



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 with assistance from Yizhou Zhang and Kijin Kim.

SEPTEMBER 2016

EMPLOYMENT

EMPLOYMENT DATA SUMMARY

- Illinois lost 8,200 jobs in August 2016, compared with a revised 14,600 job gain in July 2016. Compared to August 2015, Illinois has added 40,100 jobs. The three-month moving average, a more stable measure of labor market, showed an increase of 1,000 jobs per month.
- The Nation added 151,000 jobs at a rate of 0.10%, compared with a revised 275,000 job gain in July 2016. The three-month moving average was up by 232,300 jobs per month.
- The RMW lost 9,000 jobs in August after a revised 48,900 job gain in July 2016. The three-month moving average was up by 25,600 jobs per month.
- The state of Illinois now has 23,500 more jobs than in December 2007 when the recent recession started.
- Since January 2010, when Illinois employment growth resumed after the national recession, Illinois has added 425,000 new jobs.
- By August 2016 in Illinois, Professional & business services and Leisure & hospitality have both recovered to their previous employment peak levels. The 12-month-ahead job recovery forecasts show that the future recovery rates in Illinois will increase for every sector except Information and Trade, transportation & utilities.
- The shadow unemployment rates for Illinois, RMW and the Nation were 9.51%, 9.06% and 10.36%, compared to official unemployment rates of 5.5%, 4.6% and 4.9%.
- Through August 2016, the cumulative job growth for Illinois, RMW and the Nation compared to January 1990 stood at 14.05%, 18.46%, and 32.44%, respectively.

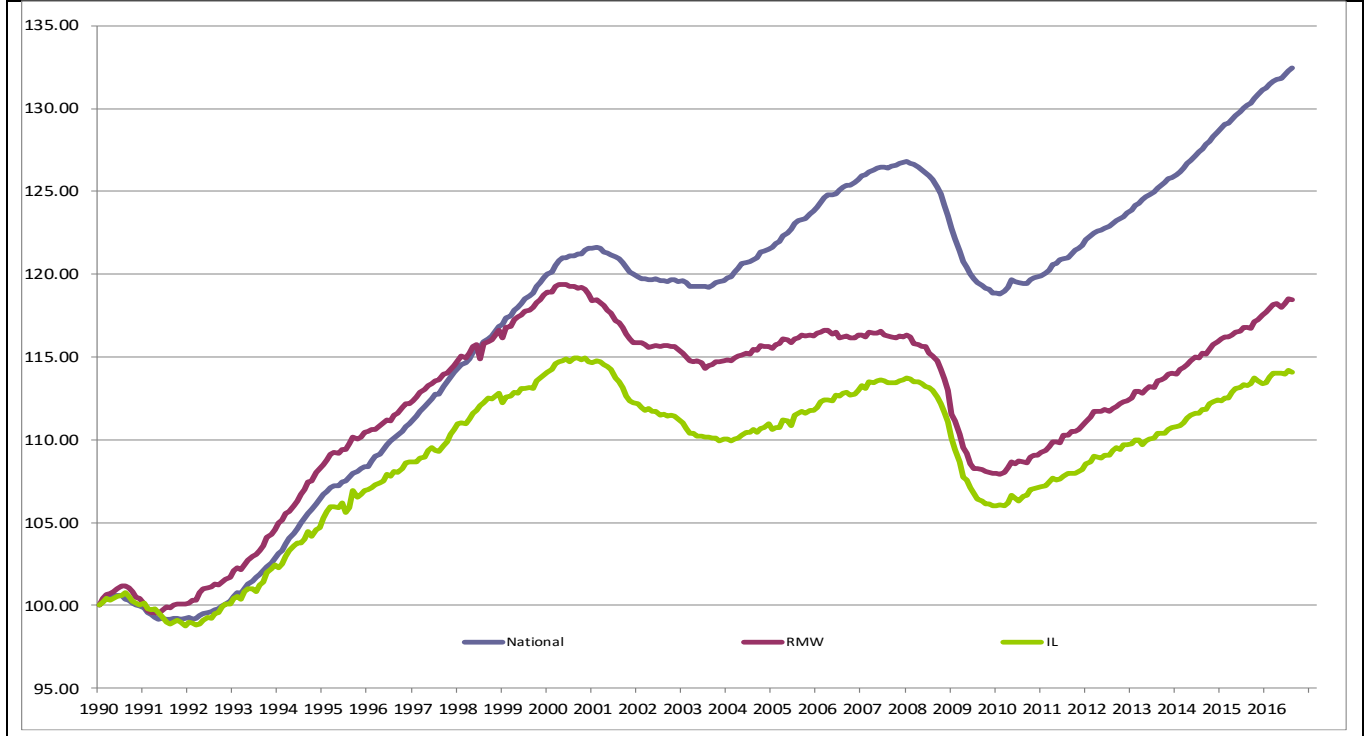
SEPTEMBER 2016 EMPLOYMENT CHART

August 2016 Negative	Total Non-Farm Employment	July 2016– August 2016		Last 12 months		Aug 2016
		Growth Rate %	Number of Jobs	Growth Rate %	Number of Jobs	Shadow U.R. **
	Nation	0.1	151,000	1.72	2,447,000	10.36
	RMW*	-0.04	-9,000	1.43	285,300	10.06
	Illinois	-0.14	-8,200	0.67	40,100	9.51

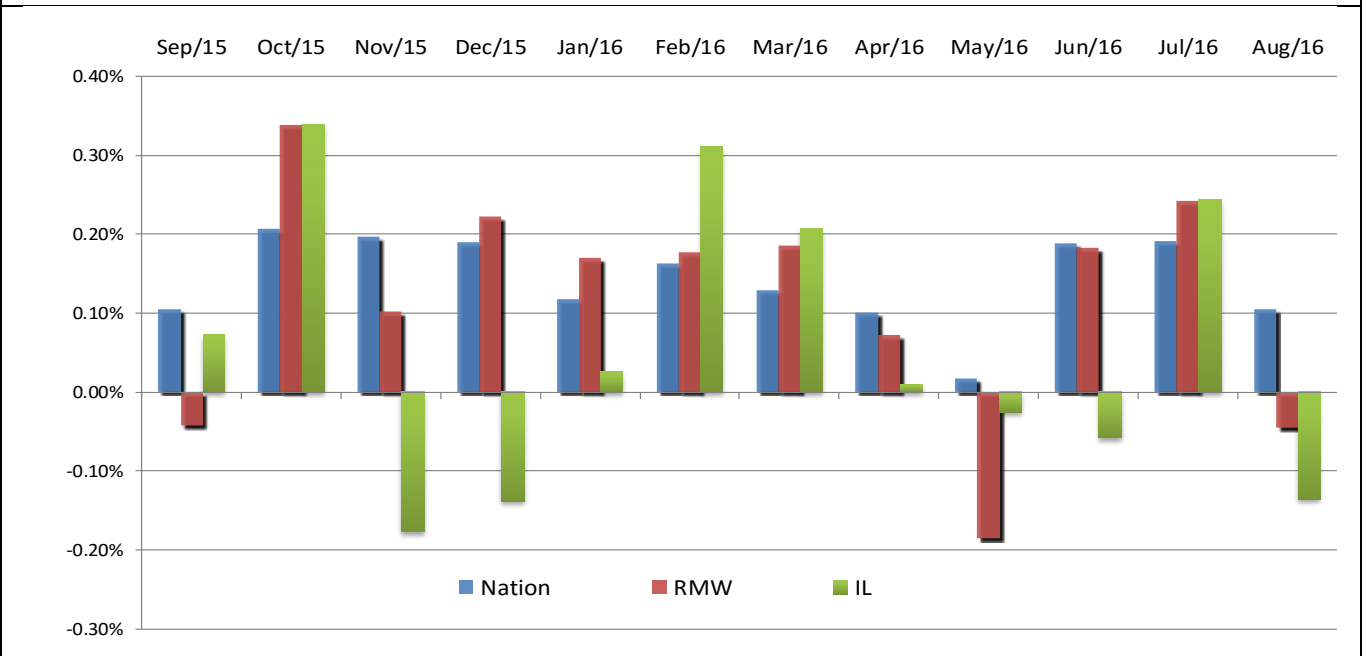
*RMW stands for Rest of the Midwest including six states, Indiana, Iowa, Michigan, Missouri, Ohio and Wisconsin.

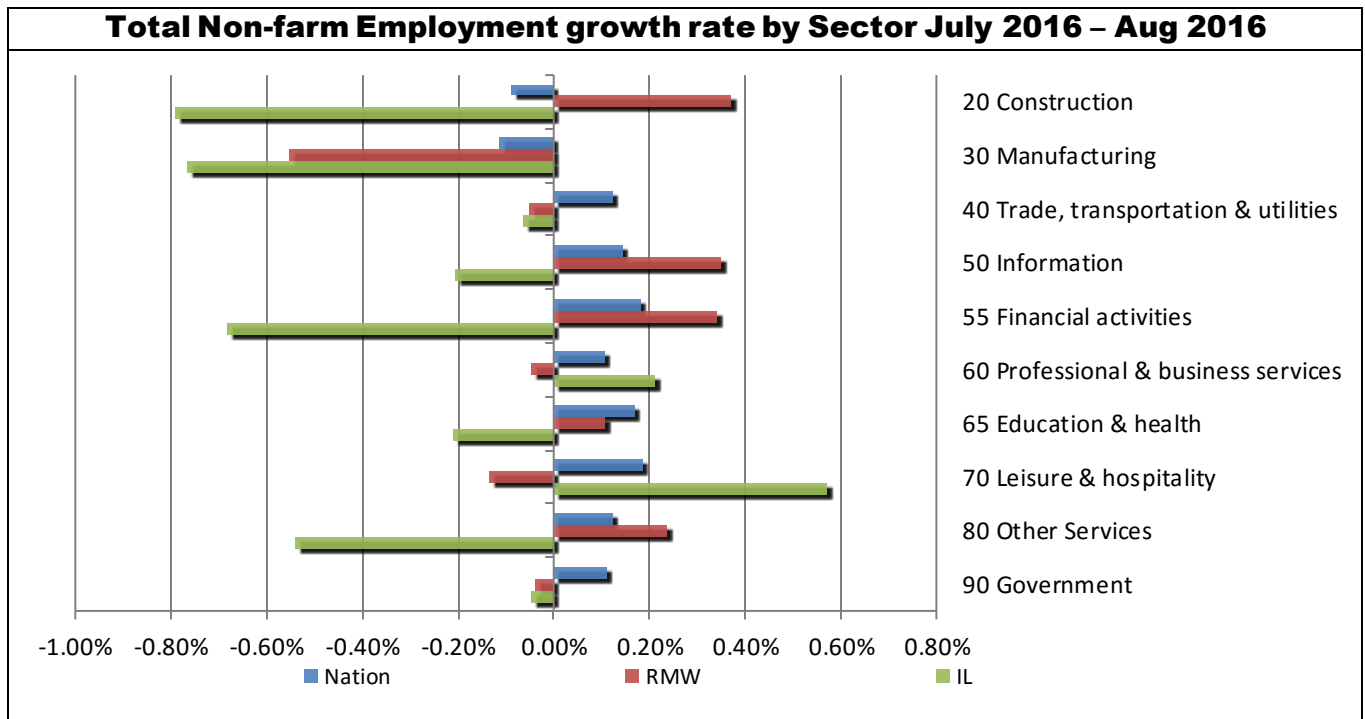
**REAL has estimated a *shadow unemployment rate*; this is calculated as the unemployment rate that would be observed if labor force participation rates matched the average for the 15-year period from 1990 to 2004.

TOTAL NON-FARM EMPLOYMENT GROWTH RATE JAN 1990 – AUGUST 2016



LAST 12 MONTHS TOTAL NON-FARM EMPLOYMENT GROWTH RATES SEP 2015 – AUG 2016





SHADOW UNEMPLOYMENT

Unemployment Rate: Official and Shadow

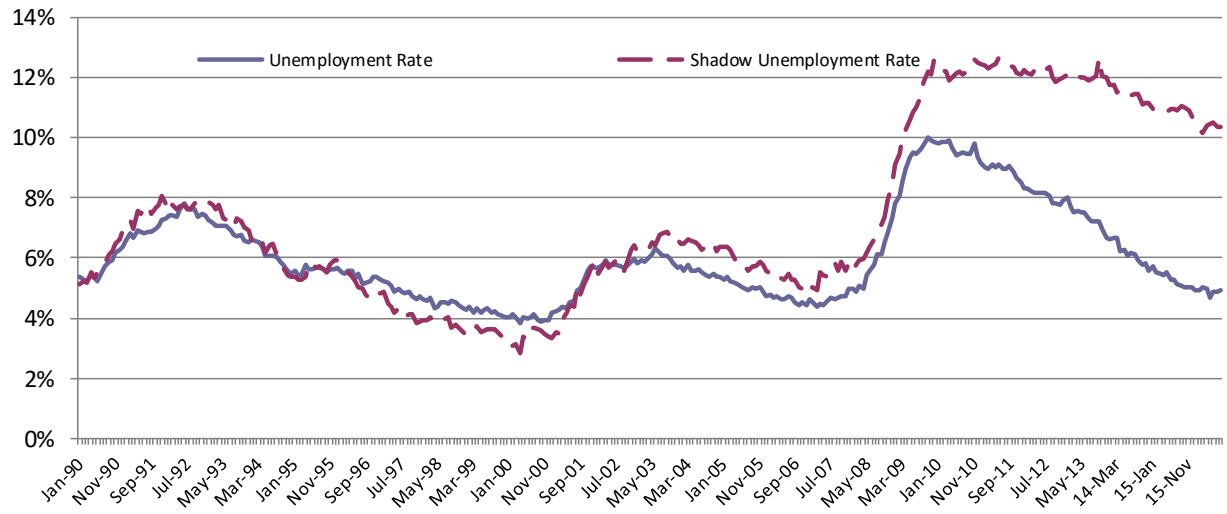
The unemployment rate estimates the percentage of workers in the labor force who are currently unemployed but who are seeking work. The labor force participation rate is the percentage of the population 16 and older who are either working or actively seeking work. The participation rate has declined 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).
- After 2000, the gap between Illinois's official and shadow unemployment rates increased until 2006 when it began to shrink. However, the gap went increasing again since 2010.
- To bring the two together in August 2016, a further 273,000 jobs would need to be created in Illinois.

■ Illinois



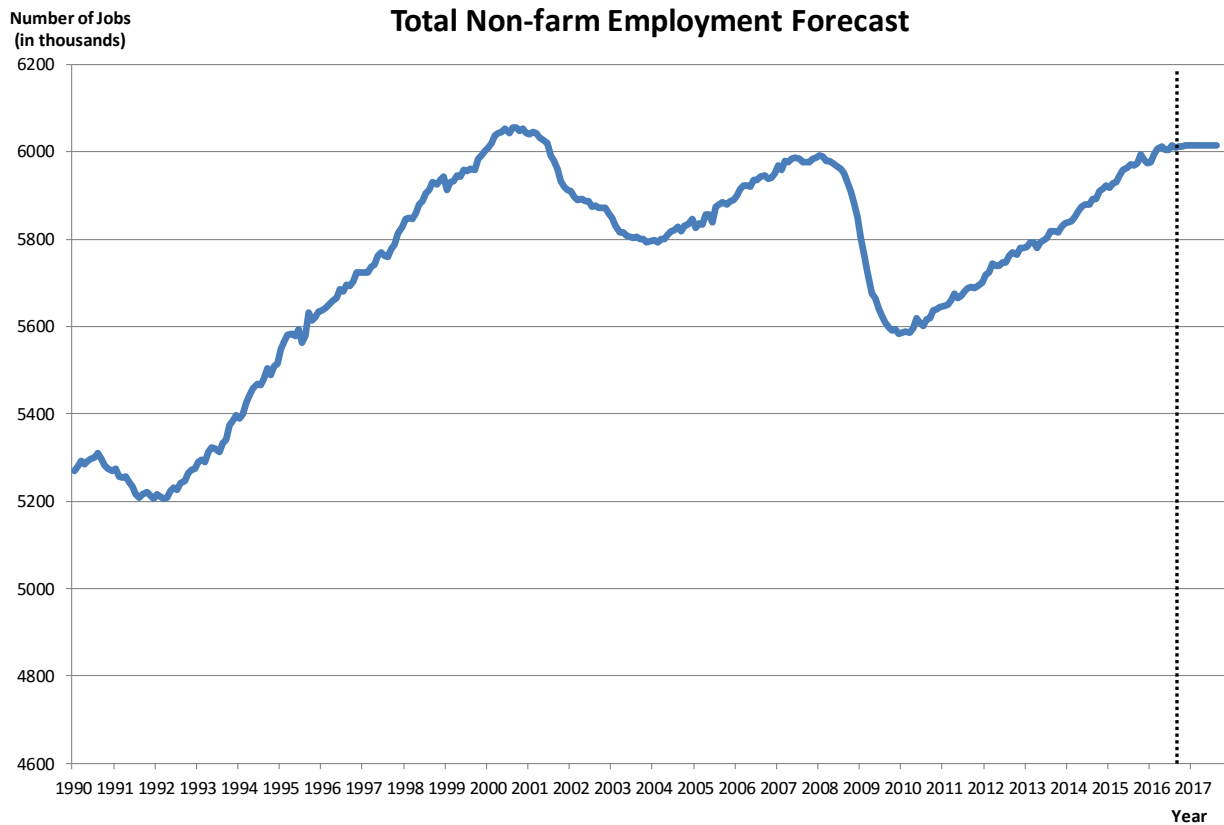
■ US



EMPLOYMENT FORECAST

Illinois	Aug 2016	Aug 2017 (p)	Number of Jobs	Growth Rate %
Total non-farm	6,008,700	6,014,500	5,800~13,500	0.10%~0.23%
Construction	213,000	210,900	-2,100	-0.99%
Manufacturing	568,400	547,000	-21,400	-3.76%
Trade, transportation & utilities	1,209,300	1,208,800	-500	-0.04%
Information	97,700	96,800	-900	-0.92%
Financial Activities	377,200	375,200	-2,000	-0.53%
Professional & business services	938,000	955,500	17,500	1.87%
Education & health	909,300	923,200	13,900	1.53%
Leisure & hospitality	600,500	612,200	11,700	1.95%
Other services	258,000	259,000	1,000	0.39%
Government	828,800	826,000	-2,800	-0.34%

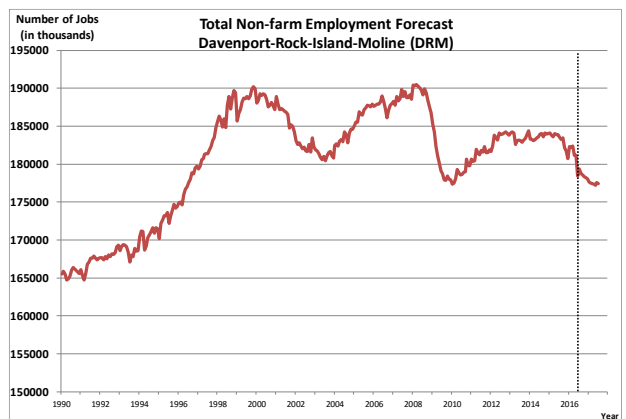
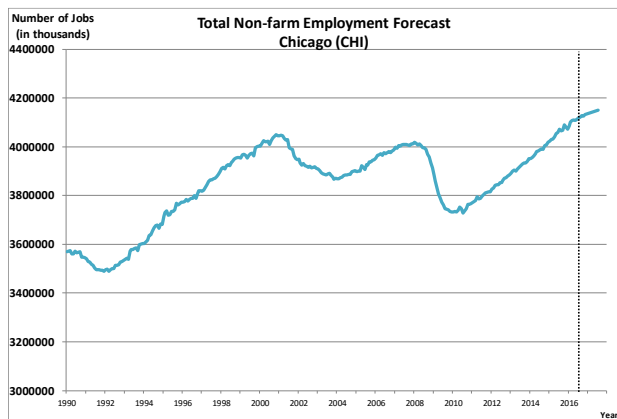
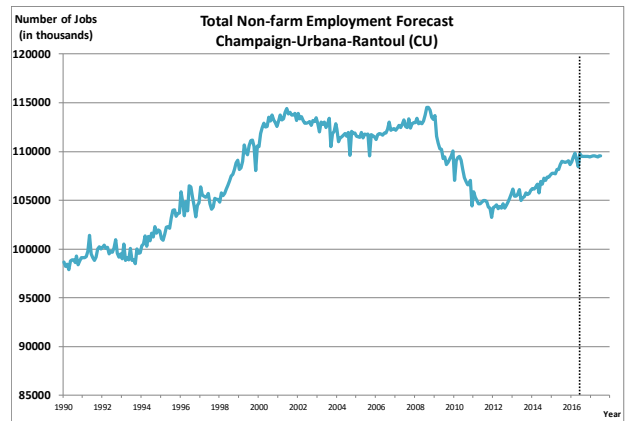
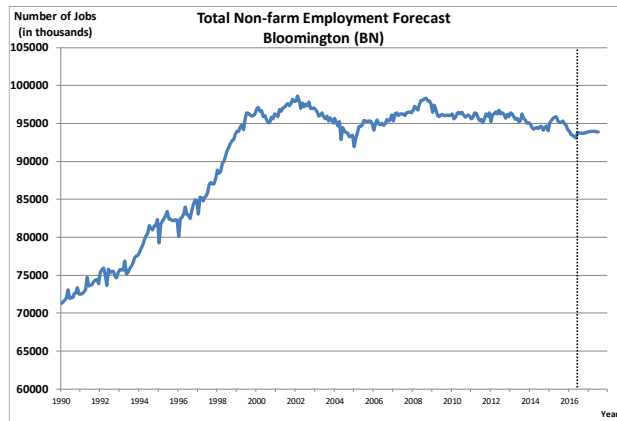
* The values by sector for the number of jobs added are the lower bound of the forecast.

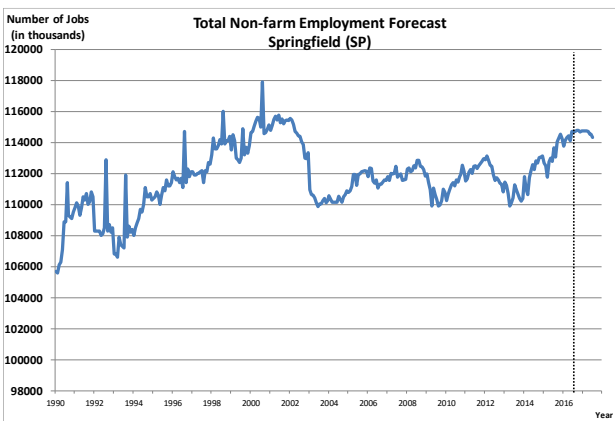
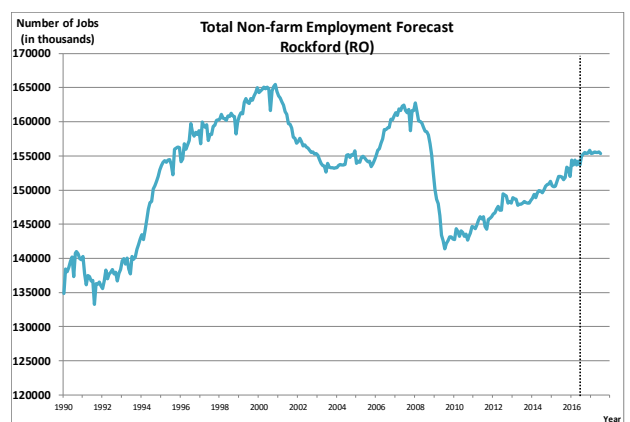
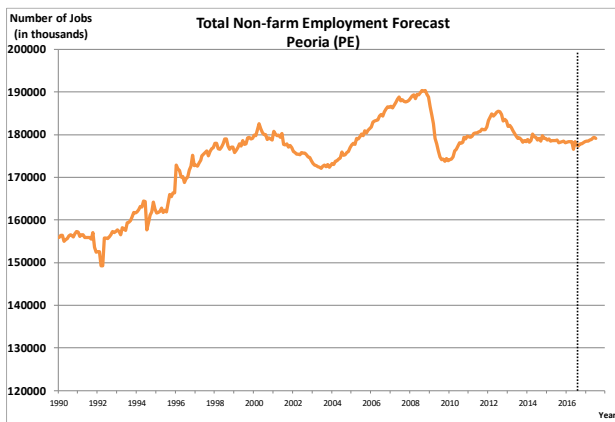
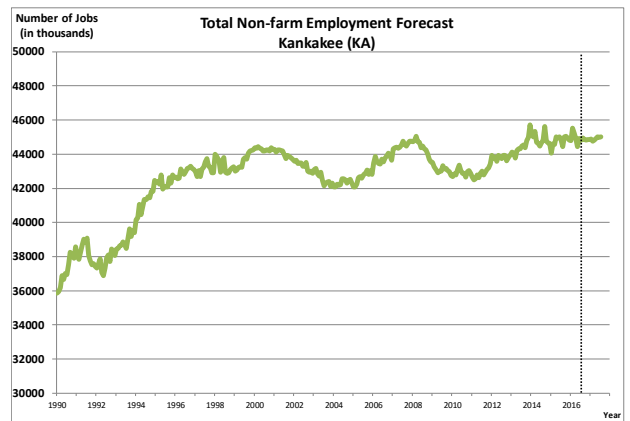
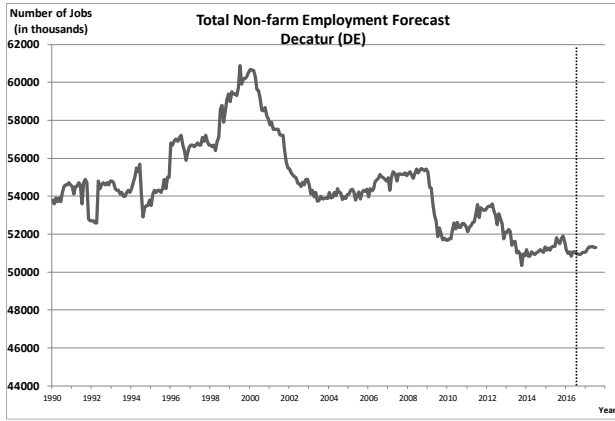


Employment Forecast for MSAs

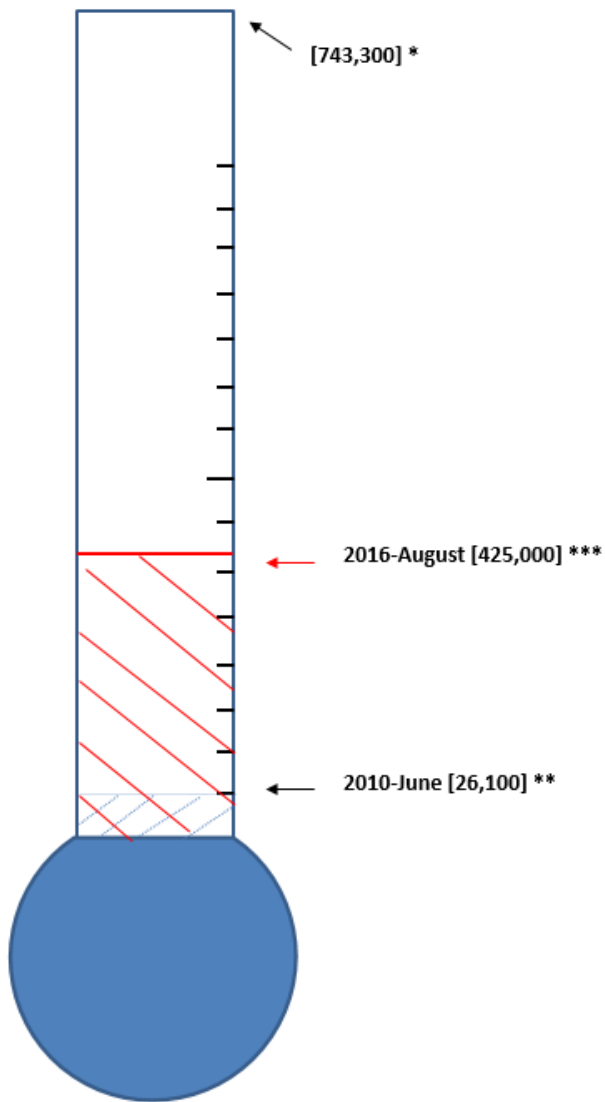
MSAs	July 2016*	July 2017 (p)*	Number of Jobs *	Growth Rate %	Growth	Sector with Highest Growth Rate (p)	Sector with Lowest Growth Rate (p)
Bloomington-Normal	93,800	93,900	200~400	0.16%~0.41%	+	PRO (1.78%)	MAN (-3.68%)
Champaign-Urbana-Rantoul	109,500	109,500	30~300	0.03%~0.29%	+	EDU (2.56%)	INF (-6.46%)
Chicago	4,118,800	4,151,600	32,900~51,600	0.80%~1.25%	+	CON (3.51%)	FIN (-2.53%)
Davenport-Rock Island-Moline	179,400	177,400	-2,000~ -1,000	-1.09%~ -0.58%	-	EDU (0.70%)	INF (-4.36%)
Decatur	51,000	51,300	300~1,000	0.62%~1.89%	+	CON (2.96%)	EDU (-0.41%)
Kankakee	44,800	45,000	200~220	0.39%~0.50%	+	CON (2.78%)	INF (-3.43%)
Peoria	177,600	179,100	1,500~3,900	0.85%~2.20%	+	LEI (3.92%)	EDU (-2.46%)
Rockford	155,000	155,300	400~600	0.25%~0.37%	+	EDU (2.57%)	INF (-8.25%)
Springfield	114,700	114,300	-400~ -300	-0.36%~ -0.30%	-	EDU (1.01%)	INF (-3.53%)

*Total Non-Farm Jobs





Barometer of Job Recovery



Illinois Recovery Scenarios		
To Recover	Growth Rate	
	At the point of 2016 – August	At the point of 2010-June
In 5 years	63,700 jobs/year	143,400 jobs/year
In 8 years	39,800 jobs/year	89,700 jobs/year
In 10 years	31,800 jobs/year	71,700 jobs/year
In 15 years	21,200 jobs/year	47,800 jobs/year

* The figure 743,300 is the number of jobs needed for the Illinois economy to recover to the previous employment peak, Nov-2000. The gap between the previous peak, Nov-2000 and the previous lowest point, Dec-2009 is 470,300. Adding 273,000, the number of additional jobs that needed to be created after taking shadow unemployment rate into account, the total number of jobs that Illinois needs to create 743,300.

** The figure 26,100 represents the jobs recovered from December 2009 (previous lowest level) through June 2010.

*** The figure 425,000 represents the jobs recovered from December 2009 through August 2016.

ILLINOIS JOB RECOVERY BY SECTOR

Illinois job recovery by sector from Dec 2007 – August 2016					
	Job Changes in Recession Period*	Job Changes in Jan 2010-Aug 2016	Recovery Rate	Forecasted Job Changes Jan 2010-Aug 2017	Forecasted Recovery Rate
Construction	-63,800	9,100	14.26%	9,500	14.89%
Manufacturing	-114,600	13,600	11.87%	16,700	14.57%
Trade, transportation & utilities (TTU)	-97,700	89,000	91.10%	86,500	88.54%
Information	-11,300	-6,700	-59.29%	-7,700	-68.14%
Financial activities	-32,600	4,300	13.19%	16,400	50.31%
Professional & business services	-92,300	164,600	178.33%	185,200	200.65%
Education & health	33,800	88,800	-	99,400	-
Leisure & hospitality	-22,300	88,600	397.31%	92,300	413.90%
Other Services	-5,900	2,000	33.90%	4,400	74.58%
Government	6,000	-28,300	-	-31,600	-

*Recession period: Dec 2007- Dec 2009

Recovery by Sector	<ul style="list-style-type: none"> ▪ During the recession period of December 2007-December 2009, 8 out of 10 Illinois sectors experienced negative job growth. Education & health and Government were the only 2 sectors that had positive job growth during the recession. ▪ Since January 2010, Illinois employment growth resumed. Construction, Manufacturing, Trade, transportation & utilities, Financial activities, Professional & business services, Leisure & hospitality, and Other services have recovered 14.26%, 11.87%, 91.10%, 13.19%, 178.33%, 397.31% and 33.90% respectively, from the jobs lost during the recession. ▪ By August 2016, Professional & business services and Leisure & hospitality had both recovered to their previous employment peak levels. ▪ However, the recovery rate for Information is still negative, namely -59.29%. ▪ The 12-month-ahead job recovery forecasts show that the future recovery rates in Illinois will increase for every sector except Information and Trade, transportation & utilities.
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CATCH UP SCENARIO

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

	Previous Peak	Current	Catch-up	Recovery rates at Aug 2016**
Nation	126.49 (Dec-2007)	132.44 (Aug 2016)	Positive growth	28.05%
RMW	119.39 (Jun-2000)	118.46 (Aug 2016)	Positive growth	60.53 %
IL	115.00 (Nov-2000)	114.05 (Aug 2016)	Positive growth	39.97%
Metro Areas***:				
Bloomington Normal	142.06 (Feb 2002)	131.51 (July 2016)	Negative growth	NA
Champaign-Urbana	116.26 (Jan 2009)	111.06 (July 2016)	Negative growth	NA
Chicago	114.82 (Nov 2000)	115.35 (July 2016)	Positive growth	135.39%
Davenport- Rock Island-Moline	115.06 (Mar 2008)	108.38 (July 2016)	Positive growth	4.96%
Decatur	112.38 (Jan 2000)	94.76 (July 2016)	Negative growth	NA
Kankakee	125.66 (Nov 2011)	124.90 (July 2016)	Positive Growth	108.37%
Peoria	122.09 (Aug 2008)	114.51 (July 2016)	Positive growth	16.78%
Rockford	122.81 (Nov 2000)	114.94 (July 2016)	Positive growth	64.38%
Springfield	110.94 (Aug 2000)	108.54 (July 2016)	Positive growth	470.61%
Metro-East	114.97 (Jun 2001)	108.80 (July 2016)	Positive growth	20.88%

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

**Recovery rates are percentage of jobs added since the last official end of the recession. We have also adjusted for differences in population and labor participation rates i.e shadow unemployment between the data month and December 2007.

*** 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 UNCHANGED IN JULY

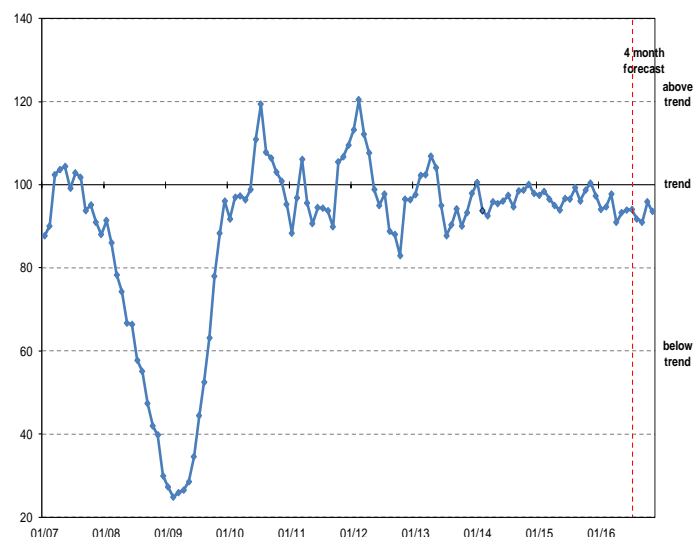
This index is based on national indices of leading indicators and is a barometer for the economy, tracing the path of growth or contraction through to the current period and then forecasts up to 24 months into the future.

- The Chicago Business Activity Index (CBAI) was unchanged at 94.0 in July. This is attributed to the fact that the positive job growth in the manufacturing and the nonmanufacturing sector was offset by the negative job growth in the construction sector and the decline in retail activities in the Chicago area.
- In July, the national and regional economies presented mixed features. The Federal Reserve Board announced that the industrial production index increased 0.7 percent in July to 104.9 after having risen 0.4 percent in June.
- Capacity utilization for the industrial sector increased 0.5 percentage point in July to 75.9 percent. The Chicago Fed reported that the Chicago Fed National Activity Index (CFNAI) rose to +0.27 in July from +0.05 in June. In the Chicago region, employment in the manufacturing and the nonmanufacturing sector rose 0.18 percent and 0.17 percent, respectively, in July. Employment in the construction sector decreased 0.64 percent in July. Retail sales are estimated to have declined 1.50 percent during the same period.
- In the coming months, the national economy is likely to stay on the expansion phase. The economic growth reflected in the CFNAI-MA3 suggests that growth in national economic activity is slightly below its historical trend. The Bureau of Labor Statistics reported that total nonfarm payroll employment increased by 151,000 and the unemployment rate remained at 4.9 percent in August. Considering recent national economic conditions and movements of projected CBAI, the Chicago economy is expected to continue its recovery trend over the next several months.

Chicago Business Activity Index

CBAI (Current: 94.0)

	1 month	3 month	1 year
Historical (ago)	94.0	90.9	96.6
Forecast (ahead)	91.8	95.9	-



METROPOLITAN STATISTICAL AREA LEAGUE TABLES

MSA LEAGUE TABLES SUMMARY*

- Champaign-Urbana-Rantoul (1st to 10th) experienced the deepest fall in July 2016.
- Springfield (4th to 6th), Bloomington-Normal (3rd to 7th), Decatur (7th to 8th), and Kankakee (2nd to 9th) also dropped in terms of rank from last month.
- The most remarkable upward move in July was recorded for Davenport-Rock Island-Moline (10th to 2nd).
- In the 12-month growth league table, upward moves were recorded for Chicago (4th to 3rd), Peoria (6th to 7th), and Bloomington-Normal (9th to 8th).
- Downward moves were recorded for Springfield (3rd to 4th) and Decatur (7th to 9th).
- In the 12-month growth league table, Davenport-Rock Island-Moline remained in the last place while Metro-East remained in the first 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	June 2016	July 2016	Rank	Change**
1	Champaign-Urbana-Rantoul (1.27%)	Peoria(0.78%)	1	↑ (+7)
2	Kankakee (1.1%)	Davenport-Rock Island-Moline(0.51%)	2	↑ (+8)
3	Bloomington-Normal(0.91%)	Metro-East(0.48%)	3	↑ (+6)
4	Springfield (0.52%)	Chicago(0.16%)	4	↑ (+2)
5	Rockford (0.43%)	Rockford (0.01%)	5	← (+0)
6	Chicago (0.08%)	Springfield (0.01%)	6	↓ (-2)
7	Decatur (-0.01%)	Bloomington-Normal(-0.06%)	7	↓ (-4)
8	Peoria (-0.21%)	Decatur(-0.14%)	8	↓ (-1)
9	Metro-East (-0.31%)	Kankakee(-0.18%)	9	↓ (-7)
10	Davenport-Rock Island-Moline (-1.52%)	Champaign-Urbana-Rantoul(-0.25%)	10	↓ (-9)

Growth over last 12-months:

Rank	June 2016	July 2016	Rank	Change**
1	Metro-East (2.01%)	Metro-East (2.71%)	1	← (+0)
2	Rockford (1.99%)	Rockford (1.91%)	2	← (+0)
3	Springfield (1.75%)	Chicago (1.24%)	3	↑ (+1)
4	Chicago (1.3%)	Springfield (1.02%)	4	↓ (-1)
5	Champaign-Urbana-Rantoul (1.03%)	Champaign-Urbana-Rantoul (0.44%)	5	← (+0)
6	Kankakee (-0.18%)	Kankakee (0.04%)	6	← (+0)
7	Decatur (-0.57%)	Peoria (-0.61%)	7	↑ (+1)
8	Peoria (-1.34%)	Bloomington-Normal (-1.41%)	8	↑ (+1)
9	Bloomington-Normal (-1.57%)	Decatur (-1.58%)	9	↓ (-2)
10	Davenport-Rock Island-Moline (-2.94%)	Davenport-Rock Island-Moline (-2.26%)	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)

