; 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 two rates for Illinois (top figure) and the US as a whole (bottom figure).
- Since 2000, the gap between the official and shadow unemployment rate has increased but recently since early 2006 the gap has decreased, only to increase again in 2008.
- To bring the two together a further 160,840 jobs would need to be created in Illinois.
- The gap at the national level is much smaller.

■ Illinois

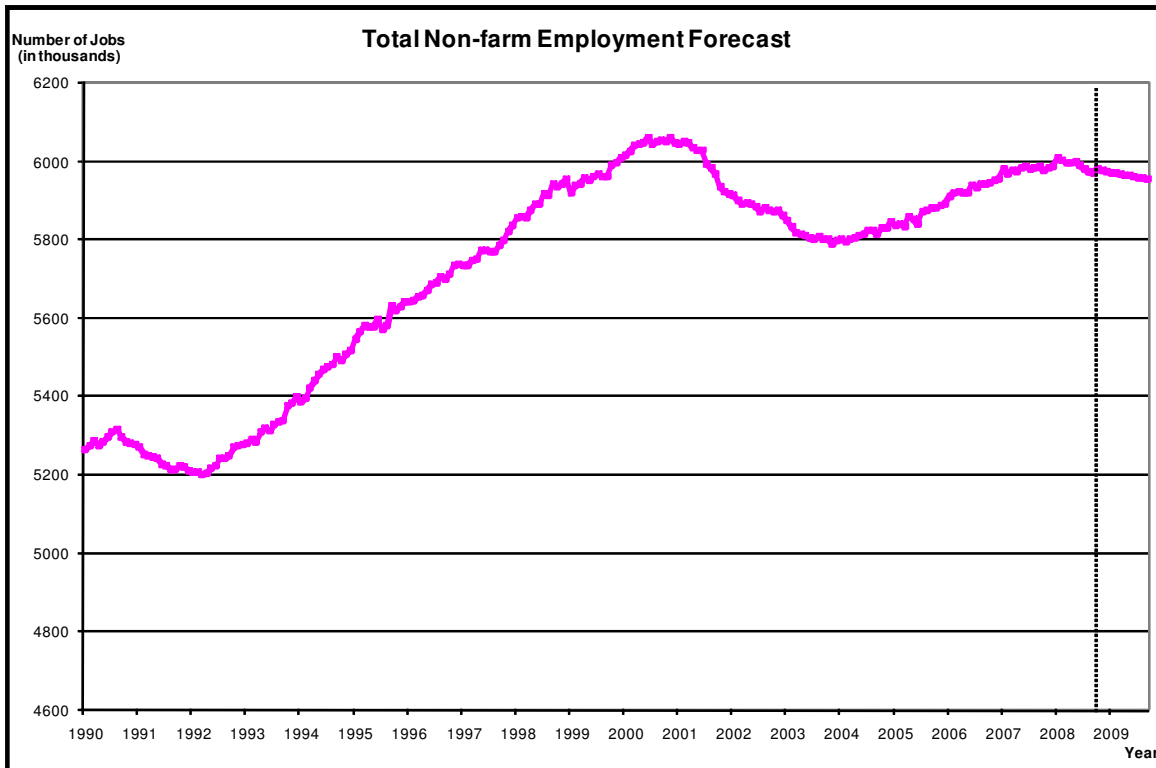


■ US



## EMPLOYMENT FORECAST

	Sep 2008	Sep 2009 (p)	Number of Jobs	Growth Rate %
<b>Total non-farm</b>	5,970,700	5,954,900	-15,800	-0.26%
<b>Construction</b>	258,700	258,300	-400	-0.15%
<b>Manufacturing</b>	668,600	652,100	-16,500	-2.47%
<b>Trade, transportation &amp; utilities</b>	1,212,900	1,205,400	-7,500	-0.62%
<b>Information</b>	114,000	109,400	-4,600	-4.04%
<b>Financial Activities</b>	396,000	396,200	200	0.05%
<b>Professional &amp; business services</b>	877,600	878,700	1,100	0.13%
<b>Education &amp; health</b>	791,500	798,800	7,300	0.92%
<b>Leisure &amp; hospitality</b>	529,900	533,600	3,700	0.70%
<b>Other services</b>	259,000	261,400	2,400	0.93%
<b>Government</b>	852,800	851,300	-1,500	-0.18%



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## CATCH UP SCENARIO

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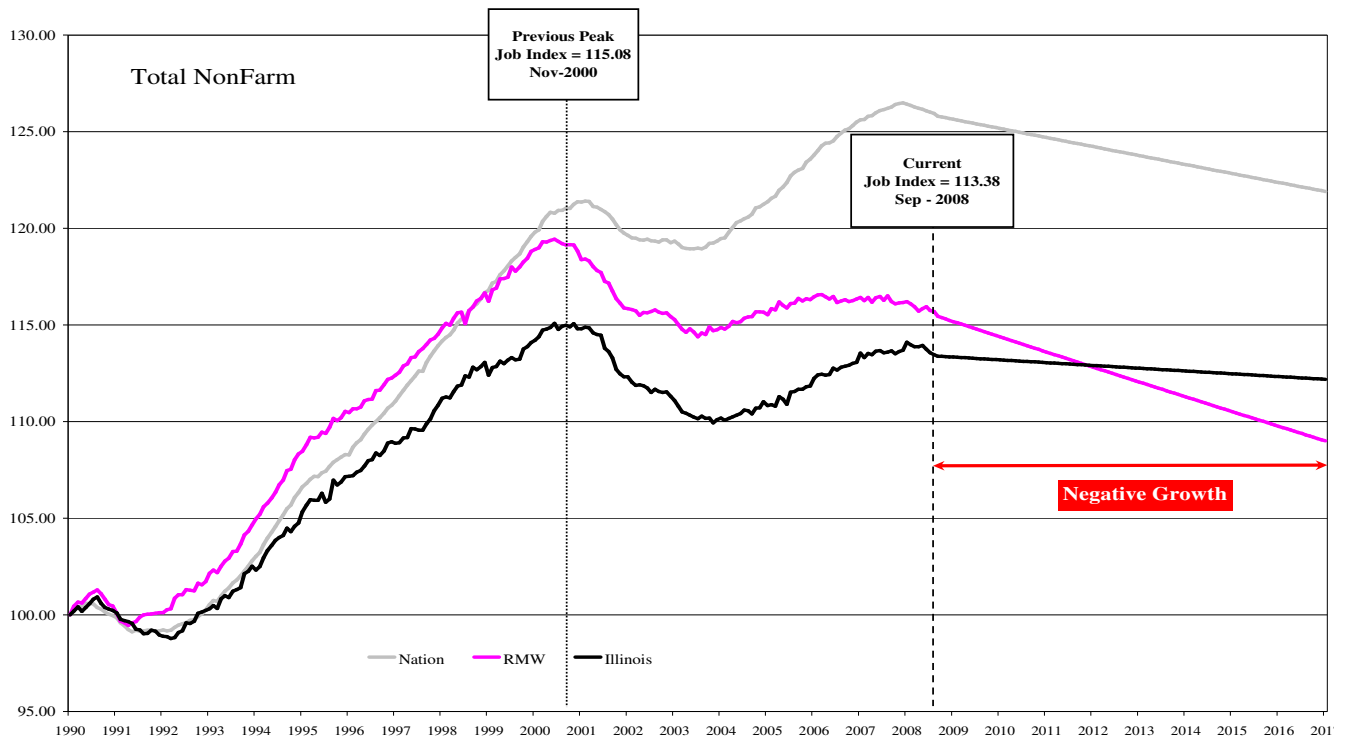
### *Catch-up Scenario\* of Previous Peak Job Index in Illinois*

	Previous Peak	Current	Catch-up	Periods for Catch-up
<b>IL</b>	115.08 (Nov-2000)	113.48 (Sep -2008)	Negative growth	N/A
<b>RMW</b>	119.44 (Jun-2000)	115.45 (Sep -2008)	Negative growth	N/A
<b>Nation</b>	121.45 (Feb-2001)	125.81 (Sep -2008)	121.56 (Feb-2005)	41 months ago
<b>Metro Areas** :</b>				
<b>Bloomington Normal</b>	141.96 (Feb 2002)	140.12 (Aug 2008)	141.99 (July 2010)	24 months
<b>Champaign Urbana</b>	115.91 (Jun 2001)	112.16 (Aug 2008)	Negative growth	N/A
<b>Chicago</b>	114.68 (Nov 2000)	113.72 (Aug 2008)	Negative growth	N/A
<b>Davenport- Rock Island-Moline</b>	114.68 (Nov 1999)	114.01 (Aug 2008)	Zero growth	N/A
<b>Decatur</b>	112.41 (Mar 2000)	102.41 (Aug 2008)	Zero growth	592 months
<b>Kankakee</b>	124.30 (Jan 2007)	125.42 (Aug 2008)	Reached (Jan 2008)	7 months ago
<b>Peoria</b>	116.81 (April 2000)	121.36 (Aug 2008)	Reached (Feb 2006)	30 months ago
<b>Rockford</b>	123.22 (Jul 2000)	119.51 (Aug 2008)	123.30 (Oct 2087)	951 months
<b>Springfield</b>	110.35 (Aug 2000)	104.89 (Aug 2008)	Negative growth	N/A
<b>Metro-East</b>	114.73 (Jun 2001)	109.24 (Aug 2008)	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.

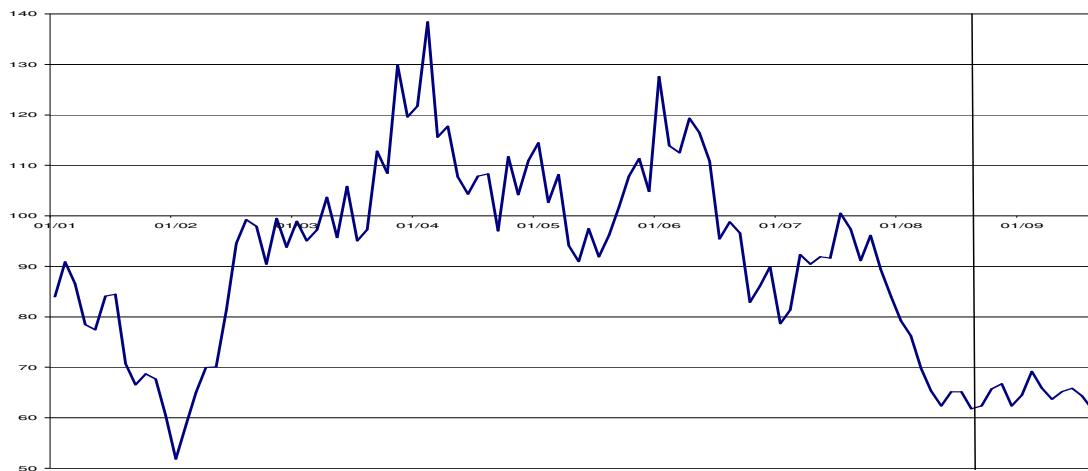
	Periods for Catch-up	
	IL	RMW
Aug-2008	Negative growth	Negative growth
Sep-2008	Negative growth	Negative growth
Difference	N/A	N/A



## CBAI FELL 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 61.8 in August, down from 65.2 in July.
- This was mainly attributed to the weak national economy and the negative contribution of construction and employment.
- Considering that the CBAI leads the local business cycle and the values of this index under 100 are associated with below-trend growth, the Chicago economy will experience below trend growth over the next 12 months.
- In August, the national economy showed weak features. The Chicago Fed National Activity Index (CFNAI) was -1.59 in August, reaching its lowest level since 2001. The Federal Reserve Board's industrial production index declined 1.1 percent and the manufacturing production index declined 1.0 percent in August. The unemployment rate, announced by department of labor, rose from 5.7 to 6.1 percent in August.
- The economic performance in Chicago also presented weak features. The Chicago Fed Midwest Manufacturing Index (CFMMI) declined 2.6 percent and the construction dropped by 0.22 percent. The manufacturing and non-manufacturing employment decreased by 0.24 percent and 0.07 percent respectively in August.
- The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, a high degree of uncertainty surrounds future economic developments, largely due to financial market turmoil. For the local economy, the CBAI index suggests that the regional economic growth will be below its historical trend, in large part because of the sluggish national economic activity.





# METROPOLITAN STATISTICAL AREA LEAGUE TABLES

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## MSA LEAGUE TABLES SUMMARY

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- The most remarkable upward move in August is by Metro-East (10th to 1st) which moved up by 9 spots.
- Davenport-Rock Island-Moline (9th to 3rd) and Peoria (6th to 2nd) made significant gains in terms of the rank from July.
- Champaign-Urbana-Rantoul experienced the deepest fall (1st to 10th) in August.
- Kankakee, Rockford, Decatur, and Springfield all lost ground in August.
- In the 12 months growth league table, upward moves were recorded for Rockford (7th to 5th), Chicago (8th to 7th), and Champaign-Urbana-Rantoul (9th to 8th).
- Kankakee, Peoria Bloomington-Normal, and Decatur are still in the top 4 whereas Metro-East is still in the last position.
- Springfield experienced the greatest fall (6th to 9th) in August, followed by Davenport-Rock Island-Moline (5th to 6th).

## MSA League Tables\*: Non-farm Employment Growth Rate

## Monthly growth:

Rank	July 2008	August 2008	Rank	Change**
1	Champaign-Urbana-Rantoul (1.55%)	Metro-East (0.21%)	1	↑ (+9)
2	Kankakee (0.67%)	Peoria (0.21%)	2	↑ (+4)
3	Rockford (0.37%)	Davenport-Rock Island-Moline (0.11%)	3	↑ (+6)
4	Bloomington-Normal (0.33%)	Bloomington-Normal (0%)	4	← ( 0)
5	Decatur (0.18%)	Kankakee (0%)	5	↓ (- 3)
6	Peoria (0.11%)	Rockford (0%)	6	↓ (- 3)
7	Springfield (0.09%)	Chicago (-0.07%)	7	↑ (+1)
8	Chicago (0.07%)	Decatur (-0.18%)	8	↓ (- 3)
9	Davenport-Rock Island-Moline (0%)	Springfield (-0.45%)	9	↓ (- 2)
10	Metro-East (0%)	Champaign-Urbana-Rantoul (-0.63%)	10	↓ (- 9)

## Growth over last 12-months:

Rank	July 2008	August 2008	Rank	Change**
1	Kankakee (2.75%)	Kankakee (2.51%)	1	← ( 0)
2	Peoria (0.96%)	Peoria (0.85%)	2	← ( 0)
3	Bloomington-Normal (0.66%)	Bloomington-Normal (0.66%)	3	← ( 0)
4	Decatur (0.54%)	Decatur (0%)	4	← ( 0)
5	Davenport-Rock Island-Moline (0.21%)	Rockford (0%)	5	↑ (+2)
6	Springfield (0.18%)	Davenport-Rock Island-Moline (-0.05%)	6	↓ (- 1)
7	Rockford (0.06%)	Chicago (-0.07%)	7	↑ (+1)
8	Chicago (0.04%)	Champaign-Urbana-Rantoul (-0.45%)	8	↑ (+1)
9	Champaign-Urbana-Rantoul (-0.54%)	Springfield (-0.54%)	9	↓ (- 3)
10	Metro-East (-2.8%)	Metro-East (-2.59%)	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)

